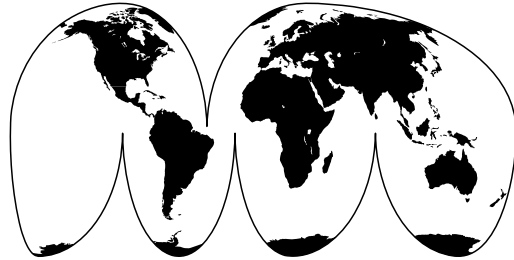


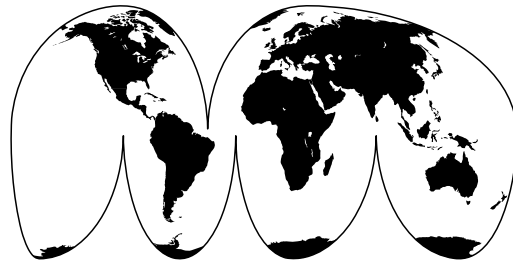
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# READER'S GUIDE

**GENERAL NOTE:** The Twelfth Edition of *Worldmark Encyclopedia of the Nations* (WEN) is comprised of five volumes. Volume 1 is dedicated to the United Nations and its related agencies. Volumes 2 through 5, "Africa," "Americas," "Asia and Oceania," and "Europe," contain entries on the countries of the world.

Reflecting the ever-changing status of the world geopolitical situation, the Twelfth Edition includes entries for 194 countries, one more than the previous edition. This reflects the 2006 decision of Montenegro to dissolve its relationship with Serbia to become an independent nation in its own right. Seven entries describe dependencies. This edition no longer includes volume 6, which was entitled *World Leaders*.

Some notable changes in previous editions include the Eleventh Edition's inclusion of an entry on East Timor, coverage of the aftermath of the terrorist attacks of 11 September 2001, and the expansion of the European Union and the North Atlantic Treaty Organization (NATO). Changes in the Tenth Edition included recording of the change in status for Macau; as of December 1999 Macau came under Chinese authority, and thus Macau was incorporated into the China entry (previously it was described under Portuguese Asian Dependency). Similarly, the entry for United Kingdom Asian Dependency (Hong Kong) was eliminated with the Ninth Edition; as of 1997 Hong Kong came under Chinese authority and, like Macau, is described in that country's entry. Also with the Tenth Edition, the introduction of the euro as currency in the nations of the European Union was noted. The Eighth Edition of this encyclopedia (1995) reported on the dramatic changes in the world in the early 1990s, including the dissolution of the USSR, Czechoslovakia, and Yugoslavia; the unification of Germany; the unification of Yemen; and the independence of Eritrea. These changes resulted in twenty-five new country articles. Whereas the First Edition of the *Worldmark Encyclopedia of the Nations*, in one volume, contained 119 articles, the present Twelfth Edition now contains 201.

In compiling data for incorporation into the *Worldmark Encyclopedia of the Nations*, substantial efforts were made to enlist the assistance of the government of every nation in the world, as well as of all pertinent UN agencies, who cooperated by supplying data and by revising and updating materials relevant to their sphere of interest. Material received from official sources was reviewed and critically assessed by the editors as part of the process of incorporation. Materials and publications of the UN family and of intergovernmental and nongovernmental organizations throughout the world provided a major fund of geographic, demographic, economic, and social data.

In compiling historical, economic, and political data, primary materials generated by governments and international agencies were supplemented by data gathered from numerous other sources including newspapers (most notably *The European*, the *Financial Times*, the *New York Times*, and the *Wall Street Journal*); periodicals (most notably *Current History*, *Elections Today*, *The Economist*, the *Far Eastern Economic Review*, *Foreign Affairs*, and *World Press Review*); and thousands of World Wide Web sites hosted by government agencies and embassies.

The reader's attention is directed to the Glossary of Special Terms for explanations of key terms and concepts essential to a fuller understanding of the text.

**COUNTRY NAMES:** Country names are reported (as appropriate) in three forms: the short-form name (generally conformed to the U.S. Central Intelligence Agency's *World Factbook 2006*), as commonly used in the text; the English version of the official name (generally conformed to the United Nations list of country names); and the official name in the national language(s). When necessary, textual usages of some short-form names have been rectified, usually through the substitution of an acronym for the official name, in order to strike a better balance between official usages and universal terminology. Thus the following short-form names have been adopted throughout (except in historical context to preserve accuracy): DROC (Democratic Republic of the Congo—known as Zaire prior to the Ninth Edition); ROC (Republic of the Congo); FRG (Federal Republic of Germany); North Korea: DPRK (Democratic People's Republic of Korea); and South Korea: ROK (Republic of Korea). In addition, Vietnam has replaced Viet Nam to reflect common usage.

**MAPS:** Spellings on the individual country maps reflect national usages and recognized transliteration practice. To clarify national boundaries and landforms, dark shading has been applied to waters, and lighter shading to lands not within that nation's jurisdiction. Cross-hatching has been used to designate certain disputed areas. Rivers that run dry during certain times of the year are indicated by dashed instead of solid lines.

**FLAGS AND NATIONAL EMBLEMS:** All depictions of flags, flag designations, and national emblems have been reviewed and, where necessary, corrected or changed to reflect their official usage as of 2006. In general, the term "national flag" denotes the civil flag of the nation.

**CURRENCY:** In most cases, currency conversion factors cited in the Twelfth Edition are as of the first quarter of 2006.

**WEIGHTS AND MEASURES:** The general world trend toward adoption of the metric system is acknowledged through the use of metric units and their nonmetric (customary or imperial) equivalents throughout the text. The two exceptions to this practice involve territorial sea limits, which are reported in nautical miles, and various production data, for which (unless otherwise stated) units of measure reflect the system in use by the country in question. All tons are metric tons (again, unless otherwise indicated), reflecting the practice of the UN in its statistical reporting.

**HOLIDAYS:** Except where noted, all holidays listed are official public holidays, on which government offices are closed that would normally be open. Transliterations of names of Muslim holidays have been standardized. For a fuller discussion on these points, and for a description of religious holidays and their origins and meanings, see the Glossary of Religious Holidays in this volume.

**GEOGRAPHIC INFORMATION:** To update the sections on Location, Size, and Extent; Topography, Climate, Flora and Fauna, and Environment, the following print publications (and their publishers) were used: *Geo-Data: The World Geographical Encyclopedia* (Gale Group), *World Development Indicators 2005* (The World Bank), and *World Resources* (Oxford University Press). Additional data was acquired from these websites: Library of Congress, *Country Studies: Country Profiles* (<http://lcweb2.loc.gov/frd/cs/profiles.html>); *Ramsar Convention on Wetlands* (<http://www.ramsar.org>); *UNESCO World Heritage Centre* (<http://www.whc.unesco.org>); *United Nations Environment Programme* (<http://www.unep.org>); *Weather Channel: Averages and Records* (<http://www.weather.com/common/home/climatology.html>); *World Conservation Union: Species Survival Commission* (<http://www.iucn.org/themes/ssc>); *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>).

**POPULATION DATA:** Data for the four rubrics describing population (Population, Migration, Ethnic Groups, Languages) were compiled from numerous publications of the U.S. Department of State, the World Bank, the United Nations, and the Organization for Economic Co-Operation and Development (OECD), specifically its publication *Trends in International Migration*. Also consulted were *The State of the World's Refugees* (Oxford University Press) and *International Committee of the Red Cross Annual Report* (International Committee of the Red Cross)

**RELIGIONS:** Data for this section were compiled in large part from the *2005 International Religious Freedom Report* released by the Bureau of Democracy, Human Rights, and Labor, U.S. Department of State. This is an annual report to Congress compiled in compliance with Section 102(b) of the International Religious Freedom Act (IRFA) of 1998. The *2005 Report* covers the period from 1 July 2004 to 30 June 2005 and includes the work of hundreds of State Department, Foreign Service, and other U.S. government employees. The authors gathered information throughout this period from a variety of sources, including government and religious officials, nongovernmental organizations, journalists, human rights monitors, religious groups, and academics.

**TRANSPORTATION:** Sources consulted for updated information on transportation include publications of the American Automobile Manufacturers Association, the International Road Transport Union, specifically its publication *World Transport Data*, and the *World Factbook 2006*.

**HISTORY:** In writing the History rubric, a variety of news and background information sources on each country were used. Full country profiles—including information on the history, economy, political institutions, and foreign relations on most nations of the world—are provided by the U.S. Library of Congress and by the U.S. Department of State; similar formats are published by the *BBC News International* version and *The Economist's* Country Briefings feature. In consulting news sources for up-to-date information on events, only reported facts (not editorials) were used. The *New York Times* and the *Washington Post* are more comprehensive than the *Wall Street Journal*, whose focus is placed on financial and business news. While the website of the United Nations was used extensively in compiling Volume 1 “United Nations,” of the *Worldmark Encyclopedia of the Nations*, its coverage of such problems as politics in the Middle East and global terrorism pertained to and supported the updating of history rubrics of a number of countries. Other organizations that publish journals or studies on global current events, foreign policy, international relations, and human rights include Amnesty International; Human Rights Watch; *Foreign Affairs*, published by the Council on Foreign Relations; and *Great Decisions*, published by the Foreign Policy Association. In addition, the official websites of each nation were consulted critically for information that could be gleaned from a state's view of its own history and place in the world.

**GOVERNMENT:** The Government rubric is constructed by outlining the institutions of government as they were formed throughout a nation's modern history, up to those existing under the present constitution. *Countries of the World and Their Leaders Yearbook 2006* (Thomson Gale) outlines the form of government and provides information on political conditions. The U.S. Library of Congress and the U.S. Department of

State chronicle constitutional changes and also provide information on the form of government. Electionworld and the *World Factbook 2006* provide information on officeholders in place at the time of publication. The *BBC News International* “Country Profiles” cover current leaders and their political parties, and *The Economist* is comprehensive in its coverage of political structures and political forces in place and at work in the nations it profiles. The official government websites of individual nations were also consulted.

**POLITICAL PARTIES:** *Countries of the World and Their Leaders Yearbook 2006* not only lists the political parties present in each nation, but provides additional information on the political parties in its “History” and “Government and Political Conditions” sections. *The Economist* also has sections in its country briefings labeled “political structure” and “political forces,” which describe the political climate of each nation the magazine profiles. In addition, *The Economist* provides a brief history of the nation, which often includes the history of political parties. Editors reviewed the profiles of selected nations prepared by the U.S. Library of Congress, which include comprehensive coverage of politics and political parties. The *World Factbook 2006* was consulted for a list of political parties, and often, their leaders. The website, Electionworld.org, describes the major political parties and their leaders, and also lists minor and defunct parties. Political Resources on the Net, a website, compiles links to a variety of sites useful to the researcher with a critical eye.

**LOCAL GOVERNMENT:** *Countries of the World and Their Leaders Yearbook 2006* lists the administrative subdivisions in each nation of the world; as does the U.S. State Department in its *Background Notes*, and the U.S. Central Intelligence Agency in its *World Factbook 2006*. *The Economist* was consulted for a description of regional legislatures. The U.S. Library of Congress “Country Profiles” briefings describe administrative divisions and provincial and local government.

**JUDICIAL SYSTEM:** *Countries of the World and Their Leaders Yearbook 2006*, *Background Notes*, and the *World Factbook 2006* all provided basic information on each nation’s judicial system. *The Economist* was consulted for a description of the legal systems of each nation it profiles. The U.S. Library of Congress “Country Profiles” briefings provided more in-depth detail about judicial power and structure in the nations it profiles. Jurist, a web-based legal news and real-time legal research service based out of the University of Pittsburgh School of Law in Pittsburgh, Pennsylvania, was consulted as well for concise information on each nation it profiles.

**ARMED FORCES:** Statistical data on armed forces was compiled from the *World Factbook 2006*, *The Military Balance* (The International Institute for Strategic Studies), the *SIPRI Yearbook* (Stockholm International Peace Research Institute), and other print and online sources including *Current World Nuclear Arsenals* maintained by the Center for Defense Information.

**INTERNATIONAL COOPERATION:** This section was updated using data provided by news agencies and the following websites: *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>) and *Background Notes* (<http://www.state.gov/t/pa/ei/bgn>).

**ECONOMY:** In addition to numerous official online sources, data on the economies of the world were compiled from the most recent editions of the following U.S. government publications: *National Trade Estimate on Foreign Trade Barriers*, *Country Commercial Guides*, and *Economic Policy and Trade Practices*. *The Economist* was consulted for detailed information on economic structures and select indicators in its “Country Profiles” archive; it also included economic and political forecasts for the nations it profiled. The U.S. Library of Congress “Country Profiles” provided a brief historical overview of the economies of the countries it profiled, in addition to detailing the current state of various sectors of those economies. *The Index of Economic Freedom* (Heritage Foundation) was also consulted for its measurement of independent variables into broad factors of economic freedom.

**INCOME:** Statistics on national income were obtained from sources published by the United Nations, The World Bank, and the U.S. Central Intelligence Agency (CIA). CIA figures are for gross domestic product (GDP), defined as the value of all final goods and services produced within a nation in a given year. In most cases, CIA figures are given in purchasing power parity terms.

**LABOR:** Labor statistics were compiled from *World Employment* and *Yearbook of Labour Statistics* (International Labour Office—ILO) and the ILO’s website *Child Labor Statistics by Country* (<http://www.ilo.org/public/english/standards/ipecc/simpoc/countries.htm>); the World Bank publication *World Development Indicators 2004*; and the U.S. State Department’s *Human Rights Reports 2005*.

**AGRICULTURE, FISHING AND FORESTRY:** In addition to government sources, statistical data for these sections was compiled from the following yearbooks published by the Food and Agriculture Organization of the United Nations: *Trade; Fishery Statistics: Commodities; Fisheries; Production; Agriculture*; and *Forest Products*.

**MINING:** Data on mining and minerals production came from various online sources and from statistics compiled by the Minerals Information office of the U.S. Geological Survey, U.S. Department of the Interior, including Volume III of the *Minerals Yearbook*. This volume of the *Minerals Yearbook* is published both electronically on the Internet and in various print formats available from the U.S. Government Printing Office Superintendent of Documents. The *Yearbook* provides an annual review of mineral production and trade and of mineral-related government and industry developments in more than 175 countries.

**ENERGY AND POWER:** Key sources consulted include *Country Analysis Briefs* (U.S. Energy Information Administration, U.S. Department of Energy), *Key World Energy Statistics* (International Energy Agency), and *World Development Indicators* (The World Bank).

**INDUSTRY :** The primary source material for the Industry rubric was the U.S. State Department's *Country Commercial Guides*, which provide a comprehensive look at countries' commercial environments, using economic, political, and market analysis. *Background Notes* were consulted for the information on the industrial history and climate of each country profiled. Also useful was information contained in the "Country Profiles" published by the U.S. Library of Congress. The *World Factbook 2006* provides a list of key economic indicators. *The Economist* and, to a lesser extent, *BBC News* were useful in providing background material for the Industry rubric.

**SCIENCE AND TECHNOLOGY:** The following print sources were consulted: *The Nature Yearbook of Science and Technology* (Palgrave Macmillan Publishers Ltd.); *NIRA's World Directory of Think Tanks* (National Institute for Research Advancement); in addition, the following websites were accessed: *International Science and Technology Activity* (maintained by Industry Canada, Government of Canada); *Economics Departments, Institutes, and Research Centers in the World* (maintained by the Department of Economics, University of Connecticut); *Science and Technology Statistics* (maintained by UNESCO Institute for Statistics); *World Development Indicators* (maintained by The World Bank); and *Annual Statistics* (patent and trademark information, maintained by the World Intellectual Property Organization).

**DOMESTIC TRADE:** Source material for the Domestic Trade rubric came from the U.S. State Department's *Country Commercial Guides*, *Background Notes*, and the United Nations publication, *International Trade Statistics Yearbook*. Also used was information contained in the "Country Profiles" published by the U.S. Library of Congress. *The Economist* and, to a lesser extent, the *BBC* were consulted in providing background material for the Domestic Trade rubric. The World Bank's service "Doing Business" database and the U.S. Commercial Service's "Buy USA" website were consulted for information on conducting business in a nation, which included business hours and business regulations. Finally, most nations' government websites provided information on domestic trade.

**FOREIGN TRADE:** Sources consulted included *2005 International Trade Statistics Yearbook* (Department of Economic and Social Affairs, Statistics Division, United Nations) and *Direction of Trade Statistics* (Real Sector Division, IMF Statistics Department, International Monetary Fund). The U.S. Department of State's *Country Commercial Guides* and *Background Notes* were also used. *The Economist* and the *World Factbook 2006* were consulted in listing import and export partners and key products traded. Various UN bodies—such as UNCTAD and UNESCO—provided up-to-date trade statistics.

**BALANCE OF PAYMENTS:** Balance of payments tables were computed from the International Monetary Fund's *Balance of Payments Statistics Yearbook*. In some cases, totals are provided even though not all components of those totals have been reported by the government of the country. Accordingly, in some instances numbers in the columns may not add to the total. Supplementing the IMF's *Balance of Payments Statistics Yearbook* were *The Economist's* "Country Briefings," the *World Factbook 2006*, and information taken from the U.S. State Department, in particular, the *Country Commercial Guides*. "Country Profiles" from the U.S. Library of Congress were also used. Also consulted was the United Nations publication *National Accounts Statistics: Main Aggregates and Detailed Tables*.

**BANKING AND SECURITIES:** Statistical data on securities listings and market activity was compiled in part from *Emerging Stock Markets Factbook, 2005* (Standard and Poor's) as well as from the websites *Country Forecasts* ([www.countrywatch.com](http://www.countrywatch.com)) and *International Banking Statistics* ([www.bis.org/statistics/bankstats.htm](http://www.bis.org/statistics/bankstats.htm)). Various websites specific to the individual countries of the world were also consulted.

**INSURANCE:** Primary sources for information on insurance include the online resources of the Insurance Information Institute, Rowbotham and Co. LLP, PricewaterhouseCoopers, the Swiss Reinsurance Company, and J. Zakhour & Co., as well as numerous national websites dealing with insurance.

**PUBLIC FINANCE:** In addition to official government websites, analytical reports from the U.S. Department of Commerce, and news reports, the following publications were consulted for standardized statistical data: *World Factbook 2006*, *International Financial Statistics Yearbook, 2002* (International Monetary Fund), and *Government Finance Statistics Yearbook, 2002* (International Monetary Fund).



**TAXATION:** Information on Taxation was compiled from country data sheets published by international accounting firms (Deloitte and Ernst & Young). Additional information was obtained from the U.S. Commerce Department and the government websites of the countries of the world.

**CUSTOMS AND DUTIES:** Information on Customs and Duties was compiled from country data sheets published by the accounting firms of Deloitte and Ernst & Young. Additional information was obtained from the U.S. Commerce Department, the World Trade Organization and the government website of the countries of the world.

**FOREIGN INVESTMENT:** Source material for the Foreign Investment rubric included the U.S. State Department's *Country Commercial Guides*, which provided a comprehensive analysis of the foreign direct investment environments of the countries of the world, as did the World Bank publication, *A Better Investment Climate for Everyone*. The International Monetary Fund's publications *International Financial Statistics Yearbook* and *Balance of Payments Statistics Yearbook*, and the U.S. State Department's *Background Notes* were consulted for the information on foreign direct investment. Also used was information contained in the "Country Profiles" published by the U.S. Library of Congress. *The Economist* was consulted in providing basic FDI figures and other relevant data.

**ECONOMIC DEVELOPMENT:** Source material for the Economic Development rubric included the U.S. State Department's *Country Commercial Guides* and *Background Notes*. *The Economist* was consulted for economic and political forecasts for selected nations. The U.S. Library of Congress "Country Profiles" provided a brief historical overview of the economies of the countries profiled, in addition to detailing the current state of various sectors of those economies. The *Index of Economic Freedom* was also consulted for its broad description of economic freedom and development. Information on foreign aid was taken from the print publications and websites of the International Monetary Fund, World Bank, and the United States Agency for International Development (USAID).

**SOCIAL DEVELOPMENT:** Publications consulted in the preparation of this rubric include *2005 Country Reports on Human Rights Practice* (<http://www.state.gov/g/drl/rls/hrrpt/2005/index.htm>), *International Save the Children Alliance Annual Report 2004* (Cambridge House), *The State of the World's Children* (Oxford University Press), and the *World Development Report* (Oxford University Press). Additional information was obtained from country-specific websites and general news publications.

**HEALTH:** Statistical sources consulted include *Country Health Briefing Papers* (a series of reports produced by IHSD Limited and DFID Health Systems Resource Centre for the United Kingdom Department for International Development); *Health Care Systems in Transition* (European Observatory on Health Care Systems, World Health Organization Regional Office for Europe); *Health in the Americas*, Volume II (Pan American Health Organization, World Health Organization) as well as numerous websites on the individual nations of the world. In addition, country-specific health profiles published by the World Health Organization and the World Bank were consulted.

**HOUSING:** The latest government population and housing census information available was used for each country through access of official government websites. Also of use was the World Bank publication *World Development Indicators 2005*. Topics accessed on the World Bank's website included *Countries and Regions*, *Urban Development*, and *Housing and Land*. Other websites consulted included Habitat for Humanity (<http://www.habitat.org>), United Nations Human Settlements Programme (<http://unhabitat.org>) and the U.S. Agency for International Development (USAID—<http://www.usaid.gov>). USAID topics accessed included *Locations* and *Urban Programs*).

**EDUCATION:** Data on Education was obtained from various UNESCO publications including *World Education Report*, *Global Education Digest*, *Education for All Global Monitoring Report 2005*, and the UNESCO *Statistical Yearbook*. Also consulted was *EdStats* compiled by the World Bank (<http://devdata.worldbank.org/edstats/>), the *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>), the UNESCO website's *Country and Regional Profiles* (<http://www.uis.unesco.org/profiles/>), and *World Data on Education* (International Bureau of Education).

**LIBRARIES AND MUSEUMS:** Some information concerning libraries and museums was accessed through official government websites of various countries when links were available to tourism, education, and/or cultural ministries or departments. In addition, the following websites were consulted: American Library Association (<http://www.ala.org>); International Federation of Library Associations and Institutions (<http://www.ifla.org>); Museums of the World (<http://www.museum.com>); and United Nations Educational, Scientific, and Cultural Organization (<http://www.unesco.org>).

**MEDIA:** Primary sources for this section include the annual *Editor & Publisher* publication *International Year Book*, online data provided by UNESCO, and the media sections of the "Country Profiles" featured on the website of *BBC News*. The UNESCO profiles provide key statistics and indicators on education, science and technology, and culture and communication. In addition, government and other websites related to the

countries of the world were consulted. Additional sources consulted include the publications *World Development Indicators 2005* (World Bank), *World Media Handbook* (United Nations), *World Factbook 2006*, and *2005 Country Reports on Human Rights Practices*.

**ORGANIZATIONS:** Lists of member countries were obtained through the official websites of a variety of prominent international organizations and associations, such as the International Federation of Red Cross and Red Crescent Societies, Amnesty International, Kiwanis International, the World Alliance of YMCAs, the World Organization of the Scout Movement, etc. *Associations Unlimited* (Thomson Gale) was also consulted.

**TOURISM, TRAVEL, AND RECREATION:** Statistical sources consulted include *Yearbook of Tourism Statistics* and *Compendium of Tourism Statistics*, both published by the World Tourism Organization. Tourism websites of the individual countries were also consulted, as well as the United Nations publication *Schedule of Daily Subsistence Allowance Rates* and the U.S. Department of State per diem travel allowances published online at [www.state.gov/r/pa/ei/bgn](http://www.state.gov/r/pa/ei/bgn).

**FAMOUS PERSONS:** Entries are based on information available through March 2006. Where a person noted in one country is known to have been born in another, the country (or, in some cases, city) of birth follows the personal name in parentheses.

**DEPENDENCIES:** Source material for the Dependencies rubric was taken from *Background Notes* and from the website of the United Nations. The Library of Congress's "Country Profiles" archive provided up-to-date information on dependencies. *The Economist* and the website of *BBC News* were also consulted, as was *Countries of the World and Their Leaders Yearbook 2006*.

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FROM THE  
**PREFACE**  
TO THE SEVENTH EDITION

Carved in stone, opposite the home of the United Nations, is an inscription taken from Isaiah: “. . . and they shall beat their swords into plowshares, and their spears into pruning hooks: nation shall not lift up sword against nation, neither shall they learn war any more.” The Prophets’ sense of moral justice, which was the foundation of their vision of peace as expressed in this inscription, has not yet been accepted as a basis for political behavior. Indeed, developments in recent years have cast a dark shadow over the United Nations. The passage of resolutions and the toleration of practices inconsistent with the spirit of the Charter have not only instilled doubt about the effectiveness of the organization as a political instrument but have also undermined the spirit of fairness and cooperation that once characterized the work of the specialized agencies. In the 1930s, the world witnessed the loss of moral force and then the political decline of the League of Nations. No friend of peace could wish its successor a similar fate. It is the fervent hope of the editors of this encyclopedia that political influences will not further undermine the substantive achievements of the United Nations.

The problems of peace preoccupy the minds of people everywhere. The ever-intensifying complexities of our times, while serving to increase the responsibility of a larger number of persons, often also augment the individual’s feeling of helplessness. Yet, knowledge of other lands and ability to see their people as fellow human beings can enable the individual to overcome this feeling of helplessness and to act for himself and others. In this spirit this work was conceived and is offered, with the hope that it may not only find many specific uses, but may bring into focus a broader world view for the reader, and thus contribute to international understanding.

MOSHE Y. SACHS  
Editor and Publisher, First through Seventh Editions

**FOREWORD**  
TO THE FIRST EDITION

This encyclopedia is different from all others produced in recent years. It is not simply a collection of miscellaneous facts for ready reference. It resembles more the pioneer work of those encyclopedists who ushered in the era of enlightenment in 18th-century France, in that it mirrors the life of men and nations at a great turning point in history, when the national state system of absolute sovereignties has to find new adjustments under the sovereignty of science. The old safeguards for security—mountains and oceans—no longer hold against the impact of an atomic age. The United Nations is the mirror of this new world in which international life becomes more and more interdependent. The political framework is therefore filled in by a comprehensive survey of the major interests of people everywhere. Such an encyclopedia should prove a valuable guide to the understanding not only of the United Nations but of our time.

JAMES T. SHOTWELL  
*6 August 1874–17 July 1965*  
Chairman, Editorial Advisory Board First Edition

# FOREWORD

Although the United Nations is often in the news, its basic nature, its possibilities and its limitations are not widely understood. In its first fifty years the organization has enormously expanded, both in membership and in the scope of its work. During that period, both governments and the public have made it responsible for a variety of dangerous and complex problems, usually without providing adequate means to tackle them. This has meant that the United Nations is mostly better known for its shortcomings than for its achievements.

At its foundation the main functions of the UN were the maintenance of international peace and security, disarmament, and various forms of post-war reconstruction. The founders, however, recalling that the part which economic and social disorder had played in creating the conditions for the second world war, provided, in the Charter, a resounding mandate for the promotion of “the economic and social advancement of all peoples” as well as of human rights and fundamental freedoms. The shortcomings of this side of the UN’s work, by far the largest part in terms of staff and programs, is perhaps the most serious disappointment of the organization’s first fifty years.

The UN itself is only the instrument of its member governments. Apart from the leadership, and the limited powers of initiative, of the Secretary General, the organization depends for its effectiveness and for its development on the support and the political will of the governments. Peacekeeping operations and the intermediary role of the Secretary General have spasmodically enjoyed such support, although there is now a serious controversy as to how much the UN ought to become involved in human disasters which are not threats to international peace. On the economic and social side there has been a far greater reluctance to give the UN a leading role.

The UN is now going through the most important transition of its history. Virtually all of its recent peace and humanitarian operations are concerned with violent situations within the boundaries of a single state, rather than with conflicts between states as in the past. The media and the public seem increasingly to see the organization as the police and rescue organization of a world community that does not yet exist. However reluctant governments may be to authorize and to provide the necessary resources for such a role, there can be little doubt that if the UN fails to carry it out, along with a far more effective lead in economic and social matters, the organization will become increasingly irrelevant to the great global problems which will determine the future of the human race. We already have many problems of “one world.” If the UN does not begin to deal with them effectively, it will cease to be useful, and the future will be correspondingly more hazardous.

The so-called UN system covers, in theory at any rate, virtually the entire range of human activity. After fifty years it needs reorganization, reform and renewal. However, its Charter and its fundamental institutions are sound. If the world organization is to be strengthened to meet the enormous challenges of coming years, it is essential that the public understand it, so that it can be both intelligently criticized and strongly supported. This Encyclopedia provides a comprehensive and accessible basis for such understanding.

BRIAN URQUHART  
Scholar-in-Residence, The Ford Foundation  
August 1994

FROM THE

# INTRODUCTION

TO THE FIRST EDITION

The swift course of domestic and world events, part of a hastened process of change, requires an enormous increase of basic understanding by peoples of the multiple factors influencing the tempo and direction of national developments. The pattern of intercultural penetration and cross-fertilizing exchanges of scientific and technological knowledge rests upon a concept of fundamental unity of diverse approaches to the central objective of all human endeavors: the creation of a better world, with general equality of opportunity to all individuals, everywhere.

Within a planet shrunk into community bounds by the progress of communications there are no substantial sectors of mankind still completely isolated from the main currents of 20th-century thought and action. A growing sense of identification among men is fostered by the adoption of certain basic standards of human rights and the slow growth of supranational law rooted in the fundamental principles that are common to all juridical systems.

No period in history has witnessed such accelerated search for adequate answers to the riddles that have so long beset humanity. Metaphysical explanations of the universe and of the individual's place within it vie with each other in the vast and only superficially explored realm of emotions; rationalized conceptions of economic and social philosophies contend in the marketplace of personal loyalties with a violence that frequently threatens to rend asunder the fabric of overall unity; and the march forward of freedoms and improvements in the status of people throughout our earth is largely clouded by the supercharged treatment of political affairs in the media of mass communication.

At a time when people everywhere are truly eager for accurate, comprehensive, and timely information about themselves and their neighbors in the closely related various geographic areas, the vastness and multiplicity of the field to be covered promotes reporting that serves little the needs of the average person: it is either too detailed in breadth and depth, so that only specialists can profit from its availability, or sketchy and fragmentary, to the point where it contributes more to confusion than enlightenment of the users.

A specific reason has made necessary a new approach to analytical and basic data on each country, as a separate political unit, and as a member of the vast family of nations all constitute together: the universality of their interest in the maintenance of international peace and security through the joint exercise of agreed-upon powers to restrain violence; to police disturbed areas where peaceful relations are endangered; to promote the application of legal procedures to the adjudication of their differences; and to strike at the very sources of controversy, which are rooted in the deep chasms among their economic and social standards and their consequent basic inequalities of status.

So-called realists may continue to voice their belief that conflict among nations is an outgrowth of their dynamic development, and that only practical arrangements which create "balances" of power can establish an equilibrium within the diverse segments of the world; and theorists of the biological inevitability of war still proclaim the materialistic concept that only a concentration of authority in the hands of some overwhelmingly strong state can eliminate actual armed conflict and bring to subjected peoples the "benefits" of a freedomless "pax romana." But mankind has made great strides since the days of empires, the conquest of colonial dependencies, the plagues and misery that fixed the general expectation of human life under thirty years, and the spiritual darkness of illiteracy and isolation from the mainstreams of culture of variegated philosophical, religious, and scientific concepts.

Under principles of ethics the peoples and the nations emerged as possessors of rights and bearers of responsibilities, and morality took its place in the councils of power. The advancement toward a universal rule of law has been too slow for the idealists and yet most encouraging to those who believe that peaceful evolutionary progress achieves more durable results than violent revolutionary change. The steady process of codification of generally recognized juridical principles and the formulation of new ones through general consensus constitute one of the most hopeful signs of this restless era of change. International compacts such as the Covenant of the League of Nations and the Charter of the United Nations incorporate moral concepts side by side with legal standards. They recognize that there are both ethical and juridical duties and rights that must be observed by states in their reciprocal relations and in respect of their inhabitants, subjects, and citizens.



So far-reaching are the changes already wrought within the world community, particularly for its less developed segments, that the normal processes of history have lost considerable significance in the face of new realities recently created.

Feeling that none of the encyclopedias and specialized sources of information do sufficient justice to these accomplishments in political freedom, economic development, social progress, and the practice of international cooperation, Worldmark Press, Inc., decided to publish a basically new encyclopedia devoted to the nations.

After identifying the outward symbols of each state: the capital, a map, the flag, the national anthem, the monetary unit, the system of weights and measures, holidays, and time, each article proceeds to cover, as thoroughly as available data permit, 50 individual phases of the country's life, so as to furnish an overall picture of its present as rooted in the past evolution of its institutions, customs, and traditions. A precise definition of location, size, and extent of the individual territory is given, so that the reader can visualize, as a living reality, that which the map depicts graphically. Topography, climate, and flora and fauna supplement the other natural physical features of the respective nation.

More than by any other factor, countries are what they are because of man's exertions to create his own environment, so population, ethnic groups, and language are the next items covered. Together with the section devoted to religion, they give a basic understanding of the demographic phenomena that determine the basic institutions, political, economic, and social, of each sovereign unit.

Transportation and communications follow in the description of the positive factors working for the consolidation of each country's internal unity and of the reconstruction of the wider oneness of mankind.

Next there is a historical survey, in most cases kept brief because of the availability of comprehensive ones in other sources of general information.

As a result of the individual national experience various types of governmental authority have been either adopted from the similar experience of other peoples or created to meet different requirements. In the operation of governments, there are diverse types of machinery which correspond to particular political philosophies and which the citizens control through political parties.

Local governmental structures supplement the system of deliberative and executive authorities in charge of public interests.

Knowledge of the organizational pattern of the judiciary acquires considerable importance for all kinds of individual and corporate activities within a particular nation, so information is furnished thereon.

The internal stability of a country and its international security are made clear by adequate data on the organization and potential of the armed forces.

Because the pattern of migrations has undergone great changes, information on their effect upon demographic developments in each state is of deep significance for any evaluation of manpower prospects and consumer potentials.

No nation is an isolated unit itself. The extent to which each government engages in international cooperation is a useful indicator of its concern with the peaceful handling of potential sources of tensions and conflicts.

One of the phases of internal development with an international impact relates to the wide range of the economy. This encyclopedia deals comprehensively with income, labor, agriculture, animal husbandry, fishing, forestry, mining, energy and power, industry, domestic trade, foreign trade, balance of payments, banking, insurance, securities, public finance, taxation, customs and duties, foreign investment, and economic policy.

It also gives information on health, social welfare, and housing, important in the economically less developed nations as a mainspring of economic activity and financial investment for what is called the infrastructure, vital as a prerequisite of other actions to promote production, employment, higher standards of living and, in general, a broader enjoyment of basic human rights and fundamental freedoms.

The domestic activities mentioned in the two previous paragraphs aim to help in the struggle against illiteracy which, even in more advanced countries, reduces the number of citizens actively engaged in political life and is instrumental in the growth and maintenance of discriminatory practices and arbitrary stereotypes within each nation and between many nations. It is of the utmost importance to know the educational facilities available for supplying trained political leaders, administrators, economists, social workers, medical personnel, and technicians. And to data on teaching establishments is added information on libraries and museums and on the organizations set up by the people of each country to promote their collective interests and welfare.

The press and other media of information and enlightenment constitute an important index of the cultural standing of the people; the degree of their freedom is the best evidence of the intellectual maturity of

government and governed, and a significant indicator of the degree to which essential human rights in the field of opinion are truly respected.

Perhaps the most effective way to advance reciprocal understanding is by contacts among peoples of different countries and with each other's natural environment. The conditions which must be met for the purposes of tourism are fully explained.

Dependencies for which each individual state assumes international responsibilities are described in detail. Finally a brief roll of famous persons is a biographical listing of national figures. An up-to-date bibliography closes each nation's description.

But in our day and era nations are not islands unto themselves, busy solely with internal problems of varying magnitude. The field of exclusively domestic concern is shrinking under the tremendous impact of easy communications among nations.

While the United Nations and regional organizations of states, directly or through their subsidiary or associated organs, may and do deal with practically every field of human interest, other organizations restrict their jurisdiction to the more specific areas of economic or social matters. They handle issues at the universal and at the close neighborhood levels and, large or small, they each play a part in the process of international cooperation to improve and give constructive meaning to the relations among peoples. Even military pacts have gradually broadened the scope of their concern as a result of the finding that merely negative aims do not afford by themselves the stability and coherence for which they were brought into being. The Secretary-General of the United Nations, Mr. Dag Hammarskjöld, has repeatedly stated his views that any collective action conducted outside the United Nations, but consonant with the spirit of its charter, can be considered as cooperation toward the fundamental objectives of the world organization.

Because we live under the impact of global issues that affect every individual, for good or for ill, and because also of the advance of democratic processes domestically and internationally, more and more people are now actively concerned with the course of world affairs. The best channels to voice their hopes are the governments democratically elected and responsible to the wishes of the citizenry. When the people disagree with their authorities, whose judgment must necessarily take into account factors not always of public knowledge, the people then can use their nongovernmental bodies to express their prevailing views.

The *Worldmark Encyclopedia of the Nations* is a pioneer effort. It is our earnest hope that this first edition may prove a truly useful tool to everyone.

BENJAMIN A. COHEN  
18 March 1896–12 March 1960  
Editor in Chief, First Edition

# CONVERSION TABLES\*

## LENGTH

1 centimeter.....	0.03280833 foot
1 meter (100 centimeters).....	3.280833 feet
1 meter.....	1.093611 US yards
1 kilometer (1,000 meters).....	0.62137 statute mile
1 kilometer.....	0.539957 nautical mile
1 inch.....	2.540005 centimeters
1 foot (12 inches).....	30.4801 centimeters
1 US yard (3 feet).....	0.914402 meter
1 statute mile (5,280 feet; 1,760 yards).....	1.609347 kilometers
1 British mile.....	1.609344 kilometers
1 nautical mile (1.1508 statute miles or 6,076.10333 feet).....	1.852 kilometers
1 British nautical mile (6,080 feet).....	1.85319 kilometers

## AREA

1 sq centimeter.....	0.154999 sq inch
1 sq meter (10,000 sq centimeters).....	10.76387 sq feet
1 sq meter.....	1.1959585 sq yards
1 hectare (10,000 sq meters).....	2.47104 acres
1 sq kilometer (100 hectares).....	0.386101 sq mile
1 sq inch.....	6.451626 sq centimeters
1 sq foot (144 sq inches).....	0.092903 sq meter
1 sq yard (9 sq feet).....	0.836131 sq meter
1 acre (4,840 sq yards).....	0.404687 hectare
1 sq mile (640 acres).....	2.589998 sq kilometers

## VOLUME

1 cubic centimeter.....	0.061023 cubic inch
1 cubic meter (1,000,000 cubic centimeters).....	35.31445 cubic feet
1 cubic meter.....	1.307943 cubic yards
1 cubic inch.....	16.387162 cubic centimeters
1 cubic foot (1,728 cubic inches).....	0.028317 cubic meter
1 cubic yard (27 cubic feet).....	0.764559 cubic meter

## LIQUID MEASURE

1 liter.....	0.8799 imperial quart
1 liter.....	1.05671 US quarts
1 hectoliter.....	21.9975 imperial gallons
1 hectoliter.....	26.4178 US gallons
1 imperial quart.....	1.136491 liters
1 US quart.....	0.946333 liter
1 imperial gallon.....	0.04546 hectoliter
1 US gallon.....	0.037853 hectoliter

## WEIGHT

1 Kilogram (1,000 grams).....	35.27396 avoirdupois ounces
1 kilogram.....	32.15074 troy ounces
1 kilogram.....	2.204622 avoirdupois pounds
1 quintal (100 kg).....	220.4622 avoirdupois pounds
1 quintal.....	1.9684125 hundredweights
1 metric ton (1,000 kg).....	1.102311 short tons
1 metric ton.....	0.984206 long ton
1 avoirdupois ounce.....	0.0283495 kilogram
1 troy ounce.....	0.0311035 kilogram
1 avoirdupois pound.....	0.453592 kilogram
1 avoirdupois pound.....	0.00453592 quintal
1 hundred weight (cwt., 112 lb).....	0.50802 quintal
1 short ton (2,000 lb).....	0.907185 metric ton
1 long ton (2,240 lb).....	1.016047 metric tons

## ELECTRIC ENERGY

1 horsepower (hp).....	0.7457 kilowatt
1 kilowatt (kw).....	1.34102 horsepower

## TEMPERATURE

Celsius (C).....	Fahrenheit-32 X 5/9
Fahrenheit (F).....	9/5 Celsius + 32

## BUSHEL

	LB	METRIC TON	BUSHEL PER METRIC TON
Barley(US)	48	0.021772	45.931
(UK)	50	0.022680	44.092
Corn (UK, US)	56	0.025401	39.368
Linseed (UK)	52	0.023587	42.396
(Australia, US)	56	0.025401	39.368
Oats (US)	32	0.014515	68.894
(Canada)	34	0.015422	64.842
Potatoes (UK, US)	60	0.027216	36.743
Rice (Australia)	42	0.019051	52.491
(US)	45	0.020412	48.991
Rye (UK, US)	56	0.025401	39.368
(Australia)	60	0.027216	36.743
Soybeans (US)	60	0.027216	36.743
Wheat (UK, US)	60	0.027216	36.743

## BAGS OF COFFEE

	LB	KG	BAGS PER METRIC TON
Brazil, Columbia			
Mexico, Venezuela	132.28	60	16.667
El Salvador	152.12	69	14.493
Haiti	185.63	84.2	11.876

## BALES OF COTTON

	LB	METRIC TON	BALES PER METRIC TON
India	392	0.177808	5.624
Brazil	397	0.180000	5.555
US (net)	480	0.217724	4.593
US (gross)	500	0.226796	4.409

## PETROLEUM

One barrel = 42 US gallons = 34.97 imperial gallons = 158.99 liters = 0.15899 cubic meter (or 1 cubic meter = 6.2898 barrels).

\*Includes units of measure cited in the text, as well as certain other units employed in parts of the English-speaking world and in specified countries.

# ABBREVIATIONS AND ACRONYMS

- AD—Anno Domini  
ADB—African Development Bank  
AsDB—Asian Development Bank  
AFL-CIO—American Federation of Labor–Congress of Industrial Organizations  
AID—Agency for International Development [of the US]  
AIDS—Acquired Immune Deficiency Syndrome  
AM—before noon  
AM—Amplitude modulation  
ANZUS—Security Treaty of Australia, New Zealand, and the United States  
Arch.—Archipelago  
ASEAN—Association of Southeast Asian Nations  
ASSR—Autonomous Soviet Socialist Republic  
AU—African Union  
b.—born  
BC—Before Christ  
BCEAO—Central Bank of the West African States (Banque Centrale des États de l’Afrique de l’Ouest)  
BEAC—Bank of the Central African States (Banque des États de l’Afrique Centrale)  
BENELUX—Benelux Economic Union (Belgium-Netherlands-Luxembourg Economic Union)  
Bibliog.—bibliography  
BIS—Bank for International Settlements  
BLEU—Belgium-Luxembourg Economic Union  
Br.—British  
Brig.—brigadier  
c.—circa (about)  
c—Celsius  
CACM—Central American Common Market  
Capt.—Captain  
CARE—Cooperative for American Remittances to Everywhere, Inc.  
CARICOM—Caribbean Community and Common Market  
CCC—Customs Cooperation Council  
CDB—Caribbean Development Bank  
CEAO—West African Economic Community (Communauté Économique de l’Afrique de l’Ouest; replaced UDEAO)  
CEMA—*see* CMEA  
CENTO—Central Treaty Organization  
CERN—European Organization for Nuclear Research  
CFA—Communauté Financière Africaine  
CFP—Communauté Française du Pacifique  
CGT—Confédération Générale du Travail  
CIA—Central Intelligence Agency of the US  
c.i.f.—cost, insurance, and freight  
cm—centimeter(s)  
CMEA—Council for Mutual Economic Assistance  
Co.—company  
Col.—colonel  
COMECON—*see* CMEA  
comp.—compiled, compiler  
Cons.—Conservative  
Corp.—corporation  
cu—cubic  
cu m—cubic meters  
cwt—hundredweight  
d—daily  
d.—died  
DDT—dichlorodiphenyltrichloroethane  
Dem.—Democratic  
DPT—diphtheria, pertussis, and tetanus  
Dr.—doctor  
DPRK—Democratic People’s Republic of Korea (North Korea)  
DRV—Democratic Republic of Vietnam (North Vietnam)  
dwt—deadweight tons  
e—evening  
E—east  
EAC—East African Community  
EAEC—*see* EURATOM  
EC—European Communities  
ECA—Economic Commission for Africa [of the UN]  
ECAFE—*see* ESCAP  
ECE—Economic Commission for Europe [of the UN]  
ECLAC—Economic Commission for Latin America and the Caribbean [of the UN]  
ECOWAS—Economic Community of West African States  
ECSC—European Coal and Steel Community  
ed.—editor, edited, edition  
EEC—European Economic Community (Common Market)  
EFTA—European Free Trade Association  
e.g.—*exempli gratia* (for example)  
ESCAP—Economic and Social Commission for Asia and the Pacific [of the UN]  
ESCWA—Economic and Social Commission for Western Asia [of the UN]  
ESRO—European Space Research Organization  
est.—estimate(d)  
*et al.*—*et alii* (and others)  
EU—European Union  
EURATOM—European Atomic Energy Community  
f.—founded  
F—Fahrenheit  
FAO—Food and Agriculture Organization [of the UN]  
ff.—following  
fl.—flourished  
FM—frequency modulation  
f.o.b.—free on board  
Fr.—France, French  
FRG—Federal Republic of Germany (West Germany)  
FSM—Federated States of Micronesia  
ft—foot, feet  
ft<sup>3</sup>—cubic foot, feet  
Ft.—Fort  
G-77—Group of 77

GATT—General Agreement on Tariffs and Trade  
 GCC—Gulf Cooperation Council  
 GDP—gross domestic product  
 GDR—German Democratic Republic (East Germany)  
 Gen.—General  
 GHz—gigahertz  
 gm—gram(s)  
 GMT—Greenwich Mean Time  
 GNP—gross national product  
 GRT—gross registered tons (tonnage)  
 GSP—gross social product  
 HIV—human immunodeficiency virus  
 HMSO—Her Majesty’s Stationery Office of the UK  
 ha—hectare(s)  
 I.—Island  
 IADB—*see* IDB  
 IAEA—International Atomic Energy Agency  
 IATA—International Air Transport Association  
 IBRD—International Bank for Reconstruction and Development  
 (World Bank)  
 ICAO—International Civil Aviation Organization  
 ICC—International Control Commission  
 ICFTU—International Confederation of Free Trade Unions  
 ICSU—International Council of Scientific Unions  
 IDA—International Development Association  
 IDB/IADB—Inter-American Development Bank  
 i.e.—*id est* (that is)  
 IFAD—International Fund for Agricultural Development  
 IFC—International Finance Corporation  
 IGO—intergovernmental organization  
 IGY—International Geophysical Year  
 ILO—International Labor Organization  
 IMCO—*see* IMO  
 IMF—International Monetary Fund  
 IMO—International Maritime Organization (formerly IMCO)  
 in—inch(es)  
 Inc.—incorporated  
 Indep.—Independent  
 INSTRAW—International Research and Training Institute for  
 the Advancement of Women [of the UN]  
 INTELSAT—International Telecommunications Satellite  
 Consortium  
 INTERPOL—International Criminal Police Organization  
 IRU—International Relief Union  
 Is.—islands  
 ITU—International Telecommunication Union  
 IUCN—International Union for the Conservation of Nature and  
 Natural Resources  
 IWC—International Whaling Commission; International Wheat  
 Council  
 kg—kilogram(s)  
 kHz—kilohertz  
 km—kilometer(s)  
 km/hr—kilometer(s) per hour  
 kw—kilowatt(s)  
 kwh—kilowatt-hour(s)  
 L.—Lake  
 LAFTA—Latin American Free Trade Association  
 LAIA—Latin American Integration Association  
 lb—pound(s)  
 Lieut.—lieutenant  
 Ltd.—limited  
 m—meter(s); morning  
 m<sup>3</sup>—cubic meter(s)  
 mg—milligram(s)  
 MHz—megahertz  
 mi—mile(s)  
 mm—millimeter(s)  
 mph—mile(s) per hour  
 MPR—Mongolian People’s Republic  
 Mt.—Mount  
 Mtn.—mountain(s)  
 Mw—Megawatt(s)  
 n—north  
 NA—not available  
 NATO—North Atlantic Treaty Organization  
 n.d.—no date  
 n.e.s.—not elsewhere specified  
 Neth.—Netherlands  
 NGO—nongovernmental organization  
 n.i.e.—not included elsewhere  
 NMP—net material product  
 NZ—New Zealand  
 OAPEC—Organization of Arab Petroleum Exporting Countries  
 (subgroup of OPEC)  
 OAS—Organization of American States  
 OAU—*see* AU  
 OCAM—African and Malagasy Common Organization  
 OECD—Organization for Economic Cooperation and  
 Development  
 OIHP—International Office of Public Health (Office  
 International d’Hygiène Publique)  
 O. M.—Order of Merit  
 OPEC—Organization of Petroleum Exporting Countries  
 orig.—original edition  
 oz—ounce(s)  
 p.—page  
 PAHO—Pan American Health Organization  
 PC of A—Permanent Court of Arbitration  
 PDRY—People’s Democratic Republic of Yemen (South Yemen)  
 PL—Public Law  
 PLO—Palestine Liberation Organization  
 PM—after noon  
 pop.—population  
 Port.—Portugal, Portuguese  
 pp.—pages  
 PRC—People’s Republic of China  
 r.—reigned  
 R.—river  
 Ra.—Range  
 Rep.—Republic  
 rev.—revised  
 ROC—Republic of China (Taiwan)  
 ROK—Republic of Korea (South Korea)  
 RVN—Republic of Vietnam (South Vietnam)  
 s—South

S.A.—Société Anonyme  
 SAARC—South Asian Association for Regional Cooperation  
 SDI—Strategic Defense Initiative  
 SDRs—Special Drawing Rights  
 SEATO—Southeast Asia Treaty Organization  
 SELA—Latin American Economic System (Sistema Económica Latinoamericano)  
 Sgt.—sergeant  
 SHAPE—Supreme Headquarters Allied Powers Europe  
 SPC—South Pacific Commission  
 sq—square  
 SRV—Socialist Republic of Vietnam  
 SSR—Soviet Socialist Republic  
 St.—Saint  
 tr.—translated  
 TB—tuberculosis  
 TV—television  
 UAE—United Arab Emirates  
 UAR—United Arab Republic  
 UCC—Universal Copyright Convention  
 UDEAC—Central African Customs and Economic Union (Union Douanière et Économique de l’Afrique Centrale)  
 UDEAO—*see* CEAO  
 UEAC—Central African Economic Union (Union des États de l’Afrique Centrale)  
 UHF—ultra high frequency  
 UK—United Kingdom of Great Britain and Northern Ireland  
 UMOA—West African Monetary Union (Union Monétaire Ouest Africaine)  
 UN—United Nations  
 UNCHS—UN Center for Human Settlements (Habitat)  
 UNCTAD—UN Conference on Trade and Development  
 UNDOF—UN Disengagement Observer Force  
 UNDP—UN Development Program  
 UNDRO—UN Disaster Relief Coordinator, Office of  
 UNEF—UN Emergency Force  
 UNEP—UN Environment Program  
 UNESCO—UN Educational, Scientific and Cultural Organization  
 UNFICYP—UN Peacekeeping Force in Cyprus  
 UNFPA—UN Population Fund  
 UNHCR—UN High Commissioner for Refugees  
 UNICEF—UN Children’s Fund  
 UNIDO—UN Industrial Development Organization  
 UNIFIL—UN Interim Force in Lebanon  
 UNITAR—UN Institute for Training and Research  
 UNMOGIP—UN Military Observer Group in India and Pakistan  
 UNRWA—UN Relief and Works Agency for Palestine Refugees  
 UNSO—UN Sahelian Office  
 UNTSO—UN Truce Supervision Organization  
 UNU—UN University  
 UNV—UN Volunteers  
 UPU—Universal Postal Union  
 US—United States of America  
 USIA—US Information Agency  
 USSR—Union of Soviet Socialist Republics  
 VHF—very high frequency  
 vol., vols., Vol., Vols.—volume(s)  
 w—west  
 WEU—Western European Union  
 WFC—World Food Council  
 WFP—World Food Program  
 WFTU—World Federation of Trade Unions  
 WHO—World Health Organization  
 WIPO—World Intellectual Property Organization  
 WMO—World Meteorological Organization  
 WTO—Warsaw Treaty Organization; World Tourism Organization; World Trade Organization  
 YAR—Yemen Arab Republic (North Yemen)

# GLOSSARY OF RELIGIOUS HOLIDAYS

## BUDDHIST HOLIDAYS

Buddhist religious practice stems from the Hindu belief that every new moon or full moon day should be set apart for observance. In Buddhism, the half-moon days also have special status. In Sri Lanka, each Poya day—the day of the rise of the full moon of each month of the Buddhist calendar—is a public holiday. The following observances are common in Southeast Asia.

**Songran.** The Buddhist New Year is a three-day springtime water festival, in which images of the Buddha are bathed.

**Vesak.** This last full moon day of Visakha highlights a three-day celebration of the birth, enlightenment, and death of the Buddha. It falls in April or May.

**Waso (Varsa; Vassa).** This holiday begins the Buddhist equivalent of Lent, a period between July and October (the rainy season in Southeast Asia), during which Buddhist monks may not leave their cloisters. The season starts with the full moon of the month of Asalha and ends with a festival during the full moon of the month of Thadingyut.

## CHRISTIAN HOLIDAYS

The chief Christian holiday is **Easter**, the annual celebration of the resurrection of Jesus Christ. Like Passover, the Jewish feast from which it is derived, the date of observation is linked to the phases of the moon. Since the Christian calendar is a solar one rather than a lunar one, the date of Easter changes from year to year. Easter is celebrated on the first Sunday after the first full moon following the spring equinox; in the Gregorian calendar, it can occur as early as 22 March or as late as 25 April. The Easter date determines the date of many other Roman Catholic holidays, such as Ash Wednesday, Ascension, and Pentecost.

Important Christian celebrations and feasts that invariably occur on Sunday are not listed as holidays in the country articles because Sunday itself is a holiday (“holy day”) in predominantly Christian countries. In these lands, it is the day of rest and worship, occurring on the day after the Jewish Sabbath, from which it is derived, in commemoration of Christ’s resurrection on Easter Sunday.

The names and dates of the Christian holidays listed below are almost all based on Roman Catholic observances. Some of these holidays are also observed by Protestant denominations. By contrast, all countries where Eastern Orthodox rites predominate are Communist-ruled except Greece and the Greek-held portion of Cyprus; in the Communist countries, Christian holidays are not national holidays. For religious celebrations, some Eastern Orthodox churches retain the Julian calendar, which is 13 days behind the Gregorian calendar. Eastern Orthodox holidays do not fully correspond to the list of church holidays given below.

**Solemnity of Mary, Mother of God.** Observed on 1 January, this celebration was, before a 1969 Vatican reform, the Feast of the Circumcision of Our Lord Jesus Christ.

**Epiphany of Our Lord.** Traditionally observed on 6 January but now observable on the Sunday falling between 2 January and 7 January, this feast commemorates the adoration of the Magi, who journeyed to the place of Jesus’ birth. In the Orthodox churches, however, it is the feast celebrating Jesus’ baptism.

**St. Dévôte Day.** Observed on 27 January in Monaco in honor of the principality’s patron saint, this day celebrates her safe landing after a perilous voyage, thanks to a dove who directed her ship to the Monaco shore.

**Candlemas.** A national holiday on 2 February in Liechtenstein, this observation is now called the Presentation of the Lord, commemorating the presentation of the infant Jesus in the Temple at Jerusalem. Before a 1969 Vatican reform, it commemorated the Purification of Mary 40 days after giving birth to a male child in accordance with a Jewish practice of the time.

**St. Agatha’s Day.** On 5 February is celebrated the feast day of the patron saint of San Marino. St. Agatha is also the patron saint of nurses, firefighters, and jewelers.

**Shrove Monday and Shrove Tuesday.** These two days occur just prior to the beginning of Lent (a term which derives from the Middle English *lente*, “spring”), the Christian season of penitence that ends with Easter Sunday. These are days of **Carnival**, public holidays of feasting and merriment in many lands. Shrove Tuesday is also known as **Mardi Gras**.

**Ash Wednesday.** The first day of Lent, observed 46 days before Easter, is so called from the practice of placing ashes on the forehead of the worshiper as a sign of penitence. In the Roman Catholic Church, these ashes are obtained from burning palm branches used in the previous year’s **Palm Sunday** observation. (Palm Sunday commemorates the entry of Jesus into Jerusalem a week before Easter Sunday, and it begins **Holy Week**. On Ash Wednesday, the ashes are placed on the forehead of the communicant during Mass. The recipient is told, “Remember that you are dust, and unto dust you shall return” or “Turn away from sin and be faithful to the Gospel.”

**St. Patrick’s Day.** This holiday, observed on 17 March, is celebrated in Ireland to honor its patron saint.

**St. Joseph’s Day.** The feast day in honor of Mary’s husband is observed on 19 March as a public holiday in several countries.

**Holy (Maundy) Thursday.** The Thursday preceding Easter commemorates the Last Supper, the betrayal of Jesus by Judas Iscariot, and the arrest and arraignment of Jesus. In Rome, the pope customarily performs a ceremony in remembrance of Jesus’ washing of his apostles’ feet (John 13:5–20).

**Good Friday.** The day after Holy Thursday is devoted to remembrance of the crucifixion of Jesus and is given to penance and prayer.

**Holy Saturday.** This day commemorates the time during which Jesus was buried and, like Good Friday, is given to solemn prayer.

**Easter Monday.** The day after Easter Sunday is a public holiday in many countries.

**Prayer Day.** This Danish public holiday is observed on the fourth Friday after Easter.

**Ascension.** One of the most important Christian feasts, Ascension is observed 40 days after Easter in commemoration of Jesus' ascension to heaven.

**Pentecost Monday (Whitmonday).** This public holiday in many countries occurs the day after Pentecost (derived from the ancient Greek *pentekostos*, "fiftieth"), or **Whitsunday**, which commemorates the descent of the Holy Spirit upon Jesus' apostles on the seventh Sunday after Easter and is derived from the Jewish feast of Shavuot. It was an important occasion for baptism in the early church, and the name "Whitsunday" originated from the white robes worn by the newly baptized.

**Corpus Christi.** This holiday in honor of the Eucharist is observed on the Thursday or Sunday after **Trinity Sunday**, which is the Sunday after Pentecost. In the Roman Catholic and Eastern Orthodox Churches, the Eucharist is a sacrament in which the consecrated bread and wine literally become the body and blood of Jesus Christ, a belief stemming from New Testament accounts of the Last Supper.

**Sacred Heart.** The Friday of the week after Corpus Christi is a holiday in Colombia. The object of devotion is the divine person of Jesus, whose heart is the symbol of his love for mankind.

**Day of St. Peter and St. Paul.** This observance, on 29 June, commemorates the martyrdom of the two apostles traditionally believed to have been executed in Rome on the same day (c. AD 67) during the persecution of Christians ordered by Emperor Nero.

**St. James' Day.** Observed on 25 July, this day commemorates St. James the Greater, one of Jesus' 12 apostles. St. James is the patron saint of Spain.

**Feast of Our Lady of Angels.** This feast, on 2 August, is celebrated as a national holiday in Costa Rica in honor of the Virgin Mary. Pilgrimage is made to the basilica in Cartago, which houses a black stone statue of the Virgin.

**Assumption.** This holiday, observed on 15 August in many countries, celebrates the Roman Catholic and Eastern Orthodox dogma that, following Mary's death, her body was taken into heaven and reunited with her soul.

**Crowning of Our Lady of Altagracia.** Another holiday in honor of Mary, this day is celebrated in the Dominican Republic on 15 August with a pilgrimage to her shrine. (**Altagracia Day**, 21 January, is also a holiday in the Dominican Republic.)

**Day of Santa Rosa of Lima.** The feast day in honor of the first native-born saint of the New World, declared patron saint of South America by Pope Clement X in 1671, is 23 August, but in Peru, she is commemorated by a national holiday on 30 August.

**Day of Our Lady of Mercy (Las Mercedes).** Another holiday in honor of Mary, this observance on 24 September is a holiday in the Dominican Republic.

**All Saints' Day.** On 1 November, a public holiday in many countries, saints and martyrs who have no special festival are commemorated. In the Middle Ages, it was known as **All Hallows' Day**; the evening of the previous day, October 31, was called **All Hallow Even**, from which the secular holiday **Halloween** is derived.

**All Souls' Day.** This day, 2 November, is dedicated to prayer for the repose of the souls of the dead.

**Immaculate Conception.** This day, 8 December, celebrates the Roman Catholic dogma asserting that Mary's conception, as the future mother of God, was uniquely free from original sin. In Paraguay, it is observed as the Day of Our Lady of Caacupé.

**Our Lady of Guadalupe.** This Mexican festival, on 12 December, celebrates a miracle that the Virgin Mary is believed to have performed on this day in 1531, when she appeared before an Amerindian peasant and told him to build a shrine in her honor. The shrine is now the site of a basilica in the Mexico City area.

**Christmas.** The annual commemoration of the nativity of Jesus is held on 25 December. A midnight Mass ushers in this joyous celebration in many Roman Catholic churches. The custom of distributing gifts to children on **Christmas Eve** derives from a Dutch custom originally observed on the evening before **St. Nicholas' Day (6 December)**. The day after Christmas—often called **Boxing Day**, for the boxed gifts customarily given—is a public holiday in many countries.

**St. Stephen's Day.** The feast day in honor of the first martyred Christian saint is 26 December, the day after Christmas. St. Stephen is the patron saint of Hungary.

## HINDU HOLIDAYS

Hindu holidays are based on various lunar calendars, with an extra month inserted at intervals that vary from year to year, in order to keep festivals from shifting in relation to the seasons. The bright half of the month is that in which the new moon advances to the full moon; the dark half lasts from full moon to new moon. It is said that no nation has more festivals than India. Most are of only local or regional importance, but the following are national holidays in India and other countries with large Hindu populations.

**Raksha Bandhan.** During this festival, which usually falls in August, bracelets of colored thread and tinsel are tied by women to the wrists of their menfolk, thus binding the men to guard and protect them during the year. It is celebrated on the full moon of Sravana.

**Ganesh Chaturthi.** The festival, honoring Ganesh (Ganesha), god of prosperity, is held on the fourth day of the bright fortnight of the month of Bhadrapada, corresponding to August or September.

**Durga Puja.** This holiday honors the Divine Mother, wife of Shiva and the principle of creation, in her victory over the demon Mashishasura. It is held during the first 10 days of the bright fortnight of Asvina (Navaratri), a period corresponding to September or October. The last day is Dussehra, an autumn festival that celebrates the victory of the god Rama over Ravana, king of demons.

**Dewali (Deepavali; Diwali).** Dewali is the Hindu Festival of Lights, when Lakshmi, goddess of good fortune, is said to visit the homes of humans. The four- or five-day festival comes at the end of Asvina and the beginning of Karttika, a time corresponding to October or November.

**Shivarati (Mahashivarati).** Dedicated to the god Shiva, this holiday is observed on the 13th day of the dark half of Magha, corresponding to January or February.

**Thaipusam.** A holiday in Malaysia, Thaipusam honors Subramanya, son of Shiva and an important deity in southern India.



The three-day festival is held in the month of Magha according to when Pusam, a section of the lunar zodiac, is on the ascendant.

**Holi.** A festival lasting 3 to 10 days, Holi closes the old year with processions and merriment. It terminates on the full moon of Phalguna, the last month, corresponding to February or March.

## JEWISH HOLIDAYS

The basic Jewish holy day is the **Sabbath**, the seventh day of each week, starting at sundown on Friday and ending at nightfall on Saturday. This is a day of rest and is devoted to worship, religious study, and the family.

Other Jewish holidays (all starting at sundown and ending at nightfall) occur on specific days of specific months of the Jewish calendar, which consists of 12 alternating months of 29 or 30 days (two months are variable), conforming to the lunar cycle of roughly 29½ days. In order to reconcile the lunar year of 353, 354, or 355 days with the solar year of 365¼ days, a 30-day month (Adar Sheni) is added 7 times within a 19-year cycle. In this way, Jewish festivals retain their seasonal origins. The following list, arranged in the order of the Jewish calendar, shows Jewish religious holidays observed in the State of Israel.

**Rosh Hashanah.** The Jewish New Year is celebrated on 1 Tishri, the first month. In synagogues, the sounding of the shofar (ram's horn) heralds the new year. Rosh Hashanah begins the observance of the Ten Penitential Days, which culminate in Yom Kippur. Orthodox and Conservative Jews outside Israel celebrate 2 Tishri, the next day, as well.

**Yom Kippur.** The Day of Atonement, spent in fasting, penitence, and prayer, is the most solemn day in Judaism. It takes place on 10 Tishri.

**Sukkot.** This ancient Jewish harvest festival, which begins on 15 Tishri, recalls the period in which harvesters left their homes to dwell in the fields in sukkot, or booths—small outdoor shelters of boards, leaves, and branches—in order to facilitate gathering the crops before the seasonal rains began. In religious terms, it commemorates the 40 years of wandering in the desert by the ancient Hebrews after their exodus from Egypt. The 8th day of Sukkot and the 22d day of Tishri is **Shmini Azeret/Simhat Torah**, a joyous holiday in which the annual cycle of reading the Torah (the Five Books of Moses) is completed and begun anew. Outside of Israel, Simhat Torah and the beginning of a new reading cycle are celebrated on the next day, 23 Tishri.

**Hanukkah.** The Festival of Lights, corresponding roughly to the winter solstice, is celebrated over an eight-day period beginning on 25 Kislev, the third month. Also known as the Feast of Dedication and Feast of the Maccabees, Hanukkah commemorates the rededication of the Temple at Jerusalem in 164 BC. According to tradition, the one ritually pure container of olive oil, sufficient to illuminate the Temple for one day, miraculously burned for eight days, until new oil could be prepared. A feature of the Hanukkah celebration is the lighting in each Jewish home of an eight-branched candelabrum, the menorah (hanukkiah). This festival, though not a public holiday in Israel, is widely observed with the lighting of giant hanukkiot in public places.

**Purim.** This holiday, celebrated on 14 Adar (Adar Sheni in a leap year), joyously commemorates the delivery of the Jews from potential annihilation at the hands of Haman, viceroy of Persia, as described in the Book of Esther, which is read from a scroll (me-

gillah). The day, though not a public holiday in Israel, is widely marked by charity, exchange of edible gifts, and feasting.

**Pesach (Passover).** Pesach, lasting seven days in Israel and eight outside it, begins on 15 Nisan, at roughly the spring equinox, and recalls the exodus of the Hebrews from Egypt and their delivery from bondage. The chief festival of Judaism, Pesach begins with a ceremonial family meal, or seder, at which special foods (including unleavened bread, or matzoh) are eaten and the Passover story (Haggadah) is read.

**Shavuot.** This festival, on 6 Sivan, celebrates the presentation of the Ten Commandments to Moses on Mt. Sinai and the offering of the first harvest fruits at the temple in Jerusalem. The precursor of the Christian Pentecost, Shavuot takes place on the 50th day after the first day of Pesach.

**Tishah b'Av.** This holiday, which takes place on 9 Av, commemorates the destruction of the First Temple by the Babylonians (Chaldeans) in 586 BC and of the Second Temple by the Romans in AD 70. It is observed by fasting.

The Jewish calendar begins with the traditional date of Creation, equivalent to 3761 BC on the Christian calendar.

## MUSLIM HOLIDAYS

Like the Jewish calendar, the Islamic calendar consists of 12 months alternating between 29 and 30 days. A normal year is 354 days; a leap day is added to the last month (Dhu'l-Hijja) 11 times during a 30-year cycle in order to keep the calendar in conformity with the phases of the moon. Like the Jewish day, the Islamic day runs from sundown to sundown. Unlike the Jewish calendar, however, the Islamic calendar makes no attempt to align itself with the solar year by the periodic addition of an extra month; therefore, over the course of time, Islamic festivals may occur at any season. Like the Christian and Jewish calendars, the Islamic calendar has a seven-day week. Friday is the principal day of worship; although work is not forbidden on that day, it is suspended during the midday prayer session. The following list gives Muslim holy days that are observed as public holidays in one or more of the predominantly Muslim countries. Except where noted, a transliteration style reflecting pronunciation practice in the Arab countries is given. Not given here are certain special Muslim holidays in Iran, the only Muslim country in which the Shi'i form of Islam predominates.

**Muslim New Year.** Although in some countries 1 Muharram, which is the first month of the Islamic year, is observed as a holiday, the new year is in other places observed on Sha'ban, the eighth month of the year. This practice apparently stems from pagan Arab times. Shab-i-Bharat, a national holiday in Bangladesh on this day, is held by many to be the occasion when God ordains all actions in the coming year.

**Ashura.** This fast day was instituted by Muhammad as the equivalent of the Jewish Yom Kippur but later became voluntary when Ramadan replaced it as a penitential event. It also commemorates Noah's leaving the ark on Mt. Ararat after the waters of the Great Flood had subsided. In Iran, the martyrdom of Husayn, grandson of Muhammad, is commemorated with passion plays on this day.

**Milad an-Nabi.** The traditional birthday of Muhammad is celebrated on 12 Rabi al-Awwal, the third month of the Islamic year.

**Laylat al-Miraj.** This holiday, celebrated on 27 Rajab, the seventh month, commemorates the night of Muhammad's miraculous ascension to heaven, during which he received instructions from Allah on the requirements for daily prayer.

**Ramadan.** The first day of Ramadan (the ninth month) is a public holiday in many countries, although the religious festival does not officially begin until the new moon is sighted from the Naval Observatory in Cairo, Egypt. The entire month commemorates the period in which the Prophet received divine revelation and is observed by a strict fast from sunrise to sundown. This observance is one of Islam's five main duties for believers.

**Laylat al-Qadr (Night of Power).** This commemoration of the first revelation of the Koran (Qur'an) to Muhammad usually falls on 27 Ramadan.

**'Id al-Fitr.** The Little Festival, or Breaking-Fast-Festival, which begins just after Ramadan, on 1 Shawwal, the 10th month, is the

occasion for three or four days of feasting. In Malaysia and Singapore, this festival is called Hari Raya Puasa; in Turkey, Şeker Bayrami.

**'Id al-'Adha.** The Great Festival, or Sacrificial Feast, celebrates the end of the special pilgrimage season, or Hajj, to Mecca and Medina, an obligation for Muslims once in their lifetime if physically and economically feasible. The slaughter of animals pays tribute to Abraham's obedience to God in offering his son to the Lord for sacrifice; a portion of the meat is supposed to be donated to the poor. The feast begins on 10 Dhu'l-Hijja and continues to 13 Dhu'l-Hijja (14 Dhu'l-Hijja in a leap year). In Malaysia and Singapore, this festival is celebrated as Hari Raya Haji; in Indonesia, Lebaran Haji; in Turkey, Kurban Bayrami.

The Islamic calendar begins with the entry of Muhammad into Medina, equivalent to AD 622 on the Christian calendar.

# GLOSSARY OF SPECIAL TERMS

The following is a selected list, with brief definitions and explanations, of terms that appear frequently in these volumes. Not included below are UN organs and related agencies, which are discussed under their own headings elsewhere.

**adult literacy:** the capacity of adults to read and write, as defined by divergent national criteria of age and ability.

**ad valorem tax:** a levy based on a fixed percentage of an item's value; ad valorem taxes include sales taxes, property taxes, and the majority of import duties.

**African Development Bank:** IGO founded in 1963 and with its headquarters at Abidjan, Côte d'Ivoire; coordinates its members' development finances and provides loans.

**African Union (AU):** IGO founded in July 2002 as a successor to the amalgamated African Economic Community (AEC) and the Organization of African Unity (OAU). With headquarters in Addis Ababa, Ethiopia, the AU aims to have a single currency and a single integrated defense force, as well as other institutions of state, including a cabinet for the AU Head of State. The purpose of the organization is to help secure Africa's democracy, human rights and a sustainable economy, especially by bringing an end to intra-African conflict and creating an effective common market.

**animism:** the belief that natural objects and phenomena have souls or innate spiritual powers.

**Asian Development Bank:** IGO founded in 1966 and with its headquarters at Manila, Philippines; seeks to encourage economic growth in Asia and the Far East and provides long-term, large-scale loans, with emphasis on the developing countries.

**Association of South-East Asian Nations (ASEAN):** IGO founded in 1967 and with its headquarters at Jakarta, Indonesia; promotes economic cooperation among its members.

**balance of payments:** a systematic record of all financial transactions between one country and the rest of the world.

**bank of issue:** a bank empowered to issue currency.

**capital account:** all additions to or subtractions from a stock of investment.

**Caribbean Community and Common Market (CARICOM):** IGO founded in 1973 and with its headquarters in Georgetown, Guyana; seeks the establishment of a common external tariff and common trade policy among its members and promotes increased cooperation in agricultural and industrial development in the Caribbean region.

**cash economy:** see **money economy**.

**central bank:** a financial institution that handles the transactions of the central government, coordinates and controls the nation's commercial banks, and regulates the nation's money supply and credit conditions.

**Colombo Plan:** formally known as the Colombo Plan for Cooperative Economic Development in Asia and the Pacific, a multi-

national mutual assistance program that took effect in 1951 and has its headquarters in Colombo, Sri Lanka.

**commercial bank:** a bank that offers to businesses and individuals a variety of banking services, including demand deposit and withdrawal by check.

**Commonwealth of Nations:** voluntary association of the United Kingdom and its present dependencies and associated states, as well as certain former dependencies and their dependent territories. The term was first used officially in 1926 and is embodied in the Statute of Westminster (1931). Within the Commonwealth, whose secretariat (established in 1965) is located in London, England, are numerous subgroups devoted to economic and technical cooperation.

**constant prices:** money values calculated so as to eliminate the effect of inflation on prices and income.

**Council of Europe:** IGO founded in 1949 and with its headquarters in Strasbourg, France; promotes consultation and cooperation among European countries.

**crude birthrate:** the number of births in a year per 1,000 estimated midyear population.

**crude death rate:** the number of deaths in a year per 1,000 estimated midyear population.

**currency in circulation:** the tangible portion of a nation's money supply, composed of bank notes, government notes, and coins.

**current account:** the flow of goods and services, as measured by payments for and receipts from imports and exports, including interest and dividends.

**current prices:** money values that reflect prevailing prices, without excluding the effects of inflation.

**customs duty:** a tax imposed on the importation or exportation of goods.

**customs union:** an arrangement between governments to establish a common tariff policy and remove customs barriers between them.

**demand deposit:** a bank deposit that can be withdrawn by the depositor without previous notice to the bank.

**direct tax:** a tax that cannot be shifted from the original payer to the ultimate consumer of a good or service; direct taxes include the income tax and the poll tax.

**Economic Community of West African States (ECOWAS):** IGO founded in 1975 and with its headquarters at Lagos, Nigeria; seeks to establish a common tariff policy and promote economic cooperation among its members.

**economically active population:** see **labor force**.

**endangered species:** a type of plant or animal threatened with extinction in all or part of its natural range. For the Seventh Edition, listings of endangered animal species are as compiled for each country by the International Union for Conservation of Nature and Natural Resources.

**European Free Trade Association (EFTA):** customs union established in 1960 and with its headquarters in Geneva, Switzerland.

**European Union (EU):** name for a supranational organization established in 1992 by the Maastricht Treaty. The EU encompasses, among other entities, the European Coal and Steel Community, established in 1952; the European Economic Community (EEC, or European Common Market), founded in 1958; and the European Atomic Energy Community (EURATOM), also established in 1958. All EU members also participate in the European Parliament, which meets in Strasbourg, and the Court of Justice, which sits in Luxembourg.

**factor cost:** a concept used in determining the value of the national product in relation to the economic resources employed.

**fertility rate:** the average number of children that would be born to each woman in a population if she were to live through her childbearing lifetime bearing children at the same rate as women in that age range actually did in a given year.

**fly:** the part of a flag opposite and parallel to the one nearest the flagpole.

**foreign exchange:** all monetary assets that give residents of one country a financial claim on another.

**gross domestic product (GDP):** the total gross expenditure, in purchasers' values, on the domestic supply of goods and services (final use).

**gross national product (GNP):** the total monetary value of all final goods and services that a nation produces.

**Group of 77 (G-77):** IGO founded in 1967 to represent the interests of the developing countries and taking its name from the 77 developing nations that signed the Joint Declaration of the first UN Conference on Trade and Development (UNCTAD).

**Gulf Cooperation Council (GCC):** IGO founded in 1981 and with its headquarters in Riyadh, Saudi Arabia; aims at increasing cooperation among nations of the Persian (Arabian) Gulf region in matters of security and economic development.

**hoist:** the part of a flag nearest the flagpole.

**indirect tax:** a tax levied against goods and services; sales taxes, excise taxes, and import duties are generally regarded as indirect taxes.

**infant mortality rate:** the number of deaths of children less than one year old per 1,000 live births in a given year.

**installed capacity:** the maximum possible output of electric power at any given time.

**Inter-American Development Bank (IDB):** IGO established in 1959 and with its headquarters in Washington, D.C.; provides technical assistance and development financing to member nations in Latin America and the Caribbean.

**intergovernmental organization (IGO):** a body, such as the UN, to which only governments belong.

**international reserves:** cash and other international assets readily convertible into cash for the settlement of international accounts by a government.

**invisibles:** exports and imports of services (e.g., shipping charges, banking services, royalties, rents, and interest).

**labor force:** the number of people in a population available for work, whether actually employed or not.

**Latin American Integration Association (LAIA):** IGO founded in 1980 as the successor to the Latin American Free Trade As-

sociation and with its headquarters in Montevideo, Uruguay; seeks to foster economic cooperation among Latin American nations.

**League of Arab States (Arab League):** IGO founded in 1945 and with its headquarters in Tunis, Tunisia (formerly in Cairo, Egypt); attempts to coordinate national and international political activities of its members, to revive and diffuse the cultural legacy of Arabs, and to develop Arab social consciousness.

**life expectancy:** the expected life span of a newborn baby at any given date.

**lingua franca:** a language widely used as a means of communication among speakers of other languages.

**Marshall Plan:** formally known as the European Recovery Program, a joint project between the United States and most Western European nations under which \$12.5 billion in US loans and grants was expended to aid European recovery after World War II. Expenditures under the program, named for US Secretary of State George C. Marshall, were made from fiscal years 1949 through 1952.

**money economy:** a system or stage of economic development in which money replaces barter in the exchange of goods and services.

**most-favored-nation clause:** a provision in commercial treaties between two or more countries that guarantees that all partners to the agreement will automatically extend to each other any tariff reductions that they offer to nonmember countries.

**Net material product:** the total net value of goods and "productive" services, including turnover taxes, produced by the economy in the course of a given time period.

**net natural increase:** the difference between the crude birthrate and the crude death rate.

**nongovernmental organization (NGO):** a body, such as the International Chamber of Commerce or Amnesty International, in which organizations and individuals participate, often without government control or sponsorship.

**Nordic Council:** IGO founded in 1952 and with its headquarters in Stockholm, Sweden; a consultative body on matters of common interest to the Nordic (Scandinavian) countries.

**North Atlantic Treaty Organization (NATO):** IGO established in 1949 and with its headquarters in Brussels, Belgium; fosters cooperation in defense and other matters.

**Organization of American States (OAS):** IGO founded in 1948 and with its headquarters in Washington, D.C.; seeks to achieve peaceful settlement of members' disputes, promote solidarity in defense matters, and foster cooperation in the health, economic social and cultural fields.

**Organization for Economic Cooperation and Development (OECD):** IGO established in 1961 as the successor to the Organization for European Economic Cooperation and with its headquarters in Paris; attempts to promote economic growth, social welfare, higher living standards, and financial stability in member countries.

**Organization of Petroleum Exporting Countries (OPEC):** IGO founded in 1960 and with its headquarters in Vienna, Austria; seeks to coordinate its members' production and pricing of crude petroleum.

**Pan American Health Organization (PAHO):** IGO founded in 1902 as the International Sanitary Bureau; its headquarters are

now in Washington, D.C. An OAS affiliate, PAHO seeks to improve health and environmental conditions in the Americas.

**per capita:** per person.

**proved reserves:** the quantity of a recoverable mineral resource (such as oil or natural gas) that is still in the ground.

**public debt:** the amount owed by a government.

**retail trade:** the sale of goods directly to the consumer.

**smallholder:** the owner or tenant of a small farm.

**subsistence economy:** the part of a national economy in which money plays little or no role, trade is by barter, and living standards are minimal.

**supranational:** transcending the limitations of the nation-state.

**time deposit:** money held in a bank account for which the bank may require advance notice of withdrawal.

**turnkey project:** a factory or other installation wholly built by a company of one country at a site in another country, which then assumes complete operational control over it, paying the builder in cash, credits, or a share of the proceeds.

**turnover tax:** a tax on transactions of goods and services at all levels of production and distribution.

**value added by manufacture:** the difference, measured in national currency units, between the value of finished goods and the cost of materials needed to produce them.

**value-added tax (VAT):** *see ad valorem tax.*

**visibles:** international transactions involving movement of tangible goods.

**wholesale trade:** the sale of goods, usually in bulk quantities, to intermediaries for ultimate resale to consumers.

**work force:** *see labor force.*

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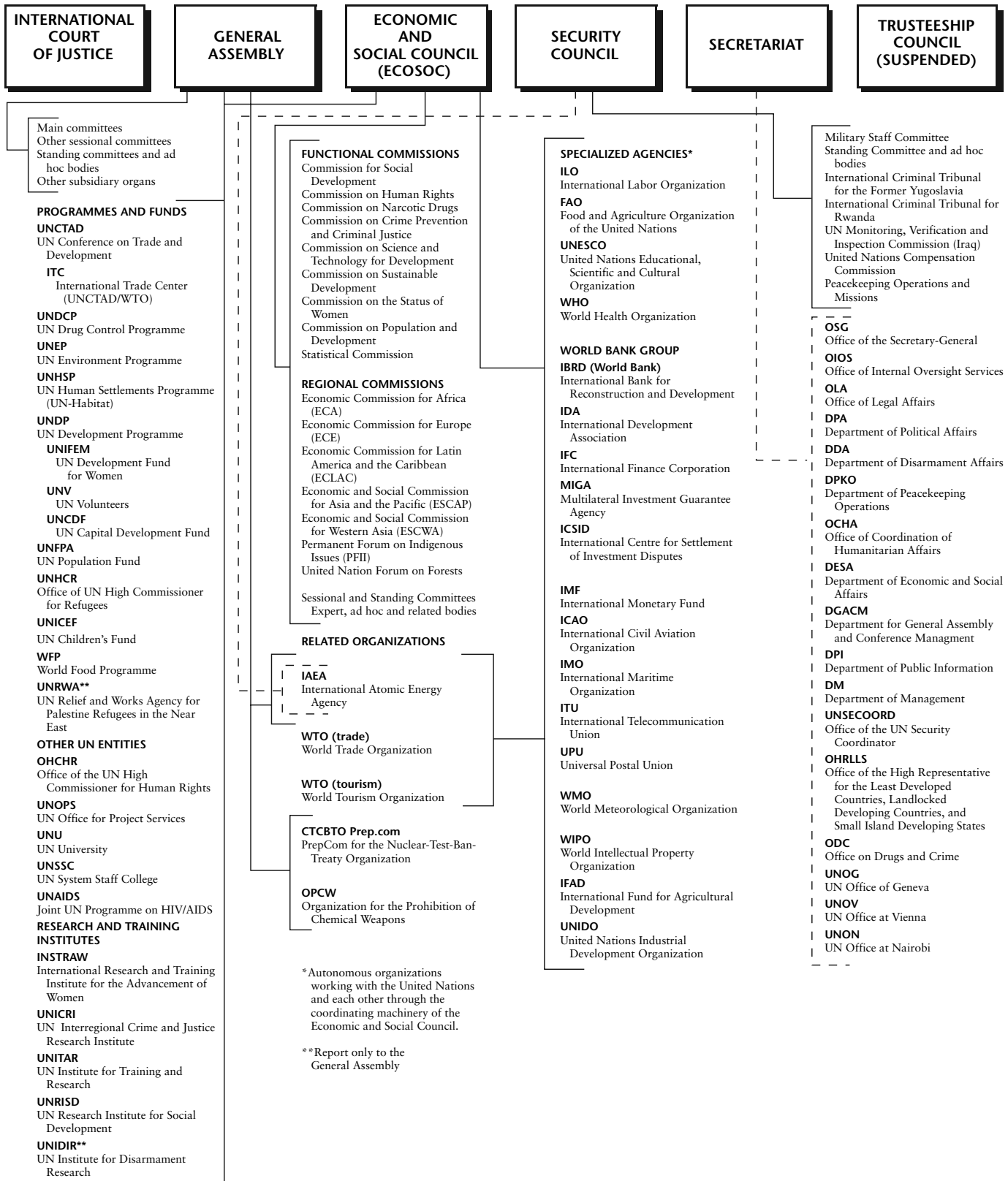
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# THE UNITED NATIONS SYSTEM



# THE UNITED NATIONS FAMILY OF ORGANIZATIONS



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# STRUCTURE OF THE UNITED NATIONS SYSTEM

The UN system is often referred to as a “family” of organizations. The charter of the UN, signed in San Francisco on 26 June 1945, defined six main organs of the new world body, each with specific tasks and functions. However, because it was impossible to foresee all the demands that might be made on the organization, provision was made for extending its capacities as the need arose. Thus, three of the main organs are specifically empowered to establish “such subsidiary organs” as may be considered necessary for the performance of their functions. In addition, Article 57 of the charter provides that the various specialized agencies established by intergovernmental agreement and having international responsibilities in economic, social, cultural, educational, health, and related fields “shall be brought into relationship” with the UN. Since the signing of the charter, the UN has established numerous subsidiary organs and has entered into relationship with various independent organizations. Reproduced is a chart showing the various organs and bodies within the UN system.

For assistance in interpreting the chart, a brief survey of the UN’s main organs, the different categories of subsidiary organs, and the related agencies is given below. A detailed description of the functioning of each of the main organs and an account of the work of selected subsidiary organs are contained in later chapters of the first section of this volume. The structure and work of the UN specialized and technical agencies are described in the second section.

## MAIN ORGANS OF THE UN

1. *The General Assembly*, composed of representatives of all member states, is the UN’s central deliberative body, empowered to discuss and make recommendations on any subject falling within the scope of the charter itself. It also approves the UN’s budget and determines—alone or with the Security Council—part of the composition of the other main organs, including the Security Council.
2. *The Security Council*, a 15-member body, has primary responsibility for maintaining international peace and security. In times of crisis, it is empowered to act on behalf of all member states and to decide on a course of collective action that is mandatory for the entire membership. The charter names five states as permanent members of the Security Council: China, France, the United Kingdom, Russian Federation, and the United States (those that were chiefly responsible for the defeat of the Axis powers in 1945). The remaining Security Council members are elected by the General Assembly for two-year terms.
3. *The Economic and Social Council (ECOSOC)* is assigned the task of organizing the UN’s work on economic and social matters and the promotion of human rights. It consists of 54 members elected for overlapping three-year terms by the General Assembly.
4. *The Trusteeship Council* operated the UN trusteeship system

established under the charter. It was originally composed of member nations administering trust territories, the permanent members of the Security Council, and a sufficient number of other members, elected by the General Assembly for three-year terms, to ensure an equal division of administering and nonadministering powers. After 1975, it was composed of the five permanent members of the Security Council—the United States, the sole remaining administering power, and the four permanent nonadministering powers. The last trust territory, the Pacific island of Palau, voted for affiliation with the United States in late 1993. The Trusteeship Council voted in 1994 to suspend operation, convening only at the request of its President, a majority of its member states, the General Assembly, or the Security Council.

5. *The International Court of Justice* is the principal judicial organ of the UN. It consists of 15 judges elected to nine-year terms by the General Assembly and the Security Council voting independently. It may not include more than one judge of any nationality. The Members of the Court do not represent their governments but are independent magistrates.
6. *The Secretariat* is the administrative arm of the organization. It is headed by a Secretary-General appointed by the General Assembly upon the recommendation of the Security Council for a five-year, renewable term.

## SUBSIDIARY ORGANS OF THE UN

The UN Charter specifically confers the right to create subsidiary organs upon the General Assembly, the Security Council, and the Economic and Social Council. The subsidiary bodies fluctuate in number from year to year, according to the changing requirements of the main organ concerned. Both the General Assembly and the Economic and Social Council, for instance, often create subsidiary bodies to assist them in new fields of concern and dissolve others that have completed their work. Some of the subsidiary organs in turn set up their own subsidiary units—working groups, subcommittees, and the like.

### Subsidiary Organs of the General Assembly

The General Assembly’s subsidiary organs range in complexity and status from temporary committees to semiautonomous institutions that maintain their own secretariats or administrative departments. The names of the institutions or programs in existence in 2006, most of which were set up under the joint aegis of the General Assembly and the Economic and Social Council and operate through ECOSOC, appear in the lower left-hand column of the UN Family of Organizations chart. The remaining subsidiary organs are too numerous to list; the chart merely indicates their principal types: main and other sessional committees, stand-



ing committees and ad hoc bodies, and other subsidiary organs and related bodies.

The main and sessional committees comprise representatives of all member states and are formally reconstituted at each regular General Assembly session to discuss the various items on the agenda for that year. Two sessional committees are not committees of the whole—the 28-member General Committee, which reviews the General Assembly's agenda prior to its adoption at each session, and the nine-member Credentials Committee, which examines the credentials of delegations sent to each General Assembly session.

There are many standing committees, ad hoc bodies, and other subsidiary organs and related bodies. Some of the more important of these are:

- the Advisory Committee on Administrative and Budgetary Questions (ACABQ), a 16-member expert committee which reviews the budgets submitted by the Secretary-General;
- the Committee for Programme and Coordination, a 34-member committee, that reviews the programmatic aspects of the Secretary-General's budget;
- the 18-member Committee on Contributions, which recommends the scale of assessments that nations are required to pay as their share of the United Nations budget;
- the Chief Executives Board (CEB) for Coordination, formerly the Administrative Committee on Coordination (ACC), established by ECOSOC in 1946. It is composed of the Secretary-General and the executive heads of 26 member organizations and is assisted by two high-level committees, the High Level Committee on Programmes (HLCP) and the High Level Committee on Management (HLCM). Its purpose is to promote cooperation on all of the substantive and management issues facing the UN system.

Substantive committees have been set up by General Assembly resolutions to study specific subjects of interest—for example, the peaceful uses of outer space, South Africa's former system of apartheid, and independence for colonial territories. Such committees, whose members are elected by the General Assembly or appointed by its president, usually meet several times a year. At each regular session, they report on their deliberations. They continue as long as is considered necessary. Even when their mandate seems completed, they are not necessarily formally disbanded but may be adjourned indefinitely and reactivated when the need arises. It is through these committees that the General Assembly accomplishes most of its work outside the spheres of responsibility that are specifically entrusted to the Economic and Social Council, the Trusteeship Council, or the various semiautonomous bodies referred to above.

#### Subsidiary Organs of the Security Council

The Military Staff Committee was established by the charter to advise the Security Council on the military aspects of maintaining international peace. However, the Military Staff Committee secretariat, though it holds regular formal meetings, has never been consulted on any of the UN's peacekeeping operations. The other subsidiary bodies shown on the chart in the lower right-hand column were set up, as their names suggest, to conduct the council's peacekeeping operations in the areas specified. Between June 1948 and May 2006, there were 60 peacekeeping operations, of which

45 were complete. (For further information on the work of these bodies, see the chapter on International Peace and Security.)

The Security Council maintains two standing committees, each including representatives of all Security Council member states: Committee of Experts on Rules of Procedure (studies and advises on rules of procedure and other technical matters); and Committee on Admission of New Members. Additionally, there are various ad hoc committees, established as needed; these comprise all council members and meet in closed session. Ad hoc committees include the Security Council Committee on Council meeting away from Headquarters; Governing Council of the United Nations Compensation Commission established by Security Council resolution 692 (1991); and Committee established pursuant to Resolution 1373 (2001) concerning Counter-Terrorism.

The Security Council, acting under Chapter VII of the charter, which deals with "action with respect to threats to the peace, breaches of the peace, and acts of aggression," may set up committees to monitor compliance by member states with its resolutions. These committees include: in 1966, when it imposed mandatory economic sanctions against the illegal regime in Southern Rhodesia; in 1977, when it imposed a mandatory arms embargo against South Africa; in 1991, after Iraq's unsuccessful invasion of Kuwait, to supervise the elimination of Iraq's weapons of mass destruction; in 1992, concerning the situations in the Libyan Arab Jamahiriya and Somalia; in 1993, concerning Angola; in 1994, concerning the volatile situation created by Hutu rebels in Rwanda; in 1995, concerning Liberia; in 1997, in the wake of years of civil war in Sierra Leone; in 1998, concerning an arms embargo on Yugoslavia, including Kosovo; in 1999, concerning Afghanistan; in 2000, concerning the situation between Eritrea and Ethiopia; in 2001 and 2003, again concerning Liberia; in 2004, concerning the Democratic Republic of the Congo; in 2004, concerning Côte d'Ivoire; and in 2005, concerning the Sudan.

#### Subsidiary Organs of the Economic and Social Council

As indicated on the chart, there are four types of subsidiary organs of the Economic and Social Council:

1. the semiautonomous bodies (organizations, programs, and funds);
2. regional commissions;
3. functional commissions; and
4. sessional, standing, and ad hoc committees.

### UN SPECIALIZED AND TECHNICAL AGENCIES

The specialized and technical agencies are separate autonomous organizations with their own policy-making and executive organs, secretariats, and budgets. The precise nature of their relationship with the UN is defined by the terms of special agreements that were established with the Economic and Social Council and subsequently approved by the General Assembly, as provided for in Article 63 of the charter. Since Article 63 also empowers the Economic and Social Council to coordinate the activities of the specialized agencies through consultation and recommendations, they are required to report annually to it.

Mention should be made here of the special status of the General Agreement on Tariffs and Trade (GATT), which was succeeded

by the World Trade Organization. At its inception in 1948, GATT was a treaty establishing a code of conduct in international trade and providing machinery for reducing and stabilizing tariffs. The treaty was concluded pending the creation of a specialized agency to be known as the International Trade Organization, whose draft charter was completed in 1948 but was never ratified by the important trading powers. With the successful conclusion of the Uruguay Round of GATT, a new body, the World Trade Organization, supplanted it in 1995. (For further details, see the chapter on the World Trade Organization.)

The International Atomic Energy Agency (IAEA) is distinguished from the other agencies in that it was specifically established under the aegis of the UN and is therefore considered in a category by itself. The IAEA reports annually to the General Assembly and only “as appropriate” to the Economic and Social Council. Because of the nature of its work, the IAEA also reports to the Security Council, again only “as appropriate.”

### THE BRETTON WOODS INSTITUTIONS

These institutions were created before the United Nations itself, at a conference at Bretton Woods, New Hampshire, in the United States in 1944. In the UN Charter, however, they were considered to be an integral part of the system of UN agencies. However, their agreements with the UN bind them only loosely to the rest of the system. The nature of these organizations is very different from the one country, one vote basis of the UN and the other specialized agencies (*see* World Bank and International Monetary Fund [IMF] in the second part of this volume). Membership in the Bretton Woods institutions is subject to financial subscription, and voting is weighted according to members’ shares, effectively giving wealthy countries more control than poorer countries. When the World Bank became affiliated with the United Nations, it maintained its complete independence as far as coordination,

refused to provide regular information to the UN, limited UN attendance at its meetings, and insisted on a clause eliminating any UN involvement in its budgets. While there is growing cooperation between the World Bank and some UN technical cooperation funds, like the United Nations Development Programme (UNDP), a 1993 study by the Joint Inspection Unit found that there was not much operational cooperation between the UN system organizations and the World Bank organizations.

### THE SIZE AND COST OF THE UN SYSTEM

Since the early 1980s, the United Nations has been criticized for being a “vast, sprawling bureaucracy,” and politicians have not hesitated to call it “bloated” or “swollen.” This perception led to a drive for reform in the mid-1980s during which major contributing countries initiated a 13 percent staff cut. Another round of “rationalization” of the system and its secretariats was initiated in 1991. Tightening the budget remained a focus throughout the 1990s. The proposed UN budget for the 2002–03 biennium was us\$2.519 billion. This represented a 0.5% real resource reduction from the 2000–2001 biennium. During the previous six years, the UN had no budgetary growth. Even in dollar terms, the UN’s total budget was lower in 2002 than it was in 1994–1995. For the 2002–2003 budget, small increases were made in areas such as: international peace and security; the promotion of sustained economic growth and sustainable development; the development of Africa; the promotion of human rights; the coordination of humanitarian assistance efforts; the promotion of justice and international law; disarmament; drug control; crime prevention; and combating international terrorism. For the 2006–07 biennium, the General Assembly adopted a budget of us\$3.79 billion, while limiting first-year expenditures by the Secretary-General, who pledged further reform.

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# COMPARISON WITH THE LEAGUE OF NATIONS

The League of Nations grew out of the catastrophe of World War I (1914–18). Though the idea of the establishment of a body in which the nations of the world could settle their disagreements had been put forth periodically since antiquity, the League, created at the 1919 Paris Peace Conference, was the first organization of sovereign states designed to be universal and devoted to the settlement of disputes and the prevention of war. The League's failure to prevent the outbreak of World War II in 1939 did not destroy the belief in the need for a universal organization. On the contrary, it bred a determination to learn from the mistakes of the past and to build a new world body more adequately equipped to maintain international peace in the future.

The differences between the League of Nations and the UN begin with the circumstances of their creation. First, whereas the Covenant of the League was formulated after hostilities were ended, the main features of the UN were devised while war was still in progress. The more comprehensive powers assigned to the UN for the preservation of peace may owe something to the urgent conditions in which it was conceived. Second, the Covenant was drawn up in an atmosphere of divided attention at the Paris Peace Conference and was incorporated as part of the peace treaty with Germany. Although countries were permitted to ratify the Covenant and the treaty separately, the link between them was not good psychology and contributed, for example, to the unwillingness of the US Senate to ratify the Covenant. In contrast, the UN Charter was drafted as an independent legal instrument at a conference especially convened for the purpose. Third, the Covenant was hammered out behind closed doors, first by the five major powers of the era—France, Italy, Japan, the United Kingdom, and the United States—and eventually in conjunction with nine other allied nations. The final text of the UN Charter, on the other hand, was the product of combined efforts of 50 nations represented at the 1945 San Francisco Conference and therefore took into account the views of the smaller nations, especially their concern to give the new organization far-reaching responsibilities in promoting economic and social cooperation and the independence of colonial peoples.

## VOTING

Under the Covenant, decisions of the League could be made only by unanimous vote. This rule applied both to the League's Council, which had special responsibilities for maintaining peace (the equivalent of the UN's Security Council), and to the all-member Assembly (the equivalent of the UN's General Assembly). In effect, each member state of the League had the power of the veto, and, except for procedural matters and a few specified topics, a single "nay" killed any resolution. Learning from this mistake, the founders of the UN decided that all its organs and subsidiary bod-

ies should make decisions by some type of majority vote (though, on occasion, committees dealing with a particularly controversial issue have been known to proceed by consensus). The rule of unanimity applies only to five major powers—France, China, the United Kingdom, the United States, and the Russian Federation—and then only when they are acting in their capacity as permanent members of the Security Council. The Security Council also proceeds by majority vote, but on substantive (though not on procedural) matters, it must include the concurring votes of all the permanent members. (See the section on Voting in the chapter on the Security Council.)

## CONSTITUTIONAL POWERS TO PREVENT WAR AND END AGGRESSION

The Charter was designed to remedy certain constitutional defects and omissions in the Covenant that the founders of the UN believed had been partly responsible for the League's inability to halt the drift toward a second world war in the 1930s. These defects and omissions included the absence of any provision imposing a total ban on war, the provision of an overly rigid procedure for negotiating disputes between states, and the failure to vest the League's Council with sufficient powers to prevent the outbreak of hostilities or to terminate hostilities that had already begun.

The Covenant forbade military aggression but did not reject the limited right of a state to start a war, provided that it had first submitted the dispute to arbitration, judicial decision, or the Council of the League. If one party accepted the findings of the negotiating body and the second did not, the first might then resort to war legally after a "cooling-off" period.

The Charter recognizes no circumstances under which a nation may legally start a war. Article 51 does guarantee the right to individual or collective self-defense, which is a right to respond to an illegal armed attack but not to initiate one. If the Security Council decides that a "threat to the peace" exists, it has the power to order collective enforcement measures. These are mandatory for all member states and may include economic sanctions or military measures, but the power rarely has been invoked. (See the chapter on International Peace and Security.)

## MEMBERSHIP

The League never became the universal organization that had been envisaged. Moreover, it failed to secure or retain the membership of certain major powers whose participation and cooperation were essential to make it an effective instrument for preserving the peace. Despite President Wilson's advocacy, the United States did not join, and the USSR joined only in 1934, when the League had already shown itself unable to contain the aggressive policies of Germany, Italy, and Japan. The three aggressor states themselves

withdrew their membership during the 1930s to pursue their expansionist aims. The UN, on the other hand, is approaching the goal of universality, with only a few smaller countries still unrepresented. By November 2002, its membership had reached 191.

### PROMOTION OF HUMAN WELFARE

The UN Charter not only lays down specific injunctions for international economic and social cooperation, based on respect for the principle of equal rights and self-determination of peoples, but also has established a special organ—the Economic and Social Council—to conduct the organization's activities in this sphere. Throughout its existence, the UN, together with its specialized agencies, has gradually assumed primary responsibility for assisting the economic and social development of nonindustrialized member nations, most of them former colonial territories that joined the world body long after it was founded. The UN's many projects have become the cornerstone of the development policies adopted by almost all these countries. Since the Covenant of the League contained no provisions for a coordinated program of economic and social cooperation, there can be no comparison between the respective achievements of the two organizations in this respect. Nevertheless, the League performed valuable work in several fields: notably, working to eliminate the illegal sale of women and children, the "white slave" trade; providing assistance for refugees; reducing traffic in opium and other dangerous narcotics; and getting nations to lessen trade restrictions.

### ADMINISTRATION OF COLONIAL TERRITORIES

Instead of sharing the colonial possessions of their defeated enemies as the traditional spoils of victory, the founding members of the League, with admirable foresight and restraint, regarded these territories as international mandates, and certain member states were designated to administer them on behalf of the world organization. This mandate system in a modified form was continued in the trusteeship system evolved by the founders of the UN. However, unlike the Covenant, the Charter expressly stipulates that the administering countries have an obligation to promote the progressive development of the territories placed in their charge toward self-government or independence.

### BALANCE SHEET OF THE LEAGUE OF NATIONS

The League failed in its supreme test. It failed to contain the aggressive action of the Axis powers—Japan, Germany, and Italy—and thus failed to halt the drift toward a new world war. Beginning in 1931, Japan, a permanent member of the League's Council, waged a war of aggression against China, in defiance of both the Council and the Assembly. Although the League did impose economic sanctions against Italy, another permanent member of the Council, when it wantonly invaded Ethiopia in 1935, support was halfhearted and the action unsuccessful. The League was unable to do anything against the illegal reoccupation of the Rhineland in 1936 by Germany, still another permanent member of the Council; nor could it offer more than verbal protests against German and Italian intervention in the Spanish Civil War or the forcible

incorporation of Austria into Germany in March 1938 and of Czechoslovakia into Germany the following year. The cumulative effect of these failures strengthened Hitler's belief in the impotence not only of the League itself but also of its principal remaining members. During the summer of 1939, when the world moved ever closer toward war, and even when Hitler's armies marched into Poland on 1 September 1939, not a single member called for a meeting of the League's Council or Assembly.

The League's balance sheet in political matters was not wholly negative, however. It was able, for example, to settle the dispute between Finland and Sweden over the Åland Islands, strategically located in the Gulf of Bothnia; the frontier controversy between Albania, Greece, and Yugoslavia; the potentially explosive border situation between Greece and Bulgaria; and the dangerous conflicts between Poland and Germany over Upper Silesia and between Germany, Poland, and Lithuania over Memel. Through the League's Permanent Court of International Justice, a border controversy between Czechoslovakia and Poland was settled, as were the disputes between Great Britain and Turkey over the Mosul area and between France and Great Britain over the nationality of Maltese residents in the French protectorates of Morocco and Tunisia. The League also stopped the incipient war between Peru and Colombia over territorial claims in the upper Amazon basin.

In addition to these successful peacekeeping activities, the League financially assisted the reconstruction of certain states, notably Austria, and was responsible for administering the Free City of Danzig and the Saar Territory. (The latter was transferred to Germany following a plebiscite in 1935.) It also carried out important humanitarian work. Some of its nonpolitical activities continued throughout World War II, and its secretariat did valuable preparatory work for the emerging UN. The League of Nations was not officially dissolved until April 1946, five months after the new world body came into being.

### THE UN'S GREATER SCOPE

The field of activity and the responsibilities of the UN are considerably more extensive than those of the League. Of the specialized agencies in the UN system, only three—the ILO, the ITU, and the UPU—antedate the UN. The League, furthermore, never sponsored any such enterprises as those undertaken by, for example, the UN Development Program, the UN Environment Program, or the World Food Program. Membership in the League did not oblige a nation to join the Permanent Court of Justice, whereas all members of the UN are automatically parties to the Statute of the International Court of Justice, which is an integral part of the Charter.

Like the League, the UN has recorded several important successes in halting local armed conflicts and the spread of disputes: for example, in the Congo, Kashmir, and, over long periods, Cyprus. However, it has often proved unable to take effective action in any situation where the interests of either the United States or the former USSR are closely involved or where the two giant powers seem committed to opposite sides of disputes involving smaller nations. Thus, it was unable to check the Soviet invasion of Hungary in 1956 and of Czechoslovakia in 1968; it was unable to take any action to halt the fighting that raged in Indochina dur-

ing most of its existence; and, though progress has been made, it has not succeeded in finding a permanent solution to the prolonged crisis that has periodically erupted in Arab-Israeli wars in the Middle East.

The UN's ineffectuality in such situations caused a loss of confidence in its relevance in international political relations. Nor was it a source of consolation that there was no discernible drift toward a world war, for in most cases where the United States and the former USSR found themselves almost at the point of actual confrontation, as in the 1962 Cuban missile crisis, they tended to resolve their differences bilaterally, not under the aegis of the UN.

On the other hand, if the two great powers did not always find it convenient to allow the UN to play too decisive a role in politi-

cal matters, they found it equally impractical to bypass the world organization altogether.

Unlike the League, the UN is the center of a network of organizations whose activities reach into many aspects of the national life of every member state. As such, it has come to be regarded as an indispensable part of the machinery for conducting multi-level international relations. In a world transformed by the collapse of the former Soviet bloc, the UN is coming of age and may begin to fulfill the dreams of its founders. While its authority continues to be challenged by countries that remain on the fringe of the world community, the United Nations may be seen as an embryonic world government.

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# THE MAKING OF THE UNITED NATIONS

The creation of the UN at the San Francisco Conference in June 1945 was the culmination of four years of concentrated preparation. During these years, the idea of a world organization to replace the League of Nations was first debated and then fleshed out. Many of the important principles of the UN adopted at San Francisco were derived from earlier conferences.

## DEVELOPMENTS LEADING TO THE SAN FRANCISCO CONFERENCE

1. *The Inter-Allied Declaration (London Declaration) of 12 June 1941.* In a dark hour of World War II, representatives of the United Kingdom, Australia, Canada, New Zealand, and the Union of South Africa and of the governments-in-exile of Belgium, Czechoslovakia, France, Greece, Luxembourg, the Netherlands, Norway, Poland, and Yugoslavia assembled at St. James's Palace in London. It was there that each pledged not to sign a separate peace document and declared: "The only true basis of enduring peace is the willing cooperation of free peoples in a world in which, relieved of the menace of aggression, all may enjoy economic and social security..." Ten days later, Hitler launched his attack against the Soviet Union.
2. *The Atlantic Charter of 14 August 1941.* British Prime Minister Winston S. Churchill and US President Franklin D. Roosevelt met aboard the cruiser USS *Atlanta* off the coast of Newfoundland and signed a declaration giving the first indication that the two powers would strive for the creation of a new world organization once peace was restored. In it, they announced "certain common principles ... of their respective countries ... for a better future for the world: the need for a secure peace; the abandonment by all nations of the use of force; the disarmament of aggressors; and the establishment of a wider and permanent system of general security."
3. *The Declaration by United Nations of 1 January 1942.* With the Japanese attack on Pearl Harbor on 7 December 1941 and the entry of the United States into the war, the conflict assumed even wider dimensions. Japan's initial successes were staggering, and it was clear that the coalition against the Axis powers (Germany, Italy, Japan, and their allies) would need to be strengthened.  
On New Year's Day 1942 in Washington, D.C., representatives of 26 states signed a declaration whose preamble called for subscription "to a common program of purposes and principles embodied in the ... Atlantic Charter" and explicitly referred to the need for promoting respect for human rights on an international basis. In that declaration, the phrase "united nations" was first used. It had been coined by President Roosevelt to express the unity of the signatory nations in their determination to withstand the onslaught of the Axis powers. The declaration was subsequently signed by the governments of 21 additional states.
4. *The Moscow Declaration of 30 October 1943.* This declaration laid the foundation for the establishment of a new world body to replace the League of Nations. Meeting at a time when victory seemed in sight, the US, British, and Soviet foreign ministers and an ambassador from China drew up the Declaration of Four Nations on General Security, which recognized "the necessity of establishing at the earliest practicable date a general international organization based on the principle of sovereign equality of all peace-loving States, and open to membership by all such States, large and small, for the maintenance of international peace and security."
5. *Dumbarton Oaks Conference, Washington, 21 August–7 October 1944.* The Dumbarton Oaks conference was the first big-power meeting convoked specifically to discuss the establishment of a new world organization. At the beginning of the conference, the delegations offered widely differing proposals. On some of these divergent views they eventually reached agreement. For example, the British and Soviet delegations accepted an American position that favored a strong role for the General Assembly, in which all member states would be represented and which, therefore, would be the most "democratic" of the UN organs. There was agreement that a small Security Council should be "primarily responsible for the maintenance of international peace and security" and that the big powers should have the right of veto in that body. However, a deadlock developed over a Soviet proposal that a big power might exercise this right in disputes in which it was itself involved. This the United States and the British refused to accept.
6. *Yalta Conference, February 1945.* The resultant deadlock was resolved at a meeting in Yalta attended by Prime Minister Churchill, President Roosevelt, and Marshal Stalin. The "Yalta formula," actually a compromise proposed by the United States and rejected by the USSR at Dumbarton Oaks, provided that if any of the Big Five powers was involved in a dispute, it would not have the right to veto Security Council recommendations for peaceful settlement of the issue but would be able to veto a Security Council decision to invoke sanctions against it. After some initial objections from Churchill, the three leaders at Yalta also managed to agree on the basic principles of a trusteeship system for the administration of certain dependent territories under the aegis of the projected world body.  
On 11 February 1945, the three leaders announced that a conference would be convened in San Francisco on 25 April 1945 for the "earliest possible establishment of a general international organization" along the lines proposed at Dumbarton Oaks.

## THE SAN FRANCISCO CONFERENCE, 25 APRIL–26 JUNE 1945

Despite the sudden death of President Roosevelt in early April, the United Nations Conference on International Organization convened as scheduled. President Roosevelt had been working on his speech to the conference before he died. That never-delivered address contains the often-quoted words: “The work, my friends, is peace; more than an end of this war—an end to the beginning of all wars; ... as we go forward toward the greatest contribution that any generation of human beings can make in this world—the contribution of lasting peace—I ask you to keep up your faith....”

China, the USSR, the United Kingdom, and the United States acted as the sponsoring powers, and 46 other states participated, comprising all those that had signed the Declaration by United Nations of 1 January 1942 or had declared war on the Axis powers by March 1945. The huge conference was attended by 282 delegates and 1,444 other officially accredited persons from those 50 countries and by representatives of scores of private organizations interested in world affairs (50 from the United States alone). The daily output of documents averaged half a million pages.

### Major Modifications in the Dumbarton Oaks Draft for the UN Charter

After much debate, the smaller and medium-sized nations succeeded in restricting the Big Five’s use of the veto in the Security Council. Herbert V. Evatt, then deputy prime minister of Australia, who was in the forefront of that fight, declared: “In the end our persistence had some good effect. The Great Powers came to realize that the smaller powers would not accept a Charter unless certain minimum demands for restriction of the veto were accepted, viz., that there should be no veto upon the placing of items on the [Security Council] agenda and no veto on discussion [in the Security Council] .... If this vital concession had not been won, it is likely that discussion of matters in the open forum of the Security Council would have been rendered impossible: If so, the United Nations might well have broken up.”

Another major change resulted from the desire of the smaller nations to give the world organization more responsibilities in social and economic matters and in colonial problems. Accordingly, the Economic and Social Council and the Trusteeship Council were given wider authority than was provided for in the Dumbarton Oaks draft, and they were made principal organs of the UN.

### Creation of a New World Court

The San Francisco Conference also unanimously adopted a constitution—called the Statute—for an International Court of Justice to be incorporated as a main organ of the UN and to succeed the Permanent Court of International Justice established by the League of Nations. The Statute, which had originally been drafted by jurists from 44 nations meeting in Washington in April 1945, became part of the Charter of the UN.

### Unanimous Acceptance of the Charter

The UN Charter touches on so many delicate and complex matters that its unanimous acceptance has often been ascribed to the particularly auspicious circumstances prevailing in the spring of 1945. In spite of some dissonance, the San Francisco Conference was imbued with a spirit of high mission. The Charter was worked out within two months. It was signed by 50 nations in all its of-

ficial languages in an impressive ceremony on 26 June 1945. The five official languages at that time were Chinese, English, French, Russian, and Spanish. The sixth official UN language, Arabic, was not adopted until 1973.

## ESTABLISHMENT OF THE UN, 24 OCTOBER 1945

The new world body officially came into being on 24 October 1945, when the Charter had been duly ratified by all permanent members of the Security Council and a majority of the other original signatory powers. This date is universally celebrated as United Nations Day.

## SUBSEQUENT CHARTER AMENDMENT

Like other political constitutions, the UN Charter contains provisions for its own amendment. Amendments to the Charter come into force when they have been adopted by a vote of two-thirds of the members of the General Assembly and ratified by two thirds of the UN member states, including all the permanent members of the Security Council.

The amendments that have been adopted are essentially adjustments made to take account of the huge increase in UN membership, which has almost quadrupled since 1945. As originally constituted, the 11-member Security Council and the 18-member Economic and Social Council were considered adequate to reflect the different interests of the various geographical groupings of states within the organization. However, the admission to the UN during the late 1950s and early 1960s of large numbers of newly independent African, Asian, and Caribbean countries created additional groupings. To accommodate their interests without jeopardizing those of the older groups, the General Assembly, in 1963, adopted amendments to Articles 23, 27, and 61 of the Charter. The first amendment enlarged the membership of the Security Council to 15; the second required that decisions of the Security Council be made by an affirmative vote of nine members (formerly seven); the third enlarged the membership of the Economic and Social Council to 27. All three amendments officially came into force on 31 August 1965.

The Economic and Social Council was enlarged to 54 by an amendment to Article 61 of the Charter, which was adopted by the General Assembly in 1971 and became operative on 24 September 1973.

*Charter Review.* Under the Charter, a general conference of UN members “for the purpose of reviewing the Charter may be held at a date and place to be fixed by a two-thirds vote of the members of the General Assembly and a vote of any seven members [amended to nine, as of 1965] of the Security Council.” In addition, the Charter provided that if such a conference was not held by the tenth regular assembly session (in 1955), the proposal to call such a conference should be placed on the agenda. Accordingly, the 1955 General Assembly considered the matter and decided that a general review conference should be held at an “appropriate” but unspecified date in the future. A committee consisting of the full UN membership was established to consider the time and place at which the conference should be held. The Security Council concurred in the General Assembly’s decision by a vote of 9 to 1, with 1 abstention. The committee met every two years until September 1967 without recommending a conference. It then be-

came inactive, recommending that any member state might request it to meet.

At its 1974 session, the General Assembly established a 42-member Ad Hoc Committee on the Charter to consider specific proposals from governments for “enhancing the ability of the United Nations to achieve its purposes.” The committee reported to the 1975 Assembly session that there was a fundamental divergence of opinion on the necessity for carrying out a review of the Charter and made no recommendations for action. The General Assembly decided, however, to continue the committee as a Special Committee on the Charter of the UN and on the Strengthening of the Role of the Organization and increased its membership to 47. In pursuit of its mandate, the committee has met every year since 1975 and has reported to each session of the General Assembly.

For example, in 1988 the Special Committee recommended, and the General Assembly adopted, a “Body of Principles for the Protection of All Persons under Any Form of Detention or Imprisonment”; in 1990 it proposed the rationalization of existing UN procedures, which were adopted by the General Assembly; and in 1991, the Special Committee considered the final text of the *Handbook on the Peaceful Settlement of Disputes between States*. That same year the General Assembly requested that the Secretary-General publish and disseminate the handbook.

The Special Committee also considers proposals concerning cooperation between the United Nations and regional organizations in the maintenance of international peace and security, conciliation rules of the United Nations, and assistance to other states affected by the imposition of sanctions by the decision of the Security Council, pursuant to Article 50 of the Charter.



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# PURPOSES AND PRINCIPLES

The main aims of the UN are set forth in the Preamble to the Charter, in which “the peoples of the United Nations,” assembled in San Francisco in June 1945, expressed their determination

“to save succeeding generations from the scourge of war, which twice in our lifetime has brought untold sorrow to mankind, ...

“to reaffirm faith in fundamental human rights, in the dignity and worth of the human person, in the equal rights of men and women and of nations large and small, ...

“to establish conditions under which justice and respect for the obligations arising from treaties and other sources of international law can be maintained, and

“to promote social progress and better standards of life in larger freedom....”

To accomplish these goals, they agreed

“to practice tolerance and live together in peace with one another as good neighbors, ...

“to unite their strength to maintain international peace and security, ...

“to ensure by the acceptance of principles and the institution of methods, that armed force shall not be used, save in the common interest, and

“to employ international machinery for the promotion of the economic and social advancement of all peoples ....”

## PURPOSES

The aims of the UN are embodied in a set of purposes and principles contained in Articles 1 and 2 of the Charter, summarized as follows:

- to maintain international peace and security and, to that end, to take effective collective measures for the prevention and removal of threats to the peace and for the suppression of acts of aggression or other breaches of the peace, and to bring about by peaceful means, and in conformity with the principles of justice and international law, adjustment or settlement of international disputes or situations that might lead to a breach of the peace;
- to develop friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, and to take other appropriate measures to strengthen universal peace;
- to achieve international cooperation in solving international economic, social, cultural, or humanitarian problems and in promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion; and
- to be a center for harmonizing the actions of nations in attaining these common ends.

## PRINCIPLES

In pursuit of these purposes, the Charter stipulates that the UN and its members are to act in accordance with the following principles:

- that the organization is based on the sovereign equality of all its members;
- that all members are to fulfill in good faith their Charter obligations;
- that they are to settle their international disputes by peaceful means and without endangering peace, security, and justice;
- that they are to refrain in their international relations from the threat or use of force against other states;
- that they are to give the UN every assistance in any action that it takes in accordance with the Charter and shall not assist states against which the UN is taking preventive or enforcement action;
- that the UN shall also ensure that states that are not members act in accordance with these principles insofar as is necessary to maintain international peace and security; and
- that nothing in the Charter is to authorize the UN to intervene in matters that are essentially within the domestic jurisdiction of any state, though this principle is not to prejudice the application of enforcement measures made necessary in the event of a threat to or breach of the peace.

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# MEMBERSHIP

As of May 2006, the UN had 191 member states, including 51 charter members (the 50 countries that sent representatives to the San Francisco conference, plus Poland, which ratified the charter shortly afterward) and 140 states that have joined the organization since 1945, the great majority of them former colonial territories that have achieved independence. The table in this chapter shows the growth of UN membership, the roster lists the members of the UN in alphabetical order and gives the dates of their admission to the UN. The roster does not take account of the several federations or unions of states that were created or dissolved during membership.

Thus, Syria, an original member, ceased independent membership on joining with Egypt to form the United Arab Republic in 1958. On resuming its separate status in 1961, Syria also resumed separate membership, which is still officially dated from the country's original day of entry. Tanganyika and Zanzibar joined the UN as separate states in 1961 and 1963, respectively, but in 1964 merged to form the United Republic of Tanzania, with a single membership officially dated from Tanganyika's day of entry.

Similarly, The Federation of Malaya joined the United Nations on 17 September 1957. On 16 September 1963, its name was changed to Malaysia, following the admission to the new federation of Singapore, Sabah (North Borneo), and Sarawak. Singapore became an independent state on 9 August 1965 and a member of the United Nations on 21 September 1965.

The Federal Republic of Germany and the German Democratic Republic were admitted to membership in the United Nations on 18 September 1973. Through accession of the German Democratic Republic to the Federal Republic of Germany, effective from 3 October 1990, the two German states have united to form one sovereign state.

The unification of the two Germanys began a process of realignment of nations that intensified as communist governments collapsed throughout Eastern Europe. In only two years 15 separate states from the former USSR were admitted to membership. As a result of this sweeping change, the former Union of Soviet Socialist Republics (an original member of the United Nations) became the Russian Federation. In a letter dated 24 December 1991, Boris Yeltsin, then president of the Russian Federation, informed the Secretary-General that the membership of the Soviet Union in the Security Council and all other United Nations organs was being continued by the Russian Federation with the support of the 11 member countries of the Commonwealth of Independent States.

Czechoslovakia also was an original member of the United Nations. On 10 December 1992, its Permanent Representative informed the Secretary-General that the Czech and Slovak Federal Republic would cease to exist on 31 December 1992 and that the Czech Republic and the Slovak Republic, as successor states, would apply for membership in the United Nations. Following the receipt of their applications, the Security Council, on 8 January

1993, recommended to the General Assembly that both the Czech Republic and the Slovak Republic be admitted to United Nations membership. Both were admitted on 19 January 1993.

In 1993, the proposed admission of a part of the former Yugoslavia, which had been known as the Republic of Macedonia, formed the subject of protest from the government of Greece, which considers the name "Macedonia" to pertain to one of its internal states. Now bearing the unwieldy name of "The Former Yugoslav Republic of Macedonia," the new country became a member on 8 April 1993.

The Socialist Federal Republic of Yugoslavia was an original member of the UN until its dissolution following the establishment and subsequent admission as new members of Bosnia and Herzegovina, the Republic of Croatia, the Republic of Slovenia, The Former Yugoslav Republic of Macedonia, and the Federal Republic of Yugoslavia, which was admitted on 1 November 2000; in February 2003, the country changed its name to Serbia and Montenegro.

## ADMISSION OF MEMBERS

In the words of Article 4 of the Charter, membership in the UN is open to all "peace-loving states which accept the obligations contained in the present Charter and, in the judgment of the Organization, are able and willing to carry out these obligations." The original members are the states that participated in the San Francisco Conference, or that had previously signed the Declaration by United Nations, of 1 January 1942, and subsequently signed and ratified the Charter.

The procedure of admission is as follows. A state wishing to join submits an application to the Secretary-General, in which it formally states its acceptance of the Charter obligations. The application is forwarded to the Security Council. If the Security Council, by a vote of at least nine members (formerly seven), including all the permanent members, recommends the application, membership becomes effective on the day that it is approved by a two-thirds majority of the General Assembly. In other words, if any one of the Security Council's permanent members vetoes it, or if it fails to obtain a sufficient majority in the Security Council, the application does not reach the General Assembly at all.

Up to 1955 there were bitter controversies and years of stalemate in the Security Council over the applications of some countries. Usually one or more of the Big Five was on bad terms with the applying state, or it would choose to withhold consent as a bargaining point against the other big powers. Finally, on 14 December 1955, by a compromise, 16 countries were admitted together. Since then, new applications rarely caused controversy. Most of the applicants have been newly independent states that applied for membership immediately after attaining independence. In most cases they have been admitted by unanimous vote.

The outstanding exceptions were the applications of the Republic of Korea (ROK), which applied in January 1949; the Democratic People's Republic of Korea (DPRK), which applied in February 1949; South Vietnam, which applied in December 1951; and North Vietnam, which applied in December 1951. The two Vietnams and the ROK sought action on their applications in 1975. The Security Council, by a narrow vote, decided not to take up the ROK's application, and the United States subsequently vetoed membership for the Vietnams, citing as a reason the Security Council's earlier refusal to consider the membership application of the ROK. In response to a General Assembly recommendation, however, the Security Council in 1977 recommended the admission of the newly established Socialist Republic of Vietnam, and that country became a member in September 1977. The DPRK and the ROK maintained observer status at the General Assembly until September 1991, when both were admitted to membership simultaneously.

### WITHDRAWAL FROM MEMBERSHIP

While the Covenant of the League of Nations contained provisions for the legal withdrawal of members, the UN Charter deliberately omits all reference to the subject. The majority feeling at the San Francisco Conference was that provisions for withdrawal would be contrary to the principle of universality and might provide a loophole for members seeking to evade their obligations under the Charter.

Thus, when the first—and so far the only—case of withdrawal arose, the procedure had to be improvised. On 1 January 1965, Indonesia, which then was pursuing a policy of confrontation against the newly formed Federation of Malaysia, announced that it would withdraw from the UN and its related agencies if Malaysia were to take its elected seat on the Security Council. Three weeks later, Indonesia's foreign minister officially confirmed withdrawal in a letter to the Secretary-General, who, after consultations with the Indonesian mission to the UN, merely noted the decision and expressed hope that Indonesia would in due time "resume full cooperation" with the world body. Following a coup later in 1965, Indonesia sent a telegram to the Secretary-General, just before the opening of the 1966 General Assembly session, announcing its decision to "resume full cooperation with the UN and to resume participation in its activities."

Arrangements were made to ensure that Indonesia's reentry would take place with minimum formality. Hence, it was decided that Indonesia need not make a formal reapplication via the Security Council but that the matter could be handled directly by the General Assembly. Citing the telegram as evidence that Indonesia regarded its absence from the UN as a "cessation of cooperation" rather than an actual withdrawal, the General Assembly's president recommended that the administrative procedure for reinstating Indonesia could be taken. No objections were raised, and Indonesia was immediately invited to resume its seat in the General Assembly. In short, the problems raised by the first case of withdrawal from the UN were solved by treating it as if it had not been a matter of withdrawal at all.

Although South Africa withdrew from three of the UN's related agencies—UNESCO, FAO, and the ILO—because of the anti-apartheid sentiments of their members, it did not withdraw from the UN itself, despite numerous General Assembly resolutions

condemning apartheid and recommending stringent sanctions. South Africa rejoined UNESCO and the ILO in the late 1990s.

### SUSPENSION AND EXPULSION

The Charter provides that a member against which the Security Council has taken preventive or enforcement action may be suspended from the exercise of the rights and privileges of membership by the General Assembly upon the recommendation of the Security Council. However, only the Security Council, not the General Assembly, has the power to restore these rights. Any member that "has persistently violated the Principles" of the Charter may be expelled from the UN by the same procedure. As of May 2006, no cases of suspension of rights or expulsion had been recommended by the Security Council.

Many states called for the expulsion of South Africa because of its apartheid policies, but no formal proposal to this effect was made. In 1974, the General Assembly called upon the Security Council to review the relationship between the UN and South Africa in the light of the constant violation by South Africa of the principles of the Charter and the Universal Declaration of Human Rights. The Security Council considered a draft resolution submitted by Cameroon, Iraq, Kenya, and Mauritania that would have recommended to the General Assembly the immediate expulsion of South Africa under Article 6 of the Charter. Owing to the negative votes of three permanent members (France, United Kingdom, United States), the draft resolution was not adopted. After the council had reported back to the General Assembly on its failure to adopt a resolution, the president of the General Assembly, Abdelaziz Bouteflika of Algeria, ruled that the delegation of South Africa should be refused participation in the work of the General Assembly. His ruling was upheld by 91 votes to 22, with 19 abstentions. Although remaining a member of the UN, South Africa was not represented at subsequent sessions of the General Assembly. Following South Africa's successful democratic elections of May 1994, after 24 years of refusing to accept the credentials of the South African delegation, the General Assembly unanimously welcomed South Africa back to full participation in the United Nations on 23 June 1994. It also deleted its agenda item on "the elimination of apartheid and the establishment of a united, democratic and nonracial South Africa."

### REPRESENTATION OF NATIONS IN THE UN

The members of the UN are nations, not governments. Whereas the UN may concern itself with the character of a government at the time that a nation applies for admission and may occasionally defer admission on these grounds (Spain under the Franco government, for example, applied for membership in 1945–46 but was not admitted until 1955), once a nation becomes a member, any governmental changes thereafter do not affect continuance of membership—provided, of course, that the nation continues to fulfill its Charter obligations. Nor, under the Charter, is the admission of a new nation dependent upon whether other nations individually recognize and have diplomatic relations with the government concerned. Though the relations of individual members with a nation applying for membership will affect the voting in the Security Council and the General Assembly, strictly speaking, the only consideration enjoined by the Charter is the judgment by

<b>Growth of United Nations Membership</b>			
<b>YEAR OF ADMISSION</b>	<b>MEMBERS</b>	<b>YEAR OF ADMISSION</b>	<b>MEMBERS</b>
1945	Argentina, Australia, Belgium, Bolivia, Brazil, Belarus (formerly Byelorussia), Canada, Chile, China, Colombia, Costa Rica, Cuba, Czechoslovakia (readmitted in 1993 as two separate states, the Czech and Slovak Republics), Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia, France, Greece, Guatemala, Haiti, Honduras, India, Iran, Iraq, Lebanon, Liberia, Luxembourg, Mexico, Netherlands, New Zealand, Nicaragua, Norway, Panama, Paraguay, Peru, Philippines, Poland, the Russian Federation (formerly the USSR), Saudi Arabia, South Africa, Syria, Turkey, Ukraine, United Kingdom, United States of America, Uruguay, Venezuela, Yugoslavia	1966	Barbados, Botswana, Guyana, Lesotho
1946	Afghanistan, Iceland, Sweden, Thailand	1967	People's Democratic Republic of Yemen (since 1990, merged with Yemen)
1947	Pakistan, Yemen (formerly Yemen Arab Republic)	1968	Equatorial Guinea, Mauritius, Swaziland
1948	Myanmar (formerly Burma)	1970	Fiji
1949	Israel	1971	Bahrain, Bhutan, Oman, Qatar, United Arab Emirates
1950	Indonesia	1973	Bahamas, Germany (formerly the German Democratic Republic and the Federal Republic of Germany)
1955	Albania, Austria, Bulgaria, Cambodia (formerly Kampuchea), Finland, Hungary, Ireland, Italy, Jordan, Lao People's Democratic Republic (formerly Laos), Libya, Nepal, Portugal, Romania, Spain, Sri Lanka	1974	Bangladesh, Grenada, Guinea-Bissau
1956	Japan, Morocco, Sudan, Tunisia	1975	Cape Verde, Comoros, Mozambique, Papua New Guinea, São Tomé and Príncipe, Suriname
1957	Ghana, Malaysia	1976	Angola, Samoa, Seychelles
1958	Guinea	1977	Djibouti, Vietnam
1960	Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Cyprus, Gabon, Madagascar, Mali, Niger, Nigeria, Senegal, Somalia, Togo, Zaire	1978	Dominica, Solomon Islands
1961	Mauritania, Mongolia, Sierra Leone, Tanzania	1979	St. Lucia
1962	Algeria, Burundi, Jamaica, Rwanda, Trinidad and Tobago, Uganda	1980	St. Vincent and the Grenadines, Zimbabwe
1963	Kenya, Kuwait	1981	Antigua and Barbuda, Belize, Vanuatu
1964	Malawi, Malta, Zambia	1983	St. Kitts and Nevis
1965	Gambia, Maldives, Singapore	1984	Brunei Darussalam
		1990	Liechtenstein, Namibia,
		1991	Democratic People's Republic of Korea, Estonia, Federated States of Micronesia, Latvia, Lithuania, Marshall Islands, Republic of Korea
		1992	Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, Georgia, Kazakhstan, Krgyz Republic, Republic of Moldova, San Marino, Slovenia
		1993	Andorra, Czech Republic, Eritrea, Monaco, Slovak Republic, the Former Yugoslav Republic of Macedonia
		1994	Palau
		1999	Kiribati, Nauru, Tonga
		2000	Tuvalu, Serbia and Montenegro
		2002	Switzerland, Timor-Leste

the members that the applying nation as represented by its government is "willing and able" to carry out its UN obligations. As a result, there are several nations in the UN that do not recognize or have diplomatic relations with each other.

Nations have to be represented at UN proceedings by delegations that are specifically authorized by their governments to speak on their behalf. Thus, when a new ambassador appears, or when a new session of a UN organ convenes, it is necessary to examine the credentials of persons claiming to represent member states. The nine-member Credentials Committee, appointed by the General Assembly at the beginning of each session, must be satisfied that the person was duly appointed by his or her government and that that government is the official government of the respective member nation. The matter can become controversial at the UN

if, for example, two rival governments both claim to be the only legitimate government of a member state and each demands that its own representative be seated.

A case in point was China. The long unresolved issue of its representation in the UN had been one of the most important and controversial items on the General Assembly's agenda. In 1971, however, the General Assembly decided "to restore all its rights to the People's Republic of China and to recognize the representatives of its government as the only legitimate representatives of China to the United Nations, and to expel forthwith the representatives of Chiang Kai-shek from the place which they unlawfully occupy at the United Nations and in all the organizations related to it."

## United Nations Member States (as of 28 June 2006)

MEMBER STATE	DATE OF ADMISSION	MEMBER STATE	DATE OF ADMISSION
Afghanistan.....	19 November 1946	Guinea-Bissau.....	17 September 1974
Albania.....	14 December 1955	Guyana.....	20 September 1966
Algeria.....	8 October 1962	Haiti.....	24 October 1945
Andorra.....	28 July 1993	Honduras.....	17 December 1945
Angola.....	1 December 1976	Hungary.....	14 December 1955
Antigua and Barbuda.....	11 November 1981	Iceland.....	19 November 1946
Argentina.....	24 October 1945	India.....	30 October 1945
Armenia.....	2 March 1992	Indonesia.....	28 September 1950
Australia.....	1 November 1945	Iran.....	24 October 1945
Austria.....	14 December 1955	Iraq.....	21 December 1945
Azerbaijan.....	2 March 1992	Ireland.....	14 December 1955
Bahamas.....	18 September 1973	Israel.....	11 May 1949
Bahrain.....	21 September 1971	Italy.....	14 December 1955
Bangladesh.....	17 September 1974	Jamaica.....	18 September 1962
Barbados.....	9 December 1966	Japan.....	18 December 1956
Belarus.....	24 October 1945	Jordan.....	14 December 1955
Belgium.....	27 December 1945	Kazakhstan.....	2 March 1992
Belize.....	25 September 1981	Kenya.....	16 December 1963
Benin.....	20 September 1960	Kiribati.....	14 December 1999
Bhutan.....	21 September 1971	Korea, Democratic People's Republic of.....	17 September 1991
Bolivia.....	14 November 1945	Korea, Republic of.....	17 September 1991
Bosnia and Herzegovina.....	22 May 1992	Kuwait.....	14 May 1963
Botswana.....	17 October 1966	Kyrgyzstan.....	2 March 1992
Brazil.....	24 October 1945	Lao People's Democratic Republic.....	14 December 1955
Brunei Darussalam.....	21 September 1984	Latvia.....	17 September 1991
Bulgaria.....	14 December 1955	Lebanon.....	24 October 1945
Burkina Faso.....	20 September 1960	Lesotho.....	17 October 1966
Burundi.....	18 September 1962	Liberia.....	2 November 1945
Cambodia.....	14 December 1955	Libya.....	14 December 1955
Cameroon.....	20 September 1960	Liechtenstein.....	18 September 1990
Canada.....	9 November 1945	Lithuania.....	17 September 1991
Cape Verde.....	16 September 1975	Luxembourg.....	24 October 1945
Central African Republic.....	20 September 1960	Macedonia, The Former Yugoslav Republic of.....	8 April 1993
Chad.....	20 September 1960	Madagascar.....	20 September 1960
Chile.....	24 October 1945	Malawi.....	1 December 1964
China.....	24 October 1945	Malaysia.....	17 September 1957
Colombia.....	5 November 1945	Maldives.....	21 September 1965
Comoros.....	12 November 1975	Mali.....	28 September 1960
Congo, Democratic Republic of the.....	20 September 1960	Malta.....	1 December 1964
Congo, Republic of the.....	20 September 1960	Marshall Islands.....	17 September 1991
Costa Rica.....	2 November 1945	Mauritania.....	27 October 1961
Côte d'Ivoire.....	20 September 1960	Mauritius.....	24 April 1968
Croatia.....	22 May 1992	Mexico.....	7 November 1945
Cuba.....	24 October 1945	Micronesia, Federated States of.....	17 September 1991
Cyprus.....	20 September 1960	Moldova, Republic of.....	2 March 1992
Czech Republic.....	19 January 1993	Monaco.....	28 May 1993
Denmark.....	24 October 1945	Mongolia.....	27 October 1961
Djibouti.....	20 September 1977	Montenegro.....	28 June 2006
Dominica.....	18 December 1978	Morocco.....	12 November 1956
Dominican Republic.....	24 October 1945	Mozambique.....	16 September 1975
Ecuador.....	21 December 1945	Myanmar.....	19 April 1948
Egypt.....	24 October 1945	Namibia.....	23 April 1990
El Salvador.....	24 October 1945	Nauru.....	14 September 1999
Equatorial Guinea.....	12 November 1968	Nepal.....	14 December 1955
Eritrea.....	28 May 1993	Netherlands.....	10 December 1945
Estonia.....	17 September 1991	New Zealand.....	24 October 1945
Ethiopia.....	13 November 1945	Nicaragua.....	24 October 1945
Fiji.....	13 October 1970	Niger.....	20 September 1960
Finland.....	14 December 1955	Nigeria.....	7 October 1960
France.....	24 October 1945	Norway.....	27 November 1945
Gabon.....	20 September 1960	Oman.....	7 October 1971
Gambia.....	21 September 1965	Pakistan.....	30 September 1947
Georgia.....	31 July 1992	Palau.....	15 December 1994
Germany.....	18 September 1973	Panama.....	13 November 1945
Ghana.....	8 March 1957	Papua New Guinea.....	10 October 1975
Greece.....	25 October 1945	Paraguay.....	24 October 1945
Grenada.....	17 September 1974	Peru.....	31 October 1945
Guatemala.....	21 November 1945	Philippines.....	24 October 1945
Guinea.....	12 December 1958	Poland.....	24 October 1945

**United Nations Member States (as of 28 June 2006) - cont.**

<b>MEMBER STATE</b>	<b>DATE OF ADMISSION</b>	<b>MEMBER STATE</b>	<b>DATE OF ADMISSION</b>
Portugal.....	14 December 1955	Sweden.....	19 November 1946
Qatar.....	21 September 1971	Switzerland.....	10 September 2002
Romania.....	14 December 1955	Syria.....	24 October 1945
Russian Federation.....	24 October 1945	Tajikistan.....	2 March 1992
Rwanda.....	18 September 1962	Tanzania.....	14 December 1961
St. Kitts and Nevis.....	23 September 1983	Thailand.....	16 December 1946
St. Lucia.....	18 September 1979	Timor-Leste.....	27 September 2002
St. Vincent and the Grenadines.....	16 September 1980	Togo.....	20 September 1960
Samoa.....	15 December 1976	Tonga.....	14 September 1999
San Marino.....	2 March 1992	Trinidad and Tobago.....	18 September 1962
São Tomé and Príncipe.....	16 September 1975	Tunisia.....	12 November 1956
Saudi Arabia.....	24 October 1945	Turkey.....	24 October 1945
Senegal.....	28 September 1960	Turkmenistan.....	2 March 1992
Serbia.....	1 November 2000	Tuvalu.....	5 September 2000
Seychelles.....	21 September 1976	Uganda.....	25 October 1962
Sierra Leone.....	27 September 1961	Ukraine.....	24 October 1945
Singapore.....	21 September 1965	United Arab Emirates.....	9 December 1971
Slovakia.....	19 January 1993	United Kingdom.....	24 October 1945
Slovenia.....	22 May 1992	United States of America.....	24 October 1945
Solomon Islands.....	19 September 1978	Uruguay.....	18 December 1945
Somalia.....	20 September 1960	Uzbekistan.....	2 March 1992
South Africa.....	7 November 1945	Vanuatu.....	15 September 1981
Spain.....	14 December 1955	Venezuela.....	15 November 1945
Sri Lanka.....	14 December 1955	Vietnam.....	20 September 1977
Sudan.....	12 November 1956	Yemen.....	30 September 1947
Suriname.....	4 December 1975	Zambia.....	1 December 1964
Swaziland.....	24 September 1968	Zimbabwe.....	25 August 1980

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# UNITED NATIONS HEADQUARTERS

## THE HEADQUARTERS BUILDINGS

When the UN came into being on 24 October 1945, it had no home. On 11 December 1945, the US Congress unanimously invited the UN to make its headquarters in the United States. In February 1946, the General Assembly, meeting for its first session in London, voted for the general vicinity of Fairfield and Westchester counties, near New York City, but sites near Philadelphia, Boston, and San Francisco also were considered during 1946. Then came the dramatic offer by John D. Rockefeller, Jr., to donate \$8.5 million toward the purchase of properties along the East River in midtown Manhattan. The City of New York rounded out the zone and granted rights along the river frontage. By November 1947, the General Assembly approved the architectural plans, and nine months later, the UN concluded a \$65 million interest-free loan agreement with the US government. The director of planning for UN headquarters was Wallace K. Harrison of the United States. The international board of design consultants included G. A. Soil-leux, Australia; Gaston Brunfaut, Belgium; Oscar Niemeyer, Brazil; Ernest Cormier, Canada; Ssu-ch'eng Liang, China; Charles le Corbusier, Switzerland; Sven Markelius, Sweden; Nikolai D. Bas-sow, USSR; Howard Robertson, United Kingdom; and Julio Vil-amajo, Uruguay.

The first structure to be completed, in the spring of 1951, was the 39-story marble and glass Secretariat building. In 1952, the conference building (with the three council halls and a number of conference rooms) and the General Assembly building were ready.

Thus, it was five or six years before the UN was permanently housed. In the interim, the Secretariat was established provisionally at Hunter College in the Bronx, New York, and in August 1946, the UN moved to the Sperry Gyroscope plant at Lake Success, Long Island. Several General Assembly sessions took place in the New York City Building at Flushing Meadow, and in 1948 and 1951, the body met at the Palais de Chaillot in Paris.

A library building at the headquarters site, erected and equipped through a \$6.6 million donation by the Ford Foundation, was dedicated in 1961 to the memory of former Secretary-General Dag Hammarskjöld.

Various furnishings and works of art for the conference and General Assembly buildings and the library have been donated by member governments. Adjoining the public lobby in the General Assembly building is the Meditation Room, dedicated to those who have given their lives in service to the UN. It includes a stained glass window by Marc Chagall on the theme of "Peace and Man." The public gardens north of the General Assembly building contain sculpture and plantings donated by governments and individuals.

The United Nations headquarters was designed to serve four major groups: delegations, who now represent 191 member states and who send more than 3,000 persons to New York each year

for the annual sessions of the General Assembly; the Secretariat, numbering nearly 15,000 throughout the world; visitors, who average 1,500 a day; and journalists, of whom more than 450 are permanently accredited while twice that number are present during major meetings.

For a small fee, visitors may join one of the Secretariat's tours of the headquarters buildings, conducted daily in 20 languages by some 50 guides from around 30 countries.

### Capacity

Because of the increase in the number of member states, the seating capacity of the conference rooms and the General Assembly Hall has been enlarged. A major expansion of office and meeting facilities at UN headquarters was undertaken in the 1980s.

About 61,000 men and women from some 170 countries work for the UN and its related organs and agencies—about one-third of them at UN headquarters and the other two-thirds at offices and centers around the globe. (See also the chapter on the Secretariat.)

### Conference Services

UN headquarters, together with the organization's offices in Geneva and Vienna, provide the interpreters, translators, writers, editors, and conference personnel required for the many UN meetings throughout the world, as well as for other meetings held under UN auspices.

### Telecommunications System

The UN has its own telecommunications system. UN headquarters is linked by radio with the offices in Geneva and Vienna, which, in turn, provide liaison with UN organs and offices in different parts of the world.

### Computer System

As part of the fundamental modernization and reorganization of the United Nations, the organization's bank of IBM mainframes was replaced in stages by an Integrated Management Information System (IMIS). The first phase of the replacement, completed in early 1994, implemented a personnel system covering recruiting, hiring, promotions, and moving. Four hundred users at the headquarters were connected to Unix servers with personal computers using Windows software. Eventually all administrative applications were transferred to four Unix systems organized in client-server architecture. Other users, such as the United Nations Development Program (UNDP), the United Nations Children's Fund (UNICEF), and the International Labor Organization (ILO), had progressively adapted the software to their special requirements. In late 1998, a report of independent experts, initiated at the General Assembly's request, favorably evaluated IMIS from both the technical and cost perspectives. Their recommendations, as well

as those of the General Assembly and the Board of Auditors, were subsequently addressed.

#### UN Postal Administration

UN stamps are issued under separate agreements with the postal authorities of the United States, Switzerland, and Austria and are valid for postage only on mail deposited at UN headquarters in New York and at the UN offices in Geneva and Vienna. UN stamps may be obtained by mail, over the counter, or automatically through the Customer Deposit Service in New York, Geneva, or Vienna. Only revenue from the sale of stamps for philatelic purposes is retained by the UN. In addition to producing revenue, UN stamp designs publicize the work of the organization and its related agencies.

## RECORDS AND DOCUMENTS

### Library

The Dag Hammarskjöld Library contains approximately 400,000 books, 14,500 maps, over 80,000 periodicals and newspapers, and several hundred thousand documents and microfiches. The collection includes not only UN materials but also League of Nations records in its Woodrow Wilson Reading Room, as well as a general reference library on subjects related to the work of the UN. The library is for use by delegations, permanent missions, and the Secretariat and by scholars engaged in advanced research.

### Archives

The United Nations Archives, located at 345 Park Avenue South in New York, dates from the establishment of the United Nations. Its 35 linear feet of holdings include both inactive administrative records created by Secretariat offices, as well as archival records that constitute the organization's institutional memory. Each year, approximately 50 researchers cull its archives for information about the UN's predecessors, the Secretary-General's "good offices" role, and the organization's mediating and peacekeeping activities.

The earliest records emanate from predecessor organizations, including the International Penal and Penitentiary Commission (1893–1951); United Nations Relief and Rehabilitation Administration (1943–48), which assisted liberated areas devastated by World War II; United Nations War Crimes Commission (1943–49) whose 17 Allied members together developed procedures for apprehending and punishing war criminals; and the United Nations Conference on International Organization (1945), at which the United Nations was chartered.

From its very beginning, a number of regional conflicts required that the new organization assume the role of peacekeeper. Consequently, the UN Archives maintains records associated with a wide variety of peacekeeping missions, ranging from the UN Special Committee on Palestine (1947), to the organization's electoral mission in Cambodia. Issues arising from colonialism also required early UN involvement. Archival holdings document the establishment of trusteeships for supervising elections and the transition to independence. The organization's technical assistance function in international social and economic development is, likewise, reflected among the archives' records.

Records are generally open for research at the end of 20 years. Strictly confidential records, or those with special restrictions (such as the War Crimes Commission records), require express

authorization for access. Those wishing to research UN Archives records should submit the Archives Researcher Application form to the Archives and Records Centre, 304 East 45th Street, Ground Floor, New York, New York 10017. Fax: (212) 963-4414. Telephone: (212) 963-8683; (212) 963-8612. E-mail: arms@un.org.

### Documents Services

UN headquarters houses one of the world's largest photocopying and printing plants. Most UN documents are produced in photocopy form for the use of members and the Secretariat. Some documents, as well as many reports and studies, are issued as UN publications for sale to the public. They are available in the bookshop at UN headquarters and from distributors worldwide.

In the United States and Canada, Bernan Associates (formerly UNIPUB) distributes UN publications and publishes scholarly books by the United Nations University Press. It also distributes the publications of the Food and Agricultural Organization (FAO), International Atomic Energy Agency (IAEA), World Trade Organization (WTO), and the United Nations Educational, Scientific and Cultural Organization (UNESCO). Bernan is located in Lanham, Maryland, and can be reached from the United States at (800) 274-4888 or via email at order@bernan.com. The Bernan Associates web site can also be accessed at www.bernan.com. Other UN publications are available from the United Nations Publications Sales Section at UN Headquarters, (212) 963-8302 or (800) 253-9646 (for North America, Latin America, the Caribbean, and Asia and the Pacific); and from the Publications des Nations Unies (in Geneva), (41 22) 917 2600 or (41 22) 917 2614 (for Europe, Africa, and the Middle East). The UN Publications office also has a web site at <http://www.un.org/Pubs/sales.htm>, where the searchable catalog of UN publications may be accessed and orders placed.

## PUBLIC INFORMATION SERVICES

At its first session, in 1946, the General Assembly decided to create a special Department of Public Information (DPI) in the Secretariat. Recognizing that the UN's aims cannot be achieved unless the world is fully informed of its objectives and activities, the General Assembly directed that DPI should work to promote the fullest possible informed understanding of UN affairs. Accordingly, the UN provides a steady stream of information on its activities, covering virtually all media—press, publications, radio, television, films, photographs, and exhibits.

### Press, Publications, and Photographic Services

DPI provides information to news correspondents and facilitates their access to meetings, documents, and other news sources. In any given year, several thousand press releases are issued at UN headquarters, including accounts of meetings, texts of speeches, announcements of special programs, and background or reference papers. DPI holds daily briefings and helps to arrange press conferences for members of delegations and senior members of the Secretariat and the specialized agencies.

Booklets, pamphlets, and leaflets covering the work of the UN are published in many languages. The *UN Chronicle*, issued quarterly in the six official languages of the UN, reports on UN activities. The *Chronicle* now has its own web site at [www.un.org/Pubs/chronicle](http://www.un.org/Pubs/chronicle), which includes information on the contents of individual issues as well as links to selected articles and cover im-



ages from the magazine. DPI also issues a *Yearbook of the United Nations*.

To illustrate UN activities in the field, photo missions are periodically undertaken throughout the world. The photographs obtained, together with extensive coverage of events at UN headquarters and other principal conference centers, are widely used by newspapers, periodicals, book publishers, and government information agencies. Posters and photo display sets are prepared for exhibition at UN headquarters and for worldwide distribution.

DPI press releases, background information releases, and other public information documents are available on the Internet by accessing <http://www.un.org/news/>. United Nations documents (major reports, and resolutions of the General Assembly, Security Council, and ECOSOC) can be accessed by Internet users. In the United States, many large libraries provide a free window onto the Internet, allowing access to some of the UN documents.

### Radio, TV, and Film Services

A major responsibility of DPI is to assist the accredited correspondents of national and commercial broadcasting organizations in their coverage of the UN's work. In radio, correspondents may use studios and recording equipment at UN headquarters, and New York is linked with distant capitals by shortwave or radio-telephone. Film and television correspondents may receive visual coverage of principal meetings of the Security Council and the General Assembly, as well as of press conferences and briefings. Satellite transmissions carry this material around the world.

DPI broadcasts meetings of principal UN organs by shortwave and produces its own radio programs in the six official UN languages (Arabic, Chinese, English, French, Russian, and Spanish), reaching listeners in more than 100 countries. UN films and programs are produced not only for television but also for groups in schools, universities, and nongovernmental organizations.

### Public Inquiries Unit

The Public Inquiries Unit handles individual inquiries from researchers and the general public seeking specific information about the United Nations and its subsidiary organizations. The unit can refer callers to the appropriate UN department or organization, and send by mail UN documents such as reports by the Secretary-General to the General Assembly or Security Council.

### UN Information Centers

The network of United Nations Information Centers (UNICs), Services (UNISs) and Offices (UNOs) links Headquarters with the people of the world. Located in 77 countries, these branch offices of the United Nations Department of Public Information help local communities obtain up-to-date information on the United Nations and its activities. As of May 2006, 45 UNICs had created their own web sites, in local languages. The list of UNIC web sites follows: Algiers, Algeria (French) [www.unic.org.dz](http://www.unic.org.dz); Ankara, Turkey (English/Turkish) [www.un.org.tr/unic.html](http://www.un.org.tr/unic.html); Antananarivo, Madagascar (French/Malagasy) [www.onu.dts.mg](http://www.onu.dts.mg); Baku, Azerbaijan (English) [www.un-az.org/dpi](http://www.un-az.org/dpi); Bangkok, Thailand (English) [www.unescap.org/unis](http://www.unescap.org/unis); Beirut, Lebanon (English/Arabic) [www.escwa.org.lb](http://www.escwa.org.lb); Bogota, Colombia (Spanish) [www.onucolombia.org](http://www.onucolombia.org); Bucharest, Romania (Romanian) [www.onuinfo.ro](http://www.onuinfo.ro); Buenos Aires, Argentina (Spanish) [www.unic.org.ar](http://www.unic.org.ar); Cairo, Egypt (English) [www.unic-eg.org](http://www.unic-eg.org); Dakar, Senegal (French) [www.cinudakar.org](http://www.cinudakar.org);

Dar es Salaam, Tanzania (English/Kiswahili) [www.unic.undp.org](http://www.unic.undp.org); Dhaka, Bangladesh (English/Bangla) [www.unicdhaka.org](http://www.unicdhaka.org); Geneva, Switzerland (English/French) [www.unog.ch/unis/unis1.htm](http://www.unog.ch/unis/unis1.htm); Harare, Zimbabwe (English) [www.samara.co.zw/unic](http://www.samara.co.zw/unic); Islamabad, Pakistan (English/Urdu) [www.un.org.pk/unic/](http://www.un.org.pk/unic/); Kiev, Ukraine (English/Ukrainian) [www.un.kiev.ua](http://www.un.kiev.ua); La Paz, Bolivia (Spanish) [www.nu.org.bo/cinu/](http://www.nu.org.bo/cinu/); Lagos, Nigeria (English) [www.unicnig.org](http://www.unicnig.org); Lima, Peru (Spanish) [www.uniclima.org.pe/](http://www.uniclima.org.pe/); Manama, Bahrain (English) [www.undp.org.bh/unic/](http://www.undp.org.bh/unic/); Mexico City, Mexico (Spanish) [www.cinu.org.mx](http://www.cinu.org.mx); Minsk, Belarus (Russian) [www.un.minsk.by/dpi/dpi\\_r.html](http://www.un.minsk.by/dpi/dpi_r.html); Moscow, Russian Federation (Russian) [www.unic.ru](http://www.unic.ru); New Delhi, India (English) [www.unic.org.in](http://www.unic.org.in); Nairobi, Kenya (English/Kiswahili) [www.unicnairobi.org](http://www.unicnairobi.org); Ouagadougou, Burkina Faso (French) [www.cinu-burkina.org](http://www.cinu-burkina.org); Panama City, Panama (Spanish) [www.cinup.org](http://www.cinup.org); Port of Spain, Trinidad & Tobago (English) [www.unicpos.org.tt](http://www.unicpos.org.tt); Prague, Czech Republic (Czech) [www.unicprague.cz](http://www.unicprague.cz); Pretoria, South Africa (English) [www.un.org.za/unzahp](http://www.un.org.za/unzahp); Rabat, Morocco (French) [www.cinu.org.ma](http://www.cinu.org.ma); Rio de Janeiro, Brazil (Portuguese) [www.unicrio.org.br](http://www.unicrio.org.br); Sydney, Australia (English) [www.un.org.au](http://www.un.org.au); Tashkent, Uzbekistan (English/Uzbek) [www.undp.uz](http://www.undp.uz); Tehran, Iran (English/Farsi) [www.unic-ir.org](http://www.unic-ir.org); Tokyo, Japan (Japanese) [www.unic.or.jp](http://www.unic.or.jp); Tripoli, Libya (English) [www.unic-libya.org/](http://www.unic-libya.org/); Tunis, Tunisia (French) [www.unic-tunis.intl.tn](http://www.unic-tunis.intl.tn); Vienna, Austria (English/German/Hungarian/Slovenian) [www.unis.unvienna.org](http://www.unis.unvienna.org); Warsaw, Poland (English/Polish) [www.unic.un.org.pl](http://www.unic.un.org.pl); Washington, D.C., United States of America (English) [www.unicwash.org](http://www.unicwash.org); Windhoek, Namibia (English) [www.un.na/unic.htm](http://www.un.na/unic.htm); Yaounde, Cameroon (English) [www.un.cm/cinu](http://www.un.cm/cinu); and Yerevan, Armenia (English/Armenian) [www.undpi.am](http://www.undpi.am). These sites post calendars of events sponsored by the Centers along with information on major UN activities, such as the General Assembly Special Session on the World Drug Problem and the establishment of the International Criminal Court. The centers maintain up-to-date reference libraries of UN publications and documentation and answer public inquiries. DPI material is translated into local languages by the centers, which work closely with local media, information agencies, educational authorities, and nongovernmental organizations in their area. The centers also inform UN headquarters about local UN activities, which, in turn, are publicized by DPI. In 1996, the UN began integrating the functions of its information centers into the office of the UN representative/resident coordinator in the respective host country.

## PRIVILEGES AND IMMUNITIES

The charter provides that in all territory of its member states, the UN shall hold whatever legal capacity, privileges, and immunities are necessary for the fulfillment of its purposes and that representatives of member states and officials of the UN shall have a status allowing them independent exercise of their functions. On 13 February 1946, the General Assembly adopted the Convention on the Privileges and Immunities of the United Nations. As of May 2006, 191 countries, including the United States, had acceded to this convention. UN staff on official business can travel on a *laissez-passer* issued by the UN.

Countries that have acceded to the convention exempt the salaries of UN officials from taxation, except for the United States and several other countries, where special reservations apply. These salaries, however, are subject to a "staff assessment," an internal

UN taxation. The UN itself is exempt from all direct taxes, customs duties, and export and import restrictions on articles for official use.

Virtually all member states have established permanent missions to the UN in New York. Their personnel enjoy privileges and immunities similar to those of diplomatic missions.

## **HEADQUARTERS AGREEMENT BETWEEN THE UN AND THE US**

A special headquarters agreement, signed by Secretary-General Trygve Lie and US secretary of state George C. Marshall at Lake Success on 26 June 1947, has been in force since 21 November 1947. It defines the 18 acres of land in New York City located between 42nd and 48th Streets and First Avenue and the Franklin D. Roosevelt Drive as the Headquarters District of the United Nations. Subsequently, by supplemental agreements between the UN and the United States, additional office space located in buildings in the vicinity has been included in the Headquarters District. The Headquarters District is “under the control and authority of the United Nations as provided in this agreement.” It is the seat of the UN, and the agreement stipulates that the district “shall be inviolable.” Federal, state, and local personnel on official duty may enter it only with the consent of the Secretary-General. The UN may make regulations for the area. US federal, state, and local law, insofar as it is inconsistent with UN regulations, does not apply here; otherwise, the US courts would have jurisdiction over actions and transactions taking place in the Headquarters District. The UN may expel persons from the district for violations of regulations.

In such cases, and generally for the preservation of law and order, US authorities have to provide a sufficient number of police if requested by the Secretary-General. “No form of racial or religious discrimination shall be permitted within the Headquarters District.” Other detailed provisions in the agreement between the UN and the US deal with the important matter of the accessibility of the seat of the UN to non-US citizens.

## **EMBLEM AND FLAG OF THE UN**

The General Assembly adopted an official seal and emblem for the organization. The UN emblem depicts in silver against a light blue background a map of the earth, projected from the North Pole, and encircled by two symmetrical olive branches. It is a slight modification of a design selected by the US Office of Strategic Services for buttons used at the San Francisco Conference in 1945. The particular shade of blue is now officially called United Nations blue. The emblem is used only for UN publications and conferences and other officially approved purposes.

The first UN flag was used in Greece in 1947 in a region where there was fighting. The flag has the UN emblem in white against a background of United Nations blue.

The flag may be displayed not only by the UN and the specialized agencies and by governments but also by “organizations and individuals to demonstrate support of the United Nations and to further its principles and purposes.” It is considered “especially appropriate” to display the UN flag on national and official holidays; on UN Day, 24 October; and at official events in honor of the UN or related to the UN.

# THE UNITED NATIONS BUDGET

Under the Charter, it is the task of the General Assembly to “consider and approve the budget of the Organization” and to apportion the expenses of the UN among the member nations. From an administrative standpoint, the expenditures of the UN may be said to fall into two categories: expenditures that are included in what is termed the “regular budget,” to which all members are obliged to contribute; and expenditures for certain high-cost items or programs, for which are established separate, or “extrabudgetary,” accounts or funds financed by special arrangements that do not necessarily involve obligatory payments by UN members.

Included in the regular budget are the costs of services and programs carried out at UN headquarters and all overseas UN offices; the expenses of the International Court of Justice; and debt services charges, which are also listed as “special expenses.”

Outside the regular budget, member states also are assessed, in accordance with a modified version of the basic scale, for the costs of peacekeeping operations. The number and cost of these operations has been aggravated in recent years, in large part due to political instability in Eastern Europe, Western Asia, and Africa. In the period 1992–93, the Secretary-General estimated the cost for these operations increased sixfold. In a report to the Economic and Social Council, he stated, “It would be mistaken to try to attach an order of importance or priority between peace and security on the one hand, and economic and social development on the other. The two are so closely interlinked as to be indivisible.” This underlying philosophy provides the rationale for the growth in the number of peacekeeping operations and the expansion of their mandates beyond the previously traditional observer status, to activities such as disarming and demobilization of forces, humanitarian assistance, human rights monitoring, electoral verification, and civilian police support. Each peace-keeping operation is approved and budgeted separately.

Following is a list of 15 UN observation or peacekeeping operations under way as of May 2006, along with the original starting date: United Nations Truce Supervision Organization (UNTSO), June 1948; United Nations Military Observer Group in India and Pakistan (UNMOGIP), January 1949; United Nations Peacekeeping Force in Cyprus (UNFICYP), March 1964; United Nations Disengagement Observer Force (UNDOF) in Golan Heights, June 1974; United Nations Interim Force in Lebanon (UNIFIL), March 1978; United Nations Mission for the Referendum in Western Sahara (MINURSO), April 1991; United Nations Observer Mission in Georgia (UNOMIG), August 1993; United Nations Interim Administration Mission in Kosovo (UNMIK), June 1999; United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), November 1999; United Nations Mission in Ethiopia and Eritrea (UNMEE), July 2000; United Nations Mission in Liberia (UNMIL), September 2003; United Nations Operation in Côte d’Ivoire (UNOCI), April 2004; United Nations

Stabilization Mission in Haiti (MINUSTAH), June 2004; United Nations Operation in Burundi (ONUB), June 2004; and United Nations Mission in the Sudan (UNMIS), March 2005.

As of 31 December 2005, unpaid contributions for the peacekeeping operations with separate assessed budgets amounted to US\$2.92 billion. Shortfalls in the receipt of assessed contributions were met by delaying reimbursements to states that contributed troops, thus placing an unfair burden on them.

United Nations activities that are financed mainly by voluntary contributions outside the regular budget include: the United Nations Development Programme (UNDP), the World Food Program (WFP), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children’s Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), and the United Nations Population Fund (UNFPA).

The member states of the specialized agencies decide on each agency’s budget and scale of assessments separately from the United Nations itself.

## COMMITTEES ASSISTING THE GENERAL ASSEMBLY IN FINANCIAL MATTERS

In 1946, the General Assembly established two permanent subsidiary organs concerned with administrative and budgetary affairs. The Advisory Committee on Administrative and Budgetary Questions is responsible for expert examination of the UN bud-

### Appropriations (Gross) 1946–2007 (in us\$)

YEAR	APPROPRIATION	YEAR	APPROPRIATION
1946	\$19,390,000	1968	141,787,750
1947	28,616,568	1969	156,967,300
1948	39,285,736	1970	168,956,950
1949	43,204,080	1971	194,627,800
1950	44,520,773	1972	208,650,200
1951	48,925,500	1973	233,820,374
1952	50,547,660	1974–75	606,033,000
1953	49,869,450	1976–77	745,813,800
1954	48,528,980	1978–79	996,372,900
1955	50,228,000	1980–81	1,339,151,200
1956	50,683,350	1982–83	2,134,072,100
1957	53,174,700	1984–85	1,611,551,200
1958	61,121,900	1986–87	1,711,801,200
1959	61,657,100	1988–89	1,748,681,800
1960	65,734,900	1990–91	2,134,072,100
1961	71,649,300	1992–93	2,362,977,700
1962	85,818,220	1994–95	2,580,200,200
1963	92,876,550	1996–97	2,608,274,000
1964	101,327,600	1998–99	2,488,302,000
1965	108,472,800	2000–01	2,535,689,200
1966	121,080,530	2002–03	2,625,178,700
1967	133,084,000	2004–05	3,608,173,900

**Budget for the 2004–05 Biennium**

AREA OF EXPENDITURE PURPOSE OF EXPENDITURE	AMOUNT (us\$)
<b>OVERALL POLICY-MAKING, DIRECTION, AND COORDINATION</b>	
Overall policy-making, direction, and coordination	61,543,200
General Assembly affairs and conference services	560,256,500
TOTAL	621,799,700
<b>POLITICAL AFFAIRS</b>	
Political affairs	427,627,200
Disarmament	18,739,900
Peacekeeping operations	92,859,800
Peaceful uses of outer space	5,903,900
TOTAL	545,130,800
<b>INTERNATIONAL JUSTICE AND LAW</b>	
International Court of Justice	34,936,000
Legal affairs	40,634,000
TOTAL	75,570,000
<b>INTERNATIONAL COOPERATION FOR DEVELOPMENT</b>	
Economic and social affairs	143,027,700
Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States	4,358,600
Africa: New Agenda for Development	9,575,000
Trade and development	114,802,300
International Trade Centre UNCTAD/WTO	26,136,300
Environment	10,915,800
Human settlements	16,012,800
Crime prevention and criminal justice	10,040,200
International drug control	21,476,100
TOTAL	356,344,800
<b>REGIONAL COOPERATION FOR DEVELOPMENT</b>	
Economic and social development in Africa	96,242,000
Economic and social development in Asia and the Pacific	65,067,100
Economic development in Europe	54,761,800
Economic and social development in Latin America and the Caribbean	85,371,400
Economic and social development in Western Asia	50,995,600
Regular programme of technical cooperation	42,871,500
TOTAL	395,309,400
<b>HUMAN RIGHTS AND HUMANITARIAN AFFAIRS</b>	
Human rights	64,571,300
Protection of and assistance to refugees	66,243,900
Palestine refugees	34,641,000
Humanitarian assistance	24,275,300
TOTAL	189,731,500
<b>PUBLIC INFORMATION</b>	
Public information	162,322,600
TOTAL	162,322,600
<b>COMMON SUPPORT SERVICES</b>	
Management and central support services	477,145,800
TOTAL	477,145,800
<b>INTERNAL OVERSIGHT</b>	
Internal oversight	24,187,000
TOTAL	24,187,000
<b>JOINTLY FINANCED ACTIVITIES AND SPECIAL EXPENSES</b>	
Jointly financed administrative activities	10,445,200
Special expenses	81,255,900
TOTAL	91,701,100
<b>CAPITAL EXPENDITURES</b>	
Construction, alteration, improvement, and major maintenance	104,566,600
TOTAL	104,566,600

**Budget for the 2004–05 Biennium - cont.**

AREA OF EXPENDITURE PURPOSE OF EXPENDITURE	AMOUNT (us\$)
<b>STAFF ASSESSMENT</b>	
Staff assessment	411,194,200
TOTAL	411,194,200
<b>DEVELOPMENT ACCOUNT</b>	
Development Account	13,065,000
TOTAL	13,065,000
<b>SAFETY AND SECURITY</b>	
Safety and Security	140,105,400
TOTAL	140,105,400
<b>TOTAL EXPENDITURES</b>	<b>3,608,173,900</b>

get and the administrative budgets of the specialized agencies. The committee's 16 members, elected by the General Assembly for staggered three-year terms, serve as individuals, not as government representatives. The Committee on Contributions advises the General Assembly on the apportionment of the expenses of the UN among the member nations. Its 18 members are elected for three-year terms and also serve as individuals.

**PROCEDURE FOR DETERMINING THE REGULAR BUDGET**

Every other year, the Secretary-General presents detailed budget and appropriations estimates for the following biennium. (Until 1974 there were annual budgets.) These estimates are reviewed and sometimes revised by the Advisory Committee. The programmatic aspects are reviewed by the 34-member Committee for Program and Coordination.

Aside from the regular budget, the General Assembly also allocates a certain amount of money for unforeseen and extraordinary expenses and determines the level of the UN's Working Capital Fund, to which member nations advance sums in proportion to their assessed contributions to the regular budget. The fund is used to finance appropriations pending receipt of contributions and may also be drawn upon by the Secretary-General for other purposes determined by the General Assembly.

Since the expenses of the organization can never be precisely predicted, the Secretary-General reviews actual expenditures for the current year at each regular session of the General Assembly and proposes adjustments in the original appropriations. Usually, a supplemental budget is voted, but occasionally the General Assembly votes reductions.

**INCOME ESTIMATES**

It was estimated that expenditures for 2004–05 would be offset in the amount of us\$443,851,900, to be derived as follows:

1. *income from staff assessment*: us\$415,613,700;
2. *general income*: us\$24,009,500
3. *services to public*: us\$4,228,700.

Under UN regulations, a percentage of the earnings of the entire UN staff is deducted in lieu of taxes and credited to "income." In order to avoid double taxation of staff members of US nation-

ality, they are reimbursed by the UN for the taxes (federal, state, and city) levied on their UN earnings. The withholdings from the salaries of UN personnel of all other nationalities are credited to the member states' accounts against their assessed contributions. After taking into account staff assessments and other items of income, the net estimated amount remaining must be raised through assessed contributions from member states.

### ASSESSED CONTRIBUTIONS OF MEMBER STATES TO THE REGULAR BUDGET

The scale of contributions of member states is established by the General Assembly on the recommendation of its Committee on Contributions. The basic original criterion for the apportionment of UN expenses was the ability to pay, with comparative estimates of national income taken as the fairest guide. Other factors, such as the comparative income per capita, the ability of contributors to obtain foreign exchange, and, until 1974, the dislocation of national economies arising out of World War II, also were taken into account. In this way, the US share was at first 39.89 percent, gradually declining to 31.52 percent for 1971–73.

In 1972, the General Assembly established a ceiling on the rate of assessment of the highest contributor, set at 25 percent. At the same time, it lowered the minimum rate of assessment to 0.02 percent (later lowered to 0.01 percent and in 1997 lowered again, to 0.001 percent) and requested the Committee on Contributions to give attention to the special economic and financial problems of developing countries. In 2000, the General Assembly adopted a new scale of assessments, lowering the ceiling of the amount to be paid by any single country from 25 to 22 percent.

In an effort to introduce what it termed greater fairness and equity in the scale of assessments, the General Assembly, in 1981, requested the Committee on Contributions to prepare a set of guidelines for the collection of more uniform and comparable data and statistics from member states and to study alternative methods of assessing “the real capacity of member states to pay.”

The top ten contributors for 2005 were assessed at the following rates (percentages):

United States: 22.0%  
 Japan: 19.468%  
 Germany: 8.662%  
 United Kingdom: 6.127%  
 France: 6.03%  
 Italy: 4.885%  
 Canada: 2.813%  
 Spain: 2.52%  
 China: 2.053%  
 Mexico: 1.883%

### PROPOSALS TO EASE THE UN'S FINANCIAL DIFFICULTIES

By and large, the regular budget has never created major disputes among the member states, and most governments have usually paid their dues relatively punctually. However, beginning in 1963, the USSR refused as a matter of principle to contribute to certain items in the regular budget, such as the UN Commission for the Unification and Rehabilitation of Korea until its dissolution by a consensus vote of the 1973 Assembly, or to those parts of the reg-

ular budget devoted to the redemption of UN bonds (a method of raising funds for certain UN peacekeeping operations). France has taken a similar stand in connection with the redemption of the bonds. In addition, a number of countries have refused to contribute to the special accounts for peacekeeping operations. It was chiefly these controversial expenditures which precipitated the UN's financial emergency in the mid-1960s.

In July 1962, the International Court of Justice, at the request of the General Assembly, issued an advisory opinion in which it declared that the expenses of the first UN Emergency Force in the Middle East and the UN Force in the Congo constituted expenses of the organization within the meaning of Article 17, paragraph 2, of the Charter and should thus be borne by member states as apportioned by the General Assembly. The Assembly accepted the court's opinion in December 1962, but debate over peacekeeping operations and the financial difficulties continued. A number of other factors, moreover, contributed to the precariousness of the financial position of the organization, notably the lateness of many member states in paying their assessed contributions, the currency fluctuations of the 1970s (marked by two devaluations of the US dollar, on which the UN budget is based), and inflation.

A Group of High-Level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the UN, appointed by the General Assembly in 1985, submitted to the General Assembly in the following year its recommendations for enhancing the efficiency and reducing the expenditures of the organization. Implementation of the group's recommendations was the condition which a number of states, including the United States, placed on further payment of their assessments.

Among the solutions proposed in 1985 were an increase in the Working Capital Fund to us\$200 million, the issue of certificates of indebtedness in the amount of the arrears—in effect, borrowing from member states—and borrowing on the open market.

In 1992, Secretary-General Boutros Boutros-Ghali requested that the Ford Foundation assemble an independent advisory group to recommend ways to create a secure, long-term financial base for the organization. The group, co-chaired by Shijuro Ogata, former Deputy Governor of the Japan Development Bank, and Paul Volcker, former Board of Governors' Chairman of the United States Federal Reserve Bank, issued its report in February 1993. Entitled “Financing an Effective United Nations,” it suggested the following measures:

- Dividing UN expenditures into three categories: a regular budget financed by assessed contributions; peacekeeping financed by a separate assessment; and humanitarian and development activities financed largely by voluntary contributions.
- Requiring UN member states to pay dues in four quarterly installments, instead of a single lump sum at the beginning of the year; and granting the organization authority to charge interest on late payments.
- Appropriation by some nations of their UN contribution earlier in the year.
- Acceptance by member states of significantly increased peace-keeping costs over the next few years, and financing future cost from national defense budgets.
- Creation by the UN of a \$400 million revolving reserve fund for peacekeeping; and consideration of a unified peacekeeping budget, financed by a single annual assessment. The re-

Scale of Assessments (for calendar year 2005)							
MEMBER STATE	PERCENT	MEMBER STATE	PERCENT	MEMBER STATE	PERCENT	MEMBER	PERCENT
Afghanistan	0.002	Djibouti	0.001	Liechtenstein	0.005	São Tomé and Príncipe	0.001
Albania	0.005	Dominica	0.001	Lithuania	0.024	Saudi Arabia	0.713
Algeria	0.076	Dominican Republic	0.035	Luxembourg	0.077	Senegal	0.005
Andorra	0.005	Ecuador	0.019	Madagascar	0.003	Serbia and Montenegro	0.019
Angola	0.001	Egypt	0.12	Malawi	0.001	Seychelles	0.002
Antigua and Barbuda	0.003	El Salvador	0.022	Malaysia	0.203	Sierra Leone	0.001
Argentina	0.956	Equatorial Guinea	0.002	Maldives	0.001	Singapore	0.388
Armenia	0.002	Eritrea	0.001	Mali	0.002	Slovakia	0.051
Australia	1.592	Estonia	0.012	Malta	0.014	Slovenia	0.082
Austria	0.859	Ethiopia	0.004	Marshall Islands	0.001	Solomon Islands	0.001
Azerbaijan	0.005	Fiji	0.004	Mauritania	0.001	Somalia	0.001
Bahamas	0.013	Finland	0.533	Mauritius	0.011	South Africa	0.292
Bahrain	0.03	France	6.03	Mexico	1.883	Spain	2.52
Bangladesh	0.010	Gabon	0.009	Micronesia	0.001	Sri Lanka	0.017
Barbados	0.010	Gambia	0.001	Monaco	0.003	Sudan	0.008
Belarus	0.018	Georgia	0.003	Mongolia	0.001	Suriname	0.001
Belgium	1.069	Germany	8.562	Morocco	0.047	Swaziland	0.002
Belize	0.001	Ghana	0.004	Mozambique	0.001	Sweden	0.998
Benin	0.002	Greece	0.530	Myanmar	0.010	Switzerland	1.197
Bhutan	0.001	Grenada	0.001	Namibia	0.006	Syrian Arab Republic	0.038
Bolivia	0.009	Guatemala	0.030	Nauru	0.001	Tajikistan	0.001
Bosnia and Herzegovina	0.003	Guinea	0.003	Nepal	0.004	Thailand	0.209
Botswana	0.012	Guinea-Bissau	0.001	Netherlands	1.690	The Former Yugoslav	
Brazil	1.523	Guyana	0.001	New Zealand	0.221	Republic of Macedonia	0.006
Brunei Darussalam	0.034	Haiti	0.003	Nicaragua	0.001	Timor-Leste	0.001
Bulgaria	0.017	Honduras	0.005	Niger	0.001	Togo	0.001
Burkina Faso	0.002	Hungary	0.126	Nigeria	0.042	Tonga	0.001
Burundi	0.001	Iceland	0.034	Norway	0.679	Trinidad and Tobago	0.022
Cambodia	0.002	India	0.421	Oman	0.070	Tunisia	0.032
Cameroon	0.008	Indonesia	0.142	Pakistan	0.055	Turkey	0.372
Canada	2.813	Iran (Islamic Republic of)	0.157	Palau	0.001	Turkmenistan	0.005
Cape Verde	0.001	Iraq	0.016	Panama	0.019	Tuvalu	0.001
Central African Republic	0.001	Ireland	0.350	Papua New Guinea	0.003	Uganda	0.006
Chad	0.001	Israel	0.467	Paraguay	0.012	Ukraine	0.039
Chile	0.223	Italy	4.885	Peru	0.092	United Arab Emirates	0.235
China	2.053	Jamaica	0.008	Philippines	0.095	United Kingdom	
Colombia	0.155	Japan	19.468	Poland	0.461	of Great Britain	
Comoros	0.001	Jordan	0.011	Portugal	0.470	and Northern Ireland	6.127
Congo	0.001	Kazakhstan	0.025	Qatar	0.064	United Rep. of Tanzania	0.006
Costa Rica	0.030	Kenya	0.009	Republic of Korea	1.796	United States of America	22.000
Côte d'Ivoire	0.010	Kiribati	0.001	Republic of Moldova	0.001	Uruguay	0.048
Croatia	0.037	Kuwait	0.162	Romania	0.060	Uzbekistan	0.014
Cuba	0.043	Kyrgyzstan	0.001	Russian Federation	1.100	Vanuatu	0.001
Cyprus	0.039	Lao People's		Rwanda	0.001	Venezuela	0.171
Czech Republic	0.183	Democratic Republic	0.001	Saint Kitts and Nevis	0.001	Vietnam	0.021
Democratic People's		Latvia	0.015	Saint Lucia	0.002	Yemen	0.006
Republic of Korea	0.010	Lebanon	0.024	Saint Vincent and the		Zambia	0.002
Democratic Republic		Lesotho	0.001	Grenadines	0.001	Zimbabwe	0.007
of the Congo	0.003	Liberia	0.001	Samoa	0.001	Denmark	0.718
		Libyan Arab Jamahiriya	0.132	San Marino	0.003	<b>Total</b>	<b>100.00</b>

port concluded that proposals for additional, nongovernmental sources of financing the UN were “neither practical nor desirable.”

Also in 1993, the Joint Inspection Unit (JIU) of the Secretariat issued a report declaring: “The old financial malaise is emerging with renewed evidence. What was a chronic illness is becoming a critical one.” Among JIU proposals:

- Governments should adjust their national legislations to avoid obstacles to paying their UN contributions in full and on time.
- Replenishment of the proposed UN Peace Endowment Fund could take advantage of initiatives, such as the issuance of special stamps by member states, with revenues turned over to the organization.

- Countries could turn over to peacekeeping operations funds earmarked for aid to developing countries in which the existing critical situation is an impediment to using those funds.
- In parallel with financing, cost saving is indispensable to solving the financial crisis. Fighting waste and reducing expenses must take place in all areas of the organization.

The fundamental requirement for the essential financial stability of the UN, however, remained the full and timely payment by all member states of their assessments, in accordance with Article 17, paragraph 2, of the Charter, which states that: “The expenses of the Organization shall be borne by the Members as apportioned by the General Assembly.”

In 1994, the UN General Assembly created the Office of Internal Oversight Service (OIOS) as a department within the Secretariat to independently monitor reports of waste, fraud, and mismanagement within the UN. OIOS focuses on high-risk activities, such as peace-keeping operations, humanitarian activities, and procurement while simultaneously providing oversight to all activities of the UN. OIOS provides oversight through internal auditing, management consulting, investigations, monitoring, inspection, and evaluation.

In 1996, efforts at managerial reform targeted five areas of management: cost structure, human resources, information, technology, and work programs. This approach has required reductions and redeployment of staff. Between 1984–95 and 1996–97, the UN eliminated 2,046 positions, and about 1,000 of the budgeted posts that exist now are kept vacant. Travel was reduced by 26% in 1996, and printing costs were reduced by 27% in early 1996, as more than 270,000 UN documents have become available electronically.

On 23 March 2000, Under-Secretary-General for Management Joseph E. Connor told the General Assembly's Fifth Committee (Administrative and Budgetary) that in 1999 the United Nations "took a step back from the financial brink." While regular budget and tribunals assessments were as expected, there was an increase in peacekeeping assessments in 1999, he added. Even with that increase, the obligatory cost to member states for all UN activities in 1999 was the lowest in six years: the actual assessment for 1999 came to just over US\$2 billion. The UN had more cash than the previous year largely because of payments made by the United States to avoid losing its vote in the General Assembly. Total available cash at the end of 1999 jumped to some US\$1.093 billion, from US\$736 million in 1998. Amounts owed to the United Nations were also lower, at US\$1.758 billion, down from US\$2.031 billion a year earlier. And the level of the United Nations debt to its member states—some US\$800 million—was also significantly lower than the previous three years.

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# THE GENERAL ASSEMBLY

The first of the UN organs established by the charter, the General Assembly is the pivot of the organization. All member states are represented. Each country, large or small, has one vote, and each country chooses its own representatives.

## FUNCTIONS AND POWERS

The central position of the General Assembly is firmly established in a series of charter provisions encompassing a wide range of functions and powers. First are the provisions setting forth its powers as the major deliberative body of the UN. With two exceptions (described below), the General Assembly has the right to discuss and make recommendations on any subject that falls within the scope of the charter itself, including the functions and powers of the other organs. Hence, it is in the General Assembly that all of the UN's important projects (except for the Security Council's peacekeeping operations) originate—those dealing with political questions, disarmament, economic and social development, human rights, decolonization of dependent territories, and development of international law.

The second group of charter provisions defining the pivotal position of the General Assembly concerns the financing of the UN. The General Assembly is empowered to “consider and approve” the budget of the organization (which includes that of the International Court of Justice at The Hague), and it also has the right to determine how the expenses shall be apportioned among the member nations.

Lastly, the General Assembly's position is secured by provisions that give it specific powers in relation to the other organs. Thus, both the Economic and Social Council and the Trusteeship Council are constituted under the direct authority of the General Assembly to carry out designated tasks in their respective spheres. The administrative arm of the UN, the Secretariat, is also at the disposition of the General Assembly. The General Assembly's powers, however, are much more limited where the Security Council and the International Court of Justice are concerned. Designed in some respects to be more powerful than the General Assembly, the Security Council is in no way answerable to the body for its activities—although it is required to make an annual report and, when necessary, special reports. Also, whereas the General Assembly is empowered to make recommendations to the council concerning the maintenance of international peace, it cannot give the council instructions. In the case of the International Court of Justice, any attempt to render its activities answerable to the General Assembly would have prejudiced the independent status that is normally accorded to judiciary bodies throughout the world. Nevertheless, inasmuch as the General Assembly not only has budgetary power but also elects the nonpermanent members of the Security Council and, concurrently with the Security Council, all the judges of the International Court, it can be said to exercise an appreciable degree of indirect control over both these bodies.

Thus, the one UN organ on which all member states have the constitutional right to be represented is able to make its will felt throughout the organization, and indeed the entire UN system. Because its powers closely resemble those of a national parliament, the General Assembly has been described as a “world parliament.” Parliamentary powers are not to be confused, though, with governmental powers. Except insofar as the Economic and Social Council, the Trusteeship Council, and the Secretariat are bound to carry out its requests, the General Assembly has no power to legislate and cannot enforce its decisions upon individual member nations. The only sanctions that the General Assembly can wield against an uncooperative member are the suspension of the rights and privileges of membership and expulsion from the organization, but even these sanctions can be invoked only on the recommendation of the Security Council. In effect, then, all General Assembly decisions are purely recommendations that reflect world public opinion; they have moral, though not legal, force. At the end of this chapter, an attempt is made to assess their effectiveness on this score.

## Charter Restrictions on the Assembly's Power to Discuss and Recommend

The charter imposes two major restrictions on the General Assembly's powers to discuss and make recommendations. The first is embodied in the principle set out in Article 2, paragraph 7 of the charter, which states: “Nothing contained in the present Charter shall authorize the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state or shall require the Members to submit such matters to settlement...” This principle is not so restrictive as it might seem, for whether a given issue is or is not of a domestic character is decided by the General Assembly itself. It can and often does override by majority vote the attempt of a member nation to bar a particular topic from debate by invoking Article 2, paragraph 7 of the charter. The most notable case in point was the General Assembly's annual discussion of South Africa's apartheid policy (before it was abolished) despite South Africa's contention that the matter was within its domestic jurisdiction. (See section on “Apartheid in South Africa” in the chapter on Human Rights.)

The second restriction is to be found in Article 12 of the Charter, which states that while the Security Council is exercising its functions in respect to any international dispute or situation, “the General Assembly shall not make any recommendation with regard to that dispute or situation unless the Security Council so requests.” This stipulation, then, clearly establishes the absolute primacy of the Security Council over the General Assembly in times of crisis. Here, the main object of the founders of the UN was to ensure against the possibility of the smaller nations forming a majority bloc to interfere with any decisions that might be made by the Big Five acting in concert as permanent members of the Secu-



rity Council, where each possesses the right of veto. (For a discussion of the veto right, see the chapter on the Security Council.)

#### Extension of the Assembly's Power to Discuss and Recommend through the Uniting for Peace Resolution

Designed to secure maximum unity of action in moments of acute danger, Article 12, in fact, proved to be the chief obstacle to action of any kind during successive crises in the years just after World War II. The effectiveness of the entire system presupposed a spirit of unanimity among the great powers in their determination to end a particular dispute that appeared to threaten international peace and security. However, on each postwar occasion when the great powers might have been expected to display unanimity, the USSR and the four other permanent members of the Security Council took opposite sides in the dispute. As a result, precisely because each of them possessed the veto, all council action was deadlocked. Meanwhile, the General Assembly, prevented from taking action of its own accord because of Article 12, was forced to stand by helplessly.

It was the seriousness of the Korean crisis that finally impelled the General Assembly to take steps to break through its constitutional straitjacket. Following a deadlock in the council in 1950, when the USSR vetoed a United States-sponsored resolution in connection with the entry of the People's Republic of China into the Korean conflict on the side of North Korea, the General Assembly adopted a resolution that enabled it to circumvent the restrictions imposed by Article 12. This act, which came to be known as the "Uniting for Peace Resolution," provides that if the Security Council, because of lack of unanimity among its permanent members, fails to exercise its primary responsibility in the maintenance of peace, in a case where there appears to be a threat to the peace, breach of the peace, or act of aggression, the General Assembly shall consider the matter immediately with a view to making recommendations to members for collective measures, including if necessary the use of armed force. Although the Uniting for Peace Resolution thus considerably extends the General Assembly's powers with respect to maintenance of international peace and security, it in no way represents an attempt to usurp the Security Council's prerogatives. Nor does it attempt to arrogate to the General Assembly the enforcement powers that the charter accorded to the Security Council alone. Even under the Uniting for Peace Resolution, the General Assembly can only recommend that members undertake collective peacekeeping measures; it cannot oblige them to do so. Nor can it impose peacekeeping action against the will of the parties to a dispute. It must obtain their explicit consent to the presence of UN personnel-observer commissions, mediators, troops-in their territories.

The Uniting for Peace Resolution has been invoked in several major crises: the Middle East (1958, 1967), Hungary (1956), Suez (1956), the Congo (1960), Afghanistan (1980), Palestine (1980, 1982), Namibia (1981), the occupied Arab territories (1982) and illegal Israeli actions in occupied East Jerusalem and the rest of the occupied Palestinian Territory (1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004). In all cases, the emergency special sessions addressed situations in which the Security Council found itself deadlocked. (See the discussion of peacekeeping operations in the chapter on International Peace and Security.)

## ORGANIZATION

### Sessions

The General Assembly meets once a year in regular sessions that begin on the third Tuesday in September. Usually these sessions last about three months, ending before Christmas, but there is no fixed time limit, and many times the General Assembly has adjourned, continuing the session after the holidays. Special sessions on a particular topic may be held at the request of the Security Council, or of a majority of UN members, or of one member if the majority of members concur. An emergency special session may be called within 24 hours by the Security Council on the vote of any nine members, or by a majority of UN members, or by one member if the majority concurs.

Through 2005, the Assembly convened 28 special sessions on issues that demanded attention over the years, including problems of Palestine, UN finances, Namibia, disarmament, international economic cooperation, apartheid, drugs, the environment, population, children, the advancement of women, sustainable development of small island developing states, and the 60th commemoration of the liberation of the Nazi concentration camps.

### Sessional Committees

Most of the substantive work during regular session is conducted through seven "Main Committees," which are reconstituted at every session. Each is composed of representatives of all member nations.

- The *First Committee* deals with disarmament and related international security matters.
- The *Second Committee* deals with economic and financial matters.
- The *Third Committee* is concerned with social, humanitarian, and cultural matters and human rights.
- The *Fourth Committee* handles special political questions and questions concerning the granting of independence to colonial territories.
- The *Fifth Committee* deals with the administrative and budgetary matters of the organization.
- The *Sixth Committee* debates legal questions, including the general development and codification of international law.
- The *Special Political Committee* was created in 1948 as an ad hoc committee of the whole to discuss the Palestine question. It was subsequently absorbed by the Fourth Committee.

The General Assembly maintains two other sessional committees, both of which deal with General Assembly procedure. However, neither is a committee of the whole. The 28-member *General Committee*, composed of the General Assembly president, the 21 vice presidents, and the chairmen of the six main committees (see Election of Officers, below), examines the provisional agenda of each session and makes recommendations on the inclusion or exclusion of items and on their assignment to the appropriate main committee. The *Credentials Committee* is a nine-member body appointed by the General Assembly at the beginning of the session to examine the credentials of representatives and to work out any problems that might arise in this connection.

### Plenary Meetings

Since all the main committees are committees of the whole, the distinction between the General Assembly meeting in committee

and meeting in plenum is largely one of protocol. Always conducted by the president or a vice president, plenary meetings are much more formal affairs. Normally, no one below the rank of head of delegation may actively participate in the proceedings, and no one is allowed to speak from his or her chair but must go to the speaker's rostrum. (None of the conference rooms in which the committees meet is provided with a speaker's rostrum.) The Assembly Hall itself is reserved for plenary meetings and is rarely used by the committees.

It is in plenary meetings that all formal or ceremonial functions occur: opening and closing of the General Assembly session, election of officers and members of other organs, adoption of resolutions and decisions on all agenda items, and addresses by heads of state or government or by other high national officials who visit the UN while the General Assembly is in session. Plenary meetings also constitute the forum for the statements of general policy that the head of each member delegation is entitled to make as part of what is known as the "general debate," which takes place during the first three weeks or so of the regular session. Because of the great number of questions which the General Assembly is called upon to consider (156 agenda items at the 2005-06 session) it allocates most questions to its six main committees.

#### Voting Procedure

Each member of the General Assembly and its committees has one vote. Article 18 of the charter decrees that decisions on "important" questions shall be made by a two-thirds majority of the members present and voting. Among the important questions specified are recommendations with regard to maintenance of peace and security; election of the nonpermanent members of the Security Council and of the members of the Economic and Social Council and the Trusteeship Council; admission of new UN members, suspension of rights and privileges of membership, and expulsion of members; questions relating to the operation of the trusteeship system; and budgetary questions. Decisions on other questions, including the determination of additional categories of important questions requiring a two-thirds majority vote, are made by a simple majority of the members present and voting. The phrase "members present and voting" means members casting either affirmative or negative votes; members who abstain are considered as not voting. Thus, although the number of abstentions is usually listed for information purposes, it does not count in the final tally as to whether a resolution has received the requisite majority—provided that the rules of quorum have been observed. A quorum is constituted when a majority of the members are present; no decision may be taken without one. The president of the General Assembly, however, may declare a meeting open and permit the debate to proceed when at least one-third of the members are present. The chairman of a main committee may open a meeting when one-quarter of the members are present.

Voting may be by a show of hands, by roll call, or, in certain instances such as elections, by secret ballot. The normal method was intended to be by a show of hands, but any member can request a roll call. There has been an increasing tendency to do so, especially on the more contentious issues. Before a roll-call vote is taken, a lot is drawn to determine the country that is to vote first. Starting with that country, voting proceeds according to the alphabetical order of the official names of states in English. Mechanical vot-

ing equipment was installed in the Assembly Hall and first used at the 1965 session. Similar equipment is used in some conference rooms.

#### Seating Arrangements

The charter allows each member state a maximum of five representatives in the General Assembly. Most members, in addition to their five representatives, send five alternative representatives and a number of advisers to each session. Six seats are assigned to every delegation in the Assembly Hall. Both in the hall and in conference rooms, delegations are seated in alphabetical order according to the official names of the countries in English. The seating is rearranged before each session by drawing lots to select the country with which the alphabetical seating will start.

#### Election of Officers

At each regular session, the General Assembly constitutes itself anew. During the opening meetings, the main officers are elected, who serve until the end of the session. If a special or emergency session is called, it is normally presided over by officers elected in the previous September.

The first officer to be elected is the president. Delegates vote by secret ballot, and a simple majority suffices. In choosing the president, regard has to be paid to the equitable geographical rotation of the office among the following groups of states: African, Asian, Eastern European, Latin American, and Western European and other states. By tacit agreement, no representative of a permanent member of the Security Council ever is elected president of the General Assembly or chairman of a committee.

Following the election of the president, the main committees are officially constituted and retire to elect their own officers. Here again the matter of equitable geographical representation arises, and it is precisely regulated by a resolution adopted by the General Assembly in 1963. Of the six committee chairmen, one must be chosen from African, Asian, Eastern European, Latin American or Caribbean, and Western European or other states. The sixth chairmanship rotates over a period of twenty sessions between African, Asian, and Latin American and Caribbean states.

The final officers to be elected are the 21 vice presidents. Of these, 16 are elected in accordance with a geographical pattern: six from African states, four from Asian states, three from Latin American and Caribbean states, two from Western European and other states, and one from an Eastern European state. (The election of the president of the General Assembly has the effect, however, of reducing by one the number of vice presidencies allocated to the region from which the president is elected.) The remaining five vice presidents represent the permanent members of the Security Council: China, France, the Russian Federation, the United Kingdom, and the United States.

## AGENDA OF THE ASSEMBLY

Under the General Assembly's rules of procedure, the provisional agenda for a regular session must be issued no later than 60 days before the opening. However, up to 30 days before the opening, the Secretary-General, any of the other principal organs of the UN, or any member of the UN may request the inclusion of sup-

### General Assembly Presidents

1.	1946	Paul-Henri Spaak	Belgium
2.	1947	Oswaldo Aranha	Brazil
3.	1948	Herbert V. Evatt	Australia
4.	1949	Carlos P. Romulo	Philippines
5.	1950	Nasrallah Entezam	Iran
6.	1951	Luis Padilla Nervo	Mexico
7.	1952	Lester B. Pearson	Canada
8.	1953	Vijaya Lakshmi Pandit	India
9.	1954	Eelco N. van Kleffens	Netherlands
10.	1955	José Maza	Chile
11.	1956	Prince Wan Waithayakon	Thailand
12.	1957	Sir Leslie Munro	New Zealand
13.	1958	Charles Malik	Lebanon
14.	1959	Víctor Andrés Belaúnde	Peru
15.	1960	Frederick H. Boland	Ireland
16.	1961	Mongi Slim	Tunisia
17.	1962	Sir Muhammad Zafrulla Khan	Pakistan
18.	1963	Carlos Sosa Rodríguez	Venezuela
19.	1964	Alex Quaison-Sackey	Ghana
20.	1965	Amintore Fanfani	Italy
21.	1966	Abdul Rahman Pazhwak	Afghanistan
22.	1967	Corneliu Manescu	Romania
23.	1968	Emilio Arenales Catalán	Guatemala
24.	1969	Angie E. Brooks	Liberia
25.	1970	Edvard Hambro	Norway
26.	1971	Adam Malik	Indonesia
27.	1972	Stanislaw Trepczynski	Poland
28.	1973	Leopoldo Benites	Ecuador
29.	1974	Abdelaziz Bouteflika	Algeria
30.	1975	Gaston Thorn	Luxembourg
31.	1976	Hamilton S. Amerasinghe	Sri Lanka
32.	1977	Lazar Mojsov	Yugoslavia
33.	1978	Indalecio Liévano	Colombia
34.	1979	Salim A. Salim	Tanzania
35.	1980	Rüdiger von Wechmar	Federal Republic of Germany
36.	1981	Ismat T. Kittani	Iraq
37.	1982	Imre Hollai	Hungary
38.	1983	Jorge E. Illueca	Panama
39.	1984	Paul J. F. Lusaka	Zambia
40.	1985	Jaime de Piniés	Spain
41.	1986	Humayun Rasheed Choudhury	Bangladesh
42.	1987	Peter Florin	German Democratic Republic
43.	1988	Dante M. Caputa	Argentina
44.	1989	Joseph Nanven Garba	Nigeria
45.	1990	Guido de Marco	Malta
46.	1991	Samir S. Shihabi	Saudi Arabia
47.	1992	Stoyan Ganev	Bulgaria
48.	1993	Samuel R. Insanally	Guyana
49.	1994	Amara Essy	Côte d'Ivoire
50.	1995	Diogo Freitas do Amaral	Portugal
51.	1996	Razali Ismail	Malaysia
52.	1997	Hennadiy Udovenko	Ukraine
53.	1998	Didier Opertti	Uruguay
54.	1999	Theo-Ben Gurirab	Namibia
55.	2000	Harri Holkeri	Finland
56.	2001	Han Seung-soo	Republic of Korea
57.	2002	Jan Kavan	Czech Republic
58.	2003	Julian Robert Hunte	St. Lucia
59.	2004	Jean Ping	Gabon
60.	2005	Jan Eliasson	Sweden

Note: General Assembly presidents normally preside over special and emergency special sessions of the world body during their tenure. The exceptions were: José Arce of Argentina, who presided over the second special session in 1948, and Rudecindo Ortega of Chile, who presided over the first and second emergency special sessions held in 1956.

plementary items. Additional items may also be included at any time if a majority of the General Assembly agrees.

Normally, the agenda includes well over 100 items. The great majority of substantive (that is to say, nonprocedural) items arise out of decisions made by previous sessions, and their inclusion in the agenda is automatic. Thus, the General Assembly frequently requests the Secretary-General, a special committee, or another UN organ to submit a special report on a given topic. The report, at the time that it is due, automatically becomes part of the agenda item on the topic. There also are several items that the General Assembly is obliged to consider at each session under the Charter—for example, the annual report of the Secretary-General on the work of the UN and the reports of the three councils.

#### Adoption of the Agenda

The adoption of the agenda is not a mere formality. The General Assembly has to approve the entire agenda and may amend or delete any item by majority vote. A decision to reject a particular member's request to have an item placed on the agenda could have considerable political significance. It is the function of the General Committee (which could be described as the steering committee) to make recommendations to the General Assembly on the inclusion of requested items in the agenda. Most of the pros and cons of including a controversial item in the agenda are thrashed out in this committee rather than in plenary, and the committee's proceedings sometimes afford a preview of the positions that countries will take on certain questions when they come up for substantive debate. Another important function of the General Committee is to recommend the assignment of agenda items to the various main committees for debate. It may also recommend that an important item be debated in plenary without being referred to a committee.

#### EFFECTIVENESS OF THE ASSEMBLY

Depending on the nature of the question and on the views of the majority, General Assembly debates may lead to one or a combination of the following: recommendations, phrased in varying degrees of urgency, to individual countries or to all countries; initiation of studies and reports; creation of new UN organs, committees of inquiry, and permanent special bodies that are assigned specific tasks; and adoption of international covenants, treaties, and agreements.

#### Significance of the Enlarged Membership and Changing Voting Patterns

Since 1960, when the impact of the number of newly independent African and Asian nations first began to make itself felt in the UN, the General Assembly's voting patterns have undergone a marked alteration. Until then, the majority of controversial resolutions had tended essentially to reflect a simple East-West division of opinion. In the resulting lineup of votes, the Western view, marshaled under the leadership of the United States, easily attained comfortable majorities on most issues, since it was supported not only by the countries of Western Europe but by the Latin American states as well. The formation of what has come to be known as the "Afro-

Asian group," coupled with the general detente in East-West relations, introduced a new element into the voting equation.

Interested in wielding influence within the world body and preoccupied with the problems of development and decolonization rather than with cold war issues as such, African and Asian countries sought to unite themselves into an independent or "non-aligned" voting bloc. On occasion, the unity of the group is split by divided interests. This division occurs most frequently in major political issues of special importance to the big powers, when some small countries may find it expedient to associate themselves with the big power on which they are dependent for financial aid. At other times, notably on items connected with economic development, African and Asian nations may join the developing countries of the Latin American group in order to create a formidable voting bloc that can force through requests to which the highly developed nations, from East and West alike, may be reluctant to accede.

Then again, the emergence of what is in effect a floating third voting force in the General Assembly has resulted in the creation of special alliances as occasion demands. For example, the former Soviet bloc and the nonaligned groups often combined to defeat or hurry the West on colonial issues. This development also opened up possibilities for striking voting bargains on individual draft resolutions. Accordingly, one group might support an initiative taken by a second group in exchange for the latter's support on a different item.

The indiscriminate wielding of voting strength by small nations is subject to the law of diminishing returns. Indeed, many small nations have shown indications of growing restraint, realizing that there is little point in pushing through resolutions requiring, for example, increased expenditure on economic development if the big powers, which make the largest financial contributions, are not prepared to implement them. Similarly, these nations have recog-

nized that there is little to be gained from trying to compel the big powers to go beyond their own pace in agreeing upon measures for disarmament or for resolving their differences on peacekeeping issues.

One important outcome of the growing recognition by the small nations of the practical limitations of their voting strength, coupled with the realization by the Western powers that they no longer can be certain of majority support, even on items of particular importance to them, has been a general recourse wherever possible to compromise resolutions that command unanimous or nearly unanimous support. However, notwithstanding this partial solution to the problems created by the emergence of a floating third voting force in the General Assembly, the big powers, especially those from the West, have become increasingly dissatisfied with this situation, and some of their leaders have come to question the principle of "one country, one vote."

While the decisions of the General Assembly have no legally binding force for governments, they carry the weight of world opinion on major international issues, as well as the moral authority of the world community. Even so, the fact that a resolution receives an overwhelming majority vote does not guarantee its effectiveness. Nor does the fact that a resolution was adopted by a slender margin necessarily mean that it will serve no purpose. In general, it may be said that a resolution will be effective insofar as its adoption is not regarded by any country as inimical to its national interests. The most effective resolutions, then, are those that concern matters on which all members are prepared to accept a degree of compromise (though this acceptance may not necessarily be reflected in the actual voting) and that establish goals all members are eager to achieve or to which they have no objection. Like the UN itself, resolutions can be only as effective as the membership wants them to be.

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# THE SECURITY COUNCIL

Under the UN charter, the member States give the Security Council primary responsibility for maintaining international peace and security. To facilitate its work and to ensure quick and effective action when required, the council has certain powers and attributes not accorded the other organs of the UN. Thus, the council is empowered by the charter to enforce its decisions and prescribe them as a course of action legally binding upon all UN members. However, these prerogatives can be invoked only in times of gravest crisis and under explicit conditions laid down in the charter. Otherwise, the Security Council, like the General Assembly, can only recommend and advise.

Another distinctive feature of the council is the membership and voting privileges accorded to the five countries that were chiefly responsible for the defeat of the Axis nations in World War II and, at the time of the San Francisco Conference, were regarded as militarily the most powerful countries in the world. By the terms of these privileges, China, France, the USSR, the United Kingdom, and the United States were each accorded permanent membership on the Security Council and the right to veto any substantive decision adopted by the majority of the other members. The underlying consideration here was the desire to preserve the unanimity of the Big Five—that is, to ensure that no peacekeeping action would be taken against the will of a country considered sufficiently powerful to oppose the council's decision with military force and so open up the possibility of a third major international war.

Since all five countries were actually specified by name in the relevant charter provisions, an amendment or revision of the charter would be required to name different nations as permanent Security Council members. In turn, a charter amendment requires ratification by all five permanent members of the Security Council before it can come into force. In 1971, a major change was brought about without altering the names of permanent members. The General Assembly voted that the right to represent China belonged to a delegation that the People's Republic of China would name and expelled the delegation from the Republic of China (Taiwan). On 24 December 1991, Boris Yeltsin, president of the new Russian Federation, sent a letter to the Secretary-General informing him that the Russian Federation, as the "continuing state" of the former USSR, would occupy the seat of the former USSR on the Security Council. The letter stated that the Russian Federation had the support of the 11 member countries of the Commonwealth of Independent States, most of whom subsequently became members of the United Nations. The precedent for this switch was cited as the 1947 accession of the newly independent India to the UN membership held by the former British India.

## MEMBERSHIP

To expedite decision and action, the membership of the Security Council was deliberately restricted to a small number. Originally

an 11-member body, it was subsequently enlarged to 15 members by a charter amendment that came into effect on 31 August 1965.

With five seats permanently assigned, the remaining 10 are filled by other UN members elected by secret ballot in the General Assembly for two-year terms. Five seats on the Security Council become vacant each year. Nonpermanent members of the council are ineligible for immediate reelection upon retirement. In electing the nonpermanent members of the Security Council, the General Assembly is required to pay due regard to the past and potential contribution of nations to the maintenance of international peace and security, as well as to equitable geographical distribution. In view of the power of the council, nations attach great importance to the choice of the nonpermanent members.

The problem of ensuring equitable geographical distribution of members elected to the Security Council has not been easy to resolve. Prior to the council's enlargement, there had been a long-standing difference of views on a "gentlemen's agreement" reached in the early days of the UN that was intended to guarantee that the six nonpermanent seats would be so distributed that one of the seats would always be held by a Soviet bloc country. However, until 1960, only Poland and the Ukraine were elected, and each served for only one two-year term. In the 1959 election, Poland and Turkey competed for the nonpermanent council seat for the two-year term 1960-61. After 52 ballots, the General Assembly gave the seat to Poland on the basis of the following compromise: though elected for two years, Poland would resign its seat at the end of the first year and Turkey would be the sole candidate to fill the unexpired term. Under a similar arrangement, Romania held a seat for 1962, resigning it for 1963 to the Philippines. To avoid the recurrence of such situations after the enlargement of the council, the General Assembly established a fixed pattern for the geographical distribution of the 10 nonpermanent seats: five from African and Asian nations, one from East European nations, two from Latin American and Caribbean nations, and two from West European and other nations.

The accession of the Russian Federation, a vastly less powerful state than the former USSR, to a permanent seat on the Security Council set off a discussion among the UN membership about the need to make changes to the structure of the Security Council to better reflect the radical changes in the world and the organization's overall membership. The 48th General Assembly established an Open-Ended Working Group on the Question of Equitable Representation on and Increase in the Membership of the Security Council, which held its first meeting in New York on 19 January 1994. The Working Group submitted an informal report to the Secretary-General summarizing the results of its survey of the membership. It found that virtually all member states of the UN favored an increase in the membership of the Security Council. There was little unanimity, however, on the criteria for revising the council's composition. Responses received by the Working Group

proposed increasing membership by as few as four (to 19) or more than doubling its size (to 31). Some members suggested the number of permanent members be increased at least by one (to six), or perhaps as much as seven (to 12). Most states responding to the survey agreed that an increase in membership should not diminish the council's efficiency. While most members favored continuing the categories of permanent and nonpermanent memberships, new categories were suggested: permanent seats without power of veto; rotating permanent seats, with or without power of veto; and semipermanent seats or extended membership. Some of the possible criteria put forward for new Security Council permanent membership included size of peacekeeping and financial contributions, the size of population and territory, economic potential, regional importance, geopolitical situation, and military capability.

In 2006, the Security Council consisted of the five permanent members: China, France, the Russian Federation, the United Kingdom, and the United States; the 10 nonpermanent members, elected for a two-year period, were Argentina, the Republic of the Congo, Denmark, Ghana, Greece, Japan, Peru, Qatar, Slovakia, and the United Republic of Tanzania.

## ORGANIZATION OF THE COUNCIL

The Security Council is organized to function continuously and to meet as often as necessary. Hence, a representative from each member state must always be available so that in an emergency the council can convene at once. Chairmanship rotates among the council's member states according to their English alphabetical order, a new president (as the chairman is called) presiding every month. It is up to the president to decide whether to preside during the discussion of a question that directly concerns his own country.

Council members normally are represented by the heads of their permanent missions to the UN, who have the rank of ambassador. Any state that is not currently a council member but is a party to a dispute under consideration by the council must be invited to send representatives to participate in the proceedings, though without the right to vote. (In these circumstances, the disputing states concerned usually send a high government official, very often the foreign minister.) When the council is discussing a matter other than an actual dispute, the decision to invite the participation of any UN member states whose interests are directly affected is left to its discretion. The council has usually acceded to requests for such invitations. It has also granted representatives of national liberation organizations the opportunity to speak at a number of meetings.

The Security Council has held sessions away from its New York headquarters on two occasions, in Addis Ababa, Ethiopia, in 1972, to consider questions relating to Africa, and in Panama City, Panama, in 1973, to consider questions relating to Latin America.

## VOTING

Each member of the Security Council has one vote. On questions of procedure, a motion is carried if it obtains an affirmative vote of any nine members. On substantive matters, a resolution requires the affirmative votes of nine members, including the concurring votes of the permanent members. However, any member, whether permanent or nonpermanent, must abstain from voting in any

decision concerning the peaceful settlement of a dispute to which it is a party.

### The Veto

The veto power and its exercise by permanent members remains a central characteristic of the mechanism of the Security Council, although, since the end of the cold war, a new climate of collegiality has made its use rare. Though the word "veto" does not occur in the charter, it is the common-usage term for the power of any of the five permanent members to defeat a resolution by voting "nay."

Negative votes cast in the council by its permanent members constitute an exercise of their veto power only on substantive questions, not on procedural matters. Moreover, by long-standing practice, the charter provision stipulating that all substantive resolutions must obtain the concurring votes of the permanent members has been interpreted to mean that, provided a permanent member does not actually vote "nay," a resolution may still be carried.

The veto power, then, is the constitutional instrument for giving expression to the requirement—discussed at the opening of this chapter—that before the Security Council invokes its authority in peacekeeping action, the big powers should first resolve their differences on how a particular crisis should be handled. However, although the principle of ensuring unanimity among the big powers was the major consideration underlying the institution of the veto, it was not the only one. A complementary consideration was the need of the major powers to ensure that their decisions would not be overridden by a majority vote of the smaller nations. In effect, conferring the right of veto upon a few powerful countries was tacit acknowledgment of the natural conflict that exists between their interests and those of the less powerful nations. It was a recognition of the fact that, despite differing social systems and power rivalry, the large countries often share more interests with each other than they do with smaller nations having social systems and tenets similar to their own. And it was for exactly this reason that the smaller countries represented at the San Francisco Conference made strenuous but unsuccessful efforts to prevent the institution of the veto power in the charter.

## FUNCTIONS AND POWERS

The functions and powers assigned to the Security Council under the charter are the following:

- to maintain international peace and security in accordance with the principles and purposes of the UN;
- to investigate any dispute or situation that might lead to international friction and to recommend methods of adjusting such disputes or the terms of settlement;
- to determine the existence of a threat to the peace or an act of aggression and to recommend what action should be taken;
- to call on members to apply economic sanctions and other measures not involving the use of force in order to prevent or stop aggression;
- to take military action against an aggressor; and
- to formulate plans for the establishment of a system to regulate armaments.

The Security Council also is empowered to exercise the trusteeship functions of the UN in areas designated as "strategic" (only the Trust Territory of the Pacific Islands was so designated).

Finally, the Council recommends to the General Assembly the admission of new members and the appointment of the Secretary-General and, together with the General Assembly, elects the judges of the International Court of Justice.

## MAINTAINING INTERNATIONAL PEACE AND SECURITY

By the very act of joining the UN, all members "confer on the Security Council primary responsibility for the maintenance of international peace and security and agree that in carrying out its duties under this responsibility the Security Council *acts on their behalf*" (italics added). They also consent "to accept and carry out" the decisions of the council on any peacekeeping action that may be required. Under Article 39 of the charter, the Security Council's powers to take such enforceable decisions come into effect only when a definite "threat to the peace," an actual "breach of the peace," or a particular "act of aggression" has occurred. Only if the council decides that one of these circumstances prevails may it invoke its power to take a course of enforcement action that constitutes a legally binding commitment on all UN members. With regard to disputes between states that, in the opinion of the council, have not yet led to a definite threat to the peace or do not constitute an actual breach of the peace or an act of aggression, it may simply recommend measures for a peaceful settlement.

The extreme caution with which the founders of the UN assigned governmental prerogatives to the Security Council is reflected in the fact that its peacekeeping powers are set out in two quite separate chapters of the charter. Chapter VI establishes the council's advisory functions in assisting the peaceful settlement of disputes. Chapter VII defines the kind of action that it may take in the event of threats to the peace, breaches of the peace, and acts of aggression.

### Peaceful Settlement of Disputes

Under Chapter VI of the charter, the parties to any dispute "the continuance of which is likely to endanger the maintenance of international peace and security" are enjoined to seek a settlement of their own accord by peaceful means, including "negotiation, enquiry, mediation, conciliation, arbitration, judicial settlement, or resort to regional agencies or arrangements...." When can the Security Council itself intervene? On this point, the charter is as unrestrictive as possible. By no means does every "situation" of conflicting interests lead to an actual dispute. Yet the council need not wait until a situation has given rise to friction before taking action. It may take the initiative of investigating any dispute, or any situation that might lead to international friction or give rise to a dispute, in order to determine whether the continuance of the dispute or situation is likely to endanger the maintenance of international peace and security. Moreover, any nation, whether a member of the UN or not, has the right to bring any dispute or threatening situation before the Security Council (or before the General Assembly). Should the parties to a dispute fail to settle their differences by peaceful means of their own choice, they are

bound under the terms of the charter to refer the problem to the council.

Once the council has decided to intervene in a dispute, it can take several courses of action. It may recommend one of the methods of settlement listed in the charter; it may itself determine and recommend other "procedures or methods of adjustment" that it deems appropriate; or, if it considers that the continuance of the dispute is likely to endanger international peace and security, it can decide to recommend substantive terms of settlement.

### Threats to the Peace, Breaches of the Peace, and Acts of Aggression

If, in its opinion, there is a threat to the peace, the Security Council has the duty to maintain peace and security by preventing the outbreak of actual hostilities. If there has been a breach of the peace or an act of aggression, its duty is to restore international peace and security.

The Security Council is empowered by the charter to call upon the parties to comply with any provisional measures that it deems necessary or desirable. Such immediate instructions to the quarreling states are intended, without prejudice to the rights of the parties, to prevent an aggravation of the conflict. For example, the council may demand the immediate cessation of hostilities and withdrawal of the forces from the invaded territory. If either or both parties do not comply with these demands, the council "shall duly take account" of the failure to comply. In this event, the farthest-reaching prerogative of the Security Council can come into play—namely, its right to institute sanctions against the recalcitrant state or states.

Here again, the discretion of the Security Council is very wide. When the council finds that a threat to the peace, breach of the peace, or act of aggression exists, it is authorized, though not compelled, by the charter to invoke sanctions. Even if its first provisional demands are not heeded, it may continue to press for peaceful settlement or take various other actions, such as the dispatch of a commission of inquiry, short of sanctions. On the other hand, the Security Council is free to invoke whatever enforcement measures it may consider necessary under the circumstances. It need not begin with the mildest but may, as in the Korean conflict, immediately start with the severest type of sanction—namely, the use of military force—if it considers that less drastic measures would be inadequate.

*Types of Sanctions.* The charter does not provide an exhaustive list of sanctions that the Security Council may invoke, but it mentions two types: sanctions not involving the use of armed forces, and military sanctions.

Sanctions not involving the use of armed forces may be of two kinds. One is the severance of diplomatic relations with one or more of the belligerent states. The other is economic sanctions, including partial or complete interruption of economic relations and communications, such as rail, sea, and air traffic, postal and telegraphic services, and radio. The purpose is to isolate the country or countries against which they are directed, physically, economically, and morally. For example, a would-be aggressor that is denied certain strategic materials may be compelled to cease hostilities. If successful, such measures have great advantages over military sanctions. They impose fewer burdens on the participating countries and fewer hardships on the population of the areas

of conflict. They also avoid the danger that once military action on behalf of the UN has been taken, war may spread.

Military sanctions, the charter stipulates, may include demonstrations by air, sea, or land forces; blockade; or “other operations by air, sea, and land forces,” the latter including actual military action against the offending country or countries.

Once the Security Council has decided on specific sanctions, all members of the UN are under legal obligation to carry them out. The council may, however, at its discretion, decide that only certain member states shall take an active part, or it may demand that even nonmember states participate in economic sanctions to make them effective. The charter also stipulates that before any member state not represented on the Security Council is called upon to provide armed forces, that country must, upon its request, be invited to participate in the council’s deliberations, with a right to vote on the employment of its own contingents.

The Security Council has invoked its powers to impose sanctions judiciously.

In December 1966, the council imposed mandatory economic sanctions against the illegal Smith regime in Southern Rhodesia (now Zimbabwe).

The council instituted a voluntary arms embargo against South Africa in 1963 on the grounds that arms supplied to that country were being used to enforce its policy of apartheid. In November 1977, it imposed a mandatory arms embargo against South Africa. Although the General Assembly requested the Security Council to consider mandatory economic sanctions (in 1977) and a mandatory embargo on oil and oil products (in 1979), the council did not act. (The General Assembly passed a resolution calling for a mandatory oil embargo and economic sanctions against South Africa at its 44th session in 1989.)

On 6 August 1990, in response to Iraq’s invasion of Kuwait, the Security Council, in its Resolution 661, imposed tight sanctions: a full trade embargo barring all imports from and exports to Iraq, excepting only medical supplies and humanitarian food aid. The Security Council further indicated its resolve by passing Resolution 665 on 25 August 1990, authorizing member states to use force to block shipments of goods to Iraq. Finally, on 25 September, it passed Resolution 670 mandating a complete air transport blockade of Iraq. Beginning in 1995 (Resolution 986) an “oil-for-food” program was established in Iraq, enabling the country to sell up to \$1 billion of oil every 90 days and use the proceeds for humanitarian supplies. Subsequent resolutions (1051, 1111, 1115, 1129, 1134, 1137, 1143, 1153, 1158, 1175, 1194, 1210, 1242, 1266, 1281, 1284, 1302, and 1409) dealt with the extension of the oil-for-food program established under Resolution 986, and with IAEA inspections of Iraqi weapons of mass destruction programs. After the defeat of the Saddam Hussein government in March-April 2003 by US and British forces, the UN adopted Resolution 1483 on 22 May 2003, under which the Security Council decided that, except for the sale or supply to Iraq of arms and related material, all prohibitions related to trade with Iraq and other sanctions measures established by Resolution 661 and subsequent resolutions no longer applied. As of 28 May 2003, some \$28 billion worth of humanitarian supplies and equipment had been delivered to Iraq under the oil-for-food program, including \$1.6 billion worth of oil industry spare parts and equipment. An additional \$10 billion worth of supplies were in the production and delivery

pipeline. After the lifting of sanctions established by Resolution 1483, a UN special representative was tasked with the job of working with the occupying forces in rebuilding Iraq, opening the way for the resumption of oil exports, and providing for the termination of the oil-for-food program. The oil-for-food-program (which subsequently became the object of intense criticism due to charges of bribery, fraud, and kickbacks paid to the Hussein regime) was phased out on 21 November 2003.

In 1991, at the request of the foreign minister of Yugoslavia, the Security Council imposed its first mandatory arms embargo in Europe in an effort to quell the rising tide of insurrection between ethnic groups in that country. By 30 May 1992, Yugoslavia had dissolved into four states: Slovenia, Croatia, Bosnia-Herzegovina, and the Federal Republic of Yugoslavia (Serbia and Montenegro). At that time, Slovenia, Croatia, and Bosnia-Herzegovina were admitted to UN membership. The Security Council, in Resolution 757, imposed mandatory trade sanctions against the Federal Republic of Yugoslavia, excepting only shipments of food and medicine for humanitarian purposes. Resolution 942 (1994) imposed sanction against the Bosnian Serbs, including freezing Bosnian Serb financial assets held abroad, and prohibiting trade with any entity owned or controlled by Bosnian Serb forces, except for relief supplies. Beginning with Resolution 943 (1994), the UN suspended certain sanctions on the FRY; Resolution 1022 (1995) and Resolution 1074 (1996) terminated sanctions against the FRY and the Bosnian Serbs.

On 31 March 1992, the Security Council adopted an arms and air traffic embargo on Libya (Resolution 748) in response to requests by France, the United Kingdom, and the United States. Those countries sought to force Libya to extradite two Libyan nationals indicted in those countries for the 21 December 1988 bombing of Pan Am Flight 103 over Lockerbie, Scotland, in which 270 persons died, and the bombing of UTA Flight 772 on 19 September 1989 in Niger, in which 171 persons died. On 11 November 1993, the Security Council voted to widen those sanctions (Resolution 883) to include freezing Libyan bank accounts, closing the offices of Libyan Arab Airlines, and prohibiting the supply of materials for construction and maintenance of airports. The sanctions also banned the supply of pumps, turbines, and motors used at export terminals and oil refineries. The two Libyans indicted for the Lockerbie bombing were later tried in a Scottish court sitting in the Netherlands: one of the suspects was convicted for his role in the bombing. Libya subsequently took responsibility for the actions of its officials with regard to the bombing, renounced terrorism, and arranged for payment of appropriate compensation for the families of the victims. In response, the Security Council adopted Resolution 1506 (2003), formally lifting sanctions against Libya.

On 16 June 1993, the Security Council adopted wide-ranging economic and trade sanctions (Resolution 841) against the military regime in Haiti which had unseated Haitian president Jean-Bertrand Aristide in 1991. President Aristide had been elected to office in a UN-supervised election. The council acted in conjunction with similar sanctions imposed by the Organization of American States. In brief, the Security Council directed members not to sell oil, weapons, ammunition, military vehicles, military equipment, and spare parts to Haiti. In addition, it authorized members to blockade the country to prevent those items from being



delivered to Haiti. It also authorized member countries to freeze Haitian funds. The sanctions were briefly lifted when negotiations produced the Governors Island agreement of 3 July 1993, in which the military regime agreed to restore President Aristide with the assistance of a UN peacekeeping mission (called the UN Mission in Haiti or UNMIH). On 11 October 1993 the first deployment of UNMIH was prevented from landing at Port au Prince and the sanctions were reinstated three days later. On 6 May 1994, the Security Council adopted an expansion of sanctions (Resolution 917) against Haiti. Multinational forces were peacefully deployed in Haiti on 19 September 1994, and President Aristide returned shortly thereafter. On 29 September 1994, the Security Council suspended the sanctions (Resolution 944).

On 30 May 1993, in its Resolution 918, the Security Council imposed an arms embargo on Rwanda. It imposed the embargo in an effort to protect its UN Assistance Mission for Rwanda (UN-AMIR) and other international humanitarian relief workers, as well as the civilian population, from the rampant lawlessness and violence that had broken out in connection with the resumption of that country's civil war between ethnic Hutu and Tutsi factions. In May 1994, violence broke out between the factions, and killings were widespread. In July 1994, the Security Council established a commission of experts to investigate violations of international humanitarian law (Resolution 935), and an International Tribunal was established on 8 November 1994 (Resolution 955) to prosecute persons responsible for the genocide.

On 8 October 1997, in its Resolution 1132, the Security Council imposed a petroleum and arms embargo on Sierra Leone. It did this following the military coup of 25 May 1997 led by the army in conjunction with the Revolutionary United Front (RUF), to address the violence and loss of life that surrounded the coup, and to demand the military junta relinquish power, restore the democratically elected government, and return to constitutional order. In June 1998, the Security Council established the United Nations Observer Mission in Sierra Leone (UNOMSIL), after the democratically elected president, Alhaji Dr. Ahmed Tejan Kabbah, was returned to power in March of that year. Fighting continued, however, and the Security Council established the United Nations Mission in Sierra Leone (UNAMSIL) on 22 October 1999, a new and larger mission with a maximum of 6000 military personnel. In 2000 and 2001, the numbers of military personnel involved in the mission increased to 11,100 and 17,500 respectively. In order to stop the flow of rough diamonds from Sierra Leone other than those controlled by the government, the Security Council passed Resolution 1306 on 5 July 2000, extended by Resolution 1385 on 19 December 2001. This action was undertaken due to the link between the diamond trade and human rights abuses, in particular in the case of the RUF, which committed killings, amputations, abductions, and torture of civilians.

On 31 March 1998, the Security Council placed an arms embargo on the Federal Republic of Yugoslavia (Resolution 1160), to resolve the crisis in Kosovo, between Serbian forces and ethnic Albanian Kosovars. The North Atlantic Treaty Organization (NATO) launched air strikes against Serbian targets beginning on 24 March 1999, and lasting until 10 June of that year, to stop the practice of ethnic cleansing of the Albanian Kosovars by the Serbs. On 10 June, the Security Council established an international civil and security presence in Kosovo (Resolution 1244). In October

2000, Yugoslav President Slobodan Milosevic was voted out of office. On 10 September 2001, the Security Council terminated the prohibitions preventing the sale of arms and related material to the Federal Republic of Yugoslavia, by adopting Resolution 1367.

On 15 October 1999, the Security Council imposed a limited air embargo and funds and financial assets embargo on the Taliban regime in Afghanistan (Resolution 1267). With Resolution 1333 passed on 19 December 2000, it placed an air and arms embargo on the country, placed restricted travel sanctions on it, and froze funds of Osama bin Laden and his associates in Afghanistan. Following the defeat of the Taliban by the US-led coalition in November 2001, the Security Council lifted restrictions imposed upon Ariana Afghan Airlines (Resolution 1388) on 15 January 2002. And on 16 January (Resolution 1390), the Security Council modified its sanctions on the Taliban, Al-Qaeda, and Osama bin Laden, holding that all states should freeze the economic resources of these individuals, organization, and former regime, prevent their entry into or transit through their territories, and prevent the supply, sale, and transfer of arms and related material to them.

In response to the war between Ethiopia and Eritrea that began in 1998 as a border dispute in the region around Badme claimed by both countries, the Security Council on 17 May 2000 placed an arms embargo on the two countries, and established a sanctions committee to address the situation (Resolution 1298). Once there was a cessation of hostilities in June 2000, the Security Council established the UN Mission in Ethiopia and Eritrea (UNMEE), sending 4,200 military personnel to monitor the ceasefire and assist in ensuring observance of security commitments.

With Resolution 1343, the Security Council on 7 March 2001 applied an arms embargo on Liberia, blocked Liberian diamond sales, and restricted international travel by top Liberian officials, in response to fighting between the Liberian government and armed insurgents, which began in the remote northern Lofa County in 1998 and intensified during 2000. The sanctions were applied due to international condemnation of Liberian President Charles Taylor's trafficking in illicit diamonds from mines in Sierra Leone, for destabilizing neighboring countries, and for widespread human rights abuses against local populations. With Resolution 1408 on 6 May 2002, the Security Council extended the sanctions on Liberia for another 12 months and established a panel of experts to address the situation. Resolution 1497 (2003) authorized the deployment of a multinational force to Liberia, subsequently known as UNMIL (United Nations Mission in Liberia). Resolution 1532 (2004) froze the assets of Charles Taylor, and Resolution 1638 (2005) authorized UNMIL to "apprehend and detain" Taylor to facilitate his transfer to the Sierra Leone Special Court for prosecution. Resolution 1647 (2005) renewed timber, travel, arms, and diamond sanctions against Liberia. It also called upon Ellen Johnson-Sirleaf, Liberia's first elected president since the end of the war in 2003, to reform existing logging concessions and commission "independent external advice" to manage the country's diamond resources. Charles Taylor on 29 March 2006 was arrested in Nigeria and delivered to UN authorities in Sierra Leone. The next day, the Sierra Leone Special Court requested that the International Criminal Court in The Hague carry out the trial with proceedings still to be under the direction of the Special Court.

Beginning with Resolution 864 (1993), the Security Council imposed an oil and arms embargo against the National Union for

the Total Independence of Angola (UNITA). Subsequent resolutions extended the sanctions against the organization. However, in 2002, with the Angolan war at a close, the UN suspended sanctions against UNITA through Resolutions 1412, 1439 and 1448.

An arms embargo was also imposed on Somalia in 1992 (Resolution 733). Resolution 1407 (2002) established a team of experts to improve the enforcement of the arms embargo. Resolution 1519 (2003) established a monitoring group to refine and update information on those who violate the arms embargo. The monitoring group was reestablished in Resolution 1630 (2005).

By Resolution 1572 (2004), the Security Council imposed an arms embargo on Côte d'Ivoire, where civil war was ongoing; these sanctions were renewed by Resolution 1643 (2005).

With Resolution 1591 (2005), the Security Council set up a committee to designate individuals impeding the peace process in the Sudan, constitute a threat to stability in Darfur and the region, commit violations of international humanitarian or human rights law or other atrocities, or violate measures implemented in accordance with Resolution 1556 (2004), which demanded the government of the Sudan disarm Janjaweed militias and apprehend and bring to justice Janjaweed leaders, among other measures.

The Security Council's previous reluctance to invoke its ultimate prerogatives is attributable to two main factors. There is a very strong argument that in most cases punitive measures are ineffective and may even harm chances for a peaceful settlement. The provisions on the UN security system make it clear that peace is to be preserved whenever possible without recourse to force. The second major factor is that, before the end of the cold war, one or two of the permanent members would take different positions from the other three or four, so that in most cases the council's sympathies were divided between the opposing parties. Not only did division between the permanent members preclude punitive measures against one side, but it also seriously inhibited definitive action of any kind. For example, the initial action of sending a UN command into Korea was made possible only by the absence of the USSR from the council at the time (in protest against the council's decision on Chinese representation). Had the Soviet Union been there, it would presumably have vetoed the necessary resolutions. An example of the reverse situation is the issue of South Africa's apartheid policies. Beginning in 1960, the African nations appealed regularly to the Security Council to institute mandatory economic sanctions against South Africa in the hope of forcing it to terminate the apartheid system. The former USSR frequently expressed itself in favor of such a move, but the Western permanent members—in particular, South Africa's major trading partners, the United Kingdom and the United States—were reluctant to impose economic sanctions.

In the post-cold war era of collegiality in the Security Council, the Russian Federation and the United States rarely found themselves on opposite poles of an argument, and imposing sanctions as a method to force other member states to comply with Security Council directives was much easier to accomplish.

#### **Armed Forces for the UN**

Although the charter contains provisions to equip the Security Council with armed forces in case of need (the Covenant of the League of Nations contained no such provisions), these requirements have not been implemented. Under the charter, all UN

members “undertake to make available to the Security Council, on its call and in accordance with a special agreement or agreements, armed forces, assistance, and facilities, including rights of passage, necessary for the purpose of maintaining international peace and security.” These agreements were to determine the number and types of military forces to be provided by the nations, their degree of readiness, their location, and so on, and they were to come into effect only after ratification by the countries concerned according to their respective constitutional requirements. (With this provision in mind, the United States Congress in December 1945 passed the “UN Participation Act,” authorizing the president of the United States to negotiate a special agreement with the Security Council on the detailed provision of United States forces; the agreement would then require approval by legislative enactment or joint resolution of the United States Congress.) The troops and weapons would remain part of each country's national military establishment. They would not become international forces, but they would be pledged to the UN and, at the request of the Security Council, would be placed at its disposal.

However, the plan to place armed forces at the disposition of the Security Council required wide international agreement on a number of steps before it could be put into operation. The charter provides for the establishment of a Military Staff Committee composed of the chiefs of staff (or their representatives) of the five permanent members to advise and assist the council on all questions relating to its military requirements. The first task that the council assigned the Military Staff Committee was to recommend the military arrangements to be negotiated with member states. The committee was never able to reach agreed positions that could serve as the basis for negotiation and at an early date took on the characteristics of a vestigial organ.

#### **Peacekeeping**

Peacekeeping operations are not mentioned in the charter, yet they, as opposed to enforcement measures, are the means that the Security Council has most frequently used to maintain the peace. It has dispatched observer missions and troops in several crises. (The council's major peacekeeping operations and those undertaken by the General Assembly are described in the chapter on International Peace and Security.) Although the arrangements for the provision of armed forces foreseen in the charter have not been realized, the UN has nevertheless been able to establish peacekeeping forces on the basis of voluntary contributions of troops by member states.

Until the end of the cold war, the formula had always been that the disputants themselves must expressly invite the council to take peacekeeping measures (the special situation of Korea being the only exception—see the chapter on International Peace and Security.) With the eruption of ethnic and nationalistic conflicts in Eastern Europe and Africa after the end of the cold war, the Security Council recognized that the increasing number and complexity of peacekeeping operations warranted review. In May 1993, it requested the Secretary-General to submit a report containing specific new proposals to improve the capacity of the UN in peacekeeping. The Secretary-General submitted his report on “Improving the capacity of the United Nations for peacekeeping” in March 1994. In response to this analysis, on 3 May 1994, the Security Council issued a statement setting forth factors to be con-

sidered in establishing UN peacekeeping operations. The factors to be considered in the establishment of new peacekeeping operations included:

- whether a situation exists that presents a threat to international peace and security;
- whether regional or subregional organizations already exist and can assist in resolving the situation;
- whether a cease-fire exists and whether the parties have committed themselves to a peace process intended to reach a political settlement;
- whether a clear political goal exists and whether it can be reflected in the mandate;
- whether a precise mandate for a United Nations operation can be formulated; and
- whether the safety and security of UN personnel can be reasonably insured; in particular, whether the parties to a dispute offer reasonable guarantees of safety to UN personnel.

The council also required an estimate of projected costs for the initial 90 days of a new peacekeeping operation, and for its first six months, and an estimate of the total annual cost, before authorizing any new missions. In the case of mission extensions, it also required estimates of the financial implications.

In both "An Agenda for Peace" (1992) and his March 1994 report, the Secretary-General proposed that a new mechanism had to be developed to enable a quick response to international crises. Under normal circumstances, the process of designing a mission, obtaining commitments for troops and equipment, establishing a budget, and obtaining approval for new peacekeeping missions could take as long as three months. The Security Council welcomed the Secretary-General's proposal to devise stand-by arrangements under which member states would maintain an agreed number of troops and equipment ready for quick deployment. A Stand-by Arrangements Management Unit was established to keep track of units and resources available for this purpose.

## SUBSIDIARY ORGANS

Besides supervising peacekeeping operations (listed in the chapter on International Peace and Security), the Security Council also has established various standing committees and ad hoc bodies.

### United Nations Special Commission (UNSCOM)

After the UN-sanctioned multinational force repulsed Iraq from Kuwait in April 1991, the Security Council passed Resolution 687 setting forth the terms for an official cease-fire. This resolution led the UN into previously uncharted waters. It required Iraq to "unconditionally accept the destruction, removal or rendering harmless of ... all chemical and biological weapons and stocks of agents and all ballistic missiles with a range greater than 150 kilometers..." Iraq also was forced to agree to place all its nuclear weapons materials under the custody of the International Atomic Energy Agency (IAEA). The resolution gave Iraq 15 days to submit a complete inventory of all its weapons of mass destruction.

To verify and implement this condition, the Security Council created the United Nations Special Commission (UNSCOM). Its mandate was to carry out immediate on-site inspections of Iraq's biological, chemical, and missile capabilities; to take possession for destruction, removal, or rendering harmless of all chemical and biological weapons and all materials for research, develop-

ment, support, and manufacture of such weapons; to supervise the destruction by Iraq of all its ballistic missiles with a range greater than 150 km, including major parts, repair, and production facilities; and to monitor and verify Iraq's compliance with its undertaking not to use, develop, construct, or acquire any of the items specified above. UNSCOM also worked with inspectors of the IAEA, who were charged with similar tasks in the area of nuclear armaments.

In October 1991, UNSCOM reported to the Security Council that Iraq at first adopted an attitude of noncooperation, concealment, and outright falsification. The Security Council responded with Resolution 707 (1991) condemning Iraq's violation of Resolution 687 and making nine specific demands. In March 1992, Iraq declared that it was no longer in possession of any of the weapons described in Resolution 687, but the Security Council did not accept this. In June 1992, Iraq again supplied what it said were "full, final and complete reports," on the weapons programs covered by Resolution 687. These reports also were considered to be suspect. Using aggressive surprise inspection techniques, UNSCOM and IAEA were able to compile significant information on Iraq's weapons capabilities.

UNSCOM's investigations revealed that Iraq had acquired a massive stockpile of weapons of mass destruction and ballistic missiles. The international community was horrified to learn that Iraq had established a military research program to develop biological weapons that had long been banned by international disarmament agreements (to which Iraq was ostensibly a party). UNSCOM discovered that the microorganisms involved in this research program included anthrax, botulin toxin, and gas gangrene. Although no facilities for the production of these biological weapons were found, UNSCOM did discover huge stockpiles of deadly chemical weapons, including warheads, aerial bombs, and artillery shells meant to deliver a variety of nerve gas agents, tear gas, and mustard gas.

IAEA/UNSCOM inspections also revealed three clandestine uranium enrichment programs and found conclusive evidence of a nuclear weapons development program aimed at an implosion-type weapon. The secret development of these materials, bypassing regular inspections by the IAEA, put Iraq in violation of its undertakings as a member of IAEA. The IAEA also found that Iraq had violated its obligations under the Nuclear Non-Proliferation Treaty. By mid-1992 the IAEA had removed and destroyed most of the materials and facilities and forced Iraq to destroy its nuclear complex at al-Athir, where most of the nuclear weapons research had taken place. The IAEA transported Iraq's nuclear fuel to Russia, where it was diluted from weapons grade to civilian reactor quality.

In 1998, Iraq ceased all cooperation with UNSCOM and the IAEA. No monitoring, inspection, or verification of weapons of mass destruction and ballistic missiles took place as of December of 1998.

In December 1999, the phase-out of UNSCOM was announced: The Security Council adopted Resolution 1284, establishing the new United Nations Monitoring, Verification and Inspection Commission (UNMOVIC) to assume the responsibilities of monitoring the elimination of weapons of mass destruction in Iraq. UNMOVIC took over UNSCOM's assets, liabilities, and archives and was mandated to "establish and operate a reinforced, ongoing

monitoring and verification system, address unresolved disarmament issues, and identify additional sites to be covered by the new monitoring system.”

On 8 November 2002, the Security Council adopted Resolution 1441, deploring the absence of weapons inspectors since 1998 in Iraq and its refusal to cooperate with the IAEA and UNMOVIC, decided that Iraq was in material breach of its obligations under previous relevant Security Council resolutions. The Security Council accorded Iraq a final opportunity to comply with its disarmament obligations, and set up an enhanced inspections regime to operate in the country. Iraq was given 30 days to submit a detailed report of all of its programs of chemical, biological, and nuclear weapons, and ballistic missile and other delivery system development, reports of weapons and agents stocks, and locations and work of research, development, and production facilities. Any false statements or omissions from this report would constitute a further material breach of its obligations. Iraq was to allow unimpeded, unconditional, and unrestricted access to UNMOVIC and the IAEA of its weapons facilities. Any interference by Iraq to comply with the weapons inspections, or false reports of its stockpiles and programs that it might make, would cause the Security Council to convene immediately to “consider” the situation and the need for full compliance with the previous resolutions, “in order to secure international peace and security.” Dr. Hans Blix of Sweden served as UNMOVIC’s executive chairman from 1 March 2000 to 30 June 2003. Demetrius Perricos was named acting executive chairman on 1 July 2003, and 16 individuals were appointed by the Secretary-General to serve on a College of Commissioners to advise the acting executive secretary. Although its inspectors were withdrawn from Iraq on the eve of the Iraq war which began on 19 March 2003, UNMOVIC continues to operate with respect to those parts of its mandate it can implement outside of Iraq and has maintained a degree of preparedness to resume work in Iraq. As of 2006, it maintained a roster of more than 300 experts ready to serve and continued to conduct training.

### War Crimes

*International Criminal Tribunal for the former Yugoslavia (ICTY).* Reports of widespread violations of international humanitarian law in the bloody conflict among the states of the former Yugoslavia led the Security Council to establish a Commission of Experts in October 1992. The commission was established to investigate the reports and submit its findings to the Security Council. In January 1993 the commission sent a first report describing the discovery of a mass grave in Croatia, and thousands of allegations of grave breaches of the Geneva Conventions and international humanitarian law. In February 1993, the Security Council adopted Resolution 808, establishing an international tribunal for the prosecution of persons responsible for the crimes discovered by the Commission, the first such tribunal since the war crimes trials conducted after World War II. By May 1993, the Secretary-General had submitted a detailed report to the Security Council setting forth the tribunal’s legal basis, method of proceeding, and its statute. It was established as a subsidiary organ of the Security Council under Chapter VII of the charter. Its headquarters would be at The Hague, Netherlands.

On 25 May 1993, the Security Council passed Resolution 827, approving the report and establishing the tribunal “for the sole

purpose of prosecuting persons responsible for the serious violations of international humanitarian law committed in the territory of the former Yugoslavia between 1 January 1991 and a date to be determined by the Security Council upon restoration of peace....” The General Assembly elected 11 judges to the tribunal in September 1993. However, it was not until 7 July 1994 that South African judge Richard Goldstone was chosen to lead the prosecution team and he served until 30 September 1996, after which Louise Arbour of Canada became chief prosecutor. Carla Del Ponte of Switzerland was chief prosecutor as of April 2006 (she took office in 1999). As of April 2006, the ICTY president was Fausto Pocar (Italy) and the vice-president was Kevin Parker (Australia); presiding judges were Patrick Lipton Robinson (Jamaica), Carmel A. Agius (Malta), and Alponus Martinus Maria Orie (the Netherlands); judges were Mohammad Shahabuddeen (Guyana), Mehmet Güney (Turkey), Liu Daqun (China), Andresia Vaz (Senegal), Theodor Meron (United States), Wolfgang Schomburg (Germany) O-Gon Dwon (South Korea), Jean-Claude Antonetti (France), Iain Bonomy (United Kingdom), Christine Van Den Wyngaert (Belgium), and Bakone Justice Moloto (South Africa); and ad litem judges were Joaquín Martín Canivell (Spain), Krister Thelin (Sweden), Albin Eser (Germany), Hans Henrik Brydensholt (Denmark), Claude Hanoteau (France), Janet M. Nosworthy (Jamaica), Frank Hoepfel (Austria), Stefan Trechsel (Switzerland), and Árpád Prandler (Hungary).

As of April 2006, 161 persons had been indicted for serious violations of humanitarian law in the territory of the former Yugoslavia; 133 of the accused had appeared in proceedings before the ICTY and proceedings against 89 persons had been concluded; 48 of the accused were in custody; 23 were released; state arrest warrants had been issued against all accused and were outstanding on 6 people, including former Bosnian Serb leader Radovan Karadzic and Karadzic’s army chief Ratko Mladic; 44 of the accused had been found guilty; 8 of the accused had been acquitted; 19 of the accused were transferred to serve sentence; 16 sentences had been served; 28 indictments had been withdrawn; 8 of the accused had died, and 3 of the accused had died after the commencement of proceedings, one of whom was former Yugoslav President Slobodan Milosevic. Milosevic had been standing trial for violating the laws or customs of war, crimes against humanity, breaches of the 1949 Geneva Conventions, and 2 counts of genocide and complicity in genocide, for acts committed in Bosnia-Herzegovina, Croatia, and Kosovo. He died of a heart attack on 11 March 2006 after five years in prison in The Hague with just 50 hours of testimony left before the conclusion of the trial. Prison terms for those found guilty ranged from several years to 46 years. The heaviest sentence to date had been handed on 2 August 2001 to Radislav Krstic, who was found guilty “by virtue of his individual criminal responsibility” on one count of genocide, one count of crimes against humanity, and one count of violations of the laws or customs of war. Updates on the proceedings were being posted regularly on the UN’s web site at <http://www.un.org/icty/index.html>.

*International Criminal Tribunal for Rwanda (ICTR).* On 1 July 1994, the Security Council requested the Secretary-General establish a three-member Commission of Experts to investigate allegations of mass killings of civilians and genocide in Rwanda, during the re-eruption of civil war in that country in April 1994. It had been reported that as many as 250,000 civilians may have died in

ethnic violence. On 8 August 1994, the new government of Rwanda, led by members of the Tutsi ethnic group, notified the Secretary-General that it would cooperate with an international war crimes tribunal. The new government hoped that the promise of an international tribunal under the auspices of the UN would allay the fears of hundreds of thousands of ethnic Hutu citizens who were refusing to return to Rwanda from refugee camps in neighboring countries due to fear of reprisals and prosecution by the new government.

On 8 November 1994 the Security Council passed Resolution 955, establishing the tribunal and empowering it to prosecute persons responsible for serious violations of international humanitarian law in Rwanda and Rwandan citizens responsible for such violations committed in neighboring states during 1994.

Following the election of the first judges, the tribunal began its work in November 1995. Progress was initially slow and the tribunal was criticized for incompetence. In 1998 Judge Lennart Aspegren (of Sweden) announced his resignation, protesting bad management and inadequate working conditions. Meanwhile, Rwanda had begun to hold trials of its own. In a press conference held 5 March 1999, Louise Arbour, then chief prosecutor of the UN tribunals for the former Yugoslavia and for Rwanda, told correspondents that the contrast was becoming increasingly dramatic between the remarkable willingness to endorse and support the work of the tribunals on the African continent and the tolerated non-compliance in the case of the states of the former Yugoslavia: Of the more than 70 suspects who were indicted by the Rwanda Tribunal, more than 60 were arrested and transferred to a detention unit at Arusha, Tanzania. This was in dramatic contrast to the lack of cooperation that the tribunal for the former Yugoslavia was experiencing, in which numerous arrest warrants remained outstanding.

As the Rwandan death toll mounted (approaching one million dead), the tribunal pressed on with its work. In 1999 the Security Council appointed Carla Del Ponte (Switzerland) as the tribunal's chief prosecutor; she began work 11 August of that year. As of April 2006, Erik Møse (Norway) was president of the ICTR and Arlette Ramaroson (Madagascar) was vice-president; presiding judges were Fausto Pocar (Italy), William Sekule (United Republic of Tanzania), and Khalida Rachid Khan (Pakistan); appeals chamber judges were Mohamed Shahabuddeen (Guyana), Mehmet Güney (Turkey), Liu Daqun (China), Andresia Vaz (Senegal), Theodor Meron (United States), and Wolfgang Schomburg (Germany); trial chamber judges were Jai Ram Reddy (Fiji), Ser-

gei Alekseevich Egorov (Russia), Inés Mónica Weinberg de Roca (Argentina), Charles Michael Dennis Byron (St. Kitts & Nevis), and Asoka Nihal De Silva (Sri Lanka); ad litem judges were Solomy Balungi Bossa (Uganda), Flavia Lattanzi (Italy), Lee Gacugia Muthoga (Kenya), Florence Rita Arrey (Cameroon), Emile Francis Short (Ghana), Karin Hökborg (Sweden), Taghrid Hikmet (Jordan), Seon Ki Park (South Korea), and Gberdao Gustave Kam (Burkina Faso).

As of May 2005, the ICTR had handed down a total of 19 judgments involving 25 accused. Another 25 accused were on trial. The tribunal had handed down several judgments, including that of Jean Kambanda, the former prime minister of Rwanda, who pleaded guilty to and was sentenced to life imprisonment for crimes of genocide, and Jean Paul Akayesu, Georges Anderson Ndrubumwe Rutaganda, Clement Kayishema, and Alfred Musema, who were sentenced to life imprisonment. The Akayesu judgment and the Kambanda sentencing were the first ever by an international court for the crime of genocide. Tribunal updates were being posted on the ICTR's web site at <http://www.icttr.org/>.

### Terrorism

Following the terrorist attacks on the United States on 11 September 2001, the Security Council established a Counter Terrorism Committee (CTC) pursuant to its Resolution 1373 adopted 28 September 2001 concerning counter-terrorism. Resolution 1373 called upon states to prevent and suppress the financing of terrorist acts; to refrain from providing any support to entities or persons involved in terrorist acts; to deny safe haven to those who finance, plan, support, or commit terrorist acts; to bring those individuals or entities to justice; and to exchange information on the actions or movements of terrorists or terrorist networks. The CTC is composed of all 15 members of the Security Council. Subsequent Security Council resolutions were adopted regarding threats to international peace and security caused by terrorist acts, including Resolution 1377 adopted 12 November 2001, Resolution 1438 adopted 14 October 2002, and Resolution 1440 adopted 24 October 2002. Security Council resolution 1535 (2004) established the Counter-Terrorism Committee Executive Directorate (CTED). On 14 September 2005 the Security Council adopted resolution 1624, which deals with the issue of incitement to commit acts of terrorism and expands the Committee's mandate to include monitoring its implementation. Press releases and updates on the work of the CTC were posted at <http://www.un.org/Docs/sc/committees/1373/>.

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# THE ECONOMIC AND SOCIAL COUNCIL

Many of the most outstanding accomplishments of the UN to date are in the economic and social fields. Under Article 55 of the charter, the organization is committed to promote the following goals:

- “(a) higher standards of living, full employment, and conditions of economic and social progress and development;
- “(b) solutions of international economic, social, health, and related problems; and international cultural and educational cooperation; and
- “(c) universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion.”

The responsibility for UN activities aimed at the achievement of these goals is vested in the General Assembly and, under its authority, the Economic and Social Council.

## FIELDS OF ACTIVITY

The activities of the Economic and Social Council, carried out through its subsidiary bodies in cooperation with the specialized agencies, have touched on all aspects of human well-being and affected the lives of people everywhere. A list of the major spheres of activity supervised by the council is given below; the chapters on Economic and Social Development, Technical Cooperation Programs, Social and Humanitarian Assistance, and Human Rights contain further information on matters directly under its purview.

*Economic Development.* Although this field encompasses both developed and developing nations, emphasis is on the problems of the latter group. The activities of the council include evaluating long-term projections for the world economy; fostering international trade, particularly in commodities, between industrialized and nonindustrialized countries; improving the international flow of private and public capital; promoting industrialization and the development of natural resources; resolving related political and legal issues, such as permanent sovereignty over natural resources and land reform; developing programs of technical cooperation for developing nations; and applying the latest innovations of science and technology to improve the industrialization of developing countries.

*Social Progress.* Among the social problems handled under the aegis of the council are housing, population, international traffic in narcotic drugs, the welfare of children in the developing countries, and the status of the world's refugees, the aging, and the disabled. Particular attention is paid to the role of women in development.

*Human Rights.* The council and its subsidiary organs have elaborated a series of important principles for the promotion of fundamental freedoms. Measures include the Universal Declaration

of Human Rights and a number of declarations and recommendations on specific rights—for example, the rights of women, freedom of information and the press, and racial equality. The most recent declaration was adopted in Vienna in June 1993, namely, the “Vienna Declaration and Programme of Action.”

*Related Special Problems.* An example of a special problem of interest to the council is the improvement of statistical techniques, since efficient statistics are essential to economic and social development. Work in this field includes techniques to improve world statistics in specific economic branches, such as industry and finance; standards of national statistical services; and methods of comparing statistics from different countries.

*Problems Dealt with by the UN Related Agencies.* The specialized agencies, the World Trade Organization (WTO), and the International Atomic Energy Agency (IAEA) undertake a wide range of activities in the economic and social fields. It is a function of the council to coordinate these activities. Accounts of each of the related agencies are given in the separate chapters devoted to them.

## FUNCTIONS AND POWERS

Under the charter, the council is authorized to make or initiate studies, reports, and recommendations on economic, social, cultural, educational, health, and related matters; to make recommendations to promote respect for, and observance of, human rights; to prepare draft conventions for submission to the General Assembly on matters within its competence; to call international conferences on matters within its competence and in accordance with rules prescribed by the UN; to enter into agreements, subject to the approval of the General Assembly, with specialized agencies; to coordinate the activities of the specialized agencies and obtain regular reports from them; to perform, with the approval of the General Assembly, services at the request of member nations or the specialized agencies; to consult with nongovernmental agencies whose work is related to matters dealt with by the council; to set up subsidiary organs to assist its work; and to perform any other functions that may be assigned to it by the General Assembly.

## COMPOSITION

Originally, the Economic and Social Council consisted of 18 members, but the amendments to the charter that came into force on 31 August 1965 raised the number to 27. Another amendment that came into force on 24 September 1973 increased the membership to 54.

When the council was constituted in January 1946, the General Assembly elected the council's first 18 members for staggered terms: 6 members each for one, two, and three years, respectively. Subsequently, all terms were changed to three years, so that each year one-third of the membership is elected by the General Assembly.

The General Assembly resolutions adopting the amendments to the charter that increased the membership of the council also laid down an equitable pattern for the geographical distribution of the additional seats. The 54 members are elected with respect to geographic representation (i.e., to include members from African states, Asian states, Latin American states, Middle Eastern States, and European and other states). Elections are by a two-thirds majority vote on a secret ballot in the General Assembly, and immediate reelection of members is permissible. Although the permanent members of the Security Council have no privileged position on the Economic and Social Council and the charter does not guarantee them membership in the council, it has been the custom to reelect them continuously. In general, the General Assembly has less difficulty in agreeing on its Economic and Social Council selections than in filling Security Council vacancies. Moreover, if, in the opinion of the council, a matter on its agenda is of particular concern to a UN member not represented on the council, it may invite that state to participate in its discussions but without a vote.

In 2006, ECOSOC had the following members: Albania, Angola, Armenia, Austria, Australia, Bangladesh, Belgium, Belize, Benin, Brazil, Canada, Chad, China, Colombia, Costa Rica, Cuba, Czech Republic, Democratic Republic of the Congo, Denmark, France, Germany, Guinea, Guinea-Bissau, Guyana, Haiti, Iceland, India, Indonesia, Italy, Japan, Lithuania, Madagascar, Mauritania, Mauritius, Mexico, Namibia, Nigeria, Pakistan, Panama, Paraguay, Poland, Republic of Korea, Russian Federation, Saudi Arabia, South Africa, Spain, Sri Lanka, Thailand, Tunisia, Turkey, United Arab Emirates, United Kingdom, United Republic of Tanzania, United States.

## PROCEDURE

In 1993, the Economic and Social Council undertook a major restructuring. Whereas it used to hold two sessions each year, one at UN headquarters in the spring and one in Geneva in the summer, it now holds only one substantive (4-week long) meeting per year in summer, rotating each year between Geneva and New York. A president and four vice-presidents are elected by the council for each year. The council also holds an organizational session in January to plan its program of work for the year.

Each of the 54 members of the council has one vote. The big powers possess no veto or other special voting privilege. A proposal or motion before the council may be adopted without a vote unless a member requests one. When a vote is taken, decisions are carried by a simple majority of the members present.

## SUBSIDIARY ORGANS

The council accomplishes its substantive work through numerous subsidiary organs in the form of commissions, committees, and ad hoc and special bodies. In Article 68, the charter specifically states that the council "shall set up commissions in economic and social fields and for the promotion of human rights...." Several types of commissions and other organs have been set up within this provision, including the regional commissions, to deal with economic and social problems in the different geographical areas

of the world, and the functional commissions, to handle social, human rights, and environmental questions.

### Regional Commissions

There are five regional commissions: the Economic Commission for Europe (ECE); the Economic and Social Commission for Asia and the Pacific (ESCAP); the Economic Commission for Latin America and the Caribbean (ECLAC); the Economic Commission for Africa (ECA); and the Economic and Social Commission for Western Asia (ESCWA). Each has its own staff members, who are considered part of the regular staff of the UN. Regional commission expenditures come out of the regular UN budget. The regional commissions are discussed in the chapter on Economic and Social Development.

### Functional Commissions

Since 1946, the council established functional commissions and subcommissions to advise and assist it in its work.

The *Statistical Commission*, with 24 members, assists in developing international statistical services, promoting the development of national statistics and improving their comparability, coordinating the statistical work of the specialized agencies and the central statistical services of the UN Secretariat, and advising the UN organs on general questions relating to the collection, analysis, and dissemination of statistical information.

The *Commission on Population and Development*, with 47 members, studies population changes, including migration, and their effect on economic and social conditions and advises on policies to influence the size and structure of populations and on any other demographic questions on which the UN or its specialized agencies may seek advice.

The *Commission for Social Development*, with 46 members, advises the council on social policies in general and on all matters in the social field not covered by the specialized agencies; it gives priority to the establishment of objectives and programs and to social research in areas affecting social and economic development.

The *Commission on Human Rights*, with 53 members, makes recommendations and prepares reports to the council on human rights questions, including the status of women, the protection of minorities, the prevention of all forms of discrimination, and the implementation of international conventions on human rights. Its various working groups are composed of experts nominated by members to explore problems such as arbitrary detention, involuntary disappearances, and the rights of indigenous peoples.

The Commission on Human Rights has also established working groups on specific human rights questions, including slavery, indigenous populations, minorities, enforced or involuntary disappearances, and mental health detainees. It also encompasses a Subcommission on Prevention of Discrimination and Protection of Minorities.

The *Commission on the Status of Women*, with 45 members, prepares reports on matters concerning the promotion of women's rights in the political, economic, social, and educational fields and makes recommendations to the council on matters requiring immediate attention in the field of women's rights. The commission has established a working group on communications concerning the status of women.

The *Commission on Narcotic Drugs*, with 53 members, advises the council and prepares draft international agreements on all

matters relating to the control of narcotic drugs. Over the years, the commission has established five subsidiary bodies. The Sub-commission on Illicit Drug Traffic and Related Matters in the Near and Middle East and the Meeting of Heads of National Drug Law Enforcement Agencies (HONLEA), Asia and the Pacific, were the first subsidiary bodies to be established; both were convened for the first time in 1974. The need for similar coordination in other regions of the world led to a global network of HONLEA meetings: the Meeting of HONLEA, Africa, was established in 1985; the Meeting of HONLEA, Latin America and the Caribbean, in 1987; and the Meeting of HONLEA, Europe, in 1990.

*The Commission on Science and Technology for Development.* The United Nations has been concerned with the effects of advances in science and technology to world peace and social development since its inception in 1945 at the dawn of the nuclear era. In 1963 the first United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Countries met in Geneva and began to form an agenda for international action. This was followed in 1979 by the United Nations Conference on Science and Technology for Development, held in Vienna, which produced the Vienna Programme of Action. In affirmation of the conference's program, the General Assembly established an Intergovernmental Committee on Science and Technology for Development, open to all states, to draw up policy guidelines, monitor activities within the United Nations system, promote implementation of the Vienna Programme, identify priorities, and mobilize resources. In 1989, on the tenth anniversary of the 1979 Conference, the General Assembly expressed its disappointment with the implementation of the Vienna Programme of Action and eventually decided to transform the Intergovernmental Committee and its subsidiary body, the Advisory Committee on Science and Technology for Development, into a functional commission of ECOSOC (General Assembly Resolution 46/235).

The Commission on Science and Technology for Development met for the first time in May 1993. It has 33 members elected by ECOSOC for a term of four years on the principle of equitable geographic distribution. At its first session, the commission recommended to ECOSOC that it be charged with the following tasks:

- (a) assisting the council in providing science and technology policy guidelines and recommendations to member states, in particular developing countries;
- (b) providing innovative approaches to improving the quality of coordination and cooperation in the area of science and technology within the United Nations system, with a view to ensuring optimum mobilization of resources;
- (c) providing expert advice to other parts of the United Nations systems.

*The Commission on Crime Prevention and Criminal Justice* was established in December 1991 by General Assembly Resolution 46/152. An existing ECOSOC Committee on Crime Prevention and Control was dissolved, and its funds were made available to the new commission, which met for the first time in April 1992. The new commission is charged with developing, managing, monitoring, and reviewing implementation of the Crime Prevention and Criminal Justice Programme created at a Ministerial Meeting held

in Versailles, France, in 1991. In addition, it will consult member states on the drafting of a convention on crime prevention and criminal justice. Priority areas of the commission include: national and transnational crime; organized crime; economic crime, including money laundering; the role of criminal law in the protection of the environment; crime prevention in urban areas; and juvenile and violent criminality. The main difference between the former committee and the new commission is that the decisions of the commission will be decisions of the governments, rather than of independent experts. Decisions at this level were considered essential to tackle the problems of drug trafficking, illegal arms sales, terrorism, dumping of industrial waste, and criminal negligence resulting in environmental degradation, corruption, and financial offences. The commission has 40 members.

*The Commission on Sustainable Development.* As a result of the UN Conference on Environment and Development (UNCED) held in Rio de Janeiro in 1992, the council established a new functional commission in February 1993: the Commission on Sustainable Development. The 53-member commission began its work of monitoring the implementation of UNCED's Agenda 21 action plan with its first session in New York in June 1993. The commission's mandate includes: monitoring progress towards the UN target of providing 0.7 percent of gross national product of industrialized countries for official development assistance; considering information on the implementation of environmental conventions; and recommending action to the General Assembly. The commission will interact with other UN intergovernmental bodies, regional commissions, and development and financial institutions. A high-level Advisory Board, consisting of eminent persons from all regions of the world, will provide input to the commission and the council through the Secretary-General.

*The United Nations Forum on Forests.* At the 1992 UN Conference on Environment and Development (UNCED) the forest issue was among the most controversial, polarizing developing and developed countries. At the meeting, the governments of UNCED came up with a set of principles regarding the management, conservation, and sustainable development of forests. Subsequently, a panel, forum, and further proposals for action were established, culminating in the creation of the Forum on Forests in 2000. The forum's goals are to combat deforestation and degradation of forests, to work for forest conservation and protection of unique types of forests and fragile ecosystems, working on rehabilitation and conservation strategies for countries with low forest cover, working for the promotion of natural and planted forests, and considering the economic, social, and cultural aspects of forests, among other items.

#### Other Subsidiary Organs

Article 68 of the charter provides that, in addition to the commissions specifically mentioned in the charter, the council should establish "such other commissions as may be required for its functions." However, the other subsidiary organs created have not been given the name "commission." Instead, they are called "standing committees" or "expert bodies."

In 2006, ECOSOC had the following standing committees and expert bodies: Committee for Programme and Coordination, Commission on Human Settlements, Committee on Non-Governmental Organizations, Committee on Negotiations with In-



tergovernmental Agencies, Ad hoc Open-ended Working Group on Informatics, Committee of Experts on the Transport of Dangerous Goods and on the Globally Harmonized System of Classification and Labelling of Chemicals, United Nations Group of Experts on Geographical Names, Committee for Development Policy, Meeting of Experts on the United Nations Programme in Public Administration, Ad Hoc Group of Experts on International Cooperation in Tax Matters, Committee on Economic, Social and Cultural Rights, the Permanent Forum on Indigenous Issues, and the Ad Hoc Open-Ended Intergovernmental Group of Experts on Energy and Sustainable Development. Two other related bodies are the International Narcotics Control Board and the Board of Trustees of the International Research and Training Institute for the Advancement of Women.

Semiautonomous bodies, which generally report both to the council and to the General Assembly, include the following: Committee for Programme and Coordination, High-level Committee on the Review of Technical Cooperation among Developing Countries, United Nations Children's Fund (UNICEF), United Nations Conference on Trade and Development (UNCTAD), United Nations Development Fund for Women, United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), Office of the United Nations High Commissioner for Refugees (UNHCR), United Nations Population Fund (UNFPA), United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), and the World Food Programme (WFP).

## RELATIONS WITH NONGOVERNMENTAL ORGANIZATIONS

The charter empowers ECOSOC to make arrangements to consult with international organizations of private citizens, known as nongovernmental organizations (NGOs) and distinguished from intergovernmental organizations. Consultations with NGOs bring informed opinion other than that of governments and their officials before the council and provide it with a source of special experience and technical knowledge. NGOs granted consultative status are divided into two categories. Those in Category I are organizations with a general interest in the work of the council, and their activities are particularly germane to it and to the UN as a whole. Those in Category II are organizations with an interest in some particular aspect of the work of the council. In May 1987, 35 NGOs were listed in Category I and 299 in Category II. Another 490 were listed on the NGO roster for consultation as the occasion arises. By the late 1990s, more than 100 NGOs were listed in Category I, more than 600 in Category II, and more than 800 were listed on the roster for occasional consultation, for a total of more than 1,500 NGOs in consultative status. In 2006 there were 2,719 NGOs in consultative status with the ECOSOC. All such officially recognized organizations may send observers to the public meetings of the council and its commissions and may submit memoranda for circulation. Representatives of Category I organizations are entitled to participate in council debates and propose items for the agenda. Representatives of Category II organizations may, with the permission of the chair, make oral statements at council meetings.

Consultative status in Category II has been granted to nearly all important international business associations, cooperative so-

cieties, farmers' organizations, trade unions, and veterans' organizations; to leading professional groups, such as associations of architects, engineers, lawyers, newspaper publishers and editors, social welfare workers, tax experts, and many others; and to various women's and youth associations. Many associations formed along denominational lines—Greek Orthodox, Jewish, Muslim, Protestant, and Roman Catholic—also have consultative status. Most organizations that enjoy such official UN standing are international, in that they have members in more than one country. An organization whose membership is restricted to one particular country may obtain consultative status in the council only with the consent of the country's government.

The participation of NGOs in the work of the council took a historic turn during preparations for the Conference on Environment and Development (UNCED) held in 1992 in Rio de Janeiro. More than 1,400 NGOs participated in UNCED, and their contributions to the historic conference were acknowledged to be invaluable. In view of this remarkable participation, the Secretary-General recommended that relevant and competent NGOs be accorded unusual participation in and access to ECOSOC's new functional commission, the Commission on Sustainable Development, which will monitor the progress of implementation of UNCED's Agenda 21 action plan.

Since many delegations expressed the need to transform the United Nations into a forum that was more accessible to NGOs, ECOSOC established a Working Group on the Review of Arrangements for Consultations with Non-Governmental Organizations in 1993. The Working Group held its first session in June 1994 with a mandate to review the arrangements for consultation with nongovernmental organizations, arrangements which had not been revised since they were first adopted by the council in 1968.

In his 1994 *Agenda for Development* Secretary-General Boutros Boutros-Gali noted that NGOs undertake development projects valued at more than US\$7 billion annually. He stated: "The time has arrived to bring NGO and United Nations activities into an increasingly productive relationship of consultation and cooperation." In 1996 ECOSOC adopted a resolution regarding consultation with NGOs that recognized the growth of national and regional NGOs, the broadening role of the Committee on Non-Governmental Organizations, and the adoption of standard rules for the participation of NGOs in UN international conferences. ECOSOC recommended that the General Assembly examine the question of participation of NGOs in all areas of work in the UN.

## ORGANIZATION OF INTERNATIONAL CONFERENCES

In accordance with a charter provision, the council from time to time calls for international conferences on special world problems falling within its sphere of competence. Thus, in the 1990s, the UN held conferences on such subjects as the environment, population, food, housing, and the status of women. In the early- to mid-2000s, the UN held conferences against racism, xenophobia, and related forms of intolerance, on the problem of HIV/AIDS, on sustainable development, disarmament, narcotic drugs, water, biodiversity, and sustainable cities, among other issues. These conferences led to the establishment of the UN Environment Program, the World Food Council, the Center for Human Settlements

(Habitat), and other programs and to the adoption of world plans of action for the environment, clean water, population, the aging, the disabled, and other subjects of international concern.

## PROPOSED RESTRUCTURING

In his 1992 *Agenda for Peace*, Secretary-General Boutros Boutros-Ghali issued a wide-ranging strategy for the future of the United Nations system, including proposals for changes in ECOSOC. It was suggested that those would reflect changes in the very definition of economic and social progress that had naturally resulted from the dissolution of the former USSR. In addition, a wealth of information now existed on successful and unsuccessful efforts at development, information that in itself called for a fundamental change in the structure of the United Nations so that it could respond more effectively to its members' needs in the area of economic and social development.

In his *Agenda*, the Secretary-General proposed that ECOSOC report to the Security Council on economic and social developments that might pose threats to international peace and security. He also urged the creation of a high-level, intersessional mechanism to enable ECOSOC to react in a timely way to new developments. He also called for lines of communication between the General Assembly and ECOSOC to be clarified and streamlined. In addition, the Secretary-General urged that the relationship between ECOSOC and its subsidiary bodies be redefined. For example, he reported to the General Assembly in 1992 (A/47/434) that members of ECOSOC were frustrated by discussing the same issues four times in the same calendar year: in the council's subsidiary body, in the committee session, in the council plenary, and in the General Assembly.

Intense negotiations occurred during a resumed session of the 47th session of the General Assembly in June 1993. A draft package of reforms was proposed that had as its main aim eliminating duplication of work in the General Assembly and ECOSOC and providing guidelines for a division of labor. For example, it was suggested that the governing bodies of the UN Development Programme (UNDP), UN Population Fund (UNFPA), and the UN Children's Fund (UNICEF) be transformed into smaller executive boards under the overall authority of ECOSOC. Other proposals would have affected the procedures of ECOSOC and would have

subsumed the council's two subcommittees (on economic and social issues) into the plenary body.

Although there was clearly a consensus on the need for reform and rationalization, the developing countries (in particular those countries that make up the Group of 77) blocked passage of the package because of concerns over the numerical and regional composition of governing bodies of the different funds and programs of the United Nations. The smallest countries felt that the drastic reduction in representation would exclude them from participation in the decision-making processes of these bodies. In March 1996 Secretary-General Boutros Boutros-Gali emphasized ministerial participation and increasing involvement of the new global leaders for the revitalization of ECOSOC. In July 1996 he noted that ongoing reform efforts produced significant improvements but that ECOSOC's capacity to monitor and coordinate the work of the UN system needed to increase.

In his acceptance speech on 17 December 1996, Secretary-General-designate Kofi Annan outlined certain goals for UN reform under his tenure. He pledged to make the UN leaner, more efficient and more effective, more responsive to the wishes and needs of its members and more realistic in its goals and commitments. One of his first reforms was the creation of the Department of Economic and Social Affairs (DESA) on 17 March 1997. DESA was created as the result of the consolidation of the Department for Policy Coordination and Sustainable Development, the Department for Economic and Social Information and Policy Analysis and the Department for Development Support and Management Services. DESA's program is to provide substantive support to the Second and the Third Committees of the General Assembly and to ECOSOC and its subsidiary bodies. As well, as part of continuing reform, ECOSOC initiated in 1998 a tradition of meeting each April with finance ministers heading key committees of the Bretton Woods institutions—the World Bank and the International Monetary Fund. These consultations initiated inter-institutional cooperation that paved the way for the holding of an International Conference on Financing for Development, held in March 2002 in Monterrey, Mexico. At that conference, ECOSOC was assigned a primary role in monitoring and assessing follow-up to the Monterrey Consensus.

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# THE TRUSTEESHIP COUNCIL

Unlike the other main organs of the UN, the Trusteeship Council was established for the purpose of executing a closely defined system of operations. This is the trusteeship system, which was devised to adapt the League of Nations mandate system to meet the requirements of a new era.

The 1990s witnessed the graduation of the last of the Trusteeship Territories to independence or free association status. This historic achievement represents the official end of colonization as an official political system. In only 50 years the Trusteeship Council presided over the orderly, democratic transfer of power from developed nations to their former colonies.

The Trusteeship Council voted in 1994 to convene only at the request of its president, a majority of its member states, the General Assembly or the Security Council.

## THE MANDATE SYSTEM OF THE LEAGUE OF NATIONS

In its political aspect, the history of the world could be read as the history of the creation and disintegration of successive empires, a chain of vicious cause and effect that has brought much bloodshed and wretchedness. After World War I, however, a concerted effort was made for the first time, in a limited way, to break the chain. Recognizing that colonies are a source of friction and jealousy among wealthy nations, the victorious Allies decided not to appropriate for themselves the colonies of their defeated enemies. Instead, those territories belonging to imperial Germany and the Ottoman Empire that were considered unable to function as independent states were placed under international administration supervised by the League of Nations.

The founders of the League created three types of mandates for the administration of these territories by nations acting as “Mandatories of the League of Nations.” Class A mandates covered territories that were considered to be ready to receive independence within a relatively short period of time. These territories were all in the Middle East: Iraq, Palestine, and Transjordan, administered by the United Kingdom; and Lebanon and Syria, administered by France. Class B mandates covered territories for which the granting of independence was a distant prospect. These territories were all in Africa: the Cameroons and Togoland, each of which was divided between British and French administration; Tanganyika, under British administration; and Ruanda-Urundi, under Belgian administration. To the territories classified under Class C mandates virtually no prospect of self-government, let alone independence, was held out. These territories included South West Africa, administered by the Union of South Africa; New Guinea, administered by Australia; Western Samoa, administered by New Zealand; Nauru, administered by Australia under mandate of the British Empire; and certain Pacific islands, administered by Japan.

The terms of the mandate system implied an acknowledgment of the right of the peoples of the colonial territories belonging to

states defeated in war to be granted independence if they were thought to have reached a sufficiently advanced stage of development. However, no provision was made in the League Covenant specifying that the countries designated to administer the mandated territories should take steps to prepare these peoples for eventual self-determination.

## THE UN TRUSTEESHIP SYSTEM

Although the Covenant of the League forbade wars of aggression—that is, wars of conquest—the League’s founding members did not see the need to underwrite this provision in a positive assertion of the principle of equal rights and self-determination of peoples. The UN Charter embodies an implicit recognition of the belief that denial of equal rights and the right of peoples to self-determination is a potential cause of war.

Thus, Article 1 of the Charter sets forth as a basic purpose of the UN “to develop friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, and to *take other appropriate measures to strengthen universal peace*” (italics added). Article 76, which sets out the main objectives of the international trusteeship system that was to replace the mandate system of the League, leaves no doubt of the value attached to its role as a means of helping the UN, in the words of the Preamble to the Charter, “to save succeeding generations from the scourge of war.” The article reads as follows:

“The basic objectives of the trusteeship system, in accordance with the Purposes of the United Nations laid down in Article 1 of the present Charter, shall be:

“(a) to further international peace and security;

“(b) to promote the political, economic, social, and educational advancement of the inhabitants of the trust territories, and their progressive development towards self-government or independence as may be appropriate to the particular circumstances of each territory and its peoples and the freely expressed wishes of the peoples concerned, and as may be provided by the terms of each trusteeship agreement;

“(c) to encourage respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion, and to encourage recognition of the interdependence of the peoples of the world; and

“(d) to ensure equal treatment in social, economic, and commercial matters for all Members of the United Nations and their nationals, and also equal treatment for the latter in the administration of justice....”

Thus, in addition to emphasizing the importance of the trusteeship system as an instrument for peace, Article 76 defines the framework for the elaboration of obligations that the countries designated to administer the territories placed under UN trusteeship must undertake toward the peoples concerned. In essence, these obligations amount to a pledge on the part of the adminis-

tering authorities to work toward the liquidation of the trusteeship system itself by preparing the peoples in trust territories for independence, or at least self-government.

#### The Trust Territories and Their Administering Authorities

The Charter does not specify the actual territories to be placed under UN trusteeship. Article 77 merely states that the system shall apply to three categories: (1) territories still under mandate, (2) territories “detached from enemy states as a result of the Second World War,” and (3) territories voluntarily placed under the system by states responsible for their administration.

On the question of designating the administrators of trust territories, the Charter is equally nonspecific. It states simply that the individual trusteeship agreements shall designate the authority in each case, which may be “one or more states or the Organization itself.” The provision that the UN itself may serve as an administering authority is a compromise solution that was adopted when it was decided at the San Francisco Conference to abandon an ambitious plan, originally proposed by China and initially supported by the United States, to make the UN directly responsible for the administration of all trust territories.

It was decided that the powers that had administered mandates on behalf of the League of Nations were to conclude agreements with the new world organization and administer the same territories that were still dependent. There was one exception. The Pacific islands, which after World War I had been given to Japan as Class C mandates, were, by a special arrangement embodied in the Charter, classified as a strategic area to be administered by the United States under a modified trusteeship.

As a result of agreements worked out by the General Assembly, 11 trust territories were placed under UN trusteeship, and seven countries were designated as administering authorities. These figures exclude the former German colony of South West Africa, which after World War I had been mandated to the Union of South Africa, because South Africa refused to place the territory under UN trusteeship. The distribution of the territories and their respective administering authorities was as follows:

*in East Africa:* Ruanda-Urundi administered by Belgium, Somaliland by Italy, and Tanganyika by the United Kingdom;

*in West Africa:* Cameroons administered by the United Kingdom, Cameroons by France, Togoland by the United Kingdom, and Togoland by France;

*in the Pacific:* Nauru, administered by Australia and on behalf of New Zealand and the United Kingdom, New Guinea by Australia, Western Samoa by New Zealand, and the Pacific islands of the Marianas, Marshalls, and Carolines by the United States.

In September 1975, when New Guinea acceded to independence, the Trust Territory of the Pacific Islands became the only Territory on the agenda of the Trusteeship Council.

By virtue of a Trusteeship Agreement approved by the Security Council in 1947, the Territory was placed under United States administration as a strategic area under the terms of Article 83 of the Charter. In compliance with the provisions of that Article, the Trusteeship Council reported to the Security Council on all matters concerning the Territory, which was comprised of four entities (Northern Mariana Islands, the Federated States of Micronesia, the Marshall Islands and Palau).

Negotiations on the future political status of the Trust Territory of the Pacific Islands began in 1969. In 1975, the Northern Mariana Islands, in a referendum observed by the Trusteeship Council, chose to become a Commonwealth of the United States. In a series of referendums held in 1983 and duly observed by the Trusteeship Council’s Visiting Missions, the Federated States of Micronesia and the Marshall Islands opted for a status of Free Association with the United States, while in Palau, the 75% majority required under its Constitution for the approval of the compact of Free Association with the United States could not be obtained in that and six later referendums.

In 1986, the Trusteeship Council, noting that the “peoples of the Federated States of Micronesia, the Marshall Islands, the Northern Mariana Islands and Palau have established constitutions and democratic political institutions providing the instruments of self governments,” recommended an early termination of the Trusteeship Agreement.

In December 1990, the Security Council considered the status of the Trust Territory of the Pacific Islands and adopted, by 14 votes to 1, resolution 683 (1990). By that resolution, the Council determined the objectives of the Trusteeship Agreement had been fully attained with respect to those three entities and that therefore the applicability of the Trusteeship Agreement to them had been terminated. Palau, therefore, remained the only entity under the 1947 Trusteeship Agreement. The Trusteeship Council at its annual regular sessions continued to review the situation in Palau.

In November, 1993, the Pacific island of Palau, the last of the islands remaining under the Trusteeship Agreement, succeeded in passing a referendum for the approval of the compact of Free Association with the United States. In January 1994, the Council requested the United States and Palau to agree on a date on or about 1 October 1994 for the full entry into force of the Compact of Free Association, and expressed the hope that, in the near future, the Trusteeship Agreement would be terminated by the Security Council (see chapter on Independence of Colonial Peoples).

## THE TRUSTEESHIP COUNCIL

The fact that the Trusteeship Council was made a main organ of the UN is evidence of the importance attached to the role of the trusteeship system. The Council’s functions, however, are decidedly more limited than those of the other main organs, for it acts, as the case may be, under the direct responsibility of the General Assembly in respect to trusteeships not involving areas designated as strategic or of the Security Council in respect to trusteeships relating to areas designated as strategic. The Charter provisions make it clear that the Trusteeship Council only “assists” the General Assembly and the Security Council in implementing the trusteeship system. It had a purely executive capacity in supervising the day-to-day operations of the system.

### Composition

The Charter provides that the Council is to be composed of three groups of members: the countries administering trust territories, permanent members of the Security Council that do not administer trust territories, and a number of other UN members elected for three-year terms by the General Assembly to ensure an equal

division between administering and nonadministering countries in the Council.

Until 1960, the Council consisted of 14 members: 7 administering members; 2 permanent nonadministering members; and 5 other nonadministering countries elected for three-year terms by the Assembly. As the various trust territories gained independence, the size and composition of the Council changed. The Assembly decided that after 1968, the Council would be composed only of administering powers and the nonadministering permanent members of the Security Council. On 16 September 1975, when Papua New Guinea, which includes the former trust territory of New Guinea, achieved independence, Australia ceased to be a member of the Council. This change left a membership of five: one administering power, the United States, and four nonadministering permanent members of the Security Council—China, France, the USSR (today, the Russian Federation), and the United Kingdom.

#### Procedure

Each member of the Trusteeship Council has one vote. Decisions are made by a simple majority vote. The permanent members of the Security Council have no veto or other special voting privileges. Before 1968, the Council held two regular sessions a year, and afterwards, one. Special sessions may be called on the decision of the majority of the members or at the request of the Security Council or the General Assembly. The president and vice-president are elected at the beginning of each regular session and serve for one year.

#### Powers

In carrying out its supervisory and administrative functions, the Council was specifically authorized under the Charter to consider reports submitted by the administering authority; to accept petitions and examine them in consultation with the administering authority; to provide for periodic visits to the trust territories at times agreeable to the respective administering authorities; and to formulate a questionnaire on the political, economic, social, and educational progress in each trust territory, which the administering authorities were required to answer.

## OPERATION OF THE TRUSTEESHIP SYSTEM

### Trusteeship and Strategic Area Agreements

Since trusteeship territories were merely entrusted to the administering authorities, the precise terms of the agreement had to be carefully prescribed for each territory and approved by a two-thirds vote of the General Assembly, or by the Security Council in the case of a strategic area.

Article 82 of the Charter provided that there may be designated in any trusteeship agreement a strategic area or areas, which may include part or all of the trust territory concerned. In such cases, all trusteeship functions of the UN were to be exercised by the Security Council.

In fact, there exists only one strategic area agreement—that concluded between the UN and the US government on the Pacific islands mandated to Japan after World War I. Most of the general

provisions of the other trusteeship agreements are included in it, but the right of accessibility to the area is curtailed, and supervision by the UN is made dependent on US security requirements. The United States is also authorized to close certain areas for security reasons.

### The Role of the Administering Authorities

Administering countries were given full legislative, administrative, and judicial powers over the territories entrusted to them. If they so desired, they could administer the trust territory in conjunction with one of their own colonies. Thus, the trust territory of Ruanda-Urundi was united administratively with the Belgian Congo, and Australia established an administrative union between the trust territory of New Guinea and its own dependency, Papua. However, UN trusteeship territories were never considered to be under the sovereignty of the administering authorities, which governed them only on behalf of the UN.

### The Work of the Trusteeship Council

In essence, the work of the Council consists in the exercise of the powers specifically granted to it by the Charter for the purpose of supervising the operation of the trusteeship system and ensuring that the administering authority is carrying out its obligations as laid down by the trusteeship agreement.

The work of the Trusteeship Council has diminished progressively as, one by one, the 11 trust territories either achieved independence or, on being granted self-determination, chose to unite with another independent state.

In November 1993, Palau, the last remaining Trusteeship Territory succeeded in passing a referendum approving a Compact of Free Association with the United States. In January, 1994, at its sixty-first session, the Council requested the United States, in consultation with the Government of Palau, the last remaining Trusteeship Territory, to agree on a date on or about October 1, 1994 for the full entry into force of the Compact of Free Association.

The council considered that the United States had satisfactorily discharged its obligations under the terms of the Trusteeship Agreement and that it was appropriate for that Agreement to be terminated with effect from the date referred to above, as agreed upon by the two Governments.

At that session the Trusteeship Council also amended its rules of procedure 1 and 2, which were replaced by the following:

“The Trusteeship Council shall meet as and where occasion may require, by decision of the Trusteeship Council, or by decision of its president, or at the request of a majority of its members, or at the request of the General Assembly, or at the request of the Security Council acting in pursuance of the relevant provisions of the Charter.”

The Trusteeship Council suspended operation on 1 November 1994 after Palau became independent. The Council amended its rules of procedure to drop the obligation to meet annually and agreed to meet as occasion required—by its decision or the decision of its president, or at the request of a majority of its members or the General Assembly or the Security Council. As of 2006, the Council remained suspended but there had been no decision by the General Assembly to dissolve it.

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# THE INTERNATIONAL COURT OF JUSTICE

The International Court of Justice was established at the San Francisco Conference in 1945. It is a successor to and resembles the Permanent Court of International Justice created at the time of the League of Nations, but its competence is wider, because membership in the League did not automatically require a nation to join the Permanent Court. The International Court, however, is a principal organ of the UN, so that all UN members automatically become parties to its statute, which, modeled on that of the Permanent Court, was adopted as an integral part of the Charter. By joining the UN, each country binds itself, in the words of the Charter, “to comply with the decision of the International Court of Justice in any case to which it is a party.” If any party to a case violates this obligation, the other party “may have recourse to the Security Council, which may, if it deems necessary, make recommendations or decide upon measures to be taken to give effect to the judgment.”

The Charter further provides that nonmembers of the UN may become parties to the statute of the court “on conditions to be determined in each case by the General Assembly upon the recommendation of the Security Council.” Two such countries—Nauru and Switzerland—became parties to the statute in this way.

The rules under which the court is constituted and by which its functions are laid down in the statute and detailed in rules adopted by the court itself. The seat of the court is the Peace Palace at The Hague in the Netherlands, but it can meet elsewhere if it so desires. The judges are bound “to hold themselves permanently at the disposal of the Court.”

The court is funded from the regular budget of the UN, to whose members its services are otherwise free of charge.

## JUDGES OF THE COURT

The court consists of 15 independent judges, known as “members” of the court. They are elected “from among persons of high moral character” without consideration of nationality, except that no two judges of the same nationality may serve concurrently. They must be persons possessing the qualifications required in their respective countries for appointment to the highest judicial offices or be jurists of recognized competence in international law. No judge of the International Court of Justice may exercise any political or administrative function or engage in any professional occupation. When engaged in the business of the court, judges enjoy diplomatic privileges and immunities. A newly elected judge must “make a solemn declaration in open court that he will exercise his powers impartially and conscientiously.” A judge cannot be dismissed except by a unanimous decision of the other judges that

“he has ceased to fulfill the required conditions.” No such dismissal has ever occurred.

As in any court, a judge may disqualify himself from sitting on a particular case. The statute enumerates certain conditions under which this disqualification is obligatory—for example, if a judge was previously involved in the case as a member of a commission of inquiry.

## SIGNIFICANCE OF NATIONALITY OF JUDGES

The statute declares specifically that a judge has the right to sit on a case in which his own country is a party. Furthermore, any country that is a party to a case before the court may add a person to sit as judge on that case if there is not already a judge of its nationality on the court. If there are “several parties in the same interest,” they may add only one judge to the bench. Such ad hoc judges are chosen by the respective states themselves and may, or may not, be nationals of the states choosing them.

## NOMINATION AND ELECTION OF JUDGES

Two international conferences at The Hague, in 1899 and 1907, contemplated the establishment of a permanent international court, but the conferees were unable to agree on a system for electing judges. They did agree, however, on a convention establishing a Permanent Court of Arbitration. That convention provides that each country that is a party to it shall name four jurists as arbitrators who will be available to consider a concrete matter for international arbitration. When the Permanent Court of International Justice was established after World War I, a solution was found for the difficult problem of electing judges. The legal experts named as potential arbitrators under the Hague convention were given the right to nominate candidates, and the League of Nations elected the judges from among these nominees. This system has in essence been preserved by the UN. To ensure that candidates are not mere government nominees, they are proposed by the groups of jurists already established in the Permanent Court of Arbitration or by similar groups specially constituted in countries not members of that court; no national group may nominate more than four persons, and only two of those may bear the nationality of the group.

The list of candidates so nominated then goes to the UN. To be elected to a judgeship on the court, a candidate must obtain an absolute majority in the Security Council and the General Assembly, both bodies voting independently and simultaneously. If more than one candidate of the same nationality obtains the required votes, the eldest is elected. In electing judges to the court, delegates are requested to bear in mind that “the main forms of

civilization” and “the principal legal systems of the world” should be represented at all times on the international tribunal.

## TERMS OF JUDGESHIPS

Judges are elected for nine years. To stagger the expiration of terms, the terms of five of the judges named in the first election (1946) expired at the end of three years, and the terms of five others at the end of six years, as determined by lot. Hence, five judges are now elected every three years. Reelection is permissible and frequently occurs. Every three years, the court elects its president and vice-president from among the judges. Unless reelected, judges chosen to fill a casual vacancy serve only for the remainder of their predecessor's term.

The composition of the court as of 6 February 2006 was as follows: President Rosalyn Higgins (United Kingdom); Vice-President Awn Shawkat Al-Khasawneh (Jordan); Judges Raymond Ranjeva (Madagascar); Shi Jiuyong (China); Abdul G. Koroma (Sierra Leone); Gonzalo Parra-Aranguren (Venezuela); Thomas Buergenthal (United States of America); Hisashi Owada (Japan); Bruno Simma (Germany); Peter Tomka (Slovakia); Ronny Abraham (France); Kenneth Keith (New Zealand); Bernardo Sepúlveda Amor (Mexico); Mohamed Bennouna (Morocco); Leonid Skotnikov (Russian Federation).

Normally, all judges sit to hear a case, but nine judges (not counting an ad hoc judge) constitute a quorum. The statute of the court makes provision for the formation of chambers for summary procedure, for particular categories of cases, or for an individual case. A Chamber for Environmental Matters were established by the court in July 1993. Since 1945, seven cases were referred to a chamber-in 1982, 1985, two in 1987, 1993, and two in 2002. A judgment delivered by a chamber is considered as rendered by the court.

## PROCEDURE OF THE COURT

All questions are decided by a majority vote of the judges present. If the votes are equal, the president has the casting, or deciding, vote. The judgments have to be read in open court and are required to state the reasons on which they are based and the names of the judges constituting the majority. Any judge is entitled to append to the judgment a personal opinion explaining his or her concurrence or dissent. All hearings are public unless the court decides, whether at the request of the parties or otherwise, that the public should not be admitted.

Judgments are final and without appeal. An application for revision will be considered by the court only if it is based on the discovery of some decisive fact that at the time of the judgment was unknown to both the court and the party seeking revision. Should a dispute arise concerning the meaning or scope of a judgment, the court shall interpret it at the request of any party.

In order to simplify and expedite recourse to it, the court amended its Rules of Court in 1972. A completely overhauled set of rules, incorporating those amendments, was adopted in 1978. The latest version of the rules dates from 5 December 2000.

## COMPETENCE AND JURISDICTION OF THE COURT

Only states can be parties in cases before the court. Hence, proceedings may not be instituted by or against an individual, corpo-

ration, or other entity that is not a state under international law. However, if certain rules are satisfied, a state may take up a case involving one of its nationals. Thus, the *Nottebohm Case* (*Liechtenstein v. Guatemala*), in which a judgment was rendered on 6 April 1955, involved a claim by Liechtenstein in regard to injuries sustained by a German-born, naturalized citizen of Liechtenstein as a result of certain measures that Guatemala had taken during World War II.

All countries that are parties to the statute have automatic access to the court and can refer any case they wish to the court. In addition, the Security Council may recommend that a legal dispute be referred to the court.

Under the Charter, nations are not automatically obliged to submit their legal disputes for judgment. At the San Francisco Conference, it was argued by some that the court should be given compulsory jurisdiction and that UN members should bind themselves to accept the court's right to consider legal disputes between them. This proposal would have meant that if one member filed a case against another member, the court would automatically, and without reference to the second member concerned, have the right to try the case. The proposal was rejected because some delegates feared that such a provision might make the statute unacceptable to their countries. Moreover, it was generally felt that since the disputants in an international court are sovereign states, they should not be summoned against their will to submit to the court's jurisdiction. Thus, the court cannot proceed to adjudicate a case unless all parties to the dispute have consented that it should do so. Such consent comes about mainly in one of the following three ways.

- There can be a specific agreement between the parties to submit a dispute to the court. This is the simplest method and the one employed in several recent cases.
- There can be specific clauses contained in treaties and conventions. Many treaties and conventions expressly stipulate that disputes that may arise under them, such as a claim by one country that a treaty has been violated by another country, will be submitted to the court for decision. More than 430 treaties and conventions, including peace treaties concluded after World War II, contain clauses to this effect, a fact which attests to the readiness of countries to agree in advance to accept judicial settlement.
- There can be voluntary recognition in advance of the compulsory jurisdiction of the court in specified types of disputes. Article 36 of the statute states that all parties to the statute “may at any time declare that they recognize as compulsory ipso facto and without special agreement, in relation to any other state accepting the same obligation, the jurisdiction of the Court in all legal disputes concerning: (a) the interpretation of a treaty; (b) any question of international law; (c) the existence of any fact which, if established, would constitute a breach of an international obligation; (d) the nature or extent of the reparation to be made for the breach of an international obligation.”

Such declarations may be made for only a limited period if desired and with or without any conditions, or they may state that they will become operative only when a particular country or number

of countries accept the same obligation. The most far reaching reservation that has been attached to a declaration is the condition that the court must not adjudicate any dispute that the country itself determines to be an essentially domestic matter. In effect, this reservation leaves the country free to deny the court's jurisdiction in most cases in which it might become involved. In general, the practical significance of many of the declarations is severely limited by the right to make conditions. As of February 2006, declarations recognizing the compulsory jurisdiction of the court had been made by 66 states, with a number of them excluding certain categories of dispute.

The jurisdiction of the court therefore comprises all legal disputes which the parties to the statute refer to it and all matters specifically provided for in the UN Charter or in treaties and conventions in force. In the event of a dispute as to whether the court has jurisdiction, the statute provides that the matter shall be decided by the court. Article 38 of the statute requires that in deciding the disputes submitted to it, the court shall apply the following: (1) international conventions establishing rules recognized by the contesting states; (2) international custom as evidence of a general practice accepted as law; (3) the general principles of law recognized by civilized nations; and (4) judicial decisions and teachings of the most highly qualified publicists of the various nations as a subsidiary means for determining the rules of law. In certain cases, however, if the parties concerned agree, the court may decide a case *ex aequo et bono*— that is, by a judgment in equity taken simply on the basis of what the court considers is right and good.

### ADVISORY OPINIONS

The Charter provides that the General Assembly and the Security Council may request the court to give an advisory opinion on any legal question and that other UN organs and specialized agencies, when authorized by the General Assembly, may also request advisory opinions on legal questions arising within the scope of their activities. In such cases, the court does not render a judgment but provides guidance for the international body concerned. Thus, advisory opinions by their nature are not enforceable, and, although the bodies may receive them with respect, they may not necessarily find it politic to act on them. In some cases, however, the requesting body will be committed to abide by the court's decision.

### EXTRAJUDICIAL FUNCTIONS OF THE COURT

Many international conventions, treaties, and other instruments confer upon the International Court of Justice or its president the function of appointing umpires or arbitrators in certain eventualities. Furthermore, even when no treaty provision to this effect exists, the court or individual judges may be requested to carry out functions of this nature.

#### Review of the Role of the Court

In 1970, citing the relative lack of activity of the court, nine member states sponsored a General Assembly agenda item on a review of the role of the court. In an explanatory memorandum, they noted that the situation at that time was "not commensurate with either the distinction of the judges or the needs of the international community." Proposals for remedying the situation included a revision of the court's statute and rules of procedure, the appoint-

ment of younger judges and/or shorter terms of office, and wider acceptance of the court's compulsory jurisdiction.

The subject was debated at four subsequent sessions of the General Assembly, culminating in the adoption in 1974 of a resolution designed to strengthen the role of the court. The recommendations included the possible insertion of clauses in treaties that would provide for submission to the court of disputes arising from differences in their interpretation or application; acceptance of the compulsory jurisdiction of the court with as few reservations as possible; and greater recourse to the court by UN organs and specialized agencies for advisory opinions.

### SURVEY OF COURT PRACTICE

Since the court's inauguration in 1946, states have submitted more than 100 legal disputes to it, and international organizations have requested 25 advisory opinions.

### LEGAL DISPUTES

Of the cases submitted to the court by states, some were withdrawn by the parties or removed from the list for some other reason. In still others, the court found that, under its statute, it lacked jurisdiction. The remaining 92 cases on which the court has rendered judgment encompassed a wide range of topics, including sovereignty over disputed territory or territorial possessions, the international law of the sea, and commercial interests or property rights either of states or of private corporations and persons. (Examples of these types of disputes are given in the case histories below.)

Many of the cases, including some that fall into the three categories just described, involve differences in interpretations of specific bilateral or multilateral treaties and other legal instruments. Thus, in the case of the rights of US citizens in Morocco (*France v. United States*), the court found, on 27 August 1952, that the prohibition of certain imports into Morocco had violated US treaty rights. However, it rejected the US claim that its citizens were not subject in principle to the application of Moroccan laws unless they had received the United States's prior assent.

### ADVISORY OPINIONS

The 25 advisory opinions requested by the General Assembly, Security Council, or authorized specialized agencies likewise have dealt with a variety of matters. The court, on 16 October 1975, rendered an opinion in response to a request made by the General Assembly at its 1974 session. The question concerned Western Sahara, which was passing from Spanish administration. Morocco, Mauritania, and Algeria, all bordering states, took conflicting positions on ties of sovereignty that might have existed before the territory came under Spanish administration. The court concluded that no ties of territorial sovereignty between Western Sahara and the Kingdom of Morocco or the Mauritanian entity had existed. In the decolonization of the territory, therefore, the principle of self-determination through the free expression of the will of its people should apply in accordance with the relevant General Assembly resolution.

Another opinion concerned the question of whether the costs of the peacekeeping operations in the Middle East and the Congo could, within the scope of Article 17 of the Charter, be regarded as expenses of the organization to be financed by contributions of



member states, as assessed by the General Assembly. In its opinion, issued on 20 July 1962, the court concluded that the expenses of both operations could be regarded as expenses of the UN within the meaning of Article 17 of the Charter.

Recent advisory opinions were rendered in July 1996 in response to a request made by the World Health Organization on the Legality of the Use by a State of Nuclear Weapons in Armed Conflict; and a request made by the UN General Assembly on the Legality or Use of Nuclear Weapons.

## CASES PENDING

As of February 2006, 10 cases were pending:

1. Application of the Convention on the Prevention and Punishment of the Crime of Genocide (Bosnia and Herzegovina v. Serbia and Montenegro)
2. Gabcikovo-Nagymaros Project (Hungary/Slovakia)
3. Ahmadou Sadio Diallo (Republic of Guinea v. Democratic Republic of Congo)
4. Application of the Convention on the Prevention and Punishment of the Crime of Genocide (Croatia v. Serbia and Montenegro)
5. Maritime Delimitation between Nicaragua and Honduras in the Caribbean Sea (Nicaragua v. Honduras)
6. Territorial and Maritime Dispute (Nicaragua v. Colombia)
7. Certain Criminal Proceedings in France (Republic of the Congo v. France)
8. Sovereignty over Pedra Branca/Pulau Batu Puteh, Middle Rocks and South Ledge (Malaysia/Singapore)
9. Maritime Delimitation in the Black Sea (Romania v. Ukraine)
10. Dispute regarding Navigational and Related Rights (Costa Rica v. Nicaragua)

## SOME CASE HISTORIES OF DISPUTES SUBMITTED TO THE COURT

### Disputes over Territorial Claims and Territorial Possessions

In the Case Concerning Sovereignty over Certain Frontier Land (*Belgium v. Netherlands*), the court traced developments that had begun before the 1839 separation of the Netherlands from Belgium, and in its judgment, on 20 June 1959, it decided that sovereignty over the disputed plots belonged to Belgium.

In a dispute regarding sovereignty over certain islets and rocks lying between the British Channel island of Jersey and the French coast, the Minquier and Ecrehos Islands Case, the United Kingdom and France invoked historical facts going back to the 11th century. The United Kingdom started its argument by claiming title from the conquest of England in 1066 by William, Duke of Normandy. France started its argument by pointing out that the dukes of Normandy were vassals of the king of France and that the kings of England after 1066, in their capacity as dukes of Normandy, held the duchy in fee from the French kings. The court decided, on 17 November 1953, that “the sovereignty over the islets and rocks of the Ecrehos and Minquier groups, insofar as these islets and rocks are capable of appropriation, belongs to the United Kingdom.”

In 1980, in a case brought by the United States concerning the seizure of its embassy in Teheran and the detention of its diplomatic and consular staff, the court held that Iran must release the hostages, hand back the embassy and make reparations. However, before the court fixed the amount of reparation, the case was withdrawn following agreement reached between the parties.

In the first frontier dispute between two African states, by a special agreement Burkina Faso and Mali submitted to a chamber of the court in October 1983 the question of the delimitation of part of the land frontier between them. In January 1986, the court ordered interim measures of protection in order to restore peace between the two states following armed hostilities at the end of 1985. The court gave its final judgment in December 1986, establishing the coordinates for the delimitation of the frontier.

In 1984, Nicaragua alleged that the United States was using military force against it and intervening in its internal affairs. The United States denied that the court had jurisdiction. After written and oral proceedings, the court found, however, that it had jurisdiction and that Nicaragua’s application was admissible. The United States refused to recognize either this ruling or the subsequent 1986 judgment in which the court determined that the United States had acted in breach of its obligations toward Nicaragua, must desist from the actions in question, and should make reparation. The request by Nicaragua that the court determine the form and amount of reparation was withdrawn in 1991.

In a case between Libya and Chad, the two countries submitted to the court a territorial dispute relating to the Aozou Strip in the Sahara. Libya’s claim as made in the case extended far to the south of that strip of land. The court, in a judgment of 3 February 1994, found wholly in favor of Chad. After an agreement on the implementation of the judgment had been concluded between the two parties, Libyan forces, monitored by an observer force deployed by the Security Council, withdrew from the Aozou strip by 31 May 1994.

### Disputes Relating to the Law of the Sea

The Corfu Channel Case (*United Kingdom v. Albania*), the first case decided by the court, was brought before it at the suggestion of the Security Council. On 22 October 1946, two UK destroyers passing through the Corfu channel off the Albanian coast struck mines whose explosion caused the death of 46 seamen and damage to the ships. The British thereupon mineswept the channel. Albania claimed that it had not laid the mines. The court found Albania “responsible under international law for the explosions ... and for the damage and loss of human life that resulted therefrom” and determined the compensation due to the United Kingdom at £843,947, equivalent to approximately US\$2.4 million at that time. The court also found that the British mine-sweeping activities in Albanian territorial waters had violated international law. The unanimous rejection by the court of the British claim that the action was justified under the principle of “self-protection” constituted the first judicial finding that the use of force for self-help is in certain circumstances contrary to international law.

In 1981, Canada and the United States submitted to a chamber of the court a question as to the course of the maritime boundary dividing the continental shelf and fisheries zones of the two countries in the Gulf of Maine area. In its judgment of 12 October 1984, the chamber of the court established the coordinates of

that boundary. On 3 June 1985, the court delivered a judgment in a dispute relating to the delimitation of the continental shelf between Libya and Malta that had been referred to the court in 1982 by means of a special agreement specifically concluded for that purpose. On 14 June 1993, the court delivered a judgment in a maritime delimitation dispute between Denmark and Norway. On 16 March 2001, the court delivered a judgment in a maritime and land dispute between Bahrain and Qatar. On 10 October 2002, the court decided a case between Cameroon and Nigeria over the question of sovereignty over the Bakassi Peninsula, over the maritime boundary between the two states, and over sovereignty over part of Cameroon in the area of Lake Chad.

#### **Disputes Involving Commercial Interests and Property Rights**

The Anglo-Iranian Oil Co. Case grew out of a law passed by Iran on 1 May 1951, terminating the concessions of the Anglo-Iranian Oil Co. and expropriating the company's refinery at Abadan, the largest in the world. On 5 July, the court ordered important "interim measures" enjoining the two governments to refrain from any action that might aggravate the dispute or hinder the operation of the company. The company was to continue under the same management as before nationalization, subject to such modification as agreed to by a special supervisory board, which the court requested the two governments to set up. A year later, however, on 22 July 1952, the court, in its final judgment, ruled that it lacked jurisdic-

tion and lifted the "interim measures." The court found that the 1933 agreement, which gave the Iranian concession to the Anglo-Iranian Oil Co. and which the United Kingdom claimed had been violated by the act of nationalization, was merely a concessionary contract between Iran and a foreign corporation. The court ruled that the interpretation of such a contract was not one of the matters in regard to which Iran had accepted the compulsory jurisdiction of the court. The controversy was settled by negotiations in 1953, after the Mossadegh regime in Iran had been replaced by another government.

The Barcelona Traction Case (Belgium v. Spain) arose out of a 1948 adjudication by a provincial Spanish law court of the bankruptcy of a company incorporated in Canada with subsidiaries operating in Barcelona. Belgium was seeking reparation for damages alleged to have been sustained by Belgian shareholders in the company as a result of the Spanish court's adjudication, which Belgium claimed was contrary to international law. The court, on 5 February 1970, found that the Belgian government lacked the standing to exercise diplomatic protection of Belgian shareholders in a Canadian company with respect to measures taken against that company in Spain.

(The complete text of all of the Court's decisions—from 1946 up to the present date—can be accessed at the ICJ's web site at [www.icj-cij.org/icjwww/idecisions.htm](http://www.icj-cij.org/icjwww/idecisions.htm).)

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# THE SECRETARIAT

## CHARTER REQUIREMENTS

The charter lays down very few requirements governing the establishment of the sixth main organ of the UN—the Secretariat. Such requirements as are specified, in Chapter XV, may be conveniently listed under the following headings.

*Composition.* The charter states simply: “The Secretariat shall comprise a Secretary-General and such staff as the Organization may require.”

*Appointment of Staff.* With regard to the Secretary-General, the charter stipulates that the person to hold the position “shall be appointed by the General Assembly upon the recommendation of the Security Council.” In other words, the Security Council first must agree on a candidate, who then must be endorsed by a majority vote in the General Assembly. The other members of the Secretariat are to be appointed by the Secretary-General “under regulations established by the General Assembly.” The charter stipulates that the “paramount consideration” in the employment of staff “shall be the necessity of securing the highest standards of efficiency, competence, and integrity.” However, to this consideration is added an important rider—namely, that “due regard shall be paid to the importance of recruiting the staff on as wide a geographical basis as possible.”

*Functions of the Secretariat.* The duties of the general staff are not specified beyond an instruction that an appropriate number shall be permanently assigned to the Economic and Social Council and the Trusteeship Council and, “as required, to other organs of the United Nations.” With respect to the functions of the Secretary-General, the charter states only that he shall be “the chief administrative officer of the Organization,” shall “act in that capacity” at all meetings of the General Assembly and the three councils, and shall also perform “such other functions as are entrusted to him by these organs.” Apart from these general requirements, the charter accords the Secretary-General one specific duty and one specific power: to make an annual report to the General Assembly on the work of the organization, and he has the right to bring to the attention of the Security Council any matter that “in his opinion may threaten the maintenance of international peace and security.”

The single restriction on the Secretariat is that “in the performance of their duties the Secretary-General and the staff shall not seek or receive instructions from any government or from any other authority external to the Organization,” and that “they shall refrain from any action which might reflect on their position as international officials responsible only to the Organization.” As a corollary to this injunction, the charter puts member nations under the obligation to “respect the exclusively international character of the responsibilities of the Secretary-General and the staff and not to seek to influence them in the discharge of their responsibilities.”

## APPOINTMENT OF THE SECRETARY-GENERAL

Since the charter does not specify the qualifications for Secretary-General and the term of office, these decisions had to be made by the first General Assembly, in January 1946. It was agreed that, in making its recommendations to the General Assembly, the Security Council should conduct its discussions in private and vote in secret, for the dignity of the office required avoidance of open debate on the qualifications of the candidate. The General Assembly also decided that the term of office would be five years (the Secretary-General of the League of Nations was elected for 10 years) and that the Secretary-General would be eligible for reappointment.

The permanent members of the Security Council have tacitly agreed that the Secretary-General should not be a national of one of their own countries.

## STRUCTURE AND COMPOSITION OF THE SECRETARIAT

The Secretariat services the other organs of the UN and administers the programs and policies laid down by them. As the scope and range of UN activities have widened, the staff of the Secretariat has increased in number and its organizational pattern has increased in complexity. The major elements of the Secretariat, variously designated as offices, departments, programs, conferences, and the like, are headed by officials of the rank, but not necessarily the title, of under secretary-general or assistant secretary-general. In 1987 there were 48 officials at those two levels in the Secretariat.

As the United Nations grew from its original 51 members in 1945 to 191 members in 2002, the Secretariat necessarily changed and evolved. Between 1945 and 1994 major reform of the Secretariat’s structure was undertaken five times: 1953–56; 1964–66; 1974–77; 1985–86; and 1992–94. The latest round of restructuring was requested by the General Assembly in numerous resolutions beginning in 1988 (41/213; 44/200; 45/254; 46/232, and 47/212A). Secretary-General Boutros Boutros-Ghali began the restructuring process upon his entry into office in January 1992. In 1991 there were 48 high-level posts (1 director general, 26 undersecretary-generals, 20 assistant secretary-generals) reporting directly to the Secretary-General, by the 1996–1997 biennium that number had been reduced to 21 under secretary-generals and 15 assistant secretary-generals for a total of 36. In 2006, the activities of the Secretariat were organized in the following departments:

*The Department of Political Affairs (DPA).* The functions of five previous offices and units were integrated into the DPA. The department oversees the organization’s efforts in preventive diplomacy and peacemaking, collects and analyzes information to alert the General Assembly and Security Council of impending crises, and carries out mandates handed down by the General Assembly

and Security Council. DPA provides secretariat services to both bodies. It also provides electoral assistance to countries requesting help in strengthening the democratic process.

*The Department of Peacekeeping Operations (DPKO).* This department supervises the operations of the United Nations peacekeeping missions around the world. The work of the United Nations in this area has grown exponentially in size and complexity since the end of the cold war. In December 1991, peacekeeping missions involved approximately 11,000 troops and 4,000 civilian personnel with a combined budget of US\$500 million. At its peak in 1995 (when UN peacekeeping personnel were heavily deployed in the former Yugoslavia), the Department of Peacekeeping Operations was supervising approximately 70,000 military and civilian personnel, whose annualized budgets approached US\$3 billion. In the reorganization, the Field Operations Division, which had been part of the Department for Administration and Management, was transferred to its main client, the Department of Peacekeeping Operations. The annual budget was subsequently reduced to about US\$1 billion.

*The Department for Disarmament Affairs (DDA).* This department was originally established in 1982, and continued until 1992. It was reestablished in January 1998. The DDA furthers the goal of nuclear disarmament and non-proliferation and disarmament of chemical and biological weapons. It promotes disarmament efforts for conventional weapons, especially land mines and small arms. It has five branches: the Conference on Disarmament Secretariat and Conference Support Branch; the Weapons of Mass Destruction Branch; the Conventional Arms Branch; the Regional Disarmament Branch; and the Monitoring, Database and Information Branch.

*The Office for the Coordination of Humanitarian Affairs (OCHA).* From September 1992 to April 1996, the UN launched 64 consolidated inter-agency appeals for humanitarian assistance seeking some US\$11 billion in relief programs. To handle the increasing number of emergencies the organization's membership requested it to manage, the Secretary-General created the Department of Humanitarian Affairs (DHA), incorporating the functions of the UN Disaster Relief Office (UNDRO) and 11 other units of the Secretariat. Two new units were created: the Complex Emergencies Branch and the Inter-Agency Support Unit. In January 1998, the DHA was renamed the OCHA, as part of the Secretary-General's reform program at the time. The new body took steps to encourage more active inter-agency cooperation, and streamlined procedures for support of field coordination. The OCHA works to improve the delivery of humanitarian assistance to victims of disasters and other emergencies. It also acts as an advocate for humanitarian activities being considered by inter-governmental bodies. It was designed to provide quick needs assessments, field situation analyses, and early negotiations on access to emergency situations. A major feature of this department is interagency coordination that allows all the organizations of the UN system to make consolidated appeals for humanitarian assistance and to better track contributions from donor governments, UN agencies, and nongovernmental organizations.

*The Department of Economic and Social Affairs (DESA).* This department was a consolidation of the Department for Policy Coordination and Sustainable Development, the Department for Economic and Social Information and Policy Analysis and the

Department for Development Support and Management Services. The DESA aims to promote broad-based and sustainable development through an integrated approach to economic, social, environmental, population, and gender-related aspects of development. It has the following divisions: Advancement of Women; Africa and the Least Developed Countries; Development Policy Analysis; Economic and Social Council Support and Coordination; Population; Public Economics and Public Administration; Social Policy and Development; Statistics; Sustainable Development; and Financing for Development.

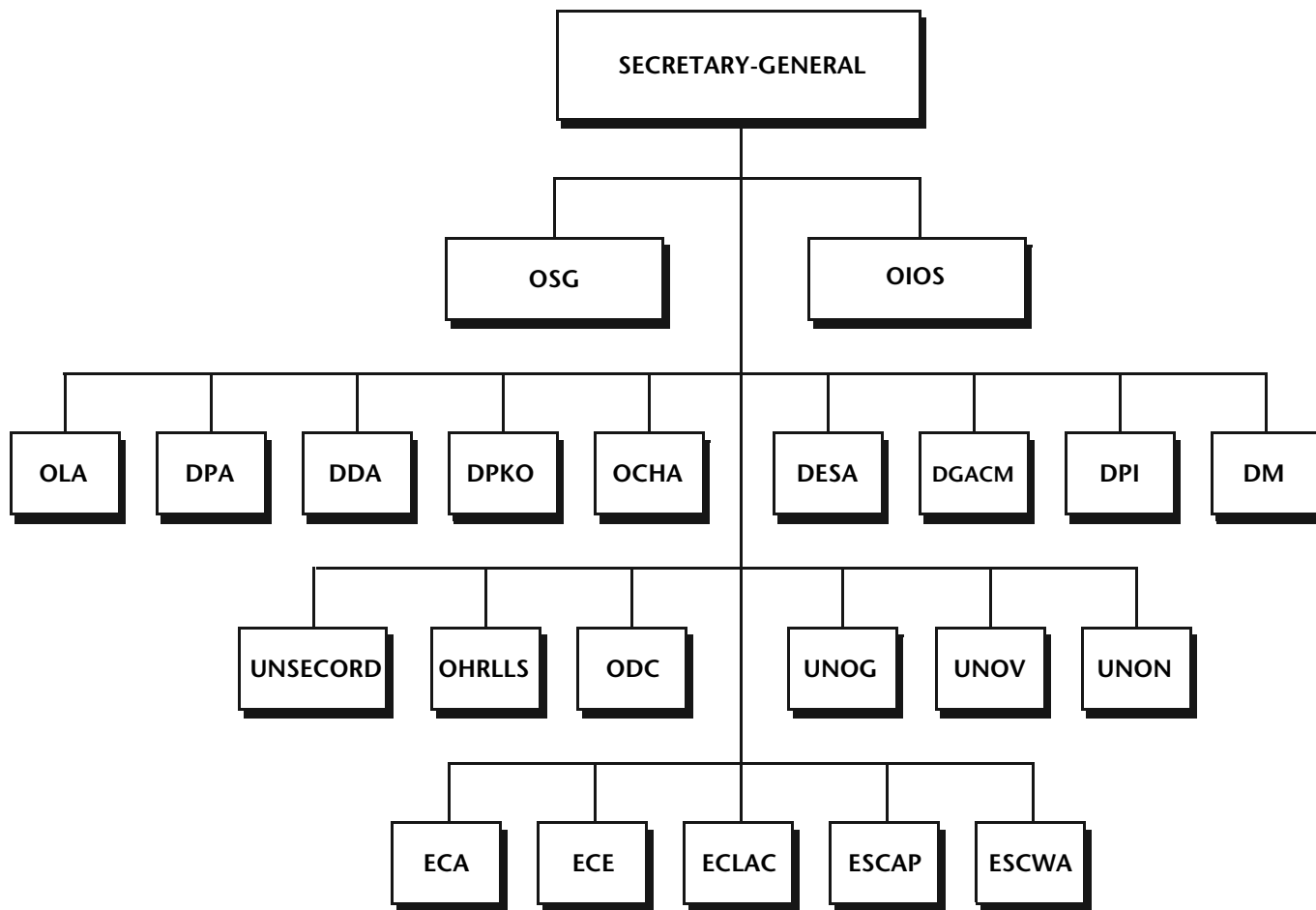
*The Department for General Assembly and Conference Management (DGACM).* This department consists of three divisions and one service. The Central Planning and Coordination Service provides central planning services for meetings and documentation, and coordinates conference services worldwide. The General Assembly and ECOSOC Affairs Division provides secretariat services and assistance to the General Assembly, the Economic and Social Council (ECOSOC), and the Trusteeship Council. The Interpretation, Meetings and Publishing Division provides interpretation services for all of the six official languages of the UN from and into each other. It also prepares verbatim records of meetings of the General Assembly, Security Council, and other bodies, and prepares and prints documents and other publications. The Translation and Editorial Division is responsible for translating all official United Nations documents, meeting records, publications and correspondence, from and into the six official languages. It also provides reference services and terminology services for authors, editors, interpreters, translators, and verbatim reporters.

*The Department of Public Information (DPI).* Under the reorganization, the Dag Hammarskjöld Library and the publishing services of the organization were transferred from the Office of Conference Services to DPI. The department, which creates press releases, publications, and radio and video programs publicizing the work of the organization, also took on the activities that had been handled by the former Office of the Spokesman for the Secretary-General. Many of DPI's field offices were integrated into the field offices of the UN Development Programme (UNDP) for substantial savings. DPI's work was facilitated by the installation of an electronic mail system connecting peacekeeping missions, information centers and UNDP offices—increasing headquarters' contact with its far-flung staff.

*The Department of Management (DM).* This department has a number of offices and divisions, including: the Treasury; the Office of Human Resources Management; the Integrated Management Information System Project; the Procurement Division; and the Archives and Records Management Section.

*The Office of Internal Oversight Services (OIOS).* In August 1993, the Secretary-General announced the creation of a new Office of Inspections and Investigations, headed by an assistant secretary-general, which would incorporate various former units of the DAM dealing with audit, management advisory services, evaluation, and monitoring. In July 1994, the General Assembly strengthened the office, and changed its name to the Office of Internal Oversight Services (resolution A/218B [29 July 1994]). The General Assembly stipulated that the head of the new office, at the level of under-secretary-general, should be an expert in the fields of accounting, auditing, financial analysis and investigations, management, law, or public administration. It further stipulated that the individual

# ORGANIZATIONAL STRUCTURE OF THE UNITED NATIONS SECRETARIAT



## LISTING OF KEY ORGANIZATIONAL UNITS

OSG	Office of the Secretary-General	OHRLLS	Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States
OIOS	Office of Internal Oversight Services	ODC	Office on Drugs and Crime
OLA	Office of Legal Affairs	UNOG	United Nations Office at Geneva
DPA	Department of Political Affairs	UNOV	United Nations Office at Vienna
DDA	Department of Disarmament Affairs	UNON	United Nations Office at Nairobi
DPKO	Department of Peacekeeping Operations	ECA	Economic Commission for Africa
OCHA	Office of Coordination of Humanitarian Affairs	ECE	Economic Commission for Europe
DESA	Department of Economic and Social Affairs	ECLAC	Economic Commission for Latin America and the Caribbean
DGACM	Department of General Assembly and Conference Management	ESCAP	Economic and Social Commission for Asia and the Pacific
DPI	Department of Public Information	ESCWA	Economic and Social Commission for Western Asia
DM	Department of Management		
UNSECORD	Office of the UN Security Coordinator		

should serve only one five-year term, and that the post would not be subject to geographical distribution limits. The watchdog office was given wider independence to investigate possible fraud and abuse within the organization. It is assisted in its task by the Integrated Management Information System (IMIS), a major hardware and software upgrade that allows greater monitoring and audit capabilities through electronic audit trails. The creation of this office had long been sought by industrialized countries concerned that their contributions to the United Nations were being wasted by fraud and abuse.

*The Office of Legal Affairs (OLA).* This office advises the organization and the Secretary-General on legal matters. For example, the OLA has provided advice on numerous activities related to the International Criminal Tribunals for the former Yugoslavia and for Rwanda. Under the 1992 reorganization, it also assumed responsibility for the Office for Ocean Affairs and Law of the Sea. The OLA also provides a range of advice and assistance on issues relating to treaty law and technical aspects of treaties.

Besides the above departments, the Centre for Human Rights, formerly a division, had its activities greatly expanded by a series of new mandates by the General Assembly, ECOSOC, the Commission on Human Rights, and expert groups in the human rights field. It is the principal entity of the UN Secretariat dealing with human rights issues, and is responsible for supervising the ratification and implementation of the international human rights agreements. The Secretary-General, in his 1993 report (A/48/428), stated that the activities of the Centre for Human Rights were evolving from standard-setting to furthering the implementation of a universal culture of human rights. The center is responsible for following up the recommendations of the Second World Conference on Human Rights held in Vienna in June 1993. Recognizing this, the 47th session of the General Assembly authorized additional financial resources for the center. The center is headed by an assistant secretary-general who reports directly to the Secretary-General.

Directly below the ranks of undersecretary-general and assistant secretary-general are directors of main subdepartments and chiefs of specific bureaus within the major organizational units. Below them is the professional staff: personnel with qualifications as administrators, specialists, technical experts, statisticians, translators, editors, interpreters, and so on. Staff in the category of general services include administrative assistants, clerical workers, secretaries, typists, and the like. Manual workers, such as building maintenance staff, are separately classified.

Personnel at the professional level and above are recruited in the various member countries of the UN and, when serving outside their own country, are entitled to home-leave travel, repatriation grants, and related benefits. General service personnel include a number of nationalities, but they are recruited locally and are not selected according to any principle of geographical representation. The majority of general service staff employed at UN headquarters are US citizens.

#### **Organizational Distribution of Staff**

As of 2005, the global work force stood at approximately 8,900 posts, down from 12,205 in 1984–85. Some posts currently are be-

ing kept vacant as a result of the General Assembly's decision to increase vacancy rates.

#### **Problems of Staff Appointment According to Equitable Geographical and Gender Distribution**

All UN senior staff members are appointed by the Secretary-General under regulations established by the General Assembly. Some of the appointments, such as the UN High Commissioner for Refugees, are subject to confirmation by the General Assembly. Staff recruitment, in general, is handled by the Office of Personnel, salary scales and other conditions of employment being determined by the General Assembly.

UN member governments attach great importance to having a fair proportion of their nationals employed in the Secretariat. The 1962 General Assembly recommended that in applying the principle of equitable geographical distribution, the Secretary-General should take into account members' financial contributions to the UN, the respective populations of the member countries, the relative importance of posts at different levels, and the need for a more balanced regional composition of the staff at the director level. It further recommended that in confirming permanent contracts (UN staff are initially hired on the basis of one-year contracts), particular account should be taken of the need to reduce underrepresentation of some member states.

The 1975 General Assembly reaffirmed previously defined aims for UN recruitment policy and mentioned the following specifically: development of an international civil service based on the highest standards of efficiency, competence, and integrity; equitable geographic distribution, with no post, department, or unit to be regarded as the exclusive preserve of any member state or region; the recruitment of a greater number of qualified women for professional and senior-level posts; and the correction of imbalances in the age structure of the Secretariat.

One of the United Nations' most disturbing lapses relates to the status of women within the organization's own secretariat. The equality of men and women is a principle enshrined in the UN charter. However, while more than half of the Secretariat's general service (nonprofessional) posts are filled by women, until the 1990s, few women were appointed to the highest levels of management. No woman has even been seriously considered for the position of Secretary-General. The General Assembly called in 1978 for an increase in the number of women in posts at the professional level to 25% of total staff. The Secretary-General reported in 1987 that the number of women in the professional and higher categories had increased to 25.7% of the total, compared to 17.9% in 1977. In 1985, at the end of the United Nations Decade for Women, the number of women in professional posts (designated as P-1, P-2, P-3, P-4, P-5, D-1 and D-2) had risen to 29%. However, women held only 8% of the highest administrative posts (director level, including assistant secretary-general and undersecretary-general; designated D-1 and D-2). In response, the General Assembly raised its goal for women to 35% of all professional level posts, with 25% in the senior, D-level posts by 1995. Some of the United Nations' semiautonomous subsidiary bodies already achieved progress in equitable gender representation in their own secretariats. The United Nations Population Fund (UNFPA) reported in 1992 that 43% of its professional posts were occupied by women and set a goal of 50% of professional posts to be

filled by women by the year 2000. UNICEF, which had women in 24.6% of its professional posts in 1986, increased that level to 35% in 1992. By June 1996, women accounted for 17.9% of the high level posts, and had received 40.3% of promotions within the last year. In 1992, in an effort to further strengthen the position of all women in the Secretariat, the first guidelines on sexual harassment were issued.

The International Civil Service Commission, established by the General Assembly in 1972, is responsible for making recommendations to that body for the regulation and coordination of service within the UN, the specialized agencies, and other international organizations that are part of the UN system. The commission is composed of 15 independent experts, appointed in their individual capacities for four-year staggered terms.

## THE EVOLVING ROLE OF THE SECRETARIAT

The UN's administrative arm has developed largely in accordance with the demands made upon it. In the process, it has evolved a distinctive character of its own, in keeping with its status as a constitutionally defined organ of the world body.

The Secretary-General has played the main role in shaping the character of the Secretariat. As chief administrative officer, the Secretary-General has wide discretionary powers to administer as he thinks fit. As Eleanor Roosevelt, a former chairman of the UN Commission on Human Rights, noted in 1953, the Secretary-General, "partly because of the relative permanence of his position (unlike the president of the General Assembly who changes every year) and partly because of his widely ramified authority over the whole UN organization, tends to become its chief personality, its embodiment and its spokesman to the world."

Each Secretary-General tries to develop the positive functions of the Secretariat. Although each has had his own views on the role of the office, all have shared the belief that the Secretariat is the backbone of the UN system. The most eloquent statement of that belief was probably made by Dag Hammarskjöld in a 1955 address at the University of California: "... the United Nations is what member nations made it, but within the limits set by government action and government cooperation, much depends on what the Secretariat makes it." In addition to the Secretariat's function of providing services and facilities for governments in their capacity as members of the UN, he said, the Secretariat also "has cre-

ative capacity. It can introduce new ideas. It can, in proper forms, take initiatives. It can put before member governments findings which will influence their actions." Stressing the fact that members of the Secretariat serve as international officials rather than as government representatives, Hammarskjöld concluded that "the Secretariat in its independence represents an organ, not only necessary for the life and proper functioning of the body, but of importance also for its growth."

In response to mounting criticism of the UN bureaucracy, the mismanaged and scandal-ridden oil-for-food program (see the discussion of the oil-for-food program in the chapter on the Secretary-General under "Developments Under Kofi Annan"), and reports of sexual abuses committed by peacekeeping forces, in 2006 Secretary-General Kofi Annan put forth a radical overhaul of the Secretariat entitled *Investing in the "UN: For A Stronger Organization Worldwide."* The report deals with the management of the Secretariat and confirms that the UN needs a significant investment in how it recruits, develops, and retains its people, how it procures goods and sources services, and how it manages and accounts for taxpayer funds in its overall pursuit of efficiency and results. The report focuses on transforming the UN into a more efficient and accountable organization in a way that reflects the fact that more than 70% of its \$10 billion annual budget in the 2000s relates to peacekeeping and other field operations, up from around 50% of a \$4.5 billion budget in the 1990s. By 2006, over half of the UN's civilian staff served in the field—not only in peacekeeping, but also in humanitarian relief, criminal justice, human rights monitoring and capacity-building, assistance with a cumulative total of more than 100 national elections, and in the battle against drugs and crime. Among the specific recommendations of Kofi Annan's report were: the 25 departments and other entities reporting directly to the Secretary-General should be reorganized to significantly reduce the reporting span; a major new leadership development plan is needed, covering recruitment, training and career development, to build middle and senior management capacity; the creation of the post of the Chief Information Technology Officer at the Assistant Secretary-General level, to oversee the creation and implementation of an effective information management strategy; an urgent upgrading of Secretariat-wide ICT systems; shortening the cycle for reviewing and adopting the budget, and consolidating budget appropriation from 35 sections into 13 parts; and consolidating peacekeeping accounts and streamlining trust fund management.

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# THE SECRETARY-GENERAL

From the outset, the secretary-general of the UN has played an important role in helping to settle crises that have troubled nations since the end of World War II. In practice, the role has gone far beyond what might be anticipated from a reading of the terse Charter provisions for the office. Yet the role has been developed precisely through a skillful exploitation of the potentialities inherent in those provisions.

The deliberative organs of the UN are political bodies intended to function as forums where the interests of governments can be represented and reconciled. The secretary-general and the Secretariat embody the other aspect of the UN: the organization is also intended to be a place where people may speak not for the interests of governments or blocs but as impartial third parties. The secretary-general is consistently working in a political medium but doing so as a catalytic agent who, in person or through special missions, observers, and mediators, uses his influence to promote compromise and conciliation.

Under the Charter, the secretary-general has the right to bring to the attention of the Security Council any matter that, in his opinion, might threaten international peace and security. This right goes beyond any power granted the head of an international organization before the founding of the UN. The Charter requires that he submit to the General Assembly an annual report on the work of the organization. In this report, he can state his views and convey his voice to the world's governments. The secretary-general's role has also been considerably enhanced by exploiting the Charter provision that he shall perform "such other functions" as are entrusted to him by the main organizational units of the United Nations.

## THE ROLE OF THE UN SECRETARY-GENERAL

In 1986, then Secretary-General Pérez de Cuéllar was invited to give the Cyril Foster Lecture at Oxford University. His thoughts on the institution of the secretary-general in an era of international evolution deserve attention.

First, he suggested that a secretary-general must avoid two extremes: "On one side is the Scylla of trying to inflate the role through too liberal a reading of the text [of the Charter]: of succumbing, that is, to vanity and wishful thinking. On the other is the Charybdis of trying to limit the role to only those responsibilities which are explicitly conferred by the Charter and are impossible to escape: that is, succumbing to modesty, to the instinct of self-effacement, and to the desire to avoid controversy. Both are equally damaging to the vitality of the institution. I submit that no secretary-general should give way to either of them."

Pérez de Cuéllar stated that he used the annual report to the General Assembly as a way to initiate action and galvanize efforts in other parts of the UN system. He pointed out that the secretary-general sometimes remains the only channel of communication

between parties in conflict, and therefore must be able to improvise in the context of "good offices" missions. A disciple of "quiet diplomacy," Pérez de Cuéllar said that the secretary-general must not only be impartial, but must be perceived to be so. He observed that a secretary-general needs enormous patience; he does not have the option of being frustrated or discouraged. He suggested that the secretary-general must "try to understand the roots of insecurity, the fears and resentments and the legitimate aspirations which inspire a people or a state to take the position they do."

He delineated four priority areas for attention by the world body: (1) disarmament, and particularly, nuclear disarmament; (2) human rights; (3) "the shaming disparity of living standards between those who live in the developed world-the North-and their less fortunate brethren in the developing world-the South"; and (4) the world response to natural and man-made disasters.

In closing, Pérez de Cuéllar set forth his own essential requirements for a secretary-general:

The Secretary-General is constantly subjected to many and diverse pressures. But in the last analysis, his office is a lonely one. He cannot stand idle. Yet helplessness is often his lot. The idealism and hope of which the Charter is a luminous expression have to confront the narrow dictates of national policies. The Secretary-General's efforts must be based on reason but, behind many a government's allegedly logical position, there are myths and silent fears. The voice of the Charter is often drowned by clashes and conflicts between states. If the Secretary-General is to rise above these contradictions in international life, two qualities are essential.

One is faith that humanity can move-and indeed is moving-towards a less irrational, less violent, more compassionate, and more generous international order.

The other essential quality is to feel that he is a citizen of the world. This sounds [like] a cliché, but the Secretary-General would not deserve his mandate if he did not develop a sense of belonging to every nation or culture, reaching out as best he can to the impulse for peace and good that exists in all of them. He is a world citizen because all world problems are *his* problems; the Charter is his home and his ideology, and its principles are his moral creed.

The role of the secretary-general has varied with the individual and with the time and circumstances. This chapter contains an outline account of the initiatives taken by the seven secretaries-general in various international crises and areas of conflict. Ad-



ditional discussion of some of the main areas of conflict may be found in the chapter on International Peace and Security.

## THE SECRETARIES GENERAL

The first secretary-general, Trygve Lie of Norway, was appointed for a five-year term on 1 February 1946. On 1 November 1950, he was reappointed for three years. He resigned on 10 November 1952 and was succeeded by Dag Hammarskjöld of Sweden on 10 April 1953. On 26 September 1957, Hammarskjöld was appointed for a further five-year term beginning on 10 April 1958. After Hammarskjöld's death in a plane crash in Africa on 17 September 1961, U Thant of Burma was appointed secretary-general on 3 November 1961, to complete the unexpired term. In November 1962, U Thant was appointed secretary-general for a five-year term beginning with his assumption of office on 3 November 1961. On 2 December 1966, his mandate was unanimously renewed for another five years. At the end of his second term, U Thant declined to be considered for a third. In December 1971, the General Assembly appointed Kurt Waldheim of Austria for a five-year term beginning on 1 January 1972. In December 1976, Waldheim was reappointed for a second five-year term, which ended on 31 December 1981. He was succeeded by Javier Pérez de Cuéllar of Peru, who was appointed by the Assembly in December 1981 for a five-year term beginning on 1 January 1982. He was reappointed for a second five-year term beginning on 1 January 1987. In late 1991, Pérez de Cuéllar expressed his wish not to be considered for a third term. On 3 December 1991, the General Assembly appointed Boutros Boutros-Ghali of Egypt to a five-year term beginning on 1 January 1992. On 17 December 1996, Kofi Annan of Ghana was appointed to a five-year term that began on 1 January 1997. Annan was reappointed for another five-year term that began on 1 January 2002.

### Trygve Lie

Born in Oslo, Norway, 1896; died in Geilo, Norway, 30 December 1968. Law degree from Oslo University. Active in his country's trade union movement from the age of 15, when he joined the Norwegian Trade Union Youth Organization. At 23, became assistant to the secretary of the Norwegian Labor Party. Legal adviser to the Norwegian Trade Union Federation (1922-35). Elected to the Norwegian Parliament (1935). Minister of justice (1935-39). Minister of trade, industry, shipping, and fishing (1939-40). After the German occupation of Norway in 1940 and until the liberation of Norway in 1945, he was, successively, acting foreign minister and foreign minister of the Norwegian government in exile in London. A prominent anti-Nazi, he rendered many services in the Allied cause during World War II. For example, he was instrumental in preventing the Norwegian merchant marine, one of the world's largest, from falling into German hands. Reelected to Parliament in 1945. Headed the Norwegian delegation to the San Francisco Conference. Secretary-General, 1946-1952.

### Dag Hjalmar Agne Carl Hammarskjöld

Born in Jönköping, Sweden, 1905; died in a plane accident while on a peace mission near Ndola, Northern Rhodesia (now Democratic Republic of the Congo), 17 September 1961. Studied at Uppsala and Stockholm universities; Ph.D., Stockholm, 1934. Secretary of Commission on Unemployment (1930-34). Assistant professor of political economy, Stockholm University (1933).

Secretary of the Sveriges Riksbank (Bank of Sweden, 1935-36); chairman of the board (1941-45). Undersecretary of state in the Swedish ministry of finance (1936-45). Envoy extraordinary and financial adviser to the ministry of foreign affairs (1946-49). Undersecretary of state (1949). Deputy foreign minister (1951-53). Delegate to the Organization for European Economic Cooperation (OEEC; 1948-53). Vice-chairman of the Executive Committee of the OEEC (1948-49). Swedish delegate to the Commission of Ministers of the Council of Europe (1951-52). Hammarskjöld was a member of the Swedish Academy, which grants the Nobel prizes, and vice-president of the Swedish Tourist and Mountaineers' Association. Secretary-General, 1953-1961.

### U Thant

Born in Pantanaw, near Rangoon, Burma (now Myanmar), 1909; died in New York, 25 November 1974. Educated at University College, Rangoon. Started career as teacher of English and modern history at Pantanaw High School; later headmaster. Active in development and modernization of Burma's educational system. Author and free-lance journalist. Books include a work on the League of Nations (1932), *Democracy in Schools* (1952), and *History of Post-War Burma* (1961). After Burma's independence, became Burma's press director (1947), director of broadcasting (1948), and secretary in the ministry of information (1949-53). Chief adviser to his government at many international conferences. Member of Burma's delegation to the 1952 General Assembly. In 1957, moved to New York as head of Burma's permanent delegation to the UN. Secretary-General, 1961-1971.

### Kurt Waldheim

Born in Sankt Andrä-Wördern, Austria, 21 December 1918. Studied at the Consular Academy of Vienna and took an LL.D. at the University of Vienna. Member of the delegation of Austria in negotiations for Austrian State Treaty, London, Paris, and Moscow (1945-47). First secretary of Austria's legation to France (1948-51). Counselor and head of personnel division, ministry of foreign affairs, Vienna (1951-55). Permanent observer of Austria to the UN (1955-56). Minister, embassy to Canada, Ottawa (1956-58), and ambassador (1958-60). Director-general, political affairs, ministry of foreign affairs, Vienna (1960-64). Ambassador and permanent representative of Austria to the UN (1964-68 and 1970-71). Austrian minister of foreign affairs (1968-70). Unsuccessful candidate for the presidency of Austria in 1971. UN Secretary-General, 1972-1981. Guest Professor of Diplomacy, Georgetown University, Washington, D.C., 1982-84. Author of *The Austrian Example*, on Austria's foreign policy in 1973; *Building the Future Order*, in 1980; *In the Eye of the Storm*, 1985.

In 1986, during his second campaign for the Austrian presidency, information about Waldheim's record as a German Army lieutenant in World War II was reported for the first time in the international press. Despite his previous assertions that he had been wounded at the Russian front in 1941 and then returned to Vienna to study law, it was discovered he had served as a lieutenant in the high command of Army Group E, whose commander, General Alexander Loehr, was later hanged for atrocities. The reports indicated that Waldheim had served in Yugoslavia and Greece, a fact that he had hitherto concealed, at a time when reprisals, deportations, and other war crimes were being carried out by the German Army. In 1987, the US Justice Department, on the basis

of an examination of US files and of the records of the War Crimes Commission in the UN archives, placed Waldheim on a watch list, which is used to bar entry to the United States for people linked to war crimes.

An international commission of historians appointed by Waldheim, after his election to the presidency of Austria in 1986, reported in February 1988 that it had found evidence that Waldheim was aware of war crimes during his service in the Balkans and had concealed his record but had found no evidence that he himself had committed any crime. The commission's report created a national crisis in the government of Austria and deeply divided the Austrian people. A national poll showed that, while the majority of people did not wish him to resign (as many prominent intellectuals and politicians were loudly insisting), most indicated that they would not vote for him again. Waldheim himself insisted that the commission cleared him of the charge of committing war crimes.

However, the debate over which countries did (or did not) know the facts about Waldheim's war service before or during his tenure as secretary-general continued to surface in the press periodically. There was general agreement that public knowledge of the real nature of Waldheim's war service would have disqualified him for consideration for the post of secretary-general. In August 1994, Representative Carolyn B. Maloney, Democrat of Manhattan, introduced the War Crimes Disclosure Act, H.R. 4995, with the intention of forcing the Central Intelligence Agency to disclose parts of the Waldheim dossier which it has withheld, citing national security interests.

Waldheim served as president of Austria for one term, from 1986 to 1992. In July 1994, Pope John Paul II, a long-time friend of Waldheim's, awarded him the Knighthood of the Order of Pius "for outstanding service as secretary-general of the United Nations." The honor is awarded to Catholics or non-Catholics for outstanding services to the church or society, and is largely symbolic.

#### **Javier Pérez de Cuéllar**

Born in Lima, Peru, 19 January 1920. Graduated from the law school of Catholic University, Lima (1943). Joined Peruvian ministry of foreign affairs (1940) and the diplomatic service (1944). Served as secretary at Peruvian embassies in France, the United Kingdom, Bolivia, and Brazil. Returned to Lima (1961) as director of legal and personnel departments, ministry of foreign affairs. Served as ambassador to Venezuela, USSR, Poland, and Switzerland. Member of Peruvian delegation to the 1st General Assembly (1946) and of delegations to the 25th through 30th sessions (1970-75). Permanent representative of Peru to the UN (1971-75). Served as UN secretary-general's special representative in Cyprus (1975-77); UN undersecretary-general for special political affairs (1979-81); and secretary-general's personal representative in Afghanistan (1981). After resigning from the UN, he returned to the ministry of foreign affairs and voluntarily separated from the service of his government on 7 October 1981. UN Secretary-General, 1982-1991. In 1992 UNESCO named him chairman of its World Commission on Culture and Development. The lawyer and career diplomat retired in the late 1990s. He is a former professor of diplomatic law at the Academia de Guerra Aérea del Peru. Author

of *Manual de derecho diplomático (Manual of International Law)*, 1964.

#### **Boutros Boutros-Ghali**

Born in Cairo, Egypt, 14 November 1922. Graduated from Cairo University in 1946 with a Bachelor of Law. Received his Ph.D. in international law in 1949 from Paris University. From 1949-77 he was Professor of International Law and International Relations and head of the Department of Political Science at Cairo University. Boutros-Ghali was a Fulbright Research Scholar at Columbia University in 1954-55. He served as director of the Centre of Research of The Hague Academy of International Law from 1963-1964, and was a visiting professor at the Faculty of Law of Paris University from 1967-68. In 1977 he became Egypt's Minister of State for Foreign Affairs, and was present at the Camp David Summit Conference during the negotiations that led to the Camp David accords between Egypt and Israel in 1978. He continued as Minister of State for Foreign Affairs until 1991, when he became Deputy Prime Minister of Foreign Affairs. He became a member of the Egyptian parliament in 1987 and was part of the secretariat of the National Democratic Party since 1980. From 1980-92 he was a member of the Central Committee and Political Bureau of the Arab Socialist Union. From 1970-91 he was a member of the UN's International Law Commission. His professional affiliations include membership in the Institute of International Law, the International Institute of Human Rights, the African Society of Political Studies and the Académie des Sciences Morales et Politiques (Académie Française, Paris). He founded the publication *Al Ahram Iktisadi* and was its editor from 1960 to 1975. Boutros-Ghali has authored more than 30 books and over 100 articles on international affairs, international law, foreign policy, diplomacy, human rights, and economic and social development. UN Secretary-General, 1992-1996.

#### **Kofi Annan**

Born in Kumasi, Ghana, on 8 April 1938. Studied at the University of Science and Technology in Kumasi, Ghana, and in 1961 completed his undergraduate work in economics at Macalester College in St. Paul, Minnesota. During 1961-62, he undertook graduate studies in economics at the Institut universitaire des hautes études internationales in Geneva. Having worked with the UN for over 30 years in various capacities, he is considered the first Secretary-General to rise from within the organization. His first assignment with the United Nations was in 1962 as an Administrative Officer and Budget Officer at the World Health Organization (WHO) in Geneva. As a Sloan Fellow in 1971-72 at the Massachusetts Institute of Technology, he received a Master of Science in Management. He returned to Ghana from 1974 to 1976 and was the Managing Director of the Ghana Tourist Development Company, serving on both its board and on the Ghana Tourist Control Board. In the UN, he held the position of Deputy Director of Administration and Head of Personnel in the Office of the UN High Commissioner for Refugees during 1980-83, Director of the Budget in the Office of Financial Services during 1984-87, and then as Assistant Secretary-General in the Office of Human Resources Management and Security Coordinator for the UN system during 1987-90. From 1990 to 1992 he served as Assistant Secretary-General for Program Planning, Budget and Finance and Controller of the UN. After the invasion of Kuwait by Iraq in

1990, he was sent to Iraq to facilitate the repatriation of over 900 international staff, and became engaged in negotiations for the release of Western hostages. He also helped bring attention to the situation of the 500,000 Asians stranded in Kuwait and Iraq. He also headed the UN team that negotiated the possible sale of Iraqi oil to buy humanitarian aid. In 1992 he was appointed Assistant Secretary-General for Peacekeeping Operations, and became Under-Secretary-General in the same department in March 1993. He also served as a Special Representative of the Secretary-General to the former Yugoslavia and as Special Envoy to the North Atlantic Treaty Organization (NATO) during the transitional period that followed the signing of the Dayton Peace Agreement. Began term as UN Secretary-General, January 1997, and was reappointed on 29 June 2001 for a second term beginning on 1 January 2002.

## DEVELOPMENTS UNDER TRYGVE LIE, 1946-1952

Trygve Lie had not yet been in office three months when he took the initiative of advising the Security Council on the Secretariat's interpretation of the Charter. The Council was considering its first case, the Iranian complaint against the USSR. The secretary-general delivered a legal opinion that differed sharply from that of the Security Council. The Council did not accept his interpretation, but it upheld his right to present his views. After setting this precedent, Lie submitted legal opinions on other matters.

During Lie's first term as secretary-general, East-West tension charged the UN atmosphere. As the world situation became increasingly threatening, the political role of the secretary-general expanded. Lie took definite stands on three issues, each of which earned him the dislike of some permanent members of the Security Council. The issues were Chinese representation, a plan for the general settlement of the cold war, and UN military action in the Korean War.

*Chinese Representation.* By the end of 1949, a number of states, including the USSR and the United Kingdom—permanent members of the Security Council—had recognized the mainland government, the People's Republic of China. In January 1950, the USSR representatives, having failed to obtain the seating of the representatives of the People's Republic, began boycotting UN meetings at which China was represented by delegates of the Republic of China, based on Taiwan. In private meetings with delegations, Lie tried to solve the impasse. He adduced various reasons, including a ruling of the International Court of Justice, for the thesis that nonrecognition of a government by other governments should not determine its representation in the UN.

*Trygve Lie's Twenty-Year Peace Plan.* Lie developed an extraordinary initiative during the first half of 1950. In a letter to the Security Council dated 6 June 1950, approximately two weeks before the outbreak of the Korean War, he said: "I felt it my duty to suggest a fresh start to be made towards eventual peaceful solution of outstanding problems." In his *Twenty-Year Program for Achieving Peace Through the United Nations*, Lie proposed new international machinery to control atomic energy and check the competitive production of armaments and also proposed the establishment of a UN force to prevent or stop localized outbreaks of violence.

Armed with these proposals and other memoranda, including the one on Chinese representation, Lie journeyed first to Washington, then to London, to Paris, and finally to Moscow. He held

conversations not only with foreign ministers and high-ranking diplomats but also with US president Harry S. Truman, British Prime Minister Clement Attlee, French President Vincent Auriol, and Soviet Premier Joseph Stalin. Lie's reception was cordial in Moscow, warm in Paris, and friendly in London, but cool in Washington.

The international picture changed abruptly, however, with the outbreak of the Korean War. The attitude of a number of governments toward Lie changed dramatically as well.

*The Korean War.* An outstanding example of a secretary-general taking a stand on an issue was Lie's intervention in the emergency meeting of the Security Council on 24 June 1950. He unequivocally labeled the North Korean forces aggressors because they had crossed the 38th parallel, declared that the conflict constituted a threat to international peace, and urged that the Security Council had a "clear duty" to act. After the Council (in the absence of the Soviet delegate) had set in motion military sanctions against North Korea, Lie endorsed this course of action and rallied support from member governments for UN military action in Korea. These moves brought him into sharp conflict with the USSR, which accused him of "slavish obedience to Western imperialism" and to the "aggression" that, in the Soviet view, the United States had committed in Korea.

As the Korean conflict grew more ominous with the intervention of the People's Republic of China, Lie played an active role in getting cease-fire negotiations underway in the field. At the same time, he fully identified himself with military intervention in Korea on behalf of the UN.

*Extension of Lie's Term as Secretary-General.* Lie's first term as secretary-general was to expire on 31 January 1951. In the Security Council, the USSR vetoed a resolution recommending him for a second term and subsequently announced that it would accept anyone other than Lie who was acceptable to the other members of the Council. The United States announced that it would veto anyone but Lie. The Council was unable to recommend a candidate for the office of secretary-general to the General Assembly, a situation unforeseen in the Charter. A resolution in the Assembly to extend Lie's term by three years, beginning on 1 February 1951, was carried by 46 votes to 5, with 8 abstentions. The negative votes were cast by the Soviet bloc.

The USSR maintained normal relations with Lie until the expiration of his original term on 31 January 1951. Thereafter, it stood by its previous announcement that the extension of the term was illegal and that it would "not consider him as secretary-general." By the fall of 1951, however, its nonrecognition policy toward Lie subsided. However, other complications were facing Lie, and on 10 November 1952, he tendered his resignation to the General Assembly.

## DEVELOPMENTS UNDER DAG HAMMARSKJÖLD, 1953-1961

Hammarskjöld's activities in the political field were more numerous and far-reaching than Lie's had been. Both the General Assembly and the Security Council repeatedly relied on his initiative and advice and entrusted important tasks to him.

The 1954 General Assembly set a precedent when it asked the secretary-general to seek the release of 11 US fliers held prisoner by mainland China. The Assembly resolution left the course of ac-

tion entirely to his judgment. After various preparations, Hammarskjöld flew to Peking (now Beijing) for personal negotiations with that government, and the 11 fliers were released. This success greatly increased the readiness of the Assembly to rely on the secretary-general as a troubleshooter.

*The Suez Crisis.* Grave responsibilities were entrusted to the secretary-general by the General Assembly in connection with the establishment and operation of the UN Emergency Force (UNEF). On 4 November 1956, at the height of the crisis resulting from British, French, and Israeli intervention in Egypt, the secretary-general was requested to submit a plan within 48 hours for the establishment of a force “to secure and supervise the cessation of hostilities.” The Assembly approved his plan and, at his suggestion, appointed Major-General E. L. M. Burns, Chief of Staff of the UN Truce Supervision Organization, as the chief of UNEF. The Assembly authorized the secretary-general to take appropriate measures to carry out his plan, and an advisory committee of seven UN members was appointed to assist him. Hammarskjöld flew to Egypt to arrange for the Egyptian government’s consent for UNEF to be stationed and to operate in Egyptian territory. He was given the task of arranging with Egypt, France, Israel, and the United Kingdom the implementation of the cease-fire and an end to the dispatch of troops and arms into the area and was authorized to issue regulations and instructions for the effective functioning of UNEF.

*Hammarskjöld’s Views on Developing the Role of Secretary-General.* Even before the Middle East crisis of 1956, Hammarskjöld had pointed to the need for the secretary-general to assume a new role in world affairs. On his reelection to a second term, Hammarskjöld told the General Assembly that he considered it to be the duty of the secretary-general, guided by the Charter and by the decisions of the main UN organs, to use his office and the machinery of the organization to the full extent permitted by practical circumstances. But he then declared: “I believe it is in keeping with the philosophy of the Charter that the secretary-general be expected to act also *without such guidance*, should this appear to him necessary in order to help in *filling a vacuum* that may appear in the systems which the Charter and traditional diplomacy provide for the safeguarding of peace and security.” (Italics added.) In other words, inaction or a stalemate either at the UN or outside of it may be justification for the secretary-general to act on his own.

Thus, in 1958, Hammarskjöld took an active hand in the Jordan-Lebanon crisis. After a resolution for stronger UN action failed to carry in the Security Council, he announced that he would nevertheless strengthen UN action in Lebanon and “accept the consequences” if members of the Security Council were to disapprove; none did. In the fall of 1959, the USSR made it known that it did not favor a visit by the secretary-general to Laos and, in particular, the assignment of a special temporary “UN ambassador” there. Yet Hammarskjöld did go to Laos to orient himself on the situation in that corner of Southeast Asia, and he assigned a high UN official as the head of a special mission to Laos. In March 1959, Hammarskjöld sent a special representative to help Thailand and Cambodia settle a border dispute. He acted at their invitation without specific authorization by the Security Council or the General Assembly. The dispute was settled.

In his report to the 1959 Assembly, he said: “The main significance of the evolution of the Office of the Secretary-General ... lies

in the fact that it has provided means for smooth and fast action ... of special value in situations in which prior public debate on a proposed course of action might increase the difficulties ... or in which ... members may prove hesitant....”

*The Congo Crisis.* By far the greatest responsibilities Hammarskjöld had to shoulder were in connection with the UN Operation in the Congo (now Zaire).

On 12 and 13 July 1960, respectively, President Joseph Kasavubu and Premier Patrice Lumumba of the newly independent Congo each cabled the secretary-general, asking for UN military assistance because of the arrival of Belgian troops and the impending secession of Katanga. At Hammarskjöld’s request, the Security Council met on the night of 13 July. He gave his full support to the Congo’s appeal and recommended that the Council authorize him to “take the necessary steps” to set up a UN military assistance force for the Congo, in consultation with the Congolese government and on the basis of the experience gained in connection with the UNEF in the Middle East. The Security Council so decided.

Since the Congo operation thus initiated was of much greater dimensions than the UNEF operation, the responsibilities imposed upon the secretary-general were correspondingly heavier, for, although the Security Council and the General Assembly guided Hammarskjöld, he himself had to make extraordinarily difficult decisions almost daily, often on highly explosive matters that arose as a result of serious rifts within the Congolese government and many other factors.

Various member governments, including the USSR and certain African and Western countries, criticized Hammarskjöld for some actions that the UN took or failed to take in the Congo. At times, he had to face the possibility that some country that had contributed military contingents to the UN force would withdraw them.

When it became known in February 1961 that Lumumba, who had been deposed by Kasavubu early in September 1960 and later detained by the Léopoldville authorities, had been handed over by them to the Katanga authorities and subsequently murdered, Hammarskjöld declared that the UN was not to blame for the “revolting crime.” However, several delegates claimed that he should have taken stronger measures to protect Lumumba.

*The “Troika” Proposal.* The USSR had asked for Hammarskjöld’s dismissal long before the assassination of Lumumba. Premier Khrushchev, as head of the Soviet delegation to the 1960 General Assembly, accused Hammarskjöld of lacking impartiality and of violating instructions of the Security Council in his conduct of the UN operation in the Congo. He also proposed a basic change in the very institution of the secretary-general, arguing that since the secretary-general had become “the interpreter and executor of decisions of the General Assembly and the Security Council,” this one-man office should be replaced by a “collective executive organ consisting of three persons, each of whom would represent a certain group of states”—namely, the West, the socialist states, and the neutralist countries; the institution of a “troika,” he declared, would guarantee that the UN executive organ would not act to the detriment of any of these groups of states.

Hammarskjöld rejected the accusations against his impartiality, declared that he would not resign unless the member states for which the organization was of decisive importance or the uncommitted nations wished him to do so, and received an ovation from the overwhelming majority of the delegations. He also stated that

to replace the one-man secretary-general by a three-man body would greatly alter the character and limit the scope of the UN.

Outside the Soviet bloc there had been little support for the "troika" proposal, but some "subtroika" proposals were advanced. Hammarskjöld in turn suggested that his five top aides, including a US and a Soviet citizen, advise the secretary-general on political problems. Discussions of the question were interrupted by his death.

*Death of Dag Hammarskjöld.* Because of dangerous developments in the Congo, Hammarskjöld flew there in September 1961. On the night of 17 September, the plane carrying him from Léopoldville to a meeting with the Katanga secessionist leader at Ndola, Northern Rhodesia, crashed in a wooded area about 16 km (10 mi) west of Ndola airport. Hammarskjöld and all 15 UN civilian and military personnel traveling with him, including the crew, were killed. The exact cause of the tragedy has not been determined. An investigation commission appointed by the General Assembly reported several possibilities: inadequate technical and security preparations for the flight, an attack on the plane from the air or the ground, sabotage, or human failure by the pilot.

## DEVELOPMENTS UNDER U THANT, 1961-1971

U Thant's approach to his office was different from that of Hammarskjöld, whose dynamic conception of the secretary-general's political role had aroused such opposition in the Soviet bloc. Thant did not take the same initiatives as his predecessor, but he consistently sought to use the prestige of his office to help settle disputes. Moreover, both the General Assembly and the Security Council assigned him to mediate extremely delicate situations. In his annual reports, he put forth proposals on basic issues, such as disarmament and economic and social cooperation and many of his suggestions were adopted.

An early example of a successful initiative taken by U Thant was in connection with the long-standing dispute between Indonesia and the Netherlands over the status of West Irian. The territory, formerly known as West New Guinea, had belonged to the Dutch East Indies, and Indonesia now claimed it as its own. In December 1961, fighting broke out between Dutch and Indonesian troops. Appealing to both governments to seek a peaceful solution, the secretary-general helped them arrive at a settlement. That settlement, moreover, brought new responsibilities to the office of the secretary-general: for the first time in UN history, a non-self-governing territory was, for a limited period, administered directly by the world organization.

*The Cyprus Operation.* Intercommunal clashes broke out in Cyprus on Christmas Eve 1963 and were followed by the withdrawal of the Turkish Cypriots into their enclaves, leaving the central government wholly under Greek Cypriot control. A "peace-making force" established under British command was unable to put an end to the fighting, and a conference on Cyprus held in London in January 1964 ended in disagreement. In the face of the danger of broader hostilities in the area, the Security Council on 4 March 1964 decided unanimously to authorize U Thant to establish a UN Peacekeeping Force in Cyprus (UNFICYP), with a limited three-month mandate to prevent the recurrence of fighting, to help maintain law and order, and to aid in the return to normal conditions. The force was to be financed on the basis of volun-

tary contributions. The Council also asked the secretary-general to appoint a mediator to seek a peaceful settlement of the Cyprus problem. The report of U Thant's mediator, Galo Plaza Lasso, was transmitted to the Security Council in March 1965 but was rejected by Turkey. Plaza resigned in December 1965, and the function of mediator lapsed.

Another crisis occurred in November 1967, but threatened military intervention by Turkey was averted, largely as a result of US opposition. Negotiations conducted by Cyrus Vance for the United States and José Rolz-Bennett on behalf of the secretary-general led to a settlement. Intercommunal talks were begun in June 1968, through the good offices of the secretary-general, as part of the settlement. The talks bogged down, but U Thant proposed a formula for their reactivation under the auspices of his special representative, B. F. Osorio-Tafall, and they were resumed in 1972, after Thant had left office.

*The India-Pakistan War of 1965 and Conflict of 1971.* Hostilities between India and Pakistan broke out in Kashmir in early August 1965 and soon spread along the entire length of the international border from the Lahore area to the sea. At the behest of the Security Council, whose calls on 4 and 6 September for a cease-fire had gone unheeded, U Thant visited the subcontinent from 9 to 15 September. In his report to the Council, the secretary-general proposed certain procedures, including a possible meeting between President Ayub of Pakistan and Prime Minister Shastri of India, to resolve the problem and restore the peace.

The Council, on 20 September, demanded a cease-fire and authorized the secretary-general to provide the necessary assistance to ensure supervision of the cease-fire and withdrawal of all armed personnel. For this purpose, U Thant strengthened the existing UN Military Observer Group in India and Pakistan (UNMOGIP), stationed in Kashmir, and established the UN India-Pakistan Observation Mission (UNIPOM) to supervise the cease-fire and withdrawal of troops along the border outside Kashmir.

At a meeting organized by Soviet Premier Kosygin in January 1966 in Tashkent, USSR, the leaders of India and Pakistan agreed on the withdrawal of all troops; this withdrawal was successfully implemented under the supervision of the two UN military observer missions in the area. UNIPOM was disbanded in March 1966, having completed its work.

Following the outbreak of civil strife in East Pakistan in March 1971 and the deterioration of the situation in the subcontinent that summer, U Thant offered his good offices to India and Pakistan and kept the Security Council informed under the broad terms of Article 99 of the Charter. When overt warfare broke out in December, the Security Council appealed to all parties to spare the lives of innocent civilians. Pursuant to a decision by the Council, U Thant appointed a special representative to lend his good offices for the solution of humanitarian problems after the cease-fire of 18 December 1971, which was followed by the independence of Bangladesh.

*U Thant's Stand on the Vietnam War.* Throughout his tenure, U Thant was deeply concerned with the question of Vietnam. By tacit consent, the question was never formally debated in the General Assembly and only cursorily touched upon in the Security Council. Until the opening of the Paris peace talks in 1968, the secretary-general was unremitting in his efforts to persuade the parties in the conflict to initiate negotiations on their own. In 1966, he put

forward a three-stage proposal to create the conditions necessary for discussion, but it was ignored by the United States.

After the Paris talks began, U Thant deliberately refrained from making any public statements on Vietnam “in order to avoid creating unnecessary difficulties” for the parties. He broke this silence only once, on 5 May 1970, when he expressed his deep concern “regarding the recent involvement of Cambodia in the war.”

*U Thant's Second Term.* U Thant's second term of office was dominated by the protracted Middle East crisis that arose in the aftermath of the Six-Day War in 1967. His quick action in removing UNEF troops from the Suez area at the request of the United Arab Republic just before that war began occasioned much criticism and some misunderstanding.

Of the two other major political conflicts during the period 1967-70, the civil war in Nigeria and the Soviet invasion of Czechoslovakia on 20 August 1968, only the latter was debated at the UN. The political aspects of the Nigerian situation were never raised in either the General Assembly or the Security Council out of deference to the African countries themselves, whose main objective was to keep external intervention to a minimum. However, as the troops of the Federal Republic of Nigeria began to penetrate more deeply into the eastern region (which had announced its secession from Nigeria and proclaimed itself an independent state under the name of Biafra), the various humanitarian organs of the UN became increasingly concerned about the plight of the people there. Accordingly, in August 1968, the secretary-general took the initiative of sending a personal representative to Nigeria to help facilitate the distribution of food and medicine.

At the request of its six Western members, the Security Council decided to debate the situation in Czechoslovakia, despite the protests of the USSR. On 23 August 1968, 10 members voted for a resolution condemning the Soviet action, which the USSR vetoed. Another resolution, requesting the secretary-general to send a representative to Prague to seek the release of imprisoned Czechoslovak leaders, was not put to a vote. In view—as one UN text puts it—of the “agreement reached on the substance of the problem during the Soviet-Czechoslovak talks held in Moscow from August 23 to 26,” no further action was taken by the Council. However, it is worth noting that U Thant was among the first world figures to denounce the invasion publicly. At a press briefing on 21 August at UN headquarters, he expressed unequivocal dismay, characterizing the invasion as “yet another serious blow to the concepts of international order and morality which form the basis of the Charter of the United Nations ... and a grave setback to the East-West détente which seemed to be re-emerging in recent months.”

## DEVELOPMENTS UNDER KURT WALDHEIM, 1972-1981

Two overriding concerns shaped Waldheim's secretary-generalship: concern for the preservation of the peace and concern for the evolution of world economic arrangements that would effect a more equitable distribution of the world's wealth. Two other issues were also of special concern to Waldheim: the financial position of the UN and terrorism. The financial position of the UN had been rendered precarious by the practice of some member states, including the USSR, France, and the United States, of withholding or threatening to withhold their share of UN funds for activities that they questioned. When Waldheim took office, the crisis had

become an emergency, and he dealt with it vigorously throughout his tenure. In September 1972, he placed the question of terrorism on the agenda of the General Assembly against the wishes of many member states. It was the first time a secretary-general had ever placed a substantive item on the Assembly's agenda.

*Peacemaking.* In 1972, on his own authority, Waldheim undertook a number of missions on behalf of peace. Visiting Cyprus, he temporarily calmed the Turkish community's concern over reported arms shipments to the Greek-dominated government. He visited the island again in 1973 in pursuit of reconciliation. After the hostilities in 1974, he was able to bring Greek and Turkish leaders together for negotiations, and he presided over the Geneva talks regarding Cyprus.

Waldheim's efforts to conciliate in the Vietnam War were rebuffed by both sides in 1972. He then tried, without success, to end the war through action by the Security Council. He visited the two Yemens to try to mediate a border dispute in 1972, and in the same year, he tried to mediate between India and Pakistan.

In the long-standing Arab-Israeli dispute, Waldheim made many efforts toward a satisfactory settlement and organized the UN Emergency Force as a buffer between the armies of Egypt and Israel at the request of the Security Council in October 1973.

*Striving for a New International Economic Order.* The sixth special session of the Assembly, in the spring of 1974, and the seventh special session, in September 1975, resulted in a number of decisions and proposals for bridging the gap between the rich and the poor nations and building a “new international economic order.” The seventh special session was, in Waldheim's words, “a major event, even a turning point, in the history of the United Nations and showed a new and highly promising capacity of the organization to achieve practical results through consensus and through negotiation.”

*Financial Status of the UN.* Waldheim acted both to reduce the costs of running the UN and to bring in contributions from member nations.

The US contribution to the UN, historically the highest single assessment, by the early 1970s stood at 31.5% of the budget. In October 1973, the US Congress reduced the US share to 25% of the UN budget; 116 other nations also had their contributions reduced by the UN. The difference was made up by increasing the assessments of Japan, China, and 10 other members and by admitting to membership the two Germanys. Waldheim helped to bring these changes about, fostering the notion that any country paying more than 25% of the UN's expenses could wield excessive influence.

*Terrorism.* Incidents of terrorism increased in the early 1970s. In September 1972, during the XXth Olympiad in Munich, 11 Israeli athletes were killed by Palestinians of the Black September group. Waldheim expressed himself strongly about the event and put the question of terrorism on the agenda of the 1972 General Assembly. A number of Arab and African countries took exception to his initiative, arguing that attention should be focused on the causes of terrorism. Although the Assembly had earlier condemned aerial hijacking, the resolution that it adopted on terrorism did not condemn the practice but called for a study of its causes. After OPEC officials were attacked by terrorists in 1975, the sentiment for more ample UN action against terrorism grew among third-world countries.

*Waldheim's Second Term.* Waldheim entered his second term of office in January 1977 with few illusions about the United Nations. To some extent, he wrote, it was still in search of its identity and its true role: "It tends to react rather than foresee, to deal with the effects of a crisis rather than anticipate and forestall that crisis." The history of the UN since its founding, he wrote, "has essentially been the story of the search for a working balance between national sovereignty and national interests on the one hand and international order and the long-term interests of the world community on the other." He said he was not discouraged, however, and he urged governments—particularly the major powers—to turn away from the age-old struggle for spheres of influence and to honor and respect their obligations and responsibilities under the Charter.

In 1978, Waldheim called for an effort to improve and streamline the workings of the UN, beginning with the General Assembly, the agenda of which should be reviewed, he said, and items of lesser interest removed. He noted that the Assembly had grown in three decades from a body of 50 members with an agenda of 20 items to a gathering of some 150 members and an agenda of more than 130 items.

Waldheim traveled extensively in East Asia in early 1979 and again in 1980 to get a firsthand view of developments in that area, particularly Indo-China, where, in the aftermath of the Vietnam war, there was an exodus of refugees, by land and sea, from that country. With the tide of these and other refugees from Laos and Kampuchea rising daily, Waldheim convened a meeting in Geneva in June 1979 to help alleviate the problem.

In May 1979, pursuing a "good offices" mission in Cyprus, Waldheim convened a high-level meeting calling for a resumption of intercommunal talks. The talks were subsequently resumed but broke down shortly thereafter. Waldheim again exerted his best efforts beginning in late 1979, as did the UN itself, in search of solutions to unexpected crises touched off by the Soviet invasion of Afghanistan and the taking of US diplomatic personnel as hostages in Iran. From the outset, his efforts were directed at freeing the hostages and settling relations between Iran and the United States, and, for this purpose, he went to Tehran himself, as did a UN commission of inquiry. Waldheim noted that the war between Iran and Iraq, which began in September 1980, had resisted all efforts, both within and outside the UN, at finding a peaceful solution. He offered his own good offices for this purpose and appointed Olof Palme, former Swedish prime minister, as his special representative. In regard to the Afghanistan crisis, he appointed Javier Pérez de Cuéllar of Peru as his personal representative.

## DEVELOPMENTS UNDER JAVIER PÉREZ DE CUÉLLAR, 1982-1991

Secretary-General Pérez de Cuéllar presided over the United Nations during one of the most remarkable decades in the political history of the world. During his tenure, the stalemate imposed on the United Nations by the rivalries of the Cold War came to an end. The political map of Europe, which had remained stable for more than 40 years since the end of WWII, was completely redrawn when the Soviet Union collapsed in 1989. East and West Germany were united and the Berlin Wall was reduced to rubble. Historic achievements in bilateral arms control and disarmament negotia-

tions lowered the level of confrontation between the West and the East for the first time since the dawn of the nuclear era. A new atmosphere of consensus enabled the Security Council to begin providing the kind of leadership envisioned for it by the founders of the organization, as enshrined in the UN Charter. Long-standing political problems in Namibia, Cambodia, and Latin America were resolved with success by United Nations peacekeeping missions, and the evolution of the organization's activities in helping organize and monitor free and fair elections in new democracies began. The winds of change were also blowing strongly in South Africa, where the *apartheid* system was beginning to crumble after more than 30 years of condemnation by the United Nations.

The story of Pérez de Cuéllar's 10-year term as secretary-general straddles this historic evolution of the world scene at the *fin de siècle*. Upon leaving office in December 1991, in his report on the work of the United Nations, he set forth his own feelings about his experience as secretary-general:

"Peace has won victories on several fronts.... New vistas are opening for States to work together in a manner they did not do before. The earlier posture of aloofness and reserve towards the Organization has been replaced by more ardent participation in its endeavors. An era of law and justice may not be around the corner but the United Nations has defined the direction.... Today there are far more solid grounds for hope than there are reasons for frustration and fear. The hope arises both from the enduring relevance of the philosophy of the Charter and from the vastly strengthened credentials of the Organization. My credo is anchored in that philosophy and it will remain so. With its return from the doldrums, and with its role no longer peripheral, the United Nations has come nearer to the vision of its Charter. Everyone who contributed to the process is entitled to a measure of exultation and I, for my part, to a feeling of fulfillment. I profoundly appreciate the confidence placed in me through this testing phase of international affairs. I close on that note of faith and gratitude."

The situation had been very different when Pérez de Cuéllar first took office, in 1982. In his first report to the General Assembly, in September 1982, on the work of the organization, Pérez de Cuéllar commented on the inability of the UN to play an effective and decisive role in its capacity to keep the peace and serve as a forum for negotiations. The Falkland Islands crisis and the invasion of Lebanon by Israel, both major events of 1982, were clear examples of the failure of the international community, and its organization, to use the mechanisms of diplomacy to prevent international conflict. Countries seemed unwilling or reluctant to use the United Nations' peacekeeping mechanisms to help them resolve their difficulties without resorting to violence. Time after time, he said, "we have seen the Organization set aside or rebuffed, for this reason or for that, in situations in which it should and could have played an important and constructive role." He saw this trend as dangerous for the world community and for the future and criticized the tendency of governments to resort to confrontation, violence, and even war in pursuit of what were perceived as vital interests.

Another clear indication of the organization's lack of stature was the crippling budgetary problems caused by some member states' continuing practice of withholding part or all of their assessed contributions, placing the work of the entire organization in a constant state of uncertainty. Clearly, at the beginning of his term, the United Nations stood in need of a rebirth.

### The Middle East

*The Iran-Iraq War.* In regard to the prolonged war between Iran and Iraq, which had started in 1980 and taken an enormous toll in human lives, Pérez de Cuéllar considered it to be his overriding responsibility under the Charter not only to seek an end to the conflict but also, until that goal was achieved, to try, under international humanitarian rules, to mitigate its effects in such areas as attacks on civilian population centers, use of chemical weapons, treatment of prisoners of war, and safety of navigation and civil aviation. On four occasions between 1984 and 1986, he dispatched specialists to investigate charges of the use of chemical weapons, initially against Iranian forces but later injuring Iranian civilians and Iraqi forces as well. In 1984 and 1985, two UN teams investigated allegations of violations of promises by the two countries to cease deliberate attacks on purely civilian population centers, and in January 1985, the secretary-general dispatched a fact-finding mission to Iran and Iraq to investigate the treatment of prisoners of war and civilian detainees. He himself visited Tehran and Baghdad in April 1985 to discuss proposals he had drawn up to initiate movement toward a comprehensive settlement of the war, and he continued to search for new approaches to this goal.

In July 1987, the Security Council unanimously adopted a resolution (598/1987) asking the secretary-general to send UN observers to verify and supervise a cease-fire between Iran and Iraq and withdrawal to internationally recognized boundaries. Pérez de Cuéllar was also asked by the Council to explore the question of entrusting to an impartial body the task of inquiring into responsibility for the conflict. Subsequent discussions with the two governments in their capitals reaffirmed his conviction that his good offices could be used to facilitate the restoration of peace and stability in the region. On 20 August 1988, the fighting stopped and UN military observers took up the challenge of monitoring compliance with the cease-fire. The secretary-general and his representative continued a "good offices" mission to build confidence and lay the basis for a lasting peace in the region.

*The Gulf War.* In August 1990, Iraq invaded Kuwait with 100,000 troops and took complete control of the small, under-defended country within 48-hours. In the four months following the invasion the Security Council responded with historic speed and unanimity. It passed 12 resolutions condemning the invasion, invoking Chapter VII of the Charter to impose economic sanctions on Iraq, and addressing aid to refugees and Iraq's taking of hostages. Pérez de Cuéllar remarked in his 1990 annual report that the council "has established that such actions, which are in direct contravention of the principles of the Charter and international law, cannot be committed with impunity." On 29 November 1990, after three weeks of debate, the Security Council passed Resolution 678 "authorizing Member States cooperating with the Government of Kuwait, unless Iraq on or before January 15, 1991, fully implements ... the foregoing resolutions, to use all necessary means to implement Security Council Resolution 660 and all subsequent

relevant resolutions to restore international peace and security in the area."

With the phrase "all necessary means," a new chapter in the history of the UN began. A 680,000-strong multi-national military force, led by 410,000 United States troops, was authorized by this resolution to impose the Security Council's will upon Iraq and restore the national sovereignty of Kuwait. On 16 January 1991, the allies began a six-week aerial bombardment of Iraq and Kuwait in preparation for a land attack on Kuwait. On 25 February, the ground attack began. Twelve days later the allied forces had decisively defeated Iraq's army of occupation, decimating it and pushing surviving units back into Iraq. Iraqi casualties were estimated in the hundreds of thousands. The United States lost 309 lives, some in pre-combat incidents. On 6 April, Iraq's parliament officially accepted the terms of Resolution 687, which it characterized as "unjust."

Resolution 687 had established a 200-kilometer-long demilitarized zone along the Iraq-Kuwait border, extending 10 kilometers into Iraq and five kilometers into Kuwait, to be patrolled by the UN Iraq-Kuwait Observer Mission (UNIKOM). The secretary-general reported that UNIKOM's 1,400 troops from 36 countries had been fully deployed on 9 May 1991.

In his 1991 report on the work of the organization, Pérez de Cuéllar pointed out that the experience of the Gulf action, moving as it did into areas undefined by the charter, suggested the need for "collective reflection on questions relating to the future use of the powers vested in the Security Council under Chapter VII. In order to preclude controversy, these questions should include the mechanisms required for the Council to satisfy itself that the rule of proportionality in the employment of armed force is observed and the rules of humanitarian law applicable in armed conflicts are complied with." He also warned that the use of Chapter VII measure should not be "overextended," since the imposition of mandatory economic sanctions necessarily created hardships for third-party nations (nations not party to the conflict, but who have important economic partnerships with the sanctioned state).

*The Arab-Israeli Conflict.* In mid-1982, Israeli forces moved into Lebanese territory, bypassing the UN Interim Force in Lebanon (UNIFIL). In August of that year, at the request of Lebanon and with the authorization of the Security Council, Pérez de Cuéllar deployed military observers to monitor the violence in and around Beirut. He also put forward proposals for expanding the role of UNIFIL—deploying the force, with elements of the Lebanese army and internal security forces, in areas vacated by Israeli forces as they withdrew from Lebanon, and working out arrangements to ensure that southern Lebanon became a zone of peace under the sovereignty and authority of the Lebanese government. These proposals were not accepted by Israel.

Pérez de Cuéllar also attempted to pursue the long-standing goal of convening a peace conference on the Middle East, holding numerous consultations with the parties involved. In December 1987, the diplomatic stalemate was shaken by a massive Palestinian uprising, the *intifadah*, in the Israeli-occupied territories that forced the Palestine National Council (the PLO's parliament in exile) to formally recognize Israel. However, the Israeli government declined to reciprocate. Yasser Arafat, the head of the PLO, was asked to address an emergency session of the Security Council, which had to be held in Geneva, since it was feared the United



States would deny him an entry-visa. At that session, the United States vetoed the dispatch of a UN mission to the occupied territories to monitor the treatment of Palestinians by Israeli security forces.

In 1990 and 1991, the United States took the lead in trying to reconvene a peace conference. In October 1991, US Secretary of State James Baker made history by convening in Madrid the first-ever direct negotiations between all parties to the conflict. A key group interested in the talks were the former Palestinians, who since 1967 had been residing in territories under the control of Israelis and were represented by the PLO. Since the Israelis had insisted on their exclusion from the Madrid talks, little progress was made. In December 1991, the General Assembly repealed its Resolution 3379 (1975) which had equated Zionism with racism. This was only the second time in the history of the UN that the General Assembly had voted to rescind a resolution.

### Afghanistan

The secretary-general and his personal representative, Diego Cordovez, acting as mediator, were continuously involved, until early 1988, in discussions and consultations aimed at negotiating a settlement of the situation in Afghanistan that had been brought about by Soviet military intervention in that country in late 1979 and had affected neighboring countries, particularly Pakistan, to which many Afghan refugees had fled. The negotiations revolved around four points: agreement on noninterference and nonintervention; the voluntary return of refugees; international guarantees on the settlement, to be given by the United States and the USSR; and the withdrawal of foreign troops.

The General Assembly supported these efforts and appealed to all states and national and international organizations to extend humanitarian relief assistance to alleviate the hardships of the Afghan refugees, in coordination with the UN high commissioner for refugees.

The negotiation efforts met with success in early April 1988, when agreement was reached on a treaty under which the USSR would withdraw its 115,000 troops from Afghanistan, Pakistan and Afghanistan would cease all interference in each other's internal affairs, Afghan refugees would be given a safe return to their country, and Afghanistan would become a neutral and nonaligned state guaranteed by the USSR and the United States. A small UN military observer team (UNGOMAP) was to be sent to Afghanistan to monitor compliance with the treaty, which was signed in Geneva on 14 April by Afghanistan, Pakistan, the USSR, and the United States. The USSR withdrew its troops in February 1989, however fighting continued, and rebel forces continued to receive aid from the United States and Pakistan. The USSR, for its part, continued to prop up the Marxist government in Kabul. UNGOMAP's mandate ran out in March 1990 and the secretary-general replaced it with a smaller high-level Office of the Secretary-General in Afghanistan and Pakistan, funded out of the UN's regular budget. This office's purpose was to advise the secretary-general on the military and political situation in order to assist him in finding a settlement.

### Central America

In Central America, Pérez de Cuéllar and the secretary-general of the Organization of American States extended, in November 1985, a joint offer of services to the five Central American coun-

tries concerned—Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua—as well as to those of the Contadora Group, bringing to their attention the resources that the two organizations could provide, separately and together, to facilitate resolution of the region's problems and complement the Contadora process. The two leaders visited the area in January 1986 in an effort to reactivate the negotiating process. Pérez de Cuéllar welcomed the proposal of President Oscar Arias Sánchez of Costa Rica for a peace plan, put forward in February 1987 and agreed to that August in Guatemala City by the five Central American countries. He agreed to serve as a member of the International Committee for Verification and Follow-up created by the Guatemala agreement and offered to extend any additional assistance that would be appropriate under the UN Charter.

As a result of this initiative, the countries concerned joined in a framework agreement, Esquipulas II, which gave the UN a mandate to verify the commitments made by the parties to each other. In 1989, the secretary-general established the UN Observer Mission (ONUVEN) to supervise the electoral process in Nicaragua. It was the first time the UN had been directly involved in electoral supervision. The UN Observer Group in Central America (ONUCA) was charged with overseeing the demobilization of the Contra guerrillas in Nicaragua. In December 1989, the secretary-general brought together the five Central American presidents in order to resume a dialogue between the government of El Salvador and the FMLN guerrillas. By July 1990, the San José Human Rights Accord was concluded, in which the government of El Salvador agreed to have its compliance monitored by a UN mission (UN Observer Mission in El Salvador-ONUSAL). After 20 months of negotiations, on his very last day in office, Pérez de Cuéllar witnessed the signing of a cease-fire agreement in the 12-year civil war in El Salvador, on 31 December 1991.

The success of the United Nations in monitoring the elections in Nicaragua encouraged Haiti to request the organization to monitor its elections in December 1990. The General Assembly granted the request, and created the UN Observer Group for Verification of Elections in Haiti, known by its French acronym, ONUVEH. Jean-Bertrand Aristide was elected president in elections declared by the United Nations to be free and fair. However, in September 1991, President Aristide was overthrown by a military coup, creating an intransigent problem for Pérez de Cuéllar's successor.

### Cambodia

Hostilities between Cambodia (at that time Kampuchea) and Vietnam had broken out in 1978. The United Nations became deeply involved in a humanitarian mission to assist refugees in the conflict along the border of Thailand and Cambodia. In January 1989, the revitalized Security Council began to take a more active role in the 11-year-old civil war. The secretary-general's special representative, Under Secretary Rafeuddin Ahmed, played an essential role in the negotiating the framework for a settlement leading to a specific blueprint for the restoration of peace. In August 1989 the Paris Conference on Cambodia was convened, but was suspended within a month. Meetings in New York and Paris in 1990 finally secured the agreement of all the parties to the framework agreement developed by the Security Council. The agreement was signed on 23 October 1991, and two more UN missions were created: the UN Transitional Authority in Cambodia (UNTAC), and

the UN Advance Mission in Cambodia (UNAMIC). The scale and cost of the mandate for these missions was unprecedented. It included repatriation of refugees from the Thai border camps, cantonment of all military forces and demobilization of 70% of these troops, registration of voters, supervision of elections for a Constituent Assembly, and supervision of the process of drafting and ratifying a new constitution.

### Namibia

The change in the players on the world stage led to the resolution of this long-standing issue, nearly twenty-five years after the General Assembly first denounced South Africa's attempted annexation of South West Africa (now Namibia), and a dozen years after the Security Council laid out the settlement plan for its independence. The Security Council's resolution 435 of 1978 had called for a cease-fire in Namibia, the abolition of apartheid laws, the withdrawal of South Africa from Namibia, the election of a constituent assembly, and the establishment of the United Nations Transitional Assistance Group (UNTAG) to oversee free and fair elections. However, the presence of Cuban troops in Namibia in support of the liberation movement, the South West Africa Peoples' Organization (SWAPO), created another stalemate between East and West. In 1988, the change in the political climate between the two superpowers produced an agreement that led to the withdrawal of the Cuban troops and the implementation of UNTAG. The transition began in April 1989 and 97% of the registered voters participated in elections in November. On 21 March 1990, Namibia became an independent state, with SWAPO leader Sam Nujoma as its president. UNTAG withdrew from Namibia in March 1990. As Pérez de Cuéllar reported in 1990, "UNTAG turned out to be something far more than its somewhat pedestrian name implied. It established the workability of democratic procedures even in a terrain which at first looked most unpromising. It also proved the executive ability of the United Nations in successfully managing a complex operation which brought together 8,000 men and women from more than 100 nations...."

### Apartheid

The dramatic events that led to the dismantling of the apartheid system and the birth of a new South African nation are chronicled in the chapter on International Peace and Security. However, it was during Pérez de Cuéllar's tenure as secretary-general that the General Assembly held its 16th Special Session (12-14 December 1989) devoted to the question of apartheid. On 11 February 1990, South African President F. W. de Klerk released Nelson Mandela after 27 years of imprisonment. In response to the assembly's Resolution S-16/1, the secretary-general sent a high-level mission to South Africa in June 1990 to investigate the progress that had been made toward dismantling *apartheid*. By the end of his tenure, the process of change that would bear fruit in 1994, was firmly established.

### Other Major Developments

Besides the problems of international peace and security listed above, the secretary-general's reports to the General Assembly made it clear he observed a growing appreciation in the international community of the need for cooperative action on a number of problems that transcend country borders and defy the ability of states to solve them independently. The recognition of the HIV/

AIDS pandemic, its link to the plague of drug abuse and drug trafficking, and the concomitant links to international terrorism and organized crime all urgently required the attention of the world organization.

It was in the final years of Pérez de Cuéllar's tenure that the stage was set for what he called a new evolution in global society, in which humankind would make international covenants, not only between individuals and nations, but also between human-kind and the environment: the 1987 Montreal Protocol on Substances that Deplete the Ozone Layer came into force in 1989; the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal was adopted in March 1989; the Second World Climate Conference was held in late 1990; and in February 1991, the first negotiations by the International Negotiating Committee on a framework convention on climate change began. Those negotiations would lead to the historic UN Conference on Environment and Development (UNCED), held in Rio de Janeiro in 1992 and dubbed the "Earth Summit." It was during the final years of the 1980s that an entirely new concept for the UN's work was developed: sustainable development.

## DEVELOPMENTS UNDER BOUTROS BOUTROS-GHALI 1992-1996

Secretary-General Boutros Boutros-Ghali took office in an air of general euphoria over the accomplishments of the United Nations in the post-Cold War era. However, his first two years in office witnessed the proliferation of intractable and appalling regional conflicts in Haiti, Somalia, the former Yugoslavia and Rwanda, among others. The multiplicity and savagery of these conflicts cast a pall on the much hoped-for "new world order" which the end of the Cold War had inspired.

Soon after Boutros-Ghali's inauguration, in January 1992, the Security Council met in its first-ever summit session, at which the heads of states of all the members of the council convened in New York, in person. On 31 January 1992, they requested that the secretary-general submit to the Security Council "an analysis and recommendations on ways of strengthening and making more efficient within the framework and provisions of the Charter the capacity of the United Nations for preventive diplomacy, for peacemaking and for peacekeeping." Boutros-Ghali's *An Agenda for Peace* set forth an analysis of the world organization's new situation at a time of global transition with respect to international peace and security. This document is more fully explained in the chapter on International Peace and Security.

In May 1994, Boutros-Ghali responded to a 1992 request of the General Assembly to submit a similar report on development under the agenda item "Development and International Economic Cooperation." He declared that development was not only a fundamental human right, but also the most secure basis for peace. Although the UN had accomplished remarkable achievements in many areas, it was undeniable that after decades of efforts to assist the developing world, the poorest nations were falling even further behind, strangled by debt and social upheaval. Boutros-Ghali said that, although concerns had been expressed that the United Nations put greater emphasis on peacekeeping than development, the numbers of staff and the regular budgetary allocations did not support this fear. He posited that development could not proceed without a fundamental basis in peace, and went on to describe

the ideal evolution of a peacekeeping/humanitarian aid operation into a situation of sustainable development.

Boutros-Ghali further maintained that protection of the environment was another fundamental concept for development. "In the developing world, ecological pressure threatens to undermine long-term development. Among many countries in transition, decades of disregard for the environment have left large areas poisoned and unable to sustain economic activity in the long term. Among the wealthiest nations, consumption patterns are depleting world resources in ways that jeopardize the future of world development," observed Boutros-Ghali. The concept of "sustainable development," as elaborated by UNCED in 1992, had to be strengthened as a guiding principle of development. Social justice and democracy were posited as the other pillars of a successfully developing country.

### Haiti

Elected in UN-supervised elections in December 1990 and deposed by a military coup in September 1991, Haiti's President Jean-Bertrand Aristide turned to the United Nations and the Organization of American States for assistance. In its Resolution 46/7 (September 1991), the General Assembly strongly condemned the "attempted illegal replacement of the Constitutional President of Haiti" and demanded that President Aristide be restored to power. It requested that the secretary-general cooperate with the Organization of American States (OAS) to restore the legally elected government in Haiti. A trade embargo and a halt to bilateral assistance were imposed on the illegal government, but there was little progress in negotiations. In December 1992, the secretary-general appointed Dante Caputo as Special Envoy for Haiti. The OAS also endorsed Caputo in January 1993. In its Resolution 47/20B (20 April 1993), the General Assembly mandated a joint UN/OAS International Civilian Mission to Haiti (known by its French acronym, MICIVIH) to be deployed throughout Haiti to report on the human rights situation there. On 16 June 1993, the Security Council imposed sanctions on Haiti. In July, talks were held on Governors Island, New York, and an agreement reached on specific measures relating to the return of President Aristide. In August 1993, the Security Council passed a resolution (862/1993) approving the dispatch of an advance team to prepare the way for the UN Mission in Haiti (UNMIH) which would supervise the transition. On 25 August 1993, the Haitian parliament ratified President Aristide's appointment of Robert Malval as prime minister-delegate during the transition period, as provided by the Governors Island Agreement. The Security Council then suspended the sanctions against Haiti.

On 27 September, the Security Council approved the deployment of UNMIH. However, on 11 October, armed civilians (known as "attachés") prevented the mission from debarking upon its arrival in Haiti. The attachés were known to be terrorizing the population through assassinations, attacks on the offices of the prime minister, and a general strike against UNMIH. It was also reported that police had facilitated, and in some cases participated in, these actions.

It became apparent that the military government was reneging on its promises under the Governors Island Agreement. On 13 October 1993, the Security Council reimposed its oil and arms embargo. That same month, most of the personnel of MICIVIH

were evacuated, leaving a small administrative team to report on the alarming violence and violations of human rights being perpetuated, particularly against supporters of President Aristide.

In May 1994, the Security Council imposed expanded sanctions on Haiti, including a ban on commercial air travel. On 31 August 1994, the Security Council, in its resolution 940 (1994), authorized the use of a multinational force similar to the one used to repel Iraq from Kuwait. Specifically, the Security Council authorized UN members to: "form a multinational force under unified command and control and, in this framework, to use all necessary means to facilitate the departure from Haiti of the military leadership, consistent with the Governors Island Agreement, the prompt return of the legitimately elected President and the restoration of the legitimate authorities of the Government of Haiti, and to establish and maintain a secure and stable environment that will permit implementation of the Governors Island Agreement, on the understanding that the cost of implementing this temporary operation will be borne by the participating Member States." By the same resolution, the Security Council approved the eventual deployment of the 6,000-strong UNMIH force to assist with the restoration of democracy in Haiti.

The multinational force succeeded in landing in Haiti without significant bloodshed, pursuant to a last-minute negotiation headed by former United States President Jimmy Carter at the request of then President Bill Clinton. By October 1994 President Aristide was able to safely return to Haiti. On 16 November 1995 the Security Council commended UNMIH on the substantial progress it had made towards fulfilling its mandate as set out in Resolution 940 in 1994. After a phased reduction of the military and civilian police personnel, 4,000 military and 300 civilian police remained in the mission area by February 1996.

### Somalia

The downfall of Somalia's President Siad Barre in January 1991 resulted in a power struggle and clan warfare in many parts of Somalia. In November 1991, the fighting intensified causing widespread death and destruction, and forcing hundreds of thousands of civilians to flee their homes. Almost 4.5 million people in Somalia—over half the estimated population—were threatened by severe malnutrition. It was estimated that as many as 300,000 people had died since November and at least 1.5 million were at immediate risk. The United Nations had instituted humanitarian operations in Somalia, but due to the deteriorating situation, it had been obliged to withdraw its personnel from the country.

In early 1992, Under Secretary-General for Political Affairs, James O. C. Jonah led a team to Somalia for talks aimed at bringing about a cessation of hostilities and securing access by the international relief community to civilians caught in the conflict. During that visit, unanimous support was expressed by all faction leaders for a United Nations role in bringing about national reconciliation. On 23 January 1992, the Security Council (Resolution 733/1992) urged all parties to cease hostilities, called for an embargo on military equipment, and requested the secretary-general to contact all parties involved in the conflict. In February, the secretary-general obtained the agreement of the two main factions in Mogadishu to an immediate cease-fire and on 3 March 1992, Interim President Ali Mahdi and General Mohamed Farah Aidid signed an "Agreement on the Implementation of a Cease-fire." The

agreement also included acceptance of a United Nations security component for convoys of humanitarian assistance and deployment of 20 military observers on each side of Mogadishu to monitor the cease-fire.

On 24 April 1992, the Security Council adopted resolution 751 (1992) and established a UN Operation in Somalia (UNOSOM). The total strength of UNOSOM was eventually established at 4,219 troops to protect the representatives of the six main UN organizations at work in Somalia coordinating humanitarian efforts (FAO, UNDP, UNICEF, UNHCR, WFP and WHO). In addition, more than 30 non-governmental organizations were working in Somalia as “implementing partners” of the UN. However, in October the security situation deteriorated, as some factions refused to agree to the deployment of UN troops to assure delivery of humanitarian aid to people in great need. According to some estimates, as many as 3,000 persons a day were dying of starvation, while warehouses remained stocked with food supplied by the humanitarian agencies. On 3 December 1992, the Security Council unanimously adopted Resolution 794 (1992) authorizing the use of “all necessary means to establish as soon as possible a secure environment for humanitarian relief operations in Somalia.” A Unified Task Force (UNITAF), led by United States troops, was deployed in Mogadishu on 9 December 1992.

On 3 March 1993, the secretary-general recommended the Security Council establish a new force, UNOSOM II, to take over from UNITAF, which had deployed approximately 37,000 troops in southern and central Somalia. The secretary-general appointed Admiral Jonathan T. Howe (Ret.) of the United States as his new Special Representative for Somalia to oversee the transition from UNITAF to UNOSOM II. A Conference on National Reconciliation in Somalia was convened on 15 March 1993 in Addis Ababa, Ethiopia. It was attended by the leaders of 15 Somali political movements and representatives of regional organizations. After two weeks of intensive negotiations, the 15 Somali leaders signed an Agreement for disarmament and security, rehabilitation and reconstruction, restoration of property and settlement of disputes, and transitional mechanisms.

UNOSOM II took over from UNITAF on 4 May 1993, and proceeded to fulfill its mandate to disarm the Somali factions who were terrorizing the people and obstructing humanitarian activities. This provoked the hostility of a few clan leaders. On 5 June, 25 Pakistani soldiers were killed, 10 were missing and 54 were wounded in a series of ambushes and armed attacks against UNOSOM II troops throughout Mogadishu. The Security Council reaffirmed that the secretary-general was authorized to take all necessary measures against those responsible for armed attacks, and on 12 June 1993, UNOSOM II initiated decisive military action in south Mogadishu.

On 3 October 1993, United States Rangers, deployed in support of UNOSOM II, but not under UN command, launched an operation in south Mogadishu aimed at capturing a number of key aides of General Aidid who were suspected of complicity in the 5 June attack, as well as subsequent attacks on UN personnel and facilities. Two US helicopters were shot down by Somali militiamen using automatic weapons and rocket-propelled grenades. While evacuating the detainees, the Rangers came under concentrated fire, and 18 US soldiers were killed and 75 wounded. The bodies of the US soldiers were subjected to humiliating treatment. Follow-

ing these events, the United States both reinforced its Quick Reaction Force in Somalia and announced its intention to withdraw its forces from Somalia by 31 March 1994.

On 9 October 1993, General Aidid’s faction declared a unilateral cessation of hostilities against UNOSOM II, but the situation remained tense. It was reported that the major factions were rearming in anticipation of renewed fighting. UNOSOM II’s mandate to force the factions to disarm was unenforceable.

The leaders of the two main Somali factions signed a Declaration of National Reconciliation on 24 March, committing themselves to repudiate any form of violence. A National Reconciliation Conference was scheduled for 15 May 1994; however, this conference was postponed. By March 1995, UNOSOM II withdrew from Somalia. In August 1995 a wide range of

Somali factions held consultations at Nairobi, Kenya and agreed to work out a common political platform and to start a process of national reconciliation. General Aidid rejected the calls for national reconciliation, and intense fighting broke out against the militia of Ali Mahdi. Aidid’s forces occupied Baidoa and Hoddur, and a stalemate between faction leaders continued into 1996.

### The Former Yugoslavia

In June 1991, the Republics of Croatia and Slovenia declared themselves independent from Yugoslavia. Fighting broke out when Serbs living in Croatia, supported by the Yugoslavian Army, opposed this move. European Community efforts to end hostilities were unsuccessful. On 25 September 1992, the United Nations Security Council unanimously adopted resolution 713 (1991) calling on all states to implement an arms embargo to Yugoslavia. Then Secretary-General Pérez de Cuéllar appointed former US Secretary of State Cyrus Vance as his personal envoy for Yugoslavia. Vance undertook several missions to Yugoslavia and discussed with the parties the feasibility of deploying a UN peacekeeping operation. An unconditional cease-fire was signed on 2 January 1992, and the Security Council approved the dispatch of a group of 50 military liaison officers to Yugoslavia to use their good offices to promote maintenance of the cease-fire. However, some political groups in Yugoslavia objected to the UN plan for a peacekeeping mission. Nevertheless, on 21 February 1992, the Security Council established the United Nations Protection Force (UNPROFOR) as an interim arrangement to create conditions of peace and security required for the negotiation of an overall settlement of the Yugoslav crisis.

On 30 April 1992, the secretary-general deployed 40 military observers to the Mostar region of Bosnia and Herzegovina in response to the deteriorating security situation there. However, fighting between Bosnian Muslims and Croats on one side, and Bosnian Serbs on the other, intensified. UNPROFOR, which had established its headquarters in Sarajevo, the capital, was obliged to relocate to Zagreb, the capital of Croatia.

A situation tragically similar to that in Somalia quickly developed. UN humanitarian convoys could not reach civilians trapped in the conflict. The Security Council, in its resolution 770 (1992) once again invoked Chapter VII of the Charter and called on states to “take nationally or through regional agencies or arrangements all measures necessary” to facilitate the delivery of humanitarian assistance to Sarajevo and other parts of Bosnia and Herzegovina. The situation continued to deteriorate and the Security

Council declared a “no-fly zone” to prevent the bombing of Sarajevo and other villages. On 13 March 1993 three unidentified aircraft dropped bombs on two villages, the first time that the “no-fly zone” had been violated since its declaration. On 31 March the Security Council extended its ban on flights, and authorized NATO to enforce the no-fly zone. Between the establishment of the no-fly zone and April 1994, 1,620 violations of the ban on flights over Bosnian airspace were registered. On 28 February 1994, NATO fighters in the airspace of Bosnia and Herzegovina shot down four of six jets which had defied the international ban on military flights and ignored two warnings.

On 27 April 1994, the Security Council increased the strength of UNPROFOR to 33,891. Negotiations for a resolution of the crisis in the former Yugoslavia continued in July 1994.

#### **The General Framework Agreement for Peace in Bosnia and Herzegovina (The Dayton Agreement)**

Following a mortar attack on Sarajevo’s Makale commercial district on 28 August 1995, the North Atlantic Treaty Organization (NATO) conducted air strikes against Bosnian Serb positions near Sarajevo. The air strikes were authorized by the United Nations Peace Forces, and deterred any further attacks on safe areas. By October 1995, a country-wide cease-fire was in place, arranged by a delegation from the United States. The cease-fire included civilian provisions, such as humane treatment of detained persons, freedom of movement, and the right of displaced persons to return to their homes.

On 21 November 1995, a series of agreements to restore peace in Bosnia and Herzegovina concluded in Dayton, Ohio. The General Framework Agreement for Peace in Bosnia and Herzegovina (known as the Dayton Agreement) was initiated by the governments of the Republic of Bosnia and Herzegovina, the Republic of Croatia, and the Federal Republic of Yugoslavia. During the talks, several non-NATO countries, such as the Russian Federation, agreed to participate in the implementation of the Bosnian peace plan. The United Nations was not officially represented during the talks.

The economic sanctions against the Federal Republic of Yugoslavia and the Bosnian Serb party were suspended following the signing of the Dayton Agreement. In his 1996 annual report, Secretary-General Boutros Boutros-Ghali indicated that “the value of sanctions as a means of conflict resolution was amply demonstrated in the former Yugoslavia, where the conclusion of peace accords has been facilitated by the effective implementation of a sanctions regime.”

After the signing of the Dayton Agreement, it seemed possible to solve the problem of repatriation for the estimated two million Bosnian refugees and displaced persons. The UN High Commissioner for Refugees (UNHCR) was designated as the agency in charge of planning and carrying out the repatriation of the Bosnians who wanted to return. However, by June 1996, only 70,000-80,000 refugees and internally displaced persons had returned to their homes.

#### **Cambodia**

The UN Transitional Authority in Cambodia (UNTAC) successfully undertook its mission to conduct elections and repatriate more than 360,000 refugees. Its 21,000 military, police, and civilian personnel were fully deployed by mid-1992. Elections were

held in May 1993, and 96% of the eligible population, nearly 4.7 million people, registered to vote. Despite concerns about disruption by the National Army of Democratic Kampuchea, which had withdrawn from the process, a six-week election campaign in which 20 political parties took part was successfully held. On 10 June, the secretary-general’s special representative declared his view that the elections had been free and fair. The newly elected Constituent Assembly held its inaugural meeting on 4 June 1993 to begin its task of drafting and adopting a new constitution. The four Cambodian political parties that won seats in the election agreed to join in an interim administration for the remainder of the transitional period. UNTAC’s mandate terminated in November 1993. A small Military Liaison Team remained in the country for six months as observers. The liaison team’s mandate expired on 15 May 1994, and they were replaced by three military officers assisting the secretary-general’s special representative in Cambodia.

#### **DEVELOPMENTS UNDER KOFI ANNAN, 1997-**

Secretary-General Kofi Annan came to power at a time of differences between the UN and the US government concerning financial matters. At the end of 1996, the United States was US\$376.8 million in arrears, but the government was reluctant to pay the debt because of the belief that the UN had not been thrifty with its budget. The United States held the position that the UN should be reduced in size, but Annan took a strong stand against further budget and staff cuts. Nevertheless, Annan took action to reform the UN. In 1998, the organization announced it stood “poised, finally, to undertake sweeping structural change.” The then 185 member states gave strong backing to a plan to overhaul the organization, making it more efficient and responsive to the world scene in the post-cold war era. The secretary-general was credited with mobilizing the General Assembly behind the “ambitious program” while member states were lauded for not allowing individual concerns to “override their common recognition that strategic changes were essential to ensure the relevance and vibrancy of the organization in meeting current global challenges.” Reforms included consolidation of some offices and revisions to the charter to allow for further streamlining.

The Annan-led reform efforts helped strengthen relations between the UN and its headquarters host country, the United States, which by the time the reorganization was announced was more than US\$1 billion in arrears to the international body. President Clinton praised the reform and issued strong statements of support for the new secretary-general. Further, the US president promised to work out a plan with Congress to pay the nation’s debt to the UN. Faced with losing its vote and influence in the organization (at the end of 1999), the United States later made good on the promise, which, combined with initiatives to ensure zero-growth budgets, relieved the international body’s long-standing financial crisis.

However, relations between the United States and the UN were strained over US military action (including the Clinton administration’s attacks on suspected terrorist bases in Afghanistan in August 1998, and US-British bombings of Iraqi targets in May 2000) and inaction: Faced with wars on several fronts in Africa, in mid-May 2000, Kofi Annan said that the UN peacekeeping efforts needed the kind of military help that the United States was un-

willing to provide. The United States had offered only to transport troops from other countries to confront the crisis in Sierra Leone, where hundreds of UN peacekeepers were being held hostage.

Indeed, Sierra Leone was one of four peacekeeping missions added in 1999 alone. The others were in Kosovo, East Timor, and the Democratic Republic of the Congo (formerly Zaire). In a press statement about the emerging situation in Africa, Annan called for a “new style of peacekeeping force for a different age.” The secretary-general described it as one needing “rapid-reaction contingents” who would be on-call from countries with well-trained and well-equipped troops, ready to move fast to pave the way for peacekeeping forces. He also cited the need for better intelligence and more intelligence sharing, admitting the UN was “completely sleeping on the issue of intelligence.” While world health, the environment, the status of women, and nuclear nonproliferation were the emphasis of the UN’s program at the turn of the 21st century, the peacekeeping initiatives continued to take center stage—posing formidable hurdles for the UN leadership.

*The Global Compact.* In an address to the World Economic Forum on 31 January 1999, Kofi Annan proposed an international initiative called the “Global Compact,” that would bring companies together with UN agencies, labor, non-governmental organizations and other actors to pursue good corporate citizenship or responsibility. The focus of the initiative is to allow companies to develop and promote “values-based management,” rooted in internationally accepted principles. The Global Compact was launched at a meeting in New York on 26 July 2000, which brought together senior executives from about 50 major corporations and the leaders of labor, human rights, environment, and development organizations. Hundreds of companies and organizations have participated in the initiative, and the private-sector participants represent virtually all industry sectors on every continent. The Global Compact is supported by four UN agencies: the United Nations Environment Programme (UNEP); the Office of the High Commissioner for Human Rights (OHCHR); the International Labour Organization (ILO); and the United Nations Development Programme (UNDP).

*Millennium Declaration.* In September 2000, at the UN Millennium Summit, world leaders, led by the secretary-general, agreed to set a timetable for achieving eight major goals by 2015. The first is to eradicate extreme poverty and hunger, by reducing by half the proportion of people living on less than one dollar a day, and by reducing by half the proportion of people who suffer from hunger. The second goal is to ensure that all boys and girls complete a full course of primary education. The third goal is to promote gender equality and empower women, by eliminating gender disparity in primary and secondary education. The fourth goal is to reduce the child mortality rate by 2/3 for children under five. The fifth goal is to reduce by 3/4 the maternal mortality ratio. The sixth goal is to stop and reduce the spread of HIV/AIDS, and to stop and reverse the incidence of malaria and other major diseases. The seventh goal is to ensure the sustainability of the environment, by reducing the loss of environmental resources, by reducing by half the proportion of people without sustainable access to safe drinking water, and to achieve significant improvement in the lives of at least 100 million slum dwellers, by 2020. The eighth and final goal is to develop a global partnership for development, by first developing a rule-based and non-discriminatory open trading and financial

system; by addressing the least developed countries’ special needs, including tariff- and quota-free access for their exports, enhanced debt-relief for heavily indebted poor countries, the cancellation of bilateral debt, and more generous assistance for countries committed to poverty reduction; by addressing the special needs of landlocked and small island developing states; by developing decent and productive work for youth; by providing access to affordable essential drugs in developing countries, in cooperation with pharmaceutical companies; and by making available, with the cooperation of the private sector, the benefits of new technologies, especially information and communications technologies. Kofi Annan’s report on the project was entitled “We the Peoples: The Role of the United Nations in the 21st Century.”

In 2005, the Secretary-General issued a report to be presented at the 60th session of the General Assembly, called “In Larger Freedom: Towards Development, Security, and Human Rights for All.” World leaders came together to review progress made on the Millennium Development Goals since 2000. “In Larger Freedom” focused on the following issues: 1) Freedom from want, which includes strategies for reducing extreme poverty; financing for development; focusing on the Doha round of trade negotiations, by which member states are to provide duty-free and quota-free access for all exports from Least Developed Countries; and debt relief. 2) Freedom from fear, which includes preventing catastrophic terrorism; progress on disarmament and non-proliferation, including biological, chemical, and nuclear weapons; reducing the prevalence and risk of war; and arriving at principles to be used in deciding the use of force. 3) Freedom to live in dignity, including respect for the rule of law; strengthening the office of the High Commissioner for Human Rights; and creating a Democracy Fund to provide assistance to countries seeking to establish or strengthen democracy. 4) Strengthening the United Nations, including the General Assembly, the Security Council, the Economic and Social Council, the Secretariat, and a proposed Human Rights Council.

With regard to section three (Freedom to Live in Dignity) of “In Larger Freedom,” under the rule of law, the Secretary-General introduced a concept called the “responsibility to protect” as a basis for collective action against genocide, ethnic cleansing and crimes against humanity. The doctrine of the “responsibility to protect” is in fact a restatement of international law: the world community has the right to take military action in the case of national authorities manifestly failing to protect their populations from genocide, war crimes, ethnic cleansing, and crimes against humanity. It is a recognition that states do not have the right to do whatever they wish within their own borders. Therefore, the hitherto inviolable principle of absolute national sovereignty becomes compromised by the doctrine of humanitarian intervention.

In addition to the “responsibility to protect” doctrine, other efforts toward UN reform arrived at during the 2005 world summit included the creation of a Peacebuilding Commission to supervise the reconstruction of countries after wars; the replacement of the discredited UN Commission on Human Rights by a more forceful Human Rights Council; and reform of the Security Council. Reform of the Security Council hinged on calls to enlarge its membership. Three different proposals were floated over the summer prior to the September 2005 summit. One from the African Union would have added 11 seats to the 15-member Council—six perma-

ment ones, including two for Africa with veto power, and five rotating ones. A second measure, from a group of mid-tier countries including Italy and Pakistan, called for a 25-member Council with 10 new rotating seats. The most heavily-promoted plan came from the so-called “Group of Four”—Brazil, Germany, India, and Japan. This plan posited a 25-member Council with three new members that would have two-year rotating terms and six permanent seats for the four sponsors, along with two unnamed African states. Enlargement of the Security Council did not take place as expected, however, due to later surfacing of national rivalries, regional divisions, and great power objections to reform.

*Nobel Peace Prize.* On 10 December 2001, the secretary-general and the United Nations received the Nobel Peace Prize. In conferring the Prize, the Nobel Committee said Mr. Annan “had been pre-eminent in bringing new life to the Organization.” The Committee noted the secretary-general’s attention to peace and security, and his regard for human rights. It also praised his work in combating HIV/AIDS and international terrorism, and his efficient handling of the UN’s modest resources. The Committee also stated that Mr. Annan “has made clear that sovereignty can not be a shield behind which member states conceal their violations.”

#### Peace and Security

*Nigeria.* The secretary-general was supportive of Nigeria’s peaceful transition from military rule under General Sani Abacha to a democratic government in 1999. President Olusegun Obasanjo was elected president of Nigeria in February 1999 as the first civilian leader in 15 years.

*East Timor.* On 25 October 1999, the UN established UNTAET, the United Nations Transitional Administration in East Timor, following an independence referendum voted upon by the people of East Timor. Ninety-eight percent of East Timorese voted for independence. UNTAET was established to administer the territory, to exercise legislative and executive authority during the period of transition to independence and to support the move to self-government. Violence led by militias in favor of integration with Indonesia, with the support of Indonesian security forces, had erupted in East Timor following the independence vote; many East Timorese were killed, and as many as 500,000 were displaced from their homes. The secretary-general and the Security Council undertook strong diplomatic efforts to halt the violence. A large-scale humanitarian relief effort was launched by UN agencies. With Security Council Resolution 1272, UNTAET was established as a peacekeeping operation to administer the territory in its transition to independence. When East Timor became an independent state on 20 May 2002, UNTAET’s mandate expired, and a successor mission, known as the United Nations Mission of Support in East Timor (UNMISSET), was installed to support East Timorese authorities in the post-independence era, while undertaking the gradual withdrawal of UN forces.

*Middle East.* On 24 May 2000, Israel withdrew its forces from Lebanon and redeployed them south of the international border, or the “blue line” designated by the UN as separating the two countries. This line was fixed in 1923 by colonial France and Great Britain, and is the one UN cartographers have drawn as the border. The secretary-general issued a report on 16 June concluding that Israel had fulfilled its obligations under Security Council Resolution 425 regarding withdrawal. The border was controlled by

Hezbollah guerrillas, however, who did not surrender their arms. According to Resolution 425, the U.N. would take action to fill the vacuum created following the withdrawal of Israeli forces, and deploy appropriate armed forces to restore effective authority in the area. UNIFIL forces (United Nations Interim Force in Lebanon), in place since 1978, were reconfigured periodically, and the UNIFIL mandate has been extended every six months.

After Israel’s withdrawal from Lebanon, Israeli Prime Minister Ehud Barak and PLO leader Yasser Arafat met in July 2000 at the U.S. presidential retreat at Camp David, Maryland, with the guidance of President Bill Clinton, to discuss peace. For two weeks the leaders attempted to come up with acceptable solutions to questions such as the status of Jerusalem, the right of return of Palestinian refugees, security, Israeli settlements in the occupied territories, and borders. No agreement was reached, and the talks failed. On 28 September, Ariel Sharon, leader of the Likud Party, toured the al-Aqsa/Temple Mount complex in Jerusalem, one of the holiest sites to both Jews and Muslims. Sharon’s critics saw it as a highly provocative move. Palestinian demonstrations followed, and developed into what became known as the al-Aqsa intifada.

The conflict escalated over the course of 2001, with an increasing number of Palestinian suicide bombings directed at Israeli civilians, and harsh reprisals by Israel. In the early months of 2002, the situation came to a head. Israel reoccupied major parts of the West Bank held by the Palestinian Authority, surrounded Yasser Arafat’s compound in Gaza, and eventually attacked it. In March 2002, Secretary-General Kofi Annan criticized Israel for its actions, and sent a letter to Ariel Sharon (who had become Israeli Prime Minister in February 2001), stating that Israeli forces had been waging what appeared to be an all-out conventional war on Palestinian civilians. “Judging by the means and methods employed by the [Israeli Defense Forces]-F-16 fighter bombers, helicopter and naval gunships, missiles and bombs of heavy tonnage—the fighting has come to resemble all out conventional warfare,” Annan wrote Sharon. “Israel is fully entitled to defend itself against terror,” Annan wrote. “But this right does not discharge it of its obligation to respect the fundamental principles and rules of international humanitarian law and the law of armed conflict with respect to the treatment and protection of civilians in occupied territories.”

In June 2002, US President George Bush called for the creation of an independent Palestinian state living side by side with Israel. This call formed the basis for what became known as the “Road Map”, a peace plan proposed by the so-called “Quartet”: the UN, the EU, the United States, and Russia. In exchange for statehood, under the road map the Palestinians would renounce terrorism and make democratic reforms. For its part, Israel would accept the emergence of a Palestinian government, and end settlement activity in the West Bank and Gaza as the terrorist threat dissipated. On 1 July 2003, Sharon and Palestinian Prime Minister Mahmoud Abbas held a ceremonial opening to peace talks. As a symbolic end of a long era, Yasser Arafat died on 11 November 2004. In February 2005, the leaders of Israel, the Palestinian Authority, Jordan, and Egypt pledged their continuing support for the road map. In a move widely endorsed around the world, in August 2005, Sharon’s planned withdrawal of Israeli settlements from the Gaza Strip began, and the process was completed by September 2005. Sharon suffered a massive stroke in January 2006, and was

declared “permanently incapacitated” in April 2006 by the Israeli cabinet, which formally ended Sharon’s term as prime minister.

Following a Hamas victory in the January 2006 Palestinian elections, the Quartet announced that future aid to the Palestinians would be tied to three principles: that Hamas renounce violence, that it recognize Israel’s right to exist, and that it express clear support for the Middle East peace process, as outlined in the 1993 Oslo Accords. Hamas leaders rejected these demands as unfair.

*Iraq.* Since the expulsion of UN weapons inspectors (the UN Monitoring and Verification Mission or UNMOVIC) from Iraq in November 1998, the status of Iraq’s development programs, facilities for, and stocks of weapons of mass destruction (WMD) were unknown. Following the lead of the United States, which was determined to see Iraq either removed of its potential chemical, biological, and nuclear weapons programs, or to see a regime change in Iraq, the UN Security Council adopted Resolution 1441 on 8 November 2002, deciding Iraq was in material breach of its obligations under previous relevant Security Council resolutions concerning disarmament. Iraq was to comply with its disarmament obligations, and to set up an enhanced inspections regime to operate in the country, allowing unimpeded access to UNMOVIC and the International Atomic Energy Agency (IAEA) to its weapons facilities. Any interference by Iraq to comply with the weapons inspections, or false reports of stockpiles and programs that it might make, would cause the Security Council to convene immediately to “consider” the situation. Secretary-General Annan, in praising the unanimous resolution, stated: “I urge President Saddam Hussein to comply fully with the Council’s demands, for the sake of his people, regional security and world order.”

Efforts to diplomatically resolve the Iraq crisis ended in failure, and on 19 March 2003 the United States launched air strikes against Baghdad, beginning the Iraq War. Within three weeks Iraqi forces had been defeated, and President Bush declared “major combat operations” had been completed on 1 May 2003. However, on 19 August 2003 a truck bomb exploded outside the UN headquarters in Baghdad. The top UN envoy in Iraq, Brazilian Sergio Vieira de Mello, was killed during the explosion, along with more than 20 others. Kofi Annan said the UN would not be distracted by what he called a senseless and brutal act, but also expressed disappointment that the US-led military forces had failed to create a secure environment for the UN’s work. The fighting in Iraq escalated over the years with the rise of an Iraqi insurgency, and, later, intense sectarian violence. On 16 September 2004, Annan, speaking about the US-led invasion, said, “I have indicated it was not in conformity with the UN charter. From our point of view, from the charter point of view, it was illegal.”

The UN’s “oil-for-food” program, established in 1995 with Resolution 986, allowed Iraq to sell oil to finance the purchase of humanitarian goods, in order to ease comprehensive sanctions imposed by the UN in 1990 (Resolution 661) following Iraq’s invasion of Kuwait. The \$64 billion “oil-for-food” program was in operation from 1996 to 2003, when it was phased out after war intervened and oil exports under the program ended. It was the largest, most complex, and most ambitious humanitarian relief effort in the history of the UN. But the program was manipulated by Saddam Hussein, and it generated illicit profits, causing it to become the subject of intense criticism. In April 2004, an independent inquiry committee, led by Paul A. Volcker, former chairman

of the US Federal Reserve, was charged by the Secretary-General and the Security Council with the task of thoroughly reviewing the management of the program. The investigation concluded in September 2005 that Annan failed to curb corruption and mismanagement at the UN, but it did not find evidence to support charges that he improperly influenced the oil-for-food program. The committee found that Annan failed to look more thoroughly into the activities of his son, Kojo Annan, to see if his working for a company that received an oil-for-food contract posed a conflict of interest for his father. It also found that the amount of Hussein’s profits from kickbacks and surcharges connected to the program amounted to \$1.8 billion, while smuggling amounted to \$10.99 billion. The general conclusion of the 847-page report was that the UN is inefficient, over-politicized, corrupt, and in need of immediate repair. The day after the report was issued, Kofi Annan took personal responsibility for the management failures indicated in the report, and urged adoption of fundamental changes in the way the UN is administered.

*Darfur.* Beginning in February 2003, a conflict in the western Darfur region of the Sudan erupted. After the 2002 ceasefire agreement between the Sudan People’s Liberation Movement (SPLM) and the Sudanese government to bring an end to the 19-year old civil war between North and South, non-Arab rebels in Darfur claimed the government in Khartoum was neglecting the region. An Arab “Janjaweed” militia, recruited from local tribes and armed by the Sudanese government, combated non-Arab groups and committed systematic killings and rapes of African villagers in the region: hundreds of thousands of refugees fled to neighboring Chad. In September 2004, US Secretary of State Colin Powell described the killings as genocide. The UN described the conflict as one of the world’s worst humanitarian crises, but stopped short of calling it genocide. By 2005, some 2 million people were living in refugee camps, and at least 180,000 people were estimated to have died as a result of the conflict.

*Terrorism.* In the wake of the terrorist attacks carried out by Osama bin Laden and his al-Qaeda network on the United States on 11 September 2001, the UN Security Council established a Counter Terrorism Committee (CTC) pursuant to its Resolution adopted 28 September concerning counter-terrorism. Resolution 1373 called upon states to prevent and suppress the financing of terrorist acts; to refrain from providing any support to entities or persons involved in terrorist acts; to deny safe haven to those who finance, plan, support, or commit terrorist acts; to bring those individuals or entities to justice; and to exchange information on the actions or movements of terrorists or terrorist networks. Subsequent Security Council resolutions were adopted regarding threats to international peace and security caused by terrorist acts. In November 2002, in speaking with President George Bush, the secretary-general stated: “[E]very region and people of every faith have also been victims of terrorists. This is a scourge that affects all of us, regardless of region or religion. And we need to stand together to defeat terrorism. And this is where the work of the United Nations and effective implementation of this Resolution 1373 is absolutely crucial. We need to work to deprive terrorists of the opportunities by not giving them haven, by not giving them financial and logistical support. And I think the counterterrorism committee of the Security Council is doing a good job in trying to make sure we all work together on it.”



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# INTERNATIONAL PEACE AND SECURITY

The first purpose of the UN, as stated in Article 1 of its charter, is the maintenance of international peace and security. To this end, the organization is required “to take effective collective measures for the prevention and removal of threats to the peace, and for the suppression of acts of aggression or other breaches of the peace, and to bring about by peaceful means ... adjustment or settlement of international disputes or situations which might lead to a breach of the peace.” The UN has undertaken this heavy responsibility with varying levels of success over the years. However, in the nuclear era, international security in the absence of an organization like the United Nations is unimaginable. As of 31 March 2006, 2,247 UN peacekeepers had died in the service of international peace and security since 1945. In recognition of their invaluable contribution to world peace, the United Nations peacekeeping forces were awarded the Nobel Peace Prize in 1988.

## BASIC CHARTER PROVISIONS

The basic provisions of the charter defining the functions of the Security Council and the General Assembly are summarized here, but fuller accounts will be found in the chapters on those bodies, which complement the present chapter.

1. *Relative Powers of the Security Council and the General Assembly.* Under Article 24 of the charter, the Security Council has “primary responsibility” in questions of peace and security. It is invested with special powers enabling it to decide, on behalf of the entire UN membership, to take collective action when peace is threatened (Articles 39–42) and is empowered to negotiate agreements with individual members of the UN for the provision of armed forces necessary to maintain international security and to determine how many members shall participate in any collective action undertaken (Articles 43–48).

The General Assembly, on the other hand, is empowered only to consider and make recommendations, either to the Security Council or to particular states, on matters pertaining to peace and security. Moreover, under Articles 11 and 12, it may discuss but may not make actual recommendations on any special dispute between nations that is currently under consideration by the Security Council. However, though the Assembly is not expressly empowered to take action, neither is it expressly prohibited from doing so. In the only charter provision touching on the subject, paragraph 2 of Article 11—which is the focus of conflicting interpretation in the long-standing constitutional controversy on the financing of certain General Assembly-sponsored peacekeeping operations—the actual wording is as follows: “Any such question [of international peace and security] on which action is necessary shall be referred to the Security Council by the General Assembly either before or after discussion.”

2. *Bringing a Dispute or Serious Situation Before the UN.* Although the charter firmly establishes the primacy of the Security Council over the General Assembly in matters of peace and secu-

urity, it does not stipulate that disputes or serious situations must be discussed in the Security Council before they are discussed by the General Assembly. A dispute may be brought before the UN in a variety of ways specified in the charter without order of preference. One or more of the disputing parties may bring the matter before the Security Council voluntarily, or the council itself may choose to exercise its constitutional right to investigate a dispute at its own discretion; or any UN member, whether or not it is involved in the dispute, may propose the matter for discussion by the General Assembly; or a non-UN member that is a party to the dispute may—under certain conditions—bring it to the attention of the General Assembly; or the Security Council may ask the General Assembly to discuss the matter.

Despite these liberal provisions, the charter does not stipulate that all political disputes between states should be brought before the UN. Article 33, for example, enjoins UN members “first of all” to seek a solution to their differences on their own initiative (though if they fail to take this initiative, the Security Council is empowered to call upon them to do so). Only after their efforts to achieve a peaceful settlement have proved fruitless are the disputing parties obliged by the charter to refer the matter to the Security Council. Again, the UN was never intended by its founders to be regarded as the sole international agency for dealing with political disputes. Thus, Article 52 states that nothing in the charter “precludes the existence of regional arrangements or agencies for dealing with such matters relating to the maintenance of international peace and security as are appropriate for regional action” and that members participating in such regional arrangements or agencies “shall make every effort to achieve pacific settlement of local disputes through such regional arrangements or by such regional agencies before referring them to the Security Council.”

## POLITICAL BACKGROUND TO THE UN’S PEACEKEEPING ACTION

The UN’s efforts to preserve international peace and security are the most contentious aspect of its entire work, because of the inherently political nature of its role and the fact that both the Security Council and the General Assembly are essentially political bodies, not courts of law that apportion blame and impartially hand down judgments drawn from a set of established legal codes. Their task in disputes brought before them is to find a compromise solution that is at once satisfactory to all parties, based on the political realities of the world situation and consistent with the principles of the charter. In this way, each local dispute brought before the UN automatically becomes a dispute involving the entire membership, as nations express differing views on the appropriate action to be taken by consensus of the membership.

The involvement of the general membership in all disputes is precisely what the founders of the UN intended—as a means of ensuring collective international responsibility for political solu-

tions that are both just and realistic. However, in order to provide a counterweight to the unavoidable taking of sides, they established the principle of unanimity among the great powers by bestowing the right of veto on the permanent members of the Security Council. The workability of this principle in practice presupposed a basic measure of cooperation among the great powers. As events turned out, however, unanimity among the great powers proved to be a chimera. Within a year of the signing of the charter, the world was in the throes of the cold war, and the United States and USSR were engaged in a power struggle. The effects of this unexpected political development on the UN's work in maintaining international peace and security were immediate and devastating. Each dispute between the smaller nations that came before the UN was subsumed under the developing power struggle between the giants. As a result, between 1945 and 1990, the Security Council was deadlocked again and again by 279 vetoes. Furthermore, the charter requirements for agreement on the provision of armed forces for the UN could not be met.

Whereas the USSR looked to the Security Council and the veto as its power instrument in the UN, the United States looked to the support of the majority vote in the General Assembly. In order to circumvent the Soviet veto in the Security Council, and being at that time confident of majority support for most of its substantive policy objectives, the United States spearheaded a drive to turn the General Assembly into a body for action in periods of international crisis. This drive culminated in the adoption in 1950 of the Uniting for Peace Resolution, which empowered the General Assembly to undertake collective measures for maintaining or restoring peace when the Security Council found itself unable to act in times of emergency (for the terms of the resolution, see the chapter on the General Assembly). It was the United States, represented by Secretary of State Dean Acheson, that originated the proposal for the resolution. Although some of the small nations expressed reservations about certain clauses, most of them were eager to participate more fully in the UN's peace and security responsibilities. Only India and Argentina abstained in the vote, and only the Soviet bloc voted against the resolution, branding it as illegal and contrary to the charter.

The Uniting for Peace Resolution has been invoked in three major crises: the Korean War, the Suez crisis, and the Congo crisis (discussed under Case Histories below). In all three instances, the Security Council found itself deadlocked, and General Assembly action was deemed essential by the majority of members. Nevertheless, despite its proven usefulness as an instrument of restoring peace in these instances, the resolution seems unlikely to be invoked in future disputes. Certain countries questioned the legality of the resolution and of the General Assembly's action taken under it, and they felt justified on these grounds in refusing to contribute to the costs of the Suez and Congo peacekeeping operations.

At the end of the 1980s, the demise of the Soviet Union and the cold war dramatically changed this state of affairs. Within a few short years the entire Soviet bloc was dissolved and a new era of cooperation between the United States and the Russian Federation raised hopes that the Security Council would begin to fulfill the function foreseen for it by the organization's founders. However, the political vacuum created by the collapse of the East-West stalemate was followed by an eruption of intransigent, deadly regional conflicts and civil wars, particularly in Africa and Eastern

Europe. While 13 operations were established between 1948 and 1988, more than 40 new operations have been authorized since 1988. At its peak in 1995, total deployment of UN military and civilian personnel reached almost 70,000 from 77 countries. By the end of 1996, 16 peacekeeping operations were severely taxing the ability and political will of member states to respond with personnel and financial contributions. And in 2006, the number of current peacekeeping missions was holding steady at 15.

## TYPES OF ACTION TAKEN BY THE UN

The UN has two main responsibilities with respect to the political disputes that are brought before it by states: helping the parties concerned to arrive at a peaceful settlement of the issue that caused the dispute, and maintaining the peace if animosities threaten to erupt into violence or restoring the peace if hostilities have already broken out.

### An Agenda for Peace

In response to the profoundly altered global political situation, on 31 January 1992, the Security Council met in a historic summit session attended by 13 heads of state and two foreign ministers. At that session, the Security Council requested Secretary-General Boutros Boutros-Ghali to prepare an analysis and recommendations on ways to strengthen UN peacekeeping efforts. In June 1992 the Secretary-General submitted *An Agenda for Peace*. This important document challenged member states to adapt their world organization to the new international situation with more effective and rational peacekeeping procedures. The document began by defining four types of peace-related activities:

*Preventive Diplomacy.* Defined as action to prevent disputes from arising and to prevent existing disputes from escalating into conflicts. The Secretary-General listed a number of different actions that constituted preventive diplomacy: confidence building (exchange of military missions, opening channels for the exchange of information, and providing monitoring for regional arms reduction agreements), fact-finding missions, early warning from regional organizations with observer status at the United Nations, preventive deployment of a UN force before hostilities occur, and the establishment of demilitarized zones.

*Peacemaking.* Action to bring hostile parties to agreement through peaceful means like those outlined in Chapter VI of the UN Charter, namely: negotiation, enquiry, mediation, conciliation, arbitration, judicial settlement or appealing to regional organizations.

The Secretary-General suggested that the International Court of Justice remained an underused resource for peaceful settlement of international disputes. He recommended that member states that had not accepted the general jurisdiction of the International Court of Justice, do so before the end of the UN Decade of International Law in the year 2000. Another tool for peacemaking was the imposition of economic sanctions under Article 41 of the charter. The main difficulty with this tool was compensating member states that would find their own economies crippled by the imposition of sanctions on an offending state.

*Peacekeeping.* Defined as the deployment of a UN force to the field, usually with the consent of the parties to the conflict. Peacekeeping could involve military, police, and civilian personnel. The UN pioneered this new form of military deployment during the

early conflicts in the Middle East and the Congo. Peacekeeping troops serve at the request of all the parties to a conflict, for example, to monitor implementation of a cease-fire, or to prevent shipments of weapons across borders. They may also serve to monitor a demilitarized zone and provide a buffer between combatants. Peacekeeping forces, however, are only lightly armed and authorized to use force only in self-defense. By its very nature, peacekeeping implies an even-handed treatment of all the parties in a conflict.

*Peace Enforcement.* Although not officially defined as a separate concept in *An Agenda for Peace*, the Secretary-General did propose the creation, under Article 43 of the charter, of forces which could respond quickly and forcefully to imminent or out-right aggression. In fact, the UN had sometimes been called upon to send forces to restore a cease-fire. In the Secretary-General's proposal, these troops would be maintained and specially trained by the armed forces of member states. When called upon, they would be more heavily armed than peacekeeping forces and authorized to use deadly force to stop combatants. The Secretary-General proposed that these special units would be on call for quick response to the early stages of an international crisis. In the post-cold war era, peace enforcement had already found expression in the Security Council's authorization of a multinational force (sanctioned by the UN but not, however, under UN administration) led by the United States to suppress Iraq's 1991 invasion of Kuwait.

However, the concept of peace enforcement remains controversial, as some experts and member countries maintain that there is no basis in the UN charter for an organization dedicated to international peace to settle disputes with military force. Under the charter, member states are meant to settle their disputes by peaceful means.

On the other hand, Article 43 of the charter provides for member states to make military forces available to the Security Council. In fact, it was originally envisioned that the United States alone would provide twenty divisions (over 300,000 troops), a very large naval force, 1,250 bombers, and 2,250 fighters. These provisions were never implemented due to lack of consensus.

In 1993, former Undersecretary-General Brian Urquhart, who participated in the management of 15 peacekeeping operations during his 40-year tenure at the United Nations, proposed the creation of an elite UN-trained military force made up of international volunteers, not soldiers seconded from national forces. Urquhart suggested that such a volunteer force would give the Security Council the ability to back up preventive diplomacy with immediate peace enforcement. "Clearly, a timely intervention by a relatively small but highly trained force, willing and authorized to take combat risks and representing the will of the international community, could make a decisive difference in the early stages of a crisis," said Urquhart in the journal "Foreign Policy." Urquhart suggested that such a force might have been used effectively, for example, during the attempted deployment of the UN Mission in Haiti (UNMIH). When the United States naval ship carrying the first deployment of troops arrived at Port au Prince in October 1993, the ship was prevented from landing by a disorganized and violent demonstration of armed civilians at the port. By August 1994, the escalating crisis in Haiti had led the Security Council to authorize a multinational force, similar to that used in the Iraq-Kuwait crisis, to restore the democratically elected government of

Haiti. The escalation might have been prevented if UNMIH had been enabled to carry out its mandate.

*Peace Building.* Defined as "action to identify and support structures which will tend to strengthen and solidify peace in order to avoid a relapse into conflict."

The UN had already begun to develop the concept of "peace building" as early as 1990, when the UN Observer Group in Central America supervised Nicaraguan elections which were certified to be "free and fair" by the UN Observer Mission to Verify the Electoral Process in Nicaragua (ONUVEN).

Since then the demand for UN electoral assistance has grown enormously. Before 1992, the UN supervised elections in Haiti, Namibia, and Nicaragua. However, between January 1992 and June 1994, the United Nations received 56 requests for electoral assistance. The organization's Electoral Assistance Unit was established in 1992 and operates within the Department of Peace-keeping Operations. Following is a list of member states requesting and receiving assistance from 1989 to 1999: Albania, Algeria, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Benin, Brazil, Burundi, Burkina Faso, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Colombia, Comoros, Congo, Democratic Republic of the Congo, Côte D'Ivoire, Croatia, Djibouti, Dominican Republic, East Timor, El Salvador, Equatorial Guinea, Eritrea, Estonia, Ethiopia, Fiji, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hungary, Indonesia, Kenya, Kyrgyzstan, Latvia, Lesotho, Liberia, Macedonia, Madagascar, Malawi, Mali, Mexico, Moldova, Mozambique, Namibia, Nepal, Netherlands Antilles, Nicaragua, Niger, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, Romania, Russia, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Ukraine, Uzbekistan, Western Sahara, Yemen, and Zambia. The Electoral Assistance Unit is supported by the UN Trust Fund for Electoral Observation, which is a voluntary fund. Besides building peace by strengthening a country's democratic infrastructure, the Secretary-General also included the following activities under the concept of peace building: clearing land-mines so that agriculture and transportation may be resumed safely; disarming the warring parties; taking custody of and destroying weapons; repatriating refugees; training security personnel; educational and cultural exchanges; and joint projects to develop agriculture, improve transportation, or utilize shared natural resources.

### The Cost of Waging Peace

In *Renewing the United Nations System* (Dag Hammarskjöld Foundation, 1994), co-authors Brian Urquhart and Erskine Childers (former senior adviser to the UN Director General for Development and International Cooperation) cite the following figures: "By early 1993 the UN was deploying four times the number of troops, 70 times more police and over 100 times the number of civilian personnel as in 1987, at nearly 10 times the annual cost. As of 30 April 1994 the UN had contributions from 66 countries of 65,838 troops, 2,400 military observers, and 1,307 civilian and police personnel, with possible further deployments (and costs) evolving almost weekly relative to situations like those in Haiti, Rwanda and the former Yugoslavia. The projected costs of peace-

keeping rose from some US\$600 million in 1991 to an estimated US\$2.3 billion for 1993.”

In fact, in May 1994, the Secretary-General was unable to obtain 5,500 troops from African nations to protect refugees and international aid workers caught in the bloody Rwandan civil war. He attributed this to donor fatigue among the countries that frequently assign troops to UN operations.

As of 28 February 2006, more than 1 million soldiers, police officers, and civilians had served under the UN flag since the establishment of the first peacekeeping mission in 1948. As of 28 February 2006, 107 countries were contributing a total of some 72,800 uniformed personnel (military and police). There were also about 5,300 international civilian personnel, 1,600 UN volunteers and more than 10,000 local civilian staff.

As the world has increasingly turned to the UN to deal with conflicts, the cost of peacekeeping has risen accordingly. The annual approved resources for all peacekeeping operations from 1 July 2005 to 30 June 2006 amounted to about US\$5.03 billion. The estimated total cost of UN peacekeeping operations from 1948 to 30 June 2006 was approximately \$41.04 billion. However, global military expenditures in the mid-2000s amounted to around US\$1 trillion per year. Of course, these monetary figures do not adequately take into account the tragic price paid in human death and suffering during war.

Most UN peacekeeping operations are not financed from the organization's regular budget, but from special accounts established by the organization to fund each particular operation. Each member is then assessed for a share of the mission's estimated cost. Special assessments for peacekeeping are divided into three categories. The five permanent members of the Security Council pay about 22 percent more than the regular scale of assessments because of their greater influence over Security Council decisions (by virtue of holding the power of veto). Other developed industrial states pay the same share for peacekeeping as they pay for the regular budget. Wealthier developing countries pay one-fifth of their regular budget share for peacekeeping. The poorest nations (least developed countries, or LDCs) pay one-tenth of their regular share. There are certain inequities to this arrangement. For example, a number of “developing” states with per capita GNPs of \$5,000 or more still are assessed only one-fifth of their regular budget assessment for peacekeeping (which have included the United Arab Emirates, Kuwait, Qatar, Brunei, Singapore, Bahamas, Israel, Cyprus, Barbados, Bahrain, Saudi Arabia, Malta, Greece, Libya, and Oman).

A recurrent and critical problem for UN peacekeeping has been the consistent shortfall in the payment of members' assessed contributions. As of 31 December 2005, member states owed the UN a total of US\$2.92 billion in current and back peacekeeping dues.

Since 1945, over 130 nations have contributed personnel at various times; 107 were providing peacekeepers as of 28 February 2006. As of 31 December 2005, the top 10 contributors of personnel to ongoing peacekeeping missions were Bangladesh, Pakistan, India, Jordan, Nepal, Ethiopia, Ghana, Uruguay, Nigeria, and South Africa. The small island nation of Fiji has taken part in virtually every UN peacekeeping operation, as has Canada.

For the above reasons, the Secretary-General suggested in his *Agenda for Peace* that contributions to UN peacekeeping operations be financed from defense budgets, rather than from foreign

affairs budgets. Other innovative proposals in the agenda included obtaining standing commitments from member states as to the numbers and kinds of skilled personnel they can offer the United Nations as new operations arise; new arrangements for training peacekeeping personnel, including indispensable civilian and police staff; stockpiling basic peacekeeping equipment (vehicles, communications equipment, generators, etc.); and air and sea lift capacity to be provided by member states either free of cost or at lower than commercial rates.

### Genesis of a Peacekeeping Mission

Many missions are planned in response to a crisis, so the steps in mounting them happen more or less simultaneously. When more time is available, the following sequence of events is usually adhered to:

- **Mediation.** The Secretary-General may be instructed to dispatch field survey missions, or may choose to send his own special representative to help achieve a political settlement.
- **Initial Design.** The mission concept is presented to the Security Council for its preliminary approval.
- **Security Council Directive.** The Security Council directs the Secretary-General to report back within a specified amount of time with a plan for the mission that includes its size, structure, duties, and timeline.
- **Mission Design.** Units of the Department of Peacekeeping Operations put together a plan for the mission.
- **Security Council approval obtained.**
- **Creation and verification of the mission budget.**
- **Submission of the budget to the Fifth Committee (Financial).**
- **Fifth Committee submits the budget to the General Assembly for approval.**
- **Assessment letters are sent to the member states.**

Until approved by the General Assembly, the Secretary-General cannot make contractual commitments for equipment, transport, or other services in excess of a US\$10 million annual spending authority for special circumstances. The length of the approval process creates a devastating time lag when an international crisis develops that requires a timely response.

### Chronology of Peacekeeping Operations

Between 1945 and 28 February 2006, there were 60 UN peacekeeping or observer missions. The following is a list of the UN peacekeeping operations, arranged in chronological order. Unless otherwise noted, figures are accurate as of February 2006.

#### UNTSO-United Nations Truce Supervision Organization

*Duration:* May 1948 to present.

*Headquarters:* Government House, Jerusalem.

*Strength:* 153 military observers.

*Fatalities:* 44.

*Mandate:* Initially to supervise the original truce of 1948; in 1949, following the conclusion of armistice agreements between Israel and its Arab neighbors (Egypt, Jordan, Lebanon, and Syria), its responsibility became to assist the parties in supervising the application and observance of those agreements. However, over the years, its activities and responsibilities have expanded to cover a number of UN-supervised emergency situations in Israel, Syria, and Lebanon.

*Composition:* UNTSO's military observers come from 23 contributing countries: Argentina, Australia, Austria, Belgium, Canada, Chile, China, Denmark, Estonia, Finland, France, Ireland, Italy, Nepal, Netherlands, New Zealand, Norway, Russian Federation, Slovakia, Slovenia, Sweden, Switzerland, and United States.

*Six-month appropriations for 2006:* Approximately US\$14.66 million.

#### **UNMOGIP-United Nations Military Observer Group in India and Pakistan**

*Duration:* January 1949 to present.

*Location:* The cease-fire line between India and Pakistan in the state of Jammu and Kashmir.

*Strength:* 44 military observers.

*Fatalities:* 11.

*Mandate:* To observe developments pertaining to the strict observance of the cease-fire of 17 December 1971 and report to the Secretary-General.

*Composition:* UNMOGIP's military observers come from nine countries: Belgium, Chile, Croatia, Denmark, Finland, Italy, Republic of Korea, Sweden, and Uruguay.

*Six-month appropriation for 2006:* Approximately US\$3.87 million.

#### **UNEF I-First United Nations Emergency Force**

*Duration:* November 1956 to June 1967.

*Location:* Initially the Suez Canal sector and the Sinai peninsula; later, along the Armistice Demarcation Line in the Gaza area and the Egyptian side of the international frontier in the Sinai peninsula.

*Strength:* At peak: 6,073; at end: 3,400.

*Fatalities:* 107.

*Mandate:* To secure and to supervise the cessation of hostilities, including the withdrawal of the armed forces of France, Israel, and the United Kingdom from Egyptian territory, and to serve as a buffer between the Egyptian and Israeli forces.

*Composition:* Brazil, Canada, Colombia, Denmark, Finland, India, Indonesia, Norway, Sweden, and Yugoslavia.

*Total cost:* Approximately US\$214 million.

#### **UNOGIL-United Nations Observation Group in Lebanon**

*Duration:* June 1958 to December 1958.

*Location:* Beirut, Lebanon.

*Strength:* 591 military observers (maximum).

*Fatalities:* None.

*Mandate:* To ensure that there was no illegal infiltration of personnel or supply of arms across the Lebanese border.

*Composition:* Forces from 21 countries.

*Total cost:* Approximately US\$3.7 million.

#### **UNOC-United Nations Operation in the Congo**

*Duration:* July 1960 to June 1964.

*Location:* Leopoldville (now Kinshasa), Republic of Congo (now Zaire).

*Strength:* Peak: 19,828.

*Fatalities:* 250.

*Mandate:* Initially, to ensure withdrawal of Belgian forces and assist the government in maintaining law and order; later, to

maintain territorial integrity and independence of the Congo and to prevent the occurrence of civil war.

*Composition:* Argentina, Brazil, Canada, Denmark, Ethiopia, Ghana, Guinea, India, Indonesia, Ireland, Italy, Liberia, Malaysia, Mali, Morocco, Netherlands, Nigeria, Norway, Pakistan, Sudan, Sweden, Tunisia, Yugoslavia.

*Total cost:* Approximately US\$400 million.

#### **UNSF-United Nations Security Force in West New Guinea (West Irian)**

*Duration:* October 1962 to April 1963.

*Location:* Hollandia, West Irian (now Jayapura, Indonesia).

*Strength:* 1,576.

*Fatalities:* None.

*Mandate:* To maintain peace and security in the territory under the UN Temporary Executive Authority established by agreement between Indonesia and the Netherlands while the administration of the territory was transferred to Indonesia.

*Composition:* Canada, Pakistan, United States.

*Total cost:* Approximately US\$26.4 million (cost borne by Netherlands and Indonesia).

#### **UNYOM-United Nations Yemen Observations Mission**

*Duration:* July 1963 to September 1964.

*Location:* Sana'a, Yemen.

*Strength:* 25 military observers; 114 members of a reconnaissance unit; 50 members of an air unit.

*Fatalities:* None.

*Mandate:* To observe and certify the implementation of the disengagement agreement between Saudi Arabia and the United Arab Republic (now Egypt and Syria).

*Composition:* Canada, Yugoslavia.

*Total cost:* Approximately US\$1.8 million (cost borne by Saudi Arabia and Egypt).

#### **UNFICYP-United Nations Peacekeeping Force in Cyprus**

*Duration:* March 1964 to present.

*Location:* Cyprus.

*Strength:* 923 troops and civilian police, and 143 international civilian personnel and local civilian staff.

*Fatalities:* 176.

*Mandate:* To prevent a recurrence of fighting between Turkish-backed Cypriots and Greek-backed Cypriots; to contribute to the maintenance and restoration of law and order.

*Composition:* The operational elements of UNFICYP are provided by Argentina, Australia, Austria, Canada, Croatia, Finland, Hungary, India, Ireland, the Netherlands, Slovakia, the United Kingdom, and Uruguay. The Argentine contingent included soldiers from Bolivia, Brazil, Chile, Paraguay, Peru, and Uruguay.

*Annual cost:* Approximately US\$46.51 million.

#### **DOMREP-Mission of the Representative of the Secretary-General in the Dominican Republic**

*Duration:* May 1965 to October 1966.

*Location:* Santo Domingo, Dominican Republic.

*Strength:* Two military observers.

*Fatalities:* None.

*Mandate:* To observe the situation and to report on breaches of the cease-fire between the two *de facto* authorities.

*Composition:* None.

*Total cost:* US\$275,831 (through UN regular budget).

#### UNIPOM-United Nations India-Pakistan Observation Mission

*Duration:* September 1965 to March 1966.

*Location:* Lahore, Pakistan, and Amritsar, India (deployed along the India/Pakistan border between Kashmir and the Arabian Sea).

*Strength:* 96 military observers (maximum).

*Fatalities:* None.

*Mandate:* To supervise the cease-fire along the India/Pakistan border (except the State of Jammu and Kashmir where UNMO-GIP operates) and the withdrawal of all armed personnel to the positions held before 5 August 1965.

*Composition:* Australia, Belgium, Brazil, Burma, Canada, Chile, Denmark, Ethiopia, Finland, Ireland, Italy, Nepal, Netherlands, New Zealand, Nigeria, Norway, Sweden, Sri Lanka, Venezuela.

*Total cost:* US\$1,713,280.

#### UNEF II-Second United Nations Emergency Force

*Duration:* October 1973 to July 1979.

*Location:* Suez Canal sector and later the Sinai peninsula.

*Strength:* Peak: 6,973; end: 4,000.

*Fatalities:* 55.

*Mandate:* To supervise the cease-fire between Egyptian and Israeli forces; later, to supervise the redeployment of those forces and act as a buffer between them.

*Composition:* Australia, Austria, Canada, Finland, Ghana, Indonesia, Ireland, Nepal, Panama, Peru, Poland, Senegal, Sweden.

*Total cost:* Approximately US\$446.5 million.

#### UNDOF-United Nations Disengagement Observer Force

*Duration:* June 1974 to present.

*Location:* Syrian Golan Heights.

*Strength:* 1,066 troops, assisted by approximately 57 military observers.

*Fatalities:* 43.

*Mandate:* To maintain the cease-fire between Israel and Syria; supervise the disengagement of Israeli and Syrian forces; supervise the areas of separation and limitation.

*Composition:* Originally composed of Austrian and Peruvian infantry units and Canadian and Polish logistic elements. Currently composed of contingents from Austria, Canada, Japan, Nepal, Poland, and the Slovak Republic.

*Annual cost:* Approximately US\$43.71 million.

#### UNIFIL-United Nations Interim Force in Lebanon

*Duration:* March 1978 to present.

*Location:* Southern Lebanon.

*Strength:* 1,980 troops and approximately 50 military observers; 401 local and international civilian staff.

*Fatalities:* 256.

*Mandate:* To confirm the withdrawal of Israeli forces from southern Lebanon; restore international peace and security; assist the government of Lebanon in ensuring the return of its effective authority in the area.

*Composition:* Troops provided by France, Ghana, India, Ireland, Italy, Poland, and Ukraine.

*Annual cost:* Approximately US\$99.23 million.

#### UNGOMAP-United Nations Good Offices Mission in Afghanistan and Pakistan

*Duration:* April 1988 to March 1990.

*Location:* Kabul, Afghanistan, and Islamabad, Pakistan. *Strength:* 50 military observers.

*Fatalities:* None.

*Mandate:* To assist in monitoring the implementation of the 1988 peace settlement between Afghanistan and Pakistan.

*Composition:* Austria, Canada, Denmark, Finland, Fiji, Ghana, Ireland, Nepal, Poland, and Sweden.

*Total cost:* Approximately US\$14 million.

#### UNIIMOG-United Nations Iran-Iraq Military Observer Group

*Duration:* August 1988 to February 1991.

*Location:* The 740-mile border between Iran and Iraq (headquarters in both Baghdad, Iraq, and Teheran, Iran).

*Strength:* 400 military personnel; 93 local staff. *Fatalities:* 1.

*Mandate:* To verify, confirm, and supervise the cease-fire and withdrawal of troops.

*Composition:* Argentina, Australia, Austria, Bangladesh, Canada, Denmark, Finland, Ghana, Hungary, India, Indonesia, Ireland, Italy, Kenya, Malaysia, New Zealand, Nigeria, Norway, Peru, Poland, Senegal, Sweden, Turkey, Uruguay, Yugoslavia, Zambia.

*Total cost:* Approximately US\$178 million.

#### UNAVEM I-United Nations Angola Verification Mission I

*Duration:* January 1989 to June 1991.

*Location:* Luanda, Angola.

*Strength:* Peak: 70 military observers; 22 international staff; 15 local staff.

*Fatalities:* None.

*Mandate:* To monitor the withdrawal of Cuban troops from Angola.

*Composition:* Algeria, Argentina, Brazil, Congo, Czechoslovakia, India, Jordan, Norway, Spain, Yugoslavia.

*Total cost:* Approximately US\$16.4 million.

#### UNTAG-United Nations Transition Assistance Group

*Duration:* April 1989 to March 1990.

*Location:* Windhoek, Namibia.

*Maximum strength:* Approximately 4,500 military personnel; 1,500 police; 2,000 civilian personnel; 1,000 election observers.

*Fatalities:* 19.

*Mandate:* To monitor and supervise the Namibia independence plan, including supervision of elections to a Constituent Assembly.

*Composition:* Argentina, Australia, Austria, Bangladesh, Canada, Denmark, Finland, Ghana, Hungary, India, Indonesia, Ireland, Italy, Kenya, Malaysia, New Zealand, Nigeria, Norway, Peru, Poland, Senegal, Sweden, Turkey, Uruguay, Yugoslavia, Zambia.

*Total cost:* Approximately US\$368.5 million.

#### ONUCA-United Nations Observer Group in Central America

*Duration:* November 1989 to January 1992.

*Location:* Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua (headquarters in Tegucigalpa).

*Strength:* Peak: 1,195; end: 338.

*Fatalities:* None.

*Mandate:* Initially, to verify the compliance of the five Central American countries with their security undertakings (the Esquipulas II Agreement, 1987) to cease aid to insurrectionist movements in the region and not to allow their territory to be used for attacks on other states; later, to monitor the demobilization of the Nicaraguan resistance (the "Contras").

*Composition:* Argentina, Brazil, Canada, Colombia, Ecuador, India, Ireland, Spain, Sweden, Venezuela.

*Total cost:* Approximately US\$89 million.

#### UNIKOM-United Nations Iraq-Kuwait Observation Mission

*Duration:* April 1991 to October 2003.

*Location:* The demilitarized zone along the boundary between Iraq and Kuwait.

*Strength:* Peak: 1,187 all ranks, including 254 military observers supported by international and local civilian staff. Due to repeated Iraqi incursions, in 1993 UNIKOM's mandate was expanded to include taking action against such incursions.

*Fatalities:* 18.

*Mandate:* To monitor the Khawr 'Abd Allah waterway between Iraq and Kuwait and the demilitarized zone; deter violations of the boundary; observe any hostile action; and, as expanded by Security Council resolution 806 (1993), to resist attempts to prevent it by force from discharging its duties.

*Composition:* Argentina, Austria, Bangladesh, Canada, Chile, China, Denmark, Fiji, Finland, France, Germany, Ghana, Greece, Hungary, India, Indonesia, Ireland, Italy, Kenya, Malaysia, Nigeria, Norway, Pakistan, Poland, Romania, Russian Federation, Senegal, Singapore, Sweden, Switzerland, Thailand, Turkey, United Kingdom, United States, Uruguay, and Venezuela.

*Total cost:* Approximately US\$600 million.

#### UNAVEM II-United Nations Angola Verification Mission II

*Duration:* June 1991 to February 1995.

*Location:* Angola.

*Strength:* 350 military observers, 126 police observers, 400 electoral observers, 80 international civilian staff and 155 local staff.

*Fatalities:* 3.

*Mandate:* Initially, monitor the cease-fire between the Angolan Government and UNITA, until general elections were held in 1992; observe the elections scheduled for September 1992. When fighting broke out again after the elections, UNAVEM II's mandate was expanded to include monitoring the new cease-fire between the government and UNITA. However, the political situation continued to deteriorate, until in 1993 UNAVEM II had to evacuate 45 of its 67 monitoring locations. Its mandate was extended three months at a time, as it had become an essential factor in a continuous UN effort to facilitate the resumption of negotiations and support humanitarian activities in the country. Following the signing of 20 November 1994 by the Government of Angola and UNITA of the Lusaka Protocol, UNAVEM II verified the initial stages of the peace agreement.

*Composition:* Military and police personnel are contributed by Argentina, Brazil, Congo, Guinea-Bissau, Hungary, India, Ireland,

Jordan, Malaysia, Morocco, Netherlands, Nigeria, Norway, Slovak Republic, Spain, Sweden, and Zimbabwe.

*Total cost:* US\$175.8 million.

#### ONUSAL-United Nations Observer Mission in El Salvador

*Duration:* July 1991 to April 1995.

*Location:* El Salvador.

*Strength:* Approximately 380 military observers, 8 medical officers, 631 police observers; there was also a provision for some 140 civilian international staff and 180 local staff.

*Fatalities:* 5.

*Mandate:* Initially, to verify compliance with the San José Agreement on Human Rights by the government of El Salvador and the Frente Farabundo Martí para la Liberación Nacional (FMLN); monitor the human rights situation in El Salvador; investigate specific cases of alleged human rights violations; promote human rights in the country; make recommendations for the elimination of violations; and report on these matters to the Secretary-General. Subsequent to final peace agreements which were signed in 1992, ONUSAL's mandate was expanded to include verification of the cease-fire and separation of forces; and monitoring the maintenance of public order while a new National Civil Police force was set up. Finally, ONUSAL's mandate was expanded to observe national elections for the presidency, the legislative assembly, mayors, and municipal councils in March 1994.

*Composition:* ONUSAL military observers are provided by Brazil, Canada, Colombia, Ecuador, India, Ireland, Spain, Sweden, and Venezuela. Police observers come from Austria, Brazil, Chile, Colombia, France, Guyana, Italy, Mexico, Spain, and Sweden.

*Total cost:* Approximately US\$107 million.

#### MINURSO-United Nations Mission for the Referendum in Western Sahara

*Duration:* April 1991 to present.

*Location:* Western Sahara. *Strength:* 197 military observers, 28 troops, supported by 224 international and local staff.

*Fatalities:* 14.

*Mandate:* To verify a cease-fire between the government of Morocco and the Frente Popular para la Liberación de Saguia el-Hamra y de Rio de Oro (Frente Polisario); monitor the confinement of Moroccan and Frente Polisario troops to designated locations; ensure release of all political prisoners or detainees; oversee exchange of prisoners of war; implement a repatriation program; identify and register qualified voters; organize and ensure a free referendum to enable the people of Western Sahara to exercise their right to self-determination, to choose between independence and integration with Morocco.

*Composition:* Military observers and support personnel are provided by Argentina, Austria, Bangladesh, China, Croatia, Denmark, Egypt, El Salvador, France, Ghana, Greece, Guinea, Honduras, Hungary, Ireland, Italy, Kenya, Malaysia, Mongolia, Nigeria, Pakistan, Poland, Republic of Korea, Russian Federation, Sri Lanka, and Uruguay.

*Annual cost:* Approximately US\$47.95 million.

#### UNAMIC-United Nations Advance Mission in Cambodia

*Duration:* October 1991 to March 1992.

*Location:* Cambodia.

*Strength:* 1,504 military and civilian personnel.

*Fatalities:* None.

*Mandate:* To immediately deploy a small advance mission to assist the Cambodian parties to maintain a cease-fire while preparations were made for the larger UNTAC force. UNAMIC consisted of civilian and military liaison staff, a military mine-awareness unit, and logistics and support personnel. Its mandate was expanded in January 1992 to include training Cambodians in mine-clearing.

*Composition:* Algeria, Argentina, Australia, Austria, Bangladesh, Belgium, Canada, China, France, Germany, Ghana, India, Indonesia, Ireland, Malaysia, Netherlands, New Zealand, Pakistan, Poland, Russian Federation, Senegal, Thailand, Tunisia, United Kingdom, United States, And Uruguay.

*Total cost:* See UNTAC, below.

#### **UNPROFOR-United Nations Protection Force**

*Duration:* March 1992 to December 1995.

*Location:* Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia (Serbia and Montenegro), and the former Yugoslav Republic of Macedonia.

*Strength:* 38,599 military personnel, 684 UN military observers, 803 civilian police, 2,017 international civilian staff, and 2,615 local staff.

*Fatalities:* 167.

*Mandate:* In the wake of the end of the cold war, fighting broke out among ethnic and religious factions in the former Yugoslavia. In January 1992, Secretary-General Boutros Boutros-Ghali sent 50 military liaison officers to Yugoslavia to promote maintenance of cease-fire by facilitating communication. In February, although some political groups in Yugoslavia were still expressing objections to a UN plan for a peace-keeping operation, the Security Council established UNPROFOR for an initial period of 12 months to create the conditions of peace and security required for the negotiation of an overall settlement of the Yugoslav crisis. UNPROFOR's operational mandate extends to five republics of the former Yugoslavia, as indicated above. In the rapidly deteriorating situation, its mandate has been enlarged in all five republics to include such things as security at Sarajevo airport; protection of humanitarian convoys; monitoring of a "no-fly zone" banning all military flights in the airspace of Bosnia and Herzegovina; border control; the creation of "safe areas" to protect civilians from armed attack. UNPROFOR monitored the implementation of a cease-fire agreement signed by the Bosnian government and Bosnian Croat forces in February 1994. UNPROFOR also monitored the arrangements for a cease-fire negotiated between the Bosnian government and Bosnian Serb forces which became effective on 1 January 1995.

*Composition:* Military and/or civilian police personnel are provided by Argentina, Australia, Bangladesh, Belgium, Brazil, Canada, Colombia, Czech Republic, Denmark, Egypt, Finland, France, Ghana, Ireland, Jordan, Kenya, Luxembourg, Nepal, Netherlands, New Zealand, Nigeria, Norway, Poland, Portugal, Russian Federation, Slovak Republic, Spain, Sweden, Switzerland, Tunisia, Ukraine, United Kingdom, United States, and Venezuela.

*Total cost:* Approximately us\$4.6 billion.

#### **UNTAC-United Nations Transitional Authority in Cambodia**

*Duration:* March 1992 to September 1993.

*Location:* Cambodia.

*Strength:* (Peak) 22,000 military and civilian personnel.

*Fatalities:* 78.

*Mandate:* To monitor and help implement the Paris Agreements signed in 1991 between the various political entities in Cambodia. The mandate included aspects relating to human rights, the organization and conduct of free and fair general elections, military arrangements, civil administration, the maintenance of law and order, the repatriation and resettlement of the Cambodian refugees, and rehabilitation of essential Cambodian infrastructure. During its mission the Security Council requested UNTAC to play many roles, including human rights oversight and investigation of allegations of human rights abuses during the transitional period; implementing a legal framework for the electoral process; stabilizing the security situation; and ensuring a neutral political environment conducive to free and fair elections. After elections were held in May 1993 and a newly elected Constituent Assembly began work on 14 June 1993, a withdrawal schedule for UNPROFOR was established, leaving a smaller contingent of military police officers and medical units to continue the work of mine clearance and training.

*Composition:* UNTAC military and/or civilian police personnel were provided by Algeria, Argentina, Australia, Austria, Bangladesh, Belgium, Brunei Darussalam, Bulgaria, Cameroon, Canada, Chile, China, Colombia, Egypt, Fiji, France, Germany, Ghana, Hungary, India, Indonesia, Ireland, Italy, Japan, Jordan, Kenya, Malaysia, Morocco, Namibia, Nepal, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Philippines, Poland, Russian Federation, Senegal, Singapore, Sweden, Thailand, Tunisia, United Kingdom, United States, and Uruguay.

*Total cost:* The total cost of both UNAMIC and UNTAC for the period was approximately us\$1,621 million.

#### **ONUMOZ-United Nations Operation in Mozambique**

*Duration:* December 1992 to December 1994.

*Location:* Mozambique.

*Strength:* 6,625 troops and military personnel, 354 military observers and 1,144 civilian police; there were also some 355 international staff and 506 local staff; in addition, during the polling, ONUMOZ sent out about 900 electoral observers.

*Fatalities:* 24.

*Mandate:* To help implement the General Peace Agreement signed in 1992 in Rome, after 14 years of devastating civil war between the Republic of Mozambique and the Resistência Nacional Moçambicana (RENAMO). ONUMOZ's mandate included four important elements: political, military, electoral, and humanitarian. ONUMOZ military wing would monitor and verify the cease-fire, the separation of forces of the two parties, their demobilization and the collection, storage, and destruction of weapons. It would authorize security arrangements for vital infrastructures and provide security for United Nations and other international activities. ONUMOZ's Electoral Division would monitor and verify all aspects and stages of the electoral process. ONUMOZ's humanitarian component would function as an integrated component of ONUMOZ to make available food and other relief for distribution to soldiers in the assembly area. After successful presidential and legislative elections in October 1994, and the installation of Mozambique's new Parliament and President, ONUMOZ's mandate ended on 9 December 1994.



*Composition:* The military component includes 302 military observers and some 6,250 infantry and support personnel from Argentina, Bangladesh, Botswana, Brazil, Canada, Cape Verde, China, Czech Republic, Egypt, Guinea-Bissau, Hungary, India, Italy, Japan, Malaysia, Netherlands, Portugal, Russian Federation, Spain, Sweden, Uruguay, and Zambia.

*Total cost:* Approximately US\$471 million.

#### **UNOSOM I-United Nations Operation in Somalia I**

*Duration:* April 1992 to March 1993.

*Location:* Somalia.

*Strength:* Originally 50 military observers; expanded to include 3,500 security personnel, and further expanded to include 719 personnel in logistical units; there were also some 200 international staff.

*Fatalities:* 8.

*Mandate:* To monitor a cease-fire in the capital, Mogadishu; provide protection for UN personnel, equipment, and supplies at the seaports and airports; escort deliveries of humanitarian supplies from there to distribution centers in the city and its immediate environs.

*Composition:* Observers were sent from Australia, Austria, Bangladesh, Belgium, Canada, Czechoslovakia, Egypt, Fiji, Finland, Indonesia, Jordan, Morocco, New Zealand, Norway, Pakistan, and Zimbabwe.

*Total cost:* Approximately US\$42.9 million.

#### **UNOSOM II-United Nations Operation in Somalia II**

*Duration:* March 1993 to March 1995.

*Location:* Somalia.

*Strength:* 28,000 military personnel and 2,800 civilian staff.

*Fatalities:* 147.

*Mandate:* To establish a secure environment throughout the whole of Somalia; provide assistance to the Somali people in rebuilding their economy and social and political life; help reestablish the country's institutional structure; monitor that all factions continued to respect the various agreements; prevent resumption of violence and, if necessary, take appropriate action against any faction that violated the cessation of hostilities; maintain control of heavy weapons; seize small arms of all unauthorized elements; secure and maintain security at all ports, airports, and lines of communications; protect personnel, installations, and equipment belonging to the UN and other international organizations; take forceful action to neutralize armed elements that attacked or threatened to attack such facilities; assist in repatriation of refugees; continue the program of mine clearance begun under UNISOM I. UNISOM II also sought to assist the Somali people in rebuilding their economy and society, based on a democratic government. In February 1994, after several violent incidents and attacks on UN soldiers, the Security Council revised the mandate to exclude use of coercive methods. UNISOM II was withdrawn in March 1995.

*Composition:* Military personnel are provided by Australia, Bangladesh, Belgium, Botswana, Canada, Egypt, France, Germany, Greece, India, Ireland, Italy, Kuwait, Malaysia, Morocco, Nepal, New Zealand, Nigeria, Norway, Pakistan, Republic of Korea, Romania, Saudi Arabia, Sweden, Tunisia, Turkey, United Arab Emirates, United States, and Zimbabwe.

Note: The United States forces deployed in Mogadishu to support UNOSOM I and UNOSOM II were not under United Nations command or authority. The Unified Task Force (UNITAF) spearheaded by the United States was deployed in Mogadishu on 9 December 1992 and included military units from Australia, Belgium, Botswana, Canada, Egypt, France, Germany, Greece, India, Italy, Kuwait, Morocco, New Zealand, Nigeria, Norway, Pakistan, Saudi Arabia, Sweden, Tunisia, Turkey, United Arab Emirates, United Kingdom, and Zimbabwe.

*Total cost:* Approximately US\$1,643 million.

#### **UNOMUR-United Nations Observer Mission in Uganda-Rwanda**

*Duration:* June 1993 to September 1994

*Location:* Uganda side of the Uganda-Rwanda border.

*Strength:* 81 military observers, 17 international staff, and 7 locally recruited personnel.

*Fatalities:* None.

*Mandate:* To verify that no lethal weapons and ammunitions are transported across the border from Uganda into northern Rwanda. The tragic slaughter in Rwanda in April 1994 prevented UNOMUR from fully implementing its mandate. However, the Observer Mission played a useful role immediately after the conclusion of the Arusha Peace Agreement.

*Composition:* Military observers were provided by Bangladesh, Botswana, Brazil, Canada, Hungary, Netherlands, Senegal, and Zimbabwe.

*Total cost:* (From inception to December 1993): US\$2.3 million; US\$8 million net.

#### **UNOMIG-United Nations Observer Mission in Georgia**

*Duration:* August 1993 to present.

*Location:* Georgia.

*Strength:* Authorized: 122 military observers and 12 police supported by 292 international and local civilian staff.

*Mandate:* To verify compliance with a cease-fire agreed to on 27 July 1993 between the government of Georgia and separatists in its northwestern region, Abkhazia. It would also investigate reports of cease-fire violations and attempt to resolve such incidents; and report to the Secretary-General about such violations. Before UNOMIG could be fully deployed, the cease-fire broke down, and, in accordance with the instructions of the Security Council resolution 858 (1993), deployment was halted. In May 1994, the Georgian and Abkhaz sides agreed to a cease-fire and separation of forces. UNOMIG then was to monitor the implementation of that agreement, and to verify the exit of troops and military equipment from the security zone. In December 1996, a human rights office was opened in Abkhazia to investigate reported or alleged violations.

*Composition:* Albania, Austria, Bangladesh, Croatia, Czech Republic, Denmark, Egypt, France, Germany, Greece, Hungary, Indonesia, Jordan, Republic of Korea, Pakistan, Poland, Romania, Russian Federation, Sweden, Switzerland, Turkey, United Kingdom, United States, and Uruguay.

*Annual cost:* US\$36.38 million.

#### **UNOMIL-United Nations Observer Mission in Liberia**

*Duration:* September 1993 to September 1997.

*Location:* Liberia.

*Strength:* 92 military personnel during electoral period (July 1997).

*Mandate:* To verify the Cotonou Peace Agreement signed in Cotonou, Benin, between the parties to the Liberian conflict that broke out in 1990 when the Liberian president, Samuel Doe, was overthrown, causing a complete breakdown of law and order. The UNOMIL was created at the invitation of the Economic Community of West African States (ECOWAS), which has taken various initiatives to peacefully settle the conflict, including the establishment of its own military observer group, ECOMOG. UNOMIL was to work with ECOMOG in implementing the Cotonou Peace Agreement. ECOMOG has primary responsibility for the implementation of the agreement's provisions, and UNOMIL's role is to monitor the implementation procedures to verify their impartial application.

*Composition:* The military component was composed of personnel from Austria, Bangladesh, Belgium, China, Congo, Czech Republic, Egypt, Guinea-Bissau, Hungary, India, Jordan, Kenya, Malaysia, Nepal, Pakistan, Poland, Russian Federation, Slovakia, Sweden, and Uruguay.

*Total cost:* Approximately US\$81.4 million.

#### **UNMIH-United Nations Mission in Haiti**

*Duration:* September 1993 to June 1996.

*Location:* Haiti.

*Strength:* 1,200 troops and military support personnel, and 300 civilian police; there was also a provision for about 160 international staff, 180 local staff, and 18 UN volunteers.

*Fatalities:* 6.

*Mandate:* Pending the creation of a new police force, assist the government in monitoring the activities of those members of the armed forces involved in carrying out police functions; provide guidance and advice; monitor the conduct of police operations; ensure that legal requirements are fully met. However, the advance unit of UNMIH was prevented from landing at Port au Prince on 11 October 1993. After the Haitian Constitutional government was restored in October 1994, UNMIH assisted the democratic Haitian government in securing stability, training the Haitian armed forces, and creating a separate police force. UNMIH also helped the legitimate constitutional government to organize free and fair elections for the summer of 1995.

*Composition:* Djibouti, France, Mali, Netherlands, Pakistan, Russian Federation, Togo, Trinidad and Tobago, and United States.

*Total cost:* Estimated at US\$315.8 million.

#### **UNAMIR-United Nations Assistance Mission for Rwanda**

*Duration:* October 1993 to March 1996.

*Location:* Rwanda.

*Strength:* 2,548 military personnel, 60 police officers, 110 international civilian staff, and 61 locally recruited civilian staff.

*Fatalities:* 26.

*Mandate:* In the context of the Arusha peace agreement concluded in August 1993 between the government of Rwanda and the Rwandese Patriotic Front (RPF), UNAMIR originally was to contribute to the establishment and maintenance of a climate conducive to the secure installation and subsequent operation of the transitional government; assure the security of the capital city, Kigali; monitor a cease-fire agreement, including establishing an ex-

panded demilitarized zone and demobilization procedures; monitor the security situation leading up to elections; assist with mine clearance. UNAMIR would also investigate alleged noncompliance with provisions of the peace agreement and provide security for the repatriation of Rwandese refugees. It would also escort and protect humanitarian activities. After renewed fighting in April 1994, UNAMIR's mandate was altered to permit intermediary action between warring parties, and to provide security for refugees and civilians at risk. After the cease-fire and installation of the new government, UNAMIR was adjusted to ensure stability and security in the northwestern and southwestern regions of Rwanda, to monitor and encourage the return of displaced persons, and support humanitarian aid, and national reconciliation.

*Composition:* At its peak strength UNAMIR was to be composed of 2,217 formed troops and 331 military observers provided by Argentina, Austria, Bangladesh, Belgium, Canada, Congo, Ecuador, Egypt, Fiji, Ghana, Malawi, Mali, Nigeria, Pakistan, Russian Federation, Senegal, Tanzania, Togo, Tunisia, Uruguay, and Zimbabwe.

*Total cost:* Estimated at US\$437.4 million.

#### **UNASOG-United Nations Aozou Strip Observer Group**

*Duration:* May 1994 to June 1994.

*Location:* Aozou Strip, Republic of Chad.

*Strength:* 9 military observers and 6 international staff.

*Fatalities:* None.

*Mandate:* Established to verify the departure of the Libyan administration and forces from the Aozou Strip in accordance with the decision of the International Court of Justice. UNASOG accomplished its mandate after both Chad and Libya declared the withdrawal complete.

*Total cost:* US\$67,471.

#### **UNMOT-United Nations Mission of Observers in Tajikistan**

*Duration:* December 1994 to May 2000.

*Location:* Tajikistan.

*Strength:* 81 military observers, (as of June 1998), supported by international and local civilian staff.

*Fatalities:* 7.

*Mandate:* Established to monitor the implementation of the agreement between the Tajik government and the opposition on a temporary cease-fire along the Tajik-Afghan border, and to investigate reports of violations and report them to the UN and to the Joint Commission. UNMOT also served as a political liaison and coordinate services that help the efficient deployment of humanitarian assistance by the international community.

*Composition:* Austria, Bangladesh, Bulgaria, Czech Republic, Denmark, Ghana, Hungary, Indonesia, Jordan, Nepal, Nigeria, Poland, Switzerland, Ukraine, and Uruguay.

*Total cost:* Approximately US\$50 million.

#### **UNAVEM III-United Nations Angola Verification Mission III**

*Duration:* February 1995 to June 1997.

*Location:* Angola.

*Strength:* 283 military observers, 7,869 troops and other military personnel, and 288 civilian police as of 30 June 1997.

*Mandate:* On 1 February 1995 the Secretary-General recommended to the Security Council that UNAVEM III take over from UNAVEM II to help adversarial parties in Angola restore peace

and achieve national reconciliation. UNAVEM III was to provide mediation between the government and the UNITA party, to monitor and confirm the provision of legitimate government administration throughout Angola, and promote national reconciliation. UNAVEM III also was to control and verify the elimination of forces, monitor the cease-fire, and ensure the neutrality of the Angolan National Police.

*Composition:* Algeria, Bangladesh, Brazil, Bulgaria, Congo, Egypt, France, Guinea Bissau, Hungary, India, Jordan, Kenya, Malaysia, Mali, Namibia, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Poland, Portugal, Republic of Korea, Romania, Russian Federation, Senegal, Slovak Republic, Sweden, Tanzania, Ukraine, Uruguay, Zambia.

*Fatalities:* 32.

*Total cost:* More than US\$800 million.

#### UNCRO-United Nations Confidence Restoration Operation

*Duration:* March 1995 to January 1996.

*Location:* Croatia.

*Strength:* 6,581 troops, 194 military observers and 296 civilian police, supported by international and locally recruited staff.

*Fatalities:* 16.

*Mandate:* UNCRO replaced UNPROFOR in Croatia, and was established to carry out the functions planned in the cease-fire agreement of March 1994 and the economic agreement of December 1994. UNCRO also monitored and reported the crossing of military personnel, supplies, equipment, and weapons over international borders between Croatia and Bosnia and Herzegovina, and Croatia and the Federal Republic of Yugoslavia (Serbia and Montenegro) at the border crossings. The mandate also facilitated the delivery of humanitarian aid to Bosnia and Herzegovina through the territory of Croatia, and monitored the demilitarization of the Prevlaka peninsula.

*Cost:* See UNPROFOR, above.

#### UNPREDEP-United Nations Preventive Deployment Force

*Duration:* March 1995 to February 1999.

*Location:* The Former Yugoslav Republic of Macedonia.

*Strength:* 1,040 troops, 35 military observers, and 26 civilian police, 203 local and civilian staff.

*Mandate:* UNPREDEP was established on 31 March 1995 to replace UNPROFOR, but the mandate was basically the same: to monitor and report any developments in the border areas that could affect confidence and stability in the Former Yugoslav Republic of Macedonia.

*Composition:* Argentina, Bangladesh, Belgium, Brazil, Canada, Czech Republic, Denmark, Egypt, Finland, Ghana, Indonesia, Ireland, Jordan, Kenya, Nepal, New Zealand, Nigeria, Norway, Pakistan, Poland, Russian Federation, Sweden, Switzerland, Turkey, Ukraine, and United States.

*Fatalities:* 4.

*Total cost:* Approximately US\$200 million.

#### UNMIBH-United Nations Mission in Bosnia and Herzegovina

*Duration:* December 1995 to December 2002.

*Location:* Bosnia and Herzegovina.

*Maximum strength:* 2,047 civilian police and military liaison personnel.

*Fatalities:* 17.

*Mandate:* The Security Council established the UN International Police Task Force (IPTF) in December 1995 in accordance with the peace agreement signed by the leaders of Bosnia and Herzegovina, Croatia, and the Federal Republic of Yugoslavia (Serbia and Montenegro). The IPTF monitored law enforcement facilities and activities, advised and trained law enforcement personnel, assessed threats to public order, advised authorities in Bosnia and Herzegovina on operating effective civilian law enforcement agencies, and accompanied law enforcement personnel in some responsibilities.

*Composition:* Argentina, Austria, Bangladesh, Bulgaria, Canada, Chile, China, Czech Republic, Denmark, Egypt, Estonia, Fiji, Finland, France, Germany, Ghana, Greece, Hungary, Iceland, India, Indonesia, Ireland, Italy, Jordan, Kenya, Lithuania, Malaysia, Nepal, Netherlands, Nigeria, Norway, Pakistan, Poland, Portugal, Romania, Russian Federation, Senegal, Spain, Sweden, Switzerland, Thailand, Turkey, Tunisia, Ukraine, United Kingdom, United States, and Vanuatu.

*Total cost:* US Final figures were not available as of 28 February 2006.

#### UNMOP-United Nations Mission of Observers in Prevlaka

*Duration:* January 1996 to December 2002.

*Location:* Prevlaka peninsula, Croatia.

*Strength:* 28 military observers, supported by 9 international and local civilian staff.

*Mandate:* With the termination of UNCRO's mandate in January 1996, UNMOP became a continuation of the mission to monitor the demilitarization of the Prevlaka peninsula.

*Composition:* Argentina, Bangladesh, Belgium, Brazil, Czech Republic, Denmark, Egypt, Finland, Ghana, Indonesia, Ireland, Jordan, Kenya, Nepal, New Zealand, Nigeria, Norway, Pakistan, Poland, Russian Federation, Switzerland, and Ukraine.

*Annual cost:* Included in UNMIBH, above.

#### UNTAES-United Nations Transitional Administration in Eastern Slavonia

*Duration:* January 1996 to January 1998.

*Location:* Eastern Slavonia, Baranja, and Western Sirmium, Croatia.

*Strength:* A total of 2,847 personnel, consisting of 2,346 troops, 97 military observers, and 404 civilian police as of 21 October 1997.

*Mandate:* UNTAES was set up with both military and civilian components. The military part supervised and assisted in the demilitarization of the region, monitored the return of refugees in cooperation with the UNHCR, and contributed to maintaining the peace by its continuing presence. The civilian part was to set up a temporary police force, monitor the prison system, promote the return of refugees, and to organize and verify elections.

*Composition:* Argentina, Austria, Bangladesh, Belgium, Brazil, Czech Republic, Denmark, Egypt, Fiji, Finland, Ghana, Indonesia, Ireland, Jordan, Kenya, Lithuania, Nepal, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Poland, Russian Federation, Slovak Republic, Sweden, Switzerland, Tunisia, Ukraine, and United States.

*Annual cost:* US\$285.8 million.

*Total cost:* Not available.

**UNSMIH-United Nations Support Mission in Haiti**

*Duration:* July 1996 to July 1997.

*Location:* Haiti.

*Strength:* 225 civilian police and 1,300 military personnel funded for a total of some 1,525 military personnel on 10 July 1997. The mission was supported by international and local civilian staff. A number of UN Volunteers also participated in the mission.

*Mandate:* UNSMIH was established to help the government of Haiti in the professionalization of the police and to assist in the creation and training of an effective national police force.

*Composition:* Civilian police personnel: Algeria, Canada, France, India, Mali, Togo, United States. Military personnel: Canada, Pakistan.

*Total cost:* US\$57.2 million (estimate).

**MINUGUA-United Nations Verification Mission in Guatemala**

*Duration:* January to May 1997.

*Location:* Guatemala.

*Strength:* Mission total of 188 uniformed personnel, comprising 145 military observers and 43 civilian police.

*Mandate:* The peacekeeping mission within the larger civilian and humanitarian MINUGUA mission was established by the Security Council in resolution 1094 (1997) on 20 January 1997 for a three-month period to verify agreement on the cease-fire between the government of Guatemala and the Unidad Revolucionaria Nacional Guatemalteca (URNG), which was signed at Oslo on 4 December 1996.

*Total cost:* US\$4.6 million (estimated).

**MONUA-United Nations Mission of Observers in Angola**

*Duration:* July 1997 to February 1999.

*Location:* Angola.

*Strength:* 240 personnel all ranks; consisting of 222 troops, 12 military observers, and 6 civilian police monitors; and supported by international and locally recruited civilian staff as of May 1999.

*Fatalities:* 14 (as of 31 December 1998).

*Mandate:* MONUA was set up to assist the Angolan parties in consolidating peace and national reconciliation, enhancing confidence-building and creating an environment conducive to long-term stability, democratic development, and rehabilitation of the country.

*Composition:* Bangladesh, Bolivia, Brazil, Egypt, Ghana, India, Jordan, Pakistan, Poland, Portugal, Romania, Russian Federation, Senegal, Uruguay, Zambia, and Zimbabwe.

*Total cost:* Approximately US\$225.6 million.

**UNTMIH-United Nations Transition Mission in Haiti**

*Duration:* August to November 1997.

*Location:* Haiti.

*Strength:* 250 civilian police personnel and 50 military personnel.

*Mandate:* To assist the government of Haiti by supporting and contributing to the professionalization of the Haitian National Police (HNP).

*Composition:* Argentina, Benin, Canada, France, India, Mali, Niger, Senegal, Togo, Tunisia, and United States.

*Total cost:* US\$20.6 million.

**MIPONUH-United Nations Civilian Police Mission in Haiti**

*Duration:* December 1997 to March 2000.

*Location:* Haiti.

*Strength:* 300 civilian police personnel, including a special police unit, supported by a civilian establishment of some 72 international and 133 local personnel and 17 United Nations Volunteers.

*Mandate:* MIPONUH's main task was to assist the Government of Haiti in the professionalization of the Haitian National Police. MIPONUH, which succeeded the previous United Nations Missions in Haiti in December 1997, placed special emphasis on assistance at the supervisory level and on training specialized police units.

*Composition:* Argentina, Benin, Canada, France, India, Mali, Niger, Senegal, Togo, Tunisia, and United States.

*Total cost:* Not available.

**UNPSG-United Nations Civilian Police Support Group**

*Duration:* January 1998 to October 1998.

*Location:* Croatia's Danube region (Eastern Slavonia, Baranja, and Western Sirmium).

*Strength:* As of 30 September 1998, mission total: 114 police, supported by about 200 international and local civilian staff.

*Mandate:* UNPSG took over policing tasks on 16 January 1998 from UNTAES after that mission's mandate expired. The function of UNPSG was to continue monitoring the performance of the Croatian police in the Danube region, particularly with respect to the return of displaced persons, for a single nine-month period.

*Composition:* Argentina, Austria, Denmark, Egypt, Fiji, Finland, Indonesia, Ireland, Jordan, Kenya, Lithuania, Norway, Poland, Russian Federation, Sweden, Switzerland, Ukraine, and United States.

*Total cost:* Approximately US\$30 million.

**MINURCA-United Nations Mission in the Central African Republic**

*Duration:* April 1998 to February 2000.

*Location:* Central African Republic. *Strength:* Maximum authorization: 1,350 troops; 25 civilian police.

*Mandate:* Assisted in maintaining and enhancing security and stability in Bangui and immediate vicinity and in maintaining law and order there; supervised and controlled storage, and monitored the final disposition of weapons retrieved in disarmament exercise; ensured security and freedom of movement of UN personnel; assisted in capacity-building efforts of the national police; provided advice and technical support regarding conduct of legislative elections.

*Composition:* Benin, Burkina Faso, Cameroon, Canada, Chad, Côte d'Ivoire, Egypt, France, Gabon, Mali, Portugal, Senegal, Togo, and Tunisia.

*Annual cost:* US\$33.3 million.

**UNOMSIL-United Nations Mission of Observers in Sierra Leone**

*Duration:* July 1998 to October 1999.

*Location:* Sierra Leone.

*Strength:* Military component as of 30 July 1999: 51, consisting of 49 military observers and 2 troops, supported by a 2-person medical team. Civilian component as of 4 June 1999: 53, consisting of 29 international civilian personnel and 24 locally recruited staff.

*Mandate:* UNOMSIL's military element was to monitor the military and security situation; monitor the disarmament and demobilization of former combatants concentrated in secure areas of the country. UNOMSIL's civilian element was to advise, in coordination with other international efforts, the government of Sierra Leone and local police officials on police practice, training, re-equipment and recruitment; advise on the reform and restructuring of Sierra Leone's police force and monitor progress; report on violations of international humanitarian law and human rights in Sierra Leone and assist the government in its efforts to address the country's human rights needs.

*Composition:* Bangladesh, Croatia, the Czech Republic, Denmark, Egypt, France, India, Indonesia, Jordan, Kenya, Kyrgyzstan, Malaysia, Nepal, New Zealand, Norway, Pakistan, Russian Federation, Sweden, Thailand, the United Republic of Tanzania, United Kingdom, Uruguay, and Zambia.

*Annual cost:* US\$40.7 million.

#### **UNMIK-United Nations Interim Administration Mission in Kosovo**

*Duration:* June 1999 to present.

*Location:* Kosovo province of Yugoslavia.

*Strength:* About 1,957 personnel of UN and partner organizations on the ground, including about 1,297 UN civilian staff. Plus 3,159 civilian police deployed in all five regions of the province and at four border crossings as of 27 April 2000.

*Mandate:* In the wake of the Kosovar conflict, in which the Yugoslav government used hard-handed tactics to control an independence movement in the southern province, the UN Security Council set up UNMIK. Unprecedented in its scope, UNMIK encompasses the activities of three non-UN organizations under the UN's overall jurisdiction. UNMIK's mandate is to provide police and justice functions, and an interim civil administration (UN-led), spearhead reconstruction, including rebuilding the infrastructure (EU-led), and reestablish institutions (OSCE-led). A NATO-led force is to provide an international security presence.

*Annual cost:* US\$456.4 million as of 2000.

#### **UNTAET-United Nations Transitional Administration in East Timor**

*Duration:* October 1999 to May 2002.

*Location:* East Timor.

*Strength:* Maximum military component, 9,150; civilian police component, 1,640.

*Fatalities:* 17.

*Mandate:* As Portugal gave up its claim to East Timor in 1975, Indonesian troops moved in; the half-island territory was ruled by Indonesia from then until it became the independent state of East Timor on 20 May 2002. At elections on 30 August 1999, the people of East Timor voted for independence. UNTAET was established to administer the territory and exercise legislative and executive authority during the transition period. UNTAET consulted and worked in close cooperation with the East Timorese people.

*Composition:* Argentina, Australia, Austria, Bangladesh, Benin, Bolivia, Bosnia and Herzegovina, Brazil, Canada, Cape Verde, Chile, China, Denmark, Egypt, Fiji, France, Gambia, Ghana, Ireland, Italy, Jordan, Kenya, Korea (Republic of), Malaysia, Mozambique, Namibia, Nepal, New Zealand, Niger, Nigeria, Norway, Pakistan, Papua New Guinea, Philippines, Portugal, Russian

Federation, Samoa, Senegal, Singapore, Slovakia, Slovenia, Spain, Sri Lanka, Sweden, Thailand, Turkey, Ukraine, United Kingdom, United States, Uruguay, Vanuatu, Zambia, and Zimbabwe.

*Annual cost:* US\$476.8 million.

#### **UNAMSIL-United Nations Mission in Sierra Leone**

*Duration:* October 1999 to December 2005.

*Location:* Sierra Leone.

*Maximum strength:* 17,500 military personnel, including 260 military observers, and up to 170 police personnel.

*Fatalities:* 188.

*Mandate:* UNAMSIL was to cooperate with the government and the other parties in implementing the Lome Peace Agreement and to assist in the implementation of the disarmament, demobilization, and reintegration plan. On 7 February 2000, the Council revised the mandate of the Mission and expanded its size, as it did once again on 19 May 2000 and 30 March 2001.

*Composition:* Australia, Bangladesh, Bolivia, Cameroon, Canada, China, Croatia, Czech Republic, Denmark, Egypt, France, Gambia, Germany, Ghana, Guinea, India, Indonesia, Jordan, Kenya, Kyrgyzstan, Malawi, Malaysia, Mali, Mauritius, Namibia, Nepal, New Zealand, Niger, Nigeria, Norway, Pakistan, Russian Federation, Senegal, Slovakia, Sri Lanka, Sweden, Tanzania, Thailand, Turkey, Ukraine, United Kingdom, United States, Uruguay, Zambia, and Zimbabwe.

*Total cost:* US\$2.8 billion.

#### **MONUC-United Nations Organization Mission in the Democratic Republic of the Congo**

*Duration:* 30 November 1999 to present.

*Location:* Democratic Republic of the Congo and the subregion, including Namibia, Rwanda, Uganda, Zambia, and Zimbabwe.

*Strength:* 16,920 total uniformed personnel, including 15,019 troops, 729 military observers, and 1,072 police; supported by 856 international, 1,419 local civilian personnel, and 471 UN volunteers.

*Fatalities:* 83.

*Mandate:* After Democratic Republic of the Congo and five regional states signed the Lusaka Cease-fire Agreement in July 1999, the UN Security Council (in November 1999) set up MONUC to maintain liaison with the parties and carry out other tasks, incorporating UN personnel authorized in earlier resolutions. On 24 February 2000, the Council expanded the mission's mandate and size.

*Composition:* Algeria, Argentina, Bangladesh, Belgium, Benin, Bolivia, Bosnia and Herzegovina, Burkina Faso, Cameroon, Canada, Central African Republic, Chad, China, Côte d'Ivoire, Czech Republic, Denmark, Egypt, France, Ghana, Guatemala, Guinea, India, Indonesia, Ireland, Jordan, Kenya, Madagascar, Malawi, Malaysia, Mali, Mongolia, Morocco, Mozambique, Nepal, Netherlands, Niger, Nigeria, Norway, Pakistan, Paraguay, Peru, Poland, Romania, Russian Federation, Senegal, Serbia and Montenegro, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Tunisia, Turkey, Ukraine, United Kingdom, Uruguay, Vanuatu, Yemen, and Zambia.

*Annual cost:* US\$1,153.89 million.

#### **UNMEE-United Nations Mission in Ethiopia and Eritrea**

*Duration:* 31 July 2000 to present.

*Location:* Eritrea and Ethiopia.

*Strength:* 3,359 military personnel, including 206 military observers; supported by 183 international and 226 local civilians, and 65 UN volunteers.

*Fatalities:* 13.

*Mandate:* UMEE was established following the cessation of hostilities between Eritrea and Ethiopia in June 2000, to maintain liaison with the parties and establish the mechanism for verifying the cease-fire. In September, UNMEE's role was expanded to monitor the cessation of hostilities and assist in ensuring observance of security commitments. In August 2002, UNMEE engaged in demining in key areas to support demarcation, and provided administrative and logistical support for the Field Offices of the Boundary Commission.

*Composition:* Algeria, Austria, Bangladesh, Bosnia and Herzegovina, Bulgaria, China, Croatia, Czech Republic, Denmark, Finland, France, Gambia, Germany, Ghana, Greece, Guatemala, India, Jordan, Kenya, Malaysia, Namibia, Nepal, Nigeria, Norway, Paraguay, Peru, Poland, Romania, Russian Federation, South Africa, Spain, Sweden, Switzerland, Tanzania, Tunisia, Ukraine, United States, Uruguay and Zambia.

*Annual cost:* US\$185.99 million.

#### **UNMISSET-United Nations Mission of Support in East Timor**

*Duration:* 20 May 2002 to 20 May 2005.

*Location:* East Timor.

*Peak strength:* 4,776 military personnel and 771 civilian police, supported by 465 international and 856 local civilians.

*Fatalities:* 25.

*Mandate:* East Timor became an independent state on 20 May 2002. UNMISSET was established by the Security Council to provide assistance to East Timor until all operational responsibilities are fully devolved to the East Timor authorities, including law enforcement and security.

*Composition:* Argentina, Australia, Austria, Bangladesh, Benin, Bolivia, Bosnia and Herzegovina, Brazil, Bulgaria, Canada, Chile, China, Croatia, Denmark, Egypt, Fiji, Gambia, Ghana, Ireland, Japan, Jordan, Kenya, Republic of Korea, Malaysia, Mozambique, Namibia, Nepal, New Zealand, Niger, Nigeria, Norway, Pakistan, Peru, Philippines, Portugal, Russian Federation, Samoa, Senegal, Serbia and Montenegro, Singapore, Slovakia, Slovenia, Spain, Sri Lanka, Sweden, Thailand, Turkey, Ukraine, United Kingdom, United States, Uruguay, Vanuatu, Zambia, and Zimbabwe.

*Total cost:* Approximately US\$565.5 million.

#### **UNMIL-United Nations Mission in Liberia**

*Duration:* September 2003-present

*Location:* Liberia

*Strength as of 31 January 2006:* 16,065 total uniformed personnel, including 14,832 troops and 205 military observers; 1,028 police supported by 549 international civilian personnel, 844 local staff and 242 United Nations volunteers.

*Fatalities:* 68

*Mandate:* UNMIL was established by Security Council resolution 1509 (2003) to support the implementation of the ceasefire agreement and the peace process; protect United Nations staff, facilities and civilians; support humanitarian and human rights activities; as well as assist in national security reform, including

national police training and formation of a new, restructured military.

*Composition:* Argentina, Bangladesh, Benin, Bolivia, Bosnia and Herzegovina, Brazil, Bulgaria, China, Croatia, Czech Republic, Denmark, Ecuador, Egypt, El Salvador, Ethiopia, Fiji, Finland, France, Gambia, Germany, Ghana, Indonesia, Ireland, Jamaica, Jordan, Kenya, Kyrgyzstan, Malawi, Malaysia, Mali, Moldova, Namibia, Nepal, Niger, Nigeria, Norway, Pakistan, Paraguay, Peru, Philippines, Poland, Republic of Korea, Romania, Russian Federation, Samoa, Senegal, Serbia and Montenegro, Sierra Leone, Sri Lanka, Sweden, Togo, Turkey, Uganda, Ukraine, United Kingdom, United States, Uruguay, Yemen, Zambia, and Zimbabwe.

*Annual Cost:* US\$760.57 million.

#### **MINUCI-United Nations Mission in Côte d'Ivoire**

*Duration:* May 2003-April 2004.

*Location:* Côte d'Ivoire

*Strength as of 29 February 2004:* 75 military observers supported by 54 international civilian personnel and 55 local staff.

*Mandate:* Having determined that the situation in Côte d'Ivoire constituted a threat to international peace and security in the region, the Security Council set up, on 13 May 2003, a political mission-MINUCI-to facilitate the implementation by the Ivorian parties of an agreement signed by them (the Linas-Marcoussis Agreement) and to complement the operations of the peacekeeping force of the Economic Community of West African States and French troops. On 4 April 2004, MINUCI was replaced by a UN peacekeeping operation-the United Nations Operation in Côte d'Ivoire (UNOCI).

*Composition:* Austria, Bangladesh, Benin, Brazil, Gambia, Ghana, India, Ireland, Jordan, Kenya, Nepal, Niger, Nigeria, Pakistan, Paraguay, Philippines, Poland, the Republic of Moldova, Romania, Russian Federation, Senegal, Tunisia and Uruguay.

*Annual Cost:* US\$29.9 million.

#### **UNOCI-United Nations Operation in Côte d'Ivoire**

*Duration:* April 2004-present.

*Location:* Côte d'Ivoire

*Strength as of 31 January 2006:* 7,594 total uniformed personnel, including 6,702 troops, 195 military observers; 697 police supported by 362 international civilian personnel, 424 local staff and 202 United Nations volunteers.

*Fatalities:* 15.

*Mandate:* Having determined that the situation in Côte d'Ivoire continued to pose a threat to international peace and security in the region and acting under Chapter VII of the UN Charter, the Security Council, by its resolution 1528 of 27 February 2004, decided to establish the United Nations Operation in Côte d'Ivoire (UNOCI) as from 4 April 2004. UNOCI replaced the United Nations Mission in Côte d'Ivoire (MINUCI), a political mission set up by the Council in May 2003 with a mandate to facilitate the implementation by the Ivorian parties of the peace agreement signed by them in January 2003.

*Composition:* Bangladesh, Benin, Bolivia, Brazil, Cameroon, Canada, Central African Republic, Chad, China, Croatia, Djibouti, Dominican Republic, Ecuador, El Salvador, France, Gambia, Ghana, Guatemala, Guinea, India, Ireland, Jordan, Kenya, Lebanon, Madagascar, Moldova, Morocco, Namibia, Nepal, Niger, Nigeria, Pakistan, Paraguay, Peru, Philippines, Poland, Portugal, Ro-

mania, Russian Federation, Senegal, Serbia and Montenegro, Sri Lanka, Togo, Tunisia, Turkey, Uganda, Uruguay, Vanuatu, Yemen and Zambia.

*Annual Cost:* us\$438.17 million.

#### **MINUSTAH-United Nations Stabilization Mission in Haiti**

*Duration:* June 2004-present

*Location:* Haiti

*Strength as of 31 January 2006:* 9,295 total uniformed personnel, including 7,519 troops and 1,776 police, supported by 455 international civilian personnel, about 516 local civilian staff and 161 United Nations volunteers.

*Fatalities:* 17

*Mandate:* Having determined that the situation in Haiti continued to constitute a threat to international peace and security in the region and acting under Chapter VII of the UN Charter, the Security Council, by its resolution 1542 of 30 April 2004, decided to establish the United Nations Stabilization Mission in Haiti (MINUSTAH) and requested that authority be transferred from the Multinational Interim Force (MIF), authorized by the Security Council in February 2004, to MINUSTAH on 1 June 2004.

*Composition:* Argentina, Benin, Bolivia, Bosnia and Herzegovina, Brazil, Burkina Faso, Cameroon, Canada, Chad, Chile, China, Croatia, Ecuador, Egypt, El Salvador, France, Ghana, Guatemala, Guinea, Jordan, Malaysia, Mali, Mauritius, Morocco, Nepal, Niger, Nigeria, Pakistan, Paraguay, Peru, Philippines, Romania, Russia, Senegal, Sierra Leone, Spain, Sri Lanka, Togo, Turkey, United States, Uruguay, Vanuatu, Yemen and Zambia.

*Annual Cost:* us\$541.30 million.

#### **ONUB-United Nations Operation in Burundi**

*Duration:* June 2004-present

*Location:* Burundi

*Strength as of 31 January 2006:* 5,410 total uniformed personnel, including 5,153 troops, 170 military observers and 87 police, supported by 318 international civilian personnel and 389 local civilian staff and 135 United Nations volunteers.

*Fatalities:* 20

*Mandate:* Having determined that the situation in Burundi continued to constitute a threat to international peace and security in the region and acting under Chapter VII of the UN Charter, the Security Council, by its resolution 1545 of 21 May 2004, decided to establish the United Nations Operation in Burundi (ONUB) in order to support and help to implement the efforts undertaken by Burundians to restore lasting peace and bring about national reconciliation, as provided under the Arusha Agreement.

*Composition:* Algeria, Bangladesh, Belgium, Benin, Bolivia, Burkina Faso, Cameroon, Chad, China, Egypt, Ethiopia, Gambia, Ghana, Guatemala, Guinea, India, Jordan, Kenya, Kyrgyzstan, Madagascar, Malawi, Malaysia, Mali, Mozambique, Namibia, Nepal, Niger, Nigeria, Pakistan, Paraguay, Peru, Philippines, Portugal, Republic of Korea, Romania, Russia, Senegal, Serbia and Montenegro, South Africa, Spain, Sri Lanka, Thailand, Togo, Tunisia, Uruguay, Yemen and Zambia

*Annual Cost:* us\$307.69 million

#### **UNMIS-United Nations Mission in the Sudan**

*Duration:* March 2005-present

*Location:* Sudan

*Strength as of 31 January 2006:* 6,300 total uniformed personnel, including 5,308 troops, 593 military observers, and 399 police supported by 579 international civilian personnel, 1,075 local civilian and 80 United Nations volunteers.

*Fatalities:* 1.

*Mandate:* The Security Council, by its resolution 1590 of 24 March 2005, decided to establish the United Nations Mission in the Sudan (UNMIS) to support implementation of the Comprehensive Peace Agreement signed by the Government of Sudan and the Sudan People's Liberation Movement/Army on 9 January 2005; and to perform certain functions relating to humanitarian assistance, and protection and promotion of human rights.

*Composition:* Argentina, Australia, Austria, Bangladesh, Belgium, Benin, Bolivia, Brazil, Burkina Faso, Cambodia, Canada, China, Croatia, Denmark, Ecuador, Egypt, El Salvador, Fiji, Finland, Gabon, Germany, Ghana, Greece, Guatemala, Guinea, India, Indonesia, Italy, Jamaica, Jordan, Kenya, Kyrgyzstan, Malawi, Malaysia, Mali, Moldova, Mongolia, Mozambique, Namibia, Nepal, New Zealand, Nigeria, Norway, Pakistan, Paraguay, Peru, Philippines, Poland, Republic of Korea, Romania, Russia, Rwanda, Samoa, Sri Lanka, Sweden, Switzerland, Tanzania, Thailand, Turkey, Uganda, Ukraine, United Kingdom, United States, Yemen, Zambia, and Zimbabwe.

*Annual Cost:* us\$969.47 million.

## **SOME CASE HISTORIES OF UN ACTION**

The cases are arranged in order of the dates when the disputes were first brought before the UN.

### **The Middle East**

*Establishment of Israel.* In April 1947, the General Assembly, at a special session, established a Special Committee on Palestine to make recommendations for the future status of the British mandate. The resulting partition plan, which divided Palestine into an Arab and a Jewish state, with an international regime for the city of Jerusalem, was adopted by the General Assembly in November of the same year. A UN Palestine Commission was established to carry out the recommendations, and the Security Council was requested to implement the plan. The date for termination of the British mandate and withdrawal of British troops was 1 August 1948. However, violent fighting broke out between the Arab nations and the Jewish community in Palestine. The Security Council thereupon established a Truce Commission consisting of Belgium, France, and the United States, while the General Assembly authorized a UN Mediator for Palestine to replace the Palestine Commission.

On 14 May 1948, the Jewish state of Israel was proclaimed. Almost immediately, the Arab nations instituted full-scale armed action. Following a four-week truce at the request of the Security Council, hostilities were renewed on 8 July. This time, the Security Council, invoking Chapter VII of the charter, ordered the governments concerned to desist from further military action and proclaimed a cease-fire.

Through the UN mediator, Count Folke Bernadotte, the Security Council then established a UN Truce Supervision Organization (UNTSO) of military observers from different countries, with headquarters in Jerusalem, and assigned it the task of patrolling the frontiers. Fighting continued, however, and Count Bernadotte

was assassinated in September 1948. During its regular session in the fall of 1948, the General Assembly established a three-member Conciliation Commission (France, Turkey, and the United States) to negotiate a settlement and also established the UN Relief for Palestine Refugees (later replaced by UNRWA). Following negotiations with the acting UN mediator, Ralph Bunche, in the first half of 1949, Israel, Egypt, Jordan, Lebanon, and Syria signed armistice agreements. The agreements provided for mixed armistice commissions to check on their implementation. UNTSO continued in operation to observe the cease-fire and is still in existence, investigating complaints of armistice violations and reporting to the Security Council. The Conciliation Commission also continues to function, still trying to fulfill its mandate from the General Assembly to assist the parties concerned to negotiate a final settlement of all issues.

*The Suez Crisis.* In July 1956, Egypt nationalized the Suez Canal. In September, after Egypt's rejection of the London Conference plan for international control of the canal, France and the United Kingdom informed the Security Council that Egypt's attitude was endangering the peace. Israel invaded Egypt's Gaza Strip the following month, and a Security Council resolution calling for a cease-fire and the withdrawal of Israeli troops was vetoed by France and the United Kingdom. France and the United Kingdom began armed intervention in the area, and thereafter the situation was handled exclusively by the General Assembly under the Uniting for Peace Resolution. In November 1956, the General Assembly established the UN Emergency Force (UNEF) to secure and supervise cessation of hostilities. Since Israel would not permit UNEF contingents on territory under its control, the force was stationed on the Egyptian side of the demarcation line. Withdrawal of British and French forces was completed by December 1956 and of Israeli forces by March 1957. The canal was cleared by April of the same year, and Egypt declared it open to international traffic (Israeli ships were barred, however).

*The Six-Day War, 1967.* By the mid-1960s, the tension between Israel and the Arab countries had begun to manifest itself in frequent and sometimes major hostilities across the various armistice borders. On 18 May 1967, the United Arab Republic (UAR), which two days earlier had begun deploying troops to the armistice demarcation line in the Sinai peninsula, officially requested Secretary-General U Thant to withdraw all UNEF units from the area. After consultations with the UNEF Advisory Committee, U Thant ordered the withdrawal of the force that evening.

U Thant's prompt compliance with the UAR's request aroused severe criticism in Israel and other quarters. His view was that both legal and practical considerations required him to act without delay. In subsequent reports, he pointed out that UNEF was not an enforcement operation ordered by the Security Council but a peacekeeping operation dependent on the consent of the host country. His unilateral decision to disband the force was, however, probably the most controversial of his career as Secretary-General. Some of his critics challenged the legal validity of his stand, while many others believed that he could have used his office to try to persuade the UAR at least to agree to a postponement of its request for UNEF's withdrawal, which they felt only helped pave the way for the crisis that followed.

The UAR occupied the fortress Sharm el-Sheikh, which commands the Strait of Tiran at the mouth of the Gulf of Aqaba. On

22 May 1967, it declared the gulf closed to Israeli ships and to other ships bound for Israel with strategic goods. Israel found its sole direct access to the Red Sea blockaded and considered the blockade, together with the military agreement that the UAR had recently signed with Jordan, a justified *casus belli*. Regarding the assurances of help that it had received from Western countries in the course of concentrated diplomatic activity intended to avert the impending war as insufficient, it simultaneously attacked the UAR, Jordan, and Syria on 5 June. Within three days, it had deeply penetrated the territory of each country.

The Security Council, in emergency session, demanded a cease-fire on 6 June 1967. Israel announced that it would accept a cease-fire provided that the other parties accepted it. Jordan announced acceptance on 7 June, the UAR on 8 June, and Syria on 9 June, and a cease-fire accordingly took effect on 10 June. Violations of the cease-fire, especially along the Israel-Syria border, continued until 13 June, when Secretary-General U Thant was able to report the "virtual cessation" of all military activity. By then, Israel had voluntarily withdrawn its forces from much of the territory that it had occupied but had retained control of several areas regarded as essential to its security—namely, the whole of the UAR's Sinai peninsula up to the Suez Canal, including Sharm el-Sheikh and the Gaza Strip; the Jordanian part of the city of Jerusalem and the West Bank area of the Jordan River; and the Golan Heights, in Syrian territory overlooking the Sea of Galilee. On 14 June, the Security Council adopted a resolution calling upon Israel to ensure the "safety, welfare and security" of the inhabitants of the occupied areas and upon the "governments concerned" scrupulously to respect the humanitarian principles governing the treatment of prisoners of war contained in the 1949 Geneva Convention.

An emergency special session of the General Assembly, held from 19 June to 21 July 1967, failed to produce a resolution that might serve as the frame of reference for a settlement. The division of opinion between the supporters of the Arabs, including the Soviet bloc and several African and Asian countries, and the supporters of the Israeli position, including the United States and several Western countries, was too deep to be bridged. However, the General Assembly did adopt, by a vote of 99 in favor with 20 abstentions, a resolution declaring invalid Israel's proclamation on 28 June that Jerusalem would thenceforward be a unified city under Israeli administration.

*Resolution 242.* For many months, the Security Council was equally unsuccessful in the attempt to devise an acceptable formula for establishing permanent peace in the area. Finally, on 22 November 1967, after weeks of quiet diplomacy and closed discussions, it adopted Resolution 242, which provided the basis of UN efforts to achieve a definitive settlement. The resolution, based on a British draft, establishes certain principles for a peaceful settlement without going into contentious specifics or prescribing priorities. The principles include withdrawal of Israeli forces from occupied areas (the text deliberately avoided requesting withdrawal from "all" occupied areas, in view of Israel's declaration that it would not give up certain strategic places, including Jordanian Jerusalem); an end to states of belligerency; respect for the rights of all states in the area to peaceful existence; and an affirmation of the need to guarantee free navigation through international waterways, settle the long-standing Palestine refugee problem, and guarantee the territorial integrity and political independence



of the countries involved. All parties—except, initially, Syria—accepted the formula.

*The October War, 1973.* Full-scale hostilities broke out again in the Suez Canal and Israel-Syria sectors on 6 October 1973. The Security Council met four times without considering any draft resolutions and on 12 October decided to reconvene at a later date after consultations. It did so on 21 October at the request of the United States and the USSR and the next day adopted Resolution 338, which called for the immediate cessation of all military activities. It also decided that negotiations between the concerned parties for a just and durable peace should begin at once. China did not participate in this or other votes on the question. Israel, Syria, and Egypt agreed to comply, each stating conditions.

A second UN Emergency Force (UNEF II) was established by the Security Council on 25 October 1973. Its personnel were to be drawn from member states, with the exception of the permanent members of the council, and its eventual strength was to be 7,000. As the force was assembled, it took up stations in zones of disengagement between Israel and Egypt.

A peace conference on the Middle East was convened in December 1973 in Geneva under the auspices of the UN and the co-chairmanship of the United States and the USSR. The work of the conference came to fruition at kilometer 101 on the Cairo-Suez road on 18 January 1974, when the chief of staff of the Egyptian Armed Forces and the chief of staff of the Israel Defense Forces signed an Agreement on Disengagement of Forces, with the UNEF commander as witness. The agreement came into effect on 25 January 1974.

It was not until 31 May 1974, in Geneva, that Syria and Israel signed an Agreement on Disengagement, which called for the creation of a UN Disengagement Observer Force (UNDOF) and specified that it did not represent a peace agreement but a step toward peace. On the same day, after the signing, the Security Council adopted a resolution jointly sponsored by the United States and the USSR that set up UNDOF. China and Iraq did not participate in the vote. The strength of UNDOF was to be 1,250, its components to be drawn from members of the UN that were not permanent members of the Security Council. In 2006, UNDOF comprised some 1,000 troops, provided by Austria, Canada, Japan, Nepal, Poland, and the Slovak Republic, deployed between the Israeli and Syrian forces on the Golan Heights.

*Developments in Lebanon.* On 15 March 1978, following a Palestinian commando raid in Israel, Israeli forces invaded southern Lebanon. On 19 March, the Security Council called on Israel to cease its military action against Lebanese territory and decided to establish a UN Interim Force in Lebanon (UNIFIL) to confirm the withdrawal of Israeli forces and assist the Lebanese government in ensuring the return of its effective authority in the area.

The mandate of the 6,000-man UNIFIL has been extended by the Security Council since then. Perhaps its greatest crisis occurred on the morning of 6 June 1982, when Israeli forces, comprising two mechanized divisions with air and naval support, moved into Lebanese territory, bypassing positions occupied by UNIFIL. The Israeli invasion was followed by a few days of intensive exchanges of fire with PLO and Syrian forces and by Israeli air attacks on targets in the Beirut area. In subsequent days and weeks, the Security Council met numerous times to demand

a cease-fire, withdrawal of Israeli forces, and respect for the rights of the civilian population.

UNIFIL's mandate was enlarged to extend protection and humanitarian assistance to the population of the area; an international survey mission was established to assess the situation on the spot; a UN observer group was deployed in and around Beirut to ensure that a cease-fire was fully observed by all concerned; and, at Lebanon's request, a 4,000-man multinational force, composed of contingents from France, Italy, and the United States (and later the United Kingdom), was deployed in the Beirut area. The force was withdrawn in 1984.

As of 31 January 2006, UNIFIL comprised some 1,980 troops, provided by France, Ghana, India, Ireland, Italy, Poland, and Ukraine. It has continued to assist the Lebanese government in ensuring the return of its effective authority in southern Lebanon.

*The Question of Palestinian Rights.* Concurrently with its consideration of the situation in the Middle East and of the role of peacekeeping forces in the region, the UN has been concerned with the question of Palestinian rights. In 1968, the General Assembly established the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Population of the Occupied Territories, which reports annually to it, and in 1974, it reaffirmed "the inalienable rights of the Palestinian people" to unhindered self-determination, national independence, and sovereignty. The General Assembly recognized the Palestinian people as a principal party in the establishment of a just and durable peace in the Middle East, and it invited the PLO to participate as an observer in its work and in UN conferences.

In 1975, the General Assembly established the Committee on the Exercise of the Inalienable Rights of the Palestinian People and asked it to recommend a program for the implementation of those rights. The committee recommended that a timetable be established by the Security Council for the complete withdrawal of Israeli forces from the areas occupied in 1967. The evacuated areas, with all properties and services intact, would be taken over by the UN, which, with the cooperation of the League of Arab States, would subsequently hand them over to the PLO as the representative of the Palestinian people. The General Assembly has endorsed the committee's recommendations at successive sessions since 1976, but the Security Council has not acted on them.

An International Conference on the Question of Palestine, held in Geneva in the summer of 1983, adopted a declaration on Palestine and a program of action for the achievement of Palestinian rights, which was later endorsed by the General Assembly. The conference also called for the convening of an international conference on the Middle East, a proposal which the General Assembly endorsed.

At its 1987 session, the General Assembly reaffirmed its conviction that "the question of Palestine is the core of the conflict in the Middle East and that no comprehensive, just and lasting peace in the region will be achieved without the full exercise by the Palestinian people of its inalienable national rights and the immediate, unconditional and total withdrawal of Israel from all the Palestinian and other Arab occupied territories." The General Assembly again called for the convening of an international peace conference on the Middle East under the auspices of the UN and at the invitation of the Secretary-General, with the participation of the

five permanent members of the Security Council and all the parties to the Arab-Israeli conflict, including the PLO.

### Korea

At the end of World War II, the Allied powers agreed that Soviet troops would accept the Japanese surrender north of the 38th parallel in Korea and that United States forces would accept it south of that line. The two occupying powers established a joint commission to set up a provisional government for the country, but the commission could not come to an agreement, and the United States brought the matter to the General Assembly in September 1947. In November, the General Assembly created a Temporary Commission on Korea to facilitate nationwide elections. However, since the commission was denied access to northern Korea, it was only able to supervise elections in the southern half of the country. These elections took place in May 1948, and in August, the United States transferred governmental and military functions to the duly elected government of the Republic of Korea (ROK). Meanwhile, a separate government was established in the north. In December 1948, the General Assembly, over the objection of the USSR, established a seven-member UN Commission on Korea (UNCOK) to replace the Temporary Commission and to seek reunification.

On 25 June 1950, both UNCOK and the United States informed the Security Council that the Democratic People's Republic of Korea (DPRK) had attacked the ROK that morning. The council met on the same day and (the USSR being absent at the time in protest against a council decision on Chinese representation) declared the attack to be a breach of the peace. It called for a cease-fire, withdrawal of DPRK forces to the 38th parallel, and the assistance of member states to the ROK. As the fighting continued, the Security Council, on 27 June, recommended that UN members furnish assistance to the ROK to repel the attack and restore peace and security. On the same day, the United States announced that it had ordered its own air and sea forces to give cover and support to the South Korean troops. On July 7, the Security Council voted to recommend that states make forces available to a UN Unified Command under the United States. (It should be noted that although the council had used the language of Chapter VII of the charter—"breach of the peace," etc.—it did not specifically invoke the chapter itself or use its constitutional power thereunder to order all states to comply with its decision.) In all, 16 nations supplied troops: Australia, Belgium, Canada, Colombia, Ethiopia, France, Greece, Luxembourg, Netherlands, New Zealand, Philippines, Thailand, Turkey, South Africa, the United Kingdom, and the United States; the ROK also placed its troops under the UN Command.

On 1 August 1950, the USSR returned to the Security Council (having by then been absent for six months) and declared that all the actions and decisions that had previously been taken by the council were illegal. On 6 November, the USSR vetoed a resolution proposed by the United States. As a result of the ensuing deadlock, the General Assembly virtually took over the handling of the entire situation (the Security Council even agreeing unanimously, on 31 January 1951, to remove the item from its agenda). The legalistic device by which the General Assembly voted itself competent to continue with collective measures that under the

charter are the exclusive preserve of the Security Council was the Uniting for Peace Resolution.

Even before the Security Council became deadlocked, the General Assembly had considered an agenda item entitled "The Problem of the Independence of Korea." Under this item, it established the Commission for the Unification and Rehabilitation of Korea (UNCURK) to replace UNCOK. Then, on 6 November 1950, events were given a new twist when the People's Republic of China entered the war on the side of the DPRK. The General Assembly promptly added the agenda item entitled "Intervention of the Central People's Government of the People's Republic of China in Korea." Under this item, the General Assembly established the UN Korean Reconstruction Agency (UNKRA) and a three-member Cease-fire Group that included the president of the General Assembly to determine a basis for ending hostilities. Following China's refusal to cooperate, the General Assembly, in February 1951, adopted a resolution that that government had engaged in aggression. It also established a Good Offices Committee and an Additional Measures Committee to supplement the Cease-fire Group. Truce negotiations began in July 1951, but fighting continued until 1953, when an armistice agreement was signed on 27 July. A year later, the General Assembly called for the political conference that had been provided for in the armistice agreement. The conference was held between April and June 1954, but it failed to resolve problems and negotiate reunification of the country. UNKRA ceased operations in 1960, and UNCURK was dissolved by a consensus vote of the 1973 General Assembly.

On 18 November 1975, the General Assembly adopted two resolutions—one with Western support, the other with that of the Communist states—which were to some extent conflicting but which both favored dissolution of the UN Command at an early date. The first resolution called for negotiations among the DPRK, the ROK, China, and the United States. The second called for negotiations between the DPRK and the United States. The DPRK declared that it would not participate in negotiations with the ROK.

As of April 2006, the UN Command was still in operation, and the Military Armistice Commission (MAC), set up to implement the armistice terms, continued to meet regularly in the Joint Security Area, commonly known as the Truce Village of Panmunjom.

### Kashmir

Kashmir (officially, Jammu and Kashmir) was originally one of the princely states of British India. Under the partition plan and the Indian Independence Act of 1947, it became free to accede to either India or Pakistan, on both of which it borders. On 1 January 1948, India reported to the Security Council that tribesmen were invading Kashmir with the active assistance of Pakistan. After the invasion had begun, the maharajah of Kashmir had requested accession to India and India had accepted on the understanding that, once normal conditions were restored, the question of accession would be settled by a plebiscite. Pakistan declared that Kashmir's accession to India was illegal.

The Security Council, after asking the parties to mediate, called for withdrawal of Pakistani nationals, reduction of Indian forces, and arrangement of a plebiscite on Kashmir's accession to India. A UN Commission for India and Pakistan (UNCIP) was sent to

mediate in July 1948. By 1949, UNCIP had effected a cease-fire and was able to state that principles on a plebiscite had been accepted by both governments. In July 1949, agreement was reached on a cease-fire line, and UNCIP appointed a group of military observers to watch for violations. However, it was unable to reach agreement on terms for the demilitarization of Kashmir prior to a plebiscite.

In March 1951, after several attempts at further negotiation had failed, the Security Council decided to continue the observer group—now called the UN Military Observer Group in India and Pakistan (UNMOGIP)—to supervise the cease-fire within Kashmir itself. Despite continued mediation, the differences between the parties remained. The Security Council repeatedly considered the matter without achieving appreciable progress.

In August 1965 there was a sudden outbreak of serious hostilities. UNMOGIP reported clashes between the regular armed forces of both India and Pakistan, and fighting continued into September, although the Security Council had twice called for a cease-fire. Following a report that fighting had spread to the international border between India and West Pakistan, the council, on September 20, requested that both sides issue orders for a cease-fire within two days and withdraw their forces to their previously held positions. The cease-fire was accepted by both states, but continuous complaints of violations were made by each side. Accordingly, the Council requested Secretary-General U Thant to increase the size of UNMOGIP and to establish the UN India-Pakistan Observation Mission (UNIPOM) on the India-West Pakistan border.

On 5 November 1965, the Security Council urged that a meeting between the parties be held as soon as possible and that a plan for withdrawal containing a time limit for execution be developed. U Thant appointed a representative to meet with authorities of both countries on the question. On 17 February 1966, he informed the council that a plan and rules for withdrawals had been worked out. He also stated that, on 10 January, the prime minister of India and the president of Pakistan had agreed at Tashkent, where they had met at the initiative of the USSR, that their respective forces would be withdrawn to their original positions by 25 February. Thus, though the crisis remains quiescent, the conflict itself is unresolved, and UNMOGIP is still in operation, with some 40 military observers stationed in the area.

In 1971, another conflict between the two countries broke out, this time in connection with the civil strife in East Pakistan, which later became the independent state of Bangladesh. As nearly 10 million refugees streamed into neighboring India, tension increased in the subcontinent. U Thant conveyed his serious concern to the president of Pakistan and the prime minister of India and, with the consent of the host governments, set up two large-scale humanitarian programs. One of these, with the UN high commissioner for refugees as the focal point, was for the relief of the refugees in India. The other was for assistance to the distressed population in East Pakistan. U Thant's actions were subsequently unanimously approved by the General Assembly.

On 20 July 1971, the Secretary-General drew the attention of the president of the Security Council to the steady deterioration of the situation in the region, which he described as a potential threat to peace and security. He noted that humanitarian, economic, and

political problems were involved, and he indicated that the UN should play a more forthright role to avert further deterioration. In October of that year, he offered his good offices to the governments of India and Pakistan, but India declined. Clashes broke out between the two countries, and on 3 December, U Thant notified the Security Council under Article 99 of the charter that the situation in the region constituted a threat to international peace and security.

After a cease-fire had put an end to the fighting on 17 December 1971, the Security Council adopted a resolution demanding the strict observance of the cease-fire until withdrawal of all armed forces to their previous positions should take place. The council also called for international assistance to relieve the suffering and for the appointment of a special UN representative to lend his good offices for the solution of humanitarian problems. During 1972, the refugees, with UN assistance, returned to their homeland. The UN relief operation helped pave the way for the rehabilitation of the shattered economy of Bangladesh, which became a member of the UN in 1974.

As of 31 January 2006, UNMOGIP consisted of 44 military observers from nine countries: Belgium, Chile, Croatia, Denmark, Finland, Italy, the Republic of Korea, Sweden, and Uruguay.

### The Congo (Zaire)

One week after the Democratic Republic of the Congo (formerly Zaire), a former Belgian colony, had become independent on 30 June 1960, troops of the Force Publique mutinied against the Belgian officers, demanding higher pay and promotions. As violence and general disorder spread rapidly throughout the country, Belgium rushed troops to the area to protect its extensive mining interests. On 11 July, Katanga, the richest province of the country by virtue of its Belgian-controlled copper mines, proclaimed its secession from the new state. On the following day, President Kasavubu and Prime Minister Patrice Lumumba appealed for UN military assistance “to protect the national territory against acts of aggression committed by Belgian metropolitan troops.”

In a series of meetings, the Security Council called for the withdrawal of Belgian troops and authorized Secretary-General Hammarskjöld to provide the Congolese government with such military and technical assistance as might be necessary until the national security forces, through the efforts of the government with UN assistance, might be able, in the government's opinion, to meet their tasks fully.

Within two days, contingents of a UN force provided by a number of countries, including Asian and African states, began to arrive in the Congo, followed by UN civilian experts to help ensure the continued operation of essential services. Over the next four years, the task of the UN Operation in the Congo (UNOC) was to help the Congolese government restore and maintain the political independence and territorial integrity of the country, maintain law and order, and to put into effect a wide and long-term program of training and technical assistance.

At its peak strength, the UN force totaled nearly 20,000 officers and men. The instructions of the Security Council to the force were strengthened early in 1961 after the assassination of Lumumba in Katanga. The force was to protect the Congo from outside interference, particularly by evacuating foreign mercenaries and

advisers from Katanga and preventing clashes and civil strife, by force if necessary as a last resort.

Following the reconvening of the Congolese parliament in August 1961 under UN auspices, the main problem was the attempted secession, led and financed by foreign elements, of the province of Katanga, where secessionist gendarmes under the command of foreign mercenaries clashed with UN forces. Secretary-General Hammarskjöld died on 17 September 1961, when his plane crashed on the way to Ndola (in what is now Zambia), where talks were to be held for the cessation of hostilities.

In February 1963, after Katanga had been reintegrated into the national territory of the Congo, a phasing out of the force was begun, aimed at its termination by the end of that year. At the request of the Congolese government, however, the General Assembly authorized the stay of a reduced number of troops for a further six months. The force was completely withdrawn by 30 June 1964. Civilian aid continued in the largest single program of assistance undertaken by the UN up to that time, with some 2,000 experts at work in the nation.

### Cyprus

Cyprus was granted independence from British rule in 1960 through agreements signed by the United Kingdom, Greece, and Turkey. Under these agreements, Cyprus was given a constitution containing certain unamendable provisions guaranteeing specified political rights to the Turkish minority community. The three signatory powers were constituted guarantors of Cyprus's independence, each with the right to station troops permanently on the island.

The granting of independence had been preceded by a prolonged conflict between the Greek and Turkish communities on the future status of Cyprus. The Greek Cypriots, comprising 80 percent of the total population, originally had wanted some form of union with Greece, thereby provoking a hostile reaction among the Turkish Cypriots, who countered by demanding partition. Each side was supported in its aims by the country of its ethnic origin. Independence did nothing to alleviate dissension on the island. Both sides were dissatisfied with the constitution that had been granted them, but their aims were diametrically opposed. The Turks wanted partition or a type of federal government, whereas the Greeks wanted a constitution free of outside controls and of provisions perpetuating the division between the two communities.

After three years of continuous tension, the Cyprus government, under Greek Cypriot president Makarios, complained to the Security Council on 27 December 1963 that Turkey was interfering in its internal affairs and committing acts of aggression. Against a background of mounting violence on the island, the council considered the matter but did not immediately take any peacekeeping action.

With the consent of Cyprus, British troops had been trying to restore order during the crisis. However, in mid-February 1964, the United Kingdom informed the Security Council that its efforts to keep the peace would have to be augmented. Accordingly, on 4 March 1964, the council unanimously authorized the establishment of the UN Peacekeeping Force in Cyprus (UNFICYP) for a three-month period and at the same time requested Sec-

retary-General U Thant to designate a UN mediator to promote a substantive settlement. UNFICYP became operational on 27 March 1964, with a mandate to prevent the recurrence of fighting, help maintain law and order, and promote a return to normal conditions.

A coup d'état on 15 July 1974 by Greek Cypriot and Greek elements opposed to President Makarios forced him to flee the country. This was quickly followed by military intervention by Turkey, whose troops subsequently established Turkish Cypriot control over the northern part of Cyprus. Four days after a cease-fire went into effect on 16 August 1974, the UN high commissioner for refugees was asked to coordinate humanitarian assistance in Cyprus, where more than 200,000 persons had been dislocated as a result of the hostilities.

Concurrently with the functioning of UNFICYP, the UN has been active in promoting a peaceful solution and an agreed settlement of the Cyprus problem. This task, first entrusted to a mediator, has been carried out since 1968 through the good offices of the Secretary-General. Within that framework, a series of intercommunal talks between representatives of the Greek and Turkish Cypriot communities, as well as high-level meetings, were held, beginning in 1974, in an effort to reach a just and lasting solution. The intercommunal talks were discontinued after the Turkish Cypriot authorities, on 15 November 1983, proclaimed a "Turkish Republic of Northern Cyprus," a step which the Security Council called legally invalid. Secretary-General Pérez de Cuéllar met separately with representatives of the two sides in an effort to resume the negotiating process. Settlement talks headed by the UN continued in the 1990s.

UNFICYP has continued its task of supervising the cease-fire and maintaining surveillance over the buffer zone between the cease-fire lines. As of 31 January 2006, the force numbered 923 total uniformed personnel, including 854 troops and 69 police; supported by 33 international civilian personnel and 110 local civilian staff.

### Apartheid in South Africa

The racial policy of apartheid practiced by the South African government not only violated the political and human rights of its African citizens, it also destabilized the entire southern African region. The government of South Africa's policies towards the independence of surrounding African nations, the flight of South African freedom fighters to those countries, and the possibility that the technologically advanced government of South Africa might acquire nuclear capabilities, led the United Nations to consider apartheid in South Africa as a real threat to international peace and security. More than four decades of effort by the United Nations bore fruit in April 1994, when Nelson Mandela was elected president of South Africa in democratic elections open to South African citizens of all races.

The racial policies of the government of South Africa were a major concern of the UN since its earliest years. Over more than four decades, the General Assembly and the Security Council called for measures by the international community aimed at bringing about the end of apartheid, an Afrikaans word meaning "separateness," and at enabling the Africans of South Africa, who outnumber the whites by more than 4 to 1, to exercise political, economic,

and all other rights in their country. In the words of a 1982 General Assembly resolution, the goal of the UN with regard to South Africa was “the total eradication of apartheid and the establishment of a democratic society in which all the people of South Africa as a whole, irrespective of race, color, sex or creed, will enjoy equal and full human rights and fundamental freedoms and participate freely in the determination of their destiny.”

The question of South Africa’s racial policies was first raised in the General Assembly in 1946, when India complained that the South African government had enacted legislation discriminating against South Africans of Indian origin. The General Assembly expressed the view that the treatment of Indians in South Africa should conform with South Africa’s obligations under agreements concluded between that country and India and its obligations under the UN Charter.

The wider question of racial conflict in South Africa arising from that government’s apartheid policies was placed on the General Assembly’s agenda in 1952. On that question and on India’s original complaint, the South African government maintained that the matter was essentially within its domestic jurisdiction and that, under the charter, the UN was barred from considering it.

The Security Council took up the question for the first time in 1960, following an incident at Sharpeville on 21 March in which South African police fired on peaceful demonstrators protesting the requirement that all Africans carry “passes”; 69 people were killed and 180 wounded. The council stated that the situation in South Africa had led to international friction and, if continued, might endanger international peace and security. The council called on the South African government to abandon its policy of apartheid, which it termed “a crime against the conscience and dignity of mankind.”

In order to keep the racial policies of South Africa under review, the General Assembly decided, in 1962, to establish the Special Committee Against Apartheid. The committee, composed of 18 members, was subsequently given a wider mandate to review all aspects of South Africa’s policies of apartheid and the international repercussions of those policies.

The committee’s work included the following activities: holding of meetings and hearings; the sending of missions to member states to gain support for the struggle against apartheid; the organization of international conferences, special sessions, and seminars; and the implementation of the resolutions of the General Assembly and the Security Council, particularly by promoting sports, cultural, consumer, and other boycotts and, with the UN Center Against Apartheid, cooperating with governments, inter-governmental organizations, trade unions, women’s organizations, religious leaders, student and youth movements, and anti-apartheid groups in mobilizing international public opinion in support of action against apartheid.

The General Assembly also established, in 1965, the UN Trust Fund for South Africa, which, through voluntary contributions, made grants to organizations for legal aid to persons persecuted under South Africa’s apartheid laws, relief to such persons and their families, and relief for refugees from South Africa. In 1967, the General Assembly established the UN Educational and Training Program for Southern Africa, which granted scholarships to

students from South Africa and Namibia for study and training abroad.

*Arms Embargo and Other Sanctions.* A voluntary arms embargo against South Africa was instituted by the Security Council in 1963. Noting that some of the arms supplied to South Africa were being used to further its racial policies and repress the African people, the council called on all states to stop the sale and shipment of arms, ammunition of all types, and military vehicles to South Africa. Subsequently, in 1970, the Security Council condemned violations of the arms embargo and called on all states to strengthen and implement it unconditionally; withhold the supply of all vehicles, equipment, and spare parts for use by South African military and paramilitary forces; revoke all licenses and patents granted for South African manufacture of arms, aircraft, or military vehicles; prohibit investment or technical assistance for arms manufacture; and cease military cooperation with South Africa.

Both the Security Council and the General Assembly condemned the shooting, on 26 June 1976, of Africans, including schoolchildren, demonstrating in the township of Soweto.

The following year, the Security Council made the arms embargo against South Africa mandatory, the first time that such action had been taken against a member state under Chapter VII of the charter, which provides for enforcement action in the face of threats to international peace and security. Concerned that South Africa was at the threshold of producing nuclear weapons, the Security Council also decided that states should refrain from any cooperation with South Africa in the manufacture and development of such weapons. It established a committee to keep under constant review the implementation by states of the mandatory arms embargo.

Meanwhile, the General Assembly, in 1970, urged states to terminate diplomatic and other official relations with South Africa, as well as economic and all other types of cooperation, as an expression of international rejection of South Africa’s policy of apartheid, which the General Assembly called “a crime against humanity.” In 1973, the General Assembly adopted the International Convention on the Suppression and Punishment of the Crime of Apartheid (see the section on Racial Discrimination in the chapter on Human Rights).

In 1974, the General Assembly rejected South Africa’s credentials and recommended that South Africa be totally excluded from participation in all international organizations and conferences held under UN auspices until it abandoned its policies of apartheid.

The International Conference on Sanctions Against South Africa, held in Paris in May 1981, called for further international action to isolate South Africa, including the imposition, under Chapter VII of the charter, of sanctions “as the most appropriate and effective means to ensure South Africa’s compliance with the decisions of the United Nations.” The need for sanctions, including disengagement of transnational corporations operating in South Africa and disinvestment in companies doing business with South Africa, remained the focal point of UN efforts to end that country’s policies of apartheid.

Other measures included a sports boycott, embodied in the International Declaration Against Apartheid in Sports, which was adopted by the General Assembly in 1977, and the International Convention Against Apartheid in Sports, which was adopted in 1985 and came into force on 4 April 1988.

*Other Action.* Other action taken by the UN in support of the African majority of South Africa and against that country's policies of apartheid included:

- condemnation of South Africa's policy of destabilization in southern Africa through its armed incursions into neighboring independent African states that support and assist the efforts of the African majority of South Africa;
- rejection of South Africa's policy of establishing "homelands" as "independent" entities within South Africa where Africans are forced to resettle;
- recognition of the African liberation movements of South Africa—the African National Congress of South Africa (ANC) and the Pan Africanist Congress of Azania (PAC), both banned by South Africa—as "the authentic representatives of the over-whelming majority of the South African people"; and support for persons imprisoned or detained in South Africa for their opposition to apartheid.

*The Final Stages.* In April 1989, the Special Committee against Apartheid and the Intergovernmental Group to Monitor the Supply of Shipping of Oil and Petroleum Products to South Africa met in New York and recommended that the Security Council impose a mandatory oil embargo. It also recommended that pending action by the Security Council, all oil-producing, shipping, and handling states should enact legislation to stop the flow of oil to South Africa.

On 12–14 December 1989, the General Assembly held a Special Session on Apartheid and its Destructive Consequences in South Africa. It adopted by consensus a historic declaration which listed the steps that the South African regime should take to restore political and human rights in that country. It suggested guidelines for negotiations and for drawing up a new constitution based on the principles of the United Nations Charter and the Declaration of Human Rights. The declaration called upon all South Africans, as a matter of urgency, to join together to negotiate an end to the apartheid system and agree on all the measures necessary to transform their country into a nonracial democracy.

In February 1990, in a dramatic development, most political prisoners in South Africa, including Nelson Mandela, deputy president of the ANC, were released, and the ANC, PAC, and the South African Communist Party were recognized by the government. On 22 June 1990, Nelson Mandela addressed the General Assembly, thanking the United Nations for its efforts to secure his release and that of other South African political prisoners. He urged the UN and individual governments to continue the sanctions which they had imposed on South Africa. In May 1990, the government of South Africa and the ANC adopted the Groote Schuur Minute, which granted indemnity to political exiles and refugees, and paved the way for their return to South Africa. In August 1990, both parties agreed to the Pretoria Minute under which the government undertook to review emergency and security matters, while the ANC suspended armed actions.

On 1 February 1991, South African president F. W. de Klerk announced that the basic laws of apartheid would be repealed during that session of Parliament. He also issued a Manifesto for the New South Africa, stating that the new nation should be based on justice. The basic laws of apartheid were repealed on 5 June 1991, and later that month a peace summit was held by religious and business leaders, and some of the major parties to political violence. As a result, a preparatory committee, including the government and the ANC, was established and became known as the National Peace Initiative. In August 1991, the National Peace Initiative released a draft national peace accord. Also in August, the government and the office of the UN High Commissioner for Refugees (UNHCR) agreed on a plan for the voluntary repatriation of an estimated 40,000 South African refugees and political exiles.

In spite of the commencement of formal negotiations on constitutional reforms in December 1991, not all political parties participated and violence in the townships continued to escalate. In June 1992, 50 people died in the Boipatong massacre and the ANC suspended its participation in the talks until the government took more decisive action to put an end to the violence.

In July 1992, several political players in South Africa were invited to come and apprise the Security Council of the situation in their country. Subsequently, the Security Council authorized the Secretary-General to appoint a special representative to go to South Africa to find out first hand what was going on in the country, so that it could be determined how the international community could assist in bringing an end to the violence and create conditions for a peaceful transition in South Africa. As a result of this mission, the Security Council adopted Resolution 772 (1992) authorizing the Secretary-General to deploy the UN Observer Mission in South Africa (UNOMSA), charged with the task of assisting with strengthening the structures set up under the 1991 peace accords. The resolution also invited other international organizations such as the Organization of African Unity (OAU), the Commonwealth and the European Union to consider deploying their own observers in coordination with the United Nations. The first group of 50 UNOMSA observers was deployed in September 1992. It was widely agreed by all parties in South Africa that the presence of international observers greatly helped to reduce political tension, limit violence, and improve the climate for the negotiation process.

In April 1993, a new negotiating framework, the Multiparty Negotiating Council (MPNC) brought together 26 parties and was the most representative gathering in the history of South Africa. After several months of protracted negotiations, in November 1993, the MPNC adopted a number of constitutional principles and institutions to guide the country during a transitional period lasting until 27 April 1999. This interim constitution set forth plans for elections of a Constitutional Assembly that would draft a new national constitution. In response to all the positive developments, on 8 October 1993, in its Resolution 48/1 (1993), the 184-member General Assembly unanimously ended its 31-year ban on economic and other ties with South Africa in the areas of trade, investment, finance, travel, and transportation. Member states were asked to lift the sanctions they had imposed over the years under numerous UN resolutions and decisions. On 15 Oc-

tober 1993, the Nobel Peace Prize was awarded to South African president F. W. de Klerk and ANC president Nelson Mandela.

Although incidents of violence continued, and some parties to the negotiations threatened to withdraw from the election process, the elections were held successfully from 26–28 April 1994. At the request of the South African Transitional Executive Committee, the Security Council increased the UNOMSA contingent to approximately 1,800 during the election period. Another approximately 900 international observers from foreign governments and international organizations also were deployed across the country to observe the balloting. The UNOMSA observers determined whether voters enjoyed free access to voting stations, whether the secrecy of the vote had been guaranteed, and that ballot boxes had been properly sealed, protected, and transported. It also witnessed the counting of the ballots and the communication of the results to South Africa's Independent Electoral Commission, the body

responsible for organizing, administering, and monitoring all aspects of the elections to verify that they were free and fair.

*A New Era Dawns.* On 27 April 1994 the new six-color flag of a South Africa liberated from apartheid was unfurled at United Nations headquarters in New York. On 10 May 1994, Nelson Rolihlala Mandela was inaugurated as the new president of the Republic of South Africa. On 25 May 1994, the Security Council lifted the mandatory arms embargo it had imposed on South Africa in 1977. On 21 June 1994, the General Assembly, in its Resolution 48/258 (1994), declared that the mandate of the Special Committee against Apartheid had been successfully concluded, and terminated its existence. By the same resolution, it removed the agenda item on the elimination of apartheid from the agenda of its next (49th) session. On 23 June 1994, South Africa was welcomed back to full participation in the work of the General Assembly, after 20 years of banishment.

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# ARMS REGULATION AND DISARMAMENT

Only days after the signing of the Charter, the world entered the nuclear age. On 6 and 9 August, 1945, respectively, atomic bombs destroyed the Japanese cities of Hiroshima and Nagasaki. The newly formed UN was thus confronted with unprecedented military and political problems. The Charter had envisaged arms limitation and disarmament elements in the progressive establishment of an international security system. It empowered the General Assembly to consider “principles governing disarmament and the regulation of armaments” and assigned to the Security Council the task of formulating plans to establish an appropriate system of controls for the “regulation of armaments,” to be submitted to the members of the UN. However, the revolutionary changes brought about by the discovery of atomic power gave the need for disarmament greater immediacy and an enhanced place in the sphere of international politics and security. The UN has reacted progressively to this unfolding of events while the peoples of the world have begun to live under the threat of nuclear annihilation.

Sixty years after the founding of the organization, the tensions that dominated the international political situation during the Cold War period had eased, significant progress was achieved in the field of disarmament, and new opportunities opened for the international community to achieve security at lower levels of arms. At the same time, new challenges confronted the members of the UN as the focus of tensions among nations turned from the international to the regional and local level.

In the course of the past six decades, the UN has used a variety of methods, techniques, and approaches in the search for disarmament.

## INITIAL EFFORTS

Under Article II of the UN Charter, the General Assembly is empowered to consider “principles governing disarmament and the regulation of armaments” and to recommend action to be taken by member states or the Security Council or both. The General Assembly has undertaken this kind of consideration at every one of its regular sessions since it first met in 1946. The General Assembly’s very first resolution, adopted on 24 January 1946, addressed the question of disarmament. It sought the elimination of atomic weapons and other weapons of mass destruction and the assurance that, from then on, atomic energy would be used only for peaceful purposes, and it established the Atomic Energy Commission. In a resolution adopted in December 1946, the General Assembly recognized the connection between the questions of disarmament and of international peace and security.

In 1947, the Security Council set up the Commission for Conventional Armaments in order to regulate armaments and armed forces under an international system of control and inspection, and it called upon the two commissions to take immediate action.

Despite the urgency of the matter, the two commissions did not make much progress. In 1952, the General Assembly, in an

attempt to break the impasse, consolidated them into a single 11-member Disarmament Commission, which was entrusted with the task of preparing proposals for the regulation, limitation, and balanced reduction of all armed forces and armaments, by stages, in a coordinated, comprehensive program.

The early debates in the Disarmament Commission ended inconclusively in October 1952. In November, the first hydrogen bomb, with a force that dwarfed that of the Hiroshima-type atomic bomb, was tested by the United States at Eniwetok (now Eniwetok), in the Pacific. The following August, a hydrogen bomb was exploded by the USSR.

A subcommittee of the Disarmament Commission, set up by the General Assembly in 1953 and consisting of representatives of Canada, France, the USSR, the United Kingdom, and the United States, held a number of meetings, but by the autumn of 1955, efforts aimed at drawing up a comprehensive disarmament plan ended in deadlock. The subcommittee’s efforts to consider partial disarmament measures also came to a stalemate over the next two years. In 1957, the General Assembly enlarged the Disarmament Commission from 11 to 25 nations. It was again enlarged, in 1959, to comprise all members of the UN, but it convened only one further time, in 1965.

In 1959, the General Assembly unanimously adopted the first resolution ever to be sponsored by all member states. In it, the General Assembly declared that it was “striving to put an end completely and forever to the armaments race,” and it stated that “the question of general and complete disarmament is the most important facing the world today.” The resolution aimed at having all proposals and suggestions made during the General Assembly debate transmitted to the Disarmament Commission “for thorough consideration.”

Substantive differences in the approach taken to disarmament by the Western powers and the USSR emerged during the subsequent period. A Ten-Nation Committee on Disarmament, based on equal East-West representation, was set up in 1960 outside the framework of the UN to discuss general and complete disarmament but became deadlocked on issues of partial or general measures. As a result, the UN began to pursue disarmament efforts in two ways. While the ultimate goal remained, as it has ever since, “general and complete disarmament under effective international control,” measures that would bring about partial disarmament were viewed as integral to that goal and not as hindrances to its achievement. It was felt that devoting parallel, and at times even primary, attention to “collateral” measures designed to reduce tension and build confidence would facilitate the complex task of achieving general and complete disarmament. The immediate hopes and expectations of the majority of nations centered on two such measures: the discontinuance of nuclear-weapon tests and the prevention of the spread of nuclear weapons. By the mid-



1960s, the elaboration of partial disarmament measures within the UN began to overshadow all-embracing, long-range efforts.

In 1961, John I. McCloy of the United States and Valerian A. Zorin of the USSR, representing their respective nations in formal disarmament talks, submitted to the General Assembly a Joint Statement of Agreed Principles of Disarmament Negotiations. These eight principles, which were unanimously endorsed by the General Assembly, dealt with: (1) the stated goal of negotiations—a program ensuring that disarmament was to be “general and complete” and was to be accompanied by reliable procedures for the maintenance of peace; (2) the reduction of non-nuclear weapons and facilities to such levels as might be agreed to be necessary for the maintenance of internal order and the provision of personnel for a UN peacekeeping force; (3) an agreed elaboration of the main elements of the disarmament program; (4) implementation of the program in agreed stages, which were to have specified time limits; (5) balance so that at no stage could any state or group maintain an advantage; (6) the need for international control under an international disarmament organization to be created within the framework of the UN; (7) the need during and after disarmament to strengthen institutions for maintaining world peace; and (8) the need to achieve and implement the widest possible agreement in the shortest possible time.

At the same time, the General Assembly also endorsed an agreement to set up, in place of the Ten-Nation Committee, an Eighteen-Nation Committee on Disarmament. When the committee first met in Geneva in early 1962, one member, France, decided not to participate, explaining that it hoped that it might be possible later for the disarmament problem to be discussed among the powers that could contribute effectively to its solution. At the outset, the committee decided to organize so as to permit simultaneous work on general and complete disarmament, confidence-building (collateral) measures, and the discontinuance of nuclear-weapon tests.

In 1969, the committee’s membership was enlarged to 26, and its name changed to the Conference of the Committee on Disarmament (CCD). The General Assembly requested the CCD, as the multilateral negotiating body, to work out, while continuing its negotiations on collateral measures, a comprehensive program to deal with the cessation of the arms race and general and complete disarmament under effective international control. In 1975, the CCD was further enlarged, to 31 members, with France still declining to take its seat.

The scant results and continuing difficulties in disarmament negotiations, among other things, led, also in 1969, to the General Assembly’s adoption of a resolution declaring the 1970s as a Disarmament Decade. The 1980s and 1990s were also later declared as disarmament decades.

## SPECIAL SESSIONS OF THE GENERAL ASSEMBLY ON DISARMAMENT

### First Special Session, 1978

By 1976 it was clear that no real progress had been made to halt the arms race. World military expenditure was estimated at many times more than the amount spent globally on health, education,

and economic development. While the nuclear-weapon powers were the major competitors in the arms race, military spending by countries outside the two main military alliances was also rising. Since the end of the Second World War, many millions of people have been killed by conventional weapons in more than 100 wars, most of them fought in the developing areas of the world.

In 1976, the General Assembly, deploring the “meagre achievements” up to that time of the first Disarmament Decade in terms of truly effective agreements, decided, primarily at the initiative of developing countries, to hold a special session in 1978 devoted entirely to disarmament. The aim of the session was to set a new course in international affairs, turn states away from the nuclear and conventional arms race, and obtain agreement on a global strategy for disarmament.

The first special session on disarmament, held at UN headquarters from 23 May to 1 July 1978, was the largest, most representative meeting of nations ever convened to consider the question of disarmament. For the first time in the history of disarmament endeavors, the international community of states as a whole achieved a consensus on a comprehensive disarmament strategy, which was embodied in the Final Document adopted at the session.

The Final Document stressed the central role and primary responsibility of the UN in the field of disarmament and placed disarmament issues in a more comprehensive perspective than had ever been done before. It reaffirmed the fundamental importance of disarmament to international peace and security and stated that “disarmament and arms limitation agreements should provide for adequate measures of verification satisfactory to all parties.” It contained specific measures intended to strengthen the machinery dealing with disarmament within the UN system. Composed of four parts—an introduction, a declaration, a program of action, and a section on machinery—the Final Document set out goals, principles, and priorities in the field of disarmament.

The *Introduction* stated that while the final objective should continue to be general and complete disarmament under effective international control, the immediate goal was the elimination of the danger of a nuclear war and the implementation of measures to halt and reverse the arms race.

The *Declaration* stated that “the increase in weapons, especially nuclear weapons, far from helping to strengthen international security, on the contrary weakens it, ... heightens the sense of insecurity among all states, including the non-nuclear-weapon states, and increases the threat of nuclear war.” It further stated that “genuine and lasting peace can only be created through the effective implementation of the security system provided for in the Charter of the United Nations and the speedy and substantial reduction of arms and armed forces.” It emphasized that, in the adoption of disarmament measures, the right of each state to security should be kept in mind and that, at each stage of the disarmament process, “the objective should be undiminished security at the lowest possible level of armaments and military forces.”

The *Program of Action* listed priorities and measures that states should undertake as a matter of urgency in the field of disarmament. Priorities included nuclear weapons; other weapons of mass destruction, including chemical weapons; and conventional weapons, including any that might be deemed to be excessively

injurious or to have indiscriminate effects. The program called for agreements or other measures to be “resolutely pursued on a bilateral, regional and multilateral basis with the aim of strengthening peace and security,” and it recommended that measures be taken and policies pursued to strengthen international peace and security and to build confidence among states. The urgency of preventing the proliferation of nuclear weapons and of halting nuclear tests was stressed. The program called for full implementation of the 1967 Treaty of Tlatelolco, prohibiting nuclear weapons in Latin America, and recommended steps to put into effect the proposals for the establishment of other nuclear-weapon-free zones. Other measures included prohibition of the development, production, and stockpiling of chemical weapons; limits on the international transfer of conventional weapons; agreed reduction of military budgets; and further study of the question of verification. The program also listed measures to be undertaken to mobilize world public opinion on behalf of disarmament.

The final section, on *Machinery*, noted the urgency of revitalizing the disarmament machinery and outlined the consensus reached on the strengthening or establishment of appropriate forums, of suitably representative character, for disarmament deliberations and negotiations, as well as for other activities to be undertaken, including research.

Acting on the recommendations of the special session, the General Assembly established, as a specialized, subsidiary deliberative body, a revitalized Disarmament Commission composed of all UN members. It was assigned the mandate of making recommendations on disarmament problems as requested by the General Assembly, and to follow up the relevant decisions and recommendations of the special session on disarmament.

The special session recognized the continued need for a single multilateral negotiating forum on disarmament and recognized that the Committee on Disarmament in Geneva should continue to fulfill this role and to carry on the work of its predecessors—the Ten-Nation Committee on Disarmament (1959–60), the Eighteen-Nation Committee on Disarmament (1962–69) and the Conference of the Committee on Disarmament (1969–78). Known as the Conference on Disarmament since 1979, it has a membership of 65 countries, including the five nuclear-weapon states and most of the militarily powerful states of the world’s regions.

Other results of the General Assembly’s first special session included the establishment of a program of fellowships on disarmament; an increased flow of information on disarmament to governments, nongovernmental organizations, the media, and the general public; and the designation of the week beginning 24 October (UN Day) to be observed each year as Disarmament Week (see also under Studies, Research, Information, and Training below).

In order to enable the UN to fulfill its role in the field of disarmament and to carry out the tasks assigned to it, the special session took steps to strengthen the role of the section of the UN Secretariat handling disarmament affairs, the Centre for Disarmament Affairs. The centre’s main tasks include maintaining a database on conventional armaments transfers, supporting ongoing deliberations and negotiations in New York, Geneva, and elsewhere, fos-

tering regional confidence and security building initiatives, and disseminating information to sources outside the UN.

In 1979, the General Assembly declared the 1980s as the Second Disarmament Decade, stating that its goals should remain consistent with the ultimate objective of general and complete disarmament. The basic goals of the Second Disarmament Decade were set out as follows: halting and reversing the arms race; conclusion of agreements on disarmament according to the objectives and priorities of the 1978 Final Document; strengthening international peace and security in keeping with the UN Charter; and reallocating resources from military to development purposes, particularly in favor of developing countries.

In the four years following the first special session, the international situation in fact deteriorated: numerous events beyond effective UN influence evolved in such a way as to hinder international arms-limitation efforts, particularly in the early 1980s, when military expenditures increased and a lack of confidence permeated disarmament discussions and affected negotiations. After some initial progress, negotiations stalled on virtually every important disarmament issue, and the 1978 Program of Action remained substantially unimplemented.

#### Second Special Session, 1982

The second special session of the General Assembly devoted to disarmament was held at UN headquarters from 7 June to 10 July 1982. Given the international tension and armed conflicts prevailing at that time, the atmosphere did not bode well for the reaching of further accords on sensitive, substantive issues then relating to the perceived national security interests of states.

At the time of the first special session in 1978, the General Assembly had reaffirmed the goal of general and complete disarmament, a concept that had received considerable attention even before that in the framework of the UN. The emphasis placed on general and complete disarmament slowly gave way to another approach, known as the comprehensive program of disarmament. The intent of the approach was to elaborate a program which would place partial measures of disarmament into a carefully considered plan, setting out objectives, priorities, and timeframes, with a view to the achievement of disarmament on a progressive basis.

A main agenda item of the session—to elaborate the strategy of the 1978 Program of Action into a Comprehensive Program of Disarmament—was not achieved. Thus, the General Assembly did not agree, as it had in 1978, on a formula for specific action. In the Concluding Document of the session, however, the General Assembly unanimously reaffirmed the validity of the Final Document of the first special session on disarmament. It expressed its profound preoccupation over the danger of war, particularly nuclear war, and urged member states to consider as soon as possible proposals for ensuring prevention of such a war. The General Assembly also stressed again the need for strengthening the central role of the UN in the field of disarmament, for implementing the security system provided for in the Charter of the UN, and for enhancing the effectiveness of the multilateral negotiating body, the Committee on Disarmament.

The committee and then the Conference on Disarmament continued to negotiate the draft comprehensive program of disarmament until 1989. At the end of the conference's session that year, it was agreed to suspend work on the program until the circumstances were more propitious for progress.

Among the other decisions of the second special session was the launching of a World Disarmament Campaign to increase public awareness of disarmament issues (see also under Studies, Research, Information, and Training below). The General Assembly also decided to convene a third special session on disarmament (subsequently scheduled to be held in 1988 at UN headquarters).

### Third Special Session, 1988

The third special session took place in 1988 against the background of a considerably improved international climate. The progress that had been recorded in some important fields of disarmament, in particular nuclear disarmament, was welcomed throughout the debates during the session.

The 1987 *Treaty between the former Soviet Union and the United States on the Elimination of Their Intermediate-Range and Shorter-Range Missiles* (INF Treaty); the achievements of the 1986 Stockholm Conference on Confidence- and Security-Building Measures and Disarmament in Europe; and the 1986 *South Pacific Nuclear Free Zone Treaty* (Treaty of Rarotonga) were indicative of the favorable trends in arms control and disarmament.

The progress reported on the negotiations that had begun before the commencement of the special session, between the former Soviet Union and the United States, on a treaty on the reduction and limitation of strategic offensive arms (START) (see below), as well as progress made in the Conference on Disarmament on the complete elimination of chemical weapons, also were highly welcomed. All this notwithstanding, member states were unable to adopt by consensus a final document setting the pace and direction for future negotiations.

In December 1995, the General Assembly decided to convene a Fourth Special Session devoted to disarmament in 1997. However, as the Disarmament Commission completed its 1998 session, it had not come to agreement on the objectives and agenda of the proposed fourth special session, then pushed back to 1999. In December 1999, the General Assembly decided anew to convene the fourth session on disarmament and requested the Secretary-General to seek the views of the member states on the objectives, agenda, and timing. A fourth session on disarmament had not taken place as of April 2006.

## DISARMAMENT MACHINERY

### General Assembly

The General Assembly, as the main deliberative body of the UN, takes up questions concerning disarmament and related international security matters at each of its annual sessions, through its First Committee, and makes recommendations. In the late 1980s and into the 1990s, some 25–30% of the resolutions adopted by the General Assembly have been concerned with disarmament and related international security matters; many of these resolutions give mandates to the Disarmament Commission or make requests to the Conference on Disarmament (formerly the Committee on Disarmament) to take into consideration various ideas or questions under negotiation. Both the Disarmament Commis-

sion and the Conference on Disarmament report to the General Assembly each year.

### Disarmament Commission

The revitalized Disarmament Commission established after the first special session of the General Assembly on disarmament is composed of all members of the UN. It provides a deliberative forum for consideration of specific disarmament issues when the General Assembly is not in session. A subsidiary organ of the General Assembly, it meets annually at UN headquarters for approximately four weeks, usually in spring, to make recommendations to the General Assembly on specific disarmament problems and to follow up mandates given to it.

### Conference on Disarmament

As a result of its first special session on disarmament, the General Assembly mandated the Committee on Disarmament to fulfill the role of a single multilateral negotiating forum and to carry on the work of earlier committees. It enlarged the membership of the committee to 40 countries, including all five nuclear-weapon states (China, France, the USSR, the United Kingdom, and the United States). Redesignated the Conference on Disarmament at the end of 1983, it meets in Geneva for approximately six months each year, usually when the General Assembly is not in session. Its Secretary-General is appointed, upon consultation, by the Secretary-General of the UN and also serves as that individual's personal representative. In 2006, the Conference on Disarmament was composed of 65 member states.

The Conference on Disarmament has a unique relationship with the UN. It defines its own rules of procedure and develops its own agenda, taking into account the recommendations made by the General Assembly. It agreed on a permanent agenda of 10 items in 1979, and from those items it chooses an annual agenda and fixes its program of work for the year. Its work in plenary meetings and also in subsidiary bodies dealing with specific items is conducted by consensus, since international agreements, if they are to be effective, must be generally acceptable.

### Department for Disarmament Affairs (DDA)

As a result of the General Assembly's second session on disarmament, the Department for Disarmament Affairs was established in 1982, and it continued until 1992. The Department was reestablished in 1998. It provides substantive and organizational support for norm-setting in the area of disarmament through the work of the General Assembly's First Committee, the Disarmament Commission and the Conference on Disarmament. It is structured in five branches. The CD Secretariat and Conference Support Branch provides organizational and substantive servicing to the Conference on Disarmament (CD). The Weapons of Mass Destruction Branch (WMD) supports and participates in multilateral efforts to strengthen the non-proliferation of nuclear, chemical, and biological weapons. The Conventional Arms Branch (CAB) focuses on all weapons not considered WMD, to curb the flow of small arms in regions of tension, and to develop measures of practical disarmament. The Regional Disarmament Branch (RDB) provides support and advisory services to member states and regional and subregional organizations on disarmament and security matters. It oversees and coordinates the activities of three regional centers: one in Africa, one in Asia and the Pacific, and one in Latin Amer-

ica and the Caribbean. And the Monitoring, Database and Information Branch (MDI) organizes a wide variety of special events and programs in the field of disarmament, produces DDA publications such as the Disarmament Yearbook, and maintains the database for specialized areas.

## MAIN ACHIEVEMENTS

### Multilateral Agreements

After World War I, intense efforts were made to translate the 1874 Brussels Declaration and the subsequent Hague Conventions into a ban on chemical weapons and “the use of projectiles, the sole object of which is the diffusion of asphyxiating or deleterious gases.” Although a total ban is still to be attained, one of the first achievements, in 1925, was the Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or Other Gases, and of Bacteriological Methods of Warfare, generally referred to as the Geneva Protocol. It bans “the use in war of asphyxiating, poisonous or other gases and of all analogous liquids, materials or devices,” as well as “the use of bacteriological methods of warfare.” The Geneva Protocol, with 133 states parties in 2005, is the point of departure in current efforts toward a ban on the production, possession, and stockpiling of chemical weapons and helped establish the convention banning bacteriological weapons in 1972 (see below).

Concerted efforts by the UN and by governments since 1945 at both the multilateral and bilateral levels, as well as on a regional basis, have led to a body of important agreements, treaties, and conventions committing their parties to various arms limitation and disarmament measures. The multilateral instruments concluded so far are given below (the number of states parties as of 15 April 2006 is shown in parentheses after each title).

- The 1959 *Antarctic Treaty* (45) provides for the demilitarization of Antarctica and is the first treaty to put into practice the concept of the nuclear-weapon-free zone, later applied to Latin America and the South Pacific, as well as to the seabed and outer space. It prohibits any military maneuvers, weapon tests, building of installations, or disposal of radioactive wastes in the Antarctic region.
- The 1963 *Treaty Banning Nuclear Weapon Tests in the Atmosphere, in Outer Space and Under Water* (Partial Test-Ban Treaty) (124) bans all nuclear weapon tests in the three environments designated but does not ban underground tests. Since 1963, the General Assembly has repeatedly urged conclusion of a comprehensive treaty banning all nuclear tests, including those conducted underground.
- The 1967 *Treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space, Including the Moon and Other Celestial Bodies* (Outer-Space Treaty)(98) bans nuclear and other weapons of mass destruction from the earth’s orbit and prohibits the military use of celestial bodies and the placing of such weapons on those bodies.
- The 1967 *Treaty for the Prohibition of Nuclear Weapons in Latin America* (Treaty of Tlatelolco) (33) creates the first nuclear-weapon-free zone in a densely populated area and is the first arms-limitation agreement to provide for control and verification by an international organization, the Agency for the Prohibition of Nuclear Weapons in Latin America, as well as through the safeguards system of the International Atomic Energy Agency (IAEA).
- The 1968 *Treaty on the Non-Proliferation of Nuclear Weapons* (Non-Proliferation Treaty) (189) aims at preventing the spread of nuclear weapons to non-nuclear-weapon states, at guaranteeing all countries access to nuclear technology for peaceful purposes, and at promoting the process of nuclear disarmament. The treaty defines a nuclear-weapon state as one that had manufactured and exploded a nuclear weapon or other nuclear explosive device prior to 1 January 1967. With the broadest adherence of all treaties, it has helped so far to maintain the number of nuclear-weapon states at five.
- The 1971 *Treaty on the Prohibition of the Emplacement of Nuclear Weapons and Other Weapons of Mass Destruction on the Sea-Bed and the Ocean Floor and in the Subsoil Thereof* (Sea-Bed Treaty) (92) bans the placement of nuclear and other weapons of mass destruction and facilities for such weapons on or under the seabed outside a 12-mile coastal zone.
- The 1972 *Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction* (155) is the first international agreement providing for actual disarmament, that is, the destruction of existing weapons.
- The 1977 *Convention on the Prohibition of Military or Any Other Hostile Use of Environmental Modification Techniques* (72) prohibits the use of techniques that would have widespread, long-lasting, or severe effects in causing such phenomena as earthquakes, tidal waves, and changes in weather and climate patterns.
- The 1979 *Agreement Governing Activities of States on the Moon and Other Celestial Bodies* (11) goes further than the 1967 Outer-Space Treaty in prohibiting the use of the moon and other celestial bodies for military purposes.
- The 1981 *Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects* (100) restricts or prohibits the use of mines and booby traps, incendiary weapons, and fragments not readily detectable in the human body. These rules range from a complete ban on the use of such weapons to restrictions on their use in conditions that would cause incidental loss of life or injury to civilians or damage to civilian objects.
- The 1985 *South Pacific Nuclear-Free-Zone Treaty* (Treaty of Raratonga) (13), exemplifies a positive regional limitation measure. Its geographical limits are contiguous with those of the two other major zonal treaties, the Treaty of Tlatelolco and the Antarctic Treaty, the three instruments covering a significant portion of the earth’s surface.
- The 1990 *Treaty on Conventional Armed Forces in Europe* (CFE Treaty) (30), was a considerable post-Cold War breakthrough achieved at a summit meeting of the Conference on Security and Cooperation in Europe (CSCE). It was adopted in Paris in November 1990. The treaty entered into force on 9 November 1992, after it was signed by the original 22 participating states, joined by seven of the new republics formed from the former Soviet Union. It established limits for five categories of weapons within its area of application, which stretches from the Atlantic to the Urals. Chosen for limitation were those cat-

egories of weapons systems that would eliminate disparities in force levels and the capability of launching surprise attack or large-scale offensives. The treaty was the first in Europe to provide for the actual reduction of conventional weapons. As called for in the treaty, negotiations among the states party to the CFE Treaty soon began, aimed at limiting the personnel strength of armed forces. Known as the *CFE-1A Agreement*, it was signed in July 1992 at the summit meeting of the CSCE at Helsinki.

- The 1992 *Treaty on Open Skies* (31) establishes a regime of unarmed aerial observation flights over the entire territory of its participants. The Open Sky Treaty is the most wide-ranging international effort to date to promote openness and transparency of military forces and activities. The treaty entered into force in 2002.
- The 1993 *Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and their Destruction* (Chemical Weapons Convention) (178), is the first disarmament agreement that would eliminate an entire category of weapons. Such chemical weapons exist in large quantities, are possessed by many countries, and have been used in combat even in recent years. The convention was ratified by 65 countries and entered into force on 29 April 1997.
- The 1995 *Southeast Asia Nuclear Weapon Free Zone (SEAN-WFZ) Treaty* (Treaty of Bangkok) (10) bans the research, development, manufacture, stockpiling, acquisition, possession or control over any nuclear explosive device by any means in Southeast Asia.
- The 1996 *African Nuclear Weapon Free Zone Treaty* (Pelindaba Treaty) (19) establishes a nuclear-weapon-free zone on the continent of Africa and all island states considered by the former Organization of African Unity to be part of Africa.
- The 1996 *Comprehensive Test-Ban Treaty* (CTBT Treaty) (132) goes further than the 1963 Partial Test-Ban Treaty in that it prohibits any nuclear explosion whether for weapons or peaceful purposes.
- The 1997 *Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction* (Mine-Ban Convention) (148) bans the use and development of anti-personnel mines, and commits states to destroy them.
- The 1997 *Inter-American Convention Against the Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives and Other Related Materials* (Inter-American Convention)(26) was spearheaded by the member states of the Organization of American States to address the problem of illicit firearms trafficking, including ammunition, bombs, grenades, rockets, rocket launchers, missiles, and missile systems.
- The 1999 *Inter-American Convention on Transparency in Conventional Weapons Acquisitions* (9) was designed to contribute more fully to regional openness and transparency in the acquisition of conventional weapons by exchanging information regarding such acquisitions, for the purpose of promoting confidence among states in the Americas.

### Bilateral Agreements

Over the same period, bilateral negotiations between the USSR/Russian Federation and the United States have produced a number of agreements between the two powers, including those described below.

- The 1972 *Treaty on the Limitation of Anti-Ballistic Missile Systems* (ABM Treaty and part of the SALT I agreements) restricts in general the development of sea-based, air-based, space-based, or mobile land-based antiballistic missile (ABM) systems and specifically limits development of ABM systems to two sites with no more than 100 launchers each. By a protocol of 1974, the deployment of ABM systems is further limited to a single area, with no more than 100 launchers. On 13 June 2002, the United States withdrew from the ABM Treaty in order to pursue the development of missile defenses that would have been banned by the agreement.
- The 1972 *Interim Agreement on Certain Measures with Respect to the Limitation of Strategic Offensive Arms* (commonly regarded as SALT I) establishes limitations for a five-year period—with a provision for extension—on the number of launchers of strategic weapons.
- Under the 1973 *Agreement on the Prevention of Nuclear War*, the two parties agree to make the removal of the danger of nuclear war and of the use of nuclear weapons an objective of their policies and to make all efforts toward guaranteeing stability and peace.
- The 1974 *Treaty on the Limitation of Underground Nuclear-Weapon Tests* (Threshold Test-Ban Treaty) establishes a nuclear threshold by prohibiting underground nuclear-weapon tests having a yield exceeding 150 kilotons.
- The 1976 *Treaty on Underground Nuclear Explosions for Peaceful Purposes* prohibits the carrying out of any individual nuclear explosion for peaceful purposes having a yield exceeding 150 kilotons or any group explosion with an aggregate yield exceeding 1,500 kilotons, and it includes on-site verification procedures.
- The 1979 *Treaty on the Limitation of Strategic Offensive Arms* (SALT II) establishes limits on the number and types of strategic nuclear-delivery vehicles (launchers and bombers) to 2,400 on each side. The treaty also set limits on the numbers of MIRVed launchers. In 1986, President Ronald Reagan announced that the United States would no longer be bound by the SALT II limits because of Soviet violations of its arms control commitments.
- The 1987 *Treaty between the Two States on the Elimination of Their Intermediate Range and Shorter-Range Missiles* (INF Treaty) provides for the elimination of an entire class of nuclear weapons with a range between 55 and 5,500 kilometers (3,410 miles). The treaty entered into force on 1 June 1988 and its provisions were implemented before the 1 June 1991 date set by the treaty.
- The 1991 *Treaty on the Reduction and Limitation of Strategic Offensive Arms* (START Treaty) places limits on the two sides' strategic nuclear forces, i.e., inter-continental ballistic missiles (ICBMs). This treaty established an unprecedented reduction of 35% to 40% of the states' overall nuclear forces at the time and created an elaborate system for verification of compliance. Through the Lisbon Protocol signed in 1992,

- Kazakhstan, Belarus, Ukraine, and Russia became parties to START I as successor states to the Soviet Union.
- The 1993 *Treaty on Further Reduction and Limitation of Strategic Offensive Arms* (START II), once implemented, was to bring about deep reductions in the overall levels of ICBMs, submarine-launched ballistic missiles (SLBMs), nuclear armed heavy bombers and nuclear air-launched cruise missiles (ACLMs). The United States and Russia ratified START II in 1996 and 2000, respectively, although Russia made entry into force conditional on U.S. Senate consent to ratification of the 1997 protocol and approval of two Agreed Statements outlining limits on the testing of theater missile defense (TMD) systems. On 14 June 2002, one day after the U.S. withdrew from the ABM Treaty, Russia announced that it would no longer consider itself to be bound by START II provisions.
  - The 2002 *Treaty on Strategic Offensive Reductions* (SORT) (commonly referred to as the Treaty of Moscow) states that both the United States and Russia will reduce their numbers of operationally deployed nuclear warheads to between 1,700–2,200 within ten years. It establishes a Bilateral Implementation Commission, scheduled to meet at least twice a year, to discuss and review the treaty's implementation. The document does not require the destruction of strategic delivery systems, specify what is to be done with the warheads once they have been removed from launchers, or constrain the development of ballistic missile defenses.

## MAJOR ISSUES AND DISARMAMENT NEGOTIATION EFFORTS

### The Threat of Nuclear Weapons

When the first atomic bombs were exploded on 6 and 9 August 1945, their immense destructive power confronted the world with military and political problems of unprecedented magnitude.

The catastrophic consequences of the use of nuclear weapons would not be confined to the nuclear adversaries but would threaten civilization on a global scale. According to a 1984 World Health Organization (WHO) report on the effects of nuclear war on health and health services, as many as 10,000 megatons of nuclear bombs could be exploded globally in an all out nuclear war—90% of them in Europe, Asia, and North America and 10% in Africa, Latin America, and Oceania. As a result, half of the world's population could instantly become war victims. About 1.5 billion people could die and 1.1 billion could be injured. In addition, millions of immediate survivors of an attack would die of radiation effects, disease, cold temperatures, and starvation over the following few years. Thus, the greatest threat to humanity comes from nuclear arsenals, whose total destructive power has reached a level equivalent to more than 1 million Hiroshima bombs. Yet, each of the nuclear powers, albeit with expressed reluctance, considers it essential, either as a strategy or a necessary policy of credible deterrence of war, to possess operational nuclear weapons as long as the others have them.

A 1988 UN study on the climatic and potential physical effects of nuclear war concluded that a major nuclear war would entail the high risk of a global environmental disruption. A 1990 UN report captured the sense of the turning point in history brought about by the development of nuclear weapons. According to that

report, nuclear weapons represented a historically new form of weaponry, which, by their multiple and far-reaching effects, provided a means of warfare whose mass destructive potential was unparalleled in human experience. Nuclear technology had made it possible to release more energy in one microsecond from a single nuclear weapon than all the energy released by conventional weapons used in all wars throughout history. The same expert group estimated that, by 1990, the arms race had led to the gradual deployment on land and on the high seas of some 50,000 nuclear warheads. They also estimated that the world stockpile of nuclear weapons was equivalent to some 13,000 million tons of TNT, and that its explosive capacity was 1 million times the explosive energy of the Hiroshima atomic bomb.

In 1945, only the United States had developed the technology to produce nuclear weapons, but by 1949, the USSR had also developed a nuclear-weapon capability, followed by the United Kingdom in 1952, France in 1960, and China in 1964. Throughout the Cold War era, the United States and the former Soviet Union, among the five nuclear-weapon states, held the vast majority of nuclear weapons and the most advanced delivery systems. Indeed, the UN, in a consensus document adopted at the first special session of disarmament in 1978, recognized the special responsibility that these two states bore with respect to nuclear disarmament.

Over the years, concerns have been expressed in UN forums that some non-nuclear-weapon states might develop nuclear-weapon programs (the issue of so-called “threshold” states). After the end of the war in the Persian Gulf in April 1991, it came to light that some of the concerns expressed, at least in the case of Iraq, were warranted. In November 2002, the UN Security Council passed Resolution 1441 calling for immediate and unconditional disarmament on the part of Iraq, including the possible existence of nuclear weapons development programs. After the invasion of Iraq by US-led forces in 2003, no weapons of mass destruction were found in Iraq. In 1993–94 the defiance of the Democratic Peoples' Republic of Korea (DPRK) touched off an international crisis. The DPRK refused to allow access to IAEA inspectors charged with monitoring peaceful nuclear facilities (see chapter on IAEA). Since 1994 the IAEA activities were largely limited to monitoring the “freeze” of the DPRK's graphite-moderated reactors and related facilities as requested by the United Nations Security Council and as foreseen in the “Agreed Framework” of October 1994 between the DPRK and the United States. Under the so-called Agreed Framework, the DPRK promised to abandon its nuclear program, and disavow similar nuclear activity, in return for the U.S.-led construction of two modern, light-water reactors and 500,000 tons of fuel oil a year until the reactors were completed. In October 2002, the DPRK announced that it was undertaking a uranium-enrichment program. These developments challenged the UN, especially its Security Council, and the IAEA to unprecedented action. In January 2003, the DPRK announced it was withdrawing from the NPT, and in April, the DPRK announced it had nuclear weapons. In August 2003, the DPRK agreed to take part in six-party talks with the United States, South Korea, Russia, China, and Japan. In September 2004, the DPRK said it had turned plutonium from 8,000 spent fuel rods into nuclear weapons. Then, in September 2005, North Korea stated it would give up its nuclear weapons program and rejoin the NPT.

By the mid-2000s, another state looking to develop nuclear weapons capability was Iran. In January 2002, US President George W. Bush labeled Iran, Iraq, and North Korea an “axis of evil” seeking to threaten the world with weapons of mass destruction, among other ill deeds. In September of that year, Russian technicians began construction of Iran’s first nuclear reactor at Bushehr despite strong objections from the United States. Subsequently, following a series of back and forth assertions by Iran that it was suspending its nuclear enrichment program or resuming uranium conversion for peaceful purposes, in September 2005 the IAEA found Iran in violation of the NPT. In January 2006, Iran broke IAEA seals at its Natanz nuclear research facility. In February, the IAEA voted to report Iran to the Security Council over its nuclear activities. In April 2006, Iran announced it had succeeded in enriching uranium at Natanz.

With the dissolution of the Soviet Union at the end of 1991, its nuclear weapons were left on the territories of four of the newly independent states: Belarus, Kazakhstan, Russian Federation, and Ukraine. This state of affairs created a new set of challenges to the international community in the control of nuclear weapons.

Over the years, many measures have been proposed in the UN and other multilateral forums to limit, reduce, and eliminate nuclear weapons and their delivery systems; to assure non-nuclear-weapons states that nuclear weapons will not be used or even threatened to be used against them; to prevent the spread of nuclear weapons to non-nuclear-weapons states; to bring about a halt to all nuclear testing; to ensure the non-use of nuclear weapons; to bring about the cessation of the production of nuclear weapons as well as the production of fissionable material for weapons purposes; to restrict the deployment of nuclear weapons by nuclear-weapon states, and to foster cooperation in the peaceful uses of nuclear energy.

With the close of the Cold War era, a turning point in international political history had been reached and the dramatic international events that occurred had direct repercussions in the area of nuclear disarmament. Bilateral negotiations between the Russian Federation and the United States led to several agreements which, when fully implemented, will result in unprecedented reductions in the nuclear forces of both sides.

These developments served to codify the end of the Cold War and helped to pave the way for further control over the nuclear arsenals of the two major nuclear-weapon states, as well as to encourage the other three declared nuclear-weapon states towards further efforts in the field of nuclear weapons.

#### **Bilateral Nuclear Arms Reduction Agreements**

Although the United Nations did not take part in the historic bilateral negotiations between the former USSR and the United States from 1969 to 2002, member states of the UN have responded with encouragement to the initiatives of the two major powers and have appealed to them to conduct their negotiations with the utmost determination to prevent nuclear war, reduce nuclear arsenals, prevent an arms race in outer space—a longstanding UN objective—and halt the arms race. Other nuclear-weapon states have declared that they would join the process of reducing nuclear weapons once the major powers have reduced theirs. In this context, it is appropriate to review here the sequence of events that

brought these negotiations to such a salutary conclusion and their far-reaching implications for global security.

#### **The SALT Treaties**

The Strategic Arms Limitation Talks (SALT), which the former Soviet Union and the United States initiated in 1969, led in their first phase to the signing on 26 May 1972 in Moscow of two agreements: the *Treaty on the Limitation of Anti-Ballistic Missile Systems* (ABM Treaty), subsequently amended by a protocol of 3 July 1974, and the *Interim Agreement on Certain Measures With Respect to the Limitation of Strategic Offensive Arms*, with a protocol attached. Both the ABM Treaty and the Interim Agreement entered into force on 3 October 1972.

By signing the ABM Treaty, the United States and the former Soviet Union undertook not to develop, test, or deploy mobile land-based, sea-based, air-based, or space-based ABM systems. They also agreed to limit ABM systems to two sites with no more than 100 launchers at each site. In that way, they would not build nationwide ABM systems, which each side viewed as destabilizing. In 1974, the treaty was amended by a protocol which limited each side to one ABM deployment area only. The former Soviet Union chose to maintain its ABM system in the area centered on its capital, Moscow, and the United States chose to maintain its system in an intercontinental ballistic missile (ICBM) deployment area in North Dakota. On 13 June 2002, the United States withdrew from the ABM Treaty in order to pursue the development of missile defenses that would have been banned by the agreement.

The second phase of the talks (SALT II) began in November 1972 and ended in June 1979 with the signing in Vienna of the *Treaty on the Limitation of Strategic Offensive Arms*, a protocol which was an integral part of the treaty, and a *Joint Statement of Principles and Basic Guidelines for Subsequent Negotiations on the Limitation of Strategic Arms*. The treaty, designed to remain in force to the end of 1985, defined and identified specific weapons and included numerous detailed limitations on the testing, deployment, modernization and replacement, and conversion of particular weapons systems. A Standing Consultative Commission was set up by the two countries in 1972 to deal with any questions or doubts about compliance with SALT II. Although SALT II was not ratified by either party, each side declared its intention to abide by the provisions of the treaty as long as the other did. In 1986, President Ronald Reagan announced that the United States would no longer be bound by the SALT II limits because of Soviet violations of its arms control commitments.

#### **The INF Treaty**

Early in the 1980s, the United States and the former Soviet Union opened two new sets of negotiations, one on intermediate-range nuclear forces (INF) and one on the reduction of strategic arms (START). After their discontinuation in December 1983, owing to the strained political situation between the two sides on the question of intermediate forces in Europe, the two powers agreed in January 1985 to hold negotiations on the complex questions concerning space and nuclear arms—both strategic and intermediate range—in order to work out an agreement for preventing an arms race in space and terminating it on earth, at limiting and reducing nuclear arms, and at strengthening strategic stability. This process led first to the signing in December 1987 in Washington of the

*Treaty between the Two States on the Elimination of Their Intermediate-Range and Shorter-Range Missiles* (INF Treaty). It provided for the elimination of an entire class of nuclear weapons, namely, those nuclear forces with a range of between 500 and 5,500 kilometers. (Nuclear weapons with a range of more than 5,500 kilometers were considered to be strategic, while those with a range of less than 500 kilometers belonged to the category of tactical nuclear weapons.) The treaty entered into force on 1 June 1988. The INF Treaty is considered the first nuclear disarmament treaty, as it brought about the first actual reductions in the nuclear weapons of the two major powers. It also was considered an important turning point with respect to the strict verification schedule that it established, which included mutual arrangements for on-site inspections. Its provisions were fully implemented before June 1991, the date set by the treaty.

### The START Treaties

In parallel to the negotiations being conducted on intermediate nuclear force, a complex series of talks were also held on reducing significantly the two sides' strategic nuclear weapons, in particular inter-continental ballistic missiles (ICBMs). These negotiations were finalized by the signing, at a summit meeting between President Bush and President Gorbachev in Moscow on 31 July 1991, of the *Treaty on the Reduction and Limitation of Strategic Offensive Arms* (START Treaty). The main objective of the treaty was to increase stability in the nuclear relationship between the former USSR and the United States. The interrelated limits and sublimits on the two sides' strategic nuclear forces established by the treaty amounted to an unprecedented reduction of 35% to 40% of their overall nuclear forces at the time. Furthermore, an elaborate system, including a full range of notifications, inspections, and permanent monitoring, was adopted for the verification of compliance with the terms of the treaty.

At the same time as efforts were being carried forward to ratify the START Treaty and to deal with the problems raised by the dissolution of the former Soviet Union, the Russian Federation and the United States intensified their negotiations on their strategic nuclear weapons. As a result, on 3 January 1993, President Bush and President Yeltsin signed the *Treaty on Further Reduction and Limitation of Strategic Offensive Arms* (START II). The treaty, once implemented, was to bring about deep reductions in the overall number of nuclear warheads of the two sides including in their levels of inter-continental ballistic missiles (ICBMs), submarine-launched ballistic missiles (SLBMs), nuclear armed heavy bombers and nuclear air-launched cruise missiles (ACLMs).

Entry into force of the START I Treaty was complicated by the breakup of the USSR in 1989. The Russian Federation ratified the treaty on condition that the new republics of Belarus, Kazakhstan, and Ukraine also ratify the treaty and join the Nuclear Non-Proliferation Treaty (NPT). The START I Treaty was ratified by the United States Senate (1 October 1992), the Russian parliament (4 November 1992), the Belarus parliament (4 February 1993), the Kazakhstan parliament (2 July 1992), and the Ukrainian parliament (3 February 1994). Belarus joined the NPT on 22 July 1993. Kazakhstan joined the NPT on 14 February 1994. Ukraine joined the NPT on 5 December 1994. On that date, START I entered into force. On 5 December 2001, the United States and the Russian

Federation successfully reached the START I levels of 6,000 deployed warheads.

The START II treaty provided that, in a two-phased process, the Russian Federation would reduce the number of its strategic nuclear weapons to 3,000 and the United States to 3,500, by the year 2003. START II was ratified by the U.S. Senate in January 1996, and by the Russian parliament in April 2000. On 14 June 2002, one day after the U.S. withdrew from the ABM Treaty, Russia announced that it would no longer consider itself to be bound by START II provisions. In effect, the START II treaty was superseded by the Moscow Treaty (SORT) of 2002, in which both sides agreed to reduce operationally deployed strategic nuclear warheads to 1,700 and 2,200 by 2012.

### Unilateral Initiatives

In addition to the joint efforts of the two major powers to reduce the level of nuclear confrontation between them, a broad set of unilateral nuclear initiatives was announced by President Bush on 27 September and by President Gorbachev on 5 October 1991, which affected the entire spectrum of nuclear weapons of the United States and the former Soviet Union. The broad unilateral initiatives announced the destruction by both sides of their tactical nuclear weapons throughout the world, as well as other significant moves with respect to their nuclear forces. At the same time, President Gorbachev declared a one-year moratorium on nuclear weapons testing.

Upon the dissolution of the former Soviet Union at the end of 1991, its nuclear arsenal, which was subject to the reductions and limitations agreed under the START Treaty, passed into the jurisdiction of four newly formed states: Belarus, Kazakhstan, the Russian Federation, and Ukraine. To address the questions raised by the new situation, the four states, together with the United States, signed on 23 May 1992 in Lisbon, a protocol to the 1991 START Treaty. In the document, the four states, as successor states of the former USSR, agreed to assume the obligations of the former Soviet Union under the treaty, including working out arrangements among themselves to comply with the limits and restrictions contained in the treaty. While the Russian Federation assumed the status of nuclear-weapon state inherited from the former USSR, Belarus, Kazakhstan, and Ukraine committed themselves to adhere to the non-proliferation treaty as non-nuclear-weapon states in the shortest possible time. They did so in 1993 and 1994. In 1996, Belarus joined Ukraine and Kazakhstan in removing and transferring to the Russian Federation the last of the remaining former Soviet nuclear weapons located within their territories.

### Cessation of Nuclear Testing

It is widely considered that a comprehensive test ban would inhibit the proliferation of nuclear weapons. It would make it difficult, if not impossible, for the nuclear-weapon states to develop new weapon designs and would place constraints on the refinement of existing ones. On the other hand, nuclear-weapon states, including the United States, tend to regard at least some form of testing as necessary so long as their security is at all dependent on a strategy of nuclear deterrence.

The question of the discontinuance of nuclear testing has been discussed in the General Assembly since 1945. An estimated 1,622 nuclear-test explosions were detonated between 16 July 1945 and



31 December 1986—815 by the United States, 597 by the USSR, 140 by France, 40 by the United Kingdom, 29 by China, and 1 by India, which stated that its nuclear test was an experiment strictly for peaceful purposes.

Despite ongoing unilateral and international efforts to ban nuclear testing, it continued in the 1990s. Notably, in early October 1995, France (despite its assurances that it would not) conducted a nuclear test on Fangataufa Atoll in the Pacific. The blast triggered a wave of protest throughout the region. Ongoing tests by nuclear-weapons states prompted the General Assembly on 12 December 1995 to issue a statement saying it “strongly deplored all current nuclear testing and strongly urged the immediate cessation of all such testing” and had adopted a resolution by a vote of 85 in favor to 18 against, with 43 abstentions, commending those nuclear-weapon states observing testing moratoriums and urging them to continue the moratoriums pending the entry into force of a comprehensive nuclear test-ban treaty. In spring 1998, India and Pakistan, whose dispute over the Kashmir region continued, each conducted underground nuclear tests, causing scientists to move the hands of the infamous Doomsday Clock closer to midnight (the point of annihilation). These events highlighted the urgency of reaching consensus on nuclear non-proliferation and testing and underscored the role of the UN in bringing the parties to the table.

#### Partial Test Ban Treaty

Late in 1958, the nuclear powers (then the USSR, the United Kingdom, and the United States) began negotiations in Geneva on the discontinuance of nuclear-weapon tests. Although they accomplished nothing definitive, related and subsequent efforts in the General Assembly and the Eighteen-Nation Committee on Disarmament and, finally, further negotiations led to the signing in Moscow on 5 August 1963 of the *Treaty Banning Nuclear Weapons Tests in the Atmosphere, in Outer Space, and Under Water* (Partial Test-Ban Treaty). The treaty prohibits any nuclear explosions for weapons testing or for any other purpose in the atmosphere or beyond its limits, including outer space; or under water, including territorial waters or high seas. Its prohibitions also extend to nuclear explosions in any other environment if such an explosion produces radioactive debris outside the territorial limits of the state under whose jurisdiction or control the explosion is conducted. Further to the main provisions of the treaty, which did not prohibit the testing of nuclear devices underground, the parties to the treaty also confirmed their intention to seek an end to all testing of nuclear weapons and to continue negotiations towards that end, and declared their desire to end radioactive contamination of the environment.

The treaty was the first international agreement to regulate nuclear arms worldwide, and it has been recognized as an important instrument in reducing international tensions and decreasing radioactive pollution. It also helped to create a climate in which negotiations on other nuclear-arms limitation agreements, notably the *Treaty on the Non-Proliferation of Nuclear Weapons*, were able to take place.

France and China did not become parties to the treaty, but France announced in 1974 that it would not conduct any further atmospheric tests.

#### Bilateral Agreements on Nuclear Testing

In 1963, the nonaligned states in particular made strenuous efforts to persuade the USSR and the United States to extend the Partial Test Ban Treaty to include a ban on underground tests. Disagreement about verification prevented such an extension. Even after the Partial Test Ban Treaty came into effect, extensive underground testing continued, particularly by the USSR and the United States.

Two bilateral treaties, between the former Soviet Union and the United States, placed limits on their underground nuclear tests. These were the 1974 *Treaty on the Limitation of Underground Nuclear Weapon Tests* (known as the threshold test-ban treaty) and the 1976 *Treaty on Underground Nuclear Explosions for Peaceful Purposes*. Each party agreed not to test explosives yielding more than the 150-kiloton limit. Because of difficulties with the verification provisions and technology associated with the two treaties, they remained unratified for many years, although the two powers complied with their provisions. Following three years of bilateral negotiations from November 1987 to 1 December 1990 on nuclear testing verification and yield measurement methodology, the two powers exchanged instruments of ratification of the two treaties. The verification arrangements set out in conjunction with those two treaties were unprecedented in their openness and transparency, and helped to set the stage for even greater cooperation between the two major powers in agreements on the reduction of their nuclear-weapon arsenals.

#### Comprehensive Test Ban Treaty

The question of the complete cessation of all nuclear-weapon tests or of all nuclear explosive tests has been considered as a separate issue in UN bodies since 1963 and is the subject of many General Assembly resolutions. Between 1977 and 1980, the USSR, the United Kingdom, and the United States also undertook trilateral negotiations on a comprehensive test-ban treaty but again did not succeed in completing one. Questions of how to verify compliance with a ban on nuclear-weapon tests, how to treat nuclear explosions for peaceful purposes under the conditions of a ban, and whether to seek to ban all nuclear explosions presented difficulties both in the Conference on Disarmament, which was the main focus of efforts since 1980, and in the bilateral discussions that commenced in July 1986 between the USSR and the United States.

In an effort to add impetus to the ongoing efforts, the USSR halted all nuclear explosions for an 18-month period, from August 1985 to February 1987. The United States did not reciprocate because it believed that such an unverifiable measure was not a substitute for a negotiated, binding treaty.

At the 1995 Non-Proliferation Treaty Review and Extension Conference, the first measure agreed to was the completion of a Comprehensive Nuclear-Test-Ban Treaty (CTBT) no later than 1996. On 24 September 1996, the CTBT was opened for signature. As of 15 April 2006, it had been signed by 176 states, including all five nuclear-weapon states, and ratified by 132 states. However, the treaty had not yet entered into force since not all the states whose ratification is required for its entry into force had done so, including the United States, which rejected ratification in fall 1999.

### Unilateral Actions Towards an End to Nuclear Testing

With the end of the Cold War and the improvement in international political climate, important political strides towards the achievement of a comprehensive nuclear test ban were registered. In the early 1990s the number of underground nuclear tests being conducted by the nuclear-weapon states began to decrease considerably. In October 1991, the former Soviet Union declared a unilateral moratorium on nuclear tests, which was extended by the Russian Federation indefinitely. In April 1992 France suspended its nuclear testing. In October 1992 the United States enacted a law which not only declared a unilateral moratorium on its nuclear tests, but also directed that after September 1996, the United States government could no longer conduct nuclear tests. However, although the United States in January 2002 stated that it had no plans to resume nuclear testing, the U.S. Defense Department made a decision to “try and upgrade our testing infrastructure,” especially “if the strategic circumstances in the world changed dramatically.” The United Kingdom, which has conducted for several decades its nuclear-weapon tests at the nuclear testing site in the United States, has respected the declared moratorium of the United States and has not conducted any nuclear tests since November 1991. However, China conducted nuclear tests in June and October 1994. France resumed its nuclear testing program in the Pacific by conducting six under-ground tests during a five month period that began in September of 1995. Nuclear weapons tests broke out on the South Asian subcontinent in 1998. India announced that it conducted five underground nuclear explosions on 11 and 13 May 1998, its first nuclear tests since 1974. In response, Pakistan announced that it conducted five underground nuclear explosions on 28 May and another on 30 May 1998. These events undermined the progress that had been made to halt all nuclear weapons testing.

### Prevention of Nuclear Proliferation

In the early years of the atomic era, it was widely assumed that only a few highly industrialized nations would be able to afford to manufacture nuclear weapons. However, by the mid-1960s, advancing technology and simplification of nuclear production processes, particularly for electric-power generation, had led to the categorization of some 20 nations, including relatively small ones, as countries possessing a nuclear capability; there are now some 30 so-called “threshold” states. The fear of horizontal nuclear proliferation has thus spawned much discussion in the General Assembly. During 1965 and 1966, the greater part of the General Assembly’s debates on disarmament was devoted to this issue, especially with the emergence of China as a nuclear-weapon power.

In 1967, the United States and the USSR, after prolonged negotiations, put forward identical draft non-proliferation treaties in the Eighteen-Nation Committee on Disarmament, and in 1968, after further negotiation, a final joint draft was commended overwhelmingly by the General Assembly as the *Treaty on the Non-Proliferation of Nuclear Weapons*. The treaty came into force in March 1970. By 15 April 2006, it had been ratified by 189 countries, including the five declared nuclear-weapon states: China, France, the Russian Federation, the United Kingdom, and the United States. Though the treaty had received a great deal of sup-

port as reflected by the number of ratifications to it, challenges to its objectives remained.

The Non-Proliferation Treaty (NPT) prohibits the spread of nuclear weapons, employing the safeguards system of the IAEA to provide assurance against any diversion or misuse of nuclear materials by non-nuclear-weapon states. It also contains provisions for promoting the peaceful uses of nuclear energy; for making nuclear equipment, materials, and information available on a nondiscriminatory basis to non-nuclear-weapon states for peaceful purposes; and for the pursuit of negotiations relating to the cessation of the nuclear-arms race and to nuclear and general disarmament. All the non-nuclear-weapon parties to the treaty must accept safeguards, through separate agreements, with the IAEA. The safeguards system provides for international inspection of all their nuclear installations. Several states that are not parties to the treaty have also signed safeguards agreements with the IAEA covering all or most of their installations.

Following the disintegration of the former Soviet Union at the end of 1991, the nuclear weapons left on its former territory had fallen under the jurisdiction of Belarus, Kazakhstan, the Russian Federation, and Ukraine. While the Russian Federation assumed the treaty obligations of the former Soviet Union, in a special agreement, the Lisbon Protocol, Belarus, Kazakhstan, and Ukraine agreed to become non-nuclear-weapon states party to the NPT. They did so in 1993 and 1994. In 1996, Belarus joined Ukraine and Kazakhstan in removing and transferring to the Russian Federation the last of the remaining former Soviet nuclear weapons located within their territories. Only India, Israel, Pakistan and Cuba remain outside the NPT regime.

In the wake of the war in the Persian Gulf, the UN Special Commission (UNSCOM), appointed to eliminate Iraq’s capability to use weapons of mass destruction, uncovered the existence of a clandestine nuclear weapons program in that country. This revelation further challenged the NPT regime and in particular the inspection procedures employed by the IAEA.

Seven conferences have been held to review the operation of the treaty—in 1975, 1980, 1985, 1990, 1995, 2000, and 2005. In accordance with the terms of the treaty, a conference is to be held 25 years after its entry into force to decide whether it shall continue in force indefinitely or shall be extended for an additional fixed period or periods. Since the treaty’s entry into force, the parties and the General Assembly have called in various contexts for universal adherence to the treaty as the best means of further strengthening the non-proliferation regime.

Some of the aspects that are of crucial importance to the extension of the NPT and the strengthening of the non-proliferation regime revolve around the issue of efforts being made towards the cessation of the nuclear arms race and nuclear disarmament. In that connection, the question of the achievement of a comprehensive nuclear test ban treaty has taken on paramount importance for many non-nuclear-weapon states. In addition, the issue of the granting of guarantees to non-nuclear-weapon states that nuclear weapons will not be used against them would make an important contribution to the reinforcement of the NPT structure. Many states have for years supported the call for the nuclear-weapon states to cease production of fissionable material for weapons purposes, which they consider would contribute significantly in a qualitative manner to the ending of the nuclear arms race.

Notwithstanding the above caveats, the Non-Proliferation Treaty remains effective as the cornerstone of an international non-proliferation structure that has grown to embrace the overwhelming majority of countries of the world.

#### Nuclear-Weapon-Free Zones

The establishment of nuclear-weapon-free zones in various parts of the world has long been considered a possible means for curbing horizontal nuclear proliferation and enhancing peace and security for non-nuclear-weapon states on a regional basis.

#### Outer Space

The 1967 *Treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space, including the Moon and Other Celestial Bodies*, while not strictly belonging to that body of law which bans nuclear weapons from a particular area, is relevant nonetheless to the concept of nuclear-free zones. Among other things, it provides that states parties will not place any objects carrying nuclear weapons or any weapon of mass destruction in orbit around the earth, install these weapons on celestial bodies, or station them in outer space.

#### The Seabed

The 1972 *Treaty on the Prohibition of the Emplacement of Nuclear Weapons and Other Weapons of Mass Destruction on the Sea-Bed and the Ocean Floor and in the Subsoil Thereof* provides that states parties undertake not to place on or under the seabed, beyond the outer limit of a 12-mile coastal zone, any nuclear or other weapons of mass destruction or any facilities for such weapons.

#### Antarctica

The 1959 *Antarctic Treaty* was the first international agreement to provide for the absence of nuclear weapons in a specified area by having established a demilitarized zone in the Antarctic. Under the terms of the treaty, Antarctica is to be used exclusively for peaceful purposes. All military activity, nuclear explosions, or disposal of radioactive waste in the area are prohibited. The provisions of this treaty appear to have been scrupulously observed.

#### Latin America and the Caribbean

The *Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean* (Treaty of Tlatelolco), signed on 14 February 1967 at Tlatelolco, Mexico, was the first treaty establishing a nuclear-weapon-free zone in a densely populated area. It is also the first regional agreement to establish its own system of international verification and a permanent supervisory organ, the Agency for the Prohibition of Nuclear Weapons in Latin America (known by its Spanish acronym OPANAL), which was set up in June 1969. States parties to the treaty agree to use any nuclear material or facilities under their jurisdiction exclusively for peaceful purposes and to prohibit the presence of nuclear weapons in their territories, under any circumstances. They also agree not to engage in, encourage, authorize, directly or indirectly, or in any way participate in, the testing, use, manufacture, production, possession, or control of any nuclear weapon. The treaty's verification system includes the requirement that safeguards agreements be concluded with IAEA in respect of all the nuclear activities undertaken by

the parties. Annexed to the treaty are two Additional Protocols. Under Additional Protocol I, France, the Netherlands, the United Kingdom, and the United States agree to guarantee nuclear-weapon-free status to those territories for which they are, *de jure* or *de facto*, internationally responsible. In August 1972, the protocol was signed by France, thus giving it full force as all four countries had now signed. Under Additional Protocol II, nuclear-weapon states pledge to respect fully the denuclearization of Latin America and not to use or threaten to use nuclear weapons against parties to the treaty. By 1979, all five nuclear-weapon states had become parties to it.

#### The South Pacific

The states party to the 1986 *South Pacific Nuclear Free Zone Treaty* (Treaty of Rarotonga) have undertaken not to manufacture or acquire any nuclear explosive device; to control the export of fissionable material; to ensure that their nuclear activities are exclusively for peaceful and nonexplosive purposes and are conducted under strict safeguards; to ban the testing of nuclear explosive devices in the South Pacific; to prohibit the stationing of nuclear explosive devices in their territories; and to prevent the dumping at sea, in the region, of nuclear waste.

The treaty has three protocols, which are integral to its purposes. Protocol 1 obliges France, the United Kingdom, and the United States to apply the terms of the treaty in respect of the territories for which they are responsible in the region, especially with regard to prohibitions on the manufacture, stationing, and testing of any nuclear explosive device. Protocol 2 commits the five nuclear-weapon states not to use or threaten to use any nuclear explosive device against parties to the treaty. Protocol 3 commits the five nuclear-weapon states not to test any nuclear explosive device anywhere within the zone covered by the treaty. The United States, along with the United Kingdom and France, signed all three protocols on 25 March 1996. Russia (with understandings) and China signed and ratified Protocols II and III; neither has zonal territories that would require adherence to Protocol I. France ratified the protocols on 20 September 1996, and the United Kingdom ratified the protocols on 19 September 1997.

#### Southeast Asia

The 1995 *Southeast Asia Nuclear Weapon Free Zone (SEANWFZ) Treaty* (Treaty of Bangkok) bans the research, development, manufacture, stockpiling, acquisition, possession or control over any nuclear explosive device by any means in Southeast Asia. The area designated as a nuclear free zone comprises the territories of all states in Southeast Asia, namely, Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam, and their respective continental shelves and exclusive economic zones. Each state party also agrees not to dump at sea or discharge into the atmosphere any radioactive material or wastes in the region. The Treaty of Bangkok has one protocol, specifying that all five nuclear weapons states undertake not to use or threaten to use nuclear weapons against any state party to the treaty, nor to use or threaten to use nuclear weapons within the Southeast Asia Nuclear Weapon-Free Zone. As of 2006, none of the nuclear weapons states had signed the protocol, largely due to U.S. and French objections regarding the unequivocal nature of

security assurances and over the definitions of territory, including exclusive economic zones.

#### Africa

The 1996 *African Nuclear Weapons Free Zone Treaty (ANWFZ)* (commonly known as the Treaty of Pelindaba) establishes a nuclear-weapon-free zone on the continent of Africa and all island states considered by the former Organization of African Unity to be part of Africa. The treaty has three protocols. Under Protocol I, the five nuclear powers are to agree not to use or threaten to use a nuclear explosive device against any treaty party or against any territory of a Protocol III party within the African zone. Under Protocol II, those five powers are to agree not to test or assist or encourage the testing of a nuclear explosive device anywhere with the African zone. Protocol III is open to states with dependent territories in the zone and obligates them to observe certain provisions of the treaty with respect to these territories; only Spain and France may become parties to it. All five nuclear weapons states signed the three protocols in 1996, but as of April 2006, only China, France, and the United Kingdom had ratified Protocols I and II. France ratified Protocol III in 1997.

#### Proposals for Nuclear-weapon-free Zones

In addition to those areas and zones mentioned above, where there has been success in elaborating treaties prohibiting the use of nuclear weapons, the General Assembly has also discussed, with varying degrees of success, proposals for creating nuclear-weapon-free zones in many other regions of the world. These discussions have covered a number of geographic zones, including the Balkans, the Mediterranean, Northern Europe, Central Europe, the Middle East, and South Asia.

#### Security Assurances to Non-nuclear-weapon States

Since the conclusion of the NPT in 1968, the non-nuclear-weapon states have repeatedly insisted that their promise not to acquire nuclear weapons should be met with an assurance that nuclear weapons would not, under any circumstances, be used against them. On 19 June 1968, the Security Council recognized that aggression using nuclear weapons, or the threat of doing so, against a non-nuclear-weapon state would warrant immediate action by the Security Council, above all its nuclear-weapon state permanent members. The Security Council also reaffirmed the provision of the UN Charter that declares that a state, if the victim of an armed attack, has a right to act in individual or collective self-defense until such time as the Security Council could take action to maintain peace and security.

At the 1978 special session on disarmament, four of the five nuclear-weapon states individually declared their intention not to use, or threaten to use, nuclear weapons against non-nuclear-weapon states, which met the conditions outlined in their respective declarations. At that session also, China reiterated the declaration it made when it conducted its first nuclear test—that it would never use nuclear weapons against a non-nuclear-weapon state. The nuclear-weapon states have refined and reasserted their respective security guarantees several times since then.

Since 1979, the Conference on Disarmament has considered proposals for effective international arrangements that would assure non-nuclear-weapon states against the use, or threat of use, of

nuclear weapons. Non-nuclear-weapon states have expressed the view that further assurances, in legally binding form, are necessary in order to effectively guarantee their security against nuclear attack. The Western nuclear-weapon states and their allies have been of the view that, in order to receive such negative security assurances, states must have demonstrated a commitment not to acquire nuclear weapons, by forming part of a nuclear-weapon-free zone or by adhering to the Nuclear Non-Proliferation Treaty. Those non-nuclear-weapon states that are party to the NPT considered the issue of pivotal importance to the outcome of the 1995 NPT Conference.

#### Prohibition of the Production of Fissionable Material

An approach to nuclear disarmament which has received much international attention over the years has been to stop the production of fissionable material for weapons purposes.

The United States submitted proposals on this subject to the Eighteen-Nation Committee on Disarmament and the General Assembly during the 1960s, which included plans for inspection of certain types of nuclear reactors and separation plants; the dismantling of a number of nuclear weapons by both the United States and the former Soviet Union, to be carried out in the presence of observers; and the transfer or conversion of fissionable material to industries or forms in which it could be used for peaceful purposes.

In 1992 the United States announced a unilateral cessation of its national production of plutonium and highly enriched uranium for nuclear weapons. Among the nuclear-weapon states, both the Russian Federation and the United States have expressed support for reaching an international agreement to halt the production of weapons-grade fissionable material in the interests of non-proliferation. In 1993, the General Assembly adopted without a vote a resolution recommending negotiation in the most appropriate international forum of a non-discriminatory, multilateral, and internationally and effectively verifiable treaty banning the production of material for nuclear weapons or other nuclear explosive devices.

In 1995, the UN Conference on Disarmament agreed to establish a mandate for an ad hoc committee based on the 1993 General Assembly resolution. The mandate was included in the “Shannon Report,” named after then-Canadian Ambassador to the UN Gerald Shannon who led consultations on this issue. Because several countries resisted limiting the treaty to a ban only on the future production of fissile material, the Shannon Report explicitly states that the mandate to negotiate a halt to the production of fissile materials for nuclear weapons does not preclude any country from including the past production of fissile material. The Conference on Disarmament also agreed in 1998 to convene an ad hoc committee to negotiate a ban on the production of fissile materials.

## OTHER WEAPONS OF MASS DESTRUCTION

In 1946, the General Assembly envisaged not only the elimination of atomic weapons, but also of all other major weapons of mass destruction. The dangers of such weapons to humanity can-

not be underestimated. Even in World War I, “first-generation” chemical agents caused some 1.3 million casualties, of which over 100,000 were fatal. In 1948, the Commission for Conventional Armaments, in setting out the limits of its jurisdiction, also defined weapons of mass destruction as including, besides atomic explosive weapons, radioactive material weapons, lethal chemical and biological weapons, and any weapons developed in the future with comparable destructive effects.

### Chemical and Biological Weapons

As mentioned earlier, the powerful sense of outrage generated by the use of chemical weapons during the First World War resulted in the signing of the Geneva Protocol of 1925 banning the use, but not the production, possession, or stockpiling, of chemical or bacteriological weapons. As a consequence, possession and acquisition, particularly of chemical weapons, has continued and, indeed, in recent years has proliferated. Many parties to the Geneva Protocol have included reservations or statements with their signatures that open the door to the possible retaliatory use of such weapons.

The protocol also did not provide for mechanisms to verify compliance or for procedures to deal with violations. Recognizing the shortcomings of the protocol, the international community continued its quest for a complete ban on chemical and biological weapons. Although treated as a single issue previously, it was agreed in 1971 to separate consideration of chemical and biological weapons in the hope that an early ban on biological weapons could be achieved.

### Biological Weapons

The *Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction* entered into force on 26 March 1975 and was hailed as a first step towards a comprehensive ban on biological weapons.

The convention prohibits the development, production, stockpiling, acquisition, or retention of microbial or other biological agents, or toxins whatever their origin or methods of production, of types and in quantities that have no justification for prophylactic, protective, or other peaceful purposes. It also prohibits weapons, equipment, or means of delivery designed to use such agents or toxins for hostile purposes or in armed conflict. The agents, toxins, weapons, equipment, and means of delivery held by states that became party to the convention should be destroyed or diverted to peaceful purposes not later than nine months after the entry into force of the convention for that state. Furthermore, any state party that finds that any other state party is not complying with the provisions of the convention may lodge a complaint with the Security Council.

In 1986, states parties decided to initiate a set of confidence-building measures in the form of a voluntary exchange of information and data. The information to be exchanged included data on high-risk research centers and laboratories; outbreaks of infectious diseases; publication of results of biological research; and the promotion of contacts among scientists in biological research.

In 1991, the states parties established an Ad Hoc Group of Governmental Experts to identify and examine potential verification measures from a scientific and technical standpoint. A majority

of states parties have requested a special conference to review the results of the expert group.

In December 1996, the Fourth Review Conference of States Parties to the Biological Weapons Convention held a two-week session. The conference supported intensified work by an ad hoc group to design a verification protocol for the international treaty. The conference expressed hope that the group would reach agreement on a draft protocol to be considered by a special conference of states parties to the convention as soon as possible and before the Fifth Review Conference.

The Fifth Review Conference was convened from 19 November to 7 December 2001. Due to persisting divergent views and positions on certain key issues, however, the conference decided to adjourn its proceedings and resume its work in November 2002. The conference was reconvened from 11 to 15 November 2002 in Geneva. States parties adopted a final report that included a decision to hold annual meetings in the next three years leading up to a Sixth Review Conference in late 2006. The Fifth Review Conference was held against a background of heightened global concern about the threat of biological agents such as anthrax being used as weapons. Extensive negotiations and drafting sessions were held as the international treaty’s states parties sought to respond to recent developments and demands that the Biological Weapons Convention be vigorously and thoroughly enforced. Ninety-one of 144 States parties attended the session.

### Chemical Weapons

In 1966, with the adoption of its first resolution on the question of chemical and bacteriological (biological) warfare, the General Assembly commenced a long process of international discussions and negotiations on issues relevant to the question. The adoption of the resolution reflected growing international awareness of the dangers involved with the possible use of such weapons of mass destruction.

The question of chemical and biological weapons was treated as a single issue requiring a unified approach before 1971. After agreement had been reached on the Biological Weapons Convention in 1972, attention turned more to the chemical weapons aspect and numerous proposals were put forward in the multilateral negotiating body in Geneva, including the complete texts of drafts conventions. In 1980, the Conference on Disarmament began working toward a convention on chemical weapons, but progress was evident only late in the decade. The former Soviet Union and the United States, the only states that had admitted to possessing stockpiles of chemical weapons, began a series of bilateral contacts that led to agreement between them on sensitive issues of verification of implementation of a convention, including the question of challenge and on-site inspection.

The actual use of chemical weapons during the war between Iraq and the Islamic Republic of Iran in the 1980s, confirmed by an investigative team appointed by the Secretary-General, focused greater international attention on the need to reach early agreement on the prohibition of these weapons. In 1991, the war in the Persian Gulf and the possibility that chemical weapons might again be used added even greater urgency to the efforts to rid the world of chemical weapons as soon as possible. On 8 November 2002, the Security Council adopted Resolution 1441 calling on Iraq to immediately disarm itself of chemical, biological, and

nuclear weapons. The threat posed by Iraq's weapons of mass destruction was regarded by the UN as great, and the resolution included language that did not preclude the use of force against Iraq for noncompliance. Force was indeed used against Iraq beginning on 19 March 2003 when US-led forces invaded Iraq, marking the start of the Iraq War. No significant presence of weapons of mass destruction was found in Iraq after the invasion.

The *Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction* was opened for signature on 13 January 1993 in Paris, France. The required number of ratifications (65) was completed in October 1996 and the treaty entered into force 29 April 1997, by which time a total of 87 countries had ratified it, including the United States (which ratified it 24 April 1997). One year later, a total of 108 states were party to the convention. By that time the Organization for the Prohibition of Chemical Weapons (OPCW), headquartered in The Hague, Netherlands, had already worked with nine cooperating states that provided the OPCW with information on past or existing chemical weapons programs. The OPCW had completed almost 200 inspections and witnessed the destruction of approximately 1,000 tons of nerve agents in its first year. By April 2006, 178 countries had ratified the chemical weapons convention.

The convention is considered a genuine disarmament measure in that it provides for the elimination of an entire category of weapons of mass destruction. Its importance lies in the fact that these weapons exist in large quantities, have been used in combat in the past, and are believed to be possessed by a large number of countries. Further, the verification system provided for under the convention is the most comprehensive to have been formulated for a multilateral agreement in the field of disarmament.

By the terms of the convention, states parties undertake never, under any circumstances, to use chemical weapons, nor to develop, produce, otherwise acquire, stockpile, or retain chemical weapons, or transfer them, directly or indirectly, to anyone. They also commit themselves never to engage in any military preparations to use chemical weapons nor to assist, encourage, or induce, in any way, anyone to engage in any activity prohibited under the convention. Within a period of 10 years, each state party undertakes to destroy chemical weapons and production facilities that it may own or possess, or that are located in any place under its jurisdiction or control, as well as all chemical weapons it has abandoned on the territory of another state party. The convention also bans the use of riot control agents as a method of warfare.

The states parties are required to submit detailed declarations on any chemical weapons they might possess, on old and abandoned chemical weapons they might have on their territory, and on any related chemical weapons production facilities, as well as on the plans and implementation of the destruction of such. They have agreed to a comprehensive and graduated system of routine inspections for international monitoring of the implementation of their obligations under the convention. Also provided for is a system of short-notice, challenge inspections, by which each state party may request an international inspection team to monitor any facility or location in the territory of another state party, which is obliged to allow the inspection, for the purpose of clarifying and resolving any questions concerning possible non-compliance. An

inspected state party may protect activities and installations that it considers unrelated to the inspection request.

### **New Weapons of Mass Destruction**

The question of new weapons of mass destruction has been under consideration since the mid-1970s in the General Assembly and the Conference on Disarmament, which have stated that effective measures should be taken to prevent the emergence of such weapons. The former USSR and other nations supported a general agreement precluding laboratory development of weapons of mass destruction, as well as specific agreements as relevant possibilities are identified; other states feel that meaningful, verifiable agreements are practical only for specific, emergent weapons or systems.

A list of specific types of potential weapons of mass destruction presented by the former USSR in 1979 included the following: radiological weapons, using radiological materials, a possibility already foreseen in 1948; particle-beam weapons, using charged or neutral particles to affect biological targets; and infrasonic "acoustic radiation" weapons and electromagnetic weapons operating at certain radio frequencies, either of which could have injurious effects on human organs.

### **Radiological Weapons**

At the 1976 session of the General Assembly, the United States proposed an instrument prohibiting radioactive weapons. This proposal led to bilateral negotiations with the USSR and the submission in 1979 of an agreed joint initiative for consideration by the then Committee on Disarmament.

Since 1980, the multilateral negotiating body has considered proposals for reaching agreement on a convention to prohibit the development, production, stockpiling, or use of radiological weapons. Some nonaligned and neutral states of the Conference on Disarmament, while recognizing the potential danger of the development of radiological weapons, considered that a military attack on a civilian nuclear power installation represented a more dangerous risk of mass destruction caused by the release of radiological substances. The former Soviet Union and the United States felt this idea altered the basic concept and content of the joint initiative.

Finding an acceptable way to cover both a ban on radiological weapons in the traditional sense and a prohibition of attacks against peaceful nuclear facilities has since been the main problem in efforts to negotiate a radiological weapons convention. This question has remained on the agenda of the Conference on Disarmament and the General Assembly, but differences of view concerning the question of the prohibition of attacks against nuclear facilities have persisted. In the wake of the 11 September 2001 terrorist attacks on the United States, the Conference on Disarmament put more attention on the problem of radiological weapons. The possibility of terrorists obtaining possession of radiological material and constructing a radiation dispersion weapon or "dirty bomb" was one taken seriously by the Conference. The IAEA and other bodies were working on ways of improving the physical control of such material in 2006.

## PROTECTING THE ENVIRONMENT FROM MILITARY ACTIVITY

In recent history, the world has viewed with mounting concern the specter of deliberate destruction of the environment as a method of warfare. The damage inflicted on the environment during the war in the Persian Gulf in 1991 and 1992 led to the inclusion of a new item on the agenda of the General Assembly, entitled "Exploitation of the environment as a weapon in times of armed conflict and the taking of practical measures to prevent such exploitation."

### Prohibition of Environmental Modification

In July 1974, following a summit meeting between the United States and the USSR, the two powers advocated measures to preclude the use of environmental modification techniques for hostile military purposes. This proposal led to consideration of the question in the General Assembly and the Conference of the Committee on Disarmament and the opening for signature on 18 May 1977 of the Convention on the Prohibition of Military or Any Other Hostile Use of Environmental Modification Techniques. The convention entered into force in 1978. In essence, the convention bolsters existing provisions in international law protecting the environment by outlawing environmental modification techniques that would cause widespread, long-lasting, or severe effects to another state. During the process that led to the convention, many states decided it too narrowly defined the scope of the techniques to be banned. By April 2006, the convention had acquired only 72 signatures.

The convening of the UN conference in Rio de Janeiro in 1992 and the specter of oil wells set ablaze and a massive oil spill in the Persian Gulf during the Gulf War of 1991–92 intensified the debate over the environmental consequences of war. Some of the states parties to the convention made it known that they would ask the Secretary-General of the UN, as depositary (the holder of the legal, certified copies of the treaty), to convene a consultative committee of experts to provide views on the scope and application of the provisions of the convention. The states parties also have confirmed that the use of herbicides as an environmental modification technique was a method of warfare that fell within the scope of the prohibition of the convention if such use upset the ecological balance of a region, thus causing widespread, long-lasting, and severe effects.

## CONVENTIONAL WEAPONS

It is a painful reality that, throughout the nuclear era and the cold war, and now in the post-cold war world, all armed conflicts—almost every one of them in developing countries—have been fought with conventional weapons. More than 20 million people have died in those wars. Every year, armed conflicts are waged in some 30 locations on the planet, all fought with conventional weapons. Conventional weapons and armed forces account for some four-fifths of global military expenditures and for approximately 80% of the world arms trade.

Thus, while consideration of nuclear questions has dominated disarmament debates in the UN and other forums, the problems posed by the conventional arms race and arms transfers have come increasingly to the fore, particularly in the 1980s. In the disarmament forums at the UN, discussions of the issue of conventional

disarmament have focused on four main elements: (a) limitations on conventional weapons themselves; (b) transparency in international arms transfers and the establishment of a UN Register on Conventional Arms; (c) the regional approach and the building of military confidence and security among states; and (d) the strengthening of international humanitarian and disarmament law with respect to inhumane weapons, including the question of land mines.

In 1986, "conventional disarmament" was considered as a separate item on the agenda of the General Assembly for the first time, and, as a result, in 1987 it appeared on the agenda of the Disarmament Commission, indicating an increasing acceptance of the view that nuclear and conventional disarmament should proceed simultaneously.

When the question of prohibiting the use of certain conventional weapons, such as napalm and other incendiaries, was first raised in the General Assembly in the late 1960s, there were numerous proposals for banning various weapons, such as mines and booby traps, that also were deemed to cause unnecessary suffering or have indiscriminate effects. Considerable work, including some under the auspices of the International Committee of the Red Cross and of diplomatic conferences on protocols to the Geneva Convention of 1949 relating to humanitarian law in armed conflicts, was done in the late 1960s and the 1970s. As noted above, in 1980, a UN conference at Geneva adopted the *Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects*; the convention was opened for signature in 1981 and came into force in December 1983.

### UN Register of Conventional Arms

On 1 January 1992 the *UN Register of Conventional Arms* was officially established and the first reports on arms transfers during 1992 were due to be received by the UN Centre for Disarmament Affairs by 30 April 1993. In October of 1993, the Secretary-General presented a consolidated report on the first year of operation of the register to the General Assembly, which brought the information presented by states into the public domain. Information was received from 87 states, including most of the major supplier countries, on arms imports and exports in seven categories of heavy conventional weapons—battle tanks, armored combat vehicles, large caliber artillery systems, combat aircraft, attack helicopters, warships, and missiles and missile launchers. Submissions to the register, which are on a voluntary basis, are to be made by 30 April of each year. Upon the request of the General Assembly, the Secretary-General convened a group of experts in 1994 to examine the continuing operation of the register and its further development. In that connection, many states asserted that the information shared should include information on military holdings, on procurement through national production, and on weapons of mass destruction. They believed that these additions to the register would help to attract wider universality in reporting.

The establishment of the Register of Conventional Arms by the UN was a ground-breaking endeavor. The exchange of information enacted by means of the register has the potential to foster confidence among states and create an atmosphere more conducive to self-restraint and real measures of disarmament. The successful further development and operation of the register could

provide the member states of the UN with an effective instrument of preventive diplomacy.

Also in relation to openness and transparency in military matters, the Disarmament Commission completed its work on guidelines and recommendations for objective information on military matters, which were endorsed by the General Assembly. Also in 1992, the Conference on Disarmament took up for the first time an item dealing with conventional weapons under a new agenda item entitled "Transparency in Armaments." It continued consideration of the item in 1993 and 1994 in the framework of a subsidiary body of the conference, and presented a report to the General Assembly on its work in 1993.

In October 2002, the UN held a symposium to mark the 10th anniversary of the UN Register of Conventional Arms. As of April 2006, 169 governments had reported to the Register at least once.

### Inhumane Weapons

Early international humanitarian laws dealt with the effects of inhumane conventional weapons. The St. Petersburg Declaration of 1868 recognized that the object of warfare would not be served by the use of weapons that uselessly aggravate the suffering of disabled soldiers. The "dum-dum" bullet, developed a few years later, was banned by the 1899 Hague Conference as contrary to the St. Petersburg Declaration. Principles enunciated in the St. Petersburg Declaration of 1868 and the Hague Conferences of 1899 and 1907 were repeated in the Geneva Conventions of 1949, prohibiting the employment of weapons, projectiles, and material and methods of warfare of a nature to cause superfluous injury or unnecessary suffering. Between 1974 and 1977, two protocols were negotiated to the Geneva Conventions, but were not considered effective at adopting any prohibitions or restrictions on conventional weapons.

In 1977, the General Assembly decided to convene a UN conference with the aim of reaching an agreement on prohibitions or restrictions of use of certain conventional weapons. The UN Conference, held at Geneva in 1979 and 1980, adopted the convention, which entered into force on 2 December 1983. Annexed Protocol I prohibits the use of any weapons that injure with fragments that are not detectable by X-rays. Protocol II prohibits or sets out restrictions on the use of mines (excluding anti-ship mines), booby-traps, and other delayed action devices. Protocol III prohibits or outlines restrictions on the use of incendiary weapons, that is, weapons designed with the primary purpose of setting fire to objects or causing injury by means of fire.

Among other items of discussion with respect to the review of the convention, the vast toll in civilian life and bodily injury, together with the devastation of societies and economies in post-conflict situations caused by the massive and indiscriminate use of land mines, has been receiving greater international attention. In 1993, the General Assembly called upon all states to adopt a moratorium on the export of antipersonnel land mines. In a related resolution, the General Assembly requested the Secretary-General to prepare a report on the problems caused by the increasing presence of mines and other unexploded devices resulting from armed conflicts and on the manner in which the United Nations' contribution to the solution of problems relating to mine clearance could be strengthened.

As part of Secretary-General Kofi Annan's reform, the United Nations Mine Action Service (UNMAS) was created to coordinate the mine-related activities of 11 UN departments and agencies. Wholly funded by the Voluntary Trust for Assistance in Mine Action, UNMAS spearheaded the development of the Mine Action and Effective Coordination: The United Nations Policy, a document that serves as the basis for the coordinated, systemwide approach to mine action. While UNMAS focused its efforts on removing existing land-mines, the 1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction aimed to eliminate, or at least reduce the number of, new land-mines. The convention entered into force March 1999.

## CONFIDENCE-BUILDING MEASURES

### Regional Confidence-Building

The objective of confidence-building measures is to contribute toward reducing or eliminating the causes for mistrust, fear, tensions, and hostilities, which are significant factors behind the international arms buildup. A UN study on confidence-building measures, issued in 1981, represented an attempt to clarify and develop the concept of confidence-building and to provide guidelines to governments for introducing and implementing confidence-building measures and promoting public awareness of the concept so as to advance negotiations and enhance peace and security. In that same year, the General Assembly invited all states to consider the possible introduction of confidence-building measures in their particular regions and, where possible, to negotiate among themselves in keeping with conditions and requirements prevailing in the respective regions. In fact, multilateral negotiations on these issues had been under way since the early 1970s.

The Vienna Talks on the Mutual Reduction of Forces and Armaments and Associated Measures in Central Europe, which commenced in 1973 among the member countries of NATO and the Warsaw Pact, were aimed at enhancing stability in the central region of the two alliances and in Europe as a whole while reducing armed forces and equipment but maintaining undiminished security. After decades of unsuccessful efforts in that framework, the two sides agreed to close down the talks in 1989 to pursue efforts in the context of a new set of talks on conventional force reductions within the security pillar of the Conference on Security and Cooperation in Europe (CSCE), ongoing since the adoption of the 1975 Helsinki Act.

The CSCE, held in Geneva and Helsinki from 1972 to 1975 and involving 33 European countries, as well as Canada and the United States, further developed the concept of confidence-building measures on a non-UN regional basis; its Final Act, issued at Helsinki in August 1975, included provisions on security, human rights, and scientific cooperation. The final Stockholm Document, adopted in September 1986, constituted the first security agreement for Europe among the 35 states participating in the conference that adopts militarily significant, politically binding, and verifiable confidence-building measures. Under its terms, the CSCE states agreed to a new set of standards on the notification and observation of certain military activities, and, most important, they agreed upon verification of compliance by means of mandatory on-site inspection arrangements.



Reviewed during 1977–78 in Belgrade and again from 1980 to 1983 in Madrid, the conference led to the Stockholm Conference on Confidence- and Security-Building Measures and Disarmament in Europe, held from 1984 to 1986, with the same states participating.

In Vienna in 1989, at the same time that negotiations between the two military alliances were initiated on conventional armed forces in Europe, a new set of negotiations began on confidence and security-building measures (CSBMs) among all the CSCE participating states. The talks led to the adoption of the Vienna Document of 1990, which incorporated and expanded the provisions of the Stockholm Document. Among its provisions are an exchange of military information among its parties on the command structure of their military forces, plans for the deployment of major weapon and equipment systems, and the military bud- plans for the forthcoming year. The CSCE held a summit meeting in Paris immediately following the adoption of the Vienna CSBM document and adopted the Charter of Paris. Among other results, the participating CSCE states decided to establish a Crisis Prevention Centre in Vienna, which became essentially the operational component of the CSBM document.

In order to consolidate further the achievements of the 1990 Charter of Paris, the CSCE held a summit meeting in 1992. It issued an important document relating to confidence-building entitled the *Helsinki Document–1992–The Challenges of Change*, adopted unanimously by its full membership. In Helsinki, the states parties decided *inter alia* to start a new negotiation on arms control, disarmament, and confidence- and security-building; established a new CSCE Forum for Security Cooperation; and strengthened the Conflict Prevention Centre set up in Vienna.

In the interest of improving openness and transparency, and facilitating monitoring and compliance with existing or future arms control agreements and to strengthen the capacity for conflict resolution and crisis management in the CSCE, a *Treaty on Open Skies* was signed in March 1992 by 24 of the CSCE participating states. Covering an area from Vancouver to Vladivostok, the treaty allows observation flights by a state party over the territory of other state parties.

The UN has contributed to the process of confidence-building in a number of ways. The Secretary-General has assisted states parties to arms limitation agreements, at their request, in exchanges of information. This is the case for the newly formed Register of Conventional Arms, for the maintenance of an international system for standardized reporting of military expenditures, for the biological weapons convention as well as for the seabed treaty.

The Secretary-General also has contributed to confidence building within regions by stimulating informal discussions of regional and global disarmament issues at seminars and conferences organized under the auspices of the Centre for Disarmament Affairs. Further, in order to promote cooperation among regional states towards arms limitation and disarmament, the UN has established three regional centers as follows: UN Regional Centre for Peace and Disarmament in Africa (Lomé, Togo); UN Regional Centre for Peace and Disarmament in Asia and the Pacific (Kathmandu, Nepal), and the UN Regional Centre for Peace, Disarmament and the Development in Latin America and the Caribbean (Lima,

Peru). The centers focus their activities on dissemination of information, training, and regional meetings.

### Zones of Peace

The 1971 Declaration of the Indian Ocean as a Zone of Peace is considered annually by an ad hoc Committee on the Indian Ocean, which has proposed the convening of a conference of the regional states. There also have been proposals for zones of peace and cooperation in various other regions, including the Mediterranean and the South Atlantic.

## ECONOMIC AND SOCIAL CONSEQUENCES OF THE ARMS RACE

Since the 1950s, the General Assembly has appealed for the reduction of military spending and has suggested that the money thus saved be redeployed for economic and social development activities. A 1981 UN expert study on the relationship between disarmament and development saw a triangular relationship between disarmament, security, and development and concluded that the world could either continue to pursue the arms race or move toward a more sustainable international and political order; it could not do both. A 1982 expert study on the economic and social consequences of the arms race and of military expenditures concluded that UN mechanisms for peaceful settlement of disputes should be strengthened, that the use of the world's finite resources for military ends should be discouraged, and that there should be extensive diversion of these resources from military applications to socioeconomic development.

### Conference on Disarmament and Development

In 1984, the General Assembly decided to convene an International Conference on the Relationship Between Disarmament and Development. The conference, which took place at UN headquarters in August–September 1987, considered ways and means of enhancing security and of releasing additional resources for development purposes through disarmament measures.

In particular, the conference called upon the UN to make greater efforts to promote collective knowledge of the nonmilitary threats to international security; to establish an improved and comprehensive database on global and national military expenditures; to continue to analyze the impact of global military expenditures on the world economy and the international economic system; to monitor trends in military spending, and to facilitate an international exchange of views and experience in the field of conversion from military to civilian production. To carry out the above work, a high-level task force was set up within the UN Secretariat. The Secretary-General reports each year to the General Assembly on the efforts carried out in this regard.

The improvement in the East-West relations in the late 1980s and the beginning of significant reductions in armed forces and armaments in the 1990s drew considerable attention to the issue of conversion of weapons, weapons testing and production facilities, and redeployment of armed forces. At its 44th session in 1989, the General Assembly, for the first time, adopted a resolution dealing with the subject of conversion of military resources.

Beginning with the 1990 international conference in Moscow on Conversion: Economic Adjustments in an Era of Arms Reduction, a number of similar conferences on different aspects of

conversion of military resources to civilian production have been organized by the Centre for Disarmament Affairs and other interested UN bodies in cooperation with various host countries. The conference in Moscow was followed by an international conference on International Cooperation in Peaceful Uses of Military Industrial Technology in Beijing, China, in 1991. This was followed by yet another international conference on aerospace complex conversion held in Moscow in 1992.

The UN Institute for Disarmament Research (UNIDIR) submitted to the General Assembly at its 47th session in 1992, through the Secretary-General, a study entitled *Economic Aspects of Disarmament: Disarmament As An Investment*. It found that on the cost side disarmament required a fundamental reallocation of resources from military to civilian production, which could result in major problems of unemployment or underemployment of labor, capital, and other resources. Economic dividends of disarmament were likely to be small in the short term, it concluded. In the long term, however, disarmament would lead to significant benefits in the civilian sector through the production of goods and services made possible through the reallocation of resources from the military sector. Thus, in its economic aspects, the report said, disarmament was like an investment process involving short-run costs and long-run benefits.

#### Reduction of Military Budgets

Proposals for the reduction of military budgets, based on the conviction that such measures would facilitate the disarmament process and help release resources for economic and social development, were made in the General Assembly during the 1950s and 1960s. Throughout the 1970s and 1980s, the General Assembly pursued this question on two tracks. There were those states that pressed for the identification and elaboration of principles for freezing and reducing military budgets, while other states favored an effort by the General Assembly to broaden participation in the standardized reporting system.

During the same period, the General Assembly initiated a series of expert studies and established an Ad Hoc Panel on Military Budgeting, aimed at arriving at a generally acceptable conceptual definition of military budgets and the development of a standardized system of measuring and reporting the military expenditures of states.

An international system for the standardized reporting of military expenditures was introduced in pursuance of resolution 35/142 B of 17 December 1980. A 1982 study reaffirmed that the reporting instrument was a practical method for monitoring and reporting on military expenditures and strongly recommended its continuous use. On the basis of national reports on military expenditures received, the Secretary-General has submitted annually to the General Assembly a document on the operation of the reporting system. The General Assembly also has continued to recommend that member states use the reporting instrument to forward annually to the Secretary-General military expenditures for the latest fiscal year for which data are available.

The Disarmament Commission also considered the reduction of the military budgets from 1979 until 1989. Despite the progress and refinement made on the reporting system, basic differences in approach to the problem of reducing military budgets remained.

In the 1986 session of the Disarmament Commission, provisional agreement was achieved on a text embodying a set of principles to govern the action of states in freezing and reducing military budgets. However, there was disagreement on the use of the standardized reporting instrument. The item has not been on the agenda of the Disarmament Commission since 1990.

In 1992, the General Assembly endorsed a set of guidelines and recommendations for objective information on military matters as adopted by the Disarmament Commission at its 1992 session. The "Guidelines" are intended *inter alia* to encourage openness and transparency on military matters, to facilitate the process of arms limitation, reduction, and elimination, as well as to assist verification of compliance with obligations undertaken by states in these fields.

## STUDIES, RESEARCH, INFORMATION, AND TRAINING

### Studies and Research

Since the early 1960s, the UN has prepared studies on disarmament issues mandated by the General Assembly, usually with the assistance of experts and consultants. The purpose of these studies is to assist the negotiating process through analysis of specific questions, as well as to provide information in order to facilitate better understanding of the issues.

The *UN Institute for Disarmament Research* (UNIDIR), which was established in October 1980 as an autonomous institution within the UN framework, conducts independent research on disarmament problems, aimed at encouraging disarmament by expanding accessible information on proposals and concepts. Located in Geneva, UNIDIR is funded principally by voluntary contributions from governments and public and private organizations.

The *Advisory Board on Disarmament Matters* functions as the board of trustees of UNIDIR. Its other major functions include advising on programs for disarmament studies and research and on implementation of the UN Disarmament Information Programme. It may also advise the Secretary-General of the UN on specific disarmament and related questions.

### Information

The Department for Disarmament Affairs (DDA) was created during the UN's late 1990s reform efforts to coordinate the UN's activities in this area. As part of this effort, the DDA issues the *UN Disarmament Yearbook* and a variety of other publications. The Website [www.disarmament.un.org](http://www.disarmament.un.org) keeps track of news and developments in disarmament, including the latest treaty ratifications as well as pertinent UN resolutions and decisions.

### Training

A disarmament fellowships program for young diplomats and public officials from various countries, particularly developing countries, was established by the General Assembly at its first special session on disarmament. The program is aimed at preparing students for work with their governments in the field of disarmament and at enhancing and broadening diplomatic expertise. Disarmament fellows are trained each year under the auspices of the Department for Disarmament Affairs.

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# PEACEFUL USES OF OUTER SPACE

In October 1957, the USSR launched the first *Sputnik* into orbit around the earth. In the following year, the General Assembly for the first time debated the question of outer space. Two items were proposed for inclusion on the agenda: “The Banning of the Use of Cosmic Space for Military Purposes, the Elimination of Foreign Bases on the Territories of Other Countries, and International Cooperation on the Study of Cosmic Space,” proposed by the USSR; and a “Program for International Cooperation in the Field of Outer Space,” proposed by the United States. The very titles of these items indicate the differences that initially existed between the two powers in regard to an international accord on the uses of outer space. The USSR proposed that the first order of business should be a ban on armaments in space but wished to link this goal with the dismantling of US overseas military bases. The United States preferred to avoid the disarmament issue altogether in this connection and wished merely to emphasize that it was the common aim of mankind to ensure the use of outer space for peaceful purposes. This disagreement provoked a series of disputes over the composition and terms of reference of the special UN body that should be established to deal with outer space problems. The USSR wanted a body with East-West parity, while the United States preferred a body more broadly geographical in representation.

Owing to these differences, the 1958 General Assembly merely set up an 18-member ad hoc committee to deal with questions of outer space. It included only three member states from the Soviet bloc, which, because of the composition of the committee, declared that they would not take part in its work. The committee eventually was reduced to 13 participants.

After intensive negotiations, the 1959 General Assembly set up the permanent 24-nation Committee on the Peaceful Uses of Outer Space (UNCOPUOS). Its membership was increased to 28 in 1962, 37 in 1973, 47 in 1977, and 53 in 1980. As of 2006, there were 67 member states in the committee. In 1962, the committee organized itself into two subcommittees of the whole, one to deal with scientific and technical cooperation and the other with the task of evolving outer space law. The committee has also set up working groups of the whole to deal with navigation satellites, direct broadcasting satellites, remote sensing satellites, and the use of nuclear power sources in outer space. The UN Office of Outer Space Affairs (UNOOSA) is the office that serves as the secretariat for UNCOPUOS.

## DEVELOPMENTS IN SCIENTIFIC AND TECHNICAL COOPERATION

Scientific and technical cooperation within the framework of the UN grew out of General Assembly action on the basis of recom-

mendations of the committee and has increased over the years. It covers various fields of activity, including the following.

*Exchange of Information.* The UN Secretariat produces annual reports on national and cooperative international projects. Since 1961, a growing number of countries and international organizations have provided the committee with information on space activities and programs.

*Public Registry of Launchings of Space Vehicles.* An essential requirement for international cooperation in outer space development is that launchings of space vehicles, together with scientific data on the results of such launchings, be made public. In 1961, the General Assembly decided unanimously that the UN “should provide a focal point” for such information and requested the Secretary-General to open a public registry for this purpose. The information is transmitted to the Committee on the Peaceful Uses of Outer Space for review and is then placed in the registry.

The Russian Federation and the United States regularly supply appropriate data, as do Australia, Canada, China, France, Germany, India, Italy, Japan, the United Kingdom, and the European Space Agency (ESA).

*Cooperation with Specialized Agencies and Other International Organizations.* By the terms of its 1961 resolution on outer space, the General Assembly requested the WMO to submit reports to the Committee on the Peaceful Uses of Outer Space on the international cooperation required in weather research. In the following year, it endorsed steps taken under WMO auspices that resulted in the establishment of the World Weather Watch, incorporating meteorological satellites into its operational system. The same resolution also requested the ITU to submit reports on cooperation required to develop effective space communications. In the ensuing years, this cooperative effort embraced other agencies and international organizations having special interests in matters related to outer space, including UNEP, FAO, UNESCO, ESA, the International Telecommunications Satellite Organization (INTELSAT), and the International Maritime Satellite Organization (INMARSAT).

*Education and Training.* The General Assembly has emphasized the need to train personnel from countries not yet advanced in space activities. The secretariat distributes a periodically revised directory of information taken from UN documents and carries out an educational program on space applications. The program creates an awareness of the potential of space applications for development, especially in developing countries, through technical advisory services, seminars, and workshops and the administration of fellowships offered by member states and international organizations for education and training.

Under the United Nations Programme on Space Applications, the latest efforts are being directed towards the development and enhancement of knowledge and skills in the discipline through

the establishment and operation of centers for space science and technology education at the regional level.

### **INTERNATIONAL SPACE YEAR AND THE UNITED NATIONS CONFERENCE ON ENVIRONMENT**

In 1989, the General Assembly recommended that more attention be paid to all aspects related to the protection and preservation of the outer space environment, especially those potentially affecting the earth's environment. In the same year, the General Assembly also endorsed the designation of the year 1992 as International Space Year and its use as a vehicle for promotion of international cooperation, which should be carried out for the benefit and in the interests of all states, with particular emphasis on the needs of developing countries.

Numerous programs were carried out in support of International Space Year and culminated in 1992. "Mission to Planet Earth," which was a central focus of the International Space Year, saw scientists worldwide using space technologies to assess such threats to the earth's environment as global warming, deforestation, and ozone depletion. Subsequently, the General Assembly recommended that the United Nations should actively encourage the continuation of activities initiated for International Space Year and promote broader involvement in those activities by more nations.

Reflecting the growing concern of the international community on environmental security, the United Nations Conference on Environment and Development took place also in 1992 at Rio de Janeiro. Such concern for the protection of environment also was a focus of the activities for International Space Year. The following year, the Secretary-General suggested in his report that it might also be time to examine ways to formalize international cooperation in the utilization of space systems and space technology for environmental purposes, particularly the implementation of the programs recommended in Agenda 21. The product of the Rio conference, Agenda 21 lays out a detailed program of action to be taken by the United Nations, other international organizations, national governments, and intergovernmental organizations. In response to the request by the Committee on the Peaceful Uses of Outer Space, which was subsequently endorsed by the General Assembly, the Secretary-General prepared an analytical report on the role that the committee could play in view of the decisions and recommendations of the United Nations Conference on Environment and Development.

### **UN CONFERENCES ON OUTER SPACE**

Originally recommended by the General Assembly in 1959, the first UN Conference on the Exploration and Peaceful Uses of Outer Space was held in August 1968 in Vienna, with 78 states and a large number of international organizations attending. The conference examined the practical benefits to be derived from space research and the opportunities for international cooperation available to nations without space capability, with special reference to the needs of the developing countries. The participants submitted some 200 papers dealing primarily with space applications. They reviewed 10 years of space research in practical applications—in

communications, meteorology, navigation, and education—and practical benefits, as well as economic and legal questions pertaining to international cooperation.

In August 1982, the Second UN Conference on the Exploration and Peaceful Uses of Outer Space (called UNISPACE 82) was held in Vienna, with 94 state participants and 45 observers representing intergovernmental and nongovernmental organizations. The conference dealt with the entire gamut of space sciences, technologies, and applications from scientific, technical, political, economic, social, and organizational points of view. It also considered the legal implications of issues on the agenda and discussed growing international concern relating to military activities in outer space.

The report of the conference, adopted by consensus, dealt with questions relating to the prevention of an arms race in space, the needs and possibilities for technology transfer, coordination in the use of the geostationary orbit, remote sensing of earth resources from space, the use of direct-broadcasting satellites, space transportation and space platform technologies, protection of the near-earth environment, the role of the UN, and other matters. The recommendations of the conference were seen as an agenda for nations and organizations to follow in carrying out space activities.

The Third United Nations Conference on the Exploration and Peaceful Uses of Outer Space (UNISPACE III) was held in Vienna, Austria (headquarters of OOSA since 1993), on 19–30 July 1999. The program included technical and space generation forums as well as a space exhibition and global conferences. The key objective was to create a blueprint for the peaceful uses of outer space in the 21st century. At the time of the conference there were five UN treaties covering a range of space activities. At a UNISPACE III plenary meeting, the Vienna Declaration on Space and Human

Development and its related Action Plan were adopted. The Declaration and Plan were the outcome of the coordinated work of attendees, including representatives of governments, intergovernmental bodies, civil society, and, for the first time, the private sector, to create a practical framework for cooperation and action to protect the planet and prepare for the "space millennium." The program involves using space applications for human security, protecting the outer space environment, increasing developing countries' access to space science and its related benefits, raising public awareness of the importance of the peaceful use of outer space, strengthening the UN's space activities, and promoting international cooperation.

Recommendations included creating a voluntary United Nations fund for UNISPACE III implementation; proclaiming a World Space Week, which is now held annually from 4 to 10 October; encouraging improved access by states to the International Space Station; supporting regional centers for space science and technology education set up under the auspices of the UN; and exploring the legal aspects of space debris, the use of nuclear power sources in space, intellectual property rights for space-related technologies, and ownership and access to the resources of celestial bodies.

## DEVELOPMENT OF INTERNATIONAL LAW ON OUTER SPACE

The early work of the legal subcommittee of the Committee on the Peaceful Uses of Outer Space was marked by disputes that delayed progress on the development of outer space law. The majority of members stressed the dangers of spectacular scientific advances without corresponding legal obligations and safeguards.

In originally proposing the formulation of an international legal code on outer space, the General Assembly had recommended that such a code be based, insofar as possible, on the existing body of international law (including the UN Charter) and the principle of freedom of space exploration for all states. But the USSR and the United States differed on certain fundamental issues from the time that the question was first debated in the General Assembly in 1959. The most important difference was on the relation between the prevention of armaments in space and disarmament on earth.

The breakthrough in this quasi-procedural deadlock first came as part of the general East-West détente that followed the partial nuclear test-ban treaty signed in August 1963. During its 1963 session, the General Assembly was able to adopt by acclamation two important measures relating to restricting the use of outer space to peaceful purposes. The first was a resolution calling upon all states to refrain from placing in orbit objects carrying nuclear weapons or other weapons of mass destruction. The second was a resolution embodying a Declaration of Legal Principles Governing the Activities of States in the Exploration and Use of Outer Space. Though not an agreement with binding force, as the USSR had wished, it was regarded as the forerunner to a full legal treaty.

The *Treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space, Including the Moon and Other Celestial Bodies*, which the General Assembly unanimously acclaimed in 1966 and which came into force on 10 October 1967, was based on drafts submitted individually by both the United States and the USSR. The 17 articles of the treaty state that the exploration and use of outer space shall be carried out for the benefit of all countries and shall be the province of all mankind, that outer space and celestial bodies are not subject to national appropriation by claim of sovereignty or any other means, and that exploration shall be carried on in accordance with international law. Parties to the treaty undertake not to place in orbit any objects carrying nuclear weapons, install such weapons on celestial bodies, or otherwise station them in outer space. The moon and other celestial bodies shall be used by all parties exclusively for peaceful purposes, and military bases or maneuvers on celestial bodies shall be forbidden. States shall regard astronauts as envoys of mankind in outer space and shall render them all possible assistance in case of accident, distress, or emergency landing. Parties launching objects into outer space are internationally liable for damage caused by such objects or their component parts. The principle of cooperation and mutual assistance shall be followed in space exploration. Harmful contamination of the moon and other celestial bodies shall be avoided. All stations, installations, equipment, and space vehicles on the moon and other celestial bodies shall be open for inspection to representatives of other states on a reciprocal basis.

Under the 1967 *Agreement on the Rescue of Astronauts, the Return of Astronauts, and the Return of Objects Launched into Outer Space*, which came into force on 3 December 1968, contracting

parties agree to procedures for assistance to spacecraft personnel in the event of an accident or emergency landing and for the return of space objects.

The 1971 *Convention on International Liability for Damage Caused by Space Objects*, which came into force on 1 September 1972, provides a procedure for the presentation and settlement of claims.

Under the 1974 *Convention on Registration of Objects Launched into Outer Space*, which came into force on 15 September 1976, a central register of objects launched into space was established and is maintained by the UN Secretary-General, with mandatory registration, as well as notification to the Secretary-General of voluntary markings of such objects. Assistance is provided to states requesting help in the identification of hazardous objects or those causing damage.

The *Agreement Governing Activities of States on the Moon and Other Celestial Bodies*, adopted by the General Assembly on 5 December 1979, describes the moon and its natural resources as the common heritage of mankind, and it reserves the moon for exclusively peaceful purposes. It bars the emplacement of nuclear or other weapons of mass destruction on the moon and also prohibits the placing in orbit, or in any other trajectory to or around the moon, of objects carrying such weapons and the establishment of military bases, the testing of any type of weapons, and the conduct of military activities on the moon.

The General Assembly has adopted three more sets of principles based on the work of the Committee on the Peaceful Uses of Outer Space. The *Principles Governing the Use by States of Artificial Earth Satellites for International Direct Television Broadcasting*, adopted in 1982, condition the establishment of direct-broadcasting satellite services on the prior consent of receiving states. The *Principles Relating to Remote Sensing of the Earth from Outer Space*, adopted in 1986, provide for international cooperation and participation in remote sensing; they specify that such activities will be permitted without the consent of the states being sensed but that the latter will have the right to receive data and information concerning their resources.

Finally, after many years of difficult debate and negotiation within the Committee, the General Assembly adopted in 1992 the *Principles Relevant to the Use of Nuclear Power Sources in Outer Space*. They provide guidelines and criteria for safe use of nuclear power sources in outer space, including the requirement that a safety review be made prior to launching of any nuclear power source and that results of such review be made public through the Secretary-General of the United Nations, who should also be notified of any re-entry of radioactive materials to the earth.

Reflecting the changes in the international political and security environment, which provide new possibilities for the utilization of space technology to promote international peace, there were more constructive discussions within the committee in the 1990s and 2000s on the enhancement of international cooperation in various aspects. The committee and its Legal Subcommittee continued their considerations on the matters relating to the definition and delimitation of outer space and to the character and utilization of the geostationary orbit and on legal framework for sharing the benefits of space exploration by all states.

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# LAW OF THE SEA

The earth is essentially a liquid planet, with more than 70% of its surface covered by water. Although geographically divided and labeled as continents, islands, seas, and oceans, the earth, when viewed from outer space, appears as one large body of water interspersed with lesser land masses. The world's oceans thus provide a common link for the more than 110 nations whose shorelines are washed by their waters. Despite these universal characteristics, however, this last earthly frontier had become an arena for disputes over such matters as fishing rights and varying claims of national jurisdiction, exploitation of deep sea mineral resources, responsibility for the protection of the environment, the right of innocent passage of ships, and free access to the sea for landlocked countries.

For centuries the doctrine that governed ocean space and resources was “freedom of the seas”; coastal state claims were restricted within narrow limits. The first change in this regime came with the emergence of the doctrine of the continental shelf, spurred by the development of offshore oil and gas fields. The United States, in 1945, was the first to proclaim jurisdiction over the natural resources of its continental shelf “beneath the high seas” (that is, beyond US territorial limits). Other nations were quick to follow suit, many of them seeking to extend their jurisdiction over fisheries. In order to clarify accepted norms and codify state practice, the UN, in 1958, convened the First Conference on the Law of the Sea. Working on the basis of drafts prepared by the International Law Commission (see the chapter on International Law), the conference adopted the Convention on the Continental Shelf, thus establishing the new doctrine in international law. The conference adopted three other conventions—on the territorial sea and contiguous zone, the high seas, and fishing and conservation of living resources. A further attempt made in 1960, at the Second Conference on the Law of the Sea, failed to define the limits of the territorial sea.

A sense of urgency was again given to problems connected with the deep seas in 1967, when Malta warned the General Assembly that there was a danger that advanced, industrialized countries who were so equipped might wish to appropriate the ocean floor for their national use, not only to develop its immense resources but also for defense and other purposes. Malta's delegate, Arvid Pardo, remarked that the “dark oceans” were “the womb” of life: life had emerged from the protecting oceans. Man was now returning to the ocean depths, and his penetration “could mark the beginning of the end for man, and indeed for life as we know it ... it could also be a unique opportunity to lay solid foundations for a peaceful and increasingly prosperous future for all peoples.”

Reacting to the Maltese call for international solutions, the General Assembly set up the Committee on the Peaceful Uses of the Seabed and the Ocean Floor Beyond the Limits of National Jurisdiction, called the Seabed Committee, to study various aspects of the problem and to indicate practical means to promote

international cooperation. The principal results of the committee's work were embodied in a Declaration of Principles, adopted by the General Assembly in 1970, proclaiming that the seabed and ocean floor and its resources beyond the limits of national jurisdiction “are the common heritage of mankind” and that no nation should exercise sovereignty or rights over any part of the area. The declaration also called for the establishment of an international regime to govern the exploration and exploitation of the sea's resources for the benefit of mankind.

Recognizing that the problems of ocean space are interrelated and need to be considered as a whole, the General Assembly also decided, in 1970, to convene a new UN Conference on the Law of the Sea to prepare a single comprehensive treaty. The Seabed Committee, in preparation for the conference, thus had to deal not only with the international seabed area but also with such issues as the regime of the high seas, the continental shelf and territorial sea (including the question of limits), fishing rights, preservation of the marine environment, scientific research, and access to the sea by landlocked states.

## THIRD LAW OF THE SEA CONFERENCE

The Third UN Conference on the Law of the Sea opened at UN headquarters in New York in December 1973 with a brief organizational session. Its real work commenced the following year in Caracas, Venezuela, with the important decision to proceed on the basis of a negotiated “package deal”—meaning no one provision or section would be formally approved until all others were in place. This informal approach was dictated not only by the interdependence of the issues involved but also by the need to produce ultimately an overall balance that could command the widest support. The first informal text, as the agreed basis for negotiations, was prepared in 1975. It was followed by a series of revisions.

## UN CONVENTION ON THE LAW OF THE SEA

The final text of the UN Convention on the Law of the Sea (UNCLOS) was approved by the conference at UN headquarters on 30 April 1982, by a vote of 130 in favor, with 4 against (Israel, Turkey, United States, and Venezuela) and 17 abstentions. Following the signing of the Final Act of the conference in Jamaica on 10 December 1982, the UNCLOS entered into force on 16 November 1994. As of 5 April 2006, 149 nations were keeping parties to the convention.

The UNCLOS created three international institutions dealing with specific areas of the Law of the Sea: the International Seabed Authority (ISBA), the International Tribunal for Law of the Sea (ITLOS), and the Commission on the Limits of the Continental Shelf (CLCS).

## THE CONTENTIOUS ISSUE OF DEEP SEA MINING

Although the United States had been a leader in the international community's effort to develop an overall legal framework for the oceans in the Third United Nations Conference on the Law of the Sea, deep divisions arose between developing and developed nations over the establishment of an international organization to regulate the exploration of deep sea mining in international waters (Part XI of the Treaty). These divisions were so deep that the United States and other industrialized countries declined to formally sign the treaty, although endorsing the consensus that had been reached by the conference on other areas covered by the treaty.

On the economic and commercial front, the industrialized nations sought a more market-oriented regime. They objected to provisions for mandatory technology transfer, production limitations from the seabed, what they perceived as onerous financial obligations on miners, and the establishment of a subsidized international public enterprise that, it was postulated, would compete unfairly with other commercial enterprises.

In July 1990, the Secretary-General of the UN undertook informal consultations aimed at achieving universal participation in UNCLOS. Fifteen meetings were convened in the period 1990 to 1994, resulting in major amendments to the seabed mining portion of UNCLOS. In early 1993, the Clinton administration in the United States decided to take a more active role in the reform effort, deciding that the merit of actively participating would not be to find an answer to every future question regarding the uses of the oceans, but to create a framework and channel discussions of new issues along lines more acceptable to the industrialized nations.

The Agreement Relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea (hereafter referred to as the "agreement") concluded on 3 June 1994. The agreement avoids establishing a detailed regime anticipating all phases of activity associated with mining of the deep seabed. However, it sets forth economic and commercial principles consistent with a free market philosophy to form the basis for developing rules and regulations at such time as commercial mining develops in international waters.

The agreement retains the institutional outlines of Part XI of the treaty, but scales back the structure and links the activation and operation of institutions to the actual development of concrete interest in seabed mining.

The agreement limits assistance to land-based producers of minerals to adjustment assistance financed out of a portion of royalties from future seabed mining. It also replaces the production control regime of Part XI by the application of GATT principles on subsidization. The agreement further replaces the detailed financial obligations imposed on miners by a future system for recovering economic rents based on systems applicable to land-based mining, and provides that it be designed to avoid competitive incentives or disincentives for seabed mining.

At the conclusion of the informal consultations, only the Russian Federation made a statement reserving its position, since some of its proposals had not been incorporated into the agreement. It was then decided to convene a resumed 48th session of the General Assembly from 27–29 July 1994 for the purpose of adopting and opening for signature the agreement, at which time most of the

abstaining industrialized nations signed the treaty. It entered into force on 28 July 1996 having received 40 ratifications.

### Provisions of UNCLOS

The convention covers almost all human uses of the seas—navigation and overflight, resource exploration and exploitation, conservation and pollution, fishing, and shipping. Its 321 articles and nine annexes constitute a guide for behavior by nations in the world's oceans, defining maritime zones, laying down rules for drawing boundaries, assigning legal duties and responsibilities, and providing machinery for settlement of disputes. Some of the main provisions of the convention are the following.

*Territorial Sea.* Coastal states would exercise sovereignty over their territorial sea of up to 22.2 km (12 naut mi) in breadth, but foreign vessels would be allowed "innocent passage" through those waters for purposes of peaceful navigation.

*Straits Used for International Navigation.* Ships and aircraft of all countries would be allowed "transit passage" through straits used for international navigation, as long as they proceeded without delay and without threatening the bordering states; states alongside the straits would be able to regulate navigation and other aspects of passage.

*Archipelagic States.* Archipelagic states, consisting of a group or groups of closely related islands and interconnecting waters, would have sovereignty over a sea area enclosed by straight lines drawn between the outermost points of the islands; all other states would enjoy the right of passage through sea lanes designated by the archipelagic states.

*Exclusive Economic Zone.* Coastal states would have sovereign rights in a 370-km (200-naut mi) exclusive economic zone with respect to natural resources and certain economic activities and would also have certain types of jurisdiction over marine science research and environmental protection; all other states would have freedom of navigation and overflight in the zone, as well as freedom to lay submarine cables and pipelines. Land-locked and other geographically disadvantaged states would have the opportunity to participate in exploiting part of the zone's fisheries when the coastal state could not harvest them all. Highly migratory species of fish and marine mammals would be accorded special protection.

*Continental Shelf.* Coastal states would have sovereign rights over the continental shelf (the national area of the seabed) for the purpose of exploring and exploiting it; the shelf would extend at least 370 km (200 naut mi) from shore and 648 km (350 naut mi) or more under specified circumstances. Coastal states would share with the international community part of the revenue that they would derive from exploiting oil and other resources from any part of their shelf beyond 370 km (200 naut mi). A Commission on the Limits of the Continental Shelf would make recommendations to states on the shelf's outer boundaries.

*High Seas.* All states would enjoy the traditional freedoms of navigation, overflight, scientific research, and fishing on the high seas; they would be obliged to adopt, or cooperate with other states in adopting, measures to conserve living resources.

*Islands.* The territorial sea, exclusive economic zone, and continental shelf of islands would be determined in accordance with rules applicable to land territory, but rocks that could not sustain

human habitation or economic life would have no economic zone or continental shelf.

*Enclosed or Semienclosed Seas.* States bordering enclosed or semi-enclosed seas would be expected to cooperate on management of living resources and on environmental and research policies and activities.

*Landlocked States.* Landlocked states would have the right of access to and from the sea and would enjoy freedom of transit through the territory of transit states.

*International Seabed Area.* A “parallel system” would be established for exploring and exploiting the international seabed area. All activities in this area would be under the control of an International Seabed Authority, to be established under the convention. The authority would conduct its own mining operations through its operating arm, called the “Enterprise,” and would also contract with private and state ventures to give them mining rights in the area, so that they could operate in parallel with the authority. The first generation of seabed prospectors, called “pioneer investors,” would have guarantees of production once mining was authorized.

*Marine Pollution.* States would be bound to prevent and control marine pollution from any source and would be liable for damage caused by violation of their international obligations to combat marine pollution.

*Marine Scientific Research.* All marine scientific research in the exclusive economic zone and on the continental shelf would be subject to the consent of the coastal state, but coastal states would

in most cases be obliged to grant consent to foreign states when the research was to be conducted for peaceful purposes.

*Development and Transfer of Marine Technology.* States would be bound to promote the development and transfer of marine technology “on fair and reasonable terms and conditions,” with proper regard for all legitimate interests, including the rights and duties of holders, suppliers, and recipients of technology.

States would be obliged to settle their disputes over the interpretation or application of the convention by peaceful means. They would have to submit most types of disputes to a compulsory procedure entailing decisions that would be binding on all parties. Disputes could be submitted to an International Tribunal for the Law of the Sea, to be established under the convention; to the International Court of Justice; or to arbitration. Conciliation also would be available, and, in certain circumstances, submission to conciliation might be compulsory.

### **International Acceptance**

The new legal regime for the seas is now firmly established throughout the world: by September 1998, 133 states had established 12-nautical-mile territorial limits and 106 states had declared exclusive economic zones. Nineteen states had declared fishing zones of 200 nautical miles. Most such national legislation is derived directly from the provisions of the convention. The General Assembly is concerned with ensuring maximum conformity in state practice and each year examines the status of the convention and reviews developments relating to its application.



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# ECONOMIC AND SOCIAL DEVELOPMENT

Article 55 of the charter, on international economic and social cooperation, calls on the UN to promote higher standards of living, full employment, and conditions of economic and social progress and development. The fostering of economic and social development, however, was only one of several objectives specified in the charter, and no special emphasis was accorded to it. The League of Nations and the early ILO were concerned primarily with defensive or protective action, such as the protection of countries against diseases that might cross international frontiers, prevention of international traffic in women and children and in illicit drugs, and protection of workers against unfair and inhumane conditions of labor. Such early action in the economic and social fields was taken in a climate of thought that hardly recognized the concept of economic and social development.

Toward the middle of this century, however, the concept took root as a major objective of international cooperation, and the primary goal of the UN and the specialized agencies in the economic and social fields came to be promoting the development of the less developed countries.

## THE RICH AND THE POOR NATIONS

The UN's preoccupation with development is tied to the division of its membership between rich and poor nations, a division that the Secretary-General has frequently characterized as a leading long-term threat to world peace and security.

In 1945, when the UN was established, this sharp dichotomy could not be drawn. The wealth of Europe had been wasted by the ravages of war. Only the United States could claim to be rich, and even the United States, with the depression of the 1930s still a fresh memory, could not be confident of lasting prosperity. What made the challenge of development central to the thinking of every aspiring country was the rapidity with which the countries of Western Europe recovered their prosperity and went on to attain higher levels of economic and social well-being than they had ever experienced. Meanwhile, economic expansion continued apace in the more prosperous countries that had not been directly hurt by the war—the United States, Canada, Australia, and New Zealand. And within a few years, in Asia, the miracle of Japan's recovery and growth was matching Europe's postwar record.

Nothing comparable occurred among the colonial peoples and former colonial peoples. Tropical Asia, Africa, and Latin America had been cultivated in preceding generations largely as appendages to industrial Europe and North America—on the one hand, supplying essential primary commodities not commonly found in the temperate regions and, on the other hand, serving as profitable markets for consumer goods produced in the temperate regions. The peoples of these economically underdeveloped areas made rapid political progress in the postwar era. Significant economic progress also was recorded in a number of these countries, so that by the late 1950s, it was considered not only tactful but also prop-

er to refer to them as “developing” rather than “underdeveloped” nations. As a group, however, the developing countries were far outdistanced in economic growth by the temperate zone industrialized countries, which were finding the postwar era the most propitious in history for their development. Before the UN had completed its first 15 years, it was abundantly evident that a very disturbing gap had opened up between the industrialized and the developing nations and that, despite very substantial foreign aid efforts, the gap was growing broader year by year.

## SCOPE OF THE UN'S WORK

The international community was not slow to recognize the political and economic dangers inherent in such an imbalance of national wealth. As early as 1946, when “recovery” rather than “development” dominated UN thinking on economic matters, the General Assembly requested the Economic and Social Council to study ways and means of furnishing advice to nations desiring help in developing their resources. As a result, the UN, in cooperation with the specialized agencies of the UN system, began its first programs of technical assistance.

This chapter describes the principles and goals of the UN development effort. It also discusses some of the factors influencing development, such as science and technology, the role of transnational corporations, and the use of natural resources, and it summarizes the work of the regional commissions. Programs of technical cooperation undertaken by the UN and its related organizations are described in the chapter on Technical Cooperation Programs, and social and humanitarian programs in the chapter on Social and Humanitarian Assistance. The work of the specialized agencies in supporting economic and social development is described in the separate chapters on those agencies.

## FIRST UN DEVELOPMENT DECADE

The first UN Development Decade was launched by the General Assembly in December 1961. It called on all member states to intensify their efforts to mobilize support for measures required to accelerate progress toward self-sustaining economic growth and social advancement in the developing countries. With each developing country setting its own target, the objective would be a minimum annual growth rate of 5% in aggregate national income by the end of the decade.

The economically advanced states were asked to pursue policies designed to enable the developing countries to sell more of their products at stable and remunerative prices in expanding markets in order to finance more of their economic development, and to follow policies designed to ensure developing countries an equitable share of earnings from extraction and marketing of their natural resources by foreign capital. Industrialized states were also called on to pursue policies that would lead to an increase in the flow of developmental resources and stimulate the flow of private

capital to developing countries on mutually acceptable terms. The General Assembly recommended that the flow of international capital and assistance to developing countries should be about 1% of the combined national incomes of the economically advanced countries.

Throughout the decade of the 1960s, however, the growth rate in the economically advanced market economies accelerated, and the gap between the per capita incomes of the developing countries and those of the developed countries widened. Two-thirds of the world's population living in the less developed regions of the world still had less than one-sixth of the world's income. In 1962, annual per capita income in those regions averaged \$136, while that of the economically advanced market economies in North America and Western Europe averaged \$2,845 and \$1,033, respectively.

In a report issued in 1969, Secretary-General U Thant noted that the slower progress in development had been accompanied by the emergence or aggravation of major imbalances that imperiled future growth. Without greater progress in food production and the more effective control of communicable diseases, the necessary conditions for steady economic and social development could hardly be said to have been created. At the same time, the Secretary-General pointed out, the experience of a few countries had demonstrated that "given a favorable constellation of circumstances and policies, an adequate and sustained pace of development can be achieved," and acceptance of development as a fundamental objective had gradually wrought a desirable change in attitudes and modes of action on the part of developing countries. Public decisions were no longer made solely in response to expediency, and policies and programs previously decided upon in relative isolation were gradually being integrated and harnessed to a common purpose. At the international level, the Secretary-General noted, the institutional machinery for the review and advancement of international policies had been considerably strengthened by the creation of such bodies as the UN Conference on Trade and Development and the Committee for Development Planning.

The first UN Development Decade ended in December 1970 with one of its major goals, the attainment of a 5% growth rate, unattained in the developing countries. During the period 1960–67, those countries achieved an annual rate of increase in their total domestic product of about 4.6%, but, because of the population increase, the increase in their per capita gross product was only about 2%. The General Assembly concluded that one of the reasons for the slow progress was the absence of a framework of international development strategy.

## SECOND UN DEVELOPMENT DECADE

At its 25th session, in 1970, the General Assembly adopted a resolution outlining an international development strategy for the second UN Development Decade—the 1970s. The main objectives of the plan were to promote sustained economic growth, particularly in the developing countries; ensure a higher standard of living, and facilitate the process of narrowing the gap between the developed and developing countries. The General Assembly declared that the developing countries bore primary responsibility for their development but that their efforts would be insufficient without

increased financial assistance and more favorable economic and commercial policies on the part of the developed countries.

Under the goals and objectives of the second decade, the General Assembly stated that the average annual rate of growth in the gross product of the developing countries as a whole should be at least 6%, with the possibility of attaining a higher rate in the second half of the decade. Such a rate of growth would imply an average annual expansion of 4% in agricultural output and 8% in manufacturing output.

The General Assembly also stated that it was essential to bring about a more equitable distribution of income and wealth in order to promote social justice and efficiency of production; to raise the level of employment substantially; to achieve a greater degree of income security; to expand and improve facilities for education, health, nutrition, housing, and social welfare; and to safeguard the environment. Thus, qualitative and structural changes in society should go hand in hand with rapid economic growth, and existing disparities—regional, sectoral, and social—should be substantially reduced. The General Assembly believed that developing countries must bear the main responsibility for financing their development. To this end, they were asked to pursue sound fiscal and monetary policies and to remove institutional obstacles through the adoption of appropriate legislative and administrative reforms. At the same time, each economically advanced country was called upon to endeavor to provide annually to developing countries financial resource transfers of a minimum net amount of 1% of its gross national product (GNP). A major part of financial resource transfers to the developing countries should be provided in the form of official development assistance.

Progress achieved during the first half of the decade was reviewed by the General Assembly in 1975. It noted that the gap between the developed and the developing countries had increased alarmingly during the first half of the decade, but it found the generally gloomy picture lightened by one element—the developing countries had emerged "as a more powerful factor, as a necessary consequence of the new and growing perception of the reality of interdependence." The General Assembly also found that some of the aggregate targets set in the strategy for the decade had been met or exceeded, "owing mainly to the developing countries' own efforts and, to a certain extent, to external factors such as the commodity boom" (a short-lived rise in commodity prices between 1972 and 1974). Those aggregates, however, did not reflect the variation in achievement among developing countries, for many countries did much worse than the average. A major area of shortfall was in agriculture, where less than half the target rate of 4% annual growth was realized by the developing countries as a whole.

The General Assembly further noted that the net flow of financial resources from developed countries in the form of official development assistance had decreased in real terms and as a percentage of GNP. At the same time, the burden of debt-service payments of developing countries had continued to increase in relation to their export earnings.

## NEW INTERNATIONAL ECONOMIC ORDER

In September 1973, in Algiers, the Arab petroleum-exporting countries discussed the possible uses of oil as a political weapon. When a new Arab-Israeli conflict broke out on 6 October, the Arab countries reduced the flow of oil to Europe and Japan and

suspended exports to the United States, the Netherlands, and Portugal. The embargo against the United States was lifted in March 1974, that against the Netherlands in July 1974, and that against Portugal after a new regime instituted a policy leading to independence for African territories under Portuguese administration in 1974 and 1975. However, the measures taken by the petroleum-exporting countries marked a turning point for the world economy. Members of the Organization of Petroleum-Exporting Countries (OPEC) undertook a long-term study of the collective fixing of oil prices and increased them periodically thereafter.

On 31 January 1974, President Boumediene of Algeria requested a special session of the General Assembly to consider the question of all raw materials and relations between developed industrial and developing states. Within two weeks, 70 nations endorsed his proposal.

*Sixth Special Session of the General Assembly.* The special session, held in April–May 1974, adopted a declaration and program of action on the establishment of a new international economic order. The declaration and program of action called for a fundamental change in the international economic order, in the absence of which the gap between developing and developed countries would only continue to widen. Such a change would require the industrial countries to make adjustments in their policies and economies for the benefit of the poorer countries, which in turn were determined to control their own resources.

The program of action called for efforts to link the prices of exports of developing countries to the prices of their imports from developed countries. It suggested the formation of producers' associations, orderly commodity trading, increased export income for producing developing countries, and improvement in their terms of trade. It also looked to the evolution of an equitable relationship between the prices of raw materials, primary commodities, and semi-manufactured goods exported by developing countries and the raw materials, primary commodities, food, manufactured and semi-manufactured goods, and capital equipment imported by them.

In the declaration, UN member states proclaimed their determination to work urgently for "the establishment of a new international economic order based on equity, sovereign equality, interdependence, common interest, and cooperation among all states, irrespective of their economic and social systems, which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development in peace and justice for present and future generations."

Though the program and declaration were adopted without a vote and enthusiastically supported by almost all developing and socialist countries, most Western European and other industrialized states with market economies entered reservations, often very far-reaching. They warned against constraints to the flow of trade that might result from the establishment of producers' associations and argued that nationalization should be carried out in accordance with the existing rules of international law.

*Charter of Economic Rights and Duties of States.* At its regular session in 1974, the General Assembly adopted a charter of Economic Rights and Duties of States. The charter affirmed that every state has the right to exercise freely full permanent sovereignty

over its wealth and natural resources, to regulate foreign investment within its national jurisdiction, and to nationalize, expropriate, or transfer the ownership of foreign property. The charter provided that appropriate compensation should be paid in cases of nationalization and that any controversies should be settled under the domestic laws of the nationalizing states unless all states concerned agree to other peaceful means. It also set forth the right of states to associate in organizations of primary producers in order to develop their national economies.

*Seventh Special Session of the General Assembly.* The General Assembly held a seventh special session devoted to development and international cooperation in September 1975. The polemical atmosphere in which the program and declaration on the new international economic order and the charter on the economic rights and duties of states had been adopted was replaced by a pragmatic approach. Negotiations were carried on chiefly in private meetings between "contact groups" representing the developing countries and the Western European and other states with market economies. Since the market economy states were the buyers of approximately three-quarters of the exports of the developing countries, agreement between the two groups was essential to significant progress. At the close of the session, Secretary-General Kurt Waldheim declared that it had been "about *change* rather than the smoother management of the status quo."

The results of the special session were embodied in a resolution that proposed a large number of initiatives and was unanimously adopted by the General Assembly. It reaffirmed the target, originally defined in the strategy for the second Development Decade, of 1% of the GNP of developed countries to be devoted to official assistance to the developing countries, and it called for the accumulation of buffer stocks of commodities in order to offset market fluctuations, combat inflationary tendencies, and ensure grain and food security.

In 1979, the General Assembly called for the launching, at the third special session on development in 1980, of a round of global and sustained negotiations on international economic cooperation for development. The negotiations, however, failed to achieve the hoped-for progress at the special session held in September 1980, but at the regular session that year, an international development strategy for the third UN Development Decade was adopted.

### THIRD UN DEVELOPMENT DECADE

In the new international development strategy adopted by the General Assembly for the third UN Development Decade, beginning on 1 January 1981, governments pledged themselves, individually and collectively, to fulfill their commitment to establish a new international economic order based on justice and equity. They agreed to subscribe to the goals and objectives of the strategy and to translate them into reality by adopting a coherent set of interrelated, concrete, and effective policy measures in all sectors of development.

The strategy set forth goals and objectives for an accelerated development of the developing countries in the period 1981–90, including the following: (1) a 7% average annual rate of growth of gross domestic product (GDP); (2) a 7.5% annual rate of expansion of exports and an 8% annual rate of expansion of imports of goods and services; (3) an increase in gross domestic savings to reach about 24% of GDP by 1990; (4) a rapid and substantial

increase in official development assistance by all developed countries, to reach or surpass the target of 0.7% of GNP of developed countries; (5) a 4% average annual rate of expansion of agricultural production; and (6) a 9% annual rate of expansion of manufacturing output. Other goals and objectives of the strategy included the attainment, by the year 2000, of full employment, of universal primary school enrollment, and of life expectancy of 60 years as a minimum, with infant mortality rates no higher than 50 per 1,000 live births.

The strategy also set out a series of policy measures—in international trade, industrialization, food and agriculture, financial resources for development, international monetary and financial issues, science and technology for development, energy, transportation, environment, human settlements, disaster relief, and social development, as well as in technical cooperation, including cooperation among developing countries themselves, and special measures for the least-developed countries and for geographically disadvantaged countries, such as island and landlocked developing countries.

In fact, the 1980s was a terrible decade for the economies of developing countries. By 1990 only five donor countries had met the UN's target of donating 0.7% of their GNP to development: Norway, the Netherlands, Denmark, Sweden, and France. Canada and Germany had achieved a level of 0.4% of their GNP. The United States, which had never agreed to the UN target, had given 0.2% of its GNP. Intransigent recession in the industrialized world, declining commodity prices, rising interest rates, trade barriers, and crippling international debt meant human suffering for the vast majority of the world's population. By 1990 4.2 billion of the world's 5.3 billion people lived in developing countries. Overall growth in these nations shrank to about 3% annually, and per capita growth to 1%, compared to averages of 5.5% in the 1960s and 3% in the 1970s. Lending by the IMF and World Bank group of institutions often came with requirements for "restructuring" that carried a heavy price in terms of human sacrifice. Debt-laden developing countries found themselves spending vastly more on debt service than on social services.

This dismal result was illustrated by the fact that the number of countries designated by the General Assembly as "least developed" had grown from 24 in 1972 to 47 in 1991.

#### FOURTH UN DEVELOPMENT DECADE

In 1990, the General Assembly concluded that its goals for the Third UN Development Decade had not been attained. It set new priorities and goals for the growth of the developing member nations with its International Development Strategy (IDS) for the Fourth United Nations Development Decade (1991–2000). Within one year of its passage, however, the former USSR had dissolved, forever changing the landscape of international economic relations. Many of the assumptions on which the IDS had been based were upset by the historic forces that were thus set in motion.

In September 1990, the Second United Nations Conference on the Least Developed Countries set targets for official development assistance (ODA) to those nations. The General Assembly, through the new IDS, urged industrialized countries to reach or surpass those targets. It also recommended that developing countries try to raise their rate of industrialization by 8–10% and increase their annual food production by 4%.

The General Assembly set forth six goals for the new IDS that amounted to an early manifestation of a new philosophy of "sustainable" development that would be vigorously developed at the historic UN Conference on Environment and Development (UNCED), two years later. The goals of the IDS were:

- To speed up the pace of economic growth in the developing countries;
- To devise a development process that meets social needs, reduces extreme poverty significantly, develops and uses people's capacity and skills, and is environmentally sound and sustainable;
- To improve the international systems of money, finance, and trade;
- To strengthen and stabilize the world economy and establish sound macroeconomic management practices, nationally and internationally;
- To strengthen international cooperation for development;
- To make a special effort to deal with the particular problems of the least developed countries.

The philosophy for the new IDS was based on the principle that, because the developed countries have the greatest influence on the international economic environment, they have a special responsibility for the success of development efforts. It also recognized that speeding up development would require strenuous efforts by developing countries to increase domestic savings, raise investment and investment returns, hold down inflation, exercise monetary and fiscal discipline, maintain realistic exchange rates, and allocate resources more efficiently.

Improving the state of international trade was paramount for any development plan. The Uruguay Round of the GATT talks were stalled and protectionism was on the rise in the developed nations. The strategy proposed that the following actions be taken to accelerate international trade in the 1990s:

- Stand by the commitment made in 1986 to halt and reverse protectionism;
- Liberalize trade and improve developing countries' access to all markets by reducing or removing tariff barriers;
- Free up trade in tropical products and products based on natural resources;
- Bring trade in textiles under the normal rules of GATT;
- Substantially reduce agricultural subsidies and other protective policies;
- Implement and improve the generalized system of preferences under which some developing countries' exports are admitted to industrialized countries at reduced rates or duty-free;
- Ensure that regional economic arrangements and trade blocs conform with GATT rules;
- Make sure that GATT contracting parties adhere strictly to the agreement's rules and principles.

Other provisions of the IDS included establishing more stable commodity markets, obtaining concessional terms for the transfer of technology to developing countries, and finding agreement on a way that the intellectual property system (which protects own-

ership of copyrights, trademarks, industrial designs, and patents) can promote development while protecting intellectual property. It also recommended that work on international rules and standards to govern the exchange of technological information (the code of conduct on the transfer of technology), which had come to a halt at the end of the 1980s, should be completed.

The underlying causes of economic stagnation also were decried. The IDS called for the eradication of poverty, hunger, adult illiteracy, lack of basic education for women, and runaway population growth in developing countries, and noted the catastrophic deterioration of the environment by shortsighted development projects.

In 1992, the Secretary-General gave the General Assembly a guardedly optimistic report on the progress of the IDS to that point. The developed market economies themselves had grown by only about 1% in 1991. Although a recovery had begun in 1992, it was considered to be weak. There was concern that the urgent needs of the newly independent countries of the former USSR, often referred to as “economies in transition,” would divert assistance from developing countries. Per capita incomes remained stagnant or declined in all the developing regions, except South and East Asia and China. The debt crisis of the developing countries had not worsened, but little progress had been made in terms of debt relief and forgiveness. However, some of the Latin American countries had again become creditworthy.

The 1993 *Report on the World Social Situation*, commissioned by the General Assembly to review the implementation of the Declaration on Social Progress and Development made 20 years earlier, also was cautiously optimistic. It noted the positive direction of reform in the United Nations system towards coordination between various UN agencies with operations in the same countries. “Although the major development goals, proclaimed more than 20 years ago in the Declaration on Social Progress and Development, have not changed significantly, the priorities, approaches and emphases have been reviewed and renewed, as the understanding of the forces behind development have deepened. Thus, emphasis is now on assisting the recipient countries to strengthen their institutional capacity to sustain the development process” the report said. In other words: helping them learn how to help themselves.

In October 1999, as the Second Committee began consideration of sustainable development and economic cooperation in the year 2000, it reviewed a report evaluating the implementation of the commitments and policies agreed on in the IDS. The report concluded that though there were improvements in the 1990s, economic growth had not accelerated in all developing countries. The Uruguay Round had led to progress being made with the betterment of the global trading system, but the international financial system had not been stabilized. Nor had there been a marked improvement in international development cooperation. The world’s least developed countries had seen “negligible” economic and social advancement during the decade. For future purposes, the report went on to differentiate between growth, which may carry with it negative social consequences, and development, which means more than simply increased purchasing power (as reflected in gross domestic product per capita). According to the report, development also pertains to education, health, and environmental standards, as well as to social (including gender) equity. For this reason, “the spotlight is now shifting from a focus on

macroeconomic challenges to a number of institutional preconditions, including good governance, transparency and accountability, decentralization and participation and social security,” said the UN report. Acceptable and viable development strategies in the new millennium would have to take into account the prevailing circumstances in developing countries, which could not be expected to keep pace with industrialized, developed societies in the North.

The economic and social initiatives of the 1990s had highlighted that neither growth nor development necessarily eliminates poverty, which was one of the key objectives of IDS. The UN concluded that sustainable development, of both urban and rural human settlements, was directly linked to the alleviation of poverty, which became the focus of economic and social development at the dawn of the 2000s. At the October 1999 meeting of the Second Committee, the Group of 77 developing countries and China presented draft resolutions for the first United Nations Decade for the Eradication of Poverty (which technically began in 1997 and extended through 2006). On 9 December 1999 the General Assembly voted to implement the Decade and called on all nations to formulate and implement “outcome-oriented national strategies and programs” and set time-bound targets for poverty reduction. The Assembly further called on developed countries to strengthen their efforts to achieve the agreed target of 0.7% of their gross national product for overall official development assistance, and within that target to “ earmark 0.15% to 0.20% of their gross national product for the least developed countries.” Acknowledging the information age, the Assembly resolution highlighted the importance of strengthening the cooperation between developed and developing nations in order to “promote capacity-building and facilitate access to and transfer of technologies and corresponding knowledge.”

## THE EARTH SUMMIT—AGENDA 21

The United Nations Conference on Environment and Development (UNCED), popularly dubbed the “Earth Summit,” brought together 117 heads of state and government in Rio de Janeiro, Brazil, on 3–14 June 1992. The product of this historic meeting, an 800-page document called “Agenda 21,” set forth global measures to protect the planet’s environment while guaranteeing sustainable economic growth. An important statement of the basic principles of sustainable development, *The Rio Declaration on Environment and Development*, was adopted by acclamation. The conference also spawned a new functional commission of ECOSOC, the Commission on Sustainable Development, which has a mandate to monitor international treaties on the environment, provide policy direction, and coordinate action within the United Nations system to achieve the goals of Agenda 21.

In addition to Agenda 21, two important conventions on the environment were opened for signature and received widespread endorsement: the Global Warming Convention, which set guidelines for regulating emissions of gases believed to cause global warming, was signed by 153 nations; and the Biodiversity Convention, which committed signatory nations to protection of endangered species and cooperation on genetic and biological technology, was signed by representatives of 150 countries. The Biodiversity Convention became legally binding in December 1993, after 30 countries had ratified it. Two important documents setting forth

the principles behind the concept of sustainable development also were widely adopted at the Earth Summit: the Statement on Forest Principles, recommending preservation of world forests and monitoring of development impact on timberlands; and the Declaration on Environment and Development, a statement of principles that emphasized the coordination of economic and environmental concerns.

More than two years were spent preparing for the Earth Summit and drafting the documents that would achieve widespread international acceptance. However, many controversial propositions had to be deleted or scaled down in the final documents to achieve the final consensus. For example, negotiators removed or excluded specific targets on pollution controls, resource protection, and financial aid to developing countries that restrain their economic development in order to protect their natural resources. Developing countries had sought to establish a “green fund” to support their efforts to implement environmentally sustainable development. However, the G-7 group of industrialized countries succeeded in specifying that such development funds would be channeled through the World Bank’s Global Environment Facility (GEF), effectively retaining control of funding in the hands of the industrialized world. The European Community had recommended a tax on fossil fuels in industrialized nations, but, opposition from oil-producing countries killed this provision. Also de-emphasized in the final documents were references to population control. Passages referring to contraception were completely deleted at the insistence of an odd coalition that included the Holy See (Vatican), Roman Catholic countries, and Moslem countries.

The sense of urgency that brought 35,000 accredited participants and 117 heads of state to Rio de Janeiro for the Earth Summit is perhaps well summed up by the UNCED secretary-general, Canadian Maurice Strong: “The Earth Summit must establish a whole new basis for relations between rich and poor, North and South, including a concerted attack on poverty as a central priority for the 21st Century. We owe at least this much to future generations, from whom we have borrowed a fragile planet called Earth.”

At the Earth Summit+5 meeting held in June 1997 in New York City, the objectives were to revitalize and energize commitments to sustainable development, to recognize failures and identify their causes, to recognize achievements (there were many Agenda 21 success stories that were highlighted during the event), to define priorities for the post-97 period, and to raise the profile of issues addressed insufficiently by Rio. In addition to assessing progress since the last meeting and outlining areas requiring urgent action, attendees called for greater cooperation and adherence among intergovernmental organizations and developed a program of work for the Commission on Sustainable Development for the years 1998–2002. The program included a comprehensive review of the program of action for the sustainable development of Small Island Developing States (SIDS), developing integrated management and planning of land resources, and developing strategic approaches to freshwater management.

## THE 1994 AGENDA FOR DEVELOPMENT

The 47th General Assembly requested the Secretary-General to consult with member states and prepare an “agenda for development.” After obtaining submissions from member states, agencies

of the UN system and public and private sources worldwide, he presented his report to the 49th General Assembly in 1994. Entitled *Development and International Economic Cooperation: An Agenda for Development*, this wide-ranging document summarized the basic tenets of the experience gained during the UN’s 50 years of development work. The agenda was intended to offer guidelines for thought and action by member states.

One reason put forward for creating such a document was that with the end of the cold war, funding development projects as a mechanism for establishing spheres of influence also had ended. The fundamental social, political, and economic changes that had altered the map of Europe and provided a new atmosphere of consensus at the United Nations, also threatened to bewilder and exhaust the potential donors to UN programs for development. Some quarters had even suggested that the UN was expending more for its many new peacekeeping operations than for development. The Secretary-General produced statistics in an annex to the agenda that demonstrated that this was not the case, even exempting the funds expended by the specialized agencies.

Several major themes of the agenda set forth a new underlying philosophy regarding international development programs.

- National governments bear the major responsibility for development. However, the United Nations’ vast experience and global reach made it a unique resource for the developing nations. The United Nations could act as facilitator and communicator, but it could not substitute for the commitment of individual states and their domestic and international partners.
- However, national governments could no longer be assumed to be paramount economic agents. The internationalization of trade and the ascendance of the market system worldwide meant that governments must, however, provide a regulatory framework for effective operation of a competitive market system. They must also invest in human capital by ensuring that social safety nets are in place.
- Economic growth should promote full employment and poverty reduction, not just economic growth as an end in itself. If, despite national economic improvement, great poverty continued in a nation, no development effort could be sustainable.
- No mechanism exists by which the major economies could be induced to make globally beneficial structural change in their own economies, or to adopt more globally responsible economic, fiscal, and monetary policies. This single point represents a sea change in philosophy from the “new international economic order” of the 1970s.
- UNCED’s historic Agenda 21 demonstrated that the environment had finally been recognized by the international community as a resource for development that must be nurtured and protected. Governments had the responsibility to provide the leadership and regulatory structure to protect their natural environment. Successful development required policies that incorporate environmental considerations. The Secretary-General pointed out that pioneering efforts were being made to make local inhabitants incentive partners rather than simply collateral beneficiaries of sustainable development programs. As the keyword and rallying cry of the Earth Sum-

mit, “sustainability” must be the guiding principle of development, to be achieved by a true partnership of governments, international organizations, and nongovernmental organizations; a true partnership between humanity and nature.

- No development could be considered sustainable in the presence of poverty, disease, illiteracy, great unemployment, discrimination against women, armed conflict, or lack of social integration; the manifestations of social integration being discrimination, fanaticism, intolerance, and persecution.
- Democracy and development are processes (not events) that are fundamentally linked because people’s participation in the decision-making processes that affect their lives gives legitimacy to governments and their development programs.

In his conclusions, the Secretary-General admitted that, over the years, absence of clear policy guidance from the General Assembly and the lack of effective policy coordination by ECOSOC had resulted in an overall lack of focus in the UN development system. The fundamental changes under way included the restructuring of development efforts to be channeled through UNDP resident coordinators, by means of the development of one comprehensive “country strategy note.” This alone would bring about better (if not perfect) coordination and more rational use of available funds.

However, the Secretary-General also noted the growth of other obstructions to the urgent need for social and economic development in the developing countries: “At present the UN mechanism is caught in a confining cycle. There is a resistance to multilateralism from those who fear a loss of national control. There is a reluctance to provide financial means to achieve agreed ends from those who lack conviction that assessments will benefit their own interests. And there is an unwillingness to engage in difficult operations by those who seek guarantees of perfect clarity and limited duration. Without a new and compelling collective vision, the international community will be unable to break out of this cycle.”

## MILLENNIUM SUMMIT

The UN’s Millennium Summit was held from 6-8 September 2000 in New York City. The largest-ever gathering of world leaders came up with a document, the “United Nations Millennium Declaration,” which contained a statement of values, principles and objectives for the international agenda for the 21st century. It also set deadlines for many collective actions. The leaders declared that the central challenge of today was to ensure that globalization becomes a positive force for all, acknowledging that at present both its benefits and its costs are unequally shared. The Declaration called for global policies and measures, corresponding to the needs of developing countries and economies in transition. The Summit Declaration cited freedom, equality (of individuals and nations), solidarity, tolerance, respect for nature and shared responsibility as six values fundamental to international relations for the 21st century. There are eight Millennium Development Goals:

1. Eradicate extreme poverty and hunger.
  - a. Reduce by half the proportion of people living on less than a dollar a day
  - b. Reduce by half the proportion of people who suffer from hunger
2. Achieve universal primary education.

- a. Ensure that all boys and girls complete a full course of primary schooling
3. Promote gender equality and empower women.
  - a. Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015
4. Reduce child mortality.
  - a. Reduce by two thirds the mortality rate among children under five
5. Improve maternal health.
  - a. Reduce by three quarters the maternal mortality ratio
6. Combat HIV/AIDS, malaria, and other diseases.
  - a. Halt and begin to reverse the spread of HIV/AIDS
  - b. Halt and begin to reverse the incidence of malaria and other major diseases
7. Ensure environmental sustainability.
  - a. Integrate the principles of sustainable development into country policies and programs; reverse loss of environmental resources
  - b. Reduce by half the proportion of people without sustainable access to safe drinking water
  - c. Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020
8. Develop a global partnership for development.
  - a. Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory, includes a commitment to good governance, development and poverty reduction-nationally and internationally
  - b. Address the least developed countries’ special needs. This includes tariff- and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction
  - c. Address the special needs of landlocked and small island developing states
  - d. Deal comprehensively with developing countries’ debt problems through national and international measures to make debt sustainable in the long term
  - e. In cooperation with the developing countries, develop decent and productive work for youth
  - f. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
  - g. In cooperation with the private sector, make available the benefits of new technologies-especially information and communications technologies

## JOHANNESBURG SUMMIT

From 26 August to 4 September 2002 in Johannesburg, South Africa, the UN held the Johannesburg Summit 2002, or the World Summit on Sustainable Development, to continue the efforts begun by the 1992 Earth Summit, and to adopt concrete steps and identify quantifiable targets for better implementing Agenda 21. The Summit also pledged to further implement the Millennium Goals set forth by the UN in 2000, including: eradicating extreme poverty and hunger; achieving universal primary education; promoting gender equality and empowering women; reducing child mortality; improving maternal health; combating HIV/AIDS, ma-

alaria and other diseases; ensuring environmental sustainability; and developing a global partnership for development.

It was recognized that progress on sustainable development since the Earth Summit had been disappointing, with poverty deepening and environmental degradation worsening. No agreements that would lead to new treaties were established, but new targets were set, such as:

- to halve the proportion of people without access to safe drinking water and basic sanitation by 2015
- to halve the proportion of people whose income is less than \$1 a day by 2015
- to use and produce chemicals by 2020 in ways that do not lead to significant adverse effects on human health and the environment
- to maintain or restore depleted fish stocks to levels that can produce the maximum sustainable yield on an urgent basis and where possible by 2015
- to achieve by 2010 a significant reduction in the current rate of loss of biological diversity.

Over 300 voluntary initiatives were launched by governments, NGOs, intergovernmental organizations, and businesses. One hundred eight heads of state addressed the Summit and more than 22,000 people participated in it, including more than 10,000 delegates, 8,000 NGOs and representatives of civil society, and 4,000 members of the press.

## WORLD SUMMIT ON THE INFORMATION SOCIETY

The UN General Assembly Resolution 56/183 (21 December 2001) endorsed the holding of the World Summit on the Information Society (WSIS) in two phases. The first phase took place in Geneva from 10 to 12 December 2003 and the second phase took place in Tunis, from 16 to 18 November 2005. A WSIS Plan of Action sets time-bound targets to turn the vision of an inclusive and equitable Information Society into reality. The objectives of the Plan of Action are to build an inclusive Information Society; to put the potential of knowledge and information and communication technologies (ICTs) at the service of development; to promote the use of information and knowledge for the achievement of internationally agreed development goals, including those contained in the Millennium Declaration; and to address new challenges of the Information Society, at the national, regional and international levels.

Targets include:

- to connect villages with ICTs and establish community access points;
- to connect universities, colleges, secondary schools and primary schools with ICTs;
- to connect scientific and research centers with ICTs; to connect public libraries, cultural centers, museums, post offices and archives with ICTs;
- to connect health centers and hospitals with ICTs; to connect all local and central government departments and establish websites and email addresses;
- to adapt all primary and secondary school curricula to meet the challenges of the Information Society, taking into account national circumstances;

- to ensure that all of the world's population have access to television and radio services;
- to encourage the development of content and to put in place technical conditions in order to facilitate the presence and use of all world languages on the Internet;
- to ensure that more than half the world's inhabitants have access to ICTs within their reach.

The objective of the 2005 Tunis phase was to put Geneva's Plan of Action into motion as well as to find solutions and reach agreements in the fields of Internet governance, financing mechanisms, and follow-up and implementation of the Geneva and Tunis documents.

## DEVELOPMENT PLANNING

Almost all the organizations in the UN family contribute in one way or another to development planning—by helping to evolve and introduce new planning methods, by assisting governments in establishing realistic growth targets, and by trying to ensure that overall plans take account of the needs of the different sectors of society.

Within the UN, problems relating to development planning are the concern of the Economic and Social Council's Committee for Development Policy. The 24-member committee, established in 1966, is a consultative body that meets annually to consider problems encountered in implementing development plans.

The UN Secretariat provides an account of the state of the world economy through its annual publication of the *World Economic and Social Survey*, which has appeared every year since 1948. Since 1990 UNDP has stimulated debate about the concept of human-centered development through the publication of the annual *Human Development Report*, written by an independent team of development specialists and published by Oxford University Press. Statistical data, considered indispensable for economic and social development planning, also appears in a number of UN publications, including the *Statistical Yearbook*, *Demographic Yearbook*, *Yearbook of National Accounts Statistics*, *Yearbook of International Trade Statistics*, *World Energy Supplies*, *Commodity Trade Statistics*, *Population and Vital Statistics Report*, and *Monthly Bulletin of Statistics*.

## WORLD FOOD COUNCIL (WFC)

The world food situation in the early 1970s was marked by extreme food shortages in many developing countries in Africa and parts of Southeast Asia, by a general lack of progress in the world fight against hunger and malnutrition, and by very slow progress in the creation of a system of internationally coordinated cereal reserves to meet crop shortfalls and other abnormal situations.

It was against this background that the General Assembly decided, in 1973, to convene a conference to deal with global food problems. The UN World Food Conference, held in Rome in November 1974, called for the creation of a 36-member ministerial-level World Food Council to review annually major problems and policy issues affecting the world food situation and to bring its political influence to bear on governments and UN bodies and agencies alike.

Each year up through 1992 the WFC met in plenary session at the invitation of one of its member states. The council, as a subsidiary body of the UN General Assembly, reports annually to it through the Economic and Social Council.



At first, the WFC's approach to solving world food problems was to encourage the adoption of national food strategies by developing countries. Under this plan, each country would assess its present food situation, including needs, supply, potential for increasing food production, storage, processing, transport, distribution, marketing, and the ability to meet food emergencies. In the early 1980s, this concept was taken over by the World Bank.

In 1989, at its 15th session held in Cairo, Egypt, the WFC delineated a Programme of Co-operative Action with four main goals for UN member countries within the next decade: the elimination of starvation and death caused by famine; a substantial reduction of malnutrition and mortality among young children; a tangible reduction in chronic hunger; and the elimination of major nutritional-deficiency diseases. The Programme of Co-operative Action contained proposals for immediate action to be taken on food-for-work programs in rural areas where employment opportunities are not available and measures to make specific food items affordable to the poor. Over the longer term, the WFC recommended projects to create production and employment opportunities in rural and urban areas; community initiative projects designed to enable the communities themselves to identify and implement projects; vocational training schemes; retraining schemes; food stamp schemes. In the area of nutrition, the WFC recommended the implementation on an emergency basis of supplementary feeding programs for children; primary health care programs, including programs to improve sanitation and drinking water; family planning programs; nutritional education programs; and support to food and nutrition programs undertaken by WHO, UNICEF, and other international agencies.

At its 16th session in 1990, held in Bangkok, Thailand, the council observed that most countries had not yet set specific goals and targets to implement its call to action. However, by 1991 those goals had been adopted by all UN member states as part of the International Development Strategy for the Fourth United Nations Development Decade.

The WFC also considered the coordination of the activities of some 35 international agencies that have programs significantly related to hunger problems. The WFC observed that its own role was that of providing a central, undivided focus on hunger and recommended the creation of an inter-secretariat consultative mechanism among the four Rome-based food organizations (FAO, IFAD, WFC, and WFP). In 1991, meeting in Helsingor, Denmark, it reiterated this support. It noted with concern the great financial difficulties facing these international organizations.

The 18th session of the WFC met in 1992 in Nairobi, Kenya. Its report to the General Assembly noted that although most developing regions made some headway during the 1980s in reducing hunger and malnutrition, this was not the case for the peoples of Africa where disastrous droughts and civil disturbances had caused widespread starvation in recent years. The council praised the IFAD Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification. In response to the disastrous problems of Africa, the WFC called for a "New Green Revolution," and the intensified transfer of technology to accomplish such a revolution. It recommended that substantial increases in investments in research, extension, and training were needed, particularly in Africa.

In 1992 the WFC also noted the problems of millions of people in Eastern Europe and the Commonwealth of Independent States (formerly the USSR) in gaining access to adequate food as a result of the dislocation of their economies.

In the context of the efforts of the General Assembly to streamline the activities of the United Nations, the WFC considered its future role within the framework of the restructuring process. With disarming frankness, the council stated: "We agree that the council has fallen short of achieving the political leadership and coordination role expected from its founders at the 1974 World Food Conference." It concluded that, in a rapidly changing world, the continuation of the status quo for the World Food Council and the United Nations as a whole was not possible. It established an ad hoc committee to review the mandate and future role of the WFC, which met in New York on 14–15 September 1992 and submitted its report to the 47th Session of the General Assembly (1992). However, the committee could not reach agreement on what the council's future role should be. Views ranged from abolishing it to strengthening it and integrating its mandate with another intergovernmental body. With this the committee referred the matter to the General Assembly, which requested the council members to continue attempts to agree on appropriate measures to be taken. After informal meetings from January to May 1993, the council reported to the General Assembly that "Council members are agreed on a set of principles to guide the United Nations response to global food and hunger problems, but disagreements continue to exist concerning the most effective institutional response to these principles."

In 1993 no formal WFC session was held, nor were any substantive documents prepared by the WFC secretariat. In fact, in December 1993, the secretariat in Rome was abolished as a result of the restructuring of the United Nations. Responsibility for servicing any future meetings of the WFC was given to the newly formed Department for Policy Coordination and Sustainable Development (DPCSD) in New York.

In November 1993 the president of the World Food Council held informal consultations with other WFC ministers of agriculture during the biennial FAO Conference in Rome about the possibility of scheduling the next (19th) session of the council. The consultations were inconclusive and the future of the WFC was not taken up at the General Assembly's 48th regular session in light of these ongoing discussions.

At a General Assembly plenary meeting on 26 May 1996 it was recommended that the World Food Council be discontinued and its functions absorbed by the Food and Agriculture Organization (FAO) and World Food Program (WFP). To eliminate duplicative and overlapping efforts, this recommendation was heeded and the WFC was dissolved. The move was generally hailed as a sign that the Assembly was rededicating itself to better use of its resources. As the FAO and WFP became heirs to the World Food Council's initiatives, the restructuring was also viewed as a reinforcement of ECOSOC's development-related activities. (For more information on the UN's ongoing work to combat hunger around the globe, please see the chapter on the Food and Agriculture Organization.)

## SCIENCE AND TECHNOLOGY FOR DEVELOPMENT

A major event of the first UN Development Decade was the UN Conference on the Application of Science and Technology for the Benefit of the Less Developed Countries, held in Geneva in 1963. The conference focused world attention on the practical possibilities of accelerating development through the application of advances in science and technology and on the need for reorienting research toward the requirements of the developing countries.

A second conference, the UN Conference on Science and Technology for Development, held in Vienna in 1979, adopted a program of action (the Vienna Programme) designed to put science and technology to work for the economic development of all countries, particularly the developing countries. It recommended the creation by the General Assembly of a high-level intergovernmental committee on science and technology for development, open to all member states, and the establishment of a voluntary fund to be administered by UNDP.

The Geneva Conference was a predominantly technical or pragmatic conference at which developed countries provided developing countries with state-of-the-art reports on developed-country technologies. By contrast, the Vienna Conference reflected the 1970s discussions between developed and developing countries over a more equal access of the latter to the world's science and technology. Thus science and technology were placed within the context of international diplomacy. The result, the Vienna Programme of Action was a compromise that did not fully meet the expectations of the developing countries.

The Vienna Programme of Action was divided into three target areas: strengthening the science and technology capacities of developing countries; restructuring the existing pattern of international scientific and technological relations; and strengthening the role of the UN system in the field of science and technology and the provision of increased financial resources.

Endorsing the recommendations of the Vienna conference, the General Assembly decided to establish an Intergovernmental Committee on Science and Technology for Development (ISTD), to be open to all states, and to create within the UN Secretariat a Center for Science and Technology for Development (CSTD) to provide substantive support to the committee and to coordinate activities within the UN system. In 1982, the General Assembly established the UN Financing System for Science and Technology for Development to finance a broad range of activities intended to strengthen the endogenous scientific and technological capacities of developing countries. In 1986, it transferred the responsibilities and resources of the financing system to a newly created UN Fund for Science and Technology for Development, administered by UNDP. In 1992, this new voluntary fund amounted to US\$1.56 million and had funded six policy meetings in Cape Verde, Jamaica, Pakistan, Togo, Uganda, and Vietnam.

In 1989, on the tenth anniversary of the Vienna Conference, the General Assembly expressed its disappointment with the implementation of the Vienna Programme. As part of the effort to rationalize and reform the entire United Nations system, in April 1992, the General Assembly decided to transform the ISTD into a functional commission of ECOSOC, the Commission on Science and Technology for Development. The activities of the Centre for Science and Technology for Development were incorporated into

the new Department of Economic and Social Development, within its Division of Science, Technology, Energy, Environment and Natural Resources.

Major objectives of the commission, which held its first session in April 1993, included:

- Assisting ECOSOC in providing science and technology policy guidelines and recommendations to member states, in particular developing countries;
- Providing innovative approaches to improving the quality of coordination and cooperation in the area of science and technology within the United Nations system, with a view to ensuring optimum mobilization of resources;
- Providing expert advice to other parts of the UN system.

The commission also requested that the Secretary-General prepare proposals to improve the coordination of the different bodies in the UN system, including the World Bank, which are involved in science and technology activities.

Developments, such as the United Nations Conference on Environment and Development in 1992—which had substantial science and technology components—and changing attitudes within intergovernmental bodies regarding the role of government and the private sector in view of the end of the cold war, led to the need for a major restructuring of the United Nations in the economic and social sector (including science and technology). While the General Assembly confirmed the continued validity of the Vienna Programme of Action in its resolution on science and technology for development in December 1993, its objectives were merged with the Technology Programme of the UN Conference on Trade and Development (UNCTAD). UNCTAD thus became responsible for science and technology within the United Nations system. Major program elements of the revised work program include:

- Endogenous capacity-building and resource mobilization in the area of science and technology for development;
- Technology assessment and information services;
- Issues related to investment and technology transfer.

The Commission on Science and Technology also decided to adopt themes for study by working groups during the two-year periods between its sessions. For 1993–95, these included technology for small-scale economic activities to address the basic needs of low-income populations, the gender implications of science and technology for developing countries, and the science and technology aspects of work being considered by the Commission on Sustainable Development. The commission also considered studying a variety of other issues, including the role of technology in military conversion, the effect of new and emerging technologies on industrialization, and the role of information technologies in developing countries.

In October 1998, it was recommended that the membership of the Commission on Science and Technology for Development, along with three other subsidiaries of the Economic and Social Council, be reconstituted. The commission's membership was subsequently reduced from 53 to 33, with the following geographic distribution: eight members from African states; seven from Asian states; six from Latin America and the Caribbean; four from Eastern Europe; and eight from Western European and other states. The body remains a functional commission of the Council, with members holding office for four years.

At its Fourth Session, held in May 1999 in Geneva, the focus was on science and technology partnerships and networking for national capacity-building; particular attention was paid to biotechnology and energy. During the meeting, the commission discussed the concept of global entitlement to knowledge, the changing role of the state in the development of science and technology, and the role of networking and partnership in a multi-disciplinary approach to science and technology. In summarizing the proceedings, the moderator concluded that since sustainable development can be thought of as composed of economic growth, social equity, and an adequate use of the environment, and since government is viewed as a “key articulator” of these, the role of science and technology in the near future should be to establish reliable frameworks for consistent communication, effective fore-casting, and the dissemination of knowledge.

### Transnational Corporations

Since the end of World War II, the role of multinational or transnational corporations in international commerce has been growing, but information on their activities has been fragmentary and often closely held. Many of these corporations are household names. They conduct a large portion of their business outside their host country, often recruiting management from their overseas subsidiaries and recruiting shareholders around the world. Some of these corporations command resources greater than those of most governments represented at the UN. In 1989, estimated sales by foreign affiliates of transnationals worldwide were US\$4.5 trillion. In comparison, world exports were only US\$3 trillion. In 2000, the top 200 transnational corporations' combined sales were larger than the combined economies of all 191 countries in the world minus the largest nine (the United States, Japan, Germany, France, Italy, the United Kingdom, Brazil, Canada, and China). The combined GDPs of the other 182 countries was \$6.9 trillion, and the combined sales of the top 200 transnational corporations was \$7.1 trillion. The relationship of transnational corporations with developing countries frequently has been troubled, but they can provide capital, managerial expertise, and technology that are all urgently required for development and often would be hard to come by in any other way.

In 1972, the Economic and Social Council requested the Secretary-General to appoint a group of eminent persons to study the impact of transnational corporations on development and international relations. The group of 20 economists, government officials, and corporation executives from all parts of the world met in 1973 and heard testimony from 50 witnesses in public hearings—a procedure new to the UN. Its report, issued in 1974, recommended the creation of a permanent commission on transnational corporations under the Economic and Social Council and an information and research center in the UN Secretariat.

In December 1974, the council established an intergovernmental Commission on Transnational Corporations as a standing committee (not a functional commission) to furnish a forum within the UN system regarding such corporations; promote an exchange of views about them among governments, intergovernmental organizations, business, labor, and consumers; assist the council in developing the basis for a code of conduct on the activities of transnational corporations; and develop a comprehensive information system on their activities.

The 48-member commission meets annually. At its second session, held in Lima in March 1976, it gave priority to the elaboration of a code of conduct and recommended that the Economic and Social Council establish an Intergovernmental Working Group on a Code of Conduct. The code was to be the first multilaterally agreed framework governing all aspects of the relations between states and transnational corporations, with standards to protect the interests of both the host countries and investors in those countries. The working group held a number of negotiating sessions between 1977 and 1982. Negotiations continued in meetings of a special session of the commission, open to all states.

In April 1991, the commission approved a text authorizing the preparation of recommendations on encouraging TNCs to cooperate in efforts to protect and enhance the environment in all countries for submission to the UN Conference on Environment and Development (UNCED) in 1992. The commission agreed that the following issues should be addressed: internationally agreed standards; improving management and regulation of industrial processes; transferring environmentally sound technologies to developing countries on favorable terms; using environment and development accounting and reporting methods; international environmental management; preventive measures to minimize risks to human life, property, and the environment; and the question of reparations for damage. It directed its secretariat, the Center on Transnational Corporations, to prepare its submission to UNCED. However, in early 1992, the center's functions were absorbed into a new department of the Secretariat and eventually transferred altogether to UNCTAD (see below).

At its 1994 Substantive Session, the commission recommended to ECOSOC that it be integrated into the institutional machinery of the UN Conference on Trade and Development (UNCTAD). ECOSOC decided to transmit this recommendation to the General Assembly for action.

An Intergovernmental Group of Experts on International Standards of Accounting and Reporting, established by the Economic and Social Council in 1982, reviews issues that give rise to divergent accounting and reporting practices of transnational corporations and identifies areas where efforts at harmonization appear necessary.

The four other priorities for the commission's program of work were: establishment of an information system to advance understanding of the nature of transnational corporations and their effects on home and host countries; research into the effects of their operations; technical assistance; and work leading to a more precise definition of the term *transnational corporations*.

The UN Center on Transnational Corporations was established by the Economic and Social Council in 1974 as part of the UN Secretariat. The functions of the center were to develop a comprehensive information system on the activities of transnational corporations, using data from governmental, corporate, and other sources; to analyze and disseminate the information to all governments; to provide technical assistance and strengthen the capacity of host countries (especially developing countries) in their dealings with transnational corporations; and to carry out political, legal, economic, and social research, particularly research to help in devising a code of conduct. By 1985, the center had established that the 350 largest transnational corporations (half of which were based in the United States) had combined sales of US\$2.7 trillion,

a sum which was larger than the combined GNP of all the developing countries, including China.

In 1990 ECOSOC requested the Center on Transnational Corporations to undertake a survey of corporate environmental management to document the most advanced practices as models for companies that had not yet created environmental programs and to submit the results to UNCED. The "Benchmark Corporate Environmental Survey," was submitted to the UNCED preparatory meeting in August 1991. Twenty percent of the 163 firms surveyed responded. The center recommended UNCED consider the following recommendations in preparing its Agenda 21: increased international cooperation to better inform TNCs of the impact of their operations on the greenhouse phenomenon; include TNCs in the consultative process surrounding climate change studies; treat dioxins and PCBs as international, not just local, pollution problems; transnational affiliates in developing countries should handle toxic wastes according to the same rules as in developed countries; TNCs should create safety zones around their facilities to lessen the potential impact of accidents; the oceans should be protected from land-based pollution; TNCs should sponsor programs to save wetlands and rainforests and protect biodiversity; TNCs should help develop a code of conduct on biotechnology. The center also pointed out that environmental rules and regulations differed from country to country. The companies that responded to the survey were interested in the UN setting international guidelines, although many of them were unaware of the existence of current international guidelines.

In 1992, as part of the comprehensive restructuring of the UN secretariat, the functions of the center were incorporated into a new unit: the Transnational Corporations and Management Division of the Department of Economic and Social Development. In May 1993, the General Assembly transferred responsibility for the transnational program again to the secretariat of UNCTAD.

In 2000, the UNCTAD Advisory Service on Investment and Technology, based on the joint work of the secretariat Divisions on Transnational Corporations and Investment and on Science and Technology, was working to help developing countries expand "their enterprise sector in conjunction with wider national trade, technology, and investment strategies." UNCTAD provided analysis of the role of the largest transnational corporations (TNCs) in foreign direct investment (viewed as critical to development) and emphasized that TNCs must exercise social responsibility in order to support sustainable development.

## NATURAL RESOURCES AND ENERGY

The importance of natural resources for economic development was emphasized in 1970 when the Economic and Social Council established the Committee on Natural Resources. The committee develops guidelines for advisory services to governments, reviews arrangements to coordinate UN activities in natural resources development, and evaluates trends and issues concerning natural resources exploration and development, as well as prospects for selected energy, water, and mineral resources.

During the 1970s, the Committee on Natural Resources played an important role in focusing world attention on the status of the global stock of water resources to meet human, commercial, and agricultural needs. As a result of an initiative of the committee, the UN Water Conference was convened in 1977 in Mar del Pla-

ta, Argentina. The conference adopted an action plan to guide international efforts to effectively manage, develop, and use water resources. To give impetus to the Mar del Plata Action Plan, the General Assembly, in 1980, launched the International Drinking Water Supply and Sanitation Decade (1981-90).

In 1973, the General Assembly established the UN Revolving Fund for Natural Resources Exploration, which began operation in 1975. The fund, financed from voluntary contributions, is intended to provide additional risk capital for mineral exploration in developing countries. In 1981, the fund was authorized to extend its exploration activities to geothermal energy.

During the 1970s, with the rise in and volatility of costs for petroleum, affecting the economies of all countries, particularly those of the poorer countries, and the growing awareness that known supplies of petroleum would, in the long run, be unable to meet global requirements, more attention was focused on new and renewable sources of energy. This led to the General Assembly's decision to convene, in Nairobi in August 1981, the UN Conference on New and Renewable Sources of Energy. The conference examined alternative forms of energy, including solar, bio-mass, geothermal, and ocean energy; wind power; hydropower; fuel-wood and charcoal; peat; and the use of draft animals for energy purposes. It adopted the Nairobi Program of Action for the Development and Utilization of New and Renewable Sources of Energy as a blueprint for national and international action. The Nairobi Program identified five broad areas for concentrated action: energy assessment and planning; research, development, and demonstration; transfer, adaptation, and application of mature technologies; information flows; and education and training.

Endorsing the Nairobi Program later that year, the General Assembly set up an interim committee to launch immediate implementation and, in 1992, established the Committee on the Development and Utilization of New and Renewable Sources of Energy, open to the participation of all states as full members. Later in 1992, in response to the requirements of implementing UNCED's Agenda 21, this committee was combined with the energy portion of the Committee on Natural Resources and Energy, and became a new standing committee of ECOSOC: the Committee on New and Renewable Sources of Energy and on Energy for Development. The Committee on Natural Resources now concentrates mainly on water and mineral resources. Each committee had a membership of 24 government-nominated experts who are elected by ECOSOC.

The first session of the new Committee on New and Renewable Resources and Energy met in New York from 7-18 February 1994. The Secretary-General reported to the committee that in 1990 new and renewable energy sources accounted for 17.7% of the total energy consumption. The drop in oil prices during the 1980s had led to a decline in investment in renewable energy resources, but growing concern for the fragile state of the world's environment lent urgency to efforts to find alternatives to burning fossil fuels and wood, which were contributing to the threat of global warming.

At its first session, the committee noted that the Nairobi Program had led to progress in the application of large-scale technologies, such as hydropower and geothermal energy, and had helped bring to maturity solar energy and wind technologies. However, the overall impact of these new technologies remained insignifi-

cant. The committee identified four domains for action by member states: more efficient use of energy and energy-intensive material; increased use of renewable sources of energy; more efficient production and use of fossil fuels; and fuel substitution from high carbon to low carbon-based fuels. It also called for integrated national action programs for developing energy systems; for removing subsidies on conventional sources of energy; establishing support for new, environmentally sound technologies; and finding ways to use wasted energy, such as waste heat from industrial processes. Its report to ECOSOC also recommended the establishment of regional “centers of excellence” to provide training, technology support, and resource data.

Another positive development in this field in the 1990s was the increasing recognition by the World Bank and the International Monetary Fund (IMF) that energy conservation makes good economic and environmental sense. Public outcry over displacement of local populations by big dams and destruction of rain forests for grazing projects funded by the World Bank had led it to institute an environmental assessment on every project it undertook. In 1992 the IMF also began to study the impact of its policies on its member nations’ environment. The bank also branched out into supporting new sources of energy, for example by lending Mauritius US\$15 million to support a program to generate 10–20% of that nation’s future energy needs by burning sugar-cane waste product readily available in that country.

Addressing another important area in the energy field—the use of nuclear energy for the economic and social development of developing countries—the General Assembly, in 1977, set in motion arrangements for an international conference on the subject. The first global effort in this field, the UN Conference for the Promotion of International Cooperation in the Peaceful Uses of Nuclear Energy, was held in Geneva in 1987. Although unable to reach agreement on principles acceptable to all, the participants at the conference exchanged views and experience on topics ranging from the production of electricity to the various applications of nuclear techniques in food and agriculture, medicine, hydrology, research, and industry.

The first session of the newly reconstituted Committee on Natural Resources was held in early 1993. Its second session met in New York in early 1994. In the 1990s the focus of the Committee on Natural Resources became the implementation of the recommendations of Agenda 21, particularly measures to promote the more rational and sustainable use of natural resources. In the chairman’s summary of the meeting, he noted that mineral and water resources had to be seen as finite and valuable resources, and that their production and consumption affected other constituents of the environment. Therefore, a holistic approach was required to the planning and management of natural resources within the geographical boundaries of each country and also in the consideration of the global impact of national policies or measures. A continued call was made for integrated approaches to water and land management. The committee emphasized the need to consider natural resources as a whole, rather than by individual sectors, such as agriculture and industry.

The committee also noted that the fundamental importance of mineral resources to economic development and quality of life had not been adequately reflected in Agenda 21. It recommended

that the need to ensure the sustainable supply of minerals should be a key issue for deliberations on Agenda 21.

The committee’s discussion on mineral resources was influenced by the impact of privatization of state mineral enterprises on people in the developing countries and economies in transition. While there seemed to be a new trend toward closer understanding between these countries and transnational corporations, the committee stated that governments should promote measures to reduce destruction of the environment from private mining operations. It also recommended that governments promote measures to encourage better use of existing resources through recycling and substitution.

In 1998 the Committee on New and Renewable Sources of Energy and on Energy for Development and the Committee on Natural Resources were merged into one expert body—the Committee on Energy and Natural Resources for Development, which served as a subsidiary body of ECOSOC. The committee, which met biennially for two weeks, was made up of two subgroups of 12 experts each; one sub-group dealt with energy and the other with water resources. The geographical distribution of the 24 members was: six members from African States; five from Asia; four from Latin American and the Caribbean; three from Eastern Europe; and six from Western European and other states. The term of office was four years.

The reconstituted committee met for the first time in April 1999, during which it worked to prepare a draft paper for the next, eighth, session of the Commission on Sustainable Development. The committee had before it various reports from the Secretary-General, including: a report on environmentally sound and efficient fossil energy technologies, which highlighted the need to increase efficiency of fossil energy use, improve environmental compatibility of fossil technologies, and shift to fossil fuels with lower environmental impacts, such as natural gas; the report on renewable sources of energy, which emphasized wind energy and stressed the importance of continued research and development in this area; the report on rural energy policies, which stated that service to rural areas remains inadequate (of the estimated 3.1 billion people in rural areas, approximately 2 billion had no access to electricity); the report on energy and transportation, which reviewed global transportation trends in both developed and developing nations; and the report on spatial planning of land (including minerals) and water resources, which identified emerging issues and highlighted the finite nature of the earth’s resources.

In 2002, the work of the Committee on Energy and Natural Resources for Development was transferred to the Commission on Sustainable Development by the Plan of Implementation of the World Summit on Sustainable Development. The UN Commission on Sustainable Development held its fourteenth session in May 2006.

## REGIONAL COMMISSIONS

The five regional commissions—serving Europe and the Commonwealth of Independent States, Asia and the Pacific, Latin America and the Caribbean, Africa, and Western Asia—have been established by the Economic and Social Council in recognition of the fact that many economic and social problems are best approached at the regional level. The commissions work to raise the level of economic and social development activity in their re-

spective regions, as well as to maintain and strengthen relations among countries within and outside regions. All actions taken by the commissions are intended to fit within the framework of overall UN economic and social policies. The commissions also are empowered, with the agreement of the governments concerned, to make recommendations directly to member governments and to the specialized agencies.

The commissions are subsidiary organs of the Economic and Social Council, to which they report annually. The secretariats of the commissions—each headed by an executive secretary with the rank of undersecretary-general—are integral parts of the UN staff, and their budgets form part of the regular UN budget.

An important part of the work of all the regional commissions is the preparation of regional studies and surveys, particularly annual economic and social surveys that are published at the headquarters of each commission. Supplementing these are bulletins and periodicals covering a wide range of subjects—such as agriculture, population, transportation and communications, energy, industry, and housing and construction—that are widely used as sources of information by governments, business and industry, educational institutions, other UN organs, and the press.

In the early 1990s, under pressure from both developing and industrialized countries to reform and rationalize the scattered development activities of the United Nations system, Secretary-General Boutros Boutros-Ghali proposed that the activities of all United Nations organs be coordinated. In December 1992, the General Assembly adopted his proposal with its historic Resolution A/47/199 that stressed the need for development activities to “be streamlined and rationalized, especially in the interrelated areas of programming, execution, decentralization, monitoring and evaluation, thus making the UN system more relevant and responsive to the national plans, priorities and objectives of developing countries, and more efficient in its delivery systems.” Under this plan, many of the functions carried out by various committees and boards of the specialized agencies and UN funds were transferred away from headquarters (in New York, or, in the case of the specialized agencies, Geneva or Vienna), to the regional commissions (headquartered in major cities of each region) and the office of the UNDP resident coordinator in the specific countries that were to be served by development programs. As this strategy developed, the role of the regional commissions became more and more central to the work of the United Nations system.

#### **Economic Commission for Europe (ECE)**

The Economic Commission for Europe (ECE), with headquarters in Geneva, was established in 1947 to help mobilize concerted action for the economic reconstruction of postwar Europe and to increase European economic activity among countries both within and outside the region. To these goals was added that of providing governments with economic, technological, and statistical information. Begun as an experiment at a time when severe postwar shortages of some commodities and surpluses of others made economic cooperation in Europe a necessity, ECE soon became the only multilateral forum to deal with cooperation between Eastern and Western Europe. The ECE provides a systematic means of intergovernmental cooperation among the countries of Europe,

the United States, Canada, Israel, and the republics of the former Soviet Union.

ECE priority objectives include the development of trade, scientific and technical cooperation, improvement of the environment, and long-term planning and projections as a basis for formulation of economic policy. Through meetings of policy-makers and experts, publication of economic analyses and statistics, and study tours and exchanges of technical information, the commission provides a link between governments having different economic and social systems and belonging to different subregional organizations.

Plenary meetings of the commission are held annually; its subsidiary organs meet throughout the year.

ECE works closely with a number of specialized agencies, particularly the ILO and FAO; with other intergovernmental organizations; and with nongovernmental organizations, which ECE has consulted frequently for their expertise in particular subjects.

The analytical work of the ECE provides both a macro- and micro-economic picture of the state of the region. It publishes statistical bulletins and special reports on the state of markets in industry, timber, and human settlements. It has also published guides for the management of joint ventures, privatization and conditions for foreign direct investment.

The network of committees and working parties mentioned above carries on the ECE's technical cooperation work. The ECE has formulated regionwide strategies and legal instruments in the fields of environment and transportation. One of its most significant accomplishments is the establishment of a standard for electronic data interchange (the UN/EDIFACT or United Nations Electronic Data Interchange for Administration, Commerce and Transport). This international standard for communication between networks of computers paves the way for the development of paperless international trade in the twenty-first century.

The events of 1989–91, during which the entire face of Europe changed beyond recognition, provided enormous challenges for the ECE. War in the former Yugoslavia and the resulting economic sanctions and displacement of 3 million people made a somber picture. The ECE provided technical cooperation to the countries of Eastern Europe in transition to a market economy. By 1994, these countries made up fully one-half of its expanded membership. Hundreds of workshops on transition issues were conducted by the ECE in these countries (1994–95). The program of workshops was supplemented by the introduction of regional advisory services in each of the ECE's major fields of activity.

#### **Membership**

As of April 2006, the following 55 countries were members of ECE: Albania, Andorra, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Kazakhstan, Kyrgyzstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, San Marino, Serbia and Montenegro, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tajikistan, the Former Yugoslav Republic of Macedonia,

Turkey, Turkmenistan, Ukraine, United Kingdom, United States, and Uzbekistan.

#### **Economic and Social Commission for Asia and the Pacific (ESCAP)**

The Economic and Social Commission for Asia and the Pacific (ESCAP), with headquarters in Bangkok, Thailand, and a Pacific Operations Center based in Port Vila, Vanuatu, serves a region that contains more than half the world's population. It was established in 1947 as the Economic Commission for Asia and the Far East to promote reconstruction and economic development of the region. Its name was changed in 1974 to reflect equal concern with economic growth and social progress and to clarify its geographic scope. The commission meets annually.

ESCAP's activities help identify common problems and facilitate cooperation for economic and social development at the regional level. It provides technical assistance and advisory services to governments on request, carries out research on regional issues, and acts as a clearinghouse of information.

One of ESCAP's most significant meetings in the 1990s was the Fourth Asian and Pacific Population Conference (Bali, August 1992). The conference was cosponsored by ESCAP and UNFPA, in recognition of the fact that population issues were inextricably linked to the cycles of poverty and the struggle for development. The conference adopted the Declaration on Population and Development (known as the "Bali Declaration"). By this declaration, ESCAP's member countries set goals for themselves to adopt strategies to attain replacement-level fertility (around 2.2 children per woman) by the year 2010 or sooner. They also agreed to reduce the level of infant mortality to 40 per thousand live births or lower by the same time.

In the late 1990s, with more than 50 years of experience, ESCAP described itself as a regional think tank and acknowledged that its ultimate challenge lay in bringing some 830 million of the region's poor into the economic mainstream, "enabling everybody to achieve a better standard of life as envisaged in the Charter of the United Nations."

*Membership.* As of April 2006, the 53 member states of ESCAP were: Afghanistan, Armenia, Australia, Azerbaijan, Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, Democratic People's Republic of Korea, Fiji, France, Georgia, India, Indonesia, Islamic Republic of Iran, Japan, Kazakhstan, Kiribati, Kyrgyzstan, Lao People's Democratic Republic, Malaysia, Maldives, Marshall Islands, Micronesia (Federated States of), Mongolia, Myanmar, Nauru, Nepal, Netherlands, New Zealand, Pakistan, Palau, Papua New Guinea, Philippines, Republic of Korea, Russian Federation, Samoa, Singapore, Solomon Islands, Sri Lanka, Tajikistan, Thailand, Timor-Leste, Tonga, Turkey, Turkmenistan, Tuvalu, United Kingdom of Great Britain and Northern Ireland, United States of America, Uzbekistan, Vanuatu, and Vietnam. It also had nine associate members: American Samoa, Guam, New Caledonia, Cook Islands, Hong Kong (China), Niue, French Polynesia, Macao (China), and Northern Mariana Islands.

#### **Economic Commission for Latin America and the Caribbean (ECLAC)**

The Economic Commission for Latin America and the Caribbean (ECLAC), with headquarters in Santiago, Chile, was established in 1948 as the Economic Commission for Latin America. In

1983, it formally incorporated the Caribbean region into its name. ECLAC's aim is to help the governments of the region promote the economic development of their countries and improve living standards. To this end, it collaborates with the governments of the region in the investigation and analysis of regional and national economic problems, and provides assistance in the formulation of development plans. It organizes and convenes regional intergovernmental meetings on topics in the field of economic and social development. ECLAC conducts research, executes studies, disseminates information, provides technical assistance, participates in seminars and conferences, and gives training courses.

ECLAC's initial stress on economic growth and trade was later complemented with emphasis on employment, income distribution, and other social aspects of development. In recent years, the commission has expanded its activities to include research in such areas as the environment, the development and transfer of technology, and the role of transnational corporations.

In 1999, ECLAC had divisions and units dealing with the following: planning and operations; economic development; social development; international trade and finance development; production, productivity, and management; statistics and economic projections; environment and human settlements; and natural resources and infrastructure. It also had a documents and publications division. ECLAC also has two sub-regional headquarters (in Mexico and Port of Spain), and offices in Bogota, Brasilia, Buenos Aires, Montevideo, and Washington, D.C.

ECLAC meets biennially; a committee of the whole carries on intersessional work.

Two other organizations are part of the ECLAC system: the Latin American and Caribbean Institute for Economic and Social Planning (ILPES) in Santiago, Chile; and the Latin American Demographic Center (CELADE), also in Santiago. ILPES was established in 1962 and undertakes research and provides training and advisory services, as well as furthering cooperation among the planning services of the region. CELADE was established in 1957, but became an integral part of the commission in 1975. It collaborates with governments in formulating population policies and provides demographic estimates and projections, documentation, data processing, and training facilities.

The commission carries out its work in close cooperation with UNDP, the International Trade Center (UNCTAD/GATT), UNESCO, the International Maritime Organization (IMO), UNICEF, and the International Telecommunications Union (ITU).

*Membership.* As of April 2006, ECLAC had 42 members: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, France, Germany, Grenada, Guatemala, Guyana, Haiti, Honduras, Italy, Jamaica, Mexico, Netherlands, Nicaragua, Panama, Paraguay, Peru, Portugal, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Spain, Suriname, Trinidad and Tobago, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, and Venezuela. It also had seven associate members: Anguilla, Aruba, British Virgin Islands, Montserrat, Netherlands Antilles, Puerto Rico, and United States Virgin Islands.

### Economic Commission for Africa (ECA)

The Economic Commission for Africa, with headquarters in Addis Ababa, Ethiopia, was established in 1958. It was the first intergovernmental organization in Africa whose geographical scope covered the whole of a continent in which economic and social conditions differed widely and where many countries and dependent territories were among the poorest in the world. ECA's chief objective is the modernization of Africa, with emphasis on both rural development and industrialization. Its work has been marked by a sense of urgency and a determination to match the rapid pace of African political progress with economic and social progress. In carrying out its functions, ECA works closely with the Organization of African Unity and various organizations of the UN system.

The commission's sessions are held annually at the ministerial level and are known as the Conference of Ministers.

The approach of ECA is primarily at the level of its five subregions: North Africa, East Africa, Central Africa, Southern Africa, and West Africa. ECA members have made it clear that the subregional approach is to be regarded as a necessary first step and that pan-African economic integration remains the goal. For that reason, five multinational programming and operational centers have been established: in Tangier, Morocco, for North Africa; in Niamey, Niger, for West Africa; in Lusaka, Zambia, for Southern Africa; in Yaounde, Cameroon, for Central Africa; and in Kigali, Rwanda, for Eastern Africa.

Work priorities for the 1990s and beyond included the broadened concept of food security and poverty alleviation through sustainable development with emphasis on capacity building; the promotion of economic cooperation among African countries and between African and other developing countries; the physical integration of the continent in line with the goals of the UN Transport and Communications Decade for Africa (1991–2000); and greater control and sovereignty over natural resources and environment. In the field of industrial development, ECA implemented the UN Second Industrial Development Decade in Africa (IDDA) by strengthening the technological and entrepreneurial capabilities of African countries. Special attention was paid to subregional and regional cooperation in small-scale cottage and rural industries and to highly advanced technology.

In 1992 ECA issued a technical publication evaluating the impact of the 1992 European economic integration measures on African agriculture. The publication discussed the various factors underlying the European single market. The publication underscored the need for galvanizing the cooperation of African nations in the face of moves to strengthen economic integration in other regions, notably Europe and North America. ECA also consulted with the OAU and the African Development Bank on the establishment and functioning of an African Economic Community (AEC).

ECA supervised the African Training and Research Centre for Women, which assisted ECA member states in improving the socioeconomic conditions of African women and enhancing their participation in development. ECA pursued its efforts to establish a regional Federation of African Women Entrepreneurs and a Bank for African Women to support women's entrepreneurial activities. ECA developed a Pan-African Development Information System that provides training, advisory services, data base devel-

opment, and network-building, and produces studies and publications for ECA member states, institutions, and nongovernmental organizations.

Beginning in July 1995, ECA embarked on major institutional and managerial reforms, resulting in a new strategic focus, which it defined by five core programs and two cross-cutting themes. The core programs were facilitating economic and social policy analysis; ensuring food security and sustainable development; strengthening development management; harnessing information for development; and promoting regional cooperation and integration. The themes were: fostering leadership and empowerment for women in Africa and enhancement of ECA capacities (with regard to information and technology, staff training, communication, and public awareness of programs through the mass media).

*Membership.* As of April 2006, the following 53 countries were members of ECA: Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Côte d'Ivoire, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Equatorial Guinea, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Republic of the Congo, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Togo, Tunisia, Uganda, United Republic of Tanzania, Zambia, and Zimbabwe.

### Economic and Social Commission for Western Asia (ESCWA)

A regional economic commission for the Middle East was first proposed in 1947–48. A commission that would include the Arab nations and Israel proved to be out of the question, however, and in 1963, the UN Economic and Social Office in Beirut (UNESOB) was set up. For 11 years, UNESOB assisted governments in economic and social development and provided them with consultants in such fields as community development, demography, industrial development planning, and statistics.

In 1972, Lebanon revived the issue of a regional commission for the area, and in August 1973, the Economic and Social Council established the Economic Commission for Western Asia to supersede UNESOB. In 1984, it was renamed the Economic and Social Commission for Western Asia (ESCWA) to reflect the importance of the social aspect of its activities.

The commission began operations on 1 January 1974, with provisional headquarters in Beirut. As defined by the resolution establishing the commission, its task is to initiate and participate in measures for facilitating concerted action for the economic reconstruction and development of Western Asia, for raising the region's level of economic activity, and for maintaining and strengthening the economic relations of countries of the region both among themselves and with other countries of the world.

ESCWA undertakes or sponsors studies of economic and social issues in the region, collects and disseminates information, and provides advisory services at the request of countries of the region on ESCWA's fields of activities. Much of ESCWA's work is carried out in cooperation with other UN bodies. The commission conducts industrial studies for individual countries in conjunction with UNIDO. It cooperates with FAO in regional planning, food security, and management of agricultural resources. UNDP supports ESCWA's work on household surveys in Western Asia and the Arab Planning Institute in Kuwait. Work is also undertaken



with UNFPA and UNIFEM in population and women's programs, with ILO in statistical surveys on labor, with AGFUND in rural development, with UNCTAD in development planning and maritime transport training, with UNEP in integrating environmental aspects (particularly control of desertification) into development programs, and with OIC in natural resources, industry, and trade issues.

The sessions of the commission (held every two years) are attended by representatives of member states and bodies, UN bodies and specialized agencies, regional and intergovernmental organizations, and other states attending as observers.

In 1992, the commission called for the establishment of an Arab and international interagency coordinating committee on environment and development to promote the goals of the UN Conference on Environment and Development's (UNCED) Agenda 21.

In May 1994, during the Commission's seventeenth ministerial session in Amman, ESCWA member states voted to move the permanent headquarters to Beirut. The 8-story UN house was built in the Beirut Central District for this purpose.

ESCWA maintains close liaison with other UN organs and specialized agencies and with intergovernmental organizations in the region, such as the League of Arab States and the Arab Fund for Economic and Social Development.

In 1976, ESCWA decided to move its operations to Amman, Jordan, for one year because of the conflict in Lebanon. Later the same year, it decided to accept the offer of the government of Iraq for Baghdad to be the site of its permanent headquarters. It moved to Baghdad in 1982, only to relocate to Amman during the Gulf War between Iraq and Kuwait in 1991. The permanent headquarters were later moved back to Beirut in 1997. ESCWA had established six working committees by the early 2000s; they were: statistical, social development, energy, water resources, transport, and liberalization of foreign trade and economic globalization.

*Membership.* As of April 2006, there were 13 members of ESCWA: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine (Palestine Liberation Organization), Qatar, Saudi Arabia, Syria, United Arab Emirates, and Yemen.

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# TECHNICAL COOPERATION PROGRAMS

The International Development Strategy for the third UN Development Decade called for a renewed emphasis on technical cooperation and a significant increase in the resources provided for this purpose. It recognized that technical cooperation contributes to the efforts of developing countries to achieve self-reliance by facilitating and supporting investment, research, and training, among other things.

UN programs of technical cooperation may be grouped in three categories: (1) the UN regular program, financed under the portion of the UN regular budget set aside for technical cooperation activities; (2) activities funded by the UN Development Programme (UNDP); and (3) extrabudgetary activities financed by contributions provided directly to the executing agencies by multilateral funding organizations within or outside the UN system, other than UNDP, and by contributions from governments and nongovernmental organizations.

To consolidate the responsibilities and resources within the UN Secretariat in support of technical cooperation activities, the UN General Assembly in March 1978 set up the Department of Technical Cooperation for Development (DTCD). In 1993, under further restructuring of the United Nations, this became the Department for Development Support and Management Services (DDSMS).

DDSMS provided technical and managerial support and advisory services to member states of the UN, relevant research, and parliamentary services to expert groups and intergovernmental bodies. It had a twofold mandate: (i) to act as an executing agency for programs and projects relating to institution-building and human resource development in areas such as development policies and planning, natural resources and energy planning, governance and public management, and financial management and accounting; (ii) to act as a focal point for the provision of management services and implementation functions for technical cooperation.

In 1997 DDSMS was merged with the Department for Policy Coordination and Sustainable Development and the Department for Economic and Social Information and Policy Analysis to form the Department of Economic and Social Affairs (DESA). DESA provides policy analysis and facilitates international dialogue on development issues in the General Assembly, Economic and Social Council and the specialized inter-governmental bodies reporting to them. It also provides technical assistance to member states at the national and sub-regional level. DESA's staff researches and analyses a broad range of economic and social data and information on development issues and trends. It also advises and supports countries in implementing their development strategies, with the aim being to help build national capacities as well as to strengthen economic and technical links among developing countries.

## UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)

Since its earliest days, the UN system has been engaged in a growing effort that has two main thrusts. The first, and most important, is supporting the vigorous drive of the world's developing countries to provide their own people with the essentials of a decent life—including adequate nutrition, housing, employment, income, education, health care, consumer goods, and public services. The second aim, which is closely related, is to help these countries increase their output of commodities, raw materials, and manufactured items, which the world increasingly needs, as well as to ensure them a fair return.

The United Nations Development Programme (UNDP) is the UN's major arm—and the world's largest channel—for international technical cooperation for development provided on a grant basis. Working with the government of nearly every country—and with more than 30 international agencies—UNDP supports the development efforts of 166 countries and territories in Africa, Asia and the Pacific, Latin America and the Caribbean, the Arab states, and Europe and the Commonwealth of Independent States. Under the overall framework of “sustainable human development,” the programs it supports focus primarily on building national capacities to eliminate poverty, protect and regenerate the environment, create employment, and empower women. The ultimate goal is to improve the quality of human life.

### Evolution of UNDP

Although UNDP came into formal existence only in January 1966, it really began 20 years earlier, for it grew out of two long-established UN institutions.

In 1948, the UN General Assembly (GA) had decided to appropriate funds under its regular budget to enable the UN Secretary-General to supply teams of experts, offer fellowships, and organize seminars to assist national development projects at the request of governments. About the same time, many of the specialized agencies had begun to undertake similar projects. However, no sooner had the Regular Programs of Technical Assistance, as they were called, begun to operate than it became apparent that the money that could be spared from the regular budget would not meet demand. In 1949, the General Assembly set up a separate account for voluntary contributions toward technical assistance and decided to make it a central account to finance the activities not only of the UN itself but also of the specialized agencies. Machinery was established for distributing financial resources and coordinating projects, and the whole enterprise was called the Expanded Programme of Technical Assistance (EPTA), to distinguish it from the UN's technical assistance financed under the regular budget. The venture proved remarkably successful. Ten years after it had begun operations, EPTA was financing technical assistance in some 140 countries and territories. Between 1950 and 1960, the

number of governments contributing funds had grown from 54 to 85, and the total annual contributions had risen from \$10 million to \$33.8 million.

In 1958, the General Assembly felt that it would be desirable to broaden the scope of UN technical assistance to include large-scale preinvestment surveys and feasibility studies on major national development projects that would lay the groundwork for subsequent investment of capital. These surveys and studies involved a much greater financial outlay than the kind of technical assistance then being undertaken, and the General Assembly decided to set up a new institution that would be run along lines similar to those of EPTA. Thus, the Special Fund was established to act as a multilateral channel for voluntary contributions to preinvestment projects, and as a coordinating center for the work of the various UN agencies. The Special Fund began operations in 1959; within three years, 86 governments had pledged over \$110 million.

In January 1964, the Secretary-General formally proposed to the Economic and Social Council that EPTA and the Special Fund be merged into a single enterprise. The advantages to be derived from the merger were a pooling of resources, a simplification of procedures, improvement in overall planning, elimination of duplication, reduction in administrative costs, and a general strengthening of UN development aid. By August 1964, the Council had adopted recommendations for the merger, but because of the stalemate at the 1964 General Assembly, no action could be taken until the following year. On 22 November 1965, the General Assembly unanimously voted to consolidate the two operations, effective 1 January 1966, as the United Nations Development Programme.

### Structure and Organization

*Administrator and Executive Board.* UNDP is headed by an administrator, appointed by the UN Secretary-General and confirmed by the General Assembly, who is responsible to a 36-nation Executive Board for all aspects of program operations. The board—representing every geographical region and both contributor and program countries—reports to the General Assembly through the Economic and Social Council. In addition to setting overall policy guidelines, the Executive Board examines and approves the volume of assistance allocated to each country over successive five-year cycles and must similarly approve all country programs. (The Executive Board began its work in 1994, replacing the 48-nation UNDP/UNFPA Governing Council, which had a similar composition and function. The Governing Council's decision-making almost always took place by "consensus" rather than by recorded voting.)

*Regional Bureaus.* Regional bureaus, located at UN headquarters, cover Africa, Asia and the Pacific, Latin America and the Caribbean, and the Arab states. There is also a Division for Europe and the Commonwealth of Independent States. These offices serve as the administrator's principal links with the program countries. Together with bureaus or divisions for strategic planning, program policy and evaluation, program development and support, and finance and administration, they furnish UNDP's country-based Resident Representatives with day-to-day operational support.

*Resident Representatives.* Resident Representatives heading more than 140 program country offices function as field-level

leaders of the UN development system. They are responsible for seeing that UNDP-assisted country programs are carried out effectively and efficiently. They act as chief liaison officers between government planning authorities and the executing agencies, help blueprint all activities from formulation to follow-up, and are responsible for ensuring that personnel, equipment, and facilities are utilized to best advantage.

Resident Representatives and other staff in UNDP's country offices also perform a variety of non-project-related development activities that make a significant contribution to UNDP's goals, and to the needs of its national partners. These include engaging in policy dialogue with national officials and providing them with development planning advice; furnishing technical advisory and general problem-solving services, often at the request of concerned sectoral ministries; assisting in mobilizing investment from both internal and external sources, as well as with follow-up investment advice and services; acting as a focal point for government needs in emergencies caused by natural or man-made disasters; assisting in the formulation, management, and evaluation of UNDP country programs; and, upon request, participating in the coordination of external assistance from other sources and in the preparation of well-balanced, effective national development programs.

Training and other support is offered on issues of special concern: UNDP's Division for Gender in Development helps to ensure that programs consider women's needs and interests; the Division for Nongovernmental Organizations promotes increased participation of NGOs and community groups in development activities; the Environment and Natural Resources Group ensures that the environmental impact of all programs is weighed; the Short-Term Advisory Services program sends skilled advisers to provide top-level technical and managerial advice in such sectors as agriculture, transportation, and industry.

### Functions and Guiding Principles

The nature of UNDP and its activities has changed over the years. In part, this has been in response to the evolving requirements and interests of the program countries. The changes also have reflected global concerns for particular development problems and issues.

In the early 1970s, UNDP had to demonstrate its ability to replace a basic structure, which had served it well in its formative stages, with a "second generation" mechanism designed to determine the nature of UNDP's market with greater discrimination, and to deliver the required product with more efficiency. The cumulative impact of a number of intensive inquiries into development and development assistance—by the Pearson Commission, the UN Committee for Development Planning, Sir Robert Jackson's study of the capacity of the UN development system, and by some of the major donor countries individually—helped to fashion a new look for UNDP. The various studies agreed on needs for more deliberate matching of country requests for assistance with available resources; the introduction of forward and coordinated planning and programming; more careful and appropriate project design; and greater quality, timeliness, and efficiency of implementation.

The consideration of these matters by the UNDP Governing Council in 1970 produced a consensus on the future of UNDP

that was endorsed by the General Assembly in the same year, translated into organizational and procedural changes in 1971, and brought substantially into effect during the next few years. The pivotal change was the introduction of “country programming.” This involved the forward programming of UNDP assistance at the country level for periods of up to five years, identification of the role UNDP inputs would play in specified areas related to a country’s development objectives, and the phasing of these inputs. Country programming, together with a similar approach to regional, interregional, and global activities, is designed to achieve the most rational and efficient utilization of resources.

A necessary counterpart to the introduction of UNDP country programming was administrative reform. The most important change involved decentralization—a substantial shift of power and responsibility for effective UNDP technical cooperation at all stages away from headquarters and into the program countries, where the UNDP Resident Representatives often play a lead role in UN development system activities within a country. Guidelines for the selection of these officials imply that, first and foremost, they should be effective managers, for it is they who cooperate directly with the governments to ensure the smooth functioning of development programs. In addition, they must intervene to help ensure more efficient implementation and more effective use of the results of project assistance. Upon request, they must be ready to play a vital part in the coordination of assistance from other sources with that provided by UNDP. In fact, under the restructuring of the UN development system mandated by the General Assembly, most UNDP Resident Representatives also are designated by the UN Secretary-General as Resident Coordinators of all UN operational assistance for development.

In 1975, UNDP further revised its programming principles to include “new dimensions” in technical cooperation, designed primarily to foster greater self-sufficiency among developing countries by relying more heavily on their own skills and expertise for development activities. Accordingly, UNDP redefined its role in technical cooperation to stress results achieved, rather than inputs required from the industrialized nations.

Seen from this perspective, the purpose of technical cooperation is to promote increasing autonomy with regard to the managerial, technical, administrative, and research capabilities required to formulate and implement development plans in the light of options available.

In the 1990s, UNDP made other changes that had a substantial impact on its programming, as well as on development thinking in general. In 1990 the Governing Council directed UNDP to focus its activities on six themes: poverty eradication and grass roots participation; environment and natural resources management; technical cooperation among developing countries (TCDC); management development; transfer and adaptation of technology; and women in development. UNDP has also adopted a “program approach,” whereby funding is provided for comprehensive programs with integrated components rather than distinct, separate projects. This enables UNDP to deliver assistance that is more focused and has greater impact and sustainability.

Another change has been UNDP’s promotion of “human development,” which puts people at the center of development, enlarging their choices and creating opportunities through which they can realize their potential and express their creativity. Hu-

man development does not measure a country’s progress solely by its Gross National Product, but takes into account such factors as its people’s access to health services, level of education, and purchasing power. Since 1990 UNDP has stimulated debate about this concept through the publication of an annual Human Development Report, written by an independent team of development specialists and published by Oxford University Press. Since then, a growing number of countries have received UNDP assistance in incorporating human development concerns into planning and the allocation of budgets.

Linking human development with its traditional emphasis on building self-reliance, UNDP has now embraced the concept of “sustainable human development” as the guiding principle underlying all its work. As defined by UNDP’s administrator, James Gustave Speth, who took office in July 1993:

“Sustainable human development is development that not only generates economic growth but distributes its benefits equitably; that regenerates the environment rather than destroying it; that empowers people rather than marginalizing them. It gives priority to the poor, enlarging their choices and opportunities and providing for their participation in decisions affecting them. It is development that is pro-poor, pro-nature, pro-jobs and pro-women. In sum, sustainable human development stresses growth, but growth with employment, environment, empowerment and equity.”

Within this framework, UNDP identified three priority goals: (1) strengthening international cooperation for sustainable human development and serving as a substantive resource on how to achieve it; (2) building developing countries’ capacities for sustainable human development; and (3) helping the United Nations become a powerful, unified force for sustainable human development.

With the creation of the Millennium Development Goals (MDGs) in 2000, the UNDP allows itself to be guided by the UN Core Strategy on MDGs and focuses on:

- Campaigning and mobilization: Supporting advocacy for the MDGs and working with partners to mobilize the commitments and capabilities of broad segments of society to build awareness on the MDGs;
- Analysis: Researching and sharing best strategies for meeting the MDGs in terms of innovative practices, policy and institutional reforms, means of policy implementation, and evaluation of financing options;
- Monitoring: Helping countries report advancement towards the MDGs and track progress;
- Operational activities: Goal-driven assistance to support governments to tailor MDGs to local circumstances and challenges; address key constraints to progress on the MDGs.

From its inception, UNDP has been called upon to make its assistance available to all countries where it can be effective in helping to meet priority needs, provided that those countries are members of the UN or one of its affiliated agencies. This broad frame of reference is essential for protecting two of UNDP’s most

valuable assets—its universality and its large measure of freedom from political problems and pressures.

### Planning and Programming

In the planning and programming of UNDP assistance, the largest role is played by the developing countries themselves. The process involves three basic steps.

First, an estimate is made of the core financial resources expected to be available to UNDP over a five-year period. This estimate is then divided up into Indicative Planning Figures (IPFs) for each country assisted, and for regional, interregional, and global programs. The IPFs are approved, and adjusted from time to time, by UNDP's Executive Board.

Second, with its IPF as a guide, each government draws up a "country program," outlining its priorities for UNDP assistance and allocating its share of UNDP resources among those priorities. Country program formulation—in which the UNDP's Resident Representative and locally based officials of other UN agencies usually participate—takes a number of factors into account. Among these are a country's overall development plans, the domestic resources that it can call upon for carrying out those plans, and the assistance expected from external sources other than UNDP. Each country program is then submitted to the Executive Board for approval.

The third step involves preparation of individual project requests—again usually in consultation with advisers from the UN system. These requests delineate each project's main objectives, its duration, its cost, and the respective responsibilities of the government and the UN system.

### Allocation of Funds

UNDP IPFs for 1972–76, the first programming cycle, were largely determined by applying the same percentage of total UNDP resources actually committed to each country from 1967 through 1971 to the total of projected UNDP resources for the years 1972 through 1976.

Completely new criteria were established by the Governing Council for the 1977–81 "second cycle." Of the country programming resources expected to be available during those years, 92.5% was allocated largely on the basis of a formula involving each country's population and its per capita gross national product (GNP)—with this second factor being given somewhat greater weight in calculating each country's allocation.

Under the new criteria, about 13% of total resources was devoted to regional programs aimed at fostering development cooperation among neighboring countries or at achieving economies by making expertise available to several governments from a single regional base. There was also a separate IPF for global and interregional programs, such as "breakthrough" research on high-yielding strains of staple food grains.

On an overall basis, during the third cycle (1982–86), countries with per capita GNPs of \$500 a year or less received 80% of total UNDP funding, as compared with 52% in the 1977–81 period and 40% in the 1971–76 period.

In 1985, the Governing Council decided that for the fourth programming cycle (1987–91), countries with 1983 per capita GNPs of \$750 or less a year were to receive 80% of IPF resources, reflecting UNDP's emphasis on assisting the poorer countries.

In the fifth programming cycle (1992–96) countries with yearly per capita GNPs of \$750 or less received 87% of national IPF resources.

For the period 2001–03, 12% of IPF resources went to 74 middle-income countries, and 88% of IPF resources were distributed to 70 low-income countries, with yearly per capita GNPs of \$900 or less.

### Implementation in the Field

UNDP is primarily a funding, programming, monitoring, and coordinating organization. Over the years, the bulk of the field work it has supported has been carried out by UN agencies and regional commissions, and by regional development banks and funds. Increasingly, UNDP is also calling upon national institutions and nongovernmental organizations for project execution.

The executing agencies, as they are called, perform three major functions. They serve as "data banks" of development knowledge and techniques in their respective specialties. They help governments plan the individual sectors in their country programs for UNDP assistance. As a rule, they recruit the international experts, purchase the equipment, and procure the specialized contract services needed for project execution.

The choice of a particular agency to implement any given project is made by UNDP in consultation with the government of the developing country. Though a single agency is always in charge of a particular project, often two or more collaborate in providing the services required.

Through its Office for Project Services, UNDP directly implements those activities that are not carried out by other executing agencies, providing a full range of management services, including procurement and finance.

The progress of field work is monitored through periodic reviews, involving UNDP country office staffs, government officials, and experts of the executing agencies. A modern computer-based management information system provides a continuous flow of operational data from the field. When required, special missions are sent to program countries to evaluate project work.

Systematic efforts are made to stimulate follow-up investments on surveys, feasibility studies, and other appropriate projects. These activities—which often begin at very early stages of project implementation—involve cooperation with all likely and acceptable sources of development finance—internal and external, public and private.

In a larger sense, however, most projects have a "built-in" follow-up component because they are deliberately planned to create permanent institutions or facilities that will be taken over by national personnel. Thus, many projects—particularly in training, applied research, and development planning—not only continue, but also significantly expand their work after UNDP support ends.

Typically, some 5,000 projects, ranging from two to five years in duration, have been under way in any given year. Since 1993, however, UNDP has been making a deliberate attempt to sharpen its focus. It became more selective in what it would finance, concentrating in particular on capacity-building initiatives that gave priority to the poor, to creating employment, to advancing women, and to regenerating the environment.

**Financing and Expenditures**

UNDP is financed in several ways. First, the developing countries themselves pay a large share of the costs of their UNDP-assisted projects. Their funds are used for the salaries of local personnel, construction and maintenance of project buildings and facilities, and the purchase of locally available supplies and services. Second, almost every member of the UN and its associated agencies makes a yearly voluntary contribution to UNDP's core resources. Third, cost-sharing contributions make up a growing portion of UNDP's income. These are resources provided in convertible currency by program country governments, or by another country or organization to share in the costs of particular programs. In 1994 it became clear that the biennial budget would have to be reduced further to keep administrative costs in line with declining core program resources. Between 1992 and 1995 US\$53.6 million was cut from the administrative budget, primarily through a 26% staff reduction at headquarters and 8% at the country level. Between 1992 and 1997, UNDP reduced its administrative budget by 19% in real terms and decreased total regular staff by nearly 15%. Regular staffing at headquarters was decreased by 31%. As of the late 1990s, a zero-growth budget policy was in effect and resources were being deployed from headquarters to the country offices.

In 2004, the UNDP's total income for the year was approximately \$4 billion. At \$842 million, regular resources exceeded the \$800 million interim target set for the year in the 2004-07 Multi-Year Funding Framework (MYFF). This marked the first time since 1997 that regular resources surpassed this level. Other (non-core) contributions to UNDP also rose significantly in 2004, from almost all sources. Donor co-financing topped \$1.5 billion in 2004, resulting in a total of \$2.4 billion in income from donors. Local resources, channeled through UNDP by program country governments in support of their own development programs, totaled close to \$1.4 billion. Preliminary figures for local resources from the top ten program countries in 2004 were: Argentina, Brazil, Honduras, Panama, Guatemala, Peru, Bulgaria, Egypt, Paraguay, and El Salvador.

**Major contributors to UNDP's core resources in 2004  
(In millions of us\$)**

COUNTRY	VOLUNTARY CONTRIBUTION
United States	\$98.71
Norway	97.77
Netherlands	93.74
Japan	86.77
Sweden	85.19
United Kingdom	72.31
Denmark	60.28
Canada	47.88
Switzerland	41.27
Germany	33.25
France	20.06
Italy	18.27
Finland	17.15
Belgium	15.87
Ireland	15.79
Spain	8.15
Austria	5.48
Australia	5.03

**Associated Programs**

The UNDP administrator also is responsible for several associated funds and programs:

*United Nations Capital Development Fund* provides limited amounts of "seed financing" for such social infrastructure as low cost housing, water supply systems, rural schools, and hospitals; and for such "grass roots" productive facilities as agricultural workshops, cottage industry centers, cooperatives, and credit programs.

*United Nations Drylands Development Center (formerly the UN Sudano-Sahelian Office)* was created in 1973 in response to the severe effects of recurrent droughts in the Sahel, and became widely known by its acronym, UNSO. For many years, UNSO delivered a range of drought relief and development services in the Sahel under the management of UNDP. In 1995, UNSO took on a global mandate and began to branch out from sub-Saharan Africa to all parts of the world affected by desertification and drought. At that time it changed its name to UNDP's Office to Combat Desertification and Drought, but retained the acronym UNSO. Since 1995, UNSO (now the Drylands Development Center) has supported 29 countries in Africa, 22 in Asia and 19 in Latin America and the Caribbean to develop national and sub-regional action plans to combat desertification and mitigate the effects of drought.

*United Nations Development Fund for Women* provides direct assistance to innovative and potentially replicable projects involving women, including those to reduce workload and increase income; helps to raise women's status in society; and works to ensure their involvement in mainstream development activities. (see UNIFEM).

*United Nations Volunteers* program, established by the General Assembly in 1971, is administered by UNDP from its Geneva, Switzerland, office. Volunteers from more than 100 professions serve in both UNDP and UN-assisted projects, as well as in development programs carried out directly by host governments. Recruited globally, they are sent to a country only at the request, and with the approval, of the host government. Volunteers serve for two years and receive a monthly allowance to cover necessities. The average age of UNV specialists is 39, with an average of 10 years' experience in their field of specialization. The actual age ranges from the mid-20s to the 60s and 70s, as retirees are welcomed for their experience. In the first 35 years of the UNV's existence, more than 30,000 specialists had completed thousands of assignments.

The skills most in demand for UNV specialists are: agriculture, agronomy, animal husbandry, appropriate technology, audiovisual arts, business management, cartography, community development, computer programming, construction trades, data processing, demography, development administration, disaster preparedness, economics, education, electronics, employment for the disabled, engineering, environment, export promotion, fisheries, forestry, handicrafts, HIV/AIDS prevention, home economics, horticulture, logistics, marketing/trade promotion, medicine, nursing/midwifery, printing/bookbinding, public administration, public health, social work, statistics, teacher training, teaching English language, teaching math/science, technical trades/skills, urban/regional planning, vehicle/fleet maintenance, veterinary science, vocational training, women in development, and youth work.

In 2004, some 7,300 and women of 166 nationalities were serving in 140 developing countries as volunteer specialists and field workers. UNV professionals work alongside their host country peers in four main areas: technical cooperation; community-based initiatives for self-reliance; humanitarian relief and rehabilitation; and support to electoral and peace-building processes.

## UN CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD)

The first UN Conference on Trade and Development, which met in Geneva in the spring of 1964, recommended the establishment of a permanent UN body to deal with trade in relation to development. The General Assembly, noting that international trade was an important instrument for economic development and that there was a widespread desire among developing countries for a comprehensive trade organization, decided to establish UNCTAD as one of its permanent organs in December 1964.

The main purpose of UNCTAD is to promote international trade, particularly that of developing countries, with a view to accelerating economic development. UNCTAD is one of the principal instruments of the General Assembly for deliberation and negotiation in respect to international trade and international economic cooperation. It formulates principles and policies on international trade, initiates action for the adoption of multilateral trade agreements, and acts as a center for harmonizing trade and development policies of governments and regional economic groups. The 1992 conference reaffirmed UNCTAD's functions to be policy analysis, intergovernmental deliberation, consensus building, negotiation of international agreements, monitoring, implementation, follow-up, and technical cooperation.

UNCTAD has 192 member states and has granted observer status to a number of organizations. There have been 11 sessions of UNCTAD at approximately four-year intervals: Geneva (1964); New Delhi (1968); Santiago (1972); Nairobi (1976); Manila (1979); Belgrade (1983); Geneva (1987); Cartagena de Indias, Colombia (1992); Midrand, South Africa (1996); Bangkok, Thailand (2000); and São Paulo, Brazil (2004).

At the ninth session of UNCTAD, in May 1996, UNCTAD's new mandate sought to deal with:

- the interests of developing countries;
- competition and its relation to the law and the environment in developing countries;
- support for small and medium-sized enterprises;
- and to consolidate the Trade Point Network.

The outcome of the ninth session was a comprehensive agreement by the member governments of UNCTAD on the treatment of development and a concrete program of work, to be implemented by UNCTAD before the next general session in 2000.

In his closing statement of UNCTAD-X, Secretary-General Rubens Ricupero concluded that to date global integration had affected only a dozen developing countries. He called for "real reciprocity," a new international order that would remove massive barriers to trade in agriculture, textiles and clothing; give developing countries recognition for their efforts in promoting economic solidarity—to "strengthen the move towards positive economic integration"; and transform existing international economic insti-

tutions so that they can "bridge the interests of both developed and developing countries."

UNCTAD's eleventh session ended with the adoption of the São Paulo Consensus, which once again placed UNCTAD at the center of the trade and development debate. The official conference theme was "Enhancing coherence between national development strategies and global economic processes towards economic growth and development, particularly of developing countries." This focus on coherence was examined from the following four angles, each one corresponding to a subtheme: development strategies in a globalizing world economy; building productive capacity and international competitiveness; assuring development gains from the international trading system and trade negotiations; and partnership for development.

### Structure

The continuing work of the organization is carried out between sessions by the Trade and Development Board (TDB), UNCTAD's executive body, established by the General Assembly. The TDB implements conference decisions and initiates studies and reports on trade and related development problems. The TDB reports annually to the General Assembly through the Economic and Social Council. It also serves as the preparatory body for sessions of the conference.

The Trade and Development Board has several standing committees that review trends and make recommendations in specific areas, including the Commission on Trade in Goods, Services, and Commodities; the Commission on Investment, Technology and Related Financial Issues; and the Commission on Enterprise, Business Facilitation and Development.

### Secretariat

The UNCTAD secretariat is located at Geneva. It provides service to the conference, the TDB, and its subsidiary bodies. The Secretary-General of UNCTAD is appointed by the Secretary-General of the UN and confirmed by the General Assembly.

In May 1993 the UN General Assembly assigned the UNCTAD secretariat responsibility for servicing two subsidiary bodies of the Economic and Social Council: the Commission on Transnational Corporations and the Commission on Science and Technology for Development (see the section on "Economic and Social Development").

The UNCTAD secretariat also provided technical assistance to developing countries in connection with the Uruguay Round of multilateral trade negotiations which took place under the auspices of the General Agreement on Tariffs and Trade (GATT). It continues to provide such services for Doha Round of trade negotiations in connection with the World Trade Organization, the successor body to GATT.

### Export Promotion and Marketing

Export promotion and marketing are the responsibility of the International Trade Center in Geneva, which is operated jointly by UNCTAD and GATT. The center focuses attention on export market opportunities and helps developing countries to train personnel in marketing and export-promotion techniques and to set

up the institutions and programs necessary to build up modern export-promotion services.

### Commodities

In 1980, the Agreement Establishing the Common Fund for Commodities was adopted by the UN Negotiating Conference on a Common Fund. International agreements also have been concluded for nine commodities—cocoa, coffee, tin, olive oil, sugar, natural rubber, wheat, jute and jute products, and tropical timbers. The fund came into operation in September 1989.

At its 1976 session in Nairobi, UNCTAD adopted an Integrated Program for Commodities aimed at setting prices for the primary commodities of developing countries that would take into account world inflation, monetary changes, and the cost of manufactured imports. As part of the program, the Nairobi session agreed that steps would be taken to negotiate a common fund for the financing of buffer stocks that would be held or sold as conditions required, thus helping to end the wide fluctuation in commodity prices that has plagued developing countries dependent on these products as exports.

The eighth session of UNCTAD in 1992 recognized the need to formulate an effective international commodity policy for the 1990s. Commodity markets remained extremely depressed and most of the commodity agreements achieved by UNCTAD in the 1980s had lapsed. In 1993 UNCTAD began to develop a micro-computer-based commodity analysis and information system (MICAS), which provides comprehensive, up-to-date information on all aspects of commodity use, production, trade, and consumption. The system assists developing countries in managing their economies and competing more effectively in world markets.

### Preferential Tariffs for Developing Countries

UNCTAD adopted the General System of Preferences (GSP) in 1968, giving preferential tariff treatment in developed countries to manufactured goods exported by developing countries. By 1999, operating programs gave preferential treatment to more than US\$70 billion worth of exports a year from more than 100 developing countries. However, the conference recognized that the more advanced developing countries benefited most from the system, and in 1992 efforts were undertaken to include more agricultural products and some “sensitive” industrial products. There are currently 13 national GSP schemes notified to the UNCTAD secretariat. The following countries grant GSP preferences: Australia, Belarus, Bulgaria, Canada, Estonia, the European Union, Japan, New Zealand, Norway, the Russian Federation, Switzerland, Turkey and the United States.

### Shipping

UNCTAD initiated the development of the 1978 UN Convention on the Carriage of Goods by Sea (called the Hamburg Rules). By July 1993, the Hamburg Rules had received 21 ratifications and entered into force on 1 November 1993.

*The Convention on a Code of Conduct for Liner Conferences (1974)* provides for the national shipping lines of developing countries to participate on an equal basis with the shipping lines of developed countries. This convention became effective in 1983. In 1991 the conference reviewed this convention and adopted guidelines towards its more effective implementation. Technical and structural changes in liner shipping since 1974 were taken into ac-

count. By November 2005 there were 80 contracting parties to the convention.

*The UN Convention on International Multimodal Transport of Goods (1980)* establishes a single liability organizational structure for the international carriage of given consignments of goods entailing use of more than one mode of transport. By November 2005 it had received 11 ratifications (entry into force requires 30 contracting parties). As of that date, the convention was not yet in force.

*The UN Convention on Conditions for Registration of Ships (1986)* introduces new standards of responsibility and accountability for the world shipping industry and defines the elements of the genuine link that should exist between a ship and the state whose flag it flies. By November 2005, 14 ratifications had been received (entry into force requires 40 contracting parties accounting for 25% of the world's tonnage). As of 2006, the convention was not yet in force.

*The UN International Convention on Maritime Liens and Mortgages (1993)* entered into force in September 2004. As of July 2005, there were 11 contracting parties to the convention. The convention was designed to address the need to improve conditions for ship financing and the development of national merchant fleets, recognizing the desirability of international uniformity in the field of maritime liens and mortgages.

*The UN International Convention on the Arrest of Ships (1999)* aims to regulate the circumstances under which ships may be arrested or released from arrest. It covers issues such as claims for which a ship may be arrested, ships that can be subject to arrest, release from arrest, right of rearrest and multiple arrests, liability for wrongful arrest and jurisdiction on merits of the case. As of July 2005, the convention was not yet in force: entry into force requires 10 contracting parties, and as of 2005 there were seven.

UNCTAD also provides technical cooperation and specialized training projects financed in part by UNDP. Training courses cover multimodal transport, improving port performance, and the use of the Advance Cargo Information System (ACIS) to enable shipping lines and railway companies to track the movement of cargo.

### Other Multilateral Agreements and Conventions

*The Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices (1980)* establishes international means for the control of restrictive business practices, including those of transnational corporations, adversely affecting international trade, in particular the trade and economic development of developing countries.

Negotiations were begun in 1978 on an International Code of Conduct on the Transfer of Technology. The provisions of the proposed code fall into two broad groups: those concerning the regulation of the transfer of technology transactions and of the conduct of parties to them, and those relating to steps to be taken by governments to meet their commitments to the code. In 1991 consultations were held on setting up an intergovernmental group of experts to prepare ground for the resumption of negotiations on the code of conduct.

As a result of these consultations, the Trade and Development Board acknowledged that it was impossible at that time to obtain consensus on the outstanding issues for a draft code of con-



duct. In 1993 the Trade and Development Board established an Ad Hoc Working Group on Interrelationship between Investment and Technology Transfer to examine and encourage new initiatives on investment and technology policies that would facilitate technology transfer. This group adopted a work program aimed at examining issues of investment flows, transfer of technology and competitiveness, technological capacity-building in developing countries, and transfer and development of environmentally sound technologies. In light of the ongoing work of this group, the Secretary-General of UNCTAD recommended to the General Assembly in 1993 that further consultations on the code of conduct take place after the completion of the activities of the Ad Hoc Working Group.

UNCTAD also elaborated the Modes Clauses on Marine Hull and Cargo Insurance, which assists the insurance markets in developing countries to produce their own insurance policy clauses and conditions. UNCTAD also has prepared minimum standards for shipping agents that serve as guidelines for national authorities and professional associations establishing standards.

#### Debt Relief

In the area of money and finance, UNCTAD devotes particular attention to the debt problems of developing countries and has negotiated measures of debt relief for the poorer among those countries, as well as a set of agreed guidelines for dealing with future debt problems. At its 1987 session in Geneva, UNCTAD recommended a number of policy approaches and measures to deal with debt problems, resources for development, and related monetary issues; commodities; international trade; and the problems of the least developed countries—all aimed at revitalizing development, growth, and international trade in a more predictable and supportive environment through multilateral cooperation.

UNCTAD and the World Bank developed a joint program to extend technical cooperation to developing countries in the field of debt management. UNCTAD is responsible for the software component of the project. The assistance is based on the development and distribution of the Debt Management and Financial Analysis System (DMFAS), software designed to enable debtor countries to analyze data, make projections, and plan strategies for debt repayment. UNCTAD trains operators to use the software. It also provides training for senior officials in raising their awareness of institutional reforms that might be necessary for effective debt management.

#### Least Developed Countries (LDCs)

In 2004 50 countries were classified as least developed countries (LDCs). UNCTAD has taken a lead role in mobilizing support for LDCs by organizing three UN conferences on LDCs. The first, held in Paris in 1980, adopted the Substantial New Program of Action (SNPA), which defined measures to be taken by LDCs to promote their own development. The second, also held in Paris, in 1990, reviewed the implementation of the SNPA and strengthened the program. The third conference held in Brussels in 2001 focused on the eradication of poverty (see below).

UNCTAD has given political impetus to the setting of official development assistance at 0.7% of the GNP of donor countries. It also has recommended improvement of International Monetary Fund's compensatory financing facility for export earnings short-

falls of developing countries and the creation of special drawing rights for LDCs.

The eighth session of UNCTAD in 1992 requested that detailed analyses be made of the socioeconomic situations and domestic policies of the LDCs, their resource needs, and external factors affecting their economies. The ninth session of UNCTAD in 1996 adopted the Midrand Declaration, which called for greater partnership between developed, developing, and the least developed countries.

From 14–20 May 2001, the UN held the Third United Nations Conference on the Least Developed Countries—LDC III. The eradication of poverty was the main agenda on the program. In 2002, UNCTAD released a report on poverty in LDCs, “Escaping the Poverty Trap,” which was the first international comparative analysis of poverty in the LDCs. It is based on a new set of poverty estimates, which enable empirically based analysis of the relationship between poverty, development and globalization.

#### Trade in the 21st Century

The 1992 conference identified four priority areas to be analyzed.

1. *New International Partnership for Development.* To assist developing countries and countries in transition to market economies increase their participation in the world economy.
2. *Global Interdependence.* Emphasis to be placed on the international implications of macroeconomic policies, the evolution of international trading, monetary and financial systems, effective management at the international level, and the consequences of enlarged economic spaces and regional integration processes.
3. *Paths to Development.* The conference called for studies of national development experiences with a view to deriving useful lessons to inform future action. The studies would include consideration of general economic management and the relationships between economic progress and market orientation.
4. *Sustainable Development.* The interaction between trade and environmental policies was to be considered. The promotion and implementation of environmentally sound technologies as elaborated at the UN Conference on Environment and Development in 1992 were stressed.

The 1992 conference also discussed trade efficiency and the use of electronic data interchange to reduce the cost of transactions. In July 1995, UNCTAD organized a World Symposium on Trade Efficiency in Columbus, Ohio. The symposium was subtitled “New Technologies for Efficient Global Trade; UNCTAD's Trade Point Network.” The symposium united trade ministers, chief executives, and senior officials in focusing on new technologies in the fields of banking, insurance, transportation, telecommunications, and information for trade. The promotion of international standards for electronic commerce was a key component of the symposium. The symposium also launched a worldwide process of alleviating technical and procedural barriers that prevent poorer countries from fully participating in world trade. UNCTAD is developing a Trade Point Network of 100 operational trading points to facilitate this process. At the end of 1999, 114 countries were participating in UNCTAD's Trade Point Program.

In November 2002, UNCTAD handed over its Trade Point Program to the program's beneficiaries, represented by the World Trade Point Federation (WTPF). The WTPF was established in November 2000, with its objectives being to open international markets to new participants and to make them more competitive by giving them access to the most advanced e-commerce technologies and information networks. The WTPF aims to develop the Trade Point network in close cooperation with member states while adhering to its developmental goals and assistance to weaker players in international trade.

## WORLD FOOD PROGRAM (WFP)

The World Food Program, which the UN sponsors jointly with the Food and Agriculture Organization (FAO), began operations in 1963. It has since grown from a small experimental program to become the largest multilateral food distributor in the world. In 2004, approximately 113 million people in 80 countries received direct assistance through WFP emergency operations and development projects.

Between 1946 and 1960, several attempts were made to establish an international body to regulate international trade and to deal with surpluses produced by food exporting countries. None of these attempts were successful, mainly because some countries objected to interference in their trade relations. In 1955, a study called, "Uses of Agricultural Surpluses to Finance Economic Development in Under-developed Countries," provided the breakthrough. The report posited that agricultural surpluses could finance additional investment in developing countries without competing with the sales of domestic products or with imports from other countries.

At the 1961 FAO Conference, George McGovern, the head of the US delegation, formally proposed establishing a multilateral program with a fund of US\$100 million in commodities and cash, to which the United States was willing to contribute US\$40 million. This initiative led the FAO and the UN to establish the World Food Program on a three-year experimental basis (January 1963 to December 1965).

WFP uses food commodities, cash, and services contributed by UN member states to back programs of social and economic development, as well as for emergency relief. At the request of governments, WFP provides food aid for development projects to increase agricultural production, rehabilitate roads and other vital infrastructure, protect the environment and improve health and education. WFP food assistance also provides basic sustenance for refugees and other victims of disasters. The aim of the WFP is to apply food aid in ways that will eventually make the recipients self-sufficient in obtaining or producing food. The success of the program's work should ultimately be judged by the number of people who, over time, are able to feed themselves.

In the first three decades of its existence, the program invested approximately US\$14 billion (43 million tons of food aid) to combat hunger and to promote economic and social development in the developing world. More than 1,600 development projects and 1,200 emergency operations were assisted by the WFP during that period. However, in the mid-1990s, emergency operations dominated the WFP's work. In 2001 alone, WFP delivered 2.7 million metric tons of emergency food aid to nearly 77 million people in 82 countries.

WFP supplies for development purposes are used in a variety of ways. Early projects included a land-settlement project in Bolivia, the development of nomadic sheep husbandry in Syria, resettling nomads in Egypt, land reclamation and development in Morocco, and land settlement in Tanzania. Other projects contributed directly to the development of human resources by providing food for school children, expectant and nursing mothers, hospital patients, and adults attending education centers.

The program gave special attention to creating employment and income through food-for-work programs. In Bangladesh, a vulnerable-group development project, begun in 1975, continues to provide training in health, literacy, and income-generation for women. Similar projects were started in Bolivia and Mexico, while major land-development programs commenced in Egypt, Sudan, Korea, and China. The largest single dairy project ever undertaken, "Operation Flood," in India increased milk production by 50% and benefited 30 million people.

Early in its operations, recipient governments had a major problem in covering the non-food costs of a project, including transport storage and other expenses. The early success of the program (28 formal requests for aid in May 1963 rose to 193 requests by November 1964) led donor countries to increase their contributions to cover these costs. Indeed, the WFP's ability to quickly transport large quantities of food, at short notice, to remote areas of the world, is one of its most important areas of expertise.

In 1973 a worldwide food shortage created a serious lack of resources, and the WFP governing body was unable to approve any new projects that year. The number of existing recipients and the size of their rations also were cut. Despite these measures there was a shortfall of 160,000 tons of commodities. A concerted effort was made to find new funds, and in 1974 King Faisal of Saudi Arabia offered US\$50 million, the largest cash donation ever made. This marked a turning point because the donation came from a nonindustrial developing country that was, and still is, a net importer of food commodities. It also marked an important change in the nature of donations, away from the idea of surplus disposal and toward a wider sharing of responsibility for those in need.

In 1975 the UN General Assembly established the International Emergency Food Reserve (IEFR), to be placed at the disposal of WFP. This reserve, which receives contributions from all governments, has a minimum annual target of 500,000 tons, enabling WFP to quickly respond to emergency situations.

In 1988 donor commitments for development activities reached a high point of US\$778 million, which represented two-thirds of WFP resources. By 1993 this trend had reversed and emergency situations were consuming more than 60% of WFP's resources. Part of this increase is directly attributable to the program's new relationship with the UN body that supervises refugee relief. In January 1992, the UN High Commissioner for Refugees (UNHCR) worked out an agreement giving the WFP the responsibility to procure and deliver food commodities to UNHCR-managed refugee feeding operations.

In the last 40 years, WFP has witnessed the graduation of former food-aid recipients to the status of potential donors. The Republic of Korea, Singapore, Venezuela, Greece, Hungary, and Mexico are all former recipients who now boast growing economies. The program has also developed ways to use its cash contributions creatively. For example, by buying more food in developing coun-

tries for relief and development activities it has encouraged and expanded trade between developing countries. In 1993 the WFP was the largest UN purchaser of goods in developing countries.

WFP has its headquarters in Rome and development projects in 80 countries worldwide; over half of the WFP's staff are employed on a temporary basis. Permanent staff members (numbering 8,829 in 2004) were employed at headquarters (802 people) and in the field (8,027 people). It is administered by an executive director. Its governing body is the 36-member Bureau of the Executive Board. Half of the members of the board are elected by ECOSOC, the other half by the FAO Council. In 2006, the 18 members of the executive board elected by ECOSOC were: Australia, China, Cuba, Denmark, Ethiopia, France, India, Indonesia, Japan, Mexico, Norway, Pakistan, Russian Federation, Senegal, Tunisia, Ukraine, United Kingdom, and Zimbabwe. Executive board members elected by the FAO Council were Algeria, Angola, Austria, Bangladesh, Canada, Colombia, Congo (Republic of), Germany, Guatemala, Haiti, Kuwait, Netherlands, Niger, Slovenia, Switzerland, Syrian Arab Republic, Tanzania, and United States of America.

In 2004, WFP had US\$2.9 billion in expenditures. Of that amount, 91% was spent on relief aid, and 9% on development aid. Of the 5.1 million metric tons of food distributed, 1.8 million tons went for emergency operations, 557.5 thousand tons went for development projects, 1.2 million tons went for protracted relief and recovery operations, and 1.6 million tons for the Iraq bilateral operation.

In 2005, the WFP conducted one of its most complex emergency operations ever, to respond to the Indian Ocean tsunami, triggered by a massive undersea earthquake on 26 December 2004, which killed hundreds of thousands of people across Indonesia, Sri Lanka, India, the Maldives, Thailand, Myanmar and Somalia, and left hundreds of thousands more without their homes or livelihoods. In response, the WFP used helicopters, aircraft, cargo ships, landing craft and traditional trucks to provide essential food aid to 1.75 million tsunami survivors, averting starvation and widespread malnutrition in the wake of the disaster.

## UNITED NATIONS POPULATION FUND (UNFPA)

The UN has been concerned with population questions since its earliest years, establishing the Population Commission in 1947 as one of the functional commissions of the Economic and Social Council. The early work of the UN on population questions concentrated on the improvement of demographic statistics, which were lacking for many areas of the world, and then began to focus on the application of statistical data in analytical studies and in the preparation of worldwide population estimates and projections. The first *Demographic Yearbook* was published by the UN Statistical Office in 1948.

In the 1960s, however, the extraordinarily rapid rate at which the world's population was growing became an urgent concern (between 1950 and 1960, the world population increased from 2.5 billion to over 3 billion, and by 2000 it had doubled—reaching 6 billion). In a resolution adopted in 1966, the General Assembly authorized the UN to provide technical assistance in population matters, and the following year, the General Assembly established a Trust Fund for Population Activities, renamed in 1969 the Unit-

ed Nations Fund for Population Activities (UNFPA), to provide additional resources to the UN system for technical cooperation activities in the population field. In 1972, the fund was placed under the authority of the General Assembly, which designated the Governing Council of UNDP as its administering body. By its resolution number 1763 (LIV) of 18 May 1973, the Economic and Social Council of the United Nations defined the mandate of UNFPA, and, in 1979, the General Assembly affirmed that the UNFPA was a subsidiary organ. In 1987, the fund's name was changed to the United Nations Population Fund, but the acronym UNFPA was retained. In 1993, the General Assembly transformed the Governing Council of UNDP into the UNDP/UNFPA Executive Board, which provides intergovernmental support to and supervision of the UNFPA in accordance with overall policy guidance of the General Assembly and ECOSOC of the United Nations.

The first World Population Conference, held in Bucharest in 1974, adopted a World Population Plan of Action (WPPA) that stressed the relationship between population factors and overall economic and social development. The General Assembly affirmed that the plan was “an instrument of the international community for the promotion of economic development” and urged that assistance in the population field should be expanded, particularly to UNFPA, for the proper implementation of the plan.

The International Conference on Population, held in Mexico City in August 1984, reaffirmed the validity of the WPPA and adopted recommendations for its further implementation. Target mortality rates were adjusted, and emerging issues, such as migration, urbanization, computerized data processing, and aging of populations, were addressed. Also considered was the need for an intersectoral approach to population and development, for policies that respect individual and family rights, and for improvement in the status of women, including their increased participation in all aspects of development.

The third decennial conference, the International Conference on Population and Development, was held in Cairo, 5–13 September 1994. The Programme of Action adopted at the Cairo conference recommended that population concerns be fully integrated into development planning, in order to meet the needs and improve the quality of life of present and future generations. The program builds upon the considerable international awareness and knowledge that has developed since the Bucharest and Mexico City conferences regarding the linkages among population issues, sustained economic growth, and sustainable development. The program also addresses the reproductive health and educational needs of individuals, especially of girls and women, and calls for increased investment in the social sectors, from donor agencies and recipient governments alike.

UNFPA supports a broad range of population activities. Nearly half of the fund's assistance is used for maternal and child health care and family planning programs. Another 20% is used for population and family planning communication and education. UNFPA also supports developing countries in their efforts to collect and analyze population data, conduct population censuses, formulate population policies, and undertake research on fertility, mortality, and migration and their relationship to development, as well as on linkages between population and sustainable development. The fund supports special programs concerning women, youth, the aged, HIV/AIDS, and population and development.

UNFPA is the leading source of population assistance within the United Nations system. The fund's resources come from voluntary contributions from governments.

#### UNFPA's Work

A major component of UNFPA's work is disseminating information based on its data and analysis of population trends. In the *State of the World Population 1999* report, UNFPA called the dawn of the 21st century a time of choices and it urged governments to action. With global population quadrupling during the 20th century, surpassing 6 billion in 1999, UNFPA stated that how fast the next billion people are added, what the effect will be on natural resources and the environment, and the quality of life will depend on policy and funding decisions that are made over the next 5 to 10 years. The population report pointed to the issue of below replacement-level reproduction in some 60 countries, which, UNFPA predicted, would put pressures on these developed nations to provide support and medical care for the elderly. Meanwhile, HIV/AIDS is taking a higher toll in some parts of the world (particularly sub-Saharan Africa) than it is elsewhere, lowering life expectancy and "erasing decades of progress in child mortality" in these regions. Finally, the report highlighted unbalanced consumption patterns around the globe, concluding that it will combine with continued population growth to cause environmental damage—including the collapse of fisheries, shrinking forests, rising temperatures, and the extinction of numerous plant and animal species. In summary, UNFPA warned that unless nations rededicate themselves to combating issues of overpopulation, continuing poverty, gender discrimination, threats such as HIV/AIDS, environmental changes, and shrinking (relative to the population) resources, the benefits of lower fertility that were realized in the second half of the 20th century would be wiped out. UNFPA urged governments to commit action and funding to the 20-year Programme of Action endorsed by the world's governments in 1994 at the International Conference on Population and Development.

In its *World Population 1999* report, UNFPA focused on global women's issues and youth at risk. In both areas the organization called for stepped-up educational and health programs. UNFPA stated that despite progress, far too many women are denied education, contraception, and decent health care, and that violence against women is "endemic in all countries." The report went on to say that hundreds of millions of women continue to suffer needlessly from gender-based violence, unwanted pregnancies, unsafe abortions, and poor health. Similarly, UNFPA stated that "today's young people are frequently at risk of unwanted pregnancy, HIV/AIDS and other sexually transmitted diseases, sexual exploitation, and alienation from parents and communities." The organization warned that ignoring the issues confronting women and youth incurs high costs—"in ill health, wasted opportunities, and social disruption." According to UNFPA, studies have shown that family life education should begin early to help young people through the years when they are beginning to be interested in sex. Further, the benefits of education for girls and women had been well-documented during the 1900s, yet in 1999 in developing countries, girls comprised two-thirds of the 130 million children not attending school. The call for schooling was seen to have the double benefit of educating young women and postponing childbirth.

While UNFPA releases the report annually, the 1999 document was expected to have far-reaching influence in that it was issued as the world turned its attention to considering the next millennium, in a year when a critical population threshold (6 billion) was crossed, and it was followed, in 2000, by several conferences that used the 1999 report as the basis for discussion and program development. Among the major conferences that took place in 2000 were Beijing+5 Review (New York, 5–9 June 2000), the World Summit for Social Development and Beyond (Geneva, Switzerland, 26–30 June 2000), and Millennium Summit: The Role of the United Nations in the 21st Century (New York, 6–8 September 2000).

#### Budget and Organization

Regular and other income in 2004 totaled us\$506.1 million, compared to \$397.9 million in 2003. Regular income in 2004 totaled us\$331.6 million, an increase of 13.4% compared to the 2003 income of us\$292.3 million. This includes us\$322.5 million in voluntary contributions from donor governments, us\$3.5 million in interest income, and other income of us\$5.6 million. Project expenditures (regular resources) in 2004 totaled us\$221.9 million, as compared to us\$176.4 million in 2003. The 2004 figure includes us\$181.6 million for country programs, compared to us\$140.5 million in 2003; and us\$40.3 million for intercountry (regional and interregional) programs, compared to us\$35.9 million for 2003. The 2004 figures also include us\$6.4 million for administrative and operational services. Technical advisory program expenditures amounted to us\$19.4 million.

In 2004, UNFPA provided support to 126 developing countries, areas and territories and countries with economies in transition: 45 in sub-Saharan Africa, 37 in the Arab States and Europe, 21 in Latin America and the Caribbean, and 23 in Asia and the Pacific. The region of sub-Saharan Africa received the largest percentage of UNFPA assistance at us\$78.1 million, followed by Asia and the Pacific at us\$65.9 million, the Arab States and Europe at us\$28.7 million and Latin America and the Caribbean at us\$21.1 million. Interregional assistance amounted to us\$28.1 million.

UNFPA publishes a range of products in a variety of media. Public service announcements are broadcast on national and international television networks around the world. The definitive publication is the annual *The State of World Population*, a comprehensive demographic study of patterns in population growth and distribution. UNFPA also publishes the annual *AIDS Update*, which highlights assistance provided by UNFPA for HIV/AIDS prevention and control activities undertaken in line with national AIDS policies and programs and within the global strategy of the Joint and Co-sponsored UN Program on HIV/AIDS.

#### UN ENVIRONMENT PROGRAM (UNEP)

In the course of the twentieth century, and especially after World War II, the increase in the earth's population and the advance of technology, with concomitant changes in patterns of production and consumption, led to pressure on the environment and threats to its stability that were new in human history. For a long time, the implications of these phenomena were largely ignored. In the decade of the 1960s, however, problems such as soil erosion; air, water, and marine pollution; the need for conservation of limited resources; and desiccation of once-fertile zones became acute

enough to awaken the consciousness of governments and people in all parts of the world, but especially in the industrialized countries, to the urgency of the situation. The UN responded with the decision of the 1968 General Assembly to convene a world conference on the human environment.

The first UN Conference on the Human Environment was held in Stockholm in June 1972. The conference was a focus for, rather than the start of, action on environmental problems. At its conclusion, the participants, representing over 90% of the world's population, adopted a declaration and a 109-point plan of action for the human environment that became the blueprint for a wide range of national and international programs. The broad intent of the action plan was to define and mobilize "common effort for the preservation and improvement of the human environment." The preamble to the declaration conveys the urgency, magnitude, and complexity of that task.

Later in 1972, on the basis of the conference's recommendations, the General Assembly created the UN Environment Program (UNEP), to monitor significant changes in the environment and to encourage and coordinate sound environmental practices. With headquarters in Nairobi, Kenya, UNEP is the first global UN agency to be headquartered in a developing country. Its mission is to provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations.

Twenty years after its inception, UNEP's mandate was reaffirmed and strengthened in 1992 at the UN Conference on Environment and Development (UNCED), held in Rio de Janeiro, Brazil. Out of that conference came an ambitious plan of action—Agenda 21—with an emphasis on integrating development and environment into all United Nations program areas.

The UNEP secretariat is headed by an executive director who is elected by the UN General Assembly for a four-year term, upon the recommendation of the Secretary-General. Besides its Nairobi headquarters, UNEP maintains regional offices in Africa, Europe, Asia and the Pacific, Latin America and the Caribbean, West Asia, and North America.

UNEP's Governing Council is composed of 58 states elected by the General Assembly for four-year terms on the basis of equitable geographic representation (16 African seats, 13 Asian seats, 10 Latin American and Caribbean seats, 6 seats for Eastern European states, 13 seats for Western European and other states). The Governing Council generally meets every two years.

Member states on the Governing Council over the 2004-07 period were: Antigua and Barbuda, Argentina, Bahamas, Bangladesh, Belgium, Brazil, Bulgaria, Burkina Faso, Cameroon, Canada, Cape Verde, Chad, China, Colombia, Congo, Costa Rica, Cuba, Czech Republic, France, Germany, Ghana, Greece, Hungary, India, Indonesia, Iran (Islamic Republic of), Israel, Japan, Kazakhstan, Kenya, Kyrgyzstan, Mexico, Monaco, Morocco, Myanmar, Namibia, Netherlands, Nicaragua, Nigeria, Poland, Republic of Korea, Romania, Russian Federation, Saudi Arabia, Senegal, Somalia, Sudan, Sweden, Switzerland, Syrian Arab Republic, Turkey, Tuvalu, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Uruguay, Zambia, and Zimbabwe.

The Council's functions and responsibilities include promoting international cooperation in the field of environment and recommending policies to that end, providing general policy guidance for environmental programs within the UN system, keeping the world environmental situation under review so as to ensure that emerging problems requiring international assistance receive adequate consideration by governments, promoting the contribution by international scientific and other professional communities to knowledge about the environment and the technical aspects of UN environmental programs, keeping under review the impact of national and international development policies, and reviewing and approving the utilization of the resources of the Environment Fund.

The Environment Fund was set up under the authority of the Governing Council to finance wholly or partly the costs of new environmental initiatives within the UN system. It is made up of voluntary contributions. Since 2000, annual contributions to the Environment Fund have been growing in US dollar terms at a rate of between 9% and 10%. The number of donor countries has also been increasing. In 2003, 126 countries pledged or paid a total of \$52.7 million. In 2004, contributions continued to increase. Total annual contributions for 2004 were estimated at \$59.1 million.

For its first 20 years, UNEP's policy, as set by the Governing Council, has been focused on the three broad areas of environmental assessment, environmental management, and international environmental law. Many parts to the program evolved under these three themes. There was the environmental monitoring capacity built up in the Global Environment Monitoring System (GEMS), and the establishment of a computer-based store of data in the International Register of Potentially Toxic Chemicals (IRPTC). More computer-based capability was developed to show how both natural and human resources are distributed in the Global Resource Information Database (GRID). In addition, UNEP.net, a web-based interactive catalogue and multifaceted portal, offers access to environmentally relevant geographic, textual, and pictorial information. Another key information system is INFOTERRA, UNEP's international network for the retrieval of global environmental information. It is a worldwide network with national focal points in 177 countries, providing governments, industry, and researchers with access to a vast reservoir of environmental data and information gathered from about 6,800 institutions and experts in more than 1,000 priority subject areas.

Environmental management and legal instruments were developed. The most successful example of international environmental law can be seen in the instruments used to protect the ozone layer: the 1985 Vienna Convention and the 1987 Montreal Protocol. Expert groups convened by UNEP, with the World Meteorological Organization (WMO), the scientific community, and industry, led to the development of the Vienna Convention for the Protection of the Ozone Layer, which was adopted in March 1985. In September 1987 the Montreal Protocol on Substances that Deplete the Ozone Layer was signed, setting limits for the production and consumption of chlorofluorocarbons (CFCs) and halons. The Montreal Protocol came into force on 1 January 1989 and was amended in London in June 1990, in Copenhagen in 1992, and in Vienna in 1995 after research showed that ozone depletion was even more severe than previously feared. Industrialized countries succeeded in phasing out the production and consumption of ha-

lons by 1 January 1994, and were well on the way to the phase-out of chlorofluorocarbons by the end of 1995. The consumption of CFCs in industrialized countries decreased from about 1,000,000 tons in 1987 (when the Protocol was signed) to about 13,000 tons in 1996. Developing countries, although mandated to begin phase-out only in 1999, began making progress before that time. A multilateral fund, involving UNEP, UNDP, and the World Bank, was established to help developing countries meet the costs of complying with the revised protocol and to provide for the necessary transfer of technology. By 2001, the fund had already disbursed US\$1.2 billion to developing countries for transition to ozone-safe technology.

The Mediterranean Action Plan has been the model as UNEP's Regional Seas Programme has spread. Today, nearly 140 countries take part in Regional Seas Programmes catalyzed and coordinated by UNEP. Action Plans cover the Mediterranean, the Kuwait region, the Red Sea, the Caribbean, the Atlantic coast of West and Central Africa, the Eastern African seaboard, the Pacific coast of South America, the islands of the South Pacific, the East-Asian region, the South Asian region, the Black Sea, the North-West Pacific and the South-West Atlantic. An Action Plan for the Caspian Sea is being developed. Coordination is provided through the UNEP Water Branch.

UNEP provides the secretariat for the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), which entered into force in 1975 and prohibits or regulates trade in some 30,000 endangered species. The protection of endangered species under the CITES Convention has seen successful international cooperation to stamp out trade in rare plants and animals.

UNEP also provides the secretariat for the Convention on the Conservation of Migratory Species of Wild Animals (CMS), which came into force in 1983. UNEP supports the World Conservation Monitoring Center (WCMC), which assesses the distribution and abundance of the world's species. Action plans for African elephants and rhinos, Asian elephants and rhinos, primates, cats, and polar bears have been published by UNEP and IUCN.

UNEP also has contributed to the drawing up of global conventions on hazardous waste, climate change, biodiversity, and desertification and of international guidelines, including those on international trade in chemicals, protection of marine environment from land-based activities, environmental impact assessment and shared natural resources.

In March 1989, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, drafted by UNEP, was adopted by 116 governments and the European Community. The convention entered into force on 5 May 1992. Its immediate target is to impose strict controls on the international movement of hazardous wastes and eventually to reduce their production. As of August 2005, 168 countries were parties to the convention.

In June 1992, the Convention on Biological Diversity was signed during the UN Conference on Environmental and Development in Rio de Janeiro. The convention was prepared by an Intergovernmental Negotiating Committee, set up by UNEP's Governing Council and assisted by UNEP, FAO, UNESCO, and IUCN. Its main aims are to conserve biological diversity and to ensure that its benefits to mankind are shared equitably.

UNEP also supports the International Board for Plant Genetic Resources (IBPGR), which has established a network of gene banks in 30 countries to house the world's 40 base collections. More than 100 countries collaborate and more than 500,000 plant species have been collected, evaluated, and deposited.

A joint venture between UNEP, UNDP, and the UN Sudano-Sahelian Office (UNSO) assisted 22 Sudano-Sahelian countries to fight desertification. In spite of these efforts, implementation of the Plan of Action to Combat Desertification was slow. UNEP's Plan of Action to Combat Desertification was succeeded by the Convention to Combat Desertification, which entered into force in 1996. The UNSO was later renamed the UN Drylands Development Center. UNEP's activities in desertification control focus on achieving strong support and effective implementation of the convention.

UNEP, along with the World Meteorological Organization (WMO), established the Intergovernmental Panel on Climate Change to provide scientific assessments on the magnitude, timing, and potential environmental and socioeconomic consequences of climate change and realistic response strategies. Negotiations begun in early 1991 led to the formulation of the United Nations Framework Convention on Climate Change, which was signed by 154 governments in Rio de Janeiro during the 1992 United Nations Conference on Environment and Development. It entered into force on 21 March 1994.

The organization also is responsible for UN activities involving freshwater. Among regional initiatives are the Action Plan for Latin America and the Caribbean and the program for environmentally sound management of inland waters in the Zambezi Basin.

UNEP, along with UNDP and the World Bank, administers the US\$3 billion Global Environment Facility (GEF), and is responsible for GEF's Scientific and Technical Advisory Panel (STAP). GEF was established as a three-year pilot in 1991 to oversee funding for global environment protection in the areas of climate change, biodiversity, international waters, and ozone depletion. In 1992, a restructuring process began that resulted in agreement on fundamentally altered institutional arrangements for the facility, now known as GEF II. UNEP will play the primary role in catalyzing the development of scientific and technical analysis and in advancing environmental management in GEF-financed activities. It also will be responsible for establishing and supporting the Scientific and Technical Advisory Panel as an advisory body to the GEF. The UNDP is responsible for technical assistance activities and capacity building. The World Bank, the GEF Trust Fund's repository, plays the primary role in ensuring the development and management of investment projects while also mobilizing private sector resources that are consistent with GEF objectives and national sustainable development strategies. The GEF provides the interim funding mechanism for the conventions on climate change and biological diversity, until parties to those conventions agree on a permanent arrangement.

UNCED and Agenda 21 marked a new beginning for the world community as a whole. Agenda 21 reaffirmed UNEP's role as the principal environment body in the UN system and expanded UNEP's role to encompass a vast range of world environmental needs and problems, with an emphasis on regional delivery.

Five years later, at the nineteenth session of the Governing Council of UNEP in 1997, as part of the ongoing reform process

of the United Nations system, UNEP's Governing Council adopted the Nairobi Declaration, again asserting the role and mandate of UNEP as the leading global environmental authority and calling for assurances of financial stability for the implementation of its agenda.

Specifically, the Nairobi Declaration set out the following as core elements of the focused mandate of a revitalized UNEP:

- To analyze the state of the global environment and assess global and regional environmental trends;
- To further the development of its international environmental law aiming at sustainable development;
- To advance the implementation of agreed international norms and policies;
- To strengthen its role in the coordination of environmental activities in the United Nations system in the field of environment;
- To promote greater awareness and facilitate effective cooperation among all sectors of society and actors involved in the implementation of the international environmental agenda;
- To provide policy and advisory services in key areas of institution building to Governments and other relevant institutions.

UNEP's integrated work program emphasizes relationships between socio-economic driving forces, environmental changes, and impacts on human well-being. Equipped with a stronger regional presence and marked by a process of continuous monitoring and assessment of its implementation, UNEP's program of work focuses on the following areas: sustainable management and use of natural resources; sustainable production and consumption; a better environment for human health and well-being; and globalization of the economy and the environment.

In 2000, the fifth special session of the UNEP Governing Council and the subsequent 20th session of the Governing Council elaborated UNEP's areas of concentration, which included environmental monitoring, assessment, information, and research (including early warning); enhanced coordination of environmental conventions and development of environment policy instruments; freshwater; technology transfer and industry; and support to Africa. To support these initiatives, UNEP initiated a restructuring that was expected to trim administration costs while developing the Nairobi facility as a critical UN administrative office.

At the ninth special session of the UNEP Governing Council, held in Dubai in 2006, major policy areas included: energy and the environment; chemicals management; and tourism and the environment. The ninth special session was held in part as a follow-up to the 2002 UN World Summit on Sustainable Development.

## UN HUMAN SETTLEMENTS PROGRAM (HABITAT)

UN concern with the problems of human settlements, particularly with the deteriorating quality of living conditions in developing countries and the need to link urban and regional development programs with national development plans, led to the convening of the first international conference on the question in Vancouver, Canada, in May–June 1976. The declaration and plan of action adopted by Habitat: UN Conference on Human Settlements

(Habitat I) represented an important commitment on the part of governments and the international community to improve the quality of life for all people through human settlements development. The plan of action contained 64 recommendations for national action concerning settlement policies and planning; provision of shelter, infrastructure, and services; land use and land tenure; the role of popular participation; and effective institutions and management.

Habitat I also recommended the strengthening and consolidation of UN activities in a single organization concerned exclusively with human settlements. Acting on this recommendation, the General Assembly established in 1978 the UN Center for Human Settlements (Habitat, also UNCHS), with headquarters in Nairobi, Kenya, to serve as a focal point for human settlements action and to coordinate human settlements activities within the UN system.

The center provides technical assistance to governments; organizes expert meetings, workshops, and training seminars; issues print, audio visual, and electronic publications; and disseminates information worldwide. In 1993 the center had under execution 257 technical cooperation programs and projects in over 90 countries, with an overall budget in excess of US\$42 million for the year.

In 1982, the General Assembly proclaimed 1987 as the International Year of Shelter for the Homeless. The objectives were to improve the shelter situation of the poor and disadvantaged at both individual and community levels, particularly in developing countries, and to demonstrate means of continuing those efforts as ongoing national programs beyond 1987.

Beginning in 1986, the tenth anniversary of Habitat I, World Habitat Day has been observed each year on the first Monday in October. As lead agency in the UN system for coordinating activities related to the Global Strategy for Shelter to the Year 2000, the center continues to work toward its goal of facilitating adequate shelter for all by that date.

The Habitat II Conference met in Istanbul, Turkey, in 1996, 20 years after Habitat I. Subtitled "A Summit for Cities," the UN Conference on the Future of Cities has as its goal making the world's cities, towns, and villages healthy, safe, just, and sustainable. The two central themes were "sustainable human settlements in an urbanizing world" and "adequate shelter for all."

The follow-up conference took place from 6–8 June 2001; "Istanbul+5: Reviewing and Appraising Progress Five Years after Habitat II" was a special session of the UN General Assembly. At the special session, the General Assembly adopted the Declaration on Cities and Other Human Settlements in the New Millennium, which reaffirmed the Istanbul declaration, undertook a review and assessment of the Habitat Agenda, and proposed further actions for attaining the goals of adequate shelter for all and sustainable development of human settlements.

In 2002, the agency's mandate was strengthened and its status elevated to that of a fully fledged program of the UN system. Key recommendations and fine tuning of the agenda are now underway as strategy clusters for achieving the urban development and shelter goals and targets of the Millennium Declaration—the UN's development agenda that reaches to the years 2015–2020.

## UN RESEARCH INSTITUTE FOR SOCIAL DEVELOPMENT (UNRISD)

The UN Research Institute for Social Development (UNRISD) was created in 1963 as an autonomous agency within the UN system. It engages in multidisciplinary research on the social dimensions of contemporary problems affecting development. Its work is guided by the conviction that, for effective development policies to be formulated, an understanding of the social and political context is crucial. The institute attempts to provide governments, development agencies, grass roots organizations, and scholars with a better understanding of how development policies and processes of economic, social, and environmental change affect different social groups.

Working through an extensive network of national research centers, UNRISD aims to promote original research and strengthen research capacity in developing countries.

The UNRISD program for the 2000–05 period included work in the following areas: social policy and development; democracy, governance, and human rights; identities, conflict and cohesion; civil society and social movements; technology, business, and society.

In 1996, UNRISD conducted the War-Torn Societies Project, which focused on post-conflict rebuilding and rehabilitation. The project sought to identify novel and integrated policy responses to the complex interactions between peacekeeping, relief, rehabilitation, and development activities.

The UNRISD Internship Program provides a limited number of graduate students from around the world the opportunity to gain valuable experience in an international research institute setting. Interns are selected on the basis of their academic experience and interests. Students selected for the unpaid internships spend a minimum of two months at UNRISD assisting project coordinators in developing project proposals, compiling annotated bibliographies, organizing research seminars, translating correspondence, and carrying out various tasks in the Reference Centre. As part of its mandate, UNRISD issues newsletters, books, and other publications, some of which are available online at <http://www.unrisd.org/>.

By 2005, the institute had approximately 50 staff members at its headquarters in Geneva, and is financed entirely by voluntary contributions.

## UN INSTITUTE FOR TRAINING AND RESEARCH (UNITAR)

In 1963, the General Assembly requested the Secretary-General to establish a UN Institute for Training and Research as an autonomous body within the framework of the UN. UNITAR commenced functioning in March 1965. It is headed by an executive director and has a board of trustees appointed by the UN Secretary-General in consultation with the president of the General Assembly and the president of the Economic and Social Council. UNITAR originally had its headquarters in New York and a European office in Geneva. In 1993 UNITAR's headquarters was transferred to Geneva. It maintains a liaison office in New York to coordinate training activities.

The mandate of UNITAR is to enhance the effectiveness of the UN in attaining its major objectives—particularly the maintenance of peace and the promotion of economic and social de-

velopment—through training and research. Its functions include ensuring liaison with UN organizations and strengthening cooperation with academic institutions; conducting training programs in multilateral diplomacy and international cooperation for diplomats accredited to the United Nations and national officials; and carrying out a wide range of training programs in social and economic development. In addition, UNITAR responds to ad hoc requests for training. For example, in 1993 UNITAR received requests for programs from UNDP, UNEP, and other UN bodies.

In the late 1990s, UNITAR offered courses in the following areas: debt, economic, and financial management; foreign economic relations; international affairs management; international migration policy; peacemaking and preventive diplomacy; applications of environmental law; chemicals and waste management; climate change; decentralized cooperation; and information and communication technologies.

In a typical year, UNITAR designs and conducts some 150 different training programs on five continents for the benefit of more than 8,000 national staff and government officials. In the early 1990s training programs in diplomacy, negotiation, foreign affairs management, and debt and financial management were developed for newly independent countries in Europe and Central Asia; countries in transition in Africa, Asia, and Europe; and for the Palestinian negotiating team.

The institute's research program originally concentrated on three main areas: UN institutional issues, peace and security issues, and economic and social issues. After restructuring in 1992, basic research on training was conducted only if extrabudgetary funds were provided.

UNITAR is supported by voluntary contributions from governments, intergovernmental organizations, foundations, and other nongovernmental organizations.

## UN UNIVERSITY (UNU)

In 1969, Secretary-General U Thant proposed that a UN university be established. The Founding Committee was set up two years later, and in December 1973, the General Assembly approved a charter for the university. The following spring, the UNU Council, composed of academic leaders and prominent persons from 24 countries, was appointed. Members of the university council serve in their individual capacities rather than as representatives of governments. UNU commenced operations in September 1975. For 17 years the university maintained its headquarters in a high-rise office building in Tokyo. In 1992 it moved to a new building in the Shibuya district of Tokyo constructed and made available by the government of Japan. The university maintains a liaison office in New York.

UNU is an autonomous organ of the General Assembly. It is jointly sponsored by the UN and UNESCO, whose Secretary-General and Director General, respectively, together appoint the rector and members of the university council. Its charter guarantees academic freedom and emphasizes the primacy of scholarly excellence over any other considerations—for example, choices of programs and personnel—in determining its activities.

Like traditional universities, UNU is concerned with the advancement of knowledge. Unlike traditional universities, however, it has no students of its own, no faculty, and no campus. It is a completely new institution: an international community of schol-



ars engaged in research, postgraduate training, and the dissemination of knowledge to help solve, in the words of its charter, "pressing global problems of human survival, development and welfare." It operates through worldwide networks of academic and research institutions and individual scholars who work together on projects concerned with such problems as peace, development, the environment, science, and technology. The UNU's areas of concentration are: peace; governance; environment; science, technology, and society; and development.

The academic activities of the university are carried out primarily through a network of its research and training centers: UNU World Institute for Development Economics Research (UNU/WIDER), Helsinki, Finland; UNU Maastricht Economic and Social Research and Training Center on Innovation and Technology (UNU-MERIT), Maastricht, the Netherlands; UNU International Institute for Software Technology (UNU/IIST), Macau, China; UNU Institute for Natural Resources in Africa (UNU/INRA), Accra, Ghana; UNU Institute of Advanced Studies (UNU/IAS) in Yokohama, Japan; UNU Program for Biotechnology in Latin America and the Caribbean (UNU/BIOAC) in Caracas, Venezuela; UNU International Leadership Institute (UNU/ILI) in Amman, Jordan; UNU International Network on Water, Environment and Health (UNU/INWEH) in Hamilton, Ontario, Canada; UNU Food and Nutrition Program for Human and Social Development (UNU-FNP) at Cornell University in Ithaca, New York (United States); UNU Fisheries Training Program (UNU/FTP), Iceland; UNU Program on Comparative Regional Integration Studies (UNU/CRIS), Bruges, Belgium; UNU Geothermal Training Program (UNU/GTP) in Reykjavik, Iceland; and UNU Institute for Environment and Human Security (UNI-EHS) in Bonn, Germany.

Between 1976 and 1996, some 1,450 UNU fellows received postgraduate training through the university's network. Fellows are selected after recommendation from their home institutions, which must be working in an area of concern to the university, and must be committed to returning to work at those institutions.

The UNU Press publishes scholarly works on the United Nations system in the areas of peace studies, regional studies, technology and development, human and social development, international law, food and nutrition, energy technology, and natural resources and environment. The UNU Press publishes one periodical, *The Food and Nutrition Bulletin*, issued quarterly. UNU publications are distributed in North America by UNIPUB based in Lanham, Maryland.

UNU is supported by voluntary contributions from governments, foundations, and individuals. Its principal source of support is investment income from an endowment fund that ensures academic freedom and financial independence. The annual budget in 2005 was approximately US\$40.7 million.

## UNIVERSITY FOR PEACE

The University for Peace was established in 1980 in San Jose, Costa Rica, to promote postgraduate studies and research on peace. A General Assembly resolution called on member states, NGOs, and intergovernmental bodies, as well as interested individuals and organizations, to contribute to the university's Trust Fund.

In 2000, the University for Peace was in the process of major change and transition in which its programs, priorities, and ad-

ministrative practices were being reviewed and a new strategy and program was being developed. At the time, its programs included Culture for Peace and Democracy in Central America; Natural Resources and Peace; Communications for Peace; Human Rights and Education for Peace; International World Center of Research and Information for Peace (in Montevideo, Uruguay); Gandhi Television Center for Communication and Peace; Radio for Peace International; and CEDIPAZ, a center for documentation and information for peace as well as the UPEACE library. In 2001 UPEACE's charter was amended, and master's programs were being offered in the following areas: Environmental Security and Peace; Gender and Peace Building; International Law and Human Rights; International Law and the Settlement of Disputes; International Peace Studies; Media, Conflict and Peace Studies; Natural Resources and Sustainable Development; and Peace Education.

## INTERNATIONAL RESEARCH AND TRAINING INSTITUTE FOR THE ADVANCEMENT OF WOMEN (INSTRAW)

The United Nations International Research and Training Institute for the Advancement of Women (INSTRAW) was established by the Economic and Social Council in conformity with an earlier decision of the General Assembly, which was based on a recommendation made by the World Conference of the International Women's Year held in Mexico City from 19 June to 2 July 1975. In 1984, INSTRAW's statute, submitted by INSTRAW's Board of Trustees, its governing body, was approved by *Economic and Social Council resolution 1984/124* and then by *General Assembly resolution No. 39/249*. INSTRAW is the only autonomous research and training vehicle at the international level in order to contribute to the advancement and mobilization of women in development, to raise awareness of women's issues worldwide, and to better assist women to meet new challenges and directions. INSTRAW has been based in Santo Domingo since 1983, at the invitation of the Government of the Dominican Republic.

INSTRAW and its work are governed by the Board of Trustees, which is composed of eleven members nominated by Member States and appointed by the Economic and Social Council, based on their personal capacity and the principle of equitable geographical distribution. A representative of the Secretary-General, the Director of the Institute, a representative of each of the Regional Commissions of the Economic and Social Council, and a representative of the Host Country are *ex officio* members of the Board of Trustees. The Institute and its work are funded by voluntary contributions received from States, inter-governmental organizations, non-governmental organizations, and private sources. The main responsibilities and tasks of the Board of Trustees are: to formulate principles, policies, and guidelines for the activities of the Institute; to consider and approve the work program and budget proposals of the Institute on the basis of recommendations submitted by the Director of the Institute; to make necessary or desirable recommendations for the operation of the Institute; and to report periodically to the Economic and Social Council and to the General Assembly.

INSTRAW's research and training programs are aimed at placing issues relevant to the advancement of women into the economic and political decision-making process. It does this by holding national training workshops and conducting joint research

and training programs and projects in collaboration with specialized United Nations agencies, the Commission on the Status of Women, United Nations Focal Points for Women, and especially, regarding data and statistics, with the Statistical Division of the United States Secretariat. INSTRAW's training program, supported by data and its research findings, aims at developing training materials that will include women in the development process, especially in developing countries.

Two billion people in remote rural areas and urban slums of the developing world—half of whom are women—lack safe drinking water and even rudimentary sanitation facilities. Because of the critical need to address the question of water for human survival, INSTRAW produced in 1986, and updated in 1991, a training package on “Women, Water Supply and Sanitation,” which has been the focus of ten national, regional, and international training seminars organized by the Institute from 1987 to 1994 in some African, Asian, and Latin American countries. The package illustrates the importance of women's participation on all aspects of water resources, including agriculture, human resources development and water resources management. INSTRAW's modular training program is crucial due to negative effects that water and sanitation problems have on a large number of the world's population.

Considering the importance of waste disposal for reasons of health and environmental sanitation, INSTRAW prepared an additional module to include in the “Women, Water Supply and Sanitation” package, aimed at sensitizing the decision makers on the needs and ways of including women in waste management schemes. Produced in 1994, the new training module of “Women and Waste Management” has been used in Namibia (first ever training seminar ever conducted in Namibia), Guyana, and Ecuador (where five national follow-up seminars were conducted with a total of 159 participants), with an average of 40 participants in each country. This training module presents an integrated approach to environmental sanitation and provides practical guidelines and checklists for integrating women at the designing, implementation, operation and maintenance, monitoring, and evaluation phases. The module provides numerous examples of successful community waste management and other initiatives in the area of environmental sanitation around the world.

The multimedia training package, “Women and New and Renewable Sources of Energy” (NRSE), was first developed by INSTRAW in 1989 (and updated in 1995). The main objective is to contribute with a new approach in the organization of NRSE systems by including women's needs as well as their participation in the planning, technical operations, maintenance, assessment, and implementation of environmentally sound NRSE programs and projects.

INSTRAW produced in 1995 a modular training package in “Women, Environmental Management and Sustainable Development.” It was developed for senior officials of Ministries of Environment, Natural Resources, Planning, Women's Affairs, Education, Health; development planners and provincial or local authorities in charge of environmental programs and projects; engineers in charge of designing new technologies; university professors, trainers and managers of national training institutes and educational institutions training staff on various aspects of women, environmental management, and sustainable development,

and representatives of nongovernmental and women's organizations involved in environmental projects.

In 1995, INSTRAW produced a training package on “Gender Statistics and Policy.” The most important feature of this training package is that it is designed to provide statisticians and development planners with hands-on exercises on the actual use of existing data in policy designs. This package contains a pre-workshop module, which is designed to familiarize the users with gender issues and their relevance to National policy goals, better preparing them for the actual training; illustration of how gender-specific statistics and indicators affect policy goals/targets; computerized statistical policy models which visually describe direct impact of certain variables on target policy indicators. This module includes statistical models that can be adapted at the national level.

During 1993, INSTRAW adapted existing computer models in order to assist policy makers in understanding the relationship between certain sectoral policies and the advancement of women. This was completed in collaboration with the Population Division of the former Department of Economic and Social Development. The two models, entitled “Urban Women in Development Model” and “Rural Women in Development Model” are designed as teaching tools and conceptual framework that can serve as a basis for recognizing the multisectoral approach needed to ensure equitable participation of women and men in development. The models come with an instruction manual, sample exercises, and a computer diskette containing the program information.

The United Nations leadership in recognizing women's equal rights as prerequisite for their full participation in sustainable development is not as well known as it deserves to be. INSTRAW attempted to address this situation in the first module of the “Gender Training Portfolio,” published in 1993. This Portfolio is designed to describe and disseminate information on women/gender and development for use in a variety of situations. As the world works toward the goal of sustainable development, people become more aware of the interaction of gender relations in development planning and its effect on the status of women worldwide. INSTRAW's aim is to promote the sharing and effective utilization of such knowledge to positively influence development policies and help make them more responsive to the needs of both women and men.

In 2004 and 2005, INSTRAW was carrying out a series of activities designed to measure the global progress made on the achievement of 12 critical areas set forth in the Beijing Declaration and Platform for Action (PFA) in 1995. The Beijing PFA was established by UN Member States during the Fourth World Conference on Women in Beijing, China, in 1995. The 12 critical areas set forth in the PFA were: the persistent and increasing burden of poverty on women; inequalities and inadequacies in and unequal access to education and training; inequalities and inadequacies in and unequal access to health care and related services; violence against women; the effects of armed or other kinds of conflict on women, including those living under foreign occupation; inequality in economic structures and policies, in all forms of productive activities and in access to resources; inequality between men and women in the sharing of power and decision-making at all levels; insufficient mechanisms at all levels to promote the advancement of women; lack of respect for and inadequate promotion and protection of the human rights of women; stereotyping of women and

inequality in women's access to and participation in all communication systems, especially in the media; gender inequalities in the management of natural resources and in the safeguarding of the environment; and persistent discrimination against and violation of the rights of the girl child.

### UNITED NATIONS DEVELOPMENT FUND FOR WOMEN (UNIFEM)

In 1976, the UN General Assembly established the Voluntary Fund for the United Nations Decade for Women. The fund was created to provide direct support for women's projects and to promote the inclusion of women in the decision-making processes of mainstream development programs. In 1985 the New York-based organization formally joined the UN family of agencies as UNIFEM.

UNIFEM reports directly to the administrator of UNDP. It is overseen by a five-member Consultative Committee representing UN member states from the world's five principal regional groups. The committee approves large projects and advises on the use of the fund's resources. UNIFEM is administered by a director.

In order to support efforts of the women of the developing world to achieve their objective for economic and social development and for equality, and by so doing to improve the quality of life for women and men alike, the fund supports microprograms run by women in developing countries. For example, UNIFEM estimates that although women grow, process, and market between 50% and 80% of the food consumed in developing countries, governments rarely record these inputs or support them with financial credit. UNIFEM's programs include: training women in improved agricultural techniques; transfer of appropriate food technologies such as grinding mills, graters, oil presses, solar driers, and fish smokers; obtaining for women increased access to credit for seeds, fertilizers, and equipment; and support for micro-enterprises. UNIFEM works with the UN High Commissioner for

Refugees (UNHCR) in assisting African refugees. At any one time it manages a portfolio of approximately 150 projects and has supported over 750 projects in 100 developing countries. As of 2006, UNIFEM focused its activities on four strategic areas: (1) feminized poverty, (2) ending violence against women, (3) reversing the spread of HIV/AIDS among women and girls, and (4) achieving gender equality in democratic governance in times of peace as well as war.

In 1991 UNIFEM collaborated on the publication of *The World's Women 1970–90: The Trends and Statistics*. Coauthored by the UN Statistical Office, UNICEF, and UNFPA, this publication gathered statistics and interpreted trends on women, families, and households; women in public life and leadership; the status of education and training for women; health and childbearing; housing, human settlements, and the environment; and women's work and the economy. In 2000, UNIFEM published a report tracking actions of the governments of the world in support of women's rights entitled *Progress of the World's Women in 2000*. In 2001, UNIFEM contributed analysis to frameworks UN agencies will use in evaluating gender equality. A new edition of *Progress of the World's Women*, entitled *Progress 2002: Volume 2*, was released in May 2003. *Progress 2002* acknowledges the difficulty in analyzing international progress in the area of women's rights, and discusses the UN's Millennium Development Goals (set at the September 2000 Millennium Summit) in relation to gender equality.

Financing is provided by the governments of both industrialized and developing countries, by nongovernmental organizations, foundations, corporations, private individuals, and from UNIFEM's growing number of national committees. The budget for the year ending 31 December 2004 saw UNIFEM take in \$51.15 million in total income, and expend \$32.431 million. The excess income of \$18.719 million was allocated to multiyear-funded projects which last through 2006.

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# SOCIAL AND HUMANITARIAN ASSISTANCE

International disaster relief, the special problems of children, refugees, the elderly, youth, the disabled, and families are all subjects for which member states have directed the UN to provide international leadership and expert guidance. The global nature of trade in illicit narcotic drugs and the internationalization of criminal activities were social ills that became so destabilizing at the end of the twentieth century that member states requested their international organization to implement innovative global programs to maintain security and social justice.

## INTERNATIONAL DISASTER RELIEF

### Background

The international community is faced with the growing challenge of preventing, mitigating the effects of, and providing humanitarian assistance to affected populations in crises that require rapid and effective response. The 1990s saw a dramatic increase in “complex emergencies” that often involved ethnic and civil strife. In mid-1994 more than 30 million people in 29 countries were in dire need of emergency assistance. Severe drought threatening over 20 million people in sub-Saharan Africa added an additional element of suffering to that already faced by millions in Burundi, Liberia, Rwanda, Somalia, southern Sudan, and Zaire. A study released at the World Conference on Natural Disaster Reduction, convened by the General Assembly in May 1994, showed that the previous three decades had seen a steady and rapid increase in the number of significant natural disasters—and in the numbers of people affected. As of the mid-2000s, there was an increasing human vulnerability in crisis situations—both in natural disasters (200 million affected in 2003) and in complex emergencies (45 million in need of life-saving assistance in 2003).

### Office of the United Nations Disaster Relief Coordinator (UNDRO)

Beginning in 1965, proposals were put forward in the General Assembly to increase the UN’s ability to help people stricken by disasters, but it was the disasters of 1970 that brought international concern for emergency relief to a head. In 1971, the General Assembly established the Office of the United Nations Disaster Relief Coordinator (UNDRO), with headquarters in Geneva.

UNDRO was not designed to assume all the responsibilities of meeting disasters from its own resources. Its principal function was that of catalyst and coordinator of donors of aid and services. Its data bank and independent telecommunications system, supplemented by the worldwide UN system, gave it the capacity to define the specific needs arising from a disaster and to respond rapidly by identifying potential sources of relief. It directed and mobilized aid emanating from the UN system and coordinated aid from other sources.

UNDRO’s mandate also included assisting governments in preventing disasters or mitigating their effects by contingency plan-

ning, in association with similarly concerned voluntary organizations. It promoted the study, prevention, control, and prediction of natural disasters and gathered and disseminated information relevant to disaster relief.

Between its inception in 1972 and 1987, UNDRO helped coordinate relief and raise money for emergency aid in more than 380 major disasters.

### The Office for the Coordination of Humanitarian Affairs (OCHA)

In December 1991, the General Assembly, by its Resolution 46/182, recognized the need to strengthen coordination for rapid response to humanitarian emergencies. Over the years ad hoc arrangements had sprung up in many of the UN departments and specialized agencies to deal with emergency relief. Sometimes these arrangements were found to be working at cross-purposes or competing for financial support from the same potential donors. The General Assembly requested the Secretary-General to designate an emergency relief coordinator, supported by a secretariat, to ensure that the entire UN system was better prepared for, and more capable of rapid and coherent response to national disasters and other humanitarian emergencies. The resolution also stipulated guiding principles of humanity, neutrality and impartiality for the provision of humanitarian assistance. It also stressed respect for the sovereignty, territorial integrity and national unity of states.

In April 1992, the Secretary-General established the Department of Humanitarian Affairs (DHA), incorporating UNDRO, various UN units that had been dealing with specific emergency programs, and the secretariat for the International Decade for Natural Disaster Reduction. The Secretary-General appointed an Emergency Relief Coordinator to head the new department. The DHA had its headquarters in New York and an office in Geneva.

Resolution 46/182 gave the DHA three tools to speed up the response of the international community to emergencies: the Inter-Agency Standing Committee (IASC) to formulate and coordinate policy; the Central Emergency Revolving Fund (CERF) as a quick source of emergency funding; and the Consolidated Inter-Agency Appeals Process (CAP), which assesses the needs of a critical situations and prepares a comprehensive interagency response strategy.

With UN reforms in the late 1990s, the Office for the Coordination of Humanitarian Affairs (OCHA) was established to manage complex emergencies (through the Consolidated Appeals Process), natural disasters, and other humanitarian crises. OCHA replaced the Department of Humanitarian Affairs (DHA). The core functions of OCHA are supported by 1,140 staff members in New York, Geneva and in the field. OCHA’s 2006 budget was approximately US\$128.5 million. As the successor organization to DHA,

OCHA took over management and coordination of DHA's programs including IASC, CERF, and CAP.

The IASC is chaired by the Emergency Relief Coordinator and is composed of the executive heads of the following UN organizations: the United Nations Development Programme (UNDP); the Office of the UN High Commissioner for Refugees (UNHCR); the UN Children's Fund (UNICEF); the World Food Program (WFP); the World Health Organization (WHO), and the Food and Agriculture Organization of the UN (FAO). Other humanitarian organizations such as the International Committee of the Red Cross (ICRC), the International Federation of Red Cross and Red Crescent Societies (IFRC), and the International Organization for Migration (IOM) also take part in the IASC. Representatives of relevant nongovernmental organizations (NGOs) are invited to participate.

In addition to coordinating overall policy on humanitarian assistance, the IASC addresses issues such as: access to victims, security of personnel and relief supplies, ensuring humanitarian imperatives in conflict situations, examining special needs arising from application of UN sanctions, demobilization of combatants, de-mining, resource mobilization, assistance to internally displaced persons, field coordination of international humanitarian responses, and ensuring transition from relief to development.

The Central Emergency Revolving Fund (CERF) of US\$50 million was created under the terms of Resolution 46/182 as a cash-flow mechanism for use by operational organizations, especially during the critical initial stages of emergencies. The CERF is financed by voluntary contributions and managed by the Department of Humanitarian Affairs. Agencies draw on the CERF and repay the advances they receive as donors respond to their own fundraising efforts. On 15 December 2005, the General Assembly adopted resolution A/RES/60/1241, upgrading the former Central Emergency Revolving Fund to the Central Emergency Response Fund. This Fund will ensure a more predictable and timely response to humanitarian crises. The revamped Fund aims to achieve an overall target of \$500 million and will add to the current \$50 million revolving facility, a grant facility of \$450 million.

The Consolidated Appeals Process (CAP), coordinated and monitored by OCHA, is an interagency exercise by which UN system organizations and other humanitarian organizations assess the full range of requirements for responding to emergencies. The CAP helps the international community to identify the most critical needs of affected people and to determine the most appropriate ways to provide assistance. This process enables donors and agencies to concentrate their efforts where they are needed most and eliminates wasteful competition among agencies for donor funds. From 1995 through 2002, appeals were launched for countries including Afghanistan, Albania, Angola, Bosnia and Herzegovina, Burundi, Colombia, Congo, Democratic Republic of the Congo, Côte d'Ivoire, Croatia, Ecuador, Eritrea, Ethiopia, Fiji, Georgia, Guinea, Guinea-Bissau, India, Indonesia, Iraq, Japan, Kenya, Democratic People's Republic of Korea, Lebanon, Liberia, the Former Yugoslav Republic of Macedonia, Occupied Palestinian territory, Pakistan, Russian Federation, Rwanda, Sierra Leone, Somalia, South Africa, Sudan, Tajikistan, Uganda, United Republic of Tanzania, and Yugoslavia. Appeals are often made by region as well—including for the Caucasus, Great Lakes Region of Africa, and Southeastern Europe (including the Kosovo province of Yu-

goslavia). On average, some 20 appeals are launched annually to meet the requirements of nearly 40 million people. For 2006, 18 programs required a total of \$4.7 billion to ensure that 31 million people in 26 countries got the best available protection and assistance, on time. The year 2005 was marked by devastating disasters—the Indian Ocean tsunami in the final days of 2004 and the South Asia earthquake of October 2005, on top of a disastrous hurricane season—which stretched all humanitarian agencies to their maximum capacity. Funding, led by private donations for the tsunami, reached unprecedented worldwide totals—but because the majority of funds were earmarked for the tsunami, most agencies and nongovernmental organizations (NGOs) still lacked sufficient funding to assist millions of people struck by other crises.

OCHA's work takes place where the fields of international security, political affairs, and humanitarian concerns converge. An important responsibility entrusted to OCHA involves humanitarian diplomacy in efforts to prevent emergencies and in negotiation with parties to conflicts aimed at ensuring access to those in need. OCHA's staff is involved in policy planning and early warning functions, emergency operational support and relief coordination, and disaster mitigation. The OCHA maintains close contact with the UN Departments of Political Affairs and Peacekeeping Operations in order to coordinate the security, political, and humanitarian aspects of complex emergencies.

#### New Initiatives

To help manage its efforts, OCHA set up Relief Web, available at <http://www.reliefweb.int>. The Internet site provides up-to-date information on complex emergencies and natural disasters collected from over 170 sources. Users from over 150 countries access an average of 200,000 documents each month. In addition, OCHA runs the Humanitarian Early Warning System (HEWS), which identifies crises with humanitarian implications. Through analysis of field-based information and the evaluation of trends, HEWS informs decision-makers at headquarters about the likelihood and extent of crises. An extensive database of information for more than 100 countries supports this activity. The Integrated Regional Information Network (IRIN), at Nairobi, was set up in 1995 to analyze and synthesize data on developments in Africa's Great Lakes region. It issues daily reports and thematic studies for over 2,000 primary subscribers in more than 50 countries. IRIN at Abidjan was set up in 1997 and began providing similar reports covering West Africa. IRIN coverage was expected to be expanded in the late 1990s to cover southern Africa, Central Asia and the Caucasus region, as well as the Balkans.

OCHA also facilitates the work of the Geographic Information Support Team (GIST), which is an inter-agency initiative that promotes the use of geographic data standards and geographic information systems in support of humanitarian relief operations. GIST members are technical experts and information specialists from the UN and donor agencies involved in disaster management and/or humanitarian assistance. Another arm of OCHA is the International Search and Rescue Advisory Group (INSARAG), a global network of more than 80 countries and disaster response organizations. INSARAG deals with urban search and rescue (USAR) related issues. INSARAG aims at establishing standards for international USAR teams and methodology for international coordination in earthquake response. Members of INSARAG are

both earthquake-prone and responding countries and organizations. INSARAG was established in 1991, following initiatives of international search and rescue teams that responded to the 1988 Armenia earthquake. The Field Coordination Support Section (FCSS) in the Emergency Services Branch (ESB) of the UN Office for the Coordination of Humanitarian Affairs (OCHA) in Geneva functions as INSARAG Secretariat.

### International Decade for Natural Disaster Reduction

Between 1960 and 1990 deaths from natural disasters rose by a factor of 10, with 90% of casualties occurring in developing countries ill prepared to respond to natural disasters. Although the World Meteorological Organization has shown that each dollar spent on disaster preparedness is equivalent to 100 dollars spent after a disaster, no mechanisms existed to transfer the huge body of knowledge on disaster preparedness and prevention from the industrialized countries to developing countries. For example, an earthquake of 6.6 magnitude on the Richter scale in California in January 1994 caused fewer than 100 deaths. An earthquake of 6.4 magnitude in India's Maharashtra State in September 1993 caused 10,000 deaths. Most of the deaths in the Indian tragedy were caused by the collapse of homes while people slept. By contrast, California has long been a proving ground for earthquake-resistant architectural innovations.

In 1989, the General Assembly declared the 1990s the International Decade for Natural Disaster Reduction to reduce loss of life and property damage resulting from natural disasters. It established a high-level council of 10 internationally renowned personalities, a scientific and technical committee of 24 scientists from around the world, and approximately 120 national committees to promote the decade and the formulation of disaster preparedness programs. 13 October was declared "International Day for Natural Disaster Reduction," and observed by public gatherings and publicity to raise awareness of the need to implement disaster preparedness.

In May 1994, the World Conference on Natural Disaster Reduction was convened in Yokohama, Japan. Representatives from 147 countries and 37 nongovernmental organizations and observers from UN specialized agencies participated in the conference, which both reviewed implementation of the General Assembly's recommendations during the first half of the decade and adopted the "Guidelines for Natural Disaster Prevention, Preparedness and Mitigation," also called the "Yokohama Strategy." It noted that the first half of the decade had seen some improvement in the field of disaster response, but that the goals for disaster prevention and preparedness had not received wide publicity.

The conference document stated that, while natural phenomena that cause disasters are outside human control, vulnerability of populations was a result of human activity (or nonactivity). In its "Strategy for the Year 2000 and Beyond," the conference called for a global culture of prevention and a policy of self-reliance in each vulnerable country and community. Other elements of the strategy included education and training in disaster prevention, strengthening research and development for disaster reduction and mitigation, and improving awareness in vulnerable communities through more active use of media. Finally the conference called on all countries to express the political commitment to re-

duce their vulnerability by means of legislation and policy decisions at the highest levels to mobilize domestic resources, develop risk assessment programs, and emergency plans and to design projects for subregional, regional, and international cooperation. It also recommended an improvement in communications capabilities on natural disasters among countries for preparedness and early warning systems.

Through its resolution A/RES/58/214, the General Assembly convened a second World Conference on Disaster Reduction (WCDR) held in Kobe, Hyogo, Japan, from 18-22 January 2005, to coincide with the commemoration of the 10th anniversary of the Great Hanshin-Awaji earthquake that occurred on 17 January 1995, killing more than 6,400 people and injuring more than 40,000. The WCDR was to take stock of progress in disaster risk reduction accomplished since the Yokohama Conference of 1994 and to make plans for the next ten years. The WCDR aimed to increase the international profile of disaster risk reduction, promote its integration into development planning and practice, and strengthen local and national capacities to address the causes of disasters that hamper development in many countries. Discussions at the WCDR resulted in two negotiated documents: a program outcome document entitled "Building the resilience of nations and communities to disasters: Hyogo Framework for Action 2005-2015," and the Hyogo Declaration. Delegates also took note of the "Review of the 1994 Yokohama Strategy for a Safer World and its Plan of Action" and adopted a "Common statement on the Special Session on the Indian Ocean Disaster: Risk Reduction for a Safer Future."

### Man-made Humanitarian Disasters

Perhaps the thorniest problem for OCHA (then the DHA) was the increase in and complexity of humanitarian disasters caused by internal civil strife in places like Angola, the former Yugoslavia, and Rwanda. In the largest exodus ever known, 2 million people in Rwanda abandoned their homes in one week during the resumption of a civil war and the organized slaughter of hundreds of thousands of civilians in that country in the summer of 1994. The exodus overwhelmed the capacity of international aid organizations to deal with the crisis, and thousands of people died of cholera, dysentery, and other diseases in makeshift camps hurriedly set up along Rwanda's border with other countries. In August 1994, the UN agencies appealed to member states for US\$470 million to respond to the disaster. The initial response to the appeal yielded US\$137 million. In his report to the 49th General Assembly on "Strengthening of the Coordination of Emergency Humanitarian Assistance" (A/49/177), the Secretary-General stated:

Complex emergencies are presenting serious new challenges to humanitarian organizations and others involved in providing relief assistance. Disregard for fundamental humanitarian principles, serious violations of humanitarian law and threats to the safety and protection of relief personnel have underscored the need for enhancing awareness of all involved in complex emergencies—including the Security Council—of humanitarian concerns and objectives and for appropriate measures to protect humanitarian mandates in conflict situations. *While the new generation of multifaceted United Nations operations*

*require close interaction between the political, military and humanitarian dimensions, it is important, at the same time, to ensure that the humanitarian component can preserve its unique identity by maintaining neutrality and impartiality.* (emphasis added).

In this connection, the IASC established a set of guidelines for humanitarian missions in conflict situations:

- The need for humanitarian relief assistance to be undertaken in accordance with the principles of impartiality, neutrality, and humanity;
- Reaffirmation of free, safe, and unimpeded access for humanitarian assistance and the role of humanitarian diplomacy in that regard;
- The need for greater collaboration with nongovernmental organizations engaged in humanitarian relief;
- The need to ensure security and protection of all relief personnel;
- The need to apprise the Security Council fully on relevant humanitarian issues that should be appropriately reflected in its decisions on complex emergencies;
- The importance of shielding humanitarian assistance against the effects of sanctions, particularly in relation to vulnerable groups.

#### **United Nations Drylands Development Center**

Another UN undertaking in disaster relief developed in response to the desiccation of the Sudano-Sahelian zone of West Africa. Many years of drought in Burkina Faso, Chad, Mali, Mauritania, Niger, and Senegal had, by 1973, resulted in a crisis and the threat of mass starvation in the region. In May, the Secretary-General, acting under resolutions of the General Assembly and the Economic and Social Council, designated FAO as the “focal point” of an emergency operation of the UN system to provide and transport rations, seeds for sowing, animal feed, and vaccines to victims in the six countries. The following month, the UN Sahelian Office (UNSO) was created to promote medium- and long-term recovery in cooperation with the Permanent Interstate Committee on Drought Control in the Sahel, known by its French acronym CILSS and composed of nine affected states—Burkina Faso, Cape Verde, Chad, Gambia, Guinea-Bissau, Mali, Mauritania, Niger, and Senegal.

In 1977, UNSO’s mandate was expanded to assist the UN Environment Programme (UNEP) in implementing the Plan of Action to Combat Desertification in the Sudano-Sahelian Region. From 1995 to 2002, UNSO managed us\$18 million to support 29 countries in Africa, 22 in Asia and 19 in Latin America and the Caribbean to develop national action plans to combat desertification and drought. UNSO mobilized general and earmarked contributions to promote sustainable management of the natural resources in arid and semi-arid lands. It helped governments plan and coordinate natural resource management and implement field projects on soil and water conservation and integrated land management. The UNSO was later renamed the UN Drylands Development Center.

#### **UN CHILDREN’S FUND (UNICEF)**

The UN International Children’s Emergency Fund (UNICEF) was established by the General Assembly on 11 December 1946 to provide emergency relief assistance in the form of food, medicine, and clothing to the children of postwar Europe and China. In December 1950, the General Assembly extended the life of the fund for three years, changing its mandate to emphasize health and nutrition programs of long-range benefit to children of developing countries. In October 1953, the General Assembly decided that UNICEF should continue its work as a permanent arm of the UN system, and charged the organization to emphasize programs giving long-term benefit to children everywhere, particularly those in developing countries who are in the greatest need. The organization’s name was changed to the UN Children’s Fund, but the acronym “UNICEF” was retained. The UNICEF Executive Board reaffirmed its mandate in January 1996, when it adopted a statement on the mission of UNICEF saying that UNICEF “is guided by the Convention on the Rights of the Child and strives to establish children’s rights as enduring ethical principles and international standards of behavior towards children.”

In 1959 the General Assembly unanimously adopted the Declaration of the Rights of the Child, affirming the right of children to special protection and opportunities and facilities for healthy, normal development.

Following a global study of the needs of children in 1961, UNICEF increased the scope and flexibility of its approach to children to include projects that promote the role of children as an invaluable “human resource” in national development, thus making it possible to provide aid for education.

UNICEF was awarded the Nobel Peace Prize in 1965. In November 1989, the General Assembly voted to transform the rights and obligations under the 1959 Declaration into the Convention on the Rights of the Child (CRC), the most comprehensive treaty ever to address the individual rights of children and set universally accepted standards for their children. The convention entered into force as international law in September 1990. In 2002, UNICEF reported that the convention had been ratified by every country in the world except two (the United States and Somalia), and “therefore uniquely places children center-stage in the quest for the universal application of human rights.” As of May 2006, the United States and Somalia were still the only two countries in the world that had not ratified the CRC.

As the only United Nations agency devoted exclusively to the needs of children, UNICEF promoted the full implementation of the Convention on the Rights of the Child by 1995. UNICEF also participated in the World Conference on Human Rights in Vienna in June 1993, speaking out forcefully on behalf of children and against violation of their rights.

UNICEF also participated in the International Conference on Population and Development in Cairo, Egypt, in September 1994; the World Summit for Social Development in Copenhagen, Denmark, in March 1995; the Fourth World Conference on Women in Beijing, China, in September 1995; the Habitat II World Assembly of Cities and Local Authorities in Istanbul, Turkey, in June 1996; and the World Congress against Commercial Sexual Exploitation of Children in Stockholm, Sweden, in August 1996, strongly promoting measures for child survival, protection, and development. UNICEF was one of the host organizations and core participants of Beijing+5, the first follow-up meeting to the watershed Fourth

World Conference on Women (1995). Convened in June 2000 in New York City, Beijing+5 (also called Women 2000) was set up to review progress and establish action plans for the next five years. More than 150 countries and thousands of non-governmental organizations participated in programs at UN headquarters. UNICEF focused on four key themes at the event: gender equality starts early; women's rights and girls' rights are independent (laws and structures that protect women also need to be made to protect girls); children's rights cannot be achieved without girls' rights; and community partnerships are needed to end violence and prevent HIV/AIDS. In support of women's issues, UNICEF funded a news web site, <http://www.womenswire.org>, to publicize areas of concern and advance public understanding of the issues.

### Purposes and Scope of Work

Combining humanitarian and development objectives, UNICEF's primary goal is to help children of the poorest and least developed countries. It helps them directly, by supporting government programs to improve child health, nutrition, education, and social services, and indirectly, by serving as child advocate, appealing to governments and to the consciences of individuals worldwide to find and commit the resources required to protect and prepare children adequately.

UNICEF's mandate from the General Assembly's 1946 resolution for "strengthening ... the permanent child health and welfare programs of the countries receiving assistance" has been developed and continuously adapted to current conditions. It places strong emphasis on community participation in the development and operation of services for children and has increasingly focused on community-based action. As a funding agency—as distinct from a specialized agency—UNICEF is able to work with various ministries and nongovernmental organizations, maintaining an intersectoral approach to community action in meeting the needs of children.

In 1976, UNICEF adopted an approach to the provision of basic health and welfare services, the key element of which was community participation. This new approach resulted from experiences in economically and politically diverse developing countries showing that services are likely to be not only cheaper but also more effective when community members are involved, because they mobilize hitherto unused abilities within the community and the services can be run at recurrent costs that the country and community can afford. Integration of women into the establishment of community-based services is especially important, since their participation can have a significant impact on the quality of life for their children.

UNICEF gives priority to the establishment of long-term programs and places special emphasis on the use of national expertise wherever feasible.

UNICEF cooperates with developing countries in several ways: it assists in the planning and extension of services benefiting children and in the exchange of experience between countries; it provides funds to strengthen the training and orientation of national personnel, complementing, wherever possible, the work of specialized agencies; and it delivers technical supplies, equipment, and other aid for extending services.

In September 1990, the Convention on the Rights of the Child entered into force, less than one year after its adoption by the General Assembly. That month, UNICEF organized the World Sum-

mit for Children, attended by representatives from more than 159 countries, including 71 heads of state or government. It produced a Declaration and a Plan of Action, which recognized the rights of the young to "first call" on nations' resources and set goals for the year 2000, including:

- A reduction of the 1990 infant and under-five child mortality rates by one third or to 50 to 70 per 1,000 live births respectively, whichever is lower;
- A reduction by half of the 1990 maternal mortality rate;
- A reduction by half of the 1990 rate for severe malnutrition among children under the age of five;
- Universal access to safe drinking water and to sanitary means of excreta disposal, and
- Universal access to basic education and completion of primary education by at least 80% of school-age children.

In September 1996, the Secretary-General of the UN reported to the General Assembly that significant progress was made toward the World Summit goals in some 90 countries in the previous 6 years. Over 150 countries had drawn up National Programs of Action (NPAs) to implement the goals.

Recognizing that survival and development of children is intricately linked to the status of women in developing countries, the Executive Board, at its annual meeting in May 1994, requested the executive director to give high priority to UNICEF efforts to develop gender-sensitive indicators in each sectoral area of development and to set gender-specific goals in national programs of action. UNICEF supports gender equality, organized participation of women at all levels, and capacity-building and mobilization of youth for a more gender-equitable society.

At the Fourth World Conference on Women in Beijing, China, in September 1995, UNICEF advocated more attention and resources to girls' education and the linkage between goals for girls and women. It drew attention to the complementary objectives of the Convention on the Rights of the Child and the Convention on the Elimination of All Forms of Discrimination against Women.

As a result of the Beijing conference, UNICEF identified the following areas of concern or emphasis: women and poverty; education and training of women; women's health, including safe motherhood and reproductive health (including HIV/AIDS); violence against women, including family violence and harmful traditional practices (such as female genital mutilation), sexual abuse, and exploitation and trafficking in women and girls; women and armed conflict; women in power and decision-making; institutional mechanisms for the advancement of women; human rights of women; women and the media; and women and the environment.

In May 2002, the UN General Assembly Special Session on Children was held, the first global gathering of world leaders and children's advocates since the 1990 World Summit. UNICEF was instrumental in furthering children's participation in the event, and throughout the year hosted or supported regional consultations and other events related to the special session. In April 2001, UNICEF had launched the "Say Yes for Children" pledge campaign for voluntary contributions. By May 2002, when the organizers presented their achievements to the special session, nearly 100 million people in 194 countries had joined the grass-roots campaign. Education was a top priority of the campaign.



### Organization

UNICEF is an integral part of the UN, with semiautonomous status. The Executive Board, which is the governing body of UNICEF, meets once a year to establish policy, review programs, and approve expenditures. It also holds regular sessions between the annual formal meetings. The Executive Board has 36 members, elected for a three-year term with the following regional allocation of seats: eight African states, seven Asian states, four Central and Eastern European states, five Latin American and Caribbean states, and 12 Western European and other states (including Japan). The board year runs from 1 January to 31 December. In 2006, the board members included: from Africa—Algeria, Burkina Faso, Burundi, Djibouti, Malawi, Mozambique, Rwanda, Senegal; from Asia—Bangladesh, China, Democratic People's Republic of Korea, Lebanon, Myanmar, Pakistan, Republic of Korea; from Central and Eastern Europe—Belarus, Russian Federation, Serbia and Montenegro, Ukraine; from Latin America and the Caribbean—Argentina, Bolivia, Colombia, El Salvador, Guatemala; and from Western Europe and other states—Australia, Austria, Canada, Denmark, Finland, Germany, Italy, Japan, Netherlands, Spain, Sweden, United States.

The executive director of UNICEF is appointed by the UN Secretary-General in consultation with the Executive Board. The administration of UNICEF and the appointment and direction of staff are the responsibility of the executive director, under policy directives laid down by the Executive Board, and under a broad authority delegated to the executive director by the Secretary-General. The executive director as of 2006 was Ann M. Veneman of the United States.

UNICEF has a network of country and regional offices serving 155 countries and territories. UNICEF maintains headquarters offices in New York, Geneva, Brussels, Tokyo, Florence (site of the Innocenti Research Centre, available at <http://www.unicef.org>), Copenhagen, and Huningue (France). Eight regional offices serve Latin America and the Caribbean, Central and Eastern Europe (including Commonwealth of Independent States and Baltic States), East Asia and the Pacific, Eastern and Southern Africa, Middle East and North Africa, South Asia, and West and Central Africa.

In 2006, UNICEF employed a total staff of approximately 10,000 people, 85% of which were in the field.

In 1985, only 27% of international professional posts were filled by women. By 1996, that figure had been raised to 40%. In 2000, UNICEF reported that it endorsed its own policy of gender equality and empowerment of women and girls by mobilizing and organizing women for participation in its programs. The organization paid particular attention to ensuring that women, both in its offices and in the field, were in decision-making roles that would help guide UNICEF's work.

UNICEF is supported by 37 National Committees, mostly in the industrialized countries, whose more than 100,000 volunteer members raise money through various activities, including the sale of greeting cards. The committees also undertake advocacy, education for development, and information activities. About 30% of the organization's budget is contributed through the National Committees.

In 2006 the National Committees maintained offices in Andorra, Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Iceland, Ireland, Israel, Italy, Japan, Republic of Korea, Latvia, Lithuania, Luxembourg, Netherlands, New Zealand, Nor-

way, Poland, Portugal, San Marino, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States.

### Cooperation with Other Agencies

UNICEF collaborates closely with the specialized agencies, including the International Labour Organization (ILO), Food and Agriculture Organization (FAO), the United Nations Education, Scientific and Cultural Organization (UNESCO), and World Health Organization (WHO), as well as with the units of the UN Secretariat concerned with services benefiting children. It also works with the funding agencies and programs of the UN system—such as United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), World Food Programme (WFP), the World Bank, International Fund for Agricultural Development (IFAD), and United Nations Environment Programme (UNEP)—to exchange information, discuss policies of cooperation affecting the situation of children, and explore potential program collaboration.

Close working relations are maintained with the UN Office for the Coordination of Humanitarian Affairs (OCHA) and with the United Nations High Commissioner for Refugees (UNHCR) in emergency relief and aid to refugees, respectively. UNICEF also works with regional development banks and the regional economic and social commissions and with bilateral aid agencies.

Of particular importance is UNICEF's cooperation and collaboration in programs with nongovernmental organizations (NGOs), both national and international. The NGO Committee on UNICEF comprises over 100 international professional and voluntary groups involved with children and either directly or indirectly, through concern with aspects of social development. A roster of international and national correspondent organizations is continuing to grow, particularly from developing countries. Some 400 organizations participate in activities and share information through UNICEF/NGO liaison offices in New York and Geneva. Many of these organizations have become important supporters of UNICEF by providing a channel for advocacy on behalf of children and by participating in fund-raising and in UNICEF programs.

### Financing

UNICEF's work is accomplished with voluntary contributions from both governments and nongovernmental sources. Total contributions for 2004 amounted to us\$1,978 million. Contributions from governments and intergovernmental organizations accounted for 68% of this income; 29% was from nongovernmental and private sources; and 3% was derived from a variety of other sources. The United States remained the largest donor to UNICEF, providing a total of us\$263 million. The United Kingdom was the second largest government donor in total funds, with \$188 million, followed by Japan at \$156 million and Norway at \$135 million. The Netherlands, Sweden, Canada, Denmark, Australia, and Italy were the next largest donors of total funds. Norway, Sweden, and the Netherlands were the top contributors in total funds per capita. (For a list of the top 20 donor nations and their contributions to regular resources, see the following table.) Additionally, the United Nations Foundation, Inc., established in 1997 by American businessman Ted Turner with a us\$1 billion grant, approved more than us\$18 million in funds for UNICEF in 1998. In 2001, UNICEF was the recipient of more than \$60 million from

**Top 20 Donors to UNICEF Regular and Other Resources 2004 (in thousands of US dollars)**

NATION	CONTRIBUTIONS
United States	\$262,782
United Kingdom	187,957
Japan	155,605
Norway	135,130
Netherlands	113,405
Sweden	111,597
Canada	86,705
Denmark	38,147
Australia	32,199
Italy	29,407
Finland	22,002
France	16,618
Switzerland	16,563
Ireland	14,158
Belgium	13,868
Germany	8,695
New Zealand	5,910
Spain	5,816
Luxembourg	3,258
Republic of Korea	3,100

the sale of a collection of modern art at the bequest of Mme. René Gaffé, the collection's owner.

### Expenditure

UNICEF's total expenditure in 2004 amounted to us\$1,606 million, of which \$1,508 went directly to programs and \$92 million was spent on administration and other charges. Expenditure by program sector was as follows: early childhood development (34%); immunization plus (22%); girls' education (21%); child protection (10%); HIV/AIDS (9%); and other (4%).

### Programs

Through its extensive field network in developing countries UNICEF undertakes, in coordination with governments, local communities, and other partners, programs in health, nutrition, education, water and sanitation, the environment, women in development, and other activities that improve the well-being of children. Emphasis is placed on community-based programs in which people participate actively and are trained in such skills as health care, midwifery, and teaching.

UNICEF facilitates the exchange of programming experience among developing countries, and encourages governments to undertake a regular review of the situation of their children and to incorporate a national policy for children in their comprehensive development plans. It also places emphasis on national capacity building and the use of national expertise wherever possible.

UNICEF provides assistance on the basis of mutually agreed priorities for children in collaboration with the governments concerned. Priority is given to the world's most vulnerable—almost all its resources are therefore invested in the poorest developing countries, with the greatest share going to children under five years old. As of 2004, UNICEF maintained programs in 157 countries.

### Health

#### Immunization

In cooperation with the World Health Organization (WHO), UNICEF supports the expanded Program on Immunization that each year prevents an estimated 2.5 million child deaths from six diseases—diphtheria, measles, poliomyelitis, tetanus, tuberculosis, and whooping cough. However, in 2001 more than 30

million children remain unprotected against common vaccine-preventable diseases. In October 1991, UNICEF and the WHO announced that their goal of protecting 80% of the world's children before their first birthday had been achieved (compared to less than 5% in 1975, when the program was launched). UNICEF and WHO made an effort to raise immunization coverage for the six diseases to this level in all countries, eliminate neonatal tetanus, poliomyelitis and substantially reduce measles deaths and cases by the end of 1995. As a result, a large majority of countries have reached the immunization coverage goal of 80% for all antigens except tetanus toxoid; polio has been eradicated in many countries; major progress has been made towards elimination of neonatal tetanus; and measles mortality and morbidity have been reduced in some regions. UNICEF procures 40% of the world's doses of vaccines for children and is the main supplier to developing countries. The global procurement of 2.8 billion doses of vaccines amounted to \$374 million in 2004. Also in 2004, UNICEF procured 2.1 billion doses of polio vaccine, valued at \$203 million, due to the fact that in 2003 and 2004, wild poliovirus spread rapidly from Nigeria across West and Central Africa and into Sudan, paralyzing children in 12 previously polio-free countries.

#### Oral rehydration therapy

UNICEF works closely with WHO to control diarrheal dehydration, which is the single largest cause of death among children under five years of age in the developing world. UNICEF-assisted programs for the control of diarrheal diseases promote the manufacture and distribution of prepackaged salts—oral rehydration salt (ORS)—or homemade solutions. The use of oral rehydration therapy (ORT) has significantly increased from 17% in 1985 to 85% at present, and is believed to prevent more than 1.5 million deaths each year.

#### Acute respiratory infections (ARI)

ARI, in particular pneumonia, are the single biggest cause of child mortality in the world and account for over 2 million deaths among children under five years of age in developing countries. UNICEF has adopted a comprehensive approach to control ARI, including helping countries to develop national plans and infrastructures; decentralizing activities to substantial level; training health workers; supporting access to essential drugs and appropriate technological devices; and helping with monitoring and communication.

#### Safe motherhood

In the 1990s it was estimated that more than a half million women die every year from causes related to pregnancy and childbirth. In cooperation with WHO, UNICEF worked to reduce maternal mortality by 50% by the year 2000, to improve prenatal care, and to ensure safe delivery for all pregnant women and access by all couples to family planning services. It also focuses on information, education, and communication on birth-spacing, responsible parenthood, and discouraging early marriage and early pregnancy.

#### HIV/AIDS

By December 2002, 3.2 million children (800,000 in new infections in 2002) had been infected with the human immunodeficiency virus (HIV), the vast majority of whom lived in sub-Saharan Africa. A report by the Joint United Nations Programme on HIV/AIDS (UNAIDS) indicated that the majority of the 5 million newly infected adults in 2002 were under 25 years old, nearly half of them women. It was estimated that in 2002, 42 million people were HIV-infected worldwide. There were 3.1 million AIDS deaths in 2002, of which 610,000 were children. By the end of

2005, there were approximately 15 million children who had been orphaned by HIV and AIDS.

UNICEF works closely with governments and supports prevention programs such as youth health and development promotion; school-based interventions; sexual and reproductive health promotion; family and community care; and mass communication and mobilization. It also helps AIDS-infected families and AIDS orphans. UNICEF supported HIV/AIDS prevention for adolescents in 71 countries in 2001. That year, more than 720,000 children contracted HIV from their mothers. UNICEF thus supports “prevention of mother-to-child transmission” (PMTCT) of HIV/AIDS in 47 countries. UNICEF contributed research and logistical support to the UN General Assembly Special Session on HIV/AIDS held in June 2001. In 2004, UNICEF procured \$18.4 million of antiretroviral medicine, and supplied HIV and AIDS-related test kits and diagnostic equipment worth \$2.9 million.

UNICEF participates in UNAIDS, cosponsored by the UN Development Fund (UNDF), UN Population Fund (UNFPA), UN Educational, Scientific and Cultural Organizations (UNESCO), World Health Organization (WHO), and the World Bank.

### **Nutrition**

In 1996, 174 million children were malnourished as a result of frequent bouts of diarrhea and other illnesses, bottle-feeding of infants and poor weaning practices, low birth-weight, infrequent feeding and micronutrient deficiencies. On average, over 50% of young child deaths in developing countries are associated with malnutrition. In 2000, UNICEF’s statistics showed that 30% of the world’s children were moderately to severely underweight and 11% were wasting. UNICEF fights malnutrition by empowering communities; protecting and promoting breastfeeding and appropriate child feeding practices; controlling the three main forms of micronutrient deficiencies—iron, iodine, and vitamin A; improving nutrition information system; and helping countries to reach consensus as to the causes of malnutrition. It aims to achieve universal salt iodization to prevent iodine deficiency disorders, and to eliminate vitamin A deficiency.

UNICEF participated in the International Conference on Nutrition held in Rome in December 1992 and contributed to the formulation of the World Declaration on Nutrition and the Plan of Action for Nutrition adopted by the conference. The declaration identified children under five years of age as the group most affected by malnutrition.

### **Breastfeeding**

In coordination with WHO, UNICEF launched in June 1991, a “baby-friendly hospital initiative” to promote breastfeeding. The initiative aims at empowering women to breastfeed by ending the distribution of free and low-cost supplies of infant formula in hospitals and maternity facilities. As of 1996, 8,120 hospitals and maternity facilities had become “baby-friendly” by implementing the “Ten Steps to Successful Breastfeeding” recommended by UNICEF and WHO. Baby-friendly hospitals encourage mothers to initiate breastfeeding immediately after birth and to continue exclusive breastfeeding, and they do not accept free and low-cost formula from companies.

### **Water supply and sanitation**

Polluted water is estimated to affect the health of more than 1.2 billion people, and to contribute to the death of an average 15 million

children every year. In 1994, WHO estimated the number of people without access to clean drinking water at 1.3 billion. By 2000, nearly 1.2 billion people lacked access to clean water, while 2.4 billion lacked access to adequate sanitation services. Two of every five Africans lack access to an improved water supply. Throughout Africa, rural water services lag far behind urban services. At the beginning of 2000, two-fifths of the world’s population (2.4 billion people) lacked access to improved sanitation facilities. The majority of those people lived in Asia and Africa, where fewer than half of all Asians have access to improved sanitation.

To meet the goals of universal access to safe drinking water and to sanitary means of excreta disposal, and elimination of guinea worm disease by the end of the decade, UNICEF allocates a large portion of its income to this sector (for the amount see section on expenditure). In addition to provision of effective low-cost water supply and sanitary services, UNICEF promotes hygiene education and environmental protection. UNICEF is working to eliminate the water-borne guinea worm disease (dracunculiasis).

### **Basic education**

In its 1999 Annual Report, UNICEF stated that nearly a billion people would enter the 21st century unable to read a book or sign their names and that two-thirds of them were women. The total included more than 130 million school-age children, 73 million of them girls, who were growing up in the developing world without access to basic education. UNICEF works to improve access to primary education and to reduce drop-out rates. It gives priority to the education of girls, with the aim of reducing gender disparities. At the Habitat II in Istanbul, Turkey in June 1996, UNICEF advocated for the inclusion of children’s concerns in the Global Action Plan adopted by the assembly.

At the Fourth World Conference on Women in Beijing in 1995, UNICEF made a successful effort to include girls’ education in the Platform for Action adopted by the conference. Also at the conference, UNICEF promised to more than double its resources to basic education during the 1990s, with special attention to girls’ education. The organization reported on its progress at the Beijing+5 conference, in New York in June 2000. In 2002, UNICEF was helping 74 countries break down barriers that exclude girls from education. In 2001, 21 countries reported improvements in school enrollment and retention for girls.

UNICEF supports the UN Millennium Development Goals for education: by 2015, all girls and boys were to be able to complete a quality primary and secondary education; by 2005, girls and boys were to be equally represented in the classroom.

### **Urban basic services**

Almost half of the developing world’s urban dwellers are children whose vulnerability has increased with the rapid growth of towns and cities amid economic and environmental crisis and recurring conflict. UNICEF revised its policy in 1993 by focusing on poverty reduction, primary environmental care, rehabilitation, and preventive approaches for urban children in especially difficult circumstances. It also provides advocacy and technical support and emphasizes the need for concerted effort at all levels—national, subnational, and community.

### **Children in especially difficult circumstances**

Around the world, millions of children are at special risk because of acute poverty, wars, natural calamities, disabilities, and other

circumstances. Children in such situations often become separated from their relatives, left without the protection and security families provide and vulnerable to terrible forms of exploitation and abuse.

Over 250 million children in the world work, many of them are at risk from hazardous exploitative labor, in factories, in domestic services, on the streets, or in degrading conditions of sexual exploitation. An estimated one million children are believed to work as prostitutes. UNICEF supports special projects for children affected in these ways, by helping provide education, reuniting families, and counseling to help heal trauma. It vigorously advocates against the exploitation of children by working with governments international organizations, and non-governmental organizations to protect child rights as set forth in the Convention on the Rights of the child. At the World Conference against Commercial Exploitation of Children that convened in Stockholm in August 1996, UNICEF strongly called for the immediate end to commercial exploitation of children everywhere in the world.

#### **Emergency relief and rehabilitation**

Although most UNICEF activities focus on the “silent” emergencies that claim 12 million children’s lives every year, natural disasters and armed conflicts constitute the main “loud” emergencies that challenge the organization’s resources. In any emergency situation, UNICEF works closely with other UN agencies and many nongovernmental organizations (NGOs).

#### **Removal of Land Mines**

The scale of the land mine problem almost defies imagination. Due to the persistence of armed conflicts throughout the world, it is estimated that there are more than 110 million land mines in 68 countries around the world, or one mine for every 20 children in the world today. An estimated 25,000 people are killed or maimed every year by land mines—90% of these victims are civilians and 5,000–6,000 are children. The countries most devastated by land-mines are Afghanistan, Angola and Cambodia. Afghanistan has an estimated 10–15 million mines in place. In Africa, countries with high numbers of lands mines are Mozambique and Somalia, but land mines are also destroying the lives of children in Asia, Central America, the Middle East, and Central and Eastern Europe. The UN has established a voluntary trust fund through which countries can share the burden of mine clearance. As of 2006, UNICEF was undertaking mine action in 30 mine-affected countries worldwide, coordinating a variety of programs focused on mine risk education, advocacy, and survivor assistance.

UNICEF strongly advocates for a total ban of the production, marketing, and use of land mines and supports land mine awareness programs. In November 1995, UNICEF executive board director Carol Bellamy announced UNICEF’s commitment to not deal with companies manufacturing or selling land mines.

#### **Debt swaps**

Since 1989, UNICEF has assisted in the conversion of foreign debt in developing countries to funds that supplement UNICEF’s ongoing contributions to child survival and development in basic education, primary health care, and water and sanitation. The essential feature of the program is that the government concerned agrees to spend local currency on programs for children rather than using its scarce foreign exchange to service the debt.

#### **Major UNICEF Publications**

*The State of the World’s Children* (annual). *The Progress of Nations* (annual, first appeared 1993). Ranks the nations of the world according to their achievements for children in health, nutrition, and education, as well as progress in the field of family planning and in women’s development. *UNICEF Annual Report*.

### **OFFICE OF UN HIGH COMMISSIONER FOR REFUGEES (UNHCR)**

The UN Relief and Rehabilitation Administration (UNRRA) was established on 9 November 1943, to bring material aid to war-stricken areas of the world. Through its services, some 6 million displaced persons were repatriated. The constitution of a successor agency, broader in scope, the International Refugee Organization (IRO), was approved by the General Assembly on 15 December 1946. In addition to the relief and repatriation assistance provided by UNRRA, the IRO was charged with the protection of refugees and displaced persons and with resettlement responsibilities. The IRO Preparatory Commission became operative on 30 June 1947; by 31 December 1951, when IRO’s operational activities ceased, more than 1 million persons had been resettled.

As part of a series of initiatives designed to address refugee problems following the dissolution of the IRO, the General Assembly, in December 1949, agreed on the necessity of setting up a body primarily responsible for the international protection of refugees and the search for durable solutions to their plight. As a consequence, the Office of the UN High Commissioner for Refugees (UNHCR) was established as of 1 January 1951 for a limited period of three years. It was soon evident, however, that international assistance was needed, and as new situations that created refugees have continued to arise, UNHCR’s mandate has been renewed by the General Assembly for successive periods of five years.

UNHCR was awarded the Nobel Peace Prize in 1954 and again in 1981.

#### **Organization**

The UN High Commissioner for Refugees is elected by the General Assembly on the nomination of the Secretary-General and follows policy directives given by the General Assembly. The Executive Committee of UNHCR meets annually to review activities in the fields of protection and material assistance, approve assistance projects to be included in the next year’s annual program, and provide overall guidance. The high commissioner reports to the committee on the implementation of special tasks that he or she may have been called upon to carry out—often at the request of the Secretary-General—and on the administration of special trust funds. In July 1994, ECOSOC recommended that the General Assembly increase the membership of the Executive Committee to 50 states. In 2006, the Executive Committee had been extended to 66 member countries.

UNHCR headquarters are in Geneva, Switzerland. As of May 2006, the organization had offices in 116 countries and a worldwide staff of 6,540 of whom about 85% were at work in the field.

By the end of 2004, 19.2 million people fell under the concern of the UNHCR. They included 9.2 million refugees, 676,000 asylum seekers, and 7.6 million internally displaced persons (IDPs), returned IDPs, stateless persons, and others of concern.

### Financing

The financial arrangements made at the creation of UNHCR reflected the fundamental difference between it and the IRO. The IRO's budget was separate from that of the UN, while a very limited amount of the basic administrative costs of UNHCR is covered by the regular UN budget, since UNHCR is an integral part of the Secretariat, rather than a specialized agency. Its substantive activities in the field of protection and material assistance, however, depend entirely on voluntary contributions.

At the outset, UNHCR was not allowed to appeal to governments for funds without the express authorization of the General Assembly. The first funds of any magnitude put at the high commissioner's disposal came from the Ford Foundation in 1952 in the form of a grant of US\$2.9 million (later increased to US\$3.1 million) for a pilot program of projects intended to promote the local settlement of some 100,000 refugees in Europe through such measures as low-rent housing, small loans, vocational training, and rehabilitation of the handicapped. Subsequently, in 1954, the General Assembly authorized the high commissioner to appeal to governments for a four-year US\$16 million program oriented toward permanent solutions and modeled on the Ford experimental undertaking. The target was eventually reached through US\$14.5 million in contributions by governments and over US\$2 million by private organizations.

Clearing refugee camps in Europe was the main objective of UNHCR at this time, and the funds needed to finish this task were raised to a large extent through World Refugee Year (1959/60), a campaign that extended to 100 countries and areas. In 1957, UNHCR's capacity to react effectively to unexpected situations was enhanced when the General Assembly authorized the high commissioner to establish an emergency fund not to exceed US\$500,000. This innovation grew out of the experience of 1956, when some 200,000 refugees from Hungary crossed into Austria and Yugoslavia within a matter of weeks, prompting the high commissioner to appeal for funds for the emergency. By 1993, the emergency fund's ceiling was raised to US\$25 million, with up to US\$8 million available for a single emergency in a given year.

With the exception of a very limited subsidy from the United Nations regular budget (which is used exclusively for administrative costs), UNHCR's assistance programs are funded by voluntary contributions from governments, intergovernmental and nongovernmental organizations, and individuals. These so-called "voluntary funds" finance all UNHCR assistance programs worldwide. UNHCR's annual voluntary funds expenditure rose rapidly during the last decades of the 1900s, surpassing an annual budget of more than US\$1 billion for a fifth consecutive year in 1998. The 1999 budget also surpassed the billion-dollar mark; the US\$1.17 billion budget was revised to cover the Kosovo emergency. In 2004, the budget was approximately \$928.9 million.

### The High Commissioner's Responsibilities

The high commissioner's primary responsibility is international protection. In addition, he or she promotes durable solutions to the problems of refugees through voluntary repatriation, local integration, or resettlement in another country. Whatever the field of activity, he or she and his or her staff are always guided by humanitarian and strictly nonpolitical considerations. UNHCR's ability to adhere to this policy over the years since its inception in 1951 has led the General Assembly to extend the scope of its

material assistance activities, in many cases to persons who do not necessarily meet the definition of refugees contained in the high commissioner's statute. This definition describes refugees as persons who, owing to well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group, or political opinion, are outside their country of nationality and are unable or unwilling, because of such fear, to avail themselves of the protection of that country. In recent years, UNHCR has increasingly been called on to help not only refugees but also persons uprooted by man-made disasters and displaced either outside or within their country of origin. However, UNHCR's competence does not extend to refugees already receiving help from another UN organization, notably the Arab refugees from Palestine who are cared for by UNRWA (see separate section).

From its outset, UNHCR's work was intended to be undertaken jointly with other members of the international community. UNHCR draws on the expertise of other United Nations organizations in matters such as food production (FAO), health measures (WHO), education (UNESCO), child welfare (UNICEF), and vocational training (ILO). It also cooperates closely with the World Food Programme in providing basic food supplies to refugees, and with the World Bank and the International Fund for Agricultural Development (IFAD) in implementing projects that aim to promote self-reliance. Over the decades, the most sustained and devoted service to the cause of refugees has been provided by nongovernmental organizations (NGOs). Over 200 NGOs cooperate in UNHCR's relief and legal assistance programs. In 1993, the Nansen Medal, awarded for outstanding service to the cause of refugees, recognized the valuable collaboration of one such NGO, Médecins sans Frontières (Doctors without Borders).

Since refugees no longer enjoy the protection of the countries they have fled, they must rely on the international community to provide it. The main vehicle for international protection is the 1951 Convention Relating to the Status of Refugees and its 1967 protocol, which lays down minimum standards for the treatment of refugees by countries that have acceded to it. By 1 July 2004, 145 states were party to either the convention or its protocol.

One of the most important provisions of the 1951 convention is that refugees must not be sent back to a country where they may face persecution on grounds of race, political opinion, religion, nationality, or membership in a particular social group (the principle of *non-refoulement*). The convention also defines the rights of refugees in the country of asylum with respect to such matters as the right to work, education, access to courts, and social security. Moreover, it provides for the issuance of travel documents by the country of residence to compensate for the fact that refugees are not in a position to use their national passports.

By its statute and under the 1951 convention, UNHCR is given specific responsibility for supervising the application of the provisions of the convention. It is also available to supply technical advice to governments on appropriate legal and administrative measures to give effect to the stipulations of the convention.

Another important legal instrument concerning refugees is the Convention Governing the Specific Aspects of Refugee Problems in Africa, adopted by the Organization of African Unity in 1969. This convention, which came into force on 20 June 1974, emphasizes that the granting of asylum is a peaceful and humanitarian act that should not be regarded as unfriendly by any member state. A similar provision can be found in the Declaration on Ter-

ritorial Asylum adopted by the General Assembly in December 1967 (see the section on Other Declarations in the chapter on Human Rights).

Asylum is the key aspect of the protection work of the high commissioner's office. A conference of plenipotentiaries convened by the General Assembly in 1977 "to consider and adopt a convention on territorial asylum" failed to achieve its objectives, and the absence of such a convention remains a gap in the legal basis for the protection of asylum-seekers.

In 1975, UNHCR undertook new duties in the field of protection on a provisional basis, following the entry into force on 13 December of the 1961 Convention on the Reduction of Statelessness. Under the terms of the convention, stateless persons may apply to national authorities to have nationality accorded to themselves or to their children or may ask UNHCR's assistance in presenting a claim.

#### Material Assistance Activities

UNHCR's material assistance activities include emergency relief, assistance in voluntary repatriation or local integration, and resettlement through migration to other countries, as well as social services.

#### Africa

UNHCR's involvement in Africa dates from 1957, when thousands of people fled from the fighting in Algeria to Morocco and Tunisia. Working in conjunction with the League of Red Cross Societies, UNHCR provided both immediate and long-term assistance and helped to organize the repatriation of some 200,000 refugees in 1962, after the cessation of hostilities.

By 1967 there were an estimated 750,000 refugees in Africa, many of them victims of the struggles for independence in Guinea-Bissau, Angola, and Mozambique. In 1974–75, UNHCR assisted in repatriating many of these refugees to their newly independent countries. A large-scale repatriation and rehabilitation program involving some 200,000 refugees and displaced persons in Zimbabwe was coordinated by UNHCR in 1980, and a major repatriation to Chad was completed in 1982.

By the early 1990s, Africa harbored over 6 million refugees, or around one-third of the global refugee population. During the previous decade, refugee situations persisted or erupted in the Horn of Africa, West Africa, and southern Africa. In some cases, such as for Mozambican refugees in Malawi and in the Horn, these situations were exacerbated by drought.

A number of refugees were able to return home, notably Namibians, Ethiopians, and Ugandans in the Sudan, and Somalis in Ethiopia. The repatriation of some 1.7 million Mozambicans got under way in mid-1993. In the Horn, a cross-border approach was put into action aimed at creating conditions conducive to the voluntary repatriation of refugees and safe return of internally displaced persons. This approach has been characterized by the use of "quick impact projects" (QIPs). QIPs entail the execution of small-scale projects, such as the repair and reconstruction of essential facilities; the provision of livestock, seed, and processing machinery; and the establishment of small-scale businesses. The projects are designed to bridge the gap between relief and development by helping returnees and their communities regain self-sufficiency. In certain areas such as North-West Somalia and Mozambique, however, repatriation has been bedeviled by the presence of landmines in the areas of return.

In 1993, violent upheavals in the central African state of Burundi drove some 580,000 persons to seek refuge in neighboring countries. The following year, bloodshed engulfed neighboring Rwanda, creating, by May 1994, over 800,000 refugees. UNHCR launched emergency assistance programs to cope with refugees from both situations.

In 2003, fighting erupted in Sudan's western region of Darfur. Hundreds of thousands of people were uprooted by the conflict. By late 2004, some 200,000 Sudanese had fled across the border to neighboring Chad and an estimated 1.6 million were displaced within Darfur, where militias reportedly killed, raped and forced hundreds of thousands from their homes.

UNHCR estimated the cost of the annual program budget for Africa in 2006 at US\$449.4 million.

#### Central and Southwest Asia, North Africa, and the Middle East

In August 1974, following events in Cyprus, the high commissioner was designated to coordinate humanitarian relief for 241,300 people who had been uprooted and displaced. In the absence of a political settlement, aid is still being channeled to the island.

Events in Afghanistan in the late 1970s and the 1980s provoked a tremendous exodus from the country. Despite the unprecedented repatriation of 1.5 million Afghans in 1992, at the beginning of 1995 over 2.7 million Afghans remained in exile (1.6 million in Iran and 1.5 million in Pakistan). Hopes for their continued repatriation were stymied by a resurgence of fighting in Afghanistan in April 1992. In that year, Afghanistan itself became a country of asylum when some 60,000 Tajiks escaping from their country's civil war found sanctuary in northern Afghanistan. By 1995, there were still some 18,800 Tajik refugees in Afghanistan.

Following the terrorist attacks on the United States on 11 September 2001, the US-led campaign (Operation Enduring Freedom) against the Taliban and Osama bin Laden's al-Qaeda organization in Afghanistan began on 7 October 2001. At the beginning of 2002, nearly 200,000 Afghans joined 3.5 million countrymen already living abroad as refugees, and an additional 511,000 civilians became 'internally displaced persons' (IDPs) within Afghanistan. During the first quarter of 2002, however, the number of Afghan asylum-seekers dropped by 33% across Europe, due most likely to the changes in Afghanistan following 11 September. During the previous decade, the average monthly applications of Afghan asylum-seekers submitted in Europe increased five-fold.

In 1991, the Gulf War led to a situation of mass displacement, creating, by May 1991, some 1.4 million refugees in Iran and 400,000 on the border with Turkey. UNHCR mounted a massive emergency assistance program for these groups, as well as for internally displaced Kurds in northern Iraq. By the end of 1991, most of the Iraqis in Iran and on the Turkish border had returned home. However, due to a decade of repression under Iraqi President Saddam Hussein, 530,100 Iraqis were refugees in Iran as of 2001. As of 2002, Iraqi asylum-seekers replaced Afghans as the top nationality seeking asylum in Europe. Following the US-led attack on Iraq and the fall of the Hussein government in March 2003, UNHCR returned to Iraq to assist the estimated 500,000 refugees and 800,000 internally displaced persons. UNHCR established support for organized voluntary repatriation, since the majority of Iraqi refugees desired to return to their homes.

On 8 October 2005, a massive Himalayan earthquake struck Pakistan. The damage was huge with thousands killed, many more

injured, and several million homeless. The estimated death toll from the earthquake—which measured around 7.6 on the Richter scale—climbed from 10-15,000 during the first day, to more than 50,000 after the first two weeks. Although India was also badly affected, the vast majority of casualties occurred in Pakistan-administered Kashmir—where the epicenter was located—and parts of neighboring North-West Frontier Province (NWFP).

UNHCR estimated the cost of the annual program budget for Central and South West Asia, North Africa, and the Middle East in 2006 at us\$137.1 million.

### Asia and the Pacific

In May 1971, the high commissioner was appointed “focal point” for UN assistance to millions of Bengali refugees from East Pakistan (later Bangladesh) in India. More than us\$180 million in cash, goods, or services was channeled through this focal point, mainly for emergency relief in India but also for the repatriation operation that began early in 1972, following the creation of Bangladesh. The operation involved the transfer of non-Bengalis from Bangladesh to Pakistan and of Bengalis from Pakistan to Bangladesh. By the time it was concluded in July 1974, 241,300 people had been moved, nearly all by air, across the subcontinent in either direction.

Another major crisis erupted in mid-1978, when nearly 200,000 refugees from the Arakan state of Burma flooded into Bangladesh. UNHCR was again designated as coordinator of UN assistance. Following an agreement concluded with the Burmese government in July 1978, repatriation began in November of that year. The UNHCR program included assistance to the returnees once they were back in their country of origin.

Early in 1975, the conflict that for almost three decades had involved Vietnam, Cambodia, and Laos came to an end with changes of regime in the three countries of Indochina. Since that time, over 2.8 million Vietnamese, Cambodians, and Lao have left their homes and sought asylum in neighboring countries. These mass movements reached their peak in 1979, when some 393,560 people arrived by boat or overland in various asylum countries throughout the region, and in early 1980, when additional large numbers of Kampuchean moved into the border area with Thailand to escape hostilities in their own country.

UNHCR has undertaken to provide temporary assistance for Indochinese in various countries of Southeast Asia, to ask governments to extend permanent resettlement opportunities, and to facilitate voluntary repatriation where feasible. In addition, large numbers of displaced persons in the Thai-Kampuchean border area have been assisted by other UN agencies and the ICRC. By the beginning of 1994, some 2.7 million Indo-Chinese Refugees and displaced persons had been resettled, repatriated, or integrated locally, while around 88,000 remained in camps throughout the region.

Under the terms of a memorandum of understanding concluded with the Vietnamese government in May 1979, UNHCR has been coordinating a program of orderly departure from Vietnam. A further coordinating role has been played by UNHCR in the funding of a major program to combat piracy against refugee boats and other vessels in the South China Sea. In 1995, there were an estimated 341,600 Vietnamese refugees, mostly seeking asylum in China or Hong Kong.

The Comprehensive Plan of Action for Indo-Chinese Refugees (CPA) was adopted in June 1989 with the objective of discouraging clandestine departures; assuring access to status determination procedures for all asylum-seekers; providing resettlement opportunities for bona fide refugees; and ensuring a safe and dignified repatriation for those not determined to be refugees. The CPA had the effect of dramatically reducing the numbers of Lao and Vietnamese asylum-seekers; the number of Vietnamese asylum-seekers, for example, dropped from 71,364 in 1989 to a mere 55 in 1992.

The repatriation of Cambodians from Thailand, which began in March 1992, resulted in the return home of some 387,000 refugees, or nearly the whole caseload in Thailand. Returnees and the communities receiving them were assisted, in some cases, by means of QIPs (see the section on Africa, above), to consolidate their reintegration.

In 1991–92, around 250,000 mainly Muslim refugees fled Myanmar to Bangladesh. At the request of the government of Bangladesh, UNHCR began assisting this group in February 1992. At the beginning of 1995, there were some 203,900 refugees from Myanmar seeking asylum, mostly in Thailand and Bangladesh.

Some 140,000 Sri Lankan Tamils sought safety from their country’s communal violence in the Indian State of Tamil Nadu. In Sri Lanka, UNHCR assists both the returnees and internally displaced persons. In 2002, UNHCR was assisting 66,000 refugees in the government-run refugee camps in south India for repatriation. Over 70,000 internally displaced people had also returned to their homes in the northeast of Sri Lanka since the beginning of 2002, and the trend had increased after a ceasefire accord was signed early that year.

On 26 December 2004, an undersea earthquake in the Indian Ocean set off a series of tsunamis that affected Indonesia, Sri Lanka, India, Thailand, Somalia, and other countries. As of May 2006, casualties included approximately 187,000 dead and 43,000 missing, for a total of 230,000 affected. Although UNHCR is not normally involved in natural disasters, the sheer magnitude of the destruction, the fact that UNHCR had on-the-ground presence and emergency capacities to respond quickly, and the fact that many of the affected populations were of concern to the Office, prompted the organization to take action. In January 2005, a flash appeal went out for an initial \$977 million to aid 5 million affected people in a six-month period. UNHCR’s requirements were \$75.8 million for its activities in Indonesia, Sri Lanka, and Somalia.

UNHCR estimated the cost of the annual program budget for Asia and the Pacific for 2006 at us\$53.8 million.

### Latin America and the Caribbean

Originally, Latin America was a primary resettlement area for European refugees. However, the events in Chile in September 1973 involved UNHCR in major assistance measures for Latin American refugees. UNHCR had to contend first with the problem of several thousand refugees of various nationalities in Chile, providing relief, care, and maintenance and helping establish “safe havens” where they could live until their resettlement could be arranged.

In addition to ongoing assistance to Chilean refugees, UNHCR was called on to assist an increasing number of Nicaraguans in Costa Rica, Honduras, and Panama in late 1978. By 1979, the number of Nicaraguan refugees receiving such assistance had ris-

en to 100,000. However, following the change of government in Nicaragua in July 1979, voluntary repatriation began, and UNHCR launched a special program to facilitate both the return itself and the rehabilitation of returnees through assistance in areas such as agriculture, health, and housing.

In the early 1980s, Central America became an area of increasingly grave concern to UNHCR. By the end of 1980, 80,000 refugees from El Salvador had sought refuge in neighboring countries. The International Conference on Central American Refugees (CIREFCA), which was convened in May 1989, proved to be of considerable help in facilitating a convergence towards durable solutions for uprooted populations. The move towards democratization in the region, the success of regional peace initiatives, and the CIREFCA process resulted in a reduction in refugee numbers as a result of attainment of durable solutions. In Haiti, however, the overthrow of the country's democratically elected president in September 1991 led to an exodus of Haitians seeking asylum in the region. Despite UNHCR's plea to governments in the region to uphold the principle of *non-refoulement*, Haitian asylum-seekers continued to be interdicted on the high seas. Beginning in 1992, political violence prompted many Guatemalans to go into exile. At the start of 1995, UNHCR was assisting over 42,000 Guatemalan refugees who had gone to neighboring Mexico. About 10,000 Guatemalans per year have returned as the situation became conducive to repatriation. Due to civil war in Colombia during the late 1990s and into the new millennium, UNHCR was working to address the worsening humanitarian situation of internally displaced people (IDPs) in Colombia. Thousands of Colombians, the majority of whom are women and children, have been displaced in a country where the total number of displaced people since 1995 has been estimated at over two million.

UNHCR estimated the cost of the annual program budget for the Americas and the Caribbean for 2006 at us\$33.3 million.

### Europe

When UNHCR came into existence in 1951, it inherited responsibility for some 120,000 persons still living in refugee and displaced persons' camps, mainly in the Federal Republic of Germany, Austria, Italy, and Greece. The great majority of these persons had been uprooted during World War II, primarily through the Nazi policies of removing people from occupied territories for forced labor and forcibly shifting populations for racial reasons. Particularly deplorable was the situation of the children born in the camps. Clearance of those camps was long delayed, mainly for lack of funds. Eventually, some 100,000 people, refugees since World War II, were settled as a result of UNHCR's programs.

New movements of refugees have, however, continued to occur. One of the largest of these was the result of the Hungarian crisis in 1956. The high commissioner was called on, in October 1956, to coordinate the activities of governments and voluntary organizations on behalf of the 200,000 Hungarians who sought refuge in Austria and Yugoslavia. From October 1956 until the end of 1959, about 180,000 Hungarian refugees arrived in Austria, and 19,000 in Yugoslavia. The total movement involved 203,100 persons. Of these, 18,000 eventually chose to return to Hungary, 9,600 elected to remain in Austria, 65,400 went to other European countries, and 107,400 emigrated overseas; the whereabouts of 2,700 are unknown.

In November 1991, UNHCR received a mandate from the United Nations Secretary-General to act as the lead United Nations agency to provide protection and assistance to those affected by conflict in the former Yugoslavia, then estimated at half a million people. By the beginning of 1995, there were 843,000 refugees from the former Yugoslavia seeking asylum, mostly in Croatia, Serbia, and Germany. There also were 1,282,000 internally displaced persons in Bosnia-Herzegovina and 307,000 in Croatia.

The war between Armenia and Azerbaijan in the early 1990s created some 663,100 displaced Azeris and some 299,000 refugees from Azerbaijan seeking asylum in Armenia at that time, and 201,500 refugees from Armenia seeking asylum in Azerbaijan. The military conflict in Georgia created around 280,000 refugees and displaced persons. UNHCR, in coordination with the United Nations Department of Humanitarian Affairs and other UN agencies, operated emergency response programs in all three countries. In May 1996, UNHCR convened a regional conference to address the problems of refugees, displaced persons, and returnees in the countries of the Commonwealth of Independent States (CIS). UNHCR estimated at that time there were 2.4 million refugees and internally displaced persons in the CIS countries.

As of May 2002, around 900,000 refugees had returned to Kosovo since June 1999, when UN peacekeeping troops entered the province. But the vast majority of these were from the Kosovo Albanian majority in the province. Around 231,000 people from Kosovo, mostly Serbs, were in the Federal Republic of Yugoslavia, and there were around 22,000 people from minorities still displaced inside Kosovo itself.

Fighting in the Former Yugoslav Republic of Macedonia (FYROM) took place in early 2001, when an ethnic Albanian guerrilla group emerged in Macedonia and began clashing with government security forces. By June 2001, some 48,000 people had fled Macedonia for Kosovo. By mid-2002, more than 150,000 of the 170,000 persons displaced during the spring and summer of 2001 had returned home.

UNHCR estimated the cost of the annual program budget for Europe in 2006 at us\$110.2 million.

### UN RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST (UNRWA)

The plight of Palestine refugees has been a serious concern of the UN ever since the Arab-Israeli War of 1948. When a cease-fire came into effect early in 1949, hundreds of thousands of Arabs who lived in the territory that is now Israel were stranded on the other side of the armistice line from their homes. The Arab states claim that the refugees were driven out by the Israelis or fled in fear of reprisals. Israel, on the other hand, asserts that the Arab states told the Arab population to evacuate the area temporarily so that their armies could more easily drive the Israelis into the sea. (For the political background, see the section on the Middle East in the chapter on International Peace and Security.)

The refugees were given emergency relief at first by the ICRC, the League of Red Cross Societies, and the American Friends Service Committee, using money and supplies provided by the temporary UN Relief for Palestine Refugees, established in December 1948. In December 1949, the General Assembly created a special agency, the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), to provide relief and works



projects in collaboration with the local governments. In the following year, the General Assembly extended UNRWA's mandate to June 1952 and instructed it to carry out development projects that would enable the refugees to be absorbed into the economy of the region. As originally conceived, UNRWA was a large-scale but definitely temporary operation, to be terminated by the end of 1952. The General Assembly accordingly asked Israel and its neighbors to secure "the permanent reestablishment of the refugees and their removal from relief." In carrying out programs of resettlement, however, all parties concerned, including UNRWA, were to act without prejudice to the rights of those refugees who "wished to return to their homes and live in peace with their neighbors." These were to "be permitted to do so at the earliest practicable date"; those who chose not to do so were to be compensated for their losses.

These goals were not achieved by 1952 and have not been met since then. Large-scale development projects to induce the refugees to leave the camps and enable them to become self-supporting in their host countries were approved by the General Assembly but never realized. Since 1952, UNRWA's mandate has been repeatedly extended.

For more information on UNRWA, see the chapter on International Peace and Security.

## YOUTH

Concern for youth has been expressed within the UN system ever since its inception and particularly since the adoption by the General Assembly in 1965 of the Declaration on the Promotion Among Youth of the Ideals of Peace, Mutual Respect and Understanding Between Peoples. In that declaration, the General Assembly stressed the importance of the role of youth in today's world, especially its potential contribution to development, and proposed that governments give youth an opportunity to take part in preparing and carrying out national development plans and international cooperation programs.

Other recommendations made to member states by the General Assembly relate to the preparation of youth, through education, for full participation in all aspects of life and development; health policies and programs to ensure that young people are able to take advantage of opportunities open to them; the adoption of all possible means to increase employment for youth; the opening up of channels of communication between the UN and youth organizations; and measures aimed at promoting human rights and their enjoyment by youth.

The World Youth Assembly, held at UN headquarters in July 1970, was the first international youth convocation organized by the UN. It brought together some 650 young people to express their views on issues relating to world peace, development, education, and the environment and to discuss ways in which they could support the UN.

In 1979, the General Assembly decided to designate 1985—the twentieth anniversary of the 1965 Declaration—as International Youth Year, with the three themes of participation, development, and peace. The objectives of the year were to bring about widespread awareness of the situation of young people and of their problems and aspirations, and to engage them in the development process. International Youth Year resulted in the endorsement by the General Assembly of guidelines for strategies and activities in

favor of youth at the national, regional, and international levels in coming years.

In observance of the tenth anniversary of International Youth Year, in 1995, the General Assembly devoted a plenary meeting to the subject of youth to set forth goals for a world youth program of actions towards the year 2000 and beyond. Its principal objective was to provide a global framework for national and regional action. The plan of action was drafted by the UN secretariat following the submission of proposals by member states, organizations of the UN system, and nongovernmental organizations.

A trust fund established for International Youth Year and renamed the UN Youth Fund is used to support projects involving young people in the development of their countries.

## AGING AND THE ELDERLY

In the 75 years between 1950 and the year 2025, the world elderly population is projected to increase from 8% to 14% of the total global population, or 1.2 billion persons. While the total world population will have grown by a factor of a little more than three, the elderly will have grown by a factor of six and the very old by a factor of 10. The developing countries are projected to age more quickly in the coming decades, and are concerned by two factors: a weak institutional infrastructure for accommodating the elderly, and the uncertainty that families will be able to continue providing traditional care for the elderly.

In 1948, Argentina first presented a draft declaration on old age rights to the General Assembly, which referred it to ECOSOC. ECOSOC requested the Secretary-General to draft a report on the matter, and in 1950 he submitted a report entitled "Welfare of the Aged: Old Age Rights." However, the rapid change in the world's population structure was not evident in 1950, and an interval of 20 years elapsed before Malta tabled another initiative on the agenda of the General Assembly in 1969. This initiative was followed throughout the 1970s and led to the convening of the World Assembly on Aging in 1982.

In 1973, the General Assembly considered a comprehensive report that noted the demographic increase in the absolute and relative size of the older populations of the world (a trend that was expected to continue because of medical advances and decreases in birth and death rates) and estimated that the number of persons 60 years of age or over throughout the world would double between 1970 and the year 2000. The General Assembly recommended guidelines to governments in formulating policies for the elderly, including development of programs for the welfare, health, and protection of older people and for their retraining in accordance with their needs, in order to maximize their economic independence and their social integration with other segments of the population.

In 1978, the General Assembly decided to convene a world assembly for the purpose of launching "an international action program aimed at guaranteeing economic and social security to older persons," as well as opportunities for them to contribute to national development. The General Assembly later decided that the conference should also consider the interrelated issue of the aging of whole populations.

The World Assembly on Aging, held in Vienna in July–August 1982, was attended by representatives of more than 120 countries. It adopted an international plan of action, both to help the aging

as individuals and to deal with the long-term social and economic effects of aging populations. Recommendations contained in the plan of action covered (1) the need to help the elderly lead independent lives in their own family and community for as long as possible, instead of being excluded and cut off from all activities of society; (2) the importance of giving the elderly a choice in regard to the kind of health care they receive and the importance of preventive care, including nutrition and exercise; (3) the need to provide support services to assist families, particularly low-income families, to continue to care for elderly relatives; and (4) the need to provide social-security schemes, to assist the elderly in finding (or returning to) employment, and to provide appropriate housing. The plan of action also included recommendations for meeting the needs of particularly vulnerable persons, such as elderly refugees and migrant workers.

The Commission for Social Development, which is entrusted with reviewing implementation of the plan of action every four years, noted in 1985 that by the year 2025, more than 70% of persons over 60 years of age would live in developing countries. In 2025, experts estimate that the elderly population of the world will number 1.2 billion, six times more than the 200 million elderly worldwide in 1950. The commission listed priorities for action, including the creation of national committees on aging, coordinated planning, strengthening of information exchange, training, research, and education programs.

In 1988, the UN established the International Institute on Aging in Valetta, Malta, to conduct training, research, collection and publication of data, and technical cooperation in the field of aging. In 1990, the General Assembly designated 1 October as the International Day for the Elderly. In 1991, the General Assembly adopted a set of 18 United Nations "Principles for Older Persons" clustered under five themes: independence, participation, care, self-fulfillment, and dignity. The principles mandate that older persons should have the opportunity to work and to determine when to leave the work force; remain integrated in society and participate actively in the formation of policies that affect them; have access to health care to help them maintain the optimum level of physical, mental, and emotional well-being; be able to pursue opportunities for their full development; and be able to live in dignity and security.

In 1992, the General Assembly gave its patronage to the privately-created Banyan Fund Association's World Fund for Aging, in Torcy, France, which assists developing countries, at their request, in activities aimed at formulating and implementing policies and programs on aging. Also in 1992, the General Assembly devoted four special plenary meetings in October to a conference on aging. It issued a Proclamation on Aging (resolution A/47/5), which reaffirmed its previous resolutions and established the year 1999 as the International Year of the Elderly "in recognition of humanity's demographic coming of age and the promise it holds for maturing attitudes and capabilities in social, economic, cultural and spiritual undertakings, not least for global peace and development in the next century." In its Resolution 47/86, the General Assembly adopted a set of global targets on aging for the year 2001 as a practical strategy for countries to provide for the needs of the elderly.

On 5 October 2000, the UN held a 10th Annual Celebration of the International Day of Older Persons, sponsored by the UN/NGO Committee on Aging in collaboration with the UN Depart-

ment of Public Information and the UN Department of Economic and Social Affairs. The conference raised the issue of interdependence between generations.

## DISABLED PERSONS

Under the charter principles of the dignity and worth of the human being and the promotion of social justice, the General Assembly has acted to protect the rights of disabled persons. In 1971, it adopted the Declaration on the Rights of Mentally Retarded Persons, and in 1975, the Declaration on the Rights of Disabled Persons (see the section on Other Declarations in the chapter on Human Rights). In 1976, the General Assembly decided to proclaim 1981 as International Year of Disabled Persons, and it called for a plan of action for the year at the national, regional, and international levels.

The year's purpose, and its theme, was the promotion of "full participation and equality," defined as the right of disabled persons to take part fully in the life and development of their societies, to enjoy living conditions equal to those of other citizens, and to have an equal share in improved conditions resulting from socioeconomic development. Other objectives of the year included increasing public understanding of disability and encouraging disabled persons to organize themselves to express their views effectively.

During the year, national committees were set up in more than 140 countries to map out plans of action to implement the objectives of the year. Regional seminars—for Asia and the Pacific, Africa, Latin America, Western Asia, and Europe—held during the year discussed regional cooperation on behalf of disabled persons. At the international level, organizations of the UN system and other intergovernmental organizations, as well as nongovernmental organizations (NGOs), discussed ways in which the world community could aid the disabled through technical cooperation and other means.

The year's activities were followed by the General Assembly's adoption, in 1982, of a World Program of Action Concerning Disabled Persons, aimed at continuing long-term programs at the national, regional, and international levels. To provide the necessary time frame for implementation of the program, the General Assembly proclaimed the period 1983–92 as the UN Decade of Disabled Persons.

The World Program of Action has proved to be a valuable guide for improving the social, economic, and physical conditions of disabled persons by defining disability issues in the context of human rights and recommending measures aimed at equalizing opportunities for the full participation of disabled persons in society. The program has offered a new approach on disability, representing a step forward in social thinking on such aspects as prevention of disabilities, rehabilitation, equalization of opportunities, and participation of disabled persons in all aspects of life.

During the first five years of the Decade of Disabled Persons, 1983–87, there was a significant growth in the number of organizations of disabled persons throughout the world, which were able to articulate and identify their needs. Governments, NGOs, and regional bodies reported an increased awareness by disabled persons of their rights. There was also an increase in research and exchange of information on the prevention of disabilities and the

rehabilitation of the disabled, on the mobility of the disabled, and on their participation in leisure and sports activities.

At the same time, obstacles impeding the implementation of the World Program of Action were identified, including the demographic increase in the number of disabled persons worldwide because of poverty, malnutrition, wars, civil unrest, and deteriorating social and economic conditions in many countries. Because of these obstacles, the General Assembly drew up a set of priority activities to ensure the effective implementation of the program of action during the remaining half of the decade.

Although several specialized agencies in the UN system had prepared guidelines and manuals on key disability issues, those guidelines were not incorporated into national programs in the majority of countries. In order to make the World Program of Action more operational, the General Assembly called for a long-term strategy setting out standard rules on the equalization of opportunities for disabled persons. In 1990 ECOSOC passed Resolution 1990/26 authorizing the Commission for Social Development to establish a working group to create a set of standard rules for submission to the General Assembly in 1993. This new instrument offered governments clear policy options on how to implement measures for full equalization of opportunities for disabled persons.

In 1992, the last year of the designated decade, Secretary-General Boutros-Ghali reported that the 1981 Year for Disabled Persons was so successful in getting the issue of disability and the concerns of disabled people on national agendas that it had come to be regarded as a milestone in the long struggle of disabled people for equal rights. Four plenary sessions of the General Assembly in October 1992 were devoted to a celebration and evaluation of the progress made during the decade. Prior to then, an International Conference of Ministers Responsible for Disability met in Montreal to seek consensus on a framework for action to continue the momentum generated by the decade.

It was clear that the major achievement of the decade was increased public awareness of disability issues among policy-makers, planners, politicians, service providers, parents, and disabled persons themselves. For example, information on disability issues is now included in censuses and some 55 countries now maintain statistical information on disability. In 1960, such information was available in only 15 countries. Several European countries set up computerized information networks to share disability-related information. It was also observed that nongovernmental organizations dedicated to the welfare of disabled people were able to increase their influence and gain the respect of their communities. The Voluntary Fund for the United Nations Decade of Disabled Persons had supported 161 projects by the end of 1991, for a total of approximately US\$2.9 million. By its resolution 47/88, the General Assembly decided that the fund would continue in the period beyond the Decade as the United Nations Voluntary Fund on Disability, and that its terms of reference would include support for action to achieve the target of a "society for all" by the year 2010. During the 20-month period of 1 January 1998 to 31 August 1999, the fund provided nearly US\$1 million in grants to 35 disability-related projects.

However, despite its relative success, by the end of the decade, it was estimated that 300 million people with disabilities lived in

developing countries and that only 1% of these had access to basic health, education, and adequate sanitation services.

## THE FAMILY—SOCIETY'S BUILDING BLOCK

Although many of the UN's resolutions and instruments deal tangentially with the needs of families, the General Assembly's first formal recognition of the family unit's special status as the basic building block of civilized society came in 1989 when it passed resolution A/44/82 (1989) proclaiming 1994 as the first International Year of the Family. The theme of the year was "Family: resources and responsibilities in a changing world," and its motto was "Building the smallest democracy at the heart of society." In 1993, the General Assembly declared 15 May 1994 the first International Day of Families, to be celebrated annually thereafter.

The General Assembly sought to raise the awareness of governments at the national, local, and regional levels about the threat posed to families and the possible consequences to society of the fragmentation and disintegration of the family unit. The erosion of social safety nets around the world had placed tremendous burdens on families. Abject poverty, which affected 20% of the world population, contributed to the destruction of families, for example, when members left the family unit to search for employment. Studies showed that within the space of a few decades the traditional extended family had shrunk to the nuclear family and finally to the single-parent family. In the United Kingdom alone, half of all births in 1990 were to single women. UN agencies called for recognition of the family's contribution towards achieving human development, alleviating poverty, and providing health care, nutrition, education, shelter, and employment for family members. The UN called for governments to formulate "family-sensitive" national policies and to assess how decisions would affect families.

Rather than try to narrowly define the family, the General Assembly took the broadest possible approach, encouraging celebration of the vast diversity observed in families throughout the world. A study showed that average family size varied from 2.2 members in Sweden to 7.1 members in Iraq. In all industrial countries except the former Soviet Union, the average household size shrank between 1970 and 1990. In the United States the average household shrank from 3.1 persons in 1970 to 2.6 persons in 1990. On the other hand, households grew in size in Africa, south Asia, and the Middle East. In Algeria, for example, average household size grew from 5.9 persons in 1966 to 7 persons in 1987. Despite the many cultural and economic differences in families around the world, according to the Secretary-General, some elements of an international consensus regarding families emerged:

- The family is the natural and fundamental group unit of society and is entitled to protection by society and the state;
- Various concepts of the family exist in different social, cultural, and political systems, but it is recognized that families are basic to the social structure and development of all societies. It is also recognized that families around the world exhibit many common problems.
- Gender equality, women's equal participation in employment, and shared parental responsibilities are essential elements of modern family policy;
- Families are the fullest reflection, at the grass-roots level, of

the strengths and weaknesses of the social and developmental environment; and

- Families, as basic units of social life, are major agents of sustainable development at all levels of society, and their contribution is crucial for its success.

Besides four regional preparatory meetings and two nongovernmental events held in 1993 to prepare for the International Year of the Family, the General Assembly held an International Conference on Families in October 1994. The secretariat for the International Year, based in Vienna, coordinated technical cooperation projects in Africa and the countries of the former Soviet Union. A world forum of nongovernmental organizations (NGOs) held in Malta in late 1993 called for the UN and its member nations to enter into an ongoing process of building a family-friendly society. It also called for the elaboration of a declaration on the rights and responsibilities of families in the follow-up to the International Year of the Family.

Some of the most important existing international instruments that refer to the family are:

- the 1948 Universal Declaration of Human Rights;
- the 1966 International Covenant on Economic, Social and Cultural Rights;
- the 1979 Convention on the Elimination of All Forms of Discrimination Against Women;
- the 1981 Declaration on the Elimination of All Forms of Intolerance and of Discrimination Based on Religion or Belief; and
- the 1989 Convention on the Rights of the Child.

## CRIME PREVENTION AND CRIMINAL JUSTICE

The work of the UN in the field of crime prevention and criminal justice has two main purposes: to lessen the human and material costs of crime and its impact on socioeconomic development and to formulate international standards and norms in crime prevention and criminal justice and promote their observance.

By 1990, United Nations statistics showed that worldwide incidence of assaults had risen from around 150 per 100,000 population in 1970 to nearly 400 per 100,000 population in 1990. The incidence of thefts had more than tripled in the same period. In addition, the number of adults held in legal detention worldwide increased from around 1 million in 1975 to 1,100,000 in 1980, a 10% jump. Another UN study showed that developed countries were spending an average of 2 to 3% of their budgets on crime control, while developing countries were devoting an average of 9 to 14% of their precious national resources to crime control. Traffic in illicit drugs was estimated to total US\$500 billion a year. The intertwined expansion of transnational organized crime and the traffic in illicit drugs, and their link to international terrorism, provided the most powerful arguments for international cooperation.

### Historical Background

Evidence of systems of criminal justice date back to the dawn of human civilization. Clay tablets from 2400 BC listing a code of conduct have been unearthed in Syria. The ancient civilization of Sumeria left an elaborate set of laws dating back to the twenty-first century BC. Standards for imposing penalties on criminals were

handled more informally, rarely being codified into law before the advent of the modern era. The earliest form of international cooperation between sovereign nations may have been efforts to control piracy on the high seas. However, it was the nineteenth century that saw the development of widespread concern about the growth of urban crime, and the proliferation of reformatories and penal institutions.

The First International Congress on the Prevention and Repression of Crime was held in London in 1872 to consider the proper administration of prisons, possible alternatives to imprisonment, modes of rehabilitating criminals, treatment of juvenile offenders, extradition treaties, and the “means of repressing criminal capitalists.” These subjects continue to challenge the international community at the end of the twentieth century. The London congress established the International Prison Commission with a mandate to collect penitentiary statistics, encourage penal reform, and convene international conferences every five years. The IPC established an affiliation with the League of Nations and, in 1935, was renamed the International Penal and Penitentiary Commission (IPPC). For 75 years, the IPPC did invaluable work in the collection of research materials; however, at the 1935 congress, it became dominated by adherents of the Nazi government in power in Germany. During the war years a substantial part of its funding came from the Axis powers, and it became a publicist for Fascist theories on the biological roots of crime and draconian measures for its control. When the United Nations was established at the close of World War II, it declined to accept affiliation with the IPPC. The UN did, however, decide that the control and prevention of crime would be one of its areas of concern.

### United Nations Activities

On 1 December 1950, by its resolution 415(V), the United Nations dissolved the IPPC and officially assumed its functions. These functions include the convening of international congresses every five years, the formulation of policies, and the development of international programs of action. To discharge these responsibilities, the General Assembly, in 1950, authorized the UN Congress on the Prevention of Crime and the Treatment of Offenders to be convened every five years.

In its resolution 415(V), the General Assembly also created an Ad Hoc Advisory Committee composed of seven experts to formulate programs for study and action in the field of crime prevention and treatment of offenders. This ad hoc committee eventually became the Committee on Crime Prevention and Control (CCPC), established in 1971 in response to the 1970 crime congress (held in Kyoto, Japan), which broadened considerably the scope of issues relating to criminal justice policy. The CCPC had 27 members who were nominated by their governments and elected by ECOSOC. It was charged with coordinating the efforts of UN bodies and prepared for the international crime congresses. It frequently drafted proposed texts for international standards and guidelines concerning criminal justice policy.

In November 1991, a Ministerial Summit, attended by 114 state ministers, was held in Versailles, France, and called for creation of a new UN crime prevention and criminal justice program. The General Assembly responded by transforming the CCPC into a functional commission of ECOSOC: the Commission on Crime Prevention and Criminal Justice. The commission held its first

session in April 1992 at Vienna. It is charged with developing, monitoring, and reviewing the UN's program on crime prevention and mobilizing support from member states. It coordinates the activities of the UN's regional and interregional institutes on crime prevention and criminal justice. It also is responsible for preparing for UN crime congresses.

#### The Office on Drugs and Crime (ODC)

This branch of the UN Secretariat, headquartered in Vienna, is the UN's central repository of technical expertise in matters of crime prevention, criminal justice, criminal law reform, and major criminological concern. It prepares studies and reports for the quinquennial congresses and for the Center for International Crime Prevention. The branch collects and analyzes statistics and provides technical assistance to member states and regional institutes. It prepares periodic country-by-country surveys of crime trends and criminal justice policies. The branch issues two regular publications: *The International Review of Criminal Policy*, a journal of applied criminology published annually since 1952, and the *Crime Prevention and Criminal Justice Newsletter*, which disseminates information on United Nations activities in the field.

The Office on Drugs and Crime also works closely with various regional centers, a research institute and an international computer information network. The international standards proposed by the UN are meant as springboards to for appropriate national action. Differences in history, culture, economic structures, and governmental institutions dictate against a wholesale adoption of UN guidelines and standards. Regional centers can take into account the differing cultures and traditions of geographically linked countries and can better guide and harmonize national policies.

The *United Nations Interregional Crime and Justice Research Institute (UNICRI)* is based in Rome. It was founded in 1968, in response to concerns voiced by the 1965 Stockholm crime conference, under the name United Nations Social Defence Research Institute. UNICRI is housed in the heart of the old section of Rome, in an edifice built at the order of Pope Innocent X as a model prison for the replacement of dungeons used in the Middle Ages. The Italian government modernized the building's interior and made it available to UNICRI.

UNICRI carries out field research in conjunction with local institutions and experts. The institute is often charged with specific research projects in preparation for international crime congresses. It also holds international seminars and workshops. Its experts execute technical cooperation missions to assist member countries in implementing specific projects. It has a small but highly specialized library on criminology, penology, and related fields of law, sociology, and psychology. It also maintains a collection of United Nations and Council of Europe documents concerning criminal justice affairs. It publishes major research papers and an annual catalog of relevant research from around the world. UNICRI has computerized its *World Directory of Criminological Resources*, and it has created the software and user manual for a computerized international expert roster. It has taken the lead in developing a UN global information network (see UNCJIN, below).

The *African Regional Institute for the Prevention of Crime and the Treatment of Offenders (UNAFRI)* was established in January 1987, in temporary quarters at Addis Ababa, Ethiopia. It is now based in Kampala, Uganda. It organizes training courses and re-

search and brings together criminal justice officials and development planners from all over Africa. It has conducted a feasibility study on the establishment of a regional, computerized information network to link up with the United Nations Criminal Justice Information Network (UNCJIN) (see below). UNAFRI operates under the auspices of the Economic Commission for Africa with financial assistance from the United Nations Development Program.

The *Asian and Far East Institute for the Prevention of Crime and the Treatment of Offenders (UNAFEI)* was established in 1961 and is based in Tokyo, Japan. It provides facilities for training courses and sends its staff to countries within the region to conduct classes in cooperation with host governments. UNAFEI publishes a regular newsletter and studies such as *Forms and Dimensions of Criminality in Asian Countries*, *Alternatives to Imprisonment in Asia*, and *Criminal Justice in Asia—the Quest for an Integrated Approach*. Although UNAFEI was initially a joint venture between the United Nations and the government of Japan, financial assistance from the UN was discontinued in 1970. The director of UNAFEI is assigned by the government of Japan in consultation with the UN.

The *European Institute for Crime Prevention and Control (HEUNI)* was established in 1981 in an agreement between the United Nations and the government of Finland. It is based in Helsinki. Its funds are provided by the government of Finland with assistance from other governments. HEUNI conducts training seminars and holds expert meetings to study regional issues in depth. Its expert meetings are often convened in order to offer a European perspective on draft documents of UN criminal justice policy. HEUNI has been actively involved with plans for a global UN information system on crime and criminal justice. Its publications include: *Criminal Justice Systems in Europe*, *The Role of the Victim of Crime in European Criminal Justice Systems*, and *Non-Custodial Alternatives in Europe*.

The *Latin American Institute for the Prevention of Crime and the Treatment of Delinquency (ILANUD)* was established in 1975 and is based in San José, Costa Rica. ILANUD devises practical strategies taking into account UN recommendations in criminal justice. It organizes regular training courses, workshops, seminars, and conferences for personnel in the criminal justice systems of Latin American governments. In 1987 it established an Agrarian Justice Program that aimed at improving procedures governing agricultural production. ILANUD also implemented a computerized data base in its documentation center. ILANUD was established with financial assistance from the United Nations, but now is supported mainly by the government of Costa Rica.

In 1989, the *United Nations Crime and Justice Information Network (UNCJIN)* began operating under the auspices of the Criminal Justice Branch. UNCJIN is a computer network accessible by modem and gopher technology on the Internet. The UNCJIN gopher was resident on the computer system of the State University of New York at Albany. UNCJIN is funded in part by the United States Bureau of Justice Statistics, the State University of New York at Albany, and the Research Foundation of the State University of New York. UNCJIN's goal is to establish a worldwide network to disseminate and exchange information concerning criminal justice and crime prevention issues. Information available through the UNCJIN is constantly evolving and expanding. UNCJIN data

and documents (many in PDF, portable document format) are available on their web site at <http://www.uncjin.org/>. In 2000 it included: criminal justice profiles of more than 120 countries; basic constitutional documents of countries; summaries of the latest United States Supreme Court decisions; international criminal justice statistics from the UN World Crime Surveys; United States Bureau of Justice Statistics reports; the entire CIA Factbook; and an annotated list of publication outlets in criminal justice and criminology. One can also search the on-line library catalogs of major criminal justice and law libraries around the world, examine all the major United Nations rules and guidelines on criminal justice, and access to other UN online resources.

### UN Congresses on Prevention of Crime and Treatment of Offenders

Participants in UN crime congresses include criminologists, penologists, and senior police officers as well as experts in criminal law, human rights, and rehabilitation. Representatives of UN member states and of intergovernmental and nongovernmental organizations also attend. Eight crime congresses were held between 1955 and 1990. The tenth congress was held in Vienna, Austria, in April 2000.

The *first congress*, held in Geneva in 1955, was attended by delegates from 51 governments and representatives from the ILO, UNESCO, WHO, the Council of Europe, and the League of Arab States. The topics of the first congress reflected the pressing concerns of Europeans recovering from the turmoil of World War II. Many delegates had experienced brutality and deprivation while incarcerated in their own countries by the occupying Fascist powers. It adopted 95 standard minimum rules for the Treatment of Prisoners, which set out what is accepted to be good general principle and practice in the treatment of prisoners and are also intended to guard against mistreatment. An additional rule, adopted in 1977, provides that persons arrested or imprisoned without charge are to be accorded the same protection as persons under arrest or awaiting trial and prisoners under sentence. The success of the Standard Minimum Rules paved the way for many other international models, standards, norms, and guidelines touching on every aspect of criminal justice. The prevention of juvenile delinquency was also considered at the congress, since so many children were growing up abandoned or orphaned.

The *second congress*, held in London in 1960, was attended by representatives of 70 governments and delegates from 60 nongovernmental organizations. In all, there were 1,131 participants. The second congress dealt with a wider range of issues than the first congress. It considered the growing problem of juvenile delinquency, as well as questions of prison labor, parole, and after-care. The addition of new member states to the United Nations required the expansion of the largely European perspective that dominated the first congress. The congress analyzed crime and criminal justice in relation to overall national development. Experts warned that economic improvement alone was not a one-way street leading away from crime. Tumultuous economic growth could lead to a greater prevalence of crime.

The *third congress*, held in Stockholm in 1965, addressed the ambitious theme of "Prevention of Criminality." Topics on the agenda included a continuation of the discussion on social change and criminality; social forces and the prevention of crime; com-

munity-based preventive action; measures to curtail recidivism; probation policies; and special preventive and treatment programs for young adults. A total of 1,083 participants, representatives of 74 governments and 39 nongovernmental organizations, attended the third congress. The influence of the increasing numbers of developing member nations made itself felt in 1965. The congress asserted that developing nations should not restrict themselves to mechanically copying criminal justice institutions developed in Western countries.

The *fourth congress*, held in Tokyo in 1970, was the first to take place outside of Europe. Although the number of participants declined slightly, to 1,014, the number of governments represented rose to 85. The fourth congress was convened under the slogan "Crime and Development," reflecting the dramatic increase in the number of developing countries who had become members of the UN during the 1960s. It stressed the need for crime control and prevention measures (referred to as "social defense policies") to be built into development planning. The third congress expanded the theme of community-based prevention, noting the successful utilization of civic involvement in the host nation, Japan. The congress also investigated the nation-by-nation implementation of the Standard Minimum Rules for the Treatment of Prisoners, relying on results of a questionnaire submitted to member states before the opening of the congress.

The *fifth congress*, held in Geneva in 1975, the number of nations represented increased to 101 and the participation of the specialized agencies was augmented by the presence of Interpol and the Organization for Economic Cooperation and Development (OECD). The congress's theme was "Crime Prevention and Control: the Challenge of the Last Quarter of the Century." Among the many topics considered were:

- changes in the form and dimension of criminality at national and transnational levels;
- crime as a business and organized crime;
- the role of criminal legislation, judicial procedures, and other forms of social control in the prevention of crime;
- the addition of crime-prevention activities to the traditional law enforcement roles of police;
- the implementation of the Standard Minimum Rules for the Treatment of Offenders;
- the economic and social consequences of crime;
- alcohol and drug abuse;
- victim compensation as a substitute for retributive criminal justice.

The fifth congress was responsible for two documents that rank in importance with the standard minimum rules: the "Declaration on the Protection of All Persons from Being Subjected to Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment," which was adopted by the General Assembly by its Resolution 3452 (XXX); and the "Code of Conduct for Law Enforcement Officials," which has been called a Hippocratic oath for police professionals. The code was adopted by the General Assembly in 1979. The declaration on torture was given binding legal form in 1984, when the General Assembly adopted a convention on the same subject (see the section on Other International Human Rights Conventions in the chapter on Human Rights).

The *sixth congress*, held in Caracas in 1980, was the first UN crime congress to be hosted by a developing nation and the first held in the western hemisphere. Delegations from 102 nations, the ILO, WHO, the Council of Europe, Interpol, the League of Arab States, the Organization for African Unity, and the Pan-Arab Organization for Social Defence attended. The congress's theme was "Crime Prevention and the Quality of Life." It considered the following matters:

- new trends in crime and appropriate prevention strategies;
- the application of juvenile justice measures;
- offenses by the powerful, who quite often stand beyond the effective reach of the law;
- deinstitutionalization of correction measures;
- the role of UN guidelines and standards in criminal justice;
- capital punishment;
- the importance of international cooperation.

A working group of experts from Latin America and the Caribbean contributed an innovative approach on the classification of crimes. It suggested that the scope of criminal law statutes should be broadened to include willful actions harmful to the national wealth and well-being—destruction of the ecology, or participation in drug trafficking, or trafficking in persons. By way of corollary, the working group recommended a decrease in the number of statutes covering petty crimes or crimes that had little socially destructive effect.

The *seventh congress*, held in Milan in 1985, adopted the Milan Plan of Action as a means of strengthening international cooperation in crime prevention and criminal justice. The plan was approved later the same year by the General Assembly, which also approved international instruments and principles adopted by the Milan Congress. These were the UN Standard Minimum Rules for the Administration of Juvenile Justice (the Beijing Rules), the Declaration of Basic Principles of Justice for Victims of Crime and Abuse of Power, Basic Principles on the Independence of the Judiciary, and a Model Agreement on the Transfer of Foreign Prisoners.

The Beijing Rules aim at promoting juvenile welfare to the greatest possible extent, thereby minimizing the necessity of intervention by the juvenile justice system. The rules set minimum standards for the handling of juvenile offenders, enumerate the rights of juveniles, and include principles for adjudication and disposition of juvenile offenses and for institutional and noninstitutional treatment of juvenile offenders.

The Declaration of Basic Principles of Justice for Victims of Crime and Abuse of Power defines "victims" as persons who, individually or collectively, have suffered harm, including physical or mental injury, emotional suffering, economic loss, or substantial impairment of their fundamental rights, through acts or omissions that are in violation of criminal laws or constitute violations of internationally recognized norms relating to human rights. It sets forth the rights of such victims and their families to restitution, compensation, and social assistance.

The Basic Principles on the Independence of the Judiciary stipulate that the judiciary shall have jurisdiction over all issues of a judicial nature and that judges shall decide matters before them impartially, without any restrictions, improper influences, or in-

terference. The right of everyone to be tried by ordinary courts or tribunals is reaffirmed.

The Model Agreement on the Transfer of Foreign Prisoners is aimed at promoting the social resettlement of offenders by facilitating the return of persons convicted of crimes abroad to their country of nationality or residence to serve their sentence at the earliest possible stage.

The Milan Congress also considered questions relating to human rights in the administration of justice and to the prevention of juvenile delinquency and domestic violence.

The *eighth congress* was held in Havana, Cuba, from 27 August to 7 September 1990. The congress was attended by 1,400 participants from 127 countries, five intergovernmental organizations, and 40 nongovernmental organizations. Its overall theme was "International cooperation in crime prevention and criminal justice for the twenty-first century." The congress considered five topics: (1) crime prevention and criminal justice in the context of development; (2) criminal justice policies in relation to problems of imprisonment, other penal sanctions, and alternative measures; (3) effective national and international action against organized crime, terrorist criminal activities; (4) prevention of juvenile delinquency and protection of the young; and (5) United Nations norms and guidelines in crime prevention and criminal justice.

The eighth congress adopted a number of new instruments and resolutions that the General Assembly promptly approved. These included model treaties on extradition, mutual assistance in criminal matters, the transfer of proceedings in criminal matters, and the supervision of offenders conditionally sentenced or conditionally released. Other instruments passed were:

- A model treaty for the prevention of crimes against a peoples' cultural heritage;
- Basic Principles on the Use of Force and Firearms by Law Enforcement Officials;
- Basic Principles on the Role of Lawyers;
- Guidelines on the Role of Prosecutors;
- United Nations Standard Minimum Rules for Non-custodial Measures (the Tokyo Rules);
- Basic Principles for the Treatment of Prisoners;
- Guidelines for the Prevention of Juvenile Delinquency (the Riyadh Guidelines); and
- Rules for the Protection of Juveniles Deprived of Their Liberty.

The conference also adopted resolutions on computerization, prevention of urban crime, protection of the environment, corruption in government, racketeering and illicit trafficking in narcotic drugs and psychotropic substances, computer-related crimes, measures against drug addiction, organized crime and terrorism, domestic violence, and the instrumental use of children in criminal activities. The congress also requested that guidelines be prepared on the management of prisoners infected with human immunodeficiency virus (HIV) and those with acquired immunodeficiency syndrome (AIDS).

The eighth congress called for the elaboration of an effective international crime and justice program to assist countries in combating problems of national and transnational crime. An im-

portant outcome was the creation of the Commission on Crime Prevention as a functional commission of ECOSOC.

Substantive topics at the *ninth congress* (in 1995) included the fight against transnational organized crime; the elimination of violence against women; improvements in the administration of justice and the rule of law; migration and crime; technical cooperation and coordination of activities.

The *tenth congress* (2000) took as its title “Crime and justice, meeting the challenges of the 21st century.” The congress discussed the following topics: (1) how to promote the rule of law and to strengthen the criminal justice system; (2) international cooperation in combating transnational organized crime; (3) effective crime prevention—keeping pace with the new developments; and (4) offenders and victims—accountability and fairness in the justice process. In addition, four workshops were held on combating corruption, crimes related to the computer network, community involvement in crime prevention, and women in the criminal justice system. At the tenth congress, a “Vienna Declaration on Crime and Justice” was adopted, in which delegates pledged to take measures to combat terrorism, trafficking in human beings, illicit trade in firearms, smuggling of migrants and the estimated \$600 billion money laundering business. Considerable attention was paid to the need to address the rising tide of computer-related crime and crime resulting from xenophobia and ethnic hatred.

The *eleventh congress* (2005) took as its theme “Synergies and responses: strategic alliances in crime prevention and criminal justice.” Major issues discussed included: effective measures to combat transnational organized crime; international cooperation against terrorism and links between terrorism and other criminal activities in the context of the work of the United Nations Office on Drugs and Crime; corruption-threats and trends in the twenty-first century; economic and financial crimes-challenges to sustainable development; and making standards work-fifty years of standard-setting in crime prevention and criminal justice. The following workshops were held: Workshop 1: Enhancing international law enforcement cooperation, including extradition measures; Workshop 2: Enhancing criminal justice reform, including restorative justice; Workshop 3: Strategies and best practices for crime prevention, in particular in relation to urban crime and youth at risk; Workshop 4: Measures to combat terrorism, with reference to the relevant international conventions and protocols; Workshop 5: Measures to combat economic crime, including money-laundering; and Workshop 6: Measures to combat computer-related crime.

## INTERNATIONAL COOPERATION FOR NARCOTIC DRUGS CONTROL

*“...Let us resolve that at this special session of the General Assembly, words lead to action and that this action leads to success. Drug abuse is a time bomb ticking away in the heart of our civilization. We must now find measures to deal with it before it explodes and destroys us.”*

—Secretary-General Javier Pérez De Cuéllar (From remarks to the 17th Special Session of the General Assembly, 20 February 1990)

Until the end of the 19th century, trade in narcotics was considered a legitimate business. Misuse of addiction-producing sub-

stances—opium, coca leaf, and Indian hemp—was thought to be the result of ingrained habits in particular areas of the world. The problem was considered a domestic one. However, modern technology and the expansion of transport and world trade introduced a new dimension. An increasing number of alkaloids and derivatives were being produced from opium and coca leaves and easily distributed. In addition, a large number of psychotropic substances (depressors of the central nervous system such as barbiturates, stimulants of the central nervous system such as amphetamines, and hallucinogens such as lysergic acid diethylamide, or LSD) were developed and their consumption increased enormously; hence, problems once considered local became global.

The UN exercises functions and powers relating to the worldwide control of narcotic drugs in accordance with a number of international treaties concluded since 1912, when the first International Opium Convention was signed at The Hague. By 1994, the majority of countries were parties to one or more of the treaties. The international control system is based on the cooperation of the states that are bound by these treaties in controlling the manufacture and sale of drugs within their jurisdiction. The treaties stipulate that these states are bound to adopt appropriate legislation, introduce necessary administrative and enforcement measures, and cooperate with international control organs as well as with each other.

### Narcotics Control Under the League of Nations

The League of Nations Covenant provided that League members should “entrust the League with the general supervision over agreements with regard ... to the traffic in opium and other dangerous drugs.” The first League Assembly created an Advisory Committee on Traffic in Opium and Other Dangerous Drugs to assist and advise the League’s Council in its supervisory tasks in the field. The League established a Permanent Central Board, later renamed the Permanent Central Narcotics Board, to supervise the control system introduced by the second International Opium Convention, which came into force in 1928. The board was composed of independent experts, to whom League members were required to submit annual statistics on the production of opium and coca leaves and on the manufacture, consumption, and stocks of narcotic drugs and quarterly reports on the import and export of narcotic drugs. Specific governmental authorizations were required for every import and export of narcotic drugs.

The Convention for Limiting the Manufacture and Regulating the Distribution of Narcotic Drugs, signed at Geneva in 1931, created a new technical organ, also composed of independent experts, the Drug Supervisory Body. The aim of the 1931 convention was to limit world manufacture of drugs to the amount actually needed for medical and scientific purposes.

The Convention for the Suppression of the Illicit Traffic in Dangerous Drugs, signed at Geneva in 1936, called for severe punishment of illicit traffickers in narcotics and extradition for drug offenses.

A protocol signed on 11 December 1946 (and which entered into force on 10 October 1947) transferred to the United Nations the functions previously exercised by the League of Nations under the pre-World War II narcotics treaties.



## The United Nations and International Drug Control

### Historical Background

The functions of the League's Advisory Committee were transferred to the United Nations Commission on Narcotic Drugs (CND), established in 1946 as a functional commission of the Economic and Social Council. Over the years a number of bodies were created to carry out the work of the United Nations in the field of narcotics control, including the International Narcotics Board (INCB), the Division of Narcotic Drugs (part of the United Nations Secretariat), and the United Nations Fund for Drug Abuse Control (UNFDAC). In addition, several specialized agencies, notably the World Health Organization (WHO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO), also were called on to contribute to the war on illegal drugs.

By the mid-1980s the General Assembly recognized that, while several important treaties had been elaborated (see under The Treaty System below), the system had not produced the desired result. Illicit traffic in drugs had achieved crisis proportions all over the world, threatening the stability of governments and regional peace and security in Africa, Southeast Asia, Latin America, and the Caribbean. In 1984, the General Assembly requested the CND to elaborate a new treaty to explicitly treat the problem of illegal drug trafficking. In 1985 the General Assembly decided to convene an International conference on Drug Abuse and Illicit Trafficking in Vienna in June 1987. That Conference adopted a Declaration and a Comprehensive Multidisciplinary Outline of Future Activities in Drug Abuse Control.

However, the 1987 annual report of INCB revealed that drug-trafficking syndicates now held enough financial power to challenge the elected authorities of some South American countries. In addition, the spread of Acquired Immune Deficiency Syndrome (AIDS) and the HIV virus had assumed pandemic proportions, due in large part to the sharing of infected needles by drug abusers. The INCB noted that international drug traffic was financed and organized by criminal organizations with international links and with accomplices in financial circles who helped "launder" money obtained through the drug trade. Member states proclaimed 26 June 1988 as the first International Day Against Drug Abuse, to begin to focus public attention on the worldwide scope of the problem.

In February 1988, a plenipotentiary conference of the United Nations member states was convened in Vienna. It adopted the 1988 United Nations Convention Against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances (see under The Treaty System below), which was immediately ratified by 43 nations. However, for lack of sufficient ratifications and accessions, the convention did not come into effect until December 1990.

### The Global Programme of Action Against Drug Abuse

In November 1989, the General Assembly expressed its alarm at the slow pace of accessions holding up the entry into force of the 1988 convention. To consolidate international efforts, the General Assembly held a four-day special session (its seventeenth special session) in February 1990 to adopt a Political Declaration (A/RES/S-17/2) affirming the determination of the international community to band together to fight drug trafficking. In its declaration the General Assembly recognized the links between drug trafficking and the economic and social conditions of the countries produc-

ing drugs. It also voiced its concern about the link between drug trafficking and international terrorism, and the threat posed by transnational crime organizations that corrupted elected governments. The member states resolved to "protect mankind from the scourge of drug abuse and illicit trafficking in narcotic drugs and psychotropic substances...." They reaffirmed their commitment to support the international effort to eradicate drug trafficking both financially and by bringing national laws into line with the various United Nations treaties on narcotics control. The document also noted that international cooperation in restraining drug trafficking should be conducted in accordance with the principles of national sovereignty embodied in the United Nations charter. The General Assembly concluded the document by adopting a Global Programme of Action and declaring the period 1991–2000 the United Nations Decade Against Drug Abuse.

The 100-paragraph Global Programme of Action contained proposals for worldwide cooperation to stem the rising tide of drug abuse. Some of its provisions were based on the Multidisciplinary Outline mentioned above, and included:

- Raising national priorities for drug abuse prevention and reduction programs;
- Commissioning an analysis of the social causes generating drug demand;
- Providing UN financial support to prevent drug abuse by children, and the use of children in the drug trade in developing countries;
- Having the UN act as a global information clearinghouse on treatment and rehabilitation of drug addicts;
- Using high resolution satellite imagery and aerial photography (with the agreement of producing countries) to identify illegal narcotic cultivation;
- Convening an international conference to elaborate ways to prevent the diversion of the chemicals and substances used to process the raw materials of illicit drugs;
- Developing international mechanisms should be developed to prevent drug money laundering and to confiscate funds and property acquired with drug money;
- Promoting through the UN the exchange of information among states on the flows of drug money; coordinating anti-drug operation training.

On 15 February 1990, just before the General Assembly's special session, the United States, Bolivia, Colombia, and Peru met in Cartagena, Colombia, and signed the Cartagena Declaration, agreeing to cooperate to stem the flow of drugs to the United States. The four countries, representing the world's largest consumer (the United States) and the largest suppliers of illicit cocaine, agreed to wage a war on drugs on three fronts: demand reduction, consumption reduction, and supply reduction. The United States agreed to financially support alternative development to replace the coca-growing economy in Peru and Bolivia and to fund emergency social programs. The multilateral cooperation begun at the Cartagena summit was extended in 1992 at a summit held in San Antonio, Texas, to include Mexico in the international struggle against drug trafficking organizations.

### 1990 World Ministerial Summit

The government of the United Kingdom, in association with the United Nations, organized a three-day World Ministerial Summit to Reduce the Demand for Drugs and to Combat the Cocaine Threat. The summit was held in London from 9–11 April 1990, and was attended by 650 delegates, most at the ministerial level, from 124 countries. The summit adopted the London Declaration committing the nations to giving higher priority to prevention and reduction of illicit drug demand at national and international levels. The London summit produced a consensus that, whereas producing countries had previously felt that drug abuse did not threaten their own populations, developing countries now realized that drug abuse had become a worldwide phenomenon cutting across national boundaries, class, race and income levels.

Some of the London Declaration's provisions include:

- Drug abuse prevention and treatment should be part of national health, social, education, legal and criminal justice strategies;
- Drug education should be developed at all school stages;
- Prevention programs in the workplace should be developed and implemented;
- Mass media campaigns against drugs should be used;
- The United Nations Fund for Drug Abuse Control (later the United Nations International Drug Control Program, see below) should be provided the funds to devise a strategy for the Andean sub-region, where most of the world's coca is grown and illicitly processed into cocaine.
- Nations that had not yet done so should ratify or accede to the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, and, in the meanwhile, they should try to apply its terms provisionally.

In October 1993, China, Laos, and Myanmar (referred to as the "Golden Triangle") signed a Memorandum of Understanding, expanding existing cooperation on drug control, in cooperation with the UNDCP. The countries aimed to eliminate opium poppy cultivation through economic and social development programs; curb traffic in narcotic drugs and essential chemicals used in manufacturing drugs; and implement programs to reduce the demand for illicit drugs.

Despite the growing alarm of nations, the phenomenon of illicit drug trafficking and drug abuse continued to rise. The 1994 report of the INCB stated that the worldwide drug menace had broken past geographic limits and outgrown its traditional classification as a criminal or social issue and penetrated the spheres of international politics and world economics. Drug organizations had become illegal transnational corporations. In 1994 the CND concluded that UNDCP should, once again, review existing international drug control instruments and activities in order to identify ways to strengthen the system and make appropriate changes. In June 1994, the International Conference on Preventing and Controlling Money Laundering and the Use of the Proceeds of Crime was held in Italy (see Crime Prevention and Criminal Justice, above).

### UN Bodies Concerned With Narcotics Control

#### The United Nations International Drug Control Programme

In December 1990, the General Assembly requested that the Secretary-General merge the various units of the organization that were concerned with drug control into a single, integrated program. In 1991, the United Nations International Drug Control Programme (UNDCP) integrated the functions of the Division of Narcotic Drugs, UNFDAC, and the secretariat for the INCB. Headquartered in Vienna, UNDCP is charged with the responsibility of coordinating and leading United Nations drug control activities. UNDCP is headed by an executive director. The program publishes a quarterly *Bulletin on Narcotics* as well as information letters, scientific notes, and publications on drug abuse control activities. UNDCP's budget comes from both the UN regular budget and from the voluntary Fund of UNDCP.

UNDCP's *Global Programme Against Money Laundering* assists governments to confront criminals who launder dirty drug money through the international financial system. The program provides training in financial investigation to business, law enforcement and judicial professionals.

UNDCP's *Global Assessment Programme (GAP)* supplies current statistics on illicit drug consumption worldwide. And UNDCP's *Legal Assistance Programme* works with states to implement drug control treaties by helping to draft legislation and train judicial officials. More than 1,400 key personnel have received legal training and over 130 countries worldwide have received legal assistance.

#### The Commission on Narcotic Drugs (CND)

The Commission on Narcotic Drugs is the main policy-making body within the United Nations system for all issues pertaining to international drug abuse control. It analyzes the world drug abuse situation and develops proposals to strengthen international efforts. It is one of the functional commissions of the Economic and Social Council. In addition, it prepares such draft international conventions as may be necessary; assists the council in exercising such powers of supervision over the application of international conventions and agreements dealing with narcotic drugs as may be assumed by or conferred on the council; and considers what changes may be required in the existing machinery for the international control of narcotic drugs and submits proposals thereon to the council. In addition, the commission has special functions under the 1961 Single Convention on Narcotic Drugs (see under The Treaty System, below), such as placing drugs under international control and making recommendations for the implementation of the aims and provisions of the convention, including programs of scientific research and the exchange of scientific or technical information. The commission also reviews implementation of the Global Programme of Action, provides policy guidance to UNDCP, and monitors its activities. The commission meets annually in regular or in special sessions.

#### The International Narcotics Control Board (INCB)

The International Narcotics Control Board is responsible for promoting compliance with the provisions of drug control treaties. It was created by the 1961 Single Convention on Narcotic Drugs as a successor to the Permanent Central Board and the Drug Supervisory Body. The members of the board are not government representatives but experts acting in their private, individual capacities.

The board has important functions to perform under the treaties. It watches over statistics of drug production, manufacture, trade, and consumption and also over the estimates needed for the coming year that states are required to furnish to it; if a state does not send estimates, the board makes them itself. The board may request any state to explain a condition that in its view indicates an improper accumulation of narcotic drugs. It may even recommend, in case of difficulties created by a country for the international control, that other states stop the shipment of drugs to that country. A most effective means of ensuring compliance is publicity: the reports of the board (and of other international bodies) ensure that the public is made aware of any situation that may contribute to the spread of drug abuse.

#### **Other United Nations Bodies Cooperating with UNDCP**

The *United Nations Interregional Crime and Justice Research Institute (UNICRI)* was formerly known as the United Nations Social Defence Research Institute. UNICRI carried out a four-year research study funded by UNDCP on the interaction between criminal behavior and drug abuse and on control measures adopted in individual countries. It conducts research, surveys, and workshops on the criminal aspects of drug abuse for UNDCP. UNICRI is more fully described above, under the Office on Drugs and Crime.

The *International Labour Organization (ILO)* carries out activities on drug-related problems in the workplace and on the vocational rehabilitation of recovering drug addicts. WHO and UNDCP prepared a multi-media resource kit to assist enterprises in developing solutions to those problems.

The *World Health Organization (WHO)* carries out activities related to drug dependence and other drug control activities assigned to it by international drug control treaties. WHO plays an integral role in determining which substances should be placed under international control, in accordance with the provisions of the 1961 Single Convention on Narcotic Drugs and the 1971 Convention on Psychotropic Substances. WHO's Global Programme on Drug Dependence cooperates with member states in the prevention, treatment, and management of drug addiction. WHO also develops guidelines and manuals for teachers and health professionals.

The *United Nations Educational, Scientific and Cultural Organization (UNESCO)* focuses on the prevention of drug abuse through public education and awareness. UNESCO works with media organizations in producing radio and television programs. With the support of UNDCP, UNESCO is carrying out research projects on drug use and prevention in Africa, Asia and the Pacific, and Latin America and the Caribbean.

The *International Maritime Organization (IMO)* is concerned with the transportation of illicit drugs by ships. IMO has compiled guidelines on the prevention of drug smuggling on ships engaged in international traffic. The guidelines set out security precautions, methods of concealments, actions to be taken when drugs are discovered, identification of addicts, and cooperation with customs.

The *International Civil Aviation Organization (ICAO)* seeks to counteract the shipment of illicit drugs by air. It develops technical specifications and guidance material for civil flights, and suggests measures to ensure that commercial carriers are not used to transport illicit drugs.

The *Universal Postal Union (UPU)* has carried out studies to establish international measures covering the shipment of illicit drugs through the mails.

The *Food and Agriculture Organization of the United Nations (FAO)* manages several multidisciplinary programs financed by UNDCP. FAO covers the agricultural aspects of the drug crisis. Its programs are aimed at raising the income level of farmers, and thereby reducing the incentive to cultivate narcotic crops. It has participated in UNDCP-financed projects in Bolivia, Myanmar, and Pakistan. FAO and UNDCP are studying the potential of remote sensing techniques and satellite imagery (already in use by FAO to predict droughts and other international crop statistics) in the detection of illicit crops.

The *United Nations Development Programme (UNDP)* incorporates drug abuse control programs into its development projects in Asia and the Pacific, and Latin America and the Caribbean. UNDP's resident coordinators and resident representatives work closely with the UNDCP in countries where serious drug problems exist.

The *United Nations Children Fund (UNICEF)* focuses on the world's 100 million street children, who are often drug abusers and/or drug sellers. UNICEF has programs in Latin America and the Caribbean to strengthen families and provide services to children in need. UNAIDS works with countries to help prevent the spread of HIV and help those already afflicted with the virus. The virus can infect drug abusers who share syringe needles.

#### **The Treaty System**

One of the tasks of the UN in drug control is to adapt international treaty machinery to changing conditions. Six agreements have been drawn up under United Nations auspices.

*The Paris Protocol of 1948.* The prewar international conventions on narcotics applied to all addictive products of three plants—the opium poppy, the coca bush, and the cannabis plant—and to products belonging to certain chemical groups known to have addictive properties. By the end of World War II, however, a number of synthetic narcotics not belonging to the defined chemical groups had been developed. A protocol signed in Paris on 19 November 1948 authorized WHO to place under international control any new drug not covered by the previous conventions that was or could be addictive. The Paris protocol came into force on 1 December 1949.

*The Opium Protocol of 1953.* Despite earlier international treaties on opium, its production continued and found its way into illicit channels. The Commission on Narcotic Drugs first proposed an international opium monopoly, with production quotas and a system of international inspection. It was impossible, however, to obtain agreement on such important questions as the price of opium and inspection rights.

A compromise was worked out by the United Nations Opium Conference, held in New York in May–June 1953, and was embodied in a Protocol for Limiting and Regulating the Cultivation of the Poppy Plant, the Production of, International Trade in, and Use of Opium. Under this protocol, only seven states—Bulgaria, Greece, India, Iran, Turkey, the USSR, and Yugoslavia—were authorized to produce opium for export. Producing states were required to set up a government agency to license opium poppy cultivators and designate the areas to be cultivated. Cultivators were to deliver all opium immediately after harvesting to this agency,

the only body with the legal right to trade in opium. The Permanent Central Narcotics Board, under the protocol, was empowered to employ certain supervisory and enforcement measures and, with the consent of the government concerned, to carry out local inquiries. The protocol came into force in December 1964.

*The Single Convention on Narcotic Drugs, 1961.* On 30 March 1961, a conference at United Nations headquarters adopted and opened for signature the Single Convention on Narcotic Drugs, 1961. This convention, which came into force on 13 December 1964, was a milestone in international narcotics control.

The first objective of the convention—codification of existing multilateral treaty law in this field—was almost achieved. The second goal—simplification of the international control machinery—was achieved: the Permanent Central Board and the Drug Supervisory Body were combined as the International Narcotics Control Board, as described earlier. The third goal was extension of control to cover cultivation of plants grown for narcotics. The treaty continued controls on opium, including national opium monopolies and the obligation of governments to limit production to medical and scientific purposes. Provisions dealing with medical treatment and rehabilitation of addicts were quite new as treaty obligations. Opium smoking, opium eating, coca-leaf chewing, hashish (cannabis) smoking, and the use of cannabis for non-medical purposes were prohibited. The convention required states that are parties to it to take special control measures for particularly dangerous drugs, such as heroin and ketobemidone. Earlier treaty provisions, requiring (1) that exports and imports of narcotic drugs be made only on government authorization from both sides, (2) that governments report on the working of the treaty, and (3) that they exchange, through the Secretary-General, laws and regulations passed to implement the treaty, were retained. Provisions for controlling the manufacture of narcotic drugs and the trade and distribution of narcotic substances also were continued, together with measures for controlling new synthetic drugs.

*The Convention on Psychotropic Substances, 1971.* During the 1960s there was increasing concern over the harmful effects of such drugs as barbiturates, amphetamines, LSD, and tranquilizers. WHO and the Commission on Narcotic Drugs recommended that governments take legislative and administrative control measures.

On the basis of a draft drawn up by the Commission on Narcotic Drugs, in close collaboration with WHO, a plenipotentiary conference for the adoption of a protocol on psychotropic substances met in Vienna in 1971, with 71 states represented. On 21 February 1971, it adopted and opened for signature the Convention on Psychotropic Substances, 1971. The convention has been in force since 1976.

The 1971 convention was a major step in the extension of international drug control. It contains a number of prohibitive measures for hallucinogens that present a high risk of abuse and have no therapeutic application. Special provisions regarding substances such as LSD prescribe, among other things, prohibition of their use except for research authorized and supervised by governments.

The requirement of licenses for manufacture, trade, and distribution, the supervision of these activities, and the repression of acts contrary to laws and regulations are applied to all of the drugs enumerated in the 1971 convention. Governments may lim-

it or prohibit the import (and export) of any psychotropic drug. With this regulatory system, governments can protect themselves against unwanted drugs. Psychotropic drugs used in therapy but with great abuse potential, such as sleeping pills, are controlled by requiring medical prescriptions and by supervision of export-import activity. International trade in the most dangerous stimulants—the amphetamines—is subject to a more stringent authorization system. Strict record-keeping of drug movements and statistical reports to the International Narcotics Control Board are also required.

A humane provision in the treaty requires that “all practicable measures for the prevention of abuse, the early identification, treatment, education, after-care, rehabilitation, and social reintegration of persons involved” be taken and that “either as an alternative to conviction or punishment or in addition to conviction or punishment, such abusers shall undergo measures of treatment, education, after-care, rehabilitation, and social reintegration.”

*The Protocol Amending the 1961 Single Convention on Narcotic Drugs, 1972.* A plenipotentiary conference adopted, on 25 March 1972, amendments to strengthen the international narcotics control system and to include new concepts and means.

The International Narcotics Control Board was increased from 11 to 13 members, to serve for five years instead of three. Technical measures included in the protocol concern limitation of the production of opium, seizure and destruction of illicitly cultivated opium poppies, and the option of the board to recommend technical or financial assistance to governments. The protocol, like the 1971 Convention, provides for after-care and rehabilitation of drug abusers. Also, drug offenders are made extraditable in any extradition treaty. The protocol came into force on 8 August 1975.

*Convention Against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances, 1988.* In recognition of the increasing difficulty faced by law enforcement and other government agencies in coping with the expansion of illicit drug trafficking, the General Assembly, in 1985, requested the Commission on Narcotic Drugs to prepare a new convention covering areas not adequately regulated by existing treaties.

In 1988, the United Nations convened a conference in Vienna that was attended by representatives of 106 nations. The conference adopted the new convention, which was immediately ratified by 43 nations. The convention entered into force on 11 November 1990.

World leaders met in New York 8–10 June 1998 in a special session of the UN General Assembly to adopt a worldwide plan to substantially reduce drug demand and supply by the year 2008. The session addressed guiding principles on reducing demand for illicit drugs, eradication of illicit crops and alternative development, amphetamine-type stimulants (stated as a priority requiring urgent action), money laundering, controlling precursor chemicals (intermediate substances used to manufacture drugs), and judicial cooperation to promote drug control. By February 2006, 179 states had ratified the 1988 convention.

The 34-article convention addresses the issues of tracing, freezing, and confiscating proceeds and property derived from drug trafficking. Courts may seize bank, financial, or commercial records, without the imposition of bank secrecy laws. The convention also provides for extradition of major drug traffickers, mutual legal assistance between states on drug-related investigations,

and transfer of proceedings for criminal prosecution. The convention also commits states to eliminate or reduce illicit demand for narcotic drugs and psychotropic substances. One of the most important provisions of the treaty, Article 12, sets forth two tables of substances used to manufacture illicit drugs and agrees to implement controls on the manufacture and shipment of such substances. In essence, Article 12 imposed the same controls on the chemicals used to manufacture illicit drugs as are imposed on the raw materials like opium and cocaine. The substances controlled by the convention included ephedrine, ergometrine, ergotamine, lysergic acide, 1-phenyl-2-proanone, pseudoephedrine, acetic anhydride, acetone, anthranilic acide, ethyl ether, phenylacetic acide, and piperidine.

#### Narcotic Drugs Under International Control

*Opium and Its Derivatives.* Opium, the coagulated juice of the poppy plant *Papaver somniferum L.*, was known to the Sumerians living in lower Mesopotamia in 3000 BC. It was used by the Greeks and Arabs for medicinal purposes and was probably introduced into China by the Arabs in the ninth or tenth century. The opium poppy can be grown in most of the habitable parts of the world and is often cultivated for its beautiful flowers or its seeds, which are a valuable food. As an addictive drug, opium was originally eaten or drunk as an infusion. The practice of smoking opium is only a few hundred years old.

The best-known derivatives of opium are morphine, codeine, and diacetylmorphine, more commonly called heroin. While morphine and codeine have valuable medicinal properties, heroin has no medical uses for which less dangerous analgesics cannot be substituted, and upon the recommendation of the Commission on Narcotic Drugs, its manufacture has been banned in most countries. A number of drugs are derived from morphine or are compounded with it, including ethylmorphine and benzylmorphine. Some morphine derivatives, such as apomorphine, are not addictive in themselves.

The most important drugs in national and international illicit traffic are still opium and its derivatives, in particular morphine and heroin. As a result of effective international controls, there has been little diversion of opium or opiates from legitimate channels into the illicit trade. There is, however, illicit production of opium in some countries. From these supplies, clandestine factories manufacture morphine that is converted into heroin. Opium contains as an average 10% of morphine, which is made into diacetylmorphine or heroin in equal weight by relatively simple methods. Clandestine factories have been moving closer to the opium-producing areas. Morphine can be extracted from poppy capsules whether or not the opium has been extracted; at least 30% of licit morphine comes from this process. When Turkey, in 1974, resumed cultivation of the opium poppy, which had been stopped two years earlier, it decided not to produce opium but to use the "poppy-straw method" for extraction of morphine. About 90% of the licit morphine is used to make codeine, whereas 90% of illicit morphine is used to make heroin. An effective way of eradicating heroin is to stop illicit poppy cultivation. This is the intent of the international treaties and also of crop substitution undertaken in several countries with the support of the UNDCP.

*Coca Leaf and Cocaine.* Coca leaves grow on an evergreen shrub, *Erythroxylon coca*, native to the mountainous western region of South America. The leaves are the raw material for the manufacture of cocaine. The leaves themselves have been chewed by some of the Andean peoples for centuries to help combat hunger and overcome the fatigue and exhaustion caused by the high altitude.

The Commission on Narcotic Drugs concluded that coca-leaf chewing is a dangerous habit and constitutes a form of addiction. In 1954, the Economic and Social Council recommended that the countries concerned should gradually limit the cultivation and export of coca leaf to medical, scientific, and other legitimate purposes and should progressively abolish the habit of coca-leaf chewing. At the same time, it was recognized that there was little chance of eliminating coca-leaf addiction unless the living conditions of those among whom the habit was widespread could be improved and that the problem must be attacked on this front as well.

Coca leaves are used to make licit cocaine, the production of which has declined to about one ton a year, but they are also used for the illicit market that supplies increasing quantities of this dangerous drug to North America, Western Europe, and other regions.

A new, more addictive, and more deadly form of cocaine called "crack" is an inexpensive, potent form of the base drug in crystalline form. It is usually smoked, giving a quick, intense high, which lasts only a few minutes. "Crack" is harmful to the brain, heart, lungs, and nervous system and produces serious psychological effects.

*Cannabis (Marijuana).* The plant *Cannabis sativa*, or the crude drug derived from it, is known under almost 200 different names—marijuana, hashish, Indian hemp, charas, ganji, kif, bhang, and maconha, to name a few. Widely used as an intoxicant by millions of people for at least 4,000 years, it can be grown in most parts of the inhabited world. Depending on the soil and cultivation, the plant grows to a height of one to 20 feet. The narcotic resin is found in the flowering tops.

Cannabis is used as a narcotic in many parts of Africa, the Middle East, and the Americas. Because the plant grows wild and is easy to cultivate illicitly, traffickers have little difficulty in obtaining cannabis. Statistics on users are not available, but their number must run well in the millions.

*Synthetic Narcotic Drugs.* A number of synthetic substitutes, especially for morphine, are widely used. They were placed under control by the 1948 protocol. They may and do give rise to abuse but in a relatively limited way, and there is little, if any, illicit traffic in them. The most widely known are pethidine and methadone.

*Psychotropic Substances.* Psychotropic substances placed under international control by the 1971 convention are listed, like narcotic drugs, in treaty schedules that may be modified from time to time by the Commission on Narcotic Drugs. They have widely different characteristics, and, according to complex criteria having to do with the dangers they present to the individual and society, they have been placed in four schedules with decreasing severity of control. In Schedule I are found mainly hallucinogens, such as LSD, mescaline, and psilocine. All are made by synthesis, but the last two are also found in plants, the peyotl cactus and the hal-

lucinatory mushroom, respectively. Schedule II contains mainly drugs of the amphetamine type that stimulate the central nervous system. They have limited therapeutic value but are widely abused, especially by young people who inject them intravenously, possibly causing psychoses. In Schedule III are found mainly the most powerful depressants of the central nervous system—barbiturates used as hypnotics (sleeping pills) by a very large number of consumers everywhere. These drugs, if used without therapeutic necessity, produce a form of addiction that can be extremely dangerous. Barbiturates are often used in association with heroin, with alcohol (with an especially dangerous interaction), and even with stimulants. Schedule IV has some barbiturate depressants and a number of tranquilizers. These constitute a very large body of medicaments supposed to eliminate anxiety and nervousness. Large quantities of such drugs as meprobamate and diaze-

pam are consumed without therapeutic need and may alter mood and behavior.

*Methamphetamines, amphetamines and other stimulants* are covered by the 1971 convention. In November 1996 UNDCP declared that the global rise in the abuse of amphetamine-type stimulants was likely to be a major drug problem in the 21st century. By 2000, the prediction had already been borne out. These stimulants have the potential to pose more health problems to society than heroin or cocaine because they are simple to produce and the necessary precursor materials are readily accessible. Phenyl-2-propanone (P2P) is an immediate precursor that can be easily synthesized into methamphetamine. Amphetamine-type stimulants are usually taken orally or injected. Crystalline d-methamphetamine hydrochloride, commonly referred to as “ice” or “crystal meth,” is ingested by smoking.

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# HUMAN RIGHTS

In the Preamble to the Charter, “the peoples of the United Nations” express their determination “to reaffirm faith in fundamental human rights, in the dignity and worth of the human person, in the equal rights of men and women and of nations large and small.” Article 1 of the Charter states that one of the purposes of the UN is to promote and encourage “respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion.” In Article 56, “all Members pledge themselves to take joint and separate action in cooperation with the Organization for the achievement” of this purpose. The Charter vests responsibility for assisting in the realization of human rights and fundamental freedoms in three of the principal organs: the General Assembly, the Economic and Social Council, and the Trusteeship Council. The Charter also provides for the establishment of commissions for the promotion of human rights as subsidiary bodies of the Economic and Social Council. As early as 1946, two such commissions were created: the Commission on Human Rights and the Commission on the Status of Women.

## THE INTERNATIONAL BILL OF RIGHTS

At the San Francisco Conference, a proposal to embody an international bill of rights in the Charter itself was put forward but was not pursued because it required more detailed consideration. The idea of establishing an international bill of rights, however, was regarded as inherent in the Charter. Even before the Charter was ratified and had entered into force and before the UN as an organization was established, steps were taken toward this goal. The Preparatory Commission of the UN and its Executive Committee, meeting in the fall of 1945, both recommended that the work of the Commission on Human Rights should be directed, in the first place, toward the formulation of an international bill of rights. The General Assembly agreed with these recommendations in January 1946. Accordingly, when the terms of reference of the Commission on Human Rights were laid down in February 1946, “an international bill of rights” was the first item on its work program.

When the Commission on Human Rights and its drafting committee started work on this ambitious project, it turned out that there was disagreement among the members about the form that the draft bill of rights should take. Some members thought the bill should be a “declaration” or “manifesto” that would be proclaimed by a resolution of the General Assembly. Others urged that it take the form of an international treaty, which, in addition to being approved by the General Assembly, would have to be opened for signature and for ratification or accession by governments and would be binding only on those governments that had ratified it or acceded to it. The relevant report of the drafting committee records that it was agreed by those who favored the declaration form that the declaration should be accompanied or followed by one or more conventions. It was also agreed by those who favored the convention form that the General Assembly, in recommending a

convention to member nations, might make a declaration wider in content or more general in expression. As a consequence, drafts of a “declaration” and of a “convention” were prepared, and studies were undertaken for the creation of international supervisory and enforcement machinery, called “measures of implementation.”

Eventually, the decision emerged that the international bill of rights should not be produced by one single, comprehensive, and final act but should consist of two or more international instruments, namely, a declaration and a convention (or covenant), and measures of implementation. Later, it was decided that there should be not one but two covenants—one on civil and political rights and the other on economic, social, and cultural rights—and that the provisions on the measures of implementation should be embodied in the texts of the covenants. The latter decision was modified somewhat in 1966, when the provisions regulating one specific aspect of the implementation arrangements, the right of petition (communication), were included in a separate optional protocol.

## The Universal Declaration of Human Rights

The Universal Declaration of Human Rights was prepared by the Commission on Human Rights in 1947 and 1948 and adopted and proclaimed by the General Assembly on 10 December 1948 by a vote of 48 in favor, none against, with 6 abstentions. Two representatives were absent. One of them stated later that, if he had been present, he would have voted in favor.

The Universal Declaration consists of a preamble and 30 articles. It proclaims—and in this regard it differs from the traditional catalog of the rights of man that are contained in various constitutions and fundamental laws of the 18th and 19th centuries and the first decades of the 20th century—not only civil and political rights but also rights that were eventually regulated in the International Covenant on Economic, Social and Cultural Rights.

The declaration proclaims, in Article 1, that all human beings are born free and equal in dignity and rights and, in Article 2, that everyone is entitled to all the rights and freedoms set forth in the declaration “without distinction of any kind, such as race, color, sex, language, religion, political or other opinion, national or social origin, property, birth or other status” and that “no distinction shall be made on the basis of the political, jurisdictional or international status of the country or territory to which a person belongs, whether it be independent, trust, non-self-governing or under any other limitation of sovereignty.”

In Articles 3 to 21, the declaration deals with the traditional civil and political rights, including the right to life, liberty, and security of person; freedom from slavery and servitude; freedom from torture or cruel, inhuman, or degrading treatment or punishment; equality before the law and equal protection of the law; freedom from arbitrary arrest, detention, or exile; the right to be presumed innocent until proved guilty; the right to protection against arbi-

trary interference with one's privacy, family, home, or correspondence and to protection against attacks upon one's honor and reputation; freedom of movement and residence; the right to leave any country, including one's own; the right to seek and enjoy in other countries asylum from persecution; the right to a nationality and the right to change one's nationality; the right of men and women of full age to marry, without any limitation due to race, nationality, or religion; freedom of thought, conscience, and religion; the right to own property and not to be arbitrarily deprived of it; freedom of opinion and expression; the right to peaceful assembly and association; the right to take part in the government of one's country; and the right to equal access to public service.

Economic, social, and cultural rights (Articles 23 to 27) are introduced by Article 22, which states generally that "everyone, as a member of society, has the right to social security" and is entitled to the realization of "economic, social and cultural rights indispensable for his dignity and the free development of his personality." The article implies, however, that those economic, social, and cultural rights are not everywhere and immediately achievable. It states that the "realization" of these rights is to be brought about "through national effort and international cooperation and in accordance with the organization and resources of each state."

The declaration affirms everyone's right to work, to free choice of employment, to just and favorable conditions of work, and to protection against unemployment. It affirms the right of everyone to equal pay for equal work; to "just and favorable remuneration"; to form and join trade unions; to "a standard of living adequate for the health and well-being of himself and of his family"; and to "rest and leisure, including reasonable limitation of working hours and periodic holidays with pay." It also proclaims "the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond [one's] control." Everyone has the right to education, which "shall be free, at least in the elementary and fundamental stages" and compulsory on the elementary level. The declaration affirms everyone's right "freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits."

Article 28 asserts that "everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized." In the exercise of individual rights and freedoms, everyone shall be subject only to such limitations as are determined by law. Such limitations, according to Article 29, shall be "solely for the purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order, and the general welfare in a democratic society." Article 30 states that nothing in the declaration may be interpreted as implying for any state, group, or person "any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms" set forth in the declaration.

The Universal Declaration of Human Rights was adopted, not in the form of an international convention that, when ratified, is legally binding on the states that are parties to it, but in the form of a resolution of the General Assembly, as "a common understanding" of the rights and freedoms that member states have pledged themselves to respect and observe and as "a common standard of achievement for all peoples and all nations." In the view of most of

those who were instrumental in its preparation and adoption, the declaration was not meant to be a "binding" instrument. However, as soon as the declaration was adopted, it began to be used as a code of conduct and as a yardstick to measure the compliance by governments with the international standards of human rights.

In countless allegations of human rights violations that it has been called upon to examine, the UN has had recourse to the declaration, whether it was dealing with allegations of forced labor, with discrimination in non-self-governing and trust territories, with customs and practices inconsistent with the dignity of women, or with other violations of human rights. The declaration also has played an important role in the activities of specialized agencies, such as the ILO, UNESCO, and ITU, and in regional organizations, such as the OAS, the Council of Europe, and the OAU.

The declaration has thus acquired a validity beyond that originally contemplated in 1948. The international community, both the states that had been instrumental in its creation and those that later achieved independence, used the declaration for the purpose of fulfilling an assignment greater and more far-reaching than that originally carved out for it. Today, the declaration has acquired the status of customary international law and is valid for all states that have ratified it.

### The International Covenants on Human Rights

The Commission on Human Rights, the Economic and Social Council, and the General Assembly devoted 19 years (1947–66) to the preparation of the International Covenants on Human Rights. One problem that created a considerable amount of controversy, particularly in the early years, was whether the treaty that would give legal effect to the rights and freedoms set forth in the Universal Declaration of Human Rights should regulate only those rights that traditionally have been guaranteed in national constitutions or catalogs of rights and are known as "civil and political rights" or whether the treaty should also set forth "economic, social and cultural rights."

As already indicated, it was eventually decided that there should be two covenants dealing with the two sets of provisions, respectively. The principal reason for having two separate instruments regulating the two groups of rights was the fundamentally different character of the rights concerned, which led some even to question whether "economic, social and cultural rights" are, technically, rights at all—in the sense of enforceable and justiciable rights. The different character of these rights made it necessary to provide for a difference in the type of international obligations to be undertaken by states that are parties to one or the other, or both, of the two covenants. Another reason for establishing two different covenants was thought to be the necessity to adjust the arrangements for international supervision—the "measures of implementation"—to the different character of the rights.

In the International Covenant on Civil and Political Rights, each state party undertakes to *respect* and to *ensure* to all individuals within its territory and subject to its jurisdiction the rights recognized in that covenant. In the International Covenant on Economic, Social and Cultural Rights, each state party undertakes only to *take steps*, individually and through international assistance and cooperation, to the maximum of its available resources, *with a view to achieving progressively* the full realization of the rights recognized in that covenant. Subject to certain exceptions and



modifications, the International Covenant on Civil and Political Rights imposes upon states parties the obligation to maintain defined standards. The states parties to the International Covenant on Economic, Social and Cultural Rights assume the obligation to promote an objective—the achievement of human rights.

By and large, the two covenants between them cover the rights proclaimed in the Universal Declaration of Human Rights, as they have been described above, but there are considerable differences between the Universal Declaration and the covenants.

The provisions of the Universal Declaration proclaiming that everyone has a right to own property and that everyone has the right to seek and to enjoy in other countries asylum from persecution have no counterpart in the covenants. On the other hand, the covenants deal with a number of questions in regard to which the declaration contains no provision. An example is the provision of both covenants that all peoples have the right to self-determination “by virtue of which they freely determine their political status and freely pursue their economic, social, and cultural development.”

The International Covenant on Civil and Political Rights, but not the declaration, protects aliens against expulsion, entitles everyone not to be compelled to testify against himself or herself or to confess guilt, provides for a right to compensation for miscarriage of justice, and also provides that no one shall be liable to be tried or punished again for an offense for which he or she has already been finally convicted or acquitted. The covenant prohibits any propaganda for war and any advocacy of national, racial, or religious hatred. It provides for the protection of ethnic, religious, and linguistic minorities. The declaration does not contain corresponding provisions.

The International Covenant on Economic, Social and Cultural Rights contains provisions on the right to work and to enjoy just and favorable conditions of work; the right to form and join trade unions and, subject to the law of the land, the right to strike; the right to social security, including social insurance and the protection of the family; the right to an adequate standard of living and freedom from hunger; the right to the enjoyment of the highest attainable standards of physical and mental health; the right to education; and the right to take part in cultural life.

The International Covenant on Economic, Social, and Cultural Rights and the International Covenant on Civil and Political Rights are legally binding human rights agreements. Both were adopted by the General Assembly in 1966 and entered into force ten years later, making many of the provisions of the Universal Declaration of Human Rights effectively binding. As of 19 April 2006, 153 states were party to the Covenant on Economic, Social, and Cultural Rights; and 156 states were party to the Covenant on Civil and Political Rights.

### Measures of Implementation

The states parties to the Covenant on Economic, Social and Cultural Rights undertake to submit to the Economic and Social Council reports on the measures that they have adopted and the progress made in achieving the observance of the rights recognized in that covenant. Until 1986, the Economic and Social Council entrusted the task of examining such reports to a working group. Since then, this task has been carried out by the Committee on Economic, Social and Cultural Rights, an eight-member group of experts elect-

ed by the council to serve in their personal capacity. The committee submits to the council a summary of its consideration of the reports of states parties and makes suggestions and recommendations of a general nature.

Under the International Covenant on Civil and Political Rights, a Human Rights Committee was established to consider reports submitted by states parties on measures taken to implement the covenant's provisions and also to consider communications alleging violations under the Optional Protocol, which provides for consideration of communications from individuals who claim to be victims of violations of any rights set forth in the covenant. However, only claims against states parties to the protocol can be considered. The Optional Protocol entered into force 23 March 1976, and as of 19 April 2006, 105 states were party to it. The Second Optional Protocol to the International Covenant on Civil and Political Rights, which aims to abolish the death penalty, was adopted by the General Assembly 15 December 1989 and entered into force roughly two years later, when 10 states had ratified it. As of August 2002, 47 states were party to it.

Apart from the right of individual complaint under the specific procedure of the Optional Protocol, thousands of letters and reports alleging human rights violations are received each year by the UN. Communications containing complaints of violations of human rights are summarized and sent confidentially to the members of the Commission on Human Rights and its Subcommittee on Prevention of Discrimination and Protection of Minorities; copies of the complaint also are sent to the member states named. The identity of the writers is not disclosed unless they have consented to disclosure. Any replies from the government are forwarded to the commission and subcommission.

The subcommission, if it finds that the communications appear to reveal “a consistent pattern of gross and reliably attested violations” of human rights, may refer the situation to the commission, which, in turn, can decide to carry out a thorough study of the situation or to name an ad hoc committee to investigate it. All these procedures are confidential and are dealt with in private meetings until a report, if any, is made by the Commission on Human Rights to the Economic and Social Council.

The Commission on Human Rights and its subcommission also consider in public session each year the question of violations of human rights and fundamental freedoms, including racial discrimination and apartheid, in various countries and territories. For example, since 1967, an ad hoc working group of experts of the commission has reported regularly on allegations of ill-treatment of opponents of apartheid and other racist policies, and on the treatment of political prisoners and detainees, in South Africa and Namibia.

Since 1968, the commission has been considering the question of the violation of human rights in the territories occupied by Israel as a result of the 1967 hostilities in the Middle East, including violations of the 1949 Geneva Convention concerning the protection of civilian persons in time of war.

In 1975, the commission established a five-member working group to study the human rights situation in Chile. The group visited Chile in 1978 and submitted a report to the General Assembly and the commission. After the completion of the group's mandate, the commission appointed a special rapporteur in 1979 to continue to study the situation. The commission has also requested

that studies or reports be prepared by special rapporteurs or by the Secretary-General on the human rights situation in Afghanistan, Bolivia, El Salvador, Equatorial Guinea, Guatemala, Iran, and Poland.

In addition, the commission and its subcommission have studied specific phenomena of particularly serious violations of human rights. Thus, working groups have been established—on southern Africa, on enforced or involuntary disappearances, on slavery, and on indigenous populations—and special rapporteurs have been appointed to examine the question of summary or arbitrary executions and questions concerning torture, religious intolerance, and the use of mercenaries.

## OTHER HUMAN RIGHTS CONVENTIONS

The UN and two of the specialized agencies, the ILO and UNESCO, have prepared and put into force a number of conventions in the human rights field that, while not as comprehensive as the International Bill of Rights, deal with important specific rights. (Conventions on racial discrimination and on the status of women are discussed in separate sections below.)

### Prevention and Punishment of Genocide

In 1948, the General Assembly adopted the Convention on the Prevention and Punishment of the Crime of Genocide. The convention entered into force in 1951. As of 19 April 2006, it had been acceded to or ratified by 138 states. Under the convention, genocide means any of the following acts committed with intent to destroy in whole or in part a national, ethnic, racial, or religious group as such: (a) killing members of the group; (b) causing serious bodily or mental harm to members of the group; (c) deliberately inflicting on the group conditions of life calculated to bring about its physical destruction in whole or in part; (d) imposing measures intended to prevent births within the group; and (e) forcibly transferring children of the group to another group. One result of the convention is that the states parties place it beyond doubt that genocide (and conspiracy, incitement, and attempt to commit it and complicity in it), even if perpetrated by a government in its own territory against its own citizens, is not a matter essentially within the domestic jurisdiction of states but one of international concern. States parties confirm that genocide, whether committed in time of peace or in time of war, is a crime under international law that they undertake to prevent and to punish. Any contracting party can call upon UN organs to intervene.

### Freedom of Association

The Freedom of Association Convention of 1948 (in force since 1950) was the first major achievement of the joint efforts of the UN and the ILO in the field of international legislation on human rights problems. By this convention, states parties undertake to give effect to the right of workers and employers, without distinction whatsoever, to establish and join organizations of their own choosing without previous authorization. In exercising the rights provided for in the convention, workers and employers and their respective organizations, like other persons or organized groups, shall respect the law of the land. However, the law of the land shall not be such as to impair, nor shall it be so applied as to impair, the guarantees provided in the convention.

Under the Right to Organize and Collective Bargaining Convention of 1949 (in force since 1951), workers shall enjoy ad-

equated protection against acts of antiunion discrimination in their employment, particularly in respect to acts calculated to make the employment of a worker subject to the condition that the worker shall not join a union or shall relinquish trade union membership.

### Freedom of Information

Out of the very ambitious legislative program of the UN and the specialized agencies to guarantee through international instruments the right set forth in Article 19 of the Universal Declaration of Human Rights to seek, receive, and impart information and ideas through any medium and regardless of frontiers, only the Convention on the International Right of Correction has been adopted. At a UN Conference on Freedom of Information held in 1948, two additional conventions in this field were drafted—a general Convention on Freedom of Information and a Convention on the International Transmission of News—but these have not yet been opened for signature and ratification, although the General Assembly has approved the latter convention.

The idea underlying the Convention on the International Right of Correction, which was opened for signature in 1953 and has been in force since 1962, is the attempt to transfer to the international level an institution that has been part of national law in a great number of countries. In the convention, the contracting states agree that in cases where a contracting state contends that a news dispatch capable of injuring its relations with other states or its national prestige or dignity, transmitted from one country to another by correspondents or information agencies and published or disseminated abroad, is false or distorted, it may submit its version of the facts (called a communiqué) to the contracting states within whose territories such dispatch has been published or disseminated. The receiving state has the obligation to release the communiqué to the correspondents and information agencies operating in its territory through the channels customarily used for the release of news concerning international affairs for publication.

### Protection of Refugees and Stateless Persons

In the Convention Relating to the Status of Refugees of 1951 (in force since 1954, with a protocol of 1967) and the Convention Relating to the Status of Stateless Persons of 1954 (in force since 1969), far-reaching provisions for the protection of refugees and stateless persons were enacted. Two principles are the basis of both conventions: (1) there shall be as little discrimination as possible between nationals on the one hand and refugees or stateless persons on the other, and (2) there shall be no discrimination based on race, religion, or country of origin at all among refugees and stateless persons.

In 1961, a conference of plenipotentiaries adopted the Convention on the Reduction of Statelessness, which entered into force in 1975.

### Abolition of Slavery, the Slave Trade, and Forced Labor

The fight against slavery has been an international concern since the beginning of the 19th century. In more recent times, under the auspices of the League of Nations, the Slavery Convention of 1926 was enacted, by which the contracting parties undertook to prevent and suppress the slave trade and to bring about “progressively and as soon as possible” the complete abolition of slavery in

all its forms. Under UN auspices, the Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery was adopted in 1956 and has been in force since 1957. Under the convention, states parties undertake to bring about, also “progressively and as soon as possible,” the complete abolition or abandonment not only of slavery but also of other objectionable practices, such as debt bondage and serfdom.

By the Convention Concerning the Abolition of Forced Labor, adopted by the International Labor Conference in 1957 and in force since 1959, states parties undertake to suppress and not to make use of any form of forced or compulsory labor as a means of political coercion or education or as a punishment for holding or expressing political views or views ideologically opposed to the established political, social, or economic system; as a punishment for having participated in strikes; or as a means of racial, social, national, or religious discrimination.

#### **Equality in Employment and Occupation**

By the Convention on Discrimination in Employment and Occupation, adopted by the International Labor Conference in 1958 (in force since 1960), each state party undertakes to declare and pursue a national policy designed to promote, by methods appropriate to national conditions and practices, equality of opportunity and treatment with respect to employment and occupation, with a view to eliminating discrimination. The fulfillment of the obligations undertaken by this convention is subject to the supervisory arrangements that apply under the constitution of the ILO.

#### **Equality in Education**

In 1960, the General Conference of UNESCO adopted the Convention Against Discrimination in Education (in force since 1962). Like the Discrimination (Employment and Occupation) Convention, the Convention Against Discrimination in Education prohibits any distinction, exclusion, limitation, or preference based on race, color, sex, language, religion, political or other opinion, national or social origin, economic condition, or birth that has the purpose or effect of impairing equality of treatment in education. The establishment or maintenance of separate educational systems or institutions for pupils of the two sexes is not prohibited, provided that these systems or institutions offer equivalent access to education and provide teaching staffs meeting the same standards of qualification. A special protocol adopted in 1962 institutes a Conciliation and Good Offices Commission to be responsible for seeking a settlement of any disputes that may arise between the states parties to the convention.

#### **Non-Applicability of Statutory Limitations to War Crimes and Crimes Against Humanity**

In 1968, the General Assembly adopted the Convention on the Non-Applicability of Statutory Limitations to War Crimes and Crimes Against Humanity. The convention, in force since 1970, provides that no statutory limitation shall apply to war crimes and crimes against humanity, irrespective of the date of their commission. It also revises and extends the concepts of war crimes and crimes against humanity as they were defined in 1945 in the Charter of the International Military Tribunal and were applied and interpreted by the tribunal. The states parties to the 1968 convention undertake to adopt all necessary domestic measures with a view

to making possible the extradition of persons who have committed such crimes.

#### **WAR CRIMES RECORDS**

Records of the International Military Tribunal (Nuremberg) and the International Military Tribunal for the Far East (Tokyo) are in the UN Archives in New York. Also deposited there are the records of various national military tribunals that were submitted to the UN War Crimes Commission established in London by a meeting of Allied and Dominion representatives in October 1943, two years before the UN was created. The following 17 countries were members of the commission: Australia, Belgium, Canada, China, Czechoslovakia, Denmark, France, Greece, India, Luxembourg, Netherlands, New Zealand, Norway, Poland, United Kingdom, United States, and Yugoslavia. The commission's primary task was to collect, investigate, and record evidence of war crimes and to report to the governments concerned those instances where the material available appeared to disclose a prima facie case. The commission took no part in the detention of persons listed or in the prosecution of the cases. It ended its work in March 1948 and deposited its records in the UN Archives with the stipulation that access to the records be limited to requests by governments for information on specific individuals. Following consultations among representatives of the former members of the commission in September/October 1987, its chairman recommended to the UN Secretary-General that the files be opened to governments for research into and investigation and prosecution of war crimes and to individuals, with the permission of the government of which they are nationals or permanent residents, for research into the history and work of the commission and into war crimes.

#### **Prevention and Punishment of Crimes Against Internationally Protected Persons**

In 1973, the General Assembly adopted the Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons, Including Diplomatic Agents. The convention, in force since 1977, aims at preventing the commission of acts of terrorism against heads of state, heads of government, ministers of foreign affairs, representatives of states, and officials of international organizations, as well as members of their families who accompany them or form part of their households. Each state party to the convention agrees to make murder, kidnapping, or other attacks upon the person or liberty of an internationally protected person or a violent attack upon his official premises, private accommodations, or means of transport a punishable crime. States agree to cooperate in the prevention of these crimes and in the prosecution and punishment of offenders.

#### **Prevention of Torture and Other Cruel, Inhuman, or Degrading Treatment or Punishment**

In 1975, the General Assembly proclaimed the Declaration on the Protection of All Persons from Being Subjected to Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment. The declaration spells out in greater detail the provisions of the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights that no one may be subjected to torture or to cruel, inhuman, or degrading treatment or punishment.

The declaration was given binding legal form in 1984, when the General Assembly adopted the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment. In the convention, which came into force on 26 June 1987, torture is defined as any act by which severe physical or mental pain is intentionally inflicted by, at the instigation of, or with the acquiescence of someone acting in an official capacity, whether to obtain information or a confession; to punish, intimidate, or coerce; or for reasons based on discrimination. It does not include pain or suffering arising only from, inherent in, or incidental to lawful sanctions. States parties undertake to prevent torture in their jurisdictions and ensure that it is legally punishable. No exceptional circumstances, such as war, the threat of war, internal political instability, or any other emergency, may be invoked to justify torture, nor can a torturer be excused by virtue of having acted under orders. The convention provides for extradition of persons believed to have committed acts of torture and for protection and compensation for torture victims. As of 19 April 2006, 141 states were party to this convention.

#### **Convention on the Rights of the Child**

In November 1989, the General Assembly adopted the Convention on the Rights of the Child, based on the draft proposed by the Commission on Human Rights in March of that year. The convention, which came into force in September 1990, had 192 states party to it as of 19 April 2006 (the two states not party to the convention as of that date were the United States of America and Somalia). The convention recognizes and protects a wide range of civil rights and liberties. It acknowledges the importance of a secure and healthy family or alternative environment; provides for education, leisure, and cultural activities; and states that children in emergencies are entitled to special protection and that children who are in conflict with the law must be guaranteed basic rights. The convention also stipulates that children should be protected from any form of exploitation.

In accordance with article 43 of the Convention, a Committee on the Rights of the Child was established in February 1991. The committee meets twice a year to consider periodic reports submitted by states which give details of their effective implementation of the provisions of the convention. The committee submits to the General Assembly, through the Economic and Social Council, a report on its activities every two years.

#### **International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families**

In December 1990, the General Assembly adopted a convention that takes into account the importance and extent of the migration phenomenon, which involves millions of people and affects a large number of states in the international community. In particular, the convention stipulates that all migrant workers and members of their families have the same right to equality with nationals of the state where they are engaged in remunerated activity. The convention entered into force on 1 July 2003; as of April 2006, 34 states were party to it.

## **REGIONAL HUMAN RIGHTS INSTRUMENTS**

The work of the UN in the human rights field, for which the provisions of the Charter have been the point of departure, has also in-

spired important developments in the protection of human rights on the regional level by the Council of Europe, the Organization of American States, and the Organization of African Unity (now African Union).

#### **The European Convention on Human Rights**

Under the auspices of the Council of Europe, the European Convention on Human Rights was signed in 1950 and entered into force in 1953. The convention is based on an early draft of what is now the International Covenant on Civil and Political Rights. It was concluded by the governments of European countries "to take the first steps for the collective enforcement of certain of the rights stated in the Universal Declaration of Human Rights." It was subsequently supplemented by five additional protocols. As far as the substantive provisions are concerned, the European Convention and the International Covenant on Civil and Political Rights cover, more or less, the same ground, although there are a number of important differences between the two instruments.

The European Convention established two internal organs "to ensure the observance of the engagements undertaken by the High Contracting Parties in the present Convention"—that is, the European Commission on Human Rights and the European Court of Human Rights. Any party to the convention has the right to refer to the commission any alleged breach of the convention by another party. The commission may also receive petitions from any person, nongovernmental organization, or group of individuals claiming to be the victim of a violation, by one of the parties, of the rights set forth in the convention and in the relevant protocols. The exercise of this power by the commission is subject to the condition that the state against which the complaint is directed has recognized this competence of the commission.

If the commission does not succeed in securing a friendly settlement on the basis of respect for human rights as defined in the convention, it draws up a report on the facts and states its opinion as to whether the facts found disclose a breach by the state concerned of its obligations under the convention. The final decision is taken either by the Committee of Ministers of the Council of Europe, a political organ, or, if it has jurisdiction and the matter is referred to it, by the European Court of Human Rights.

#### **The European Social Charter**

The European Social Charter is the European counterpart to the International Covenant on Economic, Social and Cultural Rights. The provisions of the European Social Charter, however, are more specific and detailed. It has established a reporting procedure. The reports are examined by a committee of independent experts, which submits its conclusions to a governmental social subcommittee. The Consultative Assembly of the Council of Europe is consulted. In the final stage, the Committee of Ministers may make any recommendation that it considers necessary to any contracting party in the areas of economic, social, and cultural rights.

#### **The American Convention on Human Rights**

In 1948, several months before the adoption by the General Assembly of the Universal Declaration of Human Rights, the Ninth International Conference of American States, meeting in Bogotá, adopted the American Declaration of the Rights and Duties of Man. This declaration was followed in 1969 by the signing in

San José, Costa Rica, of the American Convention on Human Rights. The convention, in force since 1978, is a very comprehensive instrument, similar to both the European Convention on Human Rights and the International Covenant on Civil and Political Rights. The organs of implementation of the Pact of San José are the Inter-American Commission on Human Rights (corresponding to the European Commission and to the Human Rights Committee under the International Covenant on Civil and Political Rights) and the Inter-American Court of Human Rights. While the right of petition of individuals is optional under the European Convention and the International Covenant on Civil and Political Rights, in the inter-American system, every state party accepts the right of petition automatically.

#### **The African Charter on Human and Peoples' Rights**

In 1981, the Assembly of Heads of State and Government of the Organization of African Unity (now African Union), meeting in Nairobi, Kenya, adopted the African Charter on Human and Peoples' Rights. The charter, which came into force on 21 October 1986, provides for an African Commission on Human and Peoples' Rights, composed of 11 members elected by the assembly, to promote and protect the rights set forth in the charter. The provisions of the charter are similar to those of the Universal Declaration of Human Rights but with special reference to African traditions of rights and freedoms, including the right to self-determination and the right of peoples to dispose of their wealth and natural resources.

### **THE FIGHT AGAINST RACIAL DISCRIMINATION**

The idea of the equality of races emerged as the one that, more than any other, has dominated the thoughts and actions of the post-World War II period. The aim of racial equality has permeated the lawmaking and the standard-setting activities of the UN family of organizations and also the day-to-day work of many of its organs. The Charter, the Universal Declaration of Human Rights, and the two International Covenants on Human Rights prohibit discrimination on the grounds of race or color, as do the conventions against discrimination in employment and occupation and in education that have already been described.

#### **The Declaration on the Elimination of All Forms of Racial Discrimination**

In 1963, the General Assembly proclaimed the Declaration on the Elimination of All Forms of Racial Discrimination, which affirms that discrimination between human beings on the grounds of race, color, or ethnic origin is an offense to human dignity, a denial of Charter principles, a violation of the rights proclaimed in the Universal Declaration of Human Rights, and an obstacle to friendly and peaceful relations among peoples.

#### **The International Convention on the Elimination of All Forms of Racial Discrimination**

In 1965, the General Assembly adopted the International Convention on the Elimination of All Forms of Racial Discrimination which entered into force in January 1969. As of 19 April 2006, it had been acceded to or ratified by 170 states. Under the convention, states parties undertake not only to condemn racial discrimination and pursue a policy of eliminating it in all its forms but also

to prohibit and bring to an end, by all appropriate means, including legislation as required by circumstances, racial discrimination by any individual, group, or organization. States parties undertake to declare it an offense punishable by law to disseminate ideas based on racial superiority or hatred or that are an incitement to racial discrimination. They also commit themselves to declare illegal and prohibit organizations that promote and incite racial discrimination and to recognize participation in such organizations as an offense punishable by law. The convention provides for the establishment of international supervisory machinery similar to that laid down in the International Covenant on Civil and Political Rights but contains tighter provisions.

Under the convention, an 18-member Committee on the Elimination of Racial Discrimination was established, which, like the Human Rights Committee provided for in the International Covenant on Civil and Political Rights, has the function of considering reports by states and allegations by a state party that another state party is not giving effect to the provisions of the convention. States parties to the convention also may recognize the competence of the Committee on the Elimination of Racial Discrimination to receive and consider petitions (communications) from individuals or groups of individuals. In the last instance, the International Court of Justice can be apprised of disputes with respect to the interpretation and application of the convention.

#### **The International Convention on the Suppression and Punishment of the Crime of Apartheid**

In 1973, the General Assembly adopted the International Convention on the Suppression and Punishment of the Crime of Apartheid which entered into force in July 1976. By 19 April 2006, it had been acceded to or ratified by 106 states. The convention provides that international responsibility for the crime of apartheid shall apply to individuals, members of organizations and institutions, and representatives of a state, whether residing in the state in which the acts are perpetrated or elsewhere. Persons charged can be tried by any state party to the convention. A three-member group of the Commission on Human Rights meets each year to review progress in implementing the convention.

#### **The International Declaration and the International Convention Against Apartheid in Sports**

The International Declaration Against Apartheid in Sports, adopted by the General Assembly in 1977, calls on states to take all appropriate action to cease sporting contacts with any country practicing apartheid and to exclude or expel any such country from international and regional sports bodies.

The International Convention Against Apartheid in Sports, adopted by the General Assembly in 1985, gave the provisions of the declaration a binding legal form. It entered into force in April 1988. As of 19 April 2006, it had been acceded to or ratified by 59 states.

#### **Other Action to Combat Racism and Racial Discrimination**

In 1972, the General Assembly decided to launch a Decade for Action to Combat Racism and Racial Discrimination, to begin on 10 December 1973, the 25th anniversary of the Universal Declaration of Human Rights, and in 1973, the General Assembly approved a comprehensive and ambitious program for the decade. Among its goals were the following: to promote human rights for all without

distinction of any kind on grounds of race, color, descent, or national or ethnic origin, especially by eradicating racial prejudice, racism, and racial discrimination; to arrest any expansion of racist policies; to identify, isolate, and dispel the fallacious and mythical beliefs, policies, and practices that contribute to racism and racial discrimination; and to put an end to racist regimes.

While there was not necessarily complete unanimity in the General Assembly on every phrase and formulation of the relevant decisions on the decade adopted in 1972, 1973, and 1974, there was a general consensus in support of its goals. However, at the 1975 session of the General Assembly, a resolution was adopted by which the General Assembly determined that "Zionism is a form of racism and racial discrimination." The resolution was adopted by 72 votes to 35, with 32 abstentions. Among those strongly opposed were the nine members of the European Economic Community, as well as the United States, Canada, Australia, and New Zealand, and other states of Western Europe, Latin America, and Africa. Many of these states declared that the resolution radically changed the concept of the decade and would therefore change their attitude toward it.

The midpoint of the decade was marked by a world conference held in Geneva in August 1978. The conference adopted recommendations for comprehensive mandatory sanctions against the racist regimes of southern Africa, elimination of all discriminatory laws and practices, adoption of laws to punish dissemination of ideas based on racial superiority or hatred, and promotion of the rights of indigenous peoples and migrant workers. In 1979, the General Assembly adopted a program for the remaining four years of the decade, and in 1982, it decided that a second conference would be held in 1983.

The Second World Conference to Combat Racism and Racial Discrimination, held in Geneva in August 1983, was attended by representatives of 128 states, as well as of UN organs and specialized agencies and of intergovernmental and nongovernmental organizations. The conference adopted a declaration and a program of action in which it noted that "in spite of the efforts of the international community during the Decade, at the national, regional and international levels, racism, racial discrimination and apartheid continue unabated and have shown no sign of diminishing." The program of action contained practical suggestions on matters such as action to combat apartheid; education, teaching, and training; dissemination of information and the role of the mass media in combating racism and racial discrimination; measures for the promotion and protection of the human rights of minority groups, indigenous peoples, and migrant workers who are subject to racial discrimination; recourse procedures for victims of racial discrimination; implementation of the International Convention on the Elimination of All Forms of Racial Discrimination and other related international instruments; national legislation and institutions; seminars and studies; action by nongovernmental organizations; and international cooperation.

On the recommendation of the conference, the General Assembly proclaimed the Second Decade to Combat Racism and Racial Discrimination, on 22 November 1983, and called for renewed and intensified efforts and for implementation of the program of action approved by the conference.

On 20 December 1993, the General Assembly proclaimed the Third Decade to Combat Racism and Racial Discrimination

(1994–2003). Also in 1993, the Commission on Human Rights appointed a special rapporteur on contemporary forms of racism, racial discrimination, xenophobia and related intolerance. The special rapporteur reports on institutionalized and indirect forms of racism and racial discrimination against national, racial, ethnic, linguistic and religious minorities and migrant workers. The rapporteur's mandate also emphasizes new manifestations of racism and xenophobia in developed countries. The Third Decade took a broad view of racism, noting that all societies in the world are afflicted by racial discrimination. The roots of racism were addressed, as were changes necessary to prevent eruption of conflicts caused by racial discrimination. Ethnic cleansing and genocide came under consideration, as well as the institutionalization of xenophobia.

In 1997, the General Assembly decided to convene the Third World Conference against Racism, Racial Discrimination, Xenophobia, and Related Intolerance, which took place from 31 August to 8 September 2001 in South Africa. The UN slogan for the World Conference was "United to Combat Racism: Equality, Dignity, Justice." Five themes were identified for the conference: (1) the sources, causes, forms and contemporary manifestations of racism, racial discrimination, xenophobia and related intolerance; (2) victims of racism, racial discrimination, xenophobia and related intolerance; (3) measures of prevention, education and protection aimed at the eradication of racism, racial discrimination, xenophobia and related intolerance at the national, regional, and international levels; (4) provision of effective remedies, recourses, redress and other measures, at the national, regional and international levels; and (5) strategies to achieve full and effective equality, including international co-operation and enhancement of the UN and other international mechanisms in combating racism, racial discrimination, xenophobia and related intolerance.

## THE WORK OF THE UN RELATING TO THE STATUS OF WOMEN

The work of the UN relating to the status of women, aimed at achieving equal rights for men and women, is an important part of the UN's efforts to promote and to encourage respect for human rights and fundamental freedoms. The organ given the main responsibility in this field is the Commission on the Status of Women, a functional commission of the Economic and Social Council, established in 1946. Almost all the achievements of the UN in this matter are due to the initiative and work of the commission.

### The Convention on the Political Rights of Women

The Convention on the Political Rights of Women, adopted in 1952 and in force since 1954, represented the culmination of the endeavors of generations of fighters for women's rights. It provides that women shall be entitled to vote in all elections, that they shall be eligible for election to all publicly elected bodies, and that they shall be entitled to hold public office and to exercise all public functions on equal terms with men and without any discrimination.

### The Convention on the Nationality of Married Women

The Convention on the Nationality of Married Women, adopted in 1957 and in force since 1958, provides that neither the celebration nor the dissolution of marriage between a national and an

alien, nor the change of nationality by the husband during marriage, shall automatically affect the nationality of the wife.

#### **The Convention on Consent to Marriage, Minimum Age for Marriage, and Registration of Marriages**

The Convention on Consent to Marriage, Minimum Age for Marriage, and Registration of Marriages, adopted in 1962 and in force since 1964, provides that no marriage shall be legally entered into without the full and free consent of both parties, such consent to be expressed by them in person after due publicity and in the presence of the authority competent to solemnize the marriage. States parties to the convention are committed to take legislative action to specify a minimum age for marriage. All marriages shall be registered in an official register by a competent authority.

In a recommendation on the same subjects as those of this convention, adopted in 1965, the General Assembly stated that the minimum age shall be not less than 15 years.

#### **The Declaration on the Elimination of Discrimination Against Women**

In 1967, the General Assembly solemnly proclaimed the Declaration on the Elimination of Discrimination Against Women. The declaration states that discrimination against women, denying or limiting as it does their equality of rights with men, is fundamentally unjust and constitutes an offense against human dignity. Work was started on a convention to put the principles of the declaration into binding legal form.

#### **The Convention on the Elimination of All Forms of Discrimination Against Women**

On 18 December 1979, the General Assembly adopted the Convention on the Elimination of All Forms of Discrimination Against Women. The convention came into force in September 1981; as of 19 April 2006, 182 states had ratified the convention.

Under the convention, states parties undertake to adopt all appropriate measures to abolish existing laws, regulations, customs, and practices that are discriminatory against women and to establish legal protection of the rights of women on an equal basis with men. The convention contains detailed provisions concerning equal rights for women in voting and holding public office and in education, employment, and health care. It provides for equality before the law and for the elimination of discrimination against women in all matters relating to marriage and family relations.

The convention established a Committee on the Elimination of Discrimination Against Women to periodically examine reports by states parties on measures that they have taken to implement the convention. The 23-member committee meets annually to consider the reports, which are due within one year of ratification or accession to the convention and every four years thereafter. The committee makes recommendations and observations to states parties on the basis of its consideration of the reports.

#### **International Women's Year**

In 1972, the General Assembly proclaimed the year 1975 as the International Women's Year. In 1974, the Economic and Social Council decided to convene an international conference to examine to what extent the organizations of the UN system had implemented the recommendations for the elimination of discrimination against women made by the Commission on the Status of

Women since its establishment and to launch an international action program aimed at achieving the integration of women as full and equal partners with men in the total development effort, eliminating discrimination on grounds of sex, and achieving the widest possible involvement of women in strengthening international peace and eliminating racism and racial discrimination.

The World Conference of the International Women's Year took place in June/July 1975 in Mexico City. It was the most representative meeting on women's issues held to date, bringing together more than a thousand representatives, about 70% of them women, from more than 130 countries. The conference adopted the "Declaration of Mexico on the Equality of Women and Their Contribution to Development and Peace, 1975"; a world plan of action for implementation of the objectives of the International Women's Year; regional plans of action; and a great number of decisions on concrete problems. In the Declaration of Mexico, the conference affirmed its faith in the objectives of the International Women's Year—equality, development, and peace.

#### **UN Decade for Women**

Later in 1975, the General Assembly endorsed the proposals of the Mexico conference and proclaimed the period 1976–85 as the UN Decade for Women: Equality, Development, and Peace. The General Assembly called for the decade to be devoted to effective and sustained action to implement the world plan of action, and it decided to convene in 1980, at the midpoint of the decade, another world conference to review and evaluate the progress made.

The second world conference, held in Copenhagen in July 1980, adopted a program of action for the second half of the decade, 1980–85, to promote the three objectives of equality, development, and peace, with special emphasis on the subtheme—employment, health, and education. It called for specific action to ensure that the objectives of the world plan were met by the end of the decade.

The program of action was endorsed later in 1980 by the General Assembly, which decided to convene in 1985 a world conference to review and appraise the achievements of the decade.

#### **1995 Fourth World Conference on Women**

The Fourth World Conference on Women was held in Beijing, from 4–15 September 1995, subtitled "Action for Equality, Development and Peace." At preparatory meetings in 1994, the Secretary-General said a turning point had been reached in the cause of women worldwide. The conference represented a vital continuation of the work on development issues begun during the United Nations Conference on the Environment and Development (UNCED) in June 1992 and the World Conference on Human Rights held in Vienna in June 1993, and tied in with the International Conference on Population and Development, held in Cairo (5–13 September 1994) and the World Summit for Social Development, held in Copenhagen (11–12 March 1995).

Besides receiving reports from virtually all UN organizations on their programs relating to the status of women, the conference addressed gender issues in the context of a new vision of the 21st century as one in which gender equality would be achieved. It also focused on the problems of rural women and the need to facilitate access to resources so that they can improve their lives and, in turn, the lives of their families and communities.

### 2000 Beijing + 5 Conference

The twenty-third special session of the General Assembly on “Women 2000: Gender Equality, Development and Peace for the 21st century” took place at UN Headquarters in New York from 5–9 June 2000. Also referred to as “Beijing + 5,” it was a special session to review progress made since the Fourth World Conference on Women (FWCW) held in Beijing in 1995. The Beijing + 5 session adopted a document and political declaration that would take further actions and initiatives to implement the Beijing Declaration and Platform for Action emerging from the FWCW. The special session was addressed by representatives of 148 member states, including two prime ministers, four vice-presidents, ministers and vice-ministers. Certain areas received focused attention. These included; education; social services and health, including sexual and reproductive health; the HIV/AIDS pandemic; violence against women and girls; the burden of poverty on women; vulnerability of migrant women including exploitation and trafficking; natural disaster and environmental management; the development of strong, effective and accessible national machineries for the advancement of women; and the formulation of strategies to enable women and men to reconcile and share equally work and family responsibilities.

### The Nairobi Forward-Looking Strategies

The World Conference to Review and Appraise the Achievements of the UN Decade for Women was held in Nairobi, Kenya, in July 1985, attended by representatives of 157 states, as well as observers from specialized agencies and other organizations. The major achievement of the conference was the adoption, by consensus, of the Nairobi Forward-Looking Strategies for the Advancement of Women to the Year 2000. Measures recommended included technical cooperation, training and advisory services, institutional coordination, research and policy analysis, participation of women in activities at the international and regional levels, and dissemination of information on goals and objectives for the advancement of women.

### The Declaration on the Participation of Women in Promoting International Peace and Cooperation

The Declaration on the Participation of Women in Promoting International Peace and Cooperation was adopted by the General Assembly in 1982. It states that women and men have an equal and vital interest in contributing to international peace and cooperation and that, to this end, women must be enabled to exercise their right to participate in the economic, social, cultural, civil, and political affairs of society on an equal footing with men.

## OTHER DECLARATIONS IN THE HUMAN RIGHTS FIELD

### The Declaration of the Rights of the Child

In 1959, the General Assembly adopted the Declaration of the Rights of the Child, which proclaims that every child, without distinction or discrimination on account of race, color, sex, language, religion, political or other opinion, national or social origin, property, birth, or other status, whether of the child or of the child's family, shall enjoy special protection and be given opportunities and facilities to develop physically, mentally, morally, spiritually, and socially in a healthy and normal manner and in conditions of

freedom and dignity. Every child shall be entitled from birth to a name and nationality and shall enjoy the benefits of social security. The child who is physically, mentally, or socially handicapped shall be given the special treatment, education, and care required by his or her particular condition. Every child is entitled to receive education that shall be free and compulsory, at least in the elementary stages. Every child shall be protected against all forms of neglect, cruelty, and exploitation and from practices that may foster racial, religious, or any other form of discrimination.

### The Declaration on the Granting of Independence to Colonial Countries and Peoples

The Declaration on the Granting of Independence to Colonial Countries and Peoples, adopted by the General Assembly in 1960, declares that the subjection of peoples to alien subjugation, domination, and exploitation constitutes a denial of fundamental human rights, is contrary to the Charter, and is an impediment to the promotion of world peace and cooperation. The declaration proclaims that all peoples have the right to self-determination.

In 1961, the General Assembly established a Special Committee on the Situation with Regard to the Implementation of the Declaration. (See also the chapter on Independence of Colonial Peoples.)

### The Declaration on Territorial Asylum

The Declaration on Territorial Asylum, adopted by the General Assembly in 1967, supplements Article 14 of the Universal Declaration of Human Rights and provides that asylum granted by a state, in the exercise of its sovereignty, to persons entitled to invoke Article 14 of the Universal Declaration, including persons struggling against colonization, shall be respected by all other states. It rests with the state granting asylum to evaluate the grounds for asylum. Where a state finds difficulty in granting or continuing to grant asylum, states individually or jointly or through the UN shall consider, in the spirit of international solidarity, appropriate measures to lighten the burden on that state. No person entitled to invoke Article 14 of the Universal Declaration shall be subjected to measures such as retention at the frontier or, if he has already entered the territory in which he seeks asylum, expulsion or compulsory return to any state where he may be subjected to persecution.

### The Declaration on Social Progress and Development

In 1969, the General Assembly solemnly proclaimed the Declaration on Social Progress and Development, which sets forth the principles, objectives, means, and methods to eliminate obstacles to social progress, particularly inequality, exploitation, war, colonialism, and racism. The declaration shows the close connections between social development policies and endeavors to promote respect for human rights. Article 1 provides that all peoples and all human beings, without distinction as to race, color, sex, language, religion, nationality, ethnic origin, family or social status, or political or other conviction, shall have the right to live in dignity and freedom and to enjoy the fruits of social progress and should, on their part, contribute to it.

### The Declaration on Principles of International Law Concerning Friendly Relations and Cooperation Among States

On 24 October 1970, the 25th anniversary of the entry into force of the Charter, the General Assembly adopted the Declaration on



Principles of International Law Concerning Friendly Relations and Cooperation Among States in Accordance with the Charter of the United Nations. One of the principles thus proclaimed is that states “shall cooperate in the promotion of universal respect for, and observance of, human rights, and fundamental freedoms for all, and in the elimination of all forms of racial discrimination and all forms of religious intolerance.”

#### **The Declaration on the Rights of Mentally Retarded Persons**

The Declaration on the Rights of Mentally Retarded Persons, adopted in 1971, proclaims that the mentally retarded person has, to the maximum degree of feasibility, the same rights as other human beings: the right to proper medical care and physical therapy, education, training, rehabilitation, and guidance; the right to economic security and to perform productive work; and the right, when necessary, to a qualified guardian and to protection from exploitation, abuse, and degrading treatment. Whenever mentally retarded persons are unable to exercise all their rights in a meaningful way or if it should become necessary to restrict or deny them, the procedure used must contain proper safeguards against abuse.

#### **The Declaration on the Protection of Women and Children in Emergency and Armed Conflicts**

In 1974, the General Assembly proclaimed the Declaration on the Protection of Women and Children in Emergency and Armed Conflicts. The declaration states that attacks on civilians, “especially on women and children, who are the most vulnerable members of the population,” shall be prohibited and condemned and that states involved in armed conflicts shall make all efforts “to spare women and children from the ravages of war.”

#### **The Declaration on the Rights of Disabled Persons**

The Declaration on the Rights of Mentally Retarded Persons was confirmed and expanded by the Declaration on the Rights of Disabled Persons, adopted in 1975. The term “disabled person” means any person unable to ensure by himself or herself wholly or partly the necessities of a normal individual and/or social life, as a result of a deficiency in his or her physical or mental capacities. While the formulation of some of the rights set forth in the Declaration on the Rights of Disabled Persons occasionally differs from that contained in the earlier instrument, there are no differences as regards the principles and purposes, except that the later declaration applies also to persons who are physically, not mentally, handicapped.

#### **The Declaration on the Use of Scientific and Technological Progress in the Interests of Peace**

In 1975, the General Assembly adopted the Declaration on the Use of Scientific and Technological Progress in the Interests of Peace and for the Benefit of Mankind. The declaration provides that all states shall promote international cooperation to ensure that the results of scientific and technological developments are used in the interests of strengthening international peace and security, freedom, and independence and that they are also used for economic and social development and the realization of human rights and freedoms. The declaration calls on all states to help prevent the use of scientific and technological developments to

limit or interfere with the enjoyment of the human rights of the individual.

#### **The Declaration on the Elimination of All Forms of Religious Intolerance**

The Declaration on the Elimination of All Forms of Intolerance and of Discrimination Based on Religion and Belief, prepared by the Commission on Human Rights and adopted by the General Assembly in 1981, states that everyone shall have the right of freedom of thought, conscience, and religion and that no one shall be subject to discrimination on the grounds of religion or other beliefs.

#### **The Declaration on the Human Rights of Individuals Who Are Not Nationals of the Country in Which They Live**

In 1985, the General Assembly adopted the Declaration on the Human Rights of Individuals Who Are Not Nationals of the Country in Which They Live. The declaration defines the term “alien” as any individual who is not a national of the state in which he or she is present. It declares that all aliens shall enjoy a wide range of civil rights, as well as the right to safe and healthy working conditions, fair wages, and equal remuneration for work of equal value; the right to join trade unions and other associations; and the right to health protection, medical care, social security, education, rest, and leisure. No alien shall be deprived of his or her lawfully acquired assets, and aliens shall be free at any time to communicate with the consulate or diplomatic mission of the state of which they are nationals.

#### **The Declaration on the Right to Development**

The Declaration on the Right to Development was adopted by the General Assembly in 1986. In the declaration, the right to development is proclaimed as an inalienable human right by virtue of which every person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural, and political development, in which all human rights and fundamental freedoms can be fully realized. The right to development also implies the full realization of the right of peoples to self-determination, including their inalienable right to exercise full sovereignty over all their natural wealth and resources.

#### **Declaration on the Rights of Persons belonging to National or Ethnic, Religious and Linguistic Minorities**

In December 1992, the General Assembly reaffirmed that one of the basic aims of the United Nations was to promote and encourage respect for human rights and fundamental freedoms for all, without distinction as to race, sex, language, or religion. The Declaration on the Rights of Persons belonging to National or Ethnic, Religious and Linguistic Minorities invites states to protect the identity of minorities within their respective territories, in particular through appropriate legislation.

#### **Declaration on the Protection of All Persons from Enforced Disappearance**

In December 1992, the General Assembly also adopted the Declaration on the Protection of All Persons from Enforced Disappearance, which urges states to contribute by all means to the prevention and eradication of this gross offense to human dignity and flagrant violation of human rights. Acts of enforced disappearance should be considered offenses under criminal law punishable by

appropriate penalties that take into account their extreme seriousness. The victims of acts of enforced disappearance, and their families, have the right to obtain redress and adequate compensation, including complete rehabilitation.

**Declaration on the Right and Responsibility of Individuals, Groups and Organs of Society to Promote and Protect Universally Recognized Human Rights and Fundamental Freedoms**

In December 1998, the General Assembly adopted the Declaration on the Right and Responsibility of Individuals, Groups and

Organs of Society to Promote and Protect Universally Recognized Human Rights and Fundamental Freedoms, which acknowledged the role of individuals, groups, and associations in contributing to the elimination of violations of human rights. The declaration is designed to protect the rights of human rights defenders from summary executions, forced disappearances, torture, and arbitrary detentions, and to support the rights of those who have exercised legitimately and peacefully their freedom of opinion and expression.

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# INDEPENDENCE OF COLONIAL PEOPLES

Since the creation of the UN, more than 80 territories that were formerly under foreign rule have become sovereign states and members of the UN. In this radical transformation of the world's political map, the UN has played a significant role that stems from the basic precepts of its charter as laid down in Article 1, which states that one of the purposes of the UN is to "develop friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, ..." Chapters XI, XII, and XIII of the charter are devoted specifically to measures that are designed to promote the welfare of dependent peoples.

In its efforts to implement these measures, the UN has dealt with two types of territories: (1) former colonial territories administered by designated member states as UN trust territories pending independence, and (2) non-self-governing dependencies or colonies of UN member states. Since the UN powers and responsibilities differ considerably in regard to the two categories of territories, this chapter has been divided into two sections.

## TRUST TERRITORIES

The main features of the trusteeship system are outlined in the chapter on the Trusteeship Council. What follows here is a brief description of the territories originally placed under UN trusteeship in 1946.

### Trust Territories That Have Achieved Independence

Three types of countries became part of the UN's trusteeship system: (1) territories still administered by a nation under a League of Nations mandate, (2) territories detached from enemy states as a result of the Second World War, and (3) territories voluntarily placed under the system by states responsible for their administration. All 11 territories that were placed under the trusteeship system in 1946 have since achieved the goals of the charter, either as independent states or as parts of independent states.

Following is a list of the territories that have achieved independence. The territories are listed under their administering powers.

#### Australia

*Nauru* (coadministered with New Zealand and the United Kingdom). The territory became independent on 31 January 1968, in accordance with a 1965 General Assembly resolution setting this date as the target for accession to independence.

*New Guinea*. The trust territory of New Guinea was administered by Australia together with the non-self-governing territory of Papua until the two were united and became the independent state of Papua New Guinea in 1975.

#### Belgium

*Ruanda-Urundi under Belgian administration*. In a special session convened in June 1962, the General Assembly approved separate independence for the two territories, which were established on 1 July 1962 as the Republic of Rwanda and the Kingdom of Burundi.

#### France

*Togoland*. In 1958, with the agreement of France, the UN supervised elections, and the territory became the independent state of Togo on 27 April 1960.

*Cameroons*. Following a notification in 1958 by its legislative assembly of the desire of the territory to become independent and acting upon the recommendation of the Trusteeship Council, the General Assembly, in agreement with France, resolved that on 1 January 1960 trusteeship status would end and the territory would become independent as Cameroon.

#### Italy

*Somaliland*. In union with the dependency of British Somaliland, the territory became the sovereign state of Somalia on 1 July 1960.

#### New Zealand

*Western Samoa*. In agreement with the administering authority, the UN conducted a plebiscite in May 1961, following which the territory attained independence on 1 January 1962.

#### United Kingdom

*Togoland*. To ascertain the freely expressed wishes of the people as to their political future, the UN, in agreement with the United Kingdom, conducted a plebiscite in 1956. As a result of the plebiscite, the territory united in March 1957 with the former Gold Coast to form the independent state of Ghana.

*Cameroons*. Both the northern and southern sectors of the territory were administered as part of the federation of Nigeria, a British dependency. Following a plebiscite held under UN supervision in March 1961, the northern sector became part of newly independent Nigeria on 1 June 1961. Following a similar plebiscite, the peoples of the southern sector joined the newly independent state of Cameroon on 1 October 1961.

*Tanganyika*. Following negotiations between the United Kingdom and African leaders, the territory attained independence on 9 December 1961. It united with Zanzibar in 1964 to become the United Republic of Tanzania.

#### United States

*Trust Territory of the Pacific Islands*. By the end of 1975, only the Trust Territory of the Pacific Islands remained under the UN trusteeship system. It was administered by the United States un-

der an agreement approved by the Security Council. Because it is a “strategic” trust territory, it was under the ultimate authority of the Security Council rather than the General Assembly. (See the chapter on the Trusteeship Council.)

The Pacific Islands, collectively known as Micronesia, include the former Japanese-mandated islands of the Marshalls, the Carolines, and the Northern Marianas (except Guam, which was ceded to the United States by Spain in 1898). In 1975, a covenant for political union with the United States was approved by the people of the Northern Marianas. In February 1976, the United States Congress gave final approval for granting commonwealth status to the Northern Marianas. The Commonwealth Covenant with the Northern Marianas came into force on 3 November 1986.

In a referendum held on 12 July 1978, Kosrae, Pohnpei, Truk, and Yap—in the Caroline archipelago—approved and ratified a draft constitution for a proposed Federated States of Micronesia. The four districts subsequently held elections, and the Congress of the Federated States of Micronesia was inaugurated on 10 May 1979. The Compact of Free Association with the Federated States of Micronesia also came into force on 3 November 1986.

On 21 December 1978, the Marshall Islands Constitutional Convention approved a draft constitution, and in a referendum held on 1 March 1979, the voters of those islands adopted it by a substantial majority. Legislative power in the Marshall Islands was vested in the Nitijela (legislature); the first general election under the new constitution took place on 10 April 1979. The Compact of Free Association with the Marshall Islands came into force on 21 October 1986.

On 2 April 1979, the Constitutional Convention of Palau adopted a draft constitution, which was approved by a referendum on 9 July. Elections were held on 4 November 1980, and the new constitution came into force on 1 January 1981. However, since its constitution required a 75% majority for the approval of the Compact of Free Association with the United States, Palau was unable to obtain approval for the compact in seven different referendums over the next 10 years.

In November 1992, Palau held a constitutional amendment referendum and changed the requirement for approval to simple majority (50% plus 1). Thereafter, the eighth plebiscite was held in November 1993 and the compact was approved by 68 per cent of Palauans voting in favor. In January 1994, the United States informed the Trusteeship Council that its government and the government of Palau intended to implement the compact as soon as practicable. Planning for the smooth transition to Palau’s new status was under way. In late 1994 the two countries implemented the Compact of Free Association and with it came the official end of Palau’s status as a trusteeship territory.

### Non-self-governing Territories

The delegates attending the 1945 San Francisco Conference, at which the UN was founded, included many spokesmen for anti-colonialist sentiment. As a result of their efforts and generous proposals by Australia and the United Kingdom (which possessed the world’s largest colonial empire at the time), the charter incorpo-

rates a pledge on the part of the colonial powers to assume certain obligations toward the peoples of their dependencies.

### CHARTER DECLARATION ON NON-SELF-GOVERNING TERRITORIES

The pledge takes the form of a declaration regarding non-self-governing territories that is embodied in Article 73, Chapter XI, of the charter. Under Article 73, all UN members “which have or assume responsibilities for the administration of territories whose peoples have not yet attained a full measure of self-government recognize the principle that the interests of the inhabitants of these territories are paramount, and accept as a sacred trust the obligation to promote to the utmost, within the system of international peace and security established by the present Charter, the well-being of the inhabitants of these territories, ...” This general obligation is then divided into five specific obligations: (a) to “ensure, with due respect for the culture of the peoples concerned, their political, economic, social, and educational advancement, their just treatment, and their protection against abuses”; (b) to “develop self-government, to take due account of the political aspirations of the peoples, and to assist them in the progressive development of their free political institutions, according to the particular circumstances of each territory and its peoples ...”; (c) to “further international peace and security”; (d) to “promote constructive measures of development ...”; and (e) to “transmit regularly to the Secretary-General for information purposes, subject to such limitations as security and constitutional considerations may require, statistical and other information of a technical nature relating to economic, social, and educational conditions in the territories for which they are respectively responsible....”

Today, when so many of these people have claimed and won their independence, the obligations contained in the declaration may not seem very far-reaching. For example, nothing is said about preparing non-self-governing territories for actual independence—indeed, the word “independence” appears nowhere in the declaration. Although due account is to be taken of the “political aspirations of the peoples,” all that is explicitly acknowledged is the obligation to develop “self-government,” which does not necessarily imply independence.

However, the validity of the declaration must be considered in the context of its era. Few people at the San Francisco Conference foresaw how intense or universal the desire of colonial peoples for full political sovereignty would be. All told, the obligations included in the declaration probably represented the maximum that reasonably could be expected from colonial countries at that time. Moreover, in the circumstances then prevailing, the agreement by the colonial nations, under paragraph (e) of Article 73, to submit information to an international body concerning their own territories—in effect, to yield up a degree of their sovereignty—was a considerable concession.

### TERRITORIES COVERED BY THE DECLARATION

The somewhat unwieldy term “non-self-governing territory” was chosen primarily because it was broad enough to include the various constitutional designations given by administering powers to

their dependencies—colony, protectorate, and so on—as well as all stages of political development short of actual self-government or independence. The declaration includes all those territories “whose peoples have not yet attained a full measure of self-government.” However, the precise meaning of the phrase “a full measure of self-government” was not specified in the charter, an omission that left the door open for subsequent dispute and controversy.

At the outset, it was considered the responsibility of the eight colonial powers that were UN members to identify the dependencies they regarded as non-self-governing within the meaning of Article 73 of the charter. At its first working session, in 1946, the General Assembly adopted a resolution enumerating 74 non-self-governing territories that the administering countries had identified as falling within the provisions of the declaration. The eight colonial countries were Australia, Belgium, Denmark, France, the Netherlands, New Zealand, the United Kingdom, and the United States. The combined population of their dependencies—which ranged from tiny Pitcairn Island, with a population of 100 persons, to the Netherlands Indies, with 73 million—was estimated at 215 million. The dependencies of Spain and Portugal could not be included in the 1946 list, since these two colonial powers were not UN members at the time. (For the non-self-governing territories listed by the General Assembly in 1946 and subsequently, see Table 1.)

## THE ROLE OF THE UN

The charter does not assign any particular task to the UN with respect to non-self-governing territories. It does not even specify what should be done with the information transmitted to the Secretary-General. Hence, the General Assembly has considered itself free to define its own functions.

Since, even in the very beginning, the majority of UN members were vehemently anticolonial, the immediate task that the General Assembly set for itself was to induce the colonial countries by every means in its power to fulfill their obligations under the charter declaration. Judging from the disputes and controversies that arose even as early as 1946, it seems safe to assume that this development was totally unforeseen by the colonial countries at the time of the San Francisco Conference.

Although the General Assembly lacks the power to enforce its recommendations, the colonial powers had no wish to see themselves recorded as being in constant opposition in majority decisions. Consequently, they fought from the start to maintain the right to take the initiative in affairs concerning their own territories and to prevent the UN from expanding its role in colonial matters. However, they were fighting a losing battle against an irreversible trend of world opinion; in effect, the story of the UN's role has essentially been one of increasing involvement in the process of decolonization.

### Disputes over the Transmission of Information

The first dispute that arose between the colonial powers and the other UN members concerned the General Assembly's desire to discuss the reports that had been submitted on the various territories. Some of the colonial governments, particularly Belgium, contended that the mere submission of reports fulfilled the charter's requirements under paragraph (e) of Article 73. Disregarding these protests, the 1947 General Assembly set up a special com-

mittee to report on the information received. In 1949, this committee was established as the Committee on Information from Non-Self-Governing Territories, composed of an equal number of administering and nonadministering countries. In the same year, the General Assembly adopted a standard questionnaire, which the administering powers were expected to answer in annual reports. The questionnaire covered virtually every aspect of the social, economic, and educational conditions in the territories. However, because of the controversies discussed below, the committee received reports on only 56 of the 74 territories.

### Cessation of Information

By 1949, some of the administering powers had unilaterally interpreted paragraph (e) of Article 73 to mean that when they themselves considered a territory to have attained self-government, they no longer needed to submit reports on it to the UN. On this basis, the United Kingdom ceased sending information on Malta after its first report in 1946. Likewise, France, after 1946, stopped sending reports on certain of its territories, including Guadeloupe, Martinique, and New Caledonia, that it regarded as overseas departments with rights equal to those of the metropolitan departments of France or as having reached a requisite stage of “internal autonomy.” Nor did the United States send reports on the Panama Canal Zone after 1946 (though this decision may have been made because Panama itself contested classification of the Canal Zone as a non-self-governing territory). Concerned about these developments, the 1949 General Assembly, over the opposition of the colonial powers (the United States abstaining), decided that it was “within the responsibility of the General Assembly to express its opinion on the principles which have guided or which may in future guide the Members concerned in enumerating the territories for which the obligation exists to transmit information under Article 73 (e) of the Charter.”

The General Assembly, in 1952, established a special committee to draw up a list of criteria of self-government and, at its next session, voted itself competent to decide on the basis of this list whether reports were due on a given territory. Since that time, the General Assembly has formally approved the cessation of reports on a number of territories, finding that they had “attained a full measure of self-government.” However, in each case the administering power in question had already announced, prior to that approval, that it would no longer transmit information on these territories. The territories and the dates of General Assembly approval were as follows: from 1953 to 1955, Puerto Rico (United States), Greenland (Denmark), Suriname and Curaçao (Netherlands); in 1959, Alaska and Hawaii (United States); in 1965, the Cook Islands (New Zealand); and in 1974, Niue (New Zealand).

It should be noted, however, that so long as a territory is not actually independent, the General Assembly considers that it has the right to reopen the question of the territory's status at any time. Thus, although France ceased transmitting information on New Caledonia in 1947, the General Assembly decided on 2 December 1986 that New Caledonia was a non-self-governing territory within the meaning of Chapter XI of the charter and it was again included in the list of such territories.

In 1967, the United Kingdom announced that since a number of its small Caribbean dependencies—namely, Antigua, Dominica, Grenada, St. Kitts-Nevis-Anguilla, and St. Lucia—had achieved

the status of associated states with a “full measure of self-government,” it would no longer submit reports on those territories. The General Assembly did not, however, accept the territories’ new status as constituting full self-government and continued to consider them as non-self-governing. (All the associated states except Anguilla subsequently attained independence, and the United Kingdom resumed transmission of information regarding Anguilla in 1984.) A similar situation arose with respect to Brunei, in 1972, when the United Kingdom informed the Secretary-General that the territory had attained full internal self-government and that, consequently, the United Kingdom considered the transmission of information about it to be no longer appropriate. (Brunei became independent in 1984.)

### Refusal to Transmit Information

Until the General Assembly began to assert a competence in the matter, the inclusion of a territory in the list of non-self-governing territories to which Article 73 applies was at the discretion of the administering power concerned. For instance, in 1946, the United Kingdom did not include Southern Rhodesia in the list of dependent territories under its administration because the territory was self-governing but subsequently changed its position after the unilateral declaration of independence by the white-majority regime in 1965.

When Spain and Portugal became UN members in 1955, they also refused to transmit information on their overseas territories, maintaining that these were not colonial possessions but “overseas provinces.” Spain retreated from this position in 1960, to the “satisfaction” of the General Assembly, and began to submit reports. However, Portugal maintained its stand until 1974, when an internal upheaval brought about a change of government.

These differences concerning the obligation to transmit information under Article 73 (e) led the Assembly in 1960 to adopt a resolution that defined a “full measure of self-government” to mean one of three specific conditions: (1) emergence of the territory as a sovereign independent state, (2) free association with an independent state, or (3) integration with an independent state, both (2) and (3) to be the result of a free and voluntary choice of the people concerned and the people to possess certain specified rights and safeguards in their new status. Unless one of these three conditions pertained, the General Assembly asserted, the administering power had an obligation to transmit information on any territory that is “geographically separate and is distinct ethnically and/or culturally from the country administering it.”

## THE 1960 ASSEMBLY DECLARATION ON THE ENDING OF COLONIALISM

Throughout the 1950s, the various disputes with colonial powers over the transmission of information on non-self-governing territories took place against a background of steady decolonization. Whether gracefully granted or bitterly fought for, sovereignty was achieved by a growing number of former colonial dependencies. In 1946, at the first working session of the General Assembly, only a handful of members had memories of recent foreign rule: India, the Philippines, and the four Arab countries that had been League of Nations mandate territories (Iraq, Jordan, Lebanon, and Syria). By 1959, eight Asian countries (Burma, Cambodia, Ceylon, Indonesia, Laos, Malaya, Nepal, and Pakistan) and two African

countries (Ghana and Guinea) had become sovereign independent states. As these nations joined the UN, many of them after years of struggle against their former masters or with humiliating memories of the indignities of foreign rule, anticolonialist sentiment became increasingly bitter and significantly influenced the tone of the debates in the General Assembly. Wholeheartedly supported by the Soviet-bloc nations, the newly independent nations began a drive to put a speedy end to colonialism altogether, thus going far beyond anything specifically spelled out in the charter.

The 1960 General Assembly proved to be decisive for the triumph of the anticolonialist forces in the UN. At the opening of that session, 16 new African states and Cyprus became members, thereby bringing the total number of African and Asian nations to 44 out of a total UN membership of 100. In addition, members of the Afro-Asian Group, as it was called, knew that they could count on the support of the Soviet bloc, many Latin American countries, and the Scandinavian countries. By the end of the session, they had drafted the text of a Declaration on the Granting of Independence to Colonial Countries and Peoples that was designed to serve as the UN’s basic framework for its work in colonial matters, complementing the charter declaration.

### Main Provisions of the Declaration

Whereas the charter declaration had been a gentlemanly agreement among masters to look after the welfare of their subjects, the General Assembly declaration, in effect, was an assertion of the right of these subject peoples to be subjects no longer. Written from the viewpoint of the colonial peoples themselves, the declaration in its preamble recognizes “the passionate yearning for freedom in all dependent peoples”; the existence of “increasing conflicts resulting from the denial ... of the freedom of such peoples, which constitute a serious threat to world peace”; and “the important role of the United Nations in assisting the movement for independence in Trust and Non-Self-Governing Territories.” The declaration then lists seven provisions: (1) the subjection of peoples to alien domination “is contrary to the Charter of the United Nations and is an impediment to the promotion of world peace and cooperation”; (2) “all peoples have the right to self-determination”; (3) inadequacy of preparedness “should never serve as a pretext for delaying independence”; (4) all armed action or repressive measures against dependent peoples “shall cease in order to enable them to exercise peacefully and freely their right to complete independence”; (5) “immediate steps shall be taken ... to transfer all powers to the peoples of those territories, without any conditions or reservations”; (6) any attempt to disrupt the national unity and territorial integrity of a country “is incompatible with the purposes and principles of the Charter”; and (7) all states “shall observe faithfully and strictly” the provisions of the Charter, the Universal Declaration of Human Rights, and “the present Declaration” on the basis of equality, noninterference in the internal affairs of states, and respect for the sovereign rights of all peoples.

Although the phrase “colonial powers” does not appear, the declaration was clearly and firmly directed against those countries. Nevertheless, such was the force of anticolonial sentiment that no colonial power cared to record a negative vote. Accordingly, on 14 December 1960, the Declaration on the Granting of Independence to Colonial Countries and Peoples was adopted 89–0, with only nine abstentions (Australia, Belgium, the Dominican Republic,

lic, France, Portugal, South Africa, Spain, the United Kingdom, and the United States).

#### Establishment of the Special Committee

A year after the adoption of the declaration, the USSR took the initiative by asking the General Assembly to discuss the problem of implementing it. The ensuing debate led to the creation of a 17-member Special Committee on the Situation with Regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples. Because of the importance attached to its work, seven additional members were added in the following year. Since that time, the composition of the Special Committee (in its early days called “the Special Committee of 24”) has changed slightly when certain countries have withdrawn for various reasons, to be replaced by countries representing the same geopolitical grouping as the outgoing members. Originally, the committee included three colonial or administering powers—Australia, the United Kingdom, and the United States—but France, Spain, and the two most recalcitrant administering countries, Portugal and South Africa, were never members. In later developments, both the United Kingdom and the United States suspended their cooperation. Thus, the committee’s deliberations have always been anticolonialist in tone.

In 1963, the committee’s functions were expanded to include the work of the 1947 Committee on Information from Non-Self-Governing Territories, which was dissolved. At the same time, the General Assembly gave the committee the right to apprise the Security Council of any developments in any territory that it had examined that might threaten international peace and security. (Normally, subsidiary bodies do not have this right but must act through the General Assembly.) In addition, the General Assembly empowered the committee to examine information on the trust territories, as well as on non-self-governing territories—although the Trusteeship Council continued to exercise its normal functions until the graduation of the last trusteeship territory in 1994. The committee was also empowered to send visiting missions to dependent territories. Hence, since 1963, the committee has been the General Assembly’s chief executive arm in colonial matters.

Besides considering problems connected with individual colonial territories, the committee debates topics of a more general nature assigned to it by the General Assembly—for example, the role played by foreign economic and military interests that are impeding the attainment of independence or exploiting the natural resources of the territories that rightfully belong to the indigenous inhabitants. The committee has been particularly active in the dissemination of information on colonial problems and in mobilizing international support and assistance for the colonial peoples and their efforts to achieve self-determination and independence.

In 1988, the General Assembly declared the decade 1990–2000 the Decade for the Eradication of Colonialism. In 1991, it approved a plan of action for the Special Committee which it hoped would achieve the total elimination of colonialism by the year 2000. The plan of action called for the Special Committee to, among other things: formulate specific proposals for the elimination of the remaining manifestations of colonialism, and to report its findings each year to the General Assembly; to make concrete suggestions to the Security Council about developments in colonial territories

that threaten international peace and security; to pay special attention to small territories, and dispatch visiting missions to those territories to gather information firsthand; and to continue to collect, prepare, and disseminate studies and articles on the problems of decolonization, including continuation of the periodical *Objective: Justice* and the special series called *Decolonization*. In 2001, the General Assembly declared the period 2001–2010 the Second International Decade for the Eradication of Colonialism.

In January, 1986, the United Kingdom informed the Special committee’s chairman that it would no longer take part in the Committee’s work, since, in its own opinion, all the remaining territories under its administration had chosen to remain in close association with the United Kingdom. However, the United Kingdom agreed to continue to fulfill its obligations under the charter and to transmit information to the committee under Article 73e. The United Kingdom also reiterated to the Fourth Committee in 1990 that it would respect the wishes of the people of any of its 10 remaining territories, no matter what the size of their population.

In February 1992, the United States suspended its cooperation with the Special Committee, claiming that it had focused on an outmoded agenda instead of new approaches aimed at addressing the needs of the few remaining non-self-governing territories.

In 2006, the following countries were represented on the Special Committee: Antigua and Barbuda, Bolivia, Chile, China, Congo, Côte d’Ivoire, Cuba, Ethiopia, Fiji, Grenada, India, Indonesia, Iran, Iraq, Mali, Papua New Guinea, Russian Federation, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sierra Leone, Syrian Arab Republic, Tunisia, United Republic of Tanzania, and Venezuela.

#### PROGRESS OF DECOLONIZATION

In the 10 years following the adoption of the declaration on the ending of colonialism (1960 to 1970), 27 territories (with a total population of over 53 million) attained independence. Some 44 territories (with a population of approximately 28 million) remained under foreign rule or control, however, and the General Assembly’s work in hastening the process of decolonization was far from completed. In Africa, an ever-widening confrontation had emerged between the colonial and white-minority regimes and the roughly 18 million Africans in Portuguese Guinea (now Guinea-Bissau), Angola, Mozambique, Cape Verde, and São Tomé and Príncipe; in Southern Rhodesia, which was legally still a British possession; and in the old League of Nations mandate territory of South West Africa, officially designated as Namibia by the UN. Resisting all efforts by the UN to bring an end to white-minority rule by peaceful means, these regimes refused to change despite pressures brought upon them both by the international community and by the demands of the African peoples of the territories.

This refusal had led to the emergence of African national liberation movements within the territories and to a series of armed conflicts that were seen by independent African states as a menace to peace and stability and as the potential cause of a bloody racial war engulfing the whole of Africa. Armed conflict, beginning in 1960 in Angola, had, in fact, spread to all the Portuguese-controlled territories on the African mainland and, as the African liberation movements gained strength and support, had developed into full-scale warfare in Angola, Portuguese Guinea, and Mo-

zambique, engaging large Portuguese armies and putting a serious strain on Portugal's economy.

In Southern Rhodesia and Namibia, armed struggle for liberation was slower to develop, but despite the essential differences in the problems presented by these territories, the General Assembly—partly in response to a growing collaboration between South Africa, Portugal, and the white-minority regime in Southern Rhodesia—had come to view them as aspects of a single consuming issue of white-minority rule versus black-majority rights.

The strategy advocated by the Afro-Asian Group, supported by the Soviet-bloc countries and many others, for rectifying the situation in these territories was essentially to obtain recognition and support for their African national liberation movements and to seek the application, through a Security Council decision made under Chapter VII of the charter, of mandatory enforcement measures, including full economic sanctions and military force as circumstances warranted. However, in each case, except partially in that of Southern Rhodesia, the use of mandatory enforcement measures was decisively resisted by two permanent members of the Security Council, the United Kingdom and the United States, which, together with several other Western nations, felt that they could not afford to embark upon a policy of confrontation with the economically wealthy white-minority regimes of southern Africa.

Despite this resistance, the African and Asian nations continued to maintain the spotlight of attention on issues of decolonization. Year after year, one or another of the cases mentioned above was brought before the Security Council. Each session of the General Assembly, and of the Special Committee on decolonization, was the scene of lengthy and often acrimonious debates. This constant pressure led to greater recognition and status for the national liberation movements of the territories in Africa and brought about widespread condemnation and isolation of the white regimes. In 1971, for the first time, a mission of the Special Committee visited the liberated areas of Guinea-Bissau at the invitation of the African liberation movement concerned and found that the liberation movement had established an effective administration.

In 1972, the General Assembly affirmed for the first time that “the national liberation movements of Angola, Guinea-Bissau and Cape Verde, and Mozambique are the authentic representatives of the true aspirations of the peoples of those territories” and recommended that, pending the independence of those territories, all governments and UN bodies should, when dealing with matters pertaining to the territories, ensure the representation of those territories by the liberation movements concerned. In the following year, the General Assembly extended similar recognition to the national liberation movements of Southern Rhodesia and Namibia.

On 25 April 1974, largely as a result of internal and external pressures resulting from its colonial wars, a change of regime occurred in Portugal that had major repercussions on the situation in its African territories. The new regime pledged itself to ending the colonial wars and began negotiations with the national liberation movements. By the end of 1974, Portuguese troops had been withdrawn from Guinea-Bissau and the latter had become a UN member. This was followed by the independence and admission to UN membership of Cape Verde, Mozambique, and São Tomé and Príncipe in 1975 and Angola in 1976.

### Southern Rhodesia (now Zimbabwe)

The problem of Southern Rhodesia, which in 1977 had a population of almost 7 million, of whom 6.5 million were Africans, was not resolved until the end of the decade.

Southern Rhodesia had been given full internal self-government by the United Kingdom in 1923, although under a constitution that vested political power exclusively in the hands of the white settlers. Hence, the United Kingdom did not include this dependency in its original 1946 list of non-self-governing territories and did not transmit information on it to the UN. Although, by the terms of the 1923 constitution, the United Kingdom retained the residual power to veto any legislation contrary to African interests, this power was never used, and no attempt was made to interfere with the white settlers' domination of the territorial government.

UN involvement in the question of Southern Rhodesia began in 1961, when African and Asian members tried, without success, to bring pressure to bear upon the United Kingdom not to permit a new territorial constitution to come into effect. While giving Africans their first representation in the Southern Rhodesian parliament, the 1961 constitution restricted their franchise through a two-tier electoral system heavily weighted in favor of the European community.

In June 1962, acting on the recommendation of the Special Committee, the General Assembly adopted a resolution declaring Southern Rhodesia to be a non-self-governing territory within the meaning of Chapter XI of the charter, on the grounds that the vast majority of the people of Southern Rhodesia were denied equal political rights and liberties. The General Assembly requested the United Kingdom to convene a conference of all political parties in Rhodesia for the purpose of drawing up a new constitution that would ensure the rights of the majority on the basis of “one-man, one-vote.” However, the United Kingdom continued to maintain that it could not interfere in Rhodesia's domestic affairs. The 1961 constitution duly came into effect in November 1962.

On 11 November 1965, the government of Ian Smith unilaterally declared Southern Rhodesia independent. The United Kingdom, after branding the declaration an “illegal act,” brought the matter to the Security Council on the following day, and a resolution was adopted condemning the declaration and calling upon all states to refrain from recognizing and giving assistance to the “rebel” regime. On 20 November, the council adopted a resolution condemning the “usurpation of power,” calling upon the United Kingdom to bring the regime to an immediate end, and requesting all states, among other things, to sever economic relations and institute an embargo on oil and petroleum products. In 1968, the Security Council imposed wider mandatory sanctions against Southern Rhodesia and established a committee to oversee the application of the sanctions. The General Assembly urged countries to render moral and material assistance to the national liberation movements of Zimbabwe, the African name for the territory.

On 2 March 1970, Southern Rhodesia proclaimed itself a republic, thus severing its ties with the United Kingdom. After Mozambique became independent in 1975, guerrilla activity along the border with Southern Rhodesia intensified; the border was then closed, further threatening the economy of Southern Rhodesia, already hurt by UN-imposed sanctions.



In 1977, Anglo-American proposals for the settlement of the Southern Rhodesian problem were communicated to the Security Council by the United Kingdom. The proposals called for the surrender of power by the illegal regime, free elections on the basis of universal suffrage, the establishment by the United Kingdom of a transitional administration, the presence of a UN force during the transitional period, and the drafting of an independence constitution. The proposals were to be discussed at a conference of all political parties in Southern Rhodesia, white and African. However, the regime rejected the idea of such a conference. Attempts by the regime in 1978 and early 1979 to draft a new constitution giving some political power to Africans but maintaining effective control by the white minority failed, and the struggle by forces of the liberation movement, called the Patriotic Front, intensified.

In August 1979, British prime minister Margaret Thatcher stated at the Conference of Commonwealth Heads of State and Government that her government intended to bring Southern Rhodesia to legal independence on a basis acceptable to the international community. To this end, a constitutional conference was convened in London on 10 September, to which representatives of the Patriotic Front and the Rhodesian administration in Salisbury were invited. On 21 December, an agreement was signed on a draft independence constitution and on transitional arrangements for its implementation, as well as on a cease-fire to take effect on 28 December. Lord Soames was appointed governor of the territory until elections, which took place in February 1980 in the presence of UN observers. On 11 March, Lord Soames formally appointed Robert G. Mugabe, whose party had received the majority of seats in the House of Assembly, as prime minister. The independence of Zimbabwe was proclaimed on 18 April 1980, and on 25 August, Zimbabwe became a member of the UN.

### Remaining Colonial Issues

The 16 remaining dependent territories are almost all small islands scattered about the globe. Their tiny populations and minimal economic resources render it almost impossible for them to survive as viable, fully independent states. The 16 remaining dependent territories in 2006 were: Western Sahara, Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Falkland Islands (Malvinas), Montserrat, St. Helena, Turks and Caicos Islands, United States Virgin Islands, Gibraltar, American Samoa, Guam, New Caledonia, Pitcairn, and Tokelau. At the end of this chapter, Table 1 sets forth all the former non-self-governing territories that have become independent or joined neighboring independent states. Table 2 lists the remaining self-governing territories according to their colonial powers.

Although the administering powers joined with the rest of the UN membership in asserting that the peoples of these small territories have an inalienable right to the exercise of self-determination, the leaders of the drive to end colonialism have doubted the genuineness of the preparations for achieving this goal. As evidence to justify their skepticism, the African and Asian nations pointed out that military bases were established in some of the small territories, which they declared "incompatible with the purposes and principles of the Charter." Moreover, in the case of territories that the administering powers have declared their intention of preparing for self-governing status rather than for full independence, the majority of UN members feel that the Gener-

al Assembly should be granted an active role in ascertaining the wishes of the inhabitants and furnished with more comprehensive information on conditions prevailing in the territories. The General Assembly has approved numerous resolutions requesting the administering states to allow UN missions to visit the remaining non-self-governing territories to ascertain, firsthand, the wishes of the inhabitants, but has met with little cooperation.

Two of the territories that have been brought under the General Assembly's surveillance through the Special Committee are United Kingdom possessions in which the issue of decolonization is complicated by conflicting claims of sovereignty by other nations—the Falkland Islands (Malvinas), also claimed by Argentina, and Gibraltar, also claimed by Spain.

With regard to another territory, Western Sahara, Spain informed the Secretary-General in 1976 that it had terminated its presence in the territory and considered itself henceforth exempt from any international responsibility in connection with its administration. Western Sahara, however, continued to be listed by the General Assembly as non-self-governing.

The Special Committee annually reviews the list of territories to which the declaration on decolonization is applicable. In 1986, France, the administering power of New Caledonia, refused to recognize the competence of the committee over the territory or to transmit to the UN the information called for under Article 73(e) of the charter. France has, however, asserted that it will respect the wishes of the majority of the people of New Caledonia, in accordance with the provisions of the Matignon Agreement agreed to by all the parties in 1988. As a result of the Nouméa Accord of 1998, the New Caledonian parties opted for a negotiated solution and progressive autonomy from France rather than an immediate referendum. The transfer of powers from France began in 2000 and will continue for 15 to 20 years, when the territory will opt for full independence or a form of associated statehood. As of 2006, New Caledonia continued to vote in French presidential elections and to elect parliamentary representatives to the French Senate and National Assembly. However, new political institutions were formed in New Caledonia as a result of the Nouméa Accord.

### The Problem of Namibia (South West Africa)

The status of South West Africa (officially designated as Namibia by the General Assembly in June 1968), a pre-World War I German colony that was administered by South Africa under a League of Nations mandate beginning in 1920, has preoccupied the General Assembly almost from the first moment of the UN's existence. In 1946, South Africa proposed that the Assembly approve its annexation of the territory. Fearing that the South African government would seek to extend its apartheid system to South West Africa, the General Assembly did not approve the proposal and recommended instead that the territory be placed under the UN trusteeship system. In the following year, South Africa informed the General Assembly that while it agreed not to annex the territory, it would not place it under trusteeship. Although South Africa had reported on conditions in the territory in 1946, it declined to submit further reports, despite repeated requests from the General Assembly.

In 1950, the International Court of Justice, in an advisory opinion requested by the General Assembly, held that South Africa continued to have international obligations to promote to the ut-

**Table 1**

Non-Self-Governing Territories, Listed by the General Assembly in 1946 and Subsequent Years, That Have Become Independent States or Joined Neighboring Independent States

**Australia**

Cocos (Keeling) Islands (integrated with Australia)  
Papua (now part of Papua New Guinea)  
Nauru  
New Guinea (now part of Papua New Guinea)

**Belgium**

Belgian Congo (now Democratic Republic of the Congo)  
Burundi  
Rwanda

**France**

Comoros  
Cameroon  
French Equatorial Africa  
(now Central African Republic, Chad, Congo, and Gabon)  
French Somaliland (now Djibouti)  
French West Africa (now Burkina Faso, Côte d'Ivoire, Benin, Guinea, Mali, Mauritania, Niger, and Senegal)  
Indochina (now Cambodia, Laos, and Vietnam)  
Madagascar  
Morocco  
New Hebrides (Anglo-French condominium; now Vanuatu)  
Tunisia  
Togo

**Italy**

Somalia

**Netherlands**

Netherlands Indies (now Indonesia)  
Suriname  
West New Guinea (West Irian; now part of Indonesia)

**New Zealand**

Cook Islands (self-governing in free association with New Zealand)  
Niue (self-governing in free association with New Zealand)  
Samoa

**Portugal**

Angola  
Cape Verde  
Goa (united with India)  
Mozambique  
Portuguese Guinea (now Guinea-Bissau)  
São Tomé and Príncipe  
Timor-Leste

**Spain**

Fernando Poo and Rio Muni (now Equatorial Guinea)  
Ifni (returned to Morocco)

**United Kingdom**

Aden (now part of Yemen)  
Antigua (now Antigua and Barbuda)  
Bahamas  
Barbados  
Basutoland (now Lesotho)

Bechuanaland (now Botswana)  
British Guiana (now Guyana)  
British Honduras (now Belize)  
British Somaliland (now Somalia)  
Brunei (now Brunei Darussalam)  
Cyprus  
Dominica  
Ellice Islands (now Tuvalu)  
Fiji  
Gambia  
Gilbert Islands (now Kiribati)  
Gold Coast (now Ghana)  
Grenada  
Jamaica  
Kenya  
Malaya (now Malaysia)  
Malta  
Mauritius  
Nigeria  
New Hebrides (Anglo-French condominium; now Vanuatu)  
North Borneo (now part of Malaysia)  
Northern Rhodesia (now Zambia)  
Nyasaland (now Malawi)  
Oman  
St. Kitts and Nevis  
St. Lucia  
St. Vincent and the Grenadines  
Sarawak (now part of Malaysia)  
Seychelles  
Sierra Leone  
Singapore  
Solomon Islands  
Southern Rhodesia (now Zimbabwe)  
Swaziland  
Trinidad and Tobago  
Uganda  
Zanzibar (now part of Tanzania)

**United Nations**

Namibia (formerly South West Africa)<sup>1</sup>

**United States**

Trust Territory of the Pacific Islands (Federated States of Micronesia, Marshall Islands, Northern Mariana Islands), Palau (in free association with the United States)

<sup>1</sup> In 1966, the General Assembly terminated South Africa's mandate over South West Africa and placed the territory under the direct responsibility of the UN. In 1968, the General Assembly declared that the territory would be called Namibia, in accordance with its people's wishes. Until independence, the legal administering authority for Namibia was the UN Council for Namibia.

most the material and moral well-being and social progress of the inhabitants of the territory as a sacred trust of civilization, and that the UN should exercise the supervisory functions of the League of Nations in the administration of the territory. South Africa refused to accept the court's opinion and continued to oppose any form of UN supervision over the territory's affairs.

In October 1966, the General Assembly, declaring that South Africa had failed to fulfill its obligations under the League of Nations mandate to ensure the well-being of the people of the territory and that it had, in fact, disavowed the mandate, decided that the mandate was therefore terminated, that South Africa had no other

right to administer the territory, and that thenceforth the territory came under the direct responsibility of the UN. In May 1967, the General Assembly established the UN Council for South West Africa (later renamed the UN Council for Namibia) to administer the territory until independence "with the maximum possible participation of the people of the territory." It also decided to establish the post of UN Commissioner for Namibia to assist the council in carrying out its mandate. Later in the same year, in the face of South Africa's refusal to accept its decision and to cooperate with the UN Council for Namibia, the General Assembly rec-

**Table 2**

Remaining Non-Self-Governing Territories Listed by the General Assembly, as of 2002

<b>France</b> <sup>2</sup>	New Caledonia
<b>New Zealand</b>	Tokelau Islands
<b>Spain</b>	Western Sahara <sup>3</sup>
<b>United Kingdom</b>	Anguilla
	Bermuda
	British Virgin Islands
	Cayman Islands
	Falkland Islands (Malvinas)
	Gibraltar
	Montserrat
	Pitcairn Islands
	St. Helena
	Turks and Caicos Islands
<b>United States</b>	American Samoa
	Guam
	United States Virgin Islands

<sup>2</sup> On 2 December 1986, the General Assembly decided that New Caledonia was a non-self-governing territory within the meaning of Chapter XI of the UN Charter.

<sup>3</sup> Spain informed the Secretary-General on 26 February 1976 that as of that date, it had terminated its presence in the territory of the Sahara and deemed it

necessary to place the following on record: "Spain considers itself henceforth exempt from any responsibility of an international nature in connection with the administration of the territory in view of the cessation of its participation in the temporary administration established for the territory." On 5 December 1984, and in many subsequent resolutions, the General Assembly reaffirmed that the question of Western Sahara was a question of decolonization, which remained to be resolved by the people of Western Sahara. In August 1988 the Kingdom of Morocco and the Frente Popular para la Liberación (Polisario Front) agreed in principle to the proposals put forward by Secretary-General Perez de Cuéllar and the Organization of African Unity. By its Resolutions 658 (1990) and 690 (1991) the Security Council adopted a settlement plan for Western Sahara that included a referendum for self-determination by the people of the country. In September 1991, the UN achieved a cease-fire in Western Sahara between the factions, through the establishment of the UN Mission for the Referendum in Western Sahara (MINURSO). In 1994, MINURSO began the process of identifying potential voters. In May 1996, the Secretary-General suspended the identification process and most MINURSO civilian staff were withdrawn. The military component remained to monitor and verify the ceasefire. In October 1998, in an attempt to move the process of a referendum forward, the Secretary-General presented a package of measures to the parties, which included a protocol on identification of those remaining applicants from the three tribal groupings. Frente POLISARIO accepted the package the following month, and the government of Morocco accepted in principle in March 1999. As of 2006, the identification process had been completed, but the parties continued to hold divergent views regarding an appeals process, the repatriation of refugees and other aspects of the plan.

ommended that the Security Council take measures to enable the UN Council for Namibia to carry out its mandate.

In its first resolution on the question, in 1969, the Security Council recognized the termination of the mandate by the General Assembly, described the continued presence of South Africa in Namibia as illegal, and called on South Africa to withdraw its administration from the territory immediately. In the following year, the Security Council explicitly declared for the first time that "all acts taken by the government of South Africa on behalf of or concerning Namibia after the termination of the mandate are illegal and invalid." This view was upheld in 1971 by the International Court of Justice, which stated, in an advisory opinion requested by the Security Council, that "the continued presence of South Africa in Namibia being illegal, South Africa is under obligation to withdraw its administration from Namibia immediately and thus put an end to its occupation of the territory." South Africa, however, again refused to comply with UN resolutions on the question of Namibia, and it continued to administer the territory.

To secure for the Namibians "adequate protection of the natural wealth and resources of the territory which is rightfully theirs," the UN Council for Namibia enacted a Decree for the Protection of the Natural Resources of Namibia in September 1974. Under the decree, no person or entity may search for, take, or distribute any natural resource found in Namibia without the council's permission, and any person or entity contravening the decree "may be held liable in damages by the future government of an independent Namibia." The council also established, in the same year, the Institute for Namibia (located in Lusaka, Zambia, until South Africa's withdrawal from Namibia) to provide Namibians with ed-

ucation and training and equip them to administer a future independent Namibia.

In 1976, the Security Council demanded for the first time that South Africa accept elections for the territory as a whole under UN supervision and control so that the people of Namibia might freely determine their own future. It condemned South Africa's "illegal and arbitrary application ... of racially discriminatory and repressive laws and practices in Namibia," its military buildup, and its use of the territory "as a base for attacks on neighboring countries."

In the same year, the General Assembly condemned South Africa "for organizing the so-called constitutional talks at Windhoek, which seek to perpetuate the apartheid and homelands policies as well as the colonial oppression and exploitation of the people and resources of Namibia." It decided that any independence talks regarding Namibia must be between the representatives of South Africa and the South West Africa People's Organization (SWAPO), which it recognized as "the sole and authentic representative of the Namibian people." In 1977, the General Assembly declared that South Africa's decision to annex Walvis Bay, Namibia's main port, was "illegal, null, and void" and "an act of colonial expansion," and it condemned the annexation as an attempt "to undermine the territorial integrity and unity of Namibia."

At a special session on Namibia in May 1978, the General Assembly adopted a declaration on Namibia and a program of action in support of self-determination and national independence for Namibia. Expressing "full support for the armed liberation struggle of the Namibian people under the leadership of the SWAPO," it stated that any negotiated settlement must be arrived at

with the agreement of SWAPO and within the framework of UN resolutions.

*The UN Plan for Namibian Independence.* In July 1978, the Security Council met to consider a proposal by the five Western members of the council—Canada, France, the Federal Republic of Germany, the United Kingdom, and the United States—for a settlement of the Namibian question. The proposal comprised a plan for free elections to a constituent assembly under the supervision and control of a UN representative, assisted by a UN transition assistance group that would include both civilian and military components. The council took note of the Western proposal and requested the Secretary-General to appoint a special representative for Namibia. In September 1978, after approving a report by the Secretary-General based on his special representative's findings, the council, in Resolution 435 (1978), endorsed the UN plan for the independence of Namibia, and it decided to establish, under its authority, the UN Transition Assistance Group (UNTAG) to ensure the early independence of Namibia through free and fair elections under UN supervision and control.

The Secretary-General's report stated that the implementation of the UN plan would be carried out in three stages: (1) cessation of all hostile acts by all parties; (2) the repeal of discriminatory or restrictive laws, the release of political prisoners, and the voluntary return of exiles and refugees; and (3) the holding of elections after a seven-month pre-electoral period, to be followed by the entry into force of the newly adopted constitution and the consequent achievement of independence by Namibia.

Since 1978, the General Assembly has continually reaffirmed that Security Council Resolution 435 (1978), in which the council endorsed the UN plan for the independence of Namibia, is the only basis for a peaceful settlement. It has condemned South Africa for obstructing the implementation of that resolution and other UN resolutions, for "its manoeuvres aimed at perpetuating its illegal occupation of Namibia," and for its attempts to establish a "linkage" between the independence of Namibia and "irrelevant, extraneous" issues, such as the presence of Cuban troops in Angola. In furtherance of the objective of bringing to an end South Africa's occupation of Namibia, the General Assembly has called upon all states to sever all relations with South Africa, and it has urged the Security Council to impose mandatory comprehensive sanctions against South Africa. The General Assembly also has continued to authorize the UN Council for Namibia, as the legal administering authority for Namibia, to mobilize international support for the withdrawal of the illegal South African administration from Namibia, to counter South Africa's policies against the Namibian people and against the UN, to denounce and seek the rejection by all states of South Africa's attempts to perpetuate its presence in Namibia, and to ensure the nonrecognition of any administration or political entity installed in Namibia, such as

the so-called interim government imposed in Namibia on 17 June 1985, that is not the result of free elections held under UN supervision and control.

In April 1987, the Secretary-General reported to the Security Council that agreement had been reached on the system of proportional representation for the elections to be held in Namibia as envisaged in Council Resolution 435 (1978). Thus, he noted, all outstanding issues had been resolved, and the only reason for the delay in the emplacement of UNTAG and an agreement on a cease-fire was South Africa's unacceptable precondition that the Cuban troops be withdrawn from Angola before the implementation of the UN plan for Namibian independence.

In December 1988, after eight months of intense negotiations brokered by the United States, Angola, Cuba, and South Africa signed agreements on the withdrawal of Cuban troops from Angola and the achievement of peace in south-western Africa. On 16 January 1989 the Security Council officially declared that Namibia's transition to independence would begin on 1 April 1989 (Security Council Resolution 628/1989). The council also authorized sending the UNTAG to Namibia to supervise the transition (Security Council Resolution 629/1989).

In one short year, from 1 April 1989 to 21 March 1990, the 8,000-member UNTAG force established 200 outposts, including 42 regional or district centers and 48 police stations. During the transition the UN High Commissioner for Refugees (UNHCR) had supervised the repatriation of 433,000 Namibian exiles who had been scattered throughout 40 countries. UNTAG supervised the registration of more than 700,000 voters, more than 97% of whom cast ballots in the historic election from 7–11 November 1989 that marked the end of Namibia's colonial history. The Special Committee also dispatched a visiting mission to observe and monitor the election process. In that election Sam Nujoma, head of SWAPO, was elected the country's first president. The mission reported to the Special Committee that the people of Namibia had, in accordance with Security Council resolution 435 (1978), exercised their inalienable right to self-determination by choosing their representatives to a constituent assembly that was charged with drafting a constitution for an independent Namibia.

In March 1990, Secretary-General Perez de Cuéllar administered the oath of office to the new Namibian president at a historic celebration. In a moving show of good faith, President F. W. DeKlerk of South Africa took part in the inauguration ceremony. Nelson Mandela, then leader of South Africa's African National Congress party and only recently released from prison in South Africa, also attended, as did hundreds of dignitaries from 70 countries.

On 23 April 1990 Namibia became the 159th member of the United Nations.

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# INTERNATIONAL LAW

The idea of developing international law through the restatement of existing rules is not of recent origin. In the last quarter of the eighteenth century, Jeremy Bentham proposed a codification of the whole of international law. Since his time, numerous attempts at codification have been made by private individuals, by learned societies and by governments. Enthusiasm for the “codification movement”—the name sometimes given to such attempts—generally stems from the belief that written international law would remove the uncertainties of customary international law by filling existing gaps in the law, as well as by giving precision to abstract general principles whose practical application is not settled.

## MODERN ANTECEDENTS OF THE INTERNATIONAL LAW COMMISSION

The intergovernmental effort to promote the codification and development of international law made an important advance with the resolution of the assembly of the League of Nations of 22 September 1924, envisaging the creation of a standing organ called the Committee of Experts for the Progressive Codification of International Law, which was to be composed so as to present the “main forms of civilization and the principal legal systems of the world.” This committee, consisting of 17 experts, was to prepare a list of subjects “the regulation of which by international agreement” was most “desirable and realizable” and thereafter to examine the comments of governments on this list and report on the questions which “were sufficiently ripe,” as well as on the procedure to be followed in preparing for conferences for their solutions. This was the first attempt on a worldwide basis to codify and develop whole fields of international law rather than simply regulating individual and specific legal problems.

After certain consultations with governments and the League Council, the League Assembly decided, in 1927, to convene a diplomatic conference to codify three topics out of the five that had been considered to be “sufficiently ripe,” namely: (1) nationality; (2) territorial waters; and (3) the responsibility of states for damage done in their territory to the person and property of foreigners. Delegates from 47 governments participated in the Codification Conference which met at The Hague, from 13 March to 12 April 1930. Unfortunately, nationality was the only subject for which an international instrument was agreed on. No further experiment in codification was made by the League of Nations after 1930, but on 25 September 1931, the League Assembly adopted an important resolution on the procedure of codification, the main theme of which was the strengthening of the influence of governments at every stage of the codification process.

## PROVISIONS OF THE UNITED NATIONS CHARTER

Article I of the UN Charter calls for the adjustment or settlement of international disputes by peaceful means in conformity with

the principles of justice and international law. In Article 13, the charter also requires the General Assembly to “initiate studies and make recommendations for the purpose of ... encouraging the progressive development of international law and its codification.” To help it fulfill this mandate, the General Assembly set up two law commissions.

The International Law Commission was established in 1947 as a permanent subsidiary organ with its own separate statute. It began meeting in 1949 and since that time has completed a significant body of work.

At its 1966 session, the General Assembly established another commission with the specific object of promoting the harmonization and unification of international law in the field of trade. The UN Commission on International Trade Law (UNCITRAL) held its first meeting in 1968.

## INTERNATIONAL LAW COMMISSION

Like the judges of the International Court of Justice, the 34 (originally 15) members of the International Law Commission are not representatives of governments. Instead, they are chosen in their individual capacity “as persons of recognized competence in international law” and with due consideration to representation of “the main forms of civilization” and “the principal legal systems of the world.” No two members of the commission may be nationals of the same country. They are elected for five-year terms by the General Assembly, from a list of candidates nominated by UN member states.

The members of the International Law Commission do not serve in a full-time capacity on the International Law Commission and need not give up their other professional activities. Until 1997, they met each year, normally in Geneva, for a session of approximately 12 weeks. In 1997, the General Assembly authorized the commission to hold its 50th session in two parts: the first to be held in Geneva from 27 April to 12 June 1998, and the second in New York, from 27 July to 14 August 1998. In 1998 the commission was authorized to convene one 12-week session in 1999, which was held in Geneva. Geneva was again the site in 2000, but the General Assembly saw fit to divide the commission’s work into two parts for this, its 52nd session. In 2006, the commission’s 58th session was held in two parts, from 1 May to 9 June, and from 3 July to 11 August. The various topics under consideration are usually assigned to individual members, who then serve as special rapporteurs on the item concerned, carry out the necessary studies between sessions, and submit reports to the commission at its annual sessions.

### Functions

Although the UN Charter does not lay down any principles for determining a desirable “progressive development” of international law, Article 1 of the Statute of the International Law Commission

provides that the “Commission shall have for its object the promotion of the progressive development of international law and its codification.” From the outset the discussions in the International Law Commission and the General Assembly have made very clear the main considerations involved. The traditional legal norms prevailing at the time of the San Francisco Conference were inherited from an era when world politics was dominated by a handful of Western European nations. As a consequence, international law itself reflected the values and interests of those nations. In essence, therefore, what has been required is an adjustment of the entire international legal order so as to take account of the interests and traditions of a much broader community of nations.

Article 15 of the Statute of the International Law Commission defines “progressive development” as the preparation of draft conventions on subjects which have not yet been regulated by international law, or in regard to which the law has not yet been sufficiently developed in the practice of states. It defines “codification” as meaning the more precise formulation and systemization of rules of international law in fields where there already has been extensive state practice, precedent, and doctrines.

*Progressive Development.* Under the Statute of the International Law Commission, proposals for the progressive development of international law are not formulated by the commission, but are referred to it by the General Assembly, or by members of the United Nations and other authorized agencies. On the other hand, the commission itself may select topics for codification.

Progressive development of international law is a conscious effort towards the creation of new rules of international law, whether by means of the regulation of a new topic or by means of the comprehensive revision of existing rules. Accordingly, the drafters of the statute considered that when the commission is engaged in the progressive development of any branch of law, the consummation of the work could be achieved only by means of an international convention. Thus the statute contemplates that the commission prepares a draft convention, and the General Assembly then decides whether steps should be taken to bring about the conclusion of an international convention.

*Codification.* On the other hand, when the commission’s task is one of codification (the mere precise formulation and systematization of existing customary law), the statute envisages two other possible conclusions to its work: (a) simple publication of its report; and (b) a resolution of the General Assembly, taking note of or adopting the report. The statute also lays down the specific steps to be taken by the commission in the course of its work on progressive development and on codification.

#### Methods of Work

The commission follows essentially the same method for both progressive development and codification. A “special rapporteur” is appointed for each topic; an appropriate plan of work is formulated; where desirable, governments are requested to furnish the texts of relevant laws, decrees, judicial decisions, treaties, and diplomatic correspondence; the special rapporteur submits reports; the commission approves a provisional draft based on those reports in the form of articles, with a commentary setting forth precedents, any divergence of views, and alternative solutions considered. The provisional draft is issued as a commission document and submitted to the General Assembly, and also to governments

for their written observations. On the basis of comments received from governments, together with any comments made in the debates of the Sixth Committee of the General Assembly, the special rapporteur submits a further report, recommending the changes in the provisional draft that seem appropriate. The commission then, on the basis of that report and the comments, adopts a final draft. The final draft is submitted to the General Assembly with a recommendation regarding further action.

*Special Assignments.* The General Assembly has from time to time requested the International Law Commission to examine particular texts or to report on particular legal problems. For example, at the specific request of the General Assembly, the commission dealt with the following topics: draft declaration on the rights and duties of states (1949); formulation of the Nürnberg principles (1950); questions of international criminal jurisdiction (1950); the question of defining aggression (1951); reservations to multilateral conventions (1951); draft code of offenses against the peace and security of mankind (1951 and 1954); extended participation in general multilateral treaties concluded under the auspices of the League of Nations (1962); question of the protection and inviolability of diplomatic agents and other persons entitled to special protection under international law (1972); and review of the multilateral treaty-making process (1979). The commission’s reports on some of these topics were presented in the form of draft articles with commentaries. Conclusions reached on some other topics did not lend themselves to draft articles.

#### Scope of the Commission’s Work

The General Assembly does not assign all legal issues with which it is concerned to the International Law Commission. Thus, the legal aspect of an agenda item that relates to another sphere of the General Assembly’s work is often handled by a special committee set up to study that particular subject. This is the case, for example, with the legal aspects of the peaceful uses of outer space and with many matters of human rights and economic and social development. On occasion, too, the General Assembly has established a special committee to consider certain legal topics that directly affect the conduct of nations in the area of international peace and security and are therefore highly political. Thus, the agenda item entitled “Consideration of principles of international law concerning friendly relations and cooperation among states in accordance with the Charter of the United Nations” was assigned to a special 31-member committee. After eight years of discussion, the committee completed a draft declaration, as requested, in time for the commemorative session to celebrate the UN’s 25th anniversary in 1970. The declaration embodies seven principles: the nonuse of force, peaceful settlement of disputes, nonintervention, sovereign equality, the duty to cooperate, equal rights and self-determination, and fulfillment of obligations under the charter.

Another example of a legal topic having a strongly political character is the definition of aggression. The International Law Commission originally was asked to draw up a definition of aggression. The task was taken over by the General Assembly only after the commission had failed to reach agreement. A special committee of the General Assembly drafted the text of the Definition of Aggression, which was adopted by the General Assembly in 1974.

Another special committee of the General Assembly drafted the International Convention on the Taking of Hostages, which

was adopted in 1979, and still another prepared the draft of what became, after being approved by the General Assembly in 1982, the Manila Declaration on the Peaceful Settlement of International Disputes. A special committee, originally established by the General Assembly in 1977, completed a draft Declaration on the Enhancement of the Effectiveness of the Principle of Refraining from the Threat or Use of Force in International Relations, which the General Assembly approved in 1987. The General Assembly also has established an ad hoc committee to recommend practical measures for elimination of the problem of international terrorism. The committee, in 1979, submitted its final report and recommendations to the General Assembly, which welcomed the results achieved. In 1980, the General Assembly established an ad hoc committee on the drafting of an international convention against the recruitment, use, financing, and training of mercenaries. The committee completed its work in 1989. In the same year, the General Assembly adopted a convention on the subject. In 1993, the General Assembly entrusted an ad hoc committee with the task of elaborating an international convention dealing with the safety and security of United Nations and associated personnel, with particular reference to responsibility for attacks on such personnel. The ad hoc committee held its first session in March–April 1994.

In 1996 the General Assembly established an ad hoc committee to elaborate an international convention for the suppression of terrorist bombings and, subsequently, an international convention for the suppression of acts of nuclear terrorism. This mandate continued to be renewed and revised on an annual basis by the General Assembly in its resolutions on the topic of measures to eliminate international terrorism. In December 2001, the ad hoc committee resolved to continue to elaborate a comprehensive convention on international terrorism as a matter of urgency, and to formulate a joint organized response of the international community to terrorism in all its forms and manifestations.

In 2001, the General Assembly established an ad hoc committee for the purpose of considering the elaboration of an international convention against the reproductive cloning of human beings. The ad hoc committee met from 25 February to 1 March 2002 to consider the elaboration of a mandate for the negotiation of such an international convention. Also in 2001, the General Assembly established an ad hoc committee on the scope of legal protection under the Convention on the Safety of United Nations and Associated Personnel, to strengthen and enhance the protective legal regime for United Nations and associated personnel.

#### Topics Selected for Codification

At its first session, in 1949, the commission considered 25 topics for possible study. It selected 14 of these for codification. The list was only provisional, and it was understood that changes might be made after further study by the commission or in compliance with the wishes of the General Assembly. The list, however, still constitutes the commission's basic long-term program of work.

Topics on which the commission has completed its work and submitted final drafts or reports to the General Assembly include the following: rights and duties of states; ways and means for making the evidence of customary international law more readily available; formulation of Nürnberg principles; the question of international criminal jurisdiction; reservations to multi-

lateral conventions; the question of defining aggression; nationality, including statelessness; law of the sea; arbitral procedure; diplomatic intercourse and immunities; extended participation in general multilateral treaties concluded under the auspices of the League of Nations; law of treaties; special missions; relations between states and international organizations; succession of states in respect of treaties; question of protection and inviolability of diplomatic agents and other persons entitled to special protection under international law; the most-favored-nation clause; succession of states in respect of matters other than treaties; question of treaties concluded between states and international organizations or between two or more international organizations; status of the diplomatic courier and the diplomatic bag not accompanied by diplomatic courier; jurisdictional immunities of states and their property; nationality in relation to the succession of states; responsibility of states for internationally wrongful acts; and international liability for injurious consequences arising out of acts not prohibited by international law (prevention of transboundary damage from hazardous activities).

The Sixth Committee itself sometimes functions as a codification body. On two occasions, with regard to the topics "Special Missions" and "Draft Convention on the Prevention and Punishments of Crimes against Diplomatic Agents and other Internationally Protected Persons," the Sixth Committee was assigned the finalization of the relevant conventions. The General Assembly subsequently adopted both conventions.

In 1994, the General Assembly, on the recommendation of the Sixth Committee, established an ad hoc committee to elaborate an international convention dealing with the safety and security of UN personnel. The committee's task was to consolidate, in a single document, the set of principles and obligations contained in existing treaties as well as to codify customary international law. The Sixth Committee also convened in New York in 1995 a United Nations Congress on Public International Law as part of the activities of the UN Decade for International Law (1990–1999).

#### Extended Participation in Multilateral Treaties Concluded Under the Auspices of the League of Nations

The commission's conclusions on the question of extended participation in multilateral treaties concluded under the auspices of the League of Nations were submitted to the General Assembly in 1963. On the basis of those conclusions, the General Assembly decided that it was the appropriate organ of the UN to exercise the functions of the League Council with respect to 21 general multilateral treaties of a technical and nonpolitical character concluded under the auspices of the former world body.

#### Law of Treaties

The most far-reaching task undertaken by the International Law Commission has been its work on the law of treaties—the laws governing the way in which treaties are to be negotiated, adopted, altered, and abrogated. The commission, which began work on this project in 1949, finally completed it in 1966, after 18 sessions. Throughout this period, the commission regularly submitted provisional draft articles to the General Assembly's Sixth Committee and to individual governments for comment. Accordingly, the final draft of 75 articles adopted by the commission and submitted to the General Assembly's 1966 session included many revisions. At a conference that met in two sessions in Vienna in 1968 and

1969, the Vienna Convention on the Law of Treaties was adopted. It came into force in 1980.

During the preparation of the draft articles on the law of treaties, the commission considered whether the articles should apply not only to treaties between states but also to treaties concluded by other entities, particularly by international organizations. The commission decided to confine its work to treaties between states, but following adoption of the Vienna Convention on the Law of Treaties, it took up, in consultation with the principal international organizations, the question of treaties concluded between states and international organizations or between two or more international organizations.

At a conference that met in Vienna in 1986, the Vienna Convention on the Law of Treaties Between States and International Organizations or Between International Organizations was adopted.

#### **Law of the Sea**

In accordance with its 1949 program, the commission worked for a number of years on the codification of the law of the sea. Following a request of the 1954 General Assembly, the commission grouped together the articles that it had previously adopted and submitted a final draft on the law of the sea in 1956. The General Assembly called a special conference on the law of the sea at Geneva in 1958. At that conference, four conventions were adopted: (1) the Convention on the High Seas, which came into force on 30 September 1962; (2) the Convention on the Continental Shelf, on 24 April 1964; (3) the Convention on the Territorial Sea and the Contiguous Zone, on 10 September 1964; and (4) the Convention on Fishing and Conservation of the Living Resources of the High Seas, on 20 March 1966. (See also the chapter on the Law of the Sea.)

#### **Reduction of Statelessness**

In 1954, the commission prepared two drafts, one for a convention on the elimination of statelessness and another, which would impose fewer obligations on states, on the reduction of statelessness. General Assembly discussions showed that the first and more sweeping draft had no chance of acceptance. Even the measures on which countries would have to agree in order to reduce the number of stateless persons raised so many problems that two special conferences were eventually required, one in 1959 and one in 1961, to arrive at a Convention on the Reduction of Statelessness. It came into force in 1975.

#### **Diplomatic and Consular Relations**

In 1959, the commission adopted final draft articles on diplomatic intercourse and immunities. The General Assembly endorsed the drafts and convened an international conference, which met in Vienna in 1961 and adopted the Vienna Convention on Diplomatic Relations and two optional protocols, one concerning acquisition of nationality and the other compulsory settlement of disputes. The convention adapts to twentieth century requirements the rules for diplomatic intercourse formulated by the 1815 Congress of Vienna, which since that time have essentially governed diplomatic relations. It came into force on 24 April 1964.

Final draft articles on consular relations were submitted by the commission to the General Assembly in 1961. On the basis of these drafts, an international conference, held in Vienna in 1963,

adopted the Vienna Convention on Consular Relations and two protocols. It came into force in 1967.

#### **Special Missions**

In 1968 and 1969, the General Assembly considered the question of a draft convention on special missions on the basis of draft articles prepared by the commission. On 8 December 1969, the General Assembly adopted the Convention on Special Missions and an optional protocol concerning the compulsory settlement of disputes. The convention, which came into force on 21 June 1985, provides rules applying to forms of ad hoc diplomacy—*itinerant envoys*, diplomatic conferences, and special missions sent to a state for limited purposes—that are not covered by the Vienna conventions of 1961 and 1963 relating to diplomatic and consular relations among states.

#### **Protection of Diplomats**

In 1973, the General Assembly adopted the Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons, Including Diplomatic Agents, on the basis of draft articles prepared by the commission. The convention's preamble states that crimes against diplomatic agents and other internationally protected persons, jeopardizing their safety, create a serious threat to the maintenance of normal international relations necessary for cooperation among states. It came into force on 20 February 1977.

#### **Relations Between States and International Organizations**

On the basis of draft articles prepared by the commission, the Vienna Convention on the Representation of States in Their Relations with International Organizations of a Universal Character was adopted in 1975 by an international conference.

#### **Succession of States**

Work on the subject of the succession of states was begun by the commission in 1962. Succession of states deals with cases in which dependent territories gain independence, as well as those involving the transfer of territory and the union, dissolution, and separation of states. In 1967, the commission divided the subject into three subtopics: succession in regard to treaties; in regard to matters other than treaties; and in regard to membership of international organizations.

Subsequently, two conferences were convened by the General Assembly to consider the subject on the basis of drafts prepared by the commission. The first conference, held in April 1977 and resumed in August 1978, adopted the Vienna Convention on Succession of States in Respect of Treaties. The second, which met in March–April 1983, adopted the Vienna Convention on Succession of States in Respect of State Property, Archives and Debts. In 1999 the commission adopted draft articles on the nationality of natural persons in relation to the succession of states.

#### **Jurisdictional Immunities of States and Their Property**

The commission completed its work on this topic in 1991 and recommended that the General Assembly convene an international conference to examine the 22 draft articles and conclude a convention. The Sixth Committee examined the draft articles in a working group in 1992 and 1993 in order to resolve differences of views on some of the substantive issues raised. Then, the General Assembly, in resolution 55/150 of 12 December 2000, decided



to establish an ad hoc committee on jurisdictional immunities of states and their property, to further the work done, consolidate areas of agreement and resolve outstanding issues undertaken by the International Law Commission at its 43rd session, and also on discussions of the Sixth Committee. The ad hoc committee was convened at United Nations Headquarters from 4 to 15 February 2002, and met again in 2003 and 2004.

### International Criminal Court

In 1992 the UN General Assembly requested that the Commission elaborate a Draft Statute for an International Criminal Court, which could prosecute persons for serious crimes under international law. The commission completed the draft statute in 1994, and included crimes under general international law such as genocide, aggression, serious violations of humanitarian law, crimes against humanity, unlawful seizure of aircraft, apartheid, and hostage taking. The Rome Statute of the International Criminal Court was adopted by a diplomatic conference of plenipotentiaries on 17 July 1998. The statute was to remain open for signature in Rome until 17 October 1998, after which it remained open for signature at the UN Headquarters in New York until 31 December 2000. The Rome Statute entered into force on 1 July 2002. As of 14 November 2005, 100 states were parties to the statute.

## TOPICS PENDING BEFORE THE GENERAL ASSEMBLY

### Diplomatic Protection

The commission completed its work on the topic of the diplomatic courier in 1989 and recommended that the General Assembly convene an international conference of plenipotentiaries to examine the draft articles and conclude a convention on the subject. The Sixth Committee of the General Assembly considered the issue in 1990, 1991, and 1992 and decided to return to it at its 49th session in 1995. The 50th session of the General Assembly in 1996 invited governments to submit comments regarding the commission's suggestion to include diplomatic protection as a topic. At its 54th session in 2002, the commission considered the report of a drafting committee on diplomatic protection, adopted amended draft articles and commentaries to the articles.

### Current Topics

The following items were on the agenda of the commission at its 58th session (in 2006): diplomatic protection; international liability for injurious consequences arising out of acts not prohibited by international law (international liability in case of loss from transboundary harm arising out of hazardous activities); responsibility of international organizations; shared natural resources; unilateral acts of states; reservations to treaties; expulsion of aliens; effects of armed conflicts on treaties; the obligation to extradite or prosecute (*aut dedere aut judicare*); fragmentation of international law: difficulties arising from the diversification and expansion of international law.

## UN COMMISSION ON INTERNATIONAL TRADE LAW (UNCITRAL)

Like the International Law Commission, UNCITRAL is a permanent subsidiary organ of the General Assembly, which elects its members, observing the principle of balance among the geo-

graphical regions and the main economic and legal systems of the world.

In contrast to the International Law Commission, whose members serve in their individual capacities, the UN Commission on International Trade Law (UNCITRAL) is composed of the representatives of 60 (originally 29) states. Members serve six-year terms and are eligible for reelection. States not members of UNCITRAL, representatives of United Nations organs (the IMF and the World Bank), and some other international organizations (for example, the Inter-American Development Bank and the former Organization of African Unity, now African Union) may attend its sessions as observers.

The commission holds one regular session a year. As of 14 June 2004, the members of UNCITRAL (and the years their memberships expire) were: Algeria (2010), Argentina (2007), Australia (2010), Austria (2010), Belarus (2010), Belgium (2007), Benin (2007), Brazil (2007), Cameroon (2007), Canada (2007), Chile (2007), China (2007), Colombia (2010), Croatia (2007), Czech Republic (2010), Ecuador (2010), Fiji (2010), France (2007), Gabon (2010), Germany (2007), Guatemala (2010), India (2010), Iran (Islamic Republic of) (2010), Israel (2010), Italy (2004), Japan (2007), Jordan (2007), Kenya (2010), Lebanon (2010), Lithuania (2007), Madagascar (2010), Mexico (2007), Mongolia (2010), Morocco (2007), Nigeria (2010), Pakistan (2010), Paraguay (2010), Poland (2010), Qatar (2007), Republic of Korea (2007), Russian Federation (2007), Rwanda (2007), Sierra Leone (2007), Singapore (2007), South Africa (2007), Spain (2010), Sri Lanka (2007), Sweden (2007), Switzerland (2010), Thailand (2010), The former Yugoslav Republic of Macedonia (2007), Tunisia (2007), Turkey (2007), Uganda (2010), United Kingdom of Great Britain and Northern Ireland (2007), United States of America (2010), Uruguay (2007), Venezuela (2010), and Zimbabwe (2010).

Between sessions, working groups designated by the commission meet on specific topics such as electronic commerce, international contract practices, arbitration, and insolvency law.

### Functions

A clear understanding of the respective rights and obligations of buyers, sellers, and other commercial parties facilitates the flow of trade from one country to another. When the laws of countries in this field are at variance, impediments may arise. In establishing UNCITRAL, the UN recognized that there was a need for it to play a more active role in removing or reducing legal obstacles to international trade.

UNCITRAL is charged with the task of seeking to resolve differences in national laws by providing texts that may become the basis of international conventions or other agreements. The 1966 General Assembly resolution establishing UNCITRAL invests it with seven specific functions in the furtherance of "progressive harmonization and unification of the law of international trade": coordinating the work of international organizations active in this field; promoting wider participation in existing international conventions, preparing new international conventions; promoting the means of ensuring the uniform interpretation and application of international conventions, collecting and disseminating information on national legislation and legal development in the field of international law; maintaining a close collaboration with UNC-

TAD; and maintaining liaison with other concerned UN organs and specialized agencies.

### **The Work of UNCITRAL**

The commission draws up its own program of work, subject to the approval of the General Assembly. It selects topics that are both intrinsically capable of unification and ripe for final settlement by virtue of a sufficiently close convergence in their treatment among bodies of national law. Three topics have been given priority: the international sale of goods, international payments, and commercial arbitration.

The first treaty elaborated under the auspices of UNCITRAL was the Convention on the Limitation Period on the International Sale of Goods, adopted in 1974 and called the "Limitation Convention." The convention fixes at four years the period of time in which parties to a contract for the international sale of goods may sue under the contract, and it regulates various matters in regard to the commencement, prolongation, and termination of that period.

Other treaties elaborated by UNCITRAL include the UN Convention on the Carriage of Goods by Sea, adopted at Hamburg,

Germany, in 1978 (the "Hamburg Rules"), which entered into force in 1992; the UN Convention on Contracts for the International Sale of Goods, adopted in 1980 (the "United Nations Sales Convention"); the 1988 Convention on International Bills of Exchange and International Promissory Notes (the "UNCITRAL Bills and Notes Convention"); the 1991 United Nations Convention on the Liability of Operators of Transport Terminals in International Trade (the "United Nations Terminal Operators Convention"); and the 1995 United Nations Convention on Independent Guarantees and Stand-by Letters of Credit.

A growing area of work for UNCITRAL in the 1990s was model laws, which become the basis or guidelines for national legislation. Model laws have been issued on international credit transfers (in 1992); procurement of goods, construction, and services (1994); electronic commerce (1996); and cross-border insolvency (1997).

UNCITRAL also conducts a substantial training and technical assistance program, designed to disseminate information concerning UNCITRAL legal texts to government officials, legislators, practicing lawyers, judges, traders, and academics.

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# UNIVERSAL DECLARATION OF HUMAN RIGHTS

On 10 December 1948 the General Assembly of the United Nations adopted and proclaimed the Universal Declaration of Human Rights. Following this act, the Assembly called upon all member countries to publicize the text of the Declaration and “to cause it to be disseminated, displayed, read and expounded principally in schools and other educational institutions, without distinction based on the political status of countries or territories.” The full text of the final authorized version follows. The UN celebrated the declaration’s 50th anniversary in 1998 with a special program of events at its headquarters.

## PREAMBLE

*Whereas* recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world,

*Whereas* disregard and contempt for human rights have resulted in barbarous acts which have outraged the conscience of mankind, and the advent of a world in which human beings shall enjoy freedom of speech and belief and freedom from fear and want has been proclaimed as the highest aspiration of the common people,

*Whereas* it is essential, if man is not to be compelled to have recourse, as a last resort, to rebellion against tyranny and oppression, that human rights should be protected by the rule of law,

*Whereas* it is essential to promote the development of friendly relations between nations,

*Whereas* the peoples of the United Nations have in the Charter reaffirmed their faith in fundamental human rights, in the dignity and worth of the human person and in the equal rights of men and women and have determined to promote social progress and better standards of life in larger freedom,

*Whereas* Member States have pledged themselves to achieve, in co-operation with the United Nations, the promotion of universal respect for and observance of human rights and fundamental freedoms,

*Whereas* a common understanding of these rights and freedoms is of the greatest importance for the full realization of this pledge,

Now, Therefore,

## THE GENERAL ASSEMBLY

*proclaims*

## THIS UNIVERSAL DECLARATION OF HUMAN RIGHTS

as a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, keeping this Declaration constantly in mind, shall strive by teaching and education to promote respect for these rights and free-

doms and by progressive measures, national and international, to secure their universal and effective recognition and observance, both among the peoples of Member States themselves and among the peoples of territories under their jurisdiction.

### Article 1

All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.

### Article 2

Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. Furthermore, no distinction shall be made on the basis of the political, jurisdictional or international status of the country or territory to which a person belongs, whether it be independent, trust, non-self-governing or under any other limitation of sovereignty.

### Article 3

Everyone has the right to life, liberty and security of person.

### Article 4

No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.

### Article 5

No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment.

### Article 6

Everyone has the right to recognition everywhere as a person before the law.

### Article 7

All are equal before the law and are entitled without any discrimination to equal protection of the law. All are entitled to equal protection against any discrimination in violation of this Declaration and against any incitement to such discrimination.

### Article 8

Everyone has the right to an effective remedy by the competent national tribunals for acts violating the fundamental rights granted him by the constitution or by law.

### Article 9

No one shall be subjected to arbitrary arrest, detention or exile.

### Article 10

Everyone is entitled in full equality to a fair and public hearing by an independent and impartial tribunal, in the determination of his rights and obligations and of any criminal charge against him.

**Article 11**

(1) Everyone charged with a penal offense has the right to be presumed innocent until proved guilty according to law in a public trial at which he has had all the guarantees necessary for his defense.

(2) No one shall be held guilty of any penal offense on account of any act or omission which did not constitute a penal offense, under national or international law, at the time when it was committed. Nor shall a heavier penalty be imposed than the one that was applicable at the time the penal offense was committed.

**Article 12**

No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honor and reputation. Everyone has the right to the protection of the law against such interference or attacks.

**Article 13**

(1) Everyone has the right to freedom of movement and residence within the borders of each state.

(2) Everyone has the right to leave any country, including his own, and to return to his country.

**Article 14**

(1) Everyone has the right to seek and to enjoy in other countries asylum from persecution.

(2) This right may not be invoked in the case of prosecutions genuinely arising from non-political crimes or from acts contrary to the purposes and principles of the United Nations.

**Article 15**

(1) Everyone has the right to a nationality.

(2) No one shall be arbitrarily deprived of his nationality nor denied the right to change his nationality.

**Article 16**

(1) Men and women of full age, without any limitation due to race, nationality or religion, have the right to marry and to found a family. They are entitled to equal rights as to marriage, during marriage and at its dissolution.

(2) Marriage shall be entered into only with the free and full consent of the intending spouses.

(3) The family is the natural and fundamental group unit of society and is entitled to protection by society and the State.

**Article 17**

(1) Everyone has the right to own property alone as well as in association with others.

(2) No one shall be arbitrarily deprived of his property.

**Article 18.**

Everyone has the right to freedom of thought, conscience and religion; this right includes freedom to change his religion or belief, and freedom, either alone or in community with others and

in public or private, to manifest his religion or belief in teaching, practice, worship and observance.

**Article 19**

Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.

**Article 20**

(1) Everyone has the right to freedom of peaceful assembly and association.

(2) No one may be compelled to belong to an association.

**Article 21**

(1) Everyone has the right to take part in the government of his country, directly or through freely chosen representatives.

(2) Everyone has the right of equal access to public service in his country.

(3) The will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.

**Article 22**

Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.

**Article 23**

(1) Everyone has the right to work, to free choice of employment, to just and favorable conditions of work and to protection against unemployment.

(2) Everyone, without any discrimination, has the right to equal pay for equal work.

(3) Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.

(4) Everyone has the right to form and to join trade unions for the protection of his interests.

**Article 24**

Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

**Article 25**

(1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness,

disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

(2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

#### Article 26

(1) Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.

(2) Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.

(3) Parents have a prior right to choose the kind of education that shall be given to their children.

#### Article 27

(1) Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits.

(2) Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.

#### Article 28

Everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized.

#### Article 29

(1) Everyone has duties to the community in which alone the free and full development of his personality is possible.

(2) In the exercise of his rights and freedoms, everyone shall be subject only to such limitations as are determined by law solely for the purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order and the general welfare in a democratic society.

(3) These rights and freedoms may in no case be exercised contrary to the purposes and principles of the United Nations.

#### Article 30

Nothing in this Declaration may be interpreted as implying for any State, group or person any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms set forth herein.

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## **UNBISnet** <http://unbisnet.un.org>

Catalogue of UN publications and documentation indexed by the UN Dag Hammarskjöld Library and the Library of the UN Office at Geneva. Also included are non-UN publications held in the collection of the Dag Hammarskjöld Library. UNBISnet coverage is primarily from 1979 forward, however, indexing for resolutions of the General Assembly, Economic and Social Council, Security Council and Trusteeship Council are included back to 1945. Also included on UNBISnet are voting records for all resolutions which were adopted by the General Assembly beginning with its 38th session (1983–) and the Security Council beginning with its 1st year (1946–). Citations to speeches made in the General Assembly beginning with its 38th session (1983–), the Security Council beginning with its 38th year (1983–), the Economic and Social Council beginning in 1983 and the Trusteeship Council beginning with its 15th special session (1982) can also be found on UNBISnet.

## **UN-I-QUE (UN Info Quest)**

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## **UNISPAL (United Nations Information System on the Question of Palestine)** <http://domino.un.org/unispal.nsf>

Provides users with full-text documents of the UN system relevant to the question of Palestine and the Arab-Israeli conflict in the Middle East since 1946.

## **United Nations Treaty Collection** <http://untreaty.un.org/>

This collection includes: status of multilateral treaties deposited with the Secretary-General; the United Nations treaty series; texts of recently deposited multilateral treaties; photographs of treaty signature ceremonies; titles of the multilateral treaties deposited with the Secretary-General in the UN official languages; summary of practice of the Secretary-General as depositary of multilateral treaties; treaty handbook; monthly statements of treaties and international agreements; depositary notifications (CNs) by the Secretary-General; United Nations treaty series cumulative index; notes verbales from the legal counsel relating to the depositary practice and the registration of treaties pursuant to Article 102 of the Charter.

## **Millennium Indicators Database**

[http://unstats.un.org/unsd/mi/mi\\_goals.asp](http://unstats.un.org/unsd/mi/mi_goals.asp)

A framework of 8 goals, 18 targets and 48 indicators to measure progress towards the Millennium Development goals established in 2000. Each indicator is linked to millennium data series as well as to background series related to the target in question.

## **Social Indicators**

<http://unstats.un.org/unsd/demographic/social/default.htm>

Social indicators covering a wide range of subject-matter fields compiled by the UN Statistics Division, Department of Economic and Social Affairs of the United Nations Secretariat, and from many national and international sources in the global statistical system. The indicators are: population; youth and elderly populations; human settlements; water supply and sanitation; housing; health; child-bearing; education; illiteracy; income and economic activity; and unemployment.

## **InfoNation**

<http://www.un.org/cyberschoolbus/index.html>

A global learning project for middle and secondary students with statistical information on countries.

**United Nations Population Information Network****<http://www.un.org/popin/>**

A guide to population statistics on UN system websites. Includes data, information on publications, conferences, and organizations.

**ReliefWeb <http://www.reliefweb.int/w/rwb.nsf>**

A source of information from OCHA (UN Office for the Coordination of Humanitarian Affairs) and its news agency. Contains information on the latest updates in humanitarian issues, including emergencies and natural disasters. Also contains background information by country.

**Department of Public Information/Non-governmental Organizations Section <http://www.un.org/dpi/ngosection/index.html>**

Serves as the liaison between the Department of Public Information and NGOs associated with DPI. These organizations disseminate information about the UN to their constituencies, building

knowledge of and support for the organization at the grassroots level. Currently, close to 1,600 NGOs from all regions of the world are associated with DPI.

**Readex AccessUN****<http://www.newsbank.com/intl/accessun.html>**

Although not available for free on the internet, for extensive UN documentation, Readex AccessUN, published by NewsBank, is used by academic libraries, law school libraries, UN depository libraries, and government information centers. AccessUN offers four comprehensive date ranges: 1952–present, 1966–present, 1991–present and 1998 onward. It includes: links to related full-text documents/sites; access to masthead documents and official records; indexed periodical articles and UN treaties; voting records in selected summary record and provisional verbatim documents.

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# UNITED NATIONS DEPOSITORY LIBRARIES

Listed below are the libraries where United Nations publications and other documents are available. Specific information on holdings is available by contacting the library directly. Many of the US depository libraries also have web sites. Up-to-date URLs may be looked up at [www.un.org/MoreInfo/Deplib/usa.htm](http://www.un.org/MoreInfo/Deplib/usa.htm).

## LIBRARIES IN THE UNITED STATES

### Arkansas

University of Arkansas, Fayetteville

### California

Los Angeles Public Library, Los Angeles

Stanford University Libraries, Stanford

University of California, Government and Social Science Information Service, Berkeley

University of California, Young Research Library, Los Angeles

### Colorado

University of Colorado at Boulder

### Connecticut

Yale University Library, New Haven

District of Columbia

Library of Congress, Washington, D.C.

### Florida

Florida International University, Steven and Dorothea Green Library, Miami

Florida State University, Robert M. Strozier Library, Tallahassee

Nova Southeastern University Law Library, Fort Lauderdale

### Hawaii

University of Hawaii Library, Honolulu

### Illinois

Illinois Institute of Technology, Library of International Relations, Chicago

Northwestern University Library, Evanston

Documents Library, University of Illinois, Urbana

### Indiana

Indiana University Library, Government Publications, Bloomington

Indiana University School of Law, Ruth Lilly Library, Indianapolis

### Iowa

University of Iowa Library, Iowa City

### Kansas

University of Kansas, Anschutz Library, Lawrence

### Maryland

Johns Hopkins University, The Milton S. Eisenhower Library, Baltimore

### Massachusetts

Harvard College Library, Cambridge

Boston Public Library, Boston

### Michigan

University of Michigan, Harlan Hatcher Graduate Library, Ann Arbor

### Minnesota

University of Minnesota, Wilson Library, Minneapolis

### Mississippi

Mississippi State University, Mitchell Memorial Library, Mississippi State

### Missouri

Southwest Missouri State University, Meyer Library, Springfield

### Nevada

University of Nevada Library, Reno

### New Jersey

Princeton University Library, Princeton

Seton Hall University, University Library, South Orange

### New Mexico

Farmington Public Library, Farmington

### New York

Columbia University Law Library, New York

Cornell University, Olin Library, Ithaca

Council on Foreign Relations, New York

New York Public Library, Science, Industry and Business Library, New York

New York University, Elmer Holmes Bobst Library, New York

St. John's University, Rittenberg Law Library, Jamaica



**North Carolina**

University of North Carolina, Walter Davis Library, Chapel Hill

**Ohio**

Cleveland Public Library, Cleveland

**Pennsylvania**

University of Pennsylvania, Van Pelt-Dietrich Library,  
Philadelphia

University of Pittsburgh, Hillman Library, Pittsburgh

**Rhode Island**

Brown University, The John D. Rockefeller, Jr. Library,  
Providence

**Tennessee**

Vanderbilt University Central Library, Nashville

**Texas**

University of Texas, Perry-Castañeda Library, Austin

**Utah**

University of Utah, Marriott Library, Salt Lake City

**Virginia**

University of Virginia, Alderman Library, Charlottesville

**Washington**

University of Washington Libraries, Seattle

**LIBRARIES IN PUERTO RICO****Puerto Rico**

Universidad de Puerto Rico, Sistema de Bibliotecas, San Juan  
Pontificia Universidad Católica de Puerto Rico, Ponce

**LIBRARIES IN THE U.S. VIRGIN ISLANDS****St. Thomas**

Virgin Islands Division of Libraries, Archives and Museum, St.  
Thomas

**LIBRARIES IN CANADA****Alberta**

University of Alberta, Rutherford Library, Edmonton

**British Columbia**

University of British Columbia Library, Vancouver

**Manitoba**

Legislative Library, Winnipeg

**New Brunswick**

University of New Brunswick, Harriet Irving Library, Fredericton

**Nova Scotia**

Dalhousie University, Killam Memorial Library, Halifax

**Ontario**

Queens University, Joseph S. Stauffer Library, Kingston

University of Ottawa, Bibliothèque Morrisset, Ottawa

University of Toronto Library, Toronto

**Québec**

McGill University, McLennan Library, Montréal

Université de Montréal, Bibliothèque des Sciences Humaines et  
Sociales, Montréal

Université Laval, Bibliothèque, Québec

**Saskatchewan**

University of Saskatchewan, Murray Memorial Library,  
Saskatoon

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# EMPLOYMENT AT THE UN

As of 2006, the UN Secretariat and regional commissions employed some 14,000 people. The mandatory retirement age for staff appointed since January 1990 is 62. The UN offers attractive remuneration packages and benefits. Starting salaries are based upon academic and professional qualifications, as well as the level of the post. The base salary scales are set by the General Assembly. There is also a post adjustment element based on the cost of living and the rate of exchange of local currency vis-à-vis the US dollar at each duty station.

The Charter of the UN contains the principle of equality of men and women as it relates to the recruitment of all staff. Accordingly, the General Assembly set out clear directives aimed at promoting the appointment of women to professional posts as one of the main objectives of recruitment policy, with the view of achieving a more equitable balance between men and women among the staff.

Vacancies in the Professional category call for persons with professional qualifications in fields related to the work of the UN. Special attention is paid to the development and maintenance of a proper balance among member states. Entry-level posts, as a rule, are filled through competitive recruitment examinations and interviews organized on a rotational basis for nationals of inadequately represented member states. Candidates for posts in the Professional category are expected to have an advanced university degree in addition to the relevant professional experience. Vacancies for the Professional category occur in the following occupations: administration; economics; electronic data processing; finance; language and related work; legal and related work; library; public information; social development; and statistics.

Vacancies in the category of General Service occur in the following occupational groups: secretarial and clerical positions; text processors; and accounting and statistical clerks. The General Service staff of each major office away from UN headquarters is recruited locally, that is, from the area in which the particular office is located.

The specialized agencies (i.e. UNESCO, FAO, IAEA, etc.) conduct their own recruitment programs. Their clerical and secretarial staff are recruited locally from among the residents of the area in which a particular agency is located.

## DEMOGRAPHICS OF THE SECRETARIAT

As of 2005, approximately 3.3% of staff were in the Director category, 35.1% in the Professional category, and 61.1% in the General Service and related categories. More than 72.2% of all staff came from 24 member states that each had more than 100 na-

tionals as staff members. There were more than 400 nationals in the Secretariat from each of the following six member states: Ethiopia, France, Kenya, the Philippines, the United Kingdom, and the United States. Of the 191 member states, 177 were represented in all staff categories as compared with 174 for staff in posts subject to geographical distribution. A total of 14 member states were unrepresented (Angola, Brunei Darussalam, Comoros, Kiribati, Liechtenstein, Marshall Islands, Monaco, Nauru, Palau, Samoa, São Tomé and Príncipe, Timor-Leste, Turkmenistan, and the United Arab Emirates). The global gender distribution of Secretariat staff showed an almost evenly balanced female/male staff distribution (51.5/48.5). This figure, however, does not indicate significant differences in gender representation by grade, category, and department or office. In spite of a general increase in all categories, the two most senior grades of the Secretariat (Under-Secretary-General and Assistant Secretary-General) had a low female representation (23.7%). Female staff were also poorly represented in the Director category (33.25%). In the Professional category, the proportion of female staff was 41.3%. It was higher at entry levels, where numbers were close to or above the General Assembly mandate of gender parity. Female staff constituted the majority in the General Service category. As of 30 June 2005, the average age of the staff was 46 years. More than half—57%—of all Secretariat staff were older than 45, 27.5% were younger than 40, and only 4.6% were younger than 30. The average length of service for staff with permanent appointments was 20.7 years (23.7 years for Directors, 16 years for Professionals, and 25 years for staff in the General Service and related categories).

## STAFF FIGURES FOR SELECTED UN BODIES AND RELATED AGENCIES (2006 ESTIMATES)

UNHCR: 6,540	WHO: 3,500
UNRWA: 24,320	ICAO: 800
UNU: 210	ILO: 2,600
UNICEF: 7,000	ITU: 880
UNCTAD: 400	IMO: 300
WFP: 8,830	WIPO: 940
UNEP: 800	UNIDO: 900
UN-HABITAT: 800	IAEA: 2,200
UNRISD: 20	WTO (World Trade Organization): 635
UNIFEM: 200	IMF: 2,700
INSTRAW: 25	World Bank: 10,000
FAO: 3,700	
UNESCO: 2,840	

# THE UNITED NATIONS RELATED AGENCIES

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# AGENCIES OF THE UNITED NATIONS SYSTEM

The following organizations are often called part of the United Nations “family.” The previous chapters have been concerned with the organs, programs, or funds of the United Nations that are directly governed by the General Assembly and/or the Security Council, and which have the Secretary General as their executive head. The following organizations all have their own separate member states, governing bodies, executive heads, and secretariats. While these organizations are bound to the UN by legal agreements, they are not governed directly by UN organs.

Most organizations in the system are related to the United Nations through legal agreements executed pursuant to Articles 57 and 63 of the Charter. A key purpose of these special agreements, as stated in Article 58, was coordination of activities in the pursuit of economic, social, and cultural objectives. However, some provisions have never been fully implemented.

## The Specialized Agencies

The ILO, FAO, UNESCO and WHO all had predecessor organizations in the League of Nations but were re-established as part of the UN system between 1946–1994. UNIDO became a full specialized agency in 1985. Voting in the main governing bodies of these agencies is on the same one-nation-one-vote principle as in the United Nations.

## Technical Agencies

Among this group are the very first truly international organizations, such as the International Telecommunications Union (ITU) and the Universal Postal Union (UPU), which were both established over a century ago. This group of agencies has a very specific focus, and countries are often represented by the head of the national ministry in charge of the relevant area, such as weather, telecommunications, postal service, intellectual property.

However, the International Atomic Energy Association (IAEA) was established in 1956 by the United Nations General Assembly, and is legally bound directly to the General Assembly. The other specialized and technical agencies report to the United Nations through the Economic and Social Council (ECOSOC).

## GATT/WTO

The World Trade Organization (WTO) is the successor to the General Agreement on Tariffs and Trade (GATT), and serves as the legal and institutional foundation of the multilateral trading system. The WTO helps to legally determine how governments frame and carry out domestic trade legislation and regulations. The WTO also serves as a forum on which international trade relations can develop through collective debate, negotiation, and adjudication.

## The Bretton Woods Institutions

The IMF and the World Bank Group are structured very differently from the specialized agencies. These agencies were established

under the charter of the United Nations at a special conference held at Bretton Woods, New Hampshire in 1944. The World Bank Group comprises five separate organizations: the IBRD, the IDA, the IFC, MIGA, and the ICSD. Members of the IBRD can choose which of the four remaining organizations they wish to join.

One of the most fundamental differences between the UN and the Bretton Woods institutions is that voting in these organizations is governed according to the number of shares held by each member state. Therefore, the wealthier countries have more voting power.

IFAD, while not a Bretton Woods institution, is a more recent addition to the specialized agency family that deals with capital funding operations. It raises money through replenishments. Its governing council is made up of three groups of countries—industrialized, oil-producing, and other developing countries. Each group has equal voting rights.

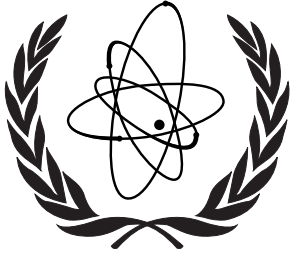
## THE AGENCIES IN CHRONOLOGICAL ORDER—WITH EFFECTIVE DATES OF ESTABLISHMENT

- Universal Postal Union 1 July 1875
- International Labor Organization 11 April 1919
- International Telecommunication Union 1 January 1934
- Food and Agriculture Organization of the United Nations 16 October 1945
- World Bank (originally International Bank for Reconstruction and Development) 27 December 1945
- International Monetary Fund 27 December 1945
- United Nations Educational, Scientific and Cultural Organization 4 November 1946
- International Civil Aviation Organization 4 April 1947
- World Health Organization 7 April 1948
- World Meteorological Organization 23 March 1950
- International Atomic Energy Agency 29 July 1957
- International Maritime Organization 17 March 1958
- World Intellectual Property Organization 26 April 1970
- International Fund for Agricultural Development 30 November 1977
- United Nations Industrial Development Organization 1 January 1986
- World Trade Organization (formerly General Agreement on Tariffs and Trade) 1 January 1995

The arrangement of articles on the United Nations related agencies follows the order of the chart on the Structure of the United Nations System shown in the first chapter. Each article is structured in the following sections: Background, Creation, Purposes, Membership, Structure, Budget, Activities, Bibliography.

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# THE INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)



**BACKGROUND:** The UN came into existence at the beginning of the atomic age. Human beings' success in harnessing atomic energy has made the UN's objectives not only important but even indispensable. The primary purpose of the UN is to prevent war. A major war involving the use of atomic weapons would be not simply catastrophic but very probably suicidal. The second objective of the UN is to promote the economic and social welfare of peoples throughout the world. Atomic energy promises to contribute greatly to worldwide prosperity. Although "atoms for peace" has been a continuing concern of the UN itself, and although a number of organizations of the UN family, such as FAO and WHO, have been concerned with specific aspects of peaceful uses of atomic energy, it was not until 1957 that a special organization, the International Atomic Energy Agency, came into being for the express purpose of accelerating and enlarging the contribution of atomic energy to peace, health, and prosperity throughout the world.

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## CREATION

Addressing the UN General Assembly in December 1953, US president Dwight D. Eisenhower called for the establishment of an international atomic energy organization to "serve the peaceful pursuits of mankind." The president said that he hoped the atomic powers, through such an organization, would dedicate "some of their strength to serve the needs rather than the fears of mankind."

President Eisenhower stated that the USSR "must, of course, be one" of the countries principally involved in the proposed organization. Accordingly, as a first step, the US State Department in the spring and summer of 1954 submitted a series of memoranda to the USSR suggesting the principles that should be incorporated in the statute of such an agency. It was, however, impossible for the two powers to reach agreement at that time. The USSR maintained that the issues of disarmament and peaceful uses of atomic energy were inseparable and that agreement on a general prohibition of nuclear weapons would have to precede the creation of the agency. The United States countered with the argument that effective international control of nuclear weapons would have to precede their prohibition, and it announced that it was prepared to go ahead with international negotiations even without the participation of the USSR.

In the summer of 1954, the United States issued invitations to seven other countries, including both "atomic powers" and important uranium-producing states—Australia, Belgium, Canada, France, Portugal, South Africa, and the United Kingdom—to meet with it in Washington, D.C., to prepare a draft statute for the proposed agency. In September, the USSR reversed its previous position. It announced its willingness to separate the issues of disarmament and peaceful uses of atomic energy and to accept the eight-power draft statute as a basis for further negotiations and guidance.

In December 1954, the General Assembly unanimously adopted an "Atoms for Peace" resolution expressing the hope that the International Atomic Energy Agency would be established "without delay" in order to assist "in lifting the burdens of hunger, poverty and disease." An international conference on the statute was convened at UN headquarters in New York on 20 September 1956, with the participation of 81 nations, including some, such as the Federal Republic of Germany, that were not yet members of the UN itself. After adopting a number of amendments, proposed for the most part by the atomic "have-not" powers, the conference unanimously adopted the statute as a whole on 26 October 1956.

On 29 July 1957, the statute came into force after 26 states had deposited instruments of ratification, and the International Atomic Energy Agency officially came into existence. The first General Conference of the IAEA was held in Vienna in October 1957, at which time it was decided to make Vienna the permanent headquarters site of the agency. The address of the IAEA is Wagramer Strasse 5, P.O. Box 100, A-1400 Vienna, Austria.

Additionally, the IAEA maintains field and liaison offices in Canada, Geneva, New York, and Tokyo; operates laboratories in Austria and Monaco; and supports a research center in Trieste, Italy, which is administered by the United Nations Educational and Scientific Organization (UNESCO).

The IAEA and its Director General Mohamed El Baradei were jointly awarded the 2005 Nobel Peace Prize for "their efforts to prevent nuclear energy from being used for military purposes and to ensure that nuclear energy for peaceful purposes is used in the safest possible way."

## PURPOSES

According to the statute of the IAEA, the agency "shall seek to accelerate and enlarge the contribution of atomic energy to peace, health and prosperity throughout the world. It shall ensure, so far as it is able, that assistance provided by it or at its request or under

its supervision and control is not used in such a way as to further any military purpose.”

The IAEA acts as a clearinghouse for the pooling and coordination of experience and research in the peaceful uses of nuclear power. It helps its member countries acquire the necessary skills and materials to share in the benefits of the atomic age. In practice, the IAEA has been particularly concerned with bringing the advantages of atomic energy to underdeveloped regions.

The IAEA is obliged under its statute to “ensure, so far as it is able,” that all the activities in which it takes part are directed exclusively to civilian uses. A second important task of the IAEA, then, is to establish a system of supervision and control to make certain that none of the assistance programs that it fosters and none of the materials whose distribution it supervises are used for military purposes. This aspect of the work assumed significance far beyond its primary objective when the Treaty on the Non-Proliferation of Nuclear Weapons came into force in March 1970, since the IAEA is the body responsible for the necessary control system under that treaty.

## MEMBERSHIP

Any member of the UN or of any of the specialized agencies that signed the statute within 90 days after 26 October 1956 thereby became a charter member of the IAEA upon ratification of the statute. Other countries, even if not members of the UN or any of the specialized agencies, may be admitted by the General Conference of the IAEA upon recommendation of the Board of Governors.

As of November 2005, the IAEA had 139 members.

## STRUCTURE

The three organs of the IAEA are the General Conference, the Board of Governors, and the secretariat, headed by a Director-General.

### General Conference

The General Conference consists of all members, each having one vote. It meets once a year at IAEA headquarters in Vienna. Special sessions may be convened by the director-general at the request of the Board of Governors or a majority of the IAEA members. The General Conference elects 22 of the 35 members of the Board of Governors for a period of two years. It considers the board’s annual report and approves reports for submission to the UN and agreements with the UN and other organizations. It approves the budget recommended by the board and the appointment of the director-general. The General Conference may discuss any matter concerning the IAEA and may make recommendations to the Board of Governors or to any of the member states.

### Board of Governors

The 35-member Board of Governors is the body actually vested with “the authority to carry out the functions of the Agency in accordance with (the) Statute.” The board generally meets five times each year. It is composed as follows: the outgoing Board of Governors designates for membership on the board the 13 members most advanced in the technology of atomic energy and the production of source materials and the member most advanced in the technology of atomic energy and the production of source materials in two of the following areas in which none of the aforesaid 13 is located—North America, Latin America, Western Europe,

Eastern Europe, Africa, the Middle East and South Asia, Southeast Asia and the Pacific, and the Far East.

The General Conference also elects to membership of the Board of Governors the following: (1) 20 members, with due regard to geographical representation, so that the board at all times will include in this category 5 representatives of Latin America, 4 representatives of Western Europe, 3 representatives of Eastern Europe, 4 representatives of Africa, 2 representatives of the Middle East and South Asia, 1 representative of Southeast Asia and the Pacific, and 1 representative of the Far East; (2) in addition, 1 further member from among the members of the following areas: the Middle East and South Asia, Southeast Asia and the Pacific, and the Far East; (3) and 1 further member from among the members in the following areas: Africa, the Middle East and South Asia, and Southeast Asia and the Pacific.

Member States represented on the Board of Governors for 2005-2006 were: Algeria, Argentina, Australia, Brazil, Belarus, Belgium, Canada, China, Colombia, Cuba, Ecuador, Egypt, France, Germany, Ghana, Greece, India, Indonesia, Japan, Republic of Korea, Libya, Norway, Portugal, Russian Federation, Singapore, Slovakia, Slovenia, South Africa, Sri Lanka, Sweden, Syria, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela, and Yemen.

### Director-General and Secretariat

The staff of the IAEA is headed by a director-general, appointed by the Board of Governors with the approval of the General Conference for a term of four years. The statute describes the director-general as “the chief administrative officer of the Agency,” but it closely limits his independent powers by providing that he “shall be under the authority and subject to the control of the Board of Governors.” The director-general is responsible for “the appointment, organization, and functioning of the staff.”

The first director-general, who held the post from 1957 to 1961, was Sterling Cole of the United States, a former congressman. Dr. Sigvard Eklund, a Swedish physicist and administrator, served as director-general from 1961 to 1981. He was succeeded by Dr. Hans Blix of Sweden, a former foreign minister, who was reappointed in 1993 for a fourth four-year term. On 1 December 1997, Blix was succeeded by Dr. Mohamed El-Baradei (of Egypt) as Director General. El-Baradei has been a senior member of the Secretariat since 1984. He heads a staff of about 2,200 from some 95 countries.

### Position in the UN System

The IAEA is an autonomous international organization occupying its own position in the UN family of organizations. Under the relationship agreement between the UN and the IAEA, the IAEA is recognized as being “responsible for international activities concerned with the peaceful uses of atomic energy.” One of the statutory objectives of the IAEA is to ensure that none of the assistance it gives to member states is “used in such a way as to further any military purpose,” and the IAEA has a staff of inspectors to report violations of this rule. In case of noncompliance, the agency’s Board of Governors reports to the Security Council and the General Assembly of the UN.

IAEA has established strong cooperation arrangements with many of the key UN development agencies in order to advance the contribution of nuclear science and technology in the fields

of agriculture, human health, industry, environmental protection, and other sectors. Principal partners in are the Food and Agriculture Organization (FAO), the United Nations Development Programme (UNDP), the World Health Organization (WHO), the United Nations Environment Programme (UNEP), the World Meteorological Organization (WMO), the International Fund for Agricultural Development (IFAD), the United Nations Educational, Scientific and Cultural Organization (UNESCO), and the United Nations Industrial Development Organization (UNIDO). The agency also develops cooperative arrangements with multilateral development banks, bilateral donors, and non-governmental organizations and institutes such as the Inter-American Nuclear Energy Commission, the Agency for the Prohibition of Nuclear Weapons in Latin America, the League of Arab States, the African Union, the Nuclear Energy Agency of the OECD, and the European Atomic Energy Community. Finally, the IAEA maintains contact with a number of nongovernmental organizations having consultative status with it.

## BUDGET

The IAEA is financed by regular and voluntary contributions from member states. For 2006, the IAEA General Conference approved a regular budget of €273.6 million (on the basis of an exchange rate of us\$1.00 to €1.00). The target for voluntary contributions to finance the IAEA program of technical cooperation was about us\$77.5 million for 2006.

## ACTIVITIES

### A. Assistance to Member States

The initial program of the IAEA, unanimously adopted by the 1957 General Conference, emphasized activities that could be undertaken while the IAEA's experience and resources were still relatively limited. High priority was given "to those activities which will give the maximum possible benefit from the peaceful applications of atomic energy in improving the conditions and raising the standard of living of the peoples in the underdeveloped areas."

In the light of these considerations, two of the IAEA's major objectives are to help member states prepare for the eventual use of nuclear power and to encourage them in the wider use of radioisotopes. Although it cannot undertake actual programs of development for its members, it can assist them in initiating and carrying out such programs. By the 1990s IAEA was active in assisting its developing members in an impressive number of fields:

#### *Basic human needs*

- water resources development
- agriculture (mutation breeding, fertilizer and soil nutrition, pest control, use of agrochemicals)
- livestock (reproduction, health, nutrition)
- health care (radiation therapy, nuclear medicine and diagnostics)

#### *Industrial applications*

- nondestructive testing
- hydrology (silt movements, geothermal studies)

- radiation processing (surface coating, radiation sterilization, food preservation, sterilization of medical products)
- isotopic tracers for industry
- nuclear gauging for industry (paper, steel, food processing, mining industries)
- radioisotope and radiopharmaceutical production
- research reactor design and use

#### *Electricity generation*

- geology, mining and processing of nuclear raw materials
- fuel element fabrication
- metallurgy and materials testing
- power reactor design
- reactor electronics instrumentation and control
- reactor engineering and quality assurance
- electricity system planning

#### *Support activities*

- nuclear centers and laboratories
- nuclear safety (regulation, safety standards, radiation protection, waste management, safety assessment)
- physics (atomic, nuclear, high-energy and solid-state physics)
- chemistry (nuclear, radio, radiation, and nuclear analytical chemistry)

### **Technical Cooperation**

The IAEA has been providing technical assistance to developing member countries since 1959, in the form of expert services, equipment, and training, with the objective of facilitating technology transfer in various fields related to nuclear energy. The major fields in which assistance is provided are nuclear safety, the application of isotopes and radiation in agriculture, and nuclear engineering and technology. Other important areas for assistance are general atomic energy development, nuclear physics and chemistry, prospecting for and mining and processing of nuclear materials, and the application of isotopes and radiation in industry and hydrology, in medicine, and in biology.

Financial support for the IAEA's technical cooperation programs comes mainly from its own voluntary technical assistance and cooperation fund; other sources are extrabudgetary donations and contributions in kind from member states and UNDP. In 2006, technical allocations increased to us\$78.5 million from us\$59.1 million in 2000.

### **Provision of Materials**

Under the IAEA statute, any member desiring to set up an atomic energy project for peaceful purposes "may request the assistance of the Agency in securing special fissionable and other materials." The IAEA acts, on request, as an intermediary in arranging the supply of reactor fuel and specialized equipment from one member state to another. Argentina, the Democratic Republic of the Congo, Finland, Japan, Mexico, Norway, Pakistan, and Uruguay, among other countries, have been beneficiaries of such arrangements. Small quantities of special fissionable materials have also been supplied to a number of countries for research purposes.

### **Training of Technical Personnel**

The IAEA's training program has retained its importance, not only because the need for trained staff is pressing but also because less

elaborate preparations are required for assistance of this kind than for technical assistance operations involving the provision of expert services and demonstration equipment.

To meet the shortage of scientific and technical workers, the IAEA has initiated a fivefold program:

1. *Fellowships.* Fellowships are awarded in all subjects involving the peaceful uses of atomic energy, such as nuclear physics; the production, handling, and application of isotopes in agriculture, industry, medicine, biology, and hydrology; nuclear chemistry; the planning, construction, and operation of research and power reactors; health physics; and radiological protection.
2. *Assignment of experts and consultants.* The program provides for scientists and engineers to give advice and in-service training to developing countries on various subjects.
3. *Survey of available facilities in member states.* The IAEA collects detailed information from its member states about their training and research programs, training facilities, and the experts that they are prepared to make available to the IAEA. It is thus in a position to act as an international clearinghouse for training in atomic energy and to promote technical cooperation among developing countries.
4. *Training courses.* Regional and interregional courses have been organized on such subjects as the application of isotopes and radiation in medicine, nuclear instrumentation for laboratory technicians, the use and maintenance of nuclear and related electronic equipment, radiological and safety protection, physics, the utilization of research reactors, nuclear-power projects and other high-technology subjects, the preparation and control of radiopharmaceuticals, and uranium prospecting and ore analysis.
5. *Expanded training programs.* A number of developing countries, faced with the need to introduce nuclear power, require special assistance in the training of their key staff; the agency has therefore initiated an expanded training program on nuclear-power project planning, implementation, and operation. Special training courses contribute to the development of efficient legal and organizational infrastructures for nuclear-power programs, including instruction in quality assurance and safety aspects. In addition, on-the-job training is arranged on subjects for which no formal courses are available.

### B. Exchange of Information

While its assistance programs are directed primarily to the needs of economically developing areas, the IAEA's program of conferences and exchange of information is designed to benefit all of its members—even the most technically advanced.

The International Nuclear Information System (INIS), set up by the agency in 1970, provides worldwide coverage of the literature dealing with all aspects of peaceful uses of atomic energy and is the first fully decentralized computer-based information system. Countries and organizations participating in the INIS collect and process all the relevant literature within their geographic areas and send it to the IAEA. In Vienna, the information is checked, merged, and further processed, and the resulting output is distributed to individuals and organizations around the world. The

major products of the system are the magnetic tape service, the *INIS Atomindex*, and the direct availability of the INIS data base on-line from the IAEA computer in Vienna. The magnetic tapes and the on-line service, available to member states and participating organizations only, contain bibliographic descriptions, subject indexing, and abstracts and are utilized for current selective dissemination of information and retrospective searching. The *INIS Atomindex*, an international nuclear abstract journal, is published twice a month and is available to the public on a subscription basis. An additional service is the provision on microfiche of texts of all nonconventional literature submitted to the system. In 2006, INIS membership included over 100 countries and some 20 international organizations; it reported on over 2.5 million documents. Beginning in 1992 the INIS data base was made available to INIS member states on CD-ROM disks.

The IAEA also cooperates with FAO in the provision of a similar information system for agriculture, known as *AGRIS*.

A second important information service of the IAEA concerns nuclear data—numerical and associated information on neutron cross-sections, related fission, capture, and scattering parameters of neutron-induced reactions, as well as other nuclear physical constants. The IAEA maintains an efficient system for collection of these data and, together with three other regional centers, in France, the Russian Federation, and the United States, issues *CINDA*, an index to the literature on microscopic neutron data. It also compiles *WRENDA*, the world request list for nuclear-data measurements needed both for the development of fission and fusion reactors and for nuclear-material safeguards.

The IAEA plays a leading role in promoting the dissemination of scientific and technical information by organizing each year 15 to 20 conferences, symposia, and seminars and a large number of smaller technical meetings. The IAEA has organized major international meetings dealing with specific aspects of the peaceful uses of nuclear energy. For example, some important 2000 meetings included: International Conference on the Safety of Radioactive Waste Management (Córdoba, Spain); International Symposium on the Uranium Production Cycle and the Environment, (Vienna); 18th IAEA Fusion Energy Conference (Sorrento, Italy); International Symposium on Nuclear Techniques in Integrated Plant Nutrient, Water, and Soil Management (Vienna); International Symposium on Radiation Technology in Emerging Industrial Applications (Beijing); International Conference of National Regulatory Authorities with Competence in the Safety of Radiation Sources and the Security of Radioactive Materials (Buenos Aires); Seminar on Nuclear Science and Technology for Diplomats (Vienna); Seminar on Nuclear Law; and Latin America International Seminar on Implementation of Systems to Prevent and Detect Unauthorized Uses of Nuclear and Radioactive Materials (Vienna).

### C. Research

The International Center for Theoretical Physics, in Trieste, set up by the IAEA in 1964, brings together specialists from developing and developed countries to carry out research and to enable scientists from developing countries to keep abreast of progress without having to leave their own countries permanently or for long periods. Fellowships are awarded to candidates from developing countries for training and research, and an international fo-



rum is provided for personal contacts. Associate memberships are awarded by election to enable distinguished physicists to spend one to three months every year at the center. Senior and junior positions are offered by invitation, and a federation scheme is designed to forge a partnership with institutions in developing countries. Assistance has been given by Italy and by the university and city of Trieste. Further aid has come from the Ford Foundation and from UNESCO, which in 1970 undertook joint management of the center.

The IAEA has three laboratories: a small one at its headquarters in Vienna, the main laboratory at Seibersdorf (20 miles from Vienna), and one at Monaco for research on the effects of radioactivity in the sea. The laboratories undertake work in agriculture, hydrology, medicine, physics, chemistry, low-level radioactivity, and environment.

A research contract program has been established with various institutions in member states. The subjects include nuclear power and reactors; physics and chemistry; radioisotope and radiation applications in agriculture, food technology, industry, and medicine; water resources development; protection of humans against ionizing radiation; radiation biology; medical and biological radiation dosimetry; health physics and radiation protection; environmental contamination; and waste treatment and disposal.

To keep abreast of scientific developments, members of the IAEA's scientific staff visit institutions in member states and conduct various studies. The IAEA has made a survey of research trends in the sterilization of food and drugs by ionizing radiation, a problem of considerable interest to both developed and developing countries.

#### D. Nuclear Power

Nuclear power is already an important source of electrical generation, particularly in industrialized countries, and technically and economically ripe for an even larger application worldwide. As of April 2006, there were 443 nuclear power plants in operation worldwide and 27 additional plants under construction.

In response to the interest of developing countries in nuclear power, the IAEA has played an increasing role in objective nuclear-power planning studies for individual member states. Energy planning methodologies have been developed and made available. The IAEA has cooperated with interested member states in applying these methodologies to specific country cases and in assessing the economic role of nuclear power in meeting increasing requirements for electricity. IAEA efforts to help strengthen infrastructures for the planning, implementation, and operation of nuclear-power projects take the form of inter-regional and national training courses; technical assistance projects, often in cooperation with the World Bank; advisory missions to interested countries; and the publication of guidebooks.

The IAEA started to collect operating experience data from nuclear-power plants in the late 1960s and has now established a Power Reactor Information System (PRIS), which monitors the performance of the nuclear-power plants in operation in the world. In addition to performance indices and data on energy production, the system contains information about full and partial plant outages affecting plant operation and about power-reactor operating experience in the world. Periodic publications by the IAEA make this information available to planners and operators in member

states. In 1995, a new version, called PRIS-PC, was made available online for direct access through the public telephone network. Internet access became available at the end of 1996.

As an increasing number of countries are interested in the use of nuclear plants for heat-only production and cogeneration (for example, desalination combined with electricity generation), the IAEA periodically reviews progress in this area. In addition, scientific meetings on nuclear power are organized to discuss such matters as economic competitiveness of nuclear power, integration of nuclear-power plants in electric grids, operating experience, introduction of small and medium power reactors, development of fast-breeder and high-temperature reactors, and fusion technology.

In 2000, in response to the IAEA member states' requests under two resolutions at that year's General Conference, the IAEA initiated "International Projects on Innovative Nuclear Reactors and Fuel Cycles (INPRO)." The project complements the U.S. Department of Energy's (DOE) Generation IV International Forum (GIF), in its focus on future nuclear technologies. The activities of INPRO focus on developing long-term user requirements for future nuclear technologies from the point of view of safety, non-proliferation, environment, nuclear wastes, and economic competitiveness. The IAEA held an International Conference on Innovative Nuclear Technologies in 2003. Some of the symposia and conferences held by the IAEA in 2006 were: on effective nuclear regulatory systems; on management of spent fuel from nuclear power reactors; on verification challenges; on quality assurance and new techniques in radiation medicine; and on the decommissioning of nuclear facilities.

#### E. Nuclear Safety

Although each state is responsible for nuclear safety with regard to nuclear activities within its own territory, nuclear safety is a field in which international cooperation can be very helpful, particularly in developing safety standards and providing assistance. The IAEA's activities in the field of nuclear safety include plant siting and design, the transport of radioactive waste, emergency planning and preparedness, and decommissioning. The IAEA also began work on an historic Nuclear Safety Convention in 1991, the text of which was finalized at a major international conference held in Vienna in June 1994. (See Nuclear Law below.)

The IAEA maintains a 24-hour Emergency Response System (ERS) staffed by 30 emergency duty officers. In 1992 the system underwent its second comprehensive exercise to test procedures developed in support of the conventions on early nuclear accidents signed as a result of the 1986 Chernobyl incident (see below). In addition to periodic comprehensive tests, the communication systems used for notifications and requests for assistance are tested at least once a day.

Regulations for the safe transport of nuclear material were developed by the IAEA in 1961. These were followed by Basic Safety Standards for Radiation Protection, which have been extensively revised in accordance with the new system of dose limitation recommended by the International Commission on Radiological Protection. The revised safety standards, carried out jointly with the ILO, WHO, and the Nuclear Energy Agency of the OECD, mark an important milestone in establishing international stan-

dards for radiation protection. In 1992 IAEA published the first in a series of radioactive waste management research abstracts.

The IAEA's Nuclear Safety Standards program provides member states with internationally acceptable safety codes and guides on the many aspects of safety associated with nuclear-power plants. The program, which deals with protection against the harmful effects of ionizing radiations, is based on experience in safety practices gained by countries advanced in nuclear technology. Two types of safety documents—codes of practice and safety guides—are being developed in the areas of government organization, siting, design, operation, and quality assurance of nuclear-power plants. For each area there is a code of practice and a number of related safety guides. The codes outline basic objectives and minimum requirements that must be fulfilled to provide an adequate safety level. The safety guides recommend procedures and acceptable technical solutions to implement the requirements and achieve the objectives of the codes.

In recognition of the increasing emphasis on operational safety, the IAEA initiated the Operational Safety Review Team (OSART) program in 1983 to assist regulatory authorities in the review of operating nuclear-power plants. The program provides an opportunity for member states to benefit from outside expertise and experience. An Operational Safety Review Team is composed of about 10 experts, including IAEA staff, to cover subject areas common to all reactor types, and consultants to cover those areas that are reactor-specific. Experts from developing countries have frequently been included. The reviews, which take up to three weeks, help provide an international frame of reference for regulatory and operating personnel and also provide the IAEA with valuable insights in regard to updating its regular and technical assistance programs.

Additional highlights of IAEA safety activities are: work on the management of severe accidents and on emergency response; the man-machine interface; probabilistic safety assessment; and advanced safety technology. There is also a nuclear incident reporting system and an International Nuclear Event Scale Information Service (INES). There is also a program called the Assessment of Safety Significant Events Teams (ASSET), which complements OSART. ASSET missions assess, upon invitation, safety significant events involving nuclear power plants. In recent years, there has been a greater emphasis on evaluation and assistance to improve the safe operation of Eastern European nuclear reactors.

As the number of reactor years of operation increases, the feedback of experience is becoming a valuable means of enhancing safety and reliability. Systematic reporting and evaluation of safety-related events can make it possible to identify necessary plant modifications and develop improved plant procedures. To facilitate the exchange of experience, both the Nuclear Energy Agency of the OECD and the IAEA have established incident reporting systems to collect and examine details of events submitted by national organizations. National coordinators screen accounts of all events, passing on to the OECD and the IAEA the most important data.

#### **Response of the IAEA to the Chernobyl Accident**

In response to the accident that occurred in the fourth unit of the Chernobyl nuclear-power station in the USSR on 26 April 1986, resulting in loss of life, injuries, and considerable radioactive re-

leases, the IAEA's Board of Governors met to elaborate proposals for expanded international cooperation in nuclear safety and radiological protection. Through a group of experts who convened in July–August 1986, it prepared drafts of two international conventions on nuclear accidents; at a post-accident review meeting convened by the IAEA in late August, about 600 experts from 62 countries and 21 international organizations discussed a comprehensive report presented by the USSR delegation. In September 1986, a special session of the IAEA's General Conference, attended by delegates from 94 countries and 27 national and international organizations, adopted the two draft conventions: the Convention on Early Notification of a Nuclear Accident and the Convention on Assistance in the Case of a Nuclear Accident or Radiological Emergency. The two conventions were immediately signed by more than 50 countries. By 17 January 2006, the Early Notification Convention had 98 parties. The Accident Assistance Convention had 96 parties as of 27 January 2006. In 1989, the IAEA and many other sister organizations embarked on the International Chernobyl Project, to assess the measures taken to enable people to live safely in areas affected by radioactive contamination. It involved more than 200 experts from 23 countries and marked the beginning of ongoing cooperation between intergovernmental organizations regarding nuclear safety.

In March 1994, an international expert safety assessment team examined the safety situation at Chernobyl, at the invitation of the Ukrainian government. It concluded that there were numerous safety deficiencies in the two units of the plant that remain operational, noting that the shelter enclosing the destroyed reactor was experiencing deterioration. The IAEA recommended that the government of Ukraine hold a meeting on the situation at the Chernobyl reactor. At that meeting, the Ukrainian government pleaded severe economic hardship and an impending shortage of energy as a reason to delay closing the damaged plant. It asserted that, with international financial assistance, safety conditions at the plant could be improved. The government also asserted that the output of the Chernobyl station was a least-cost alternative for energy supply in the immediate future. In 1994, five new nuclear plants were planned or under construction; as of 2000, two had received sufficient funding to be completed, by 2004 and 2006; construction on the other three had been suspended indefinitely. In 2000, representatives of the European Bank for Reconstruction and Development (EBRD) concluded that significant safety improvements had been achieved in the fourteen nuclear power plants in Ukraine since 1994.

In March 2001, the Ukrainian government selected a design for a new shelter to be built around the Chernobyl "sarcophagus." The EBRD agreed to the design, which would allow for the work to begin.

#### **F. Radioactive Waste Management**

Safe management of radioactive wastes produced in all the stages of the nuclear fuel cycle is essential for the growth of nuclear power. The IAEA has been active since its establishment in all aspects of this field, including the publication of *Safety Series* and *Technical Reports*, which give guidelines and recommendations; the holding of seminars, symposia, and conferences; and the arranging of study tours for the benefit of member states. Major areas currently being studied by the IAEA are underground dispos-

**Members of the IAEA (as of November 2005)**

Afghanistan	Dominican Republic	Kyrgyzstan	Romania
Albania	Ecuador	Lebanon	Russian Federation
Algeria	Egypt	Liberia	Saudi Arabia
Angola	El Salvador	Libyan Arab Jamahiriya	Senegal
Argentina	Eritrea	Liechtenstein	Seychelles
Armenia	Estonia	Lithuania	Sierra Leone
Australia	Ethiopia	Luxembourg	Singapore
Austria	Finland	Madagascar	Slovakia
Azerbaijan	France	Malaysia	Slovenia
Bangladesh	Gabon	Mali	South Africa
Belarus	Georgia	Malta	Spain
Belgium	Germany	Marshall Islands	Sri Lanka
Benin	Ghana	Mauritania	Sudan
Bolivia	Greece	Mauritius	Sweden
Bosnia and Herzegovina	Guatemala	Mexico	Switzerland
Botswana	Haiti	Moldova, Republic of	Syrian Arab Republic
Brazil	Holy See (Vatican)	Monaco	Tajikistan
Bulgaria	Honduras	Mongolia	Thailand
Burkina Faso	Hungary	Morocco	The Former Yugoslav Republic of Macedonia
Cambodia	Iceland	Myanmar	Togo
Cameroon	India	Namibia	Tunisia
Canada	Indonesia	Netherlands	Turkey
Central African Republic	Iran	New Zealand	Uganda
Chad	Iraq	Nicaragua	Ukraine
Chile	Ireland	Niger	United Arab Emirates
China	Israel	Nigeria	United Kingdom
Colombia	Italy	Norway	United Republic of Tanzania
Congo, Democratic Republic of the	Jamaica	Pakistan	United States
Costa Rica	Japan	Panama	Uruguay
Côte d'Ivoire	Jordan	Paraguay	Uzbekistan
Croatia	Kazakhstan	Peru	Venezuela
Cuba	Kenya	Philippines	Vietnam
Cyprus	Korea, Republic of	Poland	
Czech Republic	Kuwait	Portugal	
Denmark	Latvia	Qatar	

al, waste handling and treatment, and environmental aspects of waste disposal.

Safety standards and codes of practice have been prepared on the management of wastes produced by users of radioactive materials; the management of wastes from the mining and milling of uranium and thorium ores; the disposal of wastes in shallow ground, rock cavities, and deep geological formations; and criteria for underground disposal of wastes.

### G. Nuclear Law

From its inception, the IAEA has been faced with the need for international coordination and harmonization of the principles governing third-party liability in the event of nuclear damage. The absence of special legislation might leave injured victims without redress. Great difficulties might arise if different nations were to incorporate different principles and procedures in their legislation concerning third-party liability.

Some steps toward worldwide harmonization of compensation for damage arising from nuclear operations were taken through the adoption of two international conventions: the Brussels Convention on the Liability of Operators of Nuclear Ships (1962) and the Vienna Convention on Civil Liability for Nuclear Damage (1963). These two conventions set the minimum standards concerning the liability of the operator of a nuclear installation or a

nuclear ship in the event of accidents occurring during the international transport of nuclear materials.

Another convention was adopted in 1971: the Convention on Civil Liability in the Field of Maritime Carriage of Nuclear Matter, which came into force on 15 July 1975. This convention exonerates shipowners from liability under international maritime law in the case of nuclear damage falling within the purview of the Paris Convention on Third Party Liability in the Field of Nuclear Energy (1960), which came into force in 1968, or the Vienna Convention on Civil Liability for Nuclear Damage (1963), which came into force in 1977, whenever the carriage of nuclear material is involved; it thus eliminates what was previously a serious impediment to sea transport of such material. A joint protocol relating to the application of the Vienna Convention and the Paris Conventions entered into force on 27 April 1992.

The Convention on the Physical Protection of Nuclear Material was adopted on 26 October 1979 at a meeting of governmental representatives held at IAEA headquarters. The convention, which came into force on 9 February 1987, is designed to ensure that the prescribed levels of physical protection are applied to potentially hazardous nuclear materials during international transport.

As already noted, two conventions on nuclear accidents were adopted at a special session of the IAEA's General Conference in September 1986, in the aftermath of the Chernobyl accident in April of that year: the Convention on Early Notification of a Nuclear Accident, which came into force on 27 October 1986; and

the Convention on Assistance in the Case of a Nuclear Accident or Radiological Emergency, which came into force on 27 February 1987.

In 1991, in recognition of the interdependence of nations in the nuclear fuel cycle, the General Conference supported the idea of an international nuclear safety convention. A draft convention elaborated by legal and technical experts from more than 50 countries was submitted to the General Conference at that time. In June 1994, delegations from 83 member states and four international organizations met in Vienna to consider and adopt the final text of the International Nuclear Safety Convention. The main features of the convention are the establishment of a reporting system on the implementation by contracting states of the obligations of the convention; the assurance of a proper legislative and regulatory framework to govern the safety of nuclear installations; general safety considerations to reinforce the priority of safety; sufficient financial and human resources; quality assurance; radiation protection, and emergency preparedness. The Nuclear Safety Convention came into force on 24 October 1996. The first review meeting was held in April 1999 in Vienna; it was attended by 45 of the 50 states that had by then ratified the convention.

In conjunction with the increasing number of states embarking on nuclear programs, there has also been a growing awareness of the necessity for establishing both a proper legislative framework and specialized regulations for the licensing and control of nuclear installations. The IAEA has provided advisory services to several developing countries in the framing of statutory and regulatory provisions in such areas as the establishment of competent bodies on atomic energy; radiation and environmental protection; transport of radioactive materials; licensing of nuclear installations; nuclear liability; and nuclear merchant ships.

## H. Safeguards

The basic science and technology of nuclear energy are the same for both peaceful and military purposes. Therefore, the IAEA statute requires the agency “to establish and administer safeguards” to ensure that materials, services, equipment, facilities, and information that the IAEA makes available are not used “in such a way as to further any military purpose.” Such safeguards may also be applied, “at the request of the parties, to any bilateral or multilateral arrangement, or, at the request of a state, to any of that state’s activities in the field of atomic energy.”

Under the IAEA safeguards system, which was first developed by the Board of Governors on the basis of these statutory provisions in 1961 and has been continuously revised to cover all major aspects of the fuel cycle, the IAEA exercises its control either over assistance provided directly by it or under its auspices, or over items placed voluntarily under IAEA safeguards by any state or group of states—for instance, over reactors, their fuel, and fuel-reprocessing plants.

A major development greatly affecting the significance of the IAEA’s work was the coming into force in 1970 of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), under which states without nuclear weapons and party thereto agreed to accept IAEA safeguards on all their peaceful nuclear activities.

The objective of safeguards applied under agreements concluded in connection with the NPT is the timely detection of diversion of significant quantities of nuclear material from peaceful nuclear

activities for the manufacture of nuclear weapons or other nuclear explosive devices or for purposes unknown, and the deterrence of such diversion by the risk of early detection. This objective is achieved by the independent verification of the findings of the national system of accountancy and control of nuclear materials, which a state without nuclear weapons must establish and maintain under the agreement. IAEA verification is accomplished by material accountancy, containment, and surveillance, including inspections, whose number, intensity, and duration must be kept to the minimum consistent with the effective implementation of safeguards.

The NPT was made permanent in 1995. As of 1 May 2006, it had 188 state parties (including the withdrawal of the Democratic People’s Republic of Korea in 2003). With several complementary regional treaties (including the Treaty for the Prohibition of Nuclear Weapons in Latin America, also called the Treaty of Tlatelolco; and the South Pacific Nuclear Free Zone, or Rarotonga Treaty), the NPT provides the foundations of legally binding non-proliferation commitments by countries around the world.

The (1991) discovery of a clandestine nuclear weapons development program in Iraq after the Gulf War, however, demonstrated the limitations of the IAEA safeguards system to detect possible undeclared nuclear activities. This discovery—along with the emergence of new countries with new security perceptions at the end of the Cold War, and the 1996 report that the Democratic People’s Republic of Korea was not in compliance with its obligations under the NPT safeguards agreement—was viewed as a call to action by IAEA member states. By mid-1997 a strengthened safeguards system was put in place to provide the international community with early warning about the possible diversion or clandestine production of nuclear materials that could be used for weapons purposes. At that time, the IAEA stated that the strength of the safeguards system depended on three interrelated elements: the extent to which the IAEA is aware of the nature and locations of nuclear and nuclear-related activities; the extent to which IAEA inspectors have physical access to relevant locations for the purpose of providing independent verification of the exclusively peaceful intent of a state’s nuclear program; and the will of the international community, through IAEA access to the United Nations Security Council, to take action against States that are not complying with their non-proliferation commitments.

The IAEA also applies safeguards to some of the peaceful nuclear activities in five nuclear-weapon states—China, France, the Russian Federation, the United Kingdom, and the United States—under voluntary offer agreements. India and Pakistan, both nuclear-weapon states as of 1998, are not parties to the Nuclear Nonproliferation Treaty and have not accepted “comprehensive” IAEA safeguards. Nor has Israel, with a well-developed nuclear program and the technological capability to build nuclear explosive devices.

In the aftermath of the 11 September 2001 terrorist attacks on the U.S., the IAEA Board of Governors approved a plan designed to upgrade world-wide protection against acts of terrorism involving nuclear and other radioactive materials, including those that could be used to make “dirty bombs.” The Board acknowledged that strong physical protection of nuclear facilities and materials is needed.

In October 2002, the Democratic People's Republic of Korea (DPRK) announced that it had underway an uranium-enrichment program, in violation of its 1994 "Agreed Framework" with the U.S. In January 2003, North Korea gave notice of its withdrawal from the NPT, which became effective that April. North Korea thus became the first state ever to withdraw from the treaty. In February 2005, the DPRK announced it possessed nuclear weapons, and pulled out of six-party talks with the Republic of Korea, China, Russia, the United States, and Japan. However, later that

year it indicated it would agree to a preliminary accord by which it would renounce its weapons program, with conditions.

In 2006, Iran, a party to the NPT, announced it had resumed activity of a uranium enrichment program, ostensibly for civilian purposes. The United States and the European Union accused Iran of reactivating this program to covertly develop a nuclear weapons program, in violation of the NPT. In February 2006, the Board of Governors of the IAEA voted to report Iran to the UN Security Council.

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# THE INTERNATIONAL LABOUR ORGANIZATION (ILO)



**BACKGROUND:** The ILO is the only major organization originally part of the League of Nations system that has existed from the founding of the League in 1919 down to the present day. Its name is actually too narrow, for it is an organization neither of nor for labor alone. As the late James T. Shotwell, president emeritus of the Carnegie Endowment for International Peace, pointed out long ago, the ILO might more accurately have been termed an International Organization for Social Justice. Furthermore, as the organization's responsibilities have widened, it has given increasing attention to measures designed to help raise general standards of living. Its work now even includes activities such as productivity training courses for management personnel and high government. Michel Hansenne, Director General of the ILO from 1989 to 1999, said, "Employment—the best possible employment for all—has always been, and will remain, the principal objective of our Organization, whose mission is to link economic growth, social justice and the creation and distribution of wealth."

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## CREATION

The International Labour Organization (ILO) was created by the 1919 Peace Conference that followed World War I. Its original constitution, which formed part of the Treaty of Versailles, established it on 11 April 1919 as an autonomous organization associated with the League of Nations.

A statement made in the constitution's preamble—"Conditions of labor exist involving such injustice, hardship, and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled"—was not mere rhetoric. World War I had shaken many countries to their foundations. The revolution in Russia had succeeded. All over the world there was labor unrest, and the conviction of the need to improve the lot of working people was by no means limited to labor itself. Organized labor, however, had been especially active during the war in demanding that the peace treaty include recognition of the rights of labor and that labor be given a voice in international matters. The American Federation of Labor (AFL) and other powerful trade-union bodies demanded in particular an international organization of labor that would wield "tremendous authority."

At the 1919 Paris Peace Conference, the president of the AFL, Samuel Gompers, was chairman of the conference's Commission on Labor Legislation. The Peace Conference, instead of establishing an international organization of labor, created an organization in which labor, employers, and governments were to be represented on an equal footing. As so constituted, the ILO was, and still is, unique among international governmental organizations—the only one in which private citizens, namely representatives of labor and of employers, have the same voting and other rights as are possessed by governments.

The ILO's principal function was to establish international labor and social standards through the drafting and adoption of international labor conventions. Prior to the existence of the ILO, only two international labor conventions had been adopted: one, de-

signed to protect the health of workers in match factories, prohibited the use of white phosphorus, a poison, in the manufacture of matches; the other prescribed modest restrictions on night work by women. Neither of these was widely ratified. By contrast, more than 182 international labor conventions and 190 recommendations have been adopted by the ILO since 1919. International labor standards are used as a benchmark by which the rights and conditions of human beings have been measured.

## PURPOSES

The aims and objectives of the ILO were set forth in the preamble to its constitution, drawn up in 1919. The preamble declares that "universal and lasting peace can be established only if it is based upon social justice." Hence, the basic objective of the organization is to help improve social conditions throughout the world. The following examples of concrete measures "urgently required" are specifically mentioned in the preamble: regulation of the hours of work, including the establishment of a maximum working day and week; regulation of the labor supply; prevention of unemployment; provision of an adequate living wage; protection of the worker against sickness, disease, and injury arising out of his or her employment; protection of children, young persons, and women; provision for old age and injury; protection of the interests of workers when employed in countries other than their own; recognition of the principle of equal remuneration for work of equal value; and recognition of the principle of freedom of association.

International action in these matters is required, the preamble makes clear, because "the failure of any nation to adopt humane conditions of labor is an obstacle in the way of other nations which desire to improve the conditions in their own countries." Finally, in agreeing to the ILO constitution, the member governments declare in the preamble that they are "moved by sentiments of jus-

tice and humanity as well as by the desire to secure the permanent peace of the world.”

Meeting in Philadelphia in 1944, the International Labour Conference adopted a declaration that rephrased and broadened the “aims and purposes” of the ILO and “the principles which should inspire the policy of its members.” President Roosevelt stated that the Declaration of Philadelphia, as it was called, summed up the aspirations of an epoch that had known two world wars and that it might well acquire a historical significance comparable to that of the US Declaration of Independence. The declaration, which was incorporated into the amended constitution of the ILO, affirms that labor is not a commodity; that freedom of expression and association are essential to sustained progress; that poverty anywhere constitutes a danger to prosperity everywhere; and that the war against want must be carried on not only with unrelenting vigor within each nation but also by “continuous and concerted international effort in which the representatives of workers and employers, enjoying equal status with those of Governments, join with them in free discussion and democratic decision with a view to the promotion of the common welfare.”

The Declaration of Philadelphia recognizes the “solemn obligation” of the ILO to further among nations of the world programs that will achieve the following:

- full employment and the raising of standards of living;
- employment of workers in the occupations for which they are best suited and where they can make their greatest contribution to the common well-being;
- facilities for training and the transfer of labor, including migration for employment and settlement;
- policies in regard to wages and earnings, hours, and other conditions of work calculated to ensure a just share of the fruits of progress to all and a minimum living wage to all employed and in need of such protection;
- effective recognition of the right of collective bargaining, the cooperation of management and labor in the continuous improvement of productive efficiency, and the collaboration of workers and employers in the preparation and application of social and economic measures;
- extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care;
- adequate protection for the life and health of workers in all occupations;
- child welfare and maternity protection;
- adequate nutrition, housing, and facilities for recreation and culture; and
- assurance of equality of educational and vocational opportunity.

Since 1994 the ILO has been involved in a process of modernizing and strengthening its labor standards system.

## MEMBERSHIP

Originally, ILO membership was identical with League of Nations membership, since adherence to the League carried with it participation in the ILO. However, several countries that were not members of the League were admitted to the ILO, notably the United

States, which joined in 1934. In 1946, the ILO became the first specialized agency associated with the UN. The constitution of the ILO now provides that any nation that is a member of the UN can become a member of the ILO by unilaterally notifying the Director General that it accepts the obligations of the ILO constitution. Other nations may be admitted to ILO membership by a two-thirds vote of the International Labour Conference.

The ILO constitution originally made no provision for the expulsion of a member. However, two amendments adopted by the International Labour Conference in 1964 would have empowered the ILO membership, by a two-thirds vote, to expel or suspend any member that had been expelled or suspended by the UN or that had been found by the UN to be flagrantly and persistently pursuing by its legislation a policy of racial discrimination. The amendments were adopted in response to South Africa’s policy of apartheid. These amendments never came into force for lack of ratifications. However, in 1972, the conference adopted another Instrument of Amendment about expulsions, which came into force on 1 November 1974.

A state may withdraw from the ILO by formal notification of its intent to do so, such withdrawal to be effective two years after the ILO receives the notification. Germany, one of the original members, withdrew in 1935. South Africa notified the organization of its intent to withdraw before the amendments that could have led to its expulsion were adopted. Its withdrawal became effective on 11 March 1966. South Africa rejoined the ILO on 26 May 1994. Albania withdrew in 1967. Vietnam withdrew in 1985, but rejoined in 1992. Fourteen other countries withdrew their membership at various times (11 of them during the World War II period), but all sooner or later rejoined the organization. The rules that govern original admission to membership also apply to readmission.

In November 1975, the United States filed a two-year notice of intent to withdraw, stating at the same time that it did not desire or expect to leave the ILO but hoped to help the ILO “return to basic principles.” US Secretary of State Henry Kissinger said that the ILO had been “falling back” in four fundamental areas: workers’ and employers’ groups in the ILO falling under the domination of governments; an “appallingly selective” concern for human rights; “disregard of due process” in condemning member states “which happen to be the political target of the moment”; and “increasing politicization of the organization.” The notice of intent to withdraw was allowed to run its course, thereby ending US membership in the ILO in November 1977. On the return of the United States to membership in February 1980, President Jimmy Carter said: “As a member of the ILO and with the support of other countries, the United States will seek to ensure that the ILO continues to serve the interests of the world’s working men and women by promoting more and better jobs while protecting human rights and dignity.” As of 10 November 2005, the ILO had 178 members.

## STRUCTURE

The principal organs of the ILO are the International Labour Conference, the Governing Body, and the International Labour Office, headed by a Director General.

### International Labour Conference

The International Labour Conference is the organization’s policy-making and legislative body, in which every member state is

represented. It holds one session a year at ILO headquarters in Geneva.

Each member country sends to the International Labour Conference a national delegation consisting of four delegates. Two represent the government, one represents the country's employers, and one represents the country's workers. Alternates and advisers may be sent as well. Each delegate has one independent vote. Discussing this system of tripartite representation in 1959, the Director General noted that the ILO is "the only intergovernmental agency in whose work nongovernment delegates take part on an equal footing with government representatives as a matter of constitutional right. Representatives of employers' and workers' organizations are included in its policy-making, standard-setting, and executive machinery and participate, with full voting rights, in all these aspects of its work."

The government, employers', and workers' representatives to the conference act in many respects as three separate groups, functioning somewhat as political parties function in a national legislature: the three groups meet separately for informal discussions of strategy; they hold caucuses; and, voting separately, they elect the government, the employers', and the workers' delegates to the Governing Body and to tripartite committees. If the tripartite system is to function as intended, it is essential that employers' and workers' delegates be true representatives of their respective groups. The ILO constitution provides that governments must appoint these delegates in agreement with the "most representative" organizations of employers or workers "if such organizations exist."

### Governing Body

The Governing Body is the executive council of the ILO. It is composed of 56 titular members (14 representing employers, 14 representing workers, and 28 representing governments) and 66 deputy members (19 representing employers, 19 representing workers, and 28 representing governments).

Members of the Governing Body are elected by the corresponding groups in the International Labour Conference, except that 10 of the government representatives are appointed by countries that do not participate in the election of the other government representatives since these 10 countries are entitled to permanent seats as "states of chief industrial importance." The 10 governments permanently represented on the Governing Body are Brazil, China, France, Germany, India, Italy, Japan, the Russian Federation, the United Kingdom, and the United States of America. The remaining government members, elected for three years by the 2005 conference were from Argentina, Australia, Belarus, Cameroon, Canada, Cuba, El Salvador, Kenya, Malawi, Morocco, Nigeria, Peru, Philippines, Romania, Saudi Arabia, South Africa, Spain, and Sri Lanka.

The 14 employers' representatives on the governing body, elected for three years by the 2005 conference, included leading industrialists from Argentina, Australia, Brazil, Burkina Faso, France, Germany, Japan, Mauritius, Pakistan, Saudi Arabia, Sweden, Tunisia, United Kingdom, and United States.

The 14 members of the workers' group, elected in 2005 for three years, were ranking trade union officials from Algeria, Australia, Barbados, Canada, Colombia, Germany, Guinea, India, Japan, Ni-

geria, Russian Federation, Sweden, United Kingdom, and United States.

Under amendments to the ILO constitution adopted by the International Labour Conference in 1986—to become effective when ratified or accepted by two-thirds of the members, including 5 of the 10 permanent members of the Governing Body—the members of the Governing Body will be increased to 112 (56 representing governments, 28 representing employers, and 28 representing workers) and the 10 permanent seats will be eliminated. As of 2006, this amendment had not yet entered into force.

Meeting several times a year, the Governing Body coordinates and in many ways shapes the work of the organization. It draws up the agenda for each session of the International Labour Conference; while the conference is empowered to change this agenda, it rarely does. The Governing Body appoints the Director-General of the International Labour Office. It examines the proposed budget submitted to it each year by the Director-General and approves it for adoption by the conference. The Governing Body also is responsible for convening the scores of other conference and committee meetings held under ILO auspices every year in various parts of the world and decides what action ought to be taken on their resolutions and reports.

### International Labour Office and Director-General

The International Labour Office in Geneva, headed by the Director-General, is the ILO's headquarters and its permanent secretariat. As of 2000, its staff consisted of about 1,900 persons from more than 110 countries in Geneva and in 40 field offices.

During World War II, when for a time Switzerland was entirely surrounded by Axis forces, the International Labour Office and a skeleton staff were temporarily moved to Montreal, where, thanks to the hospitality of the Canadian government and McGill University, the office was able to continue its more urgent work.

The International Labour Office services the sessions of the conference, the Governing Body, and the various subsidiary organs and committees. It prepares the documents for these meetings; publishes periodicals, studies, and reports; and collects and distributes information on all subjects within the ILO's competence. As directed by the conference and the Governing Body, it carries out ILO operational programs that have been decided on in various fields.

The ILO has had nine Directors General—Albert Thomas, France, 1919–32; Harold Butler, United Kingdom, 1932–38; John G. Winant, United States, 1939–41; Edward J. Phelan, Ireland, 1941–48; David A. Morse, United States, 1948–70; Wilfred Jenks, United Kingdom, 1970–73; Francis Blanchard, France, 1973–89; Michel Hansenne, Belgium, 1989–99; Juan Somavia, Chile, 1999 to present.

## THE ISSUE OF INDEPENDENT WORKER AND EMPLOYER REPRESENTATION

Since its early days, the ILO has been troubled by a basic constitutional issue: can the organization, without violating its own principles, countenance the seating of workers' and employers' dele-



**Members of the ILO (as of 10 November 2005)**

Afghanistan	Dominica	Lebanon	Samoa
Albania	Dominican Republic	Lesotho	San Marino
Algeria	Ecuador	Liberia	São Tomé and Príncipe
Angola	Egypt	Libyan Arab Jamahiriya	Saudi Arabia
Antigua and Barbuda	El Salvador	Lithuania	Senegal
Argentina	Equatorial Guinea	Luxembourg	Serbia and Montenegro
Armenia	Eritrea	The Former Yugoslav Republic of Macedonia,	Seychelles
Australia	Estonia	Madagascar	Sierra Leone
Austria	Ethiopia	Malawi	Singapore
Azerbaijan	Fiji	Malaysia	Slovakia
Bahamas	Finland	Mali	Slovenia
Bahrain	France	Malta	Solomon Islands
Bangladesh	Gabon	Mauritania	Somalia
Barbados	Gambia	Mauritius	South Africa
Belarus	Georgia	Mexico	Spain
Belgium	Germany	Moldova, Republic of	Sri Lanka
Belize	Ghana	Mongolia	Sudan
Benin	Greece	Morocco	Suriname
Bolivia	Grenada	Mozambique	Swaziland
Bosnia and Herzegovina	Guatemala	Myanmar	Sweden
Botswana	Guinea	Namibia	Switzerland
Brazil	Guinea-Bissau	Nepal	Syrian Arab Republic
Bulgaria	Guyana	Netherlands	Tajikistan
Burkina Faso	Haiti	New Zealand	Tanzania, United Republic of
Burundi	Honduras	Nicaragua	Thailand
Cambodia	Hungary	Niger	Timor-Leste
Cameroon	Iceland	Nigeria	Togo
Canada	India	Norway	Trinidad and Tobago
Cape Verde	Indonesia	Oman	Tunisia
Central African Republic	Iran, Islamic Republic of	Pakistan	Turkey
Chad	Iraq	Panama	Turkmenistan
Chile	Ireland	Papua New Guinea	Uganda
China	Israel	Paraguay	Ukraine
Colombia	Italy	Peru	United Arab Emirates
Comoros	Jamaica	Philippines	United Kingdom
Congo	Japan	Poland	United States
Congo, Democratic Republic of the	Jordan	Portugal	Uruguay
Costa Rica	Kazakhstan	Qatar	Uzbekistan
Côte d'Ivoire	Kenya	Romania	Vanuatu
Croatia	Kiribati	Russian Federation	Venezuela
Cuba	Korea, Republic of	Rwanda	Vietnam
Cyprus	Kuwait	St. Kitts and Nevis	Yemen
Czech Republic	Kyrgyzstan	St. Lucia	Zambia
Denmark	Lao People's Democratic Republic	St. Vincent and the Grenadines	Zimbabwe
Djibouti	Latvia		

gates from countries where workers' and employers' organizations are not free from domination or control by the government?

### Challenges to the Credentials of Workers

When, in the early 1920s, a member of the Italian Fascist labor corporations appeared at Geneva to take his seat as the workers' member of the Italian delegation to the ILO, his credentials were challenged, though unsuccessfully, by the workers' group, which maintained that he was not a true spokesman for Italian labor. Every session of the conference from 1923 to 1938 saw the credentials of one or more workers' delegates challenged on the grounds that these delegates did not represent an independent labor point of view. Among them were workers' delegates from Austria, Bulgaria, Germany, Greece, Italy, Latvia, Lithuania, and Poland. In all cases, however, the delegates were seated.

Since World War II, the conference has on several occasions actually refused to seat a workers' delegate whose credentials had been challenged. In 1945, it refused to seat the workers' delegate chosen by the Perón regime in Argentina on the ground that work-

ers' organizations in Argentina did not at that time enjoy freedom of association, action, or speech. In 1950, it refused to seat the workers' delegate appointed by the government of Venezuela on the ground that the delegate could not have been nominated in agreement with the country's most representative workers' associations since the government had at that time dissolved all trade unions. Challenges to the credentials of Argentinian and Venezuelan workers' delegates on other occasions were overruled by the credentials committee, however, as was a 1955 challenge to the credentials of the Chilean workers' delegate.

### The Question of Employers' Delegates from Communist Countries

Much greater difficulties arose in the past over the seating of employers' delegates from former communist countries. When the first employers' delegate from the USSR, Mr. Kaoulin of the People's Commissariat of Water Transport, appeared at the 1936 maritime conference, the employers' group acquiesced in his seating but requested an examination of the constitutional questions in-

volved. A study duly carried out by the International Labour Office concluded that the ILO constitution did not require an employer to be a private person and that in countries where the state was the chief employer, it was for the state to choose the employers' delegate. The employers' group at the conference voted unanimously to reject this interpretation.

At the 1945 International Labour Conference, held in Paris shortly after the end of World War II, two constitutional amendments were proposed that aimed at increasing the size of the national delegations so as to give representation to both the public and private sectors of the economy. Both proposed amendments were, for a variety of reasons, rejected by the conference. The employers' group, however, issued a declaration stating that if the USSR, which had withdrawn from the ILO in 1940, were to resume membership, "it would naturally appoint as employers' delegates a representative of the socialized management of the USSR."

At the 1953 conference, the employers' group challenged the credentials of the Czechoslovakian employers' delegate and, when the USSR did rejoin the organization in 1954, challenged those of the Soviet employers' delegate as well. On both occasions, the group was overruled by the credentials committee, which held that the delegates in question performed executive and managerial functions corresponding to those normally exercised by employers under other economic systems.

When the Governing Board met in November 1954, it was sharply divided on the question of employers' delegates from countries with nationalized economies. In hopes of facilitating a compromise, it appointed a special fact-finding committee, headed by Sir Arnold McNair, former president of the International Court of Justice, to report on the "extent of the freedom of employers' and workers' organizations" in ILO member countries "from government domination or control." The lengthy report, which the committee submitted in February 1956, was based on a study of the situation in 59 countries, including five in the Soviet bloc.

The report recognized at the outset that the unique feature of the ILO—cooperation among representatives of government, employers, and workers—could only be meaningful if the latter represented their constituents in the true sense of the word and had the right "to speak and vote freely without government control." On the other hand, the report noted, major changes had occurred in the economic structure of many countries since 1919, with governments participating in their countries' economic and social life in a wide variety of new ways. The ILO had long maintained that the principle of freedom of association is violated if the right to organize is subject to government authorization. However, the report found, the constitutions of no less than 21 ILO countries subjected the right of association to statutory regulation.

The Hungarian uprising of 1956 had sharp repercussions in the ILO, which were reflected in the credentials dispute. The Governing Body expressed solidarity with the Hungarian workers "who were struggling to secure their fundamental rights," and the 1957 International Labour Conference rejected the credentials of the employers' and workers' delegates appointed by the Kádár government, which had, in effect, restored the Hungarian status quo ante. In 1958 and 1959, the conference took the unprecedented step of not only rejecting the credentials of the Hungarian workers' and employers' delegates, but also refusing admission to the government delegates.

In the meantime, various attempts were made to find a general solution to the problem that would satisfy all concerned, including the Western employers' delegates. Involved in the problem was the fact that, under the International Labour Conference rules, each group—government, employers, and workers—could refuse to seat delegates whose credentials it did not accept. In 1959, acting on a plan proposed by a tripartite committee headed by Roberto Ago of Italy, the ILO established a five-member Appeals Board composed of persons of "internationally recognized independence and impartiality" to rule on such matters.

The demise of the Soviet bloc in the late 1980s heralded the arrival of a new era of consensus. Now that so many formerly communist governments no longer adhere to a managed economy, challenges to credentials are much less significant.

## BUDGET

The ILO's activities are financed by a biennial budget fixed by the International Labour Conference and raised from the governments of member states according to a scale of contributions approved by the conference. The scale ranges from 0.001% for the least developed countries (LDCs) to 5.45% for the United Kingdom, 6.37% for France, 9.62% for Germany, 19.22% for Japan, and 22% for the United States. In addition, the ILO receives for its technical assistance programs a share of the funds raised from voluntary government contributions to UNDP.

The 2004-05 expenditure budget amounted to US\$529.6 million, with an income budget for the same amount.

## ACTIVITIES

### A. International Labor Standards

One of the principal achievements of the ILO has been the formulation of an extensive international labor code through the drafting and adoption of various standard-setting conventions and recommendations. The first international convention adopted was the 1919 Hours of Work Convention, establishing the eight-hour day and the six-day week in industry.

A convention is similar to an international treaty and is subject to ratification. Recommendations do not require ratification. They serve as guidelines for national policy.

By 2006, the various sessions of the International Labour Conference had built up the edifice of the international labor code through the adoption of 185 conventions and 195 recommendations, covering such questions as the following:

- employment and unemployment: employment services, national development programs, and provisions for unemployment;
- various aspects of conditions of work: wages, hours, weekly rest periods, annual holidays with pay, and allied topics;
- employment of children and young persons: minimum age of admission to employment, medical examination for fitness for employment, vocational training and apprenticeship, and night work;
- employment of women: maternity protection, night work, and employment in unhealthy work;
- industrial health, safety, and welfare;
- social security;

- industrial (i.e., management-labor) relations;
- labor inspection;
- social policy in nonmetropolitan areas and concerning indigenous and tribal populations;
- protection of migrants; and
- trade unionism and collective bargaining.

At first, the effort to build up minimum labor and social standards that would be internationally valid was considered by many as utopian. In these fields, international action used to be virtually unknown. But the freely accepted conventions and recommendations and the ILO machinery of mutual supervision have helped to improve working conditions and management-labor relations, protect the fundamental rights of labor, promote social security, and lessen the frequency and intensity of labor conflicts.

The international labor code is continually being revised and extended, not only to broaden its scope but also to keep pace with advancing concepts of social and economic welfare. The following conventions represent the heart and soul of the organization's commitment to its mandate to social justice:

#### Selected ILO Conventions

NUMBER	NAME
No. 29	Forced Labor Convention (1930)
No. 87	Freedom of Association and Protection of the Right to Organize (1948)
No. 98	Right to Organize and Collective Bargaining Convention (1949)
No. 100	Equal Remuneration Convention (1951)
No. 105	Abolition of Forced Labor Convention (1957)
No. 111	Discrimination (Employment and Occupation) Convention (1958)
No. 122	Employment Policy Convention (1964)
No. 135	Workers' Representatives Convention (1971)
No. 141	Rural Workers' Organizations Convention (1978)
No. 144	Tripartite Consultation (International Labor Standards) Convention (1976)
No. 151	Labor Relations (Public Service) (1978)
No. 155	Occupational Safety and Health Convention (1981)
No. 169	Indigenous and Tribal Peoples Convention (1989)
No. 174	Prevention of Major Industrial Accidents Convention (1993)
No. 182	Worst Forms of Child Labor Convention (1999)
No. 184	Safety and Health in Agriculture Convention (2001)

Other important conventions are, for example, the 1960 convention and a recommendation on the protection of workers against ionizing radiations. These instruments, in essence, provide for the establishment of maximum permissible doses and amounts of radioactive substances that may be taken into the body. Appropriate radiation levels are fixed for workers over 16. Under these international instruments, workers under 16 are prohibited from working in direct contact with ionizing radiations.

In pursuit of ILO efforts to help extend the scope of social security coverage throughout the world and eliminate discrimination based upon nationality, the 1962 International Labour Conference adopted a convention on the equal treatment of nationals and non-nationals in social security. Under this convention, a rati-

fying country shall give to nationals of other ratifying countries, within its territory, equal treatment with its own nationals under its social security legislation. Countries may accept the obligations of the convention in any or all of the following types of social security: medical care, sickness benefits, maternity benefits, unemployment benefits, and family allowances.

The adoption of protective standard measures against occupationally caused cancer was taken up at the 1974 session of the International Labour Conference. Two international agreements were drawn up, aimed at limiting the use and the adverse effects of carcinogenic (cancer-causing) substances and strengthening protective measures to be used against them.

In 1983, a convention was adopted on the rights of handicapped people, aimed at increasing employment opportunities for the disabled. In 1986, a convention to protect workers against serious risks from the use of asbestos was adopted.

The following recommendations are representative of the ILO's work during the end of the 20th century and the beginning of the 21st century.

No. 175	Safety and Health in Construction Recommendation (1988)
No. 176	Employment Promotion and Protection against Unemployment Recommendation (1988)
No. 177	Chemicals Recommendation (1990)
No. 178	Night Work Recommendation (1990)
No. 179	Working Conditions in Hotels, Restaurants and Similar Establishments (1991)
No. 180	Protection of Workers' Claims in the Event of the Insolvency of Their Employer (1992)
No. 181	Prevention of Major Industrial Accidents (1993)
No. 184	Home Work Recommendation (1996)
No. 188	Private Employment Agencies Recommendation (1997)
No. 191	Maternity Protection Recommendation (2000)
No. 195	Human Resources Development Recommendation (2004)

For a complete listing of ILO conventions, visit their Internet site [www.ilo.org](http://www.ilo.org). Recommendations are also listed at the site.

#### B. Obligation of Members after Adoption of International Labor Standards

The ILO, it should be borne in mind, is not a world lawgiver. The International Labour Conference cannot pass legislation that by itself is binding on any country. However, ingenious arrangements have been written into the ILO constitution to make sure that conventions and recommendations adopted by the International Labour Conference are not regarded as mere pious pronouncements. Member governments must report back to the ILO on the measures they have taken to bring the ILO convention or recommendation before their competent legislative authorities, and they must also keep the ILO informed of decisions made by those authorities.

### **Supervision of Application of Ratified Conventions**

Once a convention has been ratified and has come into force, every country that ratified it is obligated to take all necessary measures to make its provisions effective.

By ratifying a convention, a country automatically agrees to report every year to the International Labour Office on how the convention is being applied in its territory. These reports are much more than a formality. For each convention, the Governing Body formulates a number of questions that include requests for information on the results of labor inspection, relevant court decisions, and statistics on the number of persons covered. Copies of each annual report prepared by a government are to be sent to the country's most representative employers' and workers' organizations, and the report, as finally submitted to the ILO, has to state whether the government has received any comments from them on the practical implementation of the convention in question.

These annual reports on the application of ratified conventions are first considered by a committee of independent experts and then by an employer-worker-government committee, which in turn reports to the full International Labour Conference. The object of this whole system of supervision is to enable the conference to determine what progress has been made in implementing the standards set forth in the conventions. On the basis of the intelligence it receives, the conference may, if it feels this to be necessary, make "observations" to governments, that is, suggest to them ways in which they may overcome discrepancies between the provisions of the conventions that they have ratified and existing national laws or practices.

The effectiveness of this supervisory machinery depends, naturally, on the cooperation of member governments in submitting their annual reports. On the whole, an increasing number of governments have been living up to their obligations in this respect. If required reports are not forthcoming or if the reports submitted by certain countries are not really informative, the ILO supervisory committees express their dissatisfaction in polite but quite unmistakable terms. These criticisms are included in the printed reports of the committees and may occasion debates in the conference itself, thus giving the matter further publicity.

The ILO constitution provides two other procedures that may be followed to induce governments to carry out the provisions of conventions that they have ratified. First, workers' or employers' organizations may make representations to the International Labour Office if they believe that any government, even their own, has failed to live up to a convention that it has ratified. If the government concerned fails to provide a satisfactory answer to the allegation, the Governing Body may decide to publish the allegation and, if one has been submitted, the government reply. Second, any ILO member government may file a complaint against any other member for alleged noncompliance with a ratified convention. The ILO constitution provides that, in this event, a commission of inquiry shall examine the matter, report on its findings, and recommend such remedial steps as it thinks proper. The fact that the ILO constitution provides for specific machinery to take up such complaints itself has contributed to the observance of ratified international labor conventions on the part of member governments.

In his report to the 81st ILC in 1994, Director-General Michel Hansenne reported that in the preceding 30 years, close to 2,000

cases of progress were recorded by supervisory bodies. "That means 2,000 situations in which national legislation and policy have been brought into line with the requirements of ratified Conventions," said the Director-General.

### **Reports on Recommendations and Unratified Conventions**

Recommendations adopted by the International Labour Conference, unlike the conventions that it adopts, are not international treaties and are not subject to ratification. Hence, these recommendations can never be binding on a member government in the sense that the provisions of a ratified convention are binding. Nevertheless, the recommendations constitute an important part of the international labor code, and, since 1948, the Governing Body of the ILO has had the right to ask member governments periodically to what extent they have given or intend to give effect to conventions not ratified and to recommendations. In such case, the governments also have to state the reasons that have so far prevented or delayed the ratification of conventions and the modification of national law and practices according to recommendations.

### **Ratifications**

The number of ratifications that a given convention has received is not, in itself, an accurate measure of its acceptance or impact. The fact that a convention has not been ratified by a particular country does not necessarily mean that that country has not met the standards prescribed in the convention. The United Kingdom, for example, advised the ILO that it did not intend to propose parliamentary ratification of the convention requiring a minimum 24-hour weekly rest period for commercial and office workers. It explained that such workers in the United Kingdom were already assured a rest period of at least that length through established custom and that it was not the policy of the government to intervene in matters that had already been satisfactorily settled by the parties concerned.

New Zealand, which in many ways has pioneered in labor legislation, waited until 1938 to ratify the eight-hour-day, six-day-week convention of 1919. At the same time, New Zealand also ratified the more restrictive 40-hour-week convention of 1935 and, in fact, remained for 18 years the only country ratifying it. Ratifications may be withheld for various reasons by a country for a number of years, after which a number of ratifications may be approved at once. Thus, in 1962 alone, Peru ratified 31 different international labor conventions.

Very often, countries do not ratify conventions on subjects that they feel do not concern them. The various maritime conventions, for example, are primarily of interest to nations with sizable merchant marine fleets. Occasionally, however, countries as a matter of principle ratify conventions on conditions quite alien to them. Thus, Switzerland ratified the 1957 Convention on the Abolition of Forced Labor on the recommendation of the Swiss Federal Council, which called for ratification because of the convention's humanitarian significance, although "forced labor in any of the forms mentioned in the Convention has never existed in Switzerland."

For a growing number of workers in an increasing number of countries, wages, working conditions, vacations, and so-called fringe benefits are being determined not through government legislation but through collective bargaining. The international standards embodied in the ILO's conventions, even though they may

not show on the statute books, frequently serve as guides for labor-management agreements. The widening impact of ILO standards owes much to the various arrangements that have been worked out to make the provisions of the international labor code more widely known to employers' and workers' organizations.

The significance of the sharply increased rate at which governments have been ratifying ILO conventions since 1960 is very great. Ratification, particularly in a developing country, regularly signifies a step forward.

### C. The ILO as a Promoter of Human Rights

#### **Freedom of Association**

World War II stimulated the growth of trade unions and increased their responsibilities. In many countries, labor was recognized as an equal partner in the effort that won the war. Nevertheless, in various parts of the world, the position of unions was far from secure, and in many countries, such a basic freedom as the worker's right to join a union of his choice was respected neither in law nor in practice.

In 1948, the International Labour Conference adopted the Convention on Freedom of Association and the Right to Organize, and in 1949, it adopted the Convention on the Right to Organize and Collective Bargaining. These conventions stipulate that all workers and employers shall possess the right to establish and join organizations of their own choosing without having to obtain government authorization. Such organizations shall have the right to function freely and without interference from public authorities; they may be dissolved or suspended only by normal judicial procedure and never by administrative authority. Workers must be protected against discrimination on the grounds of union membership or activities; thus, a worker may not be discharged because he joins or is active in a union. Employers and workers must not interfere in the establishment or operation of one another's organizations; this provision outlaws such devices as employer-dominated unions. By 2 May 2006, the first of the two conventions had been ratified by 145 countries and the second by 154.

The ILO Committee on Freedom of Association (CFA) has recorded a dramatic rise in the numbers of complaints lodged under this convention: before 1990 a total of 61 complaints were received; 49 complaints were received in 1990 alone. In total, the CFA handles hundreds of cases each year. Cases are received even when the government concerned has not ratified the ILO's freedom of association convention.

The ILO has been particularly concerned with safeguarding the rights enumerated in these two conventions. It has made full use of its regular procedure to ascertain whether all member states have presented the conventions to the appropriate domestic authorities for ratification and to supervise the implementation of the conventions by states that have ratified them. In addition, the International Labour Conference has conducted reviews concerning the extent to which member states, whether bound by the conventions or not, have put their provisions into effect.

In 1969, a special review was made, in connection with the 50th anniversary of the ILO, of the problems and prospects of ratification of 17 key conventions. Special bodies were set up to deal with complaints against governments for violation of trade-union rights: a committee of the Governing Body, known as the Committee on Freedom of Association, composed of government,

employer, and worker representatives; and the quasi-judicial Fact-Finding and Conciliation Commission, composed of nine independent persons serving as individuals. The Fact-Finding and Conciliation Commission is authorized to make on-the-scene investigations, but it cannot consider a case unless the government concerned gives its consent. Japan, in 1964, was the first to do so; Greece was the second, in 1965. The government-employer-worker Committee on Freedom of Association, however, not being a semi-judicial body, may consider complaints whether or not the government concerned gives its consent.

Feeling that fuller factual information was needed about conditions in various countries affecting freedom of association, the ILO Governing Body decided in 1958 to inaugurate a worldwide survey to be carried out through on-the-spot studies. The first country to invite such a survey was the United States; the second was the USSR. An ILO survey mission visited both countries in 1959. At the invitation of the governments of Sweden, the United Kingdom, Burma, and Malaya, surveys on freedom of association in those countries were made in 1960 and 1961.

The Committee on Freedom of Association considered complaints of infringements of trade union rights in Poland following the proclamation of martial law in that country in December 1981 and in response to measures taken against the Solidarity trade union. In November 1982, the Governing Body urged the Polish government to lift martial law; it noted with deep concern that the government had dissolved all existing trade unions, including Solidarity, and deplored the fact that fundamental provisions of the new Polish labor law did not conform with ILO principles of freedom of association and collective bargaining. A commission of inquiry set up by the ILO in 1983 reported in the following year that Poland had infringed trade union rights laid down in two ILO conventions to which it was a party, and it rejected Poland's objection to its inquiry.

#### **Forced Labor**

Before World War II, ILO's efforts in regard to forced labor, including the adoption of the 1930 Convention on Forced Labor and the 1936 Convention on Recruiting of Indigenous Workers, were directed primarily toward stamping out abuses in non-self-governing territories. A convention adopted in 1939 prescribed that contracts for the employment of indigenous labor must always be made in writing, and an accompanying recommendation called for regulation of the maximum period of time for which an indigenous worker could bind himself under contract. Another convention adopted in 1939 required all penal sanctions exacted against indigenous labor for breach of contract to be progressively abolished "as soon as possible"; when applicable to juvenile workers, the sanctions against breach of contract were to be abolished without delay.

After World War II, emphasis shifted from protection against exploitation in colonial areas to the abolition of systems of forced labor wherever they occur, as part of the promotion of human rights. The first step in this broader attack was an impartial inquiry into the nature and extent of forced labor, including prison labor, gang labor, labor service, and the like. A joint UNILO committee studied the existence in the world of systems of forced or "corrective" labor as a means of political coercion or as punishment for political views. In 1953, the committee reported that it

had found two principal forms of forced labor existing in fully self-governing countries: one used mainly as a means of political coercion or political punishment, and the other used mainly for economic reasons.

In 1957, the International Labour Conference, by a vote of 240 to 0, with 1 abstention, adopted the Convention on the Abolition of Forced Labor. The convention outlaws any form of forced or compulsory labor (a) as a means of political coercion or education or as punishment for political or ideological views, (b) as a means of obtaining labor for economic development, (c) as a means of labor discipline, (d) as punishment for participation in strikes, or (e) as a means of racial, social, national, or religious discrimination. The convention, one of the farthest-reaching adopted by the ILO, has been in force since 17 January 1959.

#### **Discrimination in Employment and Occupation**

The Convention on Discrimination in Employment and Occupation, adopted by the International Labour Conference in 1958, constitutes another effort to promote the principle of equal rights. The convention defines such discrimination as any distinction, exclusion, or preference based on race, color, sex, religion, political opinion, national extraction, or social origin that impairs equal access to vocational training, equal access to employment and to certain occupations, or equal terms and conditions of employment. Measures affecting a person justifiably suspected of being engaged in activities prejudicial to the security of the state are not to be deemed discrimination, provided such a person is guaranteed the right of appeal. Furthermore, special measures of protection or assistance required because of sex, age, disablement, family responsibility, or social or cultural status are not to be considered discriminatory, but workers' and employers' organizations must in certain cases be consulted on such measures.

Every state ratifying the convention thereby undertakes to declare and pursue a national policy designed to promote, by methods appropriate to national conditions and practice, equality of opportunity and treatment in respect of employment and occupation, with a view to eliminating discrimination. This goal is to be accomplished through cooperation with employers' and workers' organizations, through legislation, and through educational programs. Ratifying states also agree to pursue nondiscriminatory public employment policies and to ensure the observance of such policies by public vocational guidance, training, and placement services.

#### **D. Maritime Questions**

The problems of merchant sailors differ in many respects from those of other workers. When plans for an international labor organization were being worked out in 1919, world seafarers' organizations urged the creation of a separate "permanent general conference for the international regulation of maritime labor" and of a separate "supervisory office for maritime labor." Although it was eventually decided to include maritime questions as falling within the purview of the ILO, special ILO machinery was established to deal with them, including special maritime sessions of the International Labour Conference and a Joint Maritime Commission.

Maritime sessions of the International Labour Conference are periodic full-scale sessions of the conference devoted exclusively to maritime questions. The first such conference was held in 1920. Since then, some 50 conventions and recommendations concern-

ing seafarers have been adopted, pertaining to conditions of employment, health and safety, welfare, and social security. Together, these conventions and recommendations form the International Seafarers' Code, which is binding on all subscribing countries.

The Joint Maritime Commission keeps questions regarding the merchant marine under review on a year-to-year basis. Since it began its work in 1920, the commission has been enlarged several times, mainly to provide wider geographical representation.

#### **Conditions of Employment**

The first of the ILO's maritime conventions, adopted in 1920, forbids the employment of children under 14 at sea, except on family-operated vessels. A convention adopted in 1936 raises the minimum age to 15. A convention adopted in 1926 prescribes the standard form and content of seafarers' articles of agreement or employment contracts, signing procedures, and the conditions under which such contracts may be terminated.

At the 1987 maritime session of the International Labour Conference, a number of conventions and recommendations were adopted, some of which revised and updated earlier instruments. A 1926 convention guaranteeing repatriation of seafarers was broadened to take into account developments in the shipping industry. The new instrument lists the circumstances under which repatriation rights shall apply, including cessation of employment, illness, shipwreck, and bankruptcy of the shipowner. Another revision of previous instruments was adopted on seafarers' welfare at sea and in port. States ratifying it will undertake to ensure that cultural and recreational facilities and information services are provided in appropriate ports and on board ship. A convention on health protection and medical care aims at providing seafarers with care comparable to that which is generally available to workers ashore.

#### **Social Security for Seafarers**

The first step toward social insurance for seafarers was taken by a 1920 convention which required a shipowner to pay two months' wages to crew members of a lost or foundered vessel.

Three conventions affecting seafarers were adopted at the 1976 maritime session: continuity of employment, annual leave with pay, and merchant shipping (minimum standards). The third convention provides that a state which has ratified the convention and in whose port a ship calls may take account of a complaint or evidence that the ship does not conform to the standards of the convention.

A new convention adopted in 1987 revised a number of existing instruments dealing with social security and insurance against illness; it requires ratifying states to provide seafarers with social security protection not less favorable than that enjoyed by shore workers for which the state has legislation in force. Member states would be bound to apply either minimum standards, as specified in the Social Security (Minimum Standards) Convention, or superior standards, as laid down in other ILO instruments.

The standards set by these conventions, even when not ratified by many countries, have an influence on collective agreements, national statutes, and regulations.

#### **E. Technical Cooperation**

Member states have always been able to count on the direct cooperation of the ILO. The expression "technical assistance" is to be found in an ILO report as early as 1930. ILO officials who were

then sent on consultative missions to governments were the precursors of today's experts.

Depending on priority programs established by governments, the activities of consultants have become an increasingly integral feature of national development plans. Among these priorities are the development of human resources, the raising of living standards, and the promotion of full employment. The ILO works actively with the authorities to set up and put into effect concrete cooperative projects. These tasks range from brief preliminary missions to major projects, such as the setting up of networks of vocational training or management development centers, to the establishment of full-scale rural development programs.

A cooperative project is deemed a success when it can be fully taken over by the national counterparts of the country concerned after the ILO experts have left. To encourage this trend, the ILO has made it possible for national officials to complete their training overseas. Many cooperative projects also provide for study grants and the organization of training courses and seminars. The supply of specialized equipment for certain services is another form of ILO aid—for example, equipment to set up vocational training centers.

The international technical cooperation effort is financed in part by UNDP. Some of the industrialized countries also make funds available to the ILO for cooperative projects.

The ILO concentrates its efforts on activities that produce maximum long-term results, such as the creation of institutions of various kinds or of training centers for trainers. It also seeks to enlist the aid of employers and workers in the technical cooperation effort.

Technical cooperation is linked to action promoting adherence to international labor standards, such as aid in the area of labor legislation and administration. This policy improves workers' conditions while taking into account the realities of the situation in the country concerned.

#### **Unemployment and Underemployment**

The ILO considers help to member states in the struggle against unemployment to be one of its major responsibilities. Much work has been carried out in this area. Guided by international labor standards, and often with the practical aid of the ILO, many countries have taken steps to ease the lot of the unemployed, to organize employment bureaus, and to develop vocational training facilities. However, these measures are far from enough to solve the immense unemployment problem facing the world today.

A coherent set of measures is needed to solve the unemployment and underemployment problem: development of rural areas, as well as urban industrialization; training of citizens in modern employment techniques; and taking a census of the active population and concentrating the development effort on the sectors and techniques calculated to absorb the maximum number of workers. In short, employment does not automatically flow from economic expansion unless it is geared to a policy designed to promote employment systematically. The International Labour Conference recognized this point when, in 1964, it adopted a convention and a recommendation on unemployment policy; the promotion and planning of employment are now an integral part of the development effort. Faced with the unemployment crisis, the ILO launched the World Employment Program in 1969. This

program was the starting point in the ILO's efforts to help combat unemployment and underemployment.

It was in keeping with the recognition that growing world poverty required new initiatives that the World Employment Conference was held in 1976. The resulting declaration of principles and program of action called the world's attention to the need for full employment and an adequate income for every inhabitant in the shortest possible time.

The ILO-developed concept of basic needs is paramount to the effort to get to the root of poverty. Basic needs include two elements: certain minimum requirements of a family for private consumption—adequate food, shelter, and clothing are obviously included, as would be certain household equipment and furniture; and essential services provided for the community at large, such as safe drinking water, sanitation, public transportation, and health and education facilities.

The program of the 1976 conference emphasized that strategies and national development plans and policies should include explicitly, as a priority objective, the promotion of employment and the satisfaction of the basic needs of each country's population. The people should participate in making the decisions that affect them through organizations of their own choice. The concept of freely chosen employment is an integral part of a basic needs strategy. Among measures to be taken by governments to meet the target of creating sufficient jobs for all in developing countries by the year 2000 are ratification of selected ILO conventions; selection of development projects with a view to their employment and income distribution potential; and implementation of active labor market policies, with consideration given to social policies designed to increase the welfare of working people, especially women, the young, and the aged.

ILO operational activities and advisory missions remain important elements of the program. Regional employment teams in Asia, Africa, and Latin America provide technical advisory services and training courses in response to requests from a large number of countries.

Technical cooperation projects in the fields of employment planning, personnel planning, and labor-market information range from multiexpert, long-term projects to short-term consultancies and special advisory missions.

ILO technical advisory missions for special public works programs not only help governments define and, where appropriate, expand the scope of special public works programs and determine the technical feasibility of projects and organizational and staffing needs, but also assist in the preparation of technical cooperation components and in management reviews of ongoing programs.

At the 78th Session of the ILC in 1991, Director General Michel Hansenne raised the issue of the "working poor," the approximately 300 million people around the world who work in jobs that fall into what is called the "informal sector." Almost one-third of the world's gross domestic product is believed to be contributed by these millions working on the fringes of the recognized labor market. Such activities range from small manufacturing enterprises to a single person selling rolled cigarettes on a street corner. Generally, products of the informal sector require a low level of capital investment, technology, and skills. Low productivity or low wages imply that very long hours have to be worked to achieve a subsistence income.

The ILO initiatives focused on the informal sector are the Regional Employment Program for Latin America and the Caribbean (PREALC) and the Jobs and Skills Program for Africa (JASPA). These initiatives include gathering data, providing training and technical cooperation, promoting income-generating projects for specific vulnerable groups, studying ways to open traditional apprenticeship and training for production schemes to women, and examining case studies of regulatory barriers.

#### **Development of Human Resources**

In an age when production techniques and structures are rapidly changing, simultaneously with a rapid increase in the world's active population, the entire concept of labor and vocational training must be viewed in a new light.

Many trades for which young people are being prepared will undergo radical transformation, and the qualifications that workers hold today will be obsolete without frequent refresher courses. Moreover, there will be a steady increase in the number of workers switching from one sector to another—for example, from agriculture to industry or from industry to commerce.

Any modern conception of developing human resources must take these factors into account by extending and diversifying vocational training facilities: apprenticeships, technical training and education, advanced training, and refresher courses. Vocational guidance must be developed not only to aid young people to make a wise choice of a career but also to retrain adult workers for different jobs. A coherent policy aimed at utilizing human resources must, therefore, include measures that make it possible for the worker to continue education and training, depending on the person's aptitudes and the opportunities in the labor market.

Vocational training is one of the key elements of ILO's technical cooperation program. Hundreds of projects have been mounted on all continents, some designed to create or strengthen national vocational training systems and others aimed at specific sectors of the economy: specialized industries, agriculture, handicrafts, commerce, the hotel trade, and tourism, among others.

The ILO also cooperates in projects for management development and is active in the field of vocational rehabilitation. Its long-standing interest in handicapped people was expressed anew in 1983 with the adoption of a recommendation and a convention recognizing the importance that it attaches to the formulation and implementation of coherent national policies. The convention emphasizes collective participation—notably that of the representatives of employers' and workers' organizations and of the disabled themselves—in determining needs and developing vocational rehabilitation services at national as well as community levels.

The ILO's International Training Centre at Turin trained over 90,000 men and women from some 170 countries from 1965 through 2002.

#### **Social Institutions**

The ILO's efforts to foster social justice in order to improve working and living conditions and to encourage balanced economic and social development would be wasted if there were no social structures promoting large-scale participation.

To assist governments, employers' associations, and trade unions in building or consolidating the necessary institutions and mechanisms, the ILO is active in such fields as labor law and ad-

ministration, labor relations, workers' education, promotion of cooperatives, and rural institutions.

The ILO's work in standard-setting has had a formative effect on social legislation and labor law throughout the world. The ILO also has supplied expert advice to countries requesting it on the measures needed to bring their legislation up to the level of international labor standards or to solve certain social problems. Many developing countries have sought ILO help in establishing or codifying their labor and social legislation. To ensure that the legislation is effectively applied, a country must have a labor administration that includes the necessary services. To meet this need and to help labor ministries play an active role in designing a development policy, the ILO has mounted an increasing number of projects in this field.

The ILO has always been keenly concerned with labor-management relations and with the relations among trade unions, employers' organizations, and governments. When such relations are cordial, they foster a climate conducive to economic and social progress. When they are unsatisfactory, they can impede united national development. The ILO considers labor relations to be good when they are based on the full recognition of freedom of association, in law and in practice, and when they permit labor, management, and government representatives to handle common problems.

Here again, technical cooperation is an extension of the action designed to set up standards and guidelines. ILO help is increasingly being sought in the field of industrial relations. Bipartite ILO missions comprising trade-union and management experts from industrialized countries have been sent to developing nations to encourage the establishment of a healthy working relationship between workers and employers. Study courses and seminars have been organized in various parts of the world.

Adequate training of workers' representatives is a prerequisite if they are to play an effective role in economic and social life. The trade unions themselves are aware of this fact and are increasing their own training programs accordingly. To assist them in this task, the ILO established a workers' education program to enable trade unions and workers' education bodies to develop their services and to provide workers and their representatives with the social and economic training they need. ILO efforts have been directed to such objectives as the training of unionists to help them take part in the planning and execution of development policies, the encouragement of cooperative action, and the organization of union research and information services.

As part of this program, the ILO has organized seminars, study courses, and technical discussions, often on a regional basis. An average of 50 courses of this type, including discussions on such matters as population and family planning, are held each year in different parts of the world. There is also a publications program, consisting of handbooks, booklets, bulletins, and educational material, in addition to a film and filmstrip lending library.

Since its earliest days, the ILO has played an important role in developing the cooperative movement. Its range of activities in this field has grown with the introduction of the cooperative system in many developing countries. The governments of these countries recognize that cooperatives provide an instrument that can facilitate social and economic advancement. With their built-in system of controls and internal management, their freely elect-



ed councils, and public discussion of their programs, cooperatives can be compared to grass-roots civics classes, giving their members a true sense of responsibility and involvement in national development. They are a unifying agent in bringing men and women together for constructive tasks, and they contribute to training for leadership. Above all, cooperatives are a key factor in rural development, for both production and marketing.

The creation of processing cooperatives in rural areas for handling produce, as well as the organization of cooperatives for small enterprises and handicraft workshops, can aid progress toward industrialization. Whatever form they take, cooperatives raise living standards and increase employment opportunities. At the request of the governments, and with the financial support of UNDP, ILO experts are helping countries set up or develop cooperative movements.

The interregional project for the production of materials and techniques for cooperative management training ended in 1990 after 13 years of operation. The terminal evaluation considered the project to have achieved results of high quality and relevance, with almost 200,000 people having been trained in more than 60 countries.

#### **Enterprise and Cooperative Development**

A major program to promote the establishment and effective operation of enterprises in the formal and informal sectors, in both rural and urban areas, was implemented in 1991. The Entrepreneurship and Management Development Program (now the Management and Corporate Citizenship Program) seeks to develop managerial resources at various levels and in various sectors of the economy in an environment characterized by rapid change.

Projects in operation focus on four major areas: productivity and competitiveness; management systems and decent work; International Labor Standards and good management practices; and socially responsible enterprise restructuring.

#### **F. Problems of Key Industries**

During World War II, and even earlier, it was felt that a gap existed in the structure of the ILO: special machinery was needed for the detailed and continuing study of specific industries by people with a thorough practical knowledge of their particular problems. Acting on a plan prepared by British Minister of Labour and National Services Ernest Bevin, submitted in 1943 by the UK government, the Governing Body established seven ILO industrial committees in 1945 "to provide machinery through which the special circumstances of the principal international industries [could] receive special and detailed consideration." By 1946, industrial committees had been created to deal with the problems of the following key industries: inland transport; coal mines; iron and steel; textiles; petroleum; building, civil engineering, and public works; and chemicals. In 1994 a total of 12 industrial committees were active: the Inland Transport; Coal Mines; Iron and Steel; Metal Trades; Textiles; Building, Civil Engineering, and Public Works; Chemical Industries; Committee on Work on Plantations; Advisory Committee on Salaried Employees and Professional Workers; Hotel, Catering and Tourism; Forestry and Wood Industries; Food and Drink Industries.

Other ILO committees that deal with special problems of international significance include the Advisory Committee on Salaried Employees and Professional Workers, the Permanent Agricultural

Committee, and the Committee on Work on Plantations. The ILO has also established Asian, African, and inter-American advisory committees, which provide information on special regional problems. The ILO industrial committees are, in effect, small-scale specialized international labor conferences.

Resolutions adopted by these committees may call for further action on the part of the ILO. They may also be designed for the guidance of employers' associations and trade unions in their collective bargaining, and they may contain suggestions addressed to the UN, to other specialized agencies, or to governments. The following are a few examples of subjects concerning which important resolutions or recommendations have been adopted:

*Inland transport:* prevention of accidents involving dock labor; inland transport working conditions in Asia and Africa; automatic coupling of railway cars; transport and handling of dangerous goods; limitation of loads carried by one person; marking of weights on loads; and interport competition;

*Coal mines:* principles for incorporation in a coal miners' charter; coal miners' housing; productivity in coal mines; safety in coal mines; and the social consequences of fuel and power consumption trends;

*Iron and steel:* regularization of production and employment at a high level; dismissal pay and payment for public holidays; and cooperation at the industry level;

*Metal trades:* regularization of production and employment at a high level; and long-term estimates of raw material requirements;

*Textiles:* disparities in wages in the textile industries of different countries;

*Building, civil engineering, and public works:* reduction of seasonal unemployment in the construction industry; social aspects of the world timber situation and outlook; and national housing programs;

*Work on plantations:* the place of the plantation in the general economy of the countries concerned; living and working conditions as related to plantation productivity; and the need for international action on commodity regulation; and

*Salaried employees and professional workers:* rights of the inventor who is an employee; migration of salaried and professional workers; hygiene in shops and offices; employment problems of musicians, actors, and other public performers; employment conditions of teachers; professional problems of journalists; problems involved in collective bargaining for white-collar and professional workers; wages and working conditions of hospital and health-service staff; and wages and working conditions of civil servants.

#### **G. Other Activities**

##### **The Occupational Safety and Health Information Center (CIS)**

In 1976, the ILO launched the International Program for the Improvement of Working Conditions and Environment (PIACT), aimed at giving governments and employers' and workers' organizations help in drawing up and implementing programs for the improvement of working conditions and environment. The various means of action included standard-setting; technical cooperation, including the sending of multidisciplinary teams to member states at their request; tripartite meetings, particularly meetings of industrial committees, regional meetings, and meetings of experts; action-oriented research and studies; and gathering and dis-

semination of information, particularly through the International Occupational Safety and Health Information Center.

The International Occupational Safety and Health Information Center (CIS) has as its objective to collect and disseminate world information that can contribute to the prevention of occupational accidents and diseases. The center is assisted by more than 120 national centers representing all continents. The CIS also offers on-line compact disc and microcomputer databases.

The conditions in which men and women work are at the very heart of the ILO's mandate. Despite the progress achieved, the working conditions of a great many workers remain arduous or give rise to new problems as a result of technological developments. In this arena the ILO is concerned with the safety and healthfulness of the working environment, working time, organization and content of work, working conditions and choice of technology, and working and living environment.

In 1991, with the assistance of a grant from the German government, the International Program on the Elimination of Child Labor (IPEC) was launched. More than 80 projects with government institutions, trade unions, employers' organizations, and non-governmental organizations (NGOs) were implemented in at least 12 countries.

#### **International Health Hazard Alert System**

A new approach to dealing with newly discovered or suspected occupational hazards, which spread very quickly around the world, is the ILO's International Health Hazard Alert System, established in 1977. When a new hazard is discovered, an alert is sent out by the ILO to the participating countries for their assessment and reply. For example, the communication concerning possible health hazards in the use of carbonless copy papers was widely disseminated in several countries. In 1993 the Health Hazard Alert Sys-

tem circulated requests to member states for up-to-date information on major occupational health hazards and their prevention.

#### **Tripartite Declaration Concerning Multinational Enterprises and Social Policy**

The 1977 Tripartite Declaration Concerning Multinational Enterprises and Social Policy applies to the fields of employment, training, conditions of work and life, and industrial relations. Already operational in the ILO, where it will continue to affect its purposes, it was foreseen as the employment and labor chapter of the proposed UN Code of Conduct on Transnational Corporations that has been the subject of prolonged debate. In the early 1990s the General Assembly decided to discontinue work on this subject. However, the matter of a code of conduct for transnational corporations continues to be raised. In 1996, UNCTAD Secretary-General Rubens Ricupero stated it would be particularly important "within the context of how to establish a balance between the rights and obligations of the countries that are the source of investments and the countries that receive the investments." The declaration stresses the positive contributions that multinational enterprises can make to economic and social progress and aims at minimizing and resolving the difficulties that their various operations may create. The principles are commended to governments and employers' and workers' organizations of home and host countries and to the multinational enterprises themselves for their voluntary observance.

The subject areas covered by the declaration conform to the areas of substantive competence of the ILO within the overall program of the UN. There are 22 ILO conventions and 27 recommendations referenced in the declaration. The declaration is universal in scope; it is addressed to all of the parties in the ILO's tripartite structure; it ascribes a leading role to multinational enterprises when they operate in developing countries; and, finally, it is voluntary.

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# THE FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO)



“To the millions who have to go without two meals a day the only acceptable form in which God dare appear is food.”  
Mahatma Gandhi

**BACKGROUND:** Hunger is still the most urgent problem confronting the greater part of humanity. Hundreds of millions of the world’s inhabitants are seriously and chronically undernourished. Not only is their diet quantitatively insufficient, but it is qualitatively insufficient as well, lacking the protein essential to health and vigor. In 2006 it was estimated that more than 850 million people did not have enough to eat.

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## CREATION

From the mid-19th century, reflecting a growing recognition of the interdependence of nations in agriculture and associated sciences, international conferences were held at which there were exchanges of knowledge relating to biology, biochemistry, crop diversification, and animal health. However, it was not until 1905 that these individually valuable but unrelated efforts were coordinated with the founding of the International Institute of Agriculture (IIA).

One of the institute’s aims, which were necessarily modest because of public and governmental apathy, was “to get the farmer a square deal.” The words were those of David Lubin, a prosperous California dry-goods dealer, born in a Polish ghetto, who almost single-handedly founded the institute. Depressed by the plight of his farmer customers during the agricultural crisis of the 1890s, he bought and managed his own fruit farm in order to study their problems. Rebuffed in his adopted country, he toured the chancelleries of Europe, preaching the importance of a healthy agriculture as a requisite of a healthy international society. Finally, Lubin found a sympathetic listener in King Victor Emmanuel III of Italy. Under his patronage, the institute started functioning in Rome in 1908 as a center for the dissemination of farming news, trends, prices, statistics, and techniques. Though lacking the capacity to initiate or directly assist projects in the field, the IIA’s experience as a “head office” for the collection, collation, analysis, and dissemination of data formed a useful platform for the later launching of FAO’s similar but wider reaching activities in agriculture.

The League of Nations did not directly concern itself with agriculture, but work done under its auspices in the relatively new field of nutrition proved of great practical significance. Ironically, Nazi Germany, although a sardonic critic of the League, was the first country to base its wartime rationing system on the scientific standards of diet drawn up by the League for heavy workers, expectant mothers, children, and others. Soon, other countries did

the same, often with striking results. In the United Kingdom, for example, the meager and often uninteresting but balanced diet dictated by the ration card actually led to an improvement in the nation’s nutritional health.

FAO was the end product of a series of conferences held during World War II. In 1941, the US Nutrition Conference for Defense, attended by 900 delegates, resolved that it should be a goal of the democracies to conquer hunger, “not only the obvious hunger that man has always known, but the hidden hunger revealed by modern knowledge of nutrition.” In line with President Franklin D. Roosevelt’s call in 1942 for the Four Freedoms, the Australian economist Frank McDougal proposed the creation of a “United Nations program for freedom from want of food” and urged the president that food be the first economic problem tackled by the UN system being proposed for establishment when the war ended.

President Roosevelt convened the UN Conference on Food and Agriculture at Hot Springs, Virginia, in May and June 1943. The first UN conference, antedating the San Francisco Conference by two years, it established an Interim Commission on Food and Agriculture, headed by Lester B. Pearson of Canada. The commission drew up a draft constitution for FAO, thus paving the way for the first FAO Conference, held in Quebec in October 1945 and attended by 44 nations and a number of observers. On 16 October 1945, 34 nations signed the constitution that brought FAO into existence. By the end of the conference, the new organization, headed by British nutritionist Sir John Boyd Orr, had 42 member nations.

## PURPOSES

As expressed in the preamble to the FAO constitution, member states are pledged to promote the common welfare through separate and collective action to raise levels of nutrition and standards of living, improve the efficiency of the production and distribution of all food and agricultural products, better the conditions of

rural populations, and thus contribute toward an expanding world economy and ensure humanity's freedom from hunger. Specifically, FAO is charged with collecting, evaluating, and disseminating information relating to nutrition, food, and agriculture and associated areas, including fisheries, marine products, forestry, and primary forestry products.

FAO is committed to promoting and, where appropriate, recommending national and international action with respect to the following: (a) scientific, technological, social, and economic research relating to nutrition, food, and agriculture; (b) improvement of education and administration relating to nutrition, food, and agriculture and the spread of public knowledge of nutritional and agricultural science and practice; (c) conservation of natural resources and the adoption of improved methods of agricultural production; (d) improvement of the processing, marketing, and distribution of food and agricultural products; (e) adoption of policies for the provision of adequate agricultural credit, national and international; and (f) adoption of international policies on agricultural commodity arrangements. The FAO also plays a major role in dealing with food and agricultural emergencies such as drought, famine, plant diseases, and insect plagues.

Other functions of FAO are to furnish such technical assistance as governments may request; to organize, in cooperation with the governments concerned, such missions as may be needed to assist them in fulfilling obligations arising from their acceptance of the recommendations of the UN Conference on Food and Agriculture and of its constitution; and, generally, to take all necessary and appropriate action to implement the purposes of the organization as set forth in the preamble.

## MEMBERSHIP

The 45 countries represented on the interim commission were entitled to original membership. The Russian Federation retained the entitlement to original membership previously held by the USSR, which was made effective on 11 April 2006 through the ratification of FAO's constitution.

Any nation may withdraw after four years. Among the countries that have withdrawn and later rejoined are Czechoslovakia (withdrew 1950, rejoined 1969), Poland (withdrew 1951, rejoined 1957), Hungary (withdrew 1952, rejoined 1967), and South Africa (withdrew 1964, rejoined 1993). Taiwan withdrew in 1952.

As of 11 April 2006, FAO had 190 member nations. In addition, Puerto Rico was an associate member. The European Union was a member organization.

## STRUCTURE

The principal organs of FAO are the FAO Conference, the FAO Council, and the secretariat, headed by a Director General.

### FAO Conference

The supreme body of FAO is the all-member FAO Conference, which holds its regular biennial sessions in Rome in odd-numbered years. The conference determines the policy of FAO and adopts its budget. It makes recommendations relating to food, agriculture, fisheries, forestry, and related matters to member nations and to other international organizations. It approves conventions and agreements for submission to member governments. It may establish commissions, working parties, and consultative

groups and may convene special conferences. It periodically elects the Director General, as well as the member nations to be represented on the FAO Council. Each FAO member has one vote in the conference.

### FAO Council

The FAO Council, consisting of 49 member nations elected by the FAO Conference for three-year terms on a rotating basis (one-third of the membership stands down each year), meets at least once a year, under an independent chairman, as an interim governing body between meetings of the conference.

### Director General and Secretariat

Under the supervision of the conference and the Council, the Director General has full power and authority to direct the work of FAO. Edouard Saouma of Lebanon was Director General from 1975 to 1993. Dr. Jacques Diouf of Senegal began a six-year term as Director General in January 1994. Reelected for a second term in 2000 and a third term in 2006, he heads a staff of more than 3,700, including more than 2,000 persons working in various development projects in the field.

*Headquarters and Regional Offices.* FAO headquarters were in Washington, D.C., until 1951. Since then, they have been located in Rome on extraterritorial grounds near the Colosseum and the Baths of Caracalla. The headquarters building was planned originally by the government of Mussolini, but construction was halted by World War II. Completed after the war, it was leased by the Italian government for the "permanent use and occupancy" of FAO at an annual rental of US\$1.

Growth in staff and activities over the years created a need for more work space. Aside from additions to the main complex, office space was for some time rented away from the headquarters building. In 1993, the Italian government completed a major expansion of headquarters facilities, bringing all FAO staff together at the Terme di Caracalla address for the first time in 32 years.

Aside from headquarters in Rome, which also serves as the European regional office, FAO has regional offices for Africa in Accra, Ghana; Asia and the Pacific in Bangkok, Thailand; Latin America and the Caribbean in Santiago, Chile; and the Near East in Cairo, Egypt. There are also five liaison offices—in Geneva (Switzerland); Washington, D.C., and New York; Brussels (Belgium); and Yokohama (Japan).

### The Organization

The FAO comprises eight departments: Economic and Social Policy, Agriculture, Fisheries, Forestry, Sustainable Development, Technical Cooperation, Administration and Finance, and General Affairs and Information. The Technical Cooperation and Sustainable Development Departments were created in 1994 through a process of restructuring to respond more effectively to evolving needs among the organization's member nations.

## BUDGET

FAO's biennial internal budget, or Regular Programme, covers internal operations, including the maintenance of the highly qualified staff who conduct field work, advise governments on policy and planning, and service a wide range of development needs. The Regular Programme is financed by contributions from member nations. It covers the costs of the organization's secretariat,

its Technical Cooperation Programme, and part of several special action programs. The budget for the 2006–07 biennium was US\$765.7 million.

The Technical Cooperation Program (TCP) was initiated in 1976. It enables the organization to provide speedy assistance to, for instance, a country when disasters affect its food and agricultural situation; practical and vocational training to complement training financed from trust funds and other sources; and short-term, small-scale supplementary technical assistance and policy advice that can be immediately useful to a country's food and agricultural situation. The amount of funds allocated to TCPs has been increasing in each FAO budget; funds rose to US\$103.1 million in 2006–07 from US\$91.5 million in 2001–02 and US\$77.4 million in 1992–93.

The Field Programme implements FAO's development strategies and provides assistance to governments and rural communities. Projects are usually undertaken in cooperation with national governments and other agencies. Nearly half of Field Programme finances come from national trust funds and just over 40% is provided by the United Nations Development Program. FAO contributes about 10% from the Regular Programme budget through its Technical Cooperation Programme. An increasing amount of money comes from donor countries that ask FAO to carry out part of their aid activities for them. Many of these countries also assign and finance young technicians to work in FAO projects.

## ACTIVITIES

FAO collects, analyzes and disseminates information, provides policy and planning advice to governments, offers direct development assistance, and acts as an international forum for debate on food and agriculture issues.

Despite considerable progress in recent decades, the world still falls short of the goal of adequate food and nutrition for all. FAO estimated in 2005 that 842 million people in the developing world are chronically undernourished, consuming too little food to meet even minimal energy and protein needs. Millions suffer from lack of essential micronutrients; their symptoms include blindness, vulnerability to infectious diseases, anemia, and mental retardation. Those most at risk include the poor, the elderly, refugees and displaced persons, drought-prone populations, and children. According to data gathered between 1987 and 1998, two out of five children in the developing world are stunted, one in three is underweight, and one in 10 is wasted. FAO advocates equitable, participatory rural development as the key to eradication of poverty, the first and foremost cause of undernutrition and food insecurity.

Widespread hunger and malnutrition are not simply problems of inadequate food production; they are the most critical and cruel elements of poverty. Farmers in the developing world are discouraged from increasing food production by the lack of purchasing power among rural and urban populations as much as by a lack of technical assistance or inputs such as improved seeds and fertilizers. People go hungry because they do not have the money to buy food, rather than because local farmers cannot produce more. The fight against world hunger is a major part of the battle against world poverty. Building up a country's agriculture provides both food for the hungry and jobs for the rural populace; it contributes to the overall prosperity of the nation.

## Food Security

The goal of eradicating hunger and malnutrition and ensuring food security for all is central to FAO's mandate. Following the serious depletion of world grain reserves caused by poor harvests in 1972, FAO saw the need to develop an international system to maintain minimum world food security and offset the effects of crop failures. The organization made a proposal under which all countries, be they developed or developing, would cooperate in building up national food reserves under a structure of international cooperation. Special efforts were called for to increase the self-reliance of developing countries. The proposal was endorsed by the World Food Conference held in Rome in November 1974, and FAO was requested to prepare an International Undertaking on World Food Security. In 1976, the organization established the Food Security Assistance Scheme to carry out the work of the International Undertaking.

In 1983, FAO's Committee on World Food Security adopted a broader concept of world food security, with the ultimate objective of ensuring that all people at all times have both physical and economic access to the food they need, and in 1986, the FAO Council endorsed a World Food Security Compact, which provides a clearly defined moral basis for action by governments, organizations, and individuals directed toward securing food supplies for all. The compact urged developing countries to promote domestic food production as the first line of defense and to re-examine, and if necessary revise, national policies to ensure adequate incentives to farmers, particularly small-scale producers. It recommended that governments of developing countries prepare to maintain food security in times of shortage by such measures as early-warning systems and emergency food reserves and to promote rural development that helps increase the purchasing power of the poor. Developed countries, both importers and exporters, were asked to consider world as well as national interests when setting policies concerning food production, stocks, imports, and prices. They were encouraged to continue providing emergency food aid to less fortunate countries, as well as to assist in increasing agricultural production in those countries, and to help low-income countries to secure imports of food, fertilizers, and other agricultural inputs in times of difficulty. They were also requested to take into account, in negotiations on trade questions, the fact that the food security of many developing countries depends on their ability to export agricultural and other products in order to meet the cost of food imports.

The World Food Security Compact called on nongovernmental organizations to help stimulate public interest in food-security issues, thereby facilitating additional action by governments, and it called for a commitment to food security on the part of individuals throughout the world. The individual was called upon not only to work for his own food security and that of his family but also to recognize that he has "a sacred obligation" to concern himself with the food security of those less fortunate than himself. "Failure to provide succor when it is needed," the compact stated, "is a betrayal of man's duty to his fellow men."

In 1992, the International Conference on Nutrition (ICN) was convened at FAO headquarters in Rome. Organized jointly by FAO and WHO, the conference brought together almost 1,400 delegates from 159 countries and the European Economic Community (EEC) to address ways of channeling greater resources to

the eradication of hunger and malnutrition worldwide. The ICN addressed eight important nutritional issues: preventing micronutrient deficiencies; preventing and managing infectious diseases; improving household food security; promoting healthy diets and lifestyles; enhancing the capacity for care; improving food quality and safety; assessing, analyzing, and monitoring nutrition situations; and incorporating nutrition objectives in development policies. Attention was drawn to the fact that, though enough food is produced yearly to provide an adequate diet for all, the distribution of these resources is very uneven.

FAO's activities are increasingly focused on food security as a question of household access to food as much as of overall food availability. In this context, proper identification of vulnerable groups is fundamental. FAO is developing, at national and sub-regional levels, an Aggregate Household Food Security Index. The conceptual basis for the index was approved by the FAO Council in 1993. It serves as a tool to help monitor food security trends worldwide. In November 1996, the FAO hosted 194 heads of state or government at a World Food Summit to discuss and combat world hunger. Leaders pledged to reduce the number of hungry people to 400 million by 2015. That pledge was reaffirmed at the June 2002 "World Food Summit: Five Years Later." But according to the State of Food Insecurity in the World 1999, the rate of progress (a reduction of 8 million undernourished people a year) means there is no hope of meeting the goal. Further, there is not uniform progress throughout the world: In the first half of the 1990s, only 37 countries achieved a reduction in the number of undernourished, totaling 100 million people; while across the rest of the developing world, the number of hungry people actually increased by almost 60 million. By 2005, in 19 developing countries, the number of the chronically hunger dropped by 80 million over 10 years. But in developing nations overall, hunger is still on the rise.

### Information for Agriculture

Among its information functions, FAO provides technical information for specialists through an active publishing program in the form of statistical yearbooks, periodicals, technical reports, scientific monographs, training materials, and other studies of agriculture worldwide (see Bibliography). Most of these publications are translated from their original language into at least one of the organization's other official languages: Arabic, Chinese, English, French, and Spanish.

FAO's David Lubin Memorial Library serves as a coordinating center for the Worldwide Network of Agricultural Libraries (AG-LINET). It houses over 1 million items covering agriculture, statistics, economics, food and nutrition, forestry, fisheries, and rural development. The library's computerized facilities supply on-demand bibliographies to field projects, individuals, and institutions in FAO's member nations.

FAO's filmstrips and its radio, television, and video programs cover a wide range of topics from improved farming techniques to animal husbandry, aquaculture, and soil conservation. Translation of these materials into local languages is encouraged in order to reach small farmers and extension workers unable to use one of the five official languages. In addition, the organization provides users with access to over 40 databases on agriculture, fisheries, and forestry, as well as satellite-based information on climate

that is crucial to monitoring and responding in a timely fashion to signs of drought, crop failure, and insect plagues.

Every decade, FAO sponsors a worldwide agricultural census, continuing and expanding the first world census carried out by the International Institute of Agriculture in 1930.

FAO has made considerable efforts to identify future demands on agriculture and how these demands might be met, based on the results of data collection and analysis, policy reviews, and practical knowledge of agricultural development. In 1969, FAO published a provisional World Plan for Agricultural Development, an attempt to analyze the major issues that would confront world agriculture in the 1970s and early 1980s. Building on this base, FAO submitted to the FAO Conference in 1979 a study entitled *Agriculture: Toward 2000*. The study's main purpose was to provide a framework for the analysis of options and consideration of policy issues relevant to the development of world agriculture until the end of the century. The study was global in scope, but the major emphasis was on developing countries. Approximately 90 developing countries, which, excluding China, together accounted for over 98% of the population of the developing countries, were studied individually.

In 1993, the FAO Conference launched *Agriculture: Towards 2010*, the revised and updated version of a study originally published by FAO in 1987. Designed to address how the future may unfold, rather than how it ought to develop, the document analyzes trends in food security, nutrition, and agricultural development to determine the most likely outcomes by the year 2010. Among the success stories, it foresees that world agricultural growth, although lower than in the past, will continue to outpace population increases. Also, the majority of people in the developing countries are expected to experience improvement in their per capita food availability and nutritional situation. At the policy level, the study notes a growing awareness of—and greater capabilities to respond to—the need to increase agricultural sustainability. Trade agreements are also seen as becoming more liberal and less trade-distorting, even though the progress may not be smooth.

Yet despite these favorable predictions, many problems are foreseen as remaining, especially for the less developed nations. Significant chronic undernutrition will continue to prevail in many countries and will likely affect significant proportions of the population in entire regions such as sub-Saharan Africa. According to the study, if present trends continue, sub-Saharan Africa will replace South Asia as the global area with the highest number of chronically undernourished people—close to 300 million by the year 2010. Though improvements will be made in South Asia, that region will still have 200 million undernourished.

The pressures on agriculture, on forest and fisheries resources, and on the environment will continue to build. Coupled with this, there will be few prospects for expansion of the main agricultural exports of the developing countries. The study presents detailed assessments of land resources potential for future crop production in the developing countries. These assessments are accompanied and sustained by maps illustrating the dominant land classes for each major geographical area. Aside from providing projections, the study proposes to assist planning at the national and international level, making recommendations designed to aid people and governments in taking early action to reverse negative trends.

While doing so, it calls for continued vigilance and preparedness to deal with newly emerging problems.

To help in assessing potential food availability, FAO and UNESCO published in 1978 the Soil Map of the World. By combining the data in the Soil Map with inputs on climate and population, institutes undertaking global studies on climate change, agricultural production, and soil degradation can make efficient projections. In 1992, FAO completed a digitized version of the Soil Map in a form that allows it to be used as an input into climate change models. The data was also updated and the symbols were modified to make it accessible to nonspecialists. The Soil Map is part of FAO's Geographic Information System (GIS), which also provides data on vegetation cover and other aspects of land use.

The locust and grasshopper menace that periodically threatens Africa has given urgency to FAO's efforts to improve its Rome-based Global Information and Early Warning System for Food and Agriculture. The system, established in 1975 to monitor the world's food supply, sounds the alarm when food security is threatened. FAO prepares monthly, quarterly, and annual reports that provide comprehensive, up-to-date analyses of the world food situation and identify countries threatened by shortages. The reports also serve as a guide to potential donors and help avoid food crises.

FAO's Remote Sensing Center collects and interprets data and helps establish data-receiving stations, particularly in Africa; these stations can interpret information on precipitation, soil moisture, and biomass in order to forecast harvests and can transmit the information to national early-warning systems. ARTEMIS, FAO's Africa Real Time Environmental Monitoring Information System, uses high frequency environmental satellite data to produce, at regular intervals, images indicating the rainfall situation and the development of vegetation at continental scales. In combination with data from other sources, ARTEMIS enables specialists to make assessments of crop growing conditions, detect droughts at an early stage, and locate potential breeding grounds for desert locusts. ARTEMIS is an important tool for the GIEWS.

*Research and Technical Information.* FAO has stressed the importance of agricultural research in developing countries, where the shortage of trained personnel for research remains a major problem. Its Research and Technology Development Division, established in 1984, helps developing countries make the best use of their research resources and assists in the transfer of the fruits of research and technology to developing countries.

The Information System for the Agricultural Sciences and Technology (AGRIS) and the Current Agricultural Research Information System (CARIS) are two worldwide networks coordinated by FAO in support of research and development programs in food and agriculture. In 2002, 241 national, international and inter-governmental centers participated in AGRIS and CARIS centers around the world.

FAO operates the world's most comprehensive bank of agricultural information and statistics. Originally called AGROSTAT, FAOSTAT brings together FAO's major data files, including data compiled since 1961 on annual supplies and utilization of crops, livestock, and fishery and forest products, as well as on producer prices, population, and other topics. Other important statistical information maintained by FAO's technical divisions include the Fisheries Statistical Database (FISHDAB), the Globefish Data-

bank and Electronic Library, the Forest Resources Information System (FORIS), and the Geographic Information System (GIS).

To meet increasing demand for agricultural data, FAO has prepared the World Agricultural Information Center (WAICENT). WAICENT gives governments, institutions, universities, and individuals easy, economical access to information from over 40 FAO databases. Users can access the composite database employing a variety of methods including diskette, CD-ROM, computer networks, and telephone lines.

#### Advice to Governments

One of FAO's important mandates is to provide member nations with advice on agricultural and food topics. This involves a very broad range of technical, policy, and planning support, principally aimed at building awareness towards key issues, generating appropriate action, and helping countries to develop their own capacities. The restructuring of FAO's Policy Formulation, Investment Centre, and Field Operations divisions into a Technical Cooperation Department is intended to provide a consolidated base at headquarters for the provision of direct assistance to member nations in policy, investment, and implementation of field operations.

FAO's Food Security Assistance Scheme (FSAS) helps member countries formulate comprehensive food security program. A fundamental aspect of the FSAS methodology is the use of national multidisciplinary teams of experts in program planning and implementation. This approach contributes to accurate diagnosis of problems, realistic formulation of solutions, capacity building at the national level and anchoring of programs within the national institutional framework.

FAO's Investment Center helps developing countries construct sound development programs and projects for funding by multilateral organizations, linking the interests of governments and donors to forge viable partnerships. During project identification, the center carefully assesses the development priority of investment proposals, working closely with local staff to promote self-sufficiency and to complement national expertise. This is followed by detailed project preparation for consideration by financing institutions.

The prime source of funding for FAO-assisted investment projects is the World Bank, particularly the IDA, but the Investment Center also cooperates with most of the principal multilateral financing institutions, including the International Fund for Agricultural Development (IFAD) and regional development banks. Rural poverty alleviation is especially important in projects formulated in conjunction with IFAD.

FAO assists governments in using pesticides safely and rationally through the International Code of Conduct on the Distribution and Use of Pesticides. The code includes a clause for Prior Informed Consent (PIC), which establishes a mechanism for information exchange, enabling importing countries to decide whether they want to receive pesticides that have been banned or severely restricted because of threats to human health or the environment.

The Codex Alimentarius (a joint commission of FAO and WHO) is an international code of food standards. It is designed to guide the world's food industry and to protect the health of consumers by establishing definitions and requirements for foods, as-

sisting in their harmonization, and, in doing so, facilitating international trade.

The Codex Alimentarius also responds to changes or trends in food production. For example, in 1999 it set up the Ad Hoc Intergovernmental Task Force on Foods Derived from Biotechnology, which met for the first time in March 2000 to “develop standards, guidelines, or other principles, where appropriate” for these products. The task force, whose members include government representatives from Codex Alimentarius member countries, scientists, consumer and industry organizations and international non-governmental organizations, was given a four-year mandate by FAO and WHO. FAO is involved in a continuous process of consultation with its member governments, providing information, advice, and technical assistance that can help them make the best choices in promoting sustainable rural development.

#### **Development Assistance**

To promote sustainable agriculture and contribute to development that will provide long-term solutions to the fundamental problems of poverty and hunger, FAO gives practical help to developing countries through a wide range of technical assistance projects. The organization encourages an integrated approach, with environmental, social, and economic considerations included in the formulation of development projects. By encouraging people's participation, FAO aims to draw on local expertise and ensure a cooperative approach to development.

#### **Emergency Assistance and Rehabilitation**

FAO's Office for Special Relief Operations (OSRO) began operations in 1973 in response to the disastrous drought in 1972–73 in the semiarid countries on the southern edge of the Sahara Desert. In 1975, following an improvement in the Sahel situation, FAO's work was extended to cover emergencies elsewhere. The emphasis in these operations is on speedy approval and delivery of assistance. When disaster strikes a country, the FAO representative assesses needs in close collaboration with local authorities and with other UN agencies. At the request of the government, emergency missions are organized by FAO to assess in detail the damages and losses and to prepare assistance projects for consideration by multilateral and bilateral agencies. Most emergency projects are funded by governments, nongovernmental organizations, and UN agencies. In many cases, FAO, through its Technical Cooperation Program, offers an immediate source of funding for special relief operations. Supplies and equipment provided include seeds, fertilizers, pesticides, and livestock supplies and equipment, as well as logistical support. Disaster-prone countries may also receive preventive assistance to cope with calamities.

Through its Agricultural Rehabilitation Program for Africa, conceived in 1984 at the height of the Ethiopian famine, FAO helped channel some US\$194 million into 25 countries to supply farmers with seeds and fertilizers, repair irrigation systems, and rebuild cattle herds.

Since the early 1950s, FAO has coordinated the campaign against the destructive desert locust, which intermittently swarms in the Middle East, Africa, and other regions. Campaigns were almost continuous until 1963, when the pest was brought under control. There have, however, been serious outbreaks of swarms since then, particularly between 1967 and 1970, and in 1978 in desert areas in India.

In 1986, FAO led the battle against the grasshopper and locust plagues that threatened to devastate crops in all parts of Africa. The Emergency Center for Locust Operations (ECLC), established at FAO headquarters, directed what was to become a US\$50 million continent-wide campaign that helped save more than 90% of crops in the Sahel alone. FAO monitored breeding areas with satellite imagery, implemented projects carrying out spraying missions, sent pest-control experts to advise African authorities, and helped set up coordinating committees of government and donor representatives in the most directly threatened countries. More than 40 donors, including both developed and developing countries, UN agencies, and nongovernmental organizations, contributed to the fight in 13 countries. The center was deactivated in the spring of 1989 when locusts were brought under control in some 40 countries in Africa, the Near East, and Southwest Asia. In late 1992, with the reappearance of the desert locust on the coastal plains around the Red Sea, the ECLC was immediately brought back into full operation.

FAO continues to strengthen its ability to prevent and respond to emergencies caused by pests and diseases, placing special emphasis on locusts and rinderpest.

## **INCREASING FOOD AND AGRICULTURAL PRODUCTION**

FAO devotes a large share of the resources of its field and regular programs each year to increasing the output of crops, livestock, food fish, and forest products.

#### **Crop Production and Protection**

FAO's work in crop production includes collecting, conserving, and evaluating genetic resources; improving seed quality, production, and distribution; increasing crop output; and preventing losses before harvest. Particularly important in developing countries is the supply of high-quality food-crop seed to small farmers, who are responsible in some countries for more than 90% of domestic food production. National seed services and centers often are crucial for the supply of seeds to farmers, and much of FAO's seed development work is concerned with building up these national institutions.

Many countries give high priority to cash crop production, and urban populations often have easier access to imported cereals, including wheat, than to traditional staples, such as cassavas, breadfruit, sweet potatoes, yams, and plantains. The danger of these trends is twofold: increased dependency on food imports and lagging production of traditional crops often used in rural communities as insurance against food scarcity and famine. FAO activities to combat these trends range from training sessions for extension staff to pilot projects, such as helping women's groups to start home vegetable gardens and working on ways to improve processing and storage of perishable vegetables. FAO also has helped develop varieties of wheat and barley suited to arid conditions, as well as more nutritive varieties.

Requests for technical assistance in horticulture are a constant on the FAO agenda. FAO projects cover, for example, citrus production in the Mediterranean, date palm production in the Near East and the Mediterranean, protected cultivation of vegetables in the Near East and North Africa, promotion of tropical fruit-tree



production in humid and subhumid areas, and improved vegetable production in tropical semiarid and humid regions.

FAO has played a pivotal role in international crop protection activities for over four decades. The International Plant Protection Convention (IPPC) was vested in FAO in 1951. In order to strengthen FAO's role as coordinator, an IPPC secretariat was created in 1992–93. FAO's general objective in this field is to reduce or if possible prevent crop losses caused by pests. Specific objectives include reducing the spread of pests across national borders and promoting Integrated Pest Management (IPM), which consists of a "best mix" of natural control methods with a need-only based use of selective pesticides (see Pest Control). In cooperation with the World Health Organization, FAO is conducting studies on the effects of pesticide residues on humans.

Plant diseases remain one of the major checks on crop production. The easiest and most economical way of coping with plant parasites is to breed varieties that are resistant to them. FAO-supported research has been aimed at breeding varieties with durable or long-term resistance. FAO recently established a Plant Genetic Resources Information and Seed Exchange Unit, which disseminates technical information and exchanges seeds and planting material samples for experimental purposes. The main beneficiaries are national and international research centers, plant breeders, and FAO field projects. On a national level, FAO advises governments on seed production and legislation.

Examples of FAO activities aimed at increasing crop output include:

- Integrated Pest Management (IPM) programs account for the majority of the FAO's field projects. IPM involves farmers and field staff from national and local governments and from nongovernment institutions. Insofar as it has provided farmers with better training, it has had socioeconomic benefits beyond plant protection.
- Since the early 1950s, FAO has coordinated the campaign against the destructive desert locust, which intermittently swarms in the Middle East, Africa, and other regions (see Emergency Assistance and Rehabilitation). FAO's Emergency Center for Locust Operations is fundamental in conducting these campaigns.
- The Global Information and Early Warning System (see Information for Agriculture) also contributes to crop protection, warning against potential difficulties and disasters.
- The Global System on Plant Genetic Resources supports international and regional networks for *in situ* and *ex situ* conservation under the auspices of FAO. The system also promotes evaluation, management, and enhanced use of plant genetic resources (PGR), and prepares periodic reports on the state of the world's PGR. The Commission on Genetic Resources for Food and Agriculture (CGRFA) coordinates the Code of Conduct for Biotechnology applied in the conservation and use of PGR, as well as work on farmers' rights and support for an international fund for PGR.
- FAO's agricultural research program strengthens countries' capabilities to generate and develop appropriate technology for crop protection and production. Special attention is given to traditional technologies and their use by farmers, as well as the role of rural women and the constraints they face.

- The Joint FAO/IAEA Division of Nuclear Techniques in Food and Agriculture operates a laboratory at Seibersdorf, near Vienna. The division's program is based on two fundamental approaches. Under the first, the movements and transformations of isotopically labeled chemical compounds of importance in relation to soils, water, air, plants, and livestock are studied. This information is used to improve management of soils and water, nutrition of plants and animals, and the safety of agrochemical use. The second approach uses ionizing radiation to induce mutations for selection of useful traits in plants, to sterilize insects for control purposes, and to improve the safety and preservation of food.
- FAO provides information on crops through a global database of crop environmental requirements, with data for hundreds of species.

### Animal Production and Health

Livestock often forms a key component of the "production systems approach" promoted by FAO in agricultural development schemes. The approach is based on the principle that the production of different commodities is often linked and that increased production of one may result in increased output of another. In India, for example, the production of food grain increased markedly in villages where dairy cooperatives function. Milk sales provide the small farmer with the cash income to purchase fertilizers, improved seeds, and irrigation water essential for increased grain yields. Thus, increased milk production has led to significant improvements in farm output and living standards. This approach also is being applied to sheep, goat, poultry, and rabbit production.

FAO's International Dairy Development Program is designed to help low-income countries modernize the complex chain linking milk producers and consumers. It helps coordinate efforts aimed at improving all aspects of the dairy industry, from farmers' organizations and veterinary services to processing plants and marketing channels. The program is aimed at assisting in the planning, coordination, and implementation of model projects for integrated dairy development, with the full participation of small-scale milk producers, the firm commitment of cooperating governments, and the active involvement of donors, and at making dairying a more effective force in rural development through its socioeconomic impact in rural areas and its contribution to nutrition.

FAO also works to improve livestock feeding and management by reducing to a minimum the amount of grain consumed by animals and making maximum use of pasture and fodder, crop residues, and agro-industrial by-products. An FAO database entitled *Tropical Feeds* offers concise and updateable information on over 500 tropical feed materials in published form and on diskette. This information is updated regularly.

Rapidly expanding human populations are increasing the demand for agricultural products—among them livestock—and in response, production is being intensified. To help foresee and forestall possible negative side effects of intensified production and enhance positive ones, FAO is conducting studies on the influence of livestock development practices on the natural resource base. These studies involve livestock feed quality, use of biomass for animal fodder, avoidance of overgrazing, manure management, animal waste disposal, domestic animal genetic diversity,

plant and animal wildlife diversity, and integration of cropping and livestock systems.

FAO has joined hands with animal welfare organizations to initiate joint activities that will promote humane treatment of slaughter animals while heightening the quality of meat products and by-products. The organization also has helped boost the efficiency of village-level meat processing by developing modular designs for slaughtering and processing facilities. The designs employ affordable, easily available materials and modules that can be selected and adapted by users according to their needs. Use of the facilities helps reduce losses and limit contamination while increasing employment—particularly for rural women—as well as income for small producers.

Disease continues to check animal production in most developing countries. FAO focuses concerted attention on animal health involving the control of important diseases such as foot-and-mouth, rinderpest, swine fever, Rift-valley fever, trypanosomiasis, and Newcastle disease. In 1994 FAO established the Emergency Prevention System (EMPRES) for Transboundary Animal and Plant Pests and Diseases in order to minimize the risk of animal disease emergencies. Veterinary policy development and education also are stressed.

FAO and the International Atomic Energy Agency (IAEA) have established a laboratory to promote nuclear-based methodology and related molecular techniques for diagnosis of livestock diseases. Accurate diagnosis is fundamental to disease control and eradication. The laboratory cooperates closely with national and international organizations to promote standardization and transfer of techniques designed specifically for the difficult conditions often experienced in less advanced countries. Priority is being given to the diseases of greatest importance such as rinderpest, trypanosomiasis, and foot-and-mouth disease.

In 1993, FAO and UNEP first published the *World Watch List for Domestic Animal Diversity* to document the state of global livestock genetic diversity. Monitoring, describing, and characterizing existing breeds constitute a vital part of conservation, allowing people to understand each species' status, as well as its members' unique qualities and potential. The *World Watch List* is the voice of the Global Early Warning System for Animal Genetic Resources in helping prevent erosion and encouraging a more effective use of farm animal genetic diversity. The third edition (published in 2000) was a result of ten years of data collection in 170 countries, covering 6,500 breeds of domesticated mammals and birds.

### Fisheries

In the 1970s, the concepts of national sovereignty over marine resources off the shores of coastal countries began to emerge. FAO assumed a key role in helping member nations to develop priorities and build up capacities to assess, allocate, exploit, and manage fisheries resources through a comprehensive Programme of Assistance in the Development and Management of Fisheries in Exclusive Economic Zones.

To respond to the demands arising from this situation, FAO convened a World Conference on Fisheries and Development in 1984. The conference was the largest of its sort ever assembled, bringing together representatives of nearly 150 countries and over 60 international organizations to confront the fundamental problems and potential of world fisheries as a vital source of food, employment,

and income. Principles and guidelines for fisheries management were endorsed by the conference to cover the contribution of fisheries to national economic, social, and nutritional goals; improved national self-reliance in fisheries management and development; national management and optimum use of fish resources; the special role and needs of small-scale fisheries; international trade in fish and fishery products; investment in fisheries; and international cooperation in fisheries management and development.

FAO's fisheries policy is based on the five programs of action endorsed by the conference: fisheries planning, management, and development; small-scale fisheries; aquaculture; international trade in fish and fishery products; and the use of fish in alleviating undernutrition.

To aid in fisheries management, FAO collects statistics, monitors fishing trends in the world fishing fleet, collects biological information on resources, and assists member countries in the areas of fishery analysis, research, and management.

A network of regional fishery bodies established under the auspices of FAO provides an important framework for coordinating fisheries development and management. The first of these regional fishery bodies, the Indo-Pacific Fisheries Commission (IPFC), and now called the Asia-Pacific Fishery Commission (ASFC), was established in 1948. There are now nine regional bodies as well as three other FAO and UN bodies—the Advisory Committee on Fisheries Research (ACFR), Coordinating Working Party on Fishery Statistics (CWP), Group of Experts on the Scientific Aspects of Marine Environmental Protection (GESAMP) and the joint commission (with IMO, UNESCO, WMO, WHO, IAEA, and UNEP). Within the FAO framework, these commissions work to facilitate and secure the long-term sustainable development and utilization of the world's fisheries and aquaculture. As part of this effort, the FAO publishes the *State of World Fisheries and Aquaculture*, the only worldwide watch on fishery resources; runs the Species Identification and Data Programme; and maintains FishBase, a global information system on fishes (which can be accessed at [www.fishbase.org](http://www.fishbase.org)). The FAO fisheries departments has also been instrumental in assisting developing nations in mapping their Exclusive Economic Zones (EEZs) in order to better manage their coastlines and resolve disputes.

National fish inspection and quality assurance programs have been upgraded in several countries. This is an area of some urgency because of more stringent health and sanitary requirements imposed in recent years by major importing countries, such as the United States and Japan.

In March 1999, during an international conference held by the FAO in Rome, representatives of some 120 countries expressed their growing concern about “over-fishing of the world's major marine fishery resources, destructive and wasteful fishing practices, and excess capacity.” There are too many vessels or vessels with too much harvesting power in a growing number of fisheries. This leads to fewer fish in the sea for reproduction. In response, the FAO developed the Plan of Action on Fishing Capacity to achieve “an efficient, equitable and transparent management of fishing capacity.” The FAO urged states to limit existing levels of fishing and progressively reduce fishing capacity. Between 2003 and 2005 each country supporting the international Plan of Action was to develop a national plan to manage fishing capacity and, if necessary, reduce it. According to the UN agency, only 6% of all major marine

fisheries are under-exploited, 20% moderately exploited, 50% fully exploited, 15% over-fished, 6% depleted, and 2% recovering.

The 1999 Plan of Action on Fishing Capacity was part of the FAO's ongoing effort to promote activities that protect the world's oceans, which are now recognized as a natural resource that must be preserved. Earlier (in 1994), the FAO prepared the technical guidelines for fishing operations as part of its Code of Conduct for Responsible Fishing. The code is intended to address unregulated fishing and to counteract negative effects on marine ecosystems.

As capture fisheries reach their peak, aquaculture is helping to fill gaps in supply. FAO promotes aquaculture development in rural communities as a valuable source of animal protein as well as of income and export earnings. The organization is supporting the development of a system to report aquaculture data separately from catch statistics, while concentrating on fish nutrition and breeding strain selection.

Reliable market information is a key ingredient of successful trade development for fish and fish products. The Fish Marketing Information Service set up by FAO establishes contacts between buyers and sellers, provides price and market information, and offers technical assistance and advice on post-harvest aspects of fisheries including handling, processing, equipment selection, and quality.

### Forestry

The importance of forests has become increasingly recognized, especially for people in developing countries. One problem is that more than 250 million rural people throughout the world practice some form of shifting cultivation. They slash and burn trees against a backdrop of rapidly disappearing forests. FAO has a number of community forestry projects aimed at settling shifting cultivators or integrating their activities into rural development plans.

Another problem is that wood, which is the major source of energy in developing countries, is in chronically short supply and women and children often have to walk many miles a day to gather it. With inadequate, and expensive, fuel supplies, many people are unable to cook their food properly, and lack of fuel-wood can lead directly to malnutrition and disease. As the people harvest whatever woodland is available, the trees disappear, to be replaced by rangelands or deserts. In Nepal, for example, the loss of soil-protecting trees used mainly for fuelwood and animal fodder has led to landslides in the foothills and the loss of lives, homes, and crops. The situation is being improved, however, through projects to restore and manage the watersheds and to bring the population together in community forestry development, including the establishment of plantations of quickly maturing trees to provide fodder and fuelwood.

FAO's Tropical Forests Action Programme is fundamental in contributing to the objectives set forth in UNCED's Agenda 21 (developed at 1992's Earth Summit). The program is a major international undertaking uniting 90 partners in the battle to combat deforestation and to promote the conservation and sustainable development of tropical forests. Together, the partners are following an international strategy to integrate forestry into farming systems, develop waste forest industries, increase supplies of fuelwood, and conserve tropical forest ecosystems while helping countries solve social and economic problems.

FAO's Forest Resources Assessment 1990 Project analyzed satellite images and existing survey data of 179 countries to assess deforestation between 1981 and 1990. The next periodic report was Global Forest Resources Assessment 2000; it constituted the most ambitious assessment to date and included new parameters on ecological aspects of forests, sustainable forest management, and non-wood goods and services. These assessments provide the factual information to frame international discussion on forestry: the reports detail the location and extent of forest resources, as well as highlight the net changes in extent, quantity, and quality over time.

The organization has carried out a wide variety of studies to develop participatory approaches and mechanisms for the management, production, and utilization of renewable natural resources—and of forests in particular—by rural people. FAO's Forests Trees and People Programme promotes self-reliance of rural groups in the sustainable management of forest resources.

Other forestry priorities include planning and policy formulation, national resources assessment, fire prevention and control, tree planting, conservation of genetic resources, plantation development, seed improvement, and development of harvesting and wood industries. Wildlife conservation and utilization also receive attention.

## IMPROVING HANDLING AND DISTRIBUTION

Inadequate distribution of agricultural products causes waste of precious outputs and hinders agricultural development by reducing farmers' economic returns. FAO is involved at every stage in the distribution chain, from prevention of food losses in storage to attempts to bring about more equitable international trade. Programs deal with reduction of post-harvest losses, development of marketing skills, and promotion of trade terms that will help producers and exporters get a fair return.

### Prevention of Post-Harvest Losses

In 1978, FAO began operations of its Action Program for the Prevention of Food Losses (PFL), designed primarily to reduce post-harvest losses of staple foods. The program focuses particular attention on women, major actors in the post-harvest system, through specific training activities and promotion of suitable technologies. Activities range from the development of adequate facilities for handling, drying, and storage to research on post-harvest practices that will protect harvests while reducing or avoiding the use of pesticides. For instance, FAO has successfully helped the Pacific Island nations develop control measures that will allow them to discontinue the use of ethylene dibromide, a pesticide banned by the major importers of fresh fruits and vegetables produced by the island countries.

### Marketing

Poor marketing of local agricultural products often seriously impedes distribution and trade. Assistance is given to people involved in marketing from the grass-roots level to the senior management of marketing boards, as well as to officials responsible for marketing policy, legislation, and infrastructure. Direct assistance to marketing boards is aimed primarily at strengthening their management capacity and systems. FAO's field projects also sup-

port development of rural marketing centers and strengthening of the role of cooperatives.

In the 1990s, FAO developed the computerized version of *FAO Agri-Market*. This computer software program helps governments develop and perfect their price information systems, particularly during the transition from centrally planned to market-based economies. The organization also produces Marketing Extension Training Series videos focusing on techniques to be used by extension officers in providing marketing support to farmers.

### Commodities and Trade

FAO's work on commodities and trade covers three main areas: commodity and trade policy, early warning, and food security.

In commodity policies and trade, FAO plays a lead role in the development of agricultural commodity projections. FAO's Intergovernmental Commodity Groups debate on developments in national policies, particularly those relating to protectionism, to analyze problems in commodity development and develop programs of work and projects.

FAO's Global Information and Early Warning System is housed in the Commodities and Trade Division (see Information for Agriculture). The preparation of information for the GIEWS entails continuous fielding of crop and food supply assessment missions to individual countries. GIEWS collects and analyzes a great variety of information from member nations, the private sector, and organizations active in the food, agriculture, and rural sectors, primarily in developing countries. When there are indications of unsatisfactory conditions, GIEWS intensifies its monitoring, most often involving on-the-spot missions to affected countries.

In the area of food security, FAO relies on national teams and workshops to derive and internalize realistic policy conclusions. The growing realization that food security is as much a question of household access to food as overall food availability has led to the development of composite indices of household food security in countries worldwide. These serve as a tool to governments in addressing the needs of vulnerable groups. The Food Security Assistance Scheme (see Advice to Governments) supports member nations in the formulation of comprehensive national food security programs.

## SUSTAINABLE AGRICULTURAL RESOURCES DEVELOPMENT

In November 1991, the FAO Conference launched the International Cooperative Framework for Sustainable Agriculture and Rural Development. The SARD framework, as it has come to be known, supports the integration of sustainability criteria in the programs and activities of the organization. Guidelines for achieving SARD were set down in the Den Bosch Declaration at a major international conference organized by FAO and the Netherlands in 1991. Preparations for the Den Bosch Conference also contributed to FAO's input to the UN Conference on Environment and Development in 1992.

FAO helps member countries plan and implement environmentally positive projects through sustainability assessment and review of policies and plans in the agriculture and related natural resources sectors. Assessment and preparation of investment projects by FAO's Investment Center focus on sustainability criteria. At the same time, FAO is the "task master" for the "land cluster" of

Agenda 21: water resources, forests, fragile mountain ecosystems, and sustainable agriculture and rural development. The organization also chairs two UN sub-committees to coordinate the implementation of Agenda 21 chapters on oceans and water resources.

To meet growing needs for food, FAO advocates equitable, participatory rural development as the key to eradication of poverty, the first and foremost cause of undernutrition. At the same time, FAO's approach includes fine-tuning programs and projects to the continuing challenges of balancing increased production with environmental and sustainability concerns.

The FAO set up the Virtual Extension Research Communication Network (VERCON), which uses information and communication technologies to improve linkages among collaborating research and extension institutions.

### Land and Water Management

Among the most basic of resources for agriculture, water and soil are quickly reaching their limits. As burgeoning populations demand more food, the realization of the finiteness of resources, and of the need to manage them carefully, becomes increasingly acute. The effects of soil and water degradation are especially severe in the developing countries, and in particular among the rural poor who have the most limited access to these vital resources. FAO has initiated many research projects to help farmers in developing nations make the most of the resources available to them.

FAO helps national and nongovernmental institutions and organizations study the effects of erosion on soil productivity, develop methods for soil reclamation, improve management of arid and semi-arid soils, disseminate appropriate tillage techniques, and monitor soil micro-organisms and bacteria as well as waterlogging and salinity. The organization also helps rural communities combat deforestation and concomitant soil degradation, developing knowledge and self-reliance that makes them more efficient managers of the resources under their custody.

On the information side, in addition to providing data on soil use for scientists, FAO's digitized version of the Soil Map of the World (see Information for Agriculture) has been modified to make it accessible to nonspecialists. FAO contributes to technical seminars and general policy conferences on various aspects of soil and water management. For instance, the organization played a key role in the International Conference on Water and the Environment held in Dublin in 1992. The Dublin Statement emphasized water's economic value, and warned that this resource cannot be taken for granted.

The FAO maintains two computer programs designed as tools for increasing the efficiency of water use in agriculture. AQUASTAT is a global database on water use in agriculture and rural development. Though irrigation is the major issue, AQUASTAT provides information on such diverse aspects as drainage, environmental impact of water resources development, and water balance to users worldwide. The other computer-based system, SIMIS (Scheme for Irrigation Management Information System), was developed to help reduce losses in irrigation systems. Many complex and shifting factors must be considered in irrigation schemes. Designed to be adaptable to diverse local situations in the developing world, the SIMIS system covers a range of irrigation management topics, from human resources administration, to information on climate, crops, soils, and machinery, to accounting codes. SIMIS

can process information on one or several projects, making rapid and precise calculations to assess needs and possibilities while streamlining routine activities such as billing and registration.

Through the International Action Plan on Water and Sustainable Agricultural Development, FAO has launched programs in numerous member nations to help them manage water resources efficiently and meet the water needs of rural people.

A joint FAO/IAEA/SIDA research program uses neutron moisture meters to measure how water is used by crops and crop varieties. The study has shown that some varieties of cereals, for example, are up to three times more efficient in water use than others. The possibility of choosing water-efficient varieties provides farmers in water-scarce areas with welcome relief.

### Nutrient Management

After land and water, fertilizers are the most important input for increasing agricultural yield. Increased efficiency in fertilizer use can cut farmers' costs while helping to protect the environment, increase yields, and heighten consumer satisfaction. One of the Agenda 21 missions spearheaded by FAO is the achievement of increased food production through improvements in plant nutrition systems. In 1993, the organization renamed its Fertilizer Programme to reflect essential changes in approach. The Plant Nutrition Programme focuses on the application of Integrated Plant Nutrition Systems (IPNS).

Under the program, FAO promotes IPNS activities at the farm level for sustainable nutrient management based on a comprehensive vision of the cropping cycle. The objective is to help farmers establish the best association of biological (manure, crop residues), mineral, and naturally occurring (soil) nutrients to achieve a balanced supply while controlling losses and enhancing labor productivity.

Breeding research for improved plant nutrition concentrates on selecting and incorporating traits that will enhance a variety's nutrient uptake and utilization. In addition, the Plant Nutrition Programme helps governments develop sound policies and strategies at the national level, encouraging them to adapt or create institutions and organizations for the regulation of nutrient production, supply, and use.

### Pest Control

FAO has numerous programs and projects aimed at reducing and rationalizing use of potentially harmful pesticides. The International Code of Conduct on the Distribution and Use of Pesticides (see Advice to Governments) identifies potential hazards and sets standards for those engaged in the regulation, distribution, and use of pesticides—governments, industry, traders, and users—to increase safety, efficacy, and economy.

FAO focuses its field work in plant protection on the application of the IPM strategy (see Crop Production and Protection) at the farm level, encouraging governments to support farmers who seek to improve production using these integrated methods. In Asia, over half a million rice growers have been able to minimize pesticide use and raise profits using techniques learned in IPM field schools. FAO has organized study tours to help plant protection specialists from countries in Africa, Latin America, and the Near East learn from the Asian experience. During the last two decades of the 20th century, pesticide use, combined with crop intensifica-

tion practices and the use of fertilizers, substantially increased rice yield by farmers in developing countries.

## PROMOTING RURAL DEVELOPMENT

### Agrarian Reform and Rural Development

The World Conference on Agrarian Reform and Rural Development (WCARRD), sponsored by FAO in cooperation with other agencies of the UN system, was held at FAO headquarters in Rome in 1979. It was attended by more than 100 ministers and deputy ministers and some 1,400 other delegates from 145 countries. The conference approved a Declaration of Principles and a Program of Action to provide a framework for the reorientation of development policy and strategy toward greater participation and equity for rural people in the development process. FAO is the UN's lead agency for the implementation of the WCARRD program of action. Much of the work involves field projects to promote agrarian reform, land tenure improvement, and land settlement.

FAO helped to establish three regional centers to assist countries in the implementation of the program of action, and more generally, to coordinate activities in the area of integrated rural development at national level. The Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) is located in Dacca, Bangladesh; the Centre on Integrated Rural Development for Africa (CIRDAFRICA) is located in Arusha, Tanzania; and the Centre for Agrarian Reform and Rural Development for the Near East (CARDNE) is located in Amman, Jordan.

Activities related to rural development form an integral and permanent part of FAO's mainstream program. Every four years, the secretariat assists governments in the preparation of progress reports on implementation of the WCARRD program of action. FAO has organized intergovernmental consultations on WCARRD follow-up in Africa, Asia and the Pacific, and Latin America and the Caribbean. Interagency and Expert Consultations have been convened by FAO regional offices. Finally, at the request of member countries, FAO has fielded high-level WCARRD follow-up missions to assist governments in reviewing national rural development and agrarian reform strategies.

This support is especially crucial in the context of the transition from central planning and control to market orientation being undergone by numerous countries.

### Aid to Small Farmers

Close to half of the world's population lives in the rural areas of the developing countries. The majority of these people can be considered poor, they have very small agricultural holdings from which to derive their existence. It is often difficult for small farmers to make their voices heard in the social, economic, and political power structures.

FAO has numerous programs devoted to helping small farmers, taking into consideration the smallholders' needs, motivations, capabilities, risks, and resources, and how these factors affect the production and marketing of produce or its use by the farm family. Governments are encouraged to consider the rural poor in their policies and planning, providing the necessary inputs at the right time, in reasonable quantities, and at acceptable prices. Emphasis is also placed on building collective strength among farmers for identifying and finding solutions to their problems and preparing production plans on the basis of their particular needs and

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Angola	Equatorial Guinea	Luxembourg	Saudi Arabia
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Argentina	Estonia	Malawi	Serbia and Montenegro
Armenia	Ethiopia	Malaysia	Seychelles
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Austria	Fiji	Mali	Slovakia
Azerbaijan	Finland	Malta	Slovenia
Bahamas	France	Marshall Islands	Solomon Islands
Bahrain	Gabon	Mauritania	Somalia
Bangladesh	Gambia	Mauritius	South Africa
Barbados	Georgia	Mexico	Spain
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Belgium	Ghana	Moldova	Sudan
Belize	Greece	Monaco	Suriname
Benin	Grenada	Mongolia	Swaziland
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Brazil	Haiti	Nauru	Tanzania
Bulgaria	Honduras	Nepal	Thailand
Burkina Faso	Hungary	Netherlands	The Former Yugoslav Republic of Macedonia
Burundi	Iceland	New Zealand	Timor-Leste
Cambodia	India	Nicaragua	Togo
Cameroon	Indonesia	Niger	Tonga
Canada	Iran, Islamic Republic of	Nigeria	Trinidad and Tobago
Cape Verde	Iraq	Niue	Tunisia
Central African Republic	Ireland	Norway	Turkey
Chad	Israel	Oman	Turkmenistan
Chile	Italy	Pakistan	Tuvalu
China	Jamaica	Palau	Uganda
Colombia	Japan	Panama	Ukraine
Comoros	Jordan	Papua New Guinea	United Arab Emirates
Congo	Kazakhstan	Paraguay	United Kingdom
Congo, Democratic Republic of the	Kenya	Peru	United States of America
Cook Islands	Kiribati	Philippines	Uruguay
Costa Rica	Korea, Democratic People's Republic of	Poland	Uzbekistan
Côte d'Ivoire	Korea, Republic of	Portugal	Vanuatu
Croatia	Kuwait	Puerto Rico (Associate Member)	Venezuela
Cuba	Kyrgyz Republic	Qatar	Vietnam
Cyprus	Laos	Romania	Yemen
Czech Republic	Latvia	Russian Federation	Zambia
Denmark	Lebanon	Rwanda	Zimbabwe
Djibouti	Lesotho	St. Kitts and Nevis	
Dominica		St. Lucia	
Dominican Republic		St. Vincent and the Grenadines	

priorities. Farmer self-help organizations are assisted in planning and managing their credit requirements, and improved access to credit is stressed.

### The Role of Women

Women play a crucial role in agricultural development, yet they are perhaps the least integrated of the players in the development process. FAO recognizes the vital importance of the full integration of women, and has developed a Plan of Action for the Integration of Rural Women into the Development Process. The plan outlines four principal areas of activity, focusing on the civil status, economic, social, and decision-making spheres of rural women. The plan of action outlines activities in each of these spheres to remove existing barriers to women and foster their potential. FAO's approach involves implementation of projects directed ex-

clusively at women, as well as support for the concerns of women in all FAO's projects and activities.

### Nutrition

FAO plays a key role in helping countries improve nutrition, promote healthy diets, and ensure access to safe food. Prime areas of interest include food quality control; handling, processing, and storage; household food security; forestry, fisheries, crop production, and local foods; and nutrition monitoring, assessment, planning, education, and information.

In 1992, the organization cosponsored with WHO the International Conference on Nutrition (see Food Security). The conference adopted a Declaration and Plan of Action for Nutrition. The countries at the conference composed a World Declaration on Nutrition and pledged their adherence to a plan of action for the

coming decades. The World Declaration reaffirmed that “poverty and lack of education, which are often the effects of underdevelopment, are the primary causes of hunger and undernutrition.”

It emphasized the need to identify the groups most in need, targeting nutritional resources first and foremost to alleviating their lot. It also stressed that food should not be used as a tool for political pressure. The importance of building knowledge among vulnerable groups through nutrition education was highlighted, as was the need for better preparedness for food emergencies resulting from civil strife and natural disasters.

The plan of action provides guidelines for governments, acting in partnership with NGOs, the private sector, local communities, families and households, and the international community. It contains recommendations on policies, programs, and activities identified through the intensive ICN consultative process and brings together a wide range of expert opinion from around the world. The 159 nations that participated in the ICN committed themselves to developing national nutrition plans with attainable goals and measurable targets. In the continuing follow-up to the ICN, FAO is assisting many governments in preparing national plans of action for nutrition. To support the process, the document “Guidelines for Developing National Plans of Action for Nutrition” was distributed to member governments.

Many FAO nutrition projects work towards improving knowledge of nutrition within households, and particularly among women. Awareness of the need to improve the frequency and

quality of meals is built up through participatory, pilot-family programs concentrating on nutrition education and home gardening. Households are encouraged either to grow the foods they need to fill their dietary gaps or to use income from home gardens to purchase vitamin-and-mineral-rich fruits and vegetables they cannot easily cultivate.

FAO has produced country nutrition profiles for 100 developing countries to provide a concise view of their food and nutrition status, agricultural production, and economic and demographic situation. Country profiles are used by governments and institutions for planning and training. FAO advocates incorporating nutritional information in early warning networks to supplement agricultural production data.

The Codex Alimentarius (see Advice to Governments) contributes to raising nutritional status by developing international standards, codes of practice, and other recommendations for food quality to protect consumer health and encourage fair trading practices in the food trade. As of 2006, 173 countries were members of the Codex Alimentarius Commission.

FAO's World Food Survey, published about once a decade, provides as complete a picture as possible of the world food and nutrition situation. It includes food balance sheets for almost all countries and, increasingly, household food-consumption surveys for developing countries.

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# THE UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION (UNESCO)



**BACKGROUND:** “Since wars begin in the minds of men,” the preamble to the UNESCO constitution states, “it is in the minds of men that the defenses of peace must be constructed.” As also stated in the preamble, “the great and terrible war which has now ended was a war made possible by the denial of the democratic principles of the dignity, equality and mutual respect of men and by the propagation, in their place, through ignorance and prejudice, of the doctrine of the inequality of men and races.” World War II was too recent of an event when UNESCO was created for its founders to forget that fact. UNESCO’s purpose as a member of the UN family of organizations is “to contribute to peace and security by promoting collaboration among the nations through education, science and culture in order to further universal respect for justice, for the rule of law and for the human rights and fundamental freedoms which are affirmed for the peoples of the world, without distinction of race, sex, language or religion, by the Charter of the United Nations.”

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## CREATION

Occasional attempts at international cooperation in educational, scientific, and cultural matters were made before World War I, but no machinery existed to promote these efforts on a worldwide scale. Even the League of Nations Covenant, when it was drawn up after the war, failed to mention international cooperation in these matters. However, thanks in great part to the efforts of the Belgian delegate Henri La Fontaine, a League of Nations Committee on Intellectual Cooperation was formed. Composed of 12 eminent persons, the committee met for the first time in the summer of 1922 under the chairmanship of the French philosopher Henri Bergson. Among those who served on the committee were Marie Curie, Gilbert Murray, and Albert Einstein. The intellectual atmosphere that prevailed in the committee was a lofty one, but at the same time the committee established precedents in practical matters that have proved useful to UNESCO. Thus, the 40-odd national committees on intellectual cooperation whose creation this committee promoted were a precedent for the national commissions now operating in 191 countries and associate members (as of March 2005) to further the work of UNESCO. The International Institute of Intellectual Cooperation, established with the aid of the French government and located in Paris, began work early in 1926 and provided a permanent secretariat for the committee.

The League was thus provided with a technical body to promote international activity and was active in many fields, especially those of interest to scholars, professionals, learned societies, librarians, and the like. Numerous conferences and symposia were held under the auspices of the International Institute in Paris. Among the topics taken up by these conferences as the world situation became more menacing were the psychological causes of war and methods of promoting peaceful change as a substitute for war.

More intensive international cooperation in the field of educational problems began during World War II itself. A Conference of Allied Ministers of Education was convened in London in November 1942 to consider how the devastated educational systems of the countries under Nazi occupation could be restored after the war. The first meeting of the conference was attended by representatives of eight governments in exile and the French National Committee of Liberation. The conference met at frequent intervals throughout the war, with the participation of a growing number of representatives of other allied governments. The United States delegation to the April 1944 meeting of the conference included J. William Fulbright, then congressman and later senator from Arkansas, and the poet Archibald MacLeish, at that time Librarian of Congress, who was later to participate in the drafting of UNESCO’s constitution.

It was decided at San Francisco that one of the objectives of the UN should be to promote international cultural and educational cooperation. Addressing the closing plenary session, President Truman declared: “We must set up an effective agency for constant and thorough interchange of thoughts and ideas, for there lies the road to a better and more tolerant understanding among nations and among peoples.”

The conference creating UNESCO was convened by the United Kingdom and France in London in November 1945. It was decided that the new organization should deal not only with the transmission of existing knowledge but also with the pursuit of new knowledge. Hence, the encouragement of natural and social sciences through international cooperation was one of the principal tasks assigned UNESCO. UNESCO’s constitution was adopted by the London conference after only two weeks of discussion and went into effect on 4 November 1946, when 20 states had deposited instruments of acceptance with the United Kingdom government.



## PURPOSES

UNESCO's functions, as prescribed in its 1945 constitution, are as follows:

- “to collaborate in the work of advancing the mutual knowledge and understanding of peoples through all means of mass communication;
- to give fresh impulse to popular education and to the spread of culture by collaborating with members, at their request, in the development of educational activities; by instituting collaboration among the nations to advance the ideal of equality of educational opportunities without regard to race, sex, or any distinctions, economic or social; and by suggesting educational methods best suited to prepare the children of the world for the responsibilities of freedom; and
- to maintain, increase, and diffuse knowledge by ensuring the conservation and protection of the world's heritage of books, works of art, and monuments of history and science; by encouraging cooperation among the nations in all branches of intellectual activity, including the international exchange of persons active in the fields of education, science, and culture and the exchange of publications, objects of artistic and scientific interest, and other materials of information; and by initiating methods of international cooperation calculated to give the people of all countries access to the printed and published materials produced by any of them.”

Since UNESCO's constitution specifically emphasizes the need to preserve “the independence, integrity and fruitful diversity of the cultures and educational systems” of the member states, the organization cannot impose any particular standard either on all its members or on any of them, and it is “prohibited from intervening in matters ... within their domestic jurisdiction.”

## MEMBERSHIP

Any UN member may join UNESCO. Other states may be admitted to UNESCO membership upon the recommendation of the organization's Executive Board and the approval of its General Conference by a two-thirds majority. Austria, Hungary, and Japan joined UNESCO years before entering the UN.

Under a United Kingdom-proposed amendment to the constitution adopted in 1951, territories or groups of territories not responsible for their international relations can be admitted as associate members upon application of member states or other authorities responsible for their international relations. Associate members do not have the right to vote.

A state may withdraw from UNESCO by notifying the organization's director-general of its intention to do so; the withdrawal takes effect as of the end of the respective calendar year. South Africa withdrew in December 1956 but rejoined in December 1994. Czechoslovakia, Hungary, and Poland suspended their participation in UNESCO activities in 1952 but returned as active participants in 1954. Portugal withdrew in 1972 but returned in 1974. In November 1974, a vote dominated by Arab and Communist delegations excluded Israel from UNESCO's European regional group and withheld aid from it on the ground that it persists “in altering the historic features” of Jerusalem during excavations—an allegation not sustained by UNESCO's archaeological expert.

At the end of 1984, the United States withdrew from UNESCO, stating that “trends in the policy, ideological emphasis, budget, and management of UNESCO were detracting from the organization's effectiveness.” One year later, the United Kingdom and Singapore withdrew (the United Kingdom rejoined in 1997). In February 1994, the *New York Times* reported that the United States State Department had recommended that the United States rejoin UNESCO, which had cut its staff by nearly 1,800 people and changed its stand on the controversial New World Information and Communications Order (NWICO). Until its departure, the United States had been responsible for 25% of UNESCO's budget. The United States rejoined UNESCO in 2003.

As of March 2005, UNESCO had 191 members and 6 associate members.

## STRUCTURE

UNESCO is an autonomous organization affiliated with the UN through a relationship agreement signed in 1946. Its three principal organs are the General Conference, the Executive Board, and the secretariat, headed by a director-general.

### General Conference

All UNESCO members have the right to be represented in the General Conference, which determines UNESCO's policies and decides on its major undertakings. Each member state has one vote in the conference but may be represented by five delegates. The constitution of UNESCO requires that member governments are to consult with national educational, scientific, and cultural bodies before selecting these delegates; in countries where UNESCO commissions have been established, these too are to be consulted.

From 1946 through 1952, the General Conference met every year. Since then it has met generally every two years. As a rule, the conference takes place in Paris, but it has also met in Mexico City, Beirut, Florence, Montevideo, New Delhi, Nairobi, Belgrade, and Sofia.

Decisions of the General Conference are made by a simple majority vote, except for certain constitutionally specified matters that require a two-thirds majority, such as amending the UNESCO constitution or adopting an international convention. Member nations are not automatically bound by conventions adopted by the General Conference, but the UNESCO constitution requires them to submit such conventions to their appropriate national authority for ratification within one year. The same applies to recommendations, which the General Conference is empowered to adopt by simple majority vote.

### Executive Board

Elected by the General Conference, the Executive Board is one of three constitutional organs of UNESCO and consists of 58 member states serving a four-year term. It supervises the execution of UNESCO's program. It meets at least twice a year. Before the General Conference convenes, the Executive Board reviews the budget estimates and work program for the following two-year period, as prepared by the director-general. It submits these with its recommendations to the General Conference and prepares the agenda for the conference.

Originally, the UNESCO constitution provided that “although the members of the Executive Board are representatives of their

respective governments, they shall exercise the powers delegated to them by the General Conference on behalf of the Conference as a whole.” Until 1993, the members of the board were not member states, but personalities designated by name. UNESCO’s constitution only designated that the General Conference should “endeavor to include persons competent in the arts, the humanities, the sciences, education and the diffusion of ideas.” In 1993, the General Conference changed this criteria. Since that time, the member states of the Executive Board are requested to appoint a person qualified in one or more of the fields of competence of UNESCO and with the necessary experience and capacity to fulfill the administrative and executive duties of the board. The General Conference, in electing member states to the Executive Board, must also take into account the diversity of cultures and balanced geographical distribution.

Following a constitutional amendment adopted by the General Conference in 1972, board members are elected for four years and are not immediately eligible for a second term. At each session, the General Conference elects members to succeed those whose terms end with that session. A system of electoral groups of member states, governing only elections to the Executive Board, was established in 1968.

#### Director-General and Secretariat

The secretariat carries out UNESCO’s programs. It is headed by a director-general, nominated by the Executive Board and elected by the General Conference. The staff members are appointed by the director-general. Julian Huxley of the United Kingdom was UNESCO’s first director-general. Federico Mayor Zaragoza of Spain was elected director-general in November 1987, succeeding Amadou-Mahtar M’Bow of Senegal, who had held the post since 1974. At the 1993 General Conference, Mr. Mayor was elected for a second six-year term. Koichiro Matsuura of Japan was appointed Director-General for a six-year term at the General Conference on 12 November 1999, and reelected on 12 October 2005 for a four-year term.

*Headquarters.* UNESCO’s first headquarters were in the Hotel Majestic, in Paris, a building which, ironically, had served as the headquarters for the German army during its occupation of France. In 1958, the organization’s headquarters were transferred to a 3-hectare (7.5-acre) site, located at 7 place de Fontenoy, donated to UNESCO by the government of France.

UNESCO headquarters originally consisted of a conference building, a secretariat building, and a building for the permanent delegations assigned to UNESCO. In 1965, a new building constructed around underground patios was added, and in 1970 and 1977, two supplementary buildings. The buildings were designed and approved by several leading architects. Works by contemporary artists are an integral part of the headquarters.

#### Field Offices

UNESCO has been criticized by the United States since the 1980s for the concentration of its staff at its headquarters office in Paris, rather than in the field. A 1992 report by the US State Department said that 73% of UNESCO’s total staff of 2,697 persons were located in Paris. The same report also conceded that, despite this fact, 44% of the organization’s regular and extra-budgetary resources were spent in the field. This disparity, however, may simply reflect the vastly different nature of UNESCO’s mandate, as

opposed to the mandate of technically-oriented specialized agencies. In 2005, UNESCO had a staff of 2,160, of which 680 worked in 58 field offices. The percentage of staff working in the field had not markedly changed since 1980, though the number of field offices had increased until a decentralization plan was adopted in the mid-2000s.

*In Africa,* UNESCO offices are located in Bujumbura, Burundi; Yaounde, Cameroon; Brazzaville, Congo; Kinshasa, Democratic Republic of the Congo; Addis Ababa, Ethiopia; Libreville, Gabon; Accra, Ghana; Nairobi, Kenya; Bamako, Mali; Maputo, Mozambique; Windhoek, Namibia; Abuja, Nigeria; Kigali, Rwanda; Dakar, Senegal; Dar es Salaam, United Republic of Tanzania; and Harare, Zimbabwe.

*In the Arab world,* UNESCO offices are located in Cairo, Egypt; Amman, Jordan; Beirut, Lebanon; Rabat, Morocco; Ramallah, West Bank (Palestine); and Doha, Qatar.

*In Asia and the Pacific,* UNESCO offices are located in Kabul, Afghanistan; Dhaka, Bangladesh; Phnom Penh, Cambodia; Beijing, China; New Delhi, India; Jakarta, Indonesia; Tehran, Iran; Almaty, Kazakhstan; Kathmandu, Nepal; Islamabad, Pakistan; Apia, Samoa; Bangkok, Thailand; Tashkent, Uzbekistan; and Hanoi, Vietnam.

*In Europe and North America,* UNESCO offices are located in Venice, Italy; Bucharest, Romania; Moscow, Russian Federation; Geneva, Switzerland; and New York, United States.

*In Latin America and the Caribbean,* UNESCO offices are located in Brasilia, Brazil; Santiago, Chile; San Jose, Costa Rica; Havana, Cuba; Quito, Ecuador; Guatemala City, Guatemala; Port-au-Prince, Haiti; Kingston, Jamaica; Mexico City, Mexico; Lima, Peru; and Montevideo, Uruguay.

#### National Commissions for UNESCO

The UNESCO constitution requests every member state to associate “its principal bodies interested in educational, scientific, and cultural matters with the work of the Organization, preferably by the formation of a National Commission....” By 2005, 191 member states had established such broadly representative national commissions to collaborate with UNESCO in attaining its objectives. These commissions are not official UNESCO organs, but they provide a vital link between UNESCO and the public at large. They advise their governments and the delegations that attend the UNESCO General Conference on pertinent matters and serve as liaison agencies and information outlets.

The various national commissions vary greatly in size and composition. Often the country’s minister of education is the commission’s president, and its members may include high government officials, leaders in the fields of education, science, and the arts, and representatives of professional organizations. Through meetings, publications, broadcasts, contests, and exhibitions, the commissions stimulate public interest in specific UNESCO projects. National UNESCO commissions of several countries often meet for regional conferences. National commissions are frequently given contracts to translate UNESCO publications and to handle printing and distribution of these translations.

#### Cooperation with Nongovernmental Organizations

The constitution of UNESCO states that “a peace based exclusively upon the political and economic arrangements of governments would not be a peace which could secure the unanimous, lasting

and sincere support of the peoples of the world” and that “peace must therefore be founded, if it is not to fail, upon the intellectual and moral solidarity of mankind.”

In order to attain that objective, the founders of UNESCO sought ways of associating the peoples of the world as closely as possible in the preparation and implementation of the organization’s aims and programs. Thus, from its inception, UNESCO has sought the collaboration of international nongovernmental organizations (NGOs). The NGOs with which UNESCO cooperates have activities and interests paralleling those of the organization, ranging from specialized or scholarly organizations (of teachers, scientific researchers, philosophers, sociologists, journalists, writers, and legal experts) to mass organizations (trade unions, cooperatives, women’s associations, and youth movements) and denominational organizations.

UNESCO consults and cooperates with NGOs so as to receive the broadest possible assistance from them in the preparation and implementation of its programs, thus strengthening international cooperation in the fields of education, science, and culture.

## BUDGET

For the biennium 2006–07, the General Conference approved a regular budget of us\$610,000,000. The organization has increased financing for its programs while reducing administrative costs. us\$107,802,100 was for Education; us\$55,994,500 was for Natural Sciences; us\$30,838,000 was for Social and Human Sciences; us\$50,574,600 was for Culture; us\$32,950,400 was for Communication and Information; us\$38,660,100 was for General Policy and Direction; and us\$177,681,900 was for program execution and administration.

UNESCO’s budget is financed through contributions assessed against member states on a sliding scale. For the biennium 2002–03, these assessments ranged from a minimum of 0.01% of the total amount to 25%. UNESCO receives funds from other specialized agencies of the UN system—mainly UNDP, UNFPA, UNEP and the World Bank—and regional banks for operational assistance to member states.

## ACTIVITIES

UNESCO’s work is carried out principally in the fields of education, the natural sciences, the social and human sciences, culture, and communication.

At the 27th session of the General Conference (1993), a broad consensus emerged on the need to concentrate efforts on two of the objectives common to the United Nations system as a whole—the consolidation of peace and the promotion of sustainable human development. The General Conference also underlined the importance of UNESCO’s role in promoting international intellectual cooperation, that is, acting as an international “think tank.”

The Organization’s Constitution outlines UNESCO’s fundamental mission of promoting access to, and the transfer and sharing of knowledge. UNESCO’s continued role of offering guidance, advice, and assessment when needed calls for strengthening activities in the following areas: anticipating and preparing innovative strategies, gathering and circulating reliable information on the present situation and probable trends in the Organization’s fields of competence; and encouraging political leaders at the highest level to make firm commitments.

UNESCO’s recent actions have been largely determined by commitments made at the major intergovernmental conferences it has recently convened—solely or jointly with other UN agencies—or in which it has participated, in particular the World Conference on Education for All, held in Jomtien, Thailand, in March 1990, the United Nations Conference on Environment and Development (UNCED), held in Rio de Janeiro, Brazil, in June 1992, the United Nations Fourth World Conference on Women, held in Beijing, China, in September 1995, and the World Summit on Sustainable Development held in Johannesburg, South Africa, in August and September 2002.

The increasingly global nature and growing complexity of the problems in today’s world call for a multidisciplinary or transdisciplinary approach in many of UNESCO’s activities. A good example is the interdisciplinary project “Environment and Population Education and Information for Human Development,” conceived following the Rio Conference and aimed at the adoption of an integrated approach in order to achieve a development that is people-centered, equitable, and sustainable.

UNESCO’s transdisciplinary Action Programme to Promote a Culture of Peace was created in 1993 to initiate activities in favor of the consolidation of peace following conflict. This involves reconstituting social infrastructures, fostering national reconciliation, reintegrating displaced persons, constructing a basis for a democratic citizenship, helping to create endogenous capabilities and ensuring the broadest possible involvement of the population in development efforts.

Since the fall of the Berlin Wall in 1989, UNESCO has been at the forefront of UN and international action in Central and Eastern Europe. The 26th Session of the General Conference (1991) called for UNESCO “to establish intersectoral coordination to support the introduction of democratic reforms” and “to establish close cooperation for carrying out this activity with international intergovernmental and non-governmental organizations, funds and other bodies” in support of Central and eastern Europe and in the newly independent states of the former Soviet Union. It was decided that the many existing activities in the region could be better focused if they were brought together under a single program, and the Programme for Central and Eastern European Development (PROCEED) was created.

Finally, the Organization’s action in recent years has been focused on satisfying the needs of three priority target groups—the least developed countries, the UNESCO member states of Africa, and women.

### A. Education

UNESCO’s largest sectoral activity, education, is the field for constant but changing endeavor. From originally helping to reconstruct educational systems in war-torn Europe and carrying out isolated, modest projects elsewhere, UNESCO has progressed to large-scale undertakings, such as literacy campaigns, rural development, science teaching, educational planning and administration, and teacher training.

UNESCO’s major education activities have focused on basic education, the renewal of educational systems and educational advancement and policy.

In activities following up the 1990 World Conference on Education for All, UNESCO has assisted member states in diagnosing

basic learning needs, setting national education-for-all (EFA) objectives, and devising effective strategies to move towards EFA.

In cooperation with UNFPA, UNESCO organized the International Congress on Population Education and Development (Istanbul, April 1993) which adopted the Istanbul Declaration and Action Framework for Population Education on the Eve of the Twenty-first Century.

Emergency assistance programs and reconstruction operations in the field of education were carried out in such countries as Afghanistan, Albania, Angola, Bosnia and Herzegovina, Cambodia, Croatia, Iraq, Lebanon, Mozambique, Slovenia, and Somalia. Following the international meeting on “Peace, the day after,” held in Granada, Spain in December 1993, activities aimed at the rebuilding of Palestinian educational and cultural institutions were initiated.

The Scheme of Humanitarian Assistance for Refugee Education (SHARE) (1993–96) responded specifically to the needs of refugee children. The program went beyond the urgent but short-term goal of providing shelter, food, and medicines, to develop a coherent policy of refugee education in cooperation with local and national authorities. After initial experiences in Cambodia, Somalia, and Afghanistan, SHARE activities were also carried out in Slovenia and Croatia.

UNESCO also promotes studies and teaching in the fields of drugs, population, and the environment. In cooperation with WHO, the Organization has elaborated a joint prototype curriculum for AIDS education in schools and disseminated documents and guidelines to support AIDS education programs in member states.

The UNITWIN/UNESCO Chairs Programme was launched in 1991 to strengthen cooperation between universities through twinning arrangements and promote the development of inter-university networks in order to facilitate the exchange of knowledge and improve teacher training. As of May 2006, there were 24 UNITWIN networks.

*The World Education Report*, a biennial first published in 1991, presents a broad but concise analysis of major trends and policy issues in education, including many tables, graphs, and a unique set of statistics—“World Education Indicators”—which give a country-by-country summary of key aspects of education in over 180 countries.

In January 1993, UNESCO set up the International Commission on Education for the Twenty-First Century, under the Chairmanship of Jacques Delors, President of the Commission of the European Community, to study and reflect on the challenges facing education in the coming years, and to make recommendations that can serve as an agenda for renewal, innovation, and action for policy-makers. The Commission focused its reflection on one central question—what kind of education is needed for what kind of society of tomorrow?—in its report at the end of 1995.

The Associated Schools Project (ASP), an international network set up to experiment with ways and means for enhancing the role of education in preparing young people to live in a world community, was launched in 1953. As of 2006, it included some 7,800 educational institutions in 175 countries, which conduct pilot projects to enhance education for a culture of peace. ASPnet schools focus on any of four main themes of study: World Concerns and the role of the United Nations system; Human Rights,

Democracy, and Tolerance; Intercultural Learning; and Environmental Concern.

Closely linked with the Associated Schools Project, often carrying out joint projects in crucial fields such as literacy work and the environment, are the 5,000 UNESCO associations, centers and clubs, the first of which was founded in 1947. Found in some 120 countries, with members from all age groups, they are set up in schools, universities, as associations or as permanent centers and, since 1981, are grouped together as part of the World Federation of UNESCO Clubs, Centers and Associations (WFUCA).

In specific educational areas, UNESCO’s work is supported by three separate institutes which conduct research and training programs. The International Bureau of Education (IBE), located in Geneva, serves as an international center for studies and publications on comparative education. The International Institute for Educational Planning (IIEP), in Paris, organizes an annual nine-month training program for education planners and administrators, and offers training courses in the planning, financing and management of education. The Institute for Education (UIE), located in Hamburg, focuses on adult and non-formal education, within the framework of lifelong learning.

## B. The Natural Sciences

UNESCO is the only organization within the UN system to have a mandate for the basic sciences. This mandate implies UNESCO’s commitment to the promotion of multilateral, international, and regional cooperation for the training of specialists from developing countries in university science education and basic research in the four core areas of basic science, namely mathematics, physics, chemistry, and biology. Projects to be implemented in these and allied, interdisciplinary areas are selected for the impact they will have on strengthening national capacities, enabling access to current scientific information, human resources development, and their real or potential impact on sustainable development.

One of the main accomplishments of the Rio Conference on Environment and Development was Agenda 21, an international program of action for global sustainable development into the 21st century. Because of its broad mandate and long experience, UNESCO is implicated in many aspects of UNCED follow-up, with particular emphasis on Agenda 21 and the conventions on biological diversity and climate change.

In UNESCO’s Natural Sciences sector, priority is therefore being given to implementing the recommendations of Agenda 21 by promoting multidisciplinary scientific programs which combine training, information and research and which are at the interface between environment and development. Special attention is also being accorded to the promotion of teaching (especially at the university level) and research in the basic sciences and engineering.

Environment and development problems have been a major focus of the Organization’s work for the past 50 years. Beginning with the Arid Zone Programme in 1951, numerous UNESCO programs have been launched to address research, education, training, and policy needs related to specific environment and development issues, such as water resources management and the conservation of biological diversity and ecological systems such as islands, tropical forests, and arid lands.

The activities of the Intergovernmental Oceanographic Commission (IOC), with 129 countries participating in 2006, primar-

ily center around narrowing down the uncertainties about the role of the ocean in climate and global systems. In response to Agenda 21, the IOC adopted new strategies and action plans, especially in the field of oceanography.

IOC has developed global and regional ocean science programs related to living and non-living resources, and marine pollution research and monitoring, and enhanced the efficiency of the International Tsunami Warning System in the Pacific. It also organizes training and assistance and provides information, together with WMO, to coastal and island member states on events in the oceans and adjacent seas through a quarterly “Products Bulletin of the Integrated Global Ocean Services System,” a precursor of the Global Ocean Observing System (GOOS).

The International Hydrological Decade, another intergovernmental program, was launched by UNESCO in 1965. In 1975 it became a long-term endeavor, the International Hydrological Programme (IHP). In its sixth phase (2002–07), the IHP is devoted to the topic “Water Interactions: Systems at Risk and Social Challenges.” It outlined five broad themes on which to concentrate: global changes and water resources; integrated watershed and aquifer dynamics; land habitat hydrology; water and society; and water education and training.

Under the “Diversitas” program, in cooperation with the International Union of Biological Sciences (IUBS) and the Scientific Committee On Problems of the Environment (SCOPE) of the International Council for Science (ICSU) (formerly International Council of Scientific Unions), UNESCO is promoting worldwide coordinated research on, and inventories and the monitoring of, biological diversity.

A Biotechnological Information Exchange System (BITES) has also been developed.

The Man and the Biosphere (MAB) Programme was launched in 1971 as an international program of applied research on the interactions between man and his environment. The program aims to provide the scientific knowledge and trained personnel to manage natural resources in a rational and sustained manner, giving priority to work in the field at the local level, within general frameworks for scientific cooperation at the international level. Based on a network of 144 MAB national committees, the program monitors the international biosphere reserve network, and has developed a number of problem-oriented research programs involving specialists from developing countries.

The International Geological Correlation Programme is a joint environmental activity between UNESCO and the International Union of Geological Sciences (IUGS), whose objectives are increasing knowledge of geological processes through correlation studies of many locations around the world, developing more effective ways of finding and assessing energy and mineral resources, and improving research methods and techniques. The transfer of traditional and new technologies, such as computerized information handling (GIS, DAS and PANGIS) and remote sensing analysis (e.g. GARS) to developing countries is privileged.

### C. The Social and Human Sciences

UNESCO encourages the development of the social and human sciences at the international and regional levels by promoting training and research activities, as well as international exchanges.

In the fields of peace, human rights, and democracy, UNESCO's activities are aimed at the promotion and protection of human rights, consolidation of peace and democracy, as well as at the prevention and elimination of all forms of discrimination by means of research and education, dissemination of information and publications, and organization of meetings in cooperation with governments, intergovernmental and non-governmental organizations. UNESCO's activities in this field have led to the elaboration of important international instruments.

The emergence of multicultural and multiethnic societies, urbanization, and globalization are the transformation processes at the heart of the Management of Social Transformations Programme (MOST), established by the 1993 General Conference to foster policy-relevant, interdisciplinary and comparative social science research in three fields—the management of multiethnic societies, cities as arenas of accelerated social transformations, and coping locally and regionally with transnational phenomena.

The International Bioethics Committee, composed of specialists in biology, genetics, medicine, law, philosophy, and the social and human sciences, was set up to meet the ethical concern arising from progress in life sciences.

Within the framework of a UNESCO/UNFPA project, research is conducted on socio-cultural factors affecting demographic change.

UNESCO has an extensive program on the improvement of women's condition, stressing the principle of equality between men and women and against all forms of discrimination. This program provided input for the Fourth UN World Conference on Women: Action for Equality, Development and Peace (Beijing, September 1995), and for its follow-up conference, “Beijing + 5: Women 2000” held in June 2000 in New York.

The organization's youth program deals with the analysis of problems and dissemination of information concerning youth, enrollment of young people in the service of international cooperation, development and peace, and action on behalf of disadvantaged young people. To counteract splintering of various and scattered information sources and networks on youth and to help implement youth policies from global to local levels, in 1991 UNESCO set up the INFOYOUTH Network, a clearing house and information service for members states and partners.

### D. Culture

UNESCO's main cultural activities are devoted to safeguarding the cultural heritage, preserving and fostering respect for cultural identities and diversity, and promoting creative and intellectual expression. Almost two thousand projects were launched worldwide in the context of the World Decade for Cultural Development (1988–97), including projects on the “Maya World,” “Espaces du Baroque,” “Slave Route” and “Iron Road.” “The Silk Roads: Roads of Dialogue” project continues to assess the findings of four expeditions carried out in previous years and a joint UNESCO/

World Tourism Organization project for cultural tourism on the Silk Roads in Central Asia was launched in 1993.

#### **Safeguarding of Cultural Heritage**

Under the terms of its constitution, UNESCO was entrusted with the task of “ensuring the preservation and protection of the world heritage of works of art and monuments of historic or scientific interest.”

Training activities aimed at strengthening the application of the 1954 Hague Convention for the Protection of Cultural Property in the Event of Armed Conflict and the 1970 Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property continue to be an important part of UNESCO’s activities in this field.

UNESCO’s activities in safeguarding the world’s cultural heritage are best known through its campaigns to mobilize international support. The first such campaign was devoted to safeguarding the monuments of Nubia, in Egypt, and led to the successful reconstruction of the Temple of Abu Simbel, a US\$40 million undertaking. Another project, successfully brought to a conclusion in 1983, was the restoration of Borobudur in Indonesia. A second Egyptian campaign was devoted to the creation of museums in Aswan and Cairo. As of May 2006, the World Heritage List in Danger included 34 sites around the world, including one in the United States—Everglades National Park.

The growing determination of member states to preserve their national cultural heritage has led to an increase in museum development and in activities to preserve historical monuments and sites, works of art, and other cultural property. UNESCO’s contribution in this field has consisted mainly in the provision of consultant services, equipment, supplies, and financial assistance to individual projects throughout the world. Improving the training of specialists in the conservation, preservation, and presentation of cultural heritage has involved the provision of lecturers and fellowships for international, regional, and subregional training projects.

UNESCO’s activities have also resulted in the adoption of a number of conventions and recommendations, such as the International Convention Concerning the Protection of the World Cultural and National Heritage—called the World Heritage Convention—adopted by the General Conference in 1972. The convention provides, for the first time, a permanent legal, administrative, and financial framework for international cooperation. It also relates sectors that had previously been considered very different—the protection of cultural heritage and that of natural heritage—and introduces the concept of “world heritage,” transcending political and geographical boundaries. The convention aims to foster a greater awareness among all peoples of the irreplaceable value of world heritage and the perils to which it is exposed. It is intended to complement, assist, and stimulate national endeavors without either competing with or replacing them. By 3 May 2006, the convention had been ratified or accepted by 178 member states. The World Heritage Committee has thus far included 812 cultural and natural sites on the World Heritage List and has regularly approved financial support for technical cooperation through the World Heritage Fund.

Under its research, study, and information exchange activities, UNESCO has contributed to the advancement and spread of spe-

cialized knowledge concerning heritage preservation. It has issued a series of technical manuals on such subjects as museums, underwater archaeology, preserving and restoring monuments and historic buildings, the man-made landscape, conservation standards for works of art in transit and on exhibition, and conservation of stone. In response to the need for more elementary and accessible practical guidance, particularly in developing countries, a new series of technical handbooks was launched in 1975. The quarterly, *Museum International*, published since 1948, is an international forum of information and reflection on museums of all kinds.

#### **Study and Dissemination of Cultures**

An important part of UNESCO’s activities in the field of culture focus on cultural identity, including the preparation of general histories and works on various geocultural areas.

By 2006, UNESCO had published more than 10,000 titles in English, French, Spanish, Russian, Chinese, and Arabic, published under its own imprint or co-published. The organization publishes some 160 new titles each year and has distributors in 110 countries. For young readers, the World Heritage series is a bestseller with over 1.3 million copies printed in English, French, and Spanish. Large-scale international projects involving specialists from different countries have resulted in major works such as *The General History of Africa*, *History of Humanity*, *History of Civilizations of Central Asia*, *History of Latin America*, and *History of the Caribbean*.

#### **Cultural Development**

The Universal Declaration of Human Rights asserts that everyone has the right to participate freely in the cultural life of society. This principle implies the right of people in different societies to share in the cultural heritage of the world community, and it implies that culture cannot be the privilege of an elite few but must be regarded as a dimension of human life. In this spirit, since the end of the 1960s, UNESCO has attached increased importance to cultural policies and activities related to cultural development. The principles governing UNESCO’s activities in the field of culture stress the strengthening of the cultural dimension of development, that is, viewing culture not only in itself but also in relation to certain key areas of development, such as educational systems (including the cultural content of education and the adaptation of teaching models to local culture), the environment, science, and communication.

In 1970 the Intergovernmental Conference on Institutional, Administrative, and Financial Aspects of Cultural Policies, held in Venice, examined the role of public authorities in defining and achieving the objectives of cultural development and acknowledged for the first time the responsibility of governments to provide and plan for the cultural needs of society by implementing appropriate cultural policies. The Venice conference was followed by a series of regional conferences on cultural policies. Discussions at these meetings reflected a need to locate humanity and culture at the heart of the development process, rather than considering development as only economic progress.

The World Conference on Cultural Policies, held in Mexico City in 1982, took stock of the experience acquired in policies and practices in the field of culture and gave new impetus to the worldwide action carried out under UNESCO’s auspices. The conference unanimously adopted the Mexico City Declara-

tion on Cultural Policies, which proclaimed the guiding principles for promoting culture and strengthening the cultural dimension of development.

The World Commission on Culture and Development, under the Chairmanship of former UN Secretary-General Javier Pérez de Cuéllar was set up in December 1992 to focus on interrelations between culture and development in general and cultural policies and development models in particular. The Commission, composed of 12 members and five honorary members, presented its final report at the end of 1995 to the UN General Assembly and UNESCO's General Conference. The Commission's work is centered around five fundamental questions: the impact of cultural and socio-cultural factors on development; the impact of social and economic development on culture; the relationship between culture and models of development; the influence of cultural development on individual and collective well-being; and the role of cultural activities and artistic creativity in development and international cooperation.

### E. Communication, Information, and Informatics

UNESCO is enjoined by its constitution to "collaborate in the work of advancing the mutual knowledge and understanding of peoples, through all means of mass communication." It is also authorized to recommend international agreements to facilitate "the free flow of ideas by word and image" and to encourage the international exchange of persons active in intellectual affairs and the exchange of "publications, objects of scientific interest, and other materials of information."

#### **New World Information and Communication Order (NWICO)**

In the 1970s, developing countries began to express their concern that the world's news media were predominantly Western-controlled. Major syndicated newspapers, press agencies like UPI, Reuters and Agence France Presse, the US networks, the BBC, and the ORTF of France, were seen to be innately biased in their reporting on third world countries. It was felt that those organizations were able to greatly influence public opinion both in their own nations and in the developing countries themselves. The new nations of the UN system called for a New World Information and Communication Order (NWICO) which would allow them greater access to the sources of global information. At that time, UNESCO considered it a constitutional responsibility, and one especially pertinent to communication, to contribute to the removal of imbalances and inequalities in the capacity to produce, disseminate, and receive messages, and to eliminate the obstacles to a wider and better balanced flow of information.

In 1976, following a decision of the General Conference inviting UNESCO to undertake a review of all the problems of communication in contemporary society in the context of technological progress and recent developments in international relations, an international commission was appointed to study communication problems. The commission's recommendations were published by UNESCO in 1980 under the title *Many Voices, One World*. The General Conference considered the commission's report in 1980 and proposed 11 considerations on which a New World Information and Communication Order could be based. It also urged UNESCO "to contribute to the clarification, elaboration and ap-

plication of the concept of a New World Information and Communication Order."

In 1978 the General Conference adopted the Declaration on Fundamental Principles Concerning the Contribution of the Mass Media to Strengthening Peace and International Understanding, to the Promotion of Human Rights and to Countering Racism, Apartheid and Incitement to War. This declaration raised alarm in Western media organizations and governments. The declaration was interpreted as implying controls on press freedom. In later debates some Soviet countries proposed the licensing of journalists. However these proposals were never adopted, and no program of action based on them was ever put into action.

In the belief that high tariffs were an obstacle to the free flow of information, a UNESCO Working Group on Telecommunication Tariffs, established in 1979, recommended special tariffs under a Development Press Bulletin Service and a Conventional Press Bulletin Service to be applied to developing and developed countries, respectively.

The 1980 General Conference urged UNESCO "to contribute to the clarification, elaboration and application of the concept of a New World Information and Communication Order." However, the acrimonious public debate about NWICO had already damaged UNESCO's image in the West, and prompted the United States Congress to insert provisos in its 1982-83 appropriation for UNESCO stating that the funds would be withheld: "if that organization implements any policy or procedure the effect of which is to license journalists or their publications, to censor or otherwise restrict the free flow of information within or among countries, or to impose mandatory codes of journalistic practice or ethics."

Although the General Conference's espousal of NWICO was not cited in the United States' 1984 decision to withdraw from UNESCO (see Membership), concern over the "politicization" it represented was emblematic of the suspicion with which the Western countries (in particular the United States and the United Kingdom) regarded Soviet influence in the developing world. Now that developing nations greatly outnumbered industrialized nations, it was perceived that programs of action could be passed in UNESCO that were contrary to the interests of the West.

In 1989 the General Conference decided, by general agreement, to adopt a "New Strategy" in communication. The objective of this new strategy is "to render more operational the concern of the Organization to ensure a free flow of information at international as well as national levels, and its wider and better balanced dissemination, without any obstacle to the freedom of expression, and to strengthen communication capacities in the developing countries, so that they can participate more actively in the communication process." This last goal is implemented through UNESCO's International Program for the Development of Communication.

In February 1990, UNESCO organized an informal meeting of East-West media representatives to learn more about the needs of an independent press in Eastern Europe and how it could help to meet them. Since then, a number of regional seminars have been held to secure international support for strengthening press freedom and diversity.

**Members of UNESCO (as of 17 March 2005)**

Afghanistan	Ecuador	Madagascar	Sierra Leone
Albania	Egypt	Malawi	Slovakia
Algeria	El Salvador	Malaysia	Slovenia
Andorra	Equatorial Guinea	Maldives	Solomon Islands
Angola	Eritrea	Mali	Somalia
Antigua and Barbuda	Estonia	Malta	South Africa
Argentina	Ethiopia	Marshall Islands	Spain
Armenia	Fiji	Mauritania	Sri Lanka
Australia	Finland	Mauritius	Sudan
Austria	France	Mexico	Suriname
Azerbaijan	Gabon	Micronesia	Swaziland
Bahamas	Gambia	Moldova, Republic of	Sweden
Bahrain	Georgia	Monaco	Switzerland
Bangladesh	Germany	Mongolia	Syrian Arab Republic
Barbados	Ghana	Morocco	Tajikistan
Belarus	Greece	Mozambique	Thailand
Belgium	Grenada	Myanmar	The Former Yugoslav Republic of Macedonia
Belize	Guatemala	Namibia	Timor-Leste
Benin	Guinea	Nauru	Togo
Bhutan	Guinea-Bissau	Nepal	Tonga
Bolivia	Guyana	Netherlands	Trinidad and Tobago
Bosnia and Herzegovina	Haiti	New Zealand	Tunisia
Botswana	Honduras	Nicaragua	Turkey
Brazil	Hungary	Niger	Turkmenistan
Brunei Darussalam	Iceland	Nigeria	Tuvalu
Bulgaria	India	Niue	Uganda
Burkina Faso	Indonesia	Norway	Ukraine
Burundi	Iran	Oman	United Arab Emirates
Cambodia	Iraq	Pakistan	United Kingdom
Cameroon	Ireland	Palau	United Republic of Tanzania
Canada	Israel	Panama	United States
Cape Verde	Italy	Papua New Guinea	Uruguay
Central African Republic	Jamaica	Paraguay	Uzbekistan
Chad	Japan	Peru	Vanuatu
Chile	Jordan	Philippines	Venezuela
China	Kazakhstan	Poland	Vietnam
Colombia	Kenya	Portugal	Yemen
Comoros	Kiribati	Qatar	Zambia
Congo, Republic of	Korea, Democratic	Romania	Zimbabwe
Congo, Democratic Republic of the	People's Republic of	Russian Federation	
Cook Islands	Korea, Republic of	Rwanda	
Costa Rica	Kuwait	St. Kitts and Nevis	
Côte d'Ivoire	Kyrgyzstan	St. Lucia	
Croatia	Lao People's Democratic Republic	St. Vincent and the Grenadines	
Cuba	Latvia	Samoa	
Cyprus	Lebanon	San Marino	
Czech Republic	Lesotho	São Tomé and Príncipe	
Denmark	Liberia	Saudi Arabia	
Djibouti	Libyan Arab Jamahiriya	Senegal	
Dominica	Lithuania	Serbia and Montenegro	
Dominican Republic	Luxembourg	Seychelles	

**ASSOCIATE MEMBERS**

Aruba  
British Virgin Islands  
Cayman Islands  
Macau  
Netherlands Antilles  
Tokelau

**The Windhoek and Other Declarations**

In April 1991, UNESCO and the United Nations convened a round table for media professionals in Windhoek, Namibia. Participants assessed the situation of the press in Africa and, on 3 May, adopted the Windhoek Declaration, which declared that “independence, pluralism and diversity” were essential for the media in democracy. The United Nations declared May 3rd, the anniversary of the signing of the Windhoek Declaration, as International Press Freedom Day. UNESCO Director-General Federico Mayor declared in a speech to the World Press Freedom Committee in 1992: “UNESCO is fully committed to the advance of press and media freedom. This means leaving codes of journalistic ethics

and similar issues in the new and emerging democratic systems strictly within the purview of the press and media professionals themselves.” As a follow-up to the Windhoek Declaration, similar regional meetings were held in Almaty, Kazakhstan, in 1992 and in Santiago, Chile, in 1994.

Other similar declarations have been made since Windhoek, notably the Alma Ata Declaration (Kazakhstan, 1992) on promoting independent and pluralistic media in Asia; the Sana'a Declaration (Yemen, 1996) on promoting independent and pluralistic media in the Arab world; and the Sofia Declaration (Bulgaria, 1997), which declared that the move toward democracy in Central and Eastern European states would promote a climate that would



foster independent and pluralistic media. In May 2001, UNESCO celebrated World Press Freedom Day in Windhoek. A conference of journalists, editors, and representatives of NGOs and professional organizations marked the 10th anniversary of the Windhoek Declaration. UNESCO celebrated World Press Freedom Day 2006 (3 May) in Colombo, Sri Lanka.

#### **Communication Technologies for Development**

UNESCO has been particularly concerned with the problem of disparities in communication existing between the developed and developing countries, which the great strides in communication technologies have only served to emphasize. In this field, UNESCO relies on two programs for the implementation of its activities: the International Programme for the Development of Communication (IPDC) and the Information for All Programme (IFAP).

One of the most important ways of improving information flow is by building up the resources of developing countries. The International Programme for the Development of Communication (IPDC), set up in 1980, aims to strengthen the resources of developing countries in terms of both personnel and equipment, to facilitate production and dissemination of news and other programming, thereby diminishing the imbalances that exists in the flow of information. At the 17th session of the IPDC Intergovernmental Council in March 1997, the Council concentrated on the questions of the role, crisis, and problems of media in societies in transition and the role of press freedom and independence of media in democracy. At its 18th session, held in Paris in March 1998, the IPDC decided that its fellowship program would particularly promote young journalists. At the 25th session held in March 2006, the IPDC decided to help fund 78 new media projects.

The General Information Programme (PGI) was launched in 1976 to assist member states, particularly in the developing world, to increase their capacity to gather, organize, diffuse and utilize information. The PGI assists member states in establishing national information policies. It also helps governments recognize the value of public records as a strategic resource for public administration through the Records and Archives Management Program (RAMP). It provides access to knowledge and technical know-how in the treatment of information and research, by training specialists and coordinating information systems in developing countries. It also undertakes the "Memory of the World" project, aimed at safeguarding library collections and archives.

UNESCO's Intergovernmental Informatics Programme (IIP) carries out regional and national activities in its priority areas of training, computer networking, software production, informatics research and development, and national informatics strategies. Among the projects approved by the IIP Bureau in the 1990s were the "Computer network for the countries of the Maghreb—MaghrebNet" and the "Strengthening of the Regional Informatics Network for Eastern Europe—RINEE."

In the 1990s, the Organization reinforced its program in favor of independent and pluralist media, notably through the International Freedom of Expression Exchange Network (IFEX). UNESCO encourages movements towards the liberalization of media in Africa, Asia (including Central Asia), and Central and Eastern Europe, by assisting member states in restructuring their broadcasting systems, preparing appropriate legislation, and training media specialists.

Infrastructural projects supported by the United Nations, UNHCR and professional organizations for peace-building have been carried out in Cambodia, South Africa, and the former Yugoslavia.

#### **Other Activities in Communications**

Many of UNESCO's activities in the field of communications involve extensive data collection, analysis, and dissemination. The *World Communication Report*, a reference tool which focuses on trends in information and communication technologies and their impact on the work of media professionals and on society at large, was published in 1989; an updated version was published in 1996.

An agreement with the International Telecommunication Union (ITU) came into effect in 1993 and a joint study on telecommunication tariffs in the field of education, science, and culture was completed.

UNESCO also prepared the booklet *Island Agenda*, which analyzes the problems facing small island states and the way in which UNESCO's expertise in education, science, culture, and communication can be used to catalyze sustainable development.

In preparation for the Fourth World Conference on Women in Beijing in September 1995, UNESCO organized regional workshops on the theme of women in the media. It equally participated in the "Beijing +5" conference in New York in June 2000. In addition, a World Summit on the Information Society was held in Geneva in December 2003 and in Tunis in November 2005.

#### **F. Agreement on the Importation of Educational, Scientific, and Cultural Materials**

The states that are parties to the Agreement on the Importation of Educational, Scientific, and Cultural Materials and its protocol, adopted by the General Conference of UNESCO at Florence in 1950 and at Nairobi in 1976, respectively, exempt all the following materials from customs duties and any other importation charges: books, newspapers, and periodicals; various other categories of printed or duplicated matter; manuscripts, including typescripts; music; geographical, hydrographic, and astronomical maps and charts, irrespective of language and destination; works of art (paintings, drawings, and sculpture) and antiques, defined as articles more than 100 years old; visual and auditory materials, such as films, filmstrips, microfilms, sound recordings, glass slides, models, wall charts, and posters of an educational, scientific, or cultural character; and scientific instruments and apparatus, under the conditions that they be intended exclusively for educational purposes or pure scientific research, that they be consigned to public or private institutions approved by the importing country as entitled to exemption from customs duty, and that instruments or apparatus of equivalent scientific value not be manufactured in the importing country. Books and other publications for the blind and other materials of an educational, scientific, or cultural character for the use of the blind are also exempt.

#### **G. The UNESCO Coupon Program**

UNESCO coupons are a type of international money order permitting persons living in countries with foreign-exchange restric-

tions to purchase from abroad books and many other articles of a scientific or cultural nature.

A person living in a country that participates in the UNESCO coupon plan who wishes to obtain from another participating country an item covered by the plan buys the required UNESCO coupons, pays for them in local currency at the official UN rate, and mails them abroad without having to go through any formalities. To redeem the coupons, the seller sends them to Bankers Trust Company in New York (for the Americas), the Japan Society for the Promotion of Science in Tokyo (for Asia and the Far East), or to UNESCO's headquarters in Paris (for Europe and Africa). They are redeemed in the seller's national currency at the official UN exchange rate, after the deduction of a handling charge.

#### **H. Encouragement of International Exchanges**

As a means of promoting education, research, and international understanding, UNESCO aids and encourages various forms of exchange between its member states. It acts as a clearinghouse for governments, as well as international organizations, on all questions of exchange; administers its own program of fellowships and

exchange of experts; and promotes study, training, and teaching abroad with the cooperation of governments and organizations.

The principal publication issued by the exchange service is *Study Abroad*, a trilingual publication issued every two years, listing opportunities for subsidized higher education and training abroad through a wide variety of fellowships, scholarships, and educational exchange programs of nearly 3,000 awarding agencies in some 120 different countries and territories.

#### **I. Cooperative Action Program**

UNESCO's Cooperative Action Program (Co-Action) enables individuals and groups to make direct contributions to community development projects such as schools, libraries, and vocational institutions for the disabled in developing countries. An illustrated catalog of selected Co-Action projects describing some of the priority needs and estimated costs is issued by UNESCO.

Direct "people-to-people" relationships are established between donors and recipients that often develop into lasting friendships; the program has special appeal for school groups.

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# THE WORLD HEALTH ORGANIZATION (WHO)



**BACKGROUND:** In taking the pulse of global health in 1974, WHO member states concluded that despite vaccines, antibiotic drugs, and a host of extraordinary advances in medical technology, the world was far from healthy. There was a “signal failure,” the 27th World Health Assembly concluded, to provide basic services to two-thirds of the world’s population, particularly to rural inhabitants and the urban poor, who, despite being the most needy and in the majority, were the most neglected. That assessment—made 24 years after WHO’s establishment—led to a reorientation of WHO’s outlook and to the adoption of the goal of “health for all by the year 2000” through the approach of primary health care. Although WHO’s great achievement remained the eradication of smallpox, the HIV/AIDS pandemic and a virulent resurgence of preventable diseases like malaria and tuberculosis posed grave challenges to the goal of “health for all” as the 21st century dawned. The main task of WHO since its founding has been to work to ensure that people everywhere have access to health services that will enable them to lead socially and economically productive lives.

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## CREATION

During the 19th century, waves of communicable diseases swept Europe, accompanying the growth of railways and steam navigation. Yet the first international sanitary conference, attended by 12 governments, was not held until 1851. An international convention on quarantine was drawn up, but it was ratified by only three states. Progress was slow.

The limited objectives of the nations participating in these early conferences also militated against the success of international health efforts. International public health did not come of age until the 20th century. The first international health bureau with its own secretariat was established by the republics of the Americas in 1902—the International Sanitary Bureau. The name was changed in 1923 to the Pan American Sanitary Bureau.

The idea of a permanent international agency to deal with health questions was seriously discussed for the first time at the 1874 conference, but it was not until 1903 that the establishment of such an agency was recommended. By that time, scientific discoveries concerning cholera, plague, and yellow fever had been generally accepted. The agency, known as the Office International d’Hygiène Publique (OIHP), was created in December 1907 by an agreement signed by 12 states (Belgium, Brazil, Egypt, France, Italy, the Netherlands, Portugal, Russia, Spain, Switzerland, the United Kingdom, and the United States). The OIHP was located in Paris, and its first staff consisted of nine persons. Originally a predominantly European institution, the OIHP grew to include nearly 60 countries and colonies by 1914.

World War I left in its wake disastrous pandemics. The influenza wave of 1918–19 was estimated to have killed 15 to 20 million people, and in 1919, almost 250,000 cases of typhus were reported in Poland and more than 1.6 million in the USSR. Other disasters also made heavy demands on the OIHP, which found itself overburdened with work.

Early in 1920, a plan for a permanent international health organization was approved by the League of Nations. United official action to combat the typhus epidemic then raging in Poland was urged by the League’s Council. The OIHP, however, was unable to participate in an interim combined League-OIHP committee. This was partly because the United States, which was not a member of the League, wished to remain in the OIHP but could not if the OIHP were absorbed into a League-connected agency. The OIHP existed for another generation, maintaining a formal relationship with the League of Nations.

The OIHP’s main concern continued to be supervision and improvement of international quarantine measures. Smallpox and typhus were added to the quarantinable diseases by the International Sanitary Convention in 1926. Also adopted were measures requiring governments to notify the OIHP immediately of any outbreak of plague, cholera, or yellow fever or of the appearance of smallpox or typhus in epidemic form.

The League of Nations established a permanent epidemiological intelligence service to collect and disseminate data worldwide on the status of epidemic diseases of international significance. The Malaria Commission was founded and adopted a new international approach: to study and advise on control of the disease in regions where it existed rather than to work out the conventional precautions needed to prevent its spread from country to country. The annual reports of the League’s Cancer Commission on such matters as results of radiotherapy in cancer of the uterus became an important source of international information on that disease. Other technical commissions included those on typhus, leprosy, and biological standardization.

Most of the work of the OIHP and the League’s health units was cut short by World War II, although the *Weekly Epidemiological Record* continued. Fear of new postwar epidemics prompted the Allies to draw up plans for action. At its first meeting in 1943, the newly created United Nations Relief and Rehabilitation Adminis-

tration (UNRRA) put health work among its “primary and fundamental responsibilities.”

At its first meeting, in 1946, the UN Economic and Social Council decided to call an international conference to consider the establishment of a single health organization of the UN. The conference met in New York and on 22 July adopted a constitution for the World Health Organization, which would carry on the functions previously performed by the League and the OIHP.

WHO did not come into existence until 7 April 1948, when its constitution was ratified by the required 26 UN member states. In the meantime, UNRRA was dissolved, and a WHO Interim Commission carried out the most indispensable of UNRRA's health functions. The first WHO assembly convened in June 1948.

Among the severe problems that beset the Interim Commission was a cholera epidemic in Egypt in 1947. Three cases were reported on 22 September; by October, 33,000 cases were reported in widely separated areas on both sides of the Red Sea and the Suez Canal. Urgent calls for vaccine were sent out by the Interim Commission within hours after the first three cases were reported, and by means of a history-making cholera airlift, 20 million doses of vaccine were flown to Cairo from the United States, the USSR, India, and elsewhere, one-third of them outright gifts. The cholera epidemic claimed 20,472 lives in Egypt by February 1948. During the epidemic the number of countries ratifying WHO's constitution increased by almost 50%.

## PURPOSES

WHO's main functions can be summed up as follows: to act as a directing and coordinating authority on international health work, to ensure valid and productive technical cooperation, and to promote research.

The objective of WHO is the attainment by all peoples of the highest possible level of health. Health, as defined in the WHO Constitution, is a state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity. In support of its main objective, the organization has a wide range of functions, including the following:

- To act as the directing and coordinating authority on international health work;
- To promote technical cooperation;
- To assist Governments, upon request, in strengthening health services;
- To furnish appropriate technical assistance and, in emergencies, necessary aid, upon the request or acceptance of Governments;
- To stimulate and advance work on the prevention and control of epidemic, endemic, and other diseases;
- To promote, in cooperation with other specialized agencies where necessary, the improvement of nutrition, housing, sanitation, recreation, economic or working conditions, and other aspects of environmental hygiene;
- To promote and coordinate biomedical and health services research;
- To promote improved standards of teaching and training in the health, medical and related professions;
- To establish and stimulate the establishment of international standards for biological, pharmaceutical, and similar products, and to standardize diagnostic procedures;
- To foster activities in the field of mental health, especially those activities affecting the harmony of human relations.

WHO also proposes conventions, agreements, and regulations and makes recommendations about international nomenclature of diseases, causes of death, and public health practices. It develops, establishes, and promotes international standards concerning foods and biological, pharmaceutical, and similar substances.

## MEMBERSHIP

UN members can join WHO by unilateral, formal notification to the UN secretary-general that they accept the WHO constitution. A non-UN member may be admitted if its application is approved by a simple majority vote of the World Health Assembly. Territories or groups of territories “not responsible for the conduct of their international relations” may be admitted as associate members upon application by the authority responsible for their international relations.

As of May 2006, WHO had 192 member states.

## STRUCTURE

The principal organs of WHO are the World Health Assembly, the Executive Board, and the secretariat, headed by a director-general.

### World Health Assembly

All WHO members are represented in the World Health Assembly. Each member has one vote but may send three delegates. According to the WHO constitution, the delegates are to be chosen for their technical competence and preferably should represent national health administrations. Delegations may include alternates and advisers. The assembly meets annually, usually in May, for approximately three weeks. Most assemblies have been held at WHO headquarters in Geneva. A president is elected by each assembly.

The World Health Assembly determines the policies of the organization and deals with budgetary, administrative, and similar questions. By a two-thirds vote, the assembly may adopt conventions or agreements. While these are not binding on member governments until accepted by them, WHO members have to “take action” leading to their acceptance within 18 months. Thus, each member government, even if its delegation voted against a convention in the assembly, must act. For example, it must submit the convention to its legislature for ratification. It must then notify WHO of the action taken. If the action is unsuccessful, it must notify WHO of the reasons for nonacceptance.

In addition, the assembly has quasi-legislative powers to adopt regulations on important technical matters specified in the WHO constitution. Once such a regulation is adopted by the assembly, it applies to all WHO member countries (including those whose delegates voted against it) except those whose governments specifically notify WHO that they reject the regulation or accept it only with certain reservations.

WHO is empowered to introduce uniform technical regulations on the following matters:

- sanitary and quarantine requirements and other procedures designed to prevent international epidemics;

- nomenclature with respect to disease, causes of death, and public health practices;
- standards with respect to diagnostic procedures for international use;
- standards with respect to safety, purity, and potency of biological, pharmaceutical, and similar products in international commerce; and
- advertising and labeling of biological, pharmaceutical, and similar products in international commerce.

The assembly, at its first session in 1948, adopted World Health Regulation No. 1, *Nomenclature with Respect to Diseases and Causes of Death*. This regulation guides member countries in compiling statistics on disease and death and, by providing for a standardized nomenclature, facilitates their comparison. World Health Regulation No. 2 deals with quarantinable diseases.

Each year, the assembly doubles as a scientific conference on a specific topic of worldwide health interest, selected in advance. These technical discussions are held in addition to other business. They enable the delegates, who as a rule are top-ranking public health experts, to discuss common problems more thoroughly than formal committee debates would permit. Governments are asked to contribute special working papers and studies to these discussions and, if practicable, to send experts on the matters to be discussed with their delegations.

#### Executive Board

The World Health Assembly may elect any 32 member countries (the only rule being equitable geographical distribution) for three-year terms, and each of the countries elected designates one person “technically qualified in the field of health” to the WHO Executive Board. The countries are elected by rotation, one-third of the membership being replaced every year, and may succeed themselves. Board members serve as individuals and not as representatives of their governments.

The Executive Board meets twice a year, for sessions of a few days to several weeks, but it may convene a special meeting at any time. One of its important functions is to prepare the agenda of the World Health Assembly. The WHO constitution authorizes the board “to take emergency measures within the functions and financial resources of the Organization to deal with events requiring immediate action. In particular, it may authorize the director-general to take the necessary steps to combat epidemics and to participate in the organization of health relief to victims of a calamity.”

#### Director General and Secretariat

The secretariat comprises the technical and administrative personnel of the organization. It is headed by a director-general, appointed by the World Health Assembly. The first director-general of WHO was Dr. Brock Chisholm of Canada. He was succeeded in 1953 by Dr. Marcolino G. Candau of Brazil and in 1973 by Dr. Halfdan T. Mahler of Denmark. Dr. Mahler served WHO for 15 years and was declared Director-General Emeritus upon his retirement in 1988. Dr. Hiroshi Nakajima of Japan was elected Director General in 1988 and re-elected to a second five-year term

in 1993. Dr. Gro Harlem Brundtland succeeded him in 1998. In 2003, Lee Jong-wook of South Korea became Director General.

WHO is staffed by some 3,500 health and other experts in both professional and general service categories, working at headquarters and in the regional offices. WHO has six regional offices, each covering a major geographic region of the world. These are located in Cairo for the Eastern Mediterranean area, in Manila for the Western Pacific area, in New Delhi for the Southeast Asia area, in Copenhagen for Europe, in Brazzaville for the African area, and in Washington, D.C., where the directing council of the Pan American Health Organization acts as the regional committee of WHO in the Americas.

While all work of direct assistance to individual member governments is decentralized to the regional offices, the Geneva headquarters is where the work of the regions is coordinated and worldwide technical services are organized, including collection and dissemination of information. The headquarters cooperates with the UN, the other specialized agencies, and voluntary organizations and is responsible for medical research.

WHO assistance is given in response to a request from a government. Member governments meet annually in regional committees to review and plan WHO activities for their areas. Requests are consolidated by the regional directors and forwarded to the director-general, who incorporates regional programs and their estimated costs into the overall WHO draft program and budget. The program and budget, after review by the Executive Board, are submitted to the World Health Assembly.

#### BUDGET

For 1949, the first year of WHO's existence, its regular budget amounted to us\$5 million. A regular working budget of us\$951,083,000 was approved by the World Health Assembly for the 2006–07 biennium. Voluntary contributions totaled us\$2,234,021,000. WHO reported that among programs supported were the following: malaria prevention and control; addressing the global AIDS pandemic; control of a resurgence of tuberculosis; fighting cancer, cardiovascular diseases and diabetes, especially in poor and transitional economies; addressing the health and economic aspects of tobacco; maternal health; food safety; mental health; safe blood programs, to fight HIV/AIDS and deal with the growing disease burden among women, children, and accident and trauma victims; and development of effective and sustainable health systems. WHO's emergency and humanitarian relief operations also received additional funds, reflecting the increased demands by the world community on all UN organizations to respond to natural and man-made disasters.

#### ACTIVITIES

Under the global “health for all” strategy, WHO and its member states have resolved to place special emphasis on the developing countries. Nevertheless, the benefits of WHO's international health work are reaped by all countries, including the most developed. For example, all nations have benefited from their contributions to the WHO programs that led to the global eradication of smallpox and to better and cheaper ways of controlling tuberculosis.

Prevention is a key word in WHO. The organization believes that immunization, which prevents the six major communicable

diseases of childhood—diphtheria, measles, poliomyelitis, tetanus, tuberculosis, and whooping cough—should be available to all children who need it. WHO is leading a worldwide campaign to provide effective immunization for all children in cooperation with UNICEF.

Provision of safe drinking water and adequate excreta disposal for all are the objectives of the International Drinking Water Supply and Sanitation Decade proclaimed by the UN General Assembly in 1980 and supported by WHO.

WHO is also active in international efforts to combat the diarrheal diseases, killers of infants and young children. The widespread introduction of oral rehydration salts, together with improved drinking water supply and sanitation, will, it is hoped, greatly reduce childhood mortality from diarrhea.

WHO's program for primary health care comprises eight essential elements:

- education concerning prevalent health problems and the methods of preventing and controlling them;
- promotion of food supply and proper nutrition;
- maintenance of an adequate supply of safe water and basic sanitation;
- provision of maternal and child health care, including family planning;
- immunization against the major infectious diseases;
- prevention and control of locally endemic diseases;
- appropriate treatment of common diseases and injuries; and
- provision of essential drugs.

These eight elements were defined in the Declaration of Alma-Ata, which emerged from the International Conference on Primary Health Care, held in Alma-Ata, USSR, in 1978.

#### A. Disease Research, Control and Prevention

##### **UNAIDS Programme**

The Acquired Immune Deficiency Syndrome (AIDS) pandemic is an international health problem of extraordinary scope and urgency. The mission of UNAIDS is to mobilize an effective, equitable, and ethical response to the pandemic. It strives to raise awareness, stimulate solidarity, and unify worldwide action. UNAIDS works with countries to develop programs to prevent HIV transmission and reduce the suffering of people already affected. It provides technical and policy guidance to governments, other United Nations agencies, and non-governmental organizations. It also promotes and supports research to develop new technologies, interventions, and approaches to AIDS prevention and care. Its inception in 1988 was first as the Global Programme on AIDS. UNAIDS combines the efforts of six other UN system organizations, including UNDP, the World Bank, UNICEF, UNFPA, WHO, and UNESCO. Since January 1996, the joint and co-sponsored UN Programme on HIV/AIDS, or UNAIDS, has been operational to better coordinate fund raising and prevention efforts.

WHO estimated that in 2005 approximately 40.3 million people were living with HIV/AIDS. It was also estimated that during 2005, 4.9 million people (including 700,000 children under the age of 15) became infected. It was estimated that in 2005, 3.1 million adults and children died because of HIV/AIDS. In 2005, approximately 570,000 of these deaths occurred among children.

The total number of deaths worldwide due to HIV/AIDS since the beginning of the epidemic until the end of 2005 was more than 25 million. Of the 40.3 million people living with HIV/AIDS in 2005, 25.8 million (approximately 70%) lived in Sub-Saharan Africa, the region that has been hardest hit by AIDS/HIV.

The disease is caused by a virus which destroys the body's innate capacity to withstand disease (the immune system). As the immune system is weakened, infected persons can no longer resist diseases which cause diarrhea, fatigue, severe weight loss, and skin lesions. Eventually, the AIDS-related illnesses cause death. Persons become infected with the HIV virus by contact with body fluids like semen (during sexual intercourse) or blood (if they receive contaminated blood during a transfusion). Intravenous drug users who share hypodermic needles have been shown to be at great risk for contracting HIV. HIV cannot be transmitted by air or simple touch. The insidious nature of the disease contributed to its silent explosion into the world population, since infected persons do not show signs of infection for as many as six to ten years.

AIDS was already an international epidemic (a "pandemic") by the time it was first recognized in 1981. In late 1983, WHO held the first international meeting on AIDS in Geneva. In February 1987, WHO established its Special Programme on AIDS in order to develop a global strategy for AIDS control, obtain financial resources, and begin implementation of the program. In 1988, the Executive Board renamed it the Global Programme on AIDS (GPA). Today it is known as UNAIDS Programme. The main objectives of the global strategy are:

- to prevent HIV infections;
- to reduce the personal and social impact of HIV infection; and
- to mobilize and unify national and international efforts against AIDS.

The global strategy was updated in 1992 to place increased emphasis on:

- health care for AIDS patients;
- treatment for sexually transmitted diseases;
- improving the status of women in developing countries in order to reduce the risk of infection;
- providing more frank information about AIDS;
- planning for the socio-economic impact of the pandemic;
- overcoming stigmatization and discrimination directed at persons infected with HIV/AIDS.

A World Summit of Ministers of Health on Programmes for AIDS Prevention was held in London in January 1988. The summit proclaimed 1 December as World AIDS Day. In 1989 the World Health Assembly resolved to make World AIDS Day the annual focus for worldwide efforts against AIDS. That same year, WHO established a Global Commission on AIDS to provide the Director General with broad policy and scientific guidance from eminent experts representing a wide variety of disciplines. By the end of 1991, AIDS programs had been established in every WHO member country.

In June 2001, the General Assembly held a Special Session on HIV/AIDS, at which 189 member states adopted a “Declaration of Commitment,” setting forth a plan to establish time-bound targets to which governments and the UN might be held accountable. They included the goal to reduce by 2005 HIV prevalence among young men and women aged 15 to 24 in the most affected countries by 25%, and by 25% globally by 2010. Also, it was hoped that by 2005, an overall target could be reached of annual expenditure on the epidemic of between US\$7 billion and US\$10 billion in low and middle-income countries and those countries experiencing or at risk of experiencing rapid expansion for prevention, care, treatment, support and mitigation of the impact of HIV/AIDS.

On 12 December 2002, a new international alliance, the International HIV Treatment Access Coalition (ITAC), was launched in Geneva and Dakar. It aims to boost efforts to provide access to antiretroviral drugs to the growing number of people with HIV/AIDS in low and middle income countries.

In 2003, the WHO and UNAIDS launched a program called the “3 by 5 Initiative.” It was a global target to provide 3 million people living with HIV/AIDS in low- and middle-income countries with life-prolonging antiretroviral treatment by the end of 2005. It was a step toward the goal of making universal HIV/AIDS prevention and treatment accessible to all who need them as a basic human right.

#### **Tuberculosis**

In April 1993, WHO declared a tuberculosis (TB) global emergency. WHO said that 35 years of neglect by governments, and a linkage to the HIV/AIDS pandemic, had led to a resurgence of the bacillus that causes tuberculosis. In New York City, the incidence of TB rose 150% between 1980 and 1993, prompting WHO to declare a global TB epidemic. The link between HIV/AIDS and tuberculosis, which were fueling each other, was so pronounced that by 1994 WHO called the phenomenon a co-epidemic. The breakdown in health services, the spread of HIV/AIDS, and the emergence of strains of TB that are multidrug-resistant contributed to the worsening impact of the disease. As of 2005, although estimated per capita TB incidence was stable or falling in five out of six WHO regional areas, it was still growing at 0.6% annually. Tuberculosis was killing approximately 1.7 million people a year. Health experts estimated that between 2000 and 2020, nearly one billion people would be newly infected, 200 million people would get sick, and 35 million would die from TB if the disease was not controlled.

Tuberculosis is an age-old killer, traces of which have been found in the lungs of 3,000-year-old Egyptian mummies. It is caused by a bacillus that infects the lungs, forming knobby lesions called “tubercles.” Up until the 20th century it was commonly called “consumption.” Today the bacillus responsible for TB is called *Mycobacterium tuberculosis*. The first diagnostic test was discovered in 1905 and the first vaccine was created in France in 1921. The first antibiotic effective against TB, streptomycin, was discovered in 1944 in the United States. By 1960, chemotherapy for TB was so effective, sanatoria in mountain areas which had been used for more than a century to care for TB patients were closed. TB was presumed dead, at least in the industrialized world: public health measures for TB control were dismantled, and funding for research fell to a trickle. However, multidrug-resistant (MDR)

strains began to flourish as patients being treated with antibiotics neglected to completely finish a course of treatment. In New York City, MDR strains accounted for only 7% of all TB strains in the early 1980s. By 1992, more than one-third of the strains tested were resistant to one drug, and almost one-fifth were resistant to the two main drugs.

WHO contends that the rise of tuberculosis in the industrialized world is linked not only to HIV/AIDS, but also to inadequate funding of international programs to combat tuberculosis in the developing world. The organization has insisted that it will be impossible to control TB in the industrialized countries unless it is sharply reduced in Africa, Asia, and Latin America.

The WHO Tuberculosis Programme aimed to cut the annual death toll from TB from 3 million deaths in 1992 to 1.6 million by 2002, but that goal was not reached. WHO predicts that about US\$100 million needs to be spent each year to provide medicines, microscopes, and a modest infrastructure enabling poor countries to undertake successful tuberculosis programs. WHO reports that in the developing world, a complete cure could cost as little as US\$13 per patient. However, the treatment of a patient with a multidrug-resistant strain of TB in New York City could cost US\$180,000 per patient.

As of 2006, WHO targets were to detect 70% of new infectious TB cases and to cure 85% of those detected. By 2015, WHO aimed to reduce TB prevalence and death rates by 50% relative to 1990, and by 2050, to eliminate TB as a public health problem (1 case per million population). In 2006, the WHO launched the new Stop TB Strategy. The core of this strategy is DOTS, a TB control approach launched by the WHO in 1995. Since then 22 million people had been treated under DOTS-based services.

#### **The Tropical Disease Research Programme**

The UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases (TDR) was set up in 1975 to target malaria, schistosomiasis (bilharzia or “snail fever”), leishmaniasis, African trypanosomiasis (sleeping sickness), American trypanosomiasis (Chagas disease), lymphatic filariasis (which leads to elephantiasis), onchocerciasis (river blindness), and leprosy. Almost 500 million people, nearly all of them in developing countries, suffer from these diseases, which can cause terrible anguish, deformity, and death. At the same time, they cause considerable economic losses and frequently interfere with development projects (particularly water projects such as dams and irrigation schemes, and planned and unplanned forestry).

The death toll from the diseases—particularly among children from malaria in Africa—is expected to double by 2010, possibly reaching four million lives a year, unless radical solutions are found. Population increase, the spread of parasite resistance, mass migrations, environmental disturbance, and disruption of control programs through economic devastation, civil unrest, and wars, all contribute to the tropical disease problem.

TDR has a mandate to:

- Develop new methods of preventing, diagnosing, and treating tropical diseases, methods that would be applicable, acceptable, and affordable by developing countries, require minimal skills or supervision, and be readily integrated into the health services of these countries.

- Strengthen—through training in biomedical and social sciences and through support to institutions—the capability of developing countries to undertake the research required to develop and apply these new methods.

In this work, TDR collaborates closely with WHO's Division of Control of Tropical Diseases (CTD), and with many other WHO programs and outside bodies concerned with tropical disease research and control.

TDR acts to some extent like a research council, supporting investigator-initiated projects selected by peer-review, and to some extent as a pro-active agency commissioning the research required to reach its objectives. A quarter of TDR's funds goes to research capability strengthening (RCS) in developing countries. This RCS work is being increasingly combined with the performance of needed research: "training by doing."

Over the eighteen years of TDR's existence, a large number of drugs, diagnostic techniques, vector control agents, and other products have been developed, and in conjunction with national and international control programs there has been considerable success in applying these to reduce (or potentially reduce) the burden of some of the tropical diseases—notably leprosy, onchocerciasis, and Chagas disease. The other diseases still pose major problems, either globally or regionally.

TDR's research targets, and the appropriate management and decision-making structure to reach those targets was thoroughly reviewed in 1992–93. A new structure, initiated in 1994, gave the program greater focus on priority targets and more flexibility to identify and respond to the practical health and control needs of populations. The structure is divided into three functional areas: basic and strategic research (STR); product research and development (PRD); and research capability strengthening (RCS).

*Basic and Strategic research.* STR activities are divided into three areas, each of which is managed through a steering committee: pathogenesis and applied genomics; molecular entomology; and social, economic and behavioral research. The pathogenesis and applied genomics committee emphasizes using genome information and advances in functional genomics to understand the mechanisms leading to disease and to the survival of parasites and viruses. The molecular entomology committee focuses on malaria and dengue research, aiming to develop ways to replace natural mosquitoes in the wild with mosquitoes that are unable to support the development of malaria parasites or the dengue virus. The third committee supports research to investigate how social, behavioral, political, economic, and health factors affect disease patterns and control.

*Product research and development.* This arm of TDR is divided into three areas. Product discovery focuses on the discovery of new compounds, and the research is managed by a drug research committee and a vaccine research committee. Product development develops molecules to the regulatory approval and registration stage. And diagnostics research and development combines discovery and the development of new diagnostics.

*Research Capability Strengthening.* This program of TDR was established to strengthen the capacity of disease-endemic countries to carry out and sustain research. Specifically, RCS aims to promote and fund research training and institution development, and

increase the participation of developing countries' TDR research and development agenda.

TDR's particular strength is that, as part of the United Nations system, it enjoys a world view of the tropical disease scene and the standing conferred by a lack of partisan or profit-making motivation. These assets explain in large measure TDR's rapid success in creating an international network of over 5000 scientists, which gives it access to a broad range of expertise and scientific disciplines.

Through its WHO connection, TDR has ready access to programs and units working in related fields and—most importantly, with its new focus on the field and on national control programs—to WHO's 192 Member States. TDR can call on government support in endemic regions in order to engage populations and facilities in multi-center field trials rapidly and at very low cost.

### **Leprosy**

Leprosy, also known as Hansen's disease, has been a serious public health problem in the developing countries. But the widespread use of multidrug therapy (MDT) has reduced the disease burden dramatically. In the last 15 years of the 20th century, 10 million leprosy patients were cured, the prevalence rate dropped by 85%, and the number of countries where leprosy remained a public health problem dropped from 122 to 24. The prevalence rate at the global level was reduced to less than one case per 10,000 persons in 2000, and health experts believe there will be a natural interruption of transmission over time and future generations will not contract the disease.

At the end of the 20th century, the prevalence rate at the global level was 1.4 cases per 10,000 people. At the beginning of 2005, the number of leprosy patients in the world was around 286,000, which was a 20% annual decrease in new cases detected globally since 2001. Approximately 410 000 new cases of leprosy were detected during 2004 compared to a peak of 804 000 in 1998. At the beginning of 2005, 290,000 cases were undergoing treatment. In nine countries in Africa, Asia and Latin America, leprosy is still considered a public health problem; these countries account for about 75% of the global disease burden. Intensive efforts are still needed to reach the leprosy elimination target in five countries: Brazil, India, Madagascar, Mozambique, and Nepal.

In order to eradicate leprosy, WHO stated that political commitments needed to be strengthened in countries where leprosy remained a public health problem. Additionally, it said that strong leadership by ministries of health was absolutely necessary, particularly in some of the major endemic countries. Finally, the organization estimated that US\$100 million was needed for the period 2000–05, of which US\$54 million had been pledged through 1998.

### **Malaria**

As of 2002, WHO reported that malaria was a public health problem in more than 90 countries, inhabited by a total of some 2.4 billion people or roughly 40% of the world's population. At the time, worldwide prevalence of the disease was estimated to be approximately 300 clinical cases a year, with more than 90% of the cases occurring in sub-Saharan Africa. Up to 30% of malaria deaths in Africa occur in the wake of war. Of those contracting the disease, an estimated 100,000 die each year, with the majority of deaths occurring among young African children. WHO stated that other



high-risk groups were pregnant women, and non-immune travelers, refugees and other displaced persons, and workers entering endemic areas.

Malaria has been a priority for WHO since its founding in 1948. Control activities are coordinated by WHO's Programme on Communicable Diseases (CDS). The four basic technical elements of WHO's global control strategy are: provision of early diagnosis and prompt treatment for the disease; planning and implementation of selective and sustainable preventive measures; early detection for the prevention or containment of epidemics; and, strengthening local research capacities to promote regular assessment of malaria situations, in particular the ecological, social and economic determinants of the disease.

In 1992, WHO convened a Ministerial Conference on Malaria in Amsterdam which was attended by health leaders from 102 countries and representatives of United Nations bodies and non-governmental organizations. The conference endorsed a global malaria control strategy. WHO planned to implement control programs in 90% of the countries affected by the disease no later than 1997. The target was to reduce mortality by at least 20% between 1995 and 2000.

WHO has published many books in support of its fight against malaria, including: *A Global Strategy for Malaria Control*, *Basic Malaria Microscopy*, *Parasitic Diseases in Water Resources Development*, and books in many languages on the diagnosis and treatment of malaria.

#### **Smallpox**

The eradication of smallpox is among the finest achievements of WHO, which coordinated the international effort to combat this disease. It is the first time in history that a human malady has ever been totally eliminated. This became feasible because the virus causing the disease was transmitted only by direct human contagion; there were no animal reservoirs or human "carriers." Victims of the disease were immune to further attacks, while successful vaccination at three-year intervals gave essentially complete protection.

Eradication was based on a twofold strategy of surveillance containment and vaccination. Rapid detection of cases, their immediate isolation, and the vaccination of anyone with whom the patient could have come in contact during the infective period, lasting about three weeks after the onset of rash, prevented further transmission. Implementation of these procedures, coupled with the basic immunity level attributable to routine immunization, resulted in the eradication of smallpox everywhere in the world.

Although a global program of eradication was initiated in 1959, it was not until 1967, when a special WHO budget with increased bilateral and multilateral support was prepared, that a definitive target date of 10 years was set for global eradication. By the end of 1977, this goal was achieved.

In 1967, 131,776 cases of smallpox were reported from 43 countries, 31 of which were classified as smallpox-endemic; however, the actual number of cases was estimated to have been between 10 million and 15 million, among whom possibly 1.5 to 2 million died. Since that time, WHO has convened many international commissions which certified smallpox eradication in 79 recently endemic countries. The global eradication of the disease was declared by the World Health Assembly in 1980. By 1985, all WHO

member states had discontinued routine smallpox vaccination, and no country required smallpox vaccination certificates from international travelers.

By 1993, the complete nucleotide sequence of the genomes of several strains of the virus had been determined, fulfilling the requirements set in 1990 for the final destruction of the remaining stock of variola virus. On 9 September 1994, an expert committee agreed that the destruction of the remaining clinical specimens of variola virus should take place on 30 June 1995, after confirmation by the May 1995 meeting of the World Health Assembly. The committee also recommended that 500,000 doses of smallpox vaccine be kept by WHO in case of an emergency and that the vaccine seed virus be maintained in the WHO Collaborating Centre on Smallpox Vaccine in Bilthoven, Netherlands.

In the wake of the 11 September 2001 terrorist attacks on the United States, many countries began to take definitive steps toward preventing such attacks, including those that might come from biological weapons. Five people in the United States died as a result of anthrax sent through the U.S. postal system in late 2001. Those events led to concern about the possibility of smallpox being used as a biological weapon. After UN Security Council Resolution 1441 was passed on 8 November 2002, calling on Iraq to immediately disarm itself of all weapons of mass destruction (nuclear, biological, and chemical), and to allow UN and IAEA weapons inspectors to enter the country, the United States announced a policy of smallpox vaccination. Smallpox vaccinations were given to select groups of Americans, including 500,000 military personnel and 500,000 civilian health care workers. The vaccine given to this population was the same as that used to eradicate smallpox as of 1980. Once a new vaccine was to be manufactured and licensed, it would be made available free to Americans who want it.

In 2002, the WHO announced that an approximate 200 million smallpox vaccine doses were available around the world, in addition to new purchases made by the United States. Much of the vaccine was old, frozen for several decades, but new types had been produced. Countries seen as likely terrorist targets were undertaking precautions against possible smallpox attacks. In 2002, they included Australia, which bought 50,000 doses of smallpox vaccine, and dedicated US\$11.4 million to anti-bioterrorism measures; Israel, which offered 15,000 emergency workers voluntary smallpox inoculations in 2002, and stated it had enough vaccine for everyone in the country, including the West Bank and Gaza; the United Kingdom, which announced it had plans to vaccinate emergency workers and to stockpile vaccine; Germany, which asked its states to buy smallpox vaccine for every resident, and itself purchased 6 million doses in 2002 (enough to vaccinate 24 million individuals when diluted); and Japan, which by 2002 spent US\$47.5 million on bioterror preparations, and planned to obtain 10 million smallpox doses by 2003.

#### **Cholera**

In 1961, cholera caused by *Vibrio cholerae* 01 *El Tor* began to spread from its endemic locations and gradually invaded practically all countries in the Western Pacific and Southeast Asia regions, most of which had been free from cholera for many years. Cholera continued to spread westward, reaching Pakistan, Afghanistan, Iran, and Uzbekistan (USSR) in 1965 and Iraq in 1966. In 1969 and 1970, it created great problems in the Middle

East, North and West Africa, and Europe and has since spread to most countries of Africa, becoming endemic in many of them. Its spread has been facilitated by the fact that most of the persons who come in contact with *El Tor vibrio* become mild cases or carriers of the disease. Between 1984 and 1990, reported cases of cholera had increased from 28,893 to 70,084, a 142% increase. By 1991, cholera had completed its spread around the globe and appeared in Latin America for the first time in this century. Extensive epidemics also recurred in Africa. In 1991, reports received by WHO indicated that 594,694 people contracted cholera, and of that number, 19,295 people died, more than in the previous five years combined.

Numerous field and laboratory studies showed that the control measures were not sufficiently effective. The anticholera vaccines in use, when tested in controlled field trials, were shown to protect at most about half the persons vaccinated and for less than six months. Some vaccines provided no protection at all.

In view of these findings, WHO intensified its research activities in improving treatment and vaccines; it also worked to reinforce the ability of governments to face the problem of cholera within the framework of control programs directed against diarrheal diseases in general.

A simple and inexpensive oral-rehydration treatment, proven effective in the 1970s for all acute diarrhea, has made cholera treatment substantially easier. As most of the cases of *El Tor vibrio* cholera cannot be differentiated from other diarrheal diseases on clinical grounds, WHO has developed a comprehensive and expanded program for the control of all diarrheal diseases, including cholera.

In April 1991, WHO created a Global Task Force on Cholera to strengthen global control efforts and improve preparedness. A new strain *Vibrio cholerae* O139 emerged in the period 1992–93, causing new epidemics and largely replacing *El Tor vibrio*. Reinforced efforts around the globe brought the disease under control during the 1990s: In 1998, the number of new cases dropped to 293,121, of which 10,586 died; in 2000, the raw figures decreased again—to some 140,000 cases resulting in approximately 5,000 deaths. Africa accounted for 87% of these cases. In 2004, a total of 56 countries reported to the WHO 101,383 cases and 2,345 deaths.

#### **Other communicable diseases**

WHO continues to monitor and sponsor research on influenza, viral hepatitis, arthropod-borne viruses, yellow fever, Japanese encephalitis, bubonic plague, meningitis, Legionellosis, and streptococcal infections.

#### **Diseases Transmissible Between Animals and Man (Zoonoses) and Related Problems**

Since its inception, WHO has been developing veterinary public health programs in cooperation with its member states. In the 1970s, WHO's veterinary public health program was reoriented toward more direct collaboration with member states in the development of national and intercountry programs in which zoonoses and food-borne disease control receive the highest priority. This action was justified because these diseases have become increasingly prevalent in many countries mainly as a result of the following factors: the greatly expanded international and national trade in live animals, animal products, and animal feedstuffs, which facilitates the spread of infection; the growth of urbaniza-

tion, coupled with the increased numbers of domestic and half-wild animals living in close association with city populations, which exposes more people to zoonoses; and changing patterns of land use, such as irrigation, together with new systems of animal farming, which may lead to changes in the ecology that disseminate and increase animal reservoirs of zoonoses.

The 1978 World Health Assembly adopted a resolution on "prevention and control of zoonoses and food-borne diseases due to animal products" in which member states were invited to formulate and implement appropriate country-wide programs for the control of zoonoses; to strengthen cooperation between national veterinary and public health services in improving the surveillance, prevention, and control of these diseases; and to collaborate further in ensuring the appropriate development of zoonoses centers. The resolution also requested the director-general of WHO to continue development of national, regional, and global strategies and of methods for the surveillance, prevention, and control of zoonoses, and to promote the extension of the network of zoonoses centers in all regions so that the necessary support could be provided to country health programs dealing with these diseases.

WHO cooperates with member states in planning, implementing, and evaluating their national zoonoses and food-borne disease control programs. WHO centers, such as those in Athens (Mediterranean Zoonoses Control Center) and Buenos Aires (Pan American Zoonoses Control Center), play an increasing role in direct collaboration with countries and in organizing intercountry technical cooperation.

#### **Global Epidemiological Surveillance**

In the *Weekly Epidemiological Record*, WHO publishes notes on communicable diseases of international importance and information concerning the application of international health regulations. In the past, the publication was chiefly a summary of the weekly or daily notifications of diseases under the regulations, with declarations of infected areas or of freedom from infection when attained. It then became the vehicle for timely reports, narrative summaries, and interpretative comments on a variety of communicable disease topics. Annual, semiannual, or quarterly summaries are published on major trends in diseases and on special programs, such as those on malaria and AIDS. Data from special surveillance programs, such as the global influenza program, the European program for salmonella, and dengue-hemorrhagic fever surveillance, are summarized and published at appropriate intervals. The *Weekly Epidemiological Record* also communicates important changes in international health regulations and policies of member states.

#### **Global Programme for Vaccines and Immunization**

Immunization, one of the most powerful and cost-effective weapons of disease prevention, remains tragically underutilized. Preventable diseases such as neonatal tetanus and poliomyelitis, which have been virtually eliminated in most of the developed world, continue to take a heavy toll in developing countries. Measles, whooping cough, diphtheria, and tuberculosis are serious health threats to children in developing countries, causing blindness, deafness, and even death. In 1993, WHO reported that 8 million children were dying annually in developing countries from

viral and bacterial illnesses, and 900 million were becoming severely ill.

*The Expanded Programme on Immunization (EPI)*. In 1974, with the help of UNICEF, UNDP, national donor agencies, and voluntary agencies, WHO initiated the Expanded Programme on Immunization, with the goal of providing immunizations for all children of the world by 1990.

In 1974, it was estimated that immunization coverage in the developing world was less than 5%. By 1987, coverage of children in developing countries in their first year of life with one dose of BCG and measles vaccines and three doses of DPT and poliomyelitis vaccines was reported to be between 45% and 55%. That level of immunization coverage was preventing over 1 million deaths and almost 200,000 cases of paralytic poliomyelitis a year in the developing world. In its coordinating role, WHO gave priority to the managerial training of health workers and the development of cold-chain systems in order to provide for the establishment of vaccine delivery mechanisms capable of achieving high coverage of susceptible populations with vaccines known to be safe and effective. WHO estimated that in 1990 alone, immunization programs reached more than 100 million infants each year, and saved 3.2 million children annually from measles, neonatal tetanus and pertussis. However, approximately 2.1 million children were still dying each year from the preventable diseases included in the EPI. Little progress had been made in extending coverage to hard-to-reach populations, and coverage in Africa had even begun to decline.

In 1993, WHO, UNICEF, UNDP, the World Bank, and the Rockefeller Foundation founded the *Children's Vaccine Initiative (CVI)*. The Initiative undertook the research and development of a heat-stable oral poliomyelitis vaccine, a single-dose tetanus toxoid vaccine, and an improved measles vaccine which could be given earlier in life. In 1994, the EPI and the Children's Vaccine Initiative were merged into the *Global Programme for Vaccines and Immunization (GPV)*, which also took over the activities of the WHO/UNDP Programme for Vaccine Development. The GPV was established to sustain the accomplishments of the EPI and the CVI, to achieve the goals for immunization and disease control set by the World Health Assembly and the World Summit for Children, and to add new and improved vaccines as they become available.

By 1999 the Global Programme for Vaccines and Immunization became the Department of Vaccines and Biologicals. Based on World Health Assembly targets, three major objectives were defined for the department: (1) innovation, including facilitating the development of new vaccines, simplifying immunization, and accelerating the introduction of new or improved vaccines (pneumococcal, Hib, rotavirus, and hepatitis B vaccines were given top priority); (2) establishing immunization systems, including increasing coverage to 90%, strengthening the system for epidemiological surveillance, and assuring the safety of vaccines; and (3) accelerated disease control through the eradication of polio by 2000, reducing measles cases by 90%, eliminating neonatal tetanus, and eliminating vitamin-A deficiency.

In June 2002, the European Region of the WHO was certified "polio free." That region included 870 million people living in 51 member states, stretching from Iceland to Tajikistan, and including the Russian Federation. Despite this achievement, the Polio Eradication Initiative faced an increase in global cases in 2002

over 2001. In 2002, 1,919 cases were reported compared to 483 in 2001. This increase was attributed to an epidemic in India, and a further increase in cases in Nigeria.

On 20 November 2002, the *State of the World's Vaccines and Immunization* report was launched, which highlights the importance of immunization as one of the most effective public health initiatives, and advocates for international support to speed progress for child health and disease control in developing and industrialized countries. The report examines the progress made in the field of immunization, and outlines the vaccines research agenda for the 21st century. It also offers policy options for promoting investment into immunization systems.

## B. Prevention and Control of Noncommunicable Diseases

### Cancer

Cancer, a noncommunicable disease, has been ranked as the second or third main cause of death globally among persons who survive the first five years of life. Contrary to the general belief that cancer occurs mainly in the industrialized world, it is estimated that more than half of all cancer patients today are in developing countries. By the year 2015, the annual figure is expected to reach 15 million cases, and by 2020, 20 million new cases. Some 70% of these are expected to occur in developing countries, which, as of the late-1990s, together had less than 5% of the resources for cancer control. Dramatic increases in life expectancy, combined with changes in lifestyles, were expected to lead to global epidemics of cancer and other chronic, non-communicable diseases. In 1997 alone, cancer claimed more than 6 million lives, or 12% of all deaths worldwide, and these figures continued to rise through the end of the decade.

Cancer Strategies for the New Millennium, an international conference, was convened in London in October 1998. It was attended by more than 100 professionals from 26 countries. At the event, WHO Cancer Programme chief Karol Sikora said action was needed from national governments working in close partnership with the private sector. WHO announced plans to work to reduce the global incidence of cancer by five million per year and reduce mortality by six million per year by 2020. "It's imperative that the private sector play its part since resources have become overstretched and the lives of millions of people are seriously at risk. Together, we can make a difference," said Sikora. WHO Director-General Dr. Gro Harlem Brundtland added that these goals were attainable given new strategies that are aimed at an integrated approach to cancer prevention, early detection, curative treatment, and palliative care. At the core of these strategies is the "cancer priority ladder," which provides internationally accepted priorities for developing effective national control program. The steps of the ladder include tobacco control, a curable cancer program, a healthy eating program, effective pain control, referral guidelines, clinical care guidelines, nurse education, a national cancer network, clinical evaluation, a clinical research program, a basic research program, and an international aid program. WHO said it would support such efforts by offering to its 191 member states a comprehensive program of expertise, channeled through national ministries of health and health departments.

The International Agency for Research on Cancer, located in Lyons, France, is associated with WHO and conducts research on

identification of carcinogenic factors in the environment, as well as lifestyle factors in cancer development.

#### **Cardiovascular Diseases**

*The MONICA Project.* WHO coordinated the Monitoring of Trends and Determinants of Cardiovascular Diseases (MONICA) which was established in 1979 and became operational in 39 collaborating centers located in 26 countries in October 1984. The MONICA project was the largest collaborative epidemiological study of these diseases ever carried out. It followed 25 million people between 25 and 64 years of age over a 10-year period, collecting data on coronary deaths, non-fatal heart attacks, coronary risk factors, and coronary care. By 1993, the main results from the MONICA study were: cross-sectional comparisons of risk factor levels; relations between various risk factors; five-year trends in risk factors; acute coronary care; medical services; cross-sectional comparisons of incidence rates for stroke; and management of stroke around the world. Several optional studies are being carried out in connection with MONICA on nutrition, anti-oxidant vitamins, polyunsaturated fatty acids, physical activity and psychosocial studies, and drug monitoring.

The MONICA data center was established at the National Public Health Institute in Finland, and prepared the data collection instruments and methodology for the study. It receives and analyzes the data collected. In 1993 the MONICA study entered its final stage of data collection. The final results of the study were made available in 1998 and were made accessible online at [www.ktl.fi/monica](http://www.ktl.fi/monica).

#### **Substance Abuse**

*Tobacco Use.* Cigarette smoking is one of the principal preventable causes of premature mortality and ill health, particularly in industrialized countries but also in developing countries, where it is spreading. As of 2006, more than 1 billion people in the world smoked, or 1 in 3 adults. According to WHO estimates, there are 5 million deaths a year from tobacco, a figure expected to rise to about 10 million by the 2020s or early 2030s. By that date, based on smoking trends, tobacco was predicted to be the leading cause of disease burden in the world, causing about one in eight deaths. Seventy percent of those deaths were expected to occur in developing countries. Smoking has been shown to be linked with circulatory complications in women using oral contraceptives, cause lower body weight in newborns of smoking mothers, decrease male and female fertility, and be associated with cancers of organs other than the lungs. Passive smoking causes a higher frequency of upper respiratory tract infections in children exposed to tobacco smoke. In adults, it is associated with a significantly higher risk of lung cancer among exposed nonsmokers. Tobacco chewing causes cancer of the mouth.

Tobacco use is considered as a dependence disorder in WHO's International Classification of Diseases. WHO has taken the lead in international action to stem the spread of smoking and its harmful health consequences. It collaborates with numerous national smoking and health associations around the world, as well as with nongovernmental organizations and other UN agencies. WHO collaborating reference centers assist in analyses of toxic components of cigarettes. Seminars and conferences muster scientific knowledge and political support.

In 1988, the World Health Assembly declared 31 May as a "World No Tobacco Day" to focus public attention and recognize contributions to healthy life-style free from tobacco use. In 1989 the WHA approved a plan of action on a program called "Tobacco or Health." The program promoted national tobacco control programs; provided advocacy and information services; and acted as a clearinghouse for activities in the field.

To improve the global response to tobacco as an important health issue, in July 1998, WHO Director-General Dr. Gro Harlem Brundtland established the Tobacco Free Initiative (TFI). The long-term mission of global tobacco control is to reduce smoking prevalence and tobacco consumption in all countries and among all groups, thereby reducing the burden of disease caused by tobacco. In support of this mission, the stated goals of the TFI are to: strengthen global support for evidence-based tobacco control policies and actions; build new partnerships and reinforce existing partnerships for action; heighten awareness of the social, human and economic harm of tobacco in all sectors of society, and the need to take comprehensive actions at all levels; accelerate national, regional, and global strategic planning, implementation and evaluation; commission policy research to support rapid, sustained, and innovative actions; mobilize adequate resources to support action; integrate tobacco into the broader agenda of health and development; and facilitate the development of an effective Framework Convention for Tobacco Control and related protocols. In achieving these goals, WHO stated that TFI would build strong internal and external partnerships with each WHO cluster and regional and country offices, and with a range of organizations and institutions around the world. WHO has also been instrumental in heightening awareness of World No-Tobacco Day (May 31 each year).

*Alcohol and Drug Abuse.* WHO is the executing agency for the United Nations Fund for Drug Abuse Control. In collaboration with the International Narcotics Control Board and the United Nations Division of Narcotic Drugs, WHO has prepared guidelines on drug-abuse reporting systems that give special attention to data on health, to complement the law enforcement data that are traditionally gathered. In 1991, WHO held an Inter-regional Meeting on Alcohol-Related Problems in Tokyo, which recommended a number of actions to reduce alcohol dependence in member states. In the 1992/93 biennium, the Abuse Trends Linkage Alerting System (ATLAS) was set up to gather health-related data from a variety of sources in order to assist in mobilizing efforts to reduce demand for dependence-producing substances. In 1993, WHO supplied global data on substance abuse for the World Bank's publication of *World Development Report 1993: Investing in Health*.

To better lead the fight against substance abuse, WHO established a Substance Abuse Department (SAB), which promoted the agency's "health for all" concept by working to reduce the incidence and prevalence of substance abuse. In the 1990s SAB began developing programs, coordinating research, and working with existing health departments and other organizations to curtail demand for alcohol and drugs (psychoactive substances). SAB placed emphasis on intervention research on the effects of urbanization and drug abuse among young people; developing a global database of model program and best practices; strengthening country capacity to reduce alcohol abuse; and reducing HIV/

AIDS-associated risks and consequences of substance abuse. In 2000, the Substance Abuse Department was merged with the Department of Mental Health (see “Mental Health” below) to form the Department of Mental Health and Substance Dependence.

### C. Primary Healthcare and Health Building

#### Family Health

“Health for all” requires that special attention be paid to specific population groups whose health and welfare have profound social, demographic, and economic implications for society. The health of mothers and children is particularly important because of the special biological and psychosocial needs inherent in the rapid process of human growth, needs which must be met in order to ensure the survival and healthy development of the fetus and the child, as well as to maintain the health and development of the mother. The health of young people is also important, since the energy and idealism of youth are important resources that can be channeled to the benefit of their societies.

WHO assists governments in the application of preventive, curative, and rehabilitative measures aimed at promoting and protecting the health of women and children and at strengthening the role of all family members in health care and child rearing. WHO's primary approaches are the following: (1) to identify the extent and nature of the major health needs of mothers, children, and young people; (2) to develop and adapt methods for the promotion of healthy behavior and the protection of women, children, and adolescents during vulnerable periods of rapid physiological and social changes, particularly relating to reproduction; (3) to provide technical guidance in the planning, management, and evaluation of preventive and curative programs of maternal and child health, including family planning; (4) to introduce and adapt training approaches for improving knowledge and skills in interpersonal and group communication and counseling, the health rationale for family planning, and innovative maternal and child health/family planning technologies; (5) to disseminate information on the health needs of women, children, and adolescents and on new ways of addressing those needs; (6) to identify and support research in basic clinical and applied aspects of pediatrics, adolescent medicine, gynecology and obstetrics, social psychology, and health systems; (7) to collaborate in the activities of national and international organizations concerned with maternal and child health/family planning and young people; and (8) to contribute to the development of intersectoral policies and programs.

In 1992, the World Health Assembly established the Global Commission for Women's Health (GCWH). The commission is composed of eminent persons from different professional fields and acts as an advisory body to the Directory General, providing independent scientific and technical advice on policies and strategies relating to women's health. The commission meets once a year.

At the commission's fifth meeting, in February 1997, US First Lady Hillary Rodham Clinton joined the GCWH in setting out a comprehensive agenda on the issue of maternal morbidity: According to WHO, the annual global estimated toll is close to 600,000 deaths (one woman dying every minute of every day) and eight million cases of disability from pregnancy-related causes. The GCWH dedicated itself to future advocacy to ensure that the tragedy of women dying in childbirth was not ignored. The First

Lady noted WHO's progress in women's health made since 1995's Beijing World Conference on Women. The Platform for Action, adopted by the Beijing Conference, highlighted the need to ensure universal access to appropriate, affordable and quality health care and services for women and girls as one of the 12 critical areas of concern requiring urgent attention by governments and the international community.

The agenda for women's health was furthered at the Beijing+5 conference, “Women 2000: Gender Equality, Development and Peace for the Twenty-first Century,” held June 2000 in New York City. Among the topics that were discussed at the forum were death during childbirth, HIV/AIDS and other sexually transmitted diseases, women in control of their own fertility, and malnutrition.

#### Reproductive Health

In 1993, the WHO Global Policy Council approved the following definition of reproductive health to provide a basis for action in this field. “Within the framework of WHO's definition of health as a state of complete physical, mental and social well-being, and not merely the absence of disease or infirmity, reproductive health addresses the reproductive processes, functions, and system at all stages of life. Reproductive health implies that people are able to have a responsible, satisfying, and safe sex life and that they have the capability to reproduce and the freedom to decide if, when, and how often to do so. Implicit in this last condition are the right of men and women to be informed of and to have access to safe, effective, affordable, and acceptable methods of fertility regulation of their choice, and the right of access to appropriate health care services that will enable women to go safely through pregnancy and childbirth and provide couples with the best chance of having a healthy infant.”

#### Nutrition

In addition to developing criteria and norms for assessing nutritional status, WHO strives to strengthen the capacities of countries to assess and evaluate their nutritional problems and associated factors and to develop and implement sectoral strategies to deal with the causes of those problems. Increasing the awareness of the world community of those problems for which solutions have been designed and tested has resulted in a significant increase in national programs to control iodine-deficiency disorders and vitamin A deficiency. At the same time, improvements in factors that have an influence on nutrition, such as disease prevention and management, food production, and education, have resulted in a decreased prevalence of undernutrition.

The International Conference on Nutrition, held in Rome in December 1992, was the culmination of more than two years' joint effort by WHO and FAO to promote awareness of the extent and seriousness of nutritional and diet-related problems. The conference was attended by more than 1,300 people representing 159 governments and some 160 international and nongovernmental organizations. The conference adopted the *World Declaration and Plan of Action for Nutrition* which declared its determination to eliminate hunger and reduce all forms of malnutrition, and called on the United Nations to declare an International Decade of Food and Nutrition. The conference attendees estimated that 780 million people in developing countries do not have access to enough food to meet their daily needs. It reaffirmed the right of women and adolescent girls to adequate nutrition. The conference set

ambitious goals of eliminating famine and famine-related deaths by the end of the decade and reducing starvation and widespread chronic hunger, especially among children, women, and the aged. It also called for the total elimination of inadequate sanitation and poor hygiene, including unsafe drinking water. Governments were urged to promote national plans of action based on the strategies developed at the conference and to allocate the financial and human resources needed to implement the necessary programs. In its report, the conference referred to the nutritional goals set by the Fourth United Nations Development Decade and the World Summit for Children.

In 1995, WHO reported that 31% of the world's children under the age of five who live in developing countries were underweight. A 1994 report urged member nations to implement the International Code of Marketing of Breast-milk Substitutes, adopted by the WHA in 1981, to protect women in developing world from being manipulated into feeding their infants breast-milk substitutes, a practice which had been shown to put infants at risk. A wide range of illnesses and nutrition-related disorders are prevented by breast-feeding children. WHO considers direct advertising of infant formula to mothers with infants in the first four to six months of life singularly inappropriate. The 1994 report stated that large sums were being spent misguidedly to provide breast-milk substitutes to the countries of Central and Eastern Europe within the context of food aid programs. The report noted that an adequate diet is more crucial in infancy than at any other time of life because infants have a high nutritional requirement in relation to body weight. Faulty nutrition during the first months has been proved to influence future health and development.

At the end of the century, WHO reported that overall progress in reducing protein-energy malnutrition among infants and young children was "exceedingly slow," and that the year-2000 goal of a 50% reduction in 1990 prevalence levels would not be met. This projected goal aimed at reducing global malnutrition by only 14.3% (89.8 million) in malnourished children under 5 years of age. In the year 2000, WHO reported an estimated 26.7% of the world's children under age 5 (149.6 million children) were still malnourished when measured in terms of weight for age. Nevertheless, this clearly represented significant progress when compared with the 31% who were underweight in 1995 and the 37.4% (accounting for 175.7 million children) who were malnourished in 1980. Geographically, more than 70% of children who suffer from protein malnourishment live in Asia, 26% in Africa and 4% in Latin America and the Caribbean. In 2006, one out of four preschool children suffered from under-nutrition, which can severely affect a child's mental and physical development. One out of three people in developing countries were affected by vitamin and mineral deficiencies.

#### **Rehabilitation of the Disabled**

Since the early 1950s, WHO has had a program for rehabilitation of the disabled. The program was initially set up to increase awareness of the problems faced by war veterans and to stimulate governments to provide increased services for this group.

During the 1970s, the program was reoriented to promote rehabilitation in developing countries. A new policy was accepted by the World Health Assembly in 1976, making rehabilitation part of primary health care services. WHO then developed a whole series

of teaching-training materials to be used at the community level. All of this material has been published in a manual entitled *Training in the Community for People with Disabilities*.

The basic idea governing the program is that training for disabled people can be successfully given by family members, under the guidance and supervision of a local health worker. Referral services are needed for some 30%, mostly for short-term interventions. The program stresses the importance of involving the family and community in rehabilitation.

New plans concentrate on development of the personnel needed for providing community-based rehabilitation services at the community and district levels. The aim is to broaden the population coverage so that most people with disabilities will have access to at least the essential services.

#### **Occupational Health**

WHO's Occupational Health Program has four main aims: (1) health protection of the underserved working populations who constitute the bulk of the economically productive persons in developing countries; (2) strengthening of general health services through the application of occupational health technologies and approaches; (3) workers' participation in their health care delivery systems; and (4) development of occupational health science, technology, and practice.

The program incorporates identification and control of "work-related diseases," recognition of neurobehavioral changes from occupational exposure to health hazards, control of occupational impairment in reproductive functions and other delayed effects and of adverse occupational psychosocial hazards, and the application of ergonomics as a factor in health promotion. WHO cooperates with countries in the development of their institutional framework for the health care of working people. Special attention is given to occupational health concerns of employed women, children, the elderly, migrant workers, and other groups.

#### **Environmental Health**

Safe drinking water, proper community sanitation (sewage disposal systems), rural and urban development, and housing standards are among the priorities of WHO's environmental health program. Many of WHO's projects in this area are carried out in collaboration with other United Nations agencies, including UNICEF, the World Bank, UNDP, and FAO.

Beginning in 1986, WHO sponsored a series of international consultations on cost recovery in community water supply and sanitation. Its *Guidelines for Drinking-water Quality* have been applied in developing countries. WHO has studied the technical aspects of wastewater reuse in agriculture and collaborated with UNEP, the World Bank, and FAO in formulating guidelines and defining strategies for safe wastewater reuse in agriculture.

WHO is also concerned with prevention and control of environmental pollution, and has produced technical manuals on the disposal of hazardous waste. The WHO/ILO/UNEP International Programme on Chemical Safety (IPCS) was established in 1980. It provides information on the risks to human health and the environment of potentially toxic chemicals, and guidance in the safe use of chemicals. The IPCS was designated by UNCED as the nucleus for international cooperation on environmentally sound management of toxic chemicals.

In 1992, the WHO Commission on Health and the Environment published *Our Planet, Our Health*, one of several documents that served as the basis of WHO's contribution to the United Nations Conference on Environment and Development (the Earth Summit) held in Rio de Janeiro in June 1992. The WHO endorsed a new global strategy for health and environment based on the Commission's recommendations. In August and September 2002, the UN hosted a World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa, as a 10-year follow-up to the 1992 Earth Summit. The WHO's contributions to WSSD focused on both overall, long-term benefits for social, economic, and environmental development that resulted from investment in people's health, and on the health aspects of specific issues on the summit's agenda. Its emphases included:

- The positive impact of health both as a good in its own right and as a means of advancing economic development and poverty reduction.
- The direct impact of environmental degradation and unsustainable use of natural resources on people's health, as well as the indirect impact on the livelihoods (and, therefore, health) of the poor.
- The need to assess the impact on people's health of development policies and practices.
- The importance of partnerships and alliances as a means of addressing threats to health and promoting sustainable development.

In the interest of helping member states pursue programs of sustainable development and healthy environments, WHO set up the Protection of the Human Environment (PHE) program and web site <http://www.who.int/peh/>. To organize its efforts, the WHO has distinguished between environmental threats to human health that are "traditional hazards" (those associated with lack of development) and threats that pose "modern hazards" (those associated with unsustainable development). Traditional hazards, which are related to poverty and lack of development, include lack of access to safe drinking-water; inadequate basic sanitation in the household and community; food contamination with pathogens; indoor air pollution from cooking and heating; inadequate solid waste disposal; occupational injury hazards in agriculture and cottage industries; and natural disasters, including floods, droughts, and earthquakes. Modern environmental hazards, which are related to excessive development (development without regard to adequate health and the environment and which requires the unsustainable consumption of natural resources) include water and air pollution; hazardous waste accumulation and disposal; chemical and radiation hazards; deforestation and land degradation; climate change; and depletion of the ozone layer.

WHO's environmental health activities include risk assessment and research, which help provide evidence for legislators to formulate laws and standards. In this work, WHO collaborates with national health and environment authorities. WHO also supports analysis of the current environmental situation and trends to assist in the development of international initiatives to combat hazards that cross national boundaries.

### Mental Health

In 2006 the WHO estimated that approximately 25% of individuals would be affected by mental, neurological, or behavioral problems at some stage in life. The vast majority of these people are believed to suffer from depression, anxiety disorders, schizophrenia, dementia, and epilepsy. One-third may be affected by more than one neuropsychiatric ailment and three-quarters of those affected live in developing countries.

In the 1990s World Health Organization substantially expanded its investment in mental health; the Department of Mental Health represented one of its major arms for this purpose. The mission of the department was to mainstream mental health within the UN system and the health sector of its member states; to increase parity between physical and mental health, and between the rights of those affected by mental problems and those not affected; to design effective mental health policies promoting social cohesion; and to identify, disseminate, and implement cost-effective interventions.

In 2000, the Department of Mental Health was merged with the Substance Abuse Department to form the Department of Mental Health and Substance Dependence. With respect to mental health, the department has two broad objectives: closing the gap between what is needed and what is currently available to reduce the burden of mental disorders worldwide, and promoting mental health. The department leads the mhGAP (mental health Global Action Programme) focusing on forging strategic partnerships that will enhance countries' capacity to address the stigma and burden of mental disorders and promote the mental wellbeing of populations. Over 100 centers around the world collaborate with the WHO in pursuing mental health objectives.

A number of international collaborative studies have been sponsored and coordinated by WHO. These have focused on the form and course of mental disorders in different cultures, the development of prevention and treatment methods, the operation of mental health services, and psychosocial aspects of health and health care. International exchange of information is fostered through publications, training courses, seminars, and networks of collaborating research and training centers in some 40 countries.

The mental health program also includes projects concerned with the development of standardized procedures, diagnostic classifications, and statistics necessary for an improved mental health information system and collaboration in mental health research, and a major program concerned with the prevention and treatment of alcohol and drug dependence.

In the late 1980s WHO launched an Initiative of Support to People Disabled by Mental Illness, intended to facilitate the dissemination of information about good practice in community services for people with chronic mental illnesses. The initiative seeks to reduce the disabling effects of chronic mental illness and highlight social and environmental barriers which hinder treatment and rehabilitation. The Initiative sought to involve the patient in decisions affecting his or her care. The prerequisites to that involvement were considered to be: the right to be empowered; the right to representation; the right to have access to one's own medical records; the right to be free of stigmatizing labels.

In 1989, WHO began a major study to investigate the types and frequency of psychological problems in 14 countries. By 1992, it had screened 25,000 patients aged 18 to 65. The patients were clas-

sified in different categories according to the symptoms, and their progress was followed for a one-year period.

In December 1991, the United Nations General Assembly, in its resolution 46/119, approved the Principles for the Protection of Persons with Mental Illness and the Improvement of Mental Health Care. This gave mental health advocacy groups a tool to publicize their views on empowerment. The Initiative has produced publications, including *Schizophrenia: Information for Families*, which has been translated into 15 languages.

WHO considers the promotion of mental health—that is, the improvement of the position that mental health occupies in the scale of values of individuals, communities, and societies—as one of its fundamental tasks and as being essential for human development and the quality of life.

#### D. Pharmaceuticals

##### **Pharmaceutical Products in International Commerce**

Since 1964, WHO has studied ways of ensuring that all drugs exported from a country comply with its domestic drug quality requirements. A Certification Scheme on the Quality of Pharmaceutical Products Moving in International Commerce was adopted by the World Health Assembly in 1969, and a revised version in 1975. According to the scheme, in which about 124 countries are participating, the health authorities of the exporting countries provide a certificate that the product is authorized for sale in the exporting country and that the plant in which the product is produced is subject to regular inspection to ensure that it conforms to good practices of manufacture and quality control as recommended by WHO. Also under the scheme, the importing country may request from the authorities of the exporting country additional information on the controls exercised on the product. In addition to the product certificate issued by the competent authority of the exporting country, batch certificates, stating that the quality of the batch complies with quality specifications and indicating the expiration date and storage conditions, may be issued either by the competent authority of the exporting country or by the manufacturer.

##### **International Biological Standardization**

Biological substances cannot be characterized entirely by physical or chemical means. Their activity can be controlled only by tests in which laboratory animals, microorganisms, cell cultures, or antigen-antibody reactions are used. Such assays use biological reference materials which have previously been determined, usually under the form of an international unitage system, by calibration against appropriate international reference materials.

Much work in this field was done under League of Nations auspices. By 1945, 34 international biological standards had been established for such substances as antibiotics, antibodies, antigens, blood products and related substances, and hormones. Since then, WHO has enlisted the collaboration of more than 100 laboratories to conduct international collaborative studies, and there are now more than 200 international standards available to national control authorities throughout the world.

The work on biological standardization has expanded considerably and comprises a number of additional activities, including the establishment of international reference reagents, mainly for the purpose of diagnosis and identification. Furthermore, in or-

der for manufacturers and national control authorities to achieve the production of biological substances which are safe and potent, international requirements on production and control have been prepared and are published in the *Technical Report Series*, released each year by the WHO Expert Committee on Biological Standardization. Such requirements are kept up to date in the light of developing technology. By the end of 1999, 48 sets of international requirements had been published. In addition, guidelines have been published on such subjects as the setting up of biological standards, the testing of kits used for the assay of biological substances, and the use of interferon therapy.

A complete list of international standards and international reference reagents is published by WHO in *Biological Substances*.

##### **Pharmaceutical Quality Control**

*International Pharmacopoeia.* Attempts to establish internationally agreed-upon specifications for therapeutic agents have been made since the 1850s. By 1910, limited agreements were reached concerning certain potent drugs. Since 1951, WHO has published the *International Pharmacopoeia*, which provides internationally acceptable standards for the purity and potency of pharmaceutical products moving in international commerce that are available for adoption by member states in accordance with the WHO constitution and resolutions of the World Health Assembly.

The first edition, consisting of two volumes and a supplement, was issued between 1951 and 1959. The second edition was published in 1967; a supplement was added in 1971 and additional monographs in 1972. Work on the third edition, started in 1975, aims to accommodate the needs of developing countries by offering sound standards for the essential drugs. Five volumes were issued in 1979, 1981, 1988, and 1994, and 2003.

*International Nonproprietary Names for Pharmaceutical Substances.* Many pharmaceutical substances are known not only by their nonproprietary, generic, or scientific names but by various trade names as well. In order to identify each pharmaceutical substance by a unique, universally available nonproprietary name, WHO has set up a procedure to select international nonproprietary names for pharmaceutical substances. Such names are published regularly in the *WHO Chronicle*. By the end of 1987, over 5,400 names had been proposed and published in 48 lists. A ninth cumulative list was published in 1996, and includes over 6,500 names.

*WHO Collaborating Center for Chemical Reference Substances.* As a further service in the area of drug quality control, the WHO Collaborating Center for Chemical Reference Substances was established in Sweden, at the Apotekens Centrallaboratorium, in 1955. Its function is to collect, assay, and store international chemical reference substances and to make them available free to national and nonprofit laboratories and institutes and, for a nominal fee, to commercial firms. About 140 chemical reference substances needed for tests and assays described in the *International Pharmacopoeia* are available.

*Good Practices in the Manufacture and Quality Control of Drugs.* To assist member states with technical advice on adequate control processes in drug manufacture, the World Health Assembly, in 1969, recommended the requirements in a publication entitled *Good Practices in the Manufacture and Quality Control of Drugs*. A revised text was adopted in 1975 by the assembly. Today it is pub-



lished in two volumes as *Quality Assurance of Pharmaceuticals: A Compendium of Guidelines and Related Materials*. The text contains requirements pertaining to personnel, premises, and equipment of manufacturing establishments and general hygienic and sanitation measures. Special requirements pertain to raw materials, manufacturing operations, and labeling and packaging of products. The organization and duties of a quality-control department and a quality-control laboratory are specified.

*Essential Drugs.* As early as 1975, the WHA had received reports of the experiences of a few countries who had adopted schemes of basic or essential drugs. The purpose was to help people in developing countries whose basic health needs could be met through the existing supply system by giving them access to the most necessary drugs. The WHA recommended that member states draw up national drug policies to ensure that the most essential drugs were available at a reasonable price, and to stimulate research and development to produce new drugs adapted to the real health requirements of developing countries. There was recognition that developing countries could not afford to waste scarce resources on drugs which either did not meet majority needs, or which were priced at a level which their societies could not afford.

In 1977, a WHO committee of experts met to determine how many drugs were really needed to ensure a reasonable level of healthcare for as many people as possible. It was determined that, in country after country, a surprisingly uniform picture of drug selection emerged. At the village health post or dispensary level, 10 to 15 drugs meet immediate needs. At the health center level, where the diagnostic and local facilities are better and the staff more highly trained, about 30 to 40 drugs will suffice for 80% to 90% of all complaints. District and provincial hospitals may need around 100 to 120 drugs, and the large referral and teaching hospitals the full range of 200 to 400. The committee's first *Model List of Essential Drugs* appeared in 1977 and contained some 200 items. By 1994 the list numbered 270 drugs. All of the drugs and vaccines on the list were of proven safety and efficacy, and possessed well understood therapeutic qualities. Most were no longer protected by patent and could be produced in quantity at reasonable cost. The *Model List* is revised every two years in order to respond to evolving needs and pharmaceutical advances. The list is not meant to be definitive, but to serve as a guideline for each country to pick and choose from in order to adopt a list of essential drugs according to its own priorities. The 14th edition was published in 2005: it contains 312 medicines.

In 1981, WHO launched its Action Programme on Essential Drugs to help narrow the list of drugs that would be essential for small medical units in developing countries. This program assists countries in developing their own legislation and methods of financing comprehensive drug programs. It also assists them in implementing the quality control monitoring regimes mentioned above. The Action Programme also provides support for training personnel in the areas of drug management and rational use. It supports national and regional seminars at which hundreds of health staff from countries throughout the world receive practical training. In the area of research, the program encourages research aimed at filling gaps in existing knowledge about the best means of selecting, procuring, and distributing drugs. This research seeks to discover how providers make decisions on which drugs to prescribe, or how and why patients use—or fail to use—medicines.

This research has direct bearing on the ways in which vital medicines can be made available and accessible to the greatest number of people. More than 100 countries have adapted the Model List to match their own patterns of disease and financial resources.

#### E. Research Promotion and Development

Through its advisory committees on medical research—one for each of the six WHO regions and one at the global level—WHO provides guidelines for research planning, execution, and implementation in health programs directly linked to national priorities. The committees also offer an appropriate forum for the discussion of national and regional experiences and for the detailed formulation of scientific and technological policies in the field of health. Research programs and activities are developed in close coordination with medical research councils or analogous bodies, with particular emphasis on the strengthening of managerial capacities at all levels.

WHO's coordinating role in research calls for the development of a system for the exchange of scientific information and the enlistment of the collaboration of groups of scientists and research workers in various areas on solving key problems and developing methods for most effectively combining their efforts.

Over the years, more than 1200 institutions with the necessary expertise and facilities have been designated by WHO as "WHO Collaborating Centers." WHO also designates expert advisory panels. Financial assistance is sometimes provided by WHO through technical services agreements, partially offsetting the much larger expenses borne by the centers themselves.

In order to increase the research potential of member countries, WHO has developed a program to train research workers. The duration of grants varies, but as far as possible, they are made sufficiently long to permit the candidate to gain an adequate knowledge of methods and techniques and, very often, to carry out, under supervision, a specific piece of research.

Communication among scientists is also promoted. A scientist from one country is enabled to visit scientists in other countries for a period of up to three months, thus facilitating personal contact and the exchange of ideas.

WHO promotes meetings, symposia, seminars, and training courses in special techniques, bringing together scientists from various parts of the world. Reports of such meetings are circulated, when appropriate, to the scientific community.

#### F. Health Personnel Development

WHO's role in health personnel development is to collaborate with member states in their efforts to plan, train, deploy, and manage teams of health personnel made up of the numbers and types that are required (and that they can afford) and to help ensure that such personnel are socially responsible and possess appropriate technical, scientific, and management competence.

WHO is attempting to raise the political, economic, and social status of women as health care providers in the formal and informal health care system and in the community and to ensure that they receive the education, training, and orientation to enable them to expand the scope and improve the quality of the health care that they provide to themselves, each other, their families, and other members of the community.

Promotion of community-oriented educational programs with team and problem-based methods of teaching/learning is another

**Members of the World Health Organization (as of 2006)**

Afghanistan	Dominican Republic	Libyan Arab Jamahiriya	Saudi Arabia
Albania	Ecuador	Lithuania	Senegal
Algeria	Egypt	Luxembourg	Serbia and Montenegro
Andorra	El Salvador	Madagascar	Seychelles
Angola	Equatorial Guinea	Malawi	Sierra Leone
Antigua and Barbuda	Eritrea	Malaysia	Singapore
Argentina	Estonia	Maldives	Slovakia
Armenia	Ethiopia	Mali	Slovenia
Australia	Fiji	Malta	Solomon Islands
Austria	Finland	Marshall Islands	Somalia
Azerbaijan	France	Mauritania	South Africa
Bahamas	Gabon	Mauritius	Spain
Bahrain	Gambia	Mexico	Sri Lanka
Bangladesh	Georgia	Micronesia, Federated States of	Sudan
Barbados	Germany	Monaco	Suriname
Belarus	Ghana	Mongolia	Swaziland
Belgium	Greece	Morocco	Sweden
Belize	Grenada	Mozambique	Switzerland
Benin	Guatemala	Myanmar	Syria
Bhutan	Guinea	Namibia	Tajikistan
Bolivia	Guinea-Bissau	Nauru	Thailand
Bosnia and Herzegovina	Guyana	Nepal	The Former Yugoslav Republic of Macedonia
Botswana	Haiti	Netherlands	Timor-Leste
Brazil	Honduras	New Zealand	Togo
Brunei Darussalam	Hungary	Nicaragua	Tonga
Bulgaria	Iceland	Niger	Trinidad and Tobago
Burkina Faso	India	Nigeria	Tunisia
Burundi	Indonesia	Niue	Turkey
Cambodia	Iran	Norway	Turkmenistan
Cameroon	Iraq	Oman	Tuvalu
Canada	Ireland	Pakistan	Uganda
Cape Verde	Israel	Palau	Ukraine
Central African Republic	Italy	Panama	United Arab Emirates
Chad	Jamaica	Papua New Guinea	United Kingdom
Chile	Japan	Paraguay	United Republic of Tanzania
China	Jordan	Peru	United States
Colombia	Kazakhstan	Philippines	Uruguay
Comoros	Kenya	Poland	Uzbekistan
Congo, Republic of	Kiribati	Portugal	Vanuatu
Congo, Democratic Republic of the	Korea, Democratic People's Republic of	Qatar	Venezuela
Cook Islands	Korea, Republic of	Republic of Moldova	Vietnam
Costa Rica	Kuwait	Romania	Yemen
Côte d'Ivoire	Kyrgyzstan	Russian Federation	Zambia
Croatia	Lao People's Democratic Republic	Rwanda	Zimbabwe
Cuba	Latvia	St. Kitts and Nevis	
Cyprus	Lebanon	St. Lucia	
Czech Republic	Lesotho	St. Vincent and the Grenadines	<b>ASSOCIATE MEMBERS</b>
Denmark	Liberia	Samoa	Puerto Rico
Djibouti		San Marino	Tokelau
Dominica		São Tomé and Príncipe	

approach. The programs are designed to prepare personnel to perform tasks directly related to identified service requirements of specific concern to the country. Appropriate teaching and learning materials, including those for self-teaching and audiovisual purposes, adapted to different cultures and languages, are promoted for all categories of health personnel.

Fellowships occupy an important place in WHO's program as one of the ways to provide opportunities for training and study in health matters which are not available in the fellow's own country and for the international exchange of scientific knowledge and techniques relating to health. WHO encourages the nomination, selection, and evaluation of fellows based on and determined by a member state's personnel development policy, in line with its national policy for health development, so that fellowships can con-

tribute to the training of the type and amount of personnel needed to achieve the global target of "health for all." WHO awards fellowships preferably to candidates who will be directly involved in primary health care programs.

In many countries, however, the problem is no longer one of shortage of health professionals, but rather of establishing or maintaining the right balance between them to ensure that the necessary knowledge and skills are available. WHO is sponsoring studies to develop information systems and methods to help countries achieve this balance.

*Nursing.* The WHA, in 1992, recommended that each country develop a national action plan for nursing. A global advisory group on nursing and midwifery was established by the 45th WHA, and held its first meeting in 1992. It recommended that, as the larg-

est group of health personnel in any country, nursing and midwifery be declared a priority area for WHO action. A WHO study group on nursing beyond the year 2000 convened in July 1993. It adopted the Nursing Declaration of Alma-Ata, which recognizes that a multiprofessional, multidisciplinary approach is needed to prepare healthcare providers to work in a rapidly changing environment. As a starting point, every health ministry was urged to establish a position of chief nurse, with appropriate staff and budget.

#### G. Public Information and Education for Health

To integrate health education and information for health, WHO established the Division of Public Information and Education for Health. Its major tasks, in close cooperation with all regions, are to work with governments in developing coordinated information/education programs aimed at promoting healthy behavior and increasing self-reliance among individuals and communities, and to work with technical units in planning, developing, and implementing an information/education component in their programs.

The need for promotion, advocacy, and greater public awareness of health issues is a recurring theme in virtually all WHO programs. WHO considers health education as the sum of activities that will encourage people who want to be healthy to know how to stay healthy, to do what they can individually and collectively to maintain health, and to seek help whenever it may be needed.

WHO has developed many computerized information resources over the years, including WHOLIS, the WHO library information system, which is available on diskette and on the Internet. WHODOC, a regular listing of new WHO publications and documents is also available on diskette and on the Internet. See United Nations Databases for a descriptive listing of WHO's computerized databases.

#### H. Health Legislation

While WHO is aware of the importance of health and related legislation to the delivery of personal and environmental health services in countries, it has no mandate to propose model legislation. On the other hand, it recognizes member states' need for relevant and timely information. WHO is mandated to maintain an awareness of all significant new laws and regulations in the field of health, and to disseminate information thereon as rapidly as possible. The main vehicle for information transfer is its *International Digest of Health Legislation* which is now issued only in an electronic form. A demand for information on HIV/AIDS legislation prompted WHO to develop a computerized database that covers relevant legislation as well as literature on the legal, ethical, and judicial aspects of AIDS. Data on other subjects, such as legislation to combat smoking, have also been computerized.

In February 1994, the First International Conference of Medical Parliamentarians was held in Bangkok, organized by the Asian Forum of Parliamentarians on Population Development and the International Medical Parliamentarians Organization in close cooperation with WHO. More than 80 medical parliamentarians from 33 countries attended the conference to discuss five specific areas: environmental health, population and development; narcotics drug abuse; organ transplantation; public health and development; and maternal and child health and AIDS. The conference adopted the Bangkok Declaration and Call for Action which set forth goals and priorities for the establishment of national legislation in the five subject areas.

The International Medical Parliamentarians Organization (IMPO) was admitted into official relations with WHO in 1995, joining the ranks of the numerous NGOs that have working relationships with WHO. In 1999, IMPO had individual members in more than 30 countries, including many developing nations.

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# THE INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO)



**BACKGROUND:** In 1910, a conference on international air law code, attended by representatives of 18 European nations, was convened in Paris, France. In 1919, following World War I, the Paris Peace Conference created the International Air Convention to govern aspects of civil aviation. The Convention, ratified by 38 nations, began the process of creating an International Commission for Air Navigation (ICAN); ICAN established headquarters in Paris in December 1922, with Albert Roper as general secretary. Following World War II (in November 1944), 32 nations signed a Convention on International Civil Aviation establishing the permanent International Civil Aviation Organization (ICAO) to oversee international cooperation on regulations, standards, and procedures governing civil aviation. It took three years for the ratification process, but in 1947 ICAO took over the ICAN offices in Paris.

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## CREATION

The first international civil aviation conference, held in 1910 and attended by European governments only, since transoceanic flight was then regarded as no more than a wild dream, was a failure. Almost another decade elapsed before an international convention, signed in Paris in 1919, created the International Commission for Air Navigation. The commission was to meet at least once a year and concern itself with technical matters. An international committee of jurists was also established, to concern itself with the intricate legal questions created by cross-border aviation. In 1928, a Pan-American convention on commercial aviation was adopted at a conference held in Havana to deal with problems then emerging as international flights became more frequent in the Western Hemisphere. Although some progress in obtaining agreement on international flight regulations had been made by the end of the 1930s, most nations still granted very few concessions to each other's airlines, and no agreement existed permitting foreign planes to fly nonstop over the territory of one country en route to another country.

### The Chicago Conference of 1944

The tremendous development of aviation during World War II demonstrated the need for an international organization to assist and regulate international flight for peaceful purposes, covering all aspects of flying, including technical, economic, and legal problems. For these reasons, in early 1944, the United States conducted exploratory discussions with its World War II allies, on the basis of which invitations were sent to 55 allied and neutral states to meet in Chicago in November 1944.

In November and December 1944, delegates of 52 nations met at the International Civil Aviation Conference in Chicago to plan for international cooperation in the field of air navigation in the postwar era. It was this conference that framed the constitution

of the International Civil Aviation Organization—the Convention on International Civil Aviation, also called the Chicago Convention. This convention stipulated that ICAO would come into being after the convention was ratified by 26 nations. To respond to the immediate needs of civil aviation, a provisional organization was created and functioned for 20 months until, on 4 April 1947, ICAO officially came into existence.

In essence, the conference was faced with two questions: (1) whether universally recognized navigational signals and other navigational and technical standards could be agreed upon, and (2) whether international rules concerning the economics of air transport could be established. One group of countries, led by the United States, wanted an international organization empowered only to make recommendations regarding standard technical procedures and equipment. In its economic aspects, these countries believed, air transportation should be freely competitive. This policy would also best serve the interests of the “consumer nations” that had no international airlines of their own. Another group of countries, led by the United Kingdom, favored a stronger organization, which would have a great deal to say about the economics of civil aviation. It would be empowered to allocate the international routes that the airlines of different countries would be allowed to fly, regulate the frequency of flights, and fix rates. A radical proposal, advanced by New Zealand and supported by Australia, called for international ownership and operation of international air transport.

The Convention on International Civil Aviation finally adopted by the conference was something of a compromise between the American and British positions. The convention established for the first time an independent international body, the International Civil Aviation Organization, to supervise “order in the air,” obtain maximum technical standardization for international aviation, recommend certain practices that member countries

should follow, and carry out other functions. Countries ratifying or acceding to the convention thereby agreed in advance to conform to the greatest possible extent to ICAO-adopted civil aviation standards and to endeavor to conform to ICAO-adopted recommendations.

In the economic field, ICAO has no regulatory powers, but one of its constitutional objectives is to “prevent economic waste caused by unreasonable competition.” In addition, under the convention, member states undertake to have their international airlines furnish ICAO with traffic reports, cost statistics, and financial statements showing, among other things, all receipts from operations and the sources of such revenues.

The Chicago Convention affirms every state’s “complete and exclusive sovereignty over the airspace above its territory.” It provides that nonscheduled flights may, subject to certain permissible conditions and limitations, be made by the civil aircraft of one country into or over the territory of another. Scheduled international air service, however, may be operated from one country into or over the territory of another country only with the latter’s authorization, and member states are permitted to establish areas prohibited to foreign aircraft as long as these regulations are non-discriminatory. Pilotless as well as conventional aircraft are covered by these provisions. The term *airspace* is not precisely defined, however, and with the development of rockets and long-range missiles, the problem of deciding where a country’s airspace ends and where outer space begins has become a matter of practical concern. This problem has come under study by the UN Committee on the Peaceful Uses of Outer Space.

An important matter considered by the Chicago conference was the question of the exchange of commercial rights in international civil aviation. It was not possible to reach an agreement satisfactory to all states attending the conference. Hence, the question was covered not in the Convention on International Civil Aviation that serves as ICAO’s constitution but in two supplementary agreements adopted by the conference: the International Air Services Transit Agreement and the International Air Transport Agreement. These two treaties do not form part of the ICAO constitution and are binding only on the ICAO member states that have ratified them.

The International Air Services Transit Agreement guarantees (1) the freedom of civil aircraft to fly over foreign countries and territories as long as they do not land, and (2) the freedom of civil aircraft to make nontraffic landings, for refueling or overhaul only, in foreign territory. The agreement thus established for the first time the principle of automatic right of transit and of emergency landing.

The International Air Transport Agreement, also known as the Five Freedoms Agreement, affirms, in addition to the two freedoms covered by the transit agreement, three other freedoms of the air: (3) freedom to transport passengers and cargo from an aircraft’s homeland to other countries, (4) freedom to transport passengers and cargo from other countries to an aircraft’s homeland, and (5) freedom to carry air traffic between countries other than the aircraft’s homeland.

Because the Chicago Convention was adopted in December 1944, ICAO possesses a constitution older than the UN Charter. Countries were much slower in ratifying the Chicago Convention, however, than they were in ratifying the UN Charter. For this rea-

son, ICAO did not come into being until 4 April 1947, 30 days after the convention had been ratified by the required 26 states.

## PURPOSES

ICAO’s aims and objectives, as stated in the Chicago Convention, are to foster the planning and development of international air transport so as to ensure the safe and orderly growth of international civil aviation throughout the world; encourage the arts of aircraft design and operation for peaceful purposes; encourage the development of airways, airports, and air navigation facilities for international civil aviation; meet the needs of the peoples of the world for safe, regular, efficient, and economical air transport; prevent economic waste caused by unreasonable competition; ensure that the rights of contracting states are fully respected and that every contracting state has a fair opportunity to operate international airlines; avoid discrimination between contracting states; promote safety of flight in international air navigation; and promote generally the development of all aspects of international civil aeronautics.

## MEMBERSHIP

As of 9 May 2006, ICAO had 189 member states.

## STRUCTURE

The three main organs of ICAO are the assembly, the council, and the secretariat, headed by the Secretary General.

### Assembly

The all-member assembly meets every three years. Every member state has one vote in the assembly, and decisions are made by a simple majority vote unless otherwise specified by the Chicago Convention. Sessions have been held in many different cities.

The assembly makes policy recommendations, reviews the work of ICAO, offers guidance to other ICAO bodies, elects the council, and determines the budget. The assembly may amend the ICAO constitution by a two-thirds majority vote, and it has done so on several occasions. But amendments come into force for the states that ratify them only after they have been ratified by at least two-thirds of the ICAO member states as specified by the assembly. In other words, the assembly may feel that it would not be fair to introduce a particular innovation in international civil aviation unless certain states would abide by it. On the other hand, the assembly possesses a rather unusual prerogative to induce wide ratification of an amendment it has adopted: if a member state does not ratify a particular amendment within a given period of time, the assembly has the right to revoke that country’s membership in ICAO. However, this provision (Article 94[b]) has never been invoked.

### Council

The council is a permanent body, composed of 36 member states elected by the assembly for three-year terms. In selecting the membership of the council, the assembly is required by the Chicago Convention to give adequate representation to nations of major importance in air transport, to nations that provide the largest share of facilities for international civil air navigation, and to na-

tions whose inclusion on the council will ensure broad geographical representation.

Assad Kotaite of Lebanon has been president of the council since 1976.

The council's powers are unusually broad, as compared with those of the executive councils of most other specialized agencies. It adopts international standards and recommended practices regarding civil air navigation and transport. It may act as arbiter between member states on disputes relating to the interpretation or application of the Chicago Convention and its annexes. It may investigate any situation that presents avoidable obstacles to the development of international air navigation. In general, it may take whatever steps are necessary to maintain the safety and regularity of operation of international air transport.

#### Secretary General and Secretariat

The ICAO secretariat is headed by a Secretary General, who is appointed by the council. The Secretary General appoints the staff of the ICAO secretariat and supervises and directs its activities. The Council appointed Dr. Taïeb Chérif of Algeria Secretary General for a three-year term beginning 1 August 2003.

ICAO headquarters are at 999 University Street, in the center of Montreal, occupying a 15-story tower with an adjoining complex offering complete conference facilities. ICAO maintains regional offices in Paris, Bangkok, Cairo, Mexico City, Nairobi, Lima, and Dakar to assist member states in providing aeronautical services.

#### BUDGET

The program budget for the 2005-07 triennium was US\$197 million. Contributions by member states are assessed on a sliding scale determined by the assembly.

#### ACTIVITIES

##### A. International Standards and Recommended Practices

By joining ICAO—that is, by accepting the Chicago Convention—states undertake to collaborate in securing the highest practicable degree of uniformity in regulations, standards, procedures, and organization in all matters in which such uniformity will facilitate and improve air navigation. Hence, one of ICAO's chief tasks is to adopt such international standards and recommendations and to keep them up-to-date through modifications and amendments.

A standard, as defined by the first ICAO Assembly, is “any specification for physical characteristics, configuration, material, performance, personnel, or procedures, the uniform application of which is recognized as *necessary* for the safety or regularity of international air navigation and to which member states *will conform*.” Standards may thus include specifications for such matters as the length of runways, the materials to be used in aircraft construction, and the qualifications to be required of a pilot flying an international route. A recommendation is any such specification, the uniform application of which is recognized as “*desirable* in the interest of safety, regularity, or efficiency of international air navigation and to which member states *will endeavor to conform*.”

Preparing and revising these standards and recommendations is largely the responsibility of ICAO's Air Navigation Commission, which plans, coordinates, and examines all of ICAO's activities in the field of air navigation. The commission consists of 15 persons, appointed by the council from among persons nominated

by member states. If the council approves the text, it is submitted to the member states. While recommendations are not binding, standards automatically become binding on all member states, except for those who find it impracticable to comply and file a difference under Article 38 of the Chicago Convention.

#### Annexes to the Chicago Convention

The various standards and recommendations that have been adopted by ICAO are grouped into 18 annexes to the Chicago Convention. The aim of most of the annexes is to promote progress in flight safety, particularly by guaranteeing satisfactory minimum standards of training and safety procedures and by ensuring uniform international practices. The 18 annexes are the following:

1. *Personnel Licensing*—licensing of flight crews, air traffic controllers, and aircraft maintenance personnel.
2. *Rules of the Air*—rules relating to the conduct of visual and instrument flights.
3. *Meteorological Services*—provision of meteorological services for international air navigation and reporting of meteorological observations from aircraft.
4. *Aeronautical Charts*—specifications for aeronautical charts for use in international aviation.
5. *Units of Measurement*—dimensional systems to be used in air-ground communications.
6. *Operation of Aircraft*—Part I: International Commercial Air Transport; Part II: International General Aviation; Part III: International Operations—Helicopters. These specifications will ensure in similar operations throughout the world a level of safety above a prescribed minimum.
7. *Aircraft Nationality and Registration Marks*—requirements for registration and identification of aircraft.
8. *Airworthiness of Aircraft*—certification and inspection of aircraft according to uniform procedures.
9. *Facilitation*—simplification of customs, immigration, and health inspection regulations at international airports.
10. *Aeronautical Telecommunications*—standardization of communications equipment and systems and of communications procedures.
11. *Air Traffic Services*—establishment and operation of air traffic control, flight information, and alerting services.
12. *Search and Rescue*—organization and operation of facilities and services necessary for search and rescue.
13. *Aircraft Accident Investigation*—uniformity in the notification, investigation, and reporting of aircraft accidents.
14. *Aerodromes*—specifications for the design and equipment of aerodromes.
15. *Aeronautical Information Services*—methods for the collection and dissemination of aeronautical information required for flight operations.
16. *Environmental Protection. Vol. I: Aircraft Noise*—specifications for aircraft noise certification, noise monitoring, and noise exposure units for land-use planning; Vol. II: Aircraft Engine Emissions—standards relating to vented fuel and emissions certification requirements.
17. *Security*—specifications for safeguarding international civil aviation against acts of unlawful interference.

18. *Safe Transport of Dangerous Goods by Air*—specifications for the labeling, packing, and shipping of dangerous cargo.

### B. Air Navigation

It is evident that air navigation covers an extremely broad spectrum of activities, ranging from short take-off and landing airplanes to supersonic transports, from security questions to the impact of aviation on the environment, from training and operating practices for pilots to the facilities required at airports.

ICAO's program regarding the environment provides a case in point. Growing air traffic and increased use of jet engines have heightened public awareness of the environmental impact of civil aviation. In 1968, ICAO instituted activities aimed at reducing aircraft noise. The first measures involved development of internationally agreed standards for the noise certification of aircraft (contained in Vol. I of Annex 16 to the Chicago Convention), which resulted in a quieter generation of jet aircraft.

Comparable studies of aviation's share in air pollution have resulted in the development of standards (Vol. II of Annex 16) relating to the control of fuel venting and of smoke and gaseous emissions from newly manufactured turbojet and turbofan engines for subsonic airplanes.

Concern about the continuing threat of violence against international civil aviation and its facilities, including the unlawful seizure and the sabotage of aircraft, led to adoption by the council of Annex 17 to the Chicago Convention, containing standards and recommended practices aimed at safeguarding international civil aviation against acts of unlawful interference. In addition, comprehensive guidance material on the subject has been developed. As part of its continuing effort to improve air safety, ICAO has adopted standards for the safe transport of dangerous goods by air. These form Annex 18 to the Chicago Convention. ICAO studies many other important subjects, such as all-weather operations, supersonic operations, application of space techniques to aviation, automated-data interchange systems, and visual aids.

### C. Facilitation of International Air Transport

From the beginning of ICAO's history, the need to facilitate international air transport—to remove obstacles that would impede the free passage of aircraft, passengers, crew, baggage, cargo, and mail across international boundaries—was evident. This need is inherent in the speed of air travel itself; if, for example, customs, immigration, public health, and other formalities require one hour at each end of a transoceanic flight of six hours, the total duration of the trip is increased by 33%.

ICAO has therefore developed, over the years, a comprehensive facilitation program that is reflected in the international standards and recommended practices of Annex 9 to the Chicago Convention, as well as in the recommendations and statements of the ICAO Council and the Facilitation Division. Broadly speaking, the program aims at eliminating all nonessential documentary requirements, simplifying and standardizing the remaining forms, providing certain minimum facilities at international airports, and simplifying handling and clearance procedures. The program is concerned with such measures as liberalization of visa requirements and entry procedures for temporary visitors; the development of machine-readable passports and visas; speedy handling

and clearance procedures for cargo, mail, and baggage; and the elimination, as far as possible, of requirements for documentation or examination in regard to transit traffic.

In addition to reducing procedural formalities, ICAO's efforts are aimed at providing adequate airport terminal buildings for passengers and their baggage and for air cargo, with all related facilities and services. Special attention is given to improving the accessibility of air transport to elderly and disabled passengers. The continuous growth in air traffic makes it necessary for airport administrations to review the adequacy of their facilities at regular intervals. When modifications in existing terminals or the building of new ones are contemplated, close coordination and cooperation between planners and users must be established from the earliest moment, even before any design is made. Proper airport traffic flow arrangements, with a sufficient number of clearance channels, baggage delivery positions, and cargo handling facilities, are necessary for the speedy processing of traffic through clearance control.

### D. Regional Planning for Air Navigation

While worldwide uniformity is desirable for certain matters pertaining to civil aviation, others are best approached on a regional basis, since operating conditions vary a great deal from region to region. In the North Atlantic region, for example, long-range ocean flying predominates, whereas in Europe many international flights are short overland jumps. To deal with these different conditions and to facilitate detailed planning, ICAO has mapped out the following regions: Asia/Pacific, Middle East, Europe, Africa, Latin America and the Caribbean, South America, North Atlantic, and North America, which all have Planning and Implementation Regional Groups (PIRGs). At meetings held for each of them, detailed plans are drawn up for the facilities, services, and procedures appropriate to that region. The regional plans specify the air navigation facilities and services that are required, and the locations where they are required, for communications, air traffic control, search and rescue, meteorology, and so on. ICAO's plans for the nine regions are regularly revised or amended to meet the needs of increasing traffic and to take into account technical developments in civil aviation.

ICAO's regional offices are its principal agents in advising and assisting states in regard to implementation. The offices direct as much of their resources as possible to giving practical help, among other ways through frequent visits to states by members of the technical staff. In addition, ICAO allots funds for long-duration advisory implementation missions to help member countries overcome local deficiencies.

Shortcomings are taken up by the regional offices and the ICAO secretariat with the governments concerned. More complex cases may require study by the Air Navigation Commission and, if necessary, by the ICAO Council. The problem of eliminating deficiencies in navigational services and facilities is one that ICAO considers critical.

The major difficulties are lack of funds for facilities and services, a shortage of trained personnel, and administrative and organizational difficulties. ICAO has encouraged governments to upgrade their facilities through loans for capital expenditures, technical assistance, and other means. It also produces manuals and other documentation to assist states in setting up aviation training pro-

grams for flight and ground personnel and offers advice on maintenance and improvement of technical standards.

#### E. Jointly Operated or Financed Services

Under the Chicago Convention, every ICAO member state is required to provide air navigation facilities and services on its own territory. Navigational facilities and services must also be provided for air routes traversing the high seas and regions of undetermined sovereignty. The ICAO Council is constitutionally authorized at the request of a member state to “provide, man, maintain, and administer any or all of the airports and other air navigation facilities, including radio and meteorological services, required in its territory for the safe, regular, efficient, and economical operation of the international air services of the other contracting states.” The council also may act on its own initiative to resolve a situation that might impair the “safe, regular, efficient, and economical operation” of international air services. Although ICAO has not yet undertaken the actual supervision of any nation’s international air navigation facilities and services, two international agreements are in effect to furnish such services and facilities in parts of the North Atlantic region through so called “joint-support” programs.

Under these joint-support agreements, the nations concerned provide services, facilities, or cash payments based on the use by their own aircraft of the routes involved. The two existing agreements are the Agreement on the Joint Financing of Certain Air Navigation Services in Greenland and the Faroe Islands and the Agreement on the Joint Financing of Certain Air Navigation Services in Iceland.

The vast majority of aircraft that utilize the special traffic-control, navigational, and meteorological services furnished from Iceland and Greenland for transatlantic crossings are neither Icelandic nor Danish. Hence, some 20 countries, including Iceland and Denmark, provide the funds necessary for the operation of these services.

ICAO administers these two agreements, the Secretary General having certain responsibilities and the ICAO Council having others. A special standing body, the Committee on Joint Support of Air Navigation Services, advises the council in these matters. The operation and costs of the services are constantly reviewed, and international conferences are held. In the early 1970s, charges for the use of the aeronautical facilities and services were imposed on all civil aircraft crossing the North Atlantic. These “user charges” covered only 40% of the costs allocable to civil aviation but were increased to 50% for the years 1975 to 1978, 60% for 1979 and 1980, 80% for 1981, and 100% thereafter.

#### F. Technical Assistance

In recognition of the importance of the airplane for international and domestic transport in countries where road and railway services are lacking, and as a means of aiding these countries in their social and economic development, ICAO has, from its inception, operated technical assistance programs through UNDP and other UN organs.

Assistance programs executed by ICAO fall into three main categories. UNDP obtains its funds from donor countries and allocates these funds among recipient countries in the form of country, intercountry, and interregional projects. The Funds-in-Trust

program provides financial assistance for specific projects in the country receiving the technical assistance. The Associate Experts program provides experts from certain countries to work under ICAO guidance.

Each civil aviation project may include one or more of the following forms of assistance: experts to provide specialist advice to the civil aviation administration or national airline; fellowships to allow nationals to be trained abroad in civil aviation disciplines, often at civil aviation training centers that have been established through ICAO technical assistance; and equipment, such as radio navigational aids or communication facilities, to ensure safe and regular air service.

Fellowships have been awarded in many fields, including training as pilots, aircraft maintenance technicians, air traffic controllers, radio and radar maintenance technicians, communication officers, airport engineers, electronics engineers, air transport economists, aeronautical information officers, aeronautical meteorologists, aviation medicine specialists, accident investigation experts, flight operations officers, airport fire officers, and instructors.

Major types of equipment provided include air traffic control, radar, and flight simulators; training aircraft; radio communication and radar systems; distance-measuring equipment; very high frequency omni radio ranges; instrument landing systems; nondirectional beacons; “navaid” flight-test units; airworthiness data-acquisition systems; language laboratories; audiovisual aids; visual approach slope indicator systems; and firefighting vehicles.

Major training institutions assisted by ICAO include civil aviation training centers in Egypt, Ethiopia, Gabon, Indonesia, Kenya, Mexico, Nigeria, Singapore, Thailand, Trinidad and Tobago, and Tunisia.

#### G. International Conventions Prepared Under ICAO

The increasing number of incidents of unlawful interference with civil aviation, beginning in the 1960s—aircraft hijacking, the placing of bombs on board aircraft, and attacks on aircraft, passengers, and crew members at airports—led to the adoption of three conventions.

- *The Tokyo Convention of 1963.* The Convention on Offenses and Certain Other Acts Committed on Board Aircraft does not define specific offenses, but it does have the virtue of ensuring that there will always be a jurisdiction (namely, that of the state of registry of the aircraft) in which a person who has committed an offense on board an aircraft can be tried. The convention also provides for the powers and duties of the aircraft commander and others respecting restraint and disembarkation of the suspected offender. It provides a detailed code of behavior for states in whose territory the suspected offender has disembarked and also stipulates the steps to be taken in the event of the hijacking of an aircraft.
- *The Hague Convention of 1970.* The Convention for the Suppression of the Unlawful Seizure of Aircraft defines the offense of unlawful seizure and provides for universal jurisdiction over, and arrest and custody of, the suspected offender. It also stipulates that prosecution or extradition of the suspected offender should take place without many restrictions.



- *The Montreal Convention of 1971.* The Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation defines a number of acts of unlawful interference directed against international civil aviation. It provides for universal jurisdiction over the offender and, in general, contains rules for custody, extradition, and prosecution similar to those in the Hague Convention.

All three conventions are concerned with the preservation of the means of international communication and provide specifically that in the case of the unlawful seizure of an aircraft, any contracting state in which the aircraft or its passengers or crew are present shall facilitate the continuation of the journey of the passengers and crew as soon as practicable and shall return the aircraft and its cargo to the person lawfully entitled to possession.

The cooperative international action contemplated by the Tokyo, Hague, and Montreal conventions is intended to eliminate safe havens for hijackers and saboteurs.

Two additional international instruments in the field of aviation security have been developed under the auspices of ICAO.

- *The Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, Supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation.* The protocol was signed at Montreal on 24 February 1988 and came into force as of 6 August 1989. This protocol adds to the definition of “offence” given in the Montreal Convention of 1971, including actions that are likely to endanger airport safety. It establishes universal jurisdiction over the offender and applies the Montreal Convention’s rules of custody, extradition, and prosecution.
- *The Convention on the Marking of Plastic Explosives for the Purposes of Detection,* opened for signature at Montreal in 1991 and came into force on 21 June 1998. This convention requires that each state party prohibit and prevent the manufacture of unmarked plastic explosives. Four detection agents are defined in the convention’s technical annex. The convention also requires each state party to prevent the movement of unmarked explosives out of its territory. It also provides for the destruction of certain kinds of existing stocks of plastic explosives.

#### **Regime and Liability of Air Carriers**

Much of ICAO’s work has been devoted to keeping up-to-date the regime and limits of liability of air carriers in the case of death of, or injury to, passengers and in the carriage of cargo and postal items by air.

- *The Warsaw Convention of 1929.* The Convention on the Unification of Certain Rules Relating to International Carriage by Air, adopted during the early days of aviation, dominated the field of aviation passenger liability for almost half a century. It limits the liability, except in cases of gross negligence on the part of the carrier, to a maximum of 125,000 Poincaré gold francs (about us\$10,000). The Hague Protocol of 1955 doubled the existing limits of liability. In 1971, by the Guatemala City Protocol, the rule of the Warsaw Convention based on presumption of fault yielded to *strict* liability, irrespective of

fault. However, it will be some time before the 1971 protocol comes into force because at least 30 states, including five with major air traffic, must ratify it. (As of May 2002, only 7 states had ratified the protocol). An interesting feature of the Guatemala City Protocol is that although it provides for a limit of about us\$100,000 per passenger, there is also provision for a domestic supplement if a state that is party to the protocol wishes to have a higher limit. In 1975, an International Conference on Air Law, convened under the auspices of ICAO, adopted new amendments to the Warsaw Convention, as amended by the Hague Protocol. Under the new provisions, the carrier is responsible for cargo damage, irrespective of fault. Another major change concerns the method of calculating the liability limits by turning from a solely gold monetary basis to a dual system, allowing countries that are members of the IMF to base passenger, baggage, and cargo liability on Special Drawing Rights, whereas countries not members of the IMF would declare liability limits in monetary units based on gold.

- *The Guadalajara Convention of 1961.* The Guadalajara Convention, supplementary to the Warsaw Convention, contains rules with regard to carriage performed by other than the contracting carrier, that is to say, by a carrier that had not issued the ticket to the passenger, or the air waybill to the consignor. In this case, both the contracting carrier and the actual carrier would be held jointly and severally liable under the Warsaw Convention or that convention as amended by the Hague Protocol.
- *The Rome Convention of 1952.* The Convention on Damage Caused by Foreign Aircraft to Third Parties on the Surface includes the principle of absolute liability of the aircraft operator for damage caused to third parties on the surface but places a limitation on the amount of compensation, expressed in Poincaré gold francs and calculated in relation to the aircraft concerned. However, a diplomatic conference convened in 1978 under ICAO auspices adopted a protocol for the amendment of the Rome Convention. The basic feature of the protocol is a substantial increase in the limits of liability and the expression of the limits in the Special Drawing Rights of the IMF.
- *The Geneva Convention of 1948.* The Convention on the International Recognition of Rights in Aircraft was prepared in order to promote the use of loans in financing the sale of aircraft by providing protection of the lender’s rights in an aircraft whenever the aircraft is in the territory of another state that is party to the Geneva Convention.

Other legal subjects on ICAO’s work program include the establishment of a legal framework for global navigation of satellite systems; expediting the ratification of Montreal protocols Nos. 3 and 4 of the “Warsaw System”; study of the instruments of the “Warsaw System”; liability rules that might be applicable to air traffic services providers; and the implication of the UN Convention on the Law of the Sea for the application of ICAO’s Chicago Convention.

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# THE UNIVERSAL POSTAL UNION (UPU)



**BACKGROUND:** Every day, more than 1.2 billion letters are posted for delivery within national borders, accounting for more than 430 billion letters each year. In addition, each day, close to 20 million pieces of mail cross international boundaries, accounting for nearly 7.4 billion items posted in international service (over a third of them by developing countries) and are swiftly and safely delivered to their destinations. To handle this traffic, postal services employ more than 6 million employees who work at or out of some 700,000 permanent post office outlets around the globe. The orderly and economical movement of international mail is made possible by the Constitution and Convention of the Universal Postal Union, the basic Acts under which the UPU operates. Since 190 countries now come under these Acts, the provisions affect virtually the entire world population. Under the Constitution, UPU member countries form a single postal territory for the reciprocal exchange of letter-post items, and freedom of transit is guaranteed throughout the entire territory of the Union.

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## CREATION

Although generally taken for granted, present-day postal service is of relatively recent origin. The use of postage stamps for prepayment of postage was not introduced until 1840, when the United Kingdom established a unified postage charge, the famous penny rate, to be paid by the sender of a letter regardless of the distance it had to travel. Until that year, the postal fee based on distance was often very high and was not paid by the sender but by the addressee. If the addressee could not pay, the letter was returned. Gradually, other countries introduced adhesive stamps, and their use spread to international mail. In 1863, on the initiative of the United States, representatives of 15 postal administrations met in Paris to consider the problem of standardizing international postal practices.

The decisive development came with the meeting of the first international Postal Congress at Bern in 1874, at the suggestion of the German government. The Bern Congress was attended by delegates from 22 countries: 20 European countries (including Russia), Egypt, and the United States. The congress adopted a treaty concerning the establishment of a General Postal Union—commonly known as the Bern Treaty—signed on 9 October 1874. This was the forerunner of the series of multilateral Universal Postal Union conventions and came into force in the following year, when the union was formally established, on 1 July 1875, to administer its operative regulations.

The 1874 Convention provided for subsequent postal congresses to revise the convention in the light of economic and technical developments. The second congress, held in Paris in 1878, changed the name of the General Postal Union to the Universal Postal Union (UPU). Four more congresses were held prior to World War I: Lisbon, 1885; Vienna, 1891; Washington, 1897; and Rome, 1906. There were five congresses between the wars:

Madrid, 1920; Stockholm, 1924; London, 1929; Cairo, 1934; and Buenos Aires, 1939. The first post-World War II congress met in Paris in 1947 and arranged for the UPU to be recognized as a specialized agency of the UN family in 1948. Other congresses met at Brussels, 1952; Ottawa, 1957; Vienna, 1964; Tokyo, 1969; Lausanne, 1974; Rio de Janeiro, 1979; Hamburg, 1984; Washington, 1989; Seoul, 1994, Beijing, 1999; and Bucharest, 2004.

## PURPOSES

The basic objective of the union was stated in the 1874 Convention, reiterated in all successive revisions, and embodied in the constitution: “The countries adopting this Constitution comprise, under the title of the Universal Postal Union, a single postal territory for the reciprocal exchange of letter-post items.” The 1924 congress added: “It is also the object of the Postal Union to secure the organization and improvement of the various international postal services.” The 1947 congress added another clause: “and to promote the development of international collaboration in this sphere.”

In recognition of the union’s continued interest and newly assumed responsibilities in the field of development aid, the congress held in Vienna in 1964 enlarged the UPU’s goals to include the provision of postal technical assistance to member states. Under the single-territory principle, all the union’s member countries are bound by the constitution and convention to observe certain fundamental rules pertaining to ordinary mail. Ordinary mail under the Lausanne Convention includes letters, postcards, printed papers, small packets, and literature for the blind, such as books in Braille. Although the convention lays down basic postage rates for ordinary mail sent to addresses in UPU territory, variations are permitted within generous limits. Postal authorities of all member states are pledged to handle all mail with equal care, regardless of its origin and destination, and to expedite mail originating in

other UPU countries on a level comparable to the best means of conveyance used for their own mail.

In the past, foreign mail was delivered to its destination without charge to the country where it was posted, and each country retained the postage collected on international mail. Since mid-1971, however, where there is an imbalance between mail sent and received, the postal administration of the country receiving the larger quantity is authorized to ask for repayment at a standard rate (fixed by the Postal Congress) to offset its excess costs. However, each country reimburses, at standard rates fixed by the Universal Postal Congress, all intermediary countries through which its mail passes in transit.

Freedom of transit—the basic principle of the union—is guaranteed throughout UPU territory. Specific regulations provide for the dispatch of mail and for the return of undeliverable mail to the sender. Certain articles, such as opium and other drugs and inflammable or explosive agents, are excluded from the international mails.

Four optional postal agreements supplement the convention. They cover parcel mail, money orders, giro (postal checks), and cash on delivery.

## MEMBERSHIP

The original treaty allowed “overseas” countries to be admitted to the union subject to the agreement of administrations having postal relations with them. The 1878 congress decreed, however, that any country could accede directly to the union merely by unilateral declaration and communication of that declaration to the Swiss government. This system was revised by the Paris congress of 1947, which ruled that applications for membership in the union could be filed only by sovereign states and had to be channeled through the Swiss government. Approval is then required by at least two-thirds of the full membership. At the 1964 Vienna Congress, it was also decided that any member nation of the UN could accede directly to the UPU by a formal declaration addressed to the Swiss government. Since Washington Congress 1989, the government of the country concerned will address it directly to the Director General of the International Bureau, who will notify the member countries of the accession or consult with them on the application for admission, as the case may be.

Dependent territories were granted collective membership by a special postal conference held in Bern in 1876. Membership in the UPU as of May 2006 had reached 190 independent states.

## RESTRICTED POSTAL UNIONS

Members of the UPU may establish restricted unions and make special agreements concerning the international postal service, provided always that they do not introduce provisions less favorable to the public than those provided for by the Acts of the UPU to which the member countries concerned are parties. Restricted unions are the Association of European Public Postal Operators (POSTEUROP), the Arab Permanent Postal Commission (APPC), the European Postal Financial Services Commission (CSFPE), the Conference of Postal and Telecommunications Administrations of Central Africa (CAPTAC), the European Conference of Postal and Telecommunications Administrations (CEPT), the African Posts and Telecommunications Union (APTU), the Baltic Postal Union (BPU), the Postal Union of the Americas, Spain and Por-

tugal (PUASP), the African Postal Union (APU), the Pan African Postal Union (PAPU), the Asian-Pacific Postal Union (APPU), the Nordic Postal Union (NPU), and the South and West Asian Postal Union (SWAPU).

## STRUCTURE

The permanent organs of the UPU are the Universal Postal Congress, the Council of Administration, the Postal Operations Council, and the International Bureau.

### Universal Postal Congress

The Universal Postal Congress brings together the plenipotentiaries of all member countries and is the supreme authority of the Universal Postal Union. The congress meets in principle every five years. One of the major accomplishments of congresses held since the first Berne Congress in 1874 has been to allow UPU member countries to develop and integrate new products and services into the international postal network. In this way, such services as registered letters, postal money orders, international reply coupons, small packets, postal parcels, and expedited mail service, have been made available to the great majority of the world's citizens.

The congress' main function is legislative. However beginning in the late 1990s, the tendency was to increasingly delegate regulatory power to the two UPU councils, leaving the congress to focus on broad policy issues.

### Council of Administration

The Council of Administration (CA), formerly called the Executive Council, consists of a chairman and 40 member countries and meets in principle each year at UPU headquarters in Berne. (The chairmanship of the Council of Administration is given automatically to the host country of the preceding Congress.) It ensures the continuity of the union's work between congresses, supervises union activities, and studies regulatory, administrative, legislative and legal issues of interest to the UPU. In order to ensure the agency's ability to react quickly to changes in the postal environment, the CA has been given the power to approve proposals from the Postal Operations Council for the adoption of regulations or new procedures until the next congress has decided on the matter. The CA can also take measures necessary to resolve urgent matters. The CA approves the annual budget and accounts of the UPU, as well as yearly updates of the UPU's Programme and Budget. It is also responsible for promoting and coordinating all aspects of technical assistance among member countries.

### Postal Operations Council

The Postal Operations Council (POC), formerly called the Consultative Council for Postal Studies, is the technical and operational body of the UPU and consists of 40 elected member countries. It deals with the operational, economic, and commercial aspects of international postal services. At its first meeting after each Congress, the POC revises the regulations. It promotes the introduction of new postal products by collecting, analyzing, and making public the results of experiments with new products undertaken by some postal services. It also prepares and issues recommendations to member countries concerning standards for technological, operational, or other processes where uniformity of practice is essential. The POC's program focuses on helping postal services to modernize and upgrade their products, including not only let-

### Members of the UPU (as of May 2006)

Afghanistan	Ecuador	Lithuania	Sierra Leone
Albania	Egypt	Luxembourg	Singapore
Algeria	El Salvador	Madagascar	Slovakia
Angola	Equatorial Guinea	Malawi	Slovenia
Antigua and Barbuda	Eritrea	Malaysia	Solomon Islands
Argentina	Estonia	Maldives	Somalia
Armenia	Ethiopia	Mali	South Africa
Australia and Australian territories	Fiji	Malta	Spain
Austria	Finland	Mauritania	Sri Lanka
Azerbaijan	France and French overseas departments and territories	Mauritius	Sudan
Bahamas	Gabon	Mexico	Suriname
Bahrain	Gambia	Moldova	Swaziland
Bangladesh	Georgia	Monaco	Sweden
Barbados	Germany	Mongolia	Switzerland
Belarus	Ghana	Morocco	Syrian Arab Republic
Belgium	Greece	Mozambique	Tajikistan
Belize	Grenada	Myanmar	Tanzania, United Republic of
Benin	Guatemala	Namibia	Thailand
Bhutan	Guinea	Nauru	The Former Yugoslav Republic of Macedonia
Bolivia	Guinea-Bissau	Nepal	Timor-Leste
Bosnia and Herzegovina	Guyana	Netherlands	Togo
Botswana	Haiti	Netherlands Antilles and Aruba	Tonga
Brazil	Honduras	New Zealand and New Zealand territories	Trinidad and Tobago
Brunei Darussalam	Hungary	Nicaragua	Tunisia
Bulgaria	Iceland	Niger	Turkey
Burkina Faso	India	Nigeria	Turkmenistan
Burundi	Indonesia	Norway	Tuvalu
Cambodia	Iran (Islamic Republic of)	Oman	Uganda
Cameroon	Iraq	Pakistan	Ukraine
Canada	Ireland	Panama	United Arab Emirates
Cape Verde	Israel	Papua New Guinea	United Kingdom
Central African Republic	Italy	Paraguay	United Kingdom overseas territories
Chad	Jamaica	Peru	United States
Chile	Japan	Philippines	United States territories
China (including Hong Kong and Macao)	Jordan	Poland	Uruguay
Colombia	Kazakhstan	Portugal	Uzbekistan
Comoros	Kenya	Qatar	Vanuatu
Congo, Republic of	Kiribati	Romania	Vatican
Congo, Democratic Republic of the	Korea, Democratic People's Republic of	Russian Federation	Venezuela
Costa Rica	Korea, Republic of	Rwanda	Vietnam
Côte d'Ivoire	Kuwait	St. Kitts and Nevis	Yemen
Croatia	Kyrgyzstan	St. Lucia	Zambia
Cuba	Lao People's Democratic Republic	St. Vincent and the Grenadines	Zimbabwe
Cyprus	Latvia	Samoa	
Czech Republic	Lebanon	San Marino	Independent countries whose situa- tion with regard to the UPU has not yet been settled: Andorra, Marshall Islands, Micronesia (Federated States of), Palau.
Denmark (including Faroe Islands and Greenland)	Lesotho	São Tomé and Príncipe	
Djibouti	Liberia	Saudi Arabia	
Dominica	Libyan Jamahiriya	Senegal	
Dominican Republic	Liechtenstein	Serbia and Montenegro	
		Seychelles	

ter post but also expedited mail service, postal parcels, and postal financial services.

The chairmanship of the Postal Operations Council for the period between congresses is decided through election by the council.

#### International Bureau

The International Bureau, established by the Treaty of Berne in 1874, is located in Berne and provides secretariat and support facilities for the UPU's bodies. It serves as liaison, provides information and consultation services, and promotes technical cooperation among UPU members. It also acts as a clearing house for the settlement of accounts between postal administrations for inter-

administration charges related to the exchange of postal items and international reply coupons.

The International Bureau is responsible for ensuring the representation of the UPU in its external relations, notably with international organizations. However, it does not intervene in relations between postal administrations and their customers.

In the new UPU structure approved by the Seoul Congress (1994), the International Bureau took on a stronger leadership role in certain activities, including the application of Electronic Data Interchange (EDI) technology and monitoring the quality of postal service on a global scale. To carry out its activities, the International Bureau implemented modern management techniques including total quality management, a strategic planning

process, and a performance evaluation system based on individual objectives.

## BUDGET

Since 1992, the UPU has pursued zero real growth budgeting, maintaining its annual budget increases at or below the level of inflation. The 1996 budget was set at 35 million Swiss francs, where, as of 2006, it remained. The UPU's budget expenses are financed jointly by member countries, based on a contribution class system. Upon admission to the UPU, new member countries are free to choose one of ten contribution classes ranging from one to 50 units. An additional contribution class of one-half unit is reserved for the least developed countries. There are at present five countries with the maximum of 50 contribution units.

## ACTIVITIES

### A. Clearing accounts for international services

The UPU acts as a central office for the international postal traffic carried on by its members. In principle, UPU member states retain the revenue they derive from the sale of postage stamps and from other fees and charges for foreign-bound mail. Administrations must, however, reimburse one another for the transportation of foreign mail in intermediate transit and for the imbalance between international mail sent and received (terminal dues). At the end of each year, the International Bureau draws up an annual general clearing account for transit and terminal charges, stating the balances due.

Every two years the International Bureau publishes a general clearing account for the international reply coupons that it supplies to facilitate payment of international correspondence. Some 165 countries now sell these coupons, and all countries must accept them as payment for postage.

### B. Information services

The UPU acts as an international clearinghouse for postal information. At the request of postal administrations, the International Bureau circulates inquiries concerning the operation of the various postal systems and makes the replies available to all UPU members. Inquiries may concern domestic, as well as international, postal practices and cover subjects as diverse as the texts of propaganda permitted on letters and packages, mobile post offices on motorboats, the opening of new offices of exchange, introduction of summer time, and national regulations for the dispatch of radioactive substances.

The International Bureau publishes a number of international postal handbooks, including the following: *Postal Statistics* (internal and international); *List of Prohibited Articles* (prohibited from the mails); and the *Multilingual Vocabulary of the International Postal Service*, designed to ensure that terms used by different national postal services convey an identical meaning. The bureau also prepares an annotated edition of UPU legislation, which includes discussion of principles, opinions, decisions, and practices underlying current international postal procedures and the present organization of the union.

### C. Arbitration and interpretation of international postal rules

If a difference of opinion on the interpretation of UPU legislation between two or more postal administrations cannot be resolved

by direct negotiations, the matter is settled by in-house arbitration. The countries concerned may also designate a single arbitrator, such as the International Bureau of the UPU.

### D. Revision of rules and adoption of guidelines for international services

The main function of the Universal Postal Congress, as noted above, is to study and revise the acts of the union on the basis of proposals put forward by member countries, the Council of Administration, and the Postal Operations Council. At the 23rd Congress, held in Bucharest, Romania, in 2004, the most important decisions taken were: the adoption of the Bucharest World Postal Strategy, a four-year roadmap for governments, postal operators, and the bodies of the UPU; the creation of a Consultative Committee, a new UPU body that represents the interests of external stakeholders and private sector partners in the work of the UPU; the adoption of a complete package of proposals aimed at making the system used to compensate postal administrations for processing and delivering letter mail coming from other countries (called terminal dues) more country-specific and reflective of real costs; the approval of a new country classification system that is in line with that of the UN Development Programme (UNDP); the introduction of a Quality of Service Fund that will ensure that the countries most in need get more funds for improving their postal infrastructure and quality of service; the adoption of a worldwide quality of service standard and targets for international mail services; the adoption of a series of resolutions highlighting the need to improve security, combat terrorism and money laundering through the use of the mail network; decisions to modernize and expand postal financial services through the use of modern technology such as electronic fund transfers and computerized accounting methods; the adoption of a proposal to amend the UPU Convention to legally define the Electronic Postmark (EPM), formally recognizing it as a new optional postal service; the adoption of a resolution ruling that items sent through extraterritorial offices of exchange (ETOE) are to be considered as commercial items not subject to the UPU Acts, and that any country or operator wishing to set up an ETOE on the territory of a UPU member country must obtain prior agreement from the host country; measures to make postal parcels more competitive; and measures to enhance awareness of environmental protection. The 24th Congress is due to be held in Nairobi, Kenya, in 2008.

### E. Technical assistance

The principle of technical assistance is contained in Article 1 of the UPU constitution; it was couched in general terms in order to give the union flexibility in the use of all forms of technical cooperation, present and future.

Requests for UPU assistance in technical cooperation matters cover all sectors: planning, organization, management, operations, training, and financial services. The aid provided comes in three forms: recruiting and sending experts, consultants, or volunteers; granting vocational training or further training fellowships for individual or group courses; and supplying equipment and training or demonstration aids.

The UPU executes country and intercountry projects covering all aspects of the postal services and the three components of experts, fellowships, and equipment. Projects common to several countries, which form a very important part of this program,

make it possible to solve, economically and rationally, the problems that arise in a given region, especially by setting up inter-country postal training schools. These regional and interregional projects are carried out in conjunction with the restricted postal unions and the UN regional commissions.

In the 1990s, the UPU undertook a global Electronic Data Interchange (EDI) project. Through the development of computer applications that facilitate international mail processing and allow exchange of electronic data, postal services have the ability to track mail shipments from end to end and to provide customers with tracking information on time-certain products such as expedited mail service (EMS). It is expected that within a few years, exchanges of postal data via EDI will become a common feature of the majority of postal services.

Funds from the UPU budget make it possible to provide additional assistance to that of UNDP—namely, in the form of short consultant missions of three months at most, at the request of the postal administration concerned. A noteworthy feature is that, for many missions, the consultants' countries of origin also share the cost of this form of technical cooperation by continuing to pay all or part of the salaries of their officials during the mission. At the same time, since 1991 the UPU also has funded integrated projects incorporating short-term consultants' missions, vocational training fellowships, and items of minor equipment. The UPU Special Fund, set up in 1966 and maintained by voluntary contributions from member countries, is mainly designed to finance training and to further training activities in the form of fellowships, equipment, and training courses or study cycles. Some developed countries provide the International Bureau with funds for the management of associate experts in order to supplement the staff of ongoing projects and to give young people with sufficient training the opportunity to improve their professional qualifications.

Lastly, under a resolution adopted by the Council of Administration in 1967, governments may avail themselves of technical assistance instead of payment, which they finance themselves from funds in trust; the International Bureau then undertakes to manage the projects implemented in this way. Of course, the UPU, through the International Bureau, continues to act as an intermediary, wherever expedient, for supplying assistance in kind to developing countries on the basis of offers from developed countries. It also has made a special effort in the field of vocational training by assessing the needs to be met and listing the facilities available in the various member countries. This effort is reflected in the establishment or reinforcement of national or multinational schools and the organization of study cycles for the further training of senior staff and of instructor-training courses; with this aid, a large number of postal administrations now have qualified postal instructors.

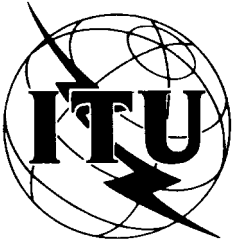
#### F. Postal Studies

The 1989 Washington Congress adopted the practice of having major UPU studies divided into specific sub-study areas. The major technical studies covered the following areas: the post and its markets (commercial strategies, delivery network and customer analysis, press and publishing, parcel-post products/services), development of rapid services (EMS and electronic mail), operations and quality of service (improvement of the postal system, monitoring, mail circulation standards), modernization (automation, coding, telematics, technology research), management (international accounting, productivity indices, security, decentralization), human resources (adapting to the demands of competition, training), and postal development.

UPU reports are published as the *Collection of Postal Studies*, which is available in four languages.

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# THE INTERNATIONAL TELECOMMUNICATION UNION (ITU)



**BACKGROUND:** The International Telecommunication Union is the oldest of the intergovernmental organizations that have become specialized agencies related to the UN. In 1865, a convention establishing an International Telegraph Union was signed in Paris by the plenipotentiaries of 20 continental European states, including two extending into Asia—Russia and Turkey. Three years later, a permanent international bureau for the union was established in Bern, Switzerland. This bureau, which operated until 1948, was the forerunner of the present General Secretariat of the ITU. In 1885, at Berlin, the first regulations concerning international telephone services were added to the telegraph regulations annexed to the Paris convention. By the end of the nineteenth century, radiotelegraphy, or “wireless,” had been developed, and for the first time it was possible to communicate directly between shore stations and ships at sea. Rival wireless companies frequently refused to accept one another’s messages, however. In 1903, an international conference was called to consider the problem, and in 1906, in Berlin, 29 maritime states signed the International Radiotelegraph Convention, establishing the principle of compulsory intercommunication between vessels at sea and the land. The International Radiotelegraph Conference, which met in Washington in 1927, drew up for the first time a table of frequency allocations.

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## CREATION

Two plenipotentiary conferences were held in 1932 at Madrid—one covering telephone and telegraph and the other radiotelegraph communication. The two existing conventions were amalgamated into a single International Telecommunication Convention (the word *telecommunication* signifying “any transmission, emission or reception of signs, signals, writing, images and sounds, or intelligence of any nature by wire, radio, optical, or other electromagnetic systems”). The countries accepting the new convention, which came into force on 1 January 1934, formed the International Telecommunication Union.

The International Telecommunication Convention of 1932 has been revised six times. The Plenipotentiary Conference of the ITU, meeting in Atlantic City in 1947, radically changed the organization to keep up with developments in telecommunication: for example, a new permanent organ, the International Frequency Registration Board, was created to cope with the overcrowding of certain transmission frequencies; and an agreement was drawn up under which the ITU was recognized by the UN as the specialized agency for telecommunication. The convention was further modified in certain respects by plenipotentiary conferences in 1952, 1959, 1965, 1973, and 1982.

In 1989, the Plenipotentiary Conference held in Nice created a High-Level Committee to propose wide-ranging recommendations about the role of ITU in a world totally transformed by the convergence of telecommunications and computer technology and the globalization and privatization of telecommunications providers. An historic Additional Plenipotentiary Conference was convened in Geneva in December 1992 to adopt far-reaching structural changes to the union and a thoroughly revised constitution and convention. The new constitution officially entered into force on 1 July 1994. However, the structural changes were con-

sidered so important to maintaining the organization’s relevance in the rapidly changing technological world that the new structure was implemented as of 1 March 1993. The Constitution has been amended at subsequent plenipotentiary conferences.

## PURPOSES

The new Constitution of the International Telecommunication Union (Geneva, 1992) cites the following purposes for the union:

- to maintain and extend international cooperation between all members of the union for the improvement and rational use of telecommunications of all kinds;
- to promote and to offer technical assistance to developing countries in the field of telecommunications;
- to promote the development of technical facilities and their efficient operation;
- to promote the extension of the benefits of the new telecommunication technologies to all the world’s inhabitants;
- to harmonize the actions of members in the attainment of these ends;
- to promote, at the international level, the adoption of a broader approach to telecommunications issues, an approach that includes other world and regional organizations and nongovernmental organizations concerned with telecommunications.

## MEMBERSHIP

As of May 2006, ITU had 190 member nations. Although membership in the union itself is open only to sovereign states, the union’s three sectors and their various conferences are open to telecommunications companies, scientific organizations, industrial groups, financing and development institutions, internation-

al and regional telecommunication organizations, and the United Nations itself as well as its specialized agencies. Indeed, the 1992 constitution makes it clear that the participation of private sector organizations in the union's work is encouraged. In the late 1990s, some 360 members (scientific and industrial companies, public and private operators, broadcasters, regional/international organizations) took part in ITU's ongoing standardization work.

## STRUCTURE

The new structure of ITU combines the activities of its previous bodies into three "pillars" supporting the work mandated by the Plenipotentiary Conference: the Radiocommunication Sector, the Telecommunication Standardization Sector, and the Development Sector. Each sector's work is directed by international and regional conferences, supported by a bureau under the administration of a director. The bureau directors are assisted by "Advisory Groups" that are open to representatives of national telecommunication administrations, authorized organizations, and study groups. The Plenipotentiary Conference also elects the ITU Council, which acts as an intersessional administrative body guiding the work of the organization in the four-year intervals between conferences. The organization's General Secretariat, headquartered in Geneva, is administered by a Secretary-General, assisted by a Deputy Secretary-General as well as the directors of Radiocommunication Bureau, Telecommunication Standardization Bureau, and the Telecommunication Development Bureau. Yoshio Utsumi of Japan was elected ITU Secretary-General by the Minneapolis Plenipotentiary Conference (October 1998).

### Plenipotentiary Conference

The supreme body of the ITU is the Plenipotentiary Conference, in which each member has one vote. Previously, it met at intervals of five or more years—in Atlantic City in 1947, Buenos Aires in 1952, Geneva in 1959, Montreux in 1965, Torremolinos in 1973, Nairobi in 1982, and Nice in 1989. In 1992 the extraordinary Additional Plenipotentiary Conference met in Geneva to fundamentally revamp the organization. The first session of the Plenipotentiary Conference after the restructuring was held in Kyoto, Japan, in September 1994. The Plenipotentiary Conference convened in Minneapolis in 1998 and in Marrakesh in 2002. In 2006, the Plenipotentiary Conference was due to be held in Antalya, Turkey.

The Plenipotentiary Conference sets general policies for fulfilling the purposes of the union; receives reports on the organization's activities since the previous conference and takes decisions on those reports; establishes the budget in light of decisions taken by the ITU Council; fixes salary scales; elects member nations to the ITU Council; elects the secretary-general; the deputy secretary-general; the directors of the bureaus of the three sectors, and the members of the Radio Regulations Board; considers and adopts amendments to the constitution and the convention; concludes agreements between ITU and other organizations that may be concluded by the ITU Council. In general the conferences focus on long-term policy issues.

### The ITU Council

The ITU Council (formerly called the Administrative Council) traces its history back to the New Jersey Plenipotentiary Conference of 1947. It is composed of 46 member nations elected by the

plenipotentiary along a regional formula: the Americas have eight seats, Western Europe has eight seats, Eastern Europe has five seats, Africa has 13 seats, and Asia and Australasia has 12 seats. The council members hold office until the next plenipotentiary, at which time they may be reelected.

The ITU Council guides the work of the union between sessions of the plenipotentiary. It approves the budgets of the union and controls its finances. It is responsible for the coordination of ITU's work with other United Nations organizations.

The members of the ITU Council for 2002-06 were: Region A (Americas): Argentina, Brazil, Canada, Cuba, Mexico, Suriname, United States, Venezuela; Region B (Western Europe): France, Germany, Italy, Norway, Portugal, Spain, Switzerland, Turkey; Region C (Eastern Europe): Bulgaria, Czech Republic, Poland, Romania, Russia; Region D (Africa): Algeria, Burkina Faso, Cameroon, Egypt, Ghana, Kenya, Mali, Morocco, Nigeria, Senegal, South Africa, Tunisia, Uganda; and Region E (Asia and Australasia): Australia, China, India, Indonesia, Iran (Islamic Republic of), Japan, Korea (Republic of), Malaysia, Pakistan, Saudi Arabia, Thailand, Vietnam.

### The Radiocommunications Sector

#### World Radiocommunication Conferences

World Radiocommunication Conferences (WRCs) revise the radio regulations and any associated frequency assignment and allotment plans; address any radiocommunication matter of worldwide character; instruct the Radio Regulations Board and the Radiocommunication Bureau, and review their activities; and determine questions for study by the Radiocommunication Assembly and its study groups in preparation for future Radio-communication Conferences. WRCs are normally convened every two or three years.

#### Radiocommunication Conferences and Assemblies

Every two to three years the Radiocommunication Conference and a Radiocommunication Assembly meet to review and revise the Radio Regulations on the basis of an agenda adopted by the ITU Council. Radiocommunication conferences are open to all ITU member administrations and to the United Nations and its specialized agencies, regional telecommunication organizations, and intergovernmental organizations operating satellite systems. In addition, telecommunication operators authorized by their country to participate in the work of the Radio Sector are admitted to the conferences.

The Radiocommunication Assemblies provide the technical basis for the work of the conferences. The assemblies create study groups of experts and decide on the priority, urgency, and time-scale for study of specific issues. The study groups are made up of experts from both administrations and public/private sector entities.

#### Radiocommunication Bureau

The Radiocommunication Bureau, or BR, is the executive arm of the Radiocommunication Sector, and is headed by an elected director. The director of BR acts as Executive Secretary to the Radio Regulations Board, and is responsible for the coordination of the work of the sector. The BR provides administrative and technical support to radiocommunications conferences, assemblies, and



study groups; records and registers frequency assignments and orbital characteristics of space services; provides advice to member states on the fair and effective use of the radio-frequency spectrum and satellite orbits, and assists in resolving cases of harmful interference; prepares and edits publications developed within the sector; provides technical information, and works closely with the Telecommunication Development Bureau in assisting developing countries.

#### **Radio Regulations Board**

The Radio Regulations Board is a part-time, 12-member body of experts that approves the rules of procedure to register radio frequency assignments and equitable utilization of the geo-stationary satellite orbit. It also investigates complaints by ITU members about frequency interference, and formulates recommendations to resolve such problems. It holds up to four meetings a year in Geneva. The board members, elected at the Plenipotentiary Conference, serve as custodians of international public trust and not as representatives of their respective member states or region, hence they cannot be part of national delegations at conferences. The Radio Regulations Board replaced the former five-member International Frequency Registration Board (IFRB), which was a full time body.

#### **Radiocommunication Advisory Group**

The Radiocommunication Advisory Group (RAG) has the following duties: to review the priorities and strategies adopted in the Radiocommunication Sector; to monitor progress of the work of Study Groups; to provide guidance for the work of Study Groups; and to recommend measures for fostering cooperation and coordination with other organizations and other ITU sectors. The RAG provides advice on these matters to the Director of the Radiocommunication Bureau. Radiocommunication Assemblies may refer specific matters within its competence to RAG.

### **The Telecommunication Standardization Sector**

#### **World Telecommunication Standardization Assemblies**

These assemblies are held every four years to approve, modify, or reject draft standards (called "Recommendations" because of their voluntary character). The conferences set the work program for the study groups that elaborate these recommendations. The Telecommunication Standardization Study Groups are groups of experts in which administrations and public/private sector entities participate. They focus on the standardization of telecommunication services, operation and performance of equipment, systems, networks, services, tariffs, and accounting methods.

#### **Telecommunication Standardization Bureau**

The bureau is headed by a director elected by the plenipotentiary. It prepares for assemblies and meetings and processes and publishes information received from administrations about the application of the International Telecommunication Regulations. This information includes international telephone routes, statistics, notifications, and operational bulletins. It also is responsible for updating the documents and data bases of the Telecommunication Standardization Sector.

### **The Telecommunication Development Sector**

#### **World and Regional Telecommunication Development Conferences**

These conferences fix objectives and strategies for balancing worldwide and regional development in telecommunications. They serve as a forum for studying policy, organization, operation, regulatory, technical, and financial questions related to the needs of developing countries. A World Telecommunication Development Conference is held every four years and a number of Regional Telecommunication Development Conferences are held within that same period. The resolutions, decisions, recommendations, and reports of the conferences are submitted to the plenipotentiary. The development conferences direct the work of the Telecommunications Development Bureau. The conferences also set up study groups on issues specific to developing countries.

#### **The Telecommunication Development Bureau**

This body is the administrative arm of the Development Sector. Its duties and responsibilities cover a variety of functions including program supervision, technical advice, collection and processing of relevant information for publication in machine-readable and other formats. The bureau is headed by an elected director who organizes and manages the work of the Sector.

#### **General Secretariat**

The General Secretariat is at ITU headquarters in Geneva, Switzerland. It handles arrangements for ITU conferences and meetings and maintains liaison with member states and with the UN, the specialized agencies, and other international organizations. It also carries out the ITU's extensive publication program. It is headed by the secretary-general. Yoshio Utsumi of Japan was elected ITU Secretary-General by the Minneapolis Plenipotentiary Conference in 1998.

The Secretariat also organizes an international commercial telecommunications exhibition called TELECOM, held in Geneva every four years. It also cosponsors regional telecommunications exhibitions with member administrations (Asia TELECOM, Africa TELECOM, Americas TELECOM, and Europa TELECOM). These trade shows feature a comprehensive display of telecommunication equipment and services, including digital transmission, switching technologies, and digital networks. In conjunction with TELECOM, ITU sponsors a FORUM which deals with emerging trends in telecommunications technology, administration, management, financing, research, and equipment supply.

### **BUDGET**

The ordinary budget includes expenditures pertaining to the ITU Council, the Geneva headquarters, and the various conferences and meetings. The technical cooperation special accounts budget includes administrative expenditure for technical assistance to developing nations and is financed by the UNDP. The publications budget includes production costs of all publications and is self-financed through sales.

At each Plenipotentiary Conference, member countries choose a class of contribution. The lowest classes are reserved for countries designated least developed countries by the United Nations. The ordinary budget is then divided by the number of units as-

signed to each member. However, regional radio conferences require additional contributions.

All other organizations (private enterprises, international organizations, etc.) that take part in the work of the union's three sectors must also choose a contribution class; however, their units are 1/5th the value of the member countries' contributory unit. Separate contributions must be made for participation in any of the various conferences of the union.

The total budget for 2004–05 amounted to SFR 328,872,000.

## ACTIVITIES

### Background

In the early 1980s ITU members recognized that advances in technology were fundamentally changing the nature of telecommunications and the very principles upon which the union was founded. These fundamental changes were behind the restructuring of the union, which was completed in 1994. An understanding of these changes is fundamental to understanding ITU's activities in the rapidly evolving world of telecommunications.

From 1900 to the 1980s telecommunication was generally understood to mean essentially the transmission of voice telephone signals. Governments and the telecommunications industry shared easily communicable goals: provide telephone service for every business and home and arrive at international technological standards that would allow telephone connections between all countries. Until the 1980s telecommunication equipment technology evolved comparatively slowly, allowing enough time for ITU's international bodies to set standards without inhibiting the progress of technology development. In the area of pricing (tariffs) there was widespread acceptance that densely populated areas would produce enough income for telephone companies to cover their expenses for providing coverage for remote, sparsely populated areas.

In the 1980s technological advances in the digitization of telephone signals, software control, component miniaturization, and sharply decreasing switching and transmission costs brought about an explosion in products and services that could now transmit not only voice, but also data, text, image, and video information. Telecommunications became less a stand-alone industry and more intimately connected with the computer industry. It could be said that the two technologies had "converged," fundamentally reshaping the way all kinds of information services could be delivered to people and businesses. Similarly, wired and "wireless" telecommunications also began to converge. Wireless systems (cellular telephones, for example) began to compete with existing networks at every level through terrestrial and satellite-based communications systems.

At the same time, the equipment supply industry was transformed by shorter innovation cycles and global marketing efforts. This drastically shortened the time available for consultation and adoption of international standards. Finally, the profitability ethic of the computer industry began to replace the universal coverage ethic of the telecommunications industry. Businesses began to demand cost-based pricing, which would reduce their costs in increasingly competitive global markets. However, the growth of cost-based pricing would effectively deny telecommunications

to isolated or sparsely populated countries or regions, since they could never afford to pay enough to be as profitable as densely populated areas. In other words, the competitive environment produced "islands" of high telecommunication capability where profitable customers existed and "deserts" of low telecommunication capability where profitable returns could not be achieved.

This trend strengthened towards the end of the 1980s with the end of the cold war. An international consensus emerged that market-based economies were the most efficient way to deliver goods and services and promote economic growth. Previously, most of the world's countries had government-controlled telecommunications departments.

In the new atmosphere of deregulation and privatization, many state-owned telecommunications departments would become state-owned corporations, and perhaps eventually private corporations. Telecommunications companies in industrialized countries found their main opportunity for growth was to change from offering only domestic services to offering services region-wide or even globally, competing with the domestic services of other nations.

ITU's Secretary-General, Dr. Pekka Tarjanne, told an international gathering in Tokyo in 1994 that: "Today's ITU does not fully reflect the dramatic changes that have taken place in telecommunications. The Union remains largely the preserve of dominant carriers, with little active participation by new players in the telecommunications industry or by major users. This trend strongly suggests the need for greater private sector participation by the new players in the telecommunications industry.... How can non-governmental players be given a greater voice in ITU decision-making processes without infringing on the sovereign rights of nations?" The future evolution of the organization and its activities will revolve around this dilemma.

The activities of the organization were defined in the 1992 constitution as:

- allocating bands of the radio frequency spectrum, allotting radio frequencies, registering radio frequency assignments, and registering orbital positions in the geostationary-satellite orbit in order to avoid harmful interference between radio stations of different countries;
- coordinating efforts to eliminate harmful interference between radio stations of different countries;
- facilitating the worldwide standardization of telecommunications;
- delivering technical assistance to developing countries that want to create, develop, and improve their telecommunications systems;
- fostering collaboration among its members to establishing rates at levels as low as possible while ensuring efficient service;
- promoting measures that would save lives through the cooperation of telecommunications services; and
- promoting the establishment of preferential and favorable lines of credit from international financial and development organizations for extending telecommunications services to the most isolated areas in countries.

## PUBLICATIONS

One of the most important duties of ITU headquarters is to collect and collate essential telecommunication data and to edit and publish the numerous documents essential for the day-to-day operation of the various telephone, telegraph, and broadcasting systems of the world. Among the documents regularly issued by the ITU are the *International Frequency List*; the quarterly *High Frequency Broadcasting Schedules*; yearly radio statistics; lists of coast, ship, and fixed stations; codes and abbreviations in general use; lists of radiolocation stations; an alphabetical list of call signs; summaries of international monitoring information; the *ITU Newsletter* (formerly the *Telecommunication Journal*) and similar publications, all generally issued in English, French, and Spanish editions, or in a single trilingual edition. A new bi-weekly publication was launched in 2000, the *BR International Frequency Information Circular*. Published in CD-ROM format, the circular represents a consolidated regulatory snapshot of activities in the satellite and

terrestrial radio markets. Many of ITU's technical documents are available in electronic forms: online as part of ITUDOC, on CD-ROM discs, or on other computer-readable media.

### **Telecom Information Exchange Services (TIES) and ITUDOC**

This on-line computer communication service is based at ITU headquarters for telecommunications-related information exchange. The system offers electronic mail, bulletin boards, document interchange, computer conferencing, and distributed access to ITU data bases such as global telecom services and tariffs, as well as notification of telecommunication information. It also contains a terminology infobase of 30,000 telecommunications terms in English, French, and Spanish.

ITUDOC allows users of the Internet to retrieve ITU documents and publications from a central computer server at ITU headquarters. It also allows participants in ITU's work to submit their contributions electronically.

**ITU MEMBER COUNTRIES (as of May 2006)**

Afghanistan	Djibouti	Lesotho	San Marino
Albania	Dominica	Liberia	São Tomé and Príncipe
Algeria	Dominican Republic	Libya	Saudi Arabia
Andorra	Ecuador	Liechtenstein	Senegal
Angola	Egypt	Lithuania	Serbia and Montenegro
Antigua and Barbuda	El Salvador	Luxembourg	Seychelles
Argentina	Equatorial Guinea	Madagascar	Sierra Leone
Armenia	Eritrea	Malawi	Singapore
Australia	Estonia	Malaysia	Slovakia
Austria	Ethiopia	Maldives	Slovenia
Azerbaijan	Fiji	Mali	Solomon Islands
Bahamas	Finland	Malta	Somalia
Bahrain	France	Marshall Islands	South Africa
Bangladesh	Gabon	Mauritania	Spain
Barbados	Gambia	Mauritius	Sri Lanka
Belarus	Georgia	Mexico	Sudan
Belgium	Germany	Micronesia	Suriname
Belize	Ghana	Moldova	Swaziland
Benin	Greece	Monaco	Sweden
Bhutan	Grenada	Mongolia	Switzerland
Bolivia	Guatemala	Morocco	Syrian Arab Republic
Bosnia and Herzegovina	Guinea	Mozambique	Tajikistan
Botswana	Guinea-Bissau	Myanmar	Tanzania
Brazil	Guyana	Namibia	Thailand
Brunei Darussalam	Haiti	Nauru	The Former Yugoslav Republic of Macedonia
Bulgaria	Honduras	Nepal	Togo
Burkina Faso	Hungary	Netherlands	Tonga
Burundi	Iceland	New Zealand	Trinidad and Tobago
Cambodia	India	Nicaragua	Tunisia
Cameroon	Indonesia	Niger	Turkey
Canada	Iran (Islamic Republic of)	Nigeria	Turkmenistan
Cape Verde	Iraq	Norway	Tuvalu
Central African Republic	Ireland	Oman	Uganda
Chad	Israel	Pakistan	Ukraine
Chile	Italy	Panama	United Arab Emirates
China	Jamaica	Papua New Guinea	United Kingdom
Colombia	Japan	Paraguay	United States
Comoros	Jordan	Peru	Uruguay
Congo, Republic of	Kazakhstan	Philippines	Uzbekistan
Congo, Democratic Republic of the	Kenya	Poland	Vanuatu
Costa Rica	Kiribati	Portugal	Vatican
Côte d'Ivoire	Korea, Democratic	Qatar	Venezuela
Croatia	People's Republic of	Romania	Vietnam
Cuba	Korea, Republic of	Russian Federation	Yemen
Cyprus	Kuwait	Rwanda	Zambia
Czech Republic	Kyrgyzstan	St. Kitts and Nevis	Zimbabwe
Denmark	Lao People's Democratic Republic	St. Lucia	
	Latvia	St. Vincent and the Grenadines	
	Lebanon	Samoa	

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# THE WORLD METEOROLOGICAL ORGANIZATION (WMO)



**BACKGROUND:** The practical uses of meteorology are to instruct, advise, and warn mankind about the weather. Thus, it can help prevent devastation caused by flood, drought, and storm; it can also assist the peoples of the world in best adapting their agriculture and industry to the climatic conditions under which they live.

For meteorology, international cooperation is indispensable. The reasons are expressed in the following words of President John F. Kennedy: "... there is the atmosphere itself, the atmosphere in which we live and breathe and which makes life on this planet possible. Scientists have studied the atmosphere for many decades, but its problems continue to defy us. The reasons for our limited progress are obvious. Weather cannot be easily reproduced and observed in the laboratory. It must, therefore, be studied in all of its violence wherever it has its way. Here, new scientific tools have become available. With modern computers, rockets and satellites, the time is ripe to harness a variety of disciplines for a concerted attack.... The atmospheric sciences require worldwide observation and, hence, international cooperation."

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## CREATION

Beginning in 1853, many of the world's leading maritime countries tried to establish an international system for collecting meteorological observations made by ships at sea.

The first international meteorological congress was held in Vienna in 1873; it led to the founding of the International Meteorological Organization, composed of directors of meteorological services from various countries and territories throughout the world. This body carried out ambitious programs to perfect and standardize international meteorological practices.

As transportation, communications, agriculture, and industry developed in the 20th century, they increasingly relied on meteorology, while meteorology itself relied to an increasing extent on advances in science and technology to perfect its methods of observing and predicting weather phenomena. Hence, the closest possible collaboration was called for between the International Meteorological Organization and other international bodies.

A conference of directors of national meteorological services met in Washington in 1947 under the auspices of the International Meteorological Organization and adopted the World Meteorological Convention, establishing the World Meteorological Organization as a UN specialized agency. On 23 March 1950, after 30 signers had ratified or acceded to the convention, it came into force. The first WMO congress opened in Paris on 19 March 1951.

## PURPOSES

As set forth in the World Meteorological Convention, the purposes of the WMO are sixfold:

- to facilitate worldwide cooperation in the establishment of

networks of stations for meteorological, hydrological, and other geophysical observations and to promote the establishment and maintenance centers charged with the provision of meteorological and related services;

- to promote the establishment and maintenance of systems for rapid exchange of weather information;
- to promote standardization of meteorological and related observations and ensure uniform publication of observations and statistics;
- to further the application of meteorology to aviation, shipping, water problems, agriculture, and other human activities;
- to promote activities in operational hydrology and cooperation between meteorological and hydrological services; and
- to encourage research and training in meteorology and, as appropriate, to assist in coordinating the international aspects of such research and training.

## MEMBERSHIP

Membership in the WMO is not limited to sovereign states; it may include territories that maintain their own meteorological services. Membership is open to any of the 45 states and 30 territories attending the 1947 conference in Washington that signed the convention or to any member of the UN with a meteorological service. Any of these automatically becomes a member of the WMO upon ratifying or acceding to the convention. Any other state, territory, or group of territories maintaining its own meteorological services may become eligible for membership upon approval of two-thirds of the WMO membership. As of May 2006, the WMO had 189 members.

## STRUCTURE

The WMO is headed by a president and three vice-presidents, elected by the World Meteorological Congress. There is also an Executive Council and a secretariat.

### World Meteorological Congress

The World Meteorological Congress is the supreme body of the organization and is composed of the delegates representing its member states and territories. (According to the World Meteorological Convention, the principal delegate of each member “should be the director of its meteorological service.”) The congress, which meets every four years, determines changes in the constitution and functions of the various WMO bodies, adopts regulations covering meteorological practices and procedures, and determines general policies for carrying out the purposes of the organization and related matters. It also establishes the regional associations and technical commissions.

Each member of the congress has one vote. Election of individuals to serve in any capacity in the organization is by a simple majority of the votes cast; other questions are decided by two thirds of the votes cast for and against. On certain subjects, only members that are states may vote.

### Executive Council

The Executive Council has 47 members: the president and the three vice-presidents of the WMO; the presidents of the six regional associations; and 37 directors of meteorological services from the member countries, elected by the congress. Meeting at least once a year, the council carries out the activities of the organization and the decisions of the congress. Its own decisions are reached by a two-thirds majority.

### Regional Associations

There are six regional associations: one each for Africa, Asia, South America, North and Central America, the Southwest Pacific, and Europe. The regional associations are composed of the WMO members whose meteorological networks lie in or extend into the respective regions. They meet when necessary and examine from a regional point of view all questions referred to them by the Executive Council. Each association has the responsibility for coordinating meteorological activity.

### Technical Commissions

The technical commissions are composed of experts in meteorology. They study various meteorological problems and make recommendations to the executive committee and the congress. The WMO has established eight commissions for the following areas: basic systems; instruments and methods of observation; atmospheric sciences; aeronautical meteorology; agricultural meteorology; marine meteorology; hydrology; and climatology. Each commission meets every four years.

### Secretary-General and Secretariat

The secretariat, in Geneva, completes the structure of the WMO. Its staff, under the direction of a Secretary-General, undertakes studies, prepares publications, acts as secretariat during meetings of the various WMO bodies, and provides liaison between the various meteorological services of the world. The Secretary-General

is Michel Jarraud of France, elected for a four-year term beginning on 1 January 2004. He is assisted by a staff of about 250.

## BUDGET

Contributions to the WMO's regular budget are assessed upon members by the congress. The maximum expenditure for the financial period 2004–2007 as approved by the Fourteenth World Meteorological Congress is SFr 253.8 million. Extrabudgetary resources support scientific components of programs such as technical cooperation, education and training, improvement of the World Weather Watch, and some urgent environmental and climatological monitoring, research, and cooperative work. Extrabudgetary expenditures are funded through UNDP, the WMO Voluntary Cooperation Program, and funds-in-trust.

## ACTIVITIES

### A. World Weather Watch

The World Weather Watch (WWW) was established by the Fifth World Meteorological Congress, held in Geneva in 1967. Its purpose is to make available to each national meteorological service meteorological and related environmental information required in order to enjoy the most efficient and effective meteorological and related environmental services possible in both applications and research. No other scientific discipline has such international interdependence. The WWW has three essential elements:

1. The Global Data-Processing System provides meteorological analyses and forecast products to all meteorological services. It is composed of three world meteorological centers, in Melbourne, Moscow, and Washington, D.C.; 26 regional meteorological centers; and more than 150 national meteorological centers.
2. The Global Observing System provides observational data from surface-based observing stations and platforms and from meteorological satellites of its space-based subsystem.
3. The Global Telecommunication System consists of telecommunication facilities and arrangements necessary for the rapid and reliable exchange of the observational data and processed products required by meteorological services. The system is organized into the main telecommunication network (the core of the system), six regional meteorological telecommunication networks, and national meteorological telecommunication networks that interconnect meteorological centers through approximately 240 data links.

The WWW also has two support functions:

1. WWW Data Management is concerned with the overall real-time management of data and product selection and presentation to recipients in appropriate standard formats and codes and with the monitoring of the data availability, quality, and operational status of the WWW system.
2. WWW Systems Support Activities make available to WMO members information on new WWW technology, operational experience, and proven methodology.

Also grouped under the WWW umbrella are WMO's satellite and emergency response activities. Emergency response activities involve the coordination and implementation of procedures and response mechanisms in case of nuclear accidents, as well as the Instruments and Methods of Observation Programme and the Tropical Cyclone Programme (TCP). The TCP, is designed to assist more than 50 countries in areas vulnerable to tropical cyclones to minimize destruction and loss of life by improving forecasting and warning systems, and disaster preparedness measures.

### B. World Climate Programme

The World Climate Programme (WCP) established by the eighth WMO Congress in 1979 comprises four major component programs: the World Climate Applications and Services Programme (WCASP); the World Climate Data and Monitoring Programme (WCDMP); the World Climate Research Programme (WCRP); and the World Climate Impact Assessment and Response Strategies Programme (WCIRP).

The objectives of the WCP are:

- facilitate the effective collection and management of climate data and the monitoring of the global climate system, including the detection and assessment of climate variability and changes;
- foster the effective application of climate knowledge and information for the benefit of society and the provision of climate services, including the prediction of significant climate variations both natural and as a result of human activity;
- assess the impacts of climate variability and changes that could markedly affect economic or social activities and advise governments thereon and contribute to the development of a range of socioeconomic response strategies that could be used by governments and community;
- improve the understanding of climate processes for determining the predictability of climate, including its variability and change; identifying the extent of human influence on climate; and developing the capability for climate prediction.

WMO is directly responsible for WCASP and WCDMP and for the overall coordination of the WCP, but has joint responsibility with the International Council for Science (ICSU) and the Intergovernmental Oceanographic Commission (IOC) of UNESCO for the WCRP. UNEP is responsible for the WCIRP. Several other international organizations such as FAO, UNESCO, WHO, and UNDP are actively involved.

The close cooperation required for the WCP, which is complex and multidisciplinary, is achieved through interagency meetings and through the Climate Exchange Co-ordination Activities. Within the program, priority attention is given to the food, water, and energy sectors.

The World Climate Programme provides an interagency, interdisciplinary framework to address the full range of climate change issues, including research into the economic and social consequences of climate change. It is the major international program supporting the work of the Intergovernmental Panel on Climate Change, the process of implementation of the Framework Convention on Climate Change, and relevant to the implementation

of Agenda 21, the seminal statement of the 1992 UN Conference on Environment and Development (the "Earth Summit").

The eleventh World Meteorological Congress decided that the WCP should be supported by the Global Climate Observing System (GCOS) as an essential activity associated with the World Climate Programme.

The basic objectives of the WCRP are to increase understanding of climate mechanisms and to determine to what extent climate can be predicted and the possible influence of man's activities on climate. Achieving these objectives requires input from many scientific disciplines. To assist in this, coordination and overall guidance is provided by the WMO/ICSU Joint Scientific Committee. The eleventh WMO Congress decided that UNESCO's Intergovernmental Oceanographic Commission (IOC) should be invited to join in WCRP. Continuing efforts are made at model development and global climate analysis, in particular the assessment of cloud prediction schemes and the representation of ocean-atmosphere interface fluxes in atmospheric general circulation models. Projects to assemble quality-controlled, consistent global climatological sets of sea-surface temperature and precipitation also have been established. Continual support is given to WCRP activities concerned with the study of climate forcing, including research on radiation codes used in climate models, aerosol sensitivity investigations and the global ozone research and monitoring projects.

### C. Applications of Meteorology

The WMO's Aeronautical Meteorology Programme serves to further the application of meteorology to aviation. It is keyed to ensure, jointly with ICAO, the continuous development of regulatory and guidance material required for the provision of services to aviation in accordance with the operational requirements of aviation. It also contributes to the implementation and improvement of meteorological services necessary to ensure the safety, regularity, and efficiency of air transport.

The overall purpose of the WMO's Marine Meteorological Programme is the promotion of the required marine meteorological services over the high seas and coastal areas, including specialized ocean services and the application of marine climatological information for planning marine activities. The program also includes development of a comprehensive marine environmental monitoring service, a coordinated ocean data management system, and activities within the Integrated Global Ocean Services System, a joint venture of the WMO and the Intergovernmental Oceanographic Commission until 1999, when the two organizations merged.

The purpose of the Agricultural Meteorology Programme is to help WMO members develop the capability to provide the agricultural community with practical information—based on knowledge of the climate, recent weather, and short-, medium-, and long-term forecasts—that can be used to improve production, reduce risks and crop losses, decrease pollution by agricultural chemicals, diminish costs, and increase the efficiency of the use of energy in agriculture. In turn, these immediate goals can help members achieve self-sufficiency in food production and increase export earnings from agriculture. At the international and regional levels, the program helps to identify requirements for information in agricultural meteorology, assess the impact of weather and climate fluctuations on food production, and apply agrometeorology

**Members of the World Meteorological Organization (as of May 2006)**

Afghanistan	Czech Republic	Lao People's Democratic Republic	Rwanda
Albania	Denmark	Latvia	St. Lucia
Algeria	Djibouti	Lebanon	Samoa
Angola	Dominica	Lesotho	São Tomé and Príncipe
Antigua and Barbuda	Dominican Republic	Liberia	Saudi Arabia
Argentina	Ecuador	Libyan Arab Jamahiriya	Senegal
Armenia	Egypt	Lithuania	Serbia and Montenegro
Australia	El Salvador	Luxembourg	Seychelles
Austria	Eritrea	Macao	Sierra Leone
Azerbaijan	Estonia	Madagascar	Singapore
Bahamas	Ethiopia	Malawi	Slovakia
Bahrain	Fiji	Malaysia	Slovenia
Bangladesh	Finland	Maldives	Solomon Islands
Barbados	France	Mali	Somalia
Belarus	French Polynesia	Malta	South Africa
Belgium	Gabon	Mauritania	Spain
Belize	Gambia	Mauritius	Sri Lanka
Benin	Georgia	Mexico	Sudan
Bhutan	Germany	Micronesia, Federated States of	Suriname
Bolivia	Ghana	Moldova	Swaziland
Bosnia and Herzegovina	Greece	Monaco	Sweden
Botswana	Guatemala	Mongolia	Switzerland
Brazil	Guinea	Morocco	Syrian Arab Republic
British Caribbean Territories	Guinea-Bissau	Mozambique	Tajikistan
Brunei Darussalam	Guyana	Myanmar	Tanzania
Bulgaria	Haiti	Namibia	Thailand
Burkina Faso	Honduras	Nepal	The Former Yugoslav Republic of Macedonia
Burundi	Hong Kong	Netherlands	Togo
Cambodia	Hungary	Netherlands Antilles and Aruba	Tonga
Cameroon	Iceland	New Caledonia	Trinidad and Tobago
Canada	India	New Zealand	Tunisia
Cape Verde	Indonesia	Nicaragua	Turkey
Cayman Islands	Iran (Islamic Republic of)	Niger	Turkmenistan
Central African Republic	Iraq	Nigeria	Tuvalu
Chad	Ireland	Niue	Uganda
Chile	Israel	Norway	Ukraine
China	Italy	Oman	United Arab Emirates
Colombia	Jamaica	Pakistan	United Kingdom
Comoros	Japan	Panama	United States of America
Congo, Republic of	Jordan	Papua New Guinea	Uruguay
Congo, Democratic Republic of the	Kazakhstan	Paraguay	Uzbekistan
Cook Islands	Kenya	Peru	Vanuatu
Costa Rica	Kiribati	Philippines	Venezuela
Côte d'Ivoire	Korea, Democratic People's Republic of	Poland	Vietnam
Croatia	Korea, Republic of	Portugal	Yemen
Cuba	Kuwait	Qatar	Zambia
Cyprus	Kyrgyzstan	Romania	Zimbabwe
		Russian Federation	

logical methods to improve land use, crop selection, and management practices.

The Public Weather Services Programme (PWS) of WMO was established in 1994. Its main purpose is to assist the National Meteorological and Hydrological Services to provide comprehensive and reliable weather and related services to the public. The PWS assists members to communicate weather information and forecasts to the users and warns them of severe weather. The PWS exchanges and coordinates hazardous weather information among neighboring countries. It also works to improve public understanding of meteorological events and engages in education and training programs.

#### D. Atmospheric Research and Environment Programme

The purpose of the Atmospheric Research and Environment Programme (AREP) is to contribute to the advancement of atmo-

spheric sciences and to assist members in providing better meteorological services by fostering research in meteorology and related environmental fields. It also is aimed at ensuring that members have relevant information and guidance to make the best use of the results of research applied for the benefit of their national economies and quality of life. The transfer of technology is ensured through support, within available resources, for the participation of scientists from developing countries in AREP.

AREP has five main components: the Global Atmosphere Watch (GAW); the Programme on Short- and Medium-Range Weather Prediction Research; the Programme on Long-range Forecasting Research; the Tropical Meteorology Research Programme (TMRP); and the Programme on Physics and Chemistry of Clouds and Weather Modification Research (PCCWMR).

*Global Atmosphere Watch (GAW)*. This worldwide system integrates most monitoring and research activities involving the mea-



surement of atmospheric composition. It is intended to serve as an early warning system to detect further changes in the ozone layer and in long-range transport of pollutants, including acidity and toxicity of rain, as well as the atmospheric burden of aerosols. The instruments of these globally standardized observations and related research are the WMO Global Ozone Observing System (GOOS), operating about 140 stations in more than 60 countries, and the WMO Background Air Pollution Monitoring Network (BAPMoN), which has nearly 200 stations in more than 90 countries. GAW is the main contributor of data on chemical composition and physical characteristics of the atmosphere to the Global Environment Monitoring Systems (GEMS) of UNEP. GAW will be a main component of the Global Climate Observing System (GCOS). Through GAW, WMO collaborates with the UN Economic Commission for Europe (ECE) and is responsible for the meteorological part of the Monitoring and Evaluation of the Long-Range Transmission of Air Pollutants in Europe. In this respect WMO has arranged for the establishment of two Meteorological Synthesizing Centers (in Oslo and Moscow) that provide daily analysis of the transport of pollution over Europe. GAW also gives attention to atmospheric chemistry studies, prepares assessments, and encourages integrated environmental monitoring.

*Weather Prediction Research Programs (WPRP).* These programs assist members in improving their weather services by exchanging the results of research on weather prediction. It accomplishes this goal by means of international conferences, technical reports, and progress reports on numerical weather prediction. The Programme on Short- and Medium-Range Weather Prediction Research aims at strengthening members' research with emphasis on improving the accuracy of short- and medium-range weather forecasting, including forecasting of local weather phenomena (particularly severe phenomena). The main objective of the Programme on Long-Range Forecasting Research is to foster members' research efforts in the development, introduction, and improvement of operational long-range weather forecasting systems.

*Tropical Meteorology Research Programme.* This program aims at the promotion and coordination of members' efforts into such important problems as monsoons, tropical cyclones, droughts in the arid zones of the tropics, rain-producing tropical weather systems, and the interaction between tropical and mid-latitude weather systems. The goal is to be of economic benefit to tropical countries by improving members' forecasting abilities.

*Physics and Chemistry of Clouds and Weather Modification Research Programme (PCCWMP).* This program encourages scientific research in physics and chemistry of clouds and its application to all fields where clouds have a major role. Examples include weather enhancement (rain making) and hail suppression. The program provides information on worldwide weather modification projects and guidance in the design and evaluation of experiments. It also studies the role of clouds in the transport, transformation, and dispersion of pollution.

#### E. Hydrology and Water Resources

The purpose of the WMO's Hydrology and Water Resources Programme is to promote worldwide cooperation in the assessment

of water resources and their development through the coordinated establishment of hydrological networks and services, including data collection and processing, hydrological forecasting and warnings, and the supply of meteorological and hydrological data to be used for the design of projects. The three components of the program are: the Operational Hydrology Programme—Basic Systems; the Operational Hydrology Programme—Applications and Environment; and the Programme on Water-related Issues.

The emphasis is on the operational hydrology program, and particularly its hydrological operational multipurpose subprogram, the main aim of which is to provide an efficient means and systematic institutional framework for transfer of operational hydrological technology to and between developing countries.

The program for applications and services in regard to water resources provides technical support for WMO activities dealing with environmental problems, such as the Tropical Cyclone Programme, the World Climate Programme, and WMO activities relating to droughts and desertification.

#### F. Education and Training

The Education and Training Programme is designed to support the scientific and technical programs of the WMO, as well as to assist in the development of the required personnel in the national meteorological and hydrological services of member countries.

Activities under the program include surveys of personnel training requirements; the development of appropriate training programs; the establishment and improvement of regional training centers; the organization of training courses, seminars, and conferences; and the preparation of training materials in the form of compendia of lecture notes, problem workbooks, and visual and audiovisual aids. The program also arranges individual training programs and provides fellowships. Training programs place several hundred specialists in advanced courses each year.

The program provides advice on education and training in meteorology and operational hydrology and on the availability of suitable training facilities. A training library is maintained. Films are provided on a loan basis to members on request.

The Panel of Experts on Education and Training serves as the focal point of the program.

#### G. Technical Cooperation

The WMO's technical cooperation activities—in the form of fellowships, expert missions, equipment, and assistance for group training, such as workshops and seminars—are carried out through UNDP, the Voluntary Cooperation Programme, trust-fund arrangements, and the regular budget of the organization. Assistance has been given in support of projects ranging from the establishment, organization, and operation of meteorological and hydrological services to the application of meteorology in increasing food production and assessing alternative energy sources.

WMO's Voluntary Cooperation Program (VCP) is maintained by contributions from members to the Voluntary Cooperation Fund and to the Equipment and Services Program. Although priority is given to the implementation of the World Weather Watch, the VCP also provides assistance and supports other WMO programs in such fields as agrometeorology, hydrology, and climate. It grants fellowships to nationals of developing countries.

Under trust-fund arrangements, countries make funds available through the WMO for technical cooperation activities either in the country providing the funds or in another country.

Activities under the WMO's regular budget are only a small percentage of the total assistance and are confined mainly to the awarding of fellowships and participation in group training.

#### **H. WMO Regional Program**

WMO provides support through three regional offices and six subregional offices: Regional Office for Africa (Burundi), Regional Office for Asia and the South-West Pacific (Switzerland), and Regional Office for Americas (Paraguay); Subregional Offices are West Africa (Nigeria), Eastern and Southern Africa (Kenya), South-West Pacific (Samoa), North and Central Ameri-

ca and the Caribbean (Costa Rica), Asia (Bahrain), and Europe (Switzerland).

The Regional Program helps bridge the gap between developed and developing countries and accelerates the implementation and operation of the World Weather Watch, operational hydrology, and Global Atmosphere Watch. The Regional Program also assists in implementing the recommendations made by the six Regional Associations and provides the necessary support to their presidents. It contributes to activities of regional intergovernmental bodies as well as to high-priority activities such as those relating to climate change, sustainable development, and protection of the environment resulting from UNCED and the UN Framework Convention on Climate Change.

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# THE INTERNATIONAL MARITIME ORGANIZATION (IMO)



**BACKGROUND:** The seven seas, accounting for about two-thirds of the earth's surface, are the only truly international part of our globe. Except for a marginal belt a very few miles wide, touching on the shores of countries, the greater part of the world's oceans and maritime resources are the common property of all nations. Since ancient times, however, "freedom of the seas" has too often been a theoretical ideal rather than a reality. In each historic era, the great maritime powers tended to use their naval might to dominate the sea. Some of those powers, while serving their own interests, served the world as a whole, as in the great explorations of unknown continents. Many sought to use the waters for purely national interests, particularly in matters affecting straits and other narrow waterways. Private shipping interests, often supported by their national governments, have been even more competitive, and international cooperation in maritime matters has been very limited.

The need for an international organization to develop and coordinate international maritime cooperation was expressed by President Woodrow Wilson, who called for "universal association of the nations to maintain the inviolate security of the highway of the seas for the common and unhindered use of all the nations of the world." However, it was not until after the creation of the UN that such an organization came into being.

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## CREATION

The convention establishing the International Maritime Organization (originally called the Inter-Governmental Maritime Consultative Organization) was drawn up in 1948 by the UN Maritime Conference in Geneva, but it was 10 years before the convention went into effect. The conference decided that the IMO's success depended on participation by most of the nations with large merchant navies, and it specified that the organization would come into being only when 21 states, including seven having at least 1 million gross tons of shipping each, had become parties to the convention. On 17 March 1958, the convention went into effect. The first IMO Assembly met in London in January 1959. The relationship of the IMO to the UN as a specialized agency was approved by the UN General Assembly on 18 November 1958 and by the IMO Assembly on 13 January 1959.

## PURPOSES

The purposes of the IMO, as set forth in the convention, are the following:

- to facilitate cooperation among governments on technical matters of all kinds affecting shipping engaged in international trade;
- to encourage the general adoption of the highest practicable standards in matters concerning maritime safety, efficiency of navigation, and the prevention and control of marine pollution;
- to encourage the removal of discriminatory action and unnecessary restrictions by governments engaged in international trade, so as to promote the availability of shipping services to world commerce without discrimination;

- to consider matters concerning unfair restrictive practices by shipping concerns; and
- to consider any matters concerning shipping that may be referred to the IMO by any UN organ or specialized agency.

## MEMBERSHIP

Any state invited to the 1948 Maritime Conference or any member of the UN may become a member of the IMO by accepting the 1948 convention. Any other state whose application is approved by two-thirds of the IMO membership becomes a member by accepting the convention. If an IMO member responsible for the international relations of a territory (or group of territories) declares the convention to be applicable to that territory, the territory may become an associate member of the IMO. As of 30 August 2005 there were 166 IMO members and three associate members.

## STRUCTURE

The IMO's structure comprises the Assembly, the Council, the Maritime Safety Committee, the Marine Environment Protection Committee, the Legal Committee, the Technical Cooperation Committee, and the secretariat, headed by a Secretary-General.

### Assembly

The governing body of the IMO is the Assembly, composed of all IMO members. The Assembly determines the work program and votes on the budget to which all members contribute. It meets once every two years in regular sessions, but may also meet in extraordinary session if necessary.

## Council

Between sessions of the Assembly, the Council performs all functions of the organization except that of recommending the adoption of maritime safety regulations, a prerogative of the Maritime Safety Committee. The Council also has an important policymaking role. Drafts of international instruments and formal recommendations must be approved by the Council before they can be submitted to the Assembly.

The Council is made up of 40 members elected by the Assembly for two-year terms: ten members represent states with the largest international shipping services; ten represent states with the largest international sea borne trade; and 20 represent states, not elected under the foregoing categories, that have special interests in maritime transport or navigation and whose presence in the Council will ensure representation of the world's major geographic areas. The Council normally meets twice a year. The members of the Council for 2006-07 were: (from the first category) China, Greece, Italy, Japan, Norway, Panama, Republic of Korea, Russian Federation, United Kingdom, United States; (from the second category) Argentina, Bangladesh, Brazil, Canada, France, Germany, India, Netherlands, Spain, Sweden; and (from the last category) Algeria, Australia, Bahamas, Belgium, Chile, Cyprus, Denmark, Egypt, Indonesia, Kenya, Malaysia, Malta, Mexico, Philippines, Portugal, Saudi Arabia, Singapore, South Africa, Thailand, and Turkey.

## Committees

The Maritime Safety Committee is made up of all IMO member states. Its work is carried out mainly through nine sub-committees working in the following areas: bulk liquids and gases; carriage of dangerous goods, solid cargoes and containers; fire protection; radiocommunication and search and rescue; safety of navigation; ship design and equipment; stability and load lines and fishing vessels safety; standards of training and watch-keeping; flag state implementation.

The Marine Environment Protection Committee is responsible for all matters relating to the prevention and control of marine pollution from ships.

The Legal Committee, established in the aftermath of the *Torrey Canyon* disaster of 1967 to deal with the legal problems arising from that incident, is responsible for any legal matter within the scope of the IMO.

The Technical Cooperation Committee coordinates the work of the IMO in providing technical assistance in the maritime field, especially to developing countries.

The Facilitation Committee is a subsidiary body of the Council. It was established in May 1972 and deals with IMO's work in eliminating unnecessary formalities and "red tape" in international shipping.

## Secretary-General and Secretariat

The secretariat consists of a Secretary-General, appointed by the Council with the approval of the Assembly, and an international staff of about 300. IMO headquarters are at 4 Albert Embankment, London, England, UK, SE1, 7SR.

The Secretary-General since 2004 is Efthimios E. Mitropoulos of Greece. He heads a staff of approximately 300.

## BUDGET

The IMO Assembly approved a budget of €49,730,300 for the 2006–07 biennium. Contributions to the IMO budget are based on a formula that is different from that used in other agencies. The amount paid by each member state depends primarily on the tonnage of its merchant fleet. In 2006 the top ten contributors to the IMO budget (and the percentage of the total budget) were Panama, 18.47%; Liberia, 7.72%; Bahamas, 5.03%; United Kingdom, 4.64%; Greece, 4.34%; Singapore, 4.02%; Japan, 3.76%; Marshall Islands, 3.58%; United States, 3.44%; and China, 3.34%.

## ACTIVITIES

The IMO's general functions, as stipulated in its convention, are "consultative and advisory." It thus serves as a forum where members can consult and exchange information on maritime matters. It discusses and makes recommendations on any maritime question submitted by member states or by other bodies of the UN and advises other international bodies, including the UN itself, on maritime matters. Various other intergovernmental agencies deal with specialized maritime matters, such as atomic propulsion for ships (IAEA), health at sea (WHO), maritime labor standards (ILO), meteorology (WMO), oceanography (UNESCO), and ship-to-ship and ship-to-shore communications (ITU). One of the functions of the IMO is to help coordinate the work in these different fields.

The IMO is also authorized to convene international conferences when necessary and to draft international maritime conventions or agreements for adoption by governments. These conferences, and the conventions resulting from them, have been mainly concerned with two subjects of primary concern to the IMO: safety at sea and the prevention of marine pollution.

### A. Safety at Sea

A conference convened by the IMO in 1960 adopted the International Convention on Safety of Life at Sea (SOLAS) to replace an earlier (1948) instrument. The convention covered a wide range of measures designed to improve the safety of shipping, including subdivision and stability; machinery and electrical installations; fire protection, detection, and extinction; lifesaving appliances; radiotelegraphy and radiotelephony; safety of navigation; carriage of grain; carriage of dangerous goods; and nuclear ships. A new convention, incorporating amendments to the 1960 agreement, was adopted in 1974 and entered into force in 1980. The SOLAS convention was updated with the SOLAS Protocol of 1978, which entered into force in 1981, and with the SOLAS Protocol of 1988, which entered into force in February 2000. In December 2002, amendments were adopted related to maritime security, which were scheduled to enter into force in July 2004.

In 1966, an IMO conference adopted the International Convention on Load Lines (LL), which sets limitations on the draught to which a ship may be loaded, an important consideration in its safety. The convention was updated by the LL Protocol of 1988, which entered into force in February 2000. The 1969 International Convention on Tonnage Measurement of Ships is designed to establish a uniform system for tonnage measurement.

Two conventions were adopted in 1972, following IMO conferences: the Convention on the International Regulations for Preventing Collisions at Sea, which concerns traffic separation

### Membership of IMO (as of May 2006)

Albania	El Salvador	Liberia	San Marino
Algeria	Equatorial Guinea	Libyan Arab Jamahiriya	São Tomé and Príncipe
Angola	Eritrea	Lithuania	Saudi Arabia
Antigua and Barbuda	Estonia	Luxembourg	Senegal
Argentina	Ethiopia	Madagascar	Serbia and Montenegro
Australia	Fiji	Malawi	Seychelles
Austria	Finland	Malaysia	Sierra Leone
Azerbaijan	France	Maldives	Singapore
Bahamas	Gabon	Malta	Slovakia
Bahrain	Gambia	Marshall Islands	Slovenia
Bangladesh	Georgia	Mauritania	Solomon Islands
Barbados	Germany	Mauritius	Somalia
Belgium	Ghana	Mexico	South Africa
Belize	Greece	Moldova (Republic of)	Spain
Benin	Grenada	Monaco	Sri Lanka
Bolivia	Guatemala	Mongolia	Sudan
Bosnia and Herzegovina	Guinea	Morocco	Suriname
Brazil	Guinea-Bissau	Mozambique	Sweden
Brunei Darussalam	Guyana	Myanmar	Switzerland
Bulgaria	Haiti	Namibia	Syrian Arab Republic
Cambodia	Honduras	Nepal	Thailand
Cameroon	Hungary	Netherlands	The Former Yugoslav Republic of Macedonia
Canada	Iceland	New Zealand	Timor-Leste
Cape Verde	India	Nicaragua	Togo
Chile	Indonesia	Nigeria	Tonga
China	Iran, Islamic Republic of	Norway	Trinidad and Tobago
Colombia	Iraq	Oman	Tunisia
Comoros Islands	Ireland	Pakistan	Turkey
Congo, Republic of	Israel	Panama	Turkmenistan
Congo, Democratic Republic of the	Italy	Papua New Guinea	Tuvalu
Costa Rica	Jamaica	Paraguay	Ukraine
Côte d'Ivoire	Japan	Peru	United Arab Emirates
Croatia	Jordan	Philippines	United Kingdom
Cuba	Kazakhstan	Poland	United Republic of Tanzania
Cyprus	Kenya	Portugal	United States
Czech Republic	Kiribati	Qatar	Uruguay
Denmark	Korea, Democratic	Romania	Vanuatu
Djibouti	People's Republic of	Russian Federation	Venezuela
Dominica	Korea, Republic of	St. Kitts and Nevis	Vietnam
Dominican Republic	Kuwait	St. Lucia	Yemen
Ecuador	Latvia	St. Vincent and the Grenadines	Zimbabwe
Egypt	Lebanon	Samoa	

schemes; and the Convention for Safe Containers, which provides uniform international regulations for maintaining a high level of safety in the carriage of containers by providing generally acceptable test procedures and related strength requirements.

The International Convention on the International Maritime Satellite Organization, adopted in 1976, concerns the use of space satellites for improved communication, enabling distress messages to be conveyed much more effectively than by conventional radio.

Three additional conventions concern safety at sea: the 1977 Torremolinos Convention for the Safety of Fishing Vessels, which applies to new fishing vessels of 24 m (79 ft) in length or longer; the 1978 Convention on Standards of Training, Certification, and Watch-keeping for Seafarers, which aims to establish internationally acceptable minimum standards for crews; and the 1979 International Convention on Maritime Search and Rescue, which is designed to improve existing arrangements for carrying out search and rescue operations following accidents at sea.

In September 1994, a roll-on/roll-off (ro-ro) automobile ferry the *Estonia* capsized and quickly sank, killing over 900 people. Following the disaster, the IMO Maritime Safety Committee made

major changes to the safety standards of ro-ro passenger ships, including amendments to the 1974 International Convention for the Safety of Life at Sea.

### B. Prevention of Marine Pollution

The 1954 Oil Pollution Convention, for which the IMO became depositary in 1959, was the first major attempt by the maritime nations to curb the impact of oil pollution. Following a conference convened by the IMO, the 1954 convention was amended in 1962, but it was the wreck of the oil tanker *Torrey Canyon* in March 1967 that fully alerted the world to the great dangers that the transport of oil posed to the marine environment. In 1969, two new conventions were adopted: the Convention on Intervention on the High Seas in Cases of Oil Pollution Casualties, which gives states the right to intervene in incidents on the high seas that are likely to result in oil pollution; and the Convention on Civil Liability for Oil Pollution Damage, which is intended to ensure that adequate compensation is available to victims and which places the liability for the damage on the shipowner.

Two years later, a conference convened by the IMO led to the adoption of the Convention for the Establishment of an Inter-

national Fund for Compensation for Oil Pollution Damage. The fund, with headquarters in London, is made up of contributions from oil importers. If an accident at sea results in pollution damage which exceeds the compensation available under the Civil Liability Convention, the fund is made available to pay an additional amount.

These three conventions all deal with the legal aspects of oil pollution, but the continuing boom in the transportation of oil showed that more work needed to be done on the technical side as well. The problem of oil pollution—not only as a result of accidents but also through normal tanker operations, especially the cleaning of cargo tanks—was so great in some areas that there was serious concern for the marine environment.

In 1973, a major conference was convened by the IMO to discuss the whole problem of marine pollution from ships. The result of the conference was the International Convention for the Prevention of Pollution from Ships, which deals not only with oil but also with other sources of pollution, including garbage, sewage, and chemicals. The convention greatly reduces the amount of oil that can be discharged into the sea by ships and bans such discharges completely in certain areas, such as the Black Sea and the Red Sea. It gives statutory support for such operational procedures as “load on top,” which greatly reduces the amount of mixtures to be disposed of after tank cleaning, and for segregated ballast tanks.

A series of tanker accidents that occurred in the winter of 1976/77 led to demands for further action and to the convening of the Conference on Tanker Safety and Pollution Prevention in 1978. The most important measures adopted by the conference were incorporated in protocols to the 1974 Convention on Safety of Life at Sea and the 1973 Marine Pollution Convention.

The protocol to the 1973 convention strengthened the provisions regarding oil pollution and at the same time was modified to incorporate the parent convention. It was amended in 1984, and further amendments were made in 1985 to Annex II, which deals with pollution by noxious liquid substances carried in bulk.

In 1989, a conference of leading industrial nations in Paris called upon IMO to develop further measures to prevent oil pollution from ships. In 1990 IMO adopted the International Convention on Oil Pollution Preparedness, Response and Cooperation (OPRC). The convention provides a global framework for international cooperation in combating major incidents or threats of marine pollutions. Parties to the convention will be required to establish measures for dealing with pollution incidents and ships and operators of offshore oil units will be required to have oil pollution emergency plans. The convention also calls for the establishment of stockpiles of oil spill-combating equipment, the holding of oil spill-combating exercises, and the development of detailed plans for dealing with pollution incidents. It entered into force in May 1995.

In addition, through its Maritime Environment Protection Committee, the IMO has been working on various other projects designed to reduce the threat of oil pollution—for example, the Regional Oil-Combating Center, established in Malta in 1976 in conjunction with UNEP. The Mediterranean is particularly vulnerable to pollution, and a massive oil pollution incident there could be catastrophic. The center’s purpose is to coordinate anti-pollution activities in the region and to help develop contingency

plans that could be put into effect should a disaster occur. The IMO has also taken part in projects in other regions, including the Caribbean and West Africa.

### C. Other Maritime Questions

In 1965, the IMO adopted the Convention on Facilitation of Maritime Traffic, the primary objectives of which are to prevent unnecessary delays in maritime traffic, to aid in cooperation between states, and to secure the highest practicable degree of uniformity in formalities and procedures.

In association with the IAEA and the European Nuclear Energy Agency of the OECD, the IMO convened a conference in 1971, which adopted the Convention on Civil Liability in the Field of Maritime Carriage of Nuclear Matter.

The Convention on Carriage of Passengers and Their Luggage, adopted in 1974, establishes a regime of liability for damage suffered by passengers carried on seagoing vessels. It declares the carrier liable for damage or loss suffered by passengers if the incident is due to the fault or neglect of the carrier. The limit of liability was originally set at US\$55,000 per carriage, but on 1 November 2002, a new protocol was adopted by the IMO, which would substantially raise that liability limit, to approximately US\$325,000. It was due to enter into force 12 months after being accepted by 10 states.

Another convention on liability, the 1976 Convention on Limitation of Liability for Maritime Claims, covers two types of claims: claims arising from loss of life or personal injury and claims arising from damage to ships, harbor works, or other property. To further clarify liability issues, in 1996 the IMO adopted the International Convention on Liability and Compensation for Damage in connection with the Carriage of Hazardous and Noxious Substances by Sea (called the HNS Convention); as of 1 May 2006, it had not entered into force.

In addition to such conventions, whose requirements are mandatory for nations that ratify them, IMO has produced numerous codes, recommendations, and other instruments dealing with maritime questions. These do not have the legal power of conventions but can be used by governments as a basis for domestic legislation and for guidance. Some of the recommendations deal with bulk cargoes, safety of fishermen and fishing vessels, liquefied gases, dangerous goods, timber deck cargoes, mobile offshore drilling units, noise levels on ships, and nuclear merchant ships.

Certain codes dealing with the transport of bulk chemicals and liquefied gas, have been made mandatory through amendments to the International Convention on Safety of Life at Sea.

In 1988, IMO adopted the Convention for the Suppression of Unlawful Acts Against the Safety of Maritime Navigation, which entered into force in 1992. The main purpose of the convention is to ensure that appropriate action is taken against persons committing unlawful acts against ships and fixed platforms engaged in the exploitation of offshore oil and gas.

The International Convention on Salvage was adopted in 1989, and entered into force in July 1996. The convention is intended to replace an instrument adopted in Brussels in 1910. That convention incorporated the “no cure, no pay” principle that has been in existence for many years and is the basis of most salvage operations today. However, it did not take compensation into account. The new convention seeks to remedy this by making provisions

for “special compensation” to be paid to salvors when there is a threat to the environment.

#### **D. Technical Assistance and Training**

While the adoption of conventions, codes, and recommendations has been the IMO's most important function, in recent years the agency has devoted increasing attention to securing the effective implementation of these measures throughout the world. As a result, the IMO's technical assistance activities have become more important, and in 1975 it established the Technical Cooperation Committee. The purpose of the technical assistance program is to help states, many of them developing countries, to ratify IMO conventions and to reach the standards contained in the conventions and other instruments.

Advisors and consultants employed by the IMO, in the field and at headquarters, deal with such matters as maritime safety administration, maritime legislation, marine pollution, training for deck and engineering personnel, the technical aspects of ports, and the carriage of dangerous goods.

Through its technical assistance program, the IMO is able to offer advice in these and other areas and to assist in the acquisition of equipment and the provision of fellowships. IMO relies almost exclusively on extra-budgetary sources for financing the International Technical Cooperation Program (TCP) and in the 1990s funding became a serious problem, in particular since the strategic reorientation of the United Nations Development Program

(UNDP), traditionally the core provider of TCP funding. For example, in 1990 approximately US\$5.6 million was received from UNDP; by 1997 this support had dwindled to US\$3.93 million. In 2000, IMO's funding partners for the TCP included international funding agencies, regional development banks, donor countries, recipient countries, the private sector (shipping and port industries), non-Governmental organizations involved in maritime and port activities, and individuals.

The World Maritime University, in Malmö, Sweden, which was established under the auspices of the IMO and opened in 1983, provides advanced training for more than 100 maritime personnel annually—senior maritime teachers, surveyors, inspectors, technical managers, and administrators from developing countries. Funded by UNDP and by Sweden and other countries, the university offers two-year courses in maritime education and training, maritime safety administration, general maritime administration, and technical management of shipping companies, as well as field and other training. It is designed to help meet the urgent need of developing countries for high-level maritime personnel and to contribute to maintaining international standards for maritime safety and preventing pollution of the seas by ships. The university serves as the apex of an international system of training in the maritime field, collaborating with regional, subregional, and national maritime training institutions throughout the world. By 2002 the university had produced more than 1,400 graduates from over 130 countries.

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# THE WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO)



**BACKGROUND:** Intellectual property includes industrial property, such as inventions, trademarks, and designs, on the one hand, and the objects of copyright and neighboring rights on the other. Until a century ago, there were no international instruments for the protection of intellectual property. Legislative provisions for the protection of inventors, writers, dramatists, and other creators of intellectual property varied from country to country and could be effective only within the borders of states adopting them. It came to be widely recognized that adequate protection of industrial property encourages industrialization, investment, and honest trade. That the arts would be advanced by legal safeguards in favor of their practitioners had long been argued, but such safeguards were difficult to devise and enact into law. The Paris Convention of 20 March 1883 and the Bern Convention of 9 September 1886 represented initial steps toward systematic provision of the two sorts of international protection that led eventually to the creation of the World Intellectual Property Organization (WIPO).

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## CREATION

The 1883 Paris Convention established the International Union for the Protection of Industrial Property, also called the Paris Union. The convention is open to all states. Its most important functions have to do with patents for inventions and marks for goods and services.

The term industrial property is applied in its widest sense in the convention. In addition to inventions, industrial designs, trademarks, service marks, indications of source, and appellations of origin, it covers small patents called utility models in a few countries, trade names or the designations under which an industrial or commercial activity is carried on, and the suppression of unfair competition.

The convention states that members must provide the same protection of rights in industrial property to nationals of the other members as they provide to their own nationals. It permits foreigners to file for a patent that will apply in all member states within a year after first filing in the country of origin. Additionally, it defines conditions under which a state may license the use of a patent in its own territory—for example, if the owner of the patent does not exploit it there.

The 1886 Bern Convention established the International Union for the Protection of Literary and Artistic Works, also called the Bern Union. It also is open to all states. Its function is the protection of copyright, the main beneficiaries of which include authors of books and articles; publishers of books, newspapers, and periodicals; composers of music; painters; photographers; sculptors; film producers; and creators of certain television programs. Under the convention, each member state must accord the same protection to the copyright of the nationals of the other member states as it accords to that of its own nationals. The convention also prescribes some minimum standards of protection—for example, that copyright protection generally continues throughout the au-

thor's life and for 50 years thereafter. It includes special provisions for the benefit of developing countries.

In 1893, the secretariats of the Paris Union and the Bern Union were joined in the United International Bureaus for the Protection of Intellectual Property (BIRPI).

The World Intellectual Property Organization (WIPO) was established by a convention signed at Stockholm 14 July 1967 by 51 states. When the convention entered into force on 26 April 1970, WIPO incorporated BIRPI and perpetuated its functions. BIRPI still has a function for members of the Paris or Bern unions that have not yet joined WIPO.

WIPO became the fourteenth specialized UN agency, the first new one since 1961, when the General Assembly approved that status on 17 December 1974.

## PURPOSES

The purposes of WIPO are twofold: (1) to promote the protection of intellectual property throughout the world through cooperation among states and, where appropriate, in collaboration with any other international organization; and (2) to ensure administrative cooperation among the unions.

Intellectual property comprises two main branches: *industrial property*, chiefly in inventions, trademarks, and industrial designs; and *copyright*, chiefly in literary, musical, artistic, photographic, and cinematographic works.

The WIPO Convention lists rights in intellectual property relating to literary, artistic, and scientific works; performances of artists; phonograms; broadcasts; inventions in all fields of human endeavor; scientific discoveries; industrial designs; trademarks; service marks; and commercial names and designations. The convention also offers protection against unfair competition and covers all other rights resulting from intellectual activity in the industrial, scientific, literary, or artistic fields.



As of May 2006, WIPO administered the following 23 unions or treaties (in addition to the convention establishing WIPO), listed in the chronological order of their creation:

1. *Industrial property (15)*: the Paris Union (1883), for the protection of industrial property; the Madrid Agreement (1891), for the repression of false or deceptive indications of source on goods; the Madrid Union (1891), for the international registration of marks; the Hague Union (1925), for the international deposit of industrial designs; the Nice Union (1957), for the international classification of goods and services for the purpose of registration of marks; the Lisbon Union (1958), for the protection of appellations of origin and their international registration; the Locarno Union (1968), establishing an international classification for industrial designs; the International Patent Cooperation (IPC) Union (1970), for the establishment of worldwide uniformity of patent classification; the Strasbourg Patent Classification Treaty (PCT) Union (1971), for cooperation in the filing, searching, and examination of international applications for the protection of inventions where such protection is sought in several countries; the Vienna Union (1973), establishing an international classification of the figurative elements of marks; the Budapest Union (1977), for the international recognition of the deposit of microorganisms for the purpose of patent procedure; the Nairobi Treaty (1981), on the protection of the Olympic symbol; the Washington (DC) Treaty (1989) on intellectual property in respect of integrated circuits; the Geneva Trademark Law Treaty (1994); the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement; 1995/96) between WIPO and the World Trade Organization; and the Singapore Treaty on the Law of Trademarks (2006), as of 1 May 2006 not yet in force.
2. *Copyright and neighboring rights (8)*: the Bern Union (1886), for the protection of literary and artistic works; the Rome Convention (1961), for the protection of performers, producers of phonograms, and broadcasting organizations, jointly administered with the ILO and UNESCO; the Geneva Convention (1971), for the protection of producers of phonograms against unauthorized duplication of their phonograms; the Brussels Convention (1974), relating to the distribution of program-carrying signals transmitted by satellite; the Film Register Treaty (1989), on the international registration of audiovisual works; the WIPO Copyright Treaty (1996); the WIPO Performances and Phonograms Treaty (1996); and the Patent Law Treaty (2000), which applies to national and regional applications for patents for invention.

## MEMBERSHIP

Membership in WIPO is open to any state that is a member of any of the unions, is a member of the UN or any of the specialized agencies or the IAEA, is party to the Statute of the International Court of Justice, or is invited by the General Assembly of WIPO to become a party to the WIPO Convention. The 183 members of WIPO (W), 169 members of the Paris Union (P), and 160 mem-

bers of the Bern Union (B) as of 1 May 2006 are listed in the table on the next page.

## STRUCTURE

The Paris and Bern unions each have an assembly consisting of the member states, meeting biennially. An executive committee elected by the General Assembly, consisting of one-fourth of the member states, meets annually. The other unions, in most cases, have an assembly but no executive committee.

WIPO itself has four organs: the General Assembly, the Conference, the Coordination Committee, and a secretariat called the International Bureau.

### General Assembly

The General Assembly consists of all states party to the WIPO Convention that are also members of any of the unions. It meets biennially and has the highest authority of all the organs.

### Conference

The Conference consists of all states party to the WIPO Convention, whether or not they are members of one or more of the unions. It meets biennially to discuss matters of general interest in the field of intellectual property, as well as to establish WIPO's program of technical legal assistance and the budget for that program.

### Coordination Committee

The Coordination Committee meets annually. It consists of executive committee members of the Paris or the Bern union or both.

### International Bureau

The International Bureau, located in Geneva, is the secretariat of the various governing bodies of WIPO and the unions. In 2006 it consisted of a staff of 938 people from 95 different countries, headed by a Director General. Arpad Bogsch, of the United States, was elected to successive terms as Director General since the establishment of WIPO in 1974. In 1997 he was replaced by Kamil Idris of Sudan as Director General.

## BUDGET

Until January 1994, the budget was entirely met from contributions of member states; from fees paid by applicants for international protection of inventions, international registration of trademarks and appellations of origin, and deposit of industrial designs; and from the sale of publications. Beginning with the 1994–95 biennium, the WIPO governing bodies instituted a system of unitary contributions. The advantages of the unitary contribution system are that it makes the administration of contributions simpler, and will be an incentive for states to join more unions, since adherence will not increase the amount of their contribution. In addition, the governing bodies adopted a new formula for contributions that was intended to significantly lower overall cost of contributions for developing countries. About 85 percent—approximately SFR 540 million—of WIPO's budgeted expenditure for the 2004–2005 biennium came from earnings from registration systems. The remaining 15 percent came mainly from contributions from member states and sales of WIPO publications. All this in-

**Members of WIPO and of the Paris and Bern Unions (as of 10 May 2006)**

(W = WIPO, P = PARIS, B = BERN)

Afghanistan	W	Djibouti	W, P, B	Latvia	W, P, B	St. Vincent and the Grenadines	W, P, B
Albania	W, P, B	Dominica	W, P, B	Lebanon	W, P, B	Samoa	W
Algeria	W, P, B	Dominican Republic	W, P, B	Lesotho	W, P, B	San Marino	W, P
Andorra	W, P, B	Ecuador	W, P, B	Liberia	W, P, B	São Tomé and Príncipe	W, P
Angola	W	Egypt	W, P, B	Libyan Arab Jamahiriya	W, P, B	Saudi Arabia	W
Antigua and Barbuda	W, P, B	El Salvador	W, P, B	Liechtenstein	W, P, B	Senegal	W, P, B
Argentina	W, P, B	Equatorial Guinea	W, P, B	Lithuania	W, P, B	Serbia and Montenegro	W, P, B
Armenia	W, P, B	Eritrea	W	Luxembourg	W, P, B	Seychelles	W, P
Australia	W, P, B	Estonia	W, P, B	Madagascar	W, P, B	Sierra Leone	W, P
Austria	W, P, B	Ethiopia	W	Malawi	W, P, B	Singapore	W, P, B
Azerbaijan	W, P, B	Fiji	W, B	Malaysia	W, P, B	Slovakia	W, P, B
Bahamas	W, P, B	Finland	W, P, B	Maldives	W	Slovenia	W, P, B
Bahrain	W, P, B	France	W, P, B	Mali	W, P, B	Somalia	W
Bangladesh	W, P, B	Gabon	W, P, B	Malta	W, P, B	South Africa	W, P, B
Barbados	W, P, B	Gambia	W, P, B	Mauritania	W, P, B	Spain	W, P, B
Belarus	W, P, B	Georgia	W, P, B	Mauritius	W, P, B	Sri Lanka	W, P, B
Belgium	W, P, B	Germany	W, P, B	Mexico	W, P, B	Sudan	W, P, B
Belize	W, P, B	Ghana	W, P, B	Micronesia, Federated States of	B	Suriname	W, P, B
Benin	W, P, B	Greece	W, P, B	Moldova, Republic of	W, P, B	Swaziland	W, P, B
Bhutan	W, P, B	Grenada	W, P, B	Monaco	W, P, B	Sweden	W, P, B
Bolivia	W, P, B	Guatemala	W, P, B	Mongolia	W, P, B	Switzerland	W, P, B
Bosnia and Herzegovina	W, P, B	Guinea	W, P, B	Morocco	W, P, B	Syrian Arab Republic	W, P, B
Botswana	W, P, B	Guinea-Bissau	W, P, B	Mozambique	W, P	Tajikistan	W, P, B
Brazil	W, P, B	Guyana	W, P, B	Myanmar	W	Thailand	W, B
Brunei Darussalam	W	Haiti	W, P, B	Namibia	W, P, B	The Former Yugoslav Republic of Macedonia	W, P, B
Bulgaria	W, P, B	Holy See (Vatican)	W, P, B	Nepal	W, P, B	Togo	W, P, B
Burkina Faso	W, P, B	Honduras	W, P, B	Netherlands	W, P, B	Tonga	W, P, B
Burundi	W, P	Hungary	W, P, B	New Zealand	W, P, B	Trinidad and Tobago	W, P, B
Cambodia	W, P	Iceland	W, P, B	Nicaragua	W, P, B	Tunisia	W, P, B
Cameroon	W, P, B	India	W, P, B	Niger	W, P, B	Turkey	W, P, B
Canada	W, P, B	Indonesia	W, P, B	Nigeria	W, P, B	Turkmenistan	W, P
Cape Verde	W, B	Iran, Islamic Republic of	W, P	Norway	W, P, B	Uganda	W, P
Central African Republic	W, P, B	Iraq	W, P	Oman	W, P, B	Ukraine	W, P, B
Chad	W, P, B	Ireland	W, P, B	Pakistan	W, P, B	United Arab Emirates	W, P, B
Chile	W, P, B	Israel	W, P, B	Panama	W, P, B	United Kingdom	W, P, B
China	W, P, B	Italy	W, P, B	Papua New Guinea	W, P	United Rep. of Tanzania	W, P, B
Colombia	W, P, B	Jamaica	W, P, B	Paraguay	W, P, B	United States of America	W, P, B
Comoros	W, P, B	Japan	W, P, B	Peru	W, P, B	Uruguay	W, P, B
Congo	W, P, B	Jordan	W, P, B	Philippines	W, P, B	Uzbekistan	W, P, B
Congo, (DRC)	W, P, B	Kazakhstan	W, P, B	Poland	W, P, B	Venezuela	W, P, B
Costa Rica	W, P, B	Kenya	W, P, B	Portugal	W, P, B	Vietnam	W, P, B
Côte d'Ivoire	W, P, B	Korea, Democratic	W, P, B	Qatar	W, B	Yemen	W
Croatia	W, P, B	People's Republic of	W, P, B	Romania	W, P, B	Zambia	W, P, B
Cuba	W, P, B	Korea, Republic of	W, P, B	Russian Federation	W, P, B	Zimbabwe	W, P, B
Cyprus	W, P, B	Kuwait	W, B	Rwanda	W, P, B		
Czech Republic	W, P, B	Kyrgyzstan	W, P, B	St. Kitts and Nevis	W, P, B		
Denmark	W, P, B	Laos	W, P	St. Lucia	W, P, B		

come finances WIPO's operating expenditures, slightly over SFR 320 million per year.

## ACTIVITIES

### A. Assistance to Developing Countries

One of the main objectives of WIPO is to assist developing countries in the fields of both industrial property and copyright.

In the field of industrial property, WIPO's chief aims are the following: (1) to encourage and increase, in quantity and quality, the creation of patentable inventions in developing countries by their own nationals and in their own enterprises and thereby to increase their technological self-reliance; (2) to improve conditions for the acquisition of foreign patented technology; (3) to increase the competitiveness of developing countries in international trade through better protection of trademarks; and (4) to make it easier

and cheaper for developing countries to locate the technological information contained in patent documents.

In the field of copyright, the main objectives are the following:

- to encourage and increase the creation of literary and artistic works in developing countries by their own nationals and thereby to maintain their national culture in their own languages and corresponding to their own ethnic and social traditions and aspirations; and
- to improve conditions for the acquisition of the right to use or enjoy the literary and artistic works in which copyright is owned by foreigners.

In order to attain these objectives, most developing countries need to create or modernize domestic legislation and government-

tal institutions, accede to international treaties, and have more specialists in the fields of industrial property and copyright.

WIPO's assistance consists mainly of advice, training, and the furnishing of documents and equipment. Advice is given by the staff of WIPO, by experts chosen by WIPO, or at international meetings convened by WIPO. Training may be individual (on the job) or collective (in courses, seminars, and workshops) and may take place in the interested developing country, in an industrialized country, or in another developing country. The resources for such activities are provided in WIPO's budget or from donor countries or organizations, particularly UNDP.

More than 8,000 men and women from some 140 developing countries annually benefit from the 350 courses, seminars, and other meetings held under WIPO's cooperation for development program. In addition, the International Bureau gave advice and assistance to officials from newly independent governments of the former Soviet Union in connection with the preparation and enactment of intellectual property laws, the establishment of industrial property offices, as well as adherence to WIPO-administered treaties. In particular, the International Bureau advised the Interstate Council on the Protection of Industrial Property (which groups nine states from the former Soviet Union: Armenia, Belarus, Kazakhstan, Kyrgyzstan, the Republic of Moldova, the Russian Federation, Tajikistan, Ukraine, and Uzbekistan) on a plan to set up a regional patent system under the Eurasian Patent Convention.

#### **B. Other Activities**

In order to adapt the treaties administered by WIPO to changing circumstances and needs, a constant watch is kept to see whether they need to be revised. The Paris Convention, for example, has had six revisions, the last in Stockholm in 1967, and the Bern Convention has had five, the last in Paris in 1971. WIPO also keeps international classifications of patents, trademarks, and industrial designs under review in order to keep them up-to-date.

In addition, WIPO observes changes in international industrial, trade, and cultural relations that seem to call for adaptations not only in the treaties administered by WIPO but also in national laws, regional arrangements, contractual practices, and professional activities in the field of intellectual property.

Thus, for example, in the field of industrial property, WIPO is considering the possibilities of uniform provisions in national patent laws, particularly concerning the effects on the patentability of an invention or a public disclosure of the invention by the inventor prior to filing a patent application. It also advocates laws and treaty provisions that would give more efficient protection against the counterfeiting of goods and would protect the intellectual creators of microchips or integrated circuits and inventions in biotechnology, including genetic engineering.

In the field of copyright, WIPO has been engaged, in some cases jointly with UNESCO, in recommending laws for the protection of computer programs, for works created by employee-authors, for expressions of folklore, for more effective protection of authors and performers in connection with cable television, and for protection against piratical editions of books, phonograms, and videotapes and excessive unauthorized reproduction. WIPO is also studying the copyright law aspects of the rental of phonograms and videograms, of direct broadcast satellites, and of electronic libraries and the possibility of creating an international register of audiovisual works.

In 1993, WIPO established the WIPO Worldwide Academy to conduct encounter sessions on current intellectual property issues at the policy level for government officials from developing countries. WIPO also awarded to three nationals from developing countries the first long-term scholarships to institutions in industrialized countries for intellectual property law studies.

The WIPO Arbitration and Mediation Center was established in July 1994 to offer enterprises and individuals four dispute-settlement procedures: mediation, arbitration, expedited arbitration (for small-scale disputes), and a combined procedure of mediation and arbitration.

The rise in the use of the Internet in the late 1990s and into the 2000s presented challenges for the intellectual property system in guaranteeing the orderly development of the digital society. WIPO developed the Digital Agenda, a work program to be developed in the new millennium, to respond to the connections between the Internet, digital technologies, and the intellectual property system. The Digital Agenda also aims to integrate developing countries into the Internet environment.

WIPO also developed a project called WIPOnet, a global intellectual property information network. It facilitates the digital exchange of intellectual property information between member states, and works to develop global standards and guidelines for the protection and enforcement of intellectual property rights.

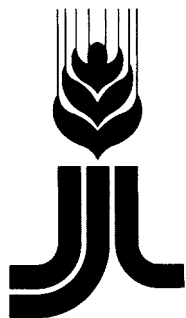
#### **International Registrations**

The International Patent Documentation Center, established in Vienna in 1972 under an agreement between WIPO and the government of Austria, puts on computer the principal bibliographic data of almost 1 million patent documents a year and permits the retrieval of the data required for various purposes by patent offices, industry, and research and development institutions. The financial and operational responsibility lies with the Austrian government, but WIPO assists the center in its contacts with the patent offices of the various countries.

The International Bureau of WIPO, in Geneva, maintains four registration services in the fields of patents, trademarks, industrial designs, and appellations of origin.

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# THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)



**BACKGROUND:** The International Fund for Agricultural Development (IFAD) is the first international institution established exclusively to provide additional resources for agricultural and rural development in developing countries and to channel those resources to the poorest rural populations in Africa, Near East and North Africa, Asia, and Latin America and the Caribbean that suffer from chronic hunger and malnutrition.

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## CREATION

IFAD was one of the major initiatives of the World Food Conference, held in Rome in 1974, following two years of negotiations. The agreement establishing the fund was adopted by 91 governments on 13 June 1976 and was opened for signature or ratification on 20 December 1976, following attainment of the target of US\$1 billion in initial pledges. The agreement came into force on 30 November 1977.

## PURPOSES

The objective of the fund is to mobilize additional resources to be made available on concessional terms to help developing countries improve their food production and nutrition. The fund is unique in that its projects are focused exclusively on agricultural development, concentrating on the poorest sections of the rural populations in developing countries. It deals with all aspects of agriculture, including crops, irrigation, agricultural credit, storage, livestock, and fisheries.

The UN Social Summit in Copenhagen agreed in 1995 that each member country would devise a program to halve the incidence of “dollar poverty” between 1995 and 2015. In 1996 OECD agreed to set their country-specific aid into the context of these national programs. Rural areas of developing countries contain over 75% of the world’s dollar-poor. Therefore, policies for the reduction of rural poverty must make a large contribution if the poverty reduction target is to be achieved.

## MEMBERSHIP

IFAD had a total of 164 member nations in 2006, compared with 91 at the time of its establishment. In February 1997, all member states were reclassified as follows: Category I (developed countries) were reclassified as List A countries; Category II (oil-exporting developing countries) reclassified as List B countries; and Category III (other developing countries) reclassified globally as List C Countries. In 2002 there were 23 List A countries, 12 List B countries, and 129 List C countries.

## STRUCTURE

IFAD is a new kind of institution in the UN system. The governing bodies that supervise its operations reflect an innovative formula

that brings together the interests of industrialized countries. As an action-oriented organization, the fund normally works by consensus rather than by voting. Originally there were 1,800 votes, distributed equally among each of the three categories (600). Under a new system, of the 1,800 votes, 790 are membership votes divided equally among all members. After subtracting the membership votes from the original 1,800 votes, the remaining 1,010 contribution votes are distributed among members in accordance with their paid share of cumulative convertible currency contributions. The 790 membership votes are redistributed each time a new member joins IFAD.

The three main organs are the Governing Council, the Executive Board, and the secretariat, headed by a president.

In 2002, IFAD’s professional staff numbered 134 and general service staff numbered 181.

### Governing Council

The highest governing body of the fund is the Governing Council, which meets once a year and on which all members are represented by a governor and an alternate governor. The council adopts the fund’s budget, approves the applications of new members, and elects the president of the fund and members of the Executive Board.

### Executive Board

The Executive Board, composed of 18 members and 18 alternates, oversees the operations of the fund, including its investments and work program. The board holds three sessions a year.

### President and Secretariat

The president of the fund, elected for four years, is responsible for its management. He is chairman of the Executive Board and heads the secretariat. Lennard Båge of Sweden was elected in February 2001 and reelected for a second four-year term in February 2005. The fund’s headquarters are located at 107, Via del Serafico 00142 Rome, Italy.

## BUDGET

During 1996–97, IFAD developed a strategy to streamline budget formulation. An internal reorganization made a considerable contribution to cost-effectiveness, reducing administrative costs by

over 23% during the period 1993–97 (while the loan volume over the same period increased by approximately 20%). The program of work for 2005 was us\$500 million. As of 2005, IFAD had 192 ongoing programs and projects worth a total of us\$6.1 billion.

## ACTIVITIES

### A. Loans and Resources

The first project loans were approved by IFAD's Executive Board in April 1978. At the end of the three-year period, 1978–80, the fund's cumulative commitments amounted to nearly us\$900 million in loans and grants for some 70 of its developing member states.

For the period 1981–83, IFAD expanded its operational program. By 1983, IFAD's total financial commitments since April 1978 exceeded us\$1.4 billion for projects and programs in some 80 member countries in Africa, Near East and North Africa, Asia, and Latin America and the Caribbean. By mid-1987, IFAD had extended loans totaling us\$2.3 billion to 89 developing countries to finance 204 projects. From 1978 to 2002, IFAD financed 617 projects in 115 countries, committing us\$7.7 billion in loans and us\$31.9 billion in grants. These assisted 47 million rural poor households, equivalent to 257 million people. Loans were extended to lower income countries at highly concessional terms, repayable over 40 years, including a grace period of ten years and a 0.75% service charge per annum.

The first replenishment of IFAD resources was unanimously approved by the fund's Governing Council in January 1982. Member countries offered to provide contributions totaling us\$1 billion for the period 1981–83, including us\$620 million from List A (developed) countries, us\$450 million from List B (oil exporting developing) countries, and us\$32 million from List C (other developing) countries.

In 1986, the Governing Council agreed on a second replenishment of IFAD's resources totaling us\$488 million, of which List A countries pledged us\$276 million; List B countries, us\$184 million; and List C countries, us\$28 million. In 1990, the Governing Council agreed on a third replenishment. Member countries offered to provide contributions totaling us\$567 million of which List A countries pledged us\$378 million; List B countries, us\$124 million, and List C countries, us\$65 million. A fourth replenishment, totaling us\$470 million, began in February 1997. Of this, us\$419 million was pledged as of 9 December 1999. A fifth replenishment, totaling us\$473 million, covered the period 2001–03. Over the IFAD V period, donor contributions covered 46% of IFAD's total resource needs, and the rest were met through reflows from past loans (49%) and investment income (5%). A seventh replenishment was being prepared in 2005.

### B. Lending Policies and Operations

IFAD loan operations fall into two groups: projects initiated by the fund and projects cofinanced with other financial and development institutions. IFAD-initiated projects are those for which the fund has taken the lead in project identification and preparation and in mobilizing additional resources from other financial agencies where necessary.

Most of IFAD's assistance has been provided on highly concessional terms—loans repayable over 50 years with a 10-year grace period and an annual service charge of 1%. About one-quarter of

## Members of IFAD (as of May 2006)

### LIST A: DEVELOPED COUNTRIES

Australia	Greece	Norway
Austria	Iceland	Portugal
Belgium	Ireland	Spain
Canada	Italy	Sweden
Denmark	Japan	Switzerland
Finland	Luxembourg	United Kingdom
France	Netherlands	United States
Germany	New Zealand	

### LIST B: OIL-EXPORTING DEVELOPING COUNTRIES

Algeria	Kuwait	Saudi Arabia
Gabon	Libyan Arab	United Arab Emirates
Indonesia	Jamahiriya	Venezuela
Iran	Nigeria	
Iraq	Qatar	

### LIST C: OTHER DEVELOPING COUNTRIES

Afghanistan	Gambia	Paraguay
Albania	Georgia	Peru
Angola	Ghana	Philippines
Antigua and Barbuda	Grenada	Romania
Argentina	Guatemala	Rwanda
Armenia	Guinea	St. Kitts and Nevis
Azerbaijan	Guinea-Bissau	St. Lucia
Bangladesh	Guyana	St. Vincent and the Grenadines
Barbados	Haiti	Samoa
Belize	Honduras	São Tomé and Príncipe
Benin	India	Senegal
Bhutan	Israel	Seychelles
Bolivia	Jamaica	Sierra Leone
Bosnia and Herzegovina	Jordan	Solomon Islands
Botswana	Kazakhstan	Somalia
Brazil	Kenya	South Africa
Burkina Faso	Kiribati	Sri Lanka
Burundi	Korea, Democratic	Sudan
Cambodia	People's Republic of	Suriname
Cameroon	Korea, Republic of	Swaziland
Cape Verde	Kyrgyzstan	Syrian Arab Republic
Central African Republic	Laos	Tajikistan
Chad	Lebanon	Tanzania, United Republic of
Chile	Lesotho	Thailand
China	Liberia	The Former Yugoslav Republic of Macedonia
Colombia	Madagascar	Timor-Leste
Comoros	Malawi	Togo
Congo	Malaysia	Tonga
Congo, DRC	Maldives	Trinidad and Tobago
Cook Islands	Mali	Tunisia
Costa Rica	Malta	Turkey
Côte d'Ivoire	Mauritania	Uganda
Croatia	Mauritius	Uruguay
Cuba	Mexico	Yemen
Cyprus	Moldova, Republic of	Yugoslavia (suspended)
Djibouti	Mongolia	Zambia
Dominica	Morocco	Zimbabwe
Dominican Republic	Mozambique	
Ecuador	Myanmar	
Egypt	Namibia	
El Salvador	Nepal	
Equatorial Guinea	Nicaragua	
Eritrea	Niger	
Ethiopia	Oman	
Fiji	Pakistan	
	Panama	
	Papua N. Guinea	

the loans are repayable over 20 years at 4% annual interest, while a few have been offered at 8% over 15–18 years. However, at its 17th session of January 1994, the Governing Council adopted a resolu-

tion which amended the lending terms and conditions for the first time since the fund's establishment.

In the future, those developing members countries having a Gross National Product (GNP) per capita of US\$805 or less in 1992 prices, or which qualify for loans from the World Bank's "soft loan" agency, the International Development Association, will normally be eligible to receive loans from IFAD on highly concessional terms. Loans on highly concessional terms will be free of interest but will bear a service charge of 0.75% per annum and have a repayment period of 40 years, including a grace period of 10 years. The total amount of loans provided each year on highly concessional terms will be approximately two-thirds of the total lent annually by IFAD.

IFAD loans represent only a part of the total project costs; the governments concerned contribute a share. In most of its projects, IFAD has cooperated with the World Bank (IBRD and IDA); the African, Asian, Inter-American, and Islamic development banks; the Arab Fund for Economic and Social Development; the Central American Bank for Economic Integration; the World Food Programme; the EU; OPEC; and other multi-institutions.

IFAD, while seeking to preserve an appropriate balance in its regional allocations, also has attempted to respond to the special needs of the 74 low-income, food-deficit countries. Well over 80% of the fund's loans were channeled to these countries in the 1978–95 period. The regional shares of IFAD-supported projects approved between 1978–95 under both regular and special programs were: Africa (sub-Saharan), 41%; Asia and the Pacific, 26%; Latin America and the Caribbean, 16%; and Near East and North Africa, 16.4%.

In January 1986, IFAD, as the first international financial institution to respond to the socioeconomic crisis in sub-Saharan Africa, in the wake of the disastrous droughts and famines of 1983–85, launched the Special Programme for Sub-Saharan African

Countries Affected by Drought and Desertification (SPA), with a target for resource mobilization of US\$300 million. This target was outrun by contributions reaching US\$322.8 million from five developing countries and the European Community.

The program aims to restore the productive capacity of small farmers, promote traditional food crops mainly grown by smallholders, and initiate small-scale water control schemes, in addition to recommending measures for environmental protection and providing assistance to governments in regard to policy.

By January 1993, a second phase of the program became effective. While it preserves the focus of the first phase, it extends its conceptual frame and operational scope. Specifically it carries environmental and soil conservation objectives from on-farm to off-farm (particularly in the common property resource domain), and addresses overall coping strategies of households and communities through economic diversification. New commitments in 2001 totaled US\$405 million for 25 loans averaging US\$16 million each.

In selecting an area of a country for assistance, IFAD determines whether the area is geographically or functionally isolated from the rest of the national economy; the extent to which its population has a lower average per capita income than the national average; the degree to which the area is food-deficient; whether it has relatively inadequate delivery systems and infrastructure in comparison with the rest of the country; and the proportion of poverty—for example, the proportion of landless—in comparison with other rural areas. In terms of impact, IFAD's projects, at full development, will help some 30 million poor rural households out of hunger and poverty.

### C. Technical Assistance

IFAD provides grant financing for technical assistance in project preparation, institutional development, agricultural research, training, and other activities which support the fund's activities.

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# THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)



**BACKGROUND:** Industrialization is one of the primary goals of the developing countries, to increase their share of world manufacturing output and decrease their dependence on imported goods and services and on their traditional raw-materials export economies. The United Nations Industrial Development Organization (UNIDO), the newest specialized agency of the UN, seeks to further that goal through its programs of technical cooperation with developing countries, designed to aid in the planning and implementation of industrial projects, the training of personnel in manufacturing and managerial skills, the transfer of technology and the provision of information, and the promotion of investment in industry in developing countries.

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## CREATION

UNIDO was established by the General Assembly in November 1966 as an autonomous organization within the UN to promote and accelerate the industrialization of developing countries and to coordinate the industrial development activities of the UN system.

The first General Conference of UNIDO was held in Vienna in 1971. The second General Conference, held in Lima in 1975, proposed the conversion of UNIDO into a specialized agency “in order to increase its ability to render assistance to developing countries in the most efficient ways.” The conference also adopted the Lima Declaration and Plan of Action, which called for developing countries to reach the target of 25% of world industrial output by the year 2000.

In 1979, a conference of plenipotentiaries, meeting in Vienna, adopted a constitution for UNIDO, to become effective when at least 80 states had ratified it. This was achieved on 21 June 1985, and UNIDO’s conversion into a specialized agency became effective on 1 January 1986.

## PURPOSES

UNIDO’s mandate from the General Assembly is to act as the central coordinating body for industrial activities within the United Nations system and to promote industrial development and cooperation at global, regional, national, and sectoral levels.

In the wake of the reorganization of the activities of the United Nations and its specialized agencies in the early 1990s, UNIDO identified five development objectives that provide a new conceptual framework for the organization’s future programs:

- industrial and technological growth and competitiveness;
- human resource development;
- equitable development through industrialization;
- environmentally sustainable industrial development; and
- international cooperation in industrial investment and technology.

By applying its expertise at three levels—policy, institution, and enterprise—UNIDO acts as:

- the central coordinating agency for matters related to industrial development;
- a focal point for industrial technology;
- an honest broker for industrial cooperation;
- a center of excellence on industrial development issues; and
- a global source of industrial information.

## MEMBERSHIP

As of 21 August 2003, UNIDO had a membership of 171, an increase of 21 countries since 1987. The growth in membership was mainly caused by the emergence of the newly independent nations of Central and Eastern Europe in the wake of the collapse of the Soviet Union. A few of the most industrialized countries chose to withdraw from UNIDO, claiming that the organization is inefficiently operated. In December 1995, the United States decided to withdraw, followed by Germany in November 1996 and the United Kingdom in December 1996. The United Kingdom and Germany later rejoined, but as of 2003, the United States had not.

## STRUCTURE

The four organs of UNIDO are the General Conference, the Industrial Development Board, the program and budget committee, and the secretariat, headed by a Director-General.

### General Conference

UNIDO’s strategies and policies in regard to industrial development are outlined at its General Conference, which meets every two years and is composed of representatives of all members. Since the organization’s inception, the General Conference has met in 1971 (Vienna), 1975 (Lima), 1980 (New Delhi), 1984 (Vienna), 1985 (Vienna—UNIDO’s transition to a specialized agency), 1987 (Bangkok), 1989 and 1991 (Vienna), 1993 (Yaoundé), 1995, 1997, 1999, 2001, 2003, and 2005 (Vienna).

### Industrial Development Board

The Industrial Development Board consists of 53 members elected by the General Conference for four-year terms. The board reviews the implementation of the work program and the budget and makes recommendations to the General Conference on policy matters, including the appointment of the Director-General, when required. It meets once during General Conference years, and twice in other years.

As of 2 December 2005 the members of the Industrial Development Board were: Afghanistan, Algeria, Austria, Belgium, Bolivia, Brazil, Burkina Faso, Chile, China, Colombia, Côte d'Ivoire, Cuba, Czech Republic, Egypt, Ethiopia, France, Germany, Ghana, Greece, Guatemala, India, Indonesia, Iran (Islamic Republic of), Ireland, Italy, Japan, Kenya, Luxembourg, Mexico, Morocco, the Netherlands, Nigeria, Norway, Pakistan, Paraguay, Poland, Republic of Korea, Russian Federation, Saudi Arabia, Senegal, Slovakia, South Africa, Spain, Sri Lanka, Switzerland, Syrian Arab Republic, Thailand, Tunisia, Turkey, Ukraine, United Kingdom, Uruguay, and Zimbabwe.

### Program and Budget Committee

The program and budget committee is composed of 27 members elected for two-year terms. Member states meet once a year to assist the board in the preparation and examination of the work program, budget, and other financial matters.

As of 2 December 2005 the members were: Algeria, Austria, Burkina Faso, China, Côte d'Ivoire, Cuba, Ethiopia, France, Germany, Greece, Guatemala, Hungary, Iran (Islamic Republic of), Italy, Japan, Democratic People's Republic of Korea, Republic of Korea, Mexico, Pakistan, Peru, Poland, Russian Federation, South Africa, Switzerland, Tunisia, Turkey, and the United Kingdom.

### Director-General and Secretariat

The Director-General of UNIDO, elected by the General Conference in December 2005 for a four-year term was Kandeh Yumkella of Sierra Leone.

Prior to its conversion into a specialized agency, UNIDO was headed by an executive director appointed by the Secretary-General of the UN. The first two executive directors were Ibrahim Helmi Abdel-Rahman (1967–74) and Abd-El Rahman Khane (1975–85). Domingo L. Siazon, Jr., of the Philippines was the first Director General of UNIDO when it became a specialized agency in 1985. He served as Director General from 1985 to 1993, when he was succeeded by Mauricio de Maria y Campos of Mexico (to 1997). Carlos Alfredo Magarinos of Argentina served from 1997 to 2005.

UNIDO maintains a professional staff of more than 500 at its Vienna headquarters, including engineers, economists, and technology and environment specialists, and more than 100 in the field.

### Offices

UNIDO is headquartered in Vienna, Austria. It maintains liaison offices at UN headquarters in New York and at the UN office in Geneva. UNIDO maintains 43 field offices worldwide. UNIDO operates Investment Promotion Units (IPUs) in Egypt, Jordan, Morocco, Tunisia and Uganda, all of which are financed by the Italian government, and an associate member in Turkey. It also has 35 National Cleaner Production Centers (NCPCs), estab-

lished by UNIDO and UNEP, and 10 International Technology Centers in Brazil, China, India, Italy, the Republic of Korea, and the Russian Federation.

### BUDGET

Funding for UNIDO activities is drawn from the regular budget, the operational budget, and voluntary contributions. The regular budget is derived from member states' assessed contributions. The operational budget is derived from the implementation of projects. The estimated volume of UNIDO operations for 2006-07 was €355.8 million. The breakup was as follows: regular budget €150.8 million, operational budget €19.9 million and anticipated voluntary contributions €185.1 million. Most costs of expert advice, equipment, and other forms of technical assistance, in partnership with and at the request of developing countries, are met by the UNDP, for which UNIDO is an executing agency. Special UNIDO projects use the Industrial Development Fund (IDF), established in 1976 with a "desirable funding level of us\$50 million annually." UNIDO annually awards about 200 contracts valued at about us\$20 million. Spending on training in the form of fellowships, study tours, and group training annually amounts to about us\$15 million.

### ACTIVITIES

Forty-nine integrated programs were formulated and approved as of May 2006, most of which had been developed and were in operation.

#### A. Technical Cooperation

For 2005, UNIDO's programs and projects totaled approximately us\$463 million. Of that total, 41% had been allocated to sub-Saharan Africa and 43% to the least developed countries in the world.

UNIDO's objectives in technical cooperation are the following:

- To elaborate programs and projects for the industrial development of developing countries, including special measures for the least developed countries;
- To formulate policies and strategies for the development of UNIDO's operational activities, from different sources of finance and with particular focus on the country, subregion, and region concerned;
- To prepare technical cooperation programs and formulate specific projects, in collaboration with other UN bodies and with governments, as well as through participation in round-table meetings or consultative groups;
- To help improve the effectiveness of technical cooperation programs by assessing the progress made and the results achieved by projects at intermediate and final stages and by feeding back into the programming process the results of their impact; and
- To maintain a program of UNIDO country directors that enhances the services rendered to the developing countries.

In seeking to industrialize their economies, developing countries face a wide spectrum of problems, ranging from preparation of national plans, development of sectoral programs, and elaboration of appropriate policies and strategies of industrial development, to concerns relating to the technical processes to be em-



**Members of UNIDO (as of 21 August 2003)**

Afghanistan	Dominican Republic	Liberia	Seychelles
Albania	Ecuador	Libyan Arab Jamahiriya	Sierra Leone
Algeria	Egypt	Lithuania	Slovakia
Angola	El Salvador	Luxembourg	Slovenia
Argentina	Equatorial Guinea	Madagascar	Somalia
Armenia	Eritrea	Malawi	South Africa
Austria	Ethiopia	Malaysia	Spain
Azerbaijan	Fiji	Maldives	Sri Lanka
Bahamas	Finland	Mali	St. Kitts and Nevis
Bahrain	France	Malta	St. Lucia
Bangladesh	Gabon	Mauritania	St. Vincent and the Grenadines
Barbados	Gambia	Mauritius	Sudan
Belarus	Georgia	Mexico	Suriname
Belgium	Germany	Moldova, Republic of	Swaziland
Belize	Ghana	Monaco	Sweden
Benin	Greece	Mongolia	Switzerland
Bhutan	Grenada	Morocco	Syrian Arab Republic
Bolivia	Guatemala	Mozambique	Tajikistan
Bosnia and Herzegovina	Guinea	Myanmar	Tanzania, United Republic of
Botswana	Guinea-Bissau	Namibia	Thailand
Brazil	Guyana	Nepal	The Former Yugoslav Republic of Macedonia
Bulgaria	Haiti	Netherlands	Timor-Leste
Burkina Faso	Honduras	New Zealand	Togo
Burundi	Hungary	Nicaragua	Tonga
Cambodia	India	Niger	Trinidad and Tobago
Cameroon	Indonesia	Nigeria	Tunisia
Cape Verde	Iran	Norway	Turkey
Central African Republic	Iraq	Oman	Turkmenistan
Chad	Ireland	Pakistan	Uganda
Chile	Israel	Panama	Ukraine
China	Italy	Papua New Guinea	United Arab Emirates
Colombia	Jamaica	Paraguay	United Kingdom
Comoros	Japan	Peru	Uruguay
Congo	Jordan	Philippines	Uzbekistan
Congo, Democratic Republic of the	Kazakhstan	Poland	Vanuatu
Costa Rica	Kenya	Portugal	Venezuela
Côte d'Ivoire	Korea, Democratic People's Republic of	Qatar	Vietnam
Croatia	Korea, Republic of	Romania	Yemen
Cuba	Kuwait	Russian Federation	Zambia
Cyprus	Kyrgyzstan	Rwanda	Zimbabwe
Czech Republic	Lao People's Democratic Republic	São Tomé and Príncipe	
Denmark	Lebanon	Saudi Arabia	
Djibouti	Lesotho	Senegal	
Dominica		Serbia and Montenegro	

ployed in manufacturing any specific product, preparation of preinvestment studies, organization of production facilities, training of personnel in new skills, management of factory operations, and establishment of an industrial infrastructure to support industrial enterprises and to mobilize financial resources for investment in industrial production.

UNIDO assists in addressing these problems by in-depth studies on specific priority problems of industrialization in particular countries, with consideration given to important concerns, such as the rehabilitation of troubled industries, international cooperation for small-and medium-sized industry development, institutional development for technology transfer and adaptation, and technical cooperation among developing countries.

UNIDO also works to increase the resources available for technical cooperation purposes, working with traditional as well as new funding sources, such as trust funds under which the developing countries themselves finance UNIDO technical assistance projects, and mobilizing the support of nongovernmental organizations.

**Industrial Operations Technology**

A common problem of developing countries is how best to exploit their natural resources and other comparative advantages in order to ensure a worthwhile share for themselves in world production and trade in manufactured products, including replacement of imported industrial products with locally manufactured ones. In order to increase industrial production in developing countries, UNIDO assists them, through the implementation of technical cooperation projects, in acquiring the technological base and know-how that will enable them to establish, expand, rehabilitate, and improve the efficiency and productivity of industrial facilities in the main branches of industry. It provides this help through direct assistance to manufacturing enterprises or through the establishment or strengthening of specialized technology centers servicing individual industrial sectors.

UNIDO also extends assistance in the efficient utilization of energy resources by industry, in the industrial-scale production of fuel and feedstock from renewable resources, and in promoting environmentally sustainable industrial development. Continued

attention is given to the establishment of pilot and demonstration plants to accelerate the utilization of locally available raw materials, including industrial and agricultural wastes. Particular attention is given to technical assistance in chemical industries and in the production of capital goods, including equipment for telecommunications and transportation, especially in support of rural development and in the manufacture of pesticides, fertilizers, and agricultural equipment.

#### **Industrial Institutions and Services**

In order to increase industrial production, developing countries have to make extensive use of planning techniques and preinvestment studies and also need to establish and strengthen institutional infrastructures and support services and the skills required to set up and operate manufacturing enterprises. Institutional infrastructures are particularly critical in order to compensate, at least in part, for the absence of a long tradition of industrial development in most developing countries. There is a continuous demand for the establishment or strengthening of institutions dealing with standardization and quality control, industrial research, small-scale industries, and rural development. The lack of production, managerial, and entrepreneurial skills is frequently the greatest obstacle to industrial development.

Through its technical cooperation programs, UNIDO seeks to assist developing countries, particularly in the development of human resources, by identifying priority areas for industrial training and for the establishment of national institutes for research and development and for training and consultancy that may become centers for training of personnel, including training in management and in the preparation of preinvestment studies, project implementation, and operation of industrial enterprises. UNIDO extends assistance through fellowships, study tours, and group training programs.

#### **B. Investment Promotion**

Another major focus of UNIDO activities is the acceleration of investment in the private and public sectors of developing countries, in a manner consistent with their national plans and policies, and through the implementation of technical cooperation projects in the field of industrial investment.

Although there is a need for a massive flow of financial and technical resources from outside sources to implement projects necessary to achieve the targets of industrial growth laid down in the plans of developing countries, the lack of sound and well-pre-

pared investment projects backed by suitable entrepreneurs has been a more serious obstacle to the flow of these needed resources than the lack of investment funds. Information is scarce regarding the sources of financing and the identification of enterprises that are suitable and willing to participate in manufacturing projects in developing countries or to redeploy their industrial plants to developing countries. At the same time, there is often a lack of awareness among development finance institutions and entrepreneurs in industrialized and selected developing countries of the possibilities for cooperation with project sponsors in developing countries.

UNIDO seeks to stimulate industrial development in developing countries by promoting cooperation between industrialists in both developed and developing countries in the generation, formulation, and promotion of investment projects through investment promotion services, access to information stored in computer data banks, and links with international, regional, subregional, and national development finance institutions.

UNIDO's Investment Promotion Resources Information System contains thousands of records on industrial investment project proposals, potential partners, development finance institutions, investment-related institutions, and project sponsors. UNIDO also maintains investment service offices in Athens, Vienna, Paris, Cologne, Seoul, Tokyo, Zurich, Warsaw, Washington, and Milan, which serve as a direct link to businesses and governments in developing countries and can be the "eyes and ears" of firms in industrialized countries interested in investment opportunities in developing countries.

#### **C. Information and Consultations**

Through its Industrial and Technological Information Bank, UNIDO seeks to accelerate the flow of information to developing countries, many of which lack access to such information and to technological trends and advances. It also assists in advancing the capacities of developing countries for acquisition of technology through workshops and advisory services and through its System of Consultations. At both the regional and interregional levels, UNIDO's System of Consultations is an instrument in promoting industrial cooperation among developing countries.

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# THE WORLD TRADE ORGANIZATION (WTO)

**BACKGROUND:** The World Trade Organization (WTO) was established on 1 January 1995 as the legal and institutional foundation of the multilateral trading system. It provides the principal contractual obligations determining how governments frame and implement domestic trade legislation and regulations. And it is the platform on which trade relations among countries evolve through collective debate, negotiation and adjudication. The WTO is the embodiment of the results of the Uruguay Round trade negotiations and the successor to the General Agreement on Tariffs and Trade (GATT).

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## CREATION

The origin of the WTO can be traced back to the creation of the International Trade Organization at the 1944 Bretton Woods Conference. While the terms of the ITO charter were being drafted and debated (a process which began in February of 1946 and lasted until their a final draft was produced in March 1948) and countries pondered whether they would join the organization, representatives from a group of 17 nations assembled in Geneva and concluded an interim agreement (GATT) to lower trade barriers and tariffs among themselves. The agreement, which was to take effect on 1 January 1948, was not meant to be a permanent trade body but rather a stopgap agreement to serve until the time that the ITO would be put in place.

However, when the Truman Administration decided not to submit the charter creating the ITO to the US Senate for ratification (since there were not enough votes in the Senate in favor of ratification) the plan to create the ITO was abandoned leaving the GATT Treaty in its place.

While the GATT functioned well enough, the leading members wished to replace it with a world-wide trade-regulating body like the WTO for a number of reasons. First, the GATT rules applied to trade only in merchandise goods. In addition to goods, the WTO covers trade in services and trade-related aspects of intellectual property (through the agreement on Trade-related Aspects of Intellectual Property Rights—TRIPs). Second, while GATT was a multilateral instrument, by the 1980s many new agreements of a plurilateral, and therefore selective nature had been added. The agreements which constitute the WTO are almost all multilateral and, thus, involve commitments for the entire membership. Third, The WTO dispute settlement system is faster, more automatic, and thus much less susceptible to blockages, than the old GATT system.

But beyond these practical and functional reasons for establishing the WTO, there were also more philosophical and symbolic reasons. The GATT was a set of rules, a multilateral agreement, with no institutional foundation, only a small associated secre-

ariat which had its origins in the attempt to establish an International Trade Organization in the 1940s. By contrast, the WTO is a permanent institution with its own secretariat. Moreover, the GATT was applied on a “provisional basis” even if, after more than forty years, governments chose to treat it as a permanent commitment while the WTO commitments are fully and functionally permanent.

For the above reasons, the creation of a new, permanent trade body became one of the principal objectives about half-way through the GATT’s Uruguay round, which ran from 1986 to 1994. A draft for the new international trade body, the WTO, was drafted and formally approved at the Ministerial Conference held in the ancient trade center of Marrakesh in July of 1994. Under the terms of the so-called “Final Act” signed there, the GATT was replaced by the WTO on 1 January 1995.

The Preamble of the Agreement Establishing the WTO states that members should conduct their trade and economic relations with a view to “raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of development.”

Furthermore, members recognize the “need for positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in international trade commensurate with the needs of their economic development.”

To contribute to the achievement of these objectives, WTO Members have agreed to enter into “reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international trade relations.”

As the successor to GATT, WHO celebrated the golden jubilee of the multilateral trading system in May 1998.

## PURPOSES

The fundamental principles of the WTO are:

- *Trade without discrimination.* Under the “most-favored nation” (MFN) clause, members are bound to grant to the products of other members no less favorable treatment than that accorded to the products of any other country. The provision on “national treatment” requires that once goods have entered a market, they must be treated no less favorably than the equivalent domestically-produced good.
- *Predictable and growing access to markets.* While quotas are generally outlawed, tariffs or customs duties are legal in the WTO. Tariff reductions made by over 120 countries in the Uruguay Round are contained in some 22,500 pages of national tariff schedules which are considered an integral part of the WTO. Tariff reductions, for the most part phased in over five years, will result in a 40% cut in industrial countries’ tariffs in industrial products from an average of 6.3% to 3.8%. The Round also increased the percentage of bound product lines to nearly 100% for developed nations and countries in transition and to 73% for developing countries. Members have also undertaken an initial set of commitments covering national regulations affecting various services activities. These commitments are, like those for tariffs, contained in binding national schedules.
- *Promoting fair competition.* The WTO extends and clarifies previous GATT rules that laid down the basis on which governments could impose compensating duties on two forms of “unfair” competition: dumping and subsidies. The WTO Agreement on agriculture is designed to provide increased fairness in farm trade. An agreement on intellectual property will improve conditions of competition where ideas and inventions are involved, and another will do the same thing for trade in services.
- *Encouraging development and economic reform.* GATT provisions intended to favor developing countries are maintained in the WTO, in particular those encouraging industrial countries to assist trade of developing nations. Developing countries are given transition periods to adjust to the more difficult WTO provisions. Least-developed countries are given even more flexibility and benefit from accelerated implementation of market access concessions for their goods.

## MEMBERSHIP

As of 11 December 2005, there were 149 member nations of the WTO. There were over 30 applicants negotiating membership at that time. All GATT signatory nations who signed the Final Act of the Uruguay Round in Marrakesh in July of 1994 automatically became original members of the WTO. In addition, several other countries who joined the GATT later in 1994 and signed the Final Act of the Uruguay Round and became original WTO members. When the WTO became effective on 1 January 1995, there were 76 original WTO members and another 50 nations at various stages in the membership process.

Aside from the original WTO members, any nation or “customs territory” having full autonomy in the conduct of its trade policies may accede to the WTO on terms agreed with WTO members. The process of a nonmember nation joining the WTO takes place in several stages. In the first stage of the accession procedures the applicant government is required to provide the WTO with a memorandum covering all aspects of its trade and economic policies having a bearing on WTO agreements. This memorandum becomes the basis for a detailed examination of the accession request in a working party.

Alongside the working party’s efforts, the applicant government engages in bilateral negotiations with interested member governments to establish its concessions and commitments on goods and its commitments on services. This bilateral process, among other things, determines the specific benefits for WTO members in permitting the applicant to accede. Once both the examination of the applicant’s trade regime and market access negotiations are complete, the working party draws up basic terms of accession.

Finally, the results of the working party’s deliberations contained in its report, a draft protocol of accession, and the agreed schedules resulting from the bilateral negotiations are presented to the General Council or the Ministerial Conference for adoption. If a two-thirds majority of WTO members vote in favor, the applicant is free to sign the protocol and to accede to the Organization; when necessary, after ratification in its national parliament or legislature.

After becoming a member, many countries are represented in the WTO by permanent diplomatic missions in Geneva usually headed by a special Ambassador.

As a result of regional economic integration—in the form of customs unions and free trade areas—and looser political and geographic arrangements, some groups of countries act together in the WTO with a single spokesperson in meetings and negotiations.

The largest and most comprehensive grouping is the European Union and its 25 member states. The EU is a customs union with a single external trade policy and tariff. While the member states coordinate their position in Brussels and Geneva, the European Commission alone speaks for the EU at almost all WTO meetings. The EU is a WTO member in its own right as are each of its member states.

It is important to note that any country can withdraw at any time from the WTO.

## STRUCTURE

The highest WTO authority is the Ministerial Conference which meets at least once every two years and is composed of representatives from all WTO signatories. The day-to-day work of the WTO, however, falls to a number of subsidiary bodies, principally the General Council, which is required to report to the Ministerial Conference. The General Council meets several times a year in the Geneva headquarters. Like the Ministerial Conference, the General Council is composed of representatives from all member nations. As well as conducting its regular work on behalf of the Ministerial Conference, the members of the General Council also convene as the Dispute Settlement Body (DSB) and as the Trade Policy Review Body. At the next level are the Goods Council, Ser-

vices Council and Intellectual Property (TRIPS) Council, which report to the General Council.

Five other bodies are established by the Ministerial Conference and report to the General Council: the Committee on Trade and Development, the Committee on Trade and Environment, the Committee on Regional Trade Agreements, the Committee on Balance of Payments, and the Committee on Budget, Finance and Administration. A Trade Negotiations Committee was also established in November 2001 as a result of the Doha Declaration (see below). At the second Ministerial Conference in Geneva in 1998, ministers decided that the WTO would also study the area of electronic commerce, a task to be shared by existing councils and committees.

Each of the plurilateral agreements of the WTO—those on civil aircraft, government procurement, dairy products and bovine meat—have their own management bodies which report to the General Council.

The DSB itself also establishes subsidiary bodies for the resolution of trade disputes. One such set of bodies are called “panels.” These panels are set up on an ad-hoc basis and last only long enough to hear the merits of a particular trade dispute between WTO members and reach a decision as to whether unfair trade practices are involved. After the DSB approves the formation of a panel, the WTO Secretariat will suggest the names of three potential panelists to the parties to the dispute, drawing as necessary on a list of qualified persons. If there is real difficulty in the choice, the Director-General can appoint the panelists. The panelists serve in their individual capacities and are not subject to government instructions.

The DSB also has the responsibility of establishing an Appellate Body to review decisions made by individual panels. The Appellate Body is modeled after the structure of the U.S. Federal Appeals Courts: the Appellate Body is composed of seven persons, three of which are assigned to each appeal from a panel’s judgment. The members of the Appellate Body must be broadly representative of WTO membership, and are required to be persons of recognized standing in the field of law and international trade, and not affiliated with any government. Each member serves a four-year term.

The procedural operation of panels and the Appellate Body are described below under the heading of “Activities.”

## SECRETARIAT

The WTO Secretariat is located in Geneva. It had 635 staff in 2006 and is headed by a Director-General, and four Deputy Directors-General. Its responsibilities include the servicing of WTO delegate bodies with respect to negotiations and the implementation of agreements. It has a particular responsibility to provide technical support to developing countries, and especially the least-developed countries. WTO economists and statisticians provide trade performance and trade policy analyses while its legal staff assist in the resolution of trade disputes involving the interpretation of WTO rules and precedents. Other Secretariat work is concerned with accession negotiations for new members and providing advice to governments considering membership. Despite the increased responsibilities of the WTO when compared with the GATT, there has been no significant increase in administrative or other staffing levels. Pascal Lamy of France, the fifth Director-General, began his four-year appointment on 1 September 2005.

## BUDGET

The WTO’s annual budget for 2006 was 175 million Swiss francs, with individual contributions calculated on the basis of shares in the total trade conducted by members. Part of the budget also goes to the International Trade Center.

## ACTIVITIES

### A. Reviewing Member Nations’ Trade Policies

Surveillance of the national trade policies of WTO member nations is a fundamentally important activity running throughout the work of the WTO. At the center of this work is the Trade Policy Review Mechanism (TPRM).

Reviews are conducted on a regular, periodic basis. The four biggest traders—the European Union, the United States, Japan and Canada—are examined approximately once every two years. The next 16 countries in terms of their share of world trade are reviewed every four years; and the remaining countries every six years, with the possibility of a longer interim period for the least-developed countries.

The review examines the overall trading practices of a WTO member rather than focusing on the legal compatibility of any particular trade policy or practice.

Reviews are conducted in the Trade Policy Review Body (TPRB)—established at the same level as the General Council. The TPRB conducts its review through the use of two documents: a policy statement prepared by the government under review, and a detailed report prepared independently by the WTO Secretariat. These two reports, together with the proceedings of the TPRB are published after the review meeting.

In addition to the TPRM, many other WTO agreements contain obligations for member governments to notify the WTO Secretariat of new or modified trade measures. For example, details of any new anti-dumping or countervailing legislation, new technical standards affecting trade, changes to regulations affecting trade in services, and laws or regulations concerning the TRIPs agreement all have to be notified to the appropriate body of the WTO. Special groups are also established to examine new free-trade arrangements (e.g. regional trade associations like NAFTA—The North American Free Trade Agreement) and the trade policies of acceding countries.

In 2000, new talks began on agriculture and services. At the WHO’s Fourth Ministerial Conference held during November 2001 in Doha, Qatar, these talks were extended, and a number of other issues were added to the WTO agenda. The Doha Declaration set 1 January 2005 as the date for completing all but two of the negotiations. That deadline was missed, but members unofficially aimed to finish the negotiations by the end of 2006. A Trade Negotiations Committee (TNC) was also set up by the Doha Declaration, operating under the authority of the General Council.

### B. Settling Trade Disputes

The WTO also functions to settle trade disputes between member nations. Indeed, one of the goals of the WTO is to dissuade members from taking unilateral action against perceived violations of the trade rules and to instead seek recourse in the multilateral dispute settlement system and to abide by its rules and findings. Unlike the situation in a TPRM review, where a nation’s

**WTO Members (as of 11 December 2005)****MEMBER/DATE OF MEMBERSHIP**

Albania	8 September 2000	Gambia	23 October 1996	Nicaragua	3 September 1995
Angola	1 December 1996	Georgia	14 June 2000	Niger	13 December 1996
Antigua and Barbuda	1 January 1995	Germany	1 January 1995	Nigeria	1 January 1995
Argentina	1 January 1995	Ghana	1 January 1995	Norway	1 January 1995
Armenia	5 February 2005	Greece	1 January 1995	Oman	9 November 2000
Australia	1 January 1995	Grenada	22 February 1996	Pakistan	1 January 1995
Austria	1 January 1995	Guatemala	21 July 1995	Panama	6 September 1997
Bahrain	1 January 1995	Guinea	25 October 1995	Papua New Guinea	9 June 1996
Bangladesh	1 January 1995	Guinea Bissau	31 May 1995	Paraguay	1 January 1995
Barbados	1 January 1995	Guyana	1 January 1995	Peru	1 January 1995
Belgium	1 January 1995	Haiti	30 January 1996	Philippines	1 January 1995
Belize	1 January 1995	Honduras	1 January 1995	Poland	1 July 1995
Benin	22 February 1996	Hong Kong, China	1 January 1995	Portugal	1 January 1995
Bolivia	13 September 1995	Hungary	1 January 1995	Qatar	13 January 1996
Botswana	31 May 1995	Iceland	1 January 1995	Romania	1 January 1995
Brazil	1 January 1995	India	1 January 1995	Rwanda	22 May 1996
Brunei Darussalam	1 January 1995	Indonesia	1 January 1995	Saint Kitts and Nevis	21 February 1996
Bulgaria	1 December 1996	Ireland	1 January 1995	Saint Lucia	1 January 1995
Burkina Faso	3 June 1995	Israel	21 April 1995	Saint Vincent and the Grenadines	1 January 1995
Burundi	23 July 1995	Italy	1 January 1995	Saudi Arabia	11 December 2005
Cambodia	13 October 2004	Jamaica	9 March 1995	Senegal	1 January 1995
Cameroon	13 December 1995	Japan	1 January 1995	Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu	1 January 2002
Canada	1 January 1995	Jordan	11 April 2000	Sierra Leone	23 July 1995
Central African Republic	31 May 1995	Kenya	1 January 1995	Singapore	1 January 1995
Chad	19 October 1996	Korea, Republic of	1 January 1995	Slovak Republic	1 January 1995
Chile	1 January 1995	Kuwait	1 January 1995	Slovenia	30 July 1995
China	11 December 2001	Kyrgyz Republic	20 December 1998	Solomon Islands	26 July 1996
Colombia	30 April 1995	Latvia	10 February 1999	South Africa	1 January 1995
Congo	27 March 1997	Lesotho	31 May 1995	Spain	1 January 1995
Costa Rica	1 January 1995	Liechtenstein	1 September 1995	Sri Lanka	1 January 1995
Côte d'Ivoire	1 January 1995	Lithuania	31 May 2001	Suriname	1 January 1995
Croatia	30 November 2000	Luxembourg	1 January 1995	Swaziland	1 January 1995
Cuba	20 April 1995	Macau, China	1 January 1995	Sweden	1 January 1995
Cyprus	30 July 1995	Madagascar	17 November 1995	Switzerland	1 July 1995
Czech Republic	1 January 1995	Malawi	31 May 1995	Tanzania	1 January 1995
Democratic Republic of the Congo	1 January 1997	Malaysia	1 January 1995	Thailand	1 January 1995
Denmark	1 January 1995	Maldives	31 May 1995	Togo	31 May 1995
Djibouti	31 May 1995	Mali	31 May 1995	Trinidad and Tobago	1 March 1995
Dominica	1 January 1995	Malta	1 January 1995	Tunisia	29 March 1995
Dominican Republic	9 March 1995	Mauritania	31 May 1995	Turkey	26 March 1995
Ecuador	21 January 1996	Mauritius	1 January 1995	Uganda	1 January 1995
Egypt	30 June 1995	Mexico	1 January 1995	United Arab Emirates	10 April 1996
El Salvador	7 May 1995	Moldova, Republic of	16 July 2001	United Kingdom	1 January 1995
Estonia	13 November 1999	Mongolia	29 January 1997	United States	1 January 1995
European Communities	1 January 1995	Morocco	1 January 1995	Uruguay	1 January 1995
Fiji	14 January 1996	Mozambique	26 August 1995	Venezuela	1 January 1995
Finland	1 January 1995	Myanmar	1 January 1995	Zambia	1 January 1995
Former Yugoslav Republic of Macedonia	4 April 2003	Namibia	1 January 1995	Zimbabwe	3 March 1995
France	1 January 1995	Nepal	23 April 2004		
Gabon	1 January 1995	Netherlands	1 January 1995		
		New Zealand	1 January 1995		

overall trade policy is examined, a trade dispute between member nations usually involves the legality of a particular trade policy or practice. Which one member nation, the complainant, has called into question.

When any such trade dispute arises, the nations party to the dispute first engage in bilateral meetings between themselves (usually conducted by the nations' respective representatives in Geneva). If this fails the WTO Director-General, who, acting in an *ex officio* capacity, will try conciliation or mediation to settle the dispute.

If consultations and mediation fail to arrive at a solution after 60 days, the complainant can ask the Dispute Settlement Body (DSB) to establish a panel to examine the case. Generally, the DSB can-

not refuse to establish a panel and must constitute the panel within 30 days of its establishment.

Each party to the dispute submits to the panel a brief on the facts and arguments in the case, in advance of the first substantive meeting. At that first meeting, the complainant presents its case and the responding party its defense. Third parties which notified their interest in the dispute may also present views. Formal rebuttals are made at the second substantive meeting.

The panel then submits an interim report, including its findings and conclusions, to the parties, giving them one week to request a review. The period of review is not to exceed two weeks, during which the panel may hold additional meetings with the parties. A

final report is submitted to the parties and three weeks later, it is circulated to all WTO members.

If the panel decides that the measure in question is inconsistent with the terms of the relevant WTO agreement, the panel recommends that the member concerned bring the measure into conformity with that agreement. It may also suggest ways in which the member could implement the recommendation. Panel reports are adopted by the DSB 60 days after being issued, unless one party notifies its decision to appeal or a consensus emerges against the adoption of the report.

The WTO dispute settlement mechanism gives the possibility of appeal to either party in a panel proceeding. However, any such appeal must be limited to issues of law covered in the panel report and the legal interpretation developed by the panel. Appeals are heard by the standing Appellate Body established by the DSB.

An Appellate Body can uphold, modify or reverse the legal findings and conclusions of the panel. As a general rule, the appeal proceedings are not to exceed 60 days but in no case shall they exceed 90 days.

Thirty days after it is issued, the DSB adopts the report of the Appellate Body which is unconditionally accepted by the parties to the dispute—unless there is a consensus against its adoption.

After the DSB adopts the report of the panel or the Appellate Body, the DSB has the responsibility of implementing the decision. At a DSB meeting held within 30 days of the adoption of the panel or appellate report, the party against whom the panel or the Appellate Body has ruled, must state its intentions in respect of the implementation of the recommendations. If it is impractical to comply immediately, the member will be given a grace period (set by the DSB) to come into compliance. If it fails to act within this period, it is obliged to enter into negotiations with the complainant in order to determine a mutually-acceptable compensation—for instance, tariff reductions in areas of particular interest to the complainant.

If after 20 days, no satisfactory compensation is agreed, the complainant may request authorization from the DSB to suspend concessions or obligations against the other party. The DSB should grant this authorization within 30 days of the expiration of the grace period established by the DSB.

There is a peculiar component of the WTO structure, the Dispute Settlement Review Commission, that applies solely to the United States. The commission is composed of five appellate judges and is activated whenever a panel decision is made against the United States. The commission analyzes the decision to determine whether it was unjustified, that is whether the panel exceeded its authority in making the decision or whether the panel went beyond the powers in the Uruguay round in making the decision. If the commission determines that three unjustified decisions occurred within any five year period a member of Congress can begin the process of removing the United States from the WTO. It

should be noted that since any member can withdraw at any time from the WTO, the existence of this commission does not explicitly enhance US power in the WTO. It was created primarily as a mechanism to assure the US Congress that the WTO would monitor itself against any anti-US bias and in fact the commission was established within the WTO to secure the support of Senator Robert Dole for US entry into the WTO.

### C. Training and Technical Instruction to Developing Countries

The WTO Secretariat has also continued GATT's program of training courses. These take place in Geneva twice a year for officials of developing countries. Since their inception in 1955 and up to the end of 1994, the courses have been attended by nearly 1400 trade officials from 125 countries and 10 regional organizations. Beginning in 1991, special courses have been held each year in Geneva for officials from the former centrally-planned economies in transition to market economies.

The WTO Secretariat, alone or in cooperation with other international organizations, conducts missions and seminars and provides specific, practical technical cooperation for governments and their officials dealing with accession negotiations, implementing WTO commitments or seeking to participate effectively in multilateral negotiations. Courses and individual assistance is given on particular WTO activities including dispute settlement and trade policy reviews. Moreover, developing countries, especially the least-developed among them, are helped with trade and tariff data relating to their own export interests and to their participation in WTO bodies.

The WTO continues the GATT's participation in operating the International Trade Center (which it operates jointly with World Bank's Economic Development Institute). The Center responds to requests from developing countries for assistance in formulating and implementing export promotion programs as well as import operations and techniques. It provides information and advice on export markets and marketing techniques, and assists in establishing export promotion and marketing services and in training personnel required for these services. The Center's help is freely available to the least-developed countries. Since the beginning, GATT/WHO has trained more than 1,700 officials from developing countries.

### D. Participation in Global Economic Policy-Making

An important aspect of the WTO's mandate is to cooperate with the International Monetary Fund, the World Bank and other multilateral institutions to achieve greater coherence in global economic policy-making.

Although the original agenda (established at a GATT meeting in Punta del Este, Uruguay in 1986) made no mention of a world trade body, a draft for such an organization was put forth in 1991 and quickly gained interest among many members for establishing such an organization.

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# THE INTERNATIONAL MONETARY FUND (IMF)



**BACKGROUND:** The 1930s was a period not only of great political upheaval but also of grave financial and economic difficulty. The gold standard was largely abandoned, and currency exchange rates fluctuated wildly. Economic chaos was aggravated by a lack of coordination between governments that imposed controls on international financial transactions and engaged in ruthless economic warfare.

During World War II, most countries realized that they would emerge from the conflict with depleted economic resources just when they would have to confront a reconstruction effort of staggering dimensions. It was also known that the United Kingdom would emerge from the war as the world's principal debtor nation and the United States, whose productive capacity had greatly increased during the war, as the world's principal creditor nation.

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## CREATION

The United Kingdom, the United States, and their allies were convinced that international economic and financial cooperation through intergovernmental institutions was required to prevent a more serious recurrence of the economic and monetary chaos of the 1930s. Two plans were proposed almost simultaneously in 1943: a United States plan for an International Stabilization Fund, referred to as the White plan, after H. D. White, then assistant to the United States secretary of the treasury; and a British plan for an International Clearing Union, referred to as the Keynes plan, after the British economist John Maynard Keynes. Both plans called for international machinery to stabilize currencies and—a radical innovation—a prohibition against altering exchange rates beyond narrow limits without international approval. Both would have introduced a new international currency unit defined in terms of gold. The American plan called for participating nations to contribute to a relatively limited stabilization fund of about \$5 billion, on which they would be permitted to draw in order to bridge balance-of-payments deficits. The British plan would have established a system of international clearing accounts, under which each member country could borrow up to its own quota limit, while its creditors would be credited with corresponding amounts, expressed in international currency units. Both plans were discussed with financial experts of other powers, including the Republic of China, the French Committee for Liberation, and the USSR. The International Monetary Fund as finally constituted resembled the United States-suggested stabilization fund. The proposal to establish a new international monetary unit was deferred for the time being.

### The Bretton Woods Conference

A conference called by President Franklin D. Roosevelt and attended by delegates from all 44 United and Associated Nations was held from 1 to 22 July 1944 at Bretton Woods, New Hampshire. The Bretton Woods Conference produced the constitutions, or Articles of Agreement, of two agencies conceived as sister insti-

tutions: the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD).

The IMF came into existence on 27 December 1945, when 29 governments, responsible for 80% of the quotas to be contributed to the Fund, signed the IMF Articles of Agreement. An agreement with the UN, under which the IMF became a specialized agency, entered into force on 15 November 1947.

## PURPOSES

The purposes of the IMF are the following:

- to promote international monetary cooperation;
- to facilitate the expansion and balanced growth of international trade and contribute thereby to the promotion and maintenance of high levels of employment and real income;
- to promote exchange stability, maintain orderly exchange arrangements among member states, and avoid competitive currency depreciations;
- to assist in establishing a multilateral system of payments of current transactions among members and in eliminating foreign-exchange restrictions that hamper world trade; and
- to alleviate serious disequilibrium in the international balance of payments of members by making the resources of the Fund available under adequate safeguards, so as to prevent the members from resorting to measures that endanger national or international prosperity.

## MEMBERSHIP

The original members of the IMF were the 29 nations whose governments had ratified the Articles of Agreement by 27 December 1945. Any other state, whether or not a member of the UN, may become a member of the IMF in accordance with terms prescribed by the Board of Governors. The IMF had 184 members as of 10 May 2006. (See membership list at the end of this section.) Membership in the IMF is a prerequisite to membership in the IBRD. A member may withdraw from the IMF at any time, and its



**IMF Members and Their Quotas (as of 9 May 2006) - cont.****MEMBER/QUOTA**

Afghanistan, Islamic State of	161.9	Ghana	369.0	Palau	3.1
Albania	48.7	Greece	823.0	Panama	206.6
Algeria	1,254.7	Grenada	11.7	Papua New Guinea	131.6
Angola	286.3	Guatemala	210.2	Paraguay	99.9
Antigua and Barbuda	13.5	Guinea	107.1	Peru	638.4
Argentina	2,117.1	Guinea-Bissau	14.2	Philippines	879.9
Armenia	92.0	Guyana	90.9	Poland	1,369.0
Australia	3,236.4	Haiti	81.9	Portugal	867.4
Austria	1,872.3	Honduras	129.5	Qatar	263.8
Azerbaijan	160.9	Hungary	1,038.4	Romania	1,030.2
Bahamas	130.3	Iceland	117.6	Russia	5,945.4
Bahrain	135.0	India	4,158.2	Rwanda	80.1
Bangladesh	533.3	Indonesia	2,079.3	St. Kitts and Nevis	8.9
Barbados	67.5	Iran, Islamic Republic of	1,497.2	St. Lucia	15.3
Belarus	386.4	Iraq	1,188.4	St. Vincent and the Grenadines	8.3
Belgium	4,605.2	Ireland	838.4	Samoa	11.6
Belize	18.8	Israel	928.2	San Marino	17.0
Benin	61.9	Italy	7,055.5	São Tomé and Príncipe	7.4
Bhutan	6.3	Jamaica	273.5	Saudi Arabia	6,985.5
Bolivia	171.5	Japan	13,312.8	Senegal	161.8
Bosnia and Herzegovina	169.1	Jordan	170.5	Serbia and Montenegro	467.7
Botswana	63.0	Kazakhstan	365.7	Seychelles	8.8
Brazil	3,036.1	Kenya	271.4	Sierra Leone	103.7
Brunei Darussalam	215.2	Kiribati	5.6	Singapore	862.5
Bulgaria	640.2	Korea, Republic of	1,633.6	Slovak Republic	357.5
Burkina Faso	60.2	Kuwait	1,381.1	Slovenia	231.7
Burundi	77.0	Kyrgyz Republic	88.8	Solomon Islands	10.4
Cambodia	87.5	Lao People's Democratic Republic	52.9	Somalia	44.2
Cameroon	185.7	Latvia	126.8	South Africa	1,868.5
Canada	6,369.2	Lebanon	203.0	Spain	3,048.9
Cape Verde	9.6	Lesotho	34.9	Sri Lanka	413.4
Central African Republic	55.7	Liberia	71.3	Sudan	169.7
Chad	56.0	Libyan Arab Jamahiriya	1,123.7	Suriname	92.1
Chile	856.1	Lithuania	144.2	Swaziland	50.7
China	6,369.2	Luxembourg	279.1	Sweden	2,395.5
Colombia	774.0	Macedonia, the Former Yugoslav Republic of	68.9	Switzerland	3,458.5
Comoros	8.9	Madagascar	122.2	Syrian Arab Republic	293.6
Congo, Democratic Republic of the	533.0	Malawi	69.4	Tajikistan	87.0
Congo, Republic of	84.6	Malaysia	1,486.6	Tanzania	198.9
Costa Rica	164.1	Maldives	8.2	Thailand	1,081.9
Côte d'Ivoire	325.2	Mali	93.3	Timor-Leste	8.2
Croatia	365.1	Malta	102.0	Togo	73.4
Cyprus	139.6	Marshall Islands	3.5	Tonga	6.9
Czech Republic	819.3	Mauritania	64.4	Trinidad and Tobago	335.6
Denmark	1,642.8	Mauritius	101.6	Tunisia	286.5
Djibouti	15.9	Mexico	2,585.8	Turkey	964.0
Dominica	8.2	Micronesia, Federated States of	5.1	Turkmenistan	75.2
Dominican Republic	218.9	Moldova	123.2	Uganda	180.5
Ecuador	302.3	Mongolia	51.1	Ukraine	1,372.0
Egypt	943.7	Morocco	588.2	United Arab Emirates	611.7
El Salvador	171.3	Mozambique	113.6	United Kingdom	10,738.5
Equatorial Guinea	32.6	Myanmar	258.4	United States	37,149.3
Eritrea	15.9	Namibia	136.5	Uruguay	306.5
Estonia	65.2	Nepal	71.3	Uzbekistan	275.6
Ethiopia	133.7	Netherlands	5,162.4	Vanuatu	17.0
Fiji	70.3	New Zealand	894.6	Venezuela	2,659.1
Finland	1,263.8	Nicaragua	130.0	Vietnam	329.1
France	10,738.5	Niger	65.8	Yemen	243.5
Gabon	154.3	Nigeria	1,753.2	Zambia	489.1
Gambia	31.1	Norway	1,671.7	Zimbabwe	353.4
Georgia	150.3	Oman	194.0		
Germany	13,008.2	Pakistan	1,033.7		

withdrawal becomes effective on the day that a written notice to that effect is received by the Fund.

If a member state fails to fulfill its obligations under the IMF Articles of Agreement, the Fund may declare that country ineligible to use its resources. If, after a reasonable period has elapsed, the member state persists in its failure to live up to its obliga-

tions, the Board of Governors may require it to withdraw from membership.

The Third Amendment of the IMF's Articles of Agreement came into force on 11 November 1992. It allows for the suspension of voting and related rights of a member that persists in its failure to fulfill its obligations under the Articles.

## STRUCTURE

The Fund has a Board of Governors, composed of as many governors as there are member states; 24 executive directors; and a managing director and staff.

### Board of Governors

All powers of the IMF are vested in its Board of Governors, on which all member states are represented. Each member state appoints one governor and one alternate governor, who may vote when the principal governor is absent. A government customarily appoints its minister of finance, the president of its central bank, or another high-ranking official as its governor. For example, in 2006, the United States governor was Secretary of the Treasury John W. Snow, and the alternate, Federal Reserve Board Chairman Ben S. Bernanke.

The principle that applies in most international bodies—one nation, one vote—does not apply in the IMF Board of Governors. Multiple votes are assigned to IMF member states, more votes being assigned to those subscribing larger quotas to the Fund's resources. Each member has 250 votes plus 1 additional vote for each SDR 100,000 of its quota. (The SDR is an international reserve asset created by the Fund. See section F.) The total number of votes of all IMF members was 2,175,345 on 2 May 2006, of which the United States held about 17.1%, Germany and Japan about 6% each, and the United Kingdom and France about 5% each.

Each governor is entitled to cast all the votes allotted to his country as a unit. On certain matters, however, voting power varies according to the use made of the Fund's resources by the respective member. IMF decisions are made by a simple majority of the votes cast, unless otherwise stipulated in the constitution. The Board of Governors regularly meets once a year. It may also be convened for other than annual meetings.

Except for such basic matters as admission of new members, quota changes, and the like, the Board of Governors delegates most of its powers to the Executive Directors of the Fund.

The Board of Governors has an advisory committee, the International Monetary and Financial Committee (IMFC), formerly known as the Interim Committee, which meets twice a year. Its composition reflects that of the Executive Board; each country that appoints, and each group that elects, an Executive Director, also appoints a member to the IMFC. These members are governors of the Fund, ministers, or others of comparable rank.

### Executive Board

The 24 executive directors (and 24 alternates) of the IMF are responsible for the Fund's general operations, and for this purpose they exercise all the powers delegated to them by the Board of Governors. They "function in continuous session" at the Fund's headquarters and meet as often as business may require, usually several times a week.

Of the 24 executive directors, five are appointed by the countries having the largest quotas (United States, Japan, Germany, France, and the United Kingdom), and the other 19 are elected by regional groups of the remaining members. The IMF's managing director also serves as chairman of the Executive Board.

### Managing Director and Staff

The managing director, who is chosen by the executive directors, is responsible for the conduct of the ordinary business of the

Fund. He is appointed for a five-year term and may not serve concurrently as a governor or executive director of the IMF. The managing director chairs meetings of the executive directors but may vote only in case of a tie.

The permanent headquarters of the IMF are at 700 19th Street, N.W., Washington, D.C. 20431. As of 10 May 2006, the staff consisted of 2,693 persons from 141 countries.

The IMF has a regional office for Asia and the Pacific, located in Tokyo.

## BUDGETS

The Fund's income considerably exceeds its administrative expenditures. This income is derived principally from charges on the Fund's transactions. The IMF's annual expenses are financed largely by the difference between annual interest receipts and annual interest payments. In fiscal year 2005, interest and charges received from borrowing countries and other income totaled us\$3.6 billion, while interest payments on the portion of members' quota subscriptions used in IMF operations and other operating expenses amounted to us\$2.6 billion. The remainder was added to the IMF's General Resources Account, the funds available for lending to member countries.

## ACTIVITIES

### A. Resources of the IMF

The Fund obtains its necessary financial resources from the accumulated subscriptions made by its members. How much a member government subscribes to the Fund's resources is determined by the quota assigned to that country. As mentioned above, the quota also determines the country's voting strength in the IMF. Furthermore, the quota, which is expressed in SDRs, determines the amounts that the country may draw from the Fund's currency pool, as well as the country's allocations of SDRs.

In determining a member's quota, the IMF considers relevant economic data, including the country's national income, its international reserves, and the volume of its imports and exports.

The method of payment for initial quota subscriptions or increases in quotas was modified when the Second Amendment to the Articles of Agreement went into effect in 1978. Under the original Articles, members were required to pay 25% of their quota in gold and the remainder in their own currencies. Following the Second Amendment, an amount not exceeding 25% of new members' initial quotas, or existing members' increases in quotas, is paid in reserve assets, while the remainder is paid in the members' own currencies.

The Fund is required by its constitution to review its members' quotas at regular intervals of not more than five years and to propose called-for adjustments in quotas. A member may also at any time request an adjustment of its own quota. All quota changes must be approved by an 85% majority of the total voting power.

Several reviews of the adequacy of members' quotas have led to general and selective increases of Fund quotas. A special review in 1958/59 resulted in a 60.7% increase in quotas, which was followed by a 30.7% general increase in 1965 and a further 35.4% general increase in 1970. The 1976 review of quotas was affected by developments in the international monetary system, including the quadrupling of oil prices. As a result of that review, total quo-

tas were increased by 33.6%, to SDR 39 billion, reflecting a doubling of the collective share in total quotas of the major oil-exporting countries. The share of all other developing countries was maintained at its then existing level. The 1978 review provided for a 50.9% general quota increase for most members and additional special increases for 11 members. Consents to increases under this review raised total quotas to SDR 59.6 billion. The 1983 review increased quotas by 47.5%, to SDR 90 billion, and the quotas increased by 50.0% in November 1992 as a result of the Ninth General Review (in 1990).

The Tenth General Review in 1995 did not result in an increase. As of September 1996, total quotas amounted to SDR 145.3 billion (about US\$210 billion). In September 1997, the IMF's Executive Board concluded the Eleventh General Review, which resulted in an agreement on an overall increase in quotas of 45%, to SDR 213 billion (about US\$308 billion in March 2006). The IMF stated that the increase reflected changes in the size of the world economy, the scale of potential payments imbalances, and the rapid globalization and liberalization of trade and payments. The quota increase became effective in January 1999. The Twelfth General Review began in December 2001 with the formation of a Committee of the Whole to consider the possible need to increase quotas, but the review concluded in January 2003 had no increase in quotas.

The Fund is authorized under its Articles to supplement its resources by borrowing. In January 1962, a four-year agreement was concluded with 10 industrial members (the Group of 10)—subsequently joined by Switzerland as an associate and by Saudi Arabia under a special arrangement in 1983—by which they undertook to lend to the Fund to finance drawings by participants of the General Arrangements to Borrow (GAB) “if this should be needed to forestall or cope with an impairment of the international monetary system.” These General Arrangements to Borrow have been renewed every four or five years, most recently in November 2002.

On 19 January 1983, the ministers of the Group of 10 agreed in principle to enlarge the GAB to SDR 17 billion, from approximately SDR 6.0 billion, and to permit the Fund to borrow under the enlarged credit arrangements to finance exchange transactions with members that are not GAB participants. In addition, the ministers agreed to authorize Swiss participation in the agreement. The amounts of credit arrangements (in millions of SDRs) are as follows: the United States, 4,250; the Deutsche Bundesbank of Germany, 2,380; Japan, 2,125; France, 1,700; the United Kingdom, 1,700; Saudi Arabia, 1,500; Italy, 1,105; Switzerland, 1,020; Canada, 892.5; the Netherlands, 850; Belgium, 595; and the Riksbank of Sweden, 382.5.

In January 1997, the IMF approved the New Arrangements to Borrow (NAB). The NAB combines with the GAB to provide supplementary resources to the IMF. The amount of the resources available to the IMF under the NAB (which became effective November 1998) and the GAB is SDR 34 billion (about US\$45 billion), twice the amount of the GAB alone.

The Fund has also, in the past, supplemented its resources by borrowing, for example, for the oil facility for 1974 and 1975 and for the supplementary financing facility, whose resources of SDR 7,784 billion were borrowed from 14 members or institutions.

## B. General Obligations of IMF Members

The economic philosophy of the Bretton Woods Agreement holds that monetary stability and cooperation and the unhampered movement of money, especially in payment of current international transactions, will promote national and international prosperity. This principle is reflected in certain general obligations that countries undertake by accepting the IMF's Articles of Agreement. The Articles favor stabilization measures to help overcome short-term balance-of-payments difficulties, and they discourage exchange controls under normal conditions. The Agreement also enables the Fund to help governments in short-term payments difficulties.

## C. Consultations

Consultations with members are an essential component of the Fund's work and provide a major instrument for Fund surveillance of members' policies in several key areas.

Article IV of the Articles of Agreement, entitled “Obligations Regarding Exchange Arrangements,” allows individual members considerable freedom in the selection of their exchange arrangements, but it also stipulates general obligations and specific undertakings.

In order to help the Fund ensure observance of these obligations through the exercise of “firm surveillance” over exchange-rate policies, members are required to consult with the Fund regularly under Article IV, in principle on an annual basis. These consultations provide an opportunity for detailed review of the economic and financial situation and the policies of members from both the national and international viewpoints. They also help the Fund deal expeditiously with members' requests for the use of Fund resources and for proposed changes in policies or practices that are subject to Fund approval. For the individual member, regular consultations provide the occasion for an external appraisal of policies and for discussion of any special difficulties that may arise from the actions of other members.

Members availing themselves of the transitional arrangements permitted under Article XIV of the Articles of Agreement to maintain multiple exchange rates or other restrictions on current international payments are required to consult annually with the Fund. Article VIII countries have accepted the obligation to avoid such practices. Consultations under Article IV include the regular consultations under Article VIII and Article XIV and are required for all members.

Between annual consultations, there is a supplemental surveillance procedure under which the managing director initiates an informal and confidential discussion with a member whenever he thinks that a modification in the member's exchange arrangements or exchange-rate policies or the behavior of the exchange rate of its currency may be important or may have important effects on other members.

Special consultations with selected countries also supplement regular consultations in connection with the periodic reviews of the world economic outlook undertaken by the Executive Board. The purpose of these consultations is to provide up-to-date knowledge of the economic situation in countries whose external policies are regarded as being of major importance to the world economy.

## D. Transactions Between the Fund and Its Members

### Use of Resources

Members of the Fund may draw on its financial resources to meet their balance-of-payments needs. As of 31 March 2006, the IMF had credits and loans outstanding to 75 countries for an amount of us\$34 billion. Financial assistance is made available under a number of policies and facilities. Member countries may, for example, use the reverse tranche and the credit tranche, or they may receive emergency assistance. The IMF has set up various facilities for specific purposes—the Compensatory and Contingency Financing Facility (CCFF); the Buffer Stock Financing Facility (BSFF); the Extended Fund Facility; and the Structural Adjustment Facility (SAF), which was superseded by the Enhanced Structural Adjustment Facility (ESAF). (For full descriptions of these policies and facilities, see farther on.)

For any drawing, a member is required to indicate to the Fund that the desired purchase is needed to stabilize its balance-of-payments or reserve position or to deal with adverse developments in its reserves.

When a member draws on the Fund, it uses its own currency to purchase the currencies of other member countries or SDRs held by the General Resources Account. Thus, a drawing results in an increase in the Fund's holdings of the purchasing member's currency and a corresponding decrease in the Fund's holdings of other currencies or SDRs that are sold. Within a prescribed time, a member must reverse the transaction (unless it is a reserve tranche purchase; see farther on) by buying back its own currency with SDRs or currencies specified by the Fund. Usually, repurchases are to be made within three to five years after the date of purchase. However, under the extended Fund facility, the period for repurchases is within four and a half to ten years, and under the supplementary financing facility, within three and a half to seven years. In addition, a member is expected normally to repurchase as its balance-of-payments or reserve position improves.

*Reserve Tranche.* The difference between a member's quota and the Fund's holdings of that member's currency is referred to as the member's reserve tranche. Purchases in the reserve tranche—a reserve asset that can be mobilized by the member with minimum delay—are subject to balance-of-payments need but not to prior challenge, economic policy conditions, or repurchase requirements. This drawing does not constitute a use of IMF credit, as its reserve position is considered part of the member's foreign reserves, and is not subject to an obligation to repay.

*Credit Tranche.* Credits under regular facilities are made available to members in tranches (segments) of 25% of quota. For first credit tranche drawings, members must demonstrate reasonable efforts to overcome their balance of payments difficulties. Upper credit tranche drawings (over 25%) are normally phased in relation to certain conditions or "performance criteria."

*Policy on Emergency Assistance.* The IMF provides emergency assistance to members to meet balance of payments needs arising from sudden and unforeseeable natural disasters and in post-conflict situations. Normally this takes the form of an outright purchase of up to 25% of quota, provided the member is cooperating with the IMF. For post-conflict cases, additional access of up to 25% of quota can be provided.

All requests for the use of the Fund's resources other than use of the reserve tranche are examined by the Fund to determine

whether the proposed use would be consistent with the provisions of the Articles of Agreement and with Fund policies.

The criteria used by the Fund in determining whether its assistance should be made available are more liberal when the request is in the first credit tranche (that is, when the Fund holdings of a member's currency are above 100% but not above 125% of the member's quota) than when it is in the higher credit tranches (that is, when the Fund's holdings following the drawing exceed 125% of quota).

A member requesting a direct purchase expects to draw the full amount immediately after approval of the request; under a standby arrangement (SBA), a member may make the agreed drawing at any time during the period of the standby arrangement.

Requests for purchases in the higher credit tranches require substantial justification. Such purchases are almost always made under standby or similar arrangements. The amount available under a standby arrangement in the upper credit tranches is phased to be available in portions at specified intervals during the standby period, and the member's right to draw is always subject to the observance of certain key policy objectives described in the program or to a further review of the situation.

*Compensatory and Contingency Financing Facility.* In November 1987, the Executive Board began to examine the need to address external contingencies in Fund arrangements and the design of appropriate contingency financing mechanisms. These deliberations resulted in the establishment of the Compensatory and Contingency Financing Facility (CCFF) in August 1988. The CCFF incorporated existing facilities—the Compensatory Financing Facility (established in 1963), which provided financial assistance to members experiencing temporary export shortfalls, and the facility providing compensatory financing for excesses in cereal import costs that were largely attributable to circumstances beyond the members' control. The CCFF also introduced a new element—the external contingency mechanism (ECM). This mechanism gave members with fund arrangements the opportunity to protect themselves from unexpected, adverse external developments.

The compensatory element of the CCFF is designed to provide compensation to member countries experiencing shortfalls in export earnings and/or excesses in cereal import costs. The eligibility criteria require that the shortfall/excess be temporary and stem from factors beyond the authorities' control, and that the member have a balance of payments need. In addition, where the member is experiencing balance of payments difficulties beyond the effects of the temporary shortfall/excess, the member is expected to cooperate with the Fund in an effort to address them. The export shortfall (cereal import excess) is calculated as the amount by which a member's export earnings (cereal import costs) for a 12-month period are below (above) their medium-term trend. Other provisions of the CCFF ensure that requests for compensatory financing are met in a timely fashion, in particular that a request cannot be made later than six months after the end of the shortfall year, and that the calculation for the shortfall year may include up to 12 months of estimated data.

*The Buffer Stock Financing Facility.* In 1969 the BSFF was established to provide assistance to members in connection with their contributions to international buffer stocks of primary products, operating in the context of approved international commodity agreements (ICAs). The BSFF was the Fund's contribution to ef-

forts to stabilize commodity prices, which were seen at the time as excessively volatile, with damaging consequences for the stability of export earnings of developing countries heavily dependent on commodity exports. The BSFF provides support in the context of those ICAs whose objective is the stabilization of international prices through market intervention by buffer stocks, and that satisfy certain participation requirements adopted by the United Nations Economic and Social Council, in particular that they are open to participation of both consuming and producing countries, and that they do not maintain artificially high prices through long-term restrictions of supply. The IMF had, as of December 1999, authorized the use of its resources in connection with buffer stocks of cocoa, tin, sugar, and natural rubber. At that time, all eligible commodity agreements had expired (the last to expire was the 1987 International Natural Rubber Agreement in December 1993); there were no agreements under which drawings under the BSFF could be made. But the Fund has recently been requested to consider whether the International Rubber Agreement (1995) was suitable for BSFF support.

*Extended Facility.* Under the extended facility, the Fund may provide assistance to members to meet their balance-of-payments deficits for longer periods and in amounts larger in relation to quotas than under the credit tranche policies. For example, a member might apply for assistance under the facility if it has serious payments imbalances relating to structural maladjustments in production, trade, and prices and if it intends to implement a comprehensive set of corrective policies for two or three years. Use of the facility might also be indicated by an inherently weak balance-of-payments position that prevents the pursuit of an active development policy.

Drawings under extended arrangements generally take place over periods of up to three years, although this may be extended to four years.

*Structural Adjustment Facility.* In response to the particularly difficult situation confronting the low-income members of the Fund, the Executive Board established in March 1986 a Structural Adjustment Facility (SAF) within the Fund's Special Disbursement Account. This facility provided concessional balance-of-payments assistance—in conjunction with the World Bank and other lenders—to low-income countries eligible for IDA loans that were facing protracted balance-of-payments problems and were undertaking comprehensive efforts to strengthen their balance-of-payments position.

In December 1987 the IMF established the Enhanced Structural Adjustment Facility (ESAF). As successor to the SAF, it was similar in objectivity, eligibility and program features, but differed in scope, terms of access, and funding sources. The ESAF was renewed and extended since its creation; in September 1996 the IMF decided to make it a permanent facility, as the centerpiece of the agency's strategy to help low-income countries. It also decided that the IMF's participation in the initiative to lower the debt of the heavily indebted poor countries (HIPC) would be through special, more concessional ESAF operations. The HIPC Initiative was established in 1996, to reduce the debt burdens of the world's poorest countries. As of May 2006, 29 low-income countries were receiving debt relief under the HIPC Initiative.

*Poverty Reduction and Growth Facility (PRGF).* In September 1999, the IMF established the Poverty Reduction and Growth Fa-

cility (PRGF), as a low-interest lending facility for poor countries, to replace the ESAF. This allowed the IMF to include a more explicit focus on poverty reduction in the context of a growth oriented strategy. These broad objectives were reaffirmed in the IMF staff review of the PRGF in March 2002, and other reviews in 2004 and 2005.

#### **Conditionality**

A country making use of the Fund's resources is generally required to implement economic policies aimed at achieving a viable balance-of-payments position over an appropriate period of time. This requirement is known as "conditionality," and it reflects the principle that balance-of-payments financing and adjustment must go hand in hand.

A comprehensive review of the guidelines for conditionality was undertaken in 1979. These guidelines include the use of consultation clauses in Fund-supported programs, the phasing of purchases, and the injunction that objective indicators for monitoring performance be limited only to those variables necessary to ensure achievement of the objectives of the programs. In addition, the guidelines emphasize the need to encourage members to adopt corrective measures at an early stage of their balance-of-payments difficulties; to recognize that in many cases adjustment will take longer than the period associated with standby arrangements; to provide for the adoption of a flexible approach for the treatment of external borrowing in adjustment programs; and to stress the necessity to pay due regard to the domestic social and political objectives, the economic priorities, and the circumstances of members, including the causes of their payments problems.

Within the context of the guidelines, Fund-supported programs emphasize a number of major economic variables, including certain financial aggregates, such as domestic credit, public sector financial needs, and external debt, as well as some key elements of the price system, including the exchange rate, interest rates, and, in exceptional cases, the prices of commodities that bear significantly upon public finances and foreign trade.

The Fund-supported corrective strategy provides for a reorientation of the economy toward sustained growth and avoids purely deflationary policies that may have a deleterious effect on investment and fail to encourage the required shift of resources to the external sector.

#### **Charges for Use of Resources and Remuneration on Creditor Positions**

The Fund applies charges for the use of its resources, except for reserve tranche purchases. A service charge of 0.5% is payable on purchases other than reserve tranche purchases. In addition, the Fund levies charges on balances of members' currencies resulting from purchases. The rate of charge on purchases in the four credit tranches and under the extended Fund facility, the compensatory financing facility, and the buffer-stock financing facility is determined at the beginning of each financial year on the basis of the estimated income and expense of the Fund during the year and a target amount of net income. The average rate of charge on the use of the Fund's ordinary resources as of 1 May 2006 was 4.87%, after adjustments for burden sharing, and an average rate of remunera-

tion of 3.25%. Members that use the Fund's borrowed resources pay charges that reflect the Fund's borrowing costs plus a margin.

When the Fund's holdings of a member's currency are reduced below a specified level, the member acquires a creditor position in the Fund on which it earns remuneration (that is, interest). The Fund pays remuneration on creditor positions at a rate determined by a formula based on short-term market interest rates in the United States, the United Kingdom, Germany, France, and Japan.

#### E. Technical Assistance

Technical assistance is a major activity of the Fund. Staff officials are sent to member countries, sometimes for extended periods, to give advice on stabilization programs, the simplification of exchange systems, the modification of central banking machinery, the reform of fiscal systems and budgetary controls, or the preparation of financial statistics. The Fund collects and publishes a considerable number of statistics supplied by members. As part of its technical cooperation, the Fund established the IMF Institute in May 1964 to coordinate and expand its training program for staff members of finance ministries and central banks. The IMF established the Joint Vienna Institute in the Fall of 1992. In May 1998, the IMF inaugurated its Singapore Regional Training Institute (STI). Additionally, the agency operates other regional training programs. Today, the IMF provides approximately 300 person-years of technical assistance annually to its member countries. In the late 1990s technical assistance projects grew larger and more complex, requiring multiple sources of financing to underwrite costs.

#### F. Special Drawing Rights (SDRs)

The SDR is an international reserve asset created by the Fund and allocated to its members as a supplement to existing reserve assets. The Fund has allocated a total of SDR 21.4 billion in six allocations.

The last allocation of SDRs in the third basic period was made on 1 January 1981, when a total of SDR 4,052 million was allocated to the 141 countries that were members of the Fund at that time. Similar amounts were allocated in each of the two previous years. The Fund allocates SDRs to its members in proportion to their quotas at the time of allocation. In deciding on the timing and amount of SDR allocations, the Fund considers whether there exists a global need to supplement existing reserve assets, and it takes into account the objectives of the Fund's Articles of Agreement, which call upon Fund members to collaborate with each other and with the Fund with a view to making the SDR the principal reserve asset of the international monetary system.

A proposal for a special one-time allocation of SDRs was approved by the IMF's Board of Governors in September 1997 through the proposed Fourth Amendment of the Articles of Agreement. This allocation would double cumulative SDR allocations to SDR 42.8 billion. Its intent is to enable all members of the IMF to participate in the SDR system on an equitable basis and correct for the fact that countries that joined the Fund subsequent to 1981—more than one-fifth of the current IMF membership—have never received an SDR allocation. The Fourth Amendment will become effective when three-fifths of the IMF membership (111 members) with 85% of the total voting power accept it. As of end-August 2005, 131 members with 77.3% of total voting power had

accepted the proposed amendment. Approval by the United States, with 17.1% of total votes, would put the amendment into effect.

All 184 member countries of the Fund are participants in the SDR Department and are eligible to receive allocations. They may use SDRs in transactions and operations among themselves, with prescribed "other holders," of which there are now 15, and with the Fund itself. The SDR is the Fund's unit of account, and, increasingly, commercial transactions and private financial obligations are being denominated in SDRs.

Members with a balance-of-payments need may use SDRs to acquire foreign exchange in a transaction with designation—that is, one in which another member, designated by the Fund, provides currency in exchange for SDRs. The Fund designates members to provide currency on the basis of the strength of their balance-of-payments and reserve positions. However, a member's obligation to provide currency does not extend beyond the point at which its holdings are three times the net cumulative allocation that it has received. Fund members and "other holders" may also use SDRs in a variety of voluntary transactions and operations by agreement. They may buy and sell SDRs, both spot and forward, use SDRs in swaps and in settlement of financial obligations, or make donations (grants) with SDRs.

The valuation of the SDR is determined on the basis of a basket of five currencies. Since 1981, the currencies of France, Germany, Japan, United Kingdom, and United States have been included in the five-year reviews since these countries have the largest exports of goods and services. With the introduction of the euro on January 1, 1999, the currency amounts of the deutsche mark and French franc were replaced with the euro. The latest review of the SDR valuation basket was completed in November 2005. The value of the SDR in U.S. dollar terms is calculated daily as the sum of the values in U.S. dollars of the specific amounts of four currencies (euro, U.S. dollar, Japanese yen, pound sterling), based on exchange rates quoted at noon at the London Market. On 10 May 2006, SDR 1 equaled US\$1.49106. The SDR exchange rate is posted daily on the IMF web site <http://www.imf.org>.

#### G. Gold Sales by the Fund

The Fund's original Articles of Agreement required members to pay one-fourth of their quota subscription in gold. The establishment of the SDR in 1969 and the Second Amendment to the Articles of Agreement in 1978 virtually eliminated the monetary role of gold from the Articles, although gold still remains an important component in the reserve holdings of member countries. As a result of these developments, the Executive Board decided to sell off a portion of the Fund's gold holdings, beginning in 1976. In May 1980, the Fund completed a four-year gold sales program, through which 50 million oz, or one-third of the Fund's gold holdings at the beginning of the period, were sold. One-sixth of the gold (25 million oz) was sold to members at the former official price of SDR 35 an ounce. Another one-sixth was sold at auction for the benefit of developing countries. Some of the profits from these auctions were used to finance a trust fund, providing concessional balance-of-payments assistance to eligible developing countries. Repayments of these concessional loans form the basic funding for the structural adjustment facility.

## Executive Directors of the IMF and Voting Power (as of 2 May 2006)

DIRECTOR	CASTING VOTES OF	VOTES BY COUNTRY	TOTAL VOTES <sup>1</sup>	% OF FUND TOTAL <sup>2</sup>	DIRECTOR	CASTING VOTES OF	VOTES BY COUNTRY	TOTAL VOTES <sup>1</sup>	% OF FUND TOTAL <sup>2</sup>
Nancy P. Jacklin	United States	371,743	371,743	17.08	Tuomas Saarenheimo (Denmark)	Denmark	16,678		
Shigeo Kashiwagi	Japan	133,378	133,378	6.13		Estonia	902		
Karlheinz Bischofberger	Germany	130,332	130,332	5.99		Finland	12,888		
Pierre Duquesne	France	107,635	107,635	4.95		Iceland	1,426		
Tom Scholar	United Kingdom	107,635	107,635	4.95		Latvia	1,518		
<b>ELECTED</b>						Lithuania	1,692		
Willy Kiekens (Belgium)						Norway	16,967		
	Austria	18,973				Sweden	24,205	76,276	3.51
	Belarus	4,114			Jong Nam Oh (Korea)				
	Belgium	46,302				Australia	32,614		
	Czech Republic	8,443				Kiribati	306		
	Hungary	10,634				Korea	16,586		
	Kazakhstan	3,907				Marshall Islands	285		
	Luxembourg	3,041				Micronesia, Federated States of	301		
	Slovak Republic	3,825				Mongolia	761		
	Slovenia	2,567				New Zealand	9,196		
	Turkey	9,890	111,696	5.13		Palau	281		
Jeroen Kremers (Netherlands)						Papua New Guinea	1,566		
	Armenia	1,170				Philippines	9,049		
	Bosnia and Herzegovina	1,941				Samoa	366		
	Bulgaria	6,652				Seychelles	338		
	Croatia	3,901				Solomon Islands	354		
	Cyprus	1,646				Vanuatu	420	72,423	3.33
	Georgia	1,753			Sulaiman M. Al-Turki (Saudi Arabia)				
	Israel	9,532				Saudi Arabia	70,105	70,105	3.22
	Macedonia, Former Yugoslav Republic of	939			Peter J. Ngumbullu (Tanzania)				
	Moldova	1,482				Angola	3,113		
	Netherlands	51,874				Botswana	880		
	Romania	10,552				Burundi	1,020		
	Ukraine	13,970	105,412	4.84		Eritrea	409		
Moisés Schwartz (Mexico)						Ethiopia	1,587		
	Costa Rica	1,891				Gambia, The	561		
	El Salvador	1,963				Kenya	2,964		
	Guatemala	2,352				Lesotho	599		
	Honduras	1,545				Malawi	944		
	Mexico	26,108				Mozambique	1,386		
	Nicaragua	1,550				Namibia	1,615		
	Spain	30,739				Nigeria	17,782		
	Venezuela	26,841	92,989	4.27		Sierra Leone	1,287		
Arrigo Sadun (Italy)						South Africa	18,935		
	Albania	737				Sudan	1,947		
	Greece	8,480				Swaziland	757		
	Italy	70,805				Tanzania	2,239		
	Malta	1,270				Uganda	2,055		
	Portugal	8,924				Zambia	5,141	65,221	3.00
	San Marino	420			Hooi Eng Phang (Malaysia)				
	Timor-Leste	332	90,968	4.18		Brunei Darussalam	2,402		
Jonathan Fried (Canada)						Cambodia	1,125		
	Antigua and Barbuda	385				Fiji	953		
	Bahamas	1,553				Indonesia	21,043		
	Barbados	925				Lao People's Democratic Republic	779		
	Belize	438				Malaysia	15,116		
	Canada	63,942				Myanmar	2,834		
	Dominica	332				Nepal	963		
	Grenada	367				Singapore	8,875		
	Ireland	8,634				Thailand	11,069		
	Jamaica	2,985				Tonga	319		
	St. Kitts and Nevis	339				Vietnam	3,541	69,019	3.17
	St. Lucia	403							
	St. Vincent and the Grenadines	333	80,636	3.71					

**Executive Directors of the IMF and Voting Power (as of 2 May 2006) - cont.**

DIRECTOR	CASTING VOTES OF	VOTES BY COUNTRY	TOTAL VOTES <sup>1</sup>	% OF FUND TOTAL <sup>2</sup>	DIRECTOR	CASTING VOTES OF	VOTES BY COUNTRY	TOTAL VOTES <sup>1</sup>	% OF FUND TOTAL <sup>2</sup>
Shakour Shaalan (Egypt)	Bahrain	1,600			B.P. Misra (India)	Bangladesh	5,583		
	Egypt	9,687				Bhutan	313		
	Iraq	12,134				India	41,832		
	Jordan	1,955				Sri Lanka	4,384	52,112	2.39
	Kuwait	14,061			Héctor R. Torres (Argentina)	Argentina	21,421		
	Lebanon	2,280				Bolivia	1,965		
	Libyan Arab Jamahiriya	11,487				Chile	8,811		
	Maldives	332				Paraguay	1,249		
	Oman	2,190				Peru	6,634		
	Qatar	2,888				Uruguay	3,315	43,395	1.99
	Syrian Arab Republic	3,186			Damian Ondo Mañe (Equatorial Guinea)	Benin	869		
	United Arab Emirates	6,367				Burkina Faso	852		
	Yemen, Republic of	2,685	70,852	3.26		Cameroon	2,107		
Wang Xiaoyi (China)	China	63,942	63,942	2.94		Cape Verde	346		
Thomas Moser (Switzerland)	Azerbaijan	1,859				Central African Republic	807		
	Kyrgyz Republic	1,138				Chad	810		
	Poland	13,940				Comoros	339		
	Serbia and Montenegro	4,927				Congo, Democratic Republic of	5,580		
	Switzerland	34,835				Congo, Republic of	1,096		
	Tajikistan	1,120				Côte d'Ivoire	3,502		
	Turkmenistan	1,002				Djibouti	409		
	Uzbekistan	3,006	61,827	2.84		Equatorial Guinea	576		
Aleksei V. Mozhin (Russia)	Russian Federation	59,704	59,704	2.74		Gabon	1,793		
Eduardo Loyo (Brazil)	Brazil	30,611				Guinea	1,321		
	Colombia	7,990				Guinea-Bissau	392		
	Dominican Republic	2,439				Madagascar	1,472		
	Ecuador	3,273				Mali	1,183		
	Guyana	1,159				Mauritania	894		
	Haiti	1,069				Mauritius	1,266		
	Panama	2,316				Niger	908		
	Suriname	1,171				Rwanda	1,051		
	Trinidad and Tobago	3,606	53,634	2.46		São Tomé and Príncipe	324		
Abbas Mirakhor (Iran, Islamic Republic of)	Afghanistan	1,869				Senegal	1,868		
	Algeria	12,797			<b>TOTAL</b>	Togo	984	30,749	1.41
	Ghana	3,940						<b>2,175,345</b> <sup>3,4,5</sup>	<b>99.97</b> <sup>6</sup>
	Iran, Islamic Republic of	15,222							
	Morocco	6,132							
	Pakistan	10,587							
	Tunisia	3,115	53,662	2.47					

<sup>1</sup>Voting power varies on certain matters pertaining to the General Department with use of the Fund's resources in that Department.

<sup>2</sup>Percentages are of total votes (2,176,037) in the General Department and the Special Drawing Rights Department.

<sup>3</sup>The total number of votes as of 2 May 2006, 2,176,037, does not include the votes of Somalia, which did not participate in the 2004 Regular Election of Executive Directors. The total votes of this member is 692.

<sup>4</sup>Liberia's voting rights were suspended effective 5 March 2003 pursuant to Article XXVI, Section 2 (b) of the Articles of Agreement.

<sup>5</sup>Zimbabwe's voting rights were suspended effective 6 June 2003 pursuant to Article XXVI, Section 2 (b) of the Articles of Agreement.

<sup>6</sup>This figure may differ from the sum of the percentages shown for individual Directors because of rounding.



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# THE WORLD BANK GROUP



The World Bank Group comprises five organizations: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for the Settlement of Investment Disputes (ICSID).

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## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

### Background

As early as February 1943, United States Undersecretary of State Sumner B. Welles urged preparatory consultation aimed at the establishment of agencies to finance reconstruction and development of the world economy after WWII. The United States and the United Kingdom took leading roles in the negotiations that were to result in the formation of the IBRD and the IMF. The IBRD is the main lending organization of the World Bank Group and, like its sister institution, the International Monetary Fund (IMF), was born of the Allies' realization during World War II that tremendous difficulties in reconstruction and development would face them in the postwar transition period, necessitating international economic and financial cooperation on a vast scale. The IBRD, frequently called the "World Bank," was conceived in July 1944 at the United Nations Monetary and Financial Conference in Bretton Woods, New Hampshire, United States.

### Purposes

Although one of the Bank's early functions was to assist in bringing about a smooth transition from wartime to peaceful economies, economic development soon became the Bank's main object. Today, the goal of the World Bank is to promote economic development that benefits poor people in developing countries. Loans are provided to developing countries to help reduce poverty and to finance investments that contribute to economic growth. Investments include roads, power plants, schools, and irrigation networks, as well as activities like agricultural extension services, training for teachers, and nutrition-improvement programs for children and pregnant women. Some World Bank loans finance changes in the structure of countries' economies to make them more stable, efficient, and market oriented. The World Bank also provides technical assistance to help governments make specific sectors of their economies more efficient and more relevant to national development goals.

### Membership

The Bank's founders envisioned a global institution, the membership of which would eventually comprise all nations. Membership

in the IBRD rose gradually from 41 governments in 1946 to 184 as of May 2006.

A government may withdraw from membership at any time by giving notice of withdrawal. Membership also ceases for a member suspended by a majority of the governors for failure to fulfill an obligation, if that member has not been restored to good standing by a similar majority within a year after the suspension. Only a few countries have withdrawn their membership from the Bank, and all but Cuba (withdrew in 1960) have rejoined.

Although the Soviet Union took part in the 1944 Bretton Woods Conference, and signed the final act establishing the IMF and the IBRD, it never ratified the Articles of Agreement or paid in the 20% of its subscribed capital that was due within 60 days after the Bank began operations. Had it joined, the Soviet Union would have been the Bank's third largest shareholder, after the United States and the United Kingdom. Over the next four decades, as the Bank grew in size and scope, it couldn't fulfill its founders' intentions of being a truly global institution due to the absence of the Soviet Union. Then, at the beginning of the 1990s, as political and economic change swept through the 15 republics of the USSR, the Soviet government indicated its interest in participating in the international financial system and sought membership in the IMF and World Bank. On 15 July 1991, Soviet President Mikhail Gorbachev formally applied for membership for the USSR in the IBRD and its three affiliates (IFC, IDA and MIGA). However, by December 1991, the USSR had ceased to exist. During 1992, the Russian Federation and 15 former Soviet republics (including the Baltic states) applied for membership and were accepted. Eleven of them also applied to IDA, 14 to IFC and 15 to MIGA. To accommodate these countries, the total authorized capital of the bank was increased.

A "graduating" country is one where lending is being phased out. As of 2002 there were 27 countries that had "graduated" from the IBRD. These include (with the fiscal year of their final loan): France (1947), Luxembourg (1948), Netherlands (1957), Belgium (1958), Australia (1962), Austria (1962), Denmark (1964), Malta (1964), Norway (1964), Italy (1965), Japan (1967), New Zealand (1972), Iraq (1973), Iceland (1974), Finland (1975), Israel (1975), Singapore (1975), Ireland (1976), Spain (1977), Greece (1979), Oman (1987), Bahamas (1989), Portugal (1989), Cyprus (1992), Barbados (1993), the Republic of Korea (1995), and China (1999).

## Structure

### Board of Governors

All powers of the Bank are vested in its Board of Governors, composed of one governor and one alternate from each member state. Ministers of Finance, central bank presidents, or persons of comparable status usually represent member states on the Bank's Board of Governors. The board meets annually.

The Bank is organized somewhat like a corporation. According to an agreed-upon formula, member countries subscribe to shares of the Bank's capital stock. Each governor is entitled to cast 250 votes plus 1 vote for each share of capital stock subscribed by his country.

### Executive Directors

The Bank's Board of Governors has delegated most of its authority to 24 executive directors. According to the Articles of Agreement, each of the five largest shareholders—the United States, Japan, Germany, France and the United Kingdom—appoints one executive director. The other countries are grouped in 19 constituencies, each represented by an executive director who is elected by a group of countries. The number of countries each of these 19 directors represents varies widely. For example, the executive directors for China, the Russian Federation, and Saudi Arabia represent one country each, while one director speaks for 24 Francophone African countries and another director represents 22 mainly English-speaking African countries.

### President and Staff

The president of the Bank, elected by the executive directors, is also their chairman, although he is not entitled to a vote, except in case of an equal division. Subject to their general direction, the president is responsible for the conduct of the ordinary business of the Bank. Action on Bank loans is initiated by the president and the staff of the Bank. The amount, terms, and conditions of a loan are recommended by the president to the executive directors, and the loan is made if his recommendation is approved by them.

According to an informal agreement, the president of the Bank is a US national, and the managing director of the IMF is a European. The president's initial term is for five years; a second term can be five years or less. Past presidents of the Bank include Robert S. McNamara (1968–81), A. W. Clausen (1981–86), Barber B. Conable (1986–91), Lewis T. Preston (1991–95), James D. Wolfensohn (1995–2005), and Paul Wolfowitz (2005–). Wolfowitz heads a staff of approximately 10,000 persons from around the world.

The IBRD's headquarters are at 1818 H Street, N.W., Washington, D.C. 20433.

### Budget

A total administrative budget of us\$1,320 million was approved for fiscal year 2005.

### Activities

#### A. FINANCIAL RESOURCES

*Authorized capital.* At its establishment, the IBRD had an authorized capital of us\$10 billion. Countries subscribing shares were required to pay in only one-fifth of their subscription on joining, the remainder being available on call but only to meet the IBRD's liabilities if it got into difficulties. Moreover, not even the one-fifth had to be paid in hard cash at that time. The sole cash require-

ment was the payment in gold or US dollars of 2% of each country's subscription. A further 18% of the subscription was payable in the currency of the member country concerned, and although this sum was technically paid in, in the form of notes bearing no interest, it could not be used without the member's permission. In 1959, each member was given an opportunity to double its subscription without any payment. Thus, for countries joining the IBRD after the 1959 capital increase and for those subscribing to additional capital stock, the statutory provisions affecting the 2% and 18% portions have been applied to only one-half of their total subscriptions, so that 1% of each subscription that is freely usable in the IBRD's operations has been payable in gold or US dollars, and 9% that is usable only with the consent of the member is in the member's currency. The remaining 90% is not paid in but is subject to call by the IBRD.

*Financial Resources for Lending Purposes.* The subscriptions of the IBRD's members constitute the basic element in the financial resources of the IBRD. Subscribed capital for fiscal year 2005 was about us\$189.7 billion. The Bank also draws money from borrowings in the market and from earnings. In 2005, the Bank's outstanding borrowings were us\$101.3 billion, raised in the capital markets of the world. The IBRD is able to raise large sums at interest rates little or no higher than are paid by governments because of confidence in the Bank engendered by its record of stability since 1947 and the investors' knowledge that if the IBRD should ever be in difficulty, it can call in unpaid portions of member countries' subscriptions. In connection with its borrowing operations, the Bank also undertakes a substantial volume of currency and interest rate swap transactions. These swaps have enabled the IBRD to lower its fund-raising costs and to expand its direct borrowing transactions to markets and currencies in which it otherwise would not have borrowed.

#### B. LENDING OPERATIONS

The IBRD lends to member governments, or, with government guarantee, to political subdivisions, or to public or private enterprises.

The IBRD's first loan, us\$250 million for postwar reconstruction, was made in the latter part of 1947. Altogether, it lent us\$497 million for postwar reconstruction, all to European countries. The IBRD's first development loans were made in the first half of 1948. As of 30 June 2005, the cumulative total of loans made by the Bank was over us\$407 billion. The Bank's lending commitments in FY 2005 were \$13.6 billion, reflecting an increase of \$2.6 billion over FY 2004 (\$11.0 billion).

*Loan Terms and Interest Rates.* The IBRD normally makes long-term loans, with repayment commencing after a certain period. The length of the loan is generally related to the estimated useful life of the equipment or plant being financed. Since July 1982, IBRD loans have been made at variable rates. The lending rate on all loans made under the variable-rate system is adjusted semi-annually, on 1 January and 1 July, by adding a spread of 0.5% to the IBRD's weighted average cost during the prior six months of a "pool" of borrowings drawn down after 30 June 1982. Since July 1989, only borrowings allocated to lending have been included in the cost of borrowings with respect to new loans and existing variable rate loans that are amended to apply the new cost basis. Before July 1982, loans were made at fixed rates, and, accordingly, the

semiannual interest-rate adjustments do not apply to payments made on these older loans.

### C. PURPOSES OF THE LOANS

The main purpose of the Bank's operations is to lend to developing member countries for productive projects in such sectors as agriculture, energy, industry, and transportation and to help improve basic services considered essential for development. The main criterion for assistance is that it should be provided where it can be most effective in the context of the country's specific lending programs developed by the Bank in consultation with its borrowers. In the late 1980s, the World Bank came under criticism that its policies, intended to encourage developing countries to restructure their economies in order to render them more efficient, were actually imposing too heavy a burden on the world's poorest peoples. This, and charges by environmentalists that World Bank lending had underwritten projects that were severely detrimental to the environment of developing countries, led to a re-thinking of the Bank's policies in the 1990s.

*Implementing the Bank's Poverty Reduction Strategy.* The fundamental objective of the World Bank is sustainable poverty reduction. Underpinning this objective is a two-part strategy for reducing poverty that was proposed in the World Development Report 1990. The first element is to promote broad-based economic growth that makes efficient use of the poor's most abundant asset, labor. The second element involves ensuring widespread access to basic social services to improve the well being of the poor and to enable them to participate fully in the growth of the economy. Progress in implementing the poverty-reduction strategy is clearly visible in Bank-wide statistics on new lending. At the September 1999 annual meetings of the World Bank Group and IMF, ministers agreed to link debt relief to the establishment of a poverty reduction strategy for all countries receiving World Bank/IMF concessional assistance.

*Sector and Structural Adjustment Lending.* Bank lending for sector adjustment and structural adjustment increasingly supports the establishment of social safety nets and the protection of public spending for basic social services.

In its assistance to countries that are preparing adjustment programs, the Bank works with them to (a) design the phasing of programs to accommodate the needs of the poor, (b) give priority to relative price changes in favor of the poor early in the reform process, (c) secure adequate resources for the provision of basic social services aimed at the poor, and (d) design social safety nets into economic-reform programs. These efforts better position the poor to be major beneficiaries of the economic growth and associated employment opportunities that are facilitated by the implementation of adjustment programs.

*Human Resource Development.* Bank lending for human resource development has largely been committed for education, and its focus has been towards development of basic education. Lending for education increased from an average US\$700 million during the 1980s to an average US\$1,907 million during the first four years of the 1990s. In 2005 the amount climbed to US\$1,951.1 million.

Bank lending for population, health, and nutrition has expanded even more rapidly. Average yearly lending to this sector during

the 1980s was US\$207 million, while lending during fiscal 2005 was US\$2,216.4 million.

*The Environment.* The Bank has continued to support environmental protection efforts with loans totaling US\$2,493.8 million in fiscal year 2005, compared to US\$404 million in fiscal 1990. But the full story cannot be told by stand-alone environmental projects. As of the late 1990s, half of all World Bank projects now have an environmental component of some kind.

In fiscal 1993 the World Bank undertook structural changes to respond to growing borrower demand for Bank assistance in environmental issues, and to the need for internal strengthening of monitoring and implementation. A Vice Presidency for Environmentally and Socially Sustainable Development was established. Three departments were placed under this vice presidency—the Environment Department, the Agriculture and Natural Resources Department, and the Transport and Urban Development Department.

The Global Environment Facility is a cooperative venture between the World Bank, the United Nations Development Programme, the United Nations Environment Programme, and national governments. The Facility provides grants to help developing countries deal with environmental problems that transcend boundaries, such as airborne pollution produced by smokestacks or hazardous waste dumped into rivers. The GEF gives priority to four objectives: limiting emissions of greenhouse gases; preserving biodiversity; protecting international waters; and protecting the ozone layer.

*Private Sector Development.* The promotion of private sector growth in developing member countries has always been central to the Bank's overall mission of fostering sustainable growth and reducing poverty. In December 1999, the Bank Group announced a restructuring to better align and expand its work related to the private sector. The reforms took effect 1 January 2000. The reorganization tightened the link between the Bank's public sector work and its private sector transactions in the developing world, which are made through the IFC. The World Bank helps governments to formulate policy frameworks that encourage a positive environment for business to function as the primary engine of growth while the IFC, the private sector arm of the Bank Group, provides advice and makes loans and equity investments in companies in developing countries. According to an IFC official the changes were in response to "one of the biggest challenges facing [the Bank's] client countries: How to create a favorable business environment and help finance small and medium enterprises." In addition to creating a new combined unit to coordinate Bank Group activities, help capitalize local financial institutions, and teach them the business of financing small and medium enterprises, the restructuring also involved the creation of joint World Bank-IFC departments, or product groups, for industries where there is a strong interface between public policy and private sector transactions. Three new industry groups, telecommunications/informatics, oil/gas/petrochemicals, and mining, include both policy and transaction capacity. Beyond the new industry groups, the principal advisory services focused on the private sector in both the World Bank and IFC are coordinated under single management.

**D. OTHER ACTIVITIES**

*Technical Assistance.* The Bank provides its members with a wide variety of technical assistance, much of it financed under its lending program. The volume of technical assistance in which the Bank is involved as lender, provider, or administrator rose sharply during the 1990s. In addition to loans and guarantees to developing countries, the World Bank carries out its mission by providing advice and assistance with telecommunications sector reform and national information infrastructure strategies. Special programs in this category include InfoDev and TechNet. The Information for Development Program (InfoDev) began in September 1995 with the objective of addressing the obstacles facing developing countries in an increasingly information-driven world economy. It is a global grant program managed by the World Bank to promote innovative projects on the use of information and communication technologies (ICTs) for economic and social development, with a special emphasis on the needs of the poor in developing countries. In recognition of the critical role that science and technology play in promoting economic growth and social progress, in July 1999 TechNet was created as a cross-cutting thematic group to promote knowledge and education in the areas of science and technology and informatics. TechNet acts as a clearing-house and network for professionals inside and outside the Bank.

*Interagency Cooperation.* The Bank's overarching purpose is helping to reduce global poverty. To this end, the institution encourages the involvement of other development agencies in preparing poverty assessments and works closely with other UN agencies in preparing proposals to improve the quality of poverty-related data. At the country level, the Bank is broadening its efforts to coordinate work with UNDP, UNICEF, and the Interna-

tional Fund for Agricultural Development in specific countries on preparing or following up poverty assessments and planned human development assessments.

Coordination between the Bank and the UN system on poverty at the project level is extensive, particularly in the design of social funds and social action programs. Together with other UN agencies, the World Bank has taken the lead in mobilizing groups of donors, both multilateral and bilateral, to tackle specific areas of concern—for example, the Consultative Group on International Agricultural Research (CGIAR), which is cosponsored by the FAO, UNDP, and the World Bank. The Bank is an active partner in interagency activities which include the follow-up to the World Conference on Education for All and the World Summit for Children; the Safe Motherhood Inter-Agency Group; the Onchocerciasis (riverblindness) Control Programme; the Global Programme for AIDS; and the Task Force for Child Survival. The Bank also has links with the United Nations at the political and policy making level in the work of the General Assembly and its related committees, and the Economic and Social Council.

The Economic Development Institute was the Bank's department responsible for such dissemination. Through seminars, workshops and courses, EDI enabled policy-makers to assess and use the lessons of development to benefit their own policies. On 10 March 1999, the World Bank unveiled the successor to the EDI, the World Bank Institute (WBI). The new learning entity also absorbed the World Bank's Learning and Leadership Center. The WBI drives the Bank's learning agenda, working in three main areas: training, policy services, and knowledge networks. WBI is located at World Bank headquarters in Washington, D.C.. Many of its activities are held in member countries in cooperation with regional and national development agencies and education and training institutions. The Institute's distance education unit conducts interactive courses via satellite links worldwide. While most of WBI's work is conducted in English, it also operates in Arabic, Chinese, French, Portuguese, Russian and Spanish.

*Economic Research and Studies.* The Bank's economic and social research program, inaugurated in 1972, is undertaken by the Bank's own research staff and is funded out of its administrative budget. The research program is shaped by the Bank's own needs, as a lending institution and as a source of policy advice to member governments, and by the needs of member countries. Its main purposes are to gain new insights into the development process and the policies affecting it; to introduce new techniques or methodologies into country, sectoral, and project analyses; to provide the analytical bases for major Bank documents, such as the World Development Report; and to help strengthen indigenous research capacity in developing countries.

**Total Loans by Region in Millions of US Dollars  
(as of 30 June 2005)**

REGION	AMOUNT
Africa	\$3,887.5
East Asia and Pacific	2,883.3
South Asia	4,993.3
Europe and Central Asia	4,093.5
Latin America and the Caribbean	5,165.7
Middle East and North Africa	1,283.6
<b>TOTAL</b>	<b>22,307</b>

**Total Loans by Major Purpose in Millions of US Dollars  
(as of 30 June 2005)**

PURPOSE	AMOUNT
Agriculture, Fishing, and Forestry	\$1,933.6
Law and Justice and Public Administration	5,569.3
Information and Communication	190.9
Education	1,951.1
Finance	1,675.1
Health and Other Social Services	2,216.4
Industry and Trade	1,629.4
Energy and Mining	1,822.7
Transportation	3,138.2
Water, Sanitation, and Flood Protection	2,180.2
<b>TOTAL</b>	<b>22,307</b>

**INTERNATIONAL CENTRE FOR  
SETTLEMENT OF INVESTMENT DISPUTES  
(ICSID)**

Developing countries depend heavily on foreign private capital to finance development. Such capital flows are sensitive to legal and political conditions in developing countries. The International Centre for Settlement of Investment Disputes is an autonomous institution founded in 1966 to promote increased flows of international investment by providing facilities for the conciliation and arbitration of disputes between governments and foreign inves-

tors. ICSID also provides advice, carries out research, and produces publications in the area of foreign investment law. Its publications include a semiannual law journal, *ICSID Review-Foreign Investment Law Journal*, and multivolume collections of *Investment Laws of the World* and *Investment Treaties*. As of May 2006, ICSID had 143 member countries, and as of December 2002 it had tried 104 cases; 104 other cases were pending. Disputes have dealt with investments in agriculture, banking, construction, energy, health, industry, mining, and tourism.

## MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)

MIGA was established in 1988. Its main purpose is to promote the flow of foreign direct investment among member countries by insuring investments against non-commercial (political) risk, and by providing promotional and advisory services to help member countries create an attractive investment climate. MIGA offers four basic types of coverage:

*Currency Inconvertibility.* Protects against losses arising from an inability to convert local currency investment returns into foreign exchange for transfer outside the host country;

*Expropriation.* Protects against loss from acts by the host government that may reduce or eliminate ownership of, or control over, rights to the insured investment;

*War and Civil Disturbance.* Protects against losses arising from military action or civil disturbance that destroys or damages tangible assets of the project enterprise or interferes with its operations; and

*Breach of Contract.* Protects against losses from the investor's inability to obtain and/or enforce a decision or award against a host country that has repudiated or breached an investment contract.

Since its inception, MIGA by 2006 had issued nearly 800 guarantees for projects worth more than US\$14.7 billion in 91 developing countries. As of 10 May 2006, 167 countries had completed membership requirements with an additional 4 countries in the process of becoming members.

## THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

### Background

The world's poorer countries have gone heavily into debt to finance their development. The total outstanding debt of 90 such countries rose from US\$51 billion in 1970 to an estimated US\$485 billion in 1985. Annual interest and amortization charges on this debt had, by 1985, reached over US\$100 billion. Many countries have long since arrived at the point where they can no longer afford to raise all the development capital that they are in a position to use at ordinary rates of interest and in the time span of conventional loans, IBRD loans included.

The International Development Association (IDA), an affiliate of the World Bank, was established in 1960 to promote economic development in the world's poorest countries—those that cannot afford to borrow from the IBRD. It is the largest single multilateral source of concessional lending to low-income countries. The following criteria are used to determine which countries are eligible to borrow IDA resources: relative poverty, defined as GNP per capita below an established threshold (as of 2004, US\$965);

lack of creditworthiness to borrow on market terms and therefore a need for concessional resources to finance the country's development program; good policy performance, defined as the implementation of economic and social policies that promote growth and poverty reduction. As of May 2006, 81 countries were eligible to borrow from the IDA. At the time, these countries were home to 2.5 billion people, comprising half of the total population of the developing nations, and 1.5 billion of these people survived on incomes of US\$2 or less a day.

The IDA's loans are interest-free and repayable over very long terms, with extended grace periods. As a result, the IDA's resources, unlike the resources of a regular lending institution, must be regularly replenished through contributions if the agency is to continue in business.

### Creation

The creation of an international agency such as the IDA was discussed in the UN at various times during the 1950s. A report drawn up in 1951 by a group of experts on financing and economic development referred to the need for an "international development authority." Although such proposals were at first opposed by the United States, the IDA as it was finally launched was largely the result of US initiative. In 1958, the US Senate passed a resolution introduced by Senator A. S. ("Mike") Monroney calling for cooperative international action along these lines. On 1 October 1959, the IBRD's Board of Governors approved, without objections, a motion of US Secretary of the Treasury Robert Anderson that a new agency, under the name International Development Association, be established as an affiliate of the Bank.

The debate that preceded the Board's action revealed potential disagreements among members of the Bank on a number of points, such as the terms that the IDA should set for its loans, the permissible restrictions that countries subscribing to the IDA's capital could place on the use of funds supplied in their national currencies, and related matters. Rather than decide these matters itself, the Board of Governors asked the Executive Directors of the IBRD to draw up Articles of Agreement for the IDA, which would then be submitted to the Bank's member governments.

The IDA's Articles of Agreement were accordingly drafted by the Executive Directors of the IBRD and early in 1960 transmitted to the member governments of the Bank. The next step was for those governments desiring to join the IDA to take whatever legislative or other action might be required to accept membership and to subscribe funds.

The new lending association came into existence on 24 September 1960, when governments whose subscriptions to its capital aggregated US\$650 million, or 65% of the projected one-billion-dollar goal, had accepted membership. The IDA started operations in November of that year.

### Purposes

In the preamble to the Articles of Agreement, the signatory governments declare their conviction that mutual cooperation for constructive economic purposes, healthy development of the world economy, and balanced growth of international trade foster peace and world prosperity; that higher standards of living and economic and social progress in the less developed countries are desirable not only in the interest of the latter but also for the international community as a whole; and that achievement of these

objectives would be facilitated by an increase in the international flow of capital, public and private, to assist in the development of the resources of less developed countries.

As stated in its Articles of Agreement, the purposes of the IDA are “to promote economic development, increase productivity, and thus raise standards of living in the less-developed areas of the world included within the Association’s membership, in particular by providing financing to meet their important developmental requirements on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans, thereby furthering the developmental objectives of the [IBRD] and supplementing its activities.”

### Membership

As of May 2006, IDA had 165 member countries, of which 81 were eligible to borrow. Between its founding in 1960 and 2006, IDA lent approximately US\$161 billion to 108 countries. It lends, on average, about US\$6–8 billion a year (US\$6–8.7 billion in FY 2005) for different types of development projects. When a country’s Gross National Product (GNP) exceeds IDA’s eligibility threshold and it becomes creditworthy to borrow from IBRD, it is no longer eligible for IDA’s interest-free credits. It may then borrow from IBRD at market rates. Some countries, such as India and Indonesia, are eligible for a combination of financing from both IBRD and IDA. Such countries are known as “blend” borrowers. Countries that once borrowed from IDA but became too prosperous to qualify included China, Costa Rica, Chile, Egypt, Morocco, South Korea, Thailand, and Turkey.

### Structure

The IDA is administered by the same officers and staff who administer the affairs of the IBRD. The president of the Bank also serves as the president of the IDA, and the governors and the executive directors of the Bank serve in the same capacity in the IDA. As in the IBRD, a member’s voting power in the IDA is roughly proportionate to its capital subscription.

### Budget

Since the IDA relies entirely on the IBRD’s staff and facilities for all its activities, it reimburses the Bank through a management fee for administrative expenses incurred on its behalf.

### Activities

#### A. Financial Resources

The IDA’s funds are obtained from three main sources: members’ subscriptions; periodic “replenishments” provided by richer members and certain special contributions; and transfer of income from the IBRD and repayments on IDA credits.

While IBRD raises most of its funds on the world’s financial markets, IDA is funded largely by contributions from the governments of the richer member countries. As of 30 June 2005, their cumulative contributions since IDA’s beginning totaled US\$124.35 billion. Donors get together every three years to replenish IDA funds. The 14th replenishment finances projects over the three years beginning 1 July 2005. Funding for the 14th Replenishment will allow IDA to lend about US\$33 billion, of which donors’ contributions will provide a little over half.

The largest pledges to the 14th replenishment were made by the United States, Japan, Germany, France, United Kingdom, Italy

and Canada. Some less wealthy nations also contribute to IDA. Turkey and Korea, for example, once borrowers from IDA, became donors. Other contributors to the 14th replenishment were Australia, Austria, Barbados, Belgium, Denmark, Finland, Greece, Iceland, Ireland, Israel, Kuwait, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Saudi Arabia, Singapore, Slovenia, Spain, Sweden, Switzerland, and Venezuela. Brazil, Czech Republic, Hungary, Mexico, Poland, Russia, Slovak Republic, and South Africa, though all then eligible to borrow from IBRD, made contributions to IDA’s 14th replenishment.

Aside from their contributions under replenishment agreements, a number of countries have agreed over the years to make voluntary increases and special contributions in excess of their normal shares. Since 1964, the IDA has received regular support from the IBRD through the transfer of some of its net income not needed for the Bank’s own purposes. When combined with repayments by IDA borrowers and contributions from the World Bank’s net income, the 13th replenishment will finance a total of about US\$23 billion in development credits.

#### B. Terms of IDA Lending

IDA provides credits to its borrowers, interest-free with a 20-, 35-, or 40-year final maturity and a 10-year grace period. Although IDA does not charge interest, it does charge a small administrative fee of 0.75% against the outstanding balance of credits to meet administrative expenses. There is also a commitment fee of 0.5% of 50 basis points, but this has been waived since fiscal year 1989. IDA’s credits are thus highly concessional with a grant element of about 85%.

#### C. IDA Operations

While the IDA’s financial terms are liberal, its economic and technical criteria for development credits are exactly the same as those applied by the IBRD in lending on conventional terms. Each credit must be justified by the borrowing country’s economic position, prospects, and policies. Credits are extended only for high-priority purposes that, in the words of the IDA’s Articles of Agreement, will “promote economic development, increase productivity, and thus raise standards of living in the less-developed areas of the world.”

Since the IDA’s resources have been considerably less than the need of developing countries for additional external finance on easy terms, they must be carefully rationed on the basis of need and prospects for their most effective use. Borrowing countries typically have per capita GNPs below an established threshold. Most eligible countries have incomes below US\$965 per capita.

#### D. IDA’S Evolving Role

IDA has taken an active role in helping governments undertaking structural adjustment to protect and expand social and environmental programs. It supports rural development programs and projects which aim to increase agricultural productivity and ensure adequate food supplies. IDA also finances projects that give special attention to improving women’s incomes and status in their communities. The Association has markedly increased its support for population, health, and nutrition projects.

Environmental concerns have been integrated into all aspects of IDA’s operations. The Association is helping borrowers develop their own Environmental Action Plans to identify the policy

changes and investments that are required for environmentally sustainable development.

In fiscal 2005, IDA disbursed US\$8.7 billion; of this amount, 45% went to countries in sub-Saharan Africa, 33% to South Asia, 12% to East Asia and the Pacific, 6% to Eastern Europe and Central Asia, and the remainder to poor countries in North Africa and in Latin America. New commitments in FY 2005 comprised 160 new operations in 64 countries.

IDA is the largest single source of multilateral concessional funds. Its annual net disbursements of around US\$8.4 billion are about 30% of net concessional multilateral disbursements, and 12% of Official Development Assistance. The Association also helps mobilize and coordinate aid from other multilateral organizations and donor countries. IDA's involvement is often a catalyst for other bilateral aid donors and regional development banks to participate in providing assistance. On average, for every dollar IDA commits, 50 cents of cofinancing is mobilized.

## THE INTERNATIONAL FINANCE CORPORATION (IFC)

### Background

The International Finance Corporation is the member of the World Bank Group that promotes the growth of the private sector in less developed member countries. The IFC's principal activity is helping finance individual private enterprise projects that contribute to the economic development of the country or region where the project is located. The IFC is the World Bank Group's investment bank for developing countries. It lends directly to private companies and makes equity investments in them, without guarantees from governments, and attracts other sources of funds for private-sector projects. IFC also provides advisory services and technical assistance to governments and businesses.

### Creation

Within a few years of the founding of the International Bank for Reconstruction and Development (IBRD), it became evident that sufficient provision had not been made for financing the development of the private sector in countries looking to the UN system for aid. The Bank's charter restrained it from making equity (capital stock) investments or from lending money, directly or indirectly, to a private company without a governmental guarantee. Yet "venture capital" was the very thing needed in many developing countries to get a variety of productive enterprises underway, and the amount of venture capital available through private banking and investment channels was inadequate.

The first public suggestion for an international institution to close this gap appeared in a report, "Partners and Progress," which Nelson Rockefeller (then chairman of the advisory board of the Point 4 Program) had submitted to President Harry S. Truman in 1951. The matter was taken up by the staff of the IBRD, and in 1952, the Bank submitted proposals for such an institution to the UN Economic and Social Council. Some members of the Council, including the United Kingdom and the United States, voiced the fear that the proposed institution might deter the flow of private capital to the developing countries. They also objected in principle

to an inter-governmental organization's having the right to purchase shares in private companies.

The majority of members of the Economic and Social Council, however, strongly endorsed the idea of an international financial institution to aid private sector development, and by late 1954, a compromise was worked out. The International Finance Corporation, as originally established, could lend money to private enterprises without government guarantees, but it was not empowered to make equity investments, though loans with certain equity features, such as stock options, were allowed. The 31 countries necessary to launch the IFC pledged their consent over the next 18 months, and the IFC formally came into existence on 14 July 1956 as a separate legal entity affiliated with the IBRD.

The IFC's early investments often included such features as stock options and other profit-sharing devices in lieu of direct equity financing, but the terms were complex and difficult to negotiate, and it soon became apparent to all concerned that IFC's effectiveness was severely circumscribed by the restriction on equity investment. Proposals to amend the charter so as to permit the IFC to hold shares were put to the Board of Directors and the Board of Governors and approved in 1961—with the support, this time, of both the United Kingdom and the United States. The revision of IFC's charter in 1961 to permit investment in equities made it possible to broaden and diversify operations, as well as to simplify the terms of investment. With the demand for IFC's services steadily expanding, the Board of Directors amended the charter again in 1965 to permit the IFC to borrow from the IBRD up to four times its unimpaired subscribed capital and surplus.

### Purposes

IFC's purpose is to foster economic growth by promoting private sector investment in its developing member countries. It accomplishes this by providing venture capital for productive private enterprises in association with local investors and management, by encouraging the development of local capital markets, and by stimulating the flow of private capital. The Corporation is designed to supplement, rather than replace, private capital. It plays an important catalytic role in mobilizing additional project funding from other investors and lenders, either in the form of cofinancing or through loan syndications, the underwriting of debt and equity securities issues, and guarantees. In addition to project finance and resource mobilization, IFC offers a full array of advisory services and technical assistance in such areas as capital market development, corporate restructuring, risk management, and project preparation and evaluation, and advises governments on creating an environment that encourages the growth of private enterprise and foreign investment.

### Membership

Membership in the IFC is open to all members of IBRD. As of May 2006, IFC had 178 member states.

### Structure

The structure of IFC is similar to that of the IBRD. IFC's Board of Governors consists of those governors of the Bank (IBRD) whose countries are also members of IFC. Its Board of Directors is composed of all the Executive Directors of the Bank. The annual meet-

ing of the IFC Board of Governors is held in conjunction with the annual meeting of the Board of Governors of the IBRD. IFC headquarters are at 2121 Pennsylvania Ave. N.W., Washington, D.C., 20433.

The first president of the IFC was Robert L. Garner, formerly vice-president of the IBRD. Since 1961, the president of the Bank also has been the president of the Corporation. The immediate direction of the Corporation is the responsibility of the executive vice-president, Lars H. Thunell, whose term became effective 1 January 2006. IFC has more than 2,400 staff, 55% of whom work in Washington, and 45% of whom are stationed in over 80 IFC field offices.

## Activities

### A. Financial Resources

IFC's investments are funded out of its net worth—the total of paid-in capital and retained earnings. Of the funding required for its lending operations, 80% is borrowed in the international financial markets through public bond issues or private placements; the remaining 20% is borrowed from the IBRD.

*Earnings and Borrowings.* IFC's operating income for fiscal year 2005 was US\$1.95 billion; its net income was US\$2.02 billion. Paid-in capital was US\$2.4 billion; retained earnings were US\$7.4 billion; and borrowings amounted to US\$2 billion. IFC may borrow from the IBRD for use in its lending operations as long as the Corporation's total borrowings do not exceed four times its unimpaired subscribed capital and surplus.

*Disbursements.* In 2005 IFC approved 236 new projects in 67 countries. The total project cost of commitments was US\$19.3 billion. Since its founding in 1956 and through 2005, IFC committed more than US\$49 billion of its own funds and arranged US\$24 billion in syndications and underwriting for 3,319 companies in 140 developing countries.

### B. Investment Policies

Unlike the IBRD, IFC lends to private companies and does not accept guarantees from host-country governments. It also makes equity investments in developing-country businesses, and mobilizes additional loan and equity financing in the international financial markets. Because of the success of IFC's operations, its bond issues in the international markets have earned triple-A ratings from Moody's and Standard and Poor's.

IFC is the single largest source of direct financing for private sector projects in developing countries. Although IFC invests and lends on market terms, it does not compete with private capital. It finances projects unable to obtain sufficient funding on reasonable terms from other sources. Normally, IFC does not finance more than 25% of total project costs, so as to ensure that most of the project financing comes from private investors and lenders. And while IFC may buy up to 35% of the stock of a company, it is never the largest shareholder and does not take part in a firm's management. But since IFC does not accept government guarantees, it shares all project risks with its partners.

IFC finances the creation of new companies as well as the expansion or modernization of established companies in sectors ranging from agribusiness to manufacturing to energy to mining.

A number of IFC projects involve building up the financial sectors of developing countries, for example by financing the creation of institutions such as investment banks and insurance companies.

IFC can provide loans, equity investments, and arrange quasi-equity instruments—in whatever combination is necessary to ensure that a project is soundly funded from the outset. The Corporation can provide additional financial support through contingent financing or full or partial guarantees of other sources of financing. In the past few years, IFC has made derivative products, such as currency and interest rate swaps, available to companies in developing countries. It has intermediated several such swaps for companies in Bolivia, Egypt, Ghana, and Mexico, helping them gain access to risk-management techniques commonly used by companies in industrialized countries but not normally available to companies in the developing world.

### C. IFC Investments

The IFC's history has been marked by growth in the number and size of investments and by a continued search for new ways to assist its member countries. An improved policy environment in many of IFC's developing member countries has helped the Corporation to make a larger contribution to economic development. Helping companies in developing countries achieve a proper balance between debt and equity financing is a key IFC objective.

In addition to approving debt and equity financing for its own account, in 2005 the Corporation approved the mobilization of US\$5.3 billion in financing from other investors and lenders through loan syndications and the underwriting of securities issues. It also mobilized considerable cofinancing. Thus, for every US\$1 of financing approved by IFC for its own account, other investors and lenders will provide US\$4.75.

The efficient provision of services in such sectors as power, water, transportation, and communications is critical to successful private sector development. A growing number of IFC's member countries are opening these sectors, once the preserve of the state, to private investment and management.

The countries of Eastern and Central Europe and the former Soviet republics are a new focus of IFC's work. IFC's role includes financing private-sector projects and advising governments on creating a modern financial sector, selling off state-owned enterprises, and attracting foreign investment.

IFC advised governments officials in Russia and Ukraine on different techniques for privatizing state enterprises, and developed privatization programs that can be used as models by local authorities in both republics. It helped design and implement the auction of small enterprises in three regions in Russia—Nizhny Novgorod, Volgograd, and Tomsk—and in the city of L'viv, Ukraine, and produced a manual on the privatization of small enterprises.

In many developing countries small-scale entrepreneurs with promising ideas are often unable to get the financing or advice they need to start or expand businesses. IFC has set up project development facilities in Sub-Saharan Africa, Central America and the Caribbean, the South Pacific Islands, and Poland to help entrepreneurs prepare project proposals. Although these facilities do not themselves fund projects, they help entrepreneurs find loans and equity financing on reasonable terms. The Africa Enterprise



Fund, established in 1989, is a special program devoted to financing small and medium-sized businesses in Sub-Saharan Africa.

*Advisory Services and Technical Assistance.* In the course of conducting project appraisals, IFC may provide considerable technical assistance to companies—for example, by helping them select a technical partner or a technology, identify markets for their products, and put together the most appropriate financial package. The Corporation also advises companies on financial restructuring, helping them reduce their debt.

IFC advises member governments on an array of issues, such as capital markets development. It helps governments create and put in place the regulatory, legal, and fiscal frameworks necessary for financial institutions to operate efficiently. IFC also provides advice on privatization and on restructuring state enterprises slated for privatization. The Foreign Investment Advisory Service, established by IFC and operated jointly with the Multilateral Investment Guarantee Agency and IBRD, advises governments on attracting direct foreign investment.

## IBRD Subscriptions and Voting Power (as of 31 March 2006)

MEMBER	SUBSCRIPTIONS <sup>1</sup>	VOTING POWER		MEMBER	SUBSCRIPTIONS <sup>1</sup>	VOTING POWER	
		NUMBER OF VOTES	% OF TOTAL			NUMBER OF VOTES	% OF TOTAL
Afghanistan	30	550	0.03	Guinea-Bissau	54.0	790	0.05
Albania	83	1,080	0.07	Guyana	105.8	1,308	0.08
Algeria	925.2	9,502	0.59	Haiti	106.7	1,317	0.08
Angola	267.6	2,926	0.18	Honduras	64.1	891	0.06
Antigua and Barbuda	52	770	0.05	Hungary	805.0	8,300	0.51
Argentina	1,791.1	18,161	1.12	Iceland	125.8	1,508	0.09
Armenia	113.9	1,389	0.09	India	4,479.5	45,045	2.78
Australia	2,446.4	24,714	1.53	Indonesia	1,498.1	15,231	0.94
Austria	1,106.3	11,313	0.70	Iran, Islamic Republic of	2,368.6	23,936	1.48
Azerbaijan	164.6	1,896	0.12	Iraq	280.8	3,058	0.19
Bahamas	107.1	1,321	0.08	Ireland	527.1	5,521	0.34
Bahrain	110.3	1,353	0.08	Israel	475.0	5,000	0.31
Bangladesh	485.4	5,104	0.32	Italy	4,479.5	45,045	2.78
Barbados	94.8	1,198	0.07	Jamaica	257.8	2,828	0.17
Belarus	332.3	3,573	0.22	Japan	12,700.0	127,250	7.86
Belgium	2,898.3	29,233	1.81	Jordan	138.8	1,638	0.10
Belize	58.6	836	0.05	Kazakhstan	298.5	3,235	0.20
Benin	86.8	1,118	0.07	Kenya	246.1	2,711	0.17
Bhutan	47.9	729	0.05	Kiribati	46.5	715	0.04
Bolivia	178.5	2,035	0.13	Korea, Republic of	1,581.7	16,067	0.99
Bosnia and Herzegovina	54.9	799	0.05	Kuwait	1,328.0	13,530	0.84
Botswana	61.5	865	0.05	Kyrgyz Republic	110.7	1,357	0.08
Brazil	3,328.7	33,537	2.07	Lao People's Democratic Republic	17.8	428	0.03
Brunei Darussalam	237.3	2,623	0.16	Latvia	138.4	1,634	0.10
Bulgaria	521.5	5,465	0.34	Lebanon	34.0	590	0.04
Burkina Faso	86.8	1,118	0.07	Lesotho	66.3	913	0.06
Burundi	71.6	966	0.06	Liberia	46.3	713	0.04
Cambodia	21.4	464	0.03	Libyan Arab Jamahiriya	784.0	8,090	0.50
Cameroon	152.7	1,777	0.11	Lithuania	150.7	1,757	0.11
Canada	4,479.5	45,045	2.78	Luxembourg	165.2	1,902	0.12
Cape Verde	50.8	758	0.05	Macedonia, Former Yugoslav Rep. of	42.7	677	0.04
Central African Republic	86.2	1,112	0.07	Madagascar	142.2	1,672	0.10
Chad	86.2	1,112	0.07	Malawi	109.4	1,344	0.08
Chile	693.1	7,181	0.44	Malaysia	824.4	8,494	0.52
China	4,479.9	45,049	2.78	Maldives	46.9	719	0.04
Colombia	635.2	6,602	0.41	Mali	116.2	1,412	0.09
Comoros	28.2	532	0.03	Malta	107.4	1,324	0.08
Congo	92.7	1,177	0.07	Marshall Islands	46.9	719	0.04
Congo, Democratic Republic of	264.3	2,893	0.18	Mauritania	90.0	1,150	0.07
Costa Rica	23.3	483	0.03	Mauritius	124.2	1,492	0.09
Côte d'Ivoire	251.6	2,766	0.17	Mexico	1,880.4	19,054	1.18
Croatia	229.3	2,543	0.16	Micronesia	47.9	729	0.05
Cyprus	146.1	1,711	0.11	Moldova	136.8	1,618	0.10
Czech Republic	630.8	6,558	0.41	Mongolia	46.6	716	0.04
Denmark	1,345.1	13,701	0.85	Morocco	497.3	5,223	0.32
Djibouti	55.9	809	0.05	Mozambique	93.0	1,180	0.07
Dominica	50.4	754	0.05	Myanmar	248.4	2,734	0.17
Dominican Republic	209.2	2,342	0.14	Namibia	152.3	1,773	0.11
Ecuador	277.1	3,021	0.19	Nepal	96.8	1,218	0.08
Egypt	710.8	7,358	0.45	Netherlands	3,550.3	35,753	2.21
El Salvador	14.1	391	0.02	New Zealand	723.6	7,486	0.46
Equatorial Guinea	71.5	965	0.06	Nicaragua	60.8	858	0.05
Eritrea	59.3	843	0.05	Niger	85.2	1,102	0.07
Estonia	92.3	1,173	0.07	Nigeria	1,265.5	12,905	0.80
Ethiopia	97.8	1,228	0.08	Norway	998.2	10,232	0.63
Fiji	98.7	1,237	0.08	Oman	156.1	1,811	0.11
Finland	856.0	8,810	0.54	Pakistan	933.9	9,589	0.59
France	6,939.7	69,647	4.30	Palau	1.6	266	0.02
Gabon	98.7	1,237	0.08	Panama	38.5	635	0.04
Gambia	54.3	793	0.05	Papua New Guinea	129.4	1,544	0.10
Georgia	158.4	1,834	0.11	Paraguay	122.9	1,479	0.09
Germany	7,239.9	72,649	4.49	Peru	533.1	5,581	0.34
Ghana	152.5	1,775	0.11	Philippines	684.4	7,094	0.44
Greece	168.4	1,934	0.12	Poland	1,090.8	11,158	0.69
Grenada	53.1	781	0.05	Portugal	546.0	5,710	0.35
Guatemala	200.1	2,251	0.14	Qatar	109.6	1,346	0.08
Guinea	129.2	1,542	0.10				

## IBRD Subscriptions and Voting Power (as of 31 March 2006) - cont.

MEMBER	SUBSCRIPTIONS <sup>1</sup>	VOTING POWER		MEMBER	SUBSCRIPTIONS <sup>1</sup>	VOTING POWER	
		NUMBER OF VOTES	% OF TOTAL			NUMBER OF VOTES	% OF TOTAL
Romania	401.1	4,261	0.26	Syrian Arab Republic	220.2	2,452	0.15
Russian Federation	4,479.5	45,045	2.78	Tajikistan	106	1,310	0.08
Rwanda	104.6	1,296	0.08	Tanzania	129.5	1,545	0.10
St. Kitts And Nevis	27.5	525	0.03	Thailand	634.9	6,599	0.41
St. Lucia	55.2	802	0.05	Timor-Leste	51.7	767	0.05
St. Vincent and the Grenadines	27.8	528	0.03	Togo	110.5	1,355	0.08
Samoa	53.1	781	0.05	Tonga	49.4	744	0.05
San Marino	59.5	845	0.05	Trinidad And Tobago	266.4	2,914	0.18
São Tomé and Príncipe	49.5	745	0.05	Tunisia	71.9	969	0.06
Saudi Arabia	4,479.5	45,045	2.78	Turkey	832.8	8,578	0.53
Senegal	207.2	2,322	0.14	Turkmenistan	52.6	776	0.05
Serbia and Montenegro	284.6	3,096	0.19	Uganda	61.7	867	0.05
Seychelles	26.3	513	0.03	Ukraine	1,090.8	11,158	0.69
Sierra Leone	71.8	968	0.06	United Arab Emirates	238.5	2,635	0.16
Singapore	32.0	570	0.04	United Kingdom	6,939.7	69,647	4.30
Slovak Republic	321.6	3,466	0.21	United States	26,496.9	265,219	16.39
Slovenia	126.1	1,511	0.09	Uruguay	281.2	3,062	0.19
Solomon Islands	51.3	763	0.05	Uzbekistan	249.3	2,743	0.17
Somalia	55.2	802	0.05	Vanuatu	58.6	836	0.05
South Africa	1,346.2	13,712	0.85	Venezuela	2,036.1	20,611	1.27
Spain	2,799.7	28,247	1.75	Vietnam	96.8	1,218	0.08
Sri Lanka	381.7	4,067	0.25	Yemen	221.2	2,462	0.15
Sudan	85.0	1,100	0.07	Zambia	281	3,060	0.19
Suriname	41.2	662	0.04	Zimbabwe	332.5	3,575	0.22
Swaziland	44	690	0.04	<b>TOTAL</b>	<b>157,266.1</b>	<b>1,618,661</b>	<b>100%</b>
Sweden	1,497.4	15,224	0.94				
Switzerland	2,660.6	26,856	1.66				

<sup>1</sup>Millions of 1994 US Dollars

## Member countries of IBRD, IFC, IDA, MIGA and ICSID (as of 31 March 2006)

	IBRD	IFC	IDA	MIGA	ICSID		IBRD	IFC	IDA	MIGA	ICSID
Afghanistan	X	X	X	X	X	China	X	X	X	X	X
Albania	X	X	X	X	X	Colombia	X	X	X	X	X
Algeria	X	X	X	X	X	Comoros	X	X	X		X
Angola	X	X	X	X	X	Congo	X	X	X	X	X
Antigua and Barbuda	X	X		X		Congo, Dem. Rep. of the	X	X	X	X	X
Argentina	X	X	X	X	X	Costa Rica	X	X	X	X	X
Armenia	X	X	X	X	X	Côte d'Ivoire	X	X	X	X	X
Australia	X	X	X	X	X	Croatia	X	X	X	X	X
Austria	X	X	X	X	X	Cyprus	X	X	X	X	X
Azerbaijan	X	X	X	X	X	Czech Republic	X	X	X	X	X
Bahamas	X	X		X	X	Denmark	X	X	X	X	X
Bahrain	X	X		X	X	Djibouti	X	X	X		
Bangladesh	X	X	X	X	X	Dominica	X	X	X	X	
Barbados	X	X	X	X	X	Dominican Republic	X	X	X	X	
Belarus	X	X		X	X	Ecuador	X	X	X	X	X
Belgium	X	X	X	X	X	Egypt	X	X	X	X	X
Belize	X	X	X	X		El Salvador	X	X	X	X	X
Benin	X	X	X	X	X	Equatorial Guinea	X	X	X	X	
Bhutan	X	X	X			Eritrea	X	X	X	X	
Bolivia	X	X	X	X	X	Estonia	X	X	X	X	X
Bosnia-Herzegovina	X	X	X	X	X	Ethiopia	X	X	X	X	
Botswana	X	X	X	X	X	Fiji	X	X	X	X	X
Brazil	X	X	X	X		Finland	X	X	X	X	X
Brunei Darassalam	X				X	France	X	X	X	X	X
Bulgaria	X	X		X	X	Gabon	X	X	X	X	X
Burkina Faso	X	X	X	X	X	Gambia	X	X	X	X	X
Burundi	X	X	X	X	X	Georgia	X	X	X	X	X
Cambodia	X	X	X	X		Germany	X	X	X	X	X
Cameroon	X	X	X	X	X	Ghana	X	X	X	X	X
Canada	X	X	X	X		Greece	X	X	X	X	X
Cape Verde	X	X	X	X		Grenada	X	X	X	X	X
Central African Republic	X	X	X	X	X	Guatemala	X	X	X	X	X
Chad	X	X	X	X	X	Guinea	X	X	X	X	X
Chile	X	X	X	X	X	Guinea-Bissau	X	X	X		

## Member countries of IBRD, IFC, IDA, MIGA and ICSID (as of 31 March 2006) - cont.

	IBRD	IFC	IDA	MIGA	ICSID		IBRD	IFC	IDA	MIGA	ICSID
Guyana	X	X	X	X	X	Papua New Guinea	X	X	X	X	X
Haiti	X	X	X	X		Paraguay	X	X	X	X	X
Honduras	X	X	X	X	X	Peru	X	X	X	X	X
Hungary	X	X	X	X	X	Philippines	X	X	X	X	X
Iceland	X	X	X	X	X	Poland	X	X	X	X	
India	X	X	X	X		Portugal	X	X	X	X	X
Indonesia	X	X	X	X	X	Qatar	X			X	
Iran, Islamic Republic of	X	X	X	X		Romania	X	X		X	X
Iraq	X	X	X			Russian Federation	X	X	X	X	
Ireland	X	X	X	X	X	Rwanda	X	X	X		X
Israel	X	X	X	X	X	St. Kitts and Nevis	X	X	X	X	X
Italy	X	X	X	X	X	St. Lucia	X	X	X	X	X
Jamaica	X	X		X	X	St. Vincent and the Grenadines	X		X	X	X
Japan	X	X	X	X	X	Samoa	X	X	X	X	X
Jordan	X	X	X	X	X	San Marino	X				
Kazakhstan	X	X	X	X	X	São Tomé and Príncipe	X		X		
Kenya	X	X	X	X	X	Saudi Arabia	X	X	X	X	X
Kiribati	X	X	X			Senegal	X	X	X	X	X
Korea, Republic of	X	X	X	X	X	Serbia and Montenegro	X	X	X	X	
Kuwait	X	X	X	X	X	Seychelles	X	X		X	X
Kyrgyz Republic	X	X	X	X		Sierra Leone	X	X	X	X	X
Lao People's Dem. Rep.	X	X	X	X		Singapore	X	X	X	X	X
Latvia	X	X	X	X	X	Slovak Republic	X	X	X	X	X
Lebanon	X	X	X	X	X	Slovenia	X	X	X	X	X
Lesotho	X	X	X	X	X	Solomon Islands	X	X	X	X	X
Liberia	X	X	X		X	Somalia	X	X	X	X	X
Libyan Arab Jamahiriya	X	X	X	X		South Africa	X	X	X	X	
Lithuania	X	X		X	X	Spain	X	X	X	X	X
Luxembourg	X	X	X	X	X	Sri Lanka	X	X	X	X	X
Macedonia, Former						Sudan	X	X	X	X	X
Yugoslav Rep. of	X	X	X	X	X	Suriname	X			X	
Madagascar	X	X	X	X	X	Swaziland	X	X	X	X	X
Malawi	X	X	X	X	X	Sweden	X	X	X	X	X
Malaysia	X	X	X	X	X	Switzerland	X	X	X	X	X
Maldives	X	X	X	X		Syrian Arab Republic	X	X	X	X	X
Mali	X	X	X	X	X	Tajikistan	X	X	X	X	
Malta	X	X		X	X	Tanzania	X	X	X	X	X
Marshall Islands	X	X	X			Thailand	X	X	X	X	
Mauritania	X	X	X	X	X	Timor-Leste	X	X	X	X	X
Mauritius	X	X	X	X	X	Togo	X	X	X	X	X
Mexico	X	X	X			Tonga	X	X	X		X
Micronesia	X	X	X	X	X	Trinidad and Tobago	X	X	X	X	X
Moldova	X	X	X	X		Tunisia	X	X	X	X	X
Mongolia	X	X	X	X	X	Turkey	X	X	X	X	X
Morocco	X	X	X	X	X	Turkmenistan	X	X		X	X
Mozambique	X	X	X	X	X	Uganda	X	X	X	X	X
Myanmar	X	X	X			Ukraine	X	X	X	X	X
Namibia	X	X		X		United Arab Emirates	X	X	X	X	X
Nepal	X	X	X	X	X	United Kingdom	X	X	X	X	X
Netherlands	X	X	X	X	X	United States	X	X	X	X	X
New Zealand	X	X	X	X		Uruguay	X	X		X	X
Nicaragua	X	X	X	X	X	Uzbekistan	X	X	X	X	X
Niger	X	X	X		X	Vanuatu	X	X	X	X	
Nigeria	X	X	X	X	X	Venezuela	X	X		X	X
Norway	X	X	X	X	X	Vietnam	X	X	X	X	
Oman	X	X	X	X	X	Yemen	X	X	X	X	X
Pakistan	X	X	X	X	X	Zambia	X	X	X	X	X
Palau	X	X	X	X		Zimbabwe	X	X	X	X	X
Panama	X	X	X	X	X						

Executive Directors of the IBRD, IFC, and IDA, and IBRD Voting Power (on 31 March 2006)							
DIRECTOR	CASTING VOTES OF	TOTAL VOTES	% OF TOTAL	DIRECTOR	CASTING VOTES OF	TOTAL VOTES	% OF TOTAL
<b>APPOINTED</b>				Biagio Bossone (Italy)		56,705	3.50
Robert B. Holland	United States	265,219	16.39		Albania		
Yoshio Okubo	Japan	127,250	7.87		Greece		
Eckhard Deutscher	Germany	72,649	4.49		Italy		
Pierre Duquesne	France	69,647	4.30		Malta		
Tom Scholar	United Kingdom	69,647	4.30		Portugal		
					San Marino		
					Timor-Leste		
<b>ELECTED</b>				Joong-Kyung Choi (Republic of Korea)		55,800	3.45
Gino Alzetta (Belgium)		77,669	4.80		Australia		
	Austria				Cambodia		
	Belarus				Kiribati		
	Belgium				Korea, Republic of		
	Czech Republic				Marshall Islands		
	Hungary				Micronesia, Fed. States of		
	Kazakhstan				Mongolia		
	Luxembourg				New Zealand		
	Slovak Republic				Palau		
	Slovenia				Papua New Guinea		
	Turkey				Samoa		
Luis Marti (Spain)		72,786	4.50		Solomon Islands		
	Costa Rica				Vanuatu		
	El Salvador			Mathias Sinamenye (Burundi)		55,190	3.41
	Guatemala				Angola		
	Honduras				Botswana		
	Mexico				Burundi		
	Nicaragua				Eritrea		
	Spain				Ethiopia		
	Venezuela				Gambia, The		
Jan Willem van der Kaaij (Netherlands)		72,208	4.46		Kenya		
	Armenia				Lesotho		
	Bosnia And Herzegovina				Liberia		
	Bulgaria				Malawi		
	Croatia				Mozambique		
	Cyprus				Namibia		
	Georgia				Nigeria		
	Israel				Seychelles		
	Macedonia, Former Yugoslav Rep. of				Sierra Leone		
	Moldova				South Africa		
	Netherlands				Sudan		
	Romania				Swaziland		
	Ukraine				Tanzania		
Marcel Masse (Canada)		62,217	3.85		Uganda		
	Antigua and Barbuda				Zambia		
	Bahamas				Zimbabwe		
	Barbados			Dhanendra Kumar (India)		54,945	3.40
	Belize				Bangladesh		
	Canada				Bhutan		
	Dominica				India		
	Grenada				Sri Lanka		
	Guyana			Sid Ahmed Dib (Algeria)		51,544	3.19
	Ireland				Afghanistan		
	Jamaica				Algeria		
	St. Kitts And Nevis				Ghana		
	St. Lucia				Iran, Islamic Republic of		
	St. Vincent and the Grenadines				Morocco		
Otaviano Canuto (Brazil)		58,124	3.59		Pakistan		
	Brazil				Tunisia		
	Colombia			Thorsteinn Ingolfsson (Iceland)		54,039	3.34
	Dominican Republic				Denmark		
	Ecuador				Estonia		
	Haiti				Finland		
	Panama				Iceland		
	Philippines				Latvia		
	Suriname				Lithuania		
	Trinidad And Tobago				Norway		
					Sweden		

**Executive Directors of the IBRD, IFC, and IDA, and IBRD Voting Power (on 31 March 2006) - cont.**

DIRECTOR	CASTING VOTES OF	TOTAL VOTES	% OF TOTAL	DIRECTOR	CASTING VOTES OF	TOTAL VOTES	% OF TOTAL
Pietro Veglio (Switzerland)	Azerbaijan Kyrgyz Republic Poland Serbia and Montenegro Switzerland Tajikistan Turkmenistan Uzbekistan	49,192	3.04	Jaime Quijandria (Peru)	Argentina Bolivia Chile Paraguay Peru Uruguay	37,499	2.32
Jiayi Zou (China)	China	45,049	2.78	Paulo F. Gomes (Guinea-Bissau)	Benin Burkina Faso Cameroon Cape Verde Central African Republic Chad Comoros Congo Congo, Dem. Rep. of Côte d'Ivoire Djibouti Equatorial Guinea Gabon Guinea Guinea-Bissau Madagascar Mali Mauritania Mauritius Niger Rwanda São Tomé and Príncipe Senegal Togo	32,252	1.99
Yahya Alyahya (Saudi Arabia)	Saudi Arabia	45,045	2.78				
Alexey G. Kvasov (Russian Fed.)	Russian Federation	45,045	2.78				
Mahdy Ismail Aljazzaf (Kuwait)	Bahrain Egypt Iraq Jordan Kuwait Lebanon Libyan Arab Jamahiriya Maldives Oman Qatar Syrian Arab Republic United Arab Emirates Yemen	47,042	2.91				
Herwidayatmo (Indonesia)	Brunei Darussalam Fiji Indonesia Lao People's Dem. Rep. Malaysia Myanmar Nepal Singapore Thailand Tonga Vietnam	41,096	2.54				

NOTE: Somalia (802 votes) did not participate in the 2004 regular elections of executive directors.

# SUPPLEMENTS

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# POLAR REGIONS

## ANTARCTICA

Antarctica, the coldest and second-smallest continent (after Australia), is centered on the South Pole and is situated almost entirely within the Antarctic Circle at 66 1/2° S. Some 97% of the total area of about 13,924,000 sq km (5,376,000 sq mi) is covered by ice, and the continent contains about 90% of the world's ice and 70% of the fresh water. Antarctica is bounded by the Southern Ocean. The nearest points of land are the southern tip of South America, South Georgia, the South Sandwich Islands, the South Orkney Islands, and the South Shetland Islands. All of these islands are located within the Antarctic Convergence, which encircles Antarctica at approximately 1,600 km (1,000 mi) from the coast and divides the cold Antarctic waters from the warmer waters of the four oceans, in a zone of perpetual turbulence.

The Southern Ocean, which totally encircles Antarctica, was delimited in 2000 as a result of a decision of the International Hydrographic Organization. It was delimited from the southern parts of the Atlantic, Indian, and Pacific Oceans, and extends from the Antarctic coast north to 60° S latitude. The Southern Ocean encompasses 360° of longitude, and is slightly more than twice the size of the United States, or 20,327,000 sq mi (52,646,000 sq km). It is smaller than the Atlantic, Indian, and Pacific Oceans, but larger than the Arctic Ocean.

Some 200 million years ago, Antarctica was joined to South America, Africa, India, and Australia in a large single continent, Gondwanaland; subsequent geological changes caused the break-up into separate continental masses. Recent geological studies and fossil finds indicate that Antarctica once had a tropical environment, but that its present ice sheet is at least 20 million years old.

The Transantarctic Mountains divide the continent into two parts: the larger East Antarctic ice sheet, with land mostly above sea level; and the smaller West Antarctic ice sheet, with land mostly below sea level. The highest point is the Vinson Massif (4,897 m/16,066 ft), in the Ellsworth Mountains of West Antarctica. The South Pole lies at an altitude of about 3,000 m (9,800 ft). The Antarctic ice sheet averages 2,160 m (7,090 ft) in depth and is 4,776 m (15,670 ft) deep at its thickest point. Glaciers form ice shelves along nearly half the coastline. The larger ice shelves—the Amery in the east, Ross in the south, and Ronne in the northwest—move seaward at speeds of from 900 to 1,300 m (2,950–4,250 ft) per year. Sea ice up to 3 m (10 ft) thick forms a belt about 500 km (300 mi) wide that encircles the continent in winter. Ice-free areas are located generally along the coast and include the dry valleys in southern Victoria Land and the Bungee Oasis in Wilkes Land. Largely ice-free areas where much scientific activity takes place are on the coast of the Antarctic Peninsula, and on Ross Island in McMurdo Sound.

An increased amount of calving of the Antarctic ice shelves became an issue of international concern beginning in 2000. In March 2000, the largest iceberg ever recorded split off from the

Ross Ice Shelf. Known as B-15, the iceberg was approximately the size of Connecticut—it weighed about 2 billion tons and measured some 4,250 sq mi (11,007 sq km) before breaking up into five smaller sections. In March 2002, the Larson B ice shelf collapsed, causing 720 billion tons of ice to float into the South Atlantic Ocean. The Larson ice shelf was reduced to 60% of its former size.

Although Antarctica produces icebergs as part of a natural process, many scientists hold that global warming is one factor responsible for the increase in calving. Since the 1950s, ocean temperatures have increased by an average of half a degree Fahrenheit near the surface, and a tenth of a degree at deep levels. The Antarctic waters are warming more than four times faster than those in the rest of the world, with temperatures rising some 2.5° since 1950. These warmer waters could be melting the undersides of Antarctica's ice shelves. (See GLOBAL CLIMATE CHANGE below)

The severity of the Antarctic cold varies with location and altitude. East Antarctica has the coldest climate; the Antarctic Peninsula in the west has the mildest, with summer temperatures generally remaining above freezing. The mean annual temperature of the interior regions is 57° C (71° F); mean temperatures at the coastal McMurdo station range from 28° C (18° F) in August to 3° C (27° F) in January. The world's record low temperature of 89.2° C (128.6° F) was registered at what was the Soviet's Vostok station on 24 August 1960; highs of 15° C (59° F) have been measured on the northernmost Antarctic Peninsula. The interior is a vast desert, with annual precipitation averaging below 3 cm (1 in). The coastland is considerably more humid, with annual precipitation of about 25 cm (10 in) along the coasts of East Antarctica and the Antarctic Peninsula. Adélie Coast, in the southeast near the South Magnetic Pole, has recorded average wind speeds of 64 km/hr (40 mph), with gusts of nearly 320 km/hr (200 mph).

Because of its polar location, Antarctica has six months of continuous daylight from mid-September to mid-March, with the maximum 24 hours of light received at the summer solstice on 22 December; and six months of continuous darkness from mid-March to mid-September, with the winter solstice occurring on 22 June. In summer, the continent receives more solar radiation than even the Equator over a 24-hour period.

Although Antarctica has no native humans or large terrestrial mammals, it does have a varied marine life ranging from microscopic plankton to the largest whales and including about 100 species of fish. Land life includes bacteria, lichens, mosses, two kinds of flowering plants (in the ice-free areas), penguins, and some flying birds. Six types of seal—the crabeater, Weddell, elephant, leopard, fur, and Ross—thrive in Antarctica and together number about 32.7 million, with the crabeaters accounting for nearly 94% of the total. The once-numerous fur seals were reduced by uncontrolled slaughter (about 1 million were killed on South Geor-



gia alone in 1820–22) to near extinction by 1870. This ended the Antarctic fur-sealing industry; since then, the number of fur seals has gradually increased, to more than 1 million, mostly on South Georgia. In 1972, the 12 nations active in the Antarctic signed the Convention for the Conservation of Antarctic Seals, which prohibits the killing of fur, elephant, and Ross seals, and sets annual quotas for the harvest of crabeater, leopard, and Weddell seals. The treaty entered into force in 1978, and as of 2005 had been ratified by 16 nations. In 1982, the Convention on the Conservation of Antarctic Marine Living Resources entered into force, assuring the protection of ecosystems found in the Antarctic waters; as of 2005, 31 countries and the European Union (EU) were parties to the treaty.

Exploitation by humans threatens the survival of the Antarctic whales—the sperm, blue, humpback, fin, minke, and sei—which decreased in number from more than 1,500,000 at the beginning of the 20th century to fewer than 700,000 by the mid-1980s. Since 1972, the International Whaling Commission (IWC) has set quotas by species on the taking of whales, and the survival of all species of Antarctic whales seemed assured by the early 1980s. In 1982, the IWC approved a moratorium on the commercial killing of all whales that began in 1985. However, Japanese fishermen caught 3,087 whales in 1985 and 2,769 in 1986. Japan promised to end commercial whaling in 1988 but announced plans to harvest 300 minke (nonendangered) whales in Antarctic waters for “research” purposes during the winter of 1987–88; these plans were criticized by the IWC. In 2003, the IWC voted to uphold the ban on commercial whaling, despite a proposal from Japan to allow for an allocation of 50 minke whales. As of June 2005 there were 66 members of the IWC. Canada is a former member of the IWC but is generally adheres to IWC regulations and decisions. In August 2003, Iceland conducted a whale hunt for 38 minke whales for what it deemed to be research purposes. Whale meat not used for research was to be sold commercially in Iceland. It was the first whale hunt since Iceland ceased whaling operations in 1989. Iceland is a member of the IWC.

### Exploration

The ancient Greeks reasoned that there must be an “Antarctic” (opposite the Arctic) to balance the large land mass in the Northern Hemisphere, but it was not until the 19th century that definite proof was found that the continent existed. British Capt. James Cook had crossed the Antarctic Circle and circumnavigated the continent without sighting land (1772–75). In 1820, however, two other British mariners, William Smith and James Bransfield, discovered and mapped the Antarctic Peninsula, which was also explored by the American sea captain Nathaniel Palmer and the Englishman James Weddell, who discovered the sea that bears his name. Russian Adm. Fabian von Bellingshausen sailed around Antarctica during his 1819–21 voyage and found Queen Maud Land and Peter I Island.

On 7 February 1821, US Capt. John Davis made the first known landing on the continent at Hughes Bay, in the northwest. Many other British and US sealers explored the area, including 11 shipwrecked Englishmen who spent the winter of 1821 on King George Island, in the South Shetlands. Palmer and Benjamin Pendleton led a pioneering expedition in 1828–30 that included James Eights, the first American scientist to visit Antarctica. In 1837, a

French expedition under J. S. C. Dumont d’Urville discovered the Adélie Coast (named for his wife) in eastern Antarctica. A year later, Lt. Charles Wilkes of the US Navy sailed along the coast of eastern Antarctica for about 2,400 km (1,500 mi), thereby definitely establishing that Antarctica was a continent, not a cluster of islands. During his 1839–43 Antarctic voyage, British Capt. James C. Ross discovered Victoria Land and the sea and the ice shelf that were later named in his honor.

With the decline of the fur seal industry, Antarctic exploration was neglected for about 50 years, until Norwegian and Scottish whalers began operating in the area. A Norwegian whaling captain, Carl Anton Larsen, explored the east coast of the Antarctic Peninsula in 1892 and found the first fossils. Thus began a period of intensive exploration during which 9 countries sent 16 expeditions to Antarctica. Another Norwegian captain, Leonard Kristensen, landed at Cape Adare, on McMurdo Sound, in 1895. It was there that a British expedition, led by a Norwegian, Carsten Egeberg Borchgrevink, established a base in 1899; Borchgrevink became the first explorer to probe inland by sledge. Swedish, Scottish, Belgian, and French expeditions also arrived, and four British expeditions set up bases on Ross Island. From there, Sir Ernest Henry Shackleton sledged to within 156 km (97 mi) of the South Pole on 9 January 1909.

This feat encouraged five national expeditions to compete for the goal in 1911, and the competition narrowed to a “race to the pole” between Capt. Robert F. Scott and Roald Amundsen of Norway. Amundsen and four companions, with sledges and 52 dogs, left their base on the Ross Ice Shelf on 20 October, scaled 3,000-m (10,000-ft) glaciers in the Queen Maud Mountains, ascended to the icy plateau, and located the South Pole by celestial observation on 14 December. They returned to their base by late January 1912. Meanwhile, Scott’s party of five explorers, who had left McMurdo Sound on 1 November, reached the pole on 18 January 1912, only to find that Amundsen had beaten them there by more than a month. Disheartened, they met with mishaps on the return journey and, weakened by food shortages and exhausted from man-hauling their sledges, they all perished on the ice in late March. Another expedition that ended badly was led in 1914–15 by Shackleton, who lost his ship *Endurance* in heavy pack ice in the Weddell Sea and, with five companions, made a perilous 1,300-km (800-mi) journey in an open whale boat to South Georgia Island, where he got help to rescue his stranded men. Shackleton died at South Georgia in 1922, while preparing another expedition.

Technological advances were applied to Antarctic exploration after World War I. An Australian, Sir Hubert Wilkins, in 1928 became the first man to fly an airplane along the Antarctic Peninsula. The following year, US Navy Adm. Richard Evelyn Byrd flew over the South Pole, with his Norwegian-American pilot Bernt Balchen; Byrd established the Little America base on the Ross Ice Shelf, and was the first explorer to coordinate airplanes, radios, aerial cameras, and other technological aids for the purpose of exploration. Another American, Lincoln Ellsworth, was the first to complete a transantarctic flight, from the Antarctic Peninsula to the Ross Ice Shelf, in 1935. American, British, German, and Norwegian scientific expeditions did considerable aerial mapping of the continent throughout the 1930s; research in oceanography and marine biology by a British expedition resulted in the discovery of the Antarctic Convergence. The US expedition of 1939–41,

headed by Byrd, established two continuing bases in the Antarctic, but the program ended with the outbreak of World War II.

### Scientific Research

After the war, the United States took the lead in conducting scientific research in Antarctica. The Navy's Operation Highjump (1946–47), the largest expedition ever made to the continent, involved 4,700 men, 13 ships, and 25 airplanes to map extensive coastal areas by aerial photography. The Antarctic Research Expedition (1947–48), headed by Finn Ronne, was a privately sponsored US expedition to the continent. A major joint international expedition (1949–52), mounted by the United Kingdom, Norway, and Sweden, initiated the use of geophysical methods on a large scale to determine the thickness of ice caps. The former USSR also mounted expeditions, in 1946–47 and 1951–52.

The greatest scientific undertaking involving the Antarctic was the International Geophysical Year (IGY) of 1957/58, in which 67 nations participated. The purpose of the IGY's Antarctic program was to study the effects of the continent's huge ice mass on global weather, the oceans, the aurora australis, and the ionosphere. More than 50 Antarctic stations were established by 12 countries: Argentina, Australia, Belgium, Chile, France, Japan, New Zealand, Norway, South Africa, the United Kingdom, the United States, and the former USSR. The United States built a supply base and airfield on Ross Island, a station at the South Pole that was provisioned by air, and four other stations. The former USSR had 4 bases, the United Kingdom 14, Argentina 8, and Chile 6. The South Pole was the terminus of three pole-to-pole observation chains along three meridians, and the US station at Little America analyzed meteorological reports from all over the world. Valuable information was gleaned from meteorological and seismic observations, studies of the upper atmosphere, magnetic measurements, and ice-sheet core drillings. The first surface transantarctic crossing, between the Weddell and Ross seas, was accomplished by the Commonwealth Transantarctic Expedition. After the IGY, very little of the continent remained to be explored.

An important result of the IGY's success was the continuation of significant research programs in Antarctica after 1958. Old stations were either closed or replaced with new buildings, and new stations were opened. The United States constructed a year-round scientific village at McMurdo Sound, heated and lighted by a small atomic power plant that also used waste heat to distill seawater (the atomic reactor was replaced by diesel-powered units in 1972). Besides McMurdo Station, the United States maintains two other year-round stations, at the South Pole and on Anvers Island, off the Antarctic Peninsula. Other countries maintaining year-round stations are the former USSR 7, Argentina 6, the United Kingdom 4, Chile 3, Australia 3, Japan 2, and 1 each by Brazil, China, the Federal Republic of Germany (FRG), France, India, Italy, New Zealand, Poland, and South Africa.

Transportation services are essential to Antarctic operations; for example, transportation expenses accounts for about half of the United States's yearly expenditure in Antarctica. The United States, along with Argentina and New Zealand, routinely uses aircraft to carry both passengers and priority supplies to Antarctic stations. However, only four airfields can handle wheeled aircraft, those of Argentina, Chile, the former USSR, and the United States. France reportedly built a fully equipped airport on the Adélie Coast. Air

transport to other bases is by ski-equipped aircraft. The United States has a fleet of transport airplanes which can carry large loads virtually anywhere in Antarctica. Transport between stations in the interior is provided mainly by tractor-trains and ski-equipped light aircraft. The longest surface supply route is from the former Soviet's Mirnyy station on the east coast to Vostok station in the interior, a distance of nearly 1,400 km (860 mi). Most nations operating in Antarctica rely on shipping for long-distance transportation and employ icebreakers to clear channels of pack ice. When conditions are favorable, ships offload cargo directly onto land or the ice shelf; when harbors are blocked by ice, tractors and helicopters carry passengers and cargo to shore.

### Territorial Claims and International Cooperation

Seven nations have made separate territorial claims in Antarctica. Five of the claims begin at 60° S latitude and continue in the shape of a pie wedge to the South Pole. The exceptions are the claims of the United Kingdom, which start at 50° S in order to include the South Sandwich and South Georgia Islands of the Falkland chain; and of Norway, the northern and southern boundaries of which are undefined. The United Kingdom, the first nation to claim a "slice" of the continent (in 1908), was followed by New Zealand (1923), France (1924), Australia (1933), Norway (1939), Chile (1940), and Argentina (1943). The claims of Argentina and Chile overlap with each other and with that of the United Kingdom. Neither the United States nor the former USSR has claimed any Antarctic territory, and neither recognizes the claims of other nations. Since international law requires "effective occupation" as the basis for ownership, and since no nation has met the criteria by sustaining such permanent occupation in Antarctica, these territorial claims have not been recognized by other countries, by the UN, or by any other international body.

In order to clarify the issue of territorial claims and to form a legal framework for the activities of nations in Antarctica, the 12 countries that had participated in the IGY signed the Antarctic Treaty on 1 December 1959: Argentina, Australia, Belgium, Chile, France, Japan, New Zealand, Norway, South Africa, the former USSR, the United Kingdom, and the United States. All 12 had ratified the treaty by 23 June 1961, when it duly entered into force. Other nations that conduct Antarctic research are entitled to consultative membership; as of 2003, 27 nations had consultative status. As of January 2005, there were 45 nations party to the treaty: Poland (1961), Czech Republic (1962), Slovak Republic (1962), Denmark (1965), the Netherlands (1967), Romania (1971), Brazil (1975), Bulgaria (1978), Germany (1979), Uruguay (1980), Papua New Guinea (1981), Italy (1981), Peru (1981), Spain (1982), China (1983), India (1983), Hungary (1984), Sweden (1984), Finland (1984), Cuba (1984), the Republic of Korea (1986), Austria (1987), the Democratic People's Republic of Korea (1987), Ecuador (1987), Greece (1987), Canada (1988), Colombia (1989), Switzerland (1990), Guatemala (1991), Ukraine (1992), Turkey (1996), Venezuela (1999), and Estonia (2001).

The Antarctic Treaty provides that "Antarctica shall be used for peaceful purposes only," and prohibits military bases, weapons testing (including nuclear explosions), and disposal of radioactive wastes. It seeks to foster freedom of scientific investigation and cooperation between nations, with the free exchange of scientific programs, observations, results, and personnel guaranteed. The

treaty neither recognizes nor nullifies any preexisting territorial claims, but it does forbid any new claim or enlargement of any existing claim. The document specifies that contracting parties have the right to designate observers, and that such observers shall at all times have the right to inspect any station or installation. The treaty provides for the peaceful settlement of all disputes by the parties concerned or by the International Court of Justice. It also specifies periodic meetings between member states to exchange information and to enact measures in furtherance of treaty objectives. In 1991 the treaty was reviewed and renewed by 39 nations. The nations agreed to maintain the unique status of Antarctica for another 50 years. The nations also agreed to establish regulations and guidelines with respect to Antarctica's mineral and natural resources.

Scientific research has continued under the provisions of the treaty, but the emphasis has shifted from short-term reconnaissance to long-term, large-scale investigations of Antarctic phenomena. Detailed study of the ice sheet has brought about increased understanding of global weather and climatic changes. The largest cooperative program completed to date has been the International Antarctic Glaciological Project (1971–81), conducted by Australia, France, the former USSR, the United Kingdom, and the United States. The principal objectives are to measure precisely the East Antarctic ice sheet by means of core drillings through the ice to bedrock at several coastal and interior locations, and to make extensive aerial surveys of the area. Another collaborative project, Polar Experiment (POLEX)–South (1975–85), mounted by Argentina, the former USSR, and the United States, expanded on existing national research programs on the atmosphere, ocean currents, and the ice sheet. The Dry Valley Drilling Project (1971–76), a joint project conducted by Japan, New Zealand, and the United States, included geophysical exploration and bedrock drilling in the McMurdo Sound area. The Ross Ice Shelf Project, an ongoing US endeavor begun in 1973, has incorporated contributions from at least 12 other nations to measure the surface and under-ice topography, ice thickness, gravity, and seismic activity of the Ross Ice Shelf. Another US project, inaugurated in November 1983, involved the most intensive study yet of the relationship between the West Antarctica ice sheet and the global climate. A Soviet exploration project (1975–80) in the Filchner Ice Shelf of West Antarctica used aerial photography and geological surveys to evaluate the area's mineral resources. During the austral summers of 1983–86, international research resulted in significant discoveries of plant and animal fossils in Antarctica that provided new data on the geologic, climatic, and oceanic history of the Southern Hemisphere; enabled glaciologists to learn more about cycles of ice ages; and facilitated studies of Antarctic sea-ice algae and bacteria thought to be vital to the advancement of genetic engineering. In addition, a satellite link was established between the United States and the McMurdo and South Pole stations. In the late 1980s, some of the most compelling research in Antarctica was focused on study of the springtime depletion of stratospheric ozone—a phenomenon popularly termed “the ozone hole”—allowing high levels of potentially harmful ultraviolet radiation to reach the earth's surface.

### Resources

Estimates of Antarctica's mineral deposits are imprecise. A US Geological Survey study has concluded that the continent may contain some 900 major mineral deposits, but that only about 20 of these are likely to be found in ice-free areas. Two minerals, iron ore and coal, have been discovered in quantities that, were they accessible, would be commercially attractive. Small amounts of copper, chromium, platinum, nickel, gold, and hydrocarbons have also been found. Mineral exploration has been limited to comparatively small ice-free areas, but the Dufek Massif in the Pensacola Mountains of the Transantarctic Range shows the most potential for discovery of valuable metals. Offshore deposits of oil and natural gas show the greatest economic promise: traces of natural gas were discovered in a core taken from the Weddell Sea in 1972. However, the difficulty of operating in the harsh Antarctic climate, the inaccessibility of the deposits, and the high cost involved in mining and transportation make mineral exploitation of Antarctica unlikely for some time, if ever.

### THE ARCTIC

The northernmost area of the earth's surface, the Arctic may be defined as all land and water within the Arctic Circle at 66° 31' N. However, the regional boundary may also be considered the 10° C (50° F) atmospheric isotherm for the warmest month (July), which extends well below the Arctic Circle in some places and coincides roughly with the tree line. The region, centered around the North Pole, includes the ice-covered Arctic Ocean basin, which is surrounded by the northern mainland and islands of North America and Eurasia, with outlets to the Bering Sea and the North Atlantic Ocean. The Arctic Ocean, with an area of about 14 million sq km (5.4 million sq mi), comprises nearly two-thirds of the total area. Principal land masses are the northern reaches of the former USSR, Scandinavia, Greenland, Canada, and Alaska.

Unlike Antarctica, the Arctic region has a year-round habitable climate at its fringes, a permanent population, and established territorial sovereignty over all land areas. The Arctic also is of great strategic importance because of its central location between North America and Eurasia; the northern tip of Canada lies only about 4,000 km (2,500 mi) from what was the Soviet city of Murmansk on the great circle route. As a consequence of such proximity, the Arctic region is the site of many radar stations maintained by Canada, the former USSR, and the United States to monitor air traffic and to provide early warning of an air attack.

The continental shelf around the Arctic basin occupies more than half the ocean area, a much larger proportion than in any other ocean; the edge of the continental shelf near Franz Josef Land lies about 1,500 km (930 mi) from the Eurasian mainland. The landmasses that extend above the Arctic Circle exhibit three major types of landforms: rugged uplands and deep fjords formed by glaciation; swampy coastal plains and high ice plateaus covered by glacial deposits; and folded mountains, including the high peaks of the Canadian Rocky Mountains, Alaska's Brooks Range, and the rounded slopes of the Ural Mountains of the former USSR. Principal rivers flowing into the Arctic Ocean are the Mackenzie, in Canada, and the Ob, Yenisey, Lena, and Kolyma, in the former USSR. Major seas in the Arctic include the Chukchi, East Siberian, Laptev, Kara, Barents, Norwegian, Greenland, and Beaufort.

The Arctic Ocean remains frozen throughout the year (except for its fringes during summer) and is virtually icelocked from October to June. The vast Arctic ice pack expands from an average area of 7.8 million sq km (3 million sq mi) in summer to an average of 14.8 million sq km (5.7 million sq mi) during winter. The average thickness of the ice pack is estimated at 3–3.5 m (9.8–11.5 ft). Ice “islands” up to 60 m (200 ft) thick and 30 km (19 mi) wide break away from the moving ice pack off North America and float slowly in erratic circles before disintegrating or exiting to the North Atlantic. Smaller fragments called icebergs break off glaciers in Greenland and northeastern Canada and move southward via the East Greenland and Labrador currents into Atlantic shipping lanes. An estimated 1,000 icebergs each year cross 55° N, and nearly 400 reach the Grand Banks off Newfoundland. A few icebergs have traveled as far as 4,000 km (2,500 mi) over a three-year period and have been sighted as far south as Bermuda.

The most recent Ice Age climaxed about 15,000 years ago, when continental ice sheets covered most of the Northern Hemisphere. The retreat of the glaciers was stabilized some 8,500 years ago in Europe and 7,000 years ago in North America. The warming period that followed reached its maximum in historic times during AD 800–1000, making possible the Viking colonization of Arctic lands, and from the 1880s to the 1940s, when extensive Arctic exploration occurred. However, a minor cooling trend that began in the 1940s had severe effects in the Arctic, increasing the ice-covered area substantially and reducing the annual mean air temperatures by several degrees, thereby shortening the summer season along the Arctic coast of Eurasia by nearly a month.

The Arctic experiences alternating six-month periods of winter darkness and summer daylight, including 24 hours of daylight within the Arctic Circle during the summer equinox (hence the designation “land of the midnight sun”). The region is subject to long, cold winters and short, cool summers. The snow cover is relatively light, averaging 20–50 cm (8–20 in) and lasting for about 10 months over the frozen ocean. Air temperatures above the pack ice average 30° C (22° F) in January and near 0° C (32° F) in July. Annual mean temperatures on land vary from 12° C (10° F) at Barrow, Alaska, and 16° C (3° F) on Resolute Island, in northern Canada, to 0° C (32° F) at Murmansk, in what was the western USSR. Annual mean temperatures in Greenland are low because of the island’s high elevation and vast interior ice sheet; they range from 40° C (40° F) in January to 10° C (14° F) in July, temperatures significantly colder than those of the North Pole. Total annual precipitation varies from 10 to 25 cm (4–10 in) on the Arctic ice pack to 45 cm (18 in) or more in Greenland.

A climate-dependent phenomenon is the presence of perennially frozen ground, or permafrost, which has impeded human use of land in the Arctic region. Permafrost, occurring wherever ground temperatures remain below freezing for two or more years, underlies most of the Arctic landmass of Alaska and Greenland, half of that in Canada and the former USSR, and parts of Scandinavia. It also has been found under coastal seabeds of the Arctic Ocean. The maximum thickness of permafrost has been measured at 500 m (1,640 ft) in Canada, 900 m (2,950 ft) in Alaska, and 1,500 m (4,920 ft) in the former USSR. Alternate freezing and thawing of the outer permafrost layer shortens the growing season during the summer and causes serious engineering problems for construction and mining operations in the Arctic region.

Vegetation on the Arctic tundra, or treeless plain, is limited to mosses, lichens, sedges, and a few flowering plants which blossom during the brief spring and summer seasons. The outer edges of the Arctic ice pack support a small number of animal species by providing an overhead platform for algae and plankton, which are eaten by fish that, in turn, serve as food for seals, walruses, and birds; the food chain is continued by foxes and polar bears which feed upon young seals. Altogether, the Arctic has about 20 species of land mammals, including the moose, caribou, reindeer, wolf, and squirrel. The arrival of migratory birds each spring increases the bird population enormously.

Principal fish are cod, herring, and capelin, a true Arctic fish; all of these have great commercial value, as do shrimp and crab. Since 15 October 1975, when Iceland extended its fishing zone to 200 nautical mi, all nations bordering the Arctic have done the same, and fish catch quotas are now under national management.

The ecological cycle of Arctic life has been damaged by human encroachment, but in recent years the natural environment has been increasingly protected by the five circumpolar countries (Canada, Denmark, Norway, the former USSR, and the United States). In 1956, the former USSR prohibited hunting of the polar bear, and in 1973 the five nations agreed to protect the bear’s habitat. During construction in the 1970s of the trans-Alaska oil pipeline from Prudhoe Bay on the Arctic coast to the port of Valdez on the Gulf of Alaska, the US government required contractors to clean up the work site and to restore displaced vegetation; drillers were directed to trap and remove spilled oil. The pipeline carrying hot oil was suspended above ground level to prevent the permafrost from thawing, and crossings under the pipeline were provided at intervals for caribou and moose migrations. The Alaska Native Claims Settlement Act (1971) set aside about one-fourth of the state’s area for wilderness preserves, wildlife refuges, and national parks. To prevent or control oil spills in the Arctic Ocean, Canada in 1970 authorized a 161-km (100-mi) offshore pollution control zone north of the 60° line. The former USSR has established nature preserves on several islands off the Kola Peninsula, east of the Barents Sea, and on Wrangel Island. In 1973, Norway established nature reserves and national parks in its Svalbard territory in the Barents Sea, and the next year, Denmark designated the northeastern third of Greenland as a national park.

The 19-million acre Arctic National Wildlife Refuge (ANWR) lies in the northeast corner of Alaska, 1,300 miles south of the North Pole and entirely within the Arctic Circle. ANWR is located less than 100 mi east of Prudhoe Bay, the United States’s largest oil field, which, together with three smaller fields, accounts for 25% of US domestic oil production. In the early 2000s, the debate over whether to begin petroleum exploration and drilling in ANWR, (regarded as the highest petroleum potential onshore yet to be explored in North America), or to preserve it as a wilderness area, was fierce.

#### Settlement and Exploration

The Arctic region was settled some 10,000 to 12,000 years ago, after the last Ice Age, by peoples of Central Asia, probably of Mongoloid stock, who pursued animal herds northward in the wake of retreating glaciers. The ancestors of the Lapps migrated to northern Scandinavia and the Kola Peninsula, while further east diverse peoples settled along the Arctic coast. At about the same time,

the forebears of the American Indians came from Asia via a land bridge across the Bering Strait or traveled along the Aleutian Islands to North America. It is believed that the Eskimos arrived in Alaska much later.

These migratory peoples adapted to the harsh Arctic environment by inventing snowshoes, the kayak, the igloo, and primitive tools. They fashioned clothing and tents of caribou or reindeer skins, perfected efficient hunting techniques, and evolved distinctive forms of social organization. Gradually, over the course of centuries, these hunter-gatherers made the transition to herding and trading; especially for the Indians and Eskimos of Canada and the United States, however, intense contact with modern culture in the 20th century has meant abrupt change. In addition to Indians and Eskimos, principal indigenous Arctic population groups include the mixed Eskimo-Caucasian peoples of Greenland; the Lapps in Scandinavia; and the Samoyedic, Yakuts, Tungus-Manchurian, and Chukchi peoples of the former USSR. These aboriginal peoples constituted about half of the Arctic's total population.

The first explorers in Arctic waters were the Vikings (Northmen) from Scandinavia, who ventured into the North Atlantic as far as Greenland and the North American continent in the 10th and 11th centuries. It is generally accepted that the Norse chieftain Leif Ericson explored part of the northeastern North American mainland, which he called Vinland, although its actual location is disputed. During the 16th and 17th centuries, European explorers such as Martin Frobisher, William Baffin, and William Barents probed the Arctic Ocean for the fabled Northwest Passage around North America to the Orient. Arctic geographical landmarks have been named after them and for Vitus Bering, the Danish explorer who sailed in the service of Russia in 1728 through the strait that bears his name. In the late 18th century, while developing trade routes for English fur companies, Alexander Mackenzie and Samuel Hearne followed Canadian rivers to reach the Arctic coast. In 1819, William Parry sailed west through the northern Canadian islands as far as M'Clure Strait before being stopped by heavy pack ice. That year, Swedish explorer Nils Nordenskjöld became the first to complete the Northeast Passage along the Russian Arctic coast. The disappearance in 1845 of Sir John Franklin's expedition spurred further exploration and the mapping of many Canadian islands in the Arctic Ocean. Norwegian explorer Roald Amundsen successfully transited the Northwest Passage for the first time, from 1903 to 1906.

Amundsen's accomplishment shifted the emphasis of Arctic exploration to reaching the North Pole. American explorer Robert E. Peary came within 280 km (174 mi) of the goal in his 1905–06 expedition, and on 6 April 1909, he and his party, including four Eskimos, were the first men to reach the North Pole. In 1926, Adm. Richard E. Byrd, of Antarctic exploration fame, and his copilot Floyd Bennett were the first to fly over the pole, and Amundsen and Lincoln Ellsworth flew from Spitsbergen (now Svalbard) across the pole to Alaska. In 1958, the US atomic-powered submarine *Nautilus* was the first underwater vessel to navigate the North Pole, and in 1960, the *Skate*, a US submarine, became the first to surface at the pole. The Soviet icebreaker *Arktika* was the first surface vessel to reach it, in 1977.

Unresolved Arctic territorial disputes concern Norway's exclusive claim to the resources of the Svalbard continental shelf and conflicting Norwegian-Soviet claims in the Barents Sea. After the

Antarctic Treaty was signed in 1959, hopes were raised for a similar agreement in regard to the Arctic, but the strategic importance of the Arctic region, its increasing economic value, and complex legal problems involving national sensitivities have thus far prevented the attainment of such an accord.

### Arctic Development

The five nations with territories within the Arctic Circle have all developed the area's natural resources to some degree, but the former USSR has taken the lead both in populating the region and in exploiting its rich mineral deposits and other resources. The largest Arctic city is Murmansk, with a population of about 308,100 (2004), and there are some 30 other ex-Soviet cities and towns in the Arctic with more than 10,000 inhabitants. In contrast, the largest town on the North American mainland located north of the Arctic Circle is Inuvik, in Canada's Northwest Territories, with a population of 3,451 (2004); Godthaab, the capital of Greenland, has approximately 14,500 (2005) residents. The estimated population of what Russia terms its "far north" (including areas in eastern Siberia as far south as 55° N) is about 11 million (2004). The majority live in mining districts or coastal settlements based on fishing and military activities, and the rest are concentrated in northern river valleys, or scattered in the hinterlands. Canada's Yukon Territory, Northwest Territories, and Nunavut Territory (created in 1999), have over 40% of the country's land area but less than 1% of the total population. Alaska is the largest but fourth least populous of all the states of the United States (North Dakota, Vermont, and Wyoming have fewer people).

Beginning in the 1930s, with the establishment of the northern sea route to link coastal and river settlements, the Soviet government undertook the exceptionally costly task of fostering industrial development of the Arctic region. Because the harsh climate, the shortage of housing and amenities, and the low level of social services discouraged voluntary migration to the area, the Soviet government offered special resettlement inducements to workers, such as high wages and extensive fringe benefits. As a result, Soviet migration to the far north was nearly equal to the region's natural population increase between 1940 and 1970. However, labor turnover was rapid, with most new workers staying only one to three years. The most important economic activity was the mining of large nickel, copper, tin, platinum, cobalt, iron, and coal deposits. Eastern Siberia produced more than half the country's total output of nickel and much of the nation's copper, while the Kola Peninsula's apatite deposits provided at least two-thirds of the raw materials used to produce phosphate fertilizer. Eastern Siberia also produced about 90% of the former USSR's annual output of diamonds and tin. In addition, valuable oil fields and about two-thirds of proved Soviet natural gas reserves was located in western Siberia. Expansion of Soviet mining operations in the Arctic region continued into the 1980s and up until its collapse in the early 1990s. As of the mid-2000s, Russia was discussing further Arctic development, including mining.

The most significant economic development in the Arctic during the 1970s was the \$4.5-billion trans-Alaska oil pipeline project and the exploitation of vast petroleum reserves (estimated at more than 10 billion barrels) at Alaska's Prudhoe Bay. Construction began on the 1,270-km (789-mi) pipeline to Valdez in 1974, and oil began to flow through the pipeline in 1977. Tens of thousands of

American workers migrated to Alaska to take part in the project (earning the highest average wage rates in the United States), and many stayed there after its completion, thereby contributing to Alaska's population increase of 32.4% during the decade. Coal reserves estimated at 5 trillion tons are located on Alaska's North Slope; coal is mined at Healy, between Anchorage and Fairbanks. Gold, copper, lead, zinc, tin, platinum, tungsten, and uranium have been mined in the past, and there are known reserves of silver, lead, nickel, cobalt, mercury, molybdenum, and asbestos. However, the remoteness of mining sites and the high production costs continued to hinder mineral development (except for oil) in the 1980s and 1990s.

Valuable minerals produced in the Canadian Arctic include gold, silver, lead, zinc, copper, nickel, platinum, cadmium, and uranium. Canada also has proved oil reserves totaling 1.5 billion barrels in the Mackenzie River delta and offshore areas of the Beaufort Sea. Although Greenland also has considerable mineral resources, only lead, zinc, and coal have been mined in recent years. The two largest iron mines in Scandinavia are situated in the vicinity of Kiruna, in Swedish Lapland, and in Norway, near the Soviet border. Both Norway and the former USSR operate coal mines in Svalbard, and both have explored for offshore oil beneath the Barents Sea.

Lack of adequate transportation facilities long hampered Arctic development. Since World War II, however, a network of air, water, and land routes has been developed, and modern technology has made most polar areas accessible. Scheduled flights from many airfields scattered throughout the region link cities and remote towns in Alaska, Canada, and the former USSR. In Greenland, where the rugged terrain makes the building of airstrips both difficult and costly, there is scheduled jet helicopter service. Air transport serves both military and civilian needs in Norway's polar region and links Svalbard with the mainland. Although water transport is seasonal because of ice-blocked channels in winter, large quantities of cargo generally move by ship. Several hundred Russian vessels, including icebreakers, ply the 2,800-km (1,740-mi) northern sea route between Novaya Zemlya and the Bering Strait, moving an estimated 4 million tons of cargo annually during 2–4 months of navigability.

The former USSR and Norway use waterborne shuttles to supply Svalbard and to convey coal to their respective home ports. Canada's shipping service for Hudson Bay, the Arctic islands, and the Mackenzie River delta is provided by the coast guard and by private companies. The Alaskan ports of Prudhoe Bay and Barrow are served by ships for a two-month period during late summer. Inland waterways provide important supply links in the Soviet Arctic and northwestern Canada.

Land routes in the Arctic are relatively undeveloped in the colder regions. However, railroad lines in North America that penetrate the Arctic Circle include Alaska's heavily used Anchorage–Fairbanks line, and a Canadian railroad, providing a link to Churchill, on Hudson Bay. A number of Russian railroads serve the Arctic region, including the ports of Murmansk and Arkhangel'sk. Canada has Arctic highways that connect Inuvik with Dawson and with the Great Slave Lake towns of Hay River and Yellowknife. The most heavily traveled highway is Alaska's Arctic haul road between the Yukon River and Prudhoe Bay; this road was instrumental in hauling supplies and equipment to build

the trans-Alaska oil pipeline. The Soviet Arctic has few roads, but the Murmansk area in the west connects with a well-developed Scandinavian road network.

### Scientific Research

Scientific research in the Arctic region is directed mainly toward economic development and military applications. Research studies have dealt primarily with the Arctic's role in global air and water circulation and with such natural phenomena as pack ice, permafrost, geomagnetism, the aurora borealis, and other upper atmospheric conditions.

International cooperation has long played a vital role in Arctic research, dating back to the 1882/83 and 1932/33 International Polar Years. The most intensive multinational scientific study of the Arctic was accomplished during the International Geophysical Year (1957/58), in which some 300 Arctic stations were set up to monitor polar phenomena. The United States and the former USSR each launched two drifting stations on the pack ice to gather data on Arctic currents and the topography of the Arctic seabed. It was found that little marine life existed on the Arctic Ocean floor and that rocks were scattered in profusion on the ocean bottom. The land stations obtained detailed information on the aurora borealis, ionosphere, and polar magnetic field. During 1969–75, Canada and the United States jointly conducted an Arctic ice experimental program involving manned and unmanned drifting stations to determine the dynamics of sea-ice movement within the polar environment.

Scientific efforts by the former USSR in the Arctic have exceeded the combined activities of all the other circumpolar nations. By the late 1970s, the former USSR operated at least 100 polar stations and more than a dozen specially equipped sea and air vehicles to collect data on weather, ocean currents, and sea ice, with the aim of maintaining shipping services over the northern sea route. Drifting ice stations maintained year-round make a variety of meteorological observations and conduct oceanographic and geophysical experiments. Each year, Russia mounts air expeditions to hundreds of sites along the ice pack, emplacing nearly two dozen automatic buoys to radio data on environmental conditions to the mainland.

US Arctic research centers mainly on Alaska but extends also to northern Canada, Greenland, and the Arctic Ocean. Civilian research is coordinated by the National Science Foundation (NSF), which awards funds for research to universities; the principal research centers are at Fairbanks and Barrow. Small outposts to gather weather information have been established at US military facilities in Alaska and at radar stations on the 4,800-km (3,000-mi) Distant Early Warning (DEW) line extending from Alaska to Greenland.

The United States operates an average of one drifting ice station per year in the Arctic Ocean, supplemented by automatic data buoys. Ice reconnaissance flights are conducted, as well as ocean surveys by icebreakers and submarines in the Bering and Greenland seas. In the early 1980s, the NSF conducted a six-year project, called Processes and Resources of the Bering Sea Shelf (PROBES), to study the marine ecosystem of the Bering Sea in order to predict the environmental impact of both natural events and human activities. In 1987, the NSF initiated a follow-up program, Inner Shelf Transfer and Recycling (ISHTAR), conducted in the Ber-

ing and Chukchi seas to study the ways in which seasonal and annual variations in the northward transport of water influence life processes. In 1985, scientists from the National Oceanic and Atmospheric Administration (NOAA) embarked on a study of a 5,200-sq km (2,000-sq mi) polynya (open water in pack ice that is a source of heat in an extremely cold area) in the Bering Sea, hoping to assess its effects on weather patterns, wind behavior, and ocean currents. In the summer of 1981, the United States cooperated with Denmark and Switzerland to obtain ice cores from the bottom of the Greenland ice sheet, which represents a record of the climate over the past 130,000 years. Other recent US programs include studies of the geology and geophysics of the Arctic basin and research in Alaska on so-called surging glaciers, which move forward at the unusually rapid rate of several miles a year.

Other circumpolar nations have concentrated their Arctic research on the land and continental shelf. Canada's ongoing Polar Continental Shelf Project, begun in 1959, makes intensive studies of the North American continental shelf, Arctic islands, and Arctic Ocean. From March to October of each year, Canada also conducts aerial surveys of sea ice in the Arctic Ocean, Baffin Bay, and Beaufort Sea. Norway's Polar Institute, in Oslo, supervises mapping and scientific surveys of Svalbard, Jan Mayen, and the Arctic Ocean. In Greenland, the United States participates in geophysical and weather studies at Thule Air Base. Scientists from Russia, the United Kingdom, France, and other countries also conduct geological and biological research on the Danish dependency.

## GLOBAL CLIMATE CHANGE

Recent shifts in the global climate, while not proven to be caused by humans, by 2006 conformed to a prevailing scientific view: without significant changes in emissions rates, global warming from the buildup of carbon dioxide and other greenhouse gases is likely to lead to substantial, and largely irreversible, transformations of climate, ecosystems, and coastlines later in the 21st century. The Earth's average surface temperature rose approximately 1 degree Fahrenheit over the 20th century, to about 59 degrees Fahrenheit, but the rate of warming from the 1970s until the mid-2000s was three times the average rate of warming since 1900. Seas have risen from some six to eight inches globally over the 20th century and the rate of rise increased markedly in the 1990s. The 1990s were the warmest decade on record, with 1998 the warmest year on record. Although there is a debate about the pace and extent of climate change, one thing remains clear: an increase in the levels of greenhouse gases will cause more global warming. The impact of such change on wildlife, agriculture, disease, local weather, and the height of the world's oceans is also debated.

In April 2006, the journal *Nature* published a study of estimates that foresaw a probable warming of some 5 degrees Fahrenheit should the concentration of carbon dioxide reach twice the 280-parts-per-million figure that had been the norm on Earth for at least 400,000 years. This figure is both far higher than conservative warming rates focused on by climate change skeptics, and far lower than the rates projected by those fearful of further climate change. As a result, by approximately 2100, sea levels could be several feet higher than they were in 2005, resulting in retreating shorelines as the Antarctic and Arctic ice sheets erode.

Many scientists say that to avoid a doubling of carbon dioxide concentrations, energy efficiency must be increased drasti-

cally in the near future. They argue that by the mid-21st century, there must be a complete transformation of energy technology. Nevertheless, some scientists report that they lack incontrovertible evidence to connect recent weather to the human influence on climate. However, the Intergovernmental Panel on Climate Change (IPCC), a worldwide network of 2,500 leading scientists and experts sponsored by the UN, reported in 2001 that most of the warming observed over the last 50 years is attributable to human activities. These scientists project a global warming of between 1.4 and 5.8 degrees C (2.5 to 10.4 degrees F) as early as 2100, the fastest rate of change since the end of the last ice age. In addition to the rise in sea levels and flooding of low-lying coastal areas and islands, rainfall patterns would change, increasing the threat of drought or floods, and a more variable climate would bring more extreme weather conditions, such as intense storms and heat waves. According to the IPCC, Arctic sea ice has thinned by 40% in recent decades in summer and autumn, and decreased in extent by 10-15% since the 1950s in spring and summer. Global snow cover has shrunk by 10% since the 1960s, and mountain glaciers have sharply retreated. The Northern Hemisphere has seen earlier plant flowering, earlier bird arrival and earlier emergence of insects.

The 1992 UN Convention on Climate Change-ratified by 186 nations-holds that developed countries, which account for some 20% of the global population and about 60% of annual emissions of carbon dioxide, should lead efforts to reduce greenhouse gas emissions. Forty-one industrialized nations listed in Annex 1 of the Convention agreed to a voluntary aim of returning their greenhouse gas emissions to 1990 levels by the year 2000. This goal was not met by many. States parties then launched a new round of talks to decide on stronger and more detailed commitments for industrialized countries. The outcome was the Protocol to the Convention agreed in Tokyo, Japan, in 1997. The Kyoto Protocol contains legally binding targets by which developed countries must reduce their combined emissions of six greenhouse gases by at least 5% by the period 2008-12, calculated as an average over those five years. Cuts in the three most important gases-carbon dioxide, methane, and nitrous oxide-are to be measured primarily against a base year of 1990. By reducing greenhouse gas emissions to 5% below 1990 levels, the Kyoto Protocol will result in 2010 emissions levels that are about 20% below what they would have been in the absence of the Protocol. The legally binding emissions commitments under the Kyoto Protocol apply only to developed countries, leaving to the future the question of similar commitments for developing countries. The Protocol entered into force on 16 February 2005, with the ratification of 55 nations and by including developed nation parties accounting for at least 55% of 1990 carbon dioxide emissions. Shares of 1990 carbon dioxide emissions included: United States, 36.1%; European Union, 24.2%; Russian Federation, 17.4%; and Japan, 8.5%. As of April 2006, 163 nations had ratified the Protocol, including all EU members, the Russian Federation, and Japan. The United States at that date was a signatory to the Protocol, but had not ratified it.

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# WORLD TABLES

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Table 1: World Demographic Indicators

COUNTRY	2005 POPULATION	2025 PROJECTED POPULATION	DENSITY PER SQ MI	DENSITY PER SQ KM	% UNDER 15	% OVER 65	% URBAN
Afghanistan	29,929,000	50,252,000	119	46	45	2	22
Albania	3,170,000	3,509,000	286	110	27	8	42
Algeria	32,814,000	40,604,000	36	14	31	5	49
Andorra	74,000	81,000	426	164	15	13	92
Angola	15,375,000	25,876,000	32	12	46	2	33
Antigua and Barbuda	80,000	87,000	471	182	26	8	37
Argentina	38,592,000	46,424,000	36	14	27	10	89
Armenia	3,033,000	3,258,000	264	102	22	11	65
Australia	20,351,000	24,233,000	7	3	20	13	91
Austria	8,151,000	8,396,000	252	97	16	15	54
Azerbaijan	8,388,000	9,700,000	251	97	26	7	51
The Bahamas	319,000	398,000	60	23	30	5	89
Bahrain	731,000	965,000	2,744	1,059	28	3	87
Bangladesh	144,233,000	189,971,000	2,594	1,002	35	3	23
Barbados	258,000	272,000	1,554	600	22	12	50
Belarus	9,776,000	9,399,000	122	47	16	14	72
Belgium	10,458,000	10,809,000	887	342	17	17	97
Belize	292,000	396,000	33	13	36	4	49
Benin	8,439,000	14,254,000	194	75	44	3	40
Bhutan	970,000	1,432,000	53	20	40	4	21
Bolivia	8,922,000	12,018,000	21	8	37	4	63
Bosnia and Herzegovina	3,840,000	3,677,000	195	75	18	12	43
Botswana	1,640,000	1,583,000	7	3	39	4	54
Brazil	184,184,000	228,874,000	56	22	29	6	81
Brunei Darussalam	363,000	494,000	163	63	32	3	74
Bulgaria	7,741,000	6,565,000	181	70	14	17	70
Burkina Faso	13,925,000	22,459,000	132	51	46	3	17
Burundi	7,795,000	13,913,000	725	280	47	3	9
Cambodia	13,329,000	18,939,000	191	74	37	3	15
Cameroon	16,380,000	22,440,000	89	34	44	3	48
Canada	32,225,000	36,027,000	8	3	18	13	79
Cape Verde	476,000	692,000	306	118	42	6	53
Central African Republic	4,238,000	5,487,000	18	7	43	4	41
Chad	9,657,000	16,979,000	19	7	48	3	24
Chile	16,136,000	19,078,000	55	21	24	7	87
China	1,303,701,000	1,476,000,000	353	136	22	8	37
Colombia	46,039,000	58,294,000	105	41	32	5	75
Comoros	671,000	1,127,000	779	301	43	3	33
Congo (DROC)	60,764,000	107,982,000	67	26	48	3	30
Congo (ROC)	3,999,000	7,404,000	30	12	46	3	52
Costa Rica	4,331,000	5,568,000	220	85	30	6	59
Côte d'Ivoire	18,154,000	25,114,000	146	56	41	3	46
Croatia	4,438,000	4,318,000	203	78	17	16	56
Cuba	11,275,000	11,824,000	263	102	21	10	76
Cyprus	965,000	1,087,000	270	104	20	11	65
Czech Republic	10,212,000	10,217,000	335	129	15	14	77
Denmark	5,418,000	5,527,000	326	126	19	15	72
Djibouti	793,000	1,107,000	89	34	41	3	82
Dominica	70,000	78,000	242	93	28	8	71
Dominican Republic	8,862,000	11,038,000	471	182	34	5	64
East Timor	947,000	1,938,000	165	64	41	3	8
Ecuador	13,032,000	17,473,000	119	46	33	7	61
Egypt	74,033,000	101,092,000	191	74	36	5	43
El Salvador	6,881,000	9,052,000	847	327	33	5	59
Equatorial Guinea	504,000	762,000	47	18	43	4	45
Eritrea	4,670,000	7,244,000	103	40	45	3	19
Estonia	1,345,000	1,171,000	77	30	16	16	69
Ethiopia	77,431,000	118,354,000	182	70	44	3	15
Fiji	842,000	939,000	119	46	30	4	46
Finland	5,246,000	5,427,000	40	15	18	16	62
France	60,742,000	63,377,000	285	110	19	16	76
Gabon	1,384,000	1,809,000	13	5	40	4	81
The Gambia	1,595,000	2,625,000	366	141	45	3	26
Georgia	4,501,000	4,178,000	167	64	19	13	52
Germany	82,490,000	82,017,000	598	231	15	18	88
Ghana	22,019,000	32,846,000	239	92	40	3	44
Greece	11,100,000	11,394,000	218	84	15	18	60
Grenada	101,000	96,000	769	297	35	8	39

Table 1: World Demographic Indicators (cont.)

COUNTRY	2005 POPULATION	2025 PROJECTED POPULATION	DENSITY PER SQ MI	DENSITY PER SQ KM	% UNDER 15	% OVER 65	% URBAN
Guatemala	12,701,000	19,962,000	302	117	42	4	39
Guinea	9,453,000	15,806,000	100	39	44	3	33
Guinea-Bissau	1,586,000	2,875,000	114	44	46	3	32
Guyana	751,000	703,000	9	3	28	5	36
Haiti	8,288,000	12,887,000	774	299	42	3	36
Honduras	7,212,000	10,700,000	167	64	41	4	47
Hungary	10,086,000	9,588,000	281	108	16	16	65
Iceland	295,000	335,000	7	3	23	12	94
India	1,103,596,000	1,363,000,000	869	336	36	4	28
Indonesia	221,932,000	275,406,000	302	117	30	5	42
Iran	69,515,000	89,042,000	110	42	30	4	67
Iraq	28,807,000	44,664,000	170	66	42	3	68
Ireland	4,125,000	4,530,000	152	59	21	11	60
Israel	7,105,000	9,262,000	874	337	28	10	92
Italy	58,742,000	57,630,000	505	195	14	19	90
Jamaica	2,666,000	3,048,000	628	242	31	7	52
Japan	127,728,000	121,136,000	876	338	14	20	79
Jordan	5,795,000	8,265,000	168	65	37	3	79
Kazakhstan	15,079,000	15,927,000	14	5	27	8	57
Kenya	33,830,000	49,357,000	151	58	43	2	36
Kiribati	92,000	141,000	326	126	40	3	43
Korea (DPRK)	22,912,000	25,755,000	492	190	27	8	60
Korea (ROK)	48,294,000	49,836,000	1,260	486	19	9	80
Kuwait	2,589,000	4,610,000	376	145	26	2	96
Kyrgyzstan	5,172,000	6,713,000	67	26	33	6	57
Laos	5,924,000	8,712,000	65	25	40	4	19
Latvia	2,300,000	2,156,000	92	36	15	16	68
Lebanon	3,779,000	4,581,000	941	363	28	6	87
Lesotho	1,804,000	1,604,000	154	59	38	5	13
Liberia	3,283,000	5,800,000	76	29	46	2	45
Libya	5,766,000	8,323,000	8	3	35	4	86
Liechtenstein	35,000	40,000	567	219	18	11	21
Lithuania	3,415,000	3,134,000	136	53	18	15	67
Luxembourg	457,000	544,000	457	176	19	14	91
Macedonia	2,039,000	2,120,000	205	79	20	11	59
Madagascar	17,308,000	28,177,000	76	29	45	3	26
Malawi	12,341,000	23,750,000	270	104	46	3	14
Malaysia	26,121,000	36,058,000	205	79	33	5	62
Maldives	294,000	398,000	2,538	980	36	4	27
Mali	13,518,000	24,031,000	28	11	47	3	30
Malta	405,000	396,000	3,278	1,266	18	13	91
Marshall Islands	59,000	83,000	849	328	42	3	68
Mauritania	3,069,000	4,973,000	8	3	43	3	40
Mauritius	1,243,000	1,426,000	1,578	609	25	7	42
Mexico	107,029,000	129,381,000	142	55	31	5	75
Micronesia	108,000	115,000	400	154	40	4	22
Moldova	4,206,000	3,967,000	323	125	20	10	45
Monaco	33,000	44,000	44,000	16,988	13	22	100
Mongolia	2,646,000	3,390,000	1	0	31	4	57
Morocco	30,704,000	38,762,000	178	69	30	5	57
Mozambique	19,420,000	27,556,000	63	24	44	3	32
Myanmar	50,519,000	59,002,000	193	75	29	5	29
Namibia	2,031,000	2,061,000	6	2	40	4	33
Nauru	13,000	17,887	1,529	590	41	2	100
Nepal	25,371,000	36,093,000	446	172	39	4	14
Netherlands	16,296,000	16,934,000	1,033	399	19	14	62
New Zealand	4,107,000	4,702,000	39	15	22	12	86
Nicaragua	5,774,000	8,318,000	115	44	42	3	59
Niger	13,957,000	26,376,000	29	11	48	2	21
Nigeria	131,530,000	190,287,000	369	142	43	3	44
Norway	4,620,000	5,114,000	37	14	20	15	78
Oman	2,436,000	2,984,000	30	12	33	3	76
Pakistan	162,420,000	228,822,000	528	204	42	4	34
Palau	21,000	23,000	118	46	24	5	70
Panama	3,232,000	4,239,000	111	43	29	6	62
Papua New Guinea	5,887,000	8,205,000	33	13	40	2	13
Paraguay	6,158,000	8,565,000	39	15	32	4	54
Peru	27,947,000	35,725,000	56	22	32	5	73

Table 1: World Demographic Indicators (cont.)

COUNTRY	2005 POPULATION	2025 PROJECTED POPULATION	DENSITY PER SQ MI	DENSITY PER SQ KM	% UNDER 15	% OVER 65	% URBAN
Philippines	84,765,000	115,675,000	732	283	35	4	48
Poland	38,163,000	36,661,000	306	118	17	13	62
Portugal	10,576,000	10,356,000	298	115	16	17	53
Qatar	768,000	1,027,000	181	70	25	2	92
Romania	21,612,000	18,129,000	235	91	16	14	53
Russia	143,025,000	130,175,000	22	8	16	13	73
Rwanda	8,722,000	12,906,000	858	331	44	2	17
Saint Kitts and Nevis	48,000	57,000	345	133	28	8	33
Saint Lucia	163,000	209,000	681	263	30	7	30
Saint Vincent and the Grenadines	111,000	117,000	737	285	30	6	55
Samoa	188,000	193,000	171	66	41	4	22
San Marino	30,000	30,000	1,295	500	15	16	84
São Tomé and Príncipe	153,000	225,000	413	159	38	4	38
Sa'udi Arabia	24,573,000	37,160,000	30	12	37	3	86
Senegal	11,658,000	17,348,000	153	59	42	3	43
Serbia and Montenegro	10,722,000	10,537,000	272	105	19	14	52
Seychelles	81,000	88,000	466	180	26	8	50
Sierra Leone	5,525,000	8,663,000	199	77	41	3	37
Singapore	4,296,000	5,108,000	17,946	6,929	20	8	100
Slovakia	5,382,000	5,237,000	284	110	18	12	56
Slovenia	1,998,000	2,014,000	256	99	14	15	51
Solomon Islands	472,000	700,000	42	16	40	3	16
Somalia	8,592,000	14,862,000	35	14	45	3	33
South Africa	46,923,000	47,779,000	100	39	33	4	53
Spain	43,484,000	46,164,000	223	86	15	17	76
Sri Lanka	19,722,000	22,208,000	779	301	27	6	30
Sudan	40,187,000	61,339,000	42	16	44	2	36
Suriname	447,000	480,000	7	3	29	6	74
Swaziland	1,138,000	1,009,000	170	66	43	3	25
Sweden	9,029,000	9,936,000	52	20	18	17	84
Switzerland	7,446,000	7,401,000	467	180	16	16	68
Syria	18,389,000	27,410,000	257	99	37	3	50
Taiwan	22,731,000	23,625,000	1,627	628	19	9	78
Tajikistan	6,813,000	9,181,000	123	47	40	4	27
Tanzania	36,481,000	52,604,000	100	39	45	3	32
Thailand	65,002,000	70,150,000	328	127	23	7	31
Togo	6,145,000	9,613,000	280	108	43	3	33
Tonga	102,000	137,000	352	136	39	5	33
Trinidad and Tobago	1,305,000	1,343,000	659	254	21	7	74
Tunisia	10,043,000	11,583,000	159	61	27	7	65
Turkey	72,907,000	90,211,000	244	94	29	6	65
Turkmenistan	5,240,000	6,579,000	28	11	32	4	47
Tuvalu	10,000	14,000	1,000	386	36	6	47
Uganda	26,907,000	55,810,000	289	112	51	2	12
Ukraine	47,110,000	41,650,000	202	78	15	16	68
United Arab Emirates	4,618,000	6,875,000	143	55	25	1	78
United Kingdom	60,068,000	64,687,000	635	245	18	16	89
United States	296,483,000	349,419,000	80	31	21	12	79
Uruguay	3,419,000	3,831,000	50	19	24	13	93
Uzbekistan	26,444,000	33,851,000	153	59	35	5	37
Vanuatu	218,000	304,000	46	18	42	3	21
Vatican	798	1,000	5887	2,273			100
Venezuela	26,749,000	35,406,000	76	29	31	5	87
Vietnam	83,305,000	103,187,000	650	251	29	7	26
Yemen	20,727,000	39,644,000	102	39	46	4	26
Zambia	11,227,000	15,798,000	39	15	45	3	35
Zimbabwe	13,010,000	14,430,000	86	33	40	3	34

SOURCE: World Development Indicators, Washington, DC: The World Bank, 2005. World Factbook, Washington, DC: Central Intelligence Agency, 2005.  
Table 1: World Demographic Indicators

Table 2: World Income Indicators

COUNTRY	YEAR	GDP	UNIT	GDP PER CAPITA	GDP GROWTH RATE	INFLATION RATE %	% OF PER CAPITAL GDP SPENT ON		
							AGRICULTURE	INDUSTRY	SERVICES
Afghanistan	2004	21.5	billion	800	8	16.3	38	24	38
Albania	2005	18.05	billion	4,900	6	2.5	23.6	20.5	55.9
Algeria	2005	237	billion	7,300	7.1	4.7	10	59.5	30.5
Andorra	2003	1.9	billion	26,800	2	4.3			
Angola	2005	27.66	billion	2,500	14.1	17.7	8	67	25
Antigua and Barbuda	2002	750	million	11,000	3	0.4	3.9	19.2	76.8
Argentina	2005	537.2	billion	13,600	8.2	11.8	10.5	35.8	53.7
Armenia	2005	15.27	billion	5,100	8	2.4	24.9	34.6	40.5
Australia	2005	642.7	billion	32,000	2.7	2.7	4	26.4	69.6
Austria	2005	269.4	billion	32,000	1.9	2.3	2.3	30.8	66.9
Azerbaijan	2005	36.53	billion	4,600	18.3	12	14.1	45.7	40.2
The Bahamas	2005	5.685	billion	18,800	3	1.2	3	7	90
Bahrain	2005	14.08	billion	20,500	5.9	2.7	0.6	42.5	56.9
Bangladesh	2005	299.9	billion	2,100	5.2	6.7	20.5	26.7	52.8
Barbados	2005	4.831	billion	17,300	2.5	-0.5	6	16	78
Belarus	2005	77.77	billion	7,600	7.8	11.5	11.1	38.4	50.4
Belgium	2005	329.3	billion	31,800	1.5	2.7	1.3	24.7	74
Belize	2004	1.778	billion	6,800	3.8	3	22.5	23	54.5
Benin	2005	8.676	billion	1,200	4.2	3.2	33.9	13.6	52.5
Bhutan	2003	2.9	billion	1,400	5.3	3	45	10	45
Bolivia	2005	23.59	billion	2,700	3	5.4	12.6	35	52.4
Bosnia and Herzegovina	2005	28.26	billion	6,800	5.2	1.4	14.2	30.8	55
Botswana	2005	16.64	billion	10,100	4.5	8.3	2.4	46.9	50.7
Brazil	2005	1.58	trillion	8,500	2.6	6.8	10	39.4	50.6
Brunei Darussalam	2003	6.842	billion	23,600	3.2	0.3	5	45	50
Bulgaria	2005	66.96	billion	9,000	5.4	4.5	10.1	30.2	59.7
Burkina Faso	2005	16.94	billion	1,200	5	3	39.5	19.3	41.3
Burundi	2005	4.432	billion	700	5.5	14	45.6	20.8	33.6
Cambodia	2005	28.71	billion	2,100	4	4.3	32.9	29.2	37.9
Cameroon	2005	32.35	billion	2,000	5	1.5	44.8	17.3	37.9
Canada	2005	1.077	trillion	32,800	2.8	2.3	2.2	29.1	68.7
Cape Verde	2005	2.99	billion	6,200	5.5	1.8	12.1	21.9	66
Central African Republic	2005	4.47	billion	1,200	2.5	3.6	55	20	25
Chad	2005	18.3	billion	1,900	14	5.5	23.7	38.6	37.7
Chile	2005	180.6	billion	11,300	5.9	4	6.2	46.5	47.3
China	2005	8.158	trillion	6,200	9.2	1.9	14.4	53.1	32.5
Colombia	2005	303.1	billion	7,100	4.3	5	12.5	34.3	53.3
Comoros	2002	441	million	600	3	3	40	4	56
Congo (DROC)	2005	46.27	billion	800	6.5	9	55	11	34
Congo (ROC)	2005	2.52	billion	800	5.5	2	6.7	62.4	30.9
Costa Rica	2005	40.32	billion	10,000	3.2	13.8	8.6	28.3	63.1
Côte d'Ivoire	2005	24.81	billion	1,400	-1.5	2	27.7	16.7	55.6
Croatia	2005	53.29	billion	11,600	3.2	3.2	8.1	31	60.8
Cuba	2005	37.05	billion	3,300	5.2	4.2	5.5	26.1	68.4
Cyprus	2005		billion	21,600	3.8	2.3	3.8	20	76.2
Czech Republic	2005	184.9	billion	18,100	4.6	2	3.4	39.3	57.3
Denmark	2005	182.1	billion	33,500	2.2	1.9	2.2	24	73.8
Djibouti	2002	619	million	1,300	3.5	2	3.5	15.8	80.7
Dominica	2003	384	million	5,500	-1	1	18	24	58
Dominican Republic	2005	58.52	billion	6,500	4.1	4.3	10.7	31.5	57.8
East Timor	2004	370	million	400	1	1.8	25.4	17.2	57.4
Ecuador	2005	52.66	billion	3,900	3	2	7.4	31.8	60.8
Egypt	2005	337.9	billion	4,400	4.5	5.4	15	36.7	48.4
El Salvador	2005	33.89	billion	5,100	2	4.7	9.8	30.3	60
Equatorial Guinea	2005	25.69	billion	50,200	18.6	5	2.4	95.5	2.2
Eritrea	2005	4.471	billion	1,000	2	15	8.7	26.3	65
Estonia	2005	21.81	billion	16,400	7.1	4	4.1	29.1	66.8
Ethiopia	2005	59.93	billion	800	6.5	6	40.1	12.7	47.2
Fiji	2005	5.398	billion	6,000	2	1.6	16.6	22.4	61
Finland	2005	158.4	billion	30,300	1.7	1.2	3.1	30.4	66.5
France	2005	1.816	trillion	29,900	1.5	1.9	2.5	21.4	76.1
Gabon	2005	8.031	billion	5,800	2.1	1.5	6	58.8	35.1
The Gambia	2005	3.094	billion	1,900	7.1	8.8	35.5	12.2	52.3
Georgia	2005	16.13	billion	3,400	10	8	16	26.8	57.2
Germany	2005	2.446	trillion	29,700	0.8	2	1.1	28.6	70.3
Ghana	2005	51.8	billion	2,500	4.3	15	35.5	25.6	39
Greece	2005	242.8	billion	22,800	3.3	3.8	6.2	22.1	71.7

Table 2: World Income Indicators (cont.)

COUNTRY	YEAR	GDP	UNIT	GDP PER CAPITA	GDP GROWTH RATE	INFLATION RATE %	% OF PER CAPITAL GDP SPENT ON		
							AGRICULTURE	INDUSTRY	SERVICES
Grenada	2002	440	million	5,000	2.5	2.8	7.7	23.9	68.4
Guatemala	2005	62.78	billion	4,300	3.1	9.1	22.8	19.1	58.1
Guinea	2005	20.74	billion	2,200	2	25	23.7	36.2	40.1
Guinea-Bissau	2005	1.101	billion	800	2.8	4	62	12	26
Guyana	2005	3.002	billion	3,900	0.5	5.5	36.8	20.2	43
Haiti	2005	12.94	billion	1,600	3.5	13.3	30	20	50
Honduras	2005	20.56	billion	2,900	4	9.2	12.7	31.2	56.1
Hungary	2005	159	billion	15,900	3.7	3.7	3.9	30.9	65.3
Iceland	2005	10.26	billion	34,600	5.9	4.1	11.8	22.3	65.9
India	2005	3.678	trillion	3,400	7.1	4.4	20.6	28.1	51.4
Indonesia	2005	899	billion	3,700	5.3	9.3	15.1	44.5	40.4
Iran	2005	551.6	billion	8,100	4.8	16	11.8	43.3	44.9
Iraq	2005	94.1	billion	3,400	2.4	40	7.3	66.6	26.1
Ireland	2005	136.9	billion	34,100	4.9	2.7	5	46	49
Israel	2005	139.2	billion	22,200	4.3	1.3	2.8	37.7	59.5
Italy	2005	1.645	trillion	28,300	0	1.9	2.1	28.8	69.1
Jamaica	2005	11.69	billion	4,300	3.2	14.9	4.9	33.8	61.3
Japan	2005	3.867	trillion	30,400	2.1	-0.2	1.3	25.3	73.5
Jordan	2005	27.7	billion	4,800	5.5	3.9	3.5	29.9	66.7
Kazakhstan	2005	132.7	billion	8,700	9	7.4	7.8	40.4	51.8
Kenya	2005	39.45	billion	1,200	5	12	16.3	18.8	65.1
Kiribati	2001	79	million	800	1.5	2.5	30	7	63
Korea (DPRK)	2005	40	billion	1,800	1		30	34	36
Korea (ROK)	2005	983.3	billion	20,300	3.7	2.8	3.8	41.4	54.8
Kuwait	2005	51.62	billion	22,100	4.5	3.5	0.5	52.1	47.4
Kyrgyzstan	2005	9.324	billion	1,800	2	4.2	37.1	21.9	41
Laos	2005	11.92	billion	1,900	7.2	9.4	48.6	25.9	25.5
Latvia	2005	29.42	billion	12,800	7.8	5.9	4.1	26	69.9
Lebanon	2005	19.49	billion	5,100	0.5	2.4	12	21	67
Lesotho	2005	6.123	billion	3,300	2	4.7	15.4	44.2	40.4
Liberia	2005	2.593	billion	700	8	15	76.9	5.4	17.7
Libya	2005	48.19	billion	8,400	8.5	-1	7.6	49.9	42.5
Liechtenstein	1999	825	million	25,000	11	1		40	
Lithuania	2005	49.38	billion	13,700	6.4	2.6	5.7	32.4	62
Luxembourg	2005	29.37	billion	62,700	3.5	2.6	0.5	16.3	83.1
Macedonia	2005	15.55	billion	7,400	4	1	11.7	32.1	56.2
Madagascar	2005	15.82	billion	900	6.5	10	28.7	16.5	54.8
Malawi	2005	7.629	billion	600	1	15.4	35.9	14.5	49.6
Malaysia	2005	248	billion	10,400	5.1	2.9	7.2	33.3	59.5
Maldives	2002	1.25	billion	3,900	2.3	1	20	18	62
Mali	2005	11.83	billion	1,000	5.5	4.5	45	17	38
Malta	2005	7.485	billion	18,800	1.4	2.8	3	23	74
Marshall Islands	2001	115	million	1,600	1	2	14	16	70
Mauritania	2005	6.185	billion	2,000	5.5	7	25	29	46
Mauritius	2005	16.36	billion	13,300	3.8	5.6	6.1	29.9	64
Mexico	2005	1.066	trillion	10,000	3	4.1	4	26.5	69.5
Micronesia	2002	277	million	2,000	1	1	50	4	46
Moldova	2005	9.367	billion	2,100	6	12	20.5	23.9	55.6
Monaco	2000	870	million	27,000	0.9	1.9	17		
Mongolia	2005	6.01	billion	2,200	5.5	11	20.6	21.4	58
Morocco	2005	139.5	billion	4,300	1.8	2.1	21.7	35.7	42.6
Mozambique	2005	25.59	billion	1,300	7	7.8	24.2	41.2	34.6
Myanmar	2005	76.2	billion	1,800	1.5	18	54.6	45	50
Namibia	2005	15.78	billion	7,800	4.2	2.7	9.3	27.8	62.9
Nauru	2001	60	million	5,000		-3.6			
Nepal	2005	42.17	billion	1,500	2.5	2.9	40	20	40
Netherlands	2005	500	billion	30,500	0.6	1.6	2.1	24.4	73.5
New Zealand	2005	97.39	billion	24,100	2.5	3	4.7	27.8	67.6
Nicaragua	2005	16.05	billion	2,800	3.5	10.1	16.8	27.6	55.6
Niger	2005	10.2	billion	900	3.8	0.2	39	17	44
Nigeria	2005	132.1	billion	1,000	5.2	15.6	26.8	48.8	24.4
Norway	2005	194.7	billion	42,400	3.8	2.1	2.2	37.2	60.6
Oman	2005	40.14	billion	13,400	1.9	0.4	2.8	40	57.1
Pakistan	2005	385.2	billion	2,400	8.4	9.2	21.6	25.1	53.3
Palau		174	million	9,000	1	3.4			
Panama	2005	22.16	billion	7,300	4.3	2.5	7.6	17.9	74.5
Papua New Guinea	2005	13.32	billion	2,400	1.1	1.7	35.2	38.3	26.4

Table 2: World Income Indicators (cont.)

COUNTRY	YEAR	GDP	UNIT	GDP PER CAPITA	GDP GROWTH RATE	INFLATION RATE %	% OF PER CAPITAL GDP SPENT ON		
							AGRICULTURE	INDUSTRY	SERVICES
Paraguay	2005	30.9	billion	4,900	3.3	7.5	27.5	24	48.5
Peru	2005	168.9	billion	6,000	5.6	1.6	8	27	65
Philippines	2005	451.3	billion	5,100	4.7	7.9	14.8	31.7	53.5
Poland	2005	489.3	billion	12,700	3.3	2.1	2.8	31.7	65.5
Portugal	2005	194.8	billion	18,400	0.7	2.4	5.2	28.9	65.9
Qatar	2005	22.47	billion	26,000	8.8	7.8	0.2	81	18.8
Romania	2005	186.4	billion	8,300	5.2	8.9	13.1	33.7	53.2
Russia	2005	1.535	trillion	10,700	5.9	12.9	5	35	60
Rwanda	2005	11.24	billion	1,300	4.8	8	37.6	22.8	39.6
Saint Kitts and Nevis	2002	339	million	8,800	-1.9	1.7	3.5	25.8	70.7
Saint Lucia	2002	866	million	5,400	3.3	3	7	20	73
Saint Vincent and the Grenadines	2002	342	million	2,900	0.7	-0.4	10	26	64
Samoa	2002	1	billion	5,600	5	4	14	23	63
San Marino	2001	940	million	34,600	7.5	3.3			
São Tomé and Príncipe	2003	214	million	1,200	6	15.1	16.7	14.8	68.4
Sa'udi Arabia	2005	340.5	billion	12,900	6.4	0.6	3.3	74.7	21.9
Senegal	2005	20.56	billion	1,800	6.1	1.7	16.1	21.4	62.5
Serbia and Montenegro				2,600	4	15.5	16.6	25.5	57.9
Seychelles	2002	626	million	7,800	-3	4.4	3.2	30.4	66.4
Sierra Leone	2005	5.012	billion	800	5.5	1	49	31	21
Singapore	2005	131.3	billion	29,700	4.5	0.3	0	33.6	66.4
Slovakia	2005	85.14	billion	15,700	5.1	2.8	3.6	29.7	66.7
Slovenia	2005	42.09	billion	20,900	3.8	2.4	2.8	36.9	60.3
Solomon Islands	2002	800	million	1,700	5.8	10	42	11	47
Somalia	2005	4.825	billion	600	2.4		65	10	25
South Africa	2005	527.4	billion	11,900	4.5	4.6	3.4	31.6	65.1
Spain	2005	1.014	trillion	25,100	3.3	3.4	3.4	28.7	67.9
Sri Lanka	2005	86.72	billion	4,300	4.7	11.2	17.7	27.1	55.2
Sudan	2005	85.46	billion	2,100	8.6	11	38.7	20.3	41
Suriname	2005	2.077	billion	4,700	4	23	13	22	65
Swaziland	2005	6.239	billion	5,300	1.8	4	15.1	49.7	35.3
Sweden	2005	266.5	billion	29,600	2.4	0.5	1.8	28.6	69.7
Switzerland	2005	262.1	billion	35,000	1.2	1.2	1.5	34	64.5
Syria	2005	63.86	billion	3,500	1.4	2.6	25	31	44
Taiwan	2005	610.8	billion	26,700	3.6	1.8	1.6	29.3	69
Tajikistan	2005	8.808	billion	1,200	8	8	24	28.4	47.7
Tanzania	2005	26.62	billion	700	6.1	4	43.2	17.2	39.6
Thailand	2005	545.8	billion	8,300	4.6	4.8	9.3	45.1	45.6
Togo	2005	9.018	billion	1,600	2.8	5.5	39.5	20.4	40.1
Tonga	2002	244	million	2,300	1.5	10.3	23	13	64
Trinidad and Tobago	2005	13.79	billion	12,700	6.5	6.8	0.7	57	42.3
Tunisia	2005	76.91	billion	7,600	4.9	2	13.8	30.7	55.6
Turkey	2005	551.6	billion	7,900	5.1	7.7	11.7	29.8	58.5
Turkmenistan	2005	29.38	billion	5,900	7	10	26.9	39.5	33.6
Tuvalu	2000	12.2	million	1,100	3	5			
Uganda	2005	45.97	billion	1,700	9	9.7	31.1	22.2	46.9
Ukraine	2005	321.2	billion	6,800	4.4	13.9	18.5	44.7	36.8
United Arab Emirates	2005	74.51	billion	29,100	6.7	4.5	4	58.5	37.5
United Kingdom	2005	1.867	trillion	30,900	1.8	2.2	1.1	26	72.9
United States	2005	12.37	trillion	41,800	3.5	3.2	1	20.7	78.3
Uruguay	2005	32.92	billion	10,000	6.2	4.9	7.1	27.7	65.2
Uzbekistan	2005	52.21	billion	1,900	5.4	7.1	38	26.3	35.7
Vanuatu	2003	580	million	2,900	1.1	3.1	26	12	62
Vatican									
Venezuela	2005	161.7	billion	6,400	8.3	15.7	4.6	48.2	47.2
Vietnam	2005	251.8	billion	3,000	7.6	8	21	40.9	38.1
Yemen	2005	17.2	billion	800	2.5	9.6	13.3	47.9	38.8
Zambia	2005	10.28	billion	900	5.8	19	21.7	29.5	48.8
Zimbabwe	2005	23.98	billion	1,900	-4	246.7	17.9	24.3	57.9

SOURCE: World Factbook, Washington, DC: Central Intelligence Agency, 2005.

Table 3: World Education Indicators

COUNTRY	% OF POPULATION ILLITERATE			% OF POPULATION HAVING ATTENDED SCHOOL					
	YEAR	TOTAL	MALE	FEMALE	YEAR	NONE	PRIMARY	SECONDARY	TERTIARY
Afghanistan	2000	63.7	49.0	79.2	1979	89.0	6.5	1.1	3.0
Albania	1997	7							
Algeria	2000	36.7	24.9	48.7					
Andorra									
Angola	1998	58	44	72					
Antigua and Barbuda	1960	11	10	12					
Argentina	2000	3.1	3.1	3.1	1991	5.7	22.3	25.3	12.0
Armenia	1989	1	1	2					
Australia	1980	0	0	0					
Austria	1974	26			1991	0.0	0.0	94.0	6.1
Azerbaijan	1989	3	1	4					
The Bahamas	2000	3.9	4.6	3.2	1990	3.5	25.4	57.7	13.5
Bahrain	2000	12.4	9.0	17.3	1991	38.4	26.2	25.1	10.3
Bangladesh	2000	59.2	48.3	70.5	1981	70.4	16.7	7.4	1.3
Barbados	1995	2.6	2	3.2	1980	0.8	63.5	32.3	3.3
Belarus	2000	59.2	48.3	70.5	1981	70.4	16.7	7.4	1.3
Belgium	1980	1							
Belize	1991	29.7	29.7	29.7	1991	13.0	64.3	14.9	6.6
Benin	2000	62.5	47.8	76.4	1992	78.5	10.8	8.2	1.3
Bhutan	2000	52.7	38.9	66.4					
Bolivia	2000	14.4	7.9	20.6	1992	23.5	20.4	15.2	9.9
Bosnia and Herzegovina									
Botswana	2000	22.8	25.6	20.2	1993	20.4	44.1	19.8	1.4
Brazil	2000	14.7	14.9	14.6	1989	18.7	57.0	11.9	5.5
Brunei Darussalam	2000	8.4	5.3	11.8	1981	32.1	28.3	30.1	9.4
Bulgaria	2000	1.5	0.9	2.0	1992	4.7	12.5	35.7	15.0
Burkina Faso	2000	77.0	66.8	86.9					
Burundi	2000	51.9	43.7	59.5	1990	75.4	19.9	2.5	0.6
Cambodia	1990	65	52	78	1993	30.5	47.0	16.2	1.0
Cameroon	2000	24.6	18.2	30.8					
Canada	1986	3			1991	1.0	4.0	34.3	21.4
Cape Verde	2000	26.5	15.7	34.7					
Central African Republic	2000	53.5	40.4	65.5	1988	70.7	19.5	7.3	2.0
Chad	2000	46.4	33.1	59.2					
Chile	2000	4.3	4.1	4.5	1992	5.8	48.0	33.9	12.3
China	2000	15.0	7.7	22.6	1990	29.3	34.3	34.4	2.0
Colombia	2000	8.2	8.2	8.2	1993	11.9	27.3	13.3	10.4
Comoros	2000	43.8	36.5	50.9					
Congo (DROC)	2000				1984	52.4	30.3	14.6	1.3
Congo (ROC)	2000	19.3	12.5	25.6	1984	58.8	13.0	11.0	3.0
Costa Rica	2000	4.4	4.5	4.3					
Côte d'Ivoire	2000	53.2	45.4	61.5	1988		48.2	43.1	8.7
Croatia	2000	1.7	0.6	2.7	1991	10.2	43.6	39.5	6.4
Cuba	2000	3.6	3.5	3.6	1981	3.7	22.6	40.2	5.9
Cyprus	2000	3.1	1.3	5.0	1992	5.1	13.0	34.2	17.0
Czech Republic		1			1991	0.3	31.4	58.6	8.5
Denmark	1980	1			1991		38.7	3.4	19.6
Djibouti	2000	48.6	35.0	61.6					
Dominica	1970	6	6	6	1981	6.6	80.5	11.1	1.7
Dominican Republic	2000	16.2	16.0	16.3					
Ecuador	2000	8.1	6.4	9.8	1990	1.7	43.7	22.6	12.7
Egypt	2000	44.7	33.4	56.3	1986	64.1	16.5	14.8	4.6
El Salvador	2000	21.3	18.4	23.9	1992	37.2	46.0	9.8	6.4
Equatorial Guinea	2000	16.8	7.5	25.5					
Eritrea									
Estonia	1998	0	0	0	1989	2.2	39.0	45.1	13.7
Ethiopia	2000	61.3	56.1	66.6	1994	80.1	6.3	2.1	1.0
Fiji	2000	7.1	5.0	9.1	1986	10.9	35.9	24.9	4.5
Finland	1980	1			1990		49.4	35.3	15.4
France	1980	1	1	1	1990	0.6	51.1	36.9	11.4
Gabon	2000	29.2	20.2	37.8					
The Gambia	2000	63.5	56.2	70.4					
Georgia	1995	36.8	26.3	46.7					
Germany	1977	1							
Ghana	2000	29.8	20.5	38.8					
Greece	2000	2.8	1.4	4.0	1991	5.7	12.7	6.7	8.7
Grenada	1970	2	2	2	1981	2.2	87.8	8.5	1.5
Guatemala	2000	31.3	23.8	38.9	1981	55.0	27.3	2.9	2.2

**Table 3: World Education Indicators (cont.)**

COUNTRY	% OF POPULATION ILLITERATE			% OF POPULATION HAVING ATTENDED SCHOOL					
	YEAR	TOTAL	MALE	FEMALE	YEAR	NONE	PRIMARY	SECONDARY	TERTIARY
Guinea	2000	58.9	44.9	73.0					
Guinea-Bissau	2000	63.2	47.0	78.6	1979	91.1	7.5	0.6	0.1
Guyana	2000	1.5	1.0	1.9	1980	8.1	72.9	17.3	1.8
Haiti	2000	51.4	49.0	53.5	1986	59.5	30.5	9.3	0.7
Honduras	2000	27.8	27.5	28.0	1983	33.5	51.3	4.3	3.3
Hungary	2000	0.6	0.5	0.7	1990	1.3	24.3	33.6	10.1
Iceland	1976	0							
India	2000	44.2	31.4	57.9	1991	57.5	28.0	7.2	7.3
Indonesia	2000	13.0	8.1	17.9	1990	54.5	26.4	16.8	2.3
Iran	2000	23.1	16.3	30.0					
Iraq	1995	42	29.3	55	1987	52.8	21.6	11.6	4.1
Ireland	1981	2			1991	0.0	37.2	19.1	13.1
Israel	2000	3.9	2.1	5.7	1983	10.5	42.4	35.9	11.2
Italy	2000	1.5	1.1	1.9	1991	2.1	12.2	30.7	3.8
Jamaica	2000	13.3	17.5	9.3	1991	0.0	67.5	29.9	2.7
Japan	1970	1			1990	0.3	33.6	43.7	20.7
Jordan	2000	10.2	5.1	15.6					
Kazakhstan	1989	2	1	4	1989	7.7	29.2	50.7	12.4
Kenya	2000	17.5	11.0	24.0	1979	58.6	32.2	7.9	1.3
Kiribati									
Korea (DPRK)	1990	1	1	1					
Korea (ROK)	2000	2.2	0.8	3.6	1995	8.7	0.9	15.7	21.1
Kuwait	2000	17.7	15.7	20.1	1988	25.6	8.6	15.1	16.4
Kyrgyzstan	1989	3	1	4					
Laos	2000	38.2	26.4	49.5					
Latvia	2000	0.3	0.2	0.4	1989	0.6	18.5	46.3	13.4
Lebanon	2000	13.9	7.7	19.6					
Lesotho	2000	16.1	26.4	6.4					
Liberia	2000	46.6	30.1	63.2					
Libya	2000	20.2	9.1	32.4	1984	59.7	15.4	5.2	2.7
Liechtenstein	1981	0	0	0					
Lithuania	2000	0.5	0.3	0.6	1989	9.1	21.3	57.0	12.3
Luxembourg	1980	0	0	0	1991		39.7	40.3	10.8
Macedonia					1994	28.0	30.6	6.7	
Madagascar	1990	20	12	27					
Malawi	2000	39.7	25.5	53.3	1987	55.0	31.8	2.7	0.4
Malaysia	2000	12.5	8.5	16.4	1996	16.7	13.0	19.4	6.9
Maldives	2000	3.7	3.7	3.6	1990	0.9	61.6	6.3	1.7
Mali	2000	59.7	52.1	66.8					
Malta	2000	7.9	8.6	7.2					
Marshall Islands	1980	7	0	12					
Mauritania	2000	60.1	49.4	70.5	1988	60.8	34.1	3.8	1.3
Mauritius	2000	15.7	12.3	19.0	1990	18.3	42.6	7.2	1.9
Mexico	2000	9.0	6.9	10.9	1990	18.8	28.6	12.7	9.2
Micronesia	1980	11	9	12					
Moldova	2000	1.1	0.4	1.7	1989	12.7	17.1	58.9	11.3
Monaco									
Mongolia	2000	0.7	0.8	0.7	1989	13.4	22.8	13.9	23.4
Morocco	2000	51.1	38.1	64.0					
Mozambique	2000	56.2	40.1	71.6	1980	81.0	18.1	0.8	0.1
Myanmar	2000	15.3	11.0	19.4	1983	55.8	27.7	14.5	2.0
Namibia	2000	17.9	17.1	18.8	1991		49.1	43.8	4.0
Nauru									
Nepal	2000	58.6	40.9	76.2	1991	69.7	16.2	8.9	0.6
Netherlands	1979	1							
New Zealand	1980	1			1991	0.0	36.8	16.3	39.1
Nicaragua	2000	35.7	35.8	35.6					
Niger	2000	84.3	76.5	91.7					
Nigeria	2000	35.9	27.7	43.8					
Norway	1976	1			1994	0.0	0.0	37.3	18.7
Oman	2000	28.1	19.6	38.3	1996	71.7	11.5	5.9	11.1
Pakistan	2000	56.7	42.4	72.2	1990	73.8	9.7	5.8	2.5
Palau	1980	8	7	10					
Panama	2000	8.1	7.4	8.7	1990	11.7	20.2	12.6	13.2
Papua New Guinea	2000	24.0	16.3	32.3	1980	82.6	8.2	3.9	0.3
Paraguay	2000	6.7	5.6	7.8	1992	7.0	22.8	12.2	6.6
Peru	2000	10.1	5.3	14.6	1993	16.4	34.7	27.2	20.5
Philippines	2000	4.6	4.5	4.8	1995	3.8	20.8	17.3	22.0



Table 3: World Education Indicators (cont.)

COUNTRY	% OF POPULATION ILLITERATE			% OF POPULATION HAVING ATTENDED SCHOOL					
	YEAR	TOTAL	MALE	FEMALE	YEAR	NONE	PRIMARY	SECONDARY	TERTIARY
Poland	2000	0.2	0.2	0.2	1988	1.5	5.6	47.8	7.9
Portugal	2000	7.8	5.2	10.0	1991	16.1	61.5	14.8	7.7
Qatar	2000	18.7	19.5	16.8	1986	53.5	9.8	10.1	13.3
Romania	2000	1.8	0.9	2.7	1992	5.4	24.4	63.2	6.9
Russian Federation	2000	0.6	0.2	0.8	1989		36.9	49.0	14.1
Rwanda	2000	33.0	26.3	39.4					
Saint Kitts and Nevis	1980	3	3	2	1980	1.1	29.0	66.6	2.3
Saint Lucia	1980	33	35	31	1991	0.0	75.5	21.2	3.4
Saint Vincent and the Grenadines	1970	4	4	4	1980	2.4	88.0	8.2	1.4
Samoa	1971	3	3	3					
San Marino	1976	4	3	5					
São Tomé and Príncipe	1991	27	15	38	1981	56.6	18.0	4.6	0.3
Sa'udi Arabia	2000	23.0	15.9	32.8					
Senegal	2000	62.7	52.8	72.4					
Serbia and Montenegro	1991	93	88.9	97.2					
Seychelles	1971	42	14	40	1987	12.1	44.9	35.7	4.6
Sierra Leone	2000	63.7	49.3	77.4	1985	64.5	18.7	9.7	1.5
Singapore	2000	7.6	3.6	11.5	1995	14.3	11.2	36.9	7.6
Slovakia					1991	0.7	37.9	50.9	9.5
Slovenia	2000	0.3	0.3	0.4	1991	0.7	45.1	42.4	10.4
Solomon Islands									
Somalia	1990	76	64	86					
South Africa	2000	14.9	14.2	15.5	1995	13.0	17.1	26.7	8.8
Spain	2000	2.3	1.4	3.2	1991	65.3	65.3	25.5	8.4
Sri Lanka	2000	8.4	5.5	11.1	1981	15.9	48.9	34.1	1.1
Sudan	2000	42.9	31.7	54.0	1983	76.7	18.6	1.9	0.8
Suriname	2000	5.8	4.1	7.4					
Swaziland	2000	20.2	19.1	21.3	1986	42.0	24.0	13.2	3.3
Sweden	1979	1			1995		18.2	14.7	21.0
Switzerland	1980	1			1980		75.6	8.9	11.5
Syria	2000	25.6	11.7	39.6					
Taiwan	1998	6	7	21					
Tajikistan	2000	0.8	0.4	1.1	1989	9.8	13.0	65.5	11.7
Tanzania	2000	24.8	15.9	33.4	1988	0.0	89.7	7.8	2.0
Thailand	2000	4.4	2.8	6.0	1990	10.7	69.6	13.7	5.1
Togo	2000	42.9	27.8	57.4	1981	76.5	13.5	8.7	1.3
Tonga	1996	1.5	1.6	1.3	1986	9.6	34.6	51.1	2.8
Trinidad and Tobago	2000	1.8	1.0	2.5	1990	4.5	56.8	32.3	3.4
Tunisia	2000	29.2	18.6	39.9	1984	66.3	18.9	12.0	2.8
Turkey	2000	14.8	6.4	23.3	1993	30.6	6.6	21.9	21.9
Turkmenistan	1989	2	1	3					
Tuvalu					1991	0.8	71.4	16.2	7.0
Uganda	2000	32.7	22.3	42.9	1991	46.1	41.4	8.9	0.5
Ukraine	1989	2	0	3					
United Arab Emirates	2000	23.5	24.8	20.5					
United Kingdom	1978	1							
United States	1979	3	3	3	1994	0.6	8.2	44.6	46.5
Uruguay	2000	2.2	2.6	1.8	1996	3.4	53.6	31.7	10.1
Uzbekistan	1996	1	1	1					
Vanuatu	1979	47	43	52	1979	37.2	34.3	14.7	7.3
Vatican									
Venezuela	2000	7.0	6.7	7.3	1993	8.0	43.7	38.3	10.1
Vietnam	2000	6.7	4.3	9.0	1989	16.6	69.8	10.6	2.6
Yemen	2000	53.8	32.6	75.0					
Zambia	2000	22.0	14.8	28.8	1993	18.6	54.8	12.9	1.5
Zimbabwe	2000	7.3	4.5	10.1	1992	22.3	53.2	19.4	4.9

Table 4: World Agriculture

COUNTRY	LAND AREA (SQ KM)	% LAND USE			% AVERAGE ANNUAL RATE OF GROWTH 1995-2004		
		ARABLE LAND	PERMANENT CROPS	OTHER	CROP AND LIVESTOCK PRODUCTION	PER CAPITA FOOD PRODUCTION	CEREAL YIELDS (HG/HA)2002-2004
Afghanistan	647,500	12.13	0.21	87.66			
Albania	28,748	20.1	4.21	75.69	1.9	2.1	31,433
Algeria	2,381,740	3.17	0.28	96.55	4.9	3.3	13,228
Andorra	468	2.13	0	97.87			
Angola	1,246,700	2.65	0.23	97.12	4.0	1.1	5,023
Antigua and Barbuda	443	18.18	4.55	77.27	0.4	-0.6	15,709
Argentina	2,766,890	10.03	0.36	89.61	2.4	1.2	32,119
Armenia	29,800	16.78	2.01	81.21	0.6	1.6	19,756
Australia	7,686,850	6.15	0.04	93.81	3.0	2.4	17,088
Austria	83,870	16.59	0.85	82.56	0.6	0.5	56,120
Azerbaijan	86,600	20.62	2.61	76.77	3.2	3.6	25,874
The Bahamas	13,940	0.58	0.29	99.13	5.9	4.5	20,609
Bahrain	665	2.82	5.63	91.55	2.7	0.0	
Bangladesh	144,000	55.39	3.08	41.53	3.7	1.7	34,098
Barbados	431	37.21	2.33	60.46	1.5	1.2	26,093
Belarus	207,600	26.77	0.6	72.63	0.9	1.4	26,303
Belgium	30,528				-0.4	-0.6	85,038
Belize	22,966	3.05	1.39	95.56	4.3	1.9	27,603
Benin	112,620	23.53	2.37	74.1	6.5	4.3	10,604
Bhutan	47,000	2.3	0.43	97.27	-0.5	-3.1	15,908
Bolivia	1,098,580	2.78	0.19	97.03	3.7	1.6	18,796
Bosnia and Herzegovina	51,129	19.61	1.89	78.5	1.3	-0.5	32,202
Botswana	600,370	0.65	0.01	99.34	-0.1	-1.8	2,116
Brazil	8,511,965	6.93	0.89	92.18	4.5	3.0	31,292
Brunei Darussalam	5,770	2.08	0.87	97.05	10.4	7.8	16,667
Bulgaria	110,910	29.94	1.9	68.16	-0.3	0.3	30,261
Burkina Faso	274,200	17.66	0.22	82.12	6.4	2.6	9,877
Burundi	27,830	35.57	13.12	51.31	0.6	-0.7	13,333
Côte d'Ivoire	322,460	10.23	11.16	78.61	1.8	-0.1	11,382
Cambodia	181,040	20.44	0.59	78.97	5.7	3.2	20,416
Cameroon	475,440	12.54	2.52	84.94	2.9	0.6	17,098
Canada	9,984,670	4.57	0.65	94.78	1.8	1.0	26,833
Cape Verde	4,033	11.41	0.74	87.85	4.8	2.6	1,828
Central African Republic	622,984	3.1	0.15	96.75	3.0	1.5	10,471
Chad	1,284,000	2.8	0.02	97.18	3.7	0.9	7,125
Chile	756,950	2.62	0.43	96.95	1.9	0.6	52,393
China	9,596,960	14.86	1.27	83.87	4.8	4.0	49,802
Colombia	1,138,910	2.01	1.37	96.62	1.6	0.1	34,752
Comoros	2,170	35.87	23.32	40.81	1.5	-1.4	13,341
Congo (DROC)	2,345,410	2.86	0.47	96.67	-2.4	-4.6	7,804
Congo (ROC)	342,000	1.45	0.15	98.4	2.3	-0.7	7,796
Costa Rica	51,100	4.4	5.87	89.73	1.2	-0.8	39,649
Croatia	56,542	25.82	2.19	71.99	2.1	2.4	44,320
Cuba	110,860	27.63	6.54	65.83	4.4	4.0	31,670
Cyprus	9,250	10.81	4.32	84.87	2.5	1.5	24,437
Czech Republic	78,866	38.82	3	58.18	0.8	0.9	42,970
Denmark	43,094	52.59	0.19	47.22	0.4	0.1	60,026
Djibouti	23,000	0.04	0	99.96	1.8	-0.6	16,250
Dominica	754	6.67	21.33	72	-0.7	-1.4	13,248"
Dominican Republic	48,730	22.49	10.26	67.25	0.2	-1.5	47,222
East Timor	15,007	8.2	4.57	87.23	0.6	0.3	19,941
Ecuador	283,560	5.71	4.81	89.48	2.4	1.1	22,040
Egypt	1,001,450	2.92	0.5	96.58	4.1	2.2	71,912
El Salvador	21,040	31.37	11.88	56.75	0.9	0.0	24,452
Equatorial Guinea	28,051	4.63	3.57	91.8	-0.1	-2.2	
Eritrea	121,320	4.78	0.03	95.19	0.3	-2.7	2,976
Estonia	45,226	12.05	0.35	87.6	-2.3	-1.1	21,841
Ethiopia	1,127,127	10.01	0.65	89.34	3.9	1.5	13,044
Fiji	18,270	10.95	4.65	84.4	-0.8	-1.9	22,911
Finland	338,145	6.54	0.02	93.44	0.6	0.4	32,309
France	547,030	33.46	2.03	64.51	0.8	0.4	70,341
Gabon	267,667	1.21	0.64	98.15	1.6	-0.9	16,410
The Gambia	11,300	27.88	0.44	71.68	3.2	0.3	11,071
Georgia	69,700	11.51	3.79	84.7	-0.5	0.7	20,487
Germany	357,021	33.13	0.6	66.27	1.5	1.4	63,240
Ghana	239,460	17.54	9.22	73.24	5.8	3.5	14,063
Greece	131,940	20.45	8.59	70.96	-0.6	-1.0	35,387

Table 4: World Agriculture (cont.)

COUNTRY	LAND AREA (SQ. KM)	% LAND USE			% AVERAGE ANNUAL RATE OF GROWTH 1995-2004		
		ARABLE LAND	PERMANENT CROPS	OTHER	CROP AND LIVESTOCK PRODUCTION	PER CAPITA FOOD PRODUCTION	CEREAL YIELDS (HG/HA)2002-2004
Grenada	344	5.88	29.41	64.71	-1.1	-0.6	10,000
Guatemala	108,890	13.22	5.6	81.18	2.2	-0.1	17,351
Guinea	245,857	4.47	2.64	92.89	2.7	0.8	14,056
Guinea-Bissau	36,120	8.31	6.92	84.77	2.9	0.0	11,376
Guyana	214,970	2.23	0.14	97.63	3.0	2.6	37,933
Haiti	27,750	28.11	11.53	60.36	0.7	-0.5	8,685
Honduras	112,090	9.53	3.21	87.26	1.4	-1.3	13,996
Hungary	93,030	49.58	2.06	48.36	2.2	2.7	42,499
Iceland	103,000	0.07	0	99.93	0.8	-0.1	
India	3,287,590	48.83	2.8	48.37	2.3	0.6	23,129
Indonesia	1,919,440	11.03	7.04	81.93	2.5	1.1	42,294
Iran	1,648,000	9.78	1.29	88.93	3.0	1.7	23,871
Iraq	437,072	13.12	0.61	86.27			
Ireland	70,280	16.82	0.03	83.15	0.6	-0.5	70,298
Israel	20,770	15.45	3.88	80.67	2.6	0.4	31,087
Italy	301,230	26.41	9.09	64.5	-0.1	-0.1	48,864
Jamaica	10,991	15.83	10.01	74.16	0.1	-0.8	11,670
Japan	377,835	11.64	0.9	87.46	-1.1	-1.3	59,489
Jordan	92,300	3.32	1.18	95.5	2.3	-0.9	10,731
Kazakhstan	2,717,300	8.28	0.05	91.67	-0.3	0.5	10,567
Kenya	582,650	8.01	0.97	91.02	2.0	0.0	14,660
Kiribati	811	2.74	47.95	49.31	2.6	1.1	
Korea (DPRK)	120,540	22.4	1.66	75.64	0.1	-0.6	33,103
Korea (ROK)	98,480	16.58	2.01	81.41	0.8	0.2	59,909
Kuwait	17,820	0.84	0.17	98.99	10.3	6.1	21,361
Kyrgyzstan	198,500	6.55	0.28	93.17	1.7	0.8	27,670
Laos	236,800	4.01	0.34	95.65	5.9	3.5	31,741
Latvia	64,589	28.19	0.45	71.36	-1.3	-0.2	22,905
Lebanon	10,400	16.35	13.75	69.9		-2.5	24,864
Lesotho	30,355	10.87	0.13	89	0.2	-0.1	9,628
Liberia	111,370	3.43	1.98	94.59	6.1	-2.0	9,167
Libya	1,759,540	1.03	0.19	98.78	2.1	0.2	6,256
Liechtenstein	160	25	0	75			
Lithuania	65,200	44.81	0.9	54.29	0.8	1.3	27,884
Luxembourg	2,586	23.94	0.39	75.67	-3.2	-4.5	56,900
Macedonia	25,333	22.01	1.79	76.2	0.5	-0.2	27,472
Madagascar	587,040	5.03	1.02	93.95	1.0	-1.7	20,594
Malawi	118,480	20.68	1.18	78.14	6.1	6.1	11,353
Malaysia	329,750	5.46	17.54	77	3.4	1.5	32,749
Maldives	300	13.33	30	56.67	3.3	0.2	10,000
Mali	1,240,000	3.76	0.03	96.21	3.3	-0.8	8,223
Malta	316	31.25	3.13	65.62	0.7	0.2	40,798
Marshall Islands	11,854						
Mauritania	1,030,700	0.2	0.01	99.79	2.6	-0.3	9,587
Mauritius	2,040	49.02	2.94	48.04	1.5	0.9	48,544
Mexico	1,972,550	12.66	1.28	86.06	2.4	0.9	28,246
Micronesia	702	5.71	45.71	48.58			
Moldova	33,843	54.52	8.81	36.67	-1.1	-0.4	26,591
Monaco	2	0	0	100			
Mongolia	1,564,116	0.76	0	99.24	2.4	1.5	6,757
Morocco	446,550	19	2	79	3.7	2.1	11,921
Mozambique	801,590	5.43	0.29	94.28	4.9	2.4	8,619
Myanmar	678,500	14.92	1.31	83.77	4.3	2.8	35,171
Namibia	825,418	0.99	0.01	99	-0.7	-3.0	4,105
Nauru	21	0	0	100			
Nepal	147,181	16.07	0.85	83.08	3.3	1.0	22,575
Netherlands	41,526	21.96	0.77	77.27	-1.0	-1.5	79,738
New Zealand	268,680	5.54	6.92	87.54	2.5	1.8	64,866
Nicaragua	129,494	14.81	1.82	83.37	5.7	3.0	17,923
Niger	1,267,000	11.43	0.01	88.56	4.7	1.2	4,151
Nigeria	923,768	33.02	3.14	63.84	2.5	-0.3	10,582
Norway	324,220	2.7	0	97.3	-0.9	-1.4	39,008
Oman	212,460	0.12	0.14	99.74	3.1	0.1	23,180
Pakistan	803,940	24.44	0.84	74.72	3.1	0.6	23,322
Palau	458	8.7	4.35	86.95			
Panama	78,200	7.26	1.95	90.79	0.8	-1.1	24,471
Papua New Guinea	462,840	0.49	1.4	98.11	2.2	-0.1	37,606

**Table 4: World Agriculture (cont.)**

COUNTRY	LAND AREA (SQ KM)	% LAND USE			% AVERAGE ANNUAL RATE OF GROWTH 1995–2004		
		ARABLE LAND	PERMANENT CROPS	OTHER	CROP AND LIVESTOCK PRODUCTION	PER CAPITA FOOD PRODUCTION	CEREAL YIELDS (HG/HA) 2002–2004
Paraguay	406,750	7.47	0.24	92.29	3.2	1.3	20,258
Peru	1,285,220	2.88	0.47	96.65	3.3	1.6	30,694
Philippines	300,000	19	16.67	64.33	3.0	1.1	28,251
Poland	312,685				1.7	1.7	31,306
Portugal	92,391	17.29	7.84	74.87	1.3	1.1	27,746
Qatar	11,437	1.64	0.27	98.09	7.3	5.3	41,304
Romania	237,500	39.49	1.92	58.59	2.2	2.5	29,581
Russia	17,075,200	7.17	0.11	92.72	0.8	1.3	18,907
Rwanda	26,338	45.56	10.25	44.19	7.6	2.4	10,011
Saint Kitts and Nevis	261	19.44	2.78	77.78	0.2	0.5	
Saint Lucia	616	6.45	22.58	70.97	-2.6	-3.3	0
Saint Vincent and the Grenadines	389	17.95	17.95	64.1	0.3	-0.4	30,717
São Tomé and Príncipe	1,001	8.33	48.96	42.71	2.8	0.2	25,000
Samoa	2,944	21.13	24.3	54.57	2.0	1.1	
San Marino	61	16.67	0	83.33			
Saudi Arabia	1,960,582	1.67	0.09	98.24	1.6	-1.4	37,611
Senegal	196,190	12.51	0.24	87.25	2.2	-0.3	9,443
Serbia and Montenegro	102,387				0.8	0.8	35,047
Seychelles	455	2.17	13.04	84.79	1.7	0.7	
Sierra Leone	71,740	7.95	1.05	91	-0.8	-2.9	12,101
Singapore	693	1.47	1.47	97.06	-5.9	-8.1	
Slovakia	48,845	29.23	2.67	68.1	0.3	0.4	39,538
Slovenia	20,273	8.53	1.43	90.04	1.1	1.1	49,271
Solomon Islands	28,450	0.62	2.04	97.34	3.4	0.3	38,737
Somalia	637,657	1.64	0.04	98.32			
South Africa	1,219,912	12.1	0.79	87.11	1.5	0.4	26,756
Spain	504,782	27.18	9.85	62.97	3.1	2.8	33,945
Sri Lanka	65,610	13.96	15.24	70.8	0.2	-0.9	33,052
Sudan	2,505,810	6.78	0.17	93.05	3.2	0.9	5,925
Suriname	163,270	0.36	0.06	99.58	-1.1	-1.9	38,455
Swaziland	17,363	10.25	0.81	88.94	-0.4	-1.9	11,138
Sweden	449,964	5.93	0.01	94.06	0.5	0.4	48,817
Switzerland	41,290	9.91	0.58	89.51	-0.1	-0.2	60,052
Syria	185,180	24.8	4.47	70.73	4.3	2.0	19,109
Taiwan	35,980	24	1	75	-0.4	-1.0	60,183
Tajikistan	143,100	6.52	0.89	92.59	0.4	-0.7	19,773
Tanzania	945,087	4.23	1.16	94.61	2.2	-0.4	14,756
Thailand	514,000	27.54	6.93	65.53	1.3	0.0	27,079
Togo	56,785	44.2	2.11	53.69	2.8	-0.5	10,037
Tonga	748	20	14.67	65.33	-0.7	-1.3	
Trinidad and Tobago	5,128	14.62	9.16	76.22	2.8	2.4	26,877
Tunisia	163,610	17.05	13.08	69.87	6.7	5.6	14,218
Turkey	780,580	29.81	3.39	66.8	1.7	0.1	22,982
Turkmenistan	488,100	4.51	0.14	95.35	0.8	0.8	27,896
Tuvalu	26	0	66.67	33.33			
Uganda	236,040	21.57	8.92	69.51	2.8	-0.3	16,509
Ukraine	603,700	53.8	1.5	44.7	0.5	1.3	25,422
United Arab Emirates	82,880	0.77	2.27	96.96	9.3	6.7	34,230
United Kingdom	244,820	23.23	0.2	76.57	-0.6	-1.0	70,822
United States	9,631,420	18.01	0.21	81.78	1.3	0.2	61,384
Uruguay	176,220	7.77	0.24	91.99	1.8	1.6	37,773
Uzbekistan	447,400	10.51	0.76	88.73	0.2	-0.6	34,554
Vanuatu	12,200	1.64	6.97	91.39	0.2	-2.4	5,385
Vatican							
Venezuela	912,050	2.85	0.88	96.27	2.5	0.6	32,416
Vietnam	329,560	20.14	6.93	72.93	5.3	3.5	44,844
Yemen	527,970	2.91	0.25	96.84	3.1	-0.7	8,715
Zambia	752,614	6.99	0.04	92.97	2.0	-0.2	15,136
Zimbabwe	390,580	8.24	0.33	91.43	1.2	-0.1	6,052

SOURCE: *The State of Food and Agriculture*, Rome: Food and Agriculture Organization of the United Nations, 2005. *World Factbook*, Washington, DC: Central Intelligence Agency, 2005.

Table 5: Current Account Indicators

(In millions of US dollars)

COUNTRY	YEAR	EXPORTS	IMPORTS	BALANCE ON GOODS	BALANCE ON SERVICES	BALANCE ON INCOME	CURRENT TRANSFERS	CURRENT ACCOUNT BALANCE
Afghanistan								
Albania	2003	447.2	-1,783.5	-1,336.3	-82.9	170.4	841.9	-406.8
Algeria								
Andorra								
Angola	2002	8,327.9	-3,760.1	4,567.8	-3,115.2	-1,634.6	32	-150.1
Antigua and Barbuda	2002	44.8	-335.64	-290.84	217.16	-34.5	5.61	-102.56
Argentina	2003	29,566	-13,119	16,447	-1,541	-7,669	602	7,838
Armenia	2003	696.13	-1,130.21	-434.08	-68.34	93.35	218.48	-190.58
Australia	2003	70,596	-85,852	-15,256	-319	-14,552	-78	-30,205
Austria	2003	89,619	-88,479	1,140	1,662	-1,836	-2,330	-1,363
Azerbaijan	2003	2,624.6	-2,723.1	-98.5	-1,614.5	-442.1	134.2	-2,020.9
The Bahamas	2003	424.8	-1,629.5	-1,204.7	900.4	-163.1	37.6	-429.8
Bahrain	2003	6,689.8	-5,079.3	1,610.5	197	-536	-1,340	-68.4
Bangladesh	2003	6,928.2	-9,349.3	-2,421.1	-731.6	-223.1	3,558.3	182.5
Barbados	2003	264.2	-1,065.6	-801.4	646.7	-106.9	92.2	-169.4
Belarus	2001	7,256.2	-8,063.1	-806.9	410.4	-42.8	154.1	-285.2
Belgium	2003	203,299	-193,767	9,532	1,919	6,830	-6,658	11,623
Belize	2002	310.4	-500.3	-189.9	53.4	-72.1	45.9	-162.7
Benin	2001	373.5	-553	-179.5	-44.8	-13.5	77.3	-160.5
Bhutan								
Bolivia	2003	1,573.4	-1,498.3	75.1	-179.4	-301.1	441	35.6
Bosnia and Herzegovina	2003	1,498	-5,425.9	-3,927.9	190.7	242.7	1,398.6	-2,096
Botswana	2002	2,318.6	-1,642.3	676.3	-20.1	-698.2	212.3	170.2
Brazil	2003	73,084	-48,283	24,801	-5,100	-18,552	2,867	4,016
Brunei Darussalam								
Bulgaria	2003	7,444.8	-9,922.8	-2,478	599.6	-489.1	691.7	-1,675.8
Burkina Faso	2001	223.5	-509.3	-285.8	-104.7	-24.5	34.1	-380.8
Burundi	2003	37.5	-130	-92.5	-39.4	-17.3	112	-37.3
Cambodia	2003	2,046.2	-2,595.6	-549.3	132.1	-183.1	445.1	-155.2
Cameroon	1995	1,735.9	-1,109	626.9	-194.2	-412.2	69.5	89.9
Canada	2003	285,794	-244,281	41,513	-7,727	-16,738	221	17,268
Cape Verde	2003	52.83	-343.95	-291.11	20.83	-16.65	209.69	-77.25
Central African Republic	1994	145.9	-130.6	15.3	-80.7	-22.7	63.4	-24.7
Chad	1994	135.3	-212.1	-76.8	-144.6	-7.4	191	-37.7
Chile	2003	21,046	-18,031	3,015	-766	-3,280	438	-594
China	2001	266,075	-232,058	34,017	-5,933	-19,175	8,492	17,401
Colombia	2003	13,584	-13,258	326	-1,551	-3,447	3,216	-1,456
Comoros	1995	11.32	-53.5	-42.18	-15.34	1.01	37.56	-18.96
Congo (DROC)								
Congo (ROC)	2003	1,461.1	-449.9	1,011.2	-460.2	-546.1	-7.5	-2.6
Costa Rica	2003	6,124.7	-7,294.4	-1,169.6	838.6	-848.6	212.6	-967
Côte d'Ivoire	2003	5,844.1	-3,320	2,524	-1,015.2	-687.1	-468.9	352.8
Croatia	2003	6,285.2	-14,206.3	-7,921	5,641.5	-1,212.9	1,393.7	-2,098.6
Cuba								
Cyprus	2003	955.4	-4,089.8	-3,134.4	2,935.8	-387.1	144	-441.8
Czech Republic	2003	48,736	-51,242	-2,505	559	-4,166	540	-5,661
Denmark	2003	65,202	-55,060	10,142	3,811	-3,981	-3,833	6,139
Djibouti	1995	33.5	-205	-171.5	64.2	17.2	67	-23
Dominica	2002	42.93	-102.35	-59.42	25.98	-18.47	13.82	-38.09
Dominican Republic	2003	5,439.4	-7,883.4	-2,444	2,219.2	-1,243.6	2,335.5	867.1
Ecuador	2003	6,197	-6,268	-71	-692	-1,465	1,772	-455
Egypt	2003	8,987	-13,189	-4,201	4,599	-254	3,599	3,743
El Salvador	2003	3,162.4	-5,436	-2,273.6	-169.4	-407.7	2,117.1	-733.6
Equatorial Guinea	1996	175.31	-292.04	-116.73	-179.7	-45.02	-2.59	-344.04
Eritrea	2000	36.8	-471.4	-434.6	32.5	-1.4	298.8	-104.7
Estonia	2003	4,603.4	-6,183	-1,579.5	850.7	-576.7	106.3	-1,199.2
Ethiopia	2003	504.3	-1,922	-1,417.7	46.5	-24.2	1,196.4	-199
Fiji	1999	537.7	-653.3	-115.6	135.3	-35.5	28.5	12.7
Finland	2003	52,487	-39,097	13,390	-1,968	-1,115	-1,013	9,295
France	2003	361.87	-360.83	1.04	14.93	7.59	-19.18	4.38
Gabon	1999	2,498.8	-910.5	1,588.3	-586.1	-568.9	-43	390.4
The Gambia	1997	119.61	-207.09	-87.48	34.68	-7.57	36.82	-23.56
Georgia	2003	830.6	-1,466.6	-636	52.5	34.3	152	-397.1
Germany	2003	753.1	-601.44	151.66	-50.42	-13.85	-32.53	54.87
Ghana	2003	2,562.4	3,276.1	-713.7	-273.7	-156.9	1,399.2	254.9
Greece	2003	12,578	-38,184	-25,606	13,033	-2,924	4,272	-11,225
Grenada	2002	41.99	-181.42	-139.43	44.88	-44.79	23.13	-116.22

**Table 5: Current Account Indicators (cont.)**

(In millions of US dollars)

COUNTRY	YEAR	EXPORTS	IMPORTS	BALANCE ON GOODS	BALANCE ON SERVICES	BALANCE ON INCOME	CURRENT TRANSFERS	CURRENT ACCOUNT BALANCE
Guatemala	2003	3,048.3	-6,175	-3,126.7	-68	-318.1	2,461.9	-1,050.9
Guinea	2003	609.3	-644.3	-35	-173.6	-111.7	132.9	-187.5
Guinea-Bissau	2002	54.38	-58.5	-4.12	-20.98	-8.76	25.17	-8.69
Guyana	2003	512.8	-571.7	-58.9	-19.9	-52.1	247.1	-90.6
Haiti	2003	333.2	-1,115.8	-782.7	-123	-14.3	906.8	-13.1
Vatican								
Honduras	2003	2,078.2	-3,065.4	-987.2	-77	-183.3	968.2	-279.2
Hungary	2003	43,229	-46,594	-3,365	-197	-4,455	653	-7,364
Iceland	2003	2,386	-2,596	-210	-105	-242	-16	-572
India	2002	50,701	-62,742	-12,041	6,790	-3,564	14,630	5,815
Indonesia	2003	63,252	-39,262	23,990	-12,107	-6,218	1,869	7,534
Iran	2000	28,345	-15,207	13,138	-914	-200	621	12,645
Iraq								
Ireland	2003	89,570	-51,763	37,807	-14,306	-26,142	536	-2,105
Israel	2003	30,155	-32,333	-2,177	312	-4,359	6,377	154
Italy	2003	293.26	-283.56	9.7	-1.38	-22.1	-8.16	-21.94
Jamaica	2003	1,385.6	-3,329.4	-1,943.8	564.7	-571.4	1,189.1	-761.4
Japan	2003	449.12	-342.72	106.4	-33.91	71.24	-7.51	136.22
Jordan	2003	3,081.6	-5,077.9	-1,996.3	-270	122.5	3,106.7	962.9
Kazakhstan	2003	13,232.6	-9,144.5	4,088.2	-2,365.2	-1,740.9	-164.7	-182.5
Kenya	2003	2,412.2	-3,554.8	-1,142.6	482.3	-88.2	816.3	67.7
Kiribati	1994	6.149	-27.275	-21.126	0.33	14.833	7.346	1.383
Korea (DPRK)	2003	197,637	-175,476	22,161	-7,611	596	-2,824	12,321
Korea (ROK)								
Kuwait	2003	20,959	-9,698	11,261	-4,641	3,326	-2,379	7,567
Kyrgyzstan	2003	590.3	-673	-82.7	7	-61.7	93.4	-44
Laos	2001	311.1	-527.9	-216.8	134.5	-33.8	33.7	-82.4
Latvia	2003	3,171	-5,169	-1,998	583	-59	518	-956
Lebanon								
Lesotho	2002	354.8	-736	-381.2	-20.1	161.4	121.3	-118.8
Liberia								
Libya	1999	7,276	-4,302	2,974	-930	311	-219	2,136
Liechtenstein								
Lithuania	2003	7,657.8	-9,362	1,704.2	614.4	-482.2	293.7	-1,278.4
Luxembourg	2003	11,233	-13,696	-2,463	8,535	-3,025	-556	2,492
Macedonia	2003	1,359	-2,210.5	-851.5	654.6	-32.4	607.9	-278.5
Madagascar	2003	856	-1,109	-254	-275	-79	169	-439
Malawi	2002	422.4	-573.2	-150.8	-172.5	-38.5	161.1	-200.7
Malaysia	2003	104,999	-79,289	25,711	-3,955	-5,928	-2,447	13,381
Maldives	2003	152	-414.3	-262.3	311.1	-37	-42.2	-30.4
Mali	2002	875.1	-712.5	162.7	-217.6	-240.2	146.4	-148.8
Malta	2003	2,504.9	-3,194.1	-689.2	435.6	37.3	-54.3	-270.7
Marshall Islands								
Mauritania	1998	358.6	-318.7	40	-118.5	-31.5	187.5	77.2
Mauritius	2003	1,939	2,216.7	-277.7	373.7	-30.1	55.8	121.7
Mexico	2003	164,922	-170,546	-5,624	-5,521	-11,814	13,712	-9,247
Micronesia								
Moldova	2003	806.3	-1,428.6	-622.3	-39.5	215	304.5	-142.3
Monaco								
Mongolia	2002	524	-680.2	-156.2	-81.9	-4.5	84.6	-158
Morocco	2003	8,771	-13,117	-4,345	2,617	-792	4,073	1,552
Mozambique	2003	880.2	-1,228.2	-347.9	-244.3	-165.7	242.4	-515.6
Myanmar	2003	2,510.1	-1,932.4	577.7	-55	-601.8	128.8	49.6
Namibia	2003	1,260.2	-1,726	-465.9	111.1	226.3	399	270.6
Nauru								
Nepal	2003	694.1	-1,681.9	-987.8	106.6	-20.2	1,011.7	110.3
Netherlands	2003	252,380	-225,733	26,648	-1,186	-1,244	-7,813	16,405
New Zealand	2003	16,828	-17,219	-391	803	-3,895	145	-3,337
Nicaragua	2003	1,049.1	-2,021.2	-972.1	-123.1	-203.2	1,817.3	-779.5
Niger	1995	288.1	-305.6	-17.5	-118.5	-47.1	31.5	-151.7
Nigeria	1999	12,876	-8,588	4,288	-2,496	-2,578	1,292	506
Norway	2003	69,071	-41,162	27,910	2,244	1,367	-3,076	28,444
Oman	2003	11,670	-6,086	5,584	-1,602	-863	-1,672	1,446
Pakistan	2003	11,869	-11,969	-100	-311	-2,217	6,225	3,597
Palau								
Panama	2003	5,051.3	-6,143.3	-1,092	1,262.6	-819.9	241.3	-408
Papua New Guinea	2001	1,812.9	-932.4	880.5	-376.9	-230.2	8.6	282.1

Table 5: Current Account Indicators (cont.)

(In millions of US dollars)

COUNTRY	YEAR	EXPORTS	IMPORTS	BALANCE ON GOODS	BALANCE ON SERVICES	BALANCE ON INCOME	CURRENT TRANSFERS	CURRENT ACCOUNT BALANCE
Paraguay	2003	2,260.5	-2,520.7	-260.2	241.7	-0.1	164.6	146
Peru	2003	8,986	-8,255	731	-930	-2,082	1,221	-1,061
Philippines	2003	34,842	-36,095	-1,253	-1,227	5,215	612	3,347
Poland	2003	61,007	-66,732	-5,725	527	-3,639	4,234	-4,603
Portugal	2003	32,757	-46,114	-13,357	3,931	-2,418	3,408	-8,437
Qatar								
Romania	2003	17,618	-22,155	-4,537	70	-705	1,861	-3,311
Russia	2003	135,929	-75,436	60,493	-11,092	-13,171	-385	35,845
Rwanda	2002	67.2	-233.3	-166.1	-136.3	-18.8	194.9	-126.2
Saint Kitts and Nevis	2002	64.42	-177.59	-113.17	10.91	-38.17	16.41	-124.02
Saint Lucia	2002	69.97	-277	-207.03	133.61	-43.5	13.02	-103.89
Saint Vincent and the Grenadines	2002	40.45	-157.22	-116.77	76.38	-14.03	12.14	-42.27
Samoa	1999	20.33	-115.66	-97.51	36.76	0.39	41.55	18.15
San Marino								
São Tomé and Príncipe	2002	5.12	-28	-22.88	-0.03	-4.71	4.85	-22.77
Sa'udi Arabia	2003	95,369	-33,913	61,546	-15,453	-1,285	-15,016	29,701
Senegal	2002	1,066.5	1,603.9	-537.4	-18.2	-129.9	368.6	-317
Seychelles	2002	236.7	-376.26	-139.57	105.24	-92.54	-3.77	-130.64
Sierra Leone	2003	109	-311.2	-202.2	-25.2	-9.9	162.6	-74.7
Singapore	2003	157,809	-128,490	29,319	1,137	-1,125	-1,144	28,187
Slovakia	2003	21,944	-22,593	-649	241	-119	245	-282
Slovenia	2003	12,913	-13,538.4	-625.4	606.6	-187.8	107.8	-98.9
Solomon Islands	1999	164.57	-110.04	54.53	-31.19	-16.92	15.06	21.48
Somalia								
South Africa	2003	38,703	-35,002	3,701	-952	-3,386	-818	-1,456
Spain	2003	159,545	-202,468	-42,923	30,922	-11,919	-56	-23,676
Sri Lanka	2003	5,133.2	-6,004.8	-871.6	-301.2	-192.6	1,205.3	-159.8
Sudan	2003	2,354.6	-2,651.2	-296.6	-549.3	-582.3	701.6	-762.5
Suriname	2003	487.8	-458	29.8	-135.6	-48.5	-4.7	-159
Swaziland	2002	955.2	-1,034.6	-79.4	-25.6	48.3	10.3	-46.3
Sweden	2003	102,080	-83,147	18,933	1,883	297	1,732	22,844
Switzerland	2003	115,443	-108,482	6,961	15,066	26,429	-5,166	43,292
Syria	2002	6,668	-4,458	2,210	-324	-925	479	1,440
Taiwan								
Tajikistan	2003	906.2	-1,025.7	-119.5	-33	-70.3	218.1	-4.8
Tanzania	2002	902.5	-1,511.3	-608.8	-46.8	-16.2	420.5	-251.3
Thailand	2003	78,397	-66,790	11,606	-2,729	-1,802	890	7,965
Togo	2002	424.2	-575.6	-151.4	-58.1	-21.6	91.2	-139.9
Tonga	2002	18,126	-73,373	-55,247	-9,309	2,820	58,416	-3,319
Trinidad and Tobago	2002	3,920	-3,682.3	237.7	264	-479.8	54.5	76.4
Tunisia	2003	8,027	-10,297	-2,269	1,325	-1,632	1,307	-730
Turkey	2003	51,206	-65,240	-14,034	10,505	-5,427	2,106	-6,850
Turkmenistan	1997	774.2	-1,005.1	-230.9	-402.8	84.9	-31.3	-580.2
Tuvalu								
Uganda	2003	563	-1,255.9	692.9	-214.3	-175.5	705.3	-377.4
Ukraine	2003	23,739	-24,008	-269	1,557	-581	2,184	2,891
United Arab Emirates								
United Kingdom	2003	307	-384.3	-77.3	-269.12	36	-16.04	-33.46
United States	2003	716.41	-1,260.71	-544.3	47.79	33.29	-67.44	-530.66
Uruguay	2003	2,273.3	-2,091.5	181.8	162.6	-363.9	71.6	52.1
Uzbekistan								
Vanuatu	2003	26.84	-91.8	-64.96	40.55	-11.75	-5.08	-41.25
Venezuela	2003	26,861	-10,341	16,520	-2,616	-2,387	7	11,524
Vietnam	2002	16,706	-17,760	-1,054	-750	-721	1,921	-604
Yemen	2003	3,934.3	-3,557.4	376.9	-685.9	-909.4	1,367.1	148.7
Yugoslavia								
Zambia	2000	757	-978	-221	-226	-120	-18	-584
Zimbabwe	1998	1,961.1	-1,803.5	157.6	-328.5	-293.7	39.6	-424.9

SOURCE: Balance of Payment Statistics Yearbook, Washington, DC: International Monetary Fund, 2004.

**Table 6: Government Revenues and Expenditures**

COUNTRY	YEAR	REVENUES (\$ MILLIONS)	EXPEND. (\$ MILLIONS)	% OF BUDGET EXPENDED ON					
				DEFENSE	EDUCATION	HEALTH	SOCIAL SECURITY	HOUSING	ENVIRONMENTAL PROTECTION
Afghanistan	2005	269	561						
Albania	2005	1,900	2,300	4.0	10.2	7.3	24.7	4.8	
Algeria	2005	42,000	30,700						
Andorra	1997	385	342						
Angola	2005	8,500	10,000						
Antigua and Barbuda	2000	123.7	145.9						
Argentina	2005	42,600	39,900	3.2	4.1	4.9	37.9	1.3	0.2
Armenia	2005	786.1	930.7						
Australia	2005	249,800	240,200	6.5	9.3	14.2	34.5	0.7	0.2
Austria	2005	148,600	154,500	2.2	10.2	13.0	47.4	1.1	0.3
Azerbaijan	2005	31,800	29,800	11.1	3.2	0.8	33.1		
The Bahamas	2004	100	100	2.9	18.7	16.2	5.7	1.2	
Bahrain	2005	4,600	3,400	16.5	15.4	7.6	4.4	9.9	
Bangladesh	2005	5,900	8,500	10.1	17.9	6.7	3.5	7.7	0.1
Barbados	2000	847	886	2.0	19.3	11.7	5.3	1.5	6.6
Belarus	2005	5,900	6,300	4.6	4.1	3.6	47.9		
Belgium	2005	180,400	180,500	2.9	2.7	14.9	34.8		0.1
Belize	2005	262	329	5.4	20.5	8.2	5.9	2.6	
Benin	2005	766.8	1,000						
Bhutan	1996	146	152		17.0	10.8		6.8	
Bolivia	2005	2,900	3,400	6.2	22.6	9.6	17.0	0.8	0.9
Bosnia and Herzegovina	2005	4,300	4,400						
Botswana	2005	3,700	3,700						
Brazil	2004	140,600	172,400	3.5	6.1	6.2	47.3	0.6	
Brunei Darussalam	2003	4,900	4,200						
Bulgaria	2005	11,200	11,000	6.6	5.2	11.9	37.3	0.7	
Burkina Faso	2005	1,000	1,300						
Burundi	2005	215.4	278	27.7	18.0	2.6	0.2		
Cambodia	2005	559.4	772						
Cameroon	2005	3,200	2,700	9.5	12.0	3.4	0.5	1.0	
Canada	2004	159,600	152,600	5.8	2.1	2.7	46.6	1.3	0.6
Cape Verde	2005	328.1	393.1						
Central African Republic									
Chad	2005	765.2	653.3						
Chile	2005	29,200	24,700	6.3	17.6	13.9	31.4	0.9	0.3
China	2005	392,100	424,300	10.4	1.5	0.2	3.0	0.4	
Colombia	2005	46,800	48,700						
Comoros	2001	27.6							
Congo (DROC)	2004	700	750						
Congo (ROC)	2005	1,300	100						
Costa Rica	2005	2,700	3,100		21.6	20.9	17.3		
Côte d'Ivoire	2005	2,400	2,800						
Croatia	2005	17,600	19,300	5.3	8.0	16.0	42.8	3.5	
Cuba	2005	22,100	23,600						
Cyprus	2003			3.9	11.8	6.3	24.5	3.9	
Czech Republic	2005	48,100	53,000	4.7	9.4	16.6	32.6	2.5	1.3
Denmark	2005	148,800	142,600	4.6	12.6	0.9	41.3	1.6	
Djibouti	1999	135	182						
Dominica	2001	73.9	84.4						
Dominican Republic	2005	5,300	5,400	6.0	16.8	12.9	9.4	8.4	0.7
East Timor	2004	107.7	73						
Ecuador	2005	8,800	8,100						
Egypt	2005	18,000	24,500	10.1	19.2	4.9	0.9	4.0	
El Salvador	2005	2,800	3,100	3.4	15.0	13.3	14.2	7.9	0.2
Equatorial Guinea	2005	1,900	711.5						
Eritrea	2005	248.8	409.4						
Estonia	2005	5,100	500	5.0	7.3	16.3	31.4		
Ethiopia	2005	2,300	2,800	33.0	13.1	4.9	1.6	2.0	
Fiji	2000	427.9	531.4						
Finland	2005	99,600	97,100	4.0	12.5	8.2	47.2	0.7	0.5
France	2005	1,060,000	1,100,000	5.2	9.8			0.8	0.2
Gabon	2005	2,400	1,600						
The Gambia	2005	46.63	62.6						
Georgia	2005	872,500	100	6.0	4.1	1.0	32.4	0.6	
Germany	2005	1,200,000	1,300,000	3.6	0.4	19.3	54.8	0.9	0.1
Ghana	2005	3,200	3,500						
Greece	2005	94,100	103,400						



Table 6: Government Revenues and Expenditures (cont.)

COUNTRY	YEAR	REVENUES (\$ MILLIONS)	EXPEND. (\$ MILLIONS)	% OF BUDGET EXPENDED ON					
				DEFENSE	EDUCATION	HEALTH	SOCIAL SECURITY	HOUSING	ENVIRONMENTAL PROTECTION
Grenada	1997	85.8	102.1						
Guatemala	2005	3,300	4,000	4.7	17.6	7.0	0.6	11.2	0.8
Guinea	2005	305.6	590.4						
Guinea-Bissau									
Guyana	2005	320.1	362.6						
Haiti	2005	400	600.8						
Vatican	2002	245.2	260.4						
Honduras	2005	1,600	1,900						
Hungary	2005	51,400	58,300	3.0	5.2	5.8	30.2	0.4	0.5
Iceland	2005	6,900	6,700		10.0	26.2	20.7	0.9	
India	2005	111,200	135,800	14.3	2.2	1.6		4.2	
Indonesia	2005	56,100	58,700	3.0	3.7	1.3	8.6	1.3	
Iran	2005	48,800	60,400	9.3	8.2	6.2	22.6	7.5	0.6
Iraq	2005	19,300	24,000						
Ireland	2005	70,400	69,400	2.9	13.6	16.3	25.9	2.1	
Israel	2005	43,800	58,000	20.2	15.0	12.8	25.6	1.3	0.2
Italy	2005	785,700	861,500						
Jamaica	2005	3,200	3,300	1.7	15.7	6.3	2.5	1.9	0.2
Japan	2005	1,400,000	1,700,000						
Jordan	2005	3,600	4,600	21.7	14.9	10.3	2.4	2.5	3.7
Kazakhstan	2005	1,200	1,200	5.5	3.2	2.6	27.5	1.4	0.4
Kenya	2005	3,700	3,800	8.5	26.1	5.4	6.3	3.0	0.7
Kiribati	2000	28.4	37.2						
Korea (DPRK)									
Korea (ROK)	2005	184,000	187,400	12.5	17.7	0.4	14.3	2.2	
Kuwait	2005	47,200	20,700	17.3	14.8	7.2	20.4	4.8	
Kyrgyzstan	2005	516.3	539.9	7.5	21.7	10.5	10.8	6.1	
Laos	2005	319.3	434.6						
Latvia	2005	5,600	5,800	4.5	6.5	11.2	35.0	1.1	
Lebanon	2005	4,900	6,500	10.3	8.0	3.3	2.0	0.8	0.1
Lesotho	2005	738.5	792.1						
Liberia	2000	85.4	90.5						
Libya	2005	25,300	15,400						
Liechtenstein	1998	424.2	414.1						
Lithuania	2005	8,400	9,100	5.2	7.2	12.1	28.9		0.6
Luxembourg	2005	15,100	15,800	0.8	10.0	12.6	45.2	0.8	1.4
Macedonia	2005	2,100	2,200						
Madagascar	2005	703.6	853		20.7	8.0	1.9		3.9
Malawi	2005	844.6	913.9						
Malaysia	2005	30,500	34,600						
Maldives	2002	224	282	9.0	18.3	10.3	3.2	14.7	
Mali	2002	764	828						
Malta	2005	2,500	2,700	1.6	11.6	11.4	35.2	2.5	0.3
Marshall Islands	1999	42	40						
Mauritania	2002	421	378						
Mauritius	2005	1,300	1,700	0.8	15.8	8.4	20.1	4.5	4.2
Mexico	2005	173,200	175,400	3.0	24.7	5.0	20.1	6.9	
Micronesia	1998	161	160						
Moldova	2005	100	100	1.7	9.2	6.2	36.5		0.5
Monaco	1995	518	531						
Mongolia	2004	582	602	5.9	6.3	4.7	22.8	0.3	0.3
Morocco	2005	12,900	16,700	12.9	17.8	3.2	9.3	0.4	
Mozambique		100	1,900						
Myanmar	2005	523.5	769.3	21.5	14.6	5.3	2.0	1.0	
Namibia	2005	1,900	200	9.0	22.4	10.6	7.3	9.0	
Nauru	1996	23.4	64.8						
Nepal	2000	665	1100	10.0	17.8	5.4	5.5	4.6	
Netherlands	2005	291,800	303,700	3.6	10.8	10.4	41.5	0.5	0.4
New Zealand	2005	43,100	37,500	2.9	21.2	16.5	35.9	1.5	
Nicaragua	2005	1,100	1,300						
Niger	2002	320	320						
Nigeria	2005	12,800	13,500						
Norway	2005	176,100	131,300	5.0	6.5	15.9	40.7	0.2	0.3
Oman	2005	14,300	10,600	35.3	15.9	6.6	5.6	6.4	
Pakistan	2005	15,400	18,400	19.9	1.9	0.8	0.2	0.3	
Palau	1999	57.7	80.8						
Panama	2005	3,400	3,900		16.2	18.0	20.6	3.7	

**Table 6: Government Revenues and Expenditures (cont.)**

COUNTRY	YEAR	REVENUES (\$ MILLIONS)	EXPEND. (\$ MILLIONS)	% OF BUDGET EXPENDED ON					ENVIRONMENTAL PROTECTION
				DEFENSE	EDUCATION	HEALTH	SOCIAL SECURITY	HOUSING	
Papua New Guinea	2005	1,300	1,300	2.4	10.0	5.7	1.5	0.4	
Paraguay	2005	1,300	1,300						
Peru	2005	21,800	22,400		6.7	12.6	40.2	0.4	
Philippines	2005	12,300	15,700	4.9	15.5	1.6	4.1	0.2	
Poland	2005	52,700	63,200	3.4	4.8	0.8	51.5	2.0	
Portugal	2005	78,800	90,200						
Qatar	2005	17,300	11,300						
Romania	2005	29,900	31,300	5.1	5.9	15.5	31.4	1.9	
Russia	2005	176,700	125,600	11.4	3.0	1.1	35.1		0.3
Rwanda	2005	509.9	584.6						
Saint Kitts and Nevis	2003	89.7	128.2						
Saint Lucia	2000	141.2	146.7						
Saint Vincent and the Grenadines	2000	200	94.6	85.8		17.5	12.7	10.1	1.6
Samoa	2002	105	119						
San Marino	2000	400	400		9.4	18.1	32.8	2.3	3.2
São Tomé and Príncipe	2005	26.3	59.4						
Sa'udi Arabia	2005	143,700	89,600						
Senegal	2005	1,600	1,900	7.3	13.7	3.5		2.8	
Serbia and Montenegro	2005	11,400	11,100						
Seychelles	2005	343.3	332.2	3.6	9.7	6.3	13.9	2.5	
Sierra Leone	2000	96	351						
Singapore	2005	18,600	18,200	28.5	23.4	5.6	4.2	10.8	
Slovakia	2005	21,400	23,100	4.7	3.4	20.3	33.2	0.8	0.7
Slovenia	2005	16,000	16,700	2.8	13.9	14.9	40.9	0.9	0.9
Solomon Islands	2003	49.7	75.1						
Somalia									
South Africa	2005	65,900	70,600						
Spain	2005	440,900	448,400	3.7	1.6	15.3	39.3	0.1	0.2
Sri Lanka	2005	3,800	5,400	12.6	9.6	6.4	12.3	3.1	
Sudan	2005	6,100	5,700	27.5	7.6	1.0		0.1	
Suriname	2003	400	440						
Swaziland	2005	805.6	957.1	7.6	19.8	8.0	0.4	3.6	
Sweden	2005	210,500	205,900	5.7	6.4	2.9	47.2	0.6	0.5
Switzerland	2005	138,100	143,600	6.2	3.3	0.3	55.3	1.0	
Syria	2005	5,600	6,500	23.6	9.2	2.3	5.3	1.0	
Taiwan	2005	70,900	80,100						
Tajikistan	2005	442.3	542.6	9.4	3.7	1.6	20.3	0.8	
Tanzania	2005	2,200	2,600						
Thailand	2005	30,600	31,700	7.3	22.8	10.7	11.6	3.8	0.1
Togo	2005	251.3	292.9						
Tonga	2000	39.9	52.4						
Trinidad and Tobago	2005	4,500	4,000						
Tunisia	2005	7,300	8,300	4.9	20.1	5.5	21.9	5.1	
Turkey	2005	93,500	115,300	6.7	6.4	3.2	6.3	0.9	
Turkmenistan	2005	1,400	1,500						
Tuvalu	2000	22.5	11.2						
Uganda	2005	1,800	1,900						
Ukraine	2005	22,900	24,400	5.1	7.2	3.1	44.7	0.1	
United Arab Emirates	2005	34,900	29,400	30.1	17.3	7.2	3.2	1.6	
United Kingdom	2005	881,400	951,000	6.9	12.5	17.0	39.8	1.9	1.3
United States	2005	2,100,000	2,400,000	19.1	2.6	23.4	32.0	2.0	
Uruguay	2005	4,400	4,800	4.2	7.6	6.6	56.5	1.6	
Uzbekistan	2005	2,800	2,900						
Vanuatu	2003	52.6	54.3		18.1	9.3		3.7	
Venezuela	2005	39,600	41,200	4.4	18.5	7.6	8.9	3.5	
Vietnam	2005	11,600	12,900		13.7	3.6	10.5		
Yemen	2005	5,600	5,700	18.8	21.8	4.4		1.6	
Zambia	2005	1,600	1,800	3.9	14.4	13.2	1.3	2.3	
Zimbabwe	2005	1,400	1,900	7.1	24.2	8.1	18.2	4.4	

Revenue and expenditure figures are calculated on an exchange rate basis

SOURCE: *World Factbook*, Washington, DC: Central Intelligence Agency, 2005. *Government Finance Statistics Yearbook*, Washington, DC: International Monetary Fund, 2004.

Table 6: Government Revenues and Expenditures (cont.)

COUNTRY	YEAR	REVENUES (\$ MILLIONS)	EXPEND. (\$ MILLIONS)	% OF BUDGET EXPENDED ON					
				DEFENSE	EDUCATION	HEALTH	SOCIAL SECURITY	HOUSING	ENVIRONMENTAL PROTECTION
Grenada	1997	85.8	102.1						
Guatemala	2005	3,300	4,000	4.7	17.6	7.0	0.6	11.2	0.8
Guinea	2005	305.6	590.4						
Guinea-Bissau									
Guyana	2005	320.1	362.6						
Haiti	2005	400	600.8						
Vatican	2002	245.2	260.4						
Honduras	2005	1,600	1,900						
Hungary	2005	51,400	58,300	3.0	5.2	5.8	30.2	0.4	0.5
Iceland	2005	6,900	6,700		10.0	26.2	20.7	0.9	
India	2005	111,200	135,800	14.3	2.2	1.6		4.2	
Indonesia	2005	56,100	58,700	3.0	3.7	1.3	8.6	1.3	
Iran	2005	48,800	60,400	9.3	8.2	6.2	22.6	7.5	0.6
Iraq	2005	19,300	24,000						
Ireland	2005	70,400	69,400	2.9	13.6	16.3	25.9	2.1	
Israel	2005	43,800	58,000	20.2	15.0	12.8	25.6	1.3	0.2
Italy	2005	785,700	861,500						
Jamaica	2005	3,200	3,300	1.7	15.7	6.3	2.5	1.9	0.2
Japan	2005	1,400,000	1,700,000						
Jordan	2005	3,600	4,600	21.7	14.9	10.3	2.4	2.5	3.7
Kazakhstan	2005	1,200	1,200	5.5	3.2	2.6	27.5	1.4	0.4
Kenya	2005	3,700	3,800	8.5	26.1	5.4	6.3	3.0	0.7
Kiribati	2000	28.4	37.2						
Korea (DPRK)									
Korea (ROK)	2005	184,000	187,400	12.5	17.7	0.4	14.3	2.2	
Kuwait	2005	47,200	20,700	17.3	14.8	7.2	20.4	4.8	
Kyrgyzstan	2005	516.3	539.9	7.5	21.7	10.5	10.8	6.1	
Laos	2005	319.3	434.6						
Latvia	2005	5,600	5,800	4.5	6.5	11.2	35.0	1.1	
Lebanon	2005	4,900	6,500	10.3	8.0	3.3	2.0	0.8	0.1
Lesotho	2005	738.5	792.1						
Liberia	2000	85.4	90.5						
Libya	2005	25,300	15,400						
Liechtenstein	1998	424.2	414.1						
Lithuania	2005	8,400	9,100	5.2	7.2	12.1	28.9		0.6
Luxembourg	2005	15,100	15,800	0.8	10.0	12.6	45.2	0.8	1.4
Macedonia	2005	2,100	2,200						
Madagascar	2005	703.6	853		20.7	8.0	1.9		3.9
Malawi	2005	844.6	913.9						
Malaysia	2005	30,500	34,600						
Maldives	2002	224	282	9.0	18.3	10.3	3.2	14.7	
Mali	2002	764	828						
Malta	2005	2,500	2,700	1.6	11.6	11.4	35.2	2.5	0.3
Marshall Islands	1999	42	40						
Mauritania	2002	421	378						
Mauritius	2005	1,300	1,700	0.8	15.8	8.4	20.1	4.5	4.2
Mexico	2005	173,200	175,400	3.0	24.7	5.0	20.1	6.9	
Micronesia	1998	161	160						
Moldova	2005	100	100	1.7	9.2	6.2	36.5		0.5
Monaco	1995	518	531						
Mongolia	2004	582	602	5.9	6.3	4.7	22.8	0.3	0.3
Morocco	2005	12,900	16,700	12.9	17.8	3.2	9.3	0.4	
Mozambique		100	1,900						
Myanmar	2005	523.5	769.3	21.5	14.6	5.3	2.0	1.0	
Namibia	2005	1,900	200	9.0	22.4	10.6	7.3	9.0	
Nauru	1996	23.4	64.8						
Nepal	2000	665	1100	10.0	17.8	5.4	5.5	4.6	
Netherlands	2005	291,800	303,700	3.6	10.8	10.4	41.5	0.5	0.4
New Zealand	2005	43,100	37,500	2.9	21.2	16.5	35.9	1.5	
Nicaragua	2005	1,100	1,300						
Niger	2002	320	320						
Nigeria	2005	12,800	13,500						
Norway	2005	176,100	131,300	5.0	6.5	15.9	40.7	0.2	0.3
Oman	2005	14,300	10,600	35.3	15.9	6.6	5.6	6.4	
Pakistan	2005	15,400	18,400	19.9	1.9	0.8	0.2	0.3	
Palau	1999	57.7	80.8						
Panama	2005	3,400	3,900		16.2	18.0	20.6	3.7	

**Table 7: World Electronic Media Indicators**

COUNTRY	RADIOS PER 1000 PEOPLE	TELEVISION SETS PER 1000 PEOPLE	PERSONAL COMPUTERS PER 1000 PEOPLE	TELEPHONE MAIN LINES	CELLULAR PHONES	INTERNET USERS
Afghanistan	114	14		50,000	600,000	25,000
Albania	260	318	11.7	255,000	1,100,000	75,000
Algeria	244	114	7.7	2,288,000	13,661,000	845,000
Andorra				35,000	51,900	11,000
Angola	78	52	1.9	96,300	1,094,100	172,000
Antigua and Barbuda				38,000	54,000	20,000
Argentina	697	326	82.0	8,700,000	13,512,400	10,000,000
Armenia	264	229	15.8	582,500	203,300	150,000
Australia	1,996	722	565.1	11,660,000	16,480,000	14,189,544
Austria	763	637	369.3	3,791,000	7,990,000	4,650,000
Azerbaijan	22	334		1,025,400	1,456,500	408,000
The Bahamas				139,900	186,000	93,000
Bahrain				191,600	649,800	152,700
Bangladesh	49	59	7.8	831,000	2,781,600	300,000
Barbados				135,700	200,100	150,000
Belarus	199	362		3,284,300	4,098,000	1,600,000
Belgium	793	541	318.1	4,801,000	9,131,700	5,100,000
Belize				33,700	91,700	35,000
Benin	445	12	3.7	72,800	75,100	100,000
Bhutan				30,300	22,000	20,000
Bolivia	671		22.8	625,400	1,800,800	350,000
Bosnia and Herzegovina	243			928,000	1,050,000	225,000
Botswana	150	44	40.7	136,500	823,100	60,000
Brazil	433	369	74.8	42,382,200	65,605,000	25,900,000
Brunei Darussalam				90,000	137,000	56,000
Bulgaria	543		51.9	2,726,800	4,729,700	630,000
Burkina Faso	433	12	2.1	81,400	572,200	53,200
Burundi	220	35	1.8	23,900	153,000	25,000
Cambodia	113	8	2.3	36,400	498,400	41,000
Cameroon	161	75	5.7	110,900	2,259,000	167,000
Canada	1,047	691	487	20,610,000	14,984,400	20,900,000
Cape Verde				73,400	81,700	25,000
Central African Republic	80	6	2.0	10,000	60,000	9,000
Chad	233	2	1.7	13,000	210,000	60,000
Chile	759	523	119.3	3,318,300	9,566,600	5,600,000
China	339	350	27.6	311,756,000	334,824,000	111,000,000
Colombia	548	319	49.3	7,767,000	10,400,600	3,585,688
Comoros				13,200	16,100	8,000
Congo (DROC)	385	2		10,000	2,600,000	50,000
Congo (ROC)	109	13	4.3	13,800	490,000	36,000
Costa Rica	816		197.2	1,343,200	923,100	1,000,000
Côte d'Ivoire	185	61	9.3	238,000	2,190,000	300,000
Croatia	330		173.8	1,887,600	2,553,000	1,014,000
Cuba	185	251	31.8	768,200	75,800	150,000
Cyprus				86,228	143,178	298,000
Czech Republic	803	538	177.4	3,427,700	10,782,600	4,800,000
Denmark	1,400	859	576.8	3,487,800	5,168,000	3,762,500
Djibouti				11,100	34,500	9,000
Dominica				21,000	41,800	18,500
Dominican Republic	181			936,200	2,534,100	800,000
East Timor						1,000
Ecuador	422	252	31.1	1,612,300	3,544,200	624,600
Egypt	339	229	21.9	10,400,000	14,045,134	5,000,000
El Salvador	481	233	25.2	887,800	1,832,600	587,500
Equatorial Guinea				9,600	55,500	5,000
Eritrea	464	53	2.9	39,300	20,000	50,000
Estonia	1,136	507	440.4	444,000	1,255,700	670,000
Ethiopia	189	6	2.2	435,000	178,000	113,000
Fiji				102,000	109,900	61,000
Finland	1,624	679	441.7	2,368,000	4,988,000	3,286,000
France	950	632	347.1	33,870,200	44,551,800	26,214,174
Gabon	488	308	22.4	38,700	489,400	40,000
The Gambia	394	15	13.8	38,400	175,000	49,000
Georgia	568	357	31.6	683,200	840,600	175,600
Germany	570	675	484.7	54,574,000	71,300,000	48,722,055
Ghana	695	53	3.8	313,300	1,695,000	368,000
Greece	466	519	81.7	6,348,800	9,305,700	3,800,000
Grenada				32,700	43,300	8,000

Table 7: World Electronic Media Indicators (cont.)

COUNTRY	RADIOS PER 1000 PEOPLE	TELEVISION SETS PER 1000 PEOPLE	PERSONAL COMPUTERS PER 1000 PEOPLE	TELEPHONE MAIN LINES	CELLULAR PHONES	INTERNET USERS
Guatemala	79	145	14.4	1,132,100	3,168,300	756,000
Guinea Bissau	178	36		10,600	1,300	26,000
Guinea	52	47	5.5	26,200	111,500	46,000
Guyana				102,700	104,600	145,000
Haiti	18	60		140,000	400,000	500,000
Vatican				5,120		
Honduras	411	119	13.6	390,100	707,200	223,000
Hungary	690	475	108.4	3,577,300	8,727,200	3,050,000
Iceland				190,500	290,100	225,000
India	120	83	7.2	67,285,000	69,193,321	50,600,000
Indonesia	159	153	11.9	9,990,000	30,000,000	18,000,000
Iran	281	173	90.5	14,571,100	4,300,000	7,500,000
Iraq	222		8.3	1,034,200	574,000	36,000
Ireland	695	694	420.8	2,019,100	3,780,000	2,060,000
Israel	526	330	242.6	3,000,000	7,222,000	3,200,000
Italy	878		230.7	25,957,000	62,750,000	28,870,000
Jamaica	795	374	53.9	390,700	2,200,000	1,067,000
Japan	956	785	382.2	58,788,000	91,473,900	86,300,000
Jordan	372	177	44.7	617,300	1,594,500	600,000
Kazakhstan	411	338		2,500,000	2,758,900	400,000
Kenya	221	26	6.4	299,300	2,546,200	1,500,000
Kiribati				4,500	500	2,000
Korea (DPRK)	154	160		980,000		
Korea (ROK)	1,034	458	558.0	26,595,100	36,586,100	33,900,000
Kuwait	570	418	162.8	497,000	2,000,000	600,000
Kyrgyzstan	110	49	12.7	416,400	263,400	263,000
Laos	148	52	3.5	90,067	520,546	20,900
Latvia	700	859	188.0	650,500	1,536,700	810,000
Lebanon	182	357	80.5	630,000	888,000	600,000
Lesotho	61	35		37,200	159,000	43,000
Liberia	274			6,900	47,300	1,000
Libya	273		23.4	750,000	127,000	205,000
Liechtenstein				19,900	11,400	20,000
Lithuania	524	487	109.7	820,000	3,421,500	968,000
Luxembourg				360,100	539,000	270,800
Macedonia	205			525,000	830,000	392,671
Madagascar	216	25	4.9	58,700	333,900	90,000
Malawi	499	4	1.5	93,000	222,100	46,100
Malaysia	420	210	166.9	4,446,300	14,611,900	10,040,000
Maldives				31,500	113,200	19,000
Mali	180	33	1.4	74,900	400,000	50,000
Malta				206,500	306,100	301,000
Marshall Islands				5,510	1,198	2,000
Mauritania	148	44	10.8	39,000	522,400	14,000
Mauritius	379	299	116.5	353,800	510,000	180,000
Mexico	330	282	82.0	18,073,200	38,451,100	16,995,400
Micronesia				12,000	12,800	12,000
Moldova	758	296	17.5	863,400	787,000	406,000
Monaco				33,700	19,300	16,000
Mongolia	50	81	77.3	142,300	404,400	200,000
Morocco	243	167	19.9	1,308,600	9,336,900	3,500,000
Mozambique	44	14	4.5	77,600	708,000	138,000
Myanmar	66	7	5.6	424,900	92,500	63,700
Namibia	134	169	99.3	127,900	286,100	75,000
Nauru				1,900	1,500	300
Nepal	39	8	3.7	417,900	116,800	175,000
Netherlands	980	648	466.6	7,861,000	14,800,000	10,806,328
New Zealand	991	574	413.8	1,800,500	3,027,000	3,200,000
Nicaragua	270	123	27.9	214,500	738,600	125,000
Niger	122	10	0.6	24,100	148,300	24,000
Nigeria	200	103	7.1	1,027,500	9,147,200	1,769,700
Norway	3,324	884	528.3	2,228,000	4,163,400	3,140,000
Oman	621	553	35.0	242,700	805,000	245,000
Pakistan	105	150	4.2	4,502,200	5,022,900	7,500,000
Palau				6,700	1,000	
Panama	300	191	38.3	376,100	855,900	300,000
Papua New Guinea	86	23	58.7	62,000	15,000	170,000
Paraguay	188		34.6	280,800	1,770,300	150,000

**Table 7: World Electronic Media Indicators (cont.)**

COUNTRY	RADIOS PER 1000 PEOPLE	TELEVISION SETS PER 1000 PEOPLE	PERSONAL COMPUTERS PER 1000 PEOPLE	TELEPHONE MAIN LINES	CELLULAR PHONES	INTERNET USERS
Peru	269	172	43.0	2,049,800	4,092,600	4,570,000
Philippines	161	182	27.7	3,437,500	32,935,900	7,820,000
Poland	523	229	142.0	12,458,000	29,260,000	10,600,000
Portugal	299	413	134.4	4,238,300	10,362,100	6,090,000
Qatar				190,900	490,300	165,000
Romania	358	697	96.6	4,389,100	10,215,400	4,500,000
Russia	418		88.7	39,616,000	74,420,000	23,700,000
Rwanda	85			23,200	138,700	38,000
Saint Kitts and Nevis				25,000	10,000	10,000
Saint Lucia				51,100	93,000	55,000
Saint Vincent and the Grenadines				19,000	57,000	8,000
Samoa				13,300	10,500	6,000
San Marino				20,600	16,800	14,300
São Tomé and Príncipe				7,000	4,800	20,000
Saudi Arabia	326	265	130.2	3,695,100	9,175,800	2,540,000
Senegal	126	78	21.2	244,900	1,121,300	482,000
Serbia and Montenegro	297		27.1			
Seychelles				21,200	54,500	20,000
Sierra Leone	259	13		24,000	113,200	2,005
Singapore	672	303	622.0	1,847,800	4,256,800	2,421,800
Slovakia	965	409	180.4	1,250,400	4,275,200	2,276,000
Slovenia	405	366	300.6	812,300	1,739,100	950,000
Solomon Islands				6,200	1,500	8,400
Somalia	60	14		200,000	500,000	89,000
South Africa	336	177	72.6	4,844,000	19,500,000	3,600,000
Spain	330	564	196.0	17,934,500	38,646,800	17,142,198
Sri Lanka	215	117	13.2	1,130,923	3,084,845	280,000
Sudan	461	386	6.1	1,028,900	1,048,600	1,140,000
Suriname				81,300	212,800	30,000
Swaziland	162	34	28.7	46,200	113,000	36,000
Sweden	2,811	965	621.3	6,447,000	9,775,000	6,800,000
Switzerland	1,002	552	708.7	5,262,600	6,275,000	4,944,438
Syria	276	182	19.4	2,660,000	2,345,000	800,000
Taiwan				13,529,900	25,089,600	13,800,000
Tajikistan	141	357		245,200	47,600	5,000
Tanzania	406	45	5.7	149,100	1,640,000	333,000
Thailand	235	300	39.8	6,797,000	27,379,000	8,420,000
Togo	263	123	32.0	60,600	220,000	221,000
Tonga				11,200	9,000	3,000
Trinidad and Tobago	534	345	79.5	321,300	651,200	160,000
Tunisia	158	207	40.5	1,203,500	3,563,000	835,000
Turkey	470	423	44.6	19,125,200	34,707,500	5,500,000
Turkmenistan	279	182		376,100	52,000	36,000
Tuvalu				700	0	1,300
Uganda	122	18	4.0	71,600	1,165,000	200,000
Ukraine	889		19.0	12,142,000	13,735,000	5,278,100
United Arab Emirates	309	252	129.0	1,187,700	3,683,100	1,384,800
United Kingdom	1,445	950	405.7	32,943,000	61,091,000	37,800,000
United States	2,109	938	658.9	268,000,000	194,479,364	203,824,428
Uruguay	603		110.1	1,000,000	652,000	680,000
Uzbekistan	456	280		1,717,100	544,100	880,000
Vanuatu				6,800	10,500	7,500
Venezuela	292	186	60.9	3,346,500	8,421,000	3,040,000
Vietnam	109	197	9.8	10,124,900	4,960,000	5,870,000
Yemen	65	308	7.4	798,100	1,072,000	220,000
Zambia	179	51	8.5	88,400	300,000	231,000
Zimbabwe	362	56	52.7	317,000	423,600	820,000

SOURCE: *World Development Indicators*, Washington, DC: The World Bank, 2005. *World Factbook*, Washington, DC: Central Intelligence Agency, 2006.

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This bibliography is arranged in two parts. Part I presents sources on the United Nations and its agencies. Part II lists sources that provide information on the individual countries of the world.

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# INDEX TO COUNTRIES AND TERRITORIES

This alphabetical list includes countries and dependencies (colonies, protectorates, and other territories) described in the encyclopedia. Countries and territories described in their own articles are followed by the continental volume (printed in *italics*) in which each appears. Country articles are arranged alphabetically in each volume. For example, Argentina, which appears in *Americas*, is listed this way: Argentina—*Americas*. Dependencies are listed here with the title of the volume in which they are treated, followed by the name of the article in which they are dealt with. In a few cases, an alternative name for the same place is given in parentheses at the end of the entry. The name of the volume *Asia and Oceania* is abbreviated in this list to *Asia*.

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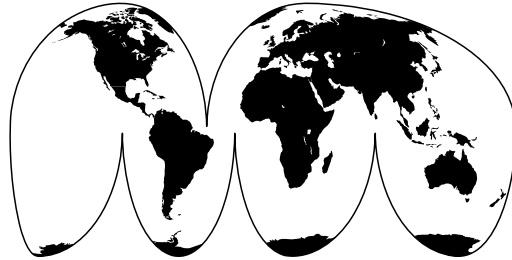
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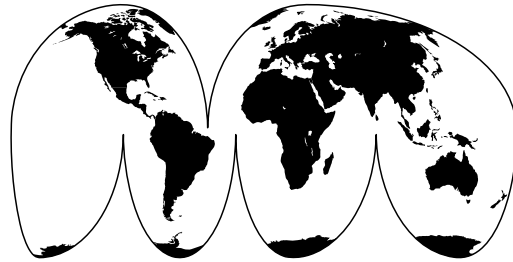
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# READER'S GUIDE

**GENERAL NOTE:** The Twelfth Edition of *Worldmark Encyclopedia of the Nations* (WEN) is comprised of five volumes. Volume 1 is dedicated to the United Nations and its related agencies. Volumes 2 through 5, “Africa,” “Americas,” “Asia and Oceania,” and “Europe,” contain entries on the countries of the world.

Reflecting the ever-changing status of the world geopolitical situation, the Twelfth Edition includes entries for 194 countries, one more than the previous edition. This reflects the 2006 decision of Montenegro to dissolve its relationship with Serbia to become an independent nation in its own right. Seven entries describe dependencies. This edition no longer includes volume 6, which was entitled *World Leaders*.

Some notable changes in previous editions include the Eleventh Edition's inclusion of an entry on East Timor, coverage of the aftermath of the terrorist attacks of 11 September 2001, and the expansion of the European Union and the North Atlantic Treaty Organization (NATO). Changes in the Tenth Edition included recording of the change in status for Macau; as of December 1999 Macau came under Chinese authority, and thus Macau was incorporated into the China entry (previously it was described under Portuguese Asian Dependency). Similarly, the entry for United Kingdom Asian Dependency (Hong Kong) was eliminated with the Ninth Edition; as of 1997 Hong Kong came under Chinese authority and, like Macau, is described in that country's entry. Also with the Tenth Edition, the introduction of the euro as currency in the nations of the European Union was noted. The Eighth Edition of this encyclopedia (1995) reported on the dramatic changes in the world in the early 1990s, including the dissolution of the USSR, Czechoslovakia, and Yugoslavia; the unification of Germany; the unification of Yemen; and the independence of Eritrea. These changes resulted in twenty-five new country articles. Whereas the First Edition of the *Worldmark Encyclopedia of the Nations*, in one volume, contained 119 articles, the present Twelfth Edition now contains 201.

In compiling data for incorporation into the *Worldmark Encyclopedia of the Nations*, substantial efforts were made to enlist the assistance of the government of every nation in the world, as well as of all pertinent UN agencies, who cooperated by supplying data and by revising and updating materials relevant to their sphere of interest. Material received from official sources was reviewed and critically assessed by the editors as part of the process of incorporation. Materials and publications of the UN family and of intergovernmental and nongovernmental organizations throughout the world provided a major fund of geographic, demographic, economic, and social data.

In compiling historical, economic, and political data, primary materials generated by governments and international agencies were supplemented by data gathered from numerous other sources including newspapers (most notably *The European*, the *Financial Times*, the *New York Times*, and the *Wall Street Journal*); periodicals (most notably *Current History*, *Elections Today*, *The Economist*, the *Far Eastern Economic Review*, *Foreign Affairs*, and *World Press Review*); and thousands of World Wide Web sites hosted by government agencies and embassies.

The reader's attention is directed to the Glossary of Special Terms for explanations of key terms and concepts essential to a fuller understanding of the text.

**COUNTRY NAMES:** Country names are reported (as appropriate) in three forms: the short-form name (generally conformed to the U.S. Central Intelligence Agency's *World Factbook 2006*), as commonly used in the text; the English version of the official name (generally conformed to the United Nations list of country names); and the official name in the national language(s). When necessary, textual usages of some short-form names have been rectified, usually through the substitution of an acronym for the official name, in order to strike a better balance between official usages and universal terminology. Thus the following short-form names have been adopted throughout (except in historical context to preserve accuracy): DROC (Democratic Republic of the Congo—known as Zaire prior to the Ninth Edition); ROC (Republic of the Congo); FRG (Federal Republic of Germany); North Korea: DPRK (Democratic People's Republic of Korea); and South Korea: ROK (Republic of Korea). In addition, Vietnam has replaced Viet Nam to reflect common usage.

**MAPS:** Spellings on the individual country maps reflect national usages and recognized transliteration practice. To clarify national boundaries and landforms, dark shading has been applied to waters, and lighter shading to lands not within that nation's jurisdiction. Cross-hatching has been used to designate certain disputed areas. Rivers that run dry during certain times of the year are indicated by dashed instead of solid lines.

**FLAGS AND NATIONAL EMBLEMS:** All depictions of flags, flag designations, and national emblems have been reviewed and, where necessary, corrected or changed to reflect their official usage as of 2006. In general, the term “national flag” denotes the civil flag of the nation.

**CURRENCY:** In most cases, currency conversion factors cited in the Twelfth Edition are as of the first quarter of 2006.

**WEIGHTS AND MEASURES:** The general world trend toward adoption of the metric system is acknowledged through the use of metric units and their nonmetric (customary or imperial) equivalents throughout the text. The two exceptions to this practice involve territorial sea limits, which are reported in nautical miles, and various production data, for which (unless otherwise stated) units of measure reflect the system in use by the country in question. All tons are metric tons (again, unless otherwise indicated), reflecting the practice of the UN in its statistical reporting.

**HOLIDAYS:** Except where noted, all holidays listed are official public holidays, on which government offices are closed that would normally be open. Transliterations of names of Muslim holidays have been standardized. For a fuller discussion on these points, and for a description of religious holidays and their origins and meanings, see the Glossary of Religious Holidays in this volume.

**GEOGRAPHIC INFORMATION:** To update the sections on Location, Size, and Extent; Topography, Climate, Flora and Fauna, and Environment, the following print publications (and their publishers) were used: *Geo-Data: The World Geographical Encyclopedia* (Gale Group), *World Development Indicators 2005* (The World Bank), and *World Resources* (Oxford University Press). Additional data was acquired from these websites: Library of Congress, *Country Studies: Country Profiles* (<http://lcweb2.loc.gov/frd/cs/profiles.html>); *Ramsar Convention on Wetlands* (<http://www.ramsar.org>); *UNESCO World Heritage Centre* (<http://www.whc.unesco.org>); *United Nations Environment Programme* (<http://www.unep.org>); *Weather Channel: Averages and Records* (<http://www.weather.com/common/home/climatology.html>); *World Conservation Union: Species Survival Commission* (<http://www.iucn.org/themes/ssc>); *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>).

**POPULATION DATA:** Data for the four rubrics describing population (Population, Migration, Ethnic Groups, Languages) were compiled from numerous publications of the U.S. Department of State, the World Bank, the United Nations, and the Organization for Economic Co-Operation and Development (OECD), specifically its publication *Trends in International Migration*. Also consulted were *The State of the World's Refugees* (Oxford University Press) and *International Committee of the Red Cross Annual Report* (International Committee of the Red Cross)

**RELIGIONS:** Data for this section were compiled in large part from the *2005 International Religious Freedom Report* released by the Bureau of Democracy, Human Rights, and Labor, U.S. Department of State. This is an annual report to Congress compiled in compliance with Section 102(b) of the International Religious Freedom Act (IRFA) of 1998. The *2005 Report* covers the period from 1 July 2004 to 30 June 2005 and includes the work of hundreds of State Department, Foreign Service, and other U.S. government employees. The authors gathered information throughout this period from a variety of sources, including government and religious officials, nongovernmental organizations, journalists, human rights monitors, religious groups, and academics.

**TRANSPORTATION:** Sources consulted for updated information on transportation include publications of the American Automobile Manufacturers Association, the International Road Transport Union, specifically its publication *World Transport Data*, and the *World Factbook 2006*.

**HISTORY:** In writing the History rubric, a variety of news and background information sources on each country were used. Full country profiles—including information on the history, economy, political institutions, and foreign relations on most nations of the world—are provided by the U.S. Library of Congress and by the U.S. Department of State; similar formats are published by the *BBC News International* version and *The Economist's* Country Briefings feature. In consulting news sources for up-to-date information on events, only reported facts (not editorials) were used. The *New York Times* and the *Washington Post* are more comprehensive than the *Wall Street Journal*, whose focus is placed on financial and business news. While the website of the United Nations was used extensively in compiling Volume 1 “United Nations,” of the *Worldmark Encyclopedia of the Nations*, its coverage of such problems as politics in the Middle East and global terrorism pertained to and supported the updating of history rubrics of a number of countries. Other organizations that publish journals or studies on global current events, foreign policy, international relations, and human rights include Amnesty International; Human Rights Watch; *Foreign Affairs*, published by the Council on Foreign Relations; and *Great Decisions*, published by the Foreign Policy Association. In addition, the

official websites of each nation were consulted critically for information that could be gleaned from a state's view of its own history and place in the world.

**GOVERNMENT:** The Government rubric is constructed by outlining the institutions of government as they were formed throughout a nation's modern history, up to those existing under the present constitution. *Countries of the World and Their Leaders Yearbook 2006* (Thomson Gale) outlines the form of government and provides information on political conditions.

The U.S. Library of Congress and the U.S. Department of State chronicle constitutional changes and also provide information on the form of government. Electionworld and the *World Factbook 2006* provide information on officeholders in place at the time of publication. The *BBC News International* "Country Profiles" cover current leaders and their political parties, and *The Economist* is comprehensive in its coverage of political structures and political forces in place and at work in the nations it profiles. The official government websites of individual nations were also consulted.

**POLITICAL PARTIES:** *Countries of the World and Their Leaders Yearbook 2006* not only lists the political parties present in each nation, but provides additional information on the political parties in its "History" and "Government and Political Conditions" sections. *The Economist* also has sections in its country briefings labeled "political structure" and "political forces," which describe the political climate of each nation the magazine profiles. In addition, *The Economist* provides a brief history of the nation, which often includes the history of political parties. Editors reviewed the profiles of selected nations prepared by the U.S. Library of Congress, which include comprehensive coverage of politics and political parties. The *World Factbook 2006* was consulted for a list of political parties, and often, their leaders. The website, Electionworld.org, describes the major political parties and their leaders, and also lists minor and defunct parties. Political Resources on the Net, a website, compiles links to a variety of sites useful to the researcher with a critical eye.

**LOCAL GOVERNMENT:** *Countries of the World and Their Leaders Yearbook 2006* lists the administrative subdivisions in each nation of the world; as does the U.S. State Department in its *Background Notes*, and the U.S. Central Intelligence Agency in its *World Factbook 2006*. *The Economist* was consulted for a description of regional legislatures. The U.S. Library of Congress "Country Profiles" briefings describe administrative divisions and provincial and local government.

**JUDICIAL SYSTEM:** *Countries of the World and Their Leaders Yearbook 2006*, *Background Notes*, and the *World Factbook 2006* all provided basic information on each nation's judicial system. *The Economist* was consulted for a description of the legal systems of each nation it profiles. The U.S. Library of Congress "Country Profiles" briefings provided more in-depth detail about judicial power and structure in the nations it profiles. Jurist, a web-based legal news and real-time legal research service based out of the University of Pittsburgh School of Law in Pittsburgh, Pennsylvania, was consulted as well for concise information on each nation it profiles.

**ARMED FORCES:** Statistical data on armed forces was compiled from the *World Factbook 2006*, *The Military Balance* (The International Institute for Strategic Studies), the *SIPRI Yearbook* (Stockholm International Peace Research Institute), and other print and online sources including *Current World Nuclear Arsenals* maintained by the Center for Defense Information.

**INTERNATIONAL COOPERATION:** This section was updated using data provided by news agencies and the following websites: *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>) and *Background Notes* (<http://www.state.gov/r/pa/ei/bgn>).

**ECONOMY:** In addition to numerous official online sources, data on the economies of the world were compiled from the most recent editions of the following U.S. government publications: *National Trade Estimate on Foreign Trade Barriers*, *Country Commercial Guides*, and *Economic Policy and Trade Practices*. *The Economist* was consulted for detailed information on economic structures and select indicators in its "Country Profiles" archive; it also included economic and political forecasts for the nations it profiled. The U.S. Library of Congress "Country Profiles" provided a brief historical overview of the economies of the countries it profiled, in addition to detailing the current state of various sectors of those economies. *The Index of Economic Freedom* (Heritage Foundation) was also consulted for its measurement of independent variables into broad factors of economic freedom.

**INCOME:** Statistics on national income were obtained from sources published by the United Nations, The World Bank, and the U.S. Central Intelligence Agency (CIA). CIA figures are for gross domestic product (GDP), defined as the value of all final goods and services produced within a nation in a given year. In most cases, CIA figures are given in purchasing power parity terms.

**LABOR:** Labor statistics were compiled from *World Employment* and *Yearbook of Labour Statistics* (International Labour Office—ILO) and the ILO’s website *Child Labor Statistics by Country* (<http://www.ilo.org/public/english/standards/ipecc/simpoc/countries.htm>); the World Bank publication *World Development Indicators 2004*; and the U.S. State Department’s *Human Rights Reports 2005*.

**AGRICULTURE, FISHING AND FORESTRY:** In addition to government sources, statistical data for these sections was compiled from the following yearbooks published by the Food and Agriculture Organization of the United Nations: *Trade; Fishery Statistics: Commodities; Fisheries; Production; Agriculture; and Forest Products*.

**MINING:** Data on mining and minerals production came from various online sources and from statistics compiled by the Minerals Information office of the U.S. Geological Survey, U.S. Department of the Interior, including Volume III of the *Minerals Yearbook*. This volume of the *Minerals Yearbook* is published both electronically on the Internet and in various print formats available from the U.S. Government Printing Office Superintendent of Documents. The *Yearbook* provides an annual review of mineral production and trade and of mineral-related government and industry developments in more than 175 countries.

**ENERGY AND POWER:** Key sources consulted include *Country Analysis Briefs* (U.S. Energy Information Administration, U.S. Department of Energy), *Key World Energy Statistics* (International Energy Agency), and *World Development Indicators* (The World Bank).

**INDUSTRY :** The primary source material for the Industry rubric was the U.S. State Department’s *Country Commercial Guides*, which provide a comprehensive look at countries’ commercial environments, using economic, political, and market analysis. *Background Notes* were consulted for the information on the industrial history and climate of each country profiled. Also useful was information contained in the “Country Profiles” published by the U.S. Library of Congress. The *World Factbook 2006* provides a list of key economic indicators. *The Economist* and, to a lesser extent, *BBC News* were useful in providing background material for the Industry rubric.

**SCIENCE AND TECHNOLOGY:** The following print sources were consulted: *The Nature Yearbook of Science and Technology* (Palgrave Macmillan Publishers Ltd.); *NIRA’s World Directory of Think Tanks* (National Institute for Research Advancement); in addition, the following websites were accessed: *International Science and Technology Activity* (maintained by Industry Canada, Government of Canada); *Economics Departments, Institutes, and Research Centers in the World* (maintained by the Department of Economics, University of Connecticut); *Science and Technology Statistics* (maintained by UNESCO Institute for Statistics); *World Development Indicators* (maintained by The World Bank); and *Annual Statistics* (patent and trademark information, maintained by the World Intellectual Property Organization).

**DOMESTIC TRADE:** Source material for the Domestic Trade rubric came from the U.S. State Department’s *Country Commercial Guides*, *Background Notes*, and the United Nations publication, *International Trade Statistics Yearbook*. Also used was information contained in the “Country Profiles” published by the U.S. Library of Congress. *The Economist* and, to a lesser extent, the *BBC* were consulted in providing background material for the Domestic Trade rubric. The World Bank’s service “Doing Business” database and the U.S. Commercial Service’s “Buy USA” website were consulted for information on conducting business in a nation, which included business hours and business regulations. Finally, most nations’ government websites provided information on domestic trade.

**FOREIGN TRADE:** Sources consulted included *2005 International Trade Statistics Yearbook* (Department of Economic and Social Affairs, Statistics Division, United Nations) and *Direction of Trade Statistics* (Real Sector Division, IMF Statistics Department, International Monetary Fund). The U.S. Department of State’s *Country Commercial Guides* and *Background Notes* were also used. *The Economist* and the *World Factbook 2006* were consulted in listing import and export partners and key products traded. Various UN bodies—such as UNCTAD and UNESCO—provided up-to-date trade statistics.

**BALANCE OF PAYMENTS:** Balance of payments tables were computed from the International Monetary Fund’s *Balance of Payments Statistics Yearbook*. In some cases, totals are provided even though not all components of those totals have been reported by the government of the country. Accordingly, in some instances numbers in the columns may not add to the total. Supplementing the IMF’s *Balance of Payments Statistics Yearbook* were *The Economist*’s “Country Briefings,” the *World Factbook 2006*, and information taken from the U.S. State Department, in particular, the *Country Commercial Guides*. “Country Profiles” from the U.S. Library of Congress were also used. Also consulted was the United Nations publication *National Accounts Statistics: Main Aggregates and Detailed Tables*.

**BANKING AND SECURITIES:** Statistical data on securities listings and market activity was compiled in part from *Emerging Stock Markets Factbook, 2005* (Standard and Poor’s) as well as from the websites *Country*

*Forecasts* (www.countrywatch.com) and *International Banking Statistics* (www.bis.org/statistics/bankstats.htm). Various websites specific to the individual countries of the world were also consulted.

**INSURANCE:** Primary sources for information on insurance include the online resources of the Insurance Information Institute, Rowbotham and Co. LLP, PricewaterhouseCoopers, the Swiss Reinsurance Company, and J. Zakhour & Co., as well as numerous national websites dealing with insurance.

**PUBLIC FINANCE:** In addition to official government websites, analytical reports from the U.S. Department of Commerce, and news reports, the following publications were consulted for standardized statistical data: *World Factbook 2006*, *International Financial Statistics Yearbook, 2002* (International Monetary Fund), and *Government Finance Statistics Yearbook, 2002* (International Monetary Fund).

**TAXATION:** Information on Taxation was compiled from country data sheets published by international accounting firms (Deloitte and Ernst & Young). Additional information was obtained from the U.S. Commerce Department and the government websites of the countries of the world.

**CUSTOMS AND DUTIES:** Information on Customs and Duties was compiled from country data sheets published by the accounting firms of Deloitte and Ernst & Young. Additional information was obtained from the U.S. Commerce Department, the World Trade Organization and the government website of the countries of the world.

**FOREIGN INVESTMENT:** Source material for the Foreign Investment rubric included the U.S. State Department's *Country Commercial Guides*, which provided a comprehensive analysis of the foreign direct investment environments of the countries of the world, as did the World Bank publication, *A Better Investment Climate for Everyone*. The International Monetary Fund's publications *International Financial Statistics Yearbook* and *Balance of Payments Statistics Yearbook*, and the U.S. State Department's *Background Notes* were consulted for the information on foreign direct investment. Also used was information contained in the "Country Profiles" published by the U.S. Library of Congress. *The Economist* was consulted in providing basic FDI figures and other relevant data.

**ECONOMIC DEVELOPMENT:** Source material for the Economic Development rubric included the U.S. State Department's *Country Commercial Guides* and *Background Notes*. *The Economist* was consulted for economic and political forecasts for selected nations. The U.S. Library of Congress "Country Profiles" provided a brief historical overview of the economies of the countries profiled, in addition to detailing the current state of various sectors of those economies. The *Index of Economic Freedom* was also consulted for its broad description of economic freedom and development. Information on foreign aid was taken from the print publications and websites of the International Monetary Fund, World Bank, and the United States Agency for International Development (USAID).

**SOCIAL DEVELOPMENT:** Publications consulted in the preparation of this rubric include *2005 Country Reports on Human Rights Practice* (<http://www.state.gov/g/drl/rls/hrrpt/2005/index.htm>), *International Save the Children Alliance Annual Report 2004* (Cambridge House), *The State of the World's Children* (Oxford University Press), and the *World Development Report* (Oxford University Press). Additional information was obtained from country-specific websites and general news publications.

**HEALTH:** Statistical sources consulted include *Country Health Briefing Papers* (a series of reports produced by IHSD Limited and DFID Health Systems Resource Centre for the United Kingdom Department for International Development); *Health Care Systems in Transition* (European Observatory on Health Care Systems, World Health Organization Regional Office for Europe); *Health in the Americas*, Volume II (Pan American Health Organization, World Health Organization) as well as numerous websites on the individual nations of the world. In addition, country-specific health profiles published by the World Health Organization and the World Bank were consulted.

**HOUSING:** The latest government population and housing census information available was used for each country through access of official government websites. Also of use was the World Bank publication *World Development Indicators 2005*. Topics accessed on the World Bank's website included *Countries and Regions*, *Urban Development*, and *Housing and Land*. Other websites consulted included Habitat for Humanity (<http://www.habitat.org>), United Nations Human Settlements Programme (<http://unhabitat.org>) and the U.S. Agency for International Development (USAID—<http://www.usaid.gov>). USAID topics accessed included *Locations* and *Urban Programs*.

**EDUCATION:** Data on Education was obtained from various UNESCO publications including *World Education Report*, *Global Education Digest*, *Education for All Global Monitoring Report 2005*, and the UNESCO *Statistical Yearbook*. Also consulted was *EdStats* compiled by the World Bank (<http://devdata.worldbank.org/edstats/>), the *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>), the UNESCO

website's *Country and Regional Profiles* (<http://www.uis.unesco.org/profiles/>), and *World Data on Education* (International Bureau of Education).

**LIBRARIES AND MUSEUMS:** Some information concerning libraries and museums was accessed through official government websites of various countries when links were available to tourism, education, and/or cultural ministries or departments. In addition, the following websites were consulted: American Library Association (<http://www.ala.org>); International Federation of Library Associations and Institutions (<http://www.ifla.org>); Museums of the World (<http://www.museum.com>); and United Nations Educational, Scientific, and Cultural Organization (<http://www.unesco.org>).

**MEDIA:** Primary sources for this section include the annual *Editor & Publisher* publication *International Year Book*, online data provided by UNESCO, and the media sections of the "Country Profiles" featured on the website of *BBC News*. The UNESCO profiles provide key statistics and indicators on education, science and technology, and culture and communication. In addition, government and other websites related to the countries of the world were consulted. Additional sources consulted include the publications *World Development Indicators 2005* (World Bank), *World Media Handbook* (United Nations), *World Factbook 2006*, and *2005 Country Reports on Human Rights Practices*.

**ORGANIZATIONS:** Lists of member countries were obtained through the official websites of a variety of prominent international organizations and associations, such as the International Federation of Red Cross and Red Crescent Societies, Amnesty International, Kiwanis International, the World Alliance of YMCAs, the World Organization of the Scout Movement, etc. *Associations Unlimited* (Thomson Gale) was also consulted.

**TOURISM, TRAVEL, AND RECREATION:** Statistical sources consulted include *Yearbook of Tourism Statistics* and *Compendium of Tourism Statistics*, both published by the World Tourism Organization. Tourism websites of the individual countries were also consulted, as well as the United Nations publication *Schedule of Daily Subsistence Allowance Rates* and the U.S. Department of State per diem travel allowances published online at [www.state.gov/r/pa/ei/bgn](http://www.state.gov/r/pa/ei/bgn).

**FAMOUS PERSONS:** Entries are based on information available through March 2006. Where a person noted in one country is known to have been born in another, the country (or, in some cases, city) of birth follows the personal name in parentheses.

**DEPENDENCIES:** Source material for the Dependencies rubric was taken from *Background Notes* and from the website of the United Nations. The Library of Congress's "Country Profiles" archive provided up-to-date information on dependencies. *The Economist* and the website of *BBC News* were also consulted, as was *Countries of the World and Their Leaders Yearbook 2006*.

**BIBLIOGRAPHY:** Bibliographical listings at the end of country articles are provided as a guide to further reading on the country in question and are not intended as a comprehensive listing of references used in research for the article. Effort was made to provide a broad sampling of works on major subjects and topics as covered by the article; the bibliographies provide, wherever possible, introductory and general works for use by students and general readers, as well as classical studies, recent contributions, and other works regarded as seminal by area specialists. The country article bibliographies were supplemented with information obtained from a search conducted in July 2006. An extensive bibliography listing key references related to the facts in this encyclopedia follows. However, it is not a complete listing since many fact sheets, brochures, World Wide Websites, and other informational materials were not included due to space limitations.

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# GUIDE TO COUNTRY ARTICLES

All information contained within a country article is uniformly keyed by means of small superior numerals to the left of the subject headings. A heading such as "Population," for example, carries the same key numeral (6) in every article. Thus, to find information about the population of Albania, consult the table of contents for the page number where the Albania article begins and look for section 6 thereunder. Introductory matter for each nation includes coat of arms, capital, flag (descriptions given from hoist to fly or from top to bottom), anthem, monetary unit, weights and measures, holidays, and time zone.

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## FREQUENTLY USED ABBREVIATIONS AND ACRONYMS

AD—Anno Domini	fl.—flourished	m <sup>3</sup> —cubic meter(s)	rev. ed.—revised edition
AM—before noon	FRG—Federal Republic of Germany	mi—mile(s)	s—south
b.—born	ft—foot, feet	Mt.—mount	sq—square
BC—Before Christ	ft <sup>3</sup> —cubic foot, feet	Mw—megawatt(s)	St.—saint
c—Celsius	GATT—General Agreement on Tariffs and Trade	N—north	UK—United Kingdom
c.—circa (about)	GDP—gross domestic products	n.d.—no date	UN—United Nations
cm—centimeter(s)	gm—gram	NA—not available	US—United States
Co.—company	GMT—Greenwich Mean Time	oz—ounce(s)	USSR—Union of Soviet Socialist Republics
Corp.—corporation	GNP—gross national product	PM—after noon	w—west
cu ft—cubic foot, feet	GRT—gross registered tons	r.—reigned	
cu m—cubic meter(s)	ha—hectares		
d.—died	i.e.—id est (that is)		
E—east	in—inch(es)		
e—evening	kg—kilogram(s)		
e.g.— <i>exempli gratia</i> (for example)	km—kilometer(s)		
ed.—edition, editor	kw—kilowatt(s)		
est.—estimated	kwh—kilowatt-hour(s)		
et al.— <i>et alii</i> (and others)	lb—pound(s)		
etc.— <i>et cetera</i> (and so on)	m—meter(s); morning		
F—Fahrenheit			

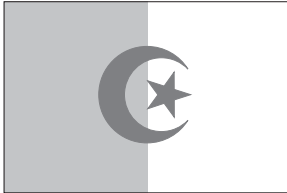
A fiscal split year is indicated by a stroke (e.g. 1998/99).  
For acronyms of UN agencies and their intergovernmental organizations, as well as other abbreviations used in text, see the United Nations volume.  
A dollar sign (\$) stands for US\$ unless otherwise indicated.  
Note that 1 billion = 1,000 million.



# ALGERIA

Democratic and Popular Republic of Algeria

*Al-Jumhuriyah al-Jaza'iriyah ad-Dimuqratiyah ash-Sha'biyah*



**CAPITAL:** Algiers (Alger)

**FLAG:** The national flag consists of two equal vertical stripes, one green and one white, with a red crescent enclosing a five-pointed red star in the center.

**ANTHEM:** *Kassaman (We Pledge)*.

**MONETARY UNIT:** The Algerian dinar (DA) is a paper currency of 100 centimes. There are coins of 1, 2, 5, 10, and 50 centimes and 1, 5 and 10 dinars, and notes of 10, 20, 50, 100, and 200 dinars. DA1 = \$0.01395 (or \$1 = DA71.67) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; Overthrow of Ben Bella, 19 June; Independence Day, 5 July; Revolution Day, 1 November. Muslim religious holidays include 'Id al-Fitr, 'Id al-'Adha, 1st of Muharram (Muslim New Year), and Milad an-Nabi. Christians observe their own religious holidays.

**TIME:** GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in northwestern Africa along the Mediterranean Sea, Algeria is the second-largest country on the continent. Comparatively, it is slightly less than 3.5 times the size of Texas, with a total area of 2,381,740 sq km (919,595 sq mi). Extending about 2,400 km (1,500 mi) E–W and 2,100 km (1,300 mi) N–S, Algeria is bounded on the N by the Mediterranean Sea, on the E by Tunisia and Libya, on the SE by Niger, on the SW by Mali, on the W by Mauritania, and on the W and NW by the Western Sahara and Morocco; the total boundary length is 6,343 km (3,933 mi). Land boundary and claims disputes with Libya were unresolved as of late 2002.

Algeria's capital city, Algiers, is located on the northern boundary of the country on the Mediterranean Sea.

## <sup>2</sup> TOPOGRAPHY

The parallel mountain ranges of the Tell or Maritime Atlas, comprising coastal massifs and northern inland ranges, and the Saharan Atlas divide Algeria into three basic longitudinal zones running generally east–west: the Mediterranean zone or Tell; the High Plateaus, including the regions of Great and Small Kabilia; and the Sahara Desert, accounting for at least 80% of Algeria's total land area. About half of Algeria is 900 m (3,000 ft) or more above sea level, and about 70% of the area is from 760 to 1,680 m (2,500 to 5,500 ft) in elevation. The highest point is Mount Tahat (3,003 m/9,852 ft), in the Ahaggar Range of the Sahara.

Only the main rivers of the Tell have water all year round, and even then the summer flow is small. None of the rivers are navigable. The mountainous areas of the High Plateaus are poorly watered; most of the rivers and streams (oueds) flow irregularly, since they depend for water upon an erratic rainfall. In the High Plateaus are many salt marshes and dry or shallow salt lakes (sebkhas or shotts). Farther south, the land becomes increasingly arid, merging into the completely dry desert.

Farther south, the land becomes increasingly arid, merging into the completely dry desert.

Algeria lies on the African Tectonic Plate. Northwestern Algeria is a seismically active area. Earthquakes on 10 October 1980 in a rural area southwest of Algiers left over 2,500 persons dead and almost 100,000 homeless.

## <sup>3</sup> CLIMATE

Northern Algeria lies within the temperate zone, and its climate is similar to that of other Mediterranean countries, although the diversity of the relief provides sharp contrasts in temperature. The coastal region has a pleasant climate, with winter temperatures averaging from 10° to 12°C (50° to 54°F) and average summer temperatures ranging from 24° to 26°C (75° to 79°F). Rainfall in this region is abundant—38 to 69 cm (15 to 27 in) per year, and up to 100 cm (40 in) in the eastern part—except in the area around Oran (Ouahran), where mountains form a barrier against rain-carrying winds. When heavy rains fall (often more than 3.8 cm/1.5 in within 24 hours), they flood large areas and then evaporate so quickly that they are of little help in cultivation.

Farther inland, the climate changes; winters average 4° to 6°C (39° to 43°F), with considerable frost and occasional snow on the massifs; summers average 26° to 28°C (79° to 82°F). In this region, prevailing winds are westerly and northerly in winter and easterly and northeasterly in summer, resulting in a general increase in precipitation from September to December and a decrease from January to August; there is little or no rainfall in the summer months.

In the Sahara Desert, temperatures range from -10° to 34°C (14° to 93°F), with extreme highs of 49°C (120°F). There are daily variations of more than 44°C (80° F). Winds are frequent and violent. Rainfall is irregular and unevenly distributed.

## 4 FLORA AND FAUNA

Characteristic trees of northern Algeria are the olive and the cork oak. The mountain regions contain large forests of evergreens (Aleppo pine, juniper, and evergreen oak) and some deciduous trees; the forests are inhabited by boars and jackals, about all that remain of the many wild animals once common. Fig, eucalyptus, agave, and various palm trees grow in the warmer areas. Esparto grass, alfa, and drinn are common in the semiarid regions. On the coastal plain, the grape vine is indigenous.

Vegetation in the Sahara is sparse and widely scattered. Animal life is varied but scarce. Camels are used extensively. Other mammals are jackals, jerboas, and rabbits. The desert also abounds with poisonous and nonpoisonous snakes, scorpions, and numerous insects.

## 5 ENVIRONMENT

Algeria's principal environmental problem is encroachment of the desert onto the fertile northern section of the country. Soil erosion from overgrazing adds to the effect. To impede desertification, the government in 1975 began a project to erect a "green wall" of trees and vegetation 1,500 km (930 mi) long and 20 km (12 mi) wide along the northern fringes of the Sahara. The annual cost of this 20-year afforestation project was about \$100 million. In 2000, about 0.9% of the land was forested. As of 2003, about 5% of the total land area was protected. The country has two Ramsar sites: Karavasta Lagoon and Butrint.

Other significant environmental problems include water shortages and pollution. The small amount of water available in Algeria is threatened by regular droughts. The problem is further complicated by lack of sewage control and pollutants from the oil industry, as well as other industrial effluents. The Mediterranean Sea has also been contaminated by the oil industry, fertilizer runoff, and soil erosion.

As of 2002, there were at least 92 species of mammals, 183 species of birds, and over 3,000 species of higher plants. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 12 types of mammals, 11 species of birds, 2 types of reptiles, 1 species of amphibian, 10 species of fish, and 2 species of plants. Endangered species include the Barbary hyena, Barbary leopard, Barbary macaque, the Algerian nuthatch, the North African fire salamander, the African lion, the common otter, and the Mediterranean monk seal. The red gazelle and the Sahara oryx were listed as extinct as of 1994.

## 6 POPULATION

The population of Algeria in 2005 was estimated by the United Nations (UN) at 32,814,000, which placed it at number 35 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 31% of the population under 15 years of age. There were 102 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 1.5%, which the government feels is too high. The government has placed emphasis on reproductive health, with a resulting decline in fertility rates from 4.7 births per woman in 1990 to 3.6 in 2005, due in part to increased use of contraceptives. The projected pop-

ulation for the year 2025 was 40,604,000. The population density was 14 per sq km (36 per sq mi).

The UN estimated that 49% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.45%. The capital city, Algiers (Alger), had a population of 3,060,000 in that year. Other large cities and their estimated populations include Batna, 948,000; Oran, 794,200; and Constantine (Qacentina), 688,100.

The population is concentrated in the cultivated areas of the northern Tell region near the Mediterranean coast. More than 90% of the populace lives in approximately one-eighth of the country. The plateau and desert regions are sparsely populated.

## 7 MIGRATION

In 1962, some 180,000 Algerian refugees were repatriated from Tunisia and Morocco; after independence was declared in July 1962, about 650,000 French Algerians and more than 200,000 harkis (Algerian Muslims who fought on the French side during the war of independence and chose to retain French citizenship) emigrated to France. The exodus reduced the French population from about 10% of the total in 1961 to less than 1% in 1981. There were around 24,000 displaced persons from Mali and Niger located in the southern Algerian region of Tamanrasset, Adrar, and Illizi. In 1995, the United Nations High Commissioner for Refugees (UNHCR) started the repatriation of the Tuareg refugees back to Mali and Niger. Repatriation was complete as of June 1998, benefiting some 6,302 Malians and 3,259 Nigerians. At the closing of the refugee camps, some 200 residual refugees remained. As of May 1997, there were an estimated 4,000 Palestinians that were well integrated in Algerian society. As a result of the war between the Polisario guerrillas and Morocco over the Western Sahara, about 150,000 Sahrawi refugees fled to Algeria. In November 2005, the UN Office for the Coordination of Human Affairs reported that 165,000 refugees from Western Sahara have remained in the region of Tindouf in southwestern Algeria since 1999. In 2003, there were approximately one million internally displaced persons (IDP) within the country. As of 2004, there were 169,500 refugees remaining in Algeria. In 2004, the main countries in which over 9,700 Algerians sought asylum were France, Spain, the United Kingdom, Switzerland, Belgium and Germany.

The estimated net migration rate for Algeria for 2005 was -0.37 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The population consists almost entirely of Arabs. They are primarily of Berber origin, particularly in the Kabilia and Aurès areas and in the Sahara oases, or admixtures of Berbers with invaders from earlier periods. The Berbers, who resemble the Mediterranean subrace of Southern Europe, are descendants of the original inhabitants of Algeria and are divided into many subgroups. They account for 99% of the population. The Kabyles (Kaba'il), mostly farmers, live in the compact mountainous section in the northern part of the country between Algiers and Constantine. The Chaouia (Shawiyah) live in the Aurès Mountains of the northeast. The Mzab, or Mozabites, include sedentary date growers in



LOCATION: 18°57' to 37°5' N; 8°44' W to 12° E. BOUNDARY LENGTHS: Mediterranean coastline, 1,104 kilometers (686 miles); Tunisia, 958 kilometers (595 miles); Libya, 982 kilometers (610 miles); Niger, 956 kilometers (594 miles); Mali, 1,376 kilometers (855 miles); Mauritania, 463 kilometers (288 miles); Morocco, 1,637 kilometers (1,017 miles). TERRITORIAL SEA LIMIT: 12 miles.

the Ued Mزاب oases. Desert groups include the Tuareg, Tuat, and Wargla (Ouargla).

Europeans are of French, Corsican, Spanish, Italian, and Maltese ancestry. Algeria's European population was estimated at less than 1% of the population in 2005. About half the Jews in Algeria were descended from converted Berbers, and the remainder were mainly descendants of Spanish Jews. Within a month after Algeria became independent, about 70,000 Jews emigrated to France and

10,000 to Israel. Almost all the rest left Algeria during the next seven years; fewer than 100 Jews remained as of 1998, and virtually all synagogues had been converted to mosques.

### 9 LANGUAGES

The official and majority language is Arabic, with many variations and dialects, but many Algerians also speak French; "Arabization" has been encouraged by the government. About one-fifth of the

population speaks a wide variety of Berber dialects, particularly in Kabilia, in the Aurès, and in smaller, relatively protected areas in the mountains and the Sahara. Berber is a distinct branch of the Hamitic language group; dialects vary from district to district. In antiquity, the Numidians wrote Berber in script form.

## 10 RELIGIONS

About 99% of the population adheres to the practice of Islam, which is named in the constitution as the state religion. Except for a small minority of Kharijites (Ibadhis) in the Mزاب region, most Muslims are adherents of the Maliki rite of the Sunni sect, with a few Hanafi adherents. The law prohibits assembling for purposes of practicing any faith other than Islam. However, there are Roman Catholic churches that conduct services without government interference. Non-Muslims usually congregate in private homes for worship services. Proselytizing of non-Muslim faiths is and the importation of non-Muslim religious materials are legally prohibited. In practice, however, the government does not actively interfere in religious conversions. Foreigners who practice non-Muslim faiths are generally shown a greater degree of social tolerance than non-Muslim citizens.

The number of non-Muslim residents has been estimated as being less than 5,000. Many non-Muslims have fled the country because of the civil war and acts of terrorism by Islamic extremists. The number of Christians and Jews is thus significantly lower than in the early 1990s. The largest non-Muslim groups are Methodists and Evangelists, followed by Roman Catholics and Seventh-Day Adventists.

## 11 TRANSPORTATION

In 2004, Algeria's nationally owned railroad had about 3,973 km (2,471 mi) of track, which consisted of 2,888 km (1,796 mi) of standard gauge right of way (283 km electrified), and 1,085 km (675 mi) of narrow gauge track. The system consists principally of a main east–west line linked with the railways of Tunisia and Morocco and of lines serving the mining regions of Béchar (formerly Colomb Béchar); the esparto grass country on the High Plateaus; the date-producing areas of Biskra, Touggourt, and Tebessa; and the main port cities.

Roads are most adequate in the Tell zone, but in the mountainous and rural areas, they are relatively poor. In 2002 there were 104,000 km (64,625 mi) of roads, of which about 71,656 km (44,527 mi) were paved, including 640 km (398 mi) of expressways. In 2003, there were 372,300 passenger cars and 528,000 commercial vehicles. The French colonial administration built a good road system, partly for military purposes, which after independence was allowed to deteriorate to some extent; however, new roads have been built linking the Sahara oil fields with the coast. Algeria's portion of the trans-Saharan highway, formally known as the Road of African Unity, stretching about 420 km (260 mi) from Hassi Marroket to the Niger border south of Tamanrasset, was completed in 1985.

Algiers is the principal seaport. Other significant ports are Arzew, Bejaïa (Bougie), Skikda (a large gas-exporting center also known as Philippeville), Oran, Annaba, Ghazaouet, and Mostaganem. Algeria's merchant fleet numbered 56 ships of 1,000 GRT or over, totaling 837,676 GRT as of 2005

An extensive air service used an estimated 137 airports and airstrips in 2004. As of 2005, a total of 52 had paved runways, and there was one heliport. The main international airport, H. Boumediene Airport, is about 20 km (12 mi) from Algiers. Constantine, Annaba, Tilimsen (Tlemcen), and Oran have smaller modern airports that can accommodate jet aircraft. Air Algérie, the national airline, provides international service. In 2003, a total of about 3.293 million passengers were carried on domestic and international flights.

## 12 HISTORY

Before the period of recorded history, the North African coastal area now known as Algeria was inhabited by Berber tribal groups, from whom many present-day Algerians are descended. Phoenician sailors established coastal settlements, and after the 8th century BC, the territory was controlled by Carthage. Roman dominance dates from the fall of Carthage in 146 BC. Completely annexed in AD 40, the region, known as Numidia, became a center of Roman culture. Christianity flourished, as did agriculture and commerce; Numidian wheat and olives were shipped to Rome. By the mid-3rd century there were some 20 Numidian bishops. Despite the prosperity of the Roman cities and the cereal-growing countryside, there were frequent Berber revolts. The Roman influence gradually declined, especially after the Vandal invasion of 430–31. The Byzantine conquered eastern Numidia in the 6th century.

After the Arab conquest began in 637, the area was known as Al-Maghrib al-Awsat, or the Middle West and continued for a century. The Berbers accepted Islam but preserved their own traditional political and social institutions, in effect absorbing the invaders. Arabs from the east attacked in the 11th century. These newcomers, unlike their predecessors, were nomadic herders rather than farmers; they destroyed many of the towns and farms and reinforced a more pastoral type of economy. Almoravids from Morocco also took possession of part of the region in the 11th century, and they were succeeded by Almohads a century later. Although these and other dynasties and individuals united the territory and consolidated it with Morocco and Spain, local rulers retained considerable autonomy. Meanwhile, seafaring and piracy became important.

Spain conquered part of the coast in the early 16th century, and Algerians asked the aid of 'Aruj, known as Barbarossa, a Turkish pirate. He expelled the Spaniards from some of their coastal footholds, made himself sultan, and conquered additional territory. The area of Barbarossa's control was extended by his brother, Khayr ad-Din, also called Barbarossa, who placed his territory under the suzerainty of the Ottoman sultan in Constantinople. Until 1587, Algiers was governed by beylerbeys; from 1587 to 1659, by pashas, who were appointed for three-year terms; and after 1659, by aghas and finally by deys (28 deys in all, 14 of whom were assassinated). Other parts of what is now called Algeria were ruled either by Turkish officials or by local chieftains. Spain held a small area around Oran until 1708 and controlled it again from 1732 to 1791.

Algiers became increasingly independent of Constantinople and, joining with other states of the Barbary Coast, thrived on piracy. At this time, it had diplomatic and trade relations with

many European countries, including France. But with the defeat (though not suppression) of the Barbary pirates by US and European fleets during 1815–16, and with the growing European interest in acquiring overseas colonies, Algiers was seen as a possible addition to either the British or the French empire. In 1830, the French took over the principal ports; they gradually subjugated the Berbers, annexed the northern regions, and set up a system of fortified posts. Thereafter, sporadic revolts broke out, notably the guerrilla war from 1830 to 1847, led by the legendary hero, Abd al-Qadir, and the Kabyle rebellion in 1871. Other sections, however, remained independent of France until the first decade of the 20th century.

Al-Jazair, as it was called in Arabic, became, in French, *Algérie*, a name that France applied to the territory for the first time in 1839. In 1848, northern Algeria was proclaimed an integral part of France and was organized into three provinces. Following the Franco-Prussian War of 1870–71, large numbers of Alsatians and other French colonizers settled the most fertile confiscated lands, as did other Europeans at the invitation of France. Muslims had no political rights except for limited participation in local financial delegations.

Following World War I, France took the first steps toward making all Algeria an integral part of France. In 1919, voting rights were given to a few Muslims, based on education and military service qualifications. French citizenship had previously been open to Muslims who renounced their Koranic status.

During World War II, in exchange for loyalty to France, many Muslims hoped for political concessions, and moderates believed that France might be persuaded to grant Algeria a separate status while retaining close diplomatic, economic, and defense ties. In 1957, all Muslims became French subjects, but about nine million Muslims and 500,000 Europeans voted on separate electoral rolls for a joint assembly. Unsuccessful in obtaining further reforms and faring poorly in several apparently rigged elections, the moderate Muslim nationalist group led by Ferhat Abbas was greatly weakened.

The war in Algeria toppled several French governments before causing the demise of the Fourth Republic in May 1958. Gen. Charles de Gaulle was then brought to power by French rightists and military groups in Algeria. To their surprise, however, he pursued a policy of preparing for Algerian independence. He offered self-determination to Algeria in September 1958. Referendums in France and Algeria on 8 April and 1 July 1962 approved a settlement, and independence was formally proclaimed on 3 July, despite a program of counterterrorism by the French Secret Army Organization in Algeria. Meanwhile, younger nationalists had formed what would become known as the National Liberation Front (Front de Libération Nationale—FLN), and a guerrilla war was launched on 1 November 1954. The FLN's National Liberation Army (Armée de Libération Nationale—ALN) perpetrated acts of terrorism and sabotage throughout Algeria and gained increasing mass support. Eventually, France was forced to maintain at least 450,000 troops in Algeria. During the hostilities, the French army completely cleared many rural areas of their civilian populations and evacuated some two million Muslims to army-controlled *regroupment* centers or new large villages. Although the army gradually eliminated the power of the FLN to carry out

large-scale attacks, the latter continued its terrorist acts against the French army, French settlers, and pro-French Muslims. Terrorist activities, mainly as a result of factional disputes, also were carried on by Algerian Muslims in France. During more than seven years of civil war, well over one million Muslim guerrillas and civilians and 10,000 French soldiers lost their lives.

With independence achieved, a seven-man Political Bureau, set up as the policy-making body of the FLN, took over effective control of the country on 5 August 1962. Ahmed Ben Bella became the first premier, and Ferhat Abbas was chosen speaker of the Assembly. The Assembly adopted a constitution, which was endorsed by referendum in September 1963.

Elected president in October, Ben Bella began to nationalize foreign-owned land and industry. Opposition to his authoritarian regime led to an outbreak of armed revolts in the Kabilia and Biskra areas in July 1964 and to open attacks on the regime by leading political figures. On 19 June 1965, the Ben Bella government was overthrown in a bloodless coup directed by Col. Houari Boumedienne, first deputy premier and defense minister. The 1963 constitution was suspended, and a revolutionary council headed by Boumedienne took power. The new government shifted to a gradualist approach to national development, with deliberate economic planning and an emphasis on financial stability. During the 1970s, the council nationalized the oil industry and initiated agrarian reforms. Boumedienne ruled by decree until June 1976, when a national referendum approved a Socialist constitution providing for a one-party state with a strong presidential system and an elected National Assembly. Boumedienne was elected president in December 1976 but died two years later.

The FLN Central Committee, with strong army backing, chose Col. Chadli Bendjedid as the party's leader, and his presidential candidacy was ratified by the electorate on 7 February 1979. He was reelected without opposition in January 1984 for a second five-year term. After a period of maintaining continuity with the previous regime, the Bendjedid government moved toward more moderate policies, expanding powers for the provinces and state enterprises and attempting to revitalize the FLN and government agencies. In foreign affairs, Algeria reduced its earlier support for liberation groups around the globe and for hard-line nonaligned positions. It patched up its dispute with Morocco over the Western Sahara and sharply reduced its aid to the Polisario. Algeria played a key role in helping the United States resolve the hostage crisis in 1981 and worked hard for the Arab Maghreb Union, a planned EC for North Africa. Serious internal trouble developed in 1988 when young Algerians rioted over high prices, unemployment, and the dictatorship of an aging, inept, and corrupt revolutionary regime. Shocked by the 500 deaths in the streets, Bendjedid moved to liberalize his government. Political parties were allowed to form outside the FLN and the prime minister and cabinet were made responsible to the National Assembly. He won a third term in 1989, supported by 81% of the electorate.

Burdened by heavy debts and low oil prices, Bendjedid was obliged to pursue austere economic policies and to abandon socialism for the free market—actions which further inflamed his opposition, now led by the Islamic Salvation Front (FIS). In 1989, the party won 55% of urban election seats while the FLN maintained power in the countryside. Elections to the National Assem-



bly, postponed six months, were held in December 1991 under relatively free conditions. FIS candidates won 188 out of 231 contested seats, needing only 28 more places in a second vote to control the 430-member Assembly. The FLN won only 16 seats.

The army intervened, arresting FIS leaders and postponing indefinitely the second stage vote. Bendjedid resigned under pressure from the army and Mohammed Boudiaf, a hero of the revolution, returned from exile to lead the High State Council which the army established. A harsh crackdown on Islamists began; the FIS was banned and its local councils were closed. As acts of terrorism continued by both sides in 1992 and 1993, the regime declared a state of emergency, set up special security courts and arrested more than 5,000 persons. Boudiaf was assassinated in June 1992 to be replaced by Ali Kafi with Redha Malek as prime minister in August 1993. In January 1994, Defense Minister Liamine Zeroual was named president and the five-man presidential council was abolished.

Zeroual released two top FIS leaders in September 1994 and began a dialogue with the FIS. After six weeks of apparently half-hearted talks, Zeroual ended the dialogue and called for new presidential elections. Opposition parties—including the FLN, the FIS, and other Islamist groups—met in late 1994 and early 1995 under the auspices of the Sant' Egidio Roman Catholic community in Italy to produce a national contract to end the violence through a transitional government that would include all parties. Zeroual rejected the meeting as foreign interference in Algeria's internal affairs and condemned the contract that it produced. He continued to attempt dialogue with the legalized opposition parties with no results.

While parties accounting for nearly 80% of the vote in the 1991 parliamentary elections were excluded from participating, Zeroual did have three opponents for the presidency in the November 1995 elections. The elections went ahead as scheduled. Despite widespread calls for boycotts and threats of violence, the government claimed 75% of registered voters participated in the election, which gave Zeroual the office of presidency with 61% of the votes. Opposition groups disputed the turnout figures.

Zeroual's first objective after election was the passing of a new constitution greatly expanding presidential powers. The referendum approving the new constitution was passed with nearly 80% of the registered voters participating and 86% approving the new constitution. While there were widespread electoral irregularities, the vote was generally viewed as reflecting Algeria's weariness with civil war (which, as of 2003, had claimed approximately 100,000–120,000 lives since 1992) and a willingness to give the government the power to end it. At the very least, the elections showed that few of Algeria's registered voters respected the boycott calls made by opposition parties, even when those calls were backed up with threats of violence.

However, the elections did not stop the cycles of violence. When the government thought it had effectively stopped the terror campaign, the Ramadan of 1997 (the traditional high point of terrorist activity) was the bloodiest ever, with daily reports of bombings and massacres.

Despite the violence and instability, Zeroual continued to hold elections as he reshaped Algeria's government. In June 1997, parliamentary elections were held. Thirty-nine political parties registered for the elections with over 7,000 candidates contesting for

the 280 seats in the National People's Assembly. Violence continued throughout the campaigning. The result of the election was a victory for pro-government parties. However, though the FIS and other religious parties were barred from participating, two other more moderate Islamist parties won more than 100 seats and received over 20% of the votes cast. Regional and municipal council elections were held in October 1997, with the RND (Rassemblement national pour la démocratie or National Democratic Rally) winning more than half of the seats.

In September 1998 President Zeroual gave a surprise address announcing that he would step down from power in February 1999, two years before his term was to expire. The decision was most likely due to infighting in the regime, which had become increasingly public. Forty-seven candidates presented themselves for election, but only seven made it to the final list, with Abdelaziz Bouteflika quickly emerging as the leading candidate. Tarnishing the results of the election, four of the candidates officially withdrew from the contest two days before the 15 April election day claiming massive fraud in favor of Bouteflika in the forming of election lists. They were joined the following day by the other two candidates. The fraud claims were rejected by the minister of the interior and the election went ahead with Bouteflika as the single candidate.

Following his election victory, Bouteflika instituted dialogue with opposition groups and at the end of 1999 moved against corruption. Within weeks of his election, Bouteflika announced a "Civil Concord Plan" based upon a 1997 truce between the military and the FIS's Islamic Salvation Army (AIS). In September 1999, a referendum was held on the plan, which was approved by more than 98% of the voters; voter turnout was over 85% nationwide, but was below 50% in eastern regions of the country, which are dominated by the opposition. The plan included an amnesty for those Islamists who renounced violence; up to 5,500 rebels participated in the amnesty, and the AIS formally disbanded in 2000. Those guilty of murder, rape, or the placing of bombs were to be prosecuted; however, the death penalty would not be used, and no prison sentence would be longer than 20 years. The plan was supported by the FIS; however, violence continued, and was still ongoing as of March 2003.

In April 2001, a Berber youth taken into custody by the police was killed, sparking months of demonstrations and rioting in the northeastern region of Kabylie. More than 90 people died in the unrest, which also spread beyond Kabylie. The Berber protesters' complaints went beyond the act of police brutality, addressing concerns of ethnic discrimination, corruption, housing shortages, unemployment, repression, and violence. In May, the mainly Berber party, the Rally for Culture and Democracy, withdrew from the government in protest against the government's handling of the unrest. In October, Bouteflika agreed to a constitutional amendment granting national recognition to the Berber language, Tamazight. However, the language would not be granted "official" status, like Arabic.

In the aftermath of the 11 September 2001 terrorist attacks on the United States, the United States called upon all states to implement counterterrorism measures. Algeria pledged its support for the Bush administration's campaign against terrorism, and sent the United States a list of 350 Islamic extremists known to be living abroad who may have had contacts with Osama bin Laden's al-

Qaeda network. Bouteflika made two official state visits to President Bush in 2001, the first such visits by an Algerian president in 15 years. In return for Algeria's aid, the Bush administration agreed to ease restrictions on arms sales to Algeria.

In parliamentary elections held on 30 May 2002, the FLN won 199 of 389 seats in the National Assembly; it was one of 23 parties participating. Four parties, including two Berber parties, boycotted the elections, which were marred by violence and low voter turnout (47%).

On 3 March 2003, French president Jacques Chirac visited Algiers, the first state visit by a French president since Algeria won independence in 1962. Chirac stated that the two countries could not forget the brutal war for independence that had created "countless victims, tore families apart, and shattered destinies and dreams." He laid flowers at a monument for Algerians who fought the French during the war, which was regarded as an act of reconciliation. Chirac also called on the government to use dialogue to end the Islamic insurgency ongoing since 1992.

On 21 May 2003 an earthquake, which measured 6.7 on the Richter scale, struck along Algeria's northern coast. The worst hit areas were east of Algiers. More than 2,200 people were killed, over 9,000 were injured, and over 1,000 people were missing, while 51,000 were made homeless in the Algeria's most devastating quake in more than 20 years. On 27 May an aftershock of a magnitude of 5.8 was centered just a few miles away from the epicenter of the May 21 earthquake. Buildings damaged earlier fell down and survivors accused the government of a slow response and of turning a blind eye to shoddy construction in a quake-prone area. President Bouteflika was pelted with debris as he attempted to tour damaged villages.

Under Bouteflika the security situation in Algeria improved noticeably. However, terrorism was not totally eliminated. Terrorist incidents still occurred, particularly in the provinces of Boumerdes, Tizi-Ouzou, and in the remote southern areas of the country. An estimated 50–60 Algerians were killed monthly in the early 2000s, down from a high of 1,200 or more in the mid-1990s. In a landslide victory Bouteflika was reelected to a second term in April 2004. Promising to devote himself to seeking "true national reconciliation," the government promised the Berber leaders more investment in the Kabylia region and greater recognition of the Tamazight language.

Algeria assumed a two-year seat on the UN Security Council in January 2004.

In January 2005, the arrest of rebel Armed Islamic Group (GIA) head Nourredine Boudiafi was announced. His deputy was killed. It was declared that the group was virtually dismantled. GIA was an Islamic extremist group that since 1992 aimed to overthrow the secular government and replace it with an Islamic state. In August 1992, GIA's founder, Mansouri Miliani, was arrested for his role in the attack on Algiers airport. He was executed in May 1993. GIA's violent terrorist campaigns were aimed at entire villages, journalists and foreign residents. Between 1992 and 1998, GIA violence was responsible for some 100,000 deaths, averaging 1,200 per month, leading to a civil war. Killings continued at a rate of 300 civilians per month well into 2002; more than 100 expatriates were killed since 1993. In March 2005 a government-commissioned report stated that security forces were accountable for

the disappearances of more than 6,000 people during the 1990s civil conflict.

Since 1976 Algeria has supported the exiled Sahrawi Polisario Front (Polisario) in the Western Sahara and rejects Moroccan administration of Western Sahara. Algeria experiences continuing border disputes with Libya and Morocco and incursions from armed bandits of the Sahel region who destabilize southern Algerian towns. Algeria and Morocco each accuse the other of harboring militants, smuggling arms, and have imposed visa requirements on each other that Morocco lifted in mid-2004; Algeria has not reciprocated the gesture.

### 13 GOVERNMENT

Algerian voters approved a new constitution in 1996 that strengthened the role of the already-dominant executive. Under the constitution, a second legislative body called the Council of the Nations (Senate) would join the already existent National People's Assembly, or Al-Majlis Ech-Chaabi Al-Watani. The number of seats in the National People's Assembly was changed from 380 seats to 389 seats in the 2002 elections; members are elected by popular vote to serve five-year terms. In the Council of Nations (Senate) with 144 seats; one-third of the members of the Council are appointed by the president, two-thirds are elected by indirect vote (local and regional government); members serve six-year terms. The constitution requires half the Council to be renewed every three years. This body must approve, by a three-fourths vote, any legislation proceeding from the National Assembly. The president is elected for a five-year term, renewable once. A second round is held if no candidate obtains a simple majority in the first round.

Since the annulment of the 1991 election, the military has been the ultimate power in Algeria. In 1994 it appointed a retired general, Liamine Zeroual, to the presidency. In somewhat irregular elections, Zeroual was elected with 61% of the vote over three other candidates. In 1998, Zeroual announced he would step down as president before his term ended. Abdelaziz Bouteflika won the presidential election of April 1999. He was the lone candidate after all of his rivals pulled out on the eve of the poll, protesting massive fraud.

Elections for the National Assembly were held in June 1997, with pro-government parties winning 57% of the 380 seats. Moderate Islamic parties won over 100 seats, with the rest of the seats going to independent candidates and an ethnic Berber party. Several opposition parties, including the FIS, were barred from participating. Regional and municipal council elections were held in October 1997, with the government's RND winning more than half of the seats.

Elections for the National Assembly were next held on 30 May 2002. The FLN took 199 of the now 389 seats; the National Democratic Rally, Bouteflika's party, took 48 seats; Islah, the Movement for National Reform took 43 seats; the Movement for a Peaceful Society won 38 seats; the socialist Worker's Party won 21 seats; and smaller parties and independents took the remaining 40 seats. Again, the FIS was banned from participating. In local elections held 10 October 2002, the FLN won a majority of town councils and provincial assemblies.

On 8 April 2004 a presidential election took place. The election was democratically waged throughout for the first time since independence. Incumbent president, Bouteflika, competed against

five other candidates. Although the Opposition candidates complained of some discrepancies and unfair media coverage, the election was considered the most untainted in Algerian history. Bouteflika was reelected in the first round of the election with 84.99% of the vote. Just over 58% of Algerians eligible to vote participated in the election.

## 14 POLITICAL PARTIES

One of the earliest active figures in the struggle for Algerian self-determination was Messali Hadj, who in 1925 formed the Star of North Africa (*Étoile Nord Africaine*) movement among Algerian workers and intellectuals in Paris and in 1937 founded the Algerian People's Party (*Parti Populaire Algérien*—PPA). Banned in 1939, the PPA operated illegally and militantly under the Vichy regime, with strong support from students and workers.

In 1944, Ferhat Abbas formed the Friends of the Manifesto and of Liberty (*Amis du Manifeste et de la Liberté*—AML), a moderate reform group that was later transformed into the Democratic Union of the Algerian Manifesto (*Union Démocratique du Manifeste Algérien*—UDMA). In 1946, some AML members joined the PPA and, under Messali Hadj's leadership, formed a legal front organization, the Movement for the Triumph of Democratic Liberties (*Mouvement pour le Triomphe des Libertés Démocratiques*—MTLD). On a program favoring "the return of the Algerian people to national sovereignty," the MTLD won 5 of the 15 elected seats in the National Assembly elections of 1 November 1946; in 1948, however, the MTLD lost all its seats and was reduced to semi-illegality. Two years later, it was suppressed by the police.

In 1951, an Algerian Front was formed by the MTLD, the UDMA, the Algerian Communist Party, and the Society of 'Ulema, a political-cultural organization. Policy differences in the following years resulted in the creation of three groups: supporters of Messali Hadj; centrists, who hoped to obtain constitutional advances by cooperating with the French administration; and a militant group who proposed violent action. By 1954 there was an open split. The centrist majority repudiated Messali Hadj's leadership. An activist group of nine members formerly associated with an MTLD splinter group calling for armed rebellion then established the Revolutionary Committee for Unity and Action (*Comité Révolutionnaire d'Unité et d'Action*—CRUA) with headquarters in Cairo, divided Algeria into six military zones and appointed commanders for each, and launched a war with France on 1 November 1954.

Shortly thereafter, the CRUA changed its name to the National Liberation Front (*Front de Libération Nationale*—FLN), and its forces became known as the National Liberation Army. The FLN was an amalgamation of various nationalist tendencies in Algeria. Its membership gradually incorporated most members of the former MTLD, most members of the UDMA, and members of the Society of 'Ulema, as well as former independents and young people with no previous political allegiance. Its goal was the complete independence of Algeria, and it appeared to have the support of the great majority of Muslims. After Messali Hadj broke with the FLN, he formed the National Algerian Movement (*Mouvement National Algérien*—MNA), supported mainly by Algerians in France. The MNA attacked both the FLN and the war through acts of terrorism in France, but became almost completely without influence following Messali's imprisonment.

In August 1956, an FLN congress established an embryo parliament, the 34-member National Committee of the Algerian Revolution, enlarged in 1957 by 20 more members to a total of about 50, and a 5-member executive body, the Executive and Coordinating Committee, enlarged in Cairo in 1957 by additional members. In September 1958, a provisional government was established with Ferhat Abbas as president and with headquarters in Cairo and Tunis. (Benyousséf Ben Khedda succeeded Abbas as premier in August 1961.) President de Gaulle in effect recognized the FLN as the only political organization that had the authority to speak for the Muslims during peace negotiations with the French government. During this period, French expatriates in Algeria organized the Secret Army Organization, which violently opposed Algerian independence.

After independence, differences of opinion arose among the members of the Political Bureau, the FLN's policy-making body, regarding the organization of the FLN. While Ben Bella envisaged the creation of an elite party, Mohammed Khider (assassinated in Spain in January 1967) sought to create a broader mass party. The FLN mobilized popular political participation by forming mass organizations for peasants, youth, guerrilla veterans, and women. It organized itself into departmental federations, sections, and cells, staffed largely by former guerrillas (*mujahedin*). In April 1964, the first congress of the FLN adopted the Charter of Algiers, a guideline for government policy that provided for a wide range of agricultural, industrial, and social reforms. The FLN's National Charter of April 1976 outlined a plan for creating a Socialist system commensurate with Islamic principles. A new National Charter adopted in January 1986 de-emphasized Socialism and placed greater stress on Islam. The chief organs of the FLN are the Central Committee, the highest policy-making body of both the FLN and the nation, the Political Bureau and the Secretariat. The Islamic Salvation Front is an umbrella organization of groups, which support a government guided by Islamic law. In September 1989 the government approved a multiparty system, and by 31 December 1990, over 30 legal political parties existed, including Islamic Salvation Front (FIS), National Liberation Front (FLN), and Socialist Forces Front (FFS).

With the annulment of elections, several parties, notably the FIS, were outlawed. The main parties that participated in the June 1997 elections included the official government party known as the National Democratic Rally (*Rassemblement national pour la démocratie*—RND); the Movement for a Peaceful Society (formerly *Hamas*); *Ennahda* (a moderate Islamic party); two ethnic-Berber parties, the Socialist Forces Front and the Rally for Culture and Democracy; and the FLN.

Twenty-three parties participated in the May 2002 parliamentary elections. Two Berber parties boycotted the elections, including the Rally for Culture and Democracy and the Socialist Forces Front. The FLN took a majority of seats in the National Assembly. Also winning seats were *Islah*, the National Democratic Rally, the Movement for a Peaceful Society, the Workers' Party, the Algerian National Front, the Islamic Renaissance Movement, the Party of Algerian Renewal, and the Movement of National Understanding. Independents won 29 of 389 seats.

In June 2003, the leader of the outlawed Islamic Salvation Front (FIS) Abassi Madani and his deputy Ali Belhadj were freed after serving 12-year sentences.

## 15 LOCAL GOVERNMENT

In 1969, a governorate of 48 provinces (*wilayats*) system replaced the departments that had been established by the French. Each wilaya has its own elected people's assembly, executive council, and appointed governor (*wali*), who is responsible to the Ministry of the Interior. The 48 wilayats have subdivisions called *da'iraats* (districts), which are further subdivided into 1,541 communes. The commune is the basic collective unit, governed by an assembly elected for four years. Winning a majority of local council and assembly seats in the 10 October 2002 elections was the FLN, taking control of 668 communes and 43 of the country's 48 cities. The National Democratic Rally lost its previously held majority, taking control of 171 communes. The Socialist Forces Front won 65 communes and independents took control of 77. Islamic parties declined in popularity overall.

## 16 JUDICIAL SYSTEM

After independence in 1962, Algeria's judicial system was reorganized. The former French magistrates were replaced by Algerians and the judiciary was extended into regions of the country previously ignored.

The judicial system now includes civil and military courts. Within each wilayat is a court of first instance for civil and some criminal cases. At the head of the system is the Supreme Court. The Special Court of State Security was abolished in 1995.

The constitution guarantees independence of the judiciary. However, executive branch decrees have restricted some of the judiciary's authority. Judges are appointed by the executive branch without legislative approval, and the government can remove judges at will. A judge's term is 10 years.

Algeria's present legal codes, adopted in 1963, are based on the laws of Islam and of other Northern African and Socialist states, as well as on French laws. Efforts were made to harmonize the laws and legal procedures with those of the Maghreb nations. A first plan for judicial reorganization was approved in 1965; this was followed in 1966 with the beginning of large-scale structural reforms. A new civil code was promulgated in 1975 and a new penal code in 1982.

In civilian courts, Shariah (Islamic law) is applied in resolving social issues. Defendants in civilian courts are afforded a wide range of procedural protections including a public trial, right to counsel, right to confront witnesses, and right of appeal.

Military courts have jurisdiction in cases involving military personnel and have heard some cases in which civilians are charged with security-related and terrorism offenses.

The Constitutional Council reviews the constitutionality of treaties, laws, and regulations. The Constitutional Council is not part of the judiciary but it has the authority to nullify unconstitutional laws. The constitution prohibits torture and other cruel, inhuman, or degrading treatment. The constitution prohibits arbitrary arrest and detention. In criminal cases, the suspect must be charged or released within 48 hours of incommunicado detention. However, the 1992 Antiterrorist Law provides up to 12 days of prearrest detention.

President Bouteflika announced a major reorganization of the judiciary in August 2000. He changed approximately 80% of the heads of the 187 lower courts and all but three of the presidents of

the 37 higher-level courts. By the end of 2001, women sat at the head of 26 courts.

## 17 ARMED FORCES

Six months of military service is compulsory for males. Algeria's armed forces in 2005 totaled 137,500 active personnel. The Army had 120,000 officers and men, plus reserves of up to 150,000. Weaponry included 920 main battle tanks, 139 reconnaissance vehicles, 1,084 armored infantry fighting vehicles, 910 armored personnel carriers, and 1,019 artillery pieces. The Navy had an estimated 7,500 active personnel. Major naval units included 2 tactical submarines, 3 frigates, 6 corvettes, 24 patrol/coastal vessels, 3 amphibious landing craft and 3 logistics/support ships. The Air Force had an estimated 10,000 active members. Equipment included 178 combat capable aircraft, including 88 fighter aircraft and 72 fighter ground attack aircraft, and 33 attack helicopters. Algerian paramilitary forces totaled an estimated 181,200 personnel, including 20,000 gendarmerie, 16,000 national security forces and 1,200 Republican Guards. Algeria's defense budget was \$2.87 billion in 2005.

## 18 INTERNATIONAL COOPERATION

Algeria was admitted to the United Nations on 8 October 1962 and is a member of ECA and all the nonregional specialized agencies, such as the ICAO, IFC, FAO, IAEA, ILO, IMF, UNESCO, UNHCR, UNIDO, WHO, and the World Bank. Algeria is an observer in the WTO and was a temporary member of the UN Security Council until December 2005. Algeria also participates in the African Development Bank, G-77, G-15, G-24, League of Arab States, African Union, the Organization of the Islamic Conference (OIC), the Arab Maghreb Union, the New Partnership for Africa's Development (NEPAD), OAUPEC, and OPEC. The country is a partner in the OSCE. Algeria is a member of the Nonaligned Movement and the Organization for the Prohibition of Chemical Weapons. In cooperation on environmental issues, Algeria participates in the Basel Convention, Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, MARPOL, the Montréal Protocol, and the UN conventions of the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Saharan oil and natural gas have been important export items since 1959, and they now dominate Algeria's economy, accounting for over 96% of total export value, 60% of government revenue, and 30% of GDP. Algeria is the largest supplier of natural gas to the EU. During the late 1970s, as oil prices rose, real economic growth topped 20% annually, with the manufacturing sector averaging about 15%; during 1980–81, however, the rate dropped to 7–8% because of the weakening oil market, and a decline of 5% was registered in 1982, followed by an average annual growth rate of 4.5% during 1983–86. Because of the weak oil market, growth continued to fall, to 3.4% in 1989, 1.1% in 1990, and negative growth in 1994 of -1.1%. Debt restructuring accomplished in 1994 and 1995 allowed increased imports and restored economic growth to an estimated 3% per year. The real growth rate in 1998 was 3.2%, and was estimated at 6.1% in 2004. It was expected to reach 6.9% in 2005. These healthy growth rates in the early 21st century were driven by real export growth, based on expanding

crude oil production, although government consumption played a role. As of 2005 Algeria had a large trade surplus, high foreign exchange reserves, and had reduced its foreign debt.

Although 14% of Algerians make their living directly from the soil, agriculture produces only about 10–11% of Algeria's GDP in an average year, and 9% in drought years, and meets only a small portion of the country's needs. The government targeted agricultural development as a priority in the late 1990s, but drought in 1997 dimmed agricultural prospects. However, good rains in 2002 produced a stronger performance for cereals in terms of real growth.

Before independence, the Algerian economy was almost completely dependent on the Europeans, who employed more than 90% of those working in industry and commerce, accounted for about 90% of gross business earnings, and provided some 90% of the country's private investment. The exodus of most Europeans in 1962 temporarily disrupted Algeria's economic life. The FLN governments established a Socialist economy by nationalizing the mining industry and creating state farms and state-owned industries on abandoned farms and on expropriated French landholdings. The nationalization with compensation of all foreign-owned companies was completed in 1974, although certain companies operating in partnership with Algerian state enterprises were allowed to continue. In the 1980s, decentralization was emphasized, with over 90 state corporations split into 300 specialized units. It was announced in 1987 that these enterprises would adopt their own annual plans, decide on the prices of their products, and invest their profits freely. In 1990 the money and credit law opened the way for substantial international participation in Algeria's economy. The 1993 investment code opened up Algeria to foreign investment, and investment promotion agencies were created in 1995 in order to stimulate the economy. Since then, Algeria has taken steps to liberalize foreign trade, the price structure, and foreign exchange system, and to reevaluate the public sector while encouraging the private sector and competition.

The dramatic decline in oil prices in 1985–86 affected Algeria at a time when it also faced a heavy foreign debt burden. The Algerian government thus attempted to diversify the economy and privatize business. In the late 1990s and into the 2000s, challenges to the Algerian economy included civil strife, inefficient agricultural methods, and an unemployment rate of 25.4% in 2004 (and possibly as high as 50% for those under the age of 30) that extended into the ranks of professionals, engineers, and highly trained workers. Although the government remains committed to greater economic deregulation and will continue to solicit foreign investment in such sectors as telecommunications, water, and power, the hydrocarbons sector remained the engine of GDP growth in 2005–06. With average crude oil prices rising during that period, Algeria was able to increase its export earnings and trade surplus.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Algeria's gross domestic product (GDP) was estimated at \$237.0 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$7,300. The annual

growth rate of GDP was estimated at 7.1%. The average inflation rate in 2005 was 4.7%. It was estimated that agriculture accounted for 10% of GDP, industry 59.5%, and services 30.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.090 billion or about \$34 per capita and accounted for approximately 1.6% of GDP. Foreign aid receipts amounted to \$232 million or about \$7 per capita and accounted for approximately 0.4% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Algeria totaled \$27.37 billion or about \$861 per capita based on a GDP of \$68.0 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 0.7%. It was estimated that in 1999 about 23% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, the estimated workforce stood at 10.15 million. The government employed around 32% of the labor force in 2003, with agriculture accounting for 14%, industry 13.4%, construction and public works 10%, trade 14.6%, and other occupations 16%. An estimated 22.5% of the workforce was unemployed in 2005.

Algerian law permits collective bargaining for all unions. While there is no legal restrictions on a worker's right to join a union, government approval is required by those workers seeking to form a union. Approximately two-thirds of Algerian workers were unionized as of 2005. Minimum wages are set by the government with the advice of the General Union of Algerian Workers (Union Générale des Travailleurs Algériens—UGTA). The standard workweek is 37.5 hours, and those employees who worked past the standard workweek were subject to receiving "time-and-a-half" or "double-time," on whether they worked during a holiday, a weekend, or on a normal work day. As of 2005, the minimum wage was around \$138 per month. This amount does not provide a family with a decent standard of living. Health and safety regulations are also specified by law, but enforcement is irregular. The minimum age for employment is 16 years. However, child labor remains a problem in agriculture and in the informal economy. UNICEF last reported in 2003, that around 3% of Algerian children worked in some capacity.

## 22 AGRICULTURE

Although almost 24% of the population is engaged in agriculture (including subsistence farming), only 3.5% of Algeria's land is cultivated. The soil is poor and subject to erosion, and the water supply is generally irregular and insufficient; about one-quarter of northern Algeria is completely unproductive. Agriculture contributed 13% to GDP in 2004.

Before independence, European-owned agriculture accounted for about two-thirds of vegetable production and employed about 800,000 farm laborers, 700,000 of them Muslims. Most Muslim-owned farms were small—10 hectares (25 acres) or less—and were located mainly in marginal areas on the interior plains and on mountain slopes. The Muslim sector, comprising the bulk of the agricultural population, accounted for only one-third of vegetable production but nearly all the livestock raising.

Within six months after independence was declared, at least half the European-owned land had been vacated. Algerian peasants soon began to work on these abandoned farms under a self-management system. During the 1960s, the government established more than 2,300 state farms on expropriated French landholdings; by the end of the decade, these farms accounted for two-thirds of total agricultural production and employed about 500,000 workers. In July 1971, President Boumediene announced an agrarian program providing for the breakup of large Algerian-owned farms and their reorganization into cooperatives. The first stage of the plan, the registration of land ownership, began in March 1972. In the second stage, many absentee landlords were forced to hand over part of their land to the state. By July 1973, of a total of 5 million hectares (12.4 million acres) of public land, 1 million hectares (2.5 million acres) of cultivable land had been redistributed to 54,000 families of landless peasants (*fellahin*), and 1,348 cooperatives had been created. By 1980, the number of cooperatives had increased to about 6,000; in the early 1980s, however, the government split large cooperatives into smaller units to improve efficiency. In 1982–83, about 450,000 hectares (1.1 million acres) of land previously nationalized were returned to private ownership, mostly in plots of 10 hectares (25 acres) or less. In 1987, a further breakup of large state-owned farms into private cooperatives was implemented. Long-term leases of land to cooperatives were begun. Farmers were given autonomy in production and investment decisions, including the right to keep profits. The National Union of Algerian Peasants, established in March 1973, played a leading role in the land reform program and has about 1.2 million members. By 1995, most of the cooperatives had been dispersed because of internal disputes and land was divided into individual plots. The government does not officially endorse this development, which compels farmers to sell their output on the black market. The Ministry of Agriculture is considering land privatization as a way to stimulate private investment.

Government policy aims at increased use of fertilizers and improved seeds, conversion of vineyards to the production of cereals and other staple foods, and achievement of self-sufficiency in food production. The main agricultural products continue to be wheat, barley, pulses, fresh vegetables, dates, table and wine grapes, figs, olives, and citrus. Grain and pulse production varies significantly and depends upon the frequency and amount of rainfall during the growing season. Estimated agricultural output in 2004 included 2,600,000 tons of wheat; 1,314,000 tons of barley; 1,800,000 tons of potatoes; 815,000 tons of tomatoes; 360,000 tons of oranges; 275,000 tons of grapes; and 450,000 tons of dates. In 2002, nearly 7.6 million tons of cereals were imported. Modest agricultural productivity growth along with rapid population increase makes Algeria one of the world's largest agricultural import markets; imports of food and agricultural products amount to about \$3 billion per year. Food and agricultural products accounted for over 22% of all imports in 2004.

### 23 ANIMAL HUSBANDRY

Algeria has 31,800 hectares (78,600 acres) of permanent pastures and grazing land, 13% of the country's total area. About half of the livestock is owned by only 5% of the herdsmen. In 2004 there were an estimated 18,700,000 sheep, 3,200,000 goats, 1,560,000 head of cattle, 245,000 camels, 170,000 donkeys, 44,000 horses, and 43,000

mules. There were also 125 million chickens. Algeria is self-sufficient in poultry meat and eggs, but must import all inputs (chicks, hatching eggs, feed, veterinary products, equipment). Algeria has a severe shortage of milk, meat, and cheese and must therefore rely on imports. Algeria produces about one billion liters of milk annually, while consumption amounts to three billion liters.

### 24 FISHING

Fishing is fairly extensive along the coast, but the industry is relatively undeveloped. Sardines, bogue, mackerel, anchovies, and shellfish are caught. The 2003 catch was 142,000 tons, 54% sardines.

### 25 FORESTRY

Only 1.6% of the land area is forested. The mountain ranges contain dense forests of evergreens (evergreen oak, Aleppo pine, and cedar) and deciduous trees, whereas the warmer regions contain large numbers of fruit and palm trees. Algeria is an important producer of cork; other forestry products are firewood, charcoal, and wood for industrial use. Roundwood production was estimated at 7.5 million cu m (94.7 million cu ft) in 2003.

Two-thirds of the French-planted forests in eastern Algeria were burned by French forces during the 1954–62 war. Reforestation was begun on 12,100 hectares (30,000 acres) of unused land in the semiarid region in 1960. By 1964, 25 million trees had been planted: eucalyptus in clay soils, Aleppo pine in calcareous regions, and olive trees. Current reforestation projects include the planting of a "green wall" across Algeria from the Moroccan to the Tunisian frontier to halt the encroachment of the Sahara. During the first half of the 1980s, reforestation proceeded at a rate of 52,000 hectares (128,000 acres) per year, but from 1984 to 1994, deforestation averaged about 45,000 hectares (111,200 acres) per year, so that Algeria now has 10% less forested land than in 1979.

### 26 MINING

In 2000, the government proposed allowing foreign investors to develop mineral deposits held by the national mining companies. The national geologic and mineral research office has identified many mineral deposits. However, they were located in remote areas that lacked infrastructure or government funding for development. With Algeria's proximity to Europe, its major minerals customer, the country's base and precious metals are of interest to foreign investors. Guerrilla activity, though, remains a significant deterrent.

Algeria's phosphate deposits at Djebel Onk, in the northeast, are among the largest in the world, covering about 2,072 sq km (800 sq mi), with an output of 905,000 metric tons in 2003, down from 1.16 million tons in 1998. There are deposits of high-grade iron ore at Ouenza, near the Tunisian border. Production totaled 1.378 million metric tons in 2003; half is exported. Among other mineral production in 2003, zinc concentrate output was 2,796 metric tons, down from 10,452 metric tons in 2000; bentonite, 25,346 metric tons in 2003, up from 22,708 metric in 2000; lead concentrate, 1,105 metric tons in 2002, the last year for which there is any data, according to the US Geological Survey, and up from 818 metric tons in 2000; mercury, 175,00 kg in 2003, down from 215,625 kg, in 2000; crude barite, 45,649 metric tons in 2003, down from 51,925 metric tons in 2000; salt (brine and sea salt),

183,000 metric tons in 2003, up from 182,000 metric tons in 2000; hydraulic lime, estimated at 100,000 metric tons in 2003, up from an estimated 96,000 metric tons, in 2000. Marble, silver, kaolin, sulfur, fuller's earth, and strontium are also mined.

## 27 ENERGY AND POWER

Algeria is an important producer and exporter of oil and gas and supplies a significant portion of Europe's energy requirements. Natural gas and petroleum dominate the economy; in 2003, estimated exports of hydrocarbons were valued at more than 90% of total exports, and around 30% of gross domestic product (GDP). In the 1950s, natural gas was found in the east, near the Libyan border, and at Hassi R'Mel in the Sahara. Algeria's proven natural gas reserves are among the world's largest, totaling an estimated 4.5 trillion cu m (160.4 trillion cu ft) as of end 2004. Algeria produced 82 billion cu m (2.9 trillion cu ft) of natural gas in 2004. A 500-km (310-mi) main pipeline connecting Hassi R'Mel to Arzew (between Oran and Mostaganem) was opened in 1961, and branch lines to Oran and Algiers were completed four years later. Since then, six other pipelines have been constructed, including the first trans-Mediterranean gas pipeline (Transmed) to Europe via Sicily, built at a cost of \$3 billion. The Transmed consists of three segments, linking Algeria, 550 km (342 mi); Tunisia, 370 km (230 mi); and the Mediterranean to Sicily, 154 km (96 mi) underwater. In 2001, Algeria's total LNG export capacity amounted to over 6 billion cu m (212 billion cu ft) per year. The \$2.3-billion Gazoduc Maghreb-Europe pipeline to Spain and Portugal via Morocco began operating in November 1996. Total dry exports of natural gas amounted to 2,066.28 billion cu ft in 2002. Algeria's total natural gas export capacity as of 2001 was 57 billion cu m (2 trillion cu ft).

Oil was discovered at Edjeleh and Hassi Messaoud in 1956 and at Al-Gassi in 1959; by 1969, the Franco-Algeria Cooperative Association (ASCOOP), a petroleum development company, had discovered eight major fields. Proven reserves of crude oil amounted to 11.8 billion barrels as of end 2004; crude oil production averaged 1,933,000 barrels per day in 2004. There are four main pipelines linking the wellheads in the eastern Sahara with Algerian ports and a fifth with the Tunisian port of Sekhira; there are also several branch pipelines. In late 2002, Algeria's total refinery capacity was 450,000 barrels per day. There were four gas liquefaction plants in 2000, three at Arzew and one at Skikda, all operating well below capacity because of disrepair and lack of funds for spare parts. In 2000 Algeria was the world's second-largest exporter of liquefied natural gas (LNG); its exports, which went mainly to Western Europe, accounted for 19% of the world's total.

The Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (Sonatrach), founded in 1964 as the state-owned petroleum company, handles the distribution and transport of oil. On 24 February 1971, President Boumediene announced the Algerian takeover of controlling interest in all French oil company subsidiaries and the nationalization of all pipelines and natural gas deposits. Holdings of all other foreign petroleum interests in Algeria were nationalized by the end of 1971. Subsequent agreements have generally treated foreign companies as minority partners in Algerian state enterprises. Contracts for sales of natural gas to Western Europe and the United States increased spectacularly

in the 1970s but decreased in the 1980s as world energy prices fell, pushing Algeria into severe debt. By 1991, Sonatrach was reversing its monopolistic policy, and forming joint ventures for new exploration contracts. The company planned to invest \$20 billion through 2004 to develop Algeria's oil and gas fields, focusing on wet gas field development, enhanced oil recovery techniques, pipeline expansion, exploration, and dry gas field development. In April 2000 Sonatrach announced a \$500 million joint venture with Amerada Hess to develop the el-Gassi, el-Agreb, and Zotti oilfields, with the goal of increasing production to 45,000 barrels per day by the end of 2003.

In 2002, net electricity generation was 25.992 billion kWh, of which 95.6% came from fossil fuels, and the rest from hydropower. In the same year, consumption of electricity totaled 24.151 billion kWh. Total capacity in 2002 was 6.4 million kW.

In 1996, Algeria signed a nuclear cooperative agreement with China, which built the two nuclear reactors in Algeria. Algeria claims that these reactors are for research and the peaceful exploitation of nuclear power. Algeria has signed a cooperative agreement with the International Atomic Energy Agency and has opened its reactor facilities to agency inspectors.

## 28 INDUSTRY

The industries of Algeria, which traditionally have been concentrated around Algiers and Oran, have included carpet mills, cement factories, chemical plants, automobile assembly plants, food-processing installations, oil refineries, soap factories, and textile plants. Other major industries have produced bricks and tiles, rolled steel, farm machinery, electrical supplies, machine tools, phosphates, sulfuric acid, paper and cartons, matches, and tobacco products.

Before independence, industry made significant gains. New enterprises were developed in food processing and packaging, textiles, leather, chemicals, metalworking, building materials, and farm machinery. A new large steel plant was built at Annaba, a petroleum refinery at Algiers, a petrochemical complex at Arzew, and a phosphate production center at Djebel Onk, near the Tunisian border. Other industries were set up to produce automobiles, tractors, cement, rubber tires, and ammonia.

French firms were nationalized after independence, between 1962 and 1974. The government put great emphasis on the development of the hydrocarbons sector, including the building of refineries and natural gas liquefaction plants. Algeria contains an estimated 11.8 billion barrels of proven oil reserves, but analysts consider Algeria to be underexplored. As of 2005, Algeria had four oil refineries with a capacity of 450,000 barrels per day. Algeria's crude oil production in 2004 was 1.23 million barrels per day. Algeria is a member of the Organization of the Petroleum Exporting Countries (OPEC), and its crude oil production quota was set at 862,000 barrels per day as of November 2004. Algeria has been pressing to have its OPEC quota raised, as its production capacity is increasing rapidly.

The government has encouraged diversification away from Algeria's heavy reliance on hydrocarbons, although those efforts have not been entirely successful, especially given the increase in oil and natural gas export revenues since 1999. Algeria is considered to be underexplored, and significant oil and natural gas discoveries have been made in recent years, which have increased Al-

geria's proven oil reserves to 11.8 billion barrels, placing it 14th in the world in total oil reserves. Algeria's proven natural gas reserves were 160 trillion cu ft in 2005, the eighth-largest in the world. The state-owned hydrocarbons company, Sonatrach, invested nearly \$20 billion between 1996 and 2000 on new pipelines and extensions. The company's Trans-Maghreb pipeline opened in 1996, supplying Spain and Portugal with natural gas, and Sonatrach substantially increased the capacity of its Trans-Med gas pipeline to Italy. In 2001, Sonatrach undertook a feasibility study on another natural gas pipeline under the Mediterranean to Sicily, the Italian mainland, and southern France; the project could come on-stream by 2008. The Medgaz natural gas pipeline, to be completed in 2008, will link Beni Saf, Algeria, to Almeria, Spain. As of 2005, there was also the possibility of a Trans-Saharan natural gas pipeline, running from Nigeria, across the Sahara, and on to Algeria and the Mediterranean coast. In 1998, Sonatrach issued bonds for the first time, showing the regime's loosening hold on the state-run enterprise. Algeria's oil and natural gas industries increasingly are becoming more open to foreign investors.

The textile and leather industry declined 14.7% in 2001, and 27 state-owned textile companies had gone out of business since 1996, resulting in a loss of 22,000 jobs. Textile manufacturer Group Texmaco, however, was successful as of 2002. It accounted for 30% of the market and had 18,000 employees, although it was operating at 20% capacity in 2002. The textile industry by 2005 was faced with competition from Asia, particularly China.

As of 2004, industry accounted for about 57.4% of the nation's GDP. The hydrocarbons sector (mostly petroleum and natural gas) alone accounted for 30% of GDP in 2005 and over 96% of export revenues. Algerian industry has been in the process of a structural transformation as it moves from a socialist, government-controlled economy to a free-market economy. Consequently, industrial production has fallen as inefficient plants are closed and large oversized industries are scaled back. As of 2002, of the 1,270 state-owned companies, 53% were considered sound after substantial restructuring, 30% were functioning but in poor financial shape, and the remaining 18% were bankrupt or nearly so (approximately 230 companies). The government has spent \$15 billion to restructure industry in the early 2000s. By 2004, the estimated industrial production growth rate stood at 6%.

## 29 SCIENCE AND TECHNOLOGY

Since independence, Algeria has made major technological advances, especially in the steel and petrochemical industries. However, Algeria still has a severe shortage of skilled workers and is heavily dependent on foreign technologies. Scientific training is principally conducted at the Hovari Boumedienne University of Sciences and Technology, founded at Algiers in 1974; the Oran University of Sciences and Technology, founded in 1975; the universities of Annaba (founded in 1975), Blida (founded in 1981), Boumerdes (founded in 1981), Constantine (founded in 1969), Oran Es-senia (founded in 1965), and Tlemcen (founded in 1974); and the Ferhat Abbas-Setif University of Setif (founded in 1978). In 1987–97, science and engineering students accounted for 58% of college and university enrollments. The government's National Bureau of Scientific Research operates 18 research centers in biology; anthropology; oceanography and fisheries; astronomy, astro-

physics, and geophysics; renewable energy; arid zones; technology transfer; and other fields.

In 2002, Algeria's high technology exports totaled \$21 million, 4% of the nation's manufactured exports.

## 30 DOMESTIC TRADE

European trading firms formerly played a major role in the economy; however, many Europeans, fearful of eventual Muslim control, sold their holdings or gave them up in 1961–62. After independence, about one-half of the country's shops closed down, and in 1963, state agencies began taking over nearly all wholesaling and marketing operations. Since 1996, the Algerian government has prioritized the privatization of state-owned enterprises.

The principal cities of the north are the largest trade centers. While most trade is done on a cash or credit basis, some bartering still goes on among the rural dwellers and in the Muslim quarters of cities. In the mountain regions there are local market days or special local fairs for the exchange of products during different seasons.

Normal business hours are 8 AM to noon and 2 or 2:30 to 5:30 or 6 PM, Saturday–Wednesday, and 8 AM to noon on Thursday. Banks are generally open from 9 AM to 3 PM, Monday to Thursday, but some banks close for lunch. Shopping is normally carried out from 8 AM to 12 PM and 2 to 6 PM, Saturday to Thursday. Ramadan hours are shorter.

## 31 FOREIGN TRADE

Crude oil and natural gas account for nearly all of Algeria's export value; industrial equipment and semifinished goods and foodstuffs, especially wheat, dominate the country's imports. Surpluses accrued with the oil and gas price increases beginning in the mid-1970s and continuing through 1985, with the exception of 1978. In 1986, however, because of a severe drop in oil prices, Algeria experienced the first trade deficit since 1978 and the largest ever. The 1986 collapse of oil prices drove the government to implement decentralizing IMF programs in order to stabilize the economy. Algeria was able to register a trade surplus during most of the nineties, except during 1994, after a season of political turmoil. On 30 April 1998, the Algerian government chose not to re-sub-

### Principal Trading Partners – Algeria (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	24,611.5	13,532.6	11,078.9
United States	4,899.6	708.6	4,191.0
Italy-San Marino-Holy See	4,717.6	1,273.2	3,444.4
France-Monaco	3,107.9	3,233.4	-125.5
Spain	2,993.0	742.4	2,250.6
Netherlands	1,693.5	217.7	1,475.8
Canada	1,393.6	304.3	1,089.3
Brazil	1,122.7	180.0	942.7
Turkey	1,063.9	437.8	626.1
Belgium	706.5	311.3	395.2
Portugal	541.4		541.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.



scribe to IMF structural programs. Coupled with low oil prices, this move brought about diminished export revenues, threatening a trade deficit. Rising oil prices during 1999 brought back a trade surplus. Higher oil prices during 2005–06 also increased export earnings and the trade surplus. Average crude oil prices increased by one-third in 2004. Coupled with higher crude production, total export earnings rose to \$34.2 billion in 2004, while the trade surplus increased to \$16.3 billion.

The majority of Algeria's foreign trade continues to be with the European Union (EU) and the United States. The major exports in 2003 included hydrocarbons (98.1% of all exports), semifinished goods (1.3%), and raw materials (0.2%). The major imports were capital goods (28.8% of all imports), food (17.9%), and semifinished goods (15.2%). Algeria's leading markets in 2004 were the United States (21.1% of all exports), Italy (16.1%), and France (10.6%). Algeria's leading suppliers in 2004 were France (32.3% of all imports), Italy (8.8%), and Germany (6.4%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Algeria long had a current-accounts deficit, which before independence was covered by the French government. While the departure of Europeans after independence contributed to a more equitable balance of trade (Europeans had been the chief consumers of foreign goods), it also caused a heavy withdrawal of capital and a decrease in French aid, resulting in a continued deterioration of Algeria's payments position. However, with the continued growth of the petroleum sector, Algeria recorded substantial payments surpluses during the 1970s. In 1986, the fall of oil prices brought about a large deficit and an economic restructuring through the IMF that was intended to help service the country's debt and begin government privatization. In 1991, many import restrictions were abolished, although foreign exchange and external credit access were still restricted. By 1996, Algeria promulgated a liberalized trade regime in which nearly all export restrictions were removed and foreign investment was encouraged.

Debt rescheduling by the Paris Club and other lenders allowed the Bank of Algeria in the late 1990s to increase its reserves of hard currency. Algeria must increase its nonhydrocarbon exports, however, in order to generate enough foreign exchange so that when oil prices are low, it will be able to pay for necessary imports and to service its external debt, which stood at \$24.7 billion in 2001. The external debt was estimated at \$21.9 billion in 2004.

Average crude oil prices increased by one-third in 2004; combined with higher crude production in Algeria, export earnings rose to \$34.2 billion, while the trade surplus increased to \$16.3 billion. In 2005–06, the outlook for the current account remained strong. Algeria's current-account surplus was forecast to be 18.8% of GDP by the end of 2007. From 2000–04, the current account balance averaged 13% of GDP.

### 3<sup>3</sup> BANKING AND SECURITIES

The Central Bank of Algeria, created in December 1962, was the sole bank of issue at that time. Following the separation of the French and Algerian treasuries in late 1962, the Directorate of Treasury and Credit was established as the government's fiscal agent. The state also established cooperative banks. It wasn't until 1996 that private companies were permitted to set up money-changing shops following a directive issued by the Central Bank

initiating open market operations. This opened a field previously restricted to state-owned banks. Bank base interest rates officially fell from 18.5 to 15% during 1996, according to the prime minister, Ahmed Ouyahia. In 1998, local commercial banks cut interest rates on loans to between 10% and 12.5%, down from a range of 18.5–23.5% in 1996. The Bank of Algeria's primary method of financial control was to limit lending, and interest rate cuts were aimed at encouraging growth.

Foreign banks ceased operations after the nationalization of banks in 1963 and were absorbed by three government-owned banks including the Foreign Bank of Algeria, the National Bank of Algeria, and the People's Credit of Algeria. There were also four government banks for financing economic development and a savings institution that offered housing loans. These included the Algerian Development Bank, the Agricultural Bank for Rural Development, and the Maghreb Bank for Investment and Commerce.

In 1997, the banking industry of Algeria included one Central Bank (Banque d'Algerie), six state-owned banks, one public development bank and one private bank (Union Bank, concentrating on merchant banking since 1995). In 1998, five new private banks opened, including one US-based bank.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$16.0 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$26.9 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 3.35%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6%.

The Algiers stock exchange was opened in July 1999. With only three companies listed (a food processing company, a pharmaceutical company, and a hotel) the exchange was in its early stages. Bonds issued in 1998 by Sonatrach, the national oil company, were rated in the Algiers stock exchange on 18 October 1999.

### 3<sup>4</sup> INSURANCE

In 1966, a state monopoly based on the Algerian Company of Insurance (ACI), and the Algerian Insurance of Reinsurance Fund (AIRF), replaced foreign insurance companies. Ten Algerian insurance companies were operating in 2003: the Compagnie Algérienne d'Assurances, the Compagnie Algérienne des Assurances Transports, the Compagnie Centrale de Réassurance, the Agricultural Mutual Fund, the Algerian Fund Insurance for Workers in Education and Culture, the CAGEX Insurance Company, and Guarantee for Exports and the Société Nationale d'Assurances. In 1998, Trust-Algeria, the International Company of Insurance and Reinsurance, and Algerian Insurance were approved as Algerian Insurance Companies. In 2001 (the latest year for which data was available), the state insurer, Société Algérienne d'Assurance (SAA) was the top nonlife and life insurer, with gross written premiums of \$81.3 million and \$6.4 million, respectively. In 2003, total direct premiums written came to \$399 million, of which nonlife premiums totaled \$384 million.

The government sponsors an export credit insurance agency, managed by the Algerian Export Management Company, that is financed by 10% of a tax on imported luxury goods. This has been set up to aid the growth of nonhydrocarbon exports.

### 35 PUBLIC FINANCE

Algeria's fiscal year coincides with the calendar year. Government expenditures increased rapidly from independence until 1986, when IMF adjustment plans attempted to curb spending. Government expenditures have continued to rise, despite austerity measures and the spread of liberalization to the economy. Instead of gaining funds from the sale of state-run industry, the government has had to foreclose companies for a lack of investors. About 60% of total government revenue came from the petroleum and natural gas industries, which are still state-operated.

The US Central Intelligence Agency (CIA) estimated that in 2005 Algeria's central government took in revenues of approximately \$42 billion and had expenditures of \$30.7 billion. Revenues minus expenditures totaled approximately \$11.3 billion. Public debt in 2005 amounted to 14.8% of GDP. Total external debt was \$21.54 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, budgetary central government revenues in billions of dinars were 1,603.2 and expenditures were 1,550.6. The value of revenues in millions of US dollars was \$20, based on an official exchange rate for 2002 of 79.682 as reported by the IMF.

### 36 TAXATION

The most important sources of government revenue have been oil and gas royalties. Algeria's tax system has been streamlined through the replacement of a number of different taxes by a value-added tax, a personal income tax, and a corporate profits tax. The corporation tax was 45% on distributed profits and 20% on reinvested earnings. Many fiscal advantages have been granted to developing and expanding industries, especially to private investment. For established domestic industry and commerce there is a tax on production (a single tax that was passed on to the consumer) and a tax on industrial and commercial activities.

Algeria's 1993 investment code offered foreign investment companies a three-year exemption from VAT, a property tax abatement, lower customs duties, and a two to five year exemption from corporate income taxes. The tax break was meant to stimulate investment in Algeria's export market. After 1993, foreign workers whose monthly salaries exceeded \$1,333 per month paid a 20% income tax, instead of one up to 70%.

### 37 CUSTOMS AND DUTIES

A customs union between Algeria and France allows regulations applicable in the metropole to apply also in Algeria, making Algeria a de facto adherent of GATT. By a special agreement with the European Union (EU), Algerian industrial products are granted duty-free entry into the EU market and agricultural products get seasonal tariff reductions, while Algeria gives reciprocal treatment to EU imports. Algeria has also concluded preferential customs agreements with Tunisia and Morocco and is a founding member of the Arab Maghreb Union (UMA), a trade union composed of Algeria, Libya, Mauritania, Morocco, and Tunisia. The UMA intended to create a free trade zone, but this had not yet come to fruition.

Goods from France are admitted at a preferential rate; secondly, goods from other European Union countries; and thirdly, goods

from countries that grant Algeria most-favored-nation treatment which are subject to a basic standard tariff. Tariffs on imports ranged from 3–40% in 1998, in addition to a value-added tax (VAT) of 17% on most products, although for some products the VAT is 7%. Some imports are also eligible for the *Taxe Spécifique Additionnelle*, ranging from 20–110% and generally applied to luxury goods. As part of its application to join the World Trade Organization, Algeria lowered its rates to bring them within acceptable WTO levels. The government has further abolished the required import licenses. The only imports subject to restriction are firearms, explosives, narcotics, and pork products. Pharmaceuticals marketed in their country of origin may be freely imported.

### 38 FOREIGN INVESTMENT

Under investment codes issued in 1983 and 1986, Algeria's foreign investment regime was quite restrictive. Foreign investment was permitted only in joint ventures with state-owned companies, although repatriation of profits was guaranteed. The economy's main hydrocarbon sector and many others were off limits.

The money and credit law of March 1990 allowed majority foreign-owned joint ventures in almost all sectors except the hydrocarbon sector, electricity production, railroad transport, and telecommunications. The law provided for the safe transfer of capital and terms for international arbitration. The hydrocarbon law of November 1991 allowed foreign firms to exploit existing oil fields in partnership with the state oil firm. The Investment Code of October 1993 did not distinguish between investments made by foreigners or Algerians and granted new investors limited tax exemptions and reductions in duty on imported goods.

In 1995, the Algerian government set up the National Agency of Investment Development (*Agence de Promotion, de Soutien, et de Suivi des Investissements—APSI*) and regional investment promotion agencies to serve as a network of regional one-stop shops to eliminate layers of bureaucracy for investors. In 1996, APSI approved 50 foreign investment projects, including American (2), French (16), Italian (11), Spanish (8), and German (4) investors. As of 2002, 20 foreign-owned businesses had been established and the government set a goal to double this number.

In 1997, foreign direct investment (FDI) was \$260 million and from 1998 to 2000 averaged \$482 million. In 2000, the German firm Henkel acquired 60% of the state detergent and cleaning products firm, ENAD, and an Egyptian company bought a second GSM mobile phone license. In 2001, FDI more than doubled to \$1.196 billion thanks mainly to the privatization and sale of one major state enterprise, the El Hadjar steel complex, SIDER, to the Indian steel firm ISPAT, which acquired 70% ownership. In August 2001, the government reorganized the public sector companies to facilitate investment. The 11 sectoral holding companies into which state economic enterprises (EPEs) had been organized in 1996 were replaced with 28 shareholding management companies and the National Privatization Council was renamed the State Shareholding Council. All sectors were opened to foreign investment in 2001, including the hydrocarbon sector, in which the government put exploratory contracts for particular blocks up for auction.

By 2003, 30 foreign oil and gas companies were working in exploration in Algeria. In 2005, the Algerian parliament adopted a new law to further liberalize the hydrocarbons sector. The law

separates the commercial role of Sonatrach, the state-owned hydrocarbons company, from its previous regulatory and procurement/contracting functions. Sonatrach is now compelled to bid on domestic projects alongside foreign firms: it will no longer be an automatic partner in all projects.

Algeria's stock exchange, established in 1999, remains rudimentary, with only four companies listed as of 2005. As part of the government's ambitious privatization program, 11 other state-owned companies are expected to trade on the stock exchange in the near future.

The total value of investment declarations in 2004 was \$3.5 billion, of which \$2 billion was in nonhydrocarbons areas. There were 105 foreign investment projects in 2004, of which 40 were partnership projects and the rest 100% foreign-owned. Hydrocarbons FDI registered \$1.8 billion in 2003, up from \$671 million in 1999. This amount represented 10% of all FDI inflows in Africa (excluding South Africa).

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

Following independence, Algeria adopted an economic policy favoring a socialist organization of society. Under the Charter of Algiers, the basis of Algerian policy was that the workers themselves were responsible for management, while ownership of the property was maintained by the state. The first stage of development, covering 1967–69, set up a basis for expansion of industry, improvement of agriculture, and training of personnel.

The second four-year plan (1974–77) established a heavy industrial base for the economy and largely completed agricultural reforms. The period 1978–79 was used to consolidate economic gains. In 1979, the government decided to limit oil and gas exports and to decentralize industry away from Algiers in order to build up the country's less developed regions. The new five-year plan for 1980–84 switched the emphasis from heavy to light industry and to neglected social areas, especially housing. The second five-year plan (1985–89) emphasized agriculture and water supply in order to reduce the chronic food deficit, but industry (32%) and social infrastructure (27%) were allotted the largest shares of the proposed total investment. By 1999, the government defined broader national economic policy objectives for diversification and development.

In the early 1980s, Algeria said it would allocate 1% of its gross domestic product (GDP) to aid Third World countries, with about 80% going to other African countries, but Algeria has been chiefly a recipient of aid.

In 1995, Algeria signed a three-year program for debt rescheduling with the International Monetary Fund (IMF), and rescheduled \$13 billion of debt with the Paris Club. These programs resulted in an improved balance of trade, lowered government expenditures, and a government surplus. The government did not renew its programs with the IMF in 1998, saddling the economy with a total debt in 1998 that amounted to \$31 million, and capital expenditures reaching almost 10% of the GDP.

Trade surpluses in the early 2000s led to improvements in Algeria's level of foreign debt. The stock of debt was reduced to \$22.5 billion, or 43% of GDP, by the end of 2001, and to \$21.9 billion in 2004. In fact, in the early 1990s, Algeria's foreign debt was equivalent to 72% of GDP and servicing it absorbed a similar proportion of export revenue. By 2004, foreign debt had dropped to about

one-third that level. Foreign exchange reserves amounted to \$36 billion, triple the stock from 2000. The government adopted a fiscal stimulus plan covering the period 2001–04. By 2005, Algeria's fiscal account was healthy, and was expected to record an average surplus of 11.7% of GDP over 2006–07. Inflation was projected to remain modest (the inflation rate averaged 2.6% over the period 2000–04).

In 2002, Algeria entered into an Association Agreement with the European Union (EU). Continuing privatization and economic and trade liberalization have been key structural reforms. Another long-term priority is addressing the high rate of unemployment. The government in 2005 had increased spending on labor-intensive housing, road, and water projects. In September 2004 the government announced a \$50 billion capital spending package covering the period 2005–09. The country is not free of the violence of the mid-1990s, however, with struggle continuing between Islamists and the army, which controls the government. In October 2005, President Bouteflika's Charter on Peace and National Reconciliation was approved in a referendum, giving Islamist rebels an amnesty and releasing imprisoned opposition party leaders. But it is unclear how effective it will be at healing Algeria's wounds.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

A social insurance system for old age, disability, sickness and death cover all employees and self-employed persons. The program is financed with contributions from employees and employers. Retirement is set at age 60 for men and age 55 for women and veterans, with early retirement available for those in arduous work, mothers, and the disabled. Work injury benefits are available to all employed individuals including technical students, voluntary social security administrators, those undergoing rehabilitation, students, and certain prisoners. Only salaried workers are entitled to unemployment benefits. The law also provides for an employment related family allowance funded by the government and the employer.

The Family Code, based on Islamic principles, effectively treats women as legal minors for life, under the authority of the father, husband, or other male head of the family. The code permits polygamy and proscribes marriage between a Muslim woman and a non-Muslim man while allowing a Muslim man to marry outside the faith. In a court of law, a woman's testimony is not considered as equal to a man's, and women do not have full legal guardianship of their children, requiring the father to sign all official documents.

Women are allowed to work but constitute only 19% of the work force. Traditional Islamic views of the role of women still dominate keeping most women from seeking jobs outside the home. The labor laws prohibit sexual discrimination in the workplace, but this is not enforced. Spousal abuse is a common problem especially in rural areas. Spousal rape is not prohibited by law, and it accounts for an estimated 27% of domestic abuse. Many of the abused women are uneducated and illiterate.

The human rights record remains poor and includes extrajudicial killings, torture, and failure to control abuses by security personnel, including massacres of suspected Islamic militants. In 2004, terrorists also committed numerous abuses in the continuing insurgency. Ethnic tensions between the Arabs and the Ber-

bers, who were the original inhabitants of Algeria, continued. The government created the High Commission for Berber Affairs, which protects and promotes Berber language and culture.

#### 41 HEALTH

The Ministry of Health has overall responsibility for the health sector, although the Ministry of Defense runs some military hospitals. In 1990, Algeria had 284 hospitals with 60,124 beds (2.4 per 1,000 people; as of 1999 this ratio had declined to an estimated 2.1). There were also 1,309 health centers, 510 polyclinics, and 475 maternity hospitals (64 privately owned) in 1990. In 2004 medical personnel numbered 84.6 doctors and 297.8 nurses per 100,000 people. Health care expenditure was estimated at 3.6% of GDP.

Free medical care was introduced in 1974 under a Social Security system that reimburses 80% of private consultations and prescription drugs.

The principal health problems have been tuberculosis, malaria, trachoma, and malnutrition. By 1999, the incidence of tuberculosis was 45 in 100,000. In 2005, the average life expectancy was 73 years, which represented a steady increase. Infant mortality in 2005 was 31 per 1,000 live births. The government is interested in creating public awareness of birth control. As of 2003 an estimated 51% of women ages 15 to 49 were using some form of contraceptive. The total fertility rate decreased to 3.2 in 2000 from 5.0 in 1987. Malnutrition was present in an estimated 18% of all children under the age of five according to the most recent figures available as of 2000. The HIV prevalence among adults in 2004 was only 0.7 per 100 adults. As of 2004, there were approximately 9,100 people living with HIV/AIDS in the country.

Algeria's immunization rates as of 1999 for one-year-old children were: diphtheria, pertussis, and tetanus, 83%; and measles, 83%. In 2000, 94% of the population had access to adequate sanitation.

Algeria's government has developed plans to boost domestic production of pharmaceuticals as well as to remedy a serious shortage of dentists and pharmacists.

#### 42 HOUSING

The need for adequate housing has been a pressing problem for Algeria for several decades. In 1964, the Ministry for Housing and Construction was created to aid in reconstruction and upgrading of damaged and substandard dwellings. The government's 1965 financial reform provided for regularization of ownership and collection of rents from some 500,000 nationalized or sequestered apartments and houses in the major cities. Migration to the coastal cities during the 1960s and 1970s aggravated the housing problem, and in the 1974–77 development plan the government took steps to curb the flow. The 1980–84 plan called for the construction of 450,000 new housing units; the building effort failed to meet the target because of shortages of construction materials. In 1982, the government committed more than \$1.5 billion to prefabricated housing, some of it as part of a program to build "model villages" for workers on state farms or in state-owned enterprises. In 1998, the World Bank offered the nation a loan of US\$150 million for a 10-year program to improve and create low-income urban housing, thus eliminating urban slums.

Despite all these efforts, 2003 reports indicated that the country still needed 1.5 million to 2 million housing units. The average oc-

cupancy rate was at about 7.5 persons per household; with one report indicating that 52% of all households included 15 to 20 members. About half of all housing units are individual houses, with the remaining housing falling into three categories: traditional houses called *haouches*, flats or apartments, and shacks or other marginal arrangements. In 2000, about 94% of the population had access to improved water sources; 73% had access to improved sanitation systems. The government announced plans to build one million new homes by the end of 2009, but observers were skeptical that this plan could be achieved.

#### 43 EDUCATION

Education in Algeria largely continues to follow the pattern laid down during the French administration, but its scope has been greatly extended. Public primary and secondary schools were unified in 1976 and private schools were abolished. Expenditure on education was estimated at 6% of GDP in 1999. The government has given priority to teacher training, technical and scientific programs, as well as adult literary classes.

About 4.2% of all children were involved in preprimary education programs in 2001. The compulsory education program last for 12 years, with most students beginning at age six. Basic education consists of a nine-year program. Students may then choose to continue in general secondary or technical school programs, with each involving three years of study. Education is compulsory through secondary school. Primary school enrollment in 2003 was estimated at about 95%; 96% for boys and 94% for girls. The same year, secondary school enrollment was about 67%; 65% for boys and 69% for girls. It is estimated that about 95% of all students complete their primary education. About 79% progress to secondary levels. The pupil to teacher ratio for primary school was at about 28:1 in 2003. The academic year goes from September to June. The public schools are regulated jointly by the Ministry of Education and the Ministry of Religious Affairs and the study of Islam is a required part of the curriculum. Arabic is the official language although French and Berber are also in widespread usage.

The adult literacy rate for 2004 was estimated at about 69.8%, with 79.5% for males and 60.1% for females. In January 2006, there were over 50 universities and other institutes of higher learning. The University of Algiers (founded in 1909), its affiliated institutes, and other regional universities enrolled 267,142 students in 1996. The universities provide a varied program of instruction that stresses development-related subjects. Many technical colleges also are in operation. Approximately 21% of the adult population were enrolled in tertiary programs in 2003. The National Conference of Universities was created in 2000 to serve as a coordinating body for higher education.

#### 44 LIBRARIES AND MUSEUMS

The largest libraries in Algeria are those of the University of Algiers (over 800,000 volumes) and the National Library (founded in 1835, over 950,000 volumes). In 2005, the National Library (Bibliothèque nationale d'Algérie) had seven annex locations to supplement its main location in Algiers. There also exist several sizeable university collections, including the University of Constantine (208,000 volumes), the University de Mentouri (240,000 volumes), and the University d'Oran Es-Senia (200,000 volumes).

Other collections of size are the Municipal Library in Constantine (25,000 volumes) and the Aubert Library in Oran (26,000 volumes). The Pasteur Institute in Algiers has a special library of over 47,000 volumes, and the Institute of National Studies in Tiaret has a library of 25,000 volumes.

Museums of importance in Algiers include the Bardo National Museum of Prehistory and Ethnography (1928), the National Museum of Fine Arts of Algiers (1930), the National Museum of Antiquities and Islamic Art (1897), and the Museum of the Revolution (1968) with a collection of memorabilia celebrating Algeria's long-fought war of independence against France. Various regional museums are located at Constantine, El Biar (west of Algiers), Oran, Sétif, and Skikda. There is a fine antiquities museum in Cherrhell, a decorative arts museum in Ghardaia Oasis, and a botanical garden in Beni-Abbes. The situation of many of Algeria's cultural treasures has been in doubt because of ongoing anti-Western civil terrorism.

#### 45 MEDIA

In 2003, there were an estimated 69 mainline telephones for every 1,000 people; about 727,000 people were on a waiting list for telephone service installation. The same year, there were approximately 46 mobile phones in use for every 1,000 people. Satellite, cable, and radiotelephone services link Algeria with most other parts of the world.

As of 1999, President Bouteflika has maintained that the media should ultimately be at the service of the state. As such, radio and television remain primarily under government control. Censorship is not considered a rule of law, but jail terms and fines are enforced against those issuing any statements defaming the president, the army, or other government officials.

The country's independent media includes about 43 publications. The seven largest papers had substantial circulations in 2004: *El-Khabar* (circulation 530,000), *Quotidien d'Oran* (195,000), *Liberte* (120,000), *El-Watan* (70,000), *L'Expression* (29,000), *Djazair News* (20,000) and *Chorouk El-Youmi* (9,000). There are two state-owned French-speaking papers, *El-Moudjahid* and *Horizons*, and two state-owned Arab speaking papers, *El-Chaab* and *El-Massa*.

Algeria has approximately 25 radio stations and 46 television stations. Satellite dish antennas are widespread and millions of citizens have access to European and Middle Eastern broadcast stations. In 2003, there were an estimated 244 radios and 114 television sets for every 1,000 people. The Algerian Press Service (APS) and the Algerian News Agency (ANA) are the primary news services.

In 2004 the country had about 897 Internet hosts. In 2003, there were 7.7 personal computers for every 1,000 people and 16 of every 1,000 people had access to the Internet.

#### 46 ORGANIZATIONS

There are foreign and domestic chambers of commerce, industry, and agriculture in the major cities and the country has a national committee of the International Chamber of Commerce. The African Federation of Mines, Energy, Chemical and Allied Trade Unions is an organization of labor unions, seeking to advance the trade union movement by facilitating communication and cooperation among members and representing the interests of members before business organizations and government

agencies. The leading trade union, Union Générale des Travailleurs Algériens (UGTA), sponsors many organizations in Algeria. The "professional trade sectors" affiliated with the UGTA include food, agriculture, construction, teachers, energy, finance, information sciences, light and heavy industry, health social security, and telecommunications. There are some national associations for medical professionals, such as the Algerian Association of Medical Physicists.

The National Union of Algerian Youth (UNJA) was originally established by the National Liberation Front (FLN) in 1969 as the youth wing of the FLN. Since then UNJA has broadened its youth representation and the Algerian National Youth Forum (FNJA) was established to represent other political tendencies. The National Union of Algerian Students (UNEA) and the National League of Algerian Students (LNEA) are active groups of university students. The Government's Ministry of Youth and Sports was established in 1998 and there are other national sports associations, some of which are linked to international associations as well. Other youth NGOs in Algeria include the Federation of Algerian Youth Hostels and the Union of Youth of Segouia El Hamra Río Oro. A scouting movement (Scouts Muslmans Algériens/Algerian Muslim Scouts) is also present.

Red Cross and Red Crescent societies, including one for youth, are active. There is an organization of Amnesty International represented within the country. There are chapters of the Lions Club and Kiwanis International. The Society of St. Vincent De Paul also has members in Algeria.

Learned societies are active in such fields as anthropology, archaeology, geography, history, and various branches of medicine.

#### 47 TOURISM, TRAVEL, AND RECREATION

Visitors need a valid passport and a visa. There are no required vaccinations, although inoculations against typhoid, tetanus, and rabies are recommended. Vaccination against yellow fever is required of those coming from an infected area.

Among popular tourist attractions are the Casbah and Court of the Great Mosque in Algiers, as well as the excellent Mediterranean beaches, Atlas Mountains resorts, and tours of the Sahara Desert. The government has encouraged tourism as an increasingly important source of foreign exchange. In 2003, there were 1,166,287 visitor arrivals. The majority of foreign tourists were from France and Tunisia, with over 192,000 visitor arrivals from those countries. Receipts from tourism came to \$161 million.

The most popular Algerian sport is football (soccer), which is played throughout the country by professionals and amateurs alike. Tennis is widely played as well.

#### 48 FAMOUS ALGERIANS

The most famous Algerian of antiquity was St. Augustine (Aurelius Augustinus, 354–430), a Church father and theologian who was born in eastern Numidia. An important 19th-century figure was Abd-el-Kader ('Abd al-Kadir bin-Muhyi ad-Din al-Hasani, 1808–73), emir of Mascara, who led the resistance against the French invaders from 1830 to 1847. Two early figures in the drive for Algerian independence were Messali Hadj (1898?–1974), who organized several political movements, and Ferhat Abbas (1900–86), who led the first provisional government and was elected first speaker of the National Assembly in 1962. Other important na-

tionalist leaders include Ahmed Ben Bella (b.1916), a founder of the FLN and the first premier of independent Algeria, who, after becoming president in 1963, was overthrown and imprisoned for 15 years (until 1980); Belkacem Krim (1922–70), political leader in Kabilia; Benyoussef Ben Khedda (1922–67), head of the provisional government in 1961–62; and Houari Boumedienne (Muhammad Boukharrouba, 1927–78), who overthrew Ben Bella in 1965 and became president in 1976. Boumedienne's successor as president and FLN leader was Col. Chadli Bendjedid (b.1929).

Two renowned French Algerian writers were playwright Jules Roy (1907–2000) and novelist, playwright, and essayist Albert Camus (1913–60), winner of the Nobel Prize for literature in 1957. Frantz Fanon (b.Martinique, 1925–61), a psychiatrist, writer, and revolutionary, was a leading analyst of colonialism.

#### 49 DEPENDENCIES

Algeria has no territories or colonies.

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# ANGOLA

Republic of Angola  
*República de Angola*



**CAPITAL:** Luanda

**FLAG:** The upper half is red, the lower half black; in the center, a five-pointed yellow star and half a yellow cogwheel are crossed by a yellow machete.

**ANTHEM:** *Angola Avanti.*

**MONETARY UNIT:** The Angolan escudo (AE) was the national currency until 1977, when the kwanza (Kw) of 100 lwei replaced it. There are coins of 50 lwei and 1, 2, 5, 10, and 20 kwanza, and notes of 20, 50, 100, 500, and 1,000 kwanza. Kw1 = \$0.01129 (or \$1 = Kw88.6) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year's Day, 1 January; Anniversary of Outbreak of Anti-Portuguese Struggle, 4 February; Victory Day, 27 March; Youth Day, 14 April; Workers' Day, 1 May; Armed Forces Day, 1 August; National Heroes' Day, 17 September; Independence Day, 11 November; Pioneers' Day, 1 December; Anniversary of the Foundation of the MPLA, 10 December; Family Day, 25 December.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Angola is located on the west coast of Africa, south of the equator. Angola is slightly less than twice the size of Texas, with a total area of 1,246,700 sq km (481,353 sq mi), including the exclave of Cabinda (7,270 sq km/2,810 sq mi), which is surrounded by the Democratic Republic of the Congo (DROC—formerly Zaire) and the Republic of the Congo (ROC). Angola proper extends 1,758 km (1,092 mi) SE–NW and 1,491 km (926 mi) NE–SW; Cabinda extends 166 km (103 mi) NNE–SSW and 62 km (39 mi) ESE–WNW. Angola proper is bounded on the N and NE by the DROC, on the SE by Zambia, on the S by Namibia (South West Africa), and on the W by the Atlantic Ocean. Its total boundary length, including Cabinda's, is 5,198 km (3,233 mi).

## <sup>2</sup> TOPOGRAPHY

Topographically, Angola consists mainly of broad tablelands above 1,000 m (3,300 ft) in altitude; a high plateau (planalto) in the center and south ranges up to 2,400 m (7,900 ft). The highest point in Angola is Mt. Moco, at 2,620 m (8,596 ft), in the Huambo region; other major peaks are Mt. Mejo (2,583 m/8,474 ft), in the Benguela region, and Mt. Vavéle (2,479 m/8,133 ft), in Cuanza Sul.

Rivers are numerous, but few are navigable. There are three types of rivers in Angola: constantly fed rivers (such as the Zaire River), seasonally fed rivers, and temporary rivers and streams. Only the Cuanza, in central Angola, and the Zaire, in the north, are navigable by boats of significant size.

## <sup>3</sup> CLIMATE

Angola's climate varies considerably from the coast to the central plateau and even between the north coast and the south coast. The north, from Cabinda to Ambriz, has a damp, tropical climate. The zone that begins a little to the north of Luanda and extends to

Namibe, the Malanje region, and the eastern strip have a moderate tropical climate. Damp conditions prevail south of Namibe, dry conditions in the central plateau zone, and a desert climate in the southern strip between the plateau and the frontier with Namibia. There are two seasons: a dry, cool season from June to late September, and a rainy, hot season from October to April or May. The average temperature is 20°C (68°F); temperatures are warmer along the coast and cooler on the central plateau. The Benguela Current makes the coastal regions arid or semiarid. The annual rainfall is only 5 cm (2 in) at Namibe, 34 cm (13 in) at Luanda, and as high as 150 cm (59 in) in the northeast.

## <sup>4</sup> FLORA AND FAUNA

Thick forests (especially in Cabinda and in the Uíge area in the north) cover the wet regions, and in the drier areas there is a thinner savanna vegetation. Fauna includes the lion, impala, hyena, hippopotamus, rhinoceros, and elephant. There are thousands of types of birds and a wide variety of insects.

## <sup>5</sup> ENVIRONMENT

Long-standing environmental problems in Angola have been aggravated by a 30-year war. The main problems are land abuse, desertification, loss of forests, and impure water. The productivity of the land is continually threatened by drought and soil erosion, which contributes to water pollution and deposits silt in rivers and dams.

The cutting of tropical rain forests for international timber sale and domestic use as fuel contributes to the destruction of the land. Angola's forests and woodland declined 3.1% between 1983 and 1993. Between 1990–2000, a further decline of 0.2% was reported. In 2003, about 6.6% of the total land area was protected, including the Quicama National Park. In 2002, improved water sources

were available to 70% of the urban population and 40% of rural dwellers.

Endangered species in Angola include the black-faced impala, three species of turtle (green, olive ridley, and leatherback), the giant sable antelope, the African slender-snouted (or long-snouted) crocodile, the African elephant, Vernay's climbing monkey, and the black rhinoceros. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 11 types of mammals, 20 species of birds, 4 types of reptiles, 9 species of fish, 5 types of mollusks, and 26 species of plants.

## **6** POPULATION

The population of Angola in 2005 was estimated by the United Nations (UN) at 15,375,000, which placed it at number 61 in population among the 193 nations of the world. In 2005, approximately 2% of the population was over 65 years of age, with another 46% of the population under 15 years of age. There were 97 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.6%. This relatively high rate, which the government viewed as satisfactory, is due in part to the low rate of contraceptive use (about 4.5%) in country. The projected population for the year 2025 was 25,876,000. The population density was 12 per sq km (32 per sq mi).

The UN estimated that 33% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.92%. The capital city, Luanda, had a population of 2,623,000 in that year. Other principal cities are Huambo (population about 400,000), Benguela, Lobito, Cabinda, Malanje, and Lubango (population about 136,000).

The prevalence of HIV/AIDS has had a significant impact on the population of Angola. The UN estimated that 5.5% of adults between the ages of 15–49 were living with HIV/AIDS in 2001, and that the number was increasing rapidly. In addition, years of civil conflict have had significant impact on the populace, including the creation of one million internally displaced persons and refugees. Life expectancy in Angola is an average of 41 years.

## **7** MIGRATION

From the 1960s until the mid-1990s, Angola was ravaged by civil war, with terrible effects on the Angolan population and social structure. Although fighting stopped in 1994, at the beginning of 1997 there were still an estimated 200,000 Angolan refugees in the Democratic Republic of the Congo (DROC); 96,000 Angolan refugees in Zambia; 12,000 refugees in the Republic of the Congo; 1,000 refugees in Namibia; and 15,000 Angolan refugees in 15 other countries. As of May 1997, there were still 1.2 million Angolans displaced within their country as a result of the civil war. By June 1996, 74,000 Angolan refugees had returned to their country. However, with an upsurge in the fighting again between May 1998 and June 1999, some 100,000 refugees fled the country once again. The Angolan repatriation operation of the United Nations High Commissioner for Refugees (UNHCR) was suspended in September 1998. However, by June 2002 UNHCR had directly repatriated 45,000 Angolans and another 124,000 had returned on their own. By October 2005 another 40,000 Angolans were repatriated from Zambia. This was more than half the total Angolan refugee

population living in camps and settlements in Zambia and more than double the number that returned from Zambia in 2004, the UN reports. Besides Zambia major countries of asylum for Angolans in 2004 were the Democratic Republic of the Congo, Namibia, and South Africa.

In 2003, there were 450,000 internally displaced persons (IDP) within the country. Despite internal conflict, Angola still hosted some 105,145 refugees as of 2004. In 2005, the net migration rate was estimated as 0.28 migrants per 1,000 population. The government views the migration levels as satisfactory.

## **8** ETHNIC GROUPS

The overwhelming majority of the population is Bantu, divided into a number of ethnolinguistic groupings. The main ones are the Ovimbundu, constituting some 37% of the population in 2005, the Kimbundu, totaling 25% of the population, and the Bakongo with 13%.

The mestiço (mixed European and Native African) make up about 2% of the population. Since the mestiços are generally better educated than the black population, they exercise influence in government disproportionate to their numbers. Europeans, mostly of Portuguese extraction, constitute 1% of the population; other varied groups account for the remaining 22%.

## **9** LANGUAGES

Portuguese is the official language, although Bantu and other African languages (and their dialects) are used at the local level.

## **10** RELIGIONS

Christianity is the primary religion, with Roman Catholicism being the largest denomination. An estimated five million people are Roman Catholic. About 3–5 million people are of Protestant denominations; the largest of which include Methodists, Baptists, Congregationalists (United Church of Christ), and Assemblies of God. Almost half the population (47%) follow African traditional beliefs either exclusively or in conjunction with other faiths. The largest syncretic religious group is the Kimbanguist Church, whose followers believe that the mid-20th century Congolese pastor Joseph Kimbangu was a prophet. Communities in rural areas of the country practice animism and other indigenous religions. There is also a small Islamic community. There are very few declared atheists in the country.

The constitution provides for freedom of religion and this right is generally respected in practice. However, there is still a colonial-era law in effect banning non-Christian religions. Though this law has generally not been enforced, the minister of justice announced in 2004 that the law could be enforced against religious groups linked to public disturbances or acts of terrorism. Religious groups with a outreach for political and social change include the Inter-Church Committee for Peace in Angola and the Catholic Pro-Peace movement.

## **11** TRANSPORTATION

According to Portuguese estimates, there were 72,323 km (44,939 mi) of roads at the time of independence (1975), of which only 8,371 km (5,201 mi) were paved, all-weather highways. In the mid-1980s, these figures had increased to perhaps 80,000 km (50,000 mi), but by 2002 had fallen back to 76,626 km (47,615 mi),





LOCATION: Angola proper: 5°49' to 18°3' s; 11°40' to 24°5' E. Cabinda: 4°21' to 5°46' s; 12°2' to 13°5' E. BOUNDARY LENGTHS: Democratic Rep. of the Congo, 2,291 kilometers (1,423 miles); Zambia, 1,110 kilometers (690 miles); Namibia, 1,376 kilometers (855 miles); Atlantic coastline, 1,600 kilometers (995 miles). Cabinda: Democratic Rep. of the Congo, 220 kilometers (136 miles); Republic of the Congo, 201 kilometers (125 miles). TERRITORIAL SEA LIMIT: 20 miles.

of which 19,156 km (11,904 mi) were paved. In 2003, there were 40,000 passenger cars and 63,400 commercial vehicles.

The rail network had a total extension in 2004 of 2,761 km (1,717 mi), of which 2,638 km (1,641 mi) were 1.067-m and 123 km (76.5 mi) were 0.600-m (narrow) gauge track. There was lim-

ited trackage in use because land mines were still in place from the civil war. There are three main railway lines, the Luando, Namibe, and Benguela railways, all of which experienced service disruptions as a result of the civil war. The Luanda railway connects the national capital with the provincial capital of Malanje in the north.

The Namibe railway, which theoretically runs from Angola's port of Namibe to the provincial capital of Menongue in the south, formerly hauled an average of six million tons of iron ore a year from the Kassinga mines. The Benguela railway was formerly the main exit route for DROC and Zambian copper, extending through the country from the port of Benguela to the border with the DROC. As of 1991, service had resumed between Lobito and Huambo. By mid-1992, normal passenger traffic resumed from Lobito to Ganda. East of Ganda, however, the route was still severely damaged, with at least 75 bridges in serious disrepair. The Southern African Development Coordination Conference could not obtain the estimated \$600 million in funds needed to repair the entire line, so a modest partial repair of the section from Lobito to Kuito was approved, for an estimated cost of \$17 million. Angola has 1,300 km of navigable waterways. The merchant marine had 4 ships of 1,000 GRT or over in 2005, totaling 26,123 GRT.

Angola had an estimated total of 43 airports as of 2004, of which 31 had paved runways as of 2005. There is an international airport at Luanda. International and domestic services are maintained by Transportes Aéreos de Angola (TAAG), Air France, Air Namibe, Sabena, South African Airways, TAP (Portugal) and several regional carriers. In 2003, domestic and international carriers carried 198,000 passengers. There are airstrips for domestic transport at Benguela, Cabinda, Huambo, Namibe, and Catumbela (near Lobito).

## 12 HISTORY

Angola was inhabited first by people of the Khoisan group (Bushmen), and then by various Bantu peoples from farther north as well as east between 1300 and 1600. By the 15th century, several African kingdoms had developed in the area; the most notable included the kingdoms of the Kongo and Mbundu peoples. The Portuguese arrived on the coast in the late 15th century, and Luanda was founded as a trading settlement in 1575. The Portuguese developed trade with African nations, particularly with the Mbundu, whose ruler was called the ngola (from which the name of Angola comes). The slave trade assumed paramount importance during the 17th century, when slaves were carried to Portuguese plantations in Brazil. From the late 16th through the mid-19th century, Angola may have provided the New World with as many as two million slaves.

Slavery was formally abolished (with a 20-year grace period) in 1836, although under Portuguese rule forced labor was common until the early 1950s. Trade in other commodities was needed to replace the slave trade; hence, between 1870 and 1903 the Portuguese claimed control over more and more of the interior of the country. To strengthen their control, the Portuguese began building the Benguela railway in 1902. European domination continued until 1951, when Angola's status changed into an overseas province of Portugal. Increasing numbers of Portuguese settlers came to Angola, and by 1960 there were about 160,000 Europeans in the country.

Organized armed resistance to Portuguese rule began on 4 February 1961, when urban partisans of the Popular Movement for the Liberation of Angola (MPLA) attacked the São Paulo fortress and police headquarters in Luanda. Within six weeks, the war had been extended to the north by the rural guerrillas of another organization, the Union of Angolan Peoples, which later became the

National Front for the Liberation of Angola (FNLA). The FNLA, headed by Holden Roberto, set up a revolutionary government-in-exile in Zaire on 3 April 1962. A third movement, the National Union for the Total Independence of Angola (UNITA), headed by Jonas Savimbi, came into being as the consequence of a split in the government-in-exile, of which Savimbi had been foreign minister. All three movements were divided by ideology, ethnic considerations, and personal rivalries; they were also active militarily in 1974 when the Portuguese decided to put an end to their African empire after the coup in Portugal on 25 April. After negotiations with FNLA, MPLA, and UNITA leaders, the Portuguese agreed on 15 January 1975 to grant complete independence to Angola on 11 November 1975. The agreement also established a coalition government headed by a three-man presidential council including MPLA leader António Agostinho Neto, Roberto, and Savimbi. As independence day approached, however, the coalition government fell apart; mediation attempts by other African countries failed.

Thus, at the dawn of Angola's independence, each of three rival organizations had its own army and sphere of influence. The FNLA primarily represented the Kongo people; it was based in Zaire and it received financial support mainly from China and the United States. Together UNITA and the FNLA established the Popular Democratic Republic of Angola (with its capital at Huambo); this was sustained with US funds, South African troops, and some white mercenaries (mostly former commandos in the Portuguese armed forces). UNITA had the support of the Ovimbundu, the largest ethnic group in Angola. The MPLA, a Marxist-oriented party, drew social support from mestiços in Luanda and other urban areas and from the Mbundu people. It received military as well as financial assistance from the USSR and from some 15,000 Cuban soldiers. The MPLA and Cuban forces soon seized the initiative, and by mid-February 1976 the FNLA and UNITA strongholds had fallen. On 11 February, the OAU formally recognized the MPLA government in Luanda as the legitimate government of Angola. South African troops subsequently withdrew, but the Cuban forces remained to consolidate the MPLA's control over the country and provide technical assistance. By 1982 there were 18,000 Cuban troops in Angola, with the number reportedly rising to 25,000 during the first half of 1983 and to 30,000 in late 1986.

A coup attempt on 27 May 1977 by an MPLA faction opposed to the Cuban involvement was suppressed and followed by a massive purge of the party. Activist groups were reined in, and the organization became more centralized. Meanwhile, UNITA, which had never been rooted out of southern Angola, began to regroup. Despite the Cuban troops and Soviet-bloc military assistance, the MPLA government remained vulnerable to the UNITA insurgency, operating from the southern Angolan countryside and from Namibia. Implicated in this conflict was the government of South Africa, whose continual incursions into southern Angola in the late 1970s and early 1980s were aimed chiefly at the forces of the South West Africa People's Organization (SWAPO), who were using Angola as a base in their bid to force South Africa to give up Namibia. By 1983, South African soldiers were said to be permanently stationed in southern Angola; in December, South Africa launched a major offensive in the region. In addition to harassing SWAPO, South Africa was continuing to provide supplies to UNI-

TA. The Angolan government resisted efforts by the United States to secure the withdrawal of Cuban troops in return for Namibian independence and a South African pullback.

Under an agreement brokered by the United States, South African troops withdrew from southern Angola in 1985 but continued to raid SWAPO bases there and to supply military aid to UNITA, including air support. In 1986, the United States sent about \$15 million in military aid to UNITA, reportedly through Zaire.

Fighting escalated in 1987 and 1988 even as negotiations for a settlement progressed. An Angolan settlement became entangled with the resolution of civil war in and the independence of Namibia. A controversial battle at Cuito Cuanavale in 1988, at which South African and Angolan/Cuban forces were stalemated, led to a South African willingness to agree to end its involvement in Angola and eventually to withdraw from Namibia. Included in the settlement was the Cuban commitment to a phased withdrawal of its military forces from Angola by mid-1991.

Those two agreements, signed on 22 December 1988 in New York by Angola, South Africa, and Cuba, also included a pledge that the signatories would not permit their territories to be used "by any state, organization, or person in connection with any acts of war, aggression, or violence against the territorial integrity...of any state of southwestern Africa." This meant that South Africa would be prohibited from aiding UNITA and Angola would remove the ANC's training bases.

All the major parties had been brought to the conclusion that a settlement was better than a prolongation of the fighting. The Soviet Union wanted to disentangle itself from Angola. The administration of US president Ronald Reagan wanted to take the lead in a successful resolution, and its Assistant Secretary of State for African Affairs, Chester A. Crocker, took the lead in the negotiations.

But as settlement in Namibia was moving forward, it proved much harder to bring the Angolan government and UNITA to terms. At a summit at Gbadolite involving 19 African leaders, MPLA Leader José Edvardo dos Santos and Savimbi shook hands publicly and endorsed the "Gbadolite Declaration" (cease-fire and reconciliation plan) on 22 June 1989. But from the start, the terms were disputed and swiftly unraveled. The parties returned to the battlefield.

Yet, the powers began to scale back their support. The relaxation of cold war tensions provided the basis for contacts between the warring parties. Progress moved in fits and starts and in April 1991, Savimbi and dos Santos initialed an agreement that led to the establishment of a UN-supervised cease-fire and a process of national reconciliation.

Tension increased when UNITA took de facto control of several provinces, and its generals were withdrawn from the officially "merged" national army. Fighting broke out in Luanda in October and more than 1,000 were killed in a week. UNITA gained control of 75% of the country. Its refusal to accept UN-brokered cease-fire terms agreed to by the government in May led to a Security Council resolution on 1 June 1993, condemning unanimously UNITA for endangering the peace process and to US recognition of the Angolan government on 19 May. In 1994, it was estimated that 1,000 were dying every day in the fighting.

On 20 November 1994, the Lusaka Protocol was signed, promising a new, if tenuous, era of peace in Angola. The third peace effort between the opposing groups, it was the first to guaran-

tee a share of power to UNITA and the first to be supported by over 6,000 armed UN peacekeepers. Demobilizations of fighters were suspended and renewed as new offensives broke out and were halted. In 1995, the international community imposed sanctions against UNITA, though several governments have violated them, including African countries serving as arms transshipment points. In September 1995, the United States pledged \$190 million to support Angolan reconstruction and development at the Brussels Roundtable.

In June 1997, the government and UNITA found themselves involved on opposite sides of the Zaire civil war (now the Democratic Republic of the Congo—DROC). UNITA supported its ally, President Mobutu Sese Seko, while the government backed Laurent Kabila. Following Kabila's victory in May 1997, and subsequent to the 1998 invasion of DROC by Rwanda and Uganda, dos Santos joined other SADC leaders in providing military support to the Kabila government. By July 1999, all sides at war had signed the Lusaka Accords leading to an eventual withdrawal of most foreign troops by 2003.

In Angola, full-scale war resumed as the government launched offensives in December 1998, and again in March 1999. In February 1999, the UN Security Council voted to end its peacekeeping operations after Secretary-General Kofi Annan declared there was no longer any hope of carrying out the 1994 Lusaka peace agreement. In August 1999, the Office for Coordination of Human Affairs estimated 2.6 million persons were internally displaced in Angola. The following month, Human Rights Watch released a 200-page report detailing how the UN deliberately overlooked evidence showing rearmament and retraining of soldiers by both sides in breach of the 1994 accords. In October 1999, UNITA's main headquarters at Bailundo and Andulo had fallen, and in February 2000, the Fowler report was issued on strengthening UN sanctions against UNITA.

In February 2002, prospects for peace changed dramatically when the army announced that it had killed Savimbi in an attack in southeastern Angola. In addition, the death from illness of Savimbi's second-in-command, General Antonio, further weakened UNITA's military capacity. In March 2002 UNITA commanders issued a joint communiqué with the Angolan army (FAA) confirming a cessation of hostilities and reiterating unequivocal support for a political settlement based on the 1994 Lusaka Peace Accord. A peace accord between the government and UNITA followed in April.

As disarmament, demobilization and reintegration of the armed forces, the repatriation of refugees, and the arduous task of rebuilding the country got underway, dos Santos said he would not seek reelection in the elections scheduled for late 2003–early 2004. However, his departure depended on a successor who could be trusted not to prosecute him for human rights abuses and large-scale diversion of state funds. He may choose a hardliner to succeed him, who will permit dos Santos to run a shadow government. Yet another option for dos Santos would be to remain in power—for one extra term, or for as long as possible. To seek either option, he could cite difficulties arising from Angola's tortuous postwar reconstruction, the demilitarization of society, and the integration of former militias into the national army. The next elections were scheduled for September 2006.

### **1<sup>3</sup> GOVERNMENT**

The constitution of 1975, amended in 1976 and 1980, was promulgated and revised by the MPLA. The president of the republic is both chief of state and head of government. He appoints and leads the council of ministers. In 1980, a 223-member National People's Assembly, indirectly elected, replaced the Council of the Revolution as the supreme organ of the state. In January 1987, the Assembly was enlarged to 289 members, and later reduced to 220. In 2006, there were 220 members elected by proportional vote to four-year terms.

A transitional government was established in December 1992 dominated by the MPLA. UNITA held six cabinet posts, and four other parties were also represented. In 1997, the MPLA and UNITA reached an agreement that allowed UNITA to participate in a Government of National Unity and Reconciliation. With the ruling party's approval, UNITA would nominate candidates for four ministerial positions: Trade, Geology and Mines, Health, and Hotels and Tourism. UNITA members would also occupy a number of deputy ministerial, governor, deputy governor, and ambassadorial posts. In early 1997, 70 elected UNITA deputies assumed their seats in the National Assembly, and Jonas Savimbi assumed the role of special advisor to President José Eduardo dos Santos.

The resumption of war in 1998 all but doomed this arrangement, and rendered the National Assembly nominally functional. In reality, it had little independence and did not have oversight over presidential appointments or the ability to initiate legislation. In 1999, dos Santos abolished the post of prime minister, vesting these powers in the director of his own office. He also created a parallel ministry of defense within the presidency.

The civil war officially ended in August 2002, after Jonas Savimbi died in a gun duel with government forces in February and UNITA signed a cease-fire agreement in April. In December 2002, Fernando da Piedade Dias dos Santos Nando was appointed prime minister, though the position had very little real power. Elections were slated for 2006, but they were likely to be constrained by the poor state of roads and railways. A postponement was likely to allow more progress on the clearing of land mines, infrastructure development, and the return and resettlement of refugees.

### **1<sup>4</sup> POLITICAL PARTIES**

Until 1974, the Portuguese suppressed movements and political parties that stood for self-determination and independence. The three leading political organizations at independence were the Popular Movement for the Liberation of Angola (Movimento Popular de Libertação de Angola—MPLA), founded in 1956; the National Front for the Liberation of Angola (Frente Nacional de Libertação de Angola—FNLA), founded in 1962; and the National Union for the Total Independence of Angola (União Nacional para a Independência Total de Angola—UNITA), founded in 1966. The victory of the MPLA and Cuban forces brought recognition to the MPLA government by the OAU and by most non-African countries. The MPLA-Workers' Party (MPLA-Partido de Trabalho, or MPLA-PT), a Marxist-Leninist vanguard party, was created in December 1977. UNITA remained in de facto control of part of the country, while the remnants of the FNLA continued

low-level guerrilla activity in the northwest, as did the Front for the Liberation of the Cabinda Enclave.

Some 18 parties and 11 presidential candidates contested the 1992 elections. In the presidential contest, the MPLA's Dos Santos won 49.6% of the presidential vote and UNITA's Savimbi got 40.1%, requiring a runoff. Though international observers considered the elections reasonably free and fair, Savimbi repudiated the results and refused to participate in a second round. The contest was regarded as generally free and fair however; the MPLA won 54% of the votes and 129 seats, while UNITA took 34% of the votes and 70 seats. Also represented were the Angolan Democratic Forum (FDA), the Democratic Renewal Party (PRD), and the Angola Youth Worker, Peasant Alliance Party (PAJOCA). Separatist groups in Cabinda, such as the Frente Nacional de Libertação do Enclave de Cabinda (FLEC) and the National Union for the Liberation of Cabinda (UNLC) did not take part in the national elections. They continue to wage a low-level armed struggle for the independence of oil-rich Cabinda province.

Opposition parties are extremely weak and fractured, many with little apparent influence in the National Assembly. Some—the UNITA Renovada is one example—have formed working relationships with the MPLA. Such arrangements could well strengthen the ruling party's hands vis-a-vis small splinter groups; but they could also create opportunities for new opposition parties to spring up and find their feet. New elections were expected in September 2006.

### **1<sup>5</sup> LOCAL GOVERNMENT**

Angola consists of 18 provinces. Cabinda is separated from the others. The provinces are divided into districts and communes. The communes are led by commissioners who are appointed by the president on the recommendation of the MPLA-PT.

Provincial legislatures consisting of 55–85 members were created in 1980. In 1986, these legislatures were expanded up to 100 members each. In the 1992 elections, MPLA carried 14 of the provinces to UNITA's four. The civil war severely disrupted the performance of local government, and for many years, severed ties between Luanda and the outlying provinces.

### **1<sup>6</sup> JUDICIAL SYSTEM**

The legal system is based on Portuguese civil law system and customary law, recently modified to accommodate political pluralism and increased use of free markets. Prior to independence, Portuguese civil and military law was applied by municipal courts, labor courts, ordinary courts, and administrative tribunals; final appeal was to the Metropolitan High Court in Lisbon. A 1978 law declared that people's courts with working class representatives would be courts of first instance. It also made provisions for criminal, police, and labor courts with lay judges whose voices would be equal to those of professional judges.

The judicial system includes municipal and provincial courts at the trial level and a Supreme Court at the appellate level. Municipal court judges are usually laymen. In theory, the Ministry of Justice administers provincial courts located in each of the 18 provincial capitals. The Supreme Court nominates provincial court judges. The judge of the provincial court, along with two laymen, acts as a jury.

In 1991, the constitution was amended to guarantee an independent judiciary. In practice, however, the president appoints the 16 Supreme Court judges for life upon recommendation of an association of magistrates, and he appoints the attorney general. Confirmation by the General Assembly is not required.

Several issues confront the legal system. Many of the seats on the Supreme Court remain vacant, and a Constitutional Court, authorized by law in 1992, has not yet been established. In addition, the courts were crippled by the war and are perceived as ineffective and untrustworthy by the few who have access to it. The system lacks the resources and independence to play an effective role and the legal framework is obsolete. Much of the criminal and commercial code reflects the colonial era with modifications from the Marxist era.

## 17 ARMED FORCES

Defense responsibilities are vested in the Armed Popular Forces for the Liberation of Angola (Forças Armadas Populares de Libertação de Angola—FAPLA), which as of 2005, had 108,400 active personnel, divided into the Army, Navy, Air Force/Air Defense Force, and territorial troops (a militia). In 2005, FAPLA had a total of 90,000 active personnel of which the Army had 100,000 members, whose major equipment included over 300 main battle tanks, 600 reconnaissance vehicles, over 250 armored infantry fighting vehicles, 170 armored personnel carriers and more than 1,396 artillery pieces. The Navy had an estimated 2,400 personnel whose major naval units consisted of nine patrol/coastal vessels. The Air Force /Air Defense Forces had 6,000 personnel and 90 combat capable aircraft, including 22 fighters, 59 fighter ground attack aircraft and 16 attack helicopters. The defense budget in 2005 totaled \$1.16 billion.

## 18 INTERNATIONAL COOPERATION

Angola, a United Nations member since 1 December 1976, participates in ECA and all the nonregional specialized agencies such as FAO, IAEA, IMF, ILO, UNESCO, UNIDO, WHO, and IFC; the nation is a member of the WTO (1996) and the World Bank. Angola also participates in the African Development Bank, G-77, the ACP Group, Interpol, the New Partnership for Africa's Development (NEPAD), and the African Union. It is one of 14 countries in the SADC. Angola has observer status in the OAS and CEMA. It is also a participant of COMESA. As a result of offshore oil discoveries in the Gulf of Guinea, Angola has recently strengthened cooperation with Equatorial Guinea and São Tomé and Príncipe. Angola promotes the revival of the Community of Portuguese-Speaking Countries (CPLP). Angola is part of the Nonaligned Movement. In environmental cooperation, Angola is part of the Convention on Biological Diversity, the Montréal Protocol, MARPOL, and the UN conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Angola is a potentially rich country of abundant natural resources, a surplus-producing agricultural sector, and a sizable manufacturing potential. This promise has remained unfulfilled due to the effects of the war for independence and a 27-year-long civil war that only ended in April 2002 when the army signed a peace agreement with the UNITA rebels. With the end of the war Angola has be-

gan to score astounding economic growth rates. In 2004 Angola's GDP grew by 12.2% and in 2005 the growth rate was 19.1%. This growth is expected to continue with heavy flow of foreign direct investments into the oil and mining sectors.

Having both temperate and tropical zones, Angola had the potential for producing a wide variety of agricultural products. Prior to the outbreak of hostilities, Angola produced major surpluses of coffee, sisal, cotton, and maize. Cassava was the staple food crop and the leader, though consumed almost entirely domestically, in terms of volume of agricultural output. The civil war resulted in famine conditions in many parts of Angola, especially during the 1990s. Although the civil war ended in 2002, farmers have been reluctant to return to their farms, and the country is littered with land mines. As such, food must be imported.

Petroleum production and diamond mining have led Angola's industrial sector. Economists estimated that Angola's alluvial reserves of diamonds totaled between 40 and 130 million carats. In addition, there were untapped diamond reserves in volcanic pipes called kimberlites. Angola's six known kimberlite pipes, among the ten largest on earth, held an estimated 180 million carats worth several billion dollars. Diamond production (official and unofficial) was estimated to be worth \$1 billion per year in 2002.

The petroleum sector benefited from major investments, totaling over \$2 billion since 1987, and from a relative immunity from the civil war. Producing around 980,000 barrels a day in 2004, up from 950,000 barrels a day in 2002, Angola was the second-largest oil producer in sub-Saharan Africa. Crude oil accounted for 90% of total exports, more than 80% of government revenues, and 45% of the country's GDP. Known recoverable reserves were estimated to total several billion barrels, but Angola was not a member of OPEC at the time. In 2000, Angola was one of three countries to receive the largest amount of global and US foreign investment to the sub-Saharan region (the other two were Nigeria and South Africa). Inflation, always a problem, ran at approximately 44% in 2004 down from a high of 150% in 2001. The IMF was critical of the government's economic policy on a number of aspects, such as persistent opacity and uncertainty in the government's accounts, lack of progress on structural reforms, failure to implement policies to deal with systematically with poverty, and corruption in the management of oil revenues. The IMF recommended a slate of reforms, such as increasing foreign exchange reserves and encouraging a more transparent accounting of government spending. In 2005 the IMF gave some credit to the government's handling of the economy, particularly the sustained progress in lowering inflation and improved transparency in government financial accounting.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Angola's gross domestic product (GDP) was estimated at \$27.7 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,500. The annual growth rate of GDP was estimated at 14.1%. It was estimated that

agriculture accounted for 8% of GDP, industry 67%, and services 25%.

Foreign aid receipts amounted to \$499 million or about \$37 per capita and accounted for approximately 4.6% of the gross national income (GNI).

The World Bank reports that in 1990 household consumption in Angola totaled \$3.67 billion or about \$272 per capita based on a GDP of \$13.8 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1980 to 1990 household consumption grew at an average annual rate of -0.1%. It was estimated that in 2003 about 70% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2005, the Angolan workforce was estimated at 5.58 million. As of 2003, around 85% of the workforce was still engaged in agriculture, while the industry and services sectors together accounted for the remaining 15%. More recent employment figures are not currently available. In 2001, it was estimated that more than half of the population was unemployed or underemployed.

The 1991 constitution recognizes the right for Angolans to form unions, bargain collectively, and to strike. However, these rights are not respected in practice. While strikes are permitted by law, lockouts and the occupation of places of employment by workers are prohibited. Non-striking workers are also protected under the law. Armed forces personnel, firefighters, prison workers and police are prohibited from striking. Compulsory labor by children is also prohibited.

The government has established a 40-hour workweek, along with minimum health and safety standards, including 26 hours of rest per week. However, inadequate resources have prevented the government from enforcing these standards. The minimum working age is 14, but the government has been unable to enforce this standard. Although the legal minimum wage in 2005 was \$60 per month, most wage earners must hold a second job, or rely on the informal economy, subsistence agriculture, or income from abroad in order to survive.

## 2<sup>2</sup> AGRICULTURE

Agriculture has long been the backbone of the Angolan economy. Even though an abundance of arable land is available, only about 2.6% is cultivated. Agriculture engages about 85% of the population but accounts for 9% of GDP. Diverse climatic conditions favor a wide variety of crops, and there is also considerable irrigation potential. Coffee, primarily of the robust variety, at one time made Angola the world's fourth-largest producer, but during the civil war almost all the main plantations were abandoned, and crop disease set in. Moreover, the widespread use of landmines has discouraged farmers from venturing into their fields.

Marketed cash crops in 2004 included 1,250 tons of coffee (down from 225,000 tons in 1972), 4,400 tons of cotton (48,000 in 1972), and 500 tons of sisal. The principal food crops are cassava, with an estimated 5,600,000 tons in 2004, corn, 510,000 tons, and sweet potatoes, 430,000 tons. Other 2004 estimated yields included bananas, 300,000 tons; citrus fruits, 78,000 tons; millet, 96,000 tons;

dry beans, 66,000 tons; potatoes, 27,000 tons; sugar cane, 360,000 tons; rice, 16,000 tons; and peanuts (in shell), 30,000 tons.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Lack of a pastoral tradition among northern Angolans, abundance of the tsetse fly in many regions, and the poor quality of natural pastures are some of the factors most frequently cited to explain the lag in animal husbandry in Portuguese Angola. What little there was of the livestock industry was virtually destroyed in the 1975–76 civil war.

Estimated livestock in 2004 included cattle, 4,150,000 head; goats, 2,050,000; hogs, 780,000; and sheep, 340,000. There were 6.8 million chickens. Livestock products included an estimated 85,000 tons of beef and veal and 195,000 tons of milk in 2004. Honey production totaled 23,000 tons in 2004 from 1.1 million beehives.

## 2<sup>4</sup> FISHING

Fresh fish, fishmeal, dried fish, and fish oil are produced for the domestic market and for export. During 1975–76, some of the processing plants were destroyed, and most of the modern fishing boats departed with refugees. In 2003, the Angolan catch was 211,539 tons (up from 122,781 tons in 1995), 95% from marine fishing. Exports of fish products in 2003 totaled \$8.9 million. Some of the Spanish, Japanese, and Italian vessels fishing under license also pay in kind. About 13% of the 2003 catch consisted of *cupone* horse mackerel.

## 2<sup>5</sup> FORESTRY

About 18.4% of the country is classified as forest and woodland. Angola's large timber resources include the great Maiombe tropical rain forest in Cabinda. In addition, eucalyptus, pine, and cypress plantations cover 140,000 hectares (346,000 acres). In 2003, roundwood production was estimated at 4,518,000 cu m, and exports amounted to 1,000 cu m.

## 2<sup>6</sup> MINING

Diamonds are an important source of revenues to Angola, and are only second to petroleum. Petroleum accounted for more than 90% of exports by value (\$7.56 billion) while diamonds followed at \$638 million or 7.6% of the value of exports in 2002. Official reported diamond production in 2003 was 5 million carats, up from 5.022 million carats in 2002. However, that total does not include smuggled production. Sociedade Miniera de Catoca Ltd (SMC) is Angola's leading producer of diamonds, with an annual production of around 2.8 million carats from its Catoca kimberlite pipe. Reserves in the Catoca kimberlite were estimated to be at 189.3 million carats. SMC is a joint venture of Empresa Nacional de Diamantes de Angola (Endiama), the state-owned diamond mining company and the Joint Stock Company Almazy Rossii-Sakha (Russia), Odebrecht Mining Services Inc. (Brazil), and the Leviev Group (Israel).

Large iron ore deposits have been discovered in many areas. The deposits at Kassinga, with an estimated reserve of one billion tons of high-grade hematite iron ore, annually yielded millions of tons of ore exports before the civil war halted mining in 1975. Ferrangol, the state iron ore mining company, produced a slight quantity of ore in 1988; it has shown no output since. The mines

in Lunda Norte and Lunda Sul provinces, previously controlled by UNITA rebel forces, were opened to foreign companies for exploration and development in 1996, and an Endiama-De Beers venture announced the discovery of 17 new kimberlites there in 2000. These areas contributed about \$400 million to the annual \$1.1 billion value of diamond production. SDM, an Endiama-Australian-Odebrecht venture formed in 1995 to mine alluvial diamonds in the Cuango River Valley, near Luzamba, produced 210,000 carats of high-quality diamonds in 2000 and 185,000 carats in 1999. Other such ventures saw their operations frequently suspended because of security problems. A feasibility study of the proposed Camafuca kimberlite estimated 23.24 million carats of diamonds valued at \$109 per carat.

Salt production has remained steady at an estimated 30,000 metric tons annually from 1999 through 2003. Clay, granite, marble, and crushed stone were also reportedly mined throughout the country. The country is also rich in nickel, platinum-group metals, magnetite, copper, phosphates, gypsum, uranium, gold, asphalt, and feldspar, but areas have been off-limits to exploration during the civil war.

## 27 ENERGY AND POWER

Angola has extensive hydroelectric power resources that far exceed its present needs. The Cambambe Dam, on the Cuanza River, provides Luanda's industries with cheap power. Two dams on the Catumbela River produce power for the Lobito and Benguela areas. Matala Dam in southern Cunene provides power to Lubango and Namibe. The Ruacan Falls Dam, near the Namibian border, was completed in the late 1970s, but the power station is in Namibia. A 52 million kW hydroelectric station on the Cuanza River at Kapanda was tentatively scheduled to have begun production in early 2003. As of late 2002, only three of the country's six dams (Cambambe, Biopo, and Matala) were operational; \$200 million has been allocated to repair the remaining dams, which suffered major damage in the civil war. In 2002, electricity generation was 1.728 billion kWh, of which 34.5% came from fossil fuels and 65.5% from hydropower. In the same year, consumption of electricity totaled 1.607 billion kWh. Total capacity in 2002 was 0.635 million kW.

Crude oil, in the production of which Angola ranks second in sub-Saharan Africa, has been Angola's chief export since 1973; it is also the leading source of government revenue, accounting for \$2.9 billion in exports in 1994, or 95% of the total. As of end 2004, Angola had proven oil reserves of 8.8 billion barrels. Oil reserves are along the Atlantic coast, mostly offshore Cabinda and the northern border area between Quinzau and Soyo. In 1999, several oil companies were engaged in production, of which the largest was a subsidiary of Chevron, Cabinda Gulf Oil Company. This firm has a 49/51% participation agreement with Sonangol, the state oil company. Other firms included Fina Petrleos de Angola (a Belgian subsidiary), Elf Aquitaine, and Texaco. In 2004, crude oil production averaged 991,000 barrels per day. ExxonMobil subsidiary Esso began development of a section of the Xikomba offshore oilfield in August 2002. Development was planned for a new 200,000 barrel per day refinery in the city of Lobito, on the coast.

Gross natural gas production totaled 296.65 billion cu ft in 2002. Total natural gas reserves were estimated at 45 billion cu m (1.6 trillion cu ft) as of 2002. Domestic demand for refined petro-

leum products is expected to increase as the economy gradually rebuilds following the end of the civil war. As of 2002, Sonangol and Chevron Texaco had joined forces in a \$2 billion project to develop liquefied natural gas from natural gas in Angola's offshore fields. Production was slated to begin in 2007.

## 28 INDUSTRY

In its pre-1975 prime, the Angolan industrial sector centered on petroleum refining and machinery, construction inputs, food processing, electrical products, chemicals, steel, and vehicle assembly. As a consequence of the civil war, Angola's industrial sector started operating at a fraction of prewar levels.

Industrial production during the 1990s included food processing and the production of textiles, soap, shoes, matches, paint, plastic bottles, and glues. In 1993, industrial production also included 9,000 tons of crude steel, 250,000 tons of cement, and 9 million barrels of refined petroleum products. Heavy industry for that year (cement, steel, oil refining, vehicle assembly, and tire production) accounted for about 15% of Angola's manufacturing output. Angola is now an importer of machinery, vehicles, and spare parts.

Angola is the second-largest oil producer in sub-Saharan Africa, behind Nigeria. In 2004, the petroleum industry accounted for about half of the GDP and over 90% of export revenues. Sonangol is the state-owned oil company, which controls exploration and production, although foreign companies participate in joint ventures and production sharing agreements. Oil production was expected to surpass 1 million barrels per day in 2003 but this target had not been achieved by 2004. However, with the coming online of new oil drilling platforms such as the Kizomba B platform owned by ExxonMobil and the Dalia platform owned by Total, the 1 million barrels per day should be surpassed in 2006. It is expected that by 2007 Angola will be producing 2 million barrels per day. Angola has one oil refinery in Luanda, with a crude oil processing capacity of 39,000 barrels per day, but is planning to build a 200,000-barrels per day refinery in Lobito. Angolan oil exports to Asia are growing, and China's oil imports from Angola grew by more than 400% in 2001. The government stated in 2003 that foreign oil companies would invest \$25 billion in Angola over a five-year period, by building offshore production ships and a liquefied natural gas plant, among other projects. Many of these investments, such as ExxonMobil's Kizomba B have already begun to produce oil.

The diamond mining industry also plays an important role in Angola's economy, but during the 27-year-old civil war, many of the gemstones had been sold on the black market and were referred to as "conflict diamonds" because the parties in the civil war used the sale of them to fund their military campaigns. Since the civil war ended in 2002, Angola began to restructure its diamond sector. The government in 2003 ended the four-year-old monopoly of the state-controlled diamond marketing company, AscCorp, which was controlled by the state diamond company Endiama. AscCorp now competes with other private companies to buy diamonds from miners and small producers. The government also planned to build a new diamond cutting factory, to create an industry of diamond cutting in Angola.

The Economist Intelligence Unit, quoting a new report published in June 2005 by a Canadian nongovernmental group, Part-

nership Africa Canada, highlighted the fact that, although some \$900 million-worth of diamonds will be mined in 2005, relatively little of the revenue will be spent on development in the diamond areas or will benefit the poor. The report said that 145 diamond licenses had been granted in 2004, often through nontransparent processes, of which nine were already operational, around ten were in the process of starting up and the remainder were vacant and were steadily being recolonised by *garimpeiros* (artisanal miners). The report also highlighted a number of problem areas in the sector, saying that transparency is lacking not only in published tax data but also in the 10% revenue allocation due to the diamond-producing provinces.

## 29 SCIENCE AND TECHNOLOGY

Security considerations and a severe shortage of skilled personnel have limited Angola's development of its extensive mineral reserves and abundant fertile land. Angola's research institutes include the Cotton Scientific Research Center in Catete, the Agronomic Research Institute in Huambo (founded in 1962), the Institute for Veterinary Research in Lubango (founded in 1965), the Angola Medical Research Institute in Luanda (Founded in 1955), and the Angolan Directorate of Geological and Mining Services in Luanda (founded in 1914). The University Agostinho Neto (founded in 1963) has faculties of sciences, agriculture, medicine, and engineering, and the National Center of Scientific Investigation. In 1987–97, science and engineering students accounted for 24% of college and university enrollments. The National Museum of Natural History and the National Anthropology Museum are located in Luanda.

## 30 DOMESTIC TRADE

Practically all domestic trade was in Portuguese hands before independence, when state people's stores and consumer cooperatives were established in the cities. Over half of Angolan consumer goods were still imported from Portugal in 1998. The Angolan domestic economy faced sporadic fighting during the late 1990s despite the 1994 peace accord, inhibiting domestic commerce. The rural population was displaced—first by the war for independence that started in 1961, and then by the civil war that started after independence was gained in 1975—and has not been able to fully return to agricultural production. Imports were strictly controlled due to a lack of foreign exchange, and barter was common. Though a privatization program has been in effect, there are very few groups or individuals in the private sector with the finances and/or administrative abilities to purchase and effectively run larger public corporations.

## 31 FOREIGN TRADE

Crude petroleum and products top the commodities export list for Angola (89%), while only accounting for a small percentage of the world's exportation. Diamonds and other precious and semiprecious stones are the second-largest export, and shellfish exports follow. A small amount of natural and manufactured gas is also exported from Angola. As of 1999, the United States was buying up to 75% of Angola's crude oil production. Since then China has entered the picture as a second major trading partner for Angola.

### Balance of Payments – Angola (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>-150.1</b>
Balance on goods		4,567.8
Imports	-3,760.1	
Exports	8,327.9	
Balance on services		-3,115.2
Balance on income		-1,634.6
Current transfers		32.0
<b>Capital Account</b>		<b>18.3</b>
<b>Financial Account</b>		<b>-356.7</b>
Direct investment abroad		-28.7
Direct investment in Angola		1,672.1
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		-1,321.0
Other investment liabilities		-679.1
<b>Net Errors and Omissions</b>		<b>150.5</b>
<b>Reserves and Related Items</b>		<b>356.3</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

In 2004, the United States bought 40% of Angola's crude oil while China bought 30%, Taiwan 8%, and France 7%.

## 32 BALANCE OF PAYMENTS

Oil exports produced substantial trade surpluses during the late 1970s and early 1980s. Despite this positive cash flow, Angola in 1979 began to request lines of credit in order to finance its reconstruction projects. By 1991 the government's economic policies encouraged neither private investment or non-oil exports. Furthermore, poor monetary policy created price distortions, which exacerbated a trade deficit and rapidly diminished agricultural exports. The results of the end of the 27-year-old civil war in 2002 on trade had yet to be assessed as of 2005.

The US Central Intelligence Agency (CIA) reported that in 2004 the purchasing power parity of Angola's exports was \$12.8 billion while imports totaled \$4.9 billion resulting in a trade surplus of \$7.9 billion. With high prices of crude oil, the Economist Intelligence Unit predicts sustained trade surpluses in the near future.

## 33 BANKING AND SECURITIES

In 1976, the government nationalized the two major banks, the Bank of Angola and the Commercial Bank of Angola (renamed the People's Bank of Angola). The Bank of Angola became the central bank, renamed the National Bank of Angola (Banco Nacional de Angola-BNA). In 1996, this bank transferred its commercial accounts to the Caixa de Credito Agro-Pecuaria e Pescas (CAP) in order to function more as a regulatory organization for other state-owned banks. CAP, established in 1991, was owned by the Ministry of Finance and used to finance government activities. It has had liquidity problems in recent years, making it unable to clear checks at times, so some businesses refuse to accept CAP checks.

Banco de Comercio e Industria (The Bank of Commercial and Industrial Commerce-BCI) was a semiprivate bank, but was oc-



casionally restricted to government financing. The government owns about 40% of the BCI's shares.

The opening in mid-November 1996 of the Banco Africano de Investimento (BAI) was Angola's first private bank launched since it gained independence in 1975, and Angola's only investment bank. Other major banks included Banco de Poupanca e Credito (BPC), serving primarily the trade sector and construction; and Banco Fomento Exterior and Banco Totta e Azores, both Portuguese commercial banks.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$648.2 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$1.9 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 150%.

There were no securities exchanges in 2000.

### 34 INSURANCE

The conflicts that began in the mid-1970s greatly shook the insurance industry, which was nationalized in 1978. At that time, the National Insurance and Reinsurance Co. of Angola was created. All private company policies were declared null and void except for life insurance.

### 35 PUBLIC FINANCE

Liberal monetary policies financed large public sector deficits, which led to high inflation and price distortions. Military expenditures consumed an enormous portion of the national budget. Since the 1970s, Angola has relied heavily on oil exports for revenue. However, revenues from oil sales went down as the result of a fall in the international price of oil in the late 1990s. Until 1991, Angola had a Soviet-style, centrally planned economy. The government planned privatization for the 1990s, but most companies remain state-run as of 2000, including the major energy companies and the diamond distributor.

The US Central Intelligence Agency (CIA) estimated that in 2005 Angola's central government took in revenues of approximately \$8.5 billion and had expenditures of \$10 billion. Revenues minus expenditures totaled approximately -\$1.5 billion. Public debt in 2005 amounted to 40.9% of GDP. Total external debt was \$9.879 billion.

### 36 TAXATION

The ordinary corporate tax is 35%, with a reduced rate of 20% for agricultural and forestry enterprises. Various corporate tax exemptions and reductions, and exemptions from real estate taxes on land and buildings are offered by the government as investment incentives.

Income tax for individuals ranges from 1–40% for employees, and 3–60% for self-employed professionals. Also levied are inheritance and gift taxes, and a payroll tax for social security.

The main indirect tax is a manufacturer's sales tax with rates ranging from 5–50% on 100 listed products.

### 37 CUSTOMS AND DUTIES

Both specific and ad valorem duties are levied; but, as a member of the World Trade Organization, Angola is reviewing the

need for reductions in tariffs and nontariff barriers. Specific duties are assessed by weight. Additional taxes are levied on luxury items and preferential treatment is accorded to goods from Portugal, Mozambique, Guinea-Bissau, Cape Verde, and São Tomé and Príncipe. All imports require a license and are handled by one of several state companies. Most exports are similarly handled by state agencies.

### 38 FOREIGN INVESTMENT

In spite of the civil war and the socialist legacy, sizable investments in the petroleum sector were made during the 1990s. In 1994, Texaco announced plans for a five-year, \$600 million investment in its Angolan oil exploration and production efforts aimed at increasing the company's Angolan oil output by 50%. Approximately 15 foreign companies, including Chevron, Texaco, ExxonMobil, and Occidental, had invested more than \$8 billion in Angola as of 1997. Elf Oil and Chevron both had major investments underway. In 1999, the Angolan government issued three new licenses to oil drilling companies in order to conduct exploration in ultra-deep water. By 2005, ExxonMobil's Kizomba B deep water platform had begun the production of oil. Total was also in the process of completing its Dalia platform and other oil companies were in the process of construction of new platforms.

Countering the illegal trade in diamonds, De Beers, in a 1991 agreement with the government diamond company Endiama, invested in new diamond exploration. A UN sanction on the purchase of black market diamonds has been hard to enforce and corruption in the diamond business continued as of 2005.

In spite of a 27-year civil war (1975 to 2002), an investment climate characterized by corruption, ineffective governance, arbitrary decision making, a deteriorating infrastructure, kidnappings for ransom targeted at foreigners in the Cabinda enclave, socialist suspicions about free markets, openly solicited bribes, no capital market or stock exchange, scarce skilled labor, and scarcer foreign exchange, Angola ranked second in the world in 2000 (after Lesotho) in foreign investment as a percent of GDP. The statistic is a result of both Angola's small economy and substantial investments in its oil sector that continued despite the civil war. With the war over and a semblance of peace and normalcy back to Angola, more investments should be forthcoming both in the oil and gas industries as well as the diamond mining sector.

On the basis of joint ventures (JVs) or production sharing contracts (PSCs), at least \$8 billion (\$1 billion a year average) was invested by foreign oil companies from 1990 to 1997 with the state oil company, Sonangol, which dominates both upstream and downstream operations. The main foreign operators upstream were Energy Africa (South Africa), Agip (Italy; now ENI-Agip), Elf (France; now TotalFinaElf), Chevron and Texaco (United States; now ChevronTexaco). About 30 other foreign companies have substantial interests in upstream enterprises. Petrofina of Belgium is both a major producer and a major downstream partner with Sonangol. Downstream operations are hampered by poor infrastructure and a small domestic market.

From 1998 to 2001, reported foreign direct investment (FDI) totaled about \$5.6 billion, averaging about \$1.2 billion a year from 1997 to 2001. This performance was driven by giant class offshore discoveries, particularly in 1999 when FDI peaked at close to \$2.5 billion. Between 2000 and 2004 annual FDI flows averaged \$2.05

billion with a peak in 2003 of \$3.5 billion. With a combination of Diamond and oil reserves, Angola is expected to become one of the largest destination for FDI inflows in Africa.

FDI outflows are insignificant. FDI inward stock grew steadily from \$1 billion in 1990 to \$2.9 billion in 1995, and in 2002 it rose to \$11.4 billion. In 1999, the Angolan government issued three new licenses to oil drilling companies in order to conduct exploration in deep-water, including ExxonMobil, the major investor in the offshore Kizomba field that began operations in August 2002. The only substantial FDI outside the oil sector before 2002 was a \$36 million Coca-Cola bottling plant in 2000, 45% of which was bought in 2001 by SAB Miller of South Africa, which in 2003 was considering adding a brewery.

Before the peace accords of April 2002, there had been three other peace agreements, starting with the Lusaka Protocol of 1994, which had had virtually no effect. However, with the death of UNITA leader, Jonas Savimbi, in February 2002, Angola finally seemed to be able to move past the civil war. In September 2002, IDAS Resources, a subsidiary of London-based American Mineral Fields, Ltd., was granted the first clearance for diamond mining in 27 years. Under the contract, IDAS holds 51%; the state diamond company Endiama, 36%; and private investors 13%.

A 1991 agreement between Endiama and De Beers for diamond exploration was moribund because the territory was under the control of UNITA, which used smuggled diamonds to finance its operations. In 1998 the UN Security Council imposed an embargo on diamonds from areas controlled by UNITA. A report in 2000 implicated De Beers in the purchase of "blood diamonds," prompting the company to alter its policy of buying up diamonds to uphold the world price to a world certification system. In 2000, Angola set up ASCORP, a state-controlled company in partnership with Lev Leviev (Russian/Israeli diamond manufacturer), and established a monopoly on certified diamond buying. De Beers' plans to build a \$30 million diamond processing facility in Luanda did not come to fruition, but in April 2003 the newly established National Private Investment Agency (ANIP) announced it was seeking funding for a diamond cutting and polishing factory in Luanda.

Before peace in 2002, the foreign investment regime as laid out in the foreign investment law of 1994 and administered by the Foreign Investment Institute (IIE) stood little chance of implementation. In February 2003, a new law on private investment and a companion law on tax incentives for private capital were passed, forming a new agency, the National Private Investment Agency (ANIP), for their implementation. As under the old regime, foreign companies are guaranteed national treatment, the right to repatriate profits, and the right to indemnification for property nationalized or expropriated. Added are incentives for private investment and provisions for streamlining the approval process. New investments receive up to 15 years exemption from industrial taxes and smaller investments, \$50,000 to \$250,000, are exempted from all customs duties. By law, approval requests for investments less than \$5 million must be processed in 15 days and requests for larger investments, in 30 days. Despite the reforms, serious obstacles remain: poor infrastructure, a small market, single-entry visas, and registration costs that range from \$20,000 to \$60,000 for foreign corporations.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

In March 2003, the South Africa-Angola Chamber of Commerce (SAACC) was established with the potential of channeling considerable investment from South Africa. In 2003, major South African investors included the construction company Grinaker-LTA, Investec Bank, Securicor Gray and the Shoprite Supermarket chain. In May 2003, TotalFinaElf announced a major offshore oil discovery and awarded contracts totaling \$780 million to the French oil services company, Technip, for its development. Since then to 2005, a number of other partnerships have also been announced, which should see a large increase in diamond prospecting. For example in 2005 De Beers signed a prospecting agreement. On 22 June 2005, Russia's Technopromexport signed a \$112 million contract to build a new, 260-MW generating unit at the Capanda dam near the northern town of Malange. The project will be financed with a ten-year, \$225 million loan from a consortium of Russian banks, led by the Russian Regional Unified Bank. As well as this contract, two other contracts relating to the supply of equipment and the completion of civil engineering works have been signed with Brazil's Odebrecht. By 2005 the government of Angola was involved in diversifying the economy by continued attraction of foreign investors to partner with local private firms and government owned companies.

With the exception of the petroleum industry and possibly the fishing industry, economic development in Angola depended upon a political settlement of the civil war, which came in 2002. The diamond industry was no exception to this rule. In 1997, the Angolan state diamond enterprise, Endiama, provided for the establishment of a UNITA-backed mining company, SGM. Although the government initially granted SGM the right to prospect, UNITA claimed that the government was attempting to gain control over its mining operations. The continuation of the Angolan civil war began shortly thereafter (1998), with diamonds acting as the UNITA rebels' main source of income. The termination of the UN mission to Angola in early 1999 spelled disaster for any form of economic growth during the following years.

In 2000, Angola entered into a Staff-Monitored Program (SMP) with the International Monetary Fund (IMF). Although the program lapsed in 2001, the IMF remained engaged in the country. The World Bank prepared a Transitional Support Strategy (TSS) as a short- to medium-term plan for involvement in Angola. In 2002, the IMF reported that \$900 million had disappeared from government finances in 2001. That amount was greater than the value of humanitarian assistance sent to Angola in 2002. In all, over \$4 billion was unaccounted for from 1997–2005. These difficulties notwithstanding, the IMF in 2005 concluded that oil and diamonds will continue to form the backbone of Angola's economy for the unforeseeable future.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

Until recently, social services for Africans were almost entirely the responsibility of the various tribal groups. The Roman Catholic Church also played an integral part in the administration of welfare, health, and educational programs. A number of international

nongovernmental organizations have also gotten involved, particularly in the provision of health care.

Although women's rights are protected in the constitution, in practice there is discrimination in the workplace and in the home, and most women hold low-paid jobs. Spousal abuse against women is widespread. Credible evidence suggests that the majority of homicides against women were a result of a domestic dispute. Women and children are also at high risk for mutilation from land mines, due to foraging in the fields for food and firewood. Children are recruited to fight in both the government and UNITA forces. There were an estimated 1,500 children living on the street in Luanda in 2004, many of them engaging in prostitution. Angola's government has a poor human rights record. Security forces have reportedly been responsible for torture, beatings, rapes, and disappearances and prison conditions are life-threatening.

#### 41 HEALTH

Angola lies in the yellow fever endemic zone. Cholera incidence is high. Only a small fraction of the population receives even rudimentary medical attention. As of 2004, the ratio of physicians per population was estimated at 7.7 per 100,000 people. In 2005, average life expectancy was estimated at only 38.43 years, one of the lowest in the world. That year infant mortality was estimated at 187.49 per 1,000 live births, the highest in the world. The incidence of tuberculosis in 1999 was 271 per 100,000 people. Immunization rates for one-year-old children in 1999 were estimated at 22% for diphtheria, pertussis, and tetanus and 46% for measles. Malnutrition affected an estimated 53% of children under five years of age as of 1999. From 1975 to 1992, there were 300,000 civil war-related deaths. The overall death rate was estimated at 24 per 1,000 in 2002. The HIV/AIDS prevalence was 3.90 per 100 adults in 2003. As of 2004, there were approximately 240,000 people living with HIV/AIDS in the country. There were an estimated 21,000 deaths from AIDS in 2003.

In 2000, 38% of the population had access to safe drinking water and 44% had adequate sanitation.

#### 42 HOUSING

Decades of war and lack of appropriate economic and legal reforms have posed a serious housing problem in Angola. During the war for independence, a majority of the Portuguese residents abandoned homes that were then confiscated by the government. In fact, all urban land is considered to be property of the State. But management and administration of dwellings is under the control of provincial governments and leasing or other housing and property regulations are ambiguous or nonexistent. As a result, a UN report indicated that about 90% of urban residents live in settlements without a clearly defined legal status.

Most people live in multi-family dwellings that were constructed in the 1960s and have since deteriorated to the point that basic utilities are limited or unavailable. Housing shortages have led to urban slum developments. These are most prominent in Luanda, where about four million people are living in a city designed for about 700,000.

Over the years, the government has made some efforts to ease the situation. The most recent has included government-sponsored housing construction projects. In April 2003, 331 houses

were completed in Kilamba-Kiaxi. At least 65 of them were given to government employees and other civil servants.

#### 43 EDUCATION

In 1999 the adult illiteracy rate was estimated at 42%. Education is compulsory for children between the ages of six and ten. As of 2001, the basic educational program consisted of a primary education system lasting for six years and a secondary education system divided into two cycles of three years each. There are also three-year vocational and four-year technical programs available for secondary students. In 2000, about 61% of eligible children were enrolled in primary school. Similar figures for secondary students were unavailable. The pupil to teacher ratio for primary school was at about 42:1 in 2003. The ratio for secondary school was about 18:1.

While Portuguese was the language of instruction in earlier times, the vernacular is more commonly used now. The academic year runs from October to July. The Ministry of Education oversees the national public programs. The government spends and estimated 2.8% of the GDP on education.

The University Agostinho Neto in Luanda was established in 1963 and has a faculty for science, engineering, law, medicine, economics, and agriculture. In 2001, all higher-level institutions had about 8,000 students and 800 faculty members.

#### 44 LIBRARIES AND MUSEUMS

The National Library of Angola, founded in Luanda in 1969, had 84,000 volumes in 2002 and the library of the University of Luanda (1963) had 75,000 volumes. The Municipal Library in Luanda has more than 30,000 volumes. Additional libraries of note are the Geological and Mining Services Directorate Library (1914) in Luanda (40,000 volumes) and the National Historical Center Library (1982) with 12,000 volumes located in Luanda.

The Angola Museum (which contains Angola's historical archives), the Coffee Museum, Museum of Geology, National Museum of Natural History, National Museum of Archaeology, Central Museum of the Armed Forces, and National Museum of Anthropology are all located in Luanda. There are regional museums in Namibe, Huambo, Lobito, Lumbango, and Uíge. The Museum of Chitato, located in Dundo, houses a distinctive ethnographic collection featuring the art of the local Chokue people, recordings of local folk music, and a photographic collection dating to the 1880s. The Municipal Museum of New Lisbon houses a collection of traditional and modern African sculpture. Elinga Teatro is gaining popularity as a modern urban art gallery and theater in Mutamba.

#### 45 MEDIA

Telephone service is primarily limited to government and business use. In 2003, there were an estimated seven mainline telephones for every 1,000 people; about 240,300 people were on a waiting list for telephone service installation. The same year, there were approximately nine mobile phones in use for every 1,000 people.

Most of the media is controlled by the state. Rádio Nacional de Angola broadcasts in Portuguese, English, French, Spanish, and major local languages; government-owned, it is the only station with the capacity to broadcast nationwide. In 2004, there were five commercial radio stations, including the Catholic Church's Ra-

dio Ecclesia and Radio Lac Luanda. The primary news agency is the Angola Press. The only television station was the government Angola Public Television (TPA), which broadcasts in Luanda and most provincial capitals. In 2003, there were an estimated 78 radios and 52 television sets for every 1,000 people.

In 2005, the only national daily newspaper was the government-owned *Jornal de Angola* (circulation in 2000 was 41,000). There were at least seven private weekly publications with circulation in the low thousands.

In 2003 the country had about 17 Internet hosts. The same year, there were 1.9 personal computers for every 1,000 people and 3 of every 1,000 people had access to the Internet.

Though a constitution provides for basic freedom of speech and press, the government is said to restrict these freedoms in practice. Journalists are intimidated into practicing self-censorship, and the government tightly restricts the main newspapers, television stations, and radio broadcasts.

#### 46 ORGANIZATIONS

Organizations established by the MPLA include the Organization of Angolan Women, the Medical Assistance Service, and the Centers for Revolutionary Instruction. There are professional associations for a variety of fields.

The Angolan National Youth Council, founded in 1991, serves as a major nongovernmental organization representing the opinions and concerns of the nation's youth. The Association of Students of Higher Education (AEES: Associaçao dos Estudantes de Educacao Superior) and the National Union of Angolan Students (UNEA) have been major student movements. A scouting organization (Associação de Escuteros de Angola) is also present. There are branches of the YMCA and YWCA present. There are a few sports associations.

Angolan Action For Development (A.A.D.), the Angolan Women's Organization, and the League Of Angolan Women (LIMA) are groups focusing on the political, social, and developmental issues and concerns of women. There are associations for professional women in the fields of journalism, law, and law enforcement.

Africare-Angola provides aid to the rural population. The ACM - YMCA of Kuanza Sul offers assistance to displaced persons within the country. There are active chapters of the Red Cross, Caritas, and UNICEF.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourism was an important activity until 1972, when the guerrilla war and the subsequent civil war led to a precipitous drop in the number of tourists and hence of tourist revenues. Throughout

the late 1990s, a yo-yo effect seemed to hit the tourist industry. In 1996, only about 21,000 visitors came to the country. In 1997, the number jumped to 45,000 and increased to 52,000 the following year. In 2003, the number of visitors again jumped to 106,625. Tourism receipts totaled approximately \$71 million. A valid passport, visa, and International Certificate of Vaccination against yellow fever and cholera are required.

The US Department of State estimated the daily cost of staying in Luanda at \$289 in 2005. Staying in rural areas would cost much less.

#### 48 FAMOUS ANGOLANS

António Agostinho Neto (1922–79), a poet and physician who served as the president of MPLA (1962–79) and president of Angola (1975–79), was Angola's dominant political figure. José Eduardo dos Santos (b.1942) succeeded Neto in both these posts. Jonas Malheiro Savimbi (1934–2002), the son of a pastor, founded UNITA in 1966.

#### 49 DEPENDENCIES

Angola has no territories or colonies.

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# BENIN

Republic of Benin  
*République du Bénin*



**CAPITAL:** Porto-Novo

**FLAG:** Two equal horizontal bands of yellow (top) and red with a vertical green band on the hoist side.

**ANTHEM:** *L'Aube Nouvelle* (*The New Dawn*).

**MONETARY UNIT:** The Communauté Financière Africaine franc (CFA Fr), which was originally pegged to the French franc, has been pegged to the euro since January 1999 with a rate of 655.957 CFA francs to 1 euro. The CFA franc has coins of 1, 2, 5, 10, 25, 50, 100, and 500 CFA francs, and notes of 50, 100, 500, 1,000, 5,000, and 10,000 CFA francs. CFA Fr1 = \$0.00208 (or \$1 = CFA Fr480.56) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Anniversary of Mercenary Attack on Cotonou, 16 January; Labor Day, 1 May; Independence Day, 1 August; Armed Forces Day, 26 October; National Day, 30 November; Harvest Day, 31 December. Most religious holidays have been abolished, but Good Friday, Easter Monday, Christmas, 'Id al-Fitr, and Id al-'Adha' remain public holidays.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The People's Republic of Benin (formerly Dahomey) is situated in West Africa on the northern coast of the Gulf of Guinea, and has an area of 112,620 sq km (43,483 sq mi), extending 665 km (413 mi) N-S and 333 km (207 mi) E-W. Comparatively, the area occupied by Benin is slightly smaller than the state of Pennsylvania. Roughly wedge-shaped, Benin is bounded on the N by Niger, on the E by Nigeria, on the S by the Gulf of Guinea (Atlantic Ocean), on the W by Togo, and on the NW by Burkina Faso, with a total boundary length of 1,989 km (1,233 mi). The capital city of Benin, Porto-Novo, is located in the southeastern corner of the country.

## <sup>2</sup> TOPOGRAPHY

Difficult to access because of sandbanks, the coast has no natural harbors, river mouths, or islands. Behind the coastline is a network of lagoons, from that of Grand Popo on the Togo border (navigable at all seasons) and joined to Lake Ahémé, to that of Porto-Novo on the east, into which flows Benin's longest river, the Ouémé, navigable for some 200 km (125 mi) of its total of 459 km (285 mi). Besides the Ouémé, the only other major river in the south is the Kouffo, which flows into Lake Ahémé. Lake Ahémé is the largest lake in the country with an area of 100 sq km (39 sq mi). The Mono, serving from Parahoué to Grand Popo as the boundary with Togo, is navigable for 100 km (62 mi) but subject to torrential floods in the rainy season. Benin's northern rivers, the Mékrou, Alibori, and Sota, which are tributaries of the Niger, and the Pandjari, a tributary of the Volta, are torrential and broken by rocks.

North of the narrow belt of coastal sand is a region of lateritic clay, the main oil palm area, intersected by a marshy depression between Allada and Abomey that stretches east to the Nigerian frontier. North of the hills of Dassa, the height ranges from

60 to 150 m (200–500 ft), broken only by the Atakora Mountains (Chaine de L'Atakoria), stretching in a southwesterly direction into Togo.

## <sup>3</sup> CLIMATE

South of Savalou, especially in the west, the climate is typically equatorial—hot and humid, with a long dry season from December to March, in which the dry harmattan blows in a northeasterly to southwesterly direction. Temperatures range between 22°C (72°F) and 35°C (95°F), with the average 27°C (81°F). The great rains fall from March to July; there is a short dry season from July to September and a short wet season from mid-September to mid-November. In the southwest, average rainfall is considerably lower and the dry season longer: at Grand Popo, for example, average rainfall is about 82 cm (32 in) as compared with about 127 cm (50 in) in Porto-Novo and Cotonou. Northern Benin has only one wet season (May to September, with most rain in August) and a hot dry season in which the harmattan blows for three or four months. Temperatures range from a maximum of 40°C (104°F) in January to a minimum of 13°C (56°F) in June.

Although rainfall, which is highest in central Benin (135 cm/53 in), decreases as one moves northward, it remains high (97 cm/38 in) in most of northern Benin. In the southwest region, average rainfall drops to 82 cm (32 in) per year. This region is sometimes referred to as the "Benin window." The uncharacteristically low level of precipitation here is attributed to the destruction of native rain forest, which in turn caused a decrease in the evaporation of moisture into the air, resulting in fewer convection rains.

## <sup>4</sup> FLORA AND FAUNA

Apart from small isolated patches, little true forest remains. The coconut plantations of the coastal strip give way to oil palms and

ronier palms growing as far north as Abomey; these are in turn succeeded by savanna woodland, in which the vegetation of the Guinea forest and the vegetation of the southern Sudan are intermingled, and then by characteristic Sudanic savanna. Trees include coconut, oil palm, ronier palm, ebony, shea nut, kapok, fromager, and Senegal mahogany.

Among the mammals in Benin are the elephant, lion, panther, monkey, and wild pig, as well as many kinds of antelope. Crocodiles and many species of snakes (including python, puff adder, and mamba) are widely distributed. Partridge, guinea fowl, and wild duck, as well as many kinds of tropical birds, are common. Insects include varieties of tsetse fly and other vectors of epidemic disease.

## 5 ENVIRONMENT

Benin has two national parks and several game reserves. In addition, the government has set aside 5,900 hectares (14,580 acres) for nurseries to foster reforestation. As of 2000, 6.9% of Benin's natural areas were protected. Among the government organizations with responsibility for the environment are the National Commission for Combating Pollution and for the Protection and Improvement of the Environment, which is under the Ministry of Public Health, and the Ministry of Rural Development and Cooperative Action.

The main environmental issues facing the people of Benin are desertification, deforestation, wildlife endangerment, and water pollution. The spread of the desert into agricultural lands in the north is accelerated by regular droughts. Benin has also lost 59% of its forests from uncontrolled agricultural practices and fires. Between 1983 and 1993 alone, forest and woodland was reduced by 12%. For the period between 1990–1995, deforestation occurred at an average rate of 1.25% per year. Benin has 10.3 cu km of renewable water resources. About 74% of the city dwellers and 55% of rural residents have access to safe drinking water.

Factors which contribute to the endangerment of the wildlife in Benin are the same as those which threaten the forests. As of 2002, there were at least 188 species of mammals, 112 species of birds, and over 2,500 species of plants. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 6 types of mammals, 2 species of birds, 1 type of reptile, 8 species of fish, and 14 species of plants. Threatened species include the cheetah, the sandbar shark, the green turtle, and the roan antelope.

## 6 POPULATION

The population of Benin in 2005 was estimated by the United Nations (UN) at 8,439,000, which placed it at number 89 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 44% of the population under 15 years of age. There were 102 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.9%. The government has been encouraged by international organizations to implement programs to reduce population growth and to prevent the spread of HIV/AIDS. The number of AIDS orphans grew from 22,000 in 1999 to 34,000 in 2003. The projected popula-

tion for the year 2025 was 14,254,000. The population density was 75 per sq km (194 per sq mi).

The UN estimated that 40% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.11%. The capital city, Porto-Novo, had a population of 238,000 in that year. Cotonou, the administrative and economic center and port, had a population of about 734,600. Other important towns are Abomey, Ouidah, and Parakou.

## 7 MIGRATION

Seasonal labor migration to both Nigeria and Ghana is considerable and of long duration, but estimates of its extent are not available. In 1995, there were 70,000 refugees from Togo in Benin. In June 1998, Benin and Burkina Faso became the first African countries to take in refugees approved by United Nations High Commissioner for Refugees (UNHCR) for resettlement. The total number of migrants living in Benin in 2000 was 101,000.

The total number of refugees living in Benin in 2004 was 5,855. The net migration rate for 2005 was estimated as zero. Worker remittances totaled \$101 million in 2003.

## 8 ETHNIC GROUPS

The population of Benin is 99% African. However, even though several of the larger groups in southern Benin are culturally and socially closely related, Benin is not ethnically or linguistically homogeneous, and there is a particularly marked division between the peoples of the south and those of the north. The largest ethnic group is that of the Fon or Dahomeyans (about 25%), the closely related Adja (about 6%), and the Aizo (about 5%), who live in the south of the country and are predominantly farmers. The Goun (about 11%), who are related to the Adja, are concentrated around Porto-Novo. The Bariba (about 12%) are the dominant people in northeast Benin. The Yoruba (more than 12%), essentially a farming people, came from Nigeria and are settled along the southeastern boundary of the country. In the northeast, the Somba (more than 4%) subdivide into a number of distinct groups. The Fulani (about 6%), traditionally nomadic herders, gradually are becoming sedentary. Other groups include the Holli, the Dendi, the Mina, and the Pilapila (or Yowa). The remaining 1% of the population is largely European, numbering about 5,500 in 2005.

## 9 LANGUAGES

The official language is French. However, many African languages are spoken. Fon and Yoruba are the most important in southern Benin. In the north there are at least six major tribal languages, including Bariba (a subgroup of the Voltaic group in which the Mossi language is most important) and Fulani.

## 10 RELIGIONS

An estimated 50% of the population follow traditional African religions. Even some who identify themselves as Christian or Muslim are likely to observe some traditional indigenous customs as well. The most common indigenous religion is Vodoun. Vodoun spread to the Americas with slavery and later became a source for African-inspired religions such as Santeria (in the Spanish-speaking Caribbean), voodoo (in Haiti), and Candomble (in Brazil).

The Vodoun religion is based on a belief in one supreme being who rules over a number of lesser deities, spirits, and saints.

About 30% of the population are nominally Christian, with a majority belonging to the Roman Catholic church. Other denominations include Methodists, Baptist, Assemblies of God, Jehovah's Witnesses, The Church of Jesus Christ of the Latter Day Saints, Celestial Christians, Seventh-Day Adventists, Rosicrucians, the Unification Church, Eckankar, and the Baha'i faith. About 20% of the population are Sunni Muslim.

The constitution provides for freedom of religion and this right is generally respected in practice. There is no state sponsored religion. Certain Christian and Muslim holidays are officially observed, along with one traditional indigenous holiday. An Ecumenical Day is celebrated in Ouidah each year on the first Wednesday of May.

## 11 TRANSPORTATION

In 2004, Benin had 578 km (359 mi) of narrow-gauge railroad. The Benin-Niger Joint Railway and Transport Organization, a public corporation, operates the passenger and freight railroad. The main line runs north from Cotonou to Parakou, with a branch to Segboroué in the west. The eastern line runs from Cotonou to Porto-Novo and Pobé.

Of Benin's 6,787 km (4,217 mi) of roads (excluding tracks) in 2002, only about 1,357 km (843 mi) are paved. The major roads are the coastal highway linking Benin with Lagos in Nigeria and Lomé in Togo; the road from Cotonou to Parakou (terminus of the railroad) and its extension via Kandi to Malanville on the Niger River; and the road north from Tchaourou that links Benin with Burkina Faso. In 2003, Benin had about 9,400 passenger cars and 14,900 commercial vehicles.

As of 2004, Benin had only 150 km of navigable waterways, which consisted of its portion of the River Niger, which forms the country's northern border. Regular transportation services from Parakou to Malanville and thence to Niamey (in Niger), either by road or, in the season when the Niger River is navigable, by river steamer, are important for the movement of produce to and from Niger via Cotonou, Benin's one port. Until 1965, the port was serviced by a wharf built in 1891. In 1965, a new deepwater port, constructed with French and European Development Fund assistance and capable of handling 1 million tons annually, was opened. In the mid-1980s, the port was expanded to handle 3 million tons a year. Landlocked Niger has a free zone in the port area of Cotonou. Because of overcrowded conditions at the port of Lagos, Cotonou has served as a relief channel for goods destined for Nigeria. It also serves as the chief port for Niger. There is boat traffic on the lagoons between Porto-Novo and Lagos, Nigeria, as well as on the rivers. Benin has no merchant marine.

In 2004, there were five airports, only one of which (as of 2005) had a paved runway, Cadjehoun Airport. Located at Cotonou, Cadjehoun Airport, has direct international jet service to Accra, Niamey, Monrovia, Lagos, Ouagadougou, Lomé, and Douala, as well as connections to other West African cities. Direct services also link Cotonou to Paris. International airlines include UTA and Air Afrique. There is a major airport at Parakou, and airfields of lesser importance at Natitingou, Kandi, and Abomey. Transports Aériens du Bénin (TAB), offering domestic services to Parakou, Natitingou, Djougou, Savé, and Kandi, and abroad to Lagos,



LOCATION: 0°47' to 3°47' E; 6°15' to 12°25' N. BOUNDARY LENGTHS: Niger, 190 kilometers (118 miles); Nigeria, 750 kilometers (466 miles); Atlantic coastline, 125 kilometers (78 miles); Togo, 620 kilometers (385 miles); Burkina Faso, 270 kilometers (168 miles). TERRITORIAL SEA LIMIT: 200 miles.

Lomé, Ouagadougou, and Niamey, was founded in 1978. Benin also has a share in Air Afrique. In 2003, a total of about 46,000 passengers flew on domestic and international flights.

## 12 HISTORY

Benin (formerly Dahomey) has no geographical or historical unity and owes its frontiers to Anglo-French rivalry in the late-19th-century partition of Africa. This is especially marked in northern Benin, whose affinities are rather with the neighboring countries of West Africa than with the peoples of the south. Southern Benin has some historical unity, owing to the existence there of several kingdoms, all traditionally related and peopled by Fon and Adja (related to the Ewe of southern Togo and southeastern Ghana). Traditionally, the kingdoms of Allada, Abomey (or Dahomey), and Adjatché (later Porto-Novo) were founded when two brothers of the king of Allada created new states, respectively, north and southeast of Allada. Abomey conquered Allada in 1724, seized the port of Ouidah in 1727, and became a famous slave-trading kingdom. At this time, women soldiers ("Amazons") were recruited by Abomey for regular service.

The Portuguese—the first Europeans to establish trading posts on the West African coast—founded the trading post of Porto-Novo on what is now the Benin coast. They were followed by English, Dutch, Spanish, and French traders as the slave trade developed. The French established posts at Ouidah and Savé in the middle of the 17th century, and the English and Portuguese also built forts nearby in the early 18th century. The Portuguese fort at Ouidah, which remained Portuguese territory until 1961, was built in 1727. French, English, and Portuguese coastal trade continued, and as Yoruba power weakened, Abomey continually raided the Yoruba and westward toward the Ashanti. Prisoners seized in these campaigns were sacrificed or exported as slaves until the latter half of the 19th century. European traders were closely controlled by the yevogan of Ouidah, the Abomey functionary stationed there, and subjected to substantial levies. It was not until the mid-19th century, with the gradual replacement of the slave trade by trade in palm oil, that European activity brought forth new developments. In 1857, the French established themselves in Grand Popo. In 1868, the French made a treaty with the king of Abomey by which they were permitted to establish a trading post at Cotonou. The British meanwhile established themselves in Lagos, which they annexed in 1861 in order to eliminate the slave trade. Anglo-French rivalry in Porto-Novo, in which successive local kings took different sides, eventually ended with a French protectorate there (1882) and British posts at various points farther west, which were abandoned by the Anglo-French agreements of 1888–89. But Abomey remained outside French control, and its levies on European trade became increasingly irksome. War between Abomey and Porto-Novo broke out in 1889 over France's rights of sovereignty to Cotonou, and Béhanzin, who succeeded to the throne of Abomey in that year, attacked the French posts there. His forces included some 2,000 Amazons. Béhanzin next attacked Porto-Novo and Grand Popo in 1891. In 1893, a French expeditionary force commanded by Dodds took Abomey, and a French protectorate was declared. Renewed hostilities were followed by Béhanzin's surrender to the French in 1894. (He died in exile in Martinique in 1906). His successor, his brother Agoli Agbo, was exiled in 1899 for misadministration, and the kingdom of Abomey finally came to an end.

From 1892 to 1898, the territory took its modern shape with the exploration and extension of French control in the north. The construction of the railroad to the north was begun in 1900. Dahom-

ey became a component colony of the federation of French West Africa in 1904. In 1946, under the new French constitution, it was given a deputy and two senators in the French parliament, and an elected Territorial Assembly with substantial control of the budget. Under the reforms of 1956–57, the powers of the Territorial Assembly were extended, and a Council of Government elected by the Assembly was given executive control of most territorial matters. Universal adult suffrage and a single electorate were established at the same time. In September 1958, the territory accepted the French constitution proposed by General de Gaulle's government and opted for the status of an autonomous republic within the French Community, as provided by the new constitution.

On 4 December 1958, the Territorial Assembly became a national constituent assembly and the Republic of Dahomey was proclaimed a member of the French Community. On 14 February 1959, a constitution was adopted; the first Legislative Assembly was elected on 3 April. Hubert Maga, chairman of the Dahomeyan Democratic Rally, was named prime minister on 18 May 1959. On 1 August 1960, Dahomey proclaimed its complete independence, and on 25 November a new constitution, calling for a strong unitary state, was adopted. Other constitutions were adopted in 1963, 1965, 1968, and 1990.

After independence, the country suffered from extreme political instability, with military coups in 1963, 1965 (twice), 1967, 1969, and 1972. The numerous and often ingenious efforts at constitutional government, including, from 1970–72, a three-man presidential council with a rotating chairman, failed for a number of reasons. The major ones were regionalism, especially the north–south differences, and the country's poor economy; unemployment was high for the relatively large number of educated Beninese, and economic growth minimal.

The coup on 26 October 1972 established Maj. Mathieu Kérékou as the leader of a military regime. It represented a clear break with all earlier Dahomeyan administrations, introducing revolutionary changes in the political and economic life of the country. In late 1974, President Kérékou said that the national revolution would follow a Marxist-Leninist course, and the state sector was rapidly expanded by nationalization. As of 1 December 1975, the country's name was changed to the People's Republic of Benin by presidential proclamation.

On 16 January 1977, about 100 persons, including 27 Africans and 62 European mercenaries, made a poorly organized assault on Cotonou. After directing small-arms fire on the presidential palace, they departed three hours later on the DC-8 jet on which they had arrived. The government blamed "international imperialism" in general and France, Morocco, and Gabon in particular. Until 1990, the government routinely dealt with political opponents by incarcerating them—often without trial.

In 1979, a National Revolutionary Assembly was elected from the single list of candidates offered by the Party of the People's Revolution of Benin, the only legal political organization. This body elected Kérékou to a new term as president in 1980. In that year, in the course of an official visit to Libya, he converted to the Islamic faith in the presence of the Libyan leader, Col. Mu'ammarr al-Qadhafi, and accordingly took the first name Ahmed. During the visit the two countries signed a major bilateral cooperation agreement.



In February 1990, after weeks of unrest and economic disorder, Kérékou convened a National Conference of Active Forces of the Nation to discuss Benin's future. The National Conference—the first of its kind in Africa—became a public critique of Kérékou's 17 years of rule. On 2 December 1990, a new constitution was adopted by popular referendum, and Kérékou was forced to turn over power to a transitional government. Presidential and parliamentary elections were held on 10 March 1991, and runoffs on 24 March resulting in a victory by Prime Minister Nicéphore Soglo. The conferees also changed the name of the country to the Republic of Benin. Referred to popularly as a "civilian coup", Benin's National Conference spawned several similar conferences throughout the continent.

Following a period of considerable tension between the executive branch and the legislature, and in the wake of protests caused by the devaluation of the CFA currency, a second National Convention of Forces of Change was held, and calls were issued for new elections to be administered by a national electoral commission. After some delay, elections were held on 28 March 1995 and were considered to be generally free and fair, although the Constitutional Court heard complaints of irregularities in April and invalidated 13 seats. New elections for those seats were scheduled for May, amid opposition complaints that Soglo's dominance of the PRB would again lead to irregularities. After the squabbling, the PRB did in fact emerge with a plurality, holding 20 seats along with 13 held by parties aligned with Soglo and the PRB. In the presidential elections that followed in 1996, Soglo was defeated by his old rival Kérékou, who won the runoff garnering 52.49% of the vote to Soglo's 47.51%. In sum, the 1990s proved quite remarkable for Benin with two transfers of presidential and legislative power freely and fairly at the ballot box, one of which marked the first successful transfer of power in Africa from a dictator to a democratically elected leader.

In the new millennium, Benin held fresh rounds of elections for president and parliament. In presidential elections on 4 and 22 March 2001, Kérékou received 45.4% of the vote to Soglo's 27.1. Adrien Houngbedji, president of the National Assembly, won 12.6%, and Bruno Amoussou, who was minister of state to Kérékou, received 8.6% of the vote. Following the first round, Soglo and Houngbedji withdrew from the second round, charging electoral fraud. Nine members of the National Autonomous Electoral Commission (CENA) and the Constitutional Court resigned after severe criticism that the election results they authorized were false. In the second round of voting, Kérékou won a landslide victory, taking 84.1% of the vote to Amoussou's 15.9%.

In December 2002 the country launched its decentralization program as three million people went to the polls to elect mayors and municipal councilors, who were previously appointed by the government. They were the first municipal and communal elections since the end of one-party rule in 1990. Soglo was elected mayor of Cotonou by its council in February 2003, and Houngbedji was elected mayor of Porto Novo. On 30 March 2003, legislative elections were won by the Presidential Movement, which took 52 of the 83 seats in the National Assembly.

As March 2006 approached, Benin once again was caught up in the fever of an election campaign. Having confirmed that he would step down after his term, President Kérékou put an end to the national debate over a constitutional review that potentially

would have removed the upper age limit of 70 and allowed him to run for a third consecutive term. However, the sharp divisions in the Parliament and indeed all over the country triggered by this prospect as well as the practical difficulties of budgeting for a national referendum, caused Kérékou, who was 72 to take a decision to stand down. Former president, Niéphore Soglo, also exceeding the 70-year age limit for candidates, was ineligible to run.

Leading candidates to replace Mr. Kérékou included Bruno Amoussou of the governing coalition, Union du Bénin (UBF); Adrien Houngbédji of the PRD, and Antoine Idji Kolawolé of MADEP, who was also president of the National Assembly. Daniel Wawéma of Fard-Alafia, the leading political party in the north was also considered a front-runner. Despite his decision to step down, President Kérékou failed to endorse any candidate by early 2006.

### 13 GOVERNMENT

Maj. Mathieu Kérékou assumed the presidency after the military coup of October 1972 and ruled essentially by decree. In 1973, the National Council of the Revolution, headed by President Kérékou, became the ruling authority. The country's name was changed to the People's Republic of Benin in December 1975. The council disbanded itself in 1979 in accordance with a fundamental law it issued in 1977. The supreme authority of the state became the 336-member National Revolutionary Assembly (NRA), elected from a single list in November 1979 and June 1984. In 1984, this body was reduced to 196 members. The NRA elected the incumbent president, Mathieu Kérékou, as president on 5 February 1980 and reelected him on 31 July 1984. On 29 July 1988, the cabinet was restructured. Cabinet ministers, as well as six prefects (provincial governors) made up the National Executive Council.

The 1990 constitution enshrined multiparty elections, a unitary republic, and changed the country's name to The Republic of Benin. The 1990 constitution stipulates that the president is elected by popular vote for a five-year term, reelectable only once. A directly elected National Assembly of 83 seats elected by direct universal suffrage (at age 18) has a maximum term of four years.

### 14 POLITICAL PARTIES

The political evolution of Benin since the end of World War II (1939–45) was largely outside the main currents of French West African politics and determined mainly by local factors. The leading political figures in the 1950s and 1960s were Sourou Apithy and Justin Ahomadegbé in the south and Hubert Maga in the north.

As a result of the first Legislative Assembly elections in April 1959, Apithy's Dahomeyan Republican Party (Parti Républicain du Dahomey—PRD) obtained 28 seats; Maga's Dahomeyan Democratic Rally (Rassemblement Démocratique Dahoméen—RDD), 22; and Ahomadegbé's Dahomey Democratic Union (Union Démocratique Dahoméenne—UDD), 20. A coalition of the three parties took office, with Maga as prime minister. In November 1960, after losing a vote of confidence, the UDD ministers resigned, and the PRD and RDD united first in the Dahomeyan Nationalist Party (Parti des Nationalistes de Dahomey) and then in the Dahomeyan Unity Party (Parti Dahoméen de l'Unité—PDU), again under Maga as prime minister. At the end of 1960, the PDU's single list of candidates won overwhelmingly over the

UDD and thereby gained complete control of the executive and the legislature. In 1961, the UDD was banned, and Dahomey became a one-party state.

After the fall of the Maga government in October 1963, the PDU was disbanded and replaced by the Dahomeyan Democratic Party (Parti Démocratique Dahoméen), which was in turn dissolved following the 1965 military coup. The Union for Dahomeyan Renewal (Union pour le Renouveau du Dahomey) was later formed, but it was dissolved after the military coup of December 1969.

The Kérékou regime, which took power in 1972, appeared at first to be unwilling to return to party government, but following the adoption of a Marxist-Leninist policy in 1974, the government formed a political organization as the basis of a one-party state. This organization, which became known as the Party of the People's Revolution of Benin (Parti de la Révolution Populaire du Benin—PRPB), was the sole legal party until 1990. An illegal opposition group, the Front for the Liberation and Rehabilitation of Dahomey, was reportedly responsible for the 1977 coup attempt. The three major political and regional leaders—Maga, Apithy, and Ahomadegbé—remained under house arrest in Benin until 1981, when they were allowed to leave the country. In 1986, President Kérékou began to modify his Marxism-Leninism and, by December 1989, the ideology was officially abandoned.

The 1990 multiparty general elections produced a National Assembly in which the largest bloc of votes (12 of 64) were held by a Coalition of Democratic Forces (RFD), made up of The Forces of Progress (UDFP), the Movement for Democracy and Social Progress (MDPS), and the Union for Liberty and Development (ULD). This group was renamed the Union Pour le Triomphe du Renouveau Democratique (UTRD—Union for the Triumph of Democratic Renewal) in March 1992. At its peak, it could count on 34 deputy votes. It was replaced on 30 October 1993 by the African Assembly for Progress (RAP) and was composed of 11 parties and associations. The second-largest bloc, with nine seats, was the Alliance of the National Party for Democracy and Development (PNDD) and the Démocratic Renewal Party (PRD). Kérékou's PRPB was reduced to one of a number of opposition groups, although it was popular in the armed forces.

The National Convention for the Forces of Change, formed in February 1993, was an alliance of opposition groups. The Communist Party of Benin was registered in October 1993. In 1994 the Party for the Renaissance of Benin (PRB) was founded by then-President Soglo's wife. Soglo, who had previously aligned himself with no party, was quickly elected head of the party. In the 1995 legislative elections, the PRB emerged with the largest bloc of seats (20) in the newly expanded National Assembly—now made up of 84 seats. Parties closely allied with the PRB won an additional 13 seats. The remainder was split among 25 smaller parties, with the largest opposition bloc being the PRD, which won 19 seats. Kérékou's newly formed Action for Renewal and Development (FARD-ALAFIA) took 10 seats; PSD, 7; Our Common Cause, 3; Liberal Democrats, 3; Communist Party, 2; Alliance Chameleon, 1; RDP, 1; Alliance for Democracy and Progress, 1; and others, 16.

The March 1999 elections produced 70% turnover in the National Assembly where opposition party candidates held a slim majority. Overall, they took 42 of 83 seats, leaving 41 seats to be shared among pro-Kérékou parties. Adrien Houngbedji (PRD) became president of the National Assembly. In November 1999,

the Ministry of the Interior registered Benin's 118th party, the PRD-Arc-en-ciel, which was led by Kamarou Fassassi, formerly campaign director for Houngbedji. Soglo made his comeback as the PRB presidential candidate in 2001. His party won 27 seats in the March 1999 elections. Also winning seats were the PRD, 11; FARD, 10; PSD, 9; African Movement for Democracy and Progress (MADEP), 6. Eleven other parties took the remaining seats.

In the 30 March 2003 legislative elections the Presidential Movement comprising the UBF, MADEP, FC, IDP, and four small parties won 52 of the 83 seats in the National Assembly. Opposition parties including the PRB, PRD, E'toile, and 5 other small parties took the remaining 31 seats. President Kérékou, as head of the Presidential Movement, declared that he would not run for reelection in March 2006. Legislative elections were due in March 2007.

## <sup>15</sup> LOCAL GOVERNMENT

The country is divided into 12 provinces for administrative purposes, and these in turn are divided into districts. There are elected provincial, district, commune, town, and village councils. Benin must place greater emphasis on local government capacity, including more collaboration among the local governments and civil society to formulate, implement, and enforce policy decisions, and to help education and health providers involve communities and their residents in decision-making.

Benin has been slow to decentralize. In December 2002, the country held its first municipal and communal elections since the end of one-party rule in 1990. However, central government has resisted devolution of budget authority to the communes and several mayors were removed by municipal councils allegedly for mismanagement.

## <sup>16</sup> JUDICIAL SYSTEM

The legal system in Benin was formerly based on French and customary law. However, on 4 September 1981, Kérékou announced the creation of people's courts presided over by a Central People's Court that would control all judicial activities under the supervision of the executive and legislature. Each district has a court with the power to try cases, and each province has a court that acts as an appeals and assizes court. At the lowest level, each commune, village, and city ward has its own court.

The 1990 constitution provided for establishment of a new Constitutional Court responsible for judicial review of the constitutionality of legislation and for deciding disputes between the president and the National Assembly. This court began functioning in 1993. It also established a High Court of Justice to be responsible for hearing charges of crimes against the nation committed by the president or other government officials. However, the highest court for nonconstitutional judicial review under the new constitution was the Supreme Court. In general, the judiciary retains its independence from the government.

Human and civil rights are also enshrined in the constitution. Citizens have the right to a fair public trial, and criminal defendants enjoy the presumption of innocence, the right to counsel, and the rights to confront witnesses and have access to government-held evidence. The members of the military may be tried in case of minor offenses at military disciplinary councils. These councils have no power to try civilians.

The constitution also prohibits arbitrary interference with privacy, family, home, and correspondence. Police need a judicial warrant before entering a private home. Although these basic procedural rights are respected, the judiciary in Benin is curtailed by executive powers, is inefficient, and susceptible to corruption at all levels.

## 17 ARMED FORCES

In 2005, Benin's armed forces had 4,550 active personnel. The Army of 4,300 members included 3 infantry battalions. Equipment included 18 light tanks and 16 artillery pieces. There were 150 personnel in the Air Force, whose major equipment included 13 transports, and one utility and two support helicopters. There were no combat aircraft. The Navy numbered an estimated 100 personnel with one patrol boat. A paramilitary gendarmerie totaled 2,500. The defense budget in 2005 totaled \$70.8 million.

## 18 INTERNATIONAL COOPERATION

Benin was admitted to UN membership on 20 September 1960, and is a member of ECA and several nonregional specialized agencies. The country joined the WTO on 22 February 1996. It is a member of the African Development Bank, the ACP Group, the West African Economic and Monetary Union, ECOWAS, the Organization of the Islamic Conference (OIC), the New Partnership for Africa's Development (NEPAD), G-77, and the African Union. The nation is part of the Franc Zone and the Community of Sahel and Saharan States (CENSAD).

Benin has joined with Côte d'Ivoire, Niger, Burkina Faso, and Togo in the Conseil d'Entente, a loose grouping of like-minded states with a common loan guarantee fund. Benin, as a member of the Niger Basin Authority, cooperates with other riparian states of the Niger River in planning the further use and development of the river for fishing, transportation, flood control, and hydroelectricity. The Organization Commune Bénin-Niger regulates common problems of transportation and communications. Benin became a member of the Association of African Petroleum Producers in 1987. The country is part of the Nonaligned Movement and the Organization for the Prohibition of Chemical Weapons.

In environmental cooperation, Benin is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Benin's economy is recovering from the economic problems that led to the collapse of the socialist government in power between 1974 and 1989. However, as of 2005, the West African nation remained severely underdeveloped. Although the country's economic output grew by an average of 5% between 1999 and 2005, rapid increases in population offset those gains. The government was expected to continue efforts to privatize telecommunications, water, electricity, and agricultural companies that had been publicly owned through the former socialist economy.

Much of Benin's fate also is influenced by the much larger Nigerian economy, where trade barriers ban a growing list of imports from Benin and other nations. This effect has caused Benin's GDP to fluctuate between recovery and decline. Benin's debt situation

has been eased due to measures undertaken by the Paris Club and other creditors, and the IMF agreed in late 2005 to provide 100% debt relief to Benin under its Multilateral Debt Relief Initiative.

Agriculture is the most important sector in the Benin economy, accounting for 33.9% of GDP in 2004. About 90% of this output is produced on family farms using low-technology inputs and focusing primarily on domestically consumed crops, such as cashews, corn, sorghum, millet, paddy rice, pineapples, cassava, yams, and beans. Typically, Benin is self-sufficient in food. Cotton, palm oil, and peanuts are grown and exchanged for cash. However, the reliance on agriculture has kept much of Benin's population in poverty; about one-third of the population lived below the poverty line, according to a US Central Intelligence Agency (CIA) assessment in 2005.

Benin's livestock population increased an estimated 40% during the late 1980s and early 1990s, though it still does not satisfy local demand. Wood production for local fuel consumption also falls behind national demand. The fishing sector, made up of artisanal fishers, has overfished the stock and is in decline.

Benin's mineral resources are limited. Limestone, marble, and petroleum reserves are exploited commercially. Gold is produced at the artisanal level. Phosphates, chromium, rutile, and iron ore have been located in the north but remain undeveloped resources.

In January 1994 France devalued the CFA franc, causing its value to drop in half overnight. The devaluation was designed to encourage new investment, particularly in the export sectors of the economy, and discourage the use of hard currency reserves to buy products that could be grown domestically. In the short term, the move left the economy reeling and provoked anger and confusion among the population. Price-gouging by local merchants and a sharp rise in inflation to 55% led the government to impose temporary price controls on existing stocks of imports. By 2001, however, inflation was back down to 3% and was estimated at 3.2% in 2005. Real GDP growth was estimated at 4.2% in 2005.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Benin's gross domestic product (GDP) was estimated at \$8.7 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,200. The annual growth rate of GDP was estimated at 4.2%. The average inflation rate in 2005 was 3.2%. It was estimated that agriculture accounted for 33.9% of GDP, industry 13.6%, and services 52.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$84 million or about \$12 per capita and accounted for approximately 2.4% of GDP. Foreign aid receipts amounted to \$294 million or about \$44 per capita and accounted for approximately 8.5% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Benin totaled \$2.80 billion or about \$417 per capita based on a GDP of \$3.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that

for the period 1990 to 2003 household consumption grew at an average annual rate of 4.1%. In 2001 it was estimated that approximately 52% of household consumption was spent on food, 15% on fuel, 5% on health care, and 3% on education. It was estimated that in 2001 about 33% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

The total labor force was about two million in 1999 (the latest year for which data was available) of which 56% were primarily engaged in agriculture. Less than 2% of the labor force is salaried. There is a great disparity between the income of the wage earner and that of the uneducated traditional laborer, whose yearly income is less than the average monthly income of the salaried worker.

Trade union activity is concentrated in urban areas and particularly in the south, where most wage and salaried workers are employed. The constitution gives workers the right to organize, join unions, meet, and strike. As of 2005, around 75% of government workers were unionized, but the percentage is much smaller in the private sector.

The fundamental labor legislation provides for collective agreements between employers and workers, for the fixing of minimum wages by the government on the advice of advisory committees, and for a 40- to 46-hour basic workweek, with a 24 hour rest period per week. Domestic and agricultural workers generally work more than 70 hours per week. The legislation also provides for paid annual leave and for family allowances for children. These arrangements affect only the small proportion of the total labor force that is in wage-paid employment. Although health and safety standards have been established, enforcement has been ineffective. The minimum wage was about \$50 per month in 2005, but was only enough to provide rudimentary food and shelter for a family. Most workers earn more than the minimum wage by engaging in subsistence farming or informal sector trade. Although the labor code prohibits employment for children under age 14, child labor remains a huge problem. A 2000 study shows that an estimated 75% of apprentices working as seamstresses, hairdressers, carpenters, and mechanics were under the legal employment age.

## 2<sup>2</sup> AGRICULTURE

Benin is predominantly an agricultural country. About 51% of the economically active population was engaged in the agricultural sector in 2003, which accounted for 36% of GDP that year. Small, independent farmers produce 90% of agricultural output, but only about 17% of the total area is cultivated, much of it in the form of collective farms since 1975. The agricultural sector is plagued by a lack of infrastructure, poor utilization of rural credit, and inefficient and insufficient use of fertilizer, insecticides, and seeds. Smuggling of crops for export or the domestic black market results in understating of crop figures. An estimated 20% of output is informally traded with Nigeria. The main food crops are manioc, yams, corn, sorghum, beans, rice, sweet potatoes, pawpaws, guavas, bananas, and coconuts. Production estimates for the main food crops for 2004 were yams, 2,500,000 tons; manioc, 4,000,000 tons; corn, 803,000 tons; sorghum, 190,000 tons; rice, 70,000 tons; dry beans, 105,000 tons; sweet potatoes, 75,000 tons; and millet,

40,000 tons. Benin is self-sufficient in food crops, given favorable weather conditions.

Palm products were long Benin's principal export crop, but cotton has increased in importance, with production increasing since 1981. Despite improved production, however, cotton storage and ginning capacity are still insufficient. Production of most cash crops fell between the 1970s and 1980s because of drought and state mismanagement. Cotton is grown on some 175,000 hectares (432,400 acres), and the crop is managed by the National Agricultural Society for Cotton. Cotton production was 150,000 tons in 2004, down from 175,000 tons in 1999. Peanut production has also recently become important; in 1999, 121,000 tons of shelled groundnuts were produced from 145,000 hectares (359,000 acres). These statistics are distorted by the smuggling of cash crops to and from Nigeria, depending on which country's prices are more attractive. Some 400,000 hectares (990,000 acres) of natural palms are exploited, and there are 30,000 hectares (74,000 acres) of palm plantations, the largest of which is managed by SOBEPALH, a government enterprise producing palm oil and cottonseed oil. Palm oil production was 13,500 tons in 2004 and palm kernel output was 22,000 tons. Other crops with their 2004 production figures were cashews, 10,000 tons; bananas, 13,000 tons; mangoes, 12,000 tons; and coconuts, 20,000 tons.

## 2<sup>3</sup> ANIMAL HUSBANDRY

In 2004 there were an estimated 1,745,000 head of cattle; 700,000 sheep; 1,350,000 goats; 309,000 hogs; and 13 million chickens. Most of Benin's cattle are in the north beyond the main trypanosomiasis (sleeping sickness) zone inhabited by the tsetse fly, but there is also a small hardy type in the lagoon area. Horses are rare owing to the ravages of trypanosomiasis. Poultry are mainly confined to the south of the country.

Estimated output of livestock products in 2004 included 21,100 tons of beef and veal; 6,800 tons of sheep and goat meat; and 3,900 tons of pork. Although the livestock population had increased by 40% in the 1990s, Benin still imports substantial amounts of meat and poultry to meet local demand.

## 2<sup>4</sup> FISHING

Ocean fishing, which had been carried on largely by Ghanaian fishermen, is gaining importance at Cotonou (where a fishing port was opened in 1971) and other coastal centers. Under an agreement with the Senegal government, Senegalese fishermen introduced deep-sea-fishing methods to the Beninese, and a national fishing company was established as a joint venture with Libya. Exports of fish commodities amounted to nearly \$1.9 million in 2003. Lagoon and river fishing remain of primary importance; of an estimated catch of 41,900 tons in 2003, 30,000 tons were from inland waters. The production of fish steadily declined during the 1980s due to over fishing and ecological degradation, but started increasing by the mid-1990s. In 2003, fishery products accounted for 2.8% of agricultural exports.

## 2<sup>5</sup> FORESTRY

There are about 3.4 million hectares (nearly 8.4 million acres) classified as forest and woodland, about 31% of the total land area. Most forests are in northern Benin, and exploitation is subject to public control. Timber production is small. Firewood, charcoal,

and building wood for local use are the most important forest products. In 2003, 494,000 cu m (17.4 million cu ft) of roundwood were produced, down from 6.2 million cu m (218 million cu ft) in 2000. However, the value of forest product exports increased from \$1.18 billion in 2000 to \$8.59 billion in 2003. American Peace Corps volunteers have assisted with the development of the forestry sector, with special attention on the dilemma between ecological balance and fuelwood production.

## 26 MINING

With the exception of oil, Benin was relatively poor in mineral resources, all of which belonged to the government. Sedimentary phosphate deposits were located along the Mekrou River in the north. There was low-grade iron ore at Loumbou-Loumbou and Madekali, in the Borgou district, where surveys discovered resources of more than 500 million tons. Development of the hydroelectric power station was seen as a key factor in the future potential development of the iron ore and phosphate deposits. Limestone was quarried for use in cement plants. There was potential for small-scale gold mining in the Atacora gold zone, in the northwest. Other mineral resources included chromium, rutile, and diamonds; small quantities of industrial diamonds were exported. In 2004, the country produced 250,000 metric tons of hydraulic cement, 21,000 metric tons of clay, 20 kg of gold, and 29,000 cubic meters of gravel.

## 27 ENERGY AND POWER

Production from the Sémé offshore oil field began in October 1982 by Saga Petroleum, a Norwegian firm working under a service contract. The field yielded 1.35 million barrels of oil in 1991. In 1990, Benin exported an estimated 1.27 million barrels of crude oil. In 1986, the contract was transferred to Pan Ocean Oil (Panoco), a Swiss-based US firm, but loans to Benin from international development agencies were frozen because the company could not furnish satisfactory financial and capability statements; it withdrew, forcing Benin to take over oil production. Reserves, which were estimated at 44 million barrels, were considered sufficient to meet domestic needs, but there is currently no refinery in Benin; consequently, refined petroleum products have to be re-imported. In 2002, imports of refined petroleum products amounted to 12,600 barrels per day.

Electrical generating capacity in 2002, totaled 0.122 million kW. Total domestic power output in that same year was 0.055 billion kWh, of which hydropower accounted for 0.002 billion kWh and fossil fuels for the rest. Electricity consumption in 2002 was 0.488 billion kWh. An agreement was signed with Togo and Ghana in 1967 under which Benin receives low-cost electric power from the Akosombo Dam on the Volta River in Ghana. Total electricity imports for 2002 were estimated at 0.4370 billion kWh. Togo and Benin are constructing a dam on the Mono River, along the Togo border, that will feed a power station to supply the southern regions of both countries.

## 28 INDUSTRY

Benin's industrial sector accounted for 13.6% of GDP in 2005. Industrial activity centers primarily on construction materials, chemical production, textiles, and the processing of agricultural

products. Enterprises such as the Onigbolo cement factory and the Savé sugar refinery have characterized Benin's industrial sector.

Production of crude steel ceased in 1993. Production of crude oil began in 1982 but ceased in the 1990s. The Sémé oil field near Cotonou was shut down in 1998, but there were plans to redevelop it. Exploration of oil is ongoing. Benin imports refined petroleum from Nigeria, and is involved in a planned \$500 million West African natural gas pipeline that will run 385 miles between Nigeria and Côte d'Ivoire. Gas delivery from the pipeline was expected to begin in 2005. Although work began at the pipeline's final terminus in late 2005, political questions about multinational oil companies' roles in the project have raised new concerns.

A textile factory at Parakout was revitalized with financing from the West African Development Bank. Benin's industrial electricity needs are met by hydroelectric power from Akosombo dam in Ghana and the Nangbeto dam on the Mono River in Togo. The Société Beninoise d'Electricité et d'Eau (SBEE) controls most electrical production within Benin (which is minimal), and the Communauté Electrique du Benin (CEB) imports the electricity from Ghana through Togo.

Together with other countries belonging to the West African Economic and Monetary Union (WAEMU), Benin adopted the common external tariff in 2000, which was designed to encourage domestic production. Revenues from the cotton sector are substantial, comprising 90% of Benin's foreign currency earnings.

Although the cotton industry remains state-owned, Benin has privatized its cement, textile, tobacco, and public transportation enterprises in recent years, in addition to breweries. Efforts to privatize SONAPRA, Benin's state-owned cotton enterprise, were scheduled to be completed in mid-2004. However, delays have prevented that from occurring.

## 29 SCIENCE AND TECHNOLOGY

Much of the scientific and technical research conducted in Benin is directed toward agriculture and is supported by France. The Benin Office of Mines, which is attached to the Ministry of Industry, Trade, and Tourism, is located at Cotonou; the Institute of Applied Research, founded in 1942, is at Porto-Novo. The National University of Benin in Cotonou has faculties of scientific and technical studies, health sciences, and agriculture. In 1987-97, science and engineering students accounted for 18% of college and university enrollments.

## 30 DOMESTIC TRADE

Despite the economy's reliance on subsistence agriculture, Benin has developed into a West African trading center. Except in Cotonou and Porto-Novo, retailers deal in a wide variety of goods rather than specializing in a few products. In the two larger towns, some shops specialize in such lines as dry goods, foodstuffs, and hardware. In the smaller towns, bazaars and individual merchants and peddlers deal in locally grown products and a few imported items. Domestic trade is generally on a cash basis, but in the countryside barter is common. Advertising is not widely used.

Many small business are privately owned by Beninese residents, but a number of enterprises are held by foreigners, particularly French nationals. Since 2001, there has been a somewhat reluctant effort on behalf of the government for greater privatization of industries such as telecommunications, utilities, and agriculture.

**Principal Trading Partners – Benin (2002)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	304.0	727.0	-423.0
Nigeria	67.6	27.8	39.8
India	43.3	14.1	29.2
Ghana	26.5	40.4	-13.9
Indonesia	24.1	5.2	18.9
China	16.9	46.7	-29.8
Italy-San Marino-Holy See	12.8	23.5	-10.7
Pakistan	12.8	0.8	12.0
Thailand	12.6	20.4	-7.8
France-Monaco	11.9	174.3	-162.4
Morocco	9.0	...	9.0

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

Business hours are from 9:30 AM to 1 PM and from 4 to 7 PM Monday through Friday, from 3 to 7 PM on Saturday, and from 9 to 11 AM on Sunday. Banks are open on weekdays from 8 to 11 AM and 3 to 5 PM Monday through Friday.

**3<sup>1</sup> FOREIGN TRADE**

Benin consistently runs a trade deficit. The leading exports are cotton, uranium and thorium ores, cottonseeds, and cigarettes. Leading imports are foodstuffs, petroleum products, beverages, tobacco, capital goods, and light consumer products.

As of 2004, Benin's main trading partners for exports were: China (29.5%), India (18.8%), Ghana (6.4%), Niger (6%), Indonesia (4.3%) and Nigeria (4.3%). Benin imports products primar-

**Balance of Payments – Benin (2001)**

(In millions of US dollars)

<b>Current Account</b>		<b>-160.5</b>
Balance on goods	-179.5	
Imports	-553.0	
Exports	373.5	
Balance on services	-44.8	
Balance on income	-13.5	
Current transfers	77.3	
<b>Capital Account</b>		<b>70.0</b>
<b>Financial Account</b>		<b>46.5</b>
Direct investment abroad	-2.3	
Direct investment in Benin	43.9	
Portfolio investment assets	3.1	
Portfolio investment liabilities	-0.4	
Financial derivatives	-0.2	
Other investment assets	-34.4	
Other investment liabilities	30.8	
<b>Net Errors and Omissions</b>		<b>3.6</b>
<b>Reserves and Related Items</b>		<b>46.4</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ily from China (32.2%), France (13%), Thailand (6.7%), and Côte d'Ivoire (5.3%).

**3<sup>2</sup> BALANCE OF PAYMENTS**

Large annual transfers from the French government and other sources are necessary for Benin to offset its chronic trade deficit. As producer prices declined in the late 1980s, Benin's export revenues fell sharply. By 1989 and 1990, foreign aid matched export earnings. Benin's current account deteriorated sharply from the years of high prices for crude oil exports, and since oil production slowed down in the 1990s. A growing dependence on imports also increased the deficit, but official statistics do not include substantial amounts of informal trade flows to neighboring countries.

Benin accepted an IMF structural adjustment program in the early 1990s. The IMF formula called for modest real GDP growth, reducing public sector employment, improving tax collection and privatizing of public-sector enterprises. In addition, Benin's government initiated tariff reforms and lifted price controls. While debt cancellations by the United States and France helped bring the debt-service ratio down to 7.0%, Benin still has a serious debt problem that has only partially been resolved.

The US Central Intelligence Agency (CIA) reported that in 2005 the Benin's exports were \$826.2 million while imports totaled \$1.043 billion resulting in a trade deficit of \$155.1 million.

**3<sup>3</sup> BANKING AND SECURITIES**

In 1959, the Central Bank of the West African States (Banque Centrale des États de l'Afrique de l'Ouest-BCEAO) succeeded the Currency Board of French West Africa and Togo as the bank of issue for the former French West African territories. In 1962, it was reorganized as the joint note-issue bank, and in 2000 included Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. BCEAO notes, known as CFA francs, are unreservedly guaranteed by France. Foreign exchange receipts of the member states go into the franc area's exchange pool, which in turn covers their foreign exchange requirements.

In December 1974, the government nationalized the banking sector, amalgamating the three main commercial banks into the Commercial Bank of Benin. There is also the Benin Development Bank. Other commercial banks include the Bank of Africa Benin, Banque Internationale du Benin, Ecobank-Benin, the Financial Bank, Equibail-Benin, Credit du Benin, Continental Bank Benin, and Credit Promotional Benin.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$548.1 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$734.7 million. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.95%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

There is no securities market in Benin.

### 34 INSURANCE

Insurance companies were nationalized in 1974, and the National Society of Insurance and Reinsurance (SONAR) is the state agency.

### 35 PUBLIC FINANCE

Benin has both an ordinary and a development budget. High personnel costs have been a continuing problem in Benin, which has a surfeit of civil servants. Many government-backed enterprises are near bankruptcy and some are barely functioning. The fiscal year follows the calendar year. Most investment expenditure is financed by foreign loans and grants. During the 1980s, the external debt nearly tripled, and stood at \$909 million by 1988. In 1989, the government rescheduled its arrears through the Paris Club. Since 1991 Benin has been implementing a structural adjustment program supported by the World Bank. The program calls for reduced fiscal expenditures, deregulation of trade, and the privatization of money losing state-owned enterprises. Economic aid amounted to \$265 million in 2003, although Benin was eligible to receive debt relief under the Heavily Indebted Poor Countries (HIPC) initiative.

The US Central Intelligence Agency (CIA) estimated that in 2005 Benin's central government took in revenues of approximately \$766.8 million and had expenditures of \$1 billion. Revenues minus expenditures totaled approximately -\$250.2 million. Total external debt was \$1.6 billion.

### 36 TAXATION

Indirect taxes provide almost 60% of government revenues, and direct taxes, about 25%. The corporate tax rate had been reduced to 35% from 38% in 2003. The top marginal rate for personal income tax was reported to have increased to 60% in 2003, from 35%, although the marginal rate for the average taxpayer was 6%.

A value-added tax (VAT) with a standard rate of 18% was introduced in 1991. In 2003, an estimated three-fourths of VAT collected was collected on imports, despite the fact that most imports, including those pursuant to all government contracts and most investments, are exempt from VAT. There is also a 1% community solidarity levy.

### 37 CUSTOMS AND DUTIES

Benin enacted a common external tariff, which has eliminated most nontariff trade barriers. A fiscal import duty has rates of: 0%; 5%; 10%; 15%; and 20% according to tariff class. Port security is an issue of pressing concern, with theft as a major problem. Bonded warehouses are available, but difficult to come by. A port police was established in 1999 to combat the crime problems, but it has had little impact on the situation.

### 38 FOREIGN INVESTMENT

With government privatization of the nationalized industrial sector well under way, the 1980s–90s were a period of considerable investment activity in Benin. In the financial sector, Rasmal Finance, a Swiss banking interest backed by American Express and Citicorp; Ecobank, based in Togo and correspondent for the Midland Bank; the Bank of Africa, a Malian financial interest; and the

Banque Internationale de Bénin, a Nigerian consortium, have operated in Benin since 1989.

Rothmans-UK invested in the formerly state-run cigarette factory. An American private investor has entered the steel industry, manufacturing reinforcing bars and roofing materials. While current oil reserves are negligible, investments in further exploration possibilities offshore have been considerable. Formerly state-owned cement, auto parts, and stationery supply operations have also been privatized. La Beninoise (brewery) brought us\$13.7 million; Sotraz (public transportation), brought us\$73,752. In terms of legislation, Benin adopted an investment code in 1990 designed to attract private sector investment. The Beninese government requires that nationals partly own privatized companies.

Other arenas of interest to foreign investors are the potential for building apparel factors in Benin and investments in tourism. A Chinese-European joint venture was reportedly considering plans for an apparel factory in Seme. Tourism investment has been increasing, with plans to establish a tourism investment zone along the country's breathtakingly beautiful coastline. Bidders were sought in 2004 for the Benin Marina Hotel, which previously had been managed by Sheraton.

Foreign direct investment (FDI) in Benin has been steadily increasing since Benin's transition to a democratic government in the early 1990s. According to the UN Conference on Trade and Development, FDI averaged \$39 million between 1985 and 1995. Since then, it has risen from \$44 million in 2001 to \$60 million in 2004. Benin reported holdings of \$291 million in FDI stocks in 2004, accounting for about 7% of its GDP.

### 39 ECONOMIC DEVELOPMENT

Benin's economic development goals rest on the government's ability to carry out privatization schemes mapped out initially in 2001. Although progress has been slow in some sectors, privatization efforts are ongoing in telecommunications, water, electricity, and agriculture.

Economic development was conducted within the context of a 2000–2004 International Monetary Fund (IMF) Poverty Reduction and Growth Facility (PRGF), and the Heavily Indebted Poor Countries (HIPC) Initiative with the IMF and the World Bank. The devaluation of the CFA (Communauté Financière Africaine) franc, the local currency, in 1994, made imports more expensive and brought the CFA Fr closer in value to the Nigerian currency. This was meant to inhibit imports while stimulating local production and raw material exports, but little progress was made in these areas by 2003.

While privatization efforts were mixed, an IMF assessment completed in 2004 noted Benin's willingness to shift its macroeconomic policies to comply with market-oriented reforms. Foreign investment in the country remains relatively strong, and the receipt of a B+ rating by Standard & Poor's was expected to encourage more private sector interest.

The economy has grown steadily in the early 21st century and most social indicators of standard of living have shown improvement. Nevertheless, a high incidence of poverty, a continued reliance on agriculture and political resistance to structural reforms may continue to hinder growth for the long term.

## 40 SOCIAL DEVELOPMENT

A social insurance system provides benefits to employed persons with a special system for public employees. The first law was established in 1970, and was updated in 2003. It is funded by contributions from employees and employers. It provides pensions for old age, disability, and survivorship. Maternity benefits, worker's compensation, and a family allowance program, financed entirely by employers, are also offered. The majority of the population, however, are self-employed or work in the agricultural sector and fall outside the scope of these programs.

Although the law provides for equality for women, they are victims of discrimination in most areas of society. Domestic violence and spousal abuse are common and the police generally hesitate to interfere.

Although outlawed in 2003, female circumcision, also known as female genital mutilation, is still widely practiced in Benin. This practice is both physically and psychologically harmful to girls and women, and in some cases may cause death. Some traditional practices inflict hardship and violence on children, and child labor remains a serious problem. In 2004, trafficking of women and children continued to be widespread.

Human rights are somewhat protected in Benin. Reports of killings and beatings by police, arbitrary arrests and detentions continue. Prison conditions continue to be harsh.

## 41 HEALTH

Most serious epidemic diseases have been brought under control by mobile health units and other facilities. Yaws has been almost totally eradicated in the northern part of the country. Sleeping sickness (trypanosomiasis) has also been greatly reduced in the north and yellow fever has all but disappeared. Meningitis, once endemic in the north, now appears only sporadically and measures against tuberculosis have been intensified. In 2002, 203 new cases of cholera were reported. Malnutrition was prevalent in an estimated 25% of children under five years old. Access to safe water had improved to 63% by 2000 (between 1990 and 1995, only 20% had access to safe water), but only 23% of the population had adequate sanitation. Estimated average life expectancy in 2005 was 53 years.

As of 2004, there were an estimated 6 physicians and 20 nurses per 100,000 people. Total health care expenditure was estimated at 3.3% of GDP.

About 16% of married women (age 15 to 49) used contraception in 2000. The maternal mortality rate was estimated at 500 per 100,000 live births. The infant mortality rate in 2005 was 81 per 1,000 live births. The total fertility rate was 6.4 per woman in 1999. Nearly half of the women in Benin undergo female genital mutilation.

The HIV/AIDS prevalence was 1.90 per 100 adults in 2003. As of 2004, there were approximately 68,000 people living with HIV/AIDS in the country. There were an estimated 5,800 deaths from AIDS in 2003.

The government of Benin has set goals of expanding its health care system, upgrading the quality of first referral care, promoting private sector care, and improving public sector care.

## 42 HOUSING

Improvement in overall appearance and in sanitation facilities in towns and villages has been fostered by the government. Low-cost housing has been provided by a public corporation backed by French development funds.

Over the past decade, many residents have been looking to build more modern "western" style homes. However, most of the construction materials for such a structure need to be imported, making materials (and labor) too expensive for many residents to consider this an option. In the rural areas, the typical dwelling of northern Benin is a round hut of beaten mud with a conical roof of thatch. In southern Benin, rectangular huts with sloping roofs of palm or straw thatch are more usual. Along the coastal lagoons, houses are often built on stilts.

## 43 EDUCATION

During the French colonial period, Benin produced the educational elite of French West Africa. The percentage of primary-school attendance was higher than in any other French West African territory, largely because of intense missionary activity. The educational system is patterned on that of France, but changes have been introduced to modify the elitist system and to adapt the curriculum to local needs and traditions. The most significant change has been the takeover of mission schools following legislation in 1975, by which the state made all education free, public, secular, and compulsory from ages 6 to 12.

Primary school covers a six-year course of study. For secondary studies, students may choose between a seven-year general education program or a six-year technical program. At last estimates (1999) primary school enrollment was at about 55% of age-eligible students; 67% for boys and 44% for girls. In 2001, secondary school enrollment was estimated at about 19% of eligible children; 26% for boys and 12% for girls. The student-to-teacher ratio for primary school was at about 54:1 in 2000; the ratio for secondary school was about 22:1. In 2003, it was estimated that about 51% of all students complete their primary education.

The National University of Benin at Cotonou, founded in 1970, offers courses in agriculture, medicine, liberal arts, science, law, economics, and politics. There are at least eight other institutes of higher learning in the country. In 2001, there were about 19,000 students enrolled in higher education programs. The adult literacy rate for 2004 was estimated at about 33.6%, with 46.4% for males and 22.6% for females.

As of 2003, public expenditure on education was estimated at 3.3% of GDP.

## 44 LIBRARIES AND MUSEUMS

The National Archives and National Library, which has around 35,000 volumes, are in Porto-Novo. Also in the capital are the Institute of Applied Research, which maintains a research collection of 8,000 volumes and the library of the National University of Benin with 50,000 volumes. The French Cultural Center in Cotonou maintains a library of 30,000 volumes. The library of the National University of Benin in Cotonou serves as a depository library of the United Nations. There are historical museums in Abomey and Ouidah, an ethnological museums in Porto-Novo, and Cotonou, and a museum of natural history and ethnography in Parakou.



There are monuments and historical sites maintained by the government and three zoos and botanical gardens.

#### 45 MEDIA

Virtually all media in Benin are controlled by the government. The state provides telegraph and telephone service and government-owned radio and television services broadcast in French, English, and 18 indigenous languages. In 2003, there were an estimated nine mainline telephones for every 1,000 people. The same year, there were approximately 34 mobile phones in use for every 1,000 people.

As of 2005, there was one state TV channel, a few commercial TV channels, and more than 30 state, commercial and local radio stations. In 2003, there were an estimated 445 radios and 12 television sets for every 1,000 people. The same year, there were 3.7 personal computers for every 1,000 people and 10 of every 1,000 people had access to the Internet.

In 2002, there was only one daily newspaper; *Ehuzu* (also known as *La Nation*), is the primary government publication, with a daily circulation of about 12,000. There are about 50 other newspapers and periodicals. Weeklies included *La Gazette du Golfe* (circulation 18,000) and *Le Forum de la Semaine*. Other publications included *L'Opinion* and *Tam-Tam Express* (8,000 every other week). All were published in Cotonou. There are also several general interest and a few special interest periodicals.

The Constitution of Benin ensures freedom of expression, including speech and the press, and the government is said to respect this freedom.

#### 46 ORGANIZATIONS

The Chamber of Commerce and Industry of Benin is in Cotonou. There are professional organizations for teachers and doctors.

The Organization of Revolutionary Youth of Benin, founded in 1983, has about 150,000 members from all parts of Benin. The organization has direct relations with all youth-serving ministries of the Government and is affiliated with the Pan African Youth Movement and the World Federation of Democratic Youth. The Scoutisme Béninois is a scouting organization sponsoring both Boy Scouts and Girl Guides. There are also organizations of the Junior Chamber of Benin, YMCA/YWCA, and the Special Olympics.

There are active chapters of the Red Cross, Amnesty International, Africare, Caritas, and Friends of the Earth.

#### 47 TOURISM, TRAVEL, AND RECREATION

Benin has great potential for tourism, and the government is striving to develop this sector of the economy. The country has a rich cultural heritage, varied scenery, and impressive national parks. The tourist industry remains underdeveloped. For trips to the Pendjari game park, there is a small (21-room) hotel in Porga. In

2000, there were 2,733 hotel rooms, with 5,040 beds and an 11% occupancy rate. In 2002 there were 72,288 visitor arrivals.

Tourist attractions include the lake village of Ganvie, two game parks in the north, the ancient royal city of Abomey, several museums, and beaches. Hunting lodges have been built to foster safaris in the two national parks, where efforts have also been made to preserve wild game. In the south are picturesque villages built on stilts over the waters of the coastal lagoons. A visa is required for all visitors except those from Denmark, Germany, France, Sweden, and many of the African nations. Proof of vaccination against yellow fever is required in most of West Africa. In 2004, the US Department of State estimated the daily cost of staying in Cotonou at \$167 per day, depending on the choice of hotel. In other regions, the cost was as low as \$87 per day.

#### 48 FAMOUS BENINESE

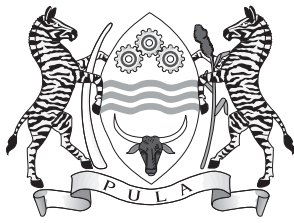
Perhaps the most famous historical ruler in the area now known as Benin was Béhanzin (d.1906), who was king of Abomey from 1889 until he was defeated by the French in 1894. The best-known modern Beninese are the political leaders Hubert Maga (1916–2000); Sourou-Migan Apithy (1913–1989); Justin T. Ahomadegbé (1917–2002); and Brig. Gen. Ahmed Mathieu Kérékou (b.1933). Nicephore Soglo (b.1934), a former World Bank economist, was elected president in 1991 in Benin's first multiparty presidential election. In 1996, he lost his bid for reelection to Kérékou in a runoff.

#### 49 DEPENDENCIES

Benin has no territories or colonies.

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# BOTSWANA

Republic of Botswana



**CAPITAL:** Gaborone

**FLAG:** The flag of Botswana consists of five horizontal stripes. The top and bottom stripes are light blue and wider than the middle stripe, which is black. The blue stripes are separated from the black by thin white stripes.

**ANTHEM:** *Fatshe La Rona (Blessed Country)*.

**MONETARY UNIT:** On 23 August 1976, the pula (P) of 100 thebe replaced the South African rand (R) as Botswana's legal currency. There are coins of 1, 2, 5, 10, 25, 50 thebe and 1 pula, and notes of 2, 5, 10, 20, 50 and 100 pula. P1 = \$0.19380 (or \$1 = P5.16) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; President's Day, 15 July; Botswana Days, 30 September–1 October; Christmas, 25 December; Boxing Day, 26 December. Movable holidays include Good Friday, Easter Monday, and Ascension.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

A landlocked country in southern Africa, Botswana has a total area of 600,370 sq km (231,804 sq mi), extending 1,110 km (690 mi) NNE–SSW and 960 km (597 mi) EWE–WNW. Comparatively, the area occupied by Botswana is slightly smaller than the state of Texas. It meets Zambia at a point in the N and is bordered on the NE by Zimbabwe, on the SE and S by South Africa, and on the W and N by Namibia, with a total land boundary length of 4,013 km (2,493 mi).

## <sup>2</sup> TOPOGRAPHY

The country is a broad tableland with a mean altitude of 1,000 m (3,300 ft). A vast plateau about 1,200 m (4,000 ft) in height, extending from near Kanye north to the Zimbabwean border, divides the country into two distinct topographical regions. The eastern region is hilly bush country and grassland (veld). The Tsodilo Hills in the northwest contain the highest point in the country at about 1,489 m (4,884 ft). To the west lie the Okavango Swamps and the Kalahari Desert. The only sources of year-round surface water are the Chobe River in the north, the Limpopo in the southeast, and the Okavango in the northwest. The Limpopo is the longest river with a length of 1,600 km (1,000 mi). In seasons of heavy rainfall, floodwaters flow into the Makgadikgadi Salt Pans, Lake Ngami (the largest lake, 1,040 sq km/401 sq mi), and Lake Xau.

## <sup>3</sup> CLIMATE

Most of the country has a subtropical climate, with cooler temperatures prevailing in the higher altitudes. Winter days are warm and nights are cool, with heavy frost common in the desert. Temperatures range from average maximums of 33°C (91°F) in January and 22°C (72°F) in July to average minimums of 18°C (64°F) in January and 5°C (41°F) in July. In August begin the seasonal winds

that blow from the west and carry sand and dust across the country. Rainfall normally averages 45 cm (18 in) but ranges from 69 cm (27 in) in the north to less than 25 cm (10 in) in the Kalahari; drought conditions prevailed in the early and mid-1980s.

## <sup>4</sup> FLORA AND FAUNA

Although about 90% of Botswana is covered by some kind of savanna, even the Kalahari Desert contains adequate vegetation to support tens of thousands of wild animals. Common trees are the mopane, camel-thorn, motopi (shepherd's tree), and baobab. Botswana is a natural game reserve for most animals found in southern Africa, including lions, leopards, cheetahs, elephants, giraffes, zebras, hippopotamuses, rhinoceroses, African buffalo, hyenas, and 22 species of antelope. The duiker (a small, horned antelope), wildebeest (gnu), and springbok (gazelle) are familiar. As of 2002, there were at least 164 species of mammals, 184 species of birds, and over 2,100 species of plants.

## <sup>5</sup> ENVIRONMENT

Overgrazing due to the rapid expansion of the cattle population is a continuing threat to the vegetation and wildlife of Botswana. There are 5 game reserves, 3 game sanctuaries, and 40 controlled hunting areas. About 18% of the land has been set aside as national parks and game reserves. Natural hazards to the environment include seasonal winds from the west that blow sand and dust across the country.

Botswana has a very limited water supply that is inadequate for its increasing population, and the nation's water shortage is exacerbated by periodic droughts. One major factor in Botswana's water supply problem is that 68% of the country is part of the Kalahari desert. The country has about 3 cu km of renewable water resources, 48% of which is used for farming. Almost all of Bo-

tswana's urban dwellers and 90% of its rural people have access to safe water.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 6 types of mammals and 9 species of birds. Endangered species included the black rhinoceros, the African hunting dog, and the African savannah elephant. Burchell's zebra has become extinct.

## 6 POPULATION

The population of Botswana in 2005 was estimated by the United Nations (UN) at 1,640,000, which placed it at number 143 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 39% of the population under 15 years of age. There were 97 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be -0.3%. The projected population for the year 2025 was 1,583,000. The population density was 3 per sq km (7 per sq mi).

The UN estimated that 54% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.54%. The capital city, Gaborone, had a population of 19,000 in that year. Other cities and their populations are Mahalapye, 109,811; Serowe, 153,035; Tutume 123,514; Bobonong, 66,964; Francistown, 87,000; Selebi-Phikwe, 52,300; Maun, 48,057; and Lobatse, 29,700.

The prevalence of HIV/AIDS has had a significant impact on the population of Botswana. The UN estimated that 38.5% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy. Life expectancy dropped from 65 years in 1990 to 35 years in 2005.

## 7 MIGRATION

At least 50,000 Botswanans are working in South Africa at any particular time. In 1991, 21,468 South African residents were listed as born in Botswana. Botswana had some 500 refugees at the end of 1992, about 40% from South Africa. In 1998, the United Nations High Commissioner for Refugees (UNHCR) had been planning to phase out its Botswana office by the end of the year. However, in October 1998 the influx of 2,500 asylum seekers from the Caprivi region of Namibia provided them with an urgent new caseload. As of 1999, the repatriation plan to return the Namibian refugees had been temporarily halted, due to a deterioration of the situation in the Caprivi region. In 2005, the net migration rate was estimated as 6.07 per 1,000 population. There were 52,000 migrants living in Botswana in 2000. In 2004 there were 3,800 refugees. The government views the immigration level as too high.

## 8 ETHNIC GROUPS

The population, predominantly of Tswana stock (79%), is distributed among eight tribes, Batswana being the largest. The others include Bamangwato, Bakwena, Bangwaketsi, Bakgatla, Barolong, Bamalete, and Batlokwa. The next largest single group of indigenous peoples is the Kalanga, which accounts for about 11% of the

population. There are about 3% Basarwa (Bushmen). Kgalagadi and whites account for about 7%.

## 9 LANGUAGES

Though English is the official language, it is only spoken by about 2.1% of the population (2001 census). Setswana is the most widely spoken language, spoken by about 78.2% of the population. About 7.9% of the population speak Kalanga and 2.8% speak Sekgala-gadi. Other languages are used by about 8.6% of the population; 0.4% of the population did not specify their native language.

## 10 RELIGIONS

It is estimated that about one-half the population are nominally Christian. Anglicans, Methodists, and the United Congregational Church of Southern Africa—formerly the London Missionary Society—are the largest groups. Other congregations include Lutherans, Roman Catholics, the Church of Jesus Christ of Latter-Day Saints (Mormons), Seventh-Day Adventists, Jehovah's Witnesses, Baptists, the Dutch Reformed Church, Mennonites, and other Christian denominations. Most people practice a blend of indigenous beliefs alongside of their Christianity. About 1% of the population is Muslim and about 1% is Hindu. There is a small community of Bahai's.

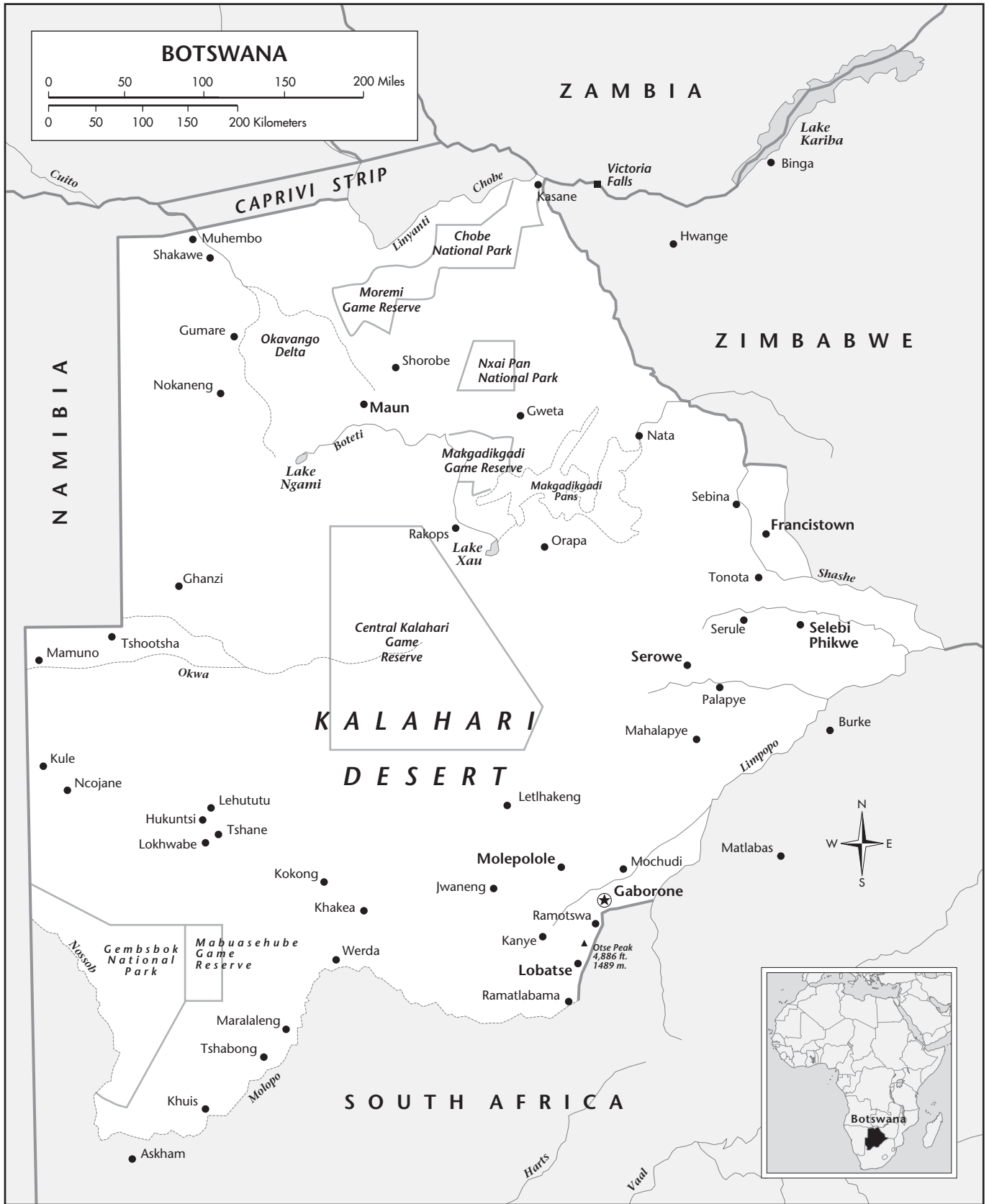
Freedom of religion is provided for in the constitution and this right is generally respected in practice. Religious groups, like all organizations within the country, must be registered with the state Registrar of Societies, a department of the Ministry of Labor and Home Affairs. Some Christian holidays are celebrated as public holidays.

## 11 TRANSPORTATION

In 2003, Botswana had 25,233 km (15,694 mi) of roads, of which 8,867 km (5,506 mi) were paved. Bituminous roads have been extended to the Zambian and Zimbabwean borders, thereby reducing Botswana's economic dependence on South Africa. In 2003, there were 52,120 passenger cars and 75,400 commercial vehicles in Botswana.

The main railroad from Cape Town in South Africa to Bulawayo in Zimbabwe runs through Botswana for a distance of 641 km (398 mi), connecting Lobatse, Gaborone, and Francistown. Two branch lines totaling 71 km (44 mi) connect the coal field of Morupule and the copper-nickel complex at Selebi-Phikwe with the main line; these lines are owned by Botswana but operated by National Railways of Zimbabwe. In 1991, a new 165 km (103 mi) spur connecting Sua Pan to Francistown was completed, at a cost of \$45 million. Botswana had a total of 888 km (552 mi) of narrow gauge railways in 2004.

In 2004 there were an estimated 85 airports, 10 of which (as of 2005), were paved. The government-owned Air Botswana operates scheduled flights to Francistown, Gaborone, Maun, and Selebi-Phikwe. There is international service to Johannesburg, South Africa; Mbabane, Swaziland; and Harare, Zimbabwe. A new international airport near Gaborone was opened in 1984. Air passengers arriving to and departing from Botswana during 2003 totaled about 183,000.



LOCATION: 17°47' to 26°54' s; 20° to 29°21' E. BOUNDARY LENGTHS: Zimbabwe, 813 kilometers (505 miles); South Africa (including Bophuthatswana), 1,778 kilometers (1,105 miles); Namibia (South West Africa), 1,461 kilometers (908 miles). LOCATION: 17°47' to 26°54' s; 20° to 29°21' E. BOUNDARY LENGTHS: Zimbabwe, 813 kilometers (505 miles); South Africa, 1,840 kilometers (1,141 miles); Namibia, 1,360 kilometers (843 miles).

## <sup>12</sup>HISTORY

According to tradition, the founder of the Batswana tribe was a 14th-century chief named Mogale. His great-great-grandson Malope had three sons, Kwena, Ngwaketse, and Ngwato, who became the chiefs of the major tribes that now inhabit Botswana.

The foundations of the modern state lie in the 1820–70 period, when the Batswana suffered many tribulations at the hands of the Matabele. In 1872, Khama III became chief of the Bamangwato. He was the son of Chief Sekgoma, the only Batswana chief who had succeeded in turning back the Matabele. Up to that time, the Batswana had no permanent contact with Europeans, except for the missionaries Robert and Mary Moffat and David Livingstone, who had established missions in the first half of the 19th century. But with increased exploration and the partition of southern Africa among the European powers, hostility developed between the Batswana and the Boer trekkers from the Transvaal. Khama III appealed to the United Kingdom for assistance, and in 1885 the whole of what was then known as Bechuanaland was proclaimed to be under the protection of Queen Victoria. The territory south of the Molopo River was constituted a crown colony called British Bechuanaland, and in 1895 it was incorporated into South Africa. The northern part of the territory, the Bechuanaland Protectorate, remained under the protection of the British crown, the powers of which, beginning in 1891, were exercised by the high commissioner in South Africa. The South African Act of Union of 1909, which created the Union (now Republic) of South Africa, provided for the eventual transfer to South Africa of Bechuanaland and the two other High Commission Territories, Basutoland and Swaziland, despite their requests to the contrary. The provision was dropped in 1961, after the withdrawal of South Africa from the Commonwealth.

The first significant political progress was made in 1921–22 with the creation of European and African advisory councils, added to which was a joint advisory council. In 1961, executive and legislative councils were created. A major step on the road to independence was taken in 1965 with the implementation of Bechuanaland's self-government constitution under Seretse Khama, the former chief-designate of the Bamangwato, who had become prime minister after Bechuanaland's first general elections. Final constitutional talks were held in London in February 1966, and on 30 September 1966, under the leadership of President Khama, the newly named Republic of Botswana came into being.

On 18 October 1969, the Botswana Democratic Party (BDP), under the leadership of Sir Seretse Khama, was returned to power in the general elections, and he was sworn in for a second term as president on 22 October. Khama was reelected president after the BDP won 27 out of 32 regular elective seats in the National Assembly in national elections held on 26 October 1974. During this first decade of independence, Botswana refused to support the United Nations (UN) sanctions against South Africa because, although officially opposed to apartheid, Botswana recognized its own economic dependence on South Africa. Following the 1969 elections, President Khama banned the import of goods from the white minority regime in Rhodesia (now Zimbabwe). Tensions were high in the 1970s as Botswana harbored 20,000 refugees from Rhodesia, and Rhodesian forces several times crossed into Botswana on "hot pursuit" raids against guerrillas.

In elections held in October 1979, the BDP won 29 of the 32 elective seats, and Khama was elected to a fourth presidential term. He died in 1980 and was succeeded by Vice President Quett Ketumile Joni Masire, who was elected to a full five-year term on 10 September 1984. Masire was reelected on 7 October 1989 and the BDP won 31 and the BNF 3 of the elected assembly seats.

South Africa repeatedly, but fruitlessly, pressed Botswana to sign a mutual-security agreement, and it accused Botswana of harboring insurgents opposed to the Pretoria regime and allowing them to mount acts of terrorism and sabotage against South Africa, a charge Botswana denied. An attack by South African commandos on 14 June 1985, aimed at South African refugees, killed at least 15 people in Gaborone. Further South African border violations and attacks on targets in Botswana took place during 1986, but such incursions had ended by 1988. In 1992 the two countries established formal diplomatic relations.

Before the 1994 legislative elections, the assembly was expanded to 44 seats, 40 of which would be elected, with the majority party given the right to appoint the remaining 4 seats. The opposition maneuvered before the election, attempting to form a broad coalition to unseat the BDP, which had so dominated the country since independence. Many opposition politicians insisted on electoral reforms, specifically the introduction of absentee balloting (20% of the population were migrant workers) and the lowering of the voting age from 21 to 18. On 15 October the elections were held and the BDP won a significant majority of seats in the assembly. The assembly named Masire president on 17 October. In November 1995, amidst worsening economic conditions and civil unrest, the government announced constitutional reforms, which limited the president to two terms, although a stipulation was added that the rule would not apply to the sitting president. The voting age was also lowered to 18, but no action was taken to introduce absentee balloting.

On 1 April 1998, Festus Mogae succeeded Quett Masire after the latter stepped down. Mogae was subsequently elected president in the 16 October 1999 polls with 54.3% of the National Assembly vote. He faced a number of issues such as environmental degradation, the need to diversify the economy, and political power struggles within the ruling party.

The Botswanan general election of 2004 was fought between the Botswana Democratic Party (BDP) and eight opposition parties. A total of 57 seats in the parliament were contested. The election was won by the BDP which won 51.7% of popular votes and obtained 44 seats in the new parliament. The largest opposition party, the Botswana National Front (BNF) won 26% of the popular vote and 12 seats. The Botswana Congress Party (BCP) won 17% of the popular vote and only 1 seat. Voter turnout in the 2004 general election was 76%. The other five smaller political parties did not win any seats. The BNF accused the country's Independent Election Commission of fundamental errors in its conduct of voter registrations. The leader of BDP, Festus Mogae, was serving his second and last term as President of Botswana. Although the political landscape in Botswana has been dominated by the BDP since independence, the country has a flourishing multiparty constitutional democracy. As of 2004, each of the elections since independence were freely and fairly contested and had been held on schedule.

The escalating HIV/AIDS pandemic has meant that political and economic challenges have taken a back seat. As of 2003, Botswana had one of the highest HIV/AIDS adult prevalence rates in the world. The government's goal was to have no new infections by 2016, and Botswana has been commended for being the first country in Africa to widely distribute antiretroviral drugs through its public health system.

### 13 GOVERNMENT

Under the 1965 constitution, as subsequently modified, Botswana is a republic. It is Africa's longest continuous multiparty democracy. The president is the chief of state, chief executive, and commander-in-chief of the armed forces. He is elected by a simple majority of the National Assembly. The president appoints a cabinet from among the National Assembly members, including the vice president, who also serves as a cabinet minister. The president also has the power to declare war, and he can summon or dissolve the National Assembly at any time. He can veto any bill, but if it is passed again within six months, he must either sign it or dissolve the Assembly.

The bi-cameral parliament consists of a National Assembly and a House of Chiefs. The National Assembly comprises 61 seats—57 are directly elected members and 4 are appointed by the majority party. After a no-confidence vote, the Assembly must be dissolved, or the president must resign. The House of Chiefs is largely advisory and consists of the chiefs of the eight principal tribes, four chiefs elected from minority districts, and three others elected by the House. Any proposed bill relating to matters of tribal concern must be referred to the House of Chiefs before the Assembly can pass it. It was chaired by Chief Seepapitso IV as of 1997. All citizens of Botswana aged 18 and over are eligible to vote. Both the President and members of parliament are elected for five-year terms.

### 14 POLITICAL PARTIES

Botswana has had multiparty competition since independence, although the Botswana Democratic Party (BDP), founded in late 1961 as the Bechuanaland Democratic Party by Seretse Khama, won every election since 1966 to 2004. The BDP gained prominence by advocating a gradual approach to independence through democracy, nonracialism, and a multiparty state. While maintaining opposition to apartheid, the BDP acknowledged Botswana's economic dependence on South Africa and the need to maintain friendly relations. Other parties included the Botswana People's Party (BPP), founded in 1960; the Botswana Independence Party (BIP), founded in 1964 under the leadership of Motsamai Mpho; and the Botswana National Front (BNF), which put up its first candidates in 1969.

In the March 1965 elections, the BDP won 28 of the 31 contested seats, and the BPP took the other 3. Seretse Khama became prime minister and appointed Quett Masire as deputy prime minister. Under the transitional constitutional provisions for the immediate postindependence period, they automatically acceded to the offices of president and vice president, respectively. The members elected to the Legislative Assembly in 1965 continued to hold office in the new National Assembly. The first postindependence elections were held on 18 October 1969; the BDP won 24 seats,

the BPP 3 seats, the BNF 3 seats, and the BIP 1 seat (only 31 seats were contested).

In the elections of 26 October 1974, the ruling BDP raised its total of elective seats to 27, while the BNF won 2 seats, the BPP 2, and the BIP 1. In the elections of October 1979, the BDP won 29 seats, the BNF 2, and the BIP 1. In elections held in September 1984, the BDP won 29 seats, the BNF 4, and the BPP 1. The division in the October, 1989 elections was BDP 31 and BNF 3. Since then, the opposition parties, largely concentrated in urban areas, formed a common front and threatened to boycott the 1994 elections unless electoral reforms were enacted. Principal among these demands were that the voting age be lowered from 21 to 18 and absentee balloting be allowed—20% of the country's electorate were migrant workers. However, the coalition collapsed before the election and the BNF ran alone, winning 13 of the 40 contested seats, with the BDP taking the rest. The Assembly was enlarged to 44 seats prior to balloting with four seats appointed by the majority.

In the parliamentary elections held on 16 October 1999, the BDP won 33 out of the 40 parliamentary seats. The remaining seats went to the Botswana National Front led by Otswotse Moupou (6 seats) and the Botswana Congress Party led by Mokgweetsi Kgosipula (1 seat). A number of minor parties formed a coalition, but did not capture any seats. These were the United Action Party led by Ephraim Lepetu Setshwaelo, the Independence Freedom Party (IFP) led by Motsamai Mpho, and the Botswana Progressive Union (BPU) led by D. K. Kwele.

In the parliamentary elections held on 30 October 2004, the BDP led by Festus Mogae, won 51.73% of the popular vote and 44 of the 57 seats contested. BNF led by Motsweletse Moupou won 26.06% of the popular vote and 12 seats; and BCP led by Otladisa Koosaletse won 16.62% of the popular vote and only 1 seat. The other 5 smaller political parties that contested did not win any seat but in total won about 5% of the popular vote. These included the Botswana Alliance Movement led by Ephraim Lepetu Setshwaelo (2.84% of the popular vote), Botswana People's Party led by Motlatsi Molapise (1.91% of the popular vote), the New Democratic Front led by Dick Bayford (0.78% of the popular vote) and the Marx, Engels, Lenin, Stalin (MELS) Movement of Botswana led by Themba Joina (0.03% of the vote).

### 15 LOCAL GOVERNMENT

Local government is carried out by 10 district councils and 5 town councils—Gaborone, Francistown, Lobatse, and Selebi-Phikwe. Executive authority in each district is vested in the district commissioner, who is appointed by the central government. The commissioner is assisted by the district council and the district development committee, which are partly appointed and partly elected. Botswana also has traditional village councils, called *kgotla*, which serve as public forums at which villagers can express opinions.

### 16 JUDICIAL SYSTEM

The 1965 constitution provides for a high court, a court of appeal, and subordinate first-, second-, and third-class courts. The chief justice, appointed by the president, is chairman of the Judicial Services Commission, which advises the president on the appointment of other judges and magistrates. The African Courts Proclamation of 1961 provides for courts with competence in matters

of tribal law and custom, presided over by chiefs and headmen. A court of appeals for such cases was created in 1986. The customary courts handle marital and property disputes as well as minor offenses. The judiciary is independent of the executive and the legislative branches. The legal system is based on Roman-Dutch law and local customary law.

## 17 ARMED FORCES

The armed forces personnel of Botswana numbered 9,000 in 2005. The Army consisted of 8,500 members while the remaining 500 were in the Air Wing, which had 31 combat capable aircraft, including 15 fighter aircraft. There were also about 1,500 paramilitary police. The defense budget in 2005 totaled \$359 million.

## 18 INTERNATIONAL COOPERATION

Botswana became a member of the United Nations (UN) on 17 October 1966 and is a member of the ECA and several nonregional specialized agencies. It is a member of the African Union, the ACP Group, and the WTO (1995). It belongs to the Southern African Customs Union (with South Africa, Lesotho, Namibia, and Swaziland) and the Preferential Trade Area for East and Southern Africa. Botswana also participates in the African Development Bank, the Commonwealth of Nations, G-77, and the Southern African Development Community (SADC), which maintains a secretariat at Gaborone. In 2000, the United States and Botswana jointly established the International Law Enforcement Academy (ILEA) in Gaborone. Botswana is part of the Nonaligned Movement. In environmental cooperation, Botswana is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Most economists regard Botswana as one of Africa's major success stories. The country's economy was dependent almost entirely on livestock production until the 1970s, when it became an important exporter of diamonds and other minerals. Then, the Botswana Development Corporation, adopting a conservative investment policy, actively sought foreign capital for investments in crop agriculture, tourism, and secondary industries. The rapid growth in diamond production helped Botswana achieve average high economic growth from independence through the early 2000s.

The diamond industry developed in 1971 in cooperation with De Beers Consolidated Mines. Botswana is the one of the world's largest producer of gem diamonds in value terms. It is also the one of the world's most diamond-dependent economy. Diamond production in 2003 stood at over 30 million carats. Botswana also produced copper-nickel matte production, and had significant coal deposits. Botswana had exploitable deposits in platinum, gold, and silver as well. Exploration for petroleum and natural gas deposits has been underway in western Botswana. As of 2003, Botswana was the second-largest mining producer by value (after South Africa, which is the largest mining producer in the world).

In spite of the gains recorded by the mining sector, agriculture employed more than 80% of the labor force in 2004. Provided with inadequate rainfall and poor soil, agriculture supplied only 50% of the country's food needs and accounted for only 4% of GDP

in 2003. Commercial farms played a critical role in agricultural and livestock production. Of Botswana's total output of sorghum, maize, millet, beans and pulses, 37% was produced by 100 of the 360 commercial farms. Ownership of the national herd of cattle was highly concentrated: 5% of households owned over 50%.

Botswana had the highest rate of economic growth in the world from 1966–1997 (averaging at 9.2%), after which it was adversely affected by the Asian financial crisis. Economic growth was 7.7% in 2000, 4.2% in 2004 and 3.3% in 2005; Botswana had an inflation rate of about 7% in 2004 and 8.3% in 2005. Although Botswana had an advanced infrastructure with good roads, communications, and dependable utilities, there was a general lack of technical and managerial skills among its workers. High rates of unemployment estimated at 23.8% in 2004 and severe poverty (estimated at 47% of the population living below the poverty line in 2002) keep the country from fully sharing its economic success with all its citizens. HIV/AIDS rates are among the highest in the world, with 37% of the sexually active population (defined as those between the ages of 15 and 49) being HIV positive in 2003. This high prevalence rate is expected to force a greater percentage of the population into poverty. Botswana was in the process of diversifying its economy in 2005, and was engaged in promoting sustainable development. It was encouraging foreign direct investment in non-mining sectors of the economy, including light manufacturing, tourism, financial services, and pharmaceuticals.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Botswana's gross domestic product (GDP) was estimated at \$16.6 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$10,100. The annual growth rate of GDP was estimated at 4.5%. The average inflation rate in 2005 was 8.3%. It was estimated that agriculture accounted for 2.4% of GDP, industry 46.9%, and services 50.7%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$27 million or about \$16 per capita and accounted for approximately 0.4% of GDP. Foreign aid receipts amounted to \$30 million or about \$17 per capita and accounted for approximately 0.4% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Botswana totaled \$2.03 billion or about \$1,177 per capita based on a GDP of \$7.5 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.0%. In 2001 it was estimated that approximately 24% of household consumption was spent on food, 12% on fuel, 2% on health care, and 7% on education. It was estimated that in 2003 about 47% of the population had incomes below the poverty line.

## 21 LABOR

In 2004, Botswana had 288,400 people employed in a formal economic sector. As of 2001, a total of 12.3% of the workforce was

employed in the agricultural sector, with 25.5% in industry, 61.3% in the services sector, and 0.9% in not defined occupations. As of 2004, unemployment among the workforce stood at 23.8%.

Botswana's unions are concentrated mostly in the mining sector, and to a lesser extent in the country's railway and banking sectors. In 2004, employees in the public sector were granted the right to organize, but as of 2005, this process was still underway. An employment act controls employment contracts, work by women and children, wage guarantees, conditions of work, and paid holidays. The law severely restricts the right to strike. There was a government-set minimum wage of \$0.64 per hour in 2005 for most full-time workers in the private sector, which cannot provide a living wage to a worker and family. However, most jobs in the formal sector of the economy paid in excess of the minimum wage. There is a maximum 48-hour workweek, although 40 hours per week can be found in most private sector jobs. Public sector employees however, had a 48 hour workweek. Although there are minimum safety and health standards, due to lack of resources they are not regularly enforced.

## 22 AGRICULTURE

Only about 0.7% of total land area is arable. Crop production is hampered by traditional farming methods, recurrent drought, erosion, and disease. Most of the land under cultivation is in the eastern region. The principal crops for domestic use are sorghum, corn, and millet. Sorghum and corn production in 2004 were 32,000 tons and 10,000 tons, respectively. The sorghum and corn harvests comprise less than 10% of the annual requirement of 250,000 tons. In 2004, Botswana's agricultural imports (primarily cereals) exceeded agricultural exports by \$102.5 million. Grain is often imported from South Africa. Smaller quantities of cowpeas, beans, and other pulses are also grown. The 2004 output of all these crops was about 20,000 tons; in addition, 16,000 tons of vegetables and 10,000 tons of fruit were grown.

Agricultural research has been devoted to soil conservation, grazing experiments, and developing and distributing improved strains of grain. The construction of dams and the drilling of boreholes to tap underground water are continuing government programs. In early 1990, the government changed its official agricultural policy to emphasize the production only of those foodstuffs that can be raised economically. The Arable Lands Development Program and the Tribal Grazing Land Policy are government programs designed to help farmers in communal areas.

## 23 ANIMAL HUSBANDRY

In 2004, the cattle population was about 1,700,000. Other livestock included 2,250,000 goats; 400,000 sheep; 33,000 horses; 330,000 donkeys; and 4,000,000 poultry. Cattle are valued for wealth and prestige and are used in the payment of bride price, but there is little of the cultural prohibition against selling cattle found in some other parts of Africa. Herds are grazed in the open veld where water and grass are available; the borehole-drilling program is extending the available grazing land. A gradual upgrading of stock quality has been achieved through selective breeding, culling, and controlled grazing. A system of disease-control fences has been installed. A vaccine institute was opened in 1981 to deal with the threat of foot-and-mouth disease. In the mid-1980s, the Botswana Meat Commission's plant at Lobatse was the largest export abat-

toir in Africa. In 2004, meat production totaled 54,100 tons, with beef accounting for 28,000 tons. Much of Botswana's annual beef production is exported to South Africa and Western Europe. Beef and beef products are Botswana's second-largest export earner (after minerals); about 140,000 cattle were slaughtered in 2004.

## 24 FISHING

Botswana is landlocked, but some fishing for local consumption is carried out by the inhabitants of the Limpopo River Valley and the Okavango region. Landings were estimated at 122 tons in 2003.

## 25 FORESTRY

About 47% of Botswana's land area is covered with forests and woodlands. The indigenous forests of northeast Ngamiland include the valuable mukwa, mukusi, and mopane woods. Some small-scale exploitation has taken place. Roundwood production was an estimated 755,000 cu m (27 million cu ft) in 2003.

## 26 MINING

Botswana, home to the world's largest gem diamond mine, is a leading producer of diamonds by value. The diamond sector accounted for 36% of GDP in 2003, around 50% of government revenues, and 81.5% of the country's exports, by value. Nickel, cobalt, and soda ash production also played significant roles in the economy. The minerals industry employed over 13,000 workers, of which about 50% were involved in mining and quarrying in 2003. The northeast contains copper, nickel, and precious metals; the northwest has copper and silver; and the south holds base and precious metals. Other valuable minerals produced included agate, clay, coal, cobalt, gold, salt, sand, silver, soda ash, and construction stone. Major mines were situated in regions with few job opportunities. Diamonds were the most notable area of exploration in 1996, but Botswana's mineral resources were still largely unexplored. Mineral rights (separate from surface rights) were vested in the state. For significant mineral operations, the government usually exercised its legal right to acquire for free an equity interest of 15–25%. Royalties are collected on the sales of certain minerals, such as 3% on base metals, 5% on gold, and 10% on diamonds. The 1999 Mines and Minerals Act, designed to promote foreign investment, diversify the economy, and reduce reliance on the diamond industry, continued to vest all mineral rights in the state, but introduced a new "retention license." The government retained an option to acquire up to a 15% interest in new ventures on commercial terms, thus abolishing its previous free equity participation. Favorable geologic environment and mineral investment climate, political stability, and low tax rates should make Botswana a target for foreign mineral investment.

The government maintained an equity position in most of the major mining companies, but the industry was operated, for the most part, on a privately owned free-market basis. In a 50–50 joint partnership with De Beers Centenary, the government owned Debswana Diamond, the country's largest mining company.

De Beers Botswana Mining (Debswana) and Botswana Concessions (BCL), both partly owned by the government, developed major mineral fields in the eastern and central regions in the 1970s. Starting in 1981, the Debswana diamond mine at Orapa had to stockpile diamonds to halt the decline in world prices. The world's largest gem diamond mine was opened at Jwaneng in



1982, and processing capacity was increased in 1996 by the addition of a fourth treatment line. Jwaneng, the richest diamond mine in Africa, treated 8.9 million tons of ore and recovered 12.8 million carats in 2003. Reserves and resources in Jwaneng's three main kimberlite pipes were reported to be 287.6 million tons at a grade of 143.6 carats per hundred tons. The Letlhakane Mine recovered 1.061 million carats in 2003. The Orapa Mine recovered 16.3 million carats in 2003. Total reserves and resources at Orapa were reported to be 652.9 million tons at a grade of 49 carats per hundred tons. Debswana completed an expansion at Orapa in 2000 that was designed to double production to 12 million carats per year and treat an additional 8.9 million tons per year of ore. It was expected to allow production from the open pit for 30 years, with the potential of extending the mine life by another 20 or 30 years by shifting to underground mining. The expanded facilities included a completely automated recovery plant (CARP), a 15-story building in which only X-ray technology is used to recover diamonds and no human picking or sorting is done. Botswana's diamond output for 2003 was 30.4 million carats, up from 24.635 million carats in 2000.

BCL developed a nickel-copper smelter at Selebi-Phikwe in the 1970s and owns the Phikwe, Selebi, and Selebi North mines. National output for mined copper in 2003 was estimated at 30,400 metric tons; for mined nickel was estimated at 32,740 metric tons; and for smelted cobalt, 283 metric tons. BCL's smelter produced 24,289 metric tons of copper, 27,400 metric tons of nickel. Reserves were reported at 27 million tons for BCL at a grade of 0.86% copper and 0.84% nickel, and for Tati Nickel's Phoenix Mine, at 46 million tons at a grade of 0.32% copper and 0.56% nickel.

A brine mining and treatment facility at Sua Pan produced 309,350 metric tons of soda ash in 2003, up from 233,643 in 1999, and 190,000 metric tons of salt from natural soda ash, down from 233,069 metric tons in 1999. The country produced an estimated 102,000 kg of other precious gemstones, principally agate, in 2003. Gold output totaled 8 kg in 2003, down from 28 kg in 1997.

## 27 ENERGY AND POWER

Most electric power is generated thermally in installations run by the Botswana Power Corp., a public enterprise established in 1970. Electric generating capacity consists of the 132 MW Morupole coal-fired plant and the 60 MW coal-fired plant at Selebi-Phikwe. Total capacity in 2002 stood at 0.132 million kW. Production of electricity in that same year totaled 0.930 billion kWh. Fossil fuels were used exclusively. Consumption of electricity totaled 1.989 billion kWh. Coal production in 2002 consisted entirely of the bituminous type and totaled 992,000 tons. Coal is mined solely at Morupole by Anglo American, mostly for the generation of electricity. The government is considering constructing a coal-fired power plant at the same coal field, which would be designed to export power to South Africa.

Several companies are prospecting for oil, but none had been discovered as of 2002. However, Amoco has studied the possibility of extracting methane from coal beds.

## 28 INDUSTRY

Botswana has a small, but dynamic, manufacturing sector, which contributed approximately 5% to GDP in 2004. Average growth in this sector during the 1990s was 3.8%, and it was seen in the

early 2000s as having the most growth potential in the country. The sector has diversified into textiles, beverages, chemicals, metals, plastics, and electrical products. The government parastatal, the Botswana Development Corp., has declined in significance relative to private initiatives, but still is a major promoter of industrial development with interests in brewing, sugar, furniture, clothing, tourism, milling, and concrete. Though promising, industrial development is limited by a small domestic market, weak infrastructure, import dependence, and small skilled labor force. Indeed this sector has seen slow growth since 2000 following the closure of the Hyundai vehicle-assembly plant and the emphasis on manufacturing as the main source of future growth has been questioned.

Local coal supplies the fuel required for Botswana's energy sector. Peak requirements are generally supplied by the South African grid. In 1991, Botswana also linked to the Zambian and Zimbabwean grids. Botswana has no hydroelectric power resources, but solar power has potential as an energy source.

The construction industry was the fastest growing sector of the economy in the 1980s, and rapid urbanization created a need for low-income housing. This sector has decreased in importance, however, as there has been a shortage of building material and supplies. On the other hand, the chemicals industry has expanded; soda ash (for use in steel, glass, paper, and detergent manufacturing industries) is an important commodity, and Botswana Ash is the leading soda ash company operating in the country. The production of copper and nickel has contributed to an increase in the local production of electrical components. The motor industry is growing, with vehicle assembly, tire manufacturing, leather finishing, paint manufacturing, batteries, and the manufacture of spare parts being government priorities and opportunities for foreign investment.

Diamond mining is the engine of growth in Botswana. Diamond mining has fueled much of the economic expansion and in 2005 accounted for more than one-third of GDP and for 80% of export earnings. Mining and livestock production remain the primary economic activities. Botswana has been referred to as the world's largest diamond producer in terms of the quality and grade of its diamonds. The country's growth is heavily dependent upon developments in the diamond industry, which in turn is affected by global economic conditions. The slowdown in the global economy that began in 2001 thus adversely impacted Botswana's diamond industry. Botswana's diamond reserves are estimated to last 30 years at 2003 production rates, and the government emphasizes the need to diversify the economy.

## 29 SCIENCE AND TECHNOLOGY

The University of Botswana (founded in 1976), the Botswana Agricultural College (founded in 1967), and Botswana Polytechnic, all located in Gaborone, offer training in science, agriculture, and engineering. In 1987-97, science and engineering students accounted for 37% of college and university enrollments. The Geological Survey of Botswana, founded in 1948, publishes mineral resource reports and bulletins.

## 30 DOMESTIC TRADE

Small general stores usually carry a variety of items, but food, fuel, and clothing staples make up most of their stock. There are also

a few wholesalers, and some traders act as local agents for larger firms. To augment their incomes, other traders operate postal or transport services, restaurants, butcheries, and bakeries. The traders play an important role as middlemen between the local livestock and crop producers and the slaughterhouses, factories, and exporters. There are also a number of South African and US franchises in Botswana, including fast food, supermarkets and department stores. Major US investors include Owens Corning, H.J. Heinz, Coca-Cola, IBM, Xerox, and Kentucky Fried Chicken. Such private sector, foreign investments are encouraged by low corporate taxes and no prohibitions of foreign ownership. The government has eliminated all foreign exchange controls.

Business hours are 7:30 AM to 4:30 PM, Monday through Friday with a 45-minute lunch break, and most retail businesses are also open Saturdays and Sundays until midday.

### 3<sup>1</sup> FOREIGN TRADE

Botswana's leading trade partners are the European Union (EU), other Southern African Customs Union nations (South Africa, Lesotho, Namibia, and Swaziland), and Zimbabwe. The government of Botswana has increased economic integration with the Southern African Development Community (SADC), ratifying a Trade Protocol to ease trade barriers, which was scheduled to come into effect eight years from its completion. With recurrent drought and only 5% arable land, Botswana imports much of its food and other basic needs, primarily through South Africa. Indirectly, the United States accounts for a sizeable portion of Botswana's imports (manufactured goods) and exports (diamonds).

Exports fell as a result of the 1997 East Asian financial recession, especially diamond exports, which dropped from \$2.1 billion in 1997 to 1.7 billion in 1998. However, between 1999 and 2000 exports rebounded at a rate of 7.7%. By 2004 Botswana's exports were estimated to be \$2.94 billion. Imports in 1997 and 1998 were \$1.6 billion both years. These had risen to \$2.26 billion in 2004. In 2003 diamonds accounted for 82.5% of exports; and copper and nickel, 4.9% with the remainder being exports of beef, soda ash and textiles. Leading imports included foodstuffs; vehicles and transport equipment; textiles; and petroleum products.

#### Principal Trading Partners – Botswana (2001)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	5,410.9	3,907.8	1,503.1
United Kingdom	4,643.8	172.6	4,471.2
South Africa	347.0	3,029.5	-2,682.5
Zimbabwe	141.7	124.2	17.5
Norway	129.6	5.8	123.8
Israel	43.5	76.7	-33.2
Zambia	17.9	5.7	12.2
Italy-San Marino-Holy See	17.2	34.6	-17.4
Germany	14.5	19.4	-4.9
United States	13.4	68.9	-55.5
France-Monaco	6.4	42.8	-36.4

(...) data not available or not significant.

SOURCE: 2003 International Trade Statistics Yearbook, New York: United Nations, 2004.

#### Balance of Payments – Botswana (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>170.2</b>
Balance on goods	676.3	
Imports	-1,642.3	
Exports	2,318.6	
Balance on services	-20.1	
Balance on income	-698.2	
Current transfers	212.3	
<b>Capital Account</b>		<b>15.7</b>
<b>Financial Account</b>		<b>-217.3</b>
Direct investment abroad	-42.9	
Direct investment in Botswana	403.4	
Portfolio investment assets	-420.2	
Portfolio investment liabilities	7.1	
Financial derivatives	...	
Other investment assets	-221.1	
Other investment liabilities	56.3	
<b>Net Errors and Omissions</b>		<b>92.0</b>
<b>Reserves and Related Items</b>		<b>-60.6</b>

(...) data not available or not significant.

SOURCE: Balance of Payment Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

Over the years Botswana has maintained a positive and healthy balance of payments.

### 3<sup>2</sup> BALANCE OF PAYMENTS

The US Central Intelligence Agency (CIA) reported that in 2004 the purchasing power parity of Botswana's exports was \$2.94 billion while imports totaled \$2.26 billion resulting in a trade surplus of \$680 million. Because of the substantial diamond exports, Botswana always reports healthy trade surpluses. After falling slightly in 2001, diamond exports rose sharply in 2002 due to increased global demand. In 2004 international prices for diamond were raised three times which netted Botswana \$2.8 billion in diamond exports, 95% of all export earnings.

### 3<sup>3</sup> BANKING AND SECURITIES

Prior to 1976, Botswana belonged to the South African Monetary Area. Its currency, like those of Lesotho and Swaziland, was issued by the South African Reserve Bank. On 23 August 1976, however, the central Bank of Botswana was established, and Botswana began issuing its own currency. The Bank of Botswana has responsibility for administering exchange control delegated for it by the Ministry of Finance and Development Planning. As of 1999, the major commercial banks were the following: First National Bank of Botswana, Ltd.; Barclays Bank of Botswana, Ltd.; Standard Chartered Bank of Botswana, Ltd.; and Stanbic Bank Botswana Ltd. Total assets of the four banks came to about \$14 million in January 1999. Given a high level of reserves, there was little necessity for the Bank of Botswana to raise domestic interest rates to the real levels of South Africa in an attempt to attract portfolio capital.

The policy of the Bank of Botswana in 1999 was to maintain the relative international prices, and hence competitiveness, of non-diamond tradeables against its most important trading partners, notably South Africa. In 1999, the government launched a new

loan guarantee scheme to support new, small businesses in non-diamond enterprises by providing partial security for loans.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$402.5 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$1.6 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 14.25%.

In November 1996, the Bank of Botswana relaxed controls that prevented the dual listing of foreign companies on the Botswana Stock Exchange (BSE). Prior to this, any investment by a Botswana-based entity in a foreign company was regarded as an external investment covered by the relevant rates and limits. There became free transferability of shares between the BSE and any other stock exchanges listing the shares. Nine companies had dual listed by the end of 1998, and the BSE had recorded a growth rate of 14%. As of December 2004, there were 18 companies listed on the BSE, which had a market capitalization of \$2.548 billion.

In 1998, an investment bank was licensed; Investec Bank Botswana was set up to provide merchant banking and investment advisory services. The Botswana Development Corporation (BDC) and the National Development Bank (NDB) offer specialized development assistance.

### 34 INSURANCE

The South African insurance giant, Metropolitan Life, established First Health Medical Administrator in Botswana in mid-September 1996. It launched Metropolitan Life of Botswana in 1997 in a joint venture with the Botswana Development Corporation (BDC), and had a 25% stake in the company. In a similar move several years ago, BDC established Botswana Insurance Holdings (BIHL) in conjunction with St. Paul (USA) and African Life. St. Paul Fire and Marine of Minnesota bought out Botswana General Insurance in November 1997.

### 35 PUBLIC FINANCE

About half of the government's revenues in 1998 came from the diamond industry with another 20% from returns on foreign reserves. Tourism was becoming increasingly important, accounting for 12% of GDP in 2000. Government spending in 2001 accounted for almost 20% of GDP.

The US Central Intelligence Agency (CIA) estimated that in 2005 Botswana's central government took in revenues of approximately \$3.766 billion and had expenditures of \$3.767 billion. Revenues minus expenditures totaled approximately -\$1 million. Public debt in 2005 amounted to 7.3% of GDP. Total external debt was \$556 million.

### 36 TAXATION

The basic corporate tax rate in 2005 was 15% (plus a 10% surcharge). For manufacturing companies, approved as such by the Minister of Finance, a reduced rate of 15% (5% company tax and 10% surcharge) applies. A withholding tax of 15% is assessed on the payment of all dividends and on the payment of interest on offshore loans. Taxes on such capital income may be reduced or eliminated in double taxation treaties. In 2005 Botswana had tax treaties with South Africa, the United Kingdom, Sweden, France,

the Russian Federation and Mauritius. The capital gains rate is 25% and is assessed on 100% of the gains from real estate transactions and on 50% of the gains from transactions in moveable property. Only 75% of the gain from the sale of shares in a company is subject to the tax. However, capital gains from the sale of shares of a company listed on the Botswana Stock Exchange are tax-exempt.

The income tax law establishes for individual incomes progressive rates ranging up to 25%, reduced from 30%. A local government tax is paid to the district or town council to finance social and sanitary services.

As of 7 January 2002 a value-added tax (VAT) with a standard rate of 10% replaced Botswana's 10% sales tax which was imposed on fuel, liquor, cigarettes, motor vehicles, computers, domestic electrical appliances, and other consumer and luxury goods.

### 37 CUSTOMS AND DUTIES

Botswana belongs to a customs union called the Southern African Customs Union (SACU), with South Africa, Lesotho, Swaziland, and Namibia. South Africa levies and collects most of the customs, sales, and excise duties for the five member states, paying a share of the revenues to the other four. In addition, all customs duties are eliminated among the five countries. The SACU implements high protectionist tariffs on countries outside of the club, though, disheartening potential nonmember investors. In 1996, the Southern African Development Community (SADC) launched a free trade agreement for the elimination of tariff and nontariff trade barriers between its member countries (Angola, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe), to be completed by 2010.

South Africa has put in place a value-added tax (VAT) for imports coming into the SACU from outside, but its implementation on Botswana's borders has so far been unsuccessful. Additionally, as a signatory of GATT and a member of the World Trade Organization, Botswana and the rest of the SACU will have to reduce tariffs by 24% over the course of 10 years.

### 38 FOREIGN INVESTMENT

Since independence in 1966, Botswana has been open to foreign investment. With the discovery of diamonds in 1967, this has also meant an economy dependent on diamond mining and, more importantly, the diamond monopoly strictly maintained by the De Beers Company. Highly developed auditing and security systems, developed to preserve the diamond monopoly, helped minimize corruption in Botswana and give its bonds the highest rating in Africa.

From 1966 to 1999, Botswana had the highest average growth rate in the world (9%), a record it still holds, though by 2004 the average had fallen to 3.5%. This did not translate into significant foreign investment outside of the mining sector, however, nor into a solution for chronic high unemployment (officially 21%, but generally thought to be closer to 40%). Moreover, recent controversy about "conflict diamonds" and the HIV/AIDS epidemic in Botswana have led to substantial divestment by traditional investors, De Beers of South Africa and Anglo American of the United Kingdom.

The government began actively encouraging foreign investment in the mid-1980s. Government policies offered attractive tax rates (10% on corporate income), including a five-year tax holiday, capital grants on new projects, and duty-free access to the large South African market (source of 80% of foreign direct investment). Botswana also enjoys duty-free access to the European Community for most of its products (source of 15% of foreign direct investment). Its liberal policies allow unrestricted repatriation of earnings and capital. Furthermore, it has a substantial financial assistance policy for foreign investors and has established an export-processing zone in Selebi-Phikwe. Investment law is scrupulously observed by the Botswana bureaucracy and courts. Investment incentives, including cash grants, have been offered to small and medium-scale investors for labor-intensive schemes, particularly outside urban areas. The complete liberalization of exchange controls occurred in February 1999.

In the late 1990s, with the exposure of the link between De Beers' purchases of uncontrolled raw diamonds to maintain its monopoly and socially corrosive brutality in diamond-producing countries, the diamond industry transformed to a system of certified diamonds and a list of "Suppliers of Choice." Although Botswana's diamond mining company, Debswana, continued to be owned 50% by the Botswana government and 50% by De Beers Centenary, the latter, in 2002, became part of the private holding company De Beers SA, 45% owned by the London-based mining conglomerate, Anglo-American, and 45% by the Oppenheimer Group. Botswana's two other major mining companies, Tati Nickel and BCL (copper, nickel, cobalt), had become 85% owned and 50% owned, respectively, by LionOre Mining of Canada, to which Anglo-American had sold its shares.

The HIV/AIDS epidemic in Botswana, with over 37% of the population 15 to 49 years old estimated to be HIV positive in 2003, affects everything, including foreign investment. Anecdotal evidence suggests it has increased production and training costs for companies and reduced the pool of skilled labor available for foreign investors.

Foreign direct investment (FDI) is chiefly in mining, accounting for 81% of FDI in 2001, up from 79% in 2000. The largest investors have been the Anglo-American Corporation, which bought out De Beers, and LionOre of Canada, which bought out Anglo-American interests. AMAX mining is also important. The retail and wholesale trade sector accounted for 7% of FDI inflow in 2001 and finance 6%. The British Commonwealth Development Corp. has invested in a Lobatse slaughterhouse and in three large cattle ranches, two in the northern part of the country and one on the Molopo River in the Kalahari. H. J. Heinz (South Africa) owns 80% of Kgalagadi Soap Industries, with assets of over \$5 million. Houston-based brick manufacturer, Interkiln Corp., has a 17.5% interest in the Lobatse Clay Works. Owens-Corning owns 50% of a plant producing fiberglass piping for water transportation, in conjunction with the BDC.

Other areas of investment included specialty agricultural production; construction; and manufacturing of textile, health and beauty, agricultural and construction equipment products. The government seeks investments in infrastructure, telecommunications, tourism, and housing development. It is estimated that total direct foreign investment (FDI) exceeded \$1 billion in 1998. The inflow of FDI averaged \$98 million 1997 and 1998, but fell to

\$36.7 million in 1999. For 2000 and 2001, annual FDI inflow averaged about \$57 million. FDI inward stock declined in 1995 to \$1.1 billion from \$1.3 billion in 1990, but made a bold recovery in 2002 to \$1.9 billion. The key investor countries in Botswana are South Africa, Luxembourg and the United Kingdom. The three accounted for 61%, 25% and 10%, respectively, of total FDI stock in 2000. In 2001, these countries accounted for 60%, 29% and 6% respectively.

Botswana's prudent financial and monetary policies have contributed to continued strong performance on Botswana's stock exchange. In 2002, its index increased 8.5% in dollar terms and the market capitalization of listed stocks reached \$1.67 billion, up from \$1.27 billion in 2001 and from \$295 million in 1992. As of 31 December 2001, US holdings of Botswana securities totaled \$23 million, \$20 million in equity shares, \$2 million in long-term debt, and \$1 million in short-term debt.

### 39 ECONOMIC DEVELOPMENT

Botswana has made job creation a top priority of government planning in the past few years. Although employment rates have grown, unemployment is formally estimated at 23.8%, but is closer to 40% in unofficial estimates in 2004.

The government has a long-standing policy of promoting human capital development and health care. All education through the university level is free, but 20% of the population over 15 in 2004 was illiterate. Great importance is placed on the development of rural areas so as to reduce rural-urban migration.

In light of the limited resources, Botswana's government now follows "food security" agricultural policy of promoting only those foodstuffs that can be grown economically.

Botswana's long-term economic prospects are highly dependent on South Africa and its other Southern African neighbors. The government has been a strong proponent of economic integration among the 14 members of the Southern African Development Community (SADC). The organization's 2000 Trade Protocol called for the elimination of all tariff and nontariff barriers to trade by 2012 among the 11 countries signing the protocol.

Botswana has been rated the least-corrupt country in Africa, according to Transparency International. The country aims to diversify its economy away from minerals, and ecotourism is being promoted. Botswana has been a victim of the HIV/AIDS pandemic, and the government has taken steps to tackle the virus through prevention programs and the provision of advanced drug therapies to those infected. The Government of Botswana has put in place policies that enhance competitiveness, including a new Foreign Direct Investment Strategy, Competition Policy, Privatization Master Plan, and National Export Development Strategy.

### 40 SOCIAL DEVELOPMENT

The first universal pension program was inaugurated in Botswana in 1996. It covers all residents aged 65 and older, and is funded completely by the government. It pays a flat-rate monthly pension, which is adjusted periodically according to the cost of living. Many social welfare needs are met through the provisions of tribal custom. Employed persons are covered by work injury laws, with the exclusion of casual workers and family labor. There are no statutory benefits for sickness and maternity. After 60 months of continuous employment, a severance unemployment benefit is

available. Destitute residents are provided with a small monthly cash payment and food rations.

Traditional views of male dominance are pervasive in Botswana. Customary law allows men to physically punish their wives for wrongdoing and spousal abuse is common. Sexual harassment, rape, and other violence against women is widespread. Rape is especially serious considering the prevalence of HIV/AIDS. Women are accorded the same civil rights as men, but under traditional marriage laws, they require their husbands' consent to buy or sell property, obtain a loan, or sign a contract. There are legal provisions, however, that allow women to marry "out of common property" and thereby retain their legal rights. Polygamy is legal, but is not widely practiced.

While ethnic minorities are not subject to discrimination, some groups remain marginalized and underrepresented in government. Human rights are generally respected in Botswana. However, there are still reports of abusive police tactics, and prison conditions remain poor.

#### 41 HEALTH

The government stresses primary health care with emphasis on disease prevention and healthy living. As of 2004, there were an estimated 241 nurses, 29 physicians and 2 dentists per 100,000 people.

The major health problems are malnutrition and tuberculosis. As of 2000, 17% of children under five years of age were considered malnourished. Public health teams conduct tuberculosis and malaria control campaigns. In 1999, there were 702 cases of tuberculosis per 100,000 people. In 1995, 70% of the population had access to safe water and 55% of the population had access to sanitation.

Approximately 33% of married women (ages 15 to 49) were using contraception. As of 1999, immunized children one year of age were as follows: diphtheria, pertussis, and tetanus, 90%; and measles, 86%.

The average life expectancy in 2005 was 33.87 years, the second-lowest in the world. The largest change in life expectancy was for females, which dropped from 60 years in 1980 to 33.84 years in 2005. The infant mortality rate in 2005 was 54.58 per 1,000 live births. For every 100,000 live births, 300 women died in pregnancy or childbirth as of 1998.

The HIV/AIDS prevalence was 37.30 per 100 adults in 2003. As of 2004, there were approximately 350,000 people living with HIV/AIDS in the country. There were an estimated 33,000 deaths from AIDS in 2003. The rapid transmission of HIV in Botswana has been due to three main factors: the position of women in society, particularly their lack of power in negotiating sexual relationships; cultural attitudes to fertility; and social migration patterns.

#### 42 HOUSING

There is no overcrowding in tribal villages, but slums have developed in the larger towns. The Botswana Housing Corp., a public enterprise, concentrates its efforts on the main urban centers, where growth, and therefore demand, is greatest. The 1999 National Policy on Housing has shifted some of the control on housing from government to private hands. Part of this policy includes

the Poverty Alleviation and Housing Programme, a pilot program through which those who cannot afford to purchase a home might learn the skills necessary to build their own. This self-help policy is particularly helpful to rural residents.

Housing ranges from flats and bungalows to huts and all other structures intended for human use. Squatter-occupied "improvised" housing units account for about 2% of all housing. Of all housing units, about 30% were acquired through tribal authorities. Nearly 71% of the total land area in Botswana is under tribal control. Sanitation facilities included pit latrines, and flush toilets; however, two-thirds of housing units had no facilities. The water supply is piped or drawn from wells, river beds, rivers, or other sources.

#### 43 EDUCATION

The government aims to achieve universal education. Education is compulsory for students between the ages of 7 and 15. Education at the primary level lasts for seven years, though it is not compulsory. This is followed by three years of junior secondary school and two years of senior secondary school. Primary school enrollment in 2003 was estimated at about 81% of age-eligible students; 79% for boys and 83% for girls. The same year, secondary school enrollment was about 54% of age-eligible students; 50% for boys and 57% for girls. It is estimated that about 91% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 27:1 in 2003; the ratio for secondary school was about 16:1. Schooling is conducted in Setswana for the first four years, and in English for the remaining years. The academic year runs from August to May.

Until 1961, primary schooling was completely financed by tribal treasuries, with some tribes spending up to 70% of their budgets on education. Between 1985 and 1994, the government launched a major program of secondary school construction. As of 2003, public expenditure on education was estimated at 2.2% of GDP, or 25.6% of total government expenditures.

The University of Botswana, established on 1 July 1982 by an Act of Parliament, has a faculty of social sciences, education, sciences, agriculture, and humanities. In 2001, there were about 8,000 students enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 78.9%, with 76.1% for males and 81.5% for females.

#### 44 LIBRARIES AND MUSEUMS

The Botswana National Library Service was founded in 1967 to provide nationwide public library service and act as the national library. There are 21 branches located throughout the country holding a total of 160,000 volumes; mobile library service is also provided. The main library is located in Gaborone, has 65,000 volumes, and the University of Botswana (1971) has over 250,000. The National Archives, with 20,000 items, are in Gaborone. The Botswana Libraries Consortium was established in 2003 as a cooperative organization of public, private, and academic libraries.

The renovated National Museum and Art Gallery in Gaborone houses a collection of the ethnography and natural history of Botswana, and sub-Saharan African art. There are also ethnographic museums in Kanye and Mochudi and a postal museum in Gaborone.

rone. In 1986, the Supa Ngwao Museum Centre in Francistown opened, holding ethnographic and historical installations.

#### 45 MEDIA

In 2003, there were an estimated 75 mainline telephones for every 1,000 people. The same year, there were approximately 297 mobile phones in use for every 1,000 people.

The government controls the content of nearly all radio and television broadcasts through the Botswana Press Agency (BOPA), which produces the free *Daily News* newspaper, Radio Botswana and Radio Botswana 2 (which broadcast nationally to most of the country), and Botswana Television (BTV). Radio Botswana broadcasts, in English and Setswana, a variety of news, educational, cultural, and entertainment programs. In 2004, there were two private radio stations, Yarona FM and Gabz FM, broadcasting in 5 of the country's 10 largest towns. The privately-owned Gaborone Broadcasting Company (GBC) is the only other television station in the country; it broadcasts mostly foreign programming. In 2003, there were an estimated 150 radios and 44 television sets for every 1,000 people. The same year, there were 40.7 personal computers for every 1,000 people and 35 of every 1,000 people had access to the Internet. There was one secure Internet server in the country in 2004.

There is one daily newspaper in Botswana, the government published *Dikgang Tsa Gompieno* (or *Daily News*, circulation 50,000 in 2002) in both English and Setswana. The government also publishes, in a bilingual edition, the monthly magazine *Kutlwaro* (circulation 24,000). In 2002, 4 independent newspapers were publishing on a weekly basis, with a total circulation of over 50,000. *MMegi Wa Digmang*, or *The Reporter*, is published in both Setswana and English with a weekly circulation of 24,000. The major political parties publish monthly journals.

The constitution of Botswana ensures a free press and free speech, and the government is said to highly respect these rights.

#### 46 ORGANIZATIONS

There is a chamber of commerce in Gaborone and there are some professional associations. The Botswana Council of Nongovernment Organizations (BOCONGO) serves as an umbrella group to encourage and support nongovernment organizations as recognized partners in national development. Member organizations (which numbered about 67 as of 2002) include the Botswana Christian Council; the Cooperation for Research, Development, and Education; the Botswana Council of Women, and the Environmental Conservation Society.

Educational and cultural organizations include Botswana Society and the Botswana Technology Center. Youth organizations include Junior Achievement, Junior Chamber, Girl Guides, Boy Scouts, Botswana Christian Council Youth Unit, and the YWCA. Most towns have women's clubs. The Emang Basadi Women's Association is a national organization promoting women's development and legal rights.

There are national chapters of the Red Cross Society, UNICEF, and the Society of Saint Vincent de Paul. The Botswana Center for Human Rights was founded in 1996.

#### 47 TOURISM, TRAVEL, AND RECREATION

Botswana's well-stocked game reserves are its principal tourist attraction, with both hunting and photographic safaris available. Popular with tourists is the Okavango Delta region, which during the rainy season is a maze of waterways, islands, and lakes; it includes the Moremi Wildlife Refuge; nearby is Chobe National Park. In all, eight national parks and game reserves cover almost 20% of the land area. The Kalahari Desert is another attraction, as are the country's tapestry weavers, potters, and rug makers. The Tsodilo Hills have cave paintings by the ancestors of the Basarwa (Bushmen), the earliest known inhabitants of Botswana. The government's "National Conservation Strategy and Tourism Policy" promotes tourism while protecting wildlife areas. All nationals except citizens of the United States, South Africa, Commonwealth countries, and most Western European countries, need visas for visits up to 90 days. Visitors are required to have a passport, ongoing/return ticket, and proof of sufficient funds for the stay. Proof of yellow fever and cholera vaccinations are required of travelers from infected areas. Antimalarial precautions are advisable. As of 2003, there were 3,589 hotel rooms with 6,646 beds. In 2003, about 975,000 visitors arrived in Botswana, more than 865,000 of whom were from other African nations.

In 2005, the US Department of State estimated the daily cost of staying in Gaborone at \$171. In other regions, costs were as low as \$155 per day for food and lodging. That year, the average estimated expenditure per tourist in Kasane was \$205.

#### 48 FAMOUS BOTSWANANS

Khama III (1837–1923), chief of the Bamangwato and a Christian convert, reigned for 48 years. His grandson, Sir Seretse Khama (1921–80), was Botswana's first president. Quett Ketumile Joni Masire (b.1925) succeeded him in 1980. President Masire resigned in April 1998, and was succeeded by his vice president, Festus Mogae.

#### 49 DEPENDENCIES

Botswana has no territories or colonies.

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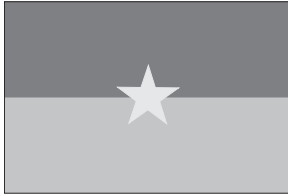
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# BURKINA FASO

Republic of Burkina Faso  
*Burkina Faso Jamahiriya*



**CAPITAL:** Ouagadougou

**FLAG:** The flag consists of two equal horizontal stripes of red and green divided by a narrow gold band. A five-point gold star is at the center.

**ANTHEM:** The national anthem begins “Contre le fêrùle humiliante il y a déjà mille ans” (“Against the humiliating bondage of a thousand years”).

**MONETARY UNIT:** The Communauté Financière Africaine franc (CFA Fr) is a paper currency with one basic official rate based on the euro. It was originally pegged to the French franc. There are coins of 1, 2, 5, 10, 25, 50, 100, and 500 CFA francs, and notes of 50, 100, 500, 1,000, 5,000, and 10,000 CFA francs. CFA Fr1 = \$0.00193 (or \$1 = CFA Fr518.65) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year’s Day, 1 January; Anniversary of the 1966 Revolution, 3 January; Labor Day, 1 May; Independence Day, 5 August; Assumption, 15 August; All Saints’ Day, 1 November; Christmas, 25 December. Movable religious holidays include Id al-Fitr, ‘Id al-’adha’, Milad an-Nabi, Easter Monday, Ascension, and Pentecost Monday.

**TIME:** GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Burkina Faso (formerly Upper Volta), a landlocked country in West Africa, has an area of 274,200 sq km (105,869 sq mi), with a length of 873 km (542 mi) ENE–WSW and a width of 474 km (295 mi) SSE–NNW. Comparatively, the area occupied by Burkina Faso is slightly larger than the state of Colorado. Bounded on the E by Niger, on the SE by Benin (formerly Dahomey), on the S by Togo, Ghana, and Côte d’Ivoire, and on the W and N by Mali. Burkina Faso has a total boundary length of 3,192 km (1,983 mi).

The capital city of Burkina Faso, Ouagadougou, is located in the center of the country.

## <sup>2</sup> TOPOGRAPHY

Burkina Faso consists for the most part of a vast lateritic plateau in the West African savanna, approximately 198–305 m (650–1,000 ft) above sea level. The highest point (749 m/2,457 ft) of Têna Kourou is near the Mali border, southwest of Orodara. The land is slightly inclined toward the south and notched by valleys formed by the three principal rivers, the Black, White, and Red Voltas, and their main tributary, the Sourou. They are alternately dry or in flood and all are unnavigable. In general, the land is dry and poor.

## <sup>3</sup> CLIMATE

The climate is characterized by high temperatures, especially at the end of the dry season. The humidity, which increases as one moves south, ranges from a winter lows of 12–45% to a rainy season highs of 68–96%. The harmattan, a dry east wind, brings with it spells of considerable heat from March to May, when maximum temperatures range from 40°C to 48°C (104° to 119°F); from May to October, the climate is hot and wet, and from November to

March, comfortable and dry. January temperatures range from 7°C to 13°C (44° to 55°F). Average annual rainfall varies from 115 cm (45 in) in the southwest to less than 25 cm (10 in) in the extreme north and northeast. The rainy season lasts from four months in the northeast to six months in the southwest, from May through October. From 1969 to 1974, Burkina Faso suffered from drought, especially in the north, which is in the semiarid Sahel zone.

## <sup>4</sup> FLORA AND FAUNA

The area is largely wild bush country with a mixture of grass and small trees in varying proportions. The savanna region is mainly grassland in the rainy season and semidesert during the harmattan period. Fauna, possibly the widest variety in West Africa, includes the elephant, hippopotamus, buffalo, monkey, crocodile, giraffe, various types of antelope, and a vast variety of bird and insect life. As of 2002, there were at least 147 species of mammals, 138 species of birds, and over 1,100 species of plants.

## <sup>5</sup> ENVIRONMENT

The major environmental problems facing Burkina Faso are recurrent drought and the advance of the northern desert into the savanna. This trend toward desertification has been increased by overgrazing of pasture, slash-and-burn agriculture, and overcutting of wood for fuel. Almost all the trees within 40 km (25 mi) of the capital have been felled. The frequency of droughts in Burkina Faso and its location in the Sahara desert contribute to the nation’s water supply problems. The country has about 13 billion cu m (459 billion cu ft) of renewable water resources, but only 82% of the city population and 44% of rural dwellers have access to safe water. According to the World Health Organization, about 80% of all disease in Burkina Faso is caused by unsafe water. Pollution



problems result from uncontrolled disposal of sewage and industrial wastes.

The Ministry of Environment and Tourism is the principal government agency concerned with the environment. Burkina Faso has 12 national parks and wildlife reserves totaling 2.855 million hectares (7.05 acres). In 2003, 11.5% of its total land area was protected. The country has three Ramsar Wetlands of International Importance.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 6 types of mammals, 2 species of birds, 1 types of reptiles, and 2 species of plants. Threatened species include the African hunting dog, the chimpanzee, and the African elephant. The Sahara oryx, or white oryx, has become extinct in the wild.

## 6 POPULATION

The population of Burkina Faso in 2005 was estimated by the United Nations (UN) at 13,925,000, which placed it at number 64 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 46% of the population under 15 years of age. There were 101 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.5%, a rate the government viewed as too high. The projected population for the year 2025 was 22,459,000. The population density was 51 per sq km (132 per sq mi).

The UN estimated that 17% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 5.18%. The capital city, Ouagadougou, had a population of 821,000 in that year. The only other large city is Bobo-Dioulasso.

The prevalence of HIV/AIDS has had a significant impact on the population of Burkina Faso. The UN estimated that 6.4% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy. Counterbalancing the negative impacts of HIV/AIDS on population growth is a high fertility rate, due to low contraceptive use.

## 7 MIGRATION

Seasonal labor migration in Burkina Faso began in the colonial period as a means of obtaining money for taxes and continues as a remedy for economic deficiencies. According to some estimates, as many as two million Burkinabe live abroad at any one time, about half in Côte d'Ivoire and the rest throughout West Africa, where many are employed on coffee and cocoa plantations. In 1995, there were 49,500 refugees from Mali in Burkina Faso; repatriation of the Tuareg refugees from Mali and Niger was successfully completed by 1998. In June 1998, Burkina Faso and Benin became the first African countries to accept applicants for resettlement from other African nations. The initial goal of the resettlement program was to resettle 200 individuals over a two-year period. As of 2004, 492 people were registered as refugees. Another 518 were registered as asylum seekers. The total number of mi-

grants in the country numbered 1,124,000 in 2000. In 2005, the net migration rate was estimated as zero.

## 8 ETHNIC GROUPS

The principal ethnic group in Burkina Faso is the Mossi, who make up about 40% of the total population. They are mainly farmers and live in the central portions of the country. The Bobo, the second-largest ethnic group (about one million), are mostly farmers, artisans, and metalworkers living in the southwest around Bobo-Dioulasso. Other groups include the Gurunsi, Senufo, Lobi, Mande, and the nomadic Fulani, or Peul, who inhabit the areas near the country's northern borders. The number of nomads in the north has diminished since the Sahelian drought of the 1970s.

## 9 LANGUAGES

French is the official language of Burkina Faso. However, tribal languages belonging to the Sudanic family are spoken by 90% of the population. Moré, spoken by 55% of the population, is the most important indigenous language. The various ethnic groups speak their own languages.

## 10 RELIGIONS

About 55–60% of the population practice Islam, about 15–20% practice Roman Catholicism, and approximately 5% are Protestant. It is believed that a majority of the population also includes traditional indigenous elements within their religious practice. About 20–25% of the population practice traditional indigenous religions exclusively or principally.

Citizens in rural areas tend to practice the traditional religions. Members of the Fulani and Dioula ethnic groups are predominantly Muslim. The majority of all the nation's Muslims are Sunni, but minority groups belong to the Shia, Tidjania, and Wahhabite sects. A large number of foreign missionary groups are active within the country, including the Assemblies of God, the Christian Missionary Alliance, the Campus Crusade for Christ, Baptists, Mennonites, Jehovah's Witnesses, Mormons, Seventh-Day Adventists, the World Evangelical Crusade, and the Pentecostal Church of Canada. Islamic missionary groups include the World Islamic League and Ahmadiya.

The constitution provides for freedom of religion and this right is generally respected in practice. Religious groups must register with the Ministry of Territorial Administration to obtain legal status. Certain Muslim and Christian holidays are observed as public holidays.

## 11 TRANSPORTATION

In 2002, Burkina Faso had 12,506 km (7,771 mi) of roads, of which about 2,001 km (1,243 mi) were paved. Many of the secondary roads are not open all year. Vehicles in 2003 included 49,800 passenger cars, and 28,650 commercial vehicles.

The 510-km (317-mi) Mossi Railroad in Burkina Faso is part of the line that begins at Abidjan, Côte d'Ivoire, and ends in Niger, some 1,145 km (710 mi) away. The line serves the towns of Banfora, Bobo-Dioulasso, Koudougou, and Ouagadougou; 25–40% of the railway traffic passes through Burkina Faso, where total rail trackage consisted of 622 km (386 mi) of 1,000-m narrow gauge track in 2004. Planning for the construction of a railroad from Ouagadougou to Tambao (353 km/219 mi) to exploit the mineral



LOCATION: 9°30' to 15° N; 2° to 5° W. BOUNDARY LENGTHS: Niger, 628 kilometers (390 miles); Benin, 306 kilometers (190 miles); Togo, 126 kilometers (78 miles); Ghana, 548 kilometers (341 miles); Côte d'Ivoire, 584 kilometers (363 miles); Mali, 1,000 kilometers (621 miles).

deposits in the area was begun in October 1981. Constructed by volunteers, the line reached Donsin, 33 km (21 mi) from Ouagadougou, in 1987, and the second stage to Kaya (77 km/48 mi) was completed by 1991.

There are international airports at Ouagadougou and Bobo-Dioullasso and numerous smaller airfields. In 2004, the number of airports totaled 33, only 2 of which had paved runways as of 2005. Burkina Faso owns part of Air Afrique, which provides the country with international service. Air Burkina, which began in 1967, is government-run and has a monopoly on domestic service. It also flies to neighboring countries. In 2003, about 55,000 passengers were transported on domestic and international flights.

## 12 HISTORY

Until the end of the 19th century, the history of Burkina Faso is the history of empire-building by the Mossi. Legend and tradition as well as some ethnographic evidence all suggest that the Mossi entered the region from the 11th to the 13th century as a warrior

group from Central or East Africa and subjugated the weaker aboriginal Ninigi tribes.

They called their land Mogho ("country of the Mossi") and established five independent kingdoms—Tenkodogo, Yatenga, Gourma, Zandoma, and Ouagadougou. Each was ruled by a king, the mogho or moro naba ("ruler of the Mossi"); and Ouagadougou was the most powerful of the kingdoms.

Through the centuries, the Mossi population was augmented by groups of immigrants, such as the Hausa and the Fulani, who settled in Mossi territory but retained their ethnic identity. Contact and conflict with Islam came early. From the beginning of the 14th century, the Mossi had been engaged in recurrent wars with the neighboring empires of Mali and Songhai. They also occupied Timbuktu (now in Mali) at various times. After suffering defeat in the hands of Askia Daoud of Songhai in the 16th century, the Mossi ceased fighting with their powerful neighbors. Their warrior tradition and their internal unity continued, however.

By the 19th century, Mossi power seems to have declined. When the first known European incursions occurred late in the 19th

century, internal dissension made the Mossi prey to the invaders. A French lieutenant, Voulet, was sent with an infantry column to subjugate the territory in 1896. Ouagadougou fell to Voulet in September of that year. The Mossi accepted French domination as a form of protection from their hostile neighbors.

In 1919, the French created a separate colony called Upper Volta (now Burkina Faso). But in 1932, Upper Volta's territory was divided among Niger, French Sudan (now Mali), and Côte d'Ivoire. Throughout the colonial period, the traditional political structure of the Mossi was retained; hence, the *moro naba* of Ouagadougou was regarded by the French as the emperor of the Mossi. When World War II broke out, the *moro naba* sent his two eldest sons to fight for France; more than 10,000 youths in the territory also followed suit. The restoration of Upper Volta as a territorial unit, long the aim of the traditional chiefs, became a reality in 1947. In 1958, voters in Upper Volta overwhelmingly approved the new constitution of the Fifth French Republic, and Upper Volta's territorial assembly voted to make the country an autonomous state within the French Community. By this time, the traditional chiefs had lost much of their influence, and political power was in the hands of the young, European-educated elite.

The republic achieved independent status on 5 August 1960. Maurice Yaméogo, leader of the Volta Democratic Union, became president. His government quickly took on an authoritarian cast and banned all opposition parties. In 1965, a single electoral list was offered to the people, and the opposition—joined by civil servants, trade unionists, and students—fomented riots. Yaméogo was replaced in January 1966 by Lt. Col. (later Gen.) Sangoulé Lamizana, a former army chief of staff, who suspended the 1960 constitution, dissolved the National Assembly, and formed a military-civilian cabinet.

During the 1970s and early 1980s, Upper Volta suffered from severe political instability. A constitution that provided for an elected assembly was adopted in 1970, but factional struggle broke out and became so disruptive that in February 1974, President Lamizana announced that the military had again taken over the government. A new constitution was approved in 1977; under this constitution, Lamizana won election to the presidency in 1978. On 25 November 1980, however, Lamizana was deposed in a bloodless coup led by Col. Sayé Zerbo, who became president. Zerbo's government was overthrown on 7 November 1982 by yet another army coup, and Maj. Jean-Baptiste Ouédraogo was named president.

Under the moderate Ouédraogo regime, a military faction emerged that was suspected of having close ties to Libya. Prominent in this group was Capt. Thomas Sankara, who served as prime minister from January until May 1983, when he was purged by Ouédraogo. On 4 August 1983, Sankara seized power in what was Upper Volta's third coup in as many years. As many as 20 persons may have died in the disturbances. After the coup, Sankara, who emerged at the head of the ruling National Revolutionary Council, sought to retain Upper Volta's traditional foreign aid ties with the West while establishing warm relations with such nations as Ghana, Libya, the USSR, and Cuba.

Sankara also sought to instill his nation with a spirit of revolutionary fervor. In August 1984, on the first anniversary of his rule, he renamed the nation Burkina Faso, meaning roughly "Land of Upright Men." He led a campaign against corruption and tax eva-

sion; and he trimmed government spending by cutting the salaries of civil servants, an action that earned him the enmity of the nation's small but influential labor unions. A substantial number of politicians, soldiers, government officials, and labor leaders were jailed, and seven men were executed in 1984 for allegedly plotting to overthrow the government.

In December 1985, Burkina Faso took up arms against Mali. At issue was a strip of land 20- by 160-km (12- by 100-mi) that had triggered clashes first in 1974, and again in 1975. On 22 December 1986, the International Court of Justice ruled in favor of dividing the territory into roughly equal parts, a decision both nations accepted.

On 15 October 1987, faced by opposition among the trade unions and civil servants, the government was overthrown by an army unit. The putsch was led by Capt. Blaise Compaoré, the president's chief adviser who is also said to have been his inseparable companion. Sankara and 12 aides (including two of the coup plotters) were immediately shot, and Compaoré assumed the presidency. Executions of highly placed military men followed a coup attempt on 18 September 1989.

As the 1990s dawned, the authorities sought to legitimize their position at the ballot box. They championed the drafting of a new constitution that called for multiparty elections for president and a national legislature. In March of 1991, the ruling party abandoned its Marxist ideology and embraced free enterprise.

Elections were held for president in December 1991; a parliamentary election followed in 24 May 1992. Results from both were disputed, and they led to no changes in the government. Compaoré ran unopposed for president and his party, the Popular Democratic Organization-Worker's Movement (ODP-MT), carried the legislative elections. Only three opposition parties contested seats nationwide; 35 parties boycotted the poll and only 35% of eligible voters voted. The ODP-MT won 78 of 107 seats, with 9 other parties splitting the remainder of the vote. The government convened on 15 June and Youssouf Ouédraogo was named prime minister. The introduction of multiparty competition was a major reform, but the lack of probity in the electoral process prompted critics to label the government and its reforms a "shamocracy."

Under Compaoré, Burkina Faso has conducted an active foreign policy in West Africa. It sent troops to Liberia and harbors dissidents from Gambia. This has alienated Compaoré from his fellow West African leaders and from western governments, including the United States, which recalled its ambassador in 1992. Burkina Faso continued its support for Liberian insurgent Charles Taylor and his NPFL despite a West-Africa-wide deployment of forces—ECOMOG—in Liberia to help resolve the lingering and bloody civil war there. Burkina Faso had refused to contribute forces to ECOMOG, despite international pressure, until 1995, when the Compaoré regime announced it was satisfied with the cease-fire accord signed that year in Nigeria.

Human rights violations have been commonplace under the Compaoré regime. The government has suppressed a vocal independent press, and the security forces have used excessive force against demonstrations and government critics. In December 1998, the sudden and suspicious death of Norbert Zongo, an investigative reporter, unleashed a backlash of demands for reforms. Zongo had been investigating allegations that the president's brother, Francois Compaoré had taken part in the murder of his

own chauffeur, David Ouédraogo. Zongo's charred body and those of three companions were found in a bullet-riddled car near the capital.

In March 1999, thousands of students, school children, and other protesters had marked Zongo's death with a peaceful march to his gravesite. Since then, high school and university student groups, and a group known as *Le Collectif* comprising human rights groups, NGOs, labor unions, and political parties, have organized numerous stay-at-home's, and strikes throughout the country. Besides a full and independent investigation into Zongo's death, they demanded reforms to the judiciary, guarantees for human rights, revisions to the constitution, and to the electoral code. In late 1999, an independent inquiry concluded that Zongo had been a victim of political assassination. In April 2000, the Committee for the Protection of Journalists (CPJ) condemned the closure of a private radio that had aired a communiqué from a coalition of opposition and human rights groups, calling for a rally to protest the government's handling of the Zongo case.

Progress toward the rule of law was made when the National Reconciliation Commission (NRC), established by Compaoré in November 1998, asked the government in February 2000 to arrange special trials of people implicated in economic crimes and political killings. Though estimates placed the number of political killings since 1989 at 100 or more, 60 of these cases and compensation for widows and orphans were to be handled by these special units located in each of the districts. In 2001, Compaoré established a fund of \$7.75 million to compensate families of victims of political violence and rights abuses.

In 2001 and 2002 the country experienced outbreaks of meningitis that killed more than 2,500 in two consecutive seasons. Since September 2002, more than 150,000 Burkinabe refugees have returned home owing to the civil conflict in Côte d'Ivoire. The May 2002 parliamentary elections marked the first time in Burkina's history that three consecutive legislative elections were held without a military coup. It was also the first time that the single ballot was used in an election. Some 30 parties participated in the elections, but seats were shared between a few. The major winners were President Compaoré's Congress for Democracy and Progress (CDP) with 57 seats and The African Democratic Rally-Alliance for Democracy and Federation (ADF/RDA), which took 17 seats.

### 13 GOVERNMENT

Under the constitution of 27 November 1960, Upper Volta was governed by a president, a council of ministers, and a National Assembly of 50 members. On 5 January 1966, President Lamizana suspended the constitution and dissolved the National Assembly, announcing that he would exercise legislative and executive power by ordinance and decree. A constitution approved in 1970 provided for eventual restitution of democratic institutions, although with a formal role in the government for the military. The 1970 constitution was suspended in February 1974, when the army again assumed full power.

A democratic constitution, adopted in 1977, provided for a president and a 57-member National Assembly. This document was abolished after the coup of 25 November 1980, and the Military Committee for Reform and National Progress (*Comité Militaire de Redressement pour le Progrès National*—CMRPN), led by Col. Sayé Zerbo, assumed power. The military coup of 7 Novem-

ber 1982 led to the abolition of the CMRPN and the formation of the People's Salvation Council (*Conseil du Salut du Peuple*—CSP) under Maj. Jean-Baptiste Ouédraogo. The CSP was itself dissolved by the military coup of 4 August 1983, which established the National Revolutionary Council (*Conseil National de la Révolution*—CNR), a body that included radical former CSP members. Under Capt. Thomas Sankara, its chairman and the head of state, the CNR was the supreme governmental authority and was assisted by a Council of Ministers. Following the October 1987 coup, this body was renamed the Popular Front, with Capt. Blaise Compaoré as its chief.

A new constitution, establishing the fourth republic, was adopted on 2 June 1991. Among other provisions, it called for an Assembly of People's Deputies with 107 seats (now 111). The president is chief of state, chairs a council of ministers, appoints a prime minister, who with the legislature's consent, serves as head of government. In April 2000, the constitution was amended reducing the presidential term from seven to five years, enforceable as of 2005, and allowing the president to be reelected only once. However, it is not clear whether this amendment would be applied retroactively or not—and how it might affect a possible future ambition on the part of President Compaoré. The legislative branch is a unicameral National Assembly (*Assemblée Nationale*) consisting of 111 seats. Members are elected by popular vote for five-year terms. New elections were expected in May 2007.

In April 2005, President Compaoré was re-elected for a third straight term. He won 80.3% of the vote, while Benewende Stanislas Sankara came a distant second with a mere 4.9%. The next presidential election was due in November 2010.

### 14 POLITICAL PARTIES

After the 1978 competitive presidential and legislative elections, the government recognized only the three largest parties in the National Assembly: the Voltaic Democratic Union–African Democratic Rally, the National Union for Democracy, and the Voltaic Progressive Union. The last subsequently merged with smaller groups to form the Voltaic Progressive Front.

Following the coup of 25 November 1980, all political parties were banned. To disseminate government views on a grass-roots level, the CNR, which took power in 1983, sponsored the formation of Committees for the Defense of the Revolution.

The Compaoré government legalized parties prior to holding elections on 24 May 1992. Compaoré's Popular Democratic Organization-Worker's Movement (ODP-MT) gained 78 seats. The National Convention of Progressive Patriots-Social Democratic Party (CNPP-PSD) won 12 seats and the African Democratic Assembly (ADA) won 6. Eight other parties were represented in the Assembly of People's Deputies. Abstention of 65% of the voters diminished the significance of this election.

National Assembly elections were held 11 May 1997. Again, a boycott resulted in an approximate 50% voter turnout with the CDP of President Compaoré winning 101 seats, the PDP 6 seats, the RDA 2 seats, and the ADF 2 seats.

In the municipal elections of September 2000, the CDP took 802 of 1,098 council seats based on a voter turn-out of 68.4% in a field of 25 parties. The African Democratic Rally-Alliance for Democracy and Federation (ADF/RDA) took second place with 133 seats. Third place was taken by l'Union des Démocrates Libéraux

(ULD), a pro-presidential group with 49 seats. The l'Union pour la Démocratie et la Fédération (UDF), an opposition group, took fourth place with 22 seats. The Party for African Independence (PAI) took fifth place with 20 seats. A number of younger parties including the Democratic Convention for Federation (CDF) took the remaining seats. Numerous complaints of fraud were brought forward to the Constitutional Court, but they hardly affected the overall results.

The parliamentary elections of May 2002 saw the CDP retain its majority, but its control declined to 57 seats against 17 for ADF/RDA led by Hermann Yaméogo. The Party for Democracy and Progress (PDP/PS) of Joseph Ki-Zerbo won 10 seats; the CFD took 5; PAI led by Philippe Ouédraogo also took 5 while other parties won 17 seats. The next elections were scheduled for May 2007.

### **15 LOCAL GOVERNMENT**

In 1986, Burkina Faso was divided into 30 provinces; the number of provinces increased to 45 following approval by the National Assembly of a new electoral code in 1997. Provinces were subdivided into 300 departments and 7,285 villages. In the 1995 municipal elections, President Compaoré's supporters won absolute majorities in 26 of 33 municipalities. Fewer than 10% of the eligible voters registered, and 25% of the registered voters abstained. The 24 September 2000 municipal elections were boycotted by a coalition of opposition parties known as the February the Fourteenth movement; as such, the ruling CDP party won in 40 of the 49 municipalities.

### **16 JUDICIAL SYSTEM**

At the apex of the judicial system is the Supreme Court and beneath it are courts of appeal at Ouagadougou and Bobo-Dioulasso. Courts of the first instance in Ouagadougou, Bobo-Dioulasso, Ouahigouya, and Fada N'Gourma deal with cases involving civil, criminal, and commercial law, and a court at Ouagadougou specializes in common law. The courts of appeal are in the capital. Following the 1983 coup, the CNR created tribunals to try former government officials for corruption and mismanagement. These "people's tribunals" infringed to some degree on the functions of courts of the first instance. In 1993, the "people's tribunals" were abolished.

In addition to the courts described above, traditional courts at the village level apply customary law in cases involving divorce and inheritance. The legal system is based on the French civil law system and customary law. There is also a High Court of Justice to try the president and high government officials for treason or other serious crimes.

In June 1991, a new constitution was adopted which provided a number of safeguards including a right to public trial, right to access to counsel and a right to appeal. In 1995, an Office of Ombudsman "Mediateur du Faso" was created for resolving disputes between the state and its citizens. The judiciary operates independently of the executive; yet the president has considerable power as well as influence over the appointment of judges.

### **17 ARMED FORCES**

In 2005, Burkina Faso had 10,800 active personnel in its armed forces. The Army had 6,400 personnel. The 200-member Air Force had 5 combat capable aircraft. The gendarmerie consisted of 4,200 personnel, and 45,000 men and women were on reserve in a "people's militia." The defense budget in 2005 totaled \$72.7 million.

### **18 INTERNATIONAL COOPERATION**

Burkina Faso was admitted to UN membership on 20 September 1960. It is a member of ECA and several nonregional specialized agencies. It is also a member of the WTO (1995), the African Development Bank, the West African Economic and Monetary Union, the ACP Group, ECOWAS, G-77, the Organization of the Islamic Conference (OIC), and the African Union. The nation is part of the Franc Zone and the Community of Sahel and Saharan States (CENSAD). Together with other countries of former French West Africa, it participates in the Council of the Entente. The headquarters of the Communauté Economique de l'Afrique de l'Ouest are in Ouagadougou. Burkina Faso also belongs to the Niger Basin Authority. Burkina Faso is part of the Nonaligned Movement. In environmental cooperation, the nation is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

### **19 ECONOMY**

Burkina Faso remains one of the poorest countries in the world. Agriculture accounts for about 35% of the GDP and employs about 90% of the labor force. Food staples—millet, sorghum, maize, and rice—are the principal crops grown for domestic consumption. Cotton is the principal export crop; its cultivation, however, is notably price sensitive. In addition, Burkina exports small amounts of shea nuts, sesame, groundnuts, sugar, cashews, and garden vegetables. The livestock sector was once substantial, but had declined by 2002.

The environmental conditions for agriculture are often precarious. Northern Burkina is at the edge of the Sahara Desert and has been subject to severe drought. Furthermore, Burkina soils are generally poor and lateritic. However, expansion of agriculture to more fertile fields in river valleys was supported by a multimillion-dollar UN project to eradicate "river blindness" (onchocerciasis) which had previously rendered these locations uninhabitable.

Burkina's mineral sector is largely undeveloped. Long underestimated, the Poura gold reserves have proven to be capable of generating nearly 10% of export earnings annually. Zinc and silver deposits at Perkoa have been judged commercially viable. The World Bank issued loans in 1996 to upgrade the mining industry.

Mineral deposits in the north of the country were hostage to the extension of the Abidjan-to-Ouagadougou rail line to Dori. Significant limestone deposits basic to cement manufacturing are located near Tambao at Tin Hrassan. Other mineral resources are manganese, vanadium-bearing magnetite, bauxite, lead, nickel, and phosphates.

In January 1994 France devalued the CFA franc, causing its value to drop in half overnight. Immediately, prices for almost all imported goods soared, including prices for food and essential

drugs, like those to combat malaria. The devaluation was designed to encourage new investment, particularly in the export sectors of the economy, and discourage the use of hard currency reserves to buy products that could be grown domestically. Prior to devaluation, Burkina Faso imported most of its food and had little to export; since 1994, exports have risen. As of 2003, economic progress depended upon reducing the trade deficit, the continuation of low inflation rates, improving the infrastructure, pursuing privatization, developing mineral resources, and encouraging private investment. Foreign aid remains the chief source of finance for investment and economic development. In 1999, the World Bank agreed to implement a five-year structural adjustment program of \$53 million, and in 2000, it approved an interest-free \$45 million Poverty Reduction Support Credit (PRSC) for the country, to help it carry out poverty-reduction policies and programs.

The growth rate of the economy was 6.5% in 2003, up from 4.4% in 2002. By 2004, the rate was expected to fall to 4.6%, and to 3.5% by 2005. Inflation decreased from 5.0% in 2001 to subzero levels in 2004. Inflation targeting and macroeconomic policy were devolved to the West African Regional Central Bank, but the government of Burkina Faso maintains control over microeconomic policies. The prolonged crisis in neighboring Côte d'Ivoire has also hit the economy of Burkina Faso, which now is even more dependent on international aid.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Burkina Faso's gross domestic product (GDP) was estimated at \$16.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,200. The annual growth rate of GDP was estimated at 5%. The average inflation rate in 2005 was 6.4%. It was estimated that agriculture accounted for 39.5% of GDP, industry 19.3%, and services 41.3%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$50 million or about \$4 per capita and accounted for approximately 1.2% of GDP. Foreign aid receipts amounted to \$451 million or about \$37 per capita and accounted for approximately 10.8% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Burkina Faso totaled \$3.34 billion or about \$281 per capita based on a GDP of \$4.2 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.8%. It was estimated that in 2003 about 45% of the population had incomes below the poverty line.

## 21 LABOR

In 2003, Burkina Faso's labor force totaled five million people. However, a large part of the country's male labor force migrates annually to neighboring countries for temporary employment. As of 2005, approximately 85% of workers were involved in subsis-

tence farming. There is no data available as to the nation's unemployment rate.

Although the vast majority of the country's workforce was in the agricultural sector and were not members of a union, the majority of the remaining workforce were union members. About 60% of the country's public employees were union members, while around 50% of the workers in the private sector were unionized in 2005. However, essential workers such as police officers may not unionize. Workers may use strikes to achieve their labor goals.

The minimum age for employment is 14 years, although due to the economy and vast number of agricultural workers, child labor remains a huge problem. There was a standard workweek of 40 hours and a minimum monthly wage of \$53 in 2005. However, the minimum wage does not apply to those in subsistence agriculture. There are also public safety and health laws, which also exclude subsistence agriculture. Nevertheless, a lack of resources means that these standards are seldom enforced anywhere.

## 22 AGRICULTURE

Agriculture employs the vast majority of the work force and accounted for an estimated 31% of GDP in 2004. However, only an estimated 13% of the total land area is under annual or perennial crops. Government attempts to modernize the agricultural sector have met with some success, especially with cotton, whose export accounted for 51% of total exports in 2004. In 2004, about 85% of the 210,000 tons of cotton produced was exported. The resistance to improvement has been due mostly to the insufficient water supply and poor soil. Burkina Faso is not self-sufficient in food. Although total cereal production rose from 1,547,000 tons in 1990 to 3,063,000 tons in 2004, imports are needed to meet demand.

In the early 1980s, local laborers constructed a 1,144-km (711-mi) canal to bring water for irrigation from the Black Volta to the newly constructed Sourou Dam. This work was part of a plan to establish 40,000 hectares (100,000 acres) of irrigated land for smallholders and state projects. Production figures for principal subsistence crops in 2004 were sorghum, 1,481,000 tons; millet, 881,000 tons; corn, 595,000 tons; and rice, 95,000 tons. Commercial crops (with 2004 production figures) included cottonseed (315,000 tons), groundnuts (321,000 tons), cotton fiber (210,000 tons), and sesame (29,000 tons). Other important crops are cassava, cowpeas, sweet potatoes, and tobacco. Sugarcane has been introduced on a large scale and is becoming an important cash crop; 450,000 tons were produced in 2004.

## 23 ANIMAL HUSBANDRY

In 2004 there were an estimated 10,586,000 goats; 7,000,000 sheep; 541,000 asses; 674,000 pigs; 27,000 horses; and 24,000,000 chickens. Meat production in 2004 included 58,100 tons of beef; 28,200 tons of poultry; 27,000 tons of goat meat; 14,000 tons of mutton; and 9,700 tons of pork. In 2004, 9,500 tons of cattle hides; 7,100 tons of goatskins; and 3,400 tons of sheepskins were produced. Dairy products that year included 187,100 tons of cow's milk; 54,000 tons of goat's milk; and 1,400 tons of butter and ghee. Hens produced 18,200 tons of eggs in 2004. During 2002–04, livestock production was 6.3% higher than during 1999–2001 and almost 30% higher than during 1992–94. Further development depends

on the availability of pasturage and water, as well as the import policies and tax levels of neighboring countries.

## 24 FISHING

The country has no access to the sea, and freshwater areas are limited. Fish are caught by traditional methods, and production amounted to 9,005 tons in 2003.

## 25 FORESTRY

Almost all vestiges of Burkina Faso's primitive forest have been cut down for fuel or to make way for farmland, and reforestation did not begin until 1973. About 50% of the total land is considered forest or woodland. Deforestation proceeded at the rate of 0.2% per year during 1990–2000. Roundwood removals were estimated at 7.3 million cu m (259 million cu ft) in 2003, 84% for fuel.

## 26 MINING

Mining does not play a significant role in Burkina Faso's economy. However, government revenues are dominated by gold, the third-leading export commodity. Gold mining output for 2004 was 1,125 kg, and artisanal miners have become the predominant producers. The gold mine at Poura, which was estimated to contain 450,000 tons of ore at a grade of 12 grams per ton of gold, closed in 1999, reportedly because of low gold prices, after completion of an \$11.6 million rehabilitation project in 1997 financed by the European Union. The mine was operated by the parastatal Société de Recherches et d'Exploitations Minières du Burkina (SOREMIB), and production was complemented by the output of tens of thousands of individual prospectors called *orpaillages*. An estimated 40%–60% of artisanal gold production was smuggled out of the country.

Exploitation of an estimated 15 million tons of high-grade manganese ore at Tambao awaited better commercial prospects and completion of a railway extension from Ouagadougou to Tambao. As of 2004, the mine remained closed. Bauxite deposits have been located in the regions of Kaya and Bobo-Dioulasso. Significant mineral deposits included copper at Gaoua and Wayen, graphite at Kaya, and phosphate at Kodjari. Four main deposits of limestone have also been discovered. For many years, iron has been worked at Ouahigouya and near Banfora to make farm and home implements. The Perkoa high-grade zinc ore deposit, in development, had resources of 7 million tons and planned to produce 60,000 tons per year with an estimated mine life of 15 years. Other deposits included cassiterite, cobalt, diamonds, granite, lead, marble, nickel, phosphate rock, pumice, salt, sand and gravel, uranium, and vanadium. The government adopted a new mining code in 1997 primarily to standardize all the legal measures used to regulate the sector and to amend those parts of the previous legislation that had hindered future development.

## 27 ENERGY AND POWER

All petroleum products are imported since the country has no known crude oil reserves or refining capacity as of 1 January 2003. Imports and consumption of petroleum in 2002 amounted to 8,870 barrels per day. As for natural gas, Burkina Faso is known to have no natural gas production, consumption, or reserves. Electricity accounts for all energy production. Total installed electrical capacity in 2001 was 0.121 million kW. Production rose from 42

million kWh in 1973 to 0.28 billion kWh in 2001, of which 73.6% was thermal and 26.4% hydroelectric. Consumption of electricity was 0.26 billion kWh in 2001. Construction of a 15,000 kW hydroelectric facility at Kompienga was finished in 1989. In 1999, with a grant from the government of Denmark, Burkina Faso built a new power station, completing it in just five months to meet the country's emergency energy needs. Production and distribution of electricity and water are controlled by the state-owned Société Nationale d'Électricité du Burkina (SONABEL), established in Ouagadougou in 1968.

## 28 INDUSTRY

Industry accounted for about 28% of Burkina's GDP in 2000, yet employed only 2% of the population. The principal centers for economic activity are Bobo-Dioulasso, Ouagadougou, Banfora, and Koudougou, cities on the rail line to Abidjan, Côte d'Ivoire. Burkinabe industry reflects an interesting diversity, but is dominated by unprofitable state-controlled corporations. Important sectors are food processing, textiles, and leather, although small-scale operations manufacture cigarettes, bricks, and light metal goods such as beds and agricultural implements. Other enterprises are a brewery and moped and bicycle assembly plants. Cotton production (cotton is Burkina Faso's main export) reached record levels in 1999, reaching 419,000 tons, marking the fifth consecutive year of strong growth in the sector. Gold is the country's third-largest export.

Efforts were underway in 2003 to develop a shea butter industry in Burkina Faso: shea butter is used as a skin moisturizer and as a substitute for cocoa butter in the production of chocolate. Of 42 state enterprises selected for sale, 21 were divested by 1999. Shell, Elf Oil, Mobil Oil, and Texaco operate in Burkina Faso; the country has no hydrocarbon resources. SONABEL (Société Nationale Burkinabe d'Electricité) is the state-owned utility supplying electricity to the country. Burkina Faso has undeveloped phosphate resources and manganese deposits.

The industry's share in the economy dropped to 19.3% in 2004; agriculture accounted for 39.5% of the GDP, while services came in first with 41.3%. The bulk of the five million working people are engaged in agriculture, and a numerous male workers migrate annually to neighboring countries for seasonal employment.

## 29 SCIENCE AND TECHNOLOGY

Burkina Faso has a shortage of skilled scientists and technicians. Scientific and technical aid comes chiefly from France. In 1997 (the latest year for which data is available), expenditures for research and development totaled \$16.951 million or 0.2% of GDP. In that year there were 17 scientists and 16 technicians per million people, actively engaged in R&D. In 1997, high technology exports totaled \$2 million, or 7% of total manufactured exports. Burkina Faso has four national institutes conducting research in agriculture, medicine, and natural sciences; and two French institutes conducting research in medicine, hydrology, and geology; and an international institute (founded in 1960) to combat endemic and transmitted diseases and malnutrition and to train medical workers in eight member African states. The University of Ouagadougou (founded in 1969) has institutes of mathematics and physics, chemistry, natural science, technology, and health sciences. A 14-nation school of engineering and rural equipment

(founded in 1968) is in Ouagadougou. In 1987–97, science and engineering students accounted for 37% of college and university enrollments.

### 30 DOMESTIC TRADE

As of 2000, about 90% of the population was employed in subsistence farming. The country relies heavily on imports for capital goods and food products. Importers generally are their own wholesalers and often their own retailers, dealing in everything from matches to farm equipment. There are a limited number of privately-owned factories for cotton and textiles manufacturing and food processing. Many residents migrate to surrounding countries to find work and send money back home. The main commercial centers are in Ouagadougou and Bobo-Dioulasso, where French commercial practices prevail.

#### Principal Trading Partners – Burkina Faso (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	170.6	582.7	-412.1
France-Monaco	78.8	130.1	-51.3
Switzerland-Liechtenstein	17.5	...	17.5
Côte d'Ivoire	12.4	115.8	-103.4
Singapore	9.2	...	9.2
Togo	6.8	19.4	-12.6
Belgium	6.7	20.5	-13.8
Mali	5.6	...	5.6
Ghana	4.7	7.0	-2.3
Special Categories	3.9	16.3	-12.4
Niger	3.6	...	3.6

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

### 31 FOREIGN TRADE

The leading imports are machinery and food products. Refined petroleum products also account for much of the nation's imports, along with cement, clinker, and fertilizers. Cotton is Burkina Faso's largest export (57%), with gold in second place (17%), and animal products coming in third. Vegetables, leather, oil seeds, and animal hides account for about 20% of exports.

In 2004, exports reached \$419 million (FOB—free on board), while imports grew to \$866 million (FOB). The bulk of exports went to China (32.1%), Singapore (11.5%), Ghana (4.7%), and Bangladesh (4.3%). Imports mainly came from France (29.3%), Côte d'Ivoire (16%), Togo (9.8%), and Belgium (5.0%).

### 32 BALANCE OF PAYMENTS

Burkina Faso's balance of payments is chronically negative, as receipts from exports of goods and services typically only cover 30–40% of imports. It has had to rely heavily on remittances from Burkinabe working abroad and on international credits and other forms of borrowing to help offset widening trade imbalances. These factors, together with net capital inflows, generated a slight surplus from 1986 to 1988. Declining gold exports and falling cotton prices in 1989, coupled with increased imports and declining remittances from abroad, seriously deteriorated Burkina Faso's

#### Balance of Payments – Burkina Faso (2001)

(In millions of US dollars)

<b>Current Account</b>		<b>-380.8</b>
Balance on goods		-285.8
Imports	-509.3	
Exports	223.5	
Balance on services		-104.7
Balance on income		-24.5
Current transfers		34.1
<b>Capital Account</b>		<b>165.2</b>
<b>Financial Account</b>		<b>25.2</b>
Direct investment abroad		-0.6
Direct investment in Burkina Faso		8.8
Portfolio investment assets		10.0
Portfolio investment liabilities		0.7
Financial derivatives		...
Other investment assets		5.6
Other investment liabilities		0.6
<b>Net Errors and Omissions</b>		<b>3.4</b>
<b>Reserves and Related Items</b>		<b>187.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

trade balance. By 1990, however, recovery in the gold and cotton sectors reduced the current account deficit to about 14% of GDP (from over 17% in 1989).

Burkina Faso and the IMF agreed upon a structural adjustment program in 1990 in which rigorous financial control was made a priority. Tax collections were improved and salaries stabilized to the point that budget surpluses were attained in 1989 and 1991. A value-added tax took effect in 1993. An enhanced structural adjustment program negotiated in 1993 sought growth of 3–11% annually while curbing ongoing financial imbalances. In 2003, the IMF approved a three-year \$34 million Poverty Reduction and Growth Facility (PRGF) Arrangement with Burkina Faso.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Burkina Faso's exports was \$265 million while imports totaled \$580 million resulting in a trade deficit of \$315 million.

The International Monetary Fund (IMF) reported that in 1994 Burkina Faso had exports of goods totaling \$216 million and imports totaling \$344 million. The services credit totaled \$56 million and debit \$138 million.

Exports of goods and services reached an estimated \$435 million in 2004, up from \$321 million in 2003. Imports grew from \$685 million in 2003, to \$791 million in 2004. The resource balance was consequently negative in both years, reaching -\$364 million in 2003, and -\$356 million in 2004. The current account balance was also negative, slightly decreasing from -\$368 million in 2003, to -\$397 million in 2004. Foreign exchange reserves (excluding gold) grew to \$528 million in 2004, covering around eight months of imports.

### 33 BANKING AND SECURITIES

In 1959, the Central Bank of West African States (Banque Centrale des États de l'Afrique de l'Ouest-BCEAO) succeeded the Currency Board of French West Africa and Togo as the bank of



issue for the former French West African territories. In 1962, it was reorganized as the joint note-issue bank of Benin (then Dahomey), Côte d'Ivoire, Mauritania (which withdrew in 1973), Niger, Senegal, Togo, and Burkina Faso (then Upper Volta). BCEAO notes, known as CFA francs, are guaranteed by France without limitation. Foreign exchange receipts of Burkina Faso go into the BCEAO's exchange pool, which in turn covers its foreign exchange requirements.

Other banks are the International Bank for Commerce, Industry, and Agriculture of Burkina Faso; the National Development Bank (80% government-owned); the National Fund of Agricultural Credit of Burkina Faso (54% state-owned); the state-owned National Fund of Deposits and Investment; the International Bank of Burkina; Banque Nationale de Paris (BNP); Bank of Africa (BOA); and Ecobank Burkina.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$357.8 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$537.5 million. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.95%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

### 34 INSURANCE

Insurance companies must have government approval and are subject to government supervision. Automobile third-party liability insurance is compulsory. Two French companies provide most types of insurance, as does the National Society for Insurance and Reinsurance (SONAR-51% state-owned). In 1986, nonlife insurance accounted for 95.7% of all premiums.

### 35 PUBLIC FINANCE

Burkina Faso's revenue sources are limited, and the country depends heavily on subsidies from France. An extensive fiscal adjustment program was begun in 1991 with the help of the IMF, that outlined plans for the privatization of state-owned enterprises. Over 40% of government income is derived from customs duties, but \$18 million had been netted from parastatal sales by 1999. Personnel expenses account for over 40% of outlays. Budget deficits averaging 10% of GDP during 1998 added significantly to the debt service burden. At least 20% of the government budget is financed by foreign aid.

The US Central Intelligence Agency (CIA) estimated that in 2005 Burkina Faso's central government took in revenues of approximately \$1 billion and had expenditures of \$1.3 billion. Revenues minus expenditures totaled approximately -\$349 million. Total external debt was \$1.85 billion.

### 36 TAXATION

The contribution of direct taxation of all kinds to the governmental revenue is relatively low. Individuals pay a single income tax, varying from 2–30% on salaries, tips, and other remuneration, and 10–45% on business income. Companies pay a tax on profits, a forfeit tax, and taxes on income from debt and investments.

There are also a number of real estate taxes. Sales and transaction taxes are shared by most of the population. Indirect taxes include customs duties and license fees. Burkina Faso also levies a value added tax that varies from 15–20%. There is also a 1% statistical tax and a 1% community solidarity tax. Additional taxes may be levied on industrial and agricultural products, livestock breeding, and fishing industry products.

There are consumption taxes on specified items, such as petroleum products and tobacco, and local taxes on motor vehicles.

### 37 CUSTOMS AND DUTIES

Burkina Faso has made several trade reforms in the past decade. Most notably, almost all nontariff barriers to trade have been eliminated and the maximum tariff has been lowered from 200% to 66%, except for petroleum, which still carries a 150% tariff. Additionally, Burkina Faso is working with the World Trade Organization to get its tariff rates within WTO parameters.

### 38 FOREIGN INVESTMENT

Most foreign investments in Burkina Faso come from private French sources; however, investment capital from other EU members has increased in recent years. Under the Investment Code of 1992, the Ministry of Industry, Commerce, and Mines approves new investments based on the recommendations of the National Investment Commission. The principal criterion used is value added, with a minimum acceptable level of 35%. The investment code has three incentive schedules: Schedule "A" for investment under 200 million CFAF (about 390,000), a more generous Schedule "B" for investments above this level, and an even more generous (permanent exemption from all Burkinabe taxes) Schedule "C" for export companies. The 1993 Mining Code regulates foreign mining enterprises. Investment has been sought for hotels, textile factories, agroindustrial projects, communications, and other fields in addition to mining. As of 1996, over 140 companies were holding exploration licenses while total investment in the mining sector amounted to \$38 billion. As of the late 1990s, the most promising sectors for foreign interest and investment were the cotton industry and the gold mining industry. Foreign firms must reserve at least 35% of capital for Burkinabe participation and 50% for priority-sector investments.

Between 1997 and 1999, FDI inflow into Burkina Faso averaged \$11.77 million, but then jumped to an annual average of \$24 million of FDI in 2000 and 2001. France has been the source of most investment with Lebanese investors playing a prominent role in 2001. The only sizeable US investment has been from ExxonMobile in gas distribution.

### 39 ECONOMIC DEVELOPMENT

Development of the agricultural sector and of infrastructure have been the priorities established by Burkina's recent development plans. The 1991–95 plan estimated that 75% of the investment total would be allocated to agriculture. A 1995–97 plan, developed with support by the International Monetary Fund (IMF), included a goal of 5% real annual growth in gross domestic product (GDP), with inflation controlled to a maximum of 3% per year. The plan placed emphasis on privatization and encouragement of foreign

investment, particularly in industrial mining. As of the early 2000s, there was considerable interest in mining, especially of gold.

The country regularly receives bilateral and multilateral aid, primarily in technical assistance. France and the United States are the leading bilateral aid donors. Since 1991, Burkina Faso has been supported by relief from the IMF's Enhanced Structural Adjustment Facility (ESAF), and a Poverty Reduction and Growth Facility (PRGF). Burkina Faso reached its completion point for assistance under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative in 2000. The country completed a PRGF arrangement in 2002 that was fully disbursed. A three-year \$34 million PRGF arrangement was approved in June 2003 to support the government's economic reform program for 2003–06. The 2002–03 political crisis in Côte d'Ivoire, Burkina Faso's major regional trading partner, had repercussions in Burkina Faso, particularly with regard to the collection of taxes, and to the need for increased humanitarian assistance, border control, and security spending. Spending in 2002 was for goods and services including telephones, electricity, and water. Spending was also necessary for education, health, and other poverty-reducing initiatives.

The economy is expected to expand by 5.2% in 2006, up from 3.5% in 2005, as a result of more efficient agriculture programs, and a stabilized price for cotton. Other sectors with promising potential for the future are gold mining and the services sector (which is expected to grow following increased domestic demand).

#### 40 SOCIAL DEVELOPMENT

A social insurance law provides employed persons with pensions for old age and disability. Spouses of pensioners receive survivor benefits equal to 50% of the insured person's pension. These programs are funded by equal contributions from employers and employees. Retirement age varies according to occupation. Medical coverage is limited to maternity benefits, consisting of 100% of regular earnings payable for 14 weeks. A worker's compensation program provides both temporary and permanent disability benefits and medical benefits. Employment-related family allowances are also paid to families with children under the age of 14. However, most citizens of Burkina Faso are subsistence farmers and fall outside the scope of the social security system.

The constitution prohibits discrimination based on race, religion, or ethnic origin, but does not mention sexual discrimination. Women do not have equal opportunities to education and employment, and they do not have the same property rights as men. Spousal abuse is common and polygyny is legal. Female circumcision, also known as female genital mutilation, is still widely practiced. It has been estimated that as much as 70% of the female population has undergone this painful and dangerous procedure. The government is collaborating with nongovernmental organizations to stop this practice. Child abuse remains a widespread problem.

Prison conditions are poor and facilities are overcrowded. Serious human rights violations continue and perpetrators of these abuses are rarely punished.

#### 41 HEALTH

The government of Burkina Faso took on the project of improving the quality of health services by upgrading facilities and skills, achieving control of endemic parasitic diseases, and strengthening sector institutions. Total health care expenditures were an estimated 4.1% of GDP.

As of 2004, it was estimated that there were as few as 4 physicians per 100,000 people. In addition there were only 26 nurses, and 4 midwives per 100,000 people. However, the hospital at Ouagadougou is one of the most modern in Africa. Medical centers at Bobo-Dioulasso carry on research on insect-borne diseases. Mobile medical units attempt to control leprosy, sleeping sickness, yellow fever, and other contagious diseases.

One of Burkina Faso's most serious health problems is onchocerciasis (river blindness), which touches 84% of the total land area and causes many thousands of people to desert settlements infected by the fly vector. A control program has had some success. About two-thirds of Burkina Faso residents have access to safe water. In early 1997, a meningitis epidemic in West Africa spread to Burkina Faso, resulting in 724 deaths out of 5,571 cases.

The infant mortality rate in 2005 was 92.94 per 1,000 live births. The crude birth rate was 44.34 in 1999. The incidence of low-birth weight babies was 21% in 1993–96. As of 2000, only 12% of married women (ages 15 to 49) used contraception. As of 1999, Burkina Faso immunized children up to one year old as follows: diphtheria, pertussis, and tetanus, 42% and measles, 53%.

Average life expectancy in 2005 was estimated at 48.45. The HIV/AIDS prevalence was 4.20 per 100 adults in 2003. As of 2004, there were approximately 300,000 people living with HIV/AIDS in the country. There were an estimated 29,000 deaths from AIDS in 2003.

In Burkina Faso, 70% of all women undergo female genital mutilation. Approximately 3.5 million women and girls were affected. No laws restrict this procedure.

#### 42 HOUSING

Architecture in the metropolitan centers is essentially French. Many African people, especially the Mossi, live in round huts with conical straw roofs or in rectangular huts with flat roofs.

Burkina Faso has experienced housing shortages in the past few decades primarily due to urbanization and poverty. In Ouagadougou, most houses are built with mud brick and/or plaster. About 10% are made with cement block. In 1991, there were about 1,399,149 households. About 92% of rural dwellings and 65% of urban housing were owner occupied. According to a 2002 report of The World Bank, about 70–80% of the residents in Ouagadougou had access to safe water and sanitation. Only 78% of the total population has access to safe water.

#### 43 EDUCATION

All public education is free. Primary education is compulsory for six years (ages 6 to 12). Secondary students then have an option of continuing in seven years of general studies or seven to eight years

of technical programs. The academic year runs from October to June. The language of instruction is French.

Primary school enrollment in 2003 was estimated at about 36% of age-eligible students; 42% for boys and 31% for girls. The same year, secondary school enrollment was about 9% of age-eligible students; 11% for boys and 7% for girls. It is estimated that only about 29% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 45:1 in 2003; the ratio for secondary school was about 31:1. In 2000, private schools accounted for about 12% of primary school enrollment and 34% of secondary enrollment.

The Center for Higher Education was established in 1969, and in 1974 it became the University of Ouagadougou. The Université Polytechnique de Bobo-Dioulasso was organized in 1996. In 2001, there were about 16,000 students enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 12.8%, with 18.5% for males and 8.1% for females.

The primary administrative body is the Ministry of Secondary and Higher Education and Scientific Research. Public expenditure on education has been estimated at about 2% of GDP.

#### 44 LIBRARIES AND MUSEUMS

The largest library, now part of the University of Ouagadougou, was founded in 1969 and had 70,000 volumes as of 2002. Other libraries are attached to institutes such as the Center for Economic and Social Studies of West Africa and the Institute of Environmental and Agricultural Research. There is also a large library (20,000 volumes) attached to the Grand Seminary of Koumi in Bobo-Dioulasso. The French Cultural Center in Ouagadougou holds 30,000 volumes. The National Museum in Ouagadougou has a collection of the ethnography, costumes, and domestic artifacts of Burkina Faso. There is the Museum of Southwest Civilizations in Gaoua, a regional museum in Pobe, and, opened in 1990, a Provincial Museum of Music in Bobo-Dioulasso housing a number of traditional instruments.

#### 45 MEDIA

Radio, telephone, and telegraph services are available to Paris and to the neighboring countries. In 2003, there were an estimated five mainline telephones for every 1,000 people; about 12,400 people were on a waiting list for telephone service installation. The same year, there were approximately 19 mobile phones in use for every 1,000 people.

Two radio stations, one in Ouagadougou and one in Bobo-Dioulasso, are run by Radiodiffusion Nationale, the government radio corporation. Broadcasts are in French and 13 indigenous languages. There are several independent radio stations. As of 2002, there were a total of 3 AM and 17 FM radio stations. Télévision Nationale du Burkina, the government-owned television transmitting station, was established in 1963. Transmissions are made six days a week and are received only in Ouagadougou and Bobo-Dioulasso. The government has been establishing public viewing centers. There is also one privately operated television station. In 2003, there were an estimated 433 radios and 12 television sets for every 1,000 people. In 2003, there were 2.1 personal computers

for every 1,000 people and 4 of every 1,000 people had access to the Internet. There were two secure Internet servers in the country in 2004.

Burkina Faso had seven daily newspapers in 2002, all published in Ouagadougou. *L'Observateur Paalga* and *L'Observateur* had the highest circulations (8,000 each). Other dailies included the *Bulletin Quotidien D'Information* (circulation 1,500), *Le Pays* (4,000), and *Sidwaya* (3,000). Several published periodicals, all issued in Ouagadougou, include the *Bulletin Economique et Social*, (circulation 550) published by the Chamber of Commerce six times a year, and *Carrefour Africain*, (circulation unavailable) published monthly with government sponsorship. The press agency Agence d'Information du Burkina is based in Ouagadougou.

The 1990 Information Code provides for freedom of speech and freedom of the press, and it is said that these freedoms are in some degree circumscribed by self-censorship, as the government is sensitive to criticism.

#### 46 ORGANIZATIONS

The Chamber of Commerce, Industry, and Handicrafts of Burkina Faso has its headquarters in Ouagadougou. There is also an Office for the Promotion of Burkinabe Enterprises. The National Farmers Union was created in 1987. Cooperative groups and unions are active, as are employers' and professional groups.

Student movements have played an influential role in national politics. A national student union was founded in 1965 at the University of Ouagadougou. Other youth organizations include chapters of the Boy Scouts, Girl Guides, Junior Chamber, Youth For Christ, Catholic Youth Organization, and Red Cross Youth. There are several sports associations, including those representing such pastimes as tennis, handball, and taekwondo. There is a national organization for the Special Olympics.

There are national chapters of the Red Cross Society, Caritas, UNICEF, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourist attractions include the Nazinga, Arly, and "W" park game preserves. The National Museum and Museum of Music showcase the rich culture in Burkina. The market in the capital of Burkina, Ouagadougou, boasts crafts, art, and food, along with the Salon International de l'Artisanat de Ouagadougou (International Craft Show of Ouagadougou), the largest craft fair in Africa.

All visitors must have a passport, visa, and certificate of yellow fever vaccination. In 2000, there were 612,787 tourist arrivals. Hotels had an occupancy rate of 59%.

In 2005, the US Department of State estimated the cost of staying in Ouagadougou at \$192 per day. Costs were significantly lower outside the capital. Daily expenses in Bobo-Dioulasso were estimated at \$90.

#### 48 FAMOUS BURKINABE

The best-known persons are Maurice Yaméogo (1921–93), a former president of Upper Volta during 1960–66; Moro Naba Kougri (1930–82), the traditional sovereign of the Mossi; and Sangoulé Lamizana (1916–2005), a former army chief of staff, who

was president of Upper Volta from 1966 to 1980. Capt. Thomas Sankara (1949?–87), who gained a following in the 1974 clashes with Mali, seized power in a 1983 coup; he was overthrown and executed in 1987. Capt. Blaise Compaoré (b.1951) assumed the presidency after Sankara's execution.

#### 49 DEPENDENCIES

Burkina Faso has no territories or colonies.

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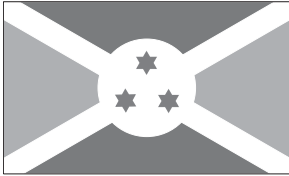
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# BURUNDI

Republic of Burundi

*République du Burundi; Republika yu Burundi*



**CAPITAL:** Bujumbura

**FLAG:** The national flag consists of a white circle in the center with arms extending to the four corners. The circle contains three red stars with green borders. Upper and lower fields formed by the circle and its arms are red; the fields on the sides are green.

**ANTHEM:** *Burundi Bwacu (Our Burundi)*, beginning “Burundi bwacu, Burundi buhire” (“Our Burundi, O blessed land”).

**MONETARY UNIT:** The Burundi franc (BFR) is a paper currency. There are coins of 1, 5, and 10 francs, and notes of 10, 20, 50, 100, 500, 1,000, and 5,000 francs. BFR<sub>1</sub> = \$0.00088 (or \$1 = BFR<sub>11,138</sub>) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year’s Day, 1 January; Labor Day, 1 May; Independence Day, 1 July; Assumption, 15 August; Victory of UPRONA, 18 September; 13 October; All Saints’ Day, 1 November; Christmas, 25 December. Movable religious holidays include Easter Monday, Ascension, and Pentecost Monday.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Burundi is a landlocked country in east-central Africa with an area of 27,830 sq km (10,745 sq mi), of which about 7% consists of lakes. Comparatively, the area occupied by Burundi is slightly smaller than the state of Maryland. It extends 263 km (163 mi) NNE–SSW and 194 km (121 mi) ESE–WNW. Burundi is bounded on the N by Rwanda, on the E and S by Tanzania, and on the W by the Democratic Republic of the Congo (DROC), with a total boundary length of 974 km (605 mi).

Burundi’s capital city, Bujumbura, is located in the western part of the country.

## <sup>2</sup> TOPOGRAPHY

Burundi is a country mainly of mountains and plateaus, with a western range of mountains running north–south and continuing into Rwanda. The highest point is Mt. Heha at 2,670 m (8,760 ft). The only land below 914 m (3,000 ft) is a narrow strip of plain along the Ruzizi River (about 800 m/2,600 ft), which forms the western border north of Lake Tanganyika. From the mountains eastward, the land declines gradually, dropping to about 1,400 m (4,600 ft) toward the southeastern and southern border. The average elevation of the central plateau is about 1,525 to 2,000 m (5,000 to 6,500 ft). The major rivers form natural boundaries for most of the country. The Kanyaru and the Kagera separate Burundi from Rwanda along many sections of the common border. The Kagera and the Ruvubu are important as the southernmost sources of the Nile. Most of Burundi’s southern border is formed by the Malagarasi River. The principal lakes are Tanganyika, Cohoha, and Rweru.

## <sup>3</sup> CLIMATE

Burundi in general has a tropical highland climate, with a considerable daily temperature range in many areas. Temperature also

varies considerably from one region to another, chiefly as a result of differences in altitude. The central plateau enjoys pleasantly cool weather, with an average temperature of 20°C (68°F). The area around Lake Tanganyika is warmer, averaging 23°C (73°F); the highest mountain areas are cooler, averaging 16°C (60°F). Bujumbura’s average annual temperature is 23°C (73°F). Rain is irregular, falling most heavily in the northwest. Dry seasons vary in length, and there are sometimes long periods of drought. However, four seasons can be distinguished: the long dry season (June–August), the short wet season (September–November), the short dry season (December–January), and the long wet season (February–May). Most of Burundi receives between 130 and 160 cm (51–63 in) of rainfall a year. The Ruzizi Plain and the northeast receive between 75 and 100 cm (30–40 in).

## <sup>4</sup> FLORA AND FAUNA

Most of the country is savanna grassland. There is little forest left; Burundi is one of the most eroded and deforested countries in all of tropical Africa. Of the remaining trees, the most common are eucalyptus, acacia, fig, and oil palms along the lakeshores. There are over 2,500 species of plants.

Wildlife was abundant before the region became agricultural. Still found are the elephant, hippopotamus, crocodile, wild boar, lion, antelope, and flying lemur, as well as such game birds as guinea fowl, partridge, duck, geese, quail, and snipe. Some 451 breeding bird species have been reported. The crowned crane is prevalent. As the region becomes more densely populated, some species are dwindling or disappearing.

In Lake Tanganyika there is a great variety of fish, including the Nile perch, freshwater sardines, and rare tropical specimens. Most of the 133 fish species in Lake Tanganyika are found nowhere else in the world.

## 5 ENVIRONMENT

Wildlife survives only in those areas of the country not heavily cultivated, and rapid population growth is reducing the amount of uncultivated land. The cutting of forests for fuel is uncontrolled despite legislation requiring permits. Only about 5.7% of Burundi's total land area is protected. Soil erosion due to deforestation, improper terracing, and overgrazing is also a serious problem. Burundi also has a problem with maintaining the purity of its water supply. It has only 4 billion cu m of renewable water resources, of which 64% is used for agricultural purposes. About 90% of the nation's urban population and 78% of rural dwellers have access to pure water.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 7 types of mammals, 9 species of birds, 6 species of amphibian, 1 type of mollusk, 3 types of other invertebrates, and 2 species of plants. Threatened species include the mountain gorilla, cheetahs, African elephants, and the whale-headed stork.

## 6 POPULATION

The population of Burundi in 2005 was estimated by the United Nations (UN) at 7,795,000, which placed it at number 93 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 47% of the population under 15 years of age. There were 95 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.8%, a rate the government viewed as too high. (Adolescent pregnancy was a significant problem, as was low rate of contraceptive use.) The projected population for the year 2025 was 13,913,000. The population density was 280 per sq km (725 per sq mi), making it one of the most densely populated countries in Africa. The density is greatest in north-central Burundi.

The UN estimated that 9% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 6.57%. The capital city, Bujumbura, had a population of 378,000 in that year. Apart from Bujumbura, urban areas are small and serve mainly as commercial and administrative centers.

The prevalence of HIV/AIDS has had a significant impact on the population of Burundi. The UN estimated that 8.3% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

At the end of 1992 there were about 271,700 refugees in Burundi. When ethnic massacres broke out anew in Rwanda in 1994, several hundred thousand Rwandan refugees streamed across the border into Burundi. By August 1996, all of these refugees had returned to Rwanda, compelled by the insecurity in Burundi. At the end of 1992, Tanzania was harboring 149,500 refugees from Burundi, and Rwanda another 25,200. Hundreds of thousands of Hutu from Burundi crossed into Rwanda, Tanzania, and the Democratic Republic of the Congo (DROC, formerly Zaire) in late 1993 to escape massacre at the hands of the Tutsi-dominated army. In early 1994, many of these refugees returned home.

In 1994, with the outbreak of the civil war in Rwanda, 270,000 Burundi refugees who were there returned home. By November 1996, 120,000 Burundians returned home from the DROC. However, there were still over 240,000 Burundi refugees in the DROC and Tanzania.

At the end of 1996, it was estimated that 500,000 Burundians were still displaced internally, either clustered with military posts if they were of Tutsi ethnicity or in the hills if they were Hutu. In January 1999 Burundi and Tanzania took steps to revive talks on repatriation. However, a series of rebel attacks in the Ruyigi province in April 1999 seriously hindered repatriation efforts in that area. Increased violence in Bujumbura, beginning in July 1999, also slowed efforts. In 2003, there were 381,000 internally displaced persons (IDP) within the country. As of 2004, 48,805 people were registered as refugees, primarily from the DROC; another 11,893 were registered as asylum seekers. Also in 2004, there were 90,321 returned refugees. In 2004 over 19,500 Burundians sought refuge in the DROC and over 440,000 in Tanzania. The net migration rate for 2005 was estimated as zero.

## 8 ETHNIC GROUPS

The population is made up mainly of Hutu, a Bantu people, traditionally farmers, who constitute about 85% of the inhabitants. A tall warrior people, the Tutsi (Watutsi, Watusi, Batutsi), a Hamitic people, constitute about 14% of the population but dominate the government and military. The earliest known inhabitants of the region were the Twa (Batwa), a Pygmy tribe of hunters, related to the Pygmies of the DROC. They make up about 1% of the population. There are about 82,000 immigrant Africans. Europeans and Asians number about 5,000.

## 9 LANGUAGES

The main language is Kirundi, a Bantu language. Both Kirundi and French are official languages. Swahili is used as a lingua franca along Lake Tanganyika and in the Bujumbura area.

## 10 RELIGIONS

About 60% of the population are Roman Catholic and about 10% are Muslim. The remainder practice other Christian faiths, indigenous religions, or have no religious affiliation.

The Transitional Constitutional Act of 2001 provided for freedom of religion and this right is generally respected in practice. Religious groups must register with the Ministry of Interior and maintain a headquarters within the country. The heads of major religions are given diplomatic status. Certain Catholic holidays are observed as public holidays.

## 11 TRANSPORTATION

A great hindrance to Burundi's economic development is lack of adequate transportation. The country is landlocked, and there are no railroads. Roads total 14,480 km (8,998 mi) as of 2002, and only about 7% of them remain open in all weather; the rest are classed as local roads or tracks. In 2003, there were 24,000 passenger cars and 23,500 commercial vehicles.

Burundi is dependent on Tanzania, Uganda, Zambia, and the Democratic Republic of the Congo (DROC) for its imports. Through Bujumbura, Lake Tanganyika serves as the country's sole inland waterway, and as a link with Kigoma in Tanzania for rail

shipment to Dar es Salaam. In 1987, the African Development Bank awarded a 50-year loan of CFA Fr218 billion to finance the construction of a shipyard in Bujumbura.

Air service is maintained by Air Burundi, which operates domestic service and flies to Rwanda, Tanzania, and the DROC. International service is also provided by Air Zaïre, Sabena, and other airlines. As of 2004, there were an estimated eight airports in Burundi, of which the international airport in Bujumbura (as of 2005) was the country's primary and only paved airport. There are also a number of helicopter landing strips. In 1997, 11,000 passengers traveled on international and domestic flights.

## 12 HISTORY

The first known inhabitants of what is now Burundi were the Twa, a Pygmy tribe of hunters. Between the 7th and 10th centuries, the Hutu, a Bantu agricultural people, occupied the region, probably coming from the Congo Basin. In the 15th and 16th centuries, tall warriors, the Tutsi, believed to have come originally from Ethiopia, entered the area.

The Tutsi, a nomadic pastoral people, gradually subjugated the Hutu and other inhabitants of the region, although they adopted the Hutu language, as did the Twa, so that all three groups were Bantu-speaking. A feudal social system based on caste—the conquering Tutsi and the subjected Hutu—became the dominant feature of social hierarchy, and especially of economic and political relations. The Hutu did the farming and grew the food in return for cattle, but generally had no part in government. The Tutsi were the ruling caste and did no manual labor. To a certain extent, however, the castes were open to each other. Custom allowed a particularly worthy Twa or Hutu to rise to the rank of a Tutsi; conversely, an impoverished Tutsi who had fallen from his former estate could be assimilated into the Hutu.

The penetration of and eventual conquest by the Tutsi was reported as a slow and peaceful process that initiated a process of political integration. The ownership of land was gradually transferred from the Hutu tribes to the *mwami*, the semidivine king of the Tutsi. The first *mwami*, Ntare I Rushatsi, is thought to have come to power in the 16th century. While the ruling *mwami* was in theory an absolute king, he was often regarded as *primus inter pares* among the *ganwa*, prince-like aristocrats of royal lineage. But the *mwami* had his court and his army, and he could not easily be removed from office.

The first European known to have reached the territory was John Hanning Speke, who traveled with Richard Burton to Lake Tanganyika in 1858. They paddled to the north end of the lake in their search for the headwaters of the Nile. In 1871, Stanley and Livingstone landed at Bujumbura and explored the Ruzizi River region. Subsequently, other explorers, principally German, visited Burundi. After the Berlin Conference of 1884–85, the German zone of influence in East Africa was extended to include Rwanda and Burundi. A German, Count von Götzen, discovered Lake Kivu in 1894. The first Roman Catholic missionaries came in 1898 and in 1899 the territories then known as Ruanda-Urundi officially came under the administration of German East Africa.

The German authorities made no changes in the indigenous organization, choosing only Tutsi for positions of colonial authority. They administered the territory through the traditional authorities in accordance with the laws and customs of the region.



LOCATION: 2°20' to 4°28' S; 29° to 30°50' E. BOUNDARY LENGTHS: Rwanda, 290 kilometers (180 miles); Tanzania, 451 kilometers (280 miles); Democratic Republic of the Congo, 233 kilometers (145 miles).

However, the history of Burundi under the German administration was marked by constant factional struggles and rivalry, in contrast to the peaceful state of affairs in Rwanda. When Belgian troops occupied the country in 1916, they found it in dissension and the three-year-old *mwami*, Mwambutsa IV, the center of court intrigue. In 1923, the League of Nations awarded Belgium a mandate to the region of Ruanda-Urundi. The Belgians adopted the same policy of indirect administration employed by the Germans, retaining the entire Tutsi-dominated hierarchy. In 1946, Ruanda-Urundi became a United Nations Trust Territory under Belgian administration.

On 18 September 1961, elections for the National Assembly were held in Urundi under the auspices of the UN. The result was a sweeping victory for UPRONA, the party headed by Prince Louis Rwagasore, eldest son of the *mwami*. On 13 October 1961, shortly after Prince Rwagasore had become premier, he was assassinated. Two leaders of the Christian Democratic Party were charged, convicted of responsibility for the murder, and executed.

The UN had strongly urged that Urundi and Ruanda come to independence united, since their relationship had long been close, their economies were integrated, and their people were ethnically one. However, the UN reluctantly decided that there was insufficient support for the union in both regions, and on 27 June 1962, the UN General Assembly passed a resolution that called for the creation of two independent nations, Burundi and Rwanda.

On 1 July 1962, Burundi became an independent, constitutional monarchy headed by Mwami (King) Mwambutsa IV. The king set up a government that comprised equal numbers of Hutu and Tutsi, with a Hutu as prime minister. In 1965, the assassination of the prime minister, and Mwambutsa's subsequent refusal to appoint a Hutu prime minister even though the Hutu won a parliamentary majority, began a destabilizing cycle of Hutu uprisings and government repression. Mwambutsa was deposed in July 1966, and was succeeded in September by his son, Charles, who then became known as Ntare V. On 29 November 1966, Ntare V was in turn overthrown by a military coup headed by the Tutsi prime minister, Col. Michel Micombero, who abolished the monarchy and declared Burundi a republic with himself as president.

In 1969, an alleged Hutu coup attempt ended in the arrest of 30 prominent businessmen and officials. Another Hutu-led coup attempt in April 1972 led to widespread civil war, in which mass killings of Hutu by Tutsi and of Tutsi by Hutu were reported. Ntare V was killed on 29 April 1972, reportedly by Hutu, which led to the massacre of 150,000 Burundian Hutu a month later. On 21 July 1973, the UN High Commissioner for Refugees reported that there were at least 85,000 Hutu refugees from Burundi, of whom an estimated 40,000 were in Tanzania, 35,000 in Zaire, and 10,000 in Rwanda. President Micombero later conceded that more than 100,000 persons had been killed in the course of the 1972 insurgency, and perhaps hundreds of thousands of refugees had fled. Most of the deaths were among the Hutu, and educated Hutu were systematically massacred under Micombero's de facto military regime. By August 1972 nearly all educated Hutu had fled or been killed. During 1973, rebel bands conducted raids into Burundi from across the Rwandan and Tanzanian borders, and Burundi's relations with those two neighbors deteriorated. By the end of 1973, however, the government was fully in control.

On 1 November 1976, President Micombero was stripped of all powers in a bloodless military coup led by Lt. Col. Jean-Baptiste Bagaza, and the Supreme Revolutionary Committee (SRC) that subsequently took power named Bagaza president. The new regime, like the old, was dominated by Tutsi. At a party congress of UPRONA in 1979, a party central committee headed by President Bagaza was selected to replace the SRC, and civilian rule was formally restored. Although the military remained active in both the party and in the government, Bagaza encouraged land reform, electoral reform, and reconciliation. A new constitution was adopted in a national referendum in 1981, and a National Assembly was elected in 1982. Bagaza was reelected unopposed to a new

five-year term in 1984. However, after 1984 Bagaza's human rights record worsened due to his suppression of religious freedom and political opposition. In September 1987, he was overthrown in a bloodless military coup while he attended a conference in Canada. Maj. Pierre Buyoya became president.

Buyoya withdrew recognition of opposition parties, suspended the 1981 constitution, and established his ruling Military Committee for National Salvation (CSMN). Ethnic violence erupted in 1988, and in response to rumors of the murder of Tutsi in the north, the army massacred between 5,000 and 25,000 Hutu. Over 100,000 were left homeless and 60,000 took refuge in Rwanda. Throughout 1988, an estimated 150,000 people were killed.

Major Buyoya agreed to the restoration of multiparty politics in 1991, and a new constitution was approved in March 1992. Competition between approved, ethnically balanced parties in the June 1993 election brought to office Burundi's first elected president, as well as its first Hutu president, Melchior Ndadaye. Ndadaye got 66% of the vote, while Buyoya received just 33%. Ndadaye began to talk of reform of the Tutsi-dominated armed forces, but on 21 October 1993, Ndadaye and several cabinet members were assassinated by a faction of Tutsi soldiers. Other cabinet officers, including Prime Minister Sylvie Kinigi, a Tutsi, took refuge in the French embassy. Ethnic violence continued, launching the country into civil war, with some 10,000 murdered and 800,000 fleeing the country. It has been estimated that as many as 100,000 may have been killed in this round of violence.

The military coup attempt failed, however, and Ndadaye's FRO-DEBU party (Burundi Democratic Front) regained control, electing Cyprien Ntaryamira as president in January 1994. In February, Ndadaye's successor was inaugurated, but his coalition was unable to restore order. In an effort to negotiate peace, he went to Tanzania for consultations. On his flight home, the plane in which he was returning, along with Rwanda's President Habyarimana, was shot down near the Rwanda capital, Kigali, on 6 April 1994. Two other members of his cabinet also died in the attack. This crash marked the beginning of the Rwandan genocide.

The constitutionally provided line of succession left the post of president to Sylvestre Ntibantunganya. He served in a transitional capacity until October 1994 when the Assembly elected him to serve a four-year term. In contrast to the genocide that erupted in Rwanda, Ntibantunganya managed to maintain relative stability in Burundi—for a time. However, the influx of refugees from Rwanda and increased armament of Hutu and Tutsi groups fueled sporadic violence prompting the government to impose a curfew in Bujumbura in December.

The death toll attributable to ethnic strife and political problems continued to mount during the first half of 1995. In 1993 alone, an estimated 150,000 had died in ethnic violence between Hutu and Tutsi. The averting of a citywide strike in the capital of Bujumbura in early February 1995 helped ease the ethnic tension, but the relief was short-lived. On 11 March, Mines and Energy Minister Ernest Kabushemeye was shot to death as the violence flared anew. Later that month, fighting in the central market left four people dead. By 25 March, thousands of people were fleeing Bujumbura to escape the violence, and hundreds were feared dead in new fighting. The exodus grew to 50,000 refugees from a city with a total population of 300,000. Two suburbs where clashes had occurred were practically deserted.



The flare-up also affected refugees from neighboring Rwanda who had fled to seven northern Burundi camps to escape Hutu-Tutsi violence in their own country. An estimated 20,000 refugees undertook a two-day trek to Tanzania to escape the violence at one of the camps, which left 12 dead and 22 wounded. The seven camps, which once held more than 25,000 Rwandans, were closed by August 1996 as the last group of the refugees returned to its homeland.

Despite an Organization of African States (OAS) peace mission, the Hutu militias and Tutsi-dominated government army battled throughout the early days of June in Bujumbura's suburbs. The OAS mission was aimed at ending months of fighting between the majority Hutu and the Tutsi before the clashes could develop into an all-out war.

On 25 July 1996, Maj. Pierre Buyoya seized power in a coup backed by the Burundi military. The National Assembly continued to function, although during Buyoya's "Transition Period" its powers were severely curtailed. Soon thereafter, six East African nations cut trade ties to the country and imposed an economic embargo after demanding Maj. Buyoya restore parliament. The African leaders also demanded that Major Buyoya, president of Burundi from 1987 to 1993, begin peace talks with Hutu rebels. Yet ethnic violence escalated in the months following Major Buyoya's takeover. Each side blamed the other for the assassination in September of Archbishop Joachim Ruhuna, Burundi's senior Roman Catholic archbishop. In 1999, in his new role as facilitator of the Arusha Peace Process, Nelson Mandela asked all parties—the government, rebel forces, and international organizations—to sit down and discuss the issues. In the early months of 2000 several such meetings were held in Tanzania, leading up to the signing of the Arusha Peace and Reconciliation Agreement for Burundi on 28 August 2000. However, Mandela's efforts ran up against entrenched regional conflicts and ethnic animosities as several armed factions refused to accept the peace agreement.

Seeking to secure national borders, Burundian troops intervened in the conflict in the Democratic Republic of the Congo in 1998, but were redeployed to Burundi to engage rebels operating within the country and from across the Congolese border. In October 2002, Burundi's smaller rebel groups—the CNDD-FDD (Conseil national pour la defense de la democratie-Forces pour la defense de la democratie—National Council for the Defense of Democracy-Forces for the Defense of Democracy) of Jean Bosco Ndayikengurukiye and the Palipehutu-FNL (Forces for National Liberation) of Alain Mugabarabona—signed a cease-fire, followed by a similar agreement between the CNDD-FDD of Pierre Nkurunziza and the transitional government of Burundi. Only the Palipehutu-FNL of Agathon Rwasa had not signed a cease-fire with the transitional government by mid-June 2003.

Under the Arusha Accords, a three-year transitional government was inaugurated 1 November 2001 under the leadership of Pierre Buyoya. On 30 April 2003, Buyoya stepped down under the terms of the accord, making way for a Hutu vice president, Domitien Ndayizeye, to assume the presidency for the remaining 18 months. However, since the signing of the cease-fires, fighting between the army and CNDD-FDD rebels has occurred on a daily basis. On 3 February 2003, the African Union authorized an African Mission in Burundi (AMIB), which fielded troops from South Africa, Ethiopia, and Mozambique to safeguard cantonment ar-

reas and to provide technical assistance to the disarmament and demobilization process. In late 2003 the Burundian government and the CNDD-FDD signed renewed cease-fire and power-sharing agreements. In March 2004, members of the CNDD-FDD assumed governmental and parliamentary offices. Many bilateral donors, as well as the World Bank, assisted in funding Burundi's disarmament, demobilization, and reintegration program for former rebel combatants. However, some conflict continued, and in August 2004, the extremist Palipehutu-FNL massacred more than 150 Congolese Tutsi refugees, and as of late 2005 continued to stage attacks.

Reaching a stable compromise on post-transition power sharing was difficult. Although a post-transition constitution was approved in September 2004, it was approved over a boycott by the Tutsi parties. In addition, the Arusha Peace Agreement mandated that local and national elections be held before the ending of the transitional period on 31 October 2004, but transitional institutions were extended. On 28 February 2005, however, Burundians popularly approved a post-transitional constitution by national referendum, with elections set to take place throughout the summer of 2005. After local, parliamentary, and other elections in June and July, on 19 August 2005, the good governance minister, Pierre Nkurunziza, became the first post-transitional president.

### 13 GOVERNMENT

Under the 1981 constitution, the president of the republic was elected by universal adult suffrage. The sole candidate was the president of UPRONA, the only legal political party. The president, who was head of state, was assisted by a council of ministers. Legislative power was vested in the 65-member National Assembly, of which 52 were elected and 13 appointed by the president. The president and legislators served five-year terms. Following the September 1987 coup, President Pierre Buyoya dismissed all members of the government and ruled as head of the newly established Military Committee of National Redemption until it was disbanded in December 1990. A new constitution, which recognized "democracy, human rights and development", was adopted on 13 March 1992 after a popular referendum. It provides for a directly elected president, a prime minister, and an 81-seat National Assembly.

In 1998, the position of prime minister was abolished. In 2001, the National Assembly was expanded from 121 to approximately 140 seats under the transitional constitution adopted October 18, 2001. On 17 September, 2004, the National Assembly adopted a post-transition constitution that was approved in a nation-wide referendum 28 February, 2005. A new electoral calendar was established at a regional summit in Uganda, and during the summer of 2005, a post-transition government was elected. Burundian people voted in Commune Council direct elections on 3 June 2005, and National Assembly direct elections on 4 July 2005. Senate members were elected by the electoral college on 29 July 2005, and a joint legislative session elected Pierre Nkurunziza as president on 19 August 2005 in a vote of 151 to 9.

According to the 2005 constitution, the president can be elected to a maximum of two five-year terms, and is named by a vote in the two houses of parliament. The permanent, post-transition government was established 26 August 2005, consisting of 100-seat directly elected National Assembly, and a senate. As of 2005,

the assembly also had 18 additional deputies appointed as needed to ensure the stipulations made in the Arusha agreement. This mandates that the assembly is composed of at least 30% women and has an ethnic composition of 60% Hutu, 40% Tutsi, and 3 Batwa members. The structure of the senate from the transitional government was retained, which includes no less than 37, and no more than 54 seats, for five-year terms. There are two senators for each of the 17 provinces (including the capital), one each for Hutu and Tutsi, which are elected in three rounds of voting by communal electoral colleges. Three seats are reserved for the Batwa minority. Additional seats are reserved for all former presidents. Up to 14 additional senators are appointed by the president to achieve the 30% gender quota for women. In 2005, the senate had a total membership of 49 seats.

## 14 POLITICAL PARTIES

It was only after 1948 that Belgium permitted competing political parties, and two emerged: the multi-ethnic Union for National Progress (Parti de l'Unité et du Progrès National—UPRONA), led by Tutsi Prince Louis Rwagasore, and the Belgium-supported Christian Democratic Party (Parti Démocrate Chrétien—PDC). However, in 1961, Rwagasore was assassinated following the the UPRONA victory in legislative elections.

Before independence, no fewer than 23 political parties were officially registered. Of these, only two retained political significance in the years following independence: UPRONA, and the People's Party (Parti du Peuple—PP), an all-Hutu party. UPRONA, which initially controlled 58 seats in the National Assembly out of a total of 64, was soon torn by internecine leadership rivalries. In time, these rivalries took on the qualities of a racial feud between Tutsi and Hutu. In the National Assembly, the PP merged with the Hutu wing of UPRONA to form the so-called Monrovia Group, while the Tutsi wing of UPRONA referred to itself as the Casablanca Group.

In June 1965, legislative elections were held for the first time since independence. UPRONA won 21 seats, the PP 10, and independents 2. President Micombero, a Tutsi, proclaimed UPRONA to be the sole legal political party by a decree promulgated on 23 November 1966. On 1 November 1976, leaders of the coup that deposed Micombero announced that UPRONA had been dissolved, but in 1979, the party was incorporated into the government structure. According to the 1981 constitution, it was the only legal political organization. The president of UPRONA was president of the republic and also head of the party's 70-member Central Committee and 8-member Politburo.

Fifty-two members of the National Assembly were elected under the auspices of UPRONA in October 1982 from 104 candidates, about 75% of them Tutsi, chosen by local UPRONA committees. Several cabinet members and high party officials were defeated. In September 1987, following the coup that ousted President Bagaza, all members of UPRONA were dismissed.

The 1 June 1993 presidential election and the 29 June parliamentary election that year led to the defeat of UPRONA. President Ndadaye's party, the Burundi Democratic Front (FRODEBU) received 72% of the vote and 65 of parliament's 81 seats. UPRONA won the remaining seats with 21% of the ballots cast. Other parties include the Burundi People's Party (RPB), the Party for the Reconciliation of the People (PRP), and the People's Party (PP).

Newer, smaller parties have emerged in recent years, including: the Burundi African Alliance for the Salvation (ABASA), Rally for Democracy and Economic and Social Development (RADDES), Party for National Redress (PARENA), and the People's Reconciliation Party (PRP).

Smaller rebel factions with political influence include the CNDD-FDD (Conseil national pour la defense de la democratie—Forces pour la defense de la democratie—National Council for the Defense of Democracy—Forces for the Defense of Democracy) and the Palipehutu-FNL (Forces for National Liberation).

As of the elections in late 2005, there were 30 registered political parties without representation in either house of parliament. Six parties are represented in one or both houses, with the formerly small CNDD-FDD controlling the overwhelming majority of seats in both houses. The six major parties are the CNDD-FDD with 32 Senate and 64 Assembly seats; FRODEBU with 5 Senate, 30 Assembly; UPRONA with 2 Senate, 15 Assembly seats; and the CNDD, the breakaway party from the CNDD-FDD with 3 Senate and 4 Assembly seats.

## 15 LOCAL GOVERNMENT

Burundi was formerly divided into 8 provinces, but a redistricting plan in 1982 increased the number to 15—which eventually expanded to 16—each under a military governor. However, as of the mid-1990s, Burundi was divided into 17 provinces, including the capital city regions.

Communal councils exist for each of the 129 communes. Twenty-five members sit on each of the councils, and on 2 June 2005, the CNDD-FDD won 1,781 of the 3,225 available council seats (55%). There are also local Colline (hill) councils elected independent of party. These elections were held on 23 September 2005. Both of these local councils are directly elected, and the Colline councils serve a term of five years.

## 16 JUDICIAL SYSTEM

The legal system of Burundi is based on German and French civil codes and customary law. In 1987 there were 64 tribunals of first instance. The Court of Appeal and the Supreme Court are located in the capital, Bujumbura.

The 1992 constitution established a number of new courts, including a constitutional court to review all new laws for conformity to the constitution. It also created a high court responsible for resolving charges of high level crimes by high level government officials. A military court had jurisdiction over crimes by members of the military.

The military coup in 1996 abrogated the 1992 constitution and replaced it by a transitional decree. The decree of 13 September 1996 provided for an independent judiciary, which in fact was dominated by the Tutsi ethnic group. The decree also provided for the right to privacy. Authorities generally respect the law requiring search warrants.

As of 2005, the judicial system was divided into the Cour Supreme (Supreme Court), Constitutional Court (created by the 2005 constitution), and three Courts of Appeal. The president nominates members of the Supreme and Constitutional Courts, with the Supreme Court the final court of appeal. There are 17 province-level Tribunals of First Instance, and 123 local tribunals.

## 17 ARMED FORCES

In 2005, Burundi had 50,500 active personnel in its armed forces. The Army had 40,000 personnel, including a 200 member Air Wing. The troops included seven infantry battalions, two light armored squadrons, one engineer battalion, one air defense battalion, and one artillery battalion. The Air Wing had two combat capable aircraft that were also used in a training capacity. Paramilitary gendarmerie numbered around 5,500. The defense budget in 2005 was \$46.1 million.

## 18 INTERNATIONAL COOPERATION

Burundi was admitted to UN membership on 18 September 1962 and is a member of ECA and several nonregional specialized agencies. It also belongs to the African Development Bank, G-77, the ACP Group, COMESA, the New Partnership for Africa's Development (NEPAD), and the African Union. It became a member of the WTO on 23 July 1995. Burundi, Rwanda, and the DROC form the Economic Community of the Great Lakes Countries (CEP-GL), which is intended to foster development in the region of lakes Kivu and Tanganyika. Burundi also cooperates with Rwanda and Tanzania in the development of the Kagera River Basin. In addition, Burundi is part of the Nonaligned Movement. The United Nations Operation in Burundi (ONUB) was established in May 2004 and consists of 44 member countries offering support for reconciliation and peacekeeping among the Tutsi, Hutu, and other conflicting ethnic groups from the boundary regions of Burundi, DROC, Rwanda, and Uganda.

In environmental cooperation, Burundi is part of the Basel Convention, the Convention on Biological Diversity, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Burundi's is an agricultural and livestock economy with over 90% of the population engaged in subsistence agriculture. Bananas, plantains, sweet potatoes, and manioc are Burundi's staple crops, followed by beans, taro, and maize. Coffee and tea are the main export crops. Coffee provides roughly 50% of export earnings, which are thus vulnerable to international coffee prices and seasonal yields. Cotton is Burundi's other principal export, but cotton production has been plagued by excessive rain. Livestock sales are discouraged by a tradition that encourages the maintenance of large herds. Sales of hides and skins amount to some 3% of exports.

Burundi's mineral sector is currently small, with a potential that remains undetermined. Gold, tungsten, columbo-tantalite, bastnaesite, and cassiterite are each mined in small quantities. Explorations have revealed petroleum under Lake Tanganyika and in the Ruzizi Valley, as well as large nickel deposits at Musongati. Copper, cobalt, and platinum are expected to be found in association with the nickel. Phosphate rock deposits have also been located.

Since 1993, ethnic tensions and ongoing violence have severely disrupted the economy, bringing the government's economic reforms to a halt. International sanctions in 1996 exacerbated the poor economic situation, causing further food shortages, and high inflation. There was a 50% increase in the number of people falling below the poverty line. Although the Arusha Peace Accords had

been signed in 2000, violence continued into 2003, as one million people fled their homes. Over 300,000 people since 1993 had been killed in Burundi's civil war. Political instability is also compounded by the HIV/AIDS epidemic. Nearly one in ten adults are infected with HIV/AIDS, and medicines are in short supply. Sanctions imposed by neighboring countries on Burundi have stunted the economy, although a regional trade embargo was lifted in 1999. However, by the end of 2005 fighting had stopped in most of the country, and greater internal stability and donor-financed capital expenditure is hoped to aid growth throughout the economy during 2006 and in coming years. This can be seen in the gross domestic product (GDP) growth for the period 2000–2004. In 2000 GDP grew at a negative growth rate of 0.9% but bounced back in 2001 and 2002 to 3.2% and 3.6% respectively. It declined to a -1.3% in 2003 but strongly bounced back to 5.5% in 2004.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Burundi's gross domestic product (GDP) was estimated at \$4.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$700. The annual growth rate of GDP was estimated at 5.5%. The average inflation rate in 2005 was 14%. It was estimated that agriculture accounted for 45.6% of GDP, industry 20.8%, and services 33.6%.

Foreign aid receipts amounted to \$224 million or about \$31 per capita and accounted for approximately 39.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Burundi totaled \$519 million or about \$72 per capita based on a GDP of \$595.0 million, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption changed at an average annual rate of -1.7%. It was estimated that in 2002 about 68% of the population had incomes below the poverty line.

## 21 LABOR

The total labor force in 2002 was put at 2.99 million, mostly in small subsistence farming. Of the total labor force, an estimated 93.6% were engaged in agriculture, followed by 4.1% in the services sector and 2.3% in industry. There was no unemployment data available.

Workers are legally permitted to form and join unions, although the army, gendarmie, and foreign workers are prohibited from unionizing. The current labor code permits strikes but only after alternative remedies have been exhausted and six days notice given. Unions are permitted to be affiliated with international organizations. Urban civil servants make up the majority of union members. Approximately 50% of the country's public sector employees are union members, but less than 10% of those that made up the formal workforce in the private sector were unionized. Most of Burundi's labor force was employed in the informal sector of the economy, which was unregulated and offered little or no protection to worker's labor rights.

Although the country's labor code restricts child labor, limiting minors under the age of 18 to only those forms of employment deemed acceptable to the Ministry of Labor, such as light work, and to apprenticeships that do not hamper the child's health, normal development or schooling, in addition to forced and compulsory labor, reports indicated that the nation's security forces continue to use children (and adults) to perform menial tasks without pay. According to a 2003 survey by UNICEF, some 640,000 minors were performing compulsory labor. In addition, children in rural areas under 16 years of age performed heavy manual labor during the day, during the school year, on a regular basis.

While there was a formal minimum wage of \$0.15 per day, as of 2005, this was insufficient to support a family, so most families rely on second incomes and subsistence agriculture as well. Burundi's labor codes mandate a 45-hour workweek and an eight-hour work day, excluding those activities that are related to the country's security. However, enforcement was not always carried out.

## 22 AGRICULTURE

About 90% of the population depends on agriculture for a living. Most agriculture consists of subsistence farming, with only about 15% of the total production marketed. An estimated 1,351,000 hectares (3,338,000 acres), or about 52.6% of the total land area, is arable or under permanent crops; about 5.5% of cropland is irrigated. The average farm family plot is 0.8 hectares (two acres). Agriculture accounted for 51% of the GDP in 2004. Coffee and tea exports comprise the majority of foreign earnings; coffee alone accounted for 39% of exports of goods in 2004. Agricultural exports accounted for 48% of exports in 2004. Principal crops for local consumption are manioc, beans, bananas, sweet potatoes, corn, and sorghum. Production in 2004 included bananas, 1,600,000 tons, mostly for wine; manioc, 710,000 tons; sweet potatoes, 834,000 tons; beans, 220,000 tons; sorghum, 74,000 tons; corn, 123,000 tons; peanuts, 8,800 tons; and yams, 9,900 tons.

The primary export crop is coffee, chiefly of the arabica variety. The government regulates the grading, pricing, and marketing of the coffee crop, and all coffee export contracts require approval. In 2004, coffee production was 20,100 tons. Other export crops are cotton and tea. Seed cotton production was 3,000 tons, and cotton fiber production (after ginning) was about 1,300 tons in 2004. That year, tea production was 6,600 tons. Tea exports in 2004 of 753 tons represented 3% of total exports; the government has been encouraging cotton and tea production in order to diversify exports. Palm oil is obtained from trees in plantations along the shore of Lake Tanganyika. Tobacco and wheat cultivated in the highland areas also yield some cash income.

Much of the land has suffered a loss of fertility because of soil erosion from poor agricultural practices, irregularity of rainfall, lack of fertilizer, and shortened fallow periods.

## 23 ANIMAL HUSBANDRY

Livestock in 2004 included some 325,000 head of cattle, 750,000 goats, 230,000 sheep, 70,000 pigs, and 4.3 million chickens. Social prestige has traditionally been derived from ownership of cattle. This, together with improved sanitary conditions, has resulted in the accumulation of large herds of poor-quality stock; for example, the average milk yield per cow is only 350 kg a year (17% of world average). Total milk production was estimated at 19,200

tons in 2004. Meat consumption is estimated at only 48 calories per person per day, only one-tenth of the world's average. Production of meat in 2004 was 23,400 tons. The herds retard economic development by cutting down the amount of land available for food growing, and they destroy pastureland by overgrazing. Through various technical assistance programs, the government is seeking to eliminate excess cattle, improve the remaining livestock, and introduce modern stock-raising methods.

## 24 FISHING

There are three main methods of fishing in Lake Tanganyika: industrial, native, and traditional. Industrial fishing, which developed after 1946, is carried on by small trawlers accompanied by several rowboats. Native fishing is in catamarans equipped with lights, nets, and engines. Traditional fishing is in pirogues equipped with lights and landing nets. The total fish catch was 14,897 tons in 2003.

## 25 FORESTRY

Erosion and cutting, chiefly for fuel, have almost entirely eliminated Burundi's forests. The harvesting of wood has increased only slightly since the late 1970s, and the emphasis has now shifted to reforestation. Forests and woodlands cover an estimated 325,000 hectares (803,000 acres). Natural forest covered only about 3.7% of the land area in 2000. The average annual deforestation rate was 9% during the 1990s. Of an estimated 8.6 million cu m (303 million cu ft) in roundwood production in 2003, 99% was for fuel.

## 26 MINING

Mining and energy accounted for about 1% of Burundi's GDP in 2004. The country has been known to produce columbium (niobium)-tantalum ore, gold, kaolin (china clay), tin, and tungsten ore, mostly for export, and limestone, peat, sand, and gravel for domestic consumption. Burundi had significant deposits of feldspar, kaolin, nickel, phosphate, platinum-group metals, quartzite, rare-earth metals, vanadium, and limestone for cement. There were gold deposits at Mabayi, Muyinga, Cankuzo, and Tora-Ruzibazi, where artisanal mining took place. After waning in the early 1990s, gold production rose to 1,000 kg in 1994 and 2,200 kg in 1996, and then dropped to 1,500 kg in 1997–2000. In 2004, gold mine production totaled an estimated 2,900 kg. The government has tried to transfer technical skills to artisanal miners, to raise productivity and increase state revenues. The Burundi Mining Corp., a government-private venture, was exploring the possibility of producing gold on a commercial basis at Muyinga, where resources were estimated at 60 tons of gold. Deposits of cassiterite, columbite-tantalite, and wolframite associated with pegmatites were found in Kayanza and Kirundo provinces. Nickel reserves, found in 1974, were estimated at 370 million tons (3%–5% of the world's total); high transportation costs, low world market prices, and political instability have delayed their exploitation. Since 1993, foreign investment and development of Burundi's resources have been hindered by civil unrest, social strife, and economic sanctions imposed by regional states; the economy contracted by 23% in the period 1993–96. Although the sanctions were lifted in 1999, internal strife continued to hurt the economy. In 2000, Burundi joined with 19 other nations to form Africa's first free-trade area, and the World Bank and other international donors pledged

to give \$440 million in reconstruction aid to Burundi. In 2004, production of columbite-tantalite (gross weight) was 23,356 kg, and of peat, 4,643 metric tons. Kaolin was not mined in 2004. Tin mines produced an estimated 10 metric tons in 2004. Tungsten mine output totaled 9 metric tons in 2004.

## 27 ENERGY AND POWER

Bujumbura and Gitega are the only two cities in Burundi that have municipal electricity service. Burundi's total installed capacity was 49,000 kW in 2001. Two dams completed since 1984 have increased the amount of power production from hydroelectric installations. In 2001, estimated production of electricity totaled 0.155 billion kWh, of which 0.154 billion kWh was from hydroelectric sources, with geothermal and thermal sources accounting for the rest. Consumption in 2001 was estimated at 0.17 billion kWh. Burundi imports all of its petroleum products from Kenya and Tanzania, and has no known reserves of petroleum or natural gas. Consumption of oil in 2001 is estimated at 3,000 barrels per day. Burundi is estimated to have no known consumption of natural gas in 2001. A subsidiary of Amoco has an oil exploratory concession in and around Lake Tanganyika. Wood and peat account for 94% of energy consumption in Burundi. Peat offers an alternative to increasingly scarce firewood and charcoal as a domestic energy source. The government is promoting peat production and is fostering the development of renewable energy resources, such as solar electricity and biogas.

## 28 INDUSTRY

Industrial activities are almost exclusively concentrated in Bujumbura and accounted for an estimated 19.4% of the GDP in 2002. The industrial sector transforms to varying degrees agricultural and forestry products: cotton, coffee, tea, vegetable oil, and woods. There are also several small plants for soft drinks, blankets, footwear, soap, insecticides, building materials, furniture, and metal goods. The future of industrial development is largely linked to the development of political stability and the growth of electric power and transportation, as well as improved commercial relations with neighboring countries.

Industrial production rose almost 2% in 1998, the first increase since ethnic warfare began in 1993. Production of sugar, milk, paints, soap, bottles, pharmaceutical products, and textiles increased between 10% and 40% in 1998. The Teza tea plant was reconstructed (after being destroyed by rebels in 1996), increasing production from 1997 by 59% in 1998. Mining projects were also resumed, including nickel and gold operations. The country has no known oil, natural gas, or coal resources. Since 2001, the construction industry recovered somewhat, as new building projects were started in Bujumbura. Brarudi, a brewery, is the country's largest and most reliable source of tax revenue. Brarudi beer has a good reputation in the region.

## 29 SCIENCE AND TECHNOLOGY

Technical aid is supplied by many donors, including the EEC, the World Bank, Belgium, France, the Federal Republic of Germany (FRG), the United States, Switzerland, and China. The National Center of Hydrometeorology, the Ministry of Geology and Mines, the Institute of Agronomical Sciences of Burundi (founded in 1960), and a medical laboratory devoted to nutritional studies

are located in Bujumbura. The University of Burundi, in Bujumbura, has faculties of sciences, medicine, psychology and education, agriculture, and applied sciences. In 1987–97, science and engineering students accounted for 18% of college and university enrollments. The Higher Institute of Agriculture is in Gitega. In the period 1987–97, total expenditures for research and development totaled 0.3% of GDP. A total of 32 technicians and 21 scientists and engineers per million people were actively engaged in research and development for the period.

The Living Museum of Bujumbura has a reptile house, an aquarium, an aviary, a fishing museum, a botanical garden, and a herpetology center.

## 30 DOMESTIC TRADE

Ethnic violence since 1993 has limited domestic commerce. Burundi's economy is characterized by subsistence agriculture; commercialization and nationwide distribution of daily necessities and foodstuffs are practically nonexistent. There is a very small manufacturing sector centered in Bujumbura, producing beer, soft drinks, soap, insecticides, textiles, and cigarettes, primarily for local distribution. Rural markets are the principal distribution centers. The National Office of Commerce is a state trading concern. Smaller trading operations are often in the hands of Greeks, Indians, and Arabs. All domestic trade is influenced by the coffee harvest, which during the harvest season (June–September) provides increased income and stimulates trading, with a somewhat inflationary effect.

Business hours are usually 8 AM to noon and 2 to 5 PM on weekdays and 8 AM to noon on Saturday. Banks are open 8 to 11:30 AM Monday–Friday.

## 31 FOREIGN TRADE

In 2004, Burundi's imports exceeded its exports by 266%. Burundi's export income is highly volatile and fluctuates sharply with shifts in world coffee prices. Burundi's most important cash crop is coffee (73.3%), which is the most exported commodity. Tea (7.0%), hides (6.7%), gold (5.6%), and sugars (4.9%) encompass practically all of Burundi's remaining exports. Important im-

### Principal Trading Partners – Burundi (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	26.5	128.8	-102.3
Belgium	6.2	21.4	-15.2
Switzerland-Liechtenstein	6.2	0.9	5.3
United Kingdom	5.8	1.5	4.3
Rwanda	3.2	0.8	2.4
Netherlands	1.7	2.3	-0.6
Germany	0.9	3.4	-2.5
Congo (DROC)	0.5	...	0.5
Kenya	0.5	15.7	-15.2
France-Monaco	0.4	9.2	-8.8
Uganda	0.3	1.2	-0.9

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Burundi (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-37.3</b>
Balance on goods	-92.5	
Imports	-130.0	
Exports	37.5	
Balance on services	-39.4	
Balance on income	-17.3	
Current transfers	112.0	
<b>Capital Account</b>		<b>-0.9</b>
<b>Financial Account</b>		<b>-50.0</b>
Direct investment abroad	...	
Direct investment in Burundi	...	
Portfolio investment assets	...	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	-19.9	
Other investment liabilities	-30.1	
<b>Net Errors and Omissions</b>		<b>-12.6</b>
<b>Reserves and Related Items</b>		<b>100.9</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ports include capital goods, petroleum products, foodstuffs, and chemicals.

**3<sup>2</sup> BALANCE OF PAYMENTS**

The Economist Intelligence Unit reported that in 2004 the purchasing power parity of Burundi's exports was \$48 million while imports totaled \$175.9 million, resulting in a trade deficit of \$127.9 million.

**3<sup>3</sup> BANKING AND SECURITIES**

Until the DROC became independent in 1960, the monetary and banking systems of Ruanda-Urundi were integrated with those of the Congo. Thereafter, Ruanda-Urundi had its own monetary structure and central bank. Shortly after the UN-sponsored Addis Ababa conference of July 1962, Rwanda and Burundi entered into an economic agreement providing for a continuation of the monetary union. After the breakup of the economic union in December 1963, Burundi's banking operations were transacted through the Bank of the Kingdom of Burundi, which in 1967 became the Bank of the Republic of Burundi, the central bank and bank of issue. Burundi has a number of commercial banks, which handle a substantial portion of short-term credit (vital for the coffee season) that include the Commercial Bank of Burundi, the Credit Bank of Bujumbura, and the Belgian-African Bank of Burundi. There are also a savings bank, a postal savings bank, and a joint Libyan-Burundian financial institution. Other financial institutions are the National Economic Development Bank and the Central Fund for Mobilization and Finance.

The World Bank suspended all but three minor social-sector programs in late October 1996. A World Bank delegation visited Burundi in February 1997 to assess the situation, and concluded that conditions were not right for a resumption of funding. As a result of the deteriorating balance-of-payments situation, reserves

were run down, from \$209 million at the end of 1995 to \$140 million in December 1996 and \$108 million in 1998.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$96.4 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$138.7 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 14%.

**3<sup>4</sup> INSURANCE**

Insurance companies operating in Burundi include the Commercial Union of Insurance and Reinsurance (Union Commerciale d'Assurances et de Réassurances-UCAR), the partly state-owned Insurance Co. of Burundi (Société d'Assurances du Burundi-SO-CABU), and a branch of the General Insurance of France. Motor vehicle insurance is the only compulsory coverage.

**3<sup>5</sup> PUBLIC FINANCE**

Burundi is extremely dependent on foreign aid, although the crisis in 1993 forced the International Monetary Fund (IMF) to suspend structural adjustment programs. Emphasized reforms included price liberalization, governmental transparency, debt reduction, and a wider variety of exports.

The US Central Intelligence Agency (CIA) estimated that in 2005 Burundi's central government took in revenues of approximately \$215.4 million and had expenditures of \$278 million. Revenues minus expenditures totaled approximately -\$62.6 million. Total external debt was \$1.2 billion.

The IMF reported that in 1999, the most recent year for which it had data, budgetary central government revenues were BFR63,536 million and expenditures were BFR88,593 million. The value of revenues in US dollars that year was us\$113 million and expenditures us\$157 million, based on a official exchange rate for 1999 of us\$1 = BFR563.56 (as reported by the IMF). Government out-

**Public Finance – Burundi (1999)**

(In millions of francs, budgetary central government figures)

<b>Revenue and Grants</b>	<b>63,536</b>	<b>100.0%</b>
Tax revenue	59,956	94.4%
Social contributions	...	...
Grants	...	...
Other revenue	3,580	5.6%
<b>Expenditures</b>	<b>88,593</b>	<b>100.0%</b>
General public services	38,185	43.1%
Defense	24,564	27.7%
Public order and safety	2,502	2.8%
Economic affairs	4,568	5.2%
Environmental protection	...	...
Housing and community amenities	...	...
Health	2,271	2.6%
Recreational, culture, and religion	345	0.4%
Education	15,991	18.0%
Social protection	168	0.2%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

lays by function were as follows: general public services, 43.1%; defense, 27.7%; public order and safety, 2.8%; economic affairs, 5.2%; health, 2.6%; recreation, culture, and religion, 0.4%; education, 18.0%; and social protection, 0.2%.

### 36 TAXATION

There are income taxes on businesses and individuals, and a tax on transactions. Other direct taxes are on vehicles and real estate. About twice as much money is collected from indirect taxes, of which the most important are import and export duties, and a tax on beer.

### 37 CUSTOMS AND DUTIES

Import duties, which are levied mainly *ad valorem*, include a revenue duty averaging 15–35% and an import duty averaging 2–5%. The government also levies a 4% statistical tax on all imports. Burundi is a member of the Common Market of Eastern and Southern Africa (COMESA) and, as a party to the Lomé Convention, receives preferential treatment by the European Union.

### 38 FOREIGN INVESTMENT

Because of its ethnic conflict, limited domestic market, and lack of infrastructure, Burundi has attracted few private foreign investors. The 1979 investment code provides basic guarantees to foreign investors and the corporation tax may be waived for five years. In practice there were delays in the repatriation of profits. Foreign direct investment (FDI) flows to Burundi were insignificant until 2000 when they reached \$11.7 million. They later became zero again. The low level of FDI inflows is attributed to the fact that Burundi is a landlocked least developed country with little natural resources and a tiny market. FDI inward stock grew from \$30 million in 1990 to about \$34 million in 1995 and then jumped to \$48 million in 2002. Two of the three largest affiliates of foreign transnational companies (TNCs) in Burundi in 2002 originated from Belgium and are engaged in financial sector activities. The third, which is also engaged in financial sector activities is jointly owned by Belgium and Germany.

### 39 ECONOMIC DEVELOPMENT

Burundi began a complete review of economic and financial policy with the help of the UN in 1986, when a reform of the currency and the first of a series of devaluations occurred. The first five-year plan was designed to improve economic growth, reduce inflation, and diversify export production. Few of these objectives were met, and the program was discontinued in 1991. A second reform of the currency and further devaluation took place in 1992. These reforms led up to the gradual decline of living standards and exacerbated ethnic tensions, resulting in the ethnic clashes of the 1990s.

Burundi is dependent on foreign assistance for both development programs and current operations. Diversification of its export base and financial stability are key goals. The African Development Bank, European Union, and Belgium are Burundi's principal providers of development financial and technical support. Support has been pledged for the health sector, education, refugee rehabilitation, and general reconstruction.

The International Monetary Fund (IMF) approved \$13 million in assistance to support Burundi's reconstruction and economic recovery program in 2003, following the 2000 Arusha Peace and

Reconciliation Agreement. It was the first such IMF assistance to Burundi since the outbreak of hostilities in 1993. The program addresses security and humanitarian assistance needs, as well as the improvement of basic infrastructure. Low world coffee prices in the late 1990s and early 2000s resulted in a reduction of foreign exchange earnings, and the government resolved to find other ways to generate growth.

In 2005, the new government stated its intention to continue with the economic policy reforms contained in the IMF's poverty reduction and growth facility. Inflation has remained high averaging 10.1% per annum for the period 2000–2005 due in part to a poor harvest which kept food prices elevated. However, there is optimism that the next harvest will be better, and food prices are expected to decline. Strong coffee production in 2004/05 and high international prices boosted exports in the first half of 2005. Donors have promised to support the country's political transition to democracy with financial aid.

### 40 SOCIAL DEVELOPMENT

Under the tribal system, the individual's basic welfare needs have traditionally been the responsibility of the group. Even now, the family remains the most important social welfare institution. There are social centers for women and youth. Missions help to look after orphans and the aged. For the small percentage of wage earners, there is a government social security system that insures against accidents and occupational diseases and provides old-age and disability pensions. This program is funded by employer and employee contributions. Workers covered by the labor code are entitled to workers' compensation for temporary and permanent disabilities. Employed persons are entitled to family allowances.

The Transitional Constitution Act guarantees equal protection for all citizens, but it has not been effectively implemented. Women suffer job discrimination and sexual violence, which is rarely reported to the authorities. The stigma of rape is so pervasive that women are subject to ridicule by authorities, and often are required to provide food and other costs of incarcerating the rapist. Domestic violence is commonplace although no cases involving abuse of women have ever been heard in a Burundian court. Children are often used for forced labor, have been subjected to violence, and have lost family members to the civil war.

Burundi's poor human rights record remains unchanged, with failure to control excesses by security forces, including reprisals against civilians following rebel attacks. Abductions are commonplace. Prison conditions are life threatening.

### 41 HEALTH

Following independence, the World Health Organization (WHO) assisted in the organization of public health services and the training of sanitarians and public health nurses for Burundi. Students from Burundi received medical training at universities in France and in the Democratic Republic of the Congo. WHO coordinated all public health programs and helped in campaigns against smallpox, tuberculosis, and malaria. WHO, the UN Food and Agriculture Organization, and UNICEF also provided aid for nutrition and maternal and child health programs. Following the assassination of the president of Burundi in 1993, widespread violence involving tribal groups uprooted many of the country's people. Ap-

proximately 683,000 people fled to neighboring countries, rural villages, or towns where sanitation is poor.

Outbreaks of group A meningitis are occurring in Burundi. There have been over 2,500 cases of meningitis. Trypanosomiasis (sleeping sickness), borne by the tsetse fly, is a problem in the Ruvuvu River Valley. Malaria and schistosomiasis (bilharziasis) are common along the Ruzizi River. Intake of animal protein and fat is inadequate and almost all diseases associated with malnutrition are found in Burundi. In 1995, 2,297 cases of cholera were reported. A four-year program covering 30–40% of the country, started in 1986, was intended to rehabilitate and expand rural water supplies. Approximately 58% of the population had access to safe water.

In 2004, there were an estimated 5 doctors, 28 nurses, and 1 pharmacist per 100,000 people. Total health care expenditures were estimated at 3.7% of GDP.

In 2005, the infant mortality rate was 64.39, down from 102 per 1,000 live births. The maternal mortality rate of 1,900 per 100,000 live births was one of the highest in Africa. Only 9% of married women (ages 15 to 49) practiced contraception. In 1999, Burundi immunized children up to one year of age as follows: diphtheria, pertussis, and tetanus, 74% and measles, 75%. Approximately 38% of children under five years old were considered to be malnourished.

Average life expectancy in 2005 was estimated at 50 years, up from 42 years in 2000. There were approximately 8,000 war-related deaths during the conflict between the Tutsis and Hutus from 1988 to 1992. The death rate was estimated at 16 per 1,000 as of 2002. The HIV/AIDS prevalence was 6.00 per 100 adults in 2003. As of 2004, there were approximately 250,000 people living with HIV/AIDS in the country. There were an estimated 25,000 deaths from AIDS in 2003.

## 42 HOUSING

Civil war has caused homelessness through displacement of residents and destruction of homes. In 2004, about 1.2 million people were still without basic permanent shelter. Foreign assistance programs for reconstruction and improvements in housing are underway. The basic type of housing in the rural areas is the hut, most commonly beehive shaped, made of strips of wood woven around poles, and covered with tin (thatch has become scarce). The huts are generally not grouped into villages but are organized in groups on a family basis. Government resettlement projects have been considering plans to build mud and cement brick dwellings with roofs of corrugated iron sheets or ceramic tile. The average dwelling is a two- or three-room home, which generally houses about five people.

## 43 EDUCATION

Until 1954, all education was provided by religious missions; it was almost entirely limited to the primary grades. Education is now compulsory for children between the ages of 6 and 12. Primary education lasts for six years. General secondary education lasts for seven years. At the secondary level, students also have an option of technical studies (five years) or vocational schooling

(seven year). The academic year runs from October to June. The languages of instruction in schools are Kisundi and French.

Primary school enrollment in 2003 was estimated at about 57% of age-eligible students; 62% for boys and 52% for girls. The same year, secondary school enrollment was estimated at about 9% of age-eligible students; 10% for boys and 8% for girls. In 2000, it was estimated that only about 26.7% of all students complete their primary education. The student-to-teacher ratio for primary school was estimated at about 50:1 in 2003; the ratio for secondary school was about 19:1.

The University of Burundi, in Bujumbura (founded in 1960), is the country's only institution of higher learning. In 2001, there were about 11,000 students enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 58.9%, with 66.8% for males and 51.9% for females.

The Ministry of National Education is the primary administrative body. As of 2003, public expenditure on education was estimated at 3.9% of GDP, or 13% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

There are about 60 public libraries in Burundi, with the largest in and around the capital. Libraries in Bujumbura include the Public Library, which has 27,000 volumes; the library of the University of Burundi, with 192,000 volumes; and a specialized collection at the Department of Geology and Mines. The French Cultural Center in Bujumbura holds 33,000 volumes.

The National Museum in Gitega (founded in 1955) houses a collection of musical instruments, weapons, witchcraft implements, and a sizeable library. The Musée Vivant, established in 1977 in Bujumbura, contains exhibits reflecting all aspects of life in the country. It also includes a reptile house, aquarium, aviary, open-air theater, and botanical gardens.

## 45 MEDIA

In 2003, there were an estimated three mainline telephones for every 1,000 people; about 4,700 people were on a waiting list for telephone service installation. The same year, there were approximately nine mobile phones in use for every 1,000 people.

In 2001, there were four FM radio stations, two of which were owned by the government, including the Voice of the Revolution, broadcasting in Kirundi Swahili, French, and English. There were eight privately owned radio stations in 2004, including Radio Isanganiro, Bonesha FM, and African Public Radio (RPA); all of these are broadcast in French, Kirundi, and Kirundi Swahili. Some stations receive funding from international donors. Transmissions can be received from British Broadcasting and Radio France Internationale. A television service, Télévision Nationale du Burundi, was established in 1984, and began color transmission in 1985. In 2004, there was only one television station, which was owned by the government. In 2003, there were an estimated 220 radios and 35 television sets for every 1,000 people. The same year, there were 1.8 personal computers for every 1,000 people and two of every 1,000 people had access to the Internet. There were two secure Internet servers in the country in 2004.

The government issues a French-language daily, *Le Renouveau du Burundi*, with a circulation of 20,000 in 2002, and several periodicals, including a weekly newspaper, *Ubumwe*, published in Kirundi, with a 1999 circulation of 20,000, and *Burundi Chrétien*, an-



other weekly published in French. There were five private weekly papers as of 2004 and eight private Internet and fax newsheets.

Though there are no official restrictions upon expression or the press, the regime owns the only daily newspaper and two of the major radio stations, and information is said to be slanted toward pro-government opinions.

#### 46 ORGANIZATIONS

Various commercial, agricultural, cultural, social, and welfare organizations exist in Burundi. The Burundi Chamber of Commerce and Industry is located in Bujumbura. The UPRONA has affiliate labor, youth, and women's organizations.

The National Council of Churches of Burundi has a membership of 500,000 Protestant denominations and congregations. The group supports issues of social welfare, peace, reconciliation, human rights, and general educational as well as evangelical activities.

Youth organizations include the National Youth Council, the Young Catholics Movement, the Red Cross Youth, YMCA, Boy Scouts, and Girl Guides. There are sports associations representing such pastimes as tennis, handball, and track and field. There are a number of women's organizations, including the Burundi Women's Union, which serves to encourage participation in government and politics, and the multinational Women's International League for Peace and Freedom.

There are national chapters of the Red Cross Society, UNICEF, the Society of St. Vincent de Paul, and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

Due to an ongoing civil war, tourism in Burundi has declined since 1993, although it has many tourist attractions. Lake Tanganyika is internationally famous for its scenic beauty. Points of interest include Bujumbura, the capital, on Lake Tanganyika; Gitega, the former capital, with its museum and traditional handicraft center; and the Mosso area in the southeast, with its fairly abundant wildlife. The northeast has a great variety of tropical birds. Burundi is rich in folk art; the dances and drummers of the Tutsi are particularly well known.

In 2003, tourist expenditure receipts totaled \$1.2 million. All visitors require a valid passport and visa. A certificate of vaccination against yellow fever is recommended along with precautions for malaria.

In 2004, the US Department of State estimated the cost of staying in Burundi at \$184 per day.

#### 48 FAMOUS BURUNDIANS

Mwami Ntare I Rushatsi (c.1500), a warrior and astute administrator, succeeded in unifying the country under Tutsi rule. Mwambutsa IV (1913–78), the last mwami under the Belgian administration, was deposed in July 1966. Prince Louis Rwagasore (1930–61), the son of Mwambutsa, was the founder of UPRONA. Michel Micombero (1940–83) was president from 1966 until 1976, when he was replaced by Jean-Baptiste Bagaza (b.1946). Bagaza served until 1987, when he was succeeded by a military junta led by Pierre Buyoya (b.1949).

#### 49 DEPENDENCIES

Burundi has no territories or colonies.

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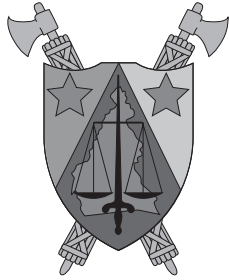
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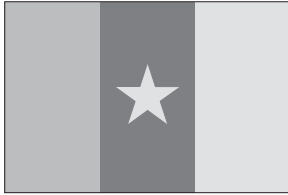
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# CAMEROON

Republic of Cameroon  
*République du Cameroun*



**CAPITAL:** Yaoundé

**FLAG:** The flag is a tricolor of green, red, and yellow vertical stripes with one gold star imprinted in the center of the red stripe.

**ANTHEM:** The national anthem begins “O Cameroun, berceau de nos ancêtres” (“O Cameroon, cradle of our ancestors”).

**MONETARY UNIT:** The Communauté Financière Africaine franc (CFA Fr), which was originally pegged to the French franc, has been pegged to the euro since January 1999 with a rate of 655.957 CFA francs to 1 euro. The CFA franc is issued in coins of 1, 2, 5, 10, 25, 50, 100, and 500 CFA francs, and notes of 50, 100, 500, 1,000, 5,000, and 10,000 CFA francs. CFA Fr1 = \$0.00192 (or \$1 = CFA Fr521.74) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year’s Day, 1 January; Youth Day, 11 February; Labor Day, 1 May; National Day, 20 May; Christmas, 25 December. Movable religious holidays include Ascension, Good Friday, Easter Monday, End of Ramadan (Djoulde Soumae), and Festival of the Lamb (‘Id al-Kabir or Djoulde Laihadji).

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in West Africa, Cameroon, shaped like an elongated triangle, contains an area of 475,440 sq km (183,568 sq mi), extending 1,206 km (749 mi) N–S and 717 km (446 mi) E–W. Comparatively, the area occupied by Cameroon is slightly larger than the state of California. It is bordered on the N and NE by Chad, on the E by the Central African Republic, on the E and S by the Republic of Congo, Gabon, and Equatorial Guinea, on the SW by the Gulf of Guinea (Atlantic Ocean), and on the W and NW by Nigeria, with a total boundary length of 4,993 km (3,103 mi). The coastline accounts for 402 km (249 mi) of this length.

Cameroon’s capital city, Yaoundé, is located in the south central part of the country.

## <sup>2</sup> TOPOGRAPHY

There are four geographical regions. The western lowlands (rising from sea level to 600 m/2,000 ft) extend along the Gulf of Guinea coast and average about 100 km (60 mi) in width. The northwestern highlands consist of forested volcanic mountains reaching over 2,440 m (8,000 ft) in height. Mt. Cameroon (4,095 m/13,435 ft), which stands isolated on the coast to the south, is the nation’s only active volcano and the highest peak in West Africa. The central plateau region extends eastward from the western lowlands and northwest highlands to the border with the Central African Republic and northward to the Bénoué (Benue) River. It includes the Adamawa Plateau, at elevations of 900 to 1,500 m (2,950 to 4,920 ft). This is a transitional area where forest gives way to savanna. The northern region is essentially a vast savanna plain that slopes down to the Chad Basin. Of the two main rivers, the Bé-

noué is navigable several months during the year, and the Sanaga is not navigable. Part of Lake Chad is in Cameroonian territory.

## <sup>3</sup> CLIMATE

The southern and northern regions of the country are two distinct climatic areas. On the coast, the average annual rainfall ranges between 250 and 400 cm (100 and 160 in); in the inland south, between 150 and 250 cm (60 and 100 in). The western slopes of Mt. Cameroon receive 600 to 900 cm (240 to 350 in) a year. The mean temperature ranges from 22° to 29°C (72° to 84°F) along the coast. In the south there are two dry seasons, November to March and June to August. The northern part of the country has a more comfortable climate. Total rainfall drops from 150 cm (60 in) a year in the central plateau to 60 cm (24 in) northward near Lake Chad, and the mean temperature ranges from 23° to 26°C (73° to 79°F), although it can reach 50°C (122°F) in the far north. The dry season in the north is from October to March.

## <sup>4</sup> FLORA AND FAUNA

Cameroon possesses practically every variety of flora and fauna found in tropical Africa. Dense rain forest grows along the coast and in the south. This gives way northward and eastward to open woodland and savanna. Wooded steppe is found in the northern panhandle. Major game animals include buffalo, elephant, hippopotamus, antelope, Derby eland, and kudu. Twenty-two primate species are known in the coastal forests along the Gabon border. As of 2002, there were at least 409 species of mammals, 165 species of birds, and over 8,200 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

Cameroon has 18 national parks and equivalent protected areas covering about 2 million hectares (6 million acres), about 4.5% of

the country. Nevertheless, poaching is a major problem because of insufficient guards. Destruction of the remaining forests is heavy, even within reserved lands. Fires and commercial exploitation of the forests have resulted in the elimination of 200,000 hectares (494,200 acres) per year. Overgrazing is degrading the semi-arid northern range lands. By the mid-1980s, Cameroon had lost 40% of its mangrove swamps. The Dja Faunal reserve is a natural UNESCO World Heritage Site.

Air pollution is a significant environmental problem in Cameroon. The main sources of pollution are industrial chemicals and vehicle emissions. Cameroon has 273 cu km of renewable water resources. About 84% of urban dwellers and 41% of the rural residents have access to safe drinking water.

The country also has a problem with volcanic activity, flooding, and insect infestation. In August 1986, poisonous gases emanating from Lake Nyos in northwestern Cameroon killed 1,746 villagers, by official count. The lake lies within the crater of a dormant volcano, and scientists speculated that the toxic gases were released by molten rock that had seeped into the lake.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 42 types of mammals, 18 species of birds, 1 type of reptile, 50 species of amphibians, 35 species of fish, 1 type of mollusk, 3 other species of invertebrates, and 334 species of plants. Threatened species include the cheetah, Allen's swamp monkey, the spotted eagle, and the Cameroon clawless otter.

## 6 POPULATION

The population of Cameroon in 2005 was estimated by the United Nations (UN) at 16,380,000, which placed it at number 58 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 44% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.3%, a rate the government viewed as too high. The government planned to address the high birth rate, which averages five per woman, with only about 7% of women using contraception. The projected population for the year 2025 was 22,440,000. The population density was 34 per sq km (89 per sq mi).

The UN estimated that 48% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.74%. The capital city, Yaoundé, had a population of 1,616,000 in that year. Douala had a metropolitan population of 1,980,000. Other cities and their estimated populations include Garoua (425,000), Maroua (299,600), and Bafoussam (242,000).

The prevalence of HIV/AIDS has had a significant impact on the population of Cameroon. The UN estimated that 11.8% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

In 1981, nearly 10,000 Cameroonians living in Gabon were repatriated following anti-Cameroonian demonstrations there. At the end of 1980 there were 110,000 refugees from Chad at a camp in Kousséri, but by the end of 1981, all but 25,000 had returned

to Chad. The camp was closed in March 1982, with the remaining refugees transferred to the Poli region. As of 1995, there were an estimated 42,900 Chadian refugees in Cameroon. In 1998, the voluntary repatriation of Chadian refugees continued, but a new group of refugees, mostly urban dwellers seeking asylum, began arriving from Rwanda, Republic of Congo (ROC), and the Democratic Republic of the Congo (DROC). As of 2000 there were 150,000 migrants living in Cameroon. As of 2004, 58,861 people were registered as refugees, mainly from Chad and Nigeria. Another 6,123 were registered as asylum seekers. The net migration rate estimated for Cameroon in 2005 was zero. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

Cameroon has an extremely heterogeneous population, consisting of approximately 250 ethnic groups. Cameroon Highlanders constitute the majority at 38% of the total population. They include the Bamileke and the Bamoun. The coastal tropical forest peoples, including the Bassa, Douala, and many smaller entities account for about 12% of the population. In the southern tropical forest, ethnic groups include the Ewondo, Bulu, and Fang (all Beti subgroups), and the Maka and Pygmies (officially called Bakas). They account for about 18% of the population. The Fulani (Peuhl) account for about 14% of the population and the Kirdi account for about 18%.

## 9 LANGUAGES

French and English are the official languages. However, there are 24 major African language groups, with some 270 indigenous dialects spoken. Most belong to the Bantu and Semi-Bantu (or Sudanic) language groups.

## 10 RELIGIONS

About 40% of the population are at least nominally Christian, of whom approximately half are Roman Catholics and half are affiliated with Protestant denominations. As many as 20% are at least nominally Muslim and about 40% practice traditional indigenous religions or no religion at all. Many of the indigenous religions are practiced primarily in rural areas.

The Fulani people in the north are mainly Muslim, as are the Bamoun group of the western provinces and the Kirdi. The Christian missionaries (Protestants since 1845 and Roman Catholics since 1890) have been particularly active in other areas, with the English-speaking citizens of provinces of the western region being primarily Protestant and the French-speaking citizens in provinces of the southern and western regions being predominantly Catholic. Missionary groups include Baptists, Presbyterians, Methodists, Jehovah's Witnesses, the Unification Church, Seventh-Day Adventists, and Mormons.

Social discrimination by Muslims against those of indigenous religions is fairly widespread. In the northern region, the tension between the Fulani and Kirdi groups is based in part on such past religious differences. The Fulani have been traditionally Muslim while the Kirdi have traditionally practiced indigenous religions. Many of the Kirdi are now Muslim, yet they remain economically, socially, and educationally disadvantaged in this region.

Freedom of conscience and freedom of religion are guaranteed by the constitution and these rights are generally respected in



LOCATION: 1°40' to 13°5' N; 8°30' to 16°11' E. BOUNDARY LENGTHS: Chad, 1,047 kilometers (651 miles); Central African Republic, 822 kilometers (511 miles); Republic of the Congo, 520 kilometers (323 miles); Gabon, 302 kilometers (188 miles); Equatorial Guinea, 183 kilometers (114 miles); Gulf of Guinea coastline, 364 kilometers (226 miles); Nigeria, 1,921 kilometers (1,194 miles). TERRITORIAL SEA LIMIT: 50 miles.

practice. Relations between the government and religious groups are governed by the Law on Religious Congregations. All religious groups must register with the Ministry of Territorial Administration and Decentralization; however, there are no specific penalties for failure to register. The practice of witchcraft is considered a criminal offense, however, prosecution is generally applied only in conjunction with other criminal actions, such as murder. Certain Christian and Muslim holidays are celebrated as public holidays.

## 11 TRANSPORTATION

In 2002, Cameroon had about 80,932 km (50,340 mi) of roads, of which only 5,398 km (3,358 mi) were paved. Unpaved roads are not usable in all seasons, and as a result, the government recently has been rerouting and paving heavily used roads in order to provide all-weather links between agricultural areas and commercial shipping centers. A major highway between Yaoundé and Douala was opened in 1985. In 2003 there were 157,800 passenger automobiles and 84,250 commercial vehicles in use.

Cameroon's railroad system consists of 1,008 km (626 mi) of 1,000-m narrow gauge railways. The oldest line, constructed before 1927 and rebuilt in the mid-1980s, links Douala to Yaoundé (307 km/191 mi) and Douala to Nkongsamba (172 km/107 mi). On the Douala-Yaoundé line there is a spur from Ngoume to Mbalmayo (30 km/19 mi). Kumba is linked to the Douala-Nkongsamba line by another spur. The Trans-Cameroon Railway, Cameroon's most recently constructed line, extends the Douala-Yaoundé line northward 622 km (386 mi) to Ngaoundéré, a cattle-marketing city on the Adamawa Plateau.

Of the operating maritime ports in Cameroon, Douala is the busiest and most important. Lesser ports include Kribi, used chiefly for the export of wood, and Limbé, used only for palm-oil exports. Garoua, on the Benoué River, is the main river port, but it is active only from July to September. In 2005, Cameroon's merchant fleet consisted of one petroleum tanker, totaling 169,593 GRT.

The main international airport is at Douala. Secondary international airports are at Yaoundé and Garoua. In total, there were 47 airports in 2004, only 11 of which had paved runways as of 2005. Cameroon Airlines, which went into operation 1 November 1971, flies to Paris, London, Frankfurt, Brussels, and many African cities; it also operates all scheduled domestic flights. In 2003, about 315,000 passengers were carried on domestic and international flights. Cameroon Airlines is jointly owned by the government and Air France. Among the other airlines serving Cameroon are Pan Am, Air Afrique, Alitalia, Swissair, Iberia, Air Zaire, Air Mali, and Nigeria Airways.

## 12 HISTORY

Linguistic evidence indicates that the area now known as Cameroon and eastern Nigeria was the place of origin of the Bantu peoples. After the 12th century AD, the organized Islamic states of the Sudanic belt, especially those of the Kanem and Fulani peoples, at times ruled the grasslands of northern Cameroon. Small chiefdoms dominated the western highlands and coastal area. Portuguese travelers established contact with the area in the 15th century, but no permanent settlements were maintained. Slaves, however, were purchased from the local peoples.

The modern history of Cameroon began in 1884, when the territory came under German rule after the explorer Gustav Nachtig

gal negotiated protectorate treaties with the local chiefs. Although British missionaries had been active in the area since 1845, the United Kingdom recognized the German protectorate, called Kamerun, which included areas that were later to become British Cameroons and French Cameroun. During their occupation from 1884 to 1914, the Germans advanced into the interior, cultivated large plantations, laid roads, and began constructing a railroad and the port of Douala. When World War I broke out, the territory was invaded by French and British forces. After the war, one-fifth of the former German Kamerun, which was contiguous with eastern Nigeria, was assigned to the United Kingdom, and the remaining four-fifths was assigned to France under League of Nations mandates.

During the period 1919–39, France made notable contributions to the development of the territory. Agriculture was expanded; industries were introduced; roads were built; medical services were broadened; and more schools were established. Political liberty was restricted, however, and the system of compulsory labor introduced by the Germans continued. In August 1940, Col. Philippe Leclerc, an envoy of Gen. Charles de Gaulle, landed at Douala and seized the territory for the Free French. The birth of the Fourth French Republic and the UN trusteeship in 1946 signified a new era for the territory. French Cameroun was granted representation in the French National Assembly and the Council of the Republic. An elected territorial assembly was instituted and political parties were recognized, thus establishing a basis for Cameroonian nationalism.

Immediately after the setting up of the trusteeship in 1946, many parties began to emerge, but only one had effective organization and strength, the Union of Cameroon Peoples (Union des Populations du Cameroun—UPC). The party demanded immediate reunification of the British Cameroons and French Cameroun and eventual independence. In 1955, the UPC, accused of being under extreme left-wing influence, launched a campaign of sabotage, violence, and terror that continued sporadically until 1971, 11 years after independence. The death toll from this struggle has been estimated at between 10,000 and 80,000.

A new stage in self-government was reached in 1957, when the French government created the autonomous state of Cameroun, and Cameroonian institutions were created along the lines of French parliamentary democracy. In 1958, the Legislative Assembly of Cameroun voted for independence by 1960, and France and the UN General Assembly assented. In 1959, the last step in the evolution of political institutions prior to independence took place when a government of Cameroun was formed and given full internal autonomy. Ahmadou Ahidjo became prime minister. Earlier in the year, on 1 January 1959, the Kamerun National Democratic Party had won the general elections in Southern British Cameroons, and John Foncha had become prime minister. Soon Foncha and Ahidjo were discussing the possibilities of unification upon the achievement of independence.

On 1 January 1960, Cameroun became an independent republic. Fierce UPC-led riots in the Dschang and Nkongsamba areas caused Ahidjo to summon French reinforcements to suppress the rebellion, but intermittent rioting continued. A draft constitution was approved in a referendum of 21 February, and on 10 April a new National Assembly was elected. Ahidjo's Cameroun Union

Party won a majority, and Ahidjo, who ran unopposed, was elected president in April 1960.

During 1960, consultations between Foncha and Ahidjo continued, and a proposed federation was tentatively outlined. On 11 February 1961, separate plebiscites were held in the Southern and Northern British Cameroons under the auspices of the United Nations. The voters in Southern Cameroons chose union with the Cameroun Republic, while those in Northern Cameroons opted for union with Nigeria, which was accomplished on 1 June 1961. During the months that followed, terrorist activity was renewed and the Cameroun Republic had to devote one-third of its national budget to the maintenance of public order.

A draft constitution for the federation was approved by the Cameroun National Assembly on 7 September 1961, and the new federation became a reality on 1 October. The Cameroun Republic became the state of East Cameroon, and Southern British Cameroons became the state of West Cameroon in the new Federal Republic of Cameroon, with Ahmadou Ahidjo as president and John Foncha as vice president. Both were reelected in 1965, but Foncha was later replaced as vice president, and the office was abolished in 1972.

A proposal to replace the federation with a unified state was ratified by popular referendum on 20 May 1972; the vote was reportedly 99.97% in favor of unification. A new constitution went into effect on 2 June, under which the country was renamed the United Republic of Cameroon. Ahmadou Ahidjo remained president of the republic; running unopposed, he was reelected for a fourth five-year term on 5 April 1975. In June, by constitutional amendment, the office of prime minister was created, and Paul Biya was appointed to the post. Ahidjo, reelected unopposed, began his fifth five-year term as president in May 1980. In November 1982 he resigned and was succeeded by Biya; Ahidjo remained head of the ruling party, the Cameroon People's Democratic Movement (CPDM).

Biya proved more independent than Ahidjo had anticipated. Following allegations of a military coup plot allegedly masterminded by Ahidjo, the former president retired to France in August 1983, and Biya became party chairman. Ahidjo was sentenced to death (later commuted to life imprisonment) in absentia in February 1984. Biya's own presidential guard attempted to overthrow the government in April; the rebellion was stamped out by the army. Purges followed, and 46 of the plotters were executed. A state of emergency was declared, which lasted several years. Late in 1984, the position of prime minister was abolished, and the name of the country was changed to the Republic of Cameroon.

Despite democratic reform begun in 1990 with the legalization of political parties other than the CPDM, political power remains firmly in the hands of President Biya and a small circle of CPDM members from his own ethnic group. Biya was reelected on 11 October 1992 amid accusations of voting irregularities. Biya reportedly got 39% of the vote to 35% for John Fru Ndi. (Ndi briefly proclaimed himself president before the government released the polling figures.) In contrast, the 1 March 1992 legislative election was considered free and fair by international observers, although many parties boycotted the elections and the CPDM won several constituencies by default. But even though opposition parties were well-represented in the legislature (92 of 180 seats), there

were, according to the 1992 constitution, few legislative or judicial checks on the president.

Following the elections, civil unrest erupted as the population expressed the widespread belief that Ndi had won the presidential elections. By late 1992, Ndi and his supporters were under house arrest and the international community had made clear its displeasure at the antidemocratic and increasingly violent turn the Biya regime was taking.

Biya agreed in May 1993 to hold a so-called Great National Constitutional Debate and in June he began preparing a draft of a new constitution to be adopted either by referendum or by the National Assembly. In 1994, 16 opposition parties formed a loose alliance, dominated by Ndi's Social Democrats, to work for constitutional and electoral reform. In October 1995, the CPDM reelected Biya as its leader. In December of that year the National Assembly adopted a number of amendments to address the power of the president. These reforms included a strengthening of the judiciary, the creation of a partially elected 100-member senate, the creation of regional councils, and the fixing of the presidential term to 7 years, renewable once. Strikes and demonstrations became commonplace as Biya resisted implementation of reforms.

The May 1997 legislative elections were marred by mismanagement, vote-rigging, and fraud, resulting in the Supreme Court's cancellation of results in three constituencies (seven seats). Based on the misconduct of these elections, the opposition boycotted the October 1997 presidential elections, in which Biya claimed victory with 93% of the vote. To add further insult, Cameroon topped Transparency International's list of the most corrupt countries in the world in 1998, prompting the creation of an anticorruption body.

On 30 June 2002 the country held legislative and municipal elections that again were denounced by the opposition as fraudulent. The Supreme Court cancelled the results of nine constituencies, ordering new elections in these constituencies on 15 September. In the end, the Cameroon People's Democratic Movement (CPDM)/Rassemblement Démocratique du Peuple Camerounaise (RDPC) won 149 of 180 seats.

The victory for the ruling party was cemented with the re-election of the 72-year old president Paul Biya in October 2004, thus enhancing the chances of continued domination by the ruling party until the end of his term in 2011. By 2006, appeals were being heard in Biya's home province in favor of a constitutional amendment that would allow him to run for another term when his current term expires. However, against the backdrop of worsening social conditions and high poverty, students protested and conducted strikes for several weeks in April 2005, and clashes with police led to two student deaths. Opposition parties registered their intention to block any attempt to amend the constitution that would allow Biya to run for a third term.

In early 2006 a final resolution to the dispute between Cameroon and Nigeria over the oil-rich Bakassi peninsula was expected. In October 2002, the International Court of Justice had ruled in favor of Cameroon. Nonetheless, a lasting solution would require agreement by both countries' presidents, parliaments, and by the United Nations. The peninsula was the site of fighting between the two countries in 1994 and again in June 2005, which led to the death of a Cameroonian soldier.

### 13 GOVERNMENT

Under the 1972 constitution, as amended in 1984, Cameroon has nominally been a republic headed by a president elected by universal suffrage to successive five-year terms, amended to a maximum of two seven-year terms under the 1996 constitution. The president appoints the ministers, vice-ministers, and regional functionaries; is the head of the armed forces; and promulgates the laws. Since 8 December 2004, Ephraim Inoni has been the prime minister. The president can decree a state of national emergency and can be invested with special powers. The next presidential election was due in October 2011.

The legislative branch is composed of a National Assembly of 180 members from 49 single and multi-seat constituencies. The Assembly is directly elected to a five-year term by universal suffrage. Members meet three times a year in March, June and November. Elections were last held in June and September 2002; the next elections were due in June 2007.

Government checks and balances remain extremely weak under a strong executive system. Censorship was abolished in 1996, but the government sometimes seizes or suspends newspapers and occasionally arrests journalists. A 1990 law authorizing private radio and television stations was implemented by decree in 2000; however, the annual licensing fees are prohibitive. Nonetheless, in 2001, over 100 licensing applications were filed by independent broadcasters. The government's human rights record has been improving over the years but remains generally poor.

### 14 POLITICAL PARTIES

The Cameroon National Union (Union Nationale Camerounaise—UNC) was Cameroon's sole legal political party until 1990. It was formed in 1966 through a merger of the Cameroon Union (Union Camerounaise) and the Kamerun National Democratic Party, the major political organizations, respectively, of the eastern and western regions, and four smaller parties. The UNC sponsors labor, youth, and women's organizations and provided the only list of candidates for the 1973, 1978, and 1983 legislative elections.

Ahmadou Ahidjo became the first head of the UNC in 1966 and continued in that capacity after his resignation as the nation's president in 1982. Following President Biya's assumption of emergency powers in August 1983, Ahidjo, then in France, resigned as party leader. Biya was subsequently elected party chief at a special party congress in September. In 1985, the UNC was renamed the Cameroon People's Democratic Movement (CPDM or Rassemblement Démocratique du Peuple Camerounaise—RDPC).

Opposition parties were legalized in 1990. In the elections to the National Assembly on 1 March 1992, the RDPC/CPDM won 88 of the 180 seats; the National Union for Democracy and Progress (UNDP), 68 seats; the Union of Cameroonian Populations (UPC), 18 seats; and the Movement for the Defense of the Republic (MDR), 6 seats. The RDPC/CPDM and the MDR formed a coalition.

In the presidential election of 11 October 1992, the voting was split—RDPC/CPDM 40%; Social Democratic Front (SDF), 36%; and UNDP 18%. The SDF accused Biya of stealing the election, but Biya was reelected to his post as head of the RDPC/CPDM in October 1995.

In the May 1997 National Assembly elections, the RDPC/CPDM took 109 seats, the SDF 43, the UNDP 13, the UDC 5, others 3, and cancelled constituencies 7. The opposition, backed by international observers, declared the legislative elections highly flawed, and based on their perception of misconduct, the main opposition parties boycotted the presidential elections of October later that year.

The SDF and its allies in the Union for Change remain critical of Biya but are also critical of France, which they call an "accomplice of those in power." However, in 2000 the alliance reportedly was falling apart as the SDF sought to distance itself from the SCNC. The SCNC apparently was accusing the SDF of delaying independence for the northwest and southwest English-speaking provinces by refusing to force its English-speaking members of parliament to resign from the Francophone-dominated National Assembly. Moreover, some members of the opposition wanted their party leaders to join Biya's coalition government so they could share the spoils of office.

By 2000, Biya had shored up his government by forming a coalition with the northern-based UNDP, which had 13 Assembly seats, and with the UPC, which had one seat. Together, the ruling coalition gave Biya a four-fifths majority in the Assembly. The coalition government enjoyed support from seven of Cameroon's 10 provinces, and thus secured former President Ahidjo's north-south alliance, which he had created in 1958.

In the June and September 2002 National Assembly elections, the RDPC/CPDM took 149 seats, the SDF 22, the UDC 5, the UPC 3, and the UNDP 1. Voting irregularities in 9 constituencies (17 seats) in the June elections led to the subsequent by-elections in September for those seats. Nineteen of the SDF's seats came from the English-speaking northwest province. The biggest loser in the election was the UNDP: it had won 68 seats in 1992 and 13 seats in 1997. Observers attributed the party's poor showing to its participation in the RDPC/CPDM-led government.

In the 11 October 2004 election, President Paul Biya was reelected with 70.9 % of the vote. His longtime opponent, John Fru Ndi scored 17.4%, Adamou Ndam Njoya took 4.5%, and Garga Haman Adjia came in last with 3.7%. Biya's second seven-year term extended through October 2011; constitutionally he was not eligible to run for reelection.

### 15 LOCAL GOVERNMENT

The Republic of Cameroon is divided into 10 administrative provinces, each placed under the jurisdiction of a governor appointed by the head of state. Each province is subdivided into departments, which are under the administrative control of divisional officers (*préfets*). In turn, departments are composed of subdivisions (*arrondissements*) headed by assistant divisional officers (*sous-préfets*). Municipal officials are elected for five-year terms. Traditional institutions such as chiefdoms were in noticeable decline during the 1970s and 1980s, although traditional rulers were treated as administrative adjuncts and received a government salary.

In 1996, Biya's government organized relatively free and fair municipal elections where opposition candidates won in nearly every major city. However, three-fourths of the local councils are dominated by the ruling coalition. Municipal elections for 336 local councils were held on 30 June 2002, and were charged by

church leaders and opposition politicians as being flawed; vote-buying, stuffing of ballot boxes, intimidation, and multiple voting were among the accusations brought by the opposition. In January 2003, Biya announced that the government would begin a major program of decentralization to complete the process of democratization begun by the June parliamentary and municipal elections.

## 16 JUDICIAL SYSTEM

Cameroonian law has three main sources: local customary law, the French civil code, and British law, although drafting of a unified code was reported under way in the 1980s. The Supreme Court, in addition to its other powers and duties granted by the constitution, gives final judgment on such appeals as may be granted by the law from the judgments of the provincial courts of appeal. The system also includes appeals courts in each of the 10 provinces, courts of first instance in each of the country's 58 divisions and a 15-member High Court of Justice, appointed by the National Assembly. Proposals for appointments and sanctions against magistrates throughout the republic are started by the Higher Judicial Council, of which the head of state is president. A Court of Impeachment has the right to try the president for high treason and cabinet ministers for conspiracy against the security of the state.

A State Security Court established in 1990 hears cases involving internal or external state security. Traditional courts that resolve domestic, probate, and minor property disputes remain an important element in the judicial system. These courts vary considerably according to region and ethnic group. Appeal is possible in most cases to traditional authorities of a higher rank.

Prior to the 1995 amendments (promulgated in 1996) to the 1972 constitution, the judiciary was supervised by the Ministry of Justice, part of the executive, and did not function as an independent branch of government. The December 1995 amendments provided for a more independent judiciary. However, as of 2003, these provisions were not implemented. There continues to be reported abuses, including beatings of detainees, arbitrary arrests, and illegal searches. The judiciary remains frequently corrupt, inefficient, and subject to political influence.

## 17 ARMED FORCES

Cameroon's armed forces totaled 23,100 active personnel in 2005. The Army had 12,500 personnel organized into three military regions. Equipment included 65 reconnaissance vehicles, 55 armored personnel carriers and over 94 pieces of artillery. There were no tanks. The Navy had an estimated 1,300 personnel, whose primary naval units were 21 patrol/coastal vessels. The Air Force had 300 personnel, and 15 combat capable aircraft, including 15 fighter aircraft and three attack helicopters. Paramilitary gendarmerie totaled 9,000. The defense budget in 2005 totaled \$306 million.

## 18 INTERNATIONAL COOPERATION

Cameroon was admitted to UN membership on 20 September 1960 and is a member of ECA and several nonregional specialized agencies. Cameroon is also a member of the African Development Bank, G-77, the African Union, the Islamic Development Bank, the Monetary and Economic Community of Central Africa (CEMAC), the Organization of the Islamic Conference (OIC), the Central African States Development Bank, the New Partnership

for Africa's Development (NEPAD), and the ACP Group. The nation is part of the Franc Zone. Cameroon was formally admitted to the Commonwealth of Nations in 1995. The nation is part of the Nonaligned Movement. In environmental cooperation, Cameroon is part of the Basel Convention, the Convention on Biological Diversity, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Cameroon's economy is based on a diversified and self-sufficient agriculture supplemented by substantial petroleum production and a sizable manufacturing sector. Coffee and cocoa are Cameroon's principal agricultural exports, along with cork, wood, and cotton. Cameroon in 2002 stood as number six in the world among cocoa producers, and is the eighth-largest producer of coffee. Petroleum, basic manufactures, and machinery and transport equipment provide additional export revenues. The government is trying to stimulate more timber processing. Construction is a growth sector.

The economy suffered since the 1986 decline in the prices for oil, cocoa, coffee, and cotton, as well as the appreciation of the CFA franc, which contributed to the erosion of GDP by more than 60%. Some economic reforms were then initiated, but the government was unable to meet the financial and economic reform goals of several International Monetary Fund (IMF) standby programs.

In January 1994, France devalued the CFA franc, causing its value to drop in half overnight. Immediately, prices for almost all imported goods soared, including prices for food and essential drugs. The devaluation encouraged new investment, particularly in oil, and discouraged the use of hard currency reserves to buy products that could be grown domestically. Cameroon's real GDP increased by 3.3% in 1994–95, an improvement from the decline of 4.3% in 1993–94. The 2001 real growth rate of the GDP was around 5%.

An IMF agreement was signed in 1997, an Enhanced Structural Adjustment Facility (ESAF) program which concluded in 2000. In 1999, the ESAF was replaced by the Poverty Reduction and Growth Facility (PRGF), under which Cameroon was to receive assistance for three years (beginning in 2000). The IMF is pressing for reforms in the areas of budget transparency and privatization. Cameroon is attracting some foreign investment: French and South African companies have bought previously state-owned enterprises, including banks and railroads. The \$4 billion, 670-mile-long (1,070 km) Chad-Cameroon petroleum pipeline, which was underway in 2003, could potentially increase revenues dramatically. Production is estimated to be 225,000 barrels per day.

The economy expanded by 4.3% in 2004, down from 4.5% in 2003; in 2005, the GDP growth rate was expected to shoot up to 5.9%. The inflation rate has been fluctuating, dropping from 4.5% in 2001 to 0.4%, but it did not pose serious problems to the overall health of the economy. Unemployment has remained fairly stable, hovering at around 6.5%. While all indicators point to a stable economic system, Cameroon still has a lot of reforms to implement, and it is still susceptible to changes in oil and cocoa prices.



## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Cameroon's gross domestic product (GDP) was estimated at \$32.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,000. The annual growth rate of GDP was estimated at 5%. The average inflation rate in 2005 was 1.5%. It was estimated that agriculture accounted for 44.8% of GDP, industry 17.3%, and services 37.9%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$11 million or about \$1 per capita and accounted for approximately 0.1% of GDP. Foreign aid receipts amounted to \$884 million or about \$55 per capita and accounted for approximately 7.5% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Cameroon totaled \$8.860 billion or about \$550 per capita based on a GDP of \$12.5 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.1%. In 2001 it was estimated that approximately 33% of household consumption was spent on food, 8% on fuel, 2% on health care, and 9% on education. It was estimated that in 2000 about 48% of the population had incomes below the poverty line.

## 21 LABOR

As of 2005, Cameroon's workforce totaled an estimated 6.86 million, of which 70% were engaged in the agricultural sector, with 13% in commerce and industry. The remaining 17% were in varying occupations. In 2001, the unemployment rate was estimated at 30%.

Although workers are allowed to organize and join unions, there are numerous government-imposed restrictions. Private and public sector employees cannot belong to the same union, nor can a union include different or closely related sectors of the economy. In addition, under penalty of fines and/or prison for union members, a union must register with the government. In practice, unions have found it difficult to obtain registration. Those unions which are registered have been the subject of harassment and interference by the government. The law recognizes the right to strike, but only after mandatory arbitration. However, decisions arising from arbitration are not legally enforceable and can be overturned or even ignored by employers or the government. The right to strike is denied to national security personnel, civil servants and prison system employees.

There are minimum working age and safety and health regulations; however, a lack of resources has greatly compromised their enforcement. The minimum wage in 2005 was about \$47 per month, but was not enough to support a wage earner and family. The workweek is set at 40 hours in public and private nonagricultural firms, and 48 hours in agricultural endeavors. The minimum age of employment is 14 years, although this is not enforced. Child

labor remains a problem in Cameroon as does forced and compulsory labor.

## 22 AGRICULTURE

Agriculture was the main source of growth and foreign exchange until 1978 when oil production replaced it as the cornerstone of growth for the formal economy. In 2004, agriculture contributed 44% to GDP. Agricultural development and productivity declined from neglect during the oil boom years of the early 1980s. Agriculture was the principal occupation of 56% of the economically active population in 2003, although only about 15.4% of the land was arable. The most important cash crops are cocoa, coffee, cotton, bananas, rubber, palm oil and kernels, and peanuts. The main food crops are plantains, cassava, corn, millet, and sugarcane. Palm oil production has shown signs of strength, but the product is not marketed internationally. Cameroon bananas are sold internationally, and the sector was reorganized and privatized in 1987. Similarly, rubber output has grown in spite of Asian competition.

Cameroon is among the world's largest cocoa producers; 130,000 tons of cocoa beans were produced in 2004. Two types of coffee, robusta and arabica, are grown; production was 60,000 tons in 2004. About 85,000 hectares (210,000 acres) are allocated to cotton plantations. Some cotton is exported, while the remainder is processed by local textile plants. Total cotton output was 109,000 tons in 2004. Bananas are grown mainly in the southwest; 2004 estimated production was 630,000 tons. The output of rubber, also grown in the southwest, was 45,892 tons in 2004. Estimated production in 2004 of palm kernels and oil was 64,000 and 1,200,000 tons, respectively. For peanuts (in the shell) the figure was 200,000 tons. Small amounts of tobacco, tea, and pineapples are also grown.

Estimated 2004 production of food crops was as follows: sugarcane, 1,450,000 tons; cassava, 1,950,000 tons; sorghum, 550,000 tons; corn, 750,000 tons; millet, 50,000 tons; yams, 265,000 tons; sweet potatoes, 175,000 tons; potatoes, 135,000 tons; dry beans, 95,000 tons; and rice, 62,000 tons.

## 23 ANIMAL HUSBANDRY

In 2004 there were 5,950,000 head of cattle, 4,400,000 goats, 3,800,000 sheep, 1,350,000 hogs, and 31 million chickens. Most stock breeding is carried out in the north. Ngaoundéré has one of the largest and best-equipped slaughterhouses in Africa. Meat production in 2004 included 95,000 tons of beef, 30,000 tons of poultry, 16,200 tons of pork, 16,380 tons of mutton, and 15,700 tons of goat meat. Dairy and other livestock products that year included 189,300 tons of milk, 13,400 tons of eggs, and 13,000 tons of cattle hides. Meat products are exported to UDEAC countries. During 2002–04, livestock production was up 2.3% compared to 1999–2001. Attempts to improve livestock and hides and skins have been hindered by the social system, in which livestock constitutes a source of prestige, security, and wealth; by slowness in

developing an effective transportation system; and by difficulty in controlling the tsetse fly.

## 24 FISHING

The fishing industry is not highly developed. Most fish are caught by artisan fishermen in rudimentary motorized pirogues. The total catch was an estimated 108,121 tons in 2003.

## 25 FORESTRY

The forested area of 23.9 million hectares (58.9 million acres) occupies about 51% of the land area. Forestry is mostly conducted in the Littoral, Center, South, and South West provinces. Of the 300 commercially valuable species, the principal types of trees felled are assié, azobe, dussil, eloorba, mahogany, sapele, sipo, illomba, ayus, iroko, dibetu, and silk cotton. Timber exports in 2003 were valued at \$403.4 million. In 2003, roundwood production was estimated at 10.9 million cu m (384 million cu ft). Wood sales make up the fourth-largest source of foreign revenue, but infrastructural problems and weak demand for lower-quality wood limits the development of the forestry sector.

## 26 MINING

While Cameroon has steadily increased its oil production, the discovery and exploitation of other mineral resources have been slow. Bauxite deposits, in the Minam and Martap regions, were estimated at 1 billion tons. Iron deposits containing an estimated 200 million tons have been discovered south of Kribi.

Other mineral deposits included diamonds, tin, gold, mica, marble, columbo-tantalite, silica sand, cassiterite, lignite, and rutile. Gold, the sole commercially exploited mineral, yielded an estimated 1500 kg in 2004 and was produced by small-scale artisanal miners, mostly in the eastern part of the country. Limestone production was 260,000 metric tons, and production of pozzolana, ash for cement was 600,000 metric tons in 2004. Diamond production in 2004 was estimated at 12,000 carats, and as with gold, was produced by small-scale artisanal miners.

## 27 ENERGY AND POWER

Cameroon began offshore oil production in 1977. Annual production has gradually fallen since 1985, and the decline is expected to continue as existing reserves are depleted. Output amounted to 76,600 barrels per day in 2001, down from 100,000 barrels per day in 1999. However, Cameroon is sub-Saharan Africa's sixth-largest crude oil producer, with output in 2003 at 67,000 barrels per day, and estimated reserves at 400 million barrels as of 1 January 2004, according to the Energy Information Administration (EIA). Field development and production began in the Kribi-Campo basin in the mid-1990s, and the Ebome field came online in 1996. As of 2002, the major operators were ExxonMobil, Shell, and Total-Fina Elf. Work was under way on development of the Doba basin oil fields and construction of a pipeline between Cameroon and Chad, with the aid of a \$93 million loan from the World Bank. Production was expected to have begun in early 2004. In October 2002, Cameroon and Nigeria, both of whom claimed the potentially oil-rich Bakassi Peninsula, received a ruling on the dispute from the International Court of Justice, which granted the penin-

sula to Cameroon. Cameroon's petroleum consumption in 2001 was 22,000 barrels per day.

The country reportedly has large reserves of liquid petroleum gas, which are largely untapped. According to the EIA, Cameroon's natural gas reserves stood at 3.9 billion cu ft as of 1 January 2004, with no known production in 2002.

Hydroelectric resources remain the most readily exploitable form of energy in Cameroon, which, together with the Democratic Republic of Congo, is considered to have the greatest hydroelectric potential in Africa. Electrical energy is produced primarily by two hydroelectric stations on the Sananga River. Nearly 60% of the power from these stations goes to the aluminum smelter at Edéa. Cameroon's electrical capacity was 0.81 million kW in 2002, for which output for that year was 3.249 billion kWh, of which about 90% was from hydropower and the remainder from fossil fuels. Consumption amounted to 3.022 billion kWh in 2002.

In the 1980s, hydroelectric capacity was expanded by an additional complex on the Sananga River (Song-Loulou) and a 72-MW generator (built with Chinese aid) on the Bénoué. However, despite Cameroon's impressive waterpower resources, the national electricity grid runs principally from Douala to Yaoundé and from Douala to Bafoussam. Most other areas are served by diesel-generated electricity or have no electricity at all. Cameroon's National Energy Plan attempts to prepare for a diminishing petroleum output. Hydro-Québec of Canada conducted a feasibility study of the Nachtigal Power Station, which could provide 280 MW of hydroelectric power on the Sananga River north of Yaoundé. In 1998, Hydro-Québec was awarded a contract to upgrade the Song-Loulou hydroelectric facility.

## 28 INDUSTRY

Industry accounted for 17.39% of GDP in 2002. Considerable advances in industrial development have been made in recent years, mostly in the south. Cameroon's first oil refinery opened at Limbé in May 1981. Since then, oil production has gained paramount importance for the country. Cameroon is sub-Saharan Africa's fifth-largest oil producer. The government, once a large shareholder in many industries, including aluminum, wood pulp, and oil refining, now advocates privatization. The government reported an annual growth of 8.2% in the manufacturing sector for 1998. Exports of logs and rubber were down 50% in 1998, partly because of tightening logging restrictions. There is a rubber factory in the Dizangué region, and about 20 large sawmills and 5 plywood factories and lumber mills.

The first industrial establishment not connected with agriculture processing and forestry was the Cameroonian Aluminum Refining Co. In 1957, the company opened at Edéa, importing ore from Guinea. Output was estimated at 74,800 metric tons in 1995. This was the only public sector monopoly not privatized by the year 2000. The most significant agricultural processing enterprises were the peanut and palm oil mills at Edéa, Douala, Bertoua, and Pitoa; soap factories at Douala and Pitoa; and tobacco factories at Yaoundé. Other concerns included a factory at Kaélé that produced cotton fiber and a cotton oil plant there that produced for export. There was a textile-weaving factory in Douala and a bleaching, dyeing, and printing factory in Garoua.

Cement plants were at Figuil and near Douala; in 1995, cement production was 620,000 tons, but demand for cement declined because of decreased public works. However, as of 2001, the construction sector had expanded, due in part to foreign financing of road construction. Residential and commercial construction was also underway. These construction projects boosted cement production. Several breweries supply both internal demand and surplus for export. Other manufactured products include beer and soft drinks, cigarettes, flour, chocolate, cocoa paste, construction materials, furniture, and shoes.

The \$3.7-billion Chad-Cameroon oil pipeline, with estimated production at 225,000 barrels per day, was completed in late 2003. Although Cameroon's oil production was expected to decline in 2003 (crude oil production was 76,600 barrels per day in 2001, down from 84,000 barrels per day in 2000) as older oil fields become exhausted and fewer new discoveries are made, the position of Kribi as the end point on the pipeline and Cameroon's refinery capacity could turn the nation into a major oil transport center. The government-controlled Sonara (Société Nationale de Raffinage) oil refinery in Limbe produces 42,000 barrels per day. In October 2002, the International Court of Justice ruled in Cameroon's favor in a border dispute with Nigeria over the Bakassi Peninsula. Cameroon now has sovereignty over the peninsula, which is located in the Gulf of Guinea and is believed to contain significant oil reserves. Large-scale exploration and exploitation of the Bakassi reserves is expected to compensate for the decline in Cameroon's other reserves.

Cameroon has great potential for hydroelectric power, and it could become an exporter of electricity. The state-owned electricity utility Sonel (Société Nationale d'Electricité du Cameroun) was being privatized as of 2001. Cameroon has natural gas reserves of approximately 3.9 trillion cubic feet (Tcf), and known gas fields had yet to be developed by 2003.

By 2004, the share of the industry in the overall GDP has fallen to 20.1%; agriculture was the main contributor to the economy—43.7%, and also the largest employer, with more than 70% of the labor force; services came in second with a 36.2% share of the GDP. In October 2005, the government and Alcan Primary Metal Group made plans to expand the Alucam aluminum smelter and to construct a new hydroelectric power station in Edea—a \$900 million investment project.

## 29 SCIENCE AND TECHNOLOGY

The Ministry of Higher Education and Scientific Research is charged with formulating research policy and programs in Cameroon. It operates five university institutes and five research institutes concerned with soil science, hydrology, nutrition, psychosociology, demography, economics, geography, archaeology, botany and vegetal biology, and medical entomology. The French Institute of Scientific Research for Cooperative Development is located in Yaoundé. The universities of Buea, Yaoundé, and Douala (founded in 1977, 1962, and 1977, respectively) have Faculties of science. The University of Dschang (founded in 1977) offers training in agricultural sciences. In 1987–97, science and engineering students accounted for 45% of college and university enrollments. For the period 1990–01 there were only three researchers and four technicians actively engaged in research and development. High

technology exports in 2002 totaled \$1 million, accounting for only 1% of all manufactured exports.

## 30 DOMESTIC TRADE

Most imported consumer goods are distributed among the European population and the salaried and urban African workers. The internal markets are run by African entrepreneurs, while important import-export houses are controlled by Europeans, usually French. The main firms are found in Douala (the main port and industrial center) and Yaoundé (the capital city). The internal markets deal mainly with cattle, locally produced foodstuffs, and textiles, sewing machines, and radios. Trade in capital equipment and construction materials is practically restricted to the local industrialists and government contractors. Agricultural extension, modernization programs, cooperatives, and provident societies have all assisted in expanding markets. Credit, marketing of produce, transport of produce, and storage fall within their jurisdiction.

Economic reforms toward privatization have been in effect throughout the late 1990s. Though progress has been slow, by the end of 2001 four out of eleven state-owned assets were privatized under the current economic program.

Usual office hours are from 7:30 AM to noon and from 1:00 to 3:30 PM, Monday through Friday, and 8 AM to noon Saturday. Many businesses are open from 8 AM to 6 PM. Banks are open 8 to 11:30 AM and 2:30 to 3:30 PM.

## 31 FOREIGN TRADE

Crude petroleum was the most expensive export from Cameroon (35%) in 1999, ending up primarily in France. Wood exports accounted for over a fifth of Cameroon's exports (21%). Cocoa (10%) led agricultural exports, while aluminum (6%) led mineral exports. During the 1990s, Cameroon's export-import volume either remained stable, or increased.

In 2004, exports reached \$2.5 billion (FOB—free on board), while imports grew to \$2.0 billion (FOB). The bulk of exports went to Spain (15.2%), Italy (12.3%), the United Kingdom (10.2%), France (9.2%), the United States (8.8%), South Korea (7.1%), and

### Principal Trading Partners – Cameroon (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	2,245.8	2,020.7	225.1
Spain	491.0	27.0	464.0
Italy-San Marino-Holy See	302.1	68.1	234.0
France-Monaco	243.8	390.6	-146.8
Netherlands	238.3	64.3	174.0
United States	169.1	102.3	66.8
China	98.2	86.8	11.4
Other Asia nes	59.1	...	59.1
Belgium	56.4	84.8	-28.4
South Africa	53.2	44.1	9.1
Chad	45.7	...	45.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

the Netherlands (4.3%). Imports included machinery, electrical equipment, transport equipment, fuel, and food, and mainly came from France (28.2%), Nigeria (9.9%), Belgium (7.6%), the United States (4.9%), China (4.8%), Germany (4.6%), and Italy (4.1%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

In the late 1970s, increased oil production compensated for the low world market prices of Cameroon's agricultural exports and helped the country achieve a favorable balance of payments. From 1994 to 1997, the volume and value of Cameroon's exports increased annually, in part due to the CFA currency devaluation. As of the early 2000s, cocoa and lumber exports had declined, due in part to lower world commodity prices. Petroleum remains Cameroon's chief export commodity. Cameroon has been attempting to attract further foreign investment into offshore and onshore concessions to raise export earnings. Cameroon imports primarily semiprocessed products and other industrial goods, machinery, and food products.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Cameroon's exports was \$2.1 billion while imports totaled \$1.5 billion resulting in a trade surplus of \$600 million.

The International Monetary Fund (IMF) reported that in 1995 Cameroon had exports of goods totaling \$1.74 billion and imports totaling \$1.11 billion. The services credit totaled \$304 million and debit \$499 million.

Exports of goods and services reached \$3.7 billion in 2004, up from \$3.2 billion in 2003. Imports grew from \$3.2 billion in 2003, to \$3.7 billion in 2004. The resource balance was consequently insignificant in both years, reaching \$14 million in 2003, and \$40 million in 2004. The current account balance was negative, improving from -\$317 million in 2003, to -\$183 million in 2004. Foreign exchange reserves (including gold) grew to \$119 million in 2004, covering less than one month of imports.

#### Balance of Payments – Cameroon (1995)

(In millions of US dollars)

<b>Current Account</b>		<b>89.9</b>
Balance on goods	626.9	
Imports	-1,109.0	
Exports	1,735.9	
Balance on services	-194.2	
Balance on income	-412.2	
Current transfers	69.5	
<b>Capital Account</b>		<b>20.4</b>
<b>Financial Account</b>		<b>43.3</b>
Direct investment abroad	-0.6	
Direct investment in Cameroon	7.3	
Portfolio investment assets	-26.2	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	-146.8	
Other investment liabilities	209.6	
<b>Net Errors and Omissions</b>		<b>-138.1</b>
<b>Reserves and Related Items</b>		<b>-15.4</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 3<sup>3</sup> BANKING AND SECURITIES

The bank of issue is the Bank of the Central African States (Banque des États de l'Afrique Central-BEAC), which replaced the Central Bank of the State of Equatorial Africa and Cameroon in November 1972. Its headquarters are in Yaoundé. In 1993, member states of the BEAC created a supranational supervisory authority, Commission Bancaire de l'Afrique Centrale (COBAC) in order to secure the region's banking system. The government's Exchange Control Office controls all financial transactions effected between Cameroon and foreign territories.

Cameroon's banking system consisted of nine commercial banks with 60 branches in 1999. The major commercial banks, all with important foreign participation, were the Amity Bank, Banque Internationale du Cameroun pour l'Épargne et le Crédit (the last bank to be privatized, in 1999), Caisse Commune d'Épargne et d'Investissement, Commercial Bank of Cameroon, Citibank, Societe General de Banque au Cameroun, Standard Chartered Bank, and the Societe Commerciale de Banque Credit Lyonnais-Cameroun. There was also a savings bank and a postal bank. Informal savings and loan systems known as tontines take the place of banks for many tribal members, with repayment enforced by social pressure.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$971.3 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$1.6 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

In April 2003 the Douala Stock Exchange was declared open for business by Cameroon's prime minister, Peter Mufany Musonge, although no exact date was given for the start of trading or the number of companies that will be listed. Cameroon has been criticized for a lack of transparency in its economic institutions and observers question whether the exchange will perform to international standards. The recently privatized electricity company, AES Sonel, is expected to be one of the first companies listed on the exchange when 5% of its shares are offered for sale to its employees; a sale required by an agreement between the company and the government.

### 3<sup>4</sup> INSURANCE

As of 2003, there were a number of foreign (predominately French) and domestic insurance companies doing business in Cameroon. However, foreign firms must have local partners. Cameroon was one of the fourteen French-speaking African nations that adopted a common code with respect to the insurance sector. Enforcement of these new regulations led to the closure of some weak insurance companies and the restructuring of the sector.

### 3<sup>5</sup> PUBLIC FINANCE

Cameroon relies heavily on customs duties and direct taxes as sources of government revenue. Most of Cameroon's oil revenues do not appear in the national budget and are maintained in secret accounts abroad. The year 2000 budget was increased from \$112 million to almost \$2.2 billion in order to repay public debt, subsidize national education, public health, maintain infrastructure,

**Public Finance – Cameroon (1999)**

(In billions of CFA francs, budgetary central government figures)

<b>Revenue and Grants</b>	<b>867.46</b>	<b>100.0%</b>
Tax revenue	690.99	79.7%
Social contributions	18.71	2.2%
Grants	...	...
Other revenue	157.76	18.2%
<b>Expenditures</b>	<b>859.8</b>	<b>...</b>
General public services	375.22	43.6%
Defense	81.83	9.5%
Public order and safety	34.02	4.0%
Economic affairs	58.74	6.8%
Environmental protection	...	...
Housing and community amenities	8.23	1.0%
Health	29.63	3.4%
Recreational, culture, and religion	6.3	0.7%
Education	103.15	12.0%
Social protection	3.92	0.5%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

and fund the police and armed forces. Also in 2000, the government of Cameroon was commended by the International Monetary Fund (IMF) for sound macroeconomic policies and thereby qualified for \$2 billion in debt relief under the Heavily Indebted Poor Countries (HIPC) initiative.

The US Central Intelligence Agency (CIA) estimated that in 2005 Cameroon's central government took in revenues of approximately \$3.2 billion and had expenditures of \$2.7 billion. Revenues minus expenditures totaled approximately \$558 million. Public debt in 2005 amounted to 64.8% of GDP. Total external debt was \$9.223 billion.

The IMF reported that in 1999, the most recent year for which it had data, budgetary central government revenues were CFA Fr867.46 billion and expenditures were CFA Fr859.8 billion. The official exchange rate for 1999 reported by the IMF was us\$1 = CFA Fr615.70. Government outlays by function were as follows: general public services, 43.6%; defense, 9.5%; public order and safety, 4.0%; economic affairs, 6.8%; housing and community amenities, 1.0%; health, 3.4%; recreation, culture, and religion, 0.7%; education, 12.0%; and social protection, 0.5%.

**3<sup>6</sup> TAXATION**

The tax on individual income ranged from 10-60% in 1996. Also levied were housing fund and employment taxes, a tax to finance Cameroon television, and social security taxes. The corporate tax rate was 38.5%. There is an 18.7% value-added tax (VAT) on goods and services sold in Cameroon, although some transactions are exempt. Other levies include taxes on business licenses, certain consumption goods, and stock dividend distributions.

**3<sup>7</sup> CUSTOMS AND DUTIES**

In accordance with the trusteeship agreement between France and the United Nations, all nations had equal tariff treatment in Cameroon when it was a trust territory. Many types of goods essential for economic, social, and educational development were exempt

from duty. Export duties were moderate. Despite this situation, the direction of Cameroon's trade was to the franc currency zone and importers were required to secure import licenses for non-franc zone products. Following independence, the import licensing system was continued, but was less strict for EU countries.

In 1994, Cameroon's new Regional Reform Program included reduced taxes on imports, from over 7-4%, and reduced the overall rate from a maximum 200% to a maximum 70% on luxury goods, and a minimum of 5% on necessities. AS of 2006, however, Cameroon employed the common external tariff (TEC) using four categories: necessities, 5%; raw materials and equipment, 10%; semifinished goods, 20%; and finished products, 30%. There was also an excise tax and an indirect tax on consumer goods, of 25%.

The 2000 Financial Law was designed largely to attract foreign capital, providing exemptions from export duties on bananas, cocoa, coffee, cotton, rubber, sugar, palm oil, and medicinal plants. Legislation to establish free trade zones was enacted in 1990. Prohibited imports include certain sanitary products, chemicals, toxic waste, some cosmetics, and some food items.

**3<sup>8</sup> FOREIGN INVESTMENT**

Under the terms of a structural adjustment program, Cameroon has liberalized its investment code, eliminated most price controls, reduced import and export duties, and sought to privatize its parastatals. Foreign and domestic investors are provided with guarantees that substantially comply with international standards. Cameroon's investment code, enacted in 1990, eliminated requirements for technology transfer and geographic location. Investments are not screened and foreign exchange privileges are not rationed. Investors can freely transfer dividends, return of capital, and interest and capital on foreign debt. The code requires at least 35% Cameroonian equity ownership in small- and medium-sized enterprises. In 1990, Cameroon also promulgated an industrial free zone (IFZ) regime which features a comprehensive package of incentives (a ten-year tax holiday and 15% corporate tax year beginning the 11th year) for enterprises which export at least 80% of their output, with licenses awarded by an independent regulatory agency, the National Office for Industrial Free Zones (NOIFZ). From 1996 to late 1999, the licensing process was suspended pending audits, but in 2002, the government declared all of Cameroon an IFZ, with benefits available to any enterprise meeting the export criterion. Cameroon has a special agreement with France only recently implemented which gives preferential treatment to France, including a special 15% tax and tax deductions for technical assistance.

Despite Cameroon's attractive investment code and IFZ regime, few foreign investors have come forward because of problems in its implementation. In 2002, Transparency International scored Cameroon 2.2 on its 10-point International Corruption Perceptions Index, ranking 90th of 102 countries scored. In June 2003, the government got a soft official development assistance (ODA) loan from the World Bank for about \$50 million to help it buy back \$953.3 million of commercial debt and suppliers' credits at 14.5% face value. If acceptable to creditors who have not received payments for years, this could increase Cameroon's attractiveness for foreign investment.

The government does not publish reliable statistics on foreign investment, but according to estimates by the UN Conference on Trade and Development (UNCTAD), foreign direct investment (FDI) in Cameroon was in the range of \$30 million to \$50 million from 1997 to 2000. FDI inflow rose to \$75 million in 2001, reflecting the sale of 56% of the state electricity company, Sonel, to the US company AES Sirocco for about \$70 million.

France has been the biggest source of foreign investment. The French company Pechiney has long owned the majority share of Alucam, the state aluminum complex, and in the privatization process begun in 1994, a French firm bought a state sugar mill in 1998; a French telecom firm was granted a mobile telephone license in 1999 and a French bank bought Cameroon's last state bank in 2000. South African firms acquired controlling shares in the privatized national railroad and the state-owned mobile telephone company. The Commonwealth Development Corporation had over £36 million (us\$58 million) invested in Cameroonian enterprises as of 1999, including CDC, HEVECAM, Printpak, SNEC, and SOCATRAL. In 2001 and 2002, the principal investors in the \$2.2 billion Chad/Cameroon pipeline project were Exxon-Mobile with 40% (also the project operator), Petronas of Malaysia (35%), and ChevronTexaco (25%), with the US Export-Import Bank providing \$158 million in loan guarantees for the project.

In June 2003, the government officially launched the Douala Stock Exchange, after more than three years of preparation and two missed launch dates, with the announced purpose of facilitating foreign investment in the Cameroon economy. No listings had yet been published.

In October 2005, a major investment plan for Alucam—the country's main aluminum smelter—was devised between the government and the Alcan Primary Metal Group. The investment plan was estimated to cost around \$900 million and targeted an expansion and upgrade of the smelter and the construction of a new hydroelectric power station in Edea. A new cobalt mine is planned to open in Cameroon's Eastern Province in 2006, which would translate into significant inflows of capital and which would make Cameroon the world's leading producer of cobalt.

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

The government has initiated several efforts to further reduce its role in the economy and to promote private sector development during the 1990s and early 2000s, including reforms in taxation, tariffs, labor, and trade. Price controls were lifted in 1994 with the exception of pharmaceuticals, petroleum products, and goods and services produced by public monopolies. The government marketing board for coffee and cocoa was restructured and most restrictions on marketing and exporting were eliminated. During 1996, the government took bids from private companies for the privatization of the state-owned rubber company, shipping company, and railroad.

A prominent feature in Cameroon's economic development strategy was the development of an Industrial Free Zone (IFZ), which covers the entire country. Manufacturing and service industries authorized to operate under the program pay no duties on imported inputs, require no licenses, and are exempt from customs control. An IFZ firm must produce goods or services that are 80% export-bound and which are not environmentally destructive.

Multilateral aid from international financial institutions and UN organizations totaled \$606 million in 1996. France agreed to loan \$55 million in 1999 while the Paris Club agreed to reduce debt by 50% and reschedule payments through 2000. Total external debt in 2000 was \$10.9 billion. Cameroon had a three-year \$133.7 million Poverty Reduction and Growth Facility (PRGF) Arrangement with the International Monetary Fund (IMF) approved in December 2000 that was due to expire in December 2003. The country reached its decision point under the IMF/World Bank's Heavily Indebted Poor Countries (HIPC) initiative in October 2000, qualifying for some \$2 billion in debt relief. The ongoing construction of the Chad-Cameroon oil pipeline in 2003 resulted in growth in the service sector. Economic development remained fragile, however, in part due to a decline in oil output. The government needs to focus on revenue collection, and target spending to key poverty-reduction policies such as health, education, and basic infrastructure.

Economic growth levels are expected to continue to hover between 4% and 5% in coming years, reaching around 4.5% in 2007. While oil production is expected to pick up in the future (as a result of recently discovered oil fields), the overall effect on the economy will probably be offset by weak oil prices. Agriculture is expected to be an important growth sector, owing to high and steady returns on the production of cocoa, coffee, cotton, and timber.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

Social services were introduced by the French in 1950. The current law provides an employees' old age, disability, and survivors' pension plan, financed by employee and employer contributions. Benefits are also paid for occupational diseases and accidents. Old age benefits are payable at age 60, or age 50 for early retirement. Maternity benefits are available for working women, but there are no general sickness benefits. There is a work injury insurance program covering all employed persons which provides cash benefits and medical care as well. Covered employees with children under the age of 14 receive a family allowance. Family assistance is a part of the traditional social system.

Although the constitution prohibits discrimination based on sex, under powerful customary laws, women do not have the same rights as men. Inheritance practices are dictated by tradition and custom, which favor male heirs. Custody of children after a divorce is determined by the husband's wishes, and spousal abuse is not accepted as grounds for divorce. Domestic violence is common and polygamy remains legal. As of 2004, child labor and incidents of slavery continued.

There are over 200 different ethnic groups in Cameroon, and instances of ethnic favoritism are widespread. There are serious human rights abuses, including political and extrajudicial murders. Arbitrary detention and physical abuse of detainees is common. Although the press is independent and criticizes the government, the authorities seek to intimidate journalists. The government has also failed to cooperate with nongovernmental organizations monitoring human rights. Prison conditions are harsh and life threatening.

### **4<sup>1</sup> HEALTH**

The Ministry of Public Health is responsible for the maintenance of all public health services. Many missionaries maintain health

and leprosy centers. The government is pursuing a vigorous policy of public health improvement, with considerable success in reducing sleeping sickness, leprosy, and other endemic diseases. The demand for all types of health services and equipment is high and constant. The need for modern equipment is especially urgent, with many clinics using outdated equipment, some of which is imported illegally from Nigeria.

Malaria is prevalent in the Bénoué River Valley, the basin of Lake Chad, the coastal region, and the forests of southern Cameroon. A large percentage of the adult population is affected. Other serious water-borne diseases are schistosomiasis and sleeping sickness, which is spread by the tsetse fly. Cameroon lies in the yellow fever endemic zone.

As of 2004, there were an estimated 7 physicians, 36 nurses, 1 dentist, and 1 midwife per 100,000 people. Total health care expenditure was estimated at 5% of GDP.

In 2005, the average life expectancy was 51 years. The estimated death rate in 2002 was 12.08 per 1,000 people and the birth rate was estimated at 35.66 per 1,000 people. As of 1999, only an estimated 19% of the country's married women (ages 15 to 49) used any type of contraception. The infant mortality in 2005 was 65 per 1,000 live births. An estimated 29% of children under the age of five suffered from malnutrition. In the same year, 62% of the population had access to safe drinking water and 92% had adequate sanitation. In 1999 Cameroon immunized children up to one year old for tuberculosis (52%); diphtheria, pertussis, and tetanus (48%); polio (37%); and measles (31%).

The HIV/AIDS prevalence was 6.90 per 100 adults in 2003. As of 2004, there were approximately 560,000 people living with HIV/AIDS in the country. There were an estimated 49,000 deaths from AIDS in 2003.

## 42 HOUSING

Differences in climate, building materials, and patterns of living have resulted in a variety of traditional structures in rural areas. After 1946, the French government took measures to cope with growing urbanization, particularly in Douala and Yaoundé. There is still a housing shortage and many people still live in thatched hovels of mud and wood, with no running water or modern facilities. In 2000, only 62% of the population had access to improved water sources. The Cameroonian government has engaged in housing improvement and construction programs in urban and rural areas. A new population and housing census was scheduled to begin in 2005; the last census was taken in 1987.

## 43 EDUCATION

Education is free in state schools and compulsory between ages 6 and 12. There are Francophone and Anglophone systems running side by side. The primary level of the Francophone system covers a six-year course of study. This is followed by four years of general secondary studies and three years of upper secondary studies. The primary schools of the Anglophone system cover a seven-year course, followed by five years of lower and two years of upper secondary studies. Both systems offer seven-year technical programs for secondary students as well. Working alongside the public schools are the missionary schools, which have been extremely important in the history of Cameroonian education. Government

funds are available to mission and private schools. The school year runs from October to July.

In 2001, about 2,742,000 students were enrolled in primary schools and 836,000 were enrolled in secondary schools. It is estimated that about 70% of all students complete their primary education.

The student-to-teacher ratio for primary school was at about 57:1 in 2003; the ratio for secondary school was about 21:1.

There are two universities in the capital, in addition to those in Dschang, Nyaoundere, Douala and Buea. At Yaoundé University (founded in 1962), there are faculties of science, law and economics, and arts at Yaoundé, which maintains four regional campuses. Higher institutions attached to the university include the University Health Sciences Center, the Higher School of Sciences and Techniques of Information, the Institute of International Relations, the Advanced Teachers Training College, and the Polytechnic School. There is also a national school of public administration and an institute of business administration. In 2003, about 5% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 67.9%, with 77% for males and 59.8% for females.

As of 2003, public expenditure on education was estimated at 3.8% of GDP, or 17.3% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

The National Archives is in Yaoundé and has an annex in Buea, where documents on colonial conditions and administration are stored. The National Archives also serves as the National Library of Cameroon and has a library of about 64,000 volumes in Yaoundé. The University of Yaoundé has about 90,000 volumes. There is a public library system with about 40 branches. The French Cultural Institute maintains a library in Douala with approximately 15,000 volumes. Douala also houses the Pan African Institute for Development Library, with about 13,000 volumes. The Cameroon Association of Librarians, Archivists, Documentalists and Museologists (ABADCAM) was established in 1974.

The Museum of Douala has prehistoric and natural history galleries devoted primarily to the main Cameroonian ethnic groups. The Museum of Bamounian Arts and Traditions at Fomban maintains objects of ancient art and a small library. The museums of Diamaré and Maroua at Maroua have ethnographic materials. Dschang has an ethnographic museum devoted to the Bamiléké and a fine-arts museum. Yaoundé has a museum of art and archaeology and a museum of Cameroonian art. There are also museums in Bamenda, Kousséri, and Mokolo.

## 45 MEDIA

The telecommunications network has been improving over the years. An automatic telephone exchange system links all important cities and towns. Cable, telegram, and telex services connect Cameroon to the outside world. In January 1974, a satellite telecommunications earth station was inaugurated, greatly improving the quality of Cameroon's international telephone service. However, service is still limited to mostly business and government use. In 2003, there were an estimated seven mainline telephones for

every 1,000 people. The same year, there were approximately 66 mobile phones in use for every 1,000 people.

In 1987 Cameroon's radio and television networks were merged to form the Office de Radiodiffusion-Télévision Camerounaise (CRTV), which operates under the authority of the Ministry of Information and Culture. There are broadcasting stations at Yaoundé, Douala, Garoua, Buea, Bertoua, Bamenda, and Bafoussam, offering programs in French, English, and many African languages. In 2004, there were about 20 privately owned radio stations operating in the country; however, these were not officially licensed. The state-owned Cameroon Radio Television (CRTV) is the only officially recognized and fully licensed broadcaster in the country. In 2003, there were an estimated 161 radios and 75 television sets for every 1,000 people. The same year, there were 5.7 personal computers for every 1,000 people and 4 of every 1,000 people had access to the Internet. There were three secure Internet servers in the country in 2004.

Most Cameroonian publications are issued irregularly and have small circulations. The majority are published in French, but some appear in Bulu, Duala, and other native languages of Cameroon. The major daily is the *Cameroon Tribune*, the official government newspaper, published in French in Yaoundé, with a weekly English-language edition; circulation was 66,000 in French and 20,000 in English as of 2002. There are 40 to 50 private newspapers, most of which are published sporadically.

The constitution guarantees freedom of the press, but in practice the threat of government censorship generally prevents opposition viewpoints from appearing in print, especially in the government-controlled press.

#### 46 ORGANIZATIONS

The various economic interests of the country are represented in the Chamber of Commerce, Industry, and Mines in Douala and the Chamber of Agriculture, Pasturage, and Forests in Yaoundé. The Cameroonian Union of Professional Syndicates acts as a coordinating agency of the 20-odd syndicates of merchants and producers. There are also the Professional Banking Association and the Confederation of Small- and Medium-Sized Enterprises. The government has encouraged the formation of cooperatives. The National Produce Marketing Office, created in 1978, has a monopoly on marketing cocoa, cotton, coffee, peanuts, and palm kernels. It is responsible for the prices paid the producers, the quality of produce, and the development of production.

The Association to Fight Against Poverty and AIDS, founded in 1999, seeks to improve the lives of women through education, health, farming, economic development and women's rights. Cameroon Association for the Protection and Education of the Child was founded in 2002 to work on issues of children's welfare, particularly among disadvantaged and abused children of rural areas. There are student unions based at the universities in Yaoundé and Douala. There are sports organizations in the country representing such pastimes as baseball, softball, badminton, and handball. There is also an organization of the Special Olympics. The Boy Scouts of Cameroon and Girl Guides are active in the country, as are chapters of the YMCA/YWCA.

Volunteer service organizations, such as the Lions Clubs International, are also present. There are national chapters of the Red

Cross Society, Habitat for Humanity, UNICEF, the Society of St. Vincent de Paul, and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

All visitors to Cameroon must have valid passports, visas, onward/return tickets, and certificates showing yellow fever immunization.

Cameroon's chief tourist attractions are its forests, savanna, jungle, and wild game. The national parks and game reserves are equipped with camps for tourists. In October 2005, the government announced the creation of two new national parks, Boumba Bek and Nki. Together the parks house 283 bird species and 300 species of fish. The diverse ethnic groups, their cultures, and Cameroonian art have also proved of interest to visitors. There are several first-rate hotels in the major cities.

In 2005, the US Department of State estimated the cost of staying in Yaoundé at \$255 per day, in Douala, \$267, and in smaller towns, \$112.

#### 48 FAMOUS CAMEROONIANS

Ahmadou Ahidjo (1924–89) was president of Cameroon from 1960 until 1982. Paul Biya (b.1933), after having served as prime minister since 1975, became president in 1982. William-Aurélien Eteki Mboumoua (b.1933) was OAU secretary-general during 1974–78 and foreign minister of Cameroon during 1984–87. The best-known literary figures are the novelists Ferdinand Oyono (b.1928) and Mongo Beti (1932–2001).

#### 49 DEPENDENCIES

Cameroon has no territories or colonies.

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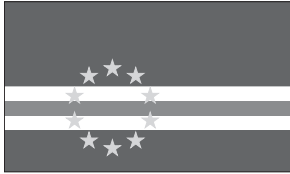
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# CAPE VERDE

Republic of Cape Verde  
*República de Cabo Verde*

**CAPITAL:** Praia

**FLAG:** The flag consists of two white horizontal stripes above and below a red horizontal stripe in the lower half of a blue field. A circle of ten gold stars (representing major islands) is centered around the red stripe on the hoist side.

**ANTHEM:** *É Patria Amada (This Is Our Beloved Country)*.

**MONETARY UNIT:** The Cape Verde escudo (cve) is a paper currency of 100 centavos. There are coins of 20 and 50 centavos and 1, 2½, 10, 20, and 50 Cape Verde escudos, and notes of 100, 500, and 1,000 Cape Verde escudos. cve1 = \$0.01238 (or \$1 = cve80.78) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year's Day, 1 January; National Heroes' Day, 20 January; Women's Day, 8 March; Labor Day, 1 May; Children's Day, 1 June; Independence Day, 5 July; Assumption, 15 August; Day of the Nation, 12 September; All Saints' Day, 1 November; Immaculate Conception, 8 December; Christmas Day, 25 December.

**TIME:** 10 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Cape Verde, containing an area of 4,033 sq km (1,557 sq mi), is situated in the Atlantic Ocean about 595 km (370 mi) west of Dakar, Senegal. Comparatively, the area occupied by Cape Verde is slightly larger than the state of Rhode Island. Extending 332 km (206 mi) SE–NW and 299 km (186 mi) NE–SW, it consists of 10 islands and five islets, divided into a northern windward group (Barlavento)—Santo Antão, São Vicente, Santa Luzia (uninhabited), São Nicolau, Sal, Boa Vista, and two islets—and a southern leeward group (Sotavento)—Brava, Fogo, São Tiago, Maio, and three islets. The total coastline is 965 km (600 mi).

Cape Verde's capital city, Praia, is located on the southeastern coast of São Tiago Island.

## <sup>2</sup> TOPOGRAPHY

The island chain is of volcanic origin. Fogo has the only active volcano, Pico do Cano (Mount Fogo), which reaches 2,829 m (9,281 ft) above sea level, the highest point in the nation. Peaks on Santo Antão and São Tiago reach 1,979 m (6,493 ft) and 1,392 m (4,567 ft), respectively. All but three of the islands are quite mountainous, with prominent cliffs and deep ravines. High ground and southwestern slopes support lush vegetation because of moisture condensation. Only four islands have year-round running streams. Mindelo on São Vicente is the principal port, but there are several other fine harbors.

## <sup>3</sup> CLIMATE

A cold Atlantic current produces an arid atmosphere around the archipelago. There are two seasons: December–June is cool and dry, with temperatures at sea level averaging 21°C (70°F); July–November is warmer, with temperatures averaging 27°C (81°F). Although some rain comes during the latter season, rainfall is sparse

overall. Accumulations are generally around 13 cm (5 in) annually in the northern islands and 30 cm (12 in) in the south. The archipelago is subject to cyclical droughts; a devastating drought began in 1968 and was broken only briefly in 1975, 1978, 1984, and 1986.

## <sup>4</sup> FLORA AND FAUNA

There are trees typical of both temperate and tropical climates, depending on elevation. The only native mammal is the long-eared bat.

## <sup>5</sup> ENVIRONMENT

Much of the land used for raising crops or livestock is too arid or steep for these purposes, resulting in soil erosion. Drought contributes to Cape Verde's land problems along with cyclones, volcanic activity, and insect infestation. The intense demand for wood as fuel has led to the virtual elimination of native vegetation. By 1978, nearly all indigenous plants in farmed areas and within a half-day's walk of small villages had been removed. The land and water supply is adversely affected by insecticides, pesticides, and fertilization. In 2000, about 74% of the population had access to safe drinking water. A resource still almost untapped is an estimated 80–90 million cu m of underground water, but the investment required to exploit it would be very large in relation to Cape Verde's resources.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 3 types of mammals, 4 species of birds, 14 species of fish, and 2 species of plants. Endangered species in Cape Verde included the Mediterranean monk seal, the northern bald ibis, the green sea turtle, and the hawksbill turtle.

## 6 POPULATION

The population of Cape Verde in 2005 was estimated by the United Nations (UN) at 476,000, which placed it at number 161 in population among the 193 nations of the world. In 2005, approximately 6% of the population was over 65 years of age, with another 42% of the population under 15 years of age. There were 92 males for every 100 females in the country. According to the UN, the annual population growth rate for 2005–2010 was expected to be 2.3%, a rate the government viewed as too high. The government is focusing its concerns on adolescent fertility, since much of the country's reproductive health services are provided through foreign aid, which was declining significantly as of 2006. The projected population for the year 2025 was 692,000. The population density was 118 per sq km (306 per sq mi).

The UN estimated that 53% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.16%. The capital city, Praia, had a population of 107,000 in that year. Mindelo, on São Vicente, had the second-largest population after Praia.

## 7 MIGRATION

Economic development has not kept pace with rapid population growth. This factor, in combination with the prolonged drought, has produced a sizable outflow of emigrants. By the early 1990s there were some 600,000 Cape Verdean emigrants in the United States, Europe, Latin America, and other African countries. Some 325,000 were in the United States alone—mostly in New England. Remittances to Cape Verde from emigrants enabled many of those who remained in the islands to survive the drought. In 1998, Cape Verde received some 2,000 refugees from Guinea-Bissau when violence erupted there. Of these, about 1,500 left for other countries. At the end of 1998, some 500 refugees remained at two refugee centers, Trinidad and San Jorginho. Between May and August 1999, 500 refugees returned to Guinea Bissau. In 2002 Cape Verdean remittances were an estimated \$72 million, or about 13% of GDP. In 2005, the estimated net migration rate for Cape Verde was -11.99 migrants per 1,000 population.

## 8 ETHNIC GROUPS

About 71% of the inhabitants of Cape Verde are Creole, descendants of Portuguese colonists and their African slaves, who came, most often, from what is today Guinea-Bissau. Another 28% of the inhabitants are entirely African. There is a small minority (1–2%) of Europeans on the islands.

## 9 LANGUAGES

Portuguese is the official language, but Crioulo, an archaic Portuguese dialect with a pronunciation that reveals African influences, is the spoken language of Cape Verde.

## 10 RELIGIONS

About 85% of the population of Cape Verde are nominally Roman Catholic. Protestant churches account for a small percentage with the largest denomination being the Church of the Nazarene. Other denominations include the Seventh-Day Adventists, the Church of Jesus Christ of Latter-Day Saints, Assemblies of God, the Universal Church of the Kingdom of God, and various

Pentecostal and evangelical groups. There are also small groups of Muslims and Baha'is. Several African traditional religions are practiced, especially on São Tiago, with some traditional elements infused in other religions. Though there is no state religion, the Catholic Church seems to enjoy a somewhat privileged status, including officially observed religious holidays. The constitutional right of freedom of religion is generally respected in practice. All associations, religious and secular, must register with the Ministry of Justice in accordance with the Law of Associations.

## 11 TRANSPORTATION

There are about 1,350 km (840 mi) of roadway on the islands, of which some 1,053 km (655 mi) were paved in 2002. In 1997, Cape Verde had 30 vehicles per 1,000 population. Commercial transportation is largely by coastal craft and domestic airlines. The ports of Mindelo on São Vicente and Porto Novo on Santo Antão are important as international fueling stops. The state-owned Companhia Nacional de Navegacao runs an interisland ferry service. As of 2005, the merchant fleet of Cape Verde consisted of five ships of 1,000 GRT or over, totaling 5,395 GRT. In November 1990, the IBRD announced the complete rehabilitation of two deepwater berths at Praia Port, which can now provide modern cargo handling techniques.

In 1975, the international airport on Sal was renamed the Amílcar Cabral International Airport, in honor of the former nationalist leader of the African Party for the Independence of Guinea-Bissau and Cape Verde. It is an important refueling point on many African flights with the second longest runway in Africa. In 2001, 242,800 passengers embarked or disembarked at Amílcar Cabral. There are smaller airports on seven islands. In 2004 there were seven airports, with three reported to be nonoperational. In 2005, six of them had paved runways. A new airport is under construction in Praia and will accommodate mid-sized jet aircraft. The national airline is Air Transport of Cape Verde, which began service to Lisbon in 1985 and Boston in 1987.

## 12 HISTORY

Parts of the Cape Verde Islands were probably discovered in about 1455 by António da Noli, a Genoese, who was in service to Prince Henry the Navigator of Portugal (Henrique o Navegador); the islands showed no signs of any previous human settlement, although new excavations in Sal Island might suggest earlier visitors. In 1462, São Tiago was the first island to receive permanent settlers. Plantation agriculture was established by the Portuguese community and worked by African slaves, who were brought in from the nearby Upper Guinea coast. There was a population of slaves, and free Africans and a population of Crioulos on the islands from this early period, and they retain strong, but complex cultural ties with the African mainland.

The islands produced trade goods; especially important were cattle, cotton cloths (*panos*) made by slave women, and rum (*grog*). These goods were used to purchase slaves and consumer items from slavers trading in the African interior as well as engage in the slave trade to the New World. The economy of the islands suffered from colonial restrictions on the production of potentially competitive export commodities, as well as from cyclical drought. Between 1747 and 1960, an estimated 250,000 Cape Verdeans died of famine.

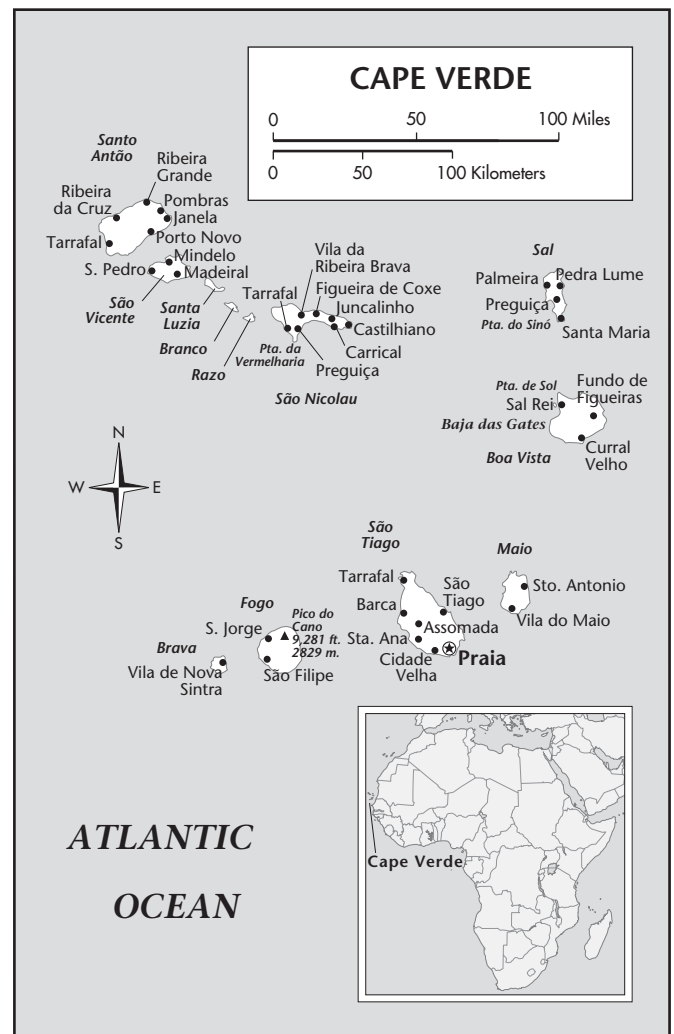
The phase out of the Atlantic slave trade and the abolition of slavery in the Portuguese Empire, coupled with an 1886 law providing for the settlement of former Cape Verde slaves on open lands, brought the end of Cape Verde's importance as a slave-trading center. The islands' historical role as a port of call (prior to the building of the Suez Canal) became important again in the mid-20th century, when they were used by Portuguese troops as a transit area for their African counter-insurgency campaigns. For five centuries, the Portuguese were strong enough to keep the archipelago as a colony until the African Party for the Independence of Guinea-Bissau and Cape Verde (Partido Africano da Independência da Guiné e Cabo Verde—PAIGC) took power on 5 July 1975. This Cape Verdean-led movement was engaged in 11 years of armed struggle in Guinea-Bissau (1963-1974) until this precipitated a military coup in Portugal in April 1974. In turn this resulted in Portuguese decolonization in Africa, and an independence agreement was signed between Portuguese and PAIGC representatives on 30 December 1974, leading to the establishment of the two linked, but independent republics: the Republic of Guinea-Bissau on 24 September 1974 and the Republic of Cape Verde on 5 July 1975.

Cape Verde and Guinea-Bissau—where Luís de Almeida Cabral, a Cape Verdean, was president—were politically unified until a military coup in Guinea-Bissau toppled Cabral in November 1980. The Cape Verde wing of PAIGC subsequently broke its links with the mainland and temporarily abandoned the goal of unification and became known as the African Party for the Independence of Cape Verde (PAICV), dropping the G representing Guiné (the Portuguese designation for Guinea-Bissau). Diplomatic relations with Guinea-Bissau, severed at the time of the coup, were resumed in June 1982.

After 15 years of single-party rule by the African Party for the Independence of Cape Verde (PAICV), dissidents agitated to legalize an opposition party in 1990. A hastily assembled opposition coalition, the Movement for Democracy (MPD), won the 13 January 1991 parliamentary elections with 68% of the votes and 56 out of 79 seats in the National Assembly. In February, an independent candidate, António Mascarenhas Monteiro, defeated the incumbent, Aristides Pereira, for the presidency with 72.6% of the vote. The governmental transition went smoothly and without violence. President Mascarenhas cooperated with the prime minister, Dr. Carlos Wahnnon de Carvalho Veiga, and his party (MPD), who formed the government.

In 1992, the new constitution came into force, and the government began to privatize state-run industries. In 1994, during an MPD party conference, two leading politicians split with the party and formed the Party for Democratic Convergence (PCD). Legislative elections were again held in 1995, with the MPD winning 50 of the 72 seats (the assembly had been shrunk since the 1991 balloting). The PAICV won 21 seats and the PCD won one seat. On 18 February 1996, Monteiro was reelected to the presidency, and Veiga retained his post as prime minister.

On 11 and 25 February 2001, Pedro Pires (PAICV) was very narrowly elected president, and inaugurated on 22 March 2001. On 8 December 2005, president of the Parliament Aristides Raimundo Lima became acting president per a constitutional requirement that Pedro Pires suspend his duties of office while he ran in the 2006 election; Pires won reelection in February 2006.



LOCATION: 14°48' to 17°12' N; 22°40' to 25°22' W.  
TERRITORIAL SEA LIMIT: 12 miles.

In 2001, Pires was elected president with 49.43% of the vote to 49.42% of the vote for Carlos Veiga of the MPD; by 2006, support for Pires had increased, to 51.2% to 48.8% for Veiga. The next presidential election was scheduled for February 2011. José Maria Pereira Neves has been prime minister since 1 February 2001; in January 2006 elections, PAICV won 52.3% and 41 seats to MPD's 44% and 29 seats. The next parliamentary election was scheduled for January 2011 with the main contenders again being the PAICV and the MPD.

### 13 GOVERNMENT

According to the 1980 constitution—the nation's first—the Republic of Cape Verde was a one-party state, under the guidance of the PAIGC; this party was replaced by the African Party for the Independence of Cape Verde (Partido Africano da Independência do Cabo Verde—PAICV) in January 1981, after the coup in Guinea-Bissau. The secretary-general of the PAICV and president of the republic, Aristides Maria Pereira, was elected to national office by the People's Assembly, the national legislative body. He was elected to a second five-year term in January 1986. He was

replaced in a popular election on 17 February 1991, by President Monteiro.

The prime minister, who heads the government, is nominated by the Assembly, and appointed by the president. The Council of Ministers is appointed by the president on the recommendation of the prime minister. Presently, the unicameral National Assembly or Assembleia Nacional consists of 72 seats with members elected by popular vote to serve five-year terms.

The constitution was amended on 28 September 1990 to legalize opposition parties and revised again in 1992. It underwent a major revision on 23 November 1995, substantially increasing the powers of the president, and a further revision in 1999, to create the position of national ombudsman (Provedor de Justiça). It guarantees human rights and includes the principle of the separation of powers, a market-based economy, and individual rights and liberties. Multiparty democracy has peacefully prevailed ever since.

#### 14 POLITICAL PARTIES

The African Party for the Independence of Cape Verde (Partido Africano da Independência do Cabo Verde—PAICV) was the sole legal political party from 1975 until 1990. On 28 September 1990, the constitution was amended to legalize opposition parties. In the parliamentary elections held 13 January 1991, the PAICV was defeated by the Movement for Democracy (MPD), which garnered 68% of the vote. Through the 1990s and into the early 21st century, PAICV was the opposition in the National Assembly. In 1993 and 1994, divisions within the MPD led to the resignation of key members and the emergence of a new party, the Party for Democratic Convergence (PCD). In the 1995 legislative elections, the MPD won 50 seats; the PAICV, 21; and the PCD, 1. Assembly elections were held 22 January 2006 with the PAICV strengthening its position, obtaining 52.3%, the MPD 44%, and the Democratic and Independent Cape Verdean Union (União Caboverdeano Independente e Democrática—UCID), 2.7%. The number of seats held by party was PAICV 49, MPD 29, and other 2. The next parliamentary election was scheduled for January 2011.

#### 15 LOCAL GOVERNMENT

The islands are divided into 17 districts (*concelhos*) and 31 *freguesias*, which are subdivisions of *concelhos*. The *concelhos* are: São Nicolau, Sal, Boa Vista, Maio, Brava, São Vicente, Praia, Tarrafal, Santa Cruz, Santa Catarina, Ribeira Grande, Porto Novo, Paúl, Calheta, Mosteiros, São Domingos, and São Filipe. There are local elections for the officials of these administrative units.

#### 16 JUDICIAL SYSTEM

In the colonial period, Cape Verde was subject to the Portuguese civil and criminal codes. Most provisions of these codes remain in effect. A Supreme Tribunal of Justice hears appeals from subregional and regional tribunals. Informal popular tribunals serve as courts of the first instance for minor disputes.

The 1992 constitution provides for a judiciary independent from the executive branch. The Supreme Tribunal (Court) of Justice has a minimum of five members, one appointed by the president, one appointed by the National Assembly, and three appointed by the Supreme Council of Magistrates. The Ministry of Justice and Labor appoints local judges.

Criminal defendants are presumed innocent and have the right to counsel, to public, nonjury trial, and to appeal.

#### 17 ARMED FORCES

Active armed forces personnel numbered 1,200 in 2005. Of these, 1,000 were in the Army which consisted of two battalions. The Coast Guard, which numbered an estimated 100 personnel, had two patrol boats. The Air Force had up to 100 personnel, but had no combat aircraft. The military budget totaled \$6.8 million in 2005.

#### 18 INTERNATIONAL COOPERATION

On 16 September 1975, the Republic of Cape Verde was admitted to the United Nations. It belongs to the ECA and several nonregional specialized agencies. It is also a member of the African Development Bank, the ACP Group, ECOWAS, G-77, the African Union, the New Partnership for Africa's Development (NEPAD), and the Alliance of Small Island States (AOSIS). Cape Verde is an observer in the WTO and part of the Nonaligned Movement. In environmental cooperation, Cape Verde is part of the Basel Convention, the Convention on Biological Diversity, the London Convention, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

#### 19 ECONOMY

Commerce, transport, and public services accounted for 72% of GDP in 2001. Tourism was regarded as one of the most important growth sectors for the islands, along with transportation infrastructure. Construction was also thriving in the early 2000s. Only 11% of the GDP was accounted for by agriculture and fishing in 2001, which supplies the country's export market. Tuna and lobster are the main fishing products. Bananas, maize, and beans are key crops, with cassava, sweet potatoes, coconuts, dates, and sugar cane also produced on small, low-technology farms for domestic consumption. Cape Verde is drought-prone, and less than 10% of food requirements are met by local producers. Salt, *pozzolana* (a volcanic rock used in cement production), and limestone are mineral resources.

Remittances from Cape Verdeans living abroad supplemented GDP by more than 20% in 2002. The government established tax incentives to attract emigrants' investment in Cape Verdean enterprises. Total debt in 2001 amounted to almost half of the country's annual GDP. Cape Verde runs a high trade deficit.

Perhaps Cape Verde's most important asset is its strategic economic location. It is an important refueling location for international air (Amílcar Cabral International Airport on the island of Sal) and ocean traffic (at the port of Porto Grande, at Mindelo on São Vicente Island). In 1997, a four-year World Bank-sponsored project designed to upgrade the port facilities at Porto Grande was completed. Two new ports were also built on the islands of Maio and Boa Vista.

The government aimed to develop the private sector, liberalize trade, and attract foreign investment in 2003. Political stability and transparency have helped Cape Verde's economic development. The World Bank in 2002 funded a study of the potential of Cape Verde's light industrial manufacturing sector.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Cape Verde's gross domestic product (GDP) was estimated at \$3.0 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$6,200. The annual growth rate of GDP was estimated at 5.5%. The average inflation rate in 2005 was 1.8%. It was estimated that agriculture accounted for 12.1% of GDP, industry 21.9%, and services 66%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$92 million or about \$196 per capita and accounted for approximately 11.5% of GDP.

It was estimated that in 2000 about 30% of the population had incomes below the poverty line.

## 21 LABOR

The unemployment rate stood at an estimated 21% in 2001. There is no data on the size of Cape Verde's labor force or its occupational breakdown.

All workers are free to form and join unions of their choosing without interference from the government. About 22% of the country's workforce was unionized. The government generally respects the worker's right to strike, but this right has been limited at times by the government if an emergency situation or essential services might be affected.

The law sets the minimum work age at 16, but child labor is a problem. Minors under the minimum age cannot work at night, over seven hours per day, or in places that produce toxic products. However, enforcement by the government is rare.

Although there is no established minimum wage for the private sector, most private employers pay their workers what an entry-level government official would make, approximately \$146 per month in 2005. However this is inadequate to support a family and most workers rely upon extended family help or second jobs. The legal workweek is limited to 44 hours for adults, with 12 consecutive hours per week for rest and premium rates of pay for overtime. Larger employers generally respect this restriction, but agricultural and domestic laborers work longer hours.

## 22 AGRICULTURE

The most widespread agricultural activity of the islands is gardening for domestic consumption. Garden crops include corn, cassava, sweet potatoes, and bananas. Only about 11.2% of the land area is suitable for crop production. Frequent droughts often exacerbate an ongoing water shortage. Agriculture employed about 21% of the active population and contributed 15% to GDP in 2003. Estimated 2004 production figures were sugarcane, 14,000 tons; corn, 14,000 tons; bananas, 6,000 tons; coconuts, 5,000 tons; mangoes, 4,500 tons; cassava, 3,000 tons; and potatoes, 3,500 tons. Only the islands of São Tiago, São Vicente, São Nicolau, and Santo Antão have conditions suitable for raising cash crops. Bananas, the only agricultural export, are grown on irrigated land. Sugarcane, another cash crop, is used on the islands to produce rum.

Agriculture has been the focus of development aid programs since the 1960s, but progress has been frustrated by drought, lo-

custs, overgrazing, and archaic cultivation methods. Approximately 85–90% of food needs are met by imports; agricultural imports had a value of \$112.8 million in 2004.

The PAIGC nationalized a few large-scale irrigated agricultural operations and began a program of land reform and cooperative agriculture; sharecropping was abolished. During 1976–80, 7,200 rainwater dikes were built. Torrential rains in 1984 destroyed much of this work, but by 1986, 17,000 dikes and 25,000 stone retaining walls had been completed. There has been little land redistribution, despite a 1982 law distributing farms over five hectares (12.5 acres)—1 hectare (2.5 acres) if irrigated—among the tenants if the land is not directly farmed by the owners.

## 23 ANIMAL HUSBANDRY

Periodic droughts have significantly lowered the capacity of the islands to pasture livestock. In 2004 there were an estimated 205,000 pigs, 112,500 goats, 22,500 head of cattle, 14,500 asses, 9,500 sheep, and 1,850 mules. Total meat production in 2004 was 8,554 tons (up from 5,000 tons in 1996), with pork accounting for over 80%.

## 24 FISHING

The cold Canaries current, running adjacent to the islands, is an ideal environment for many kinds of marketable fish, and the fishing and fish-processing industries in the islands offer the best potential for expansion. São Vicente and Brava each have processing plants, and a fish-freezing plant was opened at Mindelo in 1991. The total catch in 2003 was 8,721 tons, entirely from marine fishing. Maritime resources are under-exploited; of the estimated 50,000 tons of fish, lobster, and other marine products available for harvest, only some 1,500 tons of marine products reach the market annually, either for domestic consumption or export.

## 25 FORESTRY

Forests on the island have been cut down for fuel, and the drought damaged many wooded areas. Large-scale reforestation is under way as part of a program of water-resource development. There are about 1,000 hectares (2,470 acres) of forest plantations. A total of 4.3 million trees were planted during 1978–83. Roundwood production in 2003 was 2,000 cu m.

## 26 MINING

Mining's contribution to Cape Verde's economy was minimal, and the geological potential of the islands remained largely unexplored. Pozzolana (a volcanic rock used in pulverized form in the manufacture of hydraulic cement) from four mines on Santo Antão and salt were the only minerals exploited commercially, salt being a leading industry. In 2004, around 1,600 metric tons of salt was produced. Sal and Boa Vista had sea-salt refineries and deposits of calcareous rocks, used in paving, building ornaments, and tile production. There were also deposits of kaolin, clay, gypsum, and basalt.

## 27 ENERGY AND POWER

In 2001, the islands produced and consumed 0.04 billion kWh of electricity, entirely from thermal sources. Installed capacity totaled about 0.007 GW as of 1 January 2001. Electra, the public electricity utility, maintains thermal power plants on Praia, Min-

delo, and Sal; local councils operate 12 rural power plants. Ten wind generators of 30 kW each were in operation on Mindelo in 1991. Because Cape Verde has no known crude oil reserves, or oil refining capacity as of 1 January 2003, the country must import all of its petroleum products. In 2002, petroleum imports and consumption both totaled 8,870 barrels per day. The country has no known production or consumption of natural gas, as of 2001, and as of 1 January 2003, there are no known natural gas reserves

## 28 INDUSTRY

After 1993, the industrial sector in Cape Verde was born, with garment and shoe production factories. Industry accounted for about 18% of GDP in 2000 and dipped to 17% in 2001. Besides the salt refining, Cape Verdean manufactures include frozen and canned fish, tobacco, bread and biscuits, and soft drinks. Rum is produced from locally grown sugarcane. The government announced in 2002 that it was launching an initiative to increase investment in infrastructure, which will aid the construction industry. The African Development Bank granted Cape Verde a \$3.3 million loan to finance its economic reform programs that year, including privatizing industries. Also in 2002, the government announced that an Italian company was going to undertake oil exploration on the island of Santo Antão.

## 29 SCIENCE AND TECHNOLOGY

No information is available.

## 30 DOMESTIC TRADE

As of 2003, over 70% of the economy was based on the service sector, with commerce, transportation, and public services as the strongest segments. However, the majority of the workforce lives and works in the rural sector employed in agriculture or fishing, which accounted for only about 10% of the GDP in early 2003. Most consumer goods are imported and sold or distributed in the major centers of Praia and Mindelo by EMPA, a state wholesale-retail company that controls the prices of many basic consumer goods. Nearly 20% of the GDP is supported by remittances from expatriates.

The GDP growth rate has fluctuated modestly in recent years. In 1993 the GDP was put at \$ 410 million growing at 3.5% per year, or about \$1,000 per capita. By 1995 it had risen further to \$1,569, which is certainly low by European standards, but is likely the highest for West Africa. Eleven years later, in 2004 it dipped to 3.3% per year, with inflation at 4 % or about \$1,770 per capita. Data for 2005 again put the GDP growth rate at 3.4% annually. Despite the increase in per capita income, the effects of inflation substantially curbed the buying power and the level of unemployment is put at about 30% of the work force. Another measure of this predicament is that cell phone usage is expanding rapidly relative to neighboring Africa, but it is far from the density one finds in Europe. Also indicative of this problematic economy is that the majority of Cape Verde's population can be classified as rural, but the low yield and subsistence agriculture contributes only 20% of the GDP.

Since 1991, the government has pursued economic policies that promote privatization and a market economy. In particular, the government seeks ways to encourage foreign investment and to expand the important tourist sector.

## Principal Trading Partners – Cape Verde (2001)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	9.8	247.8	-238.0
Portugal	7.7	113.5	-105.8
United States	1.7	8.0	-6.3
Senegal	0.1	0.9	-0.8
Germany	0.1	7.8	-7.7
Mauritania	0.1	...	0.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

Business hours for banking, government, and industry are 8 AM to 12 noon and 2 PM to 6 PM. Commercial/retail hours are generally from 8 AM to 12:30 PM and 3 PM to 7 PM. Some establishments are open on Saturdays from 9 AM to 1 PM.

## 31 FOREIGN TRADE

Cape Verde has been increasingly dependent upon imports, especially foodstuffs and manufactured goods, a situation that has led to a severe trade imbalance. Chronic drought exacerbates the problem. About 90% of food had to be imported in 1999. In 2002 Cape Verdean exports were \$218 million. Imports to Cape Verde rose from \$173 million in 1992 to \$237 million 2000.

Major commodity export items were traditionally bananas, fish, and now also include garments and shoes. Cape Verde's fishing resources were estimated to contain a potential of 43,000 to 50,000 tons per year, but only one-third of these resources were utilized in 1999. Other exports include transport containers, shoes, and garments. About half of Cape Verde's trade was done with Portugal in 1999.

## Balance of Payments – Cape Verde (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-77.3</b>
Balance on goods		-291.1	
Imports	-344.0		
Exports	52.8		
Balance on services		20.8	
Balance on income		-16.7	
Current transfers		209.7	
<b>Capital Account</b>			<b>21.1</b>
<b>Financial Account</b>			<b>5.6</b>
Direct investment abroad		...	
Direct investment in Cape Verde		14.8	
Portfolio investment assets		...	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		-7.2	
Other investment liabilities		-2.0	
<b>Net Errors and Omissions</b>			<b>-5.4</b>
<b>Reserves and Related Items</b>			<b>56.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Cape Verde's massive annual trade deficit is only partially offset by remittances from Cape Verdeans employed abroad. Annual payment deficits were substantial and could be met only through foreign assistance. The average import growth rate between 1990 and 1995 was 14%, compared to a GDP growth rate of 4%. Debt in 2000 reached \$301 million. Due to foreign investment, largely in free-zone enterprises, exports rose during the 1990s and early 2000s. In 1992, banana, lobster, and fresh and frozen fish accounted for 92% of the country's exports, led by banana exports. In contrast, in 1999, shoe parts, shoes, and garments accounted for 76% of exports, led by shoe exports.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Cape Verde's exports was \$273 million while imports totaled \$218 million resulting in a trade surplus of \$55 million. In 1999, the International Monetary Fund (IMF) reported that Cape Verde had exports of goods totaling \$26 million, and imports totaling \$241 million. By 2001 the value of exports had risen modestly to \$27.3 million, and the value of imports had decline to \$218 million. The services credit totaled \$106 million and debit \$117 million.

### 3<sup>3</sup> BANKING AND SECURITIES

The Banco de Cabo Verde (BCV, Bank of Cape Verde) was the central bank before 1993, also acting as a commercial and development bank. This organization was supplemented by the Caixa Economica de Cabo Verde (CECV), a savings bank. Liberalization in September 1993 caused the division of the BCV into a central bank, which was privatized in 1999, and a commercial bank called the Commercial Bank of the Atlantic (BCA), which is still majority-state owned. In March 1993, the financial market was opened for private and foreign banks, as long as at least 50% of the workers were Cape Verdean nationals.

In 1999, four Portuguese banks opened offices in Cape Verde: Totta and Acores, Caixa Geral de Depositos, Banco Nacional Ultramarino (BNU), and Banco Mello. The first totally private bank opened in 1999, the Banco Interatlantico.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$170.0 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$363.4 million.

In early October 1996, the Ministry of Economic Coordination held a conference in Praia to consider opening a stock exchange. With the help of GARSEE, a World Bank institution, the Capital Markets Implementation Committee was created (Comissão Instaladora do Mercado de Capitais). The committee established the first stock exchange in March 1999 in Praia. The president of the Lisbon Stock Exchange, José Lemos, assisted GARSEE with the \$500,000 project. Operations were not expected to begin until the end of 1999.

### 3<sup>4</sup> INSURANCE

There are two insurance companies in Cape Verde.

### 3<sup>5</sup> PUBLIC FINANCE

About 44% of the 1998 Cape Verdean budget of \$229 million was allocated to economic reforms (continued privatization), and natural resource, infrastructure, and social development. The government has supported market-oriented policies since about 1991, trying to attract foreign investment.

The US Central Intelligence Agency (CIA) estimated that in 2005 Cape Verde's central government took in revenues of approximately \$328.1 million and had expenditures of \$393.1 million. Revenues minus expenditures totaled approximately -\$65 million. Total external debt was \$325 million.

### 3<sup>6</sup> TAXATION

There are substantial tax incentives for foreign investors in Cape Verde. There is a consumption tax on nonpriority goods, ranging between 5% and 60% for hard liquor. In 2003, a 15% value added tax (VAT) was introduced.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Cape Verde is a member of the Economic Community of West African States (ECOWAS). In 1991, import tariffs were organized into a system of 10 ad valorem rates ranging between 5% and 50%. There is a customs tax of 7% and a consumption tax on luxury items ranging from 5–60%. There are no export controls. The import of narcotics is prohibited and pharmaceuticals can only be imported by the government.

### 3<sup>8</sup> FOREIGN INVESTMENT

Prior to 5 July 1975, Portuguese corporations were the principal investors in the islands. On that date, foreign corporate landholdings were nationalized by the government. During the 1990s, the shipbuilding and repair yard at Mindelo was jointly owned by the government and Portuguese investors; the fish-freezing plant was jointly owned by the government and Dutch investors; and the clothing factory by the government and 107 Cape Verdean nationals living abroad. Private enterprise is now encouraged by the government and has been a major objective of the on-going privatization effort. In 1993, to further encourage investment by Cape Verdean emigrants, the government created favorable tax conditions for such investors. A 100% tax exemption was granted to the first five years of a foreign exportation operation. After five years, a foreign-owned exportation company must pay a 10% tax, which after 10 years was capped at 15%. Foreign-owned industrial endeavors received an exemption for the first three years of operation, with progressively higher customs duties afterwards (25%, 50%, and 75%). The tourism and fishing industries were also granted tax breaks. By the mid-1990s, most sectors of the economy were open to foreign investment, with highest priority given to light manufacturing, tourism, and fishing.

In 1997, the inflow of foreign direct investment (FDI) was \$11.6 million and fell to \$8 million in 1998. However, the increase in privatization sales increased FDI flow to record levels of \$53.3 million and \$21.2 million, in 1999 and 2000, respectively. The economic slowdown in 2001 combined with the worldwide decline

in FDI flows and tourism helped bring Cape Verde's FDI to a reported \$700,000.

Most FDI has been in tourism (54%), with manufacturing accounting for 15.5% of FDI. The main sources have been Italy, Portugal, Spain (Canary Islands), and Hong Kong.

Cape Verde launched a stock exchange in 1999, but it has never been operative. Aside from the endlessly unfavorable balance of payments, the Cape Verdean economic and political systems must be regarded as relatively stable.

### 39 ECONOMIC DEVELOPMENT

The development plan adopted in 1991 sought to transform Cape Verde into an open-market style economy. The development priorities include the promotion of the service-sector industries such as tourism, fishing, maritime services, and transshipping. The problems of persistent drought and water shortage offer strong negative features for economic growth.

Travel and tourism is now one of the most significant parts of the Cape Verdean economy. In 2005 this accounted for 20% of the GDP, generating \$373.2 million and growing at 5.8% per year, or much higher than any other economic sector. By 2015 it is projected to be \$646 million. In other terms, by 2005, this sector alone accounts for 11,201 direct jobs and 19,282 indirect jobs or 10.2% of all jobs in Cape Verde.

In 1994, the government announced a five-year plan to develop the fishing industry, focusing mostly on lobster and tuna. A free-trade port was projected, and offshore banking was planned. In 1997, the government adopted a four-year development plan that focused on debt management and sustainable development. Cape Verde entered into an \$11 million three-year Poverty Reduction and Growth Facility (PRGF) Arrangement with the International Monetary Fund (IMF) in April 2002. Economic growth and international reserves increased in 2002, and inflation fell. The fiscal deficit was lower than expected, the balance of payments was stronger, and investment increased. The government that came into office in 2001 focused on implementing tight monetary policies and improving the social and economic infrastructure. A new tax package was scheduled to be implemented in 2003.

### 40 SOCIAL DEVELOPMENT

Old age, disability, and survivorship pensions are provided for employed persons with a special system for public employees. The system is funded with contributions from the insured person as well as the employer. Cash and medical benefits are provided for sickness, maternity, and work injury. Company managers, shareholders, and owners are excluded from work injury coverage. Family allowances are payable to low income families with children under the age of 14.

The constitution bans sex discrimination, although social discrimination and violence against women persist. The penal code was amended to broaden the definition of sexual abuse and increase penalties. Domestic violence against women is commonplace and societal values discourage reporting these criminal offenses. Discrimination in the workplace continues in hiring, pay, and promotion. Women are often unaware of their rights and suffer unjust treatment in inheritance, family, and custody issues. In

2004 there were active women's organizations working to address these issues.

The government and nongovernmental organizations have been working to highlight the problems of child abuse and abandoned children. Human rights are generally respected by the Cape Verde authorities although there have been some reports of abuses by police.

### 41 HEALTH

Malnutrition (exacerbated by prolonged drought), influenza, and malaria are the major health problems in Cape Verde. The Portuguese government carried out a program of smallpox, yellow fever, and tuberculosis prevention throughout the 1960s. In the 1990s there were 1.5 hospital beds per 1,000 people. In 2000 there were 0.2 physicians, 0.6 nurses, and 0.02 dentists per 1,000 people.

The average life expectancy in 2005 was 70.45 years. The infant mortality rate was 47.77 per 1,000 live births in that year. It was estimated that 83% of children had been vaccinated against measles. The HIV/AIDS prevalence was 0.04 per 100 adults in 2003. As of 2004, there were approximately 775 people living with HIV/AIDS in the country. There were an estimated 225 deaths from AIDS in 2003.

### 42 HOUSING

Housing on the islands varies greatly, from the elegant, Mediterranean-style homes of Europeans and middle-class Cape Verdeans to the simple timber and mud-block houses of peasants. At last estimate, approximately 95% of all housing units were one-floor dwellings. External walls were mostly of stone and clay, stone and cement, or all stone. Water supply was delivered by pipes, wells, tanks and cisterns, and other sources. As of 2000, only about 76.7% of the population had access to safe drinking water. At least 54% did not have access to improved sanitation systems and 50% did not have access to electricity. About 15% of families were homeless. About 80% of all housing units were individual homes.

### 43 EDUCATION

In the pre-independence period, education in the country followed the Portuguese system. Education under the independent government has been patterned after the program of popular education carried out in the liberated areas of Guinea-Bissau. The program stresses universal literacy and primary skills, with advanced education geared toward agricultural and technical skills for production.

Primary education is compulsory and lasts for six years. Secondary education consists of six more years divided into three cycles of two years each. At the second and third cycles, students may choose to switch to a technical or vocational school program.

In 2001, about 55% of all children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 99% of age-eligible students. The same year, secondary school enrollment was about 58% of age-eligible students; 55% for boys and 61% for girls. It is estimated that about 96% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 28:1 in 2003. The ratio for secondary school was about 24:1.



The most prominent institute of higher learning is the Universidade Jean Piaget de Cabo Verde. There are also a number of technical schools. In 2001, there were about 2,000 students enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 75.7%, with 85.4% for men and 68% for women.

The primary administrative body is the Ministry of Education and Human Resources. As of 2003, public expenditure on education was estimated at 7.9% of GDP, or 17% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The Library of the National Assembly in Praia has about 5,000 volumes. The National Library of Cape Verde and the Cape Verde National Historical Archives can both be found in Praia as well. The city also hosts a privately maintained technical and scientific library of 10,000 volumes. There is also a historical museum in the city.

#### 45 MEDIA

In 2003, Cape Verde had 71,700 main line telephones with an additional 53,300 cellular phones in use throughout the country. In 2004, there were seven radio stations; six independent and one state owned. There were also three television stations; one state owned and two foreign owned. In 2002, there were about 100,000 radios and 15,000 television sets nationwide. Broadcasts are in Portuguese and Crioulo. There were approximately 20,400 Internet subscribers nationwide in 2003.

The only daily newspaper in 2005 was *Horizonte* (circulation figures unavailable). The government-run *Novo Jornal-Cabo Verde* (2002 circulation 5,000) is published twice per week. Other periodicals include the weekly *A Semana* (5,000) and *Boletim Informativo* (1,500).

The Constitution of Cape Verde provides for free expression, and the government is said to uphold this right generally. Government authorization is not needed to establish newspapers, other printed publications, or electronic media.

#### 46 ORGANIZATIONS

Cooperative organizations in agriculture, marketing, and labor have been formed. The Chamber of Commerce, Industry, and Services is located at Praia and the Chamber of Commerce, Industry, Agriculture, and Services of the Barlavento is located on São Vicente. The Council of Free Labor Unions serves as a network for 14 unions. The National Union of Cape Verde Workers also represents about 14 unions.

Mass organizations for youth and women are generally tightly controlled by the government. The Scout Association of Cape Verde is an active youth organization. There are national chapters of the Red Cross Society, Caritas, and UNICEF. Some volunteer service organizations, such as the Lions Clubs International, are also present.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourism is a potentially important source of revenue for the picturesque islands and has increased steadily since the mid-1980s. The number of hotels and other accommodations grew from 24 in 1985 to 40 in the early 1990s. In 1995 there were 1,436 hotel rooms, and in 2002 the number of hotel rooms rose again to 2,489 with 4,628 beds and an occupancy rate of 49%. There were 125,852 tourist arrivals that year. The average length of stay was five nights. The majority of visitors came from Italy and Portugal.

The ruins at Cidade Velha on São Tiago and the beaches at Baia das Gatas on Boa Vista hold considerable tourist interest. The three-day festival of Bais das Gatas, known for its music, has gained international fame. Hiking, fishing, and water sports are also popular.

The US Department of State estimated the cost of staying in Praia at \$186 per day in 2005. On São Tiago, the average daily expenses were \$171.

#### 48 FAMOUS CAPE VERDEANS

Aristides Maria Pereira (b.1923) was the cofounder, with Amílcar Cabral (1921–73), of the PAIGC. He became PAIGC secretary-general after Cabral's assassination. Pereira was the first president of the independent Republic of Cape Verde, a position he held until 1991. Luis de Almeida Cabral (b.1931), a brother of Amílcar, became the first president of Guinea-Bissau; after being ousted, he went into exile in Cuba. Antonio Mascarenhas Monteiro was president (1991–2001). He was succeeded by Pedro Verona Rodrigues Pires (b.1934). Cesaria Evora (b.1941) gained an international reputation as a blues singer in the 1990s.

#### 49 DEPENDENCIES

The Republic of Cape Verde has no territories or colonies.

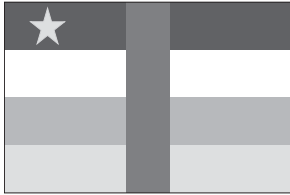
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# CENTRAL AFRICAN REPUBLIC

République Centrafricaine



**CAPITAL:** Bangui

**FLAG:** The national flag consists of four horizontal stripes (blue, white, green, and yellow) divided at the center by a vertical red stripe. In the upper left corner is a yellow five-pointed star.

**ANTHEM:** *La Renaissance (Rebirth)*.

**MONETARY UNIT:** The Communauté Financière Africaine franc (CFA Fr), which was originally pegged to the French franc, has been pegged to the euro since January 1999 with a rate of 655.957 CFA francs to 1 euro. The CFA franc is issued in coins of 1, 2, 5, 10, 25, 50, 100, and 500 CFA francs, and notes of 50, 100, 500, 1,000, 5,000, and 10,000 CFA francs. CFA Fr1 = \$0.00189 (or \$1 = CFA Fr528.28) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Anniversary of President Boganda's Death, 29 March; Labor Day, 1 May; National Day of Prayer, 30 June; Independence Day, 13 August; Assumption, 15 August; All Saints' Day, 1 November; Proclamation of the Republic, 28 November; National Day, 1 December; and Christmas, 25 December. Movable religious holidays include Easter Monday, Ascension, Pentecost Monday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Located entirely within the tropical zone of Central Africa, the Central African Republic has an area of 622,984 sq km (240,535 sq mi), extending 1,437 km (893 mi) E–W and 772 km (480 mi) N–S. Comparatively, the area occupied by Central African Republic is slightly smaller than the state of Texas. Entirely landlocked, it is bordered on the north by Chad, on the east by Sudan, on the south by the Democratic Republic of Congo (DROC—the former Zaire) and the Republic of the Congo (ROC), and on the west by Cameroon, with a total boundary length of 5,203 km (3,233 mi). The Oubangui and Mbomou rivers form much of the southern border; the eastern border coincides with the divide between the watersheds of the Nile and the Zaire rivers. The Central African Republic capital city, Bangui, is located in the southwestern part of the country.

## <sup>2</sup> TOPOGRAPHY

The land consists of an undulating plateau varying in altitude from 610 to 762 m (2,000–2,500 ft). Two important escarpments are evident: in the northwest is a high granite plateau (rising to 1,420 m/4,659 ft), which is related to the Adamawa Plateau of Cameroon; in the northeast the Bongos Range rises to 1,368 m (4,488 ft) and extends into Sudan.

Soils are complex; sands and clays are predominate, sometimes covered with a lateritic layer, over granite and quartz rocks. The land is well drained by two river systems: the Ubangi and its tributaries in the south, and the tributaries of the Chari and Logone rivers in the north.

## <sup>3</sup> CLIMATE

The climate is tropical, with abundant rainfall of about 178 cm (70 in) annually in the south, decreasing to about 86 cm (30 in) in the

extreme northeast. There is one rainy season (December–March) and one long, hot, dry season (April–November). Temperatures at Bangui have an average minimum and maximum range from 21°C (70°F) to 34°C (93°F).

Flooding is common during the rainy season. An unusually heavy rainfall beginning in August 2005 caused severe flood damage to homes in Bakala, Grimari, Kouango, and Bambari. Damage to local farmland, particularly in Ouaka, posed the threat of famine to follow.

## <sup>4</sup> FLORA AND FAUNA

The tropical rain forest in the southwest contains luxuriant plant growth, with some trees reaching a height of 46 m (150 ft). Toward the north, the forest gradually becomes less dense, with wider patches of grassland, and eventually gives way to the rolling hills of the savanna, interrupted by taller growths along riverbeds. Almost every animal of the tropics is found, including the elephant; its ivory was once a major source of wealth but has declined in economic importance. The southwest has a colorful variety of butterflies. As of 2002, there were at least 209 species of mammals, 168 species of birds, and over 3,600 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

The most significant environmental problems in the Central African Republic are desertification, water pollution, and the destruction of the nation's wildlife due to poaching and mismanagement. The encroachment of the desert on the country's agricultural and forest lands is due to deforestation and soil erosion. There are 13 national parks and wildlife reserves. About 8.7% of the total land area was protected in 2003. The Dzanga-Sangha nature reserve in the southwest protects the nation's last rain forest. The Manovo-

Gounda St. Floris National Park is a natural UNESCO World Heritage Site.

The Central African Republic has reported major losses in its elephant population. In 1979, it was disclosed that three-quarters of what had been the nation's elephant population at independence (40,000–80,000) had been killed so that the tusks could be sold for ivory. In the mid-1990s, it was estimated that 90% of the nation's elephant population had been eliminated over the previous 30 years, 85% since 1982. Elephant hunting is now banned.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 11 types of mammals, 3 species of birds, 1 type of reptile, and 15 species of plants. Endangered species in the Central African Republic included the black rhinoceros and northern square-lipped rhinoceros.

## 6 POPULATION

The population of Central African Republic in 2005 was estimated by the United Nations (UN) at 4,238,000, which placed it at number 120 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 43% of the population under 15 years of age. There were 95 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 1.7%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 5,487,000. The population density was 7 per sq km (18 per sq mi), but large areas in the east are almost uninhabited.

The UN estimated that 41% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.81%. The capital city, Bangui, had a population of 698,000 in that year. Other cities and their estimated populations include Bouar (95,193), Bambari (87,464); and Berbérati (82,492).

The prevalence of HIV/AIDS has had a significant impact on the population of Central African Republic. The UN estimated that 12.9% of adults between the ages of 15–49 were living with HIV/AIDS in 2001; the number of AIDS orphans grew by more than 20,000 from 2001 to 2003. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

Both internal and external migration is mainly seasonal. As of 1999, there were 34,831 Sudanese refugees and 3,590 Chadians. Refugees from the Democratic Republic of the Congo (DROC) also arrived in the Central African Republic in January and July 1999. Many settled on their own; however, the government was attempting to relocate all to the Boubou refugee camp. Repatriation efforts began in 1999. Some 1,500 Chadians were ready to return home, and some 500 from the DROC had requested assistance to return to Kinshasa. In 2000, the total number of migrants was 59,000, of which 95% were refugees. In 2003, there were 200,000 internally displaced persons (IDP) within the country. In 2004, some 1,300 Central Africans sought asylum in Cameroon and France. In that same year 28,136 people sought refuge in the Central African Republic: 25,020 refugees, 2,748 asylum seekers

(some from Chad), and 368 returned refugees. The net migration rate for the country estimated for 2005 was zero.

## 8 ETHNIC GROUPS

There are more than 80 ethnic groups, which are classified according to geographic location. The Baya (33% of the population) to the west and the Banda (27%) in the east central region are estimated to be the most numerous groups. In the savanna live the Mandjia, accounting for 13% of the population, the Sara, accounting for 10%, and the Mboum, accounting for 7%, each with several subgroups. In the forest region are the Pygmies (Binga) and some Bantu groups, including the Mbaka, who account for another 4% of the population. About 4% of the population are Yakoma. There were about 6,500 Europeans in 1998, including 3,600 French.

## 9 LANGUAGES

Many languages and dialects are spoken, including Arabic, Hunsu, and Swahili, but Sangho, the language of a group living on the Ubangi River, is spoken by a majority and is the national language. French is the official language of government and is taught in the schools.

## 10 RELIGIONS

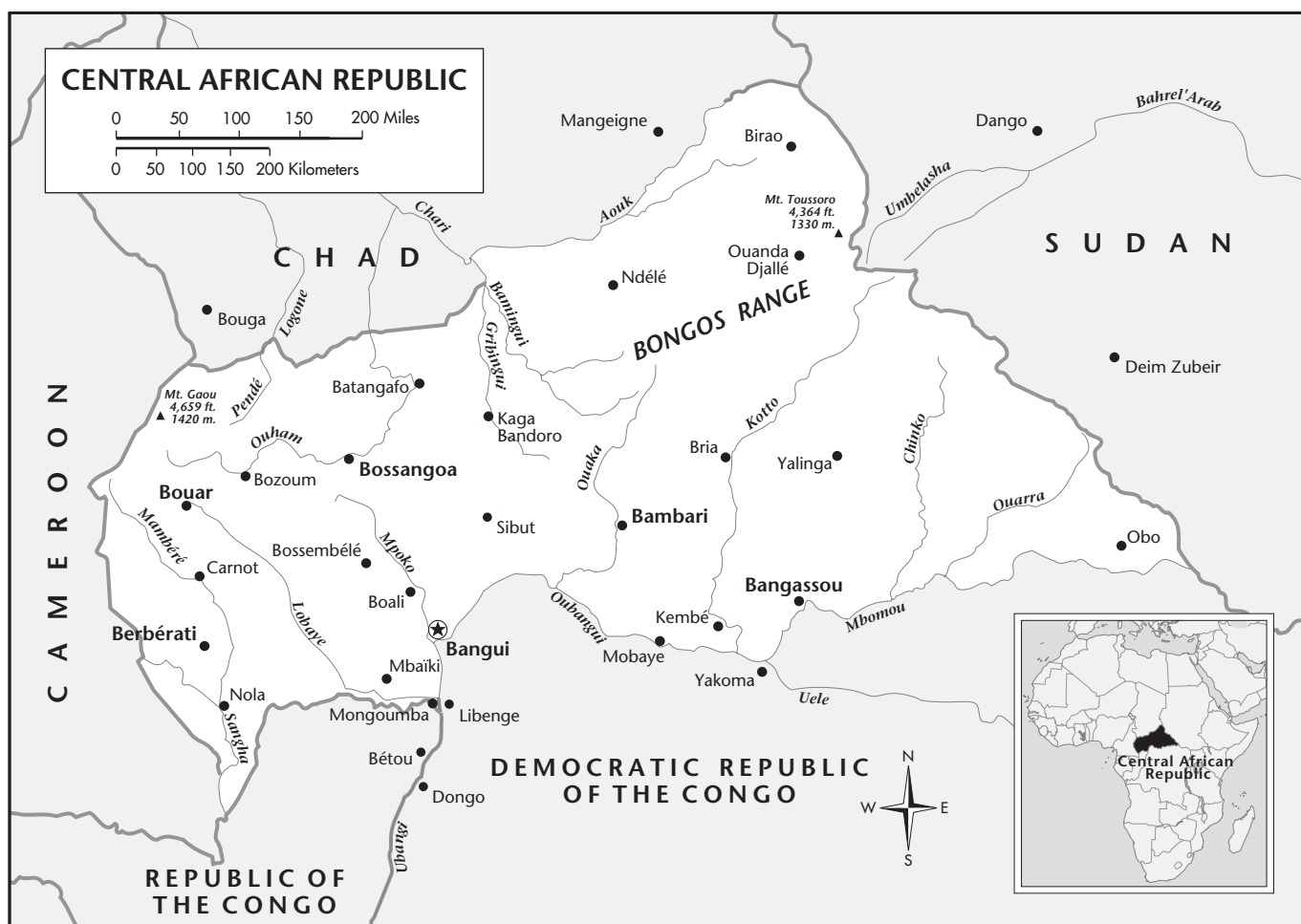
Though about 50% of the population are Christians, it is believed that most of these followers incorporate traditional indigenous elements into their faith practices. Catholic and Protestant missions are scattered throughout the territory. Islam is practiced primarily in the north. About 25% of the population are Protestant, another 25% are Roman Catholic, and 15% are Muslim. Traditional indigenous beliefs are practiced by about 35% of the population as a primary or exclusive belief system. Missionary groups within the country include Lutherans, Baptists, Grace Brethren, and Jehovah's Witnesses.

The constitution (suspended since 2003) provides for freedom of religion while prohibiting certain forms of religious fundamentalism. This prohibition is generally considered to be directed toward Muslim fundamentalists. Christian holidays are celebrated as national holidays. All religious groups must be registered through the Ministry of Interior. The Unification Church has been banned since the mid-1980s. The practice of witchcraft is considered a criminal offense, however, prosecution is generally made only in conjunction with other criminal activity, such as murder.

## 11 TRANSPORTATION

Transportation is limited to river, road, and air, with river transportation the most important for movement of freight. As of 2004, there were some 2,800 km (1,750 mi) of navigable waterways, which consisted mainly of the Sangha and Oubangui rivers. The important Oubangui River route leads to the Zaire River port of Brazzaville, Republic of the Congo, where a rail line travels to the Atlantic port of Pointe-Noire. The Lobaye and several tributaries of the Chari and Logone rivers are partly navigable, but service is irregular during the dry season. The port of Kilongo (at Bangui) is the largest in the country. Both Kilongo and the port of Nola are being enlarged to accommodate steadily increasing maritime traffic.

In 2002, the country had 23,810 km (14,796 mi) of roads, of which only 429 km (267 mi) were paved. A rehabilitation project,



LOCATION: 2°13' to 11°2' N; 14°25' to 27°26' E. BOUNDARY LENGTHS: Chad, 1,199 kilometers (745 miles); Sudan, 1,167 kilometers (725 miles); Democratic Republic of the Congo, 1,577 kilometers (980 miles); Republic of the Congo, 467 kilometers (290 miles); Cameroon, 822 kilometers (511 miles).

begun in 1974 and completed ten years later, centered on three highways running north, west, and south from Nola. In 2003, there were about 1,850 passenger cars and 1,650 commercial vehicles in use. There are no railroads.

In 2004, there were an estimated 50 airports. However, only three had paved runways, as of 2005. There is an international airport at Bangui-Mpoko. Five airlines provide international transport. The Republic is also a partner in Air Afrique. Inter-RCA provides domestic service. In 2003, about 46,000 passengers were carried on domestic and international flights.

## 12 HISTORY

Before its colonial history, the area now known as the Central African Republic was settled by successive waves of peoples, mostly Bantu. Both European and Arab slave traders exploited the area in the 17th, 18th, and 19th centuries, and slave raids and intertribal wars were frequent until the French conquest. In the 19th century, the main population groups, the Baya and the Banda, arrived from the north and east, respectively, to flee the slave trade.

The French explored and conquered the country, chiefly from 1889, when an outpost was established at Bangui, to 1900, as part of a plan to link French colonies from the Atlantic to the Nile. The strongest and most sustained opposition to the French came from

Sultan Senoussi, who was finally defeated in 1912. Isolated local revolts continued well into the 20th century, however. The strongest and bloodiest of these, known as the War of Kongo-Wara, lasted from 1928 to 1931.

The territory of Ubangi-Shari was formally established in 1894, and its borders fixed by treaties between the European colonial powers. The western border with the German Cameroons was fixed by a convention with Germany in 1884; a convention of 1887 with Belgium's King Leopold II delineated the southern border with the Independent State of the Congo; the eastern border with the Sudan was fixed by an 1899 convention. These boundaries were drawn with little knowledge of the human geography of the area, so ethnic groups were sometimes separated into different territories. From 1906 to 1916, Ubangi-Shari and Chad were merged as a single territory. In 1910, Gabon, Middle Congo, and Ubangi-Shari (including Chad) were constituted administratively as separate colonies forming parts of a larger French Equatorial Africa. Ubangi-Shari's resources were exploited by French companies, and abuses of the forced labor system were common.

In 1940, the colony quickly rallied to the Free French standard raised at Brazzaville, Congo. After World War II, the territory elected Barthélémy Boganda as its first representative to the French Parliament in Paris. In a referendum on 28 Septem-

ber 1958, Ubangi-Shari voted to become an autonomous republic within the French community. The Central African Republic was proclaimed with Boganda as president on 1 December 1958. On 30 April 1959, Minister of the Interior David Dacko was elected to succeed Boganda, who had died in a plane crash on 29 March. The country declared itself an independent republic on 13 August 1960, with Dacko as president. In 1961, the constitution was amended to establish a presidential government with a single-party system.

On 1 January 1966, a military coup d'état led by Col. Jean-Bédél Bokassa overthrew Dacko (Bokassa's cousin), abolished the constitution, and dissolved the National Assembly. Bokassa, who became president in 1968 and president for life in 1972, proclaimed himself emperor of the newly formed Central African Empire on 4 December 1976. A year later, on that date, he crowned himself emperor in a lavish ceremony at an estimated cost of \$25 million—a quarter of the nation's annual export earnings.

On 20 September 1979, Dacko, with French support, led a bloodless coup that overthrew Bokassa while he was out of the country. The republic was restored, and Bokassa, who took refuge in Côte d'Ivoire and France, was sentenced to death in absentia for various crimes, including cannibalism. Moreover, an African judicial commission reported that he had "almost certainly" taken part in the massacre of some 100 children for refusing to wear the compulsory school uniforms. In January 1981, six of his supporters, including two sons-in-law, were executed.

A new constitution allowing free political activity was approved by referendum in February 1981. A month later, Dacko was elected, polling a bare majority against four rivals. Violence followed the election, which the losers charged was fraudulent. Economic conditions failed to improve, and Dacko was overthrown on 1 September 1981 by a military coup led by army chief of staff Gen. André Kolingba. Kolingba became chairman of the ruling Military Committee for National Recovery, and the constitution and all political activities were suspended. The Kolingba regime survived an attempted coup in 1982 and an aborted return by Bokassa in 1983. On 21 November 1986, Kolingba was elected unopposed to a six-year term as president, and a new constitution was adopted establishing a one-party state. The new ruling party, the Central African Democratic Party (Rassemblement Démocratique Centrafricain—RDC), nominated a list of 142 of its members, from which voters elected 52 to the new National Assembly on 31 July 1987.

Bokassa made an unexpected return in October 1986 and was retried. On 12 June 1987, he was convicted of having ordered the murders of at least 20 prisoners and the arrest of the schoolchildren who were murdered. He was sentenced to death, but this was commuted to a life term in February 1988. He was released from prison on 1 September 1993, as a result of an amnesty. He died of a heart attack in Bangui on 3 November 1996 at age 75.

The 1990s proved to be a decade of unsteady democratization. In April 1991, under pressure from France, the IMF, and local critics, Kolingba agreed to legalize opposition parties, many of which had already formed a united front to press for further reforms. Elections were held on 25 October 1992, but widespread irregularities led to the Supreme Court dismissing the results for both the National Assembly and the presidency. Elections were rescheduled, and on 19 September 1993 citizens elected Ange-Félix Patassé as

head of the Movement for the Liberation of the Central African People (MLPC), president. A new National Assembly of 85 members was elected. Patassé's party won only 33 seats, and Kolingba's RDC won 14 seats. Despite some irregularities, an international observer delegation certified the validity of the outcome.

Despite the 1994 national referendum and a new constitution instituting democratic reforms, nonpayment of salaries provoked three mutinies and widespread ethnic violence in 1996 and 1997. The French army quelled the mutinies, leaving over 100 people dead and hundreds more injured.

Mediation from four heads of neighboring states produced the Bangui Accord in January 1997. The accord included an 800-strong Inter-African Peace Force (MISAB) composed of six French-speaking countries, approved and supported by the UN and French government. In April 1998, the UN deployed a peace-keeping force of 1,498 military personnel called MINURCA. Its mandate was mainly to monitor implementation of the Bangui Accord. MINURCA succeeded in maintaining security, stability, and an environment conducive for peaceful elections.

On 22 November and 13 December 1998 parliamentary elections were held, overseen by MINURCA. The ruling MLPC won 47 of the 109 seats of the National Assembly, but the opposition formed a parliamentary majority. Patassé won the presidential elections held on 19 September 1999, taking 51.6% of the vote. His runner-up, Kolingba, got 19.3%. Despite opposition allegations of rigging and irregularities, the UN and other international observers declared both elections generally free and fair.

The dawn of the new millennium witnessed more civil unrest in the country. On 15 February 2000, a UN peace-building mission replaced MINURCA and UN troops were withdrawn. However, on 28 May 2001, Kolingba led an unsuccessful coup attempt against Patassé during which at least 59 people were killed and thousands fled Bangui in 10 days of violence. Chadian and Libyan troops, and rebel troops from the Congolese Liberation Movement (MLC) from the Democratic Republic of the Congo, aided Patassé in suppressing the coup attempt. Economic instability followed the aborted coup. Former army chief of staff, François Bozizé, was accused of being involved in the coup attempt, and in November, fighting broke out between government forces attempting to arrest Bozizé, and Bozizé's supporters. Libya, Chad, and the United Nations intervened to attempt to resolve the conflict. Bozizé fled to Chad, but his supporters returned in October 2002 engaging the government in six days of heavy fighting. Libyan forces aided Patassé's troops in suppressing the rebellion.

On 15 March 2003, Bozizé staged a coup, captured Bangui, declared himself president, suspended the constitution and dissolved parliament. Patassé, who had been in Niger for a meeting of African heads of state, fled to Cameroon. Bangui was ravaged by two days of looting and violence, in which at least 13 people were killed. Bozizé replaced the National Assembly with a National Transitional Council (NTC) composed of the leading political factions, police and army personnel, and civil society representatives, including Nicolas Tiangaye, a prominent human rights advocate. His rule brought a measure of stability, but state sector arrears brought about strikes in February and March 2004, and his government squandered an opportunity to strengthen support in the countryside by failing to compensate people for their farms and businesses that were destroyed during the 2003 coup.

Despite these shortcomings, and his promise to step down at the end of the transition, Bozizé contested the 13 March 2005 presidential elections in which all of the leading opposition candidates were allowed to run except for Patassé. Bozizé won on the second run-off round on 8 May 2005, defeating Martin Ziguélé, who ran on the former ruling party ticket of the MLPC. The National Elections Commission declared Bozizé the winner with 64.6% of the vote to 35.4% for Ziguélé. The election received a general declaration of fairness, although the absence of Patassé cast a shadow over the legitimacy of the process.

On 8 May 2005, Bozizé gained yet a further victory when his coalition, *Convergence Kwa Na Kwa* won 42 parliamentary seats in the legislative run-off vote. The MLPC came in second with 11 seats while the RDC managed only eight seats. The remaining seats were won by independents or by smaller parties. In June later that year, the African Union (AU) lifted sanctions against the country, which had been applied after the 2003 usurpation of power.

In early 2006, Bozizé's government appeared stable. However, Patassé, who was living in exile in Togo, and whose supporters reportedly were joining or were prepared to join rebel movements in belief that their leader was still the official elected leader of the MLPC and the rightful head of state of the country, could not be ruled out as a leader of a future uprising. Further, members of Kolingba's Yakoma tribe in the south posed a potential threat to Bozizé's government because of their widespread boycott of the second round of the legislative elections. Members of the Yakoma dominate the army.

### 13 GOVERNMENT

The 1959 constitution was suspended after the January 1966 coup, and the National Assembly was dissolved. An imperial constitution issued in December 1976 lapsed with Bokassa's fall in 1979. A new constitution was promulgated on 6 February 1981 after 97.4% of the voters had approved it in a referendum. It provided for the election of a president and National Assembly by universal adult suffrage, and it allowed multiple parties. It was suspended after the military coup of 1 September 1981. All executive and legislative power was assumed by the ruling Military Committee for National Recovery (*Comité Militaire pour le Redressement National*), headed by Gen. André Kolingba. This committee was disbanded in 1985.

A new constitution adopted by plebiscite on 21 November 1986 established a one-party state and a 52-member National Assembly; simultaneously, Kolingba was elected unopposed to a six-year term as president. The National Assembly provided a forum for debate, but it had little substantive impact on government policy.

In 1991, Kolingba was forced to legalize opposition parties. After the Supreme Court invalidated a 1992 election, new elections were conducted successfully in September 1993. For the 1993 elections, the unicameral National Assembly was enlarged to 85 members. Upon Kolingba's defeat, Ange-Félix Patassé, was installed and a transition to multiparty democracy took place. His coalition government was headed by the MLPC and included members of three other parties. Constitutional reforms passed by referendum in 1994 and instituted in 1995 and 1996 created a stronger prime minister, a constitutional court, and created regional assemblies. On 15 March 2003, former army chief François Bozizé dissolved parliament and suspended the constitution.

Prior to the March 2003 coup, the constitution provided for an independent judiciary, although it was subject to executive interference. The president could veto legislation, although the legislature could override his veto, and he could rule by decree under special conditions. Members of the National Assembly served five-year terms. Suffrage was universal at age 21.

The national referendum on 5 December 2004 validated constitutional amendments proposed by the NTC including shortening the presidential term to five from six years, renewable only once; the strengthening of the office of the prime minister and the National Assembly; and a reduction in fees required of political candidates.

Following the resignation of Celestin Gaombalet on 11 June 2005, Prime Minister Elie Doté was named to head the government (on 13 June 2005). The prime minister is appointed by the party with a parliamentary majority. Bozizé's nephew holds the key mining and energy portfolio, his son is cabinet director in charge of the Ministry of Defense, and Bozizé himself retains control over the defense portfolio. The next presidential elections were scheduled for April 2010.

### 14 POLITICAL PARTIES

The Movement for Social Evolution of Black Africa (*Mouvement d'Évolution Sociale de l'Afrique Noire—MESAN*) was founded by Barthélémy Boganda in September 1949. Boganda, himself a deputy in Paris for some years, constantly fought for greater internal autonomy and an end to French administration.

Internal antagonism to Boganda came particularly from those who resented his electoral laws, which made it difficult to contest any seats with MESAN. In the election of 25 September 1960, MESAN received 80% of the votes, while the newly founded Movement for the Democratic Evolution of Central Africa (*Mouvement d'Évolution Démocratique de l'Afrique Centrale—MEDAC*) received 20%. MEDAC was dissolved by the government in February 1961. In December 1962, a constitutional amendment recognized MESAN as the sole party in the republic, but with the military coup d'état in January 1966 all political activity was banned. MESAN was revived in 1972 by Jean-Bédél Bokassa.

After Bokassa's fall, the single-party system was maintained, but the name of the party was changed to the Central African Democratic Union (*Union Démocratique Centrafricaine—UDC*) in 1980. The February 1981 constitution allowed other parties, and five competed in the presidential election of 15 March 1981. President David Dacko, the UDC candidate, received 50.2% of the vote. His chief opponent was Ange-Félix Patassé of the Movement for the Liberation of the Central African Republic (*Mouvement pour la Libération du Peuple Centrafricain—MLPC*), who received 38.1%. Following the military coup of 1 September 1981, all political activity was suspended. The MLPC was formally banned on 6 March 1982 after an unsuccessful coup that the government blamed on Patassé. Patassé subsequently fled to Togo.

The Central African Democratic Party (*Rassemblement Démocratique Centrafricain—RDC*), the sole legal political party adopted by the Kolingba regime, held its founding assembly in February 1987. The same year three opposition parties in exile in Paris, including the MLPC, established a coalition called the *Unité Front*.

In 1991, opposition parties were legalized and in October 1992, multiparty elections were held. The Supreme Court invalidated the results and on 19 September 1993, new elections led to Kolingba's defeat. His old nemesis, Patassé, became president and the MLPC gained 33 of the 85 seats in the National Assembly. The RDC won 14 seats.

Other parties in the government coalition included the Liberal Democratic Party, the Alliance for Democracy and Progress, and the David Dacko Movement (an informal grouping of supporters of the ex-president). In opposition, along with the RDC, were the Consultative Group of Democratic Forces (CFD), an alliance of 14 opposition groups; the Social Democratic Party; and the National Convention.

A record 849 candidates from 29 parties and 118 independents contested the parliamentary elections that were held in November and December 1998. Patassé's MLPC won 47 of the 109 seats; Koringba's RTC had 20; Dacko's MDD (Movement for Democracy and Development) got 8; and Goumba's FPP (Patriotic Front for Progress) won 7 seats. Eleven of the 29 contesting parties won seats to the National Assembly.

Patassé was reelected for a second presidential term with a narrow majority of 51.6% of the vote and sworn in as president on 22 October 1999. Kolingba came second (19.3%), Dacko third (11.1%), and Goumba fourth (6%) in the 10-candidate contest.

The National Assembly was dissolved in March 2003 after François Bozizé seized power in a coup. Bozizé scored 43% of the vote in the 13 March 2005 presidential elections, and won the second run-off round on 8 May 2005 with 64.6% of the vote to 35.4% for Martin Ziguélé of the MLPC. André Kolingba of the RDC came in a distant third on the first round with 16.4% of the vote. Bozizé was supported on the second round with endorsements from Jean-Paul Ngoupandé of the Parti de l'unité nationale, and the leader of the Forum démocratique pur la modernité (Fodem), Charles Massi.

On 8 May 2005, Bozizé's coalition, the Convergence Kwa Na Kwa, won 42 parliamentary seats in the legislative run-off vote giving it the largest coalition in the 105-seat body. The MLPC came in second with 11 seats while the RDC managed only eight seats. The remaining seats were won by independents or by smaller parties.

## 15 LOCAL GOVERNMENT

The country is divided into 16 prefectures, 69 subprefectures, and the autonomous commune of Bangui. In 1988, local elections created 176 municipal councils, each of which was headed by a mayor or appointed by the president.

## 16 JUDICIAL SYSTEM

There are several civil courts, criminal courts, and a court of appeal situated in Bangui. At the apex is a Supreme Court, also located in Bangui, the members of which are appointed by the president.

There are also provisions for a High Court of Justice, a body of nine judges created to try political cases against the president, members of congress and government ministers, which has never convened.

The 1994 constitution reorganized the judiciary, which consists of regular and military courts. A Constitutional Court was formed in 1996 to determine if laws passed by the National Assembly conform to the constitution: three of its judges are appointed by the

president, three by the president of the National Assembly, and three by fellow judges. New courts of justice were created in 1997 in both urban and rural areas, and a juvenile court in 1998. The functioning of these courts is undermined by inefficient management, shortage of trained personnel, increasing salary arrears, and a general lack of material resources. Significant case backlogs are not uncommon.

The legal system is based on the French civil law system. Criminal defendants are presumed innocent and have the right to counsel, to public trial, and to confront witnesses. Trials are public and frequently broadcast on national radio.

## 17 ARMED FORCES

The Army, numbering 1,400 active personnel in 2005, had three main battle tanks and eight reconnaissance vehicles in its arsenal. The 150-man Air Force had no combat aircraft or helicopters. The paramilitary gendarmerie numbered around 1,000. The defense budget in 2005 totaled \$15 million.

## 18 INTERNATIONAL COOPERATION

On 26 September 1960, the Central African Republic was admitted to the United Nations; CAR is a member of ECA and several nonregional specialized agencies. In 1959, together with Chad, the Congo, and Gabon, it formed the Equatorial Customs Union (Union Douanière Equatoriale—UDE), a customs union in which merchandise, property, and capital circulated freely. The Monetary and Economic Community of Central Africa (CEMAC), has superceded the UDE. The nation is part of the Franc Zone. The country is also a member of the African Development Bank, the Central African States Development Bank (BDEAC), the Community of Sahel-Saharan States (CENSAD), the New Partnership for Africa's Development (NEPAD), G-77, and the African Union, and is a signatory to the Lomé Convention. CAR is part of the Nonaligned Movement and is an observer in the Organization of the Islamic Conference (OIC). In environmental cooperation, CAR is part of the Convention on Biological Diversity, CITES, the International Tropical Timber Agreement (1994), the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

The Central African Republic (CAR) has a basically agricultural economy supplemented by the export of diamonds. Agriculture engages about 85% of the workforce and produces about half of GDP. Food crops—manioc (tapioca), corn, millet, bananas, and rice—are grown on low-technology farms for domestic consumption. Coffee, tobacco, timber and cotton are the CAR's principal export crops. The large forest reserves support growth in timber exports; timber accounted for 48% of export earnings in 2004. Livestock production grew in the early 1990s as the northern limit of the tsetse fly zone retreated south. Diamond output leads the mining sector, with sales of uncut diamonds contributing approximately 47% of export revenues in 2004. Published figures on production levels for diamond mines are considered unreliable, due to widespread smuggling and mine owner's attempts to minimize their exposure to export taxes. It is possible there are oil deposits along Cameroon's northern border with Chad. The country suffers as a result of its isolation from its major markets, deteriorat-

ing transportation infrastructure, and largely unskilled workforce. The communication network also is limited.

Economic growth stagnated between 1989 and 1991, severely affected by declining world prices for its exports. In 1994, the CFR franc was devalued. This had the effect of increasing diamond, timber, coffee, and cotton exports, resulting in a 5% growth in GDP. On the other hand, imports rose in price, driving inflation to 45% in 1994. By 2005, the inflation rate had dropped to 2.5%, with a GDP growth rate of 2.2%. The country runs both budget deficits and trade deficits, has a large debt burden and limited foreign direct investment, and, as of 2002, had seen a decline in per capita GNP in the last 30 years. World Bank and IMF programs to support investments in livestock, agriculture, and the transportation sectors have not been successful. As such, the World Bank and IMF as of 2005 were concentrating on poverty reduction programs and reform plans to refuel the economy, including the privatization of state-owned enterprises and corruption-fighting measures.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 the Central African Republic's gross domestic product (GDP) was estimated at \$4.5 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,200. The annual growth rate of GDP was estimated at 2.5%. The average inflation rate in 2001 was 3.6%. It was estimated that agriculture accounted for 55% of GDP, industry 20%, and services 25%.

Foreign aid receipts amounted to about \$13 per capita.

The World Bank reports that in 2003 household consumption in Central African Republic totaled \$917 million or about \$236 per capita based on a GDP of \$1.2 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1980 to 1990 household consumption grew at an average annual rate of 1.5%.

## 21 LABOR

The vast majority of the labor force is engaged in subsistence farming, herding, and fishing. The unemployment rate was approximately 8% in 2001, (the latest year for which data was available) with up to 23% unemployed in the capital city of Bangui. There is no data on the size of the country's workforce.

According to the law, workers can join or form a union without getting prior authorization, and while civilian police forces and judges can form a union and strike, national security forces, such as the gendarmerie and military personnel, are prohibited from striking or forming a union. Unions have the right to strike after certain conditions are met. Prior to the actual strike action, union demands must be presented to the employer, followed by the latter's response, a conciliation meeting between the two sides and the finding of an arbitration council that an agreement could not be reached on valid demands must take place. In addition, eight days advance notice of a planned strike must be given.

Although forced or coerced labor is prohibited, reports have been made of prisoners, children and pygmies being forced or coerced into performing labor.

The 40-hour workweek has been established for government and most private sector employees. Also required is a minimum 48-hour-per-week rest period. The government sets minimum wage laws sector by sector. As of 2005, agricultural workers had a minimum wage of \$12 per month while office workers were promised \$28 per month. However, wage levels have not changed for more than two decades and the minimum wage is insufficient to support a worker and a family with a decent living standard. There are general safety and health standards, but the Ministry of Labor and Civil Service has never defined them or enforced them. Although the labor code prohibits the employment of children under the age of 14, child labor is a common practice especially in rural areas.

## 22 AGRICULTURE

Agricultural output is dominated by subsistence crops. Agriculture (including forestry and fisheries) accounted for 61% of GDP in 2003, and it employed about 70% of the labor force. The FAO estimates that about 2,024,000 hectares (5,001,000 acres, or 3.2% of the total land area) are arable or under permanent crops, and 3,125,000 hectares (7,722,000 acres, or 5% of total land area) are in permanent pasture. The CAR is nearly self-sufficient in food production and has potential as an exporter.

Manioc, the basic food crop, is raised on about 200,000 hectares (494,000 acres); output was about 563,000 tons in 2004. Bananas are the second major food crop. Production was 110,000 tons in 2004, while plantain production was 80,000 tons. Other food crops in 2004 included 119,000 tons of corn, 10,162 tons of millet, and 42,480 tons of sorghum. Some tropical fruits are produced in small quantities, including 20,000 tons of oranges and 1,800 tons of lemons and limes in 2004. An oil-palm plantation covering 2,500 hectares (6,200 acres) opened in 1986 at Bossongo, 35 km (22 mi) sw of Bangui. In 2004, production of palm kernels totaled 2,000 tons.

The first commercial cotton production in French Equatorial Africa began in Ubangi-Shari in 1924. Cotton is grown in the Bamingui and Gribingui river valleys. In 1969–70, 58,000 tons of seed cotton were produced, a national high, but production quickly slumped: in 2004, it totaled 1,000 tons.

Another important cash crop is high-quality coffee, which is cultivated on the plateaus along with sisal and tobacco; coffee production was 7,500 tons in 2004; coffee exports were valued at only \$587,000 in 2004, down from \$2.8 million in 2001.

Production of peanuts, which are cultivated in conjunction with cotton, was an estimated 133,600 tons in 2004.

## 23 ANIMAL HUSBANDRY

Although most of the Republic is in the tsetse fly belt, some animal husbandry is carried on. In 2004 there were an estimated 3,423,000 head of cattle, 3,087,000 goats, 805,000 pigs, and 259,000 sheep. About 127,300 tons of meat were produced in 2004, with beef accounting for 58%. Cow's milk production was around 65,000 tons the same year. There were an estimated 4,760,000 chickens in 2004



when some 1,476 tons of eggs were produced. Honey production amounted to 13,000 tons in 2004.

## 24 FISHING

Fishing is carried on extensively along the rivers, but most of the catch is sold or bartered on the DROC side of the Ubangi. In 1950, the government began a fish-farming program, and by the end of 1968 there were almost 12,000 ponds. The 2003 fish catch was about 15,000 tons.

## 25 FORESTRY

There are 22.9 million hectares (56.5 million acres) of forest (37% of the total land area), but only 3.4 million hectares (8.4 million acres) of dense forest, all in the south in the regions bordering the DROC. The CAR's exploitable forests cover 27 million hectares (68 million acres), or 43% of the total land area. Transportation bottlenecks on rivers and lack of rail connections are serious hindrances to commercial exploitation. Most timber is shipped down the Ubangi and Zaire rivers and then on the Congo railway to the Atlantic. More than a dozen types of trees are felled, but 95% of the total is composed of obeche, sapele, ebony, and sipo.

A dozen sawmills produced 516,000 cu m (18 million cu ft) of sawn logs and veneer logs in 2003. The government is encouraging production of plywood and veneer. Roundwood removals were estimated at 2.8 million cu m (99.7 million cu ft) in 2003. Competition from lower-cost Asian and Latin American loggers has hurt the local industry, which is encumbered with high transportation and labor costs. In 2003, the country exported \$89.8 million of forest products.

## 26 MINING

Diamond mining was the country's leading industry and top export commodity in 2002. Mining accounted for about 4% of GDP and 40%–50% of export earnings. Diamonds were discovered in alluvial deposits in various parts of the country in 1935 and 1947. Production, which reached 609,360 carats in 1968, was put at around 350,000 carats in 2004. In 2003, diamond output totaled 332,700 carats in 2003. However, sizable quantities are smuggled out of the country. About 60% of the nation's diamonds came from the upper Sangha region. Preliminary gold production in 2004 was put at 7 kg, unchanged from 2003. Gold was still mined in alluvial deposits, by artisanal miners, primarily in the Bandas and the Bogoin-Boali greenstone belts.

Uranium was discovered in 1966 in the Bakouma region in the eastern part of the country, and there was further prospecting in the Berbérati and Bangassou areas; exploitation has not occurred, because of high start-up costs and poor transportation. Reserves were estimated at 18,000 tons. Iron deposits estimated at 3.5 million tons have been exploited, but production has ceased. The country also had deposits of nickel, graphite, ilmenite, lignite, monazite, rutile, manganese, cobalt, tin, copper, china clay, and limestone. The lack of adequate transportation and industrial infrastructure hindered the development of the nation's mineral industry. Little of the country's 400,000-sq-km Precambrian terrain has been explored using modern exploration techniques.

## 27 ENERGY AND POWER

Electric power production totaled 103 million kWh in 2002, with consumption at 0.096 billion kWh for that same year. The capital city of Bangui is supplied by two hydroelectric generators and one thermal plant. A new dam on the Mbali (a joint project with Democratic Republic of the Congo), which permits year-round hydroelectric generation, opened in late 1991. Total generating capacity was 40,000 kW in 2002, with thermal sources accounting for 21,000 kW and hydroelectric at 19,000 kW for that year.

Exxon drilled an exploratory oil well in 1985, but further work was deemed economically infeasible. Any oil production would depend on the connection of a pipeline from Chad to Douala, Cameroon. In 2002, the Central African Republic's average daily fuel imports included 610 barrels of distillate fuel oil, 590 barrels of jet fuel, 530 barrels of kerosene, and 470 barrels of gasoline. As of 2002, the country has no known reserves of oil, natural gas or coal.

## 28 INDUSTRY

Industry contributed 11.4% of GDP in 2004. Textile and leather manufacturing are the leading industries. The largest single factory is a joint-venture textile complex (51% French owned) in Bangui, which handles spinning, weaving, dyeing, and the manufacture of blankets. All cotton produced in the country is ginned locally, with cotton-ginning plants scattered throughout the cotton-producing regions. Refined sugar and palm oil also are produced, as are soap, cigarettes, beer, bottled water, and soft drinks. Other light industries are paint, bricks and utensil manufacture, and motorcycle and bicycle assembly. Manufacturing primarily serves local needs. The Central African Republic's (CAR) total annual diamond production is estimated at \$100 million. The CAR is the world's 10th largest producer of diamonds. There are seven major diamond exporting companies operating in the country. Most diamond mining is artisanal.

## 29 SCIENCE AND TECHNOLOGY

Among the research institutes in the Central African Republic are a study center on animal sleeping sickness in Bouar and an agricultural institute in M'Baiki. The National Institute of Textile Research and Food Crops is in Bambari. The Pasteur Institute in Bangui conducts research on various diseases. French institutes include the Institute of Scientific Research for Cooperative Development, at Bangui, and the experimental station of Maboké, in M'Baiki, under the direction of the National Museum of Natural History in Paris. The University of Bangui has faculties of science and technology, health science, a polytechnic institute, and a research institute for mathematics teaching. The Central School of Agriculture is located in Boukoko, and the Territorial School of Agriculture is in Grimari. In the period 1990–2001, there were 27 technicians, and 47 scientists and engineers per million people engaged in research and development. Also, in 1987–97, science and engineering students accounted for 30% of college and university enrollments.

## 30 DOMESTIC TRADE

A vast majority of the population is employed in agriculture, which accounts for about 58% of the GDP (2004 est.). Light in-

**Principal Trading Partners – Central African Republic (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	65.7	99.6	-33.9
Belgium	46.1	9.1	37.0
Germany	4.7	1.5	3.2
France-Monaco	4.3	29.8	-25.5
Cameroon	2.3	10.0	-7.7
United Kingdom	2.0	...	2.0
Switzerland-Liechtenstein	0.9	...	0.9
Spain	0.8	0.5	0.3
Italy-San-Marino-Holy See	0.7	0.8	-0.1
Portugal	0.5	...	0.5
Turkey	0.5	0.8	-0.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

dustries, primarily in Bangui, include food processing, textiles, cigarettes, a brewery, and a diamond-cutting facility. Most local produce and imports are sold at markets in towns and villages. Company agents and independent middlemen buy export crops at local markets or directly from the producers for sale to large companies. Most commercial businesses are controlled by French and Lebanese owners. The government fosters the distribution of agricultural products through a monopolistic state trading company.

A chamber of commerce at Bangui promotes trade and provides information to business firms. Advertising is found in local newspapers, company publications, and handbills and on billboards and radio. Normal business hours are from 7 AM to noon and 2:30 to 6:30 PM, Monday through Friday. Saturday hours are from 7 AM to noon.

**31 FOREIGN TRADE**

Diamonds are the largest Central African commodity export, sold either for jewelry (35%), or natural abrasives (35%). Many diamonds are smuggled out of the country, so exact figures are difficult to compile. Agricultural exports are cotton (14%) and coffee (2.6%). Another 5% can be attributed to the manufacture of motor vehicles and parts. In 2004 the main destinations for CAR's exports were Belgium (39%), Italy (9%) and Spain (8%). Imports came mainly from France (17.6%), the United States (16.3%) and Cameroon (9.3%).

**32 BALANCE OF PAYMENTS**

The Central African Republic's frequent deficits in trade and services are financed mainly through international aid. In the early 1980s, the Republic faced a severe balance-of-payments problem caused by low world prices for its exports and high fuel import costs. A structural adjustment program was begun in 1986 (and further developed in 1988 and 1990) to curb the public sector and to promote private-sector investment in an effort to decrease the reliance on infusions of foreign aid. In 1998, the IMF approved a three-year structural adjustment program equivalent to \$66 million (subsequently augmented and extended); this program expired in 2002. The first six-month emergency post-conflict assistance (EPCA) program expired in December 2004. In 2005, the

IMF decided to delay the approval of a new post-conflict program. This decision followed the government's failure to meet key macroeconomic targets, reflecting poor fiscal performance. This undermines the return of foreign investors, which is critical for economic recovery.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of the Central African Republic's exports was \$188.6 million, while imports totaled \$143.5 million, resulting in a trade surplus of \$45.1 million.

**33 BANKING AND SECURITIES**

In November 1972, a new central bank, the Bank of the Central African States (Banque des États de l'Afrique Central-BEAC), replaced the existing Central Bank of the States of Equatorial Africa and Cameroon, which had been controlled by French interests. This move was designed to strengthen the monetary solidarity and sovereignty of the Central African Republic (CAF) and other member African nations, which would now control part of their foreign exchange and monetary policies. France continues to guarantee the convertibility of the CFA franc.

Other banks are the International Bank for Occidental Africa (20% state owned) and the Union Bank of Central Africa (60% state owned). The state has a one-third share in the Bank of Agricultural Credit and Development, established in 1984. By late October 1996, the efforts of the prime minister (and minister of finance and economics), Jean-Paul Ngoupandé, and reformist colleagues to rescue government finances and public sector management were impressing the IMF, the World Bank, and France. Hopes were rising that the country might eventually secure an agreement with the IMF for an enhanced structural adjustment facility (ESAF). Only with an ESAF in place can the Central African Republic look forward to large-scale, longer-term economic aid commitments or the granting of debt relief from the Paris Club of its official bilateral creditors.

**Balance of Payments – Central African Republic (1994)**

(In millions of US dollars)

<b>Current Account</b>		<b>-24.7</b>
Balance on goods	15.3	
Imports	-130.6	
Exports	145.9	
Balance on services	-80.7	
Balance on income	-22.7	
Current transfers	63.4	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>52.8</b>
Direct investment abroad	-7.2	
Direct investment in Central African Republic	3.6	
Portfolio investment assets	...	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	8.1	
Other investment liabilities	48.3	
<b>Net Errors and Omissions</b>		<b>-15.0</b>
<b>Reserves and Related Items</b>		<b>-13.1</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$135.3 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$149.6 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

There is no securities market.

### **3<sup>4</sup>INSURANCE**

In 1986, one state enterprise (SIRIRI) and eight foreign companies were represented in the Central African Republic, including La Mutuelle du Mans, Mutuelle Générale Française-Accidents, the Reliance Marine Insurance Company, Union Centrafricaine d'Assurances et de Réassurances, and l'Union des Assurances de Paris (IARD). In the same year, over 99% of all premiums paid were for nonlife insurance. Motor insurance is compulsory.

### **3<sup>5</sup>PUBLIC FINANCE**

A rapidly expanding civil service, nationalization of enterprises, and expensive short-term borrowing in the 1970s led to large budget deficits, which were made even worse in the early 1980s by falling commodity prices. The Central African Republic and the IMF have worked together since 1980 to attempt to better manage the economy. The 1980 austerity plan focused on stabilizing budget and foreign deficits by concentrating on agricultural production. The 1982 Recovery Plan, also conducted within IMF frameworks, led to a formal structural adjustment plan in 1987. A second structural adjustment plan was agreed to in 1990, at a time when political instability began to affect the government's ability to reach its targets. Goals of the IMF-sponsored program were a reduction of the number of government employees and their salaries, price-policy reforms, and privatization of the parastatal sector. In 1999, the IMF loaned the Central African Republic \$11 million to fund unpaid government salaries and continue economic reforms that were launched in 1998. The government owed about nine months of unpaid salaries to 20,000 civil servants and army soldiers, and was behind in payments of grants for students and retirement benefits for pensioners.

The US Central Intelligence Agency (CIA) estimated that Central African Republic's total external debt was \$1.06 billion.

### **3<sup>6</sup>TAXATION**

Current information is unavailable.

### **3<sup>7</sup>CUSTOMS AND DUTIES**

In 1959, the four territories of French Equatorial Africa joined the Equatorial Customs Union (Union Douanière Equatoriale—UDE), within which goods and capital flowed without obstruction. The UDE was expanded in December 1964 to include Cameroon and together they formed the Central African Customs and Economic Union (Union Douanière et Economique de l'Afrique Centrale—UDEAC). The Republic therefore had no customs sys-

tem of its own. In early 1968, the Central African Republic left the UDEAC to join an economic union with Zaire and Chad, but in December 1968 it returned to the UDEAC. As of 1993, the Central African Republic was a member of both UDEAC and the Economic Community of Central African States (CEEAC).

The UDEAC covers the entire range of commodity trade and bans all import and export taxes between member states. Goods and merchandise originating in member states are exempt from various taxes except in special circumstances. The gains derived from import duties in member states go into the state budgets, but to offset the advantages gained by transit trade, especially to coastal countries, a share of import duties is deposited in a common fund. There is a uniform customs tariff levied against all third parties, but since the UDEAC countries are associated with the common market, imports from EU countries receive a reduction in customs duties. Imports from outside the franc zone require a license. Customs evasion through the smuggling of goods across the Democratic Republic of the Congo and Cameroon borders is a serious problem. Such goods are sold at 10–40% off the price of legitimate items, depriving the government of significant revenue.

### **3<sup>8</sup>FOREIGN INVESTMENT**

Until the late 1980s, almost all foreign investment in the Central African Republic was by the French government and private French firms. For many years, the territory had been worked by French concessionaires who obtained privileges in the area by decree. But with the decline of concessions, interest in private investment diminished. Foreign investment was further discouraged by the nationalization without compensation of private textile, oil distribution, and river transport interests in 1974.

In the early and mid-1980s, in an attempt to revitalize the nation's sagging economy, the Kolingba government reaffirmed its interest in foreign investment, stressing joint partnerships between private business and government. A 1982 investment code provided liberal incentives, including priority in the allocation of foreign exchange for the import of equipment and raw materials.

As of the late 1990s, the Central African Republic continued to be heavily dependent on foreign assistance. The World Bank, European Union, UN Development Program, and the African Development Fund all provided grants; one-fourth of all development assistance continued to come from France, followed by Japan, Germany, and the United States.

Armed insurrections in May 2001, October 2002, and March 2003, ending in the government's forceful overthrow by coup on 15 March 2003, have taken the Central African Republic off the map in terms of foreign investments. Although the presidential election held earlier in 2005 passed without major incident, potential investors have remained cautious about making any real commitments until instances of banditry and extortion are reduced and the government moves ahead with its reform program.

### **3<sup>9</sup>ECONOMIC DEVELOPMENT**

The 1981–85 five-year plan called for CFA Fr233,117 million in expenditures, including CFA Fr83,363 million for rural transport and CFA Fr54,935 million for agriculture and livestock raising.

The 1986–90 plan called for CFA Fr261.4 billion in spending (86% from foreign sources), with 53% for infrastructure and 35% for rural and regional development. Development expenditures are financed almost exclusively by foreign donors. The World Bank extended a \$30-million loan in 1986.

In 1986, the government began a structural adjustment program (SAP) to improve agricultural production, to encourage early retirement among government workers, and to privatize government enterprises. Phase two of this program began in 1988, and phase three in 1990. The goals of phase three—particularly in privatizing utilities and fuel distribution—had not been met by the mid-1990s. Although the state-owned water company had been privatized, no changes were accomplished with either the electric utility or fuel distribution monopoly.

The 1994 devaluation of the CFA franc made products such as coffee, timber, cotton, and diamonds more attractive on the world market. On the other hand, prices for imports also rose, creating a period of high inflation in 1994. By 1995, the inflation rate had dropped to levels near the prevailing rate prior to devaluation.

As of 2003, the estimated external debt was \$1,328 million. The International Monetary Fund (IMF) and World Bank have encouraged the Central African Republic to privatize state-owned business enterprises, address corruption, and streamline labor and investment codes. Economic reforms are tailored to alleviate poverty. Between 2001–2005 GDP grew at an average rate of -0.96% while inflation averaged 2.14% annually. The lowest GDP growth rate during this period was in 2003 when GDP grew at -7.7% and inflation was 4%. An IMF Poverty Reduction and Growth Facility (PRGF) Arrangement, approved in 1998 expired in January 2002. The Central African Republic introduced a value-added tax (VAT), and the state-owned petroleum company (PETROCA) was liquidated. At the beginning of 2002, wage payments fell approximately 20% short of commitments, and many civil servants were owed 16 months of pay during the Patasse administration, and 14 months of pay during the Kolingba administration.

François Bozizé, the new president elected in 2005, has pledged to apply austerity measures in an attempt to improve the fiscal situation. However, his government can expect popular opposition and strike action, if the government fails to kick-start the economy and pay public-sector salary arrears. Improved security conditions and the resumption of donor support will help the economy to recover slowly, with real GDP growth forecast to rise to 3% in 2006 and 4% in 2007.

#### 40 SOCIAL DEVELOPMENT

A social insurance program provides benefits to all employed persons with the exception of agricultural workers and temporary laborers. Old-age pensions are payable at age 55 (men) or 50 (women). Disability pensions come to 30% of average monthly earnings. There is also a survivor pension available for those who are pensioners at death or meet other qualifications. Other payments include prenatal allowances, a lump sum payable at the birth of each of the first three children, and if the mother is employed, a recuperation allowance for 14 weeks. The government's commitment to social welfare and health has been neglected due

to lack of funds. The majority of the population work in the agricultural sector and therefore are not covered by these programs.

The constitution mandates that all persons are equal, although in practice women face widespread discrimination. Single, widowed, and divorced women are not considered to be heads of household. Economic and educational opportunities are limited for women. Polygyny remains legal and is widely practiced. Although banned by law, female genital mutilation is practiced in some rural areas. Spousal abuse and violence is a widespread problem. The government does not adequately fund programs for women and children.

The government's human rights record remains poor. Indigenous pygmies face discrimination despite constitutional provisions. Freedom of speech and press are restricted. Arbitrary arrests and detention are common, police beat and torture detainees, and prison conditions are harsh.

#### 41 HEALTH

Mobile crews treat local epidemic diseases, conduct vaccination and inoculation campaigns, and enforce local health regulations. They conduct research on sleeping sickness, malaria, and other tropical diseases and devise prophylactic methods best suited to the rural population. The most common diseases are bilharziasis, leprosy, malaria, tuberculosis, and yaws. The Central African Republic is a yellow fever endemic zone country. The Pasteur Institute at Bangui cooperates actively with vaccination campaigns. All medicine, antibiotics, and vaccine imports must be authorized by the Ministry of Health.

As of 2004, it was estimated that there were fewer than 3 physicians and 9 nurses per 100,000 people. Average life expectancy was 43.39 years in 2005. Also in 2000, 60% of the population had access to safe drinking water and 31% had adequate sanitation.

The infant mortality rate in 2005 was 87.33 per 1,000 live births. As of 1999, the immunization rates for children up to one year old were as follows: diphtheria, pertussis, and tetanus, 33% and measles, 39%.

The Central African Republic is one of several African nations with a high incidence of AIDS. The HIV/AIDS prevalence was 13.50 per 100 adults in 2003. As of 2004, there were approximately 260,000 people living with HIV/AIDS in the country. There were an estimated 23,000 deaths from AIDS in 2003.

#### 42 HOUSING

The Central African Republic has struggled with overcrowding and housing shortages, particularly in rural areas where only 5% of the population live in permanent structures. A majority of the population live below the poverty line, further contributing to the lack of resources through which housing improvements can be made. In 2000, there were an estimated 751,000 households. UN-HABITAT projects that that number will leap to 1.1 million households by 2015. In 2000, only 60% of the population had access to improved water sources and only 31% had access to improved sanitation.

The Central African Real Estate Investments Society makes small loans for the repair of existing houses and larger loans

(amounting to almost the total cost of the houses) for new construction. Interest rates are low, and repayment extends over a long period. Because of their higher credit ratings, salaried civil servants and employees of large trading companies receive most of the loans. Loans are made to mutual self-help groups and others for the construction of waterworks or electrical distribution systems and to individuals for the purchase of refrigerators, furniture, and other household equipment.

### 43 EDUCATION

The educational system is patterned on that of France, but changes designed by the government are being introduced gradually to adapt the curriculum to local needs. Education is provided free in government-financed schools. There are a few mission schools operated by religious groups; they receive little government aid but must comply with government guidelines. Education is compulsory the first six years of primary school (students between ages 6 and 12). A second stage of basic education covers a four-year course of study. Students may then choose to attend general secondary schools or technical schools, all of which offer three-year programs. The academic year runs from September to July. The primary language of instruction is French.

In 2001, there were about 411,000 students enrolled in primary schools. The pupil-teacher ratio at the primary level was 77 to 1 in 1999.

Specialized institutions include two agricultural colleges, a national college of the performing and plastic arts, and the University of Bangui, founded in 1969. In 2001, about 6,000 students were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 48.6%, with 64.8% for men and 33.5% for women.

As of 2003, public expenditure on education was estimated at 1.9% of GDP.

### 44 LIBRARIES AND MUSEUMS

The French Institute of Scientific Research for Development and Cooperation maintains a research collection of 18,000 volumes in Bangui. The Agricultural Research Center in M'baïki has a library of 2,800 volumes. There is a municipal library in Bangui as well as a Roman Catholic mission library. The University of Bangui library has 26,000 volumes.

The Barthélemy Boganda Museum in Bangui (founded in 1964) includes collections on the ethnography, archaeology, and natural history of the country. There are regional natural history and anthropology museums in Bouar and M'baïki. The Labasso Museum in Bangassou (1975) features archaeological and anthropological exhibits from the Nzakara and Zandé areas.

### 45 MEDIA

Bangui is linked by satellite for telephone communication with France, the United Kingdom, the United States, and Greece. The Republic has radiotelephone, telegraphic, and telex links with Paris. In 2003, there were an estimated two mainline telephones for every 1,000 people; about 1,200 people were on a waiting list for

telephone service installation. The same year, there were approximately 10 mobile phones in use for every 1,000 people.

Television broadcasting services are government owned and operated by Radio-Télévision Centrafrique. Television transmissions are available only in Bangui. Broadcasting is in Sango and French. In 2002, there were five FM and one AM radio stations along with one television station. Radio Centrafrique is operated by the state. Radio Notre Dame is held by the Roman Catholic church and Radio Ndeke Luka is backed by the United Nations. In 2003, there were an estimated 80 radios and 6 television sets for every 1,000 people. The same year, there were two personal computers for every 1,000 people and one of every 1,000 people had access to the Internet.

The nation's first daily newspaper, the government controlled *E Le Songo*, began publication in 1986. Its circulation in 1995 was 2,000. *The Centrafrique Presse*, was created by the government in 2001 to reflect the views of the ruling MLPC. *Echo de Centrafrique* is a private daily newspaper but seems to be linked to the ruling party. *Le Citoyen*, *Be Afrika*, and *Le Democrate* are the most widely read private newspapers; however, many private papers publish sporadically. The official news agency is Agence Centrafricaine de Presse. *The Agence Centrafricaine de Presse* (ACAP) bulletin appears sporadically.

The constitution provides for freedom of speech and of the press. In 2000, the president dissolved the High Broadcast Council, which had been created to regulate the media. However, the government still seems to control much media and its content.

### 46 ORGANIZATIONS

The Chamber of Agriculture, Livestock Raising, Water, Forests, Hunting, and Tourism and the Chamber of Commerce, Industry, Mines, and Handicrafts have their headquarters at Bangui. In rural areas, cooperatives promote the production and marketing of agricultural products. There are some national professional and trade associations, including a major teachers union called the National Union of Teachers and School and University Administrators of the Central African Republic (NUTSUACAR). The National Olympic and Sport Committee (CNOS) coordinates about eight national youth sports groupings. Youth scouting organizations are active and there are a few Catholic youth organizations as well. There are national chapters of the Red Cross Society, Caritas, Habitat for Humanity, UNICEF, and the Society of St. Vincent de Paul.

### 47 TOURISM, TRAVEL, AND RECREATION

Development of the tourism industry in the Central African Republic has been held back due to periods of political unrest since the country gained independence from France in 1960. The main tourist attractions are hunting, fishing, the many varieties of wild animals, and the waterfalls. Of special interest are the falls at Boali and Kembé, and the megaliths of Bouar. Ecotourism is popular in the southern Dzanga-Sangha National Park.

Visitors must have a valid passport and a visa. A certificate indicating vaccination against yellow fever is also required.

In 2005, the US Department of State estimated the cost of hotel, food, and other basic expenses in the Central African Republic at \$201 per day.

#### 48 FAMOUS CENTRAL AFRICANS

Barthélémy Boganda (1910–59), a dynamic leader of Central African nationalism, worked toward independence and attained virtually complete political power. The first president of the independent Central African Republic was David Dacko (1930–2003), who served from 1960 to 1966 and again from 1979 to 1981. Jean-Bédel Bokassa (1921–96) overthrew Dacko in 1966, proclaimed himself emperor in 1976, and was himself ousted by Dacko in 1979. Gen. André Kolingba (b.1936) seized power in 1981, and he served as president until he was defeated in the 1993 elections

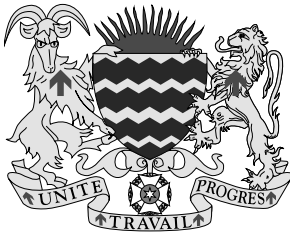
by Ange-Felix Patassé (b.1937). Patassé served from 1993–2003, when he was deposed by rebel leader François Bozizé (b.1946).

#### 49 DEPENDENCIES

The Central African Republic has no territories or colonies.

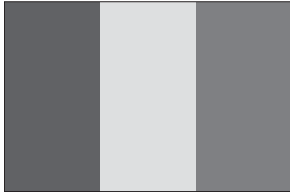
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# CHAD

Republic of Chad  
*République du Tchad*



**CAPITAL:** N'Djamena (formerly Fort-Lamy)

**FLAG:** The flag is a tricolor of blue, yellow, and red vertical stripes.

**ANTHEM:** *La Tchadienne* begins "Peuple Tchadien, debout et à l'ouvrage!" ("People of Chad, stand up and set to work!").

**MONETARY UNIT:** The Communauté Financière Africaine franc (CFA Fr), which was originally pegged to the French franc, has been pegged to the euro since January 1999 with a rate of 655.957 CFA francs to 1 euro. The CFA franc is issued in coins of 1, 2, 5, 10, 25, 50, 100, and 500 CFA francs and notes of 50, 100, 500, 1,000, 5,000, and 10,000 CFA francs. CFA Fr1 = \$0.00194 (or \$1 = CFA Fr516.5) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; National Holiday, 11 January; Labor Day, 1 May; African Independence Day, 25 May; Independence Day, 11 August; Assumption, 15 August; All Saints' Day, 1 November; Proclamation of the Republic, 28 November; Christmas, 25 December. Movable religious holidays include 'Id al-Fitr, 'Id al-'Adha, Milad an-Nabi, Easter Monday, Ascension, and Pentecost Monday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

A landlocked country situated in northern Central Africa, the Republic of Chad has an area of 1,284,000 sq km (495,755 sq mi), extending 1,765 km (1,097 mi) n-s and 1,030 km (640 mi) e-w. Comparatively, the area occupied by Chad is slightly more than three times the size of the state of California. It is bounded on the north by Libya, on the e by the Sudan, on the s by the Central African Republic, on the sw by Cameroon, and on the w by Nigeria and Niger, with a total boundary length of 5,968 km (3,708 mi).

The Aozou Strip of Chad, an area along the northern border of about 114,000 sq km (about 44,000 sq mi), was occupied and annexed by Libya in 1973. In February 1994, the International Court of Justice rejected Libya's claim to the territory. Armed clashes broke out in 1983 with Nigeria over several islands in Lake Chad that had emerged as the water level fell.

Chad's capital city, N'Djamena, is located in the southwestern part of the country.

## <sup>2</sup> TOPOGRAPHY

The country's most marked feature is Lake Chad, which is situated at the foot of a gently sloping plain, is surrounded by vast marshes and is fed chiefly by the Chari and Logone rivers. The surface area of the lake varies from about 9,842 to 25,641 sq km (3,800–9,900 sq mi). From this low point of 230 m (750 ft) above sea level, the land rises to a maximum of 3,415 m (11,204 ft) at Emi Koussi, an extinct volcanic peak in the Tibesti Mountains of northern Chad. The center of the country is primarily a shallow bowl known as the Bodélé Depression.

## <sup>3</sup> CLIMATE

The three chief climatic zones are the Saharan, with a wide range of temperatures between day and night; the Sahelian, a semidesert;

and the Sudanic, with relatively moderate temperatures. Extreme temperatures range from -12° to 50°C (10°–122°F); at N'Djamena the average daily maximums and minimums are 42°C (108°F) and 28°C (73°F) in April and 33°C (91°F) and 14°C (57°F) in December. The rains last from April (in the south) or July (farther north) through October. Average annual rainfall is about 76 cm (30 in) at N'Djamena. In the far south, it is as much as 122 cm (48 in), but at Faya-Largeau in the north, it averages only 2.5 cm (1 in). A severe drought affected two-thirds of the country from 1967 through 1973 and again in the early 1980s, especially 1984.

## <sup>4</sup> FLORA AND FAUNA

Animal and plant life correspond to the three climatic zones. In the Saharan region, the only flora is the date-palm groves of the oases. Palms and acacia trees grow in the Sahelian region. The southern, or Sudanic, zone consists of broad grasslands or prairies suitable for grazing. Elephants, lions, buffalo, hippopotamuses, rhinoceroses, giraffes, antelopes, leopards, cheetahs, hyenas, snakes, and a variety of birds are found in the savanna country. As of 2002, there were at least 134 species of mammals, 141 species of birds, and over 1,600 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

With two national parks, five game reserves, and two Ramsar Wetlands of International Importance, about 9% of Chad's natural areas are protected. The chief environmental problem is increasing desertification after a decade marked by below-normal rainfall and periodic droughts. Warring factions in Chad have damaged the environment and hampered the efforts of the government to address environmental problems for 25 years. Locust swarms periodically cause crop damage. The availability of fresh water is also a major problem. Safe drinking water is available to 40% of urban

dwellers and 32% of the rural population. About 82% of the nation's renewable water resources are used for farming activity.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 12 types of mammals, 5 species of birds, 1 type of reptile, and 15 species of plants. Endangered species in Chad include the black rhinoceros, Dallon's gerbil, and African wild ass. The Sahara oryx, also called the scimitar-horned oryx, is extinct in the wild. Elephant herds were reported greatly decimated in the 1970s.

## 6 POPULATION

The population of Chad in 2005 was estimated by the United Nations (UN) at 9,657,000, which placed it at number 82 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 48% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.7%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 16,979,000. The population density overall was 7 per sq km (19 per sq mi), but almost half of the area is desert, and almost half the population lives in the southwestern 10% of Chad.

The UN estimated that 24% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.71%. The capital city, N'Djamena, had a population of 797,000 in that year. Other cities and their estimated populations include Sahr (formerly Fort-Archambault), 193,800; Abéché, 187,900; and Moundou, 127,500.

## 7 MIGRATION

At least 200,000 Chadians fled the country during the civil war in 1979–81, mostly to Cameroon and Nigeria. About 150,000 returned in 1982. In 1983, up to 200,000 of the estimated 700,000 Chadians in Nigeria were expelled as part of a general expulsion of foreigners. Beginning in 1983, tens of thousands of Chadians fled from Libyan-controlled northern Chad and other areas of the country. The government of Chad reported that more than 152,000 Chadians returned home between November 1985, when a general amnesty was proclaimed, and the end of June 1987. As of 1995, there were 42,900 Chadian refugees in Cameroon; 21,500 in the Central African Republic; 2,000 in Niger; and 1,300 in Nigeria. A total of some 10,500 Chadian refugees were repatriated from the Central African Republic between April 1995 and September 1997, and from Niger between December 1997 and January 1999. The Chadian government, in agreement with the United Nations High Commissioner for Refugees (UNHCR), decided to facilitate the repatriation of another 55,000 Chadian refugees between 1999 and the end of 2000.

As of 2004, there were 260,064 asylum seekers, refugees, and others of concern to UNCHR living in Chad, of which 52,663 were refugees. Of the total migrant population, 88% were living in camps. In 2004, 39,261 Chadian refugees were in Cameroon and 5,023 were in Sudan. In that same year, countries of asylum for Chadians were Cameroon, the Central African Republic, and France. The net migration rate for 2005 was estimated as 0.11 per

1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The basic population of Chad derives from indigenous African groups, whose composition has been altered over the course of years through successive invasions from the Arabic north. The present population is a mixture of at least 200 ethnic groups.

The population can be broadly divided between those who follow the Islamic faith and the peoples of the south, by which is meant the five southernmost prefectures. The Arab invaders brought Islam, perhaps as early as the 8th century, and today their descendants form a relatively homogeneous group, localized in the regions of Chari Baguirmi and Ouaddai, but mostly seminomadic. Muslim indigenous groups include Arabs, Toubou, Hadjerai, Fulbe, Kotoko, Kanembou, Baguirmi, Boulala, Zaghawa, and Maba. Some indigenous groups, such as the Salamat and the Taoudjor, were largely Arabized by intermarriage over the years. Other Muslim peoples include the Fulani, the great sheep and goatherders of Chad.

Among the non-Muslim indigenous peoples, the most important (and the largest single group in Chad) are the Sara, about 30% of the population. They live in the valleys of the Chari and Logone rivers and are farmers of considerable skill. Others include the Ngambaye, Mbaye, Goulaye, Moundang, Moussei, and Massa.

There are about 150,000 nonindigenous inhabitants, of whom about 1,000 are French.

## 9 LANGUAGES

More than 120 languages and dialects are spoken by the different ethnic groups, but Arabic is commonly spoken in the north and Sara and Sango languages in the south. French and Arabic are the official languages.

## 10 RELIGIONS

As of 2004, about 54% of the people are Muslims, 33% are Christians, and the remainder are followers of indigenous religions or no religion. Most of the people of northern Chad are Muslims. Islam, brought both from Sudan and from northern Nigeria, spread through the area around Lake Chad long before the coming of Europeans. Protestant and Catholic missionaries have been in the territory only in this century. A majority of the nation's Muslims are of the mystical Tidjani sect (also known as Sufism). Some indigenous religious elements are also incorporated into this Muslim practice. About 5–10% of the nation's Muslims are considered fundamentalists. Most of the people of southern Chad are Christian, with a majority of Roman Catholics. Protestants tend to be affiliated with evangelical groups. Followers of two minority religions, the Baha'i and Jehovah's Witnesses, also have small communities in the country. Some people of the south, particularly those living in the valleys of the Chari and Logone rivers, follow African traditional religions. There are also small communities of Baha'is and Jehovah's Witnesses.

The constitution provides for freedom of religion, but this right has been restricted by the government in some situations. For instance, the Islamic group Faïd al-Djariahas has been banned because of religious customs that are considered to be non-Islamic. In 2002, the Catholic Church was formally admonished by the





LOCATION: 7°26' to 23° N; 13°28' to 2° E. BOUNDARY LENGTHS: Libya, 1,054 kilometers (655 miles); Sudan, 1,360 kilometers (845 miles); Central African Republic, 1,199 kilometers (745 miles); Cameroon, 1,047 kilometers (651 miles); Nigeria, 88 kilometers (55 miles); Niger, 1,175 kilometers (730 miles).

government for its sponsorship of a training program for election observers. The Minister of Territorial Administration claimed that the church was taking on the role of a political party, thus promoting an illegal combination of religion and politics. All religious organizations must be registered with the Department of Religious Affairs in the Ministry of the Interior. Though there is no state religion, a majority of the senior government officials are Muslim. Certain Muslim and Christian holidays are officially observed.

## 11 TRANSPORTATION

Chad suffers from poor transportation both within the country and to outside markets; its economic development depends on the expansion of transport facilities. During the rainy season, the roads become impassable and the economy slows down almost to a standstill. There are no railways.

In 2002 there were an estimated 33,400 km (20,754 mi) of roads, of which only 450 km (280 mi) were paved. In 1992 there were

about 8,720 passenger cars and 12,350 commercial vehicles in use, including trucks and buses. The main export routes are to the Nigerian railhead of Maiduguri and the Cameroonian railhead of Ngaoundéré. A bridge across the Chari, linking N'Djamena to Kousséri, Cameroon, was completed in 1985. In the same year, a us\$19.2 million loan for road rehabilitation was provided by the IDA.

Most rivers flow but intermittently. On the Chari, between N'Djamena and Lake Chad, transportation is possible all year round. In September and October, the Logone is navigable between N'Djamena and Moundou, and the Shari between N'Djamena and Sarh. Total waterways cover 4,800 km (3,000 mi), of which 2,000 km (1,250 mi) are navigable all year.

Chad had an estimated 50 airports in 2004, only 7 of which had paved runways as of 2005. Air Tchad (60% state owned) provides internal service to 12 locations but suffers from lack of fuel and equipment. The international airport at N'Djamena was damaged in fighting in 1981, but is now served by several international carriers including Air Afrique, which is partly owned by Chad. Another major airport, developed as a military staging area, is located at Sarh. In 2003, scheduled airlines in Chad carried about 46,000 passengers on domestic and international flights.

## <sup>12</sup>HISTORY

Fine prehistoric rock engravings and paintings can be found in northern Chad, dating from between 5000–2000 BC. In 2002, an international research team announced the discovery of the fossil remains of the earliest hominid on record. The six specimens, collected in Chad in 2001–2002 are the oldest hominid evidence, and are dated as between six and seven million years old.

As early as the 8th century AD, Arabs (Berbers) entered from the north and their records tell of the existence of great African empires—Kanem, Bornu, Baguirmi, and Ouaddai—between the 9th and 16th centuries. By the end of the 19th century, many small states south of Lake Chad became vassals of the northern sultanates, which conducted a flourishing slave trade.

Europeans began exploration of Chad in the 19th century. Chad was explored in part in 1822 by Dixon Denham and Hugh Clapperton, two British travelers. More detailed explorations were carried out by Heinrich Barth (1853) and Gustav Nachtigal (1870–71). In the decade after 1890, French expeditions gradually expanded French control of the lands to the south and east of Lake Chad. Completed conquest of the territory was achieved by 1913. The borders of Chad as they presently stand were secured by conventions between France and Germany (1894) and France and the United Kingdom (1898). In 1910, Gabon, Middle Congo, and Ubangi-Shari (which included Chad) were constituted administratively as colonies; together they formed French Equatorial Africa. Chad was separated in 1916 and became a colony in 1920.

On 26 August 1940, during World War II, French officials in Chad rallied to the Free French standard, making Chad the first colony to do so. N'Djamena, formerly Fort-Lamy, was an important Allied air base on the route to the Middle East, and from there Col. Philippe Leclerc's troops departed to fight in the North African campaign. After 1945, Chad became one of the territories of French Equatorial Africa in the French Union, and in the referendum of 28 September 1958 the territory of Chad voted to become an autonomous republic within the French Community. On

26 November 1958, the territorial assembly became a constituent assembly and proclaimed the autonomous Republic of Chad. On 11 August 1960, Chad achieved full independence, with François (later Ngarta) Tombalbaye as head of state and prime minister. On 4 April 1962, a new constitution was proclaimed, and a new government formed with Tombalbaye as president.

By 1965 power had been consolidated, and Chad was a one-party state. In 1965 there was full-scale rebellion in the Muslim north country, largely the result of Muslim resentment toward the Christian- and animist-oriented government in N'Djamena. Prominent in the rebellion was the National Liberation Front (Front de Libération Nationale—FROLINAT). In late 1968, President Tombalbaye requested and received the aid of French troops in combating the rebels. French troops were officially withdrawn from Chad in 1972 although technical advisers remained. In 1973, Libya, a major source of covert aid for the rebels, occupied and annexed the Aozou Strip in northern Chad.

On 13 April 1975, Tombalbaye's 15-year rule ended with an army coup and his assassination. Gen. Félix Malloum became the new president. Like his predecessor, Malloum was a Southerner whose rule was opposed by the Muslim north. In 1976, however, a faction led by Hissène Habré split with FROLINAT and eventually formed the Armed Forces of the North (Forces Armées du Nord—FAN). Goukouni Oueddei, a powerful leader from the north, with Libyan support, emerged as head of FROLINAT, but a FROLINAT advance south was stopped by additional French troops in 1978. In a government shuffle, Malloum named Habré prime minister in 1978, but the two broke in early 1979 as antagonism between Muslims and Southerners intensified. After Habré's FAN party seized control of the capital, Malloum resigned as president on 23 March 1979 and fled the country. In April Habré became defense minister and Oueddei interior minister in a coalition government, which in August was reconstituted with Oueddei as president. In November it became the interim Government of National Unity, representing 11 armed factions, with Oueddei remaining as president and Habré as minister of defense.

Fighting between FAN and government forces broke out in March 1980, and Habré was dismissed from the cabinet in April. France withdrew its forces from Chad in May, and the FAN occupied Faya-Largeau in June, as well as holding part of N'Djamena. By October, Libya had intervened on Oueddei's behalf, and, in December, an estimated 7,000 to 10,000 Libyan troops completed the conquest of Chad by occupying N'Djamena. Habré's forces fled to eastern Chad and the Sudan.

Libya's action and proposed union with Chad angered other African leaders and France; Oueddei himself may have become alarmed at the growth of Libyan influence. At Oueddei's request, Libyan troops withdrew in November 1981 and were replaced by a 3,600-man OAU peacekeeping force. These troops did nothing, however, to halt the FAN's subsequent advance from the east. On 7 June 1982, Habré's forces occupied the capital, and Oueddei fled to Algeria. Habré declared himself president of Chad on 19 October 1982.

By early 1983, Habré's dictatorial regime had extended its control to southern Chad, but was meeting increasing difficulties in the north. Ousted president Oueddei formed a rival government and, with a rebel army of about 3,000, captured the northern town of Faya-Largeau on 10 August 1983, with the support of Libyan

aircraft and artillery. Although Habré's regime was characterized by widespread atrocities, France and the United States supported his quest for power, seeing him as a bulwark against Libya's Muammar el-Qaddafi. As of early 1984, Chad was effectively partitioned, with a chain of French military posts stretching across the center of the country. To the south, the Habré regime was consolidating its position. France subsequently moved its defensive line 100 km (60 mi) to the north. Northern Chad, however, remained under the control of Libya and Oueddei's rebel forces, and there were growing fears that Libya was moving to annex the area.

A November 1984 agreement between France and Libya called for both countries to withdraw their forces from Chad, but although France complied, Libya reneged. French troops returned in 1985 to help repulse an enemy offensive. On 8 August, Aozou, and with it the entire disputed strip, fell to Chad, but a Libyan counteroffensive recaptured the settlement on 28 August. However, after a damaging Chadian raid on an air base within Libyan territory on 5 September, Libya agreed to a cease-fire, effective 11 September. During 1987 fighting, Chad captured us\$500 million to us\$1 billion worth of Libyan military equipment, most of it intact. US-supplied Stinger missiles allowed Habré's forces to neutralize Libya's air force. In 1987 Libya withdrew, and Hissène Habré was officially recognized as president of the whole of Chad.

The struggle for Chad took another twist in November 1990. After a three-week campaign by guerrillas loyal to an ex-army commander, Idriss Déby, Habré's dictatorship fell. Déby was supported by Libya and Sudan, but he also was backed by the United States, France, and Nigeria. A French force of 1,200 assisted Déby against pro-Habré rebels, who were eventually put down in 1993.

In May 1992, Déby appointed a new prime minister, Joseph Yodoyman, who formed a new cabinet that included several opposition figures. A democratization process was agreed upon, parties were legalized and, by the end of 1992, 28 parties had registered. In April 1992, Yodoyman stepped down. He died in November.

A Sovereign National Conference that lasted from January to April 1993 brought together a diverse group of government, economic, military, and special interest representatives. It confirmed Déby as Chief of State, established a new transitional government, elected 57 counselors to a Higher Transitional Council (a quasi-legislative body), and adopted the Transitional Charter, an interim constitution. This government was given a one-year mandate. Late in 1993, a technical commission of jurists was constituted, which began work on a new constitution, an electoral code, and a charter for political parties. In April 1994 Déby's mandate was extended by 12 months, and the work of the jurists was continued. Elections were scheduled for April 1995 but were postponed. The Transitional Council submitted a proposed constitution in 1994 calling for a directly elected president, a bicameral legislature, and a constitutional court.

Chad's long-standing territorial dispute with Libya over the Aozou Strip was taken up by the International Court of Justice in June 1993. On 3 February 1994, the Court rejected Libya's claim to Chadian territory. Libyan withdrawal was slow, but was fully completed by May 1994. French forces remained in the area despite Libyan protests. In December 1994 the government announced an amnesty for exiled opposition politicians and for political prisoners, excluding Habré. Opposition activity expanded afterwards, but Déby was accused of sponsoring harassment despite the am-

nesty. Opposition forces coalesced early in 1995, to form the Political Parties Concentration (CPP), which, joining with Western nations—notably France—began calling for changes in the administration of the Transitional Council. In March, ignoring such demands, the Transitional Council expanded its mandate to govern the country and removed the sitting prime minister. In August, the chairman of the Transitional Council resigned amid allegations of fiscal mismanagement. Later that month, the Council sponsored raids of opposition parties, and the government briefly detained a prominent opposition leader. Elections and the required constitutional referendum continued to be postponed.

In March 1996 the government signed a cease-fire agreement with 13 opposition parties for the constitutional referendum and following elections to take place. The agreement was brokered by Gabon in Franceville, with assistance from the Central African Republic and Niger. Though an election timetable was established and proceeded, numerous opposition groups, and particularly those who wished a federal governmental system rather than a unitary one, urged a boycott of the referendum polling. Despite these calls and opposition in the southern part of the country, 63.5% of the voters on 31 March 1996 agreed to adoption of the constitution.

The presidential elections could then proceed. The first round of voting took place on 2 June 1996 with Déby garnering 43.8% of the votes. The second round, held on 3 July was contested between Déby and Wadal Abdelkader Kamagoué, representing the URD (Union pour le renouveau et la démocratie), who had taken 12.4% of the voters in the first round. Déby was inaugurated as president on 8 August.

Legislative elections, though delayed again, took place in January and February 1997, with 658 candidates representing 49 political parties in polling for 125 national assembly seats.

Much of Déby's presidency since his 1996 inauguration has been engagement in negotiations or armed conflict with continuing dissident groups in the northern and southern regions of the country. Due to the desire to see the oil reserves from the Doba oil fields brought into production, his government has been particularly eager to bring a cessation to hostilities in the south, with mixed results. Outbreaks of violence continued to be reported in both the northern and southern regions, and in 1998, Youssouf Togoimi left the government and his position as Defense Minister to form the MDJT (Movement for Democracy and Justice in Chad), and organized an armed rebellion against the government.

The Chadian security forces continue to be charged with human rights violations by various internal and international rights organizations. In October 1996 Amnesty International also accused France of participating in these violations in Chad. Despite various disagreements over the years, France continues to see maintenance of an armed force in Chad as essential to securing its strategic position as a border state of Libya and Sudan. Déby's government also continues to be accused of harassing the opposition, including detentions, prosecutions, and jail terms. Chadian forces have taken part in the UN peacekeeping mission in the Central African Republic in 1998 and in the Democratic Republic of the Congo from September of that year.

In January 1998 Déby's government stated its intention of requesting extradition of Hissène Habré from Senegal in order to prosecute him for human rights abuses and embezzlement of gov-

ernment funds. In a separate approach toward Habré, the Chadian Truth Commission, which spent 15 months studying charges against the former president, has pressed for his criminal trial in Senegal, where he has lived in exile since his ouster in 1990. They are joined by several international human rights organizations. The Commission, in a 1992 report, estimated that Habré's forces killed 40,000 Chadians, most of the deaths being attributed to his National Security Service. Habré was indicted in 2000 on charges of torture and crimes against humanity, and placed under house arrest under the 1984 UN Convention Against Torture. However, in March 2001, Senegal ruled it did not have jurisdiction to try Habré in Senegal on torture charges during his tenure in power in Chad. On 18 August 2005, at the urge of Human Rights Watch, Prime Minister Pascal Yoadimnadjé announced in a letter that all remaining Habré-era officials accused of human rights violations and still holding key government positions would be released from service of the Chadian government while awaiting trial.

On 20 May 2001, Déby won reelection as president with 63% of the vote in an election determined by credible sources to have been marked by fraud and vote-rigging. Six of the candidates opposing Déby were detained for questioning by the police, but were released within an hour. Although results from 25% of the polling stations were cancelled due to irregularities, Déby's reelection was confirmed and he was sworn in August for a second five-year term. During the campaign, Déby promoted a us\$3.5 billion development project from southern Chad to the coast of Cameroon. Supported by an international consortium of companies with the ExxonMobil affiliate EssoChad serving as the primary operator. The Chad/Cameroon Development Project was the largest development project in the history of Chad; as many as 11,000 workers developed the Doba oil fields of southern Chad, and built a 1070-kilometer pipeline to transport the oil from land-locked Chad to the coast of Cameroon. Of the total investment, us\$2 billion of this was invested in Chad. Planned for a 25-year production phase, Chad began to export oil extracted from the Doba Basin in late 2003, adding an estimated us\$100 million to government revenues, an increase of approximately 40%. An estimated one billion barrels existed in oil reserves. The World Bank estimates that government income could increase annual government revenue from a minimum of us\$80 million to us\$100 million; Chad expects to receive between us\$2.5 billion and us\$5 billion in direct revenues from royalties, taxes, and dividends, depending on the price of oil over the Chadian oilfield's production period. Despite the increase in oil revenue, 80% of the population relies on agriculture and subsistence farming, herding, and fishing. Although the government committed 80% of its future oil revenues on health, education, rural development, infrastructure, environment, and water, according to the World Bank, the government of Chad distributed us\$67.7 million from oil revenues during 2004 for the priority poverty-reduction sectors, us\$4.2 million for the oil production region, and us\$12.7 million for the general budget.

In the first half of 2005, Chad netted us\$102.5 million in net revenues. Chad estimated its direct oil revenues for the whole year would reach us\$225 million.

In November 2001, relations between Chad and the Central African Republic (CAR) broke down when the CAR army chief of staff, François Bozizé, fled to Chad after being accused of involvement in a failed coup attempt. Chad and the CAR accused each

other of supporting dissidents in cross-border attacks. CAR President Ange-Félix Patassé claimed Chad was looking to annex part of the CAR's oil-rich north, as, according to Patassé, 85% of the rebels occupying the north and center of the country were Chadians. In March 2003, rebels overthrew President Ange-Félix Patassé, and approximately 400 Chadian troops were sent to help stabilize the situation and back the newly self-declared president, General Bozizé. The relations between the new CAR government and Chad have significantly warmed.

In January 2002, the Chadian government and Togoimi's MDJT reached a peace agreement, brokered by Libya. The accord provided for an immediate cease-fire, an amnesty for prisoners held by both sides, the integration of rebels into the national army, and government jobs for MDJT leaders. However, in May, fighting between the two forces broke out in the far north of the country, and 64 were killed. As of early 2003, skirmishing between government forces and the MDJT continued.

In January 2003, the government signed a peace agreement with the National Resistance Army (ANR), a rebel group operating in eastern Chad, near the border with Sudan and the Central African Republic. The accord provided for an immediate cease-fire and an amnesty for prisoners. The following December, a new peace agreement was signed with the northern rebels. Fighting between rebel groups, militias, and the government in the neighboring Darfur region of Sudan has driven upwards of 180,000 refugees into eastern Chad, as well as sparking clashes between these militias and Chad's military. Tensions also remained high along the Central African Republic and Libyan borders, especially due to increased CAR refugees, amounting to 52,000, from clashes between Central African rebels and the CAR.

Although Chad is peaceful in contrast to its neighbors, much of the money initially earned on the pipeline was reportedly used to buy arms, and the influx of refugees as well as the nearby political instability has contributed to the unease. Although the Chadian government attempted to broker a peace accord between the Sudanese government and the Darfur rebels in April 2004, the Chadian army itself clashed with the Janjaweed militia, and the conciliatory attitude the Chadian government has taken with the Sudanese government is thought to be partly responsible for the 2004 uprising in the capital.

Drought, locusts, and a cholera epidemic in western Chad, in addition to the influx in primarily women and children refugees, have also led to the general dissatisfaction of the 9.2 million people. Human rights criticism continued, fueled by such incidents as the imprisonment of a parliamentarian, and the brief censure of media organizations.

### 13 GOVERNMENT

According to the constitution of 1962, Chad was an indivisible, secular, democratic, and social republic with a president and National Assembly. One-party rule was established and presidential elections were held on 15 June 1969, the first by universal suffrage. An official announcement on 16 June stated that President Tombalbaye, being the only candidate, had been reelected for a further seven years by 93% of the voters.

The National Assembly was dissolved after the coup of 13 April 1975 that ousted Tombalbaye. A provisional constitution, which came into force 16 August 1975, was abolished on 23 March 1979,

when President Malloum fled. In October 1982, a National Consultative Council was formed with two representatives from each prefecture and two from N'Djamena. This body was to draft a new constitution by 1990, but it was replaced in the Déby coup on 1 December 1990.

The three-month-long national conference in early 1993 established a new transitional government with a 57-member higher transitional council (elected by the 254 conference delegates) and a transitional charter.

Work on a new draft constitution began near the end of 1993, and a provisional document was drafted and made public in 1994. The constitution, approved in a March 1996 referendum, mandates a directly elected president serving a five-year term, a bicameral legislature, and a constitutional court. The 1996 presidential election under this constitution returned Idriss Déby to the presidency, and 1997 legislative elections brought an absolute majority to Déby's MPS party, with three opposition parties sharing the remaining 62 seats. Déby was reelected in May 2001, and his MPS party won an overwhelming majority in the 21 April 2002 elections for the National Assembly. Elections for the National Assembly were scheduled for April 2006. Although the 1996 constitution provides for a bicameral legislative branch, only the National Assembly functions, as the Senate has not yet been created. Senate members are to serve six-year terms, with one-third of representatives renewable every two years. Members of the National Assembly are elected for four-year terms in 25 single-member and 34 multi-member constituencies (155 seats total). In May, 2004, after an uprising in the capital that the president claimed was intended to overthrow him, the National Assembly approved a constitutional amendment that ended the two-term limit on the presidency, allowing Déby to run for a third term in 2006, which he won. Pascal Yoadimnadjé was appointed prime minister on 3 February 2005.

#### **14 POLITICAL PARTIES**

Prior to independence, Chad was split politically. The Northerners, predominantly Muslim, were supporters of the Party of African Reunion (Parti de Regroupement Africain). The non-Muslim southern farmers were supporters of the Chad Progressive Party (Parti Progressiste Tchadien—PPT). In 1958, the Legislative Assembly of Chad was controlled by PPT members, who had a majority of 42 of the 65 seats. In the election of 31 May 1959, the PPT obtained 57 seats in the new Assembly, and François (later Ngar-ta) Tombalbaye of the PPT became prime minister. In February 1960, four smaller parties joined forces to form the opposition African National Party (Parti National Africain—PNA). In 1962, the PNA was dissolved, and Chad became a one-party state. In 1973, the name of the PPT was changed to the National Movement for Cultural and Social Revolution (Mouvement Nationale pour la Révolution Culturelle et Sociale—MNRCS). Following the 1975 coup, the MNRCS was banned, and the National Assembly was dissolved. As a consequence, all formal political activity ceased.

In 1984, Habré established the National Union for Independence and Revolution (Union Nationale pour l'Indépendance et la Révolution—UNIR), with a 14-member Executive Bureau headed by himself and an 80-member Central Committee. After the Déby coup, his Patriotic Salvation Movement (MPS) took over. Parties were legalized in 1992, and eventually 28 registered with the au-

thorities. These parties have continued to evolve, unite, disband, and reform.

The 1996 constitution provides for many political parties, with approximately 60 involved politically or culturally. In the 2002 elections, seven major parties were represented in the National Assembly. The Patriotic Salvation Movement (MPS) had 110 assembly seats, the Rally for Democracy and Progress (RDP); 12, Federation Action for the Republic; (FAR) 9, National Rally for Development and Progress; 5, Union for Renewal and Democracy (URD); 5, National Union for Democracy and Renewal (UNDR); 3, with the remaining 11 seats spread over a variety of other parties.

#### **15 LOCAL GOVERNMENT**

Chad is divided into 28 departments and 98 sub-prefectures, in addition to the city of N'Djamena. In many areas, the traditional chief still retains power as the head of his people.

#### **16 JUDICIAL SYSTEM**

Since the 1990 coup, the structure and functioning of the judicial system has been seriously disrupted. Because of the breakdown of law and order, as well as interference by the government and the military, the judiciary was unable to handle criminal cases. Many magistrates went on strike in 1993 to protest difficult working conditions and nonpayment of salaries.

Traditionally, the legal system was based on a combination of French civil law and Chadian customary law. The judicial system consisted of four criminal courts, four magistrate courts, four labor tribunals, 14 district courts (in major cities), 36 justices of the peace (in larger townships), and a court of appeal (the Appellate Court of N'Djamena). A Supreme Court was inaugurated in 1963 and abolished in 1975. A Court of State Security was established in 1976. Courts-martial, instituted early in the Déby regime to try security personnel, no longer operate and the remaining military magistrates sit as civilian judges on the N'Djamena Court of Appeals. In most rural areas where there is no access to these formal judicial institutions, sultans and chiefs preside over customary courts. Their decisions may be appealed to ordinary courts.

Under the transitional charter, the Appellate Court of N'Djamena was charged with responsibility for constitutional review as well as review of decisions of lower courts and criminal convictions involving potential sentences of over 20 years.

The 1996 constitution guarantees an independent judiciary. Though a Supreme Court has been created and a functioning judicial system exists, it is clear that there continues to be significant interference in its independence, as the president names most judicial officials. The Supreme Court consists of one chief justice, appointed by the president, and 15 councilors chosen by both the president and National Assembly, all lifetime appointments. A Constitutional Council made up of nine judges elected to nine-year terms has the power to review legislation, treaties, and international agreements prior to their adoption. In local contexts, customary and traditional law is recognized to the extent it does not interfere with national law or public order.

In 2000, the chief justice of the Supreme Court demoted two Supreme Court justices, reportedly because they made a decision which adversely affected the interests of the chief justice. A Superior Council of Magistrates is to act as a guarantor of judi-

cial independence, and in 2001, sanctioned several justices for malfeasance.

## 17 ARMED FORCES

In 2005, Chad's armed forces totaled 30,350 active personnel, with 25,000 in the Army, 350 in the Air Force, and the remainder in the Republican Guard. The gendarmerie and other paramilitary forces totaled about 4,500. The Army's equipment included 60 main battle tanks, over 174 reconnaissance vehicles, 29 armored personnel carriers and 5 pieces of artillery. The Air Force had two combat capable aircraft that were also used as training aircraft. About 950 French troops were based in Chad. The defense budget in 2005 totaled \$57.4 million.

## 18 INTERNATIONAL COOPERATION

Chad was admitted to UN membership on 20 September 1960 and is a member of ECA and several nonregional specialized agencies. It is also a member of the African Development Bank, the ACP Group, the Central African States Development Bank (BDEAC), the Monetary and Economic Community of Central Africa (CEMAC), the Organization of the Islamic Conference (OIC), G-77, the New Partnership for Africa's Development (NEPAD), and the African Union. Chad joined the WTO 19 October 1996. The nation is part of the Franc Zone and the Community of Sahel and Saharan States (CENSAD). Chad is part of the Nonaligned Movement and the Organization for the Prohibition of Chemical Weapons. Chad, Cameroon, the Central African Republic, Niger, and Nigeria are members of the Lake Chad Basin Commission, formed in 1964. Chad is also active in the Interstate Commission for the Fight Against the Drought in the Sahel. In other environmental cooperation efforts, Chad is part of the Convention on Biological Diversity, Ramsar, CITES, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Water-resource limitations are the critical factor influencing the Chadian economy. Much of the country is desert suitable only for very limited agriculture and livestock production, while the remainder is threatened by periodic drought. Petroleum and natron are the principal mineral resources. Key industry is centered on cotton processing. Periodic civil war has compounded Chad's chronic negative trade imbalance. It was estimated that the Chadian GDP grew by approximately 0.6% during 2000 and was forecast to grow considerably after oil from the Chad-Cameroon pipeline was expected to begin flowing in 2004.

Services was Chad's primary sector, accounting for 37.7% of GDP in 2005, but agriculture employs the majority of Chadians. Approximately 80% of the population engages in farming and livestock, accounting for 23.7% of the GDP in 2005. Sorghum, millet, and groundnuts are the principal food crops, while cassava, rice, dates, maize, and wheat augment domestic consumption. While most groundnut production is consumed locally or turned into oil, Chadian groundnuts also make their way to Central African markets. Chad also has a successful sugar production agro-industry. Cotton is a principal export commodity, but the sector suffered considerably from a variety of ills. The 75% state-owned cotton company was reorganized in 1986, but a steady decline in

international prices for cotton reduced foreign exchange earnings in the late 1980s. Cotton's share of total exports fell from 80% in 1990 to 40% in 1999.

Livestock production accounted for 12% of exports in 2000. Much of the industry is conducted following seasonal rain patterns and, as a result of the extended drought, is increasingly centered in the south.

In January 1994 France suddenly devalued the CFA franc, causing its value to drop in half overnight. Immediately, prices for almost all imported goods soared, including prices for food and essential drugs, like those to combat malaria. The devaluation, long expected in the investment community, was designed to encourage new investment, particularly in the oil sector, and discourage the use of hard currency reserves to buy products that could be grown domestically. In 1999, an American-led group (Exxon, Shell, and Elf) planned to produce 150,000 to 250,000 barrels of oil per day from fields in the Doba region in the south of Chad, from reserves estimated at one billion barrels. Smaller oil reserves north of Lake Chad were slated to be used by the government for power generation.

The rate of growth of the GDP has been impressive in previous years, jumping from 9.9% in 2001 and 2002, to 11.3% in 2003, and 29.7% in 2004; in 2005 it was expected to fall back to 6.0%. This impressive economic expansion can be attributed to the newly established oil exploitations in southern Chad. The inflation rate also registered a dramatic evolution, dropping from 12.4% in 2001, to -5.3% in 2004. However, a deflated currency poses problems to Chad's export economy and its competitiveness on world markets. In addition, Chad suffers from its landlocked position and high energy costs, and continues to be dependent on foreign aid for most private and public sector investment projects.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Chad's gross domestic product (GDP) was estimated at \$18.3 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,900. The annual growth rate of GDP was estimated at 14%. The average inflation rate in 2005 was 5.5%. It was estimated that in 2005 agriculture accounted for 23.7% of GDP, industry 38.6%, and services 37.7%.

Foreign aid receipts amounted to \$247 million or about \$29 per capita and accounted for approximately 10.6% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Chad totaled \$1.350 billion or about \$158 per capita based on a GDP of \$2.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.4%. It was estimated that in 2001 about 80% of the population had incomes below the poverty line.

## 21 LABOR

Over 80% of all Chadian workers are involved in subsistence agriculture, animal husbandry, or fishing. There is no data on the size of the nation's workforce or on its unemployment rate.

Although workers (except those in the armed forces) can form or join unions, authorization must be granted by the ministry of the interior. The right of collective bargaining is protected under the law, but the government can intervene under certain circumstances. The right to strike is also protected but in the public sector is limited by a decree that requires minimum services to be maintained. Over 90% of employees in the formal economy were unionized, excluding herders and subsistence cultivators.

Child labor in Chad is a problem. Although minors under the age of 18 are prohibited from working under circumstances that would impair the health, safety, or morals of a child, the means to enforce the law were lacking from the government. About one-fifth of all children between the ages of 6 and 18 worked in the informal economy in urban areas. Children were also employed throughout the country in the agricultural and herding sectors, as well as manual laborers, street vendors, and helpers in small shops in the country's urban centers.

The minimum wage of \$51 per month in 2005 was insufficient to support a worker and family. Most employment is limited to 39 hours per week, with overtime for additional hours. Agricultural workers are limited to an average of 46 hours per week. All workers are entitled to a consecutive 48 hours of rest each week. Although there are occupational safety and health standards, these are rarely followed in the private sector and are nonexistent in the civil service.

## 22 AGRICULTURE

Only 2.6% of Chad's land is cultivated. Agriculture engaged 80% of the active population in 2005, and accounted for 23.7% of GDP. Prolonged periodic droughts and civil war and political instability have cut agricultural production and necessitated food relief. Because of drought, annual cereal production can widely fluctuate. Chad's cereal yield during 2002–04 was 713 kg per person, up from 659 kg per person during 1992–94.

Since the 1960s, cotton crops have accounted for a high percentage of Chad's export earnings. Cotton growing began about 1929 and spread gradually throughout southern Chad. Production was 84,500 tons in 2004, still far below the high of 174,062 tons in 1975–76. Production is dominated by the parastatal Cotton-Tchad, which regulates output, operates the ginneries and cottonseed-oil works, and markets and exports both cotton and cottonseed. Chad's medium staple cotton is sold to 20 different countries; Germany, Portugal, and Japan are the principal customers. Although most cotton is exported, factories in Chad produce cottonseed oil for domestic consumption.

Production of peanuts has rapidly increased since the early 1990s, rising from an annual average of 164,000 tons during 1989–91 to an estimated 450,000 tons in 2004. Millet is the basic foodstuff (except in the Lake Chad area, where corn is the main cereal). Production of millet totaled 430,000 tons in 2004. Rice production was about 109,000 tons in 2004; corn production amounted to 120,000 tons that year. Other products, with 2004 production figures, include cassava, 325,000 tons; yams, 230,000 tons; and

sweet potatoes, 64,000 tons. Sugarcane production on a French-managed irrigated estate of about 3,000 hectares (7,400 acres) on the Shari River yielded 366,000 tons in 2004.

## 23 ANIMAL HUSBANDRY

About 36% of the total land area of Chad is given over to pastureland. In 2004 there were about 2.57 million sheep, 5.72 million goats, and 6.4 million head of cattle; more than 1.5 million cattle died during the 1984–85 drought. In 2004 there were about 735,000 camels, 388,000 asses, 273,000 horses, and 5,200,000 chickens. Actual totals may have been considerably higher because herders are reluctant to declare the extent of their herds and flocks, because all full-grown animals are subject to taxation.

Live cattle, sheep, and goats are exported, with considerable smuggling, to Nigeria. Also important are exports of meat, hides, and skins. In 2004, about 125,000 tons of meat were produced. Livestock is Chad's second most important export, after cotton.

## 24 FISHING

Fish, either fresh or dried, forms an important element in the diet of the people living in the major valleys. The catch from the Chari and Logone rivers and the Chad Basin was approximately 70,000 tons in 2003. Production is far below potential.

## 25 FORESTRY

Chad has wooded areas covering more than 25% of its land area but no real forests. The only exportable forest product is gum arabic, the yield of which has averaged 300 to 400 tons a year. Roundwood removals were estimated at 7 million cu m (247 million cu ft) in 2003, 89% for fuel. Acacia trees were extensively planted in 1978.

## 26 MINING

The mineral industry was poised to become a significant segment of Chad's economy as the Doba Basin petroleum project got under way. Exportation of crude oil began in 2004. Nonfuel mineral production in 2004 included: gold (150 kg); aggregate, sand and stone (300,000 metric tons); natron or soda ash (12,000 metric tons); and salt (9,000 metric tons). The country's undeveloped mineral resources included bauxite, columbium (niobium)-tantalum, diatomite, graphite, kaolin, quartz, soapstone, tin, thorium, tungsten, and uranium. There were also occurrences reported of chromite, copper, diamond, iron, lead, nickel, titanium, and zinc. The government actively encouraged foreign investment in the development of domestic hydrocarbons, but Chad's landlocked geography and lack of infrastructure and water remained impediments to development.

## 27 ENERGY AND POWER

Although Chad lacks coal, natural gas, and hydroelectric sources, the country does have crude oil reserves that as of 1 January 2004, have been placed at 900 million barrels, with production in 2003 at 36,000 barrels per day. Continental Oil Co., in association with Shell Oil, struck oil in the Kanem area, north of Lake Chad, in 1978, and wells briefly produced 1,500 barrels a day (about 80% of national consumption) before fighting disrupted the operation in 1980. An Exxon-led consortium drilled eight wells in the south during 1985–86. In 1988, interest in the region renewed, and in

November 1996 Exxon and the government of Chad signed an agreement outlining the development of oil reserves in the Doba basin. In July 2003 the first oil began to be pumped following the completion of the Chad-Cameroon pipeline, which was built with the aid of a \$93 million loan from the World Bank. A second project to develop oil fields in the Sedigi Basin (with reserves put at 150 million barrels) has been delayed. The problem arose after it was found that the pipeline to carry oil from the Sedigi Basin to a refinery and power plant in the capital of N'Djamena was of such poor quality that it could not be used.

All of Chad's power plants are thermal. The two at N'Djamena provide most of the national output. As of 2002, only around 2% of the households in Chad had access to electricity and the majority of the country's population must rely upon wood for fuel. Production of electricity rose from about 31 million kWh in 1968 to 92 million kWh in 2000, and 101 million kWh in 2002, all generated by fossil fuels. In 2002, consumption of electricity in Chad totaled 94 million kWh. Installed capacity in 2002 was 29,000 kW.

## 28 INDUSTRY

The industrial sector accounted for about 38.6% of GDP in 2005. Because it lacks power and adequate transportation, Chad is industrially one of the least developed countries in Africa. Cotton processing is the largest activity. Cottonseed oil is processed at Sarh and Moundou. Coton-Tchad, the state-owned company that produces and exports cotton, is the country's main manufacturing concern, and many of its subsidiary operations (including oil and soap) were being privatized in 2002.

Other enterprises include several modern slaughterhouses, a flour mill complex, a sugar refinery, and textile plants. There are also rice and peanut oil mills, a brewery, a soft-drink plant, a soap factory, and a cigarette factory. Factories at N'Djamena also produce bicycles and mopeds, radios, and perfume.

The construction sector was growing in 2002, with investment in roads and schools, among other public works projects. There was interest in building a cement factory in the Mayo Kebbi region in 2002, and plans to produce detergent and establish assembly plants for agricultural equipment. If electrical costs could be reduced, light industry could be further developed.

Oil exploration in Chad began in the 1970s in the northern Lake Chad Basin and the Doba Basin in southern Chad. Chad's full hydrocarbon potential has yet to be fully determined. The Chad-Cameroon oil pipeline, with estimated production at 225,000 barrels per day, was completed in 2003. There were plans in 2002 to build a refinery in N'Djamena, to make Chad self-sufficient in oil products. The development of Chad's petroleum sector is aimed in part at raising electricity output, which is crucial to Chadian industry. Only 2% of households in Chad are supplied with electricity.

The share of the industry in the GDP has dramatically increased to 35.6% in 2004, and was largely due to investment in the oil industry; agriculture accounted for 22.6% of the GDP, but was by far the largest employer; services came in first with a 41.7% share of the economy.

## 29 SCIENCE AND TECHNOLOGY

N'Djamena has an institute for cotton research, founded in 1939. The University of N'Djamena, founded in 1971, has faculties of

sciences and of medicine and health. In 1987–97, science and engineering students accounted for 14% of college and university enrollments. There is a national telecommunications school in Sarh. Most research in Chad is dependent on foreign scientists and technicians; however, many foreign personnel were evacuated during the fighting of the early 1980s.

## 30 DOMESTIC TRADE

As of 2002, more than 80% of the population was employed in agriculture, either in subsistence farming, herding or fishing. Most local produce is sold directly to consumers or to intermediaries and barter is common. Company agents and intermediaries buy export crops at local markets or directly from the producers for sale to large companies. Distribution is largely unstructured, except for a few international and local companies. Most sell through retail points. A large portion of produce is transported by animals and carts, but trucks operate as well.

The country's domestic economy continues to rely heavily on foreign investment from the European Union for both private and public sector concerns. Business hours are 7:30 AM–3:30 PM, Monday through Thursday, and 7:30 AM to 1:00 PM, on Friday. Commercial hours are generally from 7:30 AM to 12:30 PM and 4 PM to 8 PM. Offices are closed Friday afternoons during Muslim prayer time and on Sundays.

## 31 FOREIGN TRADE

Cotton is Chad's primary export, making the economy's trade balance vulnerable to fluctuations in world cotton prices and the rising competition of synthetic materials. In 2000, exports totaled \$172 million, and imports amounted to \$223 million. Cotton accounted for 50% of exports that year, with cattle exports contributing 35%. Exports of textiles and fish products accounted for most of the remaining 15%. Leading imports in 1998 were machinery and transportation equipment, industrial goods, petroleum products, foodstuffs, and textiles.

In 2004, exports reached \$365 million (FOB—free on board), while imports grew to \$501 million (FOB). The bulk of exports went to the United States (67.8%), China (21.5%), Portugal (4.3%), and South Korea (1.4%). Imports mainly came from France (21.9%), Cameroon (16.1%), the United States (10.8%), Portugal (10.4%), Germany (6.4%), and Belgium (4.6%).

## 32 BALANCE OF PAYMENTS

Normally Chad has a deficit in trade and services that is offset, or nearly offset, by foreign assistance, largely from France. France contributed over 30% of all international financial assistance to Chad between 1990 and 1996. Due to Chad's receipt of foreign aid, it was able to maintain a small budget surplus in 1998. Chad's current account deficits have ranged between 17% and 21% in recent years, figures deemed acceptable by international financial institutions for developing countries. Chad's levels of external debt have been moderate, and the country has in general met its repayment schedule.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Chad's exports was \$172 million while imports totaled \$223 million resulting in a trade deficit of \$51 million.



**Balance of Payments – Chad (1994)**

(In millions of US dollars)

<b>Current Account</b>		<b>-37.7</b>
Balance on goods		-76.8
Imports	-212.1	
Exports	135.3	
Balance on services		-144.6
Balance on income		-7.4
Current transfers		191.0
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>76.3</b>
Direct investment abroad		-0.6
Direct investment in Chad		27.1
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		0.6
Other investment liabilities		49.2
<b>Net Errors and Omissions</b>		<b>-33.0</b>
<b>Reserves and Related Items</b>		<b>-5.5</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

The International Monetary Fund (IMF) reported that in 1994 Chad had exports of goods totaling \$135 million and imports totaling \$212 million. The services credit totaled \$55 million and debit \$199 million.

Exports of goods and services reached \$2.3 billion in 2004, dramatically increasing from \$547 million in 2003. Imports grew from \$1.4 billion in 2003, to \$1.5 billion in 2004. The impressive performance of the exports sector can be attributed to the newly established oil exploitations in southern Chad. The resource balance was consequently negative in 2003, reaching -\$859 million, and positive in 2004, swelling at \$759 million. The account balance was negative in both years, however, improving from -\$1 billion in 2003, to -\$786 million in 2004. Foreign exchange reserves (including gold) grew to \$283 million in 2004, covering less than three months of imports.

**33 BANKING AND SECURITIES**

As of 1999 there were six banks in Chad, including Banque de Developpement Tchadienne (BDT), Banque Tchadienne de Credits et de Depots (BTCD), Banque Meridien BIAO Tchad (BMBT, privately owned), Financial Bank Tchad, Banque Commercial du Chari (BCC), and the Banque Agricole du Soudan au Tchad (BAST). Estimated assets of Chad's banking system were about \$100 million in 2002. Two major Chadian banks, BTCD and the BDT, were privatized in 1999. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$189.2 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$202.7 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

There were no securities exchanges in Chad, but a financial market was planned between the member countries of the UDEAC

(Cameroon, Central African Republic, Chad, Congo/Brazzaville, Gabon, and Equatorial Guinea) to open by December 2000.

**34 INSURANCE**

In 1986, there were three local companies and about a dozen French companies providing insurance in Chad. The domestic insurance companies operating in 1999 included Societe Mutuelle d'Assurances des Cadres (SMAC), Faugere and Jutheau (les Assureurs Conseils Tchadiens), and Star Nationale.

**35 PUBLIC FINANCE**

Customs duties are the principal revenue source. Privatization of government-owned enterprises continues under IMF restructuring plans. The government spent an estimated 20% of GDP in 1999, and has made incremental progress with structural reforms since 1995.

The US Central Intelligence Agency (CIA) estimated that in 2005 Chad's central government took in revenues of approximately \$765.2 million and had expenditures of \$653.3 million. Revenues minus expenditures totaled approximately \$111.9 million. Total external debt was \$1.5 billion.

**36 TAXATION**

A graduated income tax is imposed on civil servants and others who are paid fixed salaries or who have sufficient income. A head tax is imposed on all other persons, the amount varying according to regional levels of prosperity. There is also a domestic turnover tax, and a corporate minimum tax. Further revenue is derived from business and professional licensing, from taxes on business transactions, real property, and profits, and from mining royalties.

In 1999, company taxes were 45% of corporate profit and 25% of rental properties income.

**37 CUSTOMS AND DUTIES**

Customs duties, which are ad valorem, range from 5% on essential items to 30% for less essential products, in addition to an 18% value-added tax (VAT) applicable to all but the most basic goods. There is an extra tax on luxury products of 20% and automobiles had an excise tax of 51%. There are no quotas and import licenses are no longer required. Prohibited imports include live animals, arms and munitions, pornography, narcotics, illicit drugs, and explosives.

**38 FOREIGN INVESTMENT**

Under the investment code issued in 1987, the government officially encouraged foreign private investment on two conditions: that the enterprise benefit the local population and that local materials be processed as far as possible. The code offers full foreign ownership to companies in Chad, except in national security or strategic industries. Benefits include preferential export duties and taxes, restrictions on the import of similar competitive products, preference in financial assistance from the Development Bank of Chad, and possible exemption from the sales tax and other fees and taxes for 15 years. The present government took over by coup after years of civil war in 1990 (and subsequently has won two elections in which international observers have charged fraud and intimidation).

tion) and political turmoil, compounded by Chad's environmental difficulties, has delayed significant foreign investments.

By far the most ambitious and innovative foreign investment project underway is the \$3.7 billion Chad-Cameroon Petroleum Development and Pipeline Project, which entails drilling about 300 oil wells in Chad's Doha fields (\$1.7 billion) and constructing a \$2.2 billion, 1,070-km (670-mile) pipeline to carry the oil across Cameroon and out into the Atlantic to a floating storage and loading facility for shipment to Europe and the United States.

The Chad-Cameroon pipeline is the largest energy infrastructure project in Africa and has taken decades to bring about. Though the first discovery well in the Doha field was drilled in 1974, it was not until 1994 that Houston-based ExxonMobil determined that at least one billion barrels of oil could be extracted, making investment profitable. Four years later a complex agreement had been reached between the oil companies consisting of ExxonMobil (operator with 40% of private equity), ChevronTexaco (25% of private equity), and Petronas of Malaysia (35% of private equity), with Elf and Shell dropping out in 1999, the World Bank and other international financial institutions, and the Chad government.

The World Bank's contribution amounts to only 2.7% (including loans to Chad and Cameroon to finance their government's share in the project), but the sign of its support was essential for the participation of the other investors. The pipeline project has World Bank backing on condition that there not be environmental damage and that the revenue be put into social welfare and development projects.

The government of Chad agreed to give up some of sovereign control by having project management and expenditure overseen by an independent nine-member oversight committee, with four members from outside institutions and five representing Chad's religious, political, and community institutions. Revenues will go first to an escrow account in London, then to two commercial banks in Chad where the oversight committee is to see that 80% goes to priority areas (education, health, housing, and rural infrastructure) and 10% to a savings fund for the future, with the rest distributed according to a formula devised by the committee.

For their part, the oil companies have been obliged to make over 60 changes in the proposed pipeline route to accommodate social and environmental concerns and to offer a "Sears catalogue" of items (bicycles, sewing machines, plows, community wells) as compensation to villagers along the route. The Clinton administration put an Export-Import Bank loan guarantee of \$158.1 million behind the pipeline and the Bush administration approved OPIC insurance up to \$250 million for Houston-based Pride International, which is drilling oil wells for the project. The pipeline was due to begin operations in late 2004. Chad is expected to derive about \$100 million a year in revenue from the sale of the oil from the three fields being developed, with a total of \$2.5 billion over the estimated 28-year life of the project. Even before revenues began to flow, however, President Idriss Déby, in early 2003, dismissed the head of the oversight committee because the official opposed with the president's plans to use the revenue on such items as prisons and automobiles.

Foreign direct investment (FDI) in Chad in 1995 was only \$7 million, or 0.6% of GDP, but from 1997 to 2000, the range was \$15 million to \$16 million. In 2001, FDI rose to \$80 million as con-

struction on the Chad-Cameroon pipeline got underway, eclipsing previous levels of foreign investment. Historically, Chad has depended upon FDI for over 50% of the capital in Chadian enterprises, the majority from France. Other sources of foreign investment include the United Kingdom, South Korea (gold mining), the Netherlands (MSI cellular telephone services), Egypt (Orascom cellular telephone services), Sudan (oil production and refining north of Lake Chad), and Libya (hotels and real estate investments).

The oil industry has dramatically increased the levels of capital inflows. Thus, in 2004, it is estimated that foreign direct investments grew to \$537 million, or 12.5% of the GDP. US companies dominate investments in the oil sector, but France continues to lead the field in most other sectors—cotton, sugar, electricity, water, construction, transportation, and other small industries.

### **39 ECONOMIC DEVELOPMENT**

Foremost among governmental objectives are the expansion and improvement of the transportation and telecommunications network, the expansion and diversification of agriculture, and the attainment of food self-sufficiency. These goals were far from being met in 2003, but a steadily increasing trade balance reflects a growing economy. Petroleum reserves promise future rewards.

Net loans and grants from international financial institutions and UN organizations in 1994 totaled \$109 million. Chad received a total of \$238 million in economic aid in 1995, including \$41 million from the World Bank, \$13 million in concessional aid from the African Development Bank, and \$6 million in concessional support from the International Monetary Fund (IMF). In 1997, Taiwan committed \$125 million, and \$30 million was given by the African Development Bank. Chad was \$1.1 billion in debt in 2000.

In 2000, Chad negotiated a \$48 million (subsequently augmented to \$62 million) Poverty Reduction and Growth Facility (PRGF) with the IMF, which was due to expire in December 2003. In 2001, the IMF announced Chad qualified for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. Chad began exporting oil in late 2003, and the country aims to use its oil revenue to alleviate poverty. CotonTchad, the cotton parastatal, was being privatized in 2002.

2003 and 2004 saw an explosive growth of the economy as a result of a booming oil sector. By 2005, this growth was expected to slow down however, as a result of diminished oil production levels, and an incapacity of the government to spend excess oil revenues on crucial public projects. Other sectors that are expected to perform well are cattle production and cotton, although predictions are more moderate for the latter. An area that poses major problems is energy production—energy prices in Chad are among the highest in the world and only a fraction of the population has access to electricity.

### **40 SOCIAL DEVELOPMENT**

Social services were introduced in Chad very slowly and have been largely disrupted by warfare. Salaried workers are entitled to old age, disability, and survivorship benefits. There are no statutory benefits for sickness, but there is a 50% maternity benefit for employed women. Employed persons are covered by a work injury law that is funded by employer contributions. Family allowances

are available for working parents, and there is a birth grant awarded for the first three births of the first marriage.

The position of women in Chad is a subordinate one. While property and inheritance laws do not discriminate against women, tradition and local custom favors men. Women generally receive less education than men, and do not have equal job opportunities. Rural women do most of the strenuous agricultural work in the fields, and girls are often married as young as 11 or 12. Female circumcision, also known as female genital mutilation, is widespread. Domestic violence and abuse are common, and women have limited recourse. Child labor continues to be a major problem.

The government's human rights record remains poor. A pattern of arbitrary violence continues, including arbitrary arrest and detention, torture, beatings, and other abuse. Prison conditions are life-threatening. The government continues to hold political prisoners, and restricts freedom of speech and religion.

#### 41 HEALTH

In 1987 Chad had 4 hospitals, 44 smaller health centers, 1 UNICEF clinic, and 239 other clinics—half under religious auspices. Many regional hospitals were damaged or destroyed in fighting, and health services barely existed in 1987. Public health care expenditures were estimated at 2.9% of GDP. As of 2004, it was estimated that there were fewer than 3 physicians, 15 nurses, and 2 midwives per 100,000 people.

All medicine, antibiotic, and vaccine imports must be authorized by the Ministry of Health. The most common diseases are schistosomiasis, leprosy, malaria, spinal meningitis, tuberculosis, and yaws, as well as malnutrition. Immunization rates in 1999 were very low for children up to one year of age: diphtheria, pertussis, and tetanus, 21%, and measles, 30%. In 2000, 27% of the population had access to safe drinking water and 29% had adequate sanitation.

Chad had a birth rate of 43 per 1,000 people in 1999. The infant mortality rate in 2005 was 93.13 per 1,000 live births. Maternal mortality has increased to one of the highest rates in Africa. Over 300 women died in childbirth or pregnancy per 100,000 live births. As of 2000, only 4% of married women (ages 15 to 49) used any form of contraception. In Chad, 60% of the women underwent female genital mutilation.

The average life expectancy in 2005 was estimated at 47.18 years. The HIV/AIDS prevalence was 4.80 per 100 adults in 2003. As of 2004, there were approximately 200,000 people living with HIV/AIDS in the country. There were an estimated 18,000 deaths from AIDS in 2003.

#### 42 HOUSING

Forty thousand buildings and homes were destroyed during the civil war. According to the latest available figures, the total housing stock numbered 700,000, with 7.2 people per dwelling. In 2000, about 27% of the population had access to improved water systems and only 29% had access to improved sanitation systems.

#### 43 EDUCATION

The educational system is patterned on France's, and the primary language of instruction is French. Arabic is used in some schools. Private schools of an exclusively religious character (such as the catechism classes of Christian missions and the Muslim schools)

receive no assistance from public funds, but the schools that conform to the officially prescribed educational programs are aided by government grants. Education is theoretically compulsory between ages 6 and 12. Primary education lasts for six years followed by either general secondary education, which lasts for another seven years, or technical and vocational secondary education, which last for six. The academic year runs from October to June.

Primary school enrollment in 2003 was estimated at about 61% of age-eligible students; 72% for boys and 49% for girls. The same year, secondary school enrollment was about 12% of age-eligible students; 17% for boys and 6% for girls. It is estimated that only about 25% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 71:1 in 2000. The ratio for secondary school was about 32:1.

The University of N'Djamena (est. 1971) is the only university in the country. The university has four faculties—exact and applied sciences; law, economics, and business administration; letters, languages, and human sciences; and medicine. There is a zoological and veterinary institute at Farcha, a national communications college in Sarh, and a national college of administration in N'Djamena. In 2000, about 6,000 students were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 25.5%, with 40.6% for men and 12.7% for women.

As of 2003, public expenditure on education was estimated at 2% of GDP.

#### 44 LIBRARIES AND MUSEUMS

Many of the libraries in Chad are the small private collections of research institutes in N'Djamena. The public library system includes a network of about 100 reading rooms. Among the largest are the Chadian National Institute for the Humane Sciences, with 3,200 volumes, and the Educational Documentation Center, with 3,300. Other notable libraries include the University of N'Djamena with about 12,000 volumes, the French Cultural Center in N'Djamena, with 12,000 volumes, and the United States Information Agency, also in N'Djamena, with 3,000 volumes.

The National Museum in N'Djamena was founded in 1962 and has an excellent collection on the natural history, archaeology, and ethnography of Chad. The Museum of Abéché, which was founded in 1962 and formally opened in 1984, features an ethnographical collection. Fort-Lamy houses the country's premiere historical and public affairs museum with exhibits chronicling its fight for independence.

#### 45 MEDIA

Postal and telephone service are under the direction of the Minister of Posts and Telecommunications. There are direct telephone connections between N'Djamena and Paris and several African capitals. In 2003, there were an estimated 2 mainline telephones for every 1,000 people. The same year, there were approximately 8 mobile phones in use for every 1,000 people.

The government-operated Radiodiffusion Nationale Tchadienne and Tele-Tchad have broadcasting stations in N'Djamena that broadcast in French, Arabic, and seven African languages. Other radio stations are privately owned. In 2002, there were 2 AM and 4 FM radio stations and 1 television station. In 2003, there were an estimated 233 radios and 2 television sets for every

1,000 people. The same year, there were 1.7 personal computers for every 1,000 people and 2 of every 1,000 people had access to the Internet.

The government press agency publishes the daily news bulletin *Info-Tchad* (circulation about 1,500 in 1999). Other publications include the weekly *N'Djamena Hehdo* (1999 circulation 9,500), and the monthly *Tchad Et Culture* (3,500).

The Constitution and Transitional Charter ensure freedom of speech and the press, and the government is said to respect these rights. The Higher Council on Communications (mandated by the CNS) promotes free access to the media.

#### 46 ORGANIZATIONS

The Chamber of Commerce, Agriculture, and Industry at N'Djamena has branches at Sarh, Moundou, Bol, and Abéché. In rural areas, cooperatives promote the production and marketing of agricultural products. Fishermen and artisans also maintain cooperatives. Self-help tribal societies have grown rapidly, particularly in the larger towns, where members of ethnic groups act together to assist newcomers and to maintain links with those remaining in traditional areas. The Student Association of the University of Chad (AEUT) is one of the largest student organizations affiliated with the National Union of Chadian Students and Pupils (UGEST). Church youth organizations are active, as are chapters of scouting and Girl Guide organizations. Sports organizations are active as well, including chapters of the Special Olympics.

The three primary human rights groups within the country are the Chadian Association for the Promotion of Human Rights, The Association for the Promotion of Fundamental Liberties in Chad, and the Chadian Human Rights League. There are national chapters of the Red Cross Society, Caritas, and UNICEF.

#### 47 TOURISM, TRAVEL, AND RECREATION

Chad, a developing country, has gone through years of war and famine leaving its tourism industry very limited. Most visitors are attracted to the Zakouma National Park.

Visitors must have valid passports and visas. Visitors must check in with the National Police within 72 hours of arrival and obtain a registration stamp. Vaccination for yellow fever is recommended. There were approximately 20,960 tourist arrivals in Chad

in 2003, a decrease from 2002 by 35%. This decline may be attributed to ongoing rebellion and civil unrest. The country had 802 hotel rooms with 1,274 beds in 2002.

In 2005, the US Department of State estimated the daily cost of staying in N'Djamena at \$254. Daily expenses, estimated at \$70 in smaller towns, were significantly lower.

#### 48 FAMOUS CHADIANS

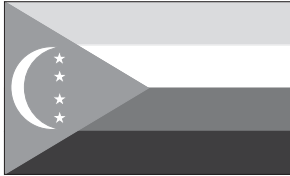
Ngarta Tombalbaye (1918–75) was the first president of the independent Republic of Chad. Gen. Félix Malloum (b.1932) became chief of state after the 1975 coup, but was ousted in 1979. Goukouni Oueddei (b.1944) served (1979–82) as president and subsequently led a Libyan-backed rival government in northern Chad. Hissène Habré (b.1942), a Muslim military leader, seized the capital in 1982 and became president. Idriss Déby (b.1952) seized power in 1990 after a French-supported invasion from Sudan.

#### 49 DEPENDENCIES

Chad has no territories or colonies.

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# COMOROS

Federal Islamic Republic of the Comoros  
*République Fédérale Islamique des Comores;*  
*Jumhuriyat al-Qumur al-Ittihadiyah al-Islamiyah*

**CAPITAL:** Moroni

**FLAG:** Four equal horizontal bands of yellow (top), white, red, and blue with a green isosceles triangle based on the hoist; centered within the triangle is a white crescent with the convex side facing the hoist and four white, five-pointed stars placed vertically in a line between the points of the crescent.

**ANTHEM:** No information available.

**MONETARY UNIT:** The Comorian franc (Co Fr) is the equivalent of the Communauté Financière Africaine franc (CFA Fr), which has been pegged to the euro since January 1999 at a rate of 655.957 CFA francs to 1 euro. The Comorian franc is issued in notes of 500, 1,000, and 5,000 Co Fr. Co Fr1 = \$0.00252 (or \$1 = Co Fr396.21) as of 2004.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year's Day, 1 January; Second Coup d'État, 13 May; Independence Day, 6 July; Admission to UN, 12 November; Christmas Day, 25 December. The principal Muslim holidays are observed.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The Comoros are located at the northern entrance of the Mozambique Channel, between the eastern shore of the African continent and the island of Madagascar, which lies about 480 km (300 mi) to the SE. Comparatively, the area occupied by the Comoros Islands is slightly more than 12 times the size of Washington, DC. The islands have a combined area of 2,170 sq km (838 sq mi), of which Grande Comore (Njazidja), the largest and northernmost island, comprises 1,148 sq km (443 sq mi); Mohéli (Mwali), lying to the S of Grande Comore, 290 sq km (112 sq mi); and Anjouan (Nzwani) to the E of Mohéli, 424 sq km (164 sq mi). There are also several small islands. The Comoros extend about 180 km (110 mi) ESE–WNW and 100 km (62 mi) NNE–SSW, with a total coastline of 340 km (211 mi). Mayotte, the fourth major island in the Comoros Archipelago, covering an area of 374 sq km (144 sq mi), is claimed by the Comoros but remains under French territorial administration. The capital city Moroni, is located at the western edge of the island of Grande Comore.

## <sup>2</sup> TOPOGRAPHY

The islands are volcanic in origin and their highest peak, Mt. Kartala at 2,360 meters (7,743 feet), is an active volcano located near the southern tip of the island of Grande Comore. In the center of Grande Comore lies a desert lava field. To the north, a number of volcanic peaks rise from a plateau nearly 600 meters (2,000 feet) in altitude. The island of Anjouan, to the southeast, has steep hills reaching heights of nearly 1,500 meters (5,000 feet) in a central volcanic massif. Mohéli, to the west of Anjouan, has wide and fertile valleys, with a ridge in the center that reaches about 580 me-

ters (1,900 feet) above sea level, and a thick forest cover. The lowest point is at sea level (Indian Ocean).

## <sup>3</sup> CLIMATE

The climate in the Comoros is humid and tropical, with coastal temperatures averaging about 28°C (82°F) in March and 23°C (73°F) in August. The monsoon season lasts from December to April. Rainfall in January averages 42 cm (16.5 in), and in October, the driest month, 8.5 cm (3.3 in). Cyclones and tidal waves are frequent in the summer.

## <sup>4</sup> FLORA AND FAUNA

The rich volcanic soils on the islands foster the growth of a profuse vegetation. Beyond the coastal zones, where mangroves predominate, there are coconut palms, mangoes, and bananas, and above them is a forest zone, with many varieties of tropical hardwoods. Broom, lichens, and heather grow on the highest peaks. The animal life is similar to that found on Madagascar. Comorian waters harbor the coelacanth, a rare primitive fish once thought to have been extinct for 70 million years. Fossil remains of the coelacanth dating back 400 million years have been found.

## <sup>5</sup> ENVIRONMENT

Although Mohéli has large tracts of fertile land not yet cultivated, parts of Anjouan are so densely populated that farmers have been forced to extend cultivation to the higher slopes, leading to deforestation and soil erosion, especially when crops are cultivated on slopes without adequate terracing. Population growth has also increased the demand for firewood, threatening the remaining forest areas. Soil erosion is aggravated by lack of terracing. Comoros has about 0.2 cu mi of water, of which 47% is used for agricultural

purposes, 48% is used in urban centers and for domestic purposes, and 5% is used in industry.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 2 types of mammals, 10 species of birds, 2 types of reptiles, 4 species of fish, 4 species of other invertebrates, and 5 species of plants. Endangered species in the Comoros include the Anjouan sparrow hawk and Anjouan scops owl.

## 6 POPULATION

The population of Comoros in 2005 was estimated by the United Nations (UN) at 671,000, which placed it at number 159 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 43% of the population under 15 years of age. There were 101 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 3.0%, a rate the government viewed as too high. Government programs to address population growth succeeded in increasing the use of contraception from 11.4% in 1996 to 19.3% in 2001. The projected population for the year 2025 was 1,127,000. The population density was 301 per sq km (779 per sq mi). Grande Comore, the largest island, has the largest populace, followed by Anjouan and then Mohéli.

The UN estimated that 33% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.36%. The capital city, Moroni, had a population of 53,000 in that year.

## 7 MIGRATION

About 40,000 Comorians live in France and 25,000 in Madagascar. About 16,000 were expelled from Madagascar in 1977–78, following a massacre there of Comorians in December 1976. In 2000, there were 18,000 migrants living in Comoros. For 2003 it was estimated that 25–30% of the population lived outside the country. In 2003, an estimated \$36.4 million in remittances, approximately 12% of GDP, flowed to Comoros. These remittances amounted to about \$50 per Comorian. The net migration rate in 2005 was estimated as zero per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The islands' indigenous population consists almost entirely of persons of mixed African, Malagasy, Malay, and Arab descent. Ethnic groups include the Antalote, Cafre, Makoa, Oimatsaha, and Sakalava. Small numbers of Indians, Malagasy, and Europeans play an important part in the economy.

## 9 LANGUAGES

French and Arabic are the official languages. The main spoken language, Shaafi Islam (Shikomoro or Comoran), is akin to Swahili but has elements borrowed from Arabic. Other languages spo-

ken include French, Malagasy, Swahili, Arabic, and Makua (an African language).

## 10 RELIGIONS

Islam is followed by about 99% of Comorians, almost all of whom are Sunni Muslims. Fewer than 400 citizens—approximately 1% of the population—are Christian, all of whom reportedly converted to Christianity within the last half of the 1990s. Small groups of foreigners are Hindus or Christians.

Following a 1999 military coup, the May 2000 constitution did not allow for freedom of religion. The December 2001 constitution does provide for this freedom, however, it also makes Islam the state religion and the government tends to discourage the practice of other faiths. The practice of Christianity is particularly restricted. There are two Roman Catholic churches and one Protestant church. Since before the 1999 coup, the government has restricted the use of these churches to noncitizens only. Harassment and social discrimination of Christians is widespread. Proselytizing of Christianity is prohibited. The Grand Mufti, who is nominated by the president to serve in the Ministry of Islamic Affairs, serves as the government counsel on Islamic faith and law.

## 11 TRANSPORTATION

Each island has a ringed road, and there were some 880 km (547 mi) of roads in 2002, with 673 km (418 mi) paved. There is an international airport at Hahaia, on Grande Comore; other islands have smaller airfields. There were a total of four airports, all with paved runways, in 2004. Air Comores (51% owned by Air France) provides regular interisland flights. Air France and Air Madagascar provide service to Madagascar; Air Mauritius provides service to Mauritius; and South African Airways makes a weekly stop. In 1997 (the latest year for which data was available), 83,000 passengers traveled on international and domestic flights. As of 2005, Comoros' merchant marine totaled 79 ships of 1,000 GRT or over, totaling 452,801 GRT. There is a year-round port at Dzaoudzi, off the island of Mayotte. Until recently, the other ports, at Moroni and Mutsamudu, could accommodate only small ships. Larger vessels had to anchor offshore and be loaded and unloaded by *dhows*. Expansion of the port of Mutsamudu to allow direct access to Anjouan was completed in 1985.

## 12 HISTORY

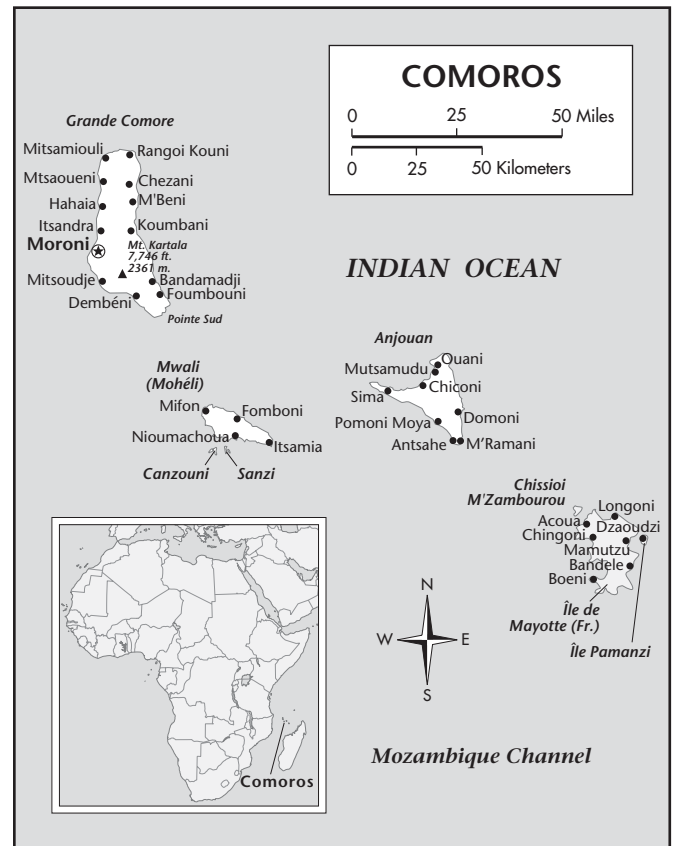
The Comoros are an archipelago of four small Indian Ocean islands that lie between East Africa and the northwestern coast of Madagascar. The four islands are called Ngazidja (formerly Grande-Comore), Nzwani (formerly Anjouan), Mwali (formerly Moheli), and Mayotte. In all likelihood they were visited in antiquity by Phoenician sailors. The first settlers were probably Melanesian and Polynesian peoples, who came to the Comoros by the 6th century AD; later immigrants arrived from East Africa, Arab lands, Indonesia, Persia, and Madagascar. The Portuguese discovered the islands in about 1503, and Frenchmen first landed in 1517. The Englishman James Lancaster visited the islands toward the end of the 16th century; at that time, and for many years afterward, Arab influence predominated over that of Europeans. Malagasy invasions also took place in the 16th century. In 1843, a Malagasy who ruled over Mayotte ceded the island to France, and in 1865, a Malagasy ruler of Mohéli signed a friendship treaty with

France. A French protectorate was placed over Anjouan, Grande Comore, and Mohéli in 1886, and in 1908 the islands were joined administratively with French-ruled Madagascar. In World War II, the islands were occupied by a British force and turned over to the Free French. The Comoros were granted administrative autonomy within the Republic of France on 9 May 1946, acquiring overseas territorial status, and on 22 December 1961 achieved internal autonomy under special statute. This status was amended on 3 January 1968 to give the territory greater internal autonomy.

On 11 December 1958, the Territorial Assembly voted to remain in the Republic, but the cause of independence, championed by the Comoro National Liberation Movement, based in Tanzania, was eventually embraced by the ruling coalition on the islands. An agreement for independence within five years was signed in Paris on 15 June 1973, and in a referendum held on 22 December 1974, a large majority on all islands except Mayotte voted in favor of independence. The vote was ratified by the French parliament, which decided that each island should vote separately on a new constitution. On 6 July 1975, nevertheless, the Comoros legislature unilaterally declared independence for all the islands, including Mayotte. The French government, rejecting the Comorian claim to Mayotte, ordered a separate referendum for the island. As preparations were made for the 1976 referendum, relations between France and the Comoros deteriorated. The Comorian government nationalized all French administrative property and expelled French officials. With strained French-Comorian relations as the backdrop, Mayotte voted on 7 February 1976 to remain part of France. The UN General Assembly, however, backed the Comorian claim to Mayotte in 1976 and 1979 resolutions.

Considerable domestic turmoil accompanied the birth of the new nation. The first Comorian government took power on 6 July 1975 and was led by Ahmed 'Abdallah. It unilaterally declared independence from France and was overthrown within a month on 3 August 1975 with the aid of foreign white mercenaries. A National Executive Council led by Prince Said Mohammed Jaffar was created. Jaffar was the leader of a group that favored a more conciliatory policy toward Mayotte and France. In January 1976 he was replaced by 'Ali Soilih who led a military coup that toppled Jaffar a year earlier. In 1977 Soilih's government changed the French names of the four islands (Grande-Comore, Mohéli, Mayotte, and Anjouan) to Ngazidja, Mwali, Mahore, and Nzwani. Four unsuccessful coup attempts were launched during Soilih's rule. However, on 13 May 1978, Soilih was overthrown and killed by mercenaries led by Bob Denard, whose previous exploits in Zaire and elsewhere made him infamous throughout Africa. Denard reinstated the nation's first president, Ahmad 'Abdallah, who had been living in exile in Paris. Denard remained the true power behind 'Abdallah. Their government was close to right-wing elements in France and to South Africa, where the Comoros served as a conduit for supplies to the Renamo rebels in Mozambique. Soon after the coup, France agreed to restore economic and military aid, which had been suspended during the Soilih regime. Most African countries were, however, unhappy with the role of mercenaries in toppling the Soilih government and the Comoros were expelled from the OAU (Organization of African Unity).

In September 1978, Denard and his mercenaries were asked to leave the Comoros due to the international stigma their presence caused the island nation. This was a façade, as Denard remained



LOCATION: 43°1' N to 44°32' E; 11°21' W to 12°25' S.  
TERRITORIAL SEA LIMIT: 12 miles.

the true power on the islands; however, the ruse did succeed in getting the Comoros back into the OAU. A new constitution was approved on 1 October 1978 by 99.31% of the voters. The new constitution created a Federal Islamic Republic in which each island was granted increased autonomy. On 22 October, 'Abdallah, the only candidate, was elected president with a reported 99.94% of the valid votes.

Chronic economic problems were worsened in January 1983 by tropical cyclone Elena, the worst in 30 years. The damage was estimated at Co Fr200 million; up to 80% of the crop was damaged.

'Abdallah was reelected unopposed with 99.4% of the vote in September 1984. There were coup attempts in 1985 and 1987. Elections to the Federal Assembly were held in March 1987. By 1989, however, resentment for the overbearing influence of Denard and his men grew. Even 'Abdallah grew disenchanted and, with the backing of France and South Africa, he moved to displace Denard's mercenaries. Before this could be implemented, however, on 26 November 1989 a member of the Presidential Guard (many suspect Denard) assassinated 'Abdallah. This unit included European mercenaries and was under the command of Denard.

Said Mohamed Djohar, head of the Supreme Court, was appointed interim president pending a presidential election. With the help of Paris and Pretoria, on 15 December 1989, he forced Denard to relinquish power in exchange for safe passage to South Africa.

In January 1990, demonstrators protested the postponement of the presidential election that was scheduled for February. A French peacekeeping force enabled the government to lift political restrictions and conduct the presidential election as originally scheduled. The election was held on 18 February, but it was abandoned following allegations of fraud. On 4 March, fresh elections were held in which no single candidate for the president received a majority of the votes. In a run-off election held one week later, Djohar won with 55% of the vote to the UNDC's (Union Nationale pour la Democratie aux Comores) Mohammed Taki Abdulkarim's 44%. In March, Djohar appointed a government that included two of his opponents in the previous presidential election. Prince Said Ali Kemal, a lawyer and grandson of the last Sultan of Comoros was one of the former presidential hopefuls who was made part of the coalition government. Djohar's coalition government survived three coup attempts and several ministerial defections. One coup attempt was launched on August 1990, by army rebels with help from European mercenaries. Another coup was attempted a year later and involved the president of the Supreme Court Ibrahim Ahmed Halidi, who announced that he was dismissing President Djohar and assuming the role of president. The bloodless coup received support from opposition parties who saw Djohar as corrupt and viewed the presidency itself as being vested with too much power. The coup was thwarted, however, and Djohar responded by ordering the arrest of several supreme court members, including Halidi, and imposing a month-long state of emergency. Djohar pledged to seek constitutional reforms and reshuffled his cabinet, bringing in disgruntled opposition members.

In January 1992, amid continued unrest, a new transitional government of national union was installed, as constitutional reforms were debated and prepared for referendum. A new constitution was voted on in June and was passed overwhelmingly. However, allegations of corruption against Djohar's son-in-law, Mohamed M'Changama, Minister of Finance, plagued the regime. Amid heightened political unrest and a deteriorating economic situation, elections for the Federal Assembly produced a badly divided polity (the largest party had 7 of the 42 seats) and no consensus with the president on his choice of ministers could be reached. On 18 June 1992, Djohar dissolved the National Assembly, and legislative elections were held in December 1993 after long delays.

Supporters of Djohar won 24 of the 42 seats in the Assembly, but members of the opposition rejected Djohar's appointment of Mohamed Abdou Madi as prime minister and the choice of Djohar's son-in-law as president of the Assembly. Demonstrations against Djohar's authoritarian posture became frequent. A public sector strike began in April 1994 and grew quite acrimonious, and lasted until January 1995. Civil order continued to deteriorate as 1995 provincial elections were repeatedly postponed and as government after government collapsed. Djohar, however, remained in power, and his son and son-in-law held various ministerial posts.

By September 1995 conditions had deteriorated badly, and Bob Denard, from exile, staged a coup that resulted in the arrest of President Djohar. Denard appointed a close associate, Capt. Ayouba Combo, as the leader of a provisional government called the Transitional Military Committee. The Transitional Military Committee released political prisoners and in October transferred authority to two civilians, Mohammed Taki and Said Ali Kemal. Although France was no friend of Djohar, it was less enthusiastic

about Denard's action and landed 1,000 troops to oust the coup leaders. In presidential elections held on 6 March 1996 and a run-off on 16 March, Mohammed Taki Abdulkarim won with 64% of the vote. Legislative elections on 1 and 8 December of that year resulted in an Assembly situated as follows: National Rally for Democracy, 36; National Front for Justice, 3; independents, 4.

In July 1997, security forces killed two people after separatists on Nzwani raised the French flag, blocked roads, and engaged in demonstrations demanding a return of French rule. Unrest quickly spread throughout Nzwani and Mwali. On 3 August 1997, separatists on the island of Anjouan (Nzwani) declared independence from the central government and were soon joined by the island of Mwali. In early September 1997, President Taki dispatched the army in an unsuccessful attempt to reunify the islands. Hoping to find a peaceful solution to the situation, the OAU intervened in favor of a negotiated settlement. In October, despite the objections of the Taki's government, a referendum was held on Nzwani in which 99% of those voting supported independence. France, for its part, rejected demands by the islands to reestablish its sovereignty.

In November 1998, President Mohammed Taki died shortly after returning from a trip to Turkey and Spain. Interim president Ben Said Massoude took power in Ngazidja (Grande Comore). A month later, a reported assassination attempt on Nzwani (Anjouan) island leader Foundi Abdullah Ibrahim led to heavy fighting in the island. At least 60 people were reported killed. The assassination attempt and fighting was thought to have been instigated by Chamasse Said Omar, a political opponent of Ibrahim who was upset that the Nzwani leader wanted to negotiate a new relationship with the government of Ngazidja.

On 30 April 1999, interim president Massoude was toppled in a bloodless coup, and was replaced by Col. Azali Assoumani on 6 May 1999. The coup was triggered by unresolved issues in the negotiations with the separatist islands that would have given them greater autonomy within a political union of the three islands. The autonomy proposal, which caused widespread resentment on Ngazidja, erupted in rioting in which residents from the other islands were targeted and blamed for the harsh economic conditions on the main island. As the secession stalemate continued, the government announced on 21 March 2000 that it had foiled the country's 19th coup attempt since independence while Assoumani was in Saudi Arabia. Among the suspected plotters were two sons of the assassinated first President Ahmed 'Abdallah.

Assoumani pledged to resolve the secessionist crisis through a confederal arrangement named the 2000 Fomboni Accord. In December 2001, voters approved a new constitution, and Assoumani resigned his post on 16 January 2002 to run for president in the 14 April 2002 elections. In a poll boycotted by the other two candidates, he was elected with 75% of the vote and was sworn in 26 May 2002. In the interregnum, his prime minister, Jamada Madi Bolero, was appointed interim president and Djaffar Salim the interim deputy prime minister.

Following the election, the confederal arrangement went into effect, and the three islands of Moheli, Anjouan, and Grande Comore assumed authority over most of their own affairs. However, power struggles continued over the authority of certain ministries, and in February 2003 the central government arrested a dozen soldiers and two local ministers in connection with an al-



leged coup attempt. The accused were said to be linked closely to the island government of Grande Comore. In April, traders organized a strike on Grande Comore to protest double taxation by the island and union governments.

President Assoumani's woes continued to mount in 2004 as the three island presidents and their supporters joined forces against the president's Convention pour le renouveau des Comores (CRC) party in the legislative elections. The results of this poll showed that the CRC had only a weak following, winning just 11 of 55 seats in the island parliaments, and 6 of the 18 seats up for reelection in the federal assembly. Col. Assoumani attempted to regain his posture by naming all members of his cabinet from the loyal ranks of his CRC party. In 2005, the country was wracked by demonstrations over a 40% increase in gasoline prices. At least one person was killed and 15 injured in the protests.

As 2006 unfolded, Comoros was scheduled to hold fresh elections for the Union presidency in April, which was due to move to Anjouan according to the rules in the 2000 Fomboni Accord. Nevertheless, widespread doubts that Assoumani actually would hand over power as required raised the specter of civil unrest and violence throughout the islands. Indeed, there was speculation that Assoumani might provoke incidents so as to destabilize Anjouan giving him a pretext to delay handing over power. One additional complication was that some Assoumani supporters claimed that the president's term began not in 2002 when he became Union president, but rather in 2004 after the transition to the federal system had been completed.

The National Assembly passed electoral legislation in September 2005 placing administration of the elections under the control of the Constitutional Court, which had been quite independent in other matters. Further, some 200,000 Comorians living abroad were given the right to vote in diplomatic missions abroad. Finally, South Africa, which has a stake in Comoros' stability, sent a delegation to the islands to assess elections preparedness for the AU's Peace and Security Committee.

On another front, a French court was planning to try Bob De-nard and 26 others for their coup attempt in the islands in 1995. If convicted, they face up to ten years in prison.

### **13 GOVERNMENT**

Immediately prior to independence, the Comoros had partial autonomy and were governed by a 31-member Council of Ministers responsible to a Chamber of Deputies. The territory was represented in the French parliament by one senator and by two delegates to the National Assembly. A high commissioner represented the French president. After independence was declared, the Chamber of Deputies was reconstituted as a National Assembly. After the August 1975 coup, the National Assembly was abolished; supreme power was subsequently vested in the National Council of the Institutions, headed by President 'Ali Soilih.

The constitution of 1978, the first for the Comoros, established a Federal Islamic republic. Under this document, as amended in 1982, the president was elected to a six-year term, and there was an elected federal assembly of 42 members. Following the secession and subsequent breakup of the republic in 1997, the islands created a union consisting of semiautonomous islands led by their own presidents in addition to the president of the federal government, who retains control over defense, economic policy, and for-

eign affairs. The three island presidents are also vice presidents of the union. A new constitution was adopted in June 1992, and again in December 2001. It came into full operation following the election of the Union parliament in 2004.

Under the new constitution, the federal presidency rotates every four years among the elected presidents from the three main islands in the Union. Of the 33-member unicameral Assembly, 15 Assembly deputies are selected by the individual islands' local assemblies and the 18 by universal suffrage. Deputies serve for five years. The next presidential elections were scheduled for April 2006, and legislative elections for 2009.

### **14 POLITICAL PARTIES**

In February 1982, the Comorian Union for Progress (Union Comorienne pour le Progrès—UCP) was established as the only legal party; in March; UCP members won 37 of 38 seats in the National Assembly in contested elections that also involved independents. In March 1987, UCP candidates won all 42 seats. Despite earlier assurances of a free ballot, few opposition candidates were allowed to run, and dissidents were subject to intimidation and imprisonment.

The UCP (known as Udzima) had been President Djohar's party until November 1991. But it had no seats in the Assembly. On 10 September 1993, it merged with the Union for Democracy and Decentralization (UNDC), the largest party in the Assembly with just seven seats. Before the dissolution of the Assembly in June 1993, the Islands' Fraternity and Unity Party (CHUMA) had three seats, and the MDP/NGDC had five seats. No other party had more than two seats. Djohar hastily created his own party, the RDR, to contest the December 1993 elections. After 1993, the party distribution in the Assembly was RDR and its coalition partners, 24 seats, and the UNDC and its allies, 18 seats.

A coup in September 1995 overthrew the Djohar government. A transitional government was set up after French military intervention removed the coup-plotters, and new elections were held in December 1996, resulting in a National Assembly situated as follows: National Rally for Development, 36; National Front for Justice, 3; independents, 4. In the April 2004 elections, the president's CRC party suffered a major defeat, winning only 6 of 18 seats up for election in the Union Assembly, and just 11 of 55 seats in the island parliaments. There were some 20 parties on the scene including Forces pour l'Action Républicaine (FAR) led by Col. Abdourazak Abdulhamid, and the Forum pour la Redressement National (FRN), an alliance of 12 parties.

### **15 LOCAL GOVERNMENT**

Under the federal system, each of the main islands has its own president and elected legislature. The governors, formerly elected, were appointed by the president after the constitution was amended in 1982. There are also four municipalities: Domoni, Fomboni, Moroni, and Mutsamudu.

### **16 JUDICIAL SYSTEM**

The legal system incorporates French and Islamic law in a new consolidated code. Most disputes are settled by village elders or by a court of first instance. The High Council as the High Court of Justice (Cour Suprême) resolves constitutional questions, supervises presidential elections, and arbitrates any case in which

the government is accused of malpractice. The High Council also reviews decisions of the lower courts, including the superior court of appeals at Moroni. The High Council consists of two members appointed by the president, two members elected by the Federal Assembly, and one elected by the Council of each island; others are former presidents of the republic. Lower courts of the first instance are located in major towns. Religious courts on the islands apply Muslim law in matters relating to social and personal relationships.

The judiciary is largely independent of the executive and legislative branches. The 1996 constitution provides a number of safeguards including equality of all citizens before the law. However, it does not mention right to counsel.

The island of Mayotte (Mohere) has been administered by France ever since the Comoros unilaterally declared independence in July 1975. The Comoros claims Mayotte and officially represents it in international organizations, including the United Nations. The constitution of Mayotte states that the island is to be ruled by a prefect assisted by a secretary-general and a General Council of 19 members.

## 17 ARMED FORCES

The armed forces consist of a police force numbering 500 and a defense force of 500 members. France provides a small military presence, military training, and naval protection. Defense spending in 2001 was \$6 million, or 3% of GDP.

## 18 INTERNATIONAL COOPERATION

On 12 November 1975, the Comoros became a member of the United Nations. The nation participates in the ECA, FAO, World Bank, IDA, IFAD, ILO, IMF, ITU, UNESCO, UNIDO, UPU, WHO, and WMO. It is also part of the African Development Bank, the ACP Group, G-77, the Arab League, the Organization of the Islamic Conference (OIC), and the Arab Monetary Fund. Comoros is a member of the Indian Ocean Commission, the Alliance of Small Island States (AOSIS), and COMESA. The nation is part of the Franc Zone. Comoros is part of the Nonaligned Movement. In environmental cooperation, Comoros is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

The economy of the Comoros is agriculture-based, and dependent on trade and foreign assistance. Foreign aid accounts for about half of GDP. Mineral resources are few; there is little industry. Tourism increased considerably in the 1990s as a result of promotion by South African interests, but subsequent political upheaval offended potential visitors. Agriculture accounts for 40% of GDP, and employs 80% of the population. Cassava, sweet potatoes, rice, and bananas are the staple crops along with yams, coconuts, and maize. Meat, rice, and vegetables are leading imports. Comoros is the world's second-largest producer of vanilla, with one-third of exports going to France, and the world's leading producer of ylang-ylang, a perfume oil. Cloves and copra are also exported.

Land access is a problem, as is overpopulation. The fishing industry has potential but is still largely undeveloped.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Comoros's gross domestic product (GDP) was estimated at \$441.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$600. The annual growth rate of GDP was estimated at 3%. The average inflation rate in 2005 was 3%. It was estimated that agriculture accounted for 40% of GDP, industry 4%, and services 56%.

It was estimated that in 2002 about 60% of the population had incomes below the poverty line.

## 21 LABOR

The majority (about 80%) of the economically active population was engaged in subsistence agriculture, fishing, or local commerce, in 2002 (the latest year for which data was available). The labor force was estimated at 144,500 in 1996 (the latest year for which data was available), with the unemployment rate that year amounting to an estimated 20%.

The constitution provides the right for workers to create and join unions and the right to strike. However, this affected only a small percentage of the population. The wage-earning labor force consists of less than 7,000 individuals, of which about 5,000 were government employees. The minimum age for employment is 15 years, but children generally work with their families in the large subsistence farming and fishing sectors, or as domestic servants. The government has few resources to enforce this minimum age restriction. There is no minimum wage, and payment to workers is irregular. There are no occupational health and safety standards for the country's tiny manufacturing base. A 37.5 hour workweek is specified by law, with one day off every week and one month paid vacation annually.

## 22 AGRICULTURE

The economy of the Comoros is primarily agricultural, with arable land comprising 45% of the total land area. Among the chief crops in 2004, in tons, were manioc, 58,000; coconuts, 77,000; bananas, 65,000; sweet potatoes, 5,500; rice, 17,000; corn, 4,000; and cloves, 3,000. Other crops include sugarcane, sisal, peppers, spices, coffee, and various perfume plants such as ylang-ylang, abelmosk, lemon grass, jasmine, and citronella. The chief export crops are vanilla, cloves, ylang-ylang, and copra. The Comoros, including Mayotte, account for about 80% of world production of ylang-ylang essence, which is used in some perfumes. Marketed exports in 2004 included 44 tons of dried vanilla, valued at nearly \$18.8 million, or 47% of agricultural exports.

Food demand is not met by domestic production, so Comoros is highly dependent on imported foods, especially rice. Over half of all foodstuffs are imported, and about 50% of the government's annual budget is spent on importing food. Agricultural productivity is extremely low, and cultivation methods are rudimentary. Fertilizer is seldom used by smallholders. About 20% of the cultivated land belongs to company estates; 20% to indigenous land-

owners who live in towns and pay laborers to cultivate their holdings; and 60% to village reserves allotted according to customary law. Agriculture contributed about 51% to GDP in 2002.

### 23 ANIMAL HUSBANDRY

Small amounts of livestock are raised. In 2004 there were an estimated 115,000 goats, 45,000 head of cattle, 21,000 sheep, and 5,000 asses. An estimated 1,100 tons of beef and 1,000 tons of other meat were produced in 2004, along with 4,550 tons of milk and 776 tons of eggs.

### 24 FISHING

The fish catch in the Comoros amounted to about 14,115 tons in 2003, 60% of which was tuna. A Japanese-funded fisheries training center was opened on Anjouan in 1985.

### 25 FORESTRY

Forested areas amounted to about 8,000 hectares (20,000 acres) in 2000. Numerous fruit trees and tropical hardwoods are found. Some timber is produced, notably on the island of Grande Comore, which has about half the remaining forest. Roundwood production in 2003 amounted to 9,000 cu m (300,000 cu ft).

### 26 MINING

There were no commercially exploitable mineral resources in the Comoros. Small quantities of clay, sand, gravel, and crushed stone were produced for domestic consumption, and the former French colony was dependent on imports to meet all its energy and cement needs. Promotion of a new construction technique using lava and volcanic ash was expected to reduce cement imports and coral mining. In 2002, imports of cement totaled 29,985 tons, down from 40,000 tons in 2001. Political instability in recent years has continued to hurt the economy, and the outlook on minerals output was not expected to change significantly.

### 27 ENERGY AND POWER

In 2004, Comoros had no known reserves or production of petroleum, having had to import whatever it consumed. Petroleum imports and consumption for that year each stood at 1,000 barrels per day. As of 1 January 2005, Comoros had no proven reserves of

natural gas, and for 2003 it had no natural gas output or consumption. With no proven coal reserves, there was no consumption or output of coal in 2003. Electricity is the main source of power. As of 1 January 2003, Comoros had an installed electrical generation capacity of 0.005 GW. In 2003, the consumption and generation of electricity each totaled 0.02 billion kWh. Of the power produced in 2002, 0.004 million kW was from thermal sources and 20% came from hydroelectric sources.

### 28 INDUSTRY

There are various small-scale industries, mostly for processing the islands' agricultural products. Aside from perfume distilleries (perfume is one of the country's main exports), the Comoros has sawmills, a soap factory, a printing plant, a small plastics factory, a soft-drink plant, and metalworking shops. Industry accounted for a mere 4% of GDP in 2001.

### 29 SCIENCE AND TECHNOLOGY

There are no research institutes or institutions of higher learning in the Comoros.

### 30 DOMESTIC TRADE

As of 2006, nearly 80% of the population was employed in agriculture, primarily subsistence farming. However, most of the farmland is owned by foreign investors and the majority of the nation's food products are imported. An underdeveloped transportation system limits domestic trade. A small industrial sector is focused on processing ylang-ylang and vanilla, which are produced primarily for export. The government is attempting to privatize commercial and industrial enterprises. Business hours are 7:30 AM to 2:30 PM Monday–Thursday, 7:30 to 11:30 AM Friday, and 7:30 AM to noon on Saturday.

### 31 FOREIGN TRADE

Ylang-ylang essence, vanilla, cloves, copra, and other agricultural commodities make up the bulk of Comorian exports; of these, vanilla is by far the most important export earner. Imports include rice and other foodstuffs, petroleum products, and motor vehicles. Exports brought in \$34 million in 2004, while Comoros imported \$115 million worth of goods. France is the country's most important trade partner. In percentage terms, in 2004 Comoros's primary export partners were: the United States (43.8%), France (18.6%), Singapore (16.5%), Turkey (4.8%), and Germany (4.5%). The primary import partners that year were: France (23.5%), South Africa (11%), Kenya (7.5%), the UAE (7.2%), Italy (4.9%), Pakistan (4.7%), Mauritius (4.2%), and Singapore (4.1%).

### 32 BALANCE OF PAYMENTS

In general, the chronic deficit on current accounts is counterbalanced by foreign aid, especially from France. By 2002, Comoros was in debt by \$225 million. In 2004, the value of Comoros's exports was \$34 million, and imports were valued at \$115 million.

### 33 BANKING AND SECURITIES

The Central Bank of the Comoros was established in 1981. The Banque Pour l' Industrie et le Commerce, is the main commercial bank; the French Commercial Bank is also represented. The

#### Principal Trading Partners – Comoros (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	6.9	71.9	-65.0
France-Monaco	3.0	14.0	-11.0
United States	1.1	...	1.1
Singapore	1.1	0.2	0.9
United Kingdom	0.6	0.4	0.2
Germany	0.5	0.6	-0.1
Canada	0.3	...	0.3
Israel	0.2	...	0.2
Free Zones	0.1	0.7	-0.6

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Comoros (1995)**

(In millions of US dollars)

<b>Current Account</b>		<b>-19.0</b>
Balance on goods		-42.2
Imports	-53.5	
Exports	11.3	
Balance on services		-15.3
Balance on income		1.0
Current transfers		37.6
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>10.9</b>
Direct investment abroad		...
Direct investment in Comoros		0.9
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		-1.8
Other investment liabilities		11.8
<b>Net Errors and Omissions</b>		<b>-1.8</b>
<b>Reserves and Related Items</b>		<b>9.9</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Banque de Développement des Comores is half state owned. The Banque Nationale de Paris Intercontinentale is the only international financial institution.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$41.7 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$57.2 million.

There are no securities exchanges.

**34 INSURANCE**

Société Comorienne d'Assurances is based in Moroni. The Paris-based Préservatrice Foncière d'Assurances has an agent in Moroni.

**35 PUBLIC FINANCE**

The Comoros government and the IMF agreed in 1990 to a structural adjustment program covering 1991 to 1993. The program provided \$135 million and proposed a plan whereby the government diversified its exports, reduced public expenditures, and privatized its parastatal sector. Furthermore, the plan called for the abolishment of levies on export crops, privatization of the state-owned hotels, liquidation of the state-owned meat marketing company, initiation of a number of environmental projects, and the reduction of the number of civil servants. This last measure prompted civil disorder and economic disruptions. Concerned over the progress of reforms in 1993, the IMF and the government reassessed the program. Measures were adopted which persuaded the IMF to continue its support of the program. A military coup in 1999 halted most restructuring programs.

The US Central Intelligence Agency (CIA) estimated that in 2001 Comoros's central government took in revenues of approximately \$27.6 million; information on expenditures was not available. Total external debt was \$232 million.

**36 TAXATION**

Tax collection, formerly the role of the island governors, became a federal responsibility under the 1982 constitutional revision.

**37 CUSTOMS AND DUTIES**

Import and export licenses are required but often limited to a few firms. Since 1992, the government has reorganized the customs office, computerized customs, and introduced taxes on petroleum products and rice.

**38 FOREIGN INVESTMENT**

Private foreign investment in the Comoros has been minimal since independence. The Comoros economy is supported by foreign aid and assistance, primarily from France but to a lesser extent from Japan, Saudi Arabia, Kuwait, and the United Arab Emirates. A French company took over Comoros' electrical utility company in 1997. A Swiss concern owns and operates the country's two main hotels. Officially, the Comoros welcomes foreign investment and is prepared to offer a package of incentives.

In 1998, FDI inflow was \$3.2 million. Inflows of only \$300,000 and \$900,000 were reported for 1999 and 2000, respectively, but there was an increase to \$1.5 million in 2001. By 2003, the total stock of inward FDI amounted to \$23 million. In 2003, inward flow of FDI totaled approximately \$1 million.

**39 ECONOMIC DEVELOPMENT**

Development projects in the late 1980s and early 1990s focused on the agricultural sector, hydroelectric development, fishing, and start-up investment funds for small and intermediate enterprises. In addition, the European Development Funds provided resources for the redevelopment of the port at Moroni. International Monetary Fund (IMF) plans during the 1990s focused on agriculture diversification. The country has an unemployment level estimated at 20% and one of the highest illiteracy rates in the world. The government has many aims: to develop education and technical training, to improve health services, to reduce the high population growth rate, to privatize state-owned enterprises, to promote tourism, and to diversify exports. Political instability has led to disruptions in government services, as has the general lack of revenue. As of 2006, increased foreign assistance was needed if the goal of 4% annual GDP growth was to be met. Remittances from 150,000 Comorans abroad help supplement the GDP.

**40 SOCIAL DEVELOPMENT**

Women occupy a subservient position in this extremely traditional society but retain some strength from the matrilineal social structure. Although women do not have the same legal protection as men, traditional custom grants women favorable inheritance and property rights. There are few women in management positions in the private sector or in government. Violence against women occurs, but is not a widespread problem. As of 2004, the government did not take any action to protect women against domestic violence. Some poor families are forced to send children to live in other households, where they work as domestic servants, often at ages as young as seven years old. Priority in education is given to boys.

Prisons are overcrowded and lack proper sanitation but have been visited by international monitors. Societal discrimination

against Christians persists. Human right abuses and political violence have been reported.

#### 41 HEALTH

In 2004, there were 7 physicians, 34 nurses, 14 midwives, and 14 dentists per 100,000 people. The average life expectancy was 61.96 years in 2005. The infant mortality rate for that year was estimated at 74.93 deaths per 1,000 live births. The maternal mortality rate was 950 per 100,000 live births.

Lack of animal protein is a serious problem. In addition, a large percentage of the adult population suffers from malaria and there is a high incidence of tuberculosis and leprosy. The immunization rates were the following in the mid-1990s: tuberculosis, 95%; diphtheria, pertussis, and tetanus, 60%; polio, 60%; and measles, 60%.

The HIV/AIDS prevalence was 0.12 per 100 adults in 2003.

#### 42 HOUSING

At last estimate, approximately 65% of all housing units were straw huts with roofs of cocoa leaves, and about 25% were made of durable materials including stone, brick, or concrete. Of all housing units, nearly 90% were owned, 3% rented, and 3% occupied rent free. In 2000, about 98% of the population had access to improved sanitation systems and safe water.

#### 43 EDUCATION

Education is compulsory for children between the ages of 7 and 16 years. Primary education lasts for six years followed by seven years of secondary education, four years in the first stage followed by three years in the second stage.

Primary school enrollment in 2001 was estimated at about 89.6% of age-eligible students. The same year, secondary school enrollment was about 28% of age-eligible students. In 2003, was estimated that about 58% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 37:1 in 2003; the ratio for secondary school was about 11:1.

There are two technical schools and a teacher-training college near Moroni. In 2001, there were about 700 students enrolled in some type of higher education programs. The adult literacy rate for 2004 was estimated at about 56.2%, with 63.5% for men and 49.1% for women.

As of 2003, public expenditure on education was estimated at 3.9% of GDP, or 24% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

At the time of independence there were two public libraries and three school libraries, with a total of 13,400 volumes. There is a National Center of Documentation and Scientific Research in Moroni as well as a National Museum of Comoros.

#### 45 MEDIA

In 2003, there were 13,200 mainline telephones in use throughout the country, along with an additional 2,000 mobile phones.

Radio-Comoros, a government agency, provides services on shortwave and FM in Comorian, French, English, Arabic, Malagasy, and Swahili. In 2001, radio stations included one AM and four FM. A national television station was started in 2001 with assistance from China. RFO Mayotte, run by French public radio

and TV, is received by some. There are also a number of local radio and television stations.

The primary weekly newspaper *Al Watwany* is published by the government; the weekly *L'Archipel* is published independently. There are several smaller privately held papers that are published fairly regularly, including *L'Archipel* (a monthly). A new constitution provides for freedom of speech and of the press and it is believed that the government generally respects these rights.

#### 46 ORGANIZATIONS

There is a Chamber of Commerce, Industry, and Agriculture at Moroni. Youth organizations are developed in part through the national Union of Youth and Students of the Comoros (Union Jeunesse et des Etudiants des Comores: UJEC), founded in 1975. Scouting organizations are also active for youth. There are some sports organizations. There are national chapters of the Red Crescent Society, Caritas, and UNICEF.

#### 47 TOURISM, TRAVEL, AND RECREATION

The tourism industry was undeveloped at independence and has stagnated since 1983. There were 188 hotel rooms in 2002 with a total of 376 beds, and an occupancy rate of 19%. Tourist arrivals numbered 18,936 and tourist receipts totaled \$11 million. Vaccination for yellow fever is recommended as well as antimalarial precautions. A passport, visa, and return/onward ticket are required. Water sports are the primary recreational activities.

#### 48 FAMOUS COMORIANS

Heads of state since independence include 'Ali Soilih (1937–78), who came to power as a result of the 1975 coup and who died after the 1978 takeover; and Ahmad 'Abdallah (1919–89), president briefly in 1975 and restored to power in 1978. Mercenary Bob Denard (b.France, 1929) virtually ruled the country through figure-head presidents between 1978 and 1989, when France negotiated his departure after the assassination of 'Abdallah. Col. Assoumani Azali (b.1959?) took power in a coup in 1999, assuming the titles of president, prime minister, and defense minister.

#### 49 DEPENDENCIES

The Comoros has no territories or dependencies.

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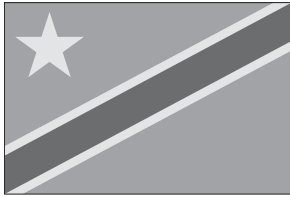
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# CONGO, DEMOCRATIC REPUBLIC OF THE (DROC)

Democratic Republic of the Congo  
*République Démocratique du Congo*



**CAPITAL:** Kinshasa

**FLAG:** The flag is a sky blue field divided diagonally from the lower hoist corner to upper fly corner by a red stripe bordered by two narrow yellow stripes; a yellow, five-pointed star appears in the upper hoist corner.

**ANTHEM:** *Song of Independence.*

**MONETARY UNIT:** In 1997, the New Congo replaced the zaire (z) as the national currency with the Congolese franc (CF). CF1 = \$0.00228 (or \$1 = CF437.86) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Commemoration of Martyrs of Independence, 4 January; Labor Day, 1 May; Anniversary of the Popular Movement of the Revolution, 20 May; Promulgation of the 1967 Constitution, 24 June; Independence Day, 30 June; Parents' Day, 1 August; Youth Day, 14 October; Army Day, 17 November; the Anniversary of the Regime, 24 November; and Christmas Day, 25 December.

**TIME:** In Kinshasa, 1 PM = noon GMT; in Lubumbashi, 2 PM = noon GMT.

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## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The Democratic Republic of the Congo is situated in central Africa and is crossed by the equator in its north-central region. It is the third-largest country on the continent, covering an area of 2,345,410 sq km (905,568 sq mi), with a length of 2,276 km (1,414 mi) SSE–NNW and a width of 2,236 km (1,389 mi) ENE–WSW. Comparatively, the area occupied by the country is slightly less than one-quarter the size of the United States, or about as large as the United States east of the Mississippi River. On the N it is bounded by the Central African Republic, on the NE by Sudan, on the E by Uganda, Rwanda, Burundi, and Tanzania, on the SE and S by Zambia, on the SW by Angola, and on the W by the Cabinda enclave of Angola and the Republic of the Congo (ROC), with a total boundary length of 10,744 km (6,661 mi). Its extreme western portion is a narrow wedge terminating in a strip of coastline along the Atlantic Ocean. The DROC and Zambia dispute the border to the east of Lake Mweru. Kinshasa, the capital, is located in the western part of the country.

## <sup>2</sup> TOPOGRAPHY

The principal river is the Congo, which flows over 4,344 km (2,700 mi) from its headwaters to its estuary. The gigantic semicircular bend in the river, which is called the Lualaba in its upper course, delineates a central depression known as the cuvette, with an average altitude of about 400 m (1,312 ft). Around this densely forested section, which covers nearly half the area of the country, plateaus rise gradually to heights of 900–1,000 m (2,950–3,280 ft) to the north and south.

The highest altitudes are found along the eastern fringe of the country, on the edge of the Great Rift Valley, where dislocation of the strata has produced important volcanic and mountain masses, the most notable of which is Margherita Peak. Lying on the border

with Uganda, the peak rises to 5,109 m (16,762 ft), the third-highest point in Africa. Nyriagongo (11,365 ft/3,465 m), located south of Margherita Peak is considered to be one of the most active volcanoes in Africa. On 10 January 1977, a lava lake poured out of the summit covering the countryside at speeds of 40 mph and killing about 2,000 people. It erupted again in 1982 and 1994. On 17 January 2002, lava flow from the volcano Nyriagongo forced the evacuation of Goma. About 45 people died and 14 villages were damaged by the lava flow, leaving 12,000 homeless. Mt. Nyamulagira, located about 15 km (9 mi) northwest of Nyriagongo, has erupted 34 times since 1882.

Savanna and park forest vegetation predominate north and south of the equatorial forest belt; the southern savanna belt is far more extensive than the northern one. All major rivers are tributaries of the Congo; these include the Lomami, the Aruwimi or Ituri, the Ubangi, the Uélé, the Kasai, the Sankuru, the Lulua, the Kwango, and the Kwilu. The largest lakes include Tanganyika, Albert (L. Mobutu Sese Seko), Edward, Kivu, and Mweru, all of which form parts of the eastern border. Other large lakes are Mai-Ndombe and Tumba.

## <sup>3</sup> CLIMATE

The climate is tropically hot and humid in the lower western and central regions, with frequent heavy rains from October or November through May south of the equator and from April to June and September to October in the north, while along the equator itself there is only one season. In the cuvette, temperatures average 24°C (75°F), with high humidity and almost no seasonal variation. Annual rainfall is between 130 cm and 200 cm (51–79 in). In the northern and southern plateaus there are wet and dry seasons, with temperatures slightly cooler in the latter and annual rainfall of 100–160 cm (39–63 in). The eastern highlands have tempera-

tures averaging 18°C to 24°C (64°–75°F), depending on the season. Rainfall averages 120–180 cm (47–71 in).

#### 4 FLORA AND FAUNA

The flora and fauna of the DROC include some 95% of all the varieties found in Africa. Among the many species of trees are the red cedar, mahogany, oak, walnut, the silk-cotton tree, and various palms. Orchids, lilies, lobelias, and gladioli are some of the flowers found, along with shrubs and plants of the euphorbia and landolphia families. Larger species of mammals include the lion, elephant, buffalo, rhinoceros, zebra, leopard, cheetah, gorilla, chimpanzee, wild boar, giraffe, okapi, and wild hog. The baboon and many kinds of monkeys are common, as are the jackal, hyena, civet, porcupine, squirrel, rabbit, and rat. Hippopotamuses and crocodiles are found in the rivers. Large snakes include the python, puff adder, and tree cobra. Lizards and chameleons are among the numerous small reptiles.

Birds are mainly of species common to much of Africa. They include the eagle, vulture, owl, goose, duck, parrot, whidah and other weaver birds, pigeon, sunbird, cuckoo, and swift, along with the crane, heron, stork, pelican, and cormorant. The rivers and lakes have many kinds of fish, among them catfish, tigerfish, and electric eels. Insects include various dragonflies, bees, wasps, beetles, mosquitoes, and the tsetse fly, as well as scorpions, spiders, centipedes, ants, and termites.

As of 2002, there were at least 200 species of mammals, 130 species of birds, and over 6,000 species of plants throughout the country.

#### 5 ENVIRONMENT

Deforestation is caused by farming activity and the nation's dependency on wood for fuel. By 1985, 3,701 sq km (1,429 sq mi) of forestland had been lost. In 2000, about 59% of the total land area was forested. The DROC has nine national parks. There are five Natural World Heritage Sites, three biosphere reserves, and two Ramsar wetland sites. In 2003, about 5% of the DROC's total land area was protected.

The main environmental problem is poor water and sanitation systems, which result in the spread of insect- and rodent-borne diseases. The water is polluted by untreated sewage, industrial chemicals, and mining by-products. The nation has 900 cu km of renewable water resources with 23% used for farming activities and 16% used for industrial purposes. Roughly 83% of city dwellers and 29% of the people living in rural areas have access to improved water sources.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 29 types of mammals, 30 species of birds, 2 types of reptiles, 13 species of amphibians, 10 species of fish, 14 types of mollusks, 8 species of other invertebrates, and 65 species of plants. Endangered species in the DROC include the Marunga sunbird and the northern white and northern square-lipped rhinoceros.

#### 6 POPULATION

The population of Democratic Republic of the Congo (formerly Zaire) in 2005 was estimated by the United Nations (UN) at

60,764,000, which placed it at number 20 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 48% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 3.1%. The government is concerned about high fertility levels (6.7 births per woman), which contributes to the high population growth rate. The projected population for the year 2025 was 107,982,000. The population density was 26 per sq km (67 per sq mi).

The UN estimated that 30% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.85%. The capital city, Kinshasa, had a population of 5,277,000 in that year. Almost one third of the population lives in or around Kinshasa, in the lower Congo area. Other large cities are Lubumbashi, Mbuji-Mayi; Kolwezi; Kananga; and Kisangani.

The DROC's population was significantly affected by warfare in the 1990s and early 2000s, when an estimated three million people died mostly from malnutrition and disease. The eastern portion of the country has seen more than one million refugees from neighboring nations. Also, many Congolese have been displaced or fled the country due to internal violence.

#### 7 MIGRATION

Political tensions and crises in neighboring African countries have resulted in large-scale migration to the Democratic Republic of the Congo (DROC, formerly Zaire). Many refugees were resettled in the DROC through the aid of outside governments, private relief organizations, the United Nations (UN), and UN-related agencies.

After a general amnesty for refugees and political exiles in 1978, some 200,000 Zairians were repatriated from Angola, Zambia, Sudan, Tanzania, and Europe. There were 60,200 officially registered Zairians living in neighboring countries at the end of 1992, including 25,800 in Burundi, 16,000 in Tanzania, 15,600 in Uganda, and 2,300 in Sudan.

By early 1997, over 800,000 Rwandan Hutu refugees had returned to Rwanda from the DROC due to the armed rebellion in the DROC. There were still 250,000 Rwandan Hutus unaccounted for in the DROC at the beginning of 1997. The DROC harbored 400,000 Burundian refugees, 160,000 Angolans, 110,000 Sudanese, and 18,500 Ugandans as of May 1997. In 1998, more than 285,000 Angolans, Sudanese, Congolese, Ugandans, Rwandans, and Burundians remained in the DROC. Following the signature of an agreement between the DROC, Republic of Congo (ROC), and the United Nations High Commissioner for Refugees (UNHCR) in April 1999, some 36,000 Congolese were repatriated to Brazzaville, ROC. However, instability in Angola made similar repatriation for Angolans unlikely. As a result of internal conflict that started in August 1998, more than 700,000 people were internally displaced. Some 95,000 sought asylum in Tanzania and 25,000 fled to Zambia.

In 2004, the total number of migrants living in the DROC was 213,520 of which 199,323 were refugees; 21% of refugees resided in camps. In 2004, there were an estimated 3,400,000 internally displaced persons in the DROC. In that same year, 11,166 Burundians and 2,011 Central Africans were repatriated. Also in 2004, over 295,000 Congolese applied for asylum in Tanzania, Zambia,



LOCATION: 5°28' N to 13°27' S; 12°12' to 31°18' E. BOUNDARY LENGTHS: Central African Republic, 1,577 kilometers (980 miles); Sudan, 628 kilometers (390 miles); Uganda, 765 kilometers (475 miles); Rwanda, 217 kilometers (135 miles); Burundi, 233 kilometers (145 miles); Zambia, 1,930 kilometers (1,206 miles); Angola, 2,511 kilometers (1,565 miles); Atlantic coastline, 37 kilometers (23 miles); Republic of the Congo, 2,410 kilometers (1,486 miles); Tanzania, 459 kilometers (285 miles). TERRITORIAL SEA LIMIT: 12 miles.

Rwanda, Uganda, South Africa, and the United Kingdom. The net migration rate in 2005 was -0.17 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

There are over 200 African ethnic groups, of which the majority are Bantu. Bantu-speaking peoples form about 80% of the population. Most of the rest are Sudanic-speaking groups in the north

and northeast. In the cuvette are found about 80,000–100,000 Pygmies. Among the Bantu-speaking peoples, the major groups are the Kongo, or Bakongo, in Lower Zaire; the Luba, or Baluba, in East Kasai and Shaba; the Mongo and related groups in the cuvette area; and the Lunda and Chokwe in Bandundu and West Kasai; the Bemba and Hemba in Shaba; and the Kwango and Kasai in Bandundu. The four largest tribes—Mongo, Luba, Kongo (all Bantu), and the Mangbetu-Azande (Hamitic)—make up about 45%



of the total population. Non-Africans include Belgians, Greeks, Lebanese, and Asian Indians.

## <sup>9</sup>LANGUAGES

As many as 700 languages and dialects are spoken in the DROC. Serving as regional *linguae francae* are four African languages: Lingala is used in the north from Kisangani to Kinshasa, as well as in the armed forces; Swahili, in the Kingwana dialect, is used in the east; Kikongo in Lower Zaire; and Tshiluba in the south-central area. In addition, Lomongo is widely spoken in the cuvette. French is the official language and is widely used in government and commerce.

## <sup>10</sup>RELIGIONS

Until 1990, only three Christian churches were officially recognized denominations: the Roman Catholic Church; the Church of Christ; and the charismatic Kimbanguist Church, which claims to be the largest independent African church on the continent. Kimbanguists constitute about 10% of the population. About 50% of the population are Roman Catholic and about 20% are Protestant. Another 10% are Muslim. Others adhere to syncretic sects and traditional African beliefs. Protestant missionary groups include Lutherans, Baptists, Mormons, and Jehovah's Witnesses.

During the 1970s, the regime of President Mobutu moved to curb the influence of the Roman Catholic Church. All church-affiliated schools and voluntary associations were either disbanded or taken over by the state. The power of the church was further eroded in 1974 with the cancellation of religious holidays, and as of January 1975, religious instruction in primary and secondary schools was abolished. As of the mid-1980s, however, the Roman Catholic Church, along with the smaller churches, remained independent of government apparatus.

As of 2004, freedom of religion was provided for in article 26 of the transitional constitution and this right was generally respected in practice. Religious groups are required to register with the government according to the Regulation of Nonprofit Associations and Public Utility Institutions statute; however, there are no penalties for failure to register. The Consortium of Traditional Religious Leaders provides a forum for the discussion of religious concerns between faiths and with the government. The Consortium is composed of leaders from the five major religious groups: Catholic, Muslim, Protestant, Orthodox, and Kimbanguist.

## <sup>11</sup>TRANSPORTATION

Inland waterways—rivers and lakes—are the main channels of transportation. No single railroad runs the full length of the country, and paved highways are few and short. Lack of adequate transportation is a major problem affecting the development of the DROC's vast area. While the rivers, particularly the Congo and its tributaries, are mostly navigable, they are blocked at various points from through navigation by cataracts and waterfalls, making it necessary to move goods by rail or road between the navigable sections. Principal river ports are Kinshasa, Ilebo, Mbandaka, Kisangani, Kalemie, Ubundu, and Kindu. A total of 15,000 km (9,321 mi) of river and lake waterways are in service. The chief seaport and only deepwater port is Matadi on the Congo River, 148 km (92 mi) from the Atlantic Ocean. Other seaports include

Boma and Banana, also on the Congo below Matadi. The Zaire Maritime Company is the national shipping line.

In 2002, there were about 157,000 km (97,560 mi) of roads, but were mere tracks. One of the major routes was from Kinshasa to Lubumbashi. The road network was in a state of deterioration. Motor vehicles in 2003 included 148,900 passenger cars and 135,000 commercial vehicles.

As of 2004, the DROC's railroad system consisted of 5,138 km (3,192 mi) of narrow gauge railway, which used three differing gauges. Among the most important internal links are Lubumbashi-Ilebo, Kingala-Kindu, Ubundu-Kisangani, and Kinshasa-Matadi. In the early 1980s, the Kinshasa-Matadi line was extended by a Japanese company. A road and rail bridge across the Congo River at Matadi was completed in 1983. The southeastern network connects with the Angolan and Zambian railroad systems. In 1974, all railroads were consolidated under a single state-controlled corporation, SNCZ.

Air transport has become an important factor in the country's economy. The DROC has five international airports—N'Djili (Kinshasa), Luano (Lubumbashi), and airports at Bukavu, Goma, and Kisangani—which can accommodate long-distance jet aircraft. Altogether, there were an estimated 230 airports, airfields, and landing strips in 2004, of which 25 had paved runways as of 2005. The national airline, Air Zaire, was organized in 1961 and has flights to European and African cities, as well as within the country. Zaire Aéro Service and Scibe Airlift Cargo Zaire also offer domestic and international flights. In 2003, about 95,000 passengers were carried on scheduled domestic and international airline flights.

## <sup>12</sup>HISTORY

The earliest inhabitants of the area now called the DROC are believed to have been Pygmy tribes who lived by hunting and gathering food and using stone tools. Bantu-speaking peoples entered from the west by 150 AD, while non-Bantu-speakers penetrated the area from the north. These peoples brought with them agriculture and developed iron tools. In 1482, the Portuguese navigator Diogo Cão visited the mouth of the Congo River, marking the first known European contact with the region, but this did not lead to penetration of the interior. The Portuguese confined their relations to the Kongo kingdom, which ruled the area near the mouth of the Congo River as well as what is now the coast of northern Angola. A lucrative slave trade developed.

In the 16th century, the powerful Luba state developed in what is now Katanga Province; soon afterward, a Lunda state was established in what is now south-central DROC. In 1789, a Portuguese explorer, José Lacerdu e Almeida, explored in a cuvette and penetrated as far as Katanga, where he learned of the rich copper mines. A thriving Arab trade in slaves and ivory reached the Luba country from the east in the late 1850s or early 1860s.

The Scottish explorer David Livingstone reached the upper course of the Congo in 1871, when his whereabouts became unknown, and Welsh-American explorer Henry M. Stanley, commissioned by a US newspaper, located and rescued him (in modern Tanzania). In 1876–77, after the death of Livingstone, Stanley followed the river from the point that Livingstone had reached to its mouth. King Leopold II of Belgium commissioned Stanley to undertake further explorations and to make treaties with the

tribal chiefs. In 1878, the monarch formed the International Association of the Congo, a development company, with himself as the chief stockholder. The Berlin Conference of 1884–85 recognized the Independent State of the Congo, set up by Leopold II under his personal rule, and its ultimate boundaries were established by treaties with other colonial powers.

International criticism and investigation of the treatment of the inhabitants, particularly on the rubber plantations, resulted in 1908 in the end of personal rule. The territory was transferred to Belgium as a colony called the Belgian Congo, and in that year a law known as the Colonial Charter set up its basic structure of government.

The rise of nationalism in the various African territories following World War II seemed to have bypassed the colony, which remained without self-government (except for a few large cities) until 1959. The Congolese demanded independence and rioted, first in Léopoldville (now Kinshasa) and then in other parts of the colony. Following the first outbreaks, the Belgian government outlined a program for the gradual attainment of self-rule in the colony, but as the independence movement persisted and grew, Belgium agreed to grant the Congo its independence in mid-1960. It also promised to assist in the training of Congolese administrators, as well as to continue economic and other aid after independence.

### Independence

The newly independent Republic of the Congo was inaugurated on 30 June 1960, with Joseph Kasavubu as its first head of state and Patrice Lumumba its first premier. It was immediately confronted by massive economic, political, and social problems. A week after independence the armed forces mutinied, and separatist movements and intertribal conflict threatened to split the country. Following the mutiny and the ousting of its European officers, the Congolese National Army became an undisciplined and uncertain force, with groups of soldiers supporting various political and military leaders.

A major blow to the new republic was the secession of mineral-rich Katanga Province, announced on 11 July 1960 by Moïse Tshombe, head of the provincial government. The central government was hamstrung by the loss of revenues from its richest province and by the departure of Belgian civil servants, doctors, teachers, and technicians. After some assaults on Belgian nationals, Belgium sent paratroopers into the Congo, which appealed to the UN for help. Faced with the threatened collapse of a new nation, the UN responded with what grew into a program of massive assistance—financial, military, administrative, and technical. It established the UN Operation for the Congo (UNOC), sent in a UN military force (made up of contingents volunteered by nonmajor powers), and furnished considerable numbers of experts in administration, teachers, doctors, and other skilled personnel.

In September 1960, Kasavubu dismissed Lumumba as premier, and Lumumba announced that he had dismissed Kasavubu as head of state. The parliament subsequently rescinded both dismissals. Kasavubu then dismissed the parliament and with Col. Joseph-Désiré Mobutu, the army's newly appointed chief of staff, succeeded in taking Lumumba prisoner. UN troops did not interfere. As demands for Lumumba's release mounted, Lumumba was secretly handed over to the Katanga authorities, who had him put

to death early in 1961. Shortly afterward, the UN Security Council for the first time authorized UN forces in the Congo to use force if necessary, as a "last resort," to prevent civil war from occurring.

In September 1961, after Katanga forces fired on UN troops seeking to secure the removal of foreign mercenaries, UN Secretary-General Dag Hammarskjöld flew to the Congo, where he boarded a plane for Northern Rhodesia (now Zambia) to meet with Tshombe. The plane crashed, killing him and all others on board. In December 1962, Katanga forces in Elisabethville (now Lubumbashi) opened sustained fire on UN troops. The UN troops then began broad-scale military operations to disarm the Katanga forces throughout the province. As they neared the completion of their task, Tshombe capitulated, and the secession of Katanga was ended on 14 January 1963.

Almost immediately, a new insurrection, in the form of a series of rebellions, broke out. The rebels at one point exercised *de facto* control over more than half the country. As UN troops were withdrawn on 30 June 1964, the self-exiled Tshombe was recalled and offered the position of prime minister, largely at US and Belgian instigation. Tshombe promptly recruited several hundred white mercenaries to spearhead the demoralized national army. Rebel-held Stanleyville (now Kisangani) was recaptured in November 1964, when a US-aided contingent of Belgian paratroopers disarmed the insurgents. Widespread government reprisals against the population followed. By then, the rebellion had been contained.

Tshombe's attempt to establish a nationwide political base was successful in parliamentary elections held in early 1965, but on 13 October 1965 he was removed from office by Kasavubu, who attempted to replace him with Evariste Kimba, also from Katanga. When Kimba was not endorsed by the parliament, Gen. Joseph Desiré Mobutu, commander-in-chief of the Congolese National Army, seized power in a coup d'état on 24 November 1965 and assumed the presidency.

A new constitution adopted in June 1967 instituted a centralized presidential form of government, coupled with the creation of a new political movement, the Popular Movement of the Revolution (Mouvement Populaire de la Révolution—MPR). Tshombe's hopes for a comeback were dashed when he was kidnapped in June 1967 and imprisoned in Algeria, where he died two years later. His supporters, led by French and Belgian mercenaries, mutinied again in July 1967 but were finally defeated in November, in part because of logistical support of Mobutu extended by the US government. Other sources of opposition were summarily dealt with in 1968 with the disbanding of independent labor and student organizations.

Mobutu officially transformed the Congo into a one-party state in 1970, and in 1971, changed the name of the country, river, and currency to Zaire. (This name, an inaccurate rendition of the Kikongo word for "river," had been given by 16th-century Portuguese navigators to the river that later came to be known as the Congo.) This turned out to be the first step in a campaign of national "authenticity," which led not only to the Africanization of all European toponyms (a process that had already been applied to major cities in 1966) but also to the banning of Christian names (Mobutu himself changed his name to Mobutu Sese Seko).

Mobutu was elected without opposition to a new seven-year term as president in 1977, but he continued to face opposition,

both external and internal. Former Katangan gendarmes, who had earlier fled to Angola, invaded (then) Shaba Province on 8 March 1977. Mobutu, charging that Cuba and the former USSR were behind the invasion, enlisted the aid of 1,500 Moroccan troops. The incursion was quelled by late May. In May 1978, however, the rebels again invaded Shaba and occupied Kolwezi, a key mining center. French paratroopers retook Kolwezi on 19 May and were later joined by Belgian troops, but several hundred foreigners and Zairians were killed during the eight-day rebel occupation. Troops from Morocco, Gabon, and Senegal replaced the French and Belgians in June; Zairian troops later reoccupied the region.

In 1981, Premier Nguza Karl-I-Bond resigned and became spokesman for an opposition group based in Belgium; however, he returned to Zaire in 1985 and was appointed ambassador to the United States in 1986. In June 1982, 13 former parliament members were jailed allegedly for trying to organize an opposition party. They were released in 1983, as part of an announced amnesty for political detainees and exiles, but six of the 13 were sent into internal exile in 1986.

In 1982, Mobutu resumed diplomatic ties with Israel, which had been broken in 1974; five Arab nations quickly cut ties with Zaire, and \$350 million in promised Arab aid to Zaire was blocked. In 1983, Zaire sent 2,700 troops to Chad to aid the government against Libyan-backed rebels; they were withdrawn in 1984. Mobutu was reelected "unopposed" to a new seven-year presidential term in July 1984. In 1986 and 1987 there were reports that the United States was using an airbase in Zaire to supply weapons to the antigovernment guerrillas in neighboring Angola; Mobutu denied these charges and affirmed his support of the Angolan government.

For his support of western positions through the Cold War, Mobutu was handsomely rewarded. Western aid and investment and state seizures of private property made some individuals extraordinarily wealthy. Mobutu allegedly became the wealthiest person in Africa, with a fortune estimated at \$7 billion, mostly in Swiss bank accounts. However, widely publicized human rights violations in the late 1980s put Mobutu on the defensive. He lobbied the US Congress vigorously, conducted public relations campaigns in Europe and North America and, until the collapse of his authority in the 1990s, managed to gain support from abroad. French and Belgian troops intervened in the Kinshasa unrest of 1990.

To stave off criticism, Mobutu promised to create a multiparty Third Republic. But, in fact, he raised the level of repression. He originally hoped to create two new parties, both of which reflected his own political philosophy and were to join with his own MPR. Those opposed to Mobutu rejected this scheme. But the opposition was divided into a score of parties. With the army in disarray and disorder growing, Mobutu was forced to call a National Conference of some 2,800 delegates in September 1991 to draft a new constitution. Some 130 opposition parties joined together as the Sacred Union. Mobutu on several occasions suspended the Conference, but it continued to meet. It often failed to arrive at a consensus. When it did, Mobutu thwarted its decisions. Neither side was in a hurry to finish the Conference and get on with political reforms because the Conference allowed Mobutu to delay real political competition, while conferees received a handsome per diem for their attendance.

Mounting impatience for reforms unleashed widespread looting in Kinshasa in September 1991 and again the following year, which the Congolese remember as *les piages*. Mobutu himself abandoned his presidential palace for the security of his yacht on the Congo River. On 16 February 1992, the Catholic Church organized a massive demonstration to reopen the National Conference. Thousands of marchers from all backgrounds converged on the stadium Tata Rafael. Police and soldiers opened fire on the marchers before they could reach their destination, killing hundreds.

In November 1991, Mobutu split the Sacred Union by naming Nguza Karl-I-Bond of the Union of Federalists and Independent Republicans (UFERI) as prime minister. Nguza closed the National Conference in February 1992. Pressure from inside and from western aid donors forced Mobutu to allow the Conference to resume in April. It sought to draft a new constitution and threatened to rename Zaire "Congo." On 14 August 1992, the Sacred Union got the Conference to elect Etienne Tshisekedi of the Union for Democracy and Social Progress (UDPS) as prime minister of a transitional government. Mobutu, who countered by forming a new government under his control and dismissing Tshisekedi in December 1992, controlled the army, the central bank, and the police. Continuing the struggle for control of the state, the Conference drafted a constitution and set a referendum date for April 1993, but it was never held. In March, Mobutu called a conclave of political leaders and named Faustin Birindwa as prime minister. The High Council of the Republic, the interim legislature, continued to recognize Tshisekedi, as did Zaire's principal economic partners abroad. Mobutu was able to incite ethnic violence through "ethnic cleansing policies," thereby dividing his opponents and then using his armed forces to quell the violence.

Two parallel governments attempted to rule Zaire. One controlled the country's wealth and the media; the other had a popular following and professed support from western governments. In September 1993, there was a minor breakthrough. Thanks to UN mediation, the rival powers agreed on a draft constitution for the Third Republic. The two legislatures were to combine into a single, 700-person assembly. New presidential and parliamentary elections were promised. However in January 1994, Mobutu dissolved both governments and a joint sitting of the two legislatures (the HCR-Parliament of Transition). It met on 19 January and appointed the Roman Catholic archbishop of Kisangani as its president. Tshisekedi organized a successful, one-day strike in Kinshasa.

In 1993, Mobutu's Bank of Zaire introduced new currency on three occasions, but it soon became worthless. Merchants would not accept it and riots broke out when soldiers could not spend their pay. French and Belgian troops were deployed in Kinshasa to help restore order as foreigners fled. Public employees also went on strike because of the economic conditions. Anarchy, corruption, uncontrolled violence, and poverty prevailed. Government authority dissolved, leaving the country to pillaging soldiers and roaming gangs. The situation led one journalist to call it "a stateless country." Shaba (Katanga) province declared its autonomy. AIDS was rife. The struggle of two rival claimants to power continued with neither able to mount much overt support.

Due, at least in part, to this chaotic domestic situation, a new outbreak of the Ebola virus was reported in May 1995. Ebola, a virulent disease for which there are no known treatments and which may kill as many as 90% of those infected by it, was respon-

sible for approximately 250 deaths in this outbreak that occurred in Kitwit, a city of about 600,000, 402 km (250 mi) southeast of the capital. Hospitals lacked basic supplies, such as sterile dressings, gowns, and gloves. Many of those who died were medical professionals who had treated the first Ebola patients brought into medical facilities.

Meanwhile the nation was experiencing other problems on its eastern border. Civil war in neighboring Rwanda throughout 1994 and 1995 had forced over one million people to flee into North and South Kivu provinces where refugees settled into densely populated camps. These refugees, mostly Rwandan Hutus—many of whom had participated in the genocide against Rwandan Tutsis—quickly became a great strain on the region's scarce resources and in August 1995 the government stepped up efforts to repatriate them to Rwanda. Within a month, over 75,000 refugees had been expelled. However, the expulsion proved counterproductive. Many of the refugees were afraid of being imprisoned or killed by the Tutsi-led government of Rwanda. Some refugees fled into the countryside to avoid being deported while others returned across the border only hours after being expelled. Discussions involving several nations from the region, chaired by Jimmy Carter, sought to resolve the problem.

In October 1996, increasing insecurity, the high cost of living, and the destruction of the fauna and flora led the government of South Kivu province to initiate a series of repressive measures. These reprisals were directed against Rwandan Hutu refugees and against a group of ethnic Rwandans Tutsis, who claimed their ancestors had settled in Zaire more than a century before. This action prompted a rebellion by the Rwandans. By early November the provincial government had been overthrown; the major cities of the province had come under rebel control; and hundreds of thousands of Rwandan refugees were repatriated into Rwanda, attempting to flee the fighting.

At this point the rebellion took a strange turn as Laurent-Desiré Kabila took control. Kabila had originally fought with Lumumba for independence but had been living as a local warlord in the South Kivu province. Kabila's presence as the leader of the rebellion shifted its focus from protecting ethnic Rwandans to conducting a rebellion against the Mobutu government. Kabila obtained the backing of President Museveni of Uganda and Paul Kagame, the leader of the Rwandan Patriotic Front.

During the first few months of the rebellion, President Mobutu had been abroad to seek treatment for his prostate cancer. In mid-December, Mobutu returned, appointed a new defense minister, and reshuffled the army command. He also hired Serbian mercenaries and Hutu Rwandans to strengthen his army. In January 1997 the army launched a disastrous counteroffensive against the rebels. By February the rebels controlled nearly all of the Eastern provinces and were threatening to overtake the country. South African-brokered peace talks failed to bring about a cease-fire. The rebels soon took Kisangani, the nation's third-largest city without a fight in March. Any serious opposition to the rebels completely crumbled in the wake of their onslaught. In April, while the UN attempted to negotiate a meeting between Mobutu and Kabila (with Mobutu refusing), the rebels seized Lubumbashi, the second-largest city, and also took control of the diamond-rich province of Kasai.

As rebels closed in on the capital in May, Nelson Mandela hosted talks between Kabila and Mobutu aboard a South African ship. Mobutu agreed to stand-down the army forces in Kinshasa but refused to agree on conditions for his departure. However, as rebel forces drew ever closer, Mobutu realized that his hopes of retaining any of his former power were misplaced, and he fled first to his hometown in the northern part of the country and then abroad. Kabila's forces entered the capital to a hero's welcome. Kabila announced that the country would return to using the name it had been known as from 1960 to 1970, the Democratic Republic of the Congo.

While most citizens were glad to be rid of the brutal and corrupt government of Mobutu, and most Western nations were glad to be rid of an embarrassing remnant of the Cold War, Kabila soon proved to be an ambiguous hero. Most of Kabila's top associates were Tutsis in 1997 and were implicated in alleged massacres of Rwandan Hutu refugees in the Eastern Provinces, which they had controlled since November 1996.

By August 1998, a full-fledged war, which eventually involved nine African countries, erupted. It began with a disagreement between Kabila and his Rwandan and Ugandan allies over their future participation in the Congolese state, which soon led to Rwandan and Ugandan attacks on the eastern towns of Goma, Bukavu, and Uvira. With Southern African Development Community (SADC) members Angola, Namibia, and Zimbabwe supplying troops and materials to Congo, and Chad and Sudan also backing Kabila, US Assistant Secretary of State for Africa, Susan Rice, dubbed the conflict, "Africa's first world war."

Initially, a Congolese faction called the Rassemblement Congolais pour la Démocratie (RCD), which included former Mobutu supporters and Kabila dissidents, claimed popular support against the Kabila government to establish democracy in the DROC. This group never achieved wide popularity and some analysts believe it was principally a Rwandan creation to overthrow Kabila by proxy. In April–May 1999, the RCD split into two factions with Ilunga claiming that Wamba dia Wamba no longer controlled significant forces. Shooting also broke out between sides of allied Ugandan and Rwandan forces in Kisangani leaving several dead. A third rebel group, the MLC of Jean-Pierre Bemba, controlled parts of Equateur Province and Province Orientale. The UN estimates that some 6,000 people died by the end of the first year of the Congo conflict, many of them civilians. The financial cost to Zimbabwe alone was estimated at \$3 million per day.

In July 1999, all sides signed the Lusaka peace accords, and eventually the UN agreed to send some 5,000 peacekeepers under the MONUC mission to DROC to monitor the implementation of the accord. However, with more than half the national territory under rebel control, and with Kabila refusing to cooperate with the UN negotiator, a political and military stalemate ensued. The country fell further into economic chaos due to gross mismanagement of monetary and fiscal policy. On 16 January 2001, a presidential guard shot and killed Laurent Kabila. Kabila was succeeded by his son, Joseph, who was confirmed unanimously by his father's appointed parliament to be the new head of state on 27 January 2001. In mid-January 2003 the assassination trial was concluded, and despite questionable evidence, 29 people were found guilty and condemned to death.

In August 2002, Joseph Kabila succeeded in concluding a peace deal with Rwanda, and with Uganda in September 2002 and in March 2003. By April 2003 most but not all foreign troops had withdrawn, and Kabila had extracted commitments from his neighbors to respect pre-1997 Congolese borders.

Given his youth and inexperience, few observers thought Joseph Kabila could have orchestrated the power-sharing agreement signed in Pretoria on 17 December 2002 between his government, the Mouvement pour la Libération du Congo (MLC), the Rassemblement Congolais pour la Démocratie (RCD-Goma), the unarmed opposition, and civil society. The agreement permitted Kabila to remain president of the republic until elections were held, a condition on which he insisted throughout the Inter-Congolese Dialog (ICD) talks. However, despite the Pretoria agreement and the presence of several dozen French peacekeeping troops, fierce fighting continued between the Hema and Lendu tribes over control of Bunia, a town in the northeast.

Fighting also continued in other parts of the country. In early 2003, the MLC rebel faction was accused of mass murder, cannibalism, rape, and other human rights abuses committed against Pygmies in Ituri located in the northeast. Fighting, raping, looting, and theft also were reported into June 2003 in towns and villages in the eastern Kivu provinces. Despite having signed a peace agreement in Sun City, South Africa in April 2003, the Rwandan-backed RCD-Goma captured the town of Lubero in June 2003.

In June 2003 concrete steps were taken to resolve the conflict and to implement the Pretoria Accord. A transitional power-sharing government with representation from all the main factions was charged with the responsibility of preparing the country for its transition to democratic elections in 2005. Implementation of the timetable, however, was slow with the government in no hurry to speed the transfer of power. Citizen protests over the delays culminated in a major demonstration organized by the Union for Democracy and Social Progress (UDPS) party in July 2005, and only under concerted pressure from donors did the parliament announce a new and presumably final elections deadline for March/April 2006. The enormous task of voter registration, which began in June 2005, proceeded apace throughout 2005, and the deadline for candidate registration was set for 17 January 2006.

Despite progress in moving the political transition forward, renewed clashes between armed factions operating in Ituri district and North Kivu province threatened to derail the process. Leaders of RCD-Goma were opposed to the transition, claiming that armed Hutu Interahamwe militias continued to conduct attacks on the Banyamulenge Congolese Tutsi population. It was also clear that RCD-Goma was interested in staying in power as long as possible, benefiting from the smuggling of cassiterite and other precious minerals from the DROC into Rwanda. Talks between Kabila and the Rwandan Hutu Democratic Forces for the Liberation of Rwanda (FDLR) aimed at disarming them and repatriating them to Rwanda broke down because the FDLR wanted to impose amnesty conditions that Rwanda refused.

The protracted fighting was responsible for an estimated 3.3 million war-related deaths in the Kivus between 1998 and 2002. This scale of human calamity had not been seen anywhere on the globe since World War II. In December 2005, the International Court of Justice ruled that Uganda would have to pay reparation to the DROC for looting during the 1998-2003 war. Meanwhile,

the specter of a return of Rwandan armed forces to Congolese soil was very real.

In late 2005, the UN MONUC peace-keepers numbered over 16,500 strong and additional police were authorized to maintain order in the run-up to the elections. MONUC claimed to have successfully demobilized several thousand militia fighters in Ituri, however, some 2,000 militia members were thought to be operating with most of their weaponry in that area. While MONUC provided a deterrent to conflict, observers noted that the failure to restructure the armed forces, to disarm militias, and redirect the loyalty of soldiers to the central government presented a major obstacle to the success of the transition process. Congo's "gold curse" and the illegal exploitation of precious minerals from eastern Congo by rebel factions and foreign governments were expected to continue to fuel the fighting. In January 2006, eight MONUC soldiers were killed and several wounded allegedly in an attack by the Ugandan Lord's Resistance Army rebels.

### 13 GOVERNMENT

A basic law (*loi fondamentale*) was adopted in early 1960, before independence, pending the adoption of a permanent constitution by a constituent assembly. It provided for a division of executive powers between the head of state (president) and the head of government (premier). The premier and a cabinet known as the Council of Ministers were both responsible to the bicameral legislature on all matters of policy. This document was replaced by a constitution adopted in 1964 and modeled closely on the 1958 constitution of the French Fifth Republic. Under its terms, the president determined and directed the policy of the state and had the power to appoint and dismiss the prime minister. The powers of the parliament were sharply reduced. After his takeover in November 1965, Gen. Mobutu initially adhered to the 1964 constitution, but in October 1966 he combined the office of prime minister with the presidency. In June 1967 a new constitution was promulgated. It provided for a highly centralized form of presidential government and virtually eliminated the autonomy that provincial authorities had previously exercised.

The constitution was further amended on 23 December 1970 when the MPR was proclaimed the sole party of the republic. MPR primacy over all other national institutions, which resulted from the 1970 establishment of a single-party system, was affirmed in constitutions promulgated in 1974 and 1978. Instead of directly electing the president of the republic, voters confirmed the choice made by the MPR for its chairman, who automatically became the head of state and head of the government. The president's leading role in national affairs was further institutionalized by constitutional provisions that made him the formal head of the Political Bureau, of the Party Congress, and of the National Executive and National Legislative councils.

Organs of the MPR included the 80-member Central Committee, created in 1980 as the policy-making center for both party and government; the 16-member Political Bureau; the Party Congress, which was supposed to meet every five years; the National Executive Council (or cabinet); and the National Legislative Council, a unicameral body with 310 members. The Legislative Council was elected by universal suffrage from MPR-approved candidates. In practice, however, most government functions were directly controlled by President Mobutu through his personal entou-

rage and through numerous aides and advisers. The constitution was amended in April 1990 to permit the formation of alternative parties.

In 1990, Mobutu was challenged by a rival government and he was unable to secure compliance with his decrees. In September 1993, the transitional Tshisekedi government elected by the National Conference in August 1992 and the Mobutu forces agreed on a draft constitution for the Third Republic and on an electoral process leading to a popular government in 1995. However, on 14 January 1994, Mobutu dismissed both governments and rival parliaments, a move that had little effect on the nation. Zaire had (as it had since 1992) two ineffectual governments, neither of which was capable of carrying out policy.

A rival legislature, the 435-member High Council of the Republic (HCR) was established by the National Conference in December 1992, and a government set up by the HCR and headed by Prime Minister Tshisekedi claimed to rule. Yet the army evicted his officers from government facilities. Mobutu repeatedly tried to remove Tshisekedi from office, but Tshisekedi refused to recognize Mobutu's authority to do so. Mobutu had de facto control of the administration but it was unable to act effectively. As a result of this stalemate, the government virtually collapsed.

With the overthrow of Mobutu in 1997, much uncertainty prevailed concerning the structure and organization of the new government. Zaire was renamed the Democratic Republic of the Congo, and the names of some provinces were changed. Bas-Zaire became Bas-Congo; Haut-Zaire became Province Orientale; Shaba assumed its former name, Katanga; and the two Kivus and Maniema were grouped together as one Kivu. In September 1997, Laurent Kabila had named several associates to the ministries, and others to governor posts. In November 1998 he approved a draft constitution, but it was not ratified by a national referendum; one outcome of the ongoing inter-Congolese dialogue is to be a new constitution. Laurant Kabila was assassinated in January 2001.

The December 2002 Pretoria agreement led to the establishment in June 2003 of a power-sharing transitional government led by President Joseph Kabila and co-led by four vice presidents who represented the five main armed factions, unarmed civilian opposition, civil society, and members of the previous Joseph Kabila government. The parliament was composed of a 500-member National Assembly and a 120-seat Senate with deputies appointed by the factions participating in the transition government. An electoral commission, a media-regulator, a truth and reconciliation commission, a national human rights watchdog, and an anticorruption commission rounded out the remaining temporary governmental bodies. The constitution was amended to change the age limit to 30 years old for presidential candidates, allowing Joseph Kabila (34 years old) to run.

## 14 POLITICAL PARTIES

Political activity was sharply restricted during the colonial period, but several dozen political parties had sprung into existence by early 1960, most of them small and based on local or ethnic organizations. Only the National Congolese Movement (Mouvement National Congolais—MNC) led by Patrice Lumumba entered the May 1960 elections and emerged with an effective national organization. Although the MNC captured only 30% of the popular vote,

it formed alliances with two regional parties and controlled 64 of the 137 seats in the House of Representatives.

The national government subsequently organized in June 1960, however, won the backing of a much broader (although less cohesive) coalition which included, among others, Joseph Kasavubu's Bakongo Alliance (Alliance des Bakongo—ABAKO), the largest of the ethnic parties. Kasavubu became the country's head of state and in September 1960 ousted Lumumba. After Tshombe's accession to the post of prime minister in 1964, national and provincial elections were scheduled. In a rather belated effort to organize national support for his policies, Tshombe persuaded some 40-odd local formations to go to the polls under the hastily improvised label of the National Congolese Convention (Convention Nationale Congolaise—CONACO). The elections, held in March–April 1965, gave CONACO 106 of the 166 seats in the lower house of the legislature. Kasavubu's subsequent dismissal of Tshombe in October 1965 and the failure of his handpicked successor, Evariste Kimba, to secure majority support in the CONACO-controlled lower house led to a complete stalemate, which was finally resolved only by Mobutu's seizure of power on 25 November 1965.

The new regime initially suspended all political parties, but in April 1967, Mobutu created the Popular Movement of the Revolution (Mouvement Populaire de la Révolution—MPR) in order to develop a political base for his regime. The constitution promulgated in June 1967 provided for the existence of “no more than two” political parties. However, all attempts to organize an opposition party to the MPR were summarily repressed, and the facade of bipartisanship was officially abandoned on 23 December 1970 when a constitutional amendment formally transformed the country into a single-party state. The chairman of the MPR held the office of head of state and head of the government after approval by the voters. Party and state were effectively one, and every citizen was automatically a member of the MPR. Of the four exiled opposition groups headquartered in Brussels, the Union for Democracy and Social Progress (Union pour la Démocratie et du Progrès Social—UDPS) appeared to be the most significant.

The constitution was amended to permit party activity in April 1990. By the time the National Conference was called in September 1991, more than 200 parties had emerged. Half of them belonged to the *mouvement présidentielle* but had no popular basis. The most important opposition parties formed a coalition known as the Sacred Union. These included the UDPS, the Union of Federalists and Independent Republicans (UFERI), the Unified Lumumbist Party (PALU) of Antoine Gizenga, and the Social Democratic Christian Party (PDSC). UFERI was later pried away from the Sacred Union by Mobutu's offer of the prime ministership to UFERI's Nguza Karl-I-Bond in November 1991.

In 1997, President Kabila outlawed all political parties and party activities until at least 1999 when elections were promised. However, party leaders such as Zahidi Ngoma (Les Forces du Future), and Olenghakoy (Forces for Renovation for Union and Solidarity—FONUS), who were previously jailed, did participate in the clergy-sponsored “Consultation Nationale” to discuss national issues. In April 2000, Tshisekedi of the UDPS traveled to the United States and Europe, signaling a thaw in the provisional ban on party activities.

In the run-up to the scheduled June 2006 elections, parties once again were legalized. The dominant players appeared to be Joseph

Kabila's Party of the People for the Reconstruction of Democracy (Parti du Peuple pour la Reconstruction et la Démocratie—PPRD); the PDSC; FONUS; the National Congolese Lumumbist Movement (MNC); the MPR—divided into three factions; PALU; UDPS; and UFERI—divided into two factions.

## 15 LOCAL GOVERNMENT

Since independence, the number of provinces has varied from six to 21, with an autonomous capital district at Kinshasa (formerly Léopoldville). In 1966, the number of provinces was cut back to 12, later to 8, and then to 10. At the same time, provincial autonomy, considerable in the republic's early years, was virtually eliminated following the adoption of a new constitution in 1967. The regions then were Bas-Zaïre, Bandundu, Equateur, Haut-Zaïre, Nord-Kivu, Shaba (formerly Katanga), Kasai-Oriental, Maniema and Sud-Kivu, and Kasai-Occidental. They were administered directly by regional commissioners. The regions were divided into 37 subregions (the former districts), of which 13 are major towns and their environs. These were further subdivided into 134 zones. Urban zones contained localities, while rural zones contained collectivities (chiefdoms), which in turn contained rural localities (groups of villages). Kinshasa, although autonomous, was organized like a region with subregions and zones (see Government Section).

Local administration was for years virtually coterminous with the local branch of the MPR. Regional, subregional, and zone commissioners were appointed by the central government. There were rural and urban councils. Urban councils were elected in 1977 and 1982; rural councils were elected in 1982. But the current breakdown of government leaves the operation of local government in doubt.

In April 1999, Laurent Kabila launched the CPP (Comité de pouvoir populaire), whose main purpose was to report to the authorities the needs of the population. CPP offices were located in each commune, and each neighborhood had its own representative. To some degree, their responsibilities overlapped with the existing local government. However, CPP more easily obtained funds to implement local projects, such as street lighting, sanitation, schools, and transportation. One example was the City Train, a tractor-trailer cab pulling a passenger wagon. Conventional local government administration was handicapped without a source of funding.

The country is divided into ten provinces and one city—Kinshasa, the capital.

Changes to the country's administrative structure were expected once the new government issuing from the 2006 elections was in place.

## 16 JUDICIAL SYSTEM

The legal system is based on both Belgian and tribal law. The courts include courts of first instance, appellate courts, a Supreme Court and the Court of State Security. Many disputes are adjudicated at the local level by administrative officials or traditional authorities. Although 1977 amendments to the constitution and the new constitution proposed in 1992 guarantee an independent

judiciary, in practice the president and the government have been able to influence court decisions.

In theory, the constitution guarantees defendants the right to counsel and a public trial. Appellate review is afforded in all cases except those involving national security and serious crimes adjudicated by the Court of State Security. Since August 1998, and because of the war, the president appealed for a provisional court (la Cour d'Ordre Militaire). The judges are soldiers who apply the law vigorously, and sometimes the rights of the defendants are totally ignored.

The judicial system in Congo is broken in almost every way—from the crumbled physical infrastructure of the courts to the low salaries of judges, to the bribes and enticements that compromise judgments and decisions of the courts.

## 17 ARMED FORCES

In 2005, the armed forces of the DROC numbered 64,800 active personnel, with the Army consisting of around 60,000 personnel. Equipment included 30 main battle tanks, over 40 light tanks, and more than 130 artillery pieces. The Navy numbered approximately 1,800 active members whose primary units consisted of eight patrol/coastal vessels, of which two were largely inoperative. The Air Force had around 3,000 members whose primary combat aircraft were two fighters and four fighter ground attack aircraft. Paramilitary forces operated at both the national and provincial levels and included a rapid intervention police force. There was no data on the DROC's defense budget.

## 18 INTERNATIONAL COOPERATION

The DROC was admitted to membership in the United Nations on 20 September 1960. It is a member of ECA and several nonregional specialized agencies and is a member of the WTO. The DROC is also a member of the African Development Bank, COMESA, the ACP Group, G-24, G-77, the SADC, the New Partnership for Africa's Development (NEPAD), and the African Union. The DROC is a member of the International Council of Copper Exporting Countries. The DROC, Rwanda, and Burundi form the Economic Community of the Great Lakes Countries (CEPGL).

The United Nations Organization Mission in the DROC (MONUC) was established in 1999 to assist in the disengagement of forces and the continuation of cease-fire agreements stemming from the 1998 civil war within the country. In 2005, MONUC was the largest UN peacekeeping mission in the world, with 47 nations participating. The DROC is part of the Nonaligned Movement.

In environmental cooperation, the DROC is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

The DROC has a wealth of natural resources that should provide the foundation for a stable economy. However, in September 1991 mutinous military troops looted all major urban centers bringing the economy to a virtual standstill. A large government deficit, primarily to pay salaries for the military and civil servants, was financed by printing currency. Hyperinflation, rapid devalu-

ation, and abandonment of the formal economy ensued. As a result of the accompanying widespread uncertainty and civil disorder, most businesses that were unable to leave the country adopted a defensive stance, minimizing their exposure in the DROC and waiting for an upturn in the economy. After the civil war began in August 1998, the government depreciated the franc four times to keep up with inflation. This did not help the economy, only serving to increase mistrust in the currency.

When operational, the DROC's economy is mixed. The state dominates the mining and utility sectors, but private industry is dominant elsewhere. Except for petroleum products, utilities, and parts of the transportation sector, market-determined prices are the norm, and many parastatal enterprises compete with private ones. Although the DROC possesses large amounts of unused agricultural land, its urban population is dependent on imported food due to the lack of a transportation network. Foreign exchange for food and other imports is generated primarily through export of diamonds, crude petroleum, and coffee.

The government under Joseph Kabila in 2001 implemented stabilization measures designed to break the spiral of hyperinflation and currency depreciation caused by the war. Growth of the GDP increased from -2.1% in 2001 to 6.6% in 2005, fueled by the mining, export agriculture, and forestry sectors. International donors supply the DROC with humanitarian aid, including the EU, World Bank, IMF, African Development Bank, and such bilateral donors as Belgium, Canada, and France. In 2003, a debt cancellation program under the Heavily Indebted Poor Countries program came into effect, with 80% of the DROC's external debt being written off.

Because the government only controlled the western and southwestern regions of the DROC in 2002, any estimates of the state of the economy applied only to those regions. The war caused an increase of government debt; reduced government revenue and economic output; increased corruption; caused a collapse of the banking system; and, because many industries and businesses could not operate, relegated much of the population to subsistence agriculture and barter. A UN report released in 2002 stated that over 85 multinational corporations, largely based in Europe, the United States, and South Africa, had taken advantage of the instability caused by the war and violated ethical guidelines by dealing with criminal networks exploiting the DROC's natural resources, including gold, diamonds, cobalt, and copper. This activity must be seen against the backdrop of the plunder undertaken by the combatants themselves and other African nations involved in the fighting.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2001 Congo's gross domestic product (GDP) was estimated at \$32 billion. The per capita GDP was estimated at \$590. The annual growth rate of GDP was estimated at -4%. The average inflation rate in 2004 was 9%. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange. It was estimated that agriculture accounted for 54% of GDP, industry 9%, and services 37%. Foreign aid receipts amounted to about

\$5 per capita and accounted for approximately 5% of the gross national income (GNI).

The World Bank reports that in 2001 per capita household consumption (in constant 1995 US dollars) was \$57. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the same period private consumption declined at an annual rate of 30%.

## 21 LABOR

Unemployment and underemployment have remained serious problems for the DROC. In 1998, there was an estimated labor force of 20 million; perhaps fewer than 20% were wage and salary workers. Agriculture employs 80% of the population, with the modern sector employing only about 400,000 persons. More recent data is unavailable.

The law provides for the right to unionize with the exception of magistrates and military personnel. The right to strike is limited by restrictions (mandatory arbitration and appeal procedures), and the unions have difficulty protecting workers' rights due to the difficult economic situation and lax government enforcement.

The official workweek is 48 hours in six days, with one 24-hour rest period required every seven days. The legal minimum employment age is 18, although many children work to help feed their families. As of 2005, minimum wage laws continue to be under suspension. All wages and salaries are extremely low, and most people cannot maintain a decent lifestyle. Civil servants supplement their incomes through various types of corruption, including bribery.

## 22 AGRICULTURE

The agricultural sector supports two-thirds of the population. Agricultural production has stagnated since independence. The principal crops are cassava, yams, plantains, rice, and maize. The country is not drought-prone but is handicapped by a poor internal transportation system, which impedes the development of an effective national urban food-supply system.

Land under annual or perennial crops constitutes only 3.5% of the total land area. Agriculture is divided into two basic sectors: subsistence, which employs the vast majority of the work force, and commercial, which is export-oriented and conducted on plantations.

Subsistence farming involves four million families on plots averaging 1.6 hectares (four acres), usually a little larger in savanna areas than in the rain forest. Subsistence farmers produce mainly manioc, corn, tubers, and sorghum. In 2004, food-crop production included manioc, 14,950,000 tons; sugarcane, 1,787,000 tons; corn, 1,155,000 tons; peanuts, 364,000 tons; and rice, 315,000 tons. In 2004, plantains totaled 1,199,000 tons; sweet potatoes, 224,500 tons; bananas, 313,000 tons; yams, 84,000 tons; and pineapples, 193,000 tons. Domestic food production is insufficient to meet the country's needs, and many basic food products have to be imported.

The production of cash crops was severely disrupted by the wave of civil disorder that engulfed the country between 1960 and 1967, and production fell again after many small foreign-owned plantations were nationalized in 1973-74. By the mid-1990s, the production of the DROC's principal cash crops (coffee, rubber,



palm oil, cocoa, tea) was mostly back in private hands. Commercial farmers number some 300,000, with holdings between 12 and 250 hectares (30 and 618 acres). Coffee is the DROC's third most important export (after copper and crude oil) and is the leading agricultural export. An estimated 33,000 tons were produced in 2004 (down from an average of 97,000 tons during 1989–91); 80% of production comes from the provinces of Haut Zaire, Equateur, and Kivu. Only 10–15% of production is arabica coffee, the vast majority being robusta; coffee exports are mostly sold to Italy, France, Belgium, and Switzerland. The collapse of the International Coffee Agreement in 1989 quickly led to a doubling of exports by the former Zaire, whereupon the surplus entering the world market drove down prices rapidly.

Rubber is the second most important export cash crop. The plantation crop has been slowly recovering from nationalization. Some plantations are now replanting for the first time in over 20 years. In 2004 production amounted to 7,000 tons. Oil palm production is concentrated in three large operations, two of them foreign-owned. Production in 2004 totaled 1,150,000 tons. Palm oil production remains profitable in the DROC due to a 100% tax on competing imported oil. The production of cotton engages about 250,000 farmers, who annually produce about 8,000 tons. Domestic production, however, is not sufficient for the country's textile manufacturers. Other cash crops produced in 2004 were 3,700 tons of tobacco, 1,400 tons of tea, and 5,800 tons of cocoa.

### 23 ANIMAL HUSBANDRY

In 2004, domestic meat production was an estimated 218,000 tons, but only half of the meat demand is met domestically. The number of head of cattle in 2004 was estimated at 765,000, found in the higher eastern regions, above the range of the tsetse fly. ONDE, a state agency, manages large ranches, mainly in Shaba and West Kasai. The number of goats in 2004 was estimated at 4,009,000; hogs totaled 953,000; and sheep, 897,000.

### 24 FISHING

Fish are the single most important source of animal protein in the DROC. Total production of marine, river, and lake fisheries in 2003 was estimated at 222,965 tons, all but 5,000 tons from inland waters. PEMARZA, a state agency, carries on marine fishing.

### 25 FORESTRY

Forests cover 60% of the total land area. There are vast timber resources, and commercial development of the country's 61 million hectares (150 million acres) of exploitable wooded area is only beginning. The Mayumbe area of Lower Zaire was once the major center of timber exploitation, but forests in this area were nearly depleted. The more extensive forest regions of the central cuvette and of the Ubangi River valley have increasingly been tapped. Roundwood removals were estimated at 72,170,000 cu m in 2003, about 95% for fuel. Some 14 species are presently being harvested. Exports of forest products in 2003 totaled \$25.7 million. Foreign capital is necessary in order for forestry to expand, and the gov-

ernment recognizes that changes in tax structure and export procedures will be needed to facilitate economic growth.

### 26 MINING

Mining was the country's leading industry in 2003, and diamonds, copper, and cobalt ranked first, second, and fourth, respectively, among export commodities. Mining has historically accounted for 25% of gross domestic product (GDP) and three-quarters of export revenues. In 2000 the mining sector's share of GDP was 6%, down by 21% between 1996 and 2000 (the latest year for which data was available). GDP declined by an annual average of 5% from 1998 to 2000. The outbreak of civil conflict in the DROC (then known as Zaire) in 1996 severely disrupted the economy, including metals mining, leaving diamond exports as the major source of revenue. Despite the collapse of much of the formal mining infrastructure, the DROC remained an important source of industrial diamond and cobalt. The value of mineral exports in 2003 were valued at \$1.28 billion, of which diamonds accounted for \$813 million, according to the International Monetary Fund (IMF). The public mining company La Générale des Carrières et des Mines (Gécamines) in 2002 reported total "global reserves" of 54 million tons of copper, 4.66 million tons of cobalt, and 6.4 million tons of zinc, expressed in contained metal. Gécamines, the country's most important company, produced all of its coal, cobalt, copper, and zinc. The Congo also produced, and was richly endowed with, cadmium, coal, columbium (niobium), and tantalum (locally referred to as "coltan"), germanium, gold, lime, manganese, petroleum, silver, crushed stone, sulfuric acid, tin, tungsten, uranium, and zinc. Uranium for the first US atomic bomb was mined in the former Zaire. Most foreign exploration activity and development-oriented feasibility work came to a halt in 1998, following the flare-up of a new full-scale civil war. Negotiations on a 1999 cease-fire agreement continued into 2001, and the decrease in military conflict permitted the government to address a proposal for new foreign investment and mining laws. Over half of the DROC's mineral exports took a circuitous route by air, riverboat, railway, and road from Shaba to the Matadi port (copper shipments could take 45 days to go from the plant to the dock), because the Benguela railway to Angola has effectively been closed since 1975; most of the rest went south by rail to South Africa, which was an important source of imports. Because of the size and wealth of its resources, the long-term potential of the Congo was more promising, and the country could return to world markets as an important supplier of cobalt, copper, diamond, and zinc, dependent on its ability to achieve political and economic stability and to put in place the legal and business framework needed to attract new foreign investment.

Until 1986, the former Zaire was the leading producer of industrial diamonds. The chief diamond-producing center was Mbuji Mayi, in East Kasai. The 80%-government-owned Société Minière de Bakwanga (MIBA) produced 6.9 million carats of low-value, near-gem-quality stones in 2003, up 25% from 2002. However, the majority of the diamonds produced by the DROC comes from artisanal mining in the Tshikapa, Kinsangani, and Mbujimayi regions. In 2003, artisanal production of diamonds totaled 21.1 million carats, compared with output in 2002 of 16.4 million carats.

Mine copper output in 2003 was 52,700 metric tons, up from 32,300 metric tons in 2002. Copper was produced exclusively in

the Shaba Region (formerly Katanga), *shaba* meaning “copper” in Swahili. Gécamines holdings in the Copperbelt, in Shaba, contained one of the greatest concentrations of high-grade copper and coproduct cobalt resources in the world. Since 1993, most mining operations have come to a standstill. This condition was attributed to aging equipment, lack of domestic and international investment, lack of spare parts, shortages of fuel, lubricants, and sulfuric acid, problems with transporting ore and finished products, theft of finished products, debts owed to the state electrical company and Société Interrégionale Zaïroise de Rail (Sizarail), flooding of open-pit mines, and the inability to retain professional and other personnel. First Quantum Minerals Ltd.’s small, high-grade Lonshi copper deposit began open pit mining in 2001; it contained a measured and indicated resource of 5.1 million tons grading 5.75% acid-soluble copper.

The output of cobalt from mined ore was 12,000 metric tons in 2003, down from an estimated 14,500 metric tons in 2002. In 1994, Gécamines initiated a program to shift emphasis toward cobalt production, which jumped 57% that year, after falling 87% since 1987. Gécamines’s strategy was to concentrate development and mining activities at cobalt-rich zones of several copper ore bodies, with plans to produce 10,000–15,000 tons of higher value cobalt by the end of 2002. The decline of copper and cobalt production in the 1990s has led to the deterioration of Gécamines.

OM Group, Inc. (OMGI), of the United States, one of the world’s largest consumers of refined cobalt, and l’Enterprise Générale Malta Forrest SPRL (EGMF) completed the first major foreign investment in Shaba in recent years; full operating capacity from their Luiswishi copper-cobalt mine was reached in 2000. As of early 2002, total resources remaining at the Luiswishi Mine—the only mine operating in Gécamines’s Southern Group in 2001—were reported to be 7.5–8 million tons at a grade of 2.8% copper and 1.0% cobalt; the second phase of mining would develop 3.5 million tons of oxide reserves at a rate of 500,000 tons per year of ore. Anvil Mining NL of Australia and First Quantum announced plans to develop the high-grade Dikulushi copper-silver deposit. Anvil also held a number of exploration licenses covering more than 43,000 sq km (16,600 sq mi), including gold and platinum prospects near Kalemie, copper and gold prospects near Kapulo, and copper prospects near Lungeshi. The Kolwezi copper-cobalt tailings project, operated by a 50–50 joint US–UK venture, was based on reprocessing of a resource of nearly 113 million tons grading 1.49% copper and 0.32% cobalt of oxide tailings from the Kingamyambo and Musonoi tailings dams; mining would be by high-pressure water monitor guns with the material pumped along a slurry pipeline to a new leach SX-EW plant.

Mined output of zinc (mineral content) fell from 172,000 tons in 1969 to zero in 1999 and 1,014 in 2001. There was no recorded zinc production in 2002 or 2003. Scoping studies in 2001 of the Kipushi zinc mine, which ceased full-scale mining in 1993, concluded that mining operations of up to 100,000 tons per year contained in concentrate could be sustained for 20 years; the mine, started in 1929, has been maintained in excellent condition, and the bulk of measured and indicated mine resources remaining for development amounted to 17 million tons at a grade of 16.7% zinc and 2.32% copper, with an additional inferred resource reported to be 9 million tons at a grade of 23.3% zinc and 1.93% copper.

Congo recorded no silver production in 2000 and 2001, but did produce 2,100 kg in 2002 and 35,500 kg in 2003. Gold output was 20 kg in 2002, down from 207 kg in 1999. Undocumented artisanal gold production in areas controlled by the rebel faction Rally for Congolese Democracy (RCD) could range from 3,000 to 6,000 kg. No cassiterite (tin ore) was produced in 1997–2001, compared with 500 tons in 1994 and 7,502 in 1974.

According to the 1994 Constitution, the soil and subsoil belonged to the state. A draft of a new mining code, to reach parliament in 2002, was to create a framework of incentives conducive to private investment, including a change in the role of government from mining operator to mining regulator, creation of a single investment agreement framework, introduction of a special tax regime, and the option of issuing mining titles on a first-come-first-served basis, transparently managed. The government maintained at least partial ownership and generally majority ownership of all the productive and service sectors of the economy.

## 27 ENERGY AND POWER

The Democratic Republic of the Congo (DROC) has reserves of petroleum, natural gas, coal, and a potential hydroelectric power generating capacity of around 100,000 MW. The DROC’s Inga dam, alone on the Congo River, has the potential capacity to generate 40,000 to 45,000 MW of electric power, sufficient to supply the electricity needs of the whole Southern Africa region. However, ongoing uncertainties in the political arena, and a resulting lack of interest from investors has meant that the Inga dam’s potential has been limited. In 2001, the dam was estimated to have an installed generating capacity of 2,473 MW. But, it is estimated that the dam is capable of producing no more than 650–750 MW, because two-thirds of the facility’s turbines do not work. As of 1 January 2003, the DROC had a total installed electric generating capacity of 2.548 GW. For that year, a total of 6.04 billion kWh were generated, with domestic consumption accounting for 4.32 billion kWh. The DROC is also an exporter of electric power. In 2003, electric power exports came to 1.30 billion kWh, with power transmitted to the Republic of Congo and its capital, Brazzaville, as well as to Zambia and South Africa.

The DROC has crude oil reserves that are second only to Angola’s in southern Africa. As of 1 January 2005 the DROC’s crude oil reserves came to 187 million barrels (Angola: 5,412.0 billion barrels as of the same date). In 2004, the DROC produced 21,100 barrels of petroleum per day. For that year, domestic consumption and net exports came to 7,000 barrels per day and 14,100 barrels per day, respectively. However, the DROC had no refining capacity as of 1 January 2005, and must import refined petroleum products. In 2002, imports of refined petroleum products totaled 8,180 barrels per day. Oil product imports consist of gasoline, jet fuel, kerosene, aviation gas, fuel oil, and liquefied petroleum gas.

As of 1 January 2005, the DROC had natural gas reserves of 35 billion cu ft. However, for 2003 there was no domestic production or consumption of natural gas.

As of July 2005, the DROC is reported to have coal reserves of 97 million short tons. Domestic coal production and consumption in 2003 totaled 0.11 million short tons and 0.26 million short tons, respectively.

## 28 INDUSTRY

Manufacturing was nearly nonexistent in the DROC in 2003, and has remained so due to the war, foreign exchange problems, and a decline in local purchasing power due to hyperinflation (estimated at 357% in 2001 and 21.7% in 2005). Much of the DROC's industry is the processing of agricultural products (sugar, flour) and mineral-bearing ore (copper, zinc, petroleum, cement). The production of consumer goods (beer, soft drinks, textiles) plays a leading role in the sector, as does palm oil processing and cigarette making.

A five-year investment in the copper smelter in Shaba was completed in 1990. However, the center was severely damaged by political unrest in 1992–93. The Maluju steel mill was unprofitable and closed in 1986. The Société Congo-Italienne de Raffinage (SOCIR) refinery operated at 50% of capacity and produced 2 million barrels of refined petroleum products in 1994. The country's domestic crude oil has been too heavy to be processed by the refinery, although as of 2000 the refinery had resumed limited refining activity to process some imported crude oil.

Despite the war, reconstruction plans were underway during the 2003–05 period, including building construction, construction for pipelines, communication and power lines, highways, roads, airfields, and railways. Construction for plants, mining and manufacturing, and buildings related to the oil and gas industry was also being undertaken.

## 29 SCIENCE AND TECHNOLOGY

The General Commission on Atomic Energy, conducting research in peaceful application of atomic energy, is in Kinshasa, as are the Geographic Institute of Zaire, the Institute of Tropical Medicine, the National Institute for the Study of Agronomical Research, the Institute of Nature Conservation, the Center for Geological and Mineral Research, and France's Bureau of Geological and Mineral Research. The University of Kinshasa (founded in 1954) has faculties of sciences, polytechnic, medicine, and pharmacy. The University of Kisangani (founded in 1963) has faculties of science and medicine. The University of Lubumbashi (founded in 1955) has faculties of sciences, polytechnic, veterinary medicine, and medicine. In addition, five university-level institutes offer training in information science, agronomy, and medicine.

## 30 DOMESTIC TRADE

Decades of corruptions and poor economic policies, as well as political unrest, have led to a very poor domestic economy. By the mid-1990s, the government controlled 116 enterprises, of which 56 were fully publicly owned. Since the 1980s, a large underground market has also operated. However, since 2001, the government has embarked upon a series of economic reforms, including a new commercial court and a new investment code that focuses on encouraging foreign and domestic investment.

Kinshasa, connected by rail with Matadi, the main port of entry, is the principal general distribution center for mining equipment and the chief center for trade with Zambia and South Africa. Kisangani is a major distribution and marketing center for the northeast. Other commercial centers are Likasi, Kolwezi, Kananaga, Mbandaka, and Matadi. High transportation costs and the lack

of transportation systems in many areas have been prohibitive for domestic trade.

Gratuities are a part of almost every commercial transaction conducted. Tips and gifts are routinely expected, particularly in the public sector where salaries are low and often unpaid. Soldiers and officials typically extort money for agreeing not to impede with commerce.

Usual business hours are from 8 AM to noon and from 2:30 to 5 PM, Monday through Friday, and 7:30 AM to noon on Saturday. Most correspondence and advertising are in French. Most transactions are conducted with cash. Major credit cards are not widely accepted. Travelers checks have limited acceptance; however, high fees may be imposed for cashing them.

## 31 FOREIGN TRADE

During his administration, which ended in 1997, President Mobutu routinely diverted much of the country's export revenues to special accounts held outside the country.

Foreign exchange earnings have traditionally been highly sensitive to changes in the world market prices for copper and cobalt, two of its principal exports. Other leading exports include crude oil, diamonds, and coffee. Principal imports are consumer goods, foodstuffs, mining and other machinery, transport equipment, and fuels. According to recent IMF estimates, the high world prices of oil and copper and rising diamond production boosted exports in 2005 to \$2.2 billion, an increase of 21% on 2004. But it is also noted that imports have also risen by 19% to \$2.4 billion.

## 32 BALANCE OF PAYMENTS

Substantial illegal exports, imports, and transfers of capital and profits abroad are unrecorded; indeed, the central bank does not include adjustments for fraud of close to 100% for DROC's primary exports. In August 1991, the government permitted the zaire, the national currency, to float because the central bank had exhausted its foreign exchange reserves. By statute, the government no longer controls the import or export of capital or the foreign exchange markets. DROC has no external credit, almost no central bank reserves, and external financial operations are largely carried out by private entities. Large external payments arrears have not been cleared. In 2001, the external debt was estimated at \$13.9 billion but had declined slightly to \$10.98 billion by 2005.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of DROC's exports was \$2.19 billion while imports totaled \$2.35 billion resulting in a trade deficit of \$164 million.

## 33 BANKING AND SECURITIES

The Bank of Zaire serves as the country's central bank and bank of issue. In the mid-1990s, the commercial banks in the former Zaire included the Zairian Commercial Bank, the Union Banks of Zaire, Barclays Bank (Zaire), the Bank of Paris and the Low Countries, the Bank of Kinshasa, Citibank (Zaire), and Grindlays International Bank of Zaire. The only public savings banks were the People's Bank and the General Savings Fund of Zaire. There is also a state-owned National Fund of Savings and Real Estate Credit. An

indication of the deterioration of economic life was a strong disinclination by the public to keep money in banks.

The International Monetary Fund reports that in 1995, currency and demand deposits—an aggregate commonly known as M1—were equal to \$268.9 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$380.4 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 125%.

There are no securities exchanges in the DROC.

### 34 INSURANCE

In 1959, there were eight insurance firms, each representing many foreign companies. Workers' compensation was the only form of compulsory insurance in the territory. In 1967, all private insurance companies were abolished and replaced by the state-owned National Society of Insurance (SONAS-La Société Nationale d'Assurance).

### 35 PUBLIC FINANCE

Public finance from the late 1970s to the 1990s was characterized by uncontrolled spending, poor tax collection, and large deficits, often covered by creating new money. Expenditures are almost entirely current. The state-owned copper mining company typically generates one-third of the government's revenue. In 2001, the government, under Joseph Kabila, undertook a program of economic reform to reverse the economy's steep decline. The program worked, reducing the inflation rate from over 500% in 2000 to about 10% by the end of 2001. In June 2002, the IMF and the World Bank approved new credits for the DROC for the first time in more than a decade.

The US Central Intelligence Agency (CIA) estimated that in 2004 DROC's central government took in revenues of approximately \$700 million and had expenditures of \$750 million. Rev-

enues minus expenditures totaled approximately -\$50 million. Total external debt was \$10.6 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were CF158,395 million and expenditures were CF159,397 million. The value of revenues in US dollars was us\$457 million and expenditures us\$461 million, based on a market exchange rate for 2002 of us\$1 = CF346.485, as reported by the IMF.

### 36 TAXATION

In the mid-1990s, personal income was taxed progressively, with a 50% ceiling on total payable tax. The corporate tax rate was 50% of taxable profits. Profits of branches of foreign corporations were subject to the same rate of taxation. There was also a 3–30% sales tax on imports, exports, local manufactured goods, construction works, local services, and imported services. An employment tax of 33% was imposed on services by foreigners. Other taxes included an educational tax, property tax, and a transfer tax.

### 37 CUSTOMS AND DUTIES

Congo adopted the Harmonized System in 1988. Most tariffs are ad valorem. The tariff rate system has four categories: 5% on basic necessities; 10% on raw materials and capital goods; 20% on intermediate and miscellaneous goods; and 30% on consumer goods. There is also an 18.7% value-added tax (VAT) based on CIF (cost, insurance, freight) plus the duty. The DROC is associated with the EU countries through the Lomé Convention, which provides for the reduction of tariff barriers between the signatories and EU members.

### 38 FOREIGN INVESTMENT

Beginning in 1966, when the Mobutu government began to assert control over the economy, foreign firms with assets and operations predominantly based in the former Zaire were ordered to incorporate under national law and to transfer their headquarters to the country. For a time, a liberal investment code enacted in 1969 encouraged private investments. In 1973, however, Asians and Europeans were barred from any commercial activity in five of the country's eight regions. Shortly thereafter, a deliberate policy of Zairization of the retail sector was introduced. Under these measures, expatriates were barred from a wide range of business activities, mostly in the retail and service sectors. Foreigners affected by this policy were compelled to sell their interests to Zairian nationals, many of whom turned out to be officials of the national party. Many of the new owners had little or no business experience, and quite a few of them simply liquidated the stock and never repaid the low-interest loans extended by the government for acquisition of the businesses. More frequently, Zairization involved some form of mixed ownership, with the government usually the major shareholder but with management remaining in largely foreign hands.

Generally poor results brought new changes. The Congo's investment code of 1979, updated with World Bank advice in 1986, provides packages of tax breaks and duty exemptions for three categories of investment: General System (\$200,000 to \$10 million), Contractual System (above \$10 million with extra incentives negotiated on a case-by-case basis), and Special Regimes (meeting various priorities at different times). The country's complex

#### Public Finance – Congo, Democratic Republic of the (2002)

(In millions of francs, central government figures)

<b>Revenue and Grants</b>	<b>158,395</b>	<b>100.0%</b>
Tax revenue	121,448	76.7%
Social contributions	...	...
Grants	6,047	3.8%
Other revenue	30,901	19.5%
<b>Expenditures</b>	<b>159,397</b>	<b>100.0%</b>
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

and arbitrary judicial system made implementation of this legal framework problematic at best.

The ending of the Mobutu regime in May 1997 has solved no problems as corruption and decay has been replaced by successive wars in the renamed Democratic Republic of the Congo (DROC). In 2001, timber investments by firms from Zimbabwe (about \$300 million), Germany, Malaysia, and China were reported, but for the most part looting of the country's wealth of natural resources—diamonds, gold, timber and tantalite deposits (used in mobile phones), particularly—by rival military groups had taken the place of investment. In June 2002, a three-year standby agreement was concluded with the IMF, but stabilization and welfare spending targets were missed because of the need for increased military spending.

The country stands in need of timely and sufficient foreign assistance, but the DROC was ranked third from the bottom of 140 countries on UNCTAD's Inward FDI Potential Index for 1998–2000 with a score of 8.5 out of a possible 100. With a semblance of peace some foreign direct investment has begun to flow into the DROC once again. It is estimated that FDI of \$352.6 million in 2003 and \$241.6 million in 2004 was invested in the DROC, largely in the telecommunications sector.

### **39 ECONOMIC DEVELOPMENT**

The announced priorities of the Mobutu government were economic nationalism and the development of an infrastructure appropriate to an industrial economy. Infrastructural development would involve the extension of the country's hydroelectric potential, transportation network, harbor facilities, and oil-refining capability, as well as the development of basic industries such as iron and aluminum smelters and cement plants. Many development plans were poorly planned and mismanaged, however. Development expenditures were usually made year-by-year and despite occasional, vaguely conceived three-year plans, little progress was made over the years.

Since 1992, any semblance of economic planning and development management evaporated. In 1997, the overthrow of Mobutu by Laurent Kabila continued the destabilization, and civil war in 1998 further dashed the hopes for economic development. The fighting was fueled by the DROC's vast mineral wealth, with all parties using the anarchic climate to exploit the country's natural resources. Kabila was assassinated in January 2001, and his son Joseph Kabila became president. A cease-fire between the warring parties was signed in December 2002, and plans were made for a government of national unity. In June 2003, Kabila named an interim government, to include members of the political opposition and rebel groups.

The DROC negotiated a three-year \$850 million Poverty Reduction and Growth Facility (PRGF) Arrangement with the International Monetary Fund (IMF) in June 2002. The Kabila government undertook a number of economic reforms upon being installed in 2001, including implementing stringent fiscal and monetary policies, and an anti-inflationary program that reduced inflation from over 500% in 2000 to about 15.9% at an annual rate for the 2002–2005 period. In August of 2005, the IMF completed the delayed fifth review of performance under the \$850 million poverty reduction and growth facility (PRGF) awarded to DROC in June 2002, triggering the release of a \$39 million installment of

the facility to the government in spite of the fact that several criteria were not fulfilled under the PRGF. The fifth review had originally been scheduled for completion in late 2004. At the same time as completing the fifth review, the IMF also extended the life of the PRGF from October 2005 to March 2006, to give enough time for the completion of a sixth and final review. Bilateral donors who previously directed their assistance solely to humanitarian needs, also began to fund development projects. Efforts are underway to encourage business activity in the country as a part of the peace process.

### **40 SOCIAL DEVELOPMENT**

A social insurance program is in place for all employees providing pensions for old age, disability, and survivorship. Contributions are made by employers and employees, with the government providing an annual subsidy. Retirement is at age 65 for men and age 60 for women, unless the person is "prematurely aged." Survivorship ceases when the widow or widower remarries. Workers are entitled to medical, dental, surgical, and hospital care, as well as medicine, appliances, and transportation. There is a family allowance for employed persons with one or more children. However, large segments of the population are subsistence farmers and are therefore excluded from coverage under these programs.

Discrimination and violence against women is widespread and common. A married woman must obtain her husband's authorization before opening a bank account, accepting a job, obtaining a passport, or renting or selling real estate. Usually women are relegated to agricultural labor and household and child-rearing duties. The small percentage in the work force receive less pay than men for comparable work and remain severely underrepresented in management positions. Domestic abuse is pervasive. Widows are generally deprived of all possessions including dependent children. Children are forced into labor and military service.

Discrimination against ethnic Tutsi and indigenous Pygmies persists. The human rights situation is extremely poor, especially in rebel-held areas. Abuses include large scale killing, disappearances, torture, rape, dismemberment, extortion, robbery, arbitrary arrest and detention, and harassment of human rights workers and journalists.

### **41 HEALTH**

The departure of large numbers of European medical personnel in mid-1960 left the country's health services greatly weakened. Not a single African doctor had been graduated at the time of independence. In 1960, 90 doctors of 28 nationalities recruited by the World Health Organization (WHO) were working in the country. The WHO's emphasis was on the training of national health workers, to prepare them to run their own health services. In 2004, there were an estimated 7 physicians, 44 nurses, and 1 dentist per 100,000 people. Most facilities are concentrated in the major cities.

The first Ebola hemorrhagic fever identified in 40 years occurred in 1995. Of the 317 cases reported, an extremely high mortality rate was observed (77%). Common diseases include malaria, trypanosomiasis, onchocerciasis, schistosomiasis, diarrheal diseases, tuberculosis, measles, leprosy, dysentery, typhoid, and hookworm.

The Democratic Republic of the Congo lies in the area of Africa with the highest number of cases of AIDS. The HIV/AIDS prevalence was 4.20 per 100 adults in 2003. As of 2004, there were approximately 1,100,000 people living with HIV/AIDS in the country. There were an estimated 100,000 deaths from AIDS in 2003.

Malnutrition is a serious health problem, especially among children; malnutrition was prevalent in an estimated 34% of all children under five years old in 2000. In 1999, there were 301 cases of tuberculosis reported per 100,000 people. In 1995, children up to one year old were immunized against tuberculosis (51%); diphtheria, pertussis, and tetanus (35%); polio (36%); and measles (41%). Approximately 45% of the population had access to safe drinking water and 20% had adequate sanitation.

In 2003 the birth rate was 45.2 per 1,000 people with only an estimated 3% of married women (ages 15 to 49) using contraception. Average life expectancy was 51.10 years in 2005. In the same year, infant mortality was 90.66 per 1,000 live births. Maternal mortality was 870 per 100,000 live births and general mortality was 14.9 per 1,000 people.

In the mid-1990s, 1.1 million women, or 5% of the female population in the DROC, underwent female genital mutilation. The government has not published a policy opposing this procedure.

## 4<sup>2</sup> HOUSING

The massive urban influx that began after independence led to a fourfold increase in the population of Kinshasa, creating a massive housing problem that is still far from solved. Tens of thousands of squatters are crowded into squalid shantytowns on the outskirts of the capital. Other, more prosperous migrants have built themselves permanent dwellings. Unable to control the spread of unauthorized and generally substandard construction or to come up with adequate alternatives, the government tolerated what it could not prevent and began extending basic utilities to the new settlements.

Housing falls under the responsibility of the Department of Public Health and Social Affairs. Public housing and home-building loans sponsored by the National Housing Office still cover no more than a tiny fraction of the country's massive housing needs. At last estimate, more than half of housing units were traditional one-room adobe, straw, or mud structures, and less than half were modern houses of durable or semidurable material containing one or more rooms. About 61% of households were owner occupied at the last estimates.

## 4<sup>3</sup> EDUCATION

The colonial system of education became notable for its failure to provide university training for Africans although the rate of elementary school attendance under the Belgians was one of the highest in Africa (56% in 1959). This figure was deceptive, however, since most elementary schooling was limited to the first two grades. Fewer than 10% of school-age children completed the six-year elementary cycle. Understandably, one of the chief efforts of the successive governments of the DROC has been to push as many schoolchildren as possible beyond the threshold of the two-

year cycle. This effort has accounted for a massive increase in elementary-school population since 1960.

Education is compulsory between ages 6 and 12. Primary school lasts for six years. General secondary school covers another six-year course of study; however, students may choose a six-year technical program or a five-year vocational program instead. The academic year runs from October to June. The primary language of instruction is French.

In 1998, there were about 4,022,000 students enrolled in primary school. In 1995, there were about 1,514,323 students enrolled in secondary school. It has been estimated that about 32.4% of all students complete their primary education. The student-to-teacher ratio for primary school was about 13:1 in 1995; the ratio for secondary school was about 26:1.

University education was virtually nonexistent in the Belgian Congo prior to the mid-1950s. Up to that time, only a handful of Africans had been permitted to enroll in Belgian universities. Teacher-training institutions, religious seminaries, and advanced technical training in medicine, agronomy, and public administration were available, but did not lead to recognized university degrees. The Catholic University of Lovanium at Kinshasa (affiliated with the Catholic University of Louvain in Belgium) was organized in 1953. The State University of the Belgian Congo and Ruanda-Urundi at Lubumbashi was set up in 1955. A third university was established at Kisangani under Protestant auspices in 1962. A number of specialized institutes of higher learning were also created following independence.

In August 1971, the existing institutes and the three universities were amalgamated into a single national university system, the National University of Zaire, organized into three separate campuses located in Kinshasa, Lubumbashi, and Kisangani. The three campuses were reorganized as separate universities in 1981. The DROC also has numerous university institutes, including ones specializing in agriculture, applied technology, business, and the arts. In 1998, about 60,000 students were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 65.3%, with 79.8% for men and 51.9% for women.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library in Kinshasa holds 1.2 million volumes. The University of Kinshasa library holds 300,000 volumes. Smaller academic libraries are attached to various specialized university institutes. The Kinshasa Public Library has 24,000 volumes, and is a part of a national system with nine branches.

There are several museums in the capital, including the Anthropology Museum, the Fine Arts Museum, the Private Museum of Zoology, and museums on the campuses of the National University of Zaire and the University of Kinshasa. There are regional museums at locations throughout the country, including Buteme, Kananga, Kisangani, Lubumbashi, Mbandaka, and Mushenge.

## 4<sup>5</sup> MEDIA

The postal, telephone, and telegraph services are owned and operated by the government. In 2002 there were an estimated 10,000

mainline phones in use nationwide. In 2003 there were an estimated 19 cell phones in use for every 1,000 people.

State-controlled radio and television transmissions, operated under Radio-Television Nationale Congolaise (RTNC), are the prominent broadcasting stations, reaching the largest number of citizens. The RTNC radio broadcast of *La Voix du Congo*, is available in French, Swahili, Lingala, Tshiluba, and Kikongo. There are also many privately run broadcasting stations. In 2001, there were 3 AM and 11 FM radio stations and 4 television stations. In 2003, there were an estimated 385 radios and 2 television sets for every 1,000 people.

Major newspapers are only nominally privately owned. Journalists must be members of the state-controlled union to practice their profession. The press today is firmly under MPR control. The largest dailies are *La Depeche* (2002 circulation, 20,000), *Courrier d'Afrique* (15,000), and *Salongo* (10,000).

While the constitution provides for freedom of speech and the press, the government has restricted this right in practice.

#### 46 ORGANIZATIONS

The Corps of Volunteers of the Republic (CVR), a semipolitical movement, including major student movements, directly under the control of then president Mobutu, was created in February 1966. Its objectives were to promote "national reconstruction" and to "awaken national consciousness." The relative lack of enthusiasm generated by the CVR led to its being taken over in April 1967 by the MPR, which created a youth section for the ruling party—the Young Popular Movement of the Revolution.

Mobutu's conflict with the Roman Catholic Church provided the government with an excuse to ban all independent youth associations (most of which were church-related) and to replace them with party-controlled organizations. Student associations were similarly disbanded and superseded by an MPR-affiliated agency. Sports organizations are sponsored by the African Confederation of Sports for All. Scouting programs exist for youth and there are active branches of the YMCA.

ANEZA, the national association of private enterprises, with nearly 1,000 members, has absorbed all chambers of commerce. The Coffee Board of the Democratic Republic of Congo promotes the coffee trade. The African Committee for Trade Union Coordination and Action Against Apartheid and Colonialism serves as an umbrella organization in support of labor unions and human rights.

Human rights organizations within the country include the Committee of Human Rights Observers, The Christian Network of Human Rights and Civic Education Organizations, and the African Association for the Defense of Human Rights. There are national chapters of the Red Cross Society, Caritas, the Society of St. Vincent de Paul, and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

Virunga National Park in the Virunga Mountains is one of the best game preserves in Africa and is particularly noted for lions, elephants, and hippopotamuses. Kahuzi-Biega Park, west of Lake

Kivu, is one of the last refuges of the endangered mountain gorilla. Kinshasa has two zoos and a presidential garden.

There were 35,141 tourist arrivals in 2003. In that year there were also 5,829 hotel rooms with 10,000 beds and a 50% occupancy rate. Visitors stayed in the Democratic Republic of the Congo for an average of seven nights. Tourists and visitors are required to have a passport with a valid visa. A certificate of vaccination against yellow fever is required for entry.

In 2005, the US Department of State estimated the daily cost of staying in Kinshasa at \$289. Expenses were estimated at \$134 in Goma and \$135 in Bukavu.

#### 48 FAMOUS ZAIRIANS AND CONGOLESE

In the period of the transition to independence, two Zairian political leaders emerged as national figures: Joseph Kasavubu (1917–69), head of the ABAKO party, became the first chief of state; Patrice Emery Lumumba (1926–61) became the new nation's first premier, and his subsequent murder made him a revolutionary martyr in Communist and many third-world countries. In 1960, Moïse Kapenda Tshombe (1919–69), who headed the government of Katanga Province, became prominent when he declared Katanga an independent state with himself as its president and maintained the secession until early 1963. Gen. Mobutu Sese Seko (Joseph-Désiré Mobutu, 1930–97), commander-in-chief of the Congolese National Army from 1961 to 1965, assumed the presidency after he deposed President Kasavubu on 25 November 1965. The MPR party congress promoted Mobutu to the rank of field marshal in December 1982. Laurent Désiré Kabila (1941–2001), seized power in May 1997 when he declared himself president and changed the name of the country back to the Democratic Republic of the Congo. After Kabila's assassination in 2001, Kabila's son Joseph Kabila (b.1971) became president.

#### 49 DEPENDENCIES

The DROC has no territories or colonies.

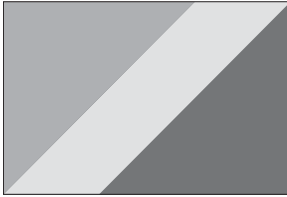
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# CONGO, REPUBLIC OF THE (ROC)

Republic of the Congo  
*République du Congo*



**CAPITAL:** Brazzaville

**FLAG:** The flag consists of a green triangular section at the hoist and a red triangular section at the fly, separated by a diagonal gold bar.

**ANTHEM:** *The Congolaise*.

**MONETARY UNIT:** The Communauté Financière Africaine franc (CFA Fr), which was originally pegged to the French franc, has been pegged to the euro since January 1999 with a rate of 655.957 CFA francs to 1 euro. The CFA franc is issued in coins of 1, 2, 5, 10, 25, 50, 100, and 500 CFA francs and notes of 50, 100, 500, 1,000, 5,000, and 10,000 CFA francs. CFA Fr1 = \$0.00208 (or \$1 = CFA Fr480.56) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; Three Glorious Days, 13–15 August (including Independence Day, 15 August); Christmas Day, 25 December. Movable religious holidays include Good Friday and Easter Monday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Lying astride the Equator, the Republic of the Congo contains an area of about 342,000 sq km (132,047 sq mi), extending approximately 1,287 km (798 mi) NNE–SSW and 402 km (249 mi) ESE–WNW. Comparatively, the area occupied by the Congo is slightly smaller than the state of Montana. It is bounded on the N by Cameroon and the Central African Republic, on the E and S by the Democratic Republic of Congo (DROC—formerly Zaire), on the SW by Cabinda (an enclave of Angola) and the Atlantic Ocean, and on the W by Gabon, with a total land boundary length of 5,504 km (3,413 mi) and a coastline of 169 km (105 mi).

The Congo's capital city, Brazzaville, is located in the southeastern part of the country.

## <sup>2</sup> TOPOGRAPHY

The Congo is roughly divided into four topographical regions. The coastal region consists of a low, relatively treeless plain, with occasional high spurs jutting down from the Mayombé Escarpment. The escarpment region is made up of a series of parallel folds of moderate height (600–900 m/2,000–3,000 ft) that are almost completely forested. To the east and north of the escarpment, and forming the watershed between the Niari and Ogooué river systems, lies the plateau region, with savanna covering more than 129,000 sq km (50,000 sq mi) and separating the Zaire and Ogooué basins. The northeastern region of the country is a swampy lowland covering some 155,000 sq km (60,000 sq mi); flooding is seasonal, with different tributaries of the Congo/Zaire overflowing into one another. The country has two river systems: that of

the coastal rivers, which flow into the Kouilou River, and that of the Zaire River and its tributaries.

## <sup>3</sup> CLIMATE

The Congo has a tropical climate characterized by high humidity and heat. There are two wet and two dry seasons. At Brazzaville, in the south, the average daily maximum temperature is 30°C (86°F) and the average minimum temperature 20°C (68°F). At Souanké, in the far north, the extremes are 29°C (84°F) and 18°C (64°F). Annual rainfall varies from 105 cm (41 in) at Pointe-Noire, in the southwest, to 185 cm (73 in) at Impfondo, in the northeast.

## <sup>4</sup> FLORA AND FAUNA

About half the land area is covered by okoumé, limba, and other trees of the heavy rain forest. On the plateaus, the forest gives way to savanna broken by patches of bushy undergrowth. The savanna supports jackals, hyenas, cheetahs, and several varieties of antelope; elephants, wild boar, giraffes, and monkeys dwell in the forest. As of 2002, there were at least 450 species of mammals, 345 species of birds, and over 11,000 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

The most significant environmental problems in the Congo are deforestation, increases in urban population, and the protection of its wildlife. The Congo's forests are endangered by fires set to clean the land for agricultural purposes. The forests are also used as a source of fuel. The most accessible forest, that of the Kouilou-Mayombé Mountains, has been overexploited. During 1981–85, deforestation in the Congo proceeded at a rate of 22,000 hectares (54,400 acres) a year. From 1990–2000, deforestation occurred at



a rate of about 0.1% per year. As of 2000, about 64% of the total land area was forested.

The Congo has nine protected areas, covering some 1.5 million hectares. The two largest, the 7,800-sq-km (3,000-sq-mi) Léfini Reserve and the 2,600-sq-km (1,000-sq-mi) Odzala National Park, were established during the French colonial era. The country has one Wetland of International Importance at the Lake Télé Reserve. Altogether, 6.5% of the nation's natural areas were protected as of 2003.

The Congo's urban centers are hampered by air pollution from vehicles and water pollution from sewage. Its water purity problem is most apparent in rural areas where, as of 2000, only 51% of the people had safe drinking water.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 14 types of mammals, 4 species of birds, 1 type of reptile, 10 species of fish, 1 type of mollusk, and 35 species of plants. Threatened species include the green turtle, the African sharp nose crocodile, the spotted hyena, and black crowned crane.

## 6 POPULATION

The population of Republic of the Congo in 2005 was estimated by the United Nations (UN) at 3,999,000, which placed it at number 124 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 46% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 3.1%, a rate the government viewed as too high. The projected population for the year 2025 was 7,404,000. The population density was 12 per sq km (30 per sq mi), although large portions of the Congo basin in the northernmost region are sparsely populated or uninhabited.

At least four-fifths of the people live in the southern third of the country; the greatest concentration is in the Brazzaville area. The UN estimated that 52% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.75%. The capital city, Brazzaville, had a population of 1,080,000 in that year. Other large cities include Pointe-Noire, 663,400; Lou-bomo, 106,300; and Nkayi, 56,700.

The prevalence of HIV/AIDS has had a significant impact on the population of Republic of the Congo. The UN estimated that 7.2% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

There is continuous migration to urban centers, but immigration from other African countries is negligible. Some French, Greek, and Lebanese immigrants have settled in the Congo. In 1995, the Congo was host to 15,500 refugees, 12,700 of whom were from Angola and 2,100 from Chad.

In 1999, the Republic of the Congo (ROC), the Democratic Republic of the Congo (DROC), and the United Nations High Commissioner for Refugees (UNHCR) signed an agreement, launching a repatriation operation. Later that year approximately 36,000 refugees returned to Brazzaville. That year, 1.8 million Congolese

were internally displaced and 300,000 Congolese refugees fled to surrounding countries.

In 2004, there remained about 100,000 internally displaced people. Also in 2004, there were 68,536 refugees in the ROC, about 35% residing in camps and 58% residing in urban areas. Asylum seekers numbered 3,232, with 1,035 returned refugees and another 630 voluntarily returned refugees to Gabon. Numbers of Congolese seeking asylum in the DROC were 6,626, and Gabon, 12,122. In 2005, the net migration rate for the Congo was estimated as -0.17 per 1,000 population.

## 8 ETHNIC GROUPS

The population belongs to four major ethnic groups—the Kongo (48%), Sangha (20%), Teke (17%), and M'Bochi (12%)—which comprise more than 40 tribes. Europeans and other groups make up 3% of the population.

The major ethnic group, the Kongo, occupies the entire area southwest of Brazzaville and accounts for nearly half the nation's population. The Teke, who live north of Brazzaville, are chiefly hunters and fishermen. The M'Bochi (or Boulangi) live where the savanna and the forest meet in the northwest; this group has furnished many immigrants to the urban centers, including the majority of Brazzaville's skilled workers and civil servants. There are about 12,000 Pygmies, possibly Congo's original inhabitants, in the high forest region. In regard to the non-African community, Europeans numbered 8,500, mostly French, before the 1997 civil war. However, the number was thought to be half of that by 1998, following the widespread destruction of foreign businesses in 1997.

## 9 LANGUAGES

French is the official language. Several related African languages and dialects of the Bantu family are spoken. Kikongo has the most users. Monokutuba and Lingala are lingua franca trade languages.

## 10 RELIGIONS

Almost 50% of the population are Christian, with about 90% of all Christians affiliated with the Roman Catholic Church. Protestant denominations include Methodists, Seventh-Day Adventists, the Church of Jesus Christ of Latter-Day Saints, and Jehovah's Witnesses. A small number of Christians practice Kimbanquism, a combination of Christian and native customs and beliefs which originated in the Democratic Republic of the Congo. Less than 2% of the population are Muslim, mostly immigrants from north and west Africa who work or reside in urban centers. The remainder practice traditional indigenous religions or no religion.

With the approval of a new constitution in January 2002, freedom of religion is officially protected and discrimination on the basis of religious affiliation is specifically forbidden. All social, religious, and business organizations must register with the government. Certain Christian holidays are celebrated as national holidays. All organized religious groups have representation in the joint ecumenical council, which meets once a year.

## 11 TRANSPORTATION

The most important transportation system is the Congo-Ocean Railroad. Completed in 1934, the 510-km (317-mi) line runs be-



LOCATION: 3°42' N to 5°1' S; 11°7' to 18°39' E. BOUNDARY LENGTHS: Cameroon, 520 kilometers (323 miles); Central African Republic, 467 kilometers (290 miles); Democratic Republic of the Congo, 1,625 kilometers (1,010 miles); Angola, 201 kilometers (125 miles); Atlantic coastline, 156 kilometers (97 miles); Gabon, 1,656 kilometers (1,020 miles). TERRITORIAL SEA LIMIT: 200 miles.

tween Brazzaville on Pool Malebo and the ocean port of Pointe-Noire. In the course of descending the Mayombé Escarpment, it crosses 172 bridges and goes through 12 tunnels. To relieve congestion on this stretch, a 91-km (57-mi) line was completed between Bilinga and Loubomo in 1985. The 285-km (177-mi) Comilog rail line was completed in 1962 to transport manganese ore extracted at Moanda, Gabon, from M'Binda on the Gabonese border to the Congo-Ocean line at Mont-Bélo. This traffic was expected to end in the late 1980s with the completion of a railway in Gabon that

will transport the ore to the port of Libreville. In 2004, the country's total rail trackage was 894 km (555 mi), all narrow gauge.

Dense tropical forests, rugged terrain, and swamps, together with a hot, humid climate and heavy rainfall, make construction and maintenance of roads extremely costly. In 2002 there were about 12,800 km (7,954 mi) of highways, but only about 1,242 km (772 mi) were paved, and it was considered extremely risky to venture more than 150–200 km (90–125 mi) from Brazzaville because of the poor road conditions. A Brazzaville-to-Duesso road was

completed as far as Owando in the mid-1980s. In 2003, there were 40,585 passenger cars and 17,540 commercial vehicles in use.

River transportation is managed by the state-owned Trans-Congo Communications Agency. As of 2004, the Congo had a total of 4,385 km of navigable waterways on the Congo and Oubangui rivers. The river port of Brazzaville, which is the junction point of the Congo-Ocean Railroad and the Zaire-Oubangui river system, is an important center for trade with the Central African Republic, Chad, and the DROC. A ferry connects Brazzaville with Kinshasa, DROC. Pointe-Noire is the Congo's only seaport and the terminus of the Congo-Ocean Railroad.

Because of the great distances and the inadequacy of land transportation, air travel and air freight services are rapidly expanding. Brazzaville (Maya-Maya) and Pointe-Noire airports are the hubs of a network of air routes that connect the four equatorial republics with several European cities. The state-owned Lina-Congo holds a monopoly on domestic routes. The Congo is a member of Air Afrique, of which it owns a share. Air Afrique and Union des Transportes Aériens (UTA) are the chief international carriers. As of 2004, there were an estimated 32 airports, of which only 4 had paved runways as of 2005. In 2003, about 52,000 passengers traveled on scheduled domestic and international flights.

## 12 HISTORY

Although little is known of the early history of the Congo, it has been established that there was a Congo Empire that extended into present-day Angola and reached its height in the 16th century. The kingdom of Loango, which broke away from the Congo Empire, also prospered for a time. Another African state mentioned in the accounts of the first European explorers was the Anzico kingdom of the Teke. By the end of the 17th century, however, all these kingdoms had grown weak.

The coastal regions of the area were known to Portuguese sailors as early as the 15th century. The mouth of the Zaire River was discovered by Diogo Cão in 1482. French trading companies, interested in slaves and ivory, appeared on the scene during the 17th century; by 1785, more than 100 French ships annually sailed up the coast. After the French Revolution, however, French interest in the area waned.

With the abolition of the slave trade, merchants began to seek new sources of commerce. The first forays into the interior began at this time, but extensive exploration came only toward the end of the 19th century, with Pierre Savorgnan de Bràzza and Henry Morton Stanley. In 1880, Bràzza signed a treaty with the powerful Teke tribal ruler Makoko, bringing the right bank of the Zaire River under French control. The Congress of Berlin (1885) gave formal recognition to French claims to the region. The period after 1900 was marked by a slow but steady establishment of French administrative machinery. By 1910, Gabon, Middle Congo, and Ubangi-Shari (including Chad) were constituted administratively as colonies; together they constituted French Equatorial Africa, all under a governor general at Brazzaville. In 1940, French Equatorial Africa joined the Free French movement and the Allied war effort against the Axis powers. The first territorial assembly was elected in 1947. In a referendum held on 28 September 1958, the territory of Middle Congo voted to become an autonomous republic within the French Community.

The Territorial Assembly of the Middle Congo proclaimed the Republic of the Congo on 28 November 1958. On 8 December, Fulbert Youlou, mayor of Brazzaville and leader of the Democratic Union for the Defense of African Interests (UDDIA), was elected to head the provisional government. The adoption of a constitution on 20 February 1959 transformed the provisional government into the first official government of the republic. Legislative elections were held that June. The new National Assembly elected Fulbert Youlou prime minister on 27 June and president on 21 November.

The constitutional law of 4 June 1960, adopted by the French Parliament and by the Senate of the French Community, made it possible for a member state to become independent without leaving the community. The Republic of the Congo thus proclaimed its independence on 15 August 1960. President Youlou resigned on 15 August 1963, in the wake of antigovernment rioting that threatened to turn into civil war. Alphonse Massamba-Debat became provisional president and was formally elected to the presidency on 19 December 1963; a new constitution was approved by national referendum that same month. In 1964, Massamba-Debat established relations with the USSR and China, and then announced the establishment of a "scientific Socialist state" with one-party control.

On 4 September 1968, Massamba-Debat resigned following a military coup that deprived him of most of his presidential powers. Capt. Marien Ngouabi then established a new revolutionary regime. Ngouabi was named president on 1 January 1969, and he proclaimed the People's Republic of the Congo the following December. Political stability proved difficult to achieve, however, and there were seven coup attempts during his seven years in office, which ended with his assassination on 18 March 1977. He was succeeded by Col. Joachim Yhombi-Opango, who abrogated the 24 June 1973 constitution. Yhombi-Opango resigned on 5 February 1979 and was succeeded in March by Col. Denis Sassou-Nguesso. A 20-year treaty of friendship and cooperation with the USSR was signed in 1981. Sassou-Nguesso was reelected president in July 1984 and was chairman of the Organization of African Unity (OAU) during 1986–87.

The 1990s ushered in multiparty competition, but also became a tumultuous decade of armed uprisings and civil war. A four-month-long National Conference in 1991 led to the appointment of an interim government, headed by André Milongo. Pascal Lissouba won the multiparty elections in 1992, but his unstable coalition, the Presidential Tendency, was rocked by strikes and violent civil unrest. Legislative elections on 2 May 1993, gave way to armed conflict in June and July. To avoid a civil war, the OAU and the president of Gabon brokered an accord that accepted first-round results and called for second-round elections on 6 October. The opposition alliance, the Union for Democratic Renewal-Congolese Workers' Party (URD-PCT), won seven of the 11 seats contested. Still, Lissouba's Pan-African Union for Social Democracy (UPADS) and its coalition partners won 69 of the 125 seats and Lissouba's shaky presidency continued. However, fighting broke out in the capital in November 1993, continuing into 1994 as armed forces loyal to Lissouba battled independent partisan militias.

On the one side was the northern Mbochi ethnic group, which had been aligned with the military government of Sassou-Ngues-

so. On the other sides were two main southern groups, the Pool Lari and the coastal Vili. Transitional Prime Minister Milongo surrounded himself with Lari and Bakongo. Lissouba replaced them with his own people, the Nibolek, and “cleansed” the presidential guard. Although a mediation force was set up after a 30 January 1994 cease-fire, it was difficult to disarm the tribal factions.

By mid-1994 the government announced it would work to integrate the military and security forces with members of tribal militias if they would agree to a cease-fire, but integration proved illusive. After the by-elections in 1995, the Lissouba regime took an authoritarian turn in the face of severe mismanagement and intractable street fighting, imposing restrictions on public demonstrations and eliminating press freedom.

In June 1997 Sassou-Nguesso’s forces besieged the capital and shelled the parliament building. In October 1997, forces loyal to Sassou-Nguesso engaged the help of Angolan troops and forced Lissouba into exile. Sassou-Nguesso once again assumed the reins of power and replaced the 1992 constitution with a Fundamental Act, conferring sweeping powers upon himself. He brought a degree of stability back to the country by forming a broad-based government that included former backers of Lissouba and Bernard Kolelas. The government convened a National Reconciliation Forum in January 1998, which elected a 75-member National Transition Council (NTC), replacing the National Assembly. Members of opposition parties and civil society were included in the NTC.

Civil conflict between the government and armed groups of southerners broke out again in mid-1998, intensifying in early 1999, before subsiding during the second half of the year. An estimated 10,000 people died and 800,000 civilians were displaced during the fighting, as rapes, looting, and destruction of many southern towns escalated.

The second half of 1999 saw the government regaining effective control over most of the south through military offensives, offers of amnesty, negotiations, and efforts to broaden the government’s political base. The government signed a cease-fire and reconciliation accord with leaders of some rebel groups in November. In December 1999 Gabon’s president, Omar Bongo, sponsored another accord, which involved the National Resistance Council (CNR), the only rebel group with military and political organization. With improved prospects for peace, Sassou-Nguesso declared a three-year transition period leading up to elections.

In presidential elections held 10 March 2002, Sassou-Nguesso was reelected president with 89.4% of the vote over Joseph Kignoumbi Kia Mboungou with 2.7%. In the legislative contest held 11 July 2002, the Democratic and Patriotic Forces (FDP) won 56 seats to 10 seats for other parties in the Senate, and 83 seats to 6 seats for the Union for Democratic Renewal (URD), 3 for the UPADS, and 45 seats for other parties. However, the most serious contenders—former president Lissouba and Prime Minister Kolelas—were banned from participation, and most parties boycotted the election.

In late March 2002 conflict erupted in the Pool region between government forces and “Ninja” rebels loyal to the Rev. Frederic Bitsangou (alias Pasteur Ntoumi) with the result that thousands of people were trapped or displaced with little or no relief support for those caught in the fighting. A peace agreement reached on 17 March 2003 between the government and Ntoumi guaranteed

amnesty to combatants willing to disarm, but by July 2003 several thousand were still awaiting either integration into the military or reinsertion into civilian life. Ninja groups and government security units continued to skirmish in the Brazzaville suburbs in December 2003.

In January 2004, Pasteur Ntoumi dealt the peace process a blow when he announced that unless the government engaged in a national dialogue, allowed political exiles to return, and formed a new government of national unity, his forces would no longer disarm. An uneasy truce broken by sporadic security incidents—including rebel attacks on the country’s main railway—has held since the government’s rejection of these demands. In January 2005, President Sassou-Nguesso further consolidated power by forming a new government without a single member of the opposition coalition.

In early 2006, Congo received the news that Sassou-Nguesso would be the next African Union (AU) head and would lead the organization for a one-year term in 2006.

### 13 GOVERNMENT

Until 1992, the Republic of the Congo was governed under a constitution, approved by referendum on 8 July 1979 and amended in July 1984. The chairman of the 75-member Central Committee of the Congolese Labor Party (PCT) was the president of the republic and head of state. He was elected for an unspecified term as chairman (and therefore as president) by the party congress. Executive powers resided with the Council of Ministers, appointed by the prime minister and chaired by the president. The 153-member National Assembly, the sole legislative body, was elected by universal suffrage at age 18 from candidates named by the PCT.

On 15 March 1992, voters approved a new constitution, which provided for a mixed presidential-parliamentary form of government after the French model. Executive authority is vested in a directly elected president, who appoints the prime minister and cabinet. A National Assembly of 125 members was elected in two-round elections in June and July 1992. There was also a 60-member Senate. Pascal Lissouba was chosen president (61%) and his Pan-African Union for Social Democracy (UPADS) gained 39 seats. That legislature was dissolved in October and new legislative elections in May 1993 led to partisan fighting. A mediated settlement then confirmed a UPADS majority, yet fighting continued into 1994. In the view of many, the “democratic election” was the catalyst that unleashed tribal hatreds.

Soon after the defeat of Lissouba in the four-month 1997 civil war, Col. Denis Sassou-Nguesso formed a transitional government and replaced the 1992 constitution with a Fundamental Act. The Act gave additional powers to the executive making the president head of state and government, commander in chief of the armed forces with powers to appoint all members of the government, all senior military officers and government officials at sub-national level. He was also mandated to direct the general policy of the government and to exercise regulatory powers.

In 1998, Sassou-Nguesso appointed a committee to draft a new constitution, which eventually was approved by national referendum in January 2002. Under the constitution the bicameral parliament consists of the Senate with 66 seats and the National Assembly with 137 seats where members are elected to serve five-year terms. The president may serve for two seven-year terms. The next

presidential elections were scheduled for 2009 and legislative elections for 2007.

## **14 POLITICAL PARTIES**

Three political parties were active in the Middle Congo before the territory achieved its independence. Of these, the most important proved to be the Democratic Union for the Defense of African Interests (Union Démocratique de Défense des Intérêts Africain—UDDIA), founded by Abbé Fulbert Youlou. The UDDIA received 64% of the popular vote and won 51 of the 61 seats in the National Assembly elected in June 1959. Following the resignation of President Youlou and the dissolution of the Assembly in 1963, all political parties were banned. On 2 July 1964, the National Movement of the Revolution (Mouvement National de la Révolution—MNR), led by President Massamba-Debat, was officially established as the country's sole political party. A power struggle between the People's Militia and the army, tribal rivalries, and other conflicts led to Massamba-Debat's resignation in September 1968. The army commander in chief, Marien Ngouabi, then became head of state.

The Congolese Labor Party (Parti Congolais du Travail—PCT), created in December 1969 to succeed the MNR, had been based on the principles of Marxism-Leninism and democratic centralism. But at its 1990 conference, the PCT abandoned this ideology. The 1979 constitution recognized the PCT as the sole party: all other political parties and any political activity outside the PCT were illegal. In the National Assembly elections of 8 July 1979, all candidates were PCT members.

After his assassination on 18 March 1977, Ngouabi was succeeded by Col. Joachim Yhombi-Opango, and in March 1979 by Col. Denis Sassou-Nguesso, who was reelected in July 1984.

The 1991 National Conference led to an interim government and multiparty elections in 1992. Continual shifts in parties and in coalitions of parties have taken place since. The most significant of the many parties is the Democratic and Patriotic Forces (FDP), which is an alliance of six parties including that of Sassou-Nguesso's Union for National Renewal. Others include the Pan-African Union for Social Development (UPADS), the party of former President Pascal Lissouba. Lissouba's former coalition included the Rally for Democracy and Development (RDD) and was opposed by the PCT and the Union for Democratic Renewal (URD).

Following the 1993 elections, the National Assembly was broken down as follows: UPADS, 47 seats; Congolese Movement for Democracy and Integral Development, 28; PCT, 15; Association for Democracy and Social Progress, 10; RDD, 6; Union of Democratic Forces, 3; others, 14; independents, 2. Elections due in July 1997 were delayed until the new constitution was adopted. The civil war and fighting between 1997 and 1999 restricted party activity. Sassou-Nguesso allowed some politicians from the former government to return and resume political activity in 1999, but he banned former president Lissouba and former prime minister Bernard Kolelas. Indeed Kolelas and former interior minister Col. Philippe Bikinkita were sentenced to death in absentia on 5 May 2000 in the Brazzaville criminal court for illegal detention, false imprisonment, and torture. The National Transitional Council (NTC) included representatives of opposition parties and members of civil society, but the NTC composition was criticized by

some as being government-controlled and not being broad-based enough for a fair representation of Congo's 15 political parties.

In the absence of any serious competition, Sassou-Nguesso's coalition easily won the 2002 presidential and parliamentary elections. Opposition parties remained in disarray. President Sassou-Nguesso allowed Kolelas to return to Congo for his wife's funeral in October 2005 and subsequently asked that parliament grant Kolelas amnesty. Parliament complied with Sassou-Nguesso's request in December 2005.

## **15 LOCAL GOVERNMENT**

There are 10 administrative regions and one federal district, each under the authority of a government commissioner. As of the mid-1990s, these were subdivided into 46 districts.

## **16 JUDICIAL SYSTEM**

The legal system is based upon French civil law and customary law. The Revolutionary Court of Justice, created in 1969, consists of nine judges who deal with cases involving state security. Judicial bodies include a Supreme Court (appointed by the president), a court of appeals, a criminal court, regional and magistrate's courts, labor courts, and courts of common law, where local chiefs apply traditional laws and customs. These courts are based on the French model while traditional courts in rural areas handle local property, domestic, and probate disputes. All special courts and secret trials were abolished in 1991. The 1992 constitution called for a special court—not established—to protect freedom of speech and press.

The 1992 constitution also provided for a number of fundamental rights and freedoms including prohibition of arbitrary arrest and detention. In practice, judicial inefficiency often results in denial of bail and long pretrial detention, a situation exacerbated by the civil war period where extra-judicial killings and executions were committed by security forces. Generally, prison conditions were poor and the judiciary was unable to ensure fair and expeditious trials.

## **17 ARMED FORCES**

In 2005, the Republic of the Congo had 10,000 active military personnel, of which the Army had 8,000 members, the Navy an estimated 800, and 1,200 personnel in the Air Force. The Army included two armored battalions, two infantry battalion groups, one parachute commando battalion, one engineer battalion, and one artillery group. Equipment included over 40 main battle tanks, 13 light tanks, over 68 armored personnel carriers and more than 66 artillery pieces. The Navy had three patrol craft, and the Air Force had 12 fighter planes, including 12 MiG-21s. There was a paramilitary force of 2,000. The military budget in 2005 totaled \$57.4 million.

## **18 INTERNATIONAL COOPERATION**

The Congo was admitted to the United Nations on 20 September 1960 and is a member of all of the specialized agencies except IAEA. It is also a member of the African Development Bank, the ACP Group, G-77, the Central African States Development Bank (BDEAC), the New Partnership for Africa's Development (NEPAD), and the African Union. The nation is part of the Franc Zone. The country belongs, with the Central African Republic,

Gabon, and Cameroon, to CEMAC, in which merchandise and capital circulate freely, and it is a signatory to the Lomé Convention. Congo is a member of the WTO. In addition to close ties with France and other Western European nations, the Congo has established friendly relations with China. Brazzaville is the African headquarters of WHO. Congo is part of the Nonaligned Movement. In environmental cooperation, Congo is part of the Convention on Biological Diversity, Ramsar, CITES, International Tropical Timber Agreements, the Montréal Protocol, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

The Congo's economy is built on its petroleum resources, lumber, transport services, and agriculture. After several prosperous years in the early 1980s, the price of oil declined and cast the Congolese economy into financial turmoil. The country long flirted with state socialist approaches to its economy before embarking on market-style reforms in 1989. Early efforts at state-farm production of staple foods failed. The devaluation of Franc Zone currencies in 1994 resulted in inflation of 61%, but this subsided rather quickly. Reforms by the IMF and World Bank were in place when the civil war started in 1997. The economy worsened considerably in 1997, at -1.9% annual GDP growth, rebounding in 1998 to 2.5%, but falling again in 1999 due to renewed fighting. It grew at an average annual rate of 4.28% between 2001 and 2005 with a high of 8% in 2005. In 2001, the IMF approved a \$14 million credit to aid the government's post-conflict economic program.

Congo's staple food crops are cassava, maize, plantains, yams, and sweet potatoes. The livestock industry is small and subject to health limitations imposed by the prevalence of the tsetse fly. Petroleum is Congo's most significant resource, contributing over 90% of exports in 2005. Production increased as new fields were developed and improvements in recovery technology were implemented. The oil industry is concentrated in and around Pointe Noire.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2001 Congo's gross domestic product (GDP) was estimated at \$2.5 billion. The per capita GDP was estimated at \$900. The annual growth rate of GDP was estimated at 4.2%. The average inflation rate in 2005 was 3%. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange. It was estimated that agriculture accounted for 10% of GDP, industry 48%, and services 42%. Foreign aid receipts amounted to about \$24 per capita and accounted for approximately 4% of the gross national income (GNI).

The World Bank reports that in 2001 per capita household consumption (in constant 1995 US dollars) was \$357. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the same period private consumption declined at an annual rate of 7%. Approximately 34% of household consumption was spent on food, 12% on fuel, 3% on health care, and 3% on education.

## 21 LABOR

There were about one million economically active people in 1998. Almost half of all salaried employees work for the government. More recent data is unavailable.

The Fundamental Act entitles workers to form and join unions, and the Labor Code prohibits restrictions on the unions. However, members of the security forces cannot join a union. As of 2005, nearly all workers in the public sector and around 50% of those in the formal wage sector belonged to a union. However, this represents only a small portion of workers since most are subsistence farmers or are involved in the informal economy. The right to strike is guaranteed (except for those in the public sector), but there are serious limitations. Workers must file an intent to strike at least three days before the planned date of the strike and must simultaneously participate in arbitration proceedings. Due to extreme economic hardship and reconstruction, in 2002 labor and the government agreed to a "social" truce.

The standard workweek is seven hours per day, six days per week, with a one-hour lunch break per day. Overtime must be paid for work over 40 hours. Compulsory overtime is not prohibited. As of 2005, the minimum wage was \$100 per month in the formal economy. Due to high prices in urban areas and the demands of extended families, many workers, including health workers and teachers, have had to accept additional employment, primarily in the informal economy. The prohibition of child labor is focused on the formal sector. Child labor persists in the informal economy. Minors under the age of 16 are prohibited from working, but in rural areas and in the informal economy of urban areas, enforcement lagged. Minimum occupational health and safety standards exist and are only somewhat enforced.

## 22 AGRICULTURE

Total arable land only amounts to 240,000 hectares (593,000 acres), or just 0.7% of the total land area. Agricultural activity is concentrated in the south, especially in the Niari Valley. Main crops for local consumption are manioc (880,000 tons in 2004), plantains (73,000 tons), yams, (12,000 tons), bananas (88,000 tons), sugarcane (460,000 tons), and peanuts (23,000 tons). Small amounts of tobacco are also grown. Domestic production of cereals plummeted in the 1990s; by 1999, grain production was 80% less than it had been during 1989–91. However, crop production during 2002–04 was 4% higher than during 1999–2001. Landholdings are small, averaging less than 1.4 hectares (3.5 acres) per plot.

Export crops are coffee, cocoa, and palm oil; in 2004, 1,700 tons of coffee and 1,260 tons of cocoa beans were produced. Palm trees are under the management of a state-owned company. Production of oil from palm kernels, mainly from palm trees indigenous to the Niari Valley, the Pool Malebo, and the Bateke Plateau regions, was estimated at 16,300 tons in 2004. The rural population has fallen from 80% in 1960 to 38% in 2000. Since 1987, the government has encouraged agricultural development by abolishing state marketing boards and retail monopolies, freeing prices, removing tariffs on essential inputs, launching new agricultural credit institutions, and selling or closing most state farms. Sugar output rebounded after a 1989 restructuring of the sugar industry, which has since been privatized.

## 23 ANIMAL HUSBANDRY

Animal husbandry has high government priority, and production is steadily increasing. In 2004 there were an estimated 294,000 goats, 98,000 sheep, 46,000 hogs, 100,000 head of cattle, and 2.2 million chickens. Total meat production in 2004 was 30,423 tons.

## 24 FISHING

Most fishing is carried on along the coast for local consumption. The catch rose from 14,939 tons in 1970 to 45,577 tons in 1991 and to 52,400 tons in 2003. Almost 50% of the annual catch is from saltwater fishing.

## 25 FORESTRY

Congolese forests cover some 22 million hectares (54.3 million acres), or 65% of the total land area of the country. There are three main zones. Mayombé forest, covering about 1 million hectares (2.5 million acres), is the oldest forest under commercial exploitation and is almost exhausted. The Niari forest, covering 3 million hectares (7.4 million acres), along the Chaillu River, was reopened for exploitation after completion of the Comilog railroad. The third zone, situated in the north, is the largest, with 15.5 million hectares (38.3 million acres); because of constant flooding, however, it is the least exploited. Total production of roundwood was 2.5 million cu m (86 million cu ft) in 2003; exports of roundwood were valued at \$165.5 million. Okoumé, sapele, sipo, tiama, moaki, limba, and nioré were the main species cut. Eucalyptus and pine are raised commercially in southern and coastal Congo. Foreign private companies dominate commercial production. The Congolese Forestry Office was set up in 1974 to implement an ambitious reforestation program. Forestry contributes only 3% to GDP, and development was neglected during the oil boom years. Forest products contribute over 5% to the value of all exports. Isolated harvestable tracts, difficult weather conditions, and limited rail transport capacity inhibit the expansion of the forestry sector.

## 26 MINING

The Republic of the Congo's mineral sector, excluding oil, accounts for only a small part of the country's export earnings and its gross domestic product (GDP). In 2004, 90% of the country's export earnings came from oil, as did more than 50% of its GDP. Although potash was the primary mining product before the rapid growth of oil, production was not enough to make operations profitable and ceased after 1977. Gold, mined in the Mayombé area, reached 158 kg in 1967 but fell to an estimated 60 kg in 2003. Iron deposits estimated at 400 million tons have been found. AfriOre Ltd., of Canada, though inactive in the Congo in 2000, held exploration permits on the Boko Songo copper prospect, with 2 million tons of ore, and the Yanga Koubanza lead-zinc-copper prospect, with 5.5 million tons, both west of Brazzaville, and the company located high-grade copper mineralization at four other drilled prospects. Significant resources of magnesium, with by-products of salt, potash, and possibly chlorine, were being evaluated for development in the Makola and the Youbi magnesium salt evaporite deposits, in the Kouilou region.

In 2004, diamond production (artisanal) was estimated at 50,000 carats, up from 30,000 carats in 2003. Lime was also produced in 2004. Lime output that year was estimated at 400 metric

tons. There was no recorded production of hydraulic cement from 2001 through 2004.

## 27 ENERGY AND POWER

Since the 1980s, the oil industry has provided the government of the Republic of the Congo (ROC) with a major portion of its revenues, and the nation, with much of its exports. Around two-thirds of the ROC's real gross domestic product (GDP) comes from the oil industry. The ROC is the fifth-largest oil producer in sub-Saharan Africa, after Nigeria, Angola, Gabon, and Equatorial Guinea, respectively. The crude oil produced typically falls into the sweet and medium categories. As of 1 January 2005, the ROC's proven oil reserves totaled an estimated 1.5 billion barrels. In 2004 oil output (all of it crude) was estimated to have amounted to 235,500 barrels per day. Domestic consumption for that same year is estimated at 6,000 barrels per day and forecast to reach 7,000 barrels per day for 2005. Net oil exports were estimated at 229,500 barrels per day. Refining capacity, as of 1 January 2005, is estimated at 21,000 barrels per day.

The ROC's natural gas reserves are the third-largest in sub-Saharan Africa, (after Nigeria and Cameroon, respectively), with estimated reserves of 3.2 trillion cu ft as of 1 January 2005. In 2002, of the 118.31 billion cu ft produced, nearly all was vented or flared (44.14 billion cu ft), or re-injected (70.63 billion cu ft) due to a lack of infrastructure. Only 3.53 billion cu ft was marketed.

The Societe Nationale d'Electricite (SNE) manages the ROC's electric power sector. As of 1 January 2002, electric power generating capacity was put at 118 MW, with two hydroelectric power facilities, the 15 MW Djoue and the 74 MW Bouenza (Moukoulou) plants as the nation's primary domestic sources of electric power. Total electrical output for 2002 has been estimated at 358 million kWh, and while electric power consumption in the country is low, estimated at 570 million kWh in 2002, it significantly exceeds domestic production. As a result, the ROC has been forced to import electric power from the Democratic Republic of the Congo to the make up the difference. Compounding matters is the state of repair to the nation's electric power infrastructure. Attacks during the country's civil war on the Moukoulou facility have cut the plant's actual capacity to around 55 MW. In addition, the civil war also destroyed large portions of the remaining power infrastructure. Plans by the ROC's government to lower the nation's dependence on imports of electric power, call for the construction of new facilities, as well as expanding those currently in use. In 2003, construction began on the 120 MW Imboulou hydroelectric dam, located on the Lefini River, which is expected to be finished in 2009. In addition, the Anglo Belgian Corporation was awarded a contract in January 2005 to build and finance a 35 MW thermal power plant in the ROC's capital of Brazzaville. A 180 MW hydroelectric plant is also being studied by the Canadian-based Magnesium Alloy Corporation, that would be located on the Kouilou River. Although the power generated would be mainly used by the firm's magnesium plant, estimates by the company indicate that up to 50 MW could be sold commercially.

## 28 INDUSTRY

Industry is concentrated in the southern part of the country around Brazzaville and Pointe-Noire. Many industries, until re-

cently, were partially or completely nationalized. Industry accounted for about 64% of GDP in 2004.

The largest industries are petroleum production, followed by food processing, including beverages and tobacco, chemicals, woodworking, metalworking and electrical industries, nonmetallic mineral products, paper and cardboard, and textiles. The ROC is the fourth-largest oil producer in sub-Saharan Africa, and the oil industry accounts for two-thirds of government revenue, 90% of export earnings, and close to 50% of GDP. There are an estimated 1.3 million tons of crude oil reserves in the country. An oil refinery at Pointe-Noire has a capacity of 21,000 barrels per day, but only 50% of the capacity is utilized. In 1996, the government privatized the refinery. Other industries include sawmills, sugar refineries, and cement factories. Artisans create distinctive jewelry, ceramics, and ebony and ivory sculptures. The timber industry was reviving in 2003 and contributed 1.2% of exports in 2004.

### 29 SCIENCE AND TECHNOLOGY

Science-related institutions include a Center of Research and Initiation of Technological Projects in Brazzaville, a Technical Center of Tropical Forestry in Pointe-Noire, and a Research Institute for Oils in Sibiti. Marien Ngoubai University in Brazzaville has a faculty of sciences and attached institutes of health sciences and rural development. Sibiti has an agricultural college, and Brazzaville contains a technical, commercial, and industrial college and a school for railway engineering. In 1987–97, science and engineering students accounted for 48% of college and university enrollments. In 2000, there were 29 researchers and 32 technicians per million people engaged in research and development.

### 30 DOMESTIC TRADE

Small-scale, village agriculture accounts for most of the domestic trade. Most local produce is sold directly to consumers or middlemen at local markets in towns and villages, where imported goods are also sold. Company agents and independent middlemen buy export crops at local markets or directly from the producers for sale to large companies. Most of the country's domestic commerce is managed by West and North Africans and Lebanese, since during the colonial and Marxist eras, Congolese were oriented towards working in the public sector. The country has developed a new investment code to attract foreign investment; however, high production costs, militant labor unions, and poor transportation systems have prohibited investment and domestic productivity.

There is some advertising in the local newspapers and through company publications, handbills, and billboards, but radio stations do not carry advertising. Normal banking hours are 6:30 to 11:30 AM Monday through Saturday. Shops open by 8 AM, usually close for a midday break, and then stay open to at least 5:30 PM Tuesday through Friday, and are open Saturday morning. They may also be open Saturday afternoon, Sunday morning, and Monday morning.

### 31 FOREIGN TRADE

Crude petroleum and products account for the vast majority of the Congo's commodity export revenues (90%). Diamonds and cement also support the Congolese economy, as do wood exports, including lumber and plywood. In 2004, the main destinations of exports were China (26.8%), North Korea (8.4%), the United

### Balance of Payments – Congo, Republic of the (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-2.6</b>
Balance on goods	1,011.2	
Imports	-449.9	
Exports	1,461.1	
Balance on services	-460.2	
Balance on income	-546.1	
Current transfers	-7.5	
<b>Capital Account</b>		<b>9.9</b>
<b>Financial Account</b>		<b>-58.5</b>
Direct investment abroad	0.3	
Direct investment in Congo, Republic of the	200.7	
Portfolio investment assets	-5.1	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	...	
Other investment liabilities	-254.4	
<b>Net Errors and Omissions</b>		<b>-110.3</b>
<b>Reserves and Related Items</b>		<b>161.5</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

States (7.3%) and France (5.5%) while the main origins of imports were France (32.7%), the United States (10.1%), Germany (6.2%) and Italy (6.0%). Figures published in the IMF's Direction of Trade Statistics confirm the growing importance of China as a market for Congo's oil exports. These have increased in the last decade, from \$1.2 million in 1994 to \$249 million in 2004.

### 32 BALANCE OF PAYMENTS

Until the 1970s, the Congo's chronic trade deficit led to an annual payments deficit. With the growth of oil revenues, the balance of payments became positive; this trend did not last long, however, since the deficit in services grew even faster than the trade surplus during the early 1980s. In recent years, imports have represented over 70% of private consumption.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Congo's exports was \$4.24 billion while imports totaled \$1.26 billion resulting in a trade surplus of \$2.98 billion. According to the latest World Economic Outlook, published by the IMF in September 2005, Congo's current-account surplus will increase from 2.3% of GDP in 2004 to 7.3% of GDP in 2005 and 10% of GDP in 2006.

### 33 BANKING AND SECURITIES

The bank of issue is the Bank of the Central African States (BEAC), which serves all the members of the Central African Customs and Economic Union (UDEAC). Among the commercial banks are the Congolese Union of Banks, the International Bank of Congo, and the Congolese Commercial Bank. The state is the major shareholder in the two commercial banks. The National Development Bank of the Congo extends loans for economic development. The Congo has a 13% share in UDEAC's development bank, headquartered in Brazzaville.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—



were equal to \$324.8 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$352.0 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

There is no securities market in the Congo.

### 34 INSURANCE

In March 1974, all private insurance companies were nationalized and put under the Congo Insurance and Reinsurance Co. (ARC), which is 50% government owned.

### 35 PUBLIC FINANCE

Oil revenues in the 1970s helped expand public sector employment. The collapse in oil prices in the mid-1980s dramatically decreased government revenues, which led to a surge in international borrowing. In 1985, Congo entered negotiation with the IMF for standby credits to satisfy domestic and foreign creditors. In 1986, Congo reluctantly joined with the IMF in a structural adjustment program for which the country received \$40 million in funds and was able to reschedule its international payments. By 1988, the Congo's external debt had risen to an unsustainable \$4.1 billion. In 1989, a second structural adjustment program was agreed to. In the late 1980s and early 1990s, weak oil prices and a massive public sector combined to drive up Congo's debt. Civil service salaries absorbed over half of the government's 1995 budget. The budget deficit rose from 5.5% of GDP in 1985 to 14% in 1991 and was estimated at 25% in 1998. In 1995, total external debt was approximately \$5 billion with service on the debt amounting to 155% of revenues annually, one of the highest ratios in the world. Although the Paris Club agreed to reduce Congo's debt by 67%, debt reduction payments were still expected to reach \$500 million in 1996. In 1995, Congo reached another agreement with the IMF and World Bank that would help alleviate some of its debt burden. This reform program came to a halt when civil war erupted in 1997.

The US Central Intelligence Agency (CIA) estimated that in 2005 Congo's central government took in revenues of approximately \$1.3 billion and had expenditures of \$1 billion. Revenues minus expenditures totaled approximately \$263 million. Total external debt was \$5 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were CFA Fr675.48 billion. The value of revenues in US dollars was about us\$1 million, based on an official exchange rate of us\$1 = CFA Fr696.99 as reported by the IMF for 2002.

### 36 TAXATION

A graduated income tax at rates of 1–50% is levied, varying with an individual's marital status and number of dependents. Employees also pay social security taxes and regional income taxes. As of 2005, the corporate tax rate was 38%, with a minimum of 1% on turnover. Agricultural companies have a 30% corporate rate. Foreign companies that do not have a registered branch in the country are subject to a 7.7% withholding tax on turnover from activities within the country. Foreign companies receiving income sourced from the ROC, but not active within the country are sub-

### Public Finance – Congo, Republic of the (2002)

(In billions of CFA francs, central government figures)

Revenue and Grants	675.48	100.0%
Tax revenue	176	26.1%
Social contributions	23.21	3.4%
Grants	3.79	0.6%
Other revenue	472.48	69.9%
<b>Expenditures</b>	...	...
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ject to a 20% withholding tax. Dividends are also taxed at a 20% rate. Also levied are excise duties, and property taxes.

### 37 CUSTOMS AND DUTIES

The Republic of the Congo is a member of the Central African Economic and Monetary Community (CEMAC) with Cameroon, Central African Republic, Chad, Equatorial Guinea, and Gabon. There is a 5% duty on basic necessities, 10% on raw materials and capital goods, 20% on intermediate and miscellaneous goods, and 30% on consumer goods. There is also an 18.7% value-added tax based on CIF (cost, insurance, freight) plus the duty. Significant nontariff trade barriers include import license requirements and a corrupt and inefficient customs system.

### 38 FOREIGN INVESTMENT

The 1973 investment code guaranteed the free transfer of capital, normally earned profits, and funds resulting from sales of foreign companies. According to legislation adopted in 1982, reduced import duties and taxes are offered on production equipment and profits on manufacturing and trading are tax exempt for the first five years. However, in view of the Congo's fragile economy, banks required a public guarantee before investing their funds. A new investment code enacted in 1992 and amended in 1996 legislates equal treatment for domestic and foreign investors.

In 1994, the regiment for participation by foreign oil companies was changed from the joint ventures that had prevailed since 1968 to production sharing agreements (PSAs), by which foreign oil companies operate under contracts with the national oil company, SNPC. Plans were announced in 1995–96 to privatize state-owned enterprises in the oil distribution, oil refining, telecommunications, rail and water transportation, electricity, and water distribution sectors designed to attract foreign investment.

In June 1997, the United States and Congo concluded a bilateral investment treaty (BIT). That month, the outbreak of civil war brought most privatization initiatives to a halt. The flow of for-

eign direct investment (FDI) was a negative divestment of an estimated -\$11.9 million in 1997. Despite renewed violence in 1998 and 1999, privatization of some upstream and downstream operations of Hydro-Congo increased FDI inflow to \$117.8 million and \$134.6 million, respectively. A fragile peace accompanied by an IMF-directed austerity program in 2000 helped produce a negative outflow of FDI of -\$75.2 million. For 2001, FDI inflow was estimated at a modest \$77 million. It had risen to \$323 million in 2003 and \$668 million in 2004 reflecting the donor and international confidence and the end of political turmoil.

Virtually all foreign investment in the Republic of Congo has been in the oil and timber sectors, with the French company TotalFinaElf historically dominant in the oil sector, which in turn historically dominates the economy. The second-largest oil investor has been ENI-Agip (Agip-Congo) of Italy. US oil companies that have investments include Anadarko, ChevronTexaco, CMS-Nomeco, Exxon-Mobile, and Marathon. Other foreign oil participants are Royal Dutch Shell (United Kingdom), Energy Africa (South Africa), and Heritage Oil (Canada). Most of the oil industry is not only an enclave, employing mostly foreign personnel, but offshore. Investment in the wider economy continues to be hampered by numerous factors even apart from political turmoil, including a poorly developed financial sector; an inadequate and war-damaged infrastructure; high labor, transportation and raw material costs; low productivity; and militant labor unions.

### 39 ECONOMIC DEVELOPMENT

The 1982–86 development plan called for expenditures of over \$2.5 billion for the improvement of infrastructure (roads, electricity, water) and for the development of production in agriculture, forestry, and light industry; however, economic difficulties caused the plan to be cut back sharply. The 1987–91 development plan promoted agricultural self-sufficiency and rural development through the planned creation of 160 village centers and a mandatory national service program for youths. Reduction of the country's dependency on petroleum and the reform of the parastatal sector were set as priorities. The devaluation of the CFA (Communauté Financière Africaine) franc in 1994 was implemented to boost those economic activities which did not rely on imports.

France is the leading foreign donor country. For a time the country reduced its participation (1985–89), but raised it to record levels in 1990. China and the former Soviet Union also provided substantial aid. Between 1946 and 1999, Congo also received funds from the European Economic Community (now the European Union), from the World Bank, the International Development Agency, and the African Development Bank.

In the mid-1990s, Congo embarked on a path of economic reform, including reform of the tax, investment, labor, and hydrocarbon codes. The privatization of state-owned enterprises was planned, particularly telecommunications and transportation monopolies. The Paris Club agreed to a debt restructuring plan in 1996. When war broke out in 1997, economic reform came to a halt. President Sassou-Nguesso, reelected in 2002, indicated his desire to reestablish cooperation with international financial institutions, and to further pursue privatization and other economic reforms. The president's economic program, called Nouvelle espérance (New Hope), was to cover the period 2003–10. A peace accord was signed in March 2003, which was designed to pave the

way for sound economic development. In August 2005, the board of the IMF completed its first annual review of Congo's three-year poverty reduction and growth facility (PRGF) and gave a positive endorsement of progress in spite of problems of accountability of the revenues from the oil industry.

### 40 SOCIAL DEVELOPMENT

Employed persons are covered by the social insurance system, with a special system in place for civil servants. The insured provides 4% of gross earnings, with the employer contributing 8% of payroll to fund the program. Old age, disability and survivorship benefits are provided. Employed women are covered by maternity benefits, which amount to 50% of earnings for 15 weeks. Workers' compensation benefits are funded by employer contributions and include medical care. There is a funeral grant to cover the cost of final arrangements, up to a maximum. Employees are entitled to a family allowance for each child under 16 years of age, and there is a birth grant for the first three children.

The Fundamental Act prohibits discrimination based on race, gender, or religion, but many marriage and family laws do discriminate against women. Polygamy is legal, while polyandry is not. Adultery is legal for men but not for women. Women receive less education on average than men, and their salaries are generally lower. Women are not prominent at the highest levels of political or professional life. However, the Union of Congolese Women promotes the advancement of women and has launched major literacy and female education campaigns. Domestic violence is widespread and rarely reported. Civil conflict is thought to have increased the number of indigent children living on the streets of Brazzaville.

Pygmy minorities also face discrimination despite legal protections. They are often paid with food or goods for their labor, rather than with salaries. Pygmies are underrepresented in government and are largely marginalized from government decision making.

The human rights record has improved somewhat since the transition to democracy, but abuses have continued. There were reports of torture and extrajudicial killings, as well as disappearances, rapes, and arbitrary searches, arrests, and detention.

### 41 HEALTH

In 2004, there were an estimated 25 doctors, 175 pharmacists, 185 nurses, and 25 midwives. per 100,000 people. The birth rate was 38 per 1,000 people. The infant mortality in 2005 was at 87.41 deaths per 1,000 live births. In 2005, the average life expectancy was estimated at 52.26 years.

An endemic disease control service conducts vaccination and inoculation campaigns. All medicine, antibiotic, and vaccine imports must be authorized by the Ministry of Health. In 1999, there were 318 reported cases of tuberculosis per 100,000 people. As of 1999, immunization rates for children up to one year old were as follows: diphtheria, polio, and tetanus, 29%, and measles, 23%. In 1990, 24% of children under five years old were considered malnourished. In the mid-1990s, 50% of urban and 11% of rural inhabitants had access to safe water.

The HIV/AIDS prevalence was 4.90 per 100 adults in 2003. As of 2004, there were approximately 90,000 people living with HIV/AIDS in the country. There were an estimated 9,700 deaths from AIDS in 2003.

## 4<sup>2</sup> HOUSING

At last estimate, more than 88% of all housing units were private houses. Owners occupied more than 60% of dwellings, tenants nearly 25%, and over 9% were occupied rent free. Close to one-third of all units had brick external walls, more than 25% had stone walls, nearly 16% had planks, and over 10% cob. In 2000, only about 51% of the population had access to improved water systems.

## 4<sup>3</sup> EDUCATION

The educational system is patterned on that of France, but changes have been introduced gradually to adapt the curriculum to local needs and traditions. All private schools were taken over by the government in 1965. Six years of primary school are compulsory. Secondary school covers a seven-year course of study; students may choose a general course of studies or a technical program for their secondary education. The academic year runs from October to June. The language of instruction is French.

Primary school enrollment in 2003 was estimated at about 54% of age-eligible students. It is estimated that about 59% of all students complete their primary education. In 2001, there were 183,000 students enrolled in secondary schools. The student-to-teacher ratio for primary school was at about 24:1 in 2003; the ratio for secondary school was about 13:1.

The National University, which opened in Brazzaville in 1971, was later renamed Marien Ngouabi University. In 2003, about 4% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 82.8%, with 88.9% for men and 77.1% for women.

As of 2003, public expenditure on education was estimated at 3.2% of GDP, or 12.6% of total government expenditures.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

Brazzaville has Marien Ngouabi University Library, with 20,000 volumes in 2002, and the National Popular Library with 15,000 volumes. The French Cultural Center houses a library of 33,000 volumes, and the World Health Organization holds 40,000 in Brazzaville.

The National Museum of the Congo (1965), also in Brazzaville, contains ethnography displays and historical displays. There are regional museums in Pointe-Noire and Kinkala.

## 4<sup>5</sup> MEDIA

National and international communications are state owned and operated. In 2003, there were an estimated two mainline telephones for every 1,000 people. The same year, there were approximately 94 mobile phones in use for every 1,000 people.

Radio and television are the primary sources of news and information. In 2004, there was one privately owned radio station and one privately owned television station. There were two government-owned radio stations, Radio Congo and Radio Brazzaville and one government-owned television station, Tele Congo. Radio Brazzaville broadcasts in French and local languages. telecasts are in French, Kikongo, and Lingala. The news coverage and the editorial positions of the state-owned media reflected govern-

ment priorities and views. There are several satellite television connections available. In 2003, there were an estimated 109 radios and 13 television sets for every 1,000 people. The same year, there were 4.3 personal computers for every 1,000 people and 4 of every 1,000 people had access to the Internet.

In 2002, there were five daily newspapers, all published in Brazzaville: *Mweti*, published by the government information ministry (2002 circulation, 7,000); *ACI* (Daily News Bulletin, circulation 1,000); *Courrier d'Afrique*; *Journal de Brazzaville*; and *Journal Officiel de la Republique du Congo*. There are also a few periodicals and magazines, the most popular among them being *La Semaine Africaine*, published by the Catholic Church, with a 1995 circulation of 8,000. The state owned Agence Congolaise d'Information is the primary news service.

Though the constitution provides for free expression and a free press, the government retains a monopoly over radio and television. A 2001 press law abolished long-standing jail sentences for libel and insult, but penalties still exist for incitement to violence and racism.

## 4<sup>6</sup> ORGANIZATIONS

There are Chambers of Commerce, Agriculture, and Industry in Brazzaville, Loubomo, Pointe-Noire, and Ouesso. In rural areas, cooperatives promote the production and marketing of agricultural products. Among the tribes, self-help societies have grown rapidly, particularly in the larger towns. Some volunteer service organizations, such as the Lions Clubs International, are also present.

Larger towns have youth centers. The two major national youth movements are the Union of Socialist Youth of the Congo (UJSC) and the National Federation of Young Students (FENAJEST). The Congolese Olympic Committee (COC) coordinates about 10 national youth sports organizations. There are a few scouting programs as well.

The Congolese Observatory for Human Rights is a national group. There are also national chapters of the Red Cross Society, UNICEF, and Caritas.

## 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

The main tourist attractions are the beaches near the Côte Sauvage region and water-skiing on the Kouillou and Congo rivers. In 2002, there were 21,611 visitors from other countries and 2,986 rooms in hotels. More than 91% of the tourists were from Africa and Europe. All visitors need passports, and visas must be secured in advance. Vaccination for yellow fever is required and precautions for malaria are recommended.

The US government estimated the daily cost of staying in the Congo in 2005 at \$284, depending upon choice of accommodations.

## 4<sup>8</sup> FAMOUS CONGOLESE

The best-known figures are Abbé Fulbert Youlou (1917–72), a former Roman Catholic priest who served as president from 1960 to 1963, as well as mayor of Brazzaville; Alphonse Massamba-Debat (1921–77), president from 1963 to 1968; and Marien Ngouabi (1938–77), who came to power in a 1968 coup and was president from 1968 to 1977. Denis Sassou-Nguesso (b.1943?) became

president in 1979; he served until 1992, and then again beginning in 1997. Prominent author and playwright Emmanuel Dongala-Boundzeki (b.1941) is also a chemistry professor at Marien Ngouabi University in Brazzaville.

#### 49 DEPENDENCIES

The Republic of the Congo has no territories or colonies.

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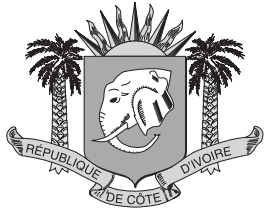
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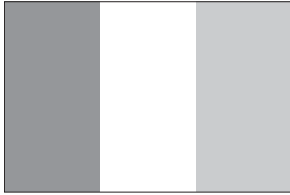
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# CÔTE D'IVOIRE

Republic of Côte d'Ivoire  
*République de Côte d'Ivoire*



**CAPITAL:** Yamoussoukro

**FLAG:** The flag is a tricolor of orange, white, and green vertical stripes.

**ANTHEM:** *Abidjanaise*, beginning: "Greetings, O land of hope."

**MONETARY UNIT:** The Communauté Financière Africaine franc (CFA Fr), which was originally pegged to the French franc, has been pegged to the euro since January 1999 with a rate of 655.957 CFA francs to 1 euro. The CFA franc is issued in coins of 1, 2, 5, 10, 25, 50, 100, and 500 CFA francs, and notes of 50, 100, 500, 1,000, 5,000, and 10,000 CFA francs. CFA Fr1 = \$0.00192 (or \$1 = CFA Fr521.74) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; Assumption, 15 August; All Saints' Day, 1 November; Independence Day, 7 December; Christmas, 25 December. Movable religious holidays include Good Friday, Easter Monday, Ascension, Pentecost Monday, 'Id al-Fitr, and 'Id al-'Adha.

**TIME:** GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The Republic of Côte d'Ivoire, on the south coast of the western bulge of Africa, has an area of 322,460 sq km (124,502 sq mi). Comparatively, the area occupied by Côte d'Ivoire is slightly larger than the state of New Mexico. Roughly rectangular in shape, it extends 808 km (502 mi) SE–NW and 780 km (485 mi) NE–SW. It is bordered on the N by Mali and Burkina Faso, on the E by Ghana, on the S by the Gulf of Guinea and the Atlantic Ocean, and on the W by Liberia and Guinea, with a total boundary length of 3,110 km (1,932 mi) and a coastline of 515 km (322 mi).

In 1983, Côte d'Ivoire's capital was moved to Yamoussoukro, about 225 km (140 mi) northwest of the former capital, Abidjan, in the south-central part of the country.

## <sup>2</sup>TOPOGRAPHY

Except for the prolongation of the Guinea Highlands (in the northwest, from Man to Odienné), which has peaks of over 1,000 m (3,280 ft), the greater part of Côte d'Ivoire is a vast plateau, tilted gently toward the Atlantic. It is drained by four major rivers running roughly parallel from north to south—the Cavally (on the Liberian frontier), Sassandra, Bandama, and Komoé. They are not of much value for transportation, since they are sluggish in the dry season, broken by numerous falls and rapids, and subject to torrential flooding in the rainy season. Lake Kossou (Lac de Kossou), in the center of the country, has been formed by the impoundment of the Bandama. From Ghana to Fresco, the coast is almost a straight line, flat and sandy, with a series of deep lagoons behind it; from Fresco to the Liberian frontier, it is more broken, with small cliffs and rocky outcrops.

## <sup>3</sup>CLIMATE

The greatest annual rainfall, about 200 cm (79 in), is along the coast and in the southwest. The coastal region has a long dry sea-

son from December to April, followed by heavy rains from May to September. Farther north, there is only one wet and one dry season, with rainfall heaviest in summer, culminating in September, and lightest in January. The country's lightest rainfall is in the northeast, averaging 109 cm (43 in) annually. Average temperatures along the coast range from 24° to 32°C (75° to 90°F) in January and from 22° to 28°C (72° to 82°F) in July. At Bouaké, in the center of the country, minimum and maximum temperatures in November, the hottest month, average 21° and 35°C (70° and 95°F); the range is from 20° to 29°C (68° to 84°F) in July, the coolest month. At Ferkéssédougou, in the far north, temperatures range from 21° to 36°C (70° to 97°F) in March and from 17° to 30°C (63° to 86°F) in November.

## <sup>4</sup>FLORA AND FAUNA

The southern Côte d'Ivoire forest is a typical rain forest; it has a canopy at around 21–24 m (70–80 ft), with isolated trees pushing up above 37 m (120 ft). Farther north, the rain forest gives way to scattered stands of deciduous trees, and mahogany is widespread. Still farther north, oil palm, acacia, breadfruit, and baobab characterize the transition to true savanna, where shea nut and traveler's palm are common.

The jackal, hyena, panther, elephant, hippopotamus, numerous monkeys, and many other mammals are widely distributed. Crocodiles and chameleons, as well as venomous serpents (horned vipers, mambas, and many others) and pythons, are numerous. Among indigenous birds are vultures, cranes, pigeons, turtle doves, parrots, and herons. Venomous spiders and scorpions abound. As of 2002, there were at least 230 species of mammals, 252 species of birds, and over 3,600 species of plants throughout the country.

## 5 ENVIRONMENT

Most of Côte d'Ivoire's forests, once the largest in West Africa, have been cut down by the timber industry, with only cursory attempts at reforestation. During the first half of the 1980s, deforestation averaged 290,000 ha (717,000 acres) per year, while reforestation was only 6,000 ha (15,000 acres) per year. Between 1983 and 1993, the country's forest and woodland was reduced by nearly 25%. In 2000, about 22% of the total land area was forested.

The land is also affected by desertification and climate changes, including decreased rainfall. In 2000, Côte d'Ivoire had 76.7 cu km of renewable water resources, of which 67% was used for farming and 22% for urban and domestic use. Water pollution is a significant environmental problem in Côte d'Ivoire due to chemical waste from agricultural, industrial, and mining sources: about 92% of the country's city dwellers and 72% of the rural population have safe water. Reports indicate that in the mid-1990s, the nation was using approximately 6,000 tons of pesticides and 78,000 tons of fertilizers per year. The country's lack of sanitation facilities also contributes to the pollution problem. Only about 39% of the population has access to sanitation systems.

In 2003, about 6% of the total land area was legally protected. There were three natural UNESCO World Heritage Sites and six Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 23 types of mammals, 11 species of birds, 2 types of reptiles, 14 species of amphibians, 11 species of fish, 1 type of mollusk, and 105 species of plants. Threatened species include Pel's flying squirrel, the white-breasted guinea fowl, the thresher shark, and the red-capped monkey.

## 6 POPULATION

The population of Côte d'Ivoire (Ivory Coast) in 2005 was estimated by the United Nations (UN) at 18,154,000, which placed it at number 56 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 41% of the population under 15 years of age. There were 103 males for every 100 females in the country. According to the UN, the annual population growth rate for 2005–10 was expected to be 2.2%, a rate the government viewed as too high. Factors the government planned to address included the high fertility rates (5.5 births per woman) and low contraceptive use. The projected population for the year 2025 was 25,114,000. The population density was 56 per sq km (146 per sq mi).

Movement to the cities has been a problem in recent decades. The UN estimated that 46% of the population lived in urban areas in 2005 (up from 13.2% in 1950), and that urban areas were growing at an annual rate of 2.58%. The capital city, Yamoussoukro, had a population of 416,000 in that year, while the metropolitan population of the former capital, Abidjan, was estimated at 3,660,682. Other major urban areas are Bouaké (estimated at more than 461,618) and Daloa (206,200); towns with populations of more than 20,000 include Gagnoa, Korhogo, Agboville, Abengourou, Dimbokro, Man, and Grand Bassam.

The prevalence of HIV/AIDS has had a significant impact on the population of Côte d'Ivoire. The UN estimated that 9.6% of adults between the ages of 15–49 were living with HIV/AIDS in

2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

Flourishing economic activity in Côte d'Ivoire attracts large numbers of workers from neighboring countries. In 1988 foreign workers constituted 28% of the national total. Migratory laborers from Burkina Faso, estimated at more than one million, work chiefly on the cocoa and coffee plantations. In addition, several hundred thousand Ghanaians, Guineans, Malians, Senegalese, and Mauritians live in Côte d'Ivoire. As of September 1998, Côte d'Ivoire was harboring 85,000 of the more than 350,000 Liberian war refugees who started coming to Côte d'Ivoire in 1989 with the start of the civil war in Liberia. Following a 1997 census, it was discovered that some 1,500 Sierra Leonean refugees had been living in Côte d'Ivoire disguised as Liberian refugees. The government has since agreed to recognize them as Sierra Leonean refugees. A mass voluntary repatriation program for the Liberian refugees was implemented between June 1997 and December 1999, after which remaining Liberian refugees were to receive assistance in local integration. In 2004, there were 72,088 refugees living in Côte d'Ivoire along with 2,111 asylum seekers, and an official 38,039 displaced persons. Another 7,594 refugees returned to Liberia that year.

In 2005, the net migration rate for Côte d'Ivoire was estimated as zero migrants per 1,000 population, down from 3.0 in 1990. Most of the non-African population consists of French and other Europeans, and Lebanese and Syrians. Foreigners can buy land and vote in Côte d'Ivoire; some cabinet ministers are foreign-born. In 2004 an estimated 500,000 to 800,000 internally displaced persons lived in Côte d'Ivoire.

## 8 ETHNIC GROUPS

The ethnic composition of Côte d'Ivoire is complex with more than 60 ethnic groups represented. The Akan group, which primarily occupies the eastern and central regions of the country, accounts for about 42.1% of the population. The Baoulé are the single largest subgroup of the Akan people, accounting for about 20% of the total population. The Voltaiques (Gur) account for about 17.6% of the population. The Northern Mandes from the northwest region of the country make up about 16.5% of the population. The Krou people in the southwest account for about 11%; the Bété are the largest subgroup. The Southern Mandes from the western regions account for about 10% of the population. Non-Africans include about 14,000 French and 130,000 Lebanese expatriates.

## 9 LANGUAGES

The official language is French. Of the more than 60 African languages spoken by different ethnic groups, the most important are Agni and Baulé, spoken by the Akan group; the Krou languages; the Sénoufo languages; and the Mandé languages (especially Malinké-Bambura-Dioula).

## 10 RELIGIONS

Approximately 38.6% of the total population are Muslims. The next largest group is the Roman Catholic Church, with membership accounting for about 19.4% of the population. About 11.9% of the people practice traditional indigenous religions, about 6%



LOCATION: 2°30' to 7°30' w; 4°20' to 10°50' n. BOUNDARY LENGTHS: Mali, 515 kilometers (320 miles); Burkina Faso, 531 kilometers (330 miles); Ghana, 668 kilometers (415 miles); Gulf of Guinea coastline, 507 kilometers (315 miles); Liberia, 716 kilometers (445 miles); Guinea, 605 kilometers (376 miles). TERRITORIAL SEA LIMIT: 12 miles.

are Protestant, and 3.1% follow other Christian faiths. About 1.3% belong to the Harrist Church, a Protestant denomination founded in 1913 by the Liberian minister William Hade Harris. There are also a number of syncretic religions combining Christian tenets with African traditional customs and beliefs. These include the Church of the Prophet Papa Nouveau and Eckankar. About 16.7% of the population do not claim any religious affiliation or preference.

A large variety of denominations are represented in the country, including Methodists, Southern Baptists, Seventh-Day Ad-

ventists, Assemblies of God, the Union of the Evangelical Church of Services and Works of Côte d'Ivoire, the Autonomous Church of Celestial Christianity of Oschoffa, the Yoruba First Church, and the Church of Jesus Christ of Latter-Day Saints. There are a small number of Buddhists.

Religious and political affiliation often follows ethnic and regional lines. Most Muslims live in the north and most Christians live in the south. Traditionalists are generally concentrated in rural areas in the north and across the center of the country. The Akan ethnic group traditionally practices a religion called Bossonism.

The constitution implemented in 2000 provides for freedom of religion, however, Christianity has historically enjoyed a privileged status in national life with particular advantage toward the Catholic Church. For instance, Christian schools have long been considered official schools and so have received subsidies through the Ministry of Education; however, Muslim schools were considered religious institutions and were not considered for similar subsidies until 1994.

In 2001, the government initiated the Forum for National Reconciliation, designed in part to ease relationships between religious and ethnic groups. Through the Forum, Muslims accused the government of attempting to create a Christian state. Since then, the president has met with Muslim leaders to discuss their concerns and government leaders have made greater attempts towards interfaith understanding and acceptance. The Forum of Religious Confessions serves to improve relations and understanding between faiths. The Ministry of Religion promotes dialogue between religious groups and the government. All religious groups must register through the Ministry of the Interior. Muslim and Christian holidays are recognized as national holidays.

## 1<sup>1</sup> TRANSPORTATION

Côte d'Ivoire has one of the best-developed and best-maintained transportation systems in Africa. As of 2004, the nation's railway system consisted of a state-controlled 660-km (410-mi) section of a 1,146-km (712-mi) narrow gauge railroad that ran north from Abidjan through Bouaké and Ferkéssédougou to Ouagadougou, Burkina Faso. In 2002, Côte d'Ivoire had 50,400 km (31,318 mi) of roads, of which 4,889 km (3,038 mi) were paved. In 2003, there were 19,450 registered passenger automobiles and 94,900 registered commercial automobiles, trucks, and buses.

Harbor activity is concentrated at Abidjan (West Africa's largest container port), which has facilities that include a fishing port and equipment for handling containers, and San Pedro, a deepwater port that began operations in 1971. There are also small ports at Sassandra and Tabou. Two nationalized shipping lines serve West Africa and Europe. As of 1998, the merchant marine had one oil tanker (1,000 GRT or over) totaling 1,200 GRT. However, in 2002, there is no merchant marine. There are 980 km (56 mi) of navigable rivers, canals, and numerous coastal lagoons.

Air Ivoire, government-owned since 1976, operates domestic services and also flies to Ouagadougou, Burkina Faso, and Bamako, Mali. International flights to Paris, Dakar, and other African and European capitals are handled by Air Afrique, a joint venture owned by Côte d'Ivoire and other participating Yaoundé Treaty countries (72%) and by Air France and Union des Transports Aériens (28%). Côte d'Ivoire's principal airport, F.H. Boigny, is located in Abidjan. Secondary airports are located at Bérébi, Bouaké, Daloa, Man, Sassandra, Korhogo, Tabou, San Pedro, Guiglo, Bondoukou, Yamoussoukro, and Odienné. In 2004 there were an estimated 37 airports, 7 of which had paved runways as of 2005. In 2003, about 46,000 passengers were carried on scheduled domestic and international flights.

## 1<sup>2</sup> HISTORY

Little is known of the early history of the area now called Côte d'Ivoire. Most of its peoples entered the country in comparatively recent times, mostly from the northwest and the east, although the

Kru-speaking peoples came from west of the Cavally River (modern Liberia). European travelers described flourishing and well-organized states in the north and east, with strongly hierarchical social organization and elaborate gold weights and ornaments. These states, such as the Agni kingdom of Indénié and the Abron kingdom of Bondoukou, were closely related linguistically and socially to the neighboring Ashanti of modern Ghana and formed with them, and with the Fon of Dahomey (now Benin) and the Yoruba and Bini kingdoms in Nigeria, an almost continuous string of relatively rich and developed states of the Guinea forest zone. Nearer the coast, the scale of social organization was much smaller, and innumerable small units recognized no political superior.

Modern European acquaintance with the west coast of Africa began with the Portuguese discoveries of the 15th century, culminating in the discovery of the route to India around the Cape of Good Hope in 1488 and the establishment of trading posts along the Senegal coast and the Gulf of Guinea. The Portuguese and Spanish were soon followed by the Dutch and English. Gold, ivory, ostrich feathers, gum arabic, and pepper were succeeded by slaves as the major trading commodities. French activity in what is now Côte d'Ivoire began in 1687, when missionaries landed at Assinié. In 1843, Adm. Louis-Édouard Bouet-Willamez established French posts at Assinié and Grand Bassam, where treaties with the local chiefs provided for the cession of land for forts in exchange for tribute to the chiefs (*coutumes*) at fixed rates and regular intervals.

After the Franco-Prussian War of 1870, the small garrisons of Assinié, Grand Bassam, and Dabou were withdrawn. French interests were confided to a resident trader named Verdier. He and a young assistant, Treich-Laplène, consolidated the French position along the coast. In 1887, Treich-Laplène signed treaties with Indénié, Bettié, Alangoa, and other chiefdoms of the interior, thus preventing British advances into eastern Côte d'Ivoire from Ashanti. Continuing northward to Kong, he joined forces with Col. Louis Binger, who had made his way from Bamako in French Sudan (Soudan Française, now Mali) to Kong and from there northeast to Ouagadougou in Upper Volta (now Burkina Faso) and back to Kong through Bondoukou. French claims to Upper Volta and northern Côte d'Ivoire, joining French Sudan and Niger in a continuous territory, were thus established. In 1893, the territory was renamed Côte d'Ivoire, and Col. Binger was appointed the first French governor. The new colony's frontier with Liberia was settled by a convention in 1892, and that with the Gold Coast (modern Ghana) by the Anglo-French agreement of 1893. The northern border was not defined until 1947.

French control of Côte d'Ivoire was, however, far from secured. Much of the region remained unexplored, and administrative control had still to be effectively organized in those areas whose chiefs had concluded treaties with the French. More serious still, Samory Touré, a Malinké from Guinea who periodically fought the French, had moved southeast after the French capture of Sankoro in 1892 and was continuing his struggle against the invaders in the region of Kong. Not until 1898, after prolonged fighting, was he finally captured near Man. Systematic military operations in the densely forested area between the upper Cavally and the upper Sassandra were carried out from 1908 onward before French rule was finally established in Côte d'Ivoire on the eve of World War I. In other parts of the colony, intermittent revolts continued



throughout this period, stimulated by the imposition of a poll tax and opposition of many of the chiefs to the substitution of a tax rebate for the coutumes promised in the treaties. Nevertheless, some 20,000 Ivoirian troops were raised in the colony during World War I, when the greater part of the French forces was withdrawn.

In the interwar years, Côte d'Ivoire became a considerable producer of cocoa, coffee, mahogany, and other tropical products. Although European planters produced about one-third of the cocoa and coffee and most of the bananas, the share of African planters rapidly increased throughout this period. The railroad, begun in 1904, did not reach the northern part of the colony until 1925. Until 1954, Grand Bassam (opened 1901) and Port Bouet (opened 1932) were the principal ports; that year the deepwater port of Abidjan opened, following the cutting of the Ébrié Lagoon in 1950.

During World War II, Côte d'Ivoire, like the rest of French West Africa, remained under control of the Vichy government between 1940 and 1943. In 1941, the king of Bondoukou and thousands of his people made their way into the Gold Coast to join Gen. Charles de Gaulle's resistance forces. At the end of the war, Côte d'Ivoire was established as an overseas territory under the 1946 French constitution and given three deputies and three senators in the French parliament and an elected territorial assembly. By 1956, it produced 45% of all French West African exports, took in 30% of the imports, and seemed assured of continued economic advance.

In 1958, Côte d'Ivoire accepted the new French constitution in a referendum on 28 September and opted for the status of an autonomous state within the new French Community. On 4 December 1958, the Territorial Assembly, which had been elected by universal suffrage on 31 March 1957, formed itself into the Constituent Assembly and proclaimed the Republic of Côte d'Ivoire as a member state of the French Community. On 26 March 1959, the assembly adopted the first constitution of the new country. The legislature provided for in this constitution was chosen by a national election held on 17 April, and Félix Houphouët-Boigny was unanimously selected by the Assembly as prime minister on 27 April.

On 7 August 1960, the Republic of Côte d'Ivoire proclaimed its complete independence. On 31 October, a new constitution providing for a presidential system was adopted. In elections held on 27 November, Houphouët-Boigny was unanimously elected the country's first president. Although two plots to overthrow him, organized by government and party officials, were discovered in 1963, both failed, and in that year Houphouët-Boigny took over most key ministerial portfolios and consolidated his control over the Democratic Party of Côte d'Ivoire (PDCI).

Outbreaks of unrest plagued the Houphouët-Boigny government during the late 1960s and early 1970s. In 1969, some 1,500 unemployed youths were arrested in the course of widespread rioting. In 1970, disturbances broke out in Gagnoa, Bouaké, and Daloa. These incidents were followed in 1973 by an alleged conspiracy to overthrow the government. Following a brief trial, two army captains and five lieutenants were sentenced to death, while others were given jail sentences ranging from 15 to 20 years of hard labor. Before the sixth PDCI congress in 1975, President Houphouët-Boigny pardoned some 5,000 persons, among who were 145 political prisoners, some associated with the Gagnoa disturbances. All death sentences were also commuted to 20 years of

hard labor. Throughout this period, the government used a series of mass meetings called "dialogues" to win over new adherents. These public discussions were usually led by prominent members of the administration, and President Houphouët-Boigny often presided over them personally. During the second half of the 1970s, Houphouët-Boigny and the PDCI remained firmly in control, and Côte d'Ivoire became one of black Africa's most prosperous nations.

Houphouët-Boigny was reelected unopposed to his fifth five-year term as president in October 1980. The nation's first competitive National Assembly elections were held in the following month, as the ruling PDCI allowed 649 candidates to compete for the 147 seats, with a runoff between the two best-placed candidates in each constituency where there was no majority choice. A total of 121 new members were elected, while 54 of the 80 deputies who ran for reelection were defeated. Relations with neighboring countries have generally been favorable; in 1981, however, the death by suffocation of 46 Ghanaians who had been jailed near Abidjan on suspicion of drug smuggling led to friction with Ghana, which was resolved through Togolese mediation. Declining economic prospects in the early 1980s led to a series of strikes among professional workers, which Houphouët-Boigny accused a foreign power (presumed to be Libya) of fomenting.

Houphouët-Boigny won an unopposed sixth term as president in October 1985, reportedly receiving 100% of the vote in a turnout of over 99% of the eligible voters. In the following month, fewer than 30% turned out for the National Assembly elections, in which 546 candidates—all members of the PDCI but not screened—competed for 175 seats. Only 64 deputies were returned to office. Côte d'Ivoire celebrated the 25th anniversary of its independence on 7 December 1985 by releasing 9,500 convicted criminals from prisoners.

In 1990, Côte d'Ivoire entered a new political era as months of prodemocracy demonstrations and labor unrest led to the legalization of opposition parties, previously banned. Even within the PDCI, a progressive wing called for further liberalization. The first multiparty presidential and legislative elections were held on 28 October 1990 and 25 November 1990, respectively. Houphouët-Boigny was reelected as president with 81% of the vote. The PDCI carried 161 of the 175 seats and the Ivoirian Popular Front (FPI), 9 seats. Yet, outside observers saw the elections as less than free and fair. That November, the National Assembly passed a constitutional amendment to allow the Speaker to take over the presidency in the event of a vacancy (a provision eventually invoked on Houphouët-Boigny's death on 7 December 1993).

Meanwhile, popular disillusionment grew. Early in 1992, the president rejected the findings of his own investigative commission, which had found army chief of staff Gen. Robert Guei responsible for the shootings at Yopougon University in May 1991. Then Houphouët-Boigny left for a four-month "private visit" to France. Rioting followed a mass demonstration in February 1992, and the government used this as a pretext to jail opposition leaders. In protest, the FPI withdrew from the National Assembly, leaving it a PDCI exclusive preserve. Houphouët-Boigny continued to manage affairs from Paris. He returned in June to release the opposition leaders as part of an amnesty that also shielded the soldiers.

After Houphouët-Boigny's death, power was transferred smoothly to Henri Konan Bédié, who became president until the 1995 elections. Born in 1934 in Dadiékro, Côte d'Ivoire, Henri Konan Bédié was of the Baoulé ethnic group. Bédié's ties to his idol Boigny began at a young age. During his initial schooling in Bokanda, Guiglo, and Dabopu, Côte d'Ivoire, he distributed newspapers of Boigny's political party—the Rassemblement Démocratique Africain. As he grew up, Bédié's aspirations became clearer. He traveled to France to study law at the University of Poitiers after reconsidering a career in education; he worked his way through law school. He also obtained advanced degrees in economics and political science, as well as a doctorate in economics, and was appointed the first Ivoirian ambassador to the United States in his 20s. He opened the Ivoirian embassy in Washington, DC, during the last months of the Eisenhower administration and also established the Ivoirian mission to the United Nations when he was only 27. Bédié also served as Minister of Finance and National Assembly President, as well as an advisor to the International Bank on Reconstruction and Development. Throughout his posts, Boigny was his most significant supporter.

Bédié proved to be a controversial leader. A split in the PDCI occurred on his watch, as departing Assembly members formed the Rally of the Republicans (RDR) and, later, the Republican Front. Bédié, meanwhile, began cracking down on dissent, briefly imprisoning and exposing to beatings the editor of a prominent newspaper. In the year preceding the scheduled elections, Bédié also instigated electoral reforms strictly limiting candidates who desired to run for president. Opposition parties decried the new electoral code and vowed to boycott the elections.

The presidential elections held on 22 October 1995 were boycotted by the opposition in protest of Bédié's antidemocratic maneuvering since assuming office. Bédié was reported by government officials to have won 95% of the vote. Legislative elections were held in December. The opposition threatened to extend their boycott to these elections as well, but Bédié engaged the major parties in negotiations and agreed to allow representatives from the two largest parties to serve on the electoral commission overseeing the balloting. The elections were seen as relatively fair and resulted in a National Assembly with 146 seats held by the PDCI, 14 by the RDR, and 9 by the FPI. Presidential, legislative, and municipal elections were held, and Bédié was officially elected president.

Though Bédié's presidential win was seen as a significant accomplishment for the Baulé ethnic group, allegations of his corruption and discontent among Ivoirians continued to increase. After becoming president, Bédié maintained a low profile and granted few interviews to the press. Facing opposition from other politicians, Bédié invited members of some opposition parties to join his government. Only Bernard Zadi of the Union des Sociaux Démocrates party accepted and became minister of culture. Even though Bédié appointed nine ministers from his party, Alassane Ouattara—a Mandé from the northern tribes continued to be Bédié's most harsh enemy. Bédié had banned Ouattara's participation in the 1995 elections by claiming him a foreigner from neighboring Burkina Faso. Bédié subsequently stripped Ouattara of all outward signs of power and began a campaign against Ouattara's northern Dioulla-speaking tribes. Further, Bédié became very strict against any political opposition and went as far as to name a new director of the main television station to support

his own agenda. Criticisms of corruption under his rule began to grow.

Therefore, as many believe, all of these actions could only lead to one outcome: a coup. Regardless, what occurred on 24 December 1999 nonetheless shocked many watchers of Côte d'Ivoire around the world. On that day, Gen. Robert Gueï led a coup d'état and overthrew Bédié. Familiar scenes ensued: gunfire, occupation of the public television station, and the president fleeing the country. However, never before had such an event occurred in the country that was often referred to as the "Ivoirian miracle." Bédié immediately sought refuge in the French ambassador's residence, who, along with the French government, denounced the coup. Bédié, who mistakenly assumed the loyalty of the military, was evacuated from Côte d'Ivoire soon after. While many people around the world, including numerous African leaders, condemned the coup, the streets of Abidjan filled with celebrations. The fact was that Bédié had become increasingly unpopular after the 1995 elections. Gueï rallied his supporters by pledging to honor all Ivoirians, no matter where they were born.

However, many see Gueï's rise to power as a pro-Ouattara and pro-northern movement. Though he pledged to create conditions for democracy, fair elections, and a quick hand-over of civilian rule, many were skeptical. The ruling party for 39 years did not yet have time to recuperate from the shock.

Regardless of in-country support, Gueï and his office remained unstable. Many soldiers originally protested out of anger for lack of pay, but Gueï did not find a way to address their concerns and offer payment. This resulted in increased corruption and bribery—soldiers and police officers are known to stop motorists at random and demand payment through threats. As of 2000, all foreign debt repayment had been suspended. Gen. Gueï promised that as soon as political parties were formed, he would hold elections. They were tentatively set for October 2000, but the international community was concerned that Gueï had not ruled out his own presidential bid. Increasing military power and more defiance against Gueï's orders added to tensions in Côte d'Ivoire. Regional leaders, including US and French diplomats, warned Gueï against trying for the presidential bid, using the reasoning that international support for Côte d'Ivoire would be in jeopardy.

Presidential elections in which the principal candidates were excluded—including Ouattara and Bédié—were held on 22 October, which Gueï, who stood for election, proclaimed he had won. (In all, 15 of 19 presidential candidates were barred from running). In response to criticism that he had rigged the election, a violent popular uprising caused him to flee, and Laurent Gbagbo of the FPI, who was believed to be the actual winner, was proclaimed president. The results were eventually determined to be 59.4% for Gbagbo and 32.7% for Gueï. The main opposition parties, Ouattara's RDR and Bédié's PDCI, boycotted the elections. Although they joined Gbagbo's supporters in demanding Gueï's departure, they also called for the election to be annulled. In addition, that month fighting had erupted between the mainly southern Christian supporters of Gbagbo and the mainly northern Muslim supporters of Ouattara.

Parliamentary elections were held on 10 December 2000 and 14 January 2001; voter turnout was a mere 33.1%, as the elections were boycotted by the RDR. Gbagbo's FPI took 96 of the 225 seats

in the National Assembly, to the PDCI/RDA's (African Democratic Rally) 94.

In March 2001, Gbagbo and Ouattara met for the first time since violence erupted between their supporters in October 2000, and agreed to work towards national reconciliation. Also in March, Ouattara's RDR gained a majority in local elections, taking 64 communes while the PDCI won 58. The FPI secured 34 communes and 38 went to independent candidates. There were calls for new presidential and legislative elections. In the 7 July 2002 county elections, the FPI and the PDCI each won 18 of the 58 departments. In August 2002, the RDR was awarded four ministerial positions in the new government.

On 19 September 2002, as Gbagbo was out of the country, an attempted military coup took place, destabilizing Abidjan and Bouaké, among other cities. Assumedly involved in plotting the coup, Gueï was killed; in addition, the Interior Minister and the former military commander of Bouaké were killed. France increased its military presence in Côte d'Ivoire to protect its large French community, and ECOWAS planned to send a peacekeeping force. Approximately 200 US Special Forces were sent to assist the government in putting down the mutineers. The original mutiny spread quickly into a general uprising in the Muslim north, against Gbagbo's southerner-dominated government. A cease-fire brokered by ministers from six African countries was signed by the government and rebels in Bouaké on 17 October, and direct negotiations between the Côte d'Ivoire Patriotic Movement (MPCI) and the government began on 30 October. The government agreed in principle to the idea of an amnesty and the reintegration of the mutineers into the army, but a political accord was not agreed upon. In what exacerbated the situation, two new rebel groups in the west emerged on 28 November—the Far Western Ivoirian People's Movement (MPIGO) and the Movement for Justice and Peace (MPJ). The MPCI continued to control the north while these two new groups controlled the southwest; the government continued to hold the majority of the south. France increased its troop presence; by the end of December, close to 2,500 French troops were in Côte d'Ivoire.

A succession of unification attempts and agreements have been characterized by broken promises, missed deadlines, deadlock, incomplete implementation, and failure to achieve lasting peace. Following incidents between the MPIGO, MPJ, and French troops in January 2003, the two rebel groups agreed to participate in talks outside Paris on 15 January. Attending the talks were the three rebel movements, a government delegation, the political parties represented in the National Assembly, and the RDR. The talks resulted in a settlement to create a government of national unity and reconciliation in which the rebels would be represented, and Gbagbo would remain as head of state but with diminished powers. Gbagbo signed the French-brokered Linas-Marcoussis Accord on 24 January, but tens of thousands of Ivoirians in Abidjan protested the deal on his return, attacking the French embassy and French-owned businesses, as the protesters accused France of imposing the agreement. In Accra, Ghana, in March, the parties involved in the power-sharing agreement finalized their plan for the creation of the government of national reconciliation: 10 cabinet posts were reserved for President Gbagbo's FPI; the PDCI, RDR, and MPCI each were granted 7 posts; and 7 posts were shared by the MPJ and the MPIGO. Representatives of the rebel movements

and those from the RDR failed to attend the inaugural cabinet meeting in Yamoussoukro on 13 March; only 21 of the newly appointed ministers attended. As of the middle of March 2003, some 3,000 people had been killed in the fighting, and more than one million had been displaced. The first meeting of cabinet ministers in the new government was held on 17 April 2003.

The UN news network IRIN characterizes the time since the Linas-Marcoussis Accord as a period of "no war, no peace." The peace accord faced major challenges. Political deadlock was punctuated with sporadic outbreaks of violence. The unity government was considerably volatile. The government lifted the curfew, French troops cracked down on lawlessness on the western side of the country, and a semblance of law and order was secured, albeit short-lived. Yet core problems of identity and citizenship, disarmament, and power sharing remained. Fresh fighting broke out soon after, followed by a trail of additional peace talks and broken promises. A total cease-fire was agreed on 1 May 2003, and an "End of the War" declaration issued on July 4. Both were broken, leading to the Accra, Ghana, round of talks and the signing, on 30 July 2004, of the Accra III Agreement. Yet again, September and October deadlines for legislative reform and rebel disarmament were not met by the parties. By 2004, a 10,000-strong UN peacekeeping force that included 4,000 French troops already in-country was deployed as part of the blueprint Linas-Marcoussis agreement to control the "zone of confidence" separating rebel-held north and government-controlled south. Still, tensions continued to escalate, and violence at an opposition rally in March 2004, later reported to have been planned, killed 120 people.

Gbagbo tried to crush the rebellion, but failed. Some experts on Côte d'Ivoire have linked Gbagbo to public statements to the effect that he never really accepted the Linas-Marcoussis agreement, but was forced to accept it because he lacked the military capacity to crush the rebellion. On 4 November 2004 the Côte d'Ivoire air force launched a campaign against rebel positions which shattered terms of the cease-fire agreement of 2003. Two days later a government aircraft bombed French barracks in Bouaké, killing nine French soldiers and one American civilian. The French brushed aside government claims that the attack was accidental, and launched a retaliation attack that decimated the small Côte d'Ivoire air force. This sparked several days of violent anti-French riots in Abidjan and elsewhere. On 15 November 2004 the UN Security Council placed Côte d'Ivoire under an immediate arms embargo and gave the government a month to get the peace process moving again. Ensuing talks sponsored by the African Union and mediated by South African president Thabo Mbeki culminated in the Pretoria Agreement, signed April 6, 2005 and a follow-up Pretoria II agreement in June 2005. The Pretoria agreements formally ended Côte d'Ivoire's state of war, and tackled sticky issues such as disarmament, demobilization, and reintegration (DDR); return of New Forces Ministers to government; legal issues surrounding national identity; establishment of an independent electoral commission; and re-affirmed legislative, elections, and disarmament requirements of the Linas-Marcoussis Accord. The legal issues surrounding identity are reported to have been resolved, on paper at least, through constitutional amendments and presidential decrees following Pretoria II. The major challenge remained implementation.

The former colonial master, France, has enjoyed a complex love-hate, and often self-conflicting relationship with the country. On the one hand France has provided military support for Gbagbo against the rebels. On the other hand analysts see French support within the 2003 accord for the rebel's uncompromising demand to change the Ivorian nationality legislation, as legitimizing the rebellion. The change included removing the concept of the ethnic identity (*Ivoirité*) that denied electoral and land-ownership rights to a substantial minority, particularly from the north. In November 2004 and early 2005 anti-French riots swept through the government-run south. The French retaliated, attacking and destroying Gbagbo's air force. Since the 2003 accord, the former colonial power has apparently withdrawn from negotiations.

The much-anticipated presidential elections scheduled for 30 October 2005, when President Laurent Gbagbo's mandate expired, were postponed in September. Disarmament initiatives agreed under the series of peace accords never materialized. On 14 October, the UN Security Council endorsed African Union proposals postponing the elections and allowed Gbagbo to remain in office for up to 12 more months. President Laurent Gbagbo accepted the UN resolution 1633 under which he would have to hand much of his power over to a new consensus prime minister. The prime minister was charged with broad responsibilities for security and defense, and was given the task of organizing credible elections by the end of October 2006.

Six weeks behind schedule because of bitter political bickering among the rebels and opposition parties, and at the third such attempt in one month, a high-powered African Union delegation consisting of Olusegun Obasanjo, Thabo Mbeki, and Niger's president Mamadou Tandja, finally announced the appointment of Charles Konan Banny, governor of West Africa's central bank, as interim prime minister on 5 December 2005. The appointment of Banny, who is seen as independent-minded and potentially neutral, was broadly welcomed by parties to the conflict. Even the New Forces rebels who had previously said that they would accept no one other than their own leader, Guillaume Soro express support for Banny. This appointment finally gave some hope for the war-torn country after more than three years of conflict. Côte d'Ivoire won strong endorsements from parties to the conflict, raising a new glimmer of hope for peace. Banny is said to have international standing and good relations with Gbagbo and Ivorian opposition leaders, assets that diplomats hope will help him to turn his war-weary country around.

### **13 GOVERNMENT**

Under the constitution of 31 October 1960, as subsequently amended, executive power is exercised by a president, elected for a five-year term by direct universal suffrage (from age 18). The president, who appoints the Council of Ministers (cabinet), may initiate and veto legislation; the veto may be overruled by a two-thirds vote of the legislature. A 1980 constitutional amendment created the new post of vice president, to be elected with the president and to become head of state automatically in the case of vacancy by death, resignation, or "absolute hindrance"; the post was left vacant, however. A 1985 constitutional amendment eliminated it, making the president of the National Assembly the interim successor for 45-90 days in the event of a vacancy, and is tasked with organizing new elections in which the winner completes the

remainder of the deceased president's term. In January 2003, Seydou Diarra was appointed as transitional prime minister by President Gbagbo as part of the French-brokered peace plan to create a national government of reconciliation and unity, after civil war began in September 2002. A 41-member cabinet was agreed upon, which was to include 9 ministers from 3 rebel groups: the MPCI, MPIGO, and MPJ. As of December 2005, Banny remained the prime minister, pending yet another transitional premier to oversee transition to peace under a UN-sponsored one-year postponement of elections scheduled for 30 October 2005, and conduct of fresh elections by 30 October 2006. The president is currently the head of state and commander in chief of the armed forces with wide-sweeping powers, and selects the prime minister, who is the head of government. However, the UN Security Council resolution of October 2005 that endorsed postponement of 2005 elections for a year requires the president to hand over much of his powers, including military resources and organizing elections for a more powerful transitional prime minister.

The unicameral National Assembly consists of 225 members, elected by direct universal suffrage for a five-year term in the same year as the president. The country had a *de facto* one-party system until May 1990, when opposition parties were allowed. The post of prime minister was created after the November 1990 elections. Controversial electoral reforms were instituted in 1995, just prior to elections. The Pretoria Agreement of April 2005 provided for reorganization of the electoral commission. However, in late November 2005 a quarrel brewed over composition of the National Electoral Commission that will organize the polls expected in October 2006. The quarrel spilled into the courts where the Supreme Court nullified the election of its chairman on grounds that several members were unfairly excluded from the vote.

### **14 POLITICAL PARTIES**

From 1959 to 1990, the only political party in Côte d'Ivoire was the Democratic Party of Côte d'Ivoire (*Parti Démocratique de la Côte d'Ivoire—PDCI*), headed by President Félix Houphouët-Boigny. The PDCI developed from the Côte d'Ivoire section of the African Democratic Rally (*Rassemblement Démocratique Africain*), formed in 1946. In the 1959 elections, Houphouët-Boigny made it clear that no party that did not fully accept Côte d'Ivoire membership in the French Community would be tolerated. After the elections, the number of constituencies was reduced to four for the whole country, and later a single nationwide constituency was established, with a single list of candidates for the National Assembly. In 1980, members of the National Assembly were chosen in 147 separate districts; in 1985, they were chosen from 175 districts.

In May 1990, opposition parties were legalized and contested the 1990 elections. Among the two-dozen parties registered were the Ivorian Popular Front (FPI), the Ivorian Workers' Party (PIT), the Ivorian Socialist Party (PSI), and the Ivorian Human Rights League. In April 1994, some 19 parties formed a center-left opposition alliance, the *Groupement pour la Solidarité (GPS)*. Also formed in 1994 was the *Rally of the Republicans (RDR)*, a coalition of defectors from the PDCI. The 1995 legislative elections resulted in a National Assembly constituted as follows: PDCI, 146 seats; RDR, 14; and FPI, 9. The year 2000 marked the first time in almost 40 years that the PDCI was not in power. The 10 December

2000 and 14 January 2001 parliamentary elections were boycotted by the RDR. The FPI won 96 of 225 seats; the PDCI took 94; the RDR won 5, although it boycotted the elections; the PIT won 4; the Union of Democrats of Côte d'Ivoire (UDCI) took 1 seat; the Movement of Future Forces (MFA) won 1 seat; and independents secured 22 seats. Two seats were vacant.

Elections scheduled for 30 October 2005 were postponed with UN endorsement. The Security Council resolution 1633 of 2005 requires transparent, free, and fair elections. The elections were scheduled to for 30 October 2006.

## 15 LOCAL GOVERNMENT

Côte d'Ivoire is divided into 19 regions, 58 departments, and 196 communes, each headed by an elected mayor, plus the city of Abidjan with 10 mayors. A process of decentralization began in 1977, and has been regarded as the most thoroughgoing and effective in Francophone Africa. In the March 2001 local elections, the RDR gained control of the largest number of communes (64), followed by the PDCI (58), and the FPI (34). Thirty-eight went to independent candidates. In July 2002, the FPI and PDCI each won 18 of the 58 departments.

## 16 JUDICIAL SYSTEM

The judicial system is based on the French civil law system and customary law. The Supreme Court heads the formal judicial system, which includes a Court of Appeals and lower courts. In rural areas, domestic and other local disputes are often handled through traditional village institutions in accordance with customary law, although the formal court system is increasingly displacing these traditional forms. A grand mediator, whose office is provided for in the constitution to bridge traditional and modern methods of dispute resolution, settles disputes that cannot be resolved solely by traditional means. Military courts only try military personnel. Persons convicted by a military court may petition the Supreme Court. An independent Constitutional Council composed of seven members appointed by the president handles such issues as candidate eligibility in presidential and legislative elections, announcement of final election results, conduct of referendums, and constitutionality of legislation.

The judiciary is independent of the legislative and executive branches in ordinary criminal cases. Under the constitution and in practice, however, the judiciary accedes to the executive on political and national security issues.

## 17 ARMED FORCES

Côte d'Ivoire's armed forces numbered 17,050 active personnel in 2005, including the 1,350-member Presidential Guard. There were 6,500 in the Army, which included three infantry battalions, one armored battalion, and one artillery battalion. Equipment included 10 main battle tanks and five light tanks. There were 900 personnel in the Navy, which had two patrol/coastal vessels and a single amphibious landing ship tank. The air force had 700 personnel, including nine combat capable aircraft, seven of which were also used in a training capacity. There was also a paramili-

tary gendarmerie force of 7,600. The defense budget in 2005 totaled \$191 million.

## 18 INTERNATIONAL COOPERATION

Côte d'Ivoire was admitted to UN membership on 20 September 1960 and is a member of ECA and several nonregional specialized agencies, as well as the WTO (1995). It belongs to the African Union and various other intergovernmental organizations, including the African Development Bank, the ACP Group, the Organization of the Islamic Conference (OIC), the New Partnership for Africa's Development (NEPAD), G-24, and G-77. Together with other countries of former French West Africa, it participates in the West African Customs Union, and it was the organizer of the Conseil d'Entente, which unites Benin, Niger, Togo, and Burkina Faso in a customs union. In May 1975, Côte d'Ivoire was one of the signatories to a treaty that created ECOWAS, an economic organization that includes both French- and English-speaking West African countries. Côte d'Ivoire joined the Community of Sahel and Saharan States (CENSAD) in 2004. It is an associate member of the European Union. Abidjan is the headquarters for the African Development Bank and houses the secretariat of the Conseil d'Entente and the West African office of the World Bank.

Côte d'Ivoire is part of the Nonaligned Movement and the Organization for the Prohibition of Chemical Weapons. The United Nations Operation in Côte d'Ivoire (UNOCI) was established in 2004 to facilitate implementation of peace agreements designed to calm political unrest within the country; 41 nations are a part of the mission. In environmental cooperation, Côte d'Ivoire is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, International tropical timber Agreements, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Côte d'Ivoire's wealth rests essentially on the production of coffee, cocoa, cotton, and tropical woods, which account for over 40% of GDP and two-thirds of exports. It has become the largest cotton producer south of the Sahara and is also investing in rubber production, with the goal of joining Liberia as one of Africa's leading rubber producers. The nation is the world's fifth-largest producer of coffee and the world's largest producer of cocoa; bananas, palm oil, and pineapples are other products of importance. Industrial activity, consisting chiefly of processing industries, is well developed. Mining remains of limited significance, with diamonds and offshore oil the only important minerals produced.

For the first 15 years after independence, Côte d'Ivoire's economy expanded at a remarkable rate reaching the double digits. During the 1980s, however, Côte d'Ivoire began experiencing an economic slowdown because of falling export prices, rising import prices, and heavy debt-service costs as a result of borrowing during the boom years.

In January 1994 France devalued the CFA franc, cutting its value in half. Within days of the devaluation, marketplace fights became common as shoppers reacted to merchants' attempts to cut their losses by marking up the prices of existing stocks. The population was forced to stop buying expensive imports in favor of locally produced products, which put more money into the pockets

of local farmers and tradesmen. In addition, exports became more competitive, encouraging economic production. Despite the initial trauma, the devaluation ultimately led to average growth rates of 7% per year between 1995 and 1999. Although inflation initially shot up to 32% in 1994, it fell to 7.7% in 1995, and 2.5% in 2000. The postdevaluation boom waned in 1999, though, because of lower coffee, palm, rubber, and cocoa prices. The GDP growth rate in 2001 was estimated at -1%. Commodity prices, however, rebounded in 2001.

Due to the instability following the attempted coup that took place in 2002, and the resulting fighting, Côte d'Ivoire's economy suffered greatly, affecting everyone from business people to local artisans and farmers. Côte d'Ivoire's neighbors—including Burkina Faso and Mali—also felt the blow from the civil war.

The economy recovered slightly in 2004, with a GDP growth rate of 1.6% (as opposed to negative growth in 2002, and 2003, when the rate was -1.6% and -3.8% respectively). Inflation remains under control at around 3.3%. Although Côte d'Ivoire is one of the sub-Saharan countries with the highest economic potential, it remains mired in a political and military crisis. The situation has deteriorated in 2004 when the president's troops attacked and killed nine French peacekeeping forces.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Côte d'Ivoire's gross domestic product (GDP) was estimated at \$24.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,400. The annual growth rate of GDP was estimated at -1.5%. The average inflation rate in 2005 was 2%. It was estimated that agriculture accounted for 27.7% of GDP, industry 16.7%, and services 55.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$141 million or about \$1 per capita and accounted for approximately 1.0% of GDP. Foreign aid receipts amounted to \$252 million or about \$15 per capita and accounted for approximately 1.9% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Côte d'Ivoire (Ivory Coast) totaled \$9.46 billion or about \$56 per capita based on a GDP of \$14.0 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.7%. In 2001 it was estimated that approximately 30% of household consumption was spent on food, 4% on fuel, 1% on health care, and 18% on education. It was estimated that in 1995 about 37% of the population had incomes below the poverty line.

## 21 LABOR

As of 2005, Côte d'Ivoire's workforce totaled an estimated 6.95 million, of which about 68% were engaged in agriculture. The unemployment rate in urban areas was estimated at 13% in 1998.

With the exception of the police and the military services, all citizens can form or join a union. All unions must be registered,

a process that takes three months and which is routinely granted. Organized workers account for a very small segment of the workforce because most are involved in the informal sector or agriculture. As of 2005, about 1.5 million workers or 15% of the labor force in the formal economy are unionized. Collective bargaining is recognized as is the right to strike. However, before a strike can be initiated, a six day notification period must be given.

The law provides a 40-hour workweek for all except agricultural workers, for whom longer working hours are permitted. The legal minimum work age is 14 years, but this is only enforced in large companies and in the civil service. Many children work on farms and do menial jobs in the informal sector in urban areas. A government-set minimum wage varies from sector to sector, with the lowest wage being around \$73 per month in 2005, for the industrial sector. Construction workers have a slightly higher minimum wage rate. Foreign workers are generally employed in the informal economy where labor laws do not apply.

## 22 AGRICULTURE

Agriculture provides a living for about 46% of Ivoirians and accounts for about one-half of the country's sizable export earnings. Only 23% of the land is cultivated, but farming is intensive and efficiently organized. Most production is in the hands of smallholders, but there are numerous European-owned plantations, far more than in neighboring West African countries.

The main food crops (with their 2004 production in tons) are yams, 3,050,000; manioc, 1,500,000; rice, 1,150,000; plantains, 1,350,000; and corn, 910,000. Sweet potatoes, peanuts, and in the northern districts, millet, sorghum, and hungry rice (fonio) are also grown. Vegetable and melon production in 2004 amounted to 633,910 tons, consisting mostly of eggplant, fresh tomatoes, cabbage, okra, peppers, and shallots. The government sought during the 1970s to reduce or eliminate rice imports, but in 2004, 868,321 tons were imported. The economic decline during the 1980s coupled with high population growth has necessitated the modernization of agricultural production, with less dependence on coffee and cocoa. When cocoa and coffee prices were booming from the late 1960s until the early 1980s, the government profited by paying the farmers only a fraction of the money earned from the export of the crops.

However, they remain the principal cash crops and together provide about 45% of the country's export earnings. Côte d'Ivoire is Africa's leading producer of coffee, which is grown in the southern and central parts of the country, almost entirely on smallholdings. Coffee production reached a peak of 367,000 tons in 1981 and then declined because of drought and bush fires; in 2004 the total was only 159,769 tons. Cocoa production has increased markedly since the early 1970s; it is now the nation's leading cash crop, and Côte d'Ivoire is the world's leading producer, accounting for 37% of world production in 2004. Output rose from 379,000 tons in 1980 to 1,331,494 tons in 2004, in part because of the use of high-yield plants and improvement in planting methods and upkeep.

Banana production (252,423 tons in 2004) fluctuates from year to year because of climatic conditions; exports in 2004 were 227,225 tons. Production of pineapples in that year was 176,917 tons; palm oil, 292,278 tons; and palm kernels, 50,248 tons. Rubber plantations yielded 136,872 tons, and cotton production

reached 300,000 tons of seed cotton, and 152,000 tons of cotton fiber. Coconut production was 240,000 tons in 2004.

Six sugar complexes were established in the 1970s and early 1980s. These met domestic demand and provided an export surplus of over 60,000 tons of raw sugar in 1982, but the cost of production far exceeded the world market price and two complexes were converted to rice plantations. Production of sugarcane was about 930,000 tons in 2004.

### 2<sup>3</sup> ANIMAL HUSBANDRY

Much of the country lies within tsetse-infested areas, and cattle are therefore concentrated in the more northerly districts. In 2004 there were an estimated 1,460,000 head of cattle (compared with 383,000 in 1968), 1,192,000 goats, 1,523,000 sheep, and 342,700 hogs. There are 33 million chickens; 31,214 tons of eggs were produced in 2004. Milk production is small and there are no processing facilities so the milk is consumed fresh; production in 2004 was 25,912 tons.

In 2004, meat productions included (in tons): beef, 52,200; poultry, 69,300; pork, 11,760; and sheep and goat, 9,429. Nomadic production accounts for around half of cattle herds and is mainly undertaken by non-Ivoirian herders. Settled herders are concentrated in the dry north, mainly in Korhogo, Ferkessedougon, Bouna, Boundali, Odiene, and Dabakala. Sheep and goat rearing is a secondary activity for many herders. Pork production is periodically affected by African swine fever; potential increases are limited by the fact that Muslims account for 40% of the population.

### 2<sup>4</sup> FISHING

In 1964 a modern fishing wharf was opened at Abidjan, which is Africa's largest tuna fishing port, handling about 100,000 tons of tuna each year. There are fish hatcheries in Bouaké, Bamoro, and Korhogo. Commercial fishing for tuna is carried on in the Gulf of Guinea; sardines are also caught in quantity. The total catch was 71,841 tons in 2004, with commercial fishing accounting for 25%; artisanal fishing, 74%; and aquaculture, 1%.

### 2<sup>5</sup> FORESTRY

There are three types of forest in Côte d'Ivoire: rain forest, deciduous forest, and the secondary forest of the savanna region. Total forest area in 2000 was 7,117,000 hectares (17,586,000 acres); the natural rain forest constitutes the main forest area, as only 184,000 hectares (455,000 acres) are planted forests. In 1983, the government acknowledged that the nation's forest area, which totaled approximately 16 million hectares (40 million acres) at independence in 1960, had dwindled to about 4 million hectares (10 million acres). However, the deforestation rate still averaged 3.1% during 1990–2000. The lingering political instability since the outbreak of hostilities in 2002 has contributed to illegal logging and increased deforestation.

The forested area is divided into two zones, the Permanent Domain (PD) and the Rural Domain (RD). The PD consists of classified forests, national parks, and forest areas. This includes major forested areas made up of 231 classified forest areas, 9 national parks and 3 forest reserves, 7 semiclassified forests, and 51 unclassified forests. The total area of the national parks and reserves is 1,959,203 hectares (4,841,191 acres). Forest exploitation activities are prohibited in the classified forest areas, which cover an esti-

mated 4,196,000 hectares (10,368,000 acres). However, for maintenance purposes, limited logging is permitted occasionally in classified forests, which amounted to 148,271 cu m in 2003. These forests are spread throughout the country in three zones: 31.8% in the humid dense forest in the south, 30.5% in the semi-deciduous forests of central Côte d'Ivoire, and 33.7% in the savannah forests in the north. The RD, where logging is permitted, covers 66% of the total land area of Côte d'Ivoire. However, the effective area for forestry production is estimated at 2.9 million hectares (7.2 million acres).

In 2003, forest products accounted for \$269 million in export value, providing the third most important source of foreign revenue after cocoa and petroleum products. The major export markets were Italy, Spain, Germany, France, the Netherlands, the United Kingdom, India, Ireland, Senegal, and Morocco. The total 2003 roundwood harvest was 11,615,000 cu m (410,010,000 cu ft). Tropical hardwood production primarily consists of logs, 70%; lumber, 20%; and veneer and plywood, 10%. At one time, mahogany was the only wood exploited, but now more than 25 different types of wood are utilized commercially. The major species planted are teak, frake, framire, pine, samba, cedar, gmelina, niangon, and bete. The increasing scarcity of forest resources is adversely impacting value-added industries, leaving lumber and veneer production in a steady state of decline.

### 2<sup>6</sup> MINING

Minerals represented a minor component of the economy, of which petroleum was a leading industry. All mineral rights were vested in the state, the Ministère des Ressources Minières et Pétrolières was responsible for administering the sector, and prospecting and mining were subject to control of the state-owned Société d'Etat pour le Développement Minier de la Côte d'Ivoire (SODEMI). Mineral commodities were estimated to account for 10% of the country's exports, excluding the value of smuggled gold and diamonds; the government was planning to implement a diamond certification scheme to respond to worldwide concerns over conflict diamonds. Diamond output in 2004 was estimated at 230,000 carats, unchanged from 2003, but down from the 306,500 carats produced in 2002. Although kimberlites were known to exist at Kanangone, Seguela, and Tortiya, diamonds were produced only from alluvial deposits at Tortiya and Seguela. Gold production in 2004 was 1,219 kg, compared to 1,313 Kg in 2003. The Agbaou gold permit's resources were more than 26,000 kg. A number of foreign companies had gold interests in Côte d'Ivoire, among them a French consortium that in 1991 began to exploit a mine estimated to contain 500,000 tons of gold ore with a content of 7 grams of gold per ton. Tantalite production was estimated at 400 kg in 2004. Côte d'Ivoire in 2004 also produced cement, columbite, gravel and crushed rock, and sand. The production of building materials was a leading industry in the country.

The country's total iron ore resource was estimated to be 3,000 million tons, with deposits at Monogaga, Mount Gao, Mount Klahoyo, Mount Nimba, Mount Segaye, Mount Tia, and Mount Tortro; poor infrastructure has hampered development of these resources. There has been recent interest in constructing a gas pipeline to service an iron ore pelletizing plant onsite, and the government has been actively pursuing a project to build a 500 km railway that would connect Mount Nimba and the San Pe-

dro port. Falconbridge Ltd. of Canada continued evaluation of its Touba-Biankouma license, whose laterite deposit of nickel and cobalt was estimated to be 292 million tons of ore at a grade of 1.46% nickel and 0.11% cobalt. Ilmenite fields containing an estimated 500,000 tons of the rare metal have been discovered near Grand Lahou. Copper, titanium, chromite, bauxite, and asphalt were among other known minerals not yet exploited commercially. In 2001, Côte d'Ivoire agreed with six West African countries to form a free-trade zone to expand economic and infrastructural development. Despite the 1999 military coup and continuing civil unrest in 2001, Côte d'Ivoire's 8,000 paved roads and two active ports made it attractive for business

## 27 ENERGY AND POWER

Côte d'Ivoire has become in recent years an important supplier of energy to the sub-Saharan region as a result of its reserves of natural gas, excess electrical generating capacity, and recent offshore finds of oil and natural gas.

Offshore oil was discovered in 1977, with production starting three years later. The bulk of the country's oil and gas wells, (86%), are situated in shallow marine areas, with another 7% located in deep offshore wells. Only 7% of the country's oil and gas wells are onshore. Estimates by the Oil and Gas Journal have placed the country's proven petroleum reserves at 100 million barrels, as of 1 January 2005. Production for 2004 was estimated at 35,541 barrels per day, with crude oil accounting for 35,000 barrels per day. However, recent finds and new production at several offshore fields and blocks may push the nation's proven reserves and output totals higher. For example, the Espoir field, which began producing in early 2002, is estimated to contain recoverable reserves of 93 million barrels of oil and 180 billion cubic feet of gas. Also, Block CI-40, which is jointly operated by Canadian Natural Resources, Svenska Petroleum and the state oil corporation, Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire (Petroci), and which lies 5 miles to the south of the Espoir field, is estimated to have recoverable oil reserves of 200 million barrels. In Block CI-112, located off Côte d'Ivoire's western coast, is estimated by Vanco Energy Company to contain 2.7 billion barrels of oil in the block's San Pedro ridge and in other deposits.

Although natural gas was initially discovered in Côte d'Ivoire in the 1980s, it has only been recently developed. As of 1 January 2005, the country is estimated to have of natural gas reserves of 1.00 trillion cu ft. In 2003, natural gas output and domestic consumption were each estimated at 46 billion cu ft.

Côte d'Ivoire's oil and gas industry is managed by Petroci. Founded in 1975, Petroci was restructured in 1998 into a holding company, Petroci Holding, with three subsidiaries: Petroci Exploration-Production which handles upstream gas and oil activities; Petroci Gaz, which is responsible for the natural gas sector; and Petroci Industries-Services which manages all other related services. Petroci Holding manages the three subsidiaries as well as the country's holdings in the gas and oil sectors.

Côte d'Ivoire uses hydroelectric and thermal generating facilities to provide all of its electrical power. As of 1 January 2002, the country's generating capacity stood at an estimated 0.90 million kW. Although hydropower accounts for around two-thirds of its generating capacity, it accounts for less than half of the power generated. In 2002, an estimated 4.8 billion kWh of electric power

was generated, of which 38% was hydroelectric and 62% thermal. Gas powered stations alone generated more than half of the total power produced. The use of natural gas fueled power stations has also made Côte d'Ivoire into an exporter of electricity. In 2002, exports of electricity to neighboring countries totaled 1.6 billion kWh. Benin, Ghana, Burkina Faso, Mali, and Togo are among the countries connected to Côte d'Ivoire's power grid. Domestic consumption of electric power in 2002 is reported to total 3.109 billion kWh. Compagnie Ivoirienne d'Electricité (CIE) is the sole supplier of power, and manages, not only the government-owned generating plants, but also the transmission and distribution of power. Although official estimates place the percentage of people living in urban areas that have access to electricity at 77%, less than 15% of those living in rural areas have such access. Rural electrification has become a major priority with the government.

## 28 INDUSTRY

Côte d'Ivoire's industrial activity is substantial by African standards. It accounted for 29% of GDP in 2000. The development of processing industries, especially in the Abidjan region, has been significant. Bouaké has become a large industrial center, and numerous thriving industries have been built up in the forest zone of the southern coastal region. These include palm oil mills, soap factories, a flour mill, fruit canning factories, a tuna canning factory, breweries, beer and soft drink plants, rubber processing plants, sugar mills, cotton ginning plants, and coffee- and cocoa-bean processing plants. The chemical and lubricant industries are also significant. In 1998, industrial GDP grew 12% with increased capacity utilization and plant expansion and renovation. Exports of light manufactured goods had increased by 2002.

The lumber industry, producing largely for export, included plywood factories and numerous sawmills. The construction materials industry, comprised of brick works, quarries, and cement plants, experienced an approximate 25% growth rate from 1996 to 1999. The Abidjan airport was completely renovated in 2001, and there are plans to expand the Port of Abidjan.

Recoverable oil reserves in the country amount to 100 million barrels. Petroleum products account for more than 11% of export earnings. The oil refinery at Abidjan produces enough refined petroleum products for the country to be self-sufficient in them. Côte d'Ivoire is known more as an oil-refining country than an oil-producing one. The Abidjan refinery was scheduled for privatization by 2000. Recoverable gas reserves amount to 1.1 trillion cubic feet (Tcf), and the country is destined to become a gas exporter.

Cotton production is expanding in the north of the country, and a thriving textile industry has developed around it, including such activities as ginning, spinning, weaving, and printing.

The civil war that began in 2002 inhibited growth in all sectors, from large industry in Abidjan to small artisan work. Fighting prevented raw materials from the north of the country to make their way to businesses and ports in the south.

In 2004, industry made up 19.4% of the economy, agriculture, 27.8%, and services, 52.8%. Most (68%) of the 6.7 million laborable population was employed by the agricultural sector. Côte d'Ivoire continues to be one of the most industrialized sub-Saharan countries, but the precarious political situation prevents the country from exploiting this position fully.



**Principal Trading Partners – Côte d'Ivoire (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	5,493.4	3,536.3	1,957.1
France-Monaco	1,047.0	1,152.6	-105.6
Netherlands	974.3	117.2	857.1
United States	389.3	114.1	275.2
Spain	309.5	82.8	226.7
Italy-San Marino-Holy See	188.4	111.3	77.1
United Kingdom	169.1	247.6	-78.5
Nigeria	164.4	509.8	-345.4
Belgium	147.1	80.2	66.9
Equatorial Guinea	130.9	...	130.9
Ghana	124.4	...	124.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.**29 SCIENCE AND TECHNOLOGY**

Scientific institutes in Côte d'Ivoire conduct research in such fields as tropical forestry, livestock and veterinary medicine, cotton and tropical textiles, coffee, cocoa, oils, rubber, savanna food crops, and citrus fruits. The French Institute of Scientific Research for Cooperative Development, founded in 1946, has a center in Abidjan and extensions in Bouaké and Man. The National University of Côte d'Ivoire in Abidjan includes faculties of sciences, medicine, and pharmacy; and an institute of renewable energy. A technical school in Bingerville offers training in electrical engineering, and a teachers' training college at Yamoussoukro includes schools of industrial technology and engineering. In 1987–97, science and engineering students accounted for 31% of college and university enrollments.

In 2002, high technology exports were valued at \$27 million, accounting for 3% of the country's manufactured exports.

**30 DOMESTIC TRADE**

European firms play an important part in the economy, and the French and Lebanese population has a strong influence in importing and marketing decisions. They buy and export lumber, coffee, cocoa, and palm oil products and import capital and consumer goods. Most European firms have their headquarters in Abidjan; many are also represented in Bouaké. In Abidjan and Bouaké there are specialty shops in such lines as dry goods, foodstuffs, hardware, electrical appliances, and consumer electronics. In the smaller towns of the interior, bazaars and individual merchants and peddlers deal in locally grown products and a few imported items.

Domestic trade is generally on a cash basis, but in the countryside, bartering is common. Many shopkeepers extend credit to farmers until the end of the harvest season. Major credit cards are not generally accepted. Installment purchase has been introduced for automobiles and major appliances. Prices and profit margins are regulated by the government for basic food products, many imported goods, and certain services.

Business hours are generally from 8 AM to noon and from 3 to 6 PM, Monday through Friday, and some businesses are open on

Saturday. Banks are normally open on weekdays from 8 to 11:30 AM and 2:30 to 4:30 PM. Many businesses close during the month of August for vacation.

**31 FOREIGN TRADE**

Côte d'Ivoire has generally enjoyed a positive trade balance since independence. Cocoa is Côte d'Ivoire's largest export commodity (28%), cornering over a quarter of the world's exports in the market (26%). The country also exports wood (7.5%), coffee (8.4%), fruits and nuts (4.7%), fish (3.6%), and cotton (4.1%). Côte d'Ivoire's exports go to France, the Netherlands, and the United States.

In 2004, exports reached \$5.1 billion (FOB—free on board), while imports grew to \$3.4 billion (FOB). The bulk of exports went to the United States (11.6%), the Netherlands (10.3%), France (9.5%), Italy (5.5%), Belgium (4.7%), and Germany (4.7%). Imports included fuel, capital equipment, and foodstuffs, and mainly came from France (24.3%), Nigeria (19.2%), and the United Kingdom (4%).

**32 BALANCE OF PAYMENTS**

Côte d'Ivoire's exports have diversified over the years, ranging from a reliance on cocoa, coffee, and other tropical agricultural products, to new growth in exports of light manufactured goods, petroleum products, and electricity. The success of these exports has led to a positive foreign trade balance. The country, however, has external debt service arrears in the amount of \$415 million (2001). Total external debt stands at around \$11 billion, approximately the same amount as annual GDP, or more than three times annual export earnings. The country also has internal debt service payments of over \$2 billion, or approximately 18% of GDP.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Côte d'Ivoire's exports was \$3.6

**Balance of Payments – Côte d'Ivoire (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>352.8</b>
Balance on goods	2,524.0	
Imports	-3,320.0	
Exports	5,844.1	
Balance on services	-1,015.2	
Balance on income	-687.1	
Current transfers	-468.9	
<b>Capital Account</b>		<b>5.5</b>
<b>Financial Account</b>		<b>-1,099.2</b>
Direct investment abroad	...	
Direct investment in Cote d'Ivoire (Ivory Coast)	179.9	
Portfolio investment assets	-35.0	
Portfolio investment liabilities	52.1	
Financial derivatives	...	
Other investment assets	-413.0	
Other investment liabilities	-883.1	
<b>Net Errors and Omissions</b>		<b>-17.1</b>
<b>Reserves and Related Items</b>		<b>757.9</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

billion while imports totaled \$2.4 billion resulting in a trade surplus of \$1.2 billion.

The International Monetary Fund (IMF) reported that in 2001 Côte d'Ivoire had exports of goods totaling \$3.95 billion and imports totaling \$2.41 billion. The services credit totaled \$487 million and debit \$1.23 billion.

Exports of goods and services reached \$6.9 billion (FOB—free on board) in 2004, up from \$5.8 billion (FOB) in 2003. Imports grew from \$3.2 billion in 2003, to \$4.2 billion in 2004. The resource balance was consequently positive in both years, hovering at around \$2.6 billion. The current account balance was also positive, slightly improving from \$295 million in 2003, to \$303 million in 2004. Foreign exchange reserves (excluding gold) grew to \$1.7 billion in 2004, covering almost five months of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

Côte d'Ivoire is a part of the Communauté Financière Africaine, in particular, the Union Economique et Monétaire de l'Afrique de l'Ouest (UEMOA). The central bank for all UEMOA members is the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) in Dakar. CFA francs (Communauté Financière Africaine francs), are guaranteed by France at a rate of 100:1 without limitation. There are 15 commercial banks in Côte d'Ivoire. These include SGBCI, BIAO, BOCICI, SIB, Citibank, Paribas, BHCI, Ecobank, Bank of Africa, and HSBC Equator Bank. The African Development Bank is headquartered in Abidjan.

In late 1996, the Banque internationale pour le commerce et l'industrie de la Côte d'Ivoire (BICICI) forecast growth of 7.3% for 1996. Banking activity had followed the improving national economic environment. BICICI expected credit in the economy to rise by 4.3% in 1996, and money supply by 20%, marked by further substantial growth in household savings.

Public credit institutions provide credit to farmers and agricultural cooperatives, mortgages and personal loans, real estate financing, and loans to small industries. The Ivoirian Industrial Development Bank was inaugurated in 1965 to provide medium- and long-term credit for industrial projects. The National Agricultural Development Bank, created in 1968, extends loans to the agricultural community. The National Bank for Savings and Credit is the state savings institution.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.8 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$2.5 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.95%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

As of 2004, a total of 39 companies were listed on the West African Stock Exchange. Total market capitalization as of that year was \$2.083 billion. As of that same year, the BRVM Composite Index rose 17.1% from the previous year to 87.6.

### 3<sup>4</sup> INSURANCE

There were over 30 insurance companies in Abidjan in 1999. Domestic companies accounted for almost 80% of the business. Third-party motor liability insurance is compulsory. In 2002, all

direct premiums written totaled \$162 million, of which nonlife premiums accounted for \$109 million. In 2000 (the latest year for which data was available), AXA was the country's top nonlife insurer, with \$16.5 million of nonlife premiums written. In that same year, Groupama Vie was the leading life insurer, with \$14.2 million in gross premiums written.

### 3<sup>5</sup> PUBLIC FINANCE

In the first quarter of 1999, the government admitted to a budget shortfall of \$125 million, which it explained as a loss of import duties and tax and customs fraud. The government has been accused repeatedly of corrupt practices and mismanagement of public revenues, including extra-budgetary spending. The government began a privatization program in 1990 that had succeeded in selling 56 out of 60 chosen national enterprises by 1999.

The US Central Intelligence Agency (CIA) estimated that in 2005 Côte d'Ivoire's central government took in revenues of approximately \$2.4 billion and had expenditures of \$2.8 billion. Revenues minus expenditures totaled approximately -\$396 million. Public debt in 2005 amounted to 70.4% of GDP. Total external debt was \$13.26 billion.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, central government revenues were CFA Fr1,375.3 billion and expenditures were CFA Fr1,297.3 billion. The value of revenues US dollars was us\$2 million, based on a official exchange rate for 2001 of us\$1 = CFA Fr711.98 as reported by the IMF.

### 3<sup>6</sup> TAXATION

From the end of May 2001, as some order was restored after the coup attempt in January, the government began instituting and planning reforms in tax structure and tax administration under the guidance of the IMF and the World Bank. The government wrote off tax arrears from prior to 1992 amounting to about €460 million. Most domestic state revenues come from indirect taxes

#### Public Finance – Côte d'Ivoire (2001)

(In billions of CFA francs, central government figures)

<b>Revenue and Grants</b>	<b>1,375.3</b>	<b>100.0%</b>
Tax revenue	1,172.8	85.3%
Social contributions	114.2	8.3%
Grants	40.3	2.9%
Other revenue	48	3.5%
<b>Expenditures</b>	<b>1,297.3</b>	<b>100.0%</b>
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

on imports and exports, and on consumer products, and from business taxes. In 2002 the minimum 5% customs duty on all imports was extended.

The Côte d'Ivoire divides income into five categories according to its source—industrial and commercial profits, salaries and wages, marketable securities, land, and noncommercial profits. Each type is subject to its own specific tax. Individuals are taxed on their total income from all categories under the progressive Gen. Income Tax (IGR), which takes into account the number and type of persons in the taxpayer's household.

Companies pay a tax for Industrial and Commercial Benefits (BIC) at a rate of 35% of profits, with a 0.5% minimum rate on turnover. Water, oil, and electricity producers are subject to a minimum 0.1% rate. Individually-owned companies pay 25%. The tax on capital gains is included in the corporate tax. The New Code for Investments of 1995 offers programs of tax holidays, exemptions and reductions as incentives for foreign investment. Subsidiaries of foreign corporations are subject to withholding tax of 12% (18% if the profit is exempt from corporate tax). The withholding tax on income from royalties is 20% and from interest, 18%. Dividends to nonresidents are subject to 18% withholding, but this may be reduced to 10% or 12%. All withholding taxes may be reduced or eliminated by the terms of bilateral double-taxation prevention agreements. The Côte d'Ivoire has double-tax treaties with about 20 countries, the United States not included among them. There is a real estate tax and a tax on capital gains from securities. Otherwise capital and capital gains are not taxed.

The main indirect tax is the value-added tax (VAT), which, as of 2 July 2001, was set at the unified rate of 20% with the abolition of the reduced rate of 11%. Supplies to ships and aircraft are exempt from VAT. Also levied is a tax on service provided (TSP) of 10% on certain financial and other services, a business franchise tax, a petroleum products tax, a tax on automobiles (50%-100%).

### 37 CUSTOMS AND DUTIES

A fiscal import duty, applied to all incoming goods regardless of origin, serves primarily as a source of revenue. A customs duty is levied on all goods coming from places other than franc zone countries. Combined, they equal a maximum of 35%. Products from franc zone countries, especially France, receive preferential customs treatment. An excise tax is levied on alcoholic beverages and tobacco; export duties and taxes are imposed on specified commodities. There is also a 20% value-added tax (VAT), and a 2.6% statistical tax that must be paid on all declarations. All imports valued at more than CFA Fr1 million need licenses, which are issued on a quota basis. Bilateral customs agreements have been concluded with Burkina Faso, Niger, Benin, and some other countries. A 1997 agreement with UEMOA countries established a reduction of 60% customs duties manufactured and marketed in the zone.

### 38 FOREIGN INVESTMENT

Foreign (that is, non-French) investment was negligible until the issuance of the 1959 investment code, which eliminated all special privileges for French companies. A new investment code was adopted in 1984. To finance national investment, all businesses had to lend 10% of their profits to the government, but this loan was rebated if they reinvested twice that sum in government-approved

industries. Investment incentives included tax holidays, export bonuses, duty-free imports of equipment and machinery, free repatriation of capital and profits, and tax stabilization clauses. The 1984 code was particularly intended to help small- and medium-sized enterprises, with greater incentives for firms locating outside the Abidjan area.

The New Investment Code of 1995 modified the code of 1984 to further encourage private sector investment for larger enterprises. Incentive packages were particularly aimed at attracting foreign investment in the petroleum, telecommunications, and mining sectors, which were being privatized. As a venue for foreign direct investment, Côte d'Ivoire had in its favor a well-developed infrastructure by third world standards (two ports with inland rail linkages, paved roads, advanced telecommunications facilities), a release from overwhelming external debt through the Paris Club and the HIPC (Highly Indebted Poor Countries) initiative of the IMF and World Bank, and, most famously, a long record of political stability. This last was broken in the coup of 1999, a popular uprising in 2000, and a troop mutiny in March 2002.

Annual foreign direct investment (FDI) inflow fell over 43% between 1997 and 2000–2001—from about \$450 million in 1997 to an average of about \$256 million in 2000 and 2001. The political turmoil has created uncertainty in the private sector, which due to recent privatizations has delayed planned infrastructure improvements in the railroads, the petroleum sector, telecommunications, and electricity and water supply.

FDI has come primarily from France, which is the source of 55–60% of accumulated FDI stock. FDI flows account for 40–45% of total capital in Ivorian firms, about 25% of which is French. Other important sources of FDI include the United States (8.4% in 1997), United Kingdom (7.3%), and Benelux countries (4.6%).

The economic downturn registered in 2004 has depleted the government's cash flow, reduced the tax base, and increased the country's debt. The political turmoil that followed towards the end of that same year has seriously deteriorated the business climate and has scared away potential foreign investors.

### 39 ECONOMIC DEVELOPMENT

Since independence, Côte d'Ivoire has engaged in an economic program aimed at ending its reliance on outside assistance and at achieving self-sustained growth. Its economy has remained one of the most developed on the African continent, and its religious, ethnic, and political stability was a model for other African nations. Under current conditions, however, the Côte d'Ivoire economy will remain highly vulnerable to commodity price variations and dependent upon outside assistance into the foreseeable future, a future mortgaged by its earlier levels of borrowing. Increased efforts to liberalize the economy by privatizing state-owned companies have also helped to improve economic performance, as has increased capital investment. The country's debt in 2000 was approximately \$13 billion. Côte d'Ivoire hoped to become classified as a "newly industrializing country" by the year 2025. In September 2002 mutineering soldiers attempted a coup, however, and the country was divided into government-controlled and rebel-held areas. After a cease-fire was declared in January 2003 and a government of national unity was formed, President Gbagbo declared

on 4 July 2003 that the civil war was over, and there were hopes that the disrupted economy would return to a state of stability.

In March 2002, Côte d'Ivoire negotiated a three-year \$366 million Poverty Reduction and Growth Facility Arrangement with the International Monetary Fund (IMF) to support the government's economic program.

Although it is one of countries with the highest potential in sub-Saharan Africa, Côte d'Ivoire remains a country divided in two, with a fragile political situation and a lot of social tension. The cocoa industry, although largely under government control, has suffered indirectly from this conflict and prospects for the 2005–06 crop are dim. Other sectors suffered permanent damages, notably the tourism sector and the goods hauling one (with much of the trade lost to neighboring Ghana and Togo).

#### 40 SOCIAL DEVELOPMENT

The social insurance system covers all employed persons and there is a special program for civil servants. Contributions from employers and employees finance the system, and the retirement age is set at 55 years. Employed women are entitled to a maternity benefit equal to 100% of the person's last earnings for a total of 14 weeks. Work injury insurance is funded by employers at varying rates depending on the degree of risk in the job. A family allowance is available to all workers with children and there is also a birth grant and a maternity allowance.

Women play a subordinate role in society even though the constitution prohibits sex discrimination. Domestic abuse occurs frequently and is generally not reported due to the shame it brings upon the family. Women are often forced into marriage, and inheritance practices favor men. Women's advocacy groups are addressing the indifference of authorities to female victims of violent crimes. Female circumcision, also known as female genital mutilation, is illegal, but is still practiced in many areas of the country. The government took action against statutory rape of school girls by teachers, in part to combat low rates of enrollment due to teen pregnancies.

Security forces commit widespread abuses, including killings and arbitrary arrest and detention. Journalists are regularly beaten and harassed. The government restricts the freedom of press, assembly, speech, and movement.

#### 41 HEALTH

The public medical services are more important than the small number of private physicians and clinics. In 2004, there were an estimated 9 physicians, 31 nurses, and 15 midwives per 100,000 people. About 77% of the population had access to safe water in 2000. Total health care expenditures were estimated at 3.7% of GDP.

Malaria, yellow fever, sleeping sickness, yaws, leprosy, trachoma, and meningitis are endemic. A broad program was set up in 1961 to control these and other diseases; compulsory vaccination against smallpox and yellow fever was instituted, efforts by mobile health units to track down cases and provide treatment were intensified, and general health measures were tightened both within the country and at the borders. In 1999, the country immunized children up to one year old as follows: diphtheria, pertussis,

and tetanus, 62%, and measles, 62%. Malnutrition affected 24% of children under five years old.

The HIV/AIDS prevalence was 0.60 per 100 adults in 2003. As of 2004, there were approximately 570,000 people living with HIV/AIDS in the country. There were an estimated 47,000 deaths from AIDS in 2003.

The high incidence of HIV/AIDS is attributed to a lack of HIV education programs.

Approximately 60% of females underwent female genital mutilation. The birth rate in 1999 was 41.8 per 1,000. The infant mortality rate in 2005 was 90.83 per 1,000 live births, and 14% of all births were classified as low weight. In 2005, average life expectancy in Côte d'Ivoire was estimated at 48.62.

#### 42 HOUSING

Housing remains an issue of major concern in Côte d'Ivoire, particularly in Abidjan, which has been the focus of continued migration from rural areas. Extensive slum clearance has been carried out in the former capital, but shantytowns still persist on the outskirts. About 70% of the housing in Abidjan are *habitats de cour*. These consist of a series of connected living units with shared outbuildings for kitchen and sanitation services. There is generally a shared courtyard as well. It has been estimated that about 60% of the residents in Abidjan live in slum settlements. Police officers, soldiers, customs officials, top-level bureaucrats, and foreign salaried government employees receive free housing.

According to the latest available figures, the housing stock totaled nearly two million units, with about six people per dwelling. In 1990, only about 49% of the total population had access to improved sanitation systems; 65% had access to improved water systems.

#### 43 EDUCATION

Education is free at all levels. Primary education lasts for six years and secondary for seven years (four years of lower secondary followed by three years of upper secondary). Secondary students might choose a seven-year technical program instead of general studies.

Primary school enrollment in 2003 was estimated at about 61% of age-eligible students; 67% for boys and 54% for girls. In 2001, secondary school enrollment was about 19% of age-eligible students; 24% for boys and 14% for girls. It is estimated that about 51% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 11:1 in 2003. The ratio for secondary school was about 36:1 in 1995.

In 1996, the National University of Côte d'Ivoire split into three separate universities: the Université de Cocody, the Université d'Abobo-Adjamé, and the Université de Bouaké. There are other universities and institutions offering a variety of higher education programs. In 1998, there were about 97,000 students enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 48.1%, with 60.1% for men and 38.2% for women.

As of 2003, public expenditure on education was estimated at 4.6% of GDP, or 21.5% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library, in Abidjan, was created in 1968 from the former library of the French Institute of Black Africa and has a primarily scientific collection; in 2002, it contained over 75,000 volumes. The library of the African Development Bank at Abidjan, was founded in 1970, and has 40,000 volumes. A Public Information Center of the World Bank is also located in Abidjan. Abidjan has a municipal library with 50,000 volumes, the National University library with 95,000 volumes, and several small research libraries. The French Cultural Center holds 43,000 volumes.

The Museum of Côte d'Ivoire in Abidjan features ethnological, sociological, artistic, and scientific exhibits. The Native Costume Museum was founded in 1981 in Grand Bassam. Regional museums are located in Bondoukou, Bingerville, Abengourou, Bonova, Duekoue, and Vavoua. A general interest museum was founded in 1992 in Korhogo.

#### 45 MEDIA

Telephone and telegraph services are government owned. In 2003, there were an estimated 14 mainline telephones for every 1,000 people; about 3,400 people were on a waiting list for telephone service installation. The same year, there were approximately 77 mobile phones in use for every 1,000 people.

All news media are owned or controlled by the government or the ruling PDCI. In 2002, daily newspapers included the French-language daily *Fraternité Matin*, with a circulation of 80,000; *Ivoir'Soir* (50,000); *Le Jour* (16,000); and *La Voie*.

The government also controls radio and television broadcasting. Radio broadcasts are in French, English, and indigenous languages; television is in French only. Some international broadcasts are available, but transmission of some programming has been disrupted by the government in the past. In 1998, there were 2 AM and 9 FM radio stations, with 14 television stations reported in 1999. In 2003, there were an estimated 185 radios and 61 television sets for every 1,000 people. The same year, there were 9.3 personal computers for every 1,000 people and 14 of every 1,000 people had access to the Internet. There were three secure Internet servers in the country in 2004.

Though the constitution provides for free expression and a free press, the government is said to impose significant restrictions on print and electronic media.

#### 46 ORGANIZATIONS

Chambers of commerce, industry, and agriculture have their headquarters in Abidjan, including the National Federation of Industry of Côte d'Ivoire. The International Labour Organization Regional Office for Africa is also in Abidjan. There are a number of employers' associations and agricultural producers' cooperatives. Some multinational trade and professional organizations are based in the country, including the Inter-African Coffee Organization and the African Union of Sports Medicine. A consumer cooperative also functions.

The African Music Rostrum, also based in Abidjan, is a multinational cultural organization to promote African musical arts.

Côte d'Ivoire has many clubs devoted to various sports. There are at least three scouting organizations and several other youth organizations are active, many of which are related to religious organizations.

Amnesty International has chapters within the country. There are also national chapters of the Red Cross Society, Caritas, UNICEF, the Society of St. Vincent De Paul, and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

Due to political unrest, the small tourism industry has declined since 2002. Fine beaches, specially built tourist villages, and photo safaris through the wildlife preserves are the principal attractions.

Passports are required, but visas are not for stays of up to 90 days. A vaccination certificate for yellow fever is needed from all foreign visitors.

In 2005, the US Department of State estimated the cost of staying in Abidjan at \$241 per day, and in Yamoussoukro, \$218.

#### 48 FAMOUS IVOIRIANS

Queen Abla Pokou (b.1720), the legendary heroine of the Baoulé people, led them to Côte d'Ivoire from the territory that is now Ghana. Félix Houphouët-Boigny (1905–1993) was the first African to be a French Cabinet minister (1956–69); he was elected as Côte d'Ivoire's first president in 1960 and was continually reelected until his death. Henri Konan-Bédié (b.1933) became president in 1993, a post he held until his ouster in a military coup in 2000 led by Robert Guéï. Laurent Koudou Gbagbo (b.1945) defeated Guéï in presidential elections held later in 2000. The nation's outstanding literary figure, Bernard Binlin Dadié (b.1916), is known abroad for several volumes of poetry and a novel; he has held many government posts, including minister of cultural affairs from 1977–86.

#### 49 DEPENDENCIES

Côte d'Ivoire has no territories or colonies.

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# DJIBOUTI

Republic of Djibouti

*République de Djibouti Jumhuriyya Djibouti*

**CAPITAL:** Djibouti

**FLAG:** A white triangle, with a five-pointed red star within, extends from the hoist; the remaining area has a broad light blue band over a broad light green band.

**ANTHEM:** No information available.

**MONETARY UNIT:** The Djibouti franc (DjFr) of 100 centimes is the national currency. There are coins of 1, 2, 5, 10, 20, 50, 100, and 500 Djibouti francs, and notes of 500, 1000, 5000, and 10,000 Djibouti francs. DjFr1 = \$0.00563 (or \$1 = DjFr177.72) as of 2004.

**WEIGHTS AND MEASURES:** The metric system is in use.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; Independence Day, 27 June; Christmas Day, 25 December. Movable religious holidays are Milad an-Nabi, Laylat al-Miraj, 'Id al-Fitr, 'Id al-Adha, and Muslim New Year (1st of Muharram).

**TIME:** 3 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Djibouti (formerly known as French Somaliland and then as the Territory of the Afars and the Issas) is situated on the east coast of Africa along the Bab al-Mandab, the strait that links the Red Sea with the Gulf of Aden. It is bordered by Eritrea to the N, Ethiopia N, W, and S, by Somalia on the SE, and by the Bab al-Mandab, Gulf of Tadjoura, and Gulf of Aden on the E. Djibouti encompasses approximately 22,000 sq km (8,494 sq mi) and has a total boundary length of 830 km (516 mi), which includes a coastline of 314 km (195 mi). Comparatively, the area occupied by Djibouti is slightly smaller than the state of Massachusetts.

Djibouti's capital city, Djibouti, is located in the eastern part of the country.

## <sup>2</sup> TOPOGRAPHY

Originally formed by volcanic action that accompanied the uplifting and faulting of the East African shield and the Rift Valley system, Djibouti consists of a series of high, arid tablelands surrounding faults, within which are low plains. Many areas exhibit thick layers of lava flow. There are three principal regions: the coastal plain, less than 200 m (656 ft) above sea level; the mountains, averaging about 1,000 m (3,300 ft) above sea level; and the plateau behind the mountains, rising 300–1,500 m (984–4,921 ft). The highest point, Mt. Moussa Ali, rises to 2,028 m (6,654 ft) on the northern frontier. The saline Lake Assal, at 155 m (509 ft) below sea level, is the lowest point in Africa and the second-lowest in the world.

In general, the terrain is bare, dry, desolate, and marked by sharp cliffs, deep ravines, burning sands, and thorny shrubs. There is very little groundwater except in an area along the southern border with Somalia, and Djibouti is dependent on saline subterranean aquifers. Located above the meeting point of the Ara-

bian and African tectonic plates, low magnitude earthquakes are common.

## <sup>3</sup> CLIMATE

The climate is torrid, and rainfall is sparse and erratic. During the hot season, from May to September, daytime temperatures in the capital average 31°C (87°F) and the northeastern monsoon blows. During the warm season, from October to April, average daytime temperatures moderate to 37°C (99°F). Humidity is high all year, but annual rainfall averages less than 13 cm (5 in).

## <sup>4</sup> FLORA AND FAUNA

Over 90% of the land in Djibouti is desert. On Mt. Goda, near Tadjoura, there are rare giant juniper trees, acacias, and wild olive trees. However, most of the vegetation is typical of the desert and semidesert, consisting of thorn scrubs and palm trees.

In its animal reserves, Djibouti has antelopes, gazelles, hyenas, and jackals.

## <sup>5</sup> ENVIRONMENT

Djibouti's most significant environmental problems are deforestation, desertification, water pollution, and the protection of its wildlife. Djibouti's forests are threatened by agriculture and the use of wood for fuel. The rare trees on Mt. Goda are protected within a national park. The water supply is threatened by increasing salinity. Underwater reserves have been established in the Gulf of Tadjoura to prevent overfishing of tuna, barracuda, grouper, and other species. No hunting of wild animals is permitted, but abuses continue. Haramous-Loyada is a Ramsar wetland site.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included four types of mammals,

six species of birds, nine species of fish, and two species of plants. Threatened species include the spotted eagle, several species of sharks, the green turtle, the spotted hyena, and Grevy's zebra.

## 6 POPULATION

The population of Djibouti in 2005 was estimated by the United Nations (UN) at 793,000, which placed it at number 155 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 41% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population growth rate for 2005–2010 was expected to be 1.9%, a rate the government viewed as too high. The projected population for the year 2025 was 1,107,000. The population density was 34 per sq km (89 per sq mi). The vast majority lives in and around the capital, with much of the rest of the country inhabitable.

The UN estimated that 82% of the population lived in urban areas (primarily Djibouti) in 2005, and that urban areas were growing at an annual rate of 1.81%. The capital city, Djibouti, had a population of 502,000 in that year.

The prevalence of HIV/AIDS has had a significant impact on the population of Djibouti. The UN estimated that 7.1% of adults between the ages of 15–49 were living with HIV/AIDS in 2001, with an estimated 11% of those ages 15–24 infected with the virus. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

The peoples of Djibouti, Somalia, and Eritrea are historically nomadic, migrating with flocks of camels and goats across borders that now separate their nations. Somalis from Djibouti have also historically sought work across the Gulf of Aden in Yemen and the Persian Gulf sheikhdoms.

In mid-1993, some 18,000 Afar refugees from Djibouti fled into northeastern Ethiopia because of ethnic clashes and the civil war. A peace agreement was signed in 1994. Almost all voluntarily repatriated to Djibouti by the end of 1997.

Between September 1994 and November 1996, the United Nations High Commissioner for Refugees (UNHCR) helped repatriate 31,617 Ethiopian refugees from Djibouti; 2,500 remained. In 2004, Somalian refugees numbered 25,444, of which 8,448 were voluntarily repatriated. At the end of 2004, there were 18,035 refugees in Djibouti, and no asylum seekers. In 2005 the estimated net migration rate was zero migrants per 1,000 population, a considerable change from the -11.4 migrants per thousand in 1990.

## 8 ETHNIC GROUPS

The Issa branch of the Somali people and related clans constitutes 60% of all Djibouti's inhabitants; most live in southern Djibouti or in the capital. The Afars, a related people of north and west Djibouti, who also live in the Danakil depression of neighboring Ethiopia, number about 35%. The remaining 5% consists of

French (about 3%), Arabs of Yemeni background, Ethiopians, and Italians.

## 9 LANGUAGES

Although French and Arabic are the official languages, the home languages of the vast majority of Djiboutians are Somali and Afar, both of Cushitic origin.

## 10 RELIGIONS

Over 99% of the population practices Islam, which is the state religion. However, the constitution provides for freedom of religion and there is not widespread discrimination against other faiths. A small number of Djiboutians are Roman Catholic, Protestant, or affiliated with the Baha'i Faith. A large foreign community also supports Greek and Ethiopian Orthodox churches. Proselytizing is not prohibited, but is discouraged. Christmas is the only non-Muslim holiday that is officially recognized. Religious groups must register with the Ministry of the Interior. The Ministry of Muslim Affairs oversees all Muslim activities.

## 11 TRANSPORTATION

Djibouti had about 100 km (62 mi) of single-track, narrow gauge railway in 2004, which linked the capital with Addis Ababa. It was closed during the Somali-Ethiopian War of 1977–78; by the time it reopened, the Ethiopians had developed their port of Assab (now part of Eritrea), so traffic did not return to its former level. However, in 1998, Djibouti and Ethiopia announced plans to revitalize the century-old railroad that links their capitals.

Djibouti had 2,890 km (1,796 mi) of road in 2002, 364 km (226 mi) of which was paved. A tarred road runs most of the distance from Djibouti city to Dikhil, Yoboki, and Galafi, on the Ethiopian border, where it connects with the main Assab-Addis Ababa highway. Except for the 40-km (25-mi) road from Djibouti city to Arta, all other roads are rough. A secondary road connects Obock and Tadjoura, on the northern side of the Gulf of Tadjoura, with Randa and Dorra in the northern interior. A highway between Djibouti city and Tadjoura was completed by 1991.

Djibouti's improved natural harbor consists of a roadstead, outer harbor, and inner harbor. The roadstead is well protected by reefs and the configuration of the land. The inner harbor has five outer and six inner berths for large vessels. A quarter of Ethiopia's imports and half of its exports move through the port. Car ferries ply the Gulf of Tadjoura from Djibouti city to Tadjoura and Obock, which are ports of minor commercial importance. As of 2005, Djibouti had one cargo ship totaling 1,369 GRT.

Also in 2004, there were an estimated 13 airports, only 3 of which had paved runways as of 2005. Ambouli Airport, about 6 km (4 mi) from the city of Djibouti, is the country's international air terminal. There are local airports at Tadjoura and Obock. Air Djibouti, partly government-owned and partly owned by Air France, provides domestic service to six centers and flies to a number of overseas destinations.

## 12 HISTORY

Somali (Issa) and Afar herders, nomadic, Muslim and Cushitic-speaking, lived in and around Djibouti for hundreds of years before European explorers in the 19th century brought the region to the attention of the modern West. Obock and, later, Djibouti city

were recognized as ports of great usefulness on the sea routes to India, Mauritius, and Madagascar. The Italians and British were active colonizers farther south along the Somali coast, and Britain was gaining control in what are now Yemen, the Sudan, and Egypt. France decided to establish its colonial foothold in 1862 along what is now the northeastern coast of Djibouti. This tentative venture became in 1884–85 the protectorates of Obock and Tadjoura, which were merged to form French Somaliland.

The administrative capital of French Somaliland was moved from Obock to Djibouti in 1896, a year before the boundaries of the colony were officially demarcated between France and Ethiopia. In 1898, a French consortium began building the narrow-gauge railway that finally reached Addis Ababa in 1917. During the Italian invasion and occupation of Ethiopia in the 1930s and during the early part of World War II, there were constant border skirmishes between French and Italian forces. In December 1942, French Somaliland forces joined the Free French under Gen. Charles de Gaulle.

After World War II, French Somaliland gradually gained a measure of local autonomy. In 1957, it obtained a territorial assembly and a local executive council to advise the French-appointed governor-general. The following year, the voters of French Somaliland opted to join the French Community as an overseas territory, electing one deputy and one senator to the French National Assembly. In late 1958, the first elections to the local assembly were held under a system of proportional representation. In the second elections, held in 1963, plurality voting based on party lists in seven districts replaced proportional voting. The result was the election of an Afar leader as head of the executive council; the more numerous Issas felt they had been prevented by the new electoral procedures from gaining control of the council. In 1967, 60% of the voters in a special referendum opted to retain the colony's association with France, but the Issas again complained that the franchise lists had been unfairly restricted in a way that favored the Afars. After the referendum, French Somaliland became known as the Territory of the Afars and the Issas.

The country's independence movement had been led throughout the postwar period by the Issas, but their movement had been opposed by Ethiopia, which wanted French control to continue, and by the Afars, who feared Issa domination. Finally, in 1975, the French began to accommodate increasingly strident demands for independence. The territory's citizenship law, which had favored the Afar minority, was revised to admit more Issas. In a referendum in May 1977, the now-enlarged Issa majority voted decisively for independence, which was officially established on 27 June 1977, as the country officially became the Republic of Djibouti. Hassan Gouled Aptidon, the territory's premier, had been elected the nation's first president by the territorial Chamber of Deputies three days earlier. Although Gouled, an Issa, appointed Afar premiers and the cabinet was roughly balanced, the dominance of the Issas in administration led to political conflict, including cabinet crises. Gouled was reelected without opposition by universal suffrage in June 1981 and April 1987. A one-party Chamber of Deputies list, elected without opposition in May 1982, consisted of 26 Issas, 23 Afars, and 16 Arabs. Only 12 seats were won by newcomers in the April 1987 election of a one-party list.

A new constitution was voted on in 1992, although the vote was boycotted by opposition parties. In December, legislative elections



LOCATION: 10°54' to 12°43' N; 41°45' and 43°27' E. BOUNDARY LENGTHS: total coastline, 314 kilometers (196 miles); Somalia, 58 kilometers (36 miles); Ethiopia, 337 kilometers (210 miles); Eritrea, 113 kilometers (70 miles). TERRITORIAL SEA LIMIT: 12 miles.

were held, which, according to the constitution, were to have been open to all parties. Due to administrative restrictions and opposition resolve not to participate, by election time only two parties had been officially allowed to contest seats: the ruling People's Rally for Progress Party (RPP) and the newly formed Democratic Renewal Party (PRD). Due to the antidemocratic nature of the electoral process, more than half the electorate refused to vote. The RPP was said to have won all 65 seats.

Presidential elections were held in March 1993. Five candidates contested the elections for president. The leader of the PDR, Mohamed Elabe, was Gouled's main opponent. But, again, fewer than half the electorate voted, and Gouled was reelected with officially 60% of the vote.

Dissatisfaction with Gouled grew in the late 1980s and contributed to an uprising by Afar guerrillas of the Front for the Restora-



tion of Unity and Democracy (FRUD) in late 1991. FRUD gained control of some areas of the north and west. In February 1992, France deployed forces in Djibouti, and the Afars declared unilaterally a cease-fire. Yet, fighting continued and a government counteroffensive checked the FRUD by July. Rebel bases in the north were occupied, and many opposition leaders were imprisoned, including Ali Aref Bourhan, for an alleged coup attempt. He was released in December 1993. By the end of 1993, about 35% of the central government's budgetary expenditures went toward maintaining "security"; that is, the military occupation of the north by troops of Somali origin.

In 1993, the FRUD suffered severe losses to a government offensive. In 1994, its leadership split over the issue of negotiations with the government. A more moderate wing then entered into negotiations and called a cease-fire. In March 1995, in compliance with the peace accords signed in December 1994, the majority of the FRUD disarmed, and the military integrated a segment of the insurgents into its ranks. Two FRUD leaders accepted ministerial posts. In March 1996 the FRUD was given legal recognition as a political party. A radical wing of the FRUD, (FRUD-Renaissance) led by Ahmed Dini, remains opposed to the cease-fire. Djibouti and Ethiopia jointly attacked the FRUD rebels in October 1997, and skirmishes continued in 1998.

The human rights record of the authoritarian Gouled regime came increasingly under attack in the late-1980s and 1990s, with allegations of beatings, rapes, arbitrary, prolonged, and incommunicado detentions, extra-judicial killings and disappearances of political/ethnic opponents of Gouled, and union leaders. Journalists have also been harassed, intimidated, and detained.

Gouled became ill in December 1995 and spent several months in hospital in France. During this period there appeared a succession struggle between Ismael Omar Guelleh and Ismael Godi Hared, both close advisors of the president. In part to cut down on inter-party fighting, Gouled elected to remain at the helm after his convalescence. In February 1999 he announced his intention to retire and that he would not be a candidate for the scheduled April 1999 elections. At that point the RPP named Guelleh, a key advisor and chief of staff to the former president for over 20 years, as its candidate. The FRUD, in alliance with the RPP, accepted Guelleh as its candidate, as well. An opposition coalition, which included the PRD (Democratic Renewal Party), the PND (National Democratic Party), and (unofficially) the FRUD-Renaissance slated Moussa Ahmed Idriss as their candidate. An estimated 60% of the electorate participated, with Guelleh garnering 74% of the votes cast to 26% for Idriss. There was no official boycott of the elections, for the first time since Djibouti's independence from France in 1977.

In January 2003 Djibouti held a new round of parliamentary elections that the opposition claimed was highly fraudulent. By the official tally, the UAD opposition coalition was only 4,939 votes away from beating the presidential movement. Yet because of Djibouti's winner-takes-all system, the RPP won all 65 seats. For the first time in Djibouti's history, seven women won seats in the parliament.

In the presidential elections that followed on 8 April 2005, the opposition alleged irregularities and intimidation in the run-up to the contest, and boycotted the polls on election day. With the absence of any opposition, President Guelleh was elected to another

six-year term. In an effort to validate his victory, Guelleh claimed a 79% voter turn-out. However, given a turnout of 48% in the parliamentary election just two years earlier, his claim was not credible. Following the election, Guelleh attempted to mend fences by announcing that he would step down after his second term and that he would not amend the constitution to seek a third term.

The electoral victories cemented a nearly complete domination of government by the President's sub-clan, the Issa Mamassans, and severely restricted political space and economic opportunities for the Afar people. In 2005 reports began to surface of rebel insurrections allegedly led by disaffected elements of the FRUD. Among the leaders of the insurgency was Aramis Mohamed Aramis, an Afar and the son of a former FRUD commander, who was killed in 1991.

Djibouti is situated in one of the least stable regions of the world, and it occupies a highly strategic location facing the Saudi Arabian peninsula, straddling the choke point between the Red Sea and the Gulf of Aden. President Guelleh maintained harmonious relations with neighbors and superpowers. In 2004, the government signed a bi-lateral treaty with Eritrea promising economic, political and social cooperation, and Djibouti continued to benefit from the significant transit of goods to and from land-locked Ethiopia via its well-developed seaport. Although a potential magnet for terrorists, the presence of French and American military bases in the country has served to dampen potential threats from Somalia's clan rivalries, which have destabilized greater Somalia and its self-declared autonomous states of Somaliland and Puntland.

### 13 GOVERNMENT

Under the 1981 and 1992 constitutions, Djibouti is a parliamentary republic. The president, who according to the constitution must be an Issa, is elected by universal adult suffrage; the prime minister, who heads the cabinet, must be an Afar. The legislature consists of the unicameral Chamber of Deputies, whose 65 members are elected for five-year terms. Before 1992, candidates came from a single list submitted by the ruling party, the Popular Rally for Progress (RPP).

In January 1992, the Gouled government named a committee to draft a new constitution that would permit multiparty democracy, limit presidential powers, and establish an independent judiciary. On 4 September 1992, 75% of the voters approved the new constitution in a referendum. According to Djibouti's winner-takes-all electoral rules, the party obtaining a majority in a given district is awarded all the seats within that district, which explains how the FRUD won 36.9% of the vote in 2003, but took no seats in the parliament.

### 14 POLITICAL PARTIES

Personalities and clan identities trump party labels, but the system is dominated by the ruling party and its coalition, the Union for the Presidential Majority (UMP), an alliance that includes the People's Rally for Progress (Rassemblement Populaire pour le Progrès—RPP), the Front for the Restoration of Unity and Democracy (FRUD), originally formed in 1991, PSD and PND. The opposition coalition, the Union for Democratic Changeover

(UAD) is composed of the ARD, MRDD, UDJ, and formerly the PDD (expelled in December 2004).

Ruling party dominance harks back to October 1981 when a law was enacted that restricted political activity to the ruling RPP. That year, the government temporarily detained the leaders of and banned the Djiboutian People's Party (Parti Populaire Djiboutien). Illegal Issa and Afar parties, including an Ethiopian-backed Afar party-in-exile and a Somali-backed Issa party-in-exile, waited in the wings. For the 1987 elections to the Chamber of Deputies, a single list of candidates was drawn up by the RPP, headed by President Gouled; about 90% of the nation's 100,985 voters cast ballots.

Despite the 1992 constitutional changes that legalized opposition parties, Djibouti remained tightly controlled by the RPP (People's Rally for Progress). On 18 December 1992, legislative elections were held, with the RPP gaining 74.6% of the vote and the Democratic Renewal Party (PRD) 25.4%. Other parties boycotted the elections on the grounds that Gouled did not consult the opposition in the "democratization" process. Most Afars did not vote. The RPP, therefore, won all 65 seats. Gouled was reelected, although not convincingly, on 7 May 1993. The four losing parties and FRUD, at the time a paramilitary organization in the north (Front for the Restoration of Unity and Democracy) accused the government of election fraud, a charge supported by international observers. Only 50% of the eligible voters were reported to have turned out.

In the December 1997 legislative elections, which generally were not considered to be credible, the RPP won 54 seats to the FRUD's 11, though their campaigns were supported by the RPP in alliance. The PRD and PND contested the elections and received 19.2% and 2.3% of the votes, respectively, but won no National Assembly seats. There were no female candidates in the election.

In February 1999 President Gouled designated his successor, longtime advisor Ismael Omar Guelleh, who was then duly elected president on 9 April 1999 and installed on 8 May 1999. His cabinets reflected the proportional ethnic composition required by the constitution, with continued dominance of his sub-clan of the Issas. Barkat Gourad Hammado, the prime minister, was replaced by Mohamed Dileita Dileita on 4 March 2001.

Two groups, the Democratic Renewal Party (PRD) and the Democratic National Party (PND) have contested elections since 1992. FRUD-Renaissance, which separated from the FRUD in 1996, signed a peace accord in Paris on 7 February 2000 with the government, which also included a general release of prisoners held by both sides. The Movement for Unity and Democracy (MUD) allegedly is associated with the Somali National Movement operating out of northern Somalia. It is a coalition of Afar-oriented and Issa-oriented dissidents.

In the country's first full multiparty parliamentary elections held 10 January 2003, the UMP led by the RPP garnered 62.2% of the vote to 36.9% for the FRUD, which won no assembly seats. In the capital, Djibouti-Ville, the opposition Union pour une Alternance Démocratique (UAD) took 44.9% of the votes, and the UMP 55%. President Ismail Omar Guelleh ran unopposed in the 8 April 2005 elections, guaranteeing him another six-year term in office. His appointed prime minister was Mohamed Dileita, who held the position as head of government since 4 March 2001. The

next parliamentary elections were scheduled for January 2008, and the next presidential elections were due April 2011.

## 15 LOCAL GOVERNMENT

There are five *cercles*, or districts, with councils and appointed administrators: Ali Sabih, Obock, Dikhil, Tadjoura, and Djibouti.

## 16 JUDICIAL SYSTEM

The judicial system consists of courts of first instance, a High Court of Appeal, and a Supreme Court. Each of the five administrative districts also has a customary court. The legal system is a blend of French codified law, Shariah (Islamic law) and customary law of the native nomadic peoples.

The 1992 constitution is modeled on the 1958 French constitution. The judiciary is not completely independent of the executive branch. A state security court handles political trials and cases involving purported threats to national security. Political trials may be applied to the Supreme Court.

The Constitutional Council rules on the constitutionality of laws. The constitution states that the accused enjoys a presumption of innocence and has the right to counsel.

## 17 ARMED FORCES

In 2005, Djibouti's armed forces of 9,850 active members was divided into an 8,000-man army, an estimated 200-man navy with seven patrol craft, and a 250-man air force with no combat aircraft. Paramilitary forces included 1,400 personnel in the gendarmerie and a national security force of an estimated 2,500. A total of 2,850 French troops were based near the city of Djibouti to deal with threats to French interests in the region. The defense budget in 2005 totaled \$25.8 million.

## 18 INTERNATIONAL COOPERATION

Admitted to the United Nations on 20 September 1977, Djibouti belongs to ECA and all the nonregional specialized agencies except the IAEA. It is also a member of the WTO, the African Development Bank, G-77, the Arab League, the ACP Group, the Arab Monetary Fund, the Intergovernmental Authority on Development (IGAD), the Organization of the Islamic Conference (OIC), COMESA, the Community of Sahel and Saharan States (CENSAD), and the African Union. Djibouti is part of the Nonaligned Movement. In 1981, treaties of friendship and cooperation were signed with Ethiopia, Somalia, Kenya, and the Sudan. In environmental cooperation, Djibouti is part of the Convention on Biological Diversity, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Djibouti has a market-based, free-enterprise economy. Its economy is dependent upon its strategic position at the narrow straits at the southern entrance to the Red Sea. The French military base in Djibouti is the country's largest single source of economic and commercial activity. The remainder of the money economy is service oriented and centered upon the free port of Djibouti, the railway terminus there, the airport, and government administration. The free port features a deep-water container terminal; France

has committed substantial funds to its continuing modernization. There is also an active construction industry.

There is little arable farm land in Djibouti, and the country is subject to periods of severe drought. As a consequence, Djibouti produces only 3% of its food needs. Over half of the population derives its income from livestock: goats, sheep, and camels. A fishing industry has emerged, and the Islamic Development Bank helped finance a canning factory.

Since 1990, recession, civil war, and a high population growth rate combined to reduce per capita consumption by 35%. The unemployment rate exceeded 50% as of 2004 (some estimates placed it at over 70%). The border conflict between Ethiopia and Eritrea disturbed the normal commerce in which Djibouti allowed Ethiopia the use of its port and conducted regular trade relations. As a consequence, average annual growth of GDP between 1988 and 1998 was -3.1%, and the economy was at zero growth in 2001. The GDP growth rate reached 3.5% in 2002; the inflation rate that year was 2%.

Due to the fact that Djibouti has few exploitable natural resources and little industry, it is heavily dependent upon foreign aid to finance development projects and support its balance of payments. The country has fallen behind on its debt payments and has had difficulty meeting the reform requirements set by foreign aid donors. Ethiopia has developed other trade routes, limiting Djibouti's port activity.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Djibouti's gross domestic product (GDP) was estimated at \$619.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,300. The annual growth rate of GDP was estimated at 3.5%. The average inflation rate in 2002 was 2%. It was estimated that agriculture accounted for 3.5% of GDP, industry 15.8%, and services 80.7%.

It was estimated that in 2001 about 50% of the population had incomes below the poverty line.

## 21 LABOR

Labor in the cash economy is concentrated in the city of Djibouti, particularly on the docks and in shipbuilding and building construction. In 2002, (the latest year for which data was available) the labor force numbered 282,000. The railway is a significant employer, as is the national government. However, there is no data available on the occupational breakdown. Unemployment and underemployment are widespread; unemployment was estimated at 50% in 2004.

As of 2005 workers were free to join unions and strike provided they complied with prescribed legal requirements. All unions must be legally sanctioned by the government and 48 hours advance notice must be given to the Ministry of the Interior of a planned strike. Independent unions continue to be suppressed. In addition, those who participate in strikes may be arrested. Collective bargaining rarely occurs.

In 2005, the monthly minimum wage for unskilled workers was approximately \$125, which had not changed since its inception in 1976. By law, the standard workweek is 40 hours, often spread over six days. A weekly rest period of 24 consecutive hours is also mandated by law, as is the provision of overtime pay. However, these regulations affect only the small fraction of the population that is involved in wage employment. The minimum age for child labor is 14 years old, although the lack of labor inspectors means that compliance is left largely to market forces. The government also lacks inspectors to enforce workplace safety standards, therefore many workers face hazardous work conditions.

## 22 AGRICULTURE

Agriculture in Djibouti is very limited, due to acute water shortages in rural areas. In 2003, agriculture contributed only a little more than 4% to GDP. In 2004, some 25,464 tons of vegetables were produced. Tomatoes are grown for domestic consumption. Date palms are cultivated along the coastal fringe. Famine and malnutrition in Djibouti have created a reliance on the distribution of food aid for millions of its people. In 2004, grain imports totaled 87,115 tons.

## 23 ANIMAL HUSBANDRY

Cattle, fat-tailed sheep, goats, and camels are grazed in the interior; hides and skins are exported. In 2004, Djibouti had an estimated 512,000 goats, 466,000 sheep, 297,000 cattle, and 8,800 asses. Meat production in 2004 totaled 11,244 tons, of which beef accounted for 6,050 tons. An estimated 13,950 tons of milk were produced in 2004, along with 1,990 tons of cattle hides, sheepskins, and goatskins.

## 24 FISHING

There is no local tradition of commercial fishing or seafaring, although the Gulf of Tadjoura, the Gulf of Aden, and the Red Sea are potentially rich sources of commercial and game fish. The catch was 350 tons in 2003.

## 25 FORESTRY

There are protected forests on the slopes of the mountains north of the Gulf of Tadjoura. Less than 1% of the country's total land area is forested.

## 26 MINING

Mining and manufacturing accounted for 3% of the gross domestic product (GDP) in 2004, which stood at around \$1.6 billion. Djibouti has been known to produce occasional small quantities of clays, granite, limestone, marble, salt, sand and gravel, and crushed and dimension stone for domestic construction projects. There was no cement production in the country; most imports came from Persian Gulf countries. Other mineral occurrences of potential economic interest included diatomite, geothermal fluids and mineral salts, gold, gypsum, perlite, petroleum, and pumice. Salt was the only mineral produced in 2004. Extracted from evaporated pans by artisanal miners in the marshes of Tadjoura, salt production fell sharply from the 173,099 metric tons produced in

2001 to an estimated 30,000 metric tons in 2004. The government hoped to establish, by the end of 2002, a fiscal, institutional, and legal framework to support the development of domestic natural resources. The government also planned to promote the use of local materials in construction and public works. The outlook for the mineral industry was for little growth in the short run; constraints included small domestic markets, minimal known natural resources, and slow GDP growth.

## 27 ENERGY AND POWER

Located in the Horn of Africa region, Djibouti had no proven reserves of oil or natural gas, or refining capacity, as of 1 January 2003. In addition, Djibouti has no known reserves of coal. The country's energy and power sector is dominated by electrical power generation. According to an August 2003 Energy Information Administration (EIA) analysis brief, Djibouti has an installed electrical power generating capacity of 85 MW, which is generated from an oil-fired generating station in the capital. In 2002 electrical power output was put at 0.232 billion kWh, with consumption at 0.216 billion kWh. All petroleum products are imported. In 2002, imports of refined petroleum products totaled 11,410 barrels per day, with consumption placed at 11,400 barrels per day. There were no natural gas imports for that year. The port in Djibouti's capital city is an important oil shipment and storage site. The Dubai Ports Authority, which in 2000 was awarded a long-term contract to manage the port, hoped to increase its handling capacity to 300,000 metric tons per year over the next 20 years through modernization and expansion of port facilities.

## 28 INDUSTRY

Shipbuilding and urban construction traditionally have been industrial undertakings. The two main factories in 2006 were a mineral-water bottling facility and a dairy, although small plants produce food, beverages, furniture, building materials, and bottled gas.

With the help of France, Italy, the World Bank, OPEC, and the United Nations Development Program, Djibouti was promoting a project to develop geothermal energy resources. Interest was focused on the Goubet-Lac Assal region and, through this project, Djibouti hoped to become self-sufficient in energy. Industry accounted for 15.8% of GDP in 2001.

## 29 SCIENCE AND TECHNOLOGY

Because Djibouti is an active volcanic zone, its two principal research organizations—the Higher Institute for Scientific and Technical Research and the Bureau of Geological and Mineral Research—concentrate on the earth sciences.

## 30 DOMESTIC TRADE

As of 2001, about 80.7% of the GDP was contributed by the service sector, primarily those services related to international import/export trade. The main commercial centers are around the Port of Djibouti, the international airport, and the railroad. Domestic trade is dominated by traffic in live sheep and camels, dates, and melons. The government maintains price controls on a number of essential commodities, including wheat flour, bread, sugar, and

petroleum products. French citizens dominate the commerce of the city of Djibouti. Business hours normally are 7:30 AM to noon and 3:30 to 6 PM, Sunday through Thursday. Banks are open Sunday–Thursday from 7 AM to 12 PM. Banks and offices are closed on Fridays and Saturdays.

## 31 FOREIGN TRADE

About 75% of imports are consumed or used in Djibouti, while the remainder is forwarded to Ethiopia or northern Somalia. Exports include hides and skins, and coffee. Imports are vegetable products, foodstuffs, beverages, vinegar, tobacco, machinery and transportation equipment, and mineral products.

In 2004, Djibouti's primary export partners were: Somalia (63.8%), Yemen (22.6%), and Ethiopia (5%). The primary import partners were: Saudi Arabia (19.7%), India (12.4%), Ethiopia (11.8%), China (8.1%), France (5.6%), and the United States (4.8%).

## 32 BALANCE OF PAYMENTS

Since independence, Djibouti has run large trade deficits, which have been offset by surpluses on services and by transfers attributable to the French base, port receipts, the national airline, the national airport, and grants from donors.

In 2004, Djibouti's exports were valued at \$250 million, and imports at \$987 million. In 2002, the country had an external debt burden of \$366 million. In 2001, Djibouti received \$36 million in economic aid.

## 33 BANKING AND SECURITIES

The Djibouti franc was created in 1949 by the government of France. The Djibouti Treasury was replaced in 1983 as the bank

### Balance of Payments – Djibouti (1995)

(In millions of US dollars)

<b>Current Account</b>		<b>-23.0</b>
Balance on goods		-171.5
Imports	-205.0	
Exports	33.5	
Balance on services		64.2
Balance on income		17.2
Current transfers		67.0
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-2.1</b>
Direct investment abroad		...
Direct investment in Djibouti		3.2
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		...
Other investment liabilities		-5.4
<b>Net Errors and Omissions</b>		<b>0.7</b>
<b>Reserves and Related Items</b>		<b>24.5</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

of issue and central bank by the new National Bank of Djibouti. There were five commercial banks in 1993 and a National Development Bank, 51% government owned. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$161.2 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$318.3 million.

There is no securities exchange.

Both the pace and content of economic reforms are inconsistent. Failures to meet the financial criteria established with the IMF led to a postponement of the disbursal of the second installment of a \$6.6 million credit agreed in April 1996. Wrangling over conditionality with France also delayed payment of part of the \$9.3 million assistance package agreed upon in September 1996. The attitudes of the IMF and France, combined with problems in rescheduling debts to France, provided a rather somber backdrop to the negotiation of the 1997 budget.

### 34 INSURANCE

The State Insurance Co. of Somalia and about 10 European insurance companies provide most of the insurance coverage.

### 35 PUBLIC FINANCE

Increased military expenditures, declining tax receipts, and political unrest in bordering countries have exacerbated the deterioration of public finance in recent years. France, a major provider of aid to Djibouti, has insisted that future aid packages be conditional on an overhaul of the country's muddled finances.

The US Central Intelligence Agency (CIA) estimated that in 1999 Djibouti's central government took in revenues of approximately \$135 million and had expenditures of \$182 million. Revenues minus expenditures totaled approximately -\$47 million. Total external debt was \$366 million.

### 36 TAXATION

The individual income tax, payable by the employer, is collected by withholding from wages and salaries. In addition, the employee and the employer contribute to a medical and pension fund. There is a separate system for civil servants and soldiers. Private corporations and personal companies, as well as public companies and limited companies, pay a flat tax. Other taxes include property, stamp, and registration taxes. There is also an ad valorem consumption tax of 8–30% (as of August 2003) with a surtax on luxury items.

### 37 CUSTOMS AND DUTIES

Formerly a "Free Zone," although the term only applied to the port, Djibouti now levies customs duties on most commodities, with most import taxes ranging from 5–40%. Luxury goods, such as cigarettes and alcoholic beverages, are taxed at higher rates, as

much as 160%. Additionally, Djibouti requires import licenses for all those wishing to import or sell in the country.

### 38 FOREIGN INVESTMENT

Foreign investment is predominantly French, largely in connection with the military base and the port. Saudi Arabia, Pakistan, China, Korea, and Uganda have cooperation agreements. Bilateral investment agreements (BITs) were concluded with Egypt and Malaysia in 1998 and with Switzerland in 2001. Official development assistance (ODA) was \$42 million in 2000 and \$36 million in 2001. There are no exchange controls and investors are allowed to transfer their profits freely without tax. Tax relief is offered to some investors.

In 1998, annual foreign direct investment (FDI) inflow rose from \$2.4 million in 1997 to \$3.5 million and then peaked at a record \$4.2 million in 1999. FDI inflow averaged \$3.35 million for 2000 and 2001. As of 2003, the total stock of inward FDI was \$52 million, and inward FDI flow in 2003 was \$11 million.

### 39 ECONOMIC DEVELOPMENT

In 1990, the Djibouti government significantly expanded its public investment program. Projects in communications, agriculture, and fisheries, as well as in social and environmental areas, were planned. Execution of these plans was put on hold as a result of subsequent domestic disturbances. The Persian Gulf War of 1991 also disrupted investment programs sponsored by Iraq, Kuwait, and Saudi Arabia.

French budgetary support of the Djibouti economy is crucial to its stability, providing some 45% of foreign aid. The long-standing French financial commitment has weakened since 1989, and the International Monetary Fund (IMF) has expressed serious concern over key budget and trade deficits. In 1999, Djibouti negotiated a three-year \$26 million Enhanced Structural Adjustment Facility (ESAF, subsequently Poverty Reduction and Growth Facility—PRGF) with the IMF.

Per capita consumption dropped an estimated 35% over the 1998–2005 period, due to recession, civil war, and a high population growth rate (including immigrants and refugees). The government has fallen in arrears on long-term external debt and struggles to meet the demands of foreign aid donors.

### 40 SOCIAL DEVELOPMENT

Despite full legal protection, women generally play a subordinate role in the workplace and in the household. Customary law favors men in areas of inheritance and property rights. Domestic violence against women is treated as a family problem. As many as 98% of women have undergone female circumcision, also known as female genital mutilation (FGM), a painful and potentially life-threatening procedure. Although the procedure is illegal, no one has been prosecuted under those provisions. The government provides no funds to advance children's welfare.

Discrimination against minority ethnic clans in Djibouti is pervasive. The dominant clan, the Issa, control most government positions and are dominant in the military forces as well. Djibou-

ti's human rights record remains poor, despite the transition to a multiparty system. There are reports of police brutality, deplorable prison conditions, and illegal detentions.

#### 41 HEALTH

Malnutrition is severe and the incidence of tuberculosis high. Malaria is endemic. There were 3,111 reported cases of tuberculosis in 1994. The city of Djibouti's publicly supplied water is suspect because the system is in disrepair.

In 2004 there were an estimated 13 physicians, 2 dentists, 65 nurses, and 2 pharmacists per 100,000 people. Djibouti's government has developed plans to improve public health and the management of hospitals, train more staff, and rehabilitate existing facilities.

In 2005 life expectancy was estimated at 43.10 years, one of the lowest in the world. That year the infant mortality rate was 104.13 per 1,000 live births. The death rate was 14.4 deaths per 1,000 inhabitants. As of 2002, the birth rate was estimated at 40 births per 1,000 people.

The HIV/AIDS prevalence was 2.90 per 100 adults in 2003. As of 2004, there were approximately 9,100 people living with HIV/AIDS in the country. There were an estimated 690 deaths from AIDS in 2003.

There were 1,007 cases of malaria in 1994. Between the mid-1970s and the mid-1990s, 23% of children under five were underweight. In Djibouti nearly every woman has had female genital mutilation.

#### 42 HOUSING

Djiboutian nomads generally live in branch-framed, transportable huts (*toukouls*), which are covered with woven mats or boiled bark pulled into fine strands and plaited; they are carried from place to place on camels. Good-quality urban housing is in short supply. Construction of 5,000 low-cost dwellings was planned for the 1981–86 period, but only 729 were built. In the past, housing costs have often been subsidized by the government, particular for government or civil employees. This status has begun to change since the late 1990s as the government has imposed housing taxes as part of a greater economic reform package sponsored in part by the International Monetary Fund. In 2000, nearly 100% of the total population had access to improved water sources; about 99% of urban and 50% of rural dwellers had improved sanitation systems.

#### 43 EDUCATION

Education is compulsory for six years at the primary level followed by seven years of secondary education. Primary school enrollment in 2001 was estimated at about 32% of age-eligible students; 36% for boys and 28% for girls. The same year, secondary school enrollment was about 16% of age-eligible students; 20% for boys and 13% for girls. It is estimated that about 35% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 34:1 in 2003; the ratio for secondary school was about 28:1. In 2003, private schools ac-

counted for about 15.5% of primary school enrollment and 21% of secondary enrollment.

The University of Djibouti is the primary institute of higher education. In 2003, only about 1% of the tertiary age population were enrolled in some type of higher education program. In 2003, the adult literacy rate was estimated at 67.9%; 78% for men and 58.4% for women.

As of 2003, public expenditure on education was estimated at 3.5% of GDP.

#### 44 LIBRARIES AND MUSEUMS

No information is currently available.

#### 45 MEDIA

From the city of Djibouti, telephone connections are available by satellite to Europe and the West and by land line to the main cities and towns of the interior; there were 9,500 mainline telephones and 23,000 cellular phones in use throughout the country in 2003.

All media are government controlled. In 1983, Djibouti inaugurated a powerful state-owned AM radio transmitting station, built with French and FRG funds. A television service was first introduced in 1967. Both are state run and broadcast in French, Afar, Somali, and Arabic. As of 2001, there were 1 AM and 2 FM radio stations and 1 television station. In 1997, there were 77 radios and 37 television sets per 1,000 population. Internet access was available to about 6,500 subscribers in 2003.

Djibouti has one primary weekly newspaper, the government-owned *La Nation de Djibouti*, which had a circulation of 4,300 in 2000. Each political party is allowed to publish a public journal. There are several opposition-run weeklies and monthlies that operate freely. The constitution provides for freedom of speech and the press, and the government is said to generally uphold these rights.

#### 46 ORGANIZATIONS

A chamber of commerce and industry, founded in 1912, has its headquarters in the capital. Youth organizations include the Association of Youth Homes in Djibouti, Djibouti Scout Association, and Red Crescent Youth of Djibouti (JCRD). There are some sports organizations in the country as well. The Eglise Protestante (Protestant Church) offers educational and social welfare programs as well as religious evangelism. Volunteer service organizations, such as the Lions Clubs International, are also present. There are national chapters of the Red Crescent Society, Caritas, and UNICEF.

#### 47 TOURISM, TRAVEL, AND RECREATION

In addition to several seldom-visited sandy beaches along the Gulf of Tadjoura, tourist attractions include swimming and snorkeling off the islands in the Gulf of Tadjoura and the Bab al-Mandab. At Goubbet al-Kharab, at the western end of the Gulf of Tadjoura, there are steep cliffs and a bay turned dark green by black lava.

Inland from this point is Lake Assal with a number of active volcanoes nearby. The Forest of the Day is a national park for rare trees on Mt. Goda. In the south, the alkaline Lake Abbé is visited by flocks of flamingos, ibis, and pelicans. Near Ali Sabih are the famous red mountains and a national park full of various gazelles. Passports and visas are required; visas must be secured in advance. Antimalarial precautions are advisable and yellow fever vaccinations are required if traveling from an infected area.

In 2005, the US Department of State estimated the cost of staying in Djibouti at \$278 per day, depending upon the choice of hotel.

#### **48 FAMOUS DJIBOUTIANS**

Hassan Gouled Aptidon (b.1916) was president from independence in 1977 until 1999, when he decided to step down; his nephew and handpicked successor, Ismael Omar Guelleh (b.1947) was elected to the office in April 1999.

#### **49 DEPENDENCIES**

Djibouti has no territories or colonies.

#### **50 BIBLIOGRAPHY**

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# EGYPT

Arab Republic of Egypt  
*Jumhuriat Misr al-'Arabiyah*



**CAPITAL:** Cairo (Al-Qahira)

**FLAG:** The flag is a tricolor of three horizontal stripes—red, white, and black—with the national emblem in the center white stripe.

**ANTHEM:** *The Arab Republic of Egypt Hymn.*

**MONETARY UNIT:** The Egyptian pound (££) is a paper currency of 100 piasters or 1,000 milliemes. There are coins of 1, 5, 10, and 20 piasters and notes of 25 and 50 piasters and 1, 5, 10, 20, 50, and 1000 pounds. ££1 = US\$0.17301 (or US\$1 = ££5.78) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the official standard, but various local units also are used: 1 feddan, consisting of 333.3 kassabah, equals 0.42 hectare (1.038 acres).

**HOLIDAYS:** New Year's Day, 1 January; Evacuation Day, 18 June; Revolution Day, 23 July; Armed Forces Day, 6 October; Popular Resistance Day, 24 October; Victory Day, 23 December. Movable holidays include Sham an-Nassim (Breath of Spring), of ancient origin, as well as such Muslim religious holidays as 'Id al-Fitr, 'Id al-'Adha, and the 1st of Muharram (Muslim New Year).

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated at the northeastern corner of Africa, the Arab Republic of Egypt has an area of 1,001,450 sq km (386,662 sq mi), extending 1,572 km (997 mi) SE–NW and 1,196 km (743 mi) NE–SW. However, the cultivated and settled area (Nile Valley, Delta, and oases) constitutes only about 3.5% of Egypt's land area; the Libyan and Western deserts occupy about 75% of the total. Comparatively, the area occupied by Egypt is slightly more than three times the size of the state of New Mexico. Beyond the Suez Canal in the east, the Sinai Peninsula overlaps into Asia; the Sinai was occupied by Israeli forces from 1967 to 1982.

Egypt is bounded on the N by the Mediterranean Sea, on the E by Israel and the Red Sea, on the S by Sudan, and on the W by Libya. The total land boundary length is 2,665 km (1,656 mi) and its total coastline is 2,450 km (1,522 mi). Egypt's capital city, Cairo, is located in the northeastern part of the country.

## <sup>2</sup> TOPOGRAPHY

The altitude of Egypt ranges from 133 m (436 ft) below sea level in the Libyan Desert to 2,629 m (8,625 ft) above in the Sinai Peninsula. The Nile Delta is a broad, alluvial land, sloping to the sea for some 160 km (100 mi), with a 250-km (155-mi) maritime front between Alexandria (Al-Iskandariyah) and Port Said. South of Cairo, most of the country (known as Upper Egypt) is a tableland rising to some 460 m (1,500 ft). The narrow valley of the Nile is enclosed by cliffs as high as 550 m (1,800 ft) as the river flows about 900 km (560 mi) from Aswan to Cairo. A series of cascades and rapids at Aswan, known as the First Cataract (the other cataracts are in the Sudan), forms a barrier to movement upstream.

The bulk of the country is covered by the Sahara, which north of Aswan is usually called the Libyan Desert. East of the Nile, the Arabian Desert extends to the Red Sea. The Western Desert con-

sists of low-lying sand dunes and many depressions. Kharijah, Siwah, Farafirah, Bahariyah, and other large oases dot the landscape; another lowland, the Qattara Depression, is an inhospitable region of highly saline lakes and soils covering about 23,000 sq km (8,900 sq mi). The outstanding topographic feature is the Nile River, on which human existence depends, for its annual floods provide the water necessary for agriculture. Before the completion of the Aswan High Dam in 1970, the floods, lasting generally from August to December, caused the river level to rise about 5 m (16 ft). Now, however, floodwaters can be stored, making it possible to provide year-round irrigation and to reclaim about 1 million feddans (about 1.04 million acres) of land. Damming the Nile resulted in the creation of Lake Nasser, a reservoir 292 km (181 mi) long and 9–18 km (6–11 mi) wide.

## <sup>3</sup> CLIMATE

Most of Egypt is a dry subtropical area, but the southern part of Upper Egypt is tropical. Northern winds temper the climate along the Mediterranean, but the interior areas are very hot. The temperature sinks quickly after sunset because of the high radiation rate under cloudless skies. Annual rainfall averages 2.5 cm (1 in) south of Cairo and 20 cm (8 in) on the Mediterranean coast, but sudden storms sometimes cause devastating flash floods. Hot, dry sandstorms, known as khamsins, come off the Western Desert in the spring. In Cairo, average temperatures range from 14°C (57°F) in January to 28°C (82°F) in July. Relative humidity varies from 68% in February to over 70% in August and 77% in December.

## <sup>4</sup> FLORA AND FAUNA

Plants are those common in dry subtropical and tropical lands, such as papyrus. Egypt has no forests but does have date palm and citrus groves; eucalyptus and cypress have been introduced.



Sheep, goats, and donkeys are found throughout the country, and camels are found in all the deserts. Egypt has some 300 types of birds, with about half of them being breeding species within the country. Wild animals are few, except for the hyena, jackal, lynx, mongoose, and wild boar, the last-named inhabiting the Nile Delta. The ibex may be found in the Sinai, and gazelles in the deserts. The Nile is adequately stocked with fish, but crocodiles have been reduced to a few along the shores of Lake Nasser. Reptiles include the horned viper and the hooded snake. In 2002, there were about 98 species of mammals, 123 species of birds, and over 2,000 species of higher plants.

## 5 ENVIRONMENT

Egypt's environmental problems stem from its aridity, extremely uneven population distribution, shortage of arable land, and pollution. Soil fertility has declined because of overcultivation and agricultural land has been lost to urbanization and desert winds. In addition, the nation's beaches, coral reefs, and wildlife habitats are threatened by oil pollution. Heavy use of pesticides, inadequate sewage disposal, and uncontrolled industrial effluents have created major water pollution problems. The expanded irrigation of desert areas after completion of the Aswan High Dam in 1970 has increased soil salinity and aided the spread of waterborne diseases.

With recent improvements, about 97% of the rural population and 100% of the urban population have access to improved water sources. The National Committee for Environment, within the office of the prime minister, is the principal agency with environmental responsibilities.

Centuries of human habitation in the Nile Valley have decimated Egypt's wildlife in that region. The hunting of any bird has been prohibited by law. As of 2003, about 9.7% of the total land area was protected. The Wadi Al-Hitan (White Valley) became a natural UNESCO World Heritage Site in 2005. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 6 types of mammals, 17 species of birds, 6 types of reptiles, 14 species of fish, and 2 species of plants. Endangered species include the Sinai leopard, northern bald ibis, and green sea turtle. The Sahara oryx has been listed as extinct.

## 6 POPULATION

The population of Egypt in 2005 was estimated by the United Nations (UN) at 74,033,000, which placed it at number 16 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 36% of the population under 15 years of age. There were 101 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.0%, a rate the government viewed as too high. The projected population for the year 2025 was 101,092,000. The population density was 74 per sq km (191 per sq mi). However, populated areas constitute only 6% of Egypt's total area and density varies from 84,150 per sq km (32,500 per sq mi) in Cairo to 60 per sq km (23 per sq mi) in the Suez governate. Some 99% of all Egyptians live in the Nile Valley.

The UN estimated that 43% of the population lived in urban areas in 2005, and that urban areas were growing at an annual

rate of 2.39%. The capital city, Cairo (Al-Qahira), had a population of 10,834,000 in that year. Alexandria's metropolitan population was 12,036,000. Other large cities include Giza (Al-Jizah), 2,597,000; Shubra El-Khemia, 1,556,000; Port Said, 548,900; and Suez, 497,000.

## 7 MIGRATION

In the early 1960s, most of the Greek population emigrated as the result of the government's nationalization measures; nearly all Jews, who formed less than 0.3% of the population in 1966, left the country after the 1967 war with Israel. With the completion of the Aswan High Dam in 1970, up to 100,000 Nubian tribesmen were moved from flooded parts of the upper Nile and resettled in the plain downstream. During the 1970s there was significant internal migration from rural to urban areas. During the 1970s and first half of the 1980s, more than three million workers took jobs in other countries. In 1992 some 2,850,000 Egyptians were living abroad, including about one million in Libya and 850,000 in Saudi Arabia. In 2003 worker remittances to Egypt were \$2.9 billion.

The Egyptian government estimates that there are 3–5 million Sudanese refugees, some of whom have lived in Egypt for over 30 years. In 2000 there were 169,000 migrants living in Egypt. In 2005, the net migration rate was estimated as -0.22 migrants per 1,000 population. The government views the immigration level as satisfactory, but the emigration level as too low.

## 8 ETHNIC GROUPS

Ethnic groups of Eastern Hamitic stock make up about 99% of the population of Egypt; these include Egyptians, Bedouins, and Berbers. They are a product of the intermixture of ancient Egyptians with the invaders of many millennia from various parts of Asia and Africa. The remaining 1% of the population is made up of minorities, including mainly Nubians, Armenians, Greeks, and other Europeans, primarily Italian and French.

## 9 LANGUAGES

The language of most of the population is Arabic, a Semitic tongue; the 1971 constitution declares Arabic to be Egypt's official language. Dialects vary from region to region and even from town to town. English and French are spoken by most educated Egyptians and by shopkeepers and others. The ancient language of Pharaonic Egypt, a Hamitic tongue, survives vestigially in the liturgy of the Copts, a sizable Christian sect dating back to the 5th century AD. The Nubians of Upper Egypt speak at least seven dialects of their own unwritten language. There are a small number of Berber-speaking villagers in the western oases.

## 10 RELIGIONS

The majority religion is Islam, of which the Sunnis are the largest sect. According to official estimates, 90% of the population are Muslim and 8–10% are Christian, with the Coptic Orthodox Church being the largest Christian denomination. Other denominations represented include Armenian Apostolic, Greek and Syrian Orthodox, Catholics (including Armenian, Chaldean, Greek, Melkite, Roman, and Syrian), and a variety of evangelical Protes-



LOCATION: 21°35' to 31°35' N; 25° to 36° E. BOUNDARY LENGTHS: Total coastline, 2,450 kilometers (1,520 miles); Israel, 255 kilometers (160 miles); Gaza strip 11 kilometers (7 miles); Sudan, 1,273 kilometers (790 miles); Libya, 1,150 kilometers (716 miles). TERRITORIAL SEA LIMIT: 12 miles.

tant denominations. The Baha'i faith is also represented. The Jewish community is extremely small.

The 1971 constitution declares Islam to be the state religion. Though the constitution provides for religious freedom, the government has a long history of infringements upon this right. Any religious practices that can be considered in conflict to Shariah (Islamic law) are prohibited and Article 98(F) of the Penal Code allows for prosecution for unorthodox practices and beliefs that are considered to be "insulting heavenly religions." Government discrimination extends to both Muslim fundamentalists and

Christians. In 2001, two men were convicted and sentenced to five and three years imprisonment under Article 98(F) for allegedly advocating a tolerance of homosexuality in the Islamic faith. In 2002, eight individuals were convicted under the same article for holding unorthodox Islamic beliefs and practices. Sentences ranged from three years imprisonment for two of the offenders to a one year suspended sentence for those who were not accused of promoting their beliefs to others. Proselytizing is generally considered a violation of Article 98(F).

## 1<sup>1</sup> TRANSPORTATION

Egypt's transportation system is well developed, with 64,000 km (39,770 mi) of roads in 2002, of which about 50,000 km (31,070 mi) were paved. In 2003, there were 2,282,760 passenger cars and 688,300 commercial vehicles registered. In 1982, in an attempt to alleviate Cairo's notorious traffic congestion, work began on a city subway system. The first phase, 5 km (3 mi) long, was completed in 1987 at a cost of some \$370 million. Cairo Metro, modeled after the Paris Metro, is the first subway to be built in Africa. Alexandria and Cairo are connected by both the Western Desert Highway, a high-speed toll road and the busier Delta Road. Railroads are managed by the state-owned Egyptian Railways, founded in 1852. As of 2004, there was some 5,063 km (3,149 mi) of standard gauge railway that linked all parts of the country. Alexandria and Port Said are the principal ports. Egypt's oceangoing merchant fleet of 77 ships totaled 1,194,696 GRT in 2005.

As of 2004, Egypt had some 3,500 km (2,175 mi) of inland waterways that include the Nile River, the Alexandria-Cairo Waterway, Lake Nasser, the 193.5 km (120 mi) Suez Canal and many other smaller canals in the Nile River delta. However, the Nile River and the Suez Canal are the country's main inland waterways. Steamer service on the Nile is an important means of domestic transport. The modern Suez Canal was constructed between 1859 and 1869 under the supervision of the French engineer Ferdinand de Lesseps. In 1875 Great Britain became the canal's leading shareholder, and the guarantor of its neutrality in 1888 under the Constantinople Convention. Management of the canal was entrusted to the privately owned Suez Canal Co. British rights over the canal were reaffirmed in the Anglo-Egyptian Treaty of 1936, then repudiated by Egypt in 1951. In 1956, Egypt nationalized the canal and placed it under the management of the Suez Canal Authority, which had paid former stockholders \$64 million by 1963. The canal was closed during the 1967 war with Israel and remained closed until 5 June 1975, when it resumed operations after having been cleared of mines and debris by teams of US, UK, and Egyptian engineers. During its first six months after resuming operations, the canal provided passage for a substantial number of dry-cargo ships but was used by only a comparatively small number of oil tankers, since the newer supertankers could not navigate the canal's 38-ft depth. The first phase of a project to widen and deepen the canal was completed in 1980, permitting ships of 53-ft draft (up to 150,000 tons) to pass through. The second phase includes increasing the navigable depth to 67 ft (up to 270,000 tons). Egypt also announced plans to build five tunnels under the canal and dig a second channel to permit the two-way passage of convoys; the first tunnel at the southern end of the canal was opened to traffic in 1980.

Cairo International Airport is used by numerous international airlines, including Egypt's own Egypt Air. In 2003, about 4.2 million passengers were carried on scheduled domestic and international flights. As of 2004, Egypt had an estimated 87 airports. In 2005 a total of 72 had paved runways, and there were 2 heliports.

## 1<sup>2</sup> HISTORY

Egypt has the oldest recorded history in Western civilization, dating back 5,000 years. In early times, the desert provided protection against marauders, while the Nile River provided bread. There-

fore, by 3400 BC the civilization of Egypt was well developed. The country was united about 3100 BC by Menes (or Narmer), king of Upper Egypt, who conquered Lower Egypt and established the first of some 30 dynasties, ruled over by a divine king, or pharaoh. Menes created a centralized state; under his dynastic successors, trade flourished, and the hieroglyphic form of writing was perfected. During the so-called Old Kingdom, the pharaohs of the fourth dynasty (c.2613–2494 BC), of whom Cheops (Khufu) was the most notable, began to build the great pyramids as royal tombs. The twelfth dynasty of the Middle Kingdom (c.1991–1786 BC) built vast irrigation schemes and developed a thriving civilization at Thebes; under their rule, a system of cursive writing was developed. After a century of domination by Semitic peoples known as the Hyksos, who introduced the horse-drawn chariot, ancient Egypt attained its apex during the eighteenth dynasty (c.1570–1320 BC) of the New Kingdom, under pharaohs Thutmose III, who extended the empire into Asia as far as the Euphrates; Amenhotep III and his son, Amenhotep IV (Akhenaten, or Ikhnaton), who, with his queen, Nefertiti, attempted forcibly to replace Egyptian polytheism with monotheistic worship of the sun god Aten, or Aton; and the boy-king Tutankhamen.

In subsequent centuries, political instability weakened the kingdom, and Egypt was invaded by Assyria (673–663 BC), annexed by Persia (525 BC), and conquered by Alexander the Great (332 BC). Alexander established the Macedonian dynasty of the Ptolemies, which ruled Egypt from 323 to 30 BC. During this period, the city of Alexandria flourished as the intellectual center of the Hellenistic world. The best-known ruler of this dynasty was Queen Cleopatra VII (sometimes designated as VI), who was defeated, together with her lover Mark Antony, at the Battle of Actium in 31 BC by Caius Octavius, later the Roman emperor Augustus. After the official division of the Roman Empire following the death of Theodosius in AD 395, Egypt became part of the Eastern Roman (Byzantine) Empire.

Egypt played an integral role in the Muslim world after the Arab conquest by 'Amr ibn-al-'As in 639–42. Egypt's conquerors brought in settlers from Arabia and established firm control under the Abbasid caliphate (established in 749) and the Fatimids (909–1171), who founded Cairo as their capital in 969. The Fatimids were overthrown by Saladin (Salah ad-Din), founder of the Ayyubid dynasty, which gave way about 1250 to a local military caste, the Mamluks. The Mamluks continued to control the provinces after the conquest of Egypt by the Ottoman Turks in 1517.

Egypt remained a Turkish satrapy for four centuries. In 1805, an energetic Albanian soldier, Muhammad 'Ali, was appointed ruler (wali) of Egypt. He succeeded in establishing his own dynasty, which ruled the country, first under nominal Ottoman control and later as a British protectorate. Muhammad 'Ali destroyed Mamluk feudalism (already weakened by Napoleon's Egyptian campaign in 1798), stabilized the country, encouraged the planting of cotton, and opened the land to European penetration and development.

After the completion of numerous ambitious projects, including the Suez Canal (1869), Egypt became a world transportation hub and heavily burdened by debt. Ostensibly to protect its investments, England seized control of Egypt's government in 1882 and, at the time of the outbreak of World War I, made Egypt a protectorate. After the war, in 1922, the United Kingdom took account of the gathering momentum of Egyptian nationalism and

recognized Egypt as a nominally sovereign country under King Fuad, but retained control over the conduct of foreign affairs, defense, security of communications, and the Anglo-Egyptian Sudan. Militant nationalism was represented by the Wafd Party, led by Sa'ad Zaghlul Pasha and, after his death, by Nahas Pasha. The conditions of association were revised in the 1936 Anglo-Egyptian Treaty, under which Britain maintained armed forces only in specified areas and especially along the Suez Canal. In that year, Faruk ascended the throne.

Egyptian nationalism gathered further momentum in World War II, during which Egypt was used as an Allied base of operations, and in 1951 the government in Cairo abrogated the 1936 treaty. Royal extravagance, government corruption, the unsuccessful Palestine campaign against Israel in 1948, and delays in long-expected social and political reforms motivated a successful coup on 23 July 1952 by a group called the Society of the Free Officers. Faruk was dethroned and replaced by his seven-month-old son. A republic was proclaimed on 18 June 1953, with Gen. Muhammad Naguib (Najib), the nominal leader of the officers, as its first president. He, in turn, was forced out of power in 1954 by a younger man, Lt. Col. Gamal Abdel Nasser (Jamal 'Abd al-Nasir), leader of the revolution.

To increase the productive capacity of his country, Nasser entered into preliminary agreements with the United States, the United Kingdom, and the UN to finance in part a new high dam at Aswan. At the same time, he also negotiated economic aid and arms shipments from the Soviet Bloc when he was unable to obtain what Egypt needed from the West. Financial backing for the dam was subsequently withheld by the United States, whereupon, on 26 July 1956, President Nasser proclaimed the nationalization of the Suez Canal and announced that profits derived from its operations would be used for the building of the dam. (The last British occupation troops had been evacuated from their Suez Canal bases a month earlier.) The dam was completed with aid and technical assistance from the USSR.

Simultaneously, a crisis erupted between Egypt and Israel. Incidents involving Egyptian and Palestinian guerrillas (*fedayin*) and Israeli border patrols multiplied. On 29 October 1956, as part of a three-nation plot to bring down Nasser and reassert control over the Canal, Israeli armed forces swept into Egypt's Sinai Peninsula. The United Kingdom and France then issued an ultimatum to the belligerents to cease-fire. When Egypt rejected the ultimatum, Britain and France took military action in the Port Said area, at the northern end of the canal, landing troops and bombing Egyptian cities from the air. However, the intervention of the United States and the USSR, acting through the UN, led to the withdrawal of the British, French, and Israeli forces by March 1957.

On 1 February 1958, Egypt and Syria proclaimed their union in the United Arab Republic (UAR), under one head of state, one flag, a common legislature, and a unified army. The proclamation was approved by a plebiscite vote of 99.9% in Egypt and 99.98% in Syria. Nasser became president of the UAR, and a new cabinet was formed in March 1958, consisting of 2 Egyptian and 2 Syrian vice presidents, as well as 22 Egyptian and 12 Syrian ministers. Differing economic and political conditions prevented a complete fusion of the two regions, however. Nasser's economic measures were generally accepted, but his program of socialism and nationalization of banks and other commercial establishments were re-

sented and opposed by Syrian businessmen. Syrian opposition to the union was crystallized when Nasser eliminated the separate regional cabinets and set up a unified cabinet in August 1961. On 28 September, the Syrian army revolted, and two days later it proclaimed Syrian independence. Even after the failure of the merger with Syria, Egypt, consistent with its Arab unity ideology, persisted in its attempts to form a union with other Arab states. Cooperation agreements were signed with Iraq, Yemen, Syria again, and Libya during the 1960s and early 1970s. None of these agreements produced a lasting, meaningful political union.

One reason for these political maneuverings was the continuing tension with Israel, which again erupted into open warfare on 5 June 1967, after the UN Emergency Force had on 19 May been withdrawn from the Egyptian-Israeli border at Egypt's demand; on 23 May, Egypt closed the Gulf of Aqaba to Israeli shipping. Israel quickly crippled the Egyptian air force and occupied the Gaza Strip and the Sinai to the Suez Canal, which was blocked and remained so until June 1975. A cease-fire was established on 8 June 1967. On 22 November 1967, the UN Security Council passed a resolution calling on Israel to withdraw from occupied Arab territories and for the recognition by the Arab states of Israel's right to independent existence within peaceful and secured frontiers. But neither side would agree to peace terms, and Israel continued to occupy the Gaza Strip and the Sinai. During the years after 1967, a "War of Attrition" was fought along the Canal with each side shelling the other and Israeli planes bombing Egyptian cities.

When Nasser died on 28 September 1970, his vice president, Anwar al-Sadat, became president. After a political crisis that resulted in the dismissal from office in May 1971 of 'Ali Sabri and other left-wing leaders who had been close to Nasser (they were subsequently convicted of treason), President Sadat firmly established his hold on the government and began to implement pragmatic economic and social policies. Beginning in July 1971 with the announcement of a 10-year development program, he quickly followed with the introduction in September of a permanent constitution and a series of financial measures designed to give more freedom to the banking system and to encourage investment of foreign and domestic capital. In a surprise move on 18 July 1972, Sadat ordered the expulsion of the 15,000 Soviet military advisers and 25,000 dependents who had come to Egypt after the 1967 war. After the ouster of the Russians, Egypt was able to improve relations with the United States, Europe, and the more conservative Arab states, which provided substantial financial assistance under the Khartoum Agreement to replace Suez Canal revenues (which had ceased when the Canal was closed by the 1967 war with Israel).

Frustrated in his ambition to recover the Sinai, President Sadat broke the 1967 cease-fire agreement on 6 October 1973 by attacking Israeli forces in the Sinai Peninsula; this assault was coordinated with a Syrian attack on Israeli forces occupying the Syrian Golan Heights. After initial successes, the Egyptian strike forces were defeated by the rapidly mobilized Israeli troops, who then crossed the Canal south of Isma'iliyah, destroyed Egypt's surface-to-air missile sites, and cut off the Egyptian 3d Army. A cease-fire that came into effect on 24 October left Egyptian troops in the Sinai and Israeli troops on the west bank of the Canal. A series of disengagement agreements negotiated by US Secretary of State Henry Kissinger left Egypt in full control of the Canal and established a

UN-supervised buffer zone in the Sinai between the Egyptian and Israeli forces. In November 1975, the Sinai oil fields at Abu Rudeis and Ra's Sudr were returned to Egypt.

President Sadat took a bold step toward establishing peace with Israel by going to Jerusalem in November 1977 and by receiving Israeli Prime Minister Menachem Begin at Isma'iliyah the following month. In September 1978, he entered into negotiations with Begin, mediated by US President Jimmy Carter, at Camp David, Md., where the two Middle East leaders agreed to a framework for a comprehensive settlement of the conflict. Following further negotiations, Sadat signed the Egyptian-Israeli Peace Treaty in Washington, DC, on 26 March 1979. The treaty provided for the staged withdrawal of Israeli forces from the Sinai, which was completed on schedule by 25 April 1982; set limits on forces and armaments for both sides; established a UN force to supervise the terms of the treaty; and called for full normalization of relations. However, the two nations were unable to agree on the question of autonomy for the Palestinians of the West Bank of the Jordan and in Gaza, as provided for in the Camp David framework. For their roles as peacemakers, Sadat and Begin were jointly awarded the 1978 Nobel Peace Prize. But other Arab leaders denounced the accords and sought to isolate Egypt within the Arab world.

Domestically, Sadat encouraged a shift from Nasser's socialism to greater free-market conditions and some political liberalization, one result of which was an upsurge of activity by religious extremists. In early September 1981, Sadat ordered the arrest of 1,536 Muslims, Christian Copts, leftists, and other persons accused of fomenting violent acts. One month later, on 6 October, Sadat was assassinated in Cairo by four Muslim fundamentalists. The vice president, Muhammad Hosni (Husni) Mubarak, who had been Sadat's closest adviser, succeeded him as president, instituted a state of emergency, and immediately pledged to continue Sadat's policies, particularly the terms of the peace treaty with Israel. Relations with Israel cooled during 1982, however, especially after Israeli troops moved into Lebanon. In 1986, renewed efforts at normalization of diplomatic relations with Israel led to the resolution in Egypt's favor of a dispute over Taba, a tiny sliver of land, which had not been returned with the rest of the Sinai.

As a result of Arab fears of an Iranian victory over Iraq in their eight-year war (1980–88), Egypt, which has the largest army in the Arab world as well as an important arms industry, was welcomed back into the Arab fold following the 'Ammān Arab summit conference in November 1987. Egypt quickly renewed diplomatic relations with a number of Arab states and in May 1989 ended its isolation by rejoining the Arab League, the headquarters of which returned to Cairo. Mubarak continued Sadat's policies of moderation and peacemaking abroad and gradual political liberalization and movement towards free market reforms at home. In July 1989, he became chairman of the Organization of African Unity for one year. In 1990, Egypt played a key role in the coalition to expel Iraq from Kuwait and in 1993 and 1994 was active in promoting the Israeli-Palestinian peace accord.

Mubarak was reelected president in 1987 and 1993. Parliamentary elections in 1987 were termed the fairest since 1952; 100 members of the opposition were elected to the 458-seat chamber. Opposition political forces, however, had become increasingly disenfranchised over the years and after Mubarak's third election, he conceded to their concerns and announced the government

would hold a National Dialogue to hear the grievances of any legal political party. Representatives of the Muslim Brotherhood, an illegal but tolerated political grouping with massive appeal, were not invited. Just before the meeting, the Nasserists and the New World Party announced they would not participate, essentially nullifying the work of the congress.

In 1995, legislative elections were again held, but, unlike the 1990 polling, the opposition parties announced they would not boycott these elections. The elections were held on 29 November and 6 December and the ruling National Democratic Party (NDP) won 316 seats, losing several but retaining a vast majority. Although independents won more than 100 seats, nearly all of them were in reality firmly allied with the NDP. In January 1996, Mubarak replaced the sitting prime minister, Dr. Alif Sidqi, with Kamal Ahmed al-Ganzouri.

The most serious opposition to the Mubarak government comes from outside the political system. Religious parties are banned and, as a consequence, Islamic militants have resorted to violence against the regime, singling out Christian Copts and posing a threat to tourism, a major source of foreign exchange earnings. Starting in the mid-1990s, security forces cracked down hard on the militants, resorting to authoritarian measures, including arbitrary arrest, imprisonment, and torture to subdue the movement. However, it continued to gather strength, fueled by discontent with poor economic conditions, political autocracy, corruption, secularism, and Egypt's ties with the United States and Israel. In November 1997, militants murdered over 70 persons at a popular tourist site in Luxor. It was alleged that Gamma Islamiyya, one of Egypt's Islamic groups, was responsible for the attacks. However, in 1998 and 1999 the number of violent incidents decreased, and the government began releasing some of the jailed members of Islamist groups, said to number 20,000 by that time.

In September 1999, weeks after surviving an assassination attempt, Mubarak was elected to a fourth six-year term as president, running unopposed. Political opponents and Western observers criticized the ruling NDP's refusal to open up the political system, one result of which, they said, would be to channel some of the political passion now given to outlawed Islamists into legal political parties, who could then use it to create a more open society—thus further marginalizing the extremists. However, the government refused to implement electoral reforms. In February 2003, the state of emergency first declared in 1981 was renewed for another three years by President Mubarak.

Following the 11 September 2001 terrorist attacks on the United States, the United States called upon all states to adopt counter-terrorism measures. The attacks on the United States gave Egypt a reason for increasing its restrictions on the Islamic opposition, including members of the Muslim Brotherhood and Gamaa Islamiyya. After 11 September, Egyptian authorities referred increasing numbers of cases of Islamic militants to military courts. One of the leaders of the attacks on the World Trade Center and the Pentagon, Muhammad Atta, was Egyptian, as is Ayman al-Zawahiri, the leader of Egyptian Islamic Jihad who is considered to be Osama bin Laden's second in command. The high-profile positions of these Egyptians in the al-Qaeda organization caused some to place increased scrutiny on Egypt's ability to control Islamic extremism.

Terrorist attacks on tourists and others continued into 2004 and

2005. In October 2004, bomb attacks targeted Israeli tourists on the Sinai peninsula; 34 people were killed. In April 2005, a suicide bomber killed three tourists in Cairo; later that month, another bomb attack in Cairo killed an Egyptian man. On 23 July 2005, nearly 90 people were killed in bomb attacks in the Red Sea resort of Sharm el-Sheikh.

In 2005 Egypt changed its constitution to allow the opposition to contest presidential elections. Potential candidates must meet strict criteria for participation, however, and religious parties remain banned. The Muslim Brotherhood—the only opposition organization with broad popular support—remains outlawed. In the presidential election held on 7 September 2005, Mubarak gained a fifth consecutive term as president. The election was the first under the new system whereby multiple candidates may stand. In previous elections, Egyptians voted yes or no for a single candidate chosen by parliament. In this election, all candidates were permitted to campaign freely and were given equal time on television. Mubarak faced nine opponents in the September election, although only two—Ayman Nour of the Tomorrow party, and Noaman Gomaa of the Wafd party—had any real following. Without monitors in place in most of the nearly 10,000 polling stations, Mubarak supporters engaged in various acts of voter intimidation. Other voting irregularities existed as well. The opposition to Mubarak came largely from a movement called "Kifaya" or "Enough." Kifaya supporters were permitted to protest without police intervention on the day of the election. Different groups affiliated with the Kifaya movement staged demonstrations for several months prior to the election.

In parliamentary elections held in November and December 2005, the Muslim Brotherhood won 34 seats, doubling the number of seats its members held in all of the last parliament, elected in 2000. Nevertheless, the Muslim Brotherhood's candidates run as independents, due to the outlaw status of the group. The Muslim Brotherhood solidified its position as the strongest opposition group in Egypt by winning an additional 42 seats in the second round of voting, and 12 in the third, to make a total of 88 seats in the new parliament. In total, the ruling NDP won 315 seats, noticeably fewer than the 388 it held in the outgoing parliament, but nonetheless still above the two-thirds majority necessary to control legislation. The elections were marred by clashes between voters and security forces, leaving 12 dead.

In April 2006 the parliament voted to extend the state of emergency, in place since 1981, until 2008.

### 13 GOVERNMENT

On 25 March 1964, President Nasser proclaimed an interim constitution; it remained in effect until a permanent constitution, drafted by the National Assembly, was approved by the electorate in a plebiscite on 11 September 1971. The 1971 constitution declares Egypt to be a democratic socialist state and an integral part of the Arab nation. The state of emergency, in effect since the Sadat assassination in 1981, and tough new antiterrorism laws against Islamists have given the government sweeping powers of repression, reminiscent of the Nasser era.

The president of the republic is the head of state and supreme commander of the armed forces. He appoints and retires as many vice presidents and cabinet members as he wishes; he also appoints the prime minister. In addition, he appoints and retires

civil, military, and diplomatic personnel in accordance with the law. The president's power to declare war and conclude treaties with foreign countries is subject to the approval of the People's Assembly, a unicameral legislative body consists of 444 elected and 10 appointed members serving five-year terms. A 264-member advisory body, the Shura Council, was formed in 1980. Until 2005, the People's Assembly nominated the president, who had to be confirmed by plebiscite for a six-year term. The constitution was amended by popular referendum in 1980 to permit Sadat to serve more than two terms. Vice President Mubarak, who became president upon Sadat's assassination, was confirmed in that office in national referendums in October 1981, 1987, 1993, and 1999.

An amendment passed by parliament in May 2005 and approved in a public referendum provides that the president is to be elected in direct public elections to be contested by more than one candidate. In the presidential election held in September 2005, Mubarak was opposed by nine candidates. Official results had Mubarak winning 88.5% of the vote, with voter turnout at 23%. Ayman Nour of the Tomorrow party, who came in second place, took 7.3% of the vote, and Noaman Gomaa of the Wafd party came in third with 2.8%.

Suffrage is universal at age 18.

### 14 POLITICAL PARTIES

Since the founding of the republic in 1953, the president and his army colleagues have dominated Egyptian politics. The Arab Socialist Union (ASU; founded by President Nasser as the Egyptian National Union in 1957) was the sole legal political party until 1976, when President Sadat allowed three minor parties to participate in parliamentary elections. In 1978, Sadat replaced the ASU with his own organization, the National Democratic Party (NDP), of which he became chairman. In elections held in June 1979, the NDP won 342 seats in the People's Assembly; the Socialist Labor Party (SLP), 29 seats; the Liberal Socialist Party, 3; and independents, 8. In 1980, however, Sadat denounced the SLP as the "agent of a foreign power," and 13 of the party's deputies defected either to join the NDP or to become independent members of the legislature, thus reducing the number of SLP seats to 16.

In January 1982, President Mubarak was elected without opposition as chairman of the NDP. In elections held in May 1984, the NDP won 390 seats in the National Assembly. The New Wafd (Delegation) Party, the middle class successor of the dominant party of the pre-Nasser period allied with the Muslim Brotherhood, won 58. In the 1987 Assembly elections, the ruling NDP again won about 70% of the vote. Seventeen percent voted for an alliance of Socialist Labor, Liberal Socialist and, under their banner (religious parties are banned), the Muslim Brotherhood; 11% voted for the New Wafd. Elections in 1990 drew only some 25% of eligible voters when the opposition boycotted the poll, charging unfair and undemocratic procedures.

In 1995, the opposition contested the elections, but to little effect. Balloting was held on 29 November and the NDP won a huge majority (317) of the body's 444 seats. Although independents won more than 100 seats, they are so closely allied with the NDP that nearly all of them joined the party after the elections. The New Wafd Party won 6 seats; the National Progressive Unionist Party won 5; the Socialists won 1; and the Nasserists won 1.

In elections for the National Assembly held in October and No-

vember 2000, the NDP took 353 of 444 elected seats. The New Wafd Party won 35; the New Delegation Party won 7; the National Progressive Unionist Party took 6; the Nasserists won 3; the Liberal Party took 1 seat; independents won 37 seats and 2 seats remained vacant.

Since the beginning of a campaign of terror against tourists and Egypt's Coptic minority, the government has clamped down on Islamist parties, notably the Muslim Brotherhood, which had always been technically illegal. The Mubarak regime has resorted to strict authoritarian measures and holds thousands of suspected Islamic militants in prison. In November and December 2005, the Muslim Brotherhood won a total of 88 seats in the parliamentary elections; the NDP took 315 seats. Non-Muslim Brotherhood-affiliated parties took 14 seats, including the neo-liberal Wafd Party, traditionally recognized as Egypt's largest opposition party. The rest of the seats were won by independents.

## 15 LOCAL GOVERNMENT

Egypt traditionally has been divided into two regions: Lower Egypt (Wagh al-Bahari), north of Cairo, and Upper Egypt (As-Sa'id), south of the capital. Under the local government system established in 1960, Egypt is organized into 26 governorates, each headed by an appointed governor. The governorates are responsible for social, health, welfare, and educational services and for the social and economic development of their region. They are also required to supervise the city and village councils, which are constituted in a similar manner. Real authority resides in Cairo in a highly centralized regime, heavily burdened by bureaucracy. Since 1994, village mayors, who were previously elected, have been appointed by the Ministry of the Interior.

## 16 JUDICIAL SYSTEM

The judicial system is based on English common law, Islamic law, and Napoleonic codes subject to judicial review by the Supreme Court and the Council of State, which oversees the validity of administrative decisions. A tension exists between civil law derived from France and competition from promoters of Islamic law. Islamic activists succeeded in amending the constitution to state that Shariah (Islamic) law is in principle the sole source of legislation. However, Shariah applies primarily to Muslims with regard to family, personal status, and inheritance matters, and non-Muslims have been allowed to maintain separate legislation in all matters except inheritance. Egypt accepts compulsory International Court of Justice (ICJ) jurisdiction, with reservations.

Simple police offenses, misdemeanors, and civil cases involving small amounts are subject to the jurisdiction of single-judge summary tribunals. The trial courts of the central tribunals, consisting of three justices each, sit in cases exceeding the jurisdiction of summary courts and also consider appeals. Traffic in narcotics and press offenses, considered serious crimes, are tried by the courts of appeals of the central tribunals in the first instance, sitting as assize courts. There are seven courts of appeals—at Cairo, Alexandria, Tantā, Al-Manṣurah, Asyut, Bani-Souef, and Ismailia—which sit in chambers of three judges. The highest tribunal is the Court of Cassation, composed of 30 justices, which sits in panels of at least 5 justices.

The 1971 constitution declares that the judiciary is independent of other state powers and that judges are independent and

not subject to enforced retirement. The Supreme Constitutional Court is responsible for enforcing adherence to laws and regulations and for interpreting legislation and the constitution. The Office of the Socialist Public Prosecutor is responsible to the People's Assembly for the security of the people's rights, the integrity of the political system, and other matters.

The president appoints all civilian judges, from nominations by the Supreme Judicial Council, a body designed to assure the independence of the judiciary and composed of senior judges, lawyers, law professors, and the president of the Court of Cassation. Judges are appointed for life, with mandatory retirement at age 64. The judiciary has demonstrated a good degree of independence from the executive branch.

The state of emergency in place since 1981 after the assassination of President Anwar Sadat led to detention without due process for many persons. Emergency security courts try suspected terrorists whose only recourse upon conviction is an appeal for clemency to the president or prime minister.

## 17 ARMED FORCES

Total active armed forces in Egypt numbered 468,500 in 2005. There were also 497,000 reservists divided among all services. The Army had 340,000 active personnel, equipped with 3,855 main battle tanks, 412 reconnaissance vehicles, 520 armored infantry fighting vehicles, 4,750 armored personnel carriers and 4,348 artillery pieces. The Egyptian Air Force in 2005 had 30,000 active personnel, which were equipped with 572 combat capable aircraft, including 218 fighters, 223 fighter ground attack aircraft and 115 attack helicopters. The Air Defense Command is a separate service. As of 2005, active personnel numbered 80,000. Equipment included both missile and gun-based air defense batteries. The Egyptian Navy had an estimated 18,500 active personnel, including 2,000 coast guard personnel. Major naval units included four tactical submarines, one destroyer, 10 frigates, 48 patrol/coastal vessels and 15 mine warfare ships. Egypt's paramilitary forces were estimated at 330,000 active members, including a national guard of 60,000, a central security force of 325,000, and 12,000 border guards. Egypt's defense budget in 2005 was \$2.5 billion.

## 18 INTERNATIONAL COOPERATION

Egypt joined the United Nations as a charter member on 24 October 1945 and participates in ECA, ESCWA, and all the nonregional specialized agencies. The country is a member of the WTO. It belongs to the African Development Bank, the Arab Monetary Fund, COMESA, G-15, G-24, G-77, the Organization of the Islamic Conference (OIC), the Council of Arab Economic Unity, the New Partnership for Africa's Development (NEPAD), the Community of Sahel and Saharan States (CENSAD), and the African Union (AU). It is also a member in OAPEC, a permanent observer at the OAS, and a partner in the OSCE.

Between 1958 and 1973, Egypt made several attempts to establish united or federated states with its Arab neighbors. Egypt and Syria formed the United Arab Republic from February 1958 to September 1961, when Syria broke away; the United Arab States, consisting of Egypt, Syria, and Yemen, survived formally from March 1958 through December 1961, although never a political reality; and a federation between Egypt, Syria, and Iraq, officially established in April 1963, was never implemented. On 1 January

1972, Egypt, Syria, and Libya established the Federation of Arab Republics, but to little practical effect. A formal merger attempt between Egypt and Libya, nominally consummated on 1 September 1973, dissolved in practice when relations between the two countries soured. Egypt became the first Arab state to normalize relations with Israel following the conclusion of the 1979 peace treaty. As a result of this act, however, Egypt's membership in the League of Arab States was suspended; Egypt did not rejoin the League until 1989. Arab League headquarters are in Cairo. Egypt plays a key role in the peace process between Israel and the Palestinian Authority. Egypt is part of the Nonaligned Movement and a member of the Permanent Court of Arbitration.

In environmental cooperation, Egypt is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, International tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The Egyptian economy has been historically agricultural, with cotton as the mainstay. Land prices are extremely high because of the shortage of arable land, and output of food is not sufficient to meet the needs of a 1.9% population growth rate over the 2001–05 period. Although Egypt has expanded its private sector in recent years, industry remains centrally controlled and for the most part government owned; since the 1950s, the government has developed the petroleum, services, and construction sectors, largely at the expense of agriculture.

Egypt's significant economic growth rate from 1975 to 1981, made possible in large measure through foreign aid and credits, had declined to about 5% by 1986. Revenues for 1985–86 from petroleum exports, Suez Canal traffic, tourism, and remittances from Egyptians working abroad—all mainstays of the Egyptian economy—were eroded in the wake of sharp declines in international oil prices and developments in the Iran-Iraq war. The inflation rate grew from less than 5% annually in the 1960s to nearly 23% by 1986, reflecting worldwide price increases and the government's deficit spending. Egypt's economic position was strengthened when the Gulf states and the United States rewarded the Egyptians for their role in forming the Arab anti-Iraq coalition, reducing external debt to about \$40 billion in 1990.

In the early 1990s, the collapse of world oil prices and an increasingly heavy debt burden led Egypt into negotiations with the IMF for balance-of-payments support. As a condition of the support, Egypt embarked on a comprehensive economic reform and structural adjustment program, under the aegis of the IMF and the World Bank. Egypt succeeded in stabilizing the macroeconomic fundamentals necessary for sustained economic growth: the budget deficit was around 1.3% of GDP, and the inflation rate held steady at 3.8% in 1999. However, progress toward privatizing and streamlining the public sector and liberalizing trade policy was slow. Consequently, despite the improvements, the economy has not experienced the economic growth necessary to reduce unemployment (around 10.9% in 2004, but unofficial estimates are more than twice that figure) and generate the targeted 6–7% growth rates in the GDP (GDP growth averaged 3% over the 2001–05 period). The inflation rate over the 2001–05 period averaged 5.2%,

and the budget deficit had reached 6.2% of GDP in 2003.

Remittances from Egyptians working abroad have aided the Egyptian economy. Reform legislation in the areas of intellectual property rights, mortgage laws, and legislation developing banking and capital markets have made the business climate more favorable to investment. A more economically liberal cabinet was appointed in mid-2004, which announced far-reaching plans for economic reform. In September of that year, Egypt pushed through custom reforms, proposed income and corporate tax reforms, reduced energy subsidies, and privatized several enterprises. The tourism sector feared a downturn in tourist numbers when Islamic terrorists attacked resorts in the Sinai Peninsula in 2004 and 2005, but the industry performed better than expected. The development of an export market for natural gas is something for which Egypt strives, but improvement in the capital-intensive hydrocarbons sector does not ameliorate Egypt's chronic unemployment problem.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Egypt's gross domestic product (GDP) was estimated at \$337.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$4,400. The annual growth rate of GDP was estimated at 4.5%. The average inflation rate in 2005 was 5.4%. It was estimated that agriculture accounted for 15% of GDP, industry 36.7%, and services 48.4%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$2.961 billion or about \$44 per capita and accounted for approximately 3.6% of GDP. Foreign aid receipts amounted to \$894 million or about \$13 per capita and accounted for approximately 1.1% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Egypt totaled \$59.55 billion or about \$881 per capita based on a GDP of \$82.4 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.2%. In 2001 it was estimated that approximately 44% of household consumption was spent on food, 7% on fuel, 3% on health care, and 17% on education. It was estimated that in 2000 about 16.7% of the population had incomes below the poverty line.

## 21 LABOR

Egypt's civilian labor force increased from 14.8 million in 1990 to 16.8 million in 1994, to an estimated 21.34 million in 2005. In 2002, agriculture accounted for 27.5% of the workforce, with 51.9% in services, and 20.6% in industry. Unemployment was estimated at 10% in 2005.

Egyptian workers obtained the legal right to organize trade unions in 1942. However, private sector unions remain the exception, rather than the rule. In 2005, there were 23 trade unions, all of which were required to be members of the Egyptian Trade Union Federation (ETUF). The ETUF in 2005 had four million



members. Approximately 25% of the Egyptian workforce were union members and were employed at state-owned companies. Collective bargaining is permitted, but is handled through a labor consultative council that includes employer, worker and government representatives. Strikes are prohibited while these procedures are in effect. So-called "wildcat strikes" are prohibited. The government sets wages, benefits and job classifications for government and other public sector employees. In the private sector, employee compensation is set according to the country's laws on minimum wages.

For children in the nonagricultural sector, the law sets the minimum working age at 14 or at the age when basic schooling is completed (which is 15), whichever is higher. In addition, minors under the age of 18 are legally limited to the type of work and the conditions under which it is performed. However, child labor remains a problem. In 2005, an estimated two million children were working. The minimum wage for public-sector employees differed among sectors. The maximum number of hours that can be worked was 48 hours per week. Overtime rates of pay begin at 36 hours, with an extra differential rate for daytime and nighttime hours. Minimum rates, in conjunction with a series of bonuses and other benefits generally triples the amount, thus offering a worker and a family with a decent living standard. Enforcement of health and safety regulations is sporadic.

## 22 AGRICULTURE

During the 1970s, despite substantial investment in land reclamation, agriculture lost its position as the dominant economic sector. Agricultural exports, which accounted for 87% of all merchandise export value in 1960, fell to 35% in 1974 and to 13% by 2004. In 2003, agriculture accounted for 16% of GDP and 34% of employment.

Cotton has been the staple crop, but it is no longer important as an export. Production in 1999 was 243,000 tons. Egypt is also a substantial producer of wheat, corn, sugarcane, fruit and vegetables, fodder, and rice; substantial quantities of wheat are also imported despite increases in yield since 1970, and significant quantities of rice are exported. Citrus, dates, and grapes are the principal fruits by acreage. Agricultural output in tons in 2004 included corn, 5,800,000; wheat, 7,199,000; rice, 6,150,000; potatoes, 1,950,000; and oranges, 1,750,000. The government exercises a substantial degree of control over agriculture, not only to ensure the best use of irrigation water but also to limit the planting of cotton in favor of food grains. However, the government's ability to achieve this objective is limited by crop rotational constraints.

Egypt's arable area totals about 3.4 million hectares (8.4 million acres), about one-quarter of which is land reclaimed from the desert. However, the reclaimed lands only add 7% to the total value of agricultural production. Even though only 3% of the land is arable, it is extremely productive and can be cropped two or even three times per year. Most land is cropped at least twice a year, but agricultural productivity is limited by salinity, which afflicts an estimated 35% of cultivated land, and drainage problems.

Irrigation plays a major role in a country the very livelihood of which depends upon a single river; 99.9% of the arable land is irrigated. Most ambitious of all the irrigation projects is that of the Aswan High Dam, completed in 1971. A report published in March 1975 by the National Council for Production and Eco-

nomics indicated that the dam was successful in controlling floodwaters and ensuring continuous water supplies, but that water consumption had been excessive and would have to be controlled. Some valuable land was lost below the dam because the flow of Nile silt was stopped, and increased salinity remains a problem. Further, five years of drought in the Ethiopian highlands—the source of the Nile River's water—caused the water level of Lake Nasser, the Aswan High Dam's reservoir, to drop to the lowest level ever in 1987. In 1996, however, the level of water behind the High Dam and in Lake Nasser reached the highest level since the completion of the dam. Despite this unusual abundance of water supply, Egypt can only utilize 55.5 billion cu m (1.96 trillion cu ft) annually, according to the Nile Basin Agreement signed in 1959 between Egypt and Sudan. Another spectacular project designed to address the water scarcity problem is the New Valley (the "second Nile"), aimed at development of the large artesian water supplies underlying the oases of the Western Desert. Total investment in agriculture and land reclamation for the government's Third Plan (1993–1997) was £16,963 million.

The agrarian reform law of 1952 provided that no one might hold more than 190 feddans for farming and that each landholder must either farm the land himself or rent it under specified conditions. Up to 95 additional feddans might be held if the owner had children, and additional land had to be sold to the government. In 1961, the upper limit of landholding was reduced to 100 feddans, and no person was allowed to lease more than 50 feddans (1 feddan = 0.42 hectares). Compensation to the former owners was in bonds bearing a low rate of interest, redeemable within 40 years. A law enacted in 1969 reduced landholdings by one person to 50 feddans. By the mid-1980s, 90% of all land titles were for holdings of less than five feddans, and about 300,000 families, or 8% of the rural population, had received land under the agrarian reform program. According to a 1990 agricultural census, there were some three million small land holdings, almost 96% of which were under five feddans (2.1 hectares/5.2 acres). Since the late 1980s, many reforms attempting to deregulate agriculture by liberalizing input and output prices and by eliminating crop area controls have been initiated. As a result, the gap between world and domestic prices for Egyptian agricultural commodities has been closed.

The government plans massive irrigation and development projects to create new communities to alleviate population intensity in the valley, with the objective of increasing the percentage of populated areas from 5.3% to 25% of Egypt's total area. These projects are centralized in southern Egypt, by the Suez Canal, and Sinai. The government plans to create a new delta in the south of the Western Desert parallel to the Nile, adding 540,000 feddans (1,134,000 hectares/2,802,000 acres) to the cultivated area, to be irrigated by the Nile's water.

## 23 ANIMAL HUSBANDRY

Because of the very intensive cultivation of the soil, little land is available for animal husbandry, but efforts were made in the 1980s to increase the output of fodder per land unit and the productivity of livestock raising. In 2005, the estimated livestock population included 95,000,000 chickens, 3,960,000 goats, 5,150,000 sheep, 3,920,000 head of buffalo, 4,500,000 head of cattle, and 30,000

hogs. Livestock products in that year included 2,300,000 tons of cow milk, 1,433,000 tons of meat, and 240,000 tons of eggs.

## 24 FISHING

Fishing is concentrated in the Nile Delta and River and in the Mediterranean and Red seas. The catch of sea fish amounted to 160,319,174 tons in 2003. The inland catch was 715,074 tons. Mullet and eels are caught in the Delta and sardines in the Mediterranean. Egypt's production from aquaculture amounted to 445,181 tons. Total fish production from capture and aquaculture was 875,990 tons in 2003. There is a small-scale freezing and canning industry. Nevertheless, Egypt has been a net importer of fish. In the early 1980s, new fish-farming facilities were established at Maryut in the Delta.

## 25 FORESTRY

There are no forests in Egypt. In 2003, Egypt imported \$791.2 million in forest products. The construction and furniture-making industries rely on wood imports. Furniture production engages about 40,000 persons and is concentrated in the Damietta Governorate in the northern part of the Nile Delta. Softwood products come mostly from Russia, Sweden, and Finland; hardwood products from Romania, Croatia, and Bosnia.

## 26 MINING

In recent decades, crude oil, natural gas, and petroleum products have dominated Egypt's mineral industry. However Egypt is also a producer of ferroalloys, gold, iron ore, primary aluminum, steel, secondary copper, lead and zinc, and construction materials such as clay, gypsum, gemstones, dimension stone and raw materials to make glass. Among nonfuel minerals, phosphate rock (around the Red Sea, along the Nile, and in the Western Desert) and iron ore were the most important in terms of value and ore grade. In 2003 Egypt also produced manganese ore, titanium, ilmenite, asbestos, barite, cement, bentonite, fire clay, kaolin, crude feldspar, fluor-spar, gypsum and anhydrite, lime, nitrogen, salt, soda ash, sodium sulfate, basalt, dolomite, granite, dimension stone, gravel, limestone, marble blocks (including alabaster), glass sand, construction sand, talc, soapstone, pyrophyllite, and vermiculite, and there were occurrences of gold, ocher, sulfate of magnesia, and nitrate of soda. The government was engaged in efforts to partially privatize mining and metal assets. Although mineral resources have been exploited in Egypt since antiquity, including gemstones and zinc, some regions of the country remained geologically unexplored. Extraction of limestone, clay, and gypsum during World War II rose in response to the Allied armies' urgent demand.

In 2003, Egypt produced 1.5 million metric tons of phosphate rock, unchanged from 2002, but up from 972,000 metric tons in 2001. Output of iron ore and concentrate was 2.5 million metric tons in 2003, unchanged since 2001. Development of an iron ore mine and steel plant near Aswan ceased in 2000 when the government charged the promoters with misappropriating public funds. Higher-quality deposits were being exploited in the Western Desert. Gold and copper deposits were not of sufficient grade to justify profitable extraction.

## 27 ENERGY AND POWER

Egypt is an important non-OPEC energy producer. (OPEC is the Organization of the Petroleum Exporting Countries.) Commercial quantities of oil were first found in 1908, and more petroleum was found in the late 1930s along the Gulf of Suez. Later, large oil fields were discovered in the Sinai Peninsula, the Gulf of Suez, the Western Desert, and the Eastern Desert. The Abu Rudeis and Ra's Sudr oil fields in the Sinai, captured by Israel in 1967, were returned to Egyptian control in November 1975, and the remaining Sinai oil fields reverted to Egyptian control by the end of April 1982. Egypt's proven crude oil reserves were estimated at 3.7 billion barrels as of 1 January 2005. Oil production in 2004 was estimated at 698,000 barrels per day, (down from 922,000 barrels per day in 1996), of which crude oil accounted for 594,000 barrels per day. Approximately 50% of Egypt's oil production comes from the Gulf of Suez, with the Western Desert, Eastern Desert, and the Sinai Peninsula as country's three other primary producing areas. Domestic consumption was estimated at 564,000 barrels per day in 2004. Net oil exports in that same year were estimated at 134,000 barrels per day. The Suez Canal and the 322-km (200-mi) Sumed Pipeline from the Gulf of Suez to the Mediterranean Sea are two routes for oil from the Persian Gulf, which makes Egypt a strategic point of interest in world energy markets. Although the Suez Canal Authority (SCA) has deepened the canal so that it can accommodate the largest bulk freight carriers, the canal was scheduled to be deepened a further 20 m (66 ft) by the end of 2006 to accommodate very large crude carriers (VLCCs).

Egypt operates nine refineries that are capable of processing crude oil at an estimated rate of 726,250 barrels per day, as of 1 January 2005. The largest refinery is the El-Nasr facility located at Suez. It is able to process 146,300 barrels per day.

Major discoveries in the 1990s have given natural gas increasing importance as an energy source. According to data from Egypt's Ministry of Petroleum, the country's reserves of natural gas are estimated at 66 trillion cu ft, as of 1 January 2005, but probable reserves have been placed at or more than 120 trillion cu ft. Since the early 1990s, significant deposits of natural gas have been found in the Western Desert, in the Nile Delta and offshore from the Nile Delta. Domestic consumption of natural gas has also risen as a result of thermal power plants converting from oil to natural gas. As of 2002, Egypt's production and consumption of natural gas are each estimated at 941 billion cu ft.

The Egyptian electric power system is almost entirely integrated, with thermal stations in Cairo and Alexandria and generators at Aswan. In 2002, output was estimated at 81.3 billion kWh, of which nearly 85% was from fossil fuels and 15% was from hydropower (mostly from the Aswan High Dam). In the same year, consumption of electricity totaled 75.719 billion kWh. Total installed capacity was estimated at 17.6 million kW, as of 1 January 2002.

A \$239 million electricity network link with Jordan was completed in 1998. In late 2002 Egypt announced that it would coordinate a regional energy distribution center to coordinate energy distribution among the nations of the region, including Egypt, Jordan, Syria, Lebanon, Iraq, Libya, Tunisia, Algeria, and Morocco.

## 28 INDUSTRY

Egypt at the time of the 1952 revolution was much further advanced industrially than any other Arab country or indeed any country in Africa except South Africa. Under the socialist Nasser administration, the government coordinated industrial expansion and the establishment of an industrial base. As a result, bureaucracy and a dependence on political directives from the government became common to Egyptian industry. Since the early 1990s the government has promoted privatization as a way to eventually increase industrial output.

Industry accounted for 33% of GDP in 2004, and employed 17% of the labor force. The industrial production growth rate in 2004 was 2.5%. Major industrial products included textiles, chemicals (including fertilizers, polymers, and petrochemicals), pharmaceuticals, food processing, petroleum, construction, cement, metals, and light consumer goods. The clothing and textiles sector is the largest industrial employer.

Greater Cairo, Alexandria, and Helwan are Egypt's main industrial centers, producing iron and steel, textiles, refined petroleum products, plastics, building materials, electronics, paper, trucks and automobiles, and chemicals. The Helwan iron and steel plant, 29 km (18 mi) south of Cairo, using imported coke, processes iron ore mined near Aswan into sheets, bars, billets, plates, and blooms.

The petroleum industry accounts for approximately 40% of export earnings. Egypt is encouraging oil exploration, but natural gas is becoming the focus of the country's oil and gas industries. In 2005, the country's first liquefied gas export terminal began operations. A large natural gas field off the Mediterranean coast of the Egyptian city of Damietta was discovered in 2002. Natural gas reserves in the country were estimated at 66 trillion cubic feet (Tcf) in 2005, based on new finds.

Egypt's industrial sector has undergone major reforms since World Bank adjustment programs went into effect during 1991, privatizing and restructuring state owned enterprises. Some of the companies in important non-oil industries are technically in the private sector, but control still remains with the government.

## 29 SCIENCE AND TECHNOLOGY

Founded in 1971, the Academy of Scientific Research and Technology in Cairo is the national body responsible for science and technology. Egypt also has 12 specialized learned societies in the fields of agriculture, medicine, science, and technology. The National Research Center, also in Cairo, carries out research in pure and applied sciences. The Ministry of Agriculture has 20 attached research institutes in Cairo and Giza. Twenty other institutes conduct research in medicine, science, and technology.

In 2000, (the latest year for which the following data is available) research and development (R&D) expenditures totaled \$438.522 million or 0.19% of GDP. In 2002, high technology exports totaled \$13 million, or 1% of manufactured exports. For the period 1990-01 there were 366 technicians and 493 researchers per million people actively engaged in R&D.

Located in Cairo are museums devoted to agriculture, geology, railways, and marine technology. In addition to polytechnic institutes in Cairo and Mansoura, Egypt in 1996 had 13 universities offering courses in basic and applied sciences. In 1987-97, science

and engineering students accounted for 12% of college and university enrollments.

## 30 DOMESTIC TRADE

Cairo and Alexandria are the most important commercial centers. Virtually all importers, exporters, and wholesalers have offices in one or both of these cities. Egypt's retail trade is dominated by a large number of small privately-owned shops and vendors. Government cooperatives with hundreds of outlets also combine wholesale and retail activities. The principal retail centers have general and specialized stores as well as large bazaars. Smaller bazaars and open markets are found in the towns and villages. There are large wholesaling markets for meat and produce in Cairo, Alexandria, and Mansoura. The franchising of fast food restaurants and retail chains continues to grow quickly, with both American- and Egyptian-based companies holding franchises.

Though most farms are privately owned, manufacturing is largely controlled by the public sector. Domestic industries include textiles (especially in cotton), food processing, and vehicle assembly. In 2001, about 51% of the work force was employed in the service sector, which also accounts for about 50% of GDP.

Government hours are 8 AM to 2 PM, Saturday to Wednesday. Business hours vary widely. Typically, a business schedule in summer would be 8 AM to 2 PM; in the winter, from 9 AM to 1 PM and from 5 to 7 PM, Saturday through Wednesday. Friday is the Muslim holy day, and most people do not work on Thursdays. While the official language is Arabic, commercial firms frequently employ English or French for business correspondence. Haggling or in Arabic, *momarsa* (auction), is a standard business process for determining a fair price for goods and services in Egypt. The Cairo International Trade Fair, held every spring, has been an important promotional event for a number of years.

## 31 FOREIGN TRADE

Before 1973, when Egypt was linked to the then-Soviet Union, 55% of its exports went to Soviet bloc countries, which supplied 30% of its imports. In 1999, the EU countries were the market for about 35% of Egypt's exports, and provided Egypt with 36% of its imports. The US provided some 14% of Egypt's imports and re-

### Principal Trading Partners – Egypt (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	6,160.7	10,892.7	-4,732.0
Italy-San Marino-Holy See	757.7	537.8	219.9
Bunkers, ship stores	566.7	...	566.7
United States	520.9	1,272.9	-752.0
India	465.0	146.6	318.4
Free zones	384.9	1,529.7	-1,144.8
Spain	287.9	127.5	160.4
Netherlands	228.0	178.9	49.1
Saudi Arabia	185.3	252.8	-67.5
France-Monaco	166.5	448.7	-282.2
United Kingdom	147.0	262.4	-115.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

ceived over 12% of its exports. Trade with Libya and Saudi Arabia has increased in recent years. Petroleum replaced cotton and cotton products as Egypt's principal export in 1976. Fuel exports accounted for 37% of Egypt's estimated \$3.5 billion in merchandise exports in 1999. Other exports included textile yarn and cotton (7%), and fabric, and finished garments (7.9%).

In 2004, Egypt's major exports were: finished products (38.4% of all exports); petroleum and petroleum products (38.3%); semifinished products (7.1%); and cotton, textiles, and garments (4.1%). Major imports were intermediate goods (29.5% of all imports); investment goods (22%); petroleum and petroleum products (14.1%); and consumer goods (durables and nondurables, 14%).

Egypt's leading markets in 2004 were: the United States (35.7% of all exports); the EU (34.6%); Arab countries (12.3%); and Asia (8.7%). Leading suppliers that year were: the EU (30.5% of all imports); the United States (23.5%); Asia (14.7%); and Arab countries (7.9%).

### 32 BALANCE OF PAYMENTS

Structural reforms instituted in the early 1990s have helped Egypt to slowly try to take care of its debt. Total outstanding debt stood at \$33.75 billion in 2004. However, Egypt's annual trade deficit has increased steadily during the late 1990s and early 2000s. The structural trade deficit stood at \$9.3 billion in 2004. Merchandise exports, which continue to be dominated by oil, rose strongly to \$12.3 billion in 2004, from \$9 billion in 2003. However, imports soared by more than 40% to \$21.6 billion. The wider trade deficit was offset by a considerable strengthening of the services (fueled by tourism and Suez Canal revenues) and current transfers surpluses, leaving the current-account surplus little changed at 4.7% of GDP. The current-account surplus averaged 2.8% of GDP over the 2001–05 period.

The government has attempted in recent years to improve the balance of payments situation through monetary and foreign ex-

change policies that have kept interest rates high and made access to credit and foreign exchange for imports difficult. These policies, while improving the balance of payments situation, have had an overall negative impact on economic growth and the country's ability to encourage foreign investment.

### 33 BANKING AND SECURITIES

The National Bank of Egypt, founded in 1898, had as a private institution the exclusive right to issue currency and act as the government's banker. In January 1961, although permitted to retain its commercial banking business, it was divested of its central banking function, which was given to the newly established Central Bank of Egypt. In 1957, when foreign banks refused to finance Egypt's cotton crop after the Suez Canal was nationalized, the government took over foreign banks and insurance companies. By the end of 1962, all banks had been nationalized. The number of registered banks dwindled to only four by 1971.

As of 1999, there were 69 banks operating in Egypt: 4 state-owned commercial banks; 29 commercial banks; 33 investment banks, and 7 specialized banks; including 20 foreign bank branches. The four state-owned commercial banks—the National Bank of Egypt, the Bank of Alexandria, the Banque du Caire, and the Banque Misr—dominate the sector due to their size in terms of assets, deposit base, and branches (an average of 200 branches each), accounting for 55% of the banking system's total assets. The Central Bank of Egypt supervises all banks in Egypt except for Misr African International Bank, the Arab International Bank, and the Egypt Export Development Bank. The national stronghold on the system becomes apparent when the public-sector banks' shares in joint-venture banks are taken into account, which reveals the big four to be holders of over 90% of the total assets of commercial banks. The dominance of the public sector is heightened if the National Investment Bank (NIB) is included. Holding the long-term resources mobilized by the social security system, the NIB possesses roughly 25% of total bank deposits. Private sector ownership accounted for less than 30% of the banking sector in 2002, while the total assets of Egypt's banks in the same year amounted to \$72 billion.

In 1975, the public sector was allowed to perform transactions freely with all banks, which became largely free to exercise all banking functions. The government's "open door" policy toward banking permitted international banks of good standing to establish branches in Egypt and exempted those banks from regulations governing the control of foreign exchange. In 1991, foreign exchange rates were liberalized. In 1992 and 1993, laws were passed allowing foreign bank branches to deal in Egyptian currency. In order to bring the Egyptian banking sector into line with international banking norms, banking law 155 of 1998 established a legal basis for the privatization of the four public-sector banks, but by 2002 this process was just getting started.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$14.9 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$65.8 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 11%.

Egyptians habitually have invested their funds in real estate, in

#### Balance of Payments – Egypt (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>3,743.0</b>
Balance on goods	-4,201.0	
Imports	-13,189.0	
Exports	8,987.0	
Balance on services	4,599.0	
Balance on income	-254.0	
Current transfers	3,599.0	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-5,725.0</b>
Direct investment abroad	-21.0	
Direct investment in Egypt	237.0	
Portfolio investment assets	-25.0	
Portfolio investment liabilities	-18.0	
Financial derivatives	...	
Other investment assets	-4,651.0	
Other investment liabilities	-1,248.0	
<b>Net Errors and Omissions</b>		<b>1,575.0</b>
<b>Reserves and Related Items</b>		<b>407.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

foreign countries, or in gold. In June 1992, a comprehensive Capital Markets Law was passed, sparking a revival of the Cairo and Alexandria exchanges that had been dormant since 1961 nationalization. In 1994, Egypt had one of the world's best-performing stock markets, but the primary stock market remained thin. Most investors preferred to establish closed companies and to resort to bank loans. Stock trading in the secondary market was also limited. Nevertheless, Egypt's first corporate bond since 1951, issued by the German-Egyptian Hoechst Orient in May 1994, was almost three times oversubscribed. In 2004, the Egyptian stock market's capitalization totaled \$38.516 billion. In that same year, a combined total of 792 companies were listed on the Cairo and Alexandria Stock Exchanges. Trading volume (by value) in 2004 totaled \$5.608 billion, up from \$3.278 billion in 2003.

### 34 INSURANCE

Until the 1950s, insurance companies operating in Egypt were mostly branches of foreign institutions. In July 1961, Egypt promulgated laws nationalizing all insurance companies. From 1996, the insurance market was dominated by four public-sector insurance companies (one of which was a re-insurance company), although three private-sector companies existed. Two joint ventures with foreign firms operated in the free zones. The domestic insurance market was closed to foreign companies, although they were able to operate as minority partners in Egypt's eight free zones.

As part of its IMF agreement, the government pushed a new, if still restrictive, insurance law through the People's Assembly in early May 1995. This allowed foreign access to the domestic market on condition that the foreign company owned no more than a 49% stake in the insurance company, that the manager of the company was Egyptian, and that the company met the capitalization requirement of \$9 million. By 1998, the Egyptian parliament had passed a law allowing 100% ownership by foreign insurance companies, and complete privatization of public-sector insurance companies, but little progress has been made towards these goals. In 1999, there were 12 national insurance companies practicing in Egypt, and by 2003 there was \$566 million in direct insurance premiums written, with nonlife premiums accounting for \$386 million. Misr was the country's top nonlife insurer, with gross nonlife written premiums of \$139.2 million in 2003. Al Chark was the top life insurer in that same year, with gross life premiums written of \$55.2 million.

### 35 PUBLIC FINANCE

The US Central Intelligence Agency (CIA) estimated that in 2005 Egypt's central government took in revenues of approximately \$18 billion and had expenditures of \$24.5 billion. Revenues minus expenditures totaled approximately -\$6.5 billion. Public debt in 2005 amounted to 93.6% of GDP. Total external debt was \$28.95 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, budgetary central government revenues were ££77,773 million and expenditures were ££100,739 million. The value of revenues in US dollars was us\$17,283 million and expenditures \$22,386 million, based on a market exchange rate for 2002 of us\$ = ££4.5000 as reported by the IMF. Government outlays by function were as follows: general public services, 35.7%; defense, 10.1%; public order and safety,

5.7%; economic affairs, 9.8%; housing and community amenities, 4.0%; health, 4.9%; recreation, culture, and religion, 9.6%; education, 19.2%; and social protection, 0.9%.

### 36 TAXATION

As of 2005, Egypt's standard corporate tax rate was 40%, although there was a reduced rate of 32% for industrial companies, and profits made through export operations. Branches of foreign companies are treated the same as domestic companies. Oil production and prospecting companies are subject to a 40.55% tax on their profits.

Personal income tax is assessed according to a progressive schedule with a top rate of 40%.

The main indirect tax is the general sales tax (GST), set at 10% for most products, and 25% on a few others. Services are taxed at lower rates of 5% and 10%. There are also stamp duties that range from ranging from ££100 to ££600 (roughly, \$15 to \$100).

### 37 CUSTOMS AND DUTIES

Customs duties in Egypt serve not merely for protection but also for revenue. Under-invoicing is common, prompting customs officials to add 10–30% of invoice value to calculate the true value. In September 2004, Egypt's president issued a decree that reduced administrative fees and tariffs on imported goods. Generally, primary foodstuffs and raw materials were subject to a 2% ad valorem duty, followed by a 5% duty on capital goods, a 12% duty on intermediate goods, a 22% duty on nondurable consumer goods, a 32% duty on nondurable consumer goods, a 32% duty on semi-durable consumer goods, and a 40% duty on durable consumer goods. In addition, customs fees and tariffs on information technology machines, spare parts and equipment have been. However, items such as alcoholic beverages, tobacco and automobiles with engines larger than 2000 cc are subject to higher rates. Egypt assesses a 2% or 4% service fee on imports (depending on the cus-

#### Public Finance – Egypt (2002)

(In millions of pounds, budgetary central government figures)

<b>Revenue and Grants</b>	<b>77,773</b>	<b>100.0%</b>
Tax revenue	51,726	66.5%
Social contributions	...	...
Grants	3,713	4.8%
Other revenue	22,334	28.7%
<b>Expenditures</b>	<b>100,739</b>	<b>100.0%</b>
General public services	36,014	35.7%
Defense	10,218	10.1%
Public order and safety	5,759	5.7%
Economic affairs	9,862	9.8%
Environmental protection	...	...
Housing and community amenities	4,068	4.0%
Health	4,915	4.9%
Recreational, culture, and religion	9,709	9.6%
Education	19,305	19.2%
Social protection	889	0.9%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

toms duty assigned to the commodity) and a 5–25% sales tax is added to the final customs value of imports.

Free zones have been established in Alexandria, Cairo (Nasr City), Port Said, Ismailia, Damietta, Safaga, Sohag, and Suez; these are exempt from customs duties.

### 38 FOREIGN INVESTMENT

Egypt has declared that foreign private capital is both desired and welcome and that foreign capital investment has a place in the country's economic development. Investors in approved enterprises are assured of facilities for transfer of profits, withdrawal of capital, and employment of necessary foreign personnel. In 1974, Egypt sought specifically to encourage capital investments from multinational corporations in the West, so new projects financed with foreign capital were protected, capital was freed for reexport within five years of its investment in Egypt, and investment profits earned within Egypt were allowed transfer abroad. In 1991, all foreign exchange transfer restrictions were lifted.

The main laws governing foreign investment are the Capital Market Law of 1992, as amended to increase stock market regulation in 1998; the Investment Incentives and Guarantees Law of 1997, establishing the regime for free trade zones (FTZs); and a series of laws in 1998 setting conditions for private (including foreign) participation in public banks, insurance, maritime transport, electricity distribution, and telecommunications.

Depending on their size, location, and other characteristics, new projects financed with foreign capital are exempt from taxation for five to ten years; in addition, payments of interest on foreign loans are not taxable and investors are exempt from certain customs duties. There is one basic condition for approval: the project must be on an approved list in the fields of industrialization, mining, energy, tourism, transportation, reclamation and cultivation of barren land, or animal husbandry. Applications must be made to the General Authority for Arab Investment and the Free Zones, which consists of the minister of state for Arab and foreign economic cooperation and seven other members. The bidding process for contracts has been made more transparent, but Egyptian bids have preference up to 15% above foreign bids. Since 1991, Egypt has liberalized its foreign trade by reducing the number of items on its list of banned imports. In 1990, the list covered 37% of all imports; in 1992, 11%; and in 1999, only apparel was banned. The use of other nontariff barriers on imports and export restrictions has also been reduced. Bureaucratic barriers, however, still hamper investment. FTZs offer exemption from import duties, sales taxes, and taxes and fees on capital goods. A 1% tax is charged on warehoused goods and on exports from assembly plants. Investments are often located in the free zones of Alexandria, Cairo (Nasr City), Port Said, Ismailia, Damietta, Safaga, Sohag, and Suez. In 2003, to deal with the chronic shortage in foreign exchange, a law was passed requiring that 75% of foreign exchange earnings be converted into local currency.

A new Ministry of Investment was created in July 2004 to oversee investment policy, coordinating among the various ministries with investment-related areas of responsibility.

From 1992, foreign direct investment (FDI) inflow was about \$1 billion a year. As of 2005, FDI stock totaled \$15–\$20 billion. Inflows of FDI peaked in 1999 at nearly \$3 billion, but then fell to \$1.2 billion in 2000, to \$510 million in 2001, and to only \$184 mil-

lion in the first three quarters of fiscal year 2003/04. In terms of portfolio investment, the Egyptian stock market declined nearly 60% in 2001, and did not recover by 2004.

The United Kingdom is Egypt's largest foreign investor, followed by the United States; both countries are very active in investing in the oil and gas sector. Other major investing countries are France, Italy, and Arab countries.

### 39 ECONOMIC DEVELOPMENT

At the time of the 1952 revolution, Egypt presented the familiar picture of a dual economy, having a small modern sector developed within a tradition-bound society. A rapidly expanding population was pressing hard on limited agricultural resources; there were severe problems of poverty, unemployment, unequal distribution of income and wealth, disease, political corruption, and illiteracy. Rapid industrialization was viewed as essential to economic improvement. The revolution was both a national revolution, Egyptianizing the economy by ridding it of foreign influence, and a social revolution, developing a "democratic, cooperative, socialist" society. The promised "socialism" was not at that time doctrinaire; it was pragmatically selective in its application. A major objective was the diversion of private investment from land into industry. In this earlier period, industrialization also was fostered through government creation and expansion of industrial firms.

In July 1961, in a major policy shift, socialist decrees brought virtually all economic activity under government ownership or control. The Charter for National Action, which elaborated the philosophy of Arab socialism, was approved by the National Congress of Popular Forces on 1 July 1962. It is clear that the Egyptian government had decided that industrialization and improvement of living standards could come only through central planning and direct government ownership and control of virtually the entire system of production and foreign trade.

Egypt inaugurated its first five-year development program in 1960. By the end of 1965, national income had increased in the five-year period by 39.6%; 171,000 new jobs had been created; and wages and salaries had increased by 54%. A second five-year development plan (1966–70) was canceled in 1967 because of the Arab-Israeli war, and annual plans were instituted. Shortly after the 1973 war, President Sadat introduced an "open door" economic development program that confirmed Egypt's socialist policy but decentralized decision making in the public sector, removed government constraints on the private sector, and attracted foreign private capital by liberalizing financial and trade regulations. As a result, most public-sector industries developed rapidly during the 1973–79 period. A five-year development plan (1980–84) was replaced in 1982 by the new plan for 1982–87, of which the public sector was allocated 76.5% of the total funds. Of fixed investments in development projects, the industrial and mining sector was to receive 26%, transport and communications 16%, agriculture 12%, housing 11%, and electric power 8%. By 1987/88–1991/92 investment allocation for the public sector dropped to 62% and to 42% in the 1992/93–1996/97 plan. It aimed at the privatization of several sectors by encouraging the private sector to invest more capital. Egypt at the end of the 1990s was able to attract more foreign investment, cut the inflation rate, and decrease budget deficits.

As of the early 2000s, the state still controlled virtually all heavy industry, although agriculture was in private hands, and has been

deregulated, with the exception of the cotton and sugar sectors. This and other efforts at privatization have increased the growth of the economy. At the end of 2004, total public debt amounted to 102.74% of gross domestic product (GDP), and foreign debt amounted to \$33.75 billion. A general sales tax was extended to the wholesale and retail levels of business in 2001. Increased spending on infrastructure projects in the early 2000s widened budget deficits once more. In 2003, after a series of currency devaluations, Egypt adopted a floating exchange rate mechanism—the Egyptian pound was no longer pegged to the dollar.

Although such events as the 1997 terrorist attacks at Luxor, the 11 September 2001 terrorist attacks on the United States, and the wars in Afghanistan and Iraq dampened the growth of tourism in Egypt, which experienced below-average growth rates in this sector, tourist arrivals were 10 times higher than global averages over the 2000–03 period, and attracted some 25% of tourist arrivals to the Middle East. There were more than six million visitors to Egypt in 2003. This growth in arrivals generated \$4.6 billion in tourism receipts, accounting for 22% of total exports of goods and services, and 39% of services exports, making tourism the largest foreign currency earner in Egypt. In 2004, tourism was estimated to generate some \$6.1 billion in revenue, although terrorist attacks in the Sinai Peninsula in 2004 and 2005 contributed to below-target tourist arrivals.

#### 40 SOCIAL DEVELOPMENT

Employees pay 10–13% of their wages toward old age, disability, and survivor pensions. Retirement is set at age 60. A death grant and a funeral grant is also available. Employed persons aged 18 or older are covered by work injury insurance, except for casual workers, domestic workers, and the self-employed. Unemployment legislation has been in place since 1959 and covers all employed persons in the public and private sectors. It is funded by contributions from employers with deficits covered by the government.

Equality of the sexes is provided by law, but many aspects of law and traditional practice discriminate against women. Under Egyptian law, only males can transmit citizenship to their children or spouses. Women have won employment opportunities in a number of fields, but Egyptian feminists fear these gains will be halted by resurgent Islamic fundamentalism. Muslim female heirs receive half of the amount of a male heir, and Christian widows of Muslims retain no inheritance rights. The government continues its efforts to eradicate the widespread practice of female genital mutilation (FGM). Domestic abuse and violence is common. Because the concept of family integrity supersedes the well-being of the woman, few women seek redress from authorities.

Christian minorities in Egypt are often subject to discrimination and harassment. Extremists have attacked churches and have killed Christians. They sometimes face discrimination in obtaining higher education and employment. Muslim converts to Christianity have been subject to harassment by police and have been charged under the Penal Code.

Human rights abuses of torture, extrajudicial killings, and prolonged pretrial detentions are on the decline. Arbitrary arrest and detention continue, and prison conditions remain poor. The government restricts freedom of press, assembly, religion, and expression. Islamic extremists also engaged in terrorist attacks, killing civilians. Human rights organizations do not have legal recognition,

but they do operate openly.

#### 41 HEALTH

Nearly all Egyptians have access to health care. Between 1982 and 1987 (during the first five-year plan), the government established 14 public and central hospitals, 115 rural health units, and 39 rural hospitals. The total number of beds increased by 9,257 during this period (to a total in 1985 of 96,700). In 1987, 190 general and central hospitals were established (26,200 beds), as well as 2,082 rural health units, and 78 village hospitals. In 2000, 95% of the population had access to safe drinking water and 94% had adequate sanitation. As of 2004, there were an estimated 212 physicians, 276 nurses, 27 dentists, and 68 pharmacists per 100,000 people.

Serious diseases in Egypt include schistosomiasis, malaria, hookworm, trachoma, tuberculosis, dysentery, beriberi, and typhus. Although malaria and polio cases were small in number, nearly 1,444 measles cases were reported in 1994. In 1999, Egypt vaccinated children up to one year old against tuberculosis; diphtheria, pertussis, and tetanus (94%); polio; and measles (95%). Of children under age five, 4% were malnourished as of 2000.

As of 2000, 56% of reproductive-age women practiced contraception. Abortion is legal only for medical reasons. The overall death rate was estimated at 7.6 per 1,000 inhabitants in 2002 and the infant mortality rate in 2005 was 32.59 per 1,000 live births. Life expectancy in 2005 was 71 years.

A full 80% of all Egyptian women undergo female genital mutilation. There are no specific laws against this practice. Egypt planned to expand its health insurance, with the target of covering 75% of the population. Total health care expenditure was estimated at 3.8% of GDP.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 12,000 people living with HIV/AIDS in the country. There were an estimated 900 deaths from AIDS in 2003.

#### 42 HOUSING

Prior to 1952, most Egyptians lived in mud huts. Post revolutionary governments, however, have actively concerned themselves with housing. In order to encourage rural housing activities on unfertile soil, “extension areas” have been allocated for villages. Efforts have been made to provide low-rent housing in towns; the units were constructed in cooperation with the Reconstruction and Popular Dwellings Co., in which the government held a share. Assisted by the state, which grants long-term and low-interest loans, cooperative societies also engage in housing construction. The state affords facilities for cooperatives to acquire land from the religious foundations.

Despite these efforts, Egypt’s housing shortage remains acute, with about one million units needed in urban areas. Housing construction was a major priority of development plans in the 1980s, but it was considered likely that it would take many years for Egypt’s housing deficit to be met. The greatest shortage is in low-cost housing.

According to the 1996 census, there were about 9.6 million apartments and 4.5 million rural homes throughout the country. About 2.6 million units were built in the period 1981–1999. There were nearly 400 slum/squatter areas housing over seven million people. In 1998, government subsidies helped build about 63,000

housing units. The new housing demand has been estimated at about 750,000 per year. In 2004, only about 260,000 units were available for sale. About 1.8 million housing units are vacant, partly because tenants can not afford the cost of rent, but also because rent controls translate into low rents in some areas and landlords feel that the cost of maintenance would be higher than their return.

### 4<sup>3</sup> EDUCATION

The Education Act of 1953 provided free and compulsory education for all children between the ages of 6 and 15. The nine years of basic education is split into six years of primary education and three years of preparatory studies. Secondary schools cover three-year programs in either general or technical studies. Some students opt for a five-year advanced technical studies program for secondary school. The curriculum was updated in 1995 and includes a greater emphasis on vocational training, as well as on physics and foreign languages. The general secondary education certificate entitles the holder to enter a university.

In 2001, about 13% of children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 91% of age-eligible students. In 2001, secondary school enrollment was about 78% of age-eligible students; 80% for boys and 76% for girls. It is estimated that about 91% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 22:1 in 2003; the ratio for secondary school was about 17:1.

A decree of 23 July 1962 provided free tuition at all Egyptian universities. The traditional center for religious education in the Muslim world is Al-Azhar in Cairo, which in 1983 celebrated 1,000 years of teaching as the oldest continuously operating school in the world. Al-Azhar offers instruction in three faculties and 14 affiliated institutes and maintains its own primary and secondary schools. There are a total of 13 universities, and numerous institutes of higher learning.

There is also the American University in Cairo, which offers a wide range of undergraduate and graduate courses, as well as an American school in Cairo and one in Alexandria. The American Research Center in Cairo is supported by US universities and museums. It was established in 1948 to encourage the exchange of archaeologists and other researchers in almost all fields of interest.

Adult education, under the Ministry of Education, is increasingly important. Since 1993 the government conducted a campaign against illiteracy. Business firms are required to combat illiteracy among their employees. Recent university graduates are being hired to lead literacy classes, and armed forces recruits are also expected to teach. In addition, the government has set up 3,000 one-class schools to teach a nontraditional study plan. These schools are aimed at girls who are unlikely to attend formal schooling, and as a result, are likely to remain illiterate. The schools provide vocational training and lessons on income generating businesses, in addition to the more traditional classes in Arabic, religion, sciences and arithmetic. In 2003, about 19% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 55.6%, with 67.2% for men and 43.6% for women. As of 1999, public expenditure on education was estimated at 4.7% of GDP.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

In 2003 the Bibliotheca Alexandria was established on the same site of the ancient library destroyed in a fire 2,000 years before. Bibliotheca Alexandria is the largest library in the Middle East and serves as a cultural center with exhibit areas, planetarium, and conference center. Egypt's other major libraries are the Egyptian National Library (2.5 million volumes), Alexandria University Library (with 15 collections, of which the largest—belonging to the Faculty of Arts—numbers 141,300 volumes), and the Cairo University Library (more than 1.4 million volumes). The National Library also functions as the main public library for the nation's capital and supervises 11 branch libraries located throughout the country. The Municipal Library in Alexandria contains one of the country's largest public library collections, with 23,390 Arabic and 35,400 European volumes.

One of the most important special libraries is the Scientific and Technical Documentation Division of the National Research Center at Cairo, which has the best collection of scientific and technical material in the Arab world. American University in Cairo sponsors a library system of nearly 400,000 volumes (primarily English language) and holds the Creswell Collection of Islamic art and architecture, comprising about 3,200 bound volumes. In all, Egyptian libraries affiliated with institutions of higher education hold over 35 million volumes. Assuit University sponsors 16 libraries with an approximate total of 177,274 Arabic volumes and 167,120 foreign books, as well as hundreds of periodicals.

The Egyptian National Museum, founded in 1902, contains unique exhibits from prehistoric times up to the 3rd century AD, and it also has a notable Department of Antiquities, established in 1835, which supervises excavations and administers archaeological museums. There are many specialized museums, including the Coptic Museum, devoted to the history of the old Christian Monophysites; the Museum of Islamic Art; the Greco-Roman Museum; the Agricultural Museum; the State Museum of Modern Art; the Islamic Archaeological Museum; the Railway Museum; and the Cotton Museum. There is a museum dedicated exclusively to the work of Mohmoud Mokhtar in Cairo. Several former royal palaces have been transformed into museums: the Al-Gawhara Palace in Cairo (a converted 19th-century Ottoman palace), Ras at-Tin Palace in Alexandria, and Al-Montazah Palace in Montazah-Alexandria.

### 4<sup>5</sup> MEDIA

Telephone, telegraph, radio, and television services are operated by the state-owned Telecommunication Organization. In 2003, there were an estimated 127 mainline telephones for every 1,000 people; about 99,500 people were on a waiting list for telephone service installation. The same year, there were approximately 84 mobile phones in use for every 1,000 people.

As of 1999, there were 42 AM and 14 FM radio stations and 42 television stations, broadcasting mostly in Arabic. In 2003, there were an estimated 339 radios and 229 television sets for every 1,000 people. The same year, there were 21.9 personal computers for every 1,000 people and 39 of every 1,000 people had access to the Internet. There were 28 secure Internet servers in the country in 2004.

The two leading newspapers, with their estimated 2002 daily



circulations, are *Al-Ahram* (*The Pyramid*; 900,000) and *Al-Akhar* (*The News*; 780,000). *Al-Jumhuriyah* (*The Republic*; 900,000) is the official publication of the government; *Al-Ahram* is the unofficial publication. The leading evening paper is *Al-Misa'a* (405,000). There is also an English-language newspaper, the *Egyptian Gazette* (40,000). *Arev* is a daily Armenian paper. There are two weekly Greek publications, *Phos* (20,000) and *Tachydromos-Egyptos* (2,000). *Le Journal D'Egypte* (weekly, 72,000) and *La Reforme* (daily) are the leading French publications.

On 23 May 1960, all Egyptian newspapers were nationalized and subjected to censorship. President Sadat ended formal press censorship in 1974, but the following year he set up a government council to supervise the newspapers. In 1981, President Mubarak revoked the ban on opposition newspapers, but the press remains sensitive to the wishes of the government. The Middle East News Agency is under the supervision of the information section of the Ministry of National Guidance. The constitution does provide for freedom of speech and press, though the government exercises control through media ownership, oversight, and a monopoly on resources such as newsprint.

#### 46 ORGANIZATIONS

Most organizations in Egypt serve occupational and professional (particularly agricultural) goals. The land reform law makes it compulsory for landholders who have obtained land under it to join cooperative societies (such as the Egyptian Seed Association) to help supply them with tested seeds, tools if available, and possibly markets. Several multinational organizations are based in Egypt, including the African Farmers Association and the Arab Labor Organization. The International Labour Organization has an office in Cairo. There are many chambers of commerce, representing various cities and various economic groups. The Federation of Egyptian Chambers of Commerce is in Cairo.

There are scholastic and archaeological, accounting, economic, historical, and other learned organizations. A national Academy of Scientific Research and Technology was established in 1971. The Egyptian Medical Association promotes research and education on health issues and works to establish common policies and standards in healthcare. There are also several associations dedicated to research and education for specific fields of medicine and particular diseases and conditions.

Egypt serves as a multinational center for many sports organizations, including Arab federations for boxing, fishing, basketball, judo, gymnastics, and fencing, to name a few. Many youth organizations are affiliated with religious institutions. Scouting programs are active, as are chapters of the YMCA/YWCA. The Egyptian Association of Women promotes higher education and professional training for women.

The multinational Arab Organization for Human Rights is based in Cairo. There are national chapters of the Red Crescent Society, CARE, the Society of Saint Vincent de Paul, UNICEF, and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

Passports and visas are required of tourists. Visitors arriving from most African, American, and Caribbean countries need either a certificate of vaccinations against yellow fever or a location cer-

tificate from the Sudanese government stating that they have not been in southern Sudan within the previous six days.

Tourism has been a major foreign exchange earner. It grew steadily after the end of the Iran-Iraq war. There were 6,044,160 foreign visitors in 2003, almost 69% of whom came from Europe. The 136,510 hotel rooms with 273,020 beds had an occupancy rate of 59%. Tourism receipts totaled \$4.7 billion. The average length of stay that year was eight nights. Principal tourist attractions include the pyramids and Great Sphinx at Giza, the Abu Simbel temples south of Aswan, the Valley of the Kings at Luxor, and the Muhammad Ali Mosque in Cairo. Rides are available on *fellucas*, traditional sailing boats of the Nile. Popular pastimes among Egyptians include card playing, movie-going, and sports such as football (soccer), swimming, tennis, and horse racing.

In 2005, the US Department of State estimated the daily cost of staying in Cairo at \$239. Expenses in Alexandria were \$242 per day.

#### 48 FAMOUS EGYPTIANS

Egypt's first recorded ruler, or pharaoh, was Menes (or Narmer, fl.3100? BC), who united the southern and northern kingdoms and founded the capital at Memphis. Notable successor pharaohs included Cheops (Khufu, fl.26th cent. BC), who built the Great Pyramid at Giza; Thutmose III (r.1504?-1450 BC), who greatly extended the empire through conquest; Amenhotep III (r.1417-1379 BC), who ruled at the summit of ancient Egyptian civilization and built extensive monuments; his son Amenhotep IV (Akhenaten, or Ikhnaton, r.1379-1362 BC), who, with his queen, Nefertiti, instituted a brief period of monotheism; and Tutankhamen (r.1361-1352 BC), whose tomb containing valuable treasures was found practically intact in 1922. Cleopatra VII (69-30 BC) was involved in the political conflicts of the Romans.

Philo Judaeus (13? BC-AD 50?) attempted to combine Greek philosophy with Judaism. Ptolemy (Claudius Ptolemaeus, fl.2d cent. AD) was the foremost astronomer of ancient times. Egyptian-born Plotinus (AD 205?-270) was a neoplatonic philosopher in Rome.

The most notable of Egypt's rulers under the Muslim caliphate was Saladin (Salah ad-Din, 1138-93), sultan of Egypt and Syria and founder of the Ayyubid dynasty. The founder of Egypt as a part of the Ottoman Empire was Muhammad 'Ali (1769-1849), of Albanian origin, the first of a dynasty that ended with the deposition of Faruk in 1952. 'Arabi Pasha (Ahmad 'Arabi, 1841?-1911) led a popular uprising against British intervention in 1882 but was defeated. Later, the fiery political fight against British rule was waged by Sa'ad Zaghlul Pasha (1860?-1927), a founder of the Nationalist Party, Wafd.

No one had greater influence on Egypt during the 1950s and 1960s than Gamal Abdel Nasser (Jamal 'Abd al-Nasir, 1918-70), the moving spirit of the army's revolt against the monarchy in 1952. As prime minister (1954-56) and president (1956-70), Nasser set Egypt on its socialist course and attempted to unify the Arab world through confederation. His successor as president, Anwar al-Sadat (as-Sadat, 1918-81), continued Nasser's policies but with important modifications, especially in relation to Israel; with Menachem Begin he shared the Nobel Peace Prize in 1978 and nego-

tiated the Egypt-Israel Peace Treaty of 1979. Upon Sadat's assassination in 1981, Muhammad Hosni (Husni) Mubarak (b.1928), who had been air force chief of staff (1969–72) and vice-president (1975–81), became president of Egypt. Mohamed ElBaradei (b.1942) is the Director General of the International Atomic Energy Agency (IAEA). ElBaradei and the IAEA were jointly awarded the Nobel Peace Prize in 2005.

The poet Sami al-Barudi (1839–1904) wrote popular and highly regarded verses about Islam's heroic early age. 'Abbas al-Aqqad (1889–1964) has been called the greatest contemporary Arab poet and the most original Arab writer. Involved in a political plot, he was jailed and composed an Arab "De Profundis" about his life in prison. Taha Husayn (1889–1973), the most widely known modern Egyptian intellectual leader, was minister of education from 1950 to 1952. The poet and essayist Malak Hifni Nasif (1886–1918) sought an improvement in the status of women. Ahmad Zaki Abu Shadi (1892–1955) was a renowned poet, essayist, and dramatist. Mahmud Taymur (1894–1973), a leading dramatist, wrote popular social satires and comedies. Um Kalthum (Fatma al-Zahraa Ibrahim, 1898?–1975) was the most famous singer of the Arab world. Mohammed Hassanein Heikal (b.1923), journalist and author, was the outspoken editor of the influential newspaper *Al-Ahram* (1957–74) until he was forced by the government to resign. In 1988, Naguib Mahfouz (b.1912) won the Nobel Prize for Literature. Ahmed Hassan Zewail (b.1946) is an Egyptian-American chemist, and the winner of the 1999 Nobel Prize in chemistry for his work on femtochemistry.

#### 49 DEPENDENCIES

Egypt has no territories or colonies.

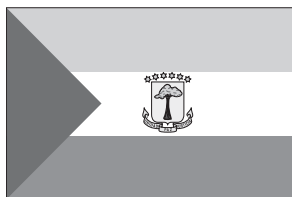
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# EQUATORIAL GUINEA

Republic of Equatorial Guinea  
*República de Guinea Ecuatorial*



**CAPITAL:** Malabo (formerly Santa Isabel)

**FLAG:** The flag is a tricolor of green, white, and red horizontal stripes; a blue triangle joins them at the hoist. The arms in the center of the white stripe hold a cotton tree (the national symbol), six stars—one for each physical division of the country—and the motto “Unidad, Justicia, Paz.”

**ANTHEM:** *Himno Nacional*, beginning “Caminemos pisando la senda de nuestra inmensa felicidad” (“Let us walk on the path of our immense happiness”).

**MONETARY UNIT:** Communauté Financière Africaine franc (CFA Fr), which was originally pegged to the French franc, has been pegged to the euro since January 1999 with a rate of 655.957 CFA francs to 1 euro. CFA Fr1 = \$0.00208 (or \$1 = CFA Fr480.56) as of 2005. There are coins of 1, 2, 5, 10, 25, 50, 100, and 500 CFA francs and notes of 50, 100, 500, 1,000, 5,000, and 10,000 francs.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year’s Day, 1 January; Independence Day, 5 March; Labor Day, 1 May; OAU Day, 25 May; President’s Birthday, 5 June; Armed Forces Day, 3 August; Human Rights Day, 10 December; Christmas, 25 December. Movable Christian holidays include Good Friday and Easter Monday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Located on the west coast of Africa, Equatorial Guinea consists of a mainland enclave, Río Muni, and five inhabited islands: Bioko (between 1973 and 1979, Macías Nguema Biyogo, and before that Fernando Póo), Annobón (Pagalu during the 1970s), Corisco, Elobey Chico, and Elobey Grande. The total area is 28,051 sq km (10,831 sq mi), of which Río Muni, along with Corisco and the Elobeyes, accounts for 26,017 sq km (10,045 sq mi) and Bioko, along with Annobón, 2,034 sq km (785 sq mi). Comparatively, the area occupied by Equatorial Guinea is slightly larger than the state of Maryland.

Río Muni is bounded on the N by Cameroon, on the E and S by Gabon, and on the W by the Gulf of Guinea (Atlantic Ocean), with a length of 248 km (154 mi) ENE–WSW and 167 km (104 mi) SSE–NNW. Bioko, situated 56 km (35 mi) W of Cameroon and about 259 km (161 mi) NW of Río Muni, extends 74 km (46 mi) NE–SW and 37 km (23 mi) SE–NW. Annobón is 686 km (426 mi) SW of Bioko; Corisco and the Elobeyes are off the SW coast of Bioko, within sight of Gabon. The total boundary length of Equatorial Guinea is 835 km (519 mi), of which 296 km (183 mi) is coastline.

The capital city of Equatorial Guinea, Malabo, is located on the island of Bioko (Isla de Bioko).

## <sup>2</sup> TOPOGRAPHY

Bioko and Annobón are volcanic islands that are part of the chain starting with the Cameroon Highlands and outcropping into the Atlantic as far as St. Helena. Río Muni is a fluvial mainland plateau, except for the sandy shore and the ridges of the Sierra Cristal range that separate the coast from the interior plateau. The Muni and Ntem rivers, on the south and north boundaries of Río Muni,

are estuaries navigable for about 20 km (12 mi); the Mbini River, midway between them, is typical of the cascading streams that drain all of Río Muni. Bioko has short cascading streams; Annobón has only storm arroyos. Most of the country, including the islands, is tropical rain forest. On Annobón, volcanic deposits restrict agriculture, and the Muni estuarial islands are sandy, but the rest of the country has tropical humus conducive to agriculture.

## <sup>3</sup> CLIMATE

Equatorial Guinea has a tropical climate with distinct wet and dry seasons. From June to August, Río Muni is dry and Bioko wet; from December to February, the reverse exists. In between there is gradual transition. Rain or mist occurs daily on Annobón, where a cloudless day has never been registered. The temperature at Malabo, Bioko, ranges from 16°C to 33°C (61–91°F), though on the southern Moka Plateau normal high temperatures are only 21°C (70°F). In Río Muni, the average temperature is about 27°C (80°F). Annual rainfall varies from 193 cm (76 in) at Malabo to 1,092 cm (430 in) at Ureka, Bioko, but Río Muni is somewhat drier.

## <sup>4</sup> FLORA AND FAUNA

Dense tropical rain forest vegetation prevails throughout Equatorial Guinea. There are 140 species of trees, especially palms and hardwoods. Yams and bananas were introduced by the early inhabitants and became staples. Monkeys, chimpanzees, elephants, and gray doves are common.

## <sup>5</sup> ENVIRONMENT

Equatorial Guinea’s most significant environmental problems are deforestation, water pollution, desertification, and the preserva-

tion of wildlife. The forests are threatened by agricultural expansion, fires, and grazing. The nation has about 30 cu km of renewable water resource with 6% used for farming purposes. There are three Ramsar wetland sites in the country.

The nation's wildlife is threatened by the expansion of population centers. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 17 types of mammals, 6 species of birds, 2 types of reptiles, 5 species of amphibians, 8 species of fish, 2 species of other invertebrates, and 61 species of plants. Endangered species include the drill (*Papio leucophaeus*), Preuss's monkey, and the green sea, hawksbill, and olive ridley turtles.

## 6 POPULATION

The population of Equatorial Guinea in 2005 was estimated by the United Nations (UN) at 504,000, which placed it at number 160 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 43% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.3%, a rate the government viewed as satisfactory; however, because a high percentage of the population is under 15 years of age, increasing adolescent fertility was expected to become a significant problem. The projected population for the year 2025 was 762,000. The population density was 18 per sq km (47 per sq mi).

The UN estimated that 45% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.16%. The capital city, Malabo, had a population of 95,000 in that year.

## 7 MIGRATION

As many as 45,000 Nigerian laborers served in Equatorial Guinea in the early 1970s, mostly working on Bioko cocoa plantations. In 1975, Nigeria began evacuating those contract laborers, charging the Equatorial Guinean government with a long history of mistreating them. These plantations are now short of labor.

The net migration for Equatorial Guinea in 2005 was zero. However, migration to Spain is a traditional and ongoing occurrence. Between 80–90% of Equatorial Guinean nationals who go to Spain do not return. There were approximately 1,000 migrants in Equatorial Guinea in 2000. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The largest single tribe is the Fang (Fon, or Pamúe), who entered Río Muni from the east largely between 1687 and 1926. The earlier Riomunians, who had probably arrived in the 14th century, were forced by the Fang to flee to the coast. The Bubi on Bioko are descendants of the indigenous African Bantu-speaking population that fled from the Cameroonian and Riomunian mainland in the 13th century; they are indigenous to Bioko island and account for about 15% of the population. Coastal tribes, sometimes referred to as *Playeros*, consist of Ndowes, Bujebas, Balengues, and Bengas. Fernandinos—descendants of mainland slaves liberated by the British navy in the 19th century—and Europeans, especially Spanish Asturians and Catalonians, have long dominated com-

merce and government. It is estimated that the 67 Fang clans represent 80% of the population. Europeans, mostly Spanish, number less than 1,000.

## 9 LANGUAGES

Spanish is the official language of the government, commerce, and schools. French is also an official language. The principal vernacular is Fang, which, like all the country's indigenous languages, is a Bantu tongue. Bubi and Ibo are also spoken. Annobón uses the *fād'Ambō*, a pidgin form of Bantu speech with heavy 16th-century Portuguese inflection. Much petty commerce is conducted in pidgin English (*Pichinglis*).

## 10 RELIGIONS

Although African traditional religion has left its vestiges among the indigenous tribes, about 93% of the population are Christian. Within the Christian population, 87% are Roman Catholic and about 4.5% are mainline Protestant, primarily Baptist and Episcopalian. Though there is no state religion, a 1992 law established an official preference for the Catholic Church and the Reform Church of Equatorial Guinea, based on the traditional importance of these two denominations in popular culture. Other religious groups must register through the Ministry of Justice and Worship. Religious study (primarily Catholic) is required in public schools.

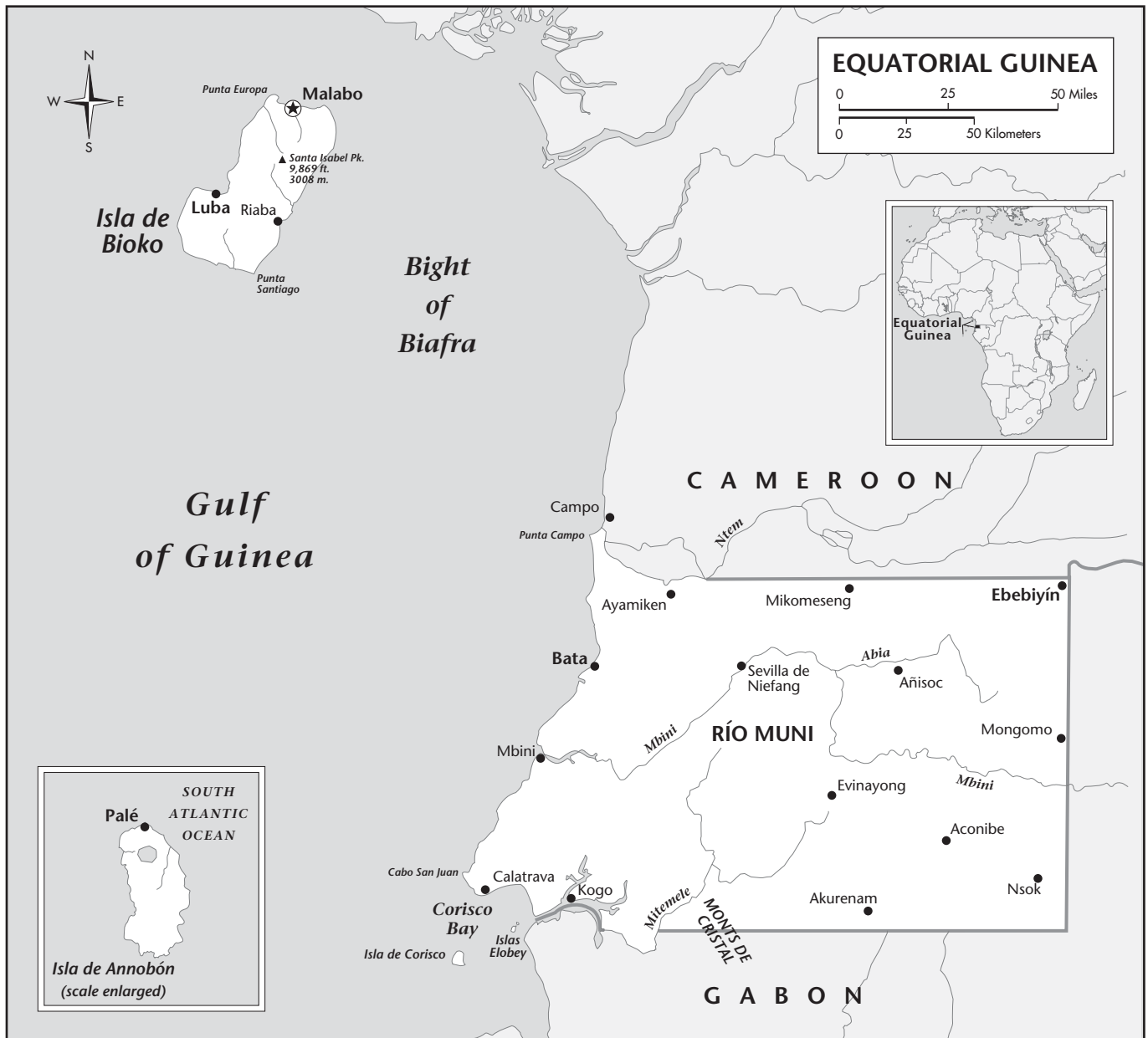
## 11 TRANSPORTATION

There are 2,880 km (1,790 mi) of highways in Equatorial Guinea, none of which were paved in 2002. The chief ports are Bata and Mbini in Río Muni and Malabo and Luba on Bioko. Bata, modernized in the 1970s, can accommodate up to four vessels of 20,000 tons each. There is regular service between Malabo and Bata. In 2005, the country had one merchant ship (a cargo vessel of 1,000 GRT or over) in service, totaling 6,556 GRT.

Bata's airport was the first major air transport facility. Malabo's airport was raised to jet standards in 1964 and became the focus of regional air services. A landing strip was built on Annobón in 1968. As of 2004, there were only four airports, with three (as of 2005), having paved runways. Air transport between Bata, Malabo, and Douala, Cameroon, is provided by Equatorial Guinea Air Lines (Algesa). There is international air service to Gabon, Nigeria, Morocco, and Spain. In 1997 (the latest year for which data was available), about 21,000 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Although numerous archaeological discoveries indicate a very early Sangoan (modified Acheulean) culture throughout Equatorial Guinea, the earliest traceable inhabitants were Pygmies, remnants of whom remain in northeastern Río Muni. Bioko was apparently uninhabited when the Bubi came by sea from the mainland in the 13th century. Río Muni seems to have been occupied by the Bantu in a series of waves that superseded the Pygmies—first by the Bubi, before 1200; then by the Benga, Bujeba, and Combe, perhaps about 1300; and, finally, by the Fang from the Congo Basin, after 1687. Although Annobón was uninhabited in 1471 when the Portuguese discovered it, it was the only one of the territories later incorporated into Equatorial Guinea that they attempted to develop. The proprietorship of Annobón was ill administered, however,



LOCATION: 1°1' to 3°48' N; 8°26' to 11°20' E Annobón at 1°25' S and 5°36' E. BOUNDARY LENGTHS: Cameroon, 189 kilometers (118 miles); Gabon, 350 kilometers (218 miles); total coastline, 296 kilometers (183 miles). TERRITORIAL SEA LIMIT: 12 miles.

and it was virtually self-governing for 250 years. In 1778, Portugal transferred its nominal claims over Annobón, Fernando Póo, and the entire coast from the Niger Delta to Cape López (in modern Gabon) to Spain, in return for Spain's renunciation of pirate claims in southern Brazil. Later that year, a Spanish expedition of occupation arrived from South America. The expedition withdrew in 1781 after disease and poor administration had cost the lives of 370 of the 547 Spaniards.

The primary Spanish mainland explorations were undertaken between 1875 and 1885. Catholic missionary efforts by the Claretians extended Spanish influence to Annobón (1884), completed the exploration of Fernando Póo (1883–1924), and began the penetration of Río Muni (1886–1925). The first effective efforts to penetrate the interior were undertaken in 1926–27 by Governor

Ángel Barrera, who reportedly employed considerable force to subjugate the Fang. The administrative procedure for the colony was defined as the process of *reducción* (conquest), *repartimiento* (resettlement), and *encomienda* (placing in trust) of the indigenous people—the policy followed in Mexico and Peru 400 years earlier—but this time, the people were *encomendado* (entrusted) not to private masters but to the Claretians. After World War II, the Franco government initiated a policy of heavy investment to turn Spanish Guinea into a model colony.

Spanish Guinea became a province of Spain in 1958. In 1964, two provinces (Fernando Póo and Río Muni) were created under an autonomous regional government. Political opposition and Protestant missions, both banned in Spain, were tolerated, and the regional regime of Bonifacio Ondó Edú was virtually self-govern-

ing internally. In 1966, independence was promised. Two years later, an opposition faction under Francisco Macías Nguema won the preindependence elections and organized a sovereign government on 12 October 1968, when the colony became the independent Republic of Equatorial Guinea. Within six months, hostility between Riomunians and Fernandinos had sharpened. The continued presence of Spanish civil servants, troops, and ships and the unchanged influence of Spanish plantation management provoked a crisis in 1969. Two coups failed, the Spanish were evacuated, medical services were suspended (until WHO restaffed them), and fiscal transactions ceased. However, within six weeks a new understanding was reached with Spain, under UN auspices, and Spanish subsidies were restored.

On 23 August 1972, Francisco Macías Nguema was proclaimed president for life; subsequently he assumed ministerial posts of defense, foreign affairs, and trade. An exile group, the Equatorial Guinean Liberation Front, and others charged in December 1974 that more than two-thirds of the National Assembly elected in 1968 had disappeared, and that many prominent persons, especially political opponents of the president, had been assassinated. It was estimated that a quarter of the country's population was in exile in Cameroon, Gabon, and Europe. On 3 August 1979, Macías Nguema was overthrown in a military coup led by his Spanish-trained nephew, Lt.-Col. Teodoro Obiang Nguema Mbasogo; the former president was tried shortly after the coup and executed on 29 September. International human rights organizations estimated that during his 11-year rule at least 50,000 people had been killed and 40,000 had been enslaved on state-owned plantations.

Under Obiang's leadership, the Supreme Military Council became the highest power in the country. The country continued to decay as corruption flourished and political opponents and others were imprisoned or put to death. Soviet influence was reduced, and economic and military cooperation with Spain was restored. A new constitution, approved in a referendum on 15 August 1982, provided that Obiang would remain head of state until 1989, when direct popular elections would take place. Parliamentary elections (based on a single list, with no political parties permitted) were held on 28 August 1983, and the PDGE won all 41 seats in the Chamber of People's Representatives in 10 July 1988 elections. Obiang was elected without opposition on 25 June 1989.

On 17 November 1991, a new constitution was adopted. Opposition parties began to be organized and sought official recognition in 1992. Eventually an election was held on 21 November 1993 and the PDGE won 68 of 80 seats. But the major opposition parties boycotted the election and as many as 80% of the eligible voters refused to participate. The new cabinet was expanded from 34 to 42 members. On 25 February 1996, Obiang was reelected to the presidency for another seven-year term, receiving 98% of the vote. The poll was declared farcical by foreign observers. Despite a boycott of the elections by the three main opposition parties, voter turnout was 86%. Obiang's plan to form a government of national unity failed because the opposition's conditions for participation had not been met.

New wealth from substantial oil and gas reserves discovered off the coast in 1996 boosted the tiny country's impoverished economy, but the wealth did not reach the poor. Government corruption and mismanagement were rampant and some 80% of the wealth was amassed by less than 5% of the population, mostly

Obiang's family clan. Growing discontent resulted in at least two coups d'état (the government attributed one in May 1997 to opposition Progress Party leader, Severo Moto) and a rebellion on Bioko island by members of the disenfranchised Bubi ethnic group in January 1998. A military court sentenced 15 of the 215 Bubi activists to death. In September Obiang suspended the sentence, under international pressure.

The ruling PDGE won 65 of the 80 seats in the second multiparty parliamentary elections held on 7 March 1999. In July 1999, the prime minister, Angel Serafin Seriche Dougan, and his government resigned, apparently to pave way for a government of national unity. The president offered to give a cabinet position to each of the opposition parties. Second multiparty legislative elections were held on 7 March 1999. Mainstream opposition parties participated in the elections, but along with the international community, denounced the elections for serious irregularities. The ruling PDGE again won 75 seats. The Convergence for a Social Democracy (CPDS) and the People's Union (UP) respectively got one and four seats.

In elections held 15 December 2002 Obiang officially was reelected with 97.1% to 2.2% of the vote for Celestino Bonifacio Bacle, but as in the past, the elections were marred by fraud, and held little credibility either domestically or abroad.

The judiciary, which often has come under international scrutiny, scheduled a national conference in January 2003. The purpose of the meeting was to improve human rights and strengthen rule of law following criticism by rights groups, the opposition, and the Spanish government of the sentencing of 68 opposition activists for between six and 20 years in jail on charges of plotting to overthrow the president. Among those convicted were the leaders of three opposition parties. In August 2003, 31 of the condemned prisoners received amnesty. In elections held in April 2004, the PDGE and its allies won 98 of 100 seats and all but 7 of 244 municipal posts, but the results were judged not credible by international observers.

Political opponents twice attempted to overthrow the government in 2004. In March Zimbabwe police impounded a plane originating from South Africa with 64 mercenaries on board destined for Equatorial Guinea. Simon Mann, the president of Executive Outcomes and the apparent ringleader, was sentenced to seven years in jail in Zimbabwe for trying to buy arms. In all, 22 people were convicted, including 9 tried in absentia. Allegedly backing the operation were Sir Mark Thatcher, son of Margaret Thatcher, Severo Moto, an Equatorial Guinean politician in exile in Spain, and the Spanish government. In October 2004, the military staged an abortive coup leading to the conviction of 23 soldiers.

Equatorial Guinea ranked 152 out of 159 countries on *Transparency International's Corruption Perceptions Index 2005* with almost none of the economic benefits from the oil windfall trickling down to the average Equatorial Guinean. The judiciary was widely considered corrupt and dysfunctional. Further, Obiang's health appeared to be failing, and were he not to finish his third term, or not to seek a fourth term in 2009, his eldest son, commonly referred to as Theodorín, would be his heir apparent. Teodoro Nguema Obiang Mangue was also forestry minister, but was at odds with influential family members and factions within the elite.

### 13 GOVERNMENT

By referendum on 11 August 1968, Equatorial Guineans approved a constitution that became effective on Independence Day, 12 October 1968. The constitution required the country to join the UN and to coordinate Spanish financial, technical, and administrative assistance until total “Africanization” was achieved. Separatist activities on Bioko led to the suspension of the 1968 constitution in May 1971. The president assumed all powers and ruled by decree until a second constitution was approved by referendum in July 1973. Under this constitution, the only legal party, the United National Workers Party, designated deputies to the National Assembly and had the power to remove them. An article requiring election of the president by direct, secret, universal suffrage was suspended for President Francisco Macías Nguema, who had been proclaimed president for life on 23 August 1972. After the 1979 coup, a new constitution was drafted with UN assistance. Approved by 95% of the voters in a referendum on 15 August 1982, this document provided for elections every five years to a National Assembly, for the establishment of a Council of State, and for a human rights, which in practice are poorly defended under the law.

Since adopting the 17 November 1991 constitution, Equatorial Guinea has been a self-declared constitutional democracy with judicial integrity and multiparty elections. In reality, President Obiang Nguema runs the country with an iron fist and his Democratic Party of Equatorial Guinea (PDGE) has no serious opposition. Lt.-Col. Obiang Nguema was inaugurated president on 12 October 1982, ran unopposed in 1989, and was reelected in 1996 and 2002. His term expires in 2009. Obiang appoints a prime minister, who nominally is head of government. A unicameral House of People’s Representatives or *Camara de Representantes del Pueblo* with 100 seats performs little or no check on the powerful executive. Members directly elected by popular vote serve five-year terms. The constitution was modified in 1995.

### 14 POLITICAL PARTIES

Other than the ruling Partido Democrático de Guinea Ecuatorial (PDGE), there are 12 other registered parties. However, given the dominance of the PDGE, the system functions like a one-party state.

Following an abortive coup in March 1969, all existing political parties were merged into the United National Party (Partido Único Nacional) under the leadership of President Macías Nguema. Political activity outside this party was made illegal. The name of the party was later modified to United National Workers Party (Partido Único Nacional de los Trabajadores—PUNT). After the 1979 coup, all political parties were banned and the ruling Democratic Party for Equatorial Guinea (PDGE) monopolized power and patronage. Among the opposition parties in exile in the mid-1980s were the National Alliance for the Restoration of Democracy and the Democratic Movement for the Liberation of Equatorial Guinea. A source of opposition is resentment by Biokans of mainland domination.

The 1991 constitution legalized political parties and a January 1992 law on party formation initiated the process of party organization. But it restricted party membership and activity to those who had lived continuously in Equatorial Guinea for 10 years. Since most opposition politicians had been in exile since inde-

pendence, the effect was to prohibit serious opposition. Small parties—the Liberal Democrat Convention, the Popular Union, and the Progressive Democratic Alliance—were recognized in 1992. The Equatorial Guinea Progress Party (PPGE) was legalized after a long delay and, in 1993, the Socialist Party of Equatorial Guinea (PSGE) was approved. By mid-1993, 13 legal opposition parties stood prepared to contest elections, scheduled for 12 September. A number of opposition leaders were even granted amnesty. In 1995, the government reduced the residency requirement for politicians to five years leading up to an election. Political parties, however, continued to face harassment as of 2006.

In June 1997 the Progress Party, perhaps the only party that could constitute an alternative government, was banned by presidential decree. The government accused journalist Severo Moto, leader of the Progress Party, of plotting a coup against Obiang, by linking him to arms intercepted by Angolan authorities on a Russian boat destined for Equatorial Guinea in mid-May. Moto exiled himself to Spain.

The remaining opposition parties participated in the 7 March 1999 elections but rejected the results due to serious irregularities, challenging them in court. They also refused to take up their seats in the House. Once again, the ruling PDGE won an overwhelming majority with 75 of the 80 seats to 4 seats for the People’s Union (UP), and 1 seat for the Convergence for a Social Democracy (CPDS). The international community also criticized the conduct of the elections. The opposition’s presence in the National Assembly was further reduced when the UP dismissed two of its four parliamentary delegates in April, accusing them of endorsing Obiang’s dictatorial government.

In the 25 April 2004 parliamentary elections—amid allegations of fraud—the PDGE and its affiliates took all but two seats in the expanded 100-seat parliament. They also won all but seven of the municipal posts around the country. The next presidential elections were to be held December 2009 with parliamentary elections scheduled for March 2009.

### 15 LOCAL GOVERNMENT

The country is divided into seven provinces, each headed by a governor appointed by the president. The provinces are divided into districts and 244 municipalities.

### 16 JUDICIAL SYSTEM

The court system, based on Spanish civil law and tribal custom, includes a Supreme Court, two appeals courts, lower provincial courts (first instance), military courts, and customary (traditional) courts. The courts apply a blend of traditional law, military law, and Franco-era Spanish law, which leads to some unpredictability in results. Appeals from courts of first instance are rare. A five-member Constitutional Council established in 1993 decides constitutional issues and releases election results. The customary courts composed of tribal elders adjudicate civil claims and minor criminal matters.

Under the 1991 constitution, the judiciary is not independent from the executive branch. In fact, all judges and clerks and other judicial personnel are appointed and dismissed at the will of the President. In addition, corruption is a problem because of low wages for judicial personnel.

Defendants have constitutional rights to an attorney and to appeal. However, in practice, these rights are not always afforded.

In January 1998, the treatment of Bubi ethnic group activists who were arrested after a rebellion, and the conduct of the trial by a military court, which meted out 15 death sentences, was strongly criticized by Amnesty International and the European Parliament, respectively. Obiang suspended the death sentences in September 1998. Reports of serious and systematic human rights abuses in Equatorial Guinea continue.

## 17 ARMED FORCES

In 2005, active military personnel numbered 1,320, of which the Army accounted for 1,100, the Navy 120, and the Air Force 100. The Army consisted of three infantry battalions, whose equipment included 10 armored personnel carriers and six reconnaissance vehicles. The Navy had two patrol/coastal vessels, while the Air Force operated five fixed-wing transports and two utility helicopters. Paramilitary forces included the Civil Guard and the Coast Guard. The defense budget in 2005 totaled \$7.3 million.

## 18 INTERNATIONAL COOPERATION

Equatorial Guinea joined the United Nations on 12 November 1969; it participates in ECA and several nonregional specialized agencies. The nation is also a member of the African Development Bank, the ACP Group, the Central African States Development Bank (BDEAC), G-77, and the African Union. In December 1983, it joined the Central African Republic, the Congo, Chad, Cameroon, and Gabon in the Central African Customs and Economic Union (Union Douanière et Économique de l'Afrique Centrale—UDEAC); this organization is now known as the Monetary and Economic Community of Central Africa (CEMAC). The nation is part of the franc zone. Equatorial Guinea holds observer status in the WTO and the OAS. The country is part of the Nonaligned Movement. In environmental cooperation, Equatorial Guinea is part of the Convention on Biological Diversity, CITES, the Kyoto Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The agricultural industry employs the majority of the population. The country exports cocoa, coffee, and timber, and imports large quantities of foodstuffs. Production of oil began in 1991, and substantial new reserves were discovered in 1995. Trace deposits of a few minerals have been located. Industry is limited to a few processing facilities for agricultural products. In 1990, compliance difficulties with the IMF structural adjustment program and the government's repeated violations of human rights resulted in the suspension of most foreign economic assistance. The arrival of significant oil revenues, however, has caused the economy to be viewed with guarded optimism. Continuing fiscal mismanagement and the lack of economic reforms casts doubt on the government's ability to fully capitalize on the oil revenues. Nonetheless, oil accounts for 90% of exports and over 60% of GDP. Oil production rose from 120,000 barrels per day (bpd) in 2001 to 420,000

bpd in 2005. Other natural resources that are undeveloped are titanium, iron ore, manganese, uranium, and gold.

In 1985, Equatorial Guinea joined the CFA franc zone, improving the economic situation. In 1994, France devalued the CFA franc, causing its value to drop in half overnight, and raising the value of exports. Increased export revenue, together with newly exploited petroleum reserves, caused GDP to rise dramatically (over 50%) during 1996 and 1997. Between 2001 and 2005 GDP annual average growth rate was 27.78%, with a high of 65.6% in 2001 and a low of 6% in 2005. The growth rates in GDP were a result of discovery of new oil reserves and increases in the production of oil.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Equatorial Guinea's gross domestic product (GDP) was estimated at \$25.7 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$50,200. The average inflation rate in 2005 was 5%. It was estimated that agriculture accounted for 2.4% of GDP, industry 95.5%, and services 2.2%.

## 21 LABOR

The majority of the population was engaged in subsistence agriculture in 2002. The unemployment rate in 1998 (the latest year for which data was available) was estimated at 30%. There was no data available on the size of the country's workforce.

As of 2005, workers had the right to form unions, but there was no legislation to prohibit antiunion discrimination in the workplace. In 2001, the Small Farmers Syndicate became the first legally recognized union. As of 2005, it was still the country's only legally recognized union, and there was no collective bargaining.

Wages are set by the government and employers, with little or no input by workers. There was a statutory monthly minimum wage of about \$100 in 2002 for unskilled workers, with the minimum for oil sector professionals set at 10 times that amount. The legal minimum age for employment is 14, but the government does not enforce this. The standard legal workweek is set at 35 hours, with a 48-hour rest period.

## 22 AGRICULTURE

Agriculture is the main economic activity, involving about 71% of the economically active population. An estimated 8% of the land is engaged in crop production. The island of Bioko has year-round rainfall, and the prevailing economic activity is cocoa cultivation. In Río Muni (on mainland Africa), where 80% of the population lives, food crops are the dominant economic activity, and cash crop cultivation is secondary. Agriculture (including forestry and fishing) accounts for about 50% of GDP and 60% of exports. The main food crop is cassava, of which 45,000 tons were produced in



2004. Sweet potatoes are the second-largest food crop, with 36,000 tons in 2004, followed by bananas (20,000 tons).

Before independence, the main cash crops were cocoa, coffee, and palm kernels for palm oil. Guinean cocoa, of excellent quality, had an annual production of 38,000 tons in 1967. However, production experienced a sharp drop in the 1970s, falling to 4,512 tons in 1980. In 2004, production was estimated at 2,400 tons. Coffee of comparatively poor quality is grown in northern Río Muni, along the Cameroon border. The preindependence production of 8,959 tons in 1967 fell to 500 tons in 1978; the decline was mainly caused by forcible transfer of coffee farmers to the Bioko cocoa plantations. Coffee production was an estimated 3,500 tons in 2004. Actual cocoa and coffee production is higher, but official figures do not take into account quantities smuggled abroad rather than delivered to state marketing agencies.

### 2<sup>3</sup> ANIMAL HUSBANDRY

Cattle and poultry production is rapidly reaching its preindependence levels of self-sufficiency with the financial help of the African Development Bank. However, production of domesticated animals is hindered by the presence of trypanosomiasis and other tropical deterrents. In 2005 there were 37,600 sheep, 9,000 goats, 6,100 hogs, and 5,000 cattle.

### 2<sup>4</sup> FISHING

The fishing industry gained strength through the 1980s and is now almost entirely modernized; a tuna processing plant went into operation in 1990. Annobón subsists almost entirely on fishing and retains its traditional preeminence in offshore whaling and turtle gathering. Bioko is also a major fishing center, the chief catches being perch, tuna, mackerel, cod, pike, shark, and crayfish. The country's own catch was about 3,500 tons in 2003.

### 2<sup>5</sup> FORESTRY

Timber from Río Muni is Equatorial Guinea's leading export. Forests cover over 62% of the land area. The Río Muni area on the mainland produces okoumé and akoga from rain forests of considerable age. Even though the government has given permission to foreign firms, exploitation is difficult due to infrastructural problems. The government enacted a new forestry action plan in 1990 in an effort to strengthen the sector's development. In 2004, roundwood production was estimated at 811,000 cu m (28.6 million cu ft). In 2004, exports of forest products amounted to \$97 million.

### 2<sup>6</sup> MINING

Petroleum, the country's leading industry and export commodity in 2004, was associated with Equatorial Guinea's rapid economic growth since 1996; natural gas was the country's fourth-leading industry. Geological surveys indicated occurrences of bauxite, alluvial gold, copper, diamond, titanium-bearing sands, ilmenite beach sands, lead, phosphates, zinc, iron, manganese, tantalum, and uranium in Río Muni; there has been no significant exploitation. A 1981 law stipulated that all mineral deposits were state

property. Artisanal miners produced 500 kg of gold in 2004, and clay, gravel, and sand were also presumably produced.

### 2<sup>7</sup> ENERGY AND POWER

As of 1 January 2003, electric power generating capacity stood at 15.4 MW, of which 20% was hydroelectric and 80% conventional thermal. Production in 2002 was estimated at 30 million kWh, while consumption was placed at 25 million kWh. However, poor management and aging equipment has resulted in prolonged power blackouts. As a result, small gasoline and diesel-powered generators are used as backup power sources.

Since 1995, when significant offshore oil discoveries were made in the Gulf of Guinea, oil has become Equatorial Guinea's most important export. According to World Oil, Equatorial Guinea's proven oil reserves were put at 1.28 billion barrels, as of 1 January 2005. In 2005, oil production was estimated at 420,000 barrels per day, of which crude oil accounted for over 90%. Domestic oil demand and net oil exports in 2004 were estimated at 2,000 barrels per day and 369,700 barrels per day, respectively.

Equatorial Guinea has proven natural gas reserves estimated, as of 1 January 2005, of 1.3 trillion cu ft, according to the Oil and Gas Journal. The country's natural gas reserves are located off Bioko island, which is the site of the nation's capital, Malabo, and mainly in the Zafiro and Alba oil and gas fields. Domestic consumption of natural gas is estimated for 2002 at 45 billion cu ft.

### 2<sup>8</sup> INDUSTRY

Equatorial Guinea's manufacturing sector is very small. Sawmilling leads industrial production, followed by cement, bleach, and tuna canning plants. Small-scale soap manufacturing and food processing operations round out the industrial sector. The petroleum mining industry is growing rapidly, as large oil reserves have been discovered. Oil in 2004 accounted for over 88.9% of GDP and over 97% of exports. Proven oil reserves are estimated at 563.5 million barrels. Oil production increased from 17,000 barrels per day in 1996 to around 420,000 barrels per day in 2005. There is a methanol plant on Bioko island that processes natural gas. Proven natural gas reserves are estimated at 68.53 billion cubic meters.

### 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Spain, China, and several other countries have provided Equatorial Guinea with technological assistance.

### 3<sup>0</sup> DOMESTIC TRADE

Most interior wholesale and retail trade has been maintained through *factorías* (small general agencies) managed by individual Spanish owners or the representatives of small firms. Most trade occurs in the major cities of Malabo and Bata.

Consumer price inflation has fluctuated quite a bit throughout the last decade. During the 2001–2005 period, inflation averaged 6.8% per annum. Recent economic policies are designed to encourage foreign investment.

Normal business hours are 8 AM to 12 noon and 4 to 8:00 PM, Monday through Friday, and 9 AM to 2 PM on Saturday. Spanish is the dominant business language, while French and English are also spoken.

**Balance of Payments – Equatorial Guinea (1996)**

(In millions of US dollars)

<b>Current Account</b>		<b>-344.0</b>
Balance on goods	-116.7	
Imports	-292.0	
Exports	175.3	
Balance on services	-179.7	
Balance on income	-45.0	
Current transfers	-2.6	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>313.8</b>
Direct investment abroad	...	
Direct investment in Equatorial Guinea	376.2	
Portfolio investment assets	...	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	...	
Other investment liabilities	-62.4	
<b>Net Errors and Omissions</b>		<b>24.8</b>
<b>Reserves and Related Items</b>		<b>5.5</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.**3<sup>1</sup> FOREIGN TRADE**

Exports were estimated at \$6.94 million in 2005, while imports came to \$2.92 million leading to a trade surplus of \$4.02 billion. Leading exports for 2004 were petroleum (98.7%), timber (1.2%), and cocoa (0.1%). Imports consisted primarily of machinery (77%), building material (7.1%), food and beverages (3.6%), and petroleum products (1.9%). Spain, the United States, and China are Equatorial Guinea's principal export markets. Recent figures from the IMF reveal that exports to China rose rapidly in 2004, from \$374 million in 2003 to \$889 million.

**3<sup>2</sup> BALANCE OF PAYMENTS**

New oil and natural gas production improved Equatorial Guinea's balance of payments situation since the mid-1990s. Additional oil production that came online in 2001, combined with methanol gas exports from the new CMS-Nameco plant, increased export earnings in the early 2000s. Imports were growing as well: in 2004, purchases of equipment for the oil and gas sector accounted for over three-quarters of imports. The country's debt service ratio fell from 20% of GDP in 1994 to less than 1% in 2005. Although relatively low in terms of covering the payments of imports, foreign exchange reserves were increasing slightly in the early 2000s. Many of the aid programs Equatorial Guinea benefited from in the 1980s and 1990s had diminished or ceased altogether by 2000. Some project assistance continued to be provided by France and the EU, as well as by China and Cuba.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Equatorial Guinea's exports was \$6.9 billion while imports totaled \$2.9 billion resulting in a trade surplus of \$4 billion.

**3<sup>3</sup> BANKING AND SECURITIES**

The Bank of Issue of Equatorial Guinea was established on 12 October 1969 as the central bank. In January 1985, the country joined

the CFA zone, and the Bank of the Central African States (Banque des États de l'Afrique Centrale-BEAC) became its central bank. In 1993, a supranational supervisory authority was created for BEAC states, called the Commission Bancaire de l'Afrique Centrale (CO-BAC). The story of commercial banking since independence has been a sorry one, and the lack of cheap and efficient commercial credit is blamed as a major obstacle to economic growth. Banking functions prior to independence were carried out mainly by the Banco Exterior de España (BEE), in association with two smaller Spanish institutions. Spanish banks almost stopped functioning after independence and withdrew altogether in 1972. As of 2002, there were only two banks operating in the country, with net holdings of \$53 million.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$65.9 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$88.3 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

There are no securities exchanges.

**3<sup>4</sup> INSURANCE**

No information is available.

**3<sup>5</sup> PUBLIC FINANCE**

Equatorial Guinea made its first standby loan agreement with the IMF in 1985 and negotiated a structural adjustment agreement in 1988. Government problems with budget overruns and a continuing, structural imbalance of trade frustrated IMF technicians, who stopped payments in 1990. Nonetheless, the government reduced the 1990 budget and enacted key portions of the structural adjustment program: import price liberalization, economic diversification, utility rate increases, clarification of property rights, and private sector stimulus. With these steps taken and with petroleum revenues increasing, the IMF restarted the blocked structural adjustment program in December 1991. By 1994, however, repeated human rights violations and the failure to enact economic reform led to the suspension of most foreign economic assistance. In 1998, the government privatized distribution of petroleum products; petroleum revenues, along with sales taxes and duties, account for two-thirds of government revenues.

The US Central Intelligence Agency (CIA) estimated that in 2005 Equatorial Guinea's central government took in revenues of approximately \$1.9 billion and had expenditures of \$711.5 million. Revenues minus expenditures totaled approximately \$1.2 billion. Total external debt was \$248 million.

**3<sup>6</sup> TAXATION**

Equatorial Guinea has a standard corporate tax rate of 25%, with a minimum 1% rate on turnover. Capital gains are subject to a 25% tax rate, although the tax can be deferred if all of the proceeds are employed in the purchase of new fixed assets within the country within a three-year period or should a merger take place. Dividends paid to nonresidents are subject to a 40% tax. Interest and

royalties (such as from intellectual property and/or patents) are also subject to the 40% rate.

### 37 CUSTOMS AND DUTIES

As a member of the six-nation Central African Economic Community (CEMAC), Equatorial Guinea shares customs systems and practices with its neighbors. The CEMAC makes trade with Central African countries much easier and more efficient. The tariff system is based on the CIF (cost, insurance, freight) value of imported goods, and is divided into four simple categories: basic necessities are taxed at a rate of 5%, raw materials and capital goods at 10%, intermediate and miscellaneous goods at 20%, and consumer goods at 30%. There is also a fiscal tax of 15–40% charged on all imports except alcohol and tobacco, for which there is a different rate, and a turnover tax of 5–12%.

### 38 FOREIGN INVESTMENT

Spain and France are the major aid donor countries working with the Equatorial Guinean government. Spain conditioned aid, however, on improvements in the human rights record and progress in the democratization effort. Other donors include China, Nigeria, and several other Western and Middle Eastern countries.

Foreign investment in the petroleum and lumber industries increased sharply during the late 1990s. Timber production increased by 70% in 1997 and petroleum production reached 85,000 barrels per day in the same year. Offshore drilling operations began production in 2000. In 2001, Equatorial Guinea had the world's fastest-growing economy as oil production, with Exxon-Mobile as the main producer, reached 200,000 barrels per day. The inflow of foreign direct investment (FDI) jumped from an average of \$22 million a year in 1997 and 1998 to an average of \$120 million in 1999 and 2000. FDI inflow was \$88 million in 2001. However, between 2002 and 2004 FDI inflow averaged \$1.14 billion per year. According to figures from the UN Conference on Trade and Development (UNCTAD), Equatorial Guinea received the third-largest amount of foreign direct investment in sub-Saharan Africa in 2004, totaling \$1.66 billion.

### 39 ECONOMIC DEVELOPMENT

During the 1990s, in conjunction with Spain, Equatorial Guinea focused on education, health, administrative reform, and economic infrastructures with little success. According to a 1996 International Monetary Fund (IMF) report, the production base of Equatorial Guinea was extremely small, the level of human capital very weak, and the country had no basic infrastructure. Mismanagement and corruption were widespread in public administration. US oil companies have invested in development of the country's infrastructure.

New oil and gas exploration and development of existing fields resulted in rapid growth in energy exports in the early 2000s. The government sold some state-owned enterprises, and attempted to establish a more favorable investment climate. As of 2005, there had been no formal agreements or arrangements with the IMF since 1996.

### 40 SOCIAL DEVELOPMENT

Old age, disability, sickness, and work injury laws cover employees, public officials, and military personnel. These programs are

funded primarily from employers and the government, with a small contribution from the employee. Family allowances are also paid. Workers' medical benefits include free medical care, hospitalization, and medicine. However, subsistence farmers and agricultural workers are not covered by formal social security systems. The great majority of the population goes without potable water, electricity, basic education, or even minimal health care.

Women have the same legal rights as men, but in practice face discrimination. Male-dominated traditions and customs lead many parents to withdraw their daughters from school. Men are accorded favorable inheritance and property rights. Polygamy is common within the Fang ethnic group. Domestic violence against women is commonplace, and the government does not prosecute perpetrators. As of 2004, forced marriages were customary.

Human rights violations are commonplace. Human rights abuses include incommunicado detention, extrajudicial killings, torture, arbitrary arrest and detention, and searches without warrants.

### 41 HEALTH

The national health system of Equatorial Guinea consists of four levels: health posts in each village of 600 people, dispensaries in health centers with a qualified nurse at the intermediate level, district level hospitals, and two referral hospitals at the most centralized level. In 2004, there were an estimated 25 physicians, 40 nurses, 1 dentist, 1 pharmacist, and 2 midwives per 100,000 people.

In 2005, the infant mortality rate was estimated at 91.16 per 1,000 live births. The maternal mortality rate in 1990 was 820 women per 100,000 live births. Life expectancy in 2005 was 49.70 years, with an overall death rate of 12.9 per 1,000 people.

Major health problems (1992 data) are preventable diseases, mainly malaria (increasingly chloroquine resistant), parasitic disease, upper respiratory infections, gastroenteritis, and complications of pregnancy. In the continental zone, sickle cell anemia is common. Approximately 61% of the country's children were immunized against measles between 1991 and 1994.

The HIV/AIDS prevalence was 3.40 per 100 adults in 2003. As of 2004, there were approximately 5,900 people living with HIV/AIDS in the country. There were an estimated 370 deaths from AIDS in 2003.

### 42 HOUSING

In 1995 there were about 50,000 households with an average of eight persons per household.

### 43 EDUCATION

Education is free and compulsory from 6 to 11 years of age. Primary education is for five years followed by four years of secondary in the first stage and three subsequent years of secondary education in the second stage.

In 2001, about 35% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2001 was estimated at about 87% of age-eligible students; 93% for boys and 81% for girls. The same year, secondary school enrollment was about 24% of all age-eligible students. It is estimated that about 45% of all students complete their primary education. The student-to-teacher ratio for primary school was about 43:1 in 2000; the ratio for secondary school was about 23:1.

The Universidad Nacional de Guinea Ecuatorial is the primary institute of higher learning. The adult literacy rate for 2004 was estimated at about 84.2%, with 92.1% for men and 76.4% for women. As of 2003, public expenditure on education was estimated at 0.6% of GDP, or 1.6% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The Malabo Public Library, housed in three branches, contains some 17,000 volumes. The Claretian Mission at Malabo has about 4,000 volumes of Africana and Guineana, and an archaeological-ethnographic museum. In Santa Isabel, the Mission Ethnological Museum houses a collection of the art of the Bubi people and stone sculptures of the Druids.

#### 45 MEDIA

In 2003, there were only about 9,600 mainline telephones in use throughout the country. The same year, there were about 41,500 mobile phones in use nationwide.

Equatorial Guinea has two government-owned radio stations broadcasting in Spanish, French, and local languages, including Fang, Bubi, and Combe. The only privately owned radio station is held by Teodoro Nguema Obiang Mangue, the president's son. There is one television station, also government-owned. Cable television is also available. In 1997, there were about 180,000 radios and 4,000 televisions nationwide. In 2002, there were 1,800 Internet subscribers served by three service providers.

*Poto Poto*, published in Spanish and Fang, may be the only daily national newspaper. There were five general-interest newspapers published regularly in 2002. *La Gaceta*, a monthly publication with informal connections to the Government; *El Correo Guineo Ecuatoriano*, a bimonthly newspaper published by the Gaceta group; *La Opinion*, an opposition newspaper published every 2 to 3 weeks; *El Tiempo*, an opposition newspaper; and *Ebano*, a twice monthly publication of the Ministry of Information, Tourism, and Culture. *Egyptian Mail* is a national English-language publication.

Although the constitution of Equatorial Guinea provides for free speech and a free press, the government is said to severely restrict these freedoms in practice, censoring all criticism of the president and security forces. Access to foreign publications is limited.

#### 46 ORGANIZATIONS

The government generally restricts the formation of nongovernmental organizations and associations. Apart from official and semiofficial organizations, most non government organizations are religious societies and sports clubs. In 2004, the only recognized labor union was the Small Farmers Syndicate. There is also an Equatorial Guinea Press Association. There is an International Lion's Club and the Red Cross has an active chapter.

#### 47 TOURISM, TRAVEL, AND RECREATION

Because Equatorial Guinea has undergone many years of international isolation, its tourism industry is very undeveloped, with limited hotel space available in Malabo and Bata. Attractions include the Spanish colonial architecture of Malabo, the beaches, and the tropical rain forests. A certificate of vaccination against yellow fever is required. A valid passport is needed; there are no visa requirements.

In 2004, the US Department of State estimated the cost of staying in Equatorial Guinea at \$218 per day.

#### 48 FAMOUS EQUATORIAL GUINEANS

Francisco Macías Nguema (1924–79) was president until his overthrow and execution in 1979. His successor, Lt.-Col. Teodoro Obiang Nguema Mbasogo (b.1946), has ruled Equatorial Guinea since 1979.

#### 49 DEPENDENCIES

Equatorial Guinea has no territories or colonies.

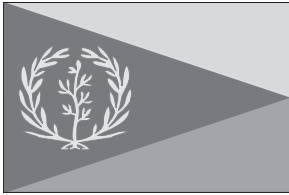
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# ERITREA

State of Eritrea  
*Hagere Ertra*



**CAPITAL:** Asmara

**FLAG:** A red triangle divides the flag into two right triangles; the upper triangle is green, the lower one is blue. A gold wreath encircling a gold olive branch is centered on the hoist side of the red triangle.

**ANTHEM:** *Eritrea National Anthem* beginning "Eritrea, Eritrea, Eritrea."

**MONETARY UNIT:** After establishing independence from Ethiopia, Eritrea used Ethiopian currency until November 1997. At this time the nafka was issued to replace the Ethiopian birr at approximately the same rate. 1 nafka = \$0.06897 (or \$1 = 14.5 nafka) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year's Day, 1 January; Independence Day, 24 May; Martyrs' Day, 20 June; Anniversary of the Start of the Armed Struggle, 1 September. Movable holidays include 'Id al-Fitr, 'Id al-Adha, and 'Id Milad al-Nabi. Movable Orthodox Christian holidays include Fasika and Meskel.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Eritrea is located in eastern Africa. The area occupied by Eritrea is slightly larger than the state of Pennsylvania with a total area of 121,320 sq km (46,842 sq mi). Eritrea shares boundaries with the Red Sea on the NE, Djibouti on the SE, Ethiopia on the S, and Sudan on the W, and has a total land boundary of 1,626 km (1,010 mi) and a coastline of 2,234 km (1,388 mi).

The capital city, Asmara, is located in the central portion of the country.

## <sup>2</sup> TOPOGRAPHY

The topography of Eritrea is dominated by the extension of the Ethiopian north-south trending highlands, descending on the east to a coastal desert plain and on the northeast to hills and on the southwest to flat-to-rolling plains. Approximately 4% of the land is arable. Natural resources include gold, potash, zinc, copper, salt, and fish. Frequent droughts, soil erosion, deforestation, and overgrazing all present environmental challenges.

## <sup>3</sup> CLIMATE

Highs of 60°C (140°F) are not uncommon in the Danakil Depression in Eritrea's southernmost province, Denkalia. This is reportedly the hottest spot in the world. It is cooler and wetter in the central highlands. The western hills and lowlands are semiarid. Heavy rainfall occurs during June, July, and August, except in the coastal desert.

## <sup>4</sup> FLORA AND FAUNA

The giraffe and baboon are extinct in Eritrea. Populations of lion, leopard, zebra, species of monkey, gazelle, antelope, and elephant continue to thrive, however. The coastal areas are home to many

species of turtle, lobster, and shrimp. Plant life includes acacia, cactus, aloe vera, prickly pear, and olive trees. As of 2002, there were at least 112 species of mammals and 138 species of birds throughout the country.

## <sup>5</sup> ENVIRONMENT

The most significant environmental problems in Eritrea are deforestation, desertification, soil erosion, overgrazing, famine, and damage to the infrastructure from warfare. In 2000, about 15.7% of the total land area was forested. In 2003, about 4.3% of the total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included nine types of mammals, seven species of birds, six types of reptiles, nine species of fish, and three species of plants. Threatened species include the spotted eagle, the cheetah, the black crowned crane, the great white shark, the African wild ass, and the green turtle.

## <sup>6</sup> POPULATION

The population of Eritrea in 2005 was estimated by the United Nations (UN) at 4,670,000, which placed it at number 113 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 45% of the population under 15 years of age. There were 96 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.6%, a rate the government viewed as too high. Although the fertility rate declined from 6.1 births per woman in 1995 to 4.8 in 2002, the government still considered the fertility rate too high, with only 5% of married women using contraception. The projected popula-

tion for the year 2025 was 7,244,000. The population density was 40 per sq km (103 per sq mi).

The UN estimated that 19% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 5.63%. The capital city, Asmara, had a population of 556,000 in that year.

## 7 MIGRATION

During Eritrea's fight for independence, more than 750,000 fled the country, 500,000 of whom went to Sudan. Following Eritrea's liberation in 1991, many of these refugees returned voluntarily, although there were still some 315,000 in Sudan at the end of 1997. An Eritrean plan for repatriation from Sudan was implemented between 1994 and June 1995, with 25,000 refugees successfully repatriated. Another 80,000 returned on their own. Results of a data collection exercise conducted in Sudan in April 1998 suggested that 90% of Eritrean refugees (some 130,000) were willing to be repatriated. The Eritrean/Ethiopian border conflict had also displaced more than 300,000 people within Eritrea as of 1999. The United Nations High Commissioner for Refugees (UNHCR) began repatriating 150,000 Eritrean refugees from Sudan in 2001 due to renewed diplomatic relations between the two countries. In 2004 UNHCR assisted 9,893 voluntary returnees from Eritrea to Sudan.

In 2004, there were 131,119 refugees in Eritrea, mainly from Somalia and Sudan. Also in 2004, there were 58,953 internally displaced people. There were also 449 asylum seekers that year, mainly Ethiopians. However, over 6,000 Eritreans sought asylum in sixteen countries in 2004, mainly in Ethiopia, Sudan, the United Kingdom, Germany, and Sweden.

In 2005, the net migration rate for Eritrea was estimated as zero migrants per 1,000 population, a significant change from -22.5 per thousand in 1990.

## 8 ETHNIC GROUPS

Ethnologists classify Eritreans by nine prominent language groups. The Afar live in the southeast, the Tigrinya in south central Eritrea, and the Tigre in the north. The Saho live in the south central/southeast. The Bilen live in central Eritrea, the Hadareb in the northwest, and the Kunama and Nara in the southwest. The ninth group, the Rashaida, inhabit the northwest. The Tigrinya (50% of the population), Tigre and Kunama (40%), Afar (4%), and Saho (3%) are believed to be the largest ethnic groups.

## 9 LANGUAGES

No official language has been proclaimed. However, Arabic and Tigrinya are the working languages of the Eritrean government. Tigre is widely spoken in the western lowlands, on the northern coast, and in parts of the Sahel. Afar, Amharic, Kunama, and other minor ethnic group languages are also spoken.

## 10 RELIGIONS

The largest religions in Eritrea are Sunni Muslim (approximately 50%), Orthodox Christian (approximately 40%), Eastern Rite and Roman Catholic (approximately 5%), and the Evangelical Church of Eritrea (approximately 2%). Other minority groups include Seventh-Day Adventists, Jehovah's Witnesses, Baha'is, Buddhists, and Hindus. Geographically, Islam predominates in the eastern

and western lowlands while Christianity is dominant in the highlands. Along ethnic lines, members of the Tigrinya group are primarily Orthodox Christian. Most of the Tigre, Nara, Afar, Saho, Beja, Rashaida, and Blen are Muslim. Over 50% of the Kunama are Roman Catholic.

Though the constitution provides for freedom of religion, the government has placed a number of restrictions on "Pente" groups, or all religious organizations other than the four government-sanctioned religions of Orthodox Christians, Muslims, Catholics, and the Evangelical Church of Eritrea. In 2001, the government began closing all Pente facilities and by 2002 had issued a decree that all religious groups must be officially registered in order to continue practices. This has effectively allowed for the closing of all facilities not belonging to the four principal groups. There is a standing law prohibiting political or other gatherings in private homes of more than five individuals, but it is unclear as to whether or not this law has been enforced against the members of the Pente groups.

Jehovah's Witnesses are particularly subject to discrimination both socially and from the government since their refusal to participate in national service is considered unpatriotic. Besides receiving prison sentences for evading national service (up to three years), a number of Jehovah's Witnesses have been denied or have had trouble obtaining passports, exit visas, identification cards, and trading licenses. Some have been forced from government-subsidized housing.

## 11 TRANSPORTATION

The infrastructure suffered some damage during the war for independence with Ethiopia. Massawa, the principal port, serves Eritrea and northern Ethiopia. The port, which has a 7-m (24-ft) channel and pier facilities capable of accommodating five or six large vessels, was damaged by bombing raids from February 1990 to May 1991. In early 1992, agreements were concluded between the Eritrean and Ethiopian governments to make Assab a free port for Ethiopia, making Ethiopia dependent on Eritrean ports for its foreign trade. Assab has an oil refinery and facilities capable of handling more than one million tons of goods annually. As of 2005, Eritrea had six ships (1,000 GRT or over), totaling 16,069 GRT.

Eritrea had 3,859 km (2,392 mi) of roads, of which 810 km (503 mi) were paved in 2002. A railway, which was almost completely destroyed during the war, once extended 317 km (197 mi) from Massawa on the Red Sea to Asmara, terminating near the Sudanese border. Reconstruction work on this railway, starting from Massawa, began in summer 1994. As of 2004, Eritrea had 306 km (190 mi) of rail line, all of it narrow gauge.

There were 17 airports and airfields in the country as of 2004, only 4 of which had paved runways as of 2005. The airport at Asmara (Yohannes IV) handles international jet transportation. In 1997, (the latest year for which data is available) an estimated 174,000 passengers were carried on scheduled international and domestic flights. Repair of the railroad and highway network is necessary for the revival of agriculture and industry. The government of Eritrea has established a budget for transport rehabilitation, two-thirds of which is allocated for road repair to ensure that all parts of the country have access to modern roads.



LOCATION: 15° N; 39° E. BOUNDARY LENGTHS: Djibouti, 113 kilometers (70 miles); Ethiopia, 912 kilometers (566 miles); Sudan, 605 kilometers (375 miles); coastline, 1,151 kilometers (717 miles). TERRITORIAL SEA LIMIT: 12 miles.

## 12 HISTORY

Eritrea's strategic location on the Red Sea has made the history of this country one dominated by colonial rule. Turks, Egyptians, Italians, British, and Ethiopians have all colonized Eritrea over the years. During the modern European scramble for Africa, Eritrea fell under the colonial rule of Italy in 1890. Sustained resistance to Italian rule developed into a unified sense of Eritrean nationalism among the various ethnic groups in the country. For the first time, Eritrea was welded into a single political entity with unified political and social structures, which cut across the traditional divisions. It broadly followed the pattern of political development experienced in all other European colonies in Africa and which, in the vast majority of cases, formed the basis for eventual independence. Between 1936 and 1941 Eritrea, along with Italian Somaliland and as part of the Italian East African Empire, was ruled together

with Ethiopia for the first time. In 1941, after the Italians were defeated by Allied forces, Eritrea and Somaliland were placed under the British Military Administration while Ethiopia regained its independence under Emperor Haile Selassie. As a loser in the World War II, Italy relinquished its legal right to its colonies in a 1947 treaty. A Four Power Commission (Britain, France, the Soviet Union, and the United States) was set up to decide on how to dispose of the former Italian colonies through negotiations. The agreement was to submit the matter to the UN General Assembly if negotiations were unsuccessful. The four countries could not agree on Eritrea's future. Britain proposed partition of Eritrea, with the western parts to go to the Sudan and the highlands and coastal strip to go to Ethiopia, while the United States suggested complete union with Ethiopia. France proposed Trust Territory with Italian administration while the Soviet Union argued for Trust Territory under international administration. The problem

was referred to the United Nations (UN), which set up a commission of five countries (Burma, Guatemala, Norway, Pakistan, and South Africa) to study and propose a solution. The idea of partition was rejected outright. Guatemala and Pakistan proposed the standard formula of the UN Trusteeship leading to independence, but others favored close association with Ethiopia. For example, Norway wanted full union while Burma and South Africa favored federation with some autonomy. Meanwhile, Ethiopian emperor Haile Selassie was working hard on the diplomatic front to acquire Eritrea. The United States backed Eritrea's federation with Ethiopia and UN Resolution 390A was passed to that effect. This decision was made without giving due attention to the overwhelming presence of groups who were mobilizing the population for independence. From September 1951 Eritrea became an autonomous territory federated with Ethiopia. US strategic interests in the Red Sea and its close ties with the emperor played a major role in influencing the final decision. The United States put forth enormous pressure to have Ethiopia administer Eritrea, under "the Sovereignty of the Ethiopian Crown."

The federation lasted from September 1951 to 1962, but did not bring about harmonious integration of the entities. Ethiopia soon started to impose more direct rule at its will. The UN ignored Eritrea's protests against Ethiopia's intervention in their autonomous rule, and Ethiopia formally annexed Eritrea in 1962.

A year earlier, in September 1961, the Eritrean Liberation Front (ELF) launched an armed struggle for independence. By 1970, when the Eritrean People's Liberation Front (EPLF) was created from within the Eritrean Liberation Front (ELF), Eritrea had become the emperor's main preoccupation. EPLF is the organization that led Eritrea to independence in 1991. After the emperor was overthrown in 1974, the self-styled Marxist military dictatorship, called Dergue, stepped up its campaign against Eritreans. With the help of Soviet Union, Korea, Cuba, and other countries in the Eastern Bloc, the Dergue sustained a very bitter war over Eritrea between 1978 and 1991. The war left Eritrea in complete ruins and created enormous land-mine and population-displacement problems. In terms of infrastructure, all basic services were virtually disrupted. Most towns were without services—such as electricity, water, and transportation—for much of the war years. Industrial sectors were wiped out and the ports were destroyed. Ethiopian forces bombed Massawa extensively during the last days of the war, killing many civilians, destroying most of the buildings, and depopulating the area. Towards the end of the war, Ethiopia had 500,000 troops under arms, half of them in Eritrea. At no time did the Eritrean forces number more than 100,000. It is estimated that the Dergue had spent \$12 billion on military supplies for its war against Eritrea. In the 30 years of war, Eritrea lost more than 60,000 fighters and about 40,000 civilians. Hundreds of thousands were also forced into exile.

In May 1991, the EPLF captured the last Ethiopian outposts in Eritrea. Asmara, Eritrea's capital, was occupied on 24 May 1991. President Mengistu Haile Mariam fled Addis Ababa and the Tigrean People's Liberation Front (TPLF), which had also been fighting against the Dergue since 1975, took over the Ethiopian government. The EPLF created a provisional government for Eritrea, until a referendum was carried out to determine the choice of the Eritrean people. The referendum was scheduled to take place in 1993. Although Eritrea had been absorbed into Ethiopia in 1962,

Eritreans—unlike many Ethiopians—did not regard their struggle as one of secession. They never recognized Ethiopian legitimacy over their territory; rather, they viewed their struggle as anticolonial, seeking to gain the independence they were denied by the UN in 1952. The referendum on 23–25 April 1993 proved that this was indeed the case. The great majority—98.5% of the 1,173,000 registered voters—voted for independence. The UN certified the results and on 24 May 1993, Eritrea became Africa's 52nd independent state. Four days later it was admitted to the United Nations and the OAU.

The colonial boundary between Eritrea and Ethiopia, defined in a treaty between Italy and Ethiopia in July 1900, became the international boundary between the two sovereign states without modification, leaving Ethiopia a landlocked state once more. The decision was consistent with the cardinal article of an OAU charter adopted in 1963, stipulating that colonial boundaries were to be respected, and until May 1998, relations between the two countries were good. The Eritrean ports of Assab and Masawa remained open for Ethiopia free of charges.

In May 1998, disagreement over the sovereignty of border villages erupted into all-out war. Between 2 and 6 May 1998, Eritrean soldiers invaded and occupied Badme, in northeastern Ethiopia. Other areas were subsequently occupied in Tigray State. Ethiopia later recaptured Badme, but fighting continued for two and a half years, interspersed with periods of inactivity. A US- and Rwanda-sponsored peace plan proposed in early June 1998 failed; so did arbitration efforts by the OAU with each side claiming to accept an OAU framework agreement while accusing the other of making impossible preconditions to its implementation.

The war, which according to the UN claimed the lives of an estimated 70,000 people on both sides, ended officially with a peace treaty, the Algiers Agreement, on 12 December 2000. Under the Algiers Agreement, some 4,200 UN soldiers commanded under the UN Mission in Ethiopia and Eritrea (UNMEE) remained on the border to monitor the so-called Temporary Security Zone (TSZ) that separates the two countries. Experts from the Eritrea Ethiopia Boundary Commission (EEBC) established in April 2002 physically demarcated the internationally recognized boundary. However, Ethiopia rejected, as unjust and illegal, the ruling of the Permanent Court of Arbitration in The Hague following its decision on 13 April 2002. Legally, the ruling was binding and final. The Ethiopian government announced in November 2004 that it accepted the EEBC ruling and urged Eritrea to accept its full implementation, but Prime Minister Meles Zenawi later said he would accept border demarcation only in undisputed areas. In October 2005 the Eritrean government banned UN flights in the 25-kilometer demilitarized TSZ, and by mid-November 2005 the UN Security Council expressed deep concern over rising tension in the shaky peace agreement over military movements by both parties towards the TSZ. In the last week of November 2005, the 15-member UN Security Council unanimously adopted a resolution that threatened action, including possible sanctions, to Eritrea if it did not immediately rescind its flight ban, and to Ethiopia if it did not reverse its military build-up. As of 6 December 2005 the military situation in the TSZ remained tense and potentially volatile.

Fallout from the war exacerbated the famine. A four-year drought resulted in malnutrition rates of between 15% and 30% in the under-five population by November 2005.



### 13 GOVERNMENT

After defeating the Ethiopian military government in May 1991, Eritrea functioned as a distinct political unit. Between the end of the war in May 1991 and the celebration of Independence Day in May 1993, the EPLF formed a provisional government to run the country. The provisional government was comprised of a 28-member executive council. This provisional government organized elections at the village, district, and provincial level throughout the country to broaden popular participation.

Following the referendum, in May 1993, an interim administration was created to govern for four years. In this government, a National Assembly was formed, consisting of the Central Committee of the EPLF and 60 other individuals. Ten out of the 60 seats were reserved for women. The assembly elected Isaias Afewerki president. He also served as commander-in-chief of the armed forces and chaired the executive branch—the State Council—whose members he nominated. The National Assembly ratified all of his nominations. This government was to serve until a constitutional commission prepared a constitution and the government organized elections.

In 1996, the 50-member constitutional commission submitted a draft document for public debate. It provided for multiparty democracy based upon Western standards featuring a full array of civil liberties. Ratified by referendum in 1997, the constitution called for national elections in May 1998, which were delayed by the war with Ethiopia, subsequently rescheduled for December 2001, and postponed indefinitely. By mid-2006, there were no elections in sight.

### 14 POLITICAL PARTIES

The Eritrean Liberation Front (ELF) started the armed struggle for the independence of Eritrea in September 1961. In 1970, the Eritrean People's Liberation Front (EPLF) evolved from the ranks of the ELF with a new vision and program. Initially, both fronts intensified the war against Ethiopia. Both the ELF and the EPLF were mixed Muslim-Christian groups. However, they differed in the way they dealt with religious, ethnic, and regional differences inside their organizations. For example, the ELF organized itself into relatively autonomous separate units by regional, and therefore typically religious and ethnic, divisions. The EPLF on the other hand was comprised of units with mixed religion, ethnic, and regional backgrounds. By 1977, the two parties controlled most of the countryside. However, with their contradictions at the breaking point in 1978, the parties fought an all-out war against one another. By 1981, the EPLF had defeated and chased the ELF from Eritrea, leaving it the lone party operating in the country.

One still unsettled issue is the nature and role of political parties. The EPLF government has opposed the creation of parties based on race, religion, region, or ethnicity. A split between Christian and Muslim-based parties would be disastrous because the Christian-Muslim divide in the country is about fifty-fifty. The EPLF itself is a good example of a party free of religious, ethnic, or regional basis. Since its inception in 1970, it represented a united front of people with very diverse political views who shared the common goal of obtaining the right of self-determination for Eritreans.

Following its defeat in 1981, the ELF leadership divided into more than a dozen different factions. Some ELF members joined the EPLF while others fled to Sudan. After 1991, most of the former leadership returned to Eritrea to accept positions in the government or to form businesses. Others continued to discredit the government from outside the country. The Eritrean Islamic Jihad, a militant terrorist group, is a notable example.

At its third Congress on 10–17 February 1994, the EPLF adopted a new name, the People's Front for Democracy and Justice (PFDJ), and committed itself to widening its popular appeal to all sectors of the Eritrean society. The National Assembly, dominated by the PFDJ, declared a ban on opposition political activity until the implementation of the constitution, thereby giving the PFDJ a monopoly on power. Though a political party law was drafted by a committee of the National Assembly in January 2001, it had yet to be debated and approved by the Assembly. Hence Eritrea remains a one-party state, with only the PFDJ allowed to operate legally.

### 15 LOCAL GOVERNMENT

During the years since independence in 1991, Eritreans have been participating in a process of electing governing councils for their villages, districts, and provinces. Between 1993 and 1997, both the central and local governments underwent a series of reorganizations. In 1996, Eritrea was restructured into six semiautonomous zones or regions, each consisting of several sub-zones. The change from ten provinces to six zones was controversial, but gradually won public acceptance.

Zones are administered by governors and have their own local assemblies. At the central level, the Ministry of Local Governments oversees local affairs, and concerns itself with formulating national policy, regulations, and research and manpower development, leaving implementation responsibilities to regional and local governments.

### 16 JUDICIAL SYSTEM

The legal system is a civil law system borrowed from Ethiopia's adaptation of the Napoleonic Code. The court system consists of courts of first instance, courts of appeals composed of five judges, and military courts, which handle crimes committed by members of the military. Traditional courts play a major role in rural areas, where village elders determine property and family disputes under customary law or in the case of Muslims, Shariah law.

Although the judiciary appears to function independently of the executive branch, it suffers from lack of resources and training and there are signs of executive interference. The new constitution promulgated in 1997 provides for democratic freedoms, such as free speech, free assembly, and free association.

The government clamped down on freedom of speech and the press, assembly, association, and religion, and in 2001 it closed all privately owned print media. According to international human rights agencies, including Human Rights Watch and Amnesty International, many journalists viewed as outspoken critics of the government have been arrested and held without trial. Eritrea also has a record of religious persecution over which the US State Department declared it a Country of Particular Concern in both 2004 and 2005. Human rights groups were not permitted to operate in the country, except for the International Committee of the Red Cross (ICR).

## 17 ARMED FORCES

In 2005 active armed forces personnel numbered around 201,750 with a reported 120,000 reservists. The Army constituted an estimated 200,000 personnel, whose equipment included 150 main battle tanks, 40 reconnaissance vehicles, 40 armored infantry fighting vehicles/armored personnel carriers, and more than 170 artillery pieces. The Navy numbered 1,400 members. Primary naval units consisted of eight patrol/coastal vessels and three amphibious land craft. There were 800 members of the Air Force, which had 17 combat capable aircraft, including 13 fighters, in addition to 1 attack helicopter. The defense budget in 2005 totaled \$74 million.

## 18 INTERNATIONAL COOPERATION

Eritrea won its independence from Ethiopia 24 May 1993 and joined the United Nations later that year. The country has since joined several specialized UN agencies, such as the FAO, ICAO, IAEA, IFC, UNESCO, UNIDO, the World Bank, and the WHO. Eritrea is a member of the African Union, the ACP Group, the African Development Bank, the New Partnership for Africa's Development (NEPAD), and G-77. It also belongs to COMESA and the Community of Sahel and Saharan States (CENSAD).

A border dispute with Ethiopia resulted in war from 1998–2000. The United Nations Mission in Ethiopia and Eritrea (UN-MEE) was established in 2000 to monitor the cessation of hostilities agreement made between the two countries, both of which later accepted a 2002 Boundary Commission delimitation decision. Eritrea is part of the Nonaligned Movement. In environmental cooperation, Eritrea is part of the Convention on Biological Diversity, CITES, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

The Eritrean economy has yet to stabilize after years of armed struggle against the Ethiopian government. The population is still largely dependent on food aid. Agriculture and raising of livestock occupy over 80% of the population, taking place throughout the country, in both the highlands and lowlands. Long-term prospects for agricultural development appear to be strongest in the western lowlands. A small industrial sector shows signs of growth potential, but infrastructure and skilled labor is lacking.

The natural resource profile of Eritrea is not yet known with certainty. Known mineral resources include copper, zinc, lead, gold, silver, marble, granite, barite, feldspar, kaolin, talc asbestos, salt, gypsum, and potash. Petroleum resources are also suspected, located offshore.

The military regime that ruled Ethiopia from 1974 to 1991 nationalized all housing and all large- and medium-sized businesses and services, including banks, in Eritrea. The postindependence government has denationalized housing, and is committed to denationalization of business and services. As of 2002, there were approximately 2,000 manufacturing companies operating in Eritrea: all but 45 were private enterprises, and of the state-owned businesses, 35 had been sold to private interests and 10 were awaiting privatization.

Eritrea's most significant economic assets may be its unspoiled coastline, which offers some of the best fishing and underwater diving in the world, and its two ports on the Red Sea.

The two-year war with Ethiopia (1998–2000) halted foreign investment. Fears of a resurgence of hostilities, combined with poverty, illiteracy, and a weak transportation and communications infrastructure also hamper the investment climate. The war greatly slowed economic growth (the economy contracted by 9% in 2000), largely due to a disruption in trade relations between Eritrea and Ethiopia. Eritrea's expenditures on defense and relief amounted to 23.5% of GDP in 1999.

The GDP growth rate was 1.0% in 2004, down from 1.8% in 2002, and 2.0% in 2003; in 2005, the economy was estimated to have expanded by only 0.7%. The inflation rate has been fluctuating, and at 18.2% in 2004, it was a significant impediment for economic development. Other impediments to the economy were the erratic rainfall, the late demobilization of agriculturalists from the military, and a relatively unskilled workforce.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Eritrea's gross domestic product (GDP) was estimated at \$4.5 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,000. The annual growth rate of GDP was estimated at 2%. The average inflation rate in 2005 was 15%. It was estimated that agriculture accounted for 8.7% of GDP, industry 26.3%, and services 65%.

Foreign aid receipts amounted to \$307 million or about \$70 per capita and accounted for approximately 34.2% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Eritrea totaled \$835 million or about \$190 per capita based on a GDP of \$751.0 million, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of -3.9%. It was estimated that in 2004 about 50% of the population had incomes below the poverty line.

## 21 LABOR

Agricultural work accounted for approximately 80% of the labor force in 2002. The remaining 20% are engaged in industry and services. There is no data on the size of the Eritrean workforce or on its unemployment rate.

As of 2005, the right to form and join unions was limited by the government. All unions were run by the government and union leaders were usually government employees. Any union activity had to be sanctioned by the government. Workers could bargain collectively, but no collective bargaining agreements as of that date were known to exist. Strikes are also allowed, but as of 2005, that right had not been exercised by workers.

The minimum working age is 18, but apprentices may be hired at age 14. However, enforcement of the nation's child labor laws has been ineffective. It is common for children in rural areas who

were not in school to work on family farms, while in urban areas, some children worked as street vendors. Most wage earners are employed by the public sector. Although there is no minimum wage in the private sector, a minimum wage does exist for the civil service sector. In 2005 it stood at \$24 per month and is considered incapable of supporting a worker and family with a decent standard of living. The workweek is set at 44.5 hours, with one rest day every week. Health and safety standards are not regularly enforced.

## 22 AGRICULTURE

Eritrea has 565,000 hectares (1,396,000 acres) of arable land and permanent crops. Three-quarters of Eritrea's people are subsistence farmers dependent on unreliable rainfall to feed families that average seven children. Although these farmers have experienced relative peace and good harvests since May 1991, food production has not been able to keep pace with a rapidly expanding population. Harvests have been variable due to rainfall variations and pest infestations. The present government dissolved the former Ethiopian military regime's marketing board and reinstated private markets for agricultural products. Principal crops in 2004 included sorghum, 56,700 tons; millet, 11,600 tons; barley, 16,900 tons; and wheat, 17,200 tons. Legumes, vegetables, fruits, sesame, and linseed are also grown. War, drought, deforestation, and erosion caused about 70–80% of the population to become dependent on food aid. Agricultural output, however, increased slightly during the 1990s, due to the ending of the war, favorable weather, and a newly developed seed and fertilizer distribution system. The army is involved in agricultural restoration, evidence of the government's commitment to agricultural reform.

## 23 ANIMAL HUSBANDRY

Sheep, goats, cattle (especially zebu), and camels make up the majority of Eritrea's livestock. In 2001, Eritrea had 2,100,000 sheep, 1,700,000 goats, 1,950,000 head of cattle, 75,000 camels, and 1.4 million chickens. Total meat production that year was 30,900 tons; cow's milk, 39,200 tons; and eggs, 2,000 tons. The government is emphasizing development of agriculture and animal husbandry in order to decrease the reliance on international relief, caused by war and drought.

## 24 FISHING

With Eritrea's independence from Ethiopia, access to about 1,011 km (628 mi) of Red Sea coastline was obtained. Because Eritrea now controls the coastline, long-term prospects for development of offshore fishing and oil are good. The total catch rose from 475 tons in 1993 to 6,689 tons in 2003. The Eritrean navy patrols the coastal waters to limit poaching by unauthorized nonnationals. The development of local fishing will decrease the dependence on foreign food aid, even though fish has not been a major source of Eritreans' protein intake.

## 25 FORESTRY

Eritrea's forested area covers 1,585,000 hectares (3,916,000 acres), or 13.5% of the total land area. Total roundwood production in 2004 was 1,266,000 cu m (44.7 million cu ft), nearly all of it used for fuel. Since 1993, the Eritrean People's Liberation Front army

has been involved in tree planting; the annual average rate of deforestation during 1990–2000 was 0.3%.

## 26 MINING

In 2002, mining and quarrying accounted for less than 1% of Eritrea's gross domestic product (GDP). Eritrea produced basalt, cement, common clay, kaolin, coral, gold, granite, gravel, gypsum, laterite, lime, limestone (for other than cement), marble, pumice, quartz, salt, sand, and silica sand. The country also had known resources of chromium, copper, magnesium, zinc, lead, silver, barite, feldspar, talc, asbestos, iron ore, nickel-chromite, potash, and potassium. Marine salt was produced at Massawa and Assab. Quarries for limestone, clay or shale, and gypsum were located near Massawa. Artisanal gold production, extracted over a large area in the southwestern hills, was 33 kg in 2004, up from 9 kg in 2003, but down from 107 kg in 2001. There was no recorded gold output in 2002. Production totals for 2004 included: basalt, 499,349 metric tons, up from 111,677 metric tons in 2003; granite, 192,803 metric tons, up from 140,418 metric tons in 2003; marble blocks, 780,733 cu m, down from 1,777,814 cu m in 2003; and sand, 611,000 tons, down from 788,000 tons in 2003. The outlook for Eritrea's mineral industry was for gradual recovery from the war, with demand for basalt, granite, gravel, limestone, marble, and sand likely to increase.

## 27 ENERGY AND POWER

Oil and gas exploration in the Red Sea off Eritrea began in the 1960s, when Eritrea was part of Ethiopia. Following independence, the country began awarding production contracts in 1995. However, as of 1 January 2003, Eritrea had no proven reserves of crude oil or natural gas. It also has no known reserves of coal. As a result, the country, as of 2001, has had no output of oil, natural gas or coal. Petroleum imports and consumption were estimated each at 4,590 barrels per day in 2002. In 1997, due to high costs, Eritrea and Ethiopia agreed to shut down their joint operations at the petroleum refinery at Assab and import refined petroleum products. The refinery had a capacity of 18,000 barrels per day. In 2000 an estimated 3.2 to 3.3 million barrels per day of oil were shipped through the Bab el-Mandeb, a narrow waterway between Eritrea, Yemen, and Djibouti that connects the Gulf of Aden with the Red Sea.

As of August 2003, about 80% of the population was without electricity, which was available only in the larger cities and towns, although the government was constructing additional electrical distribution lines. In 2002, net electricity generation was 243 million kWh, of which 100% came from fossil fuels. In the same year, consumption of electricity totaled 226 million kWh. As of August 2003 Eritrea had about 60 MW of diesel-fired generating capacity.

## 28 INDUSTRY

Ethiopia nationalized Eritrea's 42 largest factories and systematically dismantled the Eritrean industrial sector during the protracted civil war. By the end of the civil war, however, all production had stopped. Plants were generally inefficient, and most of these industries required significant investment to achieve productivity. Manufactured items in 2002 included beverages, processed foods, tobacco, leather, textiles, metal products, chemicals, print-

ing, nonmetallic minerals, construction materials, salt, paper, and matches. The government sought privatization of these industries, and issued incentives such as exemptions from income tax, preferential treatment in allocation of foreign exchange for imports, and provisions for remittance of foreign exchange abroad. In 2002, there were approximately 2,000 manufacturing companies operating in the country.

The oil industry has potential, as major oil deposits are believed to lie under the Red Sea. In 2001, the United States firm CMS Energy entered into an exploration agreement with Eritrea for exploration in the Dismin Block in northeastern Eritrea. Due to high operating costs, the country's sole oil refinery, at Assab, was closed in 1997. It had crude refining capacity of 18,000 barrels per day. The construction industry is growing, as projects range from the construction and expansion of power plants; road, airport, and dam construction; upgrading sea ports; and the construction of schools and hospitals.

In 2005, industry had a 26.3% share of the GDP; services were the largest sector with a 65% participation in the economy; agriculture was least economically important sector (with only an 8.7% share in the GDP), but was by far the largest employer (80% of the total labor force). Recent industries include food processing, beverages, clothing and textiles, salt, cement, and commercial ship repair.

### 2<sup>9</sup> SCIENCE AND TECHNOLOGY

The University of Asmara, whose Italian and English sections were founded in 1958 and 1968, respectively, is the only facility of higher education in Eritrea offering courses in basic and applied sciences. It issues its *Seismic Bulletin* twice a year. In 1987–97, science and engineering students accounted for 30% of college and university enrollments.

### 3<sup>0</sup> DOMESTIC TRADE

Most of the population depends on subsistence farming and so domestic commerce is not a significant part of the economy. There are, however, a number of thriving small businesses and factories within the Asmara area. These include restaurants, bars, Internet cafes, auto repair shops, crafts, a brewery, cigarette factory, and

small glass and plastics producers. There are also several companies involved in making leather goods, and textile and sweater factories, operating primarily for domestic consumption. Most local industries rely on outmoded technology and suffer from a lack of capital investment.

Business hours are 9:00 AM to 1:00 PM, and 4:00 PM to 8:00 PM, Monday through Saturday in Asmara; and 6:30 AM to 12:00 PM and 5:00 PM to 10:00 PM Monday through Saturday in Massawa and Assab. Banks are open from 8 AM to 12 PM and 2 PM to 4 PM, Monday through Friday.

### 3<sup>1</sup> FOREIGN TRADE

In 1996, exports were estimated at \$95 million, while imports came to \$514 million, resulting in a trade deficit of \$419 million. Main exports were livestock, sorghum, and textiles. Imports were mainly processed goods, machinery, and petroleum. Because Eritrea controlled the total coastline that was formerly part of Ethiopia, Ethiopia depended on Eritrean ports for its foreign trade. The recurring border war, though, ensured little usage of these ports.

In 2004, exports reached \$34 million (FOB—free on board), while imports grew to \$677 million (FOB). The bulk of exports went to Malaysia (21.4%), Italy (13.7%), Egypt (8.3%), India (7.8%), Japan (6.4%), Germany (5.3%), China (4.1%), and the United Kingdom (4%). Imports included machinery and transport equipment, food and live animals, manufactured goods, and chemicals, and mainly came from Ireland (25.7%), the United States (17.9%), Italy (16%), and Turkey (6.2%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Hard currency transactions represented about 90% of imports in 1996. In 1997, the Eritrean currency, the *nafka*, was introduced, changing the financial situation.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Eritrea's exports was \$34.8 million while imports totaled \$470.5 million resulting in a trade deficit of \$435.7 million. The trade gap is covered by external remittances from Eritrean expatriates, bank loans, and grants-in-aid; but mounting debt threatens the country. Eritrea's large trade gap results from a weak export base and the need to import large amounts of capital goods needed to rebuild the country's infrastructure and industrial base. Economic growth slowed substantially due to the war with Ethiopia, largely due to the disruption of trade between the two nations, Ethiopia's boycott of the port of Assab, an increase in military spending, and the drafting of a large percentage of the work force into military service.

Exports of goods and services reached \$80 million in 2004, same as in 2003. Imports decreased from \$577 million in 2003, to \$533 million in 2004. The resource balance was consequently negative in both years, improving however from -\$497 million in 2003, to -\$453 million in 2004. The current account balance was also negative, slightly improving from -\$89 million in 2003, to -\$45 million in 2004. Foreign exchange reserves (including gold) decreased to \$16 million, covering less than a month of imports.

#### Principal Trading Partners – Eritrea (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	51.8	537.9	-486.1
Sudan	43.4	9.0	34.4
Italy-San Marino-Holy See	1.8	70.4	-68.6
Israel	1.0	...	1.0
Djibouti	0.8	17.3	-16.5
Singapore	0.6	5.1	-4.5
India	0.5	18.6	-18.1
Germany	0.5	16.4	-15.9
France-Monaco	0.5	8.2	-7.7
United Kingdom	0.3	10.0	-9.7
Netherlands	0.3	17.4	-17.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

### 33 BANKING AND SECURITIES

After the end of the war in 1991, the Central Bank of Eritrea and the Commercial Bank of Eritrea were reestablished, having been nationalized by the Ethiopian military junta in 1984.

The status of the National Bank of Eritrea (NBE) as central bank was clarified by a proclamation of April 1993. The Commercial Bank of Eritrea has a dozen branches across the country. It is the main retail bank and now has corresponding relations with both the Ethiopian and international banking systems. The Housing and Commerce Bank of Eritrea and the Agriculture and Industry Development Bank are also functioning, albeit at a very low capacity. In 1997, the government issued the Financial Institutions Proclamation, liberalizing the banking and insurance sectors to the private sector.

The CBE recorded assets of \$800 million at the end of 2000. In mid-November 1994, the Housing and Commerce Bank of Eritrea started to issue dollar-denominated certificates of deposit with denominations of \$1,000 and above, while the Eritrean Development and Investment Bank started operations shortly thereafter.

Eritrea was also hoping to establish offshore banking services and facilities to cater to the Middle Eastern market.

### 34 INSURANCE

The National Insurance Corporation of Eritrea (NICE) was established after the end of the war. It engages in all classes of insurance and was the only insurance provider operating in Eritrea as of late 2005. Insurance coverage provided by NICE included life, motor, workers' compensation, and personal accident protection.

### 35 PUBLIC FINANCE

The state retains control over most of the land, mineral resources, and infrastructure of Eritrea. Most government revenues come from custom duties and taxes on income and sales. Massive infusions of foreign aid and investment are needed to restore the

infrastructure and services and to develop private sector growth. Membership into the IBRD and IMF were approved in 1994. The government was set to invest heavily to upgrade and develop infrastructure and utilities.

The US Central Intelligence Agency (CIA) estimated that in 2005 Eritrea's central government took in revenues of approximately \$248.8 million and had expenditures of \$409.4 million. Revenues minus expenditures totaled approximately -\$160.6 million. Total external debt was \$311 million.

### 36 TAXATION

Customs duty and import and export taxes are 33.6% of government revenue; direct domestic tax (business and personal income taxes) are 27.8% of government revenue; domestic sales tax and taxes on services are 26.1% of government revenue. The main indirect taxes are municipal taxes, assessed at different local rates on goods and services. In the capital in 2002, the municipal tax on goods was 4%, and on services, 3.2%.

### 37 CUSTOMS AND DUTIES

As of 2005, customs tariffs are based upon the item's CIF (cost, insurance, freight) value. There is a 2–10% rate on most goods. Luxury goods, such as electronic equipment and automobiles, are assessed at 25–35%. Capital goods, industrial inputs, books, livestock and seeds, school supplies, and pharmaceuticals are assessed at rates of 2–10%. Also, the Eritrean Customs Service levies sales taxes of 2%, 5% and 15% on most goods.

### 38 FOREIGN INVESTMENT

Investment in Eritrea has come primarily from contributions of Eritrean exiles. International aid was restricted by the lack of international recognition of the Eritrean government's sovereignty, a problem resolved in the UN in April 1993. The government issued an investment code in December 1991 to encourage investment in the Eritrean economy. Incentives for investments in certain areas include exemption from customs and duties, exemptions from income tax, and special treatment regarding foreign currency exchange. While foreign direct investment reached \$61 million in 1997, it went down to \$14 million in 1998.

By 1998, the Eritrean investment center had licensed 661 investment projects worth \$562 million, of which \$235 million was foreign. Annual foreign direct investment (FDI) flows have remained remarkably steady, ranging from \$31.7 million in 1998 to \$38.7 million in 1997. In 2001, FDI inflow was \$34.2 million. Major investors included the United States, South Korea, Italy, and China.

### 39 ECONOMIC DEVELOPMENT

The development priorities of the Eritrean government are food security, the development of a market-style economy, and the privatization of formerly nationalized enterprises. Encouraging the return of Eritrean exiles abroad is also a government goal in the reconstruction effort. The Emergency and Recovery Action Program was launched in late 1991 to focus on recovery of the transportation system (roads, railroads, and port and airport facilities), agriculture and fishing (including reliable water sources), and industry. Plans for 2000 were to invest \$1 billion over the following decade to upgrade infrastructure and utilities. Some esti-

#### Balance of Payments – Eritrea (2000)

(In millions of US dollars)

<b>Current Account</b>			<b>-104.7</b>
Balance on goods		-434.6	
Imports	-471.4		
Exports	36.8		
Balance on services		32.5	
Balance on income		-1.4	
Current transfers		298.8	
<b>Capital Account</b>			<b>...</b>
<b>Financial Account</b>			<b>63.2</b>
Direct investment abroad		...	
Direct investment in Eritrea		27.9	
Portfolio investment assets		...	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		-25.9	
Other investment liabilities		61.2	
<b>Net Errors and Omissions</b>			<b>-22.9</b>
<b>Reserves and Related Items</b>			<b>64.3</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

mates put food self-sufficiency for Eritrea within the decade, but drought conditions negate this forecast.

Regulatory requirements imposed by the government have discouraged investment in the early 2000s, as had the 1998–2000 war with Ethiopia. The port in Massawa was rehabilitated, and an airport constructed there. In 2003, the worst drought since Eritrea's independence threatened the lives of about a third of the population. Assistance from foreign donors was weak, and the country had to resort to borrowing to prevent starvation.

The humanitarian crisis is expected to hold down growth well into 2006. Other factors that will negatively influence the economy include the small production and population base, limited supplies of hard currency, and the country's dependence on foreign donor aid. Food insecurity is one of the main problems that the country is currently facing, and no solid economic development policies can be devised before this one is resolved.

#### **40 SOCIAL DEVELOPMENT**

During its struggle for independence, the EPLF created an elaborate system of social services. It launched a literacy program, a health care system (including hospitals), and a food distribution network. The provisional government mandated equal pay for equal work, and equal educational opportunities. However, in practice, traditional male privileges in education, employment, and the domestic sphere largely persist as a result of ingrained custom and uneven enforcement of the law. Domestic violence and abuse are pervasive and not addressed by the government. Officially the practice of female genital mutilation (FGM) is condemned, but it remains widespread. As of 2004, it was estimated that 95% of women and girls had been subjected to FGM.

The human rights record remains poor. The government does not allow international human rights organizations to monitor prison conditions, and freedom of the press and speech is restricted.

#### **41 HEALTH**

Infant mortality was estimated to be 47.41 per 1,000 live births in 2005. At that time, the average Eritrean woman who lived through her childbearing years had 5.4 children. Of all children under five years of age, 38% were malnourished. As of 2002, the estimated crude birth rate of 42.2 per 1,000 people was higher than the crude death rate of 11.8. In 2004 there were an estimated 3 physicians, 16 nurses, and fewer than 1 dentist or pharmacist per 100,000 people. In 2000, 46% of the population had access to safe drinking water and only 13% had adequate sanitation. Average life expectancy was 58.47 years in 2005.

The immunization rates for children under one year old in 1997 were as follows: diphtheria, tetanus, and pertussis, 60%; polio, 60%; measles, 53%, and tuberculosis, 67%. There were 6,000 deaths of children under five years old of diarrheal diseases in 1995. Goiter appeared in 22% of all school-age children in 1996.

The HIV/AIDS prevalence was 2.70 per 100 adults in 2003. As of 2004, there were approximately 60,000 people living with HIV/AIDS in the country. There were an estimated 6,300 deaths from AIDS in 2003.

#### **42 HOUSING**

After 30 years of war, thousands of returning refugees experienced a severe housing shortage, particularly in urban areas. In the 2000 border conflict, about 100,000 homes were destroyed and at least 450,000 Eritreans were displaced. Government and economic reform are needed before the housing situation can be fully addressed. Some international aid and foreign programs have helped ease the situation; however, in 2004 there were an estimated 60,000 displaced persons still in shelter camps.

In highland rural communities, most housing is built as a joint project of community members. These homes are generally made from wood, stone, and straw. Rural lowland homes are also made of wood and straw. Nomads build temporary shelters of wood and leaves. Concrete block and wood is generally used in urban housing.

#### **43 EDUCATION**

Education is compulsory for children between the ages of 7 and 14. The educational system is comprised of five years of elementary school, followed by two years of junior secondary and four years of senior secondary school. At tenth grade, students may choose to attend a three-year technical school. The academic year runs from September through June.

In 2001, about 5% of children between the ages of five and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 45% of age-eligible students, 49% for boys and 42% for girls. The same year, secondary school enrollment was about 22% of age-eligible students, 25% for boys and 18% for girls. It is estimated that about 40% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 45:1 in 2000; the ratio for secondary school was about 52:1.

There is a university in Asmara. In 2003, about 2% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2003 was estimated at about 58.6%, with 69.9% for men and 47.6% for women.

As of 2003, public expenditure on education was estimated at 4.1% of GDP.

#### **44 LIBRARIES AND MUSEUMS**

Asmara houses the library of the University of Asmara (60,000 volumes), the Asmara Public Library (28,000 volumes), and the library of the British Council (20,000 volumes).

The National Museum in Asmara—located in a former palace—and the Archeological Museum, operated by the Department of Culture in Asmara, are the country's two principal museums.

#### **45 MEDIA**

In 2003, there were an estimated nine mainline telephones for every 1,000 people; about 46,200 people were on a waiting list for telephone service installation.

The government controls all nonreligious media, including one radio station, one television station, and three newspapers. The law prohibits private ownership of broadcast media. Religious media are prohibited from reporting on political news and events. Television broadcasts are Monday, Wednesday, and Saturday evenings in Tigrinya and Arabic languages. Dimtsi Hafash radio broadcasts

daily in various local languages. In 2003, there were an estimated 464 radios and 53 television sets for every 1,000 people. The same year, there were 2.9 personal computers for every 1,000 people and seven of every 1,000 people had access to the Internet.

Private newspapers have been banned since 2001, as the government cited many journalists for endangering public security. The government-owned daily, *Asmara Herbet*, is published in Arabic and Tigrinya and had a 2002 circulation of 4,000. *Hadas Eritrea* is published three days a week. *Eritrea Profile* is a weekly English-language paper. *Tirigta* and *Geled* are weekly government youth papers.

#### 46 ORGANIZATIONS

Professional organizations exist, such as the Teachers Union, Association of Eritreans in Agricultural Sciences, Eritrean Nurses Association, Eritrean Pharmacists Association, and the Eritrean Medical Association. There is an Association of War Disabled Veterans. Various trade unions formed the National Confederation of Eritrean Workers in September 1994. The Eritrean National Chamber of Commerce is in Asmara.

There are various religious humanitarian groups (Christian and Muslim), sports clubs, and art groups centered around music, theater, painting, and drawing.

The National Union of Eritrean Youth Students has branches throughout the country and around the world. Planned Parenthood Association, the Red Cross Society, Caritas, and a Regional Center for Human Rights and Development all operate in Eritrea.

#### 47 TOURISM, TRAVEL, AND RECREATION

Because Eritrea inherited the entire coastline of Ethiopia, there is long-term potential for development of tourism. However, due to political unrest, the tourism industry is struggling to gain stability. In 2003, there were 80,029 visitors, a 20% decrease from 2002. There were 4,139 hotel rooms with 8,794 beds and an occupancy rate of 52%. Passports and visas are required. Proof of yellow fever vaccination may also be required if traveling from an infected area.

In 2005, the US Department of State estimated the cost of staying in Asmara at \$219 per day. In other areas, the cost was estimated at \$81 per day.

#### 48 FAMOUS ERITREANS

Isaias Afwerki (b.1946) has been president of Eritrea since its independence from Ethiopia 24 May 1993.

#### 49 DEPENDENCIES

Eritrea has no territories or colonies.

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# ETHIOPIA

Federal Democratic Republic of Ethiopia  
*Yeltyop'iya Federalawi*



**CAPITAL:** Addis Ababa

**FLAG:** The national flag is a tricolor of green, yellow, and red horizontal stripes with a blue disk and a yellow outlined star and rays in the center.

**ANTHEM:** Traditional "Ityopia, Ityopia" is in use at the present time. A new anthem will be designated in the near future.

**MONETARY UNIT:** The birr (B) is a paper currency of 100 cents. There are coins of 1, 5, 10, 25, and 50 cents, and notes of 1, 5, 10, 50, and 100 birr. B1 = \$0.11468 (or \$1 = B8.72) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used, but some local weights and measures also are employed.

**HOLIDAYS:** Holidays generally follow the Old Style Coptic Church calendar. National holidays include Christmas, 7 January; Epiphany, 19 January; Victory of Adwa (1896), 2 March; Victory Day, 6 April; May Day, 1 May; New Year's Day, 11 September; Feast of the Holy Cross, 27 September. Movable Muslim holidays include 'Id al-Fitr and 'Id al-'Adha.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in eastern Africa, Ethiopia (formerly called Abyssinia) has an area of approximately 1,127,127 sq km (435,186 sq mi), with a length of 1,639 km (1,018 mi) E–W and a width of 1,577 km (980 mi) N–S. Comparatively, the area occupied by Ethiopia is slightly less than twice the size of the state of Texas. It is bounded on the N by Eritrea, on the NE by Djibouti, on the E and SE by Somalia, on the S by Kenya, and on the W by Sudan, with a total boundary length of 5,328 km (3,311 mi). The Ogaden region of eastern Ethiopia is claimed by Somalia and has been the subject of sporadic military conflict between the two nations since 1961; the southeastern boundary has never been demarcated. Ethiopia's capital city, Addis Ababa, is located near the center of the country.

## <sup>2</sup> TOPOGRAPHY

Ethiopia contains a variety of distinct topographical zones. It is a country of geographical contrasts, varying from as much as 116 m (381 ft) below sea level in the Danakil depression to more than 4,600 m (15,000 ft) above in the mountainous regions. Ras Dashen, with an altitude of 4,620 m (15,158 ft), is the fourth-highest peak in Africa. The most distinctive feature is the northern part of the Great Rift Valley, which runs through the entire length of the country in a northeast-southwest direction, at a general elevation of 1,500–3,000 m (4,900–9,800 ft). Immediately to the west is the High Plateau region; this rugged tableland is marked by mountain ranges.

East of the Great Rift Valley is the Somali Plateau—arid and rocky semidesert, extending to the Ogaden, which covers the entire southeastern section of the country. In the north, the Denakil Desert reaches to the Red Sea and the coastal foothills of Eritrea. The western boundary of Ethiopia follows roughly the western escarpment of the High Plateau, although in some regions the Sudan

plains extend into Ethiopian territory. Also part of Ethiopia is the Dahlak Archipelago in the Red Sea.

Ethiopia's largest lake, Lake T'ana, is the source of the Blue Nile River. This river, which winds around in a great arc before merging with the White Nile in the Sudan, travels through great canyons, which reach depths of more than 1,200 m (4,000 ft). Several rivers in the southwest also make up a system of tributaries to the White Nile.

## <sup>3</sup> CLIMATE

Ethiopian climate varies according to the different topographical regions. The central plateau has a moderate climate with minimal seasonal temperature variation. The mean minimum during the coldest season is 6°C (43°F), while the mean maximum rarely exceeds 26°C (79°F). Temperature variations in the lowlands are much greater, and the heat in the desert and Red Sea coastal areas is extreme, with occasional highs of 60°C (140°F). Heavy rainfall occurs in most of the country during June, July, and August. The High Plateau also experiences a second, though much milder, rainy season between December and February. Average annual precipitation on the central plateau is roughly 122 cm (48 in). The northern provinces receive less rainfall, and the average annual precipitation in the Ogaden is less than 10 cm (4 in). The westernmost region of Ethiopia receives an annual rainfall of nearly 200 cm (80 in). Severe droughts affected the country in 1982–84, 1987–88, 1991, and 2002.

## <sup>4</sup> FLORA AND FAUNA

Ethiopia has a large variety of indigenous plant and animal species. In some areas, the mountains are covered with shrubs such as pyracantha, jasmine, poinsettia, and a varied assortment of evergreens. Caraway, carcade, cardamom, chat, coriander, incense,



myrrh, and red pepper are common. The lakes in the Great Rift Valley region abound with numerous species of birds, and wild animals are found in every region. Among the latter are the lion, civet and serval cats, elephant, bush pig, gazelle, antelope, ibex, kudu, dik-dik, oribi, reed buck, wild ass, zebra, hyena, baboon, and numerous species of monkey. As of 2002, there were at least 277 species of mammals, 262 species of birds, and over 6,600 species of plants throughout the country.

## 5 ENVIRONMENT

Overgrazing, deforestation, and poor agricultural practices have contributed to soil erosion so severe, particularly in the Tigray and Eritrea regions, that substantial areas of farmland have been lost to cultivation. As of 1994, 600,000 acres of arable land were washed away each year. The combined effects of severe drought and a 17-year civil war have also added to Ethiopia's environmental problems.

Ethiopia's forests are endangered. Each year, the nation loses 340 square miles of forest land. Its forests and woodland decreased by 3.4% between 1983 and 1993. From 1990–2000 the rate of deforestation was at about 0.8% per year. In 2000, only about 4.6% of the total land area was forested. The government did not begin afforestation and soil conservation programs until the early 1970s.

The nation's water supply is also at risk. Access to safe drinking water is available to 11% of the rural population and 81% of city dwellers. Ethiopia has 110 cu km of renewable water resources with 86% used in agriculture.

Agencies responsible for environmental matters include the Ministry of Agriculture, the Forestry and Wildlife Development Authority, and the Ministry of National Water Resources. In 2003, about 16.9% of Ethiopia's total land area was protected. Simien National Park is a natural UNESCO World Heritage Site.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 35 types of mammals, 20 species of birds, 1 type of reptile, 9 species of amphibians, 3 types of mollusks, 3 species of other invertebrates, and 22 species of plants. Endangered species in Ethiopia included the simian fox, African wild ass, Tora hartebeest, Swayne's hartebeest, Wali-aibex (found only in Ethiopia), waldrapp, green sea turtle, and the hawksbill turtle.

## 6 POPULATION

The population of Ethiopia in 2005 was estimated by the United Nations (UN) at 77,431,000, which placed it at number 15 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 44% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.5%, a rate the government viewed as too high. The projected population for the year 2025 was 118,354,000. The population density was 70 per sq km (182 per sq mi), with the area of greatest density being the High Plateau, with more than 70% of the population.

The UN estimated that 15% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.27%. The capital city, Addis Ababa, had a population of

2,723,000 in that year. Other urban centers include Dirē Dawa, Dese, Hārer, Jima, Nazrēt, and Gonder.

The prevalence of HIV/AIDS has had a significant impact on the population of Ethiopia. The UN estimated that 6.5% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy. Life expectancy in Ethiopia was 45 years.

## 7 MIGRATION

Internal migration is from rural to urban areas. In the 1970s and early 1980s, up to 4.5 million people were displaced as a result of occasional drought, civil strife, and border fighting. In 1984–85, over 600,000 northern peasants were resettled, forcibly in some cases, in 77 sites in the more fertile west and south. Meanwhile, over 2.8 million rural inhabitants, mostly Oromo, were moved to collective villages. As the war for control of Ethiopia intensified between 1989 and 1991, more people were displaced.

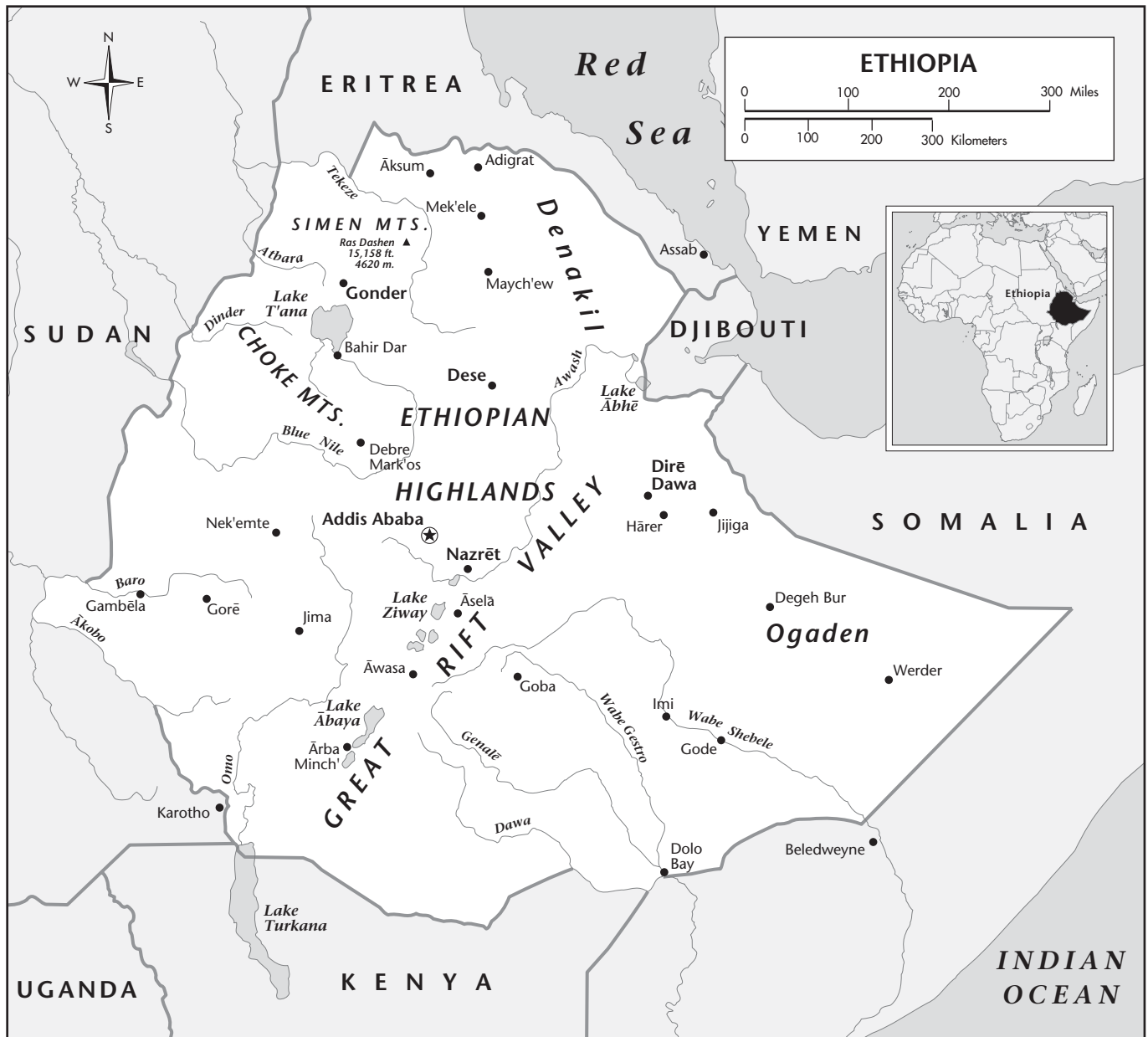
After the change of government in 1991, 970,000 Ethiopian refugees returned home from neighboring countries. By November 1995, the United Nations High Commissioner for Refugees (UNHCR) had repatriated 31,617 Ethiopian refugees from Djibouti. Between 1993 and 1996, the UNHCR repatriated 62,000 from Sudan. In 1997, UNHCR had started planning the airlift of around 4,400 Ethiopian refugees remaining in Kenya.

As of 1997, there were still 70,000 Ethiopian refugees in neighboring countries. There were 60,000 in eastern Sudan, 5,700 in Kenya, 2,500 in Djibouti, and 450 in Yemen. As of March 1997, Ethiopia was home to more than 338,000 refugees, settled in 12 camps and urban areas. Of these, 285,000 were from Somalia, 35,500 from Sudan, 8,000 from Djibouti, and 8,600 from Kenya. In February 1997, the UNHCR started to repatriate Somalis; 2,600 refugees had returned to northwestern Somalia by the end of March. Repatriation of Somalis and Sudanese continued in 2002. As of 2004 the total of internally displaced people numbered 321,000, most residing in the Gambella region. As of the end of 2004, Ethiopia was home to more than 115,980 refugees, while 63,105 Ethiopians sought refuge elsewhere. Ethiopia had a total of 2,252 asylum applications in 2004, as over 13,000 Ethiopians sought asylum in 16 countries, mainly South Africa, Kenya, the United States, Eritrea, and Yemen. In 2003 remittances to Ethiopia were \$60.8 million.

In 2005, the net migration rate was estimated as zero migrants per 1,000 population for Ethiopia, a significant change from 3.5 per 1,000 in 1990.

## 8 ETHNIC GROUPS

Ethiopia is a composite of more than 77 ethnic groups. The Oromo (Galla) group represents approximately 40% of the population and is concentrated primarily in the southern half of the nation. The Amhara and Tigrean groups constitute approximately 32% of the population and have traditionally been dominant politically. The Sidamo of the southern foothills and savanna regions account for 9%, while the Shankella make up about 6% of the population and reside on the western frontier. The Somali (6%) and Afar (4%) inhabit the arid regions of the east and southeast. Nilotic peoples live in the west and southwest along the Sudan border. The Gurage account for 2% of the population; the remaining 1% is made up of



LOCATION: 3°30' to 18° N; 33° to 48° E. BOUNDARY LENGTHS: Eritrea, 912 kilometers (566 miles); Djibouti, 337 kilometers (210 miles); Somalia, 1,626 kilometers (1,016 miles); Kenya, 830 kilometers (518 miles); Sudan, 1,606 kilometers (1,003 miles).

other groups. The Falasha (who call themselves Beta Israel, and are popularly known as “black Jews”) live in the mountains of Simen; they were reportedly the victims of economic discrimination before the 1974 revolution and of religious and cultural persecution after that time. Some 14,000 were secretly flown to Israel via the Sudan in 1984–85. About 14,000 more were flown out of Addis Ababa in 1991. Another 4,500 are believed to remain. The Beja of the northernmost region, the Agau of the central plateaus, and the Sidamo of the southern foothills and savanna regions are the remnants of the earliest known groups to have occupied Ethiopia.

## 9 LANGUAGES

At least 77 different languages are spoken in Ethiopia. Most of these belong to the Semitic, Cushitic, and Omotic divisions of the

Afro-Asiatic linguistic family. Amharic, the official national language, is a Semitic tongue, the native language of perhaps 30% of the people. Tigrinya and Tigray, also Semitic, are spoken in the north. Orominga, a Cushitic tongue, is widely spoken in the south, perhaps by 40% of all Ethiopians. Somali and Afar, also Cushitic languages, are spoken in the east. Omotic tongues are spoken in the southwest. Nilo-Saharan language speakers live in the far southwest and along the western border. English is the principal second language taught in schools.

## 10 RELIGIONS

Until 1974, the Ethiopian Orthodox Church, a Christian confession associated with the Coptic Church and incorporating elements of Monophysite Christianity, was the established church,

with the emperor as its titular leader. After the deposition of the emperor, the church lost most of its property (including an estimated 20% of all arable land) and political influence. In 2005, about 40–50% of Ethiopians were Ethiopian Orthodox Christians. Islam is practiced by about 45% of the population, most of whom inhabit the Somali, Afar, and Oromia regions of Ethiopia. About 10% of the population are Evangelical or Pentecostal Protestants, which is the fastest growing religion in the country. Prominent Protestant churches include Mekane Yesus (4.03 million members, associated with the Lutheran church) and Kale Hiwot (4.6 million members, associated with Service in Mission), both of which are Evangelical. There are about 7,000 Jehovah's Witnesses in the country and about 500,000 Roman Catholics (Oriental and Latin Rite). Other Christian denominations include Baptists, the Lutheran-Presbyterian Church of Ethiopia, Emnet Christos, Messeret Kristos (associated with the Mennonite mission), and Hiwot Berhan Church (associated with the Swedish Philadelphia Church. Animism, and other traditional indigenous religions are represented by small groups.

Although of Afro-Asiatic stock, the Falasha practice a form of Judaism that is of great antiquity and is traditionally attributed to ancient Arabian-Jewish or Egyptian-Jewish immigration. Few Falasha remain after massive immigration and evacuation to Israel in 1984–85 and 1991. The Feles Mora consists of individuals who claim that their ancestors were Jews who were forced to convert to Ethiopian Orthodox. Many of these individuals are currently pursuing immigration to Israel. There are a large number of missionary groups working within the country.

The constitution provides for freedom of religion and this right is generally respected in practice. Though religious tolerance is generally widespread among established faiths, there have been instances of interfaith discrimination concerning newer religions. For instance, some tension has existed as both Orthodox Christians and Muslims have complained about the proselytizing of Jehovah's Witnesses and the Pentecostals. In some regions, there have also been incidents of violence between Orthodox Christians and Muslims. Religious groups, and all other nongovernmental organizations, must register with the Ministry of Justice and renew their membership every three years. Certain Christian and Muslim holidays are recognized as national holidays. The government mandates a two-hour lunch break on Fridays to allow for the Muslim obligation of prayer.

## 11 TRANSPORTATION

It has been estimated that more than half of Ethiopia's produce is transported by pack animals, reflecting the inadequacy of the country's road network and the rugged terrain. About 75% of Ethiopian farms are more than a one-day walk to the nearest road. The road system in 2003 comprised an estimated 33,856 km (21,058 mi), of which 4,367 km (2,716 mi) were paved. The number of passenger cars in use in 2003 was 63,200, and the number of commercial vehicles was 48,900. As of 2003, there was only one vehicle registered for every 1,101.7 inhabitants. Bus services link provincial centers to the capital.

Railways consist of a narrow gauge line from Djibouti to Addis Ababa that is 880 km (547 mi) long, of which 681 km (423 mi) are in Ethiopia, and is owned jointly by Djibouti and Ethiopia. Ethiopia's merchant fleet of eight ships of 1,000 GRT or over, to-

taled 81,933 tons as of 2005. Neighboring Djibouti also serves as a depot for Ethiopian trade. Only one river, the Baro, is used for transport.

There were an estimated 83 airports in 2004, only 14 of which had paved runways as of 2005. The Addis Ababa airport handles international jet transportation. Before the civil war, the national carrier, Ethiopian Airlines, flew to numerous African, Asian, and European cities, and had sole rights on domestic air traffic. In 2003, about 1.147 million passengers were carried on domestic and international flights.

## 12 HISTORY

Humanlike fossils have been found in the Denakil depression dating back 3.5 million years; in 1981, the 4 million-year-old fossil bones of a direct ancestor of *Homo sapiens* were discovered in the Awash River Valley. Evidence of cereal agriculture dates back to about 5000 BC. Homer refers to the Ethiopians as a "blameless race," and Herodotus claims that they were known in his time as the "most just men"; to the Greeks, however, Ethiopia was a vague and semimythical area that did not exactly correspond to the modern country. Ethiopia first appears in written history as the Aksumite (or Axumite) Empire, which was probably established around the beginning of the Christian era, although national tradition attributes the foundation of the empire to Menelik I, the son of King Solomon and the Queen of Sheba. Christianity was introduced in the 4th century by Frumentius of Tyre, who was appointed bishop of the Ethiopian diocese by Patriarch Athanasius of Alexandria. The rise of Islam in the 7th century and the subsequent conquest of Egypt created a crisis for the Coptic Christian communities of northeast Africa. Ethiopia alone met the challenge, surviving until the 1970s as a Christian island in a Muslim sea.

The Aksumite dynasty suffered a slow decline. In 1137, the ruler of Lasta (now Lalibela), Tékla Haimanot, overthrew the Aksumite emperor, Del-Naad, and established the Zagwe dynasty. In 1270, the throne was again restored to the Solomonic dynasty, with the accession of Yekuno Amlak in the province of Shewa. Subsequently, Emperor Amda-Seyon I (r.1314–44) reestablished the Ethiopian suzerainty over the Muslim principalities along the Horn of Africa. The Muslim penetration of the highland regions resumed in the early 16th century and, from 1527 to 1543, the Muslims threatened to overrun the entire empire. In 1541, Ethiopia enlisted the assistance of several hundred Portuguese musketeers against a jihad led by Imam Ahmad (known as Gragn, or "the left-handed"). With these superior weapons, Ahmad was defeated and killed in battle in 1543.

The 18th and 19th centuries formed a period of political decentralization and incessant civil war; this period is called the *Zamana Masafint* ("Era of the Princes"). A young general named Lij Kassa Haylu established a powerful army, which defeated the forces of his rivals. He was crowned Emperor Tewodros (Theodore II) in 1855 and succeeded in reunifying the empire, but he was defeated and killed by a British expeditionary force under Gen. Robert Napier in 1868. Italy occupied the Eritrean ports of Aseb (1869) and Mits'iwa (1885) and annexed Eritrea in 1890. The Italian advance was stopped by the defeat and total rout of a large Italian army by the Emperor Menelik II at Adwa in 1896, an Ethiopian victory that is still commemorated as a national holiday. Italy, however, maintained control of Eritrea and also occupied the coastal re-

gion of Banadir (Italian Somaliland) in 1900. Meanwhile, France and the United Kingdom had obtained Somali coastal enclaves through purchase and a series of protectorate treaties concluded in the past with local tribal chieftains.

Menelik died in 1913. Three years later, his grandson and successor, Lij Yasu, was deposed in favor of his aunt, Empress Zauditu (Judith). Ras Tafari Mekonnen of Shewa was selected as her apparent and head of government. On 2 November 1930, he was crowned Emperor Haile Selassie I. Italy invaded and conquered Ethiopia in 1935–36. Forced to flee the country, the emperor returned in 1941 with the aid of British forces. By a UN decision, Eritrea, which had been under British administration since 1941, was federated to Ethiopia in 1952 and was incorporated into the empire 10 years later. By this time, an Eritrean secessionist movement was already stirring.

After an abortive coup in 1960, the emperor's political power began to lessen as political opposition increased. Guerrilla activity in Eritrea increased noticeably between 1970 and 1973; student and labor unrest also grew. After an official cover-up of catastrophic drought and famine conditions in Welo and Tigray provinces was uncovered in 1974, the armed forces overthrew the government. From 28 June to 12 September 1974, the emperor was systematically isolated and finally deposed. The monarchy was officially abolished in March 1975. Haile Selassie was killed while in the custody of security forces on 27 August 1975.

The new Provisional Military Administrative Council, also called the Dergue, came under the leadership of Maj. (later Lt. Col.) Mengistu Haile Mariam. The economy was extensively nationalized in 1975. Mengistu declared himself a Marxist-Leninist in 1976 and established close relations with Moscow. Perhaps 10,000 Ethiopians were killed in 1976–78, as the Dergue suppressed a revolt by civilian leftists that involved urban terrorism.

The war with Eritrean secessionists continued inconclusively until 1991. In mid-1977, Somalia invaded the Ogaden area to support the claims of ethnic Somalis there for self-determination. The assault was repulsed with the assistance of Soviet arms and Cuban soldiers in early 1978, when a 20-year treaty with the USSR was signed. Close links with Libya and the People's Democratic Republic of Yemen were established in 1981. In 1982, Ethiopian troops attempted without success to topple the Somali government by mounting an invasion of some 10,000 Ethiopian troops in support of the insurgent Somali Salvation Democratic Front. Hostilities with Somalia later eased and diplomatic relations were reestablished in 1988. But relations with the Sudan soured, as each country supported insurgent movements in the other.

A devastating drought and famine struck northern Ethiopia during 1982–84, taking an unknown toll in lives. Between November 1984 and October 1985 an international relief effort distributed 900,000 tons of food to nearly eight million people. Food aid continued on a reduced scale, while the government launched massive resettlement programs that critics said were really intended to hamper the operations of armed insurgents and to collectivize agriculture.

The Worker's Party of Ethiopia (WPE) was established as the sole legal political party in 1984. Two years later, a constitutional document was unveiled for discussion; after minor changes it was approved by 81% of the voters in a referendum held on 1 February

1987. Later that year, another devastating drought struck northern Ethiopia, continuing into 1988.

Despite mobilizing one million troops and receiving massive Soviet bloc military aid, the government was not able to defeat the Eritrean and Tigrayan insurgencies. Led by the Eritrean People's Liberation Front (EPLF) and the Tigre People's Liberation Front (TPLF), which is part of a larger coalition, the Ethiopian People's Revolutionary Democratic Front (EPRDF) triumphed.

On 21 May 1991, Mengistu was forced to resign as president and fled to Zimbabwe. His vice president surrendered to EPRDF forces on May 27. The next day, Meles Zenawi, leader of the EPRDF, established an interim government. In July, delegates from the three victorious guerrilla groups agreed on a structure of an interim coalition government and to grant Eritrea the right to hold an internationally supervised referendum on independence.

In 1992, the multiparty government split sharply. The Oromo Liberation Front (OLF), the second-largest partner, withdrew from the coalition on 23 June. It claimed that the regional elections held on 21 June had been rigged by the EPRDF. The OLF and five other political groups had boycotted the elections. Some OLF forces took up arms against the government.

Amid the turbulence, the transitional government pledged to oversee the establishment of Ethiopia's first multiparty democracy. During 1993, a new constitution was drafted. For the transitional government, a 65-member Council of Representatives was created by the four constituent parties of the EPRDF, which was dominated by the TPLF, a Tigrayan ethnic party.

In June 1994, elections were held for the newly established Constituent Assembly. The EPRDF won 484 of 547 seats in a contest judged free and fair by observers. However, the majority of opposition candidates boycotted the elections under the banner of the Coalition of Alternative Forces for Peace and Democracy in Ethiopia (CAFPDE). The OLF also boycotted the election. The Assembly's first order of business was to draft a new constitution. When completed, the document called for the establishment of a bicameral legislature, a directly elected president, regional autonomy, including the right to secession, and the division of the country into nine states. Elections were held in 1995 for the Federal Parliamentary Assembly, consisting of the directly elected Council of People's Representatives and the Council of the Federation. Opposition parties again boycotted the elections resulting in a commanding majority for the EPRDF—483 of 548 seats.

The political opposition's refusal to participate in elections has been a major problem for Ethiopia's fledgling democracy. Western governments and representatives of the OAU engaged the parties in talks prior to the 1995 balloting in the hopes of expanding participation, but opposition leaders insisted the government was impeding their efforts to fairly participate in the electoral process.

The Oromo Liberation Army (OLA), the armed wing of the OLF, has continued armed struggle against the Ethiopian government. Fighting intensified with a series of battles between May and August 1999. Both sides claimed victory, giving conflicting figures for the dead and injured. Over 2,000 OLA and government soldiers may have died in the fighting. Military forces also intensified operations against the Somali-based Al'Itthad terrorist organization, rebel elements of the Ogaden National Liberation Front, and Tokuchuma (another terrorist group operating in eastern Ethiopia), both in the country and southern Somalia and in Northern

Kenya. Ethiopia accused Eritrea and Somalia of financially supporting and training the OLF and Al'Ittihad.

Simmering tensions over border alignment with Eritrea came to a boil in 1998. Between 2 and 6 May 1998, Eritrean soldiers invaded and occupied Badme, in northeastern Ethiopia. Other areas were subsequently occupied in Tigray State. Ethiopia later recaptured Badme, but fighting continued, interspersed with periods of inactivity. A US- and Rwanda-sponsored peace plan proposed in early June 1998 failed; so did arbitration efforts by the then OAU. Each side claimed to accept an OAU framework agreement while accusing the other of making impossible preconditions to its implementation. The two and a half year war claimed the lives of an estimated 70,000 people on both sides, and cost both countries—two of the world's poorest—an estimated \$1 million a day, according to the United Nations. The bloody war formally ended on 12 December 2000 with a peace treaty, the Algiers Agreement.

Under the Algiers Agreement, some 4,200 UN soldiers commanded under the UN Mission in Ethiopia and Eritrea (UNMEE) remained on the border by July 2003. Their task was to monitor the so-called Temporary Security Zone (TSZ) that separates the two countries. Meanwhile, as part of the treaty, the Eritrea Ethiopia Boundary Commission (EEBC) demarcated the internationally recognized boundary. The EEBC, which was based in The Hague and comprised five international lawyers chosen by both countries, was established to resolve boundary claims between the two neighboring countries. In its ruling of 13 April 2002, the Hague-based Permanent Court of Arbitration awarded the key town of Badme, where the war first flared up, to Eritrea. Ethiopia labeled the ruling "unjust and illegal," refused to accept it, and would not withdraw from Badme. Legally, the ruling is binding and final. Rejection of the ruling resulted in five years of no war and no peace between the neighbors since formal cessation of hostilities in 2000; this stalemate raised concerns over a possible relapse in fighting.

Ethiopia's second multiparty elections took place on 14 May 2000, but were marred by irregularities and violence at a number of polling stations requiring the rescheduling of voting in certain constituencies. Voting was postponed in Somali regional state because of severe drought. The results gave parties the following number of seats: OPDO, 177; ANDM, 134; TPLE, 38; WGPDO, 27; EPRDF, 19; SPDO, 18; GNDM, 15; KSPDO, 10; ANDP, 8; GPRDF, 7; SOPDM, 7; BGPDUF, 6; BMPDO, 5; KAT, 4, other regional political groupings, 22; and independents, 8. Forty-three seats were unconfirmed. On 8 October 2001, the Council of People's Representatives elected Woldegiorgis Girma president. Girma received 100% of the vote for a six-year term.

By July 2003, Ethiopia suffered yet another drought and food shortfalls in 2003–04. During the previous 30 years, rainfall levels gradually fell by as much as 23 mm a year, leaving some \$12.6 million in need of food aid in 2003, or one in five of the population—at a cost of around \$800 million. In 2004, the government began a program to move more than two million people away from the arid highlands of the east as a strategy to reduce vulnerability to drought and reduce food shortages.

Since rejection of the border ruling of the Permanent Court of Arbitration by Ethiopia, Eritrea and Ethiopia have sent mixed messages and traded accusations as to which side is stalling implementation of the Algiers Agreement. For instance the Ethiopian

Government announced in November 2004 that it finally accepted the EEBC ruling and urged Eritrea to accept its full implementation, but the Prime Minister Meles Zenawi later said he would accept border demarcation only in undisputed areas. Amidst rising tensions and international concerns over a military build-up on both sides of the border, the Eritrean government on 5 October 2005 banned UN flights in the 25 km demilitarized TSZ and UN night patrols by vehicle on its side of the TSZ. This action forced the UN mission in Eritrea (UNMEE) to vacate 18 of its 40 posts.

The UN Security Council passed a resolution in November 2005 imposing a one-month deadline for compliance, and demanding that Eritrea rescind its flight and vehicle ban on the UN mission, or face unspecified sanctions. Instead, Eritrea escalated the situation on 6 December 2005 by expelling 180 North American, Russian, and other international military observers, UN volunteers and international civilian personnel. No reason was given for the action. Eritrea has repeatedly accused the international community, in particular the UN, of failing to enforce the EEBC boundary ruling. The same UN Security Council Resolution 1640 required both Ethiopia and Eritrea to withdraw their troops to the levels of 16 December 2004, and to both take immediate steps to start demarcation of their disputed boundary in accordance with the 2002 EEBC ruling, by 23 December 2005.

On 22 December 2005, the EEBC ruled that Eritrea had caused the war with Ethiopia and violated international law when it invaded its neighbor in May 1998, and was "liable to compensate Ethiopia for damages caused by that violation of international law." However, both countries were likely to receive compensation from the other for breach of various international laws and for human rights abuses. This ruling did not change the separate EEBC ruling on boundaries between the two countries.

Ethiopia held its third multiparty elections on 15 May 2005. The elections resulted in the EPRDF's disputed return to power. The EPRDF retained its control of the government with 327 of the 547 parliamentary seats, or 59 % of the vote, while opposition parties shared 174 seats, or 32 % of the vote. The opposition charged that the ruling EPRDF coalition had rigged the vote and engaged in acts of voter intimidation and violence, necessitating the rescheduling of voting in certain constituencies. On 8 June 2005 demonstrations, mounted by unarmed university students in Addis Ababa protesting the alleged electoral fraud and demanding investigations or a rerun, turned violent when police opened fire killing some 42 people. At least one of the international observer groups, the European Union Election Observation Mission concluded that the election and electoral process had been below international standards. Both the Ethiopian government and electoral commission dismiss the report as biased, self-contradictory and lacking credibility. With the controversy surrounding the elections, final official election results were not released until nearly four months later on 5 September. By the end of December 2005, the main opposition party, CUD, was still boycotting the legislature.

Announcement of the final 2005 election results was followed by more violence starting November 1 when the opposition Coalition for Democracy and Unity led protests of the results and at least 46 people were killed when security forces opened fire. More than 60,000 arrests are reported to have resulted, and Prime Minister Zenawi announced that 3,000 of them would face charg-

es. On 28 December 2005, a Federal High Court judge remanded 129 opposition leaders, journalists, civil society members and a 15-year-old boy on charges related to violent demonstrations. The defendants claimed they were political prisoners, but the state charged the 129 with crimes ranging from treason to genocide, and blamed opposition leaders for the deaths of 34 people and damages allegedly worth \$110 million.

As of 29 December 2005, neither Eritrea nor Ethiopia had met their obligations under the UN resolution 1640, except for a partial withdrawal of troops from the border by Ethiopia. The military situation along the border remained tense and potentially volatile, and the Eritrea-Ethiopia conflict unresolved. The UN Security Council was to meet to review compliance in January 2006.

### 13 GOVERNMENT

In name, Ethiopia was a constitutional monarchy between 1931 and 1974, but sovereignty was vested solely in the emperor, a hereditary monarch. The ruler appointed the prime minister, senators, judges, governors, and mayors. The emperor was assisted by the Council of Ministers and the Crown Council, whose members he appointed.

After the military takeover in 1974, the parliament was dissolved and the provisional military government (PMG) established. The PMG assumed full control of the government and continued to rule through its provisional military administrative council, also called the Dergue, whose chairmanship Mengistu seized in February 1977. Government decisions were made by Mengistu on an ad hoc basis, sometimes in consultation with members of the Dergue's Standing Committee. Control over government ministries was maintained by assigning Dergue representatives to oversee their operations. The Commission for Organizing the Party of the Working People of Ethiopia acted as the Dergue's political arm.

The constitution approved by referendum on 1 February 1987 declared Ethiopia to be a people's democratic republic. A national assembly (Shengo), with 835 members chosen by proportional representation for the various nationalities, theoretically had supreme power. The president, who was elected to a five-year term by Shengo, acted as chief executive and commander-in-chief of the armed forces and nominated and presided over the cabinet and the state council, which had legislative power when the Shengo was not in session. The president also appointed top officials of the Worker's Party of Ethiopia (WPE), which was called the leading force in the state and society. The assembly held its first meeting on 9 September; the next day, it elected Mengistu president. It also redrew the political map, creating five "autonomous regions" in order to weaken the appeal of the independence movements; it failed. Despite the trappings of representative government, all power remained in Mengistu's hands. He was head of state and government, leader of the only party and commander of the armed forces.

After Mengistu's defeat in May 1991, a transitional government was established, under the leadership of the Ethiopian People's Revolutionary Democratic Front, a coalition of parties opposed to the Dergue and led by President Meles Zenawi. Elections for a constituent assembly were held in June 1994. A new constitution was drafted, providing for a directly elected president, a bicameral legislature, regional autonomy with the right to secede, and

a nine-state national structure. Elections to the newly established Federal Parliamentary Assembly were held in 1995; they resulted in a huge victory for the EPRDF owing to opposition boycotts. In the May 2000 elections, Zenawi's coalition gained 368 of the 548 seats in the Council of People's Representative. The next presidential elections were scheduled for October 2007.

The Federal Parliamentary Assembly has two chambers. The Council of People's Representative (Yehizbtewekayoch Mekir Bet), the lower chamber, has 547 members, elected for a five-year term in single seat constituencies. The Council of the Federation (Yefedereshn Mekir Bet) or upper chamber has 117 members chosen by state assemblies to serve five-year terms.

The third multiparty parliamentary elections were held on 15 May 2005. These elections were marred by allegations of vote rigging, voter intimidation, and the death of at least 88 people in postelection violence during two major demonstrations to protest the results. The elections brought Zenawi's EPRDF coalition to power with 327 of the 547 parliamentary seats while opposition parties shared 174 seats. Meles Zenawi began his third five-year term as prime minister. The main opposition party, CUD, won 109 seats in the 547-member parliament but by the end of December 2005, was still boycotting the legislature. The EPRDF won state council elections in 5 of the 10 states.

### 14 POLITICAL PARTIES

In the past, there were no established political parties, although political factions existed on the basis of religion, ethnicity, regionalism, and common economic interests. In the 1970s, a number of illegal separatist groups became active militarily. They included the Eritrean People's Liberation Front (EPLF), Eritrean Liberation Front (ELF), the Oromo People's Democratic Organization (OPDO), Tigray People's Liberation Front (TPLF), Oromo Liberation Front (OLF), and Western Somali Liberation Front (WSLF). Eventually, EPLF defeated the ELF in Eritrea.

Two civilian left-wing parties, the Ethiopian People's Revolutionary Party and the All-Ethiopian Socialist Movement, were crushed by the Dergue in 1976 and 1977, respectively. In 1979, the Dergue established the Commission for Organizing the Party of the Working People of Ethiopia (COPWE), in order to lay the groundwork for a Marxist-Leninist party along Soviet lines. The Worker's Party of Ethiopia (WPE) was established in 1984 as the sole legal political party. Its 11-man politburo was headed by Mengistu.

The separatists successfully defeated Mengistu's forces and after Mengistu fled in May 1991, they established a transitional government under their coalition banner, the Ethiopian People's Revolutionary Democratic Front (EPRDF). The TPLF is the most prominent member of the EPRDF, which also includes the Ethiopian People's Democratic Movement (EPDM) and the Afar Democratic Union. The OLF is not part of the coalition. There are also numerous small, ethnic-based groups and several Islamic militant groups. Following 1994 elections to a transitional national assembly, 30 opposition groups—not including the OLF—formed the Coalition of Alternative Forces for Peace and Democracy in Ethiopia (CAFPDE), and began pressing for electoral reform. New elections were held in 1995 for a newly created Federal Parliamentary Assembly (consisting of two chambers). The elections, despite being overseen by international observers, were boycotted

by the opposition and were won by the EPRDF, which secured substantial majorities.

The main parties contesting the 14 May 2000 elections were: Afar Democratic Association, Afar Democratic Union, Amhar National Democratic Movement, Ethiopia People's Revolutionary Democratic Front (EPRDF), Ethiopian Democratic Officers' Revolutionary Movement, Oromo People's Democratic Organization, and Tigre People's Liberation Front. There were approximately 58 national and regional parties, 29 of them belonging to the four-party coalition of the ruling EPRDF.

The People's Revolutionary Democratic Front (EPRDF) ruling coalition were returned to power in the contested elections of 15 May 2005 amidst opposition charges of widespread vote rigging and intimidation. A total of 10 parties and coalitions and one independent won the 547 parliamentary seats, which were split as follows: Ethiopian People's Revolutionary Democratic Front (EPRDF), 327; the Coalition for Unity and Democracy (CUD), 109; United Ethiopian Democratic Forces (UEDF) Alliance, 52; Oromo Federalist Democratic Movement, (OFDM) 11; Afar National Democratic Party (ANDP), 8; Gambela People's Democratic Movement (GPDM), 3; Sheko and Mezenger People's Democratic Unity Organization (SMPDUO), 1; Somali People's Democratic Party (SPDP), 24; Hareri National League (HNL), 1; Argoba Nationality Democratic Organization (ANDO), 1; and Independent, 1.

## <sup>15</sup> LOCAL GOVERNMENT

According to a 2006 CIA report, Ethiopia has nine ethnically based states and two self-governing administrations—Addis Ababa and Dirē Dawa. Until 1987, Ethiopia was divided into 15 administrative regions, which in turn were subdivided into 103 sub-regions and 505 districts. In 1976, peasant associations were empowered to collect taxes and form women's associations, cooperatives, and militias. In the mid-1980s, an estimated 25,000 such peasant groups were in existence. Urban dwellers' associations were established for a variety of functions, including law and order.

In 1987, at its first sitting, the Shengo redrew the political map. It created five "autonomous regions" (Eritrea, Assab, Dirē Dawa, Ogaden, and Tigre). The remaining provinces were further subdivided into 24 administrative zones.

The establishment of regions was altered with the creation of the transitional government in 1991. In 1993, Eritrea gained its independence. The new regime called for 14 regional governments, but the June 1992 elections for 11 of the 14 regional assemblies were challenged and widespread fraud was alleged. In the May 2000 elections, 3,300 regional and national seats were to be contested. Results of the third multiparty elections of 15 May 2005 were equally protested. The EPRDF alliance won half of the 10 state councils. According to the National Electoral Board of Ethiopia, a total of 1,920 Regional Council and City Administration seats were contested in 10 of the 11 regions. Results for the Dirē Dawa Region were still outstanding by the end of 2005.

## <sup>16</sup> JUDICIAL SYSTEM

The government of Ethiopia is now putting into place a decentralized federal system of courts consisting of regional and district courts consistent with the 1994 constitution. Each region has district (woreda), higher, and supreme courts. There are also local

Shariah courts that hear religious and family cases involving Muslims. The Federal High Court and Federal Supreme Court have jurisdiction over cases involving federal laws, transregional issues, and issues of national import. The president and vice president of the Federal Supreme Court are recommended by the prime minister and appointed by the House of People's Representatives; for other federal judges, the prime minister submits to the House of People's Representatives for appointment candidates selected by the Federal Judicial Administrative Council.

The constitution provides for an independent judiciary; trials are public. Defendants have a right to legal counsel and a public defender's office provides counsel to indigent defendants. The law, however, does not allow the defense access to prosecutorial evidence before the trial, and the current judiciary suffers from a lack of trained personnel and financial constraints. In 1995, the government began training new judges and prosecutors. However, it is estimated that the creation of a fully independent and skilled judicial system will take several decades.

In 1992, a special prosecutor's office was established. In 1994 this office began trying defendants charged with crimes against humanity during the Mengistu regime. As of 1997, approximately 1,300 detainees were charged with war crimes. Up to 5,198 persons had been charged with war crimes by the end of 1999.

The Council of People's Representatives in October 1999 passed enabling legislation to meet the constitutional requirement for the creation of a human rights commission and office of the ombudsman. The commission has full powers to receive and investigate all complaints of human rights violations made against any person. By the end of 1999, neither entity was operational.

## <sup>17</sup> ARMED FORCES

In 2005, Ethiopia had 182,500 active armed forces personnel. The Army, which was in the process of being organized into three military regions, was equipped with more than 250 main battle tanks and over 460 artillery pieces. The Air Force had an estimated 2,500 members and was equipped with 48 combat capable aircraft, including 31 fighters and 15 fighter ground attack aircraft. The service also had 25 attack helicopters. The military budget for 2005 was \$229 million.

## <sup>18</sup> INTERNATIONAL COOPERATION

Ethiopia is a charter member of the United Nations (UN), having joined on 13 November 1945; it belongs to the ECA and all the nonregional specialized agencies. A participant in the African Development Bank, G-24, and G-77. The former Ethiopian emperor, Haile Selassie, was a founder of the Organization of African Unity (OAU), which is now known as the African Union (AU). The AU secretariat and the UN Economic Commission for Africa are located in Addis Ababa. The nation has observer status in the WTO. It is part of COMESA, the ACP Group, the New Partnership for Africa's Development (NEPAD), and the Intergovernmental Authority on Development, a Horn of Africa regional grouping.

Ethiopian troops fought under UN command in the Korean conflict and served in the Congo (now the Democratic Republic of the Congo) in the early 1960s. The nation also supports the UN Operation in Burundi (est. 2004). A border dispute with Eritrea resulted in war from 1998–2000. The United Nations Mission in Ethiopia and Eritrea (UNMEE) was established in 2000 to moni-

tor the cessation of hostilities agreement made between the two countries, both of which later accepted a 2002 Boundary Commission delimitation decision. Ethiopia has received UN technical assistance in the fields of public administration, telecommunications, vocational training, agriculture, animal husbandry, education, civil aviation, and health. Ethiopia is a member of the Non-aligned Movement and the Organization for the Prohibition of Chemical Weapons.

In environmental cooperation, Ethiopia is part of the Basel Convention, the Convention on Biological Diversity, CITES, the Montréal Protocol, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Ethiopia's economy has undergone major reforms since May 1991, when a market-oriented government came to power. Droughts, civil war, and cross-border conflicts have devastated the economy as much as socialist-style totalitarianism. The government continues to institute economic reforms designed to liberalize the economy and increase the role of private capital. Land, however, as of 2002 remained firmly in the hands of the government. A large trade deficit hampers economic development.

Agriculture, hunting, forestry, and fishing engaged 85% of the Ethiopian population and in 2002 accounted for over half of GDP and almost all exports. The agricultural sector is diverse, producing maize, sorghum, millet, other cereals (barley, wheat, and teff), tubers, and sugarcane. Coffee generated \$175 million in exports in 2001 (down from \$262 million in 2000), which was 60% of export earnings. Livestock production is also important, responsible for around 20% of export earnings.

The manufacturing sector, centered around Addis Ababa, produces construction materials, metal and chemical products, and basic consumer goods including food, beverages, leather, clothing and textiles. Over 90% of large-scale industry is state owned.

Ethiopia produces gold and has additional undeveloped deposits of platinum, marble, tantalite, copper, potash, salt, soda ash, zinc, nickel, and iron. Natural gas is found in the Ogaden.

To break the cycle of famine, the government has promoted extension services and fertilizers in the hope that farmers could realize their potential and poverty would be reduced. After the border war with Eritrea ended in 2000, however, bumper crops were offset by farmers' inability to find markets for their goods. The progress in the country's economic fortunes that began in the 1990s was largely quashed by the 1998–2000 war and a sharp decline in international coffee prices. Nonetheless, new building projects were due to begin in the early 2000s; dams, a new airport building, and a \$15 million sugar-processing factory numbered among them. Reforms are needed in the financial sector, telecommunications, land ownership, and a cumbersome bureaucracy. The World Bank granted Ethiopia \$450 million for postwar reconstruction, and the EU was an equally large contributor of development aid in 2003.

Economic growth was modest in 2002 (only 1.2%), and negative in 2003 (-3.8%), but by 2004 the economy recovered expanding at a whopping 11.6%; for 2005 the GDP growth rate is expected to be 5.7%. The yoyo effect that has plagued the Ethiopian economy is largely due to the finicky weather patterns—droughts in late 2002 led to the economic recess of 2003, whereas normal

weather patterns in late 2003 helped the economy recover in 2004. The inflation rate fluctuated in previous years (with the economy), growing from 1.5% in 2002, to 17.8% in 2003, and down to 3.2% in 2004.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Ethiopia's gross domestic product (GDP) was estimated at \$59.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$800. The annual growth rate of GDP was estimated at 6.5%. The average inflation rate in 2005 was 11.6%. It was estimated that agriculture accounted for 40.1% of GDP, industry 12.7%, and services 47.2%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$46 million or about \$1 per capita and accounted for approximately 0.7% of GDP. Foreign aid receipts amounted to \$1,504 million or about \$22 per capita and accounted for approximately 22.8% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Ethiopia totaled \$5 billion or about \$73 per capita based on a GDP of \$6.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003, household consumption grew at an average annual rate of 5.1%. It was estimated that in 2004 about 50% of the population had incomes below the poverty line.

## 21 LABOR

In the latest years for which data was available, government estimates in 1998 indicated that about 26 million Ethiopians were economically active. This figure is subject to fluctuation because of the seasonal nature of much of the activity. In 1999, about 85% of the total were engaged in agriculture and livestock raising. In 1997, about 34,570 persons were classified as unemployed.

The 1993 Labor Law provides workers with the right to form and join unions and engage in collective bargaining. This right however, excludes many categories of employment, including teachers and civil servants. The right of workers to strike (and the employer's right to lockout) is also somewhat restricted. Both sides must seek conciliation efforts, provide 10 days' notice and give reasons for the strike or lockout. The government may refer labor disputes to arbitration, which is binding on the parties. As of 2005, about 300,000 workers were members of a union. Estimates by labor experts indicate that over 90% of union members were covered by collective bargaining agreements in that same year.

The legal minimum age for employment is 14, with special provisions for these workers up to age 18. However, child labor is widespread, in both rural and urban areas. As of 2005, Ethiopia did not have a national minimum wage rate, although some public enterprises and government institutions had set their own minimum wage rates. For that same year, employees in the public sector had a minimum wage of \$23 per month, while those in the insurance and banking sector had a rate of \$27 per month. In neither case were these wage rates sufficient to provide a decent



standard of living to a worker and family. The standard legal work-week was 48 hours with a 24 hour rest period. In addition there was premium pay for overtime, while compulsory and/or excessive overtime was prohibited.

## 2<sup>2</sup> AGRICULTURE

It has been estimated that nearly 70% of Ethiopia's land mass is cultivable, yet only 12% of the land is under cultivation and permanent crops. Agricultural and pastoral pursuits supported over 80% of the population and formed 42% of the GDP in 2003. Subsistence farming and livestock grazing, both inefficient, are the rule. Field crops account for 40% of gross agricultural output, cash crops for 20%, and livestock for the rest.

The coffee variety known as arabica may have originated in Ethiopia, and the word coffee is derived from Kaffa (Kefa), the region in the southwest that is still the largest coffee-producing area of the country. Coffee is the most valuable cash export crop, accounting for 10% of foreign exchange earnings. Coffee production was an estimated 260,000 tons in 2004, the highest in Africa. Qat, the leaves from a shrub that are used to make tea and which have a mild narcotic effect, is another important cash export crop.

The most commonly produced cereal is teff (*Eragrostis abyssinica*), which is used to make the Ethiopian unleavened bread called injera. Corn and barley are the next most important grains, with an annual gross production of at least 1 million tons each. Sorghum, wheat, millet, peas, beans, lentils, and oilseeds are produced in substantial quantities; sugarcane and cotton are also grown. Production in 2004 included corn, 2,744,000 tons; wheat, 1,618,000 tons; sorghum, 1,784,000 tons; barley, 1,087,000 tons; dry beans, 175,000 tons; potatoes, 400,000 tons; yams, 310,000 tons; millet, 305,000 tons; and sugarcane, 2,454,000 tons.

The agricultural sector suffered severe damage from the civil war and its aftermath. Forced recruitment into the military led to a shortage of farm labor. Reforms aimed at introducing market-based incentives have been implemented, including freeing agricultural marketing and farm labor hiring practices. Emergency provisions of seeds, fertilizer, and other inputs have also been vital in rebuilding Ethiopia's agriculture. Since 1999, however, the border war with Eritrea and reduced harvests have caused Ethiopia to rely heavily on food donations from international organizations in order to ward off starvation.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Ethiopia has the largest livestock population in Africa, and this subsector accounts for 40% of gross agricultural output. In normal years, animal husbandry provides a living for 75% of the population. The number of cattle (zebu type) was estimated at 38.5 million in 2005; about three-fifths of them primarily work animals. The country lacks facilities for fattening cattle brought in to slaughter, an adequate veterinary service, and breeding herds. Meat production was estimated at 606,500 tons in 2005. Milk production from cows was an estimated 1,500,000 tons in 2005; from sheep, 42,500 tons; and from goats, 17,250 tons. The number of sheep and goats was estimated at 17 million and 9.6 million, respectively, but periodic drought may have made the actual number much lower. The number of horses was estimated at 1,500,000,

mules at 325,000, donkeys at 3,800,000, and camels at 470,000. These were primarily pack animals.

Hides and skins constitute the country's second-largest export item and generally command high prices on the world market. In 2005, production of cattle hides was 65,100 tons; sheepskins, 10,800 tons; and goatskins, 16,100 tons. In 2005, Ethiopia produced 39,000 tons of honey, more than any other nation in Africa.

## 2<sup>4</sup> FISHING

With the secession of Eritrea, Ethiopia lost access to an estimated 1,011 km (628 mi) of Red Sea coastline. In 1992, the Ethiopian and provisional Eritrean governments agreed to make Assab a free port for Ethiopia. Most Ethiopians do not eat seafood; hunting and fishing accounts for only a tiny fraction of the GDP. The catch was 9,213 tons in 2003, up from 5,318 tons in 1994.

## 2<sup>5</sup> FORESTRY

In the 1930s, more than 30% of Ethiopia consisted of forests, but that total has fallen to 13%. *Boswellia* and species of *commiphora* produce gums used as the basis for frankincense and myrrh, respectively. A species of acacia is a source of gum arabic. Eucalyptus stands, introduced in the 19th century, are a valuable source of firewood, furniture, and poles. Roundwood production was an estimated 94 million cu m (3.3 billion cu ft) in 2003; all but 2.5 million cu m (87 million cu ft) was for fuel.

## 2<sup>6</sup> MINING

Ethiopia's main mineral export is gold, but the country has also been a producer of silver, tantalite, talc, soda ash, brick clay, feldspar, gemstones, diatomite, granite, anhydrite and gypsum, limestone, pumice, kaolin, salt, sand and scoria. The country also has metal deposits of manganese, iron ore, platinum and nickel. Despite this, little of Ethiopia's expected mineral potential has been exploited, although foreign investment was increasing. Gold mine output in 2003 was estimated at 5,300 kg, unchanged from 2002. Silver mine production in 2002 and 2003 each totaled 1,100 kg. Cement was the most important mineral industry in value and quantity. In 2003, hydraulic cement output totaled 1,200,000 metric tons, up from 900,000 metric tons the previous year. Substantial iron ore deposits were discovered in the Welega region in 1985. Other undeveloped resources included copper, semiprecious gemstones (agate, aquamarine, chalcedony, chrysoprase, emerald, garnet, jasper, obsidian, ruby, sapphire, spinel), molybdenum, mercury, palladium, rhodium, tungsten, zinc, apatite, bentonite, dolomite, potash, and quartz sand. Expected improvements in the general economic situation and the need to rebuild infrastructure were likely to increase demand for building materials and the viability of Eritrea's metals and industrial minerals deposits.

## 2<sup>7</sup> ENERGY AND POWER

Hydropower accounts for the bulk of Ethiopia's electric power generating capacity and output. In 2002, the country's generating capacity stood at 0.501 million kW, with hydropower accounting for 0.451 million kW, and conventional thermal at 0.050 million kW. Electricity production for that same year stood at 2.024 billion kWh, of which 2.003 billion kWh and 0.020 billion kWh came from hydroelectric and conventional thermal plants, re-

spectively. Electric power consumption in 2002 totaled 1.882 billion kWh. However, Ethiopia's heavy reliance upon hydropower to supply its electric power has made the country vulnerable to lengthy droughts.

Ethiopia has small reserves of oil and natural gas. As of 1 January 2003, the country's crude oil and natural gas reserves were placed at 0.428 million barrels and 880 billion cu ft, respectively. Ethiopia has no crude oil refining capacity and must import all refined petroleum products. Imports of refined petroleum products totaled 24,910 barrels per day, with consumption was an estimated 23,000 barrels per day in 2001. In 1997, due to high maintenance and operating costs, Eritrea and Ethiopia agreed to shut down their joint operations at the petroleum refinery at Assab and import refined petroleum products. In 2001, Ethiopia signed an agreement to import petroleum products from Sudan, which began in January 2003. Although Ethiopia has few proven hydrocarbon reserves, it is estimated to have considerable potential for oil and gas exploration.

## 28 INDUSTRY

While Ethiopia's industrial sector engages primarily in food processing, it also produces sugar, alcohol and soft drinks, cigarettes, cotton and textiles, footwear, soap, ethyl alcohol, and quicklime. Cement production is also significant. Industrial facilities are concentrated around Addis Ababa, depend heavily on agricultural inputs, and primarily serve the domestic market.

Since 1991, privatization of Ethiopia's industry has been a major objective of the government. In 1995, the government established the Ethiopian Privatization Agency to help privatize companies. By 1999, about 180 government enterprises had been privatized, including Pepsi-Cola and Coca-Cola bottling plants, the St. George Brewery, and the Lega Dembi Gold Mine. Other companies for sale included the Kenticha Tantalum Mine, the Calub Gas Company, and the Wonji-Shoa Sugar Factory, hotels, tanneries, textile mills, and garment factories.

Ethiopia has few proven oil and natural gas reserves, although the potential of these industries is seen as promising. Hydrocarbon exploration began in the Ogaden Basin in the 1920s, and in 1994, the World Bank approved a \$74 million loan to develop natural gas fields in the Ogaden Basin. As of 2002, there were plans to build an oil refinery.

One of the key components of Ethiopia's industrial success is its access to ports. Two-thirds of Ethiopia's goods passed through the Eritrean port of Assab prior to the 1998–2000 border war. Ethiopia subsequently shifted its trade to Djibouti, but Port Sudan and Berbera in Somaliland were targeted as future outlets for trade.

Industry made up 12.4% of the economy in 2004, and it employed only a fraction of the labor force; agriculture is by far the biggest employer and also the biggest contributor to the GDP (47%); services come in second with a 40.6% participation in the GDP. Whereas agricultural growth rates were influenced by the weather, industry has managed to register stable growth rates—5.8% in 2001–02, 4.6% in 2002–03, and 6.9% in 2003–04. Agriculture remained the country's main wealth producer.

## 29 SCIENCE AND TECHNOLOGY

Scientific societies and research institutes in Addis Ababa include the Association for the Advancement of Agricultural Sciences in

Africa, the Desert Locust Control Organization for Eastern Africa, the Ethiopian Mapping Authority, the Ethiopian Medical Association, the Ethiopian Institute of Geological Surveys, the Geophysical Observatory, the National Herbarium, the Institute of Agricultural Research, and the International Livestock Center for Africa. Another Institute of Agricultural Research is located in Sidamo. The University of Addis Ababa, founded in 1950, maintains faculties of science, technology, and medicine, a college of agriculture, and a school of pharmacy. The Alemaya University of Agriculture, founded in 1952, has faculties of agriculture and forestry and a division of natural and social sciences. Also in Ethiopia are the Jimma Junior College of Agriculture and the Polytechnic Institute at Bahir-Dar. In 1987–97, science and engineering students accounted for 26% of college and university enrollments.

## 30 DOMESTIC TRADE

Addis Ababa is the paramount commercial and distribution center. Most of the economy is monetary, but transactions are still conducted by barter in some of the more isolated rural sectors. Underdeveloped transportation systems prohibit domestic trade, particularly in agriculture. As of 2001, about 75% of all farms were more than half a day's walk from the nearest all-weather road. Even so, about 80% of the work force is employed in agriculture, which accounts for about 52% of the GDP. The 1999–2000 war with Eritrea and recurring droughts have severely effected the economy. Growth in the industrial sector has been further prohibited by the land tenure system, through which the government owns and leases all land.

In general, business hours are from 8:30 or 9 AM to 1 PM and from 2 PM to 5 or 6 PM, Mondays through Fridays. Shops are open until 8 PM. The national language, Amharic, is spoken along with English, the second official language. Credit cards are not widely accepted.

## 31 FOREIGN TRADE

Coffee exports generate more than half of Ethiopia's export returns (53%), but the country's coffee production only accounts for 2.2% of the world's coffee exports. Leather, animal hides, and skins also bring in export revenues (9.9%). Other agricultural products,

### Principal Trading Partners – Ethiopia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	512.7	2,686.0	-2,173.3
Djibouti	99.4	26.8	72.6
Germany	57.6	89.0	-31.4
Japan	43.7	195.8	-152.1
Saudi Arabia	35.4	131.4	-96.0
Italy-San Marino-Holy See	31.7	246.0	-214.3
Somalia	28.9	...	28.9
United States	22.7	384.4	-361.7
Yemen	16.1	5.8	10.3
Switzerland-Liechtenstein	16.1	14.1	2.0
United Kingdom	15.6	150.6	-135.0

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

including vegetables, oil seeds, and cotton reflect the remainder of major exports (10%).

Ethiopia is heavily dependent on imported manufactures. Machinery, petroleum, and petroleum products represent the leading import items.

In 2004, exports reached \$563 million (FOB—free on board), while imports grew to \$2.1 billion (FOB). The bulk of exports went to Djibouti (13.3%), Germany (10%), Japan (8.4%), Saudi Arabia (5.6%), the United States (5.2%), the UAE (5%), and Italy (4.6%). Imports included food and live animals, petroleum and petroleum products, chemicals, machinery, motor vehicles, cereals, and textiles, and mainly came from Saudi Arabia (25.3%), the United States (5.8%), China (6.6%), and India (4.0%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Ethiopia's balance of payments has been significantly affected by weather conditions, terms of trade, and emergency drought relief efforts provided by the international community.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Ethiopia's exports was \$442 million while imports totaled \$1.54 billion resulting in a trade deficit of \$1.098 billion.

The International Monetary Fund (IMF) reported that in 2001 Ethiopia had exports of goods totaling \$433 million and imports totaling \$1.63 billion. The services credit totaled \$523 million and debit \$526 million.

Exports of goods and services reached \$1.5 billion in 2004, up from \$1.2 billion in 2003. Imports grew from \$2.4 billion in 2003, to \$3.2 billion in 2004. The resource balance was consequently negative in both years, reaching -\$1.3 billion in 2003, and -\$1.7 billion in 2004. The current account balance was also negative, deteriorating from -\$402 million in 2003, to -\$620 million in 2004. Foreign exchange reserves (including gold) grew to \$1.4 billion in 2004, covering more than five months of imports.

#### Balance of Payments – Ethiopia (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-199.0</b>
Balance on goods		-1,417.7	
Imports	-1,922.0		
Exports	504.3		
Balance on services		46.5	
Balance on income		-24.2	
Current transfers		1,196.4	
<b>Capital Account</b>			<b>...</b>
<b>Financial Account</b>			<b>264.8</b>
Direct investment abroad		...	
Direct investment in Ethiopia		...	
Portfolio investment assets		...	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		68.8	
Other investment liabilities		196.1	
<b>Net Errors and Omissions</b>			<b>-275.0</b>
<b>Reserves and Related Items</b>			<b>209.1</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 3<sup>3</sup> BANKING AND SECURITIES

All banking institutions were nationalized after the government's formal Declaration of Socialism on 20 December 1974. The country's three private commercial banks were placed under the management of the National Bank of Ethiopia (NBE) and, in 1981, under the state-owned Commercial Bank of Ethiopia (established in 1963), which had 170 branches and \$3 billion in total assets as of July 1999. It also holds \$1.4 in deposits. Other banks included the Agricultural and Industrial Development Bank and the Housing and Savings Bank. A proposal to deregulate the banking sector, giving greater autonomy to the NBE, was introduced by the Council of Ministers in September 1993. Legislation allowing for the establishment of private banks and insurance companies; but not the privatization of existing institutions, or the foreign ownership of such companies; was passed in January 1994. The first private bank, Awash International, started operations at the end of 1994, and had eight branches by 1999. Five other private banks have opened, including Dashen Bank, The Bank of Abyssinia, Wegagen Bank, NIB International, and United Bank. There are no securities exchanges, and Ethiopians are legally barred from acquiring or dealing in foreign securities. A private-sector initiative plans to establish a market for buying and selling company shares by 2000.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$2.8 billion.

### 3<sup>4</sup> INSURANCE

In January 1976, the 13 insurance companies operating in Ethiopia were nationalized and fused into an inclusive national insurance organization, the Ethiopian Insurance Corp. In 1994, the insurance industry was deregulated. Seven private insurance companies opened between 1994 and 1997: United, Africa, Nile, Nyala, Awash, National, and Global.

### 3<sup>5</sup> PUBLIC FINANCE

The Ethiopian fiscal year begins 8 July, in the Ethiopian month of Hamle. Ethiopia's public finances are under great budgetary pressure, as years of war and poverty have taken a heavy toll on the countryside, population, and infrastructure.

The US Central Intelligence Agency (CIA) estimated that in 2005 Ethiopia's central government took in revenues of approximately \$2.3 billion and had expenditures of \$2.8 billion. Revenues minus expenditures totaled approximately -\$542 million. Total external debt was \$2.9 billion.

The International Monetary Fund (IMF) reported that in 1999, the most recent year for which it had data, budgetary central government revenues were B9,707.3 million and expenditures were B12,993.7 million. The value of revenues in US dollars was us\$1,222 million and expenditures us\$1,689 million, based on a official exchange rate for 1999 of us\$1 = B7.9423 as reported by the IMF. Government outlays by function were as follows: general public services, 14.2%; defense, 33.0%; public order and safety, 4.3%; economic affairs, 29.2%; housing and community ameni-

**Public Finance – Ethiopia (1999)**

(In millions of birr, budgetary central government figures)

<b>Revenue and Grants</b>		
	<b>9,707.3</b>	<b>100.0%</b>
Tax revenue	6,295.8	64.9%
Social contributions	0.2	0.0%
Grants	429.3	4.4%
Other revenue	2,982	30.7%
<b>Expenditures</b>		
	<b>12,993.7</b>	<b>100.0%</b>
General public services	1,846	14.2%
Defense	4,285.1	33.0%
Public order and safety	552.7	4.3%
Economic affairs	3,796.5	29.2%
Environmental protection	...	...
Housing and community amenities	264.8	2.0%
Health	638.3	4.9%
Recreational, culture, and religion	119.5	0.9%
Education	1,702.8	13.1%
Social protection	206.5	1.6%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ties, 2.0%; health, 4.9%; recreation, culture, and religion, 0.9%; education, 13.1%; and social protection, 1.6%.

**3<sup>6</sup> TAXATION**

Ethiopia has a standard corporate tax rate of 30%. However, companies in the mining industry (excluding oil shale, petroleum and natural gas) are taxed at rates of 35% for small-scale mining operations, and at 45% for large-scale mining operations. Income generated from petroleum, oil shale and natural gas operations are subject to the 30% rate. Capital gains derived from the sale of buildings in municipal areas that are used for a business are subject to a 15% tax. Gains from the sale of company shares are taxed at 30%. A 5% tax is levied on royalties paid to residents and non-residents, and a 2% ad valorem turnover tax on domestic sales. On 1 January 2003, Ethiopia replaced its sales tax with a value-added tax (VAT). As of 2005, the standard rate was 15%. Exempt from the VAT were food and pharmaceuticals.

**3<sup>7</sup> CUSTOMS AND DUTIES**

The primary purpose of the tariff system is to provide revenues rather than to protect Ethiopian industry or to prohibit the importation of certain commodities. However, there are restrictions on importing certain goods that compete with domestically produced goods. Excise tax brackets range from 10% for textiles to 100% for vehicles with engines larger than 1,800 cc. Taxes on imports are based on the cost, insurance and freight (CIF) value. Imports of certain agricultural and industrial tools and parts and many raw materials are duty-free.

**3<sup>8</sup> FOREIGN INVESTMENT**

Since May 1991, the climate for foreign investment has improved dramatically. Private investment policies are more liberal, commercial performance standards have been applied to public enterprises, tax and tariffs have been reformed, and the currency has been devalued by 58%. The devaluation was the policy action re-

quired for the rescheduling of Ethiopia's foreign debt in 1992. Foreign exchange is now auctioned.

In 1996, a revised investment proclamation was approved that created additional incentives for foreign investors. Major provisions included duty-free entry of most capital goods and a cut in the capital gains tax from 40 to 10%. In addition, the government opened a number of previously closed sectors of the economy to foreign investment, although financial services, large-scale power production, telecommunications, and other public utilities remain off limits. Official estimates are that as of June 1996, 52 foreign investors had been given licenses. In 1998, amendments to the 1996 investment proclamation allowed Ethiopian expatriates and permanent residents the ability to invest in industries that had previously been reserved for nationals only.

The inflow of foreign direct investment (FDI) peaked in 1997 at \$288.5 million and has declined sharply since. In 2000, FDI inflow was \$134 million and in 2001, grew to \$349 million. Subsequent years brought with them significant levels of capital inflow (\$255 million in 2002, \$465 million in 2003, and \$545 million in 2004), but not enough for a country the size of Ethiopia. At the end of 2004, total FDI stocks amounted to only \$2.5 billion.

**3<sup>9</sup> ECONOMIC DEVELOPMENT**

The policy of the Ethiopian government is to create the conditions necessary for sustained economic growth. Farmers have reacquired the economic freedom of price, of production, and of settlement. The government aspires to an agriculture-led industrialization and focuses its attention on food security, rural savings, and labor formation issues. The government holds all land and issues long-term leases to tenants. The 1996 economic reform plan promoted free markets and liberalized trade laws as essential to economic growth. Increased military expenditures during 1999 and 2000 largely due to the war with Eritrea threatened stability.

Ethiopia's per capita income is the second lowest in the world, according to the International Monetary Fund (IMF), at about \$100. In 2001, Ethiopia reached its decision point under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative, and was to receive \$1.9 billion in debt relief. Also in 2001, Ethiopia negotiated a three-year \$115 million Poverty Reduction and Growth Facility (PRGF) Arrangement with the IMF, due to expire in March 2004. Although there was a bumper crop in 2000–01, the prices of coffee and cereals fell in 2001–02, and agricultural output was lower. Since July 2002, a severe drought affected Ethiopia; over 15 million people in Ethiopia and Eritrea alone were at risk of starvation in 2003.

The economy recovered well in 2004 and continued to grow substantially in 2005, due to a good performance of the agriculture sector. Since weather patterns were stable and favorable in 2005, analysts expected 2006 to be another good year for the Ethiopian economy. However, rising oil prices were expected to tone down the positive effect of the weather. The fact that the government owns all of the land in the country, which it leases to interested tenants, means that economic growth is seriously hindered because entrepreneurs cannot use that land as collateral for loans.

**4<sup>0</sup> SOCIAL DEVELOPMENT**

Other than modest government allocations for pensions, labor and social welfare for public employees, Ethiopia has no compre-

hensive public welfare or social security programs. Retirement is set at age 55 for public employees. Retired employees receive 30% of their average monthly salary during the last three years of employment. Most of the population depends on subsistence agriculture in deprived rural areas and therefore falls outside the scope of this limited retirement system.

Women have traditionally been restricted to subordinate roles in society. In rural areas, women are burdened with most of the strenuous agricultural and domestic work, while in urban areas, women are limited in their job opportunities. The civil code discriminates against women in family law and property issues. Domestic abuse is pervasive; societal norms inhibit most women from seeking intervention from the authorities. However, in 2004 a court was created to try cases of sexual abuse. Young women are still abducted for the purpose of marriage. The majority of girls are subject to female genital mutilation.

Human rights abuses persist, including arbitrary arrests, lengthy pretrial detention, and mistreatment of prisoners. However, the government encourages international human rights groups to send observers.

#### 41 HEALTH

The availability of modern health services has been greatly extended since 1960, but these services still reach only a small portion of the population. Free medical care for the needy was introduced in 1977; however, in 1993, only 55% of the population had access to health care services. Ethiopia built a new hospital at Gore and a 500-bed hospital in Hārer was completed. The tuberculosis center in Addis Ababa was expanded and five new leprosariums were built in the provinces. Mental hospitals were built in Hārer and Asmera and the one in Addis Ababa was renovated. As of 2004, there were fewer than 3 physicians per 100,000 people, one of the lowest number of doctors per capita in the world. Additionally, there were only 19 nurses and 2 midwives per 100,000 people.

The wars, drought, political turmoil, and population pressures of the 1970s and early 1980s left their mark on the Ethiopian health situation. Between 1974 and 1992, there were 575,000 war-related deaths. Hundreds of thousands of Ethiopians died during a famine in 1973 and as many as one million may have died between 1983 and 1985. Only 4% of women used any form of contraception. The fertility rate in 2000 was 5.6. Average life expectancy in 2005 was estimated at only 48.83 years; infant mortality was estimated at 95.32 per 1,000 live births.

Widespread diseases include malaria, tuberculosis, syphilis, gonorrhea, leprosy, dysentery, and schistosomiasis. In 2000, 24% of the population had access to safe drinking water and 15% had adequate sanitation. In 1999, there were 373 reported cases of tuberculosis per 100,000 people. Ethiopia made an effort to vaccinate children up to one year old against tuberculosis, 90%; diphtheria, pertussis, and tetanus, 63%; polio, 64%; and measles, 52%. As of 2000, an estimated 51% of all children under five years old were moderately or severely malnourished. Public health care expenditures were estimated at 4.1% of GDP.

The HIV/AIDS prevalence was 4.40 per 100 adults in 2003. As of 2004, there were approximately 1,500,000 people living with HIV/AIDS in the country. There were an estimated 1,200 deaths

from AIDS in 2003. Ethiopia is one of several African countries in which female genital mutilation is performed. About 90% of all Ethiopian women undergo the ritual; no specific law in the country prohibits it.

#### 42 HOUSING

Except in Addis Ababa, Hārer, Dirē Dawa, and a few other urban centers, most houses are built of mud or mortar and have thatched or tin roofs. In the rural areas the traditional thatched hut (*tukul*) is still the most common dwelling. A 2005 Habitat for Humanity report indicated that about 85% of all houses are made with mud, sticks, and thatch. Only about 8% of all housing units are built with stone walls. Housing shortages and overcrowding were still major concerns as of 2005. Only about 27% of the population had access to safe drinking water and 10% had access to sanitation facilities. Homelessness is a big problem in urban areas; it has been estimated that 80% of the residents in Addis Ababa are homeless or in substandard housing. The housing deficit for urban areas alone has been estimated at over 699,000 units, about 42% of the total housing stock in the nation.

Housing development and finance are the joint responsibility of the Ministry of Housing and Urban Development and the Housing and Savings Bank, which was established in November 1975. The government has developed the Ethiopian Housing Cooperative to encourage Ethiopia emigrants to return and build homes.

#### 43 EDUCATION

After the 1974 revolution, emphasis was placed on increasing literacy in rural areas. Practical subjects were stressed, as was the teaching of socialism. Public education is compulsory and free at the primary level, which covers eight years of study. The first cycle of secondary studies covers an additional two years. After this, students may choose another two years of preparatory studies or three-year technical or vocational studies. The academic year runs from September to July.

Primary school enrollment in 2003 was estimated at about 47% of age-eligible students; 52% for boys and 42% for girls. The same year, secondary school enrollment was about 17% of age-eligible students; 21% for boys and 12% for girls. It is estimated that about 39% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 67:1 in 2003; the ratio for secondary school was about 48:1.

Addis Ababa University (formerly Haile Selassie I University) has extension centers in Alemaya, Gonder, Awasa, Bahir-Dar, and Debre Zeyit. The University of Asmara is a Roman Catholic institution. In 2003, about 2% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 41.5%, with 49.2% for men and 33.8% for women.

As of 2003, public expenditure on education was estimated at 4.6% of GDP, or 13.8% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The Addis Ababa University Library contains 550,000 volumes. The National Library, established in 1944, holds 164,000 volumes. The Alemaya University of Agriculture in Dirē Dawa holds 47,000 volumes. The first children's library in Ethiopia opened in 2003 in Addis Ababa. Addis Ababa is also the site of the Ethiopia Public Information Center, a depository library of the World Bank.

Addis Ababa is home to the National Museum, which houses a general collection of regional archaeology, history, and art; the Ethnographic Museum at the Institute of Ethiopian Studies, which includes collections of religious art, musical instruments, and ancient coins; the archaeological museum; the Natural History Museum; the Museum at the Holy Trinity Church; and the War Museum. There are regional museums in Harar, Makale, Wollamo Sodo, and Yirgalem. Many provincial monasteries and churches, as well as municipal authorities, maintain collections of documents, art, and antiquities.

#### 45 MEDIA

All telephone and telegraph facilities are owned by the government and operated by the National Board of Telecommunications. The principal population centers are connected with Addis Ababa by telephone and radio circuits, and there is an earth-satellite station. In 2003, there were an estimated 6 mainline telephones for every 1,000 people; about 146,100 people were on a waiting list for telephone service installation. The same year, there was approximately 1 mobile phone in use for every 1,000 people.

Radio and television stations are run by the government. The Voice of Ethiopia radio service broadcasts mostly on AM in Amharic, but also in English, French, Arabic, and local languages. Ethiopian Television broadcasts about four hours daily. In 2001 there were eight radio stations and one television station. In 2003, there were an estimated 189 radios and 6 television sets for every 1,000 people. The same year, there were 2.2 personal computers for every 1,000 people and 1 of every 1,000 people had access to the Internet. There was one secure Internet server in the country in 2004.

The two major daily newspapers (with estimated 2002 circulations) are *Addis Zeman* (40,000; Amharic) and the *Ethiopian Herald* (37,000; English), both published by the government at Addis Ababa. There are also several weeklies published by the government. There were about 28 private Amharic-language weeklies and 1 independent Tigrinya-language weekly. Most independently owned newspapers are printed at government-owned presses.

All newspapers are strictly censored by the Ministry of Information and National Guidance. A 1992 Press Law, along with the constitution of Ethiopia, provide for free speech and a free press. The government is reported to use legal mechanisms to repress press rights in practice.

#### 46 ORGANIZATIONS

Since the 1974 revolution, peasants' and urban dwellers' associations, encouraged by the government, have been the chief voluntary societies. Ethiopia has a national chamber of commerce as

well as regional and local ones. Trade unions are encouraged and supported through the Confederation of Ethiopian Trade Unions. The African Economic Community has an office in Addis Ababa.

The Institute of Ethiopian Studies promotes interest and research in the nation's history and culture. The Association for Higher Education and Development is a multinational organization formed in 1999 to promote education in the country. The Ethiopian Medical Association promotes research and education on health issues and works to establish common policies and standards in health-care. There are also several associations dedicated to research and education for specific fields of medicine and particular diseases and conditions, such as the Ethiopian Diabetes Association.

The Ethiopian Youth League is a primary organization promoting education and job training. The National Union of Eritrean Youth and Students serves as an umbrella organization that develops local youth groups interested in promoting traditional culture and values. The Ethiopian Scouts Association is also active. There are several sports associations throughout the country. Branches of the YMCA/YWCA are also active. The African Center for Women is a multinational organization encouraging women's participation in development programs and providing various educational and training programs.

There are national chapters of the Red Cross Society, the Society of St. Vincent de Paul, UNICEF, and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

All visitors are required to have a valid passport and visa. Exit visas are required for visitors who stay more than 30 days. The chief tourist attractions are big-game hunting, early Christian monuments and monasteries, and the ancient capitals of Gonder and Aksum. There are seven national parks. In 2003, about 180,000 foreign visitors arrived in Ethiopia, a 15% increase from 2002. There were 3,497 hotel rooms with 5,419 beds and an occupancy rate of 60%. Tourism receipts totaled \$336 million. The average length of stay in Ethiopia was three nights.

In 2005, the US Department of State estimated the daily cost of staying in Addis Ababa at \$216.

#### 48 FAMOUS ETHIOPIANS

The most famous Ethiopian in national legend is Menelik I, the son of the Queen of Sheba and King Solomon, regarded as the founder of the Aksumite Empire. This tradition is contained in the *Kebra Negast*, or *Book of the Glory of Kings*. The most famous Christian saint of Ethiopia is Frumentius of Tyre (b. Phoenicia, d. 380?), the founder of the Ethiopian Church. The 15th-century composer Yared established the Deggua, or liturgical music, of the Ethiopian Church. A 13th-century monarch, Lalibela, is renowned for the construction of the great monolithic churches of Lasta (now called Lalibela). Emperor Amda-Seyon I (r. 1313–44) reestablished suzerainty over the Muslim kingdoms of the coastal lowland regions. During the reign of King Zar' a-Yāqob (1434–68), a ruler renowned for his excellent administration and deep religious faith, Ethiopian literature attained its greatest heights. Emperor Menelik II (1844–1913) is considered the founder of modern Ethiopia. Emperor Haile Selassie I (1891–1975) was not-

ed for his statesmanship and his introduction of many political, economic, and social reforms. Lt. Col. Mengistu Haile Mariam (b.1937) led the 1974 coup and was head of state from 1977 to 1991. Legesse ("Meles") Zenawi (b.1955) became prime minister in 1995.

#### **49 DEPENDENCIES**

Ethiopia has no territories or colonies.

#### **50 BIBLIOGRAPHY**

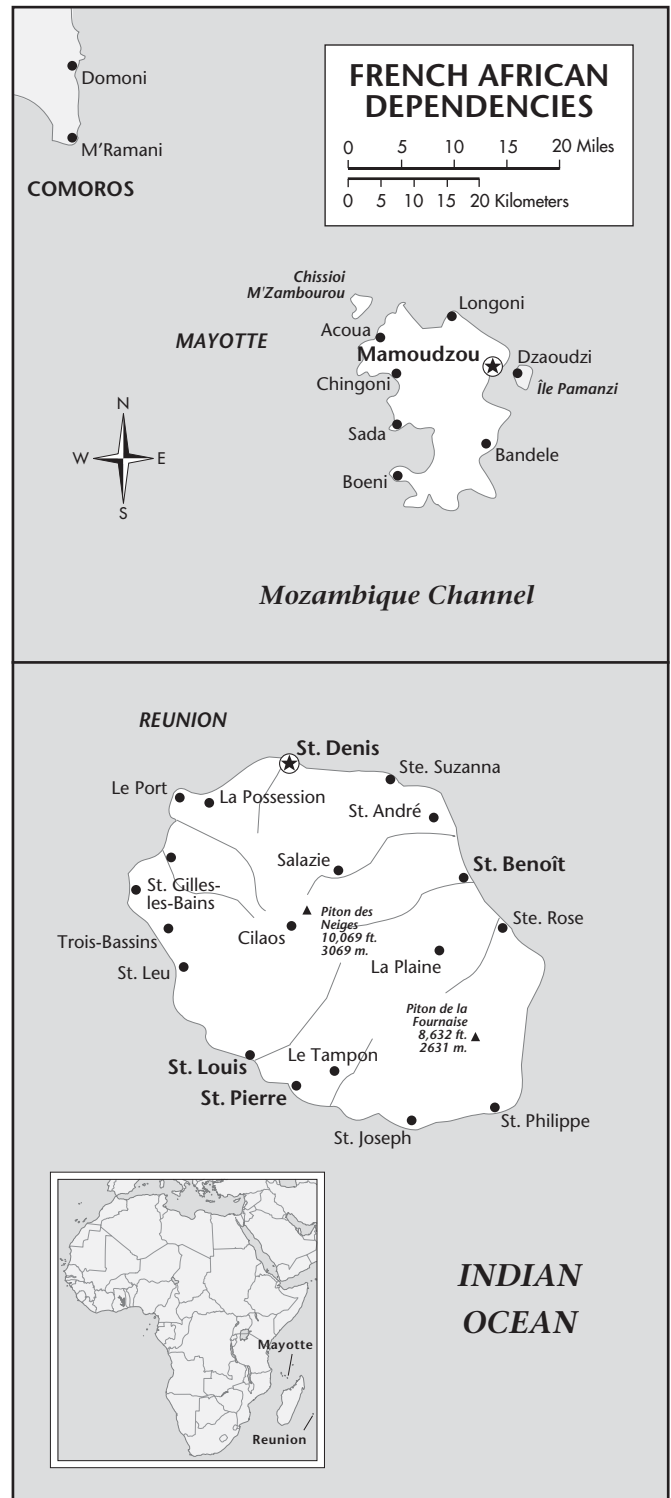
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# FRENCH AFRICAN DEPENDENCIES

## MAYOTTE

Mayotte, the southernmost of four main islands in the Comoros Archipelago, with an area of 374 sq km (144 sq mi), lies in the Mozambique Channel about 480 km (300 mi) NW of Madagascar, at 12°49' S and 45°17' E. Mayotte is surrounded by a coral reef, which encloses the islets of M'Zambourou (Grand Terre) and Pamanzi. Beyond the island's coastal plain, a plateau reaches heights of 660 m (2,165 ft). The average daily high is 32° C (90° F); the average low is 17° C (63° F). Average annual precipitation is about 124 cm (49 in). The population was estimated at 193,633 in mid-2005; about 97% of the population was Muslim. Vanilla, ylang-ylang (perfume essence), coffee, and copra are among the leading agricultural products. Mayotte has a newly-created lobster and shrimp industry.

The island of Mayotte was originally ceded to France by its Malagasy ruler in 1843. Together with the other Comoro Islands, which became French colonies in 1912, it was attached to the French overseas territory of Madagascar until 1946, when the islands were given separate status within the French Republic. Mayotte is the only island in the Comoro chain that, by popular vote, chose to retain its link with France instead of joining an independent Comoro Islands state. This choice, indicated in the referendum of 22 December 1974, was confirmed in a separate referendum for Mayotte, conducted on 8 February 1976, when 99.4% favored remaining within France. The French vetoed a UN Security Council resolution of 7 February 1976 declaring the referendum "aggression" against the sovereignty and territorial integrity of the Comoros, which continues to claim the island. On 11 April, in a further referendum, 97.5% of those casting valid ballots (80% of the ballots were blank or declared invalid) voted for abandonment of the status of overseas territory; the vote was interpreted as indicating that Mayotte wished to become a French overseas department. The UN General Assembly called for incorporation of Mayotte within the Comoros on 21 October. Special status as a French "territorial collectivity," allowing for Mayotte eventually to become either an overseas department or independent, was conferred by the French government on 1 December 1976 and, as of 2006, was still in effect. France maintains a naval base at Dzaoudzi. Elections were held in March 2004, with the next scheduled for 2007. The Mahoran Popular Movement (Mouvement Populaire Mahorais—MPM) favors French departmental status. Mayotte is represented by one deputy in the French national assembly; in the elections held 16 June 2002, the deputy represented the UMP-RPR party. Mayotte also elects one member to the French senate; the elections are held every six years, with the next scheduled for September 2007.





## RÉUNION

Réunion, about 675 km (420 mi) E of Madagascar in the Indian Ocean, is the largest island in the Mascarene Archipelago. Réunion lies between 20°52' and 21°22' S and between 55°13' and 55°50' E, is 55 km (34 mi) long and 53 km (33 mi) wide, and has a coastline of 207 km (129 mi). It has an area of 2,510 sq km (969 sq mi).

Volcanic in origin, Réunion is mountainous, with 10 peaks—one of them, Piton de la Fournaise, still an active volcano—rising above 2,600 m (8,500 ft). The highest, Piton des Neiges, has an altitude of 3,069 m (10,066 ft). Rosewood, ebony, ironwood, and other tropical hardwoods are represented in the forests near the coast. Torrential rivers are numerous. The mean annual temperature is 23° C (73° F) at sea level, but the climate, generally tropical, varies with orientation and altitude. The east coast receives almost daily precipitation, totaling some 350 cm (140 in) annually, but on the north coast, annual rainfall is only about half that. Cyclones, which threaten from December to April, have devastated Réunion several times. The tropical cyclone monitoring center at Saint-Denis serves the entire Indian Ocean area. Sea fauna is rich and varied.

The population was estimated to be 776,948 in mid-2005. One-fourth of the islanders are of French origin, including those in the military; Réunion is the headquarters for French military forces in the Indian Ocean area. The vast majority of the population is Roman Catholic, with the remainder practicing Hinduism, Islam, or Buddhism.

There are about 2,724 km (1,703 mi) of roads, about 1,300 km (810 mi) of which were paved as of 2002. Only the sugar plantations have functioning rail service. Pointe des Galets is the chief port, Saint-Pierre the main fishing port. Air France maintains a service from Gillot-Sud Airfield, near Saint-Denis, to Madagascar, and there are regular steamer services.

Réunion had 300,000 main telephone lines and 489,800 mobile cellular telephones in service in 2002. As of 2001, there were 35 television stations, 2 AM, and 55 FM radio stations. There were 150,000 Internet users as of 2002. The newspapers *Journal de l'Île de la Réunion*, *Quotidien de la Réunion*, and *Témoignages* are published daily.

At the time of its discovery on 9 February 1513 by the Portuguese explorer Pedro de Mascarenhas, Réunion was uninhabited. A few French colonists came in the 16th century to Bourbon Island, as it was then known. It was settled by the French as a penal colony in the early 17th century, and in 1665, it became an outpost of the French East India Company. Coffee and, after 1800, sugarcane, helped make the colony relatively prosperous. French immigration continued from the 17th to the 19th century, supplemented by influxes of Negroes, Malays, Indochinese, Chinese, and

Malabar Indians. The island received its present name in 1793. With the mid-19th century came a decline in Réunion's prosperity: slavery was abolished in 1848, and the opening of the Suez Canal in 1869 cost the island its importance as a stopover on the East Indies route.

An overseas department of France since 1946, and elevated to regional status in 1973, Réunion is represented in the French parliament by five deputies and three senators. Local administration is patterned on that of metropolitan France. There are a regional council of 45 elected members and a general council of 49. Elections were held in 2004; the next elections were scheduled for 2010.

The GDP was estimated at us\$4.802 billion in 2005, or us\$6,200 per capita. Sugarcane, vanilla, tobacco, tropical fruit, vegetables, and corn are the primary agricultural products. Sugarcane is an important crop, accounting for up to 85% of exports. In addition to sugar, rum and molasses, perfume essences, and lobster are among the exports. Manufactured goods, food, beverages, tobacco, machinery and transportation equipment, raw materials, and petroleum products are the main imports.

The monetary unit is the euro. Approximately three-quarters of exports and two-thirds of imports are traded with France. Exports totaled \$214 million in 1997; imports totaled \$2.5 billion (the last figures available).

The infant mortality rate was 7.78 deaths per 1,000 live births in 2005, up from 6.9 per 1,000 live births in 1999, but still an improvement over the rate 13 per 1,000 live births in the mid-1980s. The Université de la Réunion is in Saint-Denis.

In 1968, certain islands that had previously been administered from Madagascar, and later by the French Southern and Antarctic Territories, were placed under the direct administration of the commissioner residing in Saint-Denis. Europa Island (22°21' S and 40°21' E), in the Mozambique Channel about 340 km (210 mi) west of Madagascar, is heavily wooded and has a meteorological station and airstrip. Bassas da India (21°27' S and 39°45' E), in the Mozambique Channel, is a volcanic rock 2.4 m (8 ft) high, surrounded by reefs, which disappears under the waves at high tide. Juan de Nova (also known as Saint-Christophe, at 17°3' S and 42°43' E), also in the Mozambique Channel, about 145 km (90 mi) west of Madagascar, is exploited for its guano and other fertilizers. The Glorioso Islands (Îles Glorieuses), in the Indian Ocean 213 km (132 mi) northwest of Madagascar, at about 11°34' S and 47°17' E, consist of Grande Glorieuse, the Île du Lyse, and three tiny islets—the Roches Vertes; principal products are coconuts, corn, turtles, and guano. Tromelin Island (15°53' S and 54°31' E) has an important meteorological station.



# GABON

Gabonese Republic  
*République Gabonaise*



**CAPITAL:** Libreville

**FLAG:** The flag is a tricolor of green, golden yellow, and royal blue horizontal stripes.

**ANTHEM:** *La Concorde (Harmony)*.

**MONETARY UNIT:** The Communauté Financière Africaine franc (CFA Fr), which was originally pegged to the French franc, has been pegged to the euro since January 1999 with a rate of 655.957 CFA francs to 1 euro. The CFA franc is issued in coins of 1, 2, 5, 10, 25, 50, 100, and 500 CFA francs, and notes of 50, 100, 500, 1,000, 5,000, and 10,000 CFA francs. CFA Fr1 = \$0.00192 (or \$1 = CFA Fr521.74) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Day of Renewal, 12 March; Labor Day, 1 May; Africa Freedom Day, 25 May; Assumption, 15 August; Independence Day, 17 August; All Saints' Day, 1 November; Christmas, 25 December. Movable religious holidays include Easter Monday, Ascension, Pentecost Monday, 'Id al-Fitr, and 'Id al-'Adha'.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated on the west coast of Africa and straddling the equator, Gabon has an area of 267,667 sq km (103,347 sq mi), extending 717 km (446 mi) NNE–SSW and 644 km (400 mi) ESE–WNW. Comparatively, the area occupied by Gabon is slightly smaller than the state of Colorado. It is bordered on the N by Cameroon, on the E and S by the Republic of the Congo (ROC), on the W by the Atlantic Ocean, and on the NW by Equatorial Guinea, with a total boundary length of 3,436 km (2,135 mi), of which 885 km (550 mi) is coastline.

Gabon's capital city, Libreville, is located on the country's northwestern coast.

## <sup>2</sup>TOPOGRAPHY

Rising from the coastal lowlands, which range in width from 30–200 km (20–125 mi), is a band more than 96 km (60 mi) wide forming a rocky escarpment, which ranges in height from 450–600 m (1,480–1,970 ft). This plateau covers the north and east and most of the south. Rivers descending from the interior have carved deep channels in the face of the escarpment, dividing it into distinct blocks, such as the Crystal Mountains (Monts de Cristal) and the Chaillu Massif. There are mountains in various parts of Gabon, the highest peak being Mt. Iboundji (1,575 m/5,167 ft). The northern coastline is deeply indented with bays, estuaries, and deltas as far south as the mouth of the Ogooué River, forming excellent natural shelters. Farther south, the coast becomes more precipitous, but there are also coastal areas bordered by lagoons and mangrove swamps. Virtually the entire territory is contained in the basin of the Ogooué River, which is about 1,100 km (690 mi) long and navigable for about 400 km (250 mi). Its two major

tributaries are the Ivindo and the Ngounié, which are navigable for 80–160 km (50–100 mi) into the interior.

## <sup>3</sup>CLIMATE

Gabon has the moist, hot climate typical of tropical regions. The hottest month is January, with an average high at Libreville of 31°C (88°F) and an average low of 23°C (73°F). Average July temperatures in the capital range between 20° and 28°C (68° and 82°F). From June to September there is virtually no rain but high humidity; there is occasional rain in December and January. During the remaining months, rainfall is heavy. The excessive rainfall is caused by the condensation of moist air resulting from the meeting, directly off the coast, of the cold Benguela Current from the south and the warm Guinea Current from the north. At Libreville, the average annual rainfall is more than 254 cm (100 in). Farther north on the coast, it is 381 cm (150 in).

## <sup>4</sup>FLORA AND FAUNA

Plant growth is rapid and dense. About 85% of the country is covered by heavy rain forest. The dense green of the vegetation never changes, since the more than 6,000 species of plants flower and lose their leaves continuously throughout the year according to species. Tree growth is especially rapid; in the more sparsely forested areas, the trees tower as high as 60 m (200 ft), and the trunks are thickly entwined with vines. There are about 300 species of trees. In the coastal regions, marine plants abound, and wide expanses are covered with tall papyrus grass.

Most tropical fauna species are found in Gabon. Wildlife includes elephants, buffalo, antelope, situngas, lions, panthers, crocodiles, and gorillas. As of 2002, there were at least 190 species of mammals and 156 species of birds throughout the country.

## 5 ENVIRONMENT

Gabon's environmental problems include deforestation, pollution, and wildlife preservation. The forests that cover 84% of the country are threatened by excessive logging activities. Gabon's coastal forests have been depleted, but there is a reforestation program, and most of the interior remains under dense forest cover. There are two national parks and four wildlife reserves in which hunting is banned. In 2003, only about 0.7% of Gabon's total land area was protected, including three Ramsar wetland sites.

Pollution of the land is a problem in Gabon's growing urban centers due to industrial and domestic contaminants. The nation's water is affected by pollutants from the oil industry. Gabon has 164 cu km of renewable water resources. About 47% of the country's rural dwellers and 95% of its urban population have pure drinking water. As a result of population expansion accompanied by an increased demand for meat, poaching has become a significant threat to the nation's wildlife.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 11 types of mammals, 5 species of birds, 1 type of reptile, 2 species of amphibians, 12 species of fish, 1 species of invertebrates, and 107 species of plants. Threatened species included Shelley's eagle owl, the thresher shark, the sun-tailed monkey, the clawless otter, and the black crowned crane. Gabon had the world's largest gorilla population.

## 6 POPULATION

The population of Gabon in 2005 was estimated by the United Nations (UN) at 1,384,000, which placed it at number 146 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 40% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.1%. The projected population for the year 2025 was 1,809,000. The population density was 5 per sq km (13 per sq mi). Most of the people live on the coast or are concentrated along rivers and roads; large areas of the interior are sparsely inhabited.

The UN estimated that 81% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.42%. The capital city, Libreville, had a population of 611,000 in that year. Another major population center is Port-Gentil, with about 164,000 inhabitants.

## 7 MIGRATION

Because of its limited population and booming economy, Gabon has relied heavily on laborers from other African nations, including Benin, Cameroon, Equatorial Guinea, Mali, São Tomé and Príncipe, and Senegal. About 100,000–200,000 non-Gabonese Africans were believed to be in Gabon, many of them from Equatorial Guinea or Cameroon. Foreigners made up at least 20% of the population in Gabon. However, in September 1994 Gabon enacted laws requiring foreigners to pay residence fees or leave the country. By the deadline in February 1995 some 55,000 foreign nationals left the country, and 15,000 legalized their residency.

In addition to some 1,500 urban refugees, Gabon has received two waves of refugees from the Republic of Congo. The first group,

mainly government officials, arrived in 1997 following the departure of President Lissouba; the second group, comprised of several thousand refugees, arrived in 1999 as a result of continued fighting in the Congo.

In 2000 remittances to Gabon from citizens working abroad totaled \$2 million or about \$2 per capita. In 2004, migrants numbered 18,626, including 13,787 refugees, and 4,839 asylum seekers. In 2005, the net migration rate was estimated as zero per 1,000 population, down from 7.9 per 1,000 in 1990.

## 8 ETHNIC GROUPS

There are at least 40 distinct tribal groups in Gabon. The Pygmies are said to be the original inhabitants. Only about 3,000 of them remain, scattered in small groups in the heart of the forest. The largest tribal group, the Fang (about 30% of the population), came from the north in the 18th century and settled in northern Gabon. In the Woleu-Ntem part of Gabon, their direct descendants may be found almost unmixed with other Bantu ethnic strains. The Nzebi, Obamba, Eshira, Bapounou, and Batéké are other major groups. Smaller groups include the Omyènè, a linguistic group that includes the Mpongwe, Galoa, Nkomi, Orungu, and Eneenga; these peoples live along the lower Ogooué, from Lambaréné to Port-Gentil. The Kota, or Bakota, are located mainly in the northeast, but several tribes have spread southward; they are well-known for their carved wooden figures. Other groups include Vili and the Séké. These other African groups and Europeans number about 154,000, including about 6,000 French and 11,000 persons of dual nationality.

## 9 LANGUAGES

French is the official language of the republic. The Fang language is spoken in northern Gabon, and other Bantu languages (Myene, Batéké, Bapounou/Eschira, Bandjabi) are spoken elsewhere in the country.

## 10 RELIGIONS

About 73% of the total population are Christian, with a majority of the people being Roman Catholic. About 12% are Muslim; with a majority of these being foreigners. About 10% practice traditional indigenous religions exclusively, but it is believed that a large number of Christians and Muslims also incorporate some elements of traditional religions within their practice. About 5% of the population are atheists or claim no religious affiliation.

The constitution provides for freedom of religion and this right is generally respected in practice. While religious organizations are not required to register with the government, many do so in order to be assured of full protection of their constitutional rights. The government has banned the registration of Jehovah's Witnesses since 1970, but the government has allowed the group to assemble and practice their faith. Certain Christian and Muslim holidays are celebrated as national holidays.

## 11 TRANSPORTATION

Until the 1970s, Gabon had no railroads. A 936-km (582-mi) railroad construction program, the Trans-Gabon Railway, began in October 1974. In its first stage, completed in 1983, the project linked the port of Owendo with the interior city of Booué (332 km/206 mi). The second stage, completed in December 1986,

linked Booué with Franceville (357 km/222 mi) via Moanda, thus facilitating exports of manganese from the southeast and forestry exploitation in the same region. A proposed third stage would continue the line from Booué to Belinga in the northeast, where there are iron ore deposits. As of 2004, Gabon State Railways totaled 814 km (506 mi) of standard-gauge track.

Main roads connect virtually all major communities, but maintenance work is difficult because of heavy rainfall. In 2002, the road network comprised 8,454 km (5,253 mi), of which 838 km (521 mi) were paved, including 30 km (19 mi) of expressways. A north-south road runs the length of the country, from Bitam to Ndendé. This main north-south link continues into Cameroon in the north and the Congo in the south. An east-west road connects Libreville and Mékambo. Farther south, another road runs from Mayumba to Lastoursville and Franceville. In 1995 there were about 23,000 automobiles and 10,000 commercial vehicles in use.

The busiest ports are Port-Gentil, the center for exports of petroleum products and imports of mining equipment, and Owendo, a new port that opened in 1974 on the Ogooué estuary, 10 km (6 mi) north of Libreville. Owendo's capacity, initially 300,000 tons, reached 1.5 million tons in 1979, when the port was enlarged to include timber-handling facilities. The smaller port at Mayumba also handles timber, and a deepwater port is planned for the city. In 1998, Gabon's merchant marine owned two vessels totaling 13,613 GRT. As of 2002, there was no merchant marine. As of 2003, Gabon had 1,600 km (994 mi) of perennially navigable waterways, including 310 km (193 mi) on the Ogooué River.

Gabon had an estimated 56 airports in 2004, but only 11 of which had paved runways as of 2005. There are three international airports: Libreville (Leon M'Ba), Port-Gentil, and Franceville. Air Gabon is the national airline, serving European, West and Central African, and domestic destinations. Numerous other airlines also provide international flights. Air Affaires Gabon handles scheduled domestic service. In 2003, about 386,000 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Bantu peoples began to migrate to what is now Gabon from Cameroon and eastern Nigeria at least 2,000 years ago. The Portuguese, who had sighted the coast as early as 1470, gave Gabon its name because the shape of the Río de Como estuary reminded them of a "gabao," a Portuguese hooded cloak. They also founded permanent outposts, notably at the mouth of the Ogooué River, and their missionaries followed shortly. After the Portuguese, the region was visited by the English, Dutch, and French. During the 17th century, the great French trading companies entered the slave trade. French Jesuit missionaries were active along the coast during this period, and their influence eventually extended to the powerful native kingdoms inland.

The abolition of the slave trade by France in 1815 ruined many merchants; but it did not end French interest in the Gabon coast. French vessels were entrusted to prevent the illegal slave trade; the search for new products for trade also led to French occupation of the coastal ports. In 1839, the French concluded a treaty with Denis, the African king whose authority had extended over the northern Gabon coast. The treaty ceded the kingdom to France in return for French protection. A similar treaty gave France much of the southern coast below the Ogooué, and gradually other coast-



LOCATION: 2°19' N to 3°55' S; 9°18' to 14°32' E. BOUNDARY LENGTHS: Cameroon, 302 kilometers (188 miles); Republic of the Congo, 1,656 kilometers (1,029 miles); Atlantic coastline, 739 kilometers (459 miles); Equatorial Guinea, 386 kilometers (240 miles). TERRITORIAL SEA LIMIT: 12 miles.

al chiefs accepted French control. The present capital, Libreville ("place of freedom"), was founded in 1849 by slaves who had been freed from a contraband slave runner.

French explorers gradually penetrated the interior after 1847. During 1855–59, Paul du Chaillu went up the Ogooué River, where he became the first European to see a live gorilla. He was followed by the Marquis de Compiègne, Alfred Marche, and other explorers, who mapped out its tributaries. Pierre Savorgnan de Brazza explored almost the entire course of the river during 1876–78. In 1880, he founded Franceville. In 1885, the Congress of Berlin recognized French rights over the right bank of the Congo, an area

that Brazza had explored extensively. In 1890, Gabon formally became a part of French Congo. It was separated into a district administrative region in 1903 and in 1910 was organized as a separate colony, part of French Equatorial Africa. In 1940, Free French forces ousted the Vichy government from Gabon.

Léon Mba and Jean-Hilaire Aubame had led the early independence movement in Gabon, but each had distinct political inclinations. Mba led the Gabon Democratic Bloc; Aubame led the Gabonese branch of the Party of African Reunion. The latter actively sought the formation of federal, supranational groupings in Africa, whereas the former was strongly opposed to such associations. Underlying the attitude of Mba was the belief that Gabon, with the greatest economic potential in the region, would end up supporting its poorer neighbors in any federal system.

In a referendum on 28 September 1958, the territory of Gabon voted to become an autonomous republic within the French Community. On 19 February 1959, a constitution was adopted, and a provisional government headed by Mba became the first official government of Gabon. Independence was formally proclaimed on 17 August 1960.

On 12 February 1961, Mba was elected president of the republic, heading a government of national unity in which Aubame served as foreign minister. Friction continued between Mba and Aubame, however, and after several years of political maneuvering, Aubame led a successful coup d'état on 18 February 1964. Mba was reinstated on the very next day through French military intervention, as provided for by a treaty signed between the Mba government and the French in 1960.

Mba created the post of vice president in February 1967, and at his death on 28 November of that year, power was transferred peacefully to his vice president, Albert-Bernard Bongo. On 12 March 1968, Bongo announced the formal institution of a one-party system and the creation of the Gabon Democratic Party (PDG) as the country's sole legal political organization. He was reelected without opposition in 1973, 1979, and 1986. (It was announced in 1973 that Bongo had taken the name of Omar and converted to Islam.)

During the 1970s and early to mid-1980s, the exploitation of Gabon's huge natural resources progressed rapidly, and in 1975, the country became a full member of OPEC. In 1986, depressed oil prices caused a sharp decline in oil earnings, resulting in severe austerity measures in 1986 and 1987.

These austerities in the face of Bongo's ostentations led to internal pressures for reform in the late 1980s. In 1989, Bongo began talks with some elements of the underground Movement for National Recovery (MORENA). This divided MORENA, but it failed to stem the emergence of new movements calling for the establishment of multiparty democracy.

In March–April 1990, Gabon convened a national political conference to discuss changes to the political system. The PDG and 74 other organizations that attended essentially divided into two loose coalitions, the ruling PDG and its allies on one hand; and the United Front of Opposition Associations and Parties on the other. The conference approved sweeping reforms, including the creation of a national senate, decentralization of the budgetary process, and freedom of assembly and of the press. However, the killing of an opposition leader on 23 May 1990 led to riots in

Port-Gentil and Libreville, which required France to send troops to protect its expatriates and corporate property.

Multiparty legislative elections were held in September–October 1990, but they were marred by violence and suspected fraud. Opposition parties had not yet been formally declared legal. In January 1991, the Assembly passed by unanimous vote a law legalizing opposition parties. Throughout 1991 and 1992, there was endemic unrest, government clamp-downs, and economic disruption. Still, the PDG reaffirmed its commitment to multiparty democracy. On 5 December 1993, multiparty presidential elections confirmed Bongo, who ran as an independent against Father Paul Mba Abessole, as president with 51% of the vote. Opposition parties protested the result and forced a postponement of the 26 December 1993 legislative elections. International observers complained of widespread procedural irregularities but found no evidence of deliberate fraud. Independent observers, however, reported that a governmental policy of limitations on freedoms of speech, press, association and assembly, as well as the harassment of its critics.

Paul Mba Abessole, angry at the outcome, announced the formation of a rival government. Its core concerns included new presidential elections, the restoration of peace, and the maintenance of national unity. The rival administration was supported by a High Council of the Republic, later called the High Council of Resistance, composed mostly of defeated presidential candidates.

Bongo was harshly critical of the opposition government and appealed to its members to join his government in a show of unity. In January 1994, Gabon's Constitutional Court ruled that the elections had been fair. Civil unrest continued, however, as the country suffered from the devaluation of the CFA franc. Trade union demands for higher salaries led Bongo to impose a curfew, ostensibly to quell labor unrest but he also ordered security forces to destroy a radio transmitter operated by his political opponents and to attack a leading opposition figure's private house. The labor unrest lasted less than a week, but resulted in between 9 and 68 deaths, depending on whose figures are to be believed.

Negotiations on the creation of a unified government were held throughout 1994 to little effect. In September, the Organization for African Unity sponsored multilateral talks in Paris, which finally resulted in a tentative power-sharing agreement among Bongo's PDG and the main opposition parties. Legislative elections, which had been postponed in December 1993, were rescheduled for 1995 and Bongo agreed to bring opposition party members into a new government. The agreement essentially fell apart, however, when Bongo gave only 6 of 27 ministries to opposition members. At least two opposition members refused to participate in the government. By mid-1995, Bongo formed a functioning government with a modicum of opposition representation.

In July 1996, the Gabonese overwhelmingly approved a new constitution, calling for, among other things, a 91-member Senate. Legislative elections were held in December of that year, fully three years after they were scheduled. The PDG won a substantial majority (85 of 120 seats). When elections for the Senate were held in January and February 1997, the PDG again emerged as the dominant party, winning 54 of the 91 seats.

Opposition parties declared Paul Mba Abessole, head of the National Rally of Woodcutters (RNB), the real winner and they attempted to set up a rival government. In 1998 Omar Bongo was

reelected president for a seven-year term with 66.6% of the votes. Pierre Mamboundou of UPG took a distant second with 16.5%, while Paul Mba Abessole (RNB) came third with 13.4%.

In 2002 Bongo announced his decision to set aside 10% of the country to protect its ecosystems as part of the Congo Basin Initiative. He also closed three newspapers after they reported allegations of corruption in his government. His appointment in January 2003 of Paul Mba Abessole to the post of third deputy prime minister suggested a clever move to co-opt the opposition. In November 2005, Bongo was reelected for a third seven-year term, thus reinforcing his status as the last of Africa's "Big Men." Facing a divided opposition, Bongo won 79.2% of the votes cast. The runner-up, Pierre Mamboundou won 13.6% while Zacharie Myboto polled only 6.6%. The next presidential election was scheduled for 2012.

### 13 GOVERNMENT

Gabon is a parliamentary democracy with a presidential form of government. Elected for a seven-year term by direct universal suffrage, the president, who is chief of state, appoints the prime minister, who in consultation with the president, selects and may dismiss members of the Council of Ministers. In 1967, the constitution was modified to provide for the election of a vice president, but in 1975, the office was abolished and replaced by that of a prime minister. In 1983, the constitution was amended officially to declare Gabon a one-party state. However, opposition parties were legalized in 1991.

The bicameral legislature consists of the Senate comprising 91 members who are elected by members of municipal councils and departmental assemblies. The National Assembly or *Assemblée Nationale* has 120 members who are elected by direct, popular vote to serve five-year terms. Legislation may be initiated by the president or by members of the assembly. The president may dissolve the assembly and call for new elections within 40 days and may also prorogue the body for up to 18 months. Legislation is subject to presidential veto and must then be passed by a two-thirds vote to become law. The voting age is 18.

### 14 POLITICAL PARTIES

When Gabon became independent in 1960, there were two major political parties. The Gabon Democratic Bloc (*Bloc Démocratique Gabonais—BDG*), led by Léon Mba, was an offshoot of the African Democratic Rally (*Rassemblement Démocratique Africain*), created by Félix Houphouët-Boigny of Côte d'Ivoire. The Gabon Democratic and Social Union (*Union Démocratique et Sociale Gabonaise—UDSG*), led by Jean-Hilaire Aubame, was affiliated with the Party of African Reunion (*Parti de Regroupement Africain*), an international movement created by Léopold-Sédar Senghor of Senegal. In the first elections after independence, neither party won a majority in the Assembly, and in the elections held in 1961, the leaders of the two parties agreed upon a single list of candidates; this joint list polled 99% of the votes. Mba became president and Aubame became minister of foreign affairs in a "government of national amity." This government lasted until February 1963, when the BDG element forced the UDSG members to choose between a merger of the parties and resignation from the government. The UDSG ministers all resigned, but Aubame was later appointed president of the newly created Supreme Court. He

resigned from this post in December 1963 and resumed his seat in the National Assembly.

In January 1964, Mba dissolved the Assembly and called for new elections on 23 February 1964. The UDSG was unable to present a list of candidates that would meet the electoral law, and when it seemed that the BDG list would be elected by default, the Gabonese military revolted and toppled the Mba government in a bloodless coup led by Aubame on 18 February 1964. French military forces intervened and reestablished the Mba government on 19 February. In the parliamentary elections held on 12 April 1964, the BDG list won 31 seats; the reorganized opposition gained 16 seats.

Another election was held in March 1967, in which Mba was reelected president and Albert-Bernard Bongo was elected vice president. Mba died on 28 November 1967, and Bongo became president on 2 December of that year. On 12 March 1968, the Democratic Party of Gabon (*Parti Démocratique Gabonais—PDG*), headed by Bongo, became the sole political party. On 25 February 1973, President Bongo was elected to his first full seven-year term. On 30 December 1979, Bongo was reelected with 99.85% of the more than 700,000 votes cast, a total that exceeded by far the number of registered voters. He was reelected again on 9 November 1986, reportedly receiving all but 260 of 904,039 votes cast. The single list of PDG National Assembly candidates was elected in February 1980, although independents were also allowed to run. In 1985, the list consisted of all PDG members, chosen by party activists from 268 nominated; only 35 incumbent deputies were retained. Thirteen women were elected. In 1983, three generals were elected to the central committee of the PDG, the first such admission of the military into high party ranks.

The Movement for National Reform (*Mouvement de Redressement National—MORENA*), an opposition group, emerged in 1981 and formed a government in exile in 1985. A number of persons were sentenced to long jail terms in 1982 for alleged participation in MORENA. All were released by mid-1986. In 1989, Bongo began talks with elements within MORENA, playing on division within their ranks. The resulting split ushered in the *Rassemblement National des Bûcherons*, *National Rally of Woodcutters* (RNB), and the MORENA-Original or Fundamental.

Emerging from the legalization of opposition party activity in March 1991 was the Association for Socialism in Gabon (APSG), the Gabonese Socialist Union (USG), the Circle for Renewal and Progress (CRP), and the Union for Democracy and Development (UDD).

Legislative elections were held in 1991, just prior to the legalization of political parties; the resulting National Assembly was constituted as follows: PDG, 64; Gabonese Party for Progress (PGP), 19; RNB, 17; MORENA-Originals, 7; Socialists, 9; others, 2. Presidential and legislative elections were scheduled for 1993, but only the presidential ballot was held, on 5 December. Protests over the fairness of the presidential election caused the government to postpone legislative elections.

Elections were delayed several times over the next three years, but were finally held on 15 and 29 December 1996, resulting in a National Assembly comprised as follows: PDG, 85; PGP, 10; RNB, 7; Circle of Liberal Reformers (CLR), 7; Socialists, 2. Elections for the newly created Senate were held on 19 January and 23 February 1997, resulting in a 91-seat chamber situated as follows:

PDG, 54; RNB, 19; PGP, 4; Republican and Democratic Alliance, 3; CLR, 1; Rally for Democratic Progress, 1; independents, 9; 2 seats undeclared.

National Assembly elections were held on 9 and 23 December 2001 with the resulting composition: PDG 86, RNB-RPG 8, PGP 3, ADERE 3, CLR 2, PUP 1, PSD 1, independents 13, others 3. Next Assembly elections were scheduled for 2006.

Elections into the Senate took place in January and February 2003. The results amounted to a repeat of the strength of parties after the 1997 poll. The PDG got 53 seats, RNB 20, PGP 4, ADERE 3, RDP 1, CLR 1, and Independents 9. Next elections were expected in January 2009.

## 15 LOCAL GOVERNMENT

Gabon is divided into nine provinces, administered by governors, which are subdivided into 37 prefectures, headed by prefects. There are eight separate sub-prefectures, governed by sub-prefects. These officers are directly responsible to the government at Libreville and are appointed by the president. In some areas, the traditional chiefs still retain power, but their position has grown less secure.

## 16 JUDICIAL SYSTEM

The civil court system consists of three tiers: the trial court, the appellate court, and the Supreme Court. The Supreme Court has three chambers: judicial, administrative, and accounts. The 1991 constitution, which established many basic freedoms and fundamental rights, also created a Constitutional Court, a body which considers only constitutional issues, and which has demonstrated a good degree of independence in decision-making. Some of its decisions on election freedoms were integrated into the electoral code of 1993, which formed the framework for the first multiparty presidential election held that year. In July 1995, the agreements to reform electoral procedures and to assure greater respect for human rights were approved by a national referendum.

The judiciary also consists of a military tribunal, which handles offenses under military law, a state security court (a civilian tribunal), and a special criminal court for cases of fraud and corruption involving government officials. There is no longer recognition of traditional or customary courts, although village chiefs continue to engage in informal dispute resolution.

The constitution provides for the right to a public trial and the right to counsel, but there is no right to a presumption of innocence. In addition, although the constitution ensures protection from arbitrary interference with privacy and correspondence, search warrants are easily obtained from judges, sometimes after the fact. A significant deterrent to political treason is the weak independence of the judiciary in state security trials where the influence of the executive may be of some import. The State Security Court is constituted by the government to consider state security matters; however, it had not met for years so its relevance is open to question.

## 17 ARMED FORCES

In 2005, Gabon maintained active armed forces numbering 4,700 personnel. The Army numbered 3,200 including the Presidential Guard. The Navy consisted of an estimated 500 sailors with two patrol/coastal vessels and two amphibious landing craft. The Air

Force had 1,000 personnel and 10 combat capable aircraft, including 6 fighter ground attack aircraft and 5 attack helicopters. Paramilitary forces consisted of a 2,000-member gendarmerie. France maintained 1,560 personnel in Gabon. The defense budget in 2005 totaled \$19.1 million.

## 18 INTERNATIONAL COOPERATION

Gabon was admitted to the United Nations on 20 September 1960 and has become a member of ECA and all the nonregional specialized agencies. Gabon is also a member of the African Development Bank, the ACP Group, G-24, G-77, the Central African States Development Bank (BDEAC), the African Union, the Organization of the Islamic Conference (OIC), the New Partnership for Africa's Development (NEPAD), and the WTO. Gabon is one of six members of the Monetary and Economic Community of Central Africa (CEMAC). Libreville is the headquarters for the 12-member African Timber Organization of timber exporters and for the Economic Community of Central African States. Gabon left OPEC in 1995. The nation is part of the Franc Zone. Gabon belongs to the Nonaligned Movement.

In environmental cooperation, Gabon is part of the Convention on Biological Diversity, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Gabon's per capita income is over four times that of most sub-Saharan African countries. Over 50% of Gabon's GDP comes from petroleum and mining production. The petroleum industry generates 80% of export earnings and more than 50% of government revenues. The manufacturing sector accounts for 60% of GDP overall and services account for 30%. Inefficient parastatal enterprises restrain private sector growth. Gabon received close to 22% of its total revenues from state-owned enterprises and government ownership of property in 2000. As of 2005, fewer than 10 state-owned enterprises had been completely privatized since 1997.

Gabon imports the majority of its food; it is densely forested and only a fraction of the arable land is cultivated. Yet, in 2005, 60% of its population gained their livelihood in the agricultural sector, where the staple food crops are cassava, plantains, and yams.

Gabon's cash crops are palm oil, cocoa, coffee, and sugar. Palm oil is the most important of the four. The coffee sector was hard hit in the 1980s by low world prices and lower producer prices; coffee prices strengthened again in the mid-1990s but sank again in the early 2000s. Gabon is self-sufficient in sugar, which it exports to the United States and other countries. Rubber production has been promoted in recent years.

Rich in resources, Gabon is a country that realized growth rates of 9.5% in the 1970s and early 1980s before succumbing to oil-price instability and international borrowing. In 1986 Gabon saw its GDP drop by half after a dramatic fall in the world price for oil. The economy suffered a second dramatic shock in 1994 when France suddenly devalued the CFA franc, causing its value to drop in half overnight. Immediately, prices for almost all imported goods soared as the inflation rate shot up to 35%. In the face of dramatically escalating prices, uncertainty and anger led petroleum workers to strike for a doubling of their wages. The

government reacted by imposing a national “state of alert.” Lootings and burnings were reported as government troops tried to silence opposition parties. High inflation was short-lived as the government’s tight monetary policy helped reduce inflation to 11% in 1995 and 1.5% in 2001. During the 2001–2005 time period inflation averaged 1.1% per year. Unfortunately, because there is little value-added to Gabon’s exports (oil and minerals), the devaluation has not helped Gabon’s economy, which continues to post growth rates of between 1–2%.

Content to remain dependent on oil and its other primary product exports, the government has not taken the steps necessary to diversify the economy. High labor costs, an unskilled workforce, and poor fiscal management continue to inhibit economic growth. In 2000, the government signed an agreement with the Paris Club to reschedule its official debt; however, because the country’s per capita income is higher than the eligibility levels set by the World Bank/IMF Heavily Indebted Poor Countries Initiative, it failed to qualify for debt relief under that program in 2003.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Gabon’s gross domestic product (GDP) was estimated at \$8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$5,800. The annual growth rate of GDP was estimated at 2.1%. The average inflation rate in 2005 was 1.5%. It was estimated that agriculture accounted for 6% of GDP, industry 58.8%, and services 35.1%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$4 million or about \$3 per capita and accounted for approximately 0.1% of GDP.

The World Bank reports that in 1990 household consumption in Gabon totaled \$2.96 billion or about \$2,202 per capita based on a GDP of \$6.1 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.2%. In 2001 it was estimated that approximately 40% of household consumption was spent on food, 9% on fuel, 3% on health care, and 7% on education.

## 21 LABOR

Gabon’s labor force numbered approximately 640,000 in 2005. Of these workers, 60% were engaged in agriculture, 25% were in the services sector, and the remaining 15% in industry. In 1997 (the latest year for which data was available) the unemployment rate was estimated at 21%.

In 1992, the former monopoly of the Gabonese Labor Confederation (COSYGA) was abolished and disassociated from the ruling Democratic Party of Gabon. COSYGA’s main union competitor is the Gabonese Confederation of Free Unions (CGSL). Since the 1990 National Conference, many small company-based unions have been started, resulting in sporadic and often disruptive strikes. Almost all private sector workers are union members. Workers have the right to strike provided that attempts at arbitra-

tion have failed and eight days notice of the intent to strike is given. The government observes the resolution of labor disputes and takes an active interest in labor-management relations. Unions in each sector of the economy negotiate with employers over pay scales, working conditions, and benefits.

As of 2002, the minimum wage was the equivalent of \$61 per month. This wage does not provide a decent living for a worker and family, although many Gabonese earn significantly more. The minimum working age is 16 and in the case of Gabonese children this law is rigorously enforced. However, there have been reports that the children of the many foreign workers in Gabon work at much younger ages. The Labor Code provides many protections for workers, including a 40-hour workweek with a minimum rest period of 48 uninterrupted hours.

## 22 AGRICULTURE

Since independence, the dominant position of the petroleum sector has greatly reduced the role of agriculture. Only 1.9% of the total land area is estimated to be under cultivation, and agriculture contributes only about 8% of the GDP on the average. In 2004, agricultural imports by Gabon accounted for nearly 19% of all imports. Gabon relies heavily on other African states and Europe for much of its food and other agricultural needs. Until World War II (1939–45), agriculture was confined primarily to subsistence farming and the cultivation of such crops as manioc, bananas, corn, rice, taro, and yams. Since independence there has been an intensive effort to diversify and increase agricultural production. Experimental stations and demonstration farms have been set up, and cooperatives have been established by consolidating rural communities. However, agriculture received low priority until the 1976–81 development plan, and laborers prefer to seek employment in urban areas. The development of agriculture and small business has been hindered by a lack of international competition. Another problem is lack of transportation to markets.

In 2004, Gabon produced about 230,000 tons of cassava, 155,000 tons of yams, 61,800 tons of other roots and tubers, 270,000 tons of plantains, 35,410 tons of vegetables, and 31,000 tons of corn. Sugarcane production was about 235,000 tons. Cocoa production in 2004 was 600 tons.

A state-owned 7,500 hectare (18,500 acre) palm oil plantation near Lambaréné began production in 1986. Palm oil production was 6,400 tons in 2004. A 4,300 hectare (10,600 acre) rubber project was being developed; rubber production in 2004 was 11,000 tons.

## 23 ANIMAL HUSBANDRY

Animal husbandry is limited by the presence of the tsetse fly, though tsetse-resistant cattle have recently been imported from Senegal to a cattle project. In 2005 there were an estimated 212,000 hogs, 195,000 sheep, 90,000 goats, 35,000 head of cattle, and 3.1 million chickens. In an effort to reduce Gabon’s reliance on meat imports, the government set aside 200,000 hectares (494,000 acres) in Gabon’s unpopulated Savannah region for three ranches at Ngounie, Nyanga, and Lekabi. Currently, however, frozen imports are the most important source of beef, costing four times less than locally produced beef. Poultry production satisfies



about one-half of Gabon's consumption demand. Typical annual production of poultry amounts to 3,600 tons.

## 24 FISHING

While there have been recent improvements in the fishing industry, it is still relatively undeveloped. Traditional fishing accounts for two-thirds of total catch. The waters off the Gabonese coast contain large quantities of fish. Gabonese waters are estimated to be able to support an annual catch of 15,000 tons of tuna and 12,000 tons of sardines. The fishing fleet was formerly based chiefly in Libreville. A new fishing port, however, was built at Port-Gentil in 1979. Port-Gentil is now the center of operations for the industrial fleet. Plans for a cannery, fish-meal factory, and refrigerated storage facilities are underway. The total catch in 2003 was 44,855 tons, 80% from the Atlantic. By international agreement and Gabonese law, an exclusive economic zone extends 200 mi off the coast, which prohibits any foreign fishing company to fish in this zone without governmental authorization. However, since Gabon has no patrol boats, foreign trawlers (especially French and Spanish) often illegally capture tuna in Gabonese waters.

## 25 FORESTRY

Gabon's forests, which cover an estimated 77% of its land surface, have always supplied many of the necessities of life, especially fuel and shelter. The forests contain over 400 species of trees, with about 100 species suitable for industrial use. Commercial exploitation began as early as 1892, but only in 1913 was okoumé, Gabon's most valuable wood, introduced to the international market. Forestry was the primary source of economic activity in the country until 1968, when the industry was supplanted by crude oil as an earner of foreign exchange. Gabon is the largest exporter of raw wood in the region, and its sales represent 20% of Africa's raw wood exports. Forestry is second only to the petroleum sector in export earnings, at \$319.4 million in 2003. Gabon's reserves of exploitable timber include: okoumé, 100 million cu m (3.5 billion cu ft); ozigo, 25–35 million cu m (882 million–1.2 billion cu ft); ilomba, 20–30 million cu m (706–1,060 million cu ft); azobe, 15–25 million cu m (530–882 million cu ft); and padouk, 10–20 million cu m (350–706 million cu ft).

Gabon supplies 90% of the world's okoumé, which makes excellent plywood, and also produces hardwoods, such as mahogany, kevazingo, and ebony. Other woods are dibetou (tigerwood or African walnut), movingui (Nigerian satinwood), and zingana (zebrano or zebrawood). Roundwood removals were estimated at 4 million cu m (143 million cu ft) in 2004, with 13% used as fuel wood.

Exploitation had been hampered, to some extent, by the inadequacy of transportation infrastructure, a deficiency now alleviated by the Trans-Gabon Railway and Ndjole-Bitam highway. Reforestation has been continuously promoted, and selective thinning and clearing have prevented the okoumé from being forced out by other species. Over 50 firms are engaged in exploitation of Gabon's forests. Logging concessions covering about five million hectares (12.3 million acres) have been granted by the government, with the development of the least accessible areas largely carried out by foreign firms. Traditional demand in Europe for African lumber products has declined in recent years; during the 1980s, European demand for okoumé dropped by almost one-third. Markets in Ja-

pan, Morocco, and Israel, however, have become more receptive to African imports.

## 26 MINING

Gabon was the richest of the former French Equatorial African colonies in known mineral deposits. In addition to oil, which accounted for 80% of the country's exports in 2004, Gabon was a world leader in manganese. Potash, uranium, columbium (niobium), iron ore, lead, zinc, diamonds, marble, and phosphate have also been discovered, and several deposits were being exploited commercially. Ownership of all mineral rights was vested in the government, which has increased its share of the profits accruing to foreign companies under development contracts.

The high-grade manganese deposits at Moanda, near Franceville, are among the world's richest. Reserves were estimated at 250 million tons with a metal content of 48%–52%. Production had been limited to a ceiling of 2.8 million tons a year, corresponding closely to the capacity of the cableway—at 76 km, Africa's longest overhead cable—used to transport the mineral to the Congo border, from where it was carried by rail to the port of Pointe Noire. The Trans-Gabon Railway provided an export outlet through the Gabonese port of Owendo. Use of the railroad has cut shipping costs by \$20 million per year. Manganese was exploited by the Mining Co. of L'Ougoué (Comilog, an international consortium), which ranked among the world's lowest-cost producers. In 2004, an estimated 2.4 million metric tons of metallurgical-grade ore were extracted, up from 1.95 million metric tons in 2003. Annual production capacity at the Moanda Mine was 2.5 million tons, with reserves estimated to last 100 years.

Gabon also produced an estimated 350,000 metric tons each of clinker and hydraulic cement in 2004. Also in that year an estimated 500 carats of diamonds (gem and industrial) were produced, along with 70 kg of gold.

The Mékambo and Belinga iron fields in the northeastern corner of Gabon were ranked among the world's richest. Reserves were estimated as high as 1 billion tons of ore of 60%–65% iron content, and production could reach 20 million tons a year. Although iron was discovered there in 1895, it was not until 1955 that a full-scale commercial license was issued. Exploitation still awaited the establishment of a 225 km extension of the Trans-Gabon Railroad from Booué to Belinga; construction has been considered unprofitable, because of unfavorable market conditions.

The potential for new developments in columbium, gold, manganese, and possibly phosphate suggested a continued role for mining in the economy. The lack of adequate infrastructure inhibited new grassroots exploration and remained a major constraint on development of the well-defined iron ore deposit at Belinga.

## 27 ENERGY AND POWER

Gabon is the fourth-largest oil producer in sub-Saharan Africa, and has the region's third-largest oil reserves. Oil prospecting began in 1931. Deposits were found on the coast or offshore in the vicinity of Libreville and Port-Gentil, in the northwestern part of the country. Later, large deposits were found in the south. Oil from the northwest is channeled by pipeline to Cape Lopez, where there are loading facilities for export. Huge additional deposits were found on Mandji Island in 1962. The Rabi Kounga oil field is Gabon's largest oil field. In 1997, it produced a peak of 217,000

barrels per day. As of November 2004, it was producing 55,000 barrels per day.

Although Gabon's proven petroleum reserves rose from 1.3 billion barrels in 1996 to 2.5 billion barrels in 2004, the government is concerned about long-term depletion of resources. Total production of crude oil fell from a peak of 371,000 barrels per day to an estimated 289,700 barrels per day in 2003. Gabon's production goes primarily to Argentina, Brazil, France, the United States, and, more recently, Taiwan. Net oil exports in 2003 are estimated at 289,680 barrels per day.

As of 1 January 2004, reserves of natural gas reserves estimated at 1.2 trillion cu ft, by the Oil and Gas Journal. Production and consumption of natural gas in 2002 were estimated at 3 billion cu ft, each. Gross output stood at 81.22 billion cubic feet in 2002, of which 55.09 cu ft was flared or vented off, and 19.42 billion cu ft was reinjected.

Hydropower accounts for 76% of Gabon's electric power output. In 2002 there were hydroelectric stations at the Kingulé and Tchimbélé dams on the Mbei River and at the Petite Poubara Dam, near Makokou on the Ogooué. Production and distribution of electricity are maintained by the Energy and Water Company of Gabon (SEEG), which was formed in 1963 and incorporates a number of smaller private and quasi-public entities. In 2002, electric power output totaled an estimated 1.16 billion kWh, with capacity estimated as of 1 January 2002 at 0.406 million kW. Consumption of electricity was 1.275 billion kWh in 2002. Natural gas is the principal fuel for the thermal plants.

## 28 INDUSTRY

Gabon's industry is centered on petroleum, manganese mining, and timber processing. Most industrial establishments are located near Libreville and Port-Gentil. Virtually all industrial enterprises were established with government subsidies in the oil boom years of the 1970s. Timber-related concerns include five veneer plants and a large 50-year-old plywood factory in Port-Gentil, along with two other small plywood factories. Other industries include textile plants, cement factories, chemical plants, breweries, shipyards, and cigarette factories. Gabonese manufacturing is highly dependent on foreign inputs, and import costs rose significantly in 1994 when the CFA franc was devalued. Increased costs and oversized capacity have made the manufacturing sector less competitive and it mainly supplies the domestic market. The government has taken steps to privatize parastatal enterprises.

Due to the fact that the Gabonese economy is dependent upon oil (crude oil accounts for over 80% of the country's exports, 43% of GDP, and 65% of state revenue), it is subject to worldwide price fluctuations. Gabon is sub-Saharan Africa's third-largest crude oil producer and exporter, although there are concerns that proven reserves are declining and production has declined as well. Thus the country has taken steps to diversify the economy, and to engage in further petroleum exploration. The Sogara oil refinery at Port-Gentil is the sole refinery in Gabon. The country produced 302,000 barrels of oil per day in 2001, which was a decrease of 9% from 1999 production levels. Gabon's proven oil reserves were estimated at 2.5 billion barrels in 2002, and its proven natural gas reserves were estimated at 1.2 trillion cubic feet (Tcf).

## 29 SCIENCE AND TECHNOLOGY

Gabon has a shortage of trained scientists and technicians and relies heavily on foreign—mostly French—technical assistance. In Libreville there are a French bureau of geological and mineral research, a technical center for tropical forestry, a research institute for agriculture and forestry, and a center for technical and scientific research. A laboratory of primatology and equatorial forest ecology is at Makokou, and an international center of medical research, concentrating on infectious diseases and fertility, is at Franceville. The University Omar Bongo, founded in 1970, has a faculty of sciences, schools of engineering and of forestry and hydraulics, and a health science center. The University of Sciences and Techniques of Masuke, at Franceville, founded in 1986, has a faculty of sciences. The Interprovincial School of Health is located in Mouila. In 1987–97, science and engineering students accounted for 29% of college and university enrollments. The African Institute of Information, at Libreville, trains computer programmers and analysts. In 1986, research and development expenditures totaled CFA Fr380 million.

In 2004 there were 61 scientists and engineers per million people that were engaged in research and development.

## 30 DOMESTIC TRADE

Most local produce is sold directly to consumers or to intermediaries at local markets in villages and towns, while imported goods are disposed of at the same time. Company agents and independent middlemen buy export crops at local markets or directly from the producers for sale to large companies. Both French and domestic companies carry on wholesale and retail trade in the larger cities. Nearly 70% of food products are imported. Large commercial companies generally sell hardware, food, clothing, tools, electrical goods, durable consumer goods, and cars. Medium-sized merchandise retail establishments are mostly operated by Syrian, Lebanese, or Asian expatriates. Small private companies are often owned by expatriates from elsewhere in West Africa and operate from market stalls. Gabonese have been trained in retailing in newly built stores. Those who qualify after training have been encouraged to buy the stores with government-sponsored loans. Advertising is carried by local newspapers, company publications, handbills, billboards, and radio and television stations.

Business hours are 8 AM–noon and 3–6 PM, Monday through Friday, and 8 AM–1 PM, Saturday. Banks are open 7:30–11:30 AM and 2:30–4:30 PM, Monday through Friday. Mainly French is spoken.

## 31 FOREIGN TRADE

Gabon has a record of trade surpluses. Until the late 1960s, timber was Gabon's main export. By 1969, however, crude petroleum had become the leader, accounting for 34% of total exports. Petroleum's share increased to 40.7% in 1972 and to 81.9% in 1974; it stood at 82.5% in 1985 and currently hovers around 80%.

Gabon's most lucrative export commodity is crude petroleum (81% in 2005). Wood accounts for a substantial amount of export revenues (9.3% in 2005), as does manganese (6.2% in 2005). Most of Gabon's oil goes to the United States.

**Principal Trading Partners – Gabon (2000)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	2,600.2	956.1	1,644.1
United States	1,628.0	106.4	1,521.6
China	175.3	7.1	168.2
Australia	143.8	...	143.8
France-Monaco	116.6	421.4	-304.8
Korea, Republic of	96.7	5.3	91.4
Trinidad and Tobago	82.6	...	82.6
Aras nes	59.2	84.8	-25.6
Korea (DPRK)	39.2	...	39.2
India	32.3	5.7	26.6
Spain	27.8	29.7	-1.9

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.**3<sup>2</sup> BALANCE OF PAYMENTS**

Gabon's traditionally favorable trade balance does not always result in a favorable balance on current accounts, largely because of dividend payments and other remittances by foreign enterprises but also because of payments on large debts accumulated in the 1970s. Generally, however, an increasingly strong export performance and rising inflows of private and government capital have made Gabon's payments position one of the strongest of any African country.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Gabon's exports was \$5.78 billion while imports totaled \$1.53 billion resulting in a trade surplus of \$4.25 billion.

**3<sup>3</sup> BANKING AND SECURITIES**

The bank of issue is the Bank of the Central African States (Banque des Etats de l'Afrique Centrale-BEAC), the central bank for UDEAC members.

Commercial banking in Gabon is largely controlled by French and other foreign interests. At the end of 1999 there were five major commercial banks, including the Banque International de Commerce et d'Industrie du Gabon (BICIG, a branch of BNP France), the Union Gabonaise de Banque (UGB, a branch of Credit Lyonnais), the Banque Gabonaise et Francaise Internationale (BGFI, formerly Banque Paribas), Citibank, and The French Intercontinental Bank (FIBA).

The Gabonese Development Bank (BDG), 69% Gabonese-owned, is the nation's development bank. Other institutions concerned with development are the Credit Foncier du Gabon (CREFOGA, for housing), the Fund for Development and Expansion (FODEX, for small, to medium-sized firms), and the Banque Gabonaise de Credit Rural (loans for agriculture).

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$453.2 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$773.1 million. The discount rate, the

interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

There is no securities market in Gabon, but in 1999, President Bongo spoke of opening a Gabon stock exchange.

**3<sup>4</sup> INSURANCE**

In 1974, a national company known as SONAGAR was created, 36% owned by the government. In 1986, there were four French insurance companies represented in Gabon. As of 1995, at least ten insurance companies were doing business in Gabon.

**3<sup>5</sup> PUBLIC FINANCE**

The oil sector brings in over 50% of government revenues. Government finances are generally poorly managed. Large deficits have required borrowing from foreign creditors, although the government's failure to privatize state-owned enterprises and to fully account for oil revenues has soiled its reputation with international financial institutions. After the 1994 devaluation of the currency, Gabon was forced to rescheduled its debt with the World Bank/IMF, the London Club of creditors, the African Development Bank, and the Paris Club. In April 2002, an 18-month stand-by arrangement with the IMF expired, without Gabon fulfilling its responsibilities.

The US Central Intelligence Agency (CIA) estimated that in 2005 Gabon's central government took in revenues of approximately \$2.4 billion and had expenditures of \$1.6 billion. Revenues minus expenditures totaled approximately \$845 million. Public debt in 2005 amounted to 29.5% of GDP. Total external debt was \$3.857 billion.

**3<sup>6</sup> TAXATION**

A graduated income tax ranging from 5–55% is imposed on civil servants and others who are paid fixed salaries or who have suf-

**Balance of Payments – Gabon (1999)**

(In millions of US dollars)

<b>Current Account</b>		<b>390.4</b>
Balance on goods	1,588.3	
Imports	-910.5	
Exports	2,498.8	
Balance on services	-586.1	
Balance on income	-568.9	
Current transfers	-43.0	
<b>Capital Account</b>		<b>5.4</b>
<b>Financial Account</b>		<b>-686.8</b>
Direct investment abroad	-73.9	
Direct investment in Gabon	-156.6	
Portfolio investment assets	22.4	
Portfolio investment liabilities	-0.7	
Financial derivatives	...	
Other investment assets	-109.0	
Other investment liabilities	-369.1	
<b>Net Errors and Omissions</b>		<b>-106.7</b>
<b>Reserves and Related Items</b>		<b>397.8</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ficient income. A complementary tax is levied at 1% for incomes up to CFA FR100,000 per month and 5.5% on incomes over that figure. Additional taxes are levied on business transactions and on real property. There is a value-added tax on all goods and services at rates ranging from 5–14%. In April 1995, a value-added tax (VAT) was introduced, replacing three turnover taxes. The standard VAT rate in 2005 was 18%. Other taxes include a 2.6% payroll tax, a property tax, and a financial transactions tax.

The standard corporate tax rate is 35% after deduction for business expenses, with a minimum of 1.1% on turnover. There is a 20% withholding tax on dividends. Payments of interest, royalties, and for services are taxed at 10%. Government oil revenues are derived from royalty payments, a tax on petroleum company profits, a tax on exploration permits, and dividends paid by the petroleum companies.

### 37 CUSTOMS AND DUTIES

Gabon, Cameroon, the Central African Republic, and the Congo are joined in a customs union, the Union Douanière et Economique de l'Afrique Centrale (UDEAC). Gabon is a part of the franc zone, within which goods and capital flow without obstruction.

Import duties consist of a fiscal duty applied to all goods entering the UDEAC area, whatever their origin. Customs duties and taxes are based on the cost, insurance and freight (CIF) value. Basic products are taxed at 7.2%, raw materials at 29.8%, intermediate products and most food products at 53.4%, and luxury items 99.42%. In addition, there is an entry fee, a value-added tax (VAT) of 18% payable by all companies with a turnover of more than \$400,000, a complementary import tax, and a special fee on postal and border imports. Imports from outside the franc zone and the European Union are subject to licensing fees and prior authorization is required. Export duties and taxes are levied on specific commodities.

### 38 FOREIGN INVESTMENT

Gabon has benefited from considerable private investment centered on the development of petroleum resources. French investments predominated, accounting for over 73% of foreign investment, with the United Kingdom (21%) following. Since independence, however, Gabon has sought additional sources of investment and US companies have invested in the lumber industry, oil exploration, and mining. French influence by sector is estimated at 63% in construction, 50% in petroleum, 30% in timber, 20% in chemicals, and 29% in transportation. The biggest French company in Gabon is Shell Gabon. Foreign direct investment ranged from \$30 million in 2002 to \$323 million in 2004.

Gabon's investment code of 1989 gives preferential treatment with regard to taxation, duties, importation of certain equipment and raw materials, and royalties to all enterprises considered important for the development of Gabon's economy. The government reserves the right to give preferential treatment to Gabonese-owned industry. Free transfer of capital is guaranteed and there are no restrictions on area of activity. All new industrial, mining, farming, or forestry operations are exempt from income tax for the first two years.

In January 1996, the government passed a new law on privatization that resulted in the sale of the electricity and water monopoly (SEEG) in 1997 to a French firm. Other companies to be privatized include Transgabonese Railway (OCTRA) and the International Telecommunications Office (OPT).

### 39 ECONOMIC DEVELOPMENT

Economic liberalism tempered by planning is the basic policy of the Gabonese government, which seeks to make the most of the country's rich natural resources. Priority is being given to the agricultural sector, to reduce imports, and to diversify the economy. Limiting migration to the cities is also an important element in this strategy. Industrial development efforts are centered on resource processing industries. Building the infrastructure is also an identifiable priority.

The devaluation of the CFA (Communauté Financière Africaine) franc in 1994 did not stimulate local production and discourage imports as expected. Realizing the need for structural adjustments to restore economic competitiveness, the government developed a new strategy in 1995 that encouraged private sector development, promoted privatization of state-owned enterprises, and increased the government's efforts in providing health and education services. A 1997 International Monetary Fund (IMF) report on Gabon criticized the government of overspending and failing to meet structural reform schedules. The government negotiated an 18-month stand-by arrangement with the IMF in 2000, which expired in 2002; Gabon met few of its targets.

Oil production fell in 2001, and non-oil activity rose by 4%. Oil prices were high in the early 2000s, and Gabon's current account balance improved from a deficit of 8.8% of GDP in 1999 to a surplus of 3.2% in 2000; it fell to a deficit of 1% of GDP in 2001, in part due to lower oil exports. The IMF in 2003 encouraged Gabon's government to develop the non-oil sector as a way of replacing the oil and government sectors as the primary catalysts for economic growth and development. According to the IMF's staff report on the fourth review of Gabon's stand-by arrangement, Gabon's exports are expected to increase modestly in 2006–07, even though oil production is forecast to remain constant, at 13.4 million tons (266,928 barrels/day).

### 40 SOCIAL DEVELOPMENT

Old age, disability, and survivor pensions are available to all employees and are funded by contributions from employees and employers. Special systems are in place for civil servants, military personnel, the self-employed, and state contract workers. Other benefits include maternity and medical coverage, and workers' compensation. A family allowance is available to all salaried workers with children under the age of 16. Agricultural workers and subsistence farmers are not covered by these programs.

Women have many legal protections and participate in business and politics, although they face discrimination in many areas. Polygamy is still common, and the property rights of women in polygamous marriages are limited. Women are required by law to obtain permission from their husband before leaving the country. Domestic abuse is prevalent, especially in rural areas. There is limited legal and medical assistance for rape victims.

Minority Pygmies maintain their indigenous community and decision-making structures. However, they suffer societal discrimination and severe poverty. Gabon's human rights record has improved in recent years, although there continue to be reports of the use of abuse by security forces. Prison conditions are harsh and life threatening.

#### 41 HEALTH

Most of the health services are public, but there are some private institutions, of which the best known is the hospital established in 1913 in Lambaréné by Albert Schweitzer. The hospital is now partially subsidized by the Gabonese government.

Gabon's medical infrastructure is considered one of the best in West Africa. By 1985 there were 28 hospitals, 87 medical centers, and 312 infirmaries and dispensaries. As of 2004, there were an estimated 29 physicians per 100,000 people. Approximately 90% of the population had access to health care services. In 2000, 70% of the population had access to safe drinking water and 21% had adequate sanitation.

A comprehensive government health program treats such diseases as leprosy, sleeping sickness, malaria, filariasis, intestinal worms, and tuberculosis. Rates for immunization of children under the age of one were 97% for tuberculosis and 65% for polio. Immunization rates for DPT and measles were 37% and 56% respectively. Gabon has a domestic supply of pharmaceuticals from a large, modern factory in Libreville.

The total fertility rate has decreased from 5.8 in 1960 to 4.2 children per mother during childbearing years in 2000. Ten percent of all births were low birth weight. The maternal mortality rate was 520 per 100,000 live births as of 1998. In 2005, the infant mortality rate was 55.35 per 1,000 live births and life expectancy was 55.02 years. As of 2002, the overall mortality rate was estimated at 17.6 per 1,000 inhabitants.

The HIV/AIDS prevalence was 8.10 per 100 adults in 2003. As of 2004, there were approximately 48,000 people living with HIV/AIDS in the country. There were an estimated 3,000 deaths from AIDS in 2003.

World Health Organization specialists and the government of Gabon took immediate action against the mid-1990s reemergence of the Ebola virus.

#### 42 HOUSING

Credit institutions make small loans for the repair of existing houses and larger loans (amounting to almost the total cost of the house) for the construction of new houses, but the cost of homeownership and maintenance has still been beyond the reach of most average citizens. Because of their higher credit rating, salaried civil servants and employees of trading companies receive most of the loans. The government has established a national habitation fund, and there have been a number of urban renewal projects. As of 2000, 73% of urban and 55% of rural dwellers had access to improved water sources. About 25% of urban and 4% of rural dwellers had access to improved sanitation systems. It has

been estimated that the housing deficit within Libreville alone is about 100,000 dwellings.

#### 43 EDUCATION

The educational system is patterned on that of France, but changes are being introduced gradually to adapt the curriculum to local needs and traditions. The government gives high priority to education, especially the construction of rural schools. Education is free and compulsory between the ages of 6 and 16. Primary school covers five years of study. Students then choose either general secondary courses or a technical school program, each of which cover seven years. The academic year runs from October to June. The primary language of instruction is French.

In 2001, about 13% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2001 was estimated at about 78% of age-eligible students. The same year, enrollment in secondary schools was at less than 50% of age-eligible students. It is estimated that about 74% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 49:1 in 2003; the ratio for secondary school was about 28:1. In 2003, private schools accounted for about 29% of primary school enrollment and 30% of secondary enrollment.

Omar Bongo University, at Libreville, includes faculties of law, sciences, and letters; teachers' training schools; and schools of law, engineering, forestry and hydraulics, administration, and management. In 1999, about 7% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 1995 was estimated at about 63.2%, with 73.7% for men and 53.3% for women.

As of 2003, public expenditure on education was estimated at 3.9% of GDP.

#### 44 LIBRARIES AND MUSEUMS

The National Library (founded in 1969), National Archives (1969), and Documentation Center (1980) together form a collection of 25,000 volumes. The Omar Bongo University in Libreville has 12,000 volumes. The Information Center Library in Libreville has 3,500 volumes. There are also American and French Cultural Centers in Libreville housing modest collections. The Museum of Arts and Traditions at Libreville is a general interest museum. The National Museum of Gabon is also in Libreville.

#### 45 MEDIA

The Ministry of Information, Posts, and Telecommunications provides domestic services for Gabon and participates in international services. There are direct radiotelephone communications with Paris and other overseas points. In 2003, there were an estimated 29 mainline telephones for every 1,000 people. The same year, there were approximately 224 mobile phones in use for every 1,000 people.

Radio-Diffusion Télévision Gabonaise (RTG), which is owned and operated by the government, broadcasts in French and indigenous languages. Color television broadcasts have been introduced in major cities. In 1981, a commercial radio station, Africa No. 1, began operations. The most powerful radio station on the continent, it has participation from the French and Gabonese governments and private European media. In 2004, the govern-

ment operated two radio stations and another seven were privately owned. There were also two government television stations and four privately owned. In 2003, there were an estimated 488 radios and 308 television sets for every 1,000 people. About 11.5 of every 1,000 people were cable subscribers. Also in 2003, there were 22.4 personal computers for every 1,000 people and 26 of every 1,000 people had access to the Internet. There were six secure Internet servers in the country in 2004.

The national press service is the Gabonese Press Agency, which publishes a daily paper, *Gabon-Matin* (circulation 18,000 as of 2002). *L'Union* in Libreville, the government-controlled daily newspaper, had an average daily circulation of 40,000 in 2002. The weekly *Gabon d'Aujourd'hui*, is published by the Ministry of Communications. There are about nine privately owned periodicals which are either independent or affiliated with political parties. These publish in small numbers and are often delayed by financial constraints. Foreign newspapers are available.

The constitution of Gabon provides for free speech and a free press, and the government is said to support these rights. Several periodicals actively criticize the government and foreign publications are widely available.

#### 46 ORGANIZATIONS

There is a chamber of commerce at Libreville. UNIGABON, a national organization established in October 1959, conducts liaison work among mining companies, labor unions, public works societies, and transportation companies. There are some professional organizations, such as the Association of Editors of a Free and Independent Press and the Association of Sports Medicine.

Church organizations are active in the country and have a sizable following. They operate several mission schools and health centers. In rural areas, cooperatives promote the production and marketing of agricultural products. Among the tribes, self-help societies have grown rapidly, particularly in the larger towns, where tribal members act together as mutual-aid societies. There are youth and women's organizations affiliated with the PDG. The Alliance of YMCA's is also a major youth organization in the country, as are several scouting programs.

Volunteer service organizations, such as the Lions Clubs International and Rotary Clubs, are also present. There are national chapters of the Red Cross Society and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

Gabon's tourist attractions include fine beaches, ocean and inland fishing facilities, and scenic sites, such as the falls on the Ogooué River and the Crystal Mountains. Many visitors come to see the

hospital founded by Albert Schweitzer at Lambaréné. In addition, there are two national parks and four wildlife reserves. Hunting is allowed in certain areas except during October and November.

Tourism accommodations are limited. In 2002 there were only 2,450 hotel rooms with a 70% occupancy rate. An estimated 222,257 tourists arrived in Gabon in 2003. Visitors must have a valid passport, visa, and evidence of yellow fever immunization.

In 2005, the US Department of State estimated the daily expenses of staying in Libreville at \$246. Elsewhere, expenses were as low as \$135 per day.

#### 48 FAMOUS GABONESE

The best-known Gabonese are Léon Mba (1902–67), the president of the republic from 1960 to 1967, and Omar Bongo (Albert-Bernard Bongo, b.1935), president since Mba's death. Born in Alsace (then part of Germany but now in France), Albert Schweitzer (1875–1965), a world-famous clergyman, physician, philosopher, and musicologist and the 1952 winner of the Nobel Prize for peace, administered a hospital that he established in Lambaréné in 1913.

#### 49 DEPENDENCIES

Gabon has no territories or colonies.

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# THE GAMBIA

Republic of The Gambia

**CAPITAL:** Banjul (formerly Bathurst)

**FLAG:** The flag is a tricolor of red, blue, and green horizontal bands, separated by narrow white stripes.

**ANTHEM:** *For The Gambia, Our Homeland.*

**MONETARY UNIT:** In 1971, the dalasi (D), a paper currency of 100 butut, replaced the Gambian pound. There are coins of 1, 5, 10, 25, and 50 butut and 1 dalasi, and notes of 1, 5, 10, 25, and 50 dalasi. D1 = \$0.03096 (or \$1 = D32.3) as of 2004.

**WEIGHTS AND MEASURES:** Both British and metric weights and measures are in use.

**HOLIDAYS:** New Year's Day, 1 January; Confederation Day, 1 February; Independence Day, 18 February; Labor Day, 1 May; Assumption, 15 August; Christmas, 25 December. Movable religious holidays include Good Friday, Easter Monday, 'Id al-Fitr, 'Id al-'Adha, and Milad an-Nabi.

**TIME:** GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Located on the west coast of Africa, The Gambia has an area of 11,300 sq km (4,363 sq mi), extending 338 km (210 mi) E–W and 47 km (29 mi) N–S. Comparatively, the area occupied by The Gambia is slightly less than twice the size of the state of Delaware. Bounded on the N, E, and S by Senegal (with which it is joined in the Confederation of Senegambia) and on the W by the Atlantic Ocean, The Gambia has a total boundary length of 820 km (510 mi), of which 80 km (50 mi) is coastline. The Gambia's capital city, Banjul, is located on the Atlantic coast.

## <sup>2</sup> TOPOGRAPHY

The Gambia River, the country's major waterway, rises in Guinea and follows a twisting path for about 1,600 km (1,000 mi) to the sea. In its last 470 km (292 mi), the river flows through the Republic of The Gambia, narrowing to a width of 5 km (3 mi) at Banjul; during the dry season, tidal saltwater intrudes as far as 250 km (155 mi) upstream. Brown mangrove swamps line both sides of the river for the first 145 km (90 mi) from the sea; the mangroves then give way to more open country and, in places, to red ironstone cliffs. The land on either side of the river is generally open savanna with wooded areas along the drainage channels. Elevation reaches a maximum of 73 m (240 ft).

## <sup>3</sup> CLIMATE

The Gambia has a subtropical climate with distinct cool and hot seasons. From November to mid-May there is uninterrupted dry weather, with temperatures as low as 16°C (61°F) in Banjul and surrounding areas. Hot, humid weather predominates the rest of the year, with a rainy season from June to October; during this period, temperatures may rise as high as 43°C (109°F) but are usually lower near the sea. Mean temperatures range from 23°C (73°F)

in January to 27°C (81°F) in June along the coast, and from 24°C (75°F) in January to 32°C (90°F) in May inland. The average annual rainfall ranges from 92 cm (36 in) in the interior to 145 cm (57 in) along the coast.

## <sup>4</sup> FLORA AND FAUNA

The countryside contains many flowers, including yellow cassias and scarlet combretum. The tropical shrub area contains bougainvillea, oleander, and a dozen varieties of hibiscus. Distinctive fauna includes several varieties of monkeys. As of 2002, there were at least 117 species of mammals, 154 species of birds, and over 900 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

The Gambia's environmental concerns include deforestation, desertification, and water pollution. Deforestation is the most serious problem, with slash-and-burn agriculture the principal cause. In the 1950s, 34,000 hectares (84,000 acres) were set aside as forest parks, but by 1972, 11% of these reserves had been totally cleared. During 1981–85, deforestation averaged 2,000 hectares (5,000 acres) per year. Reforestation programs have been set in place, so that from 1990–2000, reforestation took place at a rate of about 1% per year. In 2000, 48% of the total land area was forested.

A 30% decrease in rainfall over the last 30 years has increased the rate of desertification for The Gambia's agricultural lands. Water pollution is a significant problem due to lack of adequate sanitation facilities. Impure water is responsible for life-threatening diseases that contribute to high infant mortality rates. The Gambia has 3 cu km of renewable water resources with 91% used for farming activity. Only about 53% of the people in rural areas have pure drinking water.

As of 2003, only 2.3% of the total land area was protected. Bao-bolon Wetland Reserve is a Ramsar wetland site. The Gambia's wildlife has been threatened by changes in habitat and poaching. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 3 types of mammals, 2 species of birds, 1 type of reptile, 11 species of fish, and 4 species of plants. Threatened species include the African slender-snouted crocodile and the West African manatee.

## 6 POPULATION

The population of The Gambia in 2005 was estimated by the United Nations (UN) at 1,595,000, which placed it at number 144 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 45% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.8%, a rate the government viewed as too high. A National Policy for the Advancement of Gambian Women, established in 1994, provides services aimed at lowering the fertility rate, which was about five births per woman. The projected population for the year 2025 was 2,625,000. The population density was 141 per sq km (366 per sq mi). The majority of the population lives near the Atlantic coast with the interior of the country sparsely populated.

The UN estimated that 26% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.66%. The capital city, Banjul (formerly Bathurst), had a population of 372,000 in that year.

## 7 MIGRATION

Each year, some 20,000–30,000 migrants from Senegal, Mali, and Guinea come to The Gambia to help harvest the groundnut crop. Gambians, in turn, move freely over national borders, which are poorly marked and difficult to police in West Africa. The Gambia also has an open-door policy for professionals, so it is used as a gateway to Europe and the United States.

In 2000 there were 185,000 migrants living in The Gambia. The migrants' stock made up approximately 14% of the population. By the end of 2004 there were 7,343 refugees and 602 asylum seekers, mainly from Senegal, in The Gambia. In addition, in 2004 over 500 Gambians sought asylum in Austria, Spain, the United Kingdom, and the United States. In 2005 the net migration rate was estimated as 1.27 migrants per 1,000 population, down from 13.3 per 1,000 in 1990.

## 8 ETHNIC GROUPS

Africans comprise 99% of the population in The Gambia. The Mandinka (Malinké), who make up an estimated 42% of the African population, came to The Gambia by the 13th century. The Fula account for about 18% of the population and live predominately in the eastern part of the country; other major African groups include the Wolof (16%), Jola (10%), Serahuli (9%), and others (4%).

Only 1% of the population is non-African, including Syrians, Lebanese, and British.

## 9 LANGUAGES

English is the official language, but there are 21 distinct languages spoken. The principal vernaculars are Wolof, Fula, and Mandinka, the latter spoken by the Mandingo.

## 10 RELIGIONS

Islam, which was introduced in the 12th century, is followed by about 90%. The main Muslim branches are Tijaniyah, Qadiriyah, Muridiyah, and Ahmadiyah. About 9% of the population are Christians, mostly Roman Catholics; they live primarily in the Banjul area. Protestant denominations include Anglicans, Methodists, Baptists, Seventh-Day Adventists, and Jehovah's Witnesses, along with other small evangelical groups. About 1% of Gambians practice traditional indigenous religions. In some areas, practices of animism are blended with Christianity or Islam. There is a small group of Baha'is.

The constitution provides for freedom of religion and this right is generally respected in practice. Certain Muslim and Christian holidays are officially observed. Both Biblical and Koranic studies are offered in public and private schools; participation is voluntary.

## 11 TRANSPORTATION

The Gambia River not only provides important internal transport but is also an international commercial link. Oceangoing vessels can travel 240 km (150 mi) upstream. In 2004 there were 390 km (243 mi) of total waterways. Banjul, the principal port, receives about 300 ships annually. Ferries operate across the river and between Banjul and Barra.

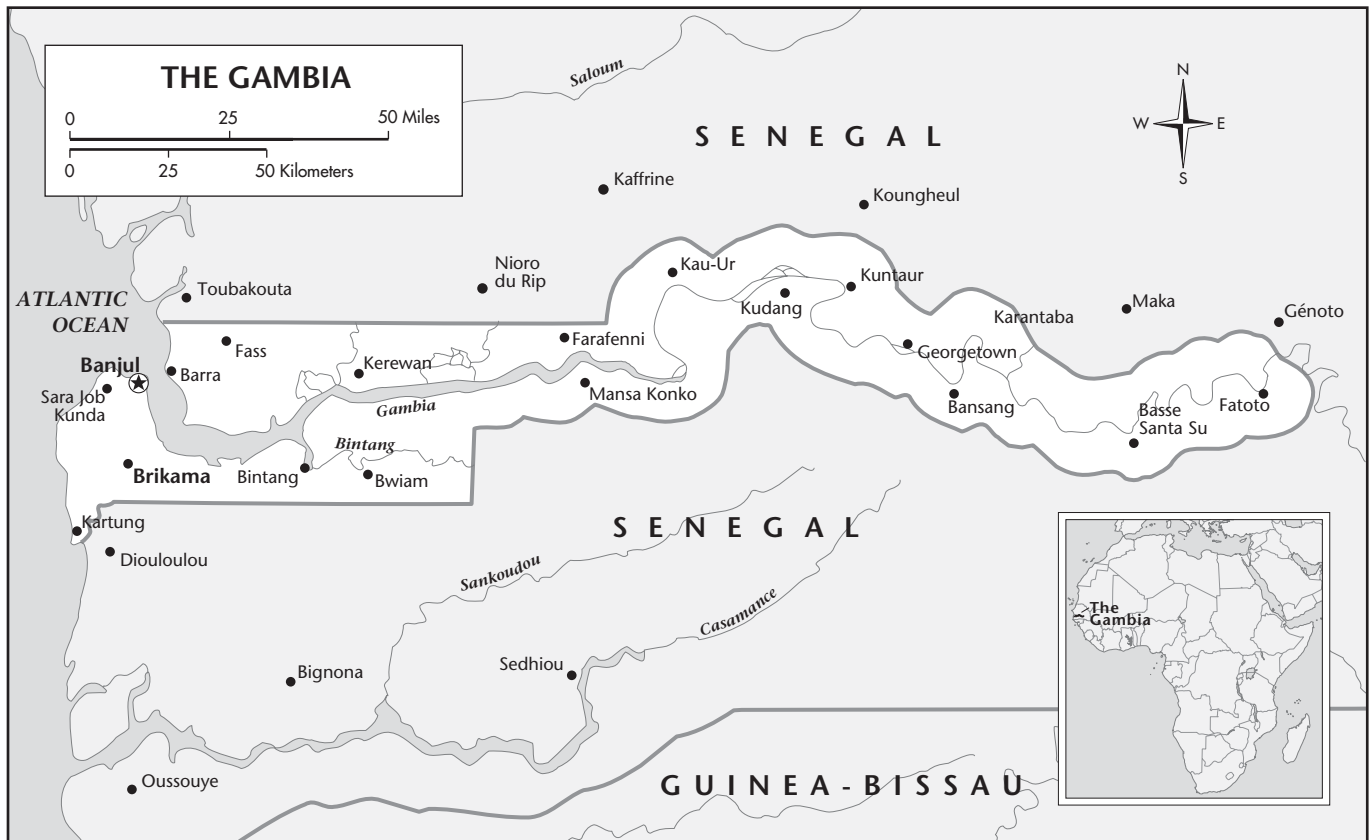
With the construction of major all-weather roads on both sides of the Gambia River, the waterway has become less significant for passenger traffic. As of 2002, there were 2,700 km (1,678 mi) of roads, including 956 km (594 mi) of paved roads. There were 106,600 passenger cars and 142,300 commercial vehicles were in use. The Gambia has no railroads. In 2005, Gambia's merchant marine totaled four vessels of 1,000 GRT or more, with 30,976 GRT. There is an international airport (the country's only one) at Yundum, 26 km (16 mi) from Banjul. Air Gambia, 60% state owned, acts as an agent only. Foreign air carriers provide international service.

## 12 HISTORY

Archeological evidence in the form of stone axes and broken pottery points to the existence of early habitation in the Gambia River region around 2000 BC. In 470 BC, Carthaginian sailors visited the River Gambia. Hannon the Carthaginian referred to The Gambia in his writings, making The Gambia known to the outside world. In AD 300, West African trading networks expanded as early empires established trading networks for peoples living in the Gambia River area. Later kingdoms of the Foni, Kombo, Sine-Saloum and Fulladou in The Gambia became trading partners of West Africa's great empires. Islam reached the Ghana Empire in the early 8th century, following the Arab conquest of North Africa.

Around AD 750, at Wassu, a large concentration of stone pillars was placed on the north bank of the River Gambia, the largest of





LOCATION: 13°10' to 13°35'36" N; 13°43'5" to 16°49'31" W. BOUNDARY LENGTHS: Senegal, 756 kilometers (470 miles); Atlantic coastline, 71 kilometers (44 miles). TERRITORIAL SEA LIMIT: 12 miles.

which weigh about ten tons and stand about eight and a half feet above the ground. The stones likely mark the burial sites of kings and chiefs similar to burial grounds of royalty in the Ghana Empire. In the 11th century, Islamic leaders (Karamos) were buried like this, making some of the circles holy places.

Eastern Gambia was part of the great West African empires that flourished for a millennium beginning with Ghana after AD 300. The relative political stability guaranteed by the empires permitted trade and movement of peoples throughout the region. Powerful kingdoms organized as families and clans of Wolof, Mandingo, and Fulbe (Fulani) peoples formed larger social and political units. Small groups of Mandingos had settled in The Gambia by the 12th or 13th century, and a Mali-based Mandingo empire was dominant in the 13th and 14th centuries.

Portuguese sailors discovered the Gambia River in 1455; its navigability made it uniquely important for European traders seeking to penetrate the interior. In 1587, English merchants began to trade in the area. The Royal African Company acquired a charter in 1678 and established a fort on James Island, a small island in the river estuary. In 1765, the forts and settlements in The Gambia were placed under the control of the crown, and for the next 18 years The Gambia formed part of the British colony of Senegambia, with headquarters at Saint-Louis. In 1783, the greater part of Senegambia was handed back to France; The Gambia section ceased to be a British colony and was returned to the Royal African Company.

In 1816, Capt. Alexander Grant entered into a treaty with the chief of Kombo for the cession of Banjul Island. He renamed it St. Mary's Island and established on it a settlement that he called Bathurst (now Banjul). In 1821, the British settlements in The Gambia were placed under the administration of the government of Sierra Leone. This arrangement continued until 1888, except for the period 1843–66, when The Gambia had its own colonial administration. In 1888, The Gambia again became a separate colony. Its boundaries were defined following an agreement with France in 1889.

After 1888, The Gambia was administered by a governor assisted by an Executive Council and a Legislative Council. In 1902, St. Mary's Island was established as a crown colony, while the rest of the territory became a protectorate. In 1960, universal adult suffrage was introduced in the protectorate, and a 34-member House of Representatives replaced the Legislative Council. The office of prime minister was created in 1962, and the Executive Council was reconstituted to include the governor as chairman, the prime minister, and eight other ministers. Dr. (later Sir) Dawda Kairaba Jawara, the leader of the Progressive People's Party (PPP), became the first prime minister. The Gambia attained full internal self-government on 4 October 1963, with Jawara as prime minister. An independence constitution, which came into force in February 1965, established The Gambia as a constitutional monarchy within the Commonwealth.

On 23 April 1970, after a referendum, The Gambia became a republic with Jawara as the first president. He and the ruling PPP

remained in power into the 1980s, weathering an attempted left-wing coup and paramilitary rebellion in July 1981, which was quashed by Senegalese troops under a mutual defense pact signed in 1965. An estimated 500–800 people died in the uprising, and there was much property damage. In February 1982, the Confederation of Senegambia was formally constituted. Jawara was re-elected to a new term as president that May, receiving 72.4% of the vote. He was reelected in March 1987, defeating two opponents with 59.2% of the vote, and again in April, 1992. He gained 59% of the vote to 22% for Sheriff Mustapha Dibba, his nearest of four rivals. His PPP was also returned to legislative power but with a reduced majority. It fell from 31 to 25 of the elected seats, in the 36-seat House of Representatives.

In March 1992 Jawara accused Libya of arming a force led by Samba Samyang, the leader of the 1981 coup attempt. Libya denied involvement. He also made similar accusations against Libya and Burkina Faso in 1988. In May 1992 Jawara announced an amnesty for most members of the Movement for Justice in Africa (MOJA) which had been linked to the failed 1981 coup. And in April 1993, two of MOJA's leaders returned from exile to organize as a political party.

Jawara was expected to retire in midterm, but on 22 July 1994 he was overthrown in a bloodless military coup led by Lt. Yahya Jammeh, who had studied in the United States and held an honorary post in the Alabama National Guard. President Jawara took shelter in an American warship which, at the time, had been on a courtesy call. The junta of junior officers and a few civilians suspended the constitution, banned all political activity, detained its superior officers, and placed ministers of the former government under house arrest. The European Union and the United States suspended aid and pressed for a quick return to civilian rule. In 1995, Vice President Sana Sebally attempted another coup, ostensibly to return civilian rule, but it failed. Isolated from the west, Jammeh sought diplomatic ties with other marginalized nations. In 1994, he established relations with Libya and, in 1995, he did so with Taiwan (incurring China's wrath and a break in relations). Economic accords were signed with Cuba as well as Iran.

On 26 September 1996, presidential elections were held in which Jammeh won 55.76% of the vote. Ousainou Darboe took 35.8% and Amath Bah won 5.8%. Three former contenders, the PPP, The Gambia People's Party and the National Convention Party, blamed for The Gambia's problems, were barred from competing. Two days later, Jammeh dissolved the Armed Forces Provisional Ruling Council, which he had formed upon taking power in 1994, and called for legislative elections in January 1997. The Alliance for Patriotic Reorientation and Construction won 32 of 45 contested seats (4 of the body's 49 are appointive). The elections were considered to have been relatively fair, although opposition candidates were harassed and there was almost no media exposure of any but the ruling party.

In 1998, tourism, the most important source of foreign currency, had risen to near precoup levels as Jammeh suppressed grumbling in the army, reestablished stability, and allowed some democratic reforms to move ahead. In February 1998, Jammeh made his first official visit to France. He signed a technical, cultural and scientific accord in Paris designed to reinforce Franco-Gambian cooperation. In 1999, Jammeh raised The Gambia's international profile by mediating between Casamance rebels and the Sen-

egalese government. The ADB, OPEC, and the Islamic Bank approved a round of loans and credits for building and equipping schools and hospitals, and the IMF agreed to a second annual loan worth \$11.8 million under the ESAF.

However, in March 2000 the government was reeling from accusations of embezzlement of some \$2–\$3 million of Nigerian oil aid, the siphoning off of millions of dollars of a Taiwanese loan, and money laundering in connection with the privately held peanut processing and marketing company, Gambian Groundnut Corporation (GGC). The government stepped up security measures and controls over the private media, which it justified on the grounds of an alleged coup attempt on 15 January 2000. The coup may have been stage-managed as a pretext for increased security measures. In mid-April, student protests ended with the deaths of 14 people. Local elections, scheduled for November 2000 were repeatedly postponed.

The 18 October 2001 presidential elections were conducted amidst charges of fraud, and thousands of Diola—members of Jammeh's ethnic group living across the border in Senegal—reportedly helped reelect Jammeh who took 52.96% of the vote. Ousainou Darboe of the United Democratic Party (UDP), who had formed a coalition with the People's Progressive Party (PPP) and with The Gambia People's Party (GPP) of Hassan Musa Camara, came in second. Despite his allegations of voting and identity card fraud, Darboe conceded defeat. The EU, the Commonwealth, the United Kingdom, the UN, and Transparency International observers said they were relatively satisfied with the conduct of the election.

In 1999, the HIV/AIDS adult prevalence rate was estimated to be below 2%, one of the lowest rates in sub-Saharan Africa. The 2002 UN Human Development Report ranked The Gambia 160th out of 173 countries on the basis of real GDP per capita, adult literacy, and life expectancy. In February 2004, government announced the discovery of large oil deposits, raising expectations of better economic times in The Gambia.

Freedom of expression was under severe strain as shown in December 2004 when a new press law imposed jail terms for sedition and libel. A few days later, newspaper editor and outspoken critic of the law Deyda Hydar was shot and killed. In March 2005, over 30 senior officials were arrested on suspicion of corruption.

## 13 GOVERNMENT

Under the republican constitution of 24 April 1970, as amended, the president, popularly elected for a five-year term, was the head of state. Presidential powers included designating a vice president, who exercised the functions of a prime minister, and appointing cabinet members. The House of Representatives had 36 members elected by universal adult suffrage (at age 18), five chiefs elected by the Chiefs in Assembly, and eight appointed nonvoting members; the attorney general was also a member *ex officio*.

The military junta suspended the constitution on 22 July 1994, but following presidential elections two years later, a unicameral National Assembly was instituted, consisting of 49 members, four of whom were appointed by the president with the remainder standing for election. As of 2005, the Assembly consisted of 53 members, 48 of which were popularly elected, and five of which were appointed by the president. They serve a five-year term. Presidential elections were due October 2006 and legislative elections

in January 2007. In late 2005, the five main opposition parties resolved to form the National Alliance for Development and Democracy (NADD). NADD is envisaged as the single platform that would help the opposition overcome its differences and capture power from the ruling APRC. Its plans include the Save The Gambia Democracy Project (STGDP), by which NADD hoped to mobilize resources from home as well as from abroad to lay new institutional foundations for democracy in The Gambia.

#### 14 POLITICAL PARTIES

The first Gambian political party, the Democratic Party, was formed in 1951 by Rev. John C. Faye. The Muslim Congress Party (CP) and the United Party (UP), led by Pierre S. N'jie, were formed in 1952. The People's Progressive Party (PPP), under the leadership of Dawda Kairaba Jawara, was formed in 1958 and has governed the country since independence. The CP and the PPP merged in 1968. Two other parties were formed to compete in the 1977 elections, the National Liberation Party and the National Convention Party (NCP). In the elections of May 1982, the PPP won 27 seats (the same as in 1977), the NCP 3, and independents 5; in March 1987, the PPP won 31 seats and the NCP 5; and in April, 1992, PPP won 25 seats and the NCP 6. Other parties included The Gambia People's Party (GPP), the People's Democratic Organization for Independence and Socialism (PDOIS), the Gambian People's Democratic Party (PDP), and the Movement for Justice in Africa (MOJA).

After the 1994 coup political parties were barred. The ban was lifted in August 1996, but three precoup parties, the People's Progressive Party, The Gambia People's Party, and the National Convention Party remained proscribed. An independent electoral commission lifted the ban on these parties in August 2001. Elections for the House of Assembly were held on 2 January 1997 with members installed on 16 January 1997. Jammeh's Alliance for Patriotic Reorientation and Construction took 33 of 45 contested seats, the United Democratic Party took 7 seats, the National Reconciliation Party 2 seats, the PDOIS 1 seat, and independents 2 seats.

Members of opposition parties were harassed during Jammeh's annual tour in 1999 when he lashed out at them as a "gang of alcoholics." His own party weathered rough seas in early 2000 as its secretary-general, Phodey Makalo, disappeared with most of its funds. The July 22 Movement, which served Jammeh as a militia and political vehicle to launch his campaign, was reintegrated into the APRC.

Parliamentary elections were held on 17 January 2002 giving the APRC 45 of 53 seats. The PDOIS took three seats. Citing elections bias on the part of the Independent Electoral Commission (IEC), the main challenger to the APRC, the United Democratic Party boycotted the elections. APRC candidates ran unopposed in 33 of 48 constituencies. Former head of state Sir Dawda Jawara returned from exile in September 2002 upon condition that he resign from his party.

Presidential elections were due in October 2006; new political alliances were in formation. In early 2006 Nigeria's President Olusegun Obasanjo, acting in his capacity as Chairman of the Commonwealth, visited Banjul in an effort to reconcile government and opposition politicians. The result was a Memorandum of Understanding in which the ruling APRC and NADD, or Na-

tional Alliance for Democracy and Development pledged to forget the past and to work to create a level playing field for the 2006 elections. If implemented faithfully, the accord could expand opportunities for opposition parties, such as the National Alliance for Democracy and Development that had suffered from government control of the print as well as electronic media.

#### 15 LOCAL GOVERNMENT

There are five administrative divisions, each with a council, the majority of whose members are elected. The divisions—Central River, Lower River, North Bank, Upper River, and Western—are subdivided into 35 districts administered by chiefs with the help of village mayors and councilors. Banjul has a city council.

#### 16 JUDICIAL SYSTEM

The judicial system is based on a composite of English common law, Koranic law, and customary law. It accepts compulsory ICJ jurisdiction with reservations, and includes subsidiary legislative instruments enacted locally. The constitution provides for an independent judiciary, and although the courts are not totally free from influence of the executive branch, they have demonstrated their independence on occasion.

The Supreme Court, presided over by a chief justice, has both civil and criminal jurisdiction. Formerly, appeals from any decision of the Supreme Court went before the Court of Appeals, whose judgments could be taken to the UK Privy Council. The January 1997 constitution provided for a reconfiguration of the courts with the Supreme Court replacing the Privy Council.

Muslim courts apply Shariah law in certain cases involving Muslim citizens, and in traditional matters, chiefs rule on customary law and local affairs. District tribunals serve as appeals courts in cases of tribal law and custom. Cases of first instance in criminal and civil matters are handled by administrative officers who function as magistrates in courts located in each of the five administrative regions and Banjul.

#### 17 ARMED FORCES

The Gambia's armed forces had 800 members in 2005, all of whom comprised the Gambian National Army, which was made up of two infantry battalions, one engineer squadron and a company of the Presidential Guard. The 70-member naval arm had three coastal patrol boats. The Gambia provided observers to five other African nations. The defense budget in 2005 totaled \$2.3 million.

#### 18 INTERNATIONAL COOPERATION

The Gambia was admitted to the United Nations on 21 September 1965 and is a member of ECA and all the nonregional specialized agencies except IAEA. It also belongs to the WTO, the African Development Bank, the ACP Group, the Commonwealth of Nations, the Organization of the Islamic Conference (OIC), ECOWAS, G-77, the Community of Sahel and Saharan States (CENSAD), the New Partnership for Africa's Development (NEPAD), and the African Union. The government is participating in efforts to establish a West African Monetary Zone (WAMZ) that would include The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra

Leone. The union, has been scheduled to come on-stream in January 2003, but has been rescheduled for December 2009.

An agreement of confederation with Senegal, signed on 17 December 1981 and effective 1 February 1982, called for integration of the security services and armed forces of the two countries under the name Senegambia. The presidents of Senegal and The Gambia became president and vice president of Senegambia, respectively. The confederation was dissolved in 1989. The Gambia has played an active role in ECOWAS efforts to resolve the civil wars in Liberia and Sierra Leone. The country contributed troops to cease-fire monitoring groups in 1990 (ECOMOG) and in 2003 (ECOMIL). The Gambia has also supported UN operations and missions in Ethiopia and Eritrea (est. 2000), Burundi (2004), and Côte d'Ivoire (2004). The Gambia is a part of the Non-aligned Movement and participates in the Organization for the Prohibition of Chemical Weapons.

In environmental cooperation, The Gambia is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 1<sup>9</sup> ECONOMY

The Gambia's light sandy soil is well suited to the cultivation of groundnuts, which is the country's principal agricultural export. About 75% of the population is engaged in crop production and livestock raising. However, groundnut production has fallen in recent years, and in 1990, tourism overtook groundnut exports as the nation's number one export earner. Significant export revenues are earned from fishing and reexport trade.

The military's takeover of the country in 1994 resulted in a loss of \$50 million in aid from the West, equal to about 10% of national income. In addition, tourism declined dramatically; and Senegal, which surrounds The Gambia on three sides, closed the borders because of smuggling. As a result of the 1994 CFA franc devaluation, The Gambia's goods were no longer competitive in the reexport trade. During the late 1990s, the tourism industry rebounded, as did trade. Tourism declined in 2000, but record crops supported healthy economic growth in 2001. Tourism in 2002 accounted for 10–15% of GDP.

Average annual growth of GDP was at 2.7% for 1988 to 1998, but GDP growth was 5.7% in 2001. The GDP growth rate in 2005 was estimated at 7.1%. Corruption remains an ongoing problem, and the pace of privatization was slow in 2006. The inflation rate stood at 8.8% in 2005. Unemployment and underemployment rates remained extremely high.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 The Gambia's gross domestic product (GDP) was estimated at \$3.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,900. The annual growth rate of GDP was estimated at 7.1%. The average inflation

rate in 2005 was 8.8%. It was estimated that agriculture accounted for 35.5% of GDP, industry 12.2%, and services 52.3%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$40 million or about \$28 per capita and accounted for approximately 10.9% of GDP. Foreign aid receipts amounted to \$60 million or about \$42 per capita and accounted for approximately 16.2% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Gambia, The totaled \$293 million or about \$206 per capita based on a GDP of \$366.0 million, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.8%. It was estimated that in 1998 about 57.6% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2002, Gambia's workforce numbered about 300,000. Approximately 75% of workers were engaged in agriculture, with industry, commerce and services accounting for 19% of the labor force. The government provided jobs to 6% of the workforce in 2002. There was no unemployment data available.

The Labor Act of 1990 allows all workers (except civil servants, police, and military personnel) to form associations and trade unions. Approximately 10% of the workforce is unionized, which is about 30,000 workers. Strikes are permitted with 14 days' notice (21 days for essential services) to the Commissioner of Labor. Collective bargaining occurs even though unions are small and fragmented. Minimum wages and hours of employment are set by six joint industrial councils (commerce, artisans, transport, the port industry, agriculture, and fisheries), but only 20% of the labor force is covered by minimum wage legislation. The minimum wage was \$.66 per day in 2002. Most Gambians pool their resources within extended families in order to meet their basic needs. The statutory working age is 18, but because of limited opportunities for secondary schooling, most children begin working at age 14.

## 2<sup>2</sup> AGRICULTURE

The soil is mostly poor and sandy, except in the riverine swamps. On upland soils the main food crops, besides groundnuts, are millet, manioc, corn, and beans. Most landholdings range between five and nine hectares (12 and 22 acres). Agriculture supports about 80% of the active population, and contributed about 30% of GDP in 2003. Irregular and inadequate rainfall has adversely affected crop production in recent years.

The principal cash crop is groundnuts, grown on some 111,000 hectares (275,000 acres). Production totaled 73,000 tons in 2004. That year, the paddy rice crop was estimated at 22,000 tons. Other food crops in 2004 included an estimated 25,000 tons of corn and 90,000 tons of millet. Mangos, bananas, oranges, pawpaws, and limes are grown mainly in the Western Division. Oil palms provide oil for local consumption and kernels for export; palm oil production was estimated at 2,500 tons in 2004, and kernels at 2,000 tons.

### 23 ANIMAL HUSBANDRY

The livestock population in 2005 was estimated at 330,000 head of cattle, 270,000 goats, 148,000 sheep, and 19,000 hogs. Total production of meat in 2005 was 6,845 tons; cow's milk, 7,700 tons; and eggs, 748 tons.

### 24 FISHING

In 2003, the catch was 36,864 tons, as compared with 4,100 tons in 1967. Bonga shad accounted for about 60% of the 2003 catch. Exports of fish products amounted to \$1.1 million in 2002. A 1982 agreement with Senegal allows nationals of each country to operate fishing companies in the other's waters.

### 25 FORESTRY

Portions of The Gambia are covered by mangrove forest, open woodland, or savanna with woodland or bush. Wood resources are used for fuel (84%), poles, and rural housing construction. Roundwood removals were estimated at 750,000 cu m (26 million cu ft) in 2004.

### 26 MINING

The mineral industry was a minor component of Gambia's economy. Clays for bricks, laterite, silica sand, cockleshell, and sand and gravel were exploited for domestic construction needs. Production of silica sand was estimated at 1,530,000 metric tons in 2004, down slightly from 1,534,000 metric tons in 2003. The Gambia had significant glass and quartz sand deposits, and resources of ilmenite, rutile, tin, and zircon. The government has encouraged exploration for gold. Large deposits of ilmenite were discovered along the coast in 1953, and were exploited by UK interests from 1956 to 1959. A new mineral and mining act was being developed.

### 27 ENERGY AND POWER

In February 2004, the government announced the discovery of large oil deposits. The country must import all of the fossil fuels it consumes. In 2002, consumption and imports of refined petroleum products each came to 1,980 barrels per day. There were no known imports or consumption of natural gas products or coal. All electric power is produced at thermal stations. Installed capacity in 2002 totaled 29,000 kW, with electricity output at 135 million kWh in that year. Electric power consumption that same year came to 126 million kWh.

### 28 INDUSTRY

There is little industry in The Gambia. Industries include groundnut processing, fish processing, the processing of hides, building and repair of river craft, village handicrafts, and clothing manufacture. There are candle factories, oil mills, a soft drink factory, a distillery, a shoe factory and a soap and detergent plant. Although the government provides incentives for industrial development, progress on that front has been slow. In February 2004, the government announced the discovery of large oil deposits. The Gambia produces industrial minerals for local consumption. Privatization has been slow, except in the tourism and banking sectors. The largest industrial complex in the country, the Gambia Groundnut Company, formerly owned by the Alimenta group based in Switzerland, was taken over by the government in 1999. This led to

a protracted legal battle and out-of-court settlement, after which the parties agreed to a compensation plan. The government subsequently re-privatized the company.

### 29 SCIENCE AND TECHNOLOGY

The United Kingdom's Medical Research Council operates a field station (of its Dunn Nutrition Unit Laboratory in Cambridge) at Keneba, West Kiang, and a research laboratory on tropical diseases at Fajara, near Banjul. Gambia College, founded in 1978, has schools of agriculture, nursing and midwifery, and public health. The Gambia Ornithological Society, founded in 1974, is devoted to bird watching.

### 30 DOMESTIC TRADE

The marketing of the groundnut crop for export is handled by the Gambia Produce Marketing Board. About 75% of the population is employed in subsistence farming. Manufacturing is primarily based on agriculture and serves a domestic market. Cooperative banking and marketing unions finance the activities of a network of cooperatives in the groundnut-growing areas. Reexportation of goods through the port of Banjul is a major contributing factor to the economy. Normal business hours are from 8 AM to 4 PM, Monday through Thursday, and 8 AM to 12:30 PM on Friday. Banking hours are from 8 AM to 1 PM, Monday through Thursday, and from 8 to 11 AM on Friday. Shopping takes place between the hours of 9:30 AM and noon, and 2:30 to 6 PM, Monday through Friday, and from 9 AM to noon on Saturday.

### 31 FOREIGN TRADE

Peanut products are by far The Gambia's leading export. However, peanut exports were depressed in the early 1980s, first by drought and then by low world prices. Other exports include fish, cotton lint, and palm kernels. The leading imports are food, manufactured goods, raw materials, fuel, machinery, and transport equipment.

In 2004, The Gambia's primary export partners were: India (23.7%), the United Kingdom (15.2%), France (14.2%), Germany (9.6%), Italy (8.3%), Thailand (5.9%), and Malaysia (4.1%). The

#### Principal Trading Partners – The Gambia (2000)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	16.2	189.4	-173.2
Senegal	6.4	5.2	1.2
Guinea-Bissau	1.9	...	1.9
Belgium	1.7	6.6	-4.9
Germany	1.4	42.5	-41.1
South Africa	1.4	...	1.4
United Kingdom	1.1	14.5	-13.4
Netherlands	0.4	11.8	-11.4
Spain	0.4	3.7	-3.3
United States	0.3	7.6	-7.3
Cameroon	0.3	1.4	-1.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

primary import partners in 2004 were: China (23.7%), Senegal (11.6%), Brazil (5.9%), the United Kingdom (5.5%), the Netherlands (4.5%), and the United States (4.4%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

In 2005, the value of The Gambia's exports was estimated at \$140.3 million, and imports were valued at \$197 million. The current-account balance was estimated at -\$20.54 million. In 2005, The Gambia had \$81.55 million in reserves of foreign exchange and gold. The external debt burden was estimated at \$628.8 million in 2003.

### 3<sup>3</sup> BANKING AND SECURITIES

The Central Bank of Gambia (CBG), the bank of issue, was established in 1971. The largest commercial bank is Standard Chartered Bank Gambia, which is incorporated locally, with branches in Banjul, Bakav, Serrekunda, and Basse. The government no longer has an equity interest in the bank, in which the parent company holds 75% and Gambian shareholders 25%. The Gambia Commercial and Development Bank (GCDB) was wholly owned by the government but now has been sold to private interests, and the other commercial bank, the International Bank for Commerce and Industry (BICI), is, as of 1997, also privately owned.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$72.5 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$151.9 million.

### 3<sup>4</sup> INSURANCE

Among the insurance companies listed as doing business in The Gambia as of 1995 were the Gambia National Insurance Co., the Great Alliance Insurance Co., and the Senegambia Insurance Co.

### 3<sup>5</sup> PUBLIC FINANCE

The fiscal year extends from 1 July to 30 June. In the 1980s, expansionary fiscal policies exacerbated a weakening economy; by 1985, the budget deficit reached 30% of GDP. An economic recovery program was initiated to reduce public expenditures, diversify the agricultural sector, and privatize the parastatal sector. This step preceded the 1988 agreement with the IMF for a structural adjustment program which helped the economy grow at an annual rate of 4% between 1990 and 1993.

The US Central Intelligence Agency (CIA) estimated that in 2005 The Gambia's central government took in revenues of approximately \$46.63 million and had expenditures of \$62.6 million. Revenues minus expenditures totaled approximately -\$16.03 million. Total external debt was \$628.8 million.

### 3<sup>6</sup> TAXATION

Direct taxes provide only a small proportion of revenues, the greater proportion being derived from customs and excise duties and from foreign loans and grants-in-aid. Individuals are taxed on the basis of a graduated scale; companies are taxed at a flat rate on undistributed profits. The government revised the income tax system in March 1988 and enacted new sales taxes in April 1988

### Balance of Payments – The Gambia (1997)

(In millions of US dollars)

<b>Current Account</b>		<b>-23.6</b>
Balance on goods		-87.5
Imports	-207.1	
Exports	119.6	
Balance on services		34.7
Balance on income		-7.6
Current transfers		36.8
<b>Capital Account</b>		<b>5.7</b>
<b>Financial Account</b>		<b>39.4</b>
Direct investment abroad		...
Direct investment in The Gambia		12.0
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		10.3
Other investment liabilities		17.2
<b>Net Errors and Omissions</b>		<b>-14.2</b>
<b>Reserves and Related Items</b>		<b>-7.4</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

to broaden the tax base, improve tax collection, and rationalize the tax system.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Customs duties are assessed by CIF (cost, insurance, and freight) value, as is the 10% national sales tax, from which some imports are exempt. Some commodities may be subject to excise taxes.

### 3<sup>8</sup> FOREIGN INVESTMENT

Joint ventures have been encouraged in The Gambia, but with the stipulation that a portion of the profits must be reinvested. Under an ordinance passed in 1964, developing industries are exempt from profits tax for five years.

In 2002 the government embarked on a new effort to attract foreign investment, called the Gateway Project, financed by a World Bank loan. The Gambia Investment Promotion and Free Zone Agency (GIPZA) was established, with the first free zone planned for Banjui Airport. Gambia's foreign investment regime is open door and nondiscriminatory, with foreign companies treated the same as local companies. Incentives for locating in the free zones include exemptions from taxes and customs duties, a ten-year tax holiday, and a reduced 10% corporate income tax rate for investments in the tourist sector. The government's priorities for foreign investment are agriculture, fisheries, tourism, light manufacture and assembly, energy, mineral exploration and exploitation, and telecommunications.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Development goals have been focused on transport and communications improvements, increases in rice and groundnut yields, and production diversity.

The historical importance of Great Britain to The Gambia has declined, as Gambia has turned increasingly to the IDA and the European Development Fund, France, Germany, Switzerland,

Japan, and Arab donors for aid. When Western aid ceased after the 1994 military takeover, The Gambia turned to Taiwan, Libya, Cuba, Nigeria, and Iran for economic support.

In 1999, the EU intended to spend \$20 million on poverty alleviation, and the African Development Bank sponsored a \$1 million rehabilitation program for the fishing industry. In 2000, The Gambia was slated to receive \$91 million in debt relief under the International Monetary Fund (IMF)/World Bank Heavily Indebted Poor Countries (HIPC) initiative, intended to reduce poverty and stimulate economic growth. The IMF began a three-year \$27 million Poverty Reduction and Growth Facility (PRGF) Arrangement with The Gambia in 2002. As of January 2005, the World Bank had approved a total of 31 IDA credits for The Gambia for a total of approximately \$272.7 million. The government has directed spending to social sectors in recent years, including agriculture, education and health. A girls' scholarship program began in 2001 and was met with great success, enrolling girls from poor households in school.

#### 40 SOCIAL DEVELOPMENT

A national pension and disability system covers employed persons in quasi-government institutions and in participating private companies. The retirement age is 55, with early retirement at 45. Worker's compensation laws have been in effect since 1940. Benefits include medical, surgical, hospital and nursing care, and medication. A special scheme exists for civil servants and the military. Agricultural workers and subsistence farmers are excluded from coverage.

Women play little part in the public life of this conservative Islamic country. Arranged marriages are common, and polygamy is practiced. Women face discrimination in education and employment. Inheritance rights, moreover, favor men. The painful and often life-threatening practice of female genital mutilation continues to be widespread and is opposed by organized women's rights groups. Domestic violence is widespread, and considered a family issue. Education for children is compulsory, in theory, but this provision is not enforced in practice. Child labor and trafficking children persists.

Human rights are improving but there are still significant problems in many areas. There were reports of arbitrary arrest, detention and torture. The court system remained inefficient and corrupt.

#### 41 HEALTH

The Gambia has hospitals in Banjul (Royal Victoria) and Bansang and a health clinic in Konbo, St. Mary. The country provided 62% of its people with safe water and 37% with adequate sanitation in 2000. Health conditions are poor: in 2005, average life expectancy was estimated at only 53.75. Nearly half of all children die by age five, primarily because of malaria and diarrheal diseases. Malaria, tuberculosis, trypanosomiasis, and schistosomiasis are widespread.

In 2005 the infant mortality was estimated at 73.07 deaths per 1,000 live births. The Gambia has a higher than average maternal mortality rate, with an estimated 1,100 maternal deaths during childbirth or pregnancy per 100,000 live births. Contraceptives were used by 12% of married women ages 15–49. As of 2004,

there were fewer than 4 physicians per 100,000 people. There were as few as 12 nurses per 100,000 population. Dentists and pharmacists were also scarce, numbering fewer than 1 per 200,000 people. Total health care expenditure was estimated at 3.7% of GDP.

Female genital mutilation is performed on nearly every woman in The Gambia. The government published a policy opposing female genital mutilation, but there had been no specific laws prohibiting it. The most recent immunization rates available for children under one year old were as follows: tuberculosis, 98%; diphtheria, pertussis, and tetanus, 90%; polio, 29%; and measles, 87%.

The HIV/AIDS prevalence was 1.20 per 100 adults in 2003. As of 2004, there were approximately 6,800 people living with HIV/AIDS in the country. There were an estimated 600 deaths from AIDS in 2003.

#### 42 HOUSING

A Housing Finance Fund provides low-cost housing and related assistance. As of 2000, 80% of urban and 52% of rural dwellers had access to improved water sources. The government has been looking into the use of alternative building materials to cut housing expenses. In 2001, about 75% of building materials were imported.

#### 43 EDUCATION

Primary school is free but not compulsory and, as of 2002, lasts for nine years. Secondary schooling covers six years in two stages of three years each. The academic year runs from September to July. Primary school enrollment in 2003 was estimated at about 79% of age-eligible students. The same year, secondary school enrollment was about 33% of age-eligible students; 39% for boys and 27% for girls. It is estimated that about 68% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 38:1 in 2003; the ratio for secondary school was about 26:1. In 2003, about 21% of all secondary students were enrolled in private schools.

The University of The Gambia was established in 1999 with four faculties and Gambia College, which in turn has four schools (agriculture; science; education; and nursing, midwifery, and public health). The adult literacy rate for 2003 was estimated at about 40.1%, with 47.8% for men and 32.8% for women.

As of 2003, public expenditure on education was estimated at 2.8% of GDP, or 8.9% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The Gambia National Library in Banjul contains 115,000 volumes; it serves as both a national archive and a public library. School libraries are organized through the National Library. Gambia College in Brikoma has a library of 23,000 volumes. The Yundum College Library at Banjul has 4,000 volumes, and the library of the Gambia Technical Training Institute has 3,880. Gambia Library and Information Services Association was formed in 1987. The Gambia National Museum, founded in 1982, is also in Banjul and features primarily archaeological and historical exhibits. The African Heritage Centre in Bakau serves as an art museum and gallery for local artists. The exhibits change as items are sold and new

ones are offered. Tanje Village Museum offers exhibits on natural history as well as glimpses of village culture.

#### 45 MEDIA

In 2003, there were an estimated 28 mainline telephones for every 1,000 people; about 10,600 people were on a waiting list for telephone service installation. The same year, there were approximately 73 mobile phones in use for every 1,000 people.

In 2004, the government operated one radio station and one television station. There is one private satellite TV station available. There were four private radio stations broadcasting throughout the country. In 2003, there were an estimated 394 radios and 15 television sets for every 1,000 people. Also in 2003, there were 13.8 personal computers for every 1,000 people.

There is one daily newspaper, *The Daily Observer*, with a 2002 circulation of 2,000. Though nominally independent, there have been allegations that editorial content was swayed toward promotion of the Alliance for Patriotic Reorientation and Construction (APRC). Other newspapers include *The Gambia Daily*, which, in spite of its name, is actually published three mornings per week, by the Ministry of Information and Broadcasting; the *Foroyaa*, a weekly with a circulation of 1,500; *The Gambia News and Report*, another weekly, also with a circulation of 1,500; and *The Point*, published twice a week, with a 2002 circulation of 4,000.

The old and new constitutions provide for free expression, but the government is said to prohibit all dissenting political publication and broadcasting.

#### 46 ORGANIZATIONS

The Gambia Chamber of Commerce and Industry represents many of the principal Gambian, British, and French firms. A network of cooperative societies functions within the groundnut-growing region. The Association of Farmers, Educators and Traders represents about 70,000 individuals. There are some professional associations, such as the Gambia Nurses Association, the Gambia Medical and Dental Association, and the Gambia Teachers Union. The Gambia Women's Finance Association helps promote business ownership among women. Youth organizations in-

clude the Gambia Scout Association, Girl Guides, and branches of YMCA/YWCA. There are several sports organizations in the country, including active branches of the Special Olympics. There are national chapters of the Red Cross Society, Caritas, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

All visitors need a valid passport and visa. Vaccinations against yellow fever are required if traveling from an infected area. Tourism significantly increased during the 1990s; however, outside of Banjul, facilities are limited and very basic. Main attractions are the 19th-century architecture in Banjul and the ecotourism along the Gambia River. Popular sports are football (soccer) and wrestling.

In 2005, the US Department of State estimated the daily expenses for staying in Banjul from November through April at \$185. Outside the capital, travel costs were significantly less expensive, averaging \$20 per day.

#### 48 FAMOUS GAMBIANS

The first prime minister of the independent Gambia and the first president of the republic until 1994 was Alhaji Sir Dawda Kairaba Jawara (b.1924). Col. Yahya A. J. J. Jammeh (b.1965) seized power from Jawara in a bloodless coup in 1994.

#### 49 DEPENDENCIES

The Gambia has no territories or colonies.

#### 50 BIBLIOGRAPHY

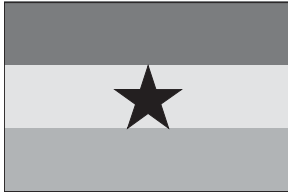
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# GHANA

Republic of Ghana



**CAPITAL:** Accra

**FLAG:** The national flag is a tricolor of red, yellow, and green horizontal stripes, with a five-pointed black star in the center of the yellow stripe.

**ANTHEM:** *Hail the Name of Ghana.*

**MONETARY UNIT:** The cedi (¢) is a paper currency of 100 pesewas. There are coins of ½, 1, 2½, 5, 10, 20, and 50 pesewas and 1, 5, 10, 20, 50, and 100 cedis, and notes of 1, 2, 5, 10, 20, 50, 100, 200, 500, and 1,000 cedis. ¢1 = \$0.00011 (or \$1 = ¢127.42) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Anniversary of the Inauguration of the Fourth Republic, 7 January; Independence Day, 6 March; Labor Day, 1 May; Republic Day, 1 July; Christmas, 25 December; Boxing Day, 26 December. Movable religious holidays include Good Friday and Easter Monday.

**TIME:** GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated on the southern coast of the West African bulge, Ghana has an area of 238,540 sq km (92,100 sq mi), extending 458 km (284 mi) NNE–SSW and 297 km (184 mi) ESE–WNW. Bordered on the E by Togo, on the S by the Atlantic Ocean (Gulf of Guinea), on the W by Côte d'Ivoire, and on the NW and N by Burkina Faso, Ghana has a total boundary length of 2,633 km (1,635 mi), of which 539 km (334 mi) is coastline. Comparatively, the area occupied by Ghana is slightly smaller than the state of Oregon. Ghana's capital city, Accra, is located on the Gulf of Guinea coast.

## <sup>2</sup>TOPOGRAPHY

The coastline consists mostly of a low sandy shore behind which stretches the coastal plain, except in the west, where the forest comes down to the sea. The forest belt, which extends northward from the western coast about 320 km (200 mi) and eastward for a maximum of about 270 km (170 mi), is broken up into heavily wooded hills and steep ridges. North of the forest is undulating savanna drained by the Black Volta and White Volta rivers, which join and flow south to the sea through a narrow gap in the hills. Ghana's highest point is Mount Afadjato at 880 m (2,887 ft) in a range of hills on the eastern border.

Apart from the Volta, only the Pra and the Ankobra rivers permanently pierce the sand dunes, most of the other rivers terminating in brackish lagoons. There are no natural harbors. Lake Volta, formed by the impoundment of the Volta behind Akosombo Dam, is the world's largest manmade lake (8,485 sq km/3,276 sq mi).

## <sup>3</sup>CLIMATE

The climate is tropical but relatively mild for the latitude. Climatic differences between various parts of the country are affected by the

sun's journey north or south of the equator and the corresponding position of the intertropical convergence zone, the boundary between the moist southwesterly winds and the dry northeasterly winds. Except in the north, there are two rainy seasons, from April through June and from September to November. Squalls occur in the north during March and April, followed by occasional rain until August and September, when the rainfall reaches its peak. Average temperatures range between 21–32°C (70–90°F), with relative humidity between 50% and 80%. Rainfall ranges from 83–220 cm (33–87 in) a year.

The harmattan, a dry desert wind, blows from the northeast from December to March, lowering the humidity and causing hot days and cool nights in the north; the effect of this wind is felt in the south during January. In most areas, temperatures are highest in March and lowest in August. Variation between day and night temperatures is relatively small, but greater in the north, especially in January, because of the harmattan. No temperature lower than 10°C (50°F) has ever been recorded in Ghana.

## <sup>4</sup>FLORA AND FAUNA

Plants and animals are mainly those common to tropical regions, but because of human encroachment, Ghana has fewer large and wild mammals than in other parts of Africa. Most of the forest is in the south and in a strip along the border with Togo. Except for coastal scrub and grassland, the rest of Ghana is savanna. As of 2002, there were at least 222 species of mammals, 206 species of birds, and over 3,700 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Slash-and-burn agriculture and overcultivation of cleared land have resulted in widespread soil erosion and exhaustion. Over-

grazing, heavy logging, overcutting of firewood, and mining have taken a toll on forests and woodland. About one-third of Ghana's land area is threatened by desertification. Industrial pollutants include arsenic from gold mining and noxious fumes from smelters. Water pollution results from a combination of industrial sources, agricultural chemicals, and inadequate waste treatment facilities.

The nation has 30 cu km of renewable water resource with 52% used for farming activity and 13% used for industrial purposes; about 93% of all urban dwellers and 68% of the rural population have access to pure water.

Ghana has five national parks and four other protected areas; there are six Ramsar wetland sites. In 2003, 5.6% of the country's total land area was protected. The ban on hunting in closed reserves is only sporadically enforced, and the nation's wildlife is threatened by poaching and habitat destruction. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 15 types of mammals, 8 species of birds, 2 types of reptiles, 10 species of amphibians, 8 species of fish, and 117 species of plants. Threatened species included the white-breasted guinea fowl, the hartebeest, Pel's flying squirrel, the black crowned crane, the red-capped monkey, and the great white shark.

## 6 POPULATION

The population of Ghana in 2005 was estimated by the United Nations (UN) at 22,019,000, which placed it at number 49 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 40% of the population under 15 years of age. There were 102 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.3%, a rate the government viewed as too high. The government has become involved in programs aimed at slowing population growth, especially by educating adolescents about reproductive health. The projected population for the year 2025 was 32,846,000. The population density was 92 per sq km (239 per sq mi), with approximately 80% of the population residing in the south or in the far northeast and northwest.

The UN estimated that 44% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3%. The capital city, Accra, had a population of 1,847,000 in that year. Other large cities and their estimated populations were Kumasi (862,000) and Tema (209,000).

## 7 MIGRATION

For generations, immigrants from Burkina Faso and Togo did much of the manual work, including mining, in Ghana; immigrant traders from Nigeria conducted much of the petty trade; and Lebanese and Syrians were important as intermediaries. In 1969, when many foreigners were expelled, Ghana's alien community was about 2,000,000 out of a population of about 8,400,000. In 1986, the government estimated that at least 500,000 aliens were residing in Ghana, mostly engaged in trading.

Ghanaians also work abroad, some as fishermen in neighboring coastal countries. Many Ghanaians were welcomed in the 1970s by Nigeria, which was in the midst of an oil boom and in need of cheap labor. In early 1983, as the oil boom faded, up to 700,000 Ghanaians were expelled from Nigeria; soon after, however, many

deportees were reportedly being invited back by Nigerian employers unable to fill the vacant posts with indigenous labor. But in May 1985, an estimated 100,000 Ghanaians again were expelled from Nigeria.

The United Nations High Commissioner for Refugees (UNHCR) organized a plan for the voluntary repatriation of some 15,000 Liberian refugees; since June 1997, 3,342 have repatriated under the plan. Of those Liberian refugees remaining in Ghana, another 4,000 have expressed willingness to return to their homeland; however, the majority wish to stay in Ghana or be resettled in third countries. Repatriation efforts for both Liberian and Togolese refugees were ongoing in 1999. Also in 1999, both Liberian and Sierra Leonean refugees were still arriving in Ghana in sizable numbers. In 2000 the number of migrants living in Ghana was 614,000.

In 2004, Ghana hosted some 42,053 refugees, almost all Liberians. Asylum seekers numbered 6,010, mainly from Togo, Liberia, Sierra Leone and Côte d'Ivoire.

The level of remittances in Ghana increased appreciably from \$201.9 million in 1990 to \$1,017 million in 2003. As a percentage of GDP this increase is even more significant, 2.24% in 1990 to 13.4% in 2003. In 2005 the net migration rate was estimated as -0.59 migrant per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

It is fairly certain that Ghana has been occupied by Negroid peoples since prehistoric times. Members of the Akan family, who make up about 44% of the population, include the Twi, or Ashanti, inhabiting the Ashanti Region and central Ghana, and the Fanti, inhabiting the coastal areas. In the southwest, the Nzima, Ahanta, Ewe, and other tribes speak languages related to Twi and Fanti. The Moshi-Dagomba constitute about 16% of the population, the Ewe 13%, the Ga 8%, the Gurma 3%, and the Yoruba 1%. The Accra plains are inhabited by tribes speaking variants of Ga, while east of the Volta River are the Ewe living in what used to be British-mandated Togoland. All these tribes are fairly recent arrivals in Ghana, the Akan having come between the 12th and 15th centuries, the Ga-Adangbe in the 16th century, and the Ewe in the 17th century. Most of the inhabitants of the Northern Region belong to the Mole-Dagbani group of Voltaic peoples or to the Gonja, who appear to bear some relation to the Akan. European and other groups account for only 1.5% of the population.

## 9 LANGUAGES

Of the 56 indigenous languages and dialects spoken in Ghana, 31 are used mainly in the northern part of the country. The languages follow the tribal divisions, with the related Akan languages of Twi and Fanti being most prominent. Also widely spoken are Moshi-Dagomba, Ewe, and Ga. English is the official language and is the universal medium of instruction in schools. It is officially supplemented by five local languages.

## 10 RELIGIONS

An estimated 69% of the population belong to various Christian denominations, 15.6% are Muslims (though Muslim leaders claim the number is closer to 30%), and about 15.4% of the population follow traditional indigenous beliefs or other religions, includ-



LOCATION: 4°45' to 11°10' N; 1°12'E to 3°15' W. BOUNDARY LENGTHS: Togo, 877 kilometers (545 miles); Atlantic coastline, 539 kilometers (335 miles); Côte d'Ivoire, 668 kilometers (415 miles); Burkina Faso, 544 kilometers (338 miles). TERRITORIAL SEA LIMIT: 12 miles.

ing the Baha'i Faith, Buddhism, Judaism, Hinduism, Shintoism, Ninchiren Shoshu Soka Gakkai, Sri Sathya Sai Baba Sera, Sat Sang, Eckanker, the Divine Light Mission, Hare Krishna, and Rastafarianism. Christian denominations include Roman Catholics, three branches of Methodists, Anglicans, Mennonites, two branches of Presbyterians, Evangelical Lutherans, the Church of Jesus Christ of Latter-Day Saints, Seventh-Day Adventists, Pentecostals, Baptists, and Society of Friends. Some Christians also include elements of indigenous religions in their own practices, particularly magic and divination. There are three primary branches of Islam within the country: Ahlussuna, Tijanis, and Ahmadis. A small number of Muslims are Shia. Zetahil, a religion that is unique to Ghana, combines elements of both Islam and Christianity.

The indigenous religions generally involve a belief in a supreme being along with lesser gods. Veneration of ancestors is also common. The Afrikan Renaissance Mission, also known as Afrikania, is an organization which actively supports recognition and practice of these traditional religions.

In many areas of the country, there is still a strong belief in witchcraft. Those suspected of being witches (usually older women) have been beaten or lynched and occasionally banished to "witch camps," which are small villages in the north primarily populated by suspected witches. The law does provide protection for alleged witches. Among the Ewe in the Volta Region, there are still some who practice a form of religious servitude known as *Trokosi* (or *Fiashidi*). In this practice a virgin girl, usually in her early teens, is placed as a servant at a local shrine for a period of time that may extend from a few weeks to three years. The girl's service is meant to atone for crimes committed by a member of the girl's family. After the set period of service is completed, many girls continue to visit the shrine on a voluntary basis as a matter of maintaining family honor. Involuntary servitude is prohibited by law.

Although there is no state religion, attendance at assemblies or devotional services is required in public schools, with a service that is generally Christian in nature. However, this requirement is not always enforced.

## 11 TRANSPORTATION

The government's development program has been largely devoted to improving internal communications; nevertheless, both road and rail systems deteriorated in the 1980s. Rehabilitation began in the late 1980s, with priority being given to the western route, which is the export route for Ghana's manganese and bauxite production and also serves the major gold-producing area. Rail lines are also the main means of transportation for such products as cocoa, logs, and sawn timber; they are also widely used for passenger service. There were 953 km (592 mi) of narrow-gauge railway in 2004, with the main line linking Sekondi-Takoradi with Accra and Kumasi.

Ghana had about 47,787 km (29,723 mi) of roads in 2003, of which about 8,563 km (5,326 mi) were paved. Good roads link Accra with Tema, Kumasi, Takoradi, and Akosombo. In 2003, Ghana had 104,550 private automobiles and 53,450 commercial vehicles. The government transport department operates a cross-country bus service; municipal transport facilities are available in all main towns.

The Black Star Line, owned by the government, operates a cargo-passenger service to Canada, the United States, the United Kingdom, Italy, and West Africa. In 2005, Ghana had a merchant shipping fleet comprising four vessels of 1,000 GRT or over, totaling 19,086 GRT. Lake transport service between Akosombo and Yapei is operated by Volta Lake Transport Co.

Ghana has no natural harbors. An artificial deepwater port was built at Sekondi-Takoradi in the 1920s and expanded after World War II. A second deepwater port, at Tema, was opened in 1962, and in 1963 further extensions were made. At a few smaller ports, freight is moved by surfboats and lighters. The major rivers and Lake Volta provide about 1,293 km (803 mi) of navigable waterways.

In 2004, there were an estimated 12 airports in Ghana, 7 of which had paved runways as of 2005. Accra's international airport serves intercontinental as well as local West African traffic. Smaller airports are located at Sekondi-Takoradi, Kumasi, Tamale, and Sunyani. Ghana Airways, owned by the government, operates domestic air services and flights to other African countries and to the Federal Republic of Germany (FRG), London, and Rome. In 2003, approximately 241,000 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

Oral traditions indicate that the tribes presently occupying the country migrated southward roughly over the period 1200–1600. The origins of the peoples of Ghana are still conjectural, although the name "Ghana" was adopted on independence in the belief that Ghanaians are descendants of the inhabitants of the empire of Ghana, which flourished in western Sudan (present-day Mali), hundreds of miles to the northwest, more than a thousand years ago.

The recorded history of Ghana begins in 1471, when Portuguese traders landed on the coast in search of gold, ivory, and spices. Following the Portuguese came the Dutch, the Danes, the Swedes, the Prussians, and the British. Commerce in gold gave way to the slave trade until the latter was outlawed by Great Britain in 1807. The 19th century brought a gradual adjustment to legitimate trade, the withdrawal of all European powers except the British, and many wars involving the Ashanti, who had welded themselves into a powerful military confederacy; their position as the principal captors of slaves for European traders had brought them into conflict with the coastal tribes. British troops fought seven wars with the Ashanti from 1806 to 1901, when their kingdom was annexed by the British crown.

In 1874, the coastal area settlements had become a crown colony—the Gold Coast Colony—and in 1901 the Northern Territories were declared a British protectorate. In 1922, part of the former German colony of Togoland was placed under British mandate by the League of Nations, and it passed to British trusteeship under the UN after World War II. Throughout this period, Togoland was administered as part of the Gold Coast.

After a measure of local participation in government was first granted in 1946, the growing demand for self-government led in 1949 to the appointment of an all-African committee to inquire into constitutional reform. Under the new constitution introduced as a result of the findings of this committee, elections were held in 1951, and for the first time an African majority was granted

a considerable measure of governmental responsibility. In 1954, further constitutional amendments were adopted under which the Gold Coast became, for practical purposes, self-governing. Two years later, the newly elected legislature passed a resolution calling for independence, and on 6 March 1957 the Gold Coast, including Ashanti, the Northern Territories Protectorate, and the Trust Territory of British Togoland, attained full independent membership in the Commonwealth of Nations under the name of Ghana. The Gold Coast thus became the first country in colonial Africa to gain independence. The nation became a republic on 1 July 1960.

During the period 1960–65, Ghana's first president, Kwame Nkrumah, steadily gained control over all aspects of Ghana's economic, political, cultural, and military affairs. His autocratic rule led to mounting but disorganized opposition. Following attempts on Nkrumah's life in August and September 1962, the political climate began to disintegrate, as government leaders accused of complicity in the assassination plots were executed or removed from office. A referendum in January 1964 established a one-party state and empowered the president to dismiss Supreme Court and High Court judges. Another attempt to assassinate Nkrumah occurred that month.

In February 1966, Nkrumah was overthrown. A military regime calling itself the National Liberation Council (NLC) established rule by decree, dismissing the civilian government and suspending the constitution. A three-year ban on political activities was lifted 1 May 1969, and after elections held in August, the Progressive Party, headed by Kofi A. Busia, formed a civilian government under a new constitution. During his two years in office, Busia lost much of his public following, and Ghana's worsening economic condition was the pretext in January 1972 for a military takeover led by Lt. Col. Ignatius Kutu Acheampong, who formed the National Redemption Council (NRC). Unlike the military rulers who came to power in 1966, however, the NRC made no plans for a rapid return to civilian rule. The NRC immediately repudiated part of the foreign debt remaining from the Nkrumah era and instituted an agricultural self-help program dubbed Operation Feed Yourself. By July 1973, the last 23 of some 2,000 persons arrested during the coup that brought the NRC to power had been released.

The NRC was restructured as the Supreme Military Council in 1976. A military coup on 5 July 1978 ousted Acheampong, who was replaced by Lt. Gen. Frederick Akuffo. Less than a year later, on 4 June 1979, a coup by enlisted men and junior officers brought the Armed Forces Revolutionary Council to power, led by a young flight lieutenant, Jerry Rawlings. Acheampong, Akuffo, and another former chief of state, A. A. Afrifa (who had engineered Nkrumah's overthrow in 1966), plus five others, were found guilty of corruption and executed in summary proceedings. Dozens of others were sentenced to long prison terms by secret courts. The new regime did, however, fulfill the pledge of the Akuffo government by handing over power to civilians on 24 September 1979, following nationwide elections. The Nkrumah-style People's National Party (PNP) won 71 of 140 parliamentary seats in the balloting, and PNP candidate Hilla Limann was elected president.

Ghana's economic condition continued to deteriorate, and on 31 December 1981 a new coup led by Rawlings overthrew the civilian regime. The constitution was suspended, all political parties were banned, and about 100 business leaders and government of-

ficials, including Limann, were arrested. Rawlings became chairman of the ruling Provisional National Defense Council. In the following 27 months there were at least five alleged coup attempts. Nine persons were executed in 1986 for attempting to overthrow the regime, and there remained concern over the activities of exile groups and military personnel.

A new constitution was approved by referendum on 28 April 1992 and Rawlings was elected with about 58% of the vote in a sharply contested multiparty election on 3 November 1993. The legislative elections in December, however, were boycotted by the opposition, and the ruling National Democratic Congress (NDC) was able to capture 190 of the 200 seats.

On 4 January 1993, the Fourth Republic was proclaimed and Rawlings was inaugurated as president. Opposition parties, assembled as the Inter-Party Coordinating Committee (ICC), issued a joint statement announcing their acceptance of the "present institutional arrangements" on 7 January, and further stated that they would continue to act as an elected opposition even though they had won no seats in the assembly.

Throughout the 1990s, Ghana's Northern Region has been the site of ethnic/tribal strife. The Kankomba, a landless, impoverished people, began to fight for economic rights against the dominant Nanumbia. In 1995, a curfew was imposed on the region amid massive strife.

Legislative elections were again held in 1996. By maintaining power throughout his elected term (1992–96), Rawlings became the head of the first Ghanaian government to serve a full term without being overthrown. In 1995, Rawlings set up an Electoral Commission charged with setting up and conducting free elections complete with international observers. The Commission enlisted the help of all registered opposition parties and conducted a massive drive to register voters. In the balloting, held 7 December 1996, 77% of the electorate turned out, a substantial improvement over the turnout in 1992. Most observers credited the increase with the Rawlings government's increased transparency.

In 1996, Rawlings was reelected to a second four-year term, having received about 58% of the vote to the Great Alliance Party candidate John Kufour's 40%. The NDC took 133 seats in the 200-member assembly. The NPP emerged as the leading opposition, taking 60 of the remaining seats. The next presidential elections were held on 7 and 28 December 2000, with Rawlings barred by law from serving a third term. Kufour won the election, taking 57.4% of the vote to NDC candidate and Rawlings' vice president John Atta Mills's 42.6% in the second round of voting (Kufour won 48.4% of the vote in the first round, and Mills took 44.8%). Five other candidates contested the elections, and Rawlings relinquished power willingly. When Kufour took office in January 2001, he began investigations into alleged corruption and human rights violations during the time Rawlings was in power, which caused consternation on Rawlings' part. Also on 7 December, parliamentary elections were held; the second round of voting was held on 3 January 2001, and the NPP took 100 of the 200 seats, to the NDC's 92. The elections were judged by international observers to be generally free and fair, although there were reports of government pressure on the media and voter intimidation.

Tension between Kufour and Rawlings continued throughout 2001, and came to a head on 4 June when Rawlings, who was celebrating the anniversary of his 1979 takeover of power, gave

a speech that implied Kufour did not have the confidence of the military. This was seen as a threat of another coup, and thousands marched in protest of Rawlings' statement. One of Kufour's first acts as president was to abolish the national holidays commemorating 4 June 1979 and the 31 December 1981 anniversary of the second coup that began the Rawlings era. Following Rawlings' speech, the military leadership stated its support of the Kufour government.

One of the most well-known Ghanaians is Kofi Annan, the seventh secretary general of the United Nations. Born in Kumasi, Ghana, on April 8, 1938, Kofi Annan rose as a UN bureaucrat and was elected by the UN Security Council as Secretary General on 13 December 1996 and confirmed by the UN General Assembly four days later. Annan was the first black African to become Secretary General. Annan's tenure as Secretary General was renewed on 1 January 2002 for another five-year term. Annan and the United Nations jointly received the Nobel Peace Prize for "their work for a better organized and more peaceful world" on 10 December 2001.

In early 2003, Kufour was host to talks between Côte d'Ivoire's new prime minister, Seydou Diarra, and representatives of the country's northern-based rebels in an attempt to reach an accord on a power-sharing agreement with President Laurent Gbagbo's government, after the civil war that broke out in the country in September 2002.

Ghana's leaders and citizens face unprecedented social threats. The National AIDS Control Programme (NACP) in Accra expects that by 2014 AIDS will account for 35% of all deaths. In 1994, AIDS accounted for an estimated 3.5% of all deaths with some 200 people being infected daily. In February 2000, the estimated HIV prevalence was between 4% and 5% nationwide. HIV/AIDS affects the development of all sectors including health, education, the labor force, economy, transport and agriculture. To curb the pandemic, Ghana has launched a national crusade against it. In August 2005 Ghana started producing antiretroviral (ARV) drugs in the capital Accra as part of government plans to expand distribution of the life prolonging treatment for its HIV-positive citizens. This was achieved in a joint venture between Danpong Pharmaceuticals of Ghana and Adams Pharmaceuticals of China. The venture was expected to decrease the government bill for providing ARVs to some 2,600 patients by 45%, according to official sources.

Despite this setback to Ghana's development, in August 1999, representatives of Shell and Chevron signed a memorandum of understanding with representatives of Nigeria, Benin, Togo, and Ghana specifying that a gas pipeline traversing the four countries would be built. In February 2003, the heads of state of the four countries signed a treaty on establishing a legal and fiscal framework and a regulatory authority for the \$500 million West African Gas Pipeline (WAGP). The pipeline will be designed to carry an initial volume of 195 million cubic feet of gas. In 2004 the US mining company Newmont entered Ghana's mining sector; it was projected they would invest up to \$1 billion.

On 15 July 2004 the National Reconciliation Commission (NRC) formally wrapped up public hearings after 18 months and over 2,000 accounts of human rights violations. Modeled on South Africa's Truth and Reconciliation Commission, Kufour's government set up the NRC on 3 September 2002 in order to foster na-

tional healing after human rights abuses and atrocities committed under Jerry Rawlings' and previous military regimes. Witnesses in the \$5 million process included ordinary Ghanaians and high-profile individuals, such as former President Rawlings. Rawlings appeared before the commission in February to answer questions about his role in specific atrocities, including murder. The NRC submitted its final report and recommendations in October 2004. The government accepted many of the commission's recommendations through a White Paper that was produced in April 2005, including establishment of a Reparation and Rehabilitation Fund for victims of abuse, training and much-needed reform in operation of the security forces.

John Agyekum Kufour won a mandate for a second term at the polls held on 7 December 2004. Kufour defeated NDC's Atta Mills, winning 52.45% of the vote to Mills' 44.64%. Grand Coalition's Edward Mahama and the Convention People's Party (NPP) George Aggudey, polled 1.92 % and 1 %, respectively. Government claims of a coup attempt raised fears of unrest. One month before the elections the government arrested and questioned a group of people, including seven former soldiers, who were allegedly found with military helmets, body armor, a firearm and ammunition. However, the Electoral Commission reported a remarkable turnout of 85.1%, about 8.5 million Ghanaians, credited to an aggressive voter registration campaign mounted by the Electoral Commission. For the first time registration included issue of picture identity cards and sought to eliminate fraud and build confidence in the electoral process. Both domestic and international observers pronounced the elections generally free, fair, and peaceful. There were a few incidents of intimidation and violence in which three people were reported killed. Eight political parties contested parliamentary elections that were run concurrently and four fielded presidential candidates. The 2004 election saw 30 new parliamentary constituencies added to the 2000 election, making a 230-member parliament. In the parliamentary elections, the ruling New Patriotic Party (NPP) won 128 seats, the National Democratic Congress (NDC), 94; the People's National Convention (PNC), 4; the Convention People's Party (CPP), 3; and an independent won 1 seat.

### 13 GOVERNMENT

Since independence, Ghana has experienced four military coups and ten changes of government. The military ruled Ghana by decree from 1972 to 1979, when an elected constituent assembly adopted a new constitution establishing a unicameral parliament and an executive branch headed by a president. On 31 December 1981, a military coup installed the Provisional National Defense Council (PNDC) as the supreme power; the constitution was suspended and the national assembly dissolved.

A consultative assembly, convened late in 1991 to draw up a new constitution, completed its work in March 1992. The government inserted a controversial amendment indemnifying officials of the PNDC from future prosecution for all acts of commission and omission during their term in office. In an April 1992 referendum, the constitution was approved by 92.5% of voters in a low turnout (58% of those eligible). It provides for a presidential system and a legislature (national assembly) of 200 members. Since the 1992 referendum, the government introduced multiparty competition, with the 1996 and 2000–2001 and 2004 elections

receiving high marks for fairness from international observers. In March 2004 Kufour's government averted a crisis by shelving an attempt to fast-track a bill seeking to allow all Ghanaians living abroad to register for the 2004 general elections. This action followed an outcry from opposition, which claimed the amendment was designed and timed to give the NPP an unfair electoral advantage in the 2004 elections, and threatened street protests if the bill was rushed through parliament.

Rawlings was both chief of state and head of government until his second term expired in December 2000. The president is elected for a four-year term, and the constitution bars a third term. John Agyekum Kufour was elected president in 2000 over Rawlings's vice president and hand-picked would-be successor, John Atta Mills. Kufour defeated Mills again in the 2004 elections winning a second and final term based on the country's constitution. Earlier, the opposition had supported the move to increase the number of seats in the national assembly from 200 in the 2000 elections to 230 for the 2004 elections.

## 14 POLITICAL PARTIES

The United Gold Coast Convention (UGCC) was established in 1947 with the declared aim of working for self-government at the earliest possible date. In 1949, as most of the UGCC leadership came to accept constitutional reform as an alternative to immediate self-government, the party secretary, Kwame Nkrumah, broke away and formed his own group, the Convention People's Party (CPP). In January 1950, Nkrumah announced a program of "positive action" for which he and the main leaders of the party were prosecuted and sentenced for sedition. At the first elections held in 1951 under a new constitution, the CPP obtained 71 of the 104 seats, and Nkrumah and his colleagues were released from prison to enter the new government. In May 1952, Kofi A. Busia, of the University College, founded the Ghana Congress Party (GCP), which continued the UGCC position of trying to form alliances with traditional chiefs. The GCP's leadership was a mixture of dissatisfied former CPP members and the professional-oriented leadership of the UGCC. In 1953, Nkrumah was elected life chairman and leader of the CPP.

In 1954, the assembly and cabinet became all African. A new party, the Ashanti-based National Liberation Movement (NLM), was formed to fight the general centralizing tendencies of the CPP and also to maintain the position of the traditional rulers; the NLM leadership, except for Busia, consisted of former CPP members. In the elections held in 1956, however, the CPP retained its predominant position, winning 72 of 108 seats in the Legislative Assembly.

One of the first acts of independent Ghana under Nkrumah was the Avoidance of Discrimination Act (1957), prohibiting sectional parties based on racial, regional, or religious differences. This led the opposition parties to amalgamate into the new United Party (UP), opposing the government's centralization policies and the declining power of the traditional rulers. The effectiveness of the opposition was reduced following the 1960 election by the withdrawal of official recognition of the opposition as such and by the detention of several leading opposition members under the Preventive Detention Act (1958). In September 1962, the National Assembly passed by an overwhelming majority a resolution call-

ing for the creation of a one-party state; this was approved by referendum in January 1964.

After the military takeover of February 1966, the National Liberation Council outlawed the CPP along with all other political organizations. The ban on political activities was lifted on 1 May 1969, and several parties participated in the August 1969 balloting. The two major parties contesting the election were the Progress Party (PP), led by Busia, which was perceived as an Akan-dominated party composed of former members of the opposition UP; and the National Alliance of Liberals (NAL), a Ewe- and CPP-dominated group under the leadership of the former CPP minister Komla Gbedemah. The PP won 105 seats in the 140-member National Assembly; 29 seats were captured by the NAL, and 6 by the five minor parties. In October 1970, the NAL merged with two of the smaller groups to form the Justice Party.

All political parties in Ghana were again disbanded following the January 1972 military coup led by Col. Acheampong. When political activities resumed in 1979, five parties contested the elections. The People's National Party (PNP), which won 71 of 140 seats at stake, claimed to represent the Nkrumah heritage; the Popular Front Party (PFP) and the United National Convention (UNC), which traced their lineage back to Busia's Progress Party, won 43 and 13, respectively. The Action Congress Party (ACP), drawing primary support from the Fanti tribe, won 10 seats, while the leftist Social Democratic Front won 3. After the elections, the PNP formed an alliance with the UNC. In October 1980, however, the UNC left the governing coalition, and in June joined with three other parties to form the All People's Party. The coup of December 1981 brought yet another dissolution of Ghana's political party structure. Opposition to the Provisional National Defense Council (PNDC) was carried on by the Ghana Democratic Movement (organized in London in 1983) and a number of other groups.

With adoption of a new constitution in April 1992, the long-standing ban on political activity was lifted on 18 May 1992. Ghanaians prepared for the presidential and legislative elections to be held in November and December. The parties that emerged could be grouped into three clusters. The center-right group was the most cohesive and it consisted of followers of Kofi Busia. They formed the New Patriotic Party (NPP) and chose Adu Boahe as their presidential candidate. The center-left group was Nkrumahists. Ideological and leadership differences kept them divided into five separate parties, of which the People's National Convention, a party led by ex-President Limann, was best organized. PNDC supporters comprised the third grouping. They favored continuity and, after forming the National Democratic Congress (NDC), were able to draft Rawlings as their candidate.

Rawlings eventually defeated Boahe (58% to 30%) for the presidency. Opposition parties boycotted the December 1992 legislative elections, and the NDC carried 190 of the 200 seats. But the fear of one-party control prompted a split in the NDC. The official opposition in parliament was a faction of the ruling NDC.

Meanwhile, the NPP provided the most serious challenge to the NDC. It sees itself as defender of the new constitution. The NPP broke away from the opposition, the Inter-Party Coordinating Committee, by announcing in August 1993 its recognition of the 1992 election results, which the ICC had refused to accept.

On 7 December 1996, parliamentary elections were again held and while Rawlings's NDC maintained a majority, it fell from 190

seats in 1992 to 133 seats. The NPP, leading the opposition, won 60 seats. The People's Convention held 5 seats and the People's National Convention held 1. The elections were preceded by a massive voter registration drive and judged to be free and fair by international observers.

Leading up to the 2000 elections, the four main opposition parties formed the Joint Action Committee (JAC) to monitor the electoral register and campaign activities to ensure transparency. The elections for the National Assembly were held on 7 December 2000 and 3 January 2001. The NPP emerged the winner by a slim margin, taking 100 seats to the NDC's 92. The socialist People's National Convention took three seats, the socialist Convention People's Party took one seat, and independents won four seats. In the 7 and 28 December 2000 presidential elections, in addition to the NPP's candidate John Kufour and the NDC's candidate John Atta Mills, the following five parties put presidential candidates forward: the People's National Convention, the Convention People's Party, the National Reform Party, the Great Consolidated Popular Party, and the United Ghana Movement.

On 7 December 2004, presidential and parliamentary elections were held simultaneously. Eight political parties competed in the parliamentary elections and four parties fielded candidates in the presidential elections. John Kufour won a second four-year term as president in elections which had an turnout of 85.1% of registered voters, and was judged to be generally free, fair, and peaceful by both domestic and international observers. For a second time, Kufour standing for the ruling NPP defeated his main challenger, NDC's Atta Mills. Kufour won 52.45% of the vote to Mills' 44.64%. Grand Coalition's Edward Mahama and the Convention People's Party (NPP) George Aggudey, won 1.92% and 1%, respectively.

In the parliamentary elections, only half of the eight parties contesting won seats in parliament. The ruling New Patriotic Party (NPP) won 128 seats, the National Democratic Congress (NDC), 94; the People's National Convention (PNC), 4; the Convention People's Party (CPP), 3; and independent, 1. The next elections were scheduled for December 2008.

## **15 LOCAL GOVERNMENT**

As of early 2003, Ghana was divided into 10 regions: Eastern, Western, Ashanti, Northern, Volta, Central, Upper East, Upper West, Brong-Ahafo, and Greater Accra. In 1994, the 10 regions were further subdivided into 267 local administrative units. Local government in Ghana has traditionally been subject to the central government because responsibilities between the two were not well-defined. In late 1982, the government announced that town and village councils, which had been dissolved after the 1981 coup, would be run by people's and workers' defense committees. They were replaced by Committees for the Defense of the Revolution in 1984. The Local Government Law of 1988 and the Local Government Act of 1993 further empowered local governments, and set the stage for efforts to assist them with development planning, working with civil society, and less dependence on central government for resources.

Elections for 103 district assemblies, 4 municipal assemblies, and 3 metropolitan assemblies were conducted in March 1994. In April 2000, the World Bank approved a US\$11-million credit for infrastructure development in Ghana's smaller cities. The Urban 5 Project is intended to support Ghana's decentralization program

through capacity building, improvement of urban infrastructure, and delivery of services at the levels of the district assemblies. The project is part of an 11-year program. Local assembly elections were held in August 2002; 14,079 candidates competed in the elections, which were peaceful but marked by low voter turnout. The next local assembly elections were scheduled for 2006.

## **16 JUDICIAL SYSTEM**

The 1992 constitution established an independent judiciary and a number of autonomous institutions such as the Commission for Human Rights to investigate and take actions to remedy alleged violations of human rights. The new system is based largely on British legal procedures. The new court system consists of two levels: superior courts and lower courts. The superior courts include the Supreme Court, the Appeals Court, the High Court, and regional tribunals. Parliament has the authority to create a system of lower courts. The old public tribunals are being phased out as they clear their dockets.

The 1971 Chieftaincy Act gives the traditional courts powers to mediate local matters. Traditional courts in which village chiefs enforce customary tribal laws in resolving local divorce, child custody, and property disputes continue to operate alongside the new courts.

The constitution provides for an independent judiciary. However, in practice the judiciary is influenced on occasion by the executive branch, and is hampered by a lack of staff and financial resources. The government nominates any number beyond a minimum of nine members to the Supreme Court, subject to parliament's approval.

Defendants have the right to have a public trial, to be presumed innocent, to have an attorney, and to cross-examine witnesses. Under Kufour's office there were improvements in human rights, freedom of expression, freedom of the press and independence of the judiciary from the executive.

## **17 ARMED FORCES**

In 2005, Ghana's active defense forces numbered 7,000 personnel. The Army had 5,000 members including the Presidential Guard. The 1,000-member Navy operated six patrol/coastal vessels. The Air Force had 1,000 personnel. Equipment included 19 combat capable aircraft, including 3 fighter ground attack aircraft and another 16 that were also used as training aircraft. The Ghanaian military provides support to UN and peacekeeping missions in eight countries or regions. The defense budget in 2005 totaled \$49.5 million.

## **18 INTERNATIONAL COOPERATION**

On 8 March 1957, Ghana was admitted to the United Nations; the nation belongs to ECA and several nonregional specialized agencies. Ghana is also a member of the African Development Bank, the ACP Group, Commonwealth of Nations, G-24, G-77, the New Partnership for Africa's Development (NEPAD), and African Union. The nation is also a member of the WTO and holds observer status in the OAS.

In November 1974, Ghana was admitted as a member of the International Bauxite Association and in June 1975 it ratified the treaty creating ECOWAS. From 2003–05, President John Agyekum Kufour served as the chairperson of ECOWAS heads of state.



In this capacity, he led the country in taking on a strong role in the Côte d'Ivoire and Liberian peace process. The government is participating in efforts to establish a West African Monetary Zone (WAMZ) that would include The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone.

In 2003, Ghana sent troops to Côte d'Ivoire as part of the ECOWAS stabilization force. Ghana has also offered support to UN missions and operations in Kosovo (est. 1999), Lebanon (est. 1978), the Western Sahara (est. 1991), Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Sierra Leone (est. 1999), Burundi (est. 2004), Côte d'Ivoire (est. 2004), and the DROC (est. 1999). Ghana is part of the Nonaligned Movement.

In environmental cooperation, Ghana is part of the Convention on Biological Diversity, Ramsar, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Ghana's economy is led by the agricultural sector, which accounted for about 35% of GDP and employed 65% of the labor force in 2001. Its key crops are cassava, coco-yams (taro), plantains, and yams. Maize, millet, sorghum, rice, and groundnuts are also important staple crops. Agricultural crops which are sold for export include coffee, bananas, palm nuts, copra, limes, kola nuts, shea nuts, rubber, cotton, and kenaf. Cocoa, however, is the dominant export crop; in 2000–2001, cocoa production was estimated to be around 400,000 metric tons. The civil war in Côte d'Ivoire that began in 2002 contributed to a marked rise in cocoa prices, but it was unknown if this development would result in a long-term shift in the cocoa market.

Ghana produces meat, but not enough to satisfy local demand. The fishing industry, likewise, produces only about half of local demand.

Ghana has significant deposits of gold, and important new investments were made in this sector in 1992. In that year, earnings from gold exports exceeded those of cocoa for the first time, and continued to do so as of 2003. Industrial diamonds are also produced. Ghana is a modest oil producer and refines petroleum products. Bauxite deposits are substantial but largely unexploited: the aluminum smelter at Tema uses bauxite imported from Jamaica. Significant manganese production occurs at Nsuta.

In addition, tourism and timber are growth areas. Timber reserves, however, are declining due to large-scale deforestation that is both legally approved and illegal. With respect to tourism, infrastructure and communications outside the main cities are poor, but tourism has become the country's third-largest source of foreign currency.

Prior to 1990, the economy was dominated by over 300 state-owned enterprises. Although over 150 of these firms had been privatized by 1996, the overall pace of privatization has been slow. The economy is also hampered by poor roads and an inadequate telecommunications sector. Inflation has also been a problem peaking at 70% in 1995 before receding to about 21% by the end of 2001. Inflation has been fueled by undisciplined spending by parastatals and large public sector wage increases, which have added substantially to the government's budget deficit. In an attempt to contain inflation, the government has pursued a high interest rate

policy. The economy grew at 4.5% in 1995, up from 3.8% in 1994, due to increased gold production and a good cocoa harvest. The economy continued at a growth rate of 4.2% in 2001. Ghana remains heavily reliant on international assistance from the World Bank, its largest donor. Most aid is tied to progress in the privatization program. Ghana in 2001 applied for a debt reduction package under the Heavily Indebted Poor Countries Initiative set up by the World Bank and the IMF; Ghana was to receive \$875 million over three years.

The 600 km (373 mi) West Africa Gas Pipeline, for which Ghana will provide a supply point in Tema, was to be constructed in 2003, with an estimated capacity of 11 million cu m (400 million cu ft) a day.

The government under John Agyekum Kufuor that came to power in 2000 was dedicated to privatization and encouraging foreign investment. Kufuor declared his administration to usher in the "Golden Age of Business."

In 2004, the economy expanded by a significant 5.8%, up from 5.2% in 2003, and 4.5% in 2002; the GDP growth rate was expected to be 4.8% in 2005. This economic upsurge was sustained by a booming gold sector. Also there was a higher demand for cocoa as a result of political turmoil in neighboring Côte d'Ivoire (the world's biggest cocoa producer prior to 2002). Inflation, although on a downward spiral (it decreased from 26.7% in 2003 to 12.6% in 2004), remained a problem and was expected to grow again in coming years.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Ghana's gross domestic product (GDP) was estimated at \$51.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,500. The annual growth rate of GDP was estimated at 4.3%. The average inflation rate in 2005 was 15%. It was estimated that agriculture accounted for 35.5% of GDP, industry 25.6%, and services 39%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$65 million or about \$3 per capita and accounted for approximately 0.9% of GDP. Foreign aid receipts amounted to \$907 million or about \$44 per capita and accounted for approximately 12.2% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Ghana totaled \$6.17 billion or about \$298 per capita based on a GDP of \$7.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 1.7%. It was estimated that in 1999 about 39.5% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Ghana's workforce was estimated at 10.62 million. As of 2000 (the latest year for which data was available), agriculture accounted for 55% of the workforce, with 14% in industry, and 31.1% in services. According to a survey conducted in 2000 (the

latest year for which data was available), Ghana's unemployment rate was estimated at 8.2%.

Although freedom of association is provided by law, the government controls the right to unionize. Government has not, however, prevented the formation of unions. Less than 9% of workers in the formal economy are union members partially due to the weak economy. More workers, up to 86%, are entering the informal sector which is not organized. The law protects the right to strike after mandatory arbitration, but this has not been utilized. Workers are also permitted to engage in collective bargaining.

The minimum working age is 15, but local custom and economic necessity encourage many children to work at much younger ages. The government, labor, and employers set a daily minimum wage of \$.78 which was still in effect in 2002. This amount does not provide a living wage for a family. The legal maximum workweek is set at 45 hours, but most collective bargaining agreements allow for a 40-hour week. Health and safety regulations are difficult to enforce due to lack of resources.

## 22 AGRICULTURE

Agriculture, especially cocoa, forms the basis of Ghana's economy, accounting for 36% of GDP in 2003. Cocoa exports in 2004 contributed 35% (\$812.6 million) to total exports. About 28% of the total area, or 6,385,000 hectares (15,777,000 acres), was cultivated in 2003. About 85% of all agricultural land holders in Ghana are small scale operators who primarily farm with hand tools.

Cocoa beans were first introduced to Ghana in 1878 by Tettah Quarshie. Thereafter, the cultivation of cocoa increased steadily until Ghana became the world's largest cocoa producer, supplying more than one-third of world production by the mid-1960s. By the early 1980s, production was less than half that of two decades before; market conditions were aggravated by a drop of nearly 75% in world cocoa prices between 1977 and 1982. In 1983/84, cocoa production totaled 158,000 tons, the lowest since independence; by 2004, production had rebounded to about 736,000 tons (second highest after Côte d'Ivoire). The Ghana Cocoa Marketing Board purchases and (at least in theory) exports the entire cocoa crop, as well as coffee and shea nuts. Cocoa smuggling was made punishable by death in 1982.

Ghana continued to be a net food importer. Ghana's Ministry of Food and Agriculture estimated that Ghanaian agriculture may be operating at just 20% of its potential. The grain harvest in 2004 included corn, 1,157,600 tons; paddy rice, 241,800 tons; sorghum, 399,000 tons; and millet, 144,000 tons. Other crops were cassava, 9,738,000 tons; plantains, 2,380,000 tons; coco-yams (taro), 1,800,000 tons; yams, 3,892,000 tons; peanuts, 389,000 tons; tomatoes, 200,000 tons; sugarcane, 140,000 tons; coconuts, 315,000 tons; chilies and peppers, 270,000 tons; oranges, 300,000 tons; palm kernels, 37,000 tons; and palm oil, 114,000 tons. Considerable potential exists for the development of agricultural exports including pineapples, tomatoes, soybeans, and cut flowers.

## 23 ANIMAL HUSBANDRY

Livestock can be raised only in the tsetse-free areas, mainly in the Northern Region and along the coastal plains from Accra to the eastern frontier. Ghana's indigenous West African shorthorn is one of the oldest cattle breeds in Africa. Ghanaian livestock farms which can be termed ranches are few; average livestock population

for these outfits is about 400 animals. The elimination of deadly epizootic diseases by prophylactic inoculation of cattle (especially with the help of mobile immunization centers) resulted in a rise of the cattle population from 100,000 head in 1930 to 662,000 in 1968 and 1,385,000 in 2005. There were also about 3,631,000 goats, 3,211,000 sheep, 305,000 hogs, and 30,000,000 poultry. Total meat production in 2005 was 177,450 tons. Many live animals and much meat are imported (mainly from Nigeria) to satisfy local demand. A serious problem for the livestock industry continues to be the provision of adequate feed for animals during the dry season. Almost every household in Ghana rears a few animals for home consumption and as capital saving in case of crop failures.

## 24 FISHING

In 2003, the total marine fish catch was 315,756 tons, and the freshwater catch (not including subsistence fishing) about 75,938 tons. Round sardinella and European anchovies together accounted for 41% of the total catch. Exports of fish products amounted to \$118.4 million in 2003. In 1973, an industrial fishing complex at Tema began production of canned pilchards and sardines. Lake Volta accounts for about half the freshwater catch. Considerable potential exists for the development of shrimp and fish exports.

## 25 FORESTRY

The forest area (primarily in the south) covers about 28% of the country. Since October 1972, the government has acquired a majority share in a number of foreign-owned timber companies. The Timber Marketing Board has a monopoly on the export of timber and timber products.

Among the roughly 300 timber-producing species are the warwa obech, mahogany, utile, baku, and kokrodua; species such as avodire, sapale, and makuri are considered the best in Africa. A ban on the export of 21 species was established in 1979 in order to encourage the production of sawn timber and timber products. The total production of roundwood in 2004 was 22,078,000 cu m (779,353,000 cu ft), with 95% burned as fuel. Sawn wood production was 496,000 cu m (17,500,000 cu ft), with exports of \$104.9 million. Total exports of forest products in 2004 amounted to \$190.6 million. After cocoa and minerals, sawn timber and logs constitute the third-largest export item. The government is encouraging a shift to value-added timber exports in order to strengthen Ghana's position in the global market, create more employment, and bring in more foreign revenue.

## 26 MINING

Ghana's mining and quarrying sector in 2003, accounted for about 25% of the country's gross domestic product (GDP) and around 10% of the government's revenues. Employment in this sector is about 14,000 workers or under 1% of the country's labor force. Ghana was Africa's second-largest gold producer, behind South Africa, and was the continent's third-largest producer of aluminum metal and manganese ore. In 2003, exports of gold accounted for \$830 million out of total exports valued at \$2.471 billion. Extensive smuggling of gold, the top export of the Gold Coast, and of diamonds through the years has cut into government revenues, as well as high energy costs, which negated increased prices for gold

and cocoa. In 2003, Ghana also produced hydraulic cement, salt, diamonds, silver, and bauxite.

Gold production in 2003, not including smuggled or undocumented production was 68,700 kg, down from 69,271 kg in 2002.

Production of processed manganese ore, all from the Nsuta-Wassaw open-pit mine, was 1,509,000 metric tons in 2003, up from 1,136,000 metric tons in 2002. Only one relatively small bauxite deposit was worked, at Awaso. The site has been in production since 1941 by Ghana Bauxite Company (20% government owned); reserves have been estimated to last 30 years, and other ore reserves nearby were adequate to support mine life for a century. In 2003, production amounted to 495,000 metric tons, down from 684,000 metric tons in 2002. Akwatia, was the only formal operating diamond mine. However, over two-thirds of the diamonds produced were recovered by artisanal miners from alluvial and raised terrace gravel workings in the Birim Valley. Total production in 2003 (gem and industrial), and not including unreported artisanal production, amounted to 927,000 carats, down from 963,000 carats in 2002; total formal-sector production peaked in the 1970s at more than 2.5 million carats.

## 27 ENERGY AND POWER

Output of electricity totaled 5.858 million kWh in 2002, of which 89% was from hydroelectric sources and 11% was from fossil fuels. As of 2002 total installed capacity was 1,200 MW. The greatest single source of power is the Volta River Project, begun in 1962 and based on a hydroelectric installation at Akosombo, about 100 km (60 mi) northeast of Accra. Work on the Akosombo (or Volta River) Dam was finished in 1965. The first stage of the electrification project was completed in mid-1967 and had a capacity of 512,000 kW; by 1990, the plant's capacity had been expanded to 912 MW. Ghana's other major hydroelectric plant is at Kpong (160 MW). The Volta River Authority supplies 99% of the total national electricity consumption, 50–60% of which is absorbed by aluminum refining. Excess electricity is sold to Togo, Benin, and Côte d'Ivoire. A \$150 million project to extend the main grid to northern Ghana was completed in 1991.

Beginning in the 1970s, oil exploration was conducted offshore and in the Volta River Basin. In 1979, an offshore field developed by Agri-Petco, a US company, began operations; it was later taken over by Primary Fuel, also a US company, but production ceased in 1986. The Ghana National Petroleum Corporation, which was established in 1984, reported production of oil at the rate of 6,000 barrels per day at the South Tano Basin in 1991. By 1994, total Ghanaian crude oil production totaled only 1,400 barrels per day, but it rose to 7,000 barrels per day by 2002, compared with consumption totaling at 40,490 barrels per day in the same year. Nigerian oil accounts for the bulk of petroleum imports. Recoverable oil reserves were estimated at 16.2 million barrels, with refining capacity at 45,000 barrels per day, as of 1 January 2002. Refinery production in 2002 was put at 26,370 barrels per day. Natural gas reserves, located primarily in the Tano fields, were estimated as of 1 January 2003 at 23.7 billion cu m (840 billion cu ft).

## 28 INDUSTRY

Food, cocoa, and timber processing plants lead a list of industries that include an oil refinery, textiles, vehicles, cement, paper, chemicals, soap, beverages, and shoes. As part of its chemicals industry,

Ghana produces rubber, aluminum, and pharmaceuticals. Much of Ghana's industrial base was nationalized over the years. Encouraged by the IMF, however, Ghana has largely ended its parastatal era. Between 1991 and 1999, more than two-thirds of the 300 public sector companies were divested, and the government decided to speed up privatization by contracting private consultants to manage the process.

In 2000, industry annually accounted for about 25% of GDP. Recent industrial activity has included a reopened glass factory, a new palm oil mill, a locally supplied cement plant, and facilities for milling rice, distilling citronella, and producing alcohol. Industry in Ghana is now oriented towards the fabrication of value-added semi-manufactured and finished products rather than just primary commodities for export—items such as furniture, jewelry, beer bottles, aluminum cooking utensils, fruit juice, and chocolate bars. The Tema industrial estate includes the Tema Food Complex, comprised of a fish cannery, flour and feed mills, a tin-can factory, and other facilities. The aluminum smelter at Tema is owned by Kaiser Aluminum and is one of Ghana's largest manufacturing enterprises.

The construction industry in 2002 included projects geared toward the building of roads, bridges, coastal works, and residential housing.

Ghana produces no oil or natural gas, but it has an oil refinery with a capacity of 45,000 barrels per day. The Tema refinery operates on crude oil imported from Nigeria. Ghana has natural gas reserves of 24 billion cu m (847 billion cu ft). The 600 km (373 mi) West African Gas Pipeline was due to be completed in 2003, with a supply point in Tema. The pipeline was to have an estimated capacity of 11.33 cu m (400 cu ft) a day.

In 2004, industry made up 24.2% of the economy and employed and estimated 15% of the working population; the service sector was the most important contributor to the GDP, while the agriculture sector was the biggest employer.

## 29 SCIENCE AND TECHNOLOGY

The Council for Scientific and Industrial Research founded in 1958 at Accra, advises the government on scientific matters, coordinates the national research effort, and disseminates research results. Attached to the council are 14 research institutes, many of which deal with land and water resources. Other learned societies and research institutions include the Ghana Institution of Engineers, the Pharmaceutical Society of Ghana, and the Geological Survey of Ghana, all at Accra; and the Ghana Science Association, the Ghana Meteorological Services Department, and the West African Science Association, all at Legon; and the Cocoa Research Institute at Tafo-Akimo. The Ghana Academy of Arts and Sciences was founded in 1959.

The University of Ghana, at Legon, has faculties of agriculture and science, a medical school, and institutes for medical research and for Volta River Basin studies. The University of Cape Coast has a faculty of science and a school of agriculture. The University of Science and Technology at Kumasi has faculties of agriculture, environmental and development studies, pharmacy and science, and schools of engineering and medical science. The country also has a computer science institute in Accra and eight technical institutes and polytechnics in various cities. In 1987–97, science

and engineering students accounted for 32% of college and university enrollments.

In 2002, high technology exports totaled \$3 million, or 3% of manufactured exports.

### 30 DOMESTIC TRADE

Subsistence farming is still the primary basis of the domestic economy, with nearly 60% of the work force employed in agriculture. Although there are retail stores in all towns and main trading centers, most retail trade, particularly of food products, is still carried on in local markets, mainly by women. Larger wholesale and retail outlets (including supermarkets) are primarily located in Accra. The overseas marketing of primary agricultural products is effected through governmental marketing boards, which use trading companies and cooperatives as agents to purchase commodities from the producers. A value added tax of 12.5% applies to all consumer goods and services. An excise tax applies for certain products such as cigarettes and alcohol.

Normal business hours are from 8 AM to noon and 2 to 4:30 or 5 PM, Monday through Friday; some companies also open on Saturday morning. Banks are open from 8:30 AM to 2 PM, Monday through Thursday, and to 3 PM on Friday. English is widely spoken.

### 31 FOREIGN TRADE

Cocoa exports from Ghana produce almost a fifth of commodity export revenues (18%), and a competitive percentage of world cocoa exports (7.8%). The mining industry receives the largest percentage of export money, by selling gold, diamonds, base metals (37%), and aluminum (9.1%). Wood exports were also substantial (5.6%). Imports included capital equipment, petroleum, consumer goods, and foods, most notably rice.

In 2004, exports reached \$3.01 billion (FOB—free on board), while imports grew to \$3.7 billion (FOB). The bulk of exports went to Mexico (69.8%), the Netherlands (3.7%), and the United Kingdom (3%). Imports mainly came from Nigeria (12.6%), China (11.4%), the United Kingdom (6.6%), the United States (6.4%), France (4.9%), and the Netherlands (4.2%).

#### Principal Trading Partners – Ghana (2001-2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,716.1	2,720.1	-1,004.0
Switzerland-Liechtenstein	426.5	18.0	408.5
United Kingdom	311.7	239.3	72.4
United States	120.8	202.4	-81.6
Netherlands	96.0	137.9	-41.9
Italy-San Marino-Holy See	83.3	124.2	-40.9
Cyprus	82.9	...	82.9
Germany	71.4	190.0	-118.6
France-Monaco	63.2	104.7	-41.5
South Africa	59.6	101.6	-42.0
Togo	52.9	14.0	38.9

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Ghana (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>254.9</b>
Balance on goods		-713.7	
Imports	3,276.1		
Exports	2,562.4		
Balance on services		-273.7	
Balance on income		-156.9	
Current transfers		1,399.2	
<b>Capital Account</b>			<b>...</b>
<b>Financial Account</b>			<b>347.3</b>
Direct investment abroad		...	
Direct investment in Ghana		136.7	
Portfolio investment assets		...	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		68.0	
Other investment liabilities		142.6	
<b>Net Errors and Omissions</b>			<b>-46.9</b>
<b>Reserves and Related Items</b>			<b>-555.3</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 32 BALANCE OF PAYMENTS

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Ghana's exports was \$1.94 billion while imports totaled \$2.83 billion resulting in a trade deficit of \$890 million.

The International Monetary Fund (IMF) reported that in 2000 Ghana had exports of goods totaling \$1.9 billion and imports totaling \$2.74 billion. The services credit totaled \$504 million and debit \$597 million.

Exports of goods and services reached \$3.3 billion in 2004, up from \$3.1 billion in 2003. Imports grew from \$4 billion in 2003, to \$5 billion in 2004. The resource balance was consequently negative in both years, reaching -\$905 million in 2003, and -\$1.6 billion in 2004. The current account balance was positive, slightly decreasing from \$124 million in 2003, to \$107 million in 2004. Foreign exchange reserves (including gold) grew to \$1.5 billion in 2004, covering less than four months of imports.

### 33 BANKING AND SECURITIES

The Bank of Ghana, established in 1957, is the central bank. Commercial banking services are rendered mainly by the Commercial Bank of Ghana (worth approximately \$30 million in 1999); and SSB Bank Limited (worth about \$80 million in 1999). Two British banks, Barclays Bank of Ghana Ltd. and the Standard Chartered Bank of Ghana Africa Ltd. (both 40% state-owned), together had 67 branches in 1993. Other commercial banks include The Trust Bank Limited, The Agricultural Development Bank, Agricultural Bank Limited, Bank for Housing and Construction Limited, National Investment Bank Limited, Cooperative Bank Limited, Prudential Bank Limited, and International Commercial Bank Limited.

Merchant banks include the Merchant Bank of Ghana Limited, Ecobank Ghana Limited, CAL Merchant Bank Limited, First At-

lantic Merchant Bank Limited, and Metropolitan and Allied Bank Limited.

The International Monetary Fund reports that in 2000, currency and demand deposits—an aggregate commonly known as M1—were equal to \$478.0 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$975.6 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 27%.

A stock exchange was opened in Accra in 1987. By 1994, the tiny exchange was up nearly 300%. International mutual fund managers and other foreign investors have shown increasing interest in Ghana, and in 1998, the Ghana Stock Exchange (GSE) was judged the best performing bourse in emerging markets. In 2004, a total of 29 companies were listed on the GSE, which had a market capitalization that same year of \$2.644 billion. The GSE rose 91.3% from the previous year in 2004 to 6,798.5.

### 34 INSURANCE

In 1962, the government set up the State Insurance Corp. (SIC) with the primary aims of tightening control over the activities of insurance companies (including their investment policies) and providing insurance coverage for the government and governmental bodies. In 1972, the SIC started a new subsidiary, the Ghana Reinsurance Organization, to curb the outflow of reinsurance premiums from the country. Insurance services were available as of 1997 through 16 companies, five of them classified as foreign (although a 1976 law required the latter to distribute 20% of equity to the government and 40% to Ghanaian partners). In 1999, there were 21 insurance companies operating in Ghana.

### 35 PUBLIC FINANCE

Ghana turned to the IMF as the economy approached bankruptcy in 1983. The IMF-sponsored stabilization program, known as the ERP (Economic Recovery Program), was pursued vigorously through its several phases, and borrowing from the IMF came to a temporary end in 1992. Many changes took place in the ten years of the program. The currency was devalued repeatedly; foreign exchange was auctioned. The cocoa sector was revamped, starting with higher producer prices, and privatized. Ghana's civil service was one of Africa's largest, therefore the number of civil service employees was reduced; and the state attempted to unburden itself of its parastatals. A systematic program removed government subsidies, and tax collection procedures were strengthened. From 1995 to 1997, another IMF-backed structural adjustment program continued privatization, but public sector wage increases and defense spending countered austerity measures. Ghana's budgets have habitually been in deficit, financed mainly through the domestic banking system, with consequent rapid increases in the money supply and the rate of inflation. The third phase of the IMF program began in 1998, focusing on financial transparency and macroeconomic stability. In 2001, Ghana sought debt relief under the Heavily Indebted Poor Country (HIPC) program and reached decision point in early 2002.

The US Central Intelligence Agency (CIA) estimated that in 2005 Ghana's central government took in revenues of approximately \$3.2 billion and had expenditures of \$3.5 billion. Revenues

minus expenditures totaled approximately -\$290 million. Public debt in 2005 amounted to 80.1% of GDP. Total external debt was \$7.084 billion.

### 36 TAXATION

The basic corporate tax rate is 30% for all companies. However, companies that are listed for the first time on the Ghana Stock Exchange are given a 25% rate for three years. The 25% rate also is applied to hotels. Income from nontraditional exports is taxed at an 8% rate. Dividends and capital-gains are each taxed at 10%. A personal income tax ranging from 5%, to 35% for foreign nationals and rich citizens is also levied. As of 30 December 1998, Ghana's sales tax of 15% was replaced by value-added tax (VAT) with a standard rate of 10%. As of 6 January 2000, the standard VAT rate was increased to 12.5%. Exempt from the VAT are vaccines, other specified drugs, and salt. A salary tax of 5% on employees and 12.5% on employers finances the Social Security and National Insurance Trust pension program. There are also property (.05%) and excise taxes, a 0-15% gift tax, and a 2.5% national Health Insurance levy on all goods and services except those that are exempted.

### 37 CUSTOMS AND DUTIES

Ghana uses the Harmonized Commodity Coding System (HS) to classify goods. The ad valorem tax is assessed with the Customs Valuation Code (CVC) formulated by the World Trade Organization. In 1999, duty on most machinery and capital goods was 0%, the duty for raw materials and intermediate goods 10%, and the duty on most consumer goods 20%. The 12.5% VAT is also applied to imports on the basis of cost, insurance and freight (CIF) plus the duty. There are import restrictions on cigarettes, narcotics, mercuric medicated soap, toxic waste, contaminated goods, foreign soil, and counterfeit notes and coins of any country. The import license system was abolished in 1989, but a permit is still required for the import of drugs, communications equipment, mercury, gambling machines, handcuffs, arms and ammunition, and live plants and animals. There are no controls on exports.

Ghana is a member of ECOWAS. The country also created free zones in May 1996, one located in the Greater Accra Region and two other sites at Mpintsin and Ashiem. The seaports and airport also qualify as free zones, as do companies that export more than 70% of products. These companies receive a ten-year corporate tax holiday and zero import tax.

### 38 FOREIGN INVESTMENT

Before the 1983 Economic Recovery Program, nationalized enterprise was the cornerstone of Ghanaian investment policy. Under the supervision of the IMF and World Bank, the government styled its policies on the model of a number of Asian countries where encouragement of the private sector and foreign direct investment (FDI) are considered essential to sustained economic growth. The principal law on FDI is the Ghana Investment Promotion Center (GIPC) Law of 1994, which governs investments in all sectors except minerals and mining (under the Minerals and Mining Act of 1986 as amended in 1994 and administered by the Minerals Commission), oil and gas (under the Petroleum Exploration and Production Law of 1984 administered by the Ghana Na-

tional Petroleum Corporation—GNOC), and the free trade zones, established in 1996. The 1994 investment code guarantees the free transferability of dividends, loan repayments, licensing fees, and the repatriation of capital; provides guarantees against expropriation; and provides for dispute arbitration. Foreign investors are not subject to differential treatment on taxes, prices, or access to foreign exchange, imports, and credit.

The GIPC is responsible for promoting direct investment in Ghana. The only performance requirements are that a foreign investor must have at least \$10,000 in capital for joint ventures, \$50,000 for wholly foreign-owned ventures, and \$300,000 for trading companies, and that the latter must employ at least 10 Ghanaians. The free trade zone consists of land near the seaports of Tema and Takoradi and the Kotoka Airport. To qualify for free zone incentives—a year corporate tax holiday and zero duty on imports—the business must export at least 70% of its output. Small enterprises—petty trading, taxi services with less than 10-car fleets, beauty and barber shops, small scale mining, pool betting businesses, and lotteries besides soccer—are reserved for Ghanaians.

Since 2000, the government has transformed its general foreign investment promotion strategy to specific firm target promotion directed at production centers of Europe and Asia. The objectives of the program are to attract firms that seek to local and sub-regional markets and which contribute to value-added production using raw materials available in Ghana.

Because a number of different agencies are involved in the promotion and monitoring of FDI in Ghana, published statistics tend to be unreliable and unreconciled. For the period 2000 to 2002, the GIPC reported it had licensed 510 projects representing a total investment of \$351.2 million, \$297.9 million of which was FDI and \$53.3 million local funds. Of these, 342 were joint ventures and 169 wholly foreign-owned. From 1997 to 1999, FDI averaged \$66.7 million a year (UNCTAD estimates), compared to the \$100 million a year 2000 to 2002. In the first quarter of 2003, FDI was reported at a record-setting pace of \$56.7 million, \$49.7 million of which was for projects in the service sector. By the end of the year, capital inflows reached \$88 million. In the first three quarters of 2004, FDI levels jumped to \$85 million.

The major foreign investment projects in Ghana have been in mining and manufacturing. The United Kingdom has been the largest foreign investor, with investments exceeding \$750 million, primarily through Lonmin Plc's 32% stake in the Ashanti Goldfields Corporation. In 2003, Lonmin was in the process of selling its stake to AngloGold of South Africa, which was negotiating taking over the Ashanti Goldfields. The largest firm operating in Ghana is Valco, operated by the American company, Kaiser and Reynolds Aluminum, whose guaranteed use of electric power for aluminum refining made possible the building of the Volta Dam and its hydroelectric generating plant. In early 2003, a drought caused an energy crisis in Ghana and brought Valco's operations to a near standstill. Other American companies operating in Ghana include Teberebie Golfields Limited, CMS Generation (independent power producer), Affiliated Computer Services (since 2000, involved in developing offshore business process outsourcing projects), Regimanuel-Gray Limited (construction), Coca-Cola Company, Phyto-Riker (pharmaceuticals), Westel (ICT company formed by the partnership of Western Wireless Interna-

tional and Ghana National Petroleum Company), Pioneer Foods (Star-Kist Tuna), Union Carbide, Amoco, ChevronTexaco, and ExxonMobile.

### 39 ECONOMIC DEVELOPMENT

Recent economic policy has aimed at correcting basic problems in every phase of the economy: unemployment (20% in 1997), low productivity, high production costs, the large foreign debt (\$5.96 billion in 2001), low savings and investing, inflation (25% in 2001), and high private and government consumption. The country relies heavily on financial assistance from international lenders including the World Bank and the International Monetary Fund (IMF). Conditions of the loans include progress in privatizing state-owned enterprises and achieving macroeconomic performance targets.

The government's recently launched Vision 2020 plan aims at making Ghana a middle-income country through free-market reforms over the course of the next 25 years. Key elements of the plan include increased privatization of parastatals, a friendlier environment for foreign investment, renewed efforts to facilitate private-sector growth, and improvements in infrastructure and social welfare. By 2003, about two-thirds of 300 state-owned enterprises had been sold to private owners. During 1999, Japan announced the donation of \$16.5 million to import machinery, spare parts, and industrial materials. The US energy firm CMS announced planned to build a new electric generating unit, alleviating fears of further power outages.

In 2002, Ghana reached decision point on the IMF/World Bank's Heavily Indebted Poor Countries (HIPC) initiative, and was to receive \$3.7 billion in debt relief. The relief will allow Ghana to increase spending on education, health, programs to benefit rural areas, and improved governance. Ghana raised electricity, fuel, and municipal water rates, and raised taxes to stabilize its fiscal position, as part of the agreed-upon debt relief plan. In 2003, Ghana negotiated a three-year \$258 million Poverty Reduction and Growth Facility (PRGF) Arrangement with the IMF, to support the government's economic reform program for 2003–05.

The economic growth from previous years was expected to continue in coming years. Agricultural production was expected to pick up, particularly in cocoa and food crops. The service sector was also anticipated to expand with improvements in the telecommunications, transport, and tourist sectors. The mining sector will benefit from increased investments in the gold production. The manufacturing sector, on the other hand, will continue to suffer because of the high inflation, increasing imports, and the strong exchange rate.

### 40 SOCIAL DEVELOPMENT

A social insurance system, initiated in 1965, covers all employed persons, with a special system for the military. There is voluntary coverage for the self-employed. Pensions are funded by 5% contributions from employees and 12.5% contributions from employers. The minimum pension is set at 50% of the average annual salary. There are no sickness or maternity benefits provided, however, employed persons receive worker's compensation. Agricul-

tural workers and subsistence farmers are excluded from coverage in these programs.

Women play a prominent role in agriculture and domestic trade, and are represented at the highest levels of political life. Traditional courts, however, often deny women inheritance or property rights. Traditional customs also violate the human rights of children, including facial scarring and female genital mutilation. Violence against women is common and seldom reported. Among the Ewe ethnic group, a traditional practice called *tokosi* allows an individual or family to enslave a virgin daughter to a local priest or shrine for as long as three years as a means of assuring atonement for crimes committed by members of the family. In 2004 there were reports of 100 girls enslaved in that tradition. Child labor and forced marriage continue.

Ethnic tensions and violence continue in the northern region. Some human right abuses continue, although significant improvements were made. Discrimination against persons with HIV/AIDS remains a problem, thus discouraging people from seeking testing.

#### 41 HEALTH

Waterborne parasitic diseases are a widespread health hazard and the creation of Lake Volta and related irrigation systems has led to an increase in malaria, sleeping sickness, and schistosomiasis. The upper reaches of the Volta basin are seriously afflicted with onchocerciasis, a filarial worm disease transmitted by biting flies. Lymphatic filians in some remote villages of Ghana affect between 9.2 to 25.4% of the population. Control of filariasis in remote areas has been difficult. In 1997, efforts were made to vaccinate children up to one year old against tuberculosis, 72%; diphtheria, pertussis, and tetanus, 60%; polio, 61%; and measles, 59%. Total health care expenditure was estimated at 4.7% of GDP. In 2000, 64 % of the population had access to safe drinking water and 63% had adequate sanitation.

As of 2004, there were an estimated 9 physicians, 64 nurses, and 20 midwives per 100,000 people. Approximately 60% of the population had access to health care services.

In 2002, Ghana's estimated birth rate was 28 per 1,000 people. About 22% of Ghana's married women (ages 15 to 49) used contraception as of 2000. The total fertility rate in 2000 was 4.2 children for each woman's childbearing years. An estimated 8% of all births in 1999 were low birth weight. In 2005, the infant mortality rate was 56.36 per 1,000 live births, and the overall death rate in 2002 was estimated at 10.3 per 1,000 people. Life expectancy in Ghana was estimated at 58.47 years in 2005.

Twenty-six percent of all children under five were malnourished in 2000. Goiter was present in 33% of school-age children. The HIV/AIDS prevalence was 3.10 per 100 adults in 2003. As of 2004, there were approximately 350,000 people living with HIV/AIDS in the country. There were an estimated 30,000 deaths from AIDS in 2003. Two other common diseases were tuberculosis and measles. Cholera is still prevalent.

Thirty percent of all women in Ghana have undergone female genital mutation. Currently, Ghana's government has prohibited this under specific laws.

#### 42 HOUSING

About 72% of all housing in Ghana are traditional compound houses, which consist of a large U-shaped structure with a shared central courtyard. There are usually seven or more rooms per structure. There are some flats and other types of housing in urban areas. In rural areas, wood, mud, or cement huts with sheet iron or mud roofs are more common. Overcrowding, defined as 2.5 persons or more per room, affects about 44.5% of all households. In rural areas, about 52% of the population use latrine sewage systems; 47% have no specific sewage systems. About 51% of rural dwellings are owner occupied. These are typically mud or mud brick huts. In urban areas, less than 20% of all housing units are owner occupied. As of 2001, about 76% of urban and 46% of rural households had access to adequate water supplies. According to the latest available information, housing units in the 1980s numbered 2,458,000, with 5.2 people per dwelling.

Ghana's housing needs have been increasing as the main towns grow in population. In 1982, the government established the State Housing Construction Co. to help supply new low-cost dwelling units. The Bank for Housing and Construction finances private housing schemes on a mortgage basis. Under another housing ownership scheme, civil servants may acquire accommodations on purchase-lease terms. The Cocoa Marketing Board, the Social Security and National Insurance Trust, and other organizations have also invested in housing projects; nevertheless, most houses continue to be built without government assistance. Foreign mining companies provide housing for all their overseas employees and many of their African workers.

Recognizing that most private homes are too expensive for many citizens, the government has been working on programs addressing land and material costs and long-term financing for constructions. From 2001–2004, the government had planned to build about 20,000 housing units.

#### 43 EDUCATION

Most of the older schools, started by Christian missions, have received substantial financial help from the government, but the state is increasingly responsible for the construction and maintenance of new schools. Primary education has been free since 1952 and compulsory since 1961. Primary school lasts six years and is followed by six years of secondary schooling (at junior and senior levels). At the upper secondary level, students may choose to attend a three-year technical school. The academic year runs from September to June.

In 2001, about 41% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 63% of age-eligible students. The same year, secondary school enrollment was about 33% of age-eligible students. It is estimated that about 62% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 32:1 in 2003; the ratio for secondary school was about 19:1. In 2003, private schools accounted for about 18% of primary school enrollment and 11% of secondary enrollment.

Ghana has three main universities: the University of Ghana, in Legon, outside Accra; the University of Science and Technology in Kumasi; and the University of Cape Coast. In 2003, about 3% of

the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 54%, with 62.9% for men and 45.7% for women.

As of 2003, public expenditure on education was estimated at 4.1% of GDP.

#### 44 LIBRARIES AND MUSEUMS

The Ghana Library Board maintains the Accra Central Library, 13 regional libraries, 47 branch libraries, mobile units, and children's libraries, with combined holdings of over three million volumes in 2002. The University of Ghana (Balme Library) in Legon has holdings of around 362,000 volumes and is the largest research library in Ghana. The University of Science and Technology Library has 310,000 volumes. The Research Library on African Affairs (formerly the George Padmore Memorial Library), which opened in Accra in 1961, maintains a collection of publications on various aspects of Africa.

The Ghana National Museum, in Accra, founded by the University College of Ghana and now operated by the Museum and Monuments Board, contains hundreds of exhibits illustrating the culture, history, and arts and crafts of Ghana and West Africa. The West African Historical Museum at Cape Coast, sponsored by the Museum and Monuments Board and the University of Cape Coast, opened in 1971. The Ghana National Museum of Science and Technology is at Accra. There are regional museums at Ho and Kumasi, which is also home to the Ghana Armed Forces Museum. The University of Ghana has several museums in Legon, maintained by the departments of geology and archaeology, and a teaching museum run by the Institute of African Studies.

#### 45 MEDIA

In 2003, there were an estimated 13 mainline telephones for every 1,000 people; about 154,800 people were on a waiting list for telephone service installation. The same year, there were approximately 35 mobile phones in use for every 1,000 people.

The National Communications Authority (NCA) is responsible for broadcast media licensing. The government-owned Ghana Broadcasting Corp. makes radio services available throughout the country in English and six other languages; an international radio service beams programs in English, French, and Hausa to all parts of Africa. A government-owned television service was established in 1965. In 2004, there was a total of 12 state-owned and 117 privately owned radio stations nationwide. There were 3 semiprivate television stations, 1 government station, and 3 cable networks. In 2003, there were an estimated 695 radios and 53 television sets for every 1,000 people. The same year, there were 3.8 personal computers for every 1,000 people and eight of every 1,000 people had access to the Internet. There was one secure Internet server in the country in 2004.

In 2004, there were 50 newspapers throughout the country including 3 government-owned dailies, 2 government-owned weeklies, and many smaller privately owned newspapers. Most newspapers circulated only in regional capitals. The most prominent papers, with 2002 circulation figures, were *The Daily Graphic* (circulation 100,000) and *Ghanaian Times* (40,000), both government owned. *The Daily Telegraph* (10,000) is independent. Weeklies, with their 2002 circulation, include the *Weekly Spectator* (165,000), *The Mirror* (90,000), *The Ghanaian Chronicle* (60,000), *Graphic Sports*

(60,000), *Echo* (40,000), and *Evening News* (30,000). All papers are printed in English.

The government dominates all media, and though it is said to tolerate the small independent print media, it is reported to repress dissenting opinions during election times. The constitution does provide for free speech and press.

#### 46 ORGANIZATIONS

Cooperatives have played an important role in marketing agricultural produce, especially cocoa. The Cocoa Research Institute of Ghana promotes growth and development in the national cocoa industry and sponsors research in techniques for processing cocoa, coffee, shea, and kola. Their work is extended through the Ghana Cocoa Marketing Board. The National Chamber of Commerce, with headquarters in Accra, has 13 district chambers. The Ghana Employers' Association strives to promote better relations between workers and business owners. There are unions for a variety of occupations.

There are professional organizations for a number of careers and many of these are dedicated to research and education within their field, such as the Ghana Medical Association. National cultural associations—including associations of writers, musicians, artists, dancers, and dramatists—have been established. The Ghana Science Association was founded in 1958. The Ghana Academy of Arts and Science was founded in 1959.

National youth organizations include the Agricultural Youth Association, the Democratic Youth League of Ghana, the Ghana Scout Association, National Union of Ghanaian Students, Presbyterian Young People's Guild of Ghana, Student Christian Movement of Ghana, Green Earth Youth Organization, and groups of the YMCA/YWCA. There are several sports associations promoting amateur competition in such pastimes as tennis, squash, baseball and track and field.

Ghana Wildlife Society is active in matters of conservation and environmental protection. The Environmental Protection Association of Ghana supports conservation and resource management efforts, but also serves as an advocate for community health and rural development issues.

Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. Ghana has active chapters of the Red Cross, Habitat for Humanity, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourism has become a leading industry in Ghana due to the support of the government. Attractions include casinos, fine beaches, game reserves, and old British, Dutch, and Portuguese trading forts and castles. Indigenous dance forms and folk music thrive in rural areas, and there are many cultural festivals. The National Cultural Center is in Kumasi, the capital of the Ashanti region, an area rich in traditional Ghanaian crafts. There is an Arts Center in Accra, as well as the National Museum, the Alwri Botanical Gardens, and the burial place of W.E.B. Du Bois. Football (soccer) is the main sport of Ghana, although cricket, boxing, body building, golf, basketball, and track and field are also popular. Visas, proof of sufficient funds, and an onward/return ticket are required of all visitors, as well as proof of yellow fever vaccination. In 2002, about 483,000 tourists arrived in Ghana. There were 15,453 hotel rooms



with 19,648 beds. Tourism expenditure receipts totaled \$441 million in 2003.

In 2005, the US Department of State estimated the cost of staying in Accra at \$171 per day. Daily expenses in Kumasi and other areas were less at \$132.

#### 48 FAMOUS GHANAIS

J. E. Casely Hayford (1867–1930), for 13 years a member of the Legislative Assembly, is remembered as a leading public-spirited citizen. Dr. J. E. K. Wegyir Aggrey (1875–1927), noted educational reformer, played a large part in the development of secondary education. Sir Henley Coussey (1891–1958) and Sir Emmanuel Quist (1882–1959) were distinguished jurists.

Persons from overseas who played a great part in the progress of Ghana were the Rev. Alexander Gordon Fraser (1873–1962), the first principal of Achimota School; Sir (Frederick) Gordon Guggisberg (1869–1930), who took the first steps toward Africanization of the public service and was instrumental in founding Achimota School; and Sir Charles Noble Arden-Clarke (1898–1962), who was governor of the Gold Coast during the preparatory years of independence (1948–57) and the first governor-general of Ghana. The writer, sociologist, and civil rights leader W(illiam) E(dward) B(urghardt) Du Bois (b.US, 1868–1963) settled in Ghana in 1961 and is buried in Accra.

Kwame Nkrumah (1909–72), the first president of the republic, served in that capacity until the military coup of February 1966; he died in exile in Guinea. J. B. Danquah (1895–1965), a lawyer, was named vice-president of the UGCC at the time of its founding in 1947. Detained along with Nkrumah after the Accra riots in 1948, he later helped to found the GCP. Arrested by Nkrumah in 1961, and again in 1964, he died in prison in 1965. Kofi Abrefa Busia (1913–78), a noted sociologist, was prime minister from October 1969 to January 1972. Flight-Lieut. Jerry (John) Rawlings (b.1947), the son of a Scottish father and a Ghanaian mother, led successful military coups in 1979 and 1981. He was elected president in 1992, and reelected in 1996. John Kufuor (b.1938) became president in 2001. Kofi Annan (b.1938) became secretary general of the United Nations in 1996.

#### 49 DEPENDENCIES

Ghana has no territories or colonies.

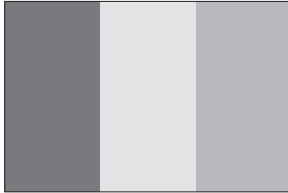
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# GUINEA

Republic of Guinea  
*République de Guinée*



**CAPITAL:** Conakry

**FLAG:** The national flag is a tricolor of red, yellow, and green vertical stripes.

**ANTHEM:** *Liberté (Liberty)*.

**MONETARY UNIT:** The syli (s), of 100 cauris, was introduced in October 1972, replacing the Guinea franc (GFr); s1 = 10 old Guinea francs. In January 1986 the Guinea franc (GFr) of 100 centimes was restored on a one-to-one basis with the syli. There are notes of 25, 50, 100, 500, 1,000, and 5,000 GFr. GFr1 = \$0.00036 (or \$1 = GFr2,810) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; Anniversary of Women's Revolt, 27 August; Referendum Day, 28 September; Independence Day, 2 October; Armed Forces Day, 1 November; Day of 1970 Invasion, 22 November; Christmas, 25 December. Movable religious holidays include 'Id al-Fitr, 'Id al-'Adha, and Easter Monday.

**TIME:** GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Guinea, on the west coast of Africa, has an area of 245,857 sq km (94,926 sq mi), extending 831 km (516 mi) SE–NW and 493 km (306 mi) NE–SW. Comparatively, the area occupied by Guinea is slightly smaller than the state of Oregon. Bordered on the N by Senegal, on the N and NE by Mali, on the E by Côte d'Ivoire, on the S by Liberia and Sierra Leone, on the W by the Atlantic Ocean, and on the NW by Guinea-Bissau, Guinea has a total boundary length of 3,719 km (2,311 mi), of which 320 km (199 mi) is coastline.

Guinea's capital city, Conakry, is located on the country's Atlantic coast.

## <sup>2</sup> TOPOGRAPHY

Guinea owes its frontiers mainly to the accidents of the late 19th-century partition of Africa and has no geographic unity. The country can be divided into four regions: Lower Guinea (Guinée Maritime), the alluvial coastal plain; Middle Guinea, the plateau region of the Futa Jallon (Fouta Djallon), deeply cut in many places by narrow valleys; Upper Guinea (Haute Guinée), a gently undulating plain with an average elevation of about 300 m (1,000 ft), savanna country broken by occasional rocky outcrops; and the forested Guinea Highlands (Guinée Forestière), composed of granites, schists, and quartzites, including Mt. Nimba (1,752 m/5,747 ft), the highest peak in the country, at the juncture of Guinea, Liberia, and Côte d'Ivoire. The Niger River and its important tributary the Milo have their source in the Guinea Highlands; the Gambia River and Senegal River (whose upper course is called the Bafing in Guinea) rise in the Futa Jallon.

## <sup>3</sup> CLIMATE

The coastal region and much of the inland area have a tropical climate with a long rainy season of six months, a relatively high and uniform annual temperature, and high humidity. Conakry's

year-round average high is 29°C (84°F), and the low is 23°C (73°F); its average rainfall is 430 cm (169 in) per year. April is the hottest month; July and August are the wettest. Rainfall in the Futa Jallon is much less (about 150–200 cm/60–80 in) and more irregular, and temperatures are lower; moreover, the daily temperature range is much greater, especially during the dry season. In Upper Guinea, rainfall is lower than in the Futa Jallon. Rainfall in the highlands averages about 280 cm (110 in) annually; temperatures are relatively equable owing to the altitude.

## <sup>4</sup> FLORA AND FAUNA

Dense mangrove forests grow along the river mouths. Farther inland, the typical vegetation of Lower Guinea is woodland dominated by parinari, with many woody climbers and bushes below. Gum copal is common near streams. The Futa Jallon has been subject to excessive burning, and the lower slopes are characterized by secondary woodland, much sedge (*catagyna pilosa*), and expanses of laterite; the higher plateaus and peaks have dense forest, and some plants found nowhere else in the world have been reported on them. Savanna woodland characterizes Upper Guinea, with only tall grass in large areas; trees include the shea nut, tamarind, and locust bean. There is rain forest along the border with Liberia.

The elephant, hippopotamus, buffalo, lion, leopard, and many kinds of antelope and monkey are to be found in Guinea, as well as crocodiles and several species of venomous snakes. Birds are plentiful and diverse. As of 2002, there were at least 190 species of mammals, 109 species of birds, and over 3,000 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

Centuries of slash-and-burn agriculture have caused forested areas to be replaced by savanna woodland, grassland, or brush. Dur-

ing 1981–85, some 36,000 ha (89,000 acres) of land were deforested each year. Between 1990–1995, Guinea lost an average of 1.14% of its forest and woodland area each year. Mining, the expansion of hydroelectric facilities, and pollution contribute to the erosion of the country's soils and desertification.

Water pollution and improper waste disposal are also significant environmental problems in Guinea. In 1994, water-borne diseases contributed to an infant mortality rate of 145 per 1,000 live births. The nation has 226 cu km of renewable water resources with 87% used in farming activity. Only about 35% of the people living in rural areas do not have pure water.

In 2003, less than 1% of the total land area was protected by the state. Human encroachment and hunting have reduced Guinea's wildlife, especially its large mammals, and overfishing represents a threat to the nation's marine life. A nature reserve has been established on Mt. Nimba as a UNESCO World Heritage Site. There are also 12 Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 18 types of mammals, 10 species of birds, 1 type of reptile, 5 species of amphibians, 8 species of fish, 3 species of invertebrates, and 22 species of plants. Threatened species included the African elephant, Diana monkey, and Nimba otter-shrew.

## 6 POPULATION

The population of Guinea in 2005 was estimated by the United Nations (UN) at 9,453,000, which placed it at number 83 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 44% of the population under 15 years of age. There were 105 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.7%, a rate the government viewed as too high. Fertility was six births per woman in 2005. The projected population for the year 2025 was 15,806,000. The population density was 39 per sq km (100 per sq mi).

The UN estimated that 33% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.59%. The capital city, Conakry, had a population of 1,366,000 in that year. Other large towns include Kankan (100,192), Labé, Nzérékoré, Boké, and Siguiri.

## 7 MIGRATION

After independence from France in 1958, Guineans left the country in increasing numbers, mostly for Senegal and Côte d'Ivoire. In the early and mid-1980s, probably two million Guineans were living abroad, perhaps half of them in Senegal and Côte d'Ivoire. Many of them returned after the end of the Sékou Touré regime in 1984.

In 1997, Guinea had the highest number of refugees of any West African nation. There were around 420,000 Liberians and around 250,000 from Sierra Leone in Guinea. These refugees escaped from the fighting in their respective countries. The voluntary repatriation program begun for Liberians in March 1998 was suspended at the resumption of fighting. Out of the 120,000 who opted for repatriation, some 80,000 were returned before the Guinean-Liberian border was closed. In 2000, conditions in Sierra Leone were not yet conducive to repatriation and 150,000 refugees from that nation remained in Guinea. The total number of refugees remaining

in Guinea in 2000 was 427,200. By the end of 2004, this number decreased to 139,252 refugees, mainly from Liberia and Sierra Leone, and 6,310 asylum seekers from Liberia, Côte d'Ivoire, and Sierra Leone. However, 4,700 Guineans applied for asylum, mainly to France, the United Kingdom, Canada, and the United States. In that same year 22,473 Liberians were voluntarily repatriated from Guinea. However, a population of 145,569 people, more than half living in camps, remained of concern to the United Nations High Commissioner for Refugees (UNHCR). In 2005, the net migration rate was estimated as -2.99 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

Of Guinea's two dozen ethnic groups, three predominate: the Fulani, Malinké, and Soussou. The Fulani (sometimes called Peul), perhaps the largest single group (40% of the population), live mainly in the Futa Jallon. The Malinké, referred to in other parts of West Africa as Mandingo, and related peoples of the so-called Nuclear Mandé group (30%), live in eastern Guinea and are concentrated around Kankan, Beyla, and Kouroussa. The Soussou (20%), with related groups, are centered farther west and along the coast in the areas around Conakry, Forécariah, and Kindia. Related to them are the Dialonké, living farther east in Middle Guinea and western Upper Guinea. Smaller tribes make up the remaining 10% of the population. Toward the southeast, in the Guinea Highlands near the borders of Liberia and Côte d'Ivoire, are various Kru or peripheral Mandé groups; among them are the Kissi around Quéckédou, the Toma around Macenta, and the Koranko near Kissidougou. Notable among the 3,500 or so non-Africans are Lebanese and Syrians.

## 9 LANGUAGES

French is the official language and the language of administration. In 1967, a cultural revolution was announced for the purpose of "de-Westernizing" Guinean education. A literacy program begun in 1968 sought eventually to teach all citizens to speak and write one of the eight principal local languages: Malinké (Maninkakan), Fulani (Poular), Soussou, Kpelle (Guerzé), Loma (Toma), Kissi, Coniagu, and Bassari, all of which belong to the Niger-Congo language group. After the fall of the Touré regime in 1984, French was again emphasized; however, the tribal languages are still spoken.

## 10 RELIGIONS

About 85% of all Guineans, particularly the Fulani and Malinké, are Muslims; about 10% follow various Christian faiths; and most of the remaining 5% practice traditional African religions. Most Muslims belong to the Sunni sect, and practices, particularly public prayers and the prescribed fasts, are often combined with animist beliefs and ceremonies. Christian missions were established in the 19th century, but converts have been few. About 10% of the population are Christian. Among Christian groups are Roman Catholics, Anglicans, Baptists, Jehovah's Witnesses, Seventh-Day Adventists, and various other evangelical churches. There are a small number of Baha'is, Hindus, Buddhists, and observers of traditional Chinese religions. About 5% of the population follow traditional indigenous practices and beliefs.

The constitution provides for freedom of religion and this right is generally respected in practice. Though there is no state religion, some have claimed that Islam is generally favored by the



LOCATION: 8° to 15° w; 7°35' to 12°30' N. BOUNDARY LENGTHS: Senegal, 330 kilometers (205 miles); Mali, 932 kilometers (579 miles); Côte d'Ivoire, 605 kilometers (376 miles); Liberia, 563 kilometers (350 miles); Sierra Leone, 652 kilometers (405 miles); Atlantic coastline, 352 kilometers (219 miles); Guinea-Bissau, 386 kilometers (240 miles). TERRITORIAL SEA LIMIT: 12 miles.

government. Certain holidays of both Islam and Christianity are recognized as public holidays. The government has met with the Interreligious Council, a group of Anglican, Catholic, and Protestant leaders, to open a dialogue on electoral and governmental reform issues.

## 11 TRANSPORTATION

Lack of an adequate transportation network has hindered the country's development. As of 2004, Guinea's railroad system totaled 837 km (675 mi) of standard and narrow gauge lines, of which the largest part consisted of a 662 km (412 mi) long, single track narrow gauge (1,000-m) line. Owned by the state, the line runs from Conakry to Kankan and was built between 1900 and 1914. There is also a 175 km (109 mi) standard gauge line. Of 30,500 km (18,953 mi) of roads, some 5,033 km (3,128 mi) were

tarred in 2002. There were 23,155 automobiles and 13,000 commercial vehicles in 1995.

Conakry has a natural deepwater harbor that handles foreign cargo (mostly bauxite and alumina). Port modernization is scheduled with aid from the IDA, the African Development Bank, and the Federal Republic of Germany (FRG). A deepwater port at Kamsar, completed in 1973, handles the output of the Boké bauxite mine, as much as nine million tons a year. There are lesser ports at Kassa, Benty, and Kakande. Most rivers are of little value for navigation. A national shipping line is jointly owned with a Norwegian company. As of 2003, Guinea had 1,295 km (805 mi) of navigable inland waterways accessible by shallow draft native boats.

In 2004, there were an estimated 16 airports in Guinea, only 5 of which had paved runways as of 2005. Conakry's airport, Gbeesia, handles international jet traffic. Gbeesia, three smaller air-

fields at Labé, Kankan, and Faranah, and a number of airstrips are served by the national carrier, Air Guinée, which also flies to other West African cities and carried 36,000 passengers on domestic and international flights in 1997 (the latest year for which data was available).

## 1<sup>2</sup> HISTORY

Archaeological evidence indicates that at least some stone tools found in Guinea had been made by peoples who had moved there from the Sahara, pushed perhaps by the desiccation that had occurred in the Saharan region by 2000 BC. Agriculture had been practiced along the coast of Guinea by AD 1000, with rice the staple crop.

Most of Upper Guinea fell within the area influenced by the Ghana empire at the height of its power, but none of present-day Guinea was actually within the empire. The northern half of present-day Guinea was, however, within the later Mali and Songhai empires.

The Malinké did not begin arriving in Guinea until the 13th century; nor did the Fulani come in considerable numbers until the 17th century. In 1725, a holy war (jihad) was declared in Futa Jallon by Muslim Fulani. The onslaught was directed against the non-Muslim Malinké and Fulani; and it led ultimately to the independence of the Fulani of Futa Jallon. It also gave effect to their unity within a theocratic kingdom under Almamy Karamoka Alfa of Timbo.

Meanwhile, European exploration of the Guinea coast had begun by the middle of the 15th century; it was led by the Portuguese. By the 17th century, French, British, and Portuguese traders and slavers were competing with one another. When the slave trade was prohibited during the first half of the 19th century, Guinean creeks became hiding places for slavers harried by the ships of the British Royal Navy. French rights along the coast were expressly preserved by the Peace of Paris (1814), and French—as well as British and Portuguese—trading activities expanded in the middle years of the 19th century, when trade in peanuts, palm oil, hides, and rubber replaced that in slaves. The French established a protectorate over Boké in 1849 and consolidated their rule over the coastal areas in the 1860s. This inevitably led to attempts to secure a more satisfactory arrangement with the Fulani chiefs of Futa Jallon. A protectorate was established over the region in 1881, but effective sovereignty was not secured for another 15 years.

Resistance to the French advance up the Senegal and the Niger, toward Lake Chad, came from Samory Touré, a Malinké born in Upper Guinea. He had seized Kankan in 1879 and established his authority in the area southeast of Siguiri; but his attacks had spurred the inhabitants of the area to seek aid from French troops already established at Kita in the French Sudan (Soudan Français, now Mali) in 1882. Samory had signed treaties with the French first in 1886, and also in 1890. But on various pretexts both he and the French later renounced the treaties; so hostilities resumed. His capture in 1898 marked the end of concerted local resistance to the French occupation of Guinea, Ivory Coast (now Côte d'Ivoire), and southern Mali.

In 1891, Guinea was reconstituted as a French territory separate from Senegal, of which it had hitherto been a part. Four years later, the French territories in West Africa became a federation under a governor-general. The federation remained substantially

unchanged until Guinea attained independence. In 1946, Africans in Guinea became French citizens, but the franchise was at first restricted to the Europeanized *évolués*; it was not replaced by universal adult suffrage until 1957.

### The End of Colonial Rule

In September 1958, Guinea participated in the referendum on the new French constitution. On acceptance of the new constitution, French overseas territories had the option of choosing to continue their existing status, to move toward full integration into metropolitan France, or to acquire the status of an autonomous republic in the new quasi-federal French Community. If, however, they rejected the new constitution, they would become independent forthwith. French president, Charles de Gaulle, had made it clear that a country pursuing the independent course would no longer receive French economic and financial aid or retain French technical and administrative officers. Anyway, the electorate of Guinea rejected the new constitution overwhelmingly. Guinea accordingly became an independent state on 2 October 1958, with Ahmed Sékou Touré, then the leader of Guinea's strongest labor union, as president.

During its first three decades of independence, Guinea evolved to become a slightly militant socialist state. The functions and membership of the ruling Parti Démocratique de Guinée (PDG) were merged with the various institutions of government, including the state bureaucracy. Thus, the unified party-state had nearly complete control over the country's economic and political life. Guinea expelled the US Peace Corps in 1966 because of alleged involvement in a plot to overthrow President Touré. Similar charges were directed against France, with which diplomatic relations were severed in 1965 and not resumed until 1975. An ongoing source of contention between Guinea and its French-speaking neighbors was the estimated half-million expatriates in Senegal and Côte d'Ivoire. Some of these were active dissidents who, in 1966, had formed the National Liberation Front of Guinea (Front de Libération Nationale de Guinée—FLNG).

International tension rose again in 1970 when some 350 men, including FLNG partisans and Africans in the Portuguese army, invaded Guinea under the leadership of white Portuguese officers from Portuguese Guinea (now Guinea-Bissau). The invasion was repulsed after one day, but this was followed by waves of arrests, detentions, and some executions. Between 1969 and 1976, according to Amnesty International, 4,000 persons were detained for political reasons, with the fate of 2,900 unknown. After an alleged Fulani plot to assassinate Touré was disclosed in May 1976, Diallo Telli, a cabinet minister and formerly the first secretary-general of the OAU, was arrested and sent to prison, where he died without trial in November.

In 1977, protests against the regime's economic policy, which dealt harshly with unauthorized trading, led to riots in which three regional governors were killed. Touré responded by relaxing restrictions, offering amnesty to exiles (thousands of whom returned), and releasing hundreds of political prisoners. Ties with the Soviet bloc were relaxed as Touré sought increased Western aid and private investment in Guinea's sagging economy.

Single-list elections for an expanded National Assembly were held in 1980. Touré was elected unopposed to a fourth seven-year term as president on 9 May 1982. According to the government

radio, he received 100% of the vote. A new constitution was adopted that month, and during the summer Touré visited the United States as part of an economic policy reversal that saw Guinea seeking Western investment to develop its huge mineral reserves. New measures announced in 1983 brought further economic liberalization; private traders were even allowed to engage in produce marketing.

Touré died on 26 March 1984 while undergoing cardiac treatment at the Cleveland Clinic; he had been rushed to the United States after being stricken in Saudi Arabia the previous day. Prime Minister Louis Lansana Béavogui then became acting president, pending elections that were to be held within 45 days. On 3 April, however, just as the Political Bureau of the ruling Guinea Democratic Party (PDG) was about to name its choice as Touré's successor, the armed forces seized power, denouncing the last years of Touré's rule as a "bloody and ruthless dictatorship." The constitution was suspended, the National Assembly dissolved, and the PDG abolished. The leader of the coup, Col. Lansana Conté, assumed the presidency on 5 April, heading the Military Committee for National Recovery (Comité Militaire de Redressement National—CMRN). About 1,000 political prisoners were freed.

Conté suppressed an attempted military coup led by Col. Diarra Traoré on 4 July 1985. Almost two years later, it was announced that 58 persons, including both coup leaders and members of Touré's government, had been sentenced to death. However, it is believed that many of them, as well as Traoré, had actually been shot days after the coup attempt. All were identified with the Malinké, who were closely identified with the Touré regime. The military regime adopted free-market policies in an effort to revive the economy.

### Multiparty Democracy Initiated

Under pressure locally and abroad, Guinea embarked on a transition to multiparty democracy, albeit with considerable reluctance from the military-dominated government. Government legalized parties in April 1992, but it did not really allow them to function freely. It postponed presidential elections for over a year (until 19 December 1993) and then annulled the results from two Malinké strongholds, claiming victory with 51.7% of the vote. The Supreme Court upheld the Ministry of the Interior's decision despite official protest from the opposition. Though international opinion on the elections was divided, it was generally conceded that the elections administration had been widely manipulated in favor of the PUP candidate, and in several instances the voting process was fraudulent.

The legislative elections were delayed until 11 June 1995. These elections were supposed to have preceded the presidential elections, but the regime switched the order in 1993. The opposition felt that scheduling the presidential election first gave the incumbent an unfair advantage in both elections. International observers found significant flaws in these elections as well, and afterwards, the opposition vowed to boycott the Assembly. Factionalism within the opposition alliance, CODEM, shattered this resolve, and by the time the Assembly was convened, 71 PUP representatives and 43 members representing 8 other parties assumed their seats.

The greatest threat to Conté's power came in February 1996, when mutineers commanded tanks, fired upon the presidential palace, and seized the president. The palace was all but destroyed,

and some 30 to 50 people were killed, many of them civilians by stray bullets. Conté did strike a deal with the mutineers, agreeing to establish a multiparty grievance committee; but the committee was disbanded before it could issue its final report. No one received a death sentence, though 38 soldiers received sentences, 34 of them colonels, majors, captains, and lieutenants. Only six were Susu, and four of them received the lightest sentences. Conté gave in to the mutineers' demands by doubling soldiers' pay and taking over the defense department himself.

In December 1998, Guinea held its second round of multiparty elections. Though it was technically more acceptable than previous polling, the PUP marshaled the resources of the state and the public bureaucracy to conduct its campaign up-country. The opposition submitted a report detailing fraudulent and illegal election and campaign practices by the ruling party. Further, the Guinean Human Rights Organization and Amnesty International accused the government of routine torture—stripping, tying up, and beating opposition militants.

Before the international borders were reopened, the government seized Malinké RPG leader Alpha Condé for allegedly attempting to cross into Côte d'Ivoire. He and four RPG parliamentarians, and some 70 RPG militants were jailed. The Condé trial was repeatedly delayed, and the charges were changed to "recruitment of mercenaries with intent to overthrow the government." It was suspended shortly after it began in April 2000 when Condé's lawyers and the Court failed to agree on the legality of the arrest and the charges. Condé was being tried along with 48 others in the Cour de Sûreté de l'Etat (State Security Court).

The political climate in May 2000 was uneasy with fear that the Alpha Condé affair would drag on unresolved. Legislative and local elections were scheduled for later in the year, but the opposition renewed its calls to boycott them. Despite this adversity, municipal elections were held in June 2000 accompanied by violence in at least seven cities leading to several civilian deaths. Reports of arrests, beatings, rapes, and torture of protesters followed. The opposition indicated that it would boycott the legislative elections unless a neutral arbiter, such as an independent electoral commission, was established.

In mid-September 2000, the State Security Court convicted Condé of sedition and sentenced him to five years hard labor in prison, though later he was granted clemency. Seven of his 47 co-accused received lighter sentences, while the others were acquitted. The international community overwhelmingly condemned the trial as a mockery of justice. Condé's five-year sentence would eliminate him from running in the presidential elections slated for 2003.

What amounted to a constitutional coup took place in November 2001. In one fell swoop, Conté and the PUP-dominated National Assembly amended the constitution to increase the length of a presidential term from five years to seven, and to remove term limits. The amendment also allowed the president to nominate local government officials. In June 2002 flawed parliamentary elections resulted in the ruling party's gain of a two-third's majority in the Assembly.

Conté's declining health once fueled speculation that that he might not stand for reelection in 2003. Guinea, it was also argued, risked political chaos if Conté failed to run. The army, which is deeply divided by age, ethnicity and other factors, was thought

likely to intervene. Conté did run in elections held on 21 December however; and official results indicated that he won a massive 95.3% of the vote. In turn, Mamadou Boye Barry of the UPR captured 4.6%. Since then the Conté administration continued on as it were. As of 2005, soldiers had yet to oust the elected régime. In April 2004, former Prime Minister Sidya Toure and Ba Mamadou of the Union of Democratic Forces (UFDG) were barred from traveling to neighboring Senegal. Both claimed they were on a private mission. In January 2005, Conté survived an apparent assassination attempt, when shots were fired on his motorcade in the capital. Six months later in July 2005, Alpha Condé, head of the opposition Guinean People's Rally (or RPG), returned from exile and was welcomed by thousands of supporters. The next presidential election was due in December 2010.

### 13 GOVERNMENT

Guinea is a multiparty republic with a semi-authoritarian executive. Guinea's first constitution took effect on 12 November 1958 and was substantially amended in 1963 and 1974. Under the new constitution promulgated in May 1982 (but suspended in the military coup of April 1984), sovereignty was declared to rest with the people and to be exercised by their representatives in the Guinea Democratic Party (PDG), the only legal political party. Party and state were declared to be one and indivisible. The head of state was the president, elected for a seven-year term by universal adult suffrage (at age 18). A national assembly of 210 members was elected in 1980 from a single national list presented by the PDG; the announced term was five years, although the 1982 constitution and its precursors stipulated a term of seven (the assembly was dissolved after four years, in 1984). The constitution gave Assembly members control of the budget and, with the president, the responsibility to initiate and formulate laws.

Under the Touré regime there was no separation of functions or powers. The legislature, the cabinet, and the national administration were subordinate to the PDG in the direction and control of the nation. The assembly served mainly to ratify the decisions of the PDG's Political Bureau, headed by Touré, who was also president of the republic and secretary-general of the PDG. The assembly and the cabinet (appointed by Touré) implemented the decisions and orders of the party arrived at by the party congress, national conference, and the Political Bureau. Locally, PDG and government authority were synonymous.

The armed forces leaders who seized power after Touré's death ruled Guinea through the Military Committee for National Recovery (CMRN). Following the adoption by referendum of a new constitution on 21 December 1990, the CMRN was dissolved and a Transitional Committee of National Recovery (CTRN) was set up in February 1991 as the country's legislative body.

In 1993, the government created a 114-member national assembly. The assembly members are elected for a term of four years, 38 members in single-district constituencies, and 76 members by proportional representation. In July 1996, Lansana Conté created the post of prime minister; he also appointed his confidante, former Supreme Court chief justice Lamine Sidimé to the post. In December 2002, Conté reshuffled his cabinet. On 4 December 2004, Cellou Dalein Diallo became prime minister following the resignation of Lounseny Fall. Fall had resigned while on a visit to the United States.

### 14 POLITICAL PARTIES

From 1945, when political activity began in Guinea, until about 1953, the political scene was one of loose electoral alliances that relied more on the support of traditional chiefs and of the French administration than on political programs or organized memberships. After 1953, however, these alliances rapidly lost ground to the Guinea section of the African Democratic Rally (Rassemblement Démocratique Africain—RDA), an interterritorial organization founded in 1946. This section, known as the Guinea Democratic Party (Parti Démocratique de Guinée—PDG), was formed by Marxists determined to develop an organized mass political movement that cut across ethnic differences and had a strongly nationalist outlook. Their leader was Ahmed Sékou Touré, a prominent trade union leader in French West Africa. Regarded as the great-grandson of the warrior-chief Samory who had fought the French in the late 19th century, Touré had much support in areas where Samory had fought his last battles. But his strongest backers were the Susu in Lower Guinea. In 1957, the PDG won 57 of 60 seats in Territorial Assembly elections.

Convinced that the French Community proposed by De Gaulle would not result in real independence for the people of French West Africa, Touré called for a vote against joining the Community in the referendum of 28 September 1958. Some 95% of those voting in Guinea supported Touré in opting for Guinea's complete independence. In December 1958, the opposition parties fused with Touré's PDG, making it the only political party in the country. The precipitous withdrawal of the French bureaucracy in 1958 led, almost of necessity, to the PDG's inheritance of much of the structure of government.

During the 1960s, the PDG's party machinery was organized down to the grassroots level, with local committees replacing tribal authorities, and sectional, regional, and national conferences ensuring coordination and control. In 1968, a new local unit within the PDG, the Local Revolutionary Command (Pouvoir Révolutionnaire Local—PRL) was organized. By 1973, the PRL had assumed complete responsibility for local economic, social, and political affairs. There were 2,441 PRLs in 1981, each directed by a committee of seven members and headed by a mayor. Each of the 35 regions had a party decision-making body called a Federal Congress, headed by a secretary. A 13-member Federal Committee, headed by the regional governor, was the executive body. The 170 districts had similar bodies, called sections, congresses, and committees.

The Political Bureau, nominally responsible to a Central Committee, was the PDG's chief executive body. Until the military coup that abolished the PDG in April 1984, the Political Bureau was the focus of party and national power, and its members were the most important government ministers and officials, with Touré as chairman. The PDG and its mass organizations were outlawed after the 1984 coup.

Political parties were legalized in April 1992. Within a month, more than 30 parties had been formed, a number by government ministers who helped themselves to state funds and used the state agencies to promote their campaigns. The use of government vehicles for partisan activities and the disbursement of state monies to supporters were commonplace.

By July 1992, government had banned all political demonstrations. This hampered opposition parties preparing for National

Assembly elections then scheduled for late 1992 and presidential elections scheduled for early 1993. Elections were delayed. By October 1993, 43 political parties were legally registered. At least a dozen were allied with the government Party for Unity and Progress (PUP) while nearly thirty belonged to a loose coalition, the Democratic Forum, whose objective was to present a common candidate to run against Conté. The Forum dissolved when two of its members admitted they had already made their campaign deposit, which legally entitled them to enter the race. At that point, the field of candidates widened pitting seven opposition leaders against Conté. In December 1993, despite official protests by the opposition, Lansana Conté officially won 51.7% of the vote. International observers noted isolated incidents of violence and destruction of ballot boxes, and further declared the campaigning and balloting unsatisfactory.

In 1993, the most significant national opposition parties were the Rally for the Guinean People (RPG), the Union for a New Republic (UNR), and the Party for Renewal and Progress (PRP). The PRP and the UNR later merged to form the UPR, which presented Mamadou Ba as its candidate in the December 1998 elections. In these elections, Ba took second place with 24.6% of the vote, Alpha Condé (RPG) received 16.9%, Jean-Marie Doré received 1.7% (UPG), and Charles Pascal Tolno (PPG) claimed 1.0%. Again, under protest from the opposition, Conté won on the first round with 54.1% officially. In the elections of December 2003, Conté's share rose to a massive 95%. The next presidential election was due in 2010.

In the National Assembly, 38 seats are elected by single-member district, and 76 are assigned by proportional voting. In elections held in June 2002, all 114 members of the national assembly were elected directly for five-year terms. The PUP won 61.6% of the vote and controlled 85 seats; the UPR captured 26.6% of the votes and 20 seats; while other parties shared 11.8% of the vote and 9 seats between them. The next legislative elections were expected in 2007.

## 15 LOCAL GOVERNMENT

Under the Touré regime, the local units of the PDG, the local revolutionary commands (PRLs), were responsible for the political and economic administration of rural areas. In principle, the PRLs regulated all commerce, farming, distribution of land, public works, and communications, as well as civil life and the people's courts in communities under their authority. Each PRL had a company of militia of 101 members, subdivided into 4 platoons and 12 groups.

In the early 1990s, Guinea embarked upon an ambitious decentralization program. Three hundred and three rural development communities (CRDs) were created each comprising several districts (groupings of villages). The 303 CRDs were divided proportionately among the existing 33 prefectures, and four natural regions. In 1994, the number of regions was increased to seven headed by governors appointed by the president. The prefectures are under the tutelage of appointed prefects, who in turn supervise sub-prefects. A sub-prefecture is the location for public services within a CRD.

CRDs and the districts within them represent the most decentralized political and financial public authority. Elections for CRD councils were last held in 1991, and little investment has made

in them. However, through training and other investments, some CRDs have begun collecting hut, market, truck-stop, gravel pit, forestry, and other taxes. They have also begun to establish local development plans for schools, clinics, and mosques.

On 25 June 2000, the government organized municipal elections, which had been postponed from 29 June 1999 to December 1999, and then to June 2000 reportedly for budgetary reasons. The PUP ruling party claimed victory in 31 of Guinea's 38 communes, the Union for Progress and Renewal (UPR) won five local councils, the Assembly of Guinean People (RPG) one, and the Fight for Common Cause (LCC)—allied with the PUP—took one. Voter turnout was only 54%, or less than one-third of the adult population.

## 16 JUDICIAL SYSTEM

The judicial system is based on French civil law, customary law, and decree; legal codes are under revision, and Guinea has not accepted compulsory ICJ jurisdiction. In 1958 and 1965, the government introduced some customary law, but retained French law as the basic framework for the court system.

The system is composed of courts of first instance, two Courts of Appeal (in Kankan and in Conakry) and the Supreme Court. There is also a State Security Court (Cour de Sûreté de l'Etat), which tried the 1985 coup plotters, and conducted the Alpha Condé trial in 1999/2000. The legality of this court was debated in the February 1996 putsch. The Supreme Court ruled in favor of its validity since it predated the 1990 constitution, and the constitution failed to specifically address its existence. A military tribunal exists to handle criminal cases involving military personnel.

A traditional system of dispute resolution exists at the village and neighborhood level. Cases unresolved at this level may be referred to the courts for further consideration. The traditional system has been found to discriminate against women.

Although the 1990 constitution guarantees the independence of the judiciary, magistrates have no tenure and are susceptible to influence by the executive branch. The penal code provides for the presumption of innocence, the equality of citizens before the law, the right to counsel, and the right to appeal a judicial decision. This code is supported by the constitution, which provides for the inviolability of the home; judicial search warrants are required by law. In reality, police and paramilitary personnel often ignore these legal protections.

In September 1996, the government announced the creation of a discipline council for dealing with civil servants who abuse their positions in the government. In June 1998, a special arbitration court was established to resolve business disputes.

## 17 ARMED FORCES

The armed forces numbered about 9,700 active personnel in 2005, including 8,500 in the Army, 400 in the Navy, and 800 in the Air Force. The Army had 12 battalions with 38 T-34 and T-54 main battle tanks among its predominantly Soviet-made equipment. The Navy had 2 patrol/coastal craft, and the Air Force 8 combat capable aircraft, including 4 Soviet-made MiG-21 and MiG-17 fighters. There was a People's Militia of 7,000 and a combined 2,600 in



the gendarmerie and Republican Guard. The defense budget in 2005 totaled \$72 million.

## 18 INTERNATIONAL COOPERATION

Guinea was admitted to the United Nations on 12 December 1958 and is a member of ECA and several nonregional specialized agencies. It is a member of the WTO. Guinea also belongs to the African Development Bank, the ACP Group, ECOWAS, G-77, the New Partnership for Africa's Development (NEPAD), and the African Union. Guinea became a partner with Sierra Leone and Liberia in the Mano River Union in 1980, when it also joined Gambia and Senegal as a member of the Gambia River Development Organization. The government is participating in efforts to establish a West African Monetary Zone (WAMZ) that would include The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone. In addition, Guinea belongs to the Niger Basin Authority and the Organization of the Islamic Conference (OIC). The International Bauxite Association was established in Conakry in 1974 with Guinea as a charter member. Guinea is part of the Nonaligned Movement.

In environmental cooperation, the country is part of the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Guinea has extensive mineral deposits, primarily bauxite, and hydroelectric resources, along with soils and climate favorable for producing a diverse array of food and export crops. The country has wide expanses of both natural and cultivated forests, and it has begun to exploit its potential as a producer of timber. Guinea is rich in fishery resources, and has an as-yet untapped potential to increase industrial fishing. Still, Guinea is one of the poorest countries in the world.

For two decades after French withdrawal in 1958 the country was governed according to socialist-style economic management. Agriculture was collectivized and private commerce and industry repressed. In 1984, a major reform movement gained political power and reforms were instituted aimed at developing a modern market economy. The collective farms were abolished, state-owned enterprises were liquidated, compulsory marketing through state agencies was abolished, food prices were decontrolled, and the government began actively to seek foreign investment for sectors other than mining and energy. Although the reforms were largely successful, the economy has been restrained by an underdeveloped infrastructure, including poor transportation and communications systems. High levels of debt, unemployment, and underemployment also hamper economic progress.

As of 2000, 80% of the population engaged in subsistence agriculture. The mining sector accounted for about 75% of exports. Real growth in the GDP was 3.3% in 2001 and was expected to reach 6.5% in 2004. Despite a rise in the world price for bauxite, Guinea's primary export, earnings in the mining sector have been weak. In 2000, Guinea qualified for debt relief under the Heavily Indebted Poor Countries Initiative established by the World Bank and the IMF, and it was to use the savings for improvements in education, health, rural roads and rural water access. Fighting

in Liberia and Sierra Leone has spilled over into Guinea and disrupted its economy.

The economy expanded by 2.7% in 2004, up from 1.2% in 2003, but down from 4.2% in 2002; in 2005, the GDP growth rate was estimated at 2.0%. The inflation has been on the rise since 2002 (when it hovered around 3.0%), and in 2005 it was estimated to have reached 35%. This development was triggered by panic buying after the Liberian and Sierra Leonian conflicts, and it posed serious problems to the economy. In addition, Guinea is not receiving any multilateral aid after the World Bank and the IMF cut off most of the assistance in 2003.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Guinea's gross domestic product (GDP) was estimated at \$20.7 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,200. The annual growth rate of GDP was estimated at 2%. The average inflation rate in 2005 was 35%. It was estimated that agriculture accounted for 23.7% of GDP, industry 36.2%, and services 40.1%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$111 million or about \$14 per capita and accounted for approximately 3.1% of GDP. Foreign aid receipts amounted to \$238 million or about \$30 per capita and accounted for approximately 6.6% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Guinea totaled \$3.09 billion or about \$391 per capita based on a GDP of \$3.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.7%. In 2001 it was estimated that approximately 29% of household consumption was spent on food, 5% on fuel, 2% on health care, and 9% on education. It was estimated that in 2003 about 40% of the population had incomes below the poverty line.

## 21 LABOR

In the latest year for which data was available, over 80% of Guinea's labor force of about three million in 2000 were engaged in agriculture. Services and industry accounted for the remaining 20% of the workforce, that same year. Most of the population relies on subsistence farming. Most of the wage and salary earners work in the public sector; mining is the other major source of salaried employment. Unemployment data was unavailable.

Guinea's Labor Code permits all workers (except military and paramilitary) to create and participate in labor organizations. The General Workers Union of Guinea (UGTG) and the Free Union of Teachers and Researchers of Guinea (SLECG) have emerged since the code ended the previously existing trade union monopoly system. However, the National Confederation of Guinean Workers (CNTG) remains the largest labor organization. Collective bargaining is protected by law. Salaried workers, including public sector civilian employees, have the right to strike, provided that they

have given 10 days' notice of an intent to strike and that they are not engaged in an essential service. About 5% of the workforce is unionized.

The minimum working age is 16, and is enforced for large firms working in the formal economy. However, most children work, either in the informal economy or in agriculture. The workweek is technically 48 hours, but most people work longer hours. The labor code has provisions for a minimum wage but the government has yet to establish one, and most workers do not earn a living wage.

## 22 AGRICULTURE

Only 2.6% of Guinea's arable land area is cultivated. Agriculture accounts for 22% of GDP and engages 84% of the active population. The agricultural sector of the economy has stagnated since independence. The precipitate withdrawal of the French planters and removal of French tariff preference hurt Guinean agriculture, and drought conditions during the 1970s also hindered production. Since 1985, however, the free market policies of the Second Republic have encouraged growth in agricultural production, with slow but steady increases in output. Guinea is a net food importer, however, importing some 30% of its food needs.

Price controls have also had a dampening effect on output. In theory, until the reforms of the early 1980s, the state controlled the marketing of farm produce. However, even during the late 1970s, when all private trade in agricultural commodities was illegal, only a small amount of agricultural production actually passed through the state distribution system; some 500,000 private smallholders reportedly achieved yields twice as high as government collectives, despite having little or no access to government credit or research and extension facilities. During the 1970s and early 1980s, agricultural exports fell markedly, and food production decreased, necessitating rice imports of at least 70,000 tons a year. (In 1984, a drought year, 186,000 tons of cereal had to be imported.) However, some restrictions on marketing were removed in 1979 and 1981; more recently, prices were decontrolled and many state farms and plantations dissolved. These steps appeared to bring improvements.

The principal subsistence crops (with estimated 2004 production) are manioc, 1,350,000 tons; rice, 900,000 tons; sweet potatoes, 60,000 tons; yams, 40,000 tons; and corn, 90,000 tons. Cash crops are peanuts, palm kernels, bananas, pineapples, coffee, coconuts, sugarcane, and citrus fruits. In 2004, an estimated 430,000 tons of plantains, 280,000 tons of sugarcane, 210,000 tons of citrus fruits, 150,000 tons of bananas, 300,000 tons of peanuts, 53,000 tons of palm kernels, and 22,500 tons of coconuts were produced. That same year, coffee production was estimated at 20,500 tons, compared to 14,000 tons on average annually from 1979 to 1981. Prior to the reforms, a large portion of the coffee crop was smuggled out of the country. Guinea's trade deficit in agricultural products was \$164.3 million in 2004.

## 23 ANIMAL HUSBANDRY

In 2005, there were an estimated 3,400,000 head of cattle, 1,140,000 sheep, 1,361,000 goats, 67,500 hogs, and 15,000,000 chickens. Almost all the cattle are the small humpless Ndama variety kept by the Fulani in Futa Jallon and Upper Guinea, where sheep and goats also are herded. The Ndama cattle are not susceptible to ani-

mal trypanosomiasis and, although very small, their yield in meat is good. Total meat production in 2005 was 58,435 tons.

## 24 FISHING

Guinea's annual ocean fisheries potential exceeds 200,000 tons, according to World Bank estimates. The total catch in 2003 was 118,845 tons, 97% from marine fishing. Domestic artisanal fisherman only catch about 13% of the estimated annual yield. Tuna is the most important catch. Many species found in Guinean waters are among the richest in West Africa and command high value. Exports of fish products in 2003 were valued at \$2.3 million. A 1990 agreement with the European Union reflected a growing investment interest in the fishing sector. Since then, several small scale fishing ventures have been established, including a shrimp farming project financed by the African Development Bank, and development of private cold storage facilities in 14 different prefectures.

## 25 FORESTRY

Forests and woodland make up about 28% of Guinea's land area. The nation's forest resources offer great promise, the major constraint on development being lack of adequate transportation. Logging and sawmill facilities have been built in the Nzérékoré area. Removal of roundwood was estimated at 12.2 million cu m (431 million cu ft) in 2004; about 95% of the harvest was used for fuel. Exports of forestry products totaled \$6.0 million in 2004, while imports amounted to \$4.5 million.

## 26 MINING

Guinea's mineral production in 2004 consisted primarily of bauxite, cement, diamonds, gold, and salt. The country also had deposits of graphite, iron, limestone, uranium, nickel and manganese. However, these deposits remained undeveloped. In 2004, Guinea was one of the world's top five bauxite producers and a major source of foreign currency.

The government has claimed that Guinea had 20 billion tons of bauxite reserves, with proven reserves of 18 billion tons. In 2004, Guinea's mine output of bauxite totaled an estimated 17.0 million metric tons wet-basis bauxite (metallurgical plus calcinable ore estimated to be 13% water), and 15.0 million metric tons dry-basis bauxite (wet-basis ore reduced to dry-basis, estimated to be 3% water). There was no recorded production from 2002 through 2004 of calcined bauxite.

In 2004, Guinea produced an estimated 10,700 kg of gold, including artisanal production, down from 16,622 kg in 2003. Artisanal production of gold was sold either directly to the Central Bank of Guinea, or to collectors. Diamond production, including artisanal, in 2004 totaled 740,000 carats, of which 70–80% were of gem quality. Artisanal production of diamonds that year accounted for about 700,000 carats. Hydrate alumina production in 2004 was estimated at 9,000 metric tons, with calcined alumina production estimated at 770,000 metric tons. The country also produced cement, clays, salt, sand and gravel, and stone.

Iron ore was mined at Kaloum until 1967. Larger, richer deposits have been found in the Mount Nimba and Simandou mountain areas, along the Liberian border. In 1974, the Mifergui-Simandou and Mifergui-Nimba mining companies were formed to exploit the deposits, with the government retaining half interest in the

firms. Reserves were estimated at 300–600 million tons. There was no iron ore production recorded in 2004.

The less-than-expected foreign investment was attributed to the country's perceived political and economic risks and decreased availability of financing for junior mining companies, as well as civil disturbances in neighboring countries Guinea-Bissau, Senegal, and Sierra Leone.

## 27 ENERGY AND POWER

Guinea has no known proven reserves of oil or natural gas (as of 1 January 2003), coal, or any oil refining capacity. As a result the country must import whatever refined petroleum products or fossil fuels it consumes. In 2002, consumption and imports of refined petroleum products each averaged 8,730 barrels per day. There were no imports or consumption of natural gas or coal in that year.

Guinea's electric power sector relies on hydropower and conventional thermal fuel to generate power. In 2002, electric power generating capacity stood at 0.284 million kW, of which almost 49% was hydroelectric, with the remainder, based on conventional thermal fuels. In that same year, electric power output totaled 0.773 billion kWh, of which hydroelectric generation supplied 0.443 billion kWh and fossil fueled sources 0.340 billion kWh. Total electric power consumption in 2002 came to 0.719 billion kWh.

## 28 INDUSTRY

Industry accounted for 38% of GDP in 2000, 9% of which consisted of manufacturing. The manufacturing growth rate for 2000 was 4.3%. During the socialist years, a sizeable parastatal industrial sector emerged. Guinea had 234 state-run enterprises in 1985, but fewer than 60 remained in the government's portfolio a decade later. Manufacturing in Guinea consists of three elements: public enterprises with large staffs, producing below capacity; small private businesses, mostly engaged in producing beverages, bread, bricks, carpentry, and boilers/metalwork; and small non-industrial units informally employing persons in a wide variety of occupations.

The alumina smelter at Fria operated at over 90% capacity, producing 660,000 tons in 1994. Among Guinea's other plants are agro-food processors, including a fruit cannery at Mamou, a fruit juice factory at Kankan, a tea factory at Macenta, a palm oil works at Kassa, a small tobacco factor at Beyla, two peanut oil works, at Dabola and at Agola, rice mills, a sugar complex consisting of two dams, a plantation, and a refinery. A textile complex at Sanoyah, a cement and plastics factories at Conakry, and a number of construction material plants are in operation. There is potential to develop a pharmaceuticals industry in Guinea.

Industry accounted for 36.2% of the GDP in 2005, and was bested by services with a 40.1% share; agriculture was the smallest economic sector (23.7%) and by far the largest employer, with an 80% share in the labor force. Global Alumina, a US based mining company is planning to open a \$2.5 billion alumina refinery in Sangaredi. By 2008, the refinery was expected to reach full production and produce 2.8 million tons of alumina per year.

## 29 SCIENCE AND TECHNOLOGY

The National Directorate for Scientific and Technical Research is in Conakry. The Center for Rice Research is in Kankan. The Pasteur Institute for Animalculture Research and the Institute for Fruit Research are in Kindia. Five colleges and universities, including the University Gamal Abdel Nasser in Conakry, offer degrees in basic and applied sciences. In 1987–97, science and engineering students accounted for 34% of college and university enrollments.

In 2000, there were 286 researchers and 104 technicians per million people, engaged in research and development (R&D).

## 30 DOMESTIC TRADE

Commerce was severely controlled through state trading enterprises until the end of the socialist era in 1984. Private Guinean traders can now import freely, the government having ended in 1992 its monopoly on imports of petroleum and pharmaceuticals. Prices for all goods other than imported rice and petroleum products were deregulated in 1986 and the private sector was permitted to engage in all levels of internal and external marketing. However, internal corruption and political conflicts have dissuaded foreign investment which is sorely needed to jump start commercial activity.

Business hours are 7:30 AM to 3 PM, Monday through Thursday, 7:30 AM to 1 PM on Friday, and 7:30 AM to 1 PM on Saturday. Banks are normally open from 8 AM to 12:30 PM, Monday through Saturday. French is the official language of businesses.

## 31 FOREIGN TRADE

Export figures for 2000 show that the mining industry accounted for 70% in export earnings, including mostly bauxite and alumina, but also gold. Unused postage, stamp-impressed papers, and checkbooks made up 12% of Guinea's total exports, and aluminum hydroxide exports represented another 11%.

Petroleum products, machinery and equipment, and food top the list of imports at 25%, 19%, and 18%, respectively, while vehicles (8.7%), and chemicals (8.4%) also contributed to total imports, worth approximately \$612 million in 2000.

Technically, the government no longer permits counter-trade or barter in international trade. Guinea retains its postcolonial ties with France, importing the large portion of goods from that country (following Côte d'Ivoire as leading provider), and exports the majority of its minerals to France, other European countries, and the United States.

In 2005, exports totaled \$612 million (FOB—free on board), while imports grew to \$680 million. In 2004, most of the exports went to France (17.7%), Belgium (14.7%), the United Kingdom (14.7%), Switzerland (12.8%), and the Ukraine (4.2%). Imports primarily came from Côte d'Ivoire (15.5%), France (9%), Belgium (6.1%), China (6%), and South Africa (4.8%).

## 32 BALANCE OF PAYMENTS

At the beginning of 1999, external debt totaled \$3.4 billion, representing 74% of GDP. The country relies on mining exports for

**Principal Trading Partners – Guinea (2002)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	525.4	666.5	-141.1
France-Monaco	127.9	107.7	20.2
Ireland	53.5	...	53.5
Spain	53.4	12.6	40.8
United States	46.3	55.3	-9.0
Germany	42.1	21.7	20.4
Russia	33.8	...	33.8
Switzerland-Liechtenstein	30.9	8.9	22.0
United Kingdom	29.1	15.7	13.4
Canada	21.6	1.5	20.1
Belgium	20.5	42.6	-22.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

revenue. Significant debt relief programs are working towards alleviating debt servicing commitments.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Guinea's exports was \$694.5 million while imports totaled \$555.2 million resulting in a trade surplus of \$139.3 million.

The International Monetary Fund (IMF) reported that in 2001 Guinea had exports of goods totaling \$731 million and imports totaling \$562 million. The services credit totaled \$103 million and debit \$319 million.

Exports of goods totaled an estimated \$725 million in 2004, up from \$609 million in 2003. Imports grew from \$644 million in 2003, to an estimated \$688 million in 2004. The resource balance was consequently negative in 2003 (-\$35 million), and positive in 2004 (\$37 million). The current account balance improved from -\$187 million in 2003, to -\$174 million in 2004. Foreign exchange reserves (excluding gold) increased to \$3.5 billion in 2003.

**33 BANKING AND SECURITIES**

At independence, central banking functions were carried out by the Central Bank of the West African States (Banque Centrale des États de l'Afrique de l'Ouest-BCEAO), and commercial banking by branches of five French banks. On 1 March 1960, Guinea withdrew from the franc zone. The Guinean branch of the BCEAO was abolished, and the Central Bank of Guinea was established. Later that year, four of the five private banks were closed down, and the fifth was nationalized in 1961. All banking activities were taken over by the Central Bank, but by 1962 its functions were decentralized and three new state-owned banks were added.

The National Credit Bank for Commerce, Industry, and Housing, with branches throughout Guinea, handled all commercial banking and made loans to finance commerce, industry, and housing. The Guinean Foreign Trade Bank performed functions related to foreign trade. The National Agricultural Development Bank granted medium and long-term loans for agricultural development. There was also a National Savings Bank. All these institutions except the Central Bank were abolished in late 1985 and were replaced by commercial banks.

There are six commercial banks in Guinea, including the Banque Internationale pour le commerce et l'industrie de la Guinée (BICIGUI); the Societe Generale des Banques en Guinee (SGBG); the Banque Islamique de Guinee (BIG); the Unione Internationale des Banques en Guinee (UIBG); and the International Commercial Bank de Guinée (ICBG), which was launched in Conakry in early November 1996. All involve French or US participation. The government has offered for sale to the general public shares in the BICIGUI. The bank controls roughly 45% of the country's banking resources, supplying one-third of all credits to the private sector and up to 60% of those awarded for international trade. BICIGUI has 12 branches (3 in Conakry).

In 1997, due to financial instability and lack of capital, the government was considering making obligatory the direct transfer of public-sector wages and salaries to designated accounts within the commercial banks. New regulations were created to stabilize the banking system by 2000, but those reforms have been delayed, leaving the banking system in the same state.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$287.1 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$353.6 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 16.25%.

Local currency may not be exported or imported. There are no securities exchanges in Guinea.

**34 INSURANCE**

All insurance companies were nationalized in January 1962. There is a national insurance company, the National Society of Insurance

**Balance of Payments – Guinea (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-187.5</b>
Balance on goods		-35.0
Imports	-644.3	
Exports	609.3	
Balance on services		-173.6
Balance on income		-111.7
Current transfers		132.9
<b>Capital Account</b>		<b>57.6</b>
<b>Financial Account</b>		<b>58.6</b>
Direct investment abroad		...
Direct investment in Guinea		79.0
Portfolio investment assets		-4.6
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		-4.4
Other investment liabilities		-11.4
<b>Net Errors and Omissions</b>		<b>-157.1</b>
<b>Reserves and Related Items</b>		<b>228.5</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

and Reinsurance, and at least five other major companies based in Conakry.

### 3<sup>5</sup> PUBLIC FINANCE

Guinea did not have a formal government budget until 1989. Since then, overly optimistic revenue projections, increasing civil service salaries and military expenditures, and diversion of public funds have resulted in deficits. The government took control of the problematic electricity and water utilities in 2001, giving itself one year to fix the structural shortfalls and then find new partners to operate them.

The US Central Intelligence Agency (CIA) estimated that in 2005 Guinea's central government took in revenues of approximately \$305.6 million and had expenditures of \$590.4 million. Revenues minus expenditures totaled approximately -\$284.8 million. Total external debt was \$3.46 billion.

The International Monetary Fund (IMF) reported that in 1999, the most recent year for which it had data, budgetary central government revenues were GFr895,400 million and expenditures were GFr1,010 million. The value of revenues US dollars was us\$645 million, based on a official exchange rate for 1999 of us\$1 = GFr1,387.4 as reported by the IMF.

### 3<sup>6</sup> TAXATION

Personal income and capital gains are taxed at 35%, which is also the corporate tax rate. A 15% withholding tax is levied on dividends. Both employees (5%) and employers (18%) contribute to Social Security. In 1996, the government introduced a value-added tax (VAT). In 2003, the standard rate was set at 18%. Exports, international transportation, and basic food items are exempted.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Since 1994, import taxes have steadily increased. Import licenses are required for all imports regardless of country of origin and import duties are levied uniformly. Prohibited imports included

arms, military equipment, and narcotics. There was also an 18% VAT on all imported products. With the exception of gold and diamonds, no export taxes were levied.

### 3<sup>8</sup> FOREIGN INVESTMENT

Guinea's national identity rests on its proud refusal to enter the French community in 1958 and its offers of economic assistance in exchange for political independence. Even though the country has gone through substantial political and economic liberalization since the passing of independence hero, Sékou Touré, in 1984, the legacy still inhibits the embrace of foreign investment. The only sectors of the economy in which private foreign investment were originally allowed after independence were mining and energy, but in the early 1980s agricultural investment was also being sought. During 1983–85, direct foreign investment amounted to \$2.2 million.

An investment code following the 1984 coup indicated a new emphasis on private investment and incentives. It was replaced by the currently applicable investment code of 1987, as amended in 1995, which pledged national treatment, free repatriation of capital, special incentives for small and medium-size enterprises, nonmining exports, enterprises using over 70% local inputs, and those locating outside of Conakry. In 1989, under donor pressure, the government leased the operation of Conakry's water supply in a 10-year contract to a consortium led by the SARU and Vivendi companies of France operating as the management company SEEG (Société de Exploitation des Eaux de Guinée). After initial gains in efficiency, SEEG could not make further headway against nepotism and corruption and could not devise a way to get the government to pay its bills. Although the contract was renewed in June 2001, the private companies left in frustration. In 2003, under drought conditions, repeated riots in Conakry have protested the scarcity of water and electricity.

In 1992, investment policies were liberalized to permit private ventures in most sectors, including mining and telecommunications, and the Office of Private Investment Promotion (OPIP) was established as a one-stop shop to facilitate the process. By the revised mining code of 1995, foreigners could own up to 85% of mining ventures. The main bauxite mining company in Guinea, CBG (Compagnie des Bauxites de Guinée), is owned 49% by the government and 51% by Halco, which is a consortium of foreign companies made up of Alcan (Canada, 33%); Alcoa and its subsidiary, Reynolds (United States, 13%); Pechiney (France, 10%); VAW (Germany, 10%); and Comalco (Australia, 4%). In 2003, the smaller state-owned SBK (Société des Bauxites de Kindia-Debelé) mine, built in the 1970s as part of a barter agreement with the USSR to pay off loans by providing bauxite to a smelter in the Ukraine, was being managed by Russian Aluminum (RusAl). In 2003, RusAl also planned to acquire the Friguia mine, site of the first aluminum smelter in Africa and now badly in need of privatization and modernizing.

In 1992, the postal service was separated from telecommunications to allow outside participation in the latter. In December 1995 Telekom Malaysia Berhad acquired a 60% stake in SOTELGUI, the state telecommunications company. In the mobile sector, SOTELGUI competes against Spacetel (Israel) and Telecel (US-based).

#### Public Finance – Guinea (1999f)

(In millions of Guinean francs, budgetary central government figures)

	895,400	100.0%
<b>Revenue and Grants</b>		
Tax revenue	534,450	59.7%
Social contributions	5,260	0.6%
Grants	320,500	35.8%
Other revenue	35,190	3.9%
<b>Expenditures</b>	<b>1,010,060</b>	<b>100.0%</b>
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant. f = forecasted or projected data.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

Diamond mining in Guinea has recently attracted explorations by De Beers (South Africa), Hymex and Trivalence Mining Corporations (Canadian), and Aredor Holding Company (Australia). Aredor has a reputation for nontransparent operations in gold mining in Guinea, leaving a few government officials wealthy and the local population with only a degraded and polluted environment. Gold mining in Guinea, like diamond mining, has until recently been mainly traditional and informal (illegal), but the Ghanaian company, Ashanti Goldfields, has operations in Guinea.

In 1995, revisions to the investment code divided the country into four administrative zones to better service foreign investment projects. Significant foreign direct investment projects for 1997 to 1998 included a \$200 million railway repair by Slovak Railways, a \$45 million gold exploration by Ashanti Goldfields, a \$24 million diamond exploration by Société Aurifère de Guinée and Hymex Diamant, a \$20 million expansion and modernization project by the government of Iran, and an \$8 million diamond operation by De Beers. Foreign direct investment (FDI) averaged \$17.55 million in 1997–98. In May 1999, the government, with the support of OPIP and UNIDO, hosted an investors' forum to which 500 potential investors were invited and over 100 potential investment projects were presented. In 1999, FDI peaked at \$63.4 million, whereas for 2000 and 2001, the average was \$35.5 million.

In 2004, Societe de Miniere de Dinguiraye and Societe Aurifere de Guinee (two expatriate gold-mining companies) made major investments in the mining sector. Global Alumina, a US based company, is planning to open a \$2.5 billion alumina refinery in Sangaredi, while Alcoa and Alcan are looking into starting a jointly owned alumina refinery of similar magnitude. Some of the main concerns of foreign investors are the need for a stable judicial and economic framework, and increased stability along Guinea's southern borders.

### 39 ECONOMIC DEVELOPMENT

After independence, French-held financial, commercial, industrial, and distributive organizations were expropriated, and the national economy was divided into three sectors: a state sector, a mixed sector, and a sector for guaranteed private investment. By the mid-1970s, the private sector had become insignificant, and government policy increasingly leaned toward greater government control of the mixed enterprises and the state-sector companies. The 1987–91 recovery program called for \$670 million in spending through 1989, with 42% for infrastructure and 24% for rural development. A major aim was to diversify the economy and reduce the heavy reliance on bauxite.

By 1990, the government had privatized the majority of its 180 public enterprises and closed over 300 state farms. From 1990 to 2000, the pace of structural reform slowed and debts increased as the economy failed to diversify. The Islamic Development Bank (IDB) granted two new loans to Guinea in 1997, and the Paris Club rescheduled a large portion of Guinea's bilateral debt, forgiving 50% of debt to France, and Russia forgave 70% of bilateral debt.

The government in recent years has taken steps to stimulate investment, encourage private-sector commercial activity, reduce the role of the state in the economy, and improve administrative and judicial frameworks. The government has also increased spending on education, health, infrastructure, banking, and jus-

tice sectors, and cut the government bureaucracy. Corruption and nepotism hamper economic development.

In 2000, Guinea was granted \$800 million in debt relief under the International Monetary Fund (IMF)/World Bank Heavily Indebted Poor Countries (HIPC) initiative. In 2001, Guinea negotiated a three-year \$81.3 million Poverty Reduction and Growth Facility (PRGF) Arrangement with the IMF, geared to support the country's efforts to stabilize the economy, promote growth, improve social services, and reduce poverty.

In 2003, the World Bank and the IMF cut off most of the financial assistance, and currently Guinea is not receiving any multilateral aid. The modest growth registered in 2005 was primarily caused by an increase in global demand and commodity prices on world markets. Although the inflation rate rose rapidly in 2004 and 2005 (to 35%), it was expected to taper off starting 2006. Mining was expected to continue to be the primer growth engine, with most of the other sectors expected to stagnate in the short term period.

### 40 SOCIAL DEVELOPMENT

There was a regression of social services during the Touré years. Although government sought to establish extensive social programs, they were badly organized and managed and, in the end, the treasury was empty. In 1994, social security legislation was updated, providing pensions at age 55 and cash sickness benefits for employed persons. Work injury laws, initiated in 1932, covers employed persons including agricultural salaried workers, domestic workers, apprentices, interns, and students at technical school. Officially, free medical treatment is available, as well as free care for pregnant women and for infants. In reality, health service is poor, and life expectancy is among the lowest in the world.

Women traditionally play a subordinate role in family and public life. The law prohibits discrimination based on gender, but is not effectively enforced. Violence against women is common, but the courts rarely intervene in domestic disputes. Inheritance customs favor male children over female children. Divorce laws favor men in awarding property and custody of children. Female genital mutilation (FGM), a practice that is both painful and often life-threatening, continues to be practiced in all parts of the country. In 2004 there was an increase in adherence to conservative Islamic beliefs, which further threatened the rights of women.

Human rights abuses include police abuse of prisoners, arbitrary detention, and torture. The government exercises its power to restrict unwanted political gatherings.

### 41 HEALTH

As of 2004, there were an estimated 9 physicians, 43 nurses, and 18 dentists per 100,000 people. Approximately 80% of the population had access to health care services.

The Republic of Guinea lies along the "goiter belt" of the Atlantic coast from west to central Africa. Low iodine intake has led to goiter in predominantly rural areas. Malaria, yaws, leprosy (3,580 cases in 1995), and sleeping sickness (in the forest areas in the Guinea Highlands) have been the major tropical diseases; tuberculosis and venereal diseases are also prevalent. There were 255 cases of tuberculosis in 1999 per 100,000 people. Yellow fever and smallpox have been brought under control, but schistosomiasis remains widespread. In 2000, 48% of the population had access to

safe drinking water and 58% had adequate sanitation. The most common diseases for children under five years old in 1994 were diarrhea, respiratory infections, helminthiasis, and malaria. Children up to one year old were vaccinated against tuberculosis, 69%; diphtheria, pertussis, and tetanus, 53%; polio, 53%; and measles, 56%. Total health care expenditures were 3.8% of GDP.

In 2002 Guinea had an estimated birthrate of 39.5 per 1,000 people. In 2000 the total fertility rate was 5.2 births per woman. Only 2% of Guinean women used some form of contraception. Malnutrition affected 26% of all children under five years old as of 1999. Goiter was found in 62.6% of school-age children in 1996. Infant mortality in 2005 was 91.45 per 1,000 live births and the overall mortality rate was estimated at 17 per 1,000 people in 2002. Average estimated life expectancy was 49.36 years in 2005.

The HIV/AIDS prevalence was 3.20 per 100 adults in 2003. As of 2004, there were approximately 140,000 people living with HIV/AIDS in the country. There were an estimated 9,000 deaths from AIDS in 2003.

Since 1986, Guinea has been revamping its health care system. Using the Bamako Initiative previously used by other sub-Saharan African nations, Guinea has set up several smaller health centers that offer immunization services, AIDS prevention and control, family planning, and tuberculosis control.

## 42 HOUSING

The most common rural dwelling is round, windowless, and made of wattle and daub or sun-dried mud bricks, with a floor of packed earth and a conical thatched roof. Urban dwellings are usually one-story rectangular frame or mud-brick buildings, generally without electricity or indoor plumbing. Conakry has a serious housing shortage. According to the latest available information (1980–88), the housing stock numbered over one million units, with 5.4 people per dwelling. In 2000, 72% of urban and 36% of rural households had access to improved water sources. About 94% of urban and 41% of rural households had access to improved sanitation systems.

## 43 EDUCATION

Before Guinea became independent, its educational system was patterned on that of France and French was the primary language of instruction. All schools were nationalized in 1961. In 1968, a “cultural revolution,” aimed at de-Westernizing Guinean life, was inaugurated; since then, eight vernaculars have been added to the school curriculum, and village-level programs have been set up to assist in the implementation of the plan. Although the French educational structure and its traditional degrees have been retained, African history and geography are now stressed. Education is free and compulsory between the ages of 7 and 13. Children go through six years of primary and seven years of secondary school. After this, students may choose to attend a three-year vocational school to complete their education. The academic year runs from October to June.

Primary school enrollment in 2003 was estimated at about 65% of age-eligible students; 73% for boys and 58% for girls. The same year, secondary school enrollment was about 21% of age-eligible students; 28% for boys and 13% for girls. It is estimated that about 41% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 44:1 in 2000;

the ratio for secondary school was about 30:1. In 2003, private schools accounted for about 20% of primary school enrollment and 12% of secondary enrollment.

The Gamal Abdel Nasser Polytechnic Institute was established at Conakry in 1963. The Valéry Giscard d'Estaing Institute of Agro-Zootechnical Sciences was founded in 1978 at Faranah. The University of Conakry was founded in 1984. The adult literacy rate for 1995 was estimated at about 35.9%, with 49.9% for men and 21.9% for women.

As of 2003, public expenditure on education was estimated at 1.8% of GDP, or 25.6% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

The chief book collection and main exhibition center are in the National Institute of Research and Documentation (67,000 volumes) at Conakry. The National Library (40,000 volumes) and the National Archives are also located in Conakry. There are also small university libraries in Kankan and Conakry.

The National Museum, at Conakry, has displays of the ethnography and prehistory of Guinea, as well as a collection of art, fetishes, and masks of the Sacred Forest. The capital also has two natural history museums, covering botany and geology. There are regional museums in Kissidougou, Nzérékoré, Youkounkoun, Beyla, and Boké.

## 45 MEDIA

Telephone, telegraph, and postal services are government-owned. Submarine cables connect Conakry with Dakar, Freetown, and Monrovia; telecommunication links by satellite are also available. In 2003, there were an estimated 3 mainline telephones for every 1,000 people; about 1,400 people were on a waiting list for telephone service installation. The same year, there were approximately 14 mobile phones in use for every 1,000 people.

Radiodiffusion-Télévision Guinéenne broadcasts in French, English, Portuguese, Arabic, Creole, and local languages, as does TV-Nationale, the one television station in Guinea. In 2001, there were 4 AM and 1 FM radio stations. In 2003, there were an estimated 52 radios and 47 television sets for every 1,000 people. The same year, there were 5.5 personal computers for every 1,000 people and 5 of every 1,000 people had access to the Internet.

The government-owned *Horoya* is the only daily paper, with an estimated circulation of 20,000 in 2002. There are also a number of private press weeklies, including *La Lance*, *L'Oeil*, *Le Democrat*, *L'Independant*, *La Nouvelle Tribune*, *L'Observateur*, and the satirical newspaper *Le Lynx*.

The constitution provides freedom of the press, though in practice the government imposes broad control and censorship. All media are owned or controlled by the government.

## 46 ORGANIZATIONS

Regional farm organizations are leagued in a national union of planters' cooperatives. Mass organizations associated with the RDA include the Youth of the Democratic African Revolution and the Revolutionary Union of Guinean Women. The Guinea Chamber of Commerce, Industry, and Agriculture has 70 affiliates.

National women's organizations include the Association Guinéenne des Femmes Diplômées des Universités and Commission Nationale des Femmes Travailleuses de Guinée. Scouting organi-

zations are active for youth. Volunteer service organizations, such as the Lions Clubs International, are present. There is a national chapter of the Red Cross Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

Visitors to Guinea must have a valid passport, visa, and international vaccination record (World Health Organization card). A certificate of vaccination against yellow fever is also required. Malaria precautions are recommended. An annual cultural festival that includes theatrical and dance groups is held in October. In 2003, there were 3,634 tourist arrivals. Tourist receipts totaled \$8.1 million in 2001, and in 2002 there were 3,774 hotel rooms with 4,518 beds and a 70% occupancy rate. The average length of stay that same year was three nights.

In 2005, the US Department of State estimated the average daily expenses to stay in Conakry at \$143.

#### 48 FAMOUS GUINEANS

A revered figure of the 19th century is Samory Touré (1830?–1900), a Malinké born in Upper Guinea, who conquered large areas and resisted French military forces until 1898. The founder of modern Guinea was his alleged great-grandson Ahmed Sékou Touré (1922–84), a prominent labor leader and political figure who be-

came Guinea's first president in 1958. Guinea's best-known writer, Camara Laye (1928–80), wrote the novel *The Dark Child* (1953). Col. Lansana Conté (b.1934) became president in 1984. In 2004, he appointed Cellou Dalein Diallo (b.1953?) prime minister.

#### 49 DEPENDENCIES

Guinea has no territories or colonies.

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# GUINEA-BISSAU

Republic of Guinea-Bissau

*República da Guiné-Bissau*

**CAPITAL:** Bissau

**FLAG:** The flag has equal horizontal stripes of yellow over green, with a red vertical stripe at the hoist bearing a black star.

**ANTHEM:** *Esta é a Nossa Pátria Bem Amada (This Is Our Well-Beloved Land).*

**MONETARY UNIT:** The Communauté Financière Africaine franc (CFA Fr) replaced the Guinean peso (PG) as official currency in May 1997. The CFA franc, which was originally pegged to the French franc, has been pegged to the euro since January 1999 with a rate of 655.957 CFA francs to 1 euro. The CFA franc comes in coins of 1, 2, 5, 10, 25, 50, 100, and 500 CFA francs, and notes of 50, 100, 500, 1,000, 5,000, and 10,000 CFA francs. CFA Fr1 = \$0.00189 (or \$1 = CFA Fr528.28) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year's Day, 1 January; Death of Amílcar Cabral, 20 January; Labor Day, 1 May; Anniversary of the Killing of Pidjiguiti, 3 August; National Day, 24 September; Anniversary of the Movement of Readjustment, 14 November; Christmas Day, 25 December. Movable religious holidays include Korité (end of Ramadan) and Tabaski (Feast of the Sacrifice).

**TIME:** 11 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated on the west coast of Africa, Guinea-Bissau, formerly Portuguese Guinea, has a total area of 36,120 sq km (13,946 sq mi), about 10% of which is periodically submerged by tidal waters. Comparatively, the area occupied by Guinea-Bissau is slightly less than three times the size of the state of Connecticut. Besides its mainland territory, it includes the Bijagós Archipelago and various coastal islands—Jeta, Pecixe, Bolama, and Melo, among others. Extending 336 km (209 mi) N–S and 203 km (126 mi) E–W, Guinea-Bissau is bordered on the N by Senegal, on the E and SE by Guinea, and on the SW and W by the Atlantic Ocean, with a total boundary length of 1,074 km (667 mi).

Guinea-Bissau's capital city, Bissau, is located on the country's Atlantic coast.

## <sup>2</sup> TOPOGRAPHY

The country is swampy at the coast and low-lying inland, except in the northeast. At high tide, approximately 10% of the land in the coastal region is submerged. There are no significant mountains but there is a central plateau rising to a couple hundred feet in elevation. Where the plateau stretches to the eastern frontier, it is called the Planalto de Gabú. This region has the nation's highest point, an unnamed point at 300 meters (984 feet). The lowest point is at sea level (Atlantic Ocean). The most important rivers include the Cacheu, Mansoa, Geba, and Corubal.

## <sup>3</sup> CLIMATE

Guinea-Bissau has a hot, humid, typically tropical climate, with a rainy season that lasts from mid-May to mid-November and a cooler dry season occupying the rest of the year. The average temperature in the rainy season ranges from 26–28°C (79–82°F).

Rainfall generally exceeds 198 cm (78 in), but droughts occurred in 1977, 1979, 1980, and 1983. The rainiest months are July and August. During the dry season, when the harmattan (dust-laden wind) blows from the Sahara, average temperatures do not exceed 24°C (75°F). The coldest months are December and January.

## <sup>4</sup> FLORA AND FAUNA

Guinea-Bissau has a variety of vegetation, with thick jungle in the interior plains, rice and mangrove fields along the coastal plains and swamps, and savanna in the north. Parts of Guinea-Bissau are rich in game, big and small. Several species of antelope, buffalo, monkeys, and snakes are found. As of 2002, there were at least 108 species of mammals, 235 species of birds, and over 1,000 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

One of the most significant environmental problems in Guinea-Bissau is fire, which destroys 40,000 ha of land per year and accelerates the loss of the nation's forests at a yearly rate of about 220 sq mi. In addition, Guinea-Bissau had lost over 75% of its original mangrove areas by the mid-1980s, with the remaining swamps covering about 236,000 hectares. Only about 79% of city dwellers and 49% of the people living in rural areas have access to pure drinking water. The nation has 16 cu km of renewable water resources, with 36% used for farming activity. Only 46% of the population have adequate sanitation.

Another environmental issue is soil damage, caused by drought and erosion, as well as acidification and salinization. The Ministry of Natural Resources, created in January 1979, is responsible for making and enforcing environmental policy.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 5 types of mammals, 1 species of birds, 1 type of reptiles, 10 species of fish, 1 species of invertebrates, and 4 species of plants. Threatened species included the Pygmy hippopotamus and the West African manatee.

## 6 POPULATION

The population of Guinea-Bissau in 2005 was estimated by the United Nations (UN) at 1,586,000, which placed it at number 145 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 46% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 3.0%, a rate the government viewed as too high. Only an estimated 6% of women use contraception and the fertility rate was seven births per woman. The projected population for the year 2025 was 2,875,000. The population density was 44 per sq km (114 per sq mi).

The majority of the population lives in small farming communities or fishing towns. The UN estimated that 32% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 5%. The capital city, Bissau, had a population of 336,000 in that year.

## 7 MIGRATION

Centuries ago, the largely Muslim pastoral tribesmen to the east tended to migrate toward coastal regions, but this movement was inhibited to some degree by Portuguese colonization. In 1975, after the settlement of the guerrilla war against the Portuguese colonial administration, approximately 100,000 refugees returned from neighboring Senegal and Guinea.

In 1998, a civil war erupted in Guinea-Bissau, prompting tens of thousands to flee the capital for the surrounding countryside and several thousands to cross into neighboring countries. By June, some 300,000 people in the capital had been displaced. In July, several thousand local inhabitants and other nationalities left the country. Most refugees fled to Senegal and Guinea; others went as far as The Gambia and Cape Verde. By the end of 2004, there were 7,536 refugees, almost all of whom were from Senegal, and 141 asylum seekers. Populations of concern to the United Nations High Commissioner for Refugees (UNHCR) at the end of 2004 numbered 7,677, mainly in border regions. In that same year 284 Guineans sought asylum in France and Spain.

In 2005, the net migration rate was estimated as -1.54 per 1,000 population. The government views the immigration level as satisfactory, but the emigration level as too high.

## 8 ETHNIC GROUPS

About 99% of the population is African; the largest ethnic groups are the Balante (an estimated 30% of the African population), living mainly in the central region; the Fulani (20%), in the north; the Manjaca (14%); the Mandinga (13%); and the Pepel (7%), in the coastal areas. The remaining 1% of the population are primarily European or mulatto.

Of the nonindigenous people, the Cape Verdean mulatto community, which originated in the Cape Verde Islands, is the largest

group, accounting for about 2% of the total population of Guinea-Bissau. Resentment over the disproportionate political and commercial influence held by this group played a role in the 1980 coup. There is also a small foreign community, consisting mainly of Portuguese and of Lebanese and Syrian merchants.

## 9 LANGUAGES

Wide differences prevail in languages, since each tribe has its own vernacular, subdivided into numerous dialects. A Guinean “crioulo,” or Africanized Portuguese patois, is the lingua franca, while Portuguese is the official language.

## 10 RELIGIONS

About 49% of the population has retained traditional religious beliefs or animism. An estimated 38% of the population adhere to the Islamic faith. The Fulani and Mandinka ethnic groups are Muslim for the most part. Between 5% and 13% of the population are Christians with a majority being Roman Catholic. Freedom of religion is provided for in the constitution and this right is generally respected in practice.

## 11 TRANSPORTATION

Transportation facilities remain undeveloped, a factor that has hampered economic development as a whole, especially the exploitation of mineral deposits in the interior. There is no rail line in Guinea-Bissau. In 2002, the country had an estimated 4,400 km (2,735 mi) of roads, of which 453 km (282 mi) were tarred. These, however, consisted mostly of military penetration roads unfit for regular passenger and commercial traffic.

Bissau is the main port. Expansion and modernization projects costing at least \$48 million were undertaken there in the early 1980s. Secondary ports and harbors include Buba, Cacheu, and Farim. As of 2004, the country's four largest rivers are navigable for some distance, with shallow water access possible to much of the interior via creeks and inlets. Bissau is also the site of a modern international airport, while several aerodromes and landing strips serve the interior. In 2004 there were an estimated 28 airports, of which only 3 had paved runways (as of 2005). Linhas Aéreas da Guiné-Bissau (LIA), the national airline, also has service to Dakar, Senegal. Transportes Aéreos Portugueses (TAP), Air Guinée, Aeroflot, Air Senegal, Cape Verde Airlines, and Air Algérie provide international service. In 1997 (the latest year for which data is available) it carried 21,000 passengers on domestic and international flights.

## 12 HISTORY

The earliest inhabitants had been hunters and fishermen who were replaced by the Baga and other peoples who came from the east. The Portuguese explorer Nuno Tristão arrived in the region in June 1446 and established the first trading posts. The slave trade developed during the 17th century; at its center was the port of Bissau, from which thousands of captive Africans were sent across the Atlantic to Latin America. Portugal retained at least nominal control of the area, and British claims to coastal regions were dismissed by arbitration in 1870. Nine years later, the area became a separate Portuguese dependency, administratively subordinate to the Cape Verde Islands. Portuguese Guinea's boundaries with neighboring French possessions were delimited in an 1886 trea-

ty, and formal borders were demarcated by a joint commission in 1905. However, the interior was not effectively occupied until about 1920; nor did the Portuguese settle in the colony in large numbers. In 1951, together with other Portuguese holdings in Africa, Guinea was named a Portuguese overseas province.

In September 1956, a group of dissatisfied Cape Verdeans founded an underground movement to work for independence from Portugal. It was named the African Party for the Independence of Guinea and Cape Verde (Partido Africano de Independência da Guiné e Cabo Verde—PAIGC), and Amílcar Cabral became its secretary-general. On 19 September 1959, after more than 50 Africans had been killed during a dock strike that turned into a violent clash with police, Cabral called for an all-out struggle “by all possible means, including war.” By 1963, large-scale guerrilla warfare had broken out in the territory.

During the ensuing years, PAIGC guerrillas, fighting a Portuguese force of about 30,000, increased their hold on the countryside. When Cabral was assassinated on 20 January 1973, reportedly by a PAIGC naval officer, Aristides Pereira took over the leadership of the movement, which on 24 September 1973 unilaterally proclaimed the independence of the Republic of Guinea-Bissau.

A PAIGC victory became near certain after 25 April 1974, when the Lisbon government was overthrown in a coup. The leader of the new regime, Gen. António de Spínola, was a former governor-general and military commander in Portuguese Guinea, and had become an advocate of peaceful settlement of the war. On 26 August 1974, the Portuguese government and the PAIGC signed an agreement in Algiers under which Guinea-Bissau was to attain independence from 10 September. The same agreement also provided for the removal of all Portuguese troops by 31 October as well as a referendum to determine the future status of the Cape Verde Islands.

The new government, under President Luis de Almeida Cabral, brother to Amílcar Cabral, had to deal with extensive economic dislocations brought about by the war. On 27 September 1974, the government announced its intention to control all foreign trade, and in May 1975, the legislature approved a program to nationalize all land and to confiscate property belonging to persons who had “collaborated with the enemy” during the war.

In the first postindependence elections held in December 1976–January 1977, 80% of the population approved the PAIGC list of candidates for Regional Council membership. The 150-member National Assembly, selected by these representatives, convened on 13 March 1977. Luis Cabral was reelected president of Guinea-Bissau and of the 15-member Council of State, and Major João Bernardo Vieira was confirmed as the nation’s vice president and as president of the National Assembly.

On 14 November 1980, President Cabral, a mestiço with close ties to Cape Verde, was overthrown by a group of Guinean blacks under Vieira’s command. Severe food shortages and tensions in the alliance between Guinea-Bissau and Cape Verde had precipitated the bloody military coup, which led to the dissolution of the National Assembly and Executive Council, suspension of the constitution, arrest of the president, and temporary abandonment of the goal of unification with Cape Verde. A Revolutionary Council composed of nine military officers and four civilian advisers was named on 19 November, and a provisional government was ap-



LOCATION: 10°52' to 12°42' N; 13°38' to 16°43' W. BOUNDARY LENGTHS: Senegal, 338 kilometers (210 miles); Guinea, 386 kilometers (240 miles); Atlantic coastline, 398 kilometers (247 miles). TERRITORIAL SEA LIMIT: 12 miles.

pointed the following day. Diplomatic relations with Cape Verde, suspended at the time of the coup, were resumed in June 1982.

The National People’s Assembly, reestablished in April 1984, adopted a new constitution in May. It also elected a 15-member Council of State to serve as the nation’s executive body. As president of this council, Vieira served as both head of state and head of government. An abortive military coup took place in November 1985; in the aftermath, six persons were executed in July 1986 while another five died in detention. After ruling Guinea-Bissau as a one-party state for ten years, Vieira denounced single-party rule as elitist, inherently undemocratic, and repressive. In April 1991, Guinea-Bissau formally embraced multipartyism and adopted a new constitution. Four major opposition parties formed the Democratic Forum in January 1992 and sought to unseat PAIGC.

Elections scheduled for November 1992 were postponed until March 1993, giving the 11 opposition parties time to campaign and the multiparty electoral commission time to work out electoral procedures. They were again postponed until March 1994.

On 17 March 1993, João da Costa, the leader of the Party for Renovation and Development (PRD), was implicated in an attempted coup. On 4 February 1994, the supreme military court acquitted him.

In July 1994, Guinea-Bissau held its first multiparty legislative and presidential elections. João Bernardo Vieira was elected president, narrowly defeating Koumba Yala with 52% to 48% of the vote. The PAIGC led decisively in the Assembly elections with 46% of the vote. In October, Vieira appointed Manuel Saturnino da Costa prime minister. In 1995, a coalition of opposition parties reformed the Democratic Forum, appointing da Costa as its leader.

The PAIGC reelected Vieira as party leader in May 1998, but he was nearly overthrown in June when army mutineers staged an unsuccessful coup. The coup attempt triggered a brief but devastating civil war. Upon Vieira's request, Senegal and Guinea sent 3,000 troops to restore order. Bombardments destroyed the main hospital, damaged schools and markets, and displaced thousands. The World Food Program and the Red Cross provided emergency services to an estimated 130,000 of these victims. Under a peace agreement signed in Abuja in November, presidential and legislative elections were to be held before March 1999.

In May 1999, following the dismissal of General Ansumane Mané, troops loyal to the general stormed the presidential palace. Some 70 people died in the assault. Vieira took refuge at the French Cultural Center, and later sought asylum at the Portuguese Embassy. He was allowed to leave for Lisbon after renouncing the presidency and promising to return for trial. Malam Bacai Sanha presided over the interim government, which ended the 11-month civil war.

In November 1999, National Assembly elections took place, and in January 2000, Sanha lost to Koumba Yala in presidential elections judged free and fair. On 24 January, President Yala appointed his close friend, Caetano N'tchama, prime minister. Despite the elections, the country had a parallel government in the form of the military junta. In November 2000, Mané revoked Yala's military appointments and fighting erupted between forces loyal to the government and supporters of the junta. After regaining control, loyalist forces announced on 30 November that Mané had been killed.

Yet another crisis ensued in January 2001 when the Guinea-Bissau Resistance (or RGB/MB) withdrew from the government, charging that it had not been consulted over a cabinet reshuffle and calling for N'tchama's dismissal. N'tchama was fired in March, leaving a number of issues for his successor including the detention of about 130 members of the military accused of supporting Mané, and the alleged involvement of Guinea-Bissau in the Casamance conflict in neighboring Senegal. Health, education, and other social sectors were seriously underfunded, and underpaid civil servants were demanding higher wages. In addition, thousands of weapons were in private hands, and newly graduated young people had few or no prospects of employment after leaving school. Yala announced in December 2001 that his government had foiled yet another coup attempt.

In November 2002, Yala dissolved the parliament and named Mario Pires prime minister. Yala arrested his defense minister on 30 April 2003 on charges of plotting a coup, and in June he held emergency talks with disgruntled military leaders and key

ministers to prevent the collapse of his government. Under pressure from the UN Security Council to hold clean elections, Yala announced in June 2003 that parliamentary elections originally scheduled for 23 February and then pushed back to 20 April and then 6 July would be postponed yet again to August or September pending revision of the electoral roll. By July 2003, Yala's government owed six months in pay arrears to the army and civil service. In lieu of monetary remuneration, government workers were receiving payment in rice. In the words of the UN Secretary General Kofi Annan, the economy and government of Guinea-Bissau were on a precarious downward course.

Relations with Senegal have been strained over issues stemming from the Casamance conflict in Senegal, and over demarcation of the Bissauan-Senegalese border established by an agreement between Portugal and France in 1960. In 1992 and 1995, Senegalese warplanes bombed suspected rebel bases in Guinea-Bissau alleged to be safe havens for Casamance rebels. In March 1996, the two governments reached an initial accord, and in 1999 through the mediation of President Jammeh of The Gambia, leaders of the two sides concluded an agreement. However, skirmishes continued into 2001 necessitating the intervention of the UN Secretary General.

The dramas of political life in Guinea-Bissau would continue however. In September 2003, agreement was reached among the military and political parties to hold presidential and legislative elections. An interim civilian administration was also established, headed by President Henrique Rosa with Antonio Artur Rosa as prime minister. Elections followed in March 2004, which the PAIGC won. In October, the head of the armed forces was killed over problems that included outstanding wages. April 2005 saw the return from exile in Portugal of ex-president Joao Vieira, who had been toppled one decade earlier. The following month another former president, Koumba Yala deposed in 2003, declared he was still president; he also occupied the presidency building albeit briefly. The run-up to presidential elections in July 2005 was as uncertain as it was tempered by high-stakes intervention by international bodies. In the event, former military ruler Vieira was elected for a five-year term; he won 52% of the vote to defeat Malam Bacai Sanha, who polled 47.6%. The next presidential election was due in 2010.

## 13 GOVERNMENT

The 1973 constitution was suspended following the 1980 coup. A constitution was ratified on 16 May 1984 by the reestablished National People's Assembly. In April 1991 a new constitution, providing for a multiparty system, was adopted.

The Assembly and the regional councils are the nation's representative bodies. The popularly elected councils elect the 100-member Assembly from their own ranks, and the Assembly in turn elects a 15-member Council of State as the nation's executive body. The president of this council, whom the Assembly also elects, automatically becomes head of state, head of government, and commander-in-chief of the armed forces. Before multiple parties were authorized in 1991, all Assembly members had to be members of the ruling African Party for the Independence of Guinea and Cape Verde (PAIGC).

The president appoints the prime minister, who presides over the Council of Ministers. In March 2000, President Yala decid-

ed to assign five cabinet portfolios to the military junta to defuse tensions. He reshuffled and enlarged the cabinet in June 2003 ostensibly to broaden his political support. In September 2003, Yala was ousted in a bloodless coup led by the military chief, who complained about worsening economic and political conditions, including increasing hostility to media houses as well as journalists perceived to be opposed to government. Legislative elections held in March 2004 left PAIGC in control. Shortly after taking power in November 2005, President Vieira sacked the government of Prime Minister Carlos Gomes Junior. Aristides Gomes became prime minister.

#### **14 POLITICAL PARTIES**

Prior to 1991, the ruling African Party for the Independence of Guinea and Cape Verde (Partido Africano de Independência da Guiné e Cabo Verde—PAIGC) was the sole legal party in the Republic of Guinea-Bissau. During the presidency of Luis Cabral, hundreds of political opponents of the regime were reportedly murdered and buried in mass graves.

The 1980 coup was condemned by Cape Verdean leaders of the PAIGC, and in January 1981 they broke with the Guinea-Bissau branch to form the African Party for the Independence of Cape Verde. The following November, Guinean party officials decided to retain the name PAIGC for their branch and to expel Cape Verdean founder-members from the party.

Opposition parties were legalized by a new constitution adopted in April 1991. A dozen parties were recognized. Among them were: the Party for Renewal and Development (PRD), which was composed of educated dissidents who quit the PAIGC because of its authoritarianism; the Social Democratic Front (FDS), led by one of the founders of the PAIGC, Raphael Barbosa; the Front for the Struggle for Guinea-Bissau's National Independence, which predates PAIGC and was led by Mindy Kankoila, an early independence leader who had been in exile for 40 years; the National Convention Party (mainly Muslims and FDS dissidents); and the League for the Protection of the Ecology (LPE). The most important opposition party was Bafata, the Guinea-Bissau Resistance-Bafata Movement. Many parties prior to the general elections of 1994 formed a coalition, including the PRD, the FDS, the LPE, the Movement for Unity and Democracy (MUD), and the Democratic Party for Progress (PDP).

Free and fair legislative elections on 3 July 1994 gave the PAIGC a majority of 62 seats. The Guinea-Bissau Resistance (RGB-MB) was second in balloting with 19 seats, 12 for the Social Renovation Party (PRS), 10 for the Front for the Liberation and Independence of Guinea-Bissau, and 6 for the Union for Change Coalition.

In the November 1999 Assembly elections, the Partido da Renovacao Social (PRS), won 38 seats, the Resistencia da Guine-Bissau-Movimento Ba-Fata (RGB-MB) 28 seats, and the PAIGC 24 seats. Five parties garnered the remaining 12 seats in this election, which were part of the second consecutive set of free and fair competitive elections in Guinea-Bissau. Despite Yala's promises to form a government of national unity, the PRS and its ally, RGB-MB dominated the cabinet.

In the Assembly elections held on 28 March 2004, the PAIGC captured 31.5% of the vote, followed by PRS with 24.8%, and United Social Democratic Party with 16.1%. The Electoral Union won only 4.1% of the vote; APU got 1.3% and 13 other parties shared

22.2% between them. In terms of seats in the Assembly, PAIGC won 45, PRS got 35, and PUSD won 17. In turn, UE got 2 seats while APU won only 1 seat. The next Assembly elections were to be held in 2008.

#### **15 LOCAL GOVERNMENT**

Guinea-Bissau has 8 regions, not including the capital, and 37 sectors. Each region has a regional council, as does the capital, with membership consisting of elected representatives from the various sectors.

#### **16 JUDICIAL SYSTEM**

The civilian court system is essentially a continuation of the Portuguese colonial system. Nine Supreme Court judges are appointed by the president and serve at his pleasure. The Supreme Court has jurisdiction over serious crimes and serves as an appeals court for the regional military courts. State security cases are tried by civilian courts. Military courts try only cases involving armed personnel under the code of military justice. In rural areas, persons are often tried outside the formal system by traditional law. Dispute resolution before traditional counselors avoids the costs and congestion of the official courts.

The 1991 constitution guarantees many civil rights and fundamental freedoms, including freedom of speech and freedom of religion. The constitution provides for an independent judiciary, but its functioning is hampered by a lack of training, resources and by corruption. The president has authority to grant pardons and reduce sentences.

#### **17 ARMED FORCES**

In 2005, the armed forces had 9,700 active personnel, including a 2,000-man gendarmerie. The Army numbered 6,800 and was equipped with 10 main battle tanks and 15 light tanks. The 350-member Navy operated three patrol/coastal vessels. The 100-member Air Force had three combat capable aircraft that consisted of three fighters. The defense budget in 2005 was \$8.6 million.

#### **18 INTERNATIONAL COOPERATION**

Guinea-Bissau was admitted to the United Nations on 17 February 1974 and is a member of ECA and all the nonregional specialized agencies except IAEA. The nation is a member of the WTO and participates in the African Development Bank, the ACP Group, the African Union, ECOWAS, G-77, the West African Economic and Monetary Union, the Community of Sahel and Saharan States (CENSAD), the Alliance of Small Island States (AOSIS), the New Partnership for Africa's Development (NEPAD), and the Organization of the Islamic Conference (OIC). The nation is part of the franc zone and belongs to the Nonaligned Movement. In environmental cooperation, Guinea-Bissau is part of the Convention on Biological Diversity, Ramsar, CITES, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification. The country is also part of an Interstate Committee for Drought Control in the Sahel (CILSS).

#### **19 ECONOMY**

Guinea-Bissau is one of poorest countries in the world with 82% of the population relying on fishing and subsistence agriculture, and 88% of the population below the poverty line in 2002. The in-

dustrial sector is small, and mining is undeveloped. Offshore oil reserves that have not been exploited may be a source of income in the long term. Although firmly committed to market-style economic policies after an initial decade of socialist central planning, the government is burdened by a heavy external debt. Under the World Bank/IMF Heavily Indebted Poor Countries (HIPC) initiative, the net present value of Guinea-Bissau's total debt was to be reduced by 80% by 2003. By 2013, the level of debt was to be 43% lower than it would have been without help under the HIPC.

Cashews are the biggest cash crop, bringing in 95% of export revenues. The country is now the world's sixth-largest producer of cashews. Livestock produces adequate supplies of meat, and hides are among Guinea-Bissau's exports. Fishing prospects are excellent, but illegal fishing prevents a fuller realization of potential in this sector. Production and trade in forest products have been halted while implementation of reforestation policies occurs. In 1998, fighting between the government and a military junta brought chaos to the economy and halted most production: that year, GDP fell by 28%. Although the civil war had ended by 1999, in 2001 a fall in cashew prices and a decline in foreign assistance exacerbated the ailing state of the economy.

In 2002, the economy fell by -7.2%, but it bounced back in 2003, and by 2004 the GDP growth rate was 4.3%; in 2005, the economy was expected to expand by 2.3%. The inflation rate remains fairly stable and it does not pose a problem to the economy. The economic growth in recent years is largely due to emergency budgetary support funds, provided by the World Bank, the IMF, and the UNDP. In January 2005, the government announced that the country's vital cashew crop was threatened by a locust swarm.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Guinea-Bissau's gross domestic product (GDP) was estimated at \$1.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$800. The annual growth rate of GDP was estimated at 2.8%. The average inflation rate in 2002 was 4%. It was estimated that agriculture accounted for 62% of GDP, industry 12%, and services 26%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$18 million or about \$12 per capita and accounted for approximately 7.5% of GDP. Foreign aid receipts amounted to \$145 million or about \$98 per capita and accounted for approximately 63.6% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Guinea-Bissau totaled \$210 million or about \$141 per capita based on a GDP of \$239 million, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.3%.

## 21 LABOR

Guinea-Bissau's labor force numbered 480,000 in 2002, of which an estimated 82% of workers in 2000 were engaged in agricultural

activity. Primarily this consisted of subsistence farming. There was no data available on the country's unemployment rate.

The constitution grants workers the freedom to join and form trade unions, however, this affects a very small percentage of the population. Few workers outside of the public sector are organized. There were 11 registered labor unions in 2002. Workers are allowed to strike provided that they have given notice of their intention to do so. Collective bargaining is permitted but in practice does not occur.

Minimum wages are established but are not regularly enforced. The lowest legal monthly wage in 2002 was \$20, and this did not support a family. The minimum age for employment is 14 years but this is not enforced outside of the small formal economy. Many children work as street vendors or on farms in rural communities. Health and safety standards set by the government are not regularly enforced.

## 22 AGRICULTURE

The agricultural sector employs 83% of the labor force and contributes 64% of the GDP. Only 12% of the total land area is under permanent or seasonal cultivation. The country is divided into three major regions according to the water requirements of the major crops. On the coast and in river estuaries is the palm-tree (coconut) zone; rice is the predominant crop of the intermediary marshy areas; and peanuts are grown in the sandy areas of the interior. Rice is the major staple crop; corn, millet, and sorghum are also produced and consumed very widely. In the 1950s, Guinea-Bissau exported about 40,000 tons of rice per year; since 1962, rice has been imported, as frequent droughts often cause crop failure. In 2004, Guinea-Bissau produced 127,000 tons of rice, 22,000 tons of millet, 20,000 tons of peanuts, 45,000 tons of coconuts, 81,000 tons of cashew nuts, and 8,000 tons of palm kernels. Palm kernels, cashew nuts, and peanuts are the most important export crops. The war that culminated with independence in 1974 left the economy in shambles, reducing crop output by over one-third. Public investment, financed heavily by external borrowing, neglected agriculture to focus on the manufacturing sector. Agricultural recovery was hampered by inappropriate pricing policies, an overvalued exchange rate, and an inefficient marketing system. This policy has now been changed through price liberalization, so that some important goods like rice are now traded informally with neighboring countries. In 2004, trade in agricultural products consisted of \$40.5 million in imports and \$62.3 million in exports.

## 23 ANIMAL HUSBANDRY

Despite the damage wrought by the tsetse fly, cattle raising occupies many Guineans, especially among the Balante in the interior. In 2005, there were an estimated 530,000 head of cattle and 370,000 hogs, as well as 300,000 sheep and 335,000 goats.

## 24 FISHING

Fishing is slowly growing into a viable industry. Agreements allow the European Union countries to fish in national waters. Guinea-Bissau's own catch was an estimated 5,000 tons in 2003, with mullet accounting for 44%.

## 25 FORESTRY

Guinean forests and savanna woodland, covering about 60% of the country, primarily supply wood and timber for domestic consumption and fuel and construction material. Roundwood production was about 592,000 cu m (21,000,000 cu ft) in 2004, 71% used as fuel wood. Timber has become a feasible export, accounting for \$719,000 in 2004.

## 26 MINING

Mineral production (excluding natural gas and refined petroleum products) was not significant in 2004, and was limited to small-scale production of basalt, cement, clay, gold, limestone, salt, sand, silica sand, zircon, and laterites. Bauxite, diamonds, gold, and phosphate were economically promising minerals being explored; the Farim deposit had a phosphate resource of 166 million tons. Large deposits of bauxite, amounting to 200 million tons, were discovered in the Boé area in the late 1950s; lack of capital and transportation has hindered exploitation. The bauxite and phosphate resources were of low grade. Election of a new government in 2000 was seen as a step toward ending military conflicts that followed a 1998 military coup. The 1999 Mines and Minerals Act reformed mineral exploration and mine development and production, setting sizes and terms for exploration, mining, and prospecting leases.

## 27 ENERGY AND POWER

Guinea-Bissau has no known proven reserves of oil or natural gas (as of 1 January 2003), coal, or any oil refining capacity. As a result the country must import whatever fossil fuels it consumes. In 2002, refined oil imports and consumption averaged 2,400 barrels per day. There were no imports of natural gas or coal in that year.

Guinea-Bissau's electric power is generated entirely by conventional thermal fuels. Electric generating capacity in 2002 came to 0.021 million kW, with output at 0.056 billion kWh and consumption at 0.052 billion kWh for that same year.

## 28 INDUSTRY

Industry constitutes a small part of Guinea-Bissau's economy, contributing approximately 15% a year to GDP. Industries include a sugar refinery and a rice and groundnut processing plant. Guinea-Bissau ranks sixth in the world in cashew production. Brewing and urban construction are also represented in the industrial sector.

In the late 1980s, Guinea-Bissau attempted to attract foreign interest in several enterprises—a fish-processing plant, a plywood and furniture factory, and a plastics factory. The government moved to raise producer prices and to partially privatize parastatal trading companies during the 1990s, but civil war in 1998 disturbed these plans. In 1999, production resumed with foreign aid.

Oil exploration began in the 1960s, and the oil industry presents hopeful prospects for the country. Guinea-Bissau is in the midst of a border dispute with Senegal over an offshore exploration area, and under a 1995 agreement, the area in dispute is jointly managed by the two countries. Proceeds from the area are divided between Senegal and Guinea-Bissau on an 85:15 ratio, and in the early 2000s, Guinea-Bissau was negotiating for better terms to the agreement.

In 2003, the industrial production growth rate was 4.7%, with industry contributing 12.1% to the overall GDP. Agriculture represents the largest sector in the country, with a 63.6% share in the GDP, and with an 83% share in the labor force; services come in second, with a 24.3% in the economy.

## 29 SCIENCE AND TECHNOLOGY

No information is available.

## 30 DOMESTIC TRADE

Under Portuguese rule, commercial activities were significant only in the cities. The PAIGC introduced chains of all-purpose "people's stores," communally owned and managed; some of these were handed over to private traders beginning in 1985. Product distribution to inland areas is conducted by private carriers and by barge via the Geba River.

The military conflict of 1998–1999 caused a great deal of damage to the nation's land and infrastructure, which in turn had a severe effect on the agriculturally based economy. Normal business hours in the capital are 8 AM to 12 noon and 3 to 6 PM, Monday–Friday.

## 31 FOREIGN TRADE

Cashew nuts account for 70% of exports in terms of revenue, followed by fish, peanuts, palm kernels, and sawed lumber. The lumber trade shrunk in the late 1990s due to deforestation, but the fish sector was expected to grow. Imports include industrial and commercial supplies, fuels and lubricants, and transport equipment. Imported foods, beverages, and tobacco often surpass in value that of all of Guinea-Bissau's exports.

In 2004, exports reached \$116 million (FOB—free on board), while imports grew to \$176 million (FOB). The bulk of exports went to India (52.2%), the United States (22.2%), and Nigeria (13.2%). Imports included food products, capital equipment, and petroleum products, and mainly came from Senegal (44.6%), Portugal (13.8%), and China (4.2%).

## 32 BALANCE OF PAYMENTS

Like Portuguese Guinea, Guinea-Bissau has had chronic balance-of-payments problems because of its huge annual trade deficit, which has persisted despite efforts to restructure trade by diversifying the range of commodities available for export and by establishing new trading partners and more favorable trade agreements. Foreign assistance is an essential element in meeting payments needs.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Guinea-Bissau's exports was \$80 million while imports totaled \$55.2 million resulting in a trade surplus of \$24.8 million.

The International Monetary Fund (IMF) reported that in 1997 Guinea-Bissau had exports of goods totaling \$49 million and imports totaling \$62 million. The services credit totaled \$8 million and debit \$26 million.

Exports of goods and services reached \$98 million in 2004, up from \$77 million in 2003. Imports grew from \$104 million in 2003 to \$138 million in 2004. The resource balance was consequently negative in both years, worsening from -\$10 million in 2003, to -\$11 million in 2004. The current account balance was also negative, slightly improving from -\$18 million in 2003 to -\$9 million

in 2004. Foreign exchange reserves (including gold) grew to \$204 million, covering almost a year and a half of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

A savings and loan bank and a postal savings bank, both domestically owned, operate in Bissau. There are no securities exchanges in Guinea-Bissau. On 2 May 1997, the Guinea-Bissau escudo was replaced by the CFA franc. A team of technical experts from the Banque central des états de l'Afrique de l'ouest (BCEAO, the regional central bank) trained senior officials from the Banco Central de Guiné-Bissau (BCGB) in the management and accounting methods required by UEMOA (the monetary union of the West African subregion of the franc zone).

The first investment bank in Guinea-Bissau, Banco Africano Ocidentale (BAO), was established in the first quarter of 1997 with joint Portuguese and Guinea-Bissau capital, and became the country's first commercial bank in 2001. In 1999, three executives at the BCGB were accused of embezzling \$4.3 million since Guinea-Bissau joined the Franc Zone.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$81.2 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$82.3 million. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.95%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

### 3<sup>4</sup> INSURANCE

No recent information is available.

### 3<sup>5</sup> PUBLIC FINANCE

The IMF-sponsored structural adjustment program in Bissau began in 1987 and projected the achievements of a 3.5% growth rate, reforms to the economy, and public administration. Petroleum subsidies were reduced in 1988. In January 1989, customs duties and taxes on imports were lowered to reduce inflation. At the end of that year, the debt-service ratio stood at 43% of exports. The foreign debt was rescheduled by all major donors that fall. Early in the 1990s, failure to meet adjustment goals stopped payments, and progress in the mid-1990s brought the resumption of aid. Foreign aid literally supported the incumbent government of 1999. At the end of 2000, the country qualified for almost \$800 million in debt relief. It will continue to receive assistance under the Heavily Indebted Poor Countries (HIPC) initiative. The currency was devalued in May 1987. In January 1990, Guinea-Bissau agreed with Portugal to adopt the escudo. Reform of the national banking system was underway after 1989. In 1997, the escudo was replaced by the CFA franc. Bank officials siphoned off millions of dollars from reserves. External debt totaled \$931 million.

The US Central Intelligence Agency (CIA) estimated that Guinea-Bissau's total external debt was \$941.5 million.

### Balance of Payments – Guinea-Bissau (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>-8.7</b>
Balance on goods		-4.1
Imports	-58.5	
Exports	54.4	
Balance on services		-21.0
Balance on income		-8.8
Current transfers		25.2
<b>Capital Account</b>		<b>38.9</b>
<b>Financial Account</b>		<b>-21.4</b>
Direct investment abroad		-1.0
Direct investment in Guinea-Bissau		3.6
Portfolio investment assets		1.2
Portfolio investment liabilities		0.7
Financial derivatives		...
Other investment assets		-6.9
Other investment liabilities		-18.9
<b>Net Errors and Omissions</b>		<b>-2.9</b>
<b>Reserves and Related Items</b>		<b>-5.9</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 3<sup>6</sup> TAXATION

Current information is unavailable.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Import licenses are freely issued for most goods. Most imports are taxed, but luxury goods are more heavily taxed, while capital goods enjoy special treatment. Duties are applied ad valorem; some common ones are rice (10%), gasoline (55%), diesel (15%), automobiles (40–95%), auto parts (36%), furniture (30%), and household appliances (25%). A 15–20% value-added tax (VAT) is also applied, as well as a 1% statistical tax and a 1% community solidarity tax.

### 3<sup>8</sup> FOREIGN INVESTMENT

As of June 1990, the government of Guinea-Bissau took new steps to encourage additional domestic and foreign investment. While key telecommunications, electricity, and infrastructure sectors remained under state control, others were to be privatized, including the brewery, the fishing industry, and the “people's shops” for retail trade. Bilateral and multilateral investment programs continue in each of the key productive sectors.

Guinea-Bissau's already low level of foreign direct investment (FDI) inflows (\$11 million in 1997) fell further with outbreak of civil war in 1998. FDI inflows were \$4.4 million in 1998 and \$8.6 million in 1999. With the return of an elected government in 2000, FDI inflows improved to \$23 million in 2000 and \$30 million in 2001.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

A main objective of the Guinea-Bissau government is the development of agriculture and infrastructure. Foreign aid averaged \$64.3



million per year from 1982–85. Multilateral aid accounted for almost half this sum, chiefly from the IDA. The first development plan (1983–88) called for self-sufficiency in food supplies, with 25% of a \$403.3 million investment going for construction and public works, 18% for rural development, and 14% for transport.

The second development plan (1988–91) was to be totally financed by foreign aid. Numerous countries and intergovernmental organizations have provided food aid, technical assistance, and balance-of-payments support.

In 1999, the prime minister toured Europe in search of aid. Portugal contributed \$4 million, Sweden \$2.3 million, and the total of the donor community's commitments reached over \$200 million. Rebuilding of the capital city, replacement of one-quarter of a million refugees, investment in infrastructure, and financing of the external debt, were among the goals of foreign aid slated for economic development.

In 2000, Guinea-Bissau qualified for almost \$800 million in debt service relief under the International Monetary Fund (IMF)/World Bank Heavily Indebted Poor Countries (HIPC) initiative, geared toward reducing poverty and stimulating economic growth. That year, it negotiated a three-year \$18 million Poverty Reduction and Growth Facility (PRGF) Arrangement with the IMF to support the government's 2000–03 economic reform program. Following approval of the assistance, the IMF stated the country had lost budgetary control, with large unauthorized expenditures, particularly on defense. A drop in world cashew prices and a loss of foreign program financing in 2001 resulted in a decrease in economic activity. The country in 2003 had yet to fully recover from the 1998–99 civil war.

Economic growth prospects for 2006–2007 are relatively modest, and are to a large extent dependent on the availability of international donor assistance, and on good weather for the cashew crop. Food prices, the largest component of the consumer price index, will have to be kept in check or they will negatively affect the inflation rate.

#### 40 SOCIAL DEVELOPMENT

Provision of health services, including maternal and child care, nutrition programs, environmental sanitation, safe water distribution, and basic education, is a social goal of the Guinea-Bissau government. There is no formal social welfare system in place.

Although officially prohibited by law, discrimination against women persists, especially in areas where Islamic law is dominant. Women have little access to education, and are responsible for most of the work on subsistence farms. The illiteracy rate for women is 82%. Domestic abuse against women is not only widespread, but also socially acceptable as a means of settling domestic disputes. As of 2004, female genital mutilation was an increasingly common practice.

Some cases of arbitrary detention and the use of excessive force were reported, and members of the security forces were not held accountable for abuses of detainees' rights.

#### 41 HEALTH

The health care system is inadequate. Aid from UNICEF and the World Health Organization has enabled Guinea-Bissau, one of the poorest countries in the world, to strengthen its health management and decentralize the health system in the country. The emphasis is on preventive medicine, with small mobile units serving the rural areas. Children were vaccinated against tuberculosis, 95%; diphtheria, pertussis, and tetanus, 74%; polio, 68%; and measles, 65%. Approximately 53% of the population had access to safe water and only 21% had adequate sanitation. As of 2004, there were an estimated 17 physicians, 109 nurses, 1 dentist, and 1 pharmacist per 100,000 people. The birthrate was an estimated 38.9 per 1,000 people as of 2002 and the general mortality rate was 15.1 per 1,000 people. Infant mortality was estimated at 107.15 deaths per 1,000 live births in 2005. Life expectancy was 46.61 years in that year. An estimated 20% of all births are low birth weight. The fertility rate was 5.8 children for each woman during her child-bearing years.

The HIV/AIDS prevalence was 10.00 per 100 adults in 2003. As of 2004, there were approximately 17,000 people living with HIV/AIDS in the country. There were an estimated 1,200 deaths from AIDS in 2003.

#### 42 HOUSING

Most traditional housing units are made of adobe, mud, and/or *quirinton*, a combination of woven branches and straw. Most of these units use petrol lamps for lighting; they do not have a sewage system or septic tank and water is usually available from wells or springs. Though most of the population lives in rural areas, recent migration to urban areas has accounted for urban housing shortages. In 1998, civil unrest in the capital forced about 300,000 residents out of their homes and about 5,000 homes were destroyed. As of the end of 1999, 50,000 of these people were still displaced. In 2001, there were about 7,000 refugees in the country as well, mostly from Senegal. Many of these have been placed in temporary camp shelters.

#### 43 EDUCATION

The 1998–99 civil war severely disrupted education, closing schools and keeping most of the country's children out of school for at least half a year. In 2000, UNICEF requested \$5.22 million to rebuild and refurbish damaged primary schools, buy teaching materials and school supplies, train teachers, and provide other types of aid. Education is compulsory between the ages of 7 and 13. Primary school studies cover six years, followed by five years of secondary school.

In 2001, about 3.2% of children between the ages of four and six were enrolled in some type of preschool program. Primary school enrollment in 2001 was estimated at about 45% of age-eligible students, 53% for boys and 37% for girls. The same year, secondary school enrollment was about 9% of age-eligible students, 11% for boys and 6% for girls. It is estimated that about 27.7% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 44:1 in 2000; the ratio for

secondary school was about 14:1. In 2000, private schools accounted for about 19% of primary school enrollment and 12.8% of secondary enrollment.

Amilcar Cabral University, the first public university in the nation, was established in 2003. The University of Colinas de Boe, a private university, also opened in 2003. The adult literacy rate for 2003 was estimated at about 42.4%, with 58.1% for men and 27.4% for women.

As of 2003, public expenditure on education was estimated at 2.1% of GDP, or 4.8% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Institute of Studies and Research (Instituto Nacional de Estudos e Pesquisa—INEP) in Bissau maintains a collection of 40,000 volumes and includes national archives and a museum. The Museum of Guinea-Bissau, also in Bissau, has a library of 14,000 volumes and maintains collections of interest in the fields of ethnography, history, natural science, and economics. There are municipal libraries in major cities. There are two museums in Bissau, the Museum of Portuguese Guinea and the National Ethnographic Museum.

#### 45 MEDIA

In 2003, there were an estimated 8 mainline telephones for every 1,000 people. The same year, there was 1 mobile phone in use for every 1,000 people.

The main radio network is the government's Radiodifusão Nacional de Guiné-Bissau. There are however, several independent radio stations. One national television station broadcasts from 7 pm to midnight on weekdays and 5 pm to midnight on weekends. In 2000, there were 44 radios for every 1,000 people. In 2003, there were an estimated 178 radios and 36 television sets for every 1,000 people. The same year, about 15 of every 1,000 people had access to the Internet.

The government-owned daily, *Voz da Guine*, in Portuguese, had an estimated circulation of 6,000 in 2002. Privately owned newspapers (published once or a few times a week) include *Diario de Bissau*, *Banobero*, *Gazeta de Noticias*, *Fraskera*, and *No Pintcha*. These newspapers often delay publications due to financial constraints and dependence on the state-owned printing house, which often lacks supplies.

The constitution provides for free speech and free press, though journalists are said to practice self-censorship to avoid government pressures.

#### 46 ORGANIZATIONS

The constitution of 1991 made freedom of association for non-government organizations legal for the first time. Since that time, several human rights organizations have formed, including the Center for Judicial Information and Orientation, the Guinean Association for Studies and Alternatives, and the Guinean League for Human Rights, which emphasizes women's rights. Youth organizations are coordinated by the umbrella organization of the National Network of Youth Organizations of Guinea Bissau. Sports

associations are also active. There are national chapters of the Red Cross Society and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

Game shooting, a major attraction for many travelers in Africa, is popular in Guinea-Bissau. Game is abundant in the open country, as well as in the more hazardous forest and jungle areas. The traditional practices of various ethnic groups also interest and attract tourists. The island of Bubaque and the town of Bolama are cited for their charm and beauty. All visitors need a valid passport and a visa secured in advance to enter Guinea-Bissau, as well as an onward/return ticket. Travelers from an infected area and most of Africa and South America are required to have evidence of a yellow fever vaccination.

#### 48 FAMOUS GUINEANS

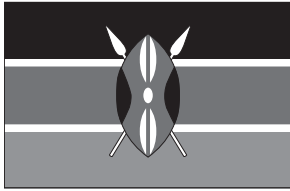
The best-known Guinean of recent years was Amilcar Cabral (1921–73), a founder of PAIGC, its first secretary-general, and a key figure in the war for independence until he was assassinated. Luis de Almeida Cabral (b.1931), a cofounder of the liberation movement in September 1956 and the younger brother of Amilcar Cabral, subsequently became the first president of Guinea-Bissau; after release from detention by the Revolutionary Council in December 1981, he left the country. João Bernardo Vieira (b.1939), leader of the Revolutionary Council, came to power in the 1980 coup. Vieira was deposed by rebels in 1999, but made a political comeback in 2005, winning election as president.

#### 49 DEPENDENCIES

Guinea-Bissau has no territories or colonies.

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# KENYA

Republic of Kenya  
*Jamhuri ya Kenya*

**CAPITAL:** Nairobi

**FLAG:** The flag is a horizontal tricolor of black, red, and green stripes separated by narrow white bars. At the center is a red shield with black and white markings superimposed on two crossed white spears.

**ANTHEM:** *Wimbo Wa Taifa (National Anthem)*, beginning “Ee Mungu nguvu yetu, ilete baraka Kwetu” (“O God of all creation, bless this our land and nation”).

**MONETARY UNIT:** The Kenya shilling (Sh) is a paper currency of 100 cents; the Kenya pound (KE) is a unit of account equivalent to 20 shillings. There are coins of 5, 10, and 50 cents, and 1 and 5 shillings; and notes of 5, 10, 20, 50, 100, and 200 shillings. Sh1 = \$0.01309 (or \$1 = Sh76.38) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year’s Day, 1 January; Labor Day, 1 May; Madaraka Day, 1 June; Kenyatta Day, 20 October; Uhuru (Independence) Day, 12 December; Christmas, 25 December; Boxing Day, 26 December. Movable holidays include Good Friday, Easter Monday, ‘Id al-Fitr, and ‘Id al-’Adha.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated on the eastern coast of Africa, Kenya lies astride the equator. Its total area, including 11,230 sq km (4,336 sq mi) of water, is 582,650 sq km (224,962 sq mi), with a maximum length of 1,131 km (703 mi) SSE–NNW and a maximum width of 1,025 km (637 mi) ENE–WSW. Comparatively, the area occupied by Kenya is slightly more than twice the size of the state of Nevada. Kenya is bounded on the N by Sudan and Ethiopia, on the E by Somalia, on the SE by the Indian Ocean, on the S by Tanzania, and on the W by Lake Victoria and Uganda, with a total land boundary length of 3,477 km (2,161 mi) and a coastline of 536 km (333 mi).

Kenya’s capital city, Nairobi, is located in the south-central part of the country.

## <sup>2</sup> TOPOGRAPHY

Kenya is notable for its topographical variety. The low-lying, fertile coastal region, fringed with coral reefs and islands, is backed by a gradually rising coastal plain, a dry region covered with savanna and thornbush. At an altitude of over 1,500 m (5,000 ft) and about 480 km (300 mi) inland, the plain gives way in the southwest to a high plateau, rising in parts to more than 3,050 m (10,000 ft), on which most of the population and the majority of economic activities are concentrated. The northern section of Kenya, forming three-fifths of the whole territory, is arid and of semidesert character, as is the bulk of the southeastern quarter.

In the high plateau area, known as the Kenya Highlands, lie Mt. Kenya (5,199 m/17,057 ft), Mt. Elgon (4,310 m/14,140 ft), and the Aberdare Range (rising above 3,962 m/13,000 ft). The plateau is bisected from north to south by the Great Rift Valley, part of the geological fracture that can be traced from Syria through the Red Sea and East Africa to Mozambique. In the north of Kenya the valley is broad and shallow, embracing Lake Rudolf (Lake Tur-

kana), which is about 207 km (155 mi) long; farther south the valley narrows and deepens and is walled by escarpments 600–900 m (2,000–3,000 ft) high. West of the Great Rift Valley, the plateau descends to the plains that border Lake Victoria. The principal rivers are the Tana and the Athi, both flowing southeastward to the Indian Ocean, and the Ewaso Ngiro, which flows in a northeasterly direction to the swamps of the Lorian Plain.

## <sup>3</sup> CLIMATE

The climate of Kenya is as varied as its topography. Climatic conditions range from the tropical humidity of the coast through the dry heat of the hinterland and northern plains to the coolness of the plateau and mountains; despite Kenya’s equatorial position, Mt. Kenya is perpetually snowcapped. The coastal temperature averages 27°C (81°F), and the temperature decreases by slightly less than 2°C (3°F) with each 300 m (1,000 ft) increase in altitude. The capital, Nairobi, at 1,661 m (5,449 ft), has a mean annual temperature of 19°C (66°F); at 2,740 m (9,000 ft) the average is 13°C (55°F). The arid northern plains range from 21°–27°C (70–81°F).

Seasonal variations are distinguished by duration of rainfall rather than by changes of temperature. Most regions of the country have two rainy seasons, the long rains falling between April and June and the short rains between October and December. Average annual rainfall varies from 13 cm (5 in) a year in the most arid regions of the northern plains to 193 cm (76 in) near Lake Victoria. The coast and highland areas receive an annual average of 102 cm (40 in).

## <sup>4</sup> FLORA AND FAUNA

The vegetation and animal life of Kenya reflect the variety of its topography and climate. In the coastal region coconut trees flourish, with occasional mangrove swamps and rain forest. The vast plains

of the hinterland and the northern regions are covered with grass, low bush, and scrub, giving way in the high-lying plains to typical savanna country of open grass dotted with thorn trees, and in the more arid regions to bare earth and stunted scrub. The highland areas are in parts densely forested with bamboo and valuable timber, the predominant trees being African camphor, African olive, podo, and pencil cedar.

Wildlife of great variety is to be found in Kenya, both in the sparsely populated areas and in the national parks and reserves that have been created for its protection. Elephant, rhinoceros, lion, zebra, giraffe, buffalo, hippopotamus, wildebeest, and many kinds of buck are among the large mammals that abound on the plains and along the rivers. Kenya's diverse bird species include cranes, flamingos, ostriches, and vultures.

As of 2002, there were at least 359 species of mammals, 344 species of birds, and over 6,500 species of plants throughout the country.

## 5 ENVIRONMENT

Deforestation and soil erosion are attributed to growing population pressure, which creates increased demands for food production and firewood. Drought and desertification (to which 83% of Kenya's land area is vulnerable) threaten potential productive agricultural lands. By the mid 1980s, Kenya had lost 70% of its original mangrove areas, with the remainder covering an estimated 53,000–62,000 hectares. Also of concern is the drop in water level at Lake Victoria. Some reports estimate that in the period of 1995–2005, the water level dropped by one meter. Around Lake Nakuru, there has been a great loss of vegetation and deforestation, which, like the situation of Lake Victoria, has likely been caused by drought and desertification.

Water pollution from urban and industrial wastes poses another environmental problem. Kenya has 20 cu km of renewable water resources with 76% used in farming activity and 4% used for industrial purposes. Only about 46% of the residents in rural areas and 89% of city dwellers have pure drinking water.

In an effort to preserve wildlife, the government has set aside more than 3.5 million hectares as national parks and game preserves. In 2003, 8% of Kenya's total land area was protected, including Mount Kenya National Park, which is listed as a natural UNESCO World Heritage Site. Kenya has five Ramsar wetland sites. Game hunting and trade in ivory and skins have been banned, but poaching threatens leopards, cheetahs, lions, elephants, rhinoceroses, and other species. It is illegal to kill an animal even if it attacks. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 33 types of mammals, 28 species of birds, 5 types of reptiles, 4 species of amphibians, 29 species of fish, 16 types of mollusks, 11 species of other invertebrates, and 103 species of plants. Endangered species included the Sokoke scops owl, Taita blue-banded papilio, Tana River mangabey, Tana River red colobus, the green sea turtle, and the hawksbill turtle. There are 45 extinct species including the Kenyan rocky river frog and the Kenya oribi.

## 6 POPULATION

The population of Kenya in 2005 was estimated by the United Nations (UN) at 33,830,000, which placed it at number 34 in popula-

tion among the 193 nations of the world. In 2005, approximately 2% of the population was over 65 years of age, with another 43% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.2%, a rate the government viewed as too high. The projected population for the year 2025 was 49,357,000. The population density was 58 per sq km (151 per sq mi), but density varies significantly by region. About 75% of the population lives on only 10% of the land.

Kenya's population increased with remarkable rapidity in recent decades. According to UN estimates, the national total rose by 28% from 6,416,000 in 1950 to 8,189,000 in 1960; by 37% to 11,253,000 in 1970; by 46% to 16,466,000 in 1980; by 36% to 22,400,000 in 1987; by 24% to an estimated 27,885,000 in 1995; and by 21% to an estimated 33,830,000 in 2005.

The UN estimated that 36% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.67%. The capital city, Nairobi, had a population of 2,575,000 in that year. Mombasa, the chief seaport, had an estimated 900,000. Other large cities and their estimated populations were Nakuru, 333,800; Kisumu, 322,724; Eldoret, 246,900; Nyeri, 218,600; Machakos, 144,109; and Meru, 78,100.

The prevalence of HIV/AIDS has had a significant impact on the population of Kenya. The UN estimated that 15% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

Throughout Kenya there is a slow but steady movement of the rural population to the cities in search of employment. Some Kenyans have emigrated to Uganda, and ethnic Somalis are present in significant numbers in Kenya's Northeastern Province.

Far-reaching migratory changes took place in the years immediately preceding and following independence. By 1961, the post-1945 trend of net European immigration was reversed, and in the three years that followed, approximately 29,000 Europeans left Kenya. Permanent emigration in 1964 reached 9,860, while permanent immigration totaled 5,406. In the first year of independence, some 6,000 Britons renounced their citizenship and applied for Kenyan citizenship; during the same period, approximately 70,000 persons living in Kenya—the majority of them Asians—were granted British passports. After the United Kingdom limited immigration by Asians in 1967, a crisis situation developed in Kenya. Work permits, without which Asians could not stay in the country beyond a limited period, were not issued, and the United Kingdom denied entry to Asians from Kenya who wanted to work in the United Kingdom. In 1973, the Kenya government served 1,500 notices of termination to Asian employees (there were 300 in 1972) and announced that by the end of 1974 it aimed to completely Kenyanize the country's retail and wholesale trade. In 1975, the Ministry of Commerce and Industry ordered the closing of 436 businesses, most of which belonged to Asians. Some 80,000 Asians were still living in Kenya at the time of the 1979 census, down from an estimated 180,000 in 1968.

In 2005, the net migration rate was -0.08 migrants per 1,000 population. The government views the immigration level as too high.

Kenya's refugee population includes Somalis, Sudanese, Ethiopians, Ugandans, and a smaller group comprised of various other nationalities. The total number of refugees was reduced from 420,000 in 1992 to 187,000 in June 1998. The decrease is mainly attributable to the repatriation of more than 155,000 refugees to Somalia and 70,000 to Ethiopia.

In 2004, Kenya was host to 249,310 refugees and asylum seekers. Of these, some 239,906 were refugees, 153,620 were from Somalia, over 64,000 from Sudan, and the remainder from Ethiopia. In that same year there were also 9,404 asylum seekers from Somalia, Ethiopia, the Democratic Republic of the Congo, and Uganda. Also in 2004, over 9,000 Kenyans sought asylum in South Africa, and more than another 1,000 in the United States, Canada, and the United Kingdom. According to *Migration News*, in December 2005 some 700,000 Sudanese refugees living in northwestern Kenya began to return. Since an agreement to end the fighting between southern Christians and Muslims who control the government in Sudan was signed in January 2005, already 250,000 refugees have returned.

## 8 ETHNIC GROUPS

African peoples indigenous to Kenya, who now form 98% of the population, fall into three major cultural and linguistic groups: Bantu, Nilotic, and Cushitic. Although most of the land area is occupied by Cushitic and Nilotic peoples, over 70% of the population is Bantu. The Luo, a Nilotic people, live in an area adjacent to Lake Victoria. Other Nilotes—Turkana, Maasai, Pokot, Nandi, Kipsigis, and Tugen—occupy a broad area in the west from Lake Rudolf to the Tanzania border. Cushites such as the Galla and Somali live in the eastern and northeastern parts of the country. The Bantu reside mainly in the coastal areas and the southwestern uplands; the most significant Bantu peoples are the Kikuyu, Kamba, and Luhya. The Kikuyu, who constitute the largest single ethnic group in Kenya, live for the most part north of Nairobi and have played a major role in the nation's political and social development. The estimated proportions of the major groups are Kikuyu 22%, Luhya 14%, Luo 13%, Kalenjin 12%, Kamba 11%, Kisii 6%, and Meru 6%. Other Africans constitute 15% of the total population. These smaller groups include the Bajuni, Kijikenda, Digo, and Nubians.

Non-Africans (Arabs, Asians, and Europeans) account for no more than 1% of the population. The Arab community is centered on the Indian Ocean coast. The Swahili, a group of mixed Arab-Africans with a cultural affinity to the Arabs, also live in the coastal region. Most Asians in Kenya have origins traceable to the Indian subcontinent; living primarily in urban centers, they consist of at least 31 culturally separate groups but make up less than 0.4% of the nation's population. The European community, which has rebounded since the 1960s, is primarily of British origin. About 12% of the Europeans hold Kenyan citizenship. A 1984 law provides that people born in Kenya of non-Kenyan parents can no longer claim Kenyan citizenship.

## 9 LANGUAGES

Although there are linguistic groupings of very similar dialects, nearly all the African ethnic groups have their own distinct languages. Swahili, however, increasingly has become an East African lingua franca, and in 1974 it became Kenya's official language, along with English. English remains in wide use in business and government, and parliamentary bills must be drafted and presented in that language. Both Gujarati and Punjabi are widely used among the Asian community.

## 10 RELIGIONS

An estimated 66% of the population are Christians with about 28% belonging to the Roman Catholic church and 38% belonging to Protestant churches. About 7% are Muslim, with many living in the Northeastern Province, the Coast Province, and the northern region of the Eastern Province. About 1% are Hindu and the remainder practice traditional religions or local branches of Christianity. As in other African states with complex religious histories and some renewal of cultural self-consciousness, it is likely that a majority of ethnic Kenyans also hold some traditional African beliefs. Foreign missionary groups include the African Inland Mission (Evangelical Protestant), the Pentecostal Assembly of Kenya, the Southern Baptist Church, and the Missionary Society of Britain (Anglican).

The current constitution provides for freedom of religion and this right is generally respected in practice. The Constitution of Kenya Review Commission submitted a draft for a new constitution in March 2004 that would specifically recognize a separation between state and religion. Christians and Muslims were debating the possibility that the new constitution would grant special recognition to the Islamic court system. Religious organizations must register with the government Registrar of Societies; some small splinter groups have had their applications denied. Certain Muslim and Christian Holidays are celebrated as national holidays.

## 11 TRANSPORTATION

Kenya's railway system in 2004, operated by the Kenya Railways Corp., consisted of 2,778 km (1,726 mi) of narrow gauge railway, of which over half was made up by the main line between the Ugandan border and Mombasa, the chief port.

A modern installation, the port at Mombasa serves Uganda, Tanzania, Rwanda, Burundi, the DROC, and the Sudan as well as Kenya. A national shipping line, 70% state owned, was created in 1987. There is steamer service on Lake Victoria. In 2005, the merchant marine had three ships (1,000 GRT or over), totaling 6,049 GRT.

As of 2002, the road system comprised an estimated 63,942 km (39,771 mi), of which about 7,737 km (4,812 mi) were paved. The major road from Nairobi to Mombasa is well paved, and the government has undertaken a campaign to widen and resurface secondary roads. All-weather roads linking Kenya with the Sudan and Ethiopia have been completed. Over 80% of Kenya's total passenger and freight traffic use road transport. In 2003, there were 261,920 private passenger automobiles and 110,540 commercial vehicles.

In 2004, there were an estimated 221 airports in Kenya, only 15 of which had paved runways as of 2005. There are major inter-

national airports at Nairobi (Jomo Kenyatta) and Mombasa (Moi International). The Nairobi air terminal, opened in 1958 and expanded in 1972 to receive jumbo jets, is a continental terminus for international services from Europe, Asia, and other parts of Africa. Air travel and air freight also are accommodated at Malindi, Kisumu, and numerous smaller airstrips. Kenya Airways flies to other nations of East Africa, the Middle East, Europe, and the Indian subcontinent. In 2003, about 1.678 million passengers were carried on scheduled domestic and international airline flights.

## <sup>12</sup>HISTORY

Fossil remains show that humanlike creatures lived in the area of Lake Rudolf perhaps two million years ago. As early as the third millennium BC, cattle were being herded in what is now northern Kenya. Sometime in the first millennium BC, food-producing Cushitic-speaking peoples, possibly from the Ethiopian highlands, appeared in Kenya. During the Iron Age (c.AD 1000), the first Bantu speakers arrived, probably from points south and west, resulting in the retreat of Cushitic speakers. The Nilotic speakers entered at the end of the 16th century from the north or northwest, from southern Sudan, and perhaps from the western Ethiopian borderland.

After their arrival, most groups settled into a pattern of slow and gradual movement highlighted by spurts of expansionist activity. For example, the Eastern Bantu (Kikuyu, Meru, Kamba, Pokomo, Teita, and Bajuni), possibly after settling in the area between Lamu and the Juba River, dispersed throughout southern and coastal Kenya. By 1400, the Kikuyu had reached the area near Mt. Kenya; they were joined there by the Meru in the 1750s. The Western Bantu (Luhya and Gusii) developed from an influx of Kalenjin (1598–1625) and Bantu (1598–1733) migrants. Other peoples, including the Luo, developed a strong ethnic identity and protected themselves from intruders. But as their population increased between 1750 and 1800, conflict arose, clans broke down, and another wave of migration ensued.

The Cushitic and Nilotic peoples (represented by Kalenjin ancestors of the Pokot, Nandi, Kipsigis, Kony, and Tugen) and others (such as the Turkana, Teso, and Galla) participated in independent movements beginning in the 16th century and lasting into the 18th. By 1800, the Kamba, acting as the chief carriers and go-betweens, dominated an extensive intergroup long-distance trade network that linked the interior to the East African coast. The last migrants into the country were the Somali, who did not enter northeastern Kenya in great numbers until the late 19th and early 20th centuries.

Meanwhile, another set of migrants settled on the Indian Ocean coast. As in the interior, the newcomers replaced the original hunter-gatherer inhabitants. In the period prior to the birth of Christ, Egyptians, Phoenicians, Persians, and possibly even Indonesians visited the coast. By the 10th century the Bantu had settled the coastal region in what the Arabs called the Land of the Zenj (blacks). As the area flourished, a mixed population of Arabs and Africans combined in creating the Swahili culture, a culture marked by its own language, a devotion to Islam, and the development of numerous coastal trade centers. Swahili cities such as Kilwa, Mombasa, and Pate remained independent of one another and of foreign control and, although they had little contact with

the interior, grew wealthy from their mercantile contacts with India and Arabia.

Throughout the 16th century, following Vasco da Gama's landing at Malindi in 1498, the coastal cities struggled to remain independent of the external threats posed first by the Portuguese and then by the Omani Arabs. Although the Portuguese established posts and gained a monopoly of the trade along the Kenya coast, the Arabs eventually succeeded in driving out the Portuguese and reestablishing Arab authority in 1740. Independent Arab settlements persisted for a century until, during the rule (1806–56) of Sayyid Sa'id, a kind of unity was established. Arab control even in the 19th century continued to be confined to the coastal belt, however. In 1840, Sayyid Sa'id moved the capital of his sultanate to Zanzibar.

Europeans began to assert their influence in East Africa. After jostling with the Germans and the Italians for Zanzibari favors, the British emerged with a concession for the Kenya coast in 1887. European penetration of the interior had begun decades earlier with the explorations of two German missionaries, Johannes Rebmann and Johann Ludwig Krapf, in 1847–49, and by the English explorer John Hanning Speke at Lake Victoria in 1858. In 1886, the United Kingdom and Germany reached agreement on their respective spheres of influence in East Africa, and the Imperial British East African Company, a private concern, began establishing its authority in the interior two years later. In 1890, a definitive Anglo-German agreement was signed, and arrangements were made with the sultan of Zanzibar for protection to be extended to his mainland holdings. When the company failed in 1895, the United Kingdom assumed direct control over the "East African Protectorate". In December 1901, the railway linking Mombasa with Lake Victoria was completed, and in the following year the boundary between Kenya and Uganda was shifted some 320 km (200 mi) westward to its present position. European and Asian settlement followed the building of the railway, and by World War I the modern development of Kenya was clearly evident. In 1920 the protectorate, with the exception of the coastal strip (later ceded by Zanzibar), was declared a crown colony.

In the interwar years, the major challenge to European political power came from Asians who wanted equality with Europeans in governmental representative institutions. This challenge was successfully resisted, but in the postwar period a more dynamic threat came from African nationalism.

### The Struggle for Independence

Africans made use of both legal and nonlegal methods in their struggle for power with the Europeans. The first efforts ended in the eruption of the Mau Mau movement, and a state of emergency was declared in October 1952. Supported primarily by the Kikuyu, Embu, and Meru tribes of Central Province, Mau Mau was a secretive insurrectionary movement that rejected the European domination over Kenya. The emergency lasted until late 1959, and cost over UK£55 million. At one time, more than 79,000 Africans were detained, and about 13,000 civilians (almost all African) were killed.

During the initial period of the emergency in 1954, the "Lyttelton" multiracial constitution was imposed on Kenyan political groups unable to agree among themselves. It provided both for African and Asian participation in a council of ministers with Eu-



LOCATION: 4°30' N to 4°30' S; 34° to 42° E. BOUNDARY LENGTHS: Sudan, 306 kilometers (190 miles); Ethiopia, 779 kilometers (484 miles); Somalia, 682 kilometers (424 miles); Indian Ocean, 523 kilometers (325 miles); Tanzania, 769 kilometers (478 miles); Lake Victoria, 138 kilometers (86 miles); Uganda, 772 kilometers (480 miles). TERRITORIAL SEA LIMIT: 12 miles.

Europeans and a system of communal representation for each racial group, with a formula of equality of representation in legislative and executive institutions between Europeans and non-Europeans. The introduction of direct elections for Africans to the Leg-

islative Council in 1957 was their first outstanding political gain. With the 1960 "MacLeod" constitution came an African-elected majority in the Legislative Council; this represented a decisive shift in the direction of an African-controlled state of Kenya. Rap-

id advancement toward self-government and independence under African leadership was delayed, however, because of conflicts between the two major African political parties over the future constitutional structure of the country. A constitutional conference in London in early 1962 produced a “framework” constitution, which included formation of a national government representing both political parties. Following new national elections under this constitution in May 1963, Kenya became self-governing on 1 June. On 12 December 1963, Kenya became independent. Exactly one year later it became a republic within the Commonwealth of Nations, with Jomo Kenyatta as the country’s first president. His political party, the Kenya African National Union (KANU), dominated the government, and leaders of a rival party, banned in 1969, were detained. On the other hand, some electoral choice was permitted: although all parliamentary candidates in 1969, 1974, and 1979 were KANU members, more than half the incumbents were unseated in the balloting.

An East African Community united Kenya, Tanzania, and Uganda in a common market and customs union until it was dissolved in 1977. Kenya has maintained remarkable political stability, despite territorial disputes with the Somali Democratic Republic, which resulted in sporadic fighting (1963–1968); and with Uganda (1970s). Tanzania closed its borders with Kenya between 1978 and 1983 because Kenya allegedly harbored Idi Amin’s supporters after his fall.

Kenyatta died on 22 August 1978 and was succeeded by his vice president, Daniel Arap Moi, who was elected president without opposition a month later. In June 1982, the National Assembly voted unanimously to make Kenya formally a one-party state. On 1 August 1982, a group of junior air force officers, supported by university students and urban workers, attempted a military coup. Looting in Nairobi, particularly of Asian-owned stores, continued for days. This resulted in more than 500 people reported killed, dissolution of the entire 2,100-member air force, closing of Nairobi University, jailing of almost 1,000 persons, conviction and sentencing to death of 12 conspirators in the following months, and their reported execution in 1985. President Moi ran unopposed in the elections of September 1983; in the National Assembly voting during the same month, five cabinet ministers and 40% of all incumbents went down to defeat.

In 1986, Moi declared that KANU was above government, the parliament and the judiciary. Critics of Moi, even within KANU, were expelled from the party and government repression widened. Many opposition leaders were detained in July 1990 and in 1991 (including former vice president, Oginga Odinga), and clashes between pro-democracy demonstrators and police left five dead.

### The Advent of Multiparty Democracy

As pressures mounted for political reform, the United States and 11 other donor nations pressed Moi to reduce government corruption, to improve its poor human rights record, and to institute economic reforms. In 1991, these donors withheld more than \$350 million in aid. In December 1991, Moi and his party legalized multiparty politics, but opposition to Moi and civil unrest continued. Ethnic violence from 1991 to 1994 in the Rift Valley left over 3,000 Kikuyu and Luo dead, allegedly the work of “trained warriors” from Moi’s ethnic group. In 1993, Africa Watch, a US-based human rights group, reported that as many as 1,500 Kenyans have

been killed and over 300,000 displaced as a result of ethnic violence instigated by Moi’s regime in the Rift Valley. In the lead-up to the 1997 general elections, ethnic fighting flared up in Mombassa, claiming over 42 lives. The death toll of these clashes pales in comparison to the Hutu-Tutsi genocide, but the social friction they have caused provided Moi with what he termed “proof” that the country is too fractured along tribal lines to allow true multiparty democracy.

In Nairobi in January 1992, more than 100,000 attended the first legal antigovernment rally in 22 years. Through the years, the Forum for the Restoration of Democracy (FORD) had emerged as the main opposition. But a conflict between Kenneth Matiba and Odinga signaled ethnic divisions in the run-up to elections required by 21 March 1993. Moi, exploiting those weaknesses, delayed the elections until December. The opposition, divided into eight parties, saw its initial support fade away. Although the late December elections were generally peaceful, Matiba, Odinga, and Mwai Kibaki, of the Democratic Party of Kenya, refused to accept the results. Moi was reelected with 37% of the vote; Matiba had 26%, Kibaki 19%, and Odinga 17%. For the National Assembly, KANU won 100 of the 188 seats; FORD-Kenya, 31; FORD-Asili, 31; and DP, 23. However, many of Moi’s cabinet ministers were defeated in their parliamentary contests.

Moi continued to demonstrate his authoritarianism in 1994 and 1995, as opposition groups struggled among themselves to present a united front. Moi’s overtly heavy security apparatus stepped up internal oppression, leading the Kenyan Human Rights Commission to report that in the first nine months of 1995, security forces murdered 74 Kenyans in detention, 12 of whom were killed by torture. Violence conducted by unofficial Moi-supported gangs continued as well.

Despite this, opposition forces became vocal as the 1997 elections neared, demanding constitutional reform. Primary among the demands was a constitutional convention and at the very least parliamentary action limiting the powers of the president, and an electoral reform providing for a runoff election if no presidential candidate received more than 50% of the vote—a virtual certainty. Moi, elected with only 36% of the vote in 1992, publicly acknowledged the need for such reforms, but repeatedly postponed any action. This further inflamed opposition parties, and as protests grew more violent, Moi’s repression followed suit. By 9 September 1997, over 70 people had been killed in demonstrations, including 7 protestors killed by police in July in a massive Nairobi demonstration that saw police beating religious leaders inside the Kenya Presbyterian Church at midday. Images of bloodied clerics fleeing armed mobs in the international media outlets led to harsher criticism, further marginalization, escalating civil unrest, and violence. Moi refused to concede to opposition demands, insisting that democratic reforms would lead to the splintering of the country.

On 29 and 30 December 1997, Kenyans went to the polls without constitutional or electoral reform. Again, early hopes of a united opposition victory were dashed as divisions reemerged. Over nine parties split the opposition vote. Moi was reelected with 40% of the vote; Mwai Kibaki of the Democratic Party (DP) had 31%; National Democratic Party’s (RDP) Raila Odinga had 11%; FORD-Kenya’s M.K. Wamalwa had 8%; and Charity Kaluki Ngilu of the Social Democratic Party (SDP) had about 8%. Of the 210



seats of the National Assembly, KANU won 108; DP, 39; NDP, 21; FORD-Kenya, 17; SDP, 15; Safina and three other parties shared 7 seats.

Following the 1997 elections, civil unrest continued, crime and corruption increased, while the AIDS pandemic claimed at least 600 lives per day. In February 2000 the British Foreign Office minister in charge of Africa, Peter Hain, referred to corruption in Kenya as "the economic equivalent of AIDS". Still, Moi managed to survive a vote of no confidence moved by opposition MPs in October 1998. After 30 months of snubbing the IMF, the Kenyan government finally resumed formal relations with the IMF and in mid-January 2000, the IMF Board voted to resume aid to Kenya. The reestablishment of the East African Common Market was expected to increase trade among the three sister countries.

The opposition and civil society coalesced over the issue of constitutional reform. Bowing to mounting pressure and civil unrest, Moi finally consented to a Constitutional Review Commission Amendment Act, which became effective on 29 January 1999. However, squabbling over who should lead the review process delayed action into 2003.

Following much speculation, Moi went on record saying he would retire at the end of his term in 2002. Although it appeared in April 2002 that elections would be postponed for a year to allow for the drafting of the constitution, the polls were held on 27 December 2002. Mwai Kibaki's landslide victory with 62.2% of the vote over Moi's hand-picked candidate Uhuru Kenyatta with 31.3% ended 24 years of KANU rule under Moi. In the parliamentary vote, Kibaki's National Rainbow Coalition (NARC) won 125 directly elected and seven appointed seats for a total of 132 seats, compared to 64 directly elected and 4 appointed seats for KANU in a parliament of 224 seats. Overall the polls were judged peaceful, free, and fair. The next elections were scheduled to be held in 2007.

President Kibaki campaigned on a policy of generating economic growth, improving education, combating corruption, and implementing a new constitution. With international aid flowing back into Kenya, there have been some major achievements with reference to economic growth and improvements in the educational system. However, the constitutional process proceeded much slower due to disagreements between the partners in the current coalition government. The Democratic Party (DP) led by Kibaki and National Alliance Party of Kenya (NAK) faction allied with Kibaki, favored a strong centralized presidential system, while the Liberal Democratic Party (LDP) faction—with fewer parliamentary seats in the coalition than the other two parties—preferred a federal parliamentary system with a strong prime minister while weakening the role of the president.

Raila Odinga, the leader of LDP, had hopes to become prime minister but the proposed new constitution was modified by the government during the Moi regime. The amendments retain a strong president, who controls a weaker prime minister. This resulted in a split between NAK and LDP, with the former campaigning for a "Yes" vote in the referendum on the constitution and the latter a "No". Uhuru Kenyatta's KANU party, which ruled Kenya for most of the postindependence era until its ouster in the 2002 elections was also vigorously campaigning for a "No" vote to the modified constitution. It was thought by some that the political wrangling and alignment over the referendum for the new consti-

tution would imply a wider realignment before the 2007 elections. In addition to these disagreements, there was also a lack of progress in tackling the problem of corruption and the donor nations, particularly the British, strongly criticized the Kibaki government for lack of progress on this front.

### **13 GOVERNMENT**

According to the constitution of 1963, as subsequently amended, the government of Kenya is led by a president who is chief of state, head of government, and commander-in-chief of the armed forces. The president is elected to serve a five-year term; he may, however, dissolve the National Assembly during his term, or the National Assembly may dissolve itself by a vote of no confidence, in which case a new presidential election must also be held. The president appoints the members of the cabinet (the vice president and the heads of the various ministries) from among members of the Assembly. The Assembly is barred by edict of the speaker from debating the conduct of the president. The cabinet is carefully balanced to maintain a multiethnic image, and the allocation of assistant ministerships is part of the communally arranged patronage system.

The unicameral National Assembly—established when the Senate and House of Representatives were merged by constitutional amendment in 1967—consisted in October 2005 of 210 members elected for a maximum term of five years, plus 12 national members nominated by the president and selected by parties in proportion to their parliamentary vote totals. In addition, the speaker of the Assembly and the attorney general are ex-officio members. Technically, MPs are allowed to introduce legislation, but in fact it is the attorney general who does so. Suffrage is universal at age 18.

The constitution recognizes the principle of maximum allocation of governmental powers to local authorities, and provision is made for the establishment of provincial assemblies with local administrative powers. The central government may abridge or extend the powers of local government in the national interest. The next elections were scheduled to take place in 2007.

### **14 POLITICAL PARTIES**

Following a constitutional conference at Lancaster House in London in February 1960, two national African parties were formed, the Kenya African National Union (KANU) and the Kenya African Democratic Union (KADU). The fundamental difference between the two parties resided in the fact that KANU tended to represent those persons and tribes that were most closely associated with an urban-oriented nationalism and sought a highly centralized political system for Kenya, while KADU represented the more rural and pastoral tribes, who feared a concentration of power by any central government. The political conflicts between these two parties tended to become identified with tribalism, since each party had a core group of tribes committed to it. In the national elections of May 1963, KANU won a majority of seats in both houses of parliament, and its leader, Jomo Kenyatta, assumed power. KADU dissolved itself voluntarily in 1964 and joined KANU.

Since 1964, KANU has dominated Kenyan politics. In March 1966, 30 KANU members of the House announced that they had formed an opposition party, later named the Kenya People's Union (KPU), led by Oginga Odinga, a Luo, who had resigned his post as

vice president. By-elections for the 30 seats, held in June 1966, resulted in the KPU's retention of only 9. In July 1969, Tom Mboya, the minister of economic planning, was assassinated. His death touched off old animosities between his tribe, the Luo, and the politically dominant Kikuyu, to which Kenyatta belonged. The government used the pretext of the assassination to ban the KPU and jail Odinga and other opposition leaders. In the 1969 elections, Kenyatta—who ran unopposed—and the KANU slate were returned to power. All parliamentary candidates also were KANU members in 1974 and 1979; however, there were many more candidates than constituencies, and in all three elections a majority of incumbents were unseated.

Following reports that Odinga, who had been freed in 1971, was planning to form a new, Socialist-oriented party, the National Assembly on 9 June 1982 declared Kenya a one-party state. In the wake of the attempted coup that August, Odinga was again detained, and treason charges were brought against his son, Raila Odinga, dean of the engineering school of the University of Nairobi. The treason charges were later dropped, but Oginga Odinga remained under house arrest from November 1982 to October 1983. By that time, presidential and parliamentary elections had been held, with some 900 KANU members vying for the 158 elective seats.

A clandestine dissident group known as Mwakenya was founded in 1981. In 1986, 44 persons were being held in connection with this group, 37 of whom were convicted of sedition. Other underground opposition groups emerged in the 1980s and in 1987 many joined to form the United Movement for Democracy (UMOJA, Swahili for unity).

In December 1991, the Moi government decided to end KANU's monopoly on legal political activity. A grand coalition known as the Forum for the Restoration of Democracy (FORD) was formed, but, before the December 1992 election, it fragmented into two factions—FORD-Kenya, headed by Oginga Odinga and FORD-Asili, led by Kenneth Matiba. The Democratic Party of Kenya (DP) was headed by Mwai Kibaki and the Kenya National Congress (KNC) by Chilube wa Tsuma. Three other parties were active, even in the face of persecution by Moi's police. In particular, government prevented opposition MPs, domestic and international human rights figures, and journalists from entering the security zones of the Rift Valley, where the government conducted a policy of ethnic cleansing against the area's non-Kalenjin population. In 1993 alone, the KANU-led government arrested 36 of the 85 opposition MPs.

In the run-up to the scheduled 1997 elections, opposition parties made a brief attempt at unity with the formation in 1995 of the united National Democratic Alliance. Factional bickering, however, rendered it stillborn. Also in 1995, the Safina Party was founded by Richard Leakey, the world-renowned paleoanthropologist and former head of the Kenya Wildlife Service, a post for which he was handpicked by President Moi. Leakey intended to organize an umbrella opposition party, but Moi promptly banned Safina. By 1996, however, several opposition parties had tentatively acknowledged their support of Safina. By March 1997 there were 26 registered political parties, but only 10 won parliamentary seats in the 1997 elections judged as fairly credible.

In the run-up to the 27 December 2002 elections, the opposition led by Mwai Kibaki organized a grand electoral alliance of

four parties, the National Rainbow Coalition (NARC). The four parties in this coalition were Democratic Party led by Mwai Kibaki, Forum for the Restoration of Democracy-Kenya, Liberal Democratic Party, and National Party of Kenya. This coalition was victorious in the December 2002 elections, which saw Mwai Kibaki being elected president of Kenya, defeating Uhuru Kenyatta. The seats won by party were as follows: NARC 125, KANU 64, FORD-P 14, and other 7; ex-officio 2; seats appointed by the president: NARC 7, KANU 4, and FORD-P 1.

## <sup>15</sup>LOCAL GOVERNMENT

Kenya is divided into seven provinces: Coast, Northeastern, Eastern, Central, Rift Valley, Nyanza, and Western. (The Nairobi area is separate and has special status.) These are subdivided into 63 districts, each headed by a presidentially appointed commissioner; provincial administration is closely supervised by the central government. There are two types of upper local authorities (municipalities and county councils) and four types of lower authorities (urban councils, township authorities, area councils, and local councils). The Nairobi area, administered by a city council, is the direct responsibility of the central government. Many of the councils raise their own revenues by taxes, construct and maintain roads, carry out public health schemes, construct and improve housing, support education, and provide agricultural and social welfare services.

## <sup>16</sup>JUDICIAL SYSTEM

The legal system is based on the 1963 constitution, the Judicature Act of 1967, and common law court precedent. Kenya accepts compulsory ICJ jurisdiction with reservations. Customary law, to the extent it does not conflict with statutory law, is used as a guide in civil matters concerning persons of the same ethnic group.

The judicial system consists of the Court of Appeal, which has final appellate jurisdiction, and subordinate courts. The High Court, sitting continuously at Nairobi, Mombasa, Nakuru, and Kisumu, and periodically at Eldoret, Kakamega, Nyeri, Kitale, Kisii, and Meru, consists of a chief justice and 24 associate judges, who are appointed by the president of the republic. The High Court has both civil and criminal jurisdiction, serving as an appellate tribunal in some cases and as a court of first instance in others. Lower courts are presided over by resident magistrates and district magistrates. Questions of Islamic law are determined by qadis' courts. Military courts handle court-martials of military personnel.

Although the constitution provides for an independent judiciary, the president has considerable influence over the judiciary. The president appoints the High Court Judges with the advice of the Judicial Service Commission. The president also has authority to dismiss judges, the attorney general, and other officials upon recommendation of a tribunal appointed by the president.

## <sup>17</sup>ARMED FORCES

Until 1963, Kenya's defense was the responsibility of the United Kingdom. On 10 December 1963, the withdrawal of British armed forces from Kenya was completed.

In 2005, Kenyan armed forces had 24,120 active personnel. The Army of 20,000 was equipped with 78 main battle tanks. The Navy had 1,620 personnel, including 120 Marines, and was equipped

with four patrol/coastal vessels. The Air Force had 2,500 personnel, 29 combat capable aircraft, including 9 fighters, and 11 attack helicopters. The 5,000-member national police had general service, air, and naval paramilitary units. Kenya contributed personnel to nine international peacekeeping missions, mainly in other African nations. In 2005, the defense budget totaled \$288 million.

## 18 INTERNATIONAL COOPERATION

On 16 December 1963, Kenya became a member of the United Nations; the nation participates in ECA and several nonregional specialized agencies, such as UNESCO UNHCR, IAEA, FAO, IRC, IMO, the World Bank, and WHO. Kenya is also a member of the African Development Bank, the ACP Group, the Commonwealth of Nations, COMESA, G-15, G-77, the WTO, the New Partnership for Africa's Development (NEPAD), and the African Union. President Daniel Arap Moi was OAU chairman during 1981–82 and 1982–83. Nairobi has become increasingly important as a headquarters for international agencies (including the secretariat of the UN Environment Program) and as a convention center for world organizations.

On 26 June 1980, Kenya signed an agreement with the United States allowing the latter access to air and naval facilities at Mombasa. Since the US embassy bombings in August 1998, the World Trade Center attacks on 11 September 2001, and the November 2002 hotel bombing in Mombasa, the two nations have solidified their common front against international terrorism. The administration of US president George W. Bush designated Kenya a strategic regional pillar in the American national security strategy, and renewed airbase, port access, and overflight agreements with the Kenyan government. In December 2002, US Secretary of Defense Donald Rumsfeld traveled to the region. Kenya receives 75% (\$15 million of \$20 million) of the funding authorized by the US Congress for counterterrorism in Africa.

The Kenyan government has played a key role in peace negotiations regarding the civil war in Sudan. On 9 January 2005, a Sudan North-South Comprehensive Peace Accord was signed in Nairobi. Likewise, the government has participated in negotiations to reinstate a central government authority in Somalia.

In environmental cooperation, Kenya is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Kenya's is an agricultural economy supported by a manufacturing sector, much of which dates from the pre-independence period, and a tourism sector, which is an important foreign exchange earner. Kenya has few mineral resources. Although Kenya is one of the most industrialized countries in East Africa, industry only accounts for around 13% of GDP. Kenya has a drought-prone agricultural sector in which maize is a principal staple crop, along with tubers—cassava, potatoes, and sweet potatoes. There is a shortage of arable land—only 12% is first-quality farm land—and little irrigation. Nonetheless, the country exports tea, coffee, cut flowers, and vegetables. Tea exports provide the largest share of foreign exchange earnings, followed by tourism. Horticultural produce and

tea are Kenya's two single most valuable exports, accounting for 25% and 23% respectively of domestic exports in 2004. Coffee exports were the third-largest source of foreign exchange earnings in 2002, due to a decline in world coffee prices and a decline in production, which was caused in part by mismanagement. However, coffee has declined in importance owing to the slump in world prices, and accounted for just 4.4% of domestic exports in 2004.

Kenya had one of Africa's strongest economies in the 1980s, posting growth rates of 5% annually. Kenya's economic performance was below potential in the 1990s owing to a variety of problems, including intermittent drought, poor economic management, rampant corruption, a lack of investment, a deteriorating infrastructure, and on-off donor relations. GDP per capita fell and poverty climbed. In the early 1990s, political turmoil and poor harvests slowed growth. Disagreements over the direction of future investments led to a suspension of foreign aid in 1992 resulting in low growth and high inflation. Under a structural adjustment program supported by the World Bank and International Monetary Fund (IMF) in 1993, Kenya strengthened its free market by abolishing price controls, removing import licensing requirements, and floating the currency. The end of most financial controls occurred in 1995. These reforms, together with a strong harvest, helped the economy to expand by 3% in 1994, 5% in 1995, and 4% in 1996.

In 1997 a drought caused continuing power interruptions, slowed business and manufacturing, and cast doubts on the country's ability to sustain growth. Flooding during 1998 caused industry slowdowns. At the same time, government corruption was threatening \$200 million in direct aid from the IMF and World Bank. The donor agencies' concern with official corruption was heightened in early 1996 when they learned that the government's request for a \$50-million low interest loan coincided with its purchase of a \$50-million private jet for the president. The purchase of the jet was a nonbudgeted expenditure hidden from the World Bank auditors. In August 1997, the IMF and World Bank, tired of Kenya's failure to clamp down on graft, ended talks on resuming aid, a move that resulted in cuts in bilateral aid programs. The government initiated its own Economic Recovery Strategy in September 1999 to improve public sector management.

Another drought in 1999–2000 caused water and energy to be rationed and reduced agricultural output. The IMF again provided loans to guide Kenya through the drought, but suspended them in 2001 when the government failed to implement anticorruption measures. Although ample rains returned in 2001, corruption—compounded with low investment and weak commodity prices—prevented any increase in economic growth. The new government installed after the elections of December 2002 committed itself to providing adequate education, a zero tolerance for corruption, and an economic environment conducive to domestic and foreign investment. However, the Kenyan economy continued to stagnate in 2002, real GDP growing by just 1.1%, compared with 1.2% in 2001. The sluggish performance was blamed on a number of factors, including election uncertainties, the continued suspension of donor assistance, low investor confidence, and the continuing deterioration in Kenya's infrastructure, which inflates business costs. The rise in oil prices in the second half of 2002 also did not help.

Despite hopes of an economic revival under the reform-minded Kibaki regime, economic growth continued to be sluggish in

2003, partly because of delays in securing a new agreement with the IMF. Real GDP growth increased to 2.8% in 2003, compared with 0.4% in 2002. In 2004 official data indicated that real GDP growth had increased to 4.3%. However, the average GDP growth for 2000–04 still remains modest, at 2.5% annually. The main contributors to real GDP growth of 4.3% in 2004 were transport and communications, wholesale and retail trade, and restaurants and hotels, all of which grew considerably faster than in 2003. The recovery continued to gain ground in 2005 with a 5.2% growth in GDP. This reflected a solid rise in international trade, the rapid roll-out of mobile phones, and a strong recovery in tourism.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Kenya's gross domestic product (GDP) was estimated at \$39.5 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,200. The average inflation rate in 2005 was 12%. It was estimated that agriculture accounted for 16.3% of GDP, industry 18.8%, and services 65.1%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$494 million or about \$15 per capita and accounted for approximately 3.4% of GDP. Foreign aid receipts amounted to \$483 million or about \$15 per capita and accounted for approximately 3.4% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Kenya totaled \$10.60 billion or about \$332 per capita based on a GDP of \$14.4 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990–2003 household consumption grew at an average annual rate of 2.1%. In 2001 it was estimated that approximately 31% of household consumption was spent on food, 21% on fuel, 2% on health care, and 8% on education. It was estimated that in 2000 about 50% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2005, Kenya's labor force numbered an estimated 11.85 million. In 2003, agriculture accounted for an estimated 75% of the workforce in this impoverished country. As of 2001 (the latest year for which data was available), the unemployment rate was estimated at 40%.

The trade union movement is strong in Kenya and continues to pressure the government for better wages and improved living standards. However, union activity can result in dismissal or discrimination for employees. Complex rules severely limit the right to strike. The principal labor federation is the Central Organization of Trade Unions (COTU). Except for the 150,000–200,000 teachers believed to be members of Kenya National Union of Teachers and three other smaller unions, all unions are affiliated with the COTU. COTU, however, does little to pursue workers' rights. There were some 41 unions in Kenya with approximately 600,000 workers in 2001, or about 33% of the country's industrialized workforce.

The minimum legal working age is 16, however this does not apply to the agricultural segment which accounts for 80% of the labor force. The number of child laborers was estimated at five million in 2002. The minimum wage ranged between \$25 and \$42 per month in 2002, depending on location, age, and skill level.

## 2<sup>2</sup> AGRICULTURE

Agriculture remains the most important economic activity in Kenya, although less than 8% of the land is used for crop and feed production. Less than 20% of the land is suitable for cultivation, of which only 12% is classified as high potential (adequate rainfall) agricultural land and about 8% is medium potential land. The rest of the land is arid or semiarid. About 80% of the work force engages in agriculture or food processing. Farming in Kenya is typically carried out by small producers who usually cultivate no more than two hectares (about five acres) using limited technology. These small farms, operated by about three million farming families, account for 75% of total production. Although there are still important European-owned coffee, tea, and sisal plantations, an increasing number of peasant farmers grow cash crops.

From independence in 1963 to the oil crisis in 1973, the agricultural sector expanded by undergoing two basic changes: first, widespread acceptance of private ownership (replacing tribal ownership) and cash crop farming; second, the success of intensive nationwide efforts to expand and upgrade the production of African smallholders. Before World War II (1939–45) ended, agricultural development occurred almost exclusively in the "White Highlands," an area of some 31,000 sq km (12,000 sq mi) allocated to immigrant white settlers and plantation companies. Since independence, as part of a land consolidation and resettlement policy, the Kenya government, with financial aid from the United Kingdom, has gradually transferred large areas to African ownership. European-owned agriculture remains generally large-scale and almost entirely commercial.

After the 1973 oil crisis, agricultural growth slowed as less untapped land became available. Government involvement in marketing coupled with inefficient trade and exchange rate policies discouraged production during the 1970s. Coffee production booms in the late 1970s and in 1986 have in the past temporarily helped the economy in its struggle away from deficit spending and monetary expansion. Although the expansion of agricultural export crops has been the most important factor in stimulating economic development, much agricultural activity is also directed toward providing food for domestic consumption. Kenya's agriculture is sufficiently diversified to produce nearly all of the nation's basic foodstuffs. To some extent, Kenya also helps feed neighboring countries.

Kenya is Africa's leading tea producer, and was fourth in the world in 2004, behind China, India, and Sri Lanka. Black tea is Kenya's leading agricultural foreign exchange earner. Production in 2004 reached 295,000 tons. Tea exports were valued at \$463.7 million in 2004, or over 17% of total exports. The tea industry is divided between small farms and large estates. The small-scale sector, with more than 260,000 farmers, is controlled by the parastatal Kenya Tea Development Authority. The estates, consisting of 60–75 private companies, operate on their own.

Coffee is Kenya's third leading foreign exchange earner, after tourism and tea. In 2004, coffee earnings totaled \$89.1 million.

Production in 2005/06 amounted to an estimated 60,120 tons. Similar to the tea sector, coffee is produced on many small farms and a few large estates. All coffee is marketed through the parastatal Coffee Board of Kenya. The suspension of the economic provisions of the International Coffee Agreement in July 1989 disrupted markets temporarily, driving coffee prices to historical lows.

Kenyan horticulture has become prominent in recent years, and is now the third leading agricultural export, following tea and coffee. Fresh produce accounted for about 30% of horticultural exports, and included green beans, onions, cabbages, snow peas, avocados, mangoes, and passion fruit. Flowers exported include roses, carnations, statice, astromeria, and lilies.

Kenya is the world's largest producer and exporter of pyrethrum, a flower that contains a substance used in pesticides. The pyrethrum extract, known as pyrethrin, is derived from the flower's petals. A drop in production during the mid-1990s was due to increasing production costs, disease damage, and slow payment by the parastatal Pyrethrum Board of Kenya. The growing demand for "organic" and "natural" pesticides has increased international demand for pyrethrin, despite the existence of synthetic chemical substitutes. Kenya also produces sisal, tobacco, and bixa annatto (a natural food coloring agent) for export. In 2004, Kenya's pyrethrum production was 8,000 tons, 60% of the world total.

Other important crops in 2004 were sugarcane, 4,661,000 tons; corn, 2,138,000 tons; wheat, 300,000 tons; rice, 50,000 tons; and cotton, 5,000 tons. Smallholders grow most of the corn and also produce significant quantities of potatoes, beans, peas, sorghum, sweet potatoes, cassava, bananas, and oilseeds.

### 23 ANIMAL HUSBANDRY

In 2005 there were an estimated 12 million head of cattle, 10 million sheep, and 12 million goats. The number of chickens was estimated at 26 million. Kenya is self-sufficient in red meat production. Most of the beef comes from culling the dairy cattle, and from zebu breeds used by pastoralists moving their herds around Kenya's vast arid and semiarid areas. Total meat production in 2005 was 495,000 tons, with beef accounting for 65%.

Milk production is adequate for domestic needs; in 2005, fresh whole cow milk production amounted to 2,964,700 tons. Milk production is concentrated in the Rift Valley and Central Provinces. Together, these two provinces contain about 80% of Kenya's dairy cattle population. Dairy production accounts for about 12% of the total value of agricultural output. About 300,000 small dairy farmers produce 80% of the milk.

### 24 FISHING

Commercial fishing takes place on the coast of the Indian Ocean and on the shores of lakes Baringo, Naivasha, Rudolf, and Victoria. In the Victoria region, commercial companies process and package filleted and frozen lake fish, which are sold throughout East Africa. Fish farms have been established in various parts of Kenya. Sportsmen who fish in the highland lakes and streams provide a small amount of government revenue in the form of licenses and fees. The total fish catch for 2003 was 120,799 tons. Freshwater fish, particularly from Lake Victoria, predominated;

the inland catch was 113,704 tons. Exports of fish products were valued at \$57.3 million in 2003.

### 25 FORESTRY

Both hardwoods and softwoods are produced in Kenya. The chief hardwoods are musheragi, muiri, mukeo, camphor, and musaise. The chief softwoods are podo, cedar, and cypress. The supply of softwoods is adequate for local needs, both for building and other purposes. Wattle, grown mainly on small African plantations, provides the base of an important industry. Kenya maintains some 2,320,000 hectares (5,733,000 acres) in indigenous forests, mangroves, and forest plantations, about 4% of the total land area. Total forest and woodland coverage is about 30%. The timber cut in 2004 was 22.2 billion cu m (784 billion cu ft) of roundwood, of which 92% went for fuel. Production that year included 147,000 tons of paper and paperboard and 98,000 tons of wood pulp. In 1975, production of the first Kenya-made paper began at the Pan-African Paper Mills in Webuye.

### 26 MINING

Kenya is chiefly known for its production of fluorspar, limestone, gemstones, salt, soapstone, and soda ash. Cement was a leading industry and export commodity in 2003. National output of crude salt was estimated at 19,000 metric tons in 2003. Fluorspar (acid-grade) production was reported at 95,278 metric tons in the same year. Also in 2003, an estimated 750,000 tons of limestone were produced for cement. Kenya also produced secondary aluminum, anhydrite, barite, natural carbon dioxide gas, hydraulic cement, diatomite, feldspar, precious and semiprecious gemstones (amethyst, aquamarine, Iolite cordierite, green garnet, ruby, sapphire, and tourmaline), gold, gypsum, kaolin, refined secondary lead, lime, petroleum refinery products, crude steel, coral, granite, marble, industrial sand (glass), shale, sulfuric acid, and vermiculite. There are several gold deposits in the country.

### 27 ENERGY AND POWER

Kenya has no known reserves of oil, natural gas, or coal. As a result, the country must rely upon imports to meet its fossil fuel needs.

In 2002, Kenya's imports of petroleum products, including crude oil, averaged 56,830 barrels per day, of which crude oil accounted for 29,860 barrels per day. Domestic production of refined petroleum products averaged 33,390 barrels per day. Domestic demand averaged 51,170 barrels per day. Petroleum products are refined at Mombasa both for export and for domestic use. Oil prospecting continues along the Indian Ocean coast and offshore, but prospects of a commercially viable strike seem remote after roughly 40 years of exploration.

There were no imports of natural gas in 2002. Imports and the consumption of coal (all hard coal), each came to 109,000 short tons in 2002.

The majority of Kenya's electric power generating capacity is based upon hydropower. In 2002, the country's generating capacity came to 1.129 million kW, of which hydropower accounted for 0.675 million kW, and conventional thermal for 0.409 million kW. Geothermal/other capacity came to 0.045 million kW. Kenya's geothermal resources along the Great Rift Valley have been tapped by a plant near Lake Naivasha. National generation of electricity

in 2002 totaled 4.417 billion kWh, of which 21.7% was from fossil fuels, about 70% from hydropower, and the remainder from other renewable sources. Consumption of electricity in 2000 was 4.4 billion kWh. In 2002, demand declined slightly to 4.346 billion kWh.

## 28 INDUSTRY

Industry accounted for 13% of GDP in 2000, which in 2005 had declined to 10%. The reason for the decline or slow growth in manufacturing was an increasingly high-cost environment, owing to the deterioration in the transport infrastructure, expensive electricity, and poor governance (including overregulation and corruption). In order to bolster manufacturing, the government of Mwai Kibaki introduced favorable tax measures in the 2003/04 budget (including the removal of duty on capital equipment and other raw materials).

Although Kenya's manufacturing industries are small, they are the most sophisticated in East Africa. The manufacturing sector has been growing since the late 1990s and into the new century. The manufactures Kenya produces are relatively diverse. The transformation of agricultural raw materials, particularly of coffee and tea, remains the principal industrial activity. Meat and fruit canning, wheat flour and cornmeal milling, and sugar refining are also important. Electronics production, vehicle assembly, publishing, and soda ash processing are all significant parts of the sector. Assembly of computer components began in 1987. Kenya also manufactures chemicals, textiles, ceramics, shoes, beer and soft drinks, cigarettes, soap, machinery, metal products, batteries, plastics, cement, aluminum, steel, glass, rubber, wood, cork, furniture, and leather goods. It also produces a small number of trucks and automobiles. One quarter of Kenya's industrial sector is owned by UK investors; American investors are the next largest group.

Kenya has no known oil or natural gas reserves, although the government had spent \$1.6 million on oil exploration by 2000. The oil refinery in Mombasa, built in 1959 and half-owned by the government, and major oil companies, typically operates at around 65% of its total capacity (averaging 95,000 barrels per day) and is supposed to serve Kenya, Tanzania, Uganda, the DROC, Rwanda, Burundi, and offshore islands. Kenya deregulated its oil industry in 1994. Refinery products include gasoline, jet/turbo fuel, light diesel oil and fuel oil. The refinery's future is an important domestic issue in Kenya, and management is considering upgrading the facility rather than allowing the refinery to close.

## 29 SCIENCE AND TECHNOLOGY

Notable scientific institutions in Kenya include the UNESCO Regional Office for Science and Technology for Africa, in Nairobi; coffee and tea research foundations; grasslands and plant-breeding research stations; and numerous centers for medical, agricultural, and veterinary research. Medical research focuses on the study of leprosy and tuberculosis. The National Council for Science and Technology advises the government on scientific matters, and the Kenya National Academy of Sciences promotes advancement of learning and research; both organizations were founded in Nairobi in 1977. The University of Nairobi, founded in 1956, has colleges of agriculture and veterinary sciences, health sciences, architecture and engineering, and biological and physi-

cal sciences. Kenyatta University, founded in 1939 at Nairobi, has faculties of science and environmental education. Moi University, founded in 1984 in Eldoret, has faculties of forest resources and wildlife administration, science, technology, information sciences, environmental studies, health sciences, and agriculture. Edgerton University, founded in 1939 at Njoro, has faculties of agriculture and science. Other higher-education institutions include Jomo Kenyatta University College of Agriculture and Technology, Kenya Medical Training College, and Kenya Polytechnic, all in Nairobi, and five other institutes of science and technology elsewhere in the country.

In 1987–97, science and engineering students accounted for 19% of college and university enrollments. In 2002, high technology exports totaled \$35 million, or 10% of manufactured exports.

## 30 DOMESTIC TRADE

Mombasa and Nairobi, the two principal distribution centers for imported goods, are linked by rail or highway to the towns in their immediate areas. The head offices of all the leading import and export firms, mining companies, and banks, not only for Kenya but also for East Africa as a whole, are in one or the other of these two cities. Warehousing facilities are extensive in both cities. Retail outlets are generally small and are often owned and operated by a wholesaler.

Office and shop hours are generally from 8 AM to 5 PM, Monday–Friday, with lunchtime closing from 1 to 2 PM. Normal banking hours are 9 AM to 3 PM, Monday–Friday. The languages of business correspondence are English, Gujarati, and Swahili.

There are a number of advertising firms. Newspapers and trade magazines are the principal advertising media, but radio and cinema advertising are increasingly used. The annual, six-day Nairobi International Trade Fair is sponsored by the Agricultural Society of Kenya for the exhibition and promotion of products from all aspects of the agricultural, food processing, and construction industries.

## 31 FOREIGN TRADE

Kenya has a relatively diverse export profile, led by tea (28%) and horticultural products. Tea alone accounts for 17% of the world's

### Principal Trading Partners – Kenya (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	2,551.1	3,475.1	-924.0
Uganda	401.2	...	401.2
United Kingdom	313.1	241.3	71.8
Tanzania	199.6	...	199.6
Netherlands	189.3	81.4	107.9
Armenia	185.5	...	185.5
Pakistan	130.9	57.3	73.6
Rwanda	79.9	...	79.9
Egypt	78.0	59.3	18.7
Germany	77.6	134.6	-57.0
Afghanistan	69.8	...	69.8

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

tea export market. Coffee follows closely (10%). Other key exports include garments, coffee, iron and steel, soda ash, fish, petroleum products, and plastics. Tourism is also an important source of revenues from foreigners.

### 3<sup>2</sup> BALANCE OF PAYMENTS

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Kenya's exports was \$1.8 billion while imports totaled \$3.1 billion resulting in a trade deficit of \$1.3 billion. In 2004, exports climbed by 11.4%, but imports rose faster, by 21.9%, pushing the trade deficit from \$1.11 billion in 2003 to \$1.65 billion in 2004. According to published data, covering the 12 months to April 2005, the trade deficit widened further, to just over \$2 billion as imports grew faster than exports.

### 3<sup>3</sup> BANKING AND SECURITIES

Kenya acquired its first separate currency on 14 September 1966, when the initial par value for the Kenya shilling was announced by the IMF. The new coin replaced, at par value, the East African shilling, previously issued for Kenya, Tanzania, and Uganda by the East African Currency Board, whose assets were divided by those nations following a June 1965 agreement.

The Central Bank of Kenya (CBK) was established in May 1966, taking over the administration of exchange control. Because the Kenya shilling soon became the strongest currency in East Africa, a black market for it developed. A complete ban on the export or import, or destruction of hard Kenyan currency was imposed in 1971 to discourage speculation.

The powers of the CBK were greatly reduced in the early 1990s with the liberalization of the financial sector. The commercial banks are free to set their own interest and exchange rates. The shilling has effectively been a convertible currency since the government signed Article VIII of the IMF Articles of Agreement in June 1994, and thereby pledged not to permit any restrictions on current international transactions. Foreign exchange is bought and sold in the interbank market in which the CBK is merely one player, although it intervened frequently with several large transactions in late 1994 and again in mid-1995, first to halt the appreciation of the shilling and then to stem its fall. The CBK retains responsibility for issuing treasury bills and bonds to cover the government deficit.

Of the 29 commercial banks operating in Kenya in 1985, several folded during a banking crisis in 1986. In 1992, there were 15 commercial banks operating in Kenya, and in 2002, there were 48 domestic and foreign commercial banks, 6 building societies, 37 insurance companies, 7 development finance companies, over 1,500 credit unions, and the Post Office Savings Bank. The financial sector is dominated by two multinational banks—the Standard Chartered Bank and Barclays Bank of Kenya; and the parastatal banks—Kenya Commercial Bank and National Bank of Kenya. They have branches in Nairobi and Mombasa and at least 25 other locales throughout the country. Other commercial banks include Citibank N.A., Euro Bank, and First American Bank.

Although they depend largely on the commercial sector for credit outlay, banks have started to turn to agriculture as an outlet. Land and agricultural banks provide financial assistance to farmers in the form of long-term loans for the discharge of onerous

#### Balance of Payments – Kenya (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>67.7</b>
Balance on goods	-1,142.6	
Imports	-3,554.8	
Exports	2,412.2	
Balance on services	482.3	
Balance on income	-88.2	
Current transfers	816.3	
<b>Capital Account</b>		<b>163.0</b>
<b>Financial Account</b>		<b>406.3</b>
Direct investment abroad	-2.1	
Direct investment in Kenya	81.7	
Portfolio investment assets	-38.6	
Portfolio investment liabilities	0.9	
Financial derivatives	...	
Other investment assets	-67.4	
Other investment liabilities	431.7	
<b>Net Errors and Omissions</b>		<b>-211.9</b>
<b>Reserves and Related Items</b>		<b>-425.2</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

mortgages and the purchase of livestock, implements, fertilizer, and so forth. Short-term loans are granted for seasonal expenses.

The reputation of the banking sector has suffered from a series of scandals. The largest financial scandal in Kenyan history broke in 1993 when the CBK closed down Exchange Bank and a related company, Goldenberg International, a gold and jewelry firm. Exchange Bank was accused of failing to honor foreign exchange contracts and Goldenberg of securing privileged access to the now-scrapped export compensation scheme. The auditor-general has questioned billions of shillings of payments to Goldenberg under the scheme for gold exports that have not been proven.

In 1997, the total assets of Kenya's four largest banks was \$2.8 billion, representing half of the total assets of all commercial banks. Banking sector fragility in 1999 resulted from poor management, and worsening economic conditions. In 1998, several major Kenyan banks collapsed, including Trust Bank, Reliance Bank, Prudential Bank, Bullion Bank; and the giant National Bank almost folded. In 1999, Richard Leaky was named director of the Central Bank of Kenya under pressure from the World Bank in order to stem corruption in the banking system.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.6 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$4.5 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 16.81%.

The Nairobi Stock Exchange (NSE) was founded in 1965 with six members. It was one of the largest stock markets in the sub-Saharan Africa (with South Africa, Nigeria, and Zimbabwe), with market capitalization of \$1.05 billion and 57 listed companies in 2001. The market received a small boost from the decision of the government to allow direct foreign investment in January 1995, but the limit on foreign ownership was 40%. The NSE index fell

from 1,913.4 in 2000 to 1,355.1 at the end of 2001. As of 2004, a total of 47 companies were listed on the NSE, which had a market capitalization that year of \$3.891 billion. In 2004, the NSE rose 7.6% from the previous year to 2,945.6.

### 3<sup>4</sup> INSURANCE

Insurance companies must be registered and licensed. Categories of compulsory insurance include motor third-party liability for bodily injuries and cargo insurance for imports. The insurance regulatory body is the Ministry of Finance and Planning. There were 37 insurance companies operating in Kenya in 1999. As of 2003, the value of all direct premiums written totaled \$411 million, of which nonlife premiums accounted for \$304 million. Kenya's top nonlife insurer in 2001 (the latest year for which data was available) was Kenindia, with gross written nonlife premiums of \$28.5 million. In that same year, the country's leading life insurer was ICEA, with gross written life premiums of \$22.4 million.

### 3<sup>5</sup> PUBLIC FINANCE

The fiscal year extends from 1 July to 30 June. Due to mismanagement of public funds, government expenditures are closely watched. Nevertheless, government spending has remained around 30% of GDP since 1995. While in the past Kenya has had some problems meeting loan obligations with the IMF and the World Bank, the country was set to receive over \$300 million in aid from those organizations in 2000. However, problems with internal reform forced the IMF and the World Bank to suspend those programs, and as of mid-2002 they have not been reinstated.

The US Central Intelligence Agency (CIA) estimated that in 2005 Kenya's central government took in revenues of approximately \$3.7 billion and had expenditures of \$3.8 billion. Revenues minus expenditures totaled approximately -\$165 million. Public debt in 2005 amounted to 67.4% of GDP. Total external debt was \$7.349 billion.

#### Public Finance – Kenya (2000)

(In millions of shillings, budgetary central government figures)

	2000	100.0%
<b>Revenue and Grants</b>	<b>218,443</b>	<b>100.0%</b>
Tax revenue	181,924	83.3%
Social contributions	451	0.2%
Grants	24,080	11.0%
Other revenue	11,989	5.5%
<b>Expenditures</b>	<b>198,019</b>	<b>100.0%</b>
General public services	67,406	34.0%
Defense	16,847	8.5%
Public order and safety	13,615	6.9%
Economic affairs	35,734	18.0%
Environmental protection	1,302	0.7%
Housing and community amenities	6,039	3.0%
Health	10,744	5.4%
Recreational, culture, and religion	1,136	0.6%
Education	51,616	26.1%
Social protection	12,548	6.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

The International Monetary Fund (IMF) reported that in 2000, the most recent year for which it had data, budgetary central government revenues were SH218,443 million and expenditures were SH198,019 million. The value of revenues in US dollars was us\$2,868 million and expenditures us\$2,831 million, based on a principal exchange rate for 2000 of us\$1 = SH 76.176 as reported by the IMF. Government outlays by function were as follows: general public services, 34.0%; defense, 8.5%; public order and safety, 6.9%; economic affairs, 18.0%; environmental protection, 0.7%; housing and community amenities, 3.0%; health, 5.4%; recreation, culture, and religion, 0.6%; education, 26.1%; and social protection, 6.3%.

### 3<sup>6</sup> TAXATION

The resident corporate income tax rate tax in 2005 was 30%, with the rate for branches of foreign companies at 37.5%. The withholding tax on dividends payable to residents was 5%. Dividend and interest income (except on bearer instruments) paid to non-residents, the withholding tax rates were 10% and 15%, respectively. These rates may be reduced or eliminated by the terms double tax treaties, which Kenya has with the United Kingdom, Germany, Denmark, Norway, and Sweden, Canada, India and Zambia. In 2002 the capital gains tax had been suspended but there was a compensating tax on companies which paid dividends out of untaxed profits. Royalties paid to nonresidents are subject to a 20% withholding tax. For residents, the rate falls to 5%. Insurance commissions, management and professional fees, sports and entertainment fees, and rents are also subject to taxation. Various tax incentives are offered to companies which develop and/or operate in export processing zones (EPZs).

Income tax rates on individuals are graduated, rising to a top marginal rate of 30%, down from 35% in 1996.

Since 1990, a value-added tax (VAT) has been applied to most goods and services. The standard rate as of 2005 was 16%. However, restaurant and hotel services are taxed at 14%, while medicines, newspapers, educational equipment, certain agricultural inputs and exports are zero-rated. Live animals, building materials, foodstuffs, certain financial services, some types of entertainment, land and building rentals and leases, passenger transport, and insurance are exempt. There are also local authority service taxes and a hospital insurance tax.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Most import license controls were dismantled in 1993. In 1997, an ad valorem import duty of 70% was imposed on rice, sugar, and milk. Priority items such as raw materials, spare parts, agricultural equipment, and medicines had an import tariff of only 5% in 1999. Most capital goods were imported at a tax rate of 15%. Other goods received specific allocations on the international harmonized system of product classification. The maximum tariff rate was 35%. Imports were also subject to a 18% value-added tax based on a free on board (FOB) plus duty valuation. There were also excise-taxes on alcohol and tobacco. There were few export duties. In 1999, Kenya, Uganda, and Tanzania signed the East Af-



frican Community (EAC) treaty providing for the removal of trade barriers by 2003.

Kenya operates six export processing zones, where manufacturers gain a 10-year corporate tax holiday (25% thereafter), a 10-year withholding tax holiday on dividend remittance, duty and VAT exemption on all imports except motor vehicles, and exemption from most other regulatory schemes. The Manufacturing Under Bond (MUB) program gives similar incentives to companies not located in the export processing zones.

### 38 FOREIGN INVESTMENT

In 1964, in the wake of independence, foreign investment in Kenya went down considerably. In a move to reverse this trend, the government issued a white paper in 1965 welcoming foreign investment and encouraging joint ventures. Foreign investments in 1965 totaled \$30 million, rising to \$52 million in 1971. The pace of investment accelerated during the 1970s, and by 1984 it was estimated that US investment alone had a value of \$350 million. In 1987, tax treaties with the United Kingdom, Germany, Zambia, Denmark, Norway, and Sweden were in force, but private foreign investment stagnated.

In the early 1990s, the government moved to encourage investment by liberalizing trade policies and removing impediments to the development of a free market. It was estimated in 1994 that foreign direct investment totaled more than \$1 billion. The foreign direct investment stock in Kenya has remained at the \$1 billion mark but increased slightly by 5% from \$1 billion in 2001 to \$1.1 billion in 2002; while outward stock remained insignificant. While in the 1990s flows of foreign direct investment (FDI) had stabilized at about \$50 million, they drastically declined to \$5 million in 2001 and \$28 million in 2002, as confidence in the government of the president, Daniel Arap Moi, reached an all-time low. Investors were also deterred by widespread corruption, overregulation, and the government's on-off relations with donors. FDI picked up to \$82 million in 2003, according to the World Investment Report by the UN Conference on Trade and Development (UNCTAD), reflecting a recovery in confidence under the new NARC government, but still remained significantly lower than in Tanzania and Uganda. FDI outflows, on the other hand, had grown continuously since 1997, and in 2002 outflows surpassed inflows.

The three largest affiliates of foreign transnational corporation investment in Kenya in the industrial sector were all from the United Kingdom and focused on tobacco, pharmaceutical, and food production. Other investments come from Germany and the United States. Regardless of the government's intentions to attract investment, power interruptions, poor roads, political turmoil, and rampant government corruption dissuaded most serious foreign investment. However, as the government of Kibaki attempted to bring political stability and to root out corruption, foreign direct investment was expected to rise, although as of 2004 this had not happened due to the fact that investors were cautious of the Kibaki regime's resolve.

### 39 ECONOMIC DEVELOPMENT

Central to Kenyan government planning is a continuing expansion of the level of exports and diversification of products. Moreover, Kenya has sought the orderly introduction of large numbers

of African farmers into former European agricultural areas. With the goal of full economic independence, the government continues to pursue Africanization of the private sector, particularly in commerce.

Kenya continues to assist private industry by tariff structures that permit the import of raw materials duty-free or at low rates; allow rebates or suspension of customs duties under certain conditions; and establish protective customs barriers. The 1979–83 development plan, Kenya's fourth, had as its main objective the alleviation of rural poverty. The 1984–88 development plan also emphasized the rural sector in calling for an annual real GDP growth of 4.9%.

Kenya has depended on external assistance for development financing, but the extent of that dependence has varied with domestic conditions. Whereas in the mid-1960s Kenya depended on external sources for 82% of its total development resources, by the early 1970s the proportion had fallen to only 45%. The late 1970s and 1980s brought renewed reliance on external loans, as the proportion of foreign financing needed to cover the annual government budget deficit rose from 28% in 1978–79 to 67% in 1981–82 and an estimated 89% in 1985–86.

Development in Kenya now depends on the private sector and on foreign and domestic investment as the parastatal sector is dismantled. Foreign exchange earnings were key to the sixth development plan (1989–93). Because of government mismanagement of funds during the period between 1996 and 1999, most development agencies (including the IMF and World Bank) refused to extend loans and gave up on structural reform programs. The government initiated its own Economic Recovery Strategy in 1999 to increase public sector management reliability, but there were doubts as to the effectiveness of the plan.

In 2000, the IMF renewed lending, in the amount of a three-year \$193 million Poverty Reduction and Growth Facility (PRGF) Arrangement, which was further augmented due to the impact of severe drought conditions. An anticorruption authority set up by the government was declared unconstitutional in December 2000, and other Kenyan reforms stalled. The IMF and World Bank once again suspended their programs. In July 2003, the IMF indicated it would resume lending to Kenya, as the Fund was encouraged by the country's efforts to fight corruption and promote good governance.

### 40 SOCIAL DEVELOPMENT

The National Social Security Fund operates a limited pension fund for employed persons. Retirees (age 55) are entitled to a lump sum equal to total contributions plus accrued interest. Disability and survivor benefits are also paid. Medical coverage for employees is available in government hospitals for certain illnesses including AIDS. Employers are also obligated to obtain private worker's injury insurance.

Facilities for social welfare have been largely in the hands of private and voluntary organizations. The government assists many of the voluntary organizations financially. The private and voluntary agencies are highly developed. There are societies that care for the blind, the deaf and mute, and the physically disabled, and voluntary organizations that care for the poor and destitute. Homes and

hostels have been established throughout the country for the care of orphans, young offenders, and juvenile prostitutes.

In 2003 the government outlawed violence against women, although domestic violence is a widespread problem affecting over half of the women in Kenya. Rape is an increasing problem in the country. Women also lack the legal rights provided to men. Women must obtain written permission from their husbands or fathers in order to obtain a passport. In practice, permission is also required for women applying for credit. Although the Law of Succession stipulates that sons and daughters should receive equal inheritances, traditional custom continues to benefit male children. Boys greatly outnumber girls in higher education. Female genital mutilation is widely practiced, especially among certain ethnic groups. Children are forced to marry against their will.

Ethnic tensions between Kenyan tribal groups are pronounced. Tribal violence has occurred in the Rift Valley, as well as ethnically motivated fighting between Nubian and Luo populations erupted in Nairobi. Although most ethnic groups are represented in the government, Kikuyus sometimes face discrimination and harassment by government officials. Kenya's human rights record remains poor. There are many reports of extrajudicial killings, the use of excessive force, and arbitrary arrest. Prison conditions are poor, and there are lengthy pretrial detentions. Defendants do not have the right to appointed lawyers except for capital cases.

#### 41 HEALTH

The National Hospital Insurance Fund is the most important health insurance program in Kenya. Membership is compulsory for all civil servants. The government is attempting to improve and upgrade existing health facilities and opening new ones. Kenya produces cotton wadding domestically, but all other medical equipment and supplies are imported. High-quality private practitioners require sophisticated medical equipment, but the public sector acquires less expensive equipment. Kenya also has a well-developed pharmaceutical industry that can produce most medications recommended by the World Health Organization.

The government is attempting to reduce malnutrition and combat deficiency diseases. Among Kenya's major health problems are tuberculosis and protein deficiency, the latter especially among young children. Although the incidence of malaria has been reduced, it still is endemic in some parts of Kenya and is responsible for anemia in children. Water supply, sanitation, bilharzia, and sleeping sickness also pose major problems. Schistosomiasis is endemic to some areas. In 2000, 49% of the population had access to safe drinking water and 86% had adequate sanitation.

As of 2003, the crude birth rate and overall mortality rate were estimated at 27.6 and 14.7 per 1,000 people respectively. As of 2000, 39% of married women (ages 15 to 49) were using contraception. Average life expectancy was 47.99 years in 2005 and infant mortality was 61.47 per 1,000 live births. The fertility rate was 4.4 children per childbearing years of a Kenyan woman as of 2000. Immunization rates for children up to one year old were fairly low: tuberculosis, 42%; diphtheria, pertussis, and tetanus, 36%; polio, 36%; and measles, 32%. Malnutrition affected an estimated 33% of children under five.

As of 2004, there were an estimated 13 physicians, 90 nurses, 2 dentists, and 5 pharmacists per 100,000 people. Health care expenditure was estimated at 7.8% of GDP. The government was

also encouraging the development of the private health care sector through tax incentives as well as other plans.

There has been a rapid spread of AIDS since the 1980s. The HIV/AIDS prevalence was 6.70 per 100 adults in 2003. As of 2004, there were approximately 1,200,000 people living with HIV/AIDS in the country. There were an estimated 150,000 deaths from AIDS in 2003.

#### 42 HOUSING

Rapid urbanization has made it difficult for the government to keep pace in providing adequate housing for those in need. In Nairobi, the population density is 3,079 persons per sq km (almost 8,000 per sq mi). More than half of the city's residents live in temporary shelters, generally in one of over 100 slum communities throughout the city. One-room shanties in the slum areas of Nairobi, Mombasa, and Nakuru are typically about 3 to 5 sq m and house 5 to 6 people. A high level of poverty paired with the high cost of available land mean fewer urban dwellers are in a position to purchase property of their own. In the mid-1990s, some slum dwellers, facing forced evictions, began to form federations as a means of protesting poor housing conditions and calling for better government housing regulations to provide for both adequate housing and home ownership.

Most housing in rural areas is privately built and owned by the residents. But many of these homes are built with traditional materials of mud and thatch and deteriorate in a relatively short time.

The central government is responsible for all housing projects and works closely with local authorities. Many new housing projects have been undertaken with financial aid from the National Housing Corp. According to the latest government information available, total housing stock in the 1980s stood at 3,470,000, with 6.1 people per dwelling.

#### 43 EDUCATION

Primary education is free and compulsory for eight years. Children start school at the age of five or six and spend eight years at primary school; four years at secondary school; and a further four years at the university. The academic year runs from October to July.

In 2001, about 44% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 66% of age-eligible students. The same year, secondary school enrollment was about 25% of age-eligible students. It is estimated that about 73% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 34:1 in 2003.

There are four main universities in Kenya. Kenyatta University was founded in 1972 and is located in Nairobi. The University of Nairobi was founded in 1956 as the Royal Technical College of East Africa. The Moi University was founded in 1984 at Eldoret. The Egerton University, located at Njoro, was founded in 1939. The language of instruction in all the universities is English. In 2001, about 3% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 73.6%, with 77.7% for men and 70.2% for women.

As of 2003, public expenditure on education was estimated at 7% of GDP, or 22% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The Kenya National Library Service, founded in 1965 and located in Nairobi, maintains over 25 provincial and community branches. The largest public library is the McMillan Memorial Library, formerly a private institution, which was taken over by the Nairobi City Council in 1962; it contained 275,000 volumes in 2002, including a collection of Africana, and had two branches. In 1996, Kenya National Library Service launched the Camel Mobile Service to transport books to villages and settlements between 5 and 10 km away from the main regional libraries. The libraries of the University of Nairobi, with 500,000 volumes, are the best supported in Kenya. Kenyatta University in Nairobi has 166,000 volumes. The British Council maintains three branch libraries, and the National Archives in Nairobi holds 40,000 volumes.

The National Museum in Nairobi and the Ft. Jesus Museum in Mombasa are the largest in Kenya. There are numerous local museums, including the Kiriandusi Prehistoric Site in Gilgil, founded in 1928, the Gedi Ruins Museum south of Malindi, and museums in Kabarnet, Lamu, Meru, Narak, and Olgorgesailie. The Kapenguria Museum, opened in 1993, details Kenya's political development and struggle for independence.

#### 45 MEDIA

The Ministry of Transport and Communications is responsible for telecommunications. In 2003, there were an estimated 10 main-line telephones for every 1,000 people; about 134,000 people were on a waiting list for telephone service installation. The same year, there were approximately 50 mobile phones in use for every 1,000 people.

Kenya Broadcasting Corporation (KBC), the country's government-owned broadcaster, is the only station with a national network for television and radio programming. In 2004, there were 12 independent radio stations. Kenya Television Network was the leading privately owned broadcaster. There were eight television stations in 2002. In 2003, there were an estimated 221 radios and 26 television sets for every 1,000 people. The same year, there were 6.4 personal computers for every 1,000 people and 13 of every 1,000 people had access to the Internet. There were eight secure Internet servers in the country in 2004.

In 2002, there were five major daily newspapers, all published in Nairobi. *The Daily Nation*, an independent paper founded in 1960, had a daily circulation of 170,000. The *Standard* (circulation 70,000) has ties to the KANU party. The other dailies include: *Tai-fa Leo*, a Swahili newspaper, circulation 57,000; the *Kenya Times*, associated with KANU, 52,000; and the *Kenya Leo*, (in Swahili, 40,000 in 1995).

While there is no formal censorship, the press is sometimes subject to harassment from public officials who have been treated unfavorably.

#### 46 ORGANIZATIONS

Voluntary societies are numerous. Some are affiliated with parent bodies in the United Kingdom; a few, such as the Rotary Club, the Round Table, Kiwanis, and the Lions Club, are affiliated internationally. The Red Cross, Habitat for Humanity, and Caritas are also active. African women's clubs, called Maendeleo ya Wanawake, have been organized throughout Kenya. Some are members of the

umbrella organization of National Council of Women of Kenya. National youth organizations include the Kenya Scouts Association, YMCA/YWCA, Kenya United Nations Youth and Student Association, and 4-K Clubs (a branch of 4-H Clubs). There are several sports associations and clubs representing amateur athletes competing in such pastimes as cricket, lawn tennis, squash, tae kwon do, yachting, and badminton.

National organizations promoting arts and science include the Kenya National Academy of Sciences (est. 1983), the Kenya Medical Association, and the multinational African Academy of Sciences (est. 1985). Organizations dedicated to research and education include the African Medical and Research Foundation and the African Centre for Technology Studies.

The Kenya National Chamber of Commerce and Industry, founded in 1965, has its headquarters in Nairobi. The Central Organization of Trade Unions and the Federation of Kenya Employers are based in Nairobi. Organizations dedicated to promoting the concerns of industry, business, and labor include the Agricultural Society of Kenya, Tea Board of Kenya, Kenya Tea Growers Association, and Fresh Produce Exporters' Association of Kenya. The Kenya Consumer's Organization is also active.

The World Conservation Union has an office in Nairobi. Other nature conservancy organizations include the Wildlife Clubs of Kenya Association and Save the Elephants.

#### 47 TOURISM, TRAVEL, AND RECREATION

Since Kenya attained independence in 1963, tourism has become the leading source of foreign exchange revenue. In 2003, there were 1,146,099 visitors, almost 60% of whom came from Europe. The hotels had an occupancy rate of 33% and the average length of stay was eight nights. Tourism expenditure receipts totaled \$631 million.

Accommodations in the form of lodges and campsites are available in the more remote areas, as well as five-star hotels in the more popular regions. Safaris are the chief attraction, whether they are photographic, cultural, or even sport. Kenya also boasts over 30 national parks and game preserves. The largest game preserve is Tsavo National Park, home of over 500 bird species; covering an area of about 21,343 sq km (8,241 sq mi), it is one of the world's largest wildlife sanctuaries. Nairobi has a professional repertory theater and a National Theater; the capital hosts a Festival of African music in July. Other attractions include the mosques of Mombasa, the spectacular scenery of the Great Rift Valley, the coffee plantations at Thika, and the world-renowned Tree Hotels. Tourists also enjoy the dramatic view of Mt. Kilimanjaro, which rises in neighboring Tanzania; as of 2006, scientists were predicting that Kilimanjaro's ice cap, which had visibly shrunk during the 1990s, would completely disappear by 2015.

Travelers from infected countries must carry a certificate of vaccination against yellow fever. Precautions are also recommended against typhoid and malaria. A valid passport, visa, and onward/return ticket are required for entry into Kenya.

In 2005, the US Department of State estimated the daily expenses of traveling in Nairobi at \$230. Mombasa averaged \$99 to \$152 per day, depending on the time of year.

## 48 FAMOUS KENYANS

The leading African figure in the modern history of Kenya was Jomo Kenyatta (1893?–1978). From the 1920s to the 1970s he was in the forefront of African nationalism. Imprisoned and restricted during the Mau Mau revolt for his alleged role in its organization, he was released in August 1961 and was president of independent Kenya from 1964 until his death. Another dominant African personality was Tom Mboya (1930–69), who commanded an international reputation as a political and labor leader. Oginga Odinga (1911–94), usually at odds with the ruling establishment, was vice-president from 1964 to 1966. Daniel arap Moi (b.1924), a son of poor farmers, was vice-president for 11 years before succeeding Kenyatta as president in 1978. He served until 2002, when he was succeeded by Mwai Kibaki (b.1931).

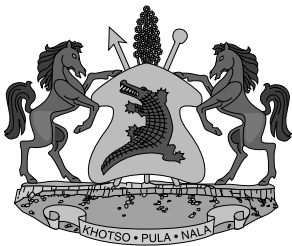
Sir Michael Blundell (1907–93), a leader of the European community after World War II, came to be identified with those who sought to create a nonracial political society; he was a director of Barclays Bank of Kenya from 1968 to 1981. Richard Leakey (b.1944) is a leading paleoanthropologist.

## 49 DEPENDENCIES

Kenya has no territories or colonies.

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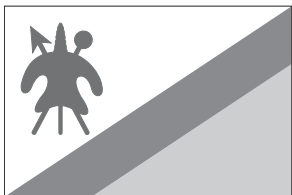
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# LESOTHO

Kingdom of Lesotho

*Muso oa Lesotho*



**CAPITAL:** Maseru

**FLAG:** The flag is divided diagonally from the lower hoist side corner; the upper half is white bearing the brown silhouette of a large shield with crossed spear and club; the lower half is a diagonal blue band with a green triangle in the corner.

**ANTHEM:** *Lesotho Fatse La Bo-nata Rona (Lesotho, the Country of Our Fathers).*

**MONETARY UNIT:** Lesotho is part of the South African monetary area; the maloti of 100 lisente, introduced in 1980, is on a par with the South African rand (R), which also is legal tender. There are coins of 1, 2, 5, 10, 25, and 50 lisente, and notes of 2, 5, 10, 20, and 50 maloti (M). M1 = \$0.16129 (or \$1 = M6.2) as of 2005.

**WEIGHTS AND MEASURES:** British and metric weights and measures are in general use.

**HOLIDAYS:** New Year's Day, 1 January; Moshoeshoe's Day, 12 March; Family Day, 1st Monday in July; King's Birthday, 17 July; Independence Day, 4 October; National Sports Day, 6 October; Christmas, 25 December; Boxing Day, 26 December. Movable Christian holidays include Good Friday, Easter Monday, and Ascension.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Lesotho is an enclave within the Republic of South Africa, with an area of 30,355 sq km (11,720 sq mi), extending 248 km (154 mi) NNE–SSW and 181 km (112 mi) ESE–WNW. Comparatively, the area occupied by Lesotho is slightly smaller than the state of Maryland.

It is bordered on the E by the South African province of Natal, on the S by Cape Province, and on the W and N by the Orange Free State, with a total boundary length of 909 km (565 mi). Lesotho claims that Basotho lands now part of South Africa were unjustly taken by force in the 19th century.

Lesotho's capital city, Maseru, is located on the country's northwest border.

## <sup>2</sup> TOPOGRAPHY

Three distinct geographical regions, demarcated by ascending altitude, extend approximately north-south across Lesotho. The western quarter of the country is a plateau averaging 1,500–1,850 m (4,900–6,100 ft). The soil of this zone is derived from sandstone and, particularly in the westernmost region, is poor and badly eroded. The remainder of the country is highland. A zone of rolling foothills, ranging from 1,800–2,200 m (5,900–7,200 ft), forms the border between the lowlands and the mountains in the east.

The Drakensberg Range forms the entire eastern and southeast-eastern border. A spur of this range, the Maluti Mountains, runs north and south. Where it joins the Drakensberg Range there is a high plateau ranging from 2,700–3,200 m (8,900–10,500 ft) in elevation. The highest point is Thabana Ntlenyana, 3,482 m (11,425 ft), in the east. The rich volcanic soils of the foothills and mountains are some of the best in the country.

The sources of two of the principal rivers of South Africa, the Orange and the Tugela, are in these mountains. Tributaries of the

Caledon River, which forms the country's western border, also rise here. The Orange and Caledon rivers, together with their tributaries, drain more than 90% of the country.

## <sup>3</sup> CLIMATE

Temperatures vary widely from one geographical zone to another, and frequently within zones, depending on the altitude. In the lowlands, temperatures reach 32°C (90°F) or more in the summer and rarely fall below -7°C (19°F) in the winter. The range in the highlands is greater; temperatures sometimes fall below -18°C (0°F), and frost and hail are frequent hazards. Rainfall, which is mostly concentrated in the months from October to April, averages 71 cm (28 in) annually, varying from 191 cm (75 in) in parts of the mountains to as little as 60 cm (24 in) in the lowlands. Most of the rainwater is lost through runoff, and droughts are common.

## <sup>4</sup> FLORA AND FAUNA

Grass is the natural vegetation in this virtually treeless country. The high plateau is covered with montane or subalpine grassland. Red oat grass forms a dry carpet in much of the Drakensberg foothill region. The country's small size, high elevation, and limited range of habitats restrict the variety of fauna. The African lammergeier, a bird common in the mountains of Ethiopia but nowhere else in Africa, and the bald ibis, both of which are near extinction, are found in small numbers in the Drakensberg Range. As of 2002, there were at least 33 species of mammals, 123 species of birds, and over 1,500 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

Much of the country has become denuded of its natural grass cover through uncontrolled grazing and rushing surface water. Related problems are severe soil erosion, soil exhaustion, and de-

sertification. In response to these problems, the Highlands Water Project has the goals of controlling, storing, and redirecting water to South Africa. More than 3.5 million trees, mostly eucalyptus, have been planted as part of a gully control program, and for production of fuel and poles. Among the agencies with environmental responsibility is the National Environmental Secretariat of the prime minister's office.

Unlike neighboring South Africa, Lesotho is not rich in game and other wildlife. The famous Basuto pony, of almost pure Arabian stock, reached its peak of quality and quantity around the turn of the century. After suffering a decline because of ruinous trading practices, overstocking, overgrazing, disease, and drought, the pony has begun to make a comeback through a selective breeding program and improved feeding methods. Other vanishing species, like the wildebeest and blesbok, have been reintroduced in areas where they formerly were numerous. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 3 types of mammals, 7 species of birds, 1 species of fish, 1 species of invertebrate, and 1 species of plant. Threatened species included the blue crane, the brown hyena, the African lion and the lesser flamingo.

## **6** POPULATION

The population of Lesotho in 2005 was estimated by the United Nations (UN) at 1,804,000, which placed it at number 142 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 38% of the population under 15 years of age. There were 87 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be -0.1%. The projected population for the year 2025 was 1,604,000. The population density was 59 per sq km (154 per sq mi). Some 70% of the total population lives in the fertile lowlands, where the land can be most readily cultivated; the rest is scattered in the foothills and the mountains.

The UN estimated that 13% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.75%. The capital city, Maseru, had a population of 170,000 in that year. Other large towns are Leribe, Berea, and Mafeteng.

The prevalence of HIV/AIDS has had a significant impact on the population of Lesotho. The UN estimated that 30.1% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## **7** MIGRATION

In 1996, around 60% of active male wage earners in Lesotho worked in South Africa. Lesotho reported that 25,000 miners were sent to South African gold mines in the first six months of 2001. There were 6,000 migrants living in Lesotho in 2000, and virtually no refugees. According to *Migration Information Source*, Lesotho led the world's nations with the highest total remittances received as a percentage of GDP in 2001, with remittances as 26.2% of GDP, equivalent to \$112.80 per capita. In 2003 remittances were \$2.17 million. In 2004, the United Nations High Commissioner for Refugees (UNHCR) reported no refugees or asylum seekers. In 2005,

the net migration rate was an estimated -0.74 per 1,000 population. The government views the migration levels as satisfactory.

## **8** ETHNIC GROUPS

Lesotho is ethnically homogeneous. At least 99.7% of the people are Sotho. Europeans, Asians, and other groups make up the remaining population.

## **9** LANGUAGES

The Sesotho (southern Sotho) language is spoken by virtually all the indigenous population. English shares with Sesotho the position of official language. Zulu and Xhosa are also spoken.

## **10** RELIGIONS

Christian missions have long been active in Lesotho. As a result, about 90% of the population are Christian, with about 70% being Roman Catholic. The primary Protestant denominations are the Lesotho Evangelical Church and the Anglican Church. Muslims, members of other non-Christian religions, and atheists make up the remaining 10%. The indigenous population, including many of its Christian members, follow African traditional religions. Some of the Catholic churches in the country incorporate traditional customs into worship, including traditional music, language, and dress. Christians are found throughout the country, while Muslims tend to be concentrated in the northeastern part of the country. Many of the Muslims are of Asian descent, while most of the Christians are indigenous Basotho. Certain Christian holidays are celebrated as national holidays.

## **11** TRANSPORTATION

In 2002 there were 4,995 km (3,104 mi) of roadway in Lesotho, 887 km (551 mi) of which were paved. A 2.6-km (1.6-mi) South African railway connects Maseru's industrial park to the Bloemfontein-Natal line, providing a valuable freight link to South Africa.

In 2004, there were an estimated 28 airports, of which only 3 had paved runways as of 2005. Lesotho Airways and South African Airways maintain scheduled passenger service between Johannesburg and Moshoeshoe International, the new international airport 19 km (12 mi) outside of Maseru. Lesotho Airways also has regular service to Swaziland, Zimbabwe, and Mozambique, and to 28 domestic airstrips. In 1997 (the latest year for which data was available), about 29,000 passengers were carried on scheduled domestic and international airline flights. Air taxis and chartered planes serve airstrips at Maseru and other centers.

## **12** HISTORY

What is now Lesotho was inhabited by hunter-gatherers, called the San Bushmen by the whites, until about 1600, when refugees from Bantu tribal wars began arriving. In 1818, Moshoeshoe, a minor chief of a northern tribe in what was to become Basutoland, brought together the survivors of the devastating Zulu and Matabele raids and founded the Basotho nation. During the early days of its existence, the Basotho also had to contend with incursions by Boers from the Orange Free State. Moshoeshoe sought UK protection, but not before much land had been lost to white settlers. His urgent appeals for assistance went unheeded until 1868, when Basutoland became a crown protectorate. Moshoeshoe died in 1870. The following year, Basutoland was annexed to the Cape

Colony, over the protests of both Basotho and Boer leaders. In 1880, the so-called Gun War broke out between the Basotho and the Boers over the attempt to disarm the Basotho in accordance with the provisions of the Cape Peace Preservation Act of 1878. A high point in Basotho history was the successful resistance waged against the Cape's forces.

In 1884, Basutoland was returned to UK administration under a policy of indirect rule. Local government was introduced in 1910 with the creation of the Basutoland Council, an advisory body composed of the British resident commissioner, the paramount chief, and 99 appointed Basotho members. In effect, for the next 50 years the chiefs were allowed to govern. Under a new constitution that became effective in 1960, an indirectly elected legislative body, the Basutoland National Council, was created.

A constitutional conference held in London in 1964 approved the recommendations for a pre-independence constitution that had been made by a constitutional commission. The new constitution went into effect on 30 April 1965, following the general election. The resident commissioner became the British government representative, retaining powers for defense, external affairs, internal security, and the public service.

In April 1966, a conflict arose in parliament between the government and the opposition over Prime Minister Leabua Jonathan's motion requesting that Britain set a date for independence. To forestall passage of the motion, Paramount Chief Moshoeshe II replaced 5 of his 11 senatorial appointees with 5 opponents of the government. The High Court subsequently invalidated that action, declaring that his right to appoint 11 senators did not entail the right of dismissal. The Senate and National Assembly eventually passed the independence motion, the latter by a vote of 32 to 28, but the dispute foreshadowed a constitutional crisis that was not conclusively resolved at independence. The final independence conference was held in June 1966. Charging that the United Kingdom was granting independence to a minority government, and demanding a more significant role for the paramount chief, delegates representing the opposition withdrew. Moshoeshe II himself declined to sign the final accord.

### Independence

The United Kingdom granted independence to the newly named Kingdom of Lesotho on 4 October 1966; Moshoeshe II was proclaimed king on that date. The first general election following the attainment of independence was held in January 1970. When it appeared that the ruling party, the Basotho National Party (BNP), would be defeated, Prime Minister Jonathan, its leader, declared a state of emergency and suspended the constitution. The Basotho Congress Party (BCP), led by Ntsu Mokhehle, claimed that it had won 33 seats to the BNP's 23. Leabua Jonathan admitted he had lost the election but nevertheless arrested the opposition leaders. The unrest, he said, was due to Communist influence, and since the majority of the people were behind him he would suspend the constitution and hold new elections later. King Moshoeshe II was placed under house arrest and in April 1970 the Netherlands gave him asylum. He was permitted to return in December.

Scattered attacks on police posts occurred in January 1974 in an alleged attempt by supporters of the BCP to overthrow the government of the ruling BNP. The abortive coup d'état resulted in the arrest, killing, imprisonment, or exile of many people. In



LOCATION: 28°35' to 30°40' S; 27° to 29°30' E.

March 1975, 15 BCP followers were found guilty of high treason. The struggle against the Jonathan government continued through the late 1970s and early 1980s, with the Lesotho Liberation Army (LLA), the military arm of the BCP in exile, claiming responsibility for periodic bombings in Maseru, ambushes of government officials, and attacks on police stations. The Lesotho government charged that South Africa was allowing the LLA to use its territory as a base of operations.

Relations with South Africa deteriorated after that nation granted independence in 1976 to the Bantu homeland of Transkei, on Lesotho's southeastern border. When Lesotho (like all other nations except South Africa) declined to recognize Transkei, the Transkeian authorities closed the border with Lesotho, which also angered South Africa by harboring members of the banned African National Congress (ANC), an exiled South African insurgent group. On 9 December 1982, South African troops raided private residences of alleged ANC members in Maseru; 42 persons were

killed, including at least 12 Basotho citizens. In the early 1980s, South Africa used economic pressures against Lesotho.

Parliamentary elections scheduled for August 1985 by the Jonathan government were called off because all five opposition parties refused to take part, charging that the voters' roll was fraudulent. Later that year, South Africa stepped up its destabilization activities, conducting a commando raid and aiding antigovernment elements. On 1 January 1986, South Africa imposed a near-total blockade of Lesotho that resulted in severe shortages of food and essential supplies. On 20 January, a military coup led by Maj. Gen. Justin Metsing Lekhanya overthrew the government. All executive and legislative powers were vested in the king, acting on the advice of a six-man military council. On 25 January, a number of ANC members and sympathizers were flown from Lesotho to Zambia, whereupon South Africa ended its blockade of the country. All political activity was banned on 27 March.

There was widespread skepticism about the military government and its links to Pretoria, and agitation to return to civilian rule. In 1990, Lekhanya had Moshoeshe II exiled (for a second time) after the king refused to agree to the dismissal of several senior officers. In November 1990, a new law was announced providing for a constitutional monarchy but barring Moshoeshe from the throne. Later that month, Moshoeshe's son (King Letsie III), was elected king by an assembly of chiefs.

In April 1991, rebel army officers staged a bloodless coup, forcing Lekhanya to resign. He was succeeded by Col. Elias Ramaema as leader of a military junta. In July 1992, the king was allowed to return to a hero's welcome.

Multiparty elections were scheduled for 28 November 1992, but they were postponed until 1993 because of delays in delimiting parliamentary constituencies. Finally, on 27 March 1993, in the first democratic elections in 23 years, the Basotho Congress Party, the major opposition party, won all 65 seats in the Assembly. The BCP formed a government under Prime Minister Dr. Ntsu Mokhehle. The BCP offered to nominate four BNP members but only one opposition politician accepted. Several cabinet members were appointed from opposition ranks.

On 25 January 1994, army troops mutinied in Maseru after the government refused their demands for a 100% pay increase. Prime Minister Mokhehle requested military assistance from South Africa, but that request was denied. After three weeks of sporadic fighting, the two factions within the military agreed to a Commonwealth-brokered deal for negotiations with the government.

In August 1994, Lesotho's first democratically elected government faced another challenge when King Letsie III suspended parliament and imposed a "Ruling Council." The king had been angered by the Mokhehle government's creation of a board of inquiry to investigate the dethroning of his father. Although Letsie had the support of the security forces, his royal coup was condemned internally and internationally, and the United States cut off aid. On 14 September the crisis was resolved when the king agreed to return the throne to his father. However, two years later King Moshoeshe was killed in a car crash, and his son reclaimed the throne—much to the consternation of pro-democracy groups and Lesotho's neighbors.

Although the government increased military salaries in line with other government workers in 1995, an uprising three years later by a disgruntled faction of the Lesotho Defense Forces ne-

cessitated Botswana and South Africa military intervention. Over 50 soldiers were taken into custody and charged with mutiny in September 1998 on the heels of rioting and looting that destroyed parts of the capital following the May elections in 1998. The violence cost Lesotho untold millions as it sent the economy into a tailspin.

The Lesotho Congress for Democracy (LCD) won the majority in parliament in the 23 May 1998 general elections, leaving the once-dominant Basotho National Party (BNP) and Basotholand Congress Party (BCP) far behind in total votes. Although international observers as well as a regional commission declared the elections to have reflected the will of the people, many members of the opposition have accused the LCD of electoral fraud. The 1998 elections were the third multiparty elections in Lesotho's history. Nevertheless, after political riots following the disputed 1998, an all party forum called the Interim Political Authority was formed to level ground for the next poll. It proposed the restructuring of the Independent Electoral Commission, which happened, and the change of the model from winner takes all to mixed member proportional representation. In the 25 May 2002 general elections, the ruling Lesotho Congress for Democracy was reelected by majority, winning all but one of the 80 constituency based seats. Under the proportional representation system 40 compensatory seats were shared among nine opposition parties. In terms of popular vote in the 2002 elections, LCD won 54%, BNP 21%, LPC 7%, and other parties 18%.

As of 2005, the Lesotho government remained a modified form of constitutional monarchy. The prime minister, Pakalitha Mosisili, was head of government and had executive authority. The king serves a largely ceremonial function; he no longer possesses any executive authority and is proscribed from actively participating in political initiatives.

Lesotho remained among the poorest countries in Africa with the majority of the population living below the poverty line on less than \$1 a day. In June 2005, Lesotho had an HIV/AIDS prevalence rate of 28% among the adult population, and unemployment stood at 51%. Poverty, lack of jobs, and food shortages in the sub-region were driving rural to urban migration, and increasing the likelihood that young women and women heads of household would engage in commercial and risky sex to provide for their families.

## 13 GOVERNMENT

According to the 1993 constitution, the Kingdom of Lesotho is a monarchy with a bicameral parliament consisting of a National Assembly of 120 members—80 elected by direct popular vote and 40 by proportional vote—for five-year terms, and a Senate consisting of 33 members—22 chiefs and 11 others appointed by the ruling party.

Until 1993 the king was official chief of state (*motlotlehi*), and was designated by the College of Chiefs, according to Basotho custom. The prime minister (head of government) was appointed by the king and was a member of the majority party in the National Assembly. The cabinet was also appointed by the king, in accordance with advice of the prime minister, from among members of both houses of parliament.

Under the 1993 constitution the monarch has become a figurehead, a "living symbol of national unity" with no executive or leg-



islative powers. He is selected by traditional law and the College of Chiefs, which holds the power to determine who is next in the line of succession, and who shall serve as regent in the event that the successor is a minor. The College also may depose the monarch.

The leader of the majority party in the Assembly automatically becomes prime minister. Since 1998, the prime minister has been Pakalitha Mosisili, the leader of the Lesotho Congress for Democracy (LCD).

## **14 POLITICAL PARTIES**

The Basotho National Party (BNP), formerly the Basutoland National Party, was founded in 1959 and was in the forefront of Lesotho's independence drive. The BNP long stood for maintaining diplomatic relations with South Africa and for a cautious approach to cooperation with other African states, in an attitude of "choose our friends but live with our neighbors." However, in the 1970s and early 1980s, the BNP played a more active role in opposing apartheid. By 1998, BNP had become the leading opposition party, as the Lesotho Congress for Democracy (LCD) took power.

The Basotho Congress Party (BCP), founded in 1952 and formerly known as the Basutoland African Congress, is an outspoken Pan-Africanist party. The first party to demand independence, it subsequently opposed the "premature" granting of independence to a minority government. The third major party is the Marematlou Freedom Party (MFP). This party was formed in 1965 by the merger of two parties that had supported the chieftaincy.

In the general election held on 29 April 1965, the BNP won 31 seats, the BCP 25 seats, and the MFP 4 seats in the National Assembly. Chief Jonathan was himself defeated in the election, and Sekhonyana Maseribane was appointed prime minister. Chief Jonathan won a by-election on 1 June and assumed the office of prime minister. The two opposition parties, which together had polled 56.2% of the vote to 41.6% for the BNP (with 2.2% of the vote going to others), in an election in which only 62% of those eligible had voted, joined forces to protest Britain's granting of independence to a minority government. They also called for a more even distribution of executive power between the prime minister and the chief of state, and appealed to the UN, the Commonwealth, and the OAU in an unsuccessful bid to have the independence agreement rescinded.

The BCP claimed it had won 33 seats in the 60-seat National Assembly in the January 1970 general elections; the BNP won 23 seats, and the ballots for 4 seats had not been counted. Confusion over the outcome of the 1970 election (in which the United Democratic Party and the Communist Party participated but won no seats) resulted in suspension of the constitution by Prime Minister Jonathan, and political activities of opposition parties were subsequently restricted. Prime Minister Jonathan appointed two members of opposition parties to his cabinet in November 1975. The BCP then split into two factions: members of one accepted government posts, while leaders of the other organized an armed insurgency in exile.

The March 1993 election was contested by more than a dozen parties, but the chief vote getters were the BCP, still headed by Dr. Mokhehle, and the BNP, led by Evaristus Sekhonyana. Among the others are the MFP, the United Democratic Party (UDP), and the Communist Party of Lesotho (CPL). The BCP held all elected

seats in the National Assembly, despite having won just over half the vote.

Since 1998, the dominant political party has been the ruling Lesotho Congress for Democracy (LCD) under the leadership of Dr. Pakalitha Mosisili. LCD won just over 60% of the votes in the May 1998 parliamentary elections. The major opposition parties included: the Basotho National Party (BNP); the Basotholand Congress Party (BCP) led by Molapo Qhobela (24% of the 1998 vote); the Lesotho Labor Party/United Democratic Party Alliance (LLP/UDP) led by Charles Mofeli and Mamolefi Ranthimo; the Marematlou Freedom Party (MFP); the National Progressive Party (NPP); and the Sefate Democratic Union (SDU).

In the 25 May 2002 parliamentary election, the LCD garnered 54% of the vote, the BNP 21%, the Lesotho People's Congress or LPC 7%, and other parties took 18%. With the number of seats expanded from 80 to 120, the breakdown by party was: LCD 76, BNP 21, LPC 5, and other parties 18. Although opposition parties objected to the results, independent observers described the elections as free, fair, peaceful, lawful, and transparent—a model for Southern Africa. Next elections were due in 2007.

## **15 LOCAL GOVERNMENT**

There are 10 districts, each headed by a centrally appointed district administrator. District councils, established in 1944, were abolished in 1966. Each district is subdivided into wards, most of them presided over by hereditary chiefs allied to the royal family. During the period of military rule, each district was headed by a district secretary and a district military officer appointed by the central government and the defense force, respectively.

## **16 JUDICIAL SYSTEM**

The legal system is based on English common law and Roman-Dutch law with judicial review of legislative acts in High Court and Court of Appeal. Lesotho has not accepted compulsory ICJ jurisdiction.

The judicial system consists of the High Court, the Court of Appeal, subordinate courts, and the Judicial Service Commission (JSC). The members of the High Court are the chief justice, who is appointed by the chief of state, acting on the advice of the prime minister, and an unspecified number of puisne judges appointed by the chief of state, acting on the advice of the JSC. The Court of Appeal, which meets semiannually, is headed by a president, appointed by the chief of state, acting on the advice of the prime minister, and includes an unspecified number of justices of appeal, appointed by the chief of state, acting on the advice of the JSC. Parliament has the power of establishing subordinate courts and courts-martial. The High Court has unlimited original jurisdiction over civil and criminal matters, as well as appellate jurisdiction from subordinate courts.

Subordinate courts, comprising resident magistrate's courts, judicial commissioner's courts, and central and local courts, administer statute laws, while chiefs administer customary and tribal laws. There is no trial by jury. Military courts have jurisdiction only over military cases and their decisions are final.

## **17 ARMED FORCES**

As of 2005, Lesotho's armed forces totaled an estimated 2,000 active personnel, all of which were members of the Army. The ser-

vice also had a 110-member air wing. Equipment included 22 reconnaissance vehicles and 12 artillery pieces. The air wing operated 1 patrol aircraft, 3 transport aircraft, and 4 utility helicopters. The defense budget in 2005 was \$32.3 million.

## 18 INTERNATIONAL COOPERATION

Lesotho became a member of the United Nations on 17 October 1966 and participates in ECA and several nonregional specialized agencies, such as the FAO, IFC, ULP, IMF, the World Bank, UNESCO, UNHCR, and the WHO. Lesotho is also a member of the Commonwealth of Nations, the ACP Group, the African Development Bank, the African Union, and G-77. The country's close relationship with Southern Africa is a major factor in its economic survival. Lesotho belongs to the Southern African Customs Union (SACU) and the Southern African Development Community (SADC). Lesotho is also part of the Common Monetary Area (CMA) that includes Namibia, Swaziland, and South Africa.

The country is part of the Nonaligned Movement. In environmental cooperation, Lesotho is part of the Basel Convention, the Convention on Biological Diversity, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Lesotho is an agricultural country, with modest industrial, tourism, and labor-remittance incomes. Its economic policy is closely tied to that of South Africa and the South African Rand is accepted as legal tender. Remittances from miners employed in South Africa plunged by half between 1990 and 1996. As 35% of male wage earners are employed in South Africa, 54% of households in Lesotho are headed by women. There is an illicit but thriving trade in marijuana grown in Lesotho for sale in South Africa. Land is controlled by the Chiefs of the Kingdom and cannot be privately owned. Textile/garment and agro-industrial enterprises dominate the industrial sector and tend to be state-owned, although privatization has increased. Manufacturing and construction businesses, however, are mostly privately owned.

Future economic growth is tied to the massive Lesotho Highlands Water Project (LHWP) completed in 1998. The project captures, stores, and transfers the headwaters of the Orange River system to industry clustered around Johannesburg, South Africa. Ancillary dams provide electricity.

Civil unrest in 1998 destroyed 80% of the commercial infrastructure in Maseru and two other towns. GDP was down by 3.6% in 1998, but was up to 3.2% in 2001, 3.8% in 2002, 3.3% in 2003, 3.0% in 2004, and down to 0.8% in 2005. Lesotho has a large trade deficit, and is a recipient of aid from the World Bank and Western countries. In 2001, the IMF approved a \$32-million Poverty Reduction and Growth Facility program for Lesotho.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Lesotho's gross domestic product (GDP) was estimated at \$6.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$3,300. The annual

growth rate of GDP was estimated at 2%. The average inflation rate in 2005 was 4.7%. It was estimated that agriculture accounted for 15.4% of GDP, industry 44.2%, and services 40.4%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$184 million or about \$103 per capita and accounted for approximately 17.1% of GDP. Foreign aid receipts amounted to \$79 million or about \$44 per capita and accounted for approximately 5.7% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Lesotho totaled \$1.09 billion or about \$606 per capita based on a GDP of \$1.1 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of -0.8%. It was estimated that in 1999 about 49% of the population had incomes below the poverty line.

## 21 LABOR

The economically active population was estimated at 700,000 in 2002. Approximately 86% of the resident population engages in subsistence farming, and as many as 35% of male wage-earners work in South Africa. In 2002, the unemployment rate was put at 45%.

With the exception of civil servants, workers have the right to unionize, but only about 10% of the workforce are union members. While strikes are technically legal, no legally sanctioned strikes have occurred since independence in 1966. The rights to bargain collectively and organize, while technically legal, are often restricted by the government. There are three small trade union federations: the Lesotho Trade Union Congress, the Lesotho Federation of Democratic Unions, and the Congress of Lesotho Trade Unions; these three organizations seldom cooperate with each other.

While there are restrictions on working hours and practices for children under 14, in practice enforcement of these restrictions is ineffectual. The minimum wage is set by the government and varies from sector to sector. The minimum wage for unskilled labor was \$73 per month in 2002. The law requires a maximum 45-hour workweek with 12 days of paid leave and paid holidays. Minimum occupational safety standards exist but are not effectively enforced.

## 22 AGRICULTURE

In 2003, 17% of GDP came from agriculture. Crop production in Lesotho is a high-risk, low-yield activity due to poor soil quality and a harsh climate. All land is held in trust for the Basotho nation by the king and may not be alienated. The local chiefs allocate farmland to individuals, and user rights are generally available to married males; nevertheless, one out of seven households is landless. A 1979 act increases security of tenure by recording rights of inheritance and allowing mortgaging and subletting of land. The average landholding per family head is 1.9 hectares (4.7 acres).

Only 11% of Lesotho's land area is arable, but less than 1% has high potential. Most cultivated land is in the western lowlands. The principal food crop is corn. Main agricultural production in 2004 included (in tons) corn, 150,000; sorghum, 46,000; wheat, 51,000; dry beans, 8,000; and vegetables and melons, 18,000. The

country suffered from recurrent drought conditions in the 1980s and early 1990s. Lesotho is a large importer of grains and other foodstuffs.

Lesotho has one of the most advanced soil conservation programs in Africa. Terracing, grass stripping, and the construction of dams and irrigation canals are widely employed to cope with the severe erosion problems.

### 23 ANIMAL HUSBANDRY

The raising of livestock is the principal economic undertaking in Lesotho. Grazing rights on all noncultivated land are communal, and no limits are placed on the number of livestock permitted to graze an area. Lesotho's main exports are wool and mohair; in general, however, the quality of the livestock is poor and yields are low. In 2005 there were an estimated 850,000 sheep, 650,000 goats, 540,000 head of cattle, 154,000 asses, 100,000 horses, 65,000 hogs, and 1,800,000 chickens.

A number of livestock improvement centers have been established, and Merino rams and Angora bucks have been imported from South Africa for breeding purposes. Cattle, sheep, and goats are exported on the hoof. Hides and skins, usually from animals that have died of starvation or disease or have been slaughtered for human consumption, are also exported.

### 24 FISHING

Fishing has not yet been popularized, although the Malutsenyane River is one of the best natural trout-fishing grounds in Africa. There is virtually no commercial fishing. In 2003, the total catch was 32 tons, including 16 tons of carp.

### 25 FORESTRY

Lesotho is almost devoid of natural woodland. Trees have been planted in conjunction with soil conservation programs. Roundwood production in 2004 was estimated at 2.046 million cu m, all nonconiferous logs for fuel.

### 26 MINING

Lesotho has long been known as a source of diamonds, mostly from alluvial deposits, and was seeing a revival of its diamond mining industry. Geological surveys have revealed a limited variety of other exploitable mineral resources. In 2004, diamond production was estimated at 4,000 carats, up from 2,099 carats in 2003. Artisanal miners also produced small amounts of fire clay, gravel, dimension stone, and crushed rock for domestic consumption. Commercial interest in the mineral resources of Lesotho was limited to diamonds. The Lesotho Geological Survey has identified 33 kimberlite pipes and 140 dikes, of which 24 were diamondiferous.

The economy of landlocked Lesotho was based on subsistence agriculture, livestock, and remittances from migrant Basotho miners employed in South African gold mines. However, the number of migrant miners has fallen from an average of 110,000 in 1994, to 61,400 in 2003, and to 58,000 in 2004. The revival of the diamond industry in Lesotho showed hope for some new opportunities for Basotho mineworkers and for replacing related lost government revenues. Exploration for iron, coal, and uranium continued.

## 27 ENERGY AND POWER

Lesotho, as of 1 January 2005, had no proven reserves of oil, natural gas, or coal, and totally lacked any petroleum refining capacity. It was therefore, completely reliant upon imports to meet its refined oil, natural gas, and coal needs.

In 2004, imports and demand for petroleum products averaged 2,000 barrels per day, each. In 2003, Lesotho had no recorded imports of natural gas or coal.

Lesotho's electric power is entirely hydroelectric, and is produced by the Muela hydroelectric facility, which came online in 1999. Muela is part of a jointly financed project with South Africa called the Lesotho Highlands Water Project. The project called for two 34-km (21-mi) tunnels to transport water from Lesotho's rivers to South Africa, with the first delivery in 1996 and maximum operation by 2020. Plans involved the construction of seven dams, as well as a hydroelectric plant that could meet almost all of Lesotho's power needs. In 1999, the first phase of this plant, the 80 MW Muela facility, came online. As of 1 January 2003, Lesotho's installed generating capacity totaled 0.076 GW. Output in 2003 totaled 0.35 billion kWh, with consumption for that year at 0.36 billion kWh.

## 28 INDUSTRY

Lesotho has a wide variety of light industries, which include, among others, tire retreading, tapestry weaving, diamond processing, and production of textiles, shoes, electric lighting, candles, ceramics, explosives, furniture, and fertilizers. Manufacturing depends largely on agricultural inputs to support milling, canning, leather, and jute industries. In the 1980s, the Lesotho National Development Corporation promoted industrial development in the production of fruits and vegetables, tires, beer and soft drinks, parachutes, steel, and wire. In 1991, Lesotho inaugurated a television assembly plant. As the number of mineworkers has declined steadily over the past several years, a small manufacturing base has developed based on farm products and a rapidly growing apparel-assembly sector. The garment industry has grown significantly, mainly due to Lesotho qualifying for the trade benefits contained in the Africa Growth and Opportunity Act. The economy is still primarily based on subsistence agriculture, especially livestock, although drought has decreased agricultural activity.

In the early 2000s, there was growth in the manufacturing sector of the economy. Industry held a strong average annual growth of 10% between 1988 and 1998, and accounted for 38% of GDP in 2001. The major industrial contributor in 2000 was the Highlands Water Project. Lesotho has no known oil or natural gas reserves. Oil exploration took place in the 1970s, but those efforts were unsuccessful and exploration ceased.

## 29 SCIENCE AND TECHNOLOGY

The Ministry of Agriculture, Cooperatives, and Marketing maintains a research station at Maseru, along with several experimental stations in the field. Lesotho's Geological Survey Department is headquartered in Maseru. The National University of Lesotho, founded in 1966 at Roma, has faculties of science and agricul-

ture. Lesotho Agricultural College, founded in 1955, is located in Maseru.

In 1987–97, science and engineering students accounted for 19% of college and university enrollments. In 2002, Lesotho had 42 researchers and 26 technicians per million people that were actively engaged in research and development (R&D).

### 3<sup>0</sup> DOMESTIC TRADE

Except for the northern regions, where Indians monopolized trading activities, domestic trade was handled by Europeans before independence. The Taiwanese also played a role. Nevertheless, more and more Basotho are currently taking out trading licenses. Traders play a central role in wool and mohair marketing, often acting as wool classers as well. The expertise of the traders varies widely. Some have regular suppliers and customers and maintain high quality, while others are prone to careless handling practices, lowering the market value of wool.

As of 2005, nearly 85% of the workforce was employed in some level of subsistence agriculture. About 35% of male wage earners had jobs in South Africa.

Normal business hours in urban areas are from 8 AM to 1 PM and from 2 to 4:30 PM, Monday through Friday, and from 8 AM to 1 PM on Saturday. Banks are open from 8:30 AM to 1 PM Monday through Friday, and 9:30 to 11 AM on Saturday.

### 3<sup>1</sup> FOREIGN TRADE

Lesotho's chief exports are clothing, shoes, and road vehicles. Manufacturing accounted for 65% of exports in 1996. Other exports include wool and mohair, and food and live animals (7% each). The main imports are food, building materials, vehicles, machinery, medicines, and petroleum products.

Exports grew an average of 18.1% from 1993 through 1996, but declined slightly in 1998. Between 2001 and 2005 exports grew dramatically from \$278.6 million to \$749.9 million, an increase of 169% within a four-year period. Merchandise imports grew by 16.2% in 1992, but then declined by 6.9% in 1993 and fell 7.4% in 1994. Imports picked up again between 1995 and 1997, but declined in 1998. Between 2001 and 2005 imports increased from \$678.6 million to \$1.4 billion, an increase of 103%. In 1996, 66% of exports went to the Southern African Customs Union, 26% to

North America, and 4% to the EU. Increasingly, the United States has become a favorite destination for Lesotho's exports. In 2003 Lesotho sent 80.1% of its exports to the United States, while 19.2% went to the countries of the Southern African Customs Union and 0.1% to the European Union (EU). During the same year the Southern African Customs Union provided 86% of Lesotho's imports, Asia, 13.2%, and the EU, 0.1%.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Lesotho's chronic balance-of-payments deficit was partially offset by the flow of cash and material goods from Basotho workers in South Africa, but the end of this system in 1999 caused a higher total debt than usual. Revenues from the highlands water project may offset losses.

The European Intelligence Unit reported that in 2005 the purchasing power parity of Lesotho's exports was \$749.9 million while imports totaled \$1380 million resulting in a trade deficit of \$630.1 million.

### 3<sup>3</sup> BANKING AND SECURITIES

Lesotho is a member of the Common Monetary Area. The 1974 agreement, which was revised in 1986, provided access to the South African capital market for the Lesotho banking system. Lesotho is responsible for its own monetary policy and controls its own financial institutions, but management of the rand currency and the gold and foreign exchange reserves of the rand area remains the sole responsibility of South Africa. In 1980, the Lesotho Monetary Authority (now the Central Bank of Lesotho) began issuing loti as the national currency, but the South African rand remained legal tender and the loti was pegged at par with the rand.

Demand for credit in the private sector was strong during the 1990s in response to growth in the manufacturing, services, and construction sectors. In contrast, claims on central government were reduced as a result of the IMF-supported Structural Adjust-

Country	Exports	Imports	Balance
World	358.0	799.6	-441.6
United States	159.2	13.8	145.4
South Africa	151.6	616.8	-465.2
Canada	24.8	0.3	24.5
Other Asia nes	13.7	44.6	-30.9
Belgium	2.8	1.0	1.8
France-Monaco	2.8	0.5	2.3
Italy-San Marino-Holy See	2.8	1.7	1.1
Ireland	0.1	...	0.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

<b>Current Account</b>		<b>-118.8</b>
Balance on goods		-381.2
Imports	-736.0	
Exports	354.8	
Balance on services		-20.1
Balance on income		161.4
Current transfers		121.3
<b>Capital Account</b>		<b>23.4</b>
<b>Financial Account</b>		<b>85.7</b>
Direct investment abroad		...
Direct investment in Lesotho		80.8
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		0.7
Other investment liabilities		4.0
<b>Net Errors and Omissions</b>		<b>-115.7</b>
<b>Reserves and Related Items</b>		<b>125.3</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ment Program; in fact, the government was a net saver with the domestic banking system in 1992. In the 1990s, interest rates remained positive in real terms and generally slightly higher than in South Africa due to higher margins.

The commercial bank sector is dominated by the government-owned Lesotho Bank and the South African-owned Stambic Bank which acquired Barclays Bank's interest in Lesotho. Lesotho Bank was privatized in 1999. The Lesotho Building Finance Corporation merged with Lesotho Bank in April 1993 to facilitate an increase in the scale of domestic mortgage lending. The Lesotho Agricultural Development Bank (LADB) had served to mobilize rural savings and provide agricultural credit, but it was liquidated in 2000.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$150.1 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$231.5 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 13%.

No securities exchange was in operation in Lesotho as of 2003.

### 34 INSURANCE

In 1995, there were at least three insurance companies operating in Lesotho. During the 1998 destruction of commercial life, most firms were not covered by insurance, lengthening the rebuilding process.

### 35 PUBLIC FINANCE

Proceeds from membership in a common customs union with South Africa form the majority of government revenue. Lesotho receives aid from myriad sources, including the United States, World Bank, United Kingdom, EU, and Germany.

The US Central Intelligence Agency (CIA) estimated that in 2005 Lesotho's central government took in revenues of approx-

imately \$738.5 million and had expenditures of \$792.1 million. Revenues minus expenditures totaled approximately -\$53.6 million. Total external debt was \$735 million.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were M3,617 million and expenditures were M3,564 million. The value of revenues in US dollars was us\$478 million, based on a principal exchange rate for 2003 of us\$1 = m7.56475 as reported by the IMF.

### 36 TAXATION

In 1960, a review of the tax structure was undertaken with a view toward ending the dual tax system, which made a distinction between Basotho and non-Basotho. It was decided that a basic tax, previously paid only by Basotho, would be paid by all male residents. A graded tax and a scaled income tax, both payable by all persons irrespective of race or sex, were subsequently imposed. The maximum tax rate for individuals is 35%, and corporations are taxed at a flat rate of 35%. Manufacturing companies are subject to a reduced 15% rate. A 25% withholding tax is paid on dividends, interest and royalties. However, manufacturing companies pay a 15% withholding rate on dividends and royalties. Lesotho has a value-added tax (VAT) system with a standard rate of 14%. However, the VAT for liquor is 15%, while electricity and telecommunications are subject to a 5% VAT.

### 37 CUSTOMS AND DUTIES

Customs and duties constitute the predominant source of ordinary revenue. Lesotho, together with Swaziland, Botswana, and Namibia, is a member of a customs union with South Africa; consequently, no tariffs exist on most goods moving among them. South Africa levies and collects the bulk of the customs, sales, and excise duties for the five countries, paying a share determined by an established formula of total customs collections to the other four. Imports from outside the customs union, regardless of ultimate destination, are subject to the same tariff rates.

### 38 FOREIGN INVESTMENT

The government actively encourages foreign investment, particularly investment in manufacturing plants and agricultural projects. The Lesotho National Development Corp. promotes industrial estates, with such attractions as a 15-year discretionary tax holiday or accelerated depreciation allowances, plus LNDC capital participation of up to 25%.

Annual foreign direct investment (FDI) inflow into Lesotho was \$269 million in 1997, but declined steadily for the rest of the decade, amounting to \$119 million in 2000. For the period 1997 to 2000, net FDI equaled over one-fifth (21.8%) of its GDP, the highest such ratio in the world. Most FDI is concentrated in textiles, garments, and light manufacture.

### 39 ECONOMIC DEVELOPMENT

The Lesotho government's development objectives are based on a food-security policy approach, built around small-scale irrigated agriculture projects and improved rural water supplies. Donors supported the fourth five-year plan (1988–91) with pledges of \$390 million. Lesotho receives development assistance from the United States, United Kingdom, Germany, South Africa, Canada,

#### Public Finance – Lesotho (2003)

(In millions of maloti, central government figures)

<b>Revenue and Grants</b>	<b>3,617</b>	<b>100.0%</b>
Tax revenue	2,887	79.8%
Social contributions	...	...
Grants	178	4.9%
Other revenue	552	15.3%
<b>Expenditures</b>	<b>3,564</b>	<b>100.0%</b>
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Taiwan, the European Union, the World Bank, and various United Nations agencies.

In 2001, Lesotho negotiated a three-year \$35 million Poverty Reduction and Growth Facility (PRGF) Arrangement with the International Monetary Fund (IMF). Unemployment, poverty, and the HIV/AIDS pandemic are challenges facing further economic development. The sale of the state telecommunications company in 2001 stood as evidence of Lesotho's continuing privatization program. The government in 2003 was committed to public sector reform and market-friendly policies, as illustrated by its support for the Lesotho Public Sector Improvement and Reform Project.

A review of Lesotho's economic performance in 2005 by the IMF welcomed the marked improvement seen across a range of macroeconomic indicators in recent years, noting in particular the lower fiscal deficits and improved balance-of-payments position. It also welcomed the government's commitment to increasing institutional capacity in order to better implement and monitor public spending programs, which will now be formulated in the context of a poverty reduction strategy. However, the IMF indicated that there was room for improvements in the economic policies in order for Lesotho to enhance labor skills, clear bottlenecks in infrastructure and public-sector delivery, and remove legal and administrative impediments to investment.

#### 40 SOCIAL DEVELOPMENT

In the past, many social welfare programs were organized on the local level or by missions. But the need for concerted action to alleviate hardships brought about by the severe droughts led to the creation in 1965 of a Social Welfare Department under the Ministry of Health (later the Ministry of Health and Social Welfare). Community development teams stimulate local initiative by conducting courses and forming voluntary community development committees. The Homemakers' Association, an organization long active in social welfare, has given family-management courses in remote areas under a grant from the Oxford Committee for Famine Relief (Oxfam).

The roles of women are limited by law and by tradition. Married women are considered legal minors under customary law. They are unable to sign any contract and have no legal standing in a court of law. Domestic violence is also a widespread problem although it is considered unacceptable behavior. The government has pledged to improve the rights of women. Limited resources limit the ability of government to implement child welfare programs.

Some human rights violations were reported, including excessive use of force by police, long pretrial delays, and poor prison conditions. Crime is a serious problem in Lesotho.

#### 41 HEALTH

Lesotho's major health problems, such as pellagra and kwashiorkor, stem from poor nutrition and inadequate hygiene. It was estimated that 44% of children under five years of age were considered malnourished. Famines have resulted from periodic droughts. Approximately 91% of the population had access to safe drinking water and 92% had adequate sanitation.

Tuberculosis and venereal diseases are also serious problems. Children up to one year old were vaccinated at the following rates:

tuberculosis, 55%; diphtheria, pertussis, and tetanus, 58%; polio, 66%; and measles, 82%. Rates for DPT and measles were, respectively, 85% and 77%. About 43% of children suffered from goiter.

The government of Lesotho is working to rehabilitate two hospitals and is making an overall effort to strengthen health care services. In 2004, there were 5 physicians, 1 pharmacist, and 60 nurses per 100,000 people. Approximately 80% of the population had access to health care services.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 30.7 and 16.8 per 1,000 people. The infant mortality rate per 1,000 live births was 88.75 in 2005. The total fertility rate has steadily declined to 4.4 children per woman. Of married women aged 15–49, contraceptives were used by 23%. Estimated life expectancy in 2006 was 34.47 years, the third shortest in the world.

The AIDS crisis in Lesotho is severe. The HIV/AIDS prevalence was 28.90 per 100 adults in 2003, the third highest in the world. As of 2004, there were approximately 320,000 people living with HIV/AIDS in the country. There were an estimated 29,000 deaths from AIDS in 2003.

#### 42 HOUSING

The Lesotho Housing and Land Development Corp. builds new housing for sale and rent, and a government-supported development program is building low-cost housing. The government has also begun to encourage private investment and ownership of housing through privatization of banking and legal reforms, the latter of which include the Law Reform Commission and the Land Policy Review Commission, which have been working on legislation to allow women equal rights in access to credit and land ownership.

#### 43 EDUCATION

A by-product of the long history of missionary activity in Lesotho was the relatively comprehensive development of education. Education is compulsory between the ages of 6 and 13. Primary school covers 7 years of study, followed by 3 years of junior secondary school, and 2 years of high school. Students may choose to attend craft schools after primary school instead of junior high. Those who complete junior high may opt for a two-year trade school instead of senior high. The languages of instruction are Sesotho and English. From the fifth year of primary school onwards, all instruction is conducted in English. The academic year runs from August to May.

In 2001, about 21% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 86% of age-eligible students. The same year, secondary school enrollment was about 22% of age-eligible students; 18% for boys and 27% for girls. It is estimated that about 67% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 47:1 in 2003.

The University of Lesotho, Botswana, and Swaziland (formerly known as Pius XII College), founded in 1964 at Roma, was unilaterally dissolved in October 1975 by Prime Minister Leabua Jonathan, who then renamed it the National University of Lesotho.

Lesotho Agricultural College, at Maseru, was founded in 1955. In 2003, about 3% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 81.4%, with 73.7% for men and 90.3% for women.

As of 2003, public expenditure on education was estimated at 8.9% of GDP, or 18.5% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The Government Archive in Maseru has records dating from 1869. The Lesotho National Library, also in the capital, holds 88,000 volumes. The Thomas Mofolo Library at the National University of Lesotho is the largest library in the country with more than 170,000 books. The British Council maintains a library in Maseru, with 6,270 volumes and there is a library of 10,000 volumes at the Lesotho Agricultural College. The National Teachers Training College in Maseru also has a notable library. The Lesotho National Library Service, founded in 1976, sponsors three public library branches: Leribe, Mafeteng, and Mokhotlong. The Lesotho Library Association was founded in 1978. The Lesotho National Museum, at Maseru, has collections on archaeology, ethnography, and geology. The Morija Museum has collections in the same fields.

#### 45 MEDIA

The government operates postal and telephone services; the exchange at Maseru has been automatic since 1963. An earth-satellite station was opened in 1986. In 2003, there were an estimated 13 mainline telephones for every 1,000 people; about 21,000 people were on a waiting list for telephone service installation. The same year, there were approximately 42 mobile phones in use for every 1,000 people.

Government-owned Radio Lesotho broadcasts in English and Sesotho; it is the only station with a national range. There were seven privately owned radio stations in the country in 2005. The government-owned Lesotho Television is the only television station in the country. In 2003, there were an estimated 61 radios and 35 television sets for every 1,000 people. The same year, 10 of every 1,000 people had access to the Internet.

*Mphatlalatsane* is a daily Sesotho newspaper published in Maseru, with a 2002 circulation of 4,000. The *Moeletsi oa Basotho* is a weekly published by the Roman Catholic Church with a circulation of 20,000. The Lesotho Evangelical Church also publishes a newspaper, *Leselinyana le Lesotho (The Light of Lesotho)*, which comes out every other week with a circulation of 15,000. Other newspapers, with their 2002 circulations, include *Lentsoe la Basotho* (14,000) and *Lesotho Today* (7,000), both weeklies published by the Department of Information; *Mohlanka* (6,000); *Moafrika* (3,500); *Makatolle* (2,000); and the English weekly, *The Mirror* (4,000).

The Constitution provides freedom of speech and the press, and the government is said to respect these rights in practice.

#### 46 ORGANIZATIONS

Cooperative unions that are partly government-financed and government-sponsored, consumer cooperatives, artisan cooperatives, and the Progressive Farmers play an important part in economic and social development. There are also more than 100 active agricultural marketing and credit societies.

National youth organizations include the Association of Youth Cultural Clubs, Lesotho Scouts Association, Lesotho Work Camps Association, YMCA/YWCA, Lesotho Youth Federation, and the Student Representative Council of Lesotho. There are several sports organizations and clubs throughout the country, including branches of the Special Olympics. The Lesotho National Council of Women offers programs and activities to support and promote the development of women.

Volunteer service organizations, such as the Lions Clubs International, are present. The Red Cross, Caritas, the Society of St. Vincent de Paul, and Habitat for Humanity are active in the country.

#### 47 TOURISM, TRAVEL, AND RECREATION

The Lesotho National Tourist Board promotes tourism, which is increasing but still underdeveloped.

Permanent tourist camps are established in remote scenic areas for pony-trekking parties. The first such camp, consisting of bath and kitchen-equipped grass huts, was built at Marakabeis, near the end of the Mountain Road. Although lacking in game, Lesotho has spectacular natural attractions in its mountains and in Malut-senyane Falls, as well as excellent trout-fishing grounds. The rock paintings near Teyateyaneng are also a potentially important tourist site. The country's first national park, Sehlabathebe Mountain National Park, was established in 1970 in the Qacha's Nek District. There is a gambling casino in Maseru, along with mountain resorts and lodges.

Visas are not required for stays of up to 30 days, but a valid passport, proof of sufficient funds, and onward/return ticket are necessary. Vaccination against yellow fever is highly recommended and sometimes required. In 2003, there were 360,955 foreign visitors who arrived in Lesotho. Of the visitors, 230,946 came from South Africa.

In 2005, the US Department of State estimated the daily expenses for travel in Maseru at \$181; in other areas, \$84.

#### 48 FAMOUS BASOTHO

Moshoeshoe (or Moshesh, 1786–1870), a chief of the Bakoena tribe in what was then northern Basutoland, is acclaimed as the founder of the Basotho nation. Moshoeshoe II (1938–96) served as king of Lesotho from October 1966 until January 1996, when he was killed in an automobile accident. Crown Prince Letsie David Mohato (b.1963), who had served as king during his father's 1989–94 exile, returned to the throne in February 1996 as King Letsie III. Chief Leabua Jonathan (1914–87), prime minister of

Lesotho from its inception until 1986, was a leader in the drive for independence.

#### 49 DEPENDENCIES

Lesotho has no territories or colonies.

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# LIBERIA

Republic of Liberia



**CAPITAL:** Monrovia

**FLAG:** The national flag, dating from 1847, consists of 11 horizontal stripes, alternately red (6) and white (5), with a single five-pointed white star on a square blue field 5 stripes deep in the upper left corner.

**ANTHEM:** *All Hail, Liberia, Hail.*

**MONETARY UNIT:** The Liberian dollar (L\$) of 100 cents was linked to the US dollar until January 1998, when it switched to a floating market determined rate. There are no Liberian notes. US notes in the denominations of 5, 10, 20, 50, and 100 dollars are in circulation and are legal tender. Both US and Liberian coins of 1, 5, 10, 25, and 50 cents, and 1 dollar are in circulation; as of 1982, a \$5 Liberian coin was issued. L1 = \$0.01821 (or \$1 = L54.906) as of 2004.

**WEIGHTS AND MEASURES:** US and UK weights and measures are used.

**HOLIDAYS:** New Year's Day, 1 January; Armed Forces Day, 11 February; Decoration Day, 2nd Wednesday in March; Birthday of J. J. Roberts (first president), 15 March; Fast and Prayer Day, 2nd Friday in April; National Redemption Day, 12 April; Unification Day, 14 May; Independence Day, 26 July; Flag Day, 24 August; Thanksgiving Day, 1st Thursday in November; Anniversary of 1985 Coup Attempt, 12 November; President Tubman's Birthday, 29 November; Christmas, 25 December. Good Friday and Easter Monday are movable religious holidays.

**TIME:** GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Located on the west coast of Africa, Liberia has an area of about 111,370 sq km (43,000 sq mi), with a length of 548 km (341 mi) ESE–WNW and a width of 274 km (170 mi) NNE–SSW. Comparatively, the area occupied by Liberia is slightly larger than the state of Tennessee. On the N it is bounded by Guinea, on the E by Côte d'Ivoire, on the S and SW by the Atlantic Ocean, and on the NW by Sierra Leone, with a total land boundary length of 1,585 km (985 mi) and a coastline of 579 km (360 mi).

Liberia's capital city, Monrovia, is located on the Atlantic coast.

## <sup>2</sup> TOPOGRAPHY

There are three distinct belts lying parallel to the coast. The low coastal belt is about 40 km (25 mi) wide, with tidal creeks, shallow lagoons, and mangrove marshes. The land then rises to rolling hills, with elevations of 60–150 m (200–500 ft). The third belt, comprising the bulk of Liberia, is marked by abrupt changes of elevation in a series of low mountains and plateaus, less densely forested than the hilly region. The Nimba Mountains are near the Guinea frontier. The Wologizi Mountains reach a maximum of about 1,380 m (4,528 ft) with Mt. Wutuvi, the nation's highest point. Of the six principal rivers, all of which are at right angles to the coast and flow into the Atlantic Ocean, only the Farmington is of much commercial importance. Sandbars obstruct the mouths of all rivers, making entrance hazardous, and upstream there are rocky rapids.

## <sup>3</sup> CLIMATE

The climate is tropical and humid, with little change in temperature throughout the year. The mean is 27°C (81°F), with temperatures rarely exceeding 36°C (97°F) or falling below 20°C (68°F). On the coast the heat is tempered by an almost constant breeze. Yearly rainfall is as high as 510 cm (200 in) on the coast, decreasing to about 200 cm (80 in) in areas farthest inland. There are distinct wet and dry seasons, most of the rainfall occurring between late April and mid-November. Average relative humidity in the coastal area is about 82% during the rainy season and 78% in the dry, but it may drop to 50% or lower between December and March, when the dust-laden harmattan blows from the Sahara.

## <sup>4</sup> FLORA AND FAUNA

Liberia, together with adjoining Sierra Leone and Côte d'Ivoire, includes the greatest of Africa's evergreen forests. There are about 235 species of trees; 90 varieties are present in potentially marketable quantities, including mahogany and ironwood. The bombex (cotton tree), the oil palm, and the kola tree are common. The wild rubber tree (*Funtumia elastica*) is indigenous, but the cultivated *Hevea brasiliensis* is the source of Liberia's commercial rubber. A variety of coffee peculiar to Liberia, *Coffea liberica*, was formerly common but has given way to the preferred *Coffea robusta*. Fruit trees include citrus varieties, the alligator apple, papaya, mango,

and avocado. Pineapples grow wild. Among the cultivated plants are cassava, cotton, cacao, indigo, and upland rice.

Elephant and buffalo, once common in Liberia, have largely disappeared, but several species of antelope are found in the interior; two of these, the white-shouldered duiker and the zebra antelope, are peculiar to Liberia. A lemur called Bosman's potto and several species of monkey, including the long-haired and the Diana, are found in the forests. Wild pigs and porcupines exist in sparsely settled areas, and several members of the leopard group are also found. Most of the 15 species of snakes are venomous. Termites build lofty nests throughout the country. In some areas the tsetse fly is found, and driver ants and mosquitoes are common. Several varieties of snail act as hosts in the propagation of certain enteric diseases. Among the birds are the hornbill, wild guinea fowl, cattle egret (cowbird), flamingo, woodpecker, and weaver. As of 2002, there were at least 193 species of mammals, 146 species of birds, and over 2,200 species of plants throughout the country.

## 5 ENVIRONMENT

The nation lacks regulatory agencies to supervise the preservation of the environment. As the 1980s began, Liberia was one of the last West African countries with significant primary forest reserves, but recent estimates suggest that deforestation continues at a rate of about 2% per year. Commercial logging, firewood cutting, and a government land-clearing program all threaten primary forestland. Forests currently account for less than 40% of Liberia's land. By the mid-1980s, the country had lost over 70% of its mangrove swamps. Hunting and loss of habitat have decimated wildlife along the coastal plain, and there are no longer any large herds of big game in the interior.

The water supply is usually limited to open sources such as streams, swamps, and shallow, uncovered wells; the result, especially during the rainy season, is that insects and parasites thrive, creating a major health hazard. Safe drinking water is available to 72% of Liberia's urban dwellers and 52% of its rural population. The Mano and St. John rivers are becoming increasingly polluted from the dumping of iron ore tailings, and the coastal waters from oil residue and the dumping of untreated sewage and waste water.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 20 types of mammals, 11 species of birds, 2 types of reptiles, 4 species of amphibians, 29 species of fish, 16 types of mollusks, 11 species of other invertebrates, and 103 species of plants. The Jentink's duiker, the white-breasted guinea fowl, Pel's flying squirrel, the green turtle, and the Liberian mongoose are threatened species in Liberia.

## 6 POPULATION

The population of Liberia in 2005 was estimated by the United Nations (UN) at 3,283,000, which placed it at number 129 in population among the 193 nations of the world. In 2005, approximately 2% of the population was over 65 years of age, with another 46% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.9%, a rate the government viewed as too high. Political instability in the country has undermined the effectiveness of government re-

productive health programs. The projected population for the year 2025 was 5,800,000. The population density was 29 per sq km (76 per sq mi).

The population consists of indigenous Africans and descendants of American black settlers (also known as Liberico-Americans or Amerafricans), in the ratio of at least 30 to 1.

The UN estimated that 45% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.97%. The capital city, Monrovia, had a population of 572,000 in that year. More than one-third of the population lives within an 80-km (50-mi) radius of Monrovia. After Monrovia, Buchanan, Harper, and Greenville are the largest port cities; Gbarnga, Kakaata, Sanniquellie, Zorzor, and Ghanpa are major interior towns.

The prevalence of HIV/AIDS has had a significant impact on the population of Liberia. The UN estimated that 6.5% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

The Liberian civil war caused a great amount of migration in the early 1990s. In May 1997, there were still 210,000 refugees in Côte d'Ivoire, 420,000 in Guinea, 17,000 in Ghana, 14,000 in Sierra Leone, and 6,000 in Nigeria. Since the beginning of 1997, the situation in Liberia has improved as the warring factions have been disarmed. Repatriation is only possible after the rainy season ends in October and the roads become passable again; however, between 1997 and 1999, as many as 120,000 refugees were repatriated back to Liberia. Insurgencies that struck Lofa County in April and August 1999 caused major setbacks for the programs of the United Nations High Commissioner for Refugees (UNHCR), as Lofa has been the single-largest county of return for Liberian refugees, mainly from Guinea.

As of 1999, Liberia was host to 90,000 refugees from Sierra Leone. In that year all Liberian refugees who had fled were presumed to have returned to their homeland. In March 2003, armed conflict between the government and two rebel groups spread to nine of Liberia's fifteen counties. A ceasefire agreement was broken soon after signing. The end of the 14-year civil war that killed a quarter of a million people, uprooted almost a third of the population, and left the country's infrastructure in ruins did not occur until 2005. A 15,000-strong UN peacekeeping force restored security to the country and disarmed and demobilized over 100,000 former fighters, allowing presidential elections to be held in November 2005.

According to UNHCR, by the end of 2004 there was an internally displaced population of 498,566 in Liberia. In addition, there were 56,872 returned refugees. In 2004 Liberia had 15,172 refugees from other countries (mainly from Côte d'Ivoire) and 5 asylum seekers. In that same year, Liberia ranked eighth-highest for the origin of refugees, with 335,500 by year end in Guinea, Sierra Leone, Côte d'Ivoire, Ghana, and the United States. In that same year over 5,000 Liberians sought asylum in Ghana, Guinea, Italy, Germany and France.

Net migration rates have vacillated widely. In 2005, the net migration rate was an estimated zero migrants per 1,000 population, compared to 36.5 migrants per 1,000 population in 2000. These

were significant changes from 1990, when the net migration rate stood at -27.0 per 1,000 population.

## 8 ETHNIC GROUPS

Indigenous African tribes constitute 95% of the population. Besides the descendants of the early settlers, Liberia is peopled by about 28 ethnic groups, each with its own language. They are believed to have migrated from the north and east between the 12th and 16th centuries AD, bringing with them elements of Egyptian and Arabian culture, such as the spinning and weaving of cotton and the smelting of iron. Linguistically, the tribes may be divided into three main groups: the Mande people in the north and far west, the Kru tribes (including the Krahn) in the east and southeast, and the Mel in the northwest. The largest groups are the Kpellé, Bassa, Gio, Kru, Grebo, Mano, Krahn, Gola, Gbandi, Loma, Kissi, Vai, and Bella. About 2.5% of the population is Americo-Liberian, descendants of immigrants from the United States who had been slaves. There are also two tribes not strictly Liberian: the Mandingo, who are itinerant Muslim traders, and the Fanti fishermen, who come from Ghana and stay a few years at a time in Liberia.

Because of intermarriage and an aggressive national unification program, tribal divisions are rapidly becoming less distinct, especially around the capital. Nevertheless, there is a strong tendency among the indigenous people to preserve their tribal identities.

Of the non-African resident population, the biggest component consists of Lebanese and Syrians.

## 9 LANGUAGES

English is the official language, but only a minority of the people (about 20%) can speak or write it. The tribal people use their own languages, of which there are about 20. Of these, Vai, Bassa, and Loma can be written and are being used in correspondence by these tribes. The international phonetic alphabet, introduced by missionaries, has facilitated the use of many of the other tribal languages for correspondence and publication of local newsletters.

## 10 RELIGIONS

The early settlers, freed American slaves, brought with them the culture and religion of the US deep South of the slavery era. Their descendants are generally adherents of Protestant denominations. It is estimated that about 40% of the population practice Christianity exclusively or in combination with traditional indigenous religions. Christian denominations include Lutheran, Baptist, Episcopalian, Presbyterian, Roman Catholic, United Methodist, African Methodist Episcopal (AME), AME Zionist, and several Pentecostal churches. About 20% of the population practice Islam. Mandingo traders, who live mainly in the northern and eastern counties, have made many Muslim converts and Egyptian and Pakistani Muslim missionaries have been active since 1956. About 40% of the population practice traditional indigenous religions exclusively. Veneration of ancestors forms the core of most Liberian traditional religion. There is also a small Baha'i community.

Though the law prohibits religious discrimination, there have been reports of violence and discrimination against Muslims and Islamic leaders complain of both social and political discrimination. Certain Christian holidays are celebrated as national holidays. The Inter-Religious Council of Liberia is a well-known na-



LOCATION: 4°20' to 8°33' N; 7°22' to 11°30' W. BOUNDARY LENGTHS: Guinea, 563 kilometers (350 miles); Côte d'Ivoire, 716 kilometers (445 miles); Atlantic coastline, 538 kilometers (334 miles); Sierra Leone, 306 kilometers (190 miles). TERRITORIAL SEA LIMIT: 200 miles.

tional group that seeks mutual understanding between faiths and also promotes peace between the Liberians United for Reconciliation and Democracy (LURD) and the Movement for Democracy in Liberia (MODEL).

## 11 TRANSPORTATION

In 2002 there were an estimated 10,600 km (6,586 mi) of public roads, of which only about 657 km (408 mi) were paved. Private roads built by rubber and lumber companies were mostly laterite-surfaced roads. Important paved roads connect Monrovia to the interior as far as the Guinea, Sierra Leone, and Côte d'Ivoire borders. There is major deterioration reported on all highways due to lack of maintenance since the civil war began. In 2003, there were 12,000 registered passenger autos, and 35,950 commercial vehi-

cles. Except for short-line buses, virtually all of Liberia's common carriers are taxicabs.

Railroad lines in Liberia, as of 2004, consisted of 490 km (304 mi) of standard and narrow gauge railways, of which the bulk (345 km/215 mi) were standard gauge lines. Of Liberia's three railways, all were owned by foreign steel and financial interests in conjunction with the Liberian Government, and used for the transportation of iron ore from mines to the ports of Buchanan and Monrovia. One of these, the Lamco Railroad, closed in 1989 after iron ore production ceased. The other two were shut down by the civil war. Large sections of the rail lines have been dismantled, and an estimated 60 km (37 mi) was exported for scrap.

The Free Port of Monrovia, opened in 1948, underwent substantial improvements during the late 1960s, so that ships with a draft up to 14 m (45 ft) can now be handled. A port used primarily for iron ore export was opened at Buchanan in 1963. These two deepwater ports handle over 98% of all cargo. Smaller ports, located at Greenville and Harper, handle mainly log exports. Many foreign-owned ships are registered in Liberia because of low fees and lenient labor laws. Liberia's registered merchant fleet in 2005 totaled 1,465 vessels (1,000 GRT or over) with 50,555,752 GRT.

Robertsfield, 58 km (36 mi) from Monrovia, is the site of the sole international airport. In 2004, there were an estimated 53 airports, of which only 2 had paved runways as of 2005. Medium-sized jets and small aircraft, including those of Air Liberia, provide service from Spriggs Payne Airport on the outskirts of Monrovia to destinations within Liberia.

## 12 HISTORY

It is believed that many of the peoples of Liberia migrated there from the north and east between the 12th and 16th centuries AD. Portuguese explorers first visited the coast in 1461, and Europeans traded with coastal tribes during the next three centuries. Modern Liberia was founded in 1822 by freed slaves from the United States. They were sent to Africa under the auspices of the American Colonization Society, a private organization whose purpose was "to promote and execute a plan for colonizing in Africa, with their own consent, the free people of color residing in the United States." The first settlement was on Providence Island near where the present capital city, Monrovia, is located. Although the Society, with the help of the United States government under President James Monroe (after whom Monrovia is named), had arranged with local chiefs for a settlement, the colonists were attacked by indigenous peoples, disease, and barely maintained their foothold.

The first governors of the settlement were agents appointed by the Colonization Society, but in 1847 Americo-Liberians established the Republic of Liberia under a constitution modeled after that of the United States. The state seal shows a ship at anchor in a tropical harbor, and bears the inscription, "The Love of Liberty Brought Us Here." Thus began over a 130 years of Americo-Liberian domination over the 16 indigenous ethnic groups within Liberia's borders.

Emigration to Liberia continued until the close of the US Civil War, during which about 14,000 settlers went to Liberia under the auspices of the Society, and some 5,700 captives, liberated from slave ships on the high seas by the US Navy, were sent by the US government.

Although the United States refused to extend diplomatic recognition to independent Liberia until the civil war, several European governments did, including Britain and France. However, as the scramble for Africa reached its feverish pitch, Liberia's "century of survival" began. Neighboring British and French colonial powers, on one pretext or another, and by force of arms, encroached upon the infant republic. During the last quarter of the 19th century, Liberia lost considerable resource-rich territory to adjoining British and French colonies. Pressure on Liberia's borders continued well into the 20th century.

Added to these dangers was Liberia's precarious economic position. In the 1870s, Liberia contracted for a \$500,000 loan from European sources. Because of increasing world competition from Brazilian coffee, European sugar beets, and steamers, Liberia was unable to generate sufficient export revenue, and defaulted on this loan. Recession forced Liberia into a series of ever larger loans. Liberians were further compelled to allow collection of customs revenues by Europeans and Americans. Eventually, Liberia was able to secure a \$5-million loan from a US firm, the Firestone Tire and Rubber Co., which set up rubber plantations in the country in 1926. The depression of the 1930s brought Liberia to the verge of bankruptcy, and government revenues fell in 1933 to a low of \$321,000.

In the early 1930s, Liberia's political sovereignty was also severely threatened. Accusations had begun to circulate internationally that Liberian laborers, with the complicity of high government officials, were being recruited for shipment to the Spanish island of Fernando Póo (now Bioko, in Equatorial Guinea) under conditions that resembled slave trading. A commission of inquiry, set up by the League of Nations at the request of Liberia's President Charles D. B. King, found some basis for the charges and implicated the vice president, who was forced to resign. President King also resigned.

Exportation of rubber from the new Firestone plantations began in 1934. The establishment of a US air base in Liberia during World War II and the building of an artificial harbor at Monrovia further stimulated the country's development. William V. S. Tubman, elected president in 1944 and reelected for five additional terms, sought to unify the country by attempting to bridge the wide economic, political, and social gaps between the descendants of the original American ex-slaves and the tribal peoples of the interior. President Tubman, affectionately called "Uncle Shad," died at the age of 74, after 27 years in office. He was known as the "Maker of Modern Liberia" for his open door policy of unrestricted foreign investment and his Unification Policy.

Upon his death in 1971, Vice-President William R. Tolbert, Jr. assumed the reigns of power. Tolbert was nominated by the True Whigs, Liberia's only legal political party, and, having been elected without opposition in October 1975, was inaugurated for an eight-year term in January 1976. Unfortunately, Tolbert's term coincided with a deep economic depression, which sparked Liberia's colonial revolution. The Progressive Alliance of Liberia (PAL) organized a protest against proposed increases in the price of rice. The meeting turned violent resulting in looting. Tolbert was forced to subsidize rice to restore order, a sign that the True Whig government was coming to an end.

### Doe Takes Power

On 12 April 1980 army enlisted men staged a coup. Tolbert and at least 26 supporters were killed in the fighting. Thirteen officials were publicly executed 10 days later. The People's Redemption Council (PRC) led by Sgt. Samuel K. Doe, a Krahn tribesman, became head of state. Doe suspended the constitution, but a return to civilian rule was promised for 1985. Despite two coups attempts in 1981, the government declared an amnesty for all political prisoners and exiles. Forty political prisoners were released in September of that year, and another 20 were released in December. A draft constitution providing for a multiparty republic was issued in 1983 and approved by referendum in 1984.

In the elections of 15 October 1985, nine political parties sought to challenge Doe's National Democratic Party of Liberia (NDPL), but only three were allowed to take part. Doe was elected with 51% of the vote, and the NDPL won 21 of the 26 Senate seats and 51 of the 64 seats in the House of Representatives. Foreign observers declared the elections fraudulent, and most of the elected opposition candidates refused to take their seats.

In November 1985, military leader Thomas Quiwonkpa and an estimated 500 to 600 people died in an unsuccessful coup attempt—the seventh since Doe took power. Krahn troops retaliated, killing thousands of Gio, considered supporters of the coup leaders. In late December 1989, a small group of insurgents calling themselves the National Patriotic Front of Liberia (NPFL) led by Charles Taylor invaded Liberia. The rebel invasion soon pitted ethnic Krahn sympathetic to the regime against those victimized by it, Gio and Mano. Thousands of civilians were massacred on both sides. Hundreds of thousands fled their homes.

By June 1990, Taylor's forces laid siege to Monrovia. A third force led by Prince Yormie Johnson, split from the NPFL. Johnson quickly controlled parts of Monrovia prompting evacuation of foreign nationals and diplomats by the US Navy in August. To restore order, the Economic Community of West Africa (ECOWAS) created the Economic Community Monitoring Group (ECOMOG) comprising some 4,000 troops from Nigeria, Ghana, Sierra Leone, The Gambia, and Guinea.

ECOWAS invited the principal Liberian players to meet in Banjul, Gambia to form a government of national unity. Exiled members of Liberia's leading political parties and associations elected Dr. Amos Sawyer, leader of the LPP to head an interim government of national unity (IGNU). Bishop Ronald Diggs of the Liberian Council of Churches became vice president. However, Taylor's NPFL refused to attend the conference, and the AFL, which formerly supported Doe, and the INPFL allied themselves against Taylor. Within days clashes erupted.

On 9 September 1990, Johnson's forces captured Doe at the port. His torture and execution were videotaped by his captors. ECOMOG was reinforced in order to protect the interim government headed by Dr. Sawyer. Sawyer was able to establish his authority over most of Monrovia, but the rest of Liberia was in the hands of various factions of the NPFL or of local gangs.

Repeated attempts to get Taylor and Johnson to cooperate with Sawyer proved fruitless. The war spilled into Sierra Leone, further complicating peacemaking and peacekeeping efforts. In April 1996, violence escalated in Monrovia. Roving gangs of heavily armed, leaderless teenagers recklessly sprayed the city with ma-

chine-gun fire and grenade launchers. More than 3,000 people were killed in the next two months and nearly every building in the capital suffered damage. Looters targeted international relief organizations for their radios, medicines, and cars.

On 8 May 1996, after more than 150,000 deaths and 13 peace accords, Liberia's four principal militias approved a peace plan that required an immediate halt to fighting, the removal of weapons and ammunition from the capital city of Monrovia, and the return of about \$20 million worth of vehicles and equipment stolen from international relief organizations. Additional troops from Ghana, Mali, Côte d'Ivoire, Niger, Burkina Faso, and Benin were brought in to enforce the peace accords, bringing the total number of foreign peacekeeping troops to 13,000. Meanwhile, it was apparent that disagreements over establishing an electoral commission and other difficulties in preparations would delay the proposed elections.

On 19 July 1997 some 500 international observers, including former US president Jimmy Carter, monitored the elections. They reported peaceful, mostly free and fair elections, although runners-up Johnson-Sirleaf and Kromah complained of irregularities. The official results gave Taylor the victory with 75.3% of the vote, while Johnson-Sirleaf obtained 9.6%. Taylor's National Patriotic Party (NPP) took 49 House seats and 21 seats in the Senate (out of 64 and 26 total seats respectively). On 2 August Taylor was inaugurated. He appointed a cabinet with some members of the transitional administration, and he established a nine-member national security council to maintain civil order.

Although insecurity prevailed in parts of Liberia, especially Lofa County, the last ECOMOG troops began leaving the country in October 1999. In July 1999, Taylor presided over the burning of a huge stockpile of weapons. By May 2000, much of Liberia was still in ruins, but international donors had made some progress in restoring agricultural production, reintegrating ex-combatants, and helping refugees and internally displaced persons resettle in their home areas.

Renewed fighting in 2000 led to a declaration of a state of emergency on 8 February 2002. Taylor lifted the emergency in September 2002, but by February-March 2003, the Liberians United for Reconciliation and Democracy (LURD) had made gains deep into territory previously held by government troops. Under ECOWAS supervision, the two sides met in Bamako in March 2003, the first such official encounter, and peace talks continued in Accra, Ghana. On 17 June, the two sides signed a cease-fire with commitments to a transition government without Taylor, but three days later Taylor declared that he would serve out his term to January 2004 with the possibility of seeking reelection.

On 11 August 2003, Taylor succumbed to international pressure, handed power over to his vice president, Moses Blah, and sought asylum in Nigeria where he has remained in exile. A week later, under the auspices of ECOWAS and the international donor 'Contact Group' (ICGL), the government, the LURD, and a new rebel group, the Movement for Democracy in Liberia (Model), signed a peace accord in Accra providing for an interim government, the National Transition Government of Liberia (NTGL) led by businessman, Gyudeh Bryant.

A National Transitional Legislative Assembly (NTLA), composed of warring factions, political parties, representatives of the

counties, special interests, and civil society, replaced the House of Representatives and the Senate. A 15,000-strong peacekeeping force—the UN Mission in Liberia—(UNMIL) was established with a one-year mandate to enforce the peace. The mandate was later extended until March 2006. UNMIL began to demobilize and disarm combatants, but because donors underestimated the number of soldiers, funds were insufficient to implement rehabilitation and reintegration. Repatriation through the United Nations High Commissioner for Refugees (UNHCR) of the estimated 350,000 Liberian refugees has been slow, but some 100,000 refugees were thought to have returned on their own.

The political transition formally ended following the 11 October 2005 election between front-runners George Weah, an internationally renowned soccer (football) player, and Ellen Johnson-Sirleaf, a Harvard-educated international civil servant and national politician. Despite protests of fraud by Weah's youthful supporters of the Congress for Democratic Change (CDC), Johnson-Sirleaf was declared the winner on the 8 November second-round ballot with 59.6% of the vote to Weah's 40.4%. The new government was formed on 6 January 2006, making Johnson-Sirleaf Africa's first woman head of state.

Pressure for Taylor's extradition to face trial for alleged war crimes was mounting into 2006. His extradition was demanded by the UN Special Court of Sierra Leone, which charged him with 17 counts of war crimes. In addition, over 300 African and international human rights and activist groups and the UN High Commissioner for Human Rights demanded his extradition. However, unless sufficient evidence supporting the allegations was available, Nigeria stated that it would not hand Taylor over. In February 2006, it was announced that Johnson-Sirleaf had inaugurated a Truth and Reconciliation Commission to investigate human rights abuses committed 1979–2003, marking the end of civil war.

### 13 GOVERNMENT

The Liberian republic is modeled after the United States. Its constitution approved on 3 July 1984 and effective 6 January 1986, provides for a president and vice president elected jointly by universal suffrage (at age 18) for a six-year term with a limit of two consecutive terms. Candidacy is again allowed after the lapse of at least one term. The president is both the chief of state and head of government. He or she nominates judges from a list submitted by a commission, serves as commander-in-chief of the armed forces, and has the right to veto legislation. Vetoes can be overridden by a two-thirds vote of both legislative houses. The legislature is divided into a Senate, its 26 members elected by counties for nine years, and a House of Representatives, its 64 members elected by equally apportioned constituencies for six years.

The constitution proscribes the one-party state and guarantees fundamental rights, such as free speech, press, and assembly. The president has the right to suspend certain rights by declaring a state of emergency in cases of war or serious civil unrest. A state of emergency, which must be confirmed by a two-thirds vote of both legislative houses, does not empower the president to suspend or abrogate the constitution, dissolve the legislature, suspend or dismiss the judiciary, or suspend the right of habeas corpus. The constitution guarantees fundamental freedoms to all persons irrespective of ethnic background. But because of the country's unique history, the constitution stipulates that “only persons who

are Negro or of Negro descent shall qualify by birth or by naturalization to be citizens of Liberia,” and only citizens may own land.

### 14 POLITICAL PARTIES

The president and all members of the legislature were formerly members of the True Whig Party, which was organized in 1860 and held power continuously from 1878 to 1980. The Progressive People's Party (PPP), formed in 1979, claimed to represent the interests of Liberia's indigenous peoples, in contrast to the Americo-Liberian stance of the True Whigs.

In March 1980, several PPP members were arrested, a move that may have triggered the April coup. Although all political activity was banned, many True Whig members retained their government posts.

The National Democratic Party of Liberia (NDPL), established by former president Samuel K. Doe, was victorious in the 1985 elections. The newly formed Unity Party, Liberian Action Party, and Liberian Unification Party were allowed to take part in these elections. The United People's Party (UPP), probably the largest opposition grouping, was founded by Gabriel Baccus Matthews, formerly head of the PPP. The UPP was not allowed to field candidates in 1985 but was legalized in 1986. The National Patriotic Party (NPP) was led by Charles Taylor.

In May 2000, the opposition led by Dr. Togba-Nah Tipoteh, formed a loose coalition of eleven entities called the Collaborating Political Parties (CPP), which aimed to present a common candidate in 2003. In mid-2001, several key opposition leaders including Ellen Johnson-Sirleaf met in Abuja, Nigeria to discuss political strategies. The opposition made a number of demands, which it advanced as pre-conditions before going to elections. Among these were the restructuring the armed forces as stipulated by the Abuja Accords, holding elections for chiefs and mayors, conducting a census, dissolving NPP party cells in the civil service, stopping ‘illegal’ funding of the NPP, guaranteeing opposition parties equal air time and reconstituting the elections commission (ECOM). Opposition political activity upcountry has been virtually nonexistent because of extreme insecurity.

In June 2003, Charles Taylor's NPP, held 49 of 64 House seats, and 21 of 26 Senate seats. The Unity Party held 7 House seats and 3 Senate seats. The All Liberia Coalition Party held 3 House seats and 2 Senate seats. Three other parties held the 5 remaining House seats among themselves.

In the first round of the 2005 elections, George Weah emerged with around 28% of the vote, Ellen Johnson-Sirleaf with 20%, and Charles Brumskine was third with 12%. Neither the Mandingo-backed LURD, nor the Krahn-dominated and Côte d'Ivoire-backed Model were able to transform themselves into political parties. In the Senate, the Coalition for the Transformation of Liberia (COTOL) won 7 seats followed by the NPP 4, the CDC, 3; the Liberian Party (LP) of Charles Brumskine, 3; the Unity Party (UP) of Charles Clarke, 3; and the Alliance for Peace and Democracy (APD) of Togba-na Tipoteh, 3. In the House of Representatives, the CDC secured 15 seats followed by the LP, 9; UP, 8; COTOL, 8; APD, 5; and NPP, 4. The next presidential and Senate elections were scheduled for 2014 and House of Representatives elections for 2011.

## 15 LOCAL GOVERNMENT

Liberia is divided into 13 counties, 2 territories, and the federal district of Monrovia. The counties are Grand Cape Mount, Sinoe, Grand Bassa, Maryland, River Cess, Bomi, Grand Kru, Margibi, Lofa, Borg, Grand Gedah, Nimba, and Montserrado. The territories are Marshall and Gibi.

The central government is supposed to appoint the county and territory superintendents. Counties are subdivided into districts headed by commissioners. There are also paramount, clan, and town chiefs. Cities elect their own mayors and councils.

## 16 JUDICIAL SYSTEM

The legal system is closely modeled on that of the United States. The 6 January 1986 constitution provides for the establishment of a Supreme Court consisting of a chief justice and four associate justices, to be appointed by the president from a panel recommended by a Judicial Service Commission. The consent of the Senate is required for these appointments and for the confirmation of lower court judges, to which a similar procedure applies. In theory, cases originate in magistrates' courts and may be taken for appeal to one of 10 circuit courts or to the highest court. Serious cases originate in the circuit courts. Traditional courts are presided over by tribal chiefs. A labor court was created in 1986.

For many years, the judicial system has suffered from corruption and domination by the executive. By mid-1990 the system had collapsed and justice administration was co-opted by the military commanders of various factions. In 1991, the Interim Government of National Unity (IGNV), revived the court system in the Monrovia area, and the National Patriotic Front of Liberia (NPFL) reopened courts in the areas under its control. After 1997, donors trained paralegals and human rights monitors to protect citizens up-country, and the US Department of Justice rebuilt magistrate courts, compiled 30 years of Supreme Court decisions, and published the Liberian Code so that judges and lawyers could have recourse to those decisions. Rebuilding the courts was expected to become a major thrust of the Johnson-Sirleaf government.

## 17 ARMED FORCES

As of 2005, active armed forces numbered between 11,000 and 14,000 personnel, including militias supportive of the government. Plans for a reorganized military include an army, navy, and an air force. In 2005, the defense budget totaled \$1 million.

## 18 INTERNATIONAL COOPERATION

Liberia is a charter member of the United Nations, having joined on 2 November 1945; it takes part in ECA and several nonregional specialized agencies, such as UNESCO, FAO, ILO, the World Bank, UNIDO, IMF, and the WHO. Liberia belongs to the ACP Group, the African Development Bank, ECOWAS, G-77, the Community of Sahel and Saharan States (CENSAD), the New Partnership for Africa's Development (NEPAD), and the African Union. The government is participating in efforts to establish a West African Monetary Zone (WAMZ) that would include The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone.

Liberia has participated in various African conferences and has advocated a cooperative association of African states to further such matters of mutual concern as public health, education, and

trade. A customs bloc, the Mano River Union, was established in 1973 with Sierra Leone and Guinea. Leaders of the three countries signed a nonaggression and antisubversion pact in 1986. Technical assistance activities of the UN in Liberia have emphasized agricultural development, teaching, vocational training, and control of yaws and malaria. The United Nations Mission in Liberia (UNMIL) was established in 2003 to serve as a peacekeeping operation in support of the transitional government. At least 48 nations have offered support for UNMIL. Liberia is part of the Non-aligned Movement.

In environmental cooperation, Liberia is part of the Convention on Biological Diversity, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

The Liberian economy has come to a virtual standstill since civil war broke out in 1989. The country has an agricultural economy with the majority of the population earning its living in this sector. The principal crops are rice, cocoa, coffee, palm oil, sugar cane, and cassava. Financial mismanagement and the effects of civil war have divided the country into two economic zones, one centered in and around the major urban centers, the other comprising the bulk of the country's rural hinterland. Although the country is rich in natural resources—particularly minerals (gold, diamonds, and iron ore) and forests—little investment has entered the country since hostilities began. The 1996 Abuja peace accords initially provided some hope of an economic recovery in the coming decade, but fighting broke out again in 1999 and was ongoing in 2003. In August 2003, a comprehensive peace agreement ended 14 years of civil war and led to the resignation of former president, Charles Taylor, who was exiled to Nigeria. After two years of rule by a transitional government, democratic elections in late 2005 brought President Ellen Johnson-Sirleaf to power. However, the security situation is still volatile and the process of rebuilding the social and economic structure of this war-torn country remains sluggish.

Even prior to the civil war, Liberia faced serious financial problems. Deficits created in the 1970s were deepened by a wave of military spending resulting from the 1980 coup. To try to compensate, cuts in civil service salaries and currency manipulation were used as policy tools. A US-led effort to bring better fiscal management to the Liberian economy failed, and in 1988 the World Bank closed its offices in Monrovia. In March of 1990, the IMF threatened to expel Liberia for nonpayment of its debt.

The civil war has left most of Liberia's infrastructure in shambles. Businessmen and capital have left the country and continuing turmoil has prevented normal economic life. The remaining economic assets were plundered or destroyed by factional forces. In addition, President Charles Taylor's support for rebels fighting in Sierra Leone negatively impacted the climate for foreign investment. Although there are no official statistics, it is estimated that 85% of the population was unemployed in 2003 and that GDP grew at a negative rate of 31.3% during this year. However, with the end of political turmoil, GDP grew at a rate of 8% in 2005.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Liberia's gross domestic product (GDP) was estimated at \$2.6 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$700. The annual growth rate of GDP was estimated at 8%. The average inflation rate in 2003 was 15%. It was estimated that agriculture accounted for 76.9% of GDP, industry 5.4%, and services 17.7%.

Foreign aid receipts amounted to \$107 million or about \$32 per capita and accounted for approximately 28.3% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Liberia totaled \$420 million or about \$124 per capita based on a GDP of \$442.0 million, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings.

It was estimated that in 2002 about 80% of the population had incomes below the poverty line.

## 21 LABOR

Since the tribal people of the interior form the bulk of the population and engage primarily in subsistence agriculture, there were few skilled laborers in Liberia until recent years. Although there is still a dearth of highly skilled mechanics and technicians, an increasing number of Liberians are becoming able plant and machine operators. Approximately 70% of workers were engaged in agriculture, with 22% in services, and 8% in industry as of 2000. As of 2003 there has been only a gradual economic recovery since the civil war, with an estimated 85% of the labor force unemployed.

Before the onslaught of civil war, the labor force totaled about 1,349,000 persons. In 1988, total civilian employment stood at 701,000 and unemployment at 43%. The principal private employer then was Firestone, with 9,000 employees in 1987. The policy of foreign-owned companies has been to employ Liberian labor in the first instance and to encourage the training of skilled workers, especially in mechanical pursuits. There are still shortages of middle- and higher-level technicians and managerial personnel. From time to time, labor shortages are reported in large agricultural enterprises. The government has enacted a minimum wage law, but the larger employers have generally paid wages in excess of the legal minimum.

The Labor Congress of Liberia (LCL), formed in 1951, was the first significant trade union. Following the first major strike in 1955, the LCL leadership was arrested and the union dissolved. In 1958, it was revived under the leadership of the Ministry for Social Affairs and functioned mainly as a government organ. As a protest against government interference in the LCL, the Congress of Industrial Organizations of Liberia (CIOL) was organized in 1960. The Liberian Federation of Labor Unions was formed in 1980 by a merger of the LCL and CIOL. In 2002, there were a total of 30 functioning unions with a total of 60,000 members, most of whom were unemployed. Despite their organized strength, unions have little actual power.

There are minimum working ages, statutory minimum wages, and occupational safety and health standards but none of these are effectively enforced. Child labor laws are similarly not enforced, especially in rural areas. Most people engage in any work available despite wages or conditions.

## 22 AGRICULTURE

Before the civil war, agriculture was the main source of livelihood for the great majority of Liberians. Except on plantations operated by foreign concessionaires and wealthy Liberians, farming techniques are primitive. The "bush rotation" system of shifting cultivation is followed, in which the farmer clears up to two hectares (five acres) of wild forest or low bush each year, lightly cultivates it with crude hand tools, and plants rice or cassava as the rainy season begins. In 2003, agriculture engaged about 70% of the labor force on 6.3% of the total land area. Estimated production of field crops in 2004 included cassava, 490,000 tons; sugarcane, 255,000 tons; and rice, 110,000 tons. The government maintains a retail price ceiling on rice. Rice and wheat productions are insufficient to meet local needs.

The rain forest soils, while well drained, are strongly leached, making Liberia better adapted to tree-crop agriculture than to annual field-crop production. The major rubber, rice, coffee, cocoa, vegetable, and fruit producing areas lie outside of Monrovia. Rubber is the leading cash crop, with production in 2004 estimated at 115,000 tons. Before the war, six foreign-owned concessions produced over two-thirds of the rubber crop, with Firestone's Harbel plantation as the biggest in the world. Firestone ended its long association with Liberian rubber production with the sale of its interests to the Japanese-owned Bridgestone in 1988.

The principal export crops produced by small farmers are coffee, oil palm nuts, sugarcane, and fruits. Estimated production in 2004 was coffee, 3,200 tons; palm oil, 42,000 tons; and palm kernels, 11,000 tons. Banana production came to 110,000 tons; plantains, 42,000 tons. In 2004, Liberia had an agricultural trade deficit of \$21.7 million.

## 23 ANIMAL HUSBANDRY

The limited number of goats and sheep does not supply an adequate amount of protein for the Liberian diet, but poultry farming and marketing of eggs are on the increase; there were an estimated 5.3 million chickens in 2005. Experiments in crossing West African and Brahman cattle have not yet produced breeds resistant to the tsetse fly, but the potential remains for developing good beef animals. In 2005, Liberia had an estimated 220,000 goats, 210,000 sheep, 130,000 pigs, and 36,000 cattle.

## 24 FISHING

The fishing industry is dominated by the oceangoing trawlers of the Mesurado Fishing Co. The company also maintains a domestic distribution system that supplies a substantial amount of fish to the interior areas of the country. The total Liberian catch in 2003 was estimated at 11,314 tons.

## 25 FORESTRY

An estimated 31% of Liberia is covered by forest, its use largely confined to production of lumber for local needs. National forests constitute about 18% of the land area. In 2000, Liberia had



119,000 hectares (294,000 acres) of forest plantations. There were five major reforestation areas with a total of 4,260 hectares (10,500 acres). About 235 timber species grow in Liberia, of which 90 are potentially marketable, but natural stands of a single species are not common. This fact, plus difficulty of access and lack of practicable means of transportation, has tended to discourage commercial logging operations, despite the known existence of such valuable woods as African mahoganies and red ironwood. A number of foreign companies, mainly from the United States, have been granted concessions. The timber cut in 2004 yielded 5.912 million cu m (208.7 million cu ft) of roundwood, of which 94% was burned as fuel. Forest product exports in 2004 were valued at \$97.7 million.

## 26 MINING

In 2004, mineral production in Liberia was limited to diamonds, hydraulic cement, and gold. Since December 1989, when mining revenues accounted for 22% of gross domestic product (GDP), the mining sector has been severely damaged by 14 years of civil war and political instability. Estimated production of gold in 2004 was 20 kg, unchanged from 2003. Diamond production in 2004 was estimated at 10,000 carats, down from an estimated 40,000 carats in 2003, and from an estimated 80,000 carats in 2002. All of the country's diamond production comes from artisanal alluvial mining. In 2004, the country also produced hydraulic cement, of which production in 2004 was an estimated 40,000 metric tons, up from an estimated 25,000 metric tons in 2003. Liberia's undeveloped resources included barite, chromium, kyanite, manganese, nickel, palladium, platinum, titaniferous sands, and uranium. Liberia's New Mining Law of 2000 gives the Ministry of Lands, Mines, and Energy the responsibility of issuing four types of mining license—exploration, Class A (for up to 25 years; are limited to 1,000 sq km; and are open to foreign investors), Class B (for 5 years; are renewable; allow mechanized production; and are open to foreign ownership), and Class C (covers artisanal mining; are good for one year intervals with expiration on December 31; and is open only to Liberians). Eastern Liberia was made up of rocks of Birimian age with significant potential for gold. Western Liberia was made up of rocks of Archean age that contained diamond, gold, iron ore, nickel, manganese, palladium, platinum, and uranium.

## 27 ENERGY AND POWER

Liberia, as of 1 January 2003, had no known reserves of crude oil or natural gas, and as of June 2003, no known recoverable reserves of coal. As a result, Liberia's demand for petroleum products, natural gas, and coal are met by imports. In 2002, Liberia's imports and demand for petroleum products each averaged 3,200 barrels per day. There were no recorded imports of coal in 2002 or imports of natural gas in 2003. However, Liberia has a small refining capacity, that as of 1 January 2003 was put at 15,000 barrels per day.

As of 2002, all of Liberia's electric generating capacity used fossil fuels. For that year, installed capacity was put at 0.330 million kW, with production at 0.489 billion kWh. Demand for electricity in 2002 came to 0.455 billion kWh.

## 28 INDUSTRY

Before the civil war, Liberia's industrial sector was dominated by processing plants associated with its key agricultural outputs: rubber, palm oil, and lumber. The Liberian-owned Mesurado Group manufactured detergent, soap, industrial gas, and animal foods. Liberia also produced soft drinks, cement, plastics, shoes, recycled steel, and refined petroleum products. In addition, Liberia's industrial base produced rice and sugar, cookies and candy, candles, foam rubber, hand tools and aluminum parts, umbrellas, and batteries.

Between 1990 and 1996, faction leaders and business accomplices exploited the industrial wealth of the country. Using forced labor, stolen goods, and fuel, they engaged in forestry, mining, and rubber production techniques that were environmentally unsound and threatened future industrial capacity. Profits from these enterprises were used to acquire more munitions. Increased fighting in 2003 further aggravated the poor industrial climate. In 2004, industry accounted for only 9.8% of GDP, 5% of which was attributed to manufacturing. The 1975 "Liberianization" law protects the production of rice, gasoline, and cement; and the operation of travel agencies, gas stations, and beer and soft drink distributors from foreign interference, despite free trade agreements.

Liberia was a leading purveyor of transportation for the world's merchant fleet, but its position has declined rapidly. In 1995, the Liberian fleet consisted of 1,601 vessels with a gross tonnage of 59.4 million tons. This represented a decline of over 55% since 1982, due primarily to civil war, a reduction in oil tanker numbers, competition from other registry states, and opposition to the open registry system itself. The port of Monrovia was not even operational in 1999.

The oil refinery at Monrovia was closed in 1984. No viable oil or natural gas deposits have been discovered, although limited oil exploration has occurred.

## 29 SCIENCE AND TECHNOLOGY

Liberia has an agricultural experiment station in Suakoko; a geological, mining, and metallurgical society in Monrovia; and a research laboratory for the Mt. Nimba region, with headquarters in Robertsfield. The University of Liberia, founded in 1862, has colleges of agriculture and forestry, medicine, and science and technology. Cuttington University College, originally founded in 1889, has a science division, and the William V. S. Tubman College of Technology, founded in 1978, offers a three-year associate degree in engineering technology. All three institutions, as well as the Liberian Institute for Biomedical Research founded in 1952, are at Monrovia. Booker Washington Institute offers agricultural and industrial courses.

## 30 DOMESTIC TRADE

Before the civil war of 1989–96, internal trade was carried on mainly by large firms located in Monrovia with branches in other principal towns. However, conflict destroyed nearly all businesses and production facilities and most foreign investors left the country. The infrastructure around major cities also suffered. As of 2002, domestic trade and manufacturing was still limited. A small business sector has resumed operations, but primarily through Lebanese and Indian investors. The economy of the nation is highly de-

pendent on revenues from maritime licensing and timber exports. About 70% of the nation's work force is employed in agriculture (2000 est.). Among rural peoples, trade is often by barter.

### **3<sup>1</sup> FOREIGN TRADE**

Liberia had a history of trade surpluses before the war. Exports in 1998 were led by diamonds, followed by iron ore, rubber, and timber. Imports were led by mineral fuels, chemicals, machinery, transportation equipment, manufactured goods, and rice and other foodstuffs. In 2004 rubber accounted for \$93.4 million of exports, followed by cocoa which brought in \$3.5 million, and others that accounted for a total of \$6.9 million.

### **3<sup>2</sup> BALANCE OF PAYMENTS**

Liberia has a chronic payments deficit, with large capital outflows and debt-service payments. Since civil war broke out in 1989, exports of foreign currency-earning raw materials (iron, rubber, timber, diamonds, and gold) have plummeted, and massive emergency aid operations began.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Liberia's exports was \$110 million while imports totaled \$295 million resulting in a trade deficit of \$185 million.

### **3<sup>3</sup> BANKING AND SECURITIES**

In 1974, the government established the National Bank of Liberia. It became the exclusive banker and fiscal agent of the government, introduced reserve requirements for commercial banks, and undertook their supervision. Liberia's commercial banks had their main offices in Monrovia. The Liberian Bank for Development and Investment was established in November 1965 to provide additional medium- and long-term financial aid to worthwhile industrial projects. A National Housing and Savings Bank was established in 1972, with priority given to low-cost public housing. An Agricultural and Cooperative Development Bank provided credit to facilitate capital investment in agriculture.

In the 1980s, Liberia was plagued by the outflow and hoarding of US dollars, the only legal notes. The government minted a L\$5 coin to restore liquidity, but this action only led to more hoarding of US bills, which traded informally at a premium compared to similarly denominated Liberian coins.

In November 1996, the chairwoman of the ruling Council of State, Ruth Perry, imposed a freeze on all government spending. She said the step was necessary to stabilize state finances and provide for civil service salaries, many of which had not been paid for months. The only bill in circulation in 1999 was the L\$5 piece. Banks were only available as a repository for funds and did not pay interest or make loans. Banks operating in 1999 included the International Trust Company of Liberia, the Liberia Bank for Development and Investment (LBDI), the National Bank of Liberia, the National House and Savings Bank (NHSB), and the Tradevco Bank.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$35.1 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$58.5 million.

### **3<sup>4</sup> INSURANCE**

There is no information available on insurance.

### **3<sup>5</sup> PUBLIC FINANCE**

Government budgets, roughly in balance up to the mid-1970s, have since run heavily into deficit. Since civil war erupted in 1989, Liberia's fiscal management has collapsed. The country relies heavily on foreign aid, especially from the United States, Japan, the United Kingdom, France, Italy, Germany, China, and Romania. In recent years, Taiwan and Libya have surfaced as the largest direct donors to the Liberian government.

The US Central Intelligence Agency (CIA) estimated that in 2000 Liberia's central government took in revenues of approximately \$85.4 million and had expenditures of \$90.5 million. Revenues minus expenditures totaled approximately -\$5.1 million. Total external debt was \$3.2 billion.

### **3<sup>6</sup> TAXATION**

Before civil conflict began in Liberia, concession agreements negotiated between foreign interests and the Liberian government often provided tax exemption or modification for periods of 10, or more, years after the start of operations.

A moderately progressive tax on net income earned from Liberian sources by individuals, partnerships, and corporations was the largest source of government revenue. Net income was taxed at rates ranging from 11% to a maximum of 65% on income over \$99,000. Corporate tax rates ranged from 20–34% of taxable income with marginal rates of up to 50%.

An additional national reconstruction tax of up to 8% on income over \$1,000, was imposed in 1981, and was still in effect in 1991. Also levied were a sales tax of 0.5–2%, inheritance and gift taxes, and social security payroll taxes. In 2003, the violent chaos into which the society had descended while waiting on the international community to send aid made most questions about the tax regime irrelevant. In recent history, Liberia's wealth has been smuggled out, not taxed. In 1999, for instance, imports were improbably over three times the reported exports, a sign that not all exports were being reported. Of the \$60 million in tax revenue collected in 1999, only 22.4% came from income taxes on corporations and individuals. Sales taxes accounted for another 16%. The main sources of tax revenue have been import duties (almost 30%) and fees paid to Liberia's "flags of convenience" maritime registry (more than 23%).

### **3<sup>7</sup> CUSTOMS AND DUTIES**

Imports are subject to tariff duties, ranging from 2.5–25%, which constitute a major source of government income. Import duties are specific (based on weight) for some commodities, ad valorem (based on cost, insurance, and freight value) for others. Specific duties apply to foodstuffs, beverages, petroleum products, and certain rubber and textile products. All exports and some imports require licenses. Customs duties are 25% on luxury items such as alcoholic beverages, apparel, cosmetics, electronics, jewelry, and tobacco.

Goods may be landed, stored, sorted, manufactured, repacked, reforwarded, or transhipped within the area of the Free Port of

Monrovia without payment of customs duties, but the port was closed as of 1999.

### 38 FOREIGN INVESTMENT

Liberia has historically maintained an “open door” policy toward foreign investment, but since 1989 this policy has given way to the protectionist practices of the government. It has allowed a limited period of exemption from certain types of taxes and permits an unrestricted flow of dividend payments, but only in certain sectors. A 1975 “Liberalization” Law prohibits foreign ownership in many small and medium operations (such as travel agencies, gas stations, beer and soft drink distributors) and mandates the employment of Liberians at all levels. The law is often ignored but can also be invoked at any time.

In 1989, interest on long-term debt stood at 105% of exports. Attempts to bring financial stability to the economy failed dramatically in the early 1990s with the failure of the US-sponsored oversight mission and the breakdown in relations between Liberia and the IMF. Liberia plunged into a civil war from 1990 to 1997, which besides causing upwards of 150,000 deaths and displacing hundreds of thousands, destroyed the country’s infrastructure. The end of the fighting, with Charles Taylor’s accession to power as the only way to deter his followers from further destruction, brought little relief since his administration did not fulfill promises to fix what they had “broke.” Professions of adherence to principles of free trade and an open door to foreign investment also rung hollow as the state established monopolies in rice growing, gasoline distribution, cement import, and cement production. The free port at Monrovia continued to operate, but stevedore services have been monopolized by the National Port Authority, canceling the contracts of seven other companies. Corruption reached to the highest levels during Charles’s Taylor’s administration.

Most of Liberia’s principal enterprises were foreign owned before the civil war, with US investment—about \$300 million in 1987—foremost. Substantial investments were also made by the British, French, Swedish, Israelis, Swiss, Dutch, Italians, and Lebanese. After the civil war, some US companies resumed (Firestone) or began operations (some gold mining companies). However, most investors have been deterred by the regime’s failure to meet IMF targets, pervasive corruption, arbitrary administration, and the reemergence of violent rebellion.

In 1997 and 1998, foreign direct investment (FDI) inflow averaged \$15.5 million a year. From 1999 to 2001, average FDI inflow was \$11.3 million. According to the World Bank publication, World Investment Report, 2005, foreign direct investment into Liberia was almost nonexistent in 2002 and 2003 (about \$3 million and \$1 million respectively) but did increase modestly in 2004 to \$20 million, following the end of the civil war.

### 39 ECONOMIC DEVELOPMENT

The civil war and international financial obligations dim the prospects of economic development. While refugee resettlement looms as an early postwar priority, future economic development depends on reestablishing international confidence in Liberia’s financial management.

Liberia formed the Mano River Union (MRU) with Guinea and Sierra Leone, to promote development and regional economic integration. Although the civil war caused the MRU to become all

but defunct, in 2002 discussions on reviving the MRU took place. Foreign assistance to Liberia has declined, but Taiwan and Libya remain the largest donors of direct financial aid to the country. Western countries avoid direct aid to the government by sending assistance through international aid agencies and nongovernmental organizations (NGOs). In 2003, the International Monetary Fund (IMF) suspended Liberia’s voting rights in the Fund. As of February 2003, Liberia’s arrears to the IMF amounted to \$685 million.

The Economist Intelligence Unit reported that for quite sometime wealthy international donors, who are ready to assist reconstruction efforts in postwar Liberia, were withholding funding until Liberia’s National Assembly signed onto a Governance and Economic Management Action Plan (GEMAP). The Plan was created by the International Contact Group for Liberia to help ensure transparent revenue collection and allocation—something that was lacking under the transitional government and that has limited Liberia’s economic recovery. This plan was agreed to and officially signed into law by the chairman of the transitional government, Gyude Bryant, on September 15th, 2005. The reconstruction of infrastructure and the raising of incomes in this ravaged economy will largely depend on generous financial support and technical assistance from the donor community under GEMAP.

### 40 SOCIAL DEVELOPMENT

A social insurance and social assistance program was implemented in 1972. The current program covers public employees and employees of firms with five or more workers. The pension program is funded by equal contributions from employers and employees, while welfare is funded by the government. Work injury laws area also in place. Workers’ medical benefits include reasonable expenses for medical and surgical care, hospitalization, drugs, and appliances. However, most programs and institutions were disrupted by warfare.

In 2005, after 14 years of civil war, a Harvard-educated woman was elected president of Liberia. Ellen Johnson-Sirleaf is said to be a beacon of hope for women in Africa. However, rights for most women in the country are limited. Rural women remain largely subordinate in both public and private life. Women married under civil law have inheritance and property rights, but women married under tribal laws are considered property of their husbands. Domestic violence is widespread, and abused women have no recourse. Female genital mutilation is practiced by some ethnic groups.

Ethnic discrimination is explicitly prohibited by law. Despite this provision, citizenship is legally available only to blacks. Only citizens can own land, and noncitizens are restricted from owning certain types of businesses. The government had a poor human rights record, which includes disappearances, and beatings and torture by security forces.

### 41 HEALTH

Liberia has one of Africa’s highest fertility rates; in 2000 it averaged six children for every woman surviving through her child-bearing years. Average life expectancy was 38.89 years in 2005, one of the shortest in the world. As of 2004, there were an estimated 2 physicians, 6 nurses, and 4 midwives per 100,000 people. Only about 39% of the population has access to health care ser-

vices. Few Liberians had access to safe water (40%) and sanitation (24%) in 1994. More recent figures are unavailable.

Programs such as the Combating Childhood Communicable Diseases Program are credited with reducing mortality rates for children five and under. The infant mortality rate was 161.99 per 1,000 live births in 2005, the fourth highest in the world. The maternal mortality rate was 560 deaths per 100,000 live births. Contraceptive use is low. The level of measles immunization has dropped by 11% in the last few years from 55% in 1988 to 44% in 1994 (the most recent year for which figures are available). From 1990 to 1994, children up to one year were vaccinated against tuberculosis, 84%; diphtheria, pertussis and tetanus, 43%; and polio, 45%.

The general mortality rate in 2002 was an estimated 16 per 1,000 people. The Liberian staple diet of rice or cassava (manioc) is deficient in protein and children in particular suffer because of this. The major causes of death are malaria and gastrointestinal disease, attributable in part to poor sanitation. AIDS is a serious problem in Liberia. The HIV/AIDS prevalence was 5.90 per 100 adults in 2003. As of 2004, there were approximately 100,000 people living with HIV/AIDS in the country. There were an estimated 7,200 deaths from AIDS in 2003.

Nearly 900,000 women, or 60% of the female population, suffer female genital mutilation. Although the Liberian government has published policy opposing female genital mutilation, no law currently prohibits its use.

## 42 HOUSING

In the aftermath of the 1989–96 civil war from, over 60,000 families were displaced or living in very poor housing conditions. About 80% of the total housing stock was affected by the war. During the 1980s (the latest period for which housing data is available), the number of dwellings more than doubled, from 216,206 in 1981 to 500,000 as of 1988, with 4.8 people per dwelling.

The 1998–2000 National Reconstruction Program placed housing issues as a priority for government consideration. This was followed by the formulation of a five-year plan (2001–05) which also focused on reconstruction and new construction of adequate housing.

Many of the older corrugated-iron structures in Monrovia have been replaced with more modern dwellings, and houses of advanced design have been privately built to accommodate the growing urban population. The typical dwelling of the tribal people in the Liberian interior is the *rondavel*, a circular, one-room mud-and-wattle thatch-roofed hut, windowless and with a single low door. These *rondavels* are being replaced by large rectangular huts, also of mud and wattle, subdivided into two or more rooms and equipped with windows.

## 43 EDUCATION

Education is compulsory from ages 6 to 16. Elementary school (primary) covers six years of study. This is followed by three years of junior high and three years of senior high school. The largest secondary school is the Booker Washington Institute, a vocational school located at Kakata, with about 1,500 students. The academic year runs from March to December.

In 2001, about 56% of children between the ages of three and five were enrolled in some type of preschool program. Primary

school enrollment in 2001 was estimated at about 70% of age-eligible students. The same year, secondary school enrollment was about 18% of age-eligible students; 22.8% for boys and 13% for girls. It is estimated that about 21% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 38:1 in 2003.

There are three institutions of higher learning: the government-operated University of Liberia in Monrovia (established in 1862); Cuttington University College at Monrovia, an Episcopalian institution; and a three-year engineering school, the William V. S. Tubman College of Technology, founded at Monrovia in 1978. In 2001, there were about 44,000 students enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 55.9%, with 72.3% for men and 39.3% for women.

On average, 11% of the government's total annual budget is allocated to education.

## 44 LIBRARIES AND MUSEUMS

The government maintains a central public library in Monrovia, with 15,000 volumes. UNESCO also operates a library in Monrovia, and the Liberian Information Service has a research library in the same city. The University of Liberia and the Cuttington University College libraries have been slowly rebuilding their stock of books following looting during the 1990s.

The National Museum of Liberia is housed in the renovated Supreme Court building in Monrovia and the Tubman Center of African Cultures is located in Robertsport. Other museums include the National Cultural Center in Cape Mount, the Africana Museum at Monrovia, the W. V. S. Tubman Library-Museum at Harper, and the Natural History Museum at the University of Liberia.

## 45 MEDIA

In 2003, there were an estimated two mainline telephones for every 1,000 people. The same year, there was approximately one mobile phone in use for every 1,000 people.

The first national television station was opened early in 1964; although government owned, it is partly commercial. The state-owned Liberian Broadcasting System operates one service that does not have national range. As of 2005, there were five FM radio stations and three local television stations. In 2003, there were an estimated 274 radios for every 1,000 people. The number of television sets was unavailable in the same survey. In 2003, there were about 1,000 Internet subscribers nationwide. In 2004, there were 14 Internet hosts.

Many existing newspapers and magazines ceased publication when the Doe regime was overthrown in 1990. Afterward, a number of new ones were begun. As of 2005, there were at least five daily newspapers, including: *The Inquirer*, *The News*, and *The Analyst*. *The New Liberian*, published daily except Wednesday, is the official government newspaper. In 2005, there was a total of 18 newspapers published in Monrovia.

Freedom of speech and the press are provided for in the constitution, and the government is said to generally respect these rights in practice. However, years of civil strife have destroyed many facilities and disrupted all media in Liberia; many have failed to resume publication or broadcasting. A restrictive media law, instituted during the Doe regime, remains in force and provides the

government with wide powers for licensing and regulating the media.

#### 46 ORGANIZATIONS

Civic groups in Monrovia include the YMCA and YWCA, the Antoinette Tubman Children's Welfare Foundation, the Liberia Evangelistic Women Workers, the Red Cross, Boy Scouts, and Girl Guides. The Liberia Chamber of Commerce has its headquarters in Monrovia. Numerous secret societies are found among all the ethnic groups. Cultural groups include the Society of Liberian Authors, Liberian Arts and Crafts Association, and Liberian Research Association. There are sports associations promoting amateur competition in a variety of pastimes. The Boy Scouts of Liberia and Girl Guides have active troops. There are national chapters of the Red Cross Society, Caritas, the Society of St. Vincent de Paul, and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

Continued civil unrest has had an adverse effect on tourism. Hotels in or near Monrovia are suitable for tourists; there are missionary organizations and a youth hostel that also accommodate visitors. Safaris are offered in the Sapu National Park and water sports are popular along the many beaches. Football (soccer) is the national sport. Visitors must obtain a visa and passport as well as provide proof of a yellow fever vaccination.

In 2005, the US Department of State estimated the daily cost of travel in Monrovia at \$241.

#### 48 FAMOUS LIBERIANS

Joseph Jenkins Roberts (1809–76), who was governor under the Colonization Society at the time the republic was established, became its first and later its sixth president (1848–56, 1872–76) and gained the respect of the European colonial powers by his able exposition of Liberia's rights as a free and independent nation. The national heroine is Matilda Newport, who helped to repel an attack on the first struggling settlement. Among white Americans who went to Liberia to assist the early black settlers were Jehudi Ashmun (1794–1828) and Ralph Randolph Gurley (1797–1872), who together reorganized the colonists in 1824. William Vacararat Shadrach Tubman (1895–1971) was president of Liberia from 1944 until 1971. Angie E. Brooks-Randolph (b.1928) served

as president of the 1969/70 UN General Assembly. William Richard Tolbert, Jr. (1913–80) succeeded Tubman as president. He was killed in the 1980 coup led by Samuel Kanyon Doe (1950–90), who subsequently assumed the titles of commander in chief of the armed forces and chairman of the PRC. Doe was in turn tortured and killed in 1990 by rebels loyal to Charles G. Taylor (b.1948), the leader of the faction that gained control during the civil war. Taylor, who had become president in 1997, was forced into exile in 2003. Ellen Johnson-Sirleaf (b.1938) became the first elected female president of an African country in 2005.

#### 49 DEPENDENCIES

Liberia has no territories or colonies.

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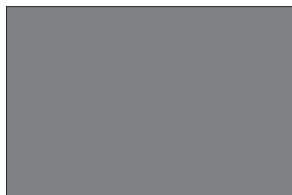
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# LIBYA

Socialist People's Libyan Arab Jamahiriya

*Al-Jamahiriyah al-'Arabiyah al-Libiyah ash-Sha'biyah al-Ishtirakiyah*



**CAPITAL:** Tripoli (Tarabulus)

**FLAG:** The national flag is plain green.

**ANTHEM:** *Almighty God.*

**MONETARY UNIT:** The Libyan dinar (LD) of 1,000 dirhams is a paper currency. There are coins of 1, 5, 10, 20, 50, and 100 dirhams, and notes of ¼, ½, 1, 5, and 10 dinars. LD1 = \$0.76923 (or \$1 = LD1.3) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some local weights and measures are used.

**HOLIDAYS:** UK Evacuation Day, 28 March; US Evacuation Day, 11 June; Anniversary of the Revolution, 1 September; Constitution Day, 7 October. Muslim religious holidays include 'Id al-Fitr, 'Id al-'Adha, the 1st of Muharram, and Milad an-Nabi.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated on the coast of North Africa, Libya is the fourth-largest country on the continent, with an area of 1,759,540 sq km (679,362 sq mi), extending 1,989 km (1,236 mi) SE–NW and 1,502 km (933 mi) NE–SW. Comparatively, the area occupied by Libya is slightly larger than the state of Alaska. It is bounded on the N by the Mediterranean Sea, on the E by Egypt, on the SE by the Sudan, on the S by Chad and Niger, on the W by Algeria, and on the NW by Tunisia, with a total land boundary length of 4,348 km (2,702 mi) and a coastline of 1,770 km (1,100 mi).

The Aozou Strip (114,000 sq km/44,000 sq mi) in northern Chad was claimed and had been occupied by Libya since 1973; in a judgment of 3 February 1994, the UN International Court of Justice returned the Aozou strip to Chad. Monitored by an observer force deployed by the UN Security Council, Libyan forces withdrew on 31 May 1994. However, Chadian rebels from the Aozou still reside in Libya. Libya also claims about 19,400 sq km (7,490 sq mi) of Nigerian territory.

Libya's capital city, Tripoli, is located on the Mediterranean coast.

## <sup>2</sup> TOPOGRAPHY

Libya forms part of the North African plateau extending from the Atlantic Ocean to the Red Sea. The highest point is Bikku Bitti, or Bette Peak, a 2,267-m (7,438-ft) peak in the extreme south. The chief geographical areas are Tripolitania, Cyrenaica, the Sirte Desert, and Fezzan. Tripolitania, in the northwest, consists of a series of terraces rising slowly from sea level along the coastal plain of Al-Jifara to a sharp escarpment. At the top of this escarpment is an upland plateau of sand, scrub, and scattered masses of stone, with elevations of up to 1,000 m (3,300 ft). Farther south are de-

pressions extending from east to west. Here are found many oases and artesian wells.

The Sirte Desert is a barren area along the Gulf of Sidra separating Tripolitania and Cyrenaica. An upland plateau rising to about 600 m (2,000 ft) gives a rugged coastline to Cyrenaica. This plateau, the Jabal Akhdar, contains three of Libya's leading cities—Banghāzī (or Benghazi), Al Baydā, and Darnah. Farther south the desert is studded with oases such as Jālū and Al Jaghbūb. The Fezzan, in the southwest, is largely a series of depressions with occasional oases. There are no perennial rivers in the country.

## <sup>3</sup> CLIMATE

The climate has marked seasonal variations influenced by both the Mediterranean Sea and the desert. Along the Tripolitanian coast, summer temperatures reach between 40 and 46°C (104–115°F); farther south, temperatures are even higher. Summers in the north of Cyrenaica range from 27–32°C (81–90°F). In Tobruk, the average January temperature is 13°C (55°F); July, 26°C (79°F). The ghibli, a hot, dry desert wind, can change temperatures by 17–22°C (30–40°F) in both summer and winter.

Rainfall varies from region to region. Rain falls generally in a short winter period and frequently causes floods. Evaporation is high, and severe droughts are common. The Jabal Akhdar region of Cyrenaica receives a yearly average of 40–60 cm (16–24 in). Other regions have less than 20 cm (8 in), and the Sahara has less than 5 cm (2 in) a year.

## <sup>4</sup> FLORA AND FAUNA

The primary plant is the deadly carrot (*Thapsia garganica*). Other flora are various cultivated fruit trees, olive trees, date palms, junipers, and mastic trees. Goats and cattle are found in the extreme north. In the south, sheep and camels are numerous. As of 2002,

there were at least 76 species of mammals, 76 species of birds, and over 1,800 species of plants throughout the country.

## 5 ENVIRONMENT

A major environmental concern is the depletion of underground water as a result of overuse in agricultural developments, causing salinity and seawater penetration into the coastal aquifers. The Great Manmade River Project, developed to transport water from large aquifers under the Sahara Desert to coastal cities, is the world's most extensive water supply project. Another significant environmental problem in Libya is water pollution. The combined impact of sewage, oil by-products, and industrial waste threatens the nation's coast and the Mediterranean Sea generally. Libya has about 1 cu km of renewable water resources. Only about 68% of the people living in rural areas have pure drinking water. The desertification of existing fertile areas is being combated by the planting of trees as windbreaks.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 5 types of mammals, 7 species of birds, 3 types of reptiles, 9 species of fish, and 1 species of plant. Endangered species in Libya included the Mediterranean monk seal, the leopard, and the slender-horned gazelle. The Bubal hartebeest and Sahara oryx are extinct.

## 6 POPULATION

The population of Libya in 2005 was estimated by the United Nations (UN) at 5,766,000, which placed it at number 106 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 35% of the population under 15 years of age. There were 107 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.4%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 8,323,000. The overall population density was 3 per sq km (8 per sq mi), but 90% of Libya's inhabitants live in the narrow coastal regions of Cyrenaica and Tripolitania.

The UN estimated that 86% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.15%. The capital city, Tripoli (Tarabulus), had a population of 2,006,000 in that year. Banghāzī, another chief city, had an estimated population of 1,033,000.

## 7 MIGRATION

The number of Italians was as high as 70,000 during the period of colonial rule. In 1964 Italians numbered 30,000, but most left after their land and property were nationalized in 1970. There were 30,000 Jews in Libya in 1948, but because of the Arab-Israeli conflict the community had virtually disappeared by 1973.

In 1984 there were officially 263,100 non-Libyans in the country, of whom more than 40% were Egyptians and 15% were Tunisians. The remainder came from a variety of other countries in Africa, the Mideast, and elsewhere. This figure was less than half the 569,000 foreigners in 1983, before new restrictions were placed on remittances abroad. In 1992, the foreign population was estimated at two million, half of them Egyptian, and 600,000 from South Korea, the Philippines, Thailand, and Vietnam. This estimated figure

probably reflects illegal immigration. About 100,000 Libyans were in exile in the mid-1980s.

The nomadic inhabitants of Libya follow regular patterns of migration; nomadic tribes in the south normally ignore international frontiers. Since the discovery of oil there has been significant internal migration from rural to urban regions.

In 2000 there were 570,000 migrants living in Libya, including 11,500 refugees. In 2004 there were 12,166 refugees, mainly from Palestine, and 200 asylum seekers, all located in Tripoli. Also, in that same year over 700 Libyans sought asylum in Sweden, the United Kingdom, and Norway. In 2005, the net migration rate was estimated at zero. The government views the immigration level as too high, but the emigration level as satisfactory.

## 8 ETHNIC GROUPS

For thousands of years the inhabitants of Libya were Berbers. Arabs started arriving in the 7th century AD, displacing or assimilating their Berber predecessors. The latest estimates indicate that 97% of the total population is comprised of Berbers and Arabs. The remaining 3% are made up of Greeks, Maltese, Italians, Egyptians, Pakistanis, Turks, Indians, and Tunisians.

## 9 LANGUAGES

Arabic is the official language; since 1969, its use in daily life, even by foreigners, has been encouraged by government decree. English, which is also used in some government publications, has replaced Italian as the second language; however, Italian is still widely understood. Berber is spoken by small communities, especially in Tripolitania. Native speakers constitute about 5% of the population.

## 10 RELIGIONS

Under the constitution, Islam is Libya's official religion and the government publicly supports a preference for a moderate practice of Islam. About 97% of the people are Sunni Muslim. In an effort to eliminate alternative political power bases, the government banned the once powerful Sanusiyya Islamic order. Libyan leader Colonel Mu'ammar Al-Qadhafi then established the Islamic Call Society, which is the Islamic arm of the government's foreign policy. The ICS's main goal was to promote a moderate form of Islam, reflecting the views of the government.

Though other religions are generally tolerated, the government places a number of restrictions, which essentially limit the practice of non-Muslim faiths. There are no known places of worship for the small number of Hindus, Baha'is and Buddhists within the country. Proselytizing is prohibited. Members of non-Muslim faiths are, however, free to worship within their own homes. There are about 100,000 Christians in the country, with about half of them being Roman Catholics. Other denominations include Anglican and Coptic and Greek Orthodox. There is also a very small Jewish community.

## 11 TRANSPORTATION

Transportation varies from dirt tracks suitable for camels and donkeys to a coastal highway extending for 1,822 km (1,132 mi) between the Tunisian and Egyptian borders. At the end of 1968, this highway was connected with a north-south road to Sabhā. Further extensions to Murzūq and Ghat were later completed, as



LOCATION: 19°30' to 33° N; 9°30' to 25° E. BOUNDARY LENGTHS: Mediterranean coastline, 1,770 kilometers (1,100 miles); Egypt, 1,115 kilometers (693 miles); Sudan, 383 kilometers (238 miles); Chad, 1,054 kilometers (655 miles); Niger, 354 kilometers (220 miles); Algeria, 982 kilometers (610 miles); Tunisia, 459 kilometers (285 miles). TERRITORIAL SEA LIMIT: 12 miles, but all of the Gulf of Sidra south of 32°30' is claimed.

well as a spur to Birāk. In 1973, a 350-km (217-mi) road between Nalut and Ghadamis was completed. Roads also connect the Cyrenaica coastal centers with the interior. In all, there were an estimated 24,484 km (15,214 mi) of roads in 2002, of which 6,798 km

(4,224 mi) were paved. In 2003, there were 368,600 private cars and 354,000 commercial vehicles registered in the country. As of 2004, Libya had no operating railways, following the closure in the mid-1960s of two railway lines and the dismantling of



the rest. However, work has begun on seven new standard gauge lines, totaling 2,757 km (1,715 mi), which it is hoped, will be completed by 2008.

The main ports are Tripoli, Banghāzī, Qasr Ahmad (the port for Miṣratāh), and Tobruk. Crude oil export terminals include Port Brega (Marsā al-Burayqah) and Ras Lanuf. Since 1973, Tripoli's harbor has been developed considerably. As of 2005, Libya's merchant fleet had 17 vessels of 1,000 GRT or more, totaling 129,627 GRT.

In 2004, there were an estimated 139 airports. As of 2005, a total of 59 had paved runways, and there were 2 heliports. Libya's two international airports are Tripoli Airport (34 km/21 mi south of Tripoli) and Benina Airport (19 km/12 mi from Banghāzī). In 1968, a new airport at Sabhā in the Fezzan was opened. Libyan Arab Airlines, established in 1965, operates to neighboring Arab countries, central and southern Africa, and Europe. Many major world airlines serve Libya. There is also regular domestic service, with airports at Tobruk, Port Brega, Ghat, Ghadamis, Miṣratāh, and Al Baydā. In 2003, about 627,000 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

Archaeological evidence indicates that a Neolithic culture, skilled in the domestication of cattle and the cultivation of crops, existed as far back as 6000 BC along the Libyan coast. To the south, in what is now the Sahara, hunters and herdsman roamed what was then a well-watered savanna. Increasing desiccation and the coming of the Berbers about 2000 BC presumably, from southwestern Asia, ended this period. The pharaohs of the so-called Libyan dynasties who ruled Egypt (c.950–720 BC) are thought to have been Berbers. Phoenician seafarers, who arrived early in the first millennium BC, founded settlements along the coast, including one that became Tripoli.

Around the 7th century BC, Greek colonists settled in Cyrenaica. In succeeding centuries, the western settlements fell under the sway of Carthage; the eastern settlements fell to the Egyptian dynasty of the Ptolemies in the 4th century BC. When the Romans defeated Carthage in the Punic Wars of the 3rd and 2nd centuries BC, they occupied the regions around Tripoli. In 96 BC, they forced Egypt to surrender Cyrenaica, and Roman influence later extended as far south as the Fezzan. Libya became very prosperous under Roman rule; with the decline of Rome, western Libya fell in the 5th century AD to Germanic Vandal invaders, who ruled from Carthage. In the 6th century, the Byzantines conquered the Vandals and ruled the coastal regions of Libya until the Arab conquest of the 7th century. The Arabs intermixed with the Berbers, who were gradually absorbed into the Muslim Arab culture.

Western Libya was administered by the Aghlabids of Tunisia in the 9th century, and by the Fatimids of Tunisia and then Egypt in the 10th. During the 11th century, invasions by two nomadic Arab peoples, the Banu Hilal and Banu Sulaym, destroyed many of the urban and agricultural areas. Normans from Sicily occupied Tripoli and surrounding regions in 1145 but were soon displaced by the Almohads of Morocco; during the 13th century, the Hafsidis of Tunisia ruled western Libya. The eastern regions remained subject to Egyptian dynasties. In the 16th century, Spanish invaders seized parts of the coast, turning over control of Tripoli to the crusading Knights of the Order of St. John of Jerusalem. The

Ottoman Turks occupied the coastal regions in 1551, ruling the country until 1711, when Ahmad Qaramanli, of Turkish origin, wrested semiautonomous status from Istanbul. Pirate captains, operating out of Tripoli, raided the Mediterranean and the Italian coasts. The Qaramanlis ruled until 1835, when the Ottomans again assumed control.

In September 1911, the Italians invaded Libya, meeting fierce resistance from both Turks and indigenous Libyans. A peace treaty of 17 October 1912 between Turkey and Italy placed Libya formally under Italian rule, but the Libyans continued their resistance. Led by a Muslim religious brotherhood, the Sanusi, the Libyans (with some Turkish help) fought the Italians to a standstill during World War I. Following the war, and particularly after the accession of Benito Mussolini to power in Italy, the Italians continued their often-brutal efforts to conquer Libya. In 1931, 'Umar al-Mukhtar, a leader of the Sanusi, was captured and executed, and in 1932 the Italian conquest was completed. In World War II, Libya became a main battleground for Allied and Axis forces, until it was occupied by victorious British and Free French troops. The Treaty of 1947 between Italy and the Allies ended Italian rule in Libya and, when the Allies could not decide upon the country's future, Libya's fate was left to the UN. On 21 November 1949, the UN General Assembly voted that Libya should become an independent state. On 24 December 1951, Libya gained independence, with Muhammad Idris al-Mahdi as-Sanusi as king. In 1959 significant oil discoveries were made.

On 1 September 1969, a secret army organization, the Free Unionist Officers, deposed the king and proclaimed a republican regime. On 8 September, the Revolutionary Command Council (RCC) announced the formation of a civilian government. This government resigned on 16 January 1970, and a new cabinet was formed under Col. Mu'ammār al-Qadhafi, chairman of the RCC. Later that year, the United Kingdom and the United States closed their military installations. On 15 April 1973, Qadhafi called for a "cultural revolution" based on Islamic principles. In subsequent months, hundreds of "people's committees" were established to oversee all sectors of the nation's political, cultural, and economic life. In April 1974, Qadhafi withdrew from the supervision of daily administrative functions (these were assumed by Maj. Abdul Salam Jallud), but he remained the effective head of state of Libya.

Qadhafi sought to make Libya the axis of a unified Arab nation. Union was achieved with Egypt, Tunisia, Morocco, Syria, and Sudan at various times, but only on paper. Subsequent relations with the many Arab nations, including Egypt and Tunisia, have often been tense. Libya itself, despite rhetorical support for radical Palestinians, has stayed on the sidelines in Arab-Israeli conflicts.

Qadhafi has been equally active in Africa. In 1973, he annexed from Chad the disputed Aouzou Strip, an area that may contain rich deposits of uranium. In 1979, his armed forces tried unsuccessfully to prop up the failing regime of Idi Amin in Uganda. Libya sent over 10,000 troops into Chad in 1980 in support of the regime of Goukouni Oueddei, and a union of the two nations was proposed. Intense international pressure, however, led to a Libyan withdrawal in November 1981. After the fall of Oueddei's regime in June 1982, Qadhafi provided military support for Oueddei's efforts to topple the new French-backed government in Chad. Libya's and Oueddei's forces were in control of much of northern

Chad until 1987, when Chadian forces ousted them, capturing or destroying \$1 billion in Libyan military equipment, and attacking bases inside Libya itself. In 1989, after acknowledging his error in moving into Chad, Qadhafi agreed to a cease-fire and the submission of the dispute over the Aouzou Strip to the Court of International Justice. The Court settled the dispute in Chad's favor in 1994.

Qadhafi has been accused of supporting subversive plots in such countries as Morocco, Niger, Sudan, Egypt, Tunisia, Ghana, Burkina Faso, Nigeria, Gambia, Somalia, Senegal, and Mali and of providing material support for a variety of insurgents, including the Irish Republican Army, Muslim rebels in the Philippines, and Japanese and German terrorists. Qadhafi did find some support in small, poor black African countries, eager for Libyan aid. In 1982, however, he suffered a setback when the annual OAU summit scheduled for Tripoli failed to convene because of disputes over Libya's policies in Chad and its support of Polisario guerrillas in Western Sahara. As a result, Qadhafi was denied his term as OAU chairman. In contrast, in February 1997 in a deliberate jab at the UN Security Council's sanctions against Libya over the Lockerbie bombing affair, the OAU Ministerial Council met in Tripoli, the first time this meeting had been convened outside of its headquarters in Addis Ababa, Ethiopia.

In 1981, two Libyan jets were shot down by US fighters over the Gulf of Sidra, an arm of the Mediterranean claimed by Qadhafi as Libya's territorial waters. In 1982, the United States, charging Qadhafi with supporting international terrorism, banned oil imports from Libya and the export of US technology to Libya. In January 1986, the United States, citing "irrefutable evidence" of Libyan involvement in Palestinian attacks on airports in Rome and Vienna in the previous month, ordered all Americans to leave Libya and cut off all economic ties as of mid-1986. In March, a US naval task force struck four Libyan vessels after US planes entering airspace over the Libyan-claimed Gulf of Sidra were fired upon. On 15 April, following a West Berlin bomb attack in which US servicemen were victims, US warplanes bombed targets in Tripoli and Banghāzī. Libya said that Qadhafi's daughter was killed and two of his sons were wounded in the attack. Qadhafi survived several reported assassination and coup attempts in the 1980s and 1990s as well as the opposition of Islamist groups, which prompted him to crack down on militants in 1993.

Qadhafi's most serious challenge in the recent past was the tough sanctions imposed since 1992 and 1993 on Libya by the UN Security Council after he refused to surrender two men suspected in the terrorist bombing of a Pan American passenger jet over Lockerbie, Scotland, in 1988. The UN resolutions (nos. 731 and 883) prohibited sales of equipment and air travel to Libya and froze its overseas bank deposits but significantly, did not ban sales of petroleum products. Throughout the period of the sanctions the United States repeatedly attempted to persuade the UN to impose an oil embargo against Libya, but it was not successful. After numerous pleas to the UN by Arab and African countries and organizations to the UN Security Council to lift the sanctions, and numerous rounds of negotiations, in August 1998 Qadhafi agreed to eventually hand over the two Libyan suspects in the Lockerbie bombing for trial in the Netherlands before Scottish judges. The suspects were transferred to the Netherlands in April 1999. This decision led to an easing of tensions, with a suspension of the UN

sanctions (although they were not lifted at the time) and Britain resuming full diplomatic relations in July 1999. The United States, however, remained committed to the branding of Libya as a supporter of international terrorism and therefore a pariah state. In January 2001, the Scottish court in the Netherlands found one of the two Libyan defendants guilty of involvement in the Lockerbie bombing, and sentenced him to life imprisonment. The other Libyan was acquitted. US president, George W. Bush, stated sanctions would remain in place not only until Libya compensated for the bombing of the aircraft, but also until Libya admitted guilt and expressed remorse for the act. In mid-2002, Libya stated that it was ready, in principle, to pay families of the victims of the bombing compensation in the amount of US\$2.7 billion (US\$10 million for each of the 270 victims). In August 2003, Libya accepted the responsibility for the actions of its officials and payment of the compensation to the victims' families. UN sanctions were lifted in September 2003, and US International Emergency Economic Powers Act (IEEPA) sanctions were lifted in September 2004.

In early September 1995, Libya began deporting thousands of Arab workers, primarily Palestinian, Sudanese, and Egyptian. In a speech on 1 September 1995, Qadhafi stated that foreigners (including some 30,000 Palestinians) were being expelled in order to create jobs for Libyans, although the move was widely interpreted as punishment of the PLO for holding peace talks with Israel. Qadhafi stated that many of those being deported were Islamic militant "infiltrators" posing as migrant workers. On 6 and 7 September, at least 30 people were killed in Banghāzī when armed Islamic militants battled Libyan security forces during a roundup of workers for deportation. By 11 September, 7,000 Egyptians had been expelled, and thousands of Palestinians were stranded either at sea or at the border with Egypt. The deportations continued into October, when 650 Palestinians were stranded aboard a ferry off the coast of Cyprus, and 850 were still camped on the Egyptian border.

In March 1996, as many as 400 prisoners—many of them government opponents and Islamic militants—broke out of a prison near Banghāzī. The ensuing clash with Libyan troops was viewed by many observers as an indication of significant antigovernment feeling in eastern Libya. The growth of the Islamist movement in Libya is cause for concern in the region and for Qadhafi's maintenance in power.

In May 2001, Libya sent troops into the Central African Republic to aid President Ange-Félix Patassé and his supporters, to regain power after a failed coup attempt. It withdrew its troops in December 2002; Qadhafi stated the mission of restoring peace and stability to the country had been achieved. That month, Libya denied allegations put forward by the Democratic Republic of the Congo (DROC) that it was sending troops and equipment into Congolese territory along the border with the Central African Republic. On 13 December, the DROC government wrote the UN Security Council to condemn Libya's actions and to demand an immediate withdrawal of Libyan troops from its territory. The DROC accused Libya of aiding the Movement for the Liberation of the Congo (MLC), a rebel group.

Qadhafi has long called for reforms in the Arab League, including the creation of a single Arab currency, the forging of closer ties between the Arab League and the African Union, and the use of

Arab military force against Israel if it does not agree to the “complete return of the Palestinians to their land.”

In January 2003, Libya was elected by secret ballot to head the UN Commission on Human Rights. The votes were 33 in favor, 3 opposed, and 17 abstentions. This caused international controversy, and led to calls for reform of the UN. In 2006, plans were being made to create a new Human Rights Council to replace the UN Commission on Human Rights. The Human Rights Council is meant to be a standing body that would meet year-round to promote and protect human rights with a membership that excluded the worst human rights violators.

In December 2003, Libya publicly announced its intention to rid itself of weapons of mass destruction (WMD) and Missile Technology Control Regime (MTCR)-class missile programs. Since that time, it has cooperated with the United States, the United Kingdom, the IAEA, and the Organization for the Prohibition of Chemical Weapons toward these objectives. Libya also signed the IAEA Additional Protocol, and became a state party to the Chemical Weapons Convention.

### **13 GOVERNMENT**

The Libyan Arab Republic was established on 1 September 1969, and a new constitution was announced by the Revolutionary Command Council (RCC) on 11 December 1969. The constitution, which has been effectively superseded by the principles of Qadhafi’s “Green Book,” proclaimed Libya to be “an Arab, democratic, and free Republic, which constitutes part of the Arab nation and whose objective is comprehensive Arab unity.” Supreme authority rested with the 12-member RCC, which appointed both the prime minister and cabinet. Qadhafi, as chairman of the RCC, was the effective head of state and commander in chief of the armed forces. In March 1977, the nation’s name was changed to the Socialist People’s Libyan Arab Jamahiriya, and the “authority of the people” was proclaimed by a newly convened General People’s Congress (GPC). The people theoretically exercise their authority through a system of some 600 people’s congresses and committees. At the top of this system is the GPC, which replaced the RCC as the supreme instrument of government. The 760 GPC members are chosen out of about 2,700 representatives of the basic people’s congresses. All executive and legislative authority is vested in the GPC, but it meets for only two weeks a year and delegates most of its authority to its own Secretariat and to the General People’s Committee, in effect the cabinet, which is appointed by the Secretariat. GPC members serve three-year terms. Voting for local people’s congresses, whose elected members select members of the GPC, is mandatory for those over 18. In 1979, Qadhafi gave up his official post as secretary-general of the GPC to become a “private citizen.” As “Leader of the Revolution,” however, he remains the de facto head of state. He also remains the commander of the armed forces and virtually all power is concentrated in him and his close advisers. In 1988, public discontent with shortages led Qadhafi to limit the authority of revolutionary committees, release many political prisoners, and remove restrictions on foreign travel and private enterprise.

In the 1990s Qadhafi saw his regime challenged by discontented military personnel and Islamist groups. Several assassination attempts have been reported, both within the military and from armed Islamist groups. His intolerance of opposition has contin-

ued. In March 1997 the GPC adopted the Charter of Honor, imposing collective punishment on Libyans convicted of crimes of disorder, such as sabotage, drug and arms trafficking, and “terrorists, criminals, saboteurs and heretics.” The charter is clearly aimed at opponents of the regime.

### **14 POLITICAL PARTIES**

Political parties have not played an important role in Libya’s history. All political parties were banned in 1947 by British administrators, but many groups soon emerged to debate their country’s future. By 1949, the Tripolitanian National Congress Party, led by Bashir Sadawi, was the leading party. However, it was dissolved in 1952, following local disorders, after Libya’s first election campaign.

In 1971, the RCC founded the Libyan Arab Socialist Union as an alternative to political parties. It was viewed as an organization to promote national unity but has functioned little since 1977. Seven exiled opposition groups agreed in Cairo in January 1987 to form a joint working group, but their work had no discernible impact on political conditions in Libya. The following groups have been in opposition to the government: Fighting Islamic Group, Islamic Martyrs’ Movement, Libyan Baathist Party, Libyan Conservatives’ Party, Libyan Democratic Movement, Libyan Democratic Authority, Libyan Democratic Conference, Libyan Movement for Change and Reform, Libyan National Alliance, Movement of Patriotic Libyans, National Front for the Salvation of Libya, Libya Islamic Group, and Supporters of God.

### **15 LOCAL GOVERNMENT**

Jamahiriya means “state of the masses” and politically implementing this system would involve a process of total decentralization of power, whereby all decisions would be left to the citizens via direct democracy. One source claims that in 1998 the GPC divided Libya into 26 governorates (Sha’biyah), each to be headed by the secretary of a people’s committee. However, other sources differ on the structure of the local government. According to some sources, Libya is divided into 3 provinces, 10 governorates, and 1,500 administrative communes. One source lists a subdivision of 34 governorates. The CIA reports that there are 25 “municipalities,” but notes that they may have been replaced by 13 “regions.” There are municipal people’s congresses, as well as vocational, production, professional, and craft people’s congresses. Although in theory Qadhafi plans to decentralize power to the 600 popular congresses, most decision-making power is tightly controlled by the central government. The municipal people’s congresses appoint people’s committees to execute policy.

### **16 JUDICIAL SYSTEM**

The Proclamation of People’s Authority designates the Holy Quran as the law of society. The Libyan legal system largely follows Egyptian codes and precedents. All cases relating to personal status are dealt with according to Muslim law. Minor civil and commercial cases were heard in summary courts by a sitting judge in each village and town until January 2005. Cases of the first instance are heard by courts of first instance, and appeals may be taken to courts of appeal. A separate body called the Shariah Court of Appeals hears cases appealed from the lower courts involving Islamic law. There is also a Supreme Court, consisting of a president and

judges appointed by the GPC. It may deal with constitutional and legislative questions referred to it and may hear administrative cases. Special revolutionary courts try political offenses.

The 1994 Purge Law provides for the confiscation of private assets above a certain amount. The law requires that the confiscated property should be given to the poor.

## 17 ARMED FORCES

In 2005, the armed forces of Libya numbered 76,000 active and some 40,000 reserve personnel. The Army had an estimated 45,000 personnel armed with 2,025 main battle tanks, 120 reconnaissance vehicles, over 1,000 armored infantry fighting vehicles, 945 armored personnel carriers, and over 2,421 artillery pieces. The Navy had 8,000 personnel including the Coast Guard. Major naval units included 5 tactical submarines, 2 frigates, 4 corvettes and 23 patrol/coastal vessels. The Air Force numbered an estimated 23,000 active personnel, operating 374 combat capable aircraft, including 7 bombers, 229 fighters and 113 fighter ground attack aircraft. The service also had 60 attack helicopters. The military budget was \$620 million in 2005.

## 18 INTERNATIONAL COOPERATION

Libya joined the United Nations on 14 December 1955 and is a member of ECA and several nonregional specialized agencies, such as the FAO, UNESCO, IAEA, IFC, ILO, the World Bank, and the WHO. The country joined the Arab League in 1953, the OAU (now the African Union) in 1963, and OPEC in 1962. In January 1968, it was a founding member of OAPEC, along with Saudi Arabia and Kuwait. Libya also belongs to the African Development Bank, the Arab Bank for Economic Development in Africa,

the Arab Fund for Economic and Social Development, the Council of Arab Economic Unity, the Community of Sahel and Saharan States (CENSAD), the Arab Maghreb Union, the New Partnership for Africa's Development (NEPAD), and G-77. The country is an observer in the WTO.

Libya has been listed as a State Sponsor of Terrorism by the United States, even though the government has offered strong commitments to the United Nations to renounce and fight against terrorism. Libya is part of the Nonaligned Movement. In environmental cooperation, Libya is part of the Basel Convention, the Convention on Biological Diversity, the London Convention, the Montréal Protocol, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Until the late 1950s, Libya was one of the poorest countries in the world. In 1950, per capita annual income was about \$40, while Libya's most valuable source of foreign earnings was the revenue received for leasing bases to the United Kingdom and United States (the bases were vacated in 1970). But with the discovery of the Zaltan oil field in 1959, the economic horizons of the country were dramatically enlarged. The first oil pipeline, from B'ir Zaltan to the coast, was opened in 1961. More oil fields were subsequently discovered, until in 1970 a peak oil output of 159.9 million tons was achieved. Production has fallen since then, but its value has increased, and Libya remains one of the world's leading oil producers. Petroleum, petroleum products, and natural gas accounted for almost all the value of exports and for one-quarter of

GDP in 2002. As of 2002, Libya had 12 oil fields with reserves of 1 billion barrels or more each, and two others with reserves of 500 million–1 billion barrels.

Until the late 1950s, about 80% of the population was engaged in agriculture and animal husbandry; in 1999, however, only 18% of the labor force was engaged in agricultural pursuits. Agriculture, forestry, and fishing represented only 5% of GDP in 1999. A massive water pipeline project, called the Great Man-made River (GMR) project was initiated in 1984, and was expected to take 25 years to complete. The GMR is built to carry water in a 427 km (267mi) pipeline from 225 underground wells to a 3.3 million liter (880,000 gallon) reservoir. This scheme envisaged providing irrigation large areas devoted to cereal cultivation. The government believed that this project would help Libya achieve self-sufficiency in grain (the country has to import at least 75% of its food needs). Total costs of the GMR were likely to exceed \$25 billion.

The GDP was believed to have fallen 20% during 1984–86 due to low oil prices. After 1985, growth rates fluctuated sharply, reflecting changes in the oil market. Growth in GDP fell by 3% in 1998 due, once again, to falling oil prices, but prices rose in 1999–2000, leading to an increase in export revenues and a rise in GDP growth to 3% in 2001. In 2002, Libya devalued the official exchange rate of the dinar by 51% to increase the competitiveness of its firms and to attract foreign investment. At the same time it cut its customs duty rate by 50% on most imports to offset the effects of the currency devaluation.

Between 1992 and 1999, during the UN-imposed air embargo, many large projects were postponed because of budget restrictions. Libya's isolation slowed the pace of oil exploration through the absence of major foreign oil companies. Lack of outlets limited the development of refineries, petrochemicals, and gas facilities. In 1999, the UN sanctions on Libya—an air and arms embargo—were suspended because of the extradition of two suspects in the bombing of the Pan Am flight over Lockerbie. Oil companies are eager to exploit Libya's resources, and Libya as of 2003 was actively courting foreign companies to help develop its production capacity from 1.5 million barrels per day to 2 million barrels per day over a five-year period. Libya is looking to cast itself as a key economic intermediary between Europe and Africa.

The economy expanded by 9.3% in 2004, up from 9.1% in 2003; in 2005, the GDP growth rate was estimated at 8.5%. The inflation rate was in the negatives for some years, and at -3.4% in 2004 it posed problems to the export sector. The unemployment rate was 30% and represented one of the main problems the government had to deal with. The oil sector continued to be the main foreign exchange provider, but revenues from it are unevenly distributed across the different layers of society. The country's geographic location and its poor soils limit agricultural output, which means that most of the food (75%) has to be imported.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Libya's gross domestic product (GDP) was estimated at \$48.2 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$8,400. The annual

growth rate of GDP was estimated at 8.5%. It was estimated that agriculture accounted for 7.6% of GDP, industry 49.9%, and services 42.5%.

Foreign aid receipts amounted to \$10 million or about \$2 per capita.

The World Bank reports that in 2003 household consumption in Libya totaled \$10.97 billion or about \$1,973 per capita based on a GDP of \$23.5 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings.

## 2<sup>1</sup> LABOR

As of 2005, Libya's labor force totaled an estimated 1.64 million people. Unemployment as of 2004 was put at 30%. It was estimated that for 1997 (the latest year for which data was available), 17% of the workforce was in agriculture, with 29% in industry and 54% in the services sector. Foreign workers, who do much of the blue-collar and technical work, are not treated with equality under Libyan labor law, and may only stay in the country for the duration of their employment contracts. The largest employer is the government, which operates public utilities, public works, several banks, the port and harbor organizations, and other enterprises.

The National Trade Unions' Federation is the official trade organization, and any independent union or association is prohibited. All Libyan workers are required to join a trade union. Foreign workers may not join unions and have little protection. There is no collective bargaining; the government controls all employment matters. Strikes are not permitted. Foreign workers make up a large part of the labor force, but are subject to arbitrary treatment.

There is no information about the prevalence of child labor although the minimum age for employment is legally set at 18 years old. The maximum legal workweek is 48 hours. The average family wage is estimated at \$170 a month, but it is reported that employees are irregularly paid, especially in the public sector.

## 2<sup>2</sup> AGRICULTURE

Only about 1.2% of the country is cultivated. As of 2003, irrigation covered about 470,000 hectares (1,161,000 acres), or 22% of the cultivated area.

Agriculture is the only economic sector in which private ownership is still important. Cereals are grown in Tripolitania and Cyrenaica; agriculture in the Fezzan is concentrated in the oases. Virtually all crops are grown for domestic consumption. Nevertheless, most agricultural products must be imported; the cost, in 2004, was over \$1.1 billion. Estimated agricultural output in 2004, in tons, included potatoes, 195,000; tomatoes, 190,000; wheat, 125,000; and barley, 80,000. The 2004 production of fruits, in tons, included watermelons, 240,000; dates, 150,000; olives, 180,000; oranges, 44,000; and apples, 20,000.

Libya is investing a significant share of national revenues in agriculture in the hope of someday becoming agriculturally self-sufficient; cultivation has been changing from subsistence farming to highly mechanized operations. Development plans aim to increase irrigation and introduce and extend the use of advanced techniques; seeds and fertilizers have been subsidized. Areas singled out for development include the Al-Jifara Plain in Tripolitania; the Jabal Akhdar, east of Banghāzī; part of the Fezzan; and

the oases of Kufrah and Sarir. In the Kufrah oasis, large, untapped water reserves are being utilized to help provide fodder for sheep. In 1984, Libya embarked on a massive project to pipe water to the coast from underwater aquifers. The project was designed to transport 2 million cu m of water per day via 2,000 km (1,240 mi) of pipeline from 270 artesian wells in the east to connect Sirte and Banghāzī. The first phase was inaugurated in 1991 at a cost of \$5 billion; the total project is estimated to cost \$25 billion. In all, the scheme would provide 50 years of irrigation to the coastal areas, where 80% of Libya's agriculture is located.

A government agency markets farm produce and has authority to operate cooperatives and farms. The Agricultural Bank has been provided with sufficient capital to make short- and long-term loans easily available.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Before the transformation of the economy by the discovery of oil, livestock was an important sector, providing transport, clothing, food, and skins for tents. South of the Jabal areas, a wide belt of drought-resistant vegetation extending across most of the country is still used by nomadic and seminomadic herdsmen for grazing. In the Fezzan, the nomads move about between oases or other places where vegetation is suitable for their animals. Libya's livestock are vulnerable to disease and drought, and in past years losses have reached as high as 60%.

The livestock population of Libya in 2005 included 4,500,000 sheep, 1,265,000 goats, 130,000 head of cattle, 47,000 camels, 45,000 horses, 30,000 donkeys, and 25 million chickens. Private dairy farms are allowed to operate, but their milk has to be sold to the state. The government maintains large poultry farms.

New strains of livestock and more efficient grazing practices are being encouraged. The government hopes its development plans will make Libya self-sufficient in meat supplies. Livestock products in 2005 included 142,000 tons of meat, 60,000 tons of eggs, and 130,000 tons of cow's milk.

## 2<sup>4</sup> FISHING

Fishing is of minor importance, but the government is actively supporting extension of fishing and related activities, including the construction of sardine canning factories and modern storage facilities in the principal ports and the creation of local fishing fleets. Libya's excellent fishing grounds contain tuna, sardines, and other fish. The catch was 33,671 tons in 2003. Landings of bluefin and bigeye tuna have sharply increased since 1990. The value of fish exports significantly rose from \$380,000 in 1990 to \$79.5 million in 2003.

## 2<sup>5</sup> FORESTRY

The only important forest areas in Libya are shrubby juniper growths in the Jabal Akhdar areas of Cyrenaica. A few conifers are found in more isolated districts. Tripolitania has some forest remnants in inaccessible regions. Encroaching sand dunes in the north create a need for afforestation, and many acacia, Aleppo pine, carob, cypress, eucalyptus, olive, and palm trees have been planted. Some 358,000 hectares (884,600 acres) of Libyan territory are classified as "forest," but almost all of this land could more properly be called maquis. Dune fixation, both for reforestation

and to preserve agricultural land, has been an important part of the forestry program.

Up to 1976, the government had planted 213 million seedlings, mostly in western Libya. By 1981, 165,405 hectares (408,722 acres) of forest and 63,443 hectares (156,770 acres) of windbreak had been planted. During the 1980s, reforestation was proceeding at the rate of 32,000 hectares (79,000 acres) per year, but that rate slowed to 5,000 hectares (12,300 acres) during the 1990s. In 2004, roundwood removals were estimated at 652,000 cu m (23 million cu ft), of which 536,000 cu m (18.9 million cu ft) were used for fuel.

## 26 MINING

The nonfuel sector of the Libyan mining industry was negligible. Petroleum was Libya's leading industry in 2004, although oil production has fallen to under 50% of output in 1970. Libya was the third-largest crude oil producer in Africa, after Nigeria and Algeria. Nonhydrocarbon mineral production in 2004 consisted of lime, gypsum, hydraulic cement, salt, and sulfur (as a by-product of petroleum and natural gas). Estimated production in 2004 included: 1,026,000 metric tons of lime; 175,000 tons of gypsum; 15,000 metric tons of sulfur (by-product of petroleum and natural gas); 3.5 million metric tons of hydraulic cement; and 40,000 metric tons of salt. Libya had large reserves of iron ore in the Fezzan. The Wadi ash-Shatti iron ore deposit was estimated to contain 1,600 million tons of oolitic hematite, limonite, chamosite, and siderite with a grade range of 30%–48% iron. There were also deposits of magnesium salts (7.5 million tons) and potassium salts (1.6 million tons) in Maradah, south of the Port Brega oil terminal; potash in the Sirte Desert; and magnetite, phosphate rock, and sulfur.

## 27 ENERGY AND POWER

Libya is a major exporter of oil, mainly to Europe, mainly to Italy, Germany, France and Spain. The country is also a member of the Organization of Petroleum Exporting Countries (OPEC).

According to the Oil and Gas Journal, Libya's proven oil reserves, as of 1 January 2005, amount to 39 billion barrels. Although Libya has 12 oil fields, each with reserves of 1 billion barrels or more, plus two other fields with reserves in the 500 million to one billion barrel range, the country remains highly unexplored and is viewed as having excellent potential for additional oil discoveries.

Because Libya is a member of OPEC, its crude oil production is subject to a quota, which as of 1 November 2004, was placed at 1.445 million barrels per day. In 2004, Libya's oil output averaged an estimated 1.60 million barrels per day, of which crude oil accounted for 1.51 million barrels per day, and natural gas liquids at 65,000 barrels per day. Domestic oil demand in 2004 was estimated at an average of 237,000 barrels per day. Net exports in that year were estimated at an average of 1.34 million barrels per day.

Libya's domestic refining sector that is made up of five refineries, with a combined capacity of around 380,000 barrels per day, which is greater than its domestic consumption and allows to country to export refined petroleum products. The five refineries and their crude refining capacities are: the Ras Lanuf facility on the Gulf of Sirte (220,000 barrels per day); the Az Zawiyah refinery (120,000 barrels per day); the Tobruk refinery (20,000 barrels per day); the Brega (Libya's oldest at 10,000 barrels per day); and

the Sarir (10,000 barrels per day). Libya is also a direct distributor and producer of refined products in Germany, Switzerland, Italy and Egypt.

In addition to oil, Libya has large proven reserves of natural gas, which as of 1 January 2005, were estimated, by the Oil and Gas Journal, to contain 52 trillion cu ft. However, these reserves are thought to be larger because they are largely unexplored and unexploited. These potential reserves have been placed by Libyan experts at between 70 to 100 trillion cu ft. In 2002, natural gas output was estimated at 219 billion cu ft, with domestic demand in that year estimated at 197 billion cu ft. Libya is looking to expand its output of natural gas, in part as a replacement for oil in electric power generation, thus freeing up more oil for export, and for natural gas exports to Europe.

Libya's electric power generating sector is marked by rapidly increasing demand that has resulted in widespread power shortages. All of the country's existing power stations use conventional thermal fuels. Most facilities use oil, but others have been converted to use natural gas. Total electric power generating capacity in 2002 was estimated at 4.710 million kW, with output in that year at 14.424 billion kWh. Demand for electric power in Libya is growing rapidly at a rate of about 6–8% per year. In 2002, demand for power came to 13.414 billion kWh. By 2010, demand for power in Libya is anticipated to reach 5.8 GW and 8GW by 2020.

## 28 INDUSTRY

Libyan manufacturing industries developed significantly during the 1960s and 1970s, but fell far behind the petroleum sector of the economy in the 1980s. Non-oil manufacturing and construction sectors accounted for about 20% of GDP in 2002.

Libya is Africa's largest oil producer. Libya's oil and gas potential is vast and the country remains largely underexplored. The country's proven oil reserves are 29.5 billion barrels and production is 1.4 million barrels per day. Among the many industries utilizing petroleum products is a natural gas liquefaction plant which went into operation in 1971 at Marsá al-Burayqah (Port Brega). Libya is a direct producer of refined products in Italy, France, Germany, Spain, and Switzerland. The refining sector was adversely affected by the UN embargo; several projects for expanding domestic refining were delayed. When UN sanctions were suspended in 1999, foreign oil companies showed a keen interest in investing in the exploration and production of oil in Libya.

The petrochemicals industry is centered at the Marsá al-Burayqah plant, which produces methanol, ammonia, and urea. Despite the fact that the plant operates at only 35% of capacity, its production of urea and ammonia far exceeds domestic demand. A major plant producing ethylene, propylene, and butene was opened at Ras Lanuf in 1987. A second phase of the Ras Lanuf complex was to produce benzene, butadiene, methyl tertiary butyl ether (MTBE), and butane-1, but as of 2000, it was not complete. The Abu Kammash petrochemical complex produces ethylene dichloride (EDC), polyvinyl chloride (PVC), and vinyl chloride monomer (VCM). The iron and steel complex at Mişratāh began operations in 1990. Large natural gas reserves were underdeveloped in 2002; a pipeline network was expected to be planned by 2006.

Libya's other manufacturing industries are small, lightly capitalized, and devoted primarily to the processing of local agricultural products (tanning, canning fruits and vegetables, milling flour,

and processing olive oil), and to textiles, building materials, and basic consumer items. Handicraft products include carpets and rugs, silver jewelry, textiles, glassware, and leather goods.

Industry accounted for 49.9% of economic output in 2005, followed by services with a 42.5% share. Agriculture continued to be the weakest economic sector, with just a 7.6% share in the GDP. Oil and gas carry the lion share of industrial output, accounting for around 33% of the GDP. The non-oil manufacturing and construction sectors had expanded and by the early 2000s they included the production of petrochemicals, iron, steel, and aluminum.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

There is a predominance of foreign labor in scientific and technical positions. Al-Fatah University at Tripoli (founded in 1973) has faculties of science, engineering, agriculture, medicine, pharmacy, veterinary medicine, nuclear engineering, and petroleum and mining engineering. The University of Garyounis at Banghāzī (founded in 1955) has faculties of science and engineering. Bright Star University of Technology at Marsā al-Burayqah (founded in 1981) has faculties of basic engineering science, electrical and electronic engineering, mechanical and production engineering, chemical engineering, and petroleum engineering. Al-Arab Medical University at Banghāzī was founded in 1984. Sabhā University has faculties of science, agriculture, medicine, and engineering. A posts and telecommunications institute is at Tripoli.

Despite its abundant oil and gas reserves, Libya is highly interested in nuclear power. A 10-MW research reactor is located at Tajura.

## 3<sup>0</sup> DOMESTIC TRADE

Tripoli, the leading port and transportation center, is the focus of trading activities. In 1978, Qadhafi announced that individuals should cease engaging in trade or marketing, and in 1979 the private import-export trade was banned. In 1981, all shops were closed and replaced by huge supermarkets with stocks purchased by the state. About a dozen basic commodities are price-subsidized, and a rationing system was established in 1984. Because of an acute shortage of consumer goods, including food staples, some private stores were allowed to reopen by 1987. The nation depends heavily on imports for basic food products, since the agricultural sector only provides for about 25% of the nation's food supply as of 2002. The sale of alcohol is prohibited.

An annual international trade fair is held in Tripoli each March. Normal business hours are 7 AM to 2 or 2:30 PM, Saturday through Thursday. Banks are open Saturday through Thursday from 8:30 AM to 12:30 PM in winter and from 8 AM to 12 PM in summer. Summer banking hours also include 4 to 5 PM, Saturday through Wednesday.

## 3<sup>1</sup> FOREIGN TRADE

Libya has long enjoyed a favorable trade balance because of exports of crude oil, mostly to Europe. Crude petroleum and petroleum products make up the majority of Libya's export commodity

### Principal Trading Partners – Libya (2000)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	10,194.9	3,731.5	6,463.4
Italy-San Marino-Holy See	4,343.8	713.1	3,630.7
Germany	1,556.2	440.5	1,115.7
Spain	1,555.0	121.6	1,433.4
Turkey	769.3	36.2	733.1
Tunisia	423.2	189.9	233.3
Greece	270.7	27.4	243.3
United Kingdom	233.6	216.0	17.6
Malta	76.5	39.1	37.4
Netherlands	70.0	87.0	-17.0
Egypt	57.1	68.8	-11.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

market (93%). Other exports include natural and manufactured gas (3.1%), hydrocarbons (1.5%), and fertilizers (1.1%).

In 2005, exports reached \$31 billion (FOB—free on board), while imports grew to \$11 billion (FOB). The bulk of exports went to Italy (37%), Germany (16.6%), Spain (11.9%), Turkey (7.1%), and France (6.2%). Imports mainly came from Italy (25.5%), Germany (11%), South Korea (6.1%), the United Kingdom (5.4%), Tunisia (4.7%), and Turkey (4.6%).

## 3<sup>2</sup> BALANCE OF PAYMENTS

Libya customarily registered balance-of-payments surpluses from 1962 until 1981, thanks to large trade surpluses derived from the export of oil. Declining oil production caused payments deficits

### Balance of Payments – Libya (1999)

(In Millions of US dollars)

<b>Current Account</b>		<b>2,136.0</b>
Balance on goods		2,974.0
Imports	-4,302.0	
Exports	7,276.0	
Balance on services		-930.0
Balance on income		311.0
Current transfers		-219.0
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-1,045.0</b>
Direct investment abroad		-226.0
Direct investment in Libya		-128.0
Portfolio investment assets		-3.0
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		-315.0
Other investment liabilities		-373.0
<b>Net Errors and Omissions</b>		<b>-403.0</b>
<b>Reserves and Related Items</b>		<b>-688.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

from 1981 to 1984. The services and transfers accounts are in deficit because of travel by Libyans abroad, transportation costs, payments to foreign contractors, and remittances by foreign workers. The capital account is also usually in deficit because of Libyan aid and investment abroad. Foreign debt is difficult to calculate because trade debts are often settled by the barter supply of oil.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Libya's exports was \$13.1 billion while imports totaled \$8.7 billion resulting in a trade surplus of \$4.4 billion.

The International Monetary Fund (IMF) reported that in 1999 Libya had exports of goods totaling \$6.76 billion and imports totaling \$4 billion. The services credit totaled \$55 million and debit \$918 million.

Exports of goods totaled \$17 billion in 2004, up from \$15 billion in 2003. Imports grew from \$7 billion in 2003, to \$9 billion in 2004. The resource balance was consequently positive, and fairly constant in both years—\$8 billion. A similar trend was registered for the current account balance, which improved slightly from \$3.6 billion in 2003, to \$3.8 billion in 2004. Foreign exchange reserves (excluding gold) grew to almost \$26 billion in 2004, covering more than three years of imports.

### 33 BANKING AND SECURITIES

The Central Bank of Libya, established in 1956, supervises the national banking system, regulates credit and interest, and issues bank notes. It also regulates the volume of currency in circulation, acts as a banker to the government, provides clearinghouse facilities for the country's commercial banks, and administers exchange control. Since 5 August 1962, the bank has been vested with a monopoly in the import of fine gold.

Libya formerly had branches of many Arab, Italian, and British commercial banks; they were nationalized in 1969. The government ruled that 51% of the capital of each should be taken over by the government, which paid the value of this share. Thus, the Banco di Roma became Umma Bank, Barclays Bank eventually became Jamahiriya Bank, and the Banco di Sicilia became the Sahara Bank. The commercial department of the Central Bank was merged with two small banks to form the National Commercial Bank. In 1972, a reorganization of the commercial banks left the Jamahiriya and Umma banks owned by the Central Bank of Libya; two other institutions, the Sahara Bank and the Wahda Bank, were jointly owned by the Central Bank and private interests.

The National Agricultural Bank, established in 1957, provides advice and guidance on agricultural problems, advances loans to farm cooperatives, and generally assists the agricultural community. The Industrial and Real Estate Bank, founded in 1965, made loans for building, food-processing, chemical, and traditional industries; later it was divided into the Savings and Real Estate Bank and the Development Bank. A decree in 1966 abolished interest on loans made by the government development banks. In 1972/73, the government created the Libyan Arab Foreign Bank, later renamed Jamahiriya Foreign Bank, owned by the Central Bank of Libya, to invest in foreign countries. In 1981, its role in foreign investment was taken over by the Libyan Arab Foreign Investment Co.

In 1997, in addition to the central bank, there were eight other banks in Libya: the Agricultural Bank, Jamahiriya Bank, Libyan Arab Foreign Bank, National Commercial Bank, Sahara Bank, Savings and Real Estate Investment Bank, Umma Bank, and Wahda Bank. In 1994, Libyan financial assets frozen in the United States alone amounted to some \$1 billion. Interest rates are fixed by the central bank, which has applied a discount rate of 5% since 1980. The maximum lending rate for secured loans and overdrafts currently stands at 7%.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$11.3 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$15.2 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 5%.

There are no securities exchanges in Libya.

### 34 INSURANCE

In 1995, all classes of insurance were available through the Libya Insurance Co. and Al-Mukhtar Insurance Co., both state enterprises. All licensed vehicles require third-party liability insurance, and all imported goods must be insured.

### 35 PUBLIC FINANCE

The fiscal year follows the calendar year. There are two budgets, one for ordinary expenses, the other (and larger one) for development. By law, 15% of total oil revenue is put aside yearly into the country's reserves, while 70% of the remainder goes to development expenditures. All non-oil revenues are assigned to cover ordinary expenditures, and any shortfall is made up by transferring some of the petroleum revenues from the development budget. If funds from petroleum revenues are not sufficient to cover development expenses, some planned projects are postponed. Although Libya has used part of its oil revenue to finance internal development (new schools, hospitals, roads) much has been wasted. Limited privatization continued in 1993, involving the sale of some parastatal assets. In 1999, Libya announced the need for \$150 billion of investment in the economy in order to retain a growth rate of 5%; 60–70% of the funds were to be financed by public monies.

The US Central Intelligence Agency (CIA) estimated that in 2005 Libya's central government took in revenues of approximately \$25.3 billion and had expenditures of \$15.4 billion. Revenues minus expenditures totaled approximately \$9.8 billion. Public debt in 2005 amounted to 8% of GDP. Total external debt was \$4.267 billion.

### 36 TAXATION

Individual income taxes are levied at different rates for income from real estate, agriculture, commerce, industry, crafts, independent professions, and wages and salaries. Corporate taxes range from 20–60%. Also levied are a 16.7% royalty on petroleum pro-



duction, a general income tax of up to 90% and a Jihad tax. Indirect taxes in 2002 were mainly sales taxes at various rates.

### 37 CUSTOMS AND DUTIES

As of 1996, the average weighted tariff was 21.3%. Import controls remain extremely tight, even by regional standards, keeping Libya a difficult place to do trade.

Libya has a single-column tariff schedule. Goods from all countries are subject to the same duties. Also levied are customs surcharges totaling 15% of the application customs duties. Almost all customs duties are ad valorem.

### 38 FOREIGN INVESTMENT

Outside of the oil industry, foreign investment in Libya is limited. No foreign investment is allowed in certain areas, including banking, insurance, domestic commerce, and foreign aid. A minimum of 51% of the capital of joint stock companies must be held by Libyans and the chairman of the board of directors must be a Libyan national.

With the massive increase in oil revenues in the 1970s, Libya became a major exporter of capital. Economic cooperation agreements were signed with many African countries and in 1976 Libya purchased 10% of the shares of the Italian auto company Fiat; it sold its Fiat holdings in 1986 for about \$3 billion.

In 1999, with the lifting of international sanctions on Libya, Qadhafi called for foreign investment in the energy sector (hydrocarbons, power, and water). He also encouraged investment in telecommunications, transport, and electricity generation. Under the current prime minister, Ghanem, a large part of the national companies was privatized, and the economy as a whole is considered to be ripe for modernization and foreign investment. Many international oil companies (e.g. Shell) have recently returned to Libya and the tourism sector will likely benefit from investments in hotels and infrastructure.

### 39 ECONOMIC DEVELOPMENT

Under Libya's first five-year development plan (1963–68), several long-run measures were taken to raise industrial production and to expand and improve the quality of agriculture. Of the government's oil revenue, 70% was earmarked for the development plan. Of this total, 23% was allocated for public works, 17% for agriculture, 16% for communications, 13% for education, 7% for public health, and 4% for industry. The 1972–75 development plan targeted a growth of 11% annually in GDP. Investment was allocated as follows: industry and mineral resources, 15%; agriculture, 14%; communications, 14%; housing, 11%; petrochemicals, 11%; and education, 9%. The 1976–80 development plan invested principally in agriculture, 20%; communications, 14%; industry, 13%; and housing, 12%. The 1981–85 development plan called for investment in industry, 23%; agriculture, 18%; communications, 12%; and electricity, 12%. The drop in oil income caused a contraction in planned projects, however. The plan for 2001–05 foresaw \$35 billion total of investments, mostly in hydrocarbons, power, and water, with a projected GDP growth rate of 5%.

In 1980, Libyan bilateral aid to developing countries totaled 0.90% of GNP. In 1981, however, the total was only 0.39% of GNP. In 1981, Libya also contributed funds to multilateral aid organizations, principally to the Arab agencies and the OPEC Fund. As of

1987, the investments of the Libyan Arab Foreign Investment Co. included 30 companies in Arab countries. There are also significant Libyan holdings in African countries.

According to BIS, Libya increased its deposits in foreign banks in 1986, while at the same time reducing its outstanding debt. By 1989 Libya's net creditor position with BIS reporting banks had declined almost two-thirds in 1987. However, rising deposits in 1990 reflecting soaring oil revenues because of the Persian Gulf crisis, combined with reduced liabilities, led to a positive net balance. Due to the decline in oil export receipts in 1991, this surplus was reduced by one-third. Frozen assets in US banks netted \$1 billion in 1994. The 1999 lifting of sanctions saw increased foreign investment.

In 2003, the government planned to diversify the economy away from its total dependence on oil, which accounts for 95% of Libya's foreign currency. Tourism was one sector of the economy targeted for development, and those working in the industry have encouraged the formation of commercial banks to finance tourism projects. The Tourism Development Bank, 80% of whose shares are held by the private sector, was one example of this initiative. Qadhafi in 2003 urged Libyans to undertake investment projects such as road and port projects, and communication and industrial production projects. The oil sector was not to be privatized, but rather open to investment, while the public sector would not be entirely dismantled, but would work with the private sector. Qadhafi reaffirmed the need to establish people's socialism as the foundational economic structure of society, whereby companies would not be owned by the state, but by the people who run them, assisted by foreign investors where necessary. Libya initiated a \$35 billion investment plan for 2002–05. In July 2004, Libya applied for membership in the WTO; as of late 2006, the Working Party committee to consider the application had not met.

The economy was expected to expand vigorously. Thus, by 2006, the GDP growth rate was projected to be 8.1%—the result of slower output in the oil sector.

### 40 SOCIAL DEVELOPMENT

By law, all employees are entitled to sickness, invalid, disability, death, and maternity benefits and unemployment payments. The cost of these programs is shared by employers, employees, and the government. Survivor benefits are paid to widows, siblings, or sons. Rehabilitation programs are provided for sick and disabled employees to provide them with new employment opportunities. Lump sum grants are provided for maternity, births, and funerals. There is no statutory benefits for unemployment, and there are limited family benefits under Social Care Fund legislation.

Despite a constitutional proclamation providing equality for women, customary Muslim restrictions still apply. Women are granted full legal rights, but few women work outside of the home, and those who do remain in low-paid positions. There is evidence to suggest that younger, urban women are gradually becoming more emancipated. Younger women in urban areas have largely discarded the veil, although in rural areas it is still widely used. Women still must obtain their husband's permission in order to leave the country. Violence against women remains a serious problem and is not discussed publicly.

There have been many reports of continuing human rights violations, including torture. Under Libyan law, persons may be de-

tained incommunicado for unlimited periods, and the government has defended its practice of imprisoning political dissenters. Citizens do not have the right to legal counsel or to fair public trials. The government discriminates against ethnic and tribal minorities, and restricts freedom of speech, press, movement, assembly, religion, and association.

#### 41 HEALTH

In 2004, there were an estimated 129 physicians, 360 nurses, 14 dentists, and 25 pharmacists per 100,000 people. Approximately 72% of the population had access to safe drinking water and 97% had adequate sanitation.

Widespread diseases include typhoid, venereal diseases, and infectious hepatitis. In 1992, the UN approved trade and air traffic embargoes affecting the economy and health care system. With the assistance of the World Health Organization, Libya has eradicated malaria, once a major problem. Tuberculosis is still prevalent.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 27.6 and 3.5 per 1,000 people. The infant mortality rate was 24.6 per 1,000 live births in 2005. The fertility rate in 2000 was 3.5 children per woman during her childbearing years. The maternal mortality rate was estimated at 75 per 100,000 live births. The average life expectancy was 76.50 years in 2005. Immunization rates for children up to one year old were: diphtheria, pertussis, and tetanus, 96%, and measles, 92%. Diarrheal diseases took the lives of 4,683 Libyan children under five years of age in 1995.

The HIV/AIDS prevalence was 0.30 per 100 adults in 2003. As of 2004, there were approximately 10,000 people living with HIV/AIDS in the country.

#### 42 HOUSING

Increasing urbanization has created slum conditions in the major cities. There have been slum clearance and building projects since 1954. Around 125,000 new homes were built between 1969 and 1977. Low-income families were allowed to buy ready-made houses from the state at 10% of cost or to build their own homes with interest-free loans. Real estate was the main area of private investment until 1978, when most tenants were made owners of their residences. The state paid full compensation to landlords for confiscated property and resold it to tenants at subsidized prices. As of the late 1980s, the last period for which housing information was available, total housing units numbered 700,000 with 5.6 people per dwelling.

#### 43 EDUCATION

When Libya attained independence, about 90% of its population was illiterate, and there were few university graduates. Since then, the government has invested heavily in education, which is free at all levels. In 1985, the number of years of compulsory schooling was increased from six to nine years. Many students are enrolled in kindergarten programs of one or two years. Basic (primary) education covers nine years of study. This is followed by four years of specialized secondary education or four years of vocational school. The academic year runs from September to June.

In 2001, about 8% of children between the ages of four and five were enrolled in some type of preschool/kindergarten program. In 1994, primary schools had 1,357,040 pupils. Secondary schools

had 310,556 pupils in 1992. Of these, 26,393 were in teacher training schools and 94,961 were in vocational schools. There has been a rapid increase in the number of students attending vocational schools, from 16,008 in 1980 to 118,564 in 1993.

The two main universities are Al-Fatah University and University of Garyounis in 1976. The Bright Star University of Technology at Marsá al-Burayqah was founded in 1981. There were also two higher institutes of technology and one of mechanical and electrical engineering. In 2003, about 58% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 81.7%, with 91.8% for men and 70.7% for women.

As of 2003, public expenditure on education was estimated at 2.7% of GDP.

#### 44 LIBRARIES AND MUSEUMS

The National Library in Banghāzī holds 150,000 volumes, including the official documents of the Arab League. The public library in Banghāzī had 14,000 volumes in 2002. Libya's largest library, with 295,000 volumes in 2002, is at the University of Garyounis; at that time, the Government Library in Tripoli had 37,000 volumes. The National Archives, which have an extensive collection of documents relating to the history of Tripolitania under Ottoman rule, are in Tripoli. In addition, France and Italy maintain cultural centers with libraries in the national capital. The Libyan Studies Center in Tripoli holds 100,000 volumes.

The museums exhibit mainly antiquities excavated from various Greek, Roman, Byzantine, and Arabic sites. The Department of Antiquities is responsible for all museums and archaeological sites in the country. Tripoli houses the Archaeological Museum, Epigraphy Museum, Ethnographic Museum, Natural History Museum, Prehistory Museum, and Islamic Museum. There are other museums, mainly archaeological, at Cyrene, Homs, Gaigab, Germa, Leptis Magna, Tokrah, Zanzur, Marsa Susah, and Sabrata.

#### 45 MEDIA

Postal, telephone, and wireless services are owned and operated by the government. Radiotelephone ties exist between Tripoli and European centers. In 2003, there were an estimated 136 mainline telephones for every 1,000 people. The same year, there were approximately 23 mobile phones in use for every 1,000 people.

The Socialist People's Libyan Arab Jamahiriya Broadcasting Corp. broadcasts on radio in Arabic and English, and on television in Arabic, English, Italian, and French. As of 2005, there were no privately owned broadcasting stations. In 2003, there were an estimated 273 radios for every 1,000 people. The number of television stations was not reported in the same survey. The same year, there were 23.4 personal computers for every 1,000 people and 29 of every 1,000 people had access to the Internet.

In 2002, there were three major daily newspapers. *Al-Fair Al-Jadeed* (The New Dawn) published in Tripoli, with circulation of about 40,000. The other dailies included *Al-Jihad* and *Libyan Press Review*. All print media is owned by the government.

The state is said to restrict all expression and opinion on matters deemed crucial to Qadhafi or his regime. All political activities, including publication and broadcasting, which are not officially approved are banned. Vague laws exist by which any speech or expression may be interpreted as illegal. It is said that there is a

pervasive system of informants, which creates an atmosphere of mistrust and self-censorship at all levels of society.

#### 4<sup>6</sup> ORGANIZATIONS

There are chambers of commerce in Tripoli and Banghāzī. Libya has few nongovernment organizations. Membership in an illegal organization was made a capital offense in 1975. Youth organizations include the General Union of Great Jamahiriya Students, which has a membership consisting of all Libyan students registered at both secondary and tertiary educational institutions throughout the country. There is also a Libyan Public Scout and Girl Guide movement. Several sports associations and clubs are active throughout the country. The Gaddafi Charity Foundation encourages volunteer efforts in social welfare and human rights programs. The Red Crescent Society and Caritas have active national chapters.

#### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Tourists are attracted to Libya's climate, extensive beaches, and magnificent Greek and Roman ruins. However, tourist facilities are not widely available, because tourism has been discouraged during the tenure of Qadhafi. It suffered a further blow with the 1992 imposition of UN sanctions related to the bombing of a Pan Am jet over Lockerbie, Scotland; UN sanctions were lifted in September 2003 when Libya resolved this case.

All visitors, except Arab nationals, need a valid passport and visa. Visitors must register at the nearest police station within three days of arrival to avoid problems either during their stay or when departing. In 2003, Libya had 957,896 foreign visitors. Of these visitors, 44% came from Egypt. There were 12,405 hotel rooms with 20,967 beds and an occupancy rate of 45%.

According to the US Department of State, the 2005 estimated cost of staying in Tripoli was \$344.

#### 4<sup>8</sup> FAMOUS LIBYANS

As Roman emperor, Septimius Severus (r.193–211) was responsible for initiating an extensive building program at his native Leptis Magna. Muhammad bin 'Ali as-Sanusi (1780?–1859), the founder

of the Sanusi order, established its headquarters in Cyrenaica in the 1840s. Muhammad Idris al-Mahdi as-Sanusi (1890–1983), his descendant, was Libya's first king, ruling the country from its independence until he was deposed in 1969. Col. Mu'ammad Muhammad al-Qadhafi (b.1942) became the actual ruler of the country at that time. Omar al-Muntasser (1939–2001) became secretary-general of the General People's Committee in 1987.

#### 4<sup>9</sup> DEPENDENCIES

Libya has no territories or colonies.

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# MADAGASCAR

Democratic Republic of Madagascar  
*République Démocratique de Madagascar;*  
*Repoblika Demokratika n'i Madagaskar*

**CAPITAL:** Antananarivo

**FLAG:** The flag consists of a white vertical stripe at the hoist flanked at the right by two horizontal stripes, the upper in red, the lower in green.

**ANTHEM:** *Ry Tanindrazanay Malala O (Our Beloved Country).*

**MONETARY UNIT:** The Malagasy franc (FMG) is a paper currency. There are coins of 1, 2, 5, 10, 20, 25, 50, 100, and 250 Malagasy francs and notes of 50, 100, 500, 1,000, 2,500, 5,000, 10,000, and 25,000 Malagasy francs. FMG1 = \$0.00051 (or \$1 = FMG1,960) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is generally used.

**HOLIDAYS:** New Year's Day, 1 January; Commemoration of 1947 Rebellion, 29 March; Labor Day, 1 May; Independence and National Day, 26 June; All Saints' Day, 1 November; Christmas, 25 December; Anniversary of the Democratic Republic of Madagascar, 30 December. Movable religious holidays include Good Friday, Easter Monday, Ascension, and Pentecost Monday.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated off the southeast coast of Africa, Madagascar is the fourth-largest island in the world, with an area of 587,040 sq km (226,657 sq mi), extending 1,601 km (995 mi) NNE–SSW and 579 km (360 mi) ESE–WNW. Comparatively, the area occupied by Madagascar is slightly less than twice the size of Arizona. It is separated from the coast of Africa by the Mozambique Channel, the least distance between the island and the coast being about 430 km (267 mi). The coastline of Madagascar is 4,828 km (3,000 mi). Madagascar claims a number of small islands in the Mozambique Channel—the Îles Glorieuses, Bassas da India, Juan de Nova, and Europa—covering about 28 sq km (11 sq mi), which are administered by France.

Madagascar's capital city, Antananarivo, is located near the center of the island.

## <sup>2</sup> TOPOGRAPHY

Madagascar consists mainly of a block of crystalline rocks. It is generally described as a plateau, rising sharply from the narrow plain of the east coast and descending in a series of steps to the strip of sedimentary rocks along the west coast. The high plateau is much indented and, on the eastern edge, cut by deep gorges and waterfalls.

There are numerous volcanic outcrops that produce heights over 1,800 m (6,000 ft); the highest point is Mount Maromokotro (2,876 m/9,436 ft) in the Tsaratanana Massif. The eastern coast is almost straight and has very few anchorages. Behind its coral beaches there is an almost continuous line of lagoons from Foulpointe to Farafangana. These are linked by manmade channels to form an inland waterway called the Pangalanes Canal. The island's major rivers flow westward and are navigable for about 160 km (100 mi) inland.

## <sup>3</sup> CLIMATE

The climate of the eastern and northwestern coasts is dominated by the almost constant blowing of the southeasterly trade winds, which carry heavy rains during the austral winter (May to September). The central plateau and the western coast are sheltered from these winds but receive rain from the monsoon winds, which blow during the austral summer (October to April). Neither the trade winds nor the monsoons reach the southern part of the island, which consequently receives little rain and is, in places, a semidesert. The central plateau enjoys a tropical mountain climate with well-differentiated seasons. Generally speaking, the climate throughout the island is moderated by altitude, with the coast being hotter (average temperatures 21–27°C, or 70–80°F) and wetter than the plateau (average temperatures 13–19°C, or 55–67°F). Toamasina (Tamatave), on the east coast, has 284 cm (112 in) of rainfall annually, while Antananarivo, inland, has about 140 cm (55 in). Occasional cyclones have been devastating.

## <sup>4</sup> FLORA AND FAUNA

The flora and fauna of Madagascar have developed in isolation from those of Africa, and the flora is highly specialized. Scientists hold that Madagascar was originally covered with evergreen forests in the wetter areas of the east and north, which gave place to savanna on the plateau and semiarid vegetation in the south. Much of the original vegetation was destroyed by burning, so that the evergreen forest is now found only in a narrow strip along the steep eastern edge of the plateau, from north to south. Where the forest was destroyed, it was replaced by bush known as savoka, especially in the narrow east coast plain. There are a few small patches of deciduous forest in the northwest and west and mangrove swamps are general along the northwest and west coasts. Most of Madagascar is covered with a rather bare savanna-steppe,

green in the wet season but brown and red in the summer. The greater part of the plateau has a covering of laterite and fertility is low. The extreme south is free of laterite, but lack of rainfall prevents the greater fertility from being of much practical use.

The fauna is remarkable chiefly because of the presence of 28 species of lemur, a lower primate largely confined to Madagascar. The island has 32 species of chameleon. Among the 172 species of birds, 105 are found nowhere else in the world. The same is true for about 80% of the island's flowering plants and more than 95% of its reptiles. Madagascar is also unusual in its lack of poisonous snakes and, except for recent introductions, useful mammals. As of 2002, there were at least 141 species of mammals over 9,000 species of plants throughout the country.

## 5 ENVIRONMENT

Erosion, caused by deforestation and overgrazing, is a serious problem in Madagascar. Many farmers burn off their old crops at the end of winter and damage surrounding forests. By 1994, 75% of Madagascar's forests had been eliminated. In 2000, about 20% of the total land area was forested. Water pollution, caused mainly by sewage, is also a significant environmental problem in Madagascar: only 34% of the people living in rural areas and 75% of all city dwellers have access to pure drinking water. The nation has 337 cu km of renewable water resources. The Ministry of Animal Husbandry, Water, and Forests is the chief government agency with environmental responsibilities. In 2003, only about 4.3% of the total land area was protected.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 49 types of mammals, 34 species of birds, 18 types of reptiles, 55 species of amphibians, 66 species of fish, 24 types of mollusks, 8 species of other invertebrates, and 276 species of plants. Endangered species in Madagascar include the Alaotra grebe, Madagascar pochard, Madagascar fish eagle, and seven species of lemur. There are nine extinct species, including Delalande's coua and the Malagasy hippo. Worldwide trade in endangered and extinct species, estimated at between \$10 and \$20 billion in 1996, has created a market for Madagascar's exotic snakes and tortoises. The looting and smuggling of these species has decimated animal habitats and caused severe ecological harm.

## 6 POPULATION

The population of Madagascar in 2005 was estimated by the United Nations (UN) at 17,308,000, which placed it at number 57 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 45% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.7%, a rate the government viewed as too high. A Poverty Reduction Strategy Paper issued in 2005 sets access to contraception as a high priority. The projected population for the year 2025 was 28,177,000. The population density was 29 per sq km (76 per sq mi), with the western part of the country the least densely populated.

The UN estimated that 26% of the population lived in urban areas in 2005, and that urban areas were growing at an annual

rate of 3.84%. The capital city, Antananarivo, had a population of 1,678,000 in that year. Other important cities and their populations are Fianarantsoa, 300,000; Toamasina, 230,000; Antsirana (Diégo-Suarez), 220,000; Antsirabe, 220,000; and Mahajanga (Majunga), 200,000.

## 7 MIGRATION

Since independence, government policy has been uniformly opposed to immigration in any form. The advent of independence led to some emigration of foreign nationals, but it was not until the early 1970s, when the government undertook policies of national control and nationalization of foreign businesses, that foreign residents began leaving in any appreciable numbers. Comorians numbered 60,000 in 1976, but after Comorian-Malagasy clashes in December of that year, about 16,000 were repatriated. As of 2000, there were only a small number of refugees in Madagascar, all of urban socioeconomic background.

Rural-to-urban migration is nearly 6% a year. In 2000 there were 61,000 migrants living in Madagascar. In 1999 and 2005, the net migration was zero. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The Malagasy people are the result of the intermingling of immigrants. The original immigrants are believed to have been members of an Afro-Malagasy race that lived on the East African littoral. Later arrivals were Africans, Arabs, and, much more recently, immigrants from Europe, China, and India.

The general population can be divided into 18 tribes, with no single group holding a majority. Major ethnic groupings include the Malayo-Indonesian (including the Merina and related Betsileo) and the Cotiers (mixed African, Malayo-Indonesian, and Arab ancestry—the Betsimisaraka, Tsimihety, Antaisaka, and Sakalava). The Merina and Betsileo live in the central highlands and show evidence of Asian origin, while the coastal peoples, such as the Betsimisaraka, Tsimihety, and Sakalava, are of predominantly African origin. The Merina have been the ascendant group since the late 18th century. The course that colonialism took in Madagascar strengthened their domination of the political and intellectual life of the island. Resentment of the Merina and their dominant position by the other ethnic groups is still a source of social unrest.

The Indo-Pakistani community is commonly referred to as the Karana. There were about 20,000 Karana in the country in 2004. There are also significant numbers of French, Creole, and Comoran peoples.

## 9 LANGUAGES

The principal and official languages are French and Malagasy. Malagasy is a Malayo-Polynesian language which has different but mutually intelligible dialects and is spoken throughout Madagascar. The Merina dialect has come to be considered the standard literary form of the language. Instruction in French is preferred by

the coastal peoples, as it avoids connotations of Merina cultural dominance.

## 10 RELIGIONS

About 50% of the Malagasy are traditional tribal religionists, some exclusively and others practicing in conjunction with Christian beliefs. Although there are many variations in detail, nearly all of these traditional Malagasy share certain basic religious ideas, the central one being belief in the soul and its immortality. Besides the almighty (Andrianahary or Zanahary), secondary divinities are recognized, especially the earliest inhabitants of the island (Vazimba), legendary kings and queens, and other great ancestors. The burial places and other places of special significance in the lives of these secondary deities are objects of veneration and pilgrimages, during which special rites are performed.

Christianity was introduced to the Malagasy in the early 19th century, and it is influenced to a large extent by traditional beliefs. According to a 2004 report, about 50% of the population were nominally Christian; most are Roman Catholics. The Reformed Protestant Church of Jesus Christ in Madagascar is the largest Protestant denomination. Other denominations include Lutheran and Anglican churches as well as congregations of Seventh-Day Adventists, Jehovah's Witnesses, and the Church of Jesus Christ of Latter-Day Saints. Muslims, concentrated mostly in the north and northwest, constitute just under 10% of the population. There is also a small number of Hindus among the Indian population.

The constitution allows for freedom of religion and this right is generally respected in practice. The Malagasy Council of Christian Churches is an organization of Roman Catholic, Reformed, Lutheran, and Anglican officials that participate in a number of national programs addressing a wide variety of political and social issues.

## 11 TRANSPORTATION

As of 2004, Madagascar's railway system largely consisted of four main railroads, all publicly operated, that operated 732 km (555 mi) of one meter, narrow gauge track. These run from Toamasina to Antananarivo, with a branch from Moramanga to Lake Alaotra; from Antananarivo to Antsirabe; and from Fianarantsoa to Manakara on the east coast.

There are about 49,837 km (30,969 mi) of motor roads on the island, of which 5,781 km (3,592 mi) were paved in 2002. The main roads radiate from Antananarivo to Mahajanga and Antsiranana, to Toamasina, to Fianarantsoa, and to Ihosy, from which one branch goes to Toliara (Tuléar) and another to Tolânaro (Fort Dauphin). The road from Antananarivo to Fianarantsoa is tarred, as are portions of the other main routes. In 2003, there were 70,705 passenger automobiles and 43,000 commercial vehicles in use.

The three major ports are Toamasina, Nosy Be, and Mahajanga; Toliara and Antsiranana are also important. There are at least 13 other ports, engaged mainly in coastal trade. There was considerable freight traffic along the Pangalanes Canal, which runs parallel to the east coast from Toamasina to Farafangana for a distance of 700 km (435 mi). The canal was closed in 1979, however, because of silting. However, dredging had begun by 1985. The merchant fleet consisted of nine vessels of 1,000 GRT or more, totaling 14,865 GRT in 2005.



LOCATION: 43°12' to 50°17' E; 11°57' to 25°38' S. TERRITORIAL SEA LIMIT: 12 miles.

In 2004, there were an estimated 116 airports, 29 of which had paved runways as of 2005. The principal international airport is at Ivato, near Antananarivo. Air Madagascar (the national airline), Air France, Alitalia, Aeroflot, Air Mauritius, and Air Tanzania also provide international service. Air Madagascar, which is owned partly by Air France, also services internal locations. In

2003, about 404,000 passengers were carried on domestic and international flights.

## 12 HISTORY

Madagascar had no human inhabitants until about 2,500 years ago, when immigrants came, probably from Indonesia via the East African coast. This wave of immigration continued for at least 1,000 years, and there was also an influx of African peoples. Additional immigrants from Africa, Arabia, and the Persian Gulf and, much later, from Europe, India, and China did little more than supplement a fully settled population.

The earliest written histories of the Malagasy are the *sorabe*, in the Malagasy language using Arabic script. A Portuguese ship sighted the island and sailed along the coast in 1500. In 1502, the island was named Madagascar by the Portuguese, after the island of the same name originally reported by Marco Polo. During the 16th and 17th centuries, attempts were made by the Portuguese, British, Dutch, and French to establish settlements. All these efforts failed, and Madagascar became the lair of pirates who lived on Nosy Sainte Marie and intermarried with the Malagasy.

Among the Malagasy themselves, three main kingdoms appeared: that of the Merina in the central plateau, that of the Sakalava in the west, and that of the Betsimisaraka in the east. Under King Andrianampoinimerina (r.1787–1810), the foundations were laid for the primacy of the Merina kingdom.

Andrianampoinimerina was succeeded in 1810 by Radama I, his son, under whose guidance the Merina kingdom extended its rule over the major portions of the island (especially over the Betsimisaraka kingdom and the south). Radama welcomed Europeans to assist in the modernization of the kingdom and to further his conquests. On Radama's death in 1828, he was succeeded by his wife, Ranaivalona I, whose hostility to the innovations in her husband's reign led to a persecution of the Malagasy Christians and eventually to the expulsion of the Europeans after an Anglo-French bombardment of Toamasina in 1845.

Radama II, who succeeded his mother in 1861, was sympathetic to the French but was murdered in 1863. Shortly after this, Rainilaiarivony, who was to become prime minister and consort to three successive queens, took control of the government. The last three decades of Malagasy independence during the 19th century were marked by continued attempts of those opposed to innovation to undermine the prime minister's authority. He therefore slowed modernization and tried to retain independence by seeking British friendship against the French. The latter claimed a protectorate over parts of the Sakalava kingdom by virtue of treaties made in 1840, and disputes over this claim and over French properties on the island resulted in a war in 1883 which was ended in 1885 by a treaty giving the French control over Merina foreign policy.

The British recognized the French position under the terms of the Anglo-French Agreement of 1890, in exchange for French recognition of a British protectorate over Zanzibar. This exchange cleared the way for the French annexation of Madagascar in 1896. Malagasy resistance, especially in the south, was not finally overcome until 1904, however. Gen. Joseph Gallieni, governor-general from 1896 to 1905, opened the first government schools (hitherto all schools had been in the hands of the missions), established a free medical service for Malagasy, encouraged the study of Malagasy language and customs by the creation of the Malagasy Acad-

emy (Académie Malgache), and introduced new tropical crops in order to promote economic development. The impress of his policies remained substantial until the end of World War II. His successors, career colonial officials, struggled to promote economic growth, but World War I, subsequent economic difficulties in France, and the prolonged depression of the 1930s, together with the absence of easily exploitable resources, the distance of Madagascar from its main markets, and the shortage of labor, combined to impede their efforts.

During World War II, the Vichy French retained control of Madagascar until it was occupied in 1942 by British troops to prevent its naval facilities from being used by the Japanese. In 1943, French administration was restored under Gen. de Gaulle's Free French government. Madagascar became a French overseas territory in 1946. All Malagasy thus became French citizens, but only a limited number were accorded the franchise (mainly those with some education or experience of European ways in the French civil services or armed forces). A Territorial Assembly was established, with some control of the budget. It was composed entirely of members indirectly elected by provincial assemblies. The latter were wholly elected bodies, but there were separate electorates (and separate seats) for the French citizens of metropolitan status (including Europeans, Réunionnais, and some Malagasy given such status) and for Malagasy citizens of local status. Although the latter had a majority of the seats in both provincial and territorial assemblies, the number of seats assigned to the metropolitan electorate was most disproportionate to its numerical strength. This system was denounced by the nationalists, who had secured a majority of the Malagasy seats in the Territorial Assembly as well as the three Malagasy seats in the French National Assembly.

In March 1947, a rebellion broke out, and for a time the French lost control of the east coast. Europeans and loyal Malagasy were murdered and roads cut. The suppression of the rebellion required substantial forces and took more than a year. Loss of life was estimated at 11,000. The nationalist movement was disrupted by the rebellion and subsequent repressions, but was not destroyed. A period of reform beginning in 1956 resulted in abolition of the dual electorate system, placed Malagasy in important government positions, and led to the rebirth of serious political activity.

### The End of French Rule

In the referendum of 28 September 1958, Madagascar overwhelmingly voted for the new French constitution and became an autonomous republic in the new French Community. As the Malagasy Republic, it became a sovereign independent nation on 26 June 1960 and on 20 September 1960 was elected to UN membership.

The constitution that was adopted in October 1958 and amended in June 1960 provided Madagascar with a strong presidential form of government. The president, Philibert Tsiranana, remained in power until May 1972, when there were riots throughout Madagascar. The protests were led by a nationalist, leftist coalition of students, teachers, laborers, and urban unemployed. The repression that followed these demonstrations led to the fall of the Tsiranana government on 18 May. Gen. Gabriel Ramanantsoa was immediately asked to form a nonpolitical "government of national unity," which was composed of 11 ministers (5 military and 6 civilian). Ramanantsoa effectively destroyed the coalition by raising the minimum wages, providing strike pay, annulling the head and

cattle taxes, prosecuting corrupt officials, and introducing price and currency controls. The new government also broke diplomatic ties with South Africa, established relations with the Communist bloc, withdrew from the franc zone, and arranged for the withdrawal of French military forces under new cooperation agreements with France.

On 5 February 1975, following a period of social and ethnic unrest, Ramanantsoa was replaced as head of state by Col. Richard Ratsimandrava, who was assassinated in an attempted coup six days later. A military Directorate composed of 18 officers was immediately formed and assumed all governmental authority. The Directorate was superseded on 13 June by the all-military Supreme Council of the Revolution, headed by Didier Ratsiraka, who had been minister of foreign affairs in the Ramanantsoa government.

In December 1975, a draft constitution was approved in a referendum by 95% of the voters and the Second Malagasy Republic, to be called the Democratic Republic of Madagascar, was proclaimed. Ratsiraka was installed as president on 4 January 1976, thus remaining head of state.

The new regime accelerated growing state control of the economy, and Madagascar turned to the former USSR and the Democratic People's Republic of Korea for military aid. By 1979, however, growing economic difficulties forced Ratsiraka to develop closer ties with the West. Unemployment, inflation, and scarcities of basic foodstuffs caused serious rioting and social unrest in the early 1980s. Ratsiraka was elected to a new term as president on 7 November 1982. During 1986–87, the government was shaken by student protests against educational reforms, rioting in the port of Toamasina, attacks on Indo-Pakistani enterprises in four major urban centers, and famine in the south because of food-supply problems. By early 1987, the governing coalition appeared to be unraveling. On May Day, four of the parties called for the resignation of the government and early elections.

### Democratization Unleashed

In July 1992, after seven weeks of pro-democracy protests, Ratsiraka finally agreed to dissolve the cabinet and begin talks with the opposition. He also offered to hold a referendum on a new constitution by the end of 1992. Although he rejected demonstrators' demands that he resign, Ratsiraka released Albert Zafy, a popular opponent, and offered to form a coalition government with opposition leaders. Protests continued, and government troops fired on demonstrators in Antananarivo, killing as many as 50. In August, Ratsiraka asked his prime minister, Guy Willy Razanamasy, to form a new government and to "install democracy." By November, Ratsiraka agreed to share power with a transitional government headed by Zafy, his main rival. Ratsiraka's Revolutionary Supreme Council stepped down from power.

The democratization process survived an attempted coup on 29 July 1992, led by a faction of the Active Forces known as the Lifeblood Committee. On 19 August 1992, a new constitution was approved by national referendum. Ratsiraka's supporters interfered with the voting, seeking greater provincial autonomy. However the interior peoples, especially the Merina, strongly supported the new constitution. This was followed on 25 November by a presidential election, which a team of foreign observers deemed free and fair. Zafy defeated Ratsiraka, but without an absolute majority. In a runoff election on 10 February 1993, Zafy got 67% of

the vote to Ratsiraka's 33%. The president was installed in March, amid violent confrontations between Ratsiraka's supporters and government forces.

Parliamentary elections were held in June 1993 for the new National Assembly. Twenty-five parties won representation with Zafy's Forces Vives (FV) taking the largest block of seats—48. Eight parties had more than five seats. The National Assembly elected Francisque Ravony prime minister—55 votes to 45 for Roger Ralison (FV), and 35 for former Maoist leader, Manandagy Rakotonirina.

Communal (territorial) elections, the first step in creation of the Senate, were held in November 1995, but President Zafy's day in the sun was short-lived. He was impeached in September 1995, and then defeated by Ratsiraka in competitive elections in December 1996. On February 10, 1997, Ratsiraka became the second African head of state, after Mathieu Kérékou of Benin, to have lost and then reclaimed the presidency via competitive elections.

An extensive revision of the 1992 constitution was approved narrowly in a March 1998 constitutional referendum. International observers found the conduct of the referendum generally free and fair, but problems involving the compilation of voter lists, distribution of electoral cards, and other issues led to charges of fraud and manipulation. The revised constitution reduced checks and balances and strengthened the presidency at the expense of the National Assembly. Parliamentary elections held in May 1998 generally were free and fair, but there were credible complaints of electoral fraud. In November 1999, municipal elections were held for 1,392 mayoral posts and 20,000 council seats.

After 29 years of dormancy, the Senate reconvened in May 2001. However, a national crisis ensued following the 16 December 2001 presidential election when challenger Marc Ravalomanana claimed to have won the election outright over incumbent Didier Ratsiraka, thereby eliminating the need for a run-off. The official results gave Ravalomanana 46.2%, forcing him into a run-off with Ratsiraka (40.9%). Albert Zafy (Rasalama) claimed 5.4%, Herizo Razafimahaleo 4.2%, D. Rajakoba 1.8%, and P. Rajaonary 1.6%. With Ratsiraka refusing to step down, Ravalomanana and his supporters mounted strikes and protests culminating in Ravalomanana's seizure of the presidency in February 2002. Operating from his provincial fiefdom, Toamasina, Ratsiraka commanded his armed forces to lay siege to the capital, blowing up key bridges and cutting off foodstuffs and other critical supplies. The violence resulted in more than 70 deaths. US recognition of Ravalomanana in June 2002 was followed by international approval, forcing Ratsiraka in July 2002 to seek exile in France ending seven months of political and economic chaos in the country.

Ravalomanana's first 18 months in power were marked by his consolidation of power, which was countered by a reorganization of opposition parties. None of the opposition parties, however, presented a serious challenge to Ravalomanana's power. Indeed, the president's first moves were to punish supporters of the old government including the last prime minister, Andrianarivo, who was detained and put on trial. However, under pressure from Zafy's forces, Ravalomanana pardoned those serving sentences of less than three years and invited others to apply for amnesty. The influential Madagascar Council of Churches led the movement for reconciliation resulting in broad support for compromise.



In December 2002, the president's party, Tiako-I-Madagasikara (TIM) dominated national assembly elections, but in the November 2003 municipal polls, TIM's opponents gained 18 of 45 of the most important mayoral posts up for election. The results speak to the importance of local power bases in Madagascar.

Internationally, Ravalomanana was able to restore donor confidence in the economy, largely through the leadership of his prime minister, Jacques Sylla. Gradually, the administration established productive relations with African states that were expected to lead to Madagascar's admission to the Southern Africa Development Community (SADC). Moreover, Madagascar qualified as one of the first African states to be eligible for funding under the US Millennium Challenge Account (MCA). The MCA agreement was signed in early 2005. France and the United Kingdom have also been supportive of the Ravalomanana government.

Although Ravalomanana remained politically strong going into 2006, he was expected to face stiff challenges led by Albert Zafy, Richard Andriamanjato, a former parliamentary speaker, and the former chairman of the national council of churches, Edmond Razafimahefa. Nevertheless, the president rejected demands for a transition government leading into the presidential elections scheduled for late 2006, and also resisted European calls for a new electoral law and more independent elections commission. Analysts predicted that the president's party, TIM also could be vulnerable in the 2007 legislative elections because of its weak grassroots base that other parties have shown themselves capable of organizing.

### **13 GOVERNMENT**

The constitution of 21 December 1975, like that of the First Republic, provided for a strong presidential system of government. The president was elected for a seven-year term and was both chief executive and head of state. The president was assisted by the Supreme Council of the Revolution (Conseil Suprême de la Révolution—CSR), which was to be “the guardian of the Malagasy Socialist Revolution.” The president, as chairman of the CSR, named two-thirds of its members outright and chose the other third from a list submitted by the National People's Assembly. The premier, the designated head of government, was appointed by the president and assisted by a cabinet.

The 19 August 1992 constitution of the Third Republic provides for a head of state, the president, who is elected by universal suffrage to serve a five-year term. The president chooses a prime minister from a list of candidates nominated by the national assembly. The prime minister appoints the Council of Ministers.

The constitution provides for a two-chamber legislature—a 160-member national assembly and a senate. Members of the national assembly are elected by universal suffrage—82 by single-member and 34 by two-member constituencies—to serve four-year terms. The president appoints the remaining one-third. Regional assemblies elected by direct suffrage select two-thirds of the members of the 90-seat senate with the remaining one-third appointed by the president for a four-year term. Suffrage is universal at age 18.

### **14 POLITICAL PARTIES**

Following World War II, the Democratic Movement for Malagasy Renewal (Mouvement Démocratique de la Rénovation Malgache—MDRM), founded by several prominent national-

ists, demanded that Madagascar be declared a free state within the French Union. The French, however, organized the island as an overseas territory, granting the vote to few Malagasy. In the wake of the 1947 rebellion, the leaders of the MDRM, whom the French accused of planning and leading the revolt, were convicted of treason and sentenced to death (later commuted to life imprisonment). Charges of French brutality in the suppression of the revolt, however, gained considerable sympathy for the nationalist cause.

After independence, the Social Democratic Party of Madagascar and the Comoros (Parti Social Démocrate de Madagascar et des Comores—PSD) became the dominant political organization in the Malagasy Republic. It was organized in 1957 under the leadership of Philibert Tsiranana, the son of a Tsimihety peasant, and advocated a gradual approach to independence. In the Assembly elections of September 1960, the PSD won 75 seats out of 107. In the 1965 and 1970 elections, it increased its representation to 104 seats. The PSD was supported principally by peasants and other conservative elements, and favored strong ties with France. Tsiranana, who became president in 1960, was reelected in 1965 and again in 1972, just prior to his overthrow. The only real alternative during this period was the pro-Soviet Party of the Congress of Independence (Ankoton'ny Kongresi'ny Fahaleorantenan Madagaskara—AKFM), founded in 1958.

Other parties represented regions, provinces, tribes, or religious groups, but displayed little national strength. The most significant of the regional parties was the Movement for the Independence of Madagascar (Mouvement National pour l'Indépendance de Madagascar—MONIMA) which was led by Monja Jaona from Toliara. It represented the more radical intellectuals and landless peasants of the south. As a result of its armed opposition to the central government in April 1971, which was quickly and harshly suppressed, MONIMA became a truly left-wing opposition movement with support among students and urban radicals. Though MONIMA was banned, these elements led the series of demonstrations against the Tsiranana regime that resulted in its fall in May 1972. The ban on MONIMA was lifted in June.

After the assassination of the new head of state, Richard Ratsimandrava, in February 1975, all political parties were banned. The new constitution institutionalized the ban by providing for the creation of a sole party, to be called the National Front for the Defense of the Revolution (Front National pour la Defense de la Révolution—FNDR).

In effect, however, the FNDR became an umbrella group under which parties survived as “revolutionary associations.” MONIMA withdrew from the FNDR in 1977 but returned in 1981, bringing to seven the number of parties in the FNDR. The chief party was Ratsiraka's Vanguard of the Malagasy Revolution (Avant-garde de la Révolution Malgache—AREMA). On 29 May 1977, it won control of almost all provincial and local bodies, and on 30 June 1977, in an election in which voters were presented with a single FNDR list, AREMA won 112 Assembly seats to 16 for the PCI and 9 for two other parties.

In the presidential election of 7 November 1982, President Ratsiraka won reelection with 80.17% of the vote. His sole opponent, Monja Jaona, leader of MONIMA, was removed from the CSR and temporarily placed under house arrest after he called for a general strike to protest the election results. In elections in August

1983, AREMA again won a commanding majority in the Assembly. MONIMA left the FNDR in 1987.

Since the democratic changes of 1992 and 1993, numerous political organizations have operated in Madagascar. In 1991, Albert Zafy founded the National Union for Development and Democracy (UNDD). Zafy was supported in the 1993 elections by Forces Vive (FV), an informal alliance that included the UNDD and the AKFM–Fanavaozana, a breakaway group from the MFM (Mouvement pour le pouvoir prolétarien).

Following his defeat in the presidential elections of February 1993, Didier Ratsiraka created a new party, the Vanguard for Economic and Social Recovery (ARES—Avant Gardes pour le Redressement Économique et Social). Ratsiraka turned on his former policies by proposing a federalist arrangement that would give more autonomy to the provinces. In the elections of 17 May 1998, which were credibly free and fair, Ratsiraka was leading AREMA, now named the Association for the Rebirth of Madagascar, which took 62 seats, LEADER/Fanilo 15, AVI 14, RPSD 11, AFFA 6, MFM 3, AKFM/Fanavaozana 3, GRAD/Iloafo 1, Fihaonana 1, independents 34.

In the municipal elections on 14 November 1999, AREMA captured three of the six regional capitals, having previously held just one. The biggest losers were established opposition party candidates such as former president Albert Zafy, who was beaten in his own political stronghold of Antsiranana. Marc Ravalomanana, a 50-year-old businessman and a principal donor of funds to the AVI centrist party, won the mayorship of Antananarivo, the capital city. Although the vote was marred by poor organization, almost all the 1,392 mayorships and 20,000 council seats were contested by at least two candidates. Many these were independents, which seemed to signal that local elections were no longer being run from national party headquarters in the capital.

In the 15 December 2002 parliamentary elections, Ravalomanana's I Love Madagascar (TIM), captured a combined total of 125 out of 160 seats in parliament. The election results (minus presidential appointments) were as follows: TIM 103, FP 22, AREMA 3, LEADER/Fanilo 2, RPSD 5, TTS 2, HBM 1, and independents 22. The opposition criticized the poll as manipulated by the president's party.

In the early run-up to the national assembly elections expected in early 2007, AREMA appeared fractured by Toamasina major, Roland Ratsiraka, nephew of former president Didier Ratsiraka, who has led a youthful wing of the party to reconciliation with the Ravalomanana administration. The most concerted opposition to TIM was expected from the Three National Forces (3FN) alliance, under the leadership of former president, Albert Zafy. The opposition was expected to make gains in the national assembly elections scheduled for 2007, however, Mr. Ravalomanana was expected to retain the presidency given that no opposition figure appeared to have the national appeal sufficient to unseat him.

## 15 LOCAL GOVERNMENT

Prior to the Ravalomanana regime, Madagascar was divided into six provinces, subdivided into 28 regions comprising 148 departments, and further divided into nearly 1,400 communes. At the local level were some 11,393 *fokontany* (village or urban neighborhood organizations) with an elected president and council. All

levels of the Malagasy state were organized in hierarchical fashion within the jurisdiction of the Ministry of the Interior.

During the 1996 campaign, former president Didier Ratsiraka promised to draft laws that would make provinces autonomous. He subsequently sponsored workshops to gather input and share ideas with regional leaders. This controversial plan transferred power from the central government to the provinces and municipalities, and to administrative subdivisions for tax collection, service provision, and development planning. However, it was widely feared that provincial autonomy would threaten Madagascar's political unity.

Ravalomanana introduced a new structure that makes 22 new regions the main administrative units. Consequently, the power of the six autonomous provinces was greatly reduced, which was reflected in their shrinking budgets. While the regional leaders are centrally appointed, the municipal mayors, who exercise considerable power, are elected by direct popular vote.

## 16 JUDICIAL SYSTEM

The Malagasy judicial system is based on the French tradition. During the 1960s and 1970s the nation began a move from a bifurcated judicial system (customary courts for most Malagasy and local courts for foreign residents and urbanized Malagasy) to a single judicial system. At the top of the judicial system is the Supreme Court in Antananarivo. Other courts include the Court of Appeal, also in Antananarivo; courts of first instance for civil and criminal cases; ordinary and special criminal courts; and military courts. There are also a High Court of Justice to try high officials and a High Constitutional Court. Military courts presided over by civilian magistrates hear cases involving national security.

The traditional courts (*dina*) continue to handle some civil disputes and recently have been used in criminal cases because of inconvenience and inadequacy of the formal court system. Decisions by *dina* are not subject to the formal procedural protections of the formal court system. In some cases, however, they may be challenged at the appeals court level. *Dina*'s authority depends upon the mutual respect and consensus of the parties to abide by the ruling. *Dina* punishments are sometimes severe and include capital punishment.

The 1992 constitution guarantees an independent judiciary, and in practice the judiciary appears to be independent from the executive. In April 2002, a critical test of the judicial system occurred. With both Ratsiraka and Ravalomanana agreeing to a recount of the December 2001 polls, the High Constitutional Court declared Ravalomanana the winner. Ratsiraka defied the verdict, but Ravalomanana was sworn in for the second time on 6 May 2002 as Madagascar's fourth head of state.

## 17 ARMED FORCES

As of 2005, the armed forces of Madagascar were composed of 13,500 active personnel, of which the Army accounted for over 12,500, the Navy 500 (including around 100 Marines), and the Air Force 500. The Army's equipment included 12 light tanks and over 37 artillery pieces. The Air Force operated 14 transport and 5 utility fixed wing aircraft, and 6 support helicopters. There were no combat aircraft. The Navy operated one amphibious landing craft and one logistics/support vessel. The paramilitary Gendarmerie National, which had a strength of 8,100, is the main force for the

maintenance of public order and internal security. In 2005, the defense budget totaled \$275 million.

## 18 INTERNATIONAL COOPERATION

Madagascar was admitted to the United Nations on 20 September 1960 and is a member of ECA and several nonregional specialized agencies, such as the FAO, IAEA, the World Bank, UNESCO, UNHCR, UNIDO, and WHO. It is also a member of the WTO, the African Development Bank, the ACP Group, the Arab Bank for Economic Development in Africa, G-77, the African Union, Indian Ocean Commission, and COMESA. Madagascar is a member of the Nonaligned Movement. In environmental cooperation, the country is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montreal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Madagascar is a poor country, with over 70% of the population falling below the poverty level of \$50 a year. Its agriculture-based economy supports a majority of the labor force. There are substantial mineral deposits; and industry, which accounted for 11% of GDP in 1999, is centered on food processing. Madagascar sponsored an Export Processing Zone in 1991 and important investments have been made in tourism. Government efforts to strengthen the market economy have been erratic, while corruption and political instability continue to constrain growth. The country's infrastructure remains poor, with inadequate roads preventing the transportation of agricultural products from farm to market. Railroads and the port system are also undeveloped, although the telecommunications system is being revamped. The IMF and World Bank in 2000 released tranches of the Poverty Reduction and Growth Facility, and Structural Adjustment Credit, respectively, to assist the country in reducing poverty and implementing market reforms conducive to private sector development. Also in 2000, Madagascar was approved to receive debt relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative.

The agricultural sector, which accounted for 34% of GDP in 1999, is prone to cyclone damage and drought. Rice is the staple crop although Madagascar has sought to diversify crop production by promoting maize and potatoes. Cassava, bananas, and sweet potatoes are also important. Export crops are coffee, vanilla, and cloves, with coffee the most important. A decline in world coffee prices by 2003 had stifled growth. The sugar sector has been revived with the help of French investments.

Economic growth has been very instable in recent years, dropping from 6.0% in 2001 to -12.6% in 2002, and up to 9.7% in 2003, and 5.3% in 2004. Inflation has followed a similar pattern, growing from 6.9% in 2001 to 16.1% in 2002, dropping to -1.2% in 2003, and surging up again to 13.8% in 2004. There are no available figures for unemployment.

Though Madagascar has a considerable diversity of minerals, their remote locations have discouraged extraction. Chromite, graphite, and mica are exported along with gems such as topaz, garnets, and amethysts. Private mining interests have been invited to develop Madagascar's gold deposits, as well as ilmenite, zircon,

rutile, nickel, platinum, and bauxite. There has also been renewed interest in Madagascar's oil potential. Madagascar is rich in biodiversity, and many plants and animals found there exist nowhere else in the world. Hence, ecotourism is a sector of the economy with great potential for development.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Madagascar's gross domestic product (GDP) was estimated at \$15.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$900. The annual growth rate of GDP was estimated at 6.5%. The average inflation rate in 2005 was 10%. It was estimated that agriculture accounted for 28.7% of GDP, industry 16.5%, and services 54.8%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$16 million or about \$1 per capita and accounted for approximately 0.3% of GDP. Foreign aid receipts amounted to \$539 million or about \$32 per capita and accounted for approximately 10.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Madagascar totaled \$4.54 billion or about \$269 per capita based on a GDP of \$5.5 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.4%. In 2001 it was estimated that approximately 61% of household consumption was spent on food, 4% on fuel, 2% on health care, and 2% on education. It was estimated that in 2004 about 50% of the population had incomes below the poverty line.

## 21 LABOR

The labor force in 2000 (the latest year for which data was available) was estimated at 7.3 million persons. As of 2002, agriculture employed 78% of the workforce, with industry employing 6.7% and services 15.3%. Although a 2002 survey put Madagascar's unemployment rate at 4.5%, the country's actual rate may be far higher.

Both public and private sector workers have the right to establish and join labor unions of their choice. However, only 5% of the total force was unionized in 2002. Unions are required to register with the government, but authorization is customarily given. The law provides for collective agreements between employers and trade unions. Strikes are legally permitted.

Working conditions are regulated by the constitution and the labor code. The law sets the minimum working age at 14 (18 where the work is hazardous) but this minimum is enforced only in the small formal sector of the economy. In the large agricultural sector, many children work with their parents on family farms. The minimum wage was \$25 per month in 2002, but this is not regularly enforced due to harsh economic realities. The standard legal workweek is 40 hours in industry, and 42.5 hours in agriculture.

## 2<sup>2</sup> AGRICULTURE

Although Madagascar's economy is essentially agricultural, much of the land is unsuitable for cultivation because of its mountainous terrain, extensive laterization, and inadequate or irregular rainfall. Only about 5% of the land area is cultivated at any one time. Despite these figures, agriculture accounts for 25% of GDP and employs about 75% of the work force. Large-scale plantations dominate the production of sisal, sugarcane, tobacco, bananas, and cotton, but, overall, Malagasy agriculture is dependent mainly on small-scale subsistence farmers cultivating less than one hectare (2.47 acres) of land.

A wide variety of food crops is grown. Rice is the staple of the Malagasy diet; production was an estimated 3,030,000 tons in 2004. Nevertheless, the yield is insufficient to meet the country's needs and in 1982, 1984, and 1990 cyclones severely damaged the rice crop. Cassava, bananas, and sweet potatoes are also important. Madagascar has sought to diversify staple crop production by promoting maize and potatoes. Other important food crops (with 2004 production figures) include cassava, 2,191,000 tons; sugarcane, 2,180,000 tons; sweet potatoes, 542,000 tons; potatoes, 280,500 tons; bananas, 290,000 tons; corn, 350,000 tons; and oranges, 83,000 tons.

In the 1980s, coffee regularly earned about 24% of total export revenues. After the collapse of the International Coffee Organization in 1989, however, coffee exports accounted for only 8.6% of Malagasy foreign trade earnings in 1992 (down from 35% in 1985); in 2004, it accounted for less than 1% of exports. Production was 85,000 tons in 1991 and about 65,000 tons in 2004.

Vanilla is the leading agricultural export, with production of 3,000 tons in 2004 and exports of 658 tons of extract (for a value of \$64.2 million, 16% of total exports). International trade in natural vanilla is determined by agreements between producers (mainly Madagascar and the Comoros) and the principal importers by which export prices and traded volumes are fixed. The government does not encourage overproduction, since the international market demand is very sensitive because of competition from synthetic vanilla (vanillin). Madagascar is the world's major natural vanilla producer, accounting for about 75% of production.

Cloves are another main export crop, grown mostly by smallholders. Production follows a four-year cycle with two–three years of high output followed by one year of low production. Clove production amounted to 1,500 tons and exports totaled 12,585 tons in 2004, valued at \$14.6 million. Other 2004 production figures for cash crops were seed cotton, 12,500 tons; peanuts, 39,000 tons; sisal, 17,000 tons; and cocoa, 4,500 tons. Pepper and cinnamon are other important export crops. Pepper and cinnamon exports in 2004 together amounted to 1,732 tons, valued at \$1.1 million. The sugar sector has been revived with the help of French investments. The needs of the domestic market are served by five sugar refineries.

Production of cash crops has been discouraged by the low prices paid by state agencies, which sometimes have failed to collect crops or pay for them on time. In 2004, Madagascar's agricultural trade surplus was \$28.5 million.

## 2<sup>3</sup> ANIMAL HUSBANDRY

More than half the land is used for raising livestock. Cattle occupy an important place in the Malagasy economy. They are, however, more important as evidence of wealth than as sources of meat and dairy products. Only since the end of World War I has the consumption of meat become widespread among Malagasy, and now beef consumption is relatively high compared with other African countries. Cattle are employed to trample the rice fields and to draw plows and small carts. Most cattle are of the humped zebu type. Madagascar has vast natural pastures (60% of total land area) and is free of cattle diseases; there is, therefore, considerable potential for increasing production.

Estimates of the size of livestock herds vary considerably. Estimates for 2005 were cattle, 10.5 million head; hogs, 1.6 million; sheep, 650,000; and goats, 1.2 million. Total meat production was about 297,000 tons. Beef and live animals are exported. The population of cattle has remained steady because of a high young animal mortality rate resulting from traditional livestock-raising techniques.

## 2<sup>4</sup> FISHING

Despite the island's long coastline, fishing is relatively undeveloped as an industry in Madagascar. On the east coast, with its stormy seas and absence of harbors, fishing is restricted mainly to the coastal lagoons and has been aptly characterized as virtually an extension of inland freshwater fishing. In the northwest, sardine and tuna are caught, and dried fish find a ready market. Dried fish also are prepared in the southwest. Lobsters, prawns, and shrimps are exported. Commercial maritime fishing is carried out by four joint-venture companies that operate along the northwest coast and account for most exports. The catch in 2003 was estimated at 152,238 tons, of which 32,500 tons were caught in inland waters. Vessels from European Union nations are allowed to take up to 11,000 tons of tuna and prawns a year. French investment has helped establish a tuna cannery.

## 2<sup>5</sup> FORESTRY

The forested area of Madagascar is estimated to cover more than 11.7 million hectares (about 28.9 million acres), or about 20% of the land. The main objectives of forestry policy have been to arrest further destruction of the woodlands, to pursue a systematic reforestation program in the interests of soil conservation and the domestic demand for construction timber, and to continue to meet the domestic need for firewood, of great importance in view of the absence of petroleum or exploited coal deposits. Eucalyptus, introduced at the end of the 19th century, acacias (especially mimosa), and various kinds of pine have been extensively used in reforestation. Raffia is the only forest product exported in any quantity. Roundwood removals were estimated at 10,867,000 cu m (384,000,000 cu ft) in 2003; 99% was used for fuel.

## 2<sup>6</sup> MINING

Madagascar's mining sector is primarily known for its production of chromite (chemical- and metallurgical-grade), as well as for the

production and export of phlogopite mica and high-quality crystalline flake graphite.

In 2003, output of chromite (marketable lumpy ore and gross weight concentrate) was 45,040 metric tons, up from 11,000 metric tons in 2002, but down significantly from the 131,293 metric tons produced in 2000, as a result of competition from South Africa. Graphite shipments (all grades) in 2003 totaled 2,000 metric tons. Output of mica (phlogopite) in 2003 totaled 90 metric tons.

Deposits of gems (amazonite, amethyst, beryl, citrine, cordierite, garnet, sapphire, and tourmaline) have been exploited, as have those of ornamental stones (agate, apatite, and aragonite—69% of total ornamental stone production—calcite, jasper, and labradorite) and stones for electrical geodes (quartz—industrial, rose, and smoky—and celestine). In 1999, Madagascar exported gemstones worth \$15.18 million, a 212% increase over 1999, and 270% over 1995—74% were exported to Thailand. In 2003, amethyst, emerald, ruby and sapphire production totaled 100 kg, 15 kg, 1,000 kg and 6,000 kg, respectively.

Madagascar in 2003 also produced mine gold (almost all was produced by artisanal miners and smuggled out of the country), natural abrasives, feldspar, kaolin, marble, marine salt, and dimension stone. Industrial calcite, clays, sand and gravel, and stone were presumably produced as well. Bastnaesite and monazite were not produced after 1996, although large deposits occurred of both, as well as of pyrochlore, and contained fergusonite, xenotime, euxenite, and uranium.

Extensive prospecting has led to the discovery of recoverable deposits of iron ore (910 million tons of resources; the 360-million-ton deposit near Soalala was the most valuable), bauxite (330–335 million tons in resources, in the southeastern part of the country), nickel (168 million tons; the largest resources were in the Ambatovy lateritic deposit), coal, copper, lead, manganese, platinum, tin, titanium, zinc, and zirconium. Madagascar's considerable mineral potential has remained unexploited; the main factors were the need for major infrastructure repairs, its poor power distribution systems, underfunded health and education facilities, and the inability to reform the economy and deal with chronic malnutrition, deforestation, land erosion, and population growth. One potentially positive development was the decision of the International Monetary Fund and the World Bank in 2000 to grant Madagascar \$1.5 billion in debt relief. In 2000, the Bureau du Cadastre Minier de Madagascar (BCCM) was established, to serve as a one-stop service for mining operators. An overhaul of mining regulations created a new system of strictly defined licenses and mining concessions. All mineral resources, except graphite and mica, were nationalized, and prospecting and exploitation was under state control.

## 27 ENERGY AND POWER

Madagascar had no known reserves of oil, or natural gas as of 1 January 2005. Nor does the country have any recoverable coal reserves. As a result, Madagascar must rely upon imports to meet its fossil fuel needs, although the country does have a small refining capacity.

Madagascar's demand and imports of petroleum products in 2004 averaged 12,000 barrels per day. Petroleum refining capac-

ity, as of 1 January 2005 averaged 15,000 barrels per day. In 2003, Madagascar had no imports or consumption of natural gas. However, it did import 0.01 million short tons of coal. Madagascar's only oil refinery was established at Toamasina in 1966.

Installed electrical capacity, as of 1 January 2003, amounted to 0.284 million kW, of which 63% in 2002 relied upon conventional fossil fuels. The remaining capacity in 2002 was hydroelectric. In 2003, electric power output came to 0.83 billion kWh, with consumption that year at 0.77 billion kWh. However, in 2002, hydro-power accounted for 66% of the power produced.

## 28 INDUSTRY

Industry consists largely of processing agricultural products and textile manufacturing. The industrial centers are in the high plateau and near the Toamasina port. Industrialization has been severely hampered by inadequate internal transportation and a restricted local market. Industry accounted for 11% of GDP in 1999. Most plants operated at less than one-third of full capacity.

The majority of industrial enterprises process agricultural products: rice, sugar, flour, tobacco, tapioca, and sisal. In addition, there are some meat-packing plants. Urea- and ammonia-based fertilizers are produced in a plant that opened in 1985. Madagascar produces pulp for paper and cement. Other industrial enterprises include cotton spinning and weaving mills and three automobile assembly plants.

The government-owned petroleum refinery at Toamasina has a capacity of 15,000 barrels per day, but it has been operating at reduced capacity since it was hit by a hurricane in 1994. The petroleum sector was liberalized in 1996, and the state oil company SOLIMA was privatized in 2000. Oil and gas exploration holds great potential for the country.

The share that industry contributed to the GDP grew to 16.7% by 2004; agriculture contributed only 29.3%, but was the main employer in the country; services held a 54% share in the GDP. Other industries include meat processing, soap, breweries, tanneries, sugar, textiles, glassware, cement, automobile assembly plant, paper, petroleum, and tourism.

## 29 SCIENCE AND TECHNOLOGY

France is the leading supplier of scientific and technical aid to Madagascar, and there are French research institutes in the country to study geology, hydrology, tropical forestry, and veterinary medicine.

The National Center of Applied Research in Rural Development, founded in 1974 at Antananarivo, conducts research into agriculture, forestry, fisheries, zoology, and veterinary studies. Also in the capital is a government department of agronomical research, the National Institute of Geodesy and Cartography, and the Pasteur Institute, which is devoted to biological research. The University of Antananarivo, founded in 1961, has departments of sciences, agriculture, polytechnics, and health sciences, and an Institute and Geophysical Observatory. The University of Fianarantsoa, founded in 1988, has departments of mathematics, physics-chemistry, engineering, and computer science. The University of Mahajanga, founded in 1977, has faculties of natural sciences, medicine, and dentistry and stomatology.

In 1987–97, science and engineering students accounted for 25% of college and university enrollments. In 2000 (the latest year for which there is data available), research and development (R&D) expenditures totaled \$15.332 million, or 0.12% of GDP. In that same year, the country had 47 technicians and 15 scientists and engineers per million people that were engaged in R&D.

### 30 DOMESTIC TRADE

Antananarivo, the capital and largest city, is the principal distribution center for the island. Toamasina, Mahajanga, Antsiranana, Toliara, and Tolânaro are the commercial centers for the provinces in which they are located. Distribution and packaging are being gradually modernized. Most general merchants in the small eastern communities are Chinese; most on the west coast are Indian. Domestic trade is small due to low-incomes of most residents and relatively high prices. Business is conducted in French and Malagasy. Advertising and marketing are not common.

Business hours vary, but generally are from about 8 AM to noon and 2 to 5:30 PM on weekdays and from 8 AM to noon on Saturdays. Banks are open 8 to 11 AM and 2 to 4 PM Monday through Friday.

### 31 FOREIGN TRADE

Madagascar consistently runs a trade deficit. Exports consist mainly of unprocessed agricultural products and some extracted minerals. Textiles are Madagascar's major export commodity (29%), followed by spices (14%), coffee (7.1%), and gemstones (6.5%). Other exports include preserved fruit (4.4%) and shellfish (4.1%).

Refined petroleum products were formerly imported in large quantities, but development of domestic refinery capacity altered this pattern. Madagascar now exports a small amount of petroleum products to East Africa and to other Indian Ocean islands. Crude petroleum still must be imported.

In 2004, exports reached \$868 million (FOB—free on board), while imports grew to \$1.1 billion (FOB). The bulk of exports went to the United States (35.8%), France (30.8%), Germany

(7.7%), Mauritius (4.6%), and Italy (3.4%). Imports included capital goods, petroleum, consumer goods, and food, and mainly came from France (17.2%), China (9.7%), Hong Kong (6.6%), Iran (6.4%), Mauritius (6.2%), and South Africa (5.6%).

### 32 BALANCE OF PAYMENTS

Madagascar's payments balance is chronically negative. Since private investment has been limited, the deficits have been covered by foreign aid grants, official loans, and the use of central bank reserves from good years. In 1981 Madagascar was refused credit by its suppliers because of worsening deficits. The IMF provided a standby loan in 1982, conditional on devaluation of the currency, increased agricultural sector investments, producer price increases for rice and cotton, and the imposition of a ceiling on the minimum wage. These measures had a positive effect, although export production continued to decline. Consequently, further standby credits were negotiated and, in the late 1980s, Madagascar's debt was periodically rescheduled conditional on further trade liberalization, tighter government spending controls, privatization of the state's banks, improvement of credit access, and the opening up of financial markets to foreigners. France and Germany canceled significant portions of Madagascar's debt at that time.

In 1997, the Paris Club approved a 67% debt reduction, but since the majority of the country's debt did not lie with the Paris Club, it retained an external debt of over \$4.5 billion. In 2000, Madagascar qualified for \$1.5 billion in debt service relief from the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative. In 2001, the IMF approved a three-year \$103 million loan to Madagascar.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Madagascar's exports was \$680 million while imports totaled \$919 million resulting in a trade deficit of \$239 million. The International Monetary Fund (IMF) reported that in 2001 Madagascar had exports of goods totaling

#### Principal Trading Partners – Madagascar (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	766.0	1,091.1	-325.1
France-Monaco	299.7	177.5	122.2
United States	218.5	29.9	188.6
Germany	39.5	37.2	2.3
Area nes	26.3	57.6	-31.3
Singapore	24.8	12.1	12.7
South Africa	16.2	77.5	-61.3
United Kingdom	15.8	11.9	3.9
Italy-San Marino-Holy See	13.8	36.1	-22.3
Japan	13.1	29.3	-16.2
Mauritius	10.6	37.9	-27.3

(...) data not available or not significant.

SOURCE: 2003 International Trade Statistics Yearbook, New York: United Nations, 2004.

#### Balance of Payments – Madagascar (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-439.0</b>
Balance on goods		-254.0
Imports	-1,109.0	
Exports	856.0	
Balance on services		-275.0
Balance on income		-79.0
Current transfers		169.0
<b>Capital Account</b>		<b>140.0</b>
<b>Financial Account</b>		<b>-118.0</b>
Direct investment abroad		...
Direct investment in Madagascar		13.0
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		-27.0
Other investment liabilities		-104.0
<b>Net Errors and Omissions</b>		<b>52.0</b>
<b>Reserves and Related Items</b>		<b>365.0</b>

(...) data not available or not significant.

SOURCE: Balance of Payment Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

\$111 million and imports totaling \$114 million. The services credit totaled \$42 million and debit \$61 million.

Exports of goods and services reached \$1.3 billion in 2004, slightly increasing from the 2003 value. Imports grew from \$1.8 billion in 2003, to \$1.9 billion in 2004. The resource balance was consequently negative in both years, reaching -\$491 million in 2003 and -\$680 million in 2004. The current account balance was also negative, decreasing from -\$268 million in 2003, to -\$411 million in 2004. Foreign exchange reserves (including gold) grew to \$467 million in 2004, covering around three months of imports.

### 33 BANKING AND SECURITIES

Upon leaving the franc zone in June 1973, the government established the Central Bank of the Malagasy Republic (Banque Centrale de la République Magache). Also organized at that time were the Malagasy National Development Bank, an agricultural credit institution, and the National Investment Co., an industrial investment bank. In June 1975, the Ratsiraka government nationalized all private financial institutions. In December 1976, Bankin'ny Tantsaha Mpamokatra (BTM) was established as the national rural development bank, Bankin'ny Industria (BNI) as the national industrial development bank, and Banky Fampandrosoana ny Varotra (BFV) as the national bank for commerce. There was also a savings bank and a postal checking account system.

Economic reforms in 1988 allowed private foreign investment in the banking sector for the first time since the banks were nationalized. In 1989, the Banque Nationale de Paris was the first French bank to open a private bank, the BMOI, since 1975. Financial sector liberalization has been a key condition of adjustment support.

In 2001, there were six commercial banks in Madagascar, including Banque Malgache de l'Océan Indien (BMOI) and BNI-Credit Lyonnais (BNI-CL), both controlled by European banking institutions; Union Commercial Bank (UCB) and State Bank of Mauritius (SBM), both controlled by Mauritian companies; BTM, controlled by the Bank of Africa; and the Bank of New York (BFV/SG). Total assets of the biggest bank, BNI-CL, were approximately \$200 million in 1999. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$794.4 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$1.0 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 11%. There are no securities exchanges in Madagascar.

### 34 INSURANCE

In June 1975, as part of the government's Malagasization program, all insurance companies were nationalized. Most of these had previously been French. Foreign companies now operate only as coinsurers. Some of the insurance companies doing business in Madagascar included, in 1998: Avotra Mutuelle Générale d'Assurances Malagasy, Caledonian Insurance Co., Com-

### Public Finance – Madagascar (2002)

(In billions of francs, central government figures)

<b>Revenue and Grants</b>	<b>2,895</b>	<b>100.0%</b>
Tax revenue	2,304.1	79.6%
Social contributions	...	...
Grants	492	17.0%
Other revenue	98.9	3.4%
<b>Expenditures</b>	<b>4,283.5</b>	<b>100.0%</b>
General public services	1,778	41.5%
Defense	...	...
Public order and safety	366.4	8.6%
Economic affairs	636.4	14.9%
Environmental protection	168.7	3.9%
Housing and community amenities	...	...
Health	344.7	8.0%
Recreational, culture, and religion	22.8	0.5%
Education	885.4	20.7%
Social protection	81.1	1.9%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

pagnie Malgache d'Assurances et de Reassurances, and Mutuelle d'Assurances Malagasy.

### 35 PUBLIC FINANCE

In 2000, Madagascar started the preparation of a Poverty Reduction Strategy Paper (PRSP) under the Heavily Indebted Poor Countries (HIPC) initiative. By the end of the year, the IMF and the World Bank agreed that Madagascar had filled the requirements of the HIPC and together they reached a decision point for debt relief. As a result, various organizations, including the IMF, the Paris Club, and the African Development Bank awarded Madagascar grants or debt cancellations worth a total of \$355 million dollars in 2001.

The US Central Intelligence Agency (CIA) estimated that in 2005 Madagascar's central government took in revenues of approximately \$703.6 million and had expenditures of \$853 million. Revenues minus expenditures totaled approximately -\$149.4 million. Total external debt was \$4.6 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were FMG2,895 billion and expenditures were FMG4,283.5 billion. The value of expenditures in US dollars was less than us\$1 million, based on an official exchange rate for 2002 of us\$1 = FMG 6,832.0 as reported by the IMF. Government outlays by function were as follows: general public services, 41.5%; public order and safety, 8.6%; economic affairs, 14.9%; environmental protection, 3.9%; health, 8.0%; recreation, culture, and religion, 0.5%; education, 20.7%; and social protection, 1.9%.

### 36 TAXATION

Indirect taxes produce much more revenue than direct taxes. The most important indirect taxes are import duties (ranging from 0–25%), a value-added tax (20%), customs fees (0–25%), and consumption taxes (from 0–10%). Import licenses are not necessary, and exports have been liberalized. Direct taxation consists of a

graduated personal income tax with a maximum rate of 35%, a corporate profits tax at a flat rate of 35%, and a tax on income from transferable capital.

### 37 CUSTOMS AND DUTIES

Between 1960 and 1972, most Malagasy production went to France, where it was sold at subsidized prices. In return, preferential treatment was given to French imports. This reciprocal arrangement guaranteed the Malagasy a reliable return for their exports and enabled the French to pay low import duties and virtually monopolize the Malagasy market. Similar trade agreements were arranged with some European Community countries.

Beginning in 1972, however, the government restricted imports as much as possible and began the progressive cancellation of preferential arrangements to ensure greater diversity in supply sources. Import constraints were tightened during the early 1980s because of a severe shortage of foreign exchange but were liberalized in 1986. In 1988, Madagascar began a three-stage comprehensive tariff reform to simplify and reduce rates. Imported goods were divided into five categories and taxed at rates of 10–50%.

Customs duties continue to be an important source of revenue for Madagascar, as they are for many developing countries. The current tariff system, under a 2000 financial law, consists of four kinds of duties: an import tax (5% for crude materials, spare parts and inputs; 5–15% for capital goods; 25–30% for consumer goods; and up to 100% for some luxury items); custom fees of 0–25%; a consumption tax of 1–10%; and a value-added tax (VAT) of 20%.

### 38 FOREIGN INVESTMENT

Prior to independence, nearly all private investment was French. The investment code of 1973 required that the Malagasy government own at least 51% of most new foreign projects, especially those involving strategic sectors of the economy. Import duties on equipment, excise on products, and taxes on profits were reduced or waived. Priority was given to enterprises in the allocation of foreign exchange and in the sale of goods and services to the state and its enterprises. In 1974, the government embarked on a socialist course, nationalizing large foreign enterprises without compensation and imposing strict controls on imports, prices and foreign exchange. There was little private foreign investment under these restrictive policies. The economy contracted and productivity declined. In 1994, under the pressure and guidance of the IMF, the World Bank, and donor states, a new liberalized policy framework was instituted. In 1997, the government announced that 45 state enterprises were set for privatization by the end of 1998, but only two companies had been privatized by mid-1999. Nonetheless, public foreign investment is encouraged.

A new code that became operational in 1986 allowed some exporters tax holidays of up to eight years, and there were special incentives for small enterprises. Foreign investors had the right to transfer dividends freely. The investment code of 1990 provided further incentives to foreign private investors and was opposed by local businesses for that reason. Rules covering foreign exchange and the number of foreign employees were relaxed. Small- and medium-size companies were provided tax exemptions through the first ten years of operation.

A number of export processing zones were set up in Madagascar. These have attracted investors from Europe (50%, mainly French,

and Germany and Italy), Mauritania (30%), and Asia (10%, mostly Hong Kong and Singapore). Between 1990 and 1992, 69 new foreign-financed businesses were established in Madagascar. Investment during 1999 focused on the telecommunications, petroleum, and mining sectors. The value of foreign direct investment in 1998 was around \$16 million.

In 2005, the discovery of two kimberlites by a Canadian diamond exploration company may set the stage for major future investments in mining, and they might lead to the emergence of Madagascar as a major diamond producer.

### 39 ECONOMIC DEVELOPMENT

The 1982–1984 development plan, more modest than the previous one owing to limited resources, called for a shift from social investments (especially education and health) to agriculture, industry, and infrastructure. The following 1984–87 plan called for spending centered mainly on transport improvements and agricultural development. The 1986–90 plan, which superseded the 1984–87 plan, had 30% of the budget coming from private sources and 40% from foreign sources. The plan called for investments of 47% in agriculture in the ongoing effort to achieve food self-sufficiency and crop diversification.

Antigovernment strikes, corruption, and a lack of commitment have limited progress on the reforms since the early 1990s. In March 1997, a World Bank structural adjustment credit of \$70 million was approved; in July 1999, a \$100 million credit, and \$40 million from the International Monetary Fund (IMF). The GDP growth rate increased steadily since these credits were allocated to Madagascar. However, external debt remained at \$4 billion throughout the decade. One good sign during this period was a decrease in inflation, from 45% in 1993 to 6.2% in 1998.

In 2000, Madagascar was approved for \$1.5 billion in debt service relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative. In 2001, it negotiated a \$111.3 million three-year Poverty Reduction and Growth Facility (PRGF) Arrangement with the IMF. The PRGF was due to expire in November 2004. Also in 2001, the Paris Club approved a debt cancellation of \$161 million, and the African Development Bank (AfDB) approved a debt cancellation of \$71.46 million and granted an additional credit of \$20 million to fight HIV/AIDS and poverty. Foreign direct investment in Madagascar's export processing zone strengthened the country's balance of payments position from 1997–2001, real GDP growth rate averaged 4.75%, and inflation was limited. The government embarked on an agenda of regulatory reform and public enterprise in 2002. Poverty, however, remained a constraint on growth and development.

Economic growth in 2005 was expected to reach around 5.1%, lower than initial estimates predicted. This trend was the result of high energy costs, frequent power cuts, and reduced consumer spending. By 2006, the economy was predicted to make slow but steady progress. The expansion of the economy will likely be fueled by a good performance in a series of key sectors: agriculture, tourism, and mining.

### 40 SOCIAL DEVELOPMENT

Old age, disability and survivor's pensions are funded by 1% contributions by employees and 3.5% by employers. There is a National Social Security Fund that provides family allowances and



workers' compensation for wage earners. Employed women receive 14 weeks of maternity leave at 50% of pay. An employment-related system for family allowances is available to residents of Madagascar or France.

Women enjoy a highly visible and influential position in society, occupying some important posts in business and in the public sector. Domestic abuse is not widespread and women have recourse when reporting abuse to authorities. A 2003 amendment to the penal code specifically prohibits domestic violence. Child labor persists.

Human rights are generally respected. Excessive pretrial detention is a problem in Madagascar, sometimes extending for periods that surpass the maximum sentence for the alleged offense.

#### 41 HEALTH

All medical services in Madagascar are free. Each province has a central hospital and local clinics, dispensaries, and maternity-care centers are supplemented by mobile health units. The main hospitals are the Hospital Befelatanana (1,300 beds) and Fort Dauphin Hospital (80). Total health care expenditure was estimated at 2.1% of GDP. As of 2004, there were an estimated nine physicians, 19 nurses, and nine midwives per 100,000 people.

Malaria remains one of the major health problems. The strategies of the fight against malaria consist of early care of malaria cases, drug interaction for pregnant women, and eradication of adult insects in the central highlands where malaria is common. The major endemic diseases are malaria, leprosy, and schistosomiasis. Tuberculosis is also prevalent. Approximately 47% of the population had access to safe drinking water and 42% had adequate sanitation.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 42.4 and 12.2 per 1,000 people. The fertility rate in 2000 was 5.4. Only 19% of married women (ages 15 to 49) used contraception. The infant mortality rate in 2005 was 76.83 per 1,000 live births. The maternal mortality rate was 490 per 100,000 live births. Immunization rates for children up to one year old were: tuberculosis, 87%; diphtheria, pertussis, and tetanus, 73%; polio, 73%; and measles, 68%. Approximately 48% of children under five years of age were considered malnourished. Nearly 22.8% of schoolchildren suffered from goiter. The average life expectancy was 56.95 years in 2005.

The HIV/AIDS prevalence was 1.70 per 100 adults in 2003. As of 2004, there were approximately 140,000 people living with HIV/AIDS in the country. There were an estimated 7,500 deaths from AIDS in 2003.

#### 42 HOUSING

Malagasy houses, although constructed of varying materials in different parts of the island (brick and wood in the plateau, thatch and leaves in the west, and often on stilts in the east), are always rectangular, sited north-south, with the doorway opening to the west. In the central plateau, they are often two stories high and have outside terraces.

The rapid growth of towns after World War II created grave problems of housing and sanitation, especially in Antananarivo, whose situation on a rocky promontory aggravates the difficulties of overcrowding. In the late 1980s, the latest period for which information is available, the housing stock totaled 2,350,000 with

4.5 people per dwelling. According to a 1993 survey, about 59% of all households lived in a one-room dwelling. About 83% of all dwellings were owner occupied. Only about 4% of all households had modern toilet facilities.

#### 43 EDUCATION

Education is free and compulsory for five years. This is followed by four years of lower secondary education. Students may then attend a three-year program in either general upper secondary studies or technical school studies. The academic year runs from October to July.

In 2001, about 3.4% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 79% of age-eligible students. In 1999, secondary school enrollment was about 11% of age-eligible students. It is estimated that about 46.8% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 50:1 in 2000; the ratio for secondary school was about 17:1.

The University of Madagascar in Antananarivo, established in 1961, also has campuses at Antsiranana, Fianarantsoa, Mahajanga, Toamasina, and Toliara. Also in Antananarivo are the Rural College of Ambatobe and the National Institute of Telecommunications and Posts. In 2003, about 2% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 70.6%, with 76.4% for men and 65.2% for women.

As of 2003, public expenditure on education was estimated at 2.9% of GDP, or 10.2% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The principal libraries are the National Library in Antananarivo, with 236,000 volumes, and the university library, with 195,000 volumes. Other important libraries include the National Archives (30,000 volumes), the Antananarivo municipal library (23,000), and the Albert Camus Cultural Center Library (35,000).

The palace of the queen in Antananarivo contains important art, archaeological, and historical exhibits, especially concerning the Merina kingdom. Other museums in the city are the Gallery of Fine Arts; the University of Madagascar's Museum of Art and Archaeology; the Folklore, Archaeology, Paleontology, and Animal Museum; the Historical Museum, and a natural history museum. There is also an oceanographic research museum in Nosy Be, a regional museum in Toamasina, and university museums in Fianarantsoa and Tuléar.

#### 45 MEDIA

In 2003, there were an estimated 4 mainline telephones for every 1,000 people; about 1,800 people were on a waiting list for telephone service installation. The same year, there were approximately 17 mobile phones in use for every 1,000 people.

The government-owned Radio-Télévision Malagasy broadcasts in French, Malagasy, and English, and telecasts in French and Malagasy; Radio Madgasi Kara, also state-owned, broadcasts in French and Malagasy. There are a few privately operated stations for both radio and television. As of 2001, there were 2 AM and 9 FM radio stations and 1 television station. In 2003, there were an estimated 216 radios and 25 television sets for every 1,000 people.

The same year, there were 4.9 personal computers for every 1,000 people and 4 of every 1,000 people had access to the Internet. There was one secure Internet server in the country in 2004.

In 2004, there were eight major daily newspapers. The largest (with 2002 circulation figures) were: *Atrika* (circulation 13,000), *Imongo Vaovao* (10,000), *Madagascar Tribune* (12,000), *Maresaka* (5,000), and *Midi-Madagasikara* (25,000). All are published in Antananarivo. Despite prior censorship of all print media, the press is independent and quite outspoken.

#### 46 ORGANIZATIONS

There are hundreds of cooperatives, and the Ratsiraka government has been encouraging *fokonolona*, or village organizations, to stimulate planned agricultural undertakings. Chambers of commerce, originally established in 1902, are located in a dozen towns. The national branch is the Chamber of Commerce, Industry, Art and Agriculture of Antananarivo, which serves as a multi-purpose group for tourism and trade. There are also seven major employers' organizations.

Tanora Tonga Saina is the government-sponsored youth movement. There are also scouting programs and a number of religiously and/or politically affiliated groups for youth. There are branches of Junior Chamber and YMCA/YWCA. A variety of sports associations are also active.

There are national chapters of the Red Cross Society, UNICEF, and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourism has been encouraged by the government as a source of foreign exchange since the mid-1980s, with an exception for the years 1991 and 2002, when the industry suffered due to civil unrest. There has been renewed growth in tourism, however, and in 2003, Madagascar had 139,000 foreign visitors, a 125% increase from 2002. Hotel rooms numbered 9,325 with 16,700 beds and an occupancy rate of 40%. The average length of stay was four nights. Tourist expenditure receipts totaled \$118 million.

Tourists are attracted to the city of Antananarivo, home to the largest open air market in the world. The hot springs town and resort of Antsirabe is also popular to visitors who enjoy boating and swimming.

Valid passports and visas are required. Certificates of vaccination against cholera and yellow fever are necessary of persons arriving from an infected area. Precautions against malaria are strongly advised.

In 2004, the US Department of State estimated the daily cost of staying in Antananarivo at \$217. Daily costs of visits to towns and villages were estimated at \$95.

#### 48 FAMOUS MALAGASY

The poet Jean-Joseph Rabéarivelo (1901–37) published several volumes of poetry (*Volumes, Presques Songes, Sylves*). Jacques Rabémananjara (b.1913), a founder of the MDRM, is well known for his verse play, *Les Dieux Malgaches*. Philibert Tsiranana (1910–78), a Tsimihety teacher, founded the PSD, and became Madagascar's first president in May 1959. Gen. Gabriel Ramanantsoa (1906–79) was head of state from May 1972 to February 1975. Adm. Didier Ratsiraka (b.1936) became head of state in June 1975 and president of the republic in January 1976. He served in that position until 1993, when he lost an election to Albert Zafy (b.1927), who was president until 1996. Ratsiraka was elected president once again in 1997, and served until 2002. That year, he and Marc Ravalomanana (b.1949) both claimed the presidency during an election controversy; Ratsiraka fled the country and Ravalomanana became president.

#### 49 DEPENDENCIES

Two offshore islands, Nosy Boraha and Nosy Be, are considered by Madagascar as integral parts of the country.

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# MALAWI

Republic of Malawi



**CAPITAL:** Lilongwe

**FLAG:** The national flag is a horizontal tricolor of black, red, and green, with a red rising sun in the center of the black stripe.

**ANTHEM:** Begins "O God, Bless Our Land of Malawi."

**MONETARY UNIT:** The kwacha (K) of 100 tambala (t) is the national currency; it replaced the Malawi pound (M£) on 28 August 1970 and was linked with the pound sterling until November 1973. There are coins of 1, 2, 5, 10, and 20 tambala, and notes of 50 tambala and 1, 5, 10, 20, and 50 kwacha. K1 = \$0.00832 (or \$1 = K120.21) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Martyrs' Day, 3 March; Kamuzu Day, 14 May; Republic or National Day, 6 July; Mothers' Day, 17 October; National Tree Planting Day, 21 December; Christmas, 25 December; Boxing Day, 26 December. Movable holidays include Good Friday and Easter Monday.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

A landlocked country in southeastern Africa, Malawi (formerly Nyasaland) has an area of 118,480 sq km (45,745 sq mi), of which 24,400 sq km (9,420 sq mi) consists of water, chiefly Lake Malawi (also known as Lake Niassa). Comparatively, the area occupied by Malawi is slightly smaller than the state of Pennsylvania. Malawi extends 853 km (530 mi) N–S and 257 km (160 mi) E–W. It is bounded on the N and E by Tanzania, on the E, S, and SW by Mozambique, and on the W by Zambia, with a total boundary length of 2,881 km (1,790 mi).

Malawi's capital city, Lilongwe, is located in the central part of the country.

## <sup>2</sup> TOPOGRAPHY

Topographically, Malawi lies within the Great Rift Valley system. Lake Malawi, a body of water some 580 km (360 mi) long and about 460 m (1,500 ft) above sea level, is the country's most prominent physical feature. About 75% of the land surface is plateau between 750 m and 1,350 m (2,460 and 4,430 ft) above sea level. Highland elevations rise to over 2,440 m (8,000 ft) in the Nyika Plateau in the north and at Mt. Sapitwa (3,000 m/9,843 ft). The lowest point is on the southern border, where the Shire River approaches its confluence with the Zambezi at 37 m (121 ft) above sea level.

## <sup>3</sup> CLIMATE

Variations in altitude in Malawi lead to wide differences in climate. The vast water surface of Lake Malawi has a cooling effect, but because of the low elevation, the margins of the lake have long hot seasons and high humidity, with a mean annual temperature of 24°C (75°F). Precipitation is heaviest along the northern coast of Lake Malawi, where the average is more than 163 cm (64 in) per

year; about 70% of the country averages about 75–100 cm (30–40 in) annually.

In general, the seasons may be divided into the cool (May to mid-August); the hot (mid-August to November); the rainy (November to April), with rains continuing longer in the northern and eastern mountains; and the post-rainy (April to May), with temperatures falling in May. Lilongwe, in central Malawi, at an elevation of 1,041 m (3,415 ft), has a moderately warm climate with adequate rainfall. The average daily minimum and maximum temperatures in November, the hottest month, are 17°C (63°F) and 29°C (84°F), respectively; those in July, the coolest month, are 7°C (45°F) and 23°C (73°F).

## <sup>4</sup> FLORA AND FAUNA

About 27% of the land area is forested. Grassland, thicket, and scrub are found throughout the country. There are indigenous softwoods in the better-watered areas, with bamboo and cedars on Mt. Sapitwa; evergreen conifers also grow in the highlands. Mopane, baobab, acacia, and mahogany trees are found at lower elevations. There are over 3,700 species of plants found throughout the country.

There are many varieties of animal life. The elephant, giraffe, and buffalo are found in certain areas; hippopotamuses dwell on the shores of Lake Malawi. The kudu, duiker, bushbuck, tsessebe, wildebeest, and hartebeest are among the antelopes to be found. Other mammals in Malawi are the baboon, monkey, hyena, wolf, zebra, lion, nocturnal cat, badger, warthog, and porcupine. In 2000, there were about 195 species of mammals.

There are at least 219 species of birds. Reptiles are plentiful and include freshwater turtle, crocodile, tortoise, marsh terrapin, chameleon, lizard, and many varieties of snakes; the Egyptian cobra has been found in the Shire Valley. Fish abound in the lakes and

rivers; species include bream, bass, catfish, mudfish, perch, carp, and trout. The mbuna is a tropical fish protected within the waters of the Lake Malawi National Park. Malawi is rich in insect life and has species in common with tropical West Africa and Tanzania.

## 5 ENVIRONMENT

Almost all fertile land is already under cultivation, and continued population pressure raises the threat of soil erosion and exhaustion, as well as infringement on forest resources for agricultural purposes. The demand for firewood has significantly depleted the timber stock. Malawi has about 16 cu km of renewable water resources. About of 96% city dwellers and 62% of the rural population have access to pure water.

The preservation of Malawi's wildlife is a significant environmental issue. As of 2003, 11.2% of the country's natural areas were protected, including Lake Malawi National Park, which is a natural UNESCO World Heritage Site, and Lake Chilwa, which is a Ramsar wetland site. Some of the nation's fish population is threatened with extinction due to pollution from sewage, industrial waste, and agricultural chemicals and siltation of spawning grounds. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 7 types of mammals, 13 species of birds, 5 species of amphibians, 9 types of mollusks, 2 species of other invertebrates, and 14 species of plants. Threatened species included the African elephant, cheetah, and African wild dog.

## 6 POPULATION

The population of Malawi in 2005 was estimated by the United Nations (UN) at 12,341,000, which placed it at number 70 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 46% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 3.2%, a rate the government viewed as too high. The projected population for the year 2025 was 23,750,000.

The overall population density was 104 per sq km (270 per sq mi), which is one of the highest in Africa. The Southern Region has about 50% of the population, the Central Region about 40%, and the Northern Region about 10%.

The UN estimated that 14% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.42%. The capital city, Lilongwe, had a population of 587,000 in that year. Other cities (and their estimated populations) include Blantyre (547,500), Mzuzu (99,700), and Zomba (73,400).

The prevalence of HIV/AIDS has had a significant impact on the population of Malawi. The UN estimated that 16.1% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

Accelerating migration from rural to urban areas contributed to an annual urban growth rate of about 6% in the early 1990s. Between October 1992 and mid-1996, 1.3 million Mozambican refugees repatriated from Malawi; the return of refugees to Mozambique was

complete. In 2004 persons of concern to the United Nations High Commissioner for Refugees (UNHCR) in Malawi were 3,682 refugees and 3,335 asylum seekers from the Democratic Republic of the Congo and Rwanda. In 2004 over 1,700 Malawians sought asylum in South Africa and the United Kingdom.

Remittances in 2003 were \$856,000. In 2005 the net migration rate was estimated at zero per 1,000 population, a significant change from -17.1 per 1,000 in 1990. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The people of Malawi belong mainly to various Central Bantu groups. The Chewas are primarily located in the central regions of the country. The Nyanja live primarily in the south and the Lomwe (Alomwe) live south of Lake Chilwa. Other indigenous Malawians include the Tumbuko, Tonga, and Ngonde. The Ngoni (an offshoot of the Zulus from South Africa) and Yao arrived in the 19th century. There are a few thousand Europeans, mainly of British origin, including descendants of Scottish missionaries. There are also small numbers of Portuguese, Asians (mainly Indians), and persons of mixed ancestry.

## 9 LANGUAGES

Numerous Bantu languages and dialects are spoken. Chichewa, the language of the Chewa and Nyanja, is spoken by more than half the population, but the Lomwe, Yao, and Tumbuka have their own widely spoken languages, respectively known as Chilomwe, Chiyao, and Chitumbuka. English and Chichewa are the official languages.

## 10 RELIGIONS

As of a 2004 report, it is believed that more than 70% of the population are Christian, with the largest groups being affiliated with the Roman Catholic and Presbyterian (Church of Central Africa Presbyterian—CCAP) churches. There are smaller numbers of Anglicans, Baptists, Evangelicals, and Seventh-Day Adventists. Muslims account for approximately 20% of the population, with most belonging to the Sunni sect. Tribal religionists account for a small percentage of the population. There are also small numbers of Hindus and Baha'is. Certain Christian and Muslim holidays are celebrated as national holidays.

## 11 TRANSPORTATION

In 2004, Malawi had 797 km (495 mi) of railways, all of it narrow gauge. The main line of the rail system consisted of a single tracked, 1.067-m/3-ft 6 in (narrow) gauge rail line that ran from Salima to Nsanje, a distance of 439 km (273 mi), and operated by Malawi Railways. The line was extended from Salima to Lilongwe in 1977 and was later extended to Mchinji, on the border with Zambia. At Chipoka, 32 km (20 mi) south of Salima, the railway connects with the Lake Malawi steamer service, also operated by Malawi Railways. The railway line extends, in the south, from Nsanje to the port of Beira in Mozambique. The Central African Railway Co., a subsidiary of Malawi Railways, operates the

26 km (16 mi) span from Nsanje to the Mozambique border. Malawi Railways was privatized in 1999.

In 2002, Malawi had an estimated 14,594 km (9,069 mi) of roads, of which 2,773 km (1,723 mi) were paved. In 2003 there were 11,400 passenger cars, and 14,220 commercial vehicles.

Until 1982, about 95% of Malawi's foreign trade passed through Mozambican ports, mainly by rail connections, but by 1987, because of insurgent activity in Mozambique, over 95% of Malawi's exports were moving through South Africa's port of Durban. The use of this longer route, with only road transport through Malawi, was costing \$50 million a year in extra transport expenses. Since 1990, when Mozambican rebels closed down the route, goods have been shipped through Zambia. As of 1999, major Malawi ports and harbors include Chipoka, Monkey Bay, Nkhata Bay, and Nkhotakota. As of 2003, Malawi had 700 km (435 mi) of navigable waterways on Lake Malawi and on the Shire River.

Airports in 2004 numbered 42, only 6 of which had paved runways as of 2005. Malawi's principal airports include Kamuzu International Airport, at Lilongwe, and Chileka, at Blantyre. Air Malawi, the national airline established in 1967, provides international and domestic air service. National carriers to some other countries in the region operate complementary services to Malawi. There are no direct services to Asia and the Pacific or the Americas. In 2003, about 109,000 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Malawi has been inhabited for at least 12,000 years; its earliest peoples were nomadic hunter-gatherers. By the 13th century, Bantu-speaking migrants had entered the region. The Chewa peoples had become dominant by the early 16th century; their clans were consolidated under the leadership of a hereditary ruler called the karonga. Before the coming of the Europeans in the second half of the 19th century, Malawi was an important area of operations for Arab slave traders. The incursions of slaving took a heavy toll on the inhabitants, although the Chewa state never came under direct Arab rule. One of the major stated objectives of British intervention in the territory was to stamp out the slave trade.

The first European to explore the area extensively was David Livingstone, whose reports in the 1850s and 1860s were instrumental in the establishment of a series of mission stations in Nyasaland (as Malawi was then known) during the 1870s. In 1878, the African Lakes Company was formed by Scottish businessmen to supply the missions and provide a "legitimate" alternative to the slave trade. As the company extended its operations, it came into conflict with Yao tribesmen and Arab outposts toward the northern end of Lake Malawi. Fighting ensued in 1887–89, and pacification was completed only some years after the British government had annexed the whole of the territory in 1891. To Sir Harry Johnston, the first commissioner of the protectorate, fell the task of wiping out the remaining autonomous slave-trading groups. These anti-slavery operations were assisted by gunboats of the Royal Navy.

Nyasaland attracted a small group of European planters in the first decades of the 20th century. This group settled mainly in the Shire Highlands, and its numbers were never large. The territory was viewed by the imperial government as a tropical dependency, rather than as an area fit for widespread white settlement; many of the frictions that marred race relations in the Rhodesias were



LOCATION: 9°27' to 17°10' S; 32°20' to 36° E. BOUNDARY LENGTHS: Tanzania, 451 kilometers (280 miles); Mozambique, 1,497 kilometers (930 miles); Zambia, 820 kilometers (510 miles).

therefore minimized in Nyasaland. Missionaries and colonial civil servants consistently outnumbered planters in the European community, and lands occupied by European estates accounted for only a small part of the total land area.

Between World Wars I and II, the policy of the imperial government was built around the concept of "indirect rule"—that is,

increasing the political responsibility of the African peoples by building on the foundations of their indigenous political institutions. Although this policy was not implemented at a rapid pace, it was generally assumed that Nyasaland would ultimately become an independent African-led state. In 1953, however, Nyasaland was joined with the two Rhodesias—Northern Rhodesia (now Zambia) and Southern Rhodesia (now Zimbabwe)—in the Central African Federation. The Africans' reaction to this political arrangement was hostile. Disturbances sparked by opposition to the federation in 1959 led to the declaration of a state of emergency, and some Africans, including Dr. Hastings Kamuzu Banda, were detained.

The African political leaders imprisoned in Southern Rhodesia were released in April 1960, and they gathered African support for the Malawi Congress Party (MCP). The MCP increased the campaign against federation rule and in the August 1961 elections polled more than 90% of the vote, winning all of the 20 lower-roll seats and two of eight upper-roll places. An era of "responsible" government then began, with the MCP obtaining five, and eventually seven, of the 10 available Executive Council positions. At a constitutional conference held in London in November 1962, it was agreed that Nyasaland should become fully self-governing early in 1963, and that Banda, who headed the MCP, should become prime minister. On 19 December 1962, the British government announced acceptance "in principle" of the right of Nyasaland to secede from the federation.

In February 1963, as scheduled, Nyasaland became a self-governing republic. In July, at a conference held at Victoria Falls, it was decided that the Central African Federation would break up by the end of the year. In October, Banda visited the United Kingdom and successfully negotiated full independence, effective in mid-1964 after a general election based on universal adult suffrage. Accordingly, on 6 July 1964, Nyasaland became a fully independent Commonwealth country and adopted the name Malawi. On 6 July 1966, Malawi became a republic, and Banda assumed the presidency. After the constitution was amended in November 1970, Banda became president for life.

During the first decade of Banda's presidency, Malawi's relations with its black-ruled neighbors were sometimes stormy. At the opening session of the MCP convention in September 1968, President Banda made a claim to extensive territories outside the present boundaries of Malawi. The claim covered the whole of Lake Malawi and parts of Tanzania, Mozambique, and Zambia.

The Tanzanian government asserted that President Banda could make territorial claims only because he had the support of South Africa, Rhodesia (which at that time had a white minority government), and Portugal (which then still ruled Mozambique). In fact, in 1967, Malawi had become the first black African country to establish diplomatic relations with white-ruled South Africa; in August 1971, moreover, Banda became the first black African head of state to be officially received in South Africa, which supplied arms and development funds to Malawi.

The Banda government also faced some internal opposition. In October 1967, the Malawi government announced that a group of rebels, numbering about 25, wearing police uniforms and posing as insurgents from Mozambique, had entered Malawi with the intention of killing President Banda and his ministers. Eventually, eight of the rebels were convicted of treason and sentenced to

death; five others, including Ledson Chidenge, a member of the National Assembly, were sentenced to death for the murder of a former official of the MCP.

The aging Banda continued to rule Malawi with an iron hand through the 1970s and into the late 1980s. Several thousand people were imprisoned for political offenses at one time or another during his rule. One of these was former Justice Minister Orton Chirwa, leader of an opposition group in exile, who in May 1983 was sentenced to death after having reportedly been abducted from a town across the Zambian border in late 1981. Chirwa's sentence was commuted to life imprisonment in 1984. He died in prison in October 1992. The leader of another dissident group, Attati Mpakati, was assassinated in Harare, Zimbabwe, in March 1983. Three government ministers and a member of parliament—two of them key leaders of the MCP, with one of them, party secretary-general Dick Matenje, regarded as a possible successor to Banda—died in the middle of May 1983 in a mysterious car accident. Another staunch critic of the Banda regime, the journalist Mkwapatira Mhango, was killed together with nine members of his family in a bomb attack in Lusaka, Zambia, in 1989.

A serious problem in the 1980s concerned the activities of the Mozambique National Resistance (MNR), which, in its efforts (backed by South Africa) to bring down the government in Maputo, seriously disrupted Malawi's railway links with Mozambique ports. As a result, an increasing share of Malawi's trade had to be routed by road through Zambia and South Africa at great expense. In 1987, Malawi allowed Mozambican troops to patrol areas along their common border and sent several hundred troops into northeast Mozambique to help guard the railway leading to the port of Nacala. Other critical problems for Malawi, particularly during the late 1980s and the early 1990s were the nation's growing debt burden, severe drought, and the nearly one million refugees from Mozambique, most of whom have now returned to Mozambique.

In 1992, Banda's grip began to weaken. In March, Malawi's eight Roman Catholic bishops issued a pastoral letter protesting detention without trial and harsh treatment of political prisoners. University students demonstrated. Wildcat strikes and rioting in Blantyre and Lilongwe followed the arrest of opposition trade unionist Chakufwa Chihana in May. Nearly 40 were killed by police gunfire in the first significant antigovernment demonstrations since 1964. Chihana was released on bail in September and he formed a new group, the Alliance for Democracy (AFORD), that campaigned for multiparty elections. In December, Chihana was sentenced to two years for sedition.

Pressure mounted (including threats by aid donors abroad to suspend assistance), and in October Banda agreed to hold a referendum early in 1993 on whether Malawi should remain a one-party state. In the referendum, on 14 June 1993, 63% of those voting favored adopting multiparty democracy. Two opposition groups, AFORD and the United Democratic Front (UDF), both led by former MCP officials, held a massive rally in January 1993. Meanwhile, three opposition groups in exile merged to form the United Front for Multiparty Democracy, which then merged with the UDF inside Malawi. Chihana was released two days before the referendum.

In July and November 1993, parliament passed bills eliminating from the constitution single-party clauses (such as Hastings Kamuzu Banda's life presidency), appending a bill of rights, estab-

lishing a multiparty electoral law, and repealing detention without trial provisions of the Public Security Act. Dialogue among various major parties resulted in the establishment of a National Consultative Council and a National Executive Committee, with representatives from all registered parties, to oversee changes in the constitution, laws, and election rules and procedures. In December 1993, security forces disarmed Banda's paramilitary MCP Young Pioneers.

On 16 May 1994 the National Assembly adopted a provisional constitution, and the country held its first multiparty elections the following day. Bakili Muluzi of the UDF, a former cabinet minister, defeated Banda (MCP), Chihana (AFORD), and Kamlepo Kalua (Malawi Democratic Party). Of the 177 parliamentary seats contested, the UDF took 84, the MCP took 55, and AFORD 36. Muluzi immediately ordered the release of political prisoners and closed the most notorious jails. The new constitution took effect on 18 May 1995.

Malawi's second multiparty elections were held on 15 June 1999. The balloting showed a distinct regional cast to party constituency. Leading the UDF, Muluzi emerged the winner with 51.4% of votes in the presidential elections, followed by the MCP candidate, Gwanda Chakuamba, with 44.3%. Muluzi's UDF won 94 of 193 parliamentary seats, four short of a simple majority. Chakuamba's MCP took 63 seats, and its electoral ally, the AFORD, won 31; four seats went to independents. The results confirmed the regional voting trend set in 1994, with the UDF winning the densely populated south, the MCP strong in the central region and all of AFORD's seats coming from the rugged north.

Although international observers declared the contest free and fair, opponents alleged that the UDF had rigged the elections, and refused to recognize the outcome. Attempts to seek legal redress were rebuffed, leading to riots and the razing of 10 mosques in the north. At least two people were killed. Muluzi was inaugurated in Blantyre on 21 June 1999.

In July 2002, the National Assembly rejected proposals to amend the constitution to allow Muluzi to run for a third term in 2004. The proposals, resubmitted in February 2003, were quickly withdrawn under protests from opposition groups, civil society, and the diplomatic community. In all, three people were killed in the 2002 protests. Muluzi laid to rest speculation over his political intentions when he announced in April 2003 that the UDF National Executive Committee had endorsed a 68-year-old economist, Bingu wa Mutharika, as its presidential candidate for 2004. Mutharika, who hailed from Thyolo District 40 km (25 mi) southeast of Blantyre, was deputy governor of the Reserve Bank of Malawi before being appointed minister in the newly created Department of Economics and Planning.

Severe food shortages in 2002 affected some 3.2 million people. The shortages exacerbated living conditions for more than 65% of the population considered "poor," and for some 15% of the adult population infected with HIV/AIDS. Widows of AIDS victims were increasingly subjected to property grabbing by relatives.

In June 2003, overriding a court order, the government deported five men accused of al-Qaeda connections. Muslim protests in the central district of Kasungu were disbursed by police using rubber bullets and tear gas. In the town of Mangochi in the south, Muslim demonstrators looted seven churches and the offices of Save the Children USA. About 50 Muslims stormed the police sta-

tion where the detainees were being held, but were repelled by the police. Two of the five men headed local charities, while a third was a teacher at a Muslim school. Muluzi, himself a Muslim, declared that religious intolerance would not be allowed.

The third presidential and legislative elections were held on 20 May 2004. These elections had been scheduled to be held on 18 May, but were postponed for two days because the opposition complained of irregularities in the voters' roll. The opposition argued that the number of voters on the roll was several times larger than the eligible population of voting age in Malawi. The results were announced on 25 May by the Malawi Electoral Commission. Bingu wa Mutharika, the UDF candidate who had been hand-picked by outgoing President Muluzi, was declared elected. Mutharika received 35% of the votes, John Tembo of the MCP received 27%, Gwanda Chakuamba—the candidate of the Mgwirizano Coalition—received 26%, Brown Mpinganjira of the National Democratic Alliance received 8%, and Justin Malewezi of the Peoples' Progressive Movement received 3%. Of the 193 National Assembly seats available, the MCP won 60 seats, the UDF won 49, the Mgwirizano Coalition won 28, and independents won 38. This is in stark contrast to the 1999 elections in which the UDF almost won a majority of the seats.

Surveys conducted by Malawi media groups before the election had put Gwanda Chakuamba, the candidate of the Mgwirizano Coalition—a seven-party opposition coalition—in the lead. Immediately after the announcement of the results riots broke out in the major cities of Malawi, particularly Blantyre, the stronghold of Chakuamba, and a number of people lost their lives, shot by the police. Both Chakuamba and John Tembo of the MCP immediately challenged the results in court and demanded a recount. Following the elections in 2004 the political climate in Malawi remained unstable. As of early 2006, the National Assembly was in the process of impeaching Bingu wa Mutharika, who, in February 2005, left the UDF to form his own party, the Democratic Progressive Party (DPP).

After Banda was forced to liberalize his regime, Mutharika was one of the founders of the United Democratic Front, the party that won Malawi's first multiparty elections in 1994. Mutharika was at that time a supporter of the UDF leader, President Bakili Muluzi, but he soon became a critic of Muluzi's economic policies and left the UDF. He formed the United Party (UP) in 1997 and unsuccessfully opposed Muluzi in the 1999 presidential elections. Mutharika dissolved the UP and rejoined the UDF after being offered the deputy governorship at the Reserve Bank of Malawi. Immediately after being elected president in 2004, Mutharika fell out of favor with his predecessor and supporter, Muluzi, because of Mutharika's zero tolerance policy toward corruption. Once out of the presidency, Muluzi refused to retire as head of UDF and remained its chair. Muluzi's staunch supporters accused Mutharika of persecuting and harassing them through his campaign to end corruption. There was talk of firing Mutharika from the UDF. On 5 February 2005, Mutharika announced his resignation from the UDF and formed his own political party, the DPP. There was also an alleged assassination plot against him by UDF stalwarts in early January 2005. Those accused were later pardoned by Mutharika, but he maintained the existence of the plot.

Mutharika continued to fight for his political survival as opposition parties forged ahead with plans to impeach him. The fight

pitted Mutharika against former president of the country and now chairman of the United Democratic Front (UDF), Muluzi, with the UDF proposing an impeachment motion after Mutharika left the party which had sponsored him in the 2004 national elections. Mutharika's formation of his own political organization, DPP, effectively relegated the UDF to an opposition rather than a ruling party. Thus, on paper, the opposition parties formed the largest bloc in parliament while Mutharika's party, the DPP, did not have any seats. Muluzi aggressively sought the cooperation of the other opposition parties (which included John Tembo's MCP and Gwanda Chakuamba's Republican Party) to oust Mutharika through impeachment proceedings. He promised that once Mutharika was removed, a national governing council composed of the leaders of the three major political parties would rule the country. Such a promise contradicts the constitution, which notes that in the event of a vacancy in the presidency, the vice president automatically takes over.

As of mid-2006, Malawi's political crisis had not been resolved, with the former president (Muluzi) facing a corruption probe from the government's Anti-Corruption Bureau (ACB), and his successor (Mutharika) facing impeachment in parliament. The ACB is carrying out what UDF sees as politically motivated investigations into allegations that Muluzi deposited Kwacha 1.4 billion (us\$11.4 million) of donor funds into his personal account for his own personal use during his tenure as president. Although Mutharika was seen as having narrowly won the possibly rigged presidential elections in May 2004 under a UDF ticket, once in office he quickly won public support for his anticorruption drive, which also received the backing of donors who had unfrozen aid to the country. In October 2005, there were a number of demonstrations both for and against Mutharika's impeachment. UDF supporters marched in the commercial capital of Blantyre, demanding the immediate impeachment and removal of Mutharika from office. On 24 October 2005, as an impeachment motion was tabled in parliament by UDF, angry DPP supporters and sympathizers marched on parliament to protest against the proposed motion. The demonstrations turned violent with marchers vandalizing cars of opposition MPs.

Observers note that important national issues such as a worsening food crisis and the plight of HIV/AIDS victims were sidelined by the political wrangle. Instead of tackling these issues the government was distracted and the parliament lost focus to assist in tackling these issues. During the last days of the Muluzi presidency, Western donors froze balance of payments support to Malawi over corruption and governance concerns. However, with Mutharika's strong anticorruption stance, aid began to flow back into the country. However, continuing political crisis could again jeopardize foreign development assistance to Malawi.

### **13 GOVERNMENT**

Malawi officially became a republic on 6 July 1966, and its first constitution was adopted that year. The current constitution took effect on 18 May 1995 reaffirming the president as the head of state and supreme executive authority. In July 2003, he led a 38-member cabinet. Legislative power is vested in a unicameral parliament comprising a National Assembly of 193 seats with mem-

bers elected by popular vote to serve five-year terms. The most recent elections were held in 2004.

### **14 POLITICAL PARTIES**

Malawi was officially a one-party state from October 1973 until July 1993. The Malawi Congress Party (MCP) was the national party and Hastings Kamuzu Banda was its president for life. All candidates for the National Assembly had to be members of the MCP.

For years the opposition groups in exile achieved little success in their efforts to unseat the Banda government. The Socialist League of Malawi (LESOMA), with headquarters in Harare, was directed by Attati Mpakati until his assassination in March 1983. A second group, the Malawi Freedom Movement (MAFREMO), based in Tanzania, was led by Orton Chirwa, who was seized by Malawi authorities in late 1981 and imprisoned for life until his death in 1992. The Congress for the Second Republic, also based in Tanzania, was led by former External Affairs Minister Kanyama Chiume. The Save Malawi Committee (SAMACO) was formed in Lusaka, Zambia, in 1983.

In September 1992, trade unionist Chakufwa Chihana formed the Alliance for Democracy (AFORD) before being convicted of sedition. AFORD and others pushed successfully for a referendum on adopting a multiparty system, and the United Democratic Front (UDF) combined with a coalition in exile (the United Front for Multiparty Democracy) late in 1992.

From the introduction of multiparty competition in May 1994 to the elections in 2004, the UDF and its leader, Bakili Muluzi, dominated the political arena. In the 1994 presidential contest, Muluzi garnered 47.3% of the vote, and his party 84 of the 177 elective seats in the National Assembly. Muluzi obtained 51.4% of the vote in the 1999 presidential poll, and the UDF won 94 of 193 Assembly seats. However, a shake-up in UDF hierarchy in 2003 revealed vulnerabilities in the party's leadership and organization. This led to Muluzi handpicking his successor, Bingu wa Mutharika, who narrowly won 36% of the vote in the controversial May 2004 elections. Furthermore, UDF won only 49 out of the 193 seats in parliament, showing that the dominance the UDF had during Muluzi's tenure had considerably waned. Bingu wa Mutharika then abandoned the UDF and moved on to form his own political party, the Democratic Progressive Party (DPP), a move which infuriated Bakili Muluzi who attempted to lure other opposition parties to join him in impeaching Mutharika.

Since the 2003 shake-up in the UDF hierarchy, dissenters from this shake-up have formed their own political parties. The splinter group parties from the UDF include the National Democratic Alliance (NDA) founded by Brown Mpinganjira, who fell out of favor with Bakili Muluzi. At the general elections of May 2004 this party won 8 out of 193 seats. Brown Mpinganjira later de-registered his party and rejoined the UDF. Other former UDF and non-UDF leaders of smaller parties formed a loose electoral alliance called the Mgwirizano Coalition. This coalition includes seven smaller parties: Malawi Democratic Party, Malawi Forum for Unity and Development, Movement for Genuine Democratic Change, National Unity Party, People's Progressive Movement, People's Transformation Party, and Republican Party. Gwanda Chakuamba, founder and leader of the Republican Party, was the presidential candidate for the Mgwirizano Coalition in the May



2004 elections. He won 26% of the vote and the Mgwirizano Coalition won 27 out of 193 seats.

A recent addition to the Malawi political landscape is the Democratic Progressive Party (DPP) which was the ruling political party in Malawi as of mid-2006. It was formed in February 2005 by Malawian President Bingu wa Mutharika after a dispute with the United Democratic Front. There were allegations that members of the former governing UDF did not adequately tackle corruption. The many defections from UDF greatly weakened the position of UDF in both the government and the national assembly. A plethora of smaller parties could wield power if they formed effective coalitions, as illustrated by the Mgwirizano Coalition.

## 15 LOCAL GOVERNMENT

In 1996, Malawi was divided into three administrative regions—Northern, Central, and Southern—which were subdivided into 24 districts. In 2005 the number of districts was increased to 28 as some large districts were sub-divided into two. District councils provide markets, postal agencies, roads, and rural water supplies and exercise control over business premises and the brewing and sale of beer. More important, however, are the councils' responsibilities for primary education. Some of the councils run public health clinics. Council expenditures are mainly financed from direct government education grants, calculated to meet the salaries of teachers in most of the district schools. Other sources of revenue include annual taxes on all males over the age of 17 years who are residents in the district and charges for services rendered.

Town councils have powers similar to those of the district councils, but with greater emphasis on the problems that arise in urban areas. Their main functions are sewerage, removal of refuse, the abatement of nuisances, construction and maintenance of roads, and, in some cases, the provision of fire-fighting services. Revenue for town councils comes mainly from direct taxes on property.

## 16 JUDICIAL SYSTEM

Since 1969, Malawi has operated under two parallel court systems. The first is based on the United Kingdom legal system with local courts and a local appeals court in each district. Formerly, these courts heard all cases of customary law and had wide statutory, criminal, and civil jurisdiction. The upper layers consist of the Supreme Court of Appeal, the High Court, and magistrates' courts. A chief justice and four puisne judges appointed by the president staff the High Court. There is a chain of appeals from the local courts up to the Supreme Court of Appeal.

A second system was established in November 1969, when the National Assembly empowered the president to authorize traditional African courts to try all types of criminal cases and to impose the death penalty; the president was also permitted to deny the right of appeal to the High Court against sentences passed by the traditional courts, a right formerly guaranteed by the constitution. Traditional court justices are all appointed by the president. Appeals from traditional courts go to the district traditional appeals courts and then to the National Traditional Appeal Court. Appeals from regional traditional courts, which are criminal courts of the first instance, go directly to the National Traditional Appeal Court.

In 1993, the attorney general suspended the operation of regional and national level traditional courts in response to a report

by the National Consultative Council on problems in the workings of the traditional court system. Since then the trend is toward moving serious criminal and political cases from traditional to modern courts. Education and training seminars have led to some improvements in the functioning of the local traditional courts.

The constitution provides for an independent judiciary, which is respected in practice. Defendants have the right to public trial, to have an attorney, to challenge evidence and witnesses, and to appeal. The constitution superseded many old repressive laws. The High Court may overturn old laws that conflict with the constitution.

## 17 ARMED FORCES

In 2005, Malawi had an army of 5,300 personnel, organized into 3 infantry battalions, 1 independent paratroop battalion, 1 Marine company and 1 support battalion. The Army's air wing numbered 200 and the maritime wing had 220 members. There was a paramilitary gendarmerie of 1,500 in the mobile police force. In 2005, the defense budget totaled \$12.8 million.

## 18 INTERNATIONAL COOPERATION

Malawi became a member of the United Nations on 1 December 1964; the nation participates in ECA and several nonregional specialized agencies, such as the FAO, World Bank, ILO, IFC, UNESCO, UNIDO, and the WHO. Malawi also belongs to the WTO, the African Development Bank, the ACP Group, the Commonwealth of Nations, COMESA, G-77, the African Union, and the Southern Africa Development Community (SADC). The country is a member of the Nonaligned Movement and the Organization for the Prohibition of Chemical Weapons. The government has offered support to UN missions and operations in Kosovo (est. 1999), Liberia (est. 2003), the DROC (est. 1999), and Burundi (est. 2004).

In environmental cooperation, Malawi is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Malawi is an agricultural economy which, in recent years, has been troubled by drought and financial instability. It is dependent for most of its income on the export sales of tobacco (60%), and tea and sugar (20%). Other agricultural products include peanuts, coffee, and wood products. As a result of the 1992 drought, GDP declined by 7.9% after averaging 4.5% annual growth in 1989–91, and an impressive 6.7% annual growth rate during the 1970s. Growth averaged an annual 3.7% from 1988 to 1998. In 2001 GDP grew at -4.9% owing to a devastating drought. It was 1.8% in 2002, 4.4% in 2003, 4.2% in 2004 and 1% in 2005. International aid donors, concerned about human rights abuses in Malawi, have tied future support to human rights reforms. Beginning in 2000, the country was the recipient of \$1 billion in debt service relief under the IMF/World Bank Heavily Indebted Poor Countries Initiative.

Manufacturing is small-scale, directed mainly to the processing of export crops. In 2000, the agricultural sector employed an estimated 86% of Malawi's population and accounted for about 40% of GDP. Over 90% of the population lives in rural areas. The sector experienced severe droughts in 1979–81, 1992, 1994, and

2001–02. Periods of flooding also plague Malawi, as happened in 2003. Production of maize, the main food staple, during the 2001/02 growing season was 1.6 million metric tons, approximately 600,000 short of estimated domestic demand. The World Bank approved a \$50-million assistance package for drought recovery in Malawi in November 2002. Other environmental challenges include deforestation and erosion. Recent economic reforms have led to the market pricing in the agricultural sector. The fledgling mining sector in Malawi is slowly growing with the support of international financing.

The government continues to privatize the ownership of public enterprises although the wealth of the country resides in the hands of a small elite. By 2005, about 50% of the more than 90 state-owned enterprises had been sold to private hands, 22% were actively being offered for privatization and an additional 13% had been earmarked for future transfer to the private sector.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Malawi's gross domestic product (GDP) was estimated at \$7.6 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$600. The annual growth rate of GDP was estimated at 1%. The average inflation rate in 2005 was 15.4%. It was estimated that in 2005 agriculture accounted for 35.9% of GDP, industry 14.5%, and services 49.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1 million and accounted for approximately 0.1% of GDP. Foreign aid receipts amounted to \$498 million or about \$45 per capita and accounted for approximately 29.8% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Malawi totaled \$1.46 billion or about \$132 per capita based on a GDP of \$1.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.4%. Approximately 50% of household consumption was spent on food, 7% on fuel, 2% on health care, and 6% on education. It was estimated that in 2004 about 55% of the population had incomes below the poverty line.

## 21 LABOR

As of 2001, the economically active population was estimated at 4.5 million. According to a 2003 estimate, 90% of the labor force engaged in agriculture. There is very little industry, and no available data on unemployment.

Although sanctioned by law, union membership is quite low due to the small number of workers in the formal sector of the economy. About 15% of the workforce was unionized in 2002. The only labor federation was the Trades Union Congress of Malawi, to which all unions belonged. In theory, unions have the right to organize, bargain collectively, and strike, but in practice labor relations are still in development.

The minimum working age is 14, but many children work due to cultural norms, agricultural predominance, and severe economic hardship. In 2002, the minimum wage was approximately \$0.89 per day in urban areas and \$0.66 in rural areas. This does not provide an adequate living wage. The legal maximum workweek is 48 hours but this regulation is not generally enforced.

## 22 AGRICULTURE

The agricultural sector is drought-prone and experienced severe droughts in 1979–81, 1992, and 1994. About 77% of the total land area of Malawi is under customary tenure—that is, subject to land allocation by village headmen based on traditional rights of succession by descent. Estate farming occupies about 23% of the cultivated land and provides about 90% of export earnings. In all, about 21% of Malawi's total land area is arable. Malawi is self-sufficient in food production (except during droughts), but the population increased more rapidly than the food supply in the 1980s.

Tobacco was first grown in 1889 near Blantyre in southern Malawi. Today, most production comes from the central region (around Lilongwe). Tobacco production was estimated at a record 160,014 tons in 1996 but fell to 69,500 tons in 2004. Malawi exports more than 95% of the tobacco it produces, which generates some 70% of all foreign earnings. Malawi's tobacco sector is in transition away from a rigid government-controlled system to a more market-oriented system that includes smallholder tobacco growers.

Tea, a major export crop, is produced mostly on estates; about 16,000 hectares (40,000 acres) are in tea plantations, mainly in the Mulanje and Thyolo districts. Production in 2004 was 45,000 tons. Sugarcane production was about 2,100,000 tons in 2004. Other cash crops produced in 2004 include peanuts, 61,000 tons, and seed cotton, 40,000 tons.

Although subsistence farmers participate in the production of export crops more extensively now than in the preindependence period, much customary agriculture is still devoted to cereal production. Pressure of population on the land is mounting and, in a few areas, expansion of acreage under export crops has been discouraged in favor of food production. Corn is the staple food crop; about 1,733,000 tons were produced in 2004. Late rains, floods, and an increasing Mozambican refugee population kept corn production from meeting domestic demand during the mid-1990s. Other food crops, with 2004 estimated production figures, include cassava, 2,559,000 tons; potatoes, 1,784,000 tons; beans, 79,000 tons; sorghum, 45,000 tons; plantains, 200,000 tons; bananas, 93,000 tons; and paddy rice, 50,000 tons.

## 23 ANIMAL HUSBANDRY

Animal husbandry plays a minor role in the economy. Pressure on the land for cultivation is sufficiently intense in many areas to rule out stock-keeping on any scale. In 2005 there were an estimated 1,900,000 goats, 750,000 head of cattle, 456,000 hogs, and 115,000 sheep. The number of poultry was estimated at 15.2 million in 2005. Meat production totaled 59,000 tons in 2004, includ-

ing 21,000 tons of pork and 16,000 tons of beef. Milk production was estimated at 35,000 tons.

## 24 FISHING

The growing commercial fishing industry is concentrated mainly in Lake Malawi, with small-scale activity in Lake Malombe, Lake Chilwa, and the Shire River. Fish farming is carried on in the south. The total catch in 2003 was estimated at 54,200 tons. Large employers of labor in the Southern Region are the major buyers, and much of the catch is sold directly to them. Fish from Lake Malawi contribute about 70% of animal protein consumption.

## 25 FORESTRY

Forests and woodlands cover an estimated 2.6 million hectares (6.3 million acres), or 27% of the land area. Natural forests are extensive, and in the high-altitude regions, the Forestry Department is engaged in a softwood afforestation program. However, Malawi's annual rate of deforestation was 2.4% during 1990–2000. Sizeable plantations of pine, cypress, and cedar have been established. Roundwood removals in 2004 were estimated at 5,621,000 cu m (198,400,000 cu ft), of which 91% went for fuel.

## 26 MINING

Quarrying for limestone and other building materials was the major mining activity in Malawi, but gemstones, including agate, amethyst, aquamarine, garnet, rhodolite, rubies, and sapphires, have also been produced, on a small scale. In 2004, a total of 21,224 metric tons of limestone (for cement) was produced. A total of 1,820 kg of gemstones were extracted in 2004, down from 2,297 kg in 2003. Also produced in 2004 were dolomite, lime, and crushed stone for aggregate, as well as possibly clays, sand and gravel, and other stone. The country had known deposits of apatite, asbestos, bauxite, columbium (niobium), corundum, dimension stone (including blue and black granite), galena, gold, granite, graphite, ilmenite, kaolin, kyanite, mica, monazite, phosphate rock, pyrite, rutile, tourmaline, uranium, and vermiculite, which have occasionally been exploited. Prospecting for other minerals has been undertaken, but no resources of commercial significance have been discovered, except for coal, bauxite (28.8 million tons), kaolin (14.1 million tons), silica sand (25 million tons), and monazite and strontianite (11 million tons in Kangankunde Hill). Mining and quarrying accounted for 1% of GDP in 2004. The mining sector in 2003, grew by 23.5%. No minerals were among the leading export commodities. The outlook for Malawi's mineral industry was tied to the country's ability to spur exports, improve educational and health facilities, solve environmental problems of deforestation and erosion, and deal with the rapidly growing problem of HIV/AIDS.

## 27 ENERGY AND POWER

Malawi, as of 1 January 2005 had no known petroleum, or natural gas reserves. Nor does it have any oil refining capacity. However, the country does have small recoverable reserves of coal.

In 2004, demand for petroleum products averaged 6,000 barrels per day, all of which was imported. There was no recorded demand or imports of natural gas in that year. Low-grade bituminous coal reserves were known about for many years, but mining did not begin until the last decades of the 20th century. Ma-

lawi has recoverable coal reserves of about 2 million short tons, reported as of July 2005. In 2003, coal consumption came to 0.02 million short tons.

Both the consumption and the production of electric power are small, even by African standards. Installed capacity, as of 1 January 2003 totaled 308,000 kW, the bulk of which is hydroelectric. In 2002, hydropower accounted for a little more than 93% of capacity, with conventional thermal plants accounting for the rest. In 2003, electric power output totaled 1.30 billion kWh, with demand that year at 1.21 billion kWh.

## 28 INDUSTRY

After a decade of rapid expansion—11% average growth per year in the 1970s—the pace of manufacturing growth slowed to 3.6% during 1980–90, and during 1990–2000, to 1.7%. In 2004, industry accounted for 19% of GDP.

Although Malawi's manufacturing sector is small, it is diverse. The processing of tea, tobacco, sugar, coffee, cement, and cotton accounts for most of its output. Factories manufacture soap, detergents, cigarettes, furniture, cookies, bread, blankets and rugs, clothing, and mineral waters. Other installations include a gin distillery, a cotton mill, and two textile plants. Brick making is well established. Roofing tiles are also produced, and radios are assembled. Other products made in Malawi include agricultural implements, bicycle frames, polishes, edible oils and fats, cattle foodstuffs, flour, matches, fishing nets, rope, twine and yarns, toiletries, and footwear. Two plants in Malawi retread tires, and its industries make a wide range of metal products.

## 29 SCIENCE AND TECHNOLOGY

Research stations for tea, tobacco, and other aspects of agriculture conduct their activities under the auspices of the Ministry of Agriculture. The Ministry of Forestry and Natural Resources maintains forestry and fisheries research units. The University of Malawi includes Bunda College of Agriculture and Kamuzu College of Nursing, both at Lilongwe; Malawi Polytechnic and the College of Medicine at Blantyre; and Chancellor College at Zomba, which has a faculty of science. The Geological Survey of Malawi, founded in 1921, is headquartered in Zomba. The Medical Association of Malawi, founded in 1967, is headquartered in Blantyre.

In 1987–97, science and engineering students accounted for 27% of college and university enrollments. In 2002, high technology exports were valued at \$1 million, 3% of the country's manufactured exports.

## 30 DOMESTIC TRADE

Domestic trade is concentrated in the larger towns, since transportation of goods to most rural areas is difficult and most rural residents have extremely low incomes. Agriculture is the basis of the economy, with about 90% of the population employed in subsistence farming. Local markets and stands for produce and baked goods prevail.

A small manufacturing sector is located near Blantyre, which is the country's major commercial center. There are a few larger supermarkets and grocery stores in Lilongwe, but with limited inventories. Karonga and Nsanje are the main trading ports. Zomba is a regional commercial center for agriculture. Licenses are required for all persons engaged in trading; fees vary with the nature

### Principal Trading Partners – Malawi (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	457.0	723.5	-266.5
South Africa	58.6	291.1	-232.5
United States	58.2	24.1	34.1
Kenya	37.5	9.2	28.3
United Kingdom	36.7	39.0	-2.3
Germany	33.3	10.4	22.9
Netherlands	31.5	4.1	27.4
Japan	26.5	30.2	-3.7
Egypt	17.9	...	17.9
France-Monaco	15.1	4.2	10.9
Belgium	13.6	8.9	4.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

of the business. In 2005 inflation was about 15.4% a decline from a high of 22.7%. Per capita GDP was at about \$600 in 2004.

Business hours are 7:30 or 8 AM to noon and 1 or 1:30 PM to 4:30 or 5 PM, Monday through Friday, and 7:30 or 8 AM to noon or 12:30 PM on Saturday. Banks are open weekdays from 8 to 12:30 PM (to 11:30 AM on Wednesday and 10:30 AM on Saturday).

### 3<sup>1</sup> FOREIGN TRADE

Malawi mostly exports tobacco (66%). Other commodity exports include tea (7.6%), sugar (6.0%), coffee (4.0%), and woven cotton fabrics (2.5%). Tea is sold primarily to the United Kingdom while sugar exports go to the EU and the United States.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Malawi runs an annual deficit on current accounts, which is generally mitigated but not annulled by capital inflows, mostly in the form of development loans.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Malawi's exports was \$364.1 million while imports totaled \$645 million resulting in a trade deficit of \$280.9 million.

### 3<sup>3</sup> BANKING AND SECURITIES

The Reserve Bank of Malawi was established in Blantyre in 1964. It took over, by stages, the functions in Malawi of the former Bank of Rhodesia and Nyasaland until that bank wound up its affairs in June 1965. The main duties of the Reserve Bank are to maintain currency stability and to act as banker to the government and to the commercial banks. The Reserve Bank administers exchange control and acts as registrar for local registered stock. The Reserve Bank also handles the issue of treasury bills on behalf of the government.

Malawi's financial services are unsophisticated and basic. Aside from the central bank, there are five licensed commercial banks, which are dominated by the two government-owned banks, the National Bank of Malawi and the Commercial Bank of Malawi. In 1999, the NBM was 48% owned by Press Corporation Limited (PCL), and 39% by ADMARC; CBM was 23% owned by PCL, 22%

by the Malawi government in direct shareholding, and 17% by the Malawi Development Corporation. The Malawi government owns MDC, ADMARC, and is PCL's largest shareholder (49%). As of 31 March 1999, total assets of the five banks reached about \$300 million. The other three commercial banks are the First Merchant Bank Limited, the Finance Bank of Malawi, and Indefinance.

The Investment and Development Bank of Malawi (Indebank), formed in 1972 with foreign and local participation, provides medium- and long-term credit. Although the country's financial market has been liberalized, the sole mortgage finance institution, the New Building Society (NBS), which came into operation at independence in March 1964, faces no competition. The New Building Society's assets stood at \$244.5 million in 1995.

A subsidiary of Indebank, the Investment and Development Fund (Indefund), finances small and medium-sized enterprises. The Malawi Development Corporation (MDC), which services the needs of large-scale industry, is state-owned. The Post Office Savings Bank (POSB) was restructured in 1994 and licensed as a commercial bank, the Malawi Savings Bank (MSB). Other major financial institutions include Loita Investment Bank, the Leasing and Financing Co. of Malawi (LFC), the Malawi Rural Finance Company (MRFC), and the Finance Corporation of Malawi (FINCOM).

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$136.1 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$268.3 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 46.8%.

The Malawi Stock Exchange (MSE) was established in December 1994 along with Stockbrokers Malawi to deal with listed company shares and to act as a broker in government and other secu-

### Balance of Payments – Malawi (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>-200.7</b>
Balance on goods		-150.8
Imports	-573.2	
Exports	422.4	
Balance on services		-172.5
Balance on income		-38.5
Current transfers		161.1
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>134.0</b>
Direct investment abroad		...
Direct investment in Malawi		5.9
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		...
Other investment liabilities		128.1
<b>Net Errors and Omissions</b>		<b>156.7</b>
<b>Reserves and Related Items</b>		<b>-90.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

rities approved by the Reserve Bank of Malawi (RBM). The stock exchange had no listings until November 1996, when shares in NICO were put up for sale. Since November 1994, the RBM has marketed Treasury bills of varying maturities (30, 61, 91, and 182 days) in an attempt to encourage greater participation by the private sector.

### 34 INSURANCE

Most insurance firms operating in Malawi are owned or sponsored by parent companies in the United Kingdom. However, the leading company, the National Insurance Co. (NICO), is owned by Malawi interests. There were seven insurance companies in operation in 1997. Motor vehicle insurance is compulsory.

### 35 PUBLIC FINANCE

Government revenues derive from import duties, income taxes on companies and individuals, income from government enterprises, excise duties, licenses, and value-added taxes. The fiscal year runs from 1 April to 31 March. Government consumption, which had an average annual growth rate of 7.0% during the 1980s, declined by 4.0% annually during the 1990s, and by 9.5% in 1998. Education, health, and agriculture were the three biggest items on the budget for 2000.

The US Central Intelligence Agency (CIA) estimated that in 2005 Malawi's central government took in revenues of approximately \$844.6 million and had expenditures of \$913.9 million. Revenues minus expenditures totaled approximately -\$69.3 million. Public debt in 2005 amounted to 208.6% of GDP. Total external debt was \$3.284 billion.

### 36 TAXATION

Individuals pay taxes on all income from Malawi, whether they are residents or nonresidents. Most operating businesses are required to prepay estimated tax on a quarterly basis. The corporate income tax in 2005 was 30%. Branches of foreign companies were taxed at 35%, but reduced rates applied to insurance businesses (21%), and to ecclesiastical, charitable or educational institutions or trusts (25%). Companies operating in export processing zones (EPZs) are exempt from corporate tax, and companies operating in priority areas can qualify for a ten-year exemption, followed by a reduced 15% tax rate, when the exemption expires. Other tax allowances are offered—for mining companies, for manufacturers, for exports, for training, among others—as investment incentives. Royalties, rents, fees and commissions are subject to a 20% withholding tax. Interest from banks is also subject to a 20% withholding rate if the interest is over 10,000 kwacha.

The income of individuals and partnerships is taxed according to a graduated scale with rates from 0–30%. For 2004, the government introduced a new top rate of 40%, and raised the threshold for taxable income from 30,000 kwacha to 36,000 kwacha (about \$340 to \$410). Municipal taxes are based on property valuations.

Malawi's main indirect tax is a 17.5% value-added tax (VAT) which applies to goods and selected services, including luxury goods and electronics, as well as imports.

### 37 CUSTOMS AND DUTIES

Trade licenses are required for the import and export of certain goods, including military uniforms, wild animals, some food, and military equipment. Malawi is a member of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), granting trade preferences to member states. The country also has bilateral trade agreements with Zimbabwe and South Africa, granting the duty-free exchange of goods.

In 1998, the government eliminated export taxes on tobacco, sugar, tea, and coffee. Machinery, basic foodstuffs, and raw materials are admitted with a 10–5% tax. In July 1999, the maximum tariff rate was reduced from 30% of value to 25%. Tariffs on intermediate goods and raw materials were reduced from 10% to 5% and from 5% to 0%, respectively.

Luxury goods are assessed at higher rates than ordinary consumer items. Excise duties are levied for revenue purposes on spirits, beer, cigarettes and tobacco, petroleum products, and certain other items.

### 38 FOREIGN INVESTMENT

The government actively encourages foreign investment, particularly in agriculture and in import-substitution and labor-intensive industries. Incentives such as exclusive licensing rights, tariff protection, and liberal depreciation allowances are offered. These incentives also include a tax allowance of 40% for new buildings and machinery, 20% for used buildings and machinery, and a 100% deduction for a manufacturing company's operating expenses for the first two years. Other incentives are: no import duty on heavy goods vehicles, raw materials for manufacturing, a maximum import tariff rate of 25%, no withholding tax on dividends, and tax holidays. Exporters do not have to pay the normal taxes or import duties. Repatriation of dividends and profits are freely permitted.

Encouraged by the formation of the Malawi Development Corp. and the implementation of a development plan, foreign investment increased in the mid-1960s. A sugar scheme on the lower Shire River was financed to a great extent by foreign investment, as were a distillery and a brewery. In 1987, Lever Brothers, Portland Cement, and David Whitehead and Sons had industrial plants in Malawi. The large plantation enterprises were originally established with capital largely from the United Kingdom. Exploration for oil under Lake Malawi began in 1999 but has not yielded any positive results so far.

Foreign direct investment (FDI) in Malawi was \$22 million in 1997, but rose to \$70 million in 1998. Annual FDI inflow averaged between \$45 million and \$60 million for the period 1999 to 2001.

### 39 ECONOMIC DEVELOPMENT

During the first decades of independence, agricultural development was emphasized. The government sought to implement this policy by providing the family farmer with basic agricultural support facilities, such as extension services, training, irrigation, and research, and by increasing the output of fertile areas through farm credit, marketing, and processing facilities. During this period, four major agricultural developments were sponsored: the Shire Valley Agricultural Development Project in the south; the

Lilongwe Land Development Program and the Central Region Lakeshore Development Project, both in the Central Region; and the Karonga Rural Development Project in the north.

More recently, improvements in the transportation infrastructure, especially in roads, have been emphasized. In the manufacturing sector, the government has stressed diversification. With major constraints on its foreign exchange, Malawi aims to reduce the trade gap, encourage exports, and reduce government expenditures.

The United Kingdom has traditionally been Malawi's principal aid donor. South Africa has been a significant source of aid as well, especially in financing construction in the capital at Lilongwe and the railway extension from Lilongwe to Mchinji. Other significant aid donors have included the European Union, France, Canada, Germany, Japan, the United States, Denmark, the African Development Bank, and the World Bank/IDA. In 1998, Malawi started a six-month International Monetary Fund (IMF) macroeconomic program aimed at reigning in the almost 60% inflation rate, with little success as of 1999.

In 2000, Malawi was approved for \$1 billion in debt service relief under the IMF/World Bank's Heavily Indebted Poor Countries (HIPC) initiative, to support poverty reduction efforts through expenditures on health, education, and rural development, among other areas. Also in 2000, Malawi negotiated a three-year \$58 million Poverty Reduction and Growth Facility (PRGF) Arrangement with the IMF, which was to expire in December 2003. In September 2002, the IMF approved \$23 million in emergency relief to support large imports of food due to shortages that year, and to fight malnutrition and starvation, particularly among those affected with HIV/AIDS. Recent government initiatives have targeted improvements in roads, and with participation from the private sector, improvements in railroads and telecommunications.

A new three-year PRGF was signed with the IMF, worth \$56 million, which commenced in July 2005. The main aim of the new PRGF is to restore fiscal discipline, with the priority on reducing domestic debt. The signing of the new PRGF increased the probability that Malawi will reach completion point around mid-2006 under the IMF-World Bank heavily indebted poor countries (HIPC) debt relief initiative. Once this completion point is reached a reduction in debt stock will be awarded by the IMF-World Bank. However, as the Economist Intelligence Unit states, various criteria need to be achieved before this can occur. First, the government needs to have its first two PRGF reviews concluded successfully by the end of January 2006. Second, it needs to have achieved one year of successful implementation of the poverty reduction program, which could be met by the end of 2005. Third, it must complete 11 specific completion point triggers, which would take a minimum of one year. However, the most important thing is that donors have resumed financial assistance to Malawi following the recent IMF deal, with the UK Department of International Development the first to resume funding of £20 million (\$37 million) for budgetary support.

#### 40 SOCIAL DEVELOPMENT

Pensions systems exists for public employees only. Government hospitals and clinics provides some medical services free to residents. Employers are required to obtain private worker's injury

insurance. Worker's compensation is provided for disability and survivor benefits.

The constitution specifies equal rights for women and minorities, but women face widespread discrimination in the home and in employment opportunities. Spousal abuse is common, and the authorities rarely intervene. Inheritance practices often leave widows without their share of the family's assets. Women are much more likely to be illiterate than their male counterparts. In 2004 the government addressed women's concerns, focusing on gender balance in political representation.

Some human rights abuses continued to occur under the democratic government. The use of excessive force and the mistreatment of prisoners is reported. Human rights organizations are free to operate openly and without restrictions.

#### 41 HEALTH

Health services, which rank among the poorest in Africa, are under the jurisdiction and supervision of the Ministry of Health and are provided to Africans free of charge. Approximately 80% of the population had access to health care services. As of 2004, it was estimated that there were fewer than two physicians 100,000 people. In 2000, 57% of the population had access to safe drinking water and 77% had adequate sanitation. Access to safe water and sanitation at times has been severely impeded by war.

The major health threats are malnutrition, malaria, tuberculosis, measles, dysentery, and bilharzia. Hookworm and schistosomiasis are widespread. The HIV/AIDS prevalence was 14.20 per 100 adults in 2003. As of 2004, there were approximately 900,000 people living with HIV/AIDS in the country. There were an estimated 84,000 deaths from AIDS in 2003. Malawi has taken an aggressive approach to AIDS prevention and allocates a substantial portion of its health budget on treatment.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 37.13 and 23.2 per 1,000 people. About 31% of married women were using contraceptives as of 2000. The infant mortality rate in 2005 was 96.14 per 1,000 live births. The major cause of infant death in Malawi is diarrheal disease. The maternal mortality rate was 580 per 100,000 live births. An estimated 48% of children under five years old were considered malnourished. Immunization rates for children up to one year old were: tuberculosis, 100%; diphtheria, pertussis, and tetanus, 95%; polio, 94%; and measles, 87%. Life expectancy was 41.43 years in 2005.

#### 42 HOUSING

About 90% of the population live in rural areas. The traditional dwelling, used by anywhere from 45–65% of the total population, is a single-family home made of mud brick walls and a thatched roof. There are some more permanent structures, which are made with concrete, stone, or burnt brick walls and iron sheet, concrete, or asbestos roofs. Most dwellings have two or three rooms and the average household size is about 4.3 people. In 1998, at least 86% of dwellings were owner occupied. Only about 2.5% of residences had access to indoor piped water. Most drinking water was taken from boreholes, unprotected wells, and/or rivers and streams. About 74% of the population (both urban and rural) used pit latrines. About 22% had no toilets at all. Only 4.9% of the popula-

tion had access to electricity. Wood is typically used for cooking fuel and paraffin is used for lighting.

Government-built houses are either rented or sold. The Malawi Housing Corp. has also developed housing plots in order to relocate urban squatters.

### 4<sup>3</sup> EDUCATION

Control of education, including mission schools, is in the hands of the Ministry of Education. Attendance is compulsory for eight years at the primary level. Secondary education lasts for four years. The academic year runs from September to July.

As of 1999, 69% of primary-school-age children were enrolled in school. Most children in remote rural areas do not attend school. In 2003, secondary school enrollment was about 29% of age-eligible students. It is estimated that about 71% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 70:1 in 2003; the ratio for secondary school was about 46:1.

The University of Malawi, inaugurated at Zomba on 6 October 1965, has four constituent colleges at Zomba, Lilongwe, and Blantyre. A new medical school was established in Blantyre. In 2003, less than 1% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 64.1%, with 74.9% for men and 54% for women.

As of 2003, public expenditure on education was estimated at 6% of GDP, or 24.6% of total government expenditures.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The Malawi National Library Service, founded in 1968, has more than 804,000 volumes and maintains a nationwide interloan system with headquarters in Lilongwe, regional branches in Blantyre, Mulanje, Luchenza, Mzuzu and Karonga, and a number of smaller rural libraries and library centers. The largest library is that of the University of Malawi (375,000 volumes). The US Information Agency maintains a small library in Lilongwe, and the British Council has libraries in Blantyre and in the capital. The National Archives are in Zomba and contain 40,000 volumes.

The Museum of Malawi (1959), in Blantyre, has a collection displaying the nation's archaeology, history, and ethnography. The Cultural & Museum Center Karonga serves as a museum of natural history, including dinosaur fossils and other prehistoric remains. Other museums include the Lake Malawi Museum in Mangochi and a regional museum in Mzuzu. There is also a postal museum in Namaka housed in a traditional postal carrier's rest hut.

### 4<sup>5</sup> MEDIA

In 2003, there were an estimated eight mainline telephones for every 1,000 people; about 17,400 people were on a waiting list for telephone service installation. The same year, there were approximately 13 mobile phones in use for every 1,000 people.

Radio broadcasting services were provided in English and Chichewa by the state-owned Malawi Broadcasting Corp. over two stations in 2004. The same year, there were 14 private FM stations with limited coverage, including 6 religious stations. State-owned Television Malawi was the only national television broadcaster. In 2003, there were an estimated 499 radios and 4 television sets for every 1,000 people. The same year, there were 1.5 personal

computers for every 1,000 people and 3 of every 1,000 people had access to the Internet. There was one secure Internet server in the country in 2004.

*The Daily Times*, published in English in Blantyre, appears Monday through Friday and had a circulation of 22,000 in 2002. The other major daily publications were *Computer Monitor*, *Michiru Sun*, *The Enquirer*, and *U.D.F. News* (United Democratic Front). *The Malawi News*, a weekly, had a circulation of 30,000. Other weeklies include *The Independent*, *The Nation*, and *The New Express*.

Though previously strictly controlled by the government, the media enjoy new constitutional provisions suspending censorship powers. The government is said to respect these new provisions.

### 4<sup>6</sup> ORGANIZATIONS

The Malawi Chamber of Commerce and Industry has its headquarters at Blantyre. A branch of the British Medical Association has been organized in Zomba. In the larger towns, musical societies and theater clubs have been established.

The League of Malawi Women and the League of Malawi Youth are active. Other national youth organizations include the Catholic Students Community of Malawi, Malawi Young Pioneers, Student Alliance for Rural Development, and the Student Christian Organization of Malawi. A variety of sports associations are also active.

Service clubs include the Rotary, Lions Clubs, and the British Empire Service League. Some social welfare and economic development groups have organized under the umbrella of the Council for Nongovernmental Organizations in Malawi, established in 1985. International organizations with active chapters include the Salvation Army, Habitat for Humanity, UNICEF, and the Red Cross.

### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Tourist facilities are improving with the development of Malawi. The major cities and resorts are not as limited as the smaller, rural areas. The main tourist attraction in Malawi is Lake Malawi; the visitor is well served there by hotels and recreational facilities. There are also eight-day excursions around the lake available. Game parks, Mt. Mulanje, and Mt. Zomba also attract the tourist trade.

In 2003, there were 420,911 tourists who arrived in Malawi, almost 21% of whom came from Mozambique. Tourist receipts totaled \$43 million that year. Hotel rooms numbered 59,396 with 63,585 beds and an occupancy rate of 27% in 2002. The average length of stay was eight nights. A passport, proof of sufficient funds, and onward/return ticket are required for entry into Malawi. Upon entry, a 30-day visa is issued. Proof of vaccination against yellow fever is required for travelers from infected areas.

In 2004, the US Department of State estimated the daily cost of staying in Mangochi at \$224; in Lilongwe, \$180; and in Blantyre, \$167.

### 4<sup>8</sup> FAMOUS MALAWIANS

The dominant historic political figure is Dr. Hastings Kamuzu Banda (1906–1997). After a long period of medical practice in England, and a brief one in Ghana, he returned to Nyasaland in 1958 to lead the Malawi Congress Party. Following the declaration

of a state of emergency, Banda was detained from March 1959 to April 1960. He became Malawi's first prime minister in 1963, and in 1966 he became Malawi's first president; he was named president for life in 1971 and ruled without interruption until ousted in a 1994 election mandated by constitutional reform. Bakili Muluzi (b.1943) was president from 1994–2004. Bingu wa Mutharika (b.1934) won a disputed election to become president in 2004.

#### **49 DEPENDENCIES**

Malawi has no territories or colonies.

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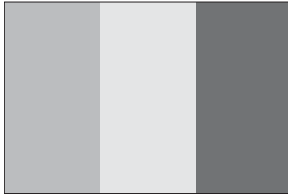
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# MALI

Republic of Mali  
*République du Mali*



**CAPITAL:** Bamako

**FLAG:** The flag is a tricolor of green, yellow, and red vertical stripes.

**ANTHEM:** National Anthem begins "At thy call, O Mali."

**MONETARY UNIT:** The Malian franc (MF), a paper currency that had been floating with the French franc, was replaced in June 1984 by the French Community Franc (CFA Fr) at a ratio of MF2 = CFA Fr1. There are coins of 1, 2, 5, 10, 25, 50, and 100 CFA francs and notes of 50, 100, 500, 1,000, 5,000, and 10,000 CFA francs. CFA Fr1 = \$0.00189 (or \$1 = CFA Fr528.28) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Armed Forces Day, 20 January; Democracy Day, 26 March; Labor Day, 1 May; Africa Day, 25 May; Independence Day, 22 September; Christmas, 25 December. Movable religious holidays include 'Id al-Fitr, 'Id al-'Adha, Milad an-Nabi, and Easter Monday.

**TIME:** GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

A landlocked country in West Africa, Mali has an area of about 1,240,000 sq km (478,767 sq mi), extending 1,852 km (1,151 mi) ENE–WSW and 1,258 km (782 mi) NNW–SSE. Comparatively, the area occupied by Mali is slightly less than twice the size of the state of Texas. Bounded on the N and NE by Algeria, on the E and S by Niger, on the S by Burkina Faso and Côte d'Ivoire, on the SW by Guinea, on the W by Senegal, and on the W and NW by Mauritania, Mali has a total boundary length of 7,243 km (4,661 mi). Mali's capital city, Bamako, is located in the southwestern part of the country.

## <sup>2</sup> TOPOGRAPHY

There are few prominent surface features in Mali, which is crossed by two river systems—the Niger and the Senegal. In the southwest are low mountains deeply notched by valleys formed by the coursing of water. A second upland, in the circle formed by the Niger River, is virtually a plateau and contains Hombori Tondo, 1,155 m (3,789 ft), the highest point in Mali. In the northeast is Adrar des Iforas, an extension of Algeria's Ahaggar Mountains. The republic is divided into three natural zones. The Sudanese zone is an area of cultivation covering some 200,000 sq km (77,200 sq mi) in the south and in the inland delta (a pre-Tertiary lake bed into which the upper Niger once flowed). The Sahel stretches east to west through the center of the country and the Sahara stretches across the northern region. A number of seasonal lakes can be found in the central Sahel region.

## <sup>3</sup> CLIMATE

Southern and western Mali have a Sudanese climate with a short rainy season from June to September. Rainfall averages 140 cm (55 in) at Sikasso in the far south. To the north is the Sahelian zone, a

semiarid region along the southern border of the Sahara. At Gao, in Mali's northeast Sahel, rainfall is about 23 cm (9 in) a year. Actual year-to-year rainfall, however, is extremely erratic. In the Sahelian zone there are considerable variations of temperature, especially in April, May, and June, the period of maximum heat, and in December, when the hot, dry harmattan blows. Continuing north, one gradually enters into a Saharan climate, marked by the virtual absence of rain and an extremely dry atmosphere. Over 40% of the country is desert, and unsuitable for agriculture.

The year is divided into three main seasons varying in length according to latitude: October–January, a cool and dry season; February–May, a hot and dry season; and June–September, a season of rains characterized by lower temperatures and an increase in humidity. Between 1968 and 1974, Mali, with neighboring Sahelian states, experienced the worst drought in 60 years. Drought returned during 1982–85, and there is continuing concern over the southward advance of the desert.

## <sup>4</sup> FLORA AND FAUNA

The Saharan zone of Mali, an area of fixed dunes and false steppes, contains vegetation made up of thick-leaved and thorny plants (mimosas and gum trees). The vegetation of the Sahelian zone resembles that of the steppes, with thorny plants and shrubby savannas. The Sudanese zone is an area of herbaceous vegetation; its trees are bastard mahogany, kapok, baobab, and shea.

In the Saharan, or desert zone, animal life includes dorcas, cheetah, and maned wild sheep, the latter in the mountains. In the Sahelian region are found oryx, gazelle, giraffe, wart hog, ostrich, bustard, red monkey, and cheetah, as well as lion, jackal, fox, hyena, and cynhyena. In the Sudanese zone there are large and small antelope, buffalo, elephant, lion, and monkey, plus such small game as hare, bustard, guinea fowl, quail, pigeon, and such

water birds as duck, teal, sandpiper, peewee, godwit, and woodcock. Other birds include pelican, marabou, ibis, egret, heron, eagle, and vulture.

As of 2002, there were at least 137 species of mammals, 191 species of birds, and over 1,700 species of plants throughout the country.

## 5 ENVIRONMENT

The major environmental problem in Mali is the increasing desertification of the country. Soil erosion, deforestation, and loss of pastureland pose additional problems for the environment. Mali also has an inadequate water supply: only 76% of city dwellers and 35% of people living in rural areas have access to pure water. The country has about 60 cu km of renewable water resources, of which 97% of annual withdrawals is used for farming and 1% is used for industrial purposes.

The nation's wildlife is threatened by drought, poaching, and the destruction of the environment. Mali has a national park and four animal reserves that cover a total of 808,600 ha (1,998,100 acres), as well as six forest reserves covering 229,400 ha (566,900 acres). In addition, the Sahel has an elephant reserve of 1,200,000 ha (2,965,000 acres) and a giraffe reserve of 1,750,000 ha (4,324,000 acres). However, the authorities lack the means to prevent poaching of protected animals or cutting down of trees for firewood. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 12 types of mammals, 5 species of birds, 1 type of reptiles, 1 species of fish, and 6 species of plants. Threatened species include the addax, cheetah, and barbary sheep. The Sahara oryx has become extinct in the wild.

## 6 POPULATION

The population of Mali in 2005 was estimated by the United Nations (UN) at 13.5 million, which placed it at number 65 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 47% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 3.2%, a rate the government viewed as too high. The projected population for the year 2025 was 24 million. The population density was 11 per sq km (28 per sq mi), but the western quarter of the country has three-quarters of the population, and along the Niger River, population density exceeds 1,300 per sq km (500 per sq mi). By contrast fewer than 4 people per square km (1.5 per sq mi) live in the northern three-fifths of Mali. About 10% of the inhabitants are nomadic, and the remainder rural.

The UN estimated that 30% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 5.20%. The capital city, Bamako, had a population of 1.26 million in that year. Other important towns are Ségou, Mopti, Sikasso, and Kayes.

## 7 MIGRATION

The Fulani, Tuareg, and other nomadic groups of northern Mali move freely across desert borders to and from neighboring countries. As many as two million Malians migrate seasonally to Côte d'Ivoire, Senegal, and Libya. In addition, 150,000 Malians fled to

Algeria, Burkina Faso, and Mauritania in the early 1990s to escape government repression. Between June 1995 and 1999, some 131,780 Malian refugees returned home from Algeria, Burkina Faso, Mauritania, Niger, and Senegal. Malian refugees of Tuareg and Moor ethnic origin continue to return. There is also increasing migration from rural to urban areas.

In 1999, about 6,000 Mauritians were refugees in Mali's Kayes region. There were also 1,924 urban refugees from 17 African and Middle Eastern countries, predominantly Sierra Leone and Liberia. Of the 16,800 initial Mauritanian refugees, the United Nations High Commissioner for Refugees (UNHCR) helped to repatriate some 10,800. In 2004 there were 11,256 refugees in Mali, primarily from Mauritania, and 1,086 asylum seekers. In that same year some 2,000 Malians sought asylum in France, Spain, and Switzerland. In 2005, the net migration rate was an estimated -0.33 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The main ethnic groups of Mali are the Mande, including the Bambara, Malinke, and Sarakole, accounting for about 50% of the total population. Other groups include the Peul (or Fulani), accounting for 17%; the Voltaic, making up 12%; the Songhai, constituting 6%; the Tuareg and Moors 10%; and other groups 5%.

The Bambara, mostly farmers, occupy all of central Mali bounded by the Côte d'Ivoire frontier in the south and Nara and Nioro in the north. Malinke live chiefly in the regions of Bafoulabé, Kita, and Bamako. The Peul (or Fulani), semisedentary herdsmen, are to be found throughout the republic, but mainly in the region of Mopti. The Songhai—farmers, fishermen, and merchants—live along the banks and islands of the Niger River, east of the inland delta. The nomadic Tuareg, of Berber origin, are mainly in the north, in the Adrar des Iforas. The Minianka, largely farmers, populate the region of Koutiala, and the Senufo, also farmers, are found principally in the region of Sikasso. The Dogon, often considered to be the first occupants of Mali, are believed to have survived owing to the inaccessibility of their villages in the Hombori cliffs. The Dogon have won international esteem for their unique ceremonial artifacts. The majority of the peoples in Mali are Negroid; the Tuareg are classified as Caucasoid; and the Peul (Fulani) are of mixed origin.

## 9 LANGUAGES

French, the official language, is the language of administration and of the schools and is the main unifying tongue for the country's diverse population elements. There are virtually as many languages as there are ethnic groups. However, Bambara—widely spoken in western, central, and southern Mali—is understood by about 80% of the population. The Semitic-speaking Arabs and Hamitic-speaking Tuareg are the only groups with a traditional written language, although in recent years other languages, most of which belong to the Niger-Congo group of African languages, have come to be written. Fulani is spoken in the Niger delta, and Songhai in the east and northeast.

## 10 RELIGIONS

It is estimated that about 90% of the people are Muslims, the vast majority being Sunnis. The Islamic fundamentalist sect of Dawa



LOCATION: 10°10' to 25° N; 4°15' E to 12°15' W. BOUNDARY LENGTHS: Algeria, 1,376 kilometers (855 miles); Niger, 821 kilometers (510 miles); Burkina Faso, 1,202 kilometers (747 miles); Côte d'Ivoire, 515 kilometers (320 miles); Guinea, 932 kilometers (579 miles); Senegal, 418 kilometers (260 miles); Mauritania, 2,237 kilometers (1,390 miles).

has grown in Kidal, Mopti, and Bamako. The Wahabi movement is important in Tombouctou. About 5% of the population are Christian, with a split of about two-thirds Catholics and one-third Protestant. Most of the remainder practice indigenous religions. The constitution provides for freedom of religion and defines the country as a secular state.

## 11 TRANSPORTATION

Transportation is controlled by the government's Malian Transport Authority. Mali has some 729 km (453 mi) of railroad, all of it narrow gauge, and served by diesel electric locomotives. The main line, from Dakar in Senegal to Bamako, runs a twice-weekly passenger service. There is more frequent service between Bamako and Koulikoro, the last stop on the line, and between Bamako and

Kayes. The IBRD has helped finance the modernization of the Malian rail system.

Mali's road network includes about 15,100 km (9,383 mi) of highways of which some 1,827 km (1,135 mi) were paved as of 2002. A major project, completed in 1986, was the construction of a 558-km (347-mi) road between Gao and Sévare, near Mopti, to be part of a trans-Sahara highway linking Algeria and Nigeria. In 2003, there were 7,920 passenger cars and 9,900 commercial vehicles in Mali.

Mali is landlocked but it is served by the port of Dakar in Senegal. The Niger River, which in Mali is 1,782 km (1,107 mi) long, is navigable except for a 59-km (37-mi) stretch between Bamako and Koulikoro (the main river port), where it is cut by rapids. The Bani River, a tributary of the Niger, is navigable for 224 km (139 mi)

between San and Mopti. Regular service on the Niger is generally maintained from July through January. The Senegal is navigable between Kayes and Saint-Louis, Senegal. Mali, Senegal, and Mauritania make up the Senegal River Development Organization.

There were an estimated 28 airports in 2004, only 9 of which had paved runways as of 2005. An international airport is at Senou, 14 km (9 mi) from Bamako. Air Mali, the state-owned airline, flies to Gao, Mopti, Kayes, Nioro, Tombouctou, Nara, Yelimané, and Goundam. There are also airports at Ségou, Tessalit, Bourem, and Kidal. In 1992, Mali joined the ten other signatories of the Yaoundé Treaty and became a partner in Air Afrique. In 2003, about 46,000 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

The recorded history of the area now called Mali begins with the empire of Ghana. This means it dates from about the 4th century AD. At its height in the 10th century, the Ghana Empire occupied eastern Senegal, southwest Mali, and southern Mauritania and carried on a steady trade across the Sahara with Arab states. It disintegrated by the 13th century and was succeeded by the Mali Empire, from which the independent republic takes its name.

The Mali Empire reached its peak in the 14th century under Mansa Musa (r.1312–37), who captured Tombouctou and made Mali a center of Muslim scholarship. Tombouctou and Djenné became key centers for trans-Saharan trade. By the 17th century, however, the empire had ceased to exist, and the Tuareg took much of the northern area.

Meanwhile, to the east, the Songhai Empire was founded around AD 700 on the middle Niger. Later centered at Gao, the empire was at its zenith after the capture of Tombouctou in 1468. The chief rulers in this period were Sonni Ali Ber (r.1464–92) and Askia Muhammad I (r.1492–1528). In 1591, the Songhai fell to an invading Moroccan army, which established secure bases at Gao, Tombouctou, and Djenné. Under Moroccan rule, a military caste known as the Arma developed, which controlled the countryside, but by 1780, the area had become fragmented into petty states.

In the 19th century, al-Hajj Umar, a member of the Tukolor tribe, waged a Muslim holy war against the pagans of the area. In 1862, he conquered Ségou and Macina, and the next year he plundered Tombouctou. He was killed in 1864 while trying to put down a rebellion. Around 1880, the French began their advance into what was to become the Republic of Mali. They were opposed from 1882 to 1898 by Samory Touré, a Malinké (Mandingo) leader who was ultimately captured and exiled. The capture of Sikasso in 1898 completed the French conquest.

Under French administration, the area became known as French Sudan (Soudan Français) and was a part of French West Africa. Achievements of French rule included the building of the Dakar-Bamako railway and a Niger Delta development scheme. In 1946, the Sudanese became French citizens, with representation in the French parliament. Under the constitution of 1946, the franchise was enlarged and a territorial assembly was established. Universal suffrage was established in 1957, when enlarged powers were conferred on the territorial assembly, which was also given the right to elect a council of ministers responsible for the administration of internal affairs. In 1958, under the constitution of the Fifth French

Republic, French Sudan became an autonomous republic, called the Sudanese Republic, within the French Community.

### Independence

In January 1959, in Dakar, representatives of the Sudanese Republic, Senegal, Dahomey (now Benin), and Upper Volta (now Burkina Faso) drafted a constitution of the Federation of Mali (named after the medieval African empire), but only the assemblies of the Sudanese Republic and Senegal ratified it and became members of the federation. Later that year the new Mali Federation asked the French Community to grant it complete sovereignty while permitting it to remain a member of the Community. The Mali Federation became a sovereign state in June 1960.

Discord soon arose over external and internal policy, and on 20 August 1960, the federation was dissolved. On 22 September 1960, the Sudan declared itself independent as the Republic of Mali. Modibo Keita, a cofounder of the African Democratic Assembly and political secretary of the Mali Federation's African Federation Party, took control of the government. The break with Senegal was followed by the decision to leave the French Community. All ties between Senegal and Mali were severed, and Mali embargoed trade with or through Senegal until 1963, when an accord was reached.

The one-party dictatorship led by President Keita evolved into a socialist regime modeled on that of the People's Republic of China. However, by 1968, economic problems and discontent became severe. On 19 November, Keita was overthrown in a bloodless coup led by Lt. (later Gen.) Moussa Traoré. The 1960 constitution was abolished, and a 14-member Military Committee for National Liberation took command. The junta brought Mali back into the franc zone in 1968 and opened its doors to investment from non-socialist as well as socialist countries.

Lt. Traoré became president in 1969, following an interim period of Yoro Diakité's presidency. (Diakité was expelled from the Military Committee in 1972 and died in the prison salt mines of Taoudenni in 1973.)

The military regime's efforts to improve the economic situation in Mali were frustrated by the prolonged period of drought that began in 1968 and peaked in 1972–73. It was estimated that, during that time, one-third of the population was rendered destitute. Severe drought conditions also prevailed in 1982–85.

In 1978, 29 army and police officers were convicted of plotting against the regime, and political unrest continued in later years. Traoré was elected president in 1979 under a new constitution, which also confirmed Mali as a one-party state. He was reelected in 1985. Fighting broke out between Mali and Burkina Faso on 25 December 1985 over possession of the Agacher Strip, an arid tract of land along their common border. About 65–70 men were killed before a cease-fire on 30 December. On 22 December 1986 the International Court of Justice, to which the dispute had been submitted in 1983, divided 2,952 sq km (1,140 sq mi) between the two countries in roughly equal parts.

### Democratization

On 26 March 1991, Lt. Col. Amadou Toumani Touré engineered a coup that toppled the Traoré government. Following bloody confrontations between youth groups and the army in 1990 and 1991 in which more than 200 were killed, Touré immediately set up a National Reconciliation Council which appointed a broad-based

Transitional Committee for Popular Salvation to oversee the transition to civilian democracy. In May 1991, a public trial broadcast over Malian radio eventually resulted in the conviction (February 1993) of former President Traoré and three associates, who received a death sentence for the March 1991 massacres.

A crisis was averted by a national conference, which included 48 political parties and some 700 civic associations. The participants met from 29 July to 14 August 1991, drafting new electoral rules, party statutes, and a new constitution, which was adopted by referendum in January 1992, and established an agenda for the transition. There were elections for municipal councilors and National Assembly deputies and, finally, presidential elections on 12 and 26 April 1992. Dr. Alpha Oumar Konaré, the leader of the Alliance for Democracy in Mali (ADEMA) became Mali's first democratically elected president with 69% of the vote. The Third Republic was launched. ADEMA also won 76 of the 116 National Assembly seats.

One of the last acts of the Touré transitional government was to negotiate (with Algerian mediation) a peace treaty in April 1992 with rebel Tuaregs in the north. The government acknowledged the Northerners' special status, and the Tuaregs renounced their claims to independence. Algeria agreed to guarantee the truce, which ended two years of fighting. In 1992 and 1993, between 60,000 and 100,000 Tuareg refugees returned from abroad. In February 1993, the government and the rebel group, the Unified Movements and Fronts of Azawad (MFUA), agreed to integrate MFUA guerrillas into the national army and, in May 1994, arrived at a further agreement to implement the 1992 National Pact. In May 1995, President Konaré personally visited refugee camps in bordering states in an effort to assure Tuareg refugees that it was safe to return home. In March 1996, after 3,000 Tuareg rebels had been integrated into the military, there was a massive ceremonial burning of their surrendered weapons in downtown Tombouctou. In January 2000, some 1,000 Tuareg returned home to northern Mali from Niger.

A culmination of pressures led to a new government in April 1993. Abdoulaye Sekou Sow replaced Younoussi Touré as prime minister, and the National Congress of Democratic Initiative (CNIT) took a portion of the ministerial portfolios. However, this government was short-lived. Student disgruntlement with the economy, high unemployment, the negative effects of structural adjustment, and the devaluation of the CFA franc contributed to much popular dissatisfaction, and to the fall of the Sow government in February 1994. In the subsequent government, ADEMA took 11 of the 16 ministries. Several ADEMA members left the party following Ibrahim Boubakar Keita's election as secretary of ADEMA and his appointment as prime minister. The detractors formed the Movement for Independence, Renaissance, and African Integration (MIRIA). The Patriotic Movement for Renovation (MPR) was also formed at this time, along with a splinter from the CNIT, the Party for National Liberation (PARENA). Upset with the pace of reforms, students continued their violent unrest, resulting in the January 1996 arrest of several student leaders. The crackdown was widely criticized, and in late January 1996, the CNIT introduced a motion of no confidence in parliament, which the government this time was able to survive.

Maliens took a step toward national healing in January 1999 when President Alpha Oumar Konaré commuted death sentenc-

es imposed on Traoré and his wife after they were convicted of embezzlement. The successful rural community elections of May–June 1999 strengthened Mali's quest for decentralized democracy. In spite of the low voter turnout caused by the boycott of the radical left, opposition groups won nearly 40% of the 10,000 council seats, though none of the parties won more than 10% of the seats. Given this new avenue for political participation, observers felt that the radical left, grouped under the Collectif des Partis Politiques de l'Opposition (COPPO), marginalized by its boycott, would want to contest future elections.

In February 2000, President Alpha Konaré announced a new national government spearheaded by Prime Minister Mande Sidibe, whose main task was to relaunch the economy. Konaré's cabinet included seven women and seven colonels. Six former ministers remained in government, including Foreign Minister Modibo Sidibe. Despite criticisms of corruption and failed economic policies, under Konaré, government became more representative and responsive to citizens. Society also became more open to debate. More than 40 newspapers, including 4 of 5 daily papers, were privately owned. Although the state controlled television, some 15 private radio stations operated in Bamako, and more than 40 stations broadcast freely up-country. Having served as chairman of ECOWAS, and being one of a few African heads of state to stand down after completing his constitutional term of office, Alpha Konaré enhanced Mali's reputation internationally.

On 28 April 2002, Amadou Toumani Touré, nicknamed "ATT," emerged the leader of the first-round presidential election with 29% of the vote, defeating former prime minister and rival, Ibrahim Boubacar Keita. In the run-off election on 12 May, Touré obtained 64% of the vote, defeating Soumaila Cissé to become the second democratically elected president of the Republic of Mali. Cissé won 35.6% of the vote. Eleven francophone African leaders witnessed the transfer of power from one constitutionally elected president to another—the first in Mali's history. New elections are due in May 2007.

### 13 GOVERNMENT

After independence, Mali was governed by the 1960 constitution, which provided for a national assembly. This body was abolished by the Keita regime in January 1968. Following the military coup of November 1968, the constitution itself was abolished and a provisional regime, the Military Committee for National Liberation, was established.

A long-awaited constitution was drawn up by the Military Committee in 1974 and endorsed in a public referendum on 2 June 1974. In this first national ballot since 1964, 99% of the electorate voted for acceptance. The constitution, which took full effect in 1979 and was amended in 1981, provided for a president with a six-year term, an 82-member national assembly, and a one-party system. The assembly was elected for a three-year term. There was universal suffrage at age 21. The 1979 constitution was replaced by a new constitution adopted by referendum in January 1992.

In 1997, the national assembly had 116 deputies with 10 parties represented. Presently, the total number of seats is 147 with members popularly elected serving five-year terms. Led by ATT, the Hope 2002 coalition holds 66 seats to 51 for ADEMA, and 30 held by other parties with the next rounds of elections scheduled for 2007.

The president, elected by popular vote, chooses the prime minister who selects a cabinet. Attempting to remain above party politics, ATT insisted that all of the main parties having won parliamentary seats in the July 2002 elections be represented by cabinet members in the government.

## 14 POLITICAL PARTIES

The first political party in Mali, the Sudan Progressive Party (Parti Soudanais Progressiste—PSP) was an affiliate of the French Socialist Party. It dominated political activity in French Sudan for 10 years. It was followed by the Sudanese Union, a revolutionary, anticolonial party, which had its main strength in the towns. In the two elections of autumn 1946, the Sudanese Union won 32% and 38% of the total votes.

The PSP continued to maintain its majority in the Territorial Assembly until the end of 1955, when a split in its ranks enabled the Union to capture a majority. By March 1957, the Sudanese Union won 60 of the 70 seats in the new Territorial Assembly, and in the Legislative Assembly election of March 1959 it obtained 76.3% of the votes and all the seats. After the break with Senegal, it emerged as the only party in the Republic of Mali, one with control that extended even to the smallest Muslim villages through its national political bureau. In the parliamentary elections of April 1964, the single list of 80 deputies presented by the Sudanese Union was elected by 99.5% of the voters. The party was disbanded at the time of the 1968 coup d'état.

The Democratic Union of Malian People (Union Démocratique de Peuple Malien—UDPM) was created as the sole legal political party in 1979. It chose the presidential candidate and the single list of candidates for the National Assembly. In National Assembly elections in 1979, UDPM candidates received 99.89% of the votes cast; in 1982, 99.82%; and in 1985, 99.47%. The party's general secretary since 1979 has been Gen. Moussa Traoré.

Shortly after the military coup in March 1991, some 48 parties were functioning, of which 23 contested the 1992 elections and 10 elected deputies to the National Assembly. The Alliance for Democracy in Mali (ADEMA) was the majority party, but with the change in prime minister and government on 12 April 1993, opposition parties were brought into cabinet; the National Committee for a Democratic Initiative (CNID) gained three cabinet posts.

In 1997, ADEMA held 76 seats in parliament, CNID held 9. Other parties represented in the National Assembly included the Sudanese Union/African Democratic Rally (US/RAD) with eight seats; the Popular Movement for the Development of the Republic of West Africa with six seats; Rally for Democracy and Progress (RDP) and the Union for Democracy and Development (UDD) with four seats each; and four other parties with the remaining seats. The UDPM, the former ruling party, attempted to relaunch itself in mid-1993, but the Supreme Court rejected its application for official recognition. It applied again in 1995 and was again rejected. Splits in ADEMA and CNID in 1995 resulted in the formation of the Movement for Independence, Renaissance, and African Integration (MIRIA)—headed by former vice president Traoré, the Patriotic Movement for Renovation (MPR), and the party for National Renovation (PARENA). In anticipation of the 1997 elections, PARENA announced it would form an alliance with ADEMA. However, flaws in the electoral process led to cancellation

of the results by the Constitutional Court. The repeat elections, though ruled free and fair by international observers, were boycotted by 18 opposition parties.

In 2000, ADEMA had not lost its grip on the National Assembly, holding 130 of 147 seats, with 12 more held by allied parties, and only 5 by the opposition. Despite the tradition of male domination in Mali, 18 seats were held by women, and women held 6 cabinet posts in the government.

Elections to the Assembly were held 14 July and 28 July 2002, giving Amadou Toumani Touré's government a substantial show of popular support with the following breakdown of seats: L'Espoir (hope) 2002 coalition 66, ADEMA 51, other parties 30. Despite Touré's attempt to ensure balance in the cabinet, the two main coalitions, Espoir 2002 and Alliance pour la République et la démocratie (ARD), criticized the new cabinet as being unrepresentative. L'Espoir 2002 objected to having received only two positions more than the ARD, even though they had backed the president in the second round of the elections. Nevertheless, Espoir did take most of the nonministerial parliamentary positions.

On 1 June 2003, in the presence of over 5,000 people gathered from around the country and abroad, Soumaila Cissé, vice president of ADEMA, who lost against Touré in the presidential election, announced the creation of a new party, Rally for Republic and Democracy (URD). The URD was expected to welcome an outflow of ADEMA supporters, perhaps as many as 25 deputies. ADEMA was working hard to stem the flow and estimated that no more than 10 of its deputies would defect to the URD. Legislative elections are to be held in July 2007.

## 15 LOCAL GOVERNMENT

In recent years, Mali has undertaken an ambitious decentralization program, which involves the capital district of Bamako and eight regions: Gao, Kayes, Kidal, Koulikoro, Mopti, Segou, Sikasso, and Tombouctou. The state retains an advisory role in administrative and fiscal matters, and it provides technical support, coordination, and legal recourse to these levels. Opportunities for direct political participation and increased local responsibility for development have been improved.

In August–September 1998, elections were held for urban council members, who subsequently elected their mayors. In May–June 1999, citizens elected their communal council members for the first time. Female voter turnout was about 70% of the total, and observers considered the process open and transparent. With mayors, councils, and boards in place at the local level, newly elected officials, civil society organizations, decentralized technical services, private sector interests, and donor groups began partnering to further development.

## 16 JUDICIAL SYSTEM

Mali's legal system derives from French civil law and customary law, and provides for judicial review of legislative acts in a Constitutional Court (which was formally established on 9 March 1994). Mali has not accepted compulsory ICJ jurisdiction.

A Supreme Court was established in Bamako in 1969. It is made up of 19 members, nominated for five years. The judicial section has three civil chambers and one criminal chamber. The Supreme Court has both judicial and administrative powers. The administrative section deals with appeals and fundamental rulings.

The Court of Appeal is also in Bamako. There are two magistrate courts of first instance, courts for labor disputes, and a special court of state security. Customary courts have been abolished. The 1992 constitution established a separate constitutional court and a High Court of Justice charged with responsibility for trying senior government officials accused of treason.

The 1992 constitution guarantees independence of the judiciary. Constitutional provisions for freedom of speech, press, assembly, association, and religion are generally respected. Nonetheless, the executive has considerable influence over the judiciary. The president heads the Superior Judicial, the body that supervises judicial activity, and the Ministry of Justice appoints judges and oversees law enforcement. Trials are public, defendants have the right to an attorney of their choice, and court-appointed attorneys are available to indigent defendants in criminal cases. However, the judicial system has a large case backlog resulting in long periods of pretrial detention.

## 17 ARMED FORCES

As of 2005, Mali's armed forces had 7,350 active personnel, all of whom were in the Army, which also included a 50 member naval force, and a 400 member air arm. The Army was equipped with 33 main battle tanks, 18 light tanks, and over 46 artillery pieces. The air arm had 16 combat capable aircraft made up of fighter aircraft. The service also operated two support and two utility helicopters. The naval arm consisted of three river patrol boats. Paramilitary forces number 4,800, including a gendarmerie of 1,800, a republican guard of 2,000, and a national police force of 1,000. In 2005, the defense budget totaled \$101 million.

## 18 INTERNATIONAL COOPERATION

Mali was admitted to the United Nations on 28 September 1960, and is a member of ECA and several nonregional specialized agencies, such as the FAO, UNSECO, UNIDO, the World Bank, IFC, IAEA, ILO, and the WHO. It also belongs to the African Development Bank, the ACP Group, G-77, ECOWAS, the Organization of the Islamic Conference (OIC), the New Partnership for Africa's Development (NEPAD), the Community of Sahel and Saharan States (CENSAD), the African Union, the West African Development Bank, the West African Economic and Monetary Union, and the WTO.

With Senegal and Mauritania, Mali comprises the Senegal River Development Organization. It is also a partner in the Liptako-Gourma regional development scheme with Burkina Faso and Niger. Mali is a member of the International Committee for the Control of the Drought in the Sahel (CILSS)

As a member of ECOWAS, Mali is participating in the six-nation group mediating the conflict in neighboring Côte d'Ivoire. In 2003, Mali contributed 200–300 troops for peacekeeping operations in that war-torn country. Mali has also offered support to UN missions and operations in Liberia (est. 2003), Sierra Leone (est. 1999), Burundi (est. 2004), and the DROC (est. 1999). Mali is a member of the Nonaligned Movement.

In environmental cooperation, Mali is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Economic activity in Mali centers on domestic agricultural and livestock production. Vast stretches of Sahara desert limit Mali's agricultural potential and subject the country to severe, prolonged, recurrent drought. In periods of adequate rainfall, Mali approaches food self-sufficiency. The GDP growth rates are affected by the rainfall as well. GDP has gone to a high of 12.5% in 1989 when rainfall was good to negative growth in dry years. The growth rate of GDP in 2005 was estimated to be 6%.

About 80% of the population was engaged in agriculture as of 2005. Irrigated lands along the Niger River have been the focus of infrastructure development loans designed to increase the production of rice. Historically, livestock production was a mainstay of the Malian economy. About 10% of the population is nomadic. The dry savannah plains are free of the tsetse fly and production has been oriented to serve the growing market in Côte d'Ivoire to the south. Unfortunately, the severe droughts in the 1980s reportedly wiped out upwards of 80% of Malian herds, which were still recovering as of the early 2000s.

State-centered policies pursued in the years following independence were largely unsuccessful and led to a reintegration of the Malian economy into the CFA franc zone. Subsequent economic plans imposed on Mali, first by the French and then by the IMF, sought to dismantle the parastatals, privatize industry, and disengage the government from manipulative agriculture policies and price controls. These measures were hindered by the influential Malian civil service, the drought in the early 1980s and, in 1986, the fall in cotton prices, which led the government to suspend its debt-servicing obligations and to a suspension of IMF and World Bank credits. However, deficits fell sharply in 1990 and 1991 as a result of higher taxes and reduced civil service and parastatal demands. Unfortunately, the political repercussions of the government's austerity measures led to its downfall in 1991. The new government, however, continued the structural adjustment process, and the effort to reduce the budget deficits was intensified.

In January 1994 France devalued the CFA franc, cutting its value in half. The devaluation was designed to encourage new investment, particularly in the export sectors of the economy, and discourage the use of hard currency reserves to buy products that could be grown domestically. Unlike exporting countries, however, Mali imported most of its food, had little to export, and therefore, benefited little from the devaluation. A period of inflation, where the rate approached 35%, followed devaluation in 1994, but by 2001 it had moderated to a level of approximately 5% and in 2005 it was estimated to be 6%.

The country remains heavily dependent upon foreign aid, which amounted to 20% of GNP in 2002, mostly from France. Key sectors of economic growth in recent years have been in cotton production and gold: Mali as of 2005 was the leading producer and exporter of cotton in sub-Saharan Africa, and the second-largest producer of gold in West Africa.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Mali's gross domestic product (GDP) was estimated at \$11.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on

the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,000. The annual growth rate of GDP was estimated at 5.5%. The average inflation rate in 2002 was 4.5%. It was estimated that agriculture accounted for 45% of GDP, industry 17%, and services 38%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$138 million or about \$12 per capita and accounted for approximately 3.2% of GDP. Foreign aid receipts amounted to \$528 million or about \$45 per capita and accounted for approximately 12.7% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Mali totaled \$2.80 billion or about \$239 per capita based on a GDP of \$4.3 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.1%. In 2001 it was estimated that approximately 53% of household consumption was spent on food, 7% on fuel, 4% on health care, and 5% on education. It was estimated that in 2001 about 64% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

Of the total estimated workforce in Mali of 3.93 million in 2001 (the latest year for which data was available), agriculture and fishing accounted for an estimated 80%. In that same year, the estimated unemployment rate was 14.6%.

With the breakup of the Mali Federation in 1960, all the unions in the country joined together to form the National Union of Malian Workers (Union National des Travailleurs du Mali—UNTM). The UNTM was disbanded at the time of the 1968 coup, but was reestablished in 1970. Most workers organized in Mali belong to a union that is a member of UNTM federation. A second federation, the Syndicated Confederation of Malian Workers, was formed following a split in the UNTM in 1997. The two groups divide the nation's 12 unions between them. In 2002, essentially all wage earners were union members. The constitution provides for the right to strike within certain limitations in some sectors. For instance, civil servants and state-employed workers must engage in mediation and give two weeks notice of an intent to strike.

Workers in the formal industrial sector may start to work as young as 12, with parental permission. However, this provision does not apply to the millions of children working in rural areas or in the urban informal economy. Wage workers are given extensive protection under the labor laws, including a maximum workweek, a minimum wage, and a specified number of days of paid annual leave. In 2002, the minimum wage was about \$40 per month. The legal maximum workweek was set at 40 hours in industry, and 45 hours for agricultural laborers. Foreign, even illegal, workers are provided with the same protections.

## 2<sup>2</sup> AGRICULTURE

Only the southern part of Mali is suited to farming and less than 2% of Mali's area is cultivated. Agriculture accounted for about 38% of GDP, 36% of exports, and over 80% of the active labor force in 2003. Millet, rice, and corn are the basic food crops. Mil-

let and sorghum are cultivated mainly in the areas around Ségou, Bandiagara, and Nioro. Paddy rice is cultivated on irrigated farms in the area around Mopti, Ségou, and Niafouké. Cereals are produced for subsistence by 90% of farmers. Peanuts are grown in the Sudanese zone, as are cotton, fruits, vegetables, and henna. The shea tree nut, which grows wild, is exploited by Malians for its oil.

Output fluctuates widely as a result of the amount and distribution of rainfall. In 2004, coarse grain production was estimated at 2,118,000 tons. Production estimates in 2004 for principal agricultural crops grown for domestic use included millet, 815,000 tons; sorghum, 650,000 tons; sugarcane, 350,000 tons; corn, 365,000 tons; cassava, 24,000 tons; and sweet potatoes, 75,000 tons. The rice production figure was 877,000 tons.

Cotton is Mali's major foreign exchange earner. In 2004, Mali had a production of 239,500 tons. Buoyant world prices have increased foreign exchange earnings from cotton. In 2004, Mali's trade surplus in agricultural products was \$188.5 million.

The Niger Office, now a state-controlled agency, was set up in 1932 to aid in improving cotton and rice production. It developed the irrigation and modern cultivation of some 81,000 hectares (200,000 acres) in the dry inland delta of the Niger; in 2003, about 236,000 hectares (583,000 acres) in Mali were irrigated. The infrastructure includes a dam (2.6 km wide/1.6 mi), irrigation canals, ditches and dikes, and such installations as housing stores, warehouses, rice and oil mills, cotton-ginning factories, sugar refineries, soap factories, research stations, schools, and dispensaries. Growing cotton in irrigated fields did not succeed and was abandoned in 1970. All cotton is now grown in nonirrigated fields in the regions of Bamako, Ségou, and Sikasso.

## 2<sup>3</sup> ANIMAL HUSBANDRY

In 2005, there were an estimated 12,050,000 goats, 8,370,000 sheep, 7,700,000 head of cattle, 720,000 donkeys, 472,000 camels, 172,000 horses, 68,000 hogs, and 31 million chickens in Mali.

Virtually all cattle are owned by nomads. Cattle herding is centered in the Sahel (Nioro-Nara), the central Niger Delta (Ségou-Mopti-Bandiagara-Niafouké-Goundam), and the curve of the Niger (Tombouctou-Gao). A significant portion of trade in live animals is clandestine, because of higher prices in neighboring countries. Principal clients for cattle are Côte d'Ivoire and Ghana, and for sheep and goats, Côte d'Ivoire and Algeria. Meat and cattle are also exported to other African neighbors, such as Guinea, Senegal, Niger, and Benin.

There are two modern slaughterhouses, in Bamako and Gao. Total meat production was estimated at 248,700 tons in 2005. Livestock exports are the second-largest source of foreign exchange after cotton. Milk production was estimated at 608,440 tons (39% goat, 31% cow, 21% sheep), and the production of hides and skins at 15,040 tons.

## 2<sup>4</sup> FISHING

The Niger and its tributaries are extensively fished, and the Mopti region, where the Niger and Bani rivers flood the delta during the rainy season, accounts for 90% of the catch. The Senegal River accounts for most of the rest. Fishermen use nets, harpoons, and snares. About 90% of the fishing catch is dried or smoked for domestic consumption and export; Nile tilapia and North African



catfish are the main species. River fishing was severely affected by the 1968–74 and 1982–85 droughts. The total catch was 101,098 tons in 2003.

## 25 FORESTRY

Forest and woodland are estimated to cover some 13.1 million hectares (35.6 million acres), or about 10.8% of the total land area. A total of six forest reserves cover 229,400 hectares (566,900 acres). Mali's Water and Forests Service works to preserve and increase the amount and quality of general and classified forest domain and to assure reasonable exploitation. However, wood is Mali's primary energy source, and overcutting for fuel is a serious problem. Roundwood production in 2004 amounted to 5.38 million cu m (190 million cu ft), with 92% used for fuel.

## 26 MINING

Mali's mineral sector is dominated by gold mining. The country is Africa's third-largest gold producer, behind South Africa and Ghana, with gold accounting for 57% of Mali's total exports in 2003, or \$542 million. Total gold mine output (metal content) was 45,535 kg in 2003, down from 56,043 kg in 2002. The Sadiola Hill open-pit mine produced about 14,000 kg in 2003, from a resource of 120,000 kg. The Syama mine, which produced 8,000 kg, was mothballed in 2001, pending higher gold prices; it had the country's largest resources, 196,000 kg. The Morilla gold mine, opened in 2001, produced 24,700 kg in 2003, from a resource of 140,000 kg. The Loulo (105,000-kg resource), Yatela, Segala, and Alamoutala deposits were in development. Since 1997, Mali has attracted \$850 million in new gold development investments and expected to produce 50,000 kg per year by 2006. Large-scale gold mining began in 1984, at Kalana, southwest of Bougouni, with aid from the former USSR.

Mali, in 2003, also produced gypsum and salt. Salt output in that year totaled 6,000 metric tons. Gypsum production in 2003 totaled an estimated 500 metric tons. Salt mining provided an evocative link between Mali's present and past. Artisanal gold miners have also found diamonds in the Kenieba area.

Mali's mining sector remains undeveloped due to a lack of infrastructure needed to support mining. Bauxite, iron, calcium, kaolin, copper, manganese, phosphate, tin, zinc, lead, marble, and lithium deposits have been located. Manganese reserves were 7.5 billion tons, of 30–40% grade ore. Western Mali had numerous bauxite deposits, ranging from 10 to 580 million tons, at 2–48% aluminum content. Phosphate reserves were estimated at 10 million tons, with anhydrous phosphate content of 31%. There was a marble quarry at Sélinkégni, a limestone quarry at Diamou, and a phosphate complex at Bourem. Mineral exploration interest was focused on diamond, gold, and oil.

All mines were owned by the state; some quarries were privately owned. At the request of mining companies, the government set up a regional mining office in Kayes, to eliminate the 500 km journey between Bamako and the primary mining region in western Mali, for routine administrative operations. The government eliminated the tax on insurance for vehicles used on mining sites, and reduced taxes on sales by mining companies (from 6–3%), and on proceeds from the transfer of shares in mining companies (from 20–10%). The government also lengthened the tenure for medium-scale mining permits, and introduced a four-year permit

for small-scale mining. To address Mali's underdeveloped transportation network, the Africa Development Fund approved a loan to finance the multinational Kankan-Kouremale-Bamako road project in Guinea and Mali.

## 27 ENERGY AND POWER

Mali, as of 1 January 2003 had no known reserves of crude oil, natural gas, or refining capacity.

In 2002, the consumption and imports of petroleum products each averaged 4,070 barrels per day. There was no demand or imports of natural gas in that same year.

In 2002, Mali's electrical generating capacity stood at 0.250 million kW, of which 54% was dedicated to conventional thermal fuels, and the remainder to hydroelectric power. In that same year, electric power output totaled 0.668 billion kWh, of which almost 75% came from hydroelectric sources, and the rest from conventional thermal fuel sources. Consumption of electricity in 2002 was 0.621 billion kWh. However, given Mali's drought-prone circumstances, hydroelectric production is unreliable, and production at the Selingué plant is suspended when reservoir levels are low.

## 28 INDUSTRY

Mali has a small industrial sector, mostly enterprises producing textiles and consumer goods. There is growing local demand for consumer goods. Textiles account for about 50% of export value. In 2004, industry accounted for 25% of GDP. In 2002, the government was undertaking a program of privatization and restructuring of state-owned enterprises.

Groundnut-oil, rice-polishing, fruit-preserving, sugar-distilling, tea, and cottonseed-oil and cottonseed-cake plants are in operation, as are slaughterhouses. Industrial facilities include a vinegar factory, a cigarette factory, a soft-drink plant, a flour mill, a shoe factory, a tannery, and two textile plants. Other plants make tiles, furniture, farm implements, batteries, paint, and cosmetics and assemble radios, bicycles, and motorcycles. There are a few construction related facilities, including a brick factory, a ceramics factory, and a cement plant. Mali has no known oil or natural gas reserves.

## 29 SCIENCE AND TECHNOLOGY

Mali has a shortage of trained scientists and technicians and relies heavily on foreign, chiefly French, assistance. A French tropical agronomy research center is located in Bamako. The National Directorate for Meteorology, also in Bamako, publishes bulletins on agrometeorology and climatology. National centers for fruit and zootechnical research are located in Bamako. A national association for mineral research and mining is located in Kati. The National Center of Scientific and Technological Research in Bamako coordinates all research activity in Mali. National schools of engineering and of medicine and pharmacology are also in Bamako. The Rural Polytechnic Institute of Katibougou provides instruction and conducts research in agronomy, agricultural economics, stockbreeding, forestry, veterinary science, and rural technology.

In 1987–97, science and engineering students accounted for 12% of college and university enrollments.

### 30 DOMESTIC TRADE

Following independence, the government initiated an extensive program for the organization of rural cooperatives in the villages, with central purchasing organizations in the chief towns of the administrative districts. However, Mali's postindependence socialism has recently given way to emphasis on free trade and private enterprise. Agriculture is the basis of the economy with about 70% of the population employed in farming.

Since 1988, the government has been working on economic reforms that include a large scale privatization process and legal changes to encourage domestic commerce. For instance, business applications can generally be processed through a single ministry, in a program called *guichet unique* or "one window." This reform allows businesses to open sooner and with far less red tape than before. The government has also eliminated price controls on consumer goods and developed both a commerce code and commercial courts to encourage fair business development.

Normal business hours are from 8 AM to noon and from 3 to 5 PM, Monday–Saturday. On Fridays, most businesses close at noon. Banks are open from 8 AM to 2:30 PM, Monday–Thursday, and from 8 AM to 12:30 PM, Friday and Saturday.

### 31 FOREIGN TRADE

Cotton, gold, and livestock are Mali's leading exports. Increased cotton production and rising world prices have increased foreign exchange receipts, as has increased gold production. The 50% devaluation of the CFA franc in 1994 helped boost cotton, livestock, and other exports but doubled the cost of imports. Comparing 1994 to the index year of 1987, export activity decreased by 5% while import activity rose by 10%. Machinery and equipment, construction materials, petroleum, foodstuffs, and textiles are imported.

### 32 BALANCE OF PAYMENTS

Mali's chronic deficit in trade and other goods and services is largely offset by aid from other governments and international or-

Country	Exports	Imports	Balance
World	519.3	1,013.4	-494.1
Switzerland-Liechtenstein	197.5	...	197.5
South Africa	168.5	44.1	124.4
France-Monaco	54.0	188.3	-134.3
Côte d'Ivoire	42.8	245.6	-202.8
Senegal	26.7	53.7	-27.0
Belgium	8.5	38.8	-30.3
Netherlands	6.1	14.0	-7.9
Burkina Faso	3.5	...	3.5
United States	2.4	36.3	-33.9
Guinea	2.2	...	2.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

### Balance of Payments – Mali (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>-148.8</b>
Balance on goods		162.7
Imports	-712.5	
Exports	875.1	
Balance on services		-217.6
Balance on income		-240.2
Current transfers		146.4
<b>Capital Account</b>		<b>104.2</b>
<b>Financial Account</b>		<b>188.6</b>
Direct investment abroad		-1.6
Direct investment in Mali		243.8
Portfolio investment assets		-0.5
Portfolio investment liabilities		54.1
Financial derivatives		...
Other investment assets		-248.4
Other investment liabilities		141.1
<b>Net Errors and Omissions</b>		<b>-6.1</b>
<b>Reserves and Related Items</b>		<b>-137.8</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ganizations. The balance of payments is sharply influenced by the volume in cotton exports and the world price of cotton, the price of gold, the volume of official livestock exports, and the value of government-purchased imports. The value of exports covers only about 75% of imports. Mali's minimal industrial base and its dependence on imported machinery and petroleum negatively impact its balance of payments.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Mali's exports was \$988 million while imports totaled \$1,185 million resulting in a trade deficit of \$197 million.

### 33 BANKING AND SECURITIES

In 1959, the Central Bank of the West African States (Banque Centrale des États de l'Afrique de l'Ouest—BCEAO) succeeded the Currency Board of French West Africa and Togo as the bank of issue for the former French West African territories, known now as the franc zone: Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo. Foreign exchange receipts of the member states went into the franc zone's exchange pool, which in turn covered their foreign exchange requirements. In July 1962, however, Mali withdrew from the BCEAO and West African Monetary Union and established a bank of its own, the Bank of the Republic of Mali, which issued a new currency, the Malian franc.

In 1967, Mali returned to the franc zone, with its franc set at half the value of the CFA franc. In March 1968, the banking system was reorganized, and the Central Bank of Mali was established as the central issuing bank. In December 1982, Mali's application to rejoin the West African Monetary Union was rejected, as Upper Volta (now Burkina Faso), which had a border dispute with Mali, continued to oppose Mali's readmission until 1983. In 1984 it rejoined the BCEAO and the monetary union.

In addition to the Central Bank, commercial banks in 1997 included: the Bank of Africa, Banque Commerciale de Sahel, Banque

Malienne de Crédit et du Depots, and the Financial Bank Mali. Development banks in Mali include the Banque de Développement du Mali and the Banque Nationale de Développement Agricole. Domestic savings have increased since 1994. Along with other members of the Union économique at minétaire ouest-africaine (UEMOA), Mali now faces the problem of diversifying credit instruments in favor of small and medium-sized enterprises, which have historically relied upon informal sources of investment.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$514.6 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$664.6 million. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.95%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

### 34 INSURANCE

There were at least six insurance companies in Mali in 1995, the largest being the National Fund of Insurance and Reinsurance, a state company. Third-party motor insurance is compulsory.

### 35 PUBLIC FINANCE

Foreign aid accounted for 20% of Mali's budget in 1999. In order to fulfill its IMF responsibilities, the country has been privatizing companies for the past several years. Only about 14 companies remain in the hands of the government. Mali was judged eligible for the Heavily Indebted Poor Countries (HIPC) initiative and has been benefiting from it since 2000 as a budgetary support.

The US Central Intelligence Agency (CIA) estimated that in 2002 Mali's central government took in revenues of approximately \$764 million and had expenditures of \$828 million. Revenues minus expenditures totaled approximately -\$64 million. Total external debt was \$2.8 billion.

### 36 TAXATION

Elements of a progressive taxation system were introduced in 1992. There is a tax on business profits and a general income tax with a graduated rate. There is also a value-added tax (VAT) with a standard rate in 2003 of 15% for most goods and services, as well as an excise tax on alcoholic beverages, fuels and lubricants, cartridges and bullets, tobacco, and other goods. In addition, there are taxes on property, livestock, motor vehicles, and firearms and a head tax, among others. There are also registration and stamp fees.

### 37 CUSTOMS AND DUTIES

Customs duties constitute the leading source of government income and are imposed on both imports and exports. Import policies have been liberalized and import licensing eliminated since 1988. However, imports from Israel and South Africa are banned.

Duties on most goods range from 5–30% for imports from countries that do not belong to the West African Economic Community (CEAO), except for taxes on luxury goods, including cars and videocassette recorders, which vary from 80–100%. Duties for imports from CEAO members are approximately half the rate charged nonmembers.

## 38 FOREIGN INVESTMENT

Foreign investment in Mali is relatively small and is mainly in retail trade or light industry. With independence and Mali's announcement of an economic policy aimed at "planned socialism," private foreign investment came to a standstill in 1961. By 1968, after seven years of almost no private foreign investment, the trend was reversed and Mali specifically requested private foreign investment to aid its development. The parastatal sector was to be dismantled, although it has remained a significant part of the economy.

The 1991 investment code offers certain incentives, mostly in the form of tax holidays of five to ten years to companies prepared to invest in certain areas. In the three free zones, companies are granted permanent exemption from all fees and taxes, but must sell 20% of their production on the national market. Foreign and national investors are treated equally by law.

In 1998, annual foreign direct investment (FDI) inflows to Mali fell to \$35.8 million, down from \$74.3 million in 1997. FDI inflow increased to \$51.3 million in 1999, and for 2000 and 2001, averaged \$104.6 million. In 2002 FDI peaked at \$244 million but fell to \$132 million in 2003 and \$180 million in 2004. Mali's share of world FDI inflows during the period 1998 to 2000 was only 70% of its share of world GDP, although this was an improvement on its performance a decade earlier when its share of world inward FDI was only 30% of its share of world GDP. The recent increases in FDI are a reflection of international investment in mining and oil exploration.

## 39 ECONOMIC DEVELOPMENT

Fiscal management reform and continued dependence on foreign aid into the foreseeable future are the hallmarks of the economic development effort in the coming years. The 1994 devaluation of the CFA (Communauté Financière Africaine) franc resulted in increased exports of cotton, livestock, gold, and other products, but raised the price of imports. Strong prices for cotton worldwide, combined with record production in Mali in 1995, were both positive factors for the Mali economy. However, the agricultural sector is still highly vulnerable to drought and, in spite of its natural potential, unlikely to produce at self-sufficiency levels. In 1999, the EU provided \$82 million for the development of roads and bridges in Mali, and the West African Development Bank offered a loan to upgrade urban roads.

The government has taken steps to liberalize the regulatory climate in order to encourage foreign investment. Price controls on consumer goods (including on petroleum products), import quotas, and export taxes have all been eliminated. Privatization of state-owned enterprises continued throughout the 1990s and into the 21st century. In 1999, Mali negotiated a \$64 million four-year Poverty Reduction and Growth Facility (PRGF) Arrangement with the International Monetary Fund (IMF). In 2003, Mali was granted \$675 million in debt service relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative, to improve governance, strengthen social services, and develop infrastructure and key productive sectors. Economic development has been hindered by drought and falling world cotton prices.

## 40 SOCIAL DEVELOPMENT

Social welfare services are available mainly in urban areas, basically as an extension of labor benefits and medical aid under the labor code, which includes provisions for medical care, workers' compensation, and retirement benefits. Pensions were paid for by employee contributions of 3.6% and employer contributions in the amount of 5.4%. A system of family allowances, implemented in 2004 for wage earners, provides maternity and children's allowances, along with classes in prenatal and infant care. Employers are required to provide free sick leave to their employers, as well as maternity benefits equal to 100% of earnings for 14 weeks. Under tribal organization, the individual's basic welfare needs are traditionally cared for by the group. This system, however, is breaking down as the country develops.

The government has made a special effort to improve the status of women, and a few women have entered government employment. Yet, social and cultural factors still sharply limit educational and economic opportunities for most women. Despite legal protections, most women face active discrimination in the areas of divorce, inheritance, and child custody. Domestic abuse and violence against women is a common and tolerated problem. Women have little access to legal services. Female genital mutilation, a painful and often life-threatening procedure, is also commonly performed on young girls. It was estimated in 2004 that 95% of women underwent this procedure. The government is actively seeking to eliminate this practice by 2008. Child labor persists.

Human rights are generally respected although prison conditions remain poor.

## 41 HEALTH

Most health care is provided by the public medical services. At Bamako are the Institute of Tropical Ophthalmology and the Marchoux Institute for Leprosy, which, in addition to treating patients, carry out research. The number of private doctors and well-equipped medical institutions is small. There were fewer than five physicians per 100,000 population in 2004. Total health care expenditure was estimated at 4.3% of GDP. The pharmaceutical policies adopted in recent years have resulted in the destruction of the public network of drug distribution. Despite the high level of health care investment, lack of organization and misappropriation of money has impaired the effectiveness of the health care system.

The principal diseases are malaria, leprosy, tuberculosis, enteritis and other intestinal diseases, cholera, pneumonia, and infectious and parasite-related diseases such as schistosomiasis, onchocerciasis, and trypanosomiasis. Anemia, malnutrition, and tetanus are also widespread. The HIV/AIDS prevalence was 1.90 per 100 adults in 2003. As of 2004, there were approximately 140,000 people living with HIV/AIDS in the country. There were an estimated 12,000 deaths from AIDS in 2003.

Malaria is widespread, as is guinea worm. In 2000, 65% of the population had access to safe drinking water and 69% had adequate sanitation. Immunization rates for children up to one year old were: tuberculosis, 76%; diphtheria, pertussis, and tetanus,

52%; polio, 52%; and measles, 56%. Diarrheal diseases still claim the lives of children under the age of five.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 48.37 and 18.32 per 1,000 people. About 7% of married women (ages 15 to 49) used contraception as of 2000. The infant mortality rate was 109 per 1,000 live births in 2005, one of the highest in the world. The maternal mortality rate in 1998 was high at 580 per 100,000 live births. The average life expectancy was 48.64 years in 2005, up from 42 years in 2000. An estimated 80% of women underwent female genital mutilation.

## 42 HOUSING

Providing housing in the wake of rapid urbanization has been an ongoing challenge for the government of Mali. In 2002, it was estimated that about 45% of all residents in Bamako were living in substandard settlement housing, often in neighborhoods defined as slum or squatter settlements. Less than 2% of the district population had connections to sewage facilities. Only about 17% had in-home water connections. The government has tried to set new programs in place to stop the spread of the informal slum and squatter settlements and to upgrade such housing to higher standards.

Though formal housing structures in Bamako are like those of a European city. Elsewhere, housing ranges from similar urban structures to the tents of Tuareg nomads, the circular mud huts with thatched roofs characteristic of the indigenous African villages, and traditional Sudanese architecture. The latter employs a common building material called *banco*, a mixture of wet mud and straw that dries into a hard, almost cement-like consistency. This is applied over wooden frames and can be used for buildings of several stories. The buildings resemble those in North Africa and the Middle East.

Government activity is largely concentrated on improvement of urban housing and sanitation. The Real Estate Trust, a public corporation established in 1949, provides housing loans to persons wishing to build on their own land.

## 43 EDUCATION

The Malian school system begins with an initial primary cycle of six years, followed by a six-year cycle of secondary schooling (divided into two three-year stages). At the upper secondary level, students may opt to attend technical schools (two to three years) or vocational schools (four years). The academic year runs from October to June.

In 2001, less than 2% of children between the ages of four and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 44% of eligible students; 50% for boys and 39% for girls. In 1998, there were 188,109 pupils enrolled in secondary schools. It is estimated that about 40% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 63:1 in 2000; the ratio for secondary school was about 29:1.

The University of Mali has four faculties: medicine, pharmacy and dentistry; technical sciences; juridical and economic sciences; and languages, arts, and humanities. The university also has schools for business administration, engineering, and teacher

training. In Koulikoro is the Rural Polytechnic Institute of Kati-bougou. In 2003, about 2% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 19%, with 26.7% for men and 11.9% for women.

As of 2003, public expenditure on education was estimated at 3% of GDP.

#### 44 LIBRARIES AND MUSEUMS

In Bamako are located the National Library and Archives (20,000 volumes), a municipal library, and the library of the Islamic Center, opened in 1987. In addition, the French Cultural Center, with 27,000 volumes, serves as a public library, and there is a US Information Service library as well as several other privately run libraries. The Public Reading Franco-Malian Operation, founded in 1977, sponsors about 52 public-reading libraries in the district of Bamako. Tombouctou has a center of historic research with libraries and museums containing valuable Arabic manuscripts. The National Museum, which also has a library, is in Bamako, as is the Sudanese Museum, detailing the country's history as the former French Sudan. Regional museums are located in Gao and Sikasso, and there is a historical museum in Tombouctou.

#### 45 MEDIA

In 2003, there were an estimated five mainline telephones for every 1,000 people. The same year, there were approximately 23 mobile phones in use for every 1,000 people.

In 2004, the state-owned broadcaster, Office de Radiodiffusion Television du Mali (ORTM) operated the nation's only television station and one radio station. There were over 125 other privately operated radio stations that year. A few stations broadcast in French and English. In 2003, there were an estimated 180 radios and 33 television sets for every 1,000 people. The same year, there were 1.4 personal computers for every 1,000 people and two of every 1,000 people had access to the Internet.

In recent years, several newspapers were forced to shut down for lack of adequate funding. Those papers still in business are often published sporadically. On average, there may be 10 or 12 papers available for purchase on any given day. *L'Essor*, which is controlled by the government, had a circulation of 3,500 in 2002. *Les Echos*, affiliated with the ruling party, has a circulation of about 25,000. The *Bulletin Quotidien* is a daily paper published by the Chamber of Commerce and the *Journal Officiel de la Republique du Mali* serves as the official publication of the president and the secretary general. Several government and privately published periodicals are also available.

The constitution also provides for free speech and a free press, and the government is said to respect these rights in practice.

#### 46 ORGANIZATIONS

There is a Chamber of Commerce and Industry in Bamako and a Chamber of Commerce in Kayes. There are youth and women's affiliates of the UDPM. The government is hoping to increase food production through the formation of village cooperatives. The

Committee for the Coordination of NGOs. In Mali works with organizations involved with emergency relief, environmental improvement and preservation, and community development.

A Junior Chamber program is available for youth. There are a number of sports associations throughout the country and volunteer service organizations, such as the Lions Clubs International, are also present. A few health organizations are active. There are national chapters of the Red Cross Society, Caritas, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

A government tourist organization was created in April 1974 to develop hunting, fishing, and sightseeing in Mali, particularly in the areas around Mopti, Tombouctou, and Gao. There are modern motels in Bamako and in Tombouctou, the ancient capital of Muslim learning and culture, previously forbidden to foreigners. Other attractions are Mali's national park and game reserves. Football (soccer) is a popular sport.

A visa must be obtained for entry into Mali. A vaccination certificate for yellow fever is also needed if traveling from an infected area. Typhoid, tetanus, meningitis, and hepatitis immunizations are recommended. There were 69,691 tourists who arrived in Mali in 2003. Hotel rooms numbered 3,907 with 5,066 beds. Tourist expenditure receipts totaled \$105 million in 2002.

In 2005, the US Department of State estimated the daily cost of staying in Bamako at \$182, and other areas of Mali at \$122.

#### 48 FAMOUS MALIANS

Early figures associated with the area of present-day Mali include Mansa Musa (r.1312–37), ruler of the Mali Empire, and Sonni 'Ali Ber (r.1464–92) and Askia Muhammad I (r.1492–1528), rulers of the Songhai Empire. Later figures include al-Hajj 'Umar (1797–1864), who plunged the entire area into a bloody holy war before he was killed while trying to put down a rebellion, and Samory Touré, (1835–1900), who fought the French at the head of a Malinké (Mandingo) army for 16 years (1882–98). Modibo Keita (1915–77) was, until November 1968, a leading figure in the political life of the country. He became the first president of the Republic of Mali in 1960. Moussa Traoré (b.1936) was president of Mali from 1969 to 1991. Alpha Oumar Konaré (b.1946) was elected president in 1992; he served until 2002. Brigadier Gen. Amadou Toumani Touré (b.1948) is considered the founder of Mali's democratic movement; he won the presidential elections in 2002.

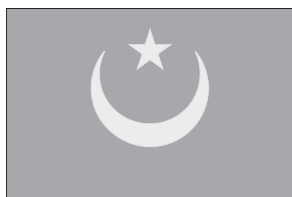
#### 49 DEPENDENCIES

Mali has no territories or colonies.

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# MAURITANIA

Mauritanian Islamic Republic  
[French] *République Islamique de Mauritanie*;  
[Arabic] *Al-Jumhuriyah; al-Islamiyah al-Muritaniyah*

**CAPITAL:** Nouakchott

**FLAG:** The flag consists of a gold star and crescent on a light green field.

**ANTHEM:** *Mauritania* (no words).

**MONETARY UNIT:** The ouguiya (UM), a paper currency of 5 khoums, issued by the Central Bank of Mauritania, replaced the Communauté Financière Africaine franc on 29 June 1973. There are coins of 1 khoum and 1, 5, 10, and 20 ouguiyas, and notes of 100, 200, 500, and 1,000 ouguiyas. UM1 = \$0.00380 (or \$1 = UM263.03) as of 2003.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; African Liberation Day, 25 May; Anniversary of the Proclamation of the Republic, 28 November. Movable religious holidays include Laylat al-Miraj, 'Id al-Fitr, 'Id al-Adha, 1st of Muharram (Muslim New Year), and Milad an-Nabi.

**TIME:** GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated in West Africa, Mauritania has an area of 1,030,700 sq km (397,955 sq mi). Mauritania extends 1,515 km (941 mi) NE–SW and 1,314 km (816 mi) SE–NW. Comparatively, the area occupied by Mauritania is slightly larger than three times the size of the state of New Mexico. It is bordered on the NE by Algeria, on the E and S by Mali, on the SW by Senegal, on the W by the Atlantic Ocean, and on the NW and N by the Western Sahara, with a total estimated boundary length of 5,828 km (3,621 mi), of which 754 km (469 mi) is coastline.

Mauritania's capital city, Nouakchott, is located on the Atlantic Coast.

## <sup>2</sup>TOPOGRAPHY

There are three distinct geographic regions in Mauritania: a narrow belt along the Senegal River valley in the south, where soil and climatic conditions permit settled agriculture; north of this valley, a broad east–west band characterized by vast sand plains and fixed dunes held in place by sparse grass and scrub trees; and a large northern arid region shading into the Sahara, advancing south several kilometers each year, and characterized by shifting sand dunes, rock outcroppings, and rugged mountainous plateaus that in a few places reach elevations of more than 500 m (1,640 ft). The high point, Mount Ijill at about 915 m (3,002 ft), is near Fdèrik. The country is generally flat.

## <sup>3</sup>CLIMATE

Although conditions are generally desertlike, three climatic regions can be distinguished. Southern Mauritania has a Sahelian climate; there is one rainy season from July to October. Annual

rainfall averages 66 cm (26 in) in the far south; at Nouakchott the annual average is 14 cm (5.5 in).

Trade winds moderate the temperature in the coastal region, which is arid. The average maximum temperature at Nouadhibou for January is 26°C (79°F), and for October 32°C (90°F); average minimums are 13°C (55°F) for January and 19°C (66°F) for July.

Most of Mauritania north of Atar—about two-thirds of the country—has a Saharan climate. Daytime temperatures exceed 38°C (100°F) in most areas for over 6 months of the year, but the nights are cool. Average annual rainfall at Atar is 10 cm (4 in).

## <sup>4</sup>FLORA AND FAUNA

In the desert there are some cacti and related species; oases support relatively luxuriant growth, notably date palms. In the south are grasses and trees common to the savanna regions, particularly the baobab tree, but also palms and acacias. The far south, in the Senegal River valley, has willows, jujube, and acacias. Lions, panthers, jackals, crocodiles, hippopotami, hyenas, cheetahs, otters, and monkeys survive in the south; in the north there are antelopes, wild sheep, ostriches and other large birds, and ducks. As of 2002, there were at least 61 species of mammals, 172 species of birds, and over 1,100 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Deforestation is a severe problem because of the population's growing need for firewood and construction materials. Slash-and-burn agriculture has contributed to soil erosion, which is aggravated by drought. The expansion of the desert into agricultural lands is accelerated by limited rainfall, deforestation, the consumption of vegetation by livestock, and wind erosion. The expansion of domestic herds onto grazing land formerly restricted to wildlife has

also taken a serious toll on the environment, both in erosion and in encroachment on wildlife species. In 2003, only 1.7% of Mauritania's total land area was protected. The nation also has a problem with water pollution, resulting from the leakage of petroleum and industrial waste along with sewage into the nation's ports and rivers. A government-built dam on the Senegal River is expected to alleviate the country's water problems and stimulate agriculture.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 7 types of mammals, 5 species of birds, 2 types of reptiles, 11 species of fish, and 1 species of invertebrates. Threatened species include the African gerbil, African slender-snouted crocodiles, and barbary sheep. The Sahara oryx has become extinct in the wild.

## 6 POPULATION

The population of Mauritania in 2005 was estimated by the United Nations (UN) at 3,069,000, which placed it at number 132 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 43% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.7%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 4,973,000. The overall population density was 3 per sq km (8 per sq mi), but varies significantly. More than 90% of the population lives in the southern quarter of the country, including the Senegal River Valley.

The UN estimated that 40% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.34%. The capital city, Nouakchott, had a population of 600,000 in that year.

## 7 MIGRATION

In seasonal grazing migrations, cattle are moved every year and are led to neighboring Senegal for sale. The droughts of the 1970s and early 1980s led to mass migrations to the towns. The population was 12% nomadic in 1988, compared to 83% in 1963. Some tribesmen of the Senegal River valley go to Dakar in Senegal for seasonal work or to engage in petty trade. A few thousand Mauritians live in France. In 2000 the number of migrants in the country was 63,000. In 2000 remittances were \$2 million, down from \$14 million in 1990.

There were 6,148 Mauritanian refugees in Mali as of 2004 and 2,364 Mauritanians applied for asylum in France. In that same year there were also 19,777 Mauritanian refugees in Senegal, all assisted by the United Nations High Commissioner for Refugees (UNHCR).

Between June 1995 and 1997, 36,000 Malian refugees in Mauritania returned home, with 6,782 Malian refugees still remaining. By the end of 2004, some 3,500 Malians remained in Mauritania, as did 26,000 Western Saharans. In 2004, there were 473 refugees and 117 asylum seekers in Mauritania. In 2005, the net migration rate was an estimated  $-0.04$  migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

Moors (Maures), the main ethnic group, are a Caucasoid people of Berber and Arab stock, with some Negroid admixture. The Moors are further divided into ethno-linguistic tribal and clan groups. Other groups, all black, are the Tukulor, Sarakolé, Fulani (Fulbe), Wolof, and Bambara. The black population is found largely in southern Mauritania and in the cities. About 40% of the total population are a Moor/black admixture, 30% are Moors, and 30% are black. There is also small numbers of Europeans, mainly French and Spanish (the latter from the Canary Islands), and a small colony of Lebanese traders. Freed slaves or the descendants of freed slaves are known as *haratin*.

## 9 LANGUAGES

Arabic is the official language. The Arabic spoken in Mauritania is called Hasaniya. Wolof, Peular, and Soninke are spoken in southern Mauritania and recognized as national languages. French is widely used, particularly in business, but its status as an official language was eliminated in the 1991 constitution.

## 10 RELIGIONS

The constitution declares Islam to be the religion of both the state and its people. As such, over 99% of the population is Muslim, most of whom are Sunnis. The Qadiriya and the Tijaniya are influential Islamic brotherhoods. The few thousand Christians and a very small number of Jews are mostly foreigners. Though proselytizing is not legally prohibited, it is discouraged, particularly through restrictions on the publishing and distribution of materials that contradict or threaten the tenets of Islam.

## 11 TRANSPORTATION

Modern forms of transport are still undeveloped. There are few paved roads, only one freight railroad, two deep-water ports, and two airports that can handle international traffic.

In 2002, of some 7,720 km (4,797 mi) of roads, only 830 km (516 mi) were paved. There were only three paved highways, from Nouakchott north to Akjoujt and south to Rosso, continuing to Saint-Louis, Senegal. A 1,000-km (620-mi) east–west road between Nouakchott and Néma, started in 1975, was completed in 1985. A track continues north from Akjoujt to Bir Mogreïn, then branches northwest into Western Sahara and northeast into Algeria. Mauritania had about 11,450 passenger cars and 6,850 commercial vehicles in 2003.

As of 2004, Mauritania had 717 km (446-mi) of railway, all of it standard gauge, which linked the iron mines at Zouérate, near Fdèrik, with the port at Point-Central, 10 km (6 mi) south of Nouadhibou. A 40-km (24-mi) spur was built in 1981 to accommodate the planned new mine at El-Rhein. There is a wharf at Nouakchott; work on the construction of a deepwater port, financed by China, was completed in 1986. This "Port of Friendship" is the main commercial port and receives about 90% of imported goods. Nouadhibou, also a port, underwent extensive reconstruction, restoration, and equipment renewal in 1991. Other important ports and harbors include Bogue, Kaedi, and Rosso. The Senegal River offers over 220 km (137 mi) of year-round transport.

In 2004, there were an estimated 24 airports, 8 of which had paved runways as of 2005. The only airports that can handle long-





LOCATION: 14°42' to 27° N; 4°30' to 17°7' W. BOUNDARY LENGTHS: Algeria, 463 kilometers (288 miles); Mali, 2,237 kilometers (1,390 miles); Senegal, 813 kilometers (505 miles); Atlantic coastline, 754 kilometers (468 miles); Western Sahara, 1,561 kilometers (970 miles). TERRITORIAL SEA LIMIT: 12 miles.

distance jets are at Nouakchott and Nouadhibou. There are smaller airports at Ayoûn-el-'Atroûs, Akjoujt, Atar, FdÉrik, Kaédi, Kifa, and Néma. Air Mauritanie (60% state owned) provides domestic flights as well as service to the Canary Islands and Senegal. The multinational Air Afrique also operates within Mauritania. In 2003, about 116,000 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Tens of thousands of years ago, the Sahara was both lush and filled with game. Desiccation eventually forced the inhabitants southward, a process that in the 3rd and 4th centuries AD was speeded by the Berbers, who had domesticated the camel. As the Berbers pressed down from the north toward the Senegal River valley, black Africans who lived in the path of the invaders moved further to the south. From the 9th century, a Berber tribe, the Lamtuna, and two other Berber groups cooperated in the control of a thriving caravan trade in gold, slaves, and ivory from the south. They took desert salt and north African goods in exchange.

The Almoravids, a group of fervent Muslim Mauritanian Berbers conquered northwest Africa and much of Spain in the 11th century. They had, in turns, hostile and peaceful trade relations with the black African empire of Ghana. Their authority in the Mauritanian region had declined by the late 11th century. After the Almoravid empire was destroyed in the 12th century, the Mali kingdom, successor to Ghana, extended over southeastern Mauritania and dominated trade in the area. Later Mali was succeeded by the Songhai of Gao, whose empire fell to Moroccan invaders in 1591. Meanwhile, during the 14th and 15th centuries, nomadic Arab tribes of Yemeni extraction, the Banu Maqil, moved into Mauritania. By the 17th century, they had been able to establish complete dominance over the Berbers. They called themselves the Awlad-Banu Hassan. The Arabs and Berbers in Mauritania have since thoroughly intermingled with an Arabized Mauritania.

The Portuguese were the first Europeans to arrive, attracted in the 15th century by the trade in gold and slaves; later, the gum arabic trade became important. Competition for control was keen among Portuguese, French, Dutch, and English traders. The issue was resolved in 1815 when Senegal was awarded to France in the post-Napoleonic war settlement. During the 19th century, the French explored the inland regions and signed treaties with Moorish chieftains. Penetration of the desert zone was accelerated around the turn of the century in attempts to thwart Moorish raids on the Senegal River tribes. A Frenchman, Xavier Coppolani, was responsible for the signing of many treaties, and played a key role in the extension of French influence in the area. By 1903, he was in control of Trarza, the Moors' main base for raids on the river tribes. Coppolani was killed in 1905, but his work was completed by Gen. Henri Gouraud, who gained effective control of the Adrar region by 1909. Mauritania was established as a colony in 1920, but its capital was located at Saint-Louis in Senegal. Mauritania thus became one of the eight territories that constituted the French West Africa federation.

In 1946 a Mauritanian Territorial Assembly was established, with some control over internal affairs. During the next 12 years, political power increasingly passed to local political leaders. Mauritania voted for the constitution of the Fifth French Republic at the referendum of 28 September 1958; it thus became a self-gov-

erning member of the French Community. The Islamic Republic of Mauritania was proclaimed in November 1958, while complete independence was attained on 28 November 1960.

Since independence, Mauritania has experienced three successful coups in up to 10 attempts. The grounds for these lay in part in the human and civil rights abuses committed by the government. The black minority, located largely in the south, has staged anti-discrimination protests and campaigned against slavery in Mauritania. Officially, slavery has been banned since 1981; but a law that makes slavery a punishable offence has yet to be implemented. As of 2006, the government had not gone forward with a ceremony at which hundreds of slaves were to be set free under an arrangement supported by international antislavery organizations.

In foreign affairs, the government has turned increasingly toward the Arab world. Mauritania joined the Arab League in 1973 and withdrew from the franc zone during the same year; but ties with Europe, especially France, and the United States remain strong. The disastrous drought that struck Mauritania and the rest of the Sahel region during 1968–74 elicited substantial aid from the EC, the United States, Spain, France, and the Arab countries.

On 14 November 1975, the governments of Spain, Morocco, and Mauritania reached an agreement whereby Spain agreed to abandon control of the Spanish Sahara by 28 February 1976 and to share administration of the territory until then with Morocco and Mauritania. On 14 April 1976, Morocco and Mauritania announced a border delimitation agreement under which Morocco received more than two-thirds of the region (including the areas with the richest phosphate deposits). Morocco in effect annexed Western Sahara.

Morocco's action drew condemnation from across the world. The Popular Front for the Liberation of Saguia al-Hamra and Río de Oro (generally known as Polisario) even proclaimed Western Sahara as the Saharan Arab Democratic Republic. When Polisario forces, supported by Algeria, launched a war in the region, guerrilla raids on the Mauritanian railway, iron mines, and coastal settlements, including Nouakchott, forced Mauritania to call French and Moroccan troops to its defense. The effects of the war weakened the government both economically and politically, and in July 1978, Moktar Ould Daddah, Mauritania's president since 1961, was overthrown by a military coup. On 5 August 1979, Mauritania formally relinquished its portion of the disputed territory, except for the military base of LaGuera, near Nouadhibou. Morocco also occupied and then annexed that (Mauritania's) portion of the territory. Mauritania thereafter pursued a policy of strict neutrality in the Morocco-Polisario conflict, a policy that strained relations with Morocco.

In the wake of the 1978 coup, the constitution was suspended and the National Assembly and the ruling Mauritanian People's Party (PPM) were dissolved. After a period of political uncertainty, Lt. Col. Khouna Ould Haydalla became chief of state and chairman of the ruling Military Committee for National Salvation as of 4 January 1980. There were unsuccessful attempts to overthrow his government in 1981 and 1982. Amnesty International claimed in 1983 that more than 100 political prisoners, including a former president and former prime minister, were being held in total darkness in underground cells in the desert. These prisoners were freed shortly after a military coup on 12 December 1984

brought Col. Moaouia Ould Sidi Mohamed Taya to power as chief of state.

However, as the economy faltered, racial, ethnic, and class tensions increased and the society became polarized. The lines were drawn between the Maurs or Moors—aristocrats who have dominated government—and black African slaves or descendents of slaves, who have adopted Moorish culture, but remain second-class citizens on the other. Although the government refuses to release census data, it is estimated that Moors account for 30–60% of the population. The black population, which is concentrated along the Senegal River border, has organized an underground Front for the Liberation of Africans in Mauritania (FLAM); grievances were linked with an unsuccessful coup attempt in 1987.

Interethnic hostilities in 1989 exploded when a border dispute with Senegal led to race riots that left several hundred Senegalese dead in Nouakchott. The Moorish trading community in Senegal was targeted for retaliation. Thousands of refugees streamed across the border in both directions. Mass deportation of “Mauritanians of Senegalese origin” fueled charges that Mauritania was trying to eliminate its non-Moorish population. Africa Watch estimated that at least 100,000 black slaves were being held in Mauritania.

Against this backdrop, the military conducted a bloody purge from September 1990 through March 1991 during which some 500 mostly black soldiers were murdered. Taya legalized opposition parties in July 1991, but he also stepped up Arabization policies. Parliament granted the perpetrators of the purge legal immunity in May 1993.

On 26 January 1992, Taya was elected in Mauritania’s first multiparty presidential election with 63% of the vote. Ahmed Ould Daddah, the strongest of the four rivals and half-brother of Mauritania’s first president, gained 33% of the vote. However, the election was marked by fraud. The legislative elections that followed in March were boycotted by 6 of the 14 opposition parties. Taya’s Democratic and Social Republican Party (PRDS) easily won 67 of 79 Assembly seats.

Multiparty municipal elections were held in 1994, and the PRDS won control of 172 of the nation’s 208 administrative districts. Presidential elections were held on 12 December 1997. Main opposition parties claimed that campaign conditions favored the reelection of Taya to a second six-year term and called for a boycott of the elections. Kane Amadou Moctar, the first black African ever to run for the presidency, presented himself as a non-aligned candidate with a platform promising to fight slavery, assist the return of Mauritanian refugees from Senegal, and reform the fisheries policy. The elections took place without incident and Taya was declared the winner, taking 90% of the votes. Turnout was estimated at 70%, despite the opposition boycott. Moctar received less than 1% of the vote. Opposition leaders described the poll as a “masquerade,” citing reports of widespread irregularities that included children casting ballots and polls remaining open as late as 11 pm.

Elections were held in April 1998 for 18 of the Senate’s 56 seats. The PRDS won 17 of the 18 contested seats, with an independent gaining the remaining seat. In January 1999 the PRDS again won most of the 208 districts contested in municipal elections, though it is estimated that only 16% of the registered votes went to the polls.

Despite multiparty elections, Mauritania is far from a free society. Opposition politicians are harassed and arrested. In 1994 and again in 1998, Cheikh Sadibou Camara of the UDP was arrested for suggesting that the slave trade was continuing—publicly stating the suggestion is considered a crime in the country. Anti-Slavery International, based in London, presented an annual anti-slavery award to Camara in November 1998. The government also harasses journalists and has suspended publication of newspapers and magazines on numerous occasions in recent years. Since 1993, Mauritania has been denied US trade privileges because of its poor human rights record. Ahmed Ould Daddah had continued to confront the Taya regime; he was arrested in April 2000 but was released a few days later without charges. In May 2000 demonstrations by opposition parties in Nouakchott demanded an independent electoral commission.

Despite opposition protests, the PRDS has maintained its monopoly on power in the Senate and in the National Assembly. In Senate elections held 12 April 2002, the PRDS maintained its commanding majority of 54 seats to 1 for the RFD, and 1 for the UNDD. In National Assembly elections held 19 and 26 October 2001 (next to be held 2006), the PRDS garnered 79% of the vote, compared to 3.5% for the RDU, 3.5% for the UDP, 5% for the AC, 4% for the RDE, 3.5% for the UFP, and 1.5% for the FP. The breakdown by number of seats was as follows: PRDS 64, UDP 3, RDU 3, AC 4, RFD 3, UFP 3, and FP 1. The 2001 Assembly elections were generally considered free and fair by outside observers, but were subject to the usual incumbent advantages in sub-Saharan Africa.

In June 2003, the government was dealing with a coup attempt that nearly overthrew Taya. As many as 40 people were injured and six killed in two days of heavy fighting in the capital on 8–9 June. Sala Ould Henena, who was fired from the army because of his opposition to the government’s ties with Israel, was accused of leading former and mid-ranking army officers in the putsch. In response to the coup, the United States sent a 34-member military assessment team to Nouakchott to analyze US Embassy security needs. Analysts suspected that the cabal may have been provoked by a government crackdown earlier in the month against 32 Islamic leaders for their alleged ties to a foreign network of Islamic extremists and to former Iraqi leader Saddam Hussein.

In presidential elections held in 2003, Taya won reelection for a third term with 60.8% of the vote. But the opposition claimed that massive fraud marred the vote. There was little doubt though that Taya had been attracting opposition from among key segments of the population. In 1999, Mauritania became only the third Arab League state to establish full diplomatic relations with Israel. Taya’s links to Israel and his pro-Western, pro-US foreign policy had come under increasing criticism in the largely Muslim country. In September 2004, the government alleged yet another coup plot—the third in 15 months. In June 2005, an attack on an army base in the Sahara left 15 soldiers dead; it was blamed on insurgents from Algeria. All this seems to lend credence to allegations that Taya had been insensitive to the desires of Mauritanians, or that he had become too arrogant and too powerful to be bothered by what people thought about his government.

Thus, when Taya was deposed by a military coup on 3 August 2005, there was no public protest in his support. Dancing was reported on the streets of Nouakchott. On the other hand, oppo-

sition politicians welcomed the change; but they also vowed to intensify their watchdog function. Col. Ely Ould Mohamed Vall became chief of state and head of the new Military Council for Justice and Democracy. Col. Vall also promised to return to a constitutional order within two years, and vowed that no member of his caretaker administration would seek elective posts. Elections to the National Assembly were scheduled for November 2006, and to the Senate in January 2007. Presidential elections were scheduled for March 2007.

### **13 GOVERNMENT**

The constitution of 20 May 1961 declared Mauritania to be an Islamic republic. This constitution, which placed effective power in the hands of a president who was also head of the only legal political organization, the Mauritanian People's Party, was suspended in 1978 by the new military regime. Subsequently, executive and legislative powers were vested in the Military Committee for National Salvation. A draft constitution was published in 1980 but later abandoned; like the 1961 document, it called for a popularly elected president and National Assembly.

The July 1991 constitution delegates most powers to the executive. The president is to be elected by universal suffrage for a six-year term. The prime minister is appointed by the president and designated head of government. Parliament is composed of a bicameral legislature. The Senate, or *Majlis al-Shuyukh*, has 56 seats with 17 up for election every two years. Its members are elected by municipal leaders to serve six-year terms. The National Assembly, or *Majlis al-Watani*, has 79 seats with members elected by popular vote to serve five-year terms. These institutions pose no serious challenge and, moreover, are controlled by the president's party, although competing political parties were legalized in July 1991.

Since 2005, the military has controlled the levers of power, although in apparent consultation with politicians. On current reckoning, elections due from late 2006 through early 2007 might return politics and government in Mauritania to the democratic path. But a change in the transition time-table cannot be ruled out.

### **14 POLITICAL PARTIES**

As elsewhere in French West Africa, formal political movements developed in Mauritania only after World War II. Horma Ould Babana, the leader of the first party to be established, the Mauritanian Entente, was elected to the French National Assembly in 1946. His party was considered too radical by the traditional chiefs, who organized a more conservative party, the Mauritanian Progressive Union (UPM). The UPM won 22 of 24 seats in the 1952 elections for the Territorial Assembly. In the 1957 elections, the first under universal adult suffrage, 33 of 34 persons elected to the Territorial Assembly were UPM members. In 1958, the UPM absorbed the weakened Entente into its organization, forming a single party, the Mauritanian Regroupment Party (PRM).

After independence, Prime Minister Moktar Ould Daddah in May 1961 set up a presidential system of government, and in the subsequent presidential election he was the only candidate. In December 1961, a new single party was formed, the *Hizb Shab*, or Mauritanian People's Party (*Parti du Peuple Mauritanien*—PPM). The PPM included minority parties as well as the PRM. By 1965, the single-party system had been established by law. President

Ould Daddah was reelected in 1966, 1971, and 1976, but the PPM was dissolved after his ouster in 1978. No political parties functioned openly from 1978 until the 1991 military coup.

The Front for the Liberation of Africans in Mauritania (FLAM) was instrumental in stirring the 1989 unrest that ultimately led to multiparty elections. During this period of partisan organization, Taya formed the Democratic and Social Republican Party (*Parti Republicain et Democratique Social*—PRDS).

Chief among some 14 opposition parties has been the Union of Democratic Forces (UFD), which supported the runner-up in the January 1992 presidential election and boycotted the March parliamentary election. In May 1992, the UFD changed its name to UFD-New Era. In March 1993, it was weakened by the departure of eight centrist leaders to form a new political grouping. Also active are the Rally for Democratic and National Unity (RDU), the Union for Progress and Democracy (UPD), the Mauritanian Renewal Party (PMR), the People's Progressive Party (PPP), the Socialist and Democratic People's Union (SDPU), the Democratic Center Party (DCP), the Popular Front (FP), and El Har, a 1994 splintering of the UFD-New Era. The technically illegal Islamist party, Ummah, is very popular. The Action for Change (AC) party, which held four seats in the National Assembly following the October 2001 elections, was banned in January 2002.

After Taya won reelection in 2003, the Assembly was overwhelmingly dominated by his party, the PRDS. Since Col. Vall took power, opposition politicians appear to have become more involved, at least indirectly, in public decision making. For many years following 1998, Cheikh El Avia Ould Mohamed Khouna served as prime minister. On 8 August 2005 Sidi Mohamed Ould Boukakar became prime minister.

The Party of Democratic Convergence was banned in October 2005 because it was regarded as having breached Mauritanian law.

### **15 LOCAL GOVERNMENT**

Mauritania is divided into the city of Nouakchott and 12 regions, each with a governor and a commission. The regions are subdivided into 49 departments. Elections to municipal councils were held in December 1986 and again in 1992. The January–February 1994 municipal elections led to PRDS control of around 170 of the 208 municipalities, a majority retained by the PRDS in 1999.

Local elections were held in 2001. But the polls were marred as much by opposition boycott as by charges of massive fraud. All results for Nouakchott were annulled and a rerun ordered—although the reasons for such action remained unclear, given the boycott by opposition.

### **16 JUDICIAL SYSTEM**

The 1991 constitution completely revised the judicial system, which had previously consisted of a lower court in Nouakchott, labor and military courts, a security court, and a Supreme Court in addition to *qadi* courts, which handled family law cases.

The revised judicial system includes lower, middle, and upper level courts, each with specialized jurisdiction. The security court was abolished, and 43 department-level tribunals now bridge the traditional (*qadi*) and modern court systems. These courts are staffed by *qadis* or traditional magistrates trained in Koranic law. General civil cases are handled by 10 regional courts of first in-

stance. Three regional courts of appeal hear challenges to decisions at the department level. A Supreme Court, headed by a magistrate named by the president to a five-year term, reviews appeals taken from decisions of the regional courts of appeal.

The 1991 constitution also established a six-member constitutional court, three members of which are named by the president, two by the national assembly president, and one by the senate president.

While the judiciary is nominally independent, it is subject to pressure and influence by the executive, which controls the appointment and dismissal of judges. The system is strongly influenced by rulings and settlements of tribal elders based on Shariah and tribal regulations.

The Codes of Civil and Criminal Procedure were revised in 1993 to bring them into line with the guarantees of the 1991 constitution, which provides for due process of law.

## 17 ARMED FORCES

In 2005 the active armed forces of Mauritania numbered 15,870. The Army had 15,000 personnel armed with 35 main battle tanks, 70 reconnaissance vehicles, 25 armored personnel carriers, and 194 artillery pieces. The Navy had an estimated 650 active personnel. Major naval units consisted of 10 patrol/coastal vessels. The nation's Air Force had 250 active members. The aircraft inventory was limited to 2 reconnaissance, 12 transport, and 4 training aircraft. Paramilitary personnel numbered an estimated 5,000 personnel, with 3,000 in the gendarmerie and 2000 in the National Guard. The defense budget in 2005 totaled \$20.1 million.

## 18 INTERNATIONAL COOPERATION

Admitted to the United Nations on 27 October 1961, Mauritania is a member of ECA and several nonregional specialized agencies, such as the FAO, IFC, IMF, the World Bank, UNESCO, UNIDO, and the WHO. It is also a member of the ACP Group, the Arab Bank for Economic Development in Africa, African Development Bank, the Council of Arab Economic Unity, the Arab Fund for Economic and Social Development, the Organization of the Islamic Conference (OIC), G-77, the Arab League, the African Union, the New Partnership for Africa's Development (NEPAD), the Arab Maghreb Union, and the WTO. Mauritania has joined with Senegal and Mali to form the Organization for the Development of the Senegal River (Organisation pour la Mise en Valeur du Fleuve Sénégal—OMVS). Mauritania is a member of the Non-aligned Movement.

In environmental cooperation, Mauritania is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

The country is also a member with neighboring states of the Interstate Committee to Combat Drought in the Sahel (CILSS).

## 19 ECONOMY

While Mauritania is an agricultural country, historically largely dependent on livestock production, its significant iron ore deposits have been the backbone of the export economy in recent years. The droughts of the 1970s and 1980s transformed much of Mauritania, as the herds died off and the population shifted to urban

areas. In 1960, 85% of the population lived as nomadic herders. By 1999, that percentage had fallen to 5%, and nearly one-third of the population lives in the district of Nouakchott. Offshore oil reserves have been identified and are estimated at one billion barrels. Substantial oil production and exports were expected to begin in 2006 and were projected to average 75,000 barrels per day for that year. Gold and diamond prospecting hold potential as growth areas.

Most of Mauritania is desert or semiarid. Less than 1% of Mauritania receives sufficient rain for crop production, and that 1% is drought-prone. Leading staple crops are millet, sorghum, rice, corn, sweet potatoes and yams, pulses, and dates. The country is not agriculturally self-sufficient and this situation has been aggravated by increasing urbanization.

In 2006, iron ore sales accounted for approximately 40% of exports. Fish exports account for 60% of foreign earnings. The contribution of livestock herding and agriculture was 25% of GDP and employed about half of the workforce in 2001, but covered only a small percentage of the country's needs. The droughts of the 1970s and 1980s devastated the herds, but the FAO estimates that they had returned to pre-drought numbers by 1991. The recomposition of the Mauritanian herd and the development of water supplies have been a prime objective of the government.

The droughts have led to a buildup of foreign debt leaving the country dependent on financial aid flows from international donors. Mauritania became eligible for debt relief under the IMF/World Bank's Heavily Indebted Poor Countries (HIPC) initiative in 2000, and debt service relief reached \$1.1 billion by 2002, which almost halved Mauritania's debt burden. Foreign assistance accounted for 90% of investment from 1998–2001. In 2005 the GDP growth rate was estimated at 5.5%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Mauritania's gross domestic product (GDP) was estimated at \$6.2 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,000. The annual growth rate of GDP was estimated at 5.5%. The average inflation rate in 2003 was 7%. It was estimated that agriculture accounted for 25% of GDP, industry 29%, and services 46%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$2 million or about \$1 per capita and accounted for approximately 0.2% of GDP. Foreign aid receipts amounted to \$243 million or about \$85 per capita and accounted for approximately 20.9% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Mauritania totaled \$852 million or about \$299 per capita based on a GDP of \$1.2 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.1%. It was estimated that in 2004 about 40% of the population had incomes below the poverty line.

## **2<sup>1</sup> LABOR**

The estimated labor force in Mauritania numbered 786,000 in 2001. In that year it was estimated that agriculture provided work for 50% of the labor force, with services accounting for 40% and 10% by industry. In 2004, the estimated unemployment rate was 20%.

Trade unions are grouped into three federations, of which the oldest is the Union of Mauritanian Workers (Union des Travailleurs de Mauritanie), which is affiliated with the ICFTU. The newer ones are the General Confederation of Mauritanian Workers, formed in 1994, and the Free Confederation of Mauritanian Workers. Approximately 90% of the formal segment of the economy is unionized. The right to strike is guaranteed by law. Collective bargaining is also permitted.

Children under the age of 14 are prohibited by law from engaging in nonagricultural work. In practice this regulation is not enforced. The guaranteed minimum workweek for most nonagricultural laborers is 40 hours with guaranteed overtime pay. However, domestic employees may work for up to 56 hours per week. The minimum wage was \$38.71 per month in 2002 for adult workers. There are minimum occupational health and safety standards, but they are inadequately enforced due to a lack of government funding.

## **2<sup>2</sup> AGRICULTURE**

Settled agriculture is restricted to the strip of land along the Senegal River and to oases in the north; only 0.2% of Mauritania's total land area is classified as arable. In general, landholdings are small. Overall agricultural development has been hampered not only by unfavorable physical conditions but also by a complicated land-tenure system (modified in 1984) that traditionally rested on slavery, inadequate transportation, and the low priority placed on agriculture by most government developmental plans. The country's traditional dependence on food imports has been heightened by drought. Agriculture's share of GDP has been steadily falling; in 2003 it stood at 19%, down from 29% in 1987.

Corn and sorghum production reached 6,000 and 68,000 tons, respectively, in 2004. Other crop production in 2004 included paddy rice, 77,000 tons; and millet, 400 tons. Date production was 24,000 tons in 2004.

The Mauritanian government is encouraging agricultural development of the Senegal River valley. The OMVS began in 1981 to build a dam at Manantali, in Mali, for purposes of river transport, irrigation, and hydroelectric power. In conjunction with this OMVS project, Mauritania initiated an irrigation and development scheme in 1975 for the Gorgol River valley, involving construction of a dam; the scheme would increase arable land by over 3,600 hectares (9,000 acres). This project was to be followed by other dams that together would add 30,000 hectares (74,100 acres) for food production. Another OMVS project, begun in 1981, was designed to block salt water from entering the fertile Senegal River delta. From 1989 to 1991, a series of measures aimed at stimulation and rationalization of agricultural production were initiated, including producer price increases, marketing and distribution liberalization, and streamlining of government-owned agricultural organizations.

## **2<sup>3</sup> ANIMAL HUSBANDRY**

Animal husbandry, a major activity in the traditional economy, grew rapidly during the 1960s because of a successful animal health campaign and, prior to 1968, favorable weather conditions. Indeed, cattle herds grew well beyond the number that could be supported by the natural vegetation. Thus, the land was already vulnerable when the drought years of 1968–74 reduced the cattle population from 2.6 million head in 1970 to 1.6 million in 1973. There were only 1.6 million head in 2005, while sheep and goats numbered 14.5 million and camels 1.3 million.

The Moors tend to regard their cattle as symbols of wealth and prestige; this attitude discourages the herders from selling or slaughtering the animals. Total meat production in 2005 was estimated at 89,349 tons, with mutton accounting for 28% and beef for 26%. Reported figures are incomplete, however, since animal smuggling is common and much trade is unrecorded.

## **2<sup>4</sup> FISHING**

With a potential catch of 600,000 tons, fishing employs 1.2% of the labor force and contributes about 5% to GDP. It is estimated that more than \$1 billion worth of fish is netted each year within the 320-km (200-mi) exclusive economic zone, but little of this sum benefits the treasury because the government lacks means of control and enforcement.

Since 1980, any foreigners wishing to fish in Mauritanian waters have been required by law to form a joint venture in which Mauritanian citizens or the government holds at least 51% of the capital. All of the catch must be landed in Mauritania for process and export, and each joint venture must establish an onshore processing facility. By 1987, over a dozen fishing companies had been established in Nouadhibou, including public and private interests from Algeria, France, Iraq, the Republic of Korea, Kuwait, Libya, Nigeria, Romania, Spain, and the former USSR. In May 1987, Mauritania signed a three-year fishing agreement with the EC, allowing all EC members to fish in Mauritanian waters; in return, Mauritania received approximately \$23 million. Since the mid-1980s, however, depletion of the stocks has made Mauritanian fishing increasingly uneconomical. Mauritania's boats have been in poor condition. In spite of the ship repair service in Nouadhibou, which opened in 1989, only about 50% of the fleet was up and running in 1992.

Traditional fishing is carried out along the Senegal River and traditional sea fishing at Nouakchott and Nouadhibou. The national catch was estimated at 80,000 tons in 2003. Principal species caught included octopus, sardine, squid, and hake. Exports of fish products were valued at \$103.4 million in 2003.

## **2<sup>5</sup> FORESTRY**

Sizable tree stands found in the southern regions are not fully exploited. The principal forest product is gum arabic, which is extracted from wild acacia trees that grow in the south. Until 1972, private traders collected and exported the gum; since 1972, it has officially been a monopoly of the state trading company, Société Nationale d'Importation et d'Exportation (SONIMEX). Nevertheless, much gum continues to be smuggled across the borders, par-

ticularly to Senegal. Roundwood removals were estimated at 1.6 million cu m (56 million cu ft) in 2004, 99% for fuel.

## 26 MINING

Iron ore mining and processing accounted for more than 44% of Mauritania's export earnings in 2003, which totaled \$388 million. Iron ore output (metal content) was estimated at 6.9 million metric tons in 2003. Iron ore production by gross weight that same year totaled 10.6 million metric tons.

Gypsum output, from some of the greatest reserves in the world, was estimated at 100,000 metric tons in 2003. In 2003, Mauritania also produced cement, salt, crude steel, sand and gravel, and stone. Mauritania was rich in copper; in the 1980s, the mine at Akjoujt was estimated to contain 100 million tons of ore averaging 2.25% copper, with trace amounts of gold. In 1996, gold recovery from tailings at the mine was discontinued because the stockpile was depleted. The nearby Guelb Moghreïn Project, which contained resources of 23.7 million tons (144 grams per ton of cobalt, 1.88% copper, and 1.41 grams per ton of gold), continued to be delayed, because of low gold and copper prices, and problems at the pilot plant. Phosphate deposits, and reserves of platinum, palladium, and nickel, have been identified, and prospecting continued for petroleum, tungsten, and uranium. Mineral exploration efforts were focused on diamond (on the Archean Reguibat craton), gold (in the Inchiri region), oil (offshore), and continued evaluation of copper-gold, kaolin, and peat deposits.

## 27 ENERGY AND POWER

Mauritania, as of 1 January 2005, had no proven reserves of crude oil, natural gas, coal, or petroleum refining capacity. But this may change in 2006. Mauritania's Chinguetti oilfield, discovered in 2001, is estimated to have reserves of 100 million barrels. In addition, the country has a number of other offshore gas and oil fields that are seen as promising.

In 2002, Mauritania imported and consumed an average of 22,750 barrels per day of refined oil products. There was no recorded demand for coal or natural gas in that same year.

Electric power is the country's primary energy source. In 2002, installed generating capacity was 115,000 kW, of which 56.5% of capacity was dedicated to hydropower, and the rest to conventional thermal sources. In 2002, electric output totaled 174 million kWh, of which almost 85% was generated by conventional thermal plants, with hydroelectric facilities accounting for the remainder. Consumption of electricity in 2002 came to 162 million kWh.

## 28 INDUSTRY

Fish processing, the principal industrial activity, is carried out in Nouadhibou. By far the largest fish processor is Mauritanian Fish Industries (IMAPEC), a Spanish company in which the Mauritanian government acquired a 51% share in 1980. IMAPEC has facilities for salting, drying, canning, and freezing fish, and for producing fish flour; virtually all of its output is exported. Overfishing is a problem, however, as is mismanagement of the fishing sector and the lack of an effective governmental fisheries policy. The government is modernizing the fisheries sector, through port extension and the development of warehouses. Other small industries

include chemical and plastic plants, food and beverages, metal products, building materials, and cookie factories.

The first desalination plant in Africa was completed at Nouakchott in January 1969, with a capacity of 3,000 cu m (106,000 cu ft) a day. A rolling mill at Nouadhibou, built in 1977, produced small quantities of iron rods and steel. A petroleum refinery in Nouadhibou, with an annual capacity of 1 million tons, opened in 1982, shut down in 1983, and resumed operation in 1987 with help from Algeria. Algeria also helped revitalize a sugar refining plant. Similarly, Kuwaiti and Jordanian interests reopened the steel mill after a shutdown. Each of these operations represents a drain on state revenues, and the government has shifted policy toward the promotion of less ambitious industrial development.

The government has signed exploration contracts with the Canadian Rex Diamond Mining Corporation, the American BHP Minerals and Bab-Co, the French La Source, and the Australian Ashton West Africa Property Limited in order to find gold, oil, phosphate, aluminum, and copper in Mauritania. Mauritania as of 2006 had an estimated one billion barrels of proven oil reserves. A national oil company, GPC, was created in 2004. Mauritania is one of four countries in West Africa with an operating oil refinery.

## 29 SCIENCE AND TECHNOLOGY

A research institute for mining and geology, founded in 1968, is at Nouakchott. The Economic Community of West Africa has an institute in Nouadhibou-Cansado conducting research in the fisheries industry. The Higher Scientific Institute, founded in 1986 at Nouakchott, has departments of mathematics, physics, chemistry, biology, geology, computer studies, natural resources, and ecology. In 1987–97, science and engineering students accounted for 41% of college and university enrollments.

## 30 DOMESTIC TRADE

Most trade is done at or near the "Friendship Port" of Nouakchott. The seaport of Nouadhibou is a main center for fishing operations. Most consumer goods are sold through small shops or boutiques, although some medium-sized supermarkets are becoming more common. There are a number of small and medium-sized family-owned retail and wholesale firms. Private exchange offices were created in 1994 and 1995. A new investment code put into place in 2001 is expected to attract foreign investment. Arabic is the official language, but French is the business language. Normal business and banking hours are from 7:30 AM to 3 PM, Sunday through Thursday, though it is somewhat common for businesses to open a little later in the morning than scheduled.

## 31 FOREIGN TRADE

Iron ore and fish products are the primary exports (98% of export revenue in 2005). The leading imports are foodstuffs, consumer goods, petroleum products, and capital goods. In 2004, Mauritania's principal export partners were: Japan (13.1%), France (11%), Spain (9.7%), Germany (9.7%), Italy (9.6%), Belgium (7.5%), China (6.1%), Russia (4.6%), and Côte d'Ivoire (4.1%). Principal import partners that year were: France (14.1%), the United States

**Principal Trading Partners – Mauritania (2001)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	347.9	373.5	-25.6
France-Monaco	67.0	106.2	-39.2
Italy-San Marino-Holy See	61.0	29.1	31.9
Spain	53.8	16.4	37.4
Belgium	42.4	29.3	13.1
Japan	31.1	8.7	22.4
Areas nes	27.8	125.3	-97.5
Germany	25.5	23.0	2.5
Nigeria	15.8	...	15.8
Russia	12.2	...	12.2
United Kingdom	7.2	...	7.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.**Balance of Payments – Mauritania (1998)**

(In millions of US dollars)

<b>Current Account</b>		<b>77.2</b>
Balance on goods		40.0
Imports	-318.7	
Exports	358.6	
Balance on services		-118.5
Balance on income		-31.5
Current transfers		187.5
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-25.9</b>
Direct investment abroad		...
Direct investment in Mauritania		0.1
Portfolio investment assets		...
Portfolio investment liabilities		-0.4
Financial derivatives		...
Other investment assets	190.1	
Other investment liabilities	-215.7	
<b>Net Errors and Omissions</b>		<b>-8.1</b>
<b>Reserves and Related Items</b>		<b>-43.2</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

(7.6%), China (6.4%), Spain (5.8%), the United Kingdom (4.6%), Germany (4.3%), and Belgium (4.2%).

**3<sup>2</sup> BALANCE OF PAYMENTS**

An external debt of \$2.6 billion in 1998 resulted in debt servicing that rose 38.5% from 1997 to 1998, causing a leap in the balance of payments deficit. External trade increased in the late 1990s, due to the creation of private exchange offices and the liberalization of exchange systems. Foreign investment began to resume as well. The country's outstanding foreign debt in 2000 was estimated at 220% of GDP, but due to debt cancellation and rescheduling, debt service payment problems were somewhat alleviated. Mauritania's external debt had declined to \$1.6 billion by 2000. In the same year, Mauritania qualified for \$1.1 billion in debt service relief from the IMF/World Bank Heavily Indebted Poor Countries

(HIPC) initiative, and in 2001 it received strong support from donor and lending countries. In 2002, Mauritania received \$305.7 million in economic aid from donor countries. In 2003, the IMF approved a three-year \$8.8 million loan to the country. In 2005, exports were valued at an estimated \$784 million, and imports at \$1.124 billion.

**3<sup>3</sup> BANKING AND SECURITIES**

At independence, Mauritania became a member of the West African Monetary Union (Union Monétaire Ouest Africaine—UMOA), but withdrew in 1973 to demonstrate its independent economic identity. When it withdrew, the government also relinquished membership in the African Financial Community (Communauté Financière Africaine—CFA), whose currency—the CFA franc—was freely convertible to French francs. Mauritania then created its own currency, the ouguiya, and a national bank, the Central Bank of Mauritania (Banque Centrale de Mauritanie), which was established in 1973.

After privatization in 1989, banks in Mauritania included Banque Arabe Libyenne-Mauritanienne pour le Commerce Extérieur et le Développement (BALM). BALM, founded in 1990, was 51% owned by Libyans and 49% owned by the state. Other banks included Banque Al-Baraka Mauritanie Islamique (BAMIS), Banque Mauritanie pour le Commerce Internationale (BMCI), and Banque Nationale de Mauritanie (BNM). BAMIS, established in 1990, was 50% Saudi owned and 10% BCM owned. BMCI, founded in 1990, was 10% BCM owned, and 90% of the bank was held by private interests. BNM, established in 1988, was 50% state owned.

In 2001, there were seven commercial banks, among them BAMIS, BMCI, BNM, Generale de Banque de Mauritanie (GBM), and the World Bank Representative in Mauritania. There are also three credit agencies and four insurance companies. The Saudi Al-Baraka firm owned 85% of BAMIS and the Belgium Belgolaise bank was the second-largest shareholder in commercial banks. There was also one bank specializing in housing construction and three credit agencies (Credit Maritime, Credit Agricole, and Mauritanie Leasing).

A significant drawback for the Mauritanian economy, partly due to the small number and low income of the population, was a dearth of domestic capital. The poor reputation of the domestic banking system, notwithstanding its recent overhaul, discouraged local savings. In 1997, the government encouraged the creation of popular saving agencies to revitalize the financial sector; and in 1998, the government introduced incentives to encourage fish exporters to keep their assets in the country. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$108.6 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$151.4 million.

**3<sup>4</sup> INSURANCE**

Insurance was handled by 13 foreign companies until July 1974 when the Mauritanian government assumed full control of insurance and reinsurance. All insurance business was controlled by



the Mauritanian Insurance and Reinsurance Co. There were two insurance companies in 1999.

### 3<sup>5</sup> PUBLIC FINANCE

Mauritania's budget is habitually in deficit. Mismanagement of public enterprises and an abundance of public sector employees led to large deficits in the early 1980s. In 1985, the government began an IMF-sponsored adjustment program to stabilize the economy and diminish the role of the public sector. The overall fiscal cash deficit (excluding debt forgiveness) fell from 12% GDP in 1985 to 5.4% in 1989. From 1989 to 1992, however, due to the Persian Gulf Crisis and turmoil with Senegal, the adjustment effort was set back. In 1994, the government instituted fiscal reform designed to broaden the tax base and reduce exemptions. Goals in 1999 included increasing public revenues, decreasing spending, and increasing the performance of public companies. Privatization continued through the 1990s, and state-owned companies accounted for approximately 20% of GDP at the end of 1997.

The US Central Intelligence Agency (CIA) estimated that in 2002 Mauritania's central government took in revenues of approximately \$421 million and had expenditures of \$378 million. Revenues minus expenditures totaled approximately \$43 million. Total external debt was \$2.5 billion.

### 3<sup>6</sup> TAXATION

Mauritania has a corporate income tax rate of 20%, with a 4% minimum rate on turnover. Capital gains are taxed at the corporate rate. However the tax may be deferred if the gains are used to acquire new fixed assets in the country in the following three fiscal years. Dividends are subject to a 10% withholding tax, which can be deducted if the recipient of the dividends is subject to corporate income tax. The major indirect taxes are import duties, a turnover tax on exports and mining companies, a value-added tax (VAT), excise levies on petroleum, tobacco, a service tax, and a tax on vehicles. As of 2005, the standard VAT rate was set at 14%. Wages and salaries are also subject to an income tax.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Along with other members of the West African Economic Community (CEAO), Mauritania imposes a revenue duty (*droit fiscal*) and a customs duty (*droit de douane d'entrée*) on most imported goods. The average tax rate for imports was 43% in 1999. Customs duties ranged from a minimum of 9% to a maximum of 27% for essential goods or nonluxury goods. Imports are also subject to the 14% VAT. Exports were not restricted, although both imports and exports require a license. The government planned to reduce taxes on imports to an average of 25%, and was considering the creation of free trade zones.

Since 1970, Mauritania has had a trade agreement with Senegal, allowing primary products to be traded between the two countries duty-free. Mauritania is also a member of ECOWAS.

### 3<sup>8</sup> FOREIGN INVESTMENT

With the nationalization of the mining sector in 1974, private foreign investment dropped drastically. Extension of government control over imports and domestic trade further curtailed the activity of foreign capital, as did ethnic clashes in 1989–91. In 1993, the government started to privatize parastatals, and by 1999, only

17% of GDP was accounted for by state-owned companies; 20% of Mauritanian companies were state-owned, including the telephone and postal services, utilities, transportation, radio and television, and mining production.

An investment code, approved in 1979, provided for tax holidays of up to 12 years on exports, imports of raw materials, and re-invested profits. The 1989 Investment Code guaranteed equal and free movement of capital in and out of Mauritania, in all sectors. It also provided incentives to new enterprises like a temporary tax reduction. Amendments have been made to the code to require hiring of Mauritians. Tax preferences are offered for using local materials and investing in priority sectors, like agriculture, minerals, and fish processing.

Foreign investment has been small since the ethnic violence of 1989 to 1991. However, in 1999 the government introduced new initiatives to attract foreign investment. From 1997 to 1999, the average annual inflow of foreign direct investment (FDI) was negligible, ranging from \$100,000 to \$900,000. In 2000, inflows increased to \$9.2 million and then, in 2001, to \$30 million. Foreign private investors include Mobil Oil of the United States, NAFTAL of Algeria, and Elf Aquitaine of France, in the petroleum sector; MINPROC, IFC of Australia in the gold sector; and CNF of China, the Al-Baraka Group of Saudi Arabia, and IFAFOOD of France, in the fishing sector.

Foreign investment climbed from 2001–04, particularly in the petroleum, mining, and telecommunications sectors, as well as tourism (especially hotels). In 2003 the government introduced a new investment code, designed to encourage foreign investment as well as local entrepreneurs.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Until the export earning capacity of Mauritania improves, its economy will remain fragile. External deficit management dominates the public investment horizon. In 1999, Mauritania obtained financing from the IDA, AFESD, and World Bank, for its economic and social development projects. The IDA funded a mining sector capacity building project, with \$500,000 cofinancing from the government. The AFESD gave an \$11.6 million loan to upgrade and develop small dams. The World Bank approved a \$15 million loan to support access to the country's mining sector.

In 2000, Mauritania was approved for \$1.1 billion in debt service relief under the International Monetary Fund (IMF)/World Bank Heavily Indebted Poor Countries (HIPC) initiative. That year, the country withdrew its membership in the Economic Community of West African States (ECOWAS), and increased commercial ties with Morocco and Tunisia (members of the Arab Maghreb Union), particularly in telecommunications. In 2003, the IMF approved an \$8.8 million three-year Poverty Reduction and Growth Facility (PRGF) Arrangement, to support the government's economic reform policies geared to reduce poverty. The IMF stressed the need for banking and exchange rate reform, and improved governance.

As of 2006, the development of Mauritania's one billion barrels of proved petroleum reserves held promise for the economy. The government emphasized the reduction of poverty, improvement of health and education, and privatization of the economy as policy priorities.

## 40 SOCIAL DEVELOPMENT

The National Social Security Fund administers family allowances, industrial accident benefits, insurance against occupational diseases, and old age pensions. Pensions are paid for by 1% contributions from employees and 2% contributions from employers. Employed women are entitled to a cash maternity benefit and payable up to 14 weeks. Workers and their families who are covered under the labor code are entitled to medical benefits. There is also a family allowance and a birth grant.

Opportunities for Mauritanian women are severely limited by social and cultural factors. Although they have the right to vote, women face considerable legal discrimination. According to Shariah law, the testimony in court of two women equals that of one man. The law mandates equal pay for equal work, and in the public sector, this law is respected and applied. Most young girls undergo female genital mutilation by the age of six months, although the incidence is decreasing among the urban population. Education is not compulsory and dire financial circumstances force many children to work. Laws prohibiting child labor are rarely enforced.

Slavery was abolished many times in Mauritania, the most recent law having been passed in 1980. Despite this, as of 2004 there are still slaves in the rural areas where a barter economy thrives. Some human rights abuses are reported including the use of excessive force to disperse demonstrators and inadequate prison conditions.

## 41 HEALTH

Mauritania's public health system consists of administrative units and health facilities organized in pyramid style. Total health care expenditure was estimated at 4.8% of GDP. In 2004, there were an estimated 14 physicians, 62 nurses, 2 dentists, 4 pharmacists, and 10 midwives per 100,000 people. In the mid-1990s, there were approximately 300 basic health units at the village level, about 130 health posts, and some 50 health centers. The health system is mostly public, but liberalization of private practice in the past several years has led to marked increase in the number of practitioners in the private sector. Mauritania's only major hospital is in Nouakchott. Only about 63% of the population had access to health care services. Private participation in the pharmaceutical sector has increased since 1987. Public facilities receive stocks from the Ministry of Health and Social Affairs. Drugs are distributed to patients at public facilities at no cost, but only 40% of demand can be met. Importation of narcotics is prohibited. Approximately 37% of the population had access to safe drinking water and 33% had adequate sanitation.

The main health problems include malaria, tuberculosis, measles, dysentery, and influenza. Guinea worm remains a major problem. Pregnancy complications are common due to unhygienic conditions and lack of medical care. In nondrought years, the staple diet of milk and millet is nutritionally adequate, if somewhat deficient in vitamin C. Immunization rates for children up to one year old were: tuberculosis, 93%; diphtheria, pertussis, and tetanus, 50%; polio, 50%; and measles, 53%. The rates for DPT and measles were, respectively, 40% and 62%. Forty-four percent of children under five were malnourished. The goiter rate was 31 per 100 school-age children.

The average life expectancy is among the lowest in the world—an estimated 52.73 years in 2005. The fertility rate was 5.7 in 2000. Only 3% of married women aged 15–49 were using some form of contraceptive. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 42.54 and 13.34 per 1,000 people. The infant mortality rate was 70.89 per 1,000 live births in 2005. The maternal mortality rate was 550 per 100,000 live births. Twenty-five percent of women underwent female genital mutilation and no specific law has been issued against it.

As of 2004, there were approximately 9,500 people living with HIV/AIDS in the country. The HIV/AIDS prevalence was 0.60 per 100 adults in 2003.

## 42 HOUSING

Construction accounts for a small fraction of GDP. The chief construction company, the Building Society of Mauritania, is hampered by inadequate manpower and capitalization. To encourage housing development, the government introduced new regulations in 1975 to encourage builders and to compel civil servants to purchase their own property and thus relieve the demand for public housing. The phenomenal growth of Nouakchott and the effects of rural migration, impelled by drought, have strained housing resources. In 1998, over 25% of residents in Nouakchott lived in substandard housing, such as tents, huts, or shacks, as did about 35% of Kiffa residents and 44% of Aioun residents.

## 43 EDUCATION

Six years of basic education are compulsory. A three-year lower secondary (college) program offers general education. Following this stage, students may choose to attend a three-year senior secondary school (*lycee*) or a technical school program of three or five years. The *lycee* programs offer specializations in arts and literature; natural sciences; mathematics, physics, and chemistry; or Koran (Quran) and Arabic studies. The academic year runs from October to June.

Primary school enrollment in 2003 was estimated at about 68% of age-eligible students. In 2001, secondary school enrollment was about 14.5% of age-eligible students. It is estimated that about 42.9% of all students complete their primary education. The student-teacher ratio for primary school was at about 42:1 in 2000; the ratio for secondary school was about 26:1.

The National Institute of Higher Islamic Studies was established in Boutilimit in 1961 and the National School of Administration was founded in 1966 at Nouakchott. The University of Nouakchott, founded in 1981, has a faculty of letters and human sciences and a faculty of law and economics. In 2003, about 4% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 51.2%, with 59.5% for men and 43.4% for women.

As of 2003, public expenditure on education was estimated at 4.1% of GDP, or 16.6% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

The National Library at Nouakchott (10,000 volumes) and the National Archives (3,000) were both founded in 1955. The National Library is the depository for all the country's publications. There is a small library at the University of Nouakchott in the capital, as well as a French cultural center. The National Museum is also lo-

cated in Nouakchott and has archaeology and ethnography collections. There are several Arab libraries in the major towns.

#### 45 MEDIA

Many of Mauritania's post offices have telephone or telegraph services. There are direct telephone communications from Nouakchott to Paris. Administrative contact within the country is maintained by radiotelephone. Two earth-satellite stations came into service in 1985–86. In 2003, there were an estimated 14 mainline telephones for every 1,000 people. The same year, there were approximately 128 mobile phones in use for every 1,000 people.

The government operates all national radio and television networks, broadcasting in French, Arabic, and several African languages. In 2001 there were 1 AM and 14 FM radio stations, with 1 television station reported in 2002. Residents with satellite receivers and dish antennas receive television broadcasts from France and other Arab countries. Telecasts are in French and Arabic. In 2003, there were an estimated 148 radios and 44 television sets for every 1,000 people. The same year, there were 10.8 personal computers for every 1,000 people and 4 of every 1,000 people had access to the Internet.

In 2004 there were about 25 privately owned newspapers with a regular publication schedule, usually weekly. A government-operated daily, *Ach Chabb*, is published in French and Arabic. *Horizon*, another government daily, is published in French.

The constitution provides for freedom of speech and the press; however, by law copies of every newspaper must be submitted to the Ministries of Interior and Justice for approval before distribution.

#### 46 ORGANIZATIONS

The Chamber of Commerce, Industry, Agriculture, and Ranching is in Nouakchott. Youth organizations include the National Union of Students and Pupils of Mauritania and the Association of Scouts and Guides of Mauritania. Several sports associations are active within the country. The Lion's Club has active programs. The International Association of French-Speaking Women has a base in the country. The World Conservation Union has an office within the country. The Red Crescent Society and Caritas are active as well.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourists are attracted to Atar, the ancient capital of the Almoravid kingdom, and Chinguetti, with houses and mosques dating back

to the 13th century. Popular sports are rugby, surf fishing, tennis, football (soccer), basketball, and swimming.

There are few facilities for tourists, except in the capital, and travel is difficult outside of Nouakchott. Most visitors need a valid passport and visa; the visa requirement is waived for French and Italian nationals. A certificate of vaccination against yellow fever may be required if traveling from an infected area. Precautions against typhoid are recommended.

In 2005, the US Department of State estimated the daily cost of staying in Nouakchott at \$202.

#### 48 FAMOUS MAURITANIANS

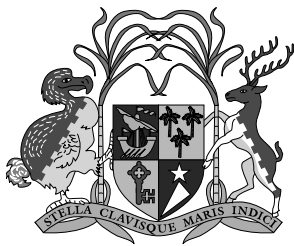
Abu Bakr ibn Omar (Boubakar), paramount chief of the Lemtouna, defeated Ghana in 1076. His lieutenant and cousin, Yusuf ibn Tashfin, conquered Morocco in 1082 and most of Spain in 1091. The best-known contemporary Mauritanian is Moktar Ould Daddah (1924–2003), president from 1961 until 1978; after being ousted, he was eventually allowed to go to France. Lt. Col. Khouna Ould Haydalla (b.Spanish Sahara, 1940) became prime minister and chief of staff of the armed forces in 1978 and assumed the presidency in 1980. Col. Maaouya Ould Sid Ahmed Taya (b.1941), who had been prime minister (1981–84), was president from 1984 to 2005. Col. Ely Ould Mohamed Vall (c.1950) became the new military leader of Mauritania in 2005.

#### 49 DEPENDENCIES

Since relinquishing its claim to Western Sahara, Mauritania has no territories or colonies.

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# MAURITIUS

Republic of Mauritius



**CAPITAL:** Port Louis

**FLAG:** The national flag consists of four horizontal stripes of red, blue, yellow, and green.

**ANTHEM:** *Glory to Thee, Motherland, O Motherland of Mine.*

**MONETARY UNIT:** The Mauritius rupee (₨) is a currency of 100 cents. There are coins of 1, 2, 5, 10, 25, and 50 cents and 1 rupee, and notes of 5, 10, 20, 50, 100, 200, 500, and 1,000 rupees. ₨1 = \$0.03432 (or \$1 = ₨29.14) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in general use; traditional weights and measures also are employed.

**HOLIDAYS:** New Year, 1–2 January; National Day, 12 March; Labor Day, 1 May. Christian, Hindu, and Muslim holidays also are observed.

**TIME:** 4 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Mauritius is situated in the Indian Ocean, about 900 km (559 mi) E of Madagascar and 2,000 km (1,250 mi) off the nearest point of the African coast. The island of Rodrigues, an integral part of Mauritius, is located about 560 km (350 mi) off its northeastern coast. The two islands of Agalega lie 1,122 km (697 mi) to the N of Mauritius; also to the N is the St. Brandon Group (Cargados Carajos Shoals). Mauritius has a total area of about 2,040 sq km (778 sq mi), of which the island of Mauritius occupies 1,860 sq km (720 sq mi); the island of Rodrigues, 110 sq km (42.5 sq mi); and the other offshore islands, 71 sq km (27 sq mi). Comparatively, the area occupied by Mauritius is slightly less than 10.5 times the size of Washington, DC. Mauritius extends 61 km (38 mi) N–S and 47 km (29 mi) E–W, and has a coastline of 177 km (110 mi).

The nation also claims Diego Garcia, a British dependency about 1,900 km (1,200 mi) NE, and a French possession, Tromelin Island, about 555 km (345 mi) NW. The OAU has supported Mauritius's claim to Diego Garcia.

The capital city of Mauritius, Port Louis, is located on the island's northwest coast.

## <sup>2</sup>TOPOGRAPHY

Mauritius is mostly of volcanic formation and is almost entirely surrounded by coral reefs. A coastal plain rises sharply to a plateau 275 to 580 m (900–1,900 ft) high. Piton de la Rivière Noire, the highest peak, reaches 828 m (2,717 ft). The longest river is the Grand River South East, which stretches from the center of the country to the central eastern border with a distance of 40 km (29 mi).

## <sup>3</sup>CLIMATE

The subtropical maritime climate is humid, with prevailing southeast winds. The temperature ranges from 18° to 30°C (64–86°F) at sea level, and from 13° to 26°C (55–79°F) at an elevation of 460 m (1,500 ft); the warmest season lasts from October to April, the coolest from June to September. From October to March, southeast trade winds bring heavy rains to the central plateau and windward slopes, which have a yearly average rainfall of over 500 cm (200 in). On the coast, rainfall averages about 100 cm (40 in) annually. Daily showers occur from April to September and occasional tropical cyclones between December and April.

## <sup>4</sup>FLORA AND FAUNA

Mauritius originally was covered by dense rain forest, which included heath and mossy forest at higher elevations and coastal palm savanna. Present vegetation consists chiefly of species brought by the settlers. Mauritius is the home of two indigenous snakes, the *Boleyria multicarinata* and *Casarea dussumieri*; also indigenous to Mauritius was the now extinct dodo bird, one of many exotic animal species that thrived in isolation from predators, including man. European settlers introduced dogs, cats, rats, monkeys, wild pigs, sambar deer, and mongoose.

## <sup>5</sup>ENVIRONMENT

The main environmental problems facing Mauritius are water pollution, soil erosion, and preservation of its wildlife. The sources of water pollution are sewage and agricultural chemicals. The erosion of the soil occurs through deforestation.

The Ministry of Housing, Lands, and the Environment has principal responsibility in environmental matters. As of 2003, about 7.8% of the nation's total land area is protected. According to a

2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 3 types of mammals, 13 species of birds, 5 types of reptiles, 7 species of fish, 27 types of mollusks, 5 species of other invertebrates, and 87 species of plants. Endangered species on the island of Mauritius include the pink pigeon, Round Island boa and keel-scaled boa, green sea turtle, and Mauritius varieties of kestrel, parakeet, and fody. Endangered species on Rodrigues include distinctive varieties of brush warbler, fody, flying fox, and day gecko. Extinct species include the Mauritian duck, the Mauritius blue pigeon, the red rail, Rodrigues little owl, and the giant day gecko.

## 6 POPULATION

The population of Mauritius in 2005 was estimated by the United Nations (UN) at 1,243,000, which placed it at number 149 in population among the 193 nations of the world. In 2005, approximately 7% of the population was over 65 years of age, with another 25% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 0.9%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 1,426,000. The population density was 609 per sq km (1,578 per sq mi).

The UN estimated that 42% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.48%. The capital city, Port Louis, had a population of 143,000 in that year. Other cities and their estimated populations were Beau Bassin/Rose Hill, 106,987; Vacoas/Phoenix, 103,564; Curepipe, 81,600; and Quatre-Bornes.

## 7 MIGRATION

A small number of Mauritians emigrate each year, principally to Australia, Europe, and Canada. In 2000 the number of migrants living in Mauritius was 8,000. The net migration rate was an estimated -0.41 per 1,000 population in 2005. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The largest group on Mauritius—about 68% of the population—is Indo-Mauritian, consisting of immigrants from India and their descendants. About 27% of the islanders are Creole (mixed European and African), 3% Sino-Mauritian, and 2% Franco-Mauritian.

## 9 LANGUAGES

English and French are the official languages; however, Creole, derived from French, is the most widely spoken (by 80.5% of the population). Bojpoori is the second most common language, spoken by about 12% of the population. Only 3.4% of the population speak French. Only a small minority speak English as a first language. On Rodrigues, virtually the entire population speaks Creole. Hindi, Urdu, and Hakka are also used in some groups.

## 10 RELIGIONS

According to a 2000 census, Hindus constituted about 50% of the total population. Christians made up about 32%, with a vast majority (about 85% of all Christians) affiliated with the Roman Catholic church. Other Christian denominations include Adventist, Assemblies of God, Christian Tamil, Church of England, Pen-

tecostal, Presbyterian, Evangelical, Jehovah's Witnesses, and the Church of Jesus Christ of Latter-Day Saints. Most Christians live in the southern portion of the country while the north tends to be predominantly Hindu. About 16% of the population were Muslims, with a majority being Sunni. There are a small number of Buddhists.

Throughout the country, there is a strong correlation between religious affiliation and ethnicity. Those of Indian descent are primarily Hindu or Muslim. Those of Chinese descent are often nominally Buddhists, but practicing Catholics, since they often admit their children to Catholic schools. Creoles and Europeans are primarily Catholic.

Though there is no state religion, a parliamentary decree allows that certain religions represented before independence (Roman Catholicism, the Church of England, Presbyterianism, Seventh-Day Adventist, Hinduism and Islam) are entitled to annual payments from the government. Other religions are registered by the Registrar of Associations in order to attain legal, tax-exempt status. Though there has been some social and political tension between the Hindu majority and the Christian, Muslim, and Creole minorities, there are few reports of violence or blatant discrimination. Certain Hindu, Tamil, Christian, and Muslim holidays are recognized as national holidays. The Ministry of Arts and Culture has a responsibility to promote interreligious and intercultural relations within the country.

## 11 TRANSPORTATION

Mauritius had an estimated 2,254 km (1,402 mi) of roads in 2003, of which all were paved, and included 75 km (47 mi) of expressways. As of 2003, there were 39,412 commercial vehicles and 101,436 private passenger cars. In 2005, the country had eight merchant ships in service of 1,000 GRT or more for a combined capacity of 22,946 GRT. In 1999 the Port Louis harbor completed a major expansion and modernization. Also in 2004 there were six airports, only two of which had paved runways as of 2005. Air Mauritius provides about four flights weekly to Rodrigues from the main airport at Plaisance, as well as, over 40 weekly international flights. In early 2001 Air Mauritius concluded an alliance with Delta Airlines. Other major airlines serving Mauritius are Air France, British Airways, Air India, Air Zimbabwe, Lufthansa (Condor), Singapore Airlines and South African Airways. In 2003, about 1.035 million passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

Long uninhabited, Mauritius was probably visited by Arab and Malay seamen and later by Portuguese and other European voyagers. However, significant contact did not take place until the Dutch, under Admiral Wybrandt van Warwijck, arrived in 1598. They named the island after their stadtholder, Prince Maurice of Nassau. Settlers arrived in 1638; their settlements were abandoned in 1710, however, and the French took possession in 1715, sending settlers from Réunion in 1721. The island was governed by the French East India Company until 1767, and by the French government for the next 43 years, except for a brief period of independence during the French Revolution. During the Napoleonic wars,

French-held Mauritius became a major threat to British shipping in the Indian Ocean, and Britain occupied it in 1810.

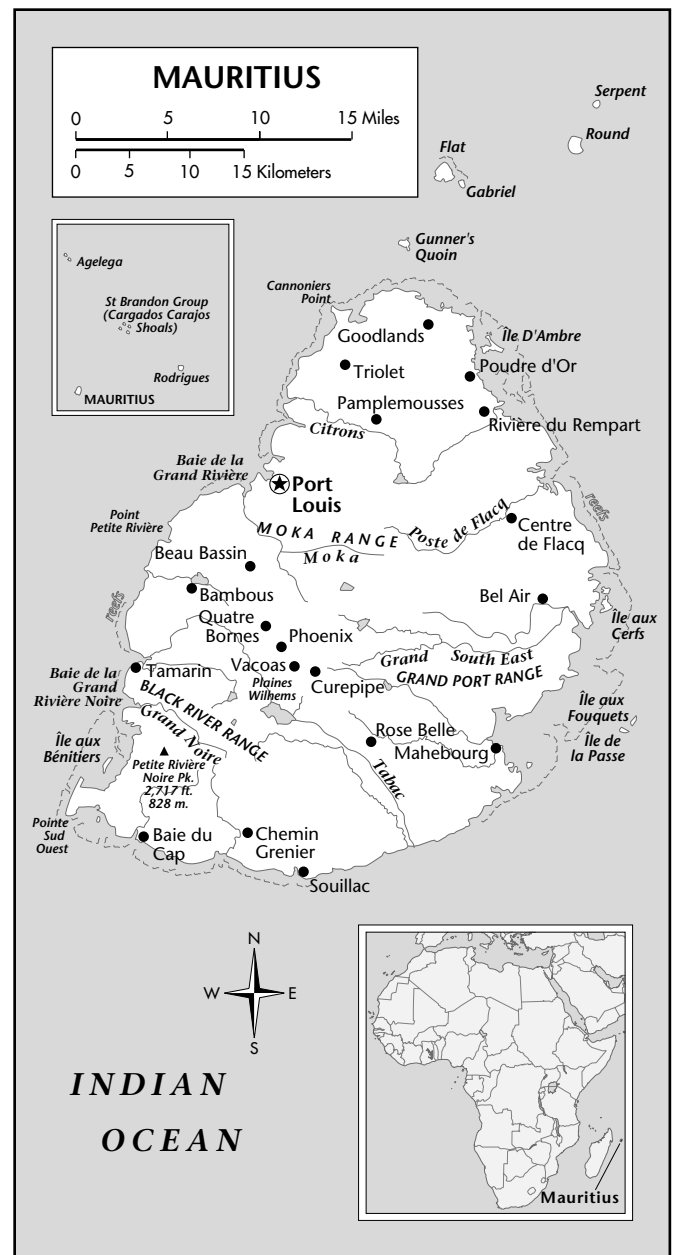
Under British rule, Mauritius became a sugar-producing island. The French community secured major control of the cane fields and sugar refineries; lacking any appreciable British settlement, the island remained French in culture. Abolition of slavery in the British Empire caused an acute labor problem as the former slaves, African in origin, left the sugar fields to go into other occupations. To offset this loss, the United Kingdom, from 1835, allowed the planters to import indentured laborers from India. The system continued until 1907, with 450,000 Indians migrating to Mauritius.

The constitution of 1831 provided for a Council of Government, in which representation was largely by Europeans, although a few Creoles won nomination. The constitution of 1886 provided for a council of 27 members, including 10 elected members. The electorate was limited by property qualifications, which denied the population of Indian descent elective representation until 1926. The constitution of 1947 abolished property qualifications and extended the franchise to both sexes. Since 1948, the Indian population has dominated the elective seats. As a result of a constitutional conference held in London in September 1965, Mauritius was granted full internal self-government.

Mauritius became independent on 12 March 1968 and one month later became a member of the UN. Disturbances at the time of independence between Muslims and Creoles forced declaration of a state of emergency, at which time UK troops from Singapore aided in restoring order. Sir Seewoosagur Ramgoolam, chief minister in the colonial government, became the first prime minister after independence. Ramgoolam's Mauritius Labor Party (MLP) held power alone, or in coalition with others, until June 1982 when an alliance of the Mauritian Militant Movement (MMM) and the Mauritian Socialist Party (PSM) captured all 60 directly elected seats on the island of Mauritius. This coalition, known as the Militant Socialist Movement (MSM) formed a government. MMM leader Aneerood Jugnauth became prime minister. In March 1983, however, 11 of the 19 ministers resigned, all MMM members, and new elections were called. The voting, in August of that year, produced a clear mandate for a new coalition forged by Jugnauth. The MMM-dominated coalition won another clear-cut victory in August 1987 Legislative Assembly elections.

Jugnauth's coalition received a mandate again in the September 1991 general elections, winning 59 of 62 directly elected seats. As promised, the MSM/MMM alliance amended the constitution, making Mauritius a republic within the Commonwealth. Since 12 March 1992, Queen Elizabeth II has been replaced by a Mauritian chief of state.

In 1993, there was trouble in the coalition when a prominent minister in the MMM met officials of the Social Democrats (PMSD). The minister was fired by Jugnauth, but the other MMM members stayed in the coalition. At times, it appeared that the ruling coalition would fray, but they managed to negotiate terms of conciliation and stood united for the 20 December 1995 elections when they took 65% of the vote, or 60 of 62 elected seats. Dr. Navinchandra Ramgoolam became prime minister. Cassam Uteem and Angidi Veeriah Chettiar were later elected president and vice president.



LOCATION: 19°50' to 20°5' S; 57°18' to 57°48' E. TERRITORIAL SEA LIMIT: 12 miles.

Trouble in the coalition resurfaced in June 1997 when Ramgoolam fired MMM's leader, Paul Bérenger, who was vice-premier and minister of Foreign Affairs. Seven cabinet ministers belonging to MMM resigned in protest and, together with other elected MMM candidates, joined the parliamentary opposition group. This precipitated a second cabinet reshuffle since Ramgoolam took power in 1995. This left the labor party in power with only small parties aligned with it. Bérenger's place was now occupied by the vice president of the Labor Party, Kailash Purryag.

This unbalanced configuration provoked fears of a repeat of the ethnic clashes that had rocked Mauritius in 1968; however, ethnic violence did not materialize. After three days of rioting in the capital (Port Louis) and other parts of the country in February 1999, the country gradually returned to normal. Clashes between

Rastafarians and police were triggered by the death in police custody of a popular reggae singer, Kaya. Three protesters were killed, a policeman died of heart failure, and over 100 were wounded in the clashes.

Although the country had suffered corruption scandals under the previous administration of Prime Minister Navin Ramgoolam, Mauritius has largely avoided the corruption scourge characterizing much of Africa. After winning the September 2000 elections, the coalition government under Jugnauth and Bérenger stated that its priorities were to boost local and foreign investor confidence, and to re-launch the economy.

Mauritius is one of a few sub-Saharan African countries to attain the rank of middle-income status and rule by constitutional process—the country has had only three prime ministers since independence. In February 2002, two presidents—in their mostly ceremonial role—resigned in the space of a week objecting to anti-terror legislation prompted by the 11 September attacks on the World Trade Center. An interim president, Supreme Court Chief Justice Arianga Pillay, signed the bill into law, which was twice passed by the parliament owing to strong support from Prime Minister Anerood Jugnauth. The constitution requires the president either to sign the bill into law or leave office.

A ruling by the WTO following complaints of unfair trade practices lodged by Australia, Thailand, and Brazil caused Mauritius to lose its preferential access to US and European markets during 2005–07. Mauritius has enjoyed duty-free entry and trade quotas for its top two exports of sugar and textiles into the European and American markets since the 1970s. Under the Sugar Protocol, Mauritius enjoyed an annual fixed quota of over 500,000 metric tons at prices just under two-thirds of the world market price. Textiles were guaranteed duty-free entry into European Markets under the Lomé Convention with the EU, and a series of Multi-Fibre Agreements (MTA) renewed in 1977 and three other times since (the first MTA came to an end in 2005) restricted imports of low-cost textiles into Mauritius. This preferential access had attracted many investors into Mauritius.

Proposals by the EU reduced sugar prices in the EU by 37.5% during 2005–07. Removal of special trade status also exposes Mauritius to stiff competition from low-cost textile producers, notably China. The impending change in trade status resulted in tens of thousands of jobs lost in 2003/04 and more expected to follow in the export-processing zone (EPZ). With the comparative advantage about to evaporate, many investors were relocating to other low-cost countries. As one of the measures to revive the economy, Pravind Jugnauth, deputy prime minister and minister of finance and economic development, announced in April 2005 that Mauritius would become a duty-free island within four years, in order to attract tourists and trade and give Mauritians easier access to quality products at affordable prices. Still, economic woes precipitated by loss of preferential trade status, in particular growing unemployment, had political implications.

Analysts believe growing unemployment and a worsening economy helped to narrowly squeeze the opposition MLP-led Alliance Sociale into power in parliamentary elections that were held 3 July 2005. This alliance included five other parties: the Mauritian Party of Xavier-Luc Duval (Parti Mauricien Xavier-Luc Duval, PMXD), PMSD, The Greens (Les Verts), the Republican Movement (Mouvement Républicain, MR) and the Mauritian Militant Socialist

Movement (Mouvement Militant Socialiste Mauricien, MMSM). It beat the outgoing coalition composed of MSM and MMM. The Alliance Sociale coalition won 48.8% of the vote and 38 of the 62 elected seats compared to 42.6% of the vote and 22 seats won by the MSM/MMM/PMSD coalition. The turnout was 81.5%. Navinchandra Ramgoolam, the MLP leader, replaced Bérenger as the prime minister and formed a new government.

## 13 GOVERNMENT

The Mauritian government is parliamentary, with executive power vested under the constitution in a ceremonial president and an executive prime minister, who is leader of the majority party in parliament. The president and vice president are elected by the National Assembly, to serve five-year terms. The prime minister heads a Council of Ministers, which is responsible to a unicameral Legislative Assembly. Of its maximum 70 members, 62 are elected by universal suffrage (age 18), and as many as 8 “best losers” are chosen from runners-up by the Electoral Supervisory Commission by a formula designed to give at least minimal representation to all ethnic groups and underrepresented parties.

In elections held 25 February 2002, Karl Offmann was elected president and Raouf Bundhun vice president. Parliamentary elections were held 11 September 2000. In September 2003 the two-time premier, Sir Anerood Jugnauth, kept his coalition and campaign promise to hand over the premiership in mid-term to the MMM leader, and stepped down, and his deputy, Paul Raymond Bérenger, became prime minister. On 7 October 2003 Sir Anerood Jugnauth was sworn in as president of the republic, after Karl Offmann stepped down a year-and-a-half after assuming power. Raouf Bundhun remained vice president. Presidential elections are scheduled for 2007. Bérenger, the first Catholic, Franco-Mauritian head of government, did not stay in power for long either. Parliamentary elections held on 3 July 2005 returned Navin Chandra Ramgoolam to office as prime minister.

## 14 POLITICAL PARTIES

The Mauritius Labor Party (MLP), headed by Prime Minister Sir Seewoosagar Ramgoolam, received support during 35 continuous years in office (1947–82) from the Hindu and Creole communities and some Muslims; often sharing power in those years was the Muslim Committee of Action (MCA). The Mauritian Social Democratic Party (Parti Mauricien Social-Démocratique, PMSD) has long represented the Franco-Mauritian and Creole landowning class.

A new political party, the Mauritian Militant Movement (MMM), was formed in 1970. Its leaders were imprisoned in 1971 after the MMM called for a general strike to protest legislation banning strikes in industries controlled by MMM affiliates. The party leadership was later freed, and in the 1976 elections the MMM won more seats than the MLP, although not enough to achieve power. In the 1982 elections, the MMM captured 42 seats in parliament and joined the Mauritian Socialist Party (Parti Socialiste Mauricien, PSM) in a ruling coalition under Anerood Jugnauth; unlike the MMM, which had strong Creole representation, the PSM was primarily Hindu.

Jugnauth's government fell apart in the early months of 1983, in the course of a power struggle within the MMM that led to the prime minister's expulsion from his own party. Jugnauth then

formed the Mauritian Socialist Movement (Mouvement Socialiste Mauricien, MSM), which, in alliance with the MLP, captured 37 of 62 directly elected seats in the August balloting. The MMM won 19 seats, the PMSD 4, and a Rodrigues-based party, the Organisation du Peuple Rodriguais (OPR), 2. In August 1987 elections, the MSM, in alliance with the MLP and PMSD, won 39 of 62 directly elected seats; a three-party coalition including the MMM won 21 seats; and the OPR won 2 seats.

The legislative elections of 15 September 1991 resulted in the MSM/MMM alliance getting 59 seats (53% of the vote) and the MLP/PMSD alliance three seats (38%). By October 1993, however, the MMM had divided into two factions: one remained in the government and the other, headed by former Foreign Minister Paul Bérenger, took opposition seats in parliament.

Legislative elections held in December 1995 saw a newly solidified MMM/MLP coalition win 60 seats (35 for MLP and 25 for MMM) of the 62 elected seats. The Rodrigues Movement had two seats; two seats were given to the OPR; one to the Gaetan Duval Party; and one to Hizbullah. The MMM/MLP coalition fell apart in June 1997 with the firing of Bérenger from the vice-premier-ship, leaving the MLP in power with small parties aligned with it.

Following the reconfiguration of an opposition alliance comprising Anerood Jugnauth's Militant Socialist Movement and Paul Bérenger's Mauritian Militant Movement, the coalition successfully swept the 11 September 2000 elections, winning 52.3% of the vote, and holding the MLP/PMSD to 36.9%, and the OPR to 10.8%. The breakdown of seats was 54 for the MSM/MMM, 6 for the MLP/PMSD, and 2 for the OPR. Sir Anerood Jugnauth stepped down as he had promised and handed the premiership over to Paul Bérenger on 30 September 2003. Bérenger was to lose it in the 2005 elections.

In parliamentary elections held on 3 July 2005, the opposition Alliance Sociale led by the MLP, and also incorporating the PMXD, PMSD, The Greens, MR and MMSM, narrowly won the elections, garnering 48.8% of the vote and winning 38 of the 62 contested seats. The Alliance Social ousted Alliance MSM/MMM which won 42.6% of the vote and 22 parliamentary seats. The two remaining seats for Rodrigues were won by OPR, which took only 0.8% of the vote. According to the constitution, President Anerood Jugnauth allocated an additional eight seats to ethnic groups, bringing total representation to 42 Alliance Sociale, 24 MSM/MMM, and 4 OPR.

## 15 LOCAL GOVERNMENT

There are nine administrative districts and three dependencies, of which the Island of Rodrigues is one. The other dependencies are Agalega Islands and Carajos Shoals. The lowest level of local government is the village council, composed of elected as well as nominated members; above the village councils are three district councils. Commissions govern the major towns. There are also three dependencies.

Municipal council elections were held on 2 October 2005 followed by village council elections on 11 December 2005. The Alliance Sociale won all the wards in all the five municipalities, except in one of the four wards of the Town of Beau Bassin-Rose Hill, where Alliance MSM/MMM won three of the seven council positions.

## 16 JUDICIAL SYSTEM

The statutes are based mainly on old French codes and on more recent laws with English precedents. The Supreme Court has a chief justice and six other judges who also serve on the Court of Criminal Appeal, the Court of Civil Appeal, the Intermediate Court, the Industrial Court, and 10 district courts. Final appeal can be made to the UK Privy Council.

The president, in consultation with the prime minister, nominates the chief justice, and then with the advice of the chief justice also appoints the associate judges. The president nominates other judges on the advice of the Judicial and Legal Service Commissions.

The legal system provides fair public trials for criminal defendants. Defendants have the right to counsel, including court-appointed counsel in case of indigency.

Mauritius has had a good record of freedom of the press and rule of law, except for isolated incidents. These include a rough economic period and unrest in the 1970s when the government attempted to impose some restrictions, particularly on newspapers opposed to its policies, and arbitrary arrests became more frequent, but fierce opposition led to the abolition of the laws. There were also local and international concerns over government plans to put in place "sanctions" against private radio stations which had angered the government over coverage of an explosion in the northern city of Grand-Baie in August 2004.

## 17 ARMED FORCES

All defense and security duties are carried out by a 2,000 personnel paramilitary police force. The forces within this structure were an estimated 500-member Coast Guard and an estimated 1,500-member Special Mobile Force. There was also an air wing with two utility helicopters. The defense budget for 2005 was \$21.4 million.

## 18 INTERNATIONAL COOPERATION

Mauritius joined the United Nations on 24 April 1968 and belongs to ECA and several nonregional specialized agencies, such as the FAO, IAEA, the World Bank, UNESCO, UNIDO, and the WHO. The nation participates in the WTO, the African Development Bank, COMESA, Commonwealth of Nations, G-77, the ACP Group, Alliance of Small Island States (AOSIS), and African Union. In 1984, Mauritius joined Madagascar and Seychelles in establishing the Indian Ocean Commission; the Comoros and France (as the representative of Réunion) joined in 1985. Mauritius also is a member of the Southern Africa Development Community (SADC). The country is part of the Nonaligned Movement.

In environmental cooperation, Mauritius is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The Mauritius economy, diverse and conservatively managed, is based on export-oriented manufacturing (mainly clothing), sugar, and tourism. Most of production is done by private enterprise, with the government largely limiting its role to providing insti-



tutional facilities and incentives for production. More than 250 garment factories were operating in the Export Processing Zone (EPZ) of Mauritius in 2002, and more than 500 companies operate in the EPZ overall. As of 2005, services accounted for 64% of GDP, industry for 29.9%, and agriculture for 6.1%.

The economy grew at an impressive average rate of 6% in the early 1980s. However, economic growth started to decline in 1988 as the economy experienced some of the problems associated with success, including labor shortages, rising inflation, and capacity constraints. In the early 1990s, the economy showed signs of a modest recovery, with solid real growth and low unemployment. Between 1988 and 1998, the economy was estimated to have grown at an annual rate of approximately 5.3%, which is approximately where it stood in 2001. The GDP growth rate was estimated at 3.8% in 2005.

Important to Mauritius's industrial development is the Export Processing Zone (EPZ) in which imported goods and raw materials are processed for export. EPZ products include textiles and clothing (80%), electrical components, and diamonds. Manufacturing in the EPZ provided nearly 45% of export earnings in 2002. Legislation gives investors in EPZ enterprises tax relief, duty exemption on most imports, unlimited repatriation of capital and profits, and cut-rate electricity. However, some of the country's larger manufacturing industries were moving their labor-intensive production to Madagascar. Preferential access to markets in Europe and the United States has been threatened by WTO regulations that do away with textile, clothes, and sugar quotas.

Sugarcane covers approximately 45% of the island's land area, and 90% of cultivated land. Sugarcane accounts for 25% of export earnings. Adverse weather conditions reduced the importance of sugarcane to the Mauritian economy in the late 1990s, but exports of cane brought in almost 8% of the GDP. To further enhance its competitive advantage, in 1992 the government passed legislation for the creation of a commercial free port in Port Louis. The free port provides warehousing as well as facilities for processing foods and materials for reexport to destinations around the world. The financial services sector of the economy is expanding, as is the tourism sector. Mauritius is increasing its trade with India and South Africa, largely through more than 9,000 offshore entities.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Mauritius's gross domestic product (GDP) was estimated at \$16.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$13,300. The annual growth rate of GDP was estimated at 3.8%. The average inflation rate in 2005 was 5.6%. It was estimated that agriculture accounted for 6.1% of GDP, industry 29.9%, and services 64%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$215 million or about \$176 per capita and accounted for approximately 4.1% of GDP.

The World Bank reports that in 2003 household consumption in Mauritius totaled \$3.23 billion or about \$2,644 per capita based on a GDP of \$5.2 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individ-

uals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.7%. In 2001 it was estimated that approximately 21% of household consumption was spent on food, 13% on fuel, 3% on health care, and 13% on education. It was estimated that in 2001 about 10% of the population had incomes below the poverty line.

## 21 LABOR

Mauritius's labor force in 2005 was estimated at 570,000 workers. As of 2003, about 53.6% were employed in the services sector, 37.1% by industry and 9.4% by agriculture. The estimated unemployment rate in 2005 was 10.5%.

Unions have the legal right to organize, strike, and bargain collectively, and the trade union movement is active. There were over 335 labor unions in 2001, with 111,231 members, representing about 22% of the workforce. Workers are granted the right to strike, but this is severely curtailed by a mandatory cooling-off period and compulsory binding arbitration. Antiunion discrimination is prohibited and an arbitration tribunal handles complaints of such discrimination. Although the law protects collective bargaining, there are not enough safeguards in place to protect employees from discriminatory actions by employers.

The minimum working age is 15, with restrictions for those under age 18. However, child labor and exploitation is still practiced and penalties for infractions are minimal. Minimum wages are set by the government, and cost-of-living allowances are mandatory. The minimum wage ranged from \$3.53 to \$12.30 per week in 2002, but due to a labor shortage and contract negotiations, actual wages are about double this figure. The standard legal workweek is 45 hours.

## 22 AGRICULTURE

Sugarcane is the major crop. In 2004, 5.28 million tons of cane were produced. Sugarcane occupies 34% of Mauritius's total land area and 68% of its cultivated land. It is an estate economy, with 21 large estates accounting for about 30% of the land cultivated, and 14,822 employees in 2004. Small operations account for 40% of the land cultivated and are grouped into cooperatives. In 2004, processing of sugar accounted for 16% of agricultural exports. Agriculture accounted for 6% of GDP and 19% of exports in 2004. Sugar's importance has diminished in recent years as manufacturing and tourism have grown.

Tea production in Mauritius has been on the decline, disadvantaged by production cost increases, labor shortages, and low world prices. The area under tea cultivation declined from 2,905 hectares (7,178 acres) in 1990 to 674 in 2004. Tobacco production was 357 tons in 2004, and now provides the raw material for most locally produced cigarettes. In recent years, horticultural products have been successfully grown for export, including flowers (mainly anthuriums), tropical fruits, and vegetables.

Other crops and 2004 yields were (in thousands of tons): tea, 8.7; potatoes, 11.2; tomatoes, 14.4; bananas, 12; cucumbers, 6.9; and cabbage, 6.5. Almost any crop can be grown on Mauritius, but the shortage of land means almost all cereals must be imported, including rice, the staple food. Potatoes and other vegetables are grown in the sugar fields between rows of cane.

## 2<sup>3</sup> ANIMAL HUSBANDRY

In 2005, Mauritius had 93,000 goats, 28,000 head of cattle, 11,500 pigs, and 9.8 million chickens. That year, 4,000 tons of cow milk, 30,500 tons of meat, and 5,200 tons of hen eggs were produced.

## 2<sup>4</sup> FISHING

The total catch in 2003 was 11,169 tons, a decline from 21,157 tons in 1993. In 2003, about 16% of the catch consisted of snapper. Exports of fish products were valued at nearly \$75.1 million in 2003.

## 2<sup>5</sup> FORESTRY

About 8% of the total land area of Mauritius is classified as forest. Roundwood removals were an estimated 13,550 cu m (478,300 cu ft) in 2004, half of it burned as fuel. Sawn wood production was about 3,000 cu m (106,000 cu ft) in 2004.

## 2<sup>6</sup> MINING

There were few mineral resources in Mauritius. In 2004, Mauritius produced 89,400 metric tons of fertilizers, an estimated 7,700 metric tons of marine salt, and 65,000 metric tons of semi-manufactured steel. Historically, mineral output consisted of the local production and use of basalt construction stone, coral sand, lime from coral, and solar-evaporated sea salt. Concerns have been raised about the impact of coral sand mining on coastal lagoons. Polymetallic nodules occurred on the ocean floor, northeast of Tromelin Island, containing iron, manganese, and cobalt. However, these minerals were abundant on land. The near-term outlook for the exploitation of minerals other than construction materials was negligible.

## 2<sup>7</sup> ENERGY AND POWER

Mauritius, as of 1 January 2005 had no proven reserves of crude oil, natural gas, coal or petroleum refining capacity. As a result it is totally dependent upon imports to meet its fossil fuel needs.

In 2004, imports and consumption of refined petroleum products averaged 27,000 barrels per day. In 2003 demand for coal came to 320,000 short tons.

As of 1 January 2003, installed electric power generating capacity totaled 0.655 million kW, of which 91.6% of capacity was dedicated to conventional thermal fuel sources in 2002, and the remainder to hydropower. Electric power production totaled 1.94 billion kWh and consumption 1.81 billion kWh. A significant portion of all primary energy consumed comes from bagasse, or sugarcane waste.

## 2<sup>8</sup> INDUSTRY

Since 1986, Export Processing Zone (EPZ) export earnings have led those of the sugar sector. Investors are primarily from Mauritius itself and Hong Kong. The textile industry was the leading sector in the EPZ, with more than 90% of the EPZ's goods being produced for the United States and Europe; with the change in Mauritius's trade status taking effect in 2005, export earnings were under severe pressure. Other important products include chemicals, electronics, nonelectrical machinery, transportation equipment, precision engineering, skilled crafts, toys, nails, razor blades,

and tires. Industry accounted for 29.9% of GDP in 2005. Mauritius is also emerging as a major business and financial center.

Manufacturing centers on the processing of agricultural products, sugarcane in particular. Of the 20 large sugar-producing estates 17 have their own factory. Normal production varies between 600,000 to 700,000 metric tons, but adverse weather during the late 1990s reduced these figures. Molasses and rum are among the sugar by-products produced in Mauritius. Local tobacco is made into cigarettes, and factories are maintained to process tea. Other small industries produce goods for local consumption, such as beer and soft drinks, shoes, metal products, and paints.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

In 1997, (the latest year for which data is available) there were 201 scientists and engineers and 126 technicians per million people that were engaged in research and development (R&D), R&D expenditures that year totaled \$27.659 million or 0.29% of GDP. Of that amount, government sources accounted for 94.7%, with foreign sources accounting for the remaining 5.3%. High technology exports in 2002 totaled \$29 million, or 2% of the country's manufactured exports.

The Mauritius Institute in Port Louis, founded in 1880, is a research center for the study of local fauna and flora. The Mauritius Sugar Industry Research Institute, founded in 1953, is located at Réduit. The University of Mauritius, founded in 1965 at Réduit, has schools of agriculture, engineering, and science. In 1987–97, science and engineering students accounted for 14% of college and university enrollments. The Regional Sugarcane Training Center for Africa, located in Réduit, is sponsored by the United Nations Development Program. The Port Louis Museum maintains collections of fauna, flora and geology of Mauritius and other islands of the Mascarene region.

## 3<sup>0</sup> DOMESTIC TRADE

Port Louis is the commercial center and the chief port. A wide variety of goods are distributed through the standard channels of importers, wholesalers, retailers, and supermarkets. Franchising, mainly in restaurants, has become more popular in the past few years. The nation's first McDonald's opened in 2001.

The government maintains price and markup controls on a number of consumer goods, including rice, onions, iron and steel bars, edible oils, certain appliances, pharmaceuticals, sporting goods, timber, and many others. A 1998 Consumer Protection Act extends government pricing controls to several other basic commodities, such as cheese, butter, canned and frozen meats, and sugar. There is a 15% VAT tax.

The Mauritius Freeport, a customs duty-free zone in the port and airport, turned the country into a major regional distribution, transshipment, and marketing center. This zone provides facilities for warehousing, transshipment operations and minor processing, simple assembly, and repackaging.

Business hours are from 9 AM to 4 PM, Monday–Friday, and 9 AM to 12 PM on Saturday. Banks are open from 9:30 AM to 2:30 PM, Monday–Friday, and 9:30 to 11:30 AM on Saturday. Shops operate from 9:30 AM to 5 PM, Monday through Friday, and from 9 AM to 12 PM on Saturday. Most business is conducted in English and French.

**Principal Trading Partners – Mauritius (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,862.1	2,389.5	-527.4
United Kingdom	574.3	78.0	496.3
France-Monaco	396.3	286.0	110.3
United States	325.3	62.5	262.8
Madagascar	116.9	50.4	66.5
Italy-San Marino-Holy See	68.5	75.6	-7.1
Germany	55.7	77.6	-21.9
Belgium	34.1	33.9	0.2
Netherlands	30.7	24.0	6.7
South Africa	28.2	288.7	-260.5
Spain	23.6	39.8	-16.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.**3<sup>1</sup> FOREIGN TRADE**

Export revenues from the Export Processing Zone (EPZ) in the early 2000s amounted to 75% of total exports; and over \$1.2 billion in receipts. Over half of Mauritius's exports are comprised of clothes and textiles, while the majority of the remainder belongs to the sugar trade. With the change in trade status and new pricing structures for the EU going into effect, Mauritius's exports were likely to suffer. In 2004, Mauritius's principal export partners were: the United Kingdom (33.1%), France (20.4%), the United States (14.8%), Madagascar (5.1%), and Italy (4.1%). The principal import partners in 2004 were: South Africa (11.3%), China (9.4%), India (9.3%), France (9.2%), Bahrain (5.3%), and Japan (4.1%).

**3<sup>2</sup> BALANCE OF PAYMENTS**

Mauritius imports more than it exports, but the difference is taken care of by revenues from tourism and other services. In 2005, the value of Mauritius's exports was estimated at \$1.949 billion, and imports were estimated at \$2.507 billion. The current-account balance was estimated at \$151 million in 2005. Mauritius had \$1.605 billion in foreign exchange reserves and gold in 2005. The country held an external debt burden of \$2.958 billion.

**3<sup>3</sup> BANKING AND SECURITIES**

The Bank of Mauritius is the central bank. The Development Bank of Mauritius was established in March 1964 to provide loans for agricultural and industrial enterprises. There were 10 commercial banks operating in the country in 2002. Three were locally owned, including The Mauritius Commercial Bank Limited and the Sate Bank of Mauritius Limited, both of which dominated the market. The government-controlled Development Bank of Mauritius Limited provides loans to industry. The other seven banks are offshore, offering attractive tax rates, especially to US investment in India. Foreign exchange reserves at the Bank of Mauritius stood at \$840 million in 1997, and were expected to reach \$875 million

by mid-1998. Total commercial bank assets were estimated at \$3.4 billion.

The government made it clear early in the first quarter of 1997 that the Bank of Mauritius would intervene in the foreign exchange market in order to stabilize the value of the rupee. Interventions by the central bank helped the rupee to rebound after its decline against most foreign currencies, during the first nine months of 1996. In 1997, the Mauritian rupee was freely convertible.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$530.5 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$3.6 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 7.25%.

A market for securities or shares was not new to Mauritius when the Stock Exchange of Mauritius (SEMDEX) opened in 1989. Shares of companies had been traded in Mauritius in a market environment since the nineteenth century. The main difference between the market organized by *Chambre de Courtiers de l'île Maurice* and the market in its present form is the legal framework within which dealings in shares must now take place, and the regular meetings for share dealing. The stock market was opened to foreigners in 1994. In 2001, the market had 40 listed companies, and a capitalization that grew from \$55 million in 1989 to \$1.8 billion in 1997, but then had declined to \$1.1 billion by 2001. As of 2004, a total of 41 companies were listed on the SEMDEX, with a total capitalization of \$2.379 billion. In 2004, the SEMDEX rose 29.3% from the previous year to 710.8.

**3<sup>4</sup> INSURANCE**

There are at least 20 insurance companies operating in Mauritius. In 2003, the value of all direct insurance premiums written to-

**Balance of Payments – Mauritius (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>121.7</b>
Balance on goods		-277.7
Imports	2,216.7	
Exports	1,939.0	
Balance on services		373.7
Balance on income		-30.1
Current transfers		55.8
<b>Capital Account</b>		<b>-0.9</b>
<b>Financial Account</b>		<b>89.7</b>
Direct investment abroad		6.0
Direct investment in Mauritius		62.6
Portfolio investment assets		-27.1
Portfolio investment liabilities		8.9
Financial derivatives		...
Other investment assets		-22.8
Other investment liabilities		62.0
<b>Net Errors and Omissions</b>		<b>11.8</b>
<b>Reserves and Related Items</b>		<b>-222.4</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

taled \$241 million, of which life insurance premiums accounted for \$146 million. As of that same year, Mauritius's top nonlife insurer was Swan, with gross written nonlife premiums of \$20.7 million. The country's leading life insurer in 2003 was BAI, which had gross written life insurance premiums of \$47.7 million.

### 35 PUBLIC FINANCE

From the mid-1970s to 1981, the ratio of fiscal deficit to GDP increased from under 10% to 14%, due to deficit public spending. During the 1980s, an export-oriented economy caused the fiscal deficit to decline to 3% of GDP by 1989, and to 2% by 1991. In 1997, the deficit reached 4.6%, but the government announced measures that aimed at reducing the figure to 3.6% of GDP. The government's plan did not work; by fiscal year 2001/2002, the deficit had climbed to 6.3%. The new goal is to bring the deficit down to 3% of GDP by fiscal year 2005/2006.

The US Central Intelligence Agency (CIA) estimated that in 2005 Mauritius's central government took in revenues of approximately \$1.3 billion and had expenditures of \$1.7 billion. Revenues minus expenditures totaled approximately -\$393 million. Public debt in 2005 amounted to 26.2% of GDP. Total external debt was \$2.958 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were R32,919 million and expenditures were R37,972 million. The value of revenues in US dollars was us\$1,180 and expenditures us\$1,304, based on a market exchange rate for 2003 of us\$1 = R27.901 as reported by the IMF. Government outlays by function were as follows: general public services, 24.5%; defense, 0.8%; public order and safety, 7.6%; economic affairs, 11.9%; environmental protection, 4.2%; housing and community amenities, 4.5%; health, 8.4%; recreation, culture, and religion, 2.2%; education, 15.8%; and social protection, 20.1%.

#### Public Finance – Mauritius (2003)

(In millions of rupees, central government figures)

	32,919	100.0%
<b>Revenue and Grants</b>	<b>32,919</b>	<b>100.0%</b>
Tax revenue	26,121	79.3%
Social contributions	1,256	3.8%
Grants	363	1.1%
Other revenue	5,180	15.7%
<b>Expenditures</b>	<b>37,972</b>	<b>100.0%</b>
General public services	9,303	24.5%
Defense	299	0.8%
Public order and safety	2,897	7.6%
Economic affairs	4,518	11.9%
Environmental protection	1,602	4.2%
Housing and community amenities	1,723	4.5%
Health	3,177	8.4%
Recreational, culture, and religion	835	2.2%
Education	5,997	15.8%
Social protection	7,621	20.1%

(...) data not available or not significant.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

### 36 TAXATION

As of 30 June 2005, Mauritius had a corporate income tax rate of 25%. However, companies that are awarded Tax Incentive Certificates by the government are eligible for a reduced tax rate of 15%. Effective 1 July 1998, offshore companies incorporated on or after this date were required to pay tax at a rate of 15%. In addition, mutual funds, unit trusts, and certain other types of companies pay a reduced rate of 15%. Companies granted a Global Business License are taxed at 15% and are eligible for other tax reductions and exemptions. Mauritius has double-taxation prevention treaties with about 30 countries. Generally, capital gains are not subject to an income tax. However, capital gains resulting from the disposal of land can be subjected to a separate tax. Land development taxes can also be assessed. Dividends are tax exempt.

The progressive scale for individual income tax, ranging from 5–30%, has been replaced by a simpler split schedule of two rates on taxable income: 15% on taxable income to 25,000 Rupees (about \$860), and 25% on the rest. Social Security taxes are also assessed.

A general sales tax (GST) averaging 5% was imposed in 1983. As of 7 September 1998, the GST was replaced by a value-added tax (VAT) with a standard rate of 10%. On 1 July 2001, the standard rate was raised to 12%, and then, as of 7 January 2002, to 15%, where it remained as of 2005. The VAT applies to all goods and services except those specifically exempted. The exempt list includes basic foodstuffs, basic services (medical, hospital and dental), basic utilities (water and electricity), and all exported goods and service.

### 37 CUSTOMS AND DUTIES

Mauritius maintains a list of preferred trading partners to which it gives preferential tariff rates. Taxes on imports from the preferred list are levied at 0–80%. Imports of goods from other countries, at the 55% rate or higher, are subject to an additional 10% duty. A value-added tax (VAT) of 15% is levied on all imports. Vehicles, petroleum, alcohol, cigarettes, and furniture are subject to special excise duties of up to 360%.

Most imports require a license and state enterprises control the import of rice, wheat, flour, petroleum, cement, tea, tobacco, and sugar. There are few export controls, except the need for licenses to export sugar, tea, vegetables, fruits, meat, fish, textiles, pharmaceuticals, gold, live animals, coral, and shells.

Mauritius is a member of the South African Development Community (SADC), whose objective is creation of a free trade area by 2005. The country is also a member of the Common Market for Eastern and Southern Africa (COMESA), which gives preferential rates of duty between member states.

### 38 FOREIGN INVESTMENT

The government offers a variety of investment incentives, including, for industries in the Export Processing Zone, a corporate tax exemption of at least 10 years; an exemption from import duties on capital goods and most raw materials; free repatriation of profits, dividends, and invested capital; and a waiver of income taxes on dividends for 10 years. All foreign investment must obtain approval from the prime minister's office, except in the offshore busi-

ness center and the stock exchange. Businesses in Freeport receive exemption from company tax and tax on dividends, preferential rates for storage, halved port handling charges, and exemption from import duty and sales tax on finished goods and machinery. Foremost among foreign investors are those from Hong Kong, followed by French, South African, German, and Indian interests.

Foreign ownership of services such as accounting, law, medicine, computer services, international marketing, and management consulting was limited to 30% in 1997. Ownership of investments serving the domestic market was limited to 49%. In December 2000, the Investment Promotion Act was passed, designed to streamline the investment process.

Total foreign direct investment (FDI) was \$33 million in 1996. (However, because foreign investors have not been registering with the Central Bank since the abolition of exchange controls in 1994, it is generally cautioned that official statistics underestimate the amount of foreign investment in the country. Not included is the increasingly important offshore financial sector.) In 1997, FDI inflow rose to \$56 million, mainly due to investments from South Africa in the banking sector. FDI inflow fell to \$12.7 million in 1998, but increased to \$55 million in 1999, most investments coming from South Africa. In 2000, FDI inflow reached almost \$260 million, mostly due to France Telecom's purchase of a 40% share of Mauritius Telecom as part of their strategic alliance. Most investments in Mauritius's Export Processing Zone (EPZ) have been in low-skilled manufacturing enterprises in textiles, garments, toys, and leather goods.

In the mid-2000s, some leading sectors for investment included: information and communications technology; telecommunications and broadcasting equipment and services; environment and water; pharmaceuticals and medical equipment and supplies; tourism; and financial services.

### **39 ECONOMIC DEVELOPMENT**

France has backed training for labor, a stock exchange (which opened under the Stock Exchange Act of 1988), and irrigation projects. The EU is supporting efforts at diversifying agriculture. The Mauritius plan to become an international financial center advanced as liberalized currency rules were put into effect in 1986. In 1995, Mauritius became the 12th member of the Southern African Development Community (SADC). Mauritius intended to invest up to \$1.5 billion in infrastructure development projects from 1997 to 2007.

The government is putting effort into information and communications technologies, in an effort to diversify the economy away from its reliance upon sugar, textiles and apparel, and tourism. The government developed a five-year Sugar Sector Strategic Plan for 2001–05, to restructure the sugar industry, including reducing the labor force and the number of sugar mills in operation. The country's export processing zone firms have sizeable investments in Madagascar's export processing zone, and have been affected by political upheavals there. Nonetheless, growth in Mauritius was strong in the mid-2000s, and social conditions were improving. A rising unemployment rate is a concern, however (the unemployment rate was estimated at 10.5% in 2005). The government has

passed anti-money laundering and antiterrorism legislation. With GDP growth rates averaging 5–6% in the mid-2000s, Mauritius's economic success was reflected in more equitable income distribution, reduced infant mortality rates, increased life expectancy, and greatly-improved infrastructure.

### **40 SOCIAL DEVELOPMENT**

Mauritius has a universal system of pensions that supplements an earnings-related pension system. The universal pension covers all residents, and is financed entirely from government sources. The universal pension pays a fixed sum according to the age of the pensioner. Employee pension benefits are determined by the number of years worked. A program of family allowances assists needy families with more than three children. Employment-related sickness and maternity benefits are provided, as well as worker's compensation and unemployment benefits, rent assistance, and a funeral grant.

The constitution prohibits discrimination based on gender. Although women do not face significant legal discrimination, most remain limited to traditional subordinate roles in the household and in the workplace. Domestic violence is pervasive and is often related to drug and alcohol abuse. The government is strengthening laws to protect women, although most stay with abusive spouses for financial and cultural reasons. The government is committed to promoting the rights of children.

Ethnic tensions exist between majority Hindus and minority Muslims. Human rights are generally respected, but there are reports of the mistreatment of prisoners and suspects.

### **41 HEALTH**

As of 2004, there were an estimated 85 physicians, 232 nurses, and 13 dentists per 100,000 people. In the same year total health care expenditure was estimated at 3.4% of GDP. In 2000, 100% of the population of Mauritius had access to safe water and 100% had adequate sanitation.

The average life expectancy in Mauritius in 2005 was 72.38 years and the infant mortality rate was 15.03 per 1,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at 16.34 and 6.8 per 1,000 people respectively. The maternal mortality rate was 50 per 100,000 live births. As of 2000, 75% of married women (ages 15 to 49) were using contraception.

According to World Health Organization reports, 5.3% of children 3–6 years of age were anemic. Immunization rates for children up to one year old were: diphtheria, pertussis, and tetanus, 89%, and measles, 85%. The island of Mauritius has a high prevalence of non-insulin dependent diabetes. Physical inactivity and glucose intolerance through obesity are suggested culprits.

The high rates of coronary heart disease seen in Asian Indians, African-origin Creoles, and Chinese in this rapidly developing country may point to future problems in this region. Most deaths are cardiovascular-disease related.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 700 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

## 42 HOUSING

There are three basic types of houses: wattle and daub construction with thatched roofs; galvanized sheet-iron structures; and houses constructed of wood. In 2000, There were 297,671 housing units nationwide. Of these, about 65% were detached houses, 24.5% were semidetached homes or blocks of flats. About 99% of all dwellings were privately owned. Most households have three to five people. About 83.7% of all dwellings have indoor piped water, 99% have electricity, 87.8% have an indoor kitchen, and 74.8% have an indoor bathroom.

## 43 EDUCATION

Education is free up to college level and is compulsory for six years. The educational system is based largely in the British school system. Primary school covers six years of study. This is followed by seven years of secondary studies (five years lower and two years upper). The academic year runs from August to May.

In 2001, about 87% of children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 97% of age-eligible students. The same year, secondary school enrollment was about 74% of age-eligible students. It is estimated that nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 25:1 in 2003; the ratio for secondary school was about 20:1. In 2000, private schools accounted for about 23.9% of primary school enrollment and 72.7% of secondary enrollment.

Postsecondary institutions include the University of Mauritius; the University of Technology, Mauritius; the Mauritius College of the Air; the Mauritius Institute of Education; and the Mahatma Gandhi Institute. There are several polytechnical schools and about 30 private organizations that offer tertiary-level programs of study. Many university students study in Europe, India, Australia, and the United States. In 2003, about 15% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 84.3%, with 88.2% for men and 80.5% for women.

As of 2003, public expenditure on education was estimated at 4.7% of GDP, or 12.1% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

Libraries include the Mauritius Institute Public Library (75,000 volumes), the Mauritius Archives (36,000), the University of Mauritius Library (100,000), and the Port Louis City Library (110,000). The National Library, located at Port Louis and opened in 2000, has a collection of 230,000 items. The Sugar Industry Research Institute Library maintains a unique collection of 29,870 volumes on all aspects of sugarcane cultivation and manufacture. The Mahatma Gandhi Institute in Moka operates a library as well.

The Mauritius Museums Council operates the Natural History Museums (1880) in Port Louis and in Mahébourg (1950). The Folk Museum of Indian Migration is in Moka at the Mahatma Gandhi Institute. Port Louis is also home to a historical museum and a natural history museum.

## 45 MEDIA

All parts of the island are linked by telegraph, telephone, and postal services. In 2003, there were an estimated 285 mainline telephones for every 1,000 people; about 13,500 people were on a waiting list for telephone service installation. Also in 2003, there were approximately 267 mobile phones in use for every 1,000 people.

The state-owned Mauritius Broadcasting Corp. provides radio and television service in French, English, Hindi, and Chinese. In 2001, the government established the Independent Broadcast Authority, which is intended to formulate regulations for private broadcast licenses. The members of the group are primarily representatives of government ministries and the chair is appointed by the prime minister. In 2004, there were three independent, privately owned radio stations in operation. There were no private television stations. In 2003, there were an estimated 379 radios and 299 television sets for every 1,000 people. The same year, there were 116.5 personal computers for every 1,000 people and 123 of every 1,000 people had access to the Internet. There were 19 secure Internet servers in the country in 2004.

There are over a dozen privately owned newspapers across the country. Leading daily newspapers (with 2002 circulations) include *L'Express* (35,000), *Le Mauricien* (35,000), *The New Nation* (15,000), and *The Sun* (unavailable), each published in Port Louis in both French and English. There are three major Chinese language newspapers.

Free speech and press are constitutionally provided and said to be respected by the government.

## 46 ORGANIZATIONS

There are various commercial and scholarly organizations of the Western type, including the Mauritius Chamber of Commerce and Industry; the Indian Traders' Association; the Mauritius Employers' Federation; The Mauritius Cooperative Agricultural Federation (which had 209 member societies in 1993); and the Mauritius Cooperative Union.

National youth organizations include the Young Socialists, the Mauritius Scout Association, the Mauritius Student Association for the United Nations, the Mauritius Union of Students' Councils, the Mauritius World Federalist Youth, the Mauritius Young Communist League, Junior Chamber, the National Federation of Young Farmers Clubs, and YMCA/YWCA. Several sports associations are active, including those representing such sports as taekwon do, squash, tennis, yachting, and badminton. The International Council of Hindu Youth also has a base in Mauritius.

The Institute for Consumer Protection, founded in 1983, serves as both a consumer protection agency and as an agency for the promotion of maternal and infant health. International organizations with active chapters in the country include Amnesty International, Caritas, and the Red Cross. The multinational Indian Ocean Commission, founded in 1982, is based in Mauritius.

## 47 TOURISM, TRAVEL, AND RECREATION

The government has made efforts to promote upscale tourism and attract visitors from more countries. In addition to the nation's beaches, lagoons, and other scenic sites, tourist attractions in-

clude the colonial architecture of Port Louis, an extinct volcano in Curepipe, the fishing port and naval museum at Mahebourg, and the Botanical Gardens at Pamplemousses. Football (soccer) is the national sport. Badminton, volleyball, basketball, tennis, and water sports are also popular. Many of the hotels also have golf facilities.

In 2003, about 702,000 tourists visited Mauritius, of whom 28% came from France. That year there were 9,647 hotel rooms with 19,727 beds and a 63% occupancy rate. Tourist expenditure receipts totaled \$946 million.

Visitors must have a valid passport, onward/return ticket, hotel confirmation, and sufficient funds for the stay. All travelers are required to carry a visa except nationals from the United States and most European countries.

In 2005, the US Department of State estimated the cost of staying in Mauritius at \$216.

#### 48 FAMOUS MAURITIANS

Sir Seewoosagur Ramgoolam (1900–85), the first leader of independent Mauritius, was prime minister from 1968 to 1982, when Anerood Jugnauth (b.1930) succeeded him. Jugnauth served as prime minister from 1982–95, and then again from 2000–03, when he was named president. Navinchandra Ramgoolam (b.1947), was prime minister from 1995–2000, and then again beginning in 2005.

#### 49 DEPENDENCIES

Dependencies are the Agalega Islands and the St. Brandon Group.

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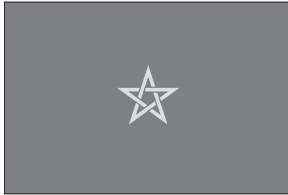
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# MOROCCO

Kingdom of Morocco  
*Al-Mamlakah al-Maghribiyah*

**CAPITAL:** Rabat

**FLAG:** The national flag consists of a green five-pointed star at the center of a red field.

**ANTHEM:** The *Hymne Chérifien* is a twentieth-century composition without words.

**MONETARY UNIT:** The dirham (DH) is a paper currency of 100 Moroccan centimes. There are coins of 1, 5, 10, and 20 Moroccan centimes and ½, 1, and 5 dirhams, and notes of 5, 10, 50, 100, and 200 dirhams. DH1 = \$0.11390 (or \$1 = DH8.78) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Anniversary of the King's Accession, 3 March; Labor Day, 1 May; National Day, 14 August; Anniversary of the Green March, 6 November; Independence Day, 18 November. Movable religious holidays include 'Id al-Fitr, 'Id al-Adha, 1st of Muharram (Muslim New Year), and Milad an-Nabi.

**TIME:** GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated at the northwestern corner of Africa, with its northernmost point only 29 km (18 mi) south of Gibraltar, Morocco claims a total area of 446,550 sq km (172,414 sq mi), of which the Western Sahara comprises 252,120 sq km (97,344 sq mi). The Western Sahara is claimed and administered by Morocco, but as of 2006, sovereignty remained unresolved. Comparatively, the area occupied by Morocco is slightly larger than the state of California. Morocco extends 1,809 km (1,124 mi) NE–SW and 525 km (326 mi) SE–NW. Morocco proper is bordered on the N by the Mediterranean Sea and the two Spanish enclaves of Ceuta and Melilla, on the E and SE by Algeria, on the S by Western Sahara, and on the W by the Atlantic Ocean, with a total land boundary length of 2,018 km (1,254 mi) and a coastline of 1,835 km (1,140 mi).

Morocco's capital city, Rabat, is located on the Atlantic coast.

## <sup>2</sup> TOPOGRAPHY

Morocco proper is divided into three natural regions: (1) the fertile northern coastal plain along the Mediterranean, which also contains Er Rif, mountains varying in elevation up to about 2,400 m (8,000 ft); (2) the rich plateaus and lowlands lying between the three parallel ranges of the rugged Atlas Mountains, which extend from the Atlantic coast in the southwest to Algeria and the Mediterranean in the northeast; and (3) the semiarid area in southern and eastern Morocco, which merges into the Sahara Desert. The Atlas Mountains, with an average elevation of 3,350 m (11,000 ft), contain some of the highest peaks of North Africa, including Mt. Toubkal (4,165 m/13,665 ft), the highest of all. South of the Atlas are the Anti-Atlas Mountains, with volcanic Mt. Siroua (3,300 m/10,800 ft). The Western Sahara is rocky, sandy, and

sparsely populated, unsuited for agriculture but rich in phosphate deposits.

Morocco has the most extensive river system in North Africa. Moroccan rivers generally flow south or westward to the Atlantic or southeastward toward the Sahara; the Moulouya (Muluya), an exception, flows 560 km (348 mi) northeast from the Atlas to the Mediterranean. Principal rivers with outlets in the Atlantic are the Oumer, Rebia, Sebou (Sebu), Bou Regreg, Tensift, Draa, and Sous (Sus). The Ziz (Zis) and Rheris are the main rivers flowing southward into the Sahara.

## <sup>3</sup> CLIMATE

The rugged mountain ranges and the Atlantic Ocean moderate the tropical heat of Morocco. Temperatures in Casablanca range from an average minimum of 7°C (45°F) to a maximum of 17°C (63°F) in January and from a minimum of 18°C (64°F) to a maximum of 26°C (79°F) in July. Temperature variations are relatively small along the Atlantic coast, while the interior is characterized by extreme variations. The eastern slopes of the Atlas Mountains, which divert the moisture-laden Atlantic winds, have a rigorous pre-Saharan climate, while the western slopes are relatively cool and well watered. The rainy seasons are from October to November and from April to May. Maximum annual rainfall (75–100 cm/30–40 in) occurs in the northwest. Other parts of the country receive much less; half of all arable land receives no more than 35 cm (14 in) a year.

## <sup>4</sup> FLORA AND FAUNA

Extensive stands of cork oak exist in the Atlantic coastal region, while rich evergreen oak, cedar, and pine forests are found on the slopes of the Atlas. In the steppe region, shrubs, jujube trees, and the mastic abound, and along the wadis there are poplars, wil-



lows, and tamarisks. The olive tree is widely distributed, but the oil-yielding argan tree, unique to Morocco, grows only in the Sous Valley. The desert is void of vegetation except for occasional oases. Although the lion has disappeared, panthers, jackals, foxes, and gazelles are numerous. The surrounding waters abound in sardines, anchovies, and tuna. As of 2002, there were at least 105 species of mammals, 206 species of birds, and over 3,600 species of plants throughout the country.

## 5 ENVIRONMENT

Livestock overgrazing, clearing of forests for fuel, and poor soil conservation practices have led to soil erosion and desertification. Pollution of Morocco's water and land resources is due to the dumping of industrial wastes into the ocean, the country's inland water sources, and the soil. Water supplies have also been contaminated by the dumping of raw sewage and coastal waters have been polluted by oil. The nation has about 29 cu km of renewable water resources. Ninety-two percent of the annual water withdrawal is used in farming and 3% for industrial activity. About 99% of the nation's cities have improved water sources, but only 56% of rural dwellers have the same access. Morocco's cities have produced about 2.4 million tons of solid waste per year. The nation's environment is further challenged by pesticides, insect infestation, and accidental oil spills. The Ministry of Housing Development and Environment considers environmental impact as an integral part of its development strategy.

Destruction of wildlife has occurred on a large scale, despite strict laws regulating hunting and fishing. Moreover, the drainage of coastal marshlands to irrigate cultivated land has significantly reduced the numbers of crested coots, purple herons, and marbled and white-headed ducks. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 12 types of mammals, 13 species of birds, 2 types of reptiles, 2 species of amphibians, 11 species of fish, 8 species of invertebrates, and 2 species of plants. Endangered species in Morocco include the Barbary hyena, Barbary leopard, waldrapp, Spanish imperial eagle, Mediterranean monk seal, and Cuvier's gazelle. The Bubal hartebeest is extinct. The Sahara oryx is extinct in the wild.

## 6 POPULATION

The population of Morocco in 2005 was estimated by the United Nations (UN) at 30,704,000, which placed it at number 37 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 30% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 1.6%, reflecting the decline in fertility rate to 3.3 births per woman. The projected population for the year 2025 was 38,762,000. The population density was 69 per sq km (178 per sq mi); however, the population density is highest in the plains and coastal areas of northwestern Morocco. Most of the population lives in the fertile plains or near the Mediterranean coast.

The UN estimated that 57% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.56%. The capital city, Rabat, had a population of 1,759,000

in that year. Other major cities and their estimated populations are Fès (Fez), 1,032,000; Oujda, 962,000; Marrakech, 951,000; Kénitra, 905,000; Tétouan, 856,000; Safi, 845,000; Meknès, 750,000; and Tangier, 669,685.

## 7 MIGRATION

The Moroccan government encourages emigration because of the benefit to the balance of payments of remittances from Moroccans living and working abroad. Remittances in 2003 amounted to \$3.2 billion. In the first half of the 1990s, about 585,000 Moroccans lived in France, nearly 142,000 in Belgium, some 67,500 in Germany, almost 157,000 in the Netherlands, and 50,000 in Spain. There is some seasonal migration within Morocco as workers move into cities and towns after planting and harvesting are finished. Over 200,000 people migrate permanently to the cities each year; the urban share of the total population increased from 29% to 48% between 1960 and 1994.

Spain has two enclaves on the Moroccan coast, Melilla and Ceuta, that are ringed by fences to keep Moroccans and other Africans out. In August 2004, several hundred Africans attempting to migrate to Europe broke through the fence at Melilla. According to Migration News, there are an estimated 10,000 sub-Saharan migrants in Morocco waiting to cross into the enclaves.

The war in Western Sahara has been a cause of significant migration, both of settlers from Morocco proper and of refugees to Algeria, (165,000 of the latter at the end of 1992). In late 1997 and early 1998, the United Nations High Commissioner for Refugees (UNHCR) established a presence in the Western Sahara Territory. In 1999 talks were underway with local authorities to plan for the repatriation of Saharawi refugees, mostly settled in four refugee camps in Tindouf. Repatriation was tentatively scheduled to begin in 2000. The number of migrants in Morocco in 2000 was 26,000. By the end of 2004 there were 2,302 persons of concern to UNHCR in Morocco: 2,121 refugees, 4 stateless persons, and 177 asylum seekers. In 2004, 267 Moroccans applied for asylum in Germany. In 2005, the net migration rate was an estimated 0.92 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

Arab-Berbers constitute 99.1% of the total population. Berbers, who comprise an estimated 60% of the population, are concentrated largely in the northern regions of the Rif, the middle plains of the Atlas, and the Sous Valley. Arabs are distributed principally along the Atlantic coastal plain and in the cities. The Berbers and Arabs are closely intermingled and bilingualism is common. Formerly the Jewish community played a significant role in the economic life of the country, but its numbers decreased from about 227,000 in 1948 to an estimated 10,000 in 1989. Jews make up only about 0.2% of the population. Other groups made up the remaining 0.7%, including French, Spanish, Italian, and Algerian nationals living in Morocco.

## 9 LANGUAGES

Although classical Arabic is the written and official language, Maghribi Arabic, a dialect peculiar to Morocco, is widely spoken; it can hardly be understood by Arabs of the Middle East. Berber



LOCATION: 27°40' to 35°56' N (23° to 35°56' N including Western Sahara); 0°58' to 13° W (0°58' to 16°21' W including Western Sahara). BOUNDARY LENGTHS: (excluding Western Sahara): total coastline, 1,835 kilometers (1,140 miles); Algeria, 1,559 kilometers (974 miles); Western Sahara, 443 kilometers (275 miles). TERRITORIAL SEA LIMIT: 12 miles.

dialects, principally Rifi, Tamazight, and Tashilhit, are spoken in more remote mountainous areas by about one-third of the populace. However, in an effort to preserve their cultural and linguis-

tic heritage, the Berbers have successfully campaigned for government support of Berber language education. Berber has been taught at some primary schools and the government has prom-

ised to include Berber classes in all public schools by the 2008–09 school year. French is often used as the language of business, government, and diplomacy. Spanish is also spoken.

## 10 RELIGIONS

More than 99% of Moroccans are Sunni Muslims. The activity of other sects (chiefly Sufi) has diminished since independence. Most of the country's practicing Christians are part of the foreign community, with a majority of them affiliated with the Roman Catholic church. Rabat and Casablanca have small Protestant communities. There are only about 5,000 Jews in the country, also mostly in the Casablanca and Rabat urban areas. There are small numbers of Baha'is and Hindus.

Islam was officially declared the state religion in 1961, but full religious freedom is theoretically accorded to Christians and Jews. Under the leadership of King Mohammed VI (since 1999), the government has generally encouraged and promoted tolerance and respect among religions. For instance, in 1998 the government created a department for the study of comparative religions at the University of Rabat. However, the government does place several restrictions on religious activities and participation. It is illegal to attempt to convert any Muslim to another faith or to distribute non-Muslim Arabic-language literature, such as Bibles, and traditional Islamic law requires punishment for Muslims who convert.

## 11 TRANSPORTATION

The road network in 2002 extended 57,694 km (35,886 mi), of which 32,551 km (20,247 mi) were paved, including 481 km (299) of expressways. There were 1,360,000 passenger cars and 400,000 commercial vehicles in use in 2003.

The railroad system is administered by the National Railroad Office and consists of 1,907 km (1,185 mi) of standard-gauge railways, about 1,003 km (623 mi) of which are electrified. Diesel-operated trains are used on the remainder. The main lines run from Marrakech to Casablanca, Rabat, and Sidi Kacem and then branch north to Tangier and east to Meknès, Fès, and Oujda (on the Algerian border).

Casablanca is by far the most important port; second-largest in Africa, it accounted for 40% of goods loaded and unloaded. Tangier is the principal passenger and tourist port; Mohammedia handles most oil imports and can accommodate 100,000-ton tankers. There are also regional ports at Safi, Agadir, and Nador, as well as 10 minor ports. The Moroccan Navigation Co. (Compagnie Marocaine de Navigation-COMANAV), the largest shipping company, is 96% government owned. The country's merchant marine consisted of 41 vessels of 1,000 GRT or more totaling 236 131 GRT as of 2005.

Morocco has eight international airports, at Casablanca, Rabat, Tangier, Marrakech, Agadir, Fès, Oujda, and Al-Hoceima. In all there were an estimated 63 airports in 2004. As of 2005, a total of 25 had paved runways, and there was one heliport. The government-controlled Royal Air Maroc was founded in 1953 and operates flights to the United States, Latin America, Europe, Africa, and the Middle East; the airline also provides domestic service through a subsidiary, Royal Air Inter. In 2003, about 2.565 million passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

The Berbers, the earliest known inhabitants of Morocco, suffered successive waves of invaders in ancient times: the Phoenicians, Carthaginians, Romans (1st century BC), Vandals (5th century AD), and finally the Byzantines (6th century). In 682, when the Arabs swept through North Africa, Okba (Uqba ibn-Nafi) conquered Morocco. Under successive Moorish dynasties, beginning with Idris I (Idris bin Abdallah) in 788, the Berber tribes were united and the Islamic faith and Arabic language adopted. The Idrisid dynasty, an offshoot of the Umayyad dynasty, with its capital at Fès (founded in 800), lasted until 974, when it was overthrown by the Berbers. Rising in the Sahara in the early 11th century, the powerful Muslim sect of the Almoravids extended its conquests over North Africa and ultimately into Spain. Abdallah bin Yasin, its chief, was proclaimed ruler over Morocco in 1055. In 1147, the Almohad sect (Al-Muwahhidun), led by Abd al-Mumin bin Ali, conquered the Almoravids and ruled Morocco until 1269, when the Marinid (Beni Marin) dynasty came to power.

In the 16th century, the Saudi dynasty, the new monarchical line, began. Ahmad al-Mansur (called Ad-Dahabi, "the Golden"), the greatest of the Saudi kings, ruled from 1578 to 1603 and inaugurated the golden age of Moroccan history. He protected Morocco from Turkish invasion, strengthened the country's defenses, reorganized the army, and adorned his magnificent capital at Marrakech with the vast booty captured in Timbuktu (1591). The decadence of the last Saudi kings brought Morocco under the control of the Filali dynasty, of mixed Arab and Berber descent, which continued to modern times.

Trade with France and other European countries became increasingly important in the 18th and 19th centuries, and when the French in 1844 defeated the combined Moroccan and Algerian forces at Isly, France became the ascendant power. Spain, under an agreement with France, invaded and occupied northern Morocco in 1860. There followed some 45 years of trade rivalry among the European nations in Morocco. The Act of Algeciras, signed on 7 April 1906 by representatives of the United States, Germany, the United Kingdom, France, and Spain (among others), established the principle of commercial equality in Morocco and provided for a joint Spanish-French police force in Moroccan ports.

On 30 March 1912, after France had ceded some 260,000 sq km (100,000 sq mi) of the French Congo to Germany, the French imposed a protectorate in Morocco under Marshal Louis Lyautey. The Moroccans, led by Abd al-Karim, a guerrilla leader, fought for independence in the Rif War (1921–26) but were defeated by the combined French and Spanish forces, although sporadic fighting continued in Morocco until 1934.

A nationalist movement first took shape around the Plan of Reforms (1934) submitted to the French government by a group of young Moroccans. In 1934, the National Action Bloc was formed, and Alal al-Fasi became the uncontested nationalist leader. In December 1943, the Bloc was revived as the Istiqlal (Independence) Party, which during and after World War II pressed for independence and reforms. It received support from the Sultan, Sidi Mohammed bin Yusuf, later King Mohammed V, who became the symbol of the independence struggle. He was exiled in late 1953, and two years of terrorism ensued. After lengthy negotiations, the Franco-Moroccan agreement of 2 March 1956 granted independence, and Mohammed V became king of Morocco. Incorporated

into the new nation was Tangier, once British territory, which had come under the rule of a consortium of powers in 1906 and since 1923 had been the center of an international zone.

After the death of Mohammed V on 26 February 1961, his son was crowned King Hassan II and became head of government. Hassan II increased his political power throughout the 1960s. In 1962, a constitutional monarchy was established, with the king retaining extensive powers. In June 1965, after student riots and other disorders, Hassan II declared a state of emergency and assumed all legislative and executive powers. A revised constitution promulgated in 1970 and approved by popular referendum gave the king broad personal power but reestablished parliament and ended the state of emergency. An attempted coup d'état by right-wing army officers in July 1971 forced the king to accept, at least in principle, the need for a more broadly based government. A third constitution, approved by referendum on 1 March 1972, transferred many of the king's executive and legislative powers to a parliament which was to have two-thirds of its members directly elected. However, a second coup attempt in August 1972 caused the king to renew the emergency decrees.

In 1975, after Spain announced its intention of withdrawing from sparsely populated but phosphate-rich Spanish Sahara (now the Western Sahara), the king pressed Morocco's claim to most of the territory. Following the government's well-organized "Green March" of about 350,000 Moroccans into the territory in November, Spain ceded the northern two-thirds of the region to Morocco and the southern third to Mauritania. However, Algeria refused to recognize the annexation and supported the claim to the territory by guerrillas of the Popular Front for the Liberation of Saguia al-Hamra and Río de Oro, better known as Polisario. The movement, based in the Algerian border town of Tindouf, proclaimed Western Sahara as the Saharan Arab Democratic Republic (SADR). In 1979, Mauritania renounced its claim to the southern part of the territory, which Morocco then occupied and annexed. By the early 1980s, Morocco had moved up to 100,000 soldiers into Western Sahara in a costly effort to put down the Polisario revolt. The army built a wall of earth and sand around the productive northwestern coastal region, containing about 20% of the total area, the towns of El Aaiún and Samara, and phosphate mines; later, three-quarters of the Western Sahara was enclosed. In the meantime, Polisario received not only military support, mainly from Algeria and Libya, but also diplomatic support from some 50 countries and from the OAU, which in 1982 seated a delegation from the SADR, provoking a walkout by Morocco and more than a dozen other members. In 1984, Morocco resigned from the OAU when it seated the SADR at its annual summit meeting. Earlier, in 1981, the king's agreement under African pressure for a referendum in the territory provoked strong criticism from Morocco's Socialist Party.

In 1988, UN Secretary General Perez de Cuellar persuaded Moroccan and Polisario representatives to accept a peace plan that included a cease-fire (effective in September 1991) and a referendum for the territory on independence or integration with Morocco. The vote was scheduled for 1992 but has been blocked by disagreement by the two sides on details, especially over voter eligibility. The UN force sent to mediate the struggle, MINUSRO (UN Mission for the referendum in Western Sahara) has been struggling to hold the referendum. In 1997, UN Secretary General Kofi Annan sent former US Secretary of State James Baker to

the region in hopes of ending the intransigence. Throughout the stalemate, the Moroccan government has repeatedly been accused of human rights violations in the Western Sahara.

Serious street riots, protesting against an imminent price hike for basic foodstuffs (subsequently canceled), ensued in June 1984 as the IMF demanded austerity measures in return for new credits. Between 1984 and 1994 King Hassan's government maintained close relations regionally and with Saudi Arabia and the other Gulf states and was the first Arab nation to condemn the Iraqi invasion of Kuwait. A 1984 treaty with Libya calling for a federation of the two countries was abrogated following the Libyan denunciation of the king for officially receiving Israeli Prime Minister Shimon Peres in July 1986. Israeli Prime Minister Rabin made a public visit in 1993 as the king continued to play a moderate role in the search for an Arab-Israel settlement, mediating the 1994 Israeli treaty with Jordan. In 1989, after a border agreement restored relations with Algeria, Morocco promoted the formation of the Arab Maghreb Union of the states of North Africa.

In 1993, after pro-government parties won most local elections the previous year, parliamentary elections were held. The two largest opposition parties, the Istiqlal and USFP, won over 40% of the vote, but center-right parties of the ruling coalition gained a slim majority in the vote's second stage amid charges of election fraud. When the opposition refused to join in a new coalition, a cabinet of technocrats and independents was approved by the king under Prime Minister Mohamed Karim Lamrani, who promised to accelerate the privatization of state-owned enterprises.

Meanwhile, the country's political opposition grew quite vocal in their discontent, prompting government reprisals. The country's most famous Islamist politician, Abdelsalam Yassine, was imprisoned, and Istiqlal joined forces with an Islamist organization to form a substantial opposition party. In response, King Hassan proposed in 1996 to make all of parliament directly elected—previously, one-third of the deputies were appointed, giving the king power to undermine any opposition majority. The king also proposed the creation of a second chamber of advisers—a move seen by opposition parties as simply replacing one rubber stamp chamber with another. Still, the proposals were put to a vote on 13 September and approved by, officially, 99% of the population.

Elections for the new chambers were scheduled for 1997. In the months leading up to the elections, opposition skepticism waned as the government made repeated assurances that voting would be fair and the results would be respected. In June 1997 elections for 24,523 municipal council and commune seats were held and judged to be fair. The Bloc démocratique won 31.7% of the seats, but control remained for the Entente nationale with 30.3% and the RNI, 26.4%.

Following the local elections, legislation in 1997 set up the new bicameral parliament approved in the 1996 constitutional referendum. The Chamber of Representatives would consist of 325 members directly elected for five-year terms. The Chamber of Advisors would be made up of 270 members selected by indirect election: 162 would represent local authorities, 81 trade chambers, and 27 employees' associations. In the same 1996 referendum 16 new regional councils, with members chosen for six-year terms by indirect election through an electoral college representing professions and local governments, had been established, and elections for these took place in October 1997.

The Chamber of Representatives elections took place on 14 November 1997. Fifty-eight percent of the voters participated. The Bloc démocratique won 34.3% of the vote, the Entente nationale 24.8%, and the center-right parties 27.3%. In a direct appeal to young voters on the part of most of the parties, 43% of the new chamber was made up of members under 45 years of age. Indirect elections for the Chamber of Advisors were held on 5 December 1997. The right and center-right parties predominated, as was expected, winning 166 of the 270 seats. The new two-house parliament met for the first time in January 1998.

On 4 February 1998 King Hassan appointed Abd ar-Rahman el-Yousoufi, leader of the USFP, as prime minister. This was a groundbreaking event, as it was the first time an opposition member had been appointed prime minister. The Yousoufi government attempted to tackle corruption and promote transparency of government. Though results were, on the whole, disappointing, King Hassan praised the government in March 1999.

On 23 July 1999 King Hassan died of a heart attack. He was succeeded by his eldest son, as Mohammed VI. One of his first important moves was to dismiss King Hassan's longtime interior minister and advisor, Driss Basri. Basri had been considered the real power behind King Hassan, so this move gave a clear indication that Mohammed VI planned to reign in control of his government. Upon assuming the throne, he pledged his commitment to constitutional monarchy, political pluralism and economic liberalism. Mohammed VI claimed he would address problems of poverty, corruption, and Morocco's human rights record, and would engage in job creation. His supporters are reformers and the young, but he is opposed by many Islamic conservatives.

Like most Islamic countries of the world, Morocco's government feels under threat from an internal Islamist movement, which itself is divided. The various groups have moved to fill the perceived void in social services: blood banks and medical clinics, food pantries, homeless shelters, and schools. Parliamentary elections were held on 27 September 2002, and the Islamist Justice and Development Party (PJD) trebled its seats, coming in third with 42 of 325 parliamentary seats; however, it was denied any ministerial posts in the governing coalition formed by the Socialist Union of Forces for Progress (which took 50 seats) and the nationalist Istiqlal Party (which won 48 seats). The PJD would like to see Islamic law applied nationwide, including a ban on alcohol and a provision to have women wear veils. Morocco's largest and most vocal Islamist organization, Justice and Charity, works outside of the electoral process. Justice and Charity formally rejects the king and the Moroccan constitution, and thus is prevented from participating in organized politics as a party. Justice and Charity's leader instructed his followers to boycott the elections entirely. The group is gaining in popularity; estimates place its membership from between 50,000 and 500,000, and it is especially popular among those under age 30.

Moroccan authorities began a crackdown against Islamist groups, including the Salafist Combatants, who committed crimes in the country. Mosques and bookshops were closed, and detentions and arrests of Islamists increased. Critics of the government's actions stated that the crackdown failed to address problems such as poverty and ignorance, which cause radicalism. In June 2002, three Saudis and seven Moroccan nationals, including three women, were arrested and accused of being part of an al-Qaeda plot to

plan terrorist acts in Morocco and against Western ships crossing the Strait of Gibraltar.

On 11 July 2002, Moroccan frontier guards planted the national flag on the uninhabited island of Perejil (Leila in Arabic), claimed by Spain. Spain landed troops to "recapture" the island, which Morocco claimed was equivalent to an act of war. The eviction of the Moroccan soldiers took place without any casualties. The United States helped to negotiate a deal to remove all forces from the island. The incident was one of a series of disputes between Spain and Morocco over a number of issues, including fishing rights, illegal immigration by Moroccans to Spain, the Spanish occupation of Ceuta and Melilla on the northern coast of Morocco, and the status of Western Sahara. Full diplomatic ties were reestablished between Spain and Morocco in January 2003. In 2005, King Juan Carlos of Spain made a state visit to Morocco.

In May 2003, Morocco's largest city, Casablanca, experienced a suicide terrorist attack which left 45 people dead and more than 100 people injured. The bombings were a simultaneous attack on a hotel, two Jewish owned restaurants, and a Jewish cemetery. By August of that same year four men were sentenced to death, two were suicide bombers who survived, and 83 others were imprisoned as fear increased that Islamic extremism was spreading. An organization alleged to have ties to al-Qaeda, the Moroccan Islamic Combat Group, was suspected of the Casablanca terrorist attack.

This group was also suspected in the 11 March 2004 Madrid train bombing, leading to the pursuit and arrest of Moroccan suspects in Spain and throughout Europe.

Natural disaster struck in February 2004 as a 5.1 earthquake struck northern Morocco, killing over 600 people.

In 2003, King Mohammed VI announced an initiative aimed at modernizing Moroccan society by granting new rights to women. He also celebrated the birth of his first son and heir, named Hassan after his grandfather, by ordering the release of over 9,000 convicts and reducing the jail sentences of more than 38,000 inmates. By 2004 parliament passed legislation on women's rights. The king also continued to maintain close ties with other Arab nations, as did his father. In 2003, Saudi Crown Prince Abdullah visited Morocco for talks about Iraq and the Palestinian territories. Mohammed VI further pursued his human rights agenda in 2004 by pardoning 33 prisoners, establishing a "truth commission," the Equity and Reconciliation Commission, headed by a former political prisoner. In hearings, about 200 people gave public testimony about past human rights abuses in Morocco.

After US designation of Morocco as a major non-NATO ally in 2004, Morocco's parliament approved a free trade agreement with the United States in 2005 that was scheduled to go into effect later that year. However, in mid-2005 a protectionist movement sprang up in Morocco as 22 civil-society groups formed a national coalition fighting against the free trade agreement with the United States. In August 2005, an 18-year-old Moroccan was arrested for the creation of the Zotob computer worm. Across the United States, the Zotob worm hindered computer operations of more than 100 companies as it acted on a flaw in the Windows 2000 operating system.

Regarding Western Sahara, efforts were undertaken in the late 1990s to register voters eligible for a referendum to be held in the

region. Morocco stated that approximately 200,000 people were eligible as voters, while Polisario stated only 70,000 people were natives of the territory. In November 2001, King Mohammed VI declared the UN's plan to hold the referendum on Western Sahara "null." Negotiations between the two parties had taken place in 2000 and 2001 under the guidance of former US Secretary of State and current UN envoy to Western Sahara, James Baker, and a "Framework Agreement" was drawn up which would make Western Sahara an autonomous part of Morocco for a five-year period, after which a referendum would be held to determine if the region would become independent. Another option would allow for the division of the territory, with one part going to Morocco and the rest becoming an independent Western Saharan state. In January 2003, Polisario rejected a new proposal for the territory put forward by Baker, which did not guarantee enough autonomy for the group to relinquish its demand for a referendum on independence. However, by July they accepted a peace plan that Morocco still opposed. In September of that year the rebels released 243 Moroccan prisoners. In 2004, when South Africa formally recognized the Polisario, Morocco responded by recalling its ambassador from Pretoria. In a continuing effort to clear the way for a peace settlement in the Western Sahara, the Polisario released their last (404) Moroccan prisoners in August 2005.

### 13 GOVERNMENT

The Moroccan crown is hereditary and is passed on to the oldest male descendant in direct line or to the closest collateral male relative. The king, claiming descent from the Prophet Muhammad, is commander of the faithful and the symbol of national unity. He makes all civil and military appointments and signs and ratifies treaties. He can dismiss the parliament (if in session) and bypass elected institutions by submitting a referendum to the people on any major issue or whenever parliament rejects a bill he favors. He presides over the cabinet, and if the integrity of the national territory is threatened or events liable to jeopardize the functioning of Morocco's national institutions occur, he may declare a state of emergency.

The constitution of 1992 was amended by referendum in 1996. The national legislature became bicameral with the lower house elected directly and the upper house consisting of two-thirds of its members elected and one-third appointed by the king. The Chamber of Representatives consists of 325 members directly elected for five-year terms. The Chamber of Advisors consists of 270 members selected by indirect election: 162 represent local authorities, 81 trade chambers, and 27 employees' associations. In an effort to include the opinions of young people, the voting age was lowered from 20 to 18 in 2002. Suffrage is universal.

### 14 POLITICAL PARTIES

Morocco has a well-developed multiparty system with varying numbers of officially recognized parties and remarkably stable and long-lived leadership.

The largest traditional party is the Istiqlal (Independence) Party, whose leader after its formation in 1943 was Alal al-Fasi. The Istiqlal, once a firm supporter of the throne, now follows a reformist program and backs the king on specific measures only; it had no representation in the government from 1963 to 1977.

The National Union of Popular Forces (Union Nationale des Forces Populaires—UNFP) was formed in September 1959, following a split in the ranks of the Istiqlal in January of that year. At that time, the UNFP was a coalition of left-wing ex-Istiqlalis, trade unionists, resistance fighters, and dissident members of minor political parties and drew support from the modern cities (Casablanca) and the Sous River Valley. Among its leaders were Mehdi bin Barka; Muhammad al-Basri, a leader of the Liberation Army in 1953–55; Abderrahim Bouabid; and Mahjub bin Sadiq, head of the Moroccan Labor Union (Union Marocaine du Travail—UMT). The party was handicapped by factionalism and further weakened by the political neutrality of the UMT after 1963, by the kidnapping and disappearance of Bin Barka in France in 1965, and by other apparent instances of government repression, including the imprisonment of Bin Sadiq in 1967.

In 1970, the UNFP and Istiqlal, having lost some popular support, formed the National Front to boycott the elections. The Front was dissolved in 1972, by which time the split between the political and trade union wings of the UNFP had become open, and in 1973 many UNFP leaders were arrested and tried for sedition in connection with civil disorders and guerrilla activities. The UNFP formally split into two parties in 1974, the more radical trade union wing calling itself the UNFP and the political wing forming the Socialist Union of Popular Forces (Union Socialiste des Forces Populaires—USFP).

The program of the Moroccan Communist Party has often been close to that of the UNFP. From 1969 to 1974, the Communist Party was banned, but since then it has appeared under various names. Two communist parties contested the 1997 elections, the Party of Renewal and Progress (PRP) and the Organization of Action for Democracy and the People (OADP), with the PRP obtaining nine seats in the lower house and seven in the upper house, while the OADP obtained four in the lower house and none in the upper house. The USFP, Istiqlal, PRP, and OADP formed the Democratic Block.

The National Entente block was made up of three parties: the conservative Popular Movement (MP), the conservative National Democratic Party (PND), and the centrist Constitutional Union.

The Center block was made up of the National Rally of Independents (RNI), the Democratic and Social Movement (MDS), and the National Popular Movement (MNP).

In addition, there are various other parties of liberal, socialist, or Islamist orientation, the latter represented by the moderate Constitutional and Democratic Popular Movement (MPCD), which changed its name at the end of 1998 to the Party of Justice and Development (PJD).

King Hassan II sometimes worked through the party system and sometimes ignored it. In 1963, royalist forces united into the Front for the Defense of Constitutional Institutions. A leading party in the Front was the Popular Movement (Mouvement Populaire—MP), the party of Berber mountaineers. Governments formed by Hassan II have consisted of MP members, followers of royalist front parties, and independents and technocrats loyal to the king. Following 1993 elections, which saw Istiqlal and the USFP winning a majority of the elected seats, the king used his power to appoint friendly deputies to the seats he controls. Opposition parties protested by refusing to participate in the government. In 1996, the king submitted for referendum revisions

to the constitution allowing for direct election for all members of parliament, a move greeted with initial suspicion but ultimately heralded as democratic as the 1997 elections for the newly comprised body approached. The various parties formed into Blocks, as listed above, though maintaining separate candidate lists. The results showed 15 parties gaining seats in the lower house and 13 obtaining seats in the upper house.

Twenty-six political parties participated in the 27 September 2002 elections for the Chamber of Representatives. The USFP took 50 seats; Istiqlal won 48; the Justice and Development Party (PJD) won 42; the National Rally of Independents won 41 seats; the Popular Movement took 27; the National Popular Movement took 18; the Constitutional Union won 16; and 15 other parties were represented. Women were guaranteed 10% of the seats. Two new political parties were recognized by the government for the 2002 elections—the Moroccan Liberal Party (PLM) and the Alliance of Liberties (ADL), which aimed to involve the youth and women in political action. The ADL won four seats in the Chamber of Representatives. The Islamist Justice and Development Party trebled the number of its seats in parliament, coming in third behind the USFP and Istiqlal. Justice and Charity, said to be the largest Islamist group, remains banned.

In the 2002 elections, parties were organized in the following blocks: the left-wing block, comprised of the USFP; the Party for Progress and Socialism (PPS), formerly the Communist Party; the Leftist Unified Socialist Party (PGSU), formerly the OADP; and the Socialist Democratic Party. The center-right block is comprised of the Istiqlal Party and the PJD. The Berberist block includes the Popular Movement (MP); the National Popular Movement (MNP); and the Social Democratic Movement (MDS). The conservative block consisted of the National Rally of Independents (RNI) and the Constitutional Union (UC). Driss Jettou was named prime minister. In the 2003 local and district elections, more than 30% of the 23,000 seats were won by the conservative Istiqlal Party and the left-wing USFP. The mainstream Islamist PJD party won less than 3% of the vote.

## 15 LOCAL GOVERNMENT

Local administration still follows many French and Spanish procedural patterns, but final authority rests with the king through the Ministry of the Interior. Morocco proper has 39 provinces and 8 urban prefectures (including 2 at Rabat-Salé and 5 at Casablanca). Each province and prefecture has a governor appointed by the king. The provinces and prefectures select councils or assemblies, which hold public sessions in the spring and fall. The assemblies are largely restricted to social and economic questions.

The provinces are divided into administrative areas, called *cercles*, each headed by a *superqaid* (*caïdat*). Each *cercle* is subdivided into rural and urban *communes*, each headed by a *qaid* or a *pasha*, respectively, and assisted by a council. Councilors are elected for six-year terms, and each council is composed of 9 to 51 members, depending on the size of the *commune*. The council president, chosen by secret ballot, presents the budget and applies the decisions of the council. Real power, however, is exercised by the *qaid* or *pasha*. The *communes* are supervised by the Ministry of the Interior, which retains final decision-making authority. As of 2002, there were 1,544 *communes* in Morocco; 247 are urban and 1,297 are rural. In the 2003 local elections two polling systems

dependent on the number of inhabitants were instituted. In *communes* with less than 25,000 inhabitants, councilors were elected based on a one-round relative majority; in *communes* exceeding 25,000 inhabitants, proportional representation was used.

## 16 JUDICIAL SYSTEM

Morocco has a dual legal system consisting of secular courts based on French legal tradition, and courts based on Jewish and Islamic traditions.

The secular system includes communal and district courts, courts of first instance, appellate courts, and a Supreme Court. The Supreme Court is divided into five chambers: criminal, correctional (civil) appeals, social, administrative, and constitutional. The Special Court of Justice may try officials on charges raised by a two-thirds majority of the full *Majlis*. There is also a military court for cases involving military personnel and occasionally matters pertaining to state security. The Supreme Council of the Judiciary regulates the judiciary and is presided over by the king. Judges are appointed on the advice of the council. Judges in the secular system are university-trained lawyers. Since 1965 only Moroccans may be appointed as judges, and Arabic is the official language of the courts.

There are 27 *Sadad* courts, which are courts of first instance for Muslim and Jewish personal law. Criminal and civil cases are heard, and cases with penalties exceeding a certain monetary amount may be appealed to regional courts. The *Sadad* courts are divided into four sections: Shariah; rabbinical; civil, commercial, and administrative sections; and criminal.

## 17 ARMED FORCES

Total Moroccan active military strength in 2005 was 200,800 personnel with reserves numbering 150,000. The Army had 180,000 personnel, the Navy 7,800 (including 1,500 Marines), and the Air Force 13,500 active personnel. The Army was equipped with 540 main battle tanks, of which 200 were in storage, 116 light tanks, 384 reconnaissance vehicles, 70 armored infantry fighting vehicles, 765 armored personnel carriers and 2,892 artillery pieces. The Navy's major vessels included three frigates and 27 patrol/coastal ships and boats. The Air Force had 89 combat capable aircraft, including 66 fighters. The service also operated 19 assault helicopters. Paramilitary forces totaled 50,000 personnel, which included a 20,000 member *gendarmierie* force. The Polisario Front opposition forces were estimated between 3,000–6,000. Moroccan troops were stationed in five countries on peacekeeping missions. The 2005 defense budget totaled \$2.07 billion.

## 18 INTERNATIONAL COOPERATION

Morocco became a member of the United Nations on 12 November 1956 and participates in ECA and several nonregional specialized agencies, such as the FAO, ILO, IAEA, the World Bank, IMO, UNSECO, UNHCR, UNIDO, and the WHO. The nation is a member of the African Development Bank, the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Arab Maghreb Union, the European Bank for Reconstruction and Development, the Organization of the Islamic Conference (OIC), G-77, the Community of Sahel and

Saharan States (CENSAD), and the Arab League. Morocco is an observer in the OAS and a partner in the OSCE.

In recent decades, Morocco has pursued a policy of nonalignment and has sought and received aid from the United States, Western Europe, and the former USSR. Relations with Algeria and Libya have been tense, especially since Morocco's takeover of the Western Sahara. In 1988, UN Secretary General Perez de Cuellar negotiated with Morocco and Polisario (a group seeking sovereignty for the Western Sahara as the Saharan Arab Democratic Republic) to accept a cease-fire and to hold a referendum for the territory to determine whether it will be independent or integrate with Morocco. Although the vote was scheduled for 1992, it has been blocked by disagreements over voter eligibility, and sovereignty was unresolved as of 2005. The United Nations Mission for the Referendum in Western Sahara (MINURSO, est. 1991) is supported by 24 countries. In 1989, Morocco restored relations with Algeria; it maintains relations with Saudi Arabia and the other Gulf states and condemned the Iraqi invasion of Kuwait.

In environmental cooperation, Morocco is part of the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

The major resources of the Moroccan economy are agriculture, phosphates, and tourism. Sales of fish and seafood are important as well. Industry and mining contribute over one-third of the annual GDP. Morocco is the world's third-largest producer of phosphates (after the United States and China), and the price fluctuations of phosphates on the international market greatly influence Morocco's economy. Tourism and workers' remittances have played a critical role since independence. The production of textiles and clothing is part of a growing manufacturing sector that accounted for approximately 34% of total exports in 2002, employing 40% of the industrial workforce. The government wishes to increase textile and clothing exports from \$1.27 billion in 2001 to \$3.29 billion in 2010. Following the expiration of the world multifiber agreement in 2005, however, the textile and apparel sector was expected to contract.

The high cost of imports, especially of petroleum imports, is a major problem. Another chronic problem is unreliable rainfall, which produces drought or sudden floods; in 1995, the country's worst drought in 30 years forced Morocco to import grain and adversely affected the economy. Another drought occurred in 1997, and one in 1999–2000. Reduced incomes due to drought caused GDP to fall by 7.6% in 1995, by 2.3% in 1997, and by 1.5% in 1999. During the years between drought, good rains brought bumper crops to market. Good rainfall in 2001 led to a 5% GDP growth rate. Morocco suffers both from high unemployment and a large external debt estimated at around \$15.6 billion in 2005.

Morocco suffers from poverty, urban overcrowding, inadequate housing infrastructure, and illiteracy, which reaches 83% for women in rural areas. The unemployment rate was estimated at 10.4% at the end of 2004, but that figure masks higher rates in urban areas (18%) and among college graduates (24%). The inflation rate stood at 1.4% in 2004 and was forecast to reach 1.9% in 2005, due to higher food and fuel prices. The real GDP growth rate in

2005 was estimated at 1.8%, down from 3.7% in 2004 and 5.2% in 2003. This fall in the growth rate was largely due to a slowdown in the agricultural sector, which employs 43% of the population.

Morocco and the United States in 2004 negotiated a free trade agreement that immediately eliminated tariffs on 95% of bilateral trade, with the remaining tariffs to be eliminated over the next nine years. Morocco also has a free trade agreement with the EU. The country is pursuing privatization of state-owned enterprises, including in the energy, water, and telecommunications sectors. Between 1993 and 2005, 66 Moroccan state-owned enterprises were fully or partially privatized, including the tobacco distribution company Régie des Tabacs, Banque Centrale Populaire, and 35% of Maroc Telecom to Vivendi.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Morocco's gross domestic product (GDP) was estimated at \$139.5 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$4,300. The annual growth rate of GDP was estimated at 1.8%. The average inflation rate in 2005 was 2.1%. It was estimated that agriculture accounted for 21.7% of GDP, industry 35.7%, and services 42.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$3.614 billion or about \$120 per capita and accounted for approximately 8.3% of GDP. Foreign aid receipts amounted to \$523 million or about \$17 per capita and accounted for approximately 1.2% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Morocco totaled \$28.60 billion or about \$950 per capita based on a GDP of \$43.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.9%. In 2001 it was estimated that approximately 33% of household consumption was spent on food, 16% on fuel, 5% on health care, and 15% on education. It was estimated that in 1999 about 19.0% of the population had incomes below the poverty line.

## 21 LABOR

Morocco's workforce was estimated in 2005 at 11.19 million. In 2003, an estimated 40% were in the agricultural sector, 45% in services, and the remaining 15% in industry. The unemployment rate was estimated at 10.5% in 2005.

Although the law provides for the right to form unions, the government interferes with the labor movement. Morocco's 17 trade unions are organized within three federations, and represent about half a million of the country's estimated nine million workers. Employees have the right to strike after engaging in arbitration. Work stoppages do occur, but security forces sometimes break up striking workers. Collective bargaining is utilized on a limited basis.

The 48-hour workweek is established by law, and overtime pay rates apply to all work in excess of 48 hours. At least one day of rest



must be granted per week. In 2002, the minimum wage was \$162 per month for industry and commerce and about \$8 per day in agriculture. The minimum wage is not effectively enforced in the informal sector, and even the government pays less in the lowest civil service grades. There is also legislation covering health, sanitation, and safety standards for a small number of workers.

## 22 AGRICULTURE

Some 9,376,000 hectares (23,168,000 acres), or 21% of the total land area, is arable (excluding Western Sahara). About 43% of arable land is devoted to cereals, 7% to plantation crops (olives, almonds, citrus, grapes, dates), 3% to pulses, 2% to forage, 2% to vegetables, 2% to industrial crops (sugar beets, sugarcane, cotton) and oilseeds, and 42% was fallow. The bulk of the indigenous population carries out traditional subsistence farming on plots of less than five hectares (12 acres). A temperate climate and sufficient precipitation are especially conducive to agricultural development in the northwest. In 2003, agriculture (together with forestry and fishing) accounted for 17% of GDP.

Morocco is essentially self-sufficient in food production. Grain plantings are typically triggered by autumn rainfall and last through mid-January. Irregularity in rainfall necessitates the importation of grains during drought years. As a result of the worst drought in decades, Morocco's cereal crop in 1995 was only one quarter of the average annual amount during the previous 10 years. Pulse, vegetable, and citrus production were also devastated. However, in 1996 Morocco received the highest levels of rainfall in 30 years, leading to record grain production. The principal export crops are citrus fruits and vegetables. The estimated output of principal crops (in thousands of tons) in 2004 was as follows: sugar beets, 4,560; wheat, 5,540; barley, 2,760; sugarcane, 992; tomatoes, 1,201; potatoes, 1,440; oranges, 719; olives, 470; corn, 224; sunflowers, 54; and peanuts, 49.

The government distributed some 500,000 hectares (1,235,500 acres) of farmland formerly owned by European settlers to Moroccan farmers in the late 1960s and the 1970s. To encourage Moroccans to modernize the traditional sector, the Agricultural Investment Code of 1969 required farmers in irrigated areas to meet the minimum standards of efficiency outlined by the government or lose their land. These standards applied to all farms of five hectares (12 acres) or more.

Dams and irrigation projects were begun under French rule and have continued since independence. In traditional areas, irrigation is by springs and wells, diversion of streams, and tunnels from the hills, as well as by modern dams and reservoirs. There are dams and irrigation projects on most of the country's major rivers, including the Sebou River in the northwest, which, along with its tributaries, accounts for some 45% of Morocco's water resources. Continued widespread variation in rainfall continues to produce serious droughts and occasional flash floods. In January 1994, the Kuwaiti Economic Development Fund agreed to lend \$60 million to the Moroccan government to help finance an irrigation project in the Haouz and Tassaout region of southern Morocco, which will provide irrigation services for 200,000 small farmers. Morocco had 1.45 million irrigated hectares (3.6 million acres) of agricultural land in 2003.

## 23 ANIMAL HUSBANDRY

Livestock raising contributes about one-third of agricultural income. Livestock fares poorly on the overgrazed pasture, and periods of drought reduce growth on an estimated 20.9 million hectares (51.6 million acres) of permanent pastureland as well as the output of fodder crops. In 2005, estimated livestock population was 17 million sheep, 5.3 million goats, and 2.7 million head of cattle. There were an estimated 985,000 donkeys, 525,000 mules, 36,000 camels, 8,000 pigs, and 137 million chickens in 2005. In 2005, production of beef and mutton was estimated at 148,000 tons; and poultry, 280,000 tons. Output of cow's milk was about 1.3 million tons in 2005, along with 230,000 tons of eggs. Even though most of the import licensing system has been abolished, licenses are still required for imported livestock and animal genetic materials, in an effort to protect local production.

## 24 FISHING

Fishing, which has been a major industry since the 1930s, is centered in Agadir, Safi, and Tan-Tan. In some years, Morocco is the world's largest producer of the European sardine (*Sardina pilchardus*). Coastal fishing accounts for about 86% of production; deep-sea fishing, 13%; and algae cultivation and aquaculture, 1%.

Landings from coastal waters totaled 885,131 tons in 2003, twenty-fourth in the world and the highest in Africa. Sardines accounted for 659,208 tons (74%) that year. The waters off Western Sahara are particularly rich in seafood. Coastal fishing supplies the Moroccan fish processing industry, which is concentrated in the southern cities of Layoun, Tan Tan, Tarfaya, and Agadir. The canning industry processes mostly sardines and to a lesser extent mackerels and anchovies. Many of the plants use obsolete equipment, and there is currently no government support to develop and introduce new technology to the industry.

The deep-sea catch consists mostly of cephalopods (such as octopus, squid, and cuttlefish), hake, sea bream, sole, and shrimp. Cephalopod deep-sea landings in 2004 included 23,000 tons of octopus, 1,200 tons of squid, and 6,000 tons of cuttlefish. The deep-sea cephalopod fishing fleet comprises some 290 active trawlers and accounts for two-thirds of the cephalopod catch. These trawlers can stay out to sea for up to three months. Nearly all deep-sea production is sorted, frozen in vessels, and exported upon arrival; Japan is the major buyer of Moroccan octopus.

Aquacultural production consists mainly of seabass, sea bream, oysters, tuna, and eel, which are produced for export to Europe. The principal aquaculture farms are located in Nador and Hoceima on the Mediterranean Sea, Oulidida on the Atlantic Ocean, and Azrou on an inland lake.

Much of the fish catch is processed into fish meal, fertilizer, and animal fodder. In 2003, \$988.6 million of fish products were exported primarily to the EU nations, Japan, and the United States. Deep-sea fishing is expected to become more important, because the EU is committed to reducing its fishing fleet size. Moroccan fish companies are expected to play a larger role in the world cephalopod market in the future. There is concern, however, that overfishing during one year may result in smaller catches in the future.

## 25 FORESTRY

Forests cover about 6.8% of the land area and provide subsistence for families engaged in cork gathering, wood cutting, and other forestry occupations. Cork, the principal forest product, is grown on 198,000 hectares (489,000 acres) of state-owned cork oak forests, which amounts to around 9% of the world's cork forest acreage. Annual production is usually around 15,000 tons, 4% of world production. Other commercial trees are evergreen oak, thuja, argan, and cedar. Esparto grass and vegetable fiber are other important forest products. Artificial plantings of more than 45,000 hectares (111,000 acres) of eucalyptus trees furnish the raw materials for a rapidly expanding cellulose textile industry. Production of roundwood in 2004 was 885,000 cu m (31 million cu ft), with 42% used as fuel wood. Trade in forest products that year amounted to \$455 million in imports and \$126.4 million in exports.

Reforestation has become a major goal of the government; the 1981–85 development plan proposed to reforest about 25,000 hectares (62,000 acres) annually; actual reforestation was about 13,000 hectares (32,000 acres) per year. Between 1990 and 2000, the area of forests and woodlands remained essentially unchanged.

## 26 MINING

Morocco was the third-largest producer of phosphate rock (behind the United States and China), had 88.5 billion tons in proved reserves, and was the largest phosphate exporter. The 2003 output of phosphate rock, including by Western Sahara, was 222.877 million tons (gross weight). All phosphate was produced by the state-owned Office Chérifien des Phosphates, founded in 1920, which was responsible for managing and controlling all aspects of phosphate mining. The combined capacity of the main facilities—at Youssoufia, Benguerir, BouCraa, Sidi Chenan, and Khouribga—was 27 million tons per year.

Morocco also had significant deposits of copper ore and produced 17,539 metric tons in 2003 (gross weight concentrates), down from 17,799 metric tons in 2002. Iron ore production (gross weight) in 2003 was 4,019 metric tons, down from 8,736 metric tons in 2002. Other minerals produced in 2003 included: lead (gross weight concentrate, 54,779 metric tons); barite (356,394 metric tons); rock salt (estimated at 200,000 metric tons); and acid-grade fluorspar (81,255 metric tons, down from 94,911 metric tons in 2002). In addition, Morocco produced antimony, cobalt, gold, mercury, silver, arsenic trioxide, bentonite, hydraulic cement, feldspar, fuller's earth (smectite), gypsum, mica, montmorillonite (ghassoul), phosphoric acid, marine salt, talc and pyrophyllite, and a variety of crude construction materials. Morocco also had the capacity to produce zircon, and had the only anthracite mine in the Mediterranean area—Jerada, in the Oujda region.

Plans called for increased domestic processing of phosphate into phosphoric acid for export. The government owned the subsoil mineral rights for all minerals. Exploration and new discoveries of oil and gas would yield sulfur and ammonia, which were needed for phosphate fertilizers. A four-year plan to upgrade the country's railway network was launched in 2000 to handle increased ridership by tourists and the needs of the phosphate industry. The plan, financed by the European Investment Bank and the Japanese Bank for International Cooperation, would lay an extra track between Meknès and Fès.

## 27 ENERGY AND POWER

Morocco has only small deposits of oil and natural gas. However, since many of its sedimentary basins have yet to be explored, those figures could rise.

Morocco, as of 1 January 2005, had proven crude oil and natural gas reserves of 1.6 million barrels, and 43 billion cu ft, respectively. In 2004, oil output totaled an estimated 500 barrels per day. Morocco has two oil refineries, the Samir and Sidi Kacem. The two facilities have a combined refining capacity, as of 1 January 2005, of 155,000 barrels per day. The Samir refinery produces 80% to 90% of the country's refined petroleum products. In 2002 there was an extensive fire and flood damage at the Samir refinery. Capacity was quickly restored to 60%, and in 2004 returned to near full-capacity production levels.

Coal imports in 2002 amounted to 5,648,000 million short tons, all of it hard coal.

Electricity production has grown rapidly, from 1.935 billion kWh in 1970 to 16.235 billion kWh in 2002, of which 93.6% was from fossil fuels and 5% came from hydropower, with the remainder from alternative sources. Electric power generating capacity in 2002 came to 4.878 million kW, of which 72% was dedicated to conventional thermal fuels and 26.6% to hydroelectric sources. Alternative sources accounted for the remaining capacity.

## 28 INDUSTRY

In 2004, industry accounted for 35.7% of GDP. Leading industrial sectors in 2006 were phosphate rock mining and processing, food processing, leather goods, textiles, and construction. Morocco holds the world's largest phosphate reserves, and is the world's third-largest phosphate producer, after the United States and China.

The manufacturing sector produces light consumer goods, especially foodstuffs, beverages, textiles, matches, and metal and leather products. Heavy industry is largely limited to petroleum refining, chemical fertilizers, automobile and tractor assembly, foundry work, asphalt, and cement. Many of the processed agricultural products and consumer goods are primarily for local consumption, but Morocco exports canned fish and fruit, wine, leather goods, and textiles, as well as such traditional Moroccan handicrafts as carpets and brass, copper, silver, and wood implements.

There are two oil refineries, one at Mohammedia and one at Sidi Kacem, with a total refining capacity of 155,000 barrels per day. There are also several petrochemical plants, a polyvinyl chloride factory, and many phosphate-processing plants. The Mahgreb-EU pipeline has been operating since 1996. There are four plants assembling cars and small utility vehicles: Renault Maroc, Sopriam, Somaca, and Smeia. A number of cement factories are also in operation. The Safi industrial complex, opened in 1965, processes phosphates from Youssoufia, pyrrhotites from Kettara, and ammonia.

Ownership in the manufacturing sector is largely private, but the government owns the phosphate-chemical fertilizer industry and much of the sugar-milling capacity, through either partnership or joint financing. It is also a major participant in the car and truck assembly industry and in tire manufacturing.

## 29 SCIENCE AND TECHNOLOGY

Research institutions include the Scientific Institute (founded in 1920), in Rabat, which does fundamental research in the natural sciences, and the Scientific Institute of Maritime Fishing (founded in 1947), in Casablanca, which studies oceanography, marine biology, and topics related to development of the fishing industry. Nine universities and colleges offer degrees in basic and applied sciences. In 1987–97, science and engineering students accounted for 41% of college and university enrollments. In 2002, Morocco's high technology exports totaled \$439 million, or 11% of its' manufactured exports.

## 30 DOMESTIC TRADE

Consumer-ready products are freely traded by the private sector through companies that distribute them to wholesalers, distributors, or directly to retailers. The government intervenes directly in domestic trade through price subsidies at the retail level for staples such as flour, vegetable oil, and sugar. The government has planned to phase out these subsidies over an extended period in order to avoid social unrest. Support prices, once a major incentive to promoting government-supported crops, have been eliminated.

Casablanca, the chief port, is the commercial center of Morocco. Other principal distribution centers include Safi, Agadir, and Tangier. Wet markets are open-air produce markets common in rural and urban areas. Central markets are found in major cities and contain many small shops selling mainly domestic products. Numerous family-operated grocery outlets are scattered throughout the country and are where food products are typically sold in Morocco. There are also a growing number of supermarkets in major metropolitan areas; over half of them are in Casablanca and Rabat. Retail establishments include department stores in the main cities and shops and specialty stores. Bazaars cater especially to the tourist trade. The first franchise, Pizza Hut, was established in 1992. There are now about 85 franchise firms in the country offering a wide variety of goods and services. Principal advertising media are newspapers, motion picture theaters, radio, television, and posters.

Business hours are generally from 8 or 8:30 AM to 6:30 PM, with a two-hour lunch break, but some shops stay open later. Large stores are open from 9 AM to 1 PM and from 3 to 7 PM. Souks are open Monday to Sunday from 8:30 AM to 1 PM and from 2:30 to 6 PM.

## 31 FOREIGN TRADE

As part of the government's trade liberalization process, a widespread antismuggling campaign has sharply reduced the amount of goods illegally entering Morocco. A large amount of hashish illegally exits the country.

The largest export receipts come from the garment sector. Morocco exports a large amount of foodstuffs, including shellfish, fruit and nuts, fish, and vegetables. Other exports include inorganic fertilizers and chemicals. Morocco produces about one-third of the world's crude fertilizers exports.

In 2004, exports were divided up into the following categories: food, beverages, and tobacco, 15.3%; semi-processed goods, 27.3%; and consumer goods, 37.2%. Imports were divided up as

### Principal Trading Partners – Morocco (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	8,777.2	14,230.6	-5,453.4
France-Monaco	3,004.7	2,927.2	77.5
Spain	1,566.0	1,764.2	-198.2
United Kingdom	639.3	560.2	79.1
Italy-San Marino-Holy See	452.2	1,013.1	-560.9
Germany	345.3	740.1	-394.8
India	273.3	164.1	109.2
United States	246.0	578.1	-332.1
Netherlands	221.7	338.8	-117.1
Belgium	193.3	278.2	-84.9
Brazil	181.9	268.2	-86.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

follows: food, beverages, and tobacco, 8.7%; energy and lubricants, 16.4%; capital goods, 22.6%; semi-processed goods, 23.3%; consumer goods 22.6%.

Morocco's major markets in 2004 were: the EU (75.4% of all exports), India (3.4%), the United States (2.9%), and Brazil (2.1%). Morocco's major suppliers in 2004 were: the EU (59.1% of all imports), Saudi Arabia (5%), and the United States (4.1%). Of Morocco's EU trading partners, France is the largest, absorbing 33.6% of Morocco's exports and providing 18.2% of its imports. Spain and Italy are Morocco's second- and third-largest EU trading partners.

## 32 BALANCE OF PAYMENTS

Remittances from Moroccans working abroad, foreign aid, and a growing tourist industry have helped to offset chronic trade defi-

### Balance of Payments – Morocco (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>1,552.0</b>
Balance on goods		-4,345.0
Imports	-13,117.0	
Exports	8,771.0	
Balance on services		2,617.0
Balance on income		-792.0
Current transfers		4,073.0
<b>Capital Account</b>		<b>-10.0</b>
<b>Financial Account</b>		<b>-3,316.0</b>
Direct investment abroad		-13.0
Direct investment in Morocco		88.0
Portfolio investment assets		...
Portfolio investment liabilities		8.0
Financial derivatives		...
Other investment assets		-869.0
Other investment liabilities		-2,529.0
<b>Net Errors and Omissions</b>		<b>-288.0</b>
<b>Reserves and Related Items</b>		<b>2,062.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

cits. In recent years, Morocco has turned increasingly to foreign borrowing to meet its financial needs.

In 2005, Morocco's exports were valued at \$9.472 billion; imports were valued at \$18.15 billion. The current-account balance was estimated at -\$607.5 million.

### 3<sup>3</sup> BANKING AND SECURITIES

The Bank of Morocco (Bank al-Maghrib), the central bank, has the sole privilege of note issue. It is required to maintain a gold or convertible-currency reserve equal to one-ninth of its note issue. The Ministry of Finance is responsible for the organization of banking and the money market. In February 1996 the central bank gave clearance for banks and finance houses to issue corporate bonds. Consumer credit companies are expected to be the first to take advantage of the new ruling. Other reforms scheduled for 1996 included a secondary market in public debt, an interbank foreign exchange market, and the launch of privatization bonds and global depository receipts (GDRs). As of 1997, only the interbank foreign exchange market had been implemented. Commercial banks were permitted to buy and sell foreign currency at market-determined rates, where previously foreign exchange rates were fixed on a daily basis by the central bank. The dirham was fully convertible in 1999.

Commercial banks must have 51% domestic majority ownership; some foreign banks were Moroccanized in 1975. There were 16 commercial banks in 2002, most of which were partly owned by European banks. The largest private commercial bank is the Banque Commerciale du Maroc (BCM), which is 32% owned by foreign banks, including Banco Central Hispano, Credito Italiano, and Crédit Commercial de France. Another important commercial bank was Wafa Bank, with a 10% share of deposits in 1999. Wafa Bank owned half of a year 2000 banking venture with Senegal to offer services to ECOWAS countries. The three largest banks account for over 60% of banking assets and deposits.

Public sector financial organizations specializing in development finance include the National Bank for Economic Development, Moroccan Bank for Foreign Trade, National Agricultural Credit Bank, and Deposit and Investment Fund. Also instrumental in development finance is the Bureau of Mineral Exploration and Participation, which has participatory interests in the production of all coal, petroleum, lead, and manganese. The National Bank for Economic Development, established in 1959, has been particularly active in financing manufacturing. The Agricultural Credit Bank makes loans to credit organizations, public institutions, and cooperatives. Private individuals borrow from local agricultural credit banks or from the agricultural credit and provident societies.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$22.1 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$29.6 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.44%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 4.71%.

The stock exchange (Bourse des Valeurs) at Casablanca, established in 1929, handles mostly European and a few North African

issues. The Casablanca stock market underwent a program of reform designed to attract increased interest from overseas and local investors. In 1993 the government approved legislation to turn the bourse into a private company with stock held by brokers, to create new stock-trading bodies and to channel the funds of small savers into share issues and unit trusts. In 1995, France agreed to finance further improvements, modeling the exchange on the Paris bourse and introducing computerization. In 2001, the stock exchange had 55 companies listed and a \$9.1 billion capitalization. As of 2004, a total of 52 companies were listed on the Bourse des Valeurs de Casablanca, which had a market capitalization of \$25.064 billion.

### 3<sup>4</sup> INSURANCE

In 1995, the government stepped in to rescue the ailing insurance industry after studies uncovered financial difficulties in a number of firms. The authorities stepped in to prevent collapses which could affect related financial services such as savings and investment, as well as the interlinked banking sector. However, in September 1995, the government abandoned its attempts to restructure five state insurance companies and put them into liquidation. The companies, then already in temporary receivership, were Compagnie Atlantique d'assurances et de réassurances, Arabia Insurance Co., Assurances la victoire, Assurances la renaissance, and Réunion marocaine d'assurances et de réassurances (Rémar). Their combined losses are estimated at up to \$550 million, mostly accumulated through pay-outs on car insurance, where the high accident rate had not been adequately reflected in premiums. Outstanding policies were transferred to the state finance company, Caisse de dépôt et de gestion (CDG). A new code has since been drawn up for insurance companies establishing reserve requirements similar to those applying to the banking sector. In 2000, the insurance companies AXA-Al Amane and CAA announced a merger that created insurance giant AXA Assurance Maroc. In 2003, the value of all direct insurance premiums written totaled \$1.288 billion, of which nonlife premiums accounted for \$927 mil-

#### Public Finance – Morocco (1999)

(In millions of dirhams, central government figures)

<b>Revenue and Grants</b>	<b>102,436</b>	<b>100.0%</b>
Tax revenue	81,118	79.2%
Social contributions	8,962	8.7%
Grants	...	...
Other revenue	12,356	12.1%
<b>Expenditures</b>	<b>112,488</b>	<b>100.0%</b>
General public services	45,563	40.5%
Defense	14,530	12.9%
Public order and safety	7,817	6.9%
Economic affairs	9,070	8.1%
Environmental protection	...	...
Housing and community amenities	505	0.4%
Health	3,627	3.2%
Recreational, culture, and religion	913	0.8%
Education	20,003	17.8%
Social protection	10,460	9.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

lion. AXA Assurance Maroc was Morocco's top nonlife and life insurer in 2003 with gross written nonlife premiums of \$154.6 million, and gross written life insurance premiums of \$88.1 million.

### 3<sup>5</sup> PUBLIC FINANCE

The Moroccan government announced plans in 1999/2000 to cut the budget deficit by one-third, in order to encourage investment and job creation. By 1998, only 56 of 114 companies slated for privatization had been sold, and the rest had been withdrawn from sale. The government did not depend on privatization revenues for funds, rather on the ownership of the phosphates industry. Nearly 50% of the state budget was spent on public sector salaries, and 25% on debt servicing in 1999. Some privatization has taken place in recent years, however, including the government's sale of 35% of the state operator Maroc Telecom and the liberalization of rules governing oil and gas exploration.

The US Central Intelligence Agency (CIA) estimated that in 2005 Morocco's central government took in revenues of approximately \$12.9 billion and had expenditures of \$16.7 billion. Revenues minus expenditures totaled approximately -\$3.8 billion. Public debt in 2005 amounted to 72.3% of GDP. Total external debt was \$15.6 billion.

The International Monetary Fund (IMF) reported that in 1999, the most recent year for which it had data, central government revenues were DH102,436 million and expenditures were DH112,488 million. The value of revenues in US dollars was us\$10,448 million and expenditures us\$11,474 million, based on a official exchange rate for 1999 of us\$1 = DH9.804 as reported by the IMF. Government outlays by function were as follows: general public services, 40.5%; defense, 12.9%; public order and safety, 6.9%; economic affairs, 8.1%; housing and community amenities, 0.4%; health, 3.2%; recreation, culture, and religion, 0.8%; education, 17.8%; and social protection, 9.3%.

### 3<sup>6</sup> TAXATION

As of 2005, the professional profits and gains tax, at 35% since 1 January 1996 (except for insurance and banking institutions taxed at the previous rate of 39.6%), is the most important tax in Morocco, and can be assessed on either annual turnover or on net annual profits. The minimum tax in 2005 was 0.5% of turnover or 1,500 dirhams (about \$162), whichever was greater. Nonresident companies under contractual arrangements can opt for an alternative tax amounting to 8% of their contracts. The capital gains are taxed at 35%. Dividends are subject to 10% withholding which can be used as a tax credit. Branches of foreign companies are subject to the same taxes as Moroccan companies.

All wage earners are liable to a progressive tax on salaries, remunerations, and allowances under the General Income Tax (IGR). There are several types of deductions that can be applied in calculating an individual's taxable base income. There are also social security taxes and supplementary taxes on professional and rental income.

The main indirect tax is Morocco's value-added tax (VAT) with a standard rate of 20%, but with various reduced rates from 7% to 14% for more basic goods and services. As of 1 July 2001 imported barley was exempted from VAT.

### 3<sup>7</sup> CUSTOMS AND DUTIES

The policy of import liberalization that began in 1967, has continued and new commodities have been added to the list of items not subject to quotas. In the 1970 general import program, items not subject to quotas accounted for 75% of the imports. Most goods do not require import licenses. As of 2005, duties were as low as 2.5% and as high as 329% for frozen lamb meat. Import duties on food average 80%, which makes the price of imported consumer foodstuffs unaffordable for the average Moroccan. Value-added taxes are levied at 0–20%. Certain transactions have lower rates of 7% and 14%. Import taxes on machinery and equipment are 2.5% or 10%. Export taxes were discontinued in 1971.

Agreements between Morocco and the European Community (now the European Union) have provided for mutual tariff concessions. Citrus tariffs were cut 80% by the European Community by the mid-1970s; tariffs on canned fruit and vegetables were reduced more than 50%; and fish products, wine, olive oil, and cereals were given special concessions. In return, Morocco reduced its minimum tariffs by 30% and adjusted quotas on imports to Morocco.

The import tariff does not apply within the free zone of the Port of Tangier.

### 3<sup>8</sup> FOREIGN INVESTMENT

Foreign investment declined somewhat during the 1960s and 1970s because of political uncertainty and the government's Moroccanization policy requiring majority Moroccan ownership of foreign banks, trading companies, insurance firms, and small manufacturing plants. Many foreign firms either sold out or closed down before 30 September 1974, the first deadline for compliance with Moroccanization policies. In an effort to attract foreign capital, the government passed a new investment code in August 1973 that offered substantial tax concessions to private investors. To encourage badly needed foreign investment, a revised code introduced in 1982 permitted foreign investors 100% ownership of local companies in certain sectors and unrestricted transfer of capital. The effective repeal in 1990 of the Moroccanization law and regulatory changes, including tax breaks and streamlined approval procedures, led to a more than threefold increase in foreign investment inflows in the four years following its enactment.

A new investment code was passed in 1995 that provided income tax breaks for investments in certain regions, crafts and export industries; and import duty reductions; especially during the first five years of operation. It also contained foreign exchange provisions that favored foreign investors.

In 1997, annual foreign direct investment (FDI) inflows reached over \$1 billion, but then fell to \$333 million in 1998. FDI inflow in 1999 rose to a near-record of almost \$850 million mainly accounted for by two large investments: Telefonica of Spain and Telecom Portugal for mobile phones and Coca-Cola for bottling plants at Fès and Marrakech. In 2000, there was a 76% decrease in FDI inflow to Morocco to \$201 million, but in 2001 inward FDI was a record \$2.66 billion, due primarily to Vivendi Universal's \$2.1 billion purchase of a 35% share of Maroc Telecom.

The US-Morocco Free Trade Agreement (FTA), negotiated in 2004, is geared toward encouraging more US investors to take advantage of duty-free access to both the US and European markets.

In addition to tariff elimination, the FTA with Morocco includes investment provisions and commitments to increase access to the Moroccan services sector for American firms.

FDI totaled \$8.4 billion from 1967–2001. In 2003, FDI inflows amounted to \$2.43 billion. Spain was by far the largest foreign private investor in Morocco in 2003 (\$1.896 billion), followed by France (\$316.9 million), the United States (\$53.1 million), and Switzerland (\$37.5 million).

### 39 ECONOMIC DEVELOPMENT

Government policy stresses expansion and development of the economy, essentially through foreign investment. Morocco decided to abide by the International Monetary Fund's (IMF's) Article VIII, thus beginning the privatization of 112 public entities—mainly manufacturing enterprises, hotels, and financial institutions—slated for divestiture under the 1989 privatization law. Keeping major industries under government control, Morocco proceeded to open up investment only partially, keeping the majority of revenues from the phosphates and mining, banking and securities industries. Between 1993 and 2005, 66 Moroccan state-owned industries were fully or partially privatized, including the tobacco distribution company, Régie des Tabacs, Banque Centrale Populaire, and 35% of Maroc Telecom to Vivendi (an additional 16% was due to be sold in 2005).

Morocco instituted a series of development plans to modernize the economy and increase production during the 1960s. Net investment under the five-year plan for 1960–64 was about \$1.3 billion. The plan called for a growth rate of 6.2%, but by 1964 the growth rate had only reached only 3%. A new three-year plan (1965–67) targeted an annual growth rate of 3.7%. The main emphasis of the plan was on the development and modernization of the agricultural sector. The five-year development plan for 1968–72 called for increased agriculture and irrigation. The development of the tourist industry also figured prominently in the plan. The objective was to attain an annual 5% growth rate in gross domestic product (GDP); the real growth rate actually exceeded 6%.

Investment during the 1970s included industry and tourism development. The five-year plan for 1973–77 envisaged a real economic growth of 7.5% annually. Industries singled out for development included chemicals (especially phosphoric acid), phosphate production, paper products, and metal fabrication. Tourist development was also stressed. In 1975, King Hassan II announced a 50% increase in investment targets to allow for the effects of inflation. The 1978–80 plan was one of stabilization and retrenchment, designed to improve Morocco's balance-of-payments position, but the 4% annual growth rate achieved was disappointing.

The ambitious five-year plan for 1981–85, estimated to cost more than \$18 billion, aimed at achieving a growth rate of 6.5% annually. The plan's principal priority was to create some 900,000 new jobs and to train managers and workers in modern agricultural and industrial techniques. Other major goals were to increase production in agriculture and fisheries to make the country self-sufficient in food, and to develop energy (by building more hydroelectric installations and by finding more petroleum and other fossil fuels), industry, and tourism to enable Morocco to lessen its dependence on foreign loans. The plan called for significant expansion of irrigated land, for increased public works projects such as hospitals and schools, and for economic decen-

tralization and regional development through the construction of 25 new industrial parks outside the crowded Casablanca-Kénitra coastal area. Proposed infrastructural improvements included the \$2-billion rail line from Marrakech to El Aaiún; a new fishing port at Ad-Dakhla, near Argoub in the Western Sahara; and a bridge-tunnel complex across the Strait of Gibraltar to link Morocco directly with Spain. Large industrial projects included phosphoric acid plants, sugar refineries, mines to exploit cobalt, coal, silver, lead, and copper deposits, and oil-shale development.

Outstanding foreign debt commitments and their serving remain a significant obstacle to economic development. The 1992 financing requirements were mostly covered, largely because of grants and bilateral credit. Despite the cancellation by Saudi Arabia of \$2.8 billion of debt, the total still exceeded \$23 billion. Despite reschedulings through both the Paris Club of official creditors and the London Club of commercial creditors, servicing the debt accounted for 30% of exports of goods and services. The economic plan of 1999–2004 included the creation of jobs, promotion of exports and tourism, resumption of privatization, and infrastructure construction.

External debt stood at around \$15.6 billion in 2005, but the country had strong foreign exchange reserves (\$16.2 billion) and active external debt management, which was allowing it to service its debts. The government has begun to liberalize the telecommunications sector, as well as the rules for oil and gas exploration. Although Morocco has managed to maintain macroeconomic stability in recent years, the Moroccan monetary authorities must use monetary policy to keep the inflation rate differential between Morocco and the euro zone in check to maintain the competitiveness of Moroccan exports. The 2005 budget deficit was projected to be 4%. The public wage bill accounts for more than half of government expenditures; in part, this reflects the decision to expand the civil service to provide jobs for the well-educated.

### 40 SOCIAL DEVELOPMENT

The social security system covers employees and apprentices in industrial and commercial fields and the professions, as well as agriculture and forestry. There is also voluntary coverage for persons leaving covered employment, and voluntary complementary insurance is available. Benefits include maternity allowances, disability pensions, old age pensions, death allowances, and allowances for illness. Employees contributed 3.96% of earnings, and employers contributed 7.93% of payroll. Workers are also entitled to a family allowance for those with children under 12 years of age.

Women comprise about 35% of the work force and are employed mostly in the industrial, service, and teaching sectors. They have the right to vote and run for office, although they are much more likely to be illiterate than men. Women do not have equal status under Islamic family and estate laws. Under these codes, a woman can only marry with the permission of her legal guardian, which is usually her father. Husbands may initiate and obtain a divorce more easily than women, and women inherit less than male heirs. Child labor is common, particularly in the rug making and textile industries. Young girls often work as domestic servants. Employment of children under the age of 12 is prohibited by law. Domestic violence remains a widespread problem. In 2004 progress was

made in public awareness of the issue, and national hotlines were set up to assist victims.

Progress was made in reducing human rights abuses by the authorities. The government organized the first human rights conference ever held in the Arab world. Prison conditions remain poor.

#### 41 HEALTH

Health conditions are relatively poor, but programs of mass education in child and parent hygiene, as well as government-supervised health services in schools and colleges, have helped to raise standards. Campaigns have been conducted against malaria, tuberculosis, venereal diseases, and cancer. However, gastrointestinal infections, malaria, typhoid, trachoma, and tuberculosis remain widespread. The World Health Organization and UNICEF have cooperated in the government's campaigns against eye disorders and venereal diseases. The health system is comprised of three sectors: a public sector consisting of both the Ministry of Public Health and the Health Services of the Royal Armed Forces, a semi public sector, and a private sector. These together have been responsible for the dramatic reduction in mortality rates. Reform is under way with financing coming from health insurance revenues and the budget of the Public Health Ministry. Total health care expenditure was estimated at 4.4% of GDP.

In 2004, there were an estimated 48 physicians, 100 nurses, eight dentists, and 17 pharmacists per 100,000 people. There were 12 university hospitals, 20 regional hospitals, 45 provincial hospitals, 11 local hospitals, 14 diagnostic centers, and 377 health centers. It was estimated that 82% of the population had access to safe drinking water and 75% had adequate sanitation. Approximately 70% of the population had access to health care services.

Children up to one year of age were vaccinated against tuberculosis, 93%; diphtheria, pertussis, and tetanus, 87%; and polio, 87%. The crude birth rate and overall mortality rate were estimated at, respectively, 23.7 and 5.9 per 1,000 people. About 59% of married women (ages 15 to 49) used contraception. Infant mortality was estimated at 41.62 per 1,000 live births in 2005. The total fertility rate in 2000 was 2.6 children per woman. The under-five mortality rate fell from 215 in 1960 to 54 children per 1,000 live births in 2000. The maternal mortality rate was estimated at 230 per 100,000 live births in 1998. The average estimated life expectancy was 70.66 years in 2005.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 15,000 people living with HIV/AIDS in the country.

#### 42 HOUSING

Since the 1950s, significant numbers of Moroccans (estimated at over four million) have moved from the countryside to the urban centers to escape rural unemployment. Housing and sanitation, consequently, have become urban problems. The government is engaged in a low-cost housing program to reduce the slum areas, called *bidonvilles* that have formed around the large urban centers, especially Casablanca and Rabat. Since 1995, the government has been working on a program to build 200,000 low-cost housing

units. In 2001, a government official reported that about 320,000 families were living in slum areas.

#### 43 EDUCATION

The general school system includes modern secular public institutions, traditional religious schools, and private schools. Nine years of education are compulsory, but many girls leave school at a younger age than boys and girls are a minority in secondary as well as primary schools. Primary school covers six years of study, followed by three years of continued basic studies (college). Students may then attend a general secondary school (*lycée*) for three years or a technical school for two or three years. At about seventh or eighth grade, some studies may opt for vocational school programs. The language of instruction in primary schools is Arabic during the first two years, and both Arabic and French are used for the next three years. French is partly the language of instruction in secondary schools. The traditional religious schools are attended by only a small fraction of students. The government is committed to a unified public school system but has permitted private schools to continue because of the lack of alternative resources.

In 2001, about 60% of children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 90% of age-eligible students; 92% for boys and 87% for girls. The same year, secondary school enrollment was about 36% of age-eligible students; 38% for boys and 33% for girls. It is estimated that about 89.6% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 28:1 in 2003; the ratio for secondary school was about 18:1.

Morocco has six universities. Al-Qarawiyyin University at Fès, founded in 859, is reputed to be the oldest university in the world; it was reorganized in 1962–63 as an Islamic university, supervised by the Ministry of Education. The first modern Moroccan university, the University of Rabat (now the Muhammad V University), was opened in 1957. Other universities are Muhammad bin Abdallah (founded 1974), in Fès; Hassan II (1975), Casablanca; Cadi Ayyad (1978), Marrakech; and Muhammad I (1978), Oujda. There are about two dozen colleges and conservatories. In 2003, about 11% of the tertiary age population were enrolled in some type of higher education program.

In efforts to combat illiteracy, the king has established learning centers in over 100 mosques where citizens between the ages of 15 and 45 can receive literacy courses on Islam, civic education, and hygiene. The adult literacy rate for 2004 was estimated at about 50.7%, with 63.3% for men and 38.3% for women.

As of 2003, public expenditure on education was estimated at 6.5% of GDP, or 26.4% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The General Library and Archives (1920) in Rabat is the national library, with holdings of 600,000 volumes. Its notable collection of medieval books and manuscripts, of particular interest to Muslim scholars, contains 1,600 ancient manuscripts of famous Islamic writers, including an important treatise by Averroës and classical treatises on medicine and pharmacy. The Muhammad VI Library of the Al Akhawayn University has a collection of over 65,000 books as well over 450 national and international academic journals, magazines and newspapers. The University Sidi-Mohamed

Ben Abdelleh, in Fès, holds 225,000 volumes. There are various European and Colonial institutes through the country holding small collections. Of the 18 public libraries in Morocco, the largest is in Casablanca, with almost 360,000 volumes.

The Division of Museums, Sites, Archaeology, and Historic Monuments of the Ministry of Cultural Affairs administers 11 museums in major cities and at the ancient Roman site of Volubilis, northwest of Meknès. In some cities, such as Fès and Marrakech, small houses of historic and artistic interest have been preserved as museums. The Museum of Moroccan Arts and the Museum of Antiquities are in Tangiers. Also in Tangiers is the Forbes Museum, which holds a collection of lead soldiers that belonged to the American Malcolm Forbes. There are archeological museums in Tétouan, Rabat, and Larache. The National Science Museum and the Postal Museum are in Rabat. There are Ethnographic Museums in Chefchaouen and Tétouan.

#### 45 MEDIA

The postal, telephone, telegraph, radio, and television services are government operated. Telephone and telegraph services connect most towns, and cable service is available to France, Spain, and Gibraltar. In 2003, there were an estimated 40 mainline telephones for every 1,000 people. The same year, there were approximately 243 mobile phones in use for every 1,000 people.

Radiodiffusion Television Marocaine presents programs in Arabic, in Berber dialects, and in English, French, and Spanish. The television service, with studios in Casablanca and Rabat, presents daily programs in Arabic and French. A private television station, 2M International, began broadcasting in French and Arabic in 1989. As of 1999 there were 22 AM and 7 FM radio stations and 26 television stations. In 2003, there were an estimated 243 radios and 167 television sets for every 1,000 people. The same year, there were 19.9 personal computers for every 1,000 people and 33 of every 1,000 people had access to the Internet. There were 17 secure Internet servers in the country in 2004.

The country's main press agency, Maghreb Arab Press, is owned by the government. It published the daily Arabic newspaper, *Al-Anbâa* (*Information*), which had a 2002 circulation of about 15,000. Other leading daily newspapers published in Rabat (as of 2002) include the Arabic-language *Al Alam* (*The Flag*, circulation 100,000) and the French-language *L'Opinion* (60,000). The French-language *Le Matin du Sahara* (100,000) and *Maroc Soir* (50,000) are published in Casablanca. *Al Ittihad Al Ichtiraki* (*Socialist Unity*, 110,000) is a daily Arabic newspaper also published in Casablanca.

Press freedom is guaranteed by the constitution, and censorship of domestic publications was lifted in 1977, but criticism of Islam, the king, the monarchical system, or Morocco's claim to the Western Sahara is not permitted.

#### 46 ORGANIZATIONS

The Moroccan Trade, Industry, and Handicrafts Association encourages economic development. Chambers of commerce, industry, and agriculture function in most Moroccan cities. British, French, Spanish, and international chambers of commerce are active in Tangier.

Morocco has several drama societies, music organizations (notably the Association for Andalusian Music), and artists' associa-

tions. The multinational Islamic Educational, Scientific, and Cultural Organization is based in Rabat. Professional organizations include societies of doctors, pharmacists, lawyers, and engineers. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions. Societies have been formed to encourage the study of economics, geography, prehistory, sociology, and statistics. There are associations of primary- and secondary-school teachers, parents, older students, and alumni. The National Center for Planning and Coordination of Scientific and Technical Research was established in 1981.

There are at least two major student political groups: the National Union of Moroccan Students and the General Union of Moroccan Students. There are youth movements affiliated with political parties and religious institutions. Scouting programs are also active in the country. There are sports associations representing a wide variety of pastimes, such as tennis, tae kwon do, squash, yachting, and badminton.

The National Mutual Aid Society, a welfare organization with many subdivisions, is headed by Princess Lalla Aïcha, the king's sister. Volunteer service organizations, such as the Lions Clubs International, are also present. The Red Crescent Society and Caritas are also active.

#### 47 TOURISM, TRAVEL, AND RECREATION

Morocco's scenic variety and beauty, fascinating medieval cities, and favorable climate contribute to a steadily increasing flow of tourists. Tourism is one of the fastest-growing areas of the Moroccan economy and a valuable foreign exchange earner. Casablanca and Marrakech are favorite tourist destinations. Coastal beach resorts offer excellent swimming and boating facilities. Sports associations are widespread, particularly for football (soccer), swimming, boxing, basketball, and tennis.

Most visitors require passports but not visas for stays of up to three months. There were 4,511,684 tourists in 2003, with expenditure receipts totaling almost \$3.4 billion. Hotel rooms numbered 75,284 with 147,632 beds and an occupancy rate of 40%. The average length of stay was six nights.

In 2005, the US Department of State estimated the daily cost of staying in Casablanca at \$270; in Marrakech, \$252; and in Tangier, \$266.

#### 48 FAMOUS MOROCCANS

Important leaders and rulers include Idris I (Idris bin 'Abdallah, r.788–91), of the Umayyad dynasty, who came to Morocco and was able to consolidate much of the area. His son Idris II (r.791–804) founded Fès, the early capital. Yusuf bin Tashfin (r.1061–1106), a religious reformer, conquered much of Spain and northern Africa. Muhammad bin Tumart (1078?–1130) founded the Almohad sect and developed a democratic form of government. The founder of the Almohad dynasty, 'Abd al-Mumin bin 'Ali (1094?–1163), conquered Morocco and parts of Spain. Yakub al-Mansur (r.1184–99), who controlled all of North Africa west of Egypt, encouraged architecture and scholarship. Ahmad al-Mansur (r.1578–1603) drove all foreign forces out of Morocco, conquered the western Sudan, and established commercial and other contacts with England and Europe. Mawlay Isma'il (r.1672–1727) reunited Morocco and organized a harsh but effective centralized government. A ca-



pable and strong ruler famous for his justice was Muhammad bin 'Abdallah (r.1757–90).

Morocco has attracted many great minds, and it has been said that none of the great names in western Arabic philosophy is unconnected with Morocco. Avicenna (Ibn Sina, or Abu 'Ali al-Husayn, 980?–1037), a great Persian physician and philosopher and an author of long-used textbooks on medicine, who was born near Bukhoro (Bukhara), lived for a number of years in Morocco. So did Avenzoar (Ibn Zuhr, or Abu Marwan 'Abd al-Malik bin Abu-'l-'Ala' Zuhr, c.1090?–1162), physician and scholar, born in Sevilla, in Spain, and author of important medical treatises. Averroës (Ibn Rushd, or Abu al-Walid Muhammad ibn Ahmad ibn Rushd, 1126–98), greatest Arab philosopher of Spain, was born in Córdoba and lived in Morocco for many years. The doctor and philosopher Abubacer (Abu Bakr Muhammad bin 'Abd al-Malik bin Tufayl, d.1118) was likewise brought to the Moroccan court from Spain.

Among distinguished native-born Moroccans was Ahmad bin 'Ali al-Badawi (c.1200?–76), a Muslim saint who was active principally in Egypt. The great traveler Ibn Battutah (Abu 'Abdallah Muhammad bin Battutah, 1304–68?) visited and wrote about many countries of Africa, Asia, and Europe. The poetry of Muhammad bin Ibrahim (d.1955) is read throughout the Islamic world.

A famous fighter for Moroccan independence was 'Abd al-Karim (Muhammad 'Abd al-Karim al-Khattabi, 1882?–1963), who led a long campaign in the 1920s against French and Spanish forces. King Mohammed V (1909–61) gave up his throne as a gesture for independence, was arrested and exiled by the French, and returned in 1955 to become the first ruler of newly independent Morocco. He was succeeded by his son Hassan II (1929–1999), who continued his father's modernization program and expanded Morocco's territory and mineral resources by annexing West-

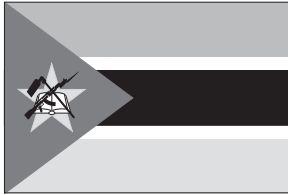
ern Sahara. Mohammed VI (b.1963) became king following his father's death in 1999.

## 49 DEPENDENCIES

Morocco has no territories or colonies.

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# MOZAMBIQUE

Republic of Mozambique  
*República Popular de Moçambique*

**CAPITAL:** Maputo (formerly Lourenço Marques)

**FLAG:** The flag consists of green stripes of green, black, and yellow, separated by narrow bands of white. Extending from the hoist is a red triangle; centered on the triangle is a yellow five-pointed star upon which is a white book over which are crossed the black silhouettes of a hoe and an AK47 rifle.

**ANTHEM:** Begins “Viva viva FRELIMO.”

**MONETARY UNIT:** The Mozambique escudo (ME), linked until 1977 with the Portuguese escudo, was in June 1980 renamed the metical (MT); it is a paper currency of 100 centavos. There are coins of ½, 1, 2½, 5, 10, and 20 meticaís, and notes of 50, 100, 500, and 1,000 meticaís. MT1=\$0.00005 (or \$1 =MT19,445) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in use.

**HOLIDAYS:** New Year’s Day, 1 January; Heroes’ Day, 3 February; Women’s Day, 7 April; Workers’ Day, 1 May; Independence Day, 25 June; Victory Day, 7 September; Day of Revolution, 25 September; Christmas, 25 December.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Located on the southeastern coast of Africa, opposite the island of Madagascar, Mozambique (Moçambique), formerly known as Portuguese East Africa, has an area of 801,590 sq km (309,496 sq mi), of which land constitutes 784,090 sq km (302,738 sq mi) and inland water 17,500 sq km (6,757 sq mi). Comparatively, the area occupied by Mozambique is slightly less than twice the size of the state of California. The country extends 2,016 km (1,253 mi) NNE–SSW and 772 km (480 mi) ESE–WNW. It is bordered by Tanzania on the N, the Indian Ocean (Mozambique Channel) on the E, the Republic of South Africa on the S, Swaziland, South Africa, and Zimbabwe on the W, and Zambia and Malawi on the NW, with a total boundary length of 7,041 km (4,375 mi), of which 2,470 km (1,535 mi) is coastline.

## <sup>2</sup> TOPOGRAPHY

Mozambique is 44% coastal lowlands, rising toward the west to a plateau 150 to 610 m (500–2,000 ft) above sea level and on the western border to a higher plateau, 550 to 910 m (1,800–3,000 ft), with mountains reaching a height of nearly 2,440 m (8,000 ft). The highest mountains are Namuli (2,419 m/7,936 ft) in Zambézia Province and Binga (2,436 m/7,992 ft) in Manica Province on the Zimbabwean border. The most important rivers are the Zambezi (flowing southeast across the center of Mozambique into the Indian Ocean), the Limpopo in the south, the Save (Sabi) in the center, and the Lugenda in the north. The most important lake is the navigable Lake Malawi (Lake Niassa); Lake Cahora Bassa was formed by the impoundment of the Cahora Bassa Dam. In the river valleys and deltas, the soil is rich and fertile, but southern

and central Mozambique have poor and sandy soil, and parts of the interior are dry.

## <sup>3</sup> CLIMATE

Two main seasons, one wet and one dry, divide the climatic year. The wet season, from November through March, has monthly averages 27–29°C (81–84°F), with cooler temperatures in the interior uplands. The dry season lasts from April to October and has June and July temperatures averaging 18–20°C (64–68°F). The average annual rainfall is greatest (about 142 cm/56 in) over the western hills and the central areas, and lowest (30 cm/12 in) in the southwest.

A severe drought began to affect the central region of the country in 2001. As of 2005, the UN World Food Programme was still offering assistance to those who were most in need in the provinces of Maputo, Gaza, Inhambane, Manica, Sodalá, and Tete, but the program was underfunded and there were an estimated 500,000 people still in need of assistance. Much of the same region suffered a flood in 2000 which affected 300,000 people.

## <sup>4</sup> FLORA AND FAUNA

Thick forest covers the wet regions, where there are fertile soils, but the drier interior, which has sandy or rocky soils, supports only a thin savanna vegetation. Extensive stands of hardwood, such as ebony, flourish throughout the country. Mozambique has elephants, buffalo, wildebeests, zebras, palapalas, hippopotamuses, lions, crocodiles, nyalas, and other southern African game species. As of 2002, there were at least 179 species of mammals, 144

species of birds, and over 5,600 species of plants throughout the country.

## 5 ENVIRONMENT

The civil war combined with natural disasters from flooding and drought have created a life-threatening situation for the nation's people. According to a 1992 UN report, humans were the most endangered species in Mozambique. Other significant environmental problems include the loss of 70% of the nation's forests. The nation lost 7.7% of its forest and woodland between 1983 and 1993 alone. Mozambique has since launched reforestation projects, mostly involving the planting of conifers and eucalyptus.

The purity of the nation's water supply is also a significant issue. Surface and coastal waters have been affected by pollution. Mozambique has 99 cu km of renewable water resources. About 89% of the annual withdrawal is used in farming and 2% for industrial purposes. Only 76% of the nation's city dwellers and 24% of the rural population have access to improved water sources.

In 2003, about 8.4% of the total land area was protected, including the Marrromeu Complex, a Ramsar wetland site. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 12 types of mammals, 23 species of birds, 5 types of reptiles, 3 species of amphibians, 21 species of fish, 4 types of mollusks, 1 species of other invertebrates, and 46 species of plants. Endangered species in Mozambique include the green sea, hawksbill, olive ridley, and leatherback turtles.

## 6 POPULATION

The population of Mozambique in 2005 was estimated by the United Nations (UN) at 19,420,000, which placed it at number 54 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 44% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.2%, a rate the government viewed as too high as it struggled to reduce poverty. The projected population for the year 2025 was 27,556,000. The population density was 24 per sq km (63 per sq mi), with about 60% of the population living in the central and southern coastal provinces.

The UN estimated that 32% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.22%. The capital city, Maputo (formerly Lourenço Marques), had a population of 1,221,000 in that year, while Beira had an estimated population of 500,000; Nampula, 314,965; and Nacala, 182,500.

The prevalence of HIV/AIDS has had a significant impact on the population of Mozambique. The UN estimated that 13% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

Between April 1974 and the end of 1976, an estimated 235,000 of the 250,000 Portuguese in Mozambique fled the country. Famine and war produced another exodus in the 1980s, but this time of blacks. An October 1992 peace agreement left 4.5 million inter-

nally displaced and 1.5 million refugees abroad. Of the latter, at the end of 1992, some 1,058,500 were in Malawi; about 200,000 in South Africa, 136,600 in Zimbabwe, 75,200 in Tanzania, 48,100 in Swaziland, and 26,300 in Zambia. By May 1993 about 750,000 people in both categories had returned home. Mozambique traditionally supplies seasonal farm workers to South Africa farmers.

In October 1992, the 16-year civil war ended with a peace treaty. Between 1992 and 1996, the United Nations High Commissioner for Refugees (UNHCR) completed the largest repatriation project it has ever conducted in Africa. Over 1.3 million refugees returned to Mozambique from Malawi; 241,000 returned from Zimbabwe; 23,000 returned from South Africa, and 32,000 returned from Tanzania.

In 2000 there were 366,000 migrants living in Mozambique, including a small number of refugees. In 2004, there were 623 refugees and 4,892 asylum seekers. In that same year 151 Mozambicans applied for asylum in South Africa. In 2005, the net migration rate was an estimated zero, a significant change from 10.7 per 1,000 in 1990. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

Nearly the total population (99.66%) is made up of indigenous tribal groups, including the Shangaan, Chokwe, Manyika, Sena, and Makua. Overall, there are 10 major ethnic clusters. The largest, residing north of the Zambezi, is the Makua-Lomwé group, representing about 37% of the total population. The Yao (Ajawa) live in Niassa Province. The Makonde live mainly along the Rovuma River. Other northern groups are the Nguni (who also live in the far south) and the Maravi. South of the Zambezi, the main group is the Tsonga (about 23%), who have figured prominently as Mozambican mine laborers in South Africa. The Chopi are coastal people of Inhambane Province. The Shona or Karanga (about 9%) dwell in the central region. Also living in Mozambique are Euro-Africans, accounting for about 0.2% of the population; Europeans, make up 0.06%; and Indians, constitute 0.08%.

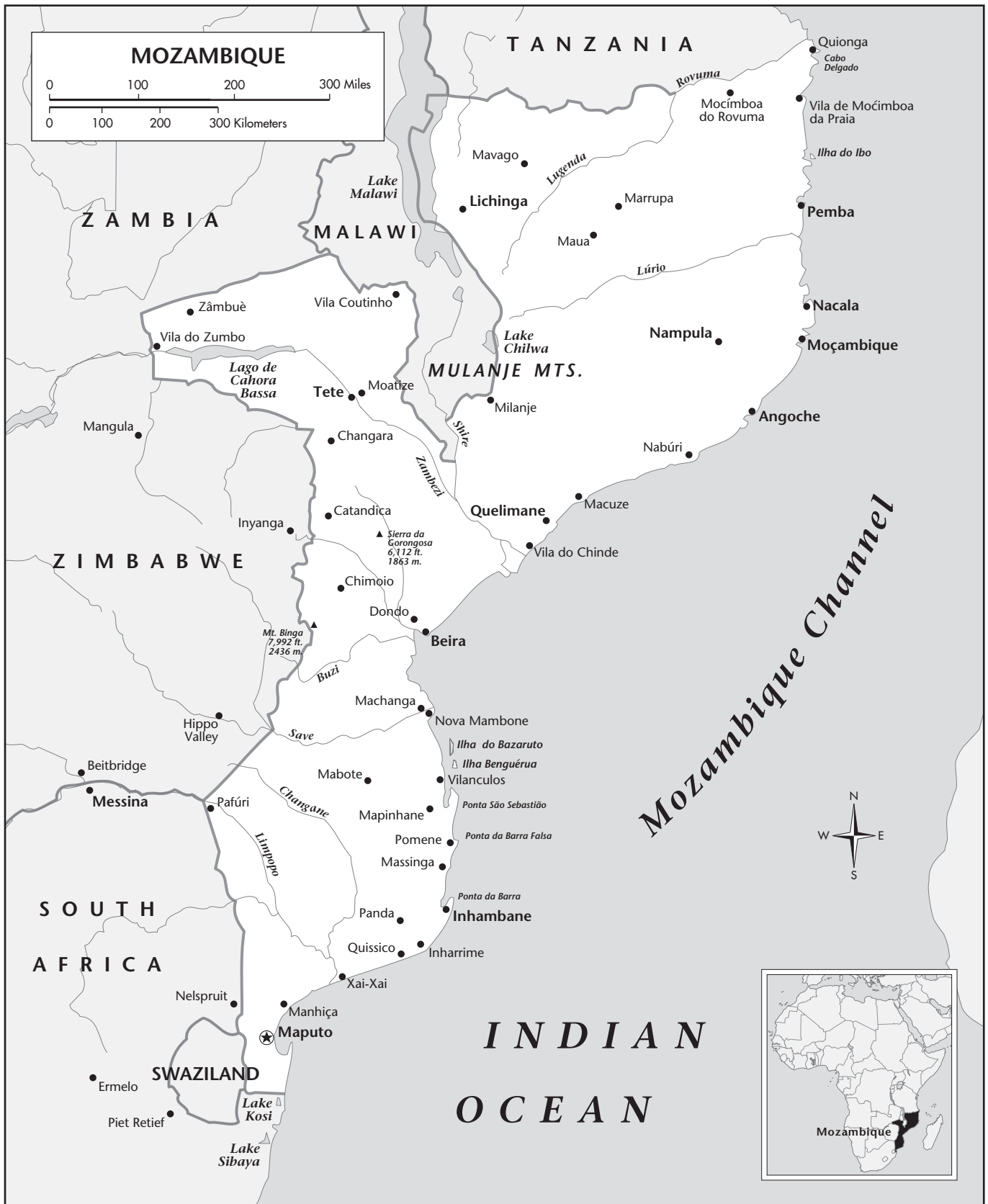
## 9 LANGUAGES

Portuguese remains the official language. It is spoken as a first language by only about 8.8% of the population and as a second language by about 27%. Different African ethnic groups speak their respective languages and dialects. The most prominent of these are Emakhuwa, spoken by about 26.1% of the population; Xichangana, by 11.3% of the population; Elomwe, by 7.6%; Cisena, 6.8%; and Echuwabo, 5.8%.

## 10 RELIGIONS

Reports from the National Institute of Statistics state that half of the population does not claim adherence to any religion or creed. However, local scholars claim that most of the population follows traditional indigenous customs and beliefs either exclusively or in conjunction with other religious traditions. Veneration of ancestors plays an important role in traditional customs as do *curandeiros*, the traditional healers or spiritualists who are consulted for healing, luck, and solutions to problems.

Of the eight million or so who claim religious affiliation, about 24% are Roman Catholic, 22% are Protestant, and 20% are Muslim (though some Muslim leaders claim a much larger percentage of adherents). The strongest Muslim communities are located in



LOCATION: 30°12' to 40°51' E; 10°27' to 26°52' S. BOUNDARY LENGTHS: Tanzania, 756 kilometers (470 miles); Indian Ocean coastline, 2,504 kilometers (1,556 miles); South Africa, 491 kilometers (305 miles); Swaziland, 108 kilometers (67 miles); Zimbabwe, 1,223 kilometers (760 miles); Zambia, 424 kilometers (263 miles); Malawi, 1,497 kilometers (930 miles). TERRITORIAL SEA LIMIT: 12 miles.

the northern provinces and along the coastal strip. Central provinces are predominantly Catholic and the southern regions have the most Protestants. There are also small groups of Jews, Hindus, and Baha'is across the country.

There are over 500 distinct denominations registered with the Department of Religious Affairs of the Ministry of Justice. Registration is required by law and an organization must have at least 500 members in good standing to be registered. However, unregistered groups have been allowed to worship without restrictions. The largest of the African Independent Churches in the country is the Zion Christian Church. Other Christian denominations include Anglican, Greek Orthodox, Presbyterian, Methodist, Baptist, Seventh-Day Adventist, Congregational, Church of Jesus Christ of Latter-Day Saints, Nazarene, Jehovah's Witnesses and other Pentecostal, evangelical, and apostolic organizations. The evangelical Christians are reported as the fastest growing religious groups in the country. Among Muslims, only Sunni and Ismaili communities are registered.

The People's Republic of Mozambique is a secular state. The government guarantees every citizen full freedom of conscience and the right to practice a religion or not. Though church schools and hospitals were nationalized after independence, reports indicate that many of these institutions have been returned to their respective religious organizations. There is a council of bishops, including Catholic and Anglican members, that meets with the president on a fairly regular basis to talk about current issues. The Inter-Religious Forum is an interfaith organization that offers social and disaster relief; members include those from the Christian Council of Mozambique, the Greek Orthodox Church, Muslims, Jews, and Bahai's. No religious holidays are officially observed, though individuals are generally allowed days off for their own religious observances.

## <sup>11</sup>TRANSPORTATION

Transport networks are of major importance to the economy. Mozambique's landlocked neighbors—Malawi, Zambia, Zimbabwe, and Swaziland—along with South Africa are the main users of the Mozambican transport system.

The railways are the best-developed sector, with three good rail links between major Mozambican ports and neighboring countries. By independence in 1975, almost the entire railway system was owned by the state and passed into the hands of the newly independent government. The route system is 3,123 km (1,943 mi) long, all of it narrow gauge, with the single largest user being South Africa. There are six routes that make up the majority of the country's railroads: the Nacala Corridor, connecting Nacala to Malawi (300 km/186 mi); the Sena Corridor, linking Beira, via Dondo, to the coalfields at Moatize (513 km/319 mi) and to Malawi (370 km/230 mi); the Beira Corridor, connecting Beira to Zimbabwe (315 km/196 mi); the Limpopo Corridor, linking Maputo with Zimbabwe (534 km/332 mi); the Resano Garcia line, connecting Maputo to South Africa (88 km/55 mi); and the Goba line, linking Maputo to Swaziland (68 km/42 mi).

The road network in 2002 totals an estimated 30,400 km (18,890 mi), of which 5,685 km (3,533 mi) are paved, but few roads are suitable for trucks and passenger cars. In 2003, there were 58,110 vehicles, including 29,530 passenger cars and 28,580 commercial vehicles.

Maputo, by far the leading port, has an excellent multipurpose harbor, with exceptional loading, unloading, and storage facilities. It is a major outlet for South Africa, Swaziland, Zimbabwe, Zambia, Malawi, and the eastern DROC. Other ports include Beira, Nacala, and Inhambane, which was reopened in 1980 after a 20-year closure. The Mozambican merchant fleet consisted of two cargo ships of 1,000 GRT or more, totaling 4,125 in 2005. As of 2004, Mozambique had 580 km (360 mi) of navigable waterways consisting of the Zambezi River to Tete and along Cahora Lake.

In 2004, there were an estimated 158 airports, 22 of which had paved runways as of 2005. Mozambique Air Lines (Linhas Aéreas de Moçambique—LAM), the state airline, operates both international and domestic services. In 2003, about 281,000 passengers were carried on domestic and international flights. The National Enterprise of Transport and Aerial Labor (Empresa Nacional de Transporte e Trabalho Aéreo—TTA) also provides domestic service. Maputo and Beira have international airports.

## <sup>12</sup>HISTORY

Mozambique's earliest inhabitants were hunter-gatherers, often referred to as Bushmen. The land was occupied by Bantu peoples by about AD 1000. In the following centuries, trade developed with Arabs who came across the Indian Ocean to Sofala. The first Europeans in the area were the Portuguese, who began to settle and trade on the coast early in the 16th century. During the 17th century, the Portuguese competed with Arabs for the trade in slaves, gold, and ivory, and set up agricultural plantations and estates. The owners of these estates, the *prazeiros*, were Portuguese or of mixed African and Portuguese blood (*mestiços*); many had their own private armies. Mozambique was ruled as part of Goa until 1752, when it was given its own administration.

Until the late 1800s, Portuguese penetration was restricted to the coast and the Zambezi Valley. The African peoples strongly resisted further expansion, but they were ultimately subdued. By the end of the 19th century, the Portuguese had made boundary agreements with their colonial rivals, the United Kingdom and Germany, and had suppressed much of the African resistance. Authority was given to trading companies such as Mozambique Co., which forced local people to pay taxes and work on the plantations. After the Portuguese revolution of 1926, the government of Portugal took a more direct interest in Mozambique. The trading companies' influence declined, and Mozambique in 1951 became an overseas province of Portugal.

As in other Portuguese territories, African resistance to Portuguese rule grew stronger as the British and French colonies in Africa began to win their independence. Gradually, various liberation movements were formed. On 25 June 1962, these groups united to form the Mozambique Liberation Front (FRELIMO) and elected Eduardo C. Mondlane as its first president. The armed struggle began on 25 September 1964, when FRELIMO guerrillas trained in Algeria went into action for the first time in Cabo Delgado. By 1965, fighting had spread to Niassa, and by 1968, FRELIMO was able to open fronts in the Tete region. By that time, it claimed to control one-fifth of the country. In response, the Portuguese committed more and more troops, military supplies, and military aid funds to the territory. On 3 February 1969, Mondlane was assassinated in Dar es Salaam, Tanzania; the acting leader of

FRELIMO, Samora Machel, became president of the organization in December 1970.

The turning point in the struggle for independence came with the Portuguese revolution of 25 April 1974. Negotiations between Portuguese and FRELIMO representatives led to the conclusion of an independence agreement in Zambia in September. Mozambique became officially independent at midnight on 24–25 June 1975, and the People's Republic of Mozambique was proclaimed in ceremonies on 25 June. Machel, who had returned to Mozambique on 24 May after 13 years in exile, became the nation's first president. He quickly affirmed Mozambique's support of the liberation movement in Rhodesia, and guerrilla activity along the Rhodesian border increased. On 3 March 1976, Mozambique closed its border with Rhodesia, severed rail and communications links, and nationalized Rhodesian-owned property. Because the transit fees paid by Rhodesia had been a major source of foreign exchange revenue, the action aggravated Mozambique's economic ills. During this period, Rhodesian forces conducted land and air raids into Mozambique to punish black nationalist guerrillas based there. These raids ended, and the border was reopened in 1980, following the agreement that transformed Rhodesia into Zimbabwe. However, South African airmen bombed Maputo in 1981 and 1983 in retaliation for Mozambique's granting refuge to members of the African National Congress (ANC), a South African black nationalist group.

The Mozambique National Resistance (RENAMO), created in 1976, allegedly by Portuguese settler and business interests with white Rhodesian (Central Intelligence Organization) backing, conducted extensive guerrilla operations in Mozambique during the 1980s. With an armed strength estimated as high as 12,000, RENAMO blew up bridges and cut rail and road links and pipelines. After the loss of its Rhodesian support, RENAMO received substantial aid from South Africa and also had bases in Malawi. Voluntary support for RENAMO within Mozambique was difficult to ascertain, but there was known to be considerable disaffection with the government because of food shortages and resistance by peasants to being resettled onto communal farms. In addition to these political problems, Mozambique experienced widespread floods in 1977–78 and recurrent drought periodically from 1979, especially in 1992.

On 16 March 1984, Mozambique and South Africa signed a nonaggression pact at Nkomati whereby Mozambique agreed to keep the ANC from using Mozambican territory for guerrilla attacks on South Africa, while South Africa agreed to stop supporting RENAMO. Nevertheless, South Africa continued to aid RENAMO, and as a result, in 1985 Mozambique pulled out of the commission that monitored the nonaggression pact. On 19 October 1986, President Machel and 33 others were killed when their Soviet-built jetliner crashed inside South Africa while returning to Maputo. Mozambican officials accused South Africa of employing a radio beacon to lure the craft off course to its destruction, but an international commission found that the crash was caused by negligence on the part of the Soviet crew. On 3 November 1986, FRELIMO's Central Committee elected Foreign Minister Joaquim A. Chissano president. In 1987, despite the jetliner crash and despite Mozambican claims that RENAMO and South Africa were responsible for the massacre of 386 people in a village near Inhambane, Mozambique and South Africa revived their nonag-

gression pact. Fighting intensified and hundreds of thousands of Mozambicans fled to Malawi and Zimbabwe.

In 1990, there was movement toward resolving the civil war. There were serious signs in the late 1980s that FRELIMO was moderating its views. At its 1989 Congress, FRELIMO formally abandoned its commitment to the primacy of Marxism-Leninism. The first peace talks in 13 years were scheduled for Blantyre, Malawi, but they broke down just before they were to open. In August, government and rebel leaders concluded three days of talks in Rome. That same month, Chissano announced that FRELIMO had agreed to allow opposition parties to compete openly and legally. Finally in November, government and RENAMO agreed to appoint the Italian government and the Catholic Church as mediators in peace talks.

It took until 4 October 1992 to sign a peace treaty ending the war, but sporadic fighting and new RENAMO demands slowed the implementation process. Chissano and Afonso Dhlakama, RENAMO's leader, signed an agreement that called for the withdrawal of Zimbabwean and Malawian troops that had assisted government forces guarding transport routes and the regrouping of both government and RENAMO soldiers at assembly points. It called for the formation of a new national army composed of half government and half RENAMO troops. A joint commission of government and RENAMO, along with a small UN monitoring force, and other joint commissioners, the police, and intelligence services were to oversee the agreement's implementation. In addition, multiparty elections were to be held within a year.

Delays troubled the process practically from the start. RENAMO was slow to appoint its representatives to the joint commissions. The UN operation (UNOMOZ) was formally approved in December 1992, but no troops arrived until March 1993, and it was midyear before 6,000 troops were deployed. RENAMO failed to implement the provision for demobilization and all of the provisions regarding freedom of movement and political organization in areas it controlled. New RENAMO demands were put forward almost monthly, and despite direct meetings between Dhlakama and Chissano and an October 1993 visit by UN Sec. Gen. Boutros Boutros-Ghali, the delays continued.

Political party activity picked up as efforts to resolve the civil war continued. By the end of 1996, 22 parties were active. In March 1993, government presented a draft electoral law to opposition parties, but not until late July was a meeting convened to discuss it. The opposition parties demanded a two-thirds majority on the National Electoral Commission. After Boutros-Ghali's visit, a compromise (10 out of 21 for the opposition parties) was agreed to. Delays also marked the effort to confine armed forces in designated areas.

Elections first scheduled for 1993 were conducted on 27–29 October 1994. On the presidential ballot, Chissano won 53.3% of the vote to Dhlakama's 33.7%. The remainder was split among 10 other contenders. On the legislative ballot, FRELIMO took 44% of the popular vote to RENAMO's 37.7%. FRELIMO had 129 seats and RENAMO, 112. The Democratic Union took nine seats. Dhlakama disputed the fairness of the vote, and the UN observers agreed that it had been less than ideal, but insisted that the announced results were sufficiently accurate. More than 2,000 international observers agreed. Chissano formed the new government on 23 December, with the entire cabinet made up of FRELIMO MPs. Early

in 1996, the Chissano government announced that it would postpone municipal elections slated for later that year until 1997. In presidential and parliamentary elections held in December 1999, Chissano defeated Dhlakama by 52.29% to 47.71% while his party took 133 seats against 117 for RENAMO in the parliamentary contest.

The next elections were held on 1 December 2004. In these elections Armando Guebuza, the new FRELIMO candidate, won 63.7% of the votes and the RENAMO candidate, Afonso Dhlakama, got 31.7%. In the parliamentary elections FRELIMO won 62% (1.8 million) of the votes, RENAMO 29.7% (905,000 votes) and 18 minor parties shared the remaining 8%. Under the proportional system, FRELIMO won 160 of the parliamentary seats and RENAMO won 90. The election results were contested by RENAMO and were widely criticized by international observers such as the European Union Election Observation Mission to Mozambique. Nevertheless, although the elections had shortcomings, it was agreed that the shortcomings did not affect the final result in the presidential election which was decisively in favor of FRELIMO. The new FRELIMO president, Armando Guebuza was sworn in as president of the republic on 2 February 2005 without the blessing of Dhlakama and RENAMO. Dhlakama was absent at the inauguration. In spite of the protests over the elections, RENAMO agreed to participate in the parliament and the Council of State. The next presidential and assembly of the republic elections were scheduled for December 2009.

With the return of normalcy to the war-torn country, Mozambique attempted to address the huge problem of the repatriation of the millions of refugees. By 1996, 1.6 million had returned. In 1997, Mozambique had become relatively stable, but remained mired in poverty. International investment, following structural adjustment programs initiated by the World Bank, poured in as the country engaged in a wholesale privatization of formerly state-owned enterprises on a scale unmatched anywhere in the world. In mid-2003, Mozambique was set to benefit from an \$11.8 million disbursement from the International Monetary Fund (IMF), following a positive review of its economic performance under the IMF's Poverty Reduction and Growth Facility (PRGF). Over 70% of the population reportedly lives in poverty, and an estimated 13% of adults between 15–49 years old are infected with HIV. Food insecurity also remained an issue for some 600,000 people affected by cyclical droughts and flooding.

### 13 GOVERNMENT

The constitution of the People's Republic of Mozambique became effective at midnight on 24–25 June 1975. Under the constitution and its revision enacted during 1977–78, Mozambique was a republic in which FRELIMO was the sole legal party. The president was the chief of state; the president of FRELIMO had to be the president of the republic. He acted on the advice of the Council of State Ministers, which he appointed and over which he presided. He also appointed provincial governors. The position of prime minister was created in a 1986 constitutional revision. The National People's Assembly, with 226 members, was the supreme organ of the state. Elections to the Assembly were held in 1977 and 1986, with the candidates chosen from a single FRELIMO slate.

A revised constitution with a multiparty system of government came into force on 30 November 1990. The name of the coun-

try was changed from the People's Republic to the Republic of Mozambique. Governmental institutions remain otherwise unchanged. According to the 1990 constitution, the president is to be elected by universal adult suffrage for a five-year term and might be reelected on only two consecutive occasions. The Assembly of the Republic replaced the People's Assembly. Its 250 deputies are to be elected for five-year terms.

### 14 POLITICAL PARTIES

The Mozambique Liberation Front (Frente de Libertação de Moçambique—FRELIMO), the sole legal political party until 1991, was founded in 1962 by the merger of three existing nationalist parties. Formation of FRELIMO did not mean complete political unity. Splinter groups or organizations began to appear in Cairo, Nairobi, and elsewhere, but none of these splinter organizations ever received the support of the OAU, which gave official recognition only to FRELIMO.

In August 1973, five anti-FRELIMO groups formed the National Coalition Party (Partido de Coligação Nacional—PCN). The PCN program called for a referendum on the country's future and the restoration of peace and multiracialism. The organized opposition from the Portuguese community took the form of the Independent Front for the Continuation of Western Rule (Frente Independente de Continuidade Ocidental—FICO, or "I stay"). FICO called for Portugal to continue the war against FRELIMO. In fact, however, the Portuguese government chose to recognize FRELIMO. After the formation of a provisional FRELIMO government in September 1974, the PCN was dissolved and its leaders detained.

Two years after independence, in 1977, FRELIMO was transformed from a liberation movement into a Marxist-Leninist vanguard party dedicated to the creation of a Socialist state. FRELIMO formally downgraded its ideological commitment at its July 1989 congress. Proposals to broaden party membership and decision making were also adopted. The new constitution in force in November 1990 legalized a multiparty system. Since then, activity has been vigorous. FRELIMO and RENAMO (created in 1976 as a dissident armed force) have been most popular, the latter especially in the central regions. The Mozambican National Union (UNAMO) registered early, and there are several smaller parties, including the Democratic Party of Mozambique (PADEMO) and the Mozambique National Movement (MONAMO). They were gearing up for multiparty presidential and legislative elections in October 1994.

The elections were held on 27 October 1994, and FRELIMO took 129 seats, RENAMO, 112, and the Democratic Union, 9. FRELIMO head Chissano won the presidential election with 53% of the vote to RENAMO's Dhlakama's 33%, with the rest split among 10 candidates.

By 1996, Mozambique had nearly two dozen political parties officially registered with the state. In addition to FRELIMO and RENAMO, the Democratic Union, a coalition of three smaller parties, was founded in 1994. UNAMO, a splinter from RENAMO, ran a strong presidential race, and the Liberal Democrats won almost 2% of the votes in the legislative elections.

In the presidential elections held in December 1999, Dhlakama lost again to Chissano, but gained 14 points over 1994. In the legislative polls RENAMO's 38.81% was only a slight improvement

over 37.7% in 1994. This translated to 133 parliamentary seats against 117 for RENAMO in the 250-seat assembly. In September 2000, Renamo-UE member Raul Domingos was expelled from the party, but he continues to hold his parliamentary seat as an independent. In mid-2002 FRELIMO announced that Armando Guebuza would be its candidate in the 2004 elections following Chissano's announcement earlier that he would not stand for a third term.

Chissano and Dhlakama met a number of times over 2001–2002 to discuss RENAMO's claim that the 1999 elections were rigged. RENAMO threatened to form a separate government in its stronghold—the six central and northern provinces. Barring this radical move, RENAMO leaders have demanded that Chissano name the governors of these provinces from among RENAMO's ranks. But Chissano refused to take such action on constitutional grounds. RENAMO's electoral alliance with 10 small parties—the RENAMO-Electoral Union—said that its own parallel count gave Dhlakama 52% in the presidential race and the coalition 50% in the 1999 legislative polls.

Mozambique is dominated by two political parties (FRELIMO and RENAMO) so much so that it is extremely difficult for anybody to achieve electoral success under the banner of any other party. However, there is a plethora of smaller parties. In the elections held in December 2004, 18 smaller parties, along side FRELIMO and RENAMO, contested in the elections. But expectedly FRELIMO and RENAMO shared 92% of the vote while the other 18 parties got only 8% of the vote. In these elections FRELIMO got 160 parliamentary seats while RENAMO received 90 seats. The new presidential candidate for RENAMO, Armando Guebuza, won 63.7% of the votes while RENAMO's candidate, Afonso Dhlakama, received 31.7% of the votes in 2004.

## 15 LOCAL GOVERNMENT

All of Mozambique outside the capital is organized into 10 provinces, subdivided into 112 districts, 12 municipalities, and 894 localities; the capital city of Maputo is considered an 11th province. Each provincial government is presided over by a governor, who is the representative of the president of the republic and is responsible to FRELIMO and the national government for his activities. Each province also has a provincial assembly, which legislates on matters exclusively bearing on that province. District, municipal, and local assemblies were established in 1977; local elections were held in that year and in 1986. Some 20,230 deputies for 894 local assemblies were elected by adult suffrage at age 18 from candidates chosen by local units of FRELIMO or, in their absence, by other local groups. Deputies of the provincial, district, and municipal assemblies were elected by the local bodies.

Elections were held in 1998 and were scheduled again for October 2003. RENAMO boycotted the first local polling in 1998, accusing the government of fraud. That resulted in a turnout of just 14.4% and a landslide victory for FRELIMO. In the November 2003 local assembly elections turnout was generally low, about 30% of the voters but far better than the turnout in the 1998 elections. The ruling FRELIMO party won in the greater majority of the 33 municipalities. Among the reasons cited for the low turnout in the 2003 local elections and the apathy of voters were an overall lack of trust in political parties, and the perception among voters that their votes would not bring about any changes in the

government. Nevertheless, European Union observers declared the local polling free and fair, but warned that a low voter turnout was a matter of concern ahead of the 2004 presidential and assembly vote.

## 16 JUDICIAL SYSTEM

The legal system is based on Portuguese civil law and customary law. The formal justice system is bifurcated into a civil/criminal system under auspices of the Ministry of Justice and a military justice system under joint supervision of the Ministries of Defense and Justice. At the apex is the Supreme Court, which hears appeals from both systems. The provincial and district courts are below the Supreme Court. There are also special courts such as administrative courts, customs courts, fiscal courts, maritime, and labor courts. Local customary courts, part of the civil/criminal system, handle estate, divorce, and other social and family issues.

Since abolition of the Revolutionary Military Tribunal and establishment of the Supreme Court in 1988, those accused of crimes against the state are tried in civilian courts under standard criminal procedural rules.

The 1990 constitution declares the establishment of an independent judiciary, with judges nominated by other jurists instead of designated by administrative appointment. It is the president, however, who continues to appoint the justices of the Supreme Court.

In nonmilitary courts, all criminal defendants enjoy presumptions of innocence, have the right to legal counsel, and the right of appeal; however, the judicial system suffers from lack of qualified judicial personnel and financial resources.

## 17 ARMED FORCES

The armed forces in 2005 numbered an estimated 11,200 active personnel. The Army had an estimated 9,000 to 10,000 personnel and was equipped with over 60 main battle tanks, in addition to 166 artillery pieces and other equipment. The Navy had 200 personnel for duty on Lake Malawi. Air Force personnel numbered 1,000; Air Force equipment included a small number of MiG-21 fighters and four attack helicopters. Mozambique had observers in three UN missions in the region. In 2005, the defense budget totaled \$116 million.

## 18 INTERNATIONAL COOPERATION

Mozambique was admitted to the United Nations (UN) on 16 September 1975 and takes part in ECA and several nonregional specialized agencies, such as the FAO, ILO, IMF, the World Bank, UNESCO, UNHCR, UNIDO, and the WHO. The country also belongs to the WTO, the ACP Group, the Commonwealth of Nations, the Organization of the Islamic Conference (OIC), the African Development Bank, G-77, and the African Union. Mozambique plays a leading role in the Southern African Development Community (SADC).

Mozambique is a member of the Nonaligned Movement. The country has supported UN operations and missions in East Timor (est. 2002), Burundi (est. 2004), and the DROC (est. 1999). In environmental cooperation, Mozambique is part of the Basel Convention, the Convention on Biological Diversity, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.



## 19 ECONOMY

Mozambique, with its agricultural economy and considerable mineral reserves, is a highly indebted, poverty-stricken country. Civil war, ineffective socialist economic policies, and severe droughts plagued Mozambique's economy throughout the 1980s, leaving it heavily dependent on foreign aid. As of 2003, the government had received \$8 billion in foreign aid since 1986, representing 17% of GDP. Lack of security outside of major cities and the inability of relief organizations to find safe corridors for the transport of relief supplies only further depressed economic activity. Recent shifts in economic policy toward a market economy and a resolution of the civil war have laid the foundation for an economic recovery helping the economy to grow on average by 4.7% yearly between 1988 and 1998. In 2001, it stood at 13.0% but declined to 7.7% in 2003 and 7.0% in 2005. Main exports are prawns, cashew nuts, and cotton.

The poorly trained workforce and other factors constrain growth. The use of outdated data collection systems, geared more to a state-managed economy, means that the increasing vitality of the private sector tends to go unmeasured. The return of rain after the worst drought on record in 1992 and continuing peace meant that many Mozambicans were able to farm their lands again, making them less dependent on food aid. The 1992 peace accords, which halted the 16-year civil war, brought much needed relief from military activities.

In 2000, some of the worst flooding in the history of the country had killed and displaced many citizens, deterring economic well-being. Approximately 80% of the population is employed in agriculture, mostly on a small-scale, subsistence level. Longer term prospects for growth are encouraging, but highly dependent on good weather and a stable political situation. The country experienced double-digit GDP growth in the late 1990s. A value added tax was introduced in 1999, improving the government's capacity to collect revenue, the country witnessed inflows of capital in the early 2000s, and the exchange rate was stable. Although inflation was low, interest rates were high in 2002. The financial sector has been liberalized, and trade is following along that path. The government's privatization program has been one of the most successful in Africa. In 2000, Mozambique received debt relief under the Heavily Indebted Poor Countries (HIPC) initiative run by the World Bank and the IMF.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Mozambique's gross domestic product (GDP) was estimated at \$25.6 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,300. The annual growth rate of GDP was estimated at 7%. The average inflation rate in 2005 was 7.8%. It was estimated that agriculture accounted for 24.2% of GDP, industry 41.2%, and services 34.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$69 million or about \$4 per capita and accounted for approximately 1.6% of GDP. Foreign aid receipts

amounted to \$1,033 million or about \$55 per capita and accounted for approximately 25.1% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Mozambique totaled \$3.340 billion or about \$178 per capita based on a GDP of \$4.3 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.6%. It was estimated that in 2001 about 70% of the population had incomes below the poverty line.

## 21 LABOR

In 2000 (the latest year for which data was available), Mozambique's workforce was estimated at 9.2 million. As of 1997 (the latest year for which data was available), agriculture accounted for an estimated 81% of the labor force, with industry and commerce accounting for 6%, and services 13%. Unemployment that same year was estimated at 21%.

The law provides for workers to organize and join unions, although less than 1% of the workforce are union members. The vast majority of those unionized are in larger urban areas where industries are located. There is a constitutional right to strike, with the exception of government employees, police, military personnel, and employees of other essential services. There are two labor federations. The law protects the right of workers to engage in collective bargaining, and prohibits antiunion discrimination.

The minimum working age is 15 but many children work on family farms or in the informal urban economy. The minimum wage for industrial employment was set at \$30 per month in 2002. The agricultural minimum is \$20 per month. Neither of these minimums provide a living wage, and most workers earn more or engage in additional labor or family farming to supplement their earnings. The legal workweek is 44 hours. The government has enacted health and environmental laws to protect workers, but these provisions are ineffectually enforced.

## 22 AGRICULTURE

During the 1980s and early 1990s, Mozambique's agricultural sector was barely functional due to a combination of manmade and natural causes. The prolonged drought of 1981 to 1984 was followed by the floods and cyclone of 1984. By 1986, a famine emerged from renewed drought and civil war. Drought continued into 1987, followed by floods and locusts in 1988. Normal rainfall came in 1990, only to be followed by renewed drought in 1991 and 1992. In some regions food production declined by 80%, and in 1992 the food deficit reached a record 1.3 million tons. Normal rains returned in 1993, but the ongoing food relief requirement, exclusive of war refugees, was put at 1 million tons in 1994. Good rains and harvests helped the Mozambican economy grow by 5% in 1995 and 1996. By 1999, agricultural production was 5.5% higher than during 1989–91. By 2002–04, crop production was up 4.6% from 1999–2001.

Only about 5.8% of Mozambique is under cultivation at any one time, and more than two-thirds of the land is not exploited in any way. Nevertheless, agricultural pursuits support over 80% of the population and provided about 26% of the GDP in 2003. Since independence, there has been a serious decline in agricultural pro-

duction, attributed to the collapse of rural transport and marketing systems when Portuguese farmers and traders left the country. In the 1980s, state farms received the bulk of agricultural investment, but the yields were poor.

Mozambique's major cash crops are cashew nuts, cotton, copra, sugar, tea, and cassava, and its major food crops are corn and sorghum. Crop production in 2004 included cassava, 6,150,000 tons; sugarcane, 400,000 tons; coconuts, 265,000 tons; sorghum, 314,000 tons; peanuts, 127,000 tons; corn, 1,248,000 tons; bananas, 90,000 tons; oranges, 14,000 tons; grapefruits, 13,000 tons; cashew nuts, 58,000 tons; rice, 201,000 tons; cotton fiber, 25,000 tons; sunflowers, 11,000 tons; cottonseed, 24,000 tons; and tobacco, 12,000 tons. Mozambique is a net importer of food; in 2004, the trade deficit in agricultural products was \$218.6 million.

### 23 ANIMAL HUSBANDRY

Animal husbandry is an underdeveloped sector in the Mozambican economy. A lack of credit, deadly epizootic diseases, and other diseases carried by the tsetse fly make a commercially viable animal husbandry industry almost impracticable for the African traditional farmers, who predominate in this sector. In 2005 there were an estimated 1,320,000 head of cattle, 392,000 goats, 180,000 hogs, and 125,000 sheep. The number of chickens was estimated at 28 million; ducks, 670,000. Beef and veal production was estimated at 38,100 tons; poultry meat, 36,300 tons; cows' milk, 60,400 tons; and hen eggs, 14,000 tons. Mozambique must import substantial quantities of meat and livestock products.

### 24 FISHING

In 2003, commercial fishery production was 89,696 tons, of which lobsters and prawns were primarily for export. The potential catch is estimated at 500,000 tons of fish and 14,000 tons of prawns. South African trawlers are allowed to fish in Mozambican waters in return for providing a portion of their catch to Mozambique. In 2003, exports of shrimp and other seafood were valued at \$86.9 million. The European Union and Japan have each entered into agreements designed to help develop the fishing industry.

### 25 FORESTRY

Wood production is from natural forests and is almost entirely consumed by the local rural populations for fuel and construction. Forests constitute an estimated 30.6 million hectares (75.6 million acres). The timber industry is centered along the Beira Railroad and in Zambézia Province, where sawn and construction timber are produced for the nearby South African market. The timber cut was approximately 18 million cu m (635 million cu ft) of roundwood in 2004, with about 93% burned as fuel. Sawn wood production was 28,000 tons in 2004.

### 26 MINING

Mozambique's rich mineral deposits remained largely undeveloped. With the end of the civil war, efforts have been under way to revive the economy, with the minerals sector playing an important role. In 1999, mining accounted for less than 1% of GDP. In 2003, Mozambique produced bauxite, beryl, marine salt, cement, gravel and crushed rock, marble (block and slab) limestone, sands and tantalite. Zambézia, Nampula, and Tete provinces had large deposits of columbite, tantalite, beryl, semiprecious stones, feldspar,

kaolin, and coal. Manica Province produced copper and bauxite. Also known to occur were deposits of diatomite, fluor spar, guano, gypsum, iron ore, limestone, manganese, mica, nepheline syenite, perlite, phosphate rock (resources of 274 million tons), rare earths, silica sand, precious and ornamental stones (agate, amethyst, aquamarine, emerald, garnet, jasper, Morganite, rose quartz, tiger eye, and tourmaline), and titanium. Resources of heavy-mineral sands totaled 14 billion tons containing 300 million tons of ilmenite, as well as zircon and rutile.

Production of bauxite was in 2003 totaled 11,793 metric tons, up from 9,119 metric tons in 2002. Marble, production in 2003 totaled 452 cu m of block, down from 453 cu m in 2002, while slab output in 2003 totaled 10,227 sq m, up from 9,980 sq m in 2002. Gold was also produced in 2003, all by artisanal miners. Official production of gold in 2003 totaled 63 kg, up from 17 kg in 2002. Limestone, gravel and crushed rock, marine salt, sands and granite were also produced in 2003. Mozambique's only graphite mine closed in 1999, because of a tax dispute. Mozambique's gross domestic product (GDP) is estimated to have grown by 7.1% in 2003, according to the International Monetary Fund.

### 27 ENERGY AND POWER

Mozambique, as of 1 January 2005, had neither proven reserves of crude oil nor refining capacity, but it did have reserves of natural gas and coal.

As of 1 January 2005, Mozambique had natural gas reserves of 4.5 trillion cu ft. In 2003, natural gas output and consumption each came to 2.12 billion cu ft. Recoverable coal reserves have been placed at 234 million short tons, but additional reserves in the country's Moatize mines in the northwestern part of the country have been estimated at 2.4 billion short tons.

Mozambique is totally reliant upon imports of refined petroleum products. In 2004, imports and demand for refined oil each averaged 11,000 barrels per day.

Mozambique's electric power sector is heavily based upon hydroelectric generation. As of 1 January 2003, installed capacity was put at 2.392 million kW, with hydropower accounting for 91% of capacity, with the remaining capacity based on conventional thermal fuels. Electric power output in 2003 totaled 15.14 billion kWh, with consumption that year at 10.46 billion kWh.

### 28 INDUSTRY

Manufacturing is centered mostly in food processing and beverages. Food, beverages, and tobacco processing account for 62% of all manufacturing. Industry is concentrated around the larger cities of Maputo, Matola, Beira, and Nampula. Mozambique's industrial sector is primarily centered on the processing of locally produced raw materials, such as sugar, cashews, tea, and wheat. Brewing and textile production emerged in the 1980s, along with cement, fertilizer, and agricultural implement manufacturing. Other industries make glass, soaps, oils, ceramics, paper, tires, railway equipment, radios, bicycles, and matches. Major investments in aluminum processing, steel production, mineral extraction, fertilizer, and sugar production have been planned.

Economic reforms of the early 1990s promoted private ownership of industry and brought about a significant decline in the number of parastatals; from 1990 to 2000, over 1,200 smaller businesses had been divested, and 37 large enterprises had been priva-

tized. Only 11 large state-owned companies remained, including the national airline, telephone, electricity, insurance, oil and gas exploration, port and rail, airports, water supply, and fuel distribution companies. Government policy now supports the development of private enterprise fully.

The construction sector showed strong growth in the early 2000s, as projects to rebuild roads, bridges, schools, clinics, and other basic infrastructure were underway. There are considerable natural gas reserves, both onshore and offshore, but they have yet to be fully developed. Malawi, Zimbabwe, and Mozambique are planning to establish a 10,000 barrels per day joint fuel refinery in Mozambique, funded by Iran. In addition, the economy is set to benefit from a second-generation of comparatively smaller mega-projects, such as the Moma titanium mine in Nampula province scheduled to start production in late 2006.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Eduardo Mondlane University in Maputo, founded in 1962, has faculties of agricultural sciences, biology, engineering, mathematics, medicine, veterinary science, and sciences. Maputo also has the National Directorate of Geology, the Cotton Research Institute, the National Institute of Health, and the Meteorological Service. In 1987–97, science and engineering students accounted for 42% of college and university enrollments. In 2002, Mozambique's high technology exports totaled \$2 million, or 3% of its' manufactured exports.

## 3<sup>0</sup> DOMESTIC TRADE

The cities of Maputo, Beira, and Nampula are the main centers of commercial life, where it is estimated that 50% of all imported products are consumed. Maputo and Beira are trading centers and ports of entry. There is not a well-established distribution system for local or imported goods. Many local manufactures will sell or distribute their products on their own. Larger retailers will import high columns of goods and sell the excess to other smaller retailers. National distribution of regional products has been hindered by a poor transportation system. However, as of 2005, trading and distribution were still the primary business activities. A 17% val-

ue-added tax applies to most goods. Credit cards are not widely accepted.

Business hours are 8:30 AM to noon and 2 to 5 PM, Mondays through Fridays, 8 AM to 12 noon on Saturdays.

## 3<sup>1</sup> FOREIGN TRADE

There is a considerable amount of unofficial trade along the borders as well as unreported fish exports to Asia. In April 1997, Mozambique began a three-year contract with Crown Agents, a private British company, to take responsibility for the regulation of foreign trade in order to reduce smuggling and corruption.

Traditionally, shrimp accounted for the largest portion of Mozambique's export revenues (26%). Other exports included electric current (23%), fruits and nuts (15%), cotton (7.3%), and sugar (2.1%). However, in 2004 the major exports ranked by importance were aluminum, which earned \$915 million, electricity (\$102 million), shrimps (\$91 million), tobacco (\$40.9 million), and sugar (\$38.2 million).

## 3<sup>2</sup> BALANCE OF PAYMENTS

Mozambique has traditionally had a balance-of-payments deficit and relies heavily on imported consumer and capital goods. Imports have risen steadily since 1987, substantially increasing the current account deficit. In recent years, the merchandise import-export ratio has been as low as 1:4. Mozambique is taking steps to improve its trade balance, however, by increasing the production of locally manufactured and agricultural goods. By the early 2000s, exports had risen over 40% since 1996. A faster rise in export earnings has been hampered in part by bankruptcies in the cashew processing industry, and poor prices for the sale of electricity generated by the Cahora Bassa hydroelectric dam (resulting from contracts negotiated by the colonial government over 20 years). But as of the early 2000s, prospects for an increase in exports appeared positive.

In 1999, Mozambique qualified for \$3.7 billion in debt service relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative. (The amount was subsequently augmented to \$4.3 billion.) This debt relief improved the country's balance of payments. Prior to the HIPC approval, Mozambique owed \$8.3 billion in foreign debt. HIPC reduced the eligible debts held by participating creditors by 90%, or close to \$3 billion.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Mozambique's exports was \$1.782 billion while imports totaled \$2.24 billion resulting in a trade deficit of \$458 million.

## 3<sup>3</sup> BANKING AND SECURITIES

The Mozambican branch of the defunct Portuguese National Overseas Bank was nationalized without compensation. By a decree of 23 May 1975, it was reconstituted as the Bank of Mozambique (Banco de Moçambique—BM). Functioning as a central bank, it served as the government's banker and financial adviser, and as controller of monetary and credit policies. It was also an issuing bank, a commercial bank, and the state treasury; the bank

### Principal Trading Partners – Mozambique (2001)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	703.1	1,063.4	-360.3
Areas nes	420.4	232.9	187.5
South Africa	107.6	428.5	-320.9
Zimbabwe	37.1	9.0	28.1
Japan	29.2	6.9	22.3
Portugal	28.2	90.1	-61.9
Spain	26.9	20.4	6.5
Malawi	10.3	...	10.3
Netherlands	7.1	9.4	-2.3
United States	6.8	19.2	-12.4
China, Hong Kong SAR	5.2	...	5.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

managed Mozambique's external assets and acted as an intermediary in all international monetary transactions.

In 1978, the government nationalized four of the five remaining commercial banks (the Banco Standard Totta de Moçambique remained private). In that year, a second state bank, the People's Investment Bank, was created and given responsibility for supervising a building society, the Mozambique Credit Institute (the industrial bank), and the National Development Bank.

After 1992, the government's economic reform program began to tackle the financial sector. Foreign banks were allowed to invest in Mozambican financial institutions, in 1994 interest rates were deregulated, and in 1995 the commercial activities of the central bank were assumed by a newly created institution, the Banco Comercial de Moçambique (BCM). By 1997, the government had privatized the BCM and the BPD (Banco Popular de Desenvolvimento). These banks were joined by Banco Português do Atlântico (BPA), Banco de Fomento e Exterior (BFE), and Banco Internacional de Moçambique (BIM), whose main shareholder is the Banco Comercial Português (BCP).

In 2001, along with the central Bank of Mozambique, there were eight banks operating in Mozambique, including the dominant BCM (owned by Banco Portugues Mello), BIM (owned by Banco Commercial Portugues), BPD (renamed Banco Austral after its sale to Southern Berhad Bank of Malaysia), Banco Standard Totta (55% owned by Banco Totta and Acores of Portugal, and 40% owned by Standard Bank of South Africa), Equator Bank (owned by Hong Kong and Shanghai Bank), Banco de Fomento do Exterior (branch of a Portuguese bank), Uniao Comercial de Bancos (a Mauritian bank), and Nedbank (South African).

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$486.2 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits,

and money market mutual funds—was \$1.1 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 33.64%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 9.95%.

### 34 INSURANCE

In 1977, all insurance companies were nationalized and Empresa Moçambicana de Seguros was established as the sole state insurance enterprise. This company continued functioning through 1999.

### 35 PUBLIC FINANCE

The government's role in the economy has diminished during the past decade as the country has recovered from civil war. Preparations for privatization of many state-run industries and utilities had begun as of 2002, and the tax code has been revised.

The US Central Intelligence Agency (CIA) estimated that Mozambique's central government took in revenues of approximately \$1 billion and had expenditures of \$1.9 billion. Revenues minus expenditures totaled approximately -\$899 million. Total external debt was \$966 million.

### 36 TAXATION

Under Portuguese rule, taxation and tax collection were full of inequities and corruption at all levels of government. In 1978, after independence, much higher and more progressive taxes were introduced. These included an income tax on wages, salaries, and other benefits. As of 2005, Mozambique had a standard corporate tax rate of 32%. However, income derived from the breeding and agricultural sectors was subject to a 10% rate for the period 2003 through 2010. Capital gains and branch offices are taxed at the corporate rate. Dividends, interest and royalties are subject to a 20% withholding tax. A value-added tax (VAT) with a standard rate of 17% (as of 2005) is charged on most goods and services. Exemptions from VAT include basic foodstuffs, medicines and pharmaceuticals, books and journals, bicycles, agricultural inputs and fishing implements, waste disposal, burial and cremation services.

### 37 CUSTOMS AND DUTIES

Both import and export licenses are required for all goods. The average nominal customs tariff rate was reduced from 18% to around 10% in 1996, and remained in effect as of 2005, although duties on imported goods ranged from 0–30%, depending upon whether it is a primary, intermediate, or consumer good. Mozambique does not use import quotas. The country chaired the Southern African Development Community (SADC) from 1990 to 2000, and houses its Communications Commission (SATCC) in Maputo.

### 38 FOREIGN INVESTMENT

The liberalizing of Mozambique's economy began with the initiation of its economic recovery plan (ERP) in January 1987. Included in the program were measures to stimulate the private sector, an effort reinforced in 1990 by further legislation. In June 1993, the investment code was reformed to put foreign and local investors on an equal footing with respect to fiscal and customs regula-

#### Balance of Payments – Mozambique (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-515.6</b>
Balance on goods		-347.9	
Imports	-1,228.2		
Exports	880.2		
Balance on services		-244.3	
Balance on income		-165.7	
Current transfers		242.4	
<b>Capital Account</b>			<b>270.7</b>
<b>Financial Account</b>			<b>372.8</b>
Direct investment abroad		...	
Direct investment in Mozambique		336.7	
Portfolio investment assets		5.0	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		-77.1	
Other investment liabilities		108.2	
<b>Net Errors and Omissions</b>			<b>-92.6</b>
<b>Reserves and Related Items</b>			<b>-35.3</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

tions. The parastatal sector has been progressively privatized, with only 11 large state-owned industries left in 1999. As the bulk of state-owned enterprises has already been privatized, there are currently no plans for additional major sales.

Certain tax incentives are available to encourage direct foreign investment, including a 50–80% reduction in taxes. The flow of capital is liberal. Regulations issued in 1999 established an Industrial Free Zone Council, which approved the first free zone enterprise in Maputo, MOZAL, an aluminum smelter. Companies in the free zone must engage in nontraditional industry and export at least 85% of production.

In 1998, foreign direct investment (FDI) inflow to Mozambique totaled about \$235 million, up 365% from 1997. FDI inflows peaked at \$382 million in 1999 then fell to \$139 billion in 2000. In the period 1998 to 2000, Mozambique's share of world FDI inflows was almost twice its share of world GDP, a considerable improvement on its performance 1988 to 1990, when its share of FDI flows was only 30% of its share of world GDP. In 2001, FDI inflow was a near-record \$225 million. However, the country's FDI inflows declined from \$225 million in 2001 to \$155.3 million in 2002.

The leading sectors for foreign investment in Mozambique have been industry, agribusiness and fishing, finance, and tourism. The driving force behind the country's FDI inflows had been the mining and some processing industries. Put together, they had drawn global TNCs giants into the economy. In recent years, these TNCs have not invested in any major projects. Many projects in the pipeline have not been operationalized.

FDI outflows are yet to reach a significant volume. Inward FDI stock had been dramatic in its growth, rising from just \$42 million in 1990 to over \$1.5 billion in 2002. Outward FDI stock showed a similar pattern, but the volume was less than \$1 million at the end of 2002. Portugal, Mauritius and Italy provided about 78% of the total FDI inflows to the country in 1999. Portugal is a key investor in Mozambique, contributing an average of 41% of the inward FDI flows in 1998 and 1999. Other, major foreign investors include South Africa, Great Britain, Hong Kong, and the Netherlands.

### 39 ECONOMIC DEVELOPMENT

The government of Mozambique has abandoned its postindependence preference for a socialist organization of society, which it had tried to effect through the creation of cooperatives, state farms, and industries. In cooperation with the International Monetary Fund (IMF), Mozambique was reforming its economy and preparing for a post-civil war period of economic growth. Progress has been slow, however, as parastatals continue to control the telecommunications, electric power, transportation, and fuel sectors of the economy. Growth sectors include agriculture and related processing industries, transportation, and mining.

In 1999, Mozambique's eligible debts were reduced by 90% by the IMF, World Bank, the Paris Club, and other multilateral lending agencies under the Heavily Indebted Poor Countries (HIPC) initiative. The country also hoped for 100% debt relief from the United States and gained complete debt cancellation from the United Kingdom. Debt stood at \$8.3 billion before 1999 and \$5.7 billion after reforms. A variety of infrastructure development projects have been carried out, including a road and railway from Maputo to Johannesburg.

The Economist Intelligence Unit forecasts that the economic expansion Mozambique experienced between 2000–2005 will continue for the next few years boosted by overall macroeconomic stability, policy reforms and continuing strong donor support against a background of broad-based expansion across most sectors of the economy, including agriculture, transportation, and tourism sectors. Over 1,200 state-owned enterprises were privatized, most of them small. In 2003, Mozambique was operating under a three-year \$76 million Poverty Reduction and Growth Facility (PRGF) Arrangement with the IMF. Floods in 2000 and food shortages in 2002 curtailed economic development. However, the outlook for the agricultural season in Mozambique for 2005/06 was more positive, with normal to above-normal rains forecast for the country. As a result, the government expects cereal production to grow by 6% in 2005/06, rebounding strongly from a 5% drop in production during the 2004/05 growing season.

### 40 SOCIAL DEVELOPMENT

Foreign aid is used in assisting Mozambican Labor and Social Welfare Ministries with building infrastructure to benefit the most disadvantaged groups in the country including disabled and abandoned children. The country is upgrading employment and professional training centers.

Despite government rhetoric and constitutional provisions mandating equal rights for both sexes, legal and social discrimination against women is pervasive. Women may not work outside of the home without the husband's permission. Inheritance rights, furthermore, strongly favor men over women. Tradition and custom lead many families to withdraw their daughters from school at an early age. Sexual harassment in the workplace is prevalent. Domestic violence against women, including beating and spousal rape, is widespread. Women believe that their husbands have the right to beat them. Child prostitution persists, and there is continuing abuse and exploitation of street children in urban areas.

Human rights abuses have been in decline, but there is evidence of systemic police brutality. Prison conditions are poor and, in some cases, life threatening.

### 41 HEALTH

Almost all health care services are provided by the government's National Health Service. The army maintains its own health posts and two hospitals. Traditional healers continue to play a significant role. All medical products must be registered with the Ministry of Health and, due to currency constraints, Mozambique is entirely dependent on bilateral and multilateral donors for its drug needs. Only 39% of the population had access to health care services. Total health care expenditure was estimated at 3.5% of GDP.

In 2004, there were an estimated 2 physicians, 21 nurses, 1 dentist, and 2 pharmacists per 100,000 people. The shortage of medical supplies and trained personnel has remained severe throughout Mozambique. Immunization rates were as follows: tuberculosis, 84%; diphtheria, pertussis, and tetanus, 61%; polio, 61%; and measles, 70%. The government pays no vaccination costs.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 36.4 and 25.1 per 1,000 people. Only 6% of married women ages 15–49 years used contraception as of 1999. Of all births in 1993–96, 20% were underweight. In 2005 the infant mortality rate was estimated at 130.79 per 1,000, one of

the highest in the world. The maternal mortality rate in 1989–95 skyrocketed to 1,500 per 100,000 live births; as of 1998, the rate was 1,100.

Since 1982, South African destabilization of Mozambique has caused children's health to suffer. War has led to the closure of 48% of the primary care network. The war has displaced over three million people and accounted for an estimated 500,000 childhood deaths between 1981–88. In addition, there were approximately 1.1 million civil war-related deaths between 1981 and 1992. Estimated average life expectancy was only 40.32 years in 2005.

Mozambique has a very serious AIDS problem. The HIV/AIDS prevalence was 12.20 per 100 adults in 2003. As of 2004, there were approximately 1,300,000 people living with HIV/AIDS in the country. There were an estimated 110,000 deaths from AIDS in 2003.

## 42 HOUSING

In 1997, there were about 3,540,700 housing units nationwide to serve about 3,634,581 households. The average household had 4.3 people. At last estimate, more than 60% of housing units were constructed of woven straw, about 15% of cane and wood sticks, and nearly 10% of bricks and concrete. Approximately 65% of all households used well water, nearly 20% river and spring water, almost 10% piped outdoor water, and less than 5% piped indoor water. Nearly 96% were without electricity, and over half had no toilet facilities.

## 43 EDUCATION

The education system in Mozambique has slowly been rebuilt after the civil war, which destroyed at least 50% of primary schools. In 1990, private schooling was reintroduced. Education is compulsory for seven years, but in practice, most students do not study for the full compulsory period. Primary school covers these first seven years. This is followed by five years of general secondary education or five years of technical school. The academic year runs from August to June.

Primary school enrollment in 2003 was estimated at about 55% of age-eligible students. The same year, secondary school enrollment was about 12% of age-eligible students. It is estimated that about 52.4% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 67:1 in 2003; the ratio for secondary school was about 27:1.

Eduardo Mondlane University is established at Maputo. The objective of the government is to promote the spread of education at all levels through democratization guided by the state. In 2003, about 1% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 46.5%, with 62.3% for men and 31.4% for women.

As of 2003, public expenditure on education was estimated at 2.4% of GDP, or 12.3% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

The National Library of Mozambique, founded in 1961, contains 110,000 volumes. There is a small public library system. The principal museums in Maputo are the Museum of Natural History, founded in 1911, specializing in natural history and ethnography; the Freire de Andrade Museum (minerals); and the Military His-

tory Museum. Beira and Nampula have general museums; Manica has a natural history museum; and Isla da Inhaca, near Maputo, has a museum of marine biology. The National Museum of Ethnology is in Nampula.

## 45 MEDIA

Postal and telecommunications services are government-operated. In the larger cities, telephones are automatic. In 2003, there were an estimated five mainline telephones for every 1,000 people; about 12,700 people were on a waiting list for telephone service installation. The same year, there were approximately 23 mobile phones in use for every 1,000 people.

Radio Moçambique, the official radio service, broadcasts in Portuguese, English, Afrikaans, and local languages. TV Mozambique is the government-owned television service. Several private stations are operational, including about 40 community radio and television stations that are partially subsidized by the government and UNESCO. As of 2001, there were 12 AM and 17 FM radio stations (about 14 were privately owned) and 1 national television station. In 2003, there were an estimated 44 radios and 14 television sets for every 1,000 people. The same year, there were 4.5 personal computers for every 1,000 people and 3 of every 1,000 people had access to the Internet. There was one secure Internet servers in the country in 2004.

In 2002, major daily newspapers included *Notícias* (circulation 33,000), and *Diário do Moçambique* (16,000). Both papers are representative of the ruling party, as is the weekly publication *Domingo* (25,000). There are a number of smaller independent publications.

The constitution, the 1991 Press Law, and the 1992 Rome Peace Accords provide for free expression, including free speech and a free press; however, though some improvements were reported, the government has restricted some press freedoms.

## 46 ORGANIZATIONS

The Mozambique Chamber of Commerce, founded in 1980, is located in Maputo. Only a small percentage of the nation's workers belong to unions. There is a national teacher's union.

FRELIMO has emphasized mass organizations, such as the Organization of Mozambican Women and the Organization of Mozambican Youth. Scouting programs and active chapters of the YMCA/YWCA are available for youth. There are also several sports associations promoting competitions for amateur athletes.

There are national chapters of the Red Cross Society, Habitat for Humanity, the Society of St. Vincent de Paul, UNICEF, and Caritas.

## 47 TOURISM, TRAVEL, AND RECREATION

Prior to independence, tourism, mostly from South Africa and the former Rhodesia, was a very important activity. However, concern for security in the late 1970s and throughout the 1980s due to the political situation left the tourist industry at a mere fraction of its previous levels. Civil stability and economic prospects have improved and tourism has been steadily growing in Maputo, although it is still limited in other areas.

The coastal town of Pemba offers the third-largest natural bay in the world with white sand beaches and coral reefs that can be easily reached by most swimmers. Diving and water sports are popu-

lar in this town. The northern half of Mozambique Island, which has a number of old churches and mosques, has been declared a UNESCO World Heritage Site.

All foreign nationals need visas, which must be obtained prior to traveling. Yellow fever immunizations are required if traveling from an infected country.

Approximately 726,100 tourists visited Mozambique in 2003. Hotel rooms numbered 6,899 with 13,601 beds and an occupancy rate of 14%. Visitors stayed in Mozambique an average of two nights.

In 2004, the US Department of State estimated the cost of staying in Mozambique at \$242.

#### 48 FAMOUS MOZAMBICANS

Eduardo C. Mondlane (1920–69) was the first president of FRELIMO. His successor, and later the first president of independent Mozambique, was Samora Moisés Machel (1933–86). Joaquim Alberto Chissano (b.1939), foreign minister since independence, succeeded Machel as president in 1986; he served until 2005 and was succeeded by Armando Guebuza (b.1943).

#### 49 DEPENDENCIES

Mozambique has no territories or colonies.

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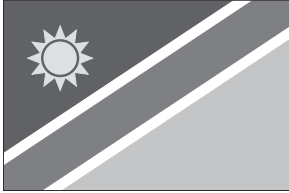
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# NAMIBIA

Republic of Namibia



**CAPITAL:** Windhoek

**FLAG:** Top left triangle is blue, center diagonal band is red, and the bottom right triangle is green. Colors are separated by narrow white bands. On the blue triangle is a golden sun with twelve triangular rays.

**ANTHEM:** *Namibia Land of the Brave*, music and words by Axali Doeseb.

**MONETARY UNIT:** The Namibian dollar (N\$) of 100 cents is in use; N\$1 = \$0.15748 (or \$1 = N\$6.35) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in use.

**HOLIDAYS:** New Year's Day, 1 January; Independence Day, 21 March; Workers' Day, 1 May; Casinga Day, 4 May; Ascension Day, 12 May; Africa Day, 25 May; Heroes' Day, 26 August; Day of Goodwill, 7 October; Human Rights Day, 10 December; Christmas, 25–26 December. Movable religious holidays include Easter and Easter Monday.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

A vast land of desert and semidesert along the southwestern coast of Africa, Namibia covers 825,418 sq km (318,696 sq mi). Comparatively, the area occupied by Namibia is slightly more than half the size of the state of Alaska. It extends 1,498 km (931 mi) SSE–NNW and 880 km (547 mi) ENE–WSW (excluding the Caprivi Strip). Namibia is bordered by Angola and Zambia in the N, by Botswana in the E, by South Africa in the SE and S, and by the Atlantic Ocean to the W, with a total land boundary length of 3,936 km (2,446 mi) and a coastline of 1,572 km (977 mi).

The enclave of Walvis Bay (1,124 sq km/434 sq mi) was administered from 1977 to 1994 as part of South Africa's Cape Province, as were 13 offshore islands. Walvis Bay was reincorporated into Namibia on 1 March 1994. Namibia's capital city, Windhoek, is in the center of the country.

## <sup>2</sup> TOPOGRAPHY

Namibia is largely an elevated, waterless plateau partly suitable for arid grazing. The average altitude is 1,080 m (3,543 ft) above sea level; the high point, near the coast, is Konigstein, at 2,606 m (8,550 ft). Along almost the entire range of the coast there are sandy wastes and high, reddish sand dunes. The coastal strip comprises the Namib Desert, and the eastern region is part of the Kalahari Desert. All four permanent rivers form borders: the Kunene and Okavango in the north, the Zambezi in the northeast, and the Orange (Oranje) in the south.

## <sup>3</sup> CLIMATE

Namibia's climate is the driest in Africa, with sunny, warm days and cooler nights, especially during the winter months. The average temperature along the coast in the summer is 23°C (73°F); in

winter, the average temperature is 13°C (55°F). The fertile northern strip is always warmer, having a climate similar to that of southern Angola.

Much of Namibia is a land of perennial drought. The annual rainfall, which is concentrated in the November–March period, generally averages more than 70 cm (28 in) in the far north, 2.5–15 cm (1–6 in) in the south, and 35 cm (14 in) in the central plateau. But the rains often fail: some regions have gone nearly a century without a drop of rain.

## <sup>4</sup> FLORA AND FAUNA

Namibia is the home of a great variety of large fauna and avifauna. In the game parks and the neighboring grazing areas, there are the tallest elephants in the world, along with rhinoceroses; an abundance of lions, cheetahs, and leopards; ostriches; and a profusion of ungulates, including the giraffe, zebra, kudu, eland, black-faced impala, hartebeest, springbok, gemsbok, and wildebeest. Namibia is one of two countries in the world (with Mali) where there are elephants living in desert conditions. Desert elephants tend to have smaller bodies and larger feet than other elephants. Birds of prey are numerous, as are the Kori bustard and the Karroo korhaan. Among the unique flora are the desert welwitschia and many varieties of aloe. As of 2002, there were at least 250 species of mammals, 201 species of birds, and over 3,100 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

Namibia's environmental concerns include water pollution and insufficient water for its population. The nation has 6 cu km of renewable water resources. About 68% of the annual withdrawal is used in farming and 3% for industrial purposes. Only about 72%



of the people living in rural areas have access to improved water sources. Nearly all of the urban population has safe water. Deforestation and soil erosion also threaten the nation's land. Agricultural chemicals, such as DDT, pose a threat to the environment due to excessive usage.

The Namibian Wildlife Trust, organized in 1982, works closely with the Department of Nature Conservation to maintain the habitat and to prevent poaching of threatened fauna and avifauna. In 2003, 13.6% of Namibia's total land area was protected. Twelve nature conservation areas cover 99,616 sq km (38,462 sq mi). Among these are the 22,270-sq-km (8,603-sq-mi) Etosha National Park, one of Africa's best-run and least-visited animal preserves; a smaller game park near Windhoek; and the Namib Desert Park (23,401 sq km/9,035 sq mi), east of Swakopmund. There is a seal reserve at Cape Cross, north of Swakopmund. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 10 types of mammals, 18 species of birds, 4 types of reptiles, 1 species of amphibian, 11 species of fish, 1 type of mollusk, and 24 species of plants. Threatened species include the black rhino, cave catfish, and the wild dog. Burchell's zebra has become extinct.

## 6 POPULATION

The population of Namibia in 2005 was estimated by the United Nations (UN) at 2,031,000, which placed it at number 140 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 40% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 1.1%, a rate the government viewed as too high. The projected population for the year 2025 was 2,061,000. The overall population density was 2 per sq km (6 per sq mi), with the far north the most densely populated region of the country.

The UN estimated that 33% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.54%. The capital city, Windhoek, had a population of 237,000 in that year. Other important areas (and their estimated populations) include Ondangwa (50,000) and Oshakati (40,000).

The prevalence of HIV/AIDS has had a significant impact on the population of Namibia. The UN estimated that 22.2% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

Namibia's migrant labor force exceeds 100,000. Ovambo from northern Namibia have moved south since the 1920s to work in the diamond mines near the mouth of the Orange River, in the port of Walvis Bay, and in the cities and towns of the interior. Ovambo formerly migrated by the thousands to work in the gold mines of South Africa, but that traffic has diminished. Only 14,817 blacks of Namibian birth were resident in South Africa in 1991. Some Ovambo have gravitated from neighboring Angola

into northern Namibia. The resurgence of war in Angola in mid-1998 drove thousands of refugees into Namibia.

In 2000 there were 143,000 migrants residing in Namibia. Remittances in 2002 were US\$783 million. In 2004, there were 14,773 refugees, primarily from Angola, and 2,155 asylum seekers. Of the refugees, 8,490 were detained in a camp at Osire. The net migration rate in 2005 was an estimated 0.52 per 1,000 population. The government views the immigration level as too high, but the emigration level as satisfactory.

## 8 ETHNIC GROUPS

About 87.5% of the population is black; 6% is white; and 6.5% is mixed. Approximately 50% of total population belong to the Ovambo tribe, the largest group, who live mainly in the well-watered north. The second-largest group, constituting 9% of the population, is the Kavango, who reside along the Okavango River. The Damara, accounting for 7% of the populace, live east of the arid coast and to the south of the Ovambo, and the Herero, a herding people who range north of Windhoek, account for another 7%. The Nama, herders in the deep south, make up 5% of the population; the Caprivian, living in the easternmost portion of the strip, total 4%; the San (Bushmen) 3%; the Basters of Rehoboth, a farming community of mixed origin, 2%; and the Tswana 0.5%. The white population lives predominantly in central and southern Namibia. The Coloureds (peoples of mixed descent) live largely in Windhoek and other cities.

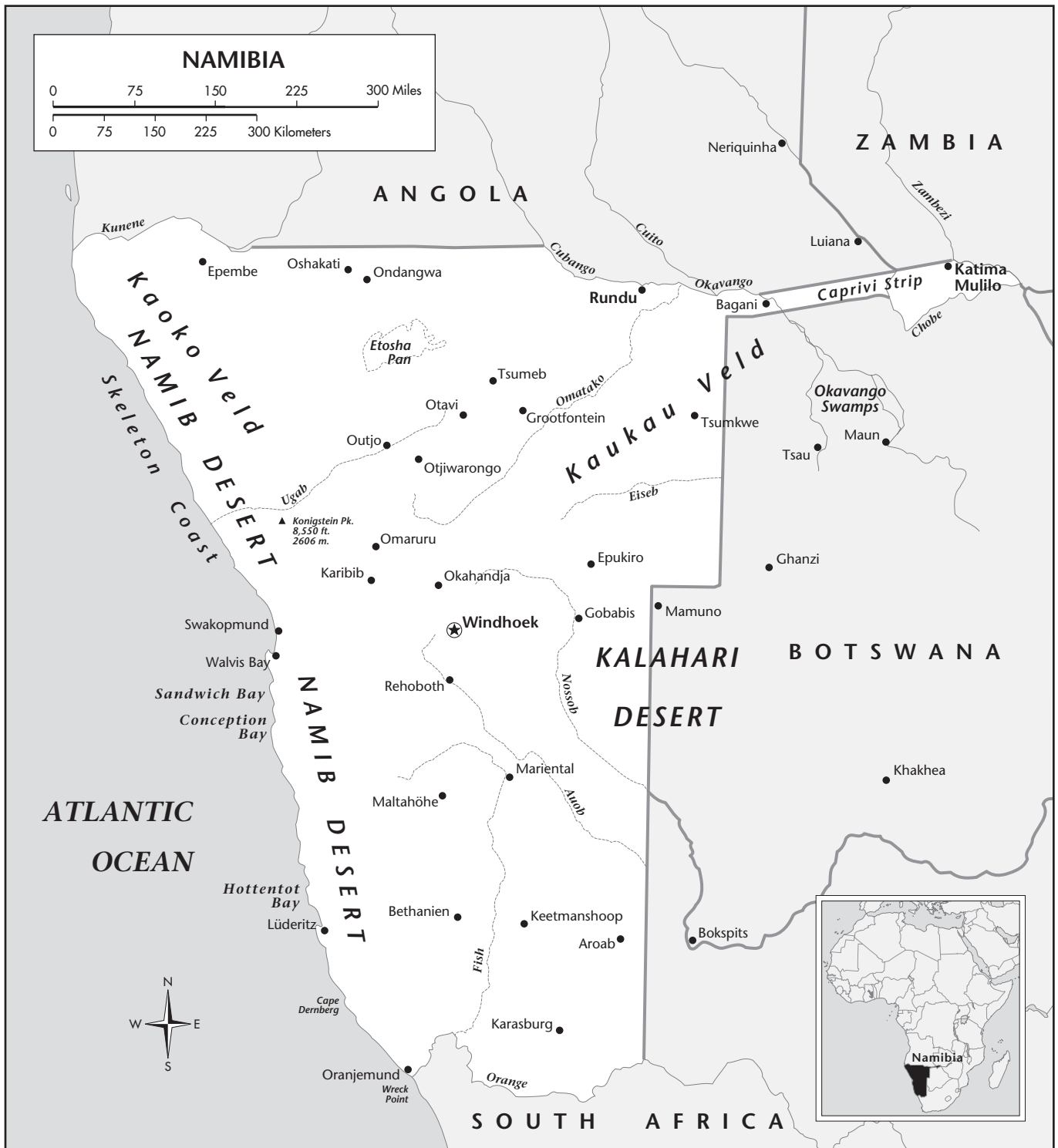
## 9 LANGUAGES

The official language of Namibia is English; however, it is only used by about 7% of the population. Afrikaans is the common language used by most people, including about 60% of the white population. Approximately 32% speak German. Ovambo, in any of several dialects, is widely used throughout the country, and Herero is widely spoken in Windhoek. Other indigenous languages are also used by the various tribes.

## 10 RELIGIONS

The first missionaries to proselytize in Namibia were British Congregationalists and Methodists; German and Finnish Lutherans; and German-speaking Roman Catholics. As a result, between 80–90% of Namibians are Christians, with the largest denominations being Lutheran and Roman Catholic. Other principal denominations, include Baptists, Methodists, and the Church of Jesus Christ of Latter-Day Saints. There are also a number of Zionist churches that blend traditional African beliefs with Pentecostal Christianity. Nearly 10% of the population practices indigenous religions, primarily among the ethnic tribes. One notable custom is the ritual fire, which some tribes keep burning continuously to ensure life, fertility, prosperity, and the happiness of ancestors. There are small numbers of Jews, Muslims, Buddhists, and Baha'is in the country.

The constitution provides for religious freedom and this right is generally respected in practice. Though there is no state religion, the government seems to favor the Anglican, Lutheran, and Roman Catholic churches. Certain Christian holidays are celebrated as national holidays.



LOCATION: 11°44' to 25°16' E; 16°58' to 28°58' S. BOUNDARY LENGTHS: Angola, 1,376 kilometers (855 miles); Zambia, 233 kilometers (144 miles); Botswana, 1,360 kilometers (850 miles); South Africa, 966 kilometers (600 miles); Atlantic Ocean, including Walvis Bay, 1,489 kilometers (921 miles). TERRITORIAL SEA LIMIT: 12 miles.

### 11 TRANSPORTATION

As of 2004, Namibia was traversed by 2,382 km (1,481 mi) of narrow gauge railway. The system consisted of a main line from South Africa connecting east of Karasburg and continuing to Keetmanshoop (with a side branch to Lüderitz), Mariental, and Windhoek before heading eastward to the ranching area of Gob-

abis and north to the copper-mining area of Tsumeb. Westward from Windhoek and also southwestward from Tsumeb, the main rail lines link the interior with Swakopmund and Walvis Bay. Of Namibia's 42,237 km (26,271 mi) of roadway, a total of 5,406 km (3,363 mi) were paved in 2002. The Trans-Kalahari Highway links Namibia and Gauteng Province in South Africa. The Trans-Capri-

vi Highway links Namibia to Zambia, Zimbabwe, and northern Botswana. As of 2003, there were a total of 154,850 vehicles in Namibia, of which 73,550 were passenger vehicles and 81,300 were commercial vehicles.

Walvis Bay, a South African enclave from 1977 to 1994, has been the main handler of Namibia's imports and exports and the home of the territory's once-vital fishing fleet since the 1920s. About 95% of all Namibian seaborne trade is transhipped there. Lüderitz, the site of the first German entry in 1883, has lost its status as a port because of harbor silting and poor transport links. However, it remains a center of the territory's crayfish industry. In 2005, Namibia had one merchant vessel, a cargo ship, of 1,000 GRT or more, totaling 2,265 GRT.

In 2004, there were an estimated 136 airports, 21 of which had paved runways as of 2005. Namibia's international airport (Windhoek International) is near Windhoek, with other modern facilities at Rundu, Grootfontein, Walvis Bay, Lüderitz, Keetmanshoop, and Oranjemund. Other towns have dirt airstrips, and many white Namibians fly their own aircraft from their farms to the urban centers. Air Namibia flew 214,000 international and domestic passengers in 1997. South African Airways links Windhoek to Europe and to the principal cities in South Africa. In 2003, about 266,000 passengers were carried by domestic and international airlines.

## 12 HISTORY

Paintings of animal figures on rock slabs in Namibia testify to at least 25,000 years of human habitation there. The San (Bushmen) may have been Namibia's earliest inhabitants. The Damara also claim to be the true indigenous Namibians, who were compelled to welcome waves of Herero and Ovambo from the north. By the 19th century, the Damara, Ovambo, and Herero were the largest indigenous ethnic groups. The Kavango and the Caprivians were settled in the areas where they now reside. There was competition for land, mostly between the Ovambo and the Herero. But then the invaders arrived. First came the Hottentots (now called Nama), brown-skinned peoples of mixed parentage from South Africa. They had guns and conquered a large swath of southern and central Namibia from the Herero and the Damara. The Germans came in 1883, initially as commercial colonizers and missionaries and then as soldiers. With military might, the Germans in the 1890s moved inland across the desert from Walvis Bay (which had been annexed by the British in 1878 and incorporated into Cape Colony in 1884) to Windhoek, establishing forts and subjugating the Herero and Damara. The Germans forcibly took land and cattle from the Herero, whose revolt was suppressed by the Germans at a cost of about 65,000 Herero lives. A Nama revolt met a similar fate in 1904.

When World War I broke out, the South Africans invaded Süd-West Afrika, as the German colony was then known. The South Africans wished to annex the territory, but the new League of Nations granted South Africa a mandate instead. From 1920 to 1946, South Africa administered the mandatory territory as if it were an integral part of the Union, but neglected social services and the Ovambo-Kavango sphere in the north.

After World War II, South Africa refused to acknowledge the jurisdiction of the UN over Namibia as a successor organization to the League of Nations. Instead, it progressively integrated Namibia into the Union. In the 1950s, senators from South West Africa

sat in the South African parliament. The UN took South Africa before the International Court of Justice, which gave ambiguous verdicts in 1962 and 1966, but in 1971 it decisively declared South Africa's occupation of Namibia illegal. In 1978, the UN Security Council rejected South Africa's annexation of Walvis Bay.

Meanwhile, in 1960, representatives of the indigenous majority had formed the South-West Africa People's Organization (SWAPO) to seek independence and black majority rule. Beginning in 1966, but especially after 1977, SWAPO used guerrilla tactics with varying success. South Africa countered by building up its armed forces along Namibia's borders with Zambia and Angola, where SWAPO had established bases and from where it launched raids.

In 1978, South Africa ostensibly accepted a Western-sponsored plan for an independent Namibia, but at the same time sponsored elections for a constituent assembly (opposed by the UN) that resulted in the victory of a white-dominated multi-ethnic party, the Democratic Turnhalle Alliance. Representatives of the United States, the United Kingdom, the Federal Republic of Germany, France, and Canada then attempted to devise a formula acceptable to South Africa that would permit Namibia to proceed to independence in accordance with UN Security Council Resolution 435 of 1978. Black African countries rejected South Africa's demand that Cuban forces leave neighboring Angola as part of a settlement.

A "transitional government of national unity," composed of South African-appointed members of six parties, was installed in 1985. The South African administrator-general retained the right to veto legislation, and South Africa continued to exercise authority over foreign affairs and defense. On 13 December 1988, seven months of US-mediated (with observers from the Soviet Union) negotiations, resulted in the signing by Angola, Cuba, and South Africa of the Protocol of Brazzaville, by which South Africa agreed to implement the UN Plan for Namibia. Cuba and Angola agreed to a phased, total withdrawal of Cuban troops from Angola. Further agreements on details were signed in New York on 22 December 1988.

The process to implement UN Resolution 435 on 1 April 1989 started off shakily. In contravention of SWAPO president Sam Nujoma's assurances to the UN to abide by a cease-fire and repatriate only unarmed insurgents, around 2,000 armed members of the People's Liberation Army (PLAN), SWAPO's military wing, crossed into northern Namibia from Angola. South African forces were authorized to oppose them and 375 PLAN fighters were killed. This misunderstanding was overcome by negotiations and peace was restored.

Elections, held 7–11 November 1989, were certified as free and fair. This transitional period involved the return of some 42,000 refugees and the return of SWAPO politicians and PLAN fighters in exile. SWAPO took 57% of the vote, just short of the two-thirds necessary to allow it a free hand in drafting a constitution. The main opposition Democratic Turnhalle Alliance (DTA) received 29%. By 9 February 1990 the constituent assembly had drafted and adopted a constitution based on the 1982 constitutional principles. Namibia became independent on 21 March 1990. Nujoma was sworn in as president by UN Sec. Gen. Javier Pérez de Cuéllar. Namibia's independence shines as a UN success story.

Since independence, the SWAPO government has pursued a policy of "reconciliation" with the white inhabitants. It is a vibrant multiparty, nonracial democracy. On 1 March 1994, the reincor-

porating of Walvis Bay into Namibia was completed through an agreement with South Africa.

Nujoma won the two-day 7–8 December 1994 legislative and presidential elections with 76% of the vote to the DTA's Mishake Muyongo's 23%. SWAPO won, 53 of the 72 contested seats of the National Assembly; DTA, 15; United Democratic Front (UDF), 2; Democratic Coalition of Namibia, 1; Monitor Action Group (MAG), 1.

By the late 1990s, secessionist sentiments were growing among the 92,000 Lozi of the Caprivi Strip in northeastern Namibia. They formed the Caprivi Liberation Front, led by Mishake Muyongo, former SWAPO executive secretary and DTA leader. On 2 August 1998, Caprivi Liberation Army (CLA) rebels attacked military, police, and other government installations around Katima Mulilo in Caprivi. Namibia declared a state of emergency that lasted three weeks. Six soldiers and police officers, and several civilians died in the attack. Many rebels were captured or killed by security forces. By December 1998, 2,250 Namibians from the Caprivi region had crossed into Botswana, allegedly fleeing persecution by the Namibian Defense Force, and 2,232 of them were given asylum in Botswana. In 2005, over 130 Caprivians are being held for trial on charges of treason, of which 13 are lodging a complaint under one of the several international and regional human rights treaties applicable in the country.

In November 1998, SWAPO used its two-thirds majority in parliament to change the constitution to allow Nujoma a third term of office. This move attracted wide national and international criticism in what some observers called a "torpedoing of democracy" to suit certain individuals. Namibia's ambassador to Britain and high-ranking SWAPO member, Ben Ulenga, resigned in protest over this. In March 1999, he formed his own party, the Congress of Democrats (CoD). Nujoma went on to win the (substantially free and fair) elections held on 30 November and 1 December 1999, taking 77% of the vote and three-quarters (55) of the 72 parliamentary seats. The CoD (tied with DTA at 7 seats) won the highest number of opposition votes (10.5%). At its congress in 2002, Nujoma was reelected head of SWAPO, which he has led for nearly 40 years. Although Nujoma will remain president of SWAPO until 2007, Hifikepunye L. Pohamba was selected as SWAPO's candidate at the extraordinary congress held in May 2004. Pohamba, former Minister of Lands, Resettlement and Rehabilitation, won the National Assembly and presidential elections with 76.4% of the votes. The elections of 15–16 November 2004, described as "generally free and well administered", gave SWAPO 55 of the 72 elected seats in the National Assembly. Six opposition parties won a total of 17 seats, including the CoD party, which won the largest number of opposition votes; the DTA; the National Unity Democratic Organization; the UDF; the Republican Party (RP); and the MAG.

Namibia maintained neutrality in its foreign policy, until the late 1990s, when 2,000 Namibian soldiers were sent to help President Laurent Kabila of the Democratic Republic of the Congo fight rebels. By August 2001, all but 150 of these troops had returned home. In December 1999 Namibia allowed Angolan troops to use its territory to pursue UNITA rebels. Between December 1999 and January 2000, scores of civilians were wounded or killed. The death of UNITA leader Jonas Savimbi in February 2002 and the subsequent peace accord between UNITA and the

Angolan government ended bouts of "hot pursuit" across the Namibian-Angolan border in connection with the quarter-century-long civil war in Angola. In 2003, the Namibian and Botswanan governments accepted the demarcation of their joint border along the Kwando, Linyanti, and Chobe rivers. In 2004, the Shesheke bridge across the Zambezi River was officially inaugurated, extending the Trans-Caprivi highway from Zambia and the DROC to Walvis Bay.

In June 2003, Namibia was included in free trade talks with the United States as part of the Africa Growth and Opportunity Act (AGOA). It also received more than US\$37 million over five years in assistance from the Global Fund to fight HIV/AIDS and is one of 14 countries that will benefit from a US\$15 billion five-year emergency plan for HIV/AIDS which was coordinated by the US government. Although the local production of anti-AIDS drugs was still being delayed, Namibia already provides anti-retrovirals to six public hospitals in an effort to assist the, then, 22.5% of the adult population that were HIV positive.

### 13 GOVERNMENT

The Namibia constitution adopted on 21 March 1990 is considered a model of democratic government. Universal suffrage and a strong emphasis on human rights and political freedom are prominent. An independent judiciary and legal obligations to improve the disadvantaged sectors of the population are written into the government. Namibia has a bicameral legislature. It consists of a National Assembly of 72 deputies elected for a five-year term, and up to six members appointed by the president, and a National Council comprised of two members from each of 13 regions elected for a six-year term. The National Council functions purely in an advisory capacity. The president is elected by direct, popular vote and serves as head of state and government and commander-in-chief of the defense force for no more than two five-year terms. The constitution was amended in November 1999 specifically to allow Nujoma (alone) a third term, a move that has attracted criticism both from within the country and the international community. There is also an independent ombudsman to investigate complaints and take action in defense of the interests of individuals and organization in their dealings with the state.

### 14 POLITICAL PARTIES

The South-West Africa People's Organization (SWAPO) is the largest political party, and during the struggle for independence, it was recognized by the OAU and the UN General Assembly as the sole legitimate representative of the Namibian people. SWAPO had a political wing, PLAN, that was engaged in war with South Africa. SWAPO's support comes chiefly from the Ovambo people of the north and from urban areas. The Democratic Turnhalle Alliance (DTA), a white-led amalgam of constituent ethnic parties, was the main opposition party in Namibia's first two elections. It narrowly lost the main opposition role (partly due to early alleged financial links with white South Africa) to the new (formed in March 1999) Congress of Democrats (CoD) in the 1999 elections. Three other parties—the United Democratic Front (UDF), the Monitor Action Group (MAG), and the Democratic Coalition of Namibia—won at least a seat in the 1994 and 1999 elections.

There are also several small ethnic parties, most of which were represented in the bodies appointed in 1985.

In the 1989 elections to the constituent assembly, SWAPO gained 41 seats (57.3%); the DTA 21 seats (28.6%); the United Democratic Front, four seats (5.6%); and the Action Christian National, three seats (3.5%). The other parties collectively gained three seats on 5% of the vote. In the 1994 elections, SWAPO maintained its commanding majority in the assembly, taking 73.9% of the vote, which translated to 53 seats. DTA held 15 seats; United Democratic Front, 2 seats; and one each by the Democratic Coalition of Namibia and the Monitor Action group. In the November/December 1998 elections for National Council, SWAPO took 21 seats, DTA 4, UDF 1 seat. In the November/December 1999 presidential elections, Nujoma performed even better than in previous elections, winning 76.8% of the vote. Ben Ulenga of the CoD had 10.5%; Katuurike Kaura of DTA, 9.6%; and Chief Justice Garoëb of the UDF, 3%. SWAPO swept 55 of the 72 National Assembly seats; CoD and DTA, got 7 each; UDF, 2; MAG, 1.

Nujoma and SWAPO hold a monopoly on power in what a specialist on Africa, Mahmood Mamdani, calls the “old nationalist model”—in which the liberation party is “the custodian of the nation, and anyone who disagrees is unpatriotic”.

In the 2004 local elections, SWAPO won 64% of the votes, CoD, 30%; DTA, 7.8%; UDF, 6%; and NUDO Progressive Party, Local Associations, RP, and NDMC, less than 5% of the votes each. The results of the 15–16 November 2004 presidential and National Assembly elections gave again a vast majority to SWAPO, with 76.3% of the votes backing up the newly elected president Hifikepunye Pohamba, followed by CoD (7.3%), DTA (5.2%), NUDO (4.2%), UDF (3.8%), RP (1.9%), and MAG (1.1%).

## 15 LOCAL GOVERNMENT

There are 13 regions in Namibia. The most populous is Omusati, followed by Ohangwena, Karas, Erongo, Kunene, Hardap, and Omaheke. They are governed by elected councils. Local governments (municipalities, towns and villages) have elected councils.

## 16 JUDICIAL SYSTEM

The court system retains Roman-Dutch elements inherited from South Africa along with elements of the traditional court system. The formal court system is arranged in three tiers: 30 magistrates' courts, the High Court, and the Supreme Court. The Supreme Court serves as the highest court of appeals and also exercises constitutional review of legislation.

The traditional courts handle minor criminal offenses such as petty theft and violations of local customs. In 1991 a presidential commission recommended that the traditional courts be maintained provided they act consistently with the constitution and laws. Legislation enacted in 1993 was intended to bridge the gap between traditional and magistrates' courts by creation of a system of “community courts.”

The constitution calls for an independent judiciary as well as an extensive bill of rights protecting freedom of speech, press, assembly, association, and religion and a guarantee of redress for those whose fundamental rights have been violated. It provides for an ombudsman to deliver free legal advice upon request.

Because of a shortage of trained magistrates and lack of legal counsel, courts typically face a significant backlog of cases awaiting trial. The government appointed the first public defender in 1993 and renewed funding for representation for indigent defendants.

Although the constitution specifically prohibits discrimination on the grounds of sex, race, color, ethnic origin, religion, creed, or social or economic status, some customary and apartheid-based laws dating from before independence have not yet been repealed.

## 17 ARMED FORCES

The armed forces in Namibia numbered 9,000 active personnel in 2005 and included the Presidential Guard and an air wing. The Army was equipped with a small number of aging main battle tanks, 12 reconnaissance vehicles, 60 armored personnel carriers and 81 artillery pieces. The Navy numbered around 200, and operated two patrol craft and one utility helicopter for fishery protection. The air wing's equipment included two MiG-23 fighters, 11 fixed wing transports and two attack helicopters. The paramilitary arm consisted of a special field force of 6,000, which included border guards. Namibia participated in five UN peacekeeping efforts in Africa. In 2005, the defense budget totaled us\$160 million.

## 18 INTERNATIONAL COOPERATION

Namibia became a member of the United Nations on 23 April 1990; it belongs to ECA and several nonregional specialized agencies, such as the FAO, IAEA, ILO, ITU, UNESCO, UNHCR, the World Bank, and the WHO. It also serves as a member of the African Development Bank, the ACP Group, the Commonwealth of Nations, G-77, the African Union, and the WTO. In the subregion, Namibia belongs to the South Africa Customs Union (SACU) and to the Southern Africa Development Community (SADC). Namibia is also part of the Common Monetary Area (CMA) that includes Lesotho, Swaziland, and South Africa. Namibia is a member of the Nonaligned Movement.

In environmental cooperation, Namibia is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Namibia's economy is dependent on a few primary commodity exports, including minerals (mainly diamonds, uranium, zinc, lead, copper, tin, lithium, and cadmium), livestock (both meat and hides), and fishing. Mining accounts for 14% of GDP and the majority of exports. Diamonds alone contribute approximately 10% of the national GDP. Tourism is also a growing Namibian industry. Led by the diamond industry, the GDP grew 6.6% in 1994, but by only 3.1% in 2003. The economy is highly linked to that of South Africa, in spite of gaining independence from that country in 1990. Eighty percent of Namibia's imports originate there, and transport and communications infrastructure are strongly linked with South Africa. The Namibian dollar continues to be linked at parity to the South African rand. Following significant depreciation in 1998, the currency regained strength since 2002, with the exchange rate at us\$1 = n\$6.35 at the end of December 2005.

Although one of the most prosperous African countries, the country's high per capita income level (approximately us\$1,800)

is unevenly distributed. With 22.5% of the adult population infected at the end of 2003, the HIV/AIDS pandemic is also having a devastating effect on the economy. Nonetheless, a democratically elected government is following economic and social policies aimed at the development of previously neglected regions of the country and that respond to the major challenges faced by the population.

The economy has a superior transport and communications infrastructure, an extensive natural resource base, a small population, and a stable government committed to competitiveness in attracting investment. Large oil and gas reserves were discovered in 2000. For these reasons analysts believe that Namibia's economy holds enormous potential for long-term economic growth.

According to the last national census, unemployment was high at around 31% in 2001, and the government was geared toward the creation of jobs. The services sector is the largest employer (56%), followed by agriculture (31.1%) and industry (12.2%). The private sector employs about 43% of all employed persons. The government indicated it wished to privatize state-owned enterprises, including in the electricity, telecommunications, water, and transportation sectors, but established no time frame for such privatization. Although tourism accounted for less than 3% of GDP in 2002, it grew faster than any other sector of the economy. Ecotourism is an important segment of the tourism industry, as Namibia has a wide variety of wildlife and striking scenery.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Namibia's gross domestic product (GDP) was estimated at us\$15.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at us\$7,800. The annual growth rate of GDP was estimated at 4.2%. The average inflation rate in 2002 was 2.7%. It was estimated that agriculture accounted for 9.3% of GDP, industry 27.8%, and services 62.9%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled us\$13 million or about us\$6 per capita and accounted for approximately 0.3% of GDP. Foreign aid receipts amounted to us\$146 million or about us\$73 per capita and accounted for approximately 3.2% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Namibia totaled us\$2.38 billion or about us\$1,182 per capita based on a GDP of us\$4.3 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.1%. It was estimated that in 2002 about 50% of the population had incomes below the poverty line.

## 21 LABOR

As of 2005, the labor force was estimated at 820,000 workers. In 2000 (the latest year for which data was available), agriculture accounted for 31.1% of the workforce, with another 56% in the ser-

vice sector, 12.2% in industry, and 0.7% in undefined occupations. In 2002, the unemployment rate was nearly 40%.

The constitution provides freedom of association, including the right to form and join trade unions, which was extended to public servants, farm workers, and domestic employees under the Labor Act of March 1992. The principal trade union organizations are the National Union of Namibian Workers (NUNW), a SWAPO-aligned federation, and the Namibia Federation of Trade Unions (NFTU). The main public service and construction unions are affiliates of the Namibia People's Social Movement (NPSM), formerly known as the Namibian Christian Social Trade Unions. Workers generally have the right to strike. Collective bargaining is permitted but is virtually only practiced in the mining and construction industries.

The minimum legal working age is 14, however child labor remains prevalent especially in rural areas. There is no legal minimum wage, and many workers have difficulty maintaining a decent standard of living. The legal workweek is set at 45 hours with a mandatory 24-hour rest period per week. The government implements health and safety standards.

## 22 AGRICULTURE

Less than 1% of Namibia is arable. About 31.1% of the active population depends on agriculture for their living. Agriculture consists of two sectors: a commercial sector with some 50,000 workers (producing 80% of annual yields), and a subsistence sector situated largely in communal areas. Colonialism left Namibia with a three-tier agricultural production system: 4,000 commercial ranches; 20,000 stock-raising households; and 120,000 mixed-farming operations. The ranches displaced local farmers on 66% of the viable farmland and left only 5% of the land to the 120,000 mixed-farming operations.

Corn is grown primarily in the area known as the Grootfontein-Otavi-Tsumeb triangle, where farms are much smaller than in other parts of the country. Corn production in 2004 amounted only to 33,000 tons (down from 50,000 tons in 1991). Recent droughts have created a dependency on grain imports. Namibia is dependent on South Africa for corn, sugar, fruit, and vegetables. In 2004, Namibia's agricultural trade deficit was us\$43.3 million.

Caprivi and Kavango in the northeast have potential for extensive crop development. Communal farms there are estimated to produce 60% of their staple food, such as mahango (which is also used to brew beer). Cotton, groundnut, rice, sorghum, and vegetable production have begun on an experimental basis in Kavango. An irrigation project at Hardap Dam near Mariental produces corn, alfalfa, feed corn, and grapes.

## 23 ANIMAL HUSBANDRY

Namibia is an arid country with very little arable land. Livestock production is the major agricultural activity, making up more than 90% of that sector's output. In 2005, there were an estimated 2,500,000 head of cattle, 2,900,000 sheep, and 2,100,000 goats. In 2005, meat production totaled 107,600 tons, including 77,300 tons of beef, 14,000 tons of mutton, and 5,000 tons of goat meat. Karakul pelts have been a leading export, but the world market is currently depressed. Namibia has ideal conditions for commercial

breeding of ostriches, and of other African game animals for meat, hide, trophy, and tourism purposes.

## 24 FISHING

The fish stocks of the rich Benguela current system were seriously depleted in the late 1970s and throughout the 1980s. Most species, however, were expected to recover by the late 1990s as a result of conservation programs. Fishing and fish processing are among the nation's best prospects for employment and economic growth. In early 1992, a new fisheries code was presented to parliament, which stressed employment and training opportunities for Namibian citizens, profit reinvestment, and revenue gain for the nation. The total catch in 2003 was 636,464 tons, with Cape hakes accounting for 192,275 tons and Cape horse mackerels for 366,912 tons. After independence in 1990, the volume of the nominal catch skyrocketed nearly tenfold. Exports of fish and fish products totaled us\$333 million in 2003.

## 25 FORESTRY

About 10% of Namibia consists of forests and woodland, including woodland savanna, all in the north and northeast. Most of the timber is used locally.

## 26 MINING

Namibia is among the world's premier producers of gem diamonds. In 2003 the mineral industry accounted for 20% of GDP and about two-thirds of the country's exports by value. More than 6,000 workers were employed by the minerals industry. The most valuable minerals were diamonds, uranium, copper, silver, lead, zinc, gold, pyrite, and salt. Diamonds were mainly recovered from a 96 km stretch along the coastline north of the Orange River; which produced 1,481,489 carats in 2003. Also produced in 2003 were tantalum, tin, cement, fluor spar, gypsum, semiprecious stones (agate, amethyst, garnet, pietersite, rose quartz, sodalite, and tourmaline), dolomite, granite, marble, sulfur (pyrite concentrate), and wollastonite.

In 2003, mine copper output was estimated at 19,500 metric tons (copper content), up from 18,012 metric tons in 2002; mine lead, 18,782 metric tons (metal content); zinc concentrate, 60,500 metric tons (metal content); and salt, 697,914 metric tons. Rössing Uranium, owned by Rio Tinto-Zinc, of the United Kingdom, produced uranium oxide at the world's sixth-largest producing uranium mine, at Swakopmund. Coal has been discovered in southeastern Namibia. Mineral exports accounted for one-half of total export value. In the period 1999–2003, the following minerals experienced one or more years of no output: antimony, arsenic, tantalite, tin, industrial diamond, gypsum, lithium minerals (amblygonite, lepidolite, and petalite), several semiprecious gemstones (amethyst, chrysocolla, garnet, crystal quartz, pietersite, rose quartz, and tourmaline), and sulfur.

## 27 ENERGY AND POWER

Namibia, as of 1 January 2005, had no proven reserves of crude oil, or refining capacity, but does have proven reserves of natural gas.

In 2004, Namibia's demand for refined oil products and imports each averaged 23,000 barrels per day.

Proven reserves of natural gas have been placed, as of 1 January 2005 at 2.2 trillion cu ft. However in 2003, there was no recorded demand or output of natural gas.

Namibia generates around 50% of the electric power it consumes domestically. The main source is the 240 MW Ruacana hydroelectric plant. However, output is cyclical, necessitating the importation of power from South Africa. In addition, the Ruacana plant has been experiencing significant problems, thus boosting the need by Namibia to import power. In 2003, demand for electric power totaled 2.37 billion kWh, with production that year totaling 1.46 billion kWh.

## 28 INDUSTRY

Namibia's small industrial sector has centered on meat packing and fish processing, with some production of basic consumer goods. There are furniture and clothing factories, metal and engineering works, assembly plants for imported components, and a cement plant (which, however, closed in 1999 due to pollution risks to the lives of workers and residents in the area). A Malaysian textile company, Ramatex, established a garment factory in Windhoek in 2002, yet was closed in 2005 following accusations of workers' rights violations and inappropriate environment and labor conditions.

In 2002, the manufacturing sector represented 10.7% of the national GDP. Historically dependent on South Africa's manufacturing sector, Namibia processes fish, minerals and meat for export, and produces food and beverages. The government has committed to a mixed-market economy and aims to diversify the economy away from its traditional reliance upon the mining sector, encouraging private-sector investment and export-oriented manufacturing industries. Although the construction only contributed 2.2% of GDP in 2002, new projects included extending the Northern Railway line from Tsumeb to Oshikango, the construction of a new State House, the resurfacing of the Kongola-Katima road, and the extension of the Trans-Caprivi highway westward.

Namibia remains underexplored with regard to oil and natural gas, but its greatest potential in the hydrocarbon sector remains with natural gas. The main significant discovery as of 2002 was the Kudu gas field off Luderitz. Originally involving big multinationals such as Shell and ChevronTexaco, these companies withdrew leaving the state-owned National Petroleum Corporation of Namibia (Namcor) in charge. Plans were to construct a moderate-size electric power generation plant in Oranjemund, a pipeline to the Western Cape in South Africa, and potentially two electric power plants there. The primary partners in the Kudu gas field project are Namcor, NamPower, Energy Africa and South Africa's Electricity Supply Commission (ESKOM).

## 29 SCIENCE AND TECHNOLOGY

The Namibia Department of Agriculture and Rural Development, founded in 1979 at Windhoek, supports extensive research on natural resources and ecology. The Desert Ecological Research Unit of Namibia, founded in 1963 at Swakopmund, carries out exploration and research in the Namib Desert and semiarid Namibia. The University of Namibia has a faculty of science. The Namibia Scientific Society, at Windhoek, is concerned with ornithology, spelae-

ology, botany, archaeology, herpetology, astronomy, and ethnology. Natural science exhibits are displayed at the Lüderitz Museum, the Museum Swakopmund, and the National Museum at Windhoek. In 1987–97, science and engineering students accounted for 4% of college and university enrollments. In 2002, Namibia's high technology exports totaled US\$6 million, or 1% of its' manufactured exports.

### 30 DOMESTIC TRADE

Windhoek is the country's major commercial center. A good road network, increasingly paved, facilitates trade and communications around the country. The marketing and distribution systems are mainly controlled by foreign investors and managers from South Africa and Germany. Domestic trade is heavily dependent on South African imports for most consumer goods; there is also significant South African presence in domestic investment mainly in the form of pension funds, life insurance and transactions between commercial banks. Business hours are from 7:30 AM to 4:30 or 5 PM, Monday through Friday. Many businesses are closed from mid-December to mid-January for a summer holiday.

### 31 FOREIGN TRADE

Key export markets for Namibia are the United Kingdom (48%), South Africa (23%), Spain (15%), and France (4%). Main exports in 2001 were diamonds (approximately 46% of total export earnings in 2003), processed fish, other minerals, animals and derived products, and beverages and other foods. Along with uranium, copper, silver, lead, zinc, and gold, mineral exports accounted for 68.9% of total export earnings in 2002. The Walvis Bay enclave is an export-processing zone, with the potential of becoming a center for re-exports toward Angola, South Africa, Zimbabwe, and Botswana.

Leading imports are vehicles and transport equipment, petroleum products and fuel, chemicals, foodstuffs, and machinery and electrical equipment. South Africa (80%), the United States (4%), Germany (2%), and Japan are the leading suppliers for Namibia's imports.

#### Principal Trading Partners – Namibia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,303.7	1,427.9	-124.2
South Africa	410.7	1,149.0	-738.3
Angola	324.9	4.5	320.4
Spain	167.0	19.4	147.6
United Kingdom	135.7	17.5	118.2
United States	35.2	14.2	21.0
Congo	33.8	...	33.8
France-Monaco	23.4	9.0	14.4
Italy-San Marino-Holy See	23.0	2.8	20.2
Germany	14.5	33.5	-19.0
Netherlands	13.9	3.0	10.9

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Namibia (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>270.6</b>
Balance on goods		-465.9
Imports	-1,726.0	
Exports	1,260.2	
Balance on services		111.1
Balance on income		226.3
Current transfers		399.0
<b>Capital Account</b>		<b>57.0</b>
<b>Financial Account</b>		<b>-653.3</b>
Direct investment abroad		10.8
Direct investment in Namibia		33.3
Portfolio investment assets	-217.4	
Portfolio investment liabilities		3.9
Financial derivatives		...
Other investment assets	-451.1	
Other investment liabilities		-32.7
<b>Net Errors and Omissions</b>		<b>0.2</b>
<b>Reserves and Related Items</b>		<b>325.5</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 32 BALANCE OF PAYMENTS

Traditionally, Namibia has maintained a trade surplus resulting from its valuable mineral exports. However, over 95% of Namibia's consumption and investment goods are imported, resulting in wide fluctuations in the merchandise trade surplus due to the constant changes in world mineral prices. Displaying a trade deficit, the overall balance of payments went from a deficit of US\$50 million in 2002 to a deficit of US\$103 million in 2003.

Namibia joined the IMF in September 1990, when it began opening more to foreign trade. In recent years, the current account has maintained a surplus, due to surpluses in net current transfers, particularly in Southern African Customs Union (SACU) receipts and foreign development assistance not linked to capital assets. Germany, the United States, and Scandinavian countries are the principal bilateral donors. Although revenues from the SACU are expected to decline for Namibia as a result of the 2002 new arrangements, they still represent an important financial source for the government.

### 33 BANKING AND SECURITIES

Banking activities have recorded strong growth since independence in 1990, while the range of financial institutions operating in Namibia has begun to expand. Total assets of the four main commercial banks more than doubled in 1991–95, and during 1995 bank lending to the private sector rose by 34%, that represented 92% of total domestic credit, of which 41% comprised loans to individuals. There have been no banking failures since independence, but the regulatory regime inherited from South Africa is being brought more into line with international norms under a new banking institutions act that was due to come into effect in 1997.



First National Bank Namibia and Standard Bank Namibia have the largest branch networks and remain wholly owned subsidiaries of their South African parent banks. Other commercial banks included the Commercial Bank of Namibia (CBN, a subsidiary of the Geneva-based Société financière pour les pays d'outre mer, or SFOM), South Africa's Nedcor Bank, FirstRand Limited, and Bank Windhoek (in which South Africa's ABSA Bank is the main shareholder). In mid-1996, Bank Windhoek completed a merger with the Namibia Building Society. The City Savings and Investment Bank (CSIB) was launched in 1994 as Namibia's first indigenously owned financial institution. At that time it had a single branch in Windhoek, but has since grown. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to us\$733.3 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was us\$1.2 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 9.25%.

Within four years, the Namibian Stock Exchange (NSE), which started operations in October 1992, grew to become sub-Saharan Africa's second-largest in terms of market capitalization, next to the Johannesburg Stock Exchange (JSE). The NSE is increasingly being used by local firms to raise capital for business expansions, while foreign investors are buying into Namibian equities through new listings and rights offers, which have been mainly oversubscribed. Some 95% of the NSE's overall market capitalization comprises dual-listings of South African parent groups of Namibian subsidiaries. Thirteen different companies were listed in 2001, when local market capitalization was us\$151 million. As of 2004, a total of 13 companies were listed on the NSE, which had a market capitalization that year of us\$442 million.

### 34 INSURANCE

The government embarked on a considerable shake-up of the insurance and pensions sector during the 1990s, over which the South African mutual societies had the biggest influence. Premium income continued to be invested mainly in South African assets following independence, overriding Namibian insurance funds like the Government Institutions Pension Fund (GIPF).

Legislative amendments of 1995 required that 35% of Namibian-generated funds under management be reinvested in specified local assets. A long-term insurance bill tabled at the end of 1996 made it compulsory for South African mutuals to establish Namibian-registered public companies and match net liabilities with local assets. As part of their asset localization measures, Sanlam and Old Mutual launched the first Namibian unit trusts in 1995. Other major insurance companies include Metropolitan Life and Mututal and Federal Insurance Company.

### 35 PUBLIC FINANCE

Although per capita GDP is one of the highest in Africa, the majority of Namibia's people live in poverty. The economy is one of the most advanced in the region, but income distribution is very skewed. In order to combat this problem, the government continues to concentrate its spending on social services. A large portion of the budget is also allocated to development projects, in-

#### Public Finance – Namibia (2002)

(In millions of Namibian dollars, budgetary central government figures)

	10,349	100.0%
<b>Revenue and Grants</b>		
Tax revenue	9,326	90.1%
Social contributions	53	0.5%
Grants	34	0.3%
Other revenue	936	9.0%
<b>Expenditures</b>	<b>10,657</b>	<b>100.0%</b>
General public services	2,818	26.4%
Defense	956	9.0%
Public order and safety	1,044	9.8%
Economic affairs	1,106	10.4%
Environmental protection	...	...
Housing and community amenities	955	9.0%
Health	1,128	10.6%
Recreational, culture, and religion	234	2.2%
Education	2,384	22.4%
Social protection	774	7.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

cluding boosting the construction industry and expanding the infrastructure.

The US Central Intelligence Agency (CIA) estimated that in 2005 Namibia's central government took in revenues of approximately us\$1.9 billion and had expenditures of us\$2 billion. Revenues minus expenditures totaled approximately -us\$94 million. Public debt in 2005 amounted to 39.6% of GDP. Total external debt was us\$1.164 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, budgetary central government revenues were n\$10,349 million and expenditures were n\$10,657 million. The value of revenues in US dollars was us\$982 million and expenditures us\$1,081 million, based on a market exchange rate for 2002 of us\$1 = n\$10.54075 as reported by the IMF. Government outlays by function were as follows: general public services, 26.4%; defense, 9.0%; public order and safety, 9.8%; economic affairs, 10.4%; housing and community amenities, 9.0%; health, 10.6%; recreation, culture, and religion, 2.2%; education, 22.4%; and social protection, 7.3%.

### 36 TAXATION

There is a progressive personal income tax with a top rate of 35%. The basic tax on corporate profits is 35%. Nonresident shareholders are taxed 10% on dividends, and there is a tax on undistributed profits. Mining companies, and oil and gas extraction companies are taxed at special rates. As of 27 November 2001, a value-added tax (VAT) replaced the 8% general sales tax (GST), with a standard rate of 15%. Exempted from VAT are education, medical services, hotel accommodations, and public transportation. There are also excise taxes on luxury goods.

### 37 CUSTOMS AND DUTIES

Namibia is part of the Southern African Customs Union (SACU), Preferential Trade Area for Eastern and Southern Africa (PTA), the Common Market for Eastern and Southern Africa (COME-

SA), and the SADC Free Trade Protocol. No tariffs exist on most goods moving between members, but there is a 15% duty on non-imports from nonmember nations, plus a 15% sales duty. It also has signed bilateral trade agreements with over 20 major trading nations around the world. Imports from outside the union are subject to a common tariff rate based on the Harmonized System of Import Classification; most imports need licenses. South Africa levies and collects most of the customs and excise duties for the other members and then pays each a share, based on an established formula. Namibia has double taxation agreements with South Africa, the United Kingdom, Sweden, and Germany (but not the United States) and is a member of the United Nations, the World Bank, the International Monetary Fund, and the World Trade Organization.

### 38 FOREIGN INVESTMENT

International investment, mostly South African, has historically played an important role in Namibia. In addition, there is significant UK and US investment in mining. Several international oil and gas distribution as well as fishing companies operate in Namibia. In December 1990, foreign investment legislation was liberalized. In April 1993, Namibia announced a program of private-sector investment incentives that included lower taxes, grants, and development loans. In 1994, the government created an export processing zone at Walvis Bay. Namibia's goal is to create an infrastructure that will serve as a reexport center for southern Africa, including Angola, South Africa, Zimbabwe, and Botswana.

The total foreign direct investment (FDI) in Namibia as a percent of GDP increased from 17.8% in 1998 to over 25% in 2004.

### 39 ECONOMIC DEVELOPMENT

Namibia's government will continue to build and diversify its economy around its mineral reserves. Priorities include expanding the manufacturing sector, land reform, agricultural development in the populous north, and improved education and health opportunities. Transfer of Walvis Bay and 12 offshore islands to Namibia in 1994 returned to Namibia its deep-water port and 20% of its offshore rights. With 9,000 workers, the fishing industry is an increasingly important source of private-sector employment.

The five-year development program started in 1994 set an annual growth rate target of 5%, highlighting government budget cuts and foreign investment and trade. As of 2002, gross domestic product (GDP) growth since the mid-1990s had averaged 3.5% a year. Unemployment remained high, at around 30% of the labor force, and economic growth was not substantial enough to significantly reduce poverty. The 2004–05 budget aimed to limit the fiscal deficit to 1.6% of GDP. The recent Namibian Stock Exchange (NSX) continues to expand, gaining weight particularly in sub-Saharan Africa.

### 40 SOCIAL DEVELOPMENT

By many economic and social indicators, including population per physician, per hospital bed, and per telephone, Namibia is statistically better off than many other sub-Saharan African countries. However, such comparisons also mask the huge dispari-

ties between rural and urban Namibia, and between its black and white populations.

The government is obliged by the constitution to promote actively the welfare of the people, including gender, racial and regional equality. Considerable discrimination against women exists in both formal and customary law. Community property laws, for example, define women as legal minors, unable to enter into any kind of contract without the husband's signature. In the absence of this permission, women may not open a bank account or purchase property. Some measures were taken to address these inequities through the Married Person's Equality Bill, which outlaws discrimination against women in civil marriages. However, the law does not affect practices in customary, or traditional, marriages. Domestic abuse and violence are widespread, and cultural views of women exacerbate the problem.

Human rights are generally respected. However, there are excesses by security forces, and prison conditions remain harsh. Indigenous San peoples have historically faced discrimination from Namibia's other ethnic groups. The government has attempted to redress the marginalization of the San by increasing their participation in decision-making on issues that affect them. These efforts have been applied unevenly, and the San remain relatively isolated and largely excluded from national decision making.

### 41 HEALTH

In 2004, there were an estimated 30 physicians, 168 nurses, and four dentists per 100,000 people. Safe water and adequate sanitation were available to 77% and 41% of the population, respectively. Since health services are provided by the ethnically-based second-tier authorities, the system is effectively segregated. Approximately 57% of the population had access to health care services.

In 2005, average life expectancy was 43.93 years and infant mortality was 48.98 per 1,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 34.2 and 22.3 per 1,000 people and the maternal mortality rate was estimated at 230 per 100,000 live births. About 29% of married women ages 15 to 49 years used some form of contraception.

Immunization rates for children up to one year old were: tuberculosis, 100%; diphtheria, pertussis, and tetanus, 79%; polio, 79%; and measles, 68%. The rates for DPT and measles were, respectively, 72% and 66%. About 26% of children under age five were malnourished. The Namibian government is considering fortifying foods with vitamin A and/or iron. Vitamin A deficiencies were seen in 20.4% of children under age five and goiter is a common problem.

The HIV/AIDS prevalence was 21.30 per 100 adults in 2003, the 6th highest rate in the world. As of 2004, there were approximately 210,000 people living with HIV/AIDS in the country. There were an estimated 16,000 deaths from AIDS in 2003. The epidemic was worst in the northeastern part of the country, where rates of infection were as high as 29% of the population. HIV/AIDS was the leading cause of mortality, followed by pneumonia, tuberculosis, and malaria. Measles and polio prevalence was low.

### 42 HOUSING

There is a sharp contrast in housing standards between white and black Namibians primarily because the economic imbalance between these groups has not evened out since the end of apartheid.

A majority of the population is rural, where most dwellings are self-constructed from local materials. In a 1991 housing survey, 50% of all housing units were kraals (huts) made from pole frames and thatch or mud walls. Some kraal are plastered with cow dung. It was estimated that 58% of all households lived in these type of huts. About 40% of kraal households had seven or more members. About 33% of all housing units were detached homes, but these were only serving 30% of all households.

The urban areas of Windhoek, Walvis Bay, and Swakopmund have faced housing challenges with rapid urbanization in those areas. In 2001, about 30% of all residents in Windhoek lived in informal settlement communities. From 1991–99, the city had developed three reception areas that were intended to be temporary settlements for new residents, who would have been resettled under the squatter's policy. Unfortunately, the settlements grew more quickly than the land and utility systems could be developed. In other cities, it has been estimated that about up to 70% of urban residents live in informal settlements. Regional and town governments build and rent housing to migrants, but the demand has overwhelmed the supply. In the 1990s, the backlog in housing units was estimated at 45,000 units.

In 2001, there were about 346,455 private households. The average number of people per household was about 5.1. About 87% of all households had access to safe drinking water. Less than 50% had access to modern toilet facilities, only 32% have electric lighting, and 62% used wood or charcoal for cooking fuel.

### 4<sup>3</sup> EDUCATION

Education is compulsory for 10 years between the ages of 6 and 16. Primary education is for seven years, and secondary lasts for five years. The academic year runs from February to November. In 2001, about 23% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 78% of age-eligible students; 76% for boys and 81% for girls. The same year, secondary school enrollment was about 44% of age-eligible students; 39% for boys and 50% for girls. It is estimated that about 92.4% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 28:1 in 2003; the ratio for secondary school was about 24:1.

Higher education is provided primarily by the University of Namibia, the Polytechnic of Namibia, and the Colleges of Education (at Windhoek, Ongwediva, Rundu, and Caprivi). There is an Academy for Tertiary Education for adult students. In 2003, about 7% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 85%.

As of 2003, public expenditure on education was estimated at 7.2% of GDP, or 21% of total government expenditures.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

Public libraries serve most cities and towns in an extensive network. The National Archives and a public library (78,000 volumes) are both located in Windhoek, as is the National Library, which contains about 90,000 volumes. The library of the University of Namibia at Windhoek holds 86,800 volumes.

There is a National Museum of Namibia in Windhoek, with an emphasis on the natural and human sciences, and local museums

in Lüderitz, Swakopmund, Gobabis, Omaruri, Outjo, Tsumeb, and other towns. The State Museum in Windhoek features objects from the cultures of the Nama, Bushman, Herero, Ovambo, and other Southern African peoples. The Lüderitz Museum features displays of diamond mining.

### 4<sup>5</sup> MEDIA

Namibia has good quality telephone service, with at least 18 automatic telephone exchanges that can put callers in touch with 63 countries. Communication with rural areas is provided by about 65 fixed radio stations and 500 mobile stations. Fax machines and telex services are readily available. In 2003, there were an estimated 66 mainline telephones for every 1,000 people; about 2,600 people were on a waiting list for telephone service installation. Also in 2003, there were approximately 116 mobile phones in use for every 1,000 people.

The government-owned Namibian Broadcasting Corp. transmits radio programs in English, German, Afrikaans, and African languages. Television relays from South Africa began in the Windhoek and Oshakati areas in 1981. In 2004, there were nine private radio stations, one private television station, and a private cable and satellite television service. In 2003, there were an estimated 134 radios and 269 television sets for every 1,000 people. About 16 of every 1,000 people were cable subscribers. Also in 2003, there were 99.3 personal computers for every 1,000 people and 34 of every 1,000 people had access to the Internet. There were nine secure Internet servers in the country in 2004.

Four major daily newspapers are published in Windhoek, including (with 2002 circulation): *The Namibian* (11,000), *Die Republikein* (12,000), and *The Windhoek Advertiser* (5,000). *Tempo* is a Sunday paper with a circulation of 11,000. The government owns and operates the Namibia Press Agency. The government also owns one biweekly newspaper, *New Era*, and two magazines, *Namibia Today* and *Namibia Review*.

The constitution provides for free speech and a free press, and the government is said to generally respect those rights. However, the government-owned Namibian Broadcasting Corporation operated most radio and television services, and though it provides significant coverage of opposition opinions, there have been many complaints of bias in the reporting of sensitive issues.

### 4<sup>6</sup> ORGANIZATIONS

There are two chambers of commerce in Windhoek. Professional and trade associations exist for teachers, miners, journalists, architects, jewelers, and members of the tourist industry. The National Scientific Society promotes research and education in the fields of national history, ethnology, archaeology, zoology, botany, and geology.

National youth organizations include the Namibian National Students Organization, the National Youth Council of Namibia, the SWAPO Youth League of Namibia, Junior Chamber, and Boy Scouts of Namibia. A number of sports associations are active within the country, representing such pastimes as sailing, badminton, baseball, and tennis. Women's organizations include the Sister Namibia Collective and the Namibia National Women's Organization. The YWCA has chapters in Namibia.

Volunteer service organizations, such as the Lions Clubs International, are also present. The Red Cross and the Society of St. Vincent de Paul are also active in the country.

#### 47 TOURISM, TRAVEL, AND RECREATION

Namibia's prime tourist attractions are game viewing, trophy hunting, and the scenic beauty of its deserts. In the west, Swakopmund is a Hanseatic-style resort town populated by Namibians of German descent. It is the center for tours of the nearby Namib dunes, and for visits to the wild Skeleton Coast to the north. In the south, the Fish River Canyon, 85 km (53 mi) long and 700 m (2,300 ft) deep, ranks second in size to the Grand Canyon.

In 2003, Namibia had 695,221 foreign visitors, of whom 32% came from South Africa. There were 2,749 hotel rooms with 6,091 beds and an occupancy rate of 43%. Visitors stayed an average of two nights. Vaccinations are required if traveling from an infected area. All nationals except those of Japan, Germany, the United States, and 42 other countries are required to carry a visa for stays of up to 90 days.

In 2005, the US Department of State estimated the daily cost of staying in Windhoek at us\$157; in Etosha, us\$198; and in Swakopmund, us\$172.

#### 48 FAMOUS NAMIBIANS

Herman Toivo ja Toivo (b.1915?), the founder of SWAPO and the leader of Namibian nationalism, languished in a South African prison from 1966, when he was convicted of treason, until his release in March 1984. Sam Nujoma (b.1929) has been leader of SWAPO since 1966, and served as first president of Namibia, from 1990–2005. Hifikepunye Pohamba (b.1935) took office as Namibia's second president in 2005.

#### 49 DEPENDENCIES

Namibia has no territories or colonies.

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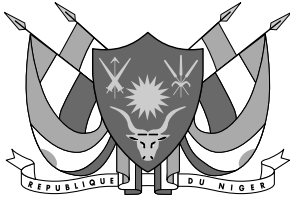
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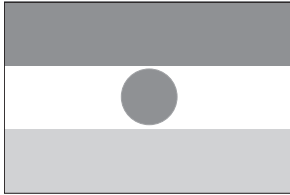
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# NIGER

Republic of Niger  
*République du Niger*



**CAPITAL:** Niamey

**FLAG:** The flag is a tricolor of orange, white, and green horizontal stripes, with an orange circle at the center of the white stripe.

**ANTHEM:** *La Nigérienne*.

**MONETARY UNIT:** The Communauté Financière Africaine franc (CFA Fr), which was originally pegged to the French franc, has been pegged to the euro since January 1999 with a rate of 655.957 CFA francs to 1 euro. The CFA franc comes in coins of 1, 2, 5, 10, 25, 50, 100, and 500 CFA francs, and notes of 50, 100, 500, 1,000, 5,000, and 10,000 CFA francs. CFA Fr1 = \$0.00189 (or \$1 = CFA Fr528.28) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Anniversary of 1974 military takeover, 15 April; Labor Day, 1 May; Independence Day, 3 August; Proclamation of the Republic, 18 December; Christmas, 25 December. Movable religious holidays include 'Id al-Fitr, 'Id al-Adha, and Milad an-Nabi.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

A landlocked country, the Republic of the Niger is the largest state in West Africa, with an area of 1,267,000 sq km (489,191 sq mi), extending 1,845 km (1,146 mi) ENE-WSW and 1,025 km (637 mi) NNW-SSE. Comparatively, the area occupied by Niger is slightly less than twice the size of the state of Texas. Bordered on the N by Libya, on the E by Chad, on the S by Nigeria, on the SW by Benin and Burkina Faso, on the W by Mali, and on the NW by Algeria, Niger has a total boundary length of 5,697 km (3,540 mi). Niger's capital city, Niamey, is located in the southwestern part of the country.

## <sup>2</sup> TOPOGRAPHY

Niger is four-fifths desert, and most of the northeast is uninhabitable. The southern fifth of the country is savanna, suitable mainly for livestock raising and limited agriculture. In the north-central region is the volcanic Air Massif, reaching a height of 1,944 m (6,376 ft) on Mt. Gréboun, the nation's highest point. Massifs along the Libyan border average about 800 m (2,600 ft). The southern plateau is at an elevation of 300–500 m (1,000–1,650 ft). The Niger River flows for about 563 km (350 mi) through southwestern Niger. To the north of the Niger are many ancient stream channels that flow periodically during wet weather. A portion of Lake Chad is situated in the southeastern corner of the country.

## <sup>3</sup> CLIMATE

Niger, one of the hottest countries in the world, has three basic climatic zones: the Saharan desert in the north, the Sahel to the south of the desert, and the Sudan in the southwest corner. The intense heat of the Saharan zone often causes the scant rainfall to evaporate before it hits the ground; at Bilma, in the east, annual rainfall is only 2 cm (0.79 in). On the average, rainfall in the Air

Massif is limited to a maximum of 25 cm (10 in) annually, and most of it comes during a single two-month period. At Agadez, in the northern Sahel, annual rainfall averages 16.5 cm (6.5 in), but yearly totals often vary greatly. In the south, rainfall is higher. It averages 56 cm (22 in) at Niamey, in the southern Sahel, and 87 cm (34 in) at Gaya, in the Sudanese zone. The rainy season is from May through October, with most rain in July and August. At Niamey, the average maximum daily temperature fluctuates from 31°C (88°F) in August to 41°C (106°F) in April. Nights are cool (below 20°C /68°F) from November to February.

## <sup>4</sup> FLORA AND FAUNA

The northern desert has vegetation only after rare rainfalls. The savanna includes a vast variety of herbaceous vegetation, with such trees as bastard mahogany, kapok, baobab, and the shea tree (karité). There are antelope, lion, waterbuck, leopard, hyena, monkey, wart hog, and countless varieties of bird and insect life. In the Niger River are crocodiles, hippopotamuses, and sometimes manatee. Turtles, lizards, pythons, horned vipers, and other varieties of snakes abound. As of 2002, there were at least 131 species of mammals, 125 species of birds, and over 1,450 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

In Niger, serious depletion of vegetation has been caused by the burning of brush and grass to prepare for the planting of crops, often on marginal land; by overgrazing of range lands; and by tree cutting for fuel and construction. Soil erosion and increasing desertification have also occurred. The nation has 4 cu km of renewable water resources. About 82% of the annual withdrawal is used in farming activity and 2% for industrial activity. Improved water

sources are available to 80% of urban dwellers and 36% of the rural population.

With Benin and Burkina Faso, Niger administers “W” National Park, of which 334,375 hectares (826,254 acres) are in Niger. There are also several game reserves, but resources for safeguarding protected fauna are insufficient. The nation’s wildlife is endangered by unlawful hunting and poaching. In 2003, about 7.7% of the total land area was protected, including 2 natural UNESCO World Heritage sites, and 12 Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 10 types of mammals, 2 species of birds, 1 species of invertebrate, and 2 species of plants. Threatened species include the addax, cheetah, and dama gazelle. The Sahara oryx has become extinct in the wild.

## **6** POPULATION

The population of Niger in 2005 was estimated by the United Nations (UN) at 13,957,000, which placed it at number 63 in population among the 193 nations of the world. In 2005, approximately 2% of the population was over 65 years of age, with another 48% of the population under 15 years of age. There were 105 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 3.4%, a rate the government viewed as too high. Adolescent fertility rates are especially high. The projected population for the year 2025 was 26,376,000. The overall population density was 11 per sq km (29 per sq mi); however, most of the population is concentrated in the fertile southern regions. Much of the land is uninhabited except for some nomadic herders.

The UN estimated that 21% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 6.01%. The capital city, Niamey, had a population of 890,000 in that year. Other major cities and their estimated populations are Zinder, 170,574; Maradi, 148,017; Tahoua, 99,900; and Agadez, 78,289.

## **7** MIGRATION

Most of the northern area of Niger is inhabited by migratory peoples who follow their flocks and herds through the mountainous countryside. During the 1968–75 Sahelian drought, however, these people were forced to leave the north. Many nomads migrated to urban areas in order to keep from starving, but some have since returned. As many as 500,000 people may have moved to Nigeria since the drought. About 100,000 returned in early 1983, when many foreigners were expelled from Nigeria. Thousands more Nigeriens were expelled from Nigeria in 1985, and in 1986; Algeria expelled about 2,000 of the 50,000 Nigerien nomads in southern Algeria. The migration from rural to urban areas has continued.

A five-year civil war (1990–95) between rival factions of Tuareg rebels drove many Tuaregs into big towns or neighboring countries such as Burkina Faso and Algeria. With the signing of a peace agreement in April 1995 came the implementation of a repatriation program. Repatriation of Nigerien refugees from Algeria and Mali was completed by 1998.

In 1999, some 3,589 Malian refugees were repatriated; however, some Malians remained on refugee sites, refusing to return to their homeland. By 2004 there were 344 refugees and 41 asylum

seekers. In 2005 the net migration rate was an estimated 0.65 migrants per 1,000 population. The government views the migration levels as satisfactory.

## **8** ETHNIC GROUPS

The Hausa are the largest ethnic group, forming 56% of the total population. The Djerma-Songhai, the second-largest group, constitute 22% of the population. They, like the Hausa, are sedentary farmers living on the arable southern tier. The Djerma-Songhai are concentrated in the southwest; the Hausa, in south-central and southeast Niger. Many of Niger’s inhabitants are nomadic or seminomadic livestock-raising peoples, including the Fulani, or Peul (8.5%), the Tuareg (8%), and the Beri Beri or Kanouri (4.3%). Arab, Toubou, and Gourmantche peoples make up the remaining 1.2% of the populace, along with some 1,200 French expatriates.

## **9** LANGUAGES

French is the national and official language, but it is spoken by only a small minority of the people. The various ethnic groups use their own local languages. Hausa is spoken all over the country as the language of trade. Djerma is also used extensively.

## **10** RELIGIONS

More than 90% of the population is Muslim, with the Tijaniyya, Senussi, and Hamalist sects being the most influential. The cities of Say, Kiota, Agadez, and Madarounfa are considered holy by local Islamic communities, and so the practice of other religions in those cities is not as well tolerated as in other areas. Christians, including both Catholics and Protestants, constitute less than 5% of the population; they tend to be concentrated in Maradi, Niamey, and other urban centers with expatriate populations. The Baha’is are very active and do account for a small percentage of the overall populace; they too are located primarily in Niamey and in communities on the west side of the Niger River, bordering Burkina Faso. Traditional indigenous religions are also practiced by a small percentage of the population.

Though relations between religious communities is generally amicable, there have been reports of tension between certain fundamental Muslims and various Christian organizations. The constitution provides for freedom of religion and no particular religion is designated as a state religion. However, the Islamic Association serves in an official advisory capacity on religious matters for the government. The constitution prohibits the formation of political parties based on religious doctrines. Religious organizations are registered with the Interior Ministry. Certain Christian and Muslim holidays are officially observed.

## **11** TRANSPORTATION

Landlocked Niger relies heavily on road and air transportation. As of 2002 there were 10,100 km (6,276 mi) of roads, of which 798 km (496 mi) were paved. The principal road runs from west to east, beginning at Ayorou, going through Niamey, Dosso, Maradi, and Zinder, and ending at Nguigmi. A 902-km (560-mi) all-weather stretch between Niamey and Zinder was opened in 1980. Extending from the main route are roads from Niamey to Burkina Faso (not paved), from Zinder to Algeria through Agadez (with tough desert driving on dirt tracks), from Dosso to Benin, and from Birni Nkonni and Maradi to Nigeria. A 602-km (385-mi) highway



LOCATION: 12° to 23°30' N; 0°30' to 15°30' E. BOUNDARY LENGTHS: Libya, 354 kilometers (220 miles); Chad, 1,175 kilometers (730 miles); Nigeria, 1,497 kilometers (930 miles); Benin, 190 kilometers (118 miles); Burkina Faso, 628 kilometers (390 miles); Mali, 821 kilometers (510 miles); Algeria, 956 kilometers (594 miles). Broken lines indicate rivers and lakes that are dry for most of the year, only filling with water during infrequent rainy periods.

between Tahoua and the uranium mines at Arlit was completed in 1981. SNTN, a government joint venture with a private French company, is the most important road hauler and has a monopoly over certain routes. In 2003, there were 21,000 passenger cars and 18,650 commercial vehicles.

Niger's most important international transport route is by road to the rail terminus at Parakou, Benin. From there, OCBN, a joint Benin-Niger railway, operates service to the Benin port of Cotonou. As of 2004, the Niger River is navigable for 300 km (186 mi) from Niamey to Gaya on the Benin frontier from September through March.

There were an estimated 27 airports and airfields in 2004, 9 of which (as of 2005) had permanent-surface runways. The international airport is at Niamey. There are domestic airports at Agadez, Maradi, Zinder, Arlit, and Tahoua. Niger is a participant in the transnational Air Afrique, which provides international service,

along with several other airlines. In 2003, about 46,000 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Through extensive archaeological research, much evidence has been uncovered indicating that man has been present in northern Niger for over 600,000 years. By at least 4000 BC, a mixed population of Libyan, Berber, and Negroid peoples had evolved an agricultural and cattle-herding economy in the Sahara. Written history begins only with Arab chronicles of the 10th century AD. By the 14th century, the Hausa had founded several city-states along the southern border of what is today the Republic of the Niger. About 1515, an army of the Songhai Empire of Gao (now in Mali), led by Askia Muhammad I, subjugated the Hausa states and captured the Berber city of Agadez, whose sultanate had existed for

many generations. The city had been important largely because of its position on the caravan trade routes from Tripoli and Egypt into the Lake Chad area. The fall of the Songhai Empire to Moroccan invaders in 1591 led to expansion of the Bornu Empire, which was centered in northeast Nigeria, into the eastern and central sections of the region. The Hausa states and the Tuareg also remained important. It was probably during the 17th century that the Djerma settled in the southwest. Between 1804 and 1810, a devout Fulani Muslim named 'Uthman dan Fodio waged a holy war against the Hausa states, which he subjugated along with a part of the Bornu Empire, west of Lake Chad. About that time, European explorers began to enter the area, starting with a Scot, Mungo Park, in 1805–06.

Bornu, Hausa, and Fulani entities vied for power during the 19th century, a period during which political control was fragmented. The first French military expeditions into the Niger area, at the close of the 19th century, were stiffly resisted. Despite this opposition, French forces pushed steadily eastward and by 1900 had succeeded in encircling Lake Chad with military outposts. In 1901, the military district of Niger was created as part of a larger unit known as Haut-Sénégal et Niger. Rebellions plagued the French forces on a minor scale until World War I, when a major uprising took place. Some 1,000 Tuareg warriors attacked Zinder in a move promoted by pro-German elements intent on creating unrest in French and British African holdings. British troops were dispatched from Nigeria to assist the French in putting down the disturbance. Although this combined operation broke the Tuareg resistance, not until 1922 was peace fully restored. In that year, the French made Niger a colony.

Niger's colonial history is similar to that of other former French West African territories. It had a governor but was administered from Paris through the governor-general in Dakar, Senegal. From 1932 to 1947, Niger was administered jointly with Upper Volta (now Burkina Faso) for budgetary reasons. World War II barely touched Niger, since the country was too isolated and undeveloped to offer anything of use to the Free French forces.

In 1946, the French constitution conferred French citizenship on the inhabitants of all the French territories and provided for a gradual decentralization of power and limited participation in indigenous political life. On 28 September 1958, voters in Niger approved the constitution of the Fifth French Republic, and on 19 December 1958, Niger's Territorial Assembly voted to become an autonomous state, the Republic of the Niger, within the French Community. A ministerial government was formed by Hamani Diori, a deputy to the French National Assembly and secretary-general to the Niger branch of the African Democratic Rally (Rassemblement Démocratique Africain—RDA). On 11 July 1960, agreements on national sovereignty were signed by Niger and France, and on 3 August 1960, the Republic of the Niger proclaimed its independence. Diori, who had been able to consolidate his political dominance with the help of the French colonial administration, became Niger's first president. His principal opponent was Djibo Bakary, whose party, known as the Sawaba, had been banned in 1959 for advocating a "no" vote in the 1958 French constitutional referendum. The Sawaba was allegedly responsible for a number of unsuccessful attempts to assassinate Diori after 1959.

Diori was able to stay in power throughout the 1960s and early 1970s. His amicable relations with the French enabled him to obtain considerable technical, military, and financial aid from the French government. In 1968, following a dispute between the ruling Niger Progressive Party (Parti Progressiste Nigérien—PPN) and the civil service over alleged corruption of civil service personnel, the PPN was given a larger role in the national administration. Over the years, Diori developed a reputation as an African statesman and was able to settle several disputes between other African nations. However, unrest developed at home as Niger, together with its Sahel neighbors, suffered widespread devastation from the drought of the early 1970s.

On 15 April 1974, the Diori government was overthrown by a military coup led by Lt. Col. Seyni Kountché, the former chief of staff who subsequently assumed the presidency. Madame Diori was killed in the rebellion, as were approximately 100 others, and the former president was detained (1974–80) under house arrest. Soon after the coup, French troops stationed in Niger left at Kountché's request.

The economy grew markedly in the late 1970s, chiefly because of a uranium boom that ended in 1980. The Kountché regime, which was generally pro-Western, broke diplomatic relations with Libya in January 1981 in alarm and anger over Libya's military intervention in Chad. Relations with Libya slowly improved, and diplomatic ties resumed in 1982. Nevertheless, Niger continued to fear Libyan efforts at subversion, particularly among the Tuareg of northern Niger. In October 1983, an attempted coup in Niamey was suppressed by forces loyal to President Kountché. Kountché died of a brain tumor in November 1987, and (then) Col. 'Ali Seybou, the army chief of staff, was appointed president.

In 1989, Seybou created what he intended to be a national single party, *Le Mouvement National pour la Société de Développement/The National Movement for a Developmental Society* (MNSD). However, the winds of democratic change ushered in multiparty competition. At the forefront for political reform was the labor confederation, which organized a widely observed two-day-long general strike. Following the example of Benin, a National Conference was held from July to October 1991 to prepare a new constitution. The conferees appointed an interim government, led by Amadou Cheiffou to work alongside the Seybou government to organize multiparty elections. Widespread fighting in the north and military mutinies in February 1992 and July 1993 postponed the elections, but a new constitution was adopted in a December 1992 referendum.

Niger's first multiparty elections took place on 27 February 1993. Mamadou Tandja, who succeeded Seybou as MNSD leader came in first with 34%. However, with Mohamadou Issoufou's support, Mahamane Ousmane defeated him in the March runoff with 54% of the vote. In the legislative elections, the MNSD won the largest number of the seats (29), but a coalition of nine opposition parties, the Alliance of Forces of Change (AFC) dominated the National Assembly with 50 of the 83 seats. Prime Minister Issoufou led the AFC.

The new government found itself threatened by an insurgency in the north. In March, it reached a three-month truce with the major Tuareg group, the Liberation Front of Air and Azaouak (FLAA), and was able to extend it for three more months. By September, however, the Tuaregs had split into three factions and only



one, the Front for the Liberation of Tamoust (FLT), agreed to renew the truce for three more months. Some Tuaregs, chiefly under the Armée Revolutionnaire de la Libération du Nord Niger (ARLNN) continued the rebellion, prompting more government reprisals.

The Tuareg raids created tension with Libya, suspected of inciting the insurgencies, and divided Nigerians over issues of favoritism. The government appeared biased in favor of members of the Djerma-Songhai (or Zarma-Songhai), one of Niger's five major ethnolinguistic groups. In April 1995, a tentative peace was reached via the joint mediation of Algeria, Burkina Faso, and France. However, ethnic disturbances continued in the south of the country.

In late 1994, disagreements between the president and the leadership of the National Assembly resulted in a political stalemate lasting throughout 1995. In the legislative elections of 12 January 1995, the AFC succumbed to factionalism allowing the MNSD to win a slight majority (29 seats). The MNSD formed a ruling coalition with its allies in the Democratic and Social Convention (24 seats). However, the two sides fought over the appointment of a prime minister, and then-prime minister, Hama Amadou, and President Ousmane fought over IMF austerity measures. In January 1996, Colonel Ibrahim Baré Maïnassara (known as Baré) toppled Ousmane and dissolved the Assembly. The military regime suspended political parties and civil liberties, and placed the president, prime minister, and president of the Assembly under house arrest. Despite Baré's pledge to restore democracy, donors cut assistance to Niger.

In May 1996, voters approved a new constitution that strengthened the powers of the executive. However, only 40% of the electorate voted. Baré lifted the ban on political parties, and in the July elections, despite evidence of massive fraud, declared himself the winner with 52% of the vote. Ousmane received 19% Tandja Mamadou 16%, Mahamadou Issoufou 8%, and Moumouni Amadou Djermakoye 5%. Baré's UNIRD took 52 of 83 Assembly seats in the November 1996 legislative elections.

On 9 April 1999, while boarding his helicopter, President Baré died in a hail of assassin's bullets. Political gridlock gripped the country, eroded public confidence in government, and allowed the military to intervene. The day prior to the assassination, opposition leaders had called on Baré to step down. Major Daouda Mallam Wanké said the presidential guard had opened fire in self-defense, and his junta later described the murder as an unfortunate accident. Few people believed it was, and the coup was roundly condemned by the international community. Baré's widow, Clemen Aicha Baré, filed claims against Wanké, as the prime perpetrator, and against the former prime minister Ibrahim Assane Mayaki for his alleged role in the assassination.

In October 1999, Wanké made good on his promise to return the country to civilian rule. Despite allegations of vote rigging, seven candidates contested the presidential elections. In the first round, Mamadou Tandja (MNSD) took 32.3% of the vote to Mahamadou Issoufou's (PNDS) 22.8%. In the 24 November runoff, Tandja was elected with 59.9% to Issoufou's 40.1%. Observers declared the second round free and fair. In the 24 November Assembly elections, five of seven parties won seats. The MNSD took 38 of 83 seats, the CDS 17, the PNDS 16, the RDP 8, and the ANDP 4.

The new National Assembly passed an amnesty for perpetrators of the January 1996 and April 1999 coups to avoid "the spirit of revenge or any form of resentment." Eight members of Maïnassara Baré's party dissented. Tandja said his top priority would be to work for political, social, and institutional stability, essential for national recovery.

In May 2002, Niger and Benin submitted a boundary dispute between them to the International Court of Justice in the Hague. At issue were sectors of the Niger and Mékrou Rivers and islands in them, in particular Lété Island. This dispute was resolved in Niger's favor by the Court in 2005.

On 30 July 2002, soldiers from three garrisons in the southeastern Diffa region mutinied, protesting low and overdue salaries and improper working conditions. The mutiny threatened Niamey, but troops loyal to the government put down the 10-day rebellion on 9 August. In December, at least 80 of the mutineers who were arrested in August escaped from prison.

Since then, with some exceptions, political stability prevailed. In early 2004 the government established an all-party dialogue and conflict resolution forum, the Conseil national de dialogue politique (CNDP). In May 2004 rumors of a new Tuareg rebellion surfaced following the desertion of former Tuareg rebels from the army, which coincided with armed attacks and banditry in the north. However, in July and December 2004 the country held successful local, presidential and parliamentary elections. Tandja was reelected in the presidential poll, a first for a Nigerien president.

Islamic guerrilla groups continued to operate in Niger. In early 2004, the police arrested members of the Muhajirun group, which apparently inspired by the Taliban, conducted a number of attacks in Borno state. In February and March, the Algerian Groupe salafist pour la predication et le combat (GSPC) allegedly clashed with authorities. This group had been responsible for the kidnapping of 32 tourists in early 2003 in Algeria and Mali. Livestock raiding across borders continued to be a problem as well.

Despite its convincing victory in the December 2004 polls, the ruling MNSD party faced serious social and economic challenges heading into 2006. A major food crisis in the second half of 2005 was portrayed as a famine in the international media and by UN agencies, and was strongly criticized by donor governments as the result of poor governance. Following the introduction of taxes on basic foodstuffs, the government became the target of major social protests, and ultimately had to withdraw the measures. Ultimately, an estimated 3 million of Niger's 12 million people were facing hunger, and some 32,000 children were thought to be severely malnourished. While President Tandja blamed food shortages on climatic factors and locust invasions, the main opposition party, the PNDS accused the government of diverting aid, and criticized it for its slow reaction and mismanagement of the crisis.

### 13 GOVERNMENT

The constitution of 8 November 1960 established the president of the republic, elected for a five-year term by direct universal suffrage, as chief of state and head of the executive branch. Legislative power was invested in a 50-member unicameral National Assembly. This constitution was suspended following the military coup of 15 April 1974, when the National Assembly was also dissolved. All executive and legislative power was taken over by the Supreme Military Council, composed of army officers. The president of the

Supreme Military Council was president of the council of ministers (cabinet) and head of state. Seyni Kountché held this office from 1974 to 1987. Most cabinet officers were civilians in 1987.

In 1987, a national development council was established to serve as a constituent assembly on a nonparty basis. It drafted the constitution of the Second Republic that came into force on 24 September 1989.

A national conference from July to October 1991 drafted a multiparty democratic constitution that was approved by national referendum on 26 December 1992. It established the Third Republic with a National Assembly of 83 deputies chosen by popular and competitive elections, a president likewise elected, and a prime minister elected by the Assembly. The new government with Mahamane Ousmane as its head was sworn in on 23 April 1993.

Political gridlock led to a (relatively) bloodless coup led by (then) Colonel Ibrahim Baré Maïnassara in January 1996. Within six months, the regime had drafted and submitted for national referendum a new constitution with a significantly strengthened executive. The document was approved on 12 May 1996 ushering in the short-lived Fourth Republic. In flawed elections, Baré Maïnassara declared himself winner over four other candidates on the first round, and his UNIRD party won a majority of seats in the Assembly.

Baré Maïnassara was assassinated on 9 April 1999 by his presidential guard. Major Daouda Wanké reappointed Ibrahim Assane Maiyaki as prime minister for the transition government. He then appointed a transitional cabinet consisting of 20 members, most of whom were civilian. Wanké also replaced 7 of Niger's regional military leaders. He announced that he would not run for the presidency and disqualified all military and security personnel, as well as all members of the transitional government from standing for election. Wanké named a 60-member independent national election commission to oversee the establishment of the election roles and the polling. The CRN renounced any form of remuneration during the transition period and moved to reduce by half the salaries of future members of government.

The constitution of the Fifth Republic, adopted 18 July 1999, provides for a semi-presidential government. The president, who may stand for two five-year terms, is head of state, and appoints the prime minister (head of government) from a list of three candidates proposed by the parliamentary majority. The president names all 23 cabinet ministers and other high-ranking civilian and military officials. Presidential actions must be countersigned by the prime minister. The National Assembly can unseat the prime minister through a no-confidence vote. The president can dissolve the 113-member (expanded from 83) National Assembly, assume emergency powers, and convene the Council of the Republic in the event of a constitutional crisis. The National Assembly has the power to pass a motion of no confidence in the government.

This Fifth Republic constitution created four new bodies: the Constitutional Court, the Superior National Defense Council, the Council of the Republic (a conflict resolution body), and the Economic, Social, and Cultural Council. The Council of the Republic was created to end the political impasse that brought down the Third Republic through the military coup in 1996. Amnesties for those involved in both the 1996 and 1999 coups were part of the constitutional draft.

## <sup>14</sup>POLITICAL PARTIES

Parties emerged only after World War II. In 1946, the African Democratic Rally (Rassemblement Démocratique Africain—RDA) became dominant with the help of several labor unions. By 1948, its popularity waned, and the Niger Progressive Party (Parti Progressiste Nigérien or PPN), the local branch of the RDA, was unable to reelect its candidate to the French National Assembly. Meanwhile, other parties, based on regional interests, gained strength.

In 1957, Djibo Bakary, the leader of a dissident RDA group, helped form a socialist party that became known as the Party of the African Regrouping (Parti du regroupement africain or PRA). Branches were quickly established in most of the other French-African territories.

Shortly before the voting on the French constitution in September 1958, the PPN joined with chiefs and dissident PRA members to form a coalition, the Union for the Franco-African Community (Union pour la Communauté Franco-Africaine), led by Hamani Diori, leader of the PPN. On 14 December 1958, the PRA group (known as the Sawaba), led by Djibo Bakary, was defeated by the new coalition, which won 54 of the 60 seats in the Assembly. Following full independence, Diori became president of the republic. Diori consolidated the position of the PPN by allying himself with Niger's powerful Muslim traditional chiefs, exiling Bakary, and banning the Sawaba in 1959. In 1964 and 1965, Bakary organized attacks from abroad on Diori's life.

The PPN became the only legal party under the Diori regime. In the October 1970 elections, Diori won 99.98% of the votes cast, and the PPN won 97.09% of the votes cast for the National Assembly. After the coup of 15 April 1974, the military government suppressed all political organizations in the country. Both Diori and Bakary (who returned from exile) were imprisoned until 1980.

In 1989, Seybou created the National Movement for a Developmental Society (MNSD). The MNSD was intended to be the sole legal party, but the constitutional referendum of December 1992 authorized a multiple party system. In the legislative elections on 12 January 1995 some 774 candidates ran for 83 Assembly seats. The MNSD won a slight majority (29 seats) and formed a coalition with the Democratic and Social Convention or CDS (24 seats). The coalition was factious, and in January 1996, leaders of a military coup dissolved the Assembly, overthrew the president, and banned political parties. Following the approval of a new constitution in May, political parties once again were allowed to exist.

In flawed presidential elections in July 1996, Baré Maïnassara took 52.22%, Mahamane Ousmane 19.75%, Mamadou Tandja 15.65%, and two other candidates took the remaining 12% of the vote. Legislative elections were held again in November 1996 for the reinstated 83-seat National Assembly. The pro-Maïnassara National Independents Union for Democratic Renewal (Union Nationale des Independents pour la renouveau democratique or UNIRD) won 52 seats, the Nigerian Alliance for Democracy and Progress-Zaman (ANDPS-Zaman Lahiya) 8, Union of Patriots, Democrats, and Progressives (Union des Patriotes Démocratiques et progressistes or UPDP-Shamuwa) 4, Union for Democracy and Social Progress (Union pour la démocratie et le progrès social or UDPS-Amana) 3, coalition of independents 3, with the remaining 6 seats divided among three other parties.

In the October–November 1999 presidential elections, Mamadou Tandja won convincingly with 32.3% on the first round and 59.9% on the second. Mahamadou Issoufou (Nigerien Party for Democracy and Socialism—PNDS) came in second with 22.8% and 40.1%. The others were Mahamane Ousmane (CDS) with 22.5%, Hamid Algabid (Rally for Democracy and Progress or Rassemblement pour la Démocratie et le Progrès—RDP) with 10.9%, Mumouni Djermakoye Amadou (ANDP) with 7.7%, Andre Sali-fou (UDPD) with 2.1% and Amadou Ali Djibo (Union des Nigériens Indépendants or Union of Independent Nigerians—UNI) with 1.7% of the vote.

A new political landscape emerged after the elections. The CDS of former president, Ousmane, rallied behind the MNSD to catapult Tandja and the MNSD to victory in the 24 November second round. Formerly, the CDS was pitted against the MNSD as part of the Alliance du Changement (AC) in the multiparty elections of 1991. Ousmane and Tandja were sworn enemies until General Baré's coup ousted Ousmane in 1996. The coup threw the CDS and the MNSD into the opposition, and made them both members of the umbrella alliance, the Front pour la Restauration et Défense de la Démocratie (FRDD) to compete in the elections in November 1996. The FRDD had comprised eight parties including the MNSD the CDS, and Issoufou's party, the PNDS.

In the National Assembly elected on 24 November 1999, 5 of 19 contending parties won seats. The MNSD took 38 of 83 seats, the CDS 17, the PNDS 16, the RDP 8, and the ANDP 4. Thus, the MNSD-CDS coalition had 55 of 83 seats. With its 16 seats, Issoufou's PNDS took leadership of the opposition coalition. The main allies of the opposition were the RDP and the ANDP bringing the coalition to 30 seats.

The November–December 2004 general elections saw the reelection of Mamadou Tandja and reinforced the dominance of the ruling coalition, the Alliance des forces démocratiques (AFD), comprising five parties led by the MNSD. Tandja won with 65.5% of the vote to 34.5% for Mahamadou Issoufou. In the legislative contest, the MNSD took 47 seats followed by the CDS, 22; the PNDS (the main opposition party) 17; the Social and Democratic Rally, 7; the RDP, 6; the ANDP, 5; and the Party for Socialism and Democracy in Niger, 1; other, 8. In all, the ruling coalition secured 88 of 113 seats. The next elections were scheduled for December 2009.

## 15 LOCAL GOVERNMENT

Niger consists of 8 regions (departments), subdivided into 36 districts (*arrondissements*) and a capital district. Democratization and demands for better governance has led to decentralization and popular participation in local government. However, devolving authority from the national level required adequate electoral safeguards. In 1999, the Supreme Court ordered a rerun elections in five regions. Opponents objected on the grounds that their candidates had held a clear lead over those of the president's party. The ensuing deadlock contributed to the crisis of government and to the 9 April coup.

## 16 JUDICIAL SYSTEM

The legal system, which is seriously under-resourced and subject to executive pressures and corruption, mirrors French civil law with important customary-law modifications. The High Court of

Justice, which is appointed by the National Assembly from among its own membership, is empowered to try the president and members of the government for crimes or offenses committed in performance of their official duties. Defendants and prosecutors may appeal verdicts from lower courts, first to the Court of Appeals and then to the Supreme Court, which sits as the highest court of appeal. The seven-member Constitutional Court has jurisdiction over electoral and constitutional matters, including ruling on the constitutionality of laws and ordinances, as well as compliance with international treaties and agreements. A Court of State Security tries crimes against the state.

Notably, the Constitutional Court has overruled several presidential decrees, rejected more than one-third of the candidates in the local elections in April 2004, and forced the government to change the electoral code and reschedule the local elections.

Traditional and customary courts hear cases involving divorce or inheritance. There are no religious courts. Customary courts, located in larger towns and cities, are presided over by a legal practitioner with basic legal training who is advised about local tradition by a local assessor. The actions of chiefs in traditional courts and of the presiding practitioner in customary courts are not regulated by the code provisions. Appeals can be taken from both customary and traditional courts to the formal court system.

## 17 ARMED FORCES

Niger's armed forces totaled 5,300 active personnel in 2005, with 5,200 serving in the Army and the remaining 100 personnel in the Air Force. Paramilitary forces numbered 5,400 including the gendarmerie (1,400), the Republican Guard (2,500), and the National Police (1,500). Niger participated in four UN peacekeeping missions in Africa. In 2005, the defense budget totaled \$30.6 million.

## 18 INTERNATIONAL COOPERATION

Niger was admitted to the United Nations on 20 September 1960, and is a member of ECA and several other nonregional specialized agencies, such as the FAO, ILO, the World Bank, IAEA, UNESCO, UNIDO, and the WHO. Niger is also a member of the WTO, the African Development Bank, the West African Development Bank, the ACP Group, ECOWAS, G-77, the Community of Sahel and Saharan States (CENSAD), the Organization of the Islamic Conference (OIC), the New Partnership for Africa's Development (NEPAD), the West African Economic and Monetary Union, the Niger River and Lake Chad Basin Commissions, and the African Union. It has joined with Benin, Côte d'Ivoire, Burkina Faso and Togo in the Council of the Entente, a customs union with a common solidarity fund. The nation is part of the Franc Zone.

Niger is a member of the Nonaligned Movement. The government has offered support to UN missions and operations in Liberia (est. 2003), Burundi (est. 2004), Côte d'Ivoire (est. 2004), and the DROC (est. 1999). In environmental cooperation, Niger is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Niger is an arid, landlocked country with much of its territory forming a portion of the Sahara. Most of its people live in a mar-

ginally productive and highly drought-prone band of arable land along Niger's southern border with Nigeria. Although at one time uranium mining was a mainstay of the Niger economy, revenues from uranium dropped by almost 50% in the late 1980s due to a decline in world demand for uranium. Export earnings declined from 22% of GDP in 1987 to 16% of GDP in 1998. In 2001 GDP grew by 7% but declined to 3.8% growth in 2005. Subsistence agriculture prevails in the less than 3% of the country that is under cultivation. Agriculture and livestock production employed an estimated 95% of the labor force in 2005.

In January 1994 France devalued the CFA franc, causing its value to drop in half overnight. The devaluation of the CFA franc improved Niger's trade relationship with Nigeria, and boosted revenue from the export of such products as livestock, peas, onions, and the cotton industry. As of 2003, Niger had yet to recover from the devaluation, in 1993 the current account to GDP ratio was close to zero, afterwards reaching an average negative 10%. Exports could not keep pace with the rising price of imports.

The Niger economy relies on bilateral and multilateral aid, and the government has been encouraged to restructure the economy by the International Monetary Fund and the World Bank. With a history of military rule, and a bad debt repayment record, foreign aid has been slow coming. However, Niger became eligible for debt relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative in 2000, in the amount of \$115 million. The fact that population growth has outpaced GDP has been a cause of Niger's increasing poverty.

The restoration of democratic rule in 2000 saw an increase in foreign aid. The government's privatization of state-owned enterprises, particularly in the telecommunications and electricity sectors, was to promote investment in 2003, as was exploration for gold deposits and oil. An increase in tourism to Niger's scenic northern desert has been diversifying the economy.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Niger's gross domestic product (GDP) was estimated at \$10.2 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$900. The annual growth rate of GDP was estimated at 3.8%. The average inflation rate in 2004 was 0.2%. It was estimated that agriculture accounted for 39% of GDP, industry 17%, and services 44%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$8 million or about \$1 per capita and accounted for approximately 0.3% of GDP. Foreign aid receipts amounted to \$453 million or about \$39 per capita and accounted for approximately 16.7% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Niger totaled \$2.29 billion or about \$194 per capita based on a GDP of \$2.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an

average annual rate of 1.8%. It was estimated that in 1993 about 63% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2002 (the latest year for which data was available), an estimated 70,000 individuals out of a workforce estimated in 1998 (the latest year for which data was available) at 5 million, received a regular wage or salary. About 90% of the country's workforce was engaged in agriculture, with industry and commerce accounting for 6% and government 4%. There is no data available as to the country's unemployment rate.

The Union of Workers' Syndicates of Niger (Union des Syndicats des Travailleurs du Niger—USTN) is the only trade union federation. It was founded in Niamey in 1960 and is affiliated with the African Trade Union Confederation. USTN has 38 member unions. Its head is appointed by the government. Unions represent a very small segment of the population, most members are government workers. Except for police and security forces, employees are permitted to engage in strikes.

The minimum wage varies for each class and category of salaried employees. The lowest minimum wage was approximately \$33 per month in 2001, which does not provide a family with a decent standard of living. The legal workweek is 40 hours for most occupations, with some legal workweeks extending to 72 hours. The minimum age for employment is 14 years old. This is observed in the formal sector of the economy, but child labor persists in the informal economy and in agriculture.

## 2<sup>2</sup> AGRICULTURE

Although only 2.8% of Niger's area is cultivated, farmers increased their production following the 1968–75 drought, and in 1980, the country became self-sufficient in food crops. The most plentiful rains in 30 years fell during the 1992–1993 season, pushing agricultural production up by 64%. Irrigation and off-season farming projects are of keen interest to the government and foreign donors. During 1990–2000, agricultural production grew by an annual average of 3.2%. Almost 90% of the active population is engaged in crop cultivation or animal husbandry. Agricultural techniques are still rudimentary; there are a few tractors in use (only 128 in 2003), and most farmers do not keep draft animals. Very little fertilizer is used. Irrigated land in 2003 totaled about 73,000 hectares (180,000 acres). Only 12% of Niger's total land area, located along the southern border, is potentially useful for rainfed cultivation. Over 95% of agriculture is on farms of less than five hectares (12 acres), with the average about three hectares (7.5 acres). Production of millet, the staple food of most of the people, depends heavily on rainfall. In 2004, millet production was 2,500,000 tons, sorghum was 580,000 tons, and rice was 76,500 tons. Other crops (with their estimated output) include cassava (100,000 tons), sugarcane (220,000 tons), lettuce (140,000 tons), and sweet potatoes (30,000 tons). Cowpeas are an important crop, but are only competitive as an export in neighboring Nigeria's market due to transportation costs. The government of Niger is encouraging crop diversification and the raising of export crops like onions, garlic, peppers, and potatoes, in addition to cowpeas.

Peanuts, formerly the main source of agricultural export revenue, are planted mainly in the Zinder area. Production increased from 8,980 tons in 1945 to a high of 298,000 tons in 1967. Be-

cause of a lack of producer incentives, production declined to only 87,000 tons in 1982, and only a fraction of that total was delivered to the government marketing agency, SOMARA, which had a monopoly on pricing and marketing peanut products until 1986. Production was reported at 110,000 tons for 2004.

Cotton, introduced in 1956 to reduce Niger's dependence on peanuts, has also suffered from lack of grower incentives. Production of seed cotton rose from 218 tons in 1956 to 6,682 tons in 1967 but was only around 10,000 tons in 2004.

### 2<sup>3</sup> ANIMAL HUSBANDRY

Almost half the land area of Niger is classified as pasture, but, like agriculture, animal husbandry has suffered greatly from insufficient rainfall. In 2005 there were an estimated 2.2 million head of cattle, 6.9 million goats, 4.5 million sheep, and 420,000 camels. About 12% of Niger's GDP comes from livestock production, which engages 29% of the population. Official statistics of Niger seriously underrepresent total exports—most animals are herded across borders without documentation.

Meat production, which had dropped to 38,000 tons in 1973, was an estimated 133,000 tons in 2005. Production of milk from goats and cows came to 105,000 and 184,000 tons, respectively. Cattle hides came to about 5,600 tons; sheepskins, 1,900 tons; and goatskins, 4,200 tons. There is a tannery at Maradi. Sandals, briefcases, and fine ladies handbags of high quality are produced in small numbers but seldom exported.

Meat exports are inspected and controlled by the customs service before leaving the country. Only inspected, tuberculin-tested cattle are used in export meat production. The Niger River valley south of Say is infested by the tsetse fly, and trypanosomiasis is, therefore, a major cattle disease.

### 2<sup>4</sup> FISHING

There is no commercial fishing on a wide scale, but fishing is an appreciable source of revenue for the Sorko on the Niger River and the Boudouma on Lake Chad. The fishermen on Lake Chad consume most of their catch. Most of the total annual catch of 55,900 tons in 2003 was from the Niger River and its tributaries; a small amount is from the Lake Chad region.

### 2<sup>5</sup> FORESTRY

The forest domain is only about 1% of Niger's surface. Roundwood production was estimated at 9,006,000 cu m (318 million cu ft) in 2004, 95% for fuel. Small amounts of gum arabic are extracted from acacia trees. Some tree planting has been undertaken, mainly with acacia species, but deforestation remains a serious problem. About 1,328 hectares (3,281 acres) were reforested annually during 1990–2000 and hundreds of thousands of trees have been planted, but these are highly vulnerable to drought.

### 2<sup>6</sup> MINING

Uranium dominated Niger's mining sector, ranking it fifth in the world in terms of production. Uranium mining was the country's leading industry in 2003, as well as its leading export commodity, accounting for around 32% of exports in 2003. In 2003, Niger produced 3,143 metric tons of uranium. A uranium boom occurred in the late 1970s, but with the reduction in world demand in the 1980s, prices fell, although the government was partly protected

by contracts negotiated earlier. Cement, brick, and chemical production were other leading industries, and Niger also produced clays, bituminous coal, gold, gypsum, limestone, molybdenum (in connection with uranium ore), phosphate rock, salt, sand and gravel, stone, cassiterite tin, and tungsten (and, at times, columbite, in connection with cassiterite).

Although uranium was the only mineral to be significantly developed, Niger was rich in a number of other minerals. The country's first gold mine, the Samira Hill open pit, was opened in 2000 by Niger's prime minister, and intended to produce 10,000 tons per day of ore. The combined reserves of Samira Hill and the nearby Libiri deposit were 10.1 million tons (2.2 grams per ton of gold). Gold output in 2003 was officially estimated at 28 kilograms. However, it is estimated that actual gold production is around 1,000 kg annually, if unreported output is included. In addition, there were some natron and sodium sulfate deposits, an estimated 650 million tons of iron ore deposits at Say, near Niamey, and 400 million tons of phosphate deposits in "W" National Park, in the Niger River Valley. There were also unexploited deposits of manganese, lithium, copper, zinc, lead, silver, cobalt, kaolin, feldspar, gypsum, limestone, marble, and clay.

### 2<sup>7</sup> ENERGY AND POWER

Even though it has proven crude oil reserves, the country has no refining capacity and imports all the refined oil it consumes.

As of 1 January 2003, Niger had proven crude oil reserves of 300 million barrels. However, the lack of any refining capacity and the untapped reserves means that the country is totally reliant upon imports of refined petroleum. In 2002, imports and demand for refined petroleum products each averaged 5,300 barrels per day.

Niger produced only a small amount of coal in 2002. Output and demand for coal in that year each came to 194,000 short tons. There were no recorded imports, production, or consumption of natural gas in 2002 by Niger.

Niger's electric power generating sector is completely reliant upon fossil fuels. Of the nation's 0.105 million kW of generating capacity all was fossil fuel dedicated. In 2002, electric power output totaled 0.228 billion kWh, of which consumption that year totaled 0.292 billion kWh. Imports of electric power in that year totaled 0.080 billion kWh.

### 2<sup>8</sup> INDUSTRY

Niger's manufacturing sector is small and consists mainly of the processing of domestic agricultural commodities. Agricultural products are processed at a groundnut oil plant, rice mills, flour mills, cotton gins, and tanneries. A textile mill and a cement plant operate, and light industries produce beer and soft drinks, processed meats, noodle products, baked goods, soaps and detergents, perfume, plastic and metal goods, farm equipment, canned vegetables, pasta, and construction materials. The 1994 devaluation of the CFA franc made light manufacturing more competitive by decreasing the cost of local inputs by 50%, but also raised the price of imports dramatically. There is potential for development of fertilizer, seed, and equipment production in the agribusiness

sector. There is a small cotton industry. Oil exploration has taken place, but as of 2005, no proven reserves had been discovered.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Niger relies heavily on foreign sources for technical expertise, and French agencies are especially active; the Bureau of Geological and Mineral Research, the French Company for the Development of Textile Fibers, the Institute of Fruit and Citrus Fruit Research, and the French Institute of Scientific Research for Development and Cooperation all have offices in Niamey.

The National Institute of Agronomical Research of Niger, in Niamey, maintains two soil-science stations, at Tarka and Kolo. There is also a national office of solar energy and a veterinary laboratory in Niamey. The Livestock Service of Niger has a Sahelian experimental station at Filingué for breeding zebu cattle and a center for goat breeding and poultry raising at Maradi. The University of Niamey, founded in 1971, includes faculties of science, agronomy, and health services, and institutes of radioisotopes and of research on the teaching of mathematics. In 1987–97, science and engineering students accounted for 32% of college and university enrollments. The National Museum of Niger, founded in 1959 in Niamey, has a zoo, a geological and mineral exhibition, and paleontology and prehistory museums.

## 3<sup>0</sup> DOMESTIC TRADE

The main domestic commercial center in Niger is in the capital city of Niamey. Merchants and peddlers in the small villages sell such items as beverages, cigarettes, soap, cloth, perfume, and batteries. About 90% of the work force is employed in subsistence farming and only 6% are involved in industry and commerce. Large foreign concerns (usually French-owned) import products to be sold in stores in Niamey and in the secondary cities. In 1997 and 2000, the government made revisions to its investment code in an effort to encourage much needed foreign investment.

The work day is typically from 7:30 AM to 12:30 PM, and 3:30 PM to 6:30 PM in government offices, Monday through Friday. Private businesses generally are open during those hours as well.

## 3<sup>1</sup> FOREIGN TRADE

Trade figures show that uranium accounts for about 54% of exports by value. The demand for uranium has steadily decreased since the 1980s. Exports of live animals and hides (primarily to Nigeria) represent 23% of exports. Vegetables (cowpeas, onions) are also exported, accounting for 23% of exports in 2005. In 2003, Niger's exports went primarily to France (42.3%), Nigeria (28.7%), Japan (17.2%), and Spain (4.6%). Imports are led by consumer goods, primary materials, machinery, vehicles and parts, petroleum, and cereals. Imports in 2003 came mostly from France (16.4%), Côte d'Ivoire (13.9%), China (10.6%), and Nigeria (7.7%).

## 3<sup>2</sup> BALANCE OF PAYMENTS

Niger's balance of payments deficit is usually offset by large amounts of bilateral and multilateral aid. A reduction of imports, combined with small increases in the value of uranium and other

### Principal Trading Partners – Niger (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	206.2	551.0	-344.8
France-Monaco	75.3	80.5	-5.2
Nigeria	56.7	39.8	16.9
Japan	30.7	24.8	5.9
United States	9.4	45.3	-35.9
Spain	8.3	8.0	0.3
Côte d'Ivoire	5.4	73.6	-68.2
Netherlands	3.9	12.0	-8.1
Ghana	3.8	8.0	-4.2
United Kingdom	2.6	17.3	-14.7
Benin	2.2	14.5	-12.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

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Japan	30.7	24.8	5.9
United States	9.4	45.3	-35.9
Spain	8.3	8.0	0.3
Côte d'Ivoire	5.4	73.6	-68.2
Netherlands	3.9	12.0	-8.1
Ghana	3.8	8.0	-4.2
United Kingdom	2.6	17.3	-14.7
Benin	2.2	14.5	-12.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

exports, is expected to improve the trade imbalance in the early 2000s.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Niger's exports was \$438 million while imports totaled \$625 million resulting in a trade deficit of \$187 million.

## 3<sup>3</sup> BANKING AND SECURITIES

The Central Bank of the West African States (Banque Centrale des États de l'Afrique de l'Ouest-BCEAO) is the bank of issue for Niger and other West African states. Niger has a monetary committee that reports to the BCEAO and works under BCEAO general rules but possesses autonomy in internal credit matters.

Two development banks remained following the collapse of the Banque de développement de la république du Niger (BDRN) in 1990: Crédit du Niger (CN), and the Caisse nationale du crédit agricole (CNCA). Three commercial banks collapsed in Niger between 1988 and early 1992: the Banque internationale pour le commerce et l'industrie-Niger (BICI-N); the Banque de crédit et

de commerce (BCC), which the African Development Bank's Nigeria Trust Fund agreed to take over following the collapse of the parent bank; and the Bank of Credit and Commerce International (BCCI). Banque Meridien-BIAO du Niger was taken over in September 1995 in a combined purchase by Banque Belgoise of Belgium, which took 35%, and Cofipa, a European investment group (15%), the remaining 50% of the equity being sold to private Nigerian interests. The bank changed its name to BIA-Niger. The Banque arabe libyenne et nigérienne pour le commerce extérieur (Balinec) was rescued in March 1992 by Libya.

Smaller commercial banks operating in 2001 included the Bank of Africa; Ecobank; Banque Islamique du Niger; Sonibank (Société Nigerienne de Banque); BCN (Banque Commerciale du Niger); and Credit du Niger.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$141.9 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$186.5 million. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.95%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

### 34 INSURANCE

As of 1986, third-party automobile liability was compulsory, and no life insurance was being written. In 1987, automobile insurance accounted for 45% of all premium revenues. In 1997, there were at least five major insurance companies operating in Niger, among them LEYMA-La Société Nigérienne d'Assurances et de Réassurances. Transport, accident, fire, retirement, and all-risk insurance products were being offered.

### 35 PUBLIC FINANCE

Budgets are nominally balanced but only through the infusion of foreign loan funds and grants. Expenditures have been severely constrained because of the fall in receipts from the sale of uranium ore due to decline in world demand. The end of the uranium boom in the late 1980s left the public sector poorly equipped to adapt, as public expenditures had focused on infrastructure and construction projects at the expense of agricultural development. Uranium exports earnings more than halved from 1987 to 1998. Niger never completely recovered from the CFA franc devaluation. Consequently, heavy foreign debts were incurred. However, the country is eligible under the IMF's Heavily Indebted Poor Countries (HIPC) initiative for enhanced debt relief, and reached decision point in January 2001 and is expected to reach completion point by September 2003. Privatization is underway in Niger, but more for budgetary and financial rather than structural purposes. As of April 2003, the Nigerien government had sold five formerly state-owned companies, including water and telephone utilities, and expected to privatize another seven companies in that year.

The US Central Intelligence Agency (CIA) estimated that in 2002 Niger's central government took in revenues of approximately \$320 million and had expenditures of \$320 million. Total external debt was \$2.1 billion.

## 36 TAXATION

Although both a proportional and a general income tax of 60% are levied, few citizens of Niger are more than marginally taxed, since their incomes are too low. The most important sources of revenue are the taxes on industrial and commercial profits and the turnover tax on domestic goods and imports. Niger has value-added tax (VAT) with a standard rate set at 17% in 2003. Other significant sources of revenue from taxes are social security contributions, the registration tax, and excises on petroleum products, alcohol, and cigarettes. The corporate tax rate is 45%.

## 37 CUSTOMS AND DUTIES

In general, two main taxes make up the tariff system. A fiscal import duty of 5–66% is applied to almost all incoming goods, regardless of origin, and serves as a source of revenue. A common external tariff (CET) of maximum 22% is levied on all goods from non-WAEMU (West African Economic and Monetary Union) countries. There are also a value-added tax (VAT) of 15–20%, a statistical tax of 1%, and a community solidarity tax of 1%. Goods imported from countries that have trade agreements with Niger pay a minimum customs duty, while those from other countries are subject to a higher general tariff. Goods from EU countries other than France are dutiable at less than the minimum.

## 38 FOREIGN INVESTMENT

Except for uranium mining, foreign private capital has not been easy to attract to Niger. Prospective investors are discouraged by Niger's periods of military rule, small markets, inadequate infrastructure, bureaucratic delays, shortage of local capital, lack of skilled labor, and exorbitant transportation costs.

Niger's investment codes are liberal, with tax relief and tariff protection depending on the level of investment. Further advantages accrue to those investing in small-scale enterprise. The government seeks foreign investment in most sectors, and private-sector investment in parastatal enterprise is welcome.

In the period 1998 to 2000, Niger's share of world foreign direct investment (FDI) inflows was only one-tenth of its share of world production of goods and services. In 1997, FDI inflow peaked at \$25.5 million, and then fell to \$9 million in 1998. In 1999, the year President Baré was assassinated, FDI inflow dwindled to \$300,000. In 2000, FDI inflow recovered to \$19.3 million, but fell to \$2 million in 2002 and then recovered to 11 million in 2003. It was estimated at \$20 million in 2004.

## 39 ECONOMIC DEVELOPMENT

Government development programs have had three basic aims: first, to diversify production of foodstuffs; second, to develop underground water resources; and third, to develop and improve the country's infrastructure. France is the leading bilateral aid donor.

In 2000, the International Monetary Fund (IMF) approved a three-year \$76 million Poverty Reduction and Growth Facility (PRGF) Arrangement for Niger, to support the government's economic reform and poverty reduction program. The World Bank, Paris Club creditors, and the African Development Bank have provided assistance to the country under the Heavily Indebted Poor Countries (HIPC) initiative. Niger has enacted revisions

to the investment, petroleum, and mining codes, with attractive terms for investors. The country depends upon foreign direct investment for economic development. As of 2002, five of twelve state-owned enterprises scheduled for privatization had been sold to private hands.

In August of 2005 an IMF mission visited Niamey the capital of Niger to evaluate Niger's performance under its poverty reduction and growth facility (PRGF). It was determined that as a result of the food crisis, budget implementation was weaker than targeted, but more importantly the first review of the PRGF has not yet been concluded. Niger is ranked bottom of the UN's Human Development Index for 2005. According to the World Investment Report published by the UN Conference on Trade and Development, Niger was among the weakest countries in sub-Saharan Africa at attracting foreign direct investment in 2004.

#### 40 SOCIAL DEVELOPMENT

The National Social Security Fund provides pensions, family allowances, maternity benefits, and workers' compensation for employed persons, technical students and apprentices. These programs are financed by a 1.6% contribution from employees, and 2.4% contribution of payroll from employers. There is a special system for civil servants. Retirement is set at ages 58–60. These programs apply only to the minority of citizens who are formally employed, and subsistence farmers are excluded.

In 2004, a separate Ministry of Women's Promotion and Child Protection was established to promote and protect women and children. Women face both legal and social discrimination, particularly in rural areas. Men are recognized as the legal head of household, and in cases of divorce, the husband receives custody of all children under eight years of age. According to Islamic family code, men have preferential inheritance and property rights. Domestic abuse is common and women do not seek redress due to ignorance of the legal system and social stigmatization. Marriages at an early age are common, and young girls may be sent to live with her husband's family from the age of ten. Female genital mutilation, a practice that is both painful and potentially life threatening, is practiced by some ethnic groups.

Prison conditions are poor and facilities are overcrowded. International human rights organizations are permitted to visit facilities. Human rights in Niger are improving.

#### 41 HEALTH

In 2004, there were approximately three physicians per 100,000 people. In addition, there were only 23 nurses, four midwives and fewer than one dentist or pharmacist per 100,000 population. Total health care expenditure was estimated at 2.6% of GDP. Approximately 59% of the population had access to safe drinking water and only 20% had adequate sanitation.

Immunization rates for children up to one year old included: diphtheria, pertussis, and tetanus, 28%, and measles, 42%. About 40% of children under five years old are considered malnourished. The goiter rate was 35.8 per 100 school-age children.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 50 and 4.8 per 1,000 people. Only 8% of married women (ages 15 to 49) used contraception and the fertility rate was 7.2 children per woman during her childbearing years. In 2005 the average life expectancy was 43.50 years and the infant

mortality rate was 119.69 per 1,000 live births. Maternal mortality was 590 per 100,000 live births. Common diseases reported in Niger were measles, guinea worm, leprosy, and deaths from diarrheal diseases. As of 2004, there were approximately 70,000 people living with HIV/AIDS in the country. The HIV/AIDS prevalence was 1.20 per 100 adults in 2003. There were an estimated 4,800 deaths from AIDS in 2003. In Niger, 20% of women suffer from female genital mutilation. No government laws prohibit this procedure.

#### 42 HOUSING

According to the latest available information, for 1980–88 Niger's housing stock totaled 1,400,000 with 4.6 people per dwelling. The government has been working on projects to increase housing, particularly for low-income families, through the Federal Housing Authority, created in 1976. The Crédit du Niger offers housing loans.

Most government buildings and many houses in the metropolitan centers are essentially French in style. The Tuareg nomads live in covered tents, while the Fulani live in small collapsible huts made of straw mats. The villagers in the east live in round straw huts. In the center of the country, villagers construct houses of "banco," a mixture of mud and straw that has, when dried, a hard, cement-like consistency.

#### 43 EDUCATION

The educational system is patterned on that of France, but changes are gradually being introduced to adapt the curriculum to local needs and traditions. Schooling is compulsory for six years for children ages 6 to 12. While primary schooling lasts for six years, secondary lasts for seven years (in two cycles of four and three years). The academic year runs from October to June. In 2001, less than 2% of children between the ages of four and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 38% of age-eligible students; 45% for boys and 31% for girls. The same year, secondary school enrollment was about 6% of age-eligible students; 7% for boys and 5% for girls. It is estimated that about 25.6% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 42:1 in 2003; the ratio for secondary school was about 30:1.

In 1963, the National School of Administration was founded in Niamey. The Université Abdou Moumouni, Niamey is the primary institution of higher learning. The Islamic University of West Africa at Say, mostly financed by the Organization of the Islamic Conference, was inaugurated in 1987. In 2001, about 1% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 14.4%, with 19.6% for men and 9.4% for women.

As of 2003, public expenditure on education was estimated at 2.3% of GDP.

#### 44 LIBRARIES AND MUSEUMS

There are state-run libraries in the large municipalities, as well as libraries maintained by religious orders, the military, and professional and other groups. The Regional Center of Research and Documentation for the Oral Tradition, in Niamey, was founded in cooperation with UNESCO in 1968; it preserves the oral history



of West Africa and has a library of 5,000 volumes. Abdou Moumouni University in Niamey holds 25,000 volumes. The French Cultural Center in Niamey also holds 25,000 volumes.

The National Museum of Niger, which has ethnographic and paleontological exhibits, is also in Niamey, as are a zoo, botanical gardens, craft workshops, and youth training centers. There are regional museums throughout the country, including the National Museum of Colonial History in Aba, the Archeology Museum in Nsukka, and the National War Museum of Umuahia, and a regional museum in Zinder.

#### 45 MEDIA

In 2003, there were an estimated two mainline telephones for every 1,000 people. The same year, there were approximately two mobile phones in use for every 1,000 people.

The Voice of the Sahel and Télé-Sahel, the government's radio and television broadcasting units, respectively, broadcast in French, Djerma, Hausa, Tamachek, Kanuri, Fulfuldé, Toubou, Gourmantché, and Arabic. There are several private stations. As of 2001, there were 5 AM and 6 FM radio stations. In 2002 there were three television stations. In 2003, there were an estimated 122 radios and 10 television sets for every 1,000 people. The same year, there was less than one personal computer for every 1,000 people and one of every 1,000 people had access to the Internet.

Major publications include the daily, *Le Sahel*, with a 2002 circulation of about 5,000, and the weekly *Le Sahel Dimanche* (3,000); a monthly, the *Journal Officiel de la République du Niger*, is also published. All are government publications. There are about 12 private publications, usually published weekly or monthly. These include *Le Republicain* (3,000) and *La Tribune du Peuple* (3,000).

The 1996 constitution provides for freedom of speech and the press, though the current government is said to limit press freedom and stifle political discussion through intimidation, harassment, and detention.

#### 46 ORGANIZATIONS

The Chamber of Commerce, Agriculture, Industry, and Handicrafts of Niger has headquarters at Niamey. There are also chambers of commerce in Agadez, Maradi, Tahoua, and Zinder. National youth organizations include the National Samariya Youth Movement, the Nigerien Student Union of the University on Niamey, Junior Chamber, and the Scout Association of Niger. There are several active sports associations within the country. There are several women's organizations promoting equal rights and government participation for women. The World Conservation Union has an office in Niamey. There are national chapters of the Red Cross Society and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

The government has promoted both domestic and international tourism since 1984. The "W" National Park along the Niger River

offers views of a variety of fauna, including lions, baboons, elephants, 300 species of birds, and 450 plant species. Other tourist attractions include Agadez's 16th-century mosque, one of the oldest in West Africa; villages built on piles in Lake Chad; the annual six-week gathering of nomads near Ingal; the Great Market and Great Mosque in Niamey, and the Sahara desert. Nigeriens engage in game hunting, fishing, swimming, and a variety of team sports. Visas are required for most travelers, as is a vaccination certificate for yellow fever and possibly cholera.

There were 39,000 foreign visitors who arrived in Niger in 2002. Hotel rooms numbered 1,472 with 2,843 beds and a 44% occupancy rate in 2003. That same year the average stay was seven nights. Tourist expenditure receipts totaled \$34 million.

In 2004, the US Department of State estimated the cost of staying in Niamey at \$177 per day.

#### 48 FAMOUS NIGERIENS

Hamani Diori (1916–89), a former schoolteacher, became leader of the local section of the PPN in 1946, became president of the General Council of the Republic of Niger in 1958, and was president of the Republic of the Niger until April 1974, when he was deposed by a military coup. Seyni Kountché (1931–87) became head of state after the coup of 1974 and ruled the country until his death. Col. Ibrahim Bare Maïnassara (1950–99), who led a coup in January 1996 that ousted the democratically elected government, was assassinated in May 1999. He was succeeded by Daouda Malam Wanké, head of the presidential guard, who held the post until December 1999.

#### 49 DEPENDENCIES

Niger has no territories or colonies.

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# NIGERIA

Federal Republic of Nigeria



**CAPITAL:** Abuja

**FLAG:** The national flag consists of three vertical stripes. The green outer stripes represent Nigerian agriculture. The white center stripe represents unity and peace.

**ANTHEM:** *Arise, All Compatriots.*

**MONETARY UNIT:** On 1 January 1973, the Nigerian pound (₦) was replaced by the naira (₦) of 100 kobo at a rate of ₦2 = ₦1. There are coins of ½, 1, 5, 10, 25, and 50 kobo and 1 naira, and notes of 5, 10, 20, and 50 naira. ₦1 = \$0.00754 (or \$1 = ₦132.59) as of 2005.

**WEIGHTS AND MEASURES:** As of May 1975, the metric system is the official standard, replacing the imperial measures.

**HOLIDAYS:** New Year's Day, 1 January; National Day, 1 October; Christmas, 25 December; Boxing Day, 26 December. Movable Christian religious holidays include Good Friday and Easter Monday; movable Muslim religious holidays include 'Id al-Fitr, 'Id al-Adha, and Milad an-Nabi.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Located at the extreme inner corner of the Gulf of Guinea on the west coast of Africa, Nigeria occupies an area of 923,768 sq km (356,669 sq mi), extending 1,127 km (700 mi) E–W and 1,046 km (650 mi) N–S. Comparatively, the area occupied by Nigeria is slightly more than twice the size of the state of California. It is bordered by Chad on the NE, by Cameroon on the E, by the Atlantic Ocean (Gulf of Guinea) on the S, by Benin (formerly Dahomey) on the W, and by Niger on the NW and N, with a total boundary length of 4,900 km (3,045 mi), of which 853 km (530 mi) is coastline. The borders between Nigeria and Chad and Nigeria and Cameroon are disputed, and there have been occasional border clashes.

Nigeria's capital city, Abuja, is located in the center of the country.

## <sup>2</sup> TOPOGRAPHY

Along the entire coastline of Nigeria lies a belt of mangrove swamp forest from 16 to 96 km (10–60 mi) in width, which is intersected by branches of the Niger and innumerable other smaller rivers and creeks. Beyond the swamp forest is a zone, from 80 to 160 km (50–100 mi) wide, of undulating tropical rain forest. The country then rises to a plateau at a general elevation of about 600 m (2,000 ft) but reaches a maximum of 2,042 m (6,700 ft) on the eastern border in the Shebshi Mountains, and the vegetation changes from woodland to savanna, with thick forest in the mountains. In the extreme north, the country approaches the southern part of the Sahara.

The Niger, the third-largest river of Africa, enters Nigeria from the northwest and runs in a southeasterly direction, meeting its principal tributary, the Benue, at Lokoja, about 550 km (340 mi) from the sea. It then flows south to the delta, through which it empties into the Gulf of Guinea via numerous channels. Other

main tributaries of the Niger are the Sokoto and Kaduna rivers. The second great drainage system of Nigeria flows north and east from the central plateau and empties into Lake Chad. Kainji Lake, in the northwest, was created by construction of a dam on the Niger above Jebba.

## <sup>3</sup> CLIMATE

Although Nigeria lies wholly within the tropical zone, there are wide climatic variations in different regions of the country. Near the coast, the seasons are not sharply defined. Temperatures rarely exceed 32°C (90°F), but humidity is very high and nights are hot. Inland, there are two distinct seasons: a wet season from April to October, with generally lower temperatures, and a dry season from November to March, with midday temperatures that surpass 38°C (100°F) but relatively cool nights, dropping as low as 12°C (54°F). On the Jos Plateau, temperatures are more moderate.

Average rainfall along the coast varies from about 180 cm (70 in) in the west to about 430 cm (170 in) in certain parts of the east. Inland, it decreases to around 130 cm (50 in) over most of central Nigeria and only 50 cm (20 in) in the extreme north.

Two principal wind currents affect Nigeria. The harmattan, from the northeast, is hot and dry and carries a reddish dust from the desert; it causes high temperatures during the day and cool nights. The southwest wind brings cloudy and rainy weather.

## <sup>4</sup> FLORA AND FAUNA

The natural vegetation is divisible into two main sections directly related to the chief climatic regions of the country: (1) high forest, including both swamp and rain forests, and (2) savanna. Along the coastal area, the mangrove tree predominates, while immediately inland is freshwater swamp forest, which is somewhat more diversified and includes varieties of palms, the abura, and ma-

hogany. North of the swamp forest lies near the rain forest, which forms a belt with an average width of some 130 km (80 mi). Here, trees reach as much as 60 m (200 ft) in height. Principal trees include the African mahogany, iroko, African walnut, and the most popular export wood, the obeche. Farther inland, the rain forest becomes displaced by tall grass and deciduous trees of small stature, characteristic of the savanna.

Few large animals are found in the rain forest; gorillas and chimpanzees in decreasing numbers are present, as well as baboons and monkeys. Reptiles abound, including crocodiles, lizards, and snakes of many species. Although many kinds of mammals can be found inland from the rain forest, these are not nearly so plentiful as in East or South Africa. Nigeria possesses two dozen species of antelope, but large concentrations of animals, even the common antelope, are rarely observed. The hippopotamus, elephant, giraffe, leopard, and lion now remain only in scattered localities and in diminishing number. Wildcats, however, are more common and widely distributed. Wildlife in the savanna includes antelope, lions, leopards, gazelles, and desert hyenas. Nigeria also abounds in bird life with a great number of species being represented.

As of 2002, there were at least 274 species of mammals, 286 species of birds, and over 4,700 species of plants throughout the country.

## 5 ENVIRONMENT

Many of Nigeria's environmental problems are those typical of developing states. Excessive cultivation has resulted in loss of soil fertility. Increased cutting of timber has made inroads into forest resources, exceeding replantings. Between 1983 and 1993 alone, Nigeria lost 20% of its forest and woodland areas. In 2000, about 14.8% of the total land area was forested.

Oil spills, the burning of toxic wastes, and urban air pollution are problems in more developed areas. In the early 1990s, Nigeria was among the 50 nations with the world's highest levels of carbon dioxide emissions, which totaled 96.5 million metric tons, a per capita level of 0.84 metric tons. However, emissions levels have since dropped significantly.

Water pollution is also a problem due to improper handling of sewage. Nigeria has 221 cu km of renewable water resources. Fifty-four percent of the annual withdrawal is used for farming activity and 15% for industrial purposes.

The principal environmental agencies are the Environmental Planning and Protection Division of the Federal Ministry of Works and Housing, and the analogous division within the federal Ministry of Industry.

In 2003, about 3.3% of the total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 25 types of mammals, 9 species of birds, 2 types of reptiles, 13 species of amphibians, 12 species of fish, 1 species of other invertebrate, and 170 species of plants. Threatened species include the drill, Presuu's red colobus, and the Ibadan malimbe. The Sahara oryx has become extinct in the wild.

## 6 POPULATION

The population of Nigeria in 2005 was estimated by the United Nations (UN) at 131,530,000, which placed it at number 9 in pop-

ulation among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 43% of the population under 15 years of age. There were 102 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.4%, a rate the government viewed as too high. The projected population for the year 2025 was 190,287,000. The overall population density was 142 per sq km (369 per sq mi), but regional differences are significant; population is densest in the south and sparsest in the north.

The UN estimated that 44% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.72%. The capital city, Abuja, had a population of 452,000 in that year. The principal cities include Lagos, the former capital and still the largest city, with an estimated metropolitan population of 14,037,000 and the highest population density of any major African urban conglomeration. Kano had a metropolitan population of 2,884,000, and Ibadan had 2,649,000.

The prevalence of HIV/AIDS has had a significant impact on the population of Nigeria. The UN estimated that 5.8% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

Immigrants are drawn from neighboring nations by economic opportunity. On 17 January 1983, Nigeria, suffering from an economic crisis brought about by decreased earnings from oil, ordered all resident aliens to leave the country. Some 700,000 Ghanaians departed during the following weeks, as did smaller numbers from Benin, Cameroon, Chad, Mali, Niger, Togo, and Burkina Faso. In 1985, about 200,000 to 250,000 aliens were expelled, including about 100,000 from Ghana and 50,000 from Niger.

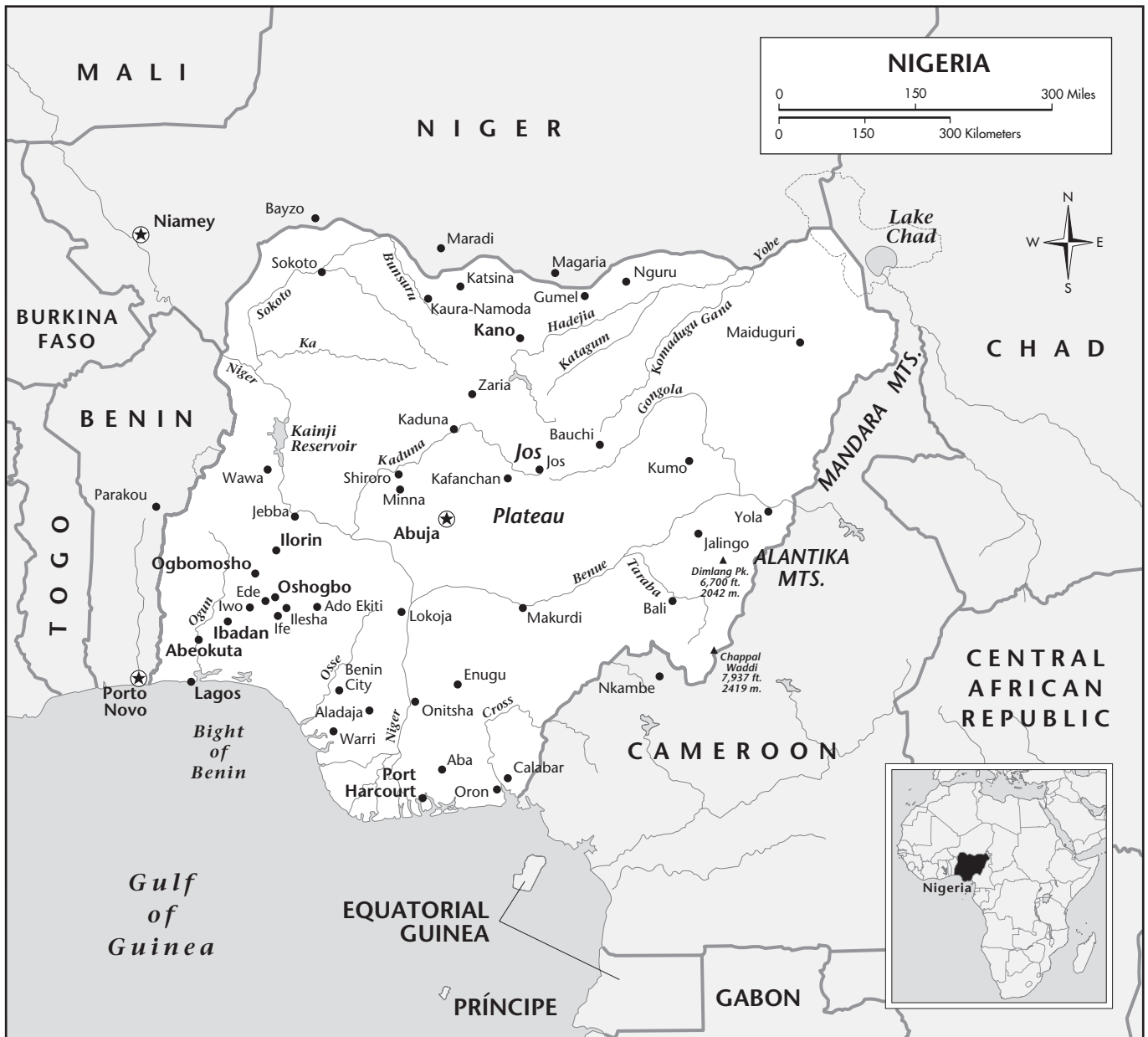
As of 2004, there were 8,395 refugees in Nigeria. Of these, some 5,341 were settled in a camp at Oru. The remainder were in Lagos or at various locations in north Nigeria. In that same year there were 1,086 asylum seekers and 364 returned refugees. In 2004, some 16,686 Nigerians were refugees in Cameroon. In that same year 17,000 Nigerians applied for asylum in 19 countries, mainly Austria, France, and Ireland, followed by other Western countries and South Africa.

The net migration rate in 2005 was an estimated 0.27 migrants per 1,000 population. Worker remittances in 2003 amounted to an estimated \$1.3 billion. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

There are more than 250 different ethnic groups within the country, none of which holds a majority. The four largest ethnic groups are the Hausa and Fulani, which together account for about 28% of the population; the Yoruba, accounting for 21% of the population; and the Ibos with 18% of the population. The Ijaw of the South Delta make up 10% of the people, followed by Kanuri (4%), the Ibibio (3.5%), and the Tiv (2.5%).

Yoruba predominate in Ogun, Ondo, Oyo, and Osun states. The Ibo (Igbo) predominate in Anambra, Imo, Abia, and Enugu states. The Hausa and Fulani constitute the largest single groups in



LOCATION: 2°30' to 14°30' E; 4°30' to 14°17' N. BOUNDARY LENGTHS: Chad, 87 kilometers (55 miles); Cameroon, 1,690 kilometers (1,050 miles); Atlantic coastline, 853 kilometers (530 miles); Benin, 773 kilometers (480 miles); Niger, 1,497 kilometers (930 miles). Broken lines indicate rivers and lakes that are dry for most of the year, only filling with water during infrequent rainy periods. TERRITORIAL SEA LIMIT: 30 miles.

Sokoto, Kaduna, Jigawa, Katsina, and Kano states. Other important groups include the Kanuri in Borno and Yobe states; the Edo (Bini) in Edo State; the Ibibio in Akwa Ibam State; the Ijaw (Ijo) in Rivers State; the Tiv in Benue and Plateau states; and the Nupe in Niger State.

**9 LANGUAGES**

The official language is English, although there are over 300 distinct indigenous tongues. Hausa is the mother tongue of more than 40% of the inhabitants of the northern states. Yoruba is commonly used in southwestern urban centers, including Lagos. Ibo

and Fulani are also widely spoken. Ethnic divisions roughly reflect the distribution of other vernaculars.

**10 RELIGIONS**

Religious affiliation in Nigeria is strongly related to ethnicity, with rather distinct regional divisions between ethnic groups. The northern states, dominated by the Hausa and Fulani groups, are predominantly Muslim while the southern ethnic groups have a large number of Christians. In the southwest, there is no predominant religion. The Yoruba tribe, which is the majority ethnic group in the southwest, practice Christianity, Muslim, and/or the traditional Yoruba religion, which centers on the belief in one supreme

god and several lesser deities. The Ibo of the east are primarily Catholic or Methodist, with some traditional practices included.

Overall statistics indicate that about 50% of the population are Muslim, with a majority practicing the Sunni branch of the faith. About 40% are Christian and about 10% practice traditional African religions or no religion at all. Many people include elements of traditional beliefs in their own practice of Christianity or Islam. The Christian community is composed of Roman Catholics (the largest denomination), Methodists, Anglicans, Baptists, Presbyterians, and members of Evangelical and Pentecostal groups.

Though the constitution prohibits state and local governments from declaring an official religion, a number of states have recently adopted various forms of the Islamic criminal and civil law known as Shariah, a move which many Christians believe to be an adoption of Islam as the *de facto* religion. The constitution also provides for freedom of religion, however, some states have restricted religious demonstrations, processions, or gatherings as a matter of public security. Business owners and public officials have been known to discriminate against individuals of a faith different than their own in matters of providing services and hiring practices. The same type of discrimination exists between members of different ethnic groups. Certain Christian and Muslim holidays are officially observed.

There is a high degree of tension between Christians and Muslims with a record of violence against both groups. However, conflicts may stem primarily from ethnic and regional differences, since there are a number of reports of violence between different ethnic groups of the same religion.

## 11 TRANSPORTATION

The main waterways are the Niger and Benue rivers and a system of navigable creeks and lagoons in the southern part of the country. The Niger is navigable to Onitsha by large riverboat and to Lokoja by barge throughout the year. Ports farther upstream on the Niger and Benue can be reached in the high-water season. Inland waterways total about 8,575 km (5,328 mi). Lagos remains Nigeria's principal port, handling more than 75% of the country's general cargo. Other ports are Port Harcourt, Calabar, and the delta port complex of Warri, Sapele, Koko, Burutu, Bonny, and Alesa Eleme. The Merchant Marine operated a fleet of 46 ships of 1,000 GRT or more, totaling 327,808 GRT in 2005. A 1987 decree requires 40% of total cargo generated by trade with Nigeria to be carried on Nigerian shipping.

As of 2004, the Nigerian railway system, the fifth-largest in Africa, was operated by the statutory Nigerian Railway Corp., which consisted of 3,557 km (2,210 mi) of narrow and standard gauge railways. Of that total, narrow gauge lines accounted for 3,505 km (2,180 mi). The greater part of the system is single tracked and consisted of two generally north-south lines, originating in Lagos and Port Harcourt. The westerly situated route ran northeast from Lagos through Ibadan, Ilorin, and Kaduna to Kano. An easterly situated line ran from Port Harcourt through Enugu and Makurdi, and joined the western line at Kaduna. Extensions carry the former north to Nguru and the latter north to Kaura-Namoda. Three branch lines connect other industrial and commercial centers to the main system. A 645-km (400-mi) extension of the Port Harcourt line from Kafanchan to Maiduguri, linking the main system with the northeastern corner of the country, was completed in

1964. However, years of neglect have seriously reduced the capacity and utility of the railway system.

Nigeria in 2002 had an estimated 193,200 km (120,054 mi) of roads, of which 59,892 km (37,216 mi) were paved, including 1,194 km (742 mi) of expressways. In 2003, some 1,108,200 vehicles were registered, including 681,200 passenger cars and 427,000 commercial vehicles.

Air traffic has been growing steadily. In 2004 there were an estimated 70 airports. As of 2005, a total of 36 had paved runways, and there was a single heliport. International service is provided from Lagos (Murtala Muhammed), Port Harcourt, and Kano airports by more than two dozen international airlines; a cargo-oriented international airport in Abuja was operational in 1987. Nigeria Airways, which operates internal Nigerian services and participates in international services, became a wholly Nigerian-owned company in 1961. Its regularly scheduled flights link Lagos and 15 of the 19 state capitals. Nigeria Airways also flies to many West African destinations, to Nairobi, Kenya, and Jiddah, Saudi Arabia, and to New York, London, Amsterdam, and Rome. In 2003, about 520,000 domestic and international passengers were carried on scheduled flights.

## 12 HISTORY

The history of Nigeria prior to the beginnings of British administration is not well documented. There is archaeological evidence, however, that an Iron Age culture had been present sometime between 500 BC and AD 200, and agriculture and livestock raising long before then. About the 11th century AD, Yoruba city-states developed in western Nigeria, and some, such as Benin, became powerful kingdoms in later centuries. During medieval times, northern Nigeria had contact with the large kingdoms of the western Sudan (Ghana, Mali, and Songhai) and with countries of the Mediterranean across the Sahara. Islamic influence was firmly established by the end of the 15th century, and Kano was famous not only as a center of Islamic studies but also as a great commercial entrepôt of the western Sudan. Until the arrival of the British, northern Nigeria was economically oriented toward the north and east, and woven cloth and leatherwork were exported as far as the North African ports of the Mediterranean. At the beginning of the 19th century, a jihad, or holy war, led by a Fulani sheikh, Uthman dan Fodio, established Fulani rule over the surviving Hausa kingdoms, until the British conquest at the end of the century.

In the south, the Portuguese were the first Europeans to establish close relations with the coastal people. In the late 15th century, they established a depot to handle trade goods and slaves from Benin. The Portuguese monopoly was broken after a century, and other European nations participated in the burgeoning slave trade. The British abolished slave trading in 1807, and thereafter British policy was directed at enforcing that ban on other nations. Interest in legitimate commerce developed slowly, but the discovery of the mouth of the Niger in 1830 provided an important impetus. The extension of British influence over Nigeria was gradual and, initially at least, unplanned. In 1861, the British annexed the island of Lagos, an important center of palm oil trade; thereafter, they gradually extended their influence over the adjacent mainland of Yorubaland.

In 1887, British influence over the eastern coast, which had been promoted since 1849 by consular agents, was regularized by the

establishment of the Oil Rivers Protectorate. This too was gradually extended inland and became the Niger Coast Protectorate in 1894. The acquisition of the interior of Nigeria, however, was accomplished largely by Sir George Goldie, founder of the Royal Niger Company, who by 1885 had eliminated commercial competition on the Niger and, by claiming treaties with responsible African authorities, had secured recognition of British influence over the Niger Basin by the European powers at the Berlin Conference. This influence was far more fancied than real; but it provided the basis for British rule over northern Nigeria, which was consolidated by a series of punitive expeditions culminating in the establishment of the Protectorate of Northern Nigeria in 1900.

The three separate administrative units were finally amalgamated in 1914 into the Colony and Protectorate of Nigeria, with Sir Frederick Lugard as governor-general. Despite the ostensible unification, the administrative individuality of the three separate regions—North, East, and West—was maintained. The chief characteristic of British rule in Nigeria was its system of local administration, known as indirect rule. In real terms though, indirect rule depended on a system of centralized political units with local (or native) chiefs at the lowest rungs of the hierarchy. It functioned well in the North, with variable success in the West, and poorly in the East.

After World War II, increasing pressures for self-government resulted in a succession of short-lived constitutions. The constitution of 1954 established a federal form of government, greatly extending the functions of the regional governments. A constitutional conference of May and June 1957 decided upon immediate self-government for the Eastern and Western regions, the Northern to follow in 1959. The step from self-government to independence was quickly taken. On 1 October 1960, Nigeria became a fully independent member of the British Commonwealth, and on 1 October 1963 it became a republic. Nnamdi Azikiwe was elected the first president of the Federal Republic of Nigeria.

Internal unrest began almost as soon as Nigeria raised its own flag; but its roots lay in the complex ethnic composition of the regions. It boiled over to resentment over the domination of the federal government by Northern elements, and culminated in a military coup on 15 January 1966. Organized by a group of Eastern junior army officers, the coup led to the deaths of the federal prime minister, Sir Abubakar Tafawa Balewa; the premier of the Northern Region, Sir Ahmadu Bello; and the premier of the Western Region, Chief S. L. Akintola. By 17 January, Maj. Gen. Johnson Aguiyi-Ironsi, commander-in-chief of the army, had suppressed the revolt and assumed supreme power. He suspended the constitution and dissolved the legislature, established a military government, and appointed military governors to replace the popularly elected civilian governors in the regions. On 29 July 1966, mutinous elements in the army, largely Northern army officers, staged a counter coup, killed Gen. Ironsi, and replaced him with Lt. Col. Yakubu Gowon as head of the military government. The July coup led to the massacre of thousands of Easterners residing in the Northern Region and to the exodus of more than one million persons (mostly Ibos) to the Eastern Region.

On 28 May 1967, Col. Gowon assumed emergency powers as head of the Federal Military Government and announced the division of the country into 12 states. The Northern Region was split into 6 states; the Mid-West, Western, and Lagos areas each became

separate states; and 3 states were formed from the Eastern Region. Rejecting the realignment, Eastern Region leaders announced on 30 May the independent Republic of Biafra, with Lt. Col. Odu megwu Ojukwu as head of state. On 6 July, the federal government declared war on the fledgling republic. By the time the war ended on 12 January 1970, Biafra had been reduced to about one-tenth of its original 78,000-sq-km (30,000-sq-mi) area; a million or more persons had perished, many from disease and starvation; many more had become refugees at home or abroad. Following the surrender, many Ibos returned to their former positions in Lagos, and Gen. Gowon's military regime sought to rehabilitate the three Eastern states as quickly as possible.

In October 1970, with the civil war behind him, Gen. Gowon set 1976 as the target date for Nigeria's return to civilian rule. Political change came slowly, however, and in October 1974, Gowon announced an indefinite postponement of plans for the transfer of power. The regime's recalcitrance in this and other areas, including its failure to check the power of the state governors and to reduce the general level of corruption, led to Gowon's overthrow on 29 July 1975. His successor, Brig. Murtala Ramat Muhammad, moved quickly in dismissing large numbers of officials, many of them corrupt and inefficient; and in establishing an ombudsman commission. One of his plans was to establish a new capital territory in the center of the country, at Abuja. On 13 February 1976, Muhammad was assassinated in the course of an abortive coup. He was replaced as head of the government by the former chief of staff of the armed forces, Lt. Gen. Olusegun Obasanjo, who pledged to carry on his predecessor's program. In March 1976, a decree established a 19-state federation. Political party activity was again permitted in late 1978, and a new constitution took effect on 1 October 1979, the day Alhaji Shehu Shagari took office as president. Leader of the conservative National Party of Nigeria, he also had the support of the Nigerian People's Party (NPP), led by former president Azikiwe. The NPP withdrew its support in 1981, leaving Shagari at the head of a minority government. In August 1983, Shagari won reelection to a second term as president; in late December, however, he was ousted in a military coup.

The new military regime, led by Maj.-Gen. Muhammadu Buhari, provoked growing public dissatisfaction because of its increasingly authoritarian character, and a military coup on 27 August 1985 brought Maj.-Gen. Ibrahim Badamasi Babangida to power. Assuming the title of president, Babangida promised greater respect for human and civil liberties; yet he banned Second Republic (1979–83) officials from participation in politics for 10 years. A return to full civilian rule was pledged by 1992, with local elections on a nonparty basis, the creation of a constituent assembly, the establishment of no more than two political parties, state elections, a national census, and finally presidential elections. The first step in the process—local elections on 12 December 1987—were marred by irregularities. To deal with Nigeria's economic troubles, stemming from the fall of world oil prices in the 1980s, Babangida inaugurated a "homegrown" Structural Adjustment Program (SAP) prompted by the IMF but not directed by them. It involved cuts in public spending, decreased state control over the economy, stimulation of exports, devaluation of the currency, and rescheduling of debt.

A mostly elected Constituent Assembly met in 1988 and approved modifications in the 1979 constitution. The process of

party formation proved awkward in a society as heterogeneous as Nigeria's. None of the 13 potential parties gained Babangida's approval. Instead, he decided to create two new parties, one "a little to the right" of center, another "a little to the left." Neither challenged government effectively.

Babangida's guided program of transition from military rule to a democratic civilian Third Republic was due for completion in 1992. But it was marked by crisis after crisis. Clashes between Muslims and Christians in 1991 and 1992 spread through northern cities. Hundreds were killed in the rioting itself and then by the army seeking to contain the riots. Pro-democracy groups also emerged across society, in part from frustration with the excesses of military rule; and because of suspicion that the military might renege on plans to turn over power to elected civilians.

In elections for state governors and assemblies, the National Republican Convention (NRC) won 13 of 30 assemblies and 16 governorships. The Social Democratic Party (SDP) carried 17 and 14, respectively. But voter indifference and fear of intimidation was high. When state governments took office, intraparty wrangling and political violence marred their performance.

Nonetheless, by January 1992, Nigerians geared up for the national presidential and legislative elections scheduled for later in the year. Nigeria's first successful census since independence (results announced in March 1992) indicated a population of 88.5 million, some 20 million fewer than estimated. The election register had to be revised downward, from 70 million to 39 million voters. On 20 May 1992, the government banned all political, religious, and ethnic organizations other than the two approved political parties.

In legislative elections held on 4 July, the left-of-center SDP won 47 of the 91 Senate seats and 310 of the 593 seats in the House of Representatives. The right-of-center NRC won 37 and 267 seats, respectively. The ruling military council pushed back the transition date until January 1993; it also postponed the inauguration of the National Assembly to coincide with the formal take-off of the Third Republic.

In August and September, the country began the process of narrowing the field of presidential candidates from 20 to 2 in preparation for the December elections. But on 17 November 1992, Babangida announced a third delay in the transfer of power from 2 January until 27 August 1993. Political violence and charges of electoral fraud disrupted the first round of presidential primaries. The second round in September was flawed, too. Faced with a virtual breakdown of the electoral machinery, the military council suspended the primary results in October. All 23 of the presidential aspirants were banned from future political competition. These disruptions were compounded by high levels of student and labor unrest, detentions of dissidents, and ethnic and religious violence. Nonetheless, the military council promised to give way to an elected civilian administration in 1993.

A new round of presidential nominations took place in March 1993. Chief M.K.O. Abiola (SDP) and Alhaji Bashir Tofa (NRC), both Muslim businessmen with ties to Babangida, won nomination. The presidential election of 12 June took place amid a flurry of legal efforts to halt it and great voter confusion. Abiola apparently defeated Tofa handily, 58.4% to 41.6% according to unofficial results.

But the National Electoral Commission set aside the results on 16 June. A week later, Babangida annulled the election citing irregularities, poor turnout, and legal complications. Abiola, backed largely by the Yoruba people, demanded to be certified as president-elect. Civil unrest followed, especially in Lagos.

After weeks of uncertainty and tension, Babangida resigned the presidency and his military commission on 26 August 1993. He handpicked a transitional council headed by Chief Ernest Shonekan. By mid-November, Gen. Sani Abacha forced Shonekan to resign and he installed himself as head of state. On 18 November 1993, he abolished all state and local governments and the national legislature. He replaced many civilian officials with military commanders. He banned political parties and all political activity and ordered strikers to return to work. The following week, he named an 11-member Provisional Ruling Council composed mainly of generals and police officials. He also created a 32-member Federal Executive Council to head government ministries. It included prominent civilians and some prodemocracy and human rights activists.

On 11 June 1994, Abiola proclaimed himself president and then went into hiding. He was arrested later that month, an action that portended much that was to come for Nigeria. Massive protests followed Abiola's arrest, but Abacha's military repressed the demonstrators violently. On 6 July Abiola pleaded not guilty to three counts of treason; the following day laborers went on strike to protest the Abacha regime. In the following months millions of Nigerian workers walked out in support of Abiola and refused to attend scheduled government talks. Abiola remained in prison through June 1996, when his outspoken wife Kudirat Abiola was assassinated. Strikes and protests continued in support of the sanctity of the vote, and of Abiola's mandate.

In August, General Abacha fired his army and navy commanders. Two weeks later he banned several newspapers, declaring that his government had absolute power and would not give in to prodemocracy demonstrators. Late in September, claiming that it was part of his plan to "rejuvenate the machinery of government," Abacha removed all civilians from his ruling council. Three months later he suspended habeas corpus and continued to round up and jail opponents. At the same time he rejected a court order demanding the release of Abiola from prison for medical treatment. In March 1995 Abacha ordered the arrest of former Nigerian leader Olusegun Obasanjo on suspicion of treason. Later in the month he dissolved labor unions and jailed their leaders. On 25 April Abacha canceled a 1 January 1996 deadline for the return of civilian rule and refused to discuss the matter. Though he lifted a ban on political parties in June 1995, Abacha placed tight restrictions on their operations. The July convictions in secret trials of 40 suspected traitors brought international condemnation and demands of leniency from critics of the Nigerian government. Ultimately Abacha relented on 1 October, commuting the death sentences of his convicted opponents and declaring that he would relinquish power to an elected government in 1998.

Despite these promises, many outside observers remained skeptical, largely due to fallout from the case of Ken Saro-Wiwa, leader of the Movement for the Survival of Ogoni People. Sentenced to death in October 1995 for a quadruple murder, many believed that Saro-Wiwa had been convicted on trumped-up charges stemming from his opposition to a proposed drilling agreement in Nigeria's

main oil-producing region. The executions in early November of Saro-Wiwa and eight others brought a torrent of criticism from the international community and resulted in Nigeria's suspension from the British Commonwealth and an embargo from the European Union on arms and aid to Nigeria. Bowing to this pressure, the Abacha government amended in May 1996 the law under which Saro-Wiwa and the others had been convicted and offered to hold talks on the matter with the United Kingdom.

Abacha announced efforts in November 1996 to spur economic change and raise living standards in the country, a pronouncement met with skepticism by an increasingly angry opposition. By December, opponents of the government detonated two bombs aimed at Col. Mohammed Marwa, head of the Nigerian military. Col. Marwa escaped both attacks.

In April 1998, four of Nigeria's five major political parties nominated Abacha as their presidential candidate. Amid opposition accusations that the transition plan was designed to prolong Abacha's rule, legislative elections held on 25 April were heavily boycotted. Nigeria's political fortunes changed suddenly on 8 June when Abacha died of an apparent heart attack. General Abdulsalami Abubakar took charge and promised to continue Abacha's transition. On 7 July, Abiola died of a suspected heart failure while still in custody.

On 20 July General Abubakar announced a new plan for return to civilian rule culminating in a transfer of power in May 1999. On 5 December local council elections took place with three parties qualifying to move on to state and national elections by winning at least 5% of the vote in 24 of 36 states. On 11 January 1999 elections for state governorships and legislatures were held.

Elections for president and the national legislature were held on 27 February 1999. Obasanjo (PDP) won the presidential elections with 62% of the vote, while Olu Falae, the candidate for the Alliance for Democracy (AD) and the All Peoples Party (APP), received 38%. Despite Falae's charges of election rigging, international observers from the Carter Center and the National Democratic Institute reported that available evidence of electoral abuse and other irregularities were unlikely to have affected the overall results. In April Olu Falae closed his case against Obasanjo after a federal appeals court in Abuja rejected two pleas. Power was handed over officially to the new government in May. Twenty heads of state attended Obasanjo's inauguration on 4 June, some two decades after he left office as a military ruler.

Obasanjo promised to restore law and order, fight corruption, and unify Nigeria's ethnically and religiously diverse peoples. The federal government increased the oil-producing states' share of revenue from 3% to 13%. However, these states were demanding a 50% share, so the increase did not resolve disputes over local ownership, control of resources, and embezzlement. In 1999, Nigeria was second on Transparency International's list of most corrupt countries (Cameroon was first).

In 1999, fighting in the Delta region killed several hundred people while outbreaks of fighting between Yorubas and Hausa in the area of Lagos resulted in hundreds more deaths. The Igbo demanded reparations of \$87 billion for the 1967–70 civil war. In February 2000, days of violent clashes between Muslims and Christians killed as many as 750 persons (mostly Igbo Christians, other southeasterners, and some Yorubas) in Kaduna, and destroyed several churches and mosques following announcements

that a fuller application of Islamic law, Shariah, would be introduced in Zamfara and at least five other northern states. The code includes punishments such as flogging and amputation, and in principle only affects Muslims, but has caused great consternation among non-Muslims.

In June and July 2001, between 100 and 200 people were killed in Nasarawa state in fighting between the Tiv and other ethnic groups. In October, more than 200 villagers were killed by the army in the east-central state of Benue in retaliation for the murder of 19 soldiers amid fighting between the Tiv and Junkun. From 7–13 September 2001 in the central city of Jos, about 915 lives were lost in inter-communal violence between Muslims and Christians, although the nongovernmental organization Human Rights Watch described the conflict as more political and economic than religious.

On 27 January 2002, more than 1,000 people died as a result of a series of explosions at an army munitions dump in Lagos. Many of the victims had fallen into a canal and drowned as they tried to leave the northern neighborhood of Ikeja. In February, some 100 people were killed in Lagos in ethnic clashes between Yorubas and Hausa. Thousands fled their homes. In November, more than 200 people were killed in riots between Muslims and Christians in Kaduna, following the publication of a newspaper article suggesting that the prophet Muhammad would have wished to marry one of the Miss World contestants competing in that beauty pageant to be held in Abuja on 7 December. The pageant was subsequently moved to London. Also in November, the Nigerian government stated that it would intervene to save the life of Amina Lawal, a 30-year old woman sentenced to death by stoning after she was found guilty in a Shariah court of having had extra-marital sex. Her case provoked large-scale protests from the international community.

In October 2002, the International Court of Justice ruled in favor of Cameroon in its territorial dispute with Nigeria over the oil-rich Bakassi peninsula. Fighting between the two countries over the region broke out in 1994, at which point Cameroon requested a world court ruling on the border dispute. The decision is not subject to appeal.

Nigerians, once dominated by the military, have become disappointed in the civilian rule initiated in 1999. But Nigerians have had to contend with increasing poverty, ethnic strife, religious intolerance, declining standards in health and education, and a stagnant economy. In 2000, an estimated 60% of the population lived below the poverty line. From 1999 until the end of 2002, approximately 10,000 people had been killed in political and sectarian fighting. In December 2001, Chief Ajibola Ige, the sitting attorney general and minister of justice of the federal government, was murdered in the bedroom of his home at Ibadan. Chief Ige's murder has remained unsolved, as have those of several other high-ranking politicians from the ruling PDP. These murders, a rising wave of crime in the country, as well as the militarization of the Niger Delta, cast doubts on the efficacy of the security agencies. It also served as a spur to calls for a decentralized police force, or one structured by region and/or state.

For many, the general elections of 2003 were critical to finding solutions to these and other questions, and could move the country forward. In 2002, 24 new political parties had joined the fray after the Supreme Court declared as invalid some of the conditions that the Independent National Electoral Commission (INEC) had



imposed on associations seeking a license to operate as political parties. The presidential race attracted more candidates, but public debates on issues were no clearer or deeper. The larger political parties did not face much challenge either.

The 2003 elections left the PDP in greater control of government. In the presidential poll, Obasanjo won 61.9% of the votes; former military head of state and candidate of the All Nigeria People's Party (ANPP), Muhammadu Buhari, took 31.2%. The AD, with a large Yoruba following, did not field a candidate in apparent support of Obasanjo's candidacy. The PDP also won 73 seats in the Senate and 213 in the House of Representatives; ANPP won 28 and 95 seats, while the AD took 6 and 31 seats respectively. The PDP won control of government in 28 states, ANPP got 7, and ADP won only in Lagos State. The results were contested at all levels. Buhari filed a suit against Obasanjo's victory that went all the way to the Supreme Court; it also drew a dissenting opinion in favor of the appellant.

In July 2003, an attempt was made with support from a detachment of the police to forcibly remove from power Chris Ngige, governor of Anambra State in the east. Subsequent efforts involved the burning down of major government symbols and the withdrawal of security details from Ngige. A senior police officer, a judge, and several minor actors in the saga were dismissed. In early 2004, Obasanjo declared a state of emergency in central Plateau State, also controlled by the PDP. This followed allegations of corruption against the governor, Joshua Dariye, who countered that he had donated some of the missing money to the PDP. In September 2005, yet another PDP governor, this time of oil-rich Bayelsa State, was arrested in London on suspicion of money-laundering. He returned to Nigeria but was removed from office and prosecuted for various economic offences. At the federal level, Obasanjo had been locked in battle with several segments of the PDP. He also openly accused his deputy, Vice President Atiku Abubakar of disloyalty after an apparent disagreement over succession in 2007.

Obasanjo's economic policy was controversial. Incessant increases in the price of petroleum products put his administration at disagreement with organized labor, and civil society. The PDP enacted a law that made it more difficult to form and sustain a single labor federation in Nigeria. Obasanjo received a debt-forgiveness deal with Nigeria's creditors and consistently averred a commitment to antipoverty programs. Not many jobs were being created and federal government units were downsized. In 2006 Obasanjo served notice that thousands of jobs were to be erased in the public sector. The next elections were scheduled for 2007.

### 13 GOVERNMENT

The 1979 constitution, promulgated by the outgoing military government, established a federal system resembling that of the United States, with a directly elected president and vice president (whose names appear on the same ballot) and separate executive, legislative, and judicial branches.

The military government that took command after the December 1983 coup suspended the 1979 constitution. The president held executive and legislative authority, in consultation with the 28-member Armed Forces Ruling Council, and appointed the cabinet.

After the Abacha seizure of power on 17 November 1993, the 1979 constitution remained suspended. A military-dominated Provisional Ruling Council (PRC) ruled by decree. A 32-member Federal Executive Council managed government departments, and the PRC dissolved the elected national and state legislatures and the local councils, replacing elected civilian governors with military administrators. The PRC also announced that it would hold a constitutional conference to plan for the future and to establish a timetable for a return to democracy. On 21 November 1993, Abacha signed a decree restoring the 1979 constitution (Second Republic). Nonetheless, legal experts disagreed which documents should form the basis for Nigerian government and law.

The new constitution, which became law in May 1999, restored constitutional rule under the Fourth Republic. Nigeria became a federal republic comprising 36 states and a Federal Capital Territory at Abuja. The national legislature is bicameral with 109 Senate seats and 360 House seats. Members of both houses are elected by universal suffrage (age 18) to a four-year term. The president is elected to no more than two four-year terms. The president chairs a Federal Executive Council, which he appoints. Legislative and presidential elections were held in April 2003. The results gave Obasanjo and many governors their second and final term under the 1999 Constitution.

### 14 POLITICAL PARTIES

Ethnic, religious, and regional differences have hindered the formation of a truly national Nigerian political party in Nigeria. Before 1966, the major parties were the Northern People's Congress (NPC), overwhelmingly dominant in the Northern Region and possessing a plurality in the federal House of Representatives; the National Council of Nigerian Citizens (NCNC), dominant in the Eastern Region and junior partner in coalition with the NPC in the federal House of Representatives; and the Action Group, majority party in the Western Region and the leading opposition group in the federal legislature. Policies and platforms of the major parties were similar, generally supporting welfare and development programs. Following the 1959 elections, the NCNC joined in a coalition with the NPC in the federal government.

The first national elections in independent Nigeria, held on 30 December 1964, were contested by two political alliances: the Nigerian National Alliance (NNA), led by Sir Ahmadu Bello, premier of the Northern Region, and the United Progressive Grand Alliance (UPGA), led by Michael Okpara, premier of the Eastern Region. The NNA comprised the NPC, the Western-based Nigerian National Democratic Party, and opposition parties representing ethnic minorities in the Eastern and Mid-Western regions. The UPGA included the NCNC, the Action Group, the Northern Elements Progressive Union (the main opposition party in the Northern Region), and the United Middle Belt Congress (a non-Muslim party strongly opposed to the NPC). Northerners feared Ibo domination of the federal government and sought support from the Yoruba, while the UPGA accused the Muslim Northerners of anti-Southern, antidemocratic, and anti-Christian attitudes. The election results, announced on 6 January 1965, gave a large majority to the NNA (198 of 267 constituencies). Before the balloting began, the UPGA charged that unconstitutional practices were taking place and announced that it would boycott the elections, in which only 4 million of the 15 million eligible voters ac-

tually cast ballots. On 4 January 1965, President Azikiwe called on Prime Minister Balewa to form a new government. In the supplementary elections held on 18 March 1965, the UPGA won all 51 seats in the Eastern Region and 3 seats in Lagos. This was followed by announcement of an enlarged and reorganized cabinet on 31 March. Ten months later the Balewa government was overthrown, the military assumed power, and on 24 May 1966 all political parties were banned.

When legal political activity resumed in 1978, five parties emerged: the National Party of Nigeria (NPN), representing chiefly the North and an educated, wealthy elite; the Nigerian People's Party (NPP), strong among the Ibos and slightly to the left of the NPN; the Unity Party of Nigeria (UPN), Yoruba-led and welfarist-oriented; the People's Redemption Party, advocating radical social change; and the Great Nigeria People's Party, espousing welfare capitalism. Shagari, the NPN presidential candidate, received the most votes (33.9%) in the 11 August 1979 presidential election, with Obafemi Awolowo of the UPN a close second (29.2%). In National Assembly elections held on 7 and 14 July 1979, the NPN won 36 of the 95 Senate seats and 168 of 440 House of Representatives seats. The UPN was second with 28 and 111, respectively; the NPP third with 16 and 78. Each of the five parties won control of at least two state governments in elections held 21 and 28 July 1979. In the presidential election of August 1983, incumbent President Shagari of the NPN won reelection to a second four-year term, polling 12,047,638 votes (47%). Obafemi Awolowo of the UPN placed second with 7,885,434 votes (31%). That same month, Shagari's NPN posted victories in Senate and House elections. However, there were widespread charges of irregularities in the balloting. All existing political parties were dissolved after the December 1983 coup.

During the 1990s two parties, the right-of-center National Republican Convention (NRC) and a left-of-center Social Democratic Party (SDP) were permitted limited activity during the transition from military rule. The two-chamber National Assembly to which they were elected never was granted genuine power. On 12 June 1993, Nigerians apparently elected Moshood Abiola, a wealthy businessman, president, but General Ibrahim Babangida annulled the vote over alleged corruption. Ernest Shonekan replaced him for the interim, and on 17 November General Sani Abacha took power, suspending all partisan and political activity. The May 1994 legislative elections were widely boycotted by foes of Abacha's military regime. On 1 October 1995, Abacha announced a three-year program for return to civilian rule.

Political parties, suppressed by the military government, were allowed to form in July 1998. Three parties were registered by the Provisional Ruling Council for participation in local, state and national elections: the All People's Party (APP) led by Mahmud Waziri; the People's Democratic Party (PDP) led by Solomon Lar; and the Alliance for Democracy (AD), led by Ayo Adebajo.

In the February 1999 election Obasanjo (PDP) won 62.8% of the vote; Olu Falae (AD/APP), received 37.2%. In the Senate, the PDP claimed 66 seats, the APP 23, the AD 19, with 1 other seat. In the House of Representatives, the PDP took 215 seats, the APP 70, the AD 66, and others 9. International observers reported some flaws, but generally approved the results.

The three registered parties suffered from leadership squabbles. Two factions claimed leadership of the AD, which is dominant

only in the Yoruba southwest. The APP elected a new chairman in December 1999, after its former chairman, Mahmud Waziri, defected to the PDP. In December 2002, 24 new political parties registered for the 2003 elections.

The 2003 elections were held as scheduled. They confirmed the PDP as Nigeria's largest political party. The ANPP was the second-largest party. Muhammadu Buhari, ANPP candidate for president in 2003, and its chair, Don Etiebet, each had their positions challenged. There were 33 registered political parties as of early 2006.

## <sup>15</sup> LOCAL GOVERNMENT

In March 1976, a reorganization of Nigeria's major administrative divisions was undertaken. The 12 preexisting states were reconstituted into 19 states as follows: Ogun, Ondo, and Oyo states were created out of the former Western State; Imo and Anambra states from East-Central State; Niger and Sokoto states from North-Western State; Benue and Plateau states from Benue-Plateau State; and Bauchi, Borno, and Gongola from North-Eastern State. Seven other states remained basically unchanged except for minor boundary adjustments and some name changes; these are (with original names where applicable, in parentheses) Lagos, Kaduna (North-Central), Kano, Bendel (Mid-West), Cross River (South-Eastern), Rivers, and Kwara. The Federal Capital Territory of Abuja comprises 7,315 sq km (2,824 sq mi) and was carved from the central part of the country between Kaduna, Plateau, and Niger states. By law, a fixed proportion of federally collected revenue is allotted monthly to the states and localities.

Under the military regime established in 1983, all state governors were appointed by the ruling council; in 1987, all but one governor was a military officer. The governor of each state served as chairman of an appointed state executive council. By the end of the Babangida regime in August 1993, there were 30 states (as of 2006, there were 36) governed by elected state legislatures and governors. On 18 November 1993, these governments were abolished and the civilian governors were replaced by military commanders.

The transition to civilian rule announced 20 July 1998 led to local council elections on 5 December 1998. The PDP, APP, and AD qualified to present candidates to state and national elections by winning 5% of the vote in 24 of the 36 states. The state governorships and legislatures were contested on 11 January 1999. As of mid-2002, the PDP controlled 21 of 36 state governments.

After the 2003 election, PDP controlled 28 state governments. Nearly all local government councils in these states, and many in states controlled by other parties were also run by the PDP. However, the commitment of its leadership to a system of autonomous local government was questionable. Many PDP governors (and non-PDP governors) reportedly diverted funds meant for local government; a law, the Monitoring and Allocation and Local Government Act, has made such action illegal. Shortly after May 2003, the federal government postponed local government elections to enable a panel appointed by it to examine the workings of the system. The reasoning for postponement was questionable, as the panel's report was not published.

## <sup>16</sup> JUDICIAL SYSTEM

Both the suspended 1979 constitution and the never-implemented 1989 constitutions, as well as the new constitution promulgated

on 29 May 1999, provide for an independent judiciary. In practice, the judiciary is subject to executive and legislative branch pressure, influence by political leaders at both the state and federal levels, and suffers from corruption and inefficiency.

Under the 1999 constitution, the regular court system comprises federal and state trial courts, state appeals courts, the Federal Court of Appeal, the Federal Supreme Court, and Shariah (Islamic) and customary (traditional) courts of appeal for each state and for the federal capital territory of Abuja. Courts of the first instance include magistrate or district courts, customary or traditional courts, Shariah courts, and for some specified cases, the state high courts. In principle, customary and Shariah courts have jurisdiction only if both plaintiff and defendant agree, but fear of legal costs, delays, and distance to alternative venues encourage many litigants to choose these courts.

Trials in the regular court system are public and generally respect constitutionally protected individual rights, including a presumption of innocence, the right to be present, to confront witnesses, to present evidence, and to be represented by legal counsel. However, low compensation for judges, understaffing, poor equipment, bribery, special settlements, and a host of developmental factors decrease the reliability and impartiality of the courts.

Under the Abubakar government, military tribunals continued to operate outside the constitutional court system, but they were used less and less frequently as military rule waned; the tribunals officially were disbanded by the implementation of the new constitution and the return to civilian rule. The tribunals had in the past been used to try both military personnel and civilians accused of various crimes, but groups asserted that these tribunals failed to meet internationally accepted standards for fair trial.

In October 1999, the governor of Zamfara signed into law two bills passed by the state legislature aimed at instituting Shariah law in the state. As a result, school children were being segregated by sex in Zamfara schools, some public transportation, and some health facilities. There were fears among non-Muslims that despite legal provisions, women and other groups would be subjected to discrimination in Shariah courts. As of early 2003, 11 other northern states had adopted various forms or adaptations of Shariah law, including: Sokoto, Kebbi, Niger, Kano, Katsina, Kaduna, Jigawa, Yobe, Bauchi, Borno, and Gombe. Some of these states have already issued sentences of public caning for consumption of alcohol, amputations for stealing, and death by stoning for committing adultery. Some sentences have been carried out, but no life has been taken in the pursuit of a decision by a Shariah court. Those found guilty for adultery have had the verdicts reversed on appeal.

The federal government announced in early 2006 that the religious police in Kano State (also called *Hisba*) had been assuming police functions with no official authorization to do so, thus acting beyond their powers. The same argument was advanced against ethnic militias, such as the Odu'a People's Congress.

The judiciary has faced testing moments since the 2003 polls. Obasanjo himself accused the judiciary of corruption; some legal practitioners also traded accusations against judges in open court. Election petitions at all levels brought with them allegations of bribery and witness tampering. Acting through the National Judicial Council, a body chaired by Nigeria's Chief Justice, the judiciary moved to cleanse its own house. Several judicial officers

were dismissed, disciplined in other ways, or exonerated after due hearing. The stated offenses ranged from receiving undue gratification to passing judgments that were patently illegal or procedurally wrong, or that brought the judiciary to ridicule.

## 17 ARMED FORCES

Nigeria's armed forces numbered 78,500 active personnel in 2005. The Army had 62,000 personnel armed with 200 main battle tanks, 100 *Scorpion* light tanks, 342 reconnaissance vehicles, over 397 armored personnel carriers, and more than 813 artillery pieces. The Navy had a total strength of 7,000 personnel, including Coast Guard personnel. Major naval units included one frigate, two corvettes, and eight patrol/coastal vessels. The Air Force had 9,500 personnel. Equipment included 84 combat capable aircraft, including 17 fighters and 36 fighter ground attack aircraft, in addition to 5 attack helicopters, of which 3 were nonoperational.

Paramilitary forces were estimated at 82,000 personnel and included 2,000 port security police, a coast guard, and a security and civil defense corps. Nigeria has observers and peacekeeping forces stationed in Burundi, Côte d'Ivoire, the DROC, Eritrea/Ethiopia, Liberia, Sierra Leone, Sudan, and Western Sahara. In 2005, the defense budget totaled \$841 million.

## 18 INTERNATIONAL COOPERATION

Nigeria was admitted to the United Nations on 7 October 1960, and since that time has become affiliated with ECA and several nonregional specialized agencies, such as the FAO, ILO, IAEA, the World Bank, UNESCO, UNHCR, UNIDO, and the WHO. The nation is also a member of the Commonwealth of Nations, the WTO, the ACP Group, the African Development Bank, G-15, G-24, G-77, the Organization of the Islamic Conference (OIC), the New Partnership for Africa's Development (NEPAD), the Community of Sahel and Saharan States (CENSAD), and the African Union. Nigeria joined OPEC in June 1971. In May 1975, Nigeria became a founding member of ECOWAS. Among other regional organizations of which Nigeria is a member are the Niger Basin Authority and the Lake Chad Basin Commission. The government is participating in efforts to establish a West African Monetary Zone (WAMZ) that would include The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone.

Nigeria is a member of the Nonaligned Movement. The government has supported UN missions and operations in Kosovo (est. 1999), Western Sahara (est. 1991), Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Sierra Leone (est. 1999), Burundi (est. 2004), Côte d'Ivoire (est. 2004), and the DROC (est. 2000).

In environmental cooperation, Nigeria is part of the Basel Convention, the Convention on Biological Diversity, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

The Nigerian economy, with an enterprising population and a wealth of natural resources, offers tremendous potential for economic growth. However, poor economic policy, political instability, and an overreliance on oil exports has created severe structural problems in the economy. Crude oil accounted for over 95% of exports and over 65% of government revenue in 2004; Nigeria

is the world's eighth-largest exporter of oil. However, agriculture remains the basic economic activity for the majority of Nigerians, employing roughly 70% of the labor force and accounting for 36.3% of GDP in 2004. Crop yields have not kept pace with the average population growth of 2.5% (2001–05 average), and Nigeria must import most of its food.

When the oil boom of the 1970s came to an end in the early 1980s, Nigeria's failure to bring domestic and foreign expenditures in line with its lower income led to a rapid buildup of internal and external deficits. Nigeria deferred payments on its large foreign debt, adopted austerity measures, scaled back ambitious development plans, and introduced a foreign exchange auction system that devalued the naira. These policies had a positive effect and from 1986 to 1990 real GDP grew at a 5.4% average annual rate.

However, in 1992 real GDP grew at only 4.1%, while the large government deficits, 10% of GDP in 1992, continued to expand. A crippling blow to the economy came in mid-1994 when oil workers in the southeast, unhappy with the way the central government collected oil revenue without giving any back, went on strike. With daily output down 25% because of the strike, the government's lack of revenue forced it to stop servicing most of its \$28 billion external debt. In the meantime the budget deficit reached \$1 billion, over 12% of GDP.

In 1996, the World Bank reported that an estimated \$2 billion in oil revenues from the early 1990s was diverted in a secret government bank account. There were also reports that significant amounts of oil revenue were being lost due to fraudulent practices at the country's oil terminals. In response, the Nigerian government appointed two inspection firms to oversee the loading of crude oil tankers.

By 2004 external debt stood at \$30.55 billion. In 2005, Nigeria carved out a deal to have some 60% of the \$31 billion debt the country owed to the Paris Club forgiven; Nigeria pledged to repay about \$12 billion. High unemployment and declining productivity hamper growth. As of 2006, the pace of privatizing state-owned enterprises and balancing the budget was slow, but liberalization of the telecommunications sector was underway. The government has also committed itself to privatizing the country's four state-owned oil refineries, and to developing several small, independently owned refineries. The rate of HIV infection is on the rise, especially among children, as is income inequality.

Although national elections were due to be held in April 2007, when President Olusegun Obasanjo would be replaced by a new leader, economic reforms begun under him were projected to continue. Coupled with rising oil prices and production, real GDP growth was forecast to be strong, at 4.8% in 2005 and 4.5% in 2006, although growth was expected to fall back to 3.3% in 2007 as political uncertainty mounted over the election period. Inflation was expected to average 15.9% in 2005, 12% in 2006, and 13.5% in 2007.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Nigeria's gross domestic product (GDP) was estimated at \$132.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current

dollars. The per capita GDP was estimated at \$1,000. The annual growth rate of GDP was estimated at 5.2%. The average inflation rate in 2005 was 13.5%. It was estimated that agriculture accounted for 26.8% of GDP, industry 48.8%, and services 24.4%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.677 billion or about \$12 per capita and accounted for approximately 2.9% of GDP. Foreign aid receipts amounted to \$318 million or about \$2 per capita and accounted for approximately 0.6% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Nigeria totaled \$26.24 billion or about \$193 per capita based on a GDP of \$57.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.7%. In 2001 it was estimated that approximately 51% of household consumption was spent on food, 31% on fuel, 2% on health care, and 8% on education. It was estimated that in 2000 about 60% of the population had incomes below the poverty line.

## 21 LABOR

The total labor force in Nigeria was estimated at about 57.21 million in 2005. Of those gainfully employed in 1999 (the latest year for which data was available), an estimated 70% were in agriculture, with about 10% in industry, and 20% in services. The estimated unemployment rate in 2005 was estimated at 2.9%.

The four labor federations were merged in 1978 into the Nigerian Labour Congress (NLC), which was strengthened by legislation establishing a compulsory dues checkoff system. Unions were strengthened by government decrees and a new constitution in 1999. Freedom of association and the right to strike were restored. The NLC is the only legal trade union organization (outside the petroleum industry) and claimed a membership of about four million in 2001. About 10% of the workforce was unionized in 2002.

In 2002, the minimum wage stood at approximately \$75 per month for federal workers and between \$55 and \$65 per month for state employees. Formal sector private employers follow the public sector standard. These wages are sufficient to provide a family with a decent standard of living. The workweek is set at 40 hours, but there is no law prohibiting excessive compulsory overtime. Children as young as 13 may work with special restrictions. In reality, as a result of crumbling public schools and dire economic conditions, many children of all ages work. The law stipulates minimum occupational health and safety standards, but such standards are not effectively enforced.

## 22 AGRICULTURE

In terms of employment, agriculture is an important sector of Nigeria's economy, engaging about one-third of the labor force. Agricultural holdings are generally small and scattered; farming is often of the subsistence variety, characterized by simple tools and shifting cultivation. These small farms produce about 80% of the total food. About 33.4 million hectares (82.5 million acres), or 36% of Nigeria's land area, are under cultivation. Nigeria's diverse climate, from the tropical areas of the coast to the arid zone

of the north, make it possible to produce virtually all agricultural products that can be grown in the tropical and semitropical areas of the world. The economic benefits of large-scale agriculture are recognized, and the government favors the formation of cooperative societies and settlements to encourage industrial agriculture. Large-scale agriculture, however, is not common. Despite an abundant water supply, a favorable climate, and wide areas of arable land, productivity is restricted, owing to low soil fertility in many areas and inefficient methods of cultivation. Agriculture contributed 26% to GDP in 2003.

The agricultural products of Nigeria can be divided into two main groups: food crops, produced for home consumption, and export products. Prior to the civil war, the country was self-sufficient in food, but imports of food increased substantially after 1973. Bread, made primarily from US wheat, replaced domestic crops as the cheapest staple food for much of the urban population. The most important food crops are yams and manioc (cassava) in the south and sorghum (Guinea corn) and millet in the north. In 2004, production of yams was 26.6 million tons (67% of world production); manioc, 38.1 million tons (highest in the world and 19% of global production); cocoyams (taro), 4 million tons; and sweet potatoes, 2,516,000 tons. The 2004 production estimates for major crops were as follows (in thousands of tons): sorghum, 8,028; millet, 6,282; corn, 4,779; rice, 3,542; peanuts, 2,937; palm oil, 920; sugarcane, 776; palm kernel, 618; soybeans, 465; and cotton lint, 140. Many fruits and vegetables are also grown by Nigerian farmers.

Although cocoa is the leading non-oil foreign exchange earner, growth in the sector has been slow since the abolition of the Nigerian Cocoa Board. The dominance of smallholders in the cocoa sector and the lack of farm labor due to urbanization holds back production. Nigeria produced 366,000 tons of cocoa in 2004, fifth in the world. Rubber is the second-largest non-oil foreign exchange earner. Despite favorable prices, production has fallen from 155,000 tons in 1991 to 142,000 tons in 2004. Low yield, aging trees, and lack of proper equipment have inhibited production.

Agricultural exports (including manufactured food and agricultural products) decreased in quantity after 1970, partly because of the discouraging effect of low world prices. In 1979, the importing of many foods was banned, including fresh milk, vegetables, roots and tubers, fruits, and poultry. The exporting of milk, sugar, flour, and hides and skins was also banned. During 1985–87, imports of wheat, corn, rice, and vegetable oil were banned as declining income from oil encouraged greater attention to the agricultural sector. In 1986, government marketing boards were closed down, and a free market in all agricultural products was established. In 2004, agricultural exports totaled \$486.7 million, while agricultural imports exceeded \$2.2 billion.

### 2<sup>3</sup> ANIMAL HUSBANDRY

Livestock production accounts for about 6% of GDP. There were an estimated 15.2 million head of cattle in Nigeria in 2005, over 90% of them in the north, owned mostly by nomadic Fulani. The prevalence of the tsetse fly in other areas restricts the majority of cattle to the fly-free dry savanna areas. The cattle owned by the Fulani and Hausa consist mainly of zebu breeds; cattle in the south are mainly Shorthorns. There were also an estimated 28 million

goats, 23 million sheep, 6.7 million pigs, 1 million asses, 206,000 horses, and 140 million chickens.

Improvements in stock, slaughterhouse, cold storage, and transport facilities have made parts of Nigeria almost self-sufficient in meat production, but many Nigerians outside the north suffer protein deficiency in their diet. In 2005, 1.07 million tons of meat and 432,000 tons of cow's milk were produced. The Livestock and Meat Authority controls operations in transport and slaughtering in the north.

### 2<sup>4</sup> FISHING

Fish is an important dietary element and one of the few sources of animal protein available to many Nigerians. Fishing is carried on in Nigeria's many rivers, creeks, and lagoons, and in Lake Chad; trawlers operate along the coast. The total fishing catch was 505,839 tons in 2003 (40% from inland waters), not enough to meet national requirements.

Both federal and state governments are encouraging the development of local fisheries, inland and at sea, by sponsoring research, stocking reservoirs, and offering training in improved fish culture and fishing gear. Fish ponds have been established in the southern part of the country. The fishing industry output has yet to regain its 538,000-ton high of 1983.

### 2<sup>5</sup> FORESTRY

About 14.8% of Nigeria, or roughly 13,517,000 hectares (33,400,000 acres) is classified as forest or woodland. High forest reserves occur mostly in Ogun, Ondo, and Oyo states; savanna forest reserves, chiefly in the northern states, are limited in value, yielding only firewood and local building materials. In 2004, 70.3 million cu m (2.5 billion cu ft) of roundwood were produced, 85% for fuel. That year, Nigeria's consumption of fuel wood and charcoal was third highest in Africa. Exports of timber and finished wood products were banned in 1976 in order to preserve domestic supplies. The ban was subsequently lifted and the forestry sector recorded gains. However, the country suffers from desertification, anemic reforestation efforts, and high levels of domestic wood consumption. The average annual deforestation rate was 2.6% during 1990–2000. In 2004, forestry imports totaled \$123 million, while forest product exports only amounted to \$18.5 million.

### 2<sup>6</sup> MINING

The oil sector was the cornerstone of the Nigerian economy. Nigeria in 2003 was Africa's largest oil producer, with petroleum and petroleum products accounting for 89.2% of exports in 2003. Other leading industries included cement and other construction materials, chemicals, fertilizer, ceramics, and steel.

Nigeria produced 4,800 metric tons (gross weight) of cassiterite tin concentrate in 2003, up from 3,600 metric tons in 2002. A smelter at Jos produced refined tin for export. In 2003, production of columbium and tantalum concentrates (gross weight) totaled 700 metric tons, up from 500 metric tons in 2002. Nigeria had plentiful supplies of limestone, and production totaled 2.2 million tons in 2003. In addition, Nigeria produced barite, clays, feldspar, gold, granite, kaolin, lead, marble, shale, and topaz. Gypsum output declined from 300,000 metric tons in 2002 to 100,000 metric tons in 2003. Nitrogen production was halted in 1999, while no iron ore was produced in 1999 or 2003, even though extensive

iron deposits included reserves of 2,500 million tons with an average content of 37%.

To attract local and foreign investment in the development of the nonfuel minerals sector and to broaden the country's industrial base, the Mining and Minerals Decree No. 34, enacted in 1999, provided for three-year tax holidays, exemption from customs duties for mining equipment, convertibility of foreign currency, and free transferability of funds. It also reaffirmed that all mineral rights were to be held by the federal government, although the national legislature was debating reallocation of mineral rights to the states. However, the country's reputation for civil strife, corruption, environmental degradation, fraud, poor infrastructure, and political uncertainty continued to temper international investors' interest in most projects. The adoption of Islamic Shariah law in many of the northern states added uncertainty to internal mineral projects in northern Nigeria. Mineral resource companies also had to cope with expectations that the companies should provide extensive physical and social infrastructure.

## 27 ENERGY AND POWER

Nigeria, as of April 2005, is reported to be the eleventh-largest producer of oil in the world and the largest oil producer in Africa. It is a major oil supplier to the United States and Western Europe. Nigeria is also a member of the Organization of Petroleum Exporting Countries (OPEC).

Nigeria, as of 1 January 2005, has estimated proven oil reserves of 35.5 billion barrels, according to the Oil and Gas Journal. In 2004, the country produced an estimated 2.5 million barrels of oil per day, of which crude oil accounted for 2.3 million barrels per day. In that same year, net exports and domestic consumption of oil were estimated at 2.2 million barrels per day and 321,000 barrels per day, respectively. According to the Oil and Gas Journal, crude oil refining capacity was estimated at 438,750 barrels per day, as of 1 January 2005. As a member of OPEC, Nigeria is subject to a crude oil production quota. As of August 2004, that quota was set at 2.6 million barrels per day.

Nigeria's proven reserves of natural gas makes the country one of the world's top 10 countries so endowed, and the largest in Africa. According to the Oil and Gas Journal, Nigeria's natural gas reserves were estimated at 176 trillion cu ft as of 1 January 2005. Although the Nigerian government plans to raise its earnings from natural gas exports to 50% of the country's revenues from oil by 2010, about 75% of the natural gas currently produced is flared-off due to a lack of infrastructure, according to a November 2004 estimate by the World Bank. In 2002, Nigeria produced an estimated 501 billion cu ft of natural gas, with domestic demand for that year at 225 billion cu ft and exports estimated at 225 billion cu ft.

Nigeria also has coal deposits. In 2002, recoverable coal reserves were estimated at 209 million short tons, with domestic consumption and production each estimated at 0.07 million short tons.

Nigeria's electric generating capacity is heavily dedicated to conventional thermal sources. In 2002, electric power generating capacity stood at 5.888 million kW, of which conventional thermal sources accounted for 67% of capacity, while hydroelectric dedicated capacity accounted for the rest. Electric power output in 2002 came to 14.743 billion kWh, with conventional thermal fueled output accounting for 52.4% of the power produced, and hydropower accounting for the remainder. However, power out-

ages in Nigeria are frequent and operations are well under the nation's estimated capacity. Also, consumers are billed for services rendered, which in part explains the country's widespread power theft, vandalism, and problems involving payments. In addition, only about 40% of the population has access to electricity, most of whom reside in urban areas. In January 2004, Nigeria began a rural electrification program that would connect 1,500 communities to the nation's power grid by 2007.

## 28 INDUSTRY

Industry accounted for 30.5% of GDP in 2004, mostly in the oil sector, and experienced 1.8% growth that year. Due to the high costs of production that result from inadequate infrastructure, Nigeria's manufacturing capacity utilization remains low. An estimated 10% of the labor force is employed in the industrial sector.

Nigeria is the eleventh-largest producer of oil in the world, and first in Africa. The oil sector supplies 95% of foreign exchange earnings and some 90% of total exports. Nigeria had proven oil reserves of 35.5 billion barrels in 2005, and planned to expand its proven reserves to 40 billion barrels by 2010. Nigeria's crude oil refining capacity was 438,750 barrels per day in 2005. There are four state-owned refineries in Nigeria, and hydrocarbon production is centered around Eleme, Warri, and Kaduna. Sabotage, fires, extended maintenance, and management problems plague the oil industry, however. There has been political unrest over the issue of the equitable sharing of Nigeria's oil profits with the population. Nigeria had an estimated 176 trillion cu ft of natural gas reserves in 2005, and the natural gas industry is seen to have great potential.

In October 2002, the International Court of Justice ruled in favor of Cameroon in its border dispute with Nigeria over the oil-rich Bakassi peninsula.

The textile industry is still in early stages of development. Between 60% and 70% of all raw materials used in textile production come from local sources. Foreign investment in the textile industry is led by Chinese and Indian investors. Other areas of expansion include cement production, tire production, and furniture assembly. The Delta Steel Plant at Aladja, built by a German-Austrian consortium, began production in 1982 and supplied three steel rolling mills at Oshogbo, Katsina, and Jos. The steel complex at Abeokuta began producing in 1983 and was renovated in 1995. As of 1999, most of these steel mills were inoperative, and the ones that did work had very small production rates.

Other important industries include sawmills, cigarette factories, breweries, sugar refining, rubber, paper, soap and detergent factories, footwear factories, pharmaceutical plants, tire factories, paint factories, and assembly plants for radios, record players, and television sets. Nigeria has five state-owned motor-vehicle assembly plants for Volkswagen, Peugeot, and Mercedes products, which by 2006 were put on the path toward privatization.

## 29 SCIENCE AND TECHNOLOGY

Learned societies include ones for ecology, engineering, entomology, fisheries, forestry, genetics, geography, medicine, microbiology, nutrition, and veterinary medicine. The Federal Ministry of Science and Technology has 25 attached research institutes that focus on cereals, cocoa, lake ecology, horticulture, forestry, livestock, root crops, veterinary medicine, oceanography and ma-

rine sciences, oil palms, rubber, and tropical agriculture, among other areas. The Geological Survey of Nigeria, founded in 1919, is concerned with geological mapping, mineral exploration, geophysical and geochemical surveys, and consultation on geological problems.

The National Museum branch in Jos, founded in 1989, has zoological and botanical gardens and a transport museum. Obafemi Awolowo University in Ile-Ife has a natural history museum founded in 1948. Nigeria has 60 universities and colleges offering courses in basic and applied science. Science and engineering students account for about 40% of college and university enrollments.

The Nigerian Academy of Science, founded in 1977, promotes and coordinates scientific and technological activities, trains scientists, advises the government on scientific matters, and organizes symposia and lectures.

### 3<sup>0</sup> DOMESTIC TRADE

The distribution of consumer goods is effected largely through a complex network of intermediary traders, who extend the area of distribution and often break down products into very small units for delivery to the ultimate consumer. A few trading companies, especially those with European equity and management, carry full product lines. Village markets are universal but tend to be more highly organized in the densely populated areas of the south. The great market centers such as Ibadan and Kano are attended by many thousands daily. Domestic commerce is limited by poor infrastructure, widespread fraud and corruption, and shortages of fuel that are exacerbated by illegal smuggling of gasoline across Nigeria's borders. The economy is still primarily cash based. Advertising has increased markedly since independence. Newspapers, magazines, radio, television, billboards, and movies are all utilized.

Businesses and government offices are generally open from 8:00 AM to 4:00 PM, Monday through Friday. In the Muslim north, establishments close at 1:00 PM on Friday so that Muslim workers can attend Jummat services. Supermarkets and stores are open from 8:30 AM to 5 PM, Monday through Friday, and from 7:30 AM to 1 PM on Saturdays. A large number of smaller shops and restaurants are often open from sunrise to near midnight.

### 3<sup>1</sup> FOREIGN TRADE

Nigeria's exports have been on a dramatic upswing. Between 1998 and 1999, they grew more than three-fold, and by 2000 nearly doubled again. Exports in 2006 were 90% dominated by crude oil. Liquefied natural gas accounted for 8.1% of exports in 2004. Cocoa is the largest agricultural export. Leading imports are machinery, chemicals, transportation equipment, manufactured goods, and food.

In 2004, Nigeria's leading markets were: the United States (49.9% of all exports); India (10.2%); Spain (7.5%); and Brazil (6.9%). Leading suppliers were the United States (8.9% of all imports); China (8.5%); the United Kingdom (8.2%); and the Netherlands (6.2%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Exports are dominated by oil, and with oil prices forecast to remain relatively high against a background of rising production from 2005–10, substantial trade surpluses were predicted. The trade surplus was estimated at \$18.2 billion in 2004. Over the 2001–05 period, the current-account balance averaged 0.6% of GDP. In 2004, the current-account surplus was estimated at \$5.228 billion.

### 3<sup>3</sup> BANKING AND SECURITIES

In 1892, Nigeria's first bank, the African Banking Corp., was established, patterned along British lines. Before World War II, two large British banks, the Bank of British West Africa and Barclays

#### Principal Trading Partners – Nigeria (2001)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	17,796.5	7,958.2	9,838.3
United States	7,320.9	822.8	6,498.1
India	2,083.3	315.7	1,767.6
Spain	1,175.6	108.3	1,067.3
France-Monaco	1,142.3	371.7	770.6
Brazil	1,051.3	174.6	876.7
Italy-San Marino-Holy See	854.0	200.8	653.2
Indonesia	537.2	107.8	429.4
Portugal	461.4	...	461.4
Netherlands	364.8	391.7	-26.9
Canada	357.3	38.6	318.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Nigeria (1999)

(In millions of US dollars)

<b>Current Account</b>		<b>506.0</b>
Balance on goods		4,288.0
Imports	-8,588.0	
Exports	12,876.0	
Balance on services		-2,496.0
Balance on income		-2,578.0
Current transfers		1,292.0
<b>Capital Account</b>		<b>-48.0</b>
<b>Financial Account</b>		<b>-4,002.0</b>
Direct investment abroad		...
Direct investment in Nigeria		1,005.0
Portfolio investment assets		50.0
Portfolio investment liabilities		-39.0
Financial derivatives		...
Other investment assets		-3,319.0
Other investment liabilities		-1,699.0
<b>Net Errors and Omissions</b>		<b>7.0</b>
<b>Reserves and Related Items</b>		<b>3,538.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Bank, virtually monopolized Nigerian banking. After 1945, a number of African-owned banks entered the field; between 1946 and 1952, however, more than 20 such banks failed. The bank of issue became the Central Bank of Nigeria (CBN) in 1958. It regulated most commercial banking operations in Nigeria, but the federal Ministry of Finance retained control of most international activities of the financial sector. The Nigerian Industrial Development Bank (NIDB) was established in 1964 to provide long- and medium-term financing to concerns in the industrial nonpetroleum, mining, and tourist sectors.

The 1969 Banking Decree required that all banking institutions be incorporated in Nigeria, and a 1976 law gave the government 60% ownership of all foreign banks. The Banking Decree also established minimum capital requirements for licensed banks, based on the total deposits. Important additional sources of credit were provided by thrift and loan societies and by the branches of the National Development Corporation. The National Bank for Commerce and Industry helped finance smaller enterprises. Merchant banking expanded rapidly from 1973 onward, when the Union Dominican Trust Company began operations.

With the adoption of the Structural Adjustment Program (SAP) in 1986, the licensing of new banks was liberalized. In July 1990 the state banks were privatized. Beginning in 1990 the country allowed the establishment of foreign banks, but 60% of the foreign banks that were established in Nigeria had to be held by Nigerian interests. In the same year the government began a program to establish 500 community banks. From 1985 to 1993, the number of banks rose from 40 to 120, but declined to 89 in 1998.

While there are over 100 banks in Nigeria, the main banks in 2002 included the Afribank, Universal Trust Bank, FSB International Bank, Diamond Bank Limited, United Bank for Africa (with Banque Nationale de Paris and Bankers Trust shareholdings), Union Bank of Nigeria, and First Bank of Nigeria (partly owned by Standard Chartered), Nigeria International Bank Limited. All but the last bank on the list were charged in 1996 with import duty and excise collection. Twenty-seven ailing banks were liquidated by the government in 1997, while others merged. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$7.3 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$11.8 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 20.5%.

The Nigerian (formerly Lagos) Stock Exchange (NSE) began operations on 1 July 1961, following passage of the Lagos Stock Exchange Act; the government promulgated regulations for the exchange and provided that all dealings in stock be carried out only by members of the exchange. The Securities and Exchange Commission (SEC) fixed prices of all new securities, and regulated the prices of those already being traded. Transactions of 50,000 shares or more were subject to SEC approval. The government encouraged public issues of shares by Nigerian companies in an effort to mobilize local capital for the country's development. The exchange, in Lagos, with branches in Kaduna and Port Harcourt, dealt in government stocks and in shares of public companies registered in Nigeria. After the provision of new investment incen-

tives under the Nigerian Enterprises Promotion Decree of April 1974, activity on the stock exchange increased.

In a bid to encourage foreign interest in the NSE, a computerized central securities clearing system (CSCS) was installed on 14 April 1997, although it got off to a quiet start. The custodian bank for the system was Nigeria International Bank/Citibank. The benefit of the system was that trades would be settled within one week and eventually within two days, compared with the long delays hitherto experienced in effecting share transfers after purchases and sales. On 21 April 1997, a CBN directive lifted the restrictions on equity ownership of individual and corporate investors in Nigerian banks. Under this legislation, it was possible for an individual or another corporation to own up to a 100% share in a bank. Prior to the directive, the maximum shareholding for an individual was just 10%, while for companies it was 30%.

Market capitalization of the Nigerian Stock Exchange (NSE) was \$14.464 billion in 2004, with 207 companies listed. The NSE All Share Index was up 18.5% in 2004 to 23,844.5.

### 34 INSURANCE

The Nigerian Reinsurance Corp. requires foreign insurance companies to reinsure 20% through the corporation. In 1976, the government took a 60% interest in foreign-owned insurance companies. The only compulsory insurance is that for motor vehicles. Laws of 1976 and 1977 regulate insurance firms, particularly those in the life insurance field, and provide for their registration, investigation, and minimum capitalization. The regulatory body is the Director of Insurance, under the Federal Ministry of Trade (Insurance Division). In 2003, the value of all direct insurance premiums written totaled \$422 million, of which nonlife premiums accounted for \$345 million. In 2002, Nigeria's top nonlife insurer was Nikon, with gross written nonlife premiums of \$91.6 million, while the nation's leading life insurer that same year was Alico, with gross written life insurance premiums of \$15.6 million.

### 35 PUBLIC FINANCE

The federal government is responsible for collecting taxes on income, profits, and property, as well as import and export taxes and excise duties. It also runs the national transportation system. The petroleum sector provides over 83% of budgetary revenues. A large share of these revenues is redistributed to state governments. The budget is consistently in deficit. In 1998, debt financing amounted to \$4.4 billion, but the 1999 budget provided for only \$1.7 billion. Public investment flourished during the oil boom years of the 1970s. When the oil market prices collapsed in the 1980s however, the Nigerian government maintained its high level of spending, thus acquiring substantial foreign debt. Although privatization efforts began in 1986, increased government spending outside the official budget since 1990 has damaged public finance reform. As a result, the federal deficit increased from 2.8% of GDP in 1990 to 9% in 1998. Through privatization, the government sold all state-owned banks, fuel distribution companies, and cement plants in 2000. Nigeria sought to sell the troubled Nigerian Airways before it ceased operations as of 2006. The state telephone company NITEL, launched a mobile phone network in 2001; the government also hoped to privatize it. Nigeria's official foreign debt is about



\$32 billion, about three-fourths of which is owed to Paris Club countries.

The US Central Intelligence Agency (CIA) estimated that in 2005 Nigeria's central government took in revenues of approximately \$12.8 billion and had expenditures of \$13.5 billion. Revenues minus expenditures totaled approximately -\$680 million. Public debt in 2005 amounted to 11.2% of GDP. Total external debt was \$37.49 billion.

### 36 TAXATION

By far the most important direct tax is the petroleum profits tax. The rate on taxable profits of petroleum companies since 1975 has been 85%, but a guaranteed profit of \$2.30 per barrel was established in 1986.

With the restoration of democracy, most state and local governments have found it necessary to introduce their own local levies in the face of dwindling revenues from the Federation Account to the State and Local Governments.

Nigeria had a standard corporate tax rate of 30%, as of 2005, plus a 2% education tax. A reduced rate of 20% is available for companies engaged in manufacturing, agricultural production or mining solid minerals, and for wholly export-oriented enterprises. There was also a capital gains tax of 10% on the disposal of assets inside or outside of Nigeria, although as of 1 January 1998 capital gains from the sale of stocks and share is exempt. There is a withholding tax of 10% on dividends, interest income, rental income and royalties. There is also a tax on companies engaged in upstream (exploration and production) activities in the petroleum sector.

Under the Personal Income Tax Act, both Nigerian and foreign residents in Nigeria are subject to a progressive tax on their worldwide income, with a top rate of 30%. Property taxes are assessed by state governments.

In 1993, the Value-added Tax Decree (VAT Act) abolished the 1986 Sales Tax Decree of 1986, establishing a VAT with a standard rate of 5% (as of 2005) chargeable on most goods and services. Exempted goods include medical and pharmaceutical products, basic foodstuffs, books and educational materials, baby products, locally manufactured fertilizers, all exports, plants and machinery used in export processing zones (EPZs). Of the proceeds collected, 50% goes to state government, 35% to local governments, and 15% to the administrative costs of the tax. States are also authorized to impose a tax on goods and services rendered in the state. Excise duties on beer, tobacco, textiles, and other goods are also levied.

### 37 CUSTOMS AND DUTIES

The federal government levies customs duties on most imports, but these duties were substantially reduced in 1986 and in 1995. The import duty varies from 5–60%, averaging 12%. All imports are also subject to a 7% port surcharge and a 5% value-added tax (VAT). The paperwork necessary for exporting and importing is lengthy. The taxation system has been widely avoided and valuations are arbitrary.

Prohibited exports include raw hides and skins, timber and building materials, raw palm kernels, and unprocessed rubber (to protect building and processing industries). Most goods produced in Nigeria may be freely exported. Prohibited imports include live

chicks, flour, vegetable oils, gypsum, mosquito repellent coils, plastic domestic articles, used tires, and weapons.

### 38 FOREIGN INVESTMENT

Nigeria is West Africa's most populous country, and one of the most developed. Investment in the petroleum industry was carried out on a very large scale in the 1970s, including funds devoted to production, refining, and petrochemicals. The petroleum industry was largely nationalized during that period. Upstream operations are dominated by the Shell Petroleum Development Company of Nigeria. The company has been involved in conflict with local groups, particularly the Movement for the Survival of the Ogoni People (MOPOS), which accused Shell of causing life-threatening environmental damage, while the company contends that the damage was caused by interference with its operations. Downstream, two consortiums with foreign participation have controlled about 30% of the market: TotalFinaElf Nigeria Plc and Unipetrol/Agip. However, in 2005, Majestic Oil (Sierra Leone) acquired Unipetrol's 24.22% share in the West Africa Oil Refinery when the company failed to invest in the rehabilitation of the facility.

In December 1989, a new Nigerian Enterprises Decree permitted 100% foreign ownership in any new venture except those in banking, oil, insurance, and mining. The government uses an open tender system for awarding government contracts. However, a patronage system exerts powerful influence over the awarding of such contracts. Government scandals, political instability, and endemic corruption (Nigeria is regularly ranked among the most corrupt countries in the world, often at the top of the list) have inhibited foreign investment. Corporate profits, except for those of oil companies, are taxed at 30%.

In 1992, the Nigerian Free Zone Act was passed establishing the Nigerian Export Processing Zone Authority (NEPZA). Free trade zones (FTZ), so renamed in 2001, are expanses of land with improved ports and/or transportation, warehousing facilities, uninterrupted electricity and water supplies, advanced telecommunications services and other amenities to accommodate business operations. Under the free trade zone system, as long as end products are exported (although 25% can be sold in the domestic market), enterprises are exempt from customs duties, local taxes, and foreign exchange restrictions, and qualify for incentives—tax holidays, rent-free land, no strikes or lockouts, no quotas in EU and US markets, and, under the 2000 African Growth and Opportunity Act (AGOA), preferential tariffs in the US market until 2008. When fully developed, free zones are to encompass industrial production, offshore banking, insurance and reinsurance, international stock, commodities, and mercantile exchanges, agro-allied industry, mineral processing, and international tourist facilities.

In 1995, the military government decreed the establishment of the Nigerian Investment Promotion Commission (NIPC) as well as the liberalization of the foreign exchange market. These, with amendments, remain the bases of Nigeria's policy of encouraging foreign investment. Foreign direct investment (FDI) inflow was reported at \$1.5 billion in 1997, and about \$1 billion in both 1998 and 1999. In late 2002, the Nigerian government announced that since the return to an elected government in May 1999, \$56.94 billion in FDI had flowed into the country, from a total of 170 foreign companies.

In 2003, the stock of FDI was estimated at \$24 billion, which accounted for approximately 43% of GDP. Total FDI inflow was \$1.2 billion in 2003. Total FDI outflow was estimated at \$93 million in 2003, while total FDI outward stock was estimated at \$4.6 billion, accounting for 8.3% of GDP. Most FDI inflows continue to fund oil and gas exploration and production, liquefied natural gas projects, and related activities.

### 39 ECONOMIC DEVELOPMENT

The agriculture sector was the focus of intense development interest during the 1990s, with food self-sufficiency the goal. In 1990, agriculture was the subject of a separate three-year development plan involving public and private spending targets concentrating on the family farmer. The program included price stabilization plans and schemes to revitalize the palm oil, cocoa, and rubber subsectors. The Agricultural Development Projects continued through the decade, but implementation of goals was difficult. The country still imports most of its wheat from the United States.

An integrated petrochemical industry was also a priority. Using the output of the nation's refineries, Nigeria produced benzene, carbon black, and polypropylene. The development of liquid natural gas facilities was expected to lead to the production of methanol, fertilizer, and domestic gas. Nigeria's refineries operated at less than optimal rates throughout the 1990s and into the early- and mid-2000s.

In the manufacturing sector, the government was backing a policy of local sourcing whereby locally produced raw materials were converted into finished products. By 2003, manufacturing accounted for 4% of gross domestic product (GDP), down from 13% in 1982.

By the beginning of the 2000s, the government was more concerned about halting corruption and reigning in the state budget than economic development. Nevertheless, the Niger Delta Development Commission (NDDC) was created to coordinate economic and social development in the oil-producing region.

Nigeria's foreign debt stood at around \$30.55 billion in 2004, a large portion of which was interest and payment arrears. The Obasanjo administration in the early 2000s was supporting private-sector-led, market-oriented economic growth, and had begun economic reform programs. Privatization of state-owned enterprises continued. A Stand-By Arrangement with the International Monetary Fund (IMF) approved in 2000 lapsed in 2001 as the government's economic reform program went off track. By 2005, Nigeria had negotiated a deal for forgiveness of 60% of its debt with the Paris Club.

By 2006, the centerpiece of President Obasanjo's policy agenda was the National Economic Empowerment and Development Strategy (NEEDS), which aimed to diversify the economy away from its dependence upon oil. Corruption was an issue that still demanded a great deal of attention. Although the government has called for economic reform, progress in the mid-2000s was held back by strong vested interests opposed to change, especially to privatization and the restructuring of the public sector. With offshore oil production increasing, the need to renegotiate Nigeria's OPEC quota was a priority in 2006. President Obasanjo sought to maintain good relations with Western powers and to promote Nigeria as a leading international and regional power.

### 40 SOCIAL DEVELOPMENT

A 2004 law established a unified system of mandatory individual accounts for public employees. The system is not fully implemented in the private sector. The National Social Insurance Trust Fund holds contributions previously made and will transfer the funds into a private pension. Old age pensions are available after age 50, and are not payable abroad. Medical benefits are provided to insured employees of firms with 10 or more workers. Employers fund work injury insurance. There is limited social assistance and health care benefits provided to families.

Although sex discrimination is banned under the constitution, traditional practices still deprive women of many rights and the adoption of Shariah law by many northern states has more severely limited the rights and freedom of women. A Woman may not obtain a passport without her husband's permission. It is customary for all assets to be turned over to the parents after the death of a male, leaving the widow economically destitute. Segregation by gender occurs in some schools, health facilities, and, in some states, on public transportation. *Purdah*, the Islamic practice of completely segregating a woman from men other than those within her family, is practiced in some families, primarily in the north. In Shariah courts, women's testimony is given less weight than that of men. Female genital mutilation (FGM) is widespread throughout the country despite government opposition. Domestic violence is widespread, and wife beating is permissible under the penal code. According to a 2004 survey, more than 64% of women and 61% of men believed that a husband had justification for beating his wife under certain circumstances, including burning food.

As of 2006, Nigeria's human rights situation had improved, but serious abuses remained. Arbitrary arrest and detention were still used to silence the government's critics. Reports of torture and extrajudicial killings persisted, and prison conditions were considered to be life threatening. Overcrowding and poor sanitary conditions were compounded by limited food, water, and medicine for inmates. Sentences of stoning and amputation were still imposed.

### 41 HEALTH

Nigeria's health care delivery system consists of a network of primary, secondary, and tertiary facilities. As of 2004, there were an estimated 27 physicians, 66 nurses, 2 dentists, 8 pharmacists, and 52 midwives per 100,000 people. The target areas for mass procurement of medical equipment are the teaching hospitals. The lack of proper facilities and inadequate remuneration of public sector health care workers have also spurred the development of a limited number of privately-owned hospitals which cater to those who can afford them. The country is in need of medical supplies and equipment. Some pharmaceuticals are manufactured in Nigeria. Approximately 57% of the population had access to safe drinking water and 63% had adequate sanitation. Total health care expenditure was estimated at 2.8% of GDP.

Despite the receding influence of such endemic diseases as yellow fever, health problems in Nigeria remain acute. Malaria and tuberculosis are the diseases of most frequent incidence, but serious outbreaks of cerebrospinal meningitis still occur in the north. Just under half of all deaths are thought to be among children,

who are especially vulnerable to malaria and account for 75% of registered malaria deaths. The prevalence of child malnutrition for children under age five was 46%. Goiter was present in 20% of all school-age children. Nigeria had the highest number of measles cases reported of all African nations, and diarrheal diseases remain prevalent. Close to 15% of all Nigerian children did not live to their fifth birthday. Immunization rates for children up to one year old were as follows: tuberculosis, 53%; diphtheria, pertussis, and tetanus, 45%; polio, 45%; and measles, 69%. Only 1% of children were immunized for yellow fever.

Schistosomiasis, guinea worm (19,766 cases in 1995), trachoma, river blindness, and yaws are other diseases of high frequency. Progress has been made in the treatment of sleeping sickness (trypanosomiasis) and leprosy. The former has been nearly eliminated by the introduction of new drugs, while the introduction of sulfone therapy has nearly halted the incidence of new cases of leprosy in the eastern states. A program for the eradication of river blindness and malaria has been undertaken in cooperation with the World Health Organization.

The government is also working on the control of sexually transmitted diseases, including HIV/AIDS, through public education and behavior change. HIV/AIDS has reached epidemic levels in Nigeria. The HIV/AIDS prevalence was 5.40 per 100 adults in 2003. As of 2004, there were approximately 3,600,000 people living with HIV/AIDS in the country, the third-highest in the world. There were an estimated 310,000 deaths from AIDS in 2003.

Only 15% of married women used contraceptives. The fertility rate in 2000 was 5.3 children per woman surviving her child-bearing years. The life expectancy for the Nigerian was only 46.74 years in 2005. In that year the infant mortality rate was 98.80 per 1,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 39.2 and 14.1 per 1,000 people.

## 42 HOUSING

Housing generally has not ranked high on the scale of priorities for social spending and state governments have tended to rely upon local authorities to meet the problem. Efforts at providing low-cost rural housing have been minimal, despite the creation of the Federal Mortgage Bank of Nigeria in 1977, and shantytowns and slums are common in urban areas. Overcrowding in urban housing is a serious problem. It has been estimated that about 85% of the urban population live in single rooms, often with eight to twelve persons per room. Living conditions are poor. The total number of housing units in 1992 was 25,661,000. In 1996, only about 27% of urban dwellers had access to piped water. Less than 10% of urban dwellers had an indoor toilet.

In 1979, at the establishment of a civilian government, about 37% of all housing units were cement or brick roofed with asbestos or corrugated iron; 34% were mud plastered with cement and roofed with corrugated iron. In the same year, 44% of urban dwellings were rented, 37% were owner occupied, 17% were rent free, and 2% were "quasi-rented" at below-average rates. Since then, the government has initiated a number of projects aimed at providing adequate housing at all income levels; but many of these were unsuccessful and because of the poor quality of workmanship in some of developments, many finished dwellings were soon left vacant.

## 43 EDUCATION

The 1979 constitution made primary education the responsibility of the states and local councils. State and federal authorities have concurrent powers over postprimary education. The first six years of primary education were made compulsory in 1976. These are followed by six years of general secondary studies or technical school studies. Primary education begins in the local language but introduces English in the third year. The academic year runs from October to July.

In 2001, about 8% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 67% of age-eligible students; 74% for boys and 60% for girls. The same year, secondary school enrollment was about 29% of age-eligible students; 32% for boys and 26% for girls. It is estimated that about 82.3% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 42:1 in 2003; the ratio for secondary school was about 35:1. In 2003, private schools accounted for about 7% of primary school enrollment and 20.7% of secondary enrollment.

The advancement in education in the southern states, compared with the relative lag in the northern states, reflects the contribution of Christian missions to the Nigerian educational system. Teacher-training colleges are operated by missions or voluntary societies; their schools, however, are regulated and largely supported by the government. There are 13 polytechnic colleges and 4 colleges of technology. A major obstacle to the further advancement of education in Nigeria is the shortage of qualified teachers; large numbers of foreigners are employed, particularly by the universities. In 2003, about 8% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 66.8%, with 74.4% for men and 59.4% for women.

Public expenditure on education was estimated at less than 1% of GDP.

## 44 LIBRARIES AND MUSEUMS

The National Library of Nigeria was founded in Lagos in 1962 and has over one million volumes, including some 35,000 United Nations documents and the National Information and Documentation Center. In 2004 there were 18 state branches of the National Library. The National Archives are in Enugu State. State governments have libraries in their respective capitals and in all the local government headquarters. Almost all of the 20 universities have libraries. The largest public library in Kano holds over 300,000 volumes. The chief university library is that of the University of Ibadan, which contains 450,000 volumes. Other sizable university collections are at the University of Lagos (375,000 volumes), the University of Ife (401,000), and the University of Nigeria at Nsukka and Enugu (717,000). The High Court of Lagos State holds a collection of 600,000 volumes. There are dozens of other privately maintained collections throughout the country.

The National Museum in Lagos contains many specimens of Nigerian art, mostly pieces of statuary and carvings, remarkable for their variety and quality. It also has archaeological and ethnographic exhibits. Other museums represent more specialized interests: the museum at Ife opened in 1955 in response to halt the

looting of national art treasures, and contains world-renowned bronze and terra cotta heads; the decorative arts museum at Benin City has a collection of bronzes; and that at Oron has a valuable collection of ancestor carvings. The museum at Jos, opened in 1952 originally as the National Museum, is a center of research into the prehistoric culture of Nigeria. The Esie Museum, at Ilorin in Kwara State, has stone antiquities, and the National Museum at Kaduna has archaeological and ethnographic exhibits, including a “craft village.” The Owo Museum, in Ondo State, displays arts, crafts, and ethnographic relics. There are also museums in Kano, Argungu, and Oshogbo. Lagos also houses the Centre for Black and African Art and Civilization.

#### 45 MEDIA

Telephone and telegraph communications are the responsibility of the Federal Ministry of Communications through its parastatal NITEL. Trunk lines and UHF links connect all the major towns, and all of these have exchange units, including automatic exchanges at Lagos, Ibadan, Kaduna, Kano, Jos, and Port Harcourt. In 2003, there were an estimated seven mainline telephones for every 1,000 people. The same year, there were approximately 26 mobile phones in use for every 1,000 people. Postal services are provided by another parastatal—NIPOST. There are post offices in all 305 local-government headquarters and other major towns.

Radio broadcasting is the joint responsibility of the federal and state governments, operating under the Federal Radio Corp. of Nigeria, created in 1978; state radio stations broadcast in English and local languages. Television, introduced in 1959, now operates throughout the country under the direction of the Nigerian Television Authority, with stations in all state capitals and channels set aside for the state governments. Several states also run their own stations. In 2001, there were nine television stations and six radio stations that were privately owned. In 2003, there were an estimated 200 radios and 103 television sets for every 1,000 people. The same year, there were 7.1 personal computers for every 1,000 people and 6 of every 1,000 people had access to the Internet. There were 13 secure Internet servers in the country in 2004.

In 2002 there were 26 major daily newspapers in Nigeria, some of them published by the federal or state governments. Leading Nigerian daily newspapers (with their 2002 estimated circulations) are: *Daily Times* (national, 400,000), *National Concord* (Lagos, 200,000), *Daily Champion* (Lagos, 150,000), *Nigerian Observer* (national, 150,000), *The Punch* (national, 150,000), *Nigerian Tribune* (national, 109,000), *New Democrat* (Kaduna, 100,000), *Nigerian Standard* (Jos, 100,000), *New Nigerian* (national, 80,000), *The Guardian* (Lagos, 80,000).

The constitution provides for freedom of speech and of the press and the government generally respected these rights; however, there were problems in some areas, particularly in restrictions on antigovernment reports.

#### 46 ORGANIZATIONS

Cooperatives are very important in Nigerian economic life. Many different societies are included in this category—consumers’ societies, thrift and credit societies, and others—but the most important are the marketing societies, which play a significant role in handling export produce, and sometimes in the production of both food and cash crops. Examples include the African Ground-

nut Council and the Cocoa Producers’ Alliance. However, the Structural Adjustment Program is gradually replacing cooperatives with farmers’ societies and export societies. There are chambers of commerce in all 19 state capitals and Abuja, and a National Association of Chambers of Commerce, Industry, Mines, and Agriculture in Lagos and Abuja.

The Girl Guides, the Boy Scouts, YWCA organizations, Muslim societies, Jamat Aid groups, and other community, social, and service groups are active in all towns and villages. There are sports clubs in Lagos and all the state capitals and national chapters of sports associations. Other national youth organizations include the National Association of Nigerian Students, the Ahmadyya Youth Association of Nigeria, 4-H, and the Catholic Youth Organization of Nigeria. National women’s organizations include the Nigeria Association of University Women and the National Center for Women in Development.

Literary and art associations meet regularly in Lagos, Kaduna, Enugu, and other major cities. Nigerian Academy of Sciences promotes public interest and education in the sciences. The Nigerian Medical Association promotes research and education on health issues and works to establish common policies and standards in healthcare. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions.

The Constitutional Rights Project, founded in 1990, is a social action group. Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. International organizations with national chapters include Amnesty International, the Society of St. Vincent de Paul, Habitat for Humanity, Caritas, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

There are five-star hotels in Lagos, Abuja, and Kaduna, and first-class hotels in all the state capitals. All of the cities have museums, which attract visitors to their historical artifacts. Many of the beaches are underdeveloped and lack accommodations and tourist facilities. Sports and social clubs offer facilities for swimming, sailing, tennis, squash, golf, and polo.

A passport valid for at least six months from visa purchase, return/onward ticket, and proof of sufficient funds are required for entry into Nigeria. Citizens of 106 countries including the United States and Canada also need visas. Travelers from infected areas are required to show a certificate of yellow fever vaccination. Precautions are recommended against malaria, meningitis, and typhoid.

There were 2,253,115 tourists who visited Nigeria in 2003, of whom 16.5% came from Europe. Receipts from tourism amounted to \$263 million in 2002.

In 2004, the US Department of State estimated the daily cost of staying in Abuja at \$266, and Lagos, \$315.

#### 48 FAMOUS NIGERIANS

Famous Nigerians of the 19th century include ‘Uthman dan Fodio (d.1817), who founded the Fulani empire at the beginning of the century, and Samuel Ajayi Crowther (1809–92), a Yoruba mis-

sonary of the Church of England who was consecrated first bishop of the Niger Territories in 1864.

*The Palm Wine Drinkard* and other stories by Amos Tutuola (1920–1997) exploit the rich resources of traditional Nigerian folk tales. Benedict Chuka Enwonwu (1921–1994), Nigeria's leading painter and sculptor, gained international fame, as has Wole Soyinka (b.1934), a prominent playwright who was awarded the 1986 Nobel Prize for Literature, the first African so honored. Novelists of note include Chinua Achebe (b.1930) and Cyprian Ekwensi (b.1921). Sports figures include Dick Tiger (1929–71), twice world middleweight champion and once light-heavyweight champion.

Herbert Macaulay (1864–1946) is regarded as the father of Nigerian nationalism. Among contemporary political figures, Dr. (Benjamin) Nnamdi Azikiwe (1904–96), long one of the leading West African nationalists and formerly premier of the Eastern Region, was a founder of the NCNC and first governor-general and president of independent Nigeria. Former chief rival of Azikiwe and founder of the Action Group, Chief Obafemi Awolowo (1909–87) resigned as premier of the Western Region to lead the opposition in the federal House of Assembly. The hereditary leader of the Hausa-Fulani ruling class in northern Nigeria and leader of the NPC until his assassination in January 1966 was Alhaji Sir Ahmadu Bello, sardauna of Sokoto (1909–66), who became prime minister of the Northern Region in 1954. The first prime minister was Alhaji Sir Abubakar Tafawa Balewa (1912–66), who also was assassinated in the 1966 coup. Chief Simeon Olaosebikan Adebo (1913–94), a leading Nigerian diplomat, has held several UN posts. Maj. Gen. Yakubu Gowon (b.1934) headed the Federal Military Government from July 1966 to July 1975, when he was deposed in a bloodless coup during his absence from Nigeria at an OAU meeting. Gowon is credited with formulating the post-civil war policy of reconciliation with the Ibos that resulted in the country's rapid recovery. Alhaji Shehu Shagari (b.1925) served in several high government posts before being elected president in 1979. Reelected in 1983, he was subsequently deposed in a military coup from which Maj. Gen. Muhammadu Buhari (b.1942) emerged as leader of the Supreme Military Council and head of

state. Basketball player Hakeem Alajuwon (b.1963) was named one of the 50 Greatest Players in NBA History by the National Basketball Association in 1996–97.

#### 49 DEPENDENCIES

Nigeria has no territories or colonies.

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# RWANDA

Republic of Rwanda  
*Republika y'u Rwanda*

**CAPITAL:** Kigali

**FLAG:** The national flag has three horizontal bands of sky blue (top, double width), yellow, and green, with a golden sun with 24 rays near the fly end of the blue band.

**ANTHEM:** *Rwanda Rwacu* (*Our Rwanda*).

**MONETARY UNIT:** The Rwanda franc (RFr) is a paper currency. There are coins of 1, 5, 10, 20, and 50 francs and notes of 100, 500, 1,000, and 5,000 francs. RFr1 = \$0.00164 (or \$1 = RFr610) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Democracy Day, 28 January; Labor Day, 1 May; Independence Day, 1 July; Peace and National Unity Day, 5 July; Assumption, 15 August; Anniversary of 1961 Referendum, 25 September; Armed Forces' Day, 26 October; All Saints' Day, 1 November; Christmas, 25 December. Movable religious holidays include Easter Monday, Ascension, and Pentecost Monday.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Rwanda, a landlocked country in east-central Africa, has an area of 26,338 sq km (10,170 sq mi), extending 248 km (154 mi) NE–SW and 166 km (103 mi) SE–NW. Comparatively, the area occupied by Rwanda is slightly smaller than the state of Maryland. It is bordered on the N by Uganda, on the E by Tanzania, on the S by Burundi, and on the W and NW by the Democratic Republic of the Congo (DROC—the former Zaire), with a total boundary length of 893 km (555 mi).

Rwanda's capital city, Kigali, is located near the center of the country.

## <sup>2</sup> TOPOGRAPHY

Rwanda lies on the great East African plateau, with the divide between the water systems of the Nile and Congo rivers passing in a north–south direction through the western part of the country. To the west of the divide, the land drops sharply to Lake Kivu in the Great Rift Valley; to the east, the land falls gradually across the central plateau—its grassy highlands are the core areas of settlement of Rwanda's peoples—to the swamps and lakes on the country's eastern border. Almost all of Rwanda is at least 1,000 m (3,300 ft) above sea level; the central plateau is between 1,500 and 2,000 m (4,950–6,600 ft) high. In the northwest on the border with the DROC are the volcanic Virunga Mountains; the highest peak, Mt. Karisimbi (4,519 m/14,826 ft), is snowcapped. Lake Kivu, 1,460 m (4,790 ft) above sea level, drains into Lake Tanganyika through the sharply descending Ruzizi River. The Kagera River, which forms much of Rwanda's eastern border, flows into Lake Victoria.

## <sup>3</sup> CLIMATE

The high altitude of Rwanda provides the country with a pleasant tropical highland climate, with a mean daily temperature range of

less than 2°C (4°F). Temperatures vary considerably from region to region because of the variations in altitude. At Kigali, on the central plateau, the average temperature is 21°C (70°F). Rainfall is heaviest in the southwest and lightest in the east. A long rainy season lasts from February to May and a short one from November through December. At Gisovu, in the west, near Kibuye, annual rainfall averages 160 cm (63 in); at Gabiro, in the northeast, 78 cm (31 in); and at Butare, in the south, 115 cm (45 in).

## <sup>4</sup> FLORA AND FAUNA

Most of Rwanda is a region of savanna grassland. There is little forest left; the country is one of the most eroded and deforested in all of tropical Africa. Remaining woodlands are small areas of tropical forests along the western border, north and south of Lake Kivu. The most common trees are eucalyptus—imported from the south in the 1890s—acacias, and oil palms.

Wildlife was abundant before the region became agricultural. There are still elephants, hippopotamuses, buffalo, cheetahs, lions, zebras, leopards, monkeys, gorillas, jackals, hyena, wild boar, antelope, flying lemurs, crocodiles, guinea hens, partridges, ducks, geese, quail, and snipe. Because the region is densely populated, these are becoming fewer, and some species are disappearing. As of 2002, there were at least 151 species of mammals, 200 species of birds, and over 2,200 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

The ability of the nation's agricultural sector to meet the demands of its large population are complicated by the overuse and infertility of the soil. Soil erosion and overgrazing are also serious problems. The remaining forested area is under intense pressure from uncontrolled cutting for fuel. During 1981–85, deforestation averaged 3,000 hectares (7,400 acres) per year. Between 1990 and

2000, the average rate of deforestation was 3.9% per year. In 2000, only about 12.4% of the total land area was forested. Malaria and sleeping sickness have spread because forest clearing and irrigation have increased the breeding areas for disease-carrying insects. Rwanda has about 5 cu km of renewable water resources with 94% of annual withdrawals used for farming and 2% used for industrial activity. About 92% of the nation's city dwellers and 69% of the rural population have access to improved water sources. The nation's cities produce about 0.1 million tons of solid waste per year.

In 2003, about 6.2% of the total land area was protected. In northeastern Rwanda the beautiful Kagera National Park is a game reserve sheltering many types of wildlife. Volcano National Park, which surrounds Mt. Karisimbi and was Africa's first wildlife park, is one of the last existing homes of the mountain gorilla. The national parks suffered from uncontrolled poaching and unauthorized cultivation until recent years. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 13 types of mammals, 9 species of birds, 8 species of amphibians, 4 species of invertebrates, and 3 species of plants.

Threatened species include the chimpanzee, African elephant, and black rhinoceros. Sixteen species of fish have become extinct.

## 6 POPULATION

The population of Rwanda in 2005 was estimated by the United Nations (UN) at 8,722,000, which placed it at number 87 in population among the 193 nations of the world. In 2005, approximately 2% of the population was over 65 years of age, with another 44% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.3%, a rate the government viewed as too high. Chief among the government's concerns is whether the economy can support the growing population. The projected population for the year 2025 was 12,906,000. The population density was 331 per sq km (858 per sq mi), making Rwanda the most densely populated country on the African continent.

The UN estimated that 17% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 9.30%. The capital city, Kigali, had a population of 656,000 in that year.

The prevalence of HIV/AIDS has had a significant impact on the population of Rwanda. The UN estimated that 9.1% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

Before independence, many Rwandans, compelled by famine and underemployment, migrated to neighboring Zaire (now DROC), Uganda, and Tanzania. The Hutu and Tutsi political quarrels have caused numerous Tutsi to flee their homeland, many of them going to Burundi, where there were 245,600 refugees at the end of 1992. In the mid-1960s, nearly 400,000 Rwandans were listed as permanent residents of Uganda. Some 85,800 Rwandan refugees were in Uganda at the end of 1992.

With renewed violence in 1994, one half of Rwanda's 7.5 million population was forced to flee their homes. Of these displaced per-

sons, 2.4 million refugees fled to neighboring countries. In 1996, violence in Burundi forced 100,000 Rwandans to repatriate. After the civil war in the DROC in October of 1996, 720,000 of the 1.1 million Rwandan refugees were forced to repatriate. In 1996 and early 1997, Tanzania returned 480,000 Rwandan refugees from its western regions. Another 10,000 returned from Uganda. In addition, one million refugees who left Rwanda in the 1950s and 1960s have also returned since 1994. By the end of 1997, fewer than 100,000 Rwandans remained outside the country; some 30,000 of these in the DROC were expected to return. In 2004, 19,743 Rwandans were refugees in the DROC, 19,604 in Uganda, 5,921 in the Congo, and 5,767 in Zambia. In that same year, over 2,000 Rwandans applied for asylum in Europe, Canada, and surrounding African countries.

As of 2004, Rwanda hosted some 67,605 refugees and asylum seekers, mainly Congolese, Burundi, and Ugandans. As in 1999, more than 30,000 refugees from the DROC were situated in two camps, Kiziba in Kibuye Prefecture and Gihembe in Byumba Prefecture. There was also an urban group of refugees and asylum seekers in Kigali.

In 2000, the net migration rate was 62.8 migrants per 1,000 population, a significant change from -58.4 per 1,000 in 1990. In 2005, the net migration rate was an estimated zero migrants per 1,000 population. Remittances in 2002 were \$7.2 million.

## 8 ETHNIC GROUPS

The population of Rwanda is about 84% Hutu, a Bantu people who are traditionally farmers. The Tutsi, a pastoral people, constitute about 15% of the total population, but many have fled into neighboring territories for refuge, especially since civil strife began in 1959. The Tutsi migrated to Rwanda sometime before the 15th century. An enormous amount of tension exists between the Hutu and the Tutsi and frequently leads to violence. There are also some Batwa (Twa), a tribe of hunters related to the Pygmies of the DROC; the earliest known inhabitants of the region, they now constitute about 1% of the population of Rwanda. There are also small numbers of Asians and Europeans.

## 9 LANGUAGES

The main language is Kinyarwanda, a member of the Bantu language family. The official languages are Kinyarwanda, French, and English. Kiswahili, a form of Swahili, is used in commercial centers.

## 10 RELIGIONS

European missionaries, notably the White Fathers, introduced Christianity to Rwanda in the late 19th century. A 2001 study indicated that about 94% of the population were Christians: 50% Catholic and 44% Protestant. Muslims accounted for about 5% of the total population and about 2% professed no religion at all. A small number of people practice indigenous religions exclusively, but it is believed that many adherents of other faiths incorporate traditional elements into their own practice. These elements include belief in a supreme being, Imaana, and a number of lesser deities, who can be communicated with through the spirits of

ancestors. There are small groups of Baha'is, Hindus, and others. There are several foreign missionary groups.

The constitution allows for freedom of religion; however, some groups have reported restrictions and discrimination from some local government authorities. Certain Christian and Muslim holidays are celebrated as national holidays.

## 1<sup>1</sup>TRANSPORTATION

In 2002, an estimated 12,000 km (7,457 mi) of road, one of the most intensive systems in all of Africa, radiated through Rwanda, but only about 996 km (620 mi) were paved. Five principal roads connect Kigali to other Rwandan cities, and an asphalted road connects Butare and Cyangugu. Most roads become impassable during the rainy season, and there are few bridges. In 1995, there were 7,868 automobiles, and 2,048 commercial vehicles in use. Bus service connects Kigali to the 10 prefectures. The most important roads for landlocked Rwanda's external trade run from Kigali to Kibungo and from Kigali to Kagitumba, thence connecting by road and rail with Indian Ocean ports in Tanzania and Kenya. About 90% of foreign trade is via the Kagitumba route, which leads to the Kenyan ports via Uganda. Rwanda has no railroads. There is traffic on Lake Kivu to the DROC from Gisenyi, Kibuye, and Cyangugu, using native craft and shallow-draft barges.

There were an estimated nine airports in 2004, four of which had paved runways as of 2005. International airports are at Kigali-Kanombe and at Kamembe, served by Air Rwanda, Sabena, Air Zaïre, Aeroflot, Air Burundi, Kenya Airways, Air Tanzania, Ethiopian Airlines, and Air France. Direct flights from Europe are available from Brussels, Paris, and Athens. Internal air traffic is provided by Air Rwanda to six domestic airfields.

## 1<sup>2</sup>HISTORY

Stone Age habitation, as far back as 35,000 years, has been reported in the region now called Rwanda. The first known inhabitants of the area were the Twa, a pygmoid group following hunting and gathering subsistence patterns. Later, between the 7th and 10th centuries AD, the Bantu-speaking Hutu people, who followed a settled, agricultural way of life, arrived, probably from the region of the Congo River basin. Between the 14th and 15th centuries, the Tutsi, a pastoral people of Nilotic origin, arrived from the north and formed numbers of small and independent chieftaincies. At the end of the 15th century, a few of these chieftaincies merged to form a state, near Kigali, under the leadership of Ruganzu I Bwimba. In the 16th century, the Tutsi dynasty began a process of expansion that continued into the late 19th century under the prominent Tutsi leader Kigeri IV Rwabugiri (d.1895).

The Tutsi conquest initiated a process of political integration. The ownership of land was gradually transferred from the Hutu tribes to the *mwami*, the king of the Tutsi, who became the supreme head and, in theory, absolute master of the country. He was the incarnation of the state and enjoyed an almost divine prestige. A feudal social system based on caste—the conquering Tutsi and the subject Hutu—was the dominant feature of social relations, and especially of economic and political relations. The ownership of cattle, a vital element in the social system, was controlled by the Tutsi, who in turn parceled out their use to the Hutu. The Hutu did the farming and grew the food, but had no part in government. The Tutsi did no manual labor. To a certain extent, however,



LOCATION: 1°4' to 2°50' S; 28°51' to 30°55' E. BOUNDARY LENGTHS: Uganda, 169 kilometers (105 miles); Tanzania, 217 kilometers (135 miles); Burundi, 290 kilometers (180 miles); Democratic Republic of the Congo (DROC), 217 kilometers (135 miles).

the castes were open to each other, and the northwest remained Hutu-controlled. Inter-marriage, especially between Tutsi males and Hutu females, was common. The Hutu language, Kinyarwanda, was eventually adopted by the Tutsi.

The first European known to have explored the region was John Hanning Speke, who traveled with Richard Burton to Lake Tanganyika in 1858, where he turned north in his search for the headwaters of the Nile. In 1871, Stanley and Livingstone landed at Bujumbura (now the capital of neighboring Burundi) and explored the Ruzizi River region. After the Berlin Conference of 1884–85, the German zone of influence in East Africa was extended to include Rwanda and Burundi, and in 1894, a German lieutenant, Count von Götzen, discovered Lake Kivu. Roman Catholic missionaries soon followed. After the *mwami* submitted to German rule without resistance in 1899, the Germans administered the territory through the traditional authorities in accordance with the laws and customs of the region. Belgium occupied the territory in 1916 during World War I, and was awarded a mandate that was known as Ruanda-Urundi (present-day Rwanda and Burundi) by the League of Nations in 1923. In 1925, an administrative



union was formed between the Ruanda-Urundi mandate and the Belgian Congo (now the DROC). A key policy of Belgian rule was the strengthening of the effective control of the Tutsi dynasty—under Belgian supervision—throughout Ruanda.

In 1946, Ruanda-Urundi became a UN trust territory under Belgian administration. Events in Africa after World War II aroused Hutu political consciousness and led the Hutu to demand the abolition of social and political inequalities. In November 1959, a Hutu revolution began, continuing sporadically for the next few years. Many Tutsi either were killed or fled to neighboring territories during the nationwide anti-Tutsi campaign named the “wind of destruction.” The Belgian authorities, along with the Roman Catholic missionaries, provided crucial support to the Hutu during this troubled period. A provisional government, republican in tendency and composed predominantly of members of the Parmehutu Party, was set up in Ruanda in October 1960. In the following January, the leaders of the Parmehutu proclaimed the deposition of the mwami and the creation of a republican regime. The new regime was recognized *de facto* by the administering authority, but the UN declared it to have been established by irregular and unlawful means.

On 25 September 1961, legislative elections and a referendum on retaining the institution and person of the mwami were held in Ruanda at the insistence of the UN General Assembly and under the supervision of the UN Commission for Ruanda-Urundi. The elections gave the Parmehutu, led by Grégoire Kayibanda, an overwhelming majority. In the referendum, about 95% of the electorate took part, voting 4 to 1 to abolish the monarchy. The UN strongly urged both Ruanda and Urundi to come to independence united, but reluctantly agreed that neither country wished to do so. On 27 June 1962, the UN General Assembly passed a resolution providing for the independent states of Rwanda and Burundi, and on 1 July, Rwanda became an independent country.

In December 1963, following an abortive invasion by Tutsi refugees from Burundi, a massive repression launched against the remaining resident Tutsi population caused the death of an estimated 12,000 Tutsi. The massacre was the signal for a renewed exodus of Tutsi elements into the neighboring territories of Uganda, Tanzania, the Congo (DROC), and Burundi. In all, approximately 150,000 Tutsi fled between 1959 and 1964.

In January 1964, the monetary and economic union that had existed between Burundi and Rwanda was terminated. Despite severe economic difficulties, Grégoire Kayibanda was reelected to a third four-year term as president in 1969. However, continuing internal unrest led the Rwandan army to overthrow the Kayibanda government in July 1973, and Maj. Gen. Juvénal Habyarimana assumed the presidency. His regime, dominated by officers from the north, took a more moderate stand on the issue of Hutu-Tutsi relationships than had the previous administration.

In 1975, he institutionalized his military regime, creating a one-party state under his National Revolutionary Movement for Development (MRND). A system of ethnic quotas was introduced that formally limited the Tutsi minority to 14% of the positions in the workplace and in the schools.

The regime was corrupt and authoritarian, and popular discontent grew through the 1980s. The MRND agreed to allow partisan competition and several new parties emerged in 1990 and 1991. But the greatest threat to the regime came in October 1990,

when over 1,000 Tutsi refugees invaded Rwanda from Uganda. This group, called the Rwanda Patriotic Front (RPF) had considerable success, considering that around 1,000 French, Belgian, and Zairian paratroopers helped defend the government in Kigali. Government forces retaliated by massacring Tutsi. A cease-fire was worked out later in October and Uganda, Burundi, and Zaire agreed to send in peacekeeping forces to supervise it. But fighting broke out again in January 1991. Further cease-fires were negotiated between government and Tutsi rebels in Brussels, Belgium, in March 1991 and in Arusha, Tanzania, in July 1992, but fighting continued.

In November 1990 Habyarimana announced that political parties would be permitted in 1991 and that tribal names would be abolished from national identity cards. In April 1992 Habyarimana appointed an opposition politician, Dismos Nsengiyaremye, as prime minister. The new cabinet included 9 members of the MRND and 10 opposition party members. Their supporters fought in the streets. Hardliners around Habyarimana were accused of trying to sidetrack the democratization process. By June the government had officially recognized 15 opposition parties. Talks with Tutsi leaders continued on power sharing, but the Hutu-Tutsi division appeared to be beyond reconciliation. A power sharing agreement was signed in Tanzania in January 1993, but this failed to end fighting. Another peace agreement was signed on 4 August 1993. The UN Security Council authorized on 5 October 1993 a peacekeeping force to assist in implementing the agreement. Unrest continued and no transitional government, which the agreement called for, was established.

In 1994 a total breakdown occurred. In February the minister of public works was assassinated. His supporters, in turn, murdered an opposition politician. In April, a rocket downed an airplane carrying the presidents of Rwanda and Burundi. All aboard were killed. They were returning to Kigali from regional peace talks in Tanzania. From that point on, Rwanda became a killing field as members of the Rwandan army and bands of armed Hutu massacred Tutsis and many moderate Hutus, including Prime Minister Agathe Uwilingiyimana. The extremist Coalition for the Defense of the Republic (CDR) encouraged and directed the killing. In response, the RPF stepped up its liberation efforts.

By July 1994 several hundred thousand persons had been killed and several hundred thousand more had fled their homes and the country to Burundi, Tanzania, and Zaire. The RPF occupied over half the country, seizing Kigali and restoring some semblance of order. While the international community was aware of the genocide occurring in Rwanda, little was done until the RPF had occupied a large part of the country. The UN approved a large expansion of the limited peacekeeping force in the area as the RPF consolidated its control and established a government of national unity, headed by a Hutu president, Pasteur Bizimungu. Major General Paul Kagame, a leader of the RPF, became minister of defense and vice president. The government announced that Hutu refugees, numbering in the millions, were safe to return to Rwanda, but few believed them and the conditions at the refugee camps, primarily in Zaire, began to deteriorate as disease and starvation became rampant. A 70-member Transitional National Assembly was formed in late 1994 in the hopes of returning order to the country. In February 1995, the UN Security Council created the International Criminal Tribunal for Rwanda.

Meanwhile, the government of Zaire's policy of forcible repatriation proved catastrophic as thousands of refugees died or disappeared. From April 1994 to 1997, some 100,000 Hutu refugees lost their lives while *Interahamwe* ("those who attack together") guerrillas—suspected of having perpetrated the genocide in Rwanda—were allowed free reign in the camps. In Rwanda, almost 90,000 suspected killers were arrested and detained in miserable conditions in whatever facilities the government could find, including soccer stadiums. The slow pace of the trials was a cause of considerable concern, but UN and Rwandan authorities defended the thoroughness, offering it as evidence that the government was not interested in wholesale revenge. Of the nearly 90,000 prisoners, 1,946 had been indicted by 1997. A process of *gacaca*—trial by local communities—began in June 2002 to speed up the trials of some 119,000 detainees.

When it became clear to Rwanda that the refugee camps in Zaire had become little more than training camps for Hutu paramilitaries, Rwandan and Ugandan troops enlisted Zairian rebel leader Laurent Kabila to oust longtime dictator Mobutu Sese-Seko. In less than eight months Mobutu was overthrown, and Kabila was made president the Democratic Republic of the Congo (formerly Zaire) in May 1997. A year later, irreconcilable differences between Kabila and Kagame and Yoweri Museveni of Uganda, led to "Africa's first world war" eventually involving nine African countries. Peace talks in South Africa in 2002 resulted in a formal cease-fire, troop withdrawals, and a plan for a transition government in the DROC, to which Rwanda's proxy, the RCD-Goma, was a signatory. By June 2003 with the backing of UN (MONUC) troops, the transition plan had commenced implementation, but fighting between Congolese soldiers, rebel groups, and Rwandan regulars continued.

In addition to conducting the *gacaca* trials, Rwanda faced several challenges to national healing and rebuilding. In April 2002, Bizimungu was jailed for possessing documents the government said advocated civil disobedience and ethnic division. (He was held until 2004, when he was sentenced to 15 years in prison.) In May 2002, the DROC filed a case with the International Court of Justice in the Hague accusing Rwanda of genocide against 3.5 million people in DROC. By late 2002, some 19,000 Rwandan refugees had been repatriated home from Tanzania, and another 5,000 from Zambia. In June 2003, Kagame signed a new constitution approved by national referendum into law, but international human and civil rights groups feared the constitution would limit multiparty pluralism and freedom of expression.

In March of 2003, a six-member EU election observation mission was sent to Rwanda in anticipation of a referendum to adopt the new constitution to observe election procedures, voting, and the referendum process.

On 26 May, Rwandans participated in a popular vote, which by 93% approved the parliament-supported draft constitution. On 4 June 2003, the new constitution was signed into law.

In July 2003, the government announced that presidential elections would be held on 25 August and parliamentary elections on 29 September, ending nine years of transitional rule. Opposition presidential candidate Faustin Twagiramungu, having returned from eight years in exile, said that he planned to form a new party before the elections, but he called for postponing them to allow more time for organization. However, his former *Mouvement*

*Démocratique Républicain* was banned and a new law passed, giving political parties 15 days to register again, ahead of the polls, and allowing candidates to run as independents—an option that Twagiramungu chose.

In the first post-genocide presidential election, and the first multiparty election since independence in 1962, Paul Kagame won a landslide victory. He ran on a platform of increased justice, economic growth, national unity, and good governance. As of early 2006, the date of the next presidential election was estimated to be 2008.

### 13 GOVERNMENT

The constitution of December 1978 provided for a unitary republic with executive, legislative, and judicial branches. The executive was headed by a president elected for a five-year term who presided over the council of ministers and was commander in chief of the armed forces. The secretary-general of the National Revolutionary Movement for Development, the sole legal political party, was empowered to act in the president's stead in the case of incapacity. The president shared legislative power with the country's unicameral legislature, the National Development Council, which consisted of 70 members.

A new constitution was adopted on 18 June 1991. It legalized independent parties. The executive branch consisted of an elected president and a prime minister and a Council of Ministers chosen from the legislature. The unicameral legislature continued the name, National Development Council.

The 4 August 1993 Peace Accord signed with the RPF called for a 22-month transition period leading to multiparty elections and the establishment of several new institutions. By 1994, the Rwandan patriotic Front had established control of the country, instituting a government of national unity, headed by President Pasteur Bizimungu, himself a Hutu.

In May 1995, the 70-seat transitional national assembly (TNA) created a new constitution. In early 2000 Bizimungu resigned, accusing the Tutsi-controlled parliament of unfairly investigating his allies on corruption charges. The vice president, Paul Kigame was inaugurated 22 April 2000, the country's first Tutsi president since independence from Belgium in 1962. In 2001 four additional seats—two for women and two for youth—were added to the TNA.

The 2003 constitution did not drastically change the composition of government. The executive arm of the government is comprised of the chief of state, the president, and the prime minister, who is head of the government. A Council of Ministers is appointed by the president.

The parliament is comprised of a Chamber of Deputies, which is made up of 80 seats, 53 of which are directly elected, and a 26-seat Senate.

### 14 POLITICAL PARTIES

In the last years of Belgian administration many political organizations were formed. In March 1957, Grégoire Kayibanda and other young Hutu leaders issued the *Hutu Manifesto* demanding a continuation of Belgian rule until the Hutu were better prepared to assume a role in political affairs. In June 1957, they formed the Hutu Social Movement, which, in 1959, became the Party of the Hutu Emancipation Movement (*Parti du Mouvement*

de l'Emancipation Hutu—Parmehutu). Parmehutu thereupon set a policy of ending Tutsi rule, drawing political definitions along ethnic lines, and abolishing the feudal system.

The Rwanda National Union Party (Union Nationale Rwandaise—UNAR), founded in September 1959 by Prosper Bwanakweli and backed by the mwami, was the leading monarchist party, calling for immediate self-government and independence under a hereditary (Tutsi) constitutional monarchy.

In the 1961 elections, Parmehutu received 77.7% of the votes cast; UNAR won 16.8%, and other minority parties 5.5%. Under a system of proportional representation, 35 of the 44 seats in the National Assembly went to Parmehutu. Parmehutu extended its control in the 1969 elections, and thereafter became the only political party in Rwanda until its disbanding by the military in 1973.

In 1975, President Habyarimana founded and became party president of the National Revolutionary Movement for Development (Mouvement Révolutionnaire Nationale pour le Développement—MRND), which became the nation's only legal party. Party membership was automatic at birth. The president of the MRND was the sole candidate in national presidential elections and appointed the party's secretary-general and central committee. In December 1981, the 64 deputies to the National Development Council were elected from 128 candidates chosen by the MRND. In the elections of December 1983, 140 MRND candidates vied for 70 seats in an enlarged Council; 17 former deputies were defeated.

In November 1990, the president announced that opposition political parties would be permitted to organize in 1991. Several new parties emerged, including the Democratic Republican Movement (MDR), the Liberal Party (LP), the Democratic and Socialist Party (PSD), and the Coalition for the Defense of the Republic (CDR). The latter, headed by Martin Bucyana, was charged with provoking the 1994 massacres.

Cracks within the Tutsi-based Rwandan Patriotic Front (RPF) and the Transitional National Assembly and government of unity widened following corruption probes and political and ethnic infighting.

Following President Bizimungu's resignation, Kagame was overwhelmingly elected president on 17 April 2000 during a special joint session of parliament and the cabinet receiving 81 of a possible 86 votes. Under the Arusha peace accord, the number of seats by party in the transitional government was predetermined and shared by eight parties: FPR 13, Democratic Republican Movement (MDR), 13; Democratic and Socialist Party (PSD), 13; Liberal Party (PL), 13; Christian Democrats (PDC), 6; RPA 6; Rwandan Socialist Party (PSR), 2; Islamic Democrats (PDI), 2; and others, 2.

Legislative elections on 29 September 2003 saw 8 parties and 17 independents compete for representation. On 1 October the RPF, party of President Paul Kagame, won a clear victory with 40 seats. The PSD earned 7 seats, and the PL, 6. The next election for Chamber of Deputies was scheduled for 2008 and for the Senate in 2011.

## 15 LOCAL GOVERNMENT

Rwanda is divided into 12 prefectures, or provinces, which coincide with former Belgian administrative divisions. The prefectures are supposed to be administered by prefects appointed by

the president. The former subchiefdoms and extratribal divisions were reorganized into 143 communes or municipalities. The commune, the basic political and administrative unit in Rwanda, is administered by an elected communal council presided over by a mayor. Until recently, communes had limited scope, however, decentralization has given local governments new powers and authorities previously reserved for central government.

## 16 JUDICIAL SYSTEM

The Rwandan legal system is based on Belgian and German civil codes and customary tribal law. The main courts in Rwanda are the Supreme Court of six justices, the High Courts of the Republic, provincial courts, district courts, and mediation committees.

Although the constitution provides for an independent judiciary, certain provisions also give the executive branch and the president authority to appoint and dismiss judges. When the president has the opportunity to nominate for supreme court seats, two nominations are required for each open supreme court seat. In practice, the courts are susceptible to government influence and manipulation.

The constitution guarantees defendants the right to counsel, but not a publicly funded defense. A shortage of attorneys, however, leaves many criminal defendants unrepresented. In many regions the chaos resulting from the 1994 civil war has disrupted the normal functioning of the judicial system. The government asked for help from the international community to rebuild the judiciary and appoint lower court officials.

## 17 ARMED FORCES

Rwanda's armed forces totaled 51,000 active personnel in 2005, which included paramilitary forces. The Army had 40,000 personnel, whose equipment included 24 main battle tanks, 106 reconnaissance vehicles, and 155 artillery pieces. The Air Force had an estimated 1,000 active members, whose major equipment included a small number of fixed-wing transport and training aircraft, and seven attack helicopters. Paramilitary forces consisted of up to 10,000 national police and local defense forces of approximately 2,000 members. In 2005, the defense budget totaled \$56.8 million. The civil war of 1994 weakened the government armed forces, who could not stop the Hutu-Tutsi tribal conflict.

## 18 INTERNATIONAL COOPERATION

Rwanda was admitted to the United Nations on 18 September 1962, and is a member of ECA and most of the nonregional specialized agencies, including the FAO, the World Bank, UNESCO, UNIDO, and the WHO. It is also a member of the WTO, the African Development Bank, the ACP Group, COMESA, G-77, the New Partnership for Africa's Development (NEPAD), and the African Union. In 1976, Rwanda joined Burundi and Zaire (now the DROC) in the Economic Community of the Great Lakes Countries, formed to develop the economic potential of the basin of Lakes Kivu and Tanganyika; its headquarters are in Gisenyi. In 1977, Rwanda joined Burundi and Tanzania in forming an economic community for the management and development of the Kagera River Basin. Uganda became a part of the community in

1980. Its headquarters are in Kigali. Rwanda is part of the Non-aligned Movement.

In environmental cooperation, Rwanda is part of the Convention on Biological Diversity, CITES, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on climate Change and Desertification.

## 19 ECONOMY

Rwanda has an agricultural economy with relatively few mineral resources. Coffee and tea are exports. During 1980–90, the Rwandan GDP annually grew by 2.3%, but the average growth rate declined by 3.6% between 1988 and 1998. The 1994 genocide threw the economy into a negative spiral, but foreign aid in the late 1990s brought about positive growth. Real growth rate of GDP in 2001 was 5%. The country has a high population density (the most densely populated in Africa), intensified by a 1.6% annual population growth rate between 1992 and 1998, which puts pressure on the land and the economy. The manufacturing base is limited to a few basic products. Soil erosion has limited growth in the agricultural sector. Poor markets, lack of natural resources, underdeveloped entrepreneurial and managerial skills, and difficult transportation problems all inhibit economic growth, along with the ethnic massacres of 1994 and the subsequent displacement of population. However, the IMF estimated that during 1995 Rwanda had recovered 40% of its pre-1994 economy. In the late 1990s, the government began a privatization program, in association with the World Bank, although the country has found it difficult to attract foreign investment. Rwanda became eligible in 2000 for \$810 million in debt relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative. Low world coffee prices in the early 2000s deprived Rwanda of hard currency derived from export earnings.

The GDP growth rate was 2.5% in 2004, up from 2.3% in 2003, but significantly lower than the growth rates registered previously (9.5% in 2002); in 2005, the economy was expected to expand again by 4.0%. Since Rwanda is mostly an agricultural subsistence economy, most of this growth can be attributed to the foreign aid. The inflation rate was 12.0% in 2004, up from 7.1% in 2003.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Rwanda's gross domestic product (GDP) was estimated at \$11.2 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,300. The annual growth rate of GDP was estimated at 4.8%. The average inflation rate in 2005 was 8%. It was estimated that agriculture accounted for 37.6% of GDP, industry 22.8%, and services 39.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$7 million or about \$1 per capita and accounted for approximately 0.4% of GDP. Foreign aid receipts amounted to \$332 million or about \$39 per capita and accounted for approximately 20.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Rwanda totaled \$1.42 billion or about \$169 per capita based on a GDP of \$1.7 billion, measured in current dollars rather than

PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.5%. It was estimated that in 2001 about 60% of the population had incomes below the poverty line.

## 21 LABOR

According to official 2002 estimates, about 3.6 million persons were economically active in Rwanda. As of that year, more than 90% were engaged in subsistence agriculture. The government is the largest single employer of wage laborers. There is no data on unemployment in Rwanda.

The Central Union of Rwandan Workers (CESTRAR), Rwanda's largest and formerly sole authorized trade union organization, separated from the government and the MRND in 1991 as part of the political reforms under the new constitution. Four new independent unions were recognized by the government in 1991–92: the Union Association of Health Personnel in Rwanda; the Inter-professional Union of Workers of Rwanda; the Union of Secondary School Teachers; and the Association of Christian Unions, which represents public and private sector workers, small businessmen, and subsistence farmers. Since the 1994 genocide, Rwanda's union movement has somewhat recovered from the collapse which it, like all other institutions in the country, suffered. About 75% of those active in the modern (wage) sector were unionized as of 2001.

While the pre-genocide labor law is still technically in effect, the government is unable to implement its provisions. The minimum legal age for regular employment is 18 (14 for apprenticeships). Minimum wages vary with position and sector. The legal standard workweek is 40 hours, with 45 being the maximum.

## 22 AGRICULTURE

In 2000, about 91% of Rwanda's economically active population earned their living, directly or indirectly, from agriculture. Except for heavily eroded regions, the soil has a good humus content and is fertile, especially in the alluvial valleys and in the volcanic soils of the northwest. About 1.5 million hectares (3.7 million acres) are under cultivation. Subsistence agriculture predominates, and the basic agricultural unit is the small family farm of about one hectare (2.5 acres).

In 2004, the principal food crops (in tons) were plantains, 2,470,000; sweet potatoes, 908,000; cassava, 912,000; potatoes, 1,072,000; dry beans, 198,000; and sorghum, 164,000. The corn crop came to 88,000 tons and the sugarcane crop to 70,000 tons. The plantain crop is used principally for making beer and wine. Coffee, grown by some 600,000 smallholders, is the chief cash crop; in 2004, 20,000 tons were produced. Tea production came to about 14,500 tons in 2004. Coffee and tea together generally contribute 80% to export earnings. Rwanda also exports quinine and pyrethrum.

Rwanda has had devastating periods of famine. In 1928–29, more than 400,000 Rwandans died or were forced to migrate; in 1943–44, the figure was 300,000. Government planning has aimed at mitigating such catastrophes by striving for annual increases of food-crop production. Included in the government effort has been the introduction of rice cultivation by agronomists from Tai-

wan and China. Export diversification has been encouraged by the government, including production of alternatives such as sunflowers, and fruits and vegetables for the European winter market. In 2004, agricultural products accounted for 35% of exports, but there was an agricultural trade deficit of \$26 million.

### **2<sup>3</sup> ANIMAL HUSBANDRY**

Most farmers also raise livestock. In 2005 there were 1,004,000 head of cattle, 1,340,000 goats, 464,000 sheep, and 347,000 pigs. Chickens were also widely raised; in 2005 there were an estimated 2 million. Total meat production in 2005 was 50,800 tons, with beef and veal accounting for 45%.

The number of cattle owned by an individual has traditionally been a key indicator of status in Rwanda's social system. This factor has resulted in the accumulation of large herds of poor-quality stock. The government is striving to eliminate excess cattle and to improve the remainder by the introduction of modern stock-raising methods.

### **2<sup>4</sup> FISHING**

Fishing in the lakes and rivers is principally for local consumption. In 2003, Rwanda produced an estimated catch of 8,427 tons. The presence of methane-producing organisms in Lake Kivu limits the development of aquatic life.

### **2<sup>5</sup> FORESTRY**

There are no commercially exploitable woodlands; existing growths are too inaccessible for profitable development, although they are used locally for fuel and building. Erosion and cutting (due to farming and stock raising) have almost entirely eliminated Rwanda's original forests. Remaining growths are concentrated along the top of the Nile-Zaire divide and on the volcanic mountains of the northwest. There are scattered savanna woodlands in the eastern prefectures. Forests cover an estimated 307,000 hectares (759,000 acres). Roundwood removals came to an estimated 5,495,000 cu m (194 million cu ft) in 2003, 91% for fuel.

### **2<sup>6</sup> MINING**

Before the massacres of 1994, mineral commodities typically provided 10% of export earnings, mainly from concentrates of tin, tungsten, and columbium-tantalum ores, and gold bullion. Although by the mid-2000s, Rwanda had recovered most of the mineral output lost in 1994, many obstacles continued blocking full utilization of existing resources. Among them were the absence of high-grade ores, the lack of sufficient capital, continued civil unrest, massive population displacements, a 65% poverty rate, a shortage of skilled labor, the country's landlocked status, transportation costs among the highest in Africa, a recent increase in oil prices, a nagging Hutu extremist insurgency, and involvement in two wars in the Democratic Republic of the Congo. In 2004, mining and quarrying accounted for less than 1% of Rwanda's gross domestic product (GDP).

In 2004, estimated mineral production included: 300 metric tons of tin ore (metal content), compared to 192 metric tons in 2003; tungsten ore, 120 metric tons, compared to 78 metric tons in 2003; cement, 104,205 metric tons; and columbite-tantalite ore and concentrate (gross weight), 200,000 kg, up from 128,000 kg in

2003. There was no recorded mined gold output in 2004. Rwanda also produced natural gas in 2004. Some lava beds of the west and northwest contained potassium compounds useful for fertilizers. Exploitation of the country's peat deposits could become necessary to meet the subsistence farming sector's energy needs, Rwanda's deforestation rate being the third highest in Africa.

The Rwandan mineral industry consisted mostly of a number of small cooperatives and individual artisanal miners who produced ores and concentrates from scattered locations generally in a 30-km-wide (18-mi-wide) zone that extended east-west through Kigali. In 2000, the government privatized Régie d'Exploitation et de Développement des Mines, the state mining exploration company.

### **2<sup>7</sup> ENERGY AND POWER**

Rwanda has no proven reserves of coal, crude oil, or oil refining capacity, although the country has proven reserves of natural gas.

All of Rwanda's refined petroleum products are imported. In 2002, demand and imports of refined petroleum products each totaled 6,500 barrels per day. These included, 2,000 barrels per day of distillates, 860 barrels per day of gasoline, 3390 barrels per day of jet fuel, and 250 barrels per day of kerosene. Rwanda's proven natural gas reserves, as of January 2003, were estimated at two trillion cu ft. However, in 2002, there was no recorded production of natural gas or natural gas imports.

Rwanda's electrical energy derives chiefly from hydroelectric sources. Electricity production in 2002 totaled 100 million kWh, of which 2% was from fossil fuels and 98% from hydropower. Consumption of electricity in 2002 was 120 million kWh. Most of the country's electric power comes from four hydroelectric stations. Additional power is imported from the DROC. Total installed capacity in 2002 was 0.035 million kW, almost all of it hydroelectric.

### **2<sup>8</sup> INDUSTRY**

Manufacturing contributed 10% to Rwanda's GDP in 1998. The value added by industry dropped 75% in 1994, reflecting the turmoil and massacres of that year. The industrial sector as a whole contributed 20% to GDP in 2000, and the industrial production growth rate in 2001 was 7%.

Most industrial activity centers around food processing. Manufacturing and processing establishments have been at the artisan level, turning out items such as pottery, wicker baskets, bricks, shoes, tile, and insecticide. Rwanda has light industry which produces sugar, coffee, tea, flour, cigars, beer, wine, soft drinks, metal products, and assembled radios. Rwanda also has textile mills, soap factories, auto repair shops, a match factory, a pyrethrum refinery, and plants for producing paint, cement, pharmaceuticals, and furniture. War in 1994 severely disturbed industry. As of 2001, only 40% of prewar industries had restarted operations. There are abundant natural gas reserves in Lake Kivu, which Rwanda shares with the Democratic Republic of the Congo. Rwanda has expressed interest in exploiting those reserves, and in 2000, the country planned to build an inland methane gas plant.

The industrial production growth rate was 7% in 2001, stronger than the GDP growth rate. By 2004, industry made up 21.2% of the economy, although it employed only a fraction of the working

population; agriculture continues to be the biggest employer (an estimated 90% of all able bodies), and the most important contributor to the economy (41.1%).

## 29 SCIENCE AND TECHNOLOGY

The Institute of Agronomical Sciences of Rwanda, attached to the Ministry of Agriculture, and the Institute of Scientific and Technological Research have their headquarters in Butare, and the Directorate of Geological and Mineralogical Research within the Ministry of Industry is in Kigali. The National University of Rwanda, in Butare, has faculties of sciences, medicine, agriculture, and applied sciences. Science and engineering students account for about 30% of college and university enrollments. In 1987–97, research and development expenditures totaled less than 0.1% of GNP. There were 8 technicians and 35 scientists and engineers per million people engaged in research and development.

## 30 DOMESTIC TRADE

Kigali is the main commercial center in Rwanda. There are a few small supermarkets in Kigali offering imported items at rather high prices. However, smaller outdoor marketplaces selling locally produced foods and goods predominate in most areas. Nearly 90% of the work force is employed in agriculture, primarily at a subsistence level.

Business hours are from 8 AM to noon and from 2 to 5 PM, Monday through Friday. Banks are open from 8:30 AM to noon and from 2 to 5 PM, Monday through Friday.

## 31 FOREIGN TRADE

Between 1996 and 1999, exports grew 424%, while imports grew by a considerably smaller 25%. However, the value of imports still equals more than four times the value of exports. Imports for 1999 consisted chiefly of food, machinery and equipment, steel, petroleum products, cement, and construction material.

Rwanda's main commodity exports are coffee (56%) and tea (27%). Other exports include gold (17%) and animal hides and skins (0.9%).

In 2004, exports reached \$70 million (FOB—free on board), while imports grew to \$260 million (FOB). The bulk of exports went to Indonesia (64.2%), China (3.6%), and Germany (2.7%). Imports included foodstuffs, machinery and equipment, steel, petroleum products, cement and construction material, and mainly came from Kenya (24.4%), Germany (7.4%), Belgium (6.6%), Uganda (6.3%), and France (5.1%).

## 32 BALANCE OF PAYMENTS

The current account balance in relation to GDP was consistently negative through the 1990s, not only because of the 1994 genocide. Although the economy improved dramatically post-1994, export earnings in the early 2000s were hindered by low international coffee prices, depriving the country of hard currency. Rwanda's external debt stood at \$1.3 billion in 2000. In the same year, Rwanda became eligible for \$810 million in debt service relief from the IMF/World Bank Heavily Indebted Poor Countries

### Principal Trading Partners – Rwanda (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	50.4	261.2	-210.8
Kenya	20.6	74.1	-53.5
Uganda	13.4	20.0	-6.6
Tanzania	4.1	14.7	-10.6
United Kingdom	3.1	4.3	-1.2
Congo (DROC)	2.1	...	2.1
Burundi	1.2	...	1.2
Switzerland-Liechtenstein	0.8	1.5	-0.7
Belgium	0.8	31.9	-31.1
China	0.6	5.0	-4.4
Pakistan	0.6	2.1	-1.5

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

### Balance of Payments – Rwanda (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>-126.2</b>
Balance on goods		-166.1
Imports	-233.3	
Exports	67.2	
Balance on services		-136.3
Balance on income		-18.8
Current transfers		194.9
<b>Capital Account</b>		<b>65.9</b>
<b>Financial Account</b>		<b>75.5</b>
Direct investment abroad		...
Direct investment in Rwanda		2.6
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		8.0
Other investment liabilities		-64.9
<b>Net Errors and Omissions</b>		<b>-36.0</b>
<b>Reserves and Related Items</b>		<b>20.8</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

(HIPC) initiative. In 2002, the IMF approved a three-year \$5 million loan to Rwanda.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Rwanda's exports was \$61 million while imports totaled \$248 million resulting in a trade deficit of \$187 million.

The International Monetary Fund (IMF) reported that in 2001 Rwanda had exports of goods totaling \$93 million and imports totaling \$245 million. The services credit totaled \$50 million and debit \$189 million.

Exports of goods and services reached \$70 million in 2004, up from \$63 million in 2003. Imports grew from \$244 million in 2003 to \$273 million in 2004. The resource balance was consequently negative in both years, reaching -\$181 million in 2003, and -\$176

million in 2004. The current account balance was also negative, improving from -\$132 million in 2003 to -\$53 million in 2004. Foreign exchange reserves (excluding gold) grew to \$315 million in 2004, covering more than a year of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

From 1922 until the independence of Zaire (Belgian Congo, now DROC) in 1960, the monetary and banking systems of Rwanda and Burundi were integrated with those of the Congo. In July 1962, upon becoming independent, Rwanda and Burundi formed a joint monetary union administered by a common central bank. This bank was dissolved, and its functions as a central banking institution were transferred, in April 1964, to the National Bank of the Republic of Rwanda. The Banque nationale du Rwanda (BNR) was looted in July 1994 but reopened later in the year and has since reopened its branches in Butare and Ruhengeri. The bank imposes foreign exchange controls and administers the import licensing system.

There are four main commercial banks, of which two predate the war and two were established in 1995. The former are the Banque de Kigali, which is jointly owned by the state and two Belgian institutions—Belgolaise Bank and Générale de Banque—and the Banque commerciale du Rwanda, which is majority state-owned. The new institutions are the Banque de commerce, développement, et l'industrie (BCDI), whose main shareholders are Rwandans, and the Gold Trust Bank of Rwanda, whose main shareholders are Ugandan Asians. Rwanda also has a savings bank and a postal savings bank. The Rwandese Bank of Development and the People's Bank of Rwanda are the nation's development banks. The Banque Rwandaise de Développement (BRD) was also looted but reopened in mid-1995 with a large amount of bad debt.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$143.6 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$285.9 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 13%. There is no stock exchange in Rwanda.

### 3<sup>4</sup> INSURANCE

The Rwandan National Insurance Co., formed in 1975, is 90% state-owned. The Rwandan Insurance Society was founded in 1984. Insurance companies wishing to do business in Rwanda must be at least 51% Rwandan owned. Sonarwa and Soras, owned by the French group UAP, restarted operations on a modest scale.

### 3<sup>5</sup> PUBLIC FINANCE

Rwanda has both an ordinary budget for recurrent operations and a development budget for controlling development projects. In the 1960s and 1970s, prudent public finance management and generous foreign aid helped keep deficits and inflation low. With the fall of coffee prices during the 1980s, however, the government increased its control over the economy, and raised annual budget deficits to the equivalent of 11% of GDP by 1990. In 1998, Rwanda

signed a structural adjustment facility with the IMF, and started privatization of state-owned enterprises with the World Bank.

The US Central Intelligence Agency (CIA) estimated that in 2005 Rwanda's central government took in revenues of approximately \$509.9 million and had expenditures of \$584.6 million. Revenues minus expenditures totaled approximately -\$74.7 million. Total external debt was \$1.4 billion.

### 3<sup>6</sup> TAXATION

Direct taxation includes a tax on industrial and commercial profits, at 35% in 2005. Taxes on dividends and a turnover (sales) tax are also levied. Indirect taxation, forming the bulk of government tax revenue, is derived largely from import and export duties.

Individual taxes are levied in accordance with a progressive schedule with five brackets with a top rate of 35%. The tax law of 2002 provides for a number of additional deductions in calculating taxable income including pension payments, disability benefits, medical expenses, travel expenses, and on-the-job meal and training expenses. Diplomats and diplomatic staff, high ranking executives of international organizations, as well as persons and companies under special agreements ratified by law, are given special tax exemptions. Privileged persons include those dealing in exports as well as with donor-funded projects under an agreement with the government of Rwanda and the donor.

Rwanda has legislated a value-added tax (VAT) with a standard rate of 18% on all taxable goods and services.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Import duties have been the most important source of tax revenues since independence. There are two kinds of duties, both levied ad valorem: customs duties, averaging 15–30%, and revenue duties, averaging 5–15% (up to 60% for some goods). A 1% handling fee is also levied. Most imports require a license. Rwanda is a member of Common Market of Eastern and Southern Africa (COMESA).

### 3<sup>8</sup> FOREIGN INVESTMENT

Rwanda has attempted to attract foreign investment. The investment code of 1 July 1962, modified in 1977, offers preferential treatment to foreign companies judged to be of primary importance. These advantages include reduction of, or exemption from, import duties and exemption from the tax on dividends for the first five years. Profits may be repatriated at the official exchange rate. There are no restrictions on personnel recruitment and no demands for Africanization. Nevertheless, foreign investment is small because of Rwanda's small domestic market, inadequate infrastructure, and civil turmoil. Net direct foreign investment in 1995 was \$1 million (0.1% of GDP), down from \$8 million in 1990. In contrast, foreign aid in 1995 amounted to \$711 million, or over 50% of GDP.

In 2004, Rwanda was still heavily dependent on foreign aid (which represented 51% of the government's budget), and lacked a strong middle class and infrastructure developments that usually are sought after by private investors.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Rwanda's attempt to establish food self-sufficiency has delayed many of its development plans in other sectors. Rwanda typically

receives foreign aid from various European donors and the EU. After the 1994 genocide, Rwandan officials requested \$1.4 billion from the UN for reconstruction. Net concessional aid from international financial institutions and UN organizations in 1994 amounted to \$226 million. Foreign aid continued to rise in 1995, and leveled out through the late 1990s. Working with the International Monetary Fund (IMF) and World Bank, Rwanda hopes to restructure the economy and privatize the public sector in order to foster growth.

In 2000, Rwanda became eligible for \$810 million in debt service relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative. In 2002, the IMF approved a \$5.6 million three-year Poverty Reduction and Growth Facility (PRGF) Arrangement for Rwanda. Economic performance improved in the early 2000s. Demobilization and reintegration of army soldiers and ex-combatants, the jurisdiction of trials related to the genocide (gacaca courts), and assistance to genocide victims were priorities for government expenditure in 2002–03.

Economic growth in 2005 was, as a result of a good harvest year, higher than predicted. In addition to a strong agriculture sector, services and mining are expected to perform well. Rwanda remains, however, a poverty-stricken country that is heavily dependent on aid from abroad. In addition, it faced criticism from international donors and lending agencies following increased expenditures on defense.

#### 40 SOCIAL DEVELOPMENT

Social security programs aimed at meeting the individual's basic welfare needs have been established in law since independence. Old age pensions for workers, sickness and maternity benefits, and payments for those injured on the job are provided for all salaried workers. The system is funded by contributions from employees and employers. Old age pensions are available from age 55 to 65, unless the person is deemed prematurely aged. Most of the population live in poverty and engage in subsistence agriculture.

Although sex discrimination is outlawed by the constitution, women have only limited property rights and are not treated equally in employment, education, and other areas. However, women were elected to 40% of the seats in parliament in 2003. Domestic violence and wife beating are prevalent. Child labor and human trafficking are widespread.

The government's human rights record remains poor. Arbitrary arrest and detention continue, as well as life-threatening prison conditions. Freedom of speech and of the press are severely restricted.

#### 41 HEALTH

In 1995, an estimated 500,000–800,000 Rwandan refugees fled to neighboring Zaire (now the Democratic Republic of the Congo). Almost 50,000 died during the first month after the exodus, many of diarrheal diseases. In normal times, malnutrition is the greatest health problem in Rwanda. Animal proteins and fats are scarce. Kwashiorkor, a protein-calorie deficiency, is common, contributing to the death of many children and to liver trouble in older individuals; it also increases the severity of other prevalent diseases, among them pneumonia, tuberculosis, measles, whooping cough, and dysentery. Malaria and trypanosomiasis (sleeping sickness) are endemic. AIDS is a very serious issue in Rwanda.

The HIV/AIDS prevalence was 5.10 per 100 adults in 2003. As of 2004, there were approximately 250,000 people living with HIV/AIDS in the country. There were an estimated 22,000 deaths from AIDS in 2003.

Poor sanitation measures and water pollution also cause serious health problems; it was estimated that 41% of the population had access to safe drinking water and only 8% had adequate sanitation. Tuberculosis remains prevalent. Immunization rates for children up to one year of age included diphtheria, pertussis, and tetanus, 77%, and measles, 66%.

As of 2004, it was estimated that there were fewer than 2 physicians and 21 nurses per 100,000 people. Health care expenditure was estimated at 4.1% of GDP. The World Health Organization, the UN Food and Agriculture Organization, and UNICEF provide aid in public health services. Since the late 1960s, the UN, Belgium, France, and the United States have been assisting Rwanda in specific health-related projects.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 33.3 and 21.4 per 1,000 people. Average life expectancy in 2005 was 46.96 years with the infant mortality rate estimated at 91.23 per 1,000 live births. Maternal mortality was 210 per 100,000 live births. These rates do not include about 2,000 war-related deaths between 1991 and 1992 (Tutsi and Hutu conflict) and over 500,000 deaths in 1994 (mostly of Tutsi civilians by Hutu militias).

#### 42 HOUSING

The basic type of housing in the rural areas has been a structure that is most commonly beehive-shaped, made of mud bricks and poles, and covered with thatch. These residences are dispersed in the collines, farms organized on a family basis, and they accounted for 89% of Rwanda's housing units in 1978. However, in recent years the government initiated a National Habitat Program aimed at improving rural housing conditions and providing new housing for a large number of returning refugees and genocide survivors. One project of "villagization" is meant to construct rural village communities where public services and utilities might be provided more easily and, perhaps, with greater quality. Controversy exists over this project, since it is believed that some rural residents may be forcibly relocated from current homes to the new villages as they are consolidated into specific settlement areas. Part of the program includes a directive that will zone particular areas for housing and prohibit residence in nondesignated areas. Government policies have also been criticized because they do not necessarily address the existing housing shortage, but focus on accommodating returned refugees.

With international assistance, the government has renovated about 100,000 homes. As of 1998, it was estimated that at least 400,000 units, about 25% of the nation's housing stock, was in need of reconstruction or repair simply to accommodate for returning refugees. In 2002, there were about 1,757,426 households representing 7,963,809 people. About 94% of all households lived in a single-family structure. Most families live in homes made of wood and mud or sun-dried mud bricks with an earthen floor. Zinc or tiles are the most common type of roofing material. About 59% of all households get drinking water from a well or spring. Only about 6,729 households have a flush toilet. About 86% of all housing is owner occupied.



### 43 EDUCATION

There were no public schools in Rwanda until the 1950s and secondary education was then attainable only at a school founded in 1929 at Butare by Roman Catholic missionaries. With independence, Rwanda began a major expansion of its educational programs; in 1989, education accounted for 25.4% of total government expenditure. However, the Catholic Church continues to play the leading role in education.

Education is free and compulsory for six years, generally for children ages 7 to 13, but the law is not widely enforced. Primary school is for six years, followed by three years of junior and three years of senior secondary education. Technical school programs are available for students at the secondary level. Most primary and secondary schools are under the direction of religious missions, but many receive state subsidies. The academic year runs from September to June.

As of 2001, less than 3% of children between the ages of four and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 87% of age-eligible students. The same year, secondary school enrollment was estimated at less than 10% of age-eligible students. It is estimated that about 37% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 60:1 in 2003; the ratio for secondary school was about 27:1. In 2003, private schools accounted for about 1% of primary school enrollment and 44% of secondary enrollment.

The National University of Rwanda at Butare was founded in 1963 by the government and a Canadian Roman Catholic order. Other known institutions are the African and Mauritian Institute of Statistics and Applied Economics in Kigali. In 2003, it was estimated that about 3% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 64%, with 70.5% for men and 58.8% for women.

As of 2003, public expenditure on education was estimated at 2.8% of GDP.

### 44 LIBRARIES AND MUSEUMS

The largest library collection is at the National University, which had approximately 199,000 volumes. There is a government library in Kigali, with about 15,000 volumes, and smaller collections are found in the administrative centers of the other prefectures. A National Library was founded in 1989 and had a collection of about 6,000 volumes in 2002. A library of 30,000 volumes is maintained at the Dominican Monastery in Kigali and the French Cultural Institute also maintains a collection in the capital. The Kigali Public Library, Rwanda's first public library, was still under construction as of 2006, with an expected opening day in 2007.

The National Museum in Butare contains an important collection for the study of the cultural evolution of the country and is housed in a building inaugurated in January 1989. An ethnological museum is maintained in Kabgayi and a geological museum in Ruhengeri. Kigali is home to the Geological Museum of Rwanda.

### 45 MEDIA

Telephone and telegraphic communications are the responsibility of the Ministry of Posts, Telecommunications, and Trans-

port. Telephone service is limited to Kigali and a few other important centers and is primarily for business and government use. In 2003, there were an estimated 3 mainline telephones for every 1,000 people. The same year, there were approximately 16 mobile phones in use for every 1,000 people.

The government-operated Radio of the Rwandan Republic provides domestic broadcasting service in French, Swahili, and Kinyarwanda. Television Rwandaise is the state-operated television broadcaster. As of 2005 there were at least five private radio stations. In 2003, there were an estimated 85 radios for every 1,000 people. The number of televisions in use is estimated at less than 1,000 nationwide. Also in 2003, 3 of every 1,000 people had access to the Internet.

ARP, a French-language daily press bulletin containing news of government activities, had a circulation of 100,000 in 2002. *Imvaho*, a weekly, had a circulation of 51,000. *La Releve*, a monthly, reached 1,700. All of these are published by the government. *The New Times* and the *Rwanda Herald* are privately owned, English-language papers.

The Fundamental Law provides for freedom of the press. However, it is said that the government harasses and intimidates the media at any reporting of views contrary to its goals.

### 46 ORGANIZATIONS

Under the Belgian administration, various commercial, agricultural, and welfare organizations were founded, and many have continued in operation since independence. There is a chamber of commerce and industry in Kigali and the Rwanda Private Sector Federation, to assist in business and trade. The government has also supported the growth of agricultural cooperatives.

Scouting and YMCA/YWCA programs are available for youth. There are sports associations promoting amateur competitions for athletes of all ages. Organizations dedicated to promoting the rights of women include the Federation of African Women Peace Networks, Pro-Femmes, and the Rwandan Women's Network. There are national chapters of the Red Cross Society, CARE International, UNICEF, the Society of St. Vincent de Paul, and Caritas.

### 47 TOURISM, TRAVEL, AND RECREATION

Tourism had declined in the 1990s due to war and economic factors. In 1997 new hotels and inns were opened in an attempt to rejuvenate the tourism industry. Tourists are drawn by Rwanda's mountain gorillas, wild game preserve, and by hiking opportunities in the Volcano National Park and the Akagera National Park.

A valid passport is required of all tourists, and a visa is necessary for all but the nationals of the United States, Germany, Canada, Uganda, Tanzania, Kenya, Burundi, and the Democratic Republic of the Congo. A certificate of vaccination against yellow fever is required of all visitors. Malaria, meningitis, hepatitis, and typhoid are health risks.

In 2005, the US Department of State estimated the daily cost of staying in Kigali was \$177. Other areas were significantly less at \$69 per day.

### 48 FAMOUS RWANDANS

Kigeri IV Rwabugiri (d.1895) was one of the most famous rulers of the precolonial Rwanda kingdom. Grégoire Kayibanda (1924–76), the first president of independent Rwanda, studied for the priest-

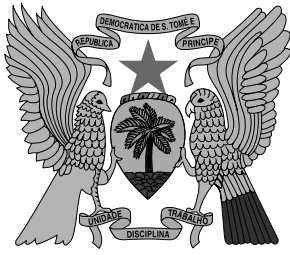
hood and became a teacher. He founded Parmehutu, the party that led the move to independence. Juvénal Habyarimana (1937–94) became president in July 1973 and remained in office until 1994, when a new government was established with Pasteur Bizimungu (b.1951) as president. Paul Kagame (b.1957), the founder of the Rwandese Patriotic Front and president of the country, is most well known for his role on the Rwandan genocide in 1994, and his destabilising role in the Second Congo War.

#### 49 DEPENDENCIES

The Republic of Rwanda has no territories or colonies.

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# SÃO TOMÉ AND PRÍNCIPE

Democratic Republic of São Tomé and Príncipe  
*República Democrática de São Tomé e Príncipe*



**CAPITAL:** São Tomé

**FLAG:** The flag consists of three unequal horizontal stripes of green, yellow, and green; there is a red triangle at the hoist, and two black stars on the yellow stripe.

**ANTHEM:** *Independência Total (Total Independence)*.

**MONETARY UNIT:** The dobra (DB) is equal to 100 centimos. There are coins of 50 centimos and 1, 2, 5, 10, and 20 dobras, and notes of 50, 100, 500, and 1,000 dobras. DB1 = \$0.00010 (or \$1 = DB10,414.2) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year's Day, 1 January; Martyrs' Day, 4 February; Labor Day, 1 May; Independence Day, 12 July; Armed Forces Day, first week in September; Farmers' Day, 30 September. The principal Christian holidays also are observed.

**TIME:** GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

São Tomé and Príncipe, the smallest country in Africa, lies in the Gulf of Guinea, about 360 km (225 mi) off the west coast of Gabon. The nation has an area of 1,001 sq km (386 sq mi). Comparatively, the area occupied by São Tomé and Príncipe is slightly less than 5.5 times the size of Washington, D.C. São Tomé extends about 49 km (30 mi) NNE–SSW and 29 km (18 mi) ESE–WNW. Príncipe has a length of approximately 21 km (13 mi) SSE–NNW and a width of 15 km (9 mi) ENE–WSW.

São Tomé and Príncipe's capital city, São Tomé, is located on the northeast coast of the island of São Tomé.

## <sup>2</sup> TOPOGRAPHY

The islands form part of a chain of extinct volcanoes and are both quite mountainous. Pico de São Tomé, the highest peak on São Tomé, is 2,024 m (6,640 ft) above sea level. Most other peaks rise to only a little more than half that height. Príncipe's plateau area, extending along the northwestern coast, is larger than that of São Tomé. Pico de Príncipe is Príncipe's tallest mountain, reaching 948 m (3,109 ft) above sea level.

## <sup>3</sup> CLIMATE

The islands are tropical, but temperature varies a good deal with altitude. Coastal temperatures average around 27°C (81°F), but the mountain regions average only 20°C (68°F). Seasons are distinguished more by a change in precipitation than by a change in temperature. From October to May, the northern regions of São Tomé and Príncipe receive between 100 and 150 cm (40 to 60 in) of rain. The southern portions receive about 380 to 510 cm (150 to 200 in).

## <sup>4</sup> FLORA AND FAUNA

Except for the coastal flatlands where cocoa and coffee plantations predominate, São Tomé and Príncipe are dominated by forestland. Above 1,370 m (4,500 ft), the tropical rain forest changes to cloud-mountain forest. There is little livestock, but domestic fowl are abundant.

## <sup>5</sup> ENVIRONMENT

Water and land pollution are the most significant problems in São Tomé and Príncipe. The purity of the nation's water supply is questionable due to the lack of adequate water treatment systems. The nation's forests are also threatened due to overuse and there is no regulatory policy to regulate their preservation. The nation's cities are threatened by inadequate sewage treatment. Soil erosion and soil exhaustion are other major environmental problems.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 3 types of mammals, 10 species of birds, 1 type of reptile, 3 species of amphibians, 7 species of fish, 1 type of mollusk, 1 species of other invertebrate, and 35 species of plants. Threatened species include the São Tomé short-tail, São Tomé sunbird, the West African seahorse, and at least six species of sharks.

## <sup>6</sup> POPULATION

The population of São Tomé and Príncipe in 2005 was estimated by the United Nations (UN) at 153,000, which placed it at number 175 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 38% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the

UN, the annual population rate of change for 2005–2010 was expected to be 2.5%, a rate the government viewed as too high. The projected population for the year 2025 was 225,000. The overall population density was 159 per sq km (413 per sq mi), but about 94% of the total populace lives on São Tomé.

The UN estimated that 38% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.87%. The capital city, São Tomé, had a population of 54,000 in that year. Santo António is the largest town on Príncipe.

## 7 MIGRATION

Historically, São Tomé and Príncipe received a substantial flow of what was allegedly temporary immigration in the form of contract labor. The *serviçais*, as they were called, came largely from Angola and Mozambique to work on the cocoa plantations; many were never repatriated. More recently, plantation labor has come from drought-stricken Cape Verde. Before 1974, Cape Verdeans were subsidized by the Portuguese government to settle on São Tomé and Príncipe in an effort to boost the islands' plantation economy. After the April 1974 revolution in Portugal and the coming of independence to the Portuguese territories, almost all the 3,000–4,000 European settlers left, while several hundred Angolans fled to São Tomé. Subsequently, more than 10,000 São Toméan exiles returned from Angola, and most Cape Verdeans left São Tomé. In 2000 the number of migrants totaled 7,000. In 2005, the net migration rate was an estimated -2.51 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

Most of the island's permanent residents are Fôrros, descendants of the Portuguese colonists and their African slaves, who came from Gabon and the Guinea coast. Along the southeast coast of São Tomé lives a group called the Angolares, the descendants of Angolan slaves, shipwrecked in the 16th century, who established independent fishing communities. Others include the mestiço, *serviçais* (contract laborers from Angola, Mozambique, and Cape Verde), tongas (children of *serviçais* born on the islands), and Europeans, primarily Portuguese.

## 9 LANGUAGES

Portuguese, the official language, is spoken in a Creole dialect that reveals the heavy influence of African Bantu languages.

## 10 RELIGIONS

Christianity is the dominant religion, with Roman Catholics constituting about 80% of the total population and Protestants constituting about 15%. The primary Protestant groups are Evangelicals (about 3.4% of the population), New Apostolic (2%), and Seventh-Day Adventists (1.8%). Approximately 3% of the population are Muslim. About 2% are atheist. A very small number of people practice forms of witchcraft, but this is considered more of a custom than a religion and practitioners are often adherents of one of the other major religions. Certain Christian holidays are cel-

brated as national holidays. The constitution provides for religious freedom.

## 11 TRANSPORTATION

Transportation networks on São Tomé and Príncipe reflect the plantation economy. There were approximately 320 km (199 mi) of roadways in 2002. Surfaced roads, about 218 km (135 mi), serve principally to bring export crops to the port towns. Schooners are the main means of transportation for people living far from town. São Tomé and Santo António are the main ports; large freighters must be unloaded from their anchorage by barge because the ports are not deep enough to accommodate them. The Merchant Marine reported 15 ships of 1,000 GRT or more, totaling 79,490 GRT in 2005.

In 2004, there were two airports, both with paved runways. The international airport at São Tomé is serviced principally by the Angolan airline Transportes Aéreos de Angola, although Transportes Aéreos Portugueses and Aeroflot make occasional stops. Equatorial Airline of São Tomé and Príncipe, a government joint venture with a private European airline, flies to Príncipe and Libreville, Gabon. In 2001 (the latest year for which data is available), 35,100 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

São Tomé and Príncipe were probably uninhabited volcanic islands when the Portuguese landed there in 1471. In 1485, São Tomé was made a donatário (concession) of João de Paiva; the donatário provided for de Paiva to administer and profit by his administration of São Tomé according to Portuguese law. Subsequently, São Tomé served as a slave station.

The islands were settled by a group of Europeans and their African slaves. In 1493, 2,000 Jewish children were taken to São Tomé in an effort to populate the islands and raise the children as Christians, but by 1532 only 50 or 60 were left. It was Portuguese policy to deport its criminals, *degradados*, and orphans to remote colonial areas, and many of São Tomé's earliest male settlers came in this fashion. Female settlers were more often African slave women, and from the ensuing marriages a large mestiço population developed. A third group, separate from the European and mestiço populations, consisted of Angolares, descendants of shipwrecked Angolan slaves.

By the mid-16th century, the islands were Africa's leading exporter of sugar. São Tomé and Príncipe were taken over by the Portuguese crown in 1522 and 1573, respectively. Eventually, sugar lost its commercial importance, but in the early 19th century, two new cash crops, coffee and cocoa, were introduced, and by 1908 São Tomé had become the world's largest producer of cocoa. Plantation slavery or slave-like contract labor remained the basis of island labor for hundreds of years, and even when slavery formally ended in 1869, the plantations employed laborers "recruited" on "contract" from other areas of Portuguese-speaking Africa. In 1906, Henry Nevinson published his book, *A Modern Slavery*, which exposed the use of involuntary recruits, unacceptably high labor mortality, and poor work conditions on the islands. The outcry resulted in a boycott of São Tomé cocoa. The scandal occasioned some reforms, but oppressive conditions continued. As late as 1953, the governor of São Tomé ordered Portuguese troops to

open fire on striking plantation workers, leaving nearly 1,000 people dead, an action that aroused nationalist feeling.

A liberation group formed in the islands in 1960, but Portuguese control made it impossible to wage an effective guerrilla war. The organization, the Committee for the Liberation of São Tomé and Príncipe (later renamed the Movement for the Liberation of São Tomé and Príncipe—MLSTP), remained in exile in Gabon until it was recognized by Portugal in 1974 as the sole legitimate representative of the people of São Tomé and Príncipe.

### Independence

An independence agreement was concluded between Portuguese and MLSTP negotiators on 26 November 1974, and a transitional government was installed on 21 December. On 12 July 1975, São Tomé and Príncipe achieved full independence. On the same day, Manuel Pinto da Costa, the secretary-general of the MLSTP, was inaugurated as the country's first president.

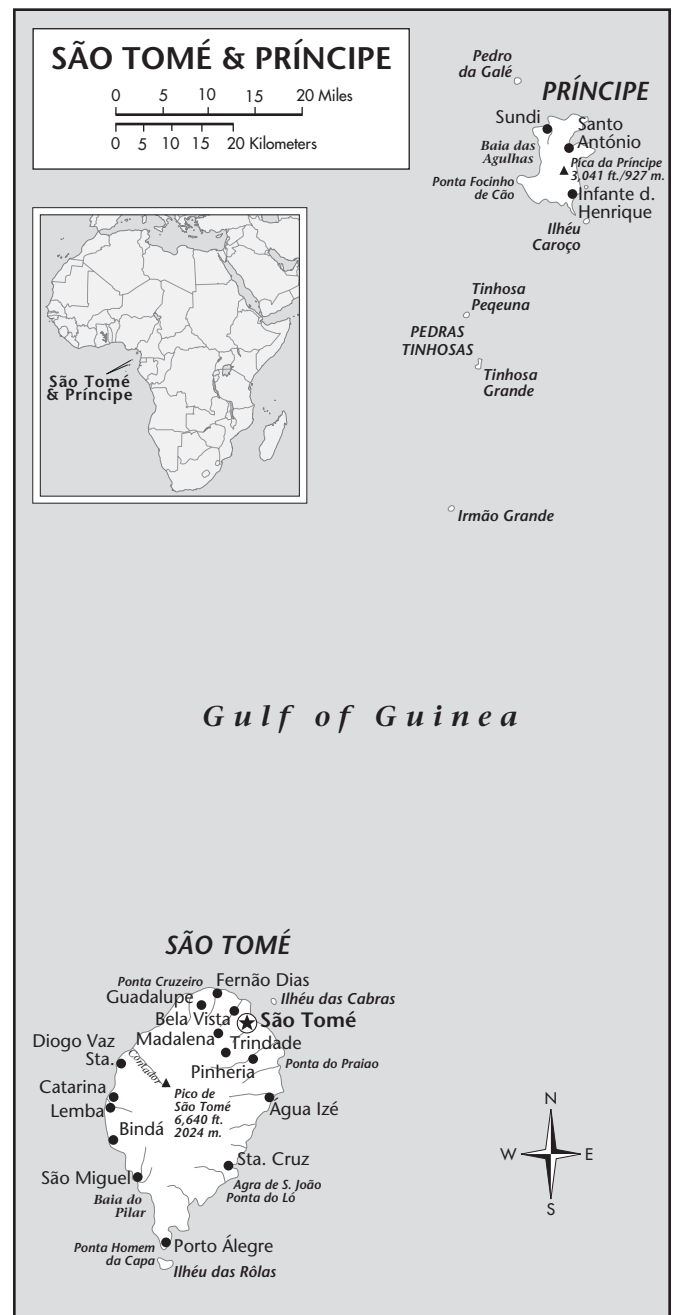
Following an alleged plot to overthrow the government, about 1,500 troops from Angola and Guinea-Bissau were stationed on the islands in 1978 at Pinto da Costa's request. Soviet, East European, and Cuban personnel were also reportedly on the islands. In 1979, Prime Minister Miguel dos Anjos da Cunha Lisboa Trouvoadá was arrested and charged with attempting to seize power. His post was assumed by Pinto da Costa, and the MLSTP was reported to be seriously split. In the early 1980s there was unrest on Príncipe, apparently provoked by separatists. By 1985, São Tomé and Príncipe had begun to establish closer ties with the West.

### Multiparty Democracy Launched

In 1990, a new policy of *abertura*, or political and economic "opening," was adopted. It led to the legalization of opposition parties and direct elections with secret balloting. The secret police were purged and freedom of association and press were encouraged. A number of groups, many led by politicians in exile, united as the Party of Democratic Convergence-Group of Reflection (PDC-GR) and were led by Miguel Trovoadá. An independent labor movement was launched and strikes were legalized. *Abertura* was also reflected in the evolution of a market economy and the privatization of state farms and enterprises.

On 20 January 1991, the nation held its first multiparty legislative elections. The former ruling party (MLSTP) was defeated by the PDC-GR. PDC-GR got 54.4% (33 seats) of the vote, the MLSTP 30.5% (21 seats), and the Democratic Opposition Coalition (CODO) 5.2% (1 seat). In the presidential election on 3 March 1991, Trovoadá was elected unopposed. In 1992, the government imposed a strict structural adjustment program at the behest of the IMF and the World Bank, which increased the price of gasoline and depreciated the value of the currency by 40%. The measures prompted massive demonstrations and calls for the dissolution of the government headed by Prime Minister Daniel Lima dos Santos Daio. The parliament then appointed Norberto Alegre prime minister, who then formed a new government.

In 1993, the PDC-GR continued to dominate the central government, but partisan activity accelerated. The president and the prime minister, both PDC-GR, also became involved in a dispute over interpretation of the constitution on the separation of powers. In November, a joint communique by four opposition parties accused government of "leading the country towards a social explosion" and denounced its "authoritarian and repressive attitude."



LOCATION: São Tomé: 0°13' N and 6°37' E. Príncipe: 1°37' N and 7°24' E.  
TERRITORIAL SEA LIMIT: 12 miles.

By 1994, Trovoadá was forced to again dissolve the government amid continued protests. The PDC-GR was increasingly seen as corrupt and complacent, but Trovoadá was viewed with equal skepticism. After firing Alegre, Trovoadá appointed a new prime minister from the PDC-GR, but the PDC-GR refused to acknowledge the president's right to do so, expelled the prime minister from the party, and refused to participate further with the government. In response, Trovoadá announced new elections for 2 October 1994. The MLSTP won 27 seats; the PDC-GR, 14; and the Independent Democratic Action Party, 14. Carlos Alberto Monteiro Dias da Graça was appointed prime minister. Regional elections

were held on Príncipe in March 1995, resulting in a commanding majority for the MLSTP.

A bloodless coup in August 1995 led by five Army officers temporarily disbanded the government, but international pressure reversed the coup and by year's end, a new government of national unity was created, headed by Prime Minister Armindo Vaz d'Almeida. In June 1996, Trovoada won presidential elections, taking 52% of the vote to (MLSTP) Manuel Pinto Costa's 48% in a rerun. The election was deemed generally free and fair by international observers, despite allegations of an unconstitutional modification of the voter lists between the first and second rounds. In September, the prime minister resigned and was replaced, after much infighting, by Raul Vagner de Conceição Bragança Neto. In March 1998 the civil service went on strike, the first since independence, demanding payment of six months of wage arrears, but government coffers were then said to be empty. Demobilized soldiers threatened to destabilize the country, demanding financial benefits provided for by a pact that ended the 1995 coup.

In the 8 November 1998 election, the MLSTP took 31 of the 55 parliamentary seats. The ADI won 16 and the PCD-GR, 8 seats. After Trovoada's veto of the first cabinet, Prime Minister Guilherme Posser da Costa formed a government in January 1999, announcing an austerity program to relaunch the economy and end corruption.

On 3 September 2001, a relatively unknown wealthy businessman, Fradique Melo Bandeira de Menezes, became São Tomé and Príncipe's third president as the result of free and fair elections held in July. Barred from seeking a third term, President Trovoada needed a successor who would protect his political and financial interests. It was widely speculated that Trovoada and his son Patrice believed they could control de Menezes from behind the scenes. De Menezes adopted a widely popular platform, ran a successful campaign, and gained enough votes on the first round to defeat Manuel Pinto da Costa, the candidate of the Movimento de Libertacao de São Tomé e Príncipe-Partido Social Democrata (MLSTP-PSD).

Despite de Menezes' efforts to clean up government and to eradicate poverty, instability and corruption continued to undermine social and economic progress in the period 2002–2006. Much of the instability could be attributed to the islands' inherently unstable governance structure—there have been seven prime ministers since 2001—and to the intense political competition related to the discovery of oil, auctioning of oil blocks, and desire to control revenues.

In March 2002, legislative elections were held eight months ahead of schedule resulting in a divided parliament with no party winning a majority. The unity government formed afterwards, which had been agreed to prior to the election, proved fractious and weak. Efforts to strip the president of his powers including his right to renegotiate an oil agreement with Nigeria, were rebuffed. A decision to call for fresh legislative elections was reneged upon, and in April 2003, riots broke out resulting in one death and much damage to public property.

A military coup on 16 July 2003 led to the deposing of de Menezes, who was in Nigeria at the time, and the arrests of the senior members of government. However, the president and cabinet were reinstated following international pressure and an agreement that a new government be formed with oversight over governmental

affairs by an international committee. In October, the first oil licensing round was held, but only one block was awarded to a consortium of American and Norwegian companies.

In September 2004, de Menezes dismissed the government of Maria das Neves over a corruption scandal. The successor government became embroiled in a similar scandal involving embezzlement at the government's aid agency, Gabinete de Gestao da Ajuda. Five more oil blocks were awarded in April 2005, but the process was marred by allegations of corruption in the adjudication process. A public sector strike in June 2005 led to the resignation of Vaz de Almeida; central bank governor Maria do Carmo Silveira was appointed the new prime minister. In July, President de Menezes called for a referendum on the country's constitutional form of government. The referendum sparked controversy, but had been agreed to as a condition in a memorandum of understanding signed by the president and party representatives in 2003. Nevertheless, on 24 November the National Assembly rejected the motion for a referendum by 45 votes to 5. General elections were held March 2006, with the coalition of MDFM-PCD winning 37% of the vote and 23 seats in the National Assembly; Tome Vera Cruz became the prime minister on 21 April 2006. MDFM is the Force for Change Democratic Movement (MDFM) and PCD is the Party for Democratic Convergence.

### **13 GOVERNMENT**

On 12 July 1975, São Tomé and Príncipe, formerly considered overseas territories of Portugal, became an independent democratic republic. The constitution, drafted by a constituent assembly, took effect on 12 December 1975. The president was chief of state, elected by the 40-member National Assembly for a term of four years. The prime minister, who was elected to a five-year term by the National Assembly on the recommendation of the MLSTP, appointed and headed the cabinet. District popular assemblies elected in August 1985 chose the members of the National Assembly, which elected Pinto da Costa to a third term as president on 30 September 1985. The MLSTP had been the sole legal political party until 1990. A new constitution announced by da Costa in 1989, was adopted by the National Assembly in April 1990, approved in an August referendum, and went into force in September 1990.

Under the 1990 constitution, the president is elected for a maximum of two five-year terms, and is nominally in charge of foreign affairs and defense. The prime minister is chosen by the National Assembly and approved by the president. Members of the 55-member National Assembly serve a four-year term. Suffrage is universal at age 18. Parliamentary elections were held March 2006 with presidential elections scheduled for July 2006.

The power-sharing configuration of government presents a pattern for political conflict that appears to be well-established. Under the country's semi-presidential system, the president must form a government with the opposition. Both presidents Trovoada and de Menezes were embroiled in conflicts with parliament largely stemming from the vague constitutional separation of powers.

### **14 POLITICAL PARTIES**

On 15 October 1974, the government of Portugal recognized the Movement for the Liberation of São Tomé and Príncipe (Movimento de Libertação de São Tomé e Príncipe—MLSTP) as the sole

legitimate representative for the islands. The party, formed in exile in 1960, at a Pan-African conference in Ghana, originally called itself the Committee for the Liberation of São Tomé and Príncipe (Comité de Libertação de São Tomé e Príncipe—CLSTP). In 1965, CLSTP publicly demanded independence and economic reforms for the islands. At a conference in Guinea in 1972, the CLSTP changed its name to the MLSTP and moved its headquarters to Gabon. Until the declaration of 15 October 1974, the MLSTP remained partially underground and in exile, expressing itself through a legal party, the Pro-Liberation Movement Association, led by the poet Alda de Espírito Santo. After independence, the MLSTP became the only political party. Until 1991, Manuel Pinto da Costa was secretary-general of MLSTP and president of the republic.

With the legalization of opposition party activity, several politicians returned from exile to organize their followers. Miguel Trovoadá, an MLSTP founder who had been exiled after challenging da Costa's leadership, formed the Democratic Convergence Party-Group of Reflection (PCD-GR) and, in the 1991 elections, it captured control of the National Assembly and the presidency. The Democratic Opposition Coalition (CODO) and the Christian Democratic Front (FDC), and other parties together captured 15% of the vote for the legislature.

In December 1992, the MLSTP came back to score a series of landslide victories in municipal and regional elections. It took control of six of the eight regional governing bodies. In the 1994 elections, the MLSTP solidified its control, taking 27 of the 55 seats. The PCD-GR took 14, as did the Independent Democratic Action Party. Only 42% of registered voters turned up. There was a bloodless and short-lived coup amid massive popular unrest due to wage stagnation in 1995. The military leaders held power only briefly before returning the civilian government to power. In 1996, a government of national unity headed by Prime Minister Armindo Vaz d'Almeida was inaugurated.

Nine parties contested the 8 November 1998 parliamentary elections. The MLSTP further solidified its parliamentary grip to 31 seats. The Independent Democratic Action Party (ADI) increased its seats to 14, whereas the PCD-GR got only 8 seats. São Tomé and Príncipe was one of 15 countries whose politicians formed the Union of African Parties for Democracy and Development (UAPDD) in Namibia in October 1998, aimed at promoting the interests of the continent.

In the July 2001 presidential elections, de Menezes benefited from the support of the Independent Democratic Action Party (ADI), the country's largest, but comparatively weak opposition, and five other political forces including the PCD, UNDP, Codo, PRD, and the PPP. Under the country's semi-presidential formula, the dominant parties in the parliament wield considerable powers. Therefore, although this coalition reflected the self-interests of the leaders of these political entities, it assured de Menezes of a constituency sufficient to score 56.3% to 39% of the vote over Pinto da Costa. Three other opposition figures took 5% of the vote.

On 3 March 2002, São Toméans went to the polls to elect a new parliament. The results ended in a deadlock for the MLSTP-PSD, which gained 39.6% of the vote, and Force for Change Democratic Movement (MDFM-PCD), which took 39.4% of the ballots. Ue-Kedadji coalition received 16.2%. The number of seats by party was: MLSTP-PSD 24, MDFM-PCD 23, Ue-Kedadji coalition 8.

In the run-up to the March 2006 elections, the two main opposition parties—the Force for Change Democratic Movement (MDFM) and the Party for Democratic Convergence (Partido de Convergencia Democrática—PCD) announced a renewal of their alliance. It remained to be seen whether smaller parties would join them. The Ue-Kedadji coalition (comprised of the ADI, PRD, Uniao Nacional para Democracia e Progresso—UNDP, Codo, and Partido Popular do Progresso—PPP) remained split over the announcement by the ADI in October 2005 that it intended to contest the elections on its own. An outright victory by the MLSTP-PSD, which had been predicted, and which would have ensured a more stable governance arrangement, was not realized in the March 2006 elections. Instead, the MDFM-PCD won 37% of the vote and 23 seats to MLSTP's 28.9% and 19 seats. ADI won 20% and 12 seats.

## 15 LOCAL GOVERNMENT

São Tomé and Príncipe is divided into two provinces, corresponding to the two islands, and seven counties, of which six are on São Tomé, each governed by its own assembly. Príncipe was granted political and administrative autonomy, which it has exercised since 29 April 1995.

## 16 JUDICIAL SYSTEM

The accord signed on 26 November 1974 between the Portuguese government and the MLSTP served as the legal code in the islands until 12 December 1975, when a new constitution was formally implemented.

The present legal system, based on Portuguese law and customary law, provides for an independent judiciary and affords litigants in civil cases the right to a fair public trial and a right to appeal. It affords criminal defendants a public trial before a judge as well as legal representation. A shortage of trained lawyers, however, makes implementing this right difficult. The highest court is the Supreme Court, which is appointed by and accountable to the National Assembly.

## 17 ARMED FORCES

A small citizen's army was formed by the MLSTP government after Portuguese troops were withdrawn. There are also several hundred Angolan troops.

## 18 INTERNATIONAL COOPERATION

São Tomé and Príncipe, admitted to the United Nations on 16 September 1975, takes part in ECA and several nonregional specialized agencies, such as the FAO, the World Bank, the ILO, UNESCO, UNIDO, and the WHO. The nation is also a member of the ACP Group, the African Development Bank, G-77, the Alliance of Small Island States (AOSIS), the New Partnership for Africa's Development (NEPAD), and the African Union. The country has observer status in the WTO. São Tomé and Príncipe is part of the Nonaligned Movement. In environmental cooperation, the nation is part of the Convention on Biological Diversity, CITES, the

Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

São Tomé and Príncipe is one of the poorest countries in the world. It is not self-sufficient in food, and imports 90% of its supply. The economy is based on cocoa-producing plantation agriculture, but the fall of cocoa prices since the early 1980s has created serious problems for the government. One consequence of the price decline was the abandonment of postindependence socialist-style economic policies in favor of market-style policies.

Since 1987, economic policy was driven by a World Bank and IMF-sponsored structural adjustment program with the objective of weaning the economy of its dependence on cocoa exports and foodstuff imports. Since 1991, the government has imposed fiscal and economic austerity measures, continued to devalue the currency, reformed the banking sector, raised electricity and fuel prices, and continued to privatize the nonagricultural sector. In 2000, the country became eligible for \$200 million in debt relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative, and international donors pledged additional aid in 2001. The country was expected to benefit from another round of HIPC debt relief in 2006, to help bring down the \$300 million debt burden. In 2005, the government signed on to a new three-year IMF Poverty Reduction and Growth Facility (PRGF) program worth \$4.3 million.

Although the economy contracted in real terms in 1990 and 1991, slow growth resumed in 1992 and continued through the rest of the 1990s. It stood at 4% in 2001, and had risen to an estimated 6% by 2005. Offshore oil production, the diversification of agriculture, and the promotion of tourism were the government's goals for economic growth in 2006. The development of petroleum resources in its territorial waters in the oil-rich Gulf of Guinea, in a 60–40 split with Nigeria, leaves São Tomé and Príncipe optimistic about the future. The first production licenses were sold in 2004, although a dispute over licensing with Nigeria delayed São Tomé and Príncipe's receipt of more than \$20 million in signing bonuses for almost a year.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 São Tomé and Príncipe's gross domestic product (GDP) was estimated at \$214.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,200. The annual growth rate of GDP was estimated at 6%. The average inflation rate in 2005 was 15.1%. It was estimated that agriculture accounted for 16.7% of GDP, industry 14.8%, and services 68.4%.

According to the World Bank, in 2002 remittances from citizens working abroad totaled \$1 million or about \$6 per capita and accounted for approximately 2.0% of GDP.

It was estimated that in 2004 about 54% of the population had incomes below the poverty line.

## 21 LABOR

Agriculture and fishing support most of the population. Laborers for the plantation sector come from mainland Africa and Cape Verde on a contract basis; Angola, Mozambique, and Nigeria are the major sources of contract labor. Plantation laborers gained a 400% wage increase on the eve of independence. Soon after, labor disruptions and the reorganization of production reduced the output of plantation crops. There is no numerical data available as to the size of the country's workforce, its occupational breakdown, or the unemployment rate.

Unemployment can reach up to 50% of the workforce, largely because of the unpopularity of plantation work among the Fôrros. Unrelated to the former sole union (an affiliate of the MLSTP), or any political party, the Independent Union Federation (IUF) was formed in 1992 to take advantage of freedom of association provisions now in the constitution. Workers may organize and bargain collectively. However, the IUF has had little luck in organizing the workers on the large state-owned plantations. The government remains the primary mediator for labor, even though privatization has reduced the relative role of the government as an employer.

While the minimum age for employment is legally set at 18, children occasionally do work, especially on state-run plantations. Conditions on the largest state-owned plantations—the nation's largest job sector—have been described as “medieval.” The free housing and medical care, which the workers are promised, are inadequate. Food and clothing, supposed to be provided at low cost in “company stores,” are typically more expensive than on the open market. Safety and health regulations are ineffectually enforced. The minimum wage is legally set at \$14 per month. The workweek is set at 40 hours, but this is only practiced in the modern economic sector.

## 22 AGRICULTURE

Plantation agriculture has long dominated the economy of the islands. In 2003, there were 55,000 hectares (96,400 acres) of farmland planted with permanent and seasonal crops. Before nationalization in 1975, private companies owned more than 80% of the arable land. Their plantations were managed by São Tomé mestiços, Cape Verdeans, and São Tomé Europeans. The rest of the arable land was owned by about 11,000 small proprietors. The nationalization law limited the private holdings to 100 hectares (247 acres) and reorganized 29 plantations into 15 state companies. In 1985, however, the government began legally recognizing the right of individual families to cultivate land within the state plantations. The two largest plantations were leased to European management in 1986.

A variety of microclimates enables the cultivation of diverse tropical crops, but soils are especially suited for cocoa (introduced from Brazil in the late 19th century), which is the major export crop. About half of all cultivated land is used for cocoa production. Labor disruptions, a reduced workweek, inadequate investment in repair and maintenance, and the use of worktime to conduct management and cooperative training programs combined to lower the cocoa output from 10,000 tons in 1975 to 3,900 tons in 1987. Production of cocoa was about 3,500 tons in 2004. Cocoa exports accounted for about 90% of export earnings. Coconuts are the second most important crop; production in 2004 totaled



about 28,500 tons. Other agricultural products in 2004 were palm kernels, 2,000 tons; bananas, 27,900 tons; cassava, 5,800 tons; and cinnamon, 30 tons.

Since 1990, economic policy has been driven by a World Bank and IMF-sponsored structural adjustment program aimed at diminishing the dependence on cocoa exports and food imports. The program called for fundamental land reform and accompanying measures to stimulate cultivation of food crops for local consumption.

### 2<sup>3</sup> ANIMAL HUSBANDRY

The livestock sector, largely pigs, was plagued by African swine fever once in 1979 and again in 1992, necessitating the destruction of the entire herd of some 30,000 animals. Disease severely affected chicken and egg production in 1993. There is no tsetse-borne disease in São Tomé, but production is limited by tuberculosis. In 2005 there were an estimated 4,600 head of cattle, 3,000 sheep, 5,000 goats, and 2,500 pigs.

### 2<sup>4</sup> FISHING

The Angolare community of São Tomé supplies fish to the domestic market. In 2003, the catch was 3,283 tons. Between 1976 and 1983, substantial investments were made in fishing by the government, but the investment has not significantly contributed to GDP; rather, it has exacerbated a nearly unsustainable debt service burden. European Union (EU) vessels catch tuna in island waters under license. There are also fishing agreements with Angola and Portugal. Foreign assistance has focused more recently on artisanal fishing.

### 2<sup>5</sup> FORESTRY

About 27% of São Tomé and Príncipe is covered with primary, though inaccessible, forest. Wood is used on the plantations for fuel to dry cocoa beans and elsewhere as a building material. Unrestricted cutting has been the rule in spite of the legal sanctions against it. In 1993, new forest regulations were issued and guards were trained to enforce them. Reforestation and scientific foresting have been enforced to avoid further loss. Roundwood removals were estimated at 9,000 cu m (317,700 cu ft) in 2004.

### 2<sup>6</sup> MINING

The mineral industry was not significant in the islands, and mineral wealth remained largely unexplored. Lime deposits were exploited for the local market, and small clay and stone open-pit operations supplied the construction industry.

### 2<sup>7</sup> ENERGY AND POWER

Hydroelectric facilities are on the Contador River on São Tomé. About 60% of São Tomé's 0.14 million kWh of electric power in 2002 were produced by hydroelectricity; the rest was thermal. Total installed capacity in the islands was 10,000 kW in 2002. Demand for electric power in 2002 totaled 0.013 million kWh. Most of São Tomé is electrified, but only a quarter of the nation's households have electricity.

São Tomé has no proven reserves of oil, natural gas, or coal, nor any refining capacity. All fossil fuel needs are met by imports of refined oil products. In 2002, imports and demand each averaged 630 barrels per day. Distillates and gasoline comprised the bulk

of these imports, at 430 barrels per day and 140 barrels per day, respectively.

### 2<sup>8</sup> INDUSTRY

São Tomé has very little industry; the industrial sector constituted only 14.8% of the GDP in 2005. Light construction items—textiles, soap, beer, fish, bread, and palm oil—are produced on the islands. Manufacturing declined by two-thirds between 1987 and 1998, while industry as a whole grew. The development of oil resources in its territorial waters promises a new addition to the industrial sector. In January 2006, Chevron Corp. began exploration drilling in the Gulf of Guinea on a block jointly owned by São Tomé and Nigeria.

### 2<sup>9</sup> SCIENCE AND TECHNOLOGY

The Ministry of Agriculture maintains a library in São Tomé. The Center of Technical and Scientific Documentation, also in São Tomé, has an extensive library of specialized documents on agriculture and fisheries.

### 3<sup>0</sup> DOMESTIC TRADE

The landholding population of São Tomé and Príncipe grows some produce for the local market, but not on a large scale. Similarly, the Angolare population of São Tomé supplies fish to the local market. However, domestic agriculture and industry are not sufficient to fully supply local consumption, causing the country to rely heavily on imports for most goods. The port towns of São Tomé and Santo António are the principal commercial and distribution centers.

Business hours are Monday through Friday, 7:30 AM to 4:30 PM.

### 3<sup>1</sup> FOREIGN TRADE

São Tomé and Príncipe's trade balance depends on price levels for cocoa, which accounts for about 90% of export earnings. Copra is also exported. The value of imports was four times that of exports in 2006. The leading imports are machinery and electrical equipment, food, and petroleum products.

In 2004, the country's primary export partners were: the Netherlands (37.3%); China (12.8%); Belgium (7.6%); Germany (6.6%); Poland (5.3%); France (5%); and Brazil (4.1%). The ma-

#### Principal Trading Partners – São Tomé and Príncipe (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	6.6	42.2	-35.6
Netherlands	2.6	0.2	2.4
Portugal	2.4	26.8	-24.4
Belgium	1.0	4.9	-3.9
France-Monaco	0.3	0.6	-0.3
United States	0.2	...	0.2
Angola	0.1	4.2	-4.1
South Africa	0.1	0.2	-0.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

for import partners were: Portugal (52.3%); Germany (9.5%); the United States (6%); the Netherlands (4.8%), South Africa (4.3%); and Belgium (4.1%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Since the country cannot supply enough food and clothing for its own people, imports remain high, while export revenues vary according to world agricultural prices. There is also an outflow of remittances for workers employed under contract from abroad.

In 2005, exports were valued at an estimated \$8 million, with imports valued at \$38 million. That year, the current-account balance was estimated at -\$19 million.

### 3<sup>3</sup> BANKING AND SECURITIES

The Banco Nacional de São Tomé e Príncipe is the central bank and also handles commercial banking. The Caixa de Crédito is a government savings and loan institution serving industry, agriculture, and housing. There is also a postal savings bank. There is no stock exchange.

In mid-February 1997, the central bank announced it would circulate new banknotes and coins worth \$29 million during the second quarter of 1997, with higher denominations. The new money has become necessary due to persistent high inflation. Inflation reached 20% in 1998. In 1999, several senior central bank officials were dismissed in connection with the embezzlement of \$1 million. The bank governor himself was dismissed on suspicion of corruption, and a government investigation of the bank led to the resignation of a finance minister.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$10.8 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$17.8 million. The discount rate, the

interest rate at which the central bank lends to financial institutions in the short term, was 15.5%.

### 3<sup>4</sup> INSURANCE

A national insurance and reinsurance company was founded in 1980. There is also an insurance fund for civil servants.

### 3<sup>5</sup> PUBLIC FINANCE

In 1987, the government instituted an IMF structural adjustment program to encourage private sector growth. This goal has been the focus of economic reform since the early 90s. São Tomé and Príncipe has traditionally received foreign aid from the UN Development Program, the World Bank, the EU, Portugal, Taiwan, and the African Development Bank. In late 2000, the country qualified for enhanced debt relief through the IMF's Heavily Indebted Poor Countries (HIPC) Initiative.

The US Central Intelligence Agency (CIA) estimated that in 2005 São Tomé and Príncipe's central government took in revenues of approximately \$26.3 million and had expenditures of \$59.4 million. Revenues minus expenditures totaled approximately -\$33.09 million. Total external debt was \$318 million.

### 3<sup>6</sup> TAXATION

Export and import taxes, customs duties, and sales tax are the main sources of revenue from taxation. Income tax accounted for only 7% revenue in 1985. In 1997, the government began a program to improve tax collection. In 2002, remarkable increases in tax revenue were reported. A larger issue was the politics of allotting the country's offshore oil fields for development. Production was projected to begin in 2006 or 2007, bringing a new level of wealth. In July 2003, the military took over the government while the president was out of the country.

### 3<sup>7</sup> CUSTOMS AND DUTIES

All imports require a license. Customs duties are levied, but recent information on rates and dutiable items is not available. In 1987, a state enterprise marketed all exports and imports of 12 basic commodities.

### 3<sup>8</sup> FOREIGN INVESTMENT

Since independence, investments have been minimal. An investment code adopted in 1986 allows free transfer of profits, dividends, and liquidated assets, as well as exemption from export duties. Some investors may qualify for tax and import-duty exemptions. As of 2005, investors had to pay 27.4% of gross profit in taxes.

In 1999, the government granted Island Oil Exploration Limited the right to develop an offshore logistics center and port to support future oil and gas operations. The government also hopes for investment in the tourism sector. From 1997 to 2000, annual foreign direct investment (FDI) inflow increased from \$100,000 to \$2.2 million. In 2001, FDI inflow declined to \$1.1 million. FDI as a percentage of GDP rose from 8.17% in 2000 to 16.81% in 2003. In 2003, the total stock of inward FDI was \$28 million.

#### Balance of Payments – São Tomé and Príncipe (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>-22.8</b>
Balance on goods	-22.9	
Imports	-28.0	
Exports	5.1	
Balance on services	-0.0	
Balance on income	-4.7	
Current transfers	4.9	
<b>Capital Account</b>		<b>12.1</b>
<b>Financial Account</b>		<b>3.7</b>
Direct investment abroad	...	
Direct investment in São Tomé and Príncipe	3.0	
Portfolio investment assets	...	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	-0.3	
Other investment liabilities	0.9	
<b>Net Errors and Omissions</b>		<b>-0.0</b>
<b>Reserves and Related Items</b>		<b>7.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

With the help of the United Nations Development Programme, the government hopes to stabilize cocoa production through long-lease arrangements with private-sector management companies. A shift to black pepper and arabica coffee could revitalize the coffee sector. Food self-sufficiency depends on the success of the government's policy of turning fringe cocoa land over to mixed-agriculture family farmers. Projects to export plantains, cocoyam, and citrus fruits to Gabon are under study. The pork herds are to be reestablished. The fishing, forestry, and tourist industries are being revitalized. The government plans to promote the development of additional food-processing and construction material industries, as well as to improve the paved road network.

A three-year International Monetary Fund (IMF) agreement approved in 2000 provided for the reduction of public service employees, the organization of ports and customs, and the privatization of government industry, in order to help alleviate the growing debt. Also in 2000, the country became eligible for \$200 million in debt service relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative. São Tomé expected to benefit from an addition round of HIPC debt relief in 2006. In 2005, the country signed on to a \$4.3 million three-year IMF Poverty Reduction and Growth Facility (PRGF) program. Privatization of the state-owned agricultural and industrial sectors has been a government priority. The development of petroleum resources in the Gulf of Guinea began in 2004 with the sale of production licenses. In January 2006, Chevron Corp. began exploration drilling on a block jointly owned by São Tomé and Nigeria.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

A national social security system was initially set up in 1979, and was amended in 1990. Old age, disability, and survivorship benefits are paid to all employed persons, including civil service and the military. There are also sickness and maternity benefits, worker's compensation, and a voluntary program for the self-employed. Retirement is set at age 62 for men and age 57 for women.

Women enjoy constitutional equality with men, and some have been government ministers, but in general they are limited to a subordinate role by the traditional culture. Female literacy is much lower than that of men, and women are underrepresented in the professions. Traditional views inhibit women from seeking redress for domestic abuse and violence. Economic opportunities are further limited to women due to a very high teenage pregnancy rate.

Human rights were generally well respected, although the country suffers from an inefficient judicial system and harsh prison conditions.

### 4<sup>1</sup> HEALTH

The government hopes that crop diversification will help alleviate malnutrition, which continues to plague the country. Tuberculosis is still present in the country. Approximately 57% of the country's children had been vaccinated against measles.

In 2004, there were an estimated 47 physicians, 127 nurses, 30 midwives, and 5 dentists per 100,000 people.

The mortality rate for children under five years old was 82 per 1,000 live births. The infant mortality rate was estimated at 43.11 per 1,000 live births in 2005 and life expectancy at 66.99 years. The total fertility rate was an estimated 5.9 children for each woman during her childbearing years. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 42.3 and 7.3 per 1,000 people.

### 4<sup>2</sup> HOUSING

Housing on the islands varies greatly, from the estate houses of the plantation headquarters to the thatch huts of the plantation laborers. Some town buildings are wooden; others are mud block with timber, as are plantation-labor dormitories. At the 2001 census, there were about 33,887 occupied dwellings. Of these, about 35% were built in 1975 or earlier. Wood, cement, and zinc are the most common building materials for walls, floors, and roofs.

### 4<sup>3</sup> EDUCATION

The school system before independence was basically the same as that of Portugal. Schooling is compulsory for four years only. Primary education is for four years and secondary has two stages: the first five years are followed by two more years. In 2001, about 25% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 98.5% of age-eligible students. The same year, secondary school enrollment was about 28.9% of age-eligible students. It is estimated that about 61% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 32:1 in 2003.

The Polytechnic Institute of São Tomé and Príncipe is a public institution, established in 1997. A private institution, Instituto Universitario de Contabilidade, Administracao e Informatica, was established in 1993. The adult literacy rate for has been estimated at about 79.3%, with 85% for men and 62% for women.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

São Tomé maintains libraries at the Center for Technical and Scientific Documentation (45,000 volumes) and the national assembly (1,000 volumes). A general National Museum was founded in 1976 and located in the Fortress of Saint Sebastian, constructed in 1585. Its exhibits are mainly of African and religious art.

### 4<sup>5</sup> MEDIA

In 2003, there were about 7,000 mainline telephones in use, with an additional 4,800 cellular phone subscribers.

The national government operates radio and television broadcasts in Portuguese. There were no independent radio or television stations as of 2005, but there is no law forbidding them. The Voice of America, Radio International Portugal, and Radio France International all rebroadcast locally. In 2002, there were five FM and one AM radio stations and two television stations. In 1997, there were about 38,000 radios and 23,000 television sets in use throughout the country. In 2003, there were 1,069 Internet hosts serving about 15,000 Internet subscribers.

In 2004, there were two government-owned newspapers. The *Diario da Republica* (1995 circulation: 500) is published weekly by

the government. *Notícias São Tomé e Príncipe* is also a weekly, with a 1995 circulation of 900. There were six independent papers and newsletters in 2004, publishing monthly or bimonthly.

The constitution provides for the freedoms of speech and of the press and the government generally respects these rights in practice.

#### 46 ORGANIZATIONS

Cooperative movements sponsored by the MLSTP function as part of the government's economic development program. The Youth Movement for the Liberation of São Tomé and Príncipe is a major youth organization for youth ages 15 to 24. There are some sports associations, such as the São Tomé and Príncipe Athletic Federation (track and field) and the São Tomé and Príncipe Football Federation. There are YMCA/YWCA branches in the country. The Red Cross and Caritas also have national chapters.

#### 47 TOURISM, TRAVEL, AND RECREATION

São Tomé and Príncipe's scenic beauty, wildlife, and unique historic architecture have the potential to attract tourists, but even though the islands have been a port of call for voyagers for centuries. Tourist facilities are minimal and restricted largely to the port towns and their environs. The first tourist hotel opened in 1986 and the government has encouraged greater private investment in the tourist sector. Two sports facilities opened in 1992. São Tomé has beautiful white sand beaches and a number of cof-

fee and cocoa plantations to explore. All visitors must have visas. A yellow fever vaccination certificate is required if traveling from an infected area.

#### 48 FAMOUS SÃO TOMÉANS

Rei Amador (d.1596), who rebelled against the Portuguese and almost overran the island in 1595, is a national hero. Alda de Espírito Santo (b.1926) is a poet and nationalist leader. Manuel Pinto da Costa (b.1937), the secretary-general of the MLSTP, became the country's first president on 12 July 1975, a post he held until his party was defeated in the elections of 1991. Miguel Trovoada (b.1936) succeeded Manuel Pinto da Costa as president; he served until 2001. Fradique de Menezes (b.1942) began his presidency in 2001.

#### 49 DEPENDENCIES

São Tomé and Príncipe has no territories or colonies.

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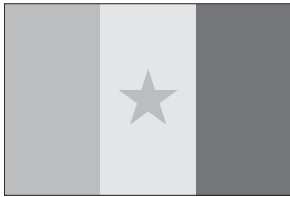
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# SENEGAL

Republic of Senegal  
*République du Sénégal*



**CAPITAL:** Dakar

**FLAG:** The flag is a tricolor of green, yellow, and red vertical stripes; at the center of the yellow stripe is a green star.

**ANTHEM:** Begins “Pincez, tous, vos koras, frappez les balafons” (“Pluck your koras, strike the balafons”).

**MONETARY UNIT:** The Communauté Financière Africaine franc (CFA Fr) is the national currency. There are coins of 1, 2, 5, 10, 25, 50, 100, and 500 CFA francs, and notes of 50, 100, 500, 1,000, 5,000, and 10,000 CFA francs. CFA Fr1 = \$0.00191 (or \$1 = CFA Fr522.78) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year’s Day, 1 January; Independence Day, 4 April; Labor Day, 1 May; Day of Association, 14 July; Assumption, 15 August; All Saints’ Day, 1 November; Christmas, 25 December. Movable religious holidays include ‘Id al-Fitr, ‘Id al-’Adha, Milad an-Nabi, Good Friday, Easter Monday, Ascension, and Pentecost Monday.

**TIME:** GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated on the western bulge of Africa, Senegal has a land area of 196,190 sq km (75,749 sq mi), extending 690 km (429 mi) SE–NW and 406 km (252 mi) NE–SW. Comparatively, the area occupied by Senegal is slightly smaller than the state of South Dakota. It is bordered on the N and NE by Mauritania, on the E by Mali, on the S by Guinea and Guinea-Bissau, and on the W by the Atlantic Ocean. Its westernmost point is also that of the African mainland. On the NE the boundary is set by the Senegal River, and on the E by the Falémé River. Senegal surrounds the long, narrow Republic of The Gambia on three sides. The total boundary length of Senegal is 3,171 km (1,970 mi), of which 531 km (330 mi) is coastline.

Senegal’s capital city, Dakar, is located on the Atlantic coast.

## <sup>2</sup> TOPOGRAPHY

The northern part of the Senegal coast has dunes from Cap Vert to Saint-Louis, but to the south are muddy estuaries. Behind the coast is a sandy plain, which extends north to the floodplain of the Senegal River. The Casamance region in the south, isolated from the rest of Senegal by the Republic of The Gambia, is low but more varied in relief, while to the southeast lie the Tamgué foothills, which rise to a maximum altitude of 581 m (1,906 ft). Much of the northwest of Senegal (known as the Ferlo) is semidesert, but the center and most of the south, except for the forest of Casamance, are open savanna country. The major rivers—the Senegal, Saloum, Gambie, and Casamance—flow from east to west.

## <sup>3</sup> CLIMATE

Temperatures are lowest along the coast and highest inland; rainfall is highest in the south and lowest in the north. The wet season, which lasts from June to October, is shorter in the north and longer in the south, especially near the southwest coast. The average

annual rainfall ranges from 34 cm (13 in) at Podor in the extreme north to 155 cm (61 in) at Ziguinchor, in the southwest. At Dakar, the average is 57 cm (22 in); at Tambacounda, in the interior, it is 94 cm (37 in). Temperatures vary according to the season, with the highest temperatures registered in the northeast. At Dakar, during the cool season (December–April), the average daily maximum is 26°C (79°F) and the average minimum 17°C (63°F); during the hot season (May–November), the averages are 30°C (86°F) and 20° C (68°F).

An unusually heavy season of rain beginning in August 2005 caused severe flooding in Dakar and the surrounding region. At least 50,000 people had to abandon their homes for makeshift shelters. Unsanitary conditions brought about by flood damage sparked a cholera epidemic that affected over 27,000 nationwide; at least 400 people died from the disease.

## <sup>4</sup> FLORA AND FAUNA

Vegetation varies in different areas of Senegal, depending on the average rainfall. The most tropical part of southern Casamance has mangrove swamps and remnants of high forest, including oil palms, bamboo, African teak, and the silk-cotton tree. The dry thornland of the northeast has spiny shrubs, especially acacia, including the gum-bearing species. Most of Senegal is savanna. Trees, which are widely spaced in this region, include the African locust bean, tallow tree, and gingerbread plum, along with cassias and acacias.

The lion and leopard are occasionally found in the northeast, as are chimpanzees, elephants, hippopotamuses, and buffalo. The wild pig, hare, guinea fowl, quail, and bustard are widely distributed. Insects and birds are abundant, and there are numerous lizards, snakes, and other reptiles. As of 2002, there were at least 192

species of mammals, 175 species of birds, and over 2,000 species of plants throughout the country.

## 5 ENVIRONMENT

Much of the land is threatened with desertification because of overgrazing, inadequately controlled cutting of forests for fuel, and soil erosion from overcultivation. In 2000, about 32.2% of the total land area was forested. Dakar suffers from such typical urban problems as improper sanitation (especially during the rainy season, when sewers overflow) and air pollution from motor vehicles. The nation has about 26 cu km of renewable water resources with 92% of annual withdrawals used for farming activity and 3% used for industrial purposes. About 90% of the nation's city dwellers and 54% of the people living in rural areas have access to improved water sources. Senegal's cities have produced about 0.6 million tons of solid waste per year. Important environmental agencies include the Ministry of Scientific and Technical Research, which is responsible for coordinating all research and development in Senegal.

Senegal has at least six national parks, covering about 4% of the country's total area; game in forest reserves is classified by law as partially or completely protected, but poaching remains a problem. As of 2003, 11.5% of Senegal's total land area was protected, including four Ramsar wetlands and two natural UNESCO World Heritage Sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 11 types of mammals, 5 species of birds, 6 types of reptiles, 18 species of fish, and 7 species of plants. Threatened species include the western giant eland and four species of turtle (green sea, olive ridley, hawksbill, and leatherback). The Sahara oryx has become extinct in the wild.

## 6 POPULATION

The population of Senegal in 2005 was estimated by the United Nations (UN) at 11,658,000, which placed it at number 71 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 42% of the population under 15 years of age. There were 97 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.6%, a rate the government viewed as too high, although progress has been made in reducing the fertility rate. The projected population for the year 2025 was 17,348,000. The population density was 59 per sq km (153 per sq mi).

The UN estimated that 43% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.61%. The capital city, Dakar, had a population of 2,167,000 in that year. Other important towns and their estimated populations are Thiès, 340,000; Kaolack, the peanut export center, 191,023; and Saint-Louis, 190,000.

## 7 MIGRATION

There is considerable seasonal migration between The Gambia and Senegal in connection with cultivation and harvesting of peanuts. Estimates of the number of Guineans who had fled to Senegal for political reasons ranged from 40,000 to more than 500,000,

but all apparently returned after a 1984 military coup in Guinea. Some Senegalese work in France; others have moved to other African countries in search of work, especially to Côte d'Ivoire. Since relations improved between Senegal and Mauritania in 1996, both countries agreed to the return of Mauritanian refugees. Also living in Senegal are some 50,000 French and Lebanese, about a third of whom have Senegalese nationality.

There was a significant increase in the number of Sierra Leonean asylum seekers due to the outbreak of fighting in Sierra Leone in 1999. Conversely, peace was restored in Guinea Bissau in that year, allowing hundreds of Bissau Guineans who sought refuge in Senegal to return home. In 2000, the number of migrants was 284,000, including 20,000 remaining refugees. Worker remittances for that year amounted to \$130 million, or 2.7 GDP. By the end of 2004, there were 20,804 refugees and 2,412 asylum seekers, mainly from Liberia. Refugees were primarily from Mauritania, as they had been since 1994. In 2004, over 7,000 Senegalese were refugees in Guinea-Bissau, and some 900 sought asylum, primarily in Gambia. In 2005, the net migration rate was an estimated 0.2 per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The largest ethnic group is the Wolof, who make up about 43.3% of the total population; they live mainly in the northwest. The Pular rank as the second-largest group, constituting 23.8% of the population. Closely related to the Wolof are the Serer (14.7%), in west-central Senegal, who are skilled peanut cultivators, and the Lebu, mostly fishermen and farmers, concentrated in the Dakar area.

Other important groups are the Diola of Casamance, making up 3.7% of the populace; the Mandinka, in the southeast and in Casamance, accounting for 3%; the Soninke constituting 1.1%; the Tukulor, who live predominantly in the northeast; and the Fulani (Peul) and Bambara, scattered throughout the country. Europeans and Lebanese make up about 1% of the total population; other various groups constitute the remaining 9.4%.

## 9 LANGUAGES

French, the official language, is the language of administration and of the schools. Indigenous languages are also widely spoken, the major ones being Wolof, Pulaar, Diola, and Mandingo.

## 10 RELIGIONS

Government reports indicate that about 94% of the people are Muslim, with members of the Tijaniya and Muridiya brotherhoods having great social, political, and economic influence. About 4% of Senegalese are Christians, including Roman Catholics and a number of Protestant denominations. The remaining 2% practice exclusively traditional indigenous religions or no religion at all.

The constitution provides for the freedom of religion and defines the country as a secular state. However, the government does offer grant money to religious organizations through an application process that is open to all. Registration is not required, but most organizations do so in order to obtain full legal status to conduct business. The government encourages and supports Muslim pilgrimages to the Mecca and Catholic pilgrimages to the Vatican.



LOCATION: 11°30' to 17°30' W; 12° to 17° N. BOUNDARY LENGTHS: Mauritania, 813 kilometers (505 miles); Mali, 419 kilometers (260 miles); Guinea, 330 kilometers (205 miles); Guinea-Bissau, 338 kilometers (210 miles); Atlantic coastline, 531 kilometers (330 miles); the Gambia, 740 kilometers (460 miles). TERRITORIAL SEA LIMIT: 12 miles.

Certain Muslim and Christian holidays are recognized as national holidays.

## 11 TRANSPORTATION

As of 2004, Senegal had 906 km (562 mi) of railroad, all narrow gauge and all owned by the government. The main lines run from Dakar to Thiès and thence to Kidira on the Mali border, and from Thiès to Saint-Louis. There are also branch lines from Guinguineo to Kaolack, from Louga to Linguère, and from Diourbel to Touba, serving the peanut-growing areas. Of Senegal's estimated 14,576 km (9,058 mi) of classified roads in 2000 (the latest year for which data is available), some 4,271 km (2,654 mi) were paved, including 7 km (4.6 mi) of expressways. There are modern roads from Dakar

to Thiès, Saint-Louis, and Matam, and from Dakar to Kaolack and on through The Gambia to Ziguinchor in Casamance. In 2000, there were 70,700 passenger cars and 68,800 commercial vehicles in the combined territory, Senegambia.

Favorably located at the westernmost point of the continent and possessing up-to-date equipment, Dakar is one of the largest deepwater seaports on the West African coast, a major import-export center and a port of call for freight and passenger ships. The port can accommodate ships of up to 100,000 tons. The Senegalese Maritime Navigation Co. (Compagnie Sénégalaise de Navigation Maritime—COSENAM), a river and ocean freight transport line in which the government has an 84% share, was founded in 1979. However, by 2005 there was no Senegalese merchant marine.

The Senegal River, which has a sandbar across its mouth, is navigable by shallow-draft vessels all year round from Saint-Louis to Podor (225 km/140 mi) and between August and October as far as Kayes in Mali (924 km/574 mi). It is closed to foreign ships. The Saloum is navigable by oceangoing vessels to the important peanut port of Kaolack, 114 km (71 mi) upriver. The Casamance River is navigable to Ziguinchor, although not without difficulty. As of 2003, Senegal had 1000 km (622 mi) of internal navigable waterways.

In 2004 there were an estimated 20 airports in Senegal, 9 of which (as of 2005), were paved. Dakar's Yoff International Airport, a West African air center, is served by many foreign airlines. Air France, Air Senegal, and Air Afrique maintain routes connecting Saint-Louis, Thiès, Ziguinchor, Kédougou, Tambacounda, and 10 other towns with secondary air fields. Air Senegal is 50% owned by the government and 40% by Air Afrique, in which Senegal also holds a 7% share. In 2003, about 130,000 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

Very little is known about the history of Senegal before the 16th century. The major feature seems to have been the gradual movement into Senegal of the Wolof and Sérér peoples from the northeast, who reached their present positions between the 10th and 15th centuries AD. At various times parts of Senegal were included in the empires of Tekkur, Ghana, and Mali. At the height of its power at the beginning of the 14th century, Mali controlled the Falémé and Upper Senegal. That century saw the emergence of the Jolof empire, controlling the six Wolof states of Jolof, Kayor, Baol, Walo, Sine, and Salum. In the middle of the 16th century, Kayor revolted and conquered Baol, but the other Wolof states continued to admit a shadowy suzerainty of Jolof. As the power of Kayor and Baol increased toward the end of the 17th century, however, Jolof power declined, probably because it was cut off by those states from access to the sea and European trading. The 18th and early 19th centuries were marked by struggles among the northernmost Wolof states and by sporadic Mauritanian attacks on them.

European activities in Senegal began with the arrival of the Portuguese at the Cap Vert Peninsula and the mouth of the Senegal River in 1444–45. The Portuguese enjoyed a monopoly on trade in slaves and gold until the 17th century, when they were succeeded by the Dutch, who virtually dominated all trade by 1650. The later 17th century brought the beginnings of the Anglo-French rivalry, which dominated the 18th century in Senegal as elsewhere. Throughout the 17th and 18th centuries, the main trading activities were the export of slaves and of gum arabic. Peanut cultivation by African peasants, the foundation of Senegal's modern economy, began in the mid-19th century.

French rule was confined to the old trading posts of Saint-Louis (founded in 1659), Gorée, and Rufisque until its expansion under the Second Empire, during the governorship of Gen. Louis Faidherbe (1854–65). The French occupation of Senegal was consolidated and extended under the Third Republic during the last three decades of the 19th century. In 1871, Senegal was again allowed to send a deputy to the French parliament, a right that had been abolished under the Second Empire. In the following decade, municipalities on the French model were established in Saint-Lou-

is, Gorée, Dakar, and Rufisque, and only the inhabitants of these towns took part in the elections of the deputy.

Between 1895 and 1904, a series of decrees consolidated eight territories into a French West Africa federation, of which Dakar became the capital. In 1920, a Colonial Council, partly elected by the citizens of the old towns and partly consisting of chiefs from the rest of Senegal, replaced the elected General Council previously established for the four towns. All the elected bodies were suppressed in 1940 but restored at the end of the war, and in 1946 Senegal was given two deputies in the French parliament. Under the constitution of 1946, the franchise was extended and a Territorial Assembly was established in Senegal. Universal suffrage was established in 1957. In 1958, Senegal accepted the new French constitution and became an autonomous republic within the French community.

On 17 January 1959, in Dakar, representatives of French Sudan (now Mali), Senegal, Dahomey (now Benin), and Upper Volta (now Burkina Faso) drafted a constitution for a Federation of Mali, but only the assemblies of French Sudan and Senegal ratified it and became members of the federation. The Mali Federation became a sovereign state on 20 June 1960, but conflicting views soon led to its breakup. On 20 August, the Legislative Assembly of Senegal proclaimed Senegal's national independence and announced its withdrawal from the federation. A new republican constitution was adopted on 25 August, and on 5 September, Léopold-Sédar Senghor was elected president and Mamadou Dia became prime minister, in effect retaining a position he had held since 1957.

After an attempt by Dia to avoid a vote of no-confidence in the National Assembly by calling out the national police, the legislature met in special session on 17 December 1962 and overthrew Dia's government by a motion of censure. Dia was arrested, and Senghor was elected by unanimous vote of the deputies as head of government. Less than three months later, the electorate approved a new constitution that abolished the post of prime minister and made the president both chief of state and head of the executive branch. A constitutional amendment in 1970 reestablished the office of prime minister, and Abdou Diouf, former minister of planning and industry, was appointed to the post on 26 February 1970. Dia, in detention since 1962, was released in March 1974 as part of an independence celebration.

Having been reelected president in 1968, 1973, and 1978, Senghor resigned as president at the end of 1980 and was succeeded by Diouf. In the summer of 1981, 2,000 Senegalese troops were sent to The Gambia to put down an attempted military coup there. The Confederation of Senegambia was constituted in February 1982 with Diouf as president. Under the terms of confederation, the two countries pledged to integrate their armed and security forces, form an economic and monetary union, and coordinate foreign policy, communications, and possibly other endeavors. The Senegambia agreement was dissolved on 30 September 1989. Diouf was elected to a full term as president on 27 February 1983, receiving 83.5% of the vote in a five-candidate contest. All parties were guaranteed equal access to the media, but the secret ballot was optional, and independent observers reported widespread electoral irregularities. The office of prime minister—constitutionally regarded as the president's successor—was once again abolished in April 1983.



The ruling Parti Socialiste Sénégalais (PS) was victorious in municipal and rural elections held in November 1984, although 12 of the 15 registered parties boycotted the polls. Diouf liberalized the political process and restructured his administration, making it less corrupt and more efficient. Government advocated modulated reform in the face of reactionary elements in the PS.

In the 1988 national elections, Diouf carried 77% of the vote and the PS took 103 of the 120 seats in the National Assembly. Despite a generally fair election, opposition protests escalated into rioting in Dakar. The city was placed under a three-month state of emergency. Diouf's principal opponent, Maitre Abdoulaye Wade of the Democratic Party, was among those arrested and tried for incitement. Afterwards, Diouf met with Wade and tensions eased.

In April 1989, a nationwide state of emergency was declared and a curfew imposed in Dakar after rioters killed dozens of Mauritians. Protesters had been enraged by reports of the killing of hundreds of Senegalese in Mauritania. Relations with Mauritania were broken and armed clashes along the border and internal rioting led to the expulsion of most Mauritians residing in Senegal. Diplomatic relations were reestablished in April 1992 and the northern border along the Senegal River was reopened.

In April 1991, Wade accepted the post of Minister of State in Diouf's cabinet. Diouf appointed Habib Thiam as prime minister on 7 April 1991, who then appointed the Council of Ministers in consultation with President Diouf.

Diouf and PS again won reelection in February 1993. His margin of victory, however, shrank to 58% versus 32% for Wade. The PS took only 84 seats in the May legislative elections and the PDS increased its representation from 17 to 27 seats. The Jappoo Leggeeyal Senegalese Party and the Democratic League won three seats each. Two other parties took the other three seats. Wade and other opponents denounced the elections as fraudulent, though international observers declared them generally free and fair. When the vice president of the Constitutional Court was murdered after the elections were officially certified, Wade and other PDS members were charged in the slaying. He and MPs with parliamentary immunity were later released. Political discontent followed these events and an opposition party demonstration in 1994 left six police officers dead and many civilians injured.

In November 1996, the government initiated a decentralization policy that devolved considerable political and administrative authority to the provinces. In July 1998, it undertook a major reshuffling of ministers and ministerial posts, and in November, it signed a peace accord with Guinea-Bissau that was intended to establish a buffer zone along the southern border. In keeping with the accord, the Senegalese army withdrew its 2,500 troops supporting then president, Joao Bernardo Vieira. Togolese, Gambian and Nigerian soldiers under ECOMOG replaced the Senegalese troops.

Since December 1983, the Movement of Democratic Forces of the Casamance (MFDC) has waged a low-level separatist war against the Senegalese government. The Movement splintered in 1991 and signed peace accords with the Senegalese government in 1991, 1993 and in December 1999 in Banjul. In 1992 and 1995, Senegalese warplanes bombed rebel bases in Guinea-Bissau suspected of providing safe havens and resupply points for the rebels. In March 1996, the two governments reached an accord. President Jammeh of The Gambia, who belongs to the same dominant Dio-

la ethnic group of the Casamance, and officials in Guinea-Bissau have mediated the conflict. Despite Abdoulaye Wade's campaign promises to end the insurgency through negotiations and military means, by June 2003 the fighting continued unabated. A deal reached in December 2004 has held up reasonably; but it could be undermined by in-fighting in the ruling PDS or between groups in the Casamance region.

In January 1999, the PS won highly controversial Senate elections by a landslide taking all 45 elected seats. However, a boycott by the two largest opposition parties undermined the Senate's credibility. The bill to create the Senate had been pushed through by the PS-dominated National Assembly in February 1998, thereby increasing the ruling party's representation. The voting rules also ensured a majority of PS politicians in the electoral college.

In April 2000, Abdoulaye Wade was inaugurated as Senegal's third president. The February-March elections were the first in Senegal's history to result in a change of government. Although Diouf won 41.3% of the vote on the first round, PS defectors Moustapha Niasse (AFP) and Djibo Leyti Ka (URD) threw their support behind Wade to give him 58.5% on the 19 March second round. His victory not only ended 40 years of rule by the Parti Socialiste, but it also ended speculation that Senegal's quasi-democracy was moribund. Using their cell phones, Senegalese youth called in results, which were broadcast by electronic media to prevent fraud.

Wade's record over his first three years in office was mixed. In December 2001, he became head of the Economic Community of West African States (ECOWAS), and the Union Economique et Monétaire Ouest-Africaine (UEMOA). In April 2002, Senegal hosted an international conference on the New Partnership for Africa's Development (NEPAD). As promised, he has begun building primary schools around the country. However, strikes by postal workers, bank employees, and teachers indicate considerable social unrest owing to unmet wage and benefits demands. The government's delay of local elections in the fall of 2001 and the replacement of elected officials with appointees (*délégations spéciales*) were widely criticized as antidemocratic.

Wade has also fallen out with some of the young bright stars with whom he rode to power in 2000. One example is Idrissa Seck. As prime minister, Seck claimed to know Wade's vision intimately; so he needed no prodding to work seamlessly with the president. Yet Seck's dismissal in April 2004 seemed questionable. In July 2005, he was arrested for inflating public contracts; when this spurred protests, he was jailed and then charged for undermining state security. Seck's supporters believed however that his travails were all political; that he had become influential in the PDS and announced his candidature for the 2007 presidential elections. All this, they argue, made him a threat to Wade's political ambition. In February 2006, Seck was released from jail after charges against him were dropped.

The Wade government released a poverty reduction strategy paper (PRSP) within the specified timeframe. It reduced the budget deficit, and improved relations with the IMF.

### 13 GOVERNMENT

Under the 1963 constitution, as amended, the president of the republic determines national policy and appoints the prime minister and his council of ministers. As presently constituted, the con-

stitution does not give the president the authority to dissolve the National Assembly or to veto legislation. However, if the National Assembly is requested to reconsider a measure it has enacted, the bill must be passed again by a three-fifths majority before it becomes law. The president also may ask the Supreme Court to rule on the constitutionality of a proposed law. With the consent of the president of the National Assembly and the Supreme Court, the president of the republic may submit any proposed law to national referendum. In his first two months of office, Abdoulaye Wade created a presidential council to coordinate and to execute policy decisions taken by his council of ministers.

Legislative power is exercised by the 120-member (formerly 140-member) National Assembly, elected to serve five-year terms. The Assembly elects the 16 members of the High Court of Justice from among its ranks. Members of the Council of Ministers may not be Assembly members, and are appointed by the prime minister in consultation with the president. The former senate, established in 1998, had 60 members, 48 elected by an electoral college (legislators and local, municipal and regional councilors), and 12 appointed by the president. Major opposition parties boycotted the Senate elections on 24 January 1999, and since 2001 it no longer functions. The next presidential election was due in 2007, and parliamentary elections soon thereafter. Wade seemed certain to run for reelection; and he would have to contend with younger politicians including Idrissas Seck.

#### 14 POLITICAL PARTIES

The Senegal branch of the French Socialist Party (SFIO) won the first postwar elections largely because its leaders constituted the only organized party that had contacts in all parts of the colony. It sought to establish political and juridical equality between French and Senegalese citizens. In 1948, however, its leaders, Ahmadou Lamine-Guèye and Léopold-Sédar Senghor, quarreled. Senghor left the SFIO and founded a new party, the Senegalese Democratic Bloc (Bloc Démocratique Sénégalais—BDS), which was based more in the rural areas than in the old communes, from which Lamine-Guèye derived his political support. The new party emphasized social and economic rather than juridical issues and geared its program closely to peasant interests and grievances. In 1951, it won both Senegalese seats in the French National Assembly and, in 1952, 43 of the 50 seats in Senegal's Territorial Assembly.

In the French National Assembly, Senghor had meanwhile taken a leading part in creating a new parliamentary group, the Overseas Independents (Indépendants d'Outre-Mer—IOM), emphasizing African and colonial problems. It was, however, confronted by another African party, the African Democratic Rally (Rassemblement Démocratique Africain—RDA), founded in October 1946 by African deputies hostile to the provisions of the constitution of 1946 regarding the overseas territories. Although the RDA substantially reduced the number of seats held by the IOM in the French parliament, in Senegal it made no inroads on the two established parties, the BDS and the SFIO.

Senghor and his associate Mamadou Dia secured overwhelming majorities at the parliamentary elections in 1956 and launched a campaign to unite all Senegalese parties. They faced the opposition of Lamine-Guèye, who sponsored a first attempt to create an African Socialist movement loosely associated with the SFIO, and

of the RDA leadership, which aimed at bringing about the unity of all parties within the RDA.

In 1956, Senghor's party, the BDS, was reorganized to become the Popular Senegalese Bloc (Bloc Populaire Sénégalais), which took a strongly nationalistic stance. In the Territorial Assembly elections in 1957, the first held under complete universal suffrage, it won 47 seats, while the SFIO won only 12. Lamine-Guèye and Senghor were reconciled in 1958 and their respective parties fused in April 1958 to form the Senegalese Progressive Union (Union Progressiste Sénégalaise—UPS). The UPS supported the new French constitution in the referendum of September 1958, and in the elections to the Senegal legislature in 1959 it won all 80 seats. After independence in 1960, the UPS remained the dominant political party. President Senghor was its secretary-general, and the party's National Council was responsible for major national policy decisions. In 1976, the UPS changed its name to the Senegalese Socialist Party (Parti Socialiste Sénégalais—PS), after joining the Socialist International.

There was no legal opposition party from 1966 until 1974, when Abdoulaye Wade obtained permission from Senghor to create the Senegalese Democratic Party (Parti Démocratique Sénégalais—PDS). The PDS won 17 Assembly seats in 1978, compared with 83 for the PS.

In 1981, the constitution, which had restricted the number of political parties to four, was amended to end all restrictions. In 1982, the government amended the electoral law for the legislature so that half the deputies would be elected on a basis of proportional representation, while the remaining members were chosen by direct suffrage. This helped the regime win the 1983 presidential and legislative elections in which Diouf received 83.5% of the votes cast. Presidential and legislative elections held in 1988 were marred by rioting in cities and minor conflicts in rural areas, but Diouf officially received 73.2% of the votes cast.

Seven parties contested the National Assembly elections of 9 May 1993. The PS won 84 seats; the PDS won 27; the Jappoo Leggeeyal ("Let Us Unite") Party and the Democratic League won three seats each; the Independence and Labor Party (PIT) won two seats; and the Senegalese Democratic Union/Renewal party got one.

Although many people have lamented Senegal's "stalled" democratic transition, democrats may be encouraged by the growth of party competition. From 1983 to 1993, the PDS increased its share of representation in the Assembly from 8 to 27 seats, while the number of PS seats declined from 111 to 84. In presidential elections over the same period of time, Abdoulaye Wade's percentage of the vote climbed from 15% to 32%, while Diouf's dropped from 83% to 58%. The number of officially recognized parties in Senegal has gone from one in 1973 to 26 in 1997. From 1978 to 1996, the number of parties contesting legislative elections went from 4 to 14.

In the February–March 2000 presidential elections, eight parties presented candidates. Diouf's PS enjoyed the support of several tiny parties, and a coalition of four parties known as the Convergence Patriotique (CP). The CP comprised the Bloc des Centristes Gainde (BCG) led by Jean-Paul Dais, the Parti Libéral Sénégalais (PLS), led by Ousmane Ngom, Serigne Diop's Parti Démocratique Sénégalais-Renovation (PDS-R), and the Parti Africain de l'Indépendance (PAI) of Majmouh Diop. The PAI was

once Marxist, while the three others emerged from splits in the PDS. On the other hand, Wade's PDS claimed the backing of the Pole de Gauche, a left-wing coalition of the And-jeff/Parti Africain pour la Démocratie et le Socialisme (AJ/PADS), and the Ligue Démocratique-Mouvement Travail (PIT).

However, the real difference in the outcome of the 19 March second round was the support of Moustapha Niassé (AFP) and to a lesser extent, Djibo Ka (URD), both defectors from the PS who formed their own parties. President Wade's subsequent appointment of Mr. Niassé as his prime minister all but confirmed the belief among Mr. Niassé's supporters that they were voting for a Wade-Niassé ticket. On the first round, Diouf obtained 41%, Wade 30%, Niassé 17%, Ka 7%, with four other candidates picking up the remaining 4% of the vote. Wade's second round alliance gave him an easy victory over Diouf with 58.5% of the vote.

The most recent parliamentary elections were held 29 April 2001 giving Wade's SOPI coalition an overwhelming victory with 89 seats to 11 for the AFP, 10 for the PS, and 10 for other parties. In the municipal and local elections 12 May 2002, Wade's coalition, the Convergence des actions autour du Président en perspective du 21ème siècle (CAP 21) captured a majority of the 433 posts. The opposition joined forces under the Cadre Permanent de Concertation (CPC), which included the Parti de l'indépendance et Travail (PIT), the Parti Socialiste (PS), the Union pour le Renouveau Démocratique (URD), and Alliance des Forces de Progrès (AFP). They attacked the government for failing to privatize the electric utility, for bungling groundnut sector reforms, and for mishandling relations with unions and multilateral lending institutions. The next elections were to be held in 2007.

## 15 LOCAL GOVERNMENT

Senegal's local administrative organization consists of ten regions—Fatick, Kaolack, Kolda, Ziguinchor, Tambacounda, Saint-Louis, Thiès, Diourbel, Louga, and Dakar—each headed by an appointed governor and an elected local assembly. The regions are divided into 28 departments, each headed by a prefect, who is assisted by two special secretaries. The departments in turn are divided into 99 districts (*arrondissements*), each headed by a subprefect. In rural areas the basic administrative unit is the rural community, usually made up of a group of villages with a total population of about 10,000.

In 1996, the assembly passed a comprehensive decentralization law that devolves significant authorities to lower levels of government for taxation, service delivery, and local management of resources, although implementation has been slow and uneven.

## 16 JUDICIAL SYSTEM

The High Council of the Magistrature, founded in 1960 and headed by the president, determines the constitutionality of laws and international commitments and decides when members of the legislature and the executive have exceeded their authority. A 16-member High Court of Justice, founded in 1962 and elected by the National Assembly from among its own members, presides over impeachment proceedings. The Supreme Court, founded in 1960, is made up of members appointed by the president of the republic on the advice of the High Council of the Magistrature. In June 1973, a Court of State Security was set up to deal with political offenses. Criminal cases are essentially subject to French

criminal law. Petty offenses are dealt with by justices of the peace in each department; ranked next in the judicial system are courts of first instance in each region. There are assize courts in Dakar, Kaolack, Saint-Louis, and Ziguinchor and a Court of Appeal in Dakar. There is also a military court system and a special court for the repression of the unlawful accumulation of wealth.

The constitution declares the independence of the judiciary, from the executive, the legislature and the armed forces. Judges are appointed by the president after nomination by the minister of justice. In practice, low pay and political ties make magistrates vulnerable to outside pressures.

Criminal defendants are presumed innocent until proven guilty and are afforded public trials, and the right to legal counsel, among other procedural rights. Muslims have the right to choose customary law or civil law for cases involving family inheritance.

The legal system is based on French civil law. In 1992 the Supreme Court was replaced by the Council of State for Administrative Questions, the Constitutional Council, and a Court of Appeals.

## 17 ARMED FORCES

Senegal's armed forces totaled 13,620 active personnel in 2005. The Army's 11,900 personnel included nine infantry or armored battalions, one artillery battalion, and one engineering battalion. The Navy had 600 members, whose major units were 10 patrol and two landing craft. The 770-member Air Force had no dedicated combat aircraft. Equipment included fixed wing transport, training and reconnaissance aircraft, and three support and two utility helicopters. There was also a paramilitary force of some 5,000 gendarmerie personnel. In 2005, the defense budget totaled \$99.6 million. Senegal supplied troops for service in four UN peacekeeping efforts. France maintains an estimated 1,100 military personnel in Senegal.

## 18 INTERNATIONAL COOPERATION

Senegal was admitted to the United Nations on 28 September 1960 and is a member of ECA and several nonregional specialized agencies, such as the FAO, IAEA, the World Bank, ILO, UNESCO, UNIDO, and the WHO. Senegal was a member of the UN Security Council in 1988–89. Senegal is a member of the ACP Group, the African Development Bank, ECOWAS, the Organization of the Islamic Conference (OIC), G-15, G-77, the WTO, the West African Economic and Monetary Union (WAEMU), the Community of Sahel and Saharan States (CENSAD), and the African Union. The nation is also a part of the Organization for the Development of the Senegal River (founded in 1975) and the Organization for the Development of the Gambia River (founded in 1978). Senegal remains in the Franc Zone. It was one of the founding governments of the New Partnership for Africa's Development (NEPAD).

Senegal has sent troops to Côte d'Ivoire as part of an ECOWAS peacekeeping force. The country has also offered support to UN missions and operations in Kosovo (est. 1999), Liberia (est. 2003), Burundi (est. 2004), and the DROC (est. 1999). Senegal is part of the Nonaligned Movement.

In environmental cooperation, Senegal is part of the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MAR-

POL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Senegal's economy is based on its agricultural sector, primarily peanut production, a modest industrial sector, and a growing services sector. Agriculture and the fishing industry, which employ over 70% of the population and accounts for two-thirds of export revenues; is highly vulnerable to declining rainfall, desertification, and changes in world commodity prices. When the first of a series of droughts struck in the latter part of the 1960s, the economy deteriorated rapidly. As of 2005, 45 years after achieving independence, Senegal's resource-poor economy remained fragile and dependent upon foreign donors for continued viability. The country became eligible in 2000 for \$800 million in debt relief from the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative.

In 1979 Senegal began a long term structural adjustment program under the direction of the World Bank, the IMF, and bilateral donors. The program was aimed at reducing government deficits, the rate of inflation, and the negative trade balance. The government carried out a major program of privatization of the parastatal enterprises, reducing or eliminating its holdings in 30 of the approximately 40 institutions targeted. Some success was realized and from 1991 to 1992 the economy grew 2.5% on average in real terms. However, due to depressed economic conditions, low world prices for its exports, and its lack of international competitiveness, Senegal failed to meet most of its 1992 structural adjustment targets. Consequently, the country sank deeper into debt and low or no growth was predicted for 1993. In February 1993 President Diouf was reelected for a seven-year term, and his socialist party won a large majority of the legislative seats later that year. In deference to the labor unions and a possibility of political unrest, the government's 1993 budget failed to cut civil service wages. In addition, implementation of legislation to allow employers more flexibility in making layoffs was postponed.

In January 1994, France devalued the CFA franc, causing its value to drop in half. Immediately, prices for almost all imported goods soared as the inflation rate hit 32%. The devaluation was designed to encourage new investment, particularly in the export sectors of the economy, and discourage the use of hard currency reserves to buy products that could be grown domestically. In the face of raising prices, thousands demonstrated against the government. The government responded by imposing temporary price controls in an effort to prevent price-gouging by local merchants and halt the sharp rise in inflation.

After the initial shock, the devaluation began to pay dividends. Senegal was also helped by debt rescheduling and over \$1.5 billion in financial aid from the World Bank and other international donors. In 1995, foreign assistance represented almost 40% of the government's budget. This inflow of foreign aid, which was closely tied to progress on donor mandated economic reforms, helped the economy grow at a rate of 4.5% in 1995 and 1996, and over 5% in through late 1990s. Between 2001 and 2005 GDP grew at an average annual rate of 5% with a high of 6.5% in 2003 and a low of 1.1% in 2001. The inflation rate, which rose to 32% in 1994, fell to 1.6% in 2005.

As of 2005, over 80% of GDP represented private activity, and significant parastatal companies had been privatized, including water, telecommunications, mining, and aviation. However, the government still remained the country's largest single employer. The information technology sector had experienced a boom, as Senegal became fully connected to the Internet in 1996 and Senegalese have become experienced users of that service. Tourism is increasingly a source of foreign exchange, although the fishing sector remained Senegal's chief earner of foreign exchange in 2003 accounting for 46% of exports.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Senegal's gross domestic product (GDP) was estimated at \$20.6 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,800. The annual growth rate of GDP was estimated at 6.1%. The average inflation rate in 2005 was 1.7%. It was estimated that agriculture accounted for 16.1% of GDP, industry 21.4%, and services 62.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$344 million or about \$34 per capita and accounted for approximately 5.3% of GDP. Foreign aid receipts amounted to \$450 million or about \$44 per capita and accounted for approximately 7.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Senegal totaled \$5.03 billion or about \$493 per capita based on a GDP of \$6.5 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.2%. In 2001 it was estimated that approximately 46% of household consumption was spent on food, 13% on fuel, 3% on health care, and 15% on education. It was estimated that in 2001 about 54% of the population had incomes below the poverty line.

## 21 LABOR

Senegal's workforce was estimated at 4.82 million for 2005. According to a 1990 estimate (the latest year for which data was available), 77% of the labor force was in agriculture. The unemployment rate was estimated at 48% in 2001. The unemployment rate among urban youth was placed at 40%.

Senegal's fundamental labor legislation is based on the French overseas labor code of 1952, which provides for collective agreements between employers and trade unions, for the fixing of basic minimum wages by the government on recommendation of advisory committees. The code also provides for paid annual leave and for child allowances. The right to strike is recognized by law, and there are special labor courts. The largest trade union organization is the National Confederation of Senegalese Workers, which since 1970 has been the official union affiliated with the ruling PS. Its major rival is the National Union of Autonomous Labor Unions of Senegal. The industrial workforce is almost totally unionized. Although the relative number of union members is small, they have

considerable political power due to their control of vital segments of the economy.

The minimum working age is 16, when minors may work in apprenticeships. The prohibition of child labor is strictly enforced in the formal sector, but somewhat less so in the informal and traditional economies. The labor law provides for a workweek of 40 to 48 hours and minimum occupational and safety and health regulations. However, these labor regulations are not effectively enforced outside of the formal economy. The minimum wage was \$0.37 in 2001.

## 2<sup>2</sup> AGRICULTURE

Most of Senegal lies within the drought-prone Sahel region, with irregular rainfall and generally poor soils. With only about 5% of the land irrigated, the heavy reliance on rainfed cultivation results in large fluctuations in production. About 70% of the working population is involved in farming. Agriculture (including forestry, livestock, and fisheries) accounts for 17% of GDP. Most Senegalese farms are small (1.5–2.4 hectares/3.7–5.9 acres), and about 60% are in the so-called Peanut Basin, east of Dakar. Much of the agricultural land is still tribally owned. Only about 13% of Senegal's total land area is cultivated; millet took up 27% of the cultivated land in 2004.

Since independence, the Senegalese government has developed a system of generally small cooperatives to rationalize agricultural production and marketing and to free the farmers from chronic indebtedness to private traders; these were replaced in 1984 by a network of "village sections" with financial autonomy. Parastatal agencies guarantee minimum prices of major agricultural crops, including peanuts, millet, sorghum, rice, and cotton.

In theory all peanuts are processed locally, and prices of processed peanut oil and other peanut products are set by parastatal agencies. Production of unshelled peanuts varies widely because of periodic drought, and production is frequently underreported because of unauthorized sales to processors in neighboring countries. In 2004, the reported production was 465,000 tons (95% for oil). Cotton, Senegal's other major export crop, is produced and marketed under the direction of the Society for the Development of Textile Fibers (Société de Développement des Fibres Textiles—SODEFITEX). Seed cotton production was 58,000 tons in 2004. Other oil seed crops in 2004 included sesame seed, 24,000 tons; palm kernels, 5,900 tons; and melonseed, 1,800 tons.

Production of food crops, some of which are grown in rotation with peanuts, does not meet Senegal's needs. Only in years of favorable rainfall does the country approach self-sufficiency in millet and sorghum, the basic staples. Production amounts in 2004 included (in thousands of tons): corn, 423; millet, 379; rice, 265; cassava, 180; and sorghum, 132. Market gardening takes place largely in the Dakar region and to a lesser extent around Thiès. Sugarcane, grown on about 8,000 hectares (19,700 acres), yielded 850,000 tons of sugarcane in 2004.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Raising livestock is a primary activity in the northern section of Senegal and a secondary one for farmers in the southern and central regions. Cattle are raised mainly by the Sérér and by nomadic Fulani. Sheep and goats are important in parts of the southwest. Cattle imported from Mauritania meet part of the nation's

meat requirements, but livestock are also exported to neighboring countries.

In 2005, the estimated livestock population included 3.1 million head of cattle; 4.7 million sheep; 4 million goats; 509,000 horses; 412,000 donkeys; 315,000 hogs; 4,000 camels; and 46 million poultry. The slaughter in 2005 yielded an estimated 47,800 tons of beef and veal and 32,000 tons of sheep and goat meat. Hides are exported or used in local shoe production and handicrafts; 9,550 tons of cattle hides were produced in 2005. Substantial quantities of cheese, butter, and canned and powdered milk are imported.

The poultry sector consists of a few commercial producers and an important informal sector that also raises the chicks produced by the commercial sector. Production of poultry meat totaled 65,300 tons in 2005. Egg production was 34,000 tons in 2005. In 1996, an outbreak of Newcastle disease disrupted local egg production, and producers began vaccinating chicks at the breeding farms. Due to the large size of the traditional poultry sector, there is always disease present.

## 2<sup>4</sup> FISHING

Senegal has a flourishing fishing industry, and Dakar is one of the most important Atlantic tuna ports. In 2003, fish exports amounted to \$282.7 million. The total catch in 2003 was 448,271 tons, 24% of it was round sardinella and 33% Madeiran sardinella.

## 2<sup>5</sup> FORESTRY

Senegal has about 6.2 million hectares (15.3 million acres) of classified forest, most of it in the Casamance region. Timber production is small, with firewood and charcoal being the most important forest products. About 6.04 million cu m (213 million cu ft) of roundwood was cut in 2004, of which about 87% went for fuel. Senegal is highly vulnerable to declining rainfall and desertification.

## 2<sup>6</sup> MINING

Phosphate rock, fertilizer, petroleum refining, and the production of construction materials were among the minerals produced by Senegal in 2004. Mining has taken on added importance for Senegal's economy in the postindependence era, with phosphate rock, phosphoric acid, fertilizer production, artisanal gold, and petroleum exploration playing key roles in the country's economy. In 2004, production of aluminum phosphate was estimated at 4,000 metric tons. Calcium phosphate production that same year was estimated at 1.8 million metric tons, up from 1.761 million metric tons in 2003. Calcium phosphate-based fertilizer production was 210,000 metric tons in 2004. In addition to the Taiba phosphate rock mine already exploited northeast of Dakar, the government has identified deposits at Matam, whose 40.5 million tons of reserves would likely remain unexploited under existing phosphate market conditions.

Salt output was estimated at 240,000 metric tons in 2004. Also produced were hydraulic cement, fuller's earth (attapulgitite) and other clays, natural gas, crude oil, limestone, and sand. The government's estimate of unreported gold production in 2004 was placed at 600 kg unchanged for 2002 and 2003. Many foreign companies had active exploration permits in Sabodala and Kanoumering, where Precambrian (Birimian) metamorphic rocks were exposed and significant reserves of gold have been reported. Iron ore reserves of 600 million tons have been identified in the Faleme, Fa-

rangalia, and Goto deposits, with a forecast capacity of 12 million tons per year; their development, though, could not justify the cost of creating the extensive port shipping and rail infrastructure needed to exploit the deposits. Eastern Senegal also had 350,000 tons of marble, as well as deposits of peat, uranium, titanium, serpentine, and other minerals.

In 2000, a newly elected government included among its top priorities the development of the country's inadequate infrastructure by improving the highway system, modernizing railroads, and constructing a new airport. In 2001, the African Development Bank Group approved an \$18.7 million loan to help finance the 148-km Diamniadio-Mbour-Kaolack road project. The 25-month project was expected to revitalize economic growth in the region. The Ministère des Mines, de l'Énergie et de l'Hydraulique was responsible for the administration over natural resources, and the Direction des Mines et de la Géologie was responsible for the mining sector.

## 27 ENERGY AND POWER

Senegal's electric power generation is based entirely on conventional thermal or fossil fuels. Electric power generating capacity was 239,000 kW in 2002. Production in that year totaled 1.438 billion kWh. Consumption of electricity in 2002 was 1.337 billion kWh.

Although Senegal had proven crude oil reserves of 700 million barrels, and a crude oil refining capacity of 27,000 barrels per day, as of 1 January 2003, there was no recorded crude oil production in 2002. However, imports of crude oil totaled 18,540 barrels per day. Refined oil production averaged 18,890 barrels per day. Refined petroleum imports in 2002 averaged 12,640 barrels per day. Demand for refined oil products in that year averaged 30,050 barrels per day.

Senegal does possess modest natural gas reserves, that as of 1 January 2003 were put at 106 billion cu ft. Natural gas production in 2002 came to 1.77 billion cu ft, all of which went to meet domestic demand. There are also extensive reserves of peat along the coast between Dakar and Saint-Louis.

## 28 INDUSTRY

Senegal's manufacturing sector contributed 21.4% to GDP in 2005, registering annual growth increases consistently during the 1980s, 1990s, and into the 21st century. Agroindustry (oil mills, sugar refineries, fish canneries, flour mills, bakeries, beverage and dairy processing, and tobacco manufacturing) plays a key role and accounts for some 40% of value added. Especially important are groundnut-processing mills. The textile industry includes four cotton-ginning mills, factories for weaving, dyeing, and printing cloth, and plants that produce mattresses, thread, and hats. Cement, refined petroleum products, fertilizers, and phosphoric acid are produced. Other industrial products include plywood, boats, bicycles, soap, leather goods, paints, acetylene, sulfuric acid, and cigarettes.

Senegal's oil potential has yet to be completely ascertained. There is a refinery at Dakar, with production capacity of 27,000 barrels per day. Petrosen, the state-owned oil company, is encouraging exploration. One natural gas field has been discovered.

## 29 SCIENCE AND TECHNOLOGY

The African Regional Center for Technology, with 30 member states, has its headquarters in Dakar. Most research facilities in Senegal deal with agricultural subjects. Dakar has centers for mining and medical research and a research institute on African food and nutrition problems. An institute of research for oils and oilseeds is at Bambey. The Senegalese Institute of Agricultural Research, with headquarters at Dakar, operates a national center of agronomical research at Bambey, a national laboratory of livestock and veterinary research at Dakar, an oceanographic center at Dakar, and numerous other technical facilities throughout the country.

The University Cheikh Anta Diop de Dakar, founded in 1949, has faculties of medicine and pharmacy and of sciences, and research institutes in psychopathology, leprosy, pediatrics, renewable energy, applied tropical medicine, applied mathematics, health and development, environmental science, adontology and stomatology, applied nuclear technology, and the teaching of mathematics, physics, and technology. The University of Saint Louis has an applied mathematics unit. Other facilities for scientific training include a polytechnic school at Thiès; an international school of sciences and veterinary medicine, representing 13 French-speaking countries, at Dakar; and an institute of nutritional technology at Dakar. In 1987–97, science and engineering students accounted for 21% of college and university enrollments. For the period 1990–2001 there were three technicians and two scientists and engineers engaged in research and development per million people. In 2002, Senegal had high technology export of \$15 million, or 4% of the country's manufactured exports.

## 30 DOMESTIC TRADE

Dakar is not only the capital and largest city of Senegal but also the nation's largest consumer market and a major commercial and industrial center of West Africa. Many large trading firms have headquarters in France. Lebanese residents also play an important role in trade, however, many of their businesses are gradually being replaced by Senegalese merchants. A small number of supermarkets and larger retail stores deal primarily in imported goods. A few foreign franchise firms have made their way into the country.

Smuggling of goods from The Gambia is a serious problem, since such illicit imports undercut Senegalese products in price. A large informal domestic trade takes place in the Dakar marketplace known as Sandaga. Here, street vendors sell a wide variety of goods from cosmetics and shoes to stereo equipment.

Since Senegal ratified the WTO agreement in 1995, the government's role in domestic trade has been reduced. Subsidies for rice, sugar, wheat, and flour have been eliminated.

Normal business hours are from 8 or 9 AM to noon and 3 to 6 PM, Monday–Friday, and 8 or 9 AM to noon on Saturday. Banks are usually open 7:45 AM to 12:15 PM and 1:30 to 3:45 PM, Monday–Friday.

## 31 FOREIGN TRADE

Export revenues doubled between 1997 and 2000. The most important commodity exports for Senegal are shellfish (20%), fish (14%), refined petroleum products (11%), peanut oil (9.7%), inor-

**Principal Trading Partners – Senegal (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,151.2	2,391.5	-1,240.3
Bunkers, ship stores	154.6	...	154.6
India	147.2	52.6	94.6
France-Monaco	137.5	588.9	-451.4
Mali	114.9	...	114.9
Italy-San Marino-Holy See	95.6	86.1	9.5
Côte d'Ivoire	61.4	86.1	-24.7
Guinea	59.9	...	59.9
Spain	56.3	103.5	-47.2
Gambia	42.8	...	42.8
Mauritania	33.3	...	33.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

ganic chemicals (6.7%), and fertilizers (crude and manufactured, 6.2%). Main destinations of exports in 2004 were India (14%), France (10.2%), Mali (10.2%) and Italy (5.8%). During the same year imports came from France (25%), Nigeria (12.1%), Italy (4%) and Thailand (3.8%).

**32 BALANCE OF PAYMENTS**

Since independence, as in colonial times, Senegal's balance of payments has generally run a deficit on current accounts, mainly covered by foreign aid from France (and, more recently, from other EU members). Remittances from Senegalese working in France, together with small inflows of private capital, have also helped cover the shortfalls.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Senegal's exports was \$1.53 billion while

**Balance of Payments – Senegal (2002)**

(In millions of US dollars)

<b>Current Account</b>			<b>-317.0</b>
Balance on goods		-537.4	
Imports	1,603.9		
Exports	1,066.5		
Balance on services		-18.2	
Balance on income		-129.9	
Current transfers		368.6	
<b>Capital Account</b>			<b>126.8</b>
<b>Financial Account</b>			<b>-88.2</b>
Direct investment abroad		-36.2	
Direct investment in Senegal		80.3	
Portfolio investment assets		-25.0	
Portfolio investment liabilities		-13.1	
Financial derivatives		-2.2	
Other investment assets		11.9	
Other investment liabilities		-103.8	
<b>Net Errors and Omissions</b>			<b>30.9</b>
<b>Reserves and Related Items</b>			<b>247.3</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

imports totaled \$2.41 billion resulting in a trade deficit of \$88 million.

**33 BANKING AND SECURITIES**

In 1959, the Central Bank of the West African States (Banque Centrale des États de l'Afrique de l'Ouest—BCEAO) succeeded the Currency Board of French West Africa and Togo as the bank of issue for the former French West African territories. In 1962, it was reorganized as the joint note-issue bank of Benin, Côte d'Ivoire, Mauritania (which left in 1973), Niger, Senegal, Togo, and Upper Volta (now Burkina Faso), members of the West African Economic and Monetary Union (UEMOA). BCEAO notes, known as CFA francs, are guaranteed by France without limitation, formerly to the French franc and now to the euro. Foreign exchange receipts of the member states go into the franc area's exchange pool, which in turn covers their foreign exchange requirements. In 1973, the member states of the BCEAO signed new statutes that, among other things, provided for increased Africanization of bank personnel, transfer of headquarters from Paris to Dakar, and greater participation of the bank in the development activities of member states.

Commercial banks operating in Senegal include the International Bank for Occidental Africa (French-owned), Banque Internationale pour le Commerce et l'Industrie du Senegal, Credit Lyonnais, Banque Senegalo Tunisienne, Ecobank, Societe Generale, Citibank, and Banque Islamique du Senegal. The most significant development bank is the government-controlled National Development Bank of Senegal, which participates in development projects and provides credit for government organizations, mixed societies, and cooperatives. Another development financing institution is the Housing Bank of Senegal. A new credit institution, the National Fund for Agricultural Credit, was created in 1984.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$727.1 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$1.2 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.95%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

There are no securities exchanges in Senegal.

**34 INSURANCE**

As of 1997, at least 14 companies provided insurance in Senegal. Third-party motor insurance is compulsory.

**35 PUBLIC FINANCE**

Although Senegal's finances are recorded as being in balance each year, in fact the country has run persistent deficits since 1976, generally covered by foreign aid which represented 32% of the budget in 2000. Senegal qualified for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative. Progress on the structural reforms required for the program is on track, but slow. From 1987 to 1998, Senegal's fiscal deficit fell from 12% of GDP to 7% of GDP. Donor mandated economic reforms have helped the government

to restrain spending while the closing of tax loopholes has increased revenues helping Senegal to reduce the deficit.

The US Central Intelligence Agency (CIA) estimated that in 2005 Senegal's central government took in revenues of approximately \$1.6 billion and had expenditures of \$1.9 billion. Revenues minus expenditures totaled approximately -\$269 million. Public debt in 2005 amounted to 46.5% of GDP. Total external debt was \$3.61 billion.

The International Monetary Fund (IMF) reported that in 2000, the most recent year for which it had data, budgetary central government revenues were CFA Fr612.2 billion and expenditures were CFA Fr641.2 billion. The value in US dollars was revenue US\$860 million and expenditures US\$900 million, based on an official exchange rate for 2000 of US\$1 = CFA Fr711.98 as reported by the IMF. Government outlays by function were as follows: general public services, 34.2%; defense, 7.3%; economic affairs, 2.4%; housing and community amenities, 2.8%; health, 3.5%; and education, 13.7%.

### 36 TAXATION

The corporate income tax rate in Senegal in 2005 was 33%. There is also a 10% withholding tax on those profits realized in Senegal by foreign companies that have not been reinvested into the country. Generally, capital gains are taxed at the corporate rate. However if the gains are used to acquire new fixed assets in Senegal within three years, or arise from a merger or other acquisition, the tax can be deferred. Dividends and royalties are subject to withholding taxes of 10% and 20%, respectively. Interest income from long term bonds is subject too a 6% withholding tax. Interest from bank interest or other sources are subject to withholding taxes of 8% and 16%, respectively. Senegal has double-taxation treaties with about 18 countries.

Individual taxes include a salary tax on the employee (3% for a Senegalese worker, and 6% for a foreign worker) and a general income tax with rates ranging up to 50%.

Indirect taxes have long been the mainstay of Senegal's tax system, with import duties by far the most important. Other indirect taxes include the business license tax, export taxes, a real estate tax, and registration and stamp taxes. The value-added tax (VAT) has a standard rate of 18%. An equalization tax is applied to local purchases at 2% and to importations at 5%.

### 37 CUSTOMS AND DUTIES

In January 2000, Senegal put into effect a new tariff scheme that conforms to the common external tariff (CET) scheme agreed on by member nations of the West African Economic and Monetary Union (WAEMU). Under this new tariff structure, Senegal has four simple tariff rate categories: 0% on cultural and scientific goods, agricultural inputs, and capital goods and computer equipment not available from local production; 5% on raw materials, crude oil, and cereals for industry; 10% on semifinished products, intermediate goods, diesel and fuel oil; and 20% on consumer goods, capital goods and computer equipment available from local production, and vehicles. However, there also exists an array of other import tariffs, with a maximum combined rate of 52% and a value-added tax (VAT) of 18% applied to all imports.

In 1982, Senegal abolished its import licensing system, opening the market to all countries on an equal basis; previously, only products from the franc zone and the European Union (EU) could be imported without a license. Certain import restrictions exist on agricultural and industrial products that support the Senegalese economy.

### 38 FOREIGN INVESTMENT

Following independence, Senegal's economic policy shifted from a largely laissez-faire, noninterventionist stance to a policy of increasing government participation in economic affairs. By 1975, the government had effectively nationalized groundnut trade and processing, assumed majority control of the two main phosphate companies, and nationalized water distribution and electricity production. Half a generation later, in 1991, a slow privatization of the parastatal sector was under way.

In spite of its parastatal tradition, Senegal encourages private investment, which remains substantial. The investment code, enacted in 1962 and significantly revised in 1972, 1978, and 1981, encourages both domestic and foreign private investment in industrial, agricultural, mineral, transport, tourist, and other enterprises that conform to the goals of the national development program. Incentives include tax advantages and exemptions from customs and duties.

An industrial free trade zone located outside Dakar offers preferential access to West African Economic Community, ECOWAS, and European Economic Community countries. Aside from exchange-control regulations, there are no restrictions on the repatriation of capital and earnings for amounts up to CFA 200,000; above this amount, prior government approval is required. By the beginning of 1992, 15 firms had begun operations in the zone. In December 1983, Senegal signed a bilateral investment treaty with the United States, becoming the first sub-Saharan African nation to do so.

Foreign investment rose steadily from 13.8% of GDP in 1993 to 16.5% in 1997. In 1997, annual foreign direct investment (FDI) inflows peaked at \$176 million, but have declined since, with some

#### Public Finance – Senegal (2000)

(In billions of CFA francs, budgetary central government figures)

	612.2	100.0%
<b>Revenue and Grants</b>		
Tax revenue	537.4	87.8%
Social contributions	...	...
Grants	49.9	8.2%
Other revenue	24.9	4.1%
<b>Expenditures</b>	<b>641.2</b>	<b>100.0%</b>
General public services	219	34.2%
Defense	47.1	7.3%
Public order and safety	...	...
Economic affairs	15.5	2.4%
Environmental protection	...	...
Housing and community amenities	18.1	2.8%
Health	22.2	3.5%
Recreational, culture, and religion	...	...
Education	87.9	13.7%
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.



ups and downs. In 2001, FDI inflow was \$125.5 million, up from \$88 million in 2000. In the period 2001–04, FDI inflows totaled \$239 million at an average rate \$59.75 million per year. Most private investment in Senegal has come from France, and the telecommunications sector has attracted the most foreign investment.

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

Senegal's development program addresses the basic problems encountered by Senegal's economy: lack of diversified output, the inefficiency of investments, the role of state in economic activity, and the excessive expansion of domestic consumer demand. These problems have been partly addressed by programs focusing on food self-sufficiency, fishing, and tourism, and by strengthening high-return activities. Projects such as the Manantali irrigation project, the phosphate-to-fertilizer recovery project, and the trawler modernization program are examples of what Senegal is doing within this policy framework. In the area of manufacturing, capacity utilization improvement, equipment modernization, and low-capital production are emphasized. Since 1994, the government has made progress in privatizing state-owned enterprises, reducing labor costs to improve competitiveness in the manufacturing sector, and liberalizing trade by eliminating export subsidies and removing restrictions on certain strategic imports. Private economic revenues accounted for roughly over 80% of gross domestic product (GDP) in 2005, but trade liberalization had not progressed as much as planned.

In 2000, Senegal became eligible for around \$800 million in debt service relief under the International Monetary Fund (IMF)/World Bank Heavily Indebted Poor Countries (HIPC) initiative. In 2003, the IMF approved a \$33 million three-year Poverty Reduction and Growth Facility (PRGF) Arrangement for Senegal, to support the government's economic reform program. In September of 2005, the World Bank and the IMF backed a deal to cancel about \$55 billion of debts owed by 18 of the world's poorest countries, 14 of which are in sub-Saharan Africa including Senegal. The government is committed to continue the donor-supported economic reform program as outlined in the IMF's three-year poverty reduction and growth facility (PRGF). Senegal's Agency for the Promotion of Investment (APIX) aims to promote foreign investment.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

Since 1955, a system of family allowances for wage earners has provided modest maternity and child benefits. The system is financed by employer contributions at the rate of 7% of gross salary; an additional 1–5% contribution finances a fund for occupational health and accident coverage. Shared equally by employer and employee is a 6% contribution to a fund for general medical and hospital expenses. In addition, employees contribute 4.8% of gross salary to a retirement fund and employers contribute 7.2%. The retirement age is 55. This program covers employed persons, including domestic, seasonal and day workers.

According to the UN only 20% of women participate in the work force. Discrimination against women is widespread in both education and employment. Although prohibited by law, female genital mutilation is practiced by ethnic groups in rural areas. Women in urban areas, however, are making progress in the workplace. The government adopted legislation mandating fines and prison

terms of up to three years for sexual harassment. Although minority religions are protected under law and are free to practice their religions, non-Muslims may face discrimination in civil, political, or economic matters.

Despite the vigorous multiparty political activity, there have been charges of human rights violations and electoral irregularities, as well as restrictions on freedom of press and association. Security forces commit abuses including arbitrary arrest and detention, beatings, and torture.

### **4<sup>1</sup> HEALTH**

As of 2004, there were an estimated 7 physicians, 3 pharmacists, 1 dentist, 7 midwives, and 22 nurses per 100,000 people. Approximately 78% of the total population had access to safe drinking water and 70% had adequate sanitation. Total health care expenditure was estimated at 4.5% of GDP.

Major health problems include measles and meningitis along with such water-related diseases as malaria, trypanosomiasis, onchocerciasis, and schistosomiasis. There were approximately 258 cases of tuberculosis per 100,000 people. Malnutrition was prevalent in 23% of all children under age five. Goiter was present in 41 of 100 school-age children. Immunization rates for children up to one year old were: tuberculosis, 80%; diphtheria, pertussis, and tetanus, 65%; polio, 65%; and measles, 65%. Infant mortality was 54.12 per 1,000 live births in 2005; maternal mortality was 560 per 100,000 live births in 1998. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 37 and 8.1 per 1,000 people. Only around 11% of married women (ages 15 to 49) used contraception. The total fertility rate in the same year was 5.1 children per woman living through her childbearing years. In 2005, life expectancy was 58.90, an improvement over the previous years.

The HIV/AIDS prevalence was 0.80 per 100 adults in 2003. As of 2004, there were approximately 44,000 people living with HIV/AIDS in the country. There were an estimated 3,500 deaths from AIDS in 2003.

### **4<sup>2</sup> HOUSING**

Most housing in Dakar is like that of a European city. Elsewhere, housing ranges from European-type structures to the circular mud huts with thatched roofs common in villages.

Since World War II, the growth of Dakar and other towns has been rapid, with government activity largely concentrated on improvement of urban housing and sanitation. In 1952, the city of Pikine was chosen as a place to rehouse about 100,000 people who were evicted from the slums of Dakar. In 2002, there were about one million people in Pikine. The town of Dalifort, between Pikine and Dakar, has since been chosen as a new site for government projects of rehousing. According to the latest available information for 1980–88, the total housing stock numbered 1,350,000 with 4.9 people per dwelling.

### **4<sup>3</sup> EDUCATION**

Education is compulsory for six years of primary school, for students between ages 6 and 12. For those attending secondary school, there are options for a seven-year general education (in two cycles of four years and three years) or a five-year technical or

vocational program (in two cycles of three years and two years). The academic year runs from October to July.

In 2001, about 3% of children between the ages of four and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 69% of age-eligible students. The same year, secondary school enrollment was less than 19% of age-eligible students. It is estimated that about 47.8% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 49:1 in 2003; the ratio for secondary school was about 27:1. In 2003, private schools accounted for about 11% of primary school enrollment and 25% of secondary enrollment.

The University of Dakar has two graduate schools and numerous research centers. For over 30 years, the University of Dakar offered free tuition and generous subsidies to students. However, in 1994 it began implementing new austerity measures aimed at scaling back enrollment, raising academic standards and getting students to pay for more of the cost of their education. A polytechnic college opened at Thiès in 1973. Other colleges include a national school of administration at Dakar and a school of sciences and veterinary medicine for French-speaking Africa. Universities and equivalent institutions had about 29,000 students in 1998. The adult literacy rate for 2004 was estimated at about 39.3%, with 51.1% for men and 29.2% for women.

As of 2003, public expenditure on education was estimated at 3.6% of GDP.

#### 44 LIBRARIES AND MUSEUMS

There are four major libraries in Senegal, all located in Dakar. The oldest is the Archives of Senegal, founded in 1913, which has a collection of more than 26,000 volumes. The largest is the Central Library of the University of Dakar, founded in 1952, which has over 306,000 volumes. The Basic Institute of Black Africa (Institut Fondamental d'Afrique Noire—IFAN) and the Alliance Française maintain libraries of over 70,000 and 7,000 volumes, respectively. In addition to these major facilities, there are specialized libraries attached to various research institutes. In total, Senegal had 10 libraries associated with institutes of higher education in 2002.

The Museum of African Art in Dakar and the History Museum and the Museum of the Sea on Gorée Island are operated by IFAN. There are natural history museums in Dakar and Saint-Louis and a local museum in Saint-Louis.

#### 45 MEDIA

Telephone and telegraph services, publicly owned and operated, are good by African standards, particularly in the coastal area and in the main centers of peanut production. In 2003, there were an estimated 22 mainline telephones for every 1,000 people; about 9,800 people were on a waiting list for telephone service installation. The same year, there were approximately 56 mobile phones in use for every 1,000 people. French submarine cables connect Dakar with Paris, Casablanca, Conakry (Guinea), and Recife (Brazil), and radiotelephone facilities are also in operation. The postal system provides international telephone facilities.

The government-operated radio and television service has transmitters throughout the country. The two national radio networks based in Dakar broadcast mostly in French, while the regional stations in Rufisque, Saint-Louis, Tambacounda, Kaolack,

and Ziguinchor, which originate their own programs, broadcast primarily in six local languages. In 2004, there were over 25 privately-owned radio stations. There are no privately owned television stations in the country, but French and South African satellite services are available. In 2003, there were an estimated 126 radios and 78 television sets for every 1,000 people. The same year, there were 21.2 personal computers for every 1,000 people and 22 of every 1,000 people had access to the Internet. There were three secure Internet servers in the country in 2004.

The constitution guarantees freedom of opinion, which the press is generally free to exercise. In 2004, there were about 15 independent dailies and three government dailies. The main papers with 2002 circulation were: *Le Soleil du Sénégal*, the PS party newspaper, with an estimated 45,000 circulation, and *Sud Quotidien* (30,000). There are also several weekly newspapers and magazines.

#### 46 ORGANIZATIONS

There are chambers of commerce, industry, and agriculture in the principal cities. Professional and trade associations also exist. The Consumers International Subregional Office for West and Central Africa is located in Dakar.

The Alliance Française sponsors lectures and concerts. Of the many sport and social associations in the towns, those for soccer are especially popular, but racing clubs, aero clubs, and automobile clubs are also active. National youth organizations include the Democratic Youth Movement, the Socialist Youth Movement, Young Workers Movement, YMCA, and the Senegalese Scout Confederation. The John F. Kennedy Center Dakar encourages youth participation in volunteer efforts.

Volunteer service organizations, such as the Lions Clubs International, are also present. The Daniel Boitier Center in Dakar is a Roman Catholic organization for the study of social and economic problems. Panos Institute networks with community groups and organizations to encourage community development projects. The African Council of AIDS Service Organizations is based in Dakar. Other social action groups include the Femmes Développement Entreprise en Afrique, Goree Institute, and Hope Unlimited. International organizations with national chapters include Amnesty International, Defence for Children International, Caritas, Habitat for Humanity, UNICEF, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

The comfortable climate, variety of cultural attractions, attractive physical features such as the coastal beaches and the 5,996-sq-km (2,315-sq-mi) Niokolo-Koba National Park, and the relative proximity to Europe have all combined to make Senegal an increasingly popular vacation area and international conference center. Gorée Island, near Dakar, has many former slave houses, where perhaps 20 million slaves were kept before being shipped to America between 1536 and 1848. Wrestling and fishing are popular, and hunting is allowed from December to May on an 80,000-hectare (198,000-acre) reserve.

All visitors arriving from infected areas must have a valid yellow fever vaccination certificate. Visas are required for all foreign nationals except those of: Algeria, Mauritius, South Africa, Japan, Taiwan, Israel, Canada, the European Economic Community

(EEC), the United States, and the Economic Community of West African States (ECOWAS). Visas are valid for up to 90 days.

In 2003, there were 353,539 tourists who arrived in Senegal, a 17% increase from the previous year. Hotel rooms numbered 10,268 with 20,437 beds and an occupancy rate of 37%. The average length of stay was four nights.

According to 2005 US Department of State estimates, the daily cost of staying in Dakar was \$213. Other areas were less at \$114 per day.

#### 48 FAMOUS SENEGALESE

Blaise Diagne (1872–1934) was the first African to be elected to the French parliament and to hold office in the French government as an undersecretary of state. Léopold-Sédar Senghor (1906–2001), president of Senegal from 1960 until his retirement in 1980, was a French-language poet of distinction; in 1984, he became a life member of the French Academy, the first black African to receive that honor. Abdou Diouf (b.1935) was president of Senegal (1981–2000), after serving as prime minister (1970–80). Abdoulaye Wade (b.1926) became president in 2000. Among Senegalese writers are Birago Diop (1906–89), author of short stories, and David Diop (1927–60), an internationally known poet. Ousmane Sembene (b.1923) is a film director and writer of international repute. Cheikh Anta Diop (1923–86), RND leader, wrote many works of distinction on African history.

#### 49 DEPENDENCIES

Senegal has no territories or colonies.

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# SEYCHELLES

Republic of Seychelles

**CAPITAL:** Victoria

**FLAG:** The flag is made up of five oblique bands of (left to right) blue, yellow, red, white, and green.

**ANTHEM:** Begins "Seychellois both staunch and true."

**MONETARY UNIT:** The Seychelles rupee (R) is a paper currency of 100 cents. There are coins of 5, 10, and 25 cents and 1, 5, 10, 20, 25, 50, 100, 1,000, and 1,500 rupees and notes of 10, 25, 50, and 100 rupees. R1 = \$0.18182 (or \$1 = R5.5) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's, 1–2 January; Labor Day, 1 May; National Day, 5 June; Independence Day, 29 June; Assumption, 15 August; All Saints' Day, 1 November; Immaculate Conception, 8 December; Christmas, 25 December. Movable religious holidays include Good Friday, Easter Monday, Corpus Christi, and Ascension.

**TIME:** 4 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Seychelles, an archipelago in the Indian Ocean, consists of an estimated 115 islands, most of which are not permanently inhabited. The second-smallest country in Africa, Seychelles has an area of 455 sq km (176 sq mi), of which Mahé, the principal island, comprises 144 sq km (56 sq mi). Comparatively, the area occupied by Seychelles is slightly more than 2.5 times the size of Washington, DC. There are two main clusters: one is a granitic group, centering around Mahé; the other, to the sw, includes the coralline Aldabra Islands and the Farquhar group. Situated about 1,600 km (1,000 mi) off the east coast of Africa, Mahé extends 27 km (17 mi) N–S and 11 km (7 mi) E–W.

The capital city of Seychelles, Victoria, is located on the island of Mahé.

## <sup>2</sup> TOPOGRAPHY

The Seychelles Islands are the highest points of the Mascarene Ridge, an Indian Ocean ridge running in a generally north-south direction. The granitic islands rise above the sea surface to form a peak or ridge which, in the case of Mahé, attains an elevation of 912 m (2,992 ft) at Morne Seychellois, the highest point. Rugged crests, towering cliffs, boulders, and domes contribute to the islands' great natural beauty. Here and there, in the hollows in the rock relief, are pockets of lateritic soil, often very thin and easily eroded. Mahé possesses white, sandy beaches behind which are flats of coral and shell known locally as plateaus. Small streams descending the mountain slopes deposit alluvial material, creating the most fertile soils on the island.

The coralline Seychelles are, in contrast, low lying, rising only a few feet above the surface of the sea. Many have the typical Indian Ocean lagoon. Soils tend to be thin, with poor moisture retention. These islands are suited only to the coconut palm and a few other species.

## <sup>3</sup> CLIMATE

Although the Seychelles Islands lie close to the equator, their maritime situation results in coastal temperatures that are fairly constant at about 27°C (81°F) throughout the year. At higher altitudes, temperatures are lower, especially at night. Mean annual rainfall at sea level on Mahé is 236 cm (93 in); in the mountains there may be as much as 356 cm (140 in) a year. On the southwestern coral islands, rainfall is much lower, averaging about 50 cm (20 in) a year on Aldabra. May to October is the relatively dry sunny season; in this period, the southeast monsoon winds bring brief showers every two or three days. The northwest monsoon arrives in December and continues until March, bringing frequent and heavy rain. Humidity is high, especially in the coastal areas.

## <sup>4</sup> FLORA AND FAUNA

Primary forest is found only on Praslin and Curieuse islands, northeast of Mahé. On Praslin, native forests of coco-de-mer have been protected in small reserves; its fruit, a huge coconut weighing up to 18 kg (40 lb), is the largest seed in the world and this is the only place where the palm is found growing wild. Virtually all the broadleaf evergreen rain forest has been cut down. In its place are the coconut plantations, with occasional patches of vanilla. Other existing trees are native to the islands and have adapted to the local conditions. Underplanting is quite usual and includes avocado, breadfruit, banana, cinnamon, mango, papaya, patchouli, and pineapple.

Sharks abound in the surrounding oceans, but on land there are no reptiles or mammals that present a threat to human life. The most noteworthy animal is the giant tortoise; once very plentiful, the species is now sorely depleted. There is a great variety of bird life including dozens of the world's rarest species, but very few insects.

## 5 ENVIRONMENT

Seychelles does not have the resources to maintain a comprehensive program of environmental regulation. The monitoring of the environment is complicated by the fact that the nation consists of 15 islands distributed over a 1.3 million sq km area. Seychelles has no natural fresh water resources. In addition, the nation has a water pollution problem due to industrial by-products and sewage. Fires, landslides, and oil leakage also affect the environment in Seychelles.

The government Environmental Management Plan of Seychelles 1990–2000 proposed 12 areas of environmental regulation. The Aldabra atoll is a native preserve on the UNESCO World Heritage list, as is the Vallée de Mai Nature Reserve. The Port Launay Coastal Wetlands are listed as a Ramsar site. The Ministry of Planning and External Relations and the Ministry of National Development hold principal environmental responsibility.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 3 types of mammals, 13 species of birds, 3 types of reptiles, 6 species of amphibians, 10 species of fish, 2 types of mollusks, 2 species of other invertebrates, and 45 species of plants. The olive ridley, hawksbill, and green sea turtles and the Seychelles black parrot, Seychelles magpie robin, and Seychelles warbler are threatened species. The Aldabra brush warbler and the Seychelles parakeet (or parrot) have become extinct.

## 6 POPULATION

The population of Seychelles in 2005 was estimated by the United Nations (UN) at 81,000, which placed it at number 181 in population among the 193 nations of the world. In 2005, approximately 8% of the population was over 65 years of age, with another 26% of the population under 15 years of age. According to the UN, the annual population rate of change for 2005–2010 was expected to be 1.0%, a rate the government viewed as too high. A National Population Policy, finalized in 2002, contained programs aimed at limiting population growth. The projected population for the year 2025 was 88,000. The overall population density was 180 per sq km (466 per sq mi), with 80% of the population living on the island of Mahé.

The UN estimated that 50% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.24%. The capital city, Victoria, had a population of 25,000 in that year.

## 7 MIGRATION

Entry for the purpose of employment is strictly controlled. Since the 1950s, some retirees from the United Kingdom have settled in Seychelles. In 2000 the total number of migrants was 5,000. In 2005, the net migration rate was an estimated -5.54 migrants per 1,000 population. The government views the emigration level as too high, but the immigration level as satisfactory.

## 8 ETHNIC GROUPS

There are no distinct ethnic divisions, apart from small Indian and Chinese groups constituting about 1% of the total population.

The bulk of the population is Seychellois, a mixture of African, French-European, and Asian strains.

## 9 LANGUAGES

Creole, a simplified form of French with borrowings from African languages, has been the first language since 1981 and is the initial language in public schools; it is spoken by about 91.8% of the population. English and French are also widely spoken as second languages. English is the first language of about 4.9% of the population. English, Creole, and French are all considered to be official languages; English is the official language of the National Assembly.

## 10 RELIGIONS

The great majority of the population practices Christianity. According to the most recent estimates, Roman Catholics constituted about 87% of the Christian community; Anglicans totaled another 7%. Other Christian churches include Baptists, Seventh-Day Adventists, the Assemblies of God, the Pentecostal Church, Nazarites, and Jehovah's Witnesses. Hindus, Muslims, and Baha'is are also present.

The constitution provides for freedom of religion and there is no state religion; however, the government does offer sometimes substantial financial assistance to churches from the state budget, primarily in the form of grants, through an application process that is open to all.

## 11 TRANSPORTATION

Until the opening of the international airport on Mahé in 1971, the Seychelles Islands were entirely dependent on the sea for their links with the rest of the world. Until 1970, passenger and cargo service by ship was irregular. In the early 1970s, however, new deepwater facilities were dredged at Victoria Harbor. Private ferries connect Mahé to Praslin and La Digue. As of 2005, there were five merchant ships of 1,000 GRT or more, totaling 42,223 GRT.

The road network totaled an estimated 280 km (174 mi) in 2002, of which 176 km (109 mi) were paved. One road encircles the island and another runs across the island by way of the central mountain ridge. There were 5,100 automobiles and 2,000 commercial vehicles in 1995.

In 2004 there were an estimated 15 airports, 8 of which had paved runways as of 2005. Seychelles International Airport is at Pointe Larue on Mahé. Flights to London, Zürich, Frankfurt, and Rome are in service via Air Seychelles, the national carrier. Air France's scheduled flights connect Seychelles with Europe. In 2001 (the latest year for which data is available) about 420,000 passengers were carried on scheduled domestic and international flights. Ligne Aérienne Seychelles (LAS), a private line, ran charter flights to Australia, Singapore, Botswana, and Malawi.

## 12 HISTORY

The Portuguese explorer Vasco da Gama discovered the Seychelles Islands (then uninhabited) in 1502, and an English expedition visited the islands in 1609. The name Seychelles derives from the *Vicomte des Séchelles*, Louis XV's finance minister. The French first claimed the islands in 1756, but colonization did not begin until 1768, when a party of 22 Frenchmen arrived, bringing with them a number of slaves. As competition grew among European nations

for the lucrative trade with India and Asia, more and more seamen called at the islands to provision their vessels and to pick up commodities useful for trade.

The French and British battled for control of the islands between 1793 and 1813. French bases were blockaded in 1794 and again in 1804; on each occasion, the French capitulated. Under the Treaty of Paris (1814), the islands, together with Mauritius, were ceded to Britain. Both before and after the cession, the islands were administered from Mauritius as dependent territories. When the British made clear that they would enforce the ban on slavery throughout the Empire, many of the French landowners who had continued to import African slaves, largely from Mauritius and Réunion, departed for Africa and elsewhere, taking their slaves with them. However, with slavery ended, thousands of liberated slaves and others came into the islands. Indian labor was introduced to work on the plantations and some Chinese immigrants became shopkeepers.

In 1872, a Board of Civil Governors was created, increasing the degree of political autonomy; a Legislative Council and an Executive Council were established in 1888. On 31 August 1903, the islands became a crown colony, no longer subordinate to Mauritius. By this date, the cosmopolitan character of Seychelles had been established. Intermarriage between the descendants of the French, African, and Asian populations produced the Seychellois of today.

In 1948, the first elections were held, filling four seats on the Legislative Council. A new constitution was written in 1966 and promulgated in 1967. It vested authority in a governor and a Governing Council. General elections, the first based on the principle of universal adult suffrage, were held in December 1967 for the new Legislative Assembly. Further amendments to the constitution in March 1970 gave the Seychellois greater autonomy over affairs of internal government.

Seychelles achieved independence at 12:05 AM on 29 June 1976. Upon independence, the UK government recommended the transfer from the British Indian Ocean Territory to Seychelles of the island groups of Aldabra and Farquhar and the island of Desroches. These islands, which had been detached from Seychelles in 1965, were duly returned to the new republic.

James Richard Marie Mancham, then leader of the conservative Seychelles Democratic Party, became president on independence, heading a coalition government that included Seychelles People's United Party (SPUP) leader France Albert René as prime minister. Mancham was overthrown by a coup on 5 June 1977 and went into exile; René became president. He suspended the constitution, dismissed the legislature, and ruled by decree.

In 1978, a new political party, the Seychelles People's Progressive Front (SPPF), absorbed the SPUP. The constitution of March 1979, adopted by referendum, established a one-party state as the country drifted toward a Marxist political system. In November 1981, about 50 mercenaries recruited in South Africa landed in Mahé, briefly seized the airport, and apparently planned to return Mancham to power; however, Seychellois troops forced them to flee. Tanzanian troops, airlifted to Seychelles following this incident, also played a part in restoring order after an abortive army mutiny of 17–18 August 1982 took at least nine lives. All Tanzanian troops had left the country by the end of 1984. A number of other plots have been alleged since then.



LOCATION: 3°41' to 10°13' S; 46°12' to 56°17' E. TERRITORIAL SEA LIMIT: 12 miles.

René was reelected president without opposition in June 1984. Since then, the Seychelles made progress economically and socially. Under rising pressure to democratize, in December 1991, René agreed to reform the electoral system. Multiparty elections were held in July 1992 (the first since 1974), and the prospect of reconciliation between René and Mancham supporters was raised. Many dissidents, including Mancham, returned from exile. In June 1993, 73% of the voters approved a new constitution providing for multiparty government.

Since the introduction of multiparty competition, the SPPF has remained dominant, but has gradually seen its popularity weaken. Presidential and National Assembly elections were held 23 July 1993, with René winning the presidency and the SPPF capturing all but one of the directly elected legislative seats. In the 1998 contest, René obtained 66.7% of the presidential vote and his party captured 30 of 34 seats. In August 2001 elections, René again defeated his opponents, but this time by only 54.19%, and in National Assembly elections in December 2002—the first to be held separately from presidential elections—the SPPF captured 23 seats to 11 for the SNP.

In April 2004, after 27 years in power, René—barred constitutionally from running for a third term—handed over power to his

vice president James Michel. The move gave Michel time to establish himself, and as SPPF party chair, René continued to exercise power behind the scenes. One sign of this power was the expansion of the central committee from 20 to 25 members composed of former ministers and key civil servants. In the annual SPPF congress in May 2005, Vice President Joseph Belmont was named to be Michel's running mate.

Whether the SPPF would continue its political dominance was believed to hinge primarily on the economy. Real GDP was expected to contract for the fourth consecutive year in 2006.

### **13 GOVERNMENT**

The 1976 constitution provided for a multiparty system, but was replaced in 1979 with a document authorizing a one-party state. The June 1993 constitution reestablished multiparty elections for president and for a National Assembly consisting of 33 members, 22 directly elected and 11 allocated on a proportional basis. The president is both head of state and head of government and appoints a cabinet of ministers from outside the National Assembly. Typically, the president also holds key ministerial posts. While the 1993 constitution guarantees extensive political and civil liberties, it also allows the curtailment of freedom of expression in order to protect "the reputation, rights, and freedoms of private lives of persons." This is a thinly veiled limitation on the freedom of the press. The independent media was the target of restrictions under the René administration.

In 1996, the SPPF successfully introduced constitutional changes, including the enlargement of the National Assembly to 35 (with 10 members to be chosen by proportional representation) and creation of the post for a vice president. In 1998, the United Opposition (UO) boycotted the National Assembly meetings protesting the SPPF's heavy-handed behavior. Presently, the National Assembly comprises 34 seats, 25 elected by popular vote and 9 allocated on a proportional basis to parties winning at least 10% of the vote.

The next presidential elections were due to take place by August 2006 with parliamentary elections scheduled to occur no later than the end of 2007. Parliamentary elections may be concurrent with presidential elections. The president and members of the National Assembly serve five-year terms.

### **14 POLITICAL PARTIES**

Before 1978 there were two political parties, the Seychelles Democratic Party (SDP) and the Seychelles People's United Party (SPUP), both founded in 1964. In the last legislative elections prior to independence, on 25 April 1974, the SDP won 13 of 15 elective seats and the SPUP 2. Appointments in June 1975 brought total party strength to 18 for the SDP and 7 for the SPUP. The successor to the SPUP, the Seychelles People's Progressive Front (SPPF), was established in 1979 as the sole legal party, with the avowed objective of creating a Socialist state; the SDP was declared to have "disappeared." There were at least three opposition groups in exile. In the 1979 parliamentary elections, 55 candidates sanctioned by the SPPF competed for 23 elective seats in the People's Assembly. In the 1983 parliamentary elections, 17 of the 23 elected candidates ran unopposed; and in the December 1987 elections, 36 candi-

dates, all of them members of the SPPF, competed for the 23 seats in the People's Assembly.

After René's announcement of a return to multiparty democracy, parties began to organize in preparation for an election to a constituent assembly in July 1992. Many dissidents returned from exile and the Democratic Party (DP) was reestablished. Also established were the Seychelles Party (PS), the Seychelles Democratic Movement (MSPD), and the Seychelles Liberal Party (SLP).

After the 23 July 1993 elections, eight opposition members obtained seats in the 33-seat National Assembly. René won the presidential election with 59.5% of the vote. The Parti Seselwa, the Seychellois National Movement, and the National Alliance Party opposed the adoption of the new constitution in 1993 and contested the July 1993 elections as the United Opposition (UO) coalition. Its presidential candidate, former president Mancham, received 36.6% of the vote. The SPPF won 21 legislative seats to the DP's 1. The SPPF was also given 6 of the 11 seats apportioned according to the percentage of the votes won; the DP, 4 seats; and the UO, 1 seat.

In the 1998 elections, the SPPF captured 30 seats; the UO three; and the DP only one seat. The Reverend Wavel Ramkalawan replaced James Mancham as leader of the opposition, and in late 1998, the UO changed its name to the Seychelles National Party (SNP). In National Assembly elections held in December 2002, the SPPF captured 23 seats to 11 for the SNP. The SPPF retained a strong grassroots structure throughout the islands.

### **15 LOCAL GOVERNMENT**

All seats on the 23 elected district councils (formerly the SPPF district branch committees) are held by SPPF members. In June 2003, SPPF delegates to a special party congress agreed that members of district committees would be appointed rather than elected.

### **16 JUDICIAL SYSTEM**

Magistrates' courts are normally the courts of the first instance. The Supreme Court hears appeals and takes original jurisdiction of some cases. An independent Appeal Court was established in 2005. The president of Seychelles appoints the chief justice—a naturalized citizen—and also appoints all other judges from other Commonwealth countries on seven-year contracts. As of 2005, the court president was Justice Michael Ramodibedi of Lesotho.

Civil law is based on the French Napoleonic Code, while criminal law follows the British model. Members of the armed forces accused of serious offenses are tried by court-martial unless the president decrees otherwise. Executive and ruling party dominance in the judicial system has been challenged unsuccessfully.

The Constitutional Court convenes weekly, or as needed, to consider constitutional and civil liberties issues. The Court of Appeal convenes twice a year and considers appeals from the Supreme Court and Constitutional Court only. In addition, an industrial court and a rent tribunal exist.

### **17 ARMED FORCES**

In 2005 there were 450 active personnel in the armed forces of Seychelles, including an army of 200 (one infantry company and one security unit) and a paramilitary national guard of 250. There was also a 200-member coast guard, that included 80 marines, and

20 others in an air wing. In 2005, the defense budget totaled \$12.6 million.

## 18 INTERNATIONAL COOPERATION

Admitted to the United Nations on 21 September 1976, Seychelles participates in ECA and several nonregional specialized agencies, such as the IAEA, FAO, the World Bank, UNCTAD, UNESCO, UNIDO, and the WHO. The nation belongs to the ACP Group, the African Development Bank, COMESA, SADC, the Cross-border Initiative in Eastern and Southern Africa (CBI), the Alliance of Small Island States (AOSIS), and the Indian Ocean Commission. It also belongs to the Commonwealth of Nations, G-77, and the African Union. The country has observer status in the WTO. It is part of the Nonaligned Movement. IN environmental cooperation, Seychelles is part of the Basel Convention, the Convention on Biological Diversity, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Seychelles possesses a thriving economy, but external debt holds back real economic development. Agriculture, fishing, and forestry accounted for about 4% of GDP in 1999. Crop production is limited by mountainous terrain and low soil fertility, leaving the Seychelles dependent on imports for beef, rice, potatoes, and some fresh produce. The manufacturing sector accounts for 26% of GDP. Since the opening of the international airport in 1971, the Seychelles economy has become dependent on tourism. In 1999, tourism employed 30% of the labor force, and provided the majority of foreign exchange earnings, but in 2000, industrial fishing surpassed tourism as the most important source of foreign exchange. Stiff international competition for tourist dollars caused the government to take steps to broaden the economic base by promoting the development of fishing and light manufacturing. The tourism industry was adversely affected by the 11 September 2001 terrorist attacks on the United States and the subsequent decline in air travel. Tuna fishing and canning accounted for 70% of GDP in 2003.

Although private enterprise and private property are permitted, the public sector drives the economy and accounts for more than 40% of GDP. The government controls the importation, licensing, and distribution of virtually all goods and services, and exercises significant control over all phases of the economy. Since 1990, a program to privatize the economy has resulted in progress in several sectors including tourism, fish processing, and agriculture. In 1995, the American food company Heinz and Co. purchased 60% of the previously state-owned Seychelles Tuna Canning Factory, and the joint venture between the government and Heinz is now the single largest employer in the Seychelles. In addition, most state-owned agricultural land has been turned over to private control. The government is attempting to develop an offshore and free trade zone to further develop the economy and move it away from its dependence upon tourism and fishing.

The economy registered a slight expansion of 1.3% in 2002, before it started plummeting—by -6.3% in 2003 and by -2.0% in 2004; in 2005 real GDP growth was -4.0%. Inflation remained fairly stable but was expected to jump to 10% in 2005 as a result

of the economic recession. The tourism sector continues to suffer as vacationers look for cheaper destination like the Comoros, Mauritius, and Madagascar. In addition, Heinz decided that it will sell its 60% stake in the Indian Ocean Tuna cannery as soon as a buyer is found.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Seychelles's gross domestic product (GDP) was estimated at \$626.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$7,800. The annual growth rate of GDP was estimated at -3%. The average inflation rate in 2005 was 4.4%. It was estimated that agriculture accounted for 3.2% of GDP, industry 30.4%, and services 66.4%.

According to the World Bank, in 2002 remittances from citizens working abroad totaled \$1 million or about \$12 per capita and accounted for approximately 0.1% of GDP.

## 21 LABOR

In 1996, the labor force numbered 30,900. Services accounted for 71% of the workforce, with industry 19% and agriculture the remaining 10%. In addition, there are self-employed people, casual workers, domestic servants, and agricultural workers on small land holdings. There was no data available as of the unemployment rate in Seychelles.

Seychelles had two trade unions organizations as of 2001: the Seychelles Federation of Workers' Union and the Independent Seychelles Workers Union. Employees have the right to organize and bargain collectively, but in practice most wages are set by the government—the country's largest employer. The government has the right to review and approve labor contracts between individuals and large firms. Approximately 15–20% of the workforce is unionized.

The minimum age for employment is 15, but children are encouraged to attend school until the 9th or 10th grade. Apprenticeships and vocational programs are available to those who leave school early. The minimum wage was \$427 per month in 2001. Most workers also receive a variety of free public services. The legal maximum workweek is 45 to 52 hours, but most government workers work less than that. The government has issued comprehensive occupational health and safety regulations but they are not effectively enforced. The government is making attempts to improve this enforcement.

## 22 AGRICULTURE

Although agriculture has long been the basis of the Seychelles economy, it contributes only about 4% to GDP. Production in 2004 included coconuts, 3,200 tons; and bananas, 1,970 tons. Tea planting began in the early 1960s. Other crops produced for export are cinnamon bark, vanilla, cloves, and patchouli (an essence used in soap and perfume). In 2004, the Seychelles produced 200 tons of cinnamon bark and 225 tons of tea. Sweet potatoes, yams, breadfruit, and cassava are grown in small quantities but are not suffi-



cient to satisfy the local demand. Oranges, lemons, grapefruit, bananas, and mangoes meet the local requirement only in season.

### 23 ANIMAL HUSBANDRY

Seychelles is self-sufficient in the production of pork, poultry, and eggs. In 2005 there were about 18,500 hogs, 5,150 goats, and 1,400 head of cattle. Cattle of improved strains are imported and maintained on an intensive feedlot system.

### 24 FISHING

Per capita fish consumption in the Seychelles is very high, yet the development of industrial fishing is at its early stages. The development of port services for foreign tuna fishing fleets since the early 1980s has raised incomes and living standards, while diminishing the role of artisanal fishing. Fishing accounts for about 1% of GDP and about 8% of exports. Foreign vessels fishing in Seychelles waters must be licensed to operate within the 322-km (200-mi) economic zone, which encompassed one of the world's richest tuna-fishing grounds. French investments have focused on tuna fishing and canning. The European Community, Korea, and Japan hold the key licenses to Seychelles coastal fishing. Fish landings by the domestic fleet totaled 86,869 tons, including 36,802 tons of skipjack tuna and 34,734 tons of yellowfin tuna. Exports of fish products totaled \$210.8 million in 2003.

### 25 FORESTRY

Little natural forest remains. Coconut plantations are the main source of timber, aside from imports. A reforestation program projects the planting of 100 ha (250 ac) each year. Imports of forest products totaled \$1.4 million in 2004.

### 26 MINING

Seychelles' mineral production in 2004 consisted granite dimension stone, gravel and crushed rock, and sand. Although production of guano (a phosphate fertilizer comprising bird droppings, extracted from Assumption) ceased in the mid-1980s, a plant with a capacity of 5,000 tons per year remained; modest production was unofficially reported in the mid-1990s. Output of granite dimension stone in 2004 was estimated at 93,000 metric tons, up from 92,120 metric tons in 2002. Gravel and crushed rock output in 2004 was estimated at 213,000 metric tons, up from 212,926 metric tons in the previous year. Sand production in 2004 was estimated at 2,200 metric tons, up from 2,165 metric tons in 2002. Polymetallic nodules were known to occur on the ocean bottom near the Admirante Islands. The Seychelles comprised 40 granitic and at least 50 coralline islands.

### 27 ENERGY AND POWER

Seychelles has a total installed electric generating capacity of 28,000 kW, as of 1 January 2003. Output in 2003 reached 0.24 billion kWh, of which 100% came from fossil fuels. Consumption of electricity in 2003 came to 0.22 billion kWh.

As of 1 January 2005, Seychelles had no proven reserves of crude oil, natural gas, or coal, nor any crude oil refining capacity. All fossil fuel and refined petroleum product consumption was met by imports. In 2004, imports and domestic demand for petroleum products each averaged 4,000 barrels per day. There were no recorded imports or consumption of natural gas or coal in 2003.

## 28 INDUSTRY

In 2000, the manufacturing and construction sector contributed 29% to GDP. The average annual industrial growth rate was averaging 10% in the early 2000s. Tuna fishing and canning accounted for 70% of GDP in 2002. The largest plant is the tuna cannery, opened in 1987 and privatized in 1995 with a 60% purchase by US-based Heinz Inc. The tuna business has grown rapidly, and the joint venture between Heinz and the government was the single largest employer in the Seychelles in 2002. Other factories are smaller and process local agricultural products. A tea factory handles locally grown tea. Others process copra and vanilla pods and extract coconut oil. There is a plastics factory, a brewery and soft drink bottler, and a cinnamon distiller. Salt, cigarettes, boats, furniture, steel products, publications, animal feeds, processed meats, dairy products, paints, and assembled televisions are also produced. Oil exploration is underway, and geophysical and geochemical analyses indicate potential for commercial production.

In 2004, the main contributors to the GDP were transport, communications, and distribution (30.3%), manufacturing (16.7%), government services (12.7%), and hotel and restaurants (10.1%). As of 2006, the Heinz company was liquidating its shares in the tuna canning factory, which had been privatized in 1995.

## 29 SCIENCE AND TECHNOLOGY

Seychelles Polytechnic, founded in 1983 at Victoria, has schools of agriculture, engineering, health studies, humanities and science, and maritime studies. In 2002, there were 18 researchers and 30 technicians engaged in research and development per million people. For that same year, R&D spending totaled R4.080 million. Of that amount, 89.7% came from government sources, with private nonprofit organizations accounting for 3.4% and foreign sources 6.9%.

## 30 DOMESTIC TRADE

The Seychelles Marketing Board (SMB), with wide powers over imports, distribution, and quality of goods, was established in 1984. Though its monopoly on the sale of fruits and vegetables was abandoned in 1987, the SMB still operates all major supermarkets.

### Principal Trading Partners – Seychelles (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	38.0	245.7	-207.7
Saudi Arabia	14.4	39.8	-25.4
France-Monaco	12.8	26.2	-13.4
Madagascar	2.6	...	2.6
United Kingdom	1.7	19.5	-17.8
South Africa	1.1	22.2	-21.1
Japan	0.9	1.8	-0.9
Netherlands	0.8	3.3	-2.5
Austria	0.7	...	0.7
Australia	0.4	4.0	-3.6
Denmark	0.4	2.4	-2.0

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

The small Chinese merchant class plays an important part in the retail trade. The variety of domestic goods for sale is very limited. There are price controls on most foodstuffs. The capital of Victoria is the major commercial center of the island. Shops range from supermarkets to a traditional open-air market. A small handicrafts and pottery industry creates products primarily for tourists.

Normal business hours are 8 AM to noon and 1:30 to 4 PM, Monday–Friday; 8 AM to noon on Saturday. Most business is conducted in English, but French is widely spoken.

### 3<sup>1</sup> FOREIGN TRADE

Foreign trade is habitually in deficit. Strict trade regulations hinder trade growth. Preserved fish (73%), fresh fish (8.0%), salted, dried, and smoked fish (6.5%), and shellfish (3.7%) account for the majority of Seychelles's commodity exports. Other exports include cinnamon and vanilla (2.4%).

In 2005, exports totaled \$312 million (FOB—free on board), while imports grew to \$460 million. Most of the exports went to the United Kingdom (27.7%), France (15.8%), Spain (12.6%), Japan (8.6%), Italy (7.5%), and Germany (5.6%). Major imports included food and live animals, manufactured goods, fuel, machinery and transport goods, and chemicals, and they mainly came from Saudi Arabia (15.5%), Spain (13.3%), France (10.3%), Singapore (7%), South Africa (6.8%), Italy (6.7%), and the United Kingdom (4.7%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Development aid, income from tourism, and earnings from reexports have generally been sufficient to offset Seychelles' persistent visible trade deficit.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Seychelles's exports was \$182.6

million while imports totaled \$360.2 million resulting in a trade deficit of \$177.6 million.

The International Monetary Fund (IMF) reported that in 2001 Seychelles had exports of goods totaling \$215 million and imports totaling \$387 million. The services credit totaled \$283 million and debit \$193 million.

Exports of goods and services totaled \$629 million in 2004, up from \$620 million in 2003. Imports grew from \$593 million in 2003, to \$629 million in 2004. The resource balance, while positive in 2003 at \$28 million, decreased to \$0 million in 2004, indicating that imports were growing faster than exports. A similar trend was registered for the current account balance, which deteriorated from -\$6 million in 2003, to -\$21 million in 2004. Foreign exchange reserves (including gold) decreased to \$37 million in 2004, covering less than a month of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

The Seychelles Monetary Authority, established in 1978 as the bank of issue, became the Central Bank of Seychelles in 1983. Other government banks are the Seychelles Savings Bank and the Development Bank of Seychelles. Five major commercial banks operate in the Seychelles, namely Barclays, Nouvobanq, Banque Française Commerciale Océan Indien, Bank of Baroda, and Habib Bank. Development of an offshore banking center was announced in 1999.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$220.5 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$607.0 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 1%.

There is no stock exchange in Seychelles.

### 3<sup>4</sup> INSURANCE

All private insurance companies were nationalized in 1983 and their business transferred to the State Assurance Corp. Two of the companies doing business in the Seychelles in 1997 were H. Savy Insurance Co., and State Assurance Corp. of Seychelles.

### 3<sup>5</sup> PUBLIC FINANCE

Annual budgets of increasing deficits were common in the 1980s. The public sector is responsible for two-thirds of Seychelles' employment, and the budget amounts to about 40% of GDP. Public investment focuses on social and physical infrastructure, tourism, and export activities. Some privatization has occurred in recent years, including the privatization of some port operations and the Seychelles Tuna Canning Factory, 60% of which was purchased by Heinz.

The US Central Intelligence Agency (CIA) estimated that in 2005 Seychelles's central government took in revenues of approximately \$343.3 million and had expenditures of \$332.2 million. Revenues minus expenditures totaled approximately \$11.1 million. Public debt in 2005 amounted to 129.7% of GDP. Total external debt was \$276.8 million.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were R1,607 million and expenditures were R2,172.8

#### Balance of Payments – Seychelles (2002)

(In millions of US dollars)

<b>Current Account</b>			<b>-130.6</b>
Balance on goods		-139.6	
Imports	-376.3		
Exports	236.7		
Balance on services		105.2	
Balance on income		-92.5	
Current transfers		-3.8	
<b>Capital Account</b>			<b>5.0</b>
<b>Financial Account</b>			<b>-64.0</b>
Direct investment abroad		-89.0	
Direct investment in Seychelles		61.4	
Portfolio investment assets		0.1	
Portfolio investment liabilities		1.1	
Financial derivatives		...	
Other investment assets		-9.8	
Other investment liabilities		-9.8	
<b>Net Errors and Omissions</b>			<b>0.5</b>
<b>Reserves and Related Items</b>			<b>189.1</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

**Public Finance – Seychelles (2002)**

(In millions of rupees, central government figures)

	<b>1,607</b>	<b>100.0%</b>
<b>Revenue and Grants</b>		
Tax revenue	999.1	62.2%
Social contributions	253.7	15.8%
Grants	25.1	1.6%
Other revenue	329.1	20.5%
<b>Expenditures</b>	<b>2,172.8</b>	<b>...</b>
General public services	770.8	35.5%
Defense	78.8	3.6%
Public order and safety	81	3.7%
Economic affairs	165.5	7.6%
Environmental protection	...	...
Housing and community amenities	54.5	2.5%
Health	136.6	6.3%
Recreational, culture, and religion	23.8	1.1%
Education	211.8	9.7%
Social protection	302	13.9%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

million. The value of revenues in US dollars was us\$293 million and expenditures us\$333 million, based on a official exchange rate for 2002 of us\$1 = R5.4800 as reported by the IMF. Government outlays by function were as follows: general public services, 35.5%; defense, 3.6%; public order and safety, 3.7%; economic affairs, 7.6%; housing and community amenities, 2.5%; health, 6.3%; recreation, culture, and religion, 1.1%; education, 9.7%; and social protection, 13.9%.

**36 TAXATION**

As of 2005, Seychelles had a progressive corporate income tax structure made up of four bands, with rates of 0%, 25%, 30%, and 40%. There is no capital gains tax in the Seychelles. A withholding tax of 15% is applied to dividends paid to nonresidents. Residents receiving dividends are not taxed. Interest income paid to nonresidents (excluding banks, financial companies, and other firms whose primary business is money lending) are subject to a 10% withholding rate. A 40% withholding rate is applied to interest received by residents or nonresidents holding a security issued by a Seychelles financial institution, and is applied at the time of redemption. Royalties paid to Seychelles citizens are not taxed, while nonresidents are subject to a 15% withholding rate. The principal indirect taxes are customs duties and a goods and services tax (GST). The GST applies a 12% tax on certain locally manufactured goods and on imported goods (in addition to the customs duty). Local services providers and tourism-related services providers are subject to a GST between 7% and 15%. The Seychelles operates as a tax haven. It applies a territorial basis of tax assessment to corporations, so they are taxed only on the income that is derived directly from the country. This makes it an inviting place for international companies to headquarter, because the profits made by branches are not imputed to the center for tax purposes. Also the government imposes no personal income tax,

although it does require social security contributions.

**37 CUSTOMS AND DUTIES**

All imports are controlled by the Seychelles Marketing Board (SMB), which places quotas on certain imports (such as motor vehicles) and other types of restrictions on other items. Prohibited goods include arms and ammunition, dangerous drugs, pornographic materials, and spearguns. Import tariffs are 30%.

The Seychelles International Trade Zone offers tax benefits and other advantages to exporters.

**38 FOREIGN INVESTMENT**

The government offers full repatriation of after-tax profits; normal exemption from import duties for machinery, spare parts, and raw materials; and possible tariff protection. While parastatals are common in Seychelles, there is no policy of nationalization, though joint ventures are preferred when foreign capital is involved. Public and private investment is sought for the tourist, fishing, agriculture, and manufacturing sectors. In 1995, the government established an International Investment Authority which offers incentives and tax concessions to foreign investors.

Annual foreign direct investment (FDI) inflows to the Seychelles from 1997 to 2000 ranged from \$54.4 million in 1997 to \$60 million in 1999. In 2001, FDI inflows slowed to \$34 million. In 2005, attempts were underway to find a buyer for Heinz's share in the Indian Ocean Tuna cannery, which delayed planned investments in the factory.

**39 ECONOMIC DEVELOPMENT**

The 1985–89 plan sought to create jobs and emphasized developing cash crops, tourism, and the fishing industry. The 1990–94 plan emphasized the need to attract foreign investment. Of considerable interest to donors in the 1990s was the 10-year plan to improve the Seychelles environment. In 1999, the government undertook an intensive review of trade policies in connection with its application to join the WTO, which may increase development. As of 2003, the Seychelles' WTO application was still pending.

The economy continued to contract in 2005, and was expected to continue the same trend in 2006. Tourism still suffers from decreasing numbers of incoming visitors, and manufacturing will remain depressed as a result of insufficient foreign exchange. Prospects for 2007 are somewhat brighter as major investments in luxury hotels are expected to put the economy back on track.

**40 SOCIAL DEVELOPMENT**

All citizens residing in Seychelles territory and resident foreign employees are entitled to participate in the social security fund. There is voluntary coverage available to the self-employed. Benefits are provided for old age, disability, survivorship, sickness, and maternity. Employees and employers are required to make monthly contributions. Retirement is set at age 63 with at least five years of residency. There is also a workers' compensation scheme. Health services are free for all residents under the National Health Plan. Although there is no statutory unemployment program, daily subsistence wages are provided under certain conditions.

Traditional Seychelles culture is matriarchal and women are accorded considerable respect within society. However, violence against women, particularly domestic violence, remains a prob-

lem, and has been linked to alcohol abuse. Women are fairly well represented in both the public and private sectors. Inheritance laws do not discriminate against women. In 2004, more than 70% of births were out of wedlock.

Human rights are generally respected although there are still arbitrary arrests and detentions. There is some discrimination against foreign workers. Nongovernmental organizations operate freely.

#### 41 HEALTH

In 2004, the Seychelles had an estimated 132 physicians, 5 pharmacists, 467 nurses, 4 midwives, and 12 dentists per 100,000 people. Approximately, 3.9% of the gross national product went to health expenditures. Water and sanitation were available to over 90% of the Seychelles residents.

The infant mortality rate in 2005 was estimated at 15.53 per 1,000 live births and average life expectancy at 71.82 years. In the same year, the birth rate was 17.3 and the overall mortality rate at 6.6. Approximately 99% of the country's children were vaccinated against measles, 99% against hepatitis B, and 97% against polio. Seychelles has also reached the 2000 goal of attaining at least 90% immunization DPT (diphtheria, pertussis, and tetanus). No cases of polio, measles, or neonatal tetanus were reported, however leprosy was still present.

#### 42 HOUSING

As of the 2002 census, there were about 20,270 housing units throughout the nation serving 20,933 households. The average household size was four members. Most homes were made of stone block with corrugated iron roofs (77%); others are constructed of wood frames and walls. Some rural houses were thatched. About 73% of all housing was listed in good condition; 66% of all housing was owner occupied. Of all housing units, 94% had flush toilets, 87% had indoor treated water, and 96% had electricity.

The Home Ownership Scheme lends money for building costs to low-income families, and the Housing Loan Fund provides loans for families who want to purchase or build their own homes. Concrete-block housing developments have been constructed.

#### 43 EDUCATION

Since 1980, public education has been free and compulsory for 10 years for children between the ages of 6 and 16. Six years of primary education are followed by five years of secondary education. Vocational courses are offered for secondary students. In 2001, about 90% of children between the ages of four and five were enrolled in some type of preschool program. Primary and secondary school enrollment in 2003 was estimated at about 100% of age-eligible students. It is estimated that nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 14:1 in 2003; the ratio for secondary school was also about 14:1.

Seychelles does not provide education at university level, but there is a teacher-training college and a polytechnic institute. Only members of the National Youth Service can apply to the teacher-training college. In the absence of higher education facilities,

many students study abroad, mainly in the United Kingdom. The adult literacy rate for 2004 was estimated at about 91.9%.

As of 2003, public expenditure on education was estimated at 5.2% of GDP, or 10.7% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Archives and a National Library (80,000 volumes) are both located in Victoria (Mahé Island). Seychelles Polytechnic University has 12,000 volumes. The Seychelles National Museum of History is located in the same building as the National Library. There is also a Seychelles Natural History Museum in Victoria.

#### 45 MEDIA

In 2002, there were 21,700 mainline phones in use nationwide. In 2003, there were an additional 54,500 mobile phones in use.

Radio-Television Seychelles, which is government owned, broadcasts in English, French, and Creole. Television service, controlled by the government, began in 1983. License fees for privately owned radio and television stations are so high that an independent media has not been able to develop. As of 1999 there were three AM radio stations and two television stations. There were 627 radios and 150 television sets per 1,000 population in 1998. In 2002, there were about 11,700 Internet subscribers served by over 260 Internet hosts. There is one daily newspaper—*Seychelles Nation* (2002 circulation 3,500)—published by the government in English, French, and Creole. The president has the authority to censor publications.

#### 46 ORGANIZATIONS

Trade groups include the Seychelles Chamber of Commerce and Industry and the Seychelles Farmers' Association. The Women's Association and the Youth Organization are arms of the SPPF. Other youth organizations include the National Youth League of the Seychelles and the Scout and Guide Movement of the Seychelles. There are several sports associations representing such pastimes as tennis, squash, yachting, and track and field. There are national chapters of the Red Cross and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

The prosperity of Seychelles depends on tourism. Visitors can enjoy coral beaches, water sports including scuba diving, water-skiing, and windsurfing, and boat or yacht tours of the islands. The archipelago's wildlife is also a popular tourist attraction. Valid passports are required, but visas are not. If traveling from an infected area a certificate of vaccination is required.

There were 122,038 tourist arrivals in 2003. Most of the visitors came from France and Germany. Hotel rooms numbered 2,435 with 4,926 beds and an occupancy rate of 46%. That same year the US Department of State estimated the daily cost of staying in Seychelles at \$271.

**48 FAMOUS SEYCHELLOIS**

Sir James Richard Marie Mancham (b.1939), leader of the SDP, became Seychelles' first president in 1976. He was deposed in 1977 by France Albert René (b.1935), who served until 2004. James Alex Michel (b.1944) became president in 2004.

**49 DEPENDENCIES**

Seychelles has no territories or colonies.

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# SIERRA LEONE

Republic of Sierra Leone

**CAPITAL:** Freetown

**FLAG:** The national flag is a tricolor of green, white, and blue horizontal stripes.

**ANTHEM:** Begins "High we exalt thee, realm of the free, Great is the love we have for thee."

**MONETARY UNIT:** The leone (LE) is a paper currency of 100 cents. There are coins of ½, 1, 5, 10, 20, and 50 cents, and notes of 1, 2, 5, 10, 20, 50, 100, and 500 leones. LE1 = \$0.00041 (or \$1 = LE2,452.91) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is employed.

**HOLIDAYS:** New Year's Day, 1 January; Independence Day, 27 April; Bank Holiday, August; Christmas, 24–25 December; Boxing Day, 26 December. Movable religious holidays include Good Friday, Easter Monday, Whitmonday, 'Id al-Fitr, 'Id al-'Adha, and Milad an-Nabi.

**TIME:** GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated on the west coast of Africa, Sierra Leone has an area of 71,740 sq km (27,699 sq mi), extending 338 km (210 mi) N–S and 304 km (189 mi) E–W. Comparatively, the area occupied by Sierra Leone is slightly smaller than the state of South Carolina. It is bounded on the N and E by Guinea, on the SE by Liberia, and on the S and W by the Atlantic Ocean, with a total boundary length of 1,360 km (845 mi), of which 402 km (250 mi) is coastline. In addition to the mainland proper, Sierra Leone also includes the offshore Banana and Turtle islands and Sherbro Island, as well as other small islets.

Sierra Leone's capital city, Freetown, is located on the Atlantic Coast.

## <sup>2</sup>TOPOGRAPHY

The Sierra Leone Peninsula in the extreme west is mostly mountainous, rising to about 884 m (2,900 ft). The western part of the country, excluding the Peninsula, consists of coastal mangrove swamps. Farther east, a coastal plain extends inland for about 100–160 km (60–100 mi); many rivers in this area are navigable for short distances. Stretches of wooded hill country lead east and northeast to a plateau region generally ranging in elevation from 300 to 610 m (1,000 to 2,000 ft). There are peaks of over 1,830 m (6,000 ft), reaching a maximum of 1,948 m (6,390 ft) at Loma Mansa (Bintimani) in the Loma Mountains.

## <sup>3</sup>CLIMATE

Temperatures and humidity are high, and rainfall is heavy. The mean temperature is about 27°C (81°F) on the coast and almost as high on the eastern plateau. There are two distinct seasons: the dry season, from November to April, and the wet season, over the rest of the year, with the heaviest precipitation in July, August, and September. Rainfall is greatest along the coast, especially in the mountains, where there is more than 580 cm (230 in) annually, but it averages more than 315 cm (125 in) a year in most of the

country, with 366 cm (144 in) at Freetown. The relative humidity ranges from an average of 80% during the wet season to about 50% during the dry season.

## <sup>4</sup>FLORA AND FAUNA

About 25–35% of the land area, mostly in the north, consists of savanna or grasslands; 20–25%, mostly in the south-center, is low bush; another 20–25%, in the southeast, is secondary forest or high bush; 10–20% is swampland; and 3–5% is primary rain forest.

The emerald cuckoo, which has been described as the most beautiful bird in Africa, is found in Sierra Leone, although it has disappeared from the rest of West Africa. Other species include the Senegal firefinch, common bulbul, little African swift, Didric cuckoo, bronze manakin, cattle egret (or "tickbird"), and many birds that breed in Europe but winter in Sierra Leone. Crocodiles and hippopotamuses are indigenous to the river regions of the coastal plain. As of 2002, there were at least 147 species of mammals, 172 species of birds, and over 2,000 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Water pollution is a significant problem in Sierra Leone due to mining by-products and sewage. The nation has about 160 cu km of renewable water resource, with 89% of annual withdrawals used for farming and 4% for industrial purposes. Only 75% of the nation's city dwellers and 46% of those living in rural areas have access to improved water sources. The nation's cities have produced an average of about 0.3 million tons of solid waste per year.

Population pressure, leading to an intensification of agriculture, has resulted in soil depletion, while lumbering, cattle grazing, and slash-and-burn farming have decimated the primary forest. By 1985, deforestation had progressed to a total of 23 square miles. Agricultural lands are gradually replacing forestlands due to the need for food by a population that increased by 80% during the period between 1963 and 1990. The forests of the Sierra

Leone Peninsula are protected. The Sierra Leone River Estuary is a Ramsar wetland site. As of 2003, only 2.1% of Sierra Leone's total land area was protected. Government agencies with environmental responsibilities include the Ministry of Agriculture, Natural Resources, and Forestry, Ministry of Mines, Ministry of Lands and Human Development, Ministry of Energy and Power, and Ministry of Economic Planning and National Development.

Hunting for food has reduced the stock of wild mammals, and Cutamba Killimi National Park, which has some wildlife species found only in this part of West Africa, is exploited by poachers. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 12 types of mammals, 10 species of birds, 3 types of reptiles, 2 species of amphibians, 8 species of fish, 4 species of invertebrate, and 47 species of plants. Threatened species in Sierra Leone include the white-breasted Guinea fowl, Diana monkey, the African sharp-nosed crocodile, and several species of shark.

## 6 POPULATION

The population of Sierra Leone in 2005 was estimated by the United Nations (UN) at 5,525,000, which placed it at number 107 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 41% of the population under 15 years of age. There were 97 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.3%, a rate the government viewed as too high. Contributing to the high growth rate is the low rate of contraception use, at 3.9% of married woman. The projected population for the year 2025 was 8,663,000. The overall population density was 77 per sq km (199 per sq mi), with the Sierra Leone Peninsula the most densely populated region of the country.

The UN estimated that 37% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.59%. The capital city, Freetown, had a population of 921,000 in that year. Other main towns are Koindu, Bo, Kenema, and Makeni.

The prevalence of HIV/AIDS has had a significant impact on the population of Sierra Leone. The UN estimated that 7% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

Historically, there has been considerable movement over the borders to and from Guinea and Liberia. In the mid-1980s, the number of nonnative Africans was estimated at 30,000. Since the civil war in 1991, hundreds of thousands of refugees have left Sierra Leone. Of these refugees, 250,000 went to Guinea, 120,000 went to Liberia, and 4,000 went to The Gambia. Repatriation by the United Nations High Commissioner for Refugees (UNHCR) began in February 1997, as 1,400 returned home from Liberia and Mali. By February 1998, UNHCR planned to repatriate 240,000 refugees from Guinea, Liberia, and The Gambia. With the signing of the Lomé peace agreement in 1999, UNHCR planned for the repatriation of the remaining 450,000 Sierra Leonean refugees seeking asylum in the subregion, mainly in Guinea and Liberia, but also in

Côte d'Ivoire, The Gambia, and Nigeria. As of 1999, Sierra Leoneans made up UNHCR's largest refugee caseload in Africa. The total number of migrants in the country in 2000 was 47,000, including remaining refugees. In 2004, some 26,271 refugees returned to Guinea and Liberia. However, in that same year there were yet another 65,437 refugees in Sierra Leone, 61,192 from Liberia, and 138 asylum seekers.

In 2005, the net migration rate was an estimated zero migrants per 1,000 population. This was a significant drop from -18.7 per 1,000 in 1990. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The African population is composed of some 20 native ethnic groups, constituting 90% of the total population. The two largest are the Mende (about 30% of the population) and Temne (about 30%). Other peoples, making up the remaining 30% of the African populace, include the Bullom, Fulani, Gola, Kissi, Kono, Koranko, Krim, Kru, Limba, Loko, Malinke, Sherbro, Susu, Vai, and Yalunka. Creoles, descendants of freed Jamaican slaves who settled in the Freetown area in the late 18th century, account for the remaining 10% of the total population. Refugees from Liberia's recent civil war also live in Sierra Leone, along with small numbers of Europeans, Lebanese, Pakistanis, and Indians.

## 9 LANGUAGES

English is the official language; however, it is used regularly only by the literate minority. The Mende and Temne languages are widely spoken in the south and north, respectively. Krio, the mother tongue of the Creoles, derived largely from English, with words added from various West African languages, is the lingua franca and a first language for about 10% of the population, but is understood by 95%.

## 10 RELIGIONS

Reliable data on the exact numbers of practitioners of major religions is not available. However, most sources estimate that the population is 60% Muslim, 30% Christian, and 10% practitioners of traditional indigenous religions. Muslims were traditionally concentrated in the northern part of the country, and Christians in the south. However, an ongoing civil war has prompted relocation by large masses of the population. Reportedly, many syncretic practices exist, with up to 20% of the populace practicing a mixture of either Muslim or Christianity with traditional indigenous religions. Certain Muslim and Christian holidays are recognized as national holidays. The Inter-Religious Council serves an important role in civil society and works to promote the peace process within the country.

## 11 TRANSPORTATION

In 1970 there were more than 580 km (360 mi) of railway, but by the end of 1975, following an IBRD recommendation, Sierra Leone had dismantled most of its rail system and replaced it with new roadways; since the mid-1980s, only 84 km (52 mi) of narrow-gauge railway has remained, connecting the closed iron mines at Marampa with the port of Pepel, on the Sierra Leone River. The line remains operable but is in limited use. In 2002, Sierra Leone had about 11,700 km (7,270 mi) of roads, of which

some 904 km (562 mi) were paved. In 2003, there were 29,650 registered motor vehicles, including 20,300 automobiles, and 9,350 commercial vehicles.

Freetown has one of the finest natural harbors in the world, with an excellent deepwater quay, built in 1953. In 1970, work was completed on an extension that provides the port with berth facilities for six to eight ships and about 24 hectares (60 acres) of storage area. Peipel specializes in the export of iron ore, and Point Sam, the Sherbro River terminal, handles bauxite and rutile. Bonthe and Sulima are other ports. As of 2005, the merchant marine consisted of two petroleum tankers of 1,000 GRT or more, totaling 7,435 GRT. Sierra Leone has many rivers, however, some are navigable only over short distances for about three months of the year, during the rainy season. Of the 800 km (497 mi) of waterways, 600 km (373 mi) are navigable year round.

In 2004 there were an estimated 10 airports, however, as of 2005, only one had a paved runway, and there were also two heliports. An international airport at Lungi is connected by ferry to Freetown, across the bay. Extension of the runway was completed in 1968, bringing the airport to top-class international airport standard. It is served by about a dozen international airlines with regular flights to Europe, North and South America, and the rest of West Africa. Domestic service operates from Hastings Airfield, 22 km (14 mi) from Freetown, linking the capital to nearly all the large provincial towns.

The national air carrier, founded in 1961 as Sierra Leone Airways, was reconstituted in 1982 as Sierra Leone Airlines, under the management of Alia-Royal Jordanian Airline, which holds a 20% share. In 2003, about 14,000 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

Archaeological research indicates that by AD 800 the use of iron had been introduced into what is now Sierra Leone and that by AD 1000 the coastal peoples were practicing agriculture. Beginning perhaps in the 13th century, migrants arrived from the more advanced savanna lands to the north and east.

European contact began in 1462 with the Portuguese explorer Pedro da Cintra, who gave the mountainous Peninsula the name Sierra Leone ("Lion Mountains"). From the 16th to the early 19th century, the region was raided for slaves for the Atlantic trade, and later in the 19th century, it was ravaged by African war leaders and slavers.

The colony of Sierra Leone was founded by British philanthropists to relieve the horrors of this slave trade. Granville Sharp, a leader in the movement to abolish slavery, planned it as a home for African slaves freed in England. In 1787, he sent out the first settlers to what he called "The Province of Freedom." In the following year, one of the Temne kings and his subordinate chiefs sold and ceded a strip of land on the north shore of the Sierra Leone Peninsula to Capt. John Taylor on behalf of the "free community of settlers, their heirs and successors, lately arrived from England, and under the protection of the British Government." A few years later, they were joined by settlers of African origin from England, Nova Scotia (freed slaves who, as loyalists, had fled the American Revolution), and Jamaica.

The Sierra Leone Company, of which Sharp was a director, was formed in 1791 to administer the settlement. The land did not



LOCATION: 6°55' to 10° N; 10°16' to 13°18' W. BOUNDARY LENGTHS: Guinea, 652 kilometers (405 miles); Liberia, 306 kilometers (190 miles); Atlantic coastline, 406 kilometers (252 miles). TERRITORIAL SEA LIMIT: 12 miles.

prove as fertile as described, and the settlement was the victim of attacks by neighboring tribes and by a French squadron. The burden of defense and settlement proved too heavy for the company, and Sierra Leone was transferred to the crown in 1808. The colony received additions of land up to 1861 through various treaties of friendship and cession from the local chiefs.

After 1807, when the British Parliament passed an act making the slave trade illegal, the new colony was used as a base from which the act could be enforced. Beginning in 1808, hundreds, and sometimes thousands, of slaves were freed each year, most of them remaining in Sierra Leone. In 1896, a British protectorate was declared over the hinterland of Sierra Leone, which was separate from the colony. Revolts in 1898 were provoked main-



ly by attempts to extend British colonial jurisdiction into the protectorate.

A 1924 constitution provided for the election of three members to a Legislative Council on a restricted franchise, and the constitution of 1951 provided for an elected majority, resulting in African rule. In 1957, the Legislative Council was replaced by a House of Representatives, most members of which were elected, and the literacy requirement for voters was dropped. In 1958, Milton Margai became Sierra Leone's first prime minister; in 1960, he led a delegation to London to establish conditions for full independence.

### Independence

Sierra Leone became an independent country within the Commonwealth of Nations on 27 April 1961. Milton Margai continued as prime minister until his death in 1964, when he was succeeded by his half-brother, Albert Margai, who held office until the national elections in March 1967. The outcome of the elections was disputed, but the All-People's Congress (APC) claimed a plurality of the seats in the House of Representatives. Before Siaka Stevens, chairman of the APC, could take office as prime minister, he was ousted in a bloodless coup led by the army chief, Brig. David Lansana. Martial law was declared, and a National Reformation Council remained in control for 13 months, until 18 April 1968, when it was overthrown by the Anti-Corruption Revolutionary Movement, a military group that formed the National Interim Council. On 26 April 1968, Stevens was installed as prime minister of a civilian government. Continuing political unrest prompted the declaration of a state of emergency in 1970 and a ban on the newly created United Democratic Party, an opposition group whose leaders were arrested.

In 1971, after an abortive military coup which was suppressed with aid from Guinea, a new constitution was adopted. The country was declared a republic on 19 April 1971. Two days later, Siaka Stevens, then prime minister, became the nation's first president. National elections were held in May 1973, and the APC won a nearly unanimous victory following the decision of the opposition Sierra Leone People's Party to withdraw its candidates because of alleged electoral irregularities. An alleged plot to overthrow Stevens failed in 1974, and in March 1976, he was elected without opposition for a second five-year term as president. In 1978, a new constitution was adopted, making the country a one-party state.

An economic slowdown, coupled with revelations of government corruption, led to a general strike in September 1981, called by the Sierra Leone Labour Congress; some labor leaders and other government critics were temporarily detained under emergency regulations, but the government met a key demand of the strikers by moving to reduce the prices of basic commodities. Violence and irregularities marked the parliamentary elections held in 1982, which were limited to the APC.

Stevens did not run for reelection as president in 1985, yielding power to his handpicked successor, Maj. Gen. Joseph Saidu Momoh, the armed forces commander, whose nomination by the APC was ratified in his unopposed election in October 1985. Parliamentary elections were held in May 1986. Following an alleged attempt to assassinate Momoh in March 1987, over 60 persons were arrested, including First Vice President Francis Minah, who was removed from office. An extensive reshuffling of the cabinet followed. Further reports of alleged coup attempts followed.

In April 1991, Sierra Leone was invaded from Liberia by forces commanded by Liberian rebel, Charles Taylor. Domestic support within Sierra Leone mounted and by 29 April 1992, Momoh was overthrown in a military coup. Momoh fled to Guinea. A National Provisional Ruling Council (NPRC) was created but, shortly afterward, on 2 May, the head of the five-member junta, Lt. Col. Yahya, was arrested by his colleagues and replaced by 29-year-old Capt. Valentine Strasser, who was formally designated head of state.

The Strasser government soon began ruling by a series of decrees and public notices limiting political freedoms. The NPRC dissolved parliament and political parties. Strasser talked of returning Sierra Leone to multiparty democracy, but his main goal was to end the fighting in the southeast where the forces of the National Patriot Front of Liberia (NPFL) and Sierra Leone dissidents were engaging a weakly-committed Sierra Leone armed force. Forces from the ECOWAS Monitoring Group sought to create a buffer along the boundary between the two countries. A rebellion led by Foday Sankoh of the Revolutionary United Front (RUF) simmered throughout 1993, although it seemed to falter as the Liberian rebels across the border lost ground. Facing a military stalemate, in November 1993 Strasser announced a unilateral cease-fire, an amnesty for rebels, and issued a timetable for a transition to democracy.

Through 1992 and 1993, Strasser used the security situation to consolidate his power. In December 1992, the government executed 26 alleged coup plotters from the Momoh government. In mid-1993, Strasser arrested his vice president, Capt. Solomon Musa. Policy was formulated and implemented by the NPRC, which established a Supreme Council of State comprising NPRC members, military officers and one civilian.

In 1996, Deputy Brig. Gen. Julius Maada Brio ousted Strasser and provided him safe conduct out of the country. Presidential and parliamentary elections took place in February 1996, but were opposed violently by rebel forces resulting in 27 deaths. Neither candidate, Ahmad Tejan Kabbah (United Peoples Party) or Dr. John Karefa-Smart, received a majority of the vote and a runoff election was held on 15 March 1996. Kabbah won the election with 59.4% of the vote.

In May 1997, Maj. Johnny Paul Koromah of the Armed Forces Revolutionary Council (AFRC) overthrew Kabbah. Clashes between the rebels and Nigerian troops followed, forcing 12,000 Freetown residents to flee the capital. With ECOMOG's support, President Kabbah returned from exile on 10 March 1998. However, rebel forces remained firmly in control of the north, the Kono diamond field, and areas along the Liberian border.

A violent rebel offensive in January 1999 led by the AFRC and Revolutionary United Front (RUF) forced the evacuation of diplomatic and foreign aid personnel from Freetown. As many as 5,000 residents were killed, 150,000 dislocated, and 20% of Freetown was destroyed. Rebels amputated the hands and feet of thousands of civilians "to send a message" to the government. Human rights reports documented unspeakable abuses on all sides. The attack was repelled, but rebels gained control of two-thirds of the country.

In March 1999, President Kabbah was forced to grant temporary amnesty to Corporal Foday Sankoh of the RUF. Sankoh received four ministerial positions and three deputies, bringing the rebel presence in government to seven. Peace talks resumed, and

a cease-fire was signed in May. In July, Jesse Jackson and ECOWAS chairman, Gnassingbe Eyadema, were present at the signing of the Lomé Peace Accord. In December 1999, ECOMOG forces began their withdrawal to be replaced by 11,000 UN observer troops (UNAMSIL), which eventually reached a troop strength of 17,000.

Disgruntled over the distribution of ministries in the unity government, the RUF resumed war in early May 2000, captured 500 UN personnel, and advanced to within 25 miles of the capital. However, on 17 May, Foday Sankoh was captured and eventually died in government custody in July 1993. Liberian President Charles Taylor, a supporter of the RUF, helped obtain the release of some of the peacekeepers, but insisted that Sankoh be part of the solution to the war. By June 2000, the rebels offered to trade their remaining captives for Sankoh's release, but the trade never materialized. Instead UNAMSIL routed the RUF and other armed groups, and concluded a peace agreement, which became fully effective January 2002. President Kabbah and his party won overwhelming victories at the presidential and parliamentary polls that followed on 14 May 2002.

Kabbah proceeded with restructuring and downsizing the army and security forces, and began to prosecute war criminals under a UN Special Court. In October 2002, Kabbah established a Truth and Reconciliation Commission (TRC) to accelerate emotional healing. The TRC's mandate expired in April 2004. By February 2003, some 1,400 people had provided testimony containing information about 3,000 victims who had suffered more than 4,000 violations, including 1,000 deaths and 200 cases of rape and sexual abuse. Militarily, nearly 50,000 combatants were demobilized and disarmed of some 15,000 weapons. Koroma, who escaped from the police in a failed coup attempt in 2003, had not been heard from and was presumed dead. In May 2003, authorities in Liberia produced the corpse of Col. Mosquito, the RUF bush commander.

UNAMSIL completed the first phase of its downsizing in late 2002 and in early May 2005, UN Secretary-General Kofi Annan said that the remaining troops except for a small rapid reaction force would be phased out by end of 2005. In local elections on 22 May 2004—the first such elections in over 30 years—the strong showing of the main opposition party APC sent a general message of discontent to the SLPP.

In June 2004, the first UN Special Court of War Crimes began its first trial of leaders of the pro-government militias, the Civil Defense Force (the Kamajors), and the RUF. In March 2005, trials for the AFRC defendants began. By early 2006, 13 people had been indicted (three posthumously—Foday Sankoh, Sam 'Mosquito' Bockarie, and Johnny Paul Koroma). Charles Taylor, who also faced charges under the Court, was exiled in Nigeria. The Nigerian government said that it would consider an extradition request from a democratically elected government of Liberia, but newly-elected President Ellen Johnson-Sirleaf had not made extradition a priority of her new government.

### 13 GOVERNMENT

A new constitution came into force on 1 October 1991, replacing the June 1978 constitution and subsequent modifications. However, it was suspended by the military junta after the 29 April 1992 coup. Shortly thereafter, the parliament and political parties were dissolved and the NPRC ruled by decree through a Supreme

Council of State (SCS) and a Council of State Secretaries (CSS-Cabinet). In November 1993 they announced a timetable leading to multiparty democracy and general elections in 1996. The constitution was suspended after the military coup in May 1997, but came into force again following the reinstatement of the Kabbah government in March 1998. A government of national unity formed in October 1999 as part of the Lomé Accords, but was short-lived.

In February 2002, a district block (proportional) representation system for the election of MPs came into force, replacing the first-past-the-post constituency system, which would be reinstated for the 2007 elections. As of 2005, the unicameral parliament had 124 seats—112 elected by popular vote and 12 filled by paramount chiefs elected in separate polls; members serve five-year terms. President Kabbah had indicated that he would step down after completing his current five-year term.

### 14 POLITICAL PARTIES

Party politics in Sierra Leone have a long and lively history. The Sierra Leone People's Party (SLPP), formed in 1951, dominated politics from its inception until 1967, when the All People's Congress (APC) claimed to have won a plurality of the seats in a disputed parliamentary election. The SLPP combined the Sierra Leone Organization Society, founded in the protectorate in 1946, and the Freetown People's Party, founded in the colony by the Rev. Etheldred Jones, also known as Lamina Sankoh. Although the SLPP won only two of the seven seats open to election in 1951, it was given recognition when the indirectly elected protectorate members and eight paramount chiefs joined with it. In 1953, Milton Margai became chief minister, and in 1957, the SLPP won 26 of the 39 seats being contested.

During the pre-APC period, the National Council of Sierra Leone (NCSL), founded in 1951, was the principal opposition group. It was influential only in the colony and favored a federal constitution with separate assemblies for the colony and the protectorate. When universal adult suffrage was introduced in 1957, the NCSL lost all its seats in the legislature. The United People's Party (UPP) was founded in 1956 by Cyril Rogers-Wright and Wallace Johnson to unite the interests of the colony and the protectorate. In the 1957 general elections, it won one seat in the legislature and gained three more after election petitions to the courts, so that it then constituted the principal legislative opposition.

In September 1958, Siaka Stevens and Milton Margai's half-brother, Albert Margai, withdrew from the SLPP and formed the People's National Party (PNP) to pursue a more militant policy. In 1960, the PNP and UPP joined the United National Front of all parties for the April constitutional talks in London. A national coalition government was formed, and Albert Margai became a cabinet minister.

Stevens left the United Front to form a new opposition group, the Elections Before Independence Movement (EBIM). Expelled from the PNP, he transformed the EBIM into the APC and, with support from younger radicals and much of the trade union movement, campaigned for a neutralist foreign policy and the need for a general election before independence. In March 1961, Stevens and some of his supporters were charged with sedition, libel, and incitement and were jailed just before independence under emer-

gency regulations. They were later released and acquitted of the charges.

In the election of 25 May 1962, the SLPP won 28 of 62 seats for ordinary members of the House of Representatives, the APC 16, the Sierra Leone Progressive Movement 4, and independents 14. After the election returns were announced, 12 of the independents declared themselves members of the SLPP, and Milton Margai was able to form a new government. Upon his death on 28 April 1964, Albert Margai became prime minister. Thirteen months of military rule followed the disputed 1967 elections, after which Siaka Stevens, leader of the APC, became prime minister.

Siaka Stevens, president from 1971 to 1985, created the APC in 1960. The APC dominated from 1967 until April 1992. In September 1970, another opposition group, the United Democratic Party, was formed. Shortly afterward, a state of emergency was declared, and on 8 October, the party was banned. The SLPP won 15 seats in the 1977 elections, the last in which an opposition party was allowed to participate. In the 1983 balloting, 173 candidates competed for 66 seats, and the remaining 19 elective seats (mostly held by members of the outgoing government) were uncontested. In 1978, a new constitution made the APC the sole legal party, and the SLPP was formally dissolved. Members of parliament were required to declare themselves members of the APC on penalty of losing their seats.

In the 1986 balloting, 335 candidates competed for the 105 popularly elected seats. Over half the sitting members, including three cabinet ministers, were defeated, and over 60% of those elected were newcomers to the House. After the April 1992 military coup, all political parties were banned and parliament was dissolved. In 1993 a timetable was prepared for a return to civilian rule and a multiparty democracy. Captain Valentine Strasser assumed leadership during the 1992 coup, but was overthrown in 1996.

In February 1996, Ahmad Tejan Kabbah, candidate of the National Peoples Party, was elected president with 59.4% of the vote. Fifteen parties registered for the 1996 elections. In the parliamentary competition for 80 seats (68 elected members; 12 paramount chiefs), the SLPP took 27 seats, the UNPP 17, the PDP 12, the APC 5, the NUP 4, and the DCP 3. These were the first elections since the former House of Representatives had been shut down by the military coup of April 1992. In November 1999, the RUF changed its name to the Revolutionary United Front Party (RUF) and Foday Sankoh gave addresses around the country as though he were running for president.

With a cease-fire in place, presidential elections were held in May 2002. In a landslide victory, Ahmed Tejan Kabbah, candidate of the SLPP obtained 70.06% of the vote to defeat Ernest Koroma of the APC. Koroma received 22.4% of the vote, while the Peace and Liberation Party (PLP) gained 3%, and others took 4.59%. The Revolutionary United Front Party (RUF) and its chairman Foday Sankoh, were thoroughly discredited. In the parliamentary contest for 112 elected seats, the SLPP captured 83 seats, the All People's Congress (APC) 27 seats, and the PLP 2 seats.

In May 2004, the APC won local elections in Freetown, but also fared well elsewhere winning 22% of the vote, 4 councils, and 116 councilors. The SLPP, which continued to dominate overall, won 70% of the vote, 15 councils, and 330 councilors. Independents elected 10 councilors, but won no councils. Both the SLPP and

APC alleged that the other side was guilty of vote-rigging, coercion, and multiple- and under-aged voting.

At the SLPP convention in September 2005, Solomon Berewa, the country's vice president, assumed leadership of the party and was designated the party's candidate for the 2007 presidential elections. Berewa defeated Charles Margai—son of the late prime minister Albert Margai—and a number of other aspirants. At its convention the main opposition party, the APC, chose Ernest Koroma, a Muslim, who also was confirmed as party chairman. Although the APC has made inroads into SLPP territory, it also will need to balance its ticket to be competitive in the south. A number of independents formed a new party, the Republican Movement, and several small parties met in June 2005 to strategize on the creation of a "third force". In addition, Charles Margai left the SLPP to form his own party, the PMDC.

## 15 LOCAL GOVERNMENT

Sierra Leone is divided into the Western Area (the former colony) and the Northern, Eastern, and Southern provinces (formerly the protectorate). The three provinces are divided into a total of 12 districts with 148 chiefdoms. Local government in the Western Area is administered by municipalities. Rural areas are governed by village committees, which send members to district councils, which in turn are represented in a rural area council.

Each province has a resident minister as administrative head. Local units within the provinces are, in ascending order of importance, villages, extended villages or sections, chiefdoms, and district councils. The 19 district councils, which contain elected members as well as paramount chiefs, are responsible for primary education, health centers, agricultural extension work, social welfare, community development, and transportation services (roads, bridges, and ferries). The war incapacitated local government by severely disrupting social institutions, and uprooting some two million refugees and internally displaced persons.

## 16 JUDICIAL SYSTEM

Local courts apply traditional law and customs in the chiefdoms. Elected indigenous leaders preside over the local courts. Magistrates hold court in the various districts and in Freetown, administering the English-based code of law. Appeals from magistrates' courts are heard by the High Court, which also has unlimited original civil and criminal jurisdiction. Appeals from High Court decisions may be made to the Court of Appeal and finally to the Supreme Court, consisting of a chief justice and not fewer than three other justices. The attorney general is a cabinet minister and head of the state law office, which is administered by the solicitor-general. Many of the justices, magistrates, and other lawyers are Sierra Leoneans trained in British universities or at Inns of Court in London. Judges serve until the age of 65.

The judiciary is not independent in practice and remains subject to manipulation. A UN Special Court for War Crimes, established at the end of the war, continued to hear cases of alleged war criminals in 2006.

## 17 ARMED FORCES

In 2005, the armed forces of Sierra Leone had about 12,000–13,000 active members. This was a new, UK-trained army formed after the dismantling of various factions. There were about 200

naval personnel, with five patrol craft. In 2005, the defense budget totaled \$26.1 million.

## 18 INTERNATIONAL COOPERATION

Admitted as the 100th member of the United Nations on 27 September 1961, Sierra Leone participates in ECA and several non-regional specialized agencies, such as the FAO, IAEA, ILO, UNCTAD, UNESCO, UNIDO, and the WHO. The country belongs to the WTO, the ACP Group, the African Development Bank, Commonwealth of Nations, ECOWAS, G-77, Organization of the Islamic Conference (OIC), the Islamic Development Bank, the New Partnership for Africa's Development (NEPAD), and the African Union. In 1980–81, then president Siaka Stevens served as chairman of the African Union and Freetown hosted the organization's summit conference in July 1980.

In October 1973, Sierra Leone and Liberia concluded the Mano River Union agreement, aimed at establishing an economic union of the two countries; Guinea joined the union in 1980. Trade restrictions among the three nations were abolished in 1981 and a common external tariff was established for most items of trade. The government is participating in efforts to establish a West African Monetary Zone (WAMZ) that would include The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone. The union, has been scheduled to come on-stream in January 2003, but has been rescheduled for December 2009.

Sierra Leone signed a defense pact with Guinea in 1971 allowing for the exchange of some army personnel. The United Nations Mission in Sierra Leone (UNAMSIL) was established in 1999 to cooperate with government officials by monitoring the implementation of peace agreements and the disarmament of civil and revolutionary forces. UNAMSIL is supported by 31 countries. Sierra Leone is part of the Nonaligned Movement.

In environmental cooperation, Sierra Leone is part of the Convention on Biological Diversity, Ramsar, CITES, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Although Sierra Leone is a potentially rich country with diverse resources, which include diamonds, gold, rutile, bauxite, and a variety of agricultural products, the economy has been severely depressed over the past two decades. The country has a chronic balance-of-payments deficit aggravated by a rebellion in the export-producing diamond regions of the country. The economy suffers from low production, poor export performance, large budget deficits, shortage of essential goods, deterioration of infrastructure, inability to service external debts, a pervasive parallel market, an influx of refugees from the civil war in Liberia, and inflation.

The government adhered to a structural adjustment program established in 1991–92 that called for a reduction in the number of civil service employees, increased privatization of the economy, increased taxation, and fiscal discipline. The program produced some improvements in the stability of the exchange rate and reduced inflation. Consequently, although some donors suspended aid, Sierra Leone gained the support of the World Bank, IMF, and other international agencies. In 1994, after the devaluation of the CFA franc, the inflation rate was at 104%.

Civil unrest in 1997 and the Army's takeover of the democratically elected government cast doubt on whether support would last. Less than a third of \$230 million dollars pledged in 1996 for the first stage of a five-year recovery program was given and it was likely that the donors would renege on the remainder if the political situation worsened. In 1997, GDP weakened by 20%, and remained at this depressed rate; in 1998, GDP gained by only 0.7%. Peace talks in 1998 broke down during the same year, and fighting continued into 2002.

In 2002, Sierra Leone qualified for \$950 million in debt relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative. Under the IMF's Poverty Reduction and Growth Facility (PRGF), and with the aid of bilateral donors, the country is implementing strategies to reduce poverty and introduce stability by decentralizing government functions, supporting good governance and restoring local government, improving education and health programs, building an effective police force, and fighting corruption. The smuggling of diamonds out of the country from rebel-controlled areas remains a catalyst for instability and undermines the legitimate economy. Bauxite and rutile mines that were closed during the war had not reopened by 2003.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Sierra Leone's gross domestic product (GDP) was estimated at \$5.0 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$800. The annual growth rate of GDP was estimated at 5.5%. The average inflation rate in 2002 was 1%. It was estimated that agriculture accounted for 49% of GDP, industry 31%, and services 21%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$26 million or about \$5 per capita and accounted for approximately 2.6% of GDP. Foreign aid receipts amounted to \$297 million or about \$56 per capita and accounted for approximately 39.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Sierra Leone totaled \$759 million or about \$142 per capita based on a GDP of \$1.0 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of -4.2%. In 2001 it was estimated that approximately 47% of household consumption was spent on food, 9% on fuel, 3% on health care, and 13% on education. It was estimated that in 2004 about 70.2% of the population had incomes below the poverty line.

## 21 LABOR

There are approximately 1.4 million workers in Sierra Leone, but only 65,000 of those are actual wage earners. Subsistence agriculture is the occupation of vast majority of the population. There

was no further data available on occupational breakdown or the unemployment rate in Sierra Leone.

The 1991 constitution provides for the right of association, and all workers (including civil servants) have the right to join trade unions of their choice. The trade union movement in Sierra Leone, one of the oldest in West Africa, dates back to 1913, when Wallace Johnson organized the Customs Employees Union. Under his influence, other unions developed, and in 1943, the first Sierra Leone Trade Union Council (TUC) was formed. The Sierra Leone Council of Labor, which replaced the TUC in 1946, merged in May 1966 with the Sierra Leone Federation of Labor to form the Sierra Leone Labor Congress (SLLC). All unions are members of the SLLC, although membership is voluntary. In the mid-1980s, the SLLC had over a dozen constituent unions totaling about 40,000 members. With the decline of manufacturing, union membership has declined since then, although exact figures are unavailable. In 2001, about 60% of workers in urban areas (including government employees) were unionized, but unions have had little success in organizing workers in the agricultural and mining sectors.

The minimum working age is 18, but this is not enforced and children routinely work as vendors and petty traders in urban areas and work seasonally on family subsistence farms in rural areas. The standard workweek is 38 hours but most workweeks exceed that amount. Health and safety regulations set by law are not enforced. The minimum wage is set at \$10.50 per month.

## 22 AGRICULTURE

Agriculture is the primary occupation in Sierra Leone, employing two-thirds of the labor force and accounting for 50% of GDP. Most Sierra Leoneans live on small, scattered farms, following a scheme of bush-fallow rotation, slash-and-burn field preparation, and limited use of fertilizer. Agricultural exports in 2004 amounted to nearly \$13.9 million and consisted of coffee, cocoa, palm kernels, piassava, kola nuts, and ginger.

Rice, grown by 80% of farmers, is the most important subsistence crop and, along with millet in the northeast, is a food staple; 265,000 tons were produced in 2004, down from an annual average of 508,000 tons during 1989 to 1991. The Rice Research Institute, located in the Northern Province, breeds high-yielding varieties for seed. Other domestic food crops include cassava, yams, peanuts, corn, pineapples, coconuts, tomatoes, and pepper.

Coffee is grown in the eastern and southern provinces; production totaled 18,000 tons in 2004. Cocoa is grown in the Kenema and Kailahun districts of the Eastern Province and in the Pujehun District of the Southern Province, mainly on smallholdings of about 0.4–1.2 hectares (1–3 acres). In 2004, an estimated 11,000 tons of cocoa beans were produced. Palm produce is derived from stands of wild palms, mainly in the northeast and southeast; production in 2004 included 24,375 tons of palm kernels and 39,000 tons of palm oil. Although there is substantial local consumption of palm kernels, they are a major agricultural export. Piassava, a raffia palm fiber used for broom and brush bristles, is grown in the swampy areas of the extreme south. Small amounts of kola nuts were also exported, and modest crops of bananas, pineapples, and sugarcane were grown.

The 1991 invasion of rebels from Liberia in the eastern and southeastern provinces severely damaged agricultural production

and exports. Whereas annual agricultural growth averaged 3.1% during 1980–90, it declined by -0.1% during 1990–2000. However, during 2002–04 crop production had improved by 8.9% over 1999–2001.

## 23 ANIMAL HUSBANDRY

Estimates of livestock in 2005 were 400,000 head of cattle, 375,000 sheep, 220,000 goats, and 52,000 hogs. Large numbers of Ndamma cattle are kept, mainly by nomads in the savanna area of the northeast. Poultry farmers had an estimated 7.5 million chickens in 2005. Total meat production in 2005 was 23,259 tons, 48% of it poultry.

## 24 FISHING

Fresh fish is not a staple for the country as a whole but is much prized in Freetown and other parts of the Peninsula. The fishing industry, which once was confined to inshore waters, has spread into the middle waters and includes canoe, industrial, freshwater, and shellfish fisheries. Total fish and shellfish production in 2003 was 96,926 tons, with bonga shad accounting for 28,516 tons. Shrimp is the main export; fisheries exports were valued at \$11.5 million in 2003. The government has a joint venture agreement with Maritime Protection Services Sierra Leone Ltd., the purpose of which is to prevent poaching, protect artisanal fishing, increase revenue, and conserve maritime resources.

## 25 FORESTRY

About 15% of Sierra Leone is covered by forests. Much of Sierra Leone's rain forests have been cleared, with only remnant areas in the south and east; intensive farming gradually eliminated most of the forest area. There are still about 1 million hectares (2.5 million acres) of forests, with most of the prime forestland in the government estate in the mountainous eastern half of the country and in the Western Area hills. In 2004, an estimated total of 5.5 million cu m (194 million cu ft) of roundwood was harvested, 98% of it for fuel. Forests comprise both evergreen and semi-deciduous rain forests, swamp forests, mangrove forests, and significant areas of secondary and regenerating forests. The Gola Forest in the southeast is the largest remaining tract of rain forest.

## 26 MINING

The mining of diamonds was Sierra Leone's leading industry in 2003. In addition to diamonds, the country is also a producer of cement, gypsum, and salt. Although civil strife has adversely affected investment in natural resource development since 1995, conditions were expected to improve with the declaration that war had ended in 2001.

Diamond output in 2003 was reported at 506,819 carats, up sharply from 351,860 carats in 2002. However, these figures do not reflect smuggled artisanal output. National diamond output was placed at 600,000 carats annually from 1999 through 2001, and at 250,000 carats in 1998. It was believed that a substantial portion of the diamonds close to the earth's surface was smuggled out of the country. Alluvial diamonds, first discovered in Kono District in 1930, were widely scattered over a large area, but particularly along the upper Sewa River. The main diamond deposits were the Koidu and Tongo fields. DiamondWorks Ltd., of Canada,

which owned 60% of the Koidu mine (reserves of 2.67 million carats), announced in 2001 that it was returning to Sierra Leone. DiamondWorks also held diamond exploration licenses on the Sewa River with reserves containing 1.7 million carats. There was no recorded gold production from 1999 through 2003.

Cement production in 2003 totaled 169,500 metric tons, up from 144,100 metric tons in 2002. Gypsum output was estimated at 4,000 metric tons annually from 1999 through 2003. Salt production in 2003 was estimated at 1,800 metric tons, unchanged from 2002. There was no recorded output of rutile in Sierra Leone in 2003, although it had been announced that rutile mining would resume by that year.

Sierra Leone is known to have reserves of bauxite and other minerals including antimony, cassiterite, columbite, corundum, fluorspar, ilmenite, lead, lignite, magnetite, molybdenum, monazite, platinum, silver, tantalite, tin, titanium, tungsten, and zinc.

A 1999 amendment to the 1994 Mines and Minerals Act introduced procedures for sale and export of precious minerals by license holders, and penalties for unlawful possession or smuggling of precious minerals. In 2001, Sierra Leone and Angola introduced a diamond certification scheme in response to UN sanctions aimed at prohibiting importation of diamonds from rebel-controlled areas in the countries.

## 27 ENERGY AND POWER

Total national electricity production totaled 255 million kWh in 2002, with 100% from fossil fuels. Consumption of electricity in 2002 was 237 million kWh. Installed capacity in 2002 was 124,000 kW.

Sierra Leone, as of 1 January 2003, had no proven reserves of crude oil or natural gas. However, the country, as of 1 January 2003 did possess a modest crude oil refining capacity of 10,000 barrels per day. In 2002, imports of all petroleum products averaged 6,710 barrels per day, which included crude oil imports of 5,040 barrels per day. Refined oil production that year averaged 4,810 barrels per day, while demand averaged 6,410 barrels per day. There were no recorded imports or consumption of natural gas or coal in 2002.

## 28 INDUSTRY

Industry accounted for 30.6% of GDP in 2003, and is oriented toward the processing of raw materials and of light manufactured goods for domestic consumption. The sector has suffered from a lack of foreign exchange, high import costs, unreliable local services, and political instability. The Wellington Industrial Estate, covering 46 hectares just east of Freetown, was developed in the 1960s by the government to encourage investments. Its factories produce a variety of products, including cement, nails, shoes, oxygen, cigarettes, beer and soft drinks, paint, and knitted goods. Timber for prefabricated buildings is milled, and another factory produces modern furniture. Small factories in the Freetown area process tuna and palm oil. Oyster farming and shrimp production dominate the fishing industry. There are no proven oil reserves in the country, but there is one oil refinery. In 1992 the oil refinery in Freetown closed due to lack of capital for crude oil imports; in 1994 the facility was sold to Unipetrol of Nigeria. Its production capacity in 2002 was 10,000 barrels per day. Village craft products

include a popular cloth, rope, sail canvas, boats, wood carvings, baskets, and leather goods.

## 29 SCIENCE AND TECHNOLOGY

The Institute of Marine Biology and Oceanography, founded in 1966, affiliated with Fourah Bay College of the University of Sierra Leone at Freetown. The college itself, founded in 1827 by the Church Missionary Society, has faculties of engineering and pure and applied sciences and an institute of marine biology and oceanography. Also part of the university is Njala University College (founded in 1964), which has faculties of agriculture and environmental sciences, and the College of Medicine and Allied Health Sciences (founded in 1987). In 1987–97, science and engineering students accounted for 17% of college and university enrollments. A paramedical school in Bo operates with funds from the government and the European Community. The Ministry of Mines has a geological survey division to locate mineral deposits and advise on all matters relating to the earth. The Sierra Leone Medical and Dental Association, founded in 1961, is headquartered in Freetown.

## 30 DOMESTIC TRADE

As of mid-1997, domestic commerce was hampered by political instability and guerilla raids on villages. Fuel and food staples are in short supply and many businesses and banks remained closed. Foreign investment has been stalled by all these factors.

Freetown is the principal commercial and distribution center. Internal trade is normally carried on by trading firms that deal in a variety of merchandise. Bo is the commercial center for the central region of the country, with most significant trading activity in ginger, rice, coffee, cocoa, and palm oil and kernels. Makeni, in central Sierra Leone, is a trading center for the Temne people, who mainly produce rice.

Normal business hours were from 8 AM to 12:00 PM and 2 to 4:45 PM, Monday through Friday, with a half day on Saturday. Banks were open from 8 AM to 1:30 PM, Monday through Thursday, and 8 to 2 PM on Friday.

## 31 FOREIGN TRADE

Principal imports are foodstuffs, machinery and transportation equipment, fuels, and lubricants. Civil war has inhibited foreign trade since 1995. Sierra Leone's most important exports are diamonds (45%) and rutile (27%). Other exports include vegetable oil (4.4%), fresh fish (3.9%), shellfish (3.8%), coffee (3.5%), and cocoa (1.7%). In 1999, Sierra Leone shipped 7,000 tons of rutile to the United States, the first cargo since the mine was closed by rebels in early 1995.

About half of Sierra Leone's exports go to Belgium, in the form of diamond exports to Antwerp. In 1999, diamond exports fell from a high of \$500 million to \$30 million. An immense black market for diamonds exists, probably accounting for the majority of exports from Sierra Leone. In 2003, principal exports were diamonds (\$126.2 million), cocoa beans (\$2.6 million) with other commodities bringing in \$17.5 million.

Principal imports during the same year included fuel and lubricants (\$78.2 million), food (\$74.5 million), machinery and transport equipment (\$56.4 million), and manufactured goods (\$42.2 million). Principal trading partners for Sierra Leone's exports in

2004 were Belgium (63.1%), Germany (12%), the United States (5.5%) and India (7.3%). Imports came from Germany (16.3%), Côte d'Ivoire (9.3%), the United Kingdom (8.6%) and the United States (7.3%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Sierra Leone's frequently negative balance of trade and habitual deficit in current accounts are somewhat counterbalanced by capital inflows, generally from foreign governments.

The Economist Intelligence Agency reported that in 2005 the purchasing power parity of Sierra Leone's exports was \$200 million while imports totaled \$330 million resulting in a trade deficit of \$130 million.

### 3<sup>3</sup> BANKING AND SECURITIES

The Bank of Sierra Leone, established in 1963, is the central bank and bank of issue. The Banking Act of 1964 provides for the regulation of commercial banks by the central bank, including the control of money supply. Poor revenue collection, failure to control expenditures, and heavy debt servicing requirements as a result of past borrowing characterized government finances in the 1980s and early 1990s.

In the 1990s, there were six commercial banks operating in the country. Standard Chartered Bank Sierra Leone and Barclays Bank of Sierra Leone are both foreign banks that are locally incorporated, with Sierra Leonean staff. The International Bank of Trade and Industry opened in 1982, with funds from Lebanese and Sierra Leonean investors.

The National Development Bank was established in 1968 to finance agricultural and industrial projects. The National Cooperative Development Bank, established in 1971, serves as a central bank for all cooperatives and makes modest loans to individual farmers and cooperatives for agricultural improvements. Sierra

Leone also has a Post Office Savings Bank. Most banks closed during the rebel attacks of the late 1990s.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$95.4 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$146.4 million.

There is no securities exchange in Sierra Leone.

### 3<sup>4</sup> INSURANCE

The National Insurance Co. is government owned. All insurance companies in Sierra Leone are supervised by the Ministry of Finance.

### 3<sup>5</sup> PUBLIC FINANCE

The government of Sierra Leone has been prevented from having any significant economic influence in the country thanks to a shortage of foreign exchange, deep-seated corruption, and uncertainty surrounding the civil wars that periodically take place. The minister of finance came under attack in 2000 for declaring expenditures reaching \$30,000 on the war during the month of May alone, because government officials reportedly siphoned off money into private bank accounts. Payroll fraud in the same year to the tune of \$400,00 in the accounting office also took a toll on government respectability.

The US Central Intelligence Agency (CIA) estimated that in 2000 Sierra Leone's central government took in revenues of approximately \$96 million and had expenditures of \$351 million. Revenues minus expenditures totaled approximately -\$255 million. Total external debt was \$1.61 billion.

### 3<sup>6</sup> TAXATION

The main items of taxation are customs duties and direct taxes, which include income taxes. A 1963 amendment to the income

#### Balance of Payments – Sierra Leone (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-74.7</b>
Balance on goods		-202.2	
Imports	-311.2		
Exports	109.0		
Balance on services		-25.2	
Balance on income		-9.9	
Current transfers		162.6	
<b>Capital Account</b>			<b>61.4</b>
<b>Financial Account</b>			<b>-3.9</b>
Direct investment abroad		...	
Direct investment in Sierra Leone		0.2	
Portfolio investment assets		-25.4	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		0.7	
Other investment liabilities		20.6	
<b>Net Errors and Omissions</b>			<b>44.2</b>
<b>Reserves and Related Items</b>			<b>-27.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

#### Public Finance – Sierra Leone (1999)

(In billions of leones, budgetary central government figures)

<b>Revenue and Grants</b>	<b>151.21</b>	<b>100.0%</b>
Tax revenue	82.34	54.5%
Social contributions	...	...
Grants	65.39	43.2%
Other revenue	3.48	2.3%
<b>Expenditures</b>	<b>252.88</b>	<b>100.0%</b>
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

tax act abolished all personal deductions except medical and dental expenses and the costs of passage to and from Sierra Leone. A husband and wife are assessed separately for income tax on their individual incomes. Income tax is charged at a flat rate, with one rate for citizens and a higher rate for noncitizens. Also levied are a 55% corporate tax, property tax, payroll tax, social security contributions, and taxes on goods and services. In 2003, Sierra Leone's main indirect tax was its 20% sales tax.

### 37 CUSTOMS AND DUTIES

All import licensing requirements were eliminated in 1989 and all other restrictions, including those on cigarettes, ended in early 1992. Imports from other Mano River Union (MRU) members enter duty-free. Most duties for non-MRU imports average 20% but range from 0 to 100% on luxury goods. There is an additional 12.5% sales tax levied on all imports.

### 38 FOREIGN INVESTMENT

The government encourages the development of plantations and the investment of foreign private capital in agriculture and worthwhile new enterprises. Safeguards are provided against nationalization, and repatriation of capital, profits, and interest is permitted. Legislation in 1983 offered tax relief for up to five years, preferential access to import licenses, exemption from customs and duties on capital equipment and new materials, and special bonuses for companies setting up outside Freetown.

Sierra Leone attracted few foreign investors in the early 1990s. Progress in reforming the economy was expected to reverse that trend, but renewed civil disturbances in 1997 threatened those prospects. Rex Mining, the first company to invest in Sierra Leone after the civil war, suspended work at its diamond mine after the military coup in May of 1997. Production in the rutile and bauxite plants resumed in 2000, but continuance was unsure because of political unrest.

Foreign direct investment inflow (FDI) was \$9.6 million in 1997, but this was more than reversed by a net divestment outflow in 1998 of -\$9.8 million. Net FDI inflow was \$6 million in 1999 and averaged \$4.45 million a year in 2000 and 2001. In UNCTAD's ranking of 140 countries in terms of their potential for attracting foreign investment in the period 1998 to 2000, Sierra Leone was ranked number 140. In 2001–04 Sierra Leone continued to perform poorly in attracting FDI, attracting only \$2 million in 2002, \$3 million in 2003, and \$5 million in 2004. This can be explained by the fact that the country is still recovering from years of civil war, which ended in January 2002. The discovery of large iron ore deposits could result in far higher inflows of FDI.

### 39 ECONOMIC DEVELOPMENT

The Sierra Leone government, in addition to stabilizing its balance-of-payment and budgetary deficits and meeting its debt obligations, seeks investors in its mining sector. A parallel economy, lawless conditions, and a crumbling infrastructure continue to constrain economic growth. The government in the early 2000s was working with foreign donors to undertake rural development and agricultural projects. In 2001, the government created a mining community development fund to direct a portion of diamond export taxes to diamond mining communities. The govern-

ment encourages foreign investment. Senegal formed the Mano River Union (MRU) customs union with Liberia and Guinea to implement development projects and promote regional economic integration.

In 2001, the International Monetary Fund (IMF) approved a \$169 million three-year Poverty Reduction and Growth Facility (PRGF) Arrangement for Sierra Leone, to support the government's economic reform program. In 2002, Sierra Leone became eligible for nearly \$950 million in debt service relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative. Agreement on a new IMF poverty reduction and growth facility in 2005 is expected to shape economic policy in the coming years.

### 40 SOCIAL DEVELOPMENT

All employees in the public and private sectors are covered under the social insurance plan initiated in 2001. There is voluntary coverage for the self-employed. The program is funded by employee and employer contributions, with the government providing funding for government employees only. Old age, disability, and survivorship benefits are available. Employers provide medical care for employees and their families through collective agreements.

Women are guaranteed equal rights under the constitution, and a number of women have held prominent posts. Even so, discrimination and violence against women are frequent. Women carry out most of the strenuous agricultural work, and are responsible for child rearing. According to a 2004 study, girls were denied an education more often than boys, and traditional beliefs kept women confined to the household. They do not have equal access to economic opportunities, health care, or social freedoms. Female genital mutilation, a practice which is painful and sometimes life threatening, is an entrenched cultural practice. It is estimated that as many as 80–90% of girls and women may have been affected. There is considerable local opposition to advocates campaigning to have the practice banned. Domestic abuse and violence is a widespread social problem.

The government's human rights record has improved, although there are continued reports of the mistreatment of detainees and illegal detention.

### 41 HEALTH

Sierra Leone had 52 hospitals and 263 dispensaries and health treatment centers. There was one hospital bed per 1,000 inhabitants. Only 38% of the population had access to health care services. As of 2004, there were an estimated seven physicians and 33 nurses per 100,000 people. Total health care expenditure was estimated at 5.3% of GDP.

Lassa fever has continued to spread in the Kenema district since 1996. A World Health Organization (WHO) mission investigated the outbreak and is helping to remedy short supplies in this war-torn country. With WHO and UNICEF technical assistance, an endemic diseases control unit reduced the incidence of sleeping sickness and yaws, and began a leprosy control campaign. Malaria, tuberculosis, and schistosomiasis remain serious health hazards, as does malnutrition.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 44.6 and 18.8 per 1,000 people. The in-



fant mortality rate was 162.55 per 1,000 live births in 2005, the third highest in the world. Since 1994, UNICEF estimated that Sierra Leone has one of the highest mortality rates in the world.

Only around 4% of married women (ages 15 to 49) were using contraception. The fertility rate was 5.8 children per woman surviving through the childbearing years. The prevalence of child malnutrition was 23% of children under five. Immunization rates for children up to one year old included: diphtheria, pertussis, and tetanus, 26%, and measles, 28%. Life expectancy in 2005 was 39.87 years, among the lowest in the world.

The HIV/AIDS prevalence was 7.00 per 100 adults in 2003. As of 2004, there were approximately 170,000 people living with HIV/AIDS in the country. There were an estimated 11,000 deaths from AIDS in 2003.

## 42 HOUSING

In 1999, as a result of the invasion of rebels, about 5,932 homes were completely destroyed in Freetown and the surrounding areas of Kissy, Wellington, Calaba Town, and Allen Town. The town of Koidu, which was once the second-largest town in the nation, suffered major destruction. National estimates indicate that by 2001, 300,000 homes were destroyed as a result of the internal rebellion. Approximately 1.2 million people were internally displaced or have fled to neighboring countries.

As of the 2004 census, there were an estimated 967,300 households counted representing about 4,836,500 people. Village houses in the provinces are traditionally made of sticks with mud walls and thatch or grass roofs; they may be circular or rectangular in shape. In some villages, wattle-and-daub construction has been replaced by sun-dried mud blocks, and roofs of grass, palm thatch, or palm tiles are giving way to corrugated iron sheeting. In Freetown, older two-story wooden houses have been being replaced by structures built largely of concrete blocks, with corrugated iron or cement-asbestos roofs.

In a 2003 survey, about 75.7% of all housing had mud walls; only 15% were constructed of stone or cement. Zinc was the most common roofing material (64.2% of all housing), followed by thatch (31.5%). Flooring is typically mud or stone. Nearly 83% of all housing units were single-story, one-household detached dwellings. About 81.5% of all dwelling units were owner occupied. Only about 16.3% of all housing was listed as needing no repairs; 11.7% was in need of complete reconstruction. In 2003, about 49.4% of all households relied on a communal pit for toilet facilities. Another 40.5% used a nearby bush or river. Only 1% of all households had indoor flush toilets. About 42.6% of all households drew their water supply from a river or stream and 25.9% had an ordinary well. Only 1.2% of all households had indoor piped water.

The government has made reconstruction a priority and has initiated a National Housing Policy to work on programs of reform, resettlement, and reconstruction. Through one program, the government has planned to sell public housing and to use the proceeds to build more housing units. Building is controlled in the major towns, and designs are subject to approval.

## 43 EDUCATION

Primary education is neither wholly free nor compulsory, but the ultimate goal of the government is to provide free primary school facilities for every child. Primary school last for three years, fol-

lowed by three years of junior secondary school and three years of senior secondary school. The academic year runs from October. In 2001, about 4% of all children between the ages of three and five were enrolled in some type of preschool program. In 2001, there were 554,000 students enrolled in primary school and 156,000 students enrolled in secondary school. It is estimated that about 56% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 37:1 in 2000; the ratio for secondary school was about 27:1.

Fourah Bay College, the oldest institution of higher learning in West Africa, was founded in 1827 by the Church Missionary Society, primarily to provide theological training. It was affiliated with the University of Durham in England in 1876 and received a royal charter in 1959 as the University College of Sierra Leone. In 1967, the University of Sierra Leone was chartered with two constituent colleges, Fourah Bay (in Freetown) and Njala University College (in Moyamba District). In 2001, there were about 9,000 students enrolled in higher education programs.

As of 2003, public expenditure on education was estimated at 3.7% of GDP.

## 44 LIBRARIES AND MUSEUMS

The library of Fourah Bay College, University of Sierra Leone, founded in 1827 has 200,000 volumes. Public collections are maintained by the Sierra Leone Library Board. The central public library collection is at Freetown, which holds 80,000 volumes. There are at least 10 branch locations. The American Cultural Center and the British Council both maintain small collections. The Sierra Leone National Museum contains documents concerning Sierra Leone and its history and various works of sculpture, especially Nomolis stone fetishes representing seated figures of unknown origin that have been found in the Mende areas. The Sierra Leone Railway Museum opened in 2005.

## 45 MEDIA

International cablegram, telex, and telephone services are provided by Sierra Leone External Telecommunications. In 2003, there were an estimated five mainline telephones for every 1,000 people. The same year, there were approximately 13 mobile phones in use for every 1,000 people.

The Sierra Leone Broadcasting Service manages radio and television transmissions. Radio Sierra Leone, the oldest broadcasting service in English-speaking West Africa, broadcasts mainly in English, with regular news and discussion programs in several indigenous languages and a weekly program in French. The Sierra Leone Television Service was inaugurated in 1963. Private stations do exist, but license fees are high, prohibiting some sources from operating on a regular basis. As of 1999 there were 1 AM and 9 FM radio stations and 2 television stations. In 2003, there were an estimated 259 radios and 13 television sets for every 1,000 people. The same year, 2 of every 1,000 people had access to the Internet.

In 2004, there were over 50 newspapers throughout the country. The only major daily newspaper is the government-owned *Daily Mail* (with a 2002 circulation of 10,000), but there were several privately owned weekly newspapers, including *New Shaft* (circulation 10,000) and *Weekend Spark* (20,000). Under legislation enacted in 1980, all newspapers must register with the Ministry of Information and pay a sizable registration fee.

The 1991 constitution provides for free speech and a free press, though in practice authorities are said to beat, detain, and otherwise harass journalists for publishing articles unflattering to the government.

#### 46 ORGANIZATIONS

There is a chamber of commerce in Freetown. The cooperative movement has grown rapidly since the 1960s.

National youth organizations include the National Union of Sierra Leone Students, Sierra Leone Association of Students in Economics and Commerce, Sierra Leone Scouts Association, YMCA/YWCA, and the Sierra Leone National Youth League. There are several sports associations in the country with programs for amateur athletes of all ages.

Several voluntary associations exist, mostly in the Freetown area; most of these are women's religious, cultural, political, or economic groups. Coordinating bodies include the Federation of Sierra Leone Women's Organizations, and the United Church Women. The Sierra Leone Association of Non-Governmental Organizations serves as another coordinating group. International organizations with national chapters include Amnesty International, Caritas, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

Sierra Leone has magnificent beaches, including Lumley Beach on the outskirts of Freetown, perhaps the finest in West Africa. Natural scenic wonders include Bintimani and the Loma Mountains, Lake Sonfon, and the Bumbuna Falls. There are several modern hotels in Freetown, as well as a luxury hotel and casino at Lumley Beach. There has been a slow response from the international community to change the image of the country to that of a tourist destination. A certificate of vaccination against yellow fever is required if traveling from an infected area. Tourist arrivals numbered about 285,000 in 2003. That same year there were 1,457 hotel rooms with 1,718 beds and an occupancy rate of 13%.

According to 2005 estimates of the US Department of State, the average cost of staying in Freetown was \$217 per day.

#### 48 FAMOUS SIERRA LEONEANS

Sir Samuel Lewis (1843–1903) was a member of the Legislative Council for more than 20 years and the first mayor of Freetown. Sir Milton Augustus Strieby Margai (1895–1964), the grandson of

a Mende warrior chief, was the founder of the SLPP and the first prime minister of Sierra Leone, a post he held until his death. Sir Albert Michael Margai (1910–80) succeeded his half-brother as prime minister from 1964 to 1967. Siaka Probyn Stevens (1905–88), the founder of the APC, was prime minister from 1968 to 1971 and became the republic's first president from 1971 to 1985. John Musselman Karefa-Smart (b.1915) served as minister of lands, mines, and labor, in which capacity he organized Sierra Leone's diamond industry, and also served as assistant director-general of WHO from 1965 to 1970. Davidson Nicol (1924–94) was his country's permanent representative to the UN from 1969 to 1971, served as president of the Security Council in 1970, and became executive director of UNITAR in 1972. Foday Sankoh (1937–2003) was the leader of the Revolutionary United Front, a guerrilla group that terrorized villages in the early 1990s.

#### 49 DEPENDENCIES

Sierra Leone has no territories or colonies.

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# SOMALIA



**CAPITAL:** Mogadishu (Muqdisho)

**FLAG:** The national flag is light blue with a five-pointed white star in the center.

**ANTHEM:** *Somalia Hanolato (Long Live Somalia)*.

**MONETARY UNIT:** The Somali shilling (SH) of 100 cents is a paper currency. There are coins of 1, 5, 10, and 50 cents and 1 shilling, and notes of 5, 10, 20, 100, 500, and 1,000 shillings. SH1 = \$0.00009 (or \$1 = SH11,000; as of 2000).

**WEIGHTS AND MEASURES:** The metric system is in use.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; National Independence Day, 26 June; Foundation of the Republic, 1 July. Muslim religious holidays include 'Id al-Fitr, 'Id al-Adha', 'Ashura, and Milad an-Nabi.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated on the horn of East Africa, Somalia has an area of 637,657 sq km (246,201 sq mi), extending 1,847 km (1,148 mi) NNE–SSW and 835 km (519 mi) ESE–WNW. Comparatively, the area occupied by Somalia is slightly smaller than the state of Texas. It is bounded on the N by the Gulf of Aden, on the E and S by the Indian Ocean, on the SW by Kenya, on the W and NW by Ethiopia, and on the NW by Djibouti, with a total land boundary of 2,340 km (1,454 mi) and a coastline of 3,025 km (1,880 miles). The boundary with Djibouti has been fixed by international agreement, but the western border with Ethiopia remains in dispute.

Somalia's capital city, Mogadishu, is located on the Indian Ocean coast.

## <sup>2</sup> TOPOGRAPHY

The northern region is somewhat mountainous, containing two main ranges, the Migiurtina and the Ogo, with plateaus reaching between 900 and 2,100 m (3,000–7,000 ft). To the northeast there is an extremely dry dissected plateau that reaches a maximum elevation of nearly 2,450 m (8,000 ft). South and west of this area, extending to the Shabeelle River, lies a plateau region called the Mudug Plain whose maximum elevation is 685 m (2,250 ft). The region between the Juba and Shabeelle rivers is low agricultural land, and the area that extends southwest of the Jubba River to Kenya is low pastureland.

The Jubba and Shabeelle rivers originate in Ethiopia and flow toward the Indian Ocean. They provide water for irrigation but are not navigable by commercial vessels. The Shabeelle dries up before reaching the ocean. Despite its lengthy shoreline, Somalia has only one natural harbor, Berbera.

## <sup>3</sup> CLIMATE

Somalia has a tropical but not torrid climate, and there is little seasonal change in temperature. In the low areas, the mean tem-

perature ranges from about 24°C to 31°C (75° to 88°F). The plateau region is cooler, the southwest warmer. The periodic winds, the southwest monsoon (June–September), and the northeast monsoon (December–March) influence temperature and rainfall. Rain falls in two seasons of the year: heavy rains from March to May, and light rains from September to December. Average annual rainfall is estimated at less than 28 cm (11 in). Droughts are not infrequent.

## <sup>4</sup> FLORA AND FAUNA

Acacia thorn trees, aloes, baobab, and candelabra trees are native to the semiarid regions. Trees that provide frankincense and myrrh are native to the region as well. Southern forests include eucalyptus and mahogany. Mangrove, kapok, and papaya grow along the rivers. Coconut, dune palm, pine, juniper, cactus, and flowering trees such as the flamboyant were imported and have become widespread in the populated areas.

Along with its large livestock herd, Somalia has one of the most abundant and varied stocks of wildlife in Africa. Animal life includes the elephant, lion, wildcat, giraffe, zebra, hyena, hippopotamus, waterbuck, gazelle, dik-dik, lizard, crocodile, turtle, porcupine, baboon, and boar. There is a large variety of snakes, the best known being the puff adder, the spitting cobra, and the krait. Domestic animals are camels, sheep, goats, and cattle. The most common birds are the ostrich, duck, guinea fowl, bustard, partridge, green pigeon, sand grouse, and heron. As of 2002, there were at least 171 species of mammals, 179 species of birds, and over 3,000 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

The increasing aridity of the Somali climate, coupled with excessive timber cutting and overgrazing, has led to deforestation and desertification. In nearly every five-year period, Somalis can anticipate two years of drought. Overgrazing between Mogadishu and Chisimayu has resulted in the gradual movement of coastal

sand dunes inland, posing a serious threat to agricultural areas and human habitation. Somalia has about 6 cu km of renewable water resources with 97% of annual withdrawals used for farming, and 3% for urban and domestic use.

The hunting and trapping of antelopes and gazelles for their skins was banned in 1969. However, many species continue to be adversely affected by growing numbers of livestock, exclusion from watering spots by human settlement, and the cutting of bush vegetation and tree cover. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 15 types of mammals, 13 species of birds, 2 types of reptiles, 16 species of fish, 1 type of mollusk, and 17 species of plants. Threatened species in Somalia include the black rhinoceros, cheetah, Pelzeln's dorcas gazelle, Swayne's hartebeest, several species of shark, and the green sea, hawksbill, and leatherback turtles.

## 6 POPULATION

The population of Somalia in 2005 was estimated by the United Nations (UN) at 8,592,000, which placed it at number 88 in population among the 193 nations of the world. However, there has not been an official census since 1987 make reliable population data difficult to obtain. In addition, there is no central government to initiate positive population management policies. According to UN estimates in 2005, approximately 3% of the population was over 65 years of age, with another 45% of the population under 15 years of age. There were 98 males for every 100 females in the country. The UN estimated the annual population rate of change for 2005–2010 to be 2.9%. The projected population for the year 2025 was 14,862,000. The population density was 14 per sq km (35 per sq mi).

The UN estimated that 33% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 5.40%. The capital city, Mogadishu (Muqdisho), had a population of 1,175,000 in that year. Hargeysa (the former capital of British Somaliland), had an estimated 150,000 inhabitants. Other cities included Chisimayu, Berbera, and Merca. Approximately 60% of the population is nomadic.

## 7 MIGRATION

Since about half of all Somalis are nomadic or seminomadic, there are substantial movements back and forth across the frontiers in the normal range of grazing activities. Within the country there has been a gradual migration toward the south and southwest, especially since the north was drought-stricken in the 1970s and early 1980s. A campaign of political terror began in 1986; so severe were the effects that it was estimated in 1993 that three-quarters of the population had been internally displaced since 1988.

The conflict with Ethiopia led to the influx of many refugees from the Ogaden, most of them ethnic Somalis. In 1990, an estimated 586,000 were being assisted by the UN High Commissioner for Refugees in refugee camps. The government claimed the total number in refugee camps exceeded 1.3 million. Yet the political violence in Somalia was so extreme that about 600,000 people fled the country between 1988 and 1991.

After Siyad Barre's regime fell in January 1991, fighting began between 16 different rival factions in Somalia. These clan wars and the long drought led to over 900,000 Somalis fleeing to neighboring nations. Of these, some 400,000 went to Kenya. As of May 1997, there were still 285,000 Somali refugees in Ethiopia, 131,000 in Kenya, 20,000 in Djibouti, and 10,000 in Yemen. The total number of migrants living in Somalia in 2000 was estimated at 22,000. By the end of 2004, Somalis had expanded their search for refugee, and had fled in large numbers ten countries: 153,627 to Kenya; 63,511 to Yemen; 36,700 to the United Kingdom; 31,110 to the United States; 17,331 to Djibouti; 16,470 to Ethiopia; and the remainder to Denmark, the Netherlands, South Africa, and Norway. More than half of these refugees were assisted by the United Nations High Commissioner for Refugees (UNHCR). In that same year over 10,000 Somalis applied for asylum in 23 countries, principally in South Africa.

In 2004, there were 357 refugees in Somalia, 334 asylum seekers, and 18,069 returned refugees to Djibouti and Ethiopia. In 2005, the net migration rate was an estimated 5.9 migrants per 1,000 population. This was a significant change from -21.9 per 1,000 in 1990. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The Somalis are classified as a Hamitic people with a Cushitic culture. It is believed that the Somalis descend from people who migrated from the equatorial lakes of Africa to settle in the area of Somalia's two rivers, there to intermix with pastoral groups from the north and migrants from the Arabian Peninsula, the Persian Gulf, and perhaps Southeast Asia.

Ethnic Somalis, who make up about 85% of the population, are divided into two main clan families: the Samaal, which includes the Darod, Isaaq, Hawiye, and Dir clan groups; and the Saab, which includes the Rahanweyn and Digil clans and other smaller clan groups. The Samaal are principally nomadic or seminomadic pastoralists; the Digil and Rahanweyn are primarily farmers and sedentary herders. There are also small Bantu-groups who living along the Shabeelle and Jubba rivers. Other smaller minority groups include the Benadiri, the Rer Hamar, Brawanese, Swahili, Tumul, Yibir, Yaxar, Madhiban, Hawrasmae, Muse Dheryo, and Faqayaqub.

The nonindigenous population consists primarily of Arabs, Italians, Pakistanis, and Indians. The Italians are mainly engaged in teaching, business, and banana production; the Arabs, Pakistanis, and Indians are primarily shopkeepers.

## 9 LANGUAGES

Somali, classified as a lowland Eastern Cushitic language, is spoken by all Somalis, with dialectal differences that follow clan family divisions. Loanwords from Arabic, English, and Italian have been thoroughly assimilated by Somali phonetic rules. Until 1972, the official languages of Somalia were oral Somali, Arabic, English, and Italian. In 1973, a written form of Somali, with a script based on the Latin alphabet, was adopted as the nation's chief official language. This official script largely replaced the use of English and Italian in newspapers and public documents. It is used in all



LOCATION: 12° N to 1°39' S; 41°30' to 51° E. BOUNDARY LENGTHS: Total coastline, 3,025 kilometers (1,874 miles); Kenya, 682 kilometers (424 miles); Ethiopia, 1,626 kilometers (1,016 miles); Djibouti, 58 kilometers (36 miles). TERRITORIAL SEA LIMIT: 200 miles.

schools. However, Arabic, English, and Italian are all still widely spoken and understood.

### 10 RELIGIONS

The Somalis are primarily Sunni Muslims of the Shaf'i sect. According to tradition, their ultimate ancestors were of the Quray-

shitic lineage of the Prophet Muhammad. Except for a small number of urbanites influenced by higher education, all Somalis belong to one of the following brotherhoods: Qadiriyyah, Salihiyyah, Ahmadiyyah, and Rifaiyyah. As Muslims, they adhere to the law of the Shariah whenever it does not conflict with local customary law. A small, extremely low-profile Christian community

does exist.

In 2004, a transitional government had not yet adopted a constitution; however, a Transitional Charter has established Islam as the state religion. Christian mission schools closed in 1972 and foreign Protestant missionaries were expelled in 1976. Proselytizing of any religion but Islam is illegal.

## **1<sup>1</sup>TRANSPORTATION**

Of 22,100 km (13,733 mi) of roads in Somalia in 2002, only 2,608 km (1,621 mi) were paved. A 1,054-km (655-mi) road constructed with Chinese financing and work crew participation, completed in 1978, tied together the northern and southern parts of the country for the first time. Motor vehicles in use in 1995 numbered 24,000, divided equally between passenger cars and commercial vehicles. There are no railways and no commercial water transport facilities.

The ports of Mogadishu, Chisimayu, and Berbera are served by vessels from many parts of the world, as well as by Somali and Arab dhows. Mogadishu in recent years handled more than 70% of Somalia's export and import traffic. In 1995, the state-owned shipping line operated two oceangoing vessels totaling 5,529 GRT. However, by 2005 no merchant marine existed.

In 2004, there were an estimated 60 airports, but only 6 had paved runways as of 2005. The major airfields are in Mogadishu and Berbera. International air service has been provided by the state-owned Somali Airlines (among other carriers), which also has regular flights connecting Mogadishu with regional centers and with Kenya, Djibouti, Saudi Arabia, the Comoros, Yemen, the Persian Gulf states, Frankfurt, Cairo, and Rome.

## **1<sup>2</sup>HISTORY**

Somalia was known as the Land of Punt by ancient Egyptians, who came to Somalia's northern shores for incense and aromatic herbs. In the 9th or 10th century, Somalis began pushing south from the Gulf of Aden coast. About this time, Arabs and Persians established settlements along the Indian Ocean coast. During the 15th and 16th centuries, Portuguese explorers attempted without success to establish Portuguese sovereignty over the Somali coast. Meanwhile, the main coastal centers continued to be controlled by Arab merchant families under the nominal suzerainty of the sultanate of Oman, which transferred its seat to Zanzibar in the early 19th century.

After the British armed forces occupied Aden in 1839, they developed an interest in the northern Somali coast. By 1874, Egyptians occupied several points on the shore, but their occupation was short-lived. From 1884 to 1886, the British signed a number of "protectorate" treaties with Somali chiefs of the northern area. The protectorate was first administered by the resident in Aden and later (1907) by the colonial office. From 1899 to 1920, British rule was constantly disrupted by the "holy war" waged by 'Abdallah bin Hasan (generally known in English literature as the "Mad Mullah").

Italian expansion in Somalia began in 1885, when Antonio Cecchi, an explorer, led an Italian expedition into the lower Juba region and concluded a commercial treaty with the sultan of Zanzibar. In 1889, Italy established protectorates over the eastern territories then under the nominal rule of the sultans of Obbia and of Alula; and in 1892, the sultan of Zanzibar leased concessions along the

Indian Ocean coast to Italy. Direct administrative control of the territory known as Italian Somaliland was not established until 1905. The Fascist government increased Italian authority by its extensive military operations. In 1925, the British government, in line with secret agreements with Italy during World War I, transferred the Jubaland (an area south of the Jubba River) to Italian control. During the Italo-Ethiopian conflict (1934–36), Somalia was a staging area for Italy's invasion and conquest of Ethiopia. From 1936 to 1941, Somalia and the Somali-inhabited portion of Ethiopia, the Ogaden, were combined in an enlarged province of Italian East Africa.

In 1940–41, Italian troops briefly occupied British Somaliland but were soon defeated by the British, who conquered Italian Somaliland and reestablished their authority over British Somaliland. Although the Ogaden was returned to Ethiopia in 1948, British administration over the rest of Italian Somaliland continued until 1950, when Italy became the UN trusteeship authority. A significant impetus to the Somali nationalist movement was provided by the UN in 1949 when the General Assembly resolved that Italian Somaliland would receive its independence in 1960. By the end of 1956, Somalis were in almost complete charge of domestic affairs. Meanwhile, Somalis in British Somaliland were demanding self-government. As Italy agreed to grant independence on 1 July 1960 to its trust territory, the United Kingdom gave its protectorate independence on 26 June 1960, thus enabling the two Somali territories to join in a united Somali Republic on 1 July 1960. On 20 July 1961, the Somali people ratified a new constitution, drafted in 1960, and one month later confirmed 'Aden 'Abdullah Osman Daar as the nation's first president.

From the inception of independence, the Somali government supported the concept of self-determination for the people of the Somali-inhabited areas of Ethiopia (the Ogaden section), Kenya (most of the northeastern region), and French Somaliland (now the Republic of Djibouti), including the right to be united within a greater Somalia. Numerous border clashes occurred between Somalia and Ethiopia, and between Somalia and Kenya. Soviet influence in Somalia grew after Moscow agreed in 1962 to provide substantial military aid.

Abdirashid 'Ali Shermarke, who was elected president in 1967, was assassinated on 15 October 1969. Six days later, army commanders seized power with the support of the police. The military leaders dissolved parliament, suspended the constitution, arrested members of the cabinet, and changed the name of the country to the Somali Democratic Republic. Maj. Gen. Jalle Mohamed Siad Barre, commander of the army, was named chairman of a 25-member Supreme Revolutionary Council (SRC) that assumed the powers of the president, the Supreme Court, and the National Assembly. Siad Barre was later named president.

In 1970, President Siad Barre proclaimed "scientific socialism" as the republic's guiding ideology. This Marxist ideology stressed hard work and public service and was regarded by the SRC as fully compatible with Islam. A number of industries and large firms, especially foreign banks and oil companies, were nationalized. Self-help projects were instituted to clean up the towns and villages, construct roads and sidewalks, dig and maintain wells and irrigation canals, build infirmaries and schools, and stabilize sand dunes. In 1972, the SRC proclaimed the adoption of a Latin script for Somali; in 1973, it inaugurated widespread literacy campaigns.

The drought that affected large areas of Africa from 1968 to 1973 became severe in Somalia in late 1974, and in November of that year, the SRC declared a state of emergency, set up relief camps, and initiated food rationing.

Controversy arose in 1975 over US charges that the USSR was developing a military installation at the port of Berbera. Somalia denied the charges and invited inspection by journalists and US congressmen, who reported that they had found evidence of Soviet missile-handling facilities there. Somali officials did acknowledge receipt of Soviet military and technical advisers. Meanwhile, Ethiopia claimed that a Soviet-equipped Somalia represented a threat to its security. That same year, Siad Barre extended formal recognition to the Western Somali Liberation Front in the Ogaden. Somali forces took part in the fighting but were defeated in 1977, soon after the USSR had swung its support to Ethiopia. Late in the year, Siad Barre expelled the Soviets. Relations with the United States warmed, and in 1980, in return for military and economic aid (about \$80 million in 1982), Siad Barre agreed to allow the United States use of air and naval facilities at the northern port of Berbera, facilities that had been built by the USSR, and also at Mogadishu.

A new constitution was ratified in 1979. On 30 December 1979, an unopposed list of 171 candidates was elected to the People's Assembly, which, the following month, elected Siad Barre unanimously to a new term of office. (Unopposed elections were again held on 31 December 1984.) In October 1980, Siad Barre declared a state of emergency and reestablished the SRC, responding to the activities of an Ethiopian-backed opposition movement, the Somali Salvation Democratic Front (SSDF). The state of emergency was lifted in March 1982, but at midyear the insurgents, supported by a reported 10,000 Ethiopian troops, invaded Somalia. By December, however, only a small area was in insurgent or Ethiopian hands.

In January 1986, Siad Barre met with Lt. Col. Mengistu Haile Mariam, Ethiopia's head of state, in Djibouti, in an effort to improve relations between the two countries. Two other meetings of Somali and Ethiopian officials were held in May and August, but no agreement was reached. After Barre's unopposed reelection on 23 December 1986—the first direct presidential election in Somalia—Barre appointed a prime minister for the first time, Lt. Gen. Mohamed 'Ali Samater, the first vice president and minister of defense. The SSDF had virtually crumbled by the end of 1986, but in 1987 another insurgent group, the Somali National Movement, was conducting operations in the north (the former British Somaliland). In February 1987 relations between Somalia and Ethiopia deteriorated following an Ethiopian attack on six settlements. Growing out of the Soviet shift to the Ethiopian side, American-Somali relations became closer during the administration of US president Ronald Reagan. This included a 10-year agreement providing US forces access to naval and air facilities at Berbera and increasing US military aid to Somalia.

In 1988, both the Ethiopian and Somalian governments, faced by growing internal resistance, pledged to respect their border. But by 1990, the Somali regime was losing control. Armed resistance from the Somali Salvation Democratic Front (SSDF), the Somali Democratic Alliance (SDA), the Somali Democratic Movement (SDM), the Somali National Movement (SNM), the Somali Patriot Movement (SPM), and the United Somali Congress (USC)

were turning Somali territory into a death trap. Government forces were no less ruthless. Each was led by a clan leader or local warlord. Donor nations threatened to cut off aid unless the atrocities were ended.

In March 1990, Barre called for dialogue and, possibly, an end to single-party rule, but he was eventually ousted and, in January 1991, he fled Mogadishu. The USC seized the capital, but fighting continued. The SNM controlled much of the north and declared its territory the independent state of "Somaliland." By December, the USC had split in two. One faction was led by Ali Mahdi Muhammad, the interim president, the other by Gen. Muhammad Farrah Aided. They were from different subclans of the Hawiye clan. The fighting continued and the warring factions prevented people from planting and harvesting crops. Several hundred thousand people died. Far more were threatened by starvation. Over a half-million fled to Kenya. Contagious disease spread through refugee camps inside the country. The starvation and total breakdown of public services was publicized in the western media. Calls for the UN to intervene mounted. Yet, the food relief that was sent was stolen by soldiers and armed looters. Private relief efforts were frustrated and subject to extortion. Late on 3 December 1992, the UN Security Council passed a resolution to deploy a massive US-led international military intervention (UNITAF—United Task Force) to safeguard relief operations. By the end of December, Aided and Ali Mahdi had pledged to stop fighting. The UNITAF spread throughout the country. Violence decreased dramatically. But later, gunmen began to appear again.

US forces shifted their mandate toward the UN-Boutros-Ghali position of trying to confiscate arms and "technicals"—vehicles with mounted heavy weapons. Although the problem of relief distribution had largely been solved, there was no central government, few public institutions, and local warlords and their forces became increasingly emboldened.

By early 1993, over 34,000 troops from 24 UN members—75% from the United States—were deployed. Starvation was virtually ended, a modicum of order was restored, and hope had returned. Yet, little was done to achieve a political solution or to disarm the factions. From January 1993 until 27 March, 15 armed factions haggled in Addis Ababa, Ethiopia, and finally reached agreement to end hostilities and to form a transitional National Council for a two-year period to serve as the political authority in Somalia.

On 4 May 1993, the relief effort, Operation Restore Hope, was declared successful and US force levels were sharply reduced. Command of relief, disarmament, and reconstruction work was assumed by the UN. This effort, UNOSOM II, featured Pakistani, US, Belgian, Italian, Moroccan, and French troops, commanded by a Turkish general. However, on 23 June 1993, 23 Pakistani soldiers were killed in an ambush, and the UN Security Council ordered the arrest of those responsible. Gen. Aided's forces were blamed and a \$25,000 bounty was placed on Aided's head.

Mogadishu subsequently became a war zone. In early October 1993, 18 US Army Rangers were killed and 75 were wounded in a firefight. American public opinion turned against the effort forcing President Bill Clinton to withdraw US troops. Despite diplomatic overtures by his special envoy, Charles Oakley, and an inclusive UN-, and then Ethiopian-, sponsored set of talks, mediation failed. Kenya's President Daniel Arap Moi also mediated. After the US pullout, some 19,000 UN troops remained. Security Council

Resolution (897) redefined the UNOSOM II mandate—emphasizing peacemaking and reconstruction—but it was a recognition that the assertive, coercive strategy of the UN had failed and that a more neutral role was necessary.

The United States completed its withdrawal of troops in March 1995, after which Mogadishu again disintegrated into chaos. The last of three major battles was engaged after peace talks between the factions collapsed in November 1996. Some 300 people, many civilians and aid workers, were killed in a month of fighting.

The hope for restored order was rekindled with the death of Gen. Aideed on 1 August 1996. Aideed's rivals declared a ceasefire, although his son and successor, Hussein Muhammad Aideed, vowed revenge and renewed the fight.

Because the factional splits were not based on ideological, religious, or issue differences, but instead were quests for power and riches, there was little hope for the restoration of a central government, and by the year 2000 the country was split into four pieces—Somaliland to the far north, Puntland to the northeast, South Mogadishu controlled by Hussein Muhammad Aideed and North Mogadishu dominated by Ali Mahdi. Islamic courts took on the task of establishing law and order.

Despite overtures by Libya to influence the political configuration, clan elders met in neighboring Djibouti, and at the Arta Peace Conference on 26 August 2000 established a three-year Transitional National Government (TNG) with Abdiqassim Salad Hassan as president. The purpose of the TNG was to restore stability. However, the TNG controlled only pockets of the capital and country, and by August 2003 the TNG was due to expire.

Meanwhile, on 14 April 2003 citizens in the self-declared republic of Somaliland, went to the polls to elect a president in Somaliland's first multiparty election. After disputing the results, the Kulmiye party's presidential candidate, Ahmad Muhammad Silanyo, said that the intervention of elders and others had persuaded him to accept the outcome, perhaps with promises for a power-sharing deal. Incumbent president Dahir Riyale Kahin of the Unity of Democrats Party (UDUB) was declared the winner by the Somaliland Election Commission (SEC), a decision that later was confirmed by the constitutional court.

By July 2003, more than 350 delegates had gathered for a national conference held in Kenya—Somalia's 14th peace talks in ten years—to vote on a parliament that would elect an interim president, who would then appoint a prime minister. Delegates, who were to elect a president from among more than 30 candidates, broke through a serious impasse by selecting a federal system of government and nominating a 351-member parliament to serve a four-year term. However, Hassan threatened to withdraw from the talks unless various grievances were resolved including complaints that the parliament was too large, that elders alone should elect the president, and that Arabic must not be considered a second language. Further, the proposal to federate the country according to existing jurisdictions was rejected by Hassan because in his opinion it would dismember Somalia into a collection of small states and deepen existing divisions in the country. Indeed, some counterterrorism experts feared that a federal system would encourage warlordism and provide safe havens for international terrorists. Finally, in late 2004 a new federal transitional parliament (FTP) was formed.

Moving the FTP to Somalia proved a dangerous proposition. The prime minister's first visit to Mogadishu was marred by an explosion at a rally, and in November 2005, six people were killed and 20 injured in an attack on his convoy. That same month, the son of an FTP official was shot and killed, and some 12 people were killed and 21 wounded as the result of fighting triggered by Islamic militias bent on closing cinemas and video stores. In early 2006 clan militias killed some 30 people and wounded 70 more in fighting in the southern port city of Chisimayu and in towns in Mudug and Galguduud.

In December 2005 the peace process was jeopardized further when the Mogadishu faction of the FTP elected a regional council to govern Banaadir (greater Mogadishu). Many of the electees belonged to the Hawiye clan, which surrounds Mogadishu. Some observers viewed this development as a direct affront to the authority of and a formal break with the Jowhar interim government.

The following month, thanks to mediation by Yemen, President Yusuf and Parliament Speaker Sharif Hassan Sheikh Aden—the leader of the Mogadishu faction—declared that they would cooperate with each other, and in February the FTP met on Somali soil for the first time at a food warehouse in the central town of Baidoa. Some 205 of the 275 MPs attended. Surrounded by heavy security, President Yusuf made strong appeals for peace, unity, and national security. Those not attending the meeting were mostly Mogadishu warlords, who were determined to move the government from Jowhar (56 miles north of Mogadishu) back to Mogadishu. They also disagreed over the perceived need for foreign peacekeepers in the country.

According to a report by the International Crisis Group (ICG), international donors were most likely to succeed in promoting peace in Somalia by not backing one faction over another in the divided TFG, and instead support the transitional federal charter, revive the parliament, and establish a government of national unity. This approach, according to ICG, stood the best chance of preventing Somalia from becoming a haven for terrorists.

## 13 GOVERNMENT

Somalia is perhaps the world's best-known example of a failed state. Its governments have been as fractured as they have been ineffective, and since independence have only nominally ruled the territory within its borders. Since 1991, there has been no recognized permanent central government, and both Somaliland and Puntland—formally part of Somalia—have declared their autonomy. Puntland, which has exercised self-rule since 1998, has not declared its intention to become independent, while Somaliland seeks international recognition as an independent state.

From July 1961 to October 1969, Somalia was a parliamentary democracy based on the principle of separation of powers. After the army's seizure of power in October 1969, Maj. Gen. Siad Barre was named chairman of the 25-member SRC, which then elected him president. A constitution, approved in January 1979 by the ruling Somali Revolutionary Socialist Party and ratified by popular referendum on 25 August, vested legislative authority in the People's Assembly of 177 members serving five-year terms. This assembly could be dissolved by a two-thirds vote of its members or by the president. The People's Assembly was given the right to elect the president to a six-year, renewable term. (This was changed in 1984 to a direct popular election for a seven-year



term.) The president was authorized to appoint members of the cabinet and to act as its chairman. He was declared commander in chief of the armed forces, with the power to declare war and to appoint the president of the Supreme Court. An article of the document allowed him to invoke emergency rule. On 24 October 1980, Siad Barre issued a decree suspending those constitutional provisions that were incompatible with the state of emergency triggered by the conflict with Ethiopia.

Large-scale fighting among clan factions from 1989 to January 1991 brought about the collapse of the Barre regime and his flight from Mogadishu. An interim administration (based on the 1969 constitution) was created by the United Somali Congress, but it collapsed in November 1991 and its two warring factions plunged Somalia into total civil war. The northern province declared its independence on 18 May 1991 as the sovereign state of "Somaliland," the name it bore under British colonial rule. That independence, so far, has brought relatively orderly rule. On 5 May 1993, Mohammed Ibrahim Egal was elected president by members of the central committee.

Barre's overthrow in June 1991 marked the end of viable central government. Some 15 armed factions have been fighting continuously, except for the relatively peaceful early months of UN-US administration from December 1992 until around June 1993. UNOSOM II was technically in control until March 1995, when the UN withdrew the last of its troops from the country. With the UN's departure, the country split into zones controlled by the various factions. Gen. Aideed's death on 1 August 1996 renewed prospects for political stability as rival warlords Osman Ali Atto and Ali Mahdi Muhammed declared a cease-fire. It was also hoped that the moderate Osman Atto, Aideed's clansman and a former advisor, would assume control of Aideed's forces. But Aideed's immediate successor, his son Hussein Muhammad Aideed, renewed the fight against his father's rivals.

As of 2005, Somalia was nominally ruled by a transitional national government (TNG)—established October 2000—with a president, prime minister, and 91-member cabinet. The president was Abdullahi Yusuf Ahmed, the prime minister was Ali Mohamed Ghedi. Dahir Riyale Kahin was president of the Somaliland Republic. In September 2004, an interim 275-member Federal Transitional Parliament (FTP) was formed of representatives of Somalia's four major clans, each with 61 seats, while a fifth grouping of minority clans held 31 seats. Somaliland, Puntland, and traditional clan and faction strongholds are beyond the token control of the TNG. New elections were scheduled to take place in 2009 depending on political conditions.

Although not yet recognized as an independent nation, Somaliland maintains an army, a police force, a currency, a judicial system, and levies taxes. It has not been free of the factional fighting that pervades the south, but it enjoys far more stability and less lawlessness. It successfully held parliamentary elections in September 2005, although the opening of the 82-member body was marred by protests outside the building and a brawl inside. Nonetheless, because of concern with extremists and instability in the Horn of Africa, the United States, United Kingdom, and the EU were reported to be leaning toward recognition of Somaliland as an independent state.

## 14 POLITICAL PARTIES

Political parties in Somalia may be thought of more accurately as collections of clans and sub-clans vying with each other for political power. Prior to October 1969, Somalia had a nominal multi-party system of government where opposition in parliament came from within the majority party as well as from opposition parties. The Somali Youth League (SYL), the largest party, was formed in 1943 as the Somali Youth Club. Its program included the unification of all Somalis (including those in Kenya, Ethiopia, and French Somaliland); social, political, and economic development; and nonalignment in international affairs. It represented almost all government personnel, entrepreneurs, and skilled and quasi-skilled workers of the southern area, formerly Italian Somaliland. In the first national elections after independence, held on 30 March 1964, the SYL won an absolute majority of 69 of the 123 parliamentary seats. The remaining seats were divided among 11 parties. In general elections held in March 1969, the ruling SYL, led by Mohammed Ibrahim Egal, was returned to power. A total of 64 political parties contested the elections. In October 1969, the Supreme Revolutionary Council (SRC) prohibited all political parties and announced that elections would be held in due course. In 1976, the SRC was abolished and its functions transferred to the leadership of the newly formed Somali Revolutionary Socialist Party (SRSP), which was led by the former SRC members. Siad Barre was general secretary of the SRSP, which remained the sole legal party until his overthrow in January 1991. Subsequently, the Somali National Movement (SNM) seized control of the north and established the independent state of "Somaliland." Since then, armed factions largely identified with clans and sub-clans divided up the territory as they fought and negotiated to expand their influence.

Many of the factions bear the titles of political parties; e.g., the Somali Democratic Movement, the Somali National Union, the Somali Patriotic Movement, and the United Somali Congress (USC). In fact, their bases are not national. The USC controlled Mogadishu and much of central Somalia until late in 1991 when it split into two major factions. Aideed's Somali National Alliance (SNA) identified with the Habar Gadir subclan of the Hawiye clan and Ali Mahdi's Somali Salvation Alliance (Abgal subclan of the Hawiyes). Currently the latter exists as the "Group of Twelve" coalition and these are the two dominant claimants to national power.

Aideed was killed on 1 August 1996 and was succeeded by his son, Hussein Muhammad Aideed. Some observers believe he could be displaced by Osman Ali Atto, an elder clansman and former Aideed advisor who was a rival of the general's at the time of the latter's death. Osman Atto is considered more moderate than Aideed, and more receptive to a political solution for Somalia.

The main political factions comprising the FTP are the National Salvation Council (NSC); the Somali Restoration and Reconciliation Council (SRRC); and various civil society and traditional leaders. The 91-member cabinet is split between proponents of locating the government at Jowhar and those who want to move it back to Mogadishu. Somaliland's main parties are the Democratic United National Party (UDUB), led by the president; Kulmiye ("unifier"); and the Justice Party (UCID).

## 15 LOCAL GOVERNMENT

Somalia is divided into 18 regions (*gobolka*): Awdal, Bakool, Banaadir, Bari, Bay, Galguduud, Gedo, Hiiraan, Jubbada Dhexe, Jubbada Hoose, Mudug, Nugaal, Sanaag, Shabeellaha Dhexe, Shabeellaha Hoose, Sool, Togdheer, and Woqooyi Galbeed.

Until 1973, the country was divided into eight regions, each headed by an official chosen by the central government. The regions were subdivided into 48 districts, headed by district commissioners also appointed by the government. There were 83 municipalities and sub-municipalities. The powers of the municipal councils included local taxation, town planning, registry and census, public services, and approval of the local budget. The major educational, economic, and social services were financed and maintained by the central government, which also exerted supervisory control over the municipal councils through its power to remove mayors and to dissolve the councils.

## 16 JUDICIAL SYSTEM

Owing to the collapse of national government, no national judicial system exists. However, much of the country has reverted to Shariah with the possibility for appeals; secular courts exist in some localities. The UN operation in Somalia oversaw administration of the Somalia penal code in those areas under UN supervision. Islamic law and traditional mediation continue to be applied to settle disputes over property and criminal offenses. The fear of renewed anarchy interferes with impartial administration of justice, and prosecution of war crimes is difficult.

In 1993, plans were released for a three-tier judicial system with courts of appeals, regional courts, and district courts. In the self-declared Republic of Somaliland, adoption of a new constitution is pending and the pre-1991 penal code is in effect. In North Mogadishu and part of South Mogadishu, the middle Shabelle and the Gedo and Hi'ran regions, court decisions are only based on Shariah law.

Historically, under the 1961 constitution the Supreme Court was the highest juridical organ of the republic, having ultimate jurisdiction over all civil, penal, and administrative matters, and over all rights established by the constitution and by the laws of the state. Other judicial organs were qadi courts (Muslim courts), district courts, provincial courts, and courts of assize. Judicial organs of second instance were a tribunal of qadis, a court of appeals, and an appeals court of assize. Somali citizens participated as jurors in the courts of assize and the appeals court of assize. The Ministry of Justice administered the prison system and the offices and employees of the judicial organs. It prepared projects and regulations dealing with judicial matters and it supervised notaries, the bar, and the Office of State Attorney.

When the SRC assumed all judicial as well as executive and legislative powers in October 1969, it suspended the Supreme Court. However, the court was reopened in December 1969, and the rest of the court system was left much as before. A new National Security Court was empowered to rule on cases involving persons accused of attempting to undermine the independence, unity, and security of the state. The 1979 constitution established the Constitutional Court (composed of the Supreme Court and delegates to the People's Assembly) to decide on the constitutionality of laws. It also empowered the Higher Judicial Council, chaired by the presi-

dent and composed of high-ranking SRC members, to be responsible for the selection, promotion, and discipline of members of the judiciary.

## 17 ARMED FORCES

The regular armed forces disintegrated in the revolution of 1991, leaving the nation awash with Russian, Chinese, and European weapons. Clan gangs armed with these weapons terrorized relief workers during their humanitarian efforts sponsored by international and private organizations, and battled a UN and US expeditionary force to a standstill. Between December 1992 and March 1994 over 100,000 US military personnel served in Somalia. As of late 2005, the national armed forces had not been reconstituted, and the country was torn between the Republic of Somaliland declared by the Somali National Movement in the north and insurgent groups in the south. There was no data on military expenditures for 2005 or on the exact number of armed Somalis.

## 18 INTERNATIONAL COOPERATION

Somalia, which joined the United Nations on 30 September 1960, participates in ECA and several nonregional specialized agencies, such as the FAO, the World Bank, ILO, UNESCO, UNHCR, UNIDO, and the WHO. It is also a member of the ACP Group, the African Development Bank, the Arab Fund for Economic and Social Development, the Council of Arab Economic Unity, the Islamic Development Bank, the Organization of the Islamic Conference (OIC), the New Partnership for Africa's Development (NEPAD), the Community of Sahel and Saharan States (CENSAD), G-77, the Arab League, and African Union.

Since 1960, the Somali government has sponsored a policy known as Pan-Somalism that strives for the unification of all Somali populations within the region into a Greater Somalia. This issue has a major impact on relations with Ethiopia, Kenya, and Djibouti and tensions between Somalia and these countries has escalated to violence in the past. Somalia is part of the Nonaligned Movement. In environmental cooperation, Somalia is part of CITES, the Montréal Protocol, and the UN Conventions on the Law of the Sea and Climate Change.

## 19 ECONOMY

Somalia's economy, one of the poorest in the world, is an agricultural one based primarily on livestock and, to a lesser extent, on farming. Livestock accounts for about 40% of GDP and a large percentage of export earnings, mainly from Saudi Arabia; bananas are the main cash crop and account for nearly 50% of export earnings. Other crops produced for domestic consumption are cotton, maize, and sorghum. There are plans to develop the fishing industry. Northern Somalia is the world's largest source of incense and myrrh. There has been little exploitation of mineral resources, which include petroleum, uranium, and natural gas. Since 1990, the economy has been a shambles, the consequence of drought and of protracted civil strife which has left the country without central authority. By early 1992, virtually all trade, industrial and agricultural activities had stopped, large numbers of people were forced from their homes, and more than six million people were at risk of starvation. In 1993, donors pledged \$130 million toward Somalia's reconstruction. The aid, together with good rains and increased stability, helped ease the food situation and few commu-

nities were at risk of widespread famine in 1997; however, the lack of rains in spring 2001 caused major food shortages in the south of the country. Continued fighting and the lack of a central authority in 2003 prevented significant improvements in economic conditions. The UN through its various relief agencies is the country's largest employer. Although Somalia was largely still in a state of anarchy in 2003, despite ongoing peace talks, the telecommunications sector was functioning, with most major cities having wireless telephone services. By 2005 Somalia was still a chaotic country with little political stability in sight. According to the US Central Intelligence Agency, Somalia's economic fortunes are driven by its deep political divisions with economic life continuing in part because much activity is local and relatively easily protected.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Somalia's gross domestic product (GDP) was estimated at \$4.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$600. The annual growth rate of GDP was estimated at 2.4%. It was estimated that agriculture accounted for 65% of GDP, industry 10%, and services 25%.

It was estimated that for the period 1980 to 1990 household consumption grew at an average annual rate of 1.3%.

## 21 LABOR

There are approximately 3.7 million workers in Somalia, with nomadic shepherds and subsistence farmers accounting for 71% of the working population. Industry and services employed the remaining 29.9%. Since the overwhelming majority of the population was engaged in stock herding or agriculture, the number of unemployed was not large, but there was considerable unemployment in the urban centers. There was no further data available on unemployment in Somalia.

Labor codes were enacted in the early 1960s for minimum wages, hours of work, employment of women and children, vacations, and collective bargaining. After the 1969 revolution, the SRC dissolved the existing unions and took action to organize the General Federation of Somali Trade Unions along lines more in keeping with its plans for a Socialist state, but it was believed to have ceased functioning with the collapse of the government in 1992. As of 2001, the recent constitution of Somaliland provided the right to unionize, but no unions had been formed yet. There are no systems in place to implement acceptable work conditions, child labor regulations, workweek standards or wage minimums.

## 22 AGRICULTURE

Only 1.7% of Somalia's total land area is cultivated, and 69% is permanent pasture. There are two main types of agriculture, one indigenous and the other introduced by European settlers. The Somalis have traditionally engaged in rain-fed dry-land farming or in dry-land farming complemented by irrigation from the waters of the Shabeelle and Jubba rivers or from collected rainwater. The rainy season lasts from April to June and these rains typically bring about 75% of Somalia's annual cereal production. Corn, sor-

ghum, beans, rice, vegetables, cotton, and sesame are grown by both methods. Bananas and sugarcane have been the main commercial crops, grown on irrigated land along the two rivers. Sugarcane is cultivated at Giohar and Jilib. Somalia is the world's leading producer of frankincense.

Between 1975 and 1991, all land was nationalized. Existing customary rights were generally honored, but the state took over large areas of irrigable land in the river valleys. Plantations had to register to obtain a concession grant, with the value of the land itself excluded from the selling price. In 1993, privatization and assistance from Italy (the main market for banana exports) began to help revitalize the agricultural sector. In 2001, agricultural products accounted for 47% of exports and 17% of imports; there was an agricultural trade surplus of \$10.2 million. In 2001 a severe drought affected southern Somalia and the UN appealed for food aid for half a million people.

## 23 ANIMAL HUSBANDRY

The majority of Somalis raise livestock; in some areas, particularly in the north, this is the only means of subsistence. During the civil war, herds were looted and killed. The national cattle herd was estimated at 5.3 million head at the end of 2001. At that time, Somalia also had 13.1 million sheep, 12.7 million goats, and 6.2 million camels. Live animals along with hides and skins are significant exports.

Having no official central government, the traditional Somali system of customary law and politics has been instrumental in maintaining economic stability. Somalia's animal herding sector is stronger than that of either of its neighbors, Kenya or Ethiopia. During the 1990s, Somalia accounted for more than 60% of all livestock exports in East Africa. In the northern part of Somalia (Somaliland and Puntland), sheep and goat exports from the major ports of Berbera and Bossaso now exceed pre-1991 levels. By Somali custom, the cross-border livestock trade is facilitated by brokers who certify that traded livestock are not stolen, and thus act as insurance agents for cross-border trading. Fees are lower on the Somali side of the cross-border trade than on the Kenyan side, indicating that rustling may be a more severe problem in Kenya than in Somalia. According to data from the Kenyan government, Somalia's export of cattle to Kenya more than doubled between 1991 and 2000. In 2000, severe drought struck Somalia, and Kenya closed its border to Somali livestock to prevent importing any animals infected with Rift Valley Fever.

## 24 FISHING

Approximately 1% of the population is engaged full-time in fishing. Fish-processing plants produced fish flour, inedible oil, and semirefined edible oil. In 1985, fish—tuna, sardines, mackerel, and lobster—and fish products accounted for 10.7% of exports. The catch in 2003 was 18,000 tons. Fisheries exports have declined from about \$14.8 million in 1990 to \$3.4 million in 2003. In 1993, the yearly potential catch was estimated at 200,000 tons, which could bring in an estimated \$26 million in revenue each year. One of the government's aims has been to establish fishing coopera-

tives; in 1975, thousands of nomads from the drought-affected area were resettled in fishing villages.

## 25 FORESTRY

Forests cover 12% of Somalia's land area, but only 4% of the land has dense tree stands. Somalia is one of the few areas in the world where frankincense is produced; incense trees of the genus *Boswellia* are found in the northeast. Gum arabic in small quantities is also produced. In the scant forests along the rivers of the Jubba region, *Euphorbia ruspoli* is milled and used for the production of banana crates. Roundwood production was estimated at 10,576,000 cu m (373.3 million cu ft), with almost 99% of it burned as fuel.

## 26 MINING

The Somali minerals sector, which was not a significant economic force before the 1991 overthrow of the government, failed to expand in the ensuing years of political and economic instability. In 2003, small quantities of gypsum, marine salt, and sepiolite (meerschaum) were exploited, and the country also presumably produced clays, sand and gravel, crushed and dimension stone, and limestone (for lime manufacture and/or agriculture). Officially reported mineral and trade data have been unavailable owing to lack of a central government from 1991 to 2000, and the secession of Somaliland and Puntland. In 2003, Somalia's output of gypsum, marine salt and sepiolite were estimated at 1,500 metric tons, 1,000 metric tons and 6 metric tons, respectively. The civil war forced the closure of Somalia's cement plant and oil refinery (a leading industry), and halted exploration for natural gas and other resources. There were unexploited deposits of anhydrite, bauxite, columbite, feldspar, natural gas, iron ore, kaolin, quartz, silica sand, tantalum, thorium, tin, and uranium, and recent discoveries of amethyst, aquamarine, emerald, garnet, opal, ruby, and sapphire. Mining of the gemstones, in Somaliland, has been limited by a lack of modern equipment, civil strife, and damage to the infrastructure; a EU-funded nongovernmental organization was working with Somaliland's government to exploit gemstone resources. Tin was mined by the British before World War II, and charcoal was the fifth-leading export commodity. The outlook showed little change for the short run.

## 27 ENERGY AND POWER

Somalia has no reserves of oil, or coal, nor any refining capacity, but does have modest reserves of natural gas.

Somalia relies on imported petroleum products for the production of its electric energy. Installed capacity in 2002 was 80,000 kW, all of it based on conventional thermal fuels. Total production in that year was 240 million kWh, with domestic demand at 223 billion kWh.

In 2002, Somalia's imports and consumption of refined oil products each averaged 4,800 barrels per day. Although Somalia had proven reserves of natural gas in 2002 of 2.833 billion cu m, there was no production, imports or demand for natural gas in that year. An oil refinery, built with Iraqi assistance, was opened at Gesira, near Mogadishu, in 1978 but has not operated since 1991. There was no demand or imports of coal in 2002. The only immediately exploitable domestic sources of energy are firewood and charcoal.

## 28 INDUSTRY

Before the start of civil war in the early 1990s, the manufacturing sector was beginning to develop. However, all industries suffered major losses during the civil war, accounting in 2000 for only 10% of GDP. Industries mainly serve the domestic market and, to a lesser extent, provide some of the needs of Somalia's agricultural exports, such as the manufacture of crates for packing bananas. Most industries have been looted, however, and many sold for scrap metal.

The most important industries were petroleum refining (as of 2000 shut down), the state-owned sugar plants at Jowhar and Gelib, an oilseed-crushing mill, and a soap factory. Other industries manufactured corrugated iron, paint, cigarettes and matches, aluminum utensils, cardboard boxes and polyethylene bags, and textiles. A cement plant at Berbera was completed in 1985.

The fish- and meat-canning export industries operate below capacity. Textiles are produced at the SOMALTEX plant, which supplies virtually the entire domestic market. Most major enterprises were government-owned, but private plants produce food, beverages, chemicals, clothing, and footwear. There are also plants for milk processing, vegetable and fruit canning, and wheat flour and pasta manufacturing, as well as several grain mills. The country's first pharmaceuticals factory, near Mogadishu, opened in 1986. Local craft industries produce sandals and other leather products, cotton cloth, pottery, baskets, and clay or meerschaum vessels.

The oil refinery at Mogadishu, with a production capacity of 10,000 barrels per day, has been out of operation since 1991. There is one natural gas field, but exploration and exploitation of oil and natural gas has been suspended since political conflict began.

## 29 SCIENCE AND TECHNOLOGY

In 1993, the Somali National University in Mogadishu had faculties of medicine, agriculture, veterinary medicine, engineering, geology, and industrial chemistry. Also located in Mogadishu were the Institute for the Preparation of Serums and Vaccines, the Laboratory of Hygiene and Prophylaxy, and the Society of Medicine and Tropical Hygiene. In Mogadishu there is the school of public health and a veterinary college; the Geological Survey Department of the Ministry of Water Development and Mineral Resources and the Survey and Mapping Department of the Ministry of Public Works. A technical college is located in Burao.

## 30 DOMESTIC TRADE

Despite the lack of a central government, domestic commerce in Somalia is still active, although on a small scale. Some merchants, using satellite telephones or radios coordinate distribution networks that transport food and other goods between various rival territories. Small shops barter or sell a limited number of such imported and domestic items as tea and coffee, kerosene, sugar, cotton goods, spices, cereals, skins, hides, and ghee. Outside the urban centers, the barter system is often employed. In the urban centers, small traders deal essentially in a cash economy.

Mogadishu is a primary business and commercial center and hosts a large number of shops and markets offering a variety of goods. In the south, at the mouth of the Juba River, Kismayu serves as an important port, particularly for banana exports.

Hargeisa serves as a watering and trading center for many of the nation's nomadic herders.

Usual business hours are from 8 AM to 12:30 PM and from 4:30 PM to 7 PM, Saturday to Thursday.

### **31 FOREIGN TRADE**

Exports consist largely of livestock (camels, sheep, and goats), bananas, hides, and fish. Principal imports are manufactures, petroleum products, food, and petroleum. Imports also include guns, medicine, and khat (a stimulant leaf chewed by Somalis). Foreign trade is handled by local traders who coordinate transactions despite factional fighting and the lack of a central government. Many traders in the north have relocated from Berbera to Bosaso in order to avoid foreign exchange regulations imposed by the self-proclaimed Somaliland government in the northwest. Livestock is normally driven from northeast Ethiopia to ports, and then shipped to Saudi Arabia. In 1998, Saudi Arabia imposed a 16-month ban on the import of livestock because of low health standards. Government revenues fell from \$45 million to \$25 million in that year. Although the ban was lifted in 1999, it was recently re-imposed in 2005 because of Rift Valley Fever concerns, severely hampering this sector. Remittances from Somalis working abroad constitute one of the Somalia's main sources of foreign exchange, reaching an estimated \$500 million in 1999.

### **32 BALANCE OF PAYMENTS**

Since independence, Somalia has consistently had an unfavorable balance of payments on current accounts, caused by deficits of trade and invisible transactions. In the 1980s, Somalia depended on direct transfers and capital assistance from other governments, and became even more dependent after civil war and ensuing anarchy broke out in 1991. Economic aid reached \$192 million in 1995. Total external debt in 2003 was estimated at \$2.84 billion.

### **33 BANKING AND SECURITIES**

The Central Bank of Somalia, a government institution with branches in every region, controls the issue of currency and performs the central banking functions of the state. All banks were nationalized in 1970. The Central Bank was set up in 1960. The Commercial and Savings Bank, formed in 1975 from a merger of the National Commercial Bank and the Somali Savings and Credit Bank, was closed in June 1990. The Somali Development Bank was created in 1983, and the Commercial Bank of Somalia was opened in July 1990. The formal banking system no longer functions.

As of 1996, the Somali shilling was still widely in use despite the lack of a government to back the currency, which was holding its value because there were no new notes. In 1999, the mass distribution of counterfeit Somali shillings reduced the value of the shilling against the US dollar from 7.5 to 10,000. The exchange rate was at 2,600 in 2000. Four competing versions of the national currency were reported to be in circulation.

A new bank, the Barakat Bank of Somalia, was established in Mogadishu at the end of October 1996. Initially capitalized at \$2 million, the bank intended to use the dollar as its working currency; and to specialize in small loans to Somali traders, foreign currency exchange, and currency transactions abroad. The bank aimed to establish a further 90 branches across the country.

There are no securities exchanges in Somalia.

### **34 INSURANCE**

A small number of European agencies which had acted as agents for foreign insurance companies were replaced by a state-owned insurance company, the National Insurance Co. of Somalia, in 1972.

### **35 PUBLIC FINANCE**

The Somali budget has been in deficit since the early 1970s. Disintegration of the national economy since 1991 has led to relief and military intervention by the UN. No central government authority existed as of 2006, so there was no functioning system of civil administration to collect and disburse public finances.

The US Central Intelligence Agency (CIA) estimated that Somalia's total external debt was \$3 billion.

### **36 TAXATION**

Direct taxes are imposed on income and profits, when officials can collect them. In 1986, tax rates on wages and salaries ranged from 0–18.9%. Income from trade and the professions was taxed at rates of up to 35%. Indirect taxes are imposed on imports, exports, mortgages, vehicle registration, sugar, alcohol, and a number of other goods and services. In 2003, Somalia's sales tax rate was 10%.

### **37 CUSTOMS AND DUTIES**

Customs and duties are levied primarily to provide income for the state and to offer protection to local industries. Most duties are ad valorem and range from zero to 100%. Unspecified goods are dutiable at 25% ad valorem. A general sales tax of 10% for imported goods is also levied.

### **38 FOREIGN INVESTMENT**

Civil strife and the lack of a central government have discouraged foreign investment. Although the UN and associated foreign governments spent \$4 billion dollars to restore order to the country, no productive assets remained after their departure in 1995. The only economic spin-off appears to have been contracts issued to local companies to dispose of military debris and trash. Foreign investment in the late 1990s centered around the communications structure in mobile phone technology and energy creation, but continuation of political conflicts well into 2002 drove away investment. For the period 1997 to 2001, annual foreign direct investment (FDI) ranged from \$1.1 million in 1997 to a negative divestment of -\$800,000 in 1999. Across the five years, net FDI flows were barely positive, at \$400,000. However the ongoing chaos and periodic violence in Somalia continue to be a major obstacle to FDI inflows. For example, in 2002, FDI inflows turned negative, offsetting the small momentum registered from the gains of 2000.

### **39 ECONOMIC DEVELOPMENT**

Successive Somali governments have sought to stimulate production in all sectors of agriculture, commerce, and industry. However, drought, inflation, civil strife, and the rise of oil prices have severely hampered these programs. Government priorities prior to the civil war included the expansion of the fishing fleet, food self-sufficiency based on the development of the Baardheere dam

project, livestock breeding, and meat export programs, and transport and telecommunication improvements.

Clan warfare has left Somalia without a central government since 1991. Economic development at the beginning of the new millennium was expected to be devoted in large part to the rebuilding of the Somali civil administration. Despite a continuing lack of infrastructure in the early 2000s, domestic trade was thriving and the clan system had sufficiently organized the economic system to support the population. The ongoing civil disturbances and clan rivalries have interfered with any broad-based economic development and international aid arrangements. In 2004 and 2005 Somalia's overdue financial obligations to the IMF continued to grow. Experts agree that the return of peace and security to the whole country is essential for viable economic growth. According to the Economist Intelligence Unit, the recent influx of armaments in 2005 indicated that increased stability is unlikely, which will further delay any significant resumption of large-scale assistance from the international community.

#### 40 SOCIAL DEVELOPMENT

Since 1989, internal fighting and widespread drought conditions have severely disrupted government and its ability to provide social services. Private humanitarian agencies tried to fill the need but fighting, extortion, and the activities of armed factions and looters chased many of them away. The UN has also tried to help, but it too finds operations difficult. Somalia in effect has no national government, and current data for social services is unavailable.

Although the constitution prohibits discrimination based on sex or ethnicity, societal discrimination and violence against women and children are prevalent. Women play a subordinate role in Somalia's culture and politics. Polygyny is practiced and female genital mutilation is nearly universal. The punishment for murdering a woman is half as severe as that for killing a man. Rape is a common occurrence.

Serious human rights violations included suppression of civil and political rights, disappearances, arbitrary detention, and harsh prison conditions. As of 2004, many civilians were still being killed in factional fighting.

#### 41 HEALTH

In 1972, all health facilities and the services of all private medical personnel were placed under state control. Government policy was eventually to provide free medical treatment for all. One of the self-help projects instituted by the SRC was the construction of local clinics. As of 2004, it was estimated that there were fewer than 5 physicians per 100,000 people, and only 19 nurses, and fewer than one dentist or pharmacist per 100,000 population.

Somalia has a high incidence of tuberculosis, schistosomiasis, and pulmonary disturbances. Malaria and intestinal parasites are endemic. Serious dietary deficiencies are found, particularly in the north. Only 31% of the population had access to pure drinking water, which is rarely available outside the larger cities. Water outside these centers needs to be filtered, boiled, or chemically treated. Somalis, however, take few of these precautions. A very low 17% of the population had adequate sanitation, and only 27% had access to health care services.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 46.8 and 18 per 1,000 people. Only 1%

of married women (ages 15 to 49) have used contraception. Average life expectancy in 2005 was only 48.09 years and the infant mortality rate was 116.70 per 1,000 live births. The maternal mortality rate was a very high 1,100 per 100,000 live births in 1991.

Immunization rates for children up to one year old were: tuberculosis, 31%; diphtheria, pertussis, and tetanus, 18%; polio, 18%; and measles, 30%. The rates for DPT and measles were, respectively, 18% and 26%. The HIV/AIDS prevalence was 1.00 per 100 adults in 2003. As of 2004, there were approximately 43,000 people living with HIV/AIDS in the country.

#### 42 HOUSING

According to the latest available information for 1980–88, the total number of housing units was 710,000 with 6.8 people per dwelling. However, years of civil war and the 2004 tsunami took a toll on the nation's housing stock. The war caused internal migration and displacement to the extent that some areas are highly overpopulated while other neighborhoods have been abandoned. In 2005, it was estimated that about 85% of the total population was living in slums or partially destroyed housing. About 40 villages were damaged or destroyed by the tsunami of December 2004, which was generated by a massive earthquake in the Indian Ocean.

Development schemes aided by UN and foreign assistance programs have helped alleviate some housing shortages. Town planning and housing are under the jurisdiction of municipalities, and assistance is given by the central government only when it has approved a project submitted by the municipality. The typical Somali house is either a cylindrical hut with a conical thatched roof or a rectangular hut with an angular roof of thatch or metal.

#### 43 EDUCATION

Private schools were closed or nationalized in 1972 and all education was put under the jurisdiction of the central government. In 1975 primary education was made compulsory. A minimum of eight years of schooling at the primary level is mandatory; however, many prospective students, particularly among the nomadic population, cannot be accommodated. Secondary education lasts for four years.

Primary school enrollment in 1995 was estimated at less than 10% of age-eligible students. The same year, secondary school enrollment was at less than 6% of age-eligible students.

Mogadishu University is the primary source for higher education. All institutions at the higher level had 817 teachers and 15,672 students in 1986. The adult literacy rate for 2001 was estimated at about 37.8%, with 49.7% for men and 25.8% for women.

#### 44 LIBRARIES AND MUSEUMS

The National Museum of Somalia in Mogadishu (3,000 volumes) maintains a highly specialized library dealing primarily with African and Somali culture, government, and history. The National Library, under the supervision of the Ministry of Higher Education and Culture, has 9,000 volumes, and the Somali Institute of Public Administration also has a book collection; both are in Mogadishu. The Amoud University Library has about 65,000 volumes. The National Museum in Mogadishu is a restored residence of the viceroy of the sultan of Zanzibar. Besides its comprehensive

collection of Somali ethnographic material, the museum has local art objects, fossils, and old coins.

#### 45 MEDIA

In 2003, there were an estimated ten mainline telephones for every 1,000 people. The same year, there were approximately three mobile phones in use for every 1,000 people.

The transitional government operates Radio Mogadishu. There are several privately owned radio and television stations, many of which are local or regional in range. Most of the country can receive transmissions from British Broadcasting. In 2001, there were three main television stations, two in Mogadishu and one in Hargeisa. In 2003, there were 60 radios and 14 television sets for every 1,000 people. The same year, about nine of every 1,000 people had access to the Internet. There were four Internet hosts in 2004.

In 2004, there were two daily newspapers, one government and one independent. There was also an English language weekly newspaper. And several other small weekly papers. Freedom of speech and the press are severely limited, according to reports. Factional infighting creates an atmosphere of mistrust, and media representatives such as comedians, actors, and journalists have been arrested, detained, or otherwise harassed. Most news comes from foreign broadcasts.

#### 46 ORGANIZATIONS

Private organizations that existed in the 1960s have largely been replaced by government-sponsored groups. Among party-controlled groups are the Union of Somali Cooperatives Movement, the Somali Women's Democratic Organization, and the Somali Revolutionary Youth Organization.

There are active sports associations promoting amateur competitions among athletes of all ages in pastimes such as squash, tennis, badminton, dance sport, and weightlifting; some of these, such as the Somalia Football Federation, are affiliated with international organizations as well.

Volunteer service organizations, such as the Lions Clubs International, are also present. There is a national chapter of the Red Crescent Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

Somalia's modest tourist industry has declined since the civil war began in 1991. Every person entering Somalia is required to have a valid passport and a proper visa. An official certificate showing immunization against yellow fever is necessary if traveling from an infected area.

Before the war, Somalia offered lovely beaches, excellent diving, and numerous species of East African wildlife.

#### 48 FAMOUS SOMALIS

The most important historical figure in Somali history is Muhammad 'Abdallah bin Hasan (known popularly in English literature as the "Mad Mullah"). He was born about 1860 and during his youth devoted himself to religious studies. In August 1899, with his followers of the Salihyyah confraternity, he declared a holy war against the British, Italians, and Ethiopians. His resistance to the British lasted until his death in November 1920. Muhammad, also known as one of Somalia's greatest poets, was the first to call

for Somali unity. Other important historical figures include Sharif Abu Bakr bin 'Abdallah al-'Aydarus (d.1503), who founded the Qadiriyyah confraternity in the Somali region; Sheikh 'Ali Maye Durogba of Marka (d.1917), who founded the Ahmadiyyah sect in Somalia; and Sheikh Muhammad Guled (d.1918), who started the Salihyyah sect in Somalia.

'Abdullahi 'Issa Mohamed (b.1921) was prime minister during the Italian trusteeship administration (1956–60) and was Somalia's first foreign minister. Aden 'Abdullah Osman Daar (b.1908) is regarded as the Somali most responsible for bringing about the transition of the Somali territory from dependence to independence; he was the nation's first president. Abdirashid 'Ali Shermarke (1919–69) was Somalia's first prime minister after independence and the nation's second president. He was assassinated on 15 October 1969 by a member of his bodyguard. Maj. Gen. Jalle Mohamed Siad Barre (1921–95) was the leader of the bloodless coup that took over the government six days later and established the SRC. He subsequently became president of the Somali Democratic Republic. Mohamed 'Ali Samatar (b.1931), first vice-president and minister of defense, became prime minister in 1986. Mohammed Farah Aidid (1934–96) was the clan leader that gained control over much of Somalia during the civil war. His son, Hussein Aidid (b.1962), a former US marine, took over after his death. Abdiqasim Salad Hassan (b.1941) was recognized as president in exile in Djibouti in 2000, serving until 2004. In October of that year, Abdullahi Yusuf Ahmed (b.1934) was named the transitional president of Somalia. Osman Hasan Ali (b.1950) became famous as the wealthy financier of clan militias during the civil war.

#### 49 DEPENDENCIES

Somalia has no territories or colonies.

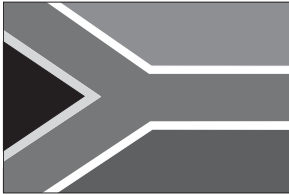
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# SOUTH AFRICA

Republic of South Africa  
*Republiek van Suid-Afrika*



**CAPITAL:** Pretoria (administrative); Cape Town (legislative); Bloemfontein (judicial)

**FLAG:** The national flag, adopted in 1994, consists of a blue-black triangle placed vertical to the hoist and bordered in gold-yellow. Bands of red, white, green, white, and blue appear horizontally.

**ANTHEM:** Two anthems are currently in use: the official anthem, *Die Stem van Suid-Afrika* (*The Call of South Africa*), and *Nkosi Sikelel' Afrika* (*God Bless Africa*), a hymn adopted by most liberation groups.

**MONETARY UNIT:** The South African rand (R) is a paper currency of 100 cents. It is used throughout the South African monetary area. There are coins of 1, 2, 5, 10, 20, and 50 cents and 1 rand, and notes of 2, 5, 10, 20, and 50 rand. R1 = \$0.16155 (or \$1 = R6.19) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in use.

**HOLIDAYS:** New Year's Day, 1 January; Republic Day, 31 May; Kruger Day, 10 October; Day of the Vow, 16 December; Christmas, 25 December; Goodwill Day, 26 December. Movable religious holidays include Good Friday and Ascension; Family Day is a movable secular holiday.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The area of South Africa is 1,219,912 sq km (471,011 sq mi). Comparatively, the area occupied by South Africa is slightly less than twice the size of the state of Texas. Considered as a whole, South Africa extends 1,821 km (1,132 mi) NE-SW and 1,066 km (662 mi) SE-NW. It is bounded on the N by Botswana and Zimbabwe (formerly Rhodesia), on the NE by Mozambique and Swaziland, on the E by the Indian Ocean, on the S by the confluence of the Indian and Atlantic oceans, on the W by the Atlantic Ocean, and on the NW by Namibia. South Africa also controls two small islands, Prince Edward and Marion, which lie some 1,920 km (1,200 mi) southeast of Cape Town. South Africa's capital city, Pretoria, is located in the northeastern part of the country.

## <sup>2</sup>TOPOGRAPHY

South Africa has a mean altitude of about 1,200 m (3,900 ft), and at least 40% of the surface is at a higher elevation. Parts of Johannesburg are more than 1,800 m (6,000 ft) above sea level. There are three major zones: the marginal regions, which range in width from 80 to 240 km (50–150 mi) in the east to 60–80 km (35–50 mi) in the west, and including the eastern plateau slopes, Cape folded belt, and western plateau slopes; a vast saucer-shaped interior plateau, separated from the marginal zone by the Great Escarpment; and the Kalahari Basin, only the southern part of which projects into north-central South Africa. The land rises steadily from west to east to the Drakensberg Mountains (part of the Great Escarpment), the tallest of which is Mt. Injasuti (3,408 m/11,181 ft), on the border with Lesotho.

The coastal belt of the west and south ranges between 150 and 180 m (500 and 600 ft) above sea level and is very fertile, producing citrus fruits and grapes, particularly in the western Cape.

North of the coastal belt stretch the Little and the Great Karoo highlands, which are bounded by mountains, are semiarid to arid, and merge into sandy wastes that ultimately join the arid Kalahari. The high grass prairie, or veld, of the Orange Free State and the Transvaal is famous for its deposits of gold and silver; other minerals are found in the Transvaal's bush veld. From the Drakensberg, the land falls toward the Indian Ocean in the rolling hills and valleys of Natal, which are covered with rich vegetation and, near the coast, subtropical plants, including sugarcane.

The two most important rivers draining the interior plateau are the Orange (with its tributary the Vaal), which flows into the Atlantic Ocean, and the Limpopo, which empties into the Indian Ocean through Mozambique. Of the fast-flowing rivers with steeply graded courses that produce spectacular waterfalls, the largest is the Tugela, which rises in the Mont-aux-Sources and flows swiftly to the Indian Ocean.

## <sup>3</sup>CLIMATE

South Africa lies almost wholly within the southern temperate zone, and its climate is more equable than that of corresponding northern latitudes because of its surrounding waters. Temperature differentials between east and west coasts stem from the influences, respectively, of the warm Mozambique (Agulhas) Current and the cold Benguela Current. The average daily minimum temperature at Durban, on the east coast, ranges from 11°C (52°F) in July to 21°C (70°F) in February; on the west coast, at Port Nolloth, the range is from 7°C (45°F) to 12°C (54°F) during the corresponding months. Temperatures are cooler in the highlands: at Johannesburg, the average daily minimum is 4°C (39°F) in June and July and 14°C (57°F) in January. On the high veld there are sharp differ-



ences of temperature between day and night, but there is less daily fluctuation nearer the coast.

Rainfall is unpredictable in large parts of the country, and prolonged droughts are a serious restriction on farming in such areas. While the mean annual rainfall is 46 cm (18 in), 21% of the country receives less than 20 cm (8 in) and 31% gets more than 60 cm (24 in). Much of South Africa gets its rain in the summer months, but the western coastal belt is a winter rain area. Along the Cape south coast, rain falls during both seasons.

#### **4 FLORA AND FAUNA**

The variety of South Africa's climate and altitude accounts for its diversified flora and fauna. Major vegetation zones include the forest and palm belt of the east, south, and southwest coasts; the temperate grasslands (veld) of the eastern portion of the interior plateau; the desert and semidesert (Karoo) vegetation of the western interior; and the bushveld (savanna) of the Kalahari and the northeast. Of the 200 natural orders of plants in the world, over 140 are represented and South Africa has over 25,000 species of flora, including a floral kingdom found nowhere else. There are 200 species of euphorbia, about 350 different kinds of heath in the Cape Province alone, and more than 500 species of grass. Wild flowers (including the protea, South Africa's national flower) grow in great profusion throughout the Cape region.

Aardvark, jackal, lion, elephant, wild buffalo, hippopotamus, and various kinds of antelope are still found in some parts of the country. In the great game parks, animals may be seen living in natural surroundings. So extensive is the variety both of smaller mammals and of plants that they have not yet all been identified. The number of different kinds of birds is estimated at well over 300; that of snakes, 200. The number of species of insects is estimated at 40,000, and there are about 1,000 kinds of fish.

#### **5 ENVIRONMENT**

Recent industrialization and urbanization have taken their toll on the South African environment, as have such agricultural practices as veld fires, overgrazing of livestock, and intensive use of pesticides. Soil erosion and desertification are two more significant environmental issues in South Africa. Three hundred to four hundred million tons of soil per year are lost. The country's limited water resources have been impaired by mineralization, eutrophication, and acidic mine drainage. South Africa has 45 cu km of renewable water resources, with 72% of annual withdrawals used for farming and 11% for industrial activity. The country's cities produce about 4.2 million tons of solid waste per year. Air pollution in urban areas stems primarily from coal burning and motor vehicle exhausts. The government has taken steps to address these issues: Johannesburg was the site of the 2002 World Summit on Sustainable Development, and South Africa is seen as a leader of the developing world on issues such as climate change, conservation, and biodiversity.

The principal environmental bodies are the Department of Water Affairs, the Department of Environmental Affairs, and the Department of National Health and Population Activities. Pursuant to a government "white paper" about environmental conservation policy, approved in 1980, a comprehensive environmental protection bill was given parliamentary approval in 1982. It included development of a comprehensive technology for treating sewage

and industrial effluents, surveys of threatened natural habitats, research on marine pollution, monitoring of atmospheric pollutants, and a program of environmental education in the public schools.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 29 types of mammals, 36 species of birds, 20 types of reptiles, 21 species of amphibians, 49 species of fish, 18 types of mollusks, 109 species of other invertebrates, and 75 species of plants. Threatened species in South Africa include the riverine rabbit, Cape Mountain zebra, Treur River barb, and several species of butterfly. Twelve species have become extinct, including the cape warthog, bluebuck, Burchell's zebra, and quagga.

About 5.5% of the total land area is protected and there are numerous nature and game reserves and national parks. Some 120 rare Addo elephants are protected in Addo Elephant National Park, 56 km (35 mi) north of Port Elizabeth; Bontebok National Park (near Swellendam, Cape Province) is a habitat for the last surviving herd of bontebok antelope; Mountain Zebra National Park (near Cradock, in Cape Province) is a refuge for several hundred rare mountain zebras and springbok; and Kruger National Park, in northeastern Transvaal, has almost every species of South African wildlife in its natural habitat.

#### **6 POPULATION**

The population of South Africa in 2005 was estimated by the United Nations (UN) at 46,923,000, which placed it at number 27 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 33% of the population under 15 years of age. There were 96 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 0.7%. The projected population for the year 2025 was 47,779,000. The overall population density was 39 per sq km (100 per sq mi); however, more than a third of the people live on only 4% of the land area.

The UN estimated that 53% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.65%. The administrative capital, Pretoria had a population of 1,209,000 in that year. Johannesburg, the largest city and the commercial and industrial center of the country, had a metropolitan population of 3,228,000; Cape Town, the legislative capital, had a population of 3,103,000. Other major cities include East Rand, 3,043,000; Durban, 2,643,000; West Rand, 1,297,000; Sasolburg, 1,259,000; and Port Elizabeth, 998,000; Bloemfontein, the judicial capital, approximately 300,000.

The prevalence of HIV/AIDS has had a significant impact on the population of South Africa. The UN estimated that 21.3% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

#### **7 MIGRATION**

Preference was given in the past to immigrants from those countries from which South Africa's present white population is derived. Between 1963 and 1984, the number of immigrants averaged about 37,000 annually, and the number of emigrants about 12,000. Between 1980–84, some 72,528 Zimbabwe residents em-



LOCATION: 16°28' to 32°54' E; 22°8' to 34°50' S. BOUNDARY LENGTHS: Botswana, 1,778 kilometers (1,105 miles); Zimbabwe, 225 kilometers (140 miles); Mozambique, 491 kilometers (305 miles); Swaziland, 449 kilometers (279 miles); total coastline, 2,954 kilometers (1,836 miles); Namibia, 1,078 kilometers (670 miles); Lesotho, 909 kilometers (565 miles). TERRITORIAL SEA LIMIT: 12 miles.

igrated to South Africa. After 1984, immigration fell, and, perhaps as a consequence, the white population actually declined between 1980–91. Of the 63,495 immigrants between 1986–91, 16,815 came from other African countries, 16,056 from the United Kingdom, 16,512 from other European countries, and 14,112 from other parts of the world. Emigration came to 46,541 during these years.

In 1986, it was estimated that between 1.5 million and 2 million black Africans migrate temporarily to South Africa each year to fulfill work contracts, although only about 500,000 foreign male Africans are living and working in the country at any given time. South Africa was providing informal sanctuary to perhaps

200,000 refugees from Mozambique in 1992, most of whom repatriated by 1996.

Since 1999, one of South Africa's main challenges has been the increasing cross-border migration. In addition to the large number of undocumented migrants that enter the country, as of 1999, the country was hosting some 55,000 asylum seekers, only 8,500 of whom had been recognized as refugees. Also in 1999, xenophobia was on the rise, with 30 refugees and asylum seekers having been killed in attacks on foreigners since 1995. The number of migrants living in South Africa in 2000 was 1,303,000, including refugees. In 2004 there were 27,683 refugees and 115,224 asylum seekers. Over 7,000 refugees were from Somalia, 5,000 were from

Angola, and the remainder from the DROC. Asylum seekers were from Zimbabwe, the DROC, Somalia, Nigeria, and Pakistan.

In 2005, the net migration rate was an estimated -0.21 migrants per 1,000 population. The government views the migration levels as satisfactory.

## <sup>8</sup>ETHNIC GROUPS

Legal separation of the racial communities was a cornerstone of government policy through most of the 20th century. This racial policy, often called apartheid but referred to in South African government circles as “separate development,” created and maintained one of the most rigidly segregated societies in the world. During the 1970s and 1980s, enforcement of separatist policies eased, but the division of the population into four racial communities, Africans (blacks), whites, coloreds, and Asians, remained. The rules of apartheid were formally abolished in 1991, but most citizens still describe themselves as one of the four traditional categories.

At the 2001 census, about 79% of the population were black Africans. This black population includes a large number of peoples, including the Zulu, Xhosa, Northern Sotho, Southern Sotho, Tswana, Shangana-Tsongo, and Swazi. Whites account for about 9.6% of the total population. About 60% of the whites are descendants of Dutch, French Huguenot, and German settlers, and about 40% are of British descent; South Africans of European, especially Dutch, descent are called Afrikaners. The Cape Coloureds, accounting for about 8.6% of the total population, are a long-established racial amalgam of white, Hottentot, and other African, Indian, and Malay lineage. Asians make up about 2.5% of the population; they include descendants of Indian, East Indian, and Chinese indentured laborers who were not repatriated after their brief period of service as miners. There are a few thousand Khoikhoi within the country, an indigenous nomadic people who are primarily sheep and cattle herders.

## <sup>9</sup>LANGUAGES

The interim constitution adopted in 1993 recognized 11 languages as official at the national level: Afrikaans, English, Ndebele, Sepedi, Sesotho, Swazi, Tsonga, Tswana, Venda, Xhosa, and Zulu. All were still recognized officially in 2005. The African languages spoken in South Africa are of the Niger-Congo family. In general, English is more commonly spoken in the cities, and Afrikaans in the rural areas.

Afrikaans is a variant of the Dutch spoken by the 17th-century colonists, and it includes lexical items, phrases, and syntactic structures from Malay, Portuguese, the Bantu group, Hottentot, and other African languages, as well as from English, French, and German. Afrikaans has borrowed from English words such as *gelling* (gallon), *jaart* (yard), *sjieling* (shilling), and *trippens* (three pence), while English has taken over *kraal*, *veld*, and other Afrikaans words. More than 70% of South African whites are bilingual. Afrikaans is the primary language of about 13.3% and English of 8.2%. The most widely spoken primary language is Zulu, spoken by about 23.8% of the population. Xhosa follows with about 17.6% of the population as primary speakers. Sepedi is spoken by 9.4% of the population, Setswana by 8.2%, Sesotho by 7.9%, and Tsonga by 4.4%. The remaining 7.2% included speakers of German, Portuguese, and other languages.

## <sup>10</sup>RELIGIONS

According to a 2001 census, approximately 80% of the population claimed to be Christian, with the largest group of Christian churches linked to the African Independent Churches. These include the Zion Christian Church (accounting for about 11% of the population) and the Apostolic Church (about 10% of the population), as well as some Pentecostal offshoots which were founded as breakaways from various missionary churches, or the so-called Ethiopian churches. The Dutch Reformed churches make up about 6.7% of the population and include the Nederduits Gereformeerde, Nederduitsch Hervormde, and the Gereformeerde Churches. The next-largest denomination was the Roman Catholic Church at 7.1% of the population, followed by the Methodists at 6.8%, Anglicans at 3.8%, Lutherans at 2.5%, Presbyterians at 1.9%, Baptists at 1.5%, and Congregationalists at 1.1%. There are a number of Pentecostal and charismatic churches as well as congregations of Greek Orthodox and Seventh-Day Adventists. About 87% of all whites are Christian, as are about 80% of all Blacks and 87% of all Coloureds.

About 1.2% of the population are Hindu and another 1.5% are Muslim, with most adherents being of Indian descent. There are very small numbers of Jews, Buddhists, Confucians, and Rastafarians. About 15% of the population claim no formal religious affiliation, but many of these individuals practice traditional indigenous customs, including the veneration of deceased ancestors and the use of herbs, therapeutic techniques, and even black magic to manipulate the powers of the spirits. There are some who combine traditional practices with Christianity.

Though there is no state religion, Christian holidays are officially observed. Relations between most religious groups is amicable. The South African Council of Churches is an interfaith and interracial groups that promotes mutual understanding among religions and maintains good relations with the government.

## <sup>11</sup>TRANSPORTATION

South Africa's transportation network is among the most modern and extensive on the continent. In 2002, there were an estimated 275,971 km (171,654 mi) of national and provincial roads, of which 57,568 km (35,807 mi) were paved, including 2,032 km (1,264 mi) of expressways. There were 4,154,593 automobiles and 2,079,860 commercial vehicles in 2003.

The South African Transport Service, a government department under the minister of transport affairs, operates the railways, principal harbors, South African Airways, and some road transportation services. In 2004, South Africa's railroad network totaled 20,872 km (12,982 mi), all of it narrow gauge. Of that total, 10,436 km (6,491 mi) were electrified.

In 2005, the South African merchant fleet consisted of two ships of 1,000 GRT or more, with a total volume of 31,505 GRT. South Africa's seven ports, owned and operated by the government, include the deepwater ports of Durban, Port Elizabeth, and Table Bay (at Cape Town); other ports with good facilities are Richards Bay, Saldanha Bay, East London, and Mosselbaai (or Mossel Bay).

Airports in 2004 totaled an estimated 728, of which 146 had paved runways as of 2005. The government-owned South African Airways operates both international and domestic flights. Jan Smuts Airport, near Johannesburg, is the major international air-

port; other international airports are located at Cape Town and Durban. In 2003, about 9.481 million passengers were carried on domestic and international flights.

## 12 HISTORY

Fossil skulls suggest that South Africa may have been one of the earliest scenes of human evolution. Little is known of the original settlers, but when Europeans first arrived, there were two distinct groups of peoples—the Bushmen, primitive nomadic hunters of the western desert upland country, and the Hottentots, a pastoral people who occupied the southern and eastern coastal areas. Before AD 100, Bantu-speaking peoples entered the Transvaal from the north, settling territories in the north and east.

In 1488, the Portuguese sailor Bartholomeu Dias discovered the Cape of Good Hope, and on Christmas Day of 1497, Vasco da Gama discovered Natal. The first European settlement at the Cape was made in 1652 under Jan van Riebeeck on behalf of the Dutch East India Co., which needed a refreshment station on the route to the East. Because there was a shortage of farm labor, the Dutch imported slaves from West Africa, Madagascar, and the East Indies, and because of the scarcity of European women, mixed marriages took place, eventually producing the Cape Coloured people. Huguenot settlers joined the small Dutch settlement in 1688. Continued demands for meat and relatively poor agricultural production encouraged the development of cattle farming, which in turn led to the need for more grazing land. Settlements were established on the coastal plain, along the valleys, and on the Great Karoo. The European population multiplied, but the Bushmen and Hottentots declined in numbers. The first contacts with Bantu-speaking Africans were made along the Great Fish River, which, in 1778, the Cape authorities proclaimed the boundary between the colonists and the Africans. The first serious clash came in 1779, when invading Xhosa tribesmen were driven back across the river border. Three more frontier wars were fought by 1812.

In 1795, Britain occupied the Cape, and in 1814, the area was ceded to the United Kingdom by the Treaty of Vienna. The free Coloured inhabitants of the Cape were given the same legal and political status as whites, and in 1834, slavery was abolished. Because of severe droughts and in reaction to British policy and administration, about 6,000 Boers (Dutch farmers) undertook the Great Trek in 1834–36, migrating northward into the present Orange Free State and the Transvaal. Some crossed the Drakensberg Mountains into Natal. The British annexed Natal in 1843 and extended their rule over Kaffraria in 1847, Griqualand West in 1871, and Zululand and Tongaland in 1887. The Transvaal was annexed in 1877 but returned to independence after a revolt in 1880–81, culminating in a British defeat by the Boers at Majuba Hill. In 1881, Swaziland also was declared independent. After a war between the Boers and Basutos, the British proclaimed Basutoland (now Lesotho) a British territory, and in 1884, it became a British protectorate. The British granted local self-government to the Cape in 1872 and to Natal in 1897.

Meanwhile, the spread of European settlements into areas occupied by Africans led to the setting aside of large native reserves and to the development of separate white and black communities. In 1860, indentured Indians were brought into Natal to work on the sugarcane plantations; by 1911, when India halted the emigration because of what it called “poor working conditions,” more

than 150,000 Indians had come to South Africa as contract laborers. It was in South Africa, while pursuing the Indians’ claims of injustice, that Mohandas (Mahatma) Gandhi, then a young lawyer, developed his philosophy of nonviolent resistance.

The discovery around 1870 of diamonds along the Orange and Vaal rivers and in the Kimberley district led to an influx of foreigners and brought prosperity to the Cape and the Orange Free State. Railways were built and trade increased. The discovery of gold on the Witwatersrand in 1886 brought in thousands of additional newcomers and made Transvaal potentially the wealthiest state. Tension between the Boers and outsiders attracted to Transvaal was accentuated by an unsuccessful attempt to capture Johannesburg by Dr. Leander Starr Jameson (Jameson Raid) in 1895–96 and culminated in the South African (or Boer) War in 1899–1902. After a desperate struggle against the larger British forces, the Boer republics of Transvaal and the Orange Free State gave up their independence by the Treaty of Vereeniging on 31 May 1902 but shortly thereafter were granted self-government by the British. In a convention during 1908–9, the leaders of the Afrikaners (as the Boers were now called), together with those from the Cape and Natal, drafted a constitution for a united South Africa that passed the British Parliament as the South Africa Act in 1909 and became effective on 31 May 1910. The constitution provided for a union of the four territories or provinces, to be known as the Union of South Africa. In 1913, the Union Parliament passed the Bantu Land Act, setting aside 8.9 million hectares (22 million acres) of land as black areas; an additional 6.3 million hectares (15.6 million acres) were added to the black homelands by another parliamentary act in 1936.

The Union of South Africa fought with the Allies in World War I, signed the Treaty of Versailles, and became a member of the League of Nations. In 1920, the League gave South Africa a mandate over the former German colony of South West Africa (now generally called Namibia), which lasted until 1946, when South Africa refused to recognize UN authority over the area and regarded it as an integral part of the country. In 1926, a British declaration granted South Africa national autonomy and equal legal status with the United Kingdom. Mining and industrialization advanced in the period between the two wars. More intensive exploitation of the wealth of the country led to better living standards. South Africa sent troops to fight the Nazis in World War II, although many Afrikaners favored neutrality. In 1948, the National Party (NP) took power, influencing the general character of life in South Africa and, in particular, enforcing its policies of apartheid, or racial separation (officially called “separate development” after 1960) of whites and nonwhites.

South Africa’s white electorate approved a republican form of government in a 1960 referendum, and South Africa became a republic on 31 May 1961. The republican constitution did not deviate substantially from the former one, the only major change being the substitution of a president for the monarch as the head of state. As a result of objections from nonwhite members of the Commonwealth of Nations to South Africa’s presence, South Africa withdrew its application for continued Commonwealth membership in 1961.

The immediate period surrounding the creation of the republic was one of mounting pressures applied to the government because of its apartheid policies. In 1960, black unrest swelled to the point

where a state of emergency was declared. On 21 March 1960, a black demonstration was staged against the “pass laws,” laws requiring blacks to carry “reference books,” or internal passports, thus enabling the government to restrict their movement into urban areas. The demonstration resulted in the killing at Sharpeville of 69 black protesters by government troops and provided the touchstone for local black protests and for widespread expressions of outrage in international forums. During 1963–64, the government acted to stiffen its control over blacks living in white areas. After 1 May 1963, the General Law Amendment Act allowed the government to hold people for consecutive 90-day periods without trial (the length was decreased to 15 days in 1966). In 1965, the Suppression of Communism Amendment Bill renewed the government’s authority to detain for security reasons persons who had completed prison sentences.

As the Portuguese colonial empire disbanded and blacks came to the fore in Mozambique and Angola during the mid-1970s, South African troops joined the Angolan civil conflict, in an unsuccessful attempt to prevent a Soviet-backed faction from coming to power, but then withdrew from Angola in March 1976. South Africa subsequently launched sporadic attacks on Angola (which supported insurgents seeking to end South African rule over Namibia) and Mozambique and aided insurgencies in the two former Portuguese territories; these operations (and other raids into Botswana, Lesotho, and Zimbabwe) were apparently in response to the aid and political support given by South Africa’s neighbors to the African National Congress (ANC), a black nationalist group.

Beginning in June 1976, the worst domestic confrontation since Sharpeville took place in Soweto, on the outskirts of Johannesburg, where blacks violently protested the compulsory use of Afrikaans in schools; suppression of the riots by South African police left at least 174 blacks dead and 1,139 injured. The Afrikaans requirement was subsequently modified. During the late 1970s, new protest groups and leaders emerged among the young blacks. After one of these leaders, 30-year-old Steven Biko, died on 12 September 1977 while in police custody, there were renewed protests. As a result, on 4 November, the UN Security Council approved a mandatory arms embargo against South Africa—the first ever imposed on a member nation.

As of 1981, the government had designated four of the ten black homelands as “sovereign” states: Bophuthatswana, Ciskei, Transkei, and Venda. All members of the ethnic groups associated with these homelands automatically lost their South African citizenship; the government’s stated intent to grant independence to the remaining six homelands meant that the vast majority of South Africa’s blacks would eventually lose their South African citizenship. In an effort to conciliate nonwhites and international opinion, the government scrapped many aspects of apartheid in the mid-1980s, including the “pass laws” and the laws barring interracial sexual relations and marriage. A new constitution established legislative houses for Coloureds and Indians in 1984, although only 31% and 20% of the respective eligible voters went to the polls.

These measures failed to meet black aspirations, however, and as political violence mounted, in July 1985, the government imposed a state of emergency in 36 magisterial districts, embracing nearly all of the urban black population, which lasted over seven months. During this time, 7,996 persons were detained and 757

people died in political violence, by government count. A new, nationwide state of emergency was imposed in June 1986, with police and the military exercising extraordinary powers of arrest and detention. At least 4,000 and possibly as many as 10,000 were detained in 1986, including over 1,400 aged 18 or under.

In 1984, South Africa and Mozambique signed an agreement by which each country pledged not to aid the antigovernment forces in the other country; also in 1984, South Africa signed an agreement under which it withdrew forces that it had sent into southern Angola in an effort to forestall aid to guerrillas in Namibia. However, the government continued to hold its neighbors responsible for ANC violence, and South African raids into Botswana, Zambia, and Zimbabwe were conducted during 1985–86. In 1987, the government announced that it was withdrawing troops that it had sent into Angola to aid the rebels fighting against the Angolan government, which was supported by Cuban and Soviet troops.

In July 1987, the government cracked down on the United Democratic Front (UDF), an umbrella organization of over 600 civic, sports, church, trade union, women’s, professional, youth and student bodies opposed to apartheid. Some 22 of its leaders were charged with treason and many more were forced to go underground. The government banned 17 antiapartheid organizations, including the UDF and the largest trade union, on 24 February 1988. Repression increased throughout 1987 and 1988, as did protest against state policies. Alternative newspapers, *New Nation* and *Weekly Mail*, were prohibited briefly from publishing. Various antiapartheid leaders were assassinated by secret hit squads identified with the police and military intelligence. Others were detained and otherwise restricted; still others were served with banning orders. In retaliation, protest strikes and demonstrations mounted, as did organization efforts among antiapartheid activists.

In 1989, President P.W. Botha resigned as head of the NP after a “mild stroke” in January. He was replaced by F. W. de Klerk who, on 15 August, was also named acting state president. After the general election, held 6 September, de Klerk was elected to a five-year term as president.

De Klerk launched a series of reforms in September 1989 that led speedily to the release of ANC leader Nelson Mandela and others on 10 February 1990. The ANC and other resistance militants, including the Communist Party, were legalized. Mandela had been in prison 27 years and had become a revered symbol of resistance to apartheid.

At that point, the ANC began to organize within South Africa. Government began “talks about talks” with the ANC and in August 1990, the ANC suspended its armed struggle. Most leaders of the ANC returned from exile. Still, fighting continued, largely between ANC activists and supporters of the Zulu-dominated Inkatha Freedom Party, strongest in Natal province. More than 6,000 people were killed in political violence in 1990 and 1991, many victims of fighting provoked by a “third force” of operatives employed by hardliners within the Defense Force and the police.

In 1991, de Klerk introduced and parliament passed measures to repeal laws that had institutionalized apartheid policies—the Land Act (1913 and 1936), the Group Areas Act (1950), and the Population Registration Act (1950). A number of repressive security acts were repealed as well.

In July, the ANC convened its first full conference in South Africa in 30 years. They elected Mandela president and Cyril Ramaphosa the secretary general. The ailing Oliver Tambo moved from president to a new post, National Chairman.

Meanwhile, negotiations continued over constitutional changes and plans for nonracial elections and the transition to majority rule. Numerous parties engaged in a Convention for a Democratic South Africa (CODESA) starting in December 1991. On 14 September 1991, government, the ANC and Inkatha signed a pact to end factional fighting. Other groups signed on, but it hardly stemmed the high levels of violence. The militant right wing refused to cooperate with any negotiations and agreements. In order to strengthen his negotiating hand, de Klerk called a whites-only referendum for 17 March 1992. Of the 85% turnout, 68.7% supported de Klerk's efforts to negotiate a settlement. By May, however, CODESA talks bogged down. The ANC mounted a series of mass protests against the stalemated CODESA talks. After 42 residents were horribly murdered at Boipatong Township by Zulu hostel dwellers allegedly assisted by police, the ANC withdrew from CODESA. On 7 September, 24 ANC supporters were killed by the Ciskei army troops as they marched in protest on the homeland's capital.

Later that month, negotiations began again between government and the ANC. A 26 September summit between Mandela and de Klerk produced a Record of Understanding that met several key ANC demands. But this angered KwaZulu Chief Mangosuthu G. Buthelezi, so he withdrew from the talks. In February 1993, government and the ANC reached agreement on plans for a transition to democracy. Multiparty negotiations followed in April. An interim parliament was to be elected for a five-year period after a general election in April 1994. All parties gaining over 5% of the vote would be represented in the new cabinet. The new parliament would also serve as a constituent assembly to iron out details of a new constitution. The broad guidelines were agreed upon by the government, the ANC, and other parties in late December 1993. A transitional Executive Council to oversee some aspects of government, including security, came into existence in December 1993. Inkatha, led by Buthelezi, and the right wing Conservative Party refused to participate. The Conservative Party and Inkatha boycotted the talks on multiparty government. But just a few days before the scheduled elections, Inkatha agreed to participate. White conservatives tried to hold out for an Afrikaner homeland, yet the white right was divided on whether to participate in pre-election talks, in the election itself, or whether to take up arms as a last resort. There were inefficiencies and some claims of electoral fraud and intimidation, especially by the ANC against Inkatha in Natal province. The elections proceeded relatively peacefully and with great enthusiasm. They were pronounced "free and fair" by international observers and the independent Electoral Commission.

The results left the ANC as the major vote getter with 62.5%. The NP gained 20.4%; the Inkatha Freedom Party, 10.5%; the Freedom Front, 2.2%; the Democratic Party, 1.7%; and the Pan-Africanist Congress, 1.2%. ANC, thus, was awarded 252 of the 400 seats in parliament. It was the governing party in all but two of the nine regions. The IFP carried KwaZulu/Natal and the NP held the Western Cape. Mandela became president and the ANC's Thabo Mbeki and the NP's de Klerk, deputy presidents. Even Buthelezi was persuaded to take a ministerial post in the cabinet.

In May 1994, the Constitutional Assembly convened to lay the groundwork for the new constitution. All parties were included in the initial sessions, but Inkatha boycotted the Assembly's drafting of an interim constitution when its demand for international mediation on regional autonomy was not met. At the same time, violent clashes between Inkatha and ANC supporters flared anew in the Natal Province.

South Africa held local elections on 1 November 1995, although last-minute changes to the interim constitution allowed for seven provinces—including Kwa-Zulu Natal—to delay elections until 1996. The ANC also swept the provincial elections, with the NP winning the largest minority share of the vote.

Bishop Desmond Tutu convened a Truth and Reconciliation Commission in early 1996 to expose apartheid atrocities committed in the years of white rule. Although those who refused to cooperate with the commission could be subject to criminal penalties, the commission granted immunity and amnesty to those who admitted their roles in apartheid crimes. Testimony in a 1995 court case also linked death squads to the highest levels of government, including the prime minister's office.

In 1997, the Constitutional Court ratified the new constitution after rejecting a first submitted draft in 1996. The new constitution was inaugurated in February 1997. It granted a strong central government with some limited powers vested in the provinces. Inkatha, which boycotted the drafting sessions to the end, accepted the Constitutional Court's decree.

The NP withdrew from the government of national unity immediately after ratification of the constitution to take its place as the official opposition party. De Klerk, who would leave politics in August 1997, also resigned his post to head the opposition party.

By 1997, the exuberance of the new constitutional era and two years of economic expansion had given way to uncertainty in the months following ratifications. South Africa was struggling with the new political structure, a flagging economy, revolutions of the Truth and Reconciliation, and a crime wave seemingly out of control. The latter was deemed by citizens as the number one problem facing the new government. The murder rate had grown to ten times higher than the murder rate in the United States. Robbery, assault, and carjackings had left downtown Johannesburg in ruins, and vigilante groups were prevalent throughout the nation. The high crime rate had deterred foreign investment and affected the tourist industry as well.

Early in 1999, Nelson Mandela, president of South Africa since 1994, delivered his final "state of the nation" address. The vote in June 1999 passed without a single political killing and was quickly embraced by all political parties. Despite the increase in crime in the nation, the second parliamentary elections held in June 1999 were peaceful and generally fair. In the 3 June elections, the ruling African National Congress (ANC) won 266 of 400 parliamentary seats (63%), just one seat shy of the two-thirds majority required to change the constitution. Thabo Mbeki was sworn in as South Africa's second democratically elected president at a glittering inauguration ceremony, which saw Nelson Mandela step down after steering the country away from apartheid rule and oppression. However, the one-sided vote in favor of ANC was itself troubling. Critiques noted that the dominance of the ANC had the coloring of a de facto one party state.

The dominance of the ANC was clearly illustrated in the 14 April 2004 elections. The African National Congress (ANC) of President Thabo Mbeki, which had been in power since the end of the apartheid system in 1994, was reelected with an increased majority. The ANC obtained 69.7% of votes cast on the national ballot winning 279 seats, theoretically allowing them to change the constitution—though they pledged not to. Only about 56% of eligible voters took part in the election. The main opposition party, the Democratic Alliance, also obtained an increased percentage on the national ballot; 12.4% or 50 seats in the national assembly. The New National Party, a descendant of the ruling party of the apartheid era, lost most of their support, dropping from 6.9% in 1999 to 1.7%. In the 1994 elections it received 20.4% of the votes. Many of their supporters were unhappy with the party's alliance with the ANC. The Independent Democrats surprised many observers by obtaining more votes than the New National Party, becoming the fifth-largest party. The Inkatha Freedom Party which obtained 7.0% (28 seats) of the vote lost some support even in its stronghold province of Kwazulu-Natal. The United Democratic Movement also lost support winning only 2.3% of the vote. Several other smaller parties also contested in these elections. Overall the elections were deemed free and fair. The next presidential election was due April 2009 and the next parliamentary elections were due in 2009, as well.

The first four years of Mbeki in office were marked by an active foreign policy and controversy over his AIDS policy. Along with Botswana, South Africa sent peacekeeping forces to Lesotho in 1999 to quell rioting and civil unrest following the 1998 elections there. Subsequently, the government played host to the belligerents of Africa's "first world war" in the Great Lakes region, helping them reach power sharing and peace agreements in December 2002 and April 2003. In addition to sending peacekeeping troops to the DROC, South Africa also took the lead in providing peacekeepers for Burundi in early 2003 following peace negotiations by Nelson Mandela in that country. Mbeki has been one of four African heads of state to champion the New Partnership for Africa's Development (NEPAD), a continent-wide initiative that promises accountable governance in exchange for donor resources and technical assistance. South Africa hosted the World Summit on Sustainable Development in Johannesburg in August 2002.

However strong this record, it has been tarnished by Mbeki's feeble response to the flawed March 2002 elections in Zimbabwe, and by his de-linking of HIV—the virus that the world scientific community says causes AIDS—from the disease itself. His government's reluctance to introduce anti-retroviral therapy widely and affordably has damaged his credibility at home and abroad. Given HIV prevalence rates of 23% among adults 15–49 years old, Mbeki was roundly booed at the world AIDS summit in Durban in July 2000.

Although South Africa's economy is highly developed, the exclusionary nature of apartheid and distortions caused in part by the country's international isolation until the 1990s left major weaknesses. As of 2005 the economy was in a process of transition as the government seeks to address the inequities of apartheid, stimulate growth, and create jobs. South Africa is increasingly becoming integrated into the international system, and foreign investment has increased dramatically. Still, the economic dispari-

ties between population groups are expected to persist for many years, remaining an area of priority for the government.

### 13 GOVERNMENT

The terms of a new constitution adopted in February 1997 were hammered out prior to the 27–29 April 1994 election. There is a 400-seat National Assembly chosen by proportional representation (200 nationally and 200 from regional lists). Following the implementation of the new constitution on 3 February 1997, the former senate was disbanded and replaced by the National Council of Provinces with essentially no change in membership and party affiliations—although the new institution's responsibilities have been changed somewhat by the new constitution. Of 90 members, 10 come from each province or region and selected by each provincial assembly. The members serve as both a legislature and a constituent assembly. They also elect the president and deputy presidents. Elections for the National Assembly and National Council of Provinces were last held 2 June 1999 with the next to be held by 2 August 2004. The president names a cabinet, divided proportionally between parties that have gained at least 5% of the vote.

The next presidential elections were scheduled for sometime between May and July 2004.

Although the degree of autonomy and the level of power given to the regions remains contentious with the IFP's longstanding grievance about the way power is devalued to the regions, the nine provinces have assemblies based on the total number of votes cast in the general election. Thus, the number of members each provincial legislature has depends on the number of votes cast divided by 50,000. The executive branch of the provincial governments is, like the legislatures, allocated proportionally.

### 14 POLITICAL PARTIES

The early division in the South African party system was between those who promoted Afrikaner nationalism and those Afrikaans-speaking and English-speaking persons who worked together toward goals on which both sides could agree. When General Louis Botha formed the first cabinet in 1910, he combined the moderate Afrikaners and English into the South African National Party, which confronted an English-speaking opposition. Soon afterward, however, General J.B.M. Hertzog formed the National Party (NP), dedicated to placing the interests of South Africa above those of the British Empire and to developing the Afrikaner group until it was as powerful as were English South Africans.

Hard-pressed by Hertzog's NP in 1920, General Jan Christiaan Smuts, who succeeded Botha, fused the South African National Party with the English-speaking Unionists, establishing the alignment of the English-speaking, except those in the Labour Party (LP), with moderate Afrikaners. The LP allied itself with Hertzog, who achieved office in 1924. Together they carried through the so-called civilized labor policy, designed to safeguard a wide area in the economy for white labor.

Economic crisis during the Depression forced a new alignment of parties that brought Hertzog and Smuts into coalition in 1933 and fusion in the United Party (UP) in 1934. Daniel F. Malan broke with Hertzog in 1934 to form the "purified" NP, dedicated to a more exclusive and radical Afrikaner nationalism than Hertzog had ever preached.

When World War II broke out, Hertzog wished to remain neutral. Smuts swung the House of Assembly in support of the Allies and became prime minister with the support of all English-speaking South Africans and a substantial group of moderate Afrikaners in the UP. Malan won the 1948 election, the first whose campaign was waged chiefly on the racial issue. The sharpest division between the two parties arose from NP efforts to remove the Coloureds from the common voting roll.

The basic division in the party system was between the NP, which favored the policy of apartheid, or totally separate development of the different races, and the UP, which favored social and residential segregation but economic integration. The members of the NP were mainly Afrikaans-speaking and those of the UP were English-speaking, but each party had a considerable number of members of the other language group. Beginning in 1950, the Nationalists implemented their program of apartheid. Between 1953 and 1987, the NP won nine successive parliamentary elections under four party leaders: Malan (in 1953); Hendrik Frensch Verwoerd (1958, 1961, 1966); Balthazar Johannes Vorster (1970, 1974, 1977); and Pieter W. Botha (1981–87). Vorster, who succeeded Verwoerd as prime minister after the assassination of Verwoerd in 1966, left the office in 1978 to become president. In the following year, however, he was forced to resign because of a political scandal involving the misappropriation of government funds to finance clandestine political and propaganda activities in the United States, Norway, and other Western countries. The Nationalists' program met with little effective opposition from the UP, which formally disbanded in 1977. In that year, leaders of the UP and its splinter group, the Democratic Party, which had formed in 1973, established the New Republic Party (NRP), with support from English-speaking voters in Natal and the Eastern Cape. The NRP endorsed continuing white rule, but with a softening of apartheid. In the same year, another merger produced the Progressive Federal Party (PFP), which drew its main backing from English-speaking voters in urban areas and stood for universal suffrage within a federal system, with guarantees of minority rights. In the 1987 elections, the NP increased its representation from 116 (in 1981) to 123 seats. The PFP fell from 26 to 19 seats; the NRP lost 4 of its 5 seats. In 1989, the last national race-based parliamentary elections, the NP suffered a setback, winning just 48% of the vote and 93 seats. The PFP dissolved itself in favor of the Democratic Party, which took 33 seats.

The Conservative Party (CP) opposed any form of power sharing with nonwhites. It was led by a former cabinet minister, Andries Treurnicht. The CP became the official opposition party after winning 23 seats in the 1987 elections and 39 in 1989.

Several Coloured and Indian parties participated in their respective ethnic groups. The Labour Party, a Coloured party headed by the Rev. Allan Hendrickse, won 76 of the 80 directly elected seats; it opposed the new constitution, advocated repeal of all discriminatory measures, and said that it was campaigning on behalf of all nonwhites but was vague on the question of whether it would accept a unitary state governed on the principle of one-person, one-vote. All five Indian parties participating in the elections favored protection of minority rights and rejected government in a unitary state on the basis of one-person, one-vote. The National People's Party won 18 and Solidarity 17 of the 40 directly

elected seats; the two parties formed a governing alliance in January 1986.

In 1985, the government repealed a law that had prohibited people of different racial groups from belonging to the same political party.

Several extraparliamentary organizations of Africans and Asians have formed on a national basis. The African National Congress (ANC) and the South African Indian Congress have cooperated with each other and have sought to cooperate with white liberal organizations. Banned in 1960, the ANC turned from its earlier tradition of nonviolence toward sabotage and other terrorist acts. In 1987, the government offered to legalize the group if it renounced violence. In 1987 and onward, talks were held outside the country between the ANC and diverse groups of white South Africans.

Notable among the more militant African groups was the Pan-Africanist Congress (PAC), which broke away from the ANC in 1959 and was banned in 1960. The ANC and PAC had been recognized by the UN General Assembly as "the authentic representatives" of the people of South Africa. During the 1970s, a loose coalition of African student groups known as the Black Consciousness Movement developed under the leadership of Steven Biko. The United Democratic Front (UDF) was founded in 1983, claiming at its peak to be a multiracial alliance of nearly seven hundred groups representing nearly two million people. It dissolved itself in August 1991, after having continued resistance to apartheid while the ANC was in exile. Considerable ferment occurred among political parties in the run-up to the 1994 elections. The Inkatha Freedom Party (IFP) headed by Zulu Chief Mangosuthu Buthelezi, at first had a cozy relationship with the NP, but that dissolved once the NP began negotiating in earnest with the ANC. Not until just days before the elections in 1994 did the IFP agree to run candidates. It captured over 10% of the national vote and managed to win the election for the provincial government in Natal. The Freedom Front (FF) became the electoral vehicle for Gen. Constand Viljoen, former head of the Defense Force. He contested the results (2.2% of the vote, nine seats) despite resistance from the CP and other right-wing bodies. The FF sought to work within the system to achieve the creation of an autonomous Afrikaner state.

In February 1993 the ANC allowed minority parties to participate in the government for five years after the end of apartheid. Also in February 1993 the first nonwhites entered the cabinet, thus broadening the base of the NP.

The 1994 elections resulted in an overwhelming victory for the ANC, headed by Nelson Mandela, as did the 1995 local elections. The new government included six ministers from the NP and the IFP.

Any political party that wins 20% or more of the National Assembly votes in a general election is entitled to name a deputy executive president; any party that wins 20 or more seats in the National Assembly is entitled to become a member of the governing coalition. As of 1997 the ANC, the IFP, and the NP constituted a Government of National Unity.

In the second post-apartheid parliamentary elections in 1999, the ANC won handsomely, taking 266 of 400 parliamentary seats (66%), just one seat shy of the two-thirds majority required to change the constitution. The remaining seats went to 12 other



parties as follows: Democratic Party (DP) 38; Inkatha Freedom Party (IFP) 34; New National Party (NNP) 28; United Democratic Movement (UDM) 14; African Christian Democratic Party (ACDP) 6; Pan Africanist Congress (PAC) 3; United Christian Democratic Party (UCDP) 3; Vryheidsfront/Freedom Front (VF/FF) 3; Federal Alliance (FA) 2; Minority Front (MF) 1; Afrikaner Eenheids Beweging (AEB) 1; and Azanian People's Organization (Azapo) 1.

In the third post-apartheid parliamentary elections in 2004, the ANC won decisively, taking 279 of 400 parliamentary seats (69.7%), more than the two-thirds majority required to change the constitution. The remaining seats went to 11 other parties as follows: Democratic Alliance (DA) 50; Inkatha Freedom Party (IFP) 28; United Democratic Movement (UDM) 9; Independent Democrats (ID) 7; New National Party (NNP) 7; African Christian Democratic Party (ACDP) 6; Pan Africanist Congress (PAC) 3; United Christian Democratic Party (UCDP) 3; Vryheidsfront/Freedom Front (VF/FF) 4; Minority Front (MF) 2; Azanian People's Organization (Azapo) 2. The next parliamentary elections were scheduled to take place in 2009.

## **15 LOCAL GOVERNMENT**

Historically, the four provinces—Cape, Natal, Transvaal, and Orange Free State—dealt chiefly with local matters, such as hospitals, roads, municipal government, and educational matters that can be classified as general affairs (applying to all population groups). The provinces receive annual subsidies from the national government. Elected provincial councils were abolished in 1986 and replaced by regional services councils, with representation by local authorities. Executive power in each province is exercised by an administrator and executive committee appointed by the state president and responsible to the national government.

Under the 1984 constitution, local government was to be assigned to the three parliamentary houses, as applicable, or, in regard to general affairs, to the Department of Constitutional Development and Planning. However, residents in each (segregated) residential area, including blacks, elected primary local authorities, who rendered certain services as well as represented their constituents at the provincial level. As far as local government and administration for whites were concerned, elected municipal councils were retained. The local affairs of blacks living in the six black homelands within the Republic of South Africa were administered by the respective homeland governments.

Under the post-1994 election arrangements, nine provincial governments were established (Northern Province, Gauteng, Mpumalanga, Free State, Kwazulu-Natal, Eastern Cape, Western Cape, Northern Cape, and North-West). Their legislatures were determined (in size and party representation) by proportional representation. The actual distribution of governmental powers and responsibilities has to be worked out by the constituent assembly.

A transitional local government arrangement prevails. The 1995 local election results were as follows: ANC, 76.66%; NP, 18.58%; FF, 2.36%. The remaining few parties, including the Inkatha Freedom Party, split the remainder of the votes. There were 5.3 million valid votes cast and 12.7 million registered voters.

## **16 JUDICIAL SYSTEM**

South Africa has a unified judicial system. The Supreme Court has a supreme appellate division and provincial and local divisions with both original and appellate jurisdictions. The Court of Appeals, with its seat in Bloemfontein, the judicial capital, normally consists of the chief justice and a variable number of appellate judges. Special superior courts may be constituted to try security cases, and there were, in 1986, 309 magistrates' offices vested with certain judicial as well as administrative powers. Judges are appointed by the state president. There were no nonwhite judges as of 1987.

The common law of the Republic of South Africa is Roman-Dutch law, which has evolved from the uncodified law of the Netherlands as it existed when the Cape of Good Hope was ceded to Great Britain. It has been influenced by English common law in procedures more than in substantive matters. Trial by jury was abolished in 1969.

Black tribal chiefs and headmen have limited jurisdiction to hear cases in traditional courts. There are appeals courts, divorce courts, and children's courts for blacks. In self-governing black homelands, lower courts have been established by the legislative assemblies.

The judiciary has moved in the direction of more independence from the other branches with instances of alleged political interference with courts on the decline. Prospects have considerably improved for nonwhite law school graduates to receive "Articles of Clerkship" which qualify them for admission to the bar.

A new constitution went into effect partially in February 1997, with complete implementation scheduled for 1999. The 1994 interim constitution provided for an independent judiciary and the authorities respect this provision in practice. There is also a constitutional court as highest court for constitutional issues. It provides for due process, including the right to a fair, public trial, legal counsel, and the right to appeal.

## **17 ARMED FORCES**

In 2005 South Africa had 55,750 active military personnel, with 60,000 reservists. The Army had 36,000 troops, with over 168 main battle tanks, 176 reconnaissance vehicles, 1,200 armored infantry fighting vehicles and 1,467 artillery pieces. The total strength of the Navy was 4,500 personnel, in addition to 2,000 civilian personnel. Major naval units included three tactical submarines, four corvettes, 34 patrol/coastal craft and nine mine warfare vessels. The Air Force, with 9,250 personnel, had an estimated 50 to 130 combat capable aircraft, that included 26 fighters and 12 fighter ground attack aircraft. Other aircraft included 12 assault helicopters. There is also a medical corps of 6,000. South Africa provided troops to UN peacekeeping efforts in three African countries. In 2005, the defense budget totaled \$3.4 billion.

## **18 INTERNATIONAL COOPERATION**

South Africa became a charter member of the United Nations on 7 November 1945 and has technically remained a member continuously, despite past disputes and international sanctions over apartheid and the country's unwillingness to place its League of Nations mandate, Namibia, under UN international trusteeship. Namibia gained independence in 1990. South Africa is part of ECA and

several nonregional specialized UN agencies, such as the FAO, the World Bank, IAEA, UNHCR, UNESCO, UNIDO, ILO, and the WHO. The nation is also a member of the ACP Group, WTO, the African Development Bank, the New Partnership for African Development (NEPAD), the Commonwealth of Nations, G-24, G-77, the Southern African Custom Union, and the Southern African Development Community. South Africa served as the African Union's first president from July 2003 to July 2004.

The nation was diplomatically isolated from other states on the African continent after Angola, Mozambique, and Zimbabwe were constituted as black-ruled countries during 1975–80, leaving South Africa as the continent's only white-minority regime. South African teams were excluded from international competition, such as the Olympic Games (from 1960). Following changes in South Africa's political situation, the country was reinstated to international competition by the International Olympic Committee.

South Africa has supported peace negotiations in a variety of African nation conflicts, including UN missions and operations in Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Burundi (est. 2004), and the DROC (est. 1999). The nation is part of the Non-aligned Movement and a member of the Zangger Committee and the Nuclear Suppliers Group (London Group).

In environmental cooperation, South Africa is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The opening of the political process to all South Africans and the election of a new multiracial government in 1994 marked a turning point in South Africa's economic history. With a modest agriculture sector (though known for excellent fruits and wine), fabulous mineral wealth (gold accounts for over one-third of exports), a diverse manufacturing sector (centered in metals and engineering, and especially steel-related products), and growing financial services and tourism sectors, South Africa's influence extends well beyond its borders. It has a mixed economy, with substantial government intervention and a number of state-owned enterprises existing jointly with a strong private sector. A chief characteristic of the private sector is the high concentration of ownership by a small group of integrated conglomerate structures.

Real economic growth in the GDP fell from 1.1% in 1991 to about 0.5% in 1998 and rose to 2.7% in 2001. Between 2001 and 2005 GDP increased steadily from 2.7% in 2001 to 5.0% in 2005. Still, analysts estimate that the economy must grow at between 5 and 10% if South Africa is going to overcome unemployment rates estimated at 26.2% in 2004. Although the white minority enjoys living standards equal to those in the rest of the industrialized world, most of the remaining 85% of the population has Third World living standards. The high prevalence of HIV/AIDS remains the major obstacle to achieving economic growth, and, with 5.3 million people living with the disease in 2003 and over 370,000 deaths caused by it, social upheaval only adds to the crisis. High unemployment, rigid labor laws, low skill levels, crime, and corruption hamper economic progress. Emigration has also emerged as one of South Africa's challenges, as those South Africans who

are highly skilled find better markets for their skills abroad, especially in Australia, New Zealand, the United Kingdom, Canada, and the United States.

Foreign direct investment in 2003 remained below levels targeted by the government; plans were made to build a knowledge and technology-based economy to attract investment. Structural economic changes and policies geared to lower inflation helped temper the effects on the South African economy of the global economic downturn that began in 2001. A rise in interest rates and a strong rand contributed to a fall in inflation in 2003, but so did an accounting error by the government, which caused many borrowers to pay more in interest on loans than they would have had the correct economic statistics been reported by the government. Business activity and consumer confidence subsequently fell. Nonetheless, the GDP in 2005 grew by 5%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 South Africa's gross domestic product (GDP) was estimated at \$527.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$11,900. The annual growth rate of GDP was estimated at 4.5%. The average inflation rate in 2005 was 4.6%. It was estimated that agriculture accounted for 3.4% of GDP, industry 31.6%, and services 65.1%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$436 million or about \$10 per capita and accounted for approximately 0.3% of GDP. Foreign aid receipts amounted to \$625 million or about \$14 per capita and accounted for approximately 0.4% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in South Africa totaled \$99.16 billion or about \$2,165 per capita based on a GDP of \$165.4 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.8%. It was estimated that in 2000 about 50% of the population had incomes below the poverty line.

## 21 LABOR

As of 2005, South Africa's economically active population was estimated at 15.23 million. As of 2003, the services sector accounted for 65.1% of the labor force, with agriculture at 10.3%, and industry at 24.5%. Undefined occupations accounted for the remainder. In 2005, South Africa's unemployment rate was estimated at 25.2%.

In 2003, unions had a total membership of about 3.3 million or 42% of the workforce in the formal economy. The Labor Relations Act provides protection to workers. The government does not interfere with collective bargaining. The constitution provides for the rights to unionize and strike, both of which are reinforced by the Labor Relations Act of 1995. In industries and trades where employers and employees are not organized, the Minister of Labor, acting on the advice of the government-appointed wage board, may prescribe compulsory wages and conditions of employment.

As of 2005, the standard workweek was 45 hours. In addition, the law also authorized four months of maternity leave for women and time-and-a-half pay for overtime. Some collective agreements provide for three weeks' annual leave, and many industries work a five-day week. Employers must provide satisfactory working conditions and accident-prevention measures. Enforcement of safe working conditions is irregular although the government is making attempts to improve the means of enforcement. The National Economic Forum, a tripartite structure representing labor, business, and government, is involved in nurturing job creation and job training.

There is no legally mandated national minimum wage, rather negotiations between labor and management set minimum wage standards industry by industry. In addition, the Minister of Labor can set wages by sector. As of July 2005, the rate for farm workers in urban areas was about \$141 per month and \$117 per month in rural areas. However, compliance rates depended upon the province and in that same year ranged from 65–90%. Employment of minors under 15 is illegal. Child labor laws are enforced in the formal economy, but in the agricultural and informal sectors, child labor is widespread. The Ministry of Welfare does allow exceptions to the child labor laws in some sectors of the economy, such as in the performing arts.

## 22 AGRICULTURE

Over 80% of the total land area is available for farming, but only 13% is cultivated. Many areas suffer from erratic rainfall and soil erosion; cultivated land is not expected to exceed 15% in the future because of these adversities. Only 9.5% of cultivated land was irrigated in 2003. The worst drought of the 20th century in southern Africa resulted in near to total crop failure in 1991–92. Many farmers subsequently abandoned the countryside for urban areas. After many years of dry weather, South Africa had abundant rainfall in the 1995/96 growing season. Except for rice, tea, coffee, and cocoa, the country is typically self-sufficient in essential food production. The average annual growth rate of agricultural output was 0.6% during 1990–2000. During 2002–04, crop production was up another 0.6% compared with 1999–2001. Agriculture contributed an estimated 4% to GDP in 2003.

The principal crop is corn (“mealies”), which is grown mainly on the plateau of the Orange Free State and Transvaal. Some 27% of the sown area is planted in corn; output totaled 9,737,000 tons in 2004. Wheat can be grown only in winter; production of wheat totaled 1,761,000 tons in 2004. An indigenous sorghum (“Kaffir corn”) is used to make beer and is also an important source of protein. Less important, but planted in considerable quantities, are the other winter cereals—barley, oats, and rye. Potato production totaled 1,574,000 tons in 2004.

Sugarcane, indigenous to the Natal coastal belt, was grown before World War II (1939–45) in quantities sufficient to export. Increasing domestic demand after the war absorbed the total output, but with a rise in production and an expansion of the capacity of sugar mills, South Africa became a large sugar exporter. Sugarcane production totaled 19,095,000 tons in 2004. Deciduous and citrus fruits, some of them exported, are also profitable. Vegetables, peanuts, sunflower seeds, groundnuts, soy beans, coffee, ginger, tobacco, cotton, and various types of fodder plants are used domestically. In 2004, 1,683,000 tons of grapes were produced.

Wine is an important product; production in 2004 was estimated at over 91 million liters.

## 23 ANIMAL HUSBANDRY

Until the end of the 19th century, cattle were kept mainly for draft purposes and bred for strength and endurance; meat and fat needs were provided by sheep. The cattle gave little milk and yielded poor-quality meat, while the sheep gave only fat mutton and no wool. The introduction of foreign breeds and crossbreeding gradually improved the stock, providing excellent meat, wool of fairly good quality, and good milk yields. The country's sheep breeds consist mainly of Merino for wool and Dorpes for mutton. Cattle breeds include the introduced Hereford and Aberdeen Angus as well as the indigenous Afrikaner. Dairy cows are mostly Friesian, forming a well-developed dairy industry.

The livestock in 2005 included 25.3 million sheep; 13.7 million head of cattle; 6.4 million goats; 1.6 million hogs; and 121 million chickens. Output of fresh cow's milk in 2005 was 2.5 million tons; eggs, 340,000 tons; cheese, 41,600 tons; and wool (greasy), 44,100 tons. Meat production in 2005 included (in tons): beef, 643,000; pork, 122,000; mutton and lamb, 122,000; and poultry, 925,000. South Africa does not produce enough meat to satisfy domestic demand and typically imports live animals from Namibia and meat from Botswana.

Exports of meat in 2004 amounted to \$74.9 million. Exports of raw hides, skins, and leather in 2004 were valued at \$98.9 million; wool (greasy), \$72.7 million.

## 24 FISHING

After Morocco, South Africa is Africa's most important fishing nation. The Fisheries Development Corp., established in 1944, has helped modernize equipment, secure better conditions of life for fishermen, and stimulate the catching and canning of fish. The commercial fishing fleet is operated mainly from Cape Town harbor. In 2003, South Africa's fishing fleet increased by 27 vessels of 100 gross tons or larger.

The total catch for 2003 was 862,574 tons, according to the FAO. The value of fish exports was estimated at \$393.5 million that year. More than 90% of the catch is taken from the productive cold waters off the west coast. Shoal fishing by purse-seine accounts for most of the volume. Hake accounts for 70% of all deep-sea landings. Anchovy, pilchard, mackerel, round herring, snoek, abalone, kingklip, rock lobster, oysters, and mussels are other important species. One-third of the hake catch and nearly all of the abalone are exported. Anchovy, pilchard, and round herring are processed into fishmeal, fish oil, and canned fish.

Rock lobster is caught mainly along the western and southern Cape coasts; about 2,594 tons of rock lobster were caught in 2003, with much of it processed into frozen lobster tails for export. About 75% of the lobster catch is exported. South Africa ceased whaling in 1976 and is a member of the International Whaling Commission.

Oyster farming at Knysna began decades ago. Interest in mariculture has grown in recent years and permits have been granted for farming abalone, prawns, red-bait, and mud crab.

Besides commercial fishing, there are thousands of anglers who fish for recreation from the shore and small craft. There are size restrictions and limits for sport fishing. A total ban has been placed

on the catching of four species: the great white shark, Natal bass, and the potato and brindle bass.

## 25 FORESTRY

South Africa is sparsely wooded, with a wooded and forested area of about 8.9 million hectares (22 million acres), or about 7.3% of the land area. Cutting in indigenous forests is strictly controlled. Commercial forestry covers 1.2 million hectares (31 million acres), with pine and commercial softwoods, eucalyptus, and wattle the principal timbers produced. South Africa is an important producer of wattle and wattle extract, used in the tanning of leather. The timber cut was 33,159,000 cu m (1.17 billion cu ft) in 2004, with 37% used as fuel wood. Sawn wood production was 2,171,000 cu m (76.6 billion cu ft) in 2004; wood-based panels, 1,021,000 cu m (36 million cu ft); wood pulp, 2,075,000 tons; and paper and paperboard, 2,566,000 tons. Domestic timber production satisfies 90% of domestic needs. Wood is imported for furniture manufacture, railroad ties, and high-quality paper.

## 26 MINING

Since the late 19th century, South Africa's economy has been based on the production and export of minerals, which, in turn, have contributed significantly to the country's industrial development. One of the largest and most diverse mineral producers, in 2003, South Africa was the largest producer and exporter of chromium and vanadium, as well as the leading producer of aluminosilicates (andalusite) gold, gem diamonds, ferrochromium, platinum (88% of world reserve base of platinum-group metals, or PGMs), and manganese (80% of world reserve base of ore). South Africa was also the second-largest producer of zirconium and titanium minerals, as well as a major producer of cobalt, copper, iron ore, lead, nickel, silver, uranium, zinc, aggregate and sand, asbestos, dimension stone, fluor spar, lime, limestone, phosphate rock, sulfur, and vermiculite. South Africa was self-sufficient in the vast majority of its mineral needs, the bulk of which were produced in the northern half of the country. South Africa was among the top five countries in terms of reserves, ranking first in reserves of andalusite, chromite, gold, manganese, PGMs, and vanadium. De Beers, the South African mining giant, accounted for 94% of the country's diamond production and controlled 80% of the world's uncut diamond trade.

In 2003, the mining industry accounted for 7.1% of South Africa's \$466.4 billion gross domestic product (GDP). Primary mineral exports in 2003 accounted for 34% of the South Africa's merchandise trade, or \$11.5 billion. The leading export earners in 2003 were in descending order: gold, PGMs coal, ferroalloys (ferrochromium, ferromanganese, ferrosilicon, and ferrovanadium), diamonds, and aluminum. The production of iron, steel, chemicals, and fertilizers ranked among the country's top industries.

The 2003 output of PGMs (platinum, palladium, rhodium, ruthenium, and others) was 266,150 kg. Production came almost exclusively from mines in the Bushveld Complex, north of Pretoria. Anglo American Platinum Corp. Ltd. (Anglo Platinum), in 2003 was the world's largest PGM producer.

Primary gold output in 2003 was 372,767 kg, down from 398,300 in 2002. South Africa's gold output in 2003 accounted for about 15% of world production, compared to around 11% of world output by Australia and the United States, and 8% from China.

Iron ore and concentrate output (by metal content) in 2003 was 38.086 million tons (preliminary). Kumba Resources Ltd. in 2003 continued its expansion of the Sishen iron ore mine's capacity, which was to increase to 30 million tons annually by 2003, and 38 million tons per year by 2007. The Sishen Mine was previously owned by Iscor, South Africa's largest crude steel producer.

Chromium output in 2003 (gross weight) was 7.406 million tons (preliminary), compared to 6.436 million tons in 2002. Mined copper output in 2003 was 89,501 metric tons (preliminary), down from 129,589 metric tons in 2002. The country's total copper reserve base (metal content) was 13 million tons. Antimony production in 2003 (by gross weight) was put at 9,000 metric tons (preliminary). Proven and probable reserves of antimony amounted to 1.5 million tons, and mineral resources exclusive of reserves totaled 8.6 million tons. The country's total antimony reserve base was 250,000 tons.

Output of manganese ore and concentrate (primarily metallurgical-grade, but also chemical) was 3.501 million tons (gross weight) in 2003 (preliminary), up from 3.322 million tons in 2002. Total proven reserves were 12.8 million tons (44.61% manganese, 7.30% iron), and measured, indicated, and inferred resources were 237 million tons (41.24% manganese, 7.98% iron). The country's total manganese reserve base was four billion tons.

Preliminary production outputs for the other principal metals in 2003 were: vanadium, 15,000 metric tons (with a reserve base of 12 million tons); titanium (ilmenite and rutile concentrates), 2.15 million tons (with a reserve base of 146 million tons); zirconium concentrate (baddeleyite and zircon), 300,000 tons (a reserve base of 14.3 million tons); and mined nickel (metal content), 40,842 metric tons (a reserve base of 11.8 million tons). South Africa also produced cobalt, lead, silver, uranium, and zinc.

Preliminary output of natural gem and industrial diamonds in 2003 were put at 5,144,000 carats and 7.540 million carats, respectively. Approximately 94% of South Africa's diamond production in 2003 came from mines owned by De Beers Consolidated Mines Ltd. The country's total diamond reserve base was 1,127 million carats. Alluvial diamonds were discovered along the Orange River in 1867, and surface diamonds, at Kimberley, in 1870.

Preliminary output of other industrial minerals in 2003 included: chrysotile asbestos, 6,218 metric tons; vermiculite, 183,802 metric tons; and limestone and dolomite, 15.980 million tons. South Africa also produced aluminosilicates (andalusite, with a reserve base of 50.8 million tons), barite, calcite, hydraulic cement, clays (attapulgit, bentonite, fire clay, raw and calcined flint clay, and kaolin), feldspar, fluor spar (acid-grade and metallurgical-grade, with a total reserve base of 36 million tons), tiger's eye (semiprecious gem), gypsum, industrial or glass sand (silica), lime, crude magnesite, mica, nitrogen, perlite, phosphate rock (a reserve base of 2.5 billion tons), natural mineral pigments (ochers and oxides), salt, natural sodium sulfate, dimension stone (granite, norite, and slate), crushed and broken stone (quartzite and shale), aggregate and sand, sulfur, talc and pyrophyllite (wonderstone), and brick clay.

The South African minerals industry operated on a free-enterprise, market-driven basis. Government involvement was primarily confined to ownership of the national electric power supply and the national oil and gas exploration company. Mineral land holdings and production has historically been controlled either

by the government or by private entities. However, under the new Minerals and Petroleum Resources Act, existing mineral rights will revert to the South African government, unless companies act within a five year period to convert "old order" exploration and mining rights into "new" rights under terms specified in the new legislation. Since 1994, the minerals industry has undergone a major corporate restructuring, or "unbundling," aimed at simplifying a complex system of interlocking ownership, at establishing separate core-commodity-focused profit centers, and at diversifying and rationalizing nonperforming assets.

The well-developed railway and port infrastructure was built mainly to transport mineral products, and minerals continued to constitute a major part of the nation's freight. Domestic and foreign investors have committed more than \$10 billion to develop and expand new mining and value-added mineral processing capacity by 2007. The impact of HIV/AIDS on the able-bodied skilled and semiskilled work force in the country was of concern to investors. There was also increased attention to environmental issues.

## 27 ENERGY AND POWER

South Africa is the second-largest energy producer on the African continent, surpassed only by Algeria, and is the continent's largest consumer of energy.

Coal is the primary energy source produced and consumed in South Africa. The country's recoverable coal reserves are the seventh-largest in the world, which in 2002 were estimated at 54.6 billion short tons. In 2002, South Africa produced an estimated 245.3 million short tons, with domestic consumption estimated at 171.6 million short tons and exports estimated at 73.7 million short tons, for that year.

South Africa has only small proven reserves of oil. As of 1 January 2005, the country's proven oil reserves were estimated at 15.7 million barrels, according to the Oil and Gas Journal. In 2003, oil production was estimated at 194,000 barrels per day, of which 165,000 barrels per day were synthetic. The country's crude oil refining capacity, as of 1 January 2005, was estimated at 519,547 barrels per day. Demand for oil in 2003 was estimated at 469,000 barrels per day, with net oil imports estimated at 274,000 barrels per day, for that same year.

South Africa's proven reserves of natural gas, as of 1 January 2005, were estimated at 1 billion cu ft, according to the Oil and Gas Journal. Domestic consumption of natural gas and natural gas imports were each estimated by the South African Department of Minerals and Energy at 1.3 trillion cu ft in 2003.

The bulk of South Africa's electric power generating capacity is based upon conventional thermal fuels. In 2002, the country's electric generating capacity was 40.481 million kW, of which thermal capacity amounted to 38.020 million kW, followed by nuclear at 1.800 million kW and hydropower at 0.661 million kW. Electric generation totaled in 2002 totaled 205.673 billion kWh of which 92.9% was from fossil fuels, 5.8% from nuclear power, and the remainder from hydropower and other renewable sources. South Africa's demand for electricity in 2002, came to 192.199 billion kWh.

South Africa's synthetic fuels industry is highly developed and is backed by offshore condensate and natural gas production in Mossel Bay, and a plentiful supply of coal. The South African Coal,

Oil, and Gas Corporation (Sasol) is the world's leader in oil-from-coal technology. SASOL operates two coal gasification plants in Secunda and one in Sasalburg. SASOL has a capacity to produce 150,000 barrels per day, mostly to the gasoline market. South Africa's other leading synthetic fuel producer is the Petroleum Oil and Gas Corporation of South Africa (PetroSA) with capacity of 50,000 barrels per day.

## 28 INDUSTRY

The manufacturing sector has evolved over the past 70 years, beginning with light consumer industry in the 1920s and expanding into heavy industry with the creation of ISCOR (Iron and Steel Corporation of South Africa) in 1928. Industry is localized in Gauteng, Western Cape, the Durban-Pinetown area of KwaZulu-Natal, and the Port Elizabeth-Uitenhage area of Eastern Cape.

The largest industrial sector is the metal products and engineering sector dominated by ISCOR, now privatized. South Africa is the world's largest gold, platinum, manganese, chromium, vanadium, alumino-silicates, and titanium producer; and the second-largest of vermiculite and zirconium; third for fluorspar; fourth for antimony; and fifth for zinc, coal, lead, and uranium. The steel industry feeds a substantial motor vehicle sector, which experienced a 14% increase in production from 2000 to 2001. Companies like Columbus Stainless Steel and Billiton's Hillside Aluminium Smelter produce processed industrial minerals, instead of just primary commodities. A dip in gold prices during the late 1990s threatened the gold mines, but only temporarily. The mining industry contributes more than 50% to exports, and some estimates go up to 70%.

Other than Swaziland, South Africa is the only African state to produce pulp and paper. The clothing and textiles sector and the electronics sector were experiencing strong growth in 2002, as was the construction sector, which employed 260,000 people. The chemical sector centers on sizeable fertilizer production and the Modderfontein explosives factory. The sector is also home to the synthetic fuels production industry which, with three plants in operation that produce oil and petrochemicals from coal, serves 40% of the nation's motor fuels demand. There are four oil refineries in South Africa, with a total production capacity 469,000 barrels per day.

## 29 SCIENCE AND TECHNOLOGY

Among South Africa's earliest research ventures was the Royal Observatory at the Cape of Good Hope, established by the British Admiralty in 1820. Societies of leading engineers, architects, chemists, metallurgists, and geologists were organized in the 1890s, and the South African Association for the Advancement of Science was established in 1902. The Council for Scientific and Industrial Research (founded in 1945) has 13 research divisions. The Atomic Energy Corporation established an experimental nuclear reactor in 1965 and has since directed the government's nuclear program. In 1970, it was announced that its researchers had devised a new uranium-enrichment process, subsequently developed by the national Uranium Enrichment Corp. The Scientific Advisory Council to the Minister of National Education (estab-

lished in 1962) promotes the application of scientific knowledge and recommends national science policies and programs.

The Hartebeestheek Radio Astronomy Observatory's 26-meter-diameter antenna was originally constructed to serve as a tracking station for NASA's Deep Space Network. In Johannesburg are located a geological museum, the Adler Museum of the History of Medicine, and the James Hall Museum of Transport. Botanical and zoological gardens are located, respectively, in Durban and Pretoria. South Africa has 30 universities and colleges offering courses in basic and applied sciences. In 1987-97, science and engineering students accounted for 29% of college and university enrollments.

In 2002, expenditures for research and development (R&D) totaled \$3.1 billion, or 0.68% of GDP. In 1998 (the latest year for which the following data is available), the business sector accounted for the largest portion of R&D spending at 49.4%, followed by the government at 33%. Higher education accounted for 10%, with foreign sources at 7%. In 2002, there were 192 scientists and engineers, and 74 technicians per million people that were actively engaged in R&D. High technology exports in that same year were valued at \$740 million, or 5% of the country's manufactured exports.

### 30 DOMESTIC TRADE

South Africa has largely dismantled its old economic system that involved extensive government involvement in the domestic economy through state-owned enterprises. Approximately 90% of the population and consumer market surrounds the cities of Johannesburg, Cape Town, Durban, Pretoria, and Port Elizabeth.

Retail establishments are extremely diverse, ranging from local convenience stores and specialty shops to department stores, supermarkets, and chain stores. There are some wholesale outlet stores as well and hypermarkets are beginning to find a place in some suburban areas. In rural areas, merchants sponsor cooperative stores. Nearly 90% of consumer goods are domestically sourced. The number of franchises continues to grow, with about 300 firms represented as of 2002. The government maintains price controls on petroleum products and certain food products. There

#### Principal Trading Partners – South Africa (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	31,635.9	34,543.1	-2,907.2
Areas nes	3,844.2	1,129.0	2,715.2
United Kingdom	3,197.5	3,000.8	196.7
Japan	3,147.7	2,434.0	713.7
Gemany	2,439.8	5,128.5	-2,688.7
Netherlands	1,508.7	466.5	1,042.2
Belgium	985.4	715.2	270.2
Italy-San Marino-Holy See	913.1	180.0	733.1
Australia	889.1	797.8	91.3
Zimbabwe	858.6	347.8	510.8
Spain	830.8	376.5	454.3

(...) data not available or not significant.

SOURCE: 2003 International Trade Statistics Yearbook, New York: United Nations, 2004.

are many advertising agencies, with the five largest accounting for 70% of all advertising billings.

Business hours for most offices and shops are from 8:00 AM to 1:00 PM and 2:00 PM to 4:30 PM, Monday through Friday, and from 8:30 AM until 1:00 PM on Saturday. Banks are usually open from 9 AM to 3:30 PM weekdays, and from 8:30 to 11 AM on Saturdays.

### 31 FOREIGN TRADE

Gold, diamonds and other metals and minerals are the most valuable export commodities. Exports of gold, platinum, coal, and iron account for approximately 17% of commodity exports. The share of gold as a percentage of total merchandise exports fell from 51.4% in 1980 to 13% in 2000. In 1995, processed primary product exports exceeded those of gold for the first time. The top four exports in 2004 are as follows: metals and metal products (\$6.3 billion), gold (\$5.6 billion), diamonds (\$2.9 billion), and machinery and transport equipment (\$2.6 billion). The United States and South Africa established bilateral trade agreements in the late 1990s. Main destinations of exports in 2004 were as follows: United States (10.1%), United Kingdom (9.1%), Japan (8.8%), and Germany (7%).

### 32 BALANCE OF PAYMENTS

Gold invariably represents the great majority of the country's international reserves, but decreased demand for gold lowered world prices in the 1990s, slowing financial flows. The current account balance improved at the end of 2000 due to increased merchandise export earnings, which rose by 15%. This can be attributed in part to the depreciation of the rand, which strengthened the competitiveness of South African manufactures. Petroleum imports rose that year as well.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of South Africa's exports was \$51.587 billion while imports totaled \$52.059 billion resulting in a trade deficit of

#### Balance of Payments – South Africa (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-1,456.0</b>
Balance on goods		3,701.0	
Imports	-35,002.0		
Exports	38,703.0		
Balance on services		-952.0	
Balance on income		-3,386.0	
Current transfers		-818.0	
<b>Capital Account</b>			<b>2.0</b>
<b>Financial Account</b>			<b>6,289.0</b>
Direct investment abroad		-721.0	
Direct investment in South Africa		820.0	
Portfolio investment assets		-132.0	
Portfolio investment liabilities		893.0	
Financial derivatives		...	
Other investment assets		3,216.0	
Other investment liabilities		2,214.0	
<b>Net Errors and Omissions</b>			<b>2,927.0</b>
<b>Reserves and Related Items</b>			<b>-7,762.0</b>

(...) data not available or not significant.

SOURCE: Balance of Payment Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

\$472 million. However, between 2001 and 2003 South Africa registered a healthy and positive trade balance.

### 3<sup>3</sup> BANKING AND SECURITIES

The South African Reserve Bank (SARB), the central bank of issue, began operations in 1921, and in 1924 assumed liability for the outstanding notes of the commercial banks. It is the fourth oldest central bank to have been established outside Europe. It purchases and disposes of the entire gold output. In September 1985, because of a net outflow of capital arising from South Africa's declaration of a state of emergency, a two-tier foreign-exchange system was adopted by the bank, involving a commercial rand for current transactions and a financial rand for investments or disinvestments by nonresidents. At the same time, certain debt payments, mainly to foreign banks, were frozen. Limited payments were resumed in April 1986, and the two-tier foreign-exchange system was discarded.

The top four banks—Standard Bank Investment Corp. (Stanbic), Amalgamated Banks of South Africa (ABSA), First National Bank (FNB), and Nedcor—accounted for at least 80% of total bank assets in the country in 2002. Foreign interest grew with groups such as Citibank, Morgan Guaranty, and Standard Chartered, setting up and targeting the business end of the market. Although foreign banks are not allowed to accept deposits, over 41 fully licensed institutions, 15 local branches of foreign banks, and 61 representative offices of foreign banks were operating in South Africa in 2002. Offshore lending is popular.

Each bank is required to maintain a reserve balance with the South African Reserve Bank equal to 8% of its short-term liabilities. Since the commercial banks have restricted themselves to traditional functions, many other institutions have been established to make loans or investments to stimulate economic growth and development. The government has sponsored financial institutions such as the Development Bank of South Africa, the Corporation for Public Deposits, the Industrial Development Corp. (IDC), the Fisheries Development Corp., and the Corporation for Economic Development.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$36.3 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$67.6 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 8.84%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 9.5%.

The Johannesburg Stock Exchange (JSE) ranks 10th in the world in market capitalization. At the end of 2001, its total capitalization was \$140 billion. As of 2004, the JSE's market capitalization stood at \$455.536 billion. A total of 403 firms were listed on the JSE that same year. The JSE dwarfs all sub-Saharan Africa's other active stock exchanges put together, accounting for 96% of their total market capitalization at the end of 1995. On 8 November 1995, the JSE underwent its "Big Bang" when the Stock Exchange Control Act came into effect, changing the system under which the market had operated for years. New capital adequacy requirements placed major financial obligations on broking firms, and the easy fixed-commission system for brokers disappeared.

Most visibly, the traditional trading floor—the open outcry market—became a thing of the past as firms carried out all their trading by computer. Restructuring of the stock exchange also allowed banks to enter the securities markets as stockbrokers for the first time. However, market capitalization is now at about half of that peak level in 1995.

### 3<sup>4</sup> INSURANCE

Automobile third-party liability, unemployment insurance and workers' compensation insurance are all compulsory, the last of which is a virtual government monopoly. At the beginning of 1994, a consortium of black investors negotiated a deal to buy 51% of African Life, a life insurance company serving over two million customers, from majority share holders. Other insurance companies include Old Mutual and Sanlam.

Life insurance companies and pension funds are controlled by the Registrar of Financial Institutions. The main long-term capital institutions are the pension funds and life assurance companies, which invest mainly on the JSE secondary market. In 2003, the value of all direct insurance premiums written totaled \$25.398 billion, of which life insurance premiums accounted for \$20.728 billion.

### 3<sup>5</sup> PUBLIC FINANCE

The fiscal year runs from 1 April to 31 March. The minister of finance presents the budget to parliament in March for authorization of expenditures and imposition of the necessary taxes. In 1994, the ANC inherited a government that owned about half of all capital assets, one-quarter of them parastatal corporations. Since then, privatization has moved slowly, but steadily.

The US Central Intelligence Agency (CIA) estimated that in 2005 South Africa's central government took in revenues of approximately \$65.9 billion and had expenditures of \$70.6 billion. Revenues minus expenditures totaled approximately -\$4.7 billion.

#### Public Finance – South Africa (2003)

(In millions of rand, central government figures)

<b>Revenue and Grants</b>	<b>328,088</b>	<b>100.0%</b>
Tax revenue	304,083	92.7%
Social contributions	7,440	2.3%
Grants	1,989	0.6%
Other revenue	14,576	4.4%
<b>Expenditures</b>	<b>359,253</b>	<b>100.0%</b>
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Public debt in 2005 amounted to 37.7% of GDP. Total external debt was \$44.33 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were R328,088 million and expenditures were R359,253 million. The value of revenues in US dollars was us\$43,371 million, based on a principal exchange rate for 2003 of us\$1 = R7.56475 as reported by the IMF.

### 3<sup>6</sup> TAXATION

As of 1 January 2001, South Africa's territorial system of taxation (or source-based system) was replaced with one based on worldwide incomes for resident companies, including resident branches of foreign companies. In order to preserve some of South Africa's appeal as an offshore location for international headquarters, a separate regime for nonresident International Holding Companies (IHCs) is maintained which allows for income from foreign subsidiaries not to be counted in the IHC's tax liability (under Controlled Foreign Entity provisions in the tax law).

As of 2004, the standard corporate tax in South Africa consisted of two parts: a 30% flat rate plus an additional 12.5% secondary tax (STC) on net dividends. Branch offices of nonresident companies are subject to a 35% corporate tax rate. Those branches and other nonresident companies are not subject to the STC. Dividends distributed out of mining income by oil and gas companies are also exempt from the STC. Dividends from South African sources paid to a resident individual by a South African company are tax-exempt, but, as of 23 February 2000, dividends from foreign sources received by residents are taxed at 12.5%. The maximum effective rate for companies that distribute all their after-tax profits as dividends is 37.8%.

Capital gains, untaxed before 2001, are taxed at an effective rate of 15%. For companies that rate is applied to 50% of the gains realized. For individuals, that rate is applied to 25% of the gains realized. South Africa also has a preferential offshore tax regime for international holding corporations, as well as a program of tax incentives administered by the its Industrial Development Corporation designed to assist entrepreneurs in the establishing and/or expansion of economically viable manufacturing industries.

Individual income tax is assessed according to a progressive scale with a top rate of 40% (as of 2004). Above an exempted limit, gifts are taxed at 20%, but there is no inheritance tax. The transfer of property is tax on a progressive scale depending on the value of the property. Royalties paid to nonresidents are subject to a withholding tax of 12%.

The main indirect tax is South Africa's value-added tax (VAT) with a standard rate of 14%. However, certain fuels, exports, some farming goods and basic foodstuffs, and international transport are zero-rated. Residential rents, educational services, some financial services and domestic passenger transport are exempt from the VAT. Other taxes include provincial and city taxes.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Although South Africa has signed GATT and has been liberalizing import controls with the intention of eventually removing them completely, some classes of imports are still subject to licenses and control regulations. Many goods enter South Africa duty-free. Goods that are subject to a duty pay an average rate of 12%.

There are six levels of tariffs: 0%, 5%, 10%, 15%, 20%, and 30%. For protected industries such as textiles and automobiles, high tariffs were supposed to be reduced from 100% to about 45–50% within 8 to 12 years.

South Africa maintains a common customs area with Botswana, Lesotho, Namibia, Swaziland, and the black homelands of Bophuthatswana, Ciskei, Transkei, and Venda, through the South African Customs Union. The South African Development Community intended to open a free trade area between member countries by 2000. Common customs, excise, and a value-added tax (VAT) of 14% are levied. Specific excise duties of about 10% are levied on beverages, tobacco, petroleum products, and motor vehicles. Ad valorem excise duties are levied on office machinery, film, and luxury consumer goods. Export licenses are required for a number of products.

### 3<sup>8</sup> FOREIGN INVESTMENT

Despite a considerable increase in recent years in domestic savings available for investment, foreign capital investment plays a significant role in South African economic development, and a number of manufacturing and industrial concerns have been established by the United Kingdom, the United States, and continental European companies since World War II. UK capital has been invested primarily in manufacturing, heavy engineering, and in the development of new gold fields in Transvaal and the Orange Free State. US investments are mainly in mining and manufacturing, and in wholesale and retail trade. Some 250 American companies accounted for about one-fifth of total foreign investment in South Africa as of 1982. However, between 1984 and 1987, the number of US companies with direct investments in South Africa dropped from 325 to 259. In 1986, the United States and the EEC banned new investment in South Africa.

The establishment of a multiracial government in 1994 and the lifting of sanctions led to an increase in foreign investment in South Africa. The number of multinational corporations with direct investments or employees in South Africa increased by over 20%. By 1997, total foreign direct investment (FDI) exceeded \$18 billion. The inflow of FDI in 1997 was over \$3.8 billion, but fell to \$561 million in 1998. Inward FDI flows increased to \$1.5 billion in 1999 and to \$888 million in 2000. Contrary to worldwide trends in the economic slowdown of 2001, FDI inflow in South Africa reached a record \$6.79 billion. However, the flows declined to \$757 million in 2002 to \$720 million in 2003 and \$585 million in 2004. However, for 2005 FDI inflows will be boosted by the Goldfields-Norilsk and Metcash-Metzo deals and the takeover of Amalgamated Banks of South Africa (ABSA)—one of the country's "big four" banks—by Barclays of the United Kingdom, and the purchase by Vodafone of a further 15% stake in the mobile-phone operator, Vodacom. The Barclays-ABSA transaction is estimated to have boosted FDI inflows by about \$5 billion in the third quarter of 2005, and Vodafone's purchase of the additional shares in Vodacom by \$2.4 billion.

Barclays' purchase is the largest single FDI inflow into South Africa since the transition to multiparty rule in 1994. The inflows from both Barclays and Vodafone have stimulated foreign interest in South Africa and signal a vote of confidence for the country's political and economic prospects for the medium and long term. The United Kingdom has been the largest investor with almost



half of the total, followed by the United States, Germany, the Netherlands, Malaysia, and Switzerland. Manufacturing and business services gained the lion's share of FDI, led by telecommunications; major investors included Petronas, SDC Communications, Dow Chemicals, Telecom Malaysia, Coca-Cola, and Lafarge.

### 39 ECONOMIC DEVELOPMENT

The recession of 1989 to 1993 was provoked by a drop in investment from 24% to 15%. With the inauguration of multiracial government in 1994, this investment was restored from about \$13 billion in 1994 to about \$18 billion in 1998, creating new jobs and generating growth. Tremendous changes in the structure of the economy are required as well to relieve the pressures of poverty and inequality which resulted from apartheid. A realistic strategy that attends to popular expectations and aspirations as well as to sound economic principles will look to reducing tariffs and other restrictive practices, linking wages and output, ending exchange controls, reforming taxes, and optimizing welfare allocations. The government implemented a Growth, Employment, and Redistribution (GEAR) plan to cover the years 1996–2000. The plan was successful in bringing macroeconomic stability to the country, but formal employment continued to decline, and wealth remained unequally distributed along racial lines.

South Africa has what may be called a dual economy—one comparable to industrialized nations and another comparable to developing countries. Trade liberalization increased from the early 1990s to the early 2000s. The Mbeki government in 2003 maintained a cautious fiscal policy, but due to the global economic slowdown, growth remained at 2.6% (it was forecast to rise to 3.5% in 2004). The government's monetary policy was geared to bring inflation down to the Reserve Bank's target of 3–6% by the end of 2004. This was clearly achieved as inflation was estimated at 4.3% in 2004 and 4% in 2005.

The government continues to be committed to responsible fiscal management while increasing spending on infrastructure, social services and socio-economic “upliftment” programs. Revised real GDP figures indicate that the economy has grown more rapidly and is larger than had previously been estimated, and growth for 2005 is now estimated to rise by 5%, from 4.5% in 2004. Inflation has steadily declined.

However, unemployment in 2004 was estimated at 26.2%, but unofficial sources place it at around 41%. The government adopted plans to encourage development in specific regions and in small and medium enterprise development, in part to promote growth and the creation of jobs. South Africa is a member of the Southern African Customs Union (SACU) and the Southern African Development Community (SADC).

### 40 SOCIAL DEVELOPMENT

South Africa has a comprehensive system of social legislation, which includes unemployment insurance, workers' compensation, old age pensions, disability pensions, war veterans' pensions, pensions for the blind, maternity grants, and family allowances. The first statutory benefits were initiated in 1928, and the current system was updated in 2004. The cost of most of these benefits is borne by the national government, but the cost of industrial accident insurance is borne by employers, while contributions to the unemployment insurance fund are made by employers, employ-

ees, and the government. The retirement age is 65 for men and 60 for women. Sickness and maternity benefits both pay 45% of weekly earnings; maternity benefits are payable up to a total of 26 weeks. The government funds assistance to families of limited means.

The ANC government of national unity sought to provide more social services for its black constituents within the constraints of a weakened economy. Its top priorities are housing, health, education, and the creation of more jobs in the formal economic sector.

Despite legal protection, sex discrimination is still widespread, especially in connection with economic issues including wage disparity, credit access and property rights. Domestic abuse is widespread, and victims who seek redress are not treated adequately by law enforcement, medical personnel, or the judicial system. The incidence of rape is extremely high due to general lack of security and the prevailing attitude condoning violence against women. There are many governmental and nongovernmental organizations monitoring and promoting human rights for women.

Although South Africa's human rights record has improved, there are continued reports of detainees dying in custody. Criminal activity is widespread, and vigilante and mob justice is increasing. Prison conditions are harsh.

### 41 HEALTH

As of 1992, the South African government increased its spending in the public and private sectors of health care. South Africa's governmental policy has been directed toward a more streamlined and equitable public health service to bridge the country's social and ideological divisions. Emphasis on better health care resulted in numerous projects to expand and modernize existing hospitals and clinics, as well as build new ones. There was also emphasis on preventive health care, as well as a greater demand for laboratory analysis and therapeutic equipment and disposables. Most electronic and high-tech equipment is imported. Provincial administrations maintain most major hospitals and receive subsidies from the national government. Hospital care is free for those unable to bear the costs, but medical treatment is generally conducted on a private basis.

About 80% of doctors take care of urban citizens. Large sectors of the population live in conditions nearer to those of a developing country. There are 684 hospitals, with Baragwanath Hospital near Johannesburg the largest in southern Africa. As of 2004, there were an estimated 69 physicians, 388 nurses, 10 dentists, and 24 pharmacists per 100,000 people. Chains of independent hospitals have been established. Total health care expenditure was estimated at 7.2% of GDP.

There are medical schools at the universities of Cape Town, Stellenbosch, Witwatersrand, Pretoria, Natal, and the Orange Free State. Between 1959 and 1994, most black medical students attended the medical school at the University of Natal. In addition, the Medical University of Southern Africa (near Pretoria) was opened for black students in 1978. Following the introduction of democracy in 1994, the government sought to reverse the discrimination against blacks by building 780 community clinics by the year 2000. However, the money to fund these clinics comes from the medical school budgets funded publicly. The South African Institute for Medical Research in Johannesburg is well known

for its studies of silicosis and other diseases to which mine workers are subject.

The HIV/AIDS epidemic in South Africa is among the worst in the world. As of 2004, there were approximately 5,300,000 people living with HIV/AIDS in the country, the highest number of any nation. The HIV/AIDS prevalence was 21.50 per 100 adults in 2003. There were an estimated 370,000 deaths from AIDS in 2003. An increasing percentage of those infected are infants and young children and it is estimated that nearly one-fourth of pregnant women are HIV positive, although the rate of infection varies widely among provinces. In some hospitals more than one-third of the beds are occupied by AIDS patients.

Aside from HIV/AIDS, other prevalent infectious diseases reported in South Africa include tuberculosis, measles, typhoid, malaria, and viral hepatitis. Leprosy had been reduced to less than 1 per 100,000, but malaria and tuberculosis still cause serious problems. About 52% of the male and 16% of the female populations over age 15 smoked in 1995. Between 1983 and 1992, there were about 15,000 deaths due to political and ethnic violence.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 20.6 and 18.9 per 1,000 people. Average life expectancy was 43.27 years in 2005. Infant mortality in 2005 was 61.81 per 1,000 live births and the maternal mortality rate was estimated at 340 per 100,000 live births. Children up to one year of age were immunized against tuberculosis, 95%; diphtheria, pertussis, and tetanus, 73%; polio, 73%; and measles, 76%.

## 4<sup>2</sup> HOUSING

In the late 1990s, there was an explosive growth of shacks and shantytowns surrounding South Africa's major urban areas. In 1994 the housing backlog was estimated to be 1.2 million homes for the black population, while there is a surplus of white housing units of 83,000. This backlog and demand translated into the need to build 250,000 dwelling units a year in the last years of the 20th century, or roughly 1,000 units per working day; however, only about one-tenth of that number—25,000 dwelling units—were built each year, leaving the country with a serious housing shortage. Most of the black townships and squatter settlements lack the basic infrastructure and services of water, sewage, and electricity. Efforts to solve South Africa's housing problem must focus not only on construction, but on servicing current and prospective sites by building roads and providing electricity, sanitation, and water.

At the 2001 census, there were about 11,205,705 households counted, which translates into about the same number of dwelling units. About 55.6% of all households were living in what was described as a house on a separate stand; 16% of all households were living in shacks. Some 32.3% of all households had access to piped water inside their dwelling. Another 29% had piped water in their yard. Nearly 52% of all dwellings had some type of flush toilet. Another 27% used pit latrines.

## 4<sup>3</sup> EDUCATION

The challenge facing the post-apartheid government has been to create an educational system that provides quality education to all citizens of South Africa. The educational legacy left by the apartheid government has not been easy to dismantle. Literacy rates among blacks remain low, and educational facilities in the town-

ships and rural areas need to be upgraded. During the apartheid government, education for whites was free and compulsory between the ages of 7 and 16 while attendance was not generally compulsory for blacks. Adult literacy was close to 100% for whites and about 50% for blacks in the mid-1980s.

After the Soweto riots of 1976, the national government increased expenditures for black education, and black student enrollment did rise sharply. The government reported by the early 1990s that primary and secondary schools enrolled about one million white students; 5.8 million blacks; 900,000 colored; and 300,000 Asians.

The Government of National Unity established a National Ministry of Education in 1994 and an educational system comprised of nine provincial subsystems was developed. National policies set clear educational guidelines, and the Provincial Legislatures have been accorded significant authority in setting specific priorities and policies for that province.

In 1995, President Mandela launched the Presidential Lead Project on Developing the Culture of Learning and Teaching. The program revised school governance structures, increasing school attendance and renovating hundreds of schools around the country.

Education is now compulsory for nine years, which is covered by six years of primary school and three years of junior secondary school. Students may then enter either a two-year technical school program or a three-year general senior secondary program. In 2001, about 35% of all six-year-olds were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 89% of age-eligible students. In 2001, secondary school enrollment was about 62% of age-eligible students. It is estimated that about 98% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 34:1 in 2003; the ratio for secondary school was about 30:1.

South Africa has 21 universities and 15 technikons that provide tertiary level vocational training. In 2003, it was estimated that about 15% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 82.4%, with 84% for men and 80.9% for women.

As of 2003, public expenditure on education was estimated at 5.3% of GDP, or 18.5% of total government expenditures.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library of South Africa is made up of two branches: in Pretoria (formerly known as the State Library, 787,000 volumes) and in Cape Town (formerly known as the South African Library, 750,000 volumes). The University of Witwatersrand's main collection holds over one million volumes. Major public libraries are located in Johannesburg (850,000 volumes) and Cape Town (1.4 million volumes).

The Kaffrarian Museum in King William's Town has imposing collections of indigenous animals. The National Museum in Bloemfontein contains an ictidosaur skeleton and the Florisbad human fossil skull. The East London Museum houses the first coelacanth to be caught (the entire family had previously been thought to be extinct). The South African National Gallery is in Cape Town. Founded in 1871, it houses an extensive European collection and well as one of Africa's finest collections of contemporary African art. The South African Cultural History Museum

is also in Cape Town, as is the Castle Military Museum, which opened in 1995. Robben Island, 12 kilometers from Cape Town, is a former prison and is now a museum. Johannesburg has several archaeological museums as well as the University Art Galleries of the University of Witwatersrand. Pretoria houses the Kruger Museum, chronicling the life of Paul Kruger; the Natural Cultural History Museum; and the Museum of Anthropology and Archaeology.

#### 45 MEDIA

The government operates the postal, telegraph, and telephone services through the Department of Posts and Telecommunications. In 2003, there were an estimated 107 mainline telephones for every 1,000 people. The same year, there were approximately 364 mobile phones in use for every 1,000 people.

The South African Broadcasting Corp. (SABC), a semigovernmental organization, offers transmissions in English, Afrikaans, and nine Bantu languages. It derives its income from listeners' licenses and from its commercial services. External broadcasting services are operated by the Voice of South Africa. The country's first television service was begun in January 1976 under government auspices. In 1981 a separate channel began broadcasting in native languages. There are several privately held television and radio stations. As of 1999, there were 15 AM and 164 FM radio stations and 556 television broadcast stations, with transmissions in English, Afrikaans, and four Bantu languages. In 2003, there were an estimated 336 radios and 177 television sets for every 1,000 people. The same year, there were 72.6 personal computers for every 1,000 people and 68 of every 1,000 people had access to the Internet. There were 909 secure Internet servers in the country in 2004.

The English and Afrikaans populations have their own newspapers, distinguished not only by language but also by the variety and slant of news. Nearly all newspapers in South Africa are published by members of the Newspaper Press Union (NPU). Its main function is to hear and decide complaints against the press in cases where the complaints do not fall under the jurisdiction of the courts. The Media Council, established by the NPU, seeks to maintain editorial standards and to deal with infringements of the NPU press code. The largest daily newspapers (with language of publication and 2002 circulations) are: *The Sowetan* (English, 225,000), *The Star* (English, 162,316), *Beeld* (Afrikaans, 111,958), *Die Burger* (Afrikaans, 105,841), *Cape Argus* (English, 85,000), and *The Daily News* (English, 71,600).

The three largest-circulation Sunday newspapers are the English-language *Sunday Times* (458,000) and *Sunday Tribune* (113,000) and the Afrikaans-language *Rapport* (353,000). *Ilanga* and *Umafrika* are Zulu-language weeklies. About 150 local newspapers appear weekly or biweekly. Magazines and general periodicals are divided equally between Afrikaans and English.

The constitution provides for free speech and a free press, and the government now is said to respect these rights. News coverage and editorial opinion is vigorous and unfettered.

#### 46 ORGANIZATIONS

The cooperative movement began before the consummation of the Union, concentrating then as now on marketing agricultural produce. The movement's rapid advance, however, dates from

1922, when the first Cooperative Societies Act was passed. Every branch of farming has its own associations, to which about 75% of all farmers belong; these groups are affiliated with provincial organizations, which, in turn, are members of the South African Agricultural Union. The Agricultural Research Council is an important group for the advancement of the farming industry. Other similar groups include the Sugar Milling Research Institute, the South African Sugarcane Research Institute, and the ARC-Institute for Tropical and Subtropical Crops.

The South African Federated Chamber of Industries is the chief employers' organization. The Association of Chambers of Commerce (ASSOCOM) was formed in 1892 to promote commerce and industry in South Africa. In 1990 the South African Chamber of Business (SACOB) was formed by the merger of the Association of Commerce and Industry and the South African Federated Chamber of Industries. One hundred and two chambers of commerce and industry are members of SACOB.

To provide special aid to Afrikaans-speaking businesspeople, the Afrikaanse Handelsinstituut was established in Pretoria in 1942. It now assists all Afrikaner businesses involved in commerce, finance, and mining. Membership is offered if at least half the capital of a firm is owned by Afrikaners.

The Royal Society of South Africa, founded in 1877, is the leading scholarly organization. The South African Academy of Science and Arts was founded in 1909 and is based in Arcadia. The Geological Society of South Africa (founded in 1895) has published important research in its transactions, and its influence extends beyond South Africa. The African Music Society, an international organization that specializes in the recording of music of all parts of Africa, has its headquarters near Johannesburg. Shakespeare Society of Southern Africa is based in Grahamstown. Other organizations have been established for studies in Afrikaans, archaeology, economics, medicine, technology, and other fields. Groups for hobbyists and other amateur actives are also available, such as the All Breeds Cat Club, the Cape Lancia Club (a car club), and the Federation of Rose Societies of South Africa (R.O.S.A.).

Organizations dedicated to health and welfare include the Association of Societies for Occupational Safety and Health, Health Systems Trust-South Africa, the South African Medical Research Council, the Democratic Nursing Organization of South Africa, and the Colleges of Medicine of South Africa. The South African Medical Association promotes research and education on health issues and works to establish common policies and standards in healthcare. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions, such as the Cancer Association of South Africa and Diabetes South Africa.

There are a number of sports associations throughout the country. National youth organizations include the ANC Youth League, Girl Guides Association of South Africa, Junior Chamber, National Catholic Federation of Students, YMCA/YWCA, South African Scout Association, South African Student Congress, South African Young Christian Workers, and Youth for Christ. Sports associations promote amateur competition among athletes of all ages for a variety of pastimes.

Women's organizations include the ANC Women's League, the African Gender Institute, National Council of Women of South Africa, the Nisaa Institute for Women's Development, and pro-

grams through the Office on the Status of Women. Black Sash Trust is an organization, primarily of women, dedicated to promoting human rights and civil liberties through the principles of democracy.

There are several national environmental associations in the country, including Birdlife South Africa, Endangered Wildlife Trust, the Grassland Society of Southern Africa, Wildlife and Environment Society of South Africa, African Conservation Trust, and the Environmental Monitoring Group.

National organizations promoting causes of social justice include the Friedrich Naumann Foundation–Africa Regional Office and the Legal Resources Centre. There are national chapters of the Red Cross Society, Caritas, Habitat for Humanity, the Society of St. Vincent de Paul, UNICEF, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

The tourism industry is based on private enterprise, but the government oversees tourist facilities through the South African Tourist Corporation, which also promotes tourism abroad. In addition to the principal cities and many ocean beaches, popular attractions include the Kruger National Park, situated in the northeast, on the Mozambique and Zimbabwe borders, and several game reserves; the Castle of Good Hope fortress at Cape Town (built during 1666–82); and the Kimberley Mine Museum at the site of the famous Big Hole diamond mine. Entertainment facilities include symphony halls, theaters, movies, nightclubs, and discos. Among popular pastimes are golf, tennis, bowls (lawn bowling), hunting, horse racing, rugby, football (soccer), cricket, and water sports.

Foreign nationals who travel to South Africa must have a valid passport. Visas are required for visitors from all countries except the United States, Japan, Scandinavia, and most Western European and Commonwealth Countries.

There were 6.5 million visitors who arrived in South Africa in 2003. Hotel rooms numbered 52,329 with 110,479 beds and an occupancy rate of 57%. Tourism expenditure receipts totaled \$5.2 billion that year.

In 2005, the US Department of State estimated the daily cost of staying in Johannesburg at \$191; in Cape Town, \$234 per day; and other areas, \$202.

#### 48 FAMOUS SOUTH AFRICANS

Among the most famous tribal leaders in what is now South Africa were Shaka (1773–1828), who built the Zulu into a powerful nation, and Cetewayo (d.1884), who led the Zulu in an unsuccessful war against the British in 1879. Other outstanding figures of 19th-century South Africa were Stephanus Johannus Paulus (Oom Paul) Kruger (1825–1904), president of the Transvaal and leader of the Boers, and British-born Cecil John Rhodes (1853–1902), entrepreneur and empire builder, after whom the Rhodesias (now Zambia and Zimbabwe) were named. Jan Christiaan Smuts (1870–1950), statesman and military leader, was one of the great men of the first half of the 20th century. He and two other prime ministers of Boer descent—Louis Botha (1862–1919) and James Barry Munnik Hertzog (1866–1942)—attempted to merge the two white nationality groups in a common loyalty to the British Commonwealth. Daniel François Malan (1874–1959), an Afrikaner Nationalist leader, led his party to victory in 1948 and served as prime minister (1948–54) when South Africa's ra-

cial separation policies were codified. Hendrik Frensch Verwoerd (1901–66), Nationalist prime minister from 1958 until his assassination, vigorously enforced separate development of the races and created the black homelands. His successor, Balthazar Johannes Vorster (1915–83), served as prime minister from 1966 until his elevation to the presidency in 1978; he resigned in the following year because of a political scandal. Pieter Willem Botha (b.1916) became prime minister in 1978 and president in 1984. Frederik Willem de Klerk (b.1936) was the last state president of apartheid South Africa, serving from 1989 to 1994.

Among the best-known South African writers in the English language was Olive (Emily Albertina) Schreiner (1855–1920), whose *Story of an African Farm* has become a classic. A collection of short stories about Afrikaner farmers, *The Little Karoo*, by Pauline Smith (1882–1957), is regarded as a masterpiece. South African authors of novels and short stories such as Sarah Gertrude Millin (Liebson, b. Russia, 1889–1968), Alan Stewart Paton (1903–88), Sir Laurens Van der Post (1906–96), Peter Abrahams (b.1919), Ezekiel Mphahlele (b.1919), Nadine Gordimer (b.1923), Dan Jacobson (b.1929), and John M. Coetzee (b.1940) have won considerable attention in the United Kingdom and the United States. Ignatius Roy Dunnachie Campbell (1901–57) was an eminent South African poet, and his friend William Charles Franklyn Plomer (1903–73) was a highly regarded novelist, poet, essayist, and critic. Athol Fugard (b.1932) has written internationally acclaimed plays about South African race relations.

Well-known authors and poets in the Afrikaans language are Cornelis Jacob Langenhoven (1873–1932), author of the national anthem; Christian Frederick Louis Leipoldt (1880–1947); N.P. van Wyk Louw (1906–70); the poet, playwright, and critic Uys Krige (1910–87), who also wrote in English; and André Brink (b.1935). Eugène Nielsen Marais (1871–1936), a journalist, lawyer, poet, and natural historian, was an outstanding student of animal and insect behavior. Breyten Breytenbach (b.1939) has earned international recognition as an important Afrikaans poet; he served seven years in prison (1975–82) after pleading guilty to a passport violation and to illegal contacts with an African political group.

V. (J.E.A.) Volschenck (1853–1935) is sometimes called the “father of South African art,” and Anton Van Wouw (b.Netherlands, 1862–1945) is called the “doyen” of South African sculpture. Other artists include the painters Robert Gwelo Goodman (b.England, 1871–1939), Jacob Hendrik Pierneef (1886–1957), and Walter W. Battiss (b.England, 1906–82), also an authority on Bushman art; and sculptor Coert Laurens Steynberg (1905–82).

Other noted South Africans are historian George McCall Theal (b.Canada, 1837–1919); the physical anthropologist Raymond Arthur Dart (b.Australia, 1893–1988); Clement Martyn Doke (b.England, 1893–1983), an authority on Bantu philology; the social anthropologist Isaac Schapera (1905–86); Louis Franklin Freed (b.Lithuania, 1903–81), a specialist on tropical diseases; and pioneer open-heart surgeon, Christiaan Neethling Barnard (1922–2001). Lord Henry de Villiers of Wynberg (1842–1914) was chief justice of Cape Colony and of the Union of South Africa.

South Africa's first Nobel Prize winner (for peace in 1961) was Chief Albert John Luthuli (1898–1967), a former president of the ANC, who maintained a policy of nonviolence and of cooperation between whites and blacks. Desmond Mpilo Tutu (b.1931), the secretary general of the South African Council of Churches

during 1979–84 and an outspoken foe of apartheid, received the 1984 Nobel Prize for peace. As archbishop of Cape Town, he became the Anglican primate for southern Africa in 1986. Nelson R. Mandela (b.1918), a prominent leader of the ANC, was sentenced to life imprisonment in 1964; his release was a principal demand of antigovernment activists. He became South Africa's first president elected in fully-representative democratic elections. Oliver Tambo (1919–93), the president of the ANC since 1977, directed the group from exile. Another outspoken critic of the government was the Rev. Allan Boesak (b.1945), a UDC founder and the former president of the World Alliance of Reformed Churches. More conciliatory toward the regime was Gatsha Buthelezi (b.1928), the chief of the Zulu people, who heads the Inkatha movement.

#### 49 DEPENDENCIES

South Africa has no territories or colonies. South Africa once maintained a civil administration and a military presence in Namibia (South West Africa). Namibia, a sovereign state, is discussed under its own heading elsewhere in this volume.

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# SUDAN

Republic of the Sudan  
*Jumhuriyat as-Sudan*

**CAPITAL:** Khartoum

**FLAG:** The national flag consists of a tricolor of red, white, and black horizontal stripes, with a green triangle at the hoist.

**ANTHEM:** *Jundi al-Allah (Soldiers of God)*.

**MONETARY UNIT:** The Sudanese dinar (SD) is a paper currency of 100 piasters (qurush) or 1,000 milliemes. SD1 = \$0.00405 (or \$1 = SD247.17) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but a highly diverse system based on Egyptian and British standards is in local use.

**HOLIDAYS:** Independence Day, 1 January; Unity Day, 3 March; Uprising Day, 6 April; Decentralization Day, 1 July; Christmas, 25 December. Movable Muslim religious holidays include the 1st of Muharram (Muslim New Year), 'Id al-Fitr, 'Id al-'Adha, and Milad an-Nabi.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in northeast Africa, Sudan is the largest country on the continent, covering an area of 2,505,810 sq km (967,499 sq mi), with a length of 2,192 km (1,362 mi) SSE–NNW and a width of 1,880 km (1,168 mi) ENE–WSW. Comparatively, the area occupied by Sudan is slightly more than one-quarter the size of the United States. It is bounded on the N by Egypt, on the NE by the Red Sea, on the E by Eritrea and Ethiopia, on the S by Kenya, Uganda, and the Democratic Republic of the Congo (DROC), on the W by the Central African Republic and Chad, and on the NW by Libya.

The Anglo-Egyptian Agreement of 19 January 1899 established the parallel of 22°N as the international boundary between Egypt and Sudan. In 1902, however, a special administrative boundary was delineated between the Nile and the Red Sea, in order to facilitate the administration of nomadic tribes and to maintain the continuity of certain tribal areas in the border region. In 2001, the countries agreed to discuss the creation of an “area of integration” for this overlapping territory and both governments agreed to withdraw military forces from the region. The Egypt-Sudan boundary west of the Nile runs 892 km (554 mi); east of the Nile, the international boundary is 383 km (238 mi), and the administrative boundary is 357 km (222 mi). Including this administrative line, Sudan’s total boundary length is 8,550 km (5,313 mi).

Sudan’s capital city, Khartoum, is located in the northeast central part of the country.

## <sup>2</sup> TOPOGRAPHY

The greatest part of Sudan is a vast plain traversed by the northward-flowing Nile River and its tributaries. Widely separated mountain chains and many hilly areas often reach altitudes of more than 2,000 m (6,500 ft). The highest elevation is at Mount Kinyeti 3187 m (10,456 ft) along the southern border with Ugan-

da. The northern area is mainly desert, including the Nubian Desert, with rock at or near the surface covered by thin soils of low fertility. The western undulating sandy wastes merge into the Red Sea Hills to the east. Regions of swampland lie in the south.

The dominating geographic feature is the Nile River, formed near Khartoum by the confluence of the Blue Nile and White Nile rivers. There are natural harbors at Port Sudan (Bur Sudan) and Suakin on the Red Sea.

## <sup>3</sup> CLIMATE

In the northern plains and desert region, average temperatures range from 32°C (90°F) in winter (November to February) to 42°C (108°F) in summer (March to June); the hottest months are May and June. In the central and southern regions, average temperatures are 27° to 29°C (80° to 85°F). Rainfall decreases from south to north, the annual average varying from 120 cm (47 in) in the south to less than 10 cm (4 in) in the north; the rainy season is from July to September. Climatic hazards—sandstorms in the northern deserts and flooding rains in the central belt—often interfere with railroad traffic. The most temperate climate occurs in the Red Sea Hills.

## <sup>4</sup> FLORA AND FAUNA

The acacia desert shrub and acacia short-grass shrub grow in the northern desert and the grasslands of the west. The broad-leaved tropical woodland and forest region is for the most part in the southwest, where areas of luxuriant growth and closed forests are found; grass covers much of the steppe area of the southeast. Date palms line the banks of the Nile. Wildlife includes most of the mammals, birds, and reptiles common to central Africa. Many varieties of fish are found in the rivers and in the coastal waters of the Red Sea. As of 2002, there were at least 267 species of mammals,

280 species of birds, and over 3,100 species of plants throughout the country.

## 5 ENVIRONMENT

A shortage of potable water inhibits agriculture, animal husbandry, and human settlement in much of Sudan. Sudan has 30 cu km of renewable water resources, of which 96% of the annual withdrawal is used for farming and 2% is used for domestic purposes. Serious health problems are caused by diseases carried in the water supply; Only about 64% of the nation's rural dwellers and 78% of its city dwellers have access to improved water sources. The water on the nation's coasts is also polluted by industrial by-products, oil, and sewage. Sudan's cities produce about 1.1 million tons of solid waste per year. The nation's agricultural land is threatened by the advance of the desert. Government agencies vested with environmental responsibilities include the National Committee for Environment (within the National Council for Research) and the ministries of agriculture, natural resources, irrigation, energy, and health.

Due to uncontrolled hunting, the nation's wildlife is threatened. In 2003, about 5.2% of the total land area was protected, including Dinder National Park, which is listed as a Ramsar wetland site. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 16 types of mammals, 10 species of birds, 2 types of reptiles, 8 species of fish, 2 species of other invertebrates, and 17 species of plants. Threatened species included the waldrapp, northern white rhinoceros, Tora hartebeest, slender-horned gazelle, and hawksbill turtle. The Sahara oryx has become extinct in the wild.

## 6 POPULATION

The population of Sudan in 2005 was estimated by the United Nations (UN) at 40,187,000, which placed it at number 30 in population among the 193 nations of the world. The country has conducted four censuses of population since 1956; however, the most recent (1993) did not include the southern part of the country. As of 2006, plans for the fifth census were delayed due to the ongoing civil unrest. In 2005, approximately 2% of the population was over 65 years of age, with another 44% of the population under 15 years of age. There were 101 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.7%; international organizations were attempting to support government efforts to reduce the fertility rate, which stood at 4.8 births per woman in 2005. The projected population for the year 2025 was 61,339,000. The population density was 16 per sq km (42 per sq mi).

The UN estimated that 36% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.85%. The capital city, Khartoum, had a population of 4,286,000 in that year. Other major cities include Port Sudan (the only modern seaport), Wad Madani, Al Ubayyid (the principal city of central Sudan), and Aṭṭarah.

## 7 MIGRATION

Many Sudanese were working abroad in the mid-1990s, chiefly in Saudi Arabia and other Persian Gulf countries but also in Libya. Although their remittances were significant for the Sudanese

economy, the absence of these workers, many of them skilled, constituted a "brain drain" of serious proportions. Perhaps 200,000 were expelled from Persian Gulf countries in 1991 because Sudan supported Iraq in the Gulf war.

As a result of the Sudanese government fighting the Sudanese People's Liberation Army in the south, there were still 209,000 Sudanese refugees in Uganda, 110,000 in the DROC, 78,000 in Ethiopia, 28,000 in Kenya, and 27,000 in the Central African Republic in June 1997.

Since the 1970s, the Sudanese government has welcomed refugees as a result of war or famine. As a result of the United Nations High Commissioner for Refugees (UNHCR) repatriation programs, 25,000 Eritreans and 62,000 Ethiopians were sent home in 1994 and 1995. The total number of migrants in 2000 was 780,000, including 415,000 refugees. In 2004 Sudan experienced a political and humanitarian crisis; a severe drought coupled with genocide in Darfur as the government supported Arab militias against Black Sudanese. Over 50,000 people died and 1.6 million Black Sudanese were displaced. The UN labeled Sudan the "world's worst humanitarian crisis" in 2004. At the end of 2004, Sudan was hosting 141,588 refugees, mainly from Eritrea, Ethiopia, Chad, and Uganda. In that same year there were 4,271 asylum seekers and 290 returned refugees. However, there were also 662,302 internally displaced persons who were at a camp in West Darfur, and another 37,416 former Eritrean refugees in Sudan. In 2005, the net migration rate was an estimated -8.78 migrants per 1,000 population. Worker remittances in 2003 amounted to \$1.2 billion.

## 8 ETHNIC GROUPS

Indigenous Sudanese include Nilotic or Negroid peoples, of whom the Dinka form the largest portion, and constitute about 52% of the national population; Arabs account for an estimated 39% of the population and Beja for 6%. In all, there are nearly 600 ethnic groups. Foreigners constitute 2% of the total populace; other groups another 1%.

## 9 LANGUAGES

Arabic, the official language, is the mother tongue of about half the population. Besides standard Arabic, Nubian and Ta Bedawie are also commonly spoken. English is used widely, in many cases serving as a lingua franca among the southern tribes. In all, more than 400 diverse dialects of Nilotic, Nilo-Hamitic, and Sudanic languages are spoken.

## 10 RELIGIONS

The state religion is Islam, whose adherents, primarily Sunni, account for about 65% of the population; most of them live in the north. As an important transit station for Mecca-bound African pilgrims, Sudan remains intimately linked with the Islamic world. Among the Muslims, religious brotherhoods (*tarigat*) play an important role in sectarian and communal life. The two most popular brotherhoods are the Ansar, which is closely associated with the Umma Party, and the Khatimia, which is associated with the Democratic Unionist Party.

About 25% of the population are practitioners of traditional indigenous religions. About 10% of the population are Christians, particularly in the south, where Christianity is reported to be growing rapidly. Most of the Christian community are professed



LOCATION: 23° to 3° N; 22° to 38° E. BOUNDARY LENGTHS: Egypt 1,273 kilometers (789 miles); Red Sea coastline, 853 kilometers (529 miles); Eritrea, 605 kilometers (376 miles); Ethiopia, 1,606 kilometers (998 miles); Kenya, 232 kilometers (144 miles); Uganda, 435 kilometers (270 miles); Democratic Republic of the Congo (DROC), 628 kilometers (390 miles); Central African Republic, 1,165 kilometers (724 miles); Chad, 1,360 kilometers (845 miles); Libya, 383 kilometers (238 miles).

TERRITORIAL SEA LIMIT: 12 miles.

Roman Catholics, Greek Orthodox, Coptic, and Anglican Christians are found in small numbers in towns. There is reported evidence, however, that many Christians continue to practice elements of traditional indigenous religions.

The 1973 constitution guaranteed unrestricted freedom of religion, but Islam was cited as the official religion. Christian mission schools in the south were nationalized in 1957 and foreign missionaries were expelled from the south in 1963–64. At present, religious organizations are subject to the 1994 Societies Registration

Act, which replaced the controversial 1962 Missionary Societies Act. Theoretically, it allows churches to engage in a wider range of activities; however, churches are subject to the same restrictions placed on nonreligious corporations. Religious groups must be registered and approved in order to be recognized or gather legally.

The civil war that resumed in 1983 is largely religious. The government is dominated by northern Muslims while southern rebel groups are mostly Christians and traditionalists. The govern-



ment, which claims Islam as the state religion, supports adherence to Shariah (Islamic) law and has declared a jihad, or holy war, against the rebel factions. The primarily Christian rebel group, the Sudan People's Liberation Movement (SPLM) supports a secular government, but seems willing to allow Shariah law in the northern states.

The government and Muslim majority continue to discriminate against and persecute non-Muslims. Many non-Muslims have been fired from jobs in civil service and non-Muslim business owners are often harassed and discriminated against in matters of government contracts and trade licenses. Students of Christian schools are often kept from completing their compulsory military service, which is required in order to move on to the university. Many Muslim employers do not allow Christian employees time off to attend Sunday worship services. Throughout the civil war, several non-Muslim women and children have been captured by Muslims, sold into slavery and forced to convert to Islam. Conversion from Islam to any other religion is punishable by death.

## <sup>11</sup>TRANSPORTATION

With the exception of a few interurban bus lines and taxi systems, all land, sea, river, and air transportation facilities are owned by the state. As of 2004, the country's 5,995 km (3,725 mi) of railroad track (all of it narrow gauge) linked most of the main towns of Sudan. The principal terminals are: Khartoum and Port Sudan in the east; Wadi Halfa' in the north (on the Egyptian border); Al Ubayyid in the center of the country; Nyala in the west; and Waw in the south. 'Aṭbarah on the Nile River (north of Khartoum) is an important junction and seat of the central administration, repair shops, and equipment-manufacturing plants of the Sudan Railways Corp.

In 1966, a bridge linking Khartoum North and Omdurman, and the enlargement of the bridge on the White Nile between Khartoum and Omdurman were completed, facilitating the circulation of traffic around these three towns. A major road (1,197 km/744 mi) linking Port Sudan with Khartoum was completed in 1980. In 2002, the overall road system totaled 11,900 km (7,395 mi), of which 4,320 km (2,684 mi) were paved. As of 2003, there were 37,100 passenger cars and 47,465 commercial vehicles.

Sudan, as of 2004, had 4,068 km (2,530 mi) of navigable inland waterways, of which 1,723 km (1,072 mi) on the Blue and White Nile rivers are open year round. River transport services link many communities. The White Nile route between Kusti and Juba (1,436 km/892 mi) is of crucial importance. Port Sudan, on the Red Sea, is primarily a cargo port, handling all of Sudan's cotton exports as well as most food imports. Passenger traffic is insignificant except for Mecca-bound pilgrims. A small Sudanese merchant marine was founded with assistance from the former Yugoslavia. As of 2005, it had two vessels (a cargo ship and a livestock carrier) of 1,000 GRT or more, totaling 20,466 GRT.

There were an estimated 75 airports in 2004. In 2005, a total of 14 had paved runways, and there was also one heliport. The international airport is at Khartoum. The state-owned Sudan Airways Corp., founded in 1947, links the main cities and provides extensive international service. Flights to the south were suspended in the mid-1980s because of the civil war. In 2003, about 421,000 passengers were carried on scheduled domestic and international flights.

## <sup>12</sup>HISTORY

The salient events in recorded Sudanese history occurred in the northern half of the country. The kingdom of Kush (or Cush), rich in gold and iron and sustained by irrigation from the Nile floodwaters, broke away from Egyptian rule about 1000 BC. It became a separate kingdom, with its capital at Napatan, and developed under the pervasive influence of Egyptian culture. It conquered Egypt for a time (736–657 BC), moved its capital to Meroe (now Merowe) in 538 BC, and was destroyed about AD 350 by the Aksumite (or Axumite) Empire in Ethiopia.

Following the fall of Kush, two successor kingdoms arose: Maqurra, in northern Sudan, with its capital at Old Dongola; and Alwa, in central Sudan, with its capital at Soba. Maqurra fell in the 15th century to an alliance of Arabs and Mamlukes from Egypt. Around the beginning of the 17th century, Alwa was conquered by an alliance of Arabs and a loose confederation of tribes ruled by the "Black Sultans" of the Funj dynasty, with their capital at Sennar. The inhabitants of the south, until the 20th century, lived in primitive tribal isolation, interrupted only by explorers and perennial slave raiding.

In the 1820s, the autonomous Ottoman viceroy of Egypt, Muhammad 'Ali, defeated the Funj sultan and brought Sudan under Turco-Egyptian rule, which lasted until 1885. By then, most of the Sudanese tribes had revolted against the harshness and corruption of the regime and rallied under the leadership of a northern shipwright, Muhammad Ahmad bin 'Abdallah. He proclaimed himself the Mahdi (Rightly Guided One), whose coming to achieve the complete victory of Islam had been prophesied in Muslim tradition. After decisively defeating a series of punitive expeditions, the Mahdi took possession of Khartoum in 1885, whereupon his troops captured and beheaded the governor, Gen. Charles Gordon, one of the British officers in the employ of Egypt. The Mahdi installed himself as head of a theocratic state, which survived until 1898, when an Anglo-Egyptian invasion force under Gen. Horatio Herbert Kitchener defeated the Mahdi's successor, the Khalifa ('Abdallah bin Muhammad), in the battle of Omdurman. British rule was set up under a nominal Anglo-Egyptian "condominium" following a French attempt to seize parts of Sudan, an effort thwarted by Kitchener at Fashoda (now Kodok) in an incident that almost provoked a war between France and Great Britain. British administration did much to restore law and order, repress slave trading, and bring modern government and economic stability to Anglo-Egyptian Sudan, as it was then called.

Sudanese nationalism erupted after World War I with Egyptian support and received its decisive impetus during World War II, when British-led Sudanese troops distinguished themselves in repelling a vastly superior Italian force. An Egyptian scheme to join Egypt and Sudan in a dual monarchy under King Faruk miscarried, as did other proposals for the "unity of the Nile Valley." Prolonged Anglo-Egyptian negotiations for agreement on a mutually acceptable form of Sudanese independence reached fruition in 1953, after Faruk was deposed.

The new Republic of the Sudan, under a parliamentary government, was proclaimed on 1 January 1956. On 17 November 1958, a military dictatorship was installed, headed by Lt. Gen. Ibrahim Abboud, commander-in-chief of the armed forces, after a bloodless coup that had the support of some party leaders. President

Abdoud's military regime was overthrown on 26 October 1964, and civilian politicians ruled for the next five years.

A revolutionary council led by Col. Gaafar Mohammed Nimeiri (Ja'far Muhammad Numayri) overthrew the government in a bloodless coup on 25 May 1969 and established the Democratic Republic of the Sudan. The new government suspended the constitution, the Supreme Council of State, the National Assembly, and all political parties; the ex-president and former ministers were arrested. Nimeiri became prime minister in October 1969. On 25 May 1971, he proclaimed that Sudan would become a one-party state, with the Sudanese Socialist Union the sole political organization. A provisional constitution was promulgated on 13 August 1971, and Nimeiri, running unopposed, was elected president in September, receiving 98.6% of the votes cast. One of Nimeiri's most significant acts was to bring an end to the sporadic civil war that had plagued Sudan since independence. A settlement with autonomist forces in the south was reached in February 1972, when negotiators for the Sudanese government and the South Sudan Liberation Front, the Anyanya rebels, agreed on a cease-fire and on autonomy for the southern provinces.

Nimeiri was reelected without opposition in 1977 and 1983, but his regime had to weather considerable turmoil both domestically and in relations with neighboring countries, especially Libya. An abortive left-wing coup attempt in July 1971 led to the execution of leading Sudanese Communists; the banning of the Trade Union Federation, the Public Servants Union, and the Teachers Union (all formerly Communist-dominated); and the expulsion of East German security advisers. Another alleged coup was foiled in January 1973, and an abortive, Libyan-inspired attempt on Nimeiri's life was disclosed by the Sudanese government in April 1974. Student riots and disclosure of yet another abortive coup came in October 1974, and during the following year the Nimeiri government faced and successfully suppressed at least two military rebellions.

In July 1976, an attempted coup by the Ansar brotherhood, allegedly with Libyan support, was crushed. In subsequent years, Nimeiri charged repeatedly that Libya was aiding Muslim dissidents in Sudan. On 16 March 1984, Omdurman was bombed by what Sudan, Egypt, and the United States claimed (but Libya denied) was a Libyan air force TU-22. Nimeiri declared a state of emergency in April 1984 to cope with protests over rising prices and a new government Islamization program (in July of that year, the National People's Assembly rejected his attempt to make Sudan an official Islamic state). The state of emergency ended in September 1984, but by then a new rebellion was under way in the south, which had become alienated by Nimeiri's efforts to restrict its autonomy and apply Shariah (Muslim law). Many Sudanese were shocked by the execution of Mahmoud Mohammed Taha, a popular Muslim political and religious leader, for heresy (in criticizing the application of Shariah) in January 1985.

Riots broke out in the spring of 1985, when, in order to gain new loans from international creditors, Nimeiri removed subsidies on basic commodities, causing prices to rise. On 7 April 1985, Nimeiri was replaced by a military council headed by Gen. Abdel-Rahman Swar ad-Dhahab. The country was renamed the Republic of Sudan, the ruling Sudanese Socialist Union was abolished, political and press freedom was restored, and food prices were lowered. Sudan reverted to a policy of nonalignment in foreign policy, backing away from its close ties with Egypt and the United States.

### Unrest in the South

General elections held in April 1986 resulted in a moderate civilian coalition government headed by Prime Minister Sadiq al-Mahdi. The government's chief problem was the continuing rebellion by the Sudanese People's Liberation Army (SPLA), which controlled much of the south and prevented voting there. The SPLA halted air traffic (including food relief) to the south and opposed two major projects vital to the economy—oil exploration and a canal that would provide water to the parched north. The coalition government was headed by the northern-based Ummah. It began searching for a formula to unite the country with the SPLA which, unlike the earlier Anyanya, was also committed to unity. Divisions with government over meeting key SPLA demands, most especially the repeal of Islamic law, prolonged the civil war. In March 1989, a new government composed of Ummah Party and Democratic Unionist Party (DUP) ministers agreed to accommodate the SPLA.

However, on 30 June 1989, a group of army officers led by Brig. Omar Hasan al-Bashir overthrew the civilian government. Mahdi was arrested and fighting in the south escalated. The coup makers created a National Salvation Revolutionary Command Council (RCC), a junta composed of 15 military officers assisted by a civilian cabinet, suspending the 1985 transitional constitution, abrogating press freedoms, and dissolving all parties and trade unions. In September 1989 the government sponsored a "National Dialogue Conference on the Political System" which produced a proposal for a new federal system of government. On 23 April 1990, Bashir declared a state of emergency and dissolved parliament. An alleged coup attempt prompted that move. The following day, 28 officers were court martialed and executed.

Despite these measures and the efforts by third parties, including former US president Jimmy Carter and Nigeria, to further the peace process, few positive results were obtained. With the fall of Ethiopia's Marxist government in 1991, the SPLA rebel faction lost its chief patron. A 1992 government offensive, coupled with a major political split in the SPLA, reduced rebel-held territory while increasing casualties and displaced persons with the latter numbering, at times, over two million.

Civilian rule returned nominally to Sudan in 1993, when the RCC was formally dissolved and Bashir was declared president. However, Bashir retained control of the military, and the government was dominated by the fundamentalist National Islamic Front (NIF), under the leadership of Hassan al-Turabi. Bashir was elected president with a reported 75% of the vote in the 1996 national elections, which were boycotted by major opposition groups; following the elections, al-Turabi was elected speaker of parliament.

In the 1990s, because of its militant Islamic policies, Sudan became increasingly isolated internationally. Sudan has given sanctuary to Muslim rebels from Tunisia and Algeria, to the Hezbollah (Party of God), to Palestinian rebels, and to the Lord's Resistance Army in Uganda. Iran assists Sudan militarily. The regime purged the civil service, the armed forces, the judiciary and the educational system of non-Muslims. It also promulgated a Penal Code based on Islamic Law. The UN General Assembly condemned Sudan's human rights violations in 1993. The United States added Sudan to its list of countries spawning international terrorism that year, and tensions with Egypt grew as well. Under international pressure, Sudan adopted a new constitution in 1998 providing

for a multiparty government; registration of new parties began in 1999.

In the same year, fighting in the oil-rich southern part of the country escalated into wholesale destruction. Human rights abuses multiplied as factional rivalries intensified between rebels loyal to SPLA leader John Garang and militants of the Nasir faction of the SPLA. The latter rejected all cooperation with the Islamic north. Famine relief efforts in the region had to be suspended owing to rebel attacks. In March 2000, a number of nongovernmental organizations (NGOs) left the country after refusing to comply with restrictions imposed by rebel authorities.

In the meantime, a power struggle between President Bashir and Hassan Turabi, party leader, parliamentary speaker, and architect of the nation's Islamist policies, ended with Turabi's forced removal and the dismissal of the National Assembly in a military raid ordered by Bashir in December 1999. In widely boycotted and discredited elections held in December 2000, Bashir was reelected and the NCP gained 355 seats to five for nonpartisans in the National Assembly. The struggle between Bashir and Turabi continued; Bashir had Turabi imprisoned March 2004–June 2005.

On 26 May 2004, the Khartoum government and the SPLA signed a power-sharing agreement in Naivasha, Kenya. On 19 November the two sides signed a pledge to commit themselves to end the 21-year civil war, a pledge which was signed in front of the 15 UN Security Council members meeting in Nairobi; this was only the fourth time the Security Council had met outside its New York headquarters. On 9 January 2005, a comprehensive peace agreement was signed, ending more than two years of intense negotiations. In July 2005, John Garang of the SPLA was sworn in as vice-president of Sudan (Bashir remained president) and three weeks later he was killed in a helicopter crash. Rioting broke out in Khartoum and other cities upon news of his death and within a week the death toll was more than 130.

### Darfur

Beginning in 2003 in Darfur—the western region of Sudan which is slightly larger than France—Arab nomads supported by the Khartoum military and government-backed Janjaweed militia groups began to attack the Fur people, subsistence farmers who make up the major ethnic group in the region. The Fur are supported by the rebel Sudan Liberation Movement/Army (SLM/A) and the Justice and Equality Movement (JEM) faction of the SLM/A. The SLM/A in early 2003 began to attack government and military outposts, with the intent of gaining influence in the affairs of the region after having been systematically marginalized socio-economically. The government armed the nomads and sent the Janjaweed—translated "men with guns on the backs of beasts"—to raid black villages on horseback, on camels, and in trucks, with guns and machetes. The Janjaweed rampages resulted in what has been called one of the world's worst humanitarian crises: countless rapes, the murders of more than 70,000 people, and the displacement of nearly two million people. The rebels claimed the depopulation of villages and consequent changes in land ownership were part of a government strategy to change the entire demography of Darfur. The government denied all humanitarian agencies access to the region; refugees were housed in camps on the border of Chad. In April 2004, the two sides agreed to a temporary cease-fire to allow for humanitarian agencies to reach those in need of

help, but the Janjaweed continued their attacks. In May 2004, the United Nations condemned the attacks on civilians and called on the Khartoum government to prevent the Janjaweed from carrying out strikes against the black African population. In July 2004, the US Congress declared the mass killings of civilians in Darfur to be genocide. A Declaration of Principles for the Resolution of the Sudanese Conflict in Darfur was signed in July 2005. By that time, estimates of the number of dead—many from hunger and disease in addition to violence—ranged from 70,000 to nearly 350,000.

## 13 GOVERNMENT

Until 2005, the government was led solely by President Lt. Gen. Omar Hasan Ahmad al-Bashir, who assumed supreme executive power in 1989 and retained it through several transitional governments in the early and mid-90s before being popularly elected for the first time in March 1996. The president is both the chief of state and head of government, and he appointed the Council of Ministers. The president serves a five-year term.

An election was held 13–23 December 2000, but it was widely dismissed as rigged and was boycotted by all opposition parties. The unicameral National Assembly consists of 360 seats—270 popularly elected and 90 elected by a supra assembly of interest groups known as the National Congress. Members serve four-year terms. Elections were held from 13–22 December 2000. The next presidential as well as legislative elections were scheduled to take place in 2009.

Historically, the government has experienced several coups and reconfigurations. A constitution took effect only on 8 May 1973—Sudan's first permanent governing document since independence in 1956. It established a presidential system and a one-party state, with the Sudanese Socialist Union (SSU) as the only political party. Nominated by the SSU for a six-year renewable term, the president (after confirmation by national plebiscite) appointed vice presidents, a prime minister, and cabinet ministers, who were answerable to him. The president was also supreme commander of the armed forces. Legislative power was vested in the 151-seat National People's Assembly.

This constitution was suspended on 6 April 1985. A temporary constitution was established on 10 October 1985, pending a permanent one to be drawn up by the National Assembly elected in 1986. A six-member civilian Supreme Council, including a president, was established as the nation's executive body in 1986, replacing the military council that had seized power in 1985. A Council of Ministers, led by a prime minister and responsible to the National Assembly, was also established to carry out executive powers.

After the 1989 military coup, the 1985 transitional constitution was suspended. In January 1991, the RCC imposed Islamic law in the six northern provinces. Executive and legislative authority was vested in a 15-member Revolutionary Command Council (RCC). Its chairman, acting as prime minister, appointed a 300-member transitional National Assembly. In mid-October 1993, Bashir dissolved the RCC and officially declared himself president. On 30 October 1993, President Bashir announced a new, predominantly civilian cabinet that consisted of 20 federal ministers, most of whom retained their previous cabinet positions. On 9 February 1995 Bashir abolished three ministries and divided their portfo-

lios to create several new ministries. These changes had the effect of increasing the National Islamic Front's presence at the ministerial level and consolidating its control over the Ministry of Foreign Affairs. Bashir was elected to a five-year term in March 1996. In 1998, a new constitution was promulgated that nominally provided for a multiparty political system. Registration of new parties took place in 1999.

In 2005, President Bashir and Sudanese People's Liberation Army (SPLA) leader John Garang signed a comprehensive peace plan, including a permanent cease-fire, and protocols on sharing power and wealth. The government and the southern rebels agreed to set up a 39,000-strong army, composed of fighters from both sides. They agreed that the south should be autonomous for six years, after which a referendum would be held on the key issue of independence. Shariah law would remain in the north, but not in Khartoum proper. The two sides agreed to a 70 to 30 split of all jobs in the central administration, in favor of the government. In the oil-rich central regions of Abyei, Blue Nile State, and the Nuba mountains, administrative jobs would be divided 55 to 45, once again in favor of the government. Sudan's oil wealth itself is to be divided equally between the north and south. After Garang's death in July 2005, Salva Kiir was sworn in as first vice-president. Bashir remained president.

#### 14 POLITICAL PARTIES

The political groupings that emerged in Sudan's struggle for independence focused on personalities or specific interest groups rather than ideology or party machinery. The most powerful force before 1958 was the Ansar sect and the Ansar-sponsored Ummah Party. Other parties were closely affiliated with the Khatmiyah sect, led by Sayyid 'Ali al-Mirghani; the leftist-dominated labor unions; the Graduates Congress, an organization of college graduates; and leaders of the black tribes of the south. For the first three years of the country's independence, these parties were strongly divided on such issues as union with Egypt (opposed by the Ummah Party); alignment with the West in economic and foreign affairs (opposed by the Khatmiyah, the labor unions, and the Graduates); Communism (courted by elements in most parties and labor unions); political secularization (sought by leaders not aligned with the religious sects); federalism (demanded by southern spokesmen); and fear of the royal aspirations of the Mahdi family. These divisions helped bring about the downfall of several coalition cabinets and finally weakened the parliamentary system to the point where the army could successfully carry out a coup without encountering resistance. Political activity was banned in 1958 and was not resumed until the overthrow of the Abboud government in October 1964.

In 1966, the Ummah Party split into two groups, one conservative, the other progressive. The following year, the Democratic Unionist Party (DUP) was formed from the amalgamation of the National Unionist Party and the People's Democratic Party. In the May 1968 elections, the DUP won 101 of 218 parliamentary seats, while no other party captured more than 36.

After the 1969 military takeover, existing political parties were banned and a special attempt was made, beginning in 1971, to suppress the powerful Communist Party. The 1973 constitution provided for a one-party state, with the Sudanese Socialist Union (SSU), established by Nimeiri in 1971, as the sole legal political

organization. In elections for the National People's Assembly, only candidates approved by the SSU were allowed to run.

In April 1986, in the first free elections held since 1968, the Ummah Party won 99 of 301 parliamentary seats, the DUP won 63, and the fundamentalist National Islamic Front (NIF) won 51. The remaining seats went mainly to regional parties, but 37 seats from the south were unfilled because of the civil war and the boycott of the elections by the Sudanese People's Liberation Front. The Ummah Party, the DUP, and four southern parties formed a coalition government, with the NIF in opposition. In August 1987, the coalition fell apart when the DUP broke away from the Ummah Party after an election in which it lost one of its two seats on the Supreme Council to an Ummah candidate, reportedly because the DUP candidate had been a close aide of Nimeiri. Prime Minister Sadiq al-Mahdi, aligned with the Ummah Party, retained his position until his overthrow in June, 1989.

In the elections for the National Assembly, held (except in the south) from 21 April to 8 May 1965, the Ummah again emerged as the most important party, gaining 76 of the 173 contested seats. The National Unionist Party, a right-wing party favoring close relations with Egypt, won 53 seats and formed a coalition government with the Ummah Party. During the mid-1960s, two regional parties—the Southern Front, formed in 1964 by Southerners living in the north, and the Sudan African National Union (SANU), formed in 1966 by Sudanese exiles in Uganda—advocated self-determination and independence for the south.

The Revolutionary Command Council (RCC) banned all parties in 1989 except for the NIF, whose members and supporters held most key positions. After the dissolution of the RCC in October 1993, the NIF further tightened its grip on the state. The RCC's executive and legislative powers were transferred to the president and the Transitional National Assembly (TNA), Sudan's appointed legislative body, which was replaced by the National Assembly elected in March 1996.

The main opposition to the central government became the Sudan's People's Liberation Army (SPLA) which joined forces in 1997 with a new alliance of northern rebels known as the National Democratic Alliance. This opposition was sponsored by Ethiopia and Eritrea, and encouraged by the United States, which holds the government of Sudan responsible for sponsoring international terrorism and for committing atrocities against its Christian population in the south.

A new constitution adopted in 1998 and revised in 2000 recognized political parties other than the NIF for the first time since 1989. However, parties had to accept the constitution and refrain from advocating or using violence against the regime. Approved parties include the ruling National Congress Party (NCP) led by Ibrahim Ahmed Umar, Popular National Congress (PNC) led by Hassan al-Turabi, and over 20 minor pro-government parties. In the fall of 1998, the National Islamic Front (NIF) changed its name to the National Congress Party.

In presidential elections held in December 2000, al-Bashir was reelected president with 86.5% of the vote, followed by Ja'afar Muhammed Numayri with 9.6%. Three other candidates received less than a combined 4% of the vote. In the boycotted parliamentary elections of 13–22 December 2000, the NCP took 355 of 400 seats. The next elections were scheduled to take place in 2009.

## 15 LOCAL GOVERNMENT

Local government experienced reorganizations in 1983, 1989, and 1994. The constitutional decree of 2 February 1994 created 26 states, each subdivided into 66 provinces and 218 districts. President Bashir stated his intention to devolve executive and legislative powers “never experienced in remote areas” to state governments. In theory, states are to be led by elected governors, deputy governors, and a cabinet of ministers.

## 16 JUDICIAL SYSTEM

The court system includes regular courts (both criminal and civil), special security courts, military courts, and tribal courts. The chief justice of the Supreme Court, as the senior judge, presides over the judiciary and according to the 1973 constitution, is directly responsible to the president through a council headed by the president. Civil justice is administered by the Supreme Court, courts of appeal, and lower courts, while criminal justice is administered by major courts, magistrates’ courts, and local people’s courts.

As of 20 January 1991, the now defunct Revolutionary Command Council imposed Islamic law in the northern states. For Muslims, justice in personal matters such as domestic relations and probate, is administered by Muslim law courts, which form the Shariah Division of the Sudan judiciary. The Shariah Division includes a court of appeal, high courts, and qadis’ courts. The president of the Shariah judiciary is the grand qadi.

The judiciary remains largely subservient to the government. In 1989 the National Salvation Revolution Command Council (RCC) placed responsibility for supervision of the judiciary with the Ministry of Justice. The 1989 Special Courts Act created three-person security courts to handle offenses involving violations of constitutional decrees, emergency regulations and some sections of the penal code. A 1993 decree dissolving the RCC gave the NIF-dominated transitional National Assembly the power to issue constitutional decrees.

## 17 ARMED FORCES

Sudanese armed forces totaled approximately 104,800 active personnel in 2005. The Army had an estimated strength of 100,000 personnel, whose equipment included 200 main battle tanks, 70 light tanks, 218 reconnaissance vehicles, 75 armored infantry fighting vehicles, 241 armored personnel carriers and over 1,105 artillery pieces. The Navy had an estimated 1,800 personnel. Major naval units included 18 patrol craft and 2 amphibious landing craft. The Air Force numbered 3,000 personnel and was equipped with 34 combat capable aircraft, that included 26 fighters and 8 fighter ground attack aircraft. The service also had 10 attack helicopters. Paramilitary forces numbered 17,500 active members and 85,000 reserves. In 2005, the defense budget totaled \$483 million. The Sudanese armed forces, largely Muslim, face an estimated 25,000 rebels of the Sudanese People’s Liberation Army and another 3,000 in other opposition groups.

## 18 INTERNATIONAL COOPERATION

Sudan joined the United Nations on 12 November 1956; it participates in ECA and several nonregional specialized agencies, such as the FAO, UNESCO, UNHCR, the World Bank, IAEA, and the WHO. The nation belongs to the African Development Bank, the

Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Islamic Development Bank, the ACP Group, the Council of Arab Economic Unity, the Organization of the Islamic Conference (OIC), G-77, the Arab League, the Community of Sahel and Saharan States (CENSAD), COMESA, the New Partnership for Africa’s Development (NEPAD), and the African Union. Sudan holds observer status in the WTO.

Though the government has shown cooperation in international counterterrorism talks, Sudan has remained on the US list of State Sponsors of Terrorism for its alleged support of such groups as the Egyptian Islamic Jihad, the Palestinian Islamic Jihad, Hamas, and the Lord’s Resistance Army. Sudan is part of the Nonaligned Movement. In environmental cooperation, Sudan is part of the Convention on Biological Diversity, CITES, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Sudan has an agricultural economy, employing 80% of the workforce, holding considerable potential for irrigated production. Cotton and sesame account for almost a quarter each of export earnings. The livestock sector is sizable as well. However, droughts have led to famines, and civil war has led to the virtual collapse of the economy. The slave trade is alive and prospering in Sudan, operating at about \$50 a head in 1999. It is estimated that in the south as many as one million civilians have died and more than five million have been uprooted because of civil war. Economic development is also hindered by a poor transportation system that increases the cost of transporting goods over long distances; Sudan is the largest country in Africa.

Sudan’s failure to service its international debt, together with a poor human rights record, led, in 1993, to the World Bank suspending financing of 15 development projects, and to the IMF suspending Sudan’s voting rights in the organization (they were restored in 2000). Sudan was the world’s largest debtor to the IMF in 2003, with arrears of over \$1 billion. Total foreign debt exceeds \$24 billion, and high inflation has put consumer goods beyond the reach of most. In 2003, the civil war and Sudan’s international isolation continued to inhibit growth in the nonagricultural sectors, although progress on the peace process was being made with strong backing from the international community. Petroleum discoveries in the south-central region of Sudan and their export in 1999 raised hopes of economic salvation, but political instability undermines the prospect for lasting improvement in the economy. The economy, in terms of GDP, grew at an annual rate of 6.32% between 2001 and 2005, largely due to increased oil production, enhanced light industry, and an expansion of export processing zones.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Sudan’s gross domestic product (GDP) was estimated at \$85.5 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current

dollars. The per capita GDP was estimated at \$2,100. The annual growth rate of GDP was estimated at 8.6%. The average inflation rate in 2005 was 11%. It was estimated that agriculture accounted for 38.7% of GDP, industry 20.3%, and services 41%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.224 billion or about \$37 per capita and accounted for approximately 6.9% of GDP. Foreign aid receipts amounted to \$621 million or about \$19 per capita and accounted for approximately 3.8% of the gross national income (GNI).

It was estimated that in 2004 about 40% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

There were an estimated 11 million people in the Sudanese labor force as of 1996 (the latest year for which data was available). As of 1998 (the latest year for which data was available), industry and commerce engaged an estimated 7% of the labor force, with government accounting for 13% and agriculture 80%. Unemployment was estimated at 18.7% in 2002.

The trade union movement was reconstituted after the 1971 coup attempt. Strikes, banned by the government in May 1969, were legalized in 1985. The 1989 coup, however, brought a swift end to the strong labor movement which had been growing under the Sadiq al-Mahdi administration. The National Salvation Revolution Command Council (RCC) abolished labor unions and prohibited strikes by decree on 30 June 1989. The right to organize and join a union has since been restored, but the government dominates the leadership of all unions and tightly controls their activities. The largest union is the Sudan Workers Trade Union Federation with some 800,000 members in 2002.

The presence of slavery and forced labor continue to persist in Sudan and have increased in recent years. Slaves are generally taken in one of the southern war zones and then sent north to work as domestic servants, agricultural workers, or to be sent abroad. The minimum wage is about \$11 per month and is insufficient to support the average family. Although the minimum age for employment is legally set at 18 years, this is not enforced and children as young as 11 years old work full-time in all areas including industry. The legal workweek is set at six eight-hour days, with Friday designated as a day of rest.

## 2<sup>2</sup> AGRICULTURE

About one-third of the total area of Africa's largest country is suitable for agricultural development. Abundant rainfall in the south permits both agriculture and grazing grounds for the large herds owned by nomadic tribes. In the north, along the banks of the Nile and other rivers, irrigation farming prevails. Of an estimated 17.4 million hectares (43 million acres) of arable land in 2003, about 1.9 million hectares (4.7 million acres) were irrigated. Principal cash crops are cotton, sesame, peanuts, sugarcane, dates, citrus fruits, mangoes, coffee, and tobacco; the principal subsistence crops are sorghum, millet, wheat, beans, cowpeas, pulses, corn, and barley. Cotton is the principal export crop and an integral part of the country's economy. In 2004, agricultural products accounted for 23.5% of imports and 15.2% of exports; there was an agricultural trade deficit of \$242.4 million.

Government regional development schemes have played a decisive part in the economy since the 1920s. The Gezira Scheme,

located between the Blue and White Niles near their confluence at Khartoum, is the world's largest under a single management and provides a substantial portion of foreign exchange and government revenue. This storage irrigation project, which covers 840,000 hectares (more than 2 million acres) but has an additional potential of 2 million hectares (5 million acres), dates back to 1911 and was put into operation by a British firm. After the expiration of the firm's contract with the Sudanese government in 1950, the land was leased to tenant farmers, who numbered over 100,000 in 1987. They manage the scheme jointly with the government through the Gezira Board. In July 1980, construction began on the 354-km (220-mi) Jonglei Canal, intended to drain the Sudd swamp and channel water from the White Nile to the arid northern Sudan and to Egypt. Built by a French consortium at a projected cost of \$260 million and scheduled for completion in 1985, the canal could irrigate up to 243,000 hectares (600,000 acres) of Sudanese land. By 1984, however, the project had been halted by SPLA opposition, with less than 100 km (62 mi) to be excavated. In 1992, the public and private agricultural sectors invested heavily in land preparations, pesticides, and related inputs. Agricultural funding for such projects comes from the World Bank, the African Development Bank, and the International Fund for Agricultural Development. However, completion of these projects has been complicated by debt-repayment problems. In spite of efforts to improve Sudan's agricultural resources, famine conditions have existed in southern Sudan since 1986. Inadequate rains, a poor distribution infrastructure, and civil war have hampered relief efforts.

Among agricultural products in 2004 were sorghum, 2,600,000 tons; peanuts, 1,200,000 tons; sesame, 325,000 tons (the fourth-highest in the world after India, China, and Myanmar); and wheat, 332,000 tons. Cotton fiber production in 2004 was 187,000 tons. Production in 2004 also included sugarcane, 5,500,000 tons; millet, 784,000 tons; cottonseed, 269,000 tons; tomatoes, 700,000 tons; dates, 330,000 tons; yams, 137,000 tons; and corn, 60,000 tons.

## 2<sup>3</sup> ANIMAL HUSBANDRY

In 2005, the livestock population was estimated at 47 million sheep, 38.3 million head of cattle, 42 million goats, 3.3 million camels, and 37 million chickens. The national livestock herd was second only to that of Ethiopia in Africa. Cattle, found mostly in the southern rainfall area, are of two types: the shorthorn zebu of Asian origin and the longhorn sanga. Nomadic or seminomadic pastoral tribes own the bulk of the cattle. Sudanese sheep have hairy coats and are grown for meat rather than wool. They are owned almost exclusively by nomadic or seminomadic tribes. The tsetse fly prevents livestock raising in an area of approximately 200,000 sq km (77,000 sq mi) in the south. Livestock products in 2005 included an estimated 3,264,000 tons of cow's milk, 714,000 tons of meat, and 47,000 tons of eggs. Widespread smuggling also reduces income available to the government from livestock exports.

## 2<sup>4</sup> FISHING

In the southern provinces and towns, fish, particularly the Nile tilapia, is a diet staple. The river yields some 110 varieties of fish, and the Red Sea is another valuable fishing ground. In 2003, the total catch was 59,607 tons, 92% from freshwater sources.

## 25 FORESTRY

About 26% of Sudan is covered by forests. About 61.6 million hectares (152.2 million acres) of Sudan are covered by forests, half of which are dense stands of trees, mostly in the south. Sudan supplies over 80% of the world's needs of gum arabic, extracted from the acacia. Production of roundwood was estimated at 19.6 million cu m (693.8 million cu ft) in 2003, with 89% used as fuel. Timber production, apart from cutting for local village needs, is confined to forests lying within reach of navigable rivers or areas served by roads and railways. The Ministry of Agriculture and Natural Resources maintains forests, administers public preserves, and operates sawmills. Around 11% of Sudan's forests are in protected areas. The annual average deforestation rate during 1990–2000 was 1.4%.

## 26 MINING

Sudan was not rich in mineral resources, and the mineral sector has traditionally made a negligible contribution to the economy, although rising production of gold and crude petroleum in recent years has substantially increased the sector's influence. In 2002, mining accounted for 9% of Sudan's gross national product (GDP), which grew by 5.8% in 2003 and by 6% in 2002.

Estimated mineral production in 2003 included salt, 84,000 metric tons; mine chromite (gross weight), 47,000 metric tons (reported); gold, from the Red Sea Hills, 5,000 kg, down from 5,239 kg in 2002 (excluding artisanal output); gypsum, 4,600 metric tons; and hydraulic cement, 320,000 metric tons, up from 195,300 metric tons in 2002. In addition, Sudan presumably produced in 2003 clay and/or shale for cement, limestone for cement, lime, construction aggregate and fill, other construction materials (clays, sand and gravel, and stone), and marble for export. In 2003 Sudan produced an estimated 3,300 kg of silver. Sudan was also known to have deposits of barite, copper, iron ore (large reserves near Port Sudan), kyanite, lead, nickel, silver, tungsten, wollastonite, and zinc; however, little exploitation of these deposits was expected, because of civil unrest.

## 27 ENERGY AND POWER

Sudan has seen its proven reserves of crude oil increase dramatically since 2001, with crude oil output and exports increasing.

Sudan's proven oil reserves, as of 1 January 2005, have more than doubled from those in 2001, to 563 million barrels versus 2001's total of 262 million barrels, according to the Oil and Gas Journal. However, Sudan's oil reserves may be even larger because much of the country's oil exploration has centered on its central and south-central regions. In 2003 estimated oil production was put at 271,000 barrels per day and at an estimated 343,000 barrels per day in 2004. In 2004, oil consumption averaged 91,000 barrels per day, with net oil exports in that year estimated at 252,000 barrels per day. As of 1 January 2005, according to the Oil and Gas Journal, the country's crude oil refining capacity was estimated at 121,700 barrels per day at three refineries: Port Sudan at 21,700 barrels per day; El Gily at 50,000 barrels per day; and at Khartoum at 50,000 barrels per day.

Although Sudan had natural gas reserves estimated as of 1 January 2005 of 3 trillion cu ft, according to the Oil and Gas Journal,

there appears to be no recorded production or consumption as of 2002.

In 2002, Sudan's electric generating capacity totaled 0.728 million kW, of which conventional thermal based capacity totaled 0.405 million kW and hydroelectric generating capacity 0.323 million kW. Production of electricity in 2002 amounted to 2.787 billion kWh, of which 54.2% was from fossil fuels and the rest from hydropower. Consumption of electricity in 2002 was 2.592 billion kWh.

## 28 INDUSTRY

Sudan's industrial sector has been buffeted by a series of events leading to a significant contraction of output. Foreign exchange was very scarce in the 1980s and led to shortages of raw materials, skilled labor, and energy. In February 1985, the granting of import licenses and letters of credit was suspended. Over 100 manufacturing enterprises shut down as a result. By 1989, many factories were thought to be operating at 5% of capacity. Industry contributed 17% to GDP in 1999 and 24.1% in 2003.

Prior to this difficult period, Sudan's industries supplied many items that had formerly been imported—cotton textiles, sugar, hides and skins, cement, tires, flour, soap, shoes, cigarettes, batteries, sesame oil, biscuits, confectionery, household appliances, paints and varnishes, and plastics. Textiles, the largest industry, were part of a decade-long (1985–95) rehabilitation project. There are a number of cotton ginning plants, including the large Gezira plant. Sudan has a sizeable number of spinning and weaving mills.

The country's reserves of oil and gas are vast, and Sudan is considered to be underexplored. There are three oil refineries, with a total production capacity of 122,000 barrels per day.

Other factories process cotton seed and groundnuts into oil and cake. The Kenana sugar complex, commissioned in 1980, is one of the largest sugar plantation and refining installations in the world, jointly owned by the Sudanese government, the governments of Kuwait and Saudi Arabia, and other private interests.

## 29 SCIENCE AND TECHNOLOGY

The National Council for Research, founded in 1970 at Khartoum, is responsible for planning and directing national research programs in agriculture, medicine, energy, and other fields. The Agriculture Research Corporation of the Ministry of Agriculture, founded in 1904, has its headquarters in Wad Medani, and a Forestry Research Center and the Geological Research Authority operate in Khartoum. The universities of Gezira, Juba, Khartoum, and Nilayn all have faculties or colleges in scientific and technical fields, and the Sudan University of Science and Technology, founded in 1950 at Khartoum, has colleges of agriculture, engineering, and sciences. In 1987–97, science and engineering students accounted for 16% of college and university enrollments. As of 2002, there were 278 researchers and 112 technicians engaged in research and development per million people. High technology exports in 2002 were valued at \$4 million, or 7% of the country's manufactured exports.

### 30 DOMESTIC TRADE

Sudan's mercantile community is well organized through the Sudan Chamber of Commerce, which supplies information and facilitates negotiations with the authorities. The major foreign-owned trading companies, which had controlled all Sudanese trade, were nationalized in 1970.

Omdurman is a commercial center for livestock and handicrafts. The cities of El Fasher, El Gedaref, Juba, Kassala, and Wau serve as regional trade and market centers, primarily for agricultural goods. The few modern shops feature imported products. Most retail trade is conducted in open-air markets or in stalls in buildings near market centers. Because of the low literacy rate, newspaper advertising is of limited significance. Window and sidewalk displays and outdoor advertising are the principal marketing aids. An international trade fair is held annually at Khartoum.

Markets usually function from 7 AM to 2 PM, in order to escape the afternoon heat. Business hours are from 8 AM to 2 PM and 6 to 8 PM, Saturday through Thursday, with Friday as the day of rest. Normal banking hours are 8:30 AM to noon, Saturday through Thursday. Government hours are 8 AM to 2:30 PM.

### 31 FOREIGN TRADE

Sudan relies on agriculture and animal husbandry for its export commodities. The most important exports are oil seeds, especially sesame (22%), cotton (17%), and sheep (12%). Other exports include gold (7.6%), vegetable oil (6.4%), crude vegetable materials (5.3%), and sugar (3.7%). As of 2000 it was expected that the development of oil reserves estimated at over 211 billion barrels might change Sudan's foreign trade situation. Since then this has indeed happened. Crude oil is now the major export commodity from Sudan. In 2004 oil accounted for 87% of export revenues while Sesame accounted for 5%, livestock for 4%, and the rest which includes cotton and gum Arabic the remaining 4%. In 2000, Sudan imported about \$17 million worth of irrigation materials from China. In 2004, 64% of exports went to China and 13% to Japan, while imports came mainly from Saudi Arabia and China.

#### Principal Trading Partners – Sudan (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,616.6	2,492.8	-876.2
China	940.2	254.5	685.7
Saudi Arabia	167.7	316.7	-149.0
United Arab Emirates	70.9	189.5	-118.6
Singapore	65.5	6.3	59.2
United Kingdom	64.0	127.1	-63.1
Egypt	38.9	83.0	-44.1
Areas nes	36.1	173.4	-137.3
Lebanon	24.9	...	24.9
Japan	24.7	135.2	-110.5
Italy-San Marino-Holy See	17.4	75.8	-58.4

(...) data not available or not significant.

SOURCE: 2003 International Trade Statistics Yearbook, New York: United Nations, 2004.

### 32 BALANCE OF PAYMENTS

There is a habitual payments deficit and Sudan continued to suffer from a severe shortage of foreign exchange. Remittances from Sudanese working abroad are discouraged by inequitable exchange rate policies. The 1997 trade embargo with the United States added to stresses on the balance of payments. However, Sudan began implementing IMF macroeconomic reforms in 1997. Sudan began exporting crude oil in 1999, and in the fourth quarter of that year, the country realized its first trade surplus. Approximately 70% of Sudan's crude oil production is exported. The country's external debt stood at \$25 billion in 2005, most of which was in arrears, and international credit is generally not available to Sudan.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Sudan's exports was \$5.25 billion while imports totaled \$5.03 billion resulting in a trade surplus of \$220 million.

### 33 BANKING AND SECURITIES

#### Balance of Payments – Sudan (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-762.5</b>
Balance on goods		-296.6
Imports	-2,651.2	
Exports	2,354.6	
Balance on services		-549.3
Balance on income		-582.3
Current transfers		701.6
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>1,319.2</b>
Direct investment abroad		...
Direct investment in Sudan	1,349.2	
Portfolio investment assets	35.3	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	296.5	
Other investment liabilities	-361.7	
<b>Net Errors and Omissions</b>		<b>-231.0</b>
<b>Reserves and Related Items</b>		<b>-361.7</b>

(...) data not available or not significant.

SOURCE: Balance of Payment Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

The traditional banking system was inherited from the Anglo-Egyptian condominium (1899–1955). When the National Bank of Egypt opened in Khartoum in 1901, it obtained a privileged position as banker to and for the government, allowing it to operate as a semiofficial central bank. Other banks followed, but the National Bank of Egypt and Barclays Bank dominated and stabilized banking in Sudan until after World War II. Post-World War II prosperity created a demand for an increasing number of commercial banks.

Before Sudanese independence, there had been no restrictions on the movement of funds between Egypt and Sudan, and the value of the currency used in Sudan was tied to that of Egypt. This situation was unsatisfactory to an independent Sudan, which established the Sudan Currency Board to replace Egyptian and Brit-



ish money. It was not a central bank because it did not accept deposits, lend money, or provide commercial banks with cash and liquidity. In 1959, the Bank of Sudan was established to succeed the Sudan Currency Board and to take over the Sudanese assets of the National Bank of Egypt. In February 1960, the Bank of Sudan began acting as the central bank of Sudan, issuing currency, assisting the development of banks, providing loans, maintaining financial equilibrium, and advising the government.

In 1996, there were 27 banks in Sudan, of which one, El Nilein Industrial Development Bank, was state-owned. The Bank of Khartoum was privatized at the end of 1995. Banks were nationalized in 1970 but in 1974, foreign banks were allowed to open branches in Sudan.

In December 1990 the government decided to adopt Islamic banking principles. Seven banks in Sudan are based on the principles of Islamic banking that were introduced in September 1984, namely Faisal Islamic Bank of Sudan (FIBS), Islamic Cooperative Development Bank, Tadamon Islamic Bank of Sudan, Sudanese Islamic Bank, Al-Baraka Bank, Islamic Bank of Western Sudan, and Bank of Northern Sudan. In 1999, there were 14 commercial banks in Sudan.

Banks are required to maintain 20% of total deposits as a statutory reserve with the central bank. They must also direct to the agricultural sector 40% of the funds that they have for lending under the new credit ceilings.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.0 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$1.7 billion.

No stock exchange exists in the Sudan.

### 3<sup>4</sup>INSURANCE

All foreign insurance companies were nationalized in 1970; there were at least 20 Sudanese insurance companies in 1997 and a National Reinsurance Co.

### 3<sup>5</sup>PUBLIC FINANCE

Sudan's budgets were in deficit from the 1960s through the 1990s. The budget deficit soared to 22% of GDP in 1991/92, which aggravated inflation. As of 2000, neither the budget deficit nor inflation showed signs of shrinking as civil war disturbs commerce, trade, and aid.

The US Central Intelligence Agency (CIA) estimated that in 2005 Sudan's central government took in revenues of approximately \$6.1 billion and had expenditures of \$5.7 billion. Revenues minus expenditures totaled approximately \$429 million. Public debt in 2005 amounted to 79% of GDP.

The International Monetary Fund (IMF) reported that in 1999, the most recent year for which it had data, budgetary central government revenues were SD216,803 million and expenditures were SD227,265 million. The value of revenues in US dollars was US\$858 million and expenditures US\$900 million, based on a market exchange rate for 1999 of US\$1 = SD252.55 as reported by the IMF. Government outlays by function were as follows: general public services, 54.7%; defense, 27.5%; public order and safety, 7.8%; economic affairs, 1.1%; housing and community amenities, 0.1%;

<b>Public Finance – Sudan (1999)</b>		
<b>(In millions of dinars, budgetary central government figures)</b>		
<b>Revenue and Grants</b>	<b>216,803</b>	<b>100.0%</b>
Tax revenue	172,295	79.5%
Social contributions	...	...
Grants	1,241	0.6%
Other revenue	43,267	20.0%
<b>Expenditures</b>	<b>227,265</b>	<b>100.0%</b>
General public services	124,414	54.7%
Defense	62,528	27.5%
Public order and safety	17,696	7.8%
Economic affairs	2,531	1.1%
Environmental protection	...	...
Housing and community amenities	133	0.1%
Health	2,183	1.0%
Recreational, culture, and religion	327	0.1%
Education	17,368	7.6%
Social protection	85	0.0%
(...) data not available or not significant.		
SOURCE: <i>Government Finance Statistics Yearbook 2004</i> , Washington, DC: International Monetary Fund, 2004.		

health, 1.0%; recreation, culture, and religion, 0.1%; and education, 7.6%.

### 3<sup>6</sup>TAXATION

Sudan, as of 2005, had a standard corporate tax rate of 35%. However, the rates varied depending upon the type of company. Banks, investment and insurance companies were subject to the standard rate. Manufacturing firms were subject to a 10% rate, while agricultural and dairy companies were exempt. Unless they fell into the aforementioned business classifications, joint stock companies and limited liability companies were subject to tax rates of 15% and 35%, respectively. Capital gains derived from the sale of land and buildings were subject to a tax rate of 5%. Capital gains from the sale of automobiles were taxed at 2.5%. Other capital gains and dividends were not taxed.

Other taxes included an income tax on salaries, various consumption and production taxes, stamp duties, miscellaneous fees and charges, including a development tax, and the Zakat, an annual religious tax of 2.5% on entities operating in Sudan. The personal income tax was first imposed in July 1964, and an income tax on Sudanese working abroad was added later. Income from property, hitherto exempt from any tax, became subject to the business profits tax on 1 January 1964. There was also a value-added tax (VAT) of 10%.

### 3<sup>7</sup>CUSTOMS AND DUTIES

The Sudan has a liberal trade policy, although it restricts imports of some goods considered competitive with those produced locally. The customs tariff applies to goods from all countries except Egypt and Jordan, which receive preferential treatment.

Most tariff rates are ad valorem and range from zero to 1,100%. Export duty is 10% on cotton and gum arabic and 5% for all other items. Specific rates are applied mostly to alcoholic beverages and tobacco. Commodities not included in the tariff schedule are dutiable at 40% ad valorem. Also levied are royalties, a consumption

tax of 10%, and a 10% defense tax. An additional tax of 5–150% is imposed on a list of 122 items. The average tariff rate in 1999, as determined by the IMF, was 19.3%. The customs service is known to be extremely corrupt. In 1997, the United States implemented a trade embargo on Sudan because of terrorist activities.

### 38 FOREIGN INVESTMENT

In 1971, Sudan nationalized the holdings of foreign investors, mostly British. A privatization effort and a move toward a mixed economy began slowly in the early 1980s and picked up momentum via negotiations with the IMF in 1985. The 1980 Encouragement of Investment Act provided for repatriation of profits, tax incentives, customs relief, industrial rates for transport and electricity. However, the introduction of Shariah law in 1983 (unenforced since 1985), along with foreign exchange shortages, discouraged investors through 1986. In 1990, the government invited foreign investors to purchase companies in the parastatal sector. Key properties in the agricultural, tourist, transportation and communications sectors were identified as candidates for privatization under the National Economic Salvation Program. In 1992, the creation of four free-trade zones was announced in an attempt to encourage additional foreign investment.

In 1999, a new investment act guaranteed the equal status of foreign and national projects; and encouraged investment in the sectors of agriculture, industry, and tourism, amongst others. It gave total tax exemptions for business profits and customs duties for 10 years on capital projects and 5 years for nonstrategic industries. Foreign investment in 2000 included inflows from Canadian and Araki oil interests, as well as European investment.

Annual foreign direct investment (FDI) inflows were \$98 million in 1997, but rose to an average of \$378 million during 1998 to 2000. In 2001, FDI inflow increased to \$574 million. Since then Sudan has experienced record inflows of FDI. Between 2002 and 2004 FDI averaged \$1.2 billion reaching a record high of \$1.51 billion in 2004.

### 39 ECONOMIC DEVELOPMENT

The suspension of foreign aid and balance-of-payment support by a growing list of countries in the recent past had all but stopped economic development. In spite of this, Sudan's government continued to retain food self-sufficiency as a priority goal and sought to reallocate investment toward agriculture and other productive sectors. Private investment was welcome as the parastatal sector was privatized. Since 2000, oil exploitation began to boost economic development. The economic expansion due to increased oil production led to the International Monetary Fund (IMF) lifting Sudan's suspension on voting rights, after the country made payments to the Fund and improved its economic performance since 1997. Sudan's voting and other rights in the IMF had been suspended since 1993. However, the country's foreign debt exceeds \$25 billion, more than its annual gross domestic product (GDP). However, economic expansion for Sudan is expected to continue, driven by increases in oil production, with real GDP growth set to reach 8.5% and 8.2% in 2006 and 2007 respectively. Rising oil earnings will cause the current-account deficit to narrow from an estimated \$1.5 billion (5.5% of GDP) in 2005 to around \$400 million (0.9% of GDP) in 2007.

## 40 SOCIAL DEVELOPMENT

The social insurance system provides benefits for employed persons and the self-employed. This program excludes domestic workers, home workers, and family laborers. A separated program is in place for the armed forces and all public employees. The social insurance system is funded by employee contributions of 8% of wages, with employer contributions of 15% of payroll. Self-employed individuals contribute 25% of their monthly income. The program includes old-age and disability pensions, workers' compensation, and survivor benefits. Retirement is set at age 60, but reduced for those in arduous labor.

The fundamentalist Islamic government has redefined the place of women in society. Prior to that, the state sought to guarantee basic rights and freedoms to all women, both Muslim and non-Muslim. They were afforded opportunities in trade, the professions, and higher education. These freedoms are currently curtailed. Women have been removed from the civil service and have limited educational opportunities. They are no longer free to travel abroad without the permission of a male family member. Women who walk in public with an uncovered head or wearing slacks are often stopped and taken to police stations. Female university students in Khartoum were sentenced to be flogged, reportedly for wearing pants. Female circumcision (also referred to as female genital mutilation), although illegal, is prevalent, especially in the most drastic form. The city of Khartoum ordered the separation of the sexes in public to conform with strict Muslim law. This separation requires barriers between men and women at social events and bans them from sitting facing each other; the law dictates that the barriers be used at weddings, parties, and picnics and prohibits certain other practices perceived as inappropriate in an Islamic society. The government does not address the problem of violence against women. Women in Darfur are especially vulnerable, where rape and assaults are commonplace.

Sudan's human rights situation remained dismal. Government and SPLA continued to regularly commit abuses, including massacres, kidnapping, enslavement, forced conscription, and rape. According to human rights groups, the practice of slavery has grown as a result of the civil war that has intermittently raged in the Sudan since its independence in 1956. Freedom of speech, press, assembly, association, and political choice are repressed throughout the Sudan.

## 41 HEALTH

Between 1984 and 1992, there were about 506,000 civil war-related deaths. The government of Sudan announced a cease-fire in the 12-year-old civil war in the southern part of the country in 1995, permitting health organizations to accelerate efforts to administer vaccinations and distribute vitamin A. Despite the extension of medical services and supervision, such diseases as malaria, schistosomiasis, sleeping sickness, tuberculosis, and various forms of dysentery persist. Total health care expenditure was estimated at 3.3% of GDP. Close to 75% of the population had access to safe drinking water and 62% had adequate sanitation.

The central government operates most research laboratories and dispensaries. Hospital facilities and medical and public health services are free. As of 2004, there were an estimated 16 physicians and 85 nurses per 100,000 people.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 37.2 and 9.8 per 1,000 people. About 10% of married women (ages 15 to 49) were using contraception in 2002. An estimated 89% of Sudanese women underwent female genital mutilation.

In 2005, average life expectancy was estimated at 58.54 years and the infant mortality rate was 62.50 per 1,000 live births. The maternal mortality was 500 per 100,000 live births. Immunization rates for children up to one year old were quite high: tuberculosis, 88%; diphtheria, pertussis, and tetanus, 76%; polio, 77%; and measles, 74%. Approximately 34% of children under five years old were considered malnourished.

The HIV/AIDS prevalence was 2.30 per 100 adults in 2003. As of 2004, there were approximately 400,000 people living with HIV/AIDS in the country. There were an estimated 23,000 deaths from AIDS in 2003.

## 4<sup>2</sup> HOUSING

Most Sudanese live in simple houses of their own or rent from landlords or agricultural-scheme authorities. At last report, over half of all housing units were *gottias*—single rooms with round mud walls and a conical straw roof; about one-third were *menzils*—multi-room houses with toilet facilities. Of all dwellings, over 80% were owned. Almost every house, even in the cities, has a walled courtyard or garden. In the big cities, bungalows are provided for important government officials and high-level foreign employees. A national housing authority provides low-cost housing to government employees, rural schoolteachers, and persons in low-income groups. A town-planning ordinance provides for slum clearance and replanning of towns. Khartoum has a number of modern apartment buildings.

## 4<sup>3</sup> EDUCATION

Schooling is compulsory for eight years of basic education. This may be followed by three years of general secondary school. At the secondary level, vocational programs for industrial, commercial, and agricultural studies are available for boys. Home economic programs are available for girls. The academic year runs from July to March.

Primary school enrollment in 2002 was estimated at less than 58% of age-eligible students; about 45% of those enrolled were girls. The same year, secondary school enrollment was less than 32% of age-eligible students. It is estimated that about 49% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 29:1 in 2003; the ratio for secondary school was about 26:1.

The University of Khartoum was established in 1956. A branch of Cairo University was opened at Khartoum in 1955. Other institutions include the Islamic University of Omdurman and the universities of El-Gezira (at Wad Madani) and Juba. In 1999, it was estimated that about 7% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 59%, with 69.2% for men and 49.9% for women.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The University of Khartoum Library, in eight branches, is the principal library network with 350,000 volumes. The Library of

the Ahfad University for Women has a collection of about 80,000 books. The library at the Institute of Education in Bakhter Ruda has 28,000 volumes; the Khartoum Polytechnic collection has 30,000; and the Educational Documentation Center, also in Khartoum, has 20,000 volumes. Minor library facilities are maintained by secondary schools, houses of worship, government agencies, and foreign community centers. The National Records Office, in Khartoum, serves as the national archives and contains over 20 million documents, including 13,000 bound volumes covering Sudanese history since 1870.

There are antiquities museums in Khartoum and Merowe, which is also the site of excavations of buildings from the kingdom of Kush. The Khalifa's tomb in Omdurman contains relics of Mahdist and other recent history. The National Botanic Garden in Khartoum contains rare specimens of Sudanese flora. Khartoum also has an ethnographic museum, a natural history museum, and the Sudan National Museum. There are also museums at Al Ubayyid, Port Sudan, Wadi Halfa, Wad Madani, Merowe, Omdurman, and other locations.

## 4<sup>5</sup> MEDIA

Postal and telegraph services are state-owned. In 2003, there were an estimated 27 mainline telephones for every 1,000 people; about 444,000 people were on a waiting list for telephone service installation. The same year, there were approximately 20 mobile phones in use for every 1,000 people.

The Sudan Broadcasting Service, the government-controlled radio network, transmits daily in Arabic, English, French, Amharic, Somali, and other languages. Television service was inaugurated in 1963; an earth satellite station was completed in November 1974. The government controls all radio and television broadcasts, with particular attention to insuring that content is consistent with government policies. The only privately owned radio station is strictly limited to music. In 2003, there were an estimated 461 radios and 386 television sets for every 1,000 people. The same year, there were 6.1 personal computers for every 1,000 people and nine of every 1,000 people had access to the Internet.

Much of the press is privately owned, but the state still has great influence over publications. There are several daily papers. The largest dailies in 2002 were *Al Sudani* (305,000), *Al Ayam* (200,000), *Al Siasa* (60,000), *Al Khartoum* (25,000), and the English-language *Sudan Standard*.

The constitution provides for freedom of thought, expression, and press as regulated by law. In practice, the government is said to severely limit free speech and the press through intimidation, surveillance, and economic control. Sudan television has a permanent military censor to ensure that all broadcasts reflect government views.

## 4<sup>6</sup> ORGANIZATIONS

The cooperative movement, which began in the 1930s, has achieved some importance, especially in the irrigation schemes. In the Gezira Scheme, tenant farmers have formed many cultural, educational, and recreational groupings.

The Sudan Chamber of Commerce (Khartoum), comprising both local and foreign business interests, performs various functions for the government. There are several smaller chambers, most of them organized by resident European and Egyptian trad-

ers. More than 30 clubs serve foreign and minority groups and business firms. Such clubs serve as principal centers of social activity in Sudanese towns.

The National Center for Research, established in 1991, promotes study and research in various branches of science. The multinational African Laser, Atomic and Molecular Sciences Network is based in Khartoum.

National youth organizations include the General Sudanese Students Union, Girl Guides Association of The Sudan, YMCA/YWCA, Sudan Boy Scouts Association, and Sudan International Youth and Student Movement for the United Nations. Other youth programs and organizations are sponsored through the Supreme Council of Youth and Sports.

The Babiker Badri Scientific Association for Women's Studies serves as a social action group for the rights and education of women. There are national chapters of the Red Cross Society, UNICEF, the Society of St. Vincent de Paul, and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

The main tourist attractions are big-game hunting in the forests of the south, boat excursions down the Nile through the forest and desert, deep-sea fishing, the Red Sea Hills, the underwater gardens at Port Sudan, and archaeological sites in the north. Horse racing has been popular in the Sudan since its introduction in 1929. However, since the civil war and the advent of Islamic rule, tourism in the Sudan is virtually nonexistent. There were 50,000 tourists who arrived in Sudan in 2001. Visitors to Sudan require a passport and a visa. A vaccination certificate against yellow fever is required if traveling from an infected area. Precautions against typhoid, meningitis, and malaria are recommended.

According to the US Department of State, in 2005 the estimated daily cost of staying in Khartoum was \$298.

#### 48 FAMOUS SUDANESE

The one Sudanese to achieve world renown in modern history was the Mahdi (Muhammad Ahmad bin 'Abdallah, 1843–85), who set out on a self-appointed mission to purify Islam, a mission he hoped would carry him ultimately to Istanbul and to the apex of the Muslim world. Under his banner, the people of Sudan rose against their Egyptian overlords and for over a decade kept most of their country free from foreign rule. The Mahdi died shortly after the seizure of Khartoum. His able but harsh successor, the Khalifa ('Abdallah bin Muhammad at-Ta'ishi, d.1899), organized an independent government, which lasted until 1898, when an Anglo-Egyptian expeditionary corps reconquered Sudan.

The Mahdist wars provided the background for the exploits of famous British soldiers and administrators, among them generals Charles George Gordon (1833–85), Horatio Herbert Kitchener

(1850–1916), and Sir Francis Reginald Wingate (1861–1953), the first governor-general of the condominium, as well as other foreign officers and explorers in the service of Egypt, such as the Italian Romolo Gessi (1831–81), the German Emin Pasha (Eduard Carl Oscar Theodor Schnitzer, 1840–92), the American Charles Chaillé-Long (1842–1917), and the Austrian Sir Rudolf Carl von Slatin (1857–1932).

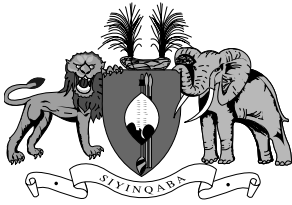
Osman Digna ('Uthnab Abu Bakr Digna, c.1840–1926), an organizer and leader of the Mahdist armies, and Sayyid 'Abd ar-Rahman al-Mahdi (1885–1959), posthumous son of the Mahdi, are revered by Sudanese. The most influential figure in recent years was Gaafar Mohammed Nimeiri (Ja'far Muhammad Numayri, b.1930), leader of Sudan from the 1969 coup until 1985. Sadiq al-Mahdi (b.1936) was prime minister during 1966–67 and 1986–89. He was overthrown in a coup led by Field Marshal Omar Hasan Ahmad al-Bashir (b.1944) who subsequently became a dictatorial president.

#### 49 DEPENDENCIES

Sudan has no territories or colonies.

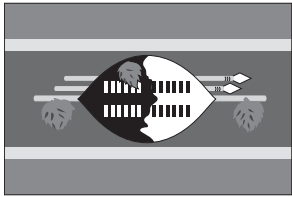
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# SWAZILAND

Kingdom of Swaziland



**CAPITAL:** Mbabane (administrative and judicial); Lobamba (royal and parliamentary)

**FLAG:** Blue, yellow, crimson, yellow, and blue stripes with the shield and spears of the Emasotsha regiment superimposed on the crimson stripe.

**ANTHEM:** National Anthem, beginning "O God, bestower of the blessings of the Swazi."

**MONETARY UNIT:** The lilangeni (pl. emalangeni; E) of 100 cents is a paper currency equal in value to the South African rand, which also is legal tender. There are coins of 1, 2, 5, 10, 20, and 50 cents, 1 lilangeni, and notes of 2, 5, 10, 20, and 50 emalangeni. E1 = \$0.16129 (or \$1 = E6.2) as of 2005.

**WEIGHTS AND MEASURES:** The metric system replaced imperial weights and measures in September 1969.

**HOLIDAYS:** New Year's Day, 1 January; Commonwealth Day, 2nd Monday in March; National Flag Day, 25 April; Birthday of King Sobhuza II, 22 July; Umhlanga (Reed Dance) Day, last Monday in August; Somhlolo (Independence) Day, 6 September; UN Day, 24 October; Christmas Day, 25 December; Boxing Day, 26 December. Movable religious holidays include Good Friday, Holy Saturday, Easter Monday, Ascension, and the Incwala Ceremony.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

A landlocked country in southern Africa, Swaziland has an area of 17,363 sq km (6,704 sq mi), extending 176 km (109 mi) N–S and 135 km (84 mi) E–W. Comparatively, the area occupied by Swaziland is slightly smaller than the state of New Jersey. It is bounded by Mozambique on the NE and by the Republic of South Africa (including the homelands) on the SE, S, W, and N, with a total boundary length of 535 km (332 mi).

Swaziland's capital city, Mbabane, is located in the northwest part of the country.

## <sup>2</sup>TOPOGRAPHY

The country is divided west-to-east into four well defined regions, the first three being of roughly equal breadth. The four regions extend north and south and are known as the high, middle, and low veld, and the Lebombo plain and escarpment. The high veld on the west has an average altitude of 1,050 m to 1,200 m (3,445 to 3,937 ft). The middle veld averages about 450 to 600 m (1,476 to 1,969 ft), and the low or bush veld less than 300 m (984 ft). The Lebombo plain, at an average height of 610 m (2,000 ft), extends to the Lebombo escarpment, which is part of the Lebombo Mountains in the east. The entire country is traversed by rivers or streams, making it one of the best watered areas in southern Africa. The longest river is the Great Usutu, which stretches roughly from west to east across the center of the country for a total distance of 217 km (135 mi).

## <sup>3</sup>CLIMATE

The high veld has a humid near-temperate climate with about 140 cm (55 in) of mean annual rainfall. The middle veld is subtropical

and somewhat drier, with about 85 cm (33 in) of annual rainfall; the low veld, almost tropical, is subhumid, receiving about 60 cm (24 in) of rain in an average year. Rainfall tends to be concentrated in a few violent storms in the summer (October–March). Temperatures range from as low as -3°C (27°F) in winter in the highlands to as high as 42°C (108°F) in summer in the lowlands. At Mbabane, temperatures average 20°C (68°F) in January and 12°C (54°F) in July.

## <sup>4</sup>FLORA AND FAUNA

Grassland, savanna, mixed bush, and scrub cover most of Swaziland. There is some forest in the highlands. Flora include aloes, orchids, and begonias. Large indigenous mammals include the blue wildebeest, kudu, impala, zebra, waterbuck, and hippopotamus; however, wildlife has become very scarce outside the protected areas. Crocodiles live in the lowland rivers. Bird life is plentiful and includes the European stork, sacred ibis, and gray heron.

## <sup>5</sup>ENVIRONMENT

The chief environmental problem is soil erosion and degradation, particularly because of overgrazing. Population growth and the increased demand for fuel has threatened the country's forests, and the resulting deforestation has contributed to the loss of valuable soil. Swaziland has at least four protected areas for wildlife—two wildlife sanctuaries and two nature reserves—totaling 40,045 ha (98,953 acres), all in the northern half of the country. As of 2003, 3.5% of the nation's total land area was protected.

Another significant environmental problem in Swaziland is air pollution from transportation vehicles and emissions from other countries in the area. Water pollution from industrial and agricul-

tural sources is also a problem, as well as contamination by untreated sewage, which contributes to the spread of life-threatening diseases.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 6 types of mammals, 6 species of birds, and 11 species of plants. Burchell's zebra has become extinct. Threatened marine species include the Baltic sturgeon, Danube salmon, and marsh snail. The cheetah and the cape vulture are listed among the vulnerable species.

## **6** POPULATION

The population of Swaziland in 2005 was estimated by the United Nations (UN) at 1,138,000, which placed it at number 150 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 43% of the population under 15 years of age. There were 93 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 0.3%, a rate the government viewed as too high. The projected population for the year 2025 was 1,009,000. The population density was 66 per sq km (170 per sq mi).

The UN estimated that 25% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.98%. The administrative capital, Mbabane, had a population of 70,000 in that year.

The prevalence of HIV/AIDS has had a significant impact on the population of Swaziland, with the number of AIDS orphans growing rapidly as of 2006. The UN estimated that 33.7% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## **7** MIGRATION

Over the years, there has been a noticeable drift of educated Africans, many of whom have acquired British citizenship, from South Africa to Swaziland. Conversely, many itinerant asylum seekers were making a practice of using Swaziland as a stepping stone to gain access to South Africa in 1999. The total number of migrants in 2000 was 42,000. As of 2004, Swaziland harbored some 1,010 refugees and asylum seekers, mainly from the Great Lakes region. In 2005, the net migration rate was an estimated zero per 1,000 population, compared to -10.8 per 1,000 in 1990. The government views the migration levels as satisfactory.

## **8** ETHNIC GROUPS

The indigenous African population in Swaziland constitutes 97% of the total populace and comprises more than 70 clans, of which the Nkosi Dlamini, the royal clan, is dominant. Europeans make up the remaining 3%.

## **9** LANGUAGES

English and Siswati, which is spoken by almost all Swazi, are the official languages. Government business is conducted in English.

## **10** RELIGIONS

Most of the population is Christian, with about 40% of the population affiliated with the Zionist Church, professing a blend of

Christianity and indigenous ancestral worship. About 20% of the population are Roman Catholic. Other Christian denominations include Anglicans, Methodists, and Mormons (the Church of Jesus Christ of Latter-Day Saints). About 10% of the population are Muslims and there are small groups of Jews and Baha'is. Muslims and Baha'is are generally located in urban areas. The constitution does not specifically guarantee religious freedom, but that right is generally respected by the government and relations between religious groups are amicable.

## **11** TRANSPORTATION

The country had 3,800 km (2,364 mi) of roads in 2002, of which at least 1,064 km (662 mi) were paved. A highway runs between the southern boundary with South Africa and the eastern boundary with Mozambique. There were 30,000 passenger cars and 9,000 commercial vehicles in use in 1995. As of 2004, there were 301 km (187 mi) of railway in the country, all of it narrow gauge, and which links iron mines at Ngwenya with the Mozambique Railway and the port of Maputo in Mozambique. In the 1970s, a 94-km (58-mi) southern spur was constructed to the South African border. A 115-km (71-mi) northern spur to the South African border was completed in 1986. Airports numbered an estimated 18 in 2004, only one of which had a paved runway (as of 2005). Matsapa Airport, near Manzini, provides service—via Royal Swazi National Airways—to South Africa, Mozambique, Zambia, Malawi, Zimbabwe, Botswana, Kenya, and Tanzania. In all, about 89,500 passengers were carried on scheduled international and domestic flights in 2003 (the latest year for which data was available).

## **12** HISTORY

Like other parts of southern Africa, Swaziland was originally occupied by hunting and gathering peoples known as Bushmen. In the 16th century, according to tradition, Bantu-speaking peoples advanced southwest to what is now Mozambique. During the migration, these groups disintegrated to form the various ethnic groups of southern Africa. In fact, however, the Swazi do not appear to have broken away from the main body of the Bantu until the middle of the 18th century. The Swazi emerged as a distinct ethnic group at the beginning of the 19th century and were in constant conflict with the Zulu; they moved gradually northward and made their first formal contact with the British in the 1840s, when their ruler, Mswati II, applied to the British for help against the Zulu. The British succeeded in improving relations between the two ethnic groups.

About this time, the first Europeans came to Swaziland to settle. The independence of Swaziland was guaranteed by the British and Transvaal governments in 1881 and 1884, but owing to the excessive number of concessions (including land, grazing, and mineral rights) granted to European entrepreneurs by Mbandzeni (the king) during the 1880s, the United Kingdom decided some form of control was necessary. In 1890, a provisional government was established, representing the Swazi, the British, and the Transvaal. From 1894 to 1899, the Transvaal government undertook the protection and administration of Swaziland. After the South African (Boer) War of 1899–1902, the administration of Swaziland was transferred to the British governor of the Transvaal. An order in council established the relationship between the Swazi and

the United Kingdom in 1903, providing the basic authority under which British administration was conducted for 60 years.

### Independence

Responsibility for Swaziland was transferred in 1907 to the high commissioner for South Africa. An elected European Advisory Council was constituted in 1921. By the provisions of the Native Administration Proclamation of 1941, the position of the ngwenyama (paramount chief) as native authority was recognized. In 1963, constitutional discussions looking toward independence were opened in London. The following year, elections for a legislative council were held under the country's first constitution. After further constitutional talks, held in London in 1965, Swaziland became an independent nation within the Commonwealth on 6 September 1968.

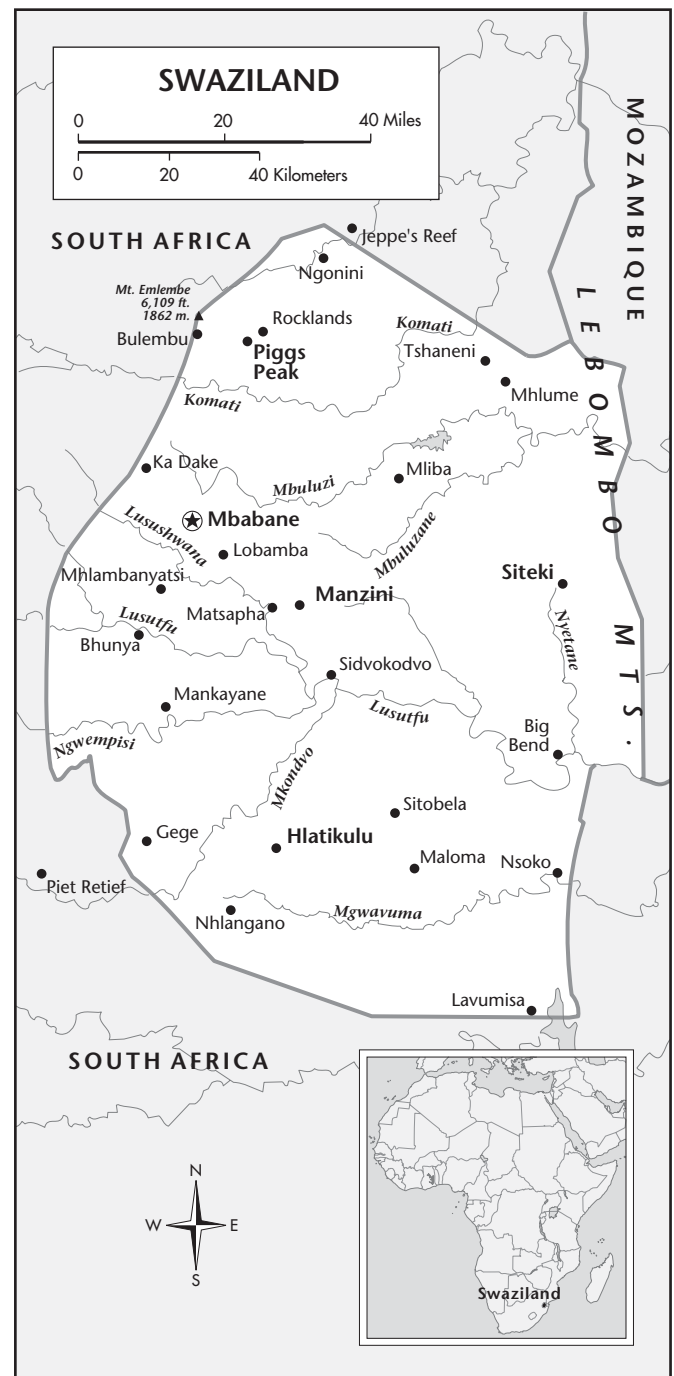
On 12 April 1973, King Sobhuza II, who had been head of the Swazi nation since 1921, announced that the constitution had been repealed and that he had assumed supreme executive, legislative, and judicial powers. In 1979, a new parliament was chosen, partly through indirect elections and partly through royal appointment.

After Sobhuza died in 1982, a prolonged power struggle took place. At first his senior wife, Queen Mother Dzeliwe, became head of state and regent. Members of the Liqoqo, the king's advisory council, seized effective power and appointed a new "Queen Regent" in August 1983 (Ntombi, one of Sobhuza's other wives). At that time it was announced that Makhosetive, the 15-year-old son of Ntombi and one of Sobhuza's 67 sons, would ascend the throne upon reaching adulthood. He was crowned King Mswati III on 25 April 1986. The intrigues continued until the new king approved the demotion of the Liqoqo back to its advisory status. He has ruled through his prime minister and cabinet.

In 1982, South Africa and Swaziland secretly signed a security agreement. Under pressure from South Africa, Swaziland arrested and deported members of the African National Congress, the leading black nationalist group in South Africa. On three different occasions in late 1985 and 1986, South African commando squads conducted raids in Swaziland, killing a number of ANC members and supporters. In November 1987, a new parliament was elected and a new cabinet appointed. Obed Dlamini was the prime minister from 1989 until 1993. In September and October 1993, popular elections were held for parliament and a new prime minister, Prince Mbilini, took office, replacing Dlamini, who was defeated in the second round of voting. Barnabas Sibusiso Dlamini was appointed prime minister in July 1996.

The Swaziland Federation of Trade Unions and the National Association of Civil Servants have organized strikes as a means to pressure the government for greater democratic control by the people of Swaziland. The strikes led the government to ban trade unions in 1995. The ban was later lifted but the country was again disrupted in 1996 by a general strike supported by the SFTU, which resulted in three leaders being detained, and the formation of a Constitutional Review Commission charged with the task of soliciting views from the Swazi nation as to the type of constitution preferred. The commission must meet with all the country's constituencies and submit a report to government officials.

The history of Swaziland during the early 2000s was dominated by controversy over drafting of the new constitution. In July 2005, after release of several drafts—in May 2003 and November 2004—



LOCATION: 25°43' to 27°20' s; 30°48' to 32°8' e. BOUNDARY LENGTHS: Mozambique, 108 kilometers (67 miles); South Africa, 446 kilometers (277 miles).

and missed deadlines, parliament passed the Swaziland constitution. The king signed it 26 July 2005, and the new constitution entered into force January 2006. However, the constitution did not open up the political space to political parties, as civil society and human rights organizations in Swaziland and elsewhere had expected. Rather, the new constitution encoded the king's absolute governing powers into the land's grand law, reinforcing the ban on political parties and allowing human rights clauses to be suspended by the king if he finds them in conflict with some undefined "public interest".

Political, civil society, and human rights organizations, and the international community, were unanimous in their criticism of the process that resulted in the new document, calling it “palace-controlled,” nontransparent, not consultative enough, and undemocratic. The constitution was written by two commissions led by the king’s brothers, Prince Mangaliso Dlamini and Prince David Dlamini, who is also justice minister. The critics charge that widely publicized “consultation” meetings with traditional leaders called by King Nswati III were window dressing. They further alleged that the king’s last-minute decision to channel approval of the constitution through a parliament he controlled, reversing his earlier decision to decree the constitution into law, was designed to mask a faulty process and to gain back-door legitimacy for the document. However, several attempts to challenge the process legally failed. For their part, royalists contended that democracy is a dividing force in the country, whereas the monarch is a strong unifying force. The king repeatedly asserted that the constitution enjoyed the full support of the Swazi people.

As of 2006, Swaziland acknowledged that it was grappling with a humanitarian crisis caused by the devastating HIV/AIDS pandemic. According to UNAIDS, Swaziland has the highest prevalence rates of HIV/AIDS in the world, ahead of neighboring Botswana, which made some strides against the disease. Nearly 4 in 10 adults are infected with the virus, and the rate is rising. In January 2004 the government revealed that over one in five Swazis were orphans and vulnerable children, and announced a program to pay primary school fees for 60,000 orphans, mostly children of HIV/AIDS victims. Combined with several years of equally devastating drought and famine, HIV/AIDS has significantly undermined the economy, which was already dependent on the regional giant South Africa. Unemployment was nearly 34% and some 70% of the population were living below the UN poverty line of a dollar a day.

In the midst of such daunting challenges, King Mswati III often came under heavy local and international criticism for lavish living, including luxury cars and mansions for his ten wives and two fiancés.

### 13 GOVERNMENT

Swaziland was a constitutional monarchy until King Sobhuza II repealed the constitution in 1973 and assumed absolute power through a state of emergency decree, which was still in force as of 2006. The king then ruled the country as king-in-council, on the advice of his former cabinet and two traditional Swazi councils, one consisting of all the chiefs and other notables, the other of the king, the queen mother, and (in theory) all adult males.

A constitution was promulgated in 1978. In 1979, a new parliament was created with a House of Assembly consisting of 50 members, 40 of whom were chosen by indirect election and 10 appointed by the crown; the 20-member Senate had 10 members chosen by indirect election and 10 appointed by the crown. To become law, legislation passed by parliament must be approved by the crown. The cabinet is presided over by a prime minister appointed by the crown from among the members of parliament.

In response to popular moves calling for reform, King Mswati III appointed several commissions to review the tinkhundla (local government) system. In July 1992, the second Tinkhundla Review Commission (popularly called Vusela II) reported to the king.

Government accepted its main recommendations—increase tinkhundla centers, allow direct representation in parliament, and institute a secret ballot. Opposition parties complained that Vusela II did not consult a broad range of Swazis and that the reforms did not address the issue of the legality of political parties. The king followed the Vusela II recommendations, rejected the creation of a multiparty system and, on 21 August 1993, the electoral process got started with nomination of candidates. On 25 September primary elections selected three candidates for each district. In October, in runoff elections, voters chose 55 members for the House of Assembly. The king appointed 10 more. A 30-member Senate was chosen, with 10 members elected by the House of Assembly and 20 appointed by the king.

After many postponements, new elections were held in 1998. Amidst tight military and police security, Swazis went to the polls on 24 October 1998 in parliamentary elections. Over 85,000 people voted, which is an estimated 40% of the voting population. During the voting, harassment by the authorities of anti-electoral groups like the Peoples United Democratic Movement (Pudemo) and the Swaziland Youth Congress (Swayoco), which were encouraging a boycott because they believed the elections would be rigged, was widespread. In addition to the 53 elected members of parliament, the king selected 10 more for the House of Assembly, 20 senators, and 10 cabinet ministers. The king also reappointed Prime Minister Sibusiso Dlamini to head the new government following the 1998 general elections.

Elections for the House of Assembly were held again on 18 October 2003. The next elections were expected October 2008. On 14 November 2003 Mswati appointed the Absolom Themba Dlamini to be prime minister. The House of Assembly had 65 seats by the 2003 election; 10 were appointed by the king and 55 elected by popular vote.

Mswati was reluctant to share power. He ruled by decree, even though the Court of Appeal has ruled against the legality of such decrees, and has often been criticized for silencing his opponents in a heavy-handed manner. The king’s disregard for the rule of law triggered what the IRIN News Network calls a rule-of-law crisis. In November 2002, in protest of government’s refusal to abide by Swaziland’s Court of Appeals’ decisions on two important rulings, the six members of the court resigned *en masse* and refused to hear cases for a period of two years. In a stinging report released in July 2004, the international human rights organization Amnesty International challenged Swaziland to “back up its recent commitments to international human rights standards by re-establishing the rule of law and confronting the systematic violation of civil, political, economic and social rights.” Facing considerable international pressure for democratization and adherence to the rule of law, Prime Minister Absolom Dlamini made overtures to the court, which resumed hearing cases in November 2004.

The state heavily controls the media, and strictly restricts freedom of expression. For instance, the palace instituted a press ban on photographs of King Mswati’s cars, following embarrassing exposure of his lavish tastes and purchase of the world’s most expensive automobile, reported to have cost us\$500,000. Some local prodemocracy groups have been forced to hold political demonstrations in neighboring countries after a government ban on political meetings and the brutal force with which demonstrators had been handled.



## 14 POLITICAL PARTIES

All parties are banned under the 1978 constitution, but this ban is defied by the People's United Democratic Movement (Pudemo), the Swaziland Liberation Front, the Swaziland Youth Congress, the Swaziland Communist Party, the Imbokodvo National Movement or INM, the Ngwane National Liberatory Congress (NNLC), the Swaziland National Front, and the Convention for Full Democracy in Swaziland, which operate openly. Pudemo went so far as to declare itself legal in February 1992, and to demand a national convention of all political factions and a referendum on the constitution.

In March 2005 Swaziland's High Court upheld a ban on legal recognition of opposition political parties, dealing a serious blow to Swaziland's two largest political organizations, PUDEMO and NNLC, which together with labor unions sought to challenge and forestall the new draft constitution. The pro-democracy groups argued that the constitutional process was illegal as it had gone against a 2002 decision by the Court of Appeal that ruled King Mswati III had no legal basis to decree laws. In their judgment the five justices invoked another decree, a 1973 state of emergency pronounced by Mswati's father, King Sobhuza, that gave absolute power to the monarchy and banned organized political opposition to royal rule. The 2005 constitution approved by the king and parliament maintained the ban on political parties. However, some local groups see the government's recently published policy guidelines for the creation, registration and running of nongovernmental organizations providing small openings for political activity.

Prodemocracy groups have vowed to continue testing provisions of the constitution in court. However, if government claims (denied by PUDEMO) linking PUDEMO with fire-bombing incidences of several locations in Mbabane the first week of October 2005 proved true, it would mark a militant and violent turn for antiroyalist political groups.

## 15 LOCAL GOVERNMENT

Swaziland is divided into four districts: Hhohho, Manzini, Shiselweni, and the largest, Lubombo. District commissioners are appointed by the central government. Mbabane, Manzini, and two other towns have municipal governments. Paralleling statutory government structure is a traditional system consisting of the king and his traditional advisors, traditional courts, and 55 tinkhundla subregional districts in which traditional chiefs are grouped.

## 16 JUDICIAL SYSTEM

The dual judicial system consists of a set of courts based on a western model and western law and a set of national courts which follows Swazi law and custom. The former consists of a Court of Appeals and a High Court, plus magistrate's courts in each of the four districts. The traditional courts deal with minor offenses and violations of traditional Swazi law and custom. Sentences in traditional courts are subject to appeal and review to the Court of Appeals and High Court. The king has authority to appoint a special tribunal with its own procedural rules in treason and sedition cases.

The judges of the Courts of Appeals are expatriates, usually from South Africa, and serve on a two-year renewable contract basis. Local judges serve indefinitely on good behavior.

Although the courts are supposed to be independent of executive and military control or influence, there have been poor relations between the judiciary and the government. Matters came to head in November 2002. The government refused to follow rulings of the Supreme Court of Appeals on two major cases, one declaring the kKings frequent decrees as illegal, and another ordering the return to their homes of Chief Mliba Fakudze and 200 of his followers forcibly evicted and exiled from their homes in Macetjeni by the Government in 2000, after defying an apparent palace order installing King Mswati's brother, Prince Maguga Dlamini, as their new chief. Government defiance sparked public protests, international condemnation, and resulted in the resignation of the entire bench in November 2002. Relations began to turn around in November 2004 when the Appeals Court resumed hearing cases after promises by the new Prime Minister Absolom Dlamini that the government would respect court decisions.

## 17 ARMED FORCES

The Umbutfo Swaziland Defense Force has fewer than 3,000 personnel and functions as a border patrol and an internal security force. A royal guard battalion was formed in 1982. Military expenditures for 2001–02 were \$20 million or 4.8% of GDP.

## 18 INTERNATIONAL COOPERATION

Swaziland joined the United Nations on 24 September 1968 and participates in ECA and several nonregional specialized agencies, such as the FAO, UNESCO, UNIDO, the World Bank, and the WHO. Swaziland also belongs to the ACP Group, the African Development Bank, the Commonwealth of Nations, G-77, WTO, the Southern African Customs Union (SACU), COMESA, the Southern African Development Community (SADC), and African Union. The country is also a part of the Nonaligned Movement. In environmental cooperation, Swaziland is part of the Convention on Biological Diversity, CITES, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Swaziland's economy is based firmly on free market principles. The benefits of a modern economy are primarily enjoyed by the growing urban population. The majority supports itself through subsistence agriculture on rural homesteads. A relatively diversified industrial sector accounts for the largest component of the formal economy at 43% of GDP in 1999. Because of its small size, Swaziland relies heavily on the export sector, composed primarily of large firms with predominantly foreign ownership.

Surrounded almost entirely by South Africa, Swaziland's economy is heavily influenced by its dominant neighbor. The economy benefited considerably from investments that might otherwise have gone to South Africa during the period when there were international sanctions imposed on that country. On the other hand, the Swazi economy will likely suffer as a reformed South Africa attracts investment that had been going to Swaziland. In 1996, South Africa accounted for an estimated 96% of Swaziland's imports, 60% of its exports, and 50% of its foreign direct investment. In addition, remittances from Swaziland nationals working in South African mines substantially add to domestically earned income. This overwhelming presence has led some analysts to

view the Swazi economy as a small, developing part of the much larger South African economy. The economy grew by 3.6% between 1988 and 1998, and by 2.6% between 2001 and 2005. Projected growth in the South African economy is expected to boost Swazi exports and in turn stimulate growth.

In 2002, the budget deficit was estimated at 4.8% of GDP. The government had taken few steps to restructure the public sector and privatize state-owned enterprises. As of 2003, the government had plans to build a new international airport, convention center, hotel, and theme park. Swaziland's membership in the Southern African Customs Union (SACU) with South Africa, Botswana, Lesotho, and Namibia, allows for the virtually unimpeded exchange of goods between the countries, subject to South Africa's import control requirements.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Swaziland's gross domestic product (GDP) was estimated at \$6.2 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$5,300. The annual growth rate of GDP was estimated at 1.8%. The average inflation rate in 2005 was 4%. It was estimated that agriculture accounted for 15.1% of GDP, industry 49.7%, and services 35.3%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$62 million or about \$56 per capita and accounted for approximately 3.3% of GDP. Foreign aid receipts amounted to \$27 million or about \$24 per capita and accounted for approximately 1.4% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Swaziland totaled \$1.21 billion or about \$1,096 per capita based on a GDP of \$1.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.0%. In 2001 it was estimated that approximately 25% of household consumption was spent on food, 9% on fuel, 6% on health care, and 13% on education. It was estimated that in 2004 about 66% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2003, Swaziland's labor force totaled 155,700. In 2004, unemployment was estimated at 40%. There was no data available on the occupational breakdown of the country's labor force.

The law allows unions to organize and bargain collectively. About 80% of the formal private sector was organized as of 2001. The Swaziland Federation of Trade Unions is the major labor organization. There is also an employers' federation, as well as a second, breakaway labor group, the Swaziland Federation of Labor Officially. The right to strike is severely limited but unions have still engaged in strikes.

The minimum age of employment is 15, and children are rarely employed in the formal economy. Child labor is more common in

the agricultural and informal economies. Swaziland has a legally mandated sliding scale of minimum wages depending on the type of work. The minimum monthly wage for a domestic servant was approximately \$21 in 2001. For an unskilled worker it was \$33 and for a skilled worker, \$52. The government protects workers with health and safety regulations. The maximum workweek is set at 48 hours, with one day of rest.

## 2<sup>2</sup> AGRICULTURE

Swazi nation land, which comprises over 60% of the total land area, is held in trust by the crown for the Swazi people and supports about 70% of the population. Nearly half of the remaining land, which is freehold title, is owned by Europeans; the rest is owned by government or parastatal bodies. Under the traditional land tenure system, farmers till small plots, averaging less than 3 hectares (7.4 acres), but have no title or right to sell this land. The average freehold title farm, by contrast, is about 800 hectares (2,000 acres), and over 60% of freehold title cropland is irrigated. In this modern sector, agriculture expanded considerably in the early 1970s, mainly because of improved irrigation, better strains, and widespread introduction and use of fertilizers. Sugar is the most important cash crop, and corn is the staple crop. Most of the sugar produced is exported to Western Europe and North America. Output in 2004 included sugarcane, 4.5 million tons, and corn, 70,000 tons. Much of the sugar is exported to the EU, in accordance with the Sugar Protocol of the Lomé Convention; increasing amounts, however, are sold and refined domestically. Production of grapefruit in 2004 was about 37,000 tons; oranges, 36,000 tons; and pineapple, 32,000 tons. Cotton fiber production in that year was 2,000 tons. Between 1970 and 1982, 17 Rural Development Areas were established to assist traditional farmers; the program was planned to extend eventually to all Swazi nation land. The 1991/92 drought caused corn and cotton production to seriously decline; as a result the government sought emergency food assistance. By 1999, crop production was 90% of what it had been during 1989–91. During 2002–04, crop production was 5.9% lower than during 1999–2001.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Livestock raising, like agriculture, is divided into two sectors: a traditional system of grazing on communal lands for subsistence needs, and modern, commercial ranches on freehold title land. Livestock numbers recovered in 1991 from a previous drought-related selloff. In 2005, Swaziland had about 580,000 head of cattle, 274,000 goats, 27,000 sheep, 30,000 hogs, 14,000 equines, and 3.2 million chickens. The country produced 12,500 tons of beef in 2005. However, the meat processing industry has been unstable since 1988.

## 2<sup>4</sup> FISHING

By 1982, several commercial fish farms had been established and some Rural Development Areas had fish ponds. Annual production was estimated at 70 tons in 2003.

## 2<sup>5</sup> FORESTRY

Swaziland's forests (pine and eucalyptus) are among the world's largest planted forests, covering 161,000 hectares (398,000 acres),

or about 9% of the land area. The total forest area in 2000 was 522,000 hectares (1,290,000 acres), or 30% of the land area. Roundwood output totaled 890,000 cu m (31.4 million cu ft) in 2004, about 70% coniferous. Sawn wood production was 102,000 cu m (3.6 million cu ft). Of Swaziland's planted forests, half supply the Usutu pulp mill, a large export earner producing unbleached wood pulp. About 3% of Swaziland's forests are in protected nature reserves and game sanctuaries.

## 26 MINING

The historic mineral sector of Swaziland has essentially collapsed. The kingdom contained the world's oldest known mine site, the Lion Cavern, at the Ngwenya iron mine, on Bomvu Ridge, northwest of Mbabane. Carbon-14 dating estimated that mining of hematite (libomvu) and specularite ochres, for cosmetic and ritual uses, took place at the site from 43,000–41,000 BC until at least 23,000 BC; the mine was closed in 1977. Mining's role in Swaziland's economy has been declining in recent years, and as of 2004, accounted for only a minor factor in its overall economy. Asbestos mining ceased in 2000, diamond mining ceased in 1996, and mining of the once-major export of iron ore stopped in the late 1970s (it reached 2.24 million tons in 1975).

In 2004, Swaziland produced an estimated 300,000 cu m of quarry stone products, and also produced brick clay, anthracite coal, pyrophyllite, and sand and gravel. Small-scale, unreported gold mining has taken place. The mining of chrysolite fiber asbestos, once the dominant source of mining revenue, employing 1,000 workers at Bulumbe, one of the world's largest asbestos mines, ceased because of declining reserves, environmental concerns, and weak markets. In 2000, the last year of asbestos production, 12,690 metric tons was produced. An estimated 1,150 metric tons of ferrovanadium was produced in 2004, up from 1,011 metric tons in 2003. Although fewer than 1,000 Swazis were directly employed in the mining sector, 1,000 people processed timber from the country's extensive pine populations for mines in South Africa, and 10,000–15,000 Swazis were employed in South African mines.

## 27 ENERGY AND POWER

Swaziland's primary fossil fuel resource is coal. The country has no proven reserves of oil or natural gas, and thus must rely on imports to meet its petroleum and natural gas needs.

As of 1 January 2005, Swaziland had no proven reserves of crude oil, or natural gas, nor any petroleum refining capacity. In 2004, the country's imports and consumption of petroleum products each averaged 3,000 barrels per day.

Coal is Swaziland's only fossil fuel resource. As of 2003, these reserves came to 229 million short tons. Demand and production for coal that year each came to 410,000 short tons.

As of 1 January 2003, Swaziland's total installed electric generating capacity totaled 0.124 million kW, of which conventional thermal capacity accounted for 0.080 million kW and hydropower accounting for 0.044 million kW of capacity. Electric power output in 2002 totaled 0.395 billion kWh, of which 0.202 billion kWh came from conventional thermal sources and 0.193 from Hydroelectric sources. Demand for electric power in 2002 totaled 1.166 billion kWh.

## 28 INDUSTRY

Manufacturing consists primarily of the following export-oriented industries: wood pulp production, drink processing, fruit canning (Swazican), and sugar processing. Manufacturing growth in the mid-1990s was mostly attributable to increased production of drink processing at Bromor Foods and the sugar-based production activities of the Royal Swaziland Sugar Corporation and Cadbury Confectioneries. Swaziland's three sugar mills have an annual production capacity of 500,000 tons. Usutu Pulp, Swaziland's largest employer, is the leading wood pulp processing company, with an annual capacity to produce 220,000 tons of bleached kraft pulp. Sappi, a London-based company, manages the Usutu Pulp Company. Cement, agricultural machinery, electronic equipment, and refrigerator production are also important parts of Swaziland's manufacturing sector. Textiles, footwear, gloves, office equipment, confectionery, furniture, glass, and bricks are also manufactured. Industry accounts for over 40% of GDP.

Sanctions against South Africa in the late 1980s and internal unrest inspired interest in the relocation of South African-based industry, such as Coca-Cola, in Swaziland. Reexports of South African manufactures with "Made in Swaziland" labels also appeared at that time. The industrial sector growth of the 1980s slowed in the early 1990s as stability returned to South Africa and sanctions were eliminated. Textile manufacturing, which flourished when South African tariffs were high, began to wither when they were equalized.

Creation of the Southern African Development Community further marginalized the previous industry benefits to operating in Swaziland. The privatization of state-owned industry in 2000 increased foreign interest in Swaziland's industrial sector. There are no known oil or natural gas reserves in Swaziland.

In 2005, the government announced plans to reduce the budget deficit, including a reduction in expenditure on personnel. However, the government's willingness to carry this out has been called into question by recent salary increases for the cabinet and parliamentarians. Inflation has risen, but is expected to decline in the short term as food prices come down.

## 29 SCIENCE AND TECHNOLOGY

The University of Swaziland, founded originally as part of the University of Botswana, Lesotho, and Swaziland in 1964, has faculties of agriculture and science. The Swaziland College of Technology, founded originally in 1946 as a trade school, offers courses in various fields of engineering. The Geological Survey and Mines Department, founded in 1946 at Mbabane, conducts mining research, and three other institutes conduct agricultural research. In 2002, high technology exports were valued at \$3 million, or 1% of the country's manufactured exports.

## 30 DOMESTIC TRADE

South Africa's substantial presence in Swaziland's domestic economy essentially means that South African business is the driving force in Swaziland's domestic commerce. South African employers and investors dominate certain sectors of local trade. Recently, however, the government has been working on programs to encourage local ownership and operation of small to medium-sized

establishments. A few franchises have been established. Bargaining is an accepted practice in many Swazi business deals. The most developed distribution routes are those connecting to South Africa. Mbabane and Manzini are the principal commercial centers. Manufactured articles are generally available in all urban centers and are marketed mostly by South Africans.

Business hours are from 8:15 or 8:30 AM to 1 PM and from 2 to 5 PM, Monday–Friday, and from 8:15 or 8:30 AM to 1 PM, Saturday. Banks are open weekdays from 8:30 AM to 1 PM and Saturdays from 8:30 to 11 AM.

### 3<sup>1</sup> FOREIGN TRADE

Swaziland's exports have traditionally equaled a significant portion of GDP. As a result, the country's entire economy tends to mirror world commodity prices, and especially the state of the South African economy.

The value of exports has risen steadily during the 1990s; while the value of imports rose until 1997, when purchases suddenly dropped by 27%. This was probably due to the creation of the South African free trade area. Principal exports in 2003 included sugar, soft drink concentrates (a large US investment), wood pulp and lumber, cotton yarn, and fruit. Principal imports were motor vehicles, machinery, transport equipment, food, petroleum products, and chemicals.

Almost 96% of imports either originate in or transit through South Africa, and direct sales to and transshipments through South Africa account for about 72% of Swaziland's exports. About 12% of exports go to the European Union.

### 3<sup>2</sup> BALANCE OF PAYMENTS

A decline in long-term capital inflows, increasing government deficits, and a drop in donor assistance plagued Swaziland with a current account deficit for much of the 1990s. The goods and services account has been negative since the 1980s. Payments made by the Southern African Customs Union (SACU) to Swaziland, along with donor assistance, have offset this deficit, but these sources of revenue are threatened. Increased government deficits have also weakened the position of the current account.

#### Principal Trading Partners – Swaziland (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	974.1	797.8	176.3
South Africa	657.5	675.3	-17.8
United States	78.3	1.7	76.6
Mozambique	52.2	3.5	48.7
Kenya	30.0	0.7	29.3
Zimbabwe	28.2	0.4	27.8
Australia	22.7	...	22.7
Tanzania	13.3	...	13.3
New Zealand	12.7	...	12.7
United Kingdom	12.3	3.6	8.7
Angola	7.5	...	7.5

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Swaziland (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>-46.3</b>
Balance on goods		-79.4
Imports	-1,034.6	
Exports	955.2	
Balance on services		-25.6
Balance on income		48.3
Current transfers		10.3
<b>Capital Account</b>		<b>0.5</b>
<b>Financial Account</b>		<b>26.8</b>
Direct investment abroad		9.2
Direct investment in Swaziland		45.0
Portfolio investment assets		0.5
Portfolio investment liabilities		-0.1
Financial derivatives		...
Other investment assets		-50.4
Other investment liabilities		22.6
<b>Net Errors and Omissions</b>		<b>18.9</b>
<b>Reserves and Related Items</b>		<b>0.2</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Swaziland's exports was \$2.007 billion while imports totaled \$2.096 billion resulting in a trade deficit of \$89 million.

### 3<sup>3</sup> BANKING AND SECURITIES

The Central Bank of Swaziland is the nation's central bank. Swaziland has been experiencing excess liquidity for some time. The nation's commercial banks were Standard Bank, First National and the Nedbank as of 1998. The Swaziland Development and Savings Bank was undergoing reconstruction in that year after a 1995 bankruptcy. The Swaziland Building Society provided mortgages for housing.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$62.2 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$189.7 million. The money market rate, the rate at which financial institutions lend to one another in the short term, was 5.06%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 9.5%.

The Swaziland Stock Market was established in 1990, and has only five company listings.

### 3<sup>4</sup> INSURANCE

The Swaziland Royal Insurance Corp., 41% state owned, began operating in 1974. It is majority-owned by South African insurance and reinsurance companies. The Swaziland National Provident Fund is a mandatory savings institution for employees.

### 3<sup>5</sup> PUBLIC FINANCE

In the past, the government maintained a prudent fiscal policy by avoiding large deficits and restricting public sector growth. From 1987 to 1991, large budgetary surpluses were registered, and the

government began making repayments on the external debt as a net creditor to the bank. Budgetary deficits during the 1990–2000s reflected extravagant government spending on the monarchy and his family. The civil service was overstuffed as well, prompting a reduction of 5,000 employees in 2000.

The US Central Intelligence Agency (CIA) estimated that in 2005 Swaziland's central government took in revenues of approximately \$805.6 million and had expenditures of \$957.1 million. Revenues minus expenditures totaled approximately -\$151.5 million. Total external debt was \$357 million.

The International Monetary Fund (IMF) reported that in 2000, the most recent year for which it had data, budgetary central government revenues were €2,817.1 million and expenditures were €2,899.7 million. The value of revenues in US dollars was us\$1,945 million and expenditures us\$2,002 million, based on an official exchange rate for 2000 of us\$1 = €1.4481 as reported by the IMF. Government outlays by function were as follows: general public services, 30.6%; defense, 7.6%; public order and safety, 8.1%; economic affairs, 21.1%; housing and community amenities, 3.6%; health, 8.0%; recreation, culture, and religion, 0.6%; education, 19.8%; and social protection, 0.4%.

### 36 TAXATION

Swaziland has a progressive personal income tax system with rates ranging from 0–30%. There are no local taxes. As of the year ending 30 June 2005, the corporate income tax was levied at a rate of 30%. There are no capital gains tax, tax on dividends from companies paid to residents, or estate taxes. Swaziland has double taxation treaties with several countries including South Africa. The standard rate for the sales tax was increased from 12% to 14% in 2003, with higher rates for items like liquor (25%) and tobacco. Exempted from sales tax are fresh foodstuffs, drugs, medicines, furniture and building supplies.

### 37 CUSTOMS AND DUTIES

Swaziland belongs to the Southern African Customs Union (SACU) with South Africa, Lesotho, Botswana, and Namibia. South Africa levies and collects most of the customs, sales, and excise duties for the five member states, paying a share of the revenues to the other four. Local import duties are applied to wines, spirits, and beer. Swaziland also signed a double taxation agreement with the United States in 2000.

### 38 FOREIGN INVESTMENT

Cognizant of its subordinate relationship to South Africa, Swaziland has fostered an investment climate agreeable to foreign businesses. More than half of all enterprises are foreign owned or joint ventures. South African investment has consistently accounted for

around 45% of FDI. It is surmised that British entities inject the largest portion of the remaining 55%, followed by Taiwan. The United States, Denmark, the Netherlands, and Germany are also present. Foreign investors pay a reduced 10% corporate tax and are exempted from withholding tax on dividends for the first 10 years.

In 1997, Swaziland experienced divestment of foreign direct investment (FDI) amounting to -\$15.1 million, but in 1998 annual FDI inflow rose to \$151 million. Inflow was \$100 million in 1999,

### Public Finance – Swaziland (2000)

(In millions of emalangenzi, budgetary central government figures)

	2,817.1	100.0%
<b>Revenue and Grants</b>		
Tax revenue	2,571.8	91.3%
Social contributions	...	...
Grants	108.9	3.9%
Other revenue	136.4	4.8%
<b>Expenditures</b>	<b>2,899.7</b>	<b>100.0%</b>
General public services	888.6	30.6%
Defense	221.7	7.6%
Public order and safety	236.2	8.1%
Economic affairs	612	21.1%
Environmental protection	...	...
Housing and community amenities	103	3.6%
Health	232.3	8.0%
Recreational, culture, and religion	18.5	0.6%
Education	575.3	19.8%
Social protection	12.1	0.4%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

but there was a reverse flow of -\$18.5 million in 2000. FDI inflow in 2001 was \$68 million, in 2002 was \$48.7 million, and in 2003 was \$60.8 million. FDI grew by 10.4% in 2003 and much of this growth was through reinvested earnings. There is no policy of encouraging Swazis or Swazi business to invest abroad generally, but a handful of Swazi businesses invest abroad, primarily in South Africa.

### 39 ECONOMIC DEVELOPMENT

The growth that was experienced in past years left unaffected the 60% of Swazis who live on small family farms. While manufacturing employment has risen, about half of Swazis are unemployed and actively seeking work. It is hoped that the existence of a multiracial government will prove beneficial to ongoing Swaziland-South African economic development. Economic activity weakened in the early 2000s, however, in part due to drought and closures by foreign firms. Food shortages and the spread of HIV/AIDS have exacerbated the dire conditions of high unemployment, income inequality, and poverty. A National Emergency Response Committee (NERCHA) was established in 2001 to combat HIV/AIDS.

### 40 SOCIAL DEVELOPMENT

Social services have developed slowly. A system of pensions exists for formally employed persons. Old-age, disability, and survivorship is covered. The program is funded by 5% contribution by both employees and employers. Retirement is allowed between ages 45 and 50 and pensions may be paid as a one-time lump sum or divided into installments. Private work injury insurance is mandatory for all employers.

Women do not have full legal equality with men, and a married woman is virtually a legal minor. Women may not open a bank account, buy land, or leave the country without her husband's permission. In addition, women do not automatically transmit citizenship to their children, and cannot transfer property to them either. Domestic violence is commonplace, and rape is viewed as a

minor offense by most men. Women are inhibited from reported violence, and the court system is unsympathetic. Child abuse is also a widespread social problem despite legislation protecting the rights of children.

There are continued reports of the use of excessive force by police, and torture during interrogation. The law does not provide for freedom of speech and of the press, and the government restricts these activities. However, human rights organizations are permitted to operate.

#### 41 HEALTH

Major health problems include bilharzia, typhoid, tapeworm, gastroenteritis, malaria, kwashiorkor, and pellagra. In 2004, there were an estimated 18 physicians, 2 dentists, 4 pharmacists, and 320 nurses per 100,000 people. Traditional healers are still consulted by over 80% of the population. Only about 43% of the population has access to safe water, and 36% has adequate sanitation. About 56% of the population had access to health care services.

About 27% of married women used contraceptives. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 39.6 and 23.2 per 1,000 people. In 2005, average life expectancy was 33.22 years, the lowest in the world. The infant mortality rate was 72.92 per 1,000 live births. The immunization rates for children under one year of age were as follows: diphtheria and pertussis, 96%; polio, 96%; measles, 94%; tuberculosis, 100%; and tetanus, 75%.

The HIV/AIDS prevalence was 38.80 per 100 adults in 2003, the highest rate in the world. As of 2004, there were approximately 220,000 people living with HIV/AIDS in the country. There were an estimated 17,000 deaths from AIDS in 2003.

#### 42 HOUSING

The search for jobs in urban settings has caused a housing shortage in these areas. Several squatter settlements have developed, accounting for as much as half of annual shelter production in cities. It has been estimated that about 60% of the urban population resides in temporary shelters, and that number grows as more and more households are unable to afford the high cost of home ownership. In response, the government has been working with international programs, such as the World Bank, to create and improve urban housing. In 2001, the Swaziland National Housing Board provided for over 1,000 rental units and 500 units for ownership to low- and middle-income families.

#### 43 EDUCATION

The majority of primary and secondary schools are run by missions with grants from the government. Children go through seven years of primary and five years of secondary schooling (in three and two-year cycles). Schooling is not compulsory, and nominal fees are charged to parents. The academic year runs from August to May.

Primary school enrollment in 2003 was estimated at about 75% of age-eligible students. The same year, secondary school enrollment was about 32% of age-eligible students. It is estimated that about 75% of all students complete their primary education. The

student-to-teacher ratio for primary school was at about 31:1 in 2003; the ratio for secondary school was about 16:1.

Higher education is provided by the University of Swaziland and the Swaziland College of Technology. In 2003, it was estimated that about 5% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 79.2%, with 80.4% for men and 78.1% for women.

As of 2003, public expenditure on education was estimated at 7.1% of GDP.

#### 44 LIBRARIES AND MUSEUMS

The Swaziland National Library Service was founded in 1971; with 250,000 volumes, it has 12 branches throughout the country and operates school libraries at secondary levels. There is also a mobile library service. The University of Swaziland in Kwaluseni has 180,000 volumes. The Swaziland Library Association was founded in 1984. The Swaziland National Museum in Lobamba, founded in 1972, contains collections primarily of ethnographic material and cultural objects of South Africa Bantu groups.

#### 45 MEDIA

In 2003, there were an estimated 44 mainline telephones for every 1,000 people; about 15,600 people were on a waiting list for telephone service installation. The same year, there were approximately 84 mobile phones in use for every 1,000 people.

The government-operated Swaziland Broadcasting Service broadcasts radio programs in English and Siswati and television programs in English. As of 2004, there were two government-owned radio stations and one independent (religious) radio station. There was one privately owned television station, however, the latter was owned by a relative of the former king. The government also has a television station. In 2003, there were an estimated 162 radios and 34 television sets for every 1,000 people. The same year, there were 28.7 personal computers for every 1,000 people and 26 of every 1,000 people had access to the Internet. There were two secure Internet servers in the country in 2004.

There are two major daily English language newspapers, the *Times of Swaziland* and the *Swaziland Observer*, with circulations in 2002 of 18,000 and 11,000, respectively. Freedom of speech and of the press are said to be limited, especially on political matters.

#### 46 ORGANIZATIONS

There are more than 123 cooperative societies, including the Swaziland Central Cooperatives Union. The national chamber of commerce and industry is in Mbabane. The National Consumer's of Swaziland was established in 1994. There are active professional associations, such as the Swaziland Nurses Association and Swaziland National Association of Teachers.

Educational organizations include the Swaziland Educational Research Association and Fundza, which works to establish school libraries throughout the country.

National youth organizations include the Swaziland Boy Scouts Association, Swaziland Workcamp Association, and the Swaziland Youth Forum. There are several sports associations in the country promoting amateur competition for athletes of all ages in a variety

of pastimes; many of these groups are affiliated with international counterparts, as well as with the Swaziland Olympic and Commonwealth Games Association.

Volunteer service organizations, such as the Lions Clubs International, are also present. Social action and development groups include the Human Rights Association of Swaziland and Emanti Esive (Water for Community Development), a health and wellness organization. There are national chapters of the Red Cross Society, UNICEF, and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

Swaziland offers the tourist a magnificent variety of scenery and casinos at Mbabane, Nhlangano, and Pigg's Peak. The tea estates near the Mdzimba Mountains are also an attraction. Popular sports are tennis, squash, hiking, fishing, white-water rafting, lawn bowls (bowling on a green), and golf. If traveling from an infected area vaccination against yellow fever is required. Precautions against cholera, typhoid, polio, and malaria are recommended. Passports and travel documents are required of all visitors as well as visas from more than 145 countries including China and Russia.

In 2003, there were 218,813 visitors who arrived in Swaziland. Hotel rooms numbered 1,339 with 2,436 beds and a 33% occupancy rate. Over 50% of the visitors came from African nations.

According to 2005 US Department of State estimates, the daily cost of staying in Mbabane was \$247.

#### 48 FAMOUS SWAZI

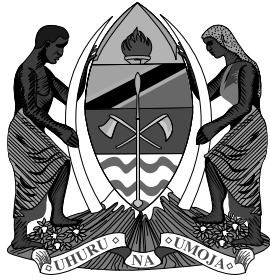
Sobhuza II (1899–1982) was king, or ngwenyama, of the Swazi nation from 1921 until his death. Mswati III (b.1968) became king in 1986.

#### 49 DEPENDENCIES

Swaziland has no territories or colonies.

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# TANZANIA

United Republic of Tanzania  
*Jamhuri Ya Muungano Wa Tanzania*

**CAPITAL:** Dodoma

**FLAG:** The flag consists of a black diagonal stripe running from the lower left corner to the upper right corner, flanked by yellow stripes. The diagonal stripes separate two triangular areas: green at the upper left and blue at the lower right.

**ANTHEM:** The Tanzanian National Anthem is a setting to new words of the widely known hymn *Mungu Ibariki Afrika (God Bless Africa)*.

**MONETARY UNIT:** The Tanzanian shilling (Sh) of 100 cents is a paper currency. There are coins of 5, 10, 20, and 50 cents and 1, 5, 10, and 20 shillings, and notes of 10, 20, 50, 100, 200, 500, and 1,000 shillings. Sh1 = \$0.00089 (or \$1 = Sh1,123.2) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** Zanzibar Revolution Day, 12 January; Chama Cha Mapinduzi Day, 5 February; Union Day, 26 April; International Workers' Day, 1 May; Farmers' Day, 7 July; Independence Day, 9 December; Christmas, 25 December. Movable religious holidays include 'Id al-Fitr, 'Id al-'Adha, Milad an-Nabi, Good Friday, and Easter Monday.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in East Africa just south of the equator, mainland Tanzania lies between the area of the great lakes—Victoria, Tanganyika, and Malawi (Niassa)—and the Indian Ocean. It contains a total area of 945,087 sq km (364,900 sq mi), including 59,050 sq km (22,799 sq mi) of inland water. Comparatively, the area occupied by Tanzania is slightly larger than twice the size of the state of California. It is bounded on the N by Uganda and Kenya, on the E by the Indian Ocean, on the S by Mozambique and Malawi, on the SW by Zambia, and on the W by Zaire, Burundi, and Rwanda, with a total boundary length of 4,826 km (2,999 mi), of which 1,424 km (885 mi) is coastline. Tanzania claims part of Lake Malawi, although its internationally recognized boundary is the east-north shore.

The section of the United Republic known as Zanzibar comprises the islands of Zanzibar and Pemba and all islets within 19 km (12 mi) of their coasts, as well as uninhabited Latham Island, 58 km (36 mi) south of Zanzibar Island. Zanzibar Island lies 35 km (22 mi) off the coast, and Pemba Island is about 40 km (25 mi) to the NE. The former has an area of 1,657 sq km (640 sq mi), and the latter 984 sq km (380 sq mi).

Tanzania's capital city, Dodoma, is located on the Indian Ocean coast.

## <sup>2</sup> TOPOGRAPHY

Except for the islands and a coastal strip varying in width from 16 to 64 km (10–40 mi), Tanzania lies at an altitude of over 200 m (660 ft). A plateau averaging 900–1,800 m (3,000–6,000 ft) in height makes up the greater part of the country. Mountains are grouped in various sections. The Pare range is in the northeast,

and the Kipengere Range is in the southwest. Kilimanjaro (5,895 m/19,340 ft), in the north, is the highest mountain in Africa.

On the borders are three large lakes: Victoria, the second-largest freshwater lake in the world, exceeded only by Lake Superior; Tanganyika, second only to Lake Baykal as the deepest in the world; and Lake Malawi. Lakes within Tanzania include Natron, Eyasi, Manyara, and Rukwa.

Tanzania has few permanent rivers. During half the year, the central plateau has no running water, but in the rainy season, flooding presents a problem.

Two-thirds of Zanzibar Island, to the center and the east, consists of low-lying coral country covered by bush and grass plains and is largely uninhabited except for fishing settlements on the east coast. The western side of the island is fertile and has several ridges rising above 60 m (200 ft). Masingini Ridge, at 119 m (390 ft), is the highest point on the island. The west and center of Pemba Island consists of a flat-topped ridge about 9.5 km (6 mi) wide, deeply bisected by streams. Pemba is hilly, but its highest point is only 95 m (311 ft). Apart from the narrow belt of coral country in the east, the island is fertile and densely populated.

## <sup>3</sup> CLIMATE

There are four main climatic zones: (1) the coastal area and immediate hinterland, where conditions are tropical, with temperatures averaging about 27°C (81°F), rainfall varying from 100 to 193 cm (40 to 76 in), and high humidity; (2) the central plateau, which is hot and dry, with rainfall from 50–76 cm (20–30 in), although with considerable daily and seasonal temperature variations; (3) the semitemperate highland areas, where the climate is healthy and bracing; and (4) the high, moist lake regions. There is little seasonal variation in the Lake Victoria area, but the eastern sec-



tions average only 75–100 cm (30–40 in) of rain, while the western parts receive 200–230 cm (80–90 in). A small area north of Lake Niassa receives 250 cm (100 in) of rain. There are two rainy seasons in the north, from November to December and from March through May. In the south there is one rainy season, from November to March.

The climate on the islands is tropical, but the heat is tempered by sea breezes that are constant throughout the year, except during the rainy seasons. The seasons are well defined. From December to March, when the northeast monsoon blows, it is hot and comparatively dry. The heavy rains fall in April and May, and the lesser in November and December. It is coldest and driest from June to October, during the southwest monsoon.

#### 4 FLORA AND FAUNA

Common savanna species cover most of the drier inland areas—amounting to about one-third of the country—between altitudes of 300 and 1,200 m (1,000 and 4,000 ft). Two main types of closed-forest trees—low-level hardwoods and mountain softwoods—are found in high-rainfall areas on the main mountain masses and in parts of the Lake Victoria Basin. Wooded grasslands are widely scattered throughout the country. The drier central areas include bushlands and thickets. Grasslands and heath are common in the highlands, while the coast has mangrove forest. There are over 10,000 species of plants throughout the country.

The 4 million wild mammals include representatives of 316 species and subspecies, notably antelope, zebra, elephant, hippopotamus, rhinoceros, giraffe, and lion. Various types of monkeys are plentiful.

There are over 230 species of birds found in the country, ranging in size from ostrich to warbler. Insect life, consisting of more than 60,000 species, includes injurious species and disease carriers. There are at least 25 species of reptiles and amphibians and 25 poisonous varieties among the 100 species of snakes. Fish are plentiful.

The flora and fauna of Zanzibar and Pemba are varied. Mammals common to both are galagos, fruit-eating and insectivorous bats, genet, mongooses, small shrews, rats, and mice. Zanzibar has the leopard, Syke's monkey, civet, and giant rat. Unique species of tree coney are found on Pemba and Tumbatu Islands. There are also five unique mammals—Kirk's colobus (monkey), two elephant shrews, duiker antelope, and squirrel.

#### 5 ENVIRONMENT

The Ministry of Natural Resources and Tourism, the Tanzania National Parks Department, and the Ministry of Lands, Housing, and Urban Development are the government agencies entrusted with environmental responsibilities in Tanzania. One of the nation's major concerns is soil degradation as a result of recent droughts. Also of concern is the drop in water level at Lake Victoria. Some reports estimate that in the period of 1995–2005, the water level dropped by one meter.

The nation's land is also affected by the related problem of desertification. Tanzania lost 14.4% of its forest and woodland area between 1983 and 1993. Tanzania has 82 cu km of renewable water resources with 89% of annual withdrawals used for farming and 2% for industrial activity. About 92% of urban dwellers and 62% of the people living in rural areas have access to improved

water sources. The nation's cities produce about 1.8 million tons of solid waste per year.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 34 types of mammals, 37 species of birds, 5 types of reptiles, 40 species of amphibians, 28 species of fish, 17 types of mollusks, 16 species of other invertebrates, and 239 species of plants. The nation's marine habitats are threatened by damage to its coral reefs caused by the fishing industry's use of dynamite. Threatened species included the Uluguru bush-shrike, green sea turtle, hawksbill turtle, olive ridley turtle, and Zanzibar suni. At least 16 species of fish have become extinct.

#### 6 POPULATION

The population of Tanzania in 2005 was estimated by the United Nations (UN) at 36,481,000, which placed it at number 33 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 45% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.4%, a rate the government viewed as too high and sought ways to reduce the fertility rate, which stood at more than five births per woman. The projected population for the year 2025 was 52,604,000.

The overall population density was 39 per sq km (100 per sq mi). The most densely populated regions are the well-watered or elevated areas, particularly in the Usambara Mountains around Kilimanjaro and Meru, on the shores of Lake Victoria, in the Southern Highlands, and in the coastal areas around Tanga and Dar es Salaam.

The UN estimated that 32% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.24%. The 2002 Tanzania census reported a metropolitan population for Dodoma, the capital, of 1,698,996. Other large cities and their 2002 regional populations include Mwanza, 2,665,956; Dar es Salaam, 2,497,940; Tanga, 1,742,412; Kigoma, 1,240,939; Arusha, 1,221,890; and Zanzibar 1,003,794.

The prevalence of HIV/AIDS has had a significant impact on the population of Tanzania. The UN estimated that 7.8% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

#### 7 MIGRATION

Out of an estimated Asian population of 100,000 in 1967, almost half, most of them with British passports, had left the country by 1980. Arabs, who were the dominant group on Zanzibar before the 1964 revolution, despite forming less than 20% of the population, fled after the event to the mainland or the Middle East. There is some emigration of laborers seeking work in neighboring countries, but Tanzanians who leave the country without authorization are subject to prosecution on return. During the clove harvest, labor moves from the towns to the clove plantations, from Zanzibar to Pemba, and from the mainland territories to Pemba. As a result of migration from rural areas to the cities, the urban population



LOCATION: 1° to 11°45' S; 29°21' to 40°25' E. BOUNDARY LENGTHS: Uganda, 418 kilometers (260 miles); Kenya, 769 kilometers (478 miles); total coastline (including coasts of Zanzibar and Pemba islands), 1,271 kilometers (790 miles); Mozambique, 756 kilometers (470 miles); Malawi, 451 kilometers (280 miles); Zambia, 322 kilometers (200 miles); Democratic Republic of the Congo, 459 kilometers (285 miles); Burundi, 451 kilometers (280 miles); Rwanda, 217 kilometers (135 miles).

TERRITORIAL SEA LIMIT: 50 miles.

is estimated to be growing by 6.5% per year. Urban authorities are empowered to return the unemployed to their villages.

In October 1993, around 250,000 Burundian refugees fled to Tanzania to escape from a military coup in Burundi. Most of these refugees returned within three months. Following the genocide in Rwanda, 500,000 Rwandan refugees arrived in April 1994. In 1996, 220,000 Rwandan refugees in Burundi fled to Tanzania to escape from the fighting in northern Burundi; they were allowed to enter based on humanitarian grounds. By December 1995, around

500,000 were repatriated following an agreement between Tanzania, Rwanda, and the United Nations High Commissioner for Refugees (UNHCR). In 1995, 18,000 Mozambicans entered Tanzania. Since 1997, 33,000 Zaireans and 59,000 Burundians have entered Tanzania. The total number of migrants living in Tanzania in 2000 was 893,000. As of 2004, there were 602,088 refugees in Tanzania, including some 443,000 from Burundi, and 153,000 from DROC. There were also 166 asylum seekers and 2 returned refugees. In 2004, Tanzania remained the fourth-largest asylum country.

In 2005, the net migration rate was estimated as -3.11 per 1,000 population. The government viewed the migration levels as satisfactory.

## **8** ETHNIC GROUPS

Mainland-native Africans constitute 99% of the total population. About 130 tribes have been categorized into 5 ethnic groups distinguishable by their physical characteristics and languages. Approximately 95% of Tanzanians may be roughly classified as Bantu, a comparatively recent blend mainly of Hamitic and Negroid stocks. Tribes range in membership from only a few thousand to the Sukuma tribe, which numbers more than two million. Other major tribes include the Nyamwezi, Makonde, Haya, and Chagga. The Luo, east of Lake Victoria, are the only people of Nilotic origin; the Masai of the northern highlands are Nilo-Hamites. A very small number of Bushmen-like people are scattered throughout northern Tanzania, where small tribes of Cushitic origin also live. The inhabitants of Zanzibar and Pemba are chiefly descendants of mainland Africans or are of mixed African and Arab extraction. The remaining 1% of the populace is made up of non-Africans, including Arabs, Asians, and Europeans.

## **9** LANGUAGES

Most Tanzanians speak variations of Bantu languages and dialects. Various languages also have Hamitic or Nilotic origins. Swahili (or Kiswahili) is the official language, as well as the lingua franca, and is understood in most parts of the country, although its usefulness declines toward the west. English, also an official language, is the primary language of commerce, administration, and higher education. Kiunguja, a form of Swahili, and Arabic are widely spoken in Zanzibar. The first language of most people is one of the local languages.

## **10** RELIGIONS

Since religious demography has been removed from government censuses as of 1967, reliable statistics on religious affiliation are difficult to obtain. Sociologists and religious leaders estimate that between 30–40% of the total population are Christian and that about an equal percentage are Muslim. The Christian churches represented include Roman Catholic, Pentecostal, Protestant, Seventh-Day Adventist, the Church of Jesus Christ of Latter-Day Saints, and Jehovah's Witnesses. A majority of the Muslims are Sunni, while others belong to one of several Shia groups. On the island of Zanzibar, about 99% of the inhabitants are Muslim.

Though the constitution forbids religious discrimination, many Muslims believe that they are disadvantaged with less representation in civil service, government, and other public institutions. A number of fundamental Muslims argue that the government is attempting to institute a Christian state. A 2001 Mufti Law allows the president of Zanzibar to appoint a mufti (Islamic leader) as a Zanzibar government official who settles religious disputes involving Muslims and generally monitors Muslim activities on the island. On the mainland, the National Muslim Council of Tanzania (BAKWATA) is a nongovernmental organization that has elected their own mufti. Several Muslims object to the government support shown for the appointment or elections of muftis, believing that it will only lead to government control of Islamic religious affairs. Fundamental Muslim groups on Zanzibar have initiated

highly confrontational, anti-Christian proselytizing campaigns, and Christian fundamentalists have responded by calling Muslims "servants of Satan." Tension also exists between fundamental and moderate Muslim groups, as the fundamentalists criticize secular Muslims who drink alcohol and marry Christian women. Certain Christian and Muslim holidays are celebrated as national holidays.

## **11** TRANSPORTATION

As of 2004, the Tanzanian Railways Corporation operated domestic railway services on 3,690 km (2,218 mi) of track, all of it narrow gauge. The Central Line extends 1,255 km (780 mi) from Dar es Salaam to Kigoma; its main branch lines are Tabora to Mwanza (381 km/237 mi) and Kaliua to Mpanda (211 km/131 mi). The Northern Line, extending from Dar es Salaam and Tanga to Moshi and Arusha, is linked to the railway systems of Kenya and Uganda. The 1,857-km (1,154-mi) Tazara railway, operated by the Tanzania-Zambia Railway Authority, links Dar es Salaam in Tanzania with Kpiri Mposhi in Zambia; 962 km (598 mi) of the line are in Tanzania. The Tazara railway is used mainly to transport goods for Zambia and Malawi. In 2002, Tanzania had 85,000 km (52,819 mi) of roads, 4,250 km (2,641 mi) of which were paved. In 2003, there were 20,100 passenger cars and 50,200 commercial vehicles.

Tanzania has a small national merchant shipping line of three freighters and one tanker. The principal ports on the mainland are Dar es Salaam, Mtwara, Tanga, and Lindi, all of which are managed by the Tanzanian Harbours Authority. Tanzanian ports handle cargo for landlocked Zambia, Zaire, Uganda, Rwanda, and Burundi. Freight and passenger vessels serve Mwanza and other Lake Victoria ports, among them Bukoba and Musoma. A joint Burundian-Tanzanian shipping company operates on Lake Tanganyika, and the Tanzanian Railways Corporation operates vessels on lakes Tanganyika, Victoria, and Niassa. Tanzania's rivers are not navigable. In 2005, Tanzania's merchant fleet comprised 11 ships of 1,000 GRT or more, totaling 25,481 GRT.

Airports in 2004 totaled an estimated 123, only 11 of which had paved runways as of 2005. Most internal air services are operated by Air Tanzania, which also flies internationally. Charter companies operate flights to government-maintained airports, landing fields, and privately owned airstrips. Foreign airlines provide service from international airports at Dar es Salaam and in the vicinity of Mt. Kilimanjaro (opened in 1971). There is also an international airport on Zanzibar, which maintains its own airline, Zanair. In 2003, scheduled airline traffic carried about 150,000 passengers.

## **12** HISTORY

Paleontologists Louis and Mary Leakey, working at Olduvai Gorge and elsewhere in northern Tanzania, uncovered fossil evidence that humanlike creatures inhabited the area at least as early as 3.7 million years ago. Excavations of Stone Age sites have revealed that the hunter-gatherers of the late Stone Age, known as Bushmen, were gradually displaced by successive waves of Cushitic, Bantu, and Nilotic peoples. By the 1st millennium AD, the Iron Age Urewe culture had developed along the western shore of Lake Victoria.

Arabs from the Persian Gulf area were engaged in trade along the Indian Ocean coast by the 9th century AD and by the 12th cen-

tury had established trading posts on the mainland and the offshore islands. Intermarriage between the Arabs and coastal Bantu-speaking peoples resulted in the creation of the Swahili people and language. (Swahili literally means “of the coast.”)

The first contacts of European nations with the East African coast were incidental to their quest for spices. In 1498, Vasco da Gama rounded the Cape of Good Hope, and thereafter the Portuguese established trading and supply posts on the East African coast for their ships on the way to India. Eventually, the Portuguese lost control of the sea routes, and in 1698, the Ya’aruba imam of the Ibadhi Arabs of Oman, Sa’if bin Sultan, expelled the Portuguese from every position that they held north of Mozambique. The Ibadhis of Oman long remained in at least nominal control of East Africa, and there was a lucrative trade in slaves and ivory.

Sayyid Sa’id bin Sultan (the ruler of Oman during 1806–56), above all others, must be regarded as the founder of modern Zanzibar. Sa’id first visited Zanzibar in 1828, and in 1840, he made the island his capital. A believer in free trade, he encouraged foreign merchants, including Indians, broke up Arab monopolies, and made commercial treaties with the United States and the United Kingdom. Zanzibar is indebted to him most for his establishment of the clove tree. By the time he died in 1856, he had established a large, loosely held empire that included Oman, Zanzibar, and the East African coast inland to the Great Lakes and the Congo. Zanzibar produced three-quarters of the world’s clove supply on plantations worked by slaves from the mainland. British pressure forced the closing of the slave trade in 1876, although slavery itself was not abolished until 1897.

The rise of Zanzibar as a commercial center was largely due to its trading links to the interior. Many of the caravan routes that stretched across East Africa were pioneered by African mainland societies. For example, the Yao living around Lake Malawi supplied the southern Tanzania trading town of Kilwa with slaves and ivory. African societies that gained control over the trade routes enhanced their power and wealth. In northeast Tanzania, a powerful trading and military state emerged in the 1860s in Urambo. Its leader, Mirambo was an excellent military and commercial strategist. He challenged the position of coastal traders in the area as well as the leading states that were closely aligned to Zanzibar.

The first Europeans to explore the interior were the British Sir Richard Francis Burton and John Hanning Speke, who crossed the country in 1857 to search for the source of the Nile, which Speke discovered in 1858. In 1866, Sultan Majid of Zanzibar began building the coastal town of Dar es Salaam (“Haven of Peace”). In 1871, Scottish missionary and explorer David Livingstone had reached Ujiji when his whereabouts became unknown to the outside world; the Anglo-American explorer Henry Morton Stanley, commissioned by a US newspaper, located him there later in that year. Tanganyika (the name for the mainland prior to the 1964 union with Zanzibar) came under German influence in 1884–85, when Karl Peters concluded treaties with chiefs of the interior in order to secure a charter for his German East Africa Company.

In 1890, two treaties between Germany and Great Britain were signed: the first partitioned the territories on the mainland hitherto controlled by the sultan of Zanzibar; the second officially recognized Anglo-German spheres of influence, excluded Germany from the Upper Nile, and established a British protectorate over Zanzibar and Pemba. Tanganyika and Ruanda-Urundi (now

Rwanda and Burundi) became recognized as German East Africa in 1891. As they occupied the interior, the German-led troops put down African opposition and uprisings. Intense military opposition to the European imperialism was led by Mirambo of the Nyamwezi in northwest Tanzania, by Mkwawa of the Hehe in southern highlands and by Meli of the Chagga around Kilimanjaro. However, the most bloody and intense opposition to German rule was the Maji-Maji war from 1905–1907. This war was inspired by Kinjekitile, a charismatic spiritual leader from southern Tanzania, succeeded in uniting a large number of African societies to fight the Germans. People who took Kinjekitile’s medicine were told that the “white man’s bullets” could not harm them. After initial battlefield successes, the Germans initiated a scorched earth policy that eventually starved southern Tanzania into submission. During World War I, a small German force led by Gen. Paul von Lettow-Vorbeck fought a long defensive guerrilla war against British armies, and much of Tanganyika was laid waste.

### Moving Toward Independence

Beginning in 1920, the United Kingdom administered Tanganyika as a mandate of the League of Nations. A customs union was established with Kenya and Uganda, the cultivation of export crops was encouraged, and a system of indirect rule was instituted. A Legislative Council for Tanganyika was created in 1926, but not until 1945 were seats reserved for Africans. In 1946, Tanganyika became a UN trust territory. After 1954, the Tanganyika African National Union (TANU) petitioned the UN Trusteeship Council to put pressure on the UK administration to establish a timetable for independence. TANU-supported candidates won the elections of 1958–60 for the Legislative Council, and Julius Nyerere became chief minister in September 1960. On 9 December 1961, Tanganyika became an independent nation. On 9 December 1962, it was established as a republic, headed by Nyerere as president.

In Zanzibar, a Legislative Council with an elected element had been established in 1957. On 24 June 1963, a deeply divided Zanzibar attained internal self-government; it became completely independent on 10 December 1963 under the (ZNP) Zanzibar Nationalist Party. On 12 January 1964, however, the ZNP government was overthrown by African nationalists allowing ZNP’s bitter rivals the ASP (Afro-Shirazi Party) to take power. The sultan, who had fled, was deposed, and Abeid Karume was installed as president. On 26 April 1964, Tanganyika merged with Zanzibar and became the United Republic of Tanganyika and Zanzibar, with Nyerere as president; in October, the name was changed to Tanzania. Karume, still president of Zanzibar and a vice president of Tanzania, was assassinated on 7 April 1972; his successor as head of the Zanzibar Revolutionary Council was Aboud Jumbe.

Under Nyerere, Tanzania became steadily more socialist. In international affairs, Tanzania became one of the strongest supporters of majority rule in southern Africa, backing liberation movements in Mozambique, Southern Rhodesia (now Zimbabwe) and South Africa. Growing differences between the East African Community’s three members (Kenya, Tanzania, and Uganda) led to the breakup in 1977 of the 10-year-old group. Tanzania’s border with Kenya remained closed until 1983. On 30 October 1978, Ugandan forces invaded Tanzania; Nyerere retaliated by sending 20,000 Tanzanian troops into Uganda. Ugandan President Idi Amin’s forces were routed in April 1979, and former president Milton

Obote, who had been living in exile in Tanzania, was returned to power. In 1982, Tanzanian troops helped put down an army mutiny in the Seychelles.

In 1980, Nyerere was reelected without opposition to his fifth and last term as president. During the early 1980s, Tanzania was plagued by poor economic performance, and there was a small, unsuccessful army mutiny against Nyerere in January 1983. There was also rising dissatisfaction in Zanzibar over the islands' political ties to the mainland; an attempt to overthrow Jumbe in June 1980 failed. In 1984, Jumbe and his colleagues, including his Chief Minister Seif Shariff Hamad, attempted to push for more autonomy for Zanzibar. As a result, Aboud Jumbe was pressured by the union government to resign his posts as vice president of Tanzania and president of Zanzibar in January 1984. His Chief Minister, Seif Shariff Hamad was detained. Ali Hassan Mwinyi, Jumbe's successor, was elected president of Zanzibar in April 1984. He was succeeded by Idris Abdul Wakil in October 1985. Mwinyi succeeded Nyerere as president of Tanzania in November 1985, following presidential and parliamentary elections, and was reelected in 1990. Mwinyi was identified with those in the ruling party, Chama Cha Mapinduzi (CCM), seeking greater political and economic liberalization, and in 1990 Nyerere resigned as chairman of the CCM. On 14 October 1999 Julius Nyerere died of leukemia. Idris Wakil, died shortly after on 15 March 2000.

Liberalization was not easy to attain. Except for religion, the CCM controlled almost all areas of social affairs. Party cells at work and in the community shadowed Tanzanians constantly. In February 1992, at an extraordinary national conference of CCM, delegates voted unanimously to introduce a multiparty system. On 17 June 1992, Mwinyi signed into law constitutional amendments that allowed new parties (with certain exceptions) to participate in elections. The first multiparty elections since the reinstatement of multiparty politics were local government elections held in 1994. In the elections the ruling party CCM soundly defeated the opposition parties. Despite strong government and CCM support for liberalization, the state is at least rhetorically committed to socialism as the concept of "socialism and self-reliance" is retained in article nine of the union constitution.

Rifts between the mainland (Tanganyika) and Zanzibar grew in the 1990s, often linked to the ongoing Christian-Muslim division. In December 1992, in violation of the constitution, the government in heavily Muslim Zanzibar covertly joined the Organization of Islamic Countries (OIC). In August 1993, parliament debated a motion calling for constitutional revisions to create a separate government for Tanganyika, to parallel the Zanzibar government. At that point, Zanzibar agreed to withdraw from the OIC and to allow Tanzanians from the mainland to visit without passports.

In April 1993, fundamentalist Muslims were arrested for attacking owners of pork butcheries in Dar es Salaam. Demonstrations at their trials led to more arrests and a government ban on the Council for the Propagation of the Koran. Around the same time the government also arrested an evangelist pastor named Christopher Mtikila who had formed a political party not recognized by the government. Mtikila, a populist preacher, accused the government of selling the country off to Arabs and Zanzibaris and his actions helped to heighten Christian-Muslim tensions. Mwinyi shuffled his cabinet several times in 1993 to balance Christian and Muslim interests. Later under the Mkapa regime, religious ten-

sions became apparent again when Muslims protested over the arrest of a religious leader from the Mwembechai Mosque in Dar es Salaam on the grounds that he was threatening peace and stability through his provocative sermons. In a demonstration that followed the arrest, two people were shot dead by the police and 135 demonstrators were arrested.

From the constitutional amendment of 1992 sprang the elections of October 1995, the first multiparty elections in Tanzania since the 1960s. However, the CCM commitment to a fair and open election was questioned. CCM candidate Benjamin Mkapa was elected union president in a vote that opposition parties and international observers considered flawed. On Zanzibar, international observers and the opposition Civic United Front (CUF) believed that CCM intimidation and vote rigging influenced the election results for the islands' government to favor CCM. The CUF claimed victory, only to have the CCM reject the results. The CCM-dominated electoral commission then declared CCM candidate Salmin Amour the winner of the presidential race and gave the CCM the majority of seats in Zanzibar's House of Representatives. CUF boycotted sessions of the Zanzibar House and refused to recognize the Amour government until a 1999 Commonwealth-brokered agreement was reached between the two rival parties. Despite the agreement, political tensions on the islands were high as the October 2000 elections approached.

Among the major problems inherited by Mkapa was the fate of the 700,000 refugees living in camps near the northern and western borders. Tanzania had taken in some 500,000 Rwandan refugees who fled the violence in their country since 1980. In one day at the height of the 1994 genocide in Rwanda, 200,000 refugees crossed over the border. Additionally, the government took in 200,000 refugees from Burundi. The strain on the country's resources, coupled with incursions into Tanzania by Tutsi dominated Burundi government forces chasing Hutu rebels, led the government to close its borders in 1995. In February 1997, Tanzania implemented its much-criticized plan to repatriate or expel its refugee population. In 1998 Tanzania severed its relations with Burundi and refused to recognize the military government of Maj. Pierre Buyoya. In response, Burundi closed its embassy in Dar es Salaam. Repatriation of Rwandan refugees was nearly completed by end of 2002.

On 7 August 1998, simultaneous bombings of the US embassies in Nairobi and Dar es Salaam—claiming 12 Tanzanian lives—were attributed to Osama bin Laden's al-Qaeda organization. Combined investigations and close cooperation between the Tanzanian and US governments facilitated the capture of a number of the terrorists. However, in early 2003 Western governments issued warnings to their citizens of possible terrorist threats on Zanzibar, which had a devastating impact on the economy with some hotel bookings down by 50%.

In October 2000, Tanzanians went to the polls reelecting Benjamin Mkapa and giving the ruling CCM party 244 of 272 seats in the parliament. The CUF disputed the results in Zanzibar, and in January 2001 after the government declared a protest march illegal, security forces shot and killed approximately 30 persons, seriously injured 300, and displaced some 2,000 more. On 26 February 2001, in what appeared to be a revenge murder, the CCM secretary general for Pemba was found killed with machete slashes to his skull and body. Following year-long talks between the CCM

and CUF, a constitutional amendment act was passed by the Zanzibari parliament on Pemba island towards the implementation of a reconciliation agreement signed by the two parties in October 2001. The passage of the act meant a review of the judiciary and Zanzibar Electoral Commission (ZEC), as well as the introduction of a director of public prosecution.

Presidential and parliamentary elections were held on 14 December 2005. Originally scheduled for 30 October, the elections were postponed due to the death of a vice presidential candidate. These polls were the third since the country returned to multi-party rule in 1992. They were also significant in that the incumbent President Benjamin Mkapa, who has served two consecutive terms, stepped down in accordance with the constitution. Jakaya Kikwete was elected president winning 80.3% of the votes. The next presidential election was scheduled for 2010.

Elections for the presidency of Zanzibar and its House of Representatives took place on 30 October 2005, as scheduled. Amani Abeid Karume of CCM won 53.18% of the votes and Seif Sharif Hamad of CUF won 46.07% of the votes in the presidential election. Voter turnout was high at 90.8% of registered voters. Immediately after the results were announced, riots broke out and a number of people were beaten and shot by the police. CUF protested the results claiming that Karume had won the presidency in Zanzibar through rigging. In the Zanzibar House of Representatives, CCM won 30 of the 50 seats and CUF took 19, with one seat being invalidated.

As of mid-2005, Tanzania faced a number of issues and challenges. According to the UNDP human development report for 2005, Tanzania ranked 164 out of 173 countries making it one of the world's poorest nations. The HIV adult prevalence rate was 11% with over two million people infected with the virus. The US State Department report on democracy and human rights observed that while Tanzania had improved its respect for human rights in recent years, the government's overall record remained poor. The report found that police were more disciplined in recent years, but members of the police and security forces committed unlawful killings and mistreated suspected criminals. The most serious violations of human rights resulted from election-related violence in Zanzibar in 2001 and in October 2005.

### 13 GOVERNMENT

A new constitution, replacing the 1965 interim document, went into effect April 1977 and was substantially amended in October 1984 and in 1992. It has been amended eight times.

The president, who is both chief of state and head of government, can be elected for no more than two five-year terms by universal adult suffrage. Before the constitutional amendments in 1992, the sole legal party Chama cha Mapinduzi (CCM) nominated the president. Two vice presidents, whom he appointed, assisted him: one was the prime minister and the other was the president of Zanzibar. As of 1995, the president is assisted by a vice president, prime minister, and cabinet. If the president of Tanzania is from Zanzibar, the vice president must be from the mainland and vice-versa.

As of 1995, the 274-seat unicameral national assembly consists of 232 members elected by universal adult suffrage for five-year terms, 36, or 15%, of the seats reserved for women nominated by their parties (parties nominate the women members of parliament

in proportion to the number of seats they control), and 5 members from the Zanzibar House of Representatives and the attorney general. Presidential and legislative elections are held concurrently, and in each legislative constituency. All candidates in competing in elections must belong to political parties. The prime minister, who is chosen from the assembly members, heads the assembly. If the president withholds his assent from a bill passed by the assembly, it does not become a law unless the assembly passes it again by a two-thirds majority. The president may dissolve the assembly and call for new presidential and legislative elections if he refuses to assent to a law passed by such a majority within 32 days of its passage.

The Revolutionary Council of Zanzibar, which held power on the islands since 1964, adopted a separate constitution in October 1979, which it replaced in January 1984. The new constitution provides for a popularly elected president and a 75-member Council of Representatives, 50 of whom are popularly elected and 25 appointed. The government of Zanzibar has exclusive jurisdiction over internal matters, including immigration, finances, and economic policy. Since the 1990s, a trend toward greater autonomy for Zanzibar has been the basis of political tension with the mainland.

The Articles of Union and Acts of Union of 1964 provided for two governments: the union government, which also handled mainland issues, and the Zanzibar government, which dealt with nonunion matters pertaining to Zanzibar. The Tanganyikan constitution of 1962 was amended to accommodate the two government arrangement, which has remained in place ever since. However, the two-government system has been criticized as favoring Zanzibar because there is no separate government for the mainland. Moreover, Zanzibar's representation in parliament is considered to be disproportionate to its small population. In August 1993, following Zanzibar's attempt to join the OIC in violation of the constitution, the National Assembly adopted a resolution that provided for the possibility of setting up a mainland or Tanganyikan government to parallel that of Zanzibar. The issue of a federated system with three governments has remained a bone of contention between CCM and the opposition parties.

Renegotiation of the Union pact was the key issue of the 1995 elections, the first contested elections on Tanzania in 20 years. Although the former ruling party emerged from those elections with the Zanzibar presidency and a majority in the House of Representatives, the secessionist movement remained strong on the islands. The Zanzibar government established its own department of revenue and foreign affairs.

In February 2000 the Zanzibar CCM and the mainland CCM factions clashed over a constitutional amendment that would have allowed Zanzibar's President Salmin Amour to seek a third term. CCM's National Executive Committee postponed consideration of the issue until after the 2000 elections, effectively blocking Amour's bid. On 29 October 2000, Zanzibar elected Amani Abeid Karume president, and Benjamin Mkapa was returned president of the Tanzanian republic. In 2005 Jakaya Kikwete was elected president with 80.3% of the votes. In controversial Zanzibar elections held in October 2005, Karume won 53.18% of the votes to retain the Zanzibar presidency.

## 14 POLITICAL PARTIES

At independence in 1961, Tanganyika (Tanzania Mainland) had a multiparty political system. The Tanganyika African National Union (TANU), established in 1954, was the overwhelmingly dominant political party in preindependence Tanganyika. Other political parties of this era included the United Tanganyika Party, the African National Congress, and the All Muslim National Unity of Tanganyika. In Zanzibar, there were three important political parties prior to independence. These were the ZNP (Zanzibar Nationalist Party), ASP (Afro-Shirazi Party), and ZPPP (Zanzibar and Pemba Peoples's Party). On 5 February 1977, ASP the ruling party of Zanzibar and TANU merged into the Chama Cha Mapinduzi (CCM) or Revolutionary Party. It became the sole legal political party in Tanzania. All candidates had to be approved by the CCM and were permitted to campaign only on the CCM platform. Elections within the single party framework were competitive, however. In the balloting on 13 and 27 October 1985, 328 candidates competed for 169 elective seats in the National Assembly. In 1987, former president Julius K. Nyerere was reelected chairman of the CCM. He stepped down in 1990, to be succeeded by Ali Hassam Mwinyi.

The CCM officially favors nonracism and African socialism. The basic aims, laid down in Nyerere's Arusha Declaration of 1967, are social equality, self-reliance, economic cooperation with other African states, *ujamaa* (familyhood), and the development of forms of economic activity, particularly in rural areas, based on collective efforts. However, since the late 1980s, CCM has slowly transformed itself into a pro-market, pro-business party. The party is divided into locally organized branches, which are grouped into districts, which in turn are grouped into regions. The 172-member National Executive Committee is the principal policymaking and directing body of the CCM. A central committee of 18 members is elected at periodic party congresses.

Although Tanzania amended its constitution in 1992 to become a multiparty state, the CCM still controls government. Other parties have tried to organize, and have complained of harassment by government and CCM activists. Before taking part in elections, the new parties undergo a six-month probation during which they can recruit and organize. Some 20 opposition groups had registered in the first four months of their legality. However, parties representing regional, racial, ethnic, or religious groups are explicitly prohibited.

Multiparty elections were held in Zanzibar on 25 October 1995 and union-wide on 29 October 1995. International observers and opposition parties accused the CCM of voter fraud and intimidation of opposition candidates in Zanzibar. While Civic United Front (CUF) claimed victory, on 26 October, the election commission declared CCM presidential candidate Salmin Amour the winner by 1,565 votes over the CUF's Seif Shariff Hamad. The CCM also won 26 of the 50 seats in the House of Representatives. Citing fraud in the election, the CUF boycotted the House and refused to recognize the Amour government. CCM-CUF tension in Zanzibar increased dramatically after the government arrested eighteen CUF members and charged them with treason, an offence punishable by death. Four of those charged with treason were CUF members of the Zanzibar House of Representatives. The Commonwealth Secretary General, Chief Emeka Anyaoku, tried to reconcile the two parties. An agreement was reached be-

tween the two parties in 1999 but tensions on the island remained high as CUF charged CCM with not living up to the agreement. As the 2000 elections approached, the treason suspects were still behind bars and clamoring to run for office from prison.

The Union election held on 29 October 1995 was so disorganized that it was cancelled in Dar es Salaam and held again on 19 November. In the presidential election, CCM candidate Benjamin Mkapa won with 61.8% of the vote. Former Deputy Prime Minister Augustino Mrema of the National Convention for Constitutional Reform received 27.7%; Ibrahim Lipumba of the Civic United Front won 6.4%, and John Cheyo of the United Democratic Party captured 3.97%. Parliamentary election results saw the CCM win 59.2% of the vote and 186 seats; NCCR, 21.83% and 16 seats; CUF, 5% and 24 seats; Chadema, 6.2% and 3 seats, and UDP, 3.3% and 3 seats.

As of the October 2000 elections there were 12 permanently registered opposition parties: Civic United Front/Chama Cha Wananchi (CUF), the National Convention for Constitutional Reform (NCCR-Mageuzi), the Union for Multiparty Democracy (UMD), Chama cha Demokrasia na Maendeleo (CHADEMA), the National League for Democracy (NLD), the Tanzania Peoples Party (TPP), the Tanzania Democratic Alliance (TADEA), the National Redemption Alliance (NRA), the Popular National Party (PONA), the United Peoples Democratic Party (UPDP), the United Democratic Party (UDP), and the Tanzania Labor Party (TLP).

In the presidential elections on 29 October 2000, CCM candidate Benjamin William Mkapa was reelected president with 71.7% of the vote, defeating CUF candidate Ibrahim Haruna Lipumba who garnered 16.3%. TLP candidate Augustine Lyatonga Mreme managed to obtain 7.8%, and John Momose Cheyo of the UDP 4.2%. In the National Assembly, the CCM won 244 of 272 seats to 16 for the CUF, 4 for CHADEMA, 3 for TLP, and 2 for UDP. In the Zanzibar House of Representatives the CCM won 34 seats to 16 for CUF. However, on Zanzibar the elections and postelections period were marred by violent civil unrest.

The results of the 2005 National Assembly election were as follows: CMM, 206 seats; CUF, 19 seats; CHADEMA, 5 seats; other, 2 seats; 37 women were appointed by the president, and Zanzibar representatives, 5 seats. The results of the 2005 Zanzibar House of Representatives election were as follows: CCM, 30 seats; CUF, 19 seats; and 1 seat was nullified with a rerun scheduled.

In the Union elections scheduled for December 2005, ten political parties fielded candidates for the presidency of Tanzania. Benjamin Mkapa of CCM stepped down as mandated by the constitution. CCM fielded Jakaya Kikwete who won the presidency with 80.3% of the votes, while Sauti ya Umma (SAU) was represented by Henry Kyara and CUF supported Ibrahim Lipumba who won 11.7% of the votes. Other presidential candidates included Emmanuel Makaidi of National League for Democracy (NLD); Freeman Mbowe of Chama cha Demokrasia na Maendeleo (CHADEMA) (won 5.9% of the votes); Augustine Mrema of Tanzania Labour Party (TLP); Christopher Mtikila of Democratic Party (DP); Sengondo Mvungi of National Convention for Construction and Reform-Mageuzi (NCCR-Mageuzi) also supported by the Forum for the Restoration of Democracy (FORD), National Reconstruction Alliance (NRA), Union for Multiparty Democracy (UMD), and United People's Democratic Party (UPDP);

Anna Senkoro of Progressive Party of Tanzania-Maendeleo (PPT-Maendeleo); and Leonard Shayo of Demokrasia Makini (MAKINI). The next general elections were to be held December 2010.

## 15 LOCAL GOVERNMENT

Mainland Tanzania is divided into 20 administrative regions, which are subdivided into 86 districts. Zanzibar and Pemba are divided into five regions. Regional commissioners are appointed by the central government, as are district commissioners and development directors for the districts.

The units of local government are district development councils. Each district development council includes elected members, but these bodies are only advisory. In Zanzibar, revolutionary committees are responsible for regional administration.

## 16 JUDICIAL SYSTEM

Mainland Tanzanian law is a combination of British, East African customary law, and Islamic law. Local courts are presided over by appointed magistrates. They have limited jurisdiction, and there is a right of appeal to district courts, headed by either resident or district magistrates. Appeal can be made to the High Court, which consists of a chief justice and 17 judges appointed by the president. It has both civil and criminal jurisdiction over all persons and all matters. Appeals from the High Court can be made to the five-member Court of Appeal. Judges are appointed to the Court of Appeal and the High Court by the president on the advice of the chief justice and to courts at lower levels by the chief justice.

In 1985, the Zanzibar courts were made parallel to those of the mainland. Islamic courts handle some civil matters. Cases concerning the Zanzibar constitution are heard only in Zanzibar courts. All other cases may be appealed to the Court of Appeal of the Republic.

Although declared independent by the constitution, the judiciary is subject to executive branch influence and is criticized as inefficient and corrupt. Questions have been raised as to the availability of a fair trial in politically charged cases.

## 17 ARMED FORCES

Tanzania's armed forces totaled 27,000 active personnel in 2005, with reserves numbering 80,000. The Army had 23,000 personnel in 5 infantry brigades, 1 tank brigade, 6 artillery battalions, 2 mortar battalions, 2 antitank battalions, 2 air defense battalions, and 1 engineering regiment. Equipment included 45 main battle tanks, 55 light tanks and 378 artillery pieces. The Navy had an estimated 1,000 personnel, whose major units consisted of six patrol/coastal vessels and two amphibious landing craft. The Air Defense Command numbered an estimated 3,000, operating 19 combat capable aircraft, including 9 fighters and 10 fighter ground attack aircraft. Police field forces, which included naval and air units, numbered 1,400. In 2004 (the latest year for which data was available), the defense budget totaled \$362 million.

## 18 INTERNATIONAL COOPERATION

Tanganyika was admitted to United Nations membership on 14 December 1961, and Zanzibar on 16 December 1963; following their union into what was eventually called Tanzania, the two regions retained a single membership. Tanzania is a member of ECA and several nonregional specialized agencies, such as the

FAO, ILO, the World Bank, UNESCO, UNHCR, UNCTAD, and the WHO. It is also a member of the African Development Bank, the East African Development Bank, the Commonwealth of Nations, the ACP Group, G-6, G-77, the WTO, the Southern African Development Community (SADC), and the African Union. Along with Rwanda, Burundi, and Uganda, it belongs to the Kagera Basin Organization. Julius Nyerere, Tanzania's first president, was one of the founding members of the Nonaligned Movement. Tanzania, Uganda, and Kenya signed an East African Cooperation Treaty in September 1999. A second treaty establishing a Customs Union was signed in March 2004.

In environmental cooperation, Tanzania is part of the Basel Convention, the Convention on Biological Diversity, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Tanzania has an agricultural economy whose chief commercial crops are sisal, coffee, cotton, tea, tobacco, pyrethrum, spices, and cashew nuts. Agriculture accounts for 48% of GDP, provides 85% of exports, and employs 80% of the workforce. The most important minerals are gold and diamonds. Industry is mainly concerned with the processing of agricultural materials for export and local consumption. Gas production in the Rufiji Delta was scheduled for 2002. The multimillion dollar Songosongo gas pipeline project was being developed in 2003.

After 25 years of socialist experimentation achieved important advances in education and health, poor economic performance led the government, in 1986, to adopt market-style reforms in conjunction with the IMF structural adjustment program. Since then, significant progress has been made in revitalizing the economy and donors have pledged additional funds to rehabilitate Tanzania's deteriorated economic infrastructure. The high inflation rate dropped to 5% in 2001 and 4.1% in 2004. Growth averaged 4.2% in 1996–2000, and picked up steadily to 6.2% in 2002, before slightly dropping in 2003 to an estimated 5.7% because of drought, and then recovering to 6.7% in 2004.

In 2001, bilateral donor countries pledged \$1 billion in aid for the country's reform programs, including education. Tanzania in 2003 was receiving \$3 billion over time in debt relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative, and the net present value of Tanzania's external debt was being reduced by 54%. The economy was improving, with the mining, tourism, agriculture, construction, telecommunications, and utilities sectors all showing potential for growth. The government had sold off state-owned enterprises, was welcoming foreign investment, and had implemented strict fiscal and monetary policies. Nonetheless, Tanzania's macroeconomic progress had not translated into better lives for its rural poor.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Tanzania's gross domestic product (GDP) was estimated at \$26.6 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$700. The annual



growth rate of GDP was estimated at 6.1%. The average inflation rate in 2005 was 4.1%. It was estimated that agriculture accounted for 43.2% of GDP, industry 17.2%, and services 39.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$7 million or about \$0 per capita and accounted for approximately 0.1% of GDP. Foreign aid receipts amounted to \$1,669 million or about \$47 per capita and accounted for approximately 16.3% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Tanzania totaled \$7.94 billion or about \$221 per capita based on a GDP of \$10.3 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 1.8%. In 2001 it was estimated that approximately 67% of household consumption was spent on food, 5% on fuel, 4% on health care, and 12% on education. It was estimated that in 2002 about 36% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

Over 80% of Tanzania's working population was estimated to be engaged in agriculture in 2002, with the industrial and services sectors accounting for the remaining workforce. The labor force was estimated at 19.22 million in 2005. There was no data available on unemployment in Tanzania.

In 1964, by legislation of the National Assembly, the existing 13 trade unions were dissolved and amalgamated into a single national institution, the National Union of Tanzanian Workers. This was reorganized in 1978 to take in Zanzibar trade union activity as the Organization of Tanzania Trade Unions (OTTU), which still is the only labor union organization. The OTTU was renamed the Tanzania Federation of Trade Unions (TFTU) in 1995. As of 2002, only approximately 5–7% of the wage-earning labor force was organized. Strikes are permitted after a lengthy and complicated arbitration procedure which delays a resolution for months. Collective bargaining does not regularly occur, and public sector employee wages and benefits are set by the government.

With the permission of a parent, a child as young as 12 years old may work on a day-to-day basis. Employment of a long-term contractual nature cannot begin until a minor is at least 15. Enforcement of these provisions is inadequate and has actually declined in recent years with increased privatization. The standard workweek is 40 hours for government workers, while most private employers retain a 44 to 48-hour workweek. A minimum wage is fixed by law; as of 2002, it was about \$38 a month.

## 2<sup>2</sup> AGRICULTURE

About 5.8% of the total land area is cultivated, with about two-thirds belonging to farmers owning or operating farms of five hectares (12.4 acres) or less. A massive collectivization and cooperative agricultural program was begun in 1967; by the end of 1980, 8,167 self-help villages, involving more than 14 million people, had been established. The program was coupled with the takeover of large estates.

The principal food crops are corn, millet, rice, sorghum, and pulses. The chief cash crops are coffee, cotton, and cashew nuts; si-

sal, cloves, sugar, tea, pyrethrum, and tobacco are also important. Tanzania is one of Africa's leading producers of sisal; in 2004, production was 23,500 tons. Other estimated agricultural production in 2004 included manioc, 6,890,000 tons; corn, 2,800,000 tons; sorghum, 650,000 tons; rice, 647,000 tons; and millet, 270,000 tons. Production in 2004 also included coffee, 47,000 tons; cotton, 109,000 tons; cashew nuts, 100,000 tons; tea, 25,500 tons; tobacco, 24,500 tons; sweet potatoes, 970,000 tons; white potatoes, 260,000 tons; and 83,000 tons of peanuts. Sugarcane production in that year was an estimated 1,800,000 tons; bananas, 150,400 tons; plantains, 601,600 tons; dry beans, 280,000 tons; seed cotton, 330,000 tons; and cottonseed, 210,000 tons.

Tanzania is the third leading producer of cloves, which are grown mostly on Pemba; production totaled 12,500 tons in 2004. Tanzania is also an important producer of coconuts (370,000 tons in 2004), mostly from the island of Zanzibar.

There was a steady decline in agricultural production during the late 1970s and early 1980s because of drought and low prices paid by the state crop-marketing agencies. In addition, there was a shortage of farm implements; only 3,000 of the nation's 10,000 tractors were in working order in 1982, and even hand hoes and oxen plows were in acute shortage. By 2003, there were some 7,600 tractors in service (down from 8,000 in 1985). Beginning in 1986, reforms of the cooperative unions and crop marketing boards have aided production. The purchase of crops (especially coffee, cotton, sisal, tea, and pyrethrum) has been opened to private traders.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Although large areas are unsuitable for livestock because of the tsetse fly, considerable numbers of cattle, sheep, and goats are kept, and livestock raising makes a substantial contribution to the economy. The estimated livestock population in 2005 included 17,800,000 head of cattle, 12,550,000 goats, 3,521,000 sheep, 455,000 pigs, and 30,000,000 poultry. About 364,000 tons of meat were produced in 2005. Milk production that year consisted of 940,000 tons from cows and 104,000 tons from goats.

## 2<sup>4</sup> FISHING

With over 6% of Tanzania's area consisting of open lake waters, inland fishing, especially on Lake Tanganyika, occupies an important place in the economy. There is also fishing in the Indian Ocean. The total catch was 363,522 tons in 2003, about 83% from inland waters. Nile perch, dagaas, and tilapias are the main species caught.

## 2<sup>5</sup> FORESTRY

Some 38,811,000 hectares (95,902,000 acres), or 43.9% of Tanzania's total land area, is classified as forest. There are about 13,000,000 hectares (32,000,000 acres) of permanent forest reserves. Small plantations for fast-growing trees have been established in these reserves. On the islands, remains of former forests are found only in two reserves.

Production in 2004 included about 23.8 million cu m (840 million cu ft) of roundwood, with 90% used as fuel wood. Sawn wood production was 24,000 cu m (847,000 cu ft) that year.

## 26 MINING

With the rebirth of the gold industry, in 1999, gold has dominated the mineral industry in Tanzania, and was expected to grow substantially in the near future. Because of significant exploration successes and government investment incentives, Tanzania's mining sector has been playing an increasingly important role in the economy. Mining sector output, by value, grew by about 17% in 2003, and by 15% in 2002. From 1999 through 2003, substantial increases in gold production spurred growth in the country's mining sector by around 15% annually. Tanzania's gross domestic product (GDP) grew by 7.1% in 2003, of which mining and quarrying accounted for 3% of GDP in that year. Gold was the top export commodity in 2003, accounting for \$504.1 million out of a total of \$560.2 million in mineral exports for that year. Overall, mineral exports accounted for 48% of Tanzania's exports by value in 2003.

Output of refined gold in 2003 totaled 48,018 kg, up from 43,320 kg in 2002. With the opening of three new mines, and planned investment of \$1.5 billion, gold production reached 30,088 kg in 2001 and was expected to reach 57,000 kg in 2007.

Diamond output in 2003 was 236,582 carats, down from 239,761 carats in 2002. Diamonds, 85% of which were gem-quality or semi-gem-quality, were mined at the Williamson field, in Mwadui. The deposits were jointly-owned by the government and Willcroft, of Canada. Diamond production has declined since the 1967 peak (988,000 carats), because of depletion of higher-grade ores and equipment failure. Production hit a low in 1994, of 17,177 carats. Diamond resources were 114 million tons containing 6.5 million carats. The output of other gemstones (including amethyst, aquamarine, chrysoptase, emerald, garnet, kyanite, opal, peridot, lo-lite, ruby, sapphire, tanzanite, and tourmaline) was 1,530,000 kg in 2003, compared to 196,000 in 2002. African Gem Resources, the new owner of block C of the Merlani mining area, estimated that block C, with resources of 2.24 million tons of ore, grading 22 carats per ton, contained two-thirds of the world's known deposits of tanzanite.

In 2003, Tanzania produced 23,176 metric tons (preliminary) of crude gypsum and anhydrite, as well as calcite, hydraulic cement, crushed limestone, salt, and presumably stone, and sand and gravel. Resources of limestone totaled 155 million tons; marble resources for lime production totaled 137 million tons; and calcitic marble resources amounted to 121 million tons. No iron ore or graphite was produced in 2003. Resources and proven reserves of iron ore, in Itewe, Liganga, and the Uluguru Mountains, totaled 103 million tons. Deposits of cobalt, copper, lead, mica, nickel, phosphates, tin, titanium, tungsten, and uranium were also known to occur, and companies were exploring for cobalt and nickel and planning to produce copper concentrate from a gold mine.

## 27 ENERGY AND POWER

Tanzania has proven reserves of natural gas and coal but must rely on imports for all its crude oil.

Tanzania, as of January 2003, had no proven reserves of crude oil, but as of that date, did possess a crude oil refining capacity of 14,900 barrels per day. However, the refinery, as of February 2004, was reported to be no longer operational and was being used as an

oil storage area. In 2002, the country's imports and consumption of refined oil products each averaged 21,720 barrels per day. There were no recorded imports or consumption of natural gas in 2002.

Coal is Tanzania's most abundant resource. Reported as of February 2004, the country has recoverable coal reserves of 220 million short tons. In 2002, coal output totaled 91,000 short tons.

Tanzania electric power generating capacity in 2002 came to 0.832 million kW, of which 0.560 million kW was hydroelectric capacity, with conventional thermal capacity at 0.302 million kW. Electric power output in 2002 totaled 2.952 billion kWh, of which hydroelectric power provided 2.709 billion kWh and conventional thermal sources 0.243 billion kWh. Demand for electric power in 2002 totaled 2.773 billion kWh. Electric power imports that year totaled 0.028 billion kWh.

## 28 INDUSTRY

Manufacturing output increased by an average of 1.1% during the decade 1980-90, and by 1.7% between 1988 and 1998, when it accounted for 6.8% of GDP. Industry in general accounted for 17% of GDP in 2000. Along with the results of parastatal inefficiencies; fuel and import costs, lack of foreign exchange, power shortages, lack of spare parts, and unreliable local services have tested the manufacturing sector severely. By 2001, 333 of 395 state-owned companies had been privatized, including tobacco and cashew farms, mines, the brewery, and a cigarette factory.

Tanzanian industry is centered on the processing of local agricultural goods. Some products are exported to neighboring countries: textiles and clothes, shoes, tires, batteries, transformers and switchgear, electric stoves, bottles, cement, and paper. Other industries include oil refining, fertilizers, rolling and casting mills, metal working, beer and soft drinks, vehicle assembly, bicycles, canning, industrial machine goods, glass and ceramics, agricultural implements, electrical goods, wood products, bricks and tiles, oxygen and carbon dioxide, and pharmaceutical products. In the early 2000s, the industrial sector was relatively weak, but made small gains in the production of cement, soft drinks, corrugated iron sheeting, food processing, chemicals, leather products, and textiles. The construction industry was growing at a slow pace at that time, at less than 5% per year.

Oil and natural gas exploration are encouraged, and natural gas reserves were estimated at 2 trillion cubic feet (Tcf) in 2000. Tanzania has one oil refinery at Dar es Salaam with a production capacity of 15,000 barrels per day.

## 29 SCIENCE AND TECHNOLOGY

The Tanzania Commission for Science and Technology, founded in 1958 at Dar es Salaam, advises the government on science and technology policy. Much of the scientific and technical research in Tanzania is directed toward agriculture. Facilities include the Livestock Production Research Institute at Dodoma (founded in 1905), the National Institute for Medical Research at Amani and Mwanza (founded in 1949), the Silviculture Research Institute at Lushoto (founded in 1951), the Agricultural Research Institute of the Ministry of Agriculture at Mlingano (founded in 1934), and the Tropical Pesticides Research Institute at Arusha (founded in 1962). The University of Dar es Salaam (founded in 1961) has faculties of science, medicine, and engineering and an institute of marine sciences; Sokoine University of Agriculture at Morogoro

(founded in 1984) has faculties of agriculture, forestry, and veterinary medicine. The Open University of Tanzania (founded in 1992 at Dar es Salaam) has faculties of science, technology, and environmental studies. In 1987–97, science and engineering students accounted for 37% of college and university enrollments. In 2002, high technology exports were valued at \$1 million, or 2% of the country's manufactured exports.

### 3<sup>0</sup> DOMESTIC TRADE

Dar es Salaam is Tanzania's main distribution center. Mombasa, in Kenya, and inland Tanzanian towns also serve as trade centers. Previously, Tanzania used nontariff trade barriers to protect local industries and domestic commerce. With trade liberalization, tariff barriers have been adjusted for this purpose. Most retail shops are small, privately owned establishments that specialize in one or two specific products.

Normal business hours are 7:30 am to 2:30 PM, Monday through Friday; firms that take a lunch break at noon may stay open to 4 or 4:30 PM. Banks are open from 8:30 am to noon, Monday through Friday, and 8:30 to 11 AM on Saturday.

### 3<sup>1</sup> FOREIGN TRADE

The chief imports are transport equipment and intermediate and industrial goods machinery. The big traditional export commodities for Tanzania are coffee (17.1%), fish and shellfish (11.6%), and fruits and nuts (including cashews—16.8%). Other exports include unfinished tobacco (8.6%) and cotton (7.4%). Since peaking in 1996–97, growth in traditional commodity exports has stagnated. Traditional commodity exports (coffee, cotton, sisal, tea, tobacco, cashew nuts and cloves) reached \$435 million in 1997, but averaged only \$218 million annually in 2001–04. This is largely due to the falling prices at international markets for these commodities. On the other hand, Tanzanian nontraditional exports rose to \$327.5 million in 1996, but fell back to \$232.2 million in 1998. The fall mainly reflected a decline in exports of petroleum products and manufactured goods. Petroleum exports have been adversely affected by smuggling and by the reforms currently under way in the sector, which have led to the restructuring of the Tanzanian and Italian Petroleum Refinery (Tiper). However, the

#### Principal Trading Partners – Tanzania (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,218.4	2,189.5	-971.1
United Kingdom	386.9	108.2	278.7
Japan	88.7	169.7	-81.0
Kenya	83.5	116.3	-32.8
France-Monaco	79.5	40.9	38.6
India	74.4	167.5	-93.1
Netherlands	67.8	32.2	35.6
Uganda	48.1	...	48.1
South Africa	39.1	306.3	-267.2
Congo (DROC)	36.6	...	36.6
Belgium	35.6	33.4	2.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Tanzania (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>-251.3</b>
Balance on goods		-608.8
Imports	-1,511.3	
Exports	902.5	
Balance on services		-46.8
Balance on income		-16.2
Current transfers		420.5
<b>Capital Account</b>		<b>1,168.0</b>
<b>Financial Account</b>		<b>-507.0</b>
Direct investment abroad	...	
Direct investment in Tanzania	240.4	
Portfolio investment assets	...	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	2.9	
Other investment liabilities	-750.3	
<b>Net Errors and Omissions</b>		<b>-83.8</b>
<b>Reserves and Related Items</b>		<b>-325.9</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

start of large-scale gold mining has resulted in dramatic increases in export earnings for this nontraditional sector expanding export earnings to \$911.2 million in 2003.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Tanzania typically runs a current account deficit, although long term capital investment from abroad resulted in surpluses for several years during the 1970s. Agricultural marketing reforms and flexible exchange policies are expected to provide export growth in upcoming years, as exports move from the underground to the official market.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Tanzania's exports was \$1.573 billion while imports totaled \$2.391 billion resulting in a trade deficit of \$818 million.

### 3<sup>3</sup> BANKING AND SECURITIES

On 5 February 1967, Tanzania nationalized all banks after the adoption of the Arusha Declaration. From then until 1991, banking was a state monopoly led by the central Bank of Tanzania (BoT) and the National Bank of Commerce (NBC). In 1991, the financial services sector was opened to private and foreign capital. In 1993, the first private banks opened their doors. These were Meridien BIAO and Standard Chartered, the latter being among the UK-owned banks that were nationalized in 1967. Meridien's Zambian-based African network collapsed in 1995, and Stanbic of South Africa took over the Tanzanian subsidiary after its seizure by the BoT. The Kenyan-owned Trust Bank opened in March 1995, to be followed by Eurafrican Bank (a Belgian-led venture). Also in early 1995, the only private bank to be majority-owned by indigenous Tanzanians, First Adili Bank, began business.

In 2002, the BoT was still the central bank and bank of issue, provided advice to the NBC. The NBC, which used to be accounted for over 75% of the country's transactions, was split in 1997 into

NBC 1997 and the National Microfinance Bank (NMB). Other Tanzanian banks include the People's Bank of Zanzibar, the Tanzania Investment Bank, the Tanzania Housing Bank, the Rural Cooperative and Development Bank (CRDB), and the Tanganyika Post Office Savings Bank. Foreign banks include Citibank, Stanbic Bank, Standard Charter, Bank of Great Britain, EuroAfrican Bank, Akiba Commercial Bank, and Exim Bank.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$874.0 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$1.9 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 8.7%.

The establishment of a local stock market, the Dar es Salaam Stock Exchange (DSE), occurred in March 1998. By 2003 there were four companies listed on the exchange with a total market capitalization of about \$500 million: Tanzania Breweries Limited, Tanzania Tea Packers Limited, TOL Limited (producer of industrial gases), and Tanzania Cigarette Company Limited.

### 34 INSURANCE

All insurance companies were nationalized in 1967. There is one national insurance company, the National Insurance Corporation of Tanzania, that covers life, fire, automobile, marine, and general accident insurance.

### 35 PUBLIC FINANCE

The Tanzanian budget covers cash expenditures and receipts for the mainland only, and does not include Zanzibar government revenues and expenditures. Total expenditures include a development budget and revenues include profits from privatization sales. The fiscal year ends on 30 June. In the early 1980s, the annual budget deficit went over 10% of GDP, and payment arrears on external debts started to mount. Since 1986, the government has improved its fiscal and monetary policies, with mixed results. Tanzania qualified for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative.

The US Central Intelligence Agency (CIA) estimated that in 2005 Tanzania's central government took in revenues of approximately \$2.2 billion and had expenditures of \$2.6 billion. Revenues minus expenditures totaled approximately -\$434 million. Public debt in 2005 amounted to 5% of GDP. Total external debt was \$7.95 billion.

### 36 TAXATION

The corporate income tax rate in 2005 was 30% of taxable profits. Withholding taxes include: a 10% general rate for dividends (5% for companies listed on the Dar es Salaam Stock Exchange); 10% for interest; 15% on royalties; and a 10% rate on rents for residents (15% rate for nonresidents). Capital gains are treated as ordinary business income and subject to the corporate rate.

Income taxes are also levied on wages and salaries. There is a Housing Levy and a Vocational Education Training Levy on gross payroll. There is a value-added tax (VAT) with a standard rate of 20%, as of 2005. Exemptions from VAT include computers, tour operations, hospital equipment, and investments in educational equipment. Other taxes include a stamp duty on sales, a transport

withholding tax, local government development levies, an entertainment tax (for non-VAT-registered taxpayers), and airport and seaport departure charges.

### 37 CUSTOMS AND DUTIES

Tanzania has a single column tariff with many items dutiable ad valorem. Customs duties range from 0–25%, not including the VAT. In 1992, the government abolished duties and taxes on raw materials for industry as part of an economic reform program. In 1995, a uniform 5% tax was levied on imported capital goods. Import duties and sales tax apply according to the value of goods. There is a value-added tax of 20%. There are no export controls, except for protected wild animals, and there are no prohibited imports, except for narcotics and other internationally prohibited drugs. Import and export licenses are not needed.

### 38 FOREIGN INVESTMENT

From independence in 1961, Tanzania followed state-centered socialist policies. With the initiation of economic reforms in 1986, investment interest in Tanzania has grown considerably in all sectors. Under the Tanzania Investment Promotion Policy of 1990 the Investment Promotion Center was established and by 1997, it had approved about 1,025 projects worth \$3.1 billion. The operations of foreign banks were authorized in 1991, and the banking industry was substantially reformed to make it more competitive. In 1992, the Zanzibar Investment Promotion Agency (ZIPA) Act established the Tanzania Investment Center (TIC) as a one-stop shop for facilitating and coordinating private-sector investment, and for issuing certificates of incentives to qualifying investors. The incentive package includes 100% capital allowances in computing gains and profits of an enterprise; 0% import duty on capital equipment in "lead" sectors (mining, oil and gas, tourism, and infrastructure development), and 5% import duty on equipment for projects in "priority" sectors (agriculture, aviation, commercial buildings, development banks, export processing, special regions, human resources development, manufacturing, natural resources, radio and TV broadcasting, and tourism); and an automatic permit to employ up to five foreign nationals. The Tanzania Investment Act of 1997 was strengthened by the Land Act of 1999 and the Village Land Act of 1999, which provide the right to acquire land in urban and rural areas, respectively. As a further impetus for reform, the Tanzanian government has taken steps to qualify under the US Africa Growth and Opportunity Act (AGOA), effective 2001, that mandates tariff-free and quota-free access to the US market for countries making market-based reforms.

From 1997 to 2004, annual foreign direct investment (FDI) inflows increased steadily from \$157.8 million to \$527 million in 2003, slightly dropping to \$470 million in 2004. The annual average of foreign direct investment between 1997 and 2004 was \$393 million. The 10 leading countries that have invested in Tanzania are the United Kingdom, the United States, Kenya, Canada, South Africa, China, Germany, Italy, the Netherlands, and India. Foreign investment has mainly gone into mining, manufactures, agriculture, and tourism.

### 39 ECONOMIC DEVELOPMENT

The Tanzanian government has focused in recent years on reorganizing and restructuring its economic institutions. Progress

has been encouraging and private sector investors are increasingly interested in mining, transport, tourist, and fishing sector opportunities.

The fourth five-year development plan (1981–86) was not fully carried out because of Tanzania's economic crisis. Among the projects implemented were an industrial complex, a pulp and paper project, a machine-tool plant, a phosphate plant, and the development of natural gas deposits. The Economic and Social Action Plan of 1990 scaled back the government's ambitions and sought to continue moderate growth in the economy, improve foreign trade, and alleviate some of the social costs of economic reform. Development planning is now conducted on an annual basis, with recent development priorities set in the areas of transport infrastructure, health, and education.

In 2000, the International Monetary Fund (IMF) approved a three-year \$181.5 million Poverty Reduction and Growth Facility (PRGF) Arrangement for Tanzania (it expired in June 2003). With the inception of this program, gross domestic product (GDP) growth averaged more than 5%, while inflation declined to below 5%. The servicing of Tanzania's over \$8 billion external debt absorbs around 40% of total government expenditures. In 2001, Tanzania became eligible for \$3 billion in debt service relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative. The government has taken steps to attract foreign investment, including revamping tax codes, floating the exchange rate, licensing foreign banks, and creating an investment promotion center to trim bureaucratic red tape. Poverty remains pervasive, however, and is the main target for economic development.

At the annual meeting of the IMF and the World Bank in Washington, DC in September of 2005, the IMF announced its new policy support instrument (PSI), which is likely to replace PRGF programs in countries such as Tanzania that have successfully completed multiple PRGFs. At this meeting, the possibility of a complete write-off of Tanzania's multilateral debt moved closer as the G8 and IMF and World Bank agreed a debt-forgiveness package to be implemented in early 2006.

#### 40 SOCIAL DEVELOPMENT

A social insurance system was implemented in 1998. It covers employees in the private sector, and some public workers and self-employed persons. Domestic workers are excluded, although voluntary coverage is available. Employers contribute 10% of payroll and employees contribute 10% of their wages. Coverage includes old age, disability, and survivorship payments, as well as medical care and maternity benefits. The labor code requires employers to provide severance pay to employees with continuous service of at least three months.

The government advocates equal rights and employment opportunities for women. However, discrimination and violence against women are widespread. The law does not specifically address spousal abuse and victims are hesitant to seek assistance. Female genital mutilation is prevalent. Rape is a significant problem, and the police are ill equipped to deal with the few cases that are actually reported. In Zanzibar, unmarried women who become pregnant and are under the age of 21 are subject to two years' imprisonment. Inheritance laws favor men.

Tanzania's human rights record remains poor. Police abuse of prisoners and detainees is widespread. Prison conditions are poor,

and dysentery, malaria, and cholera are common. There are reports that the government has blocked the registration of local human rights organizations.

#### 41 HEALTH

In 1975, the government began to nationalize all hospitals, including those run by Christian missions; private medical practice was ended in 1980. Medical treatment is free or highly subsidized in company clinics as well as hospitals. The pyramid structure of Tanzania's national health care system, stressing primary care at an affordable cost, makes it a pioneer in sub-Saharan Africa. Approximately, 54% of the population had access to safe drinking water and 90% had adequate sanitation. An estimated 80% of the population had access to health care services and public health care expenditures were 3% of GDP. Life expectancy was 45.24 years in 2005.

There are close to 3,000 rural health facilities, 17 regional hospitals, and 3 national medical centers. As of 2004, it was estimated that there were fewer than 4 physicians per 100,000 people. Medical staff morale was low due to declining wages and management and operational difficulties in the central medical stores and domestic pharmaceuticals industries. Imports of drugs are overseen by the Pharmaceutical Board; there are four local manufacturers.

Special programs of disease control have been carried out with the assistance of the World Health Organization and UNICEF for most major diseases, including malaria, tuberculosis, sleeping sickness, schistosomiasis, poliomyelitis, and yaws. As of 2000, an estimated 44% of children under five were malnourished. Children up to one year old were immunized against tuberculosis, 82%; diphtheria, pertussis, and tetanus, 74%; polio, 73%; and measles, 69%. Tanzania's tuberculosis treatment program is less than 20 years old and consists of inexpensive drugs that cut recovery time in half.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 39.1 and 13 per 1,000 people. About 25% of married women (ages 15 to 49) used contraception in 2000. Infant mortality in 2005 was 98.54 per 1,000 live births. Maternal mortality was an estimated 530 per 100,000 live births.

The female genital mutilation prevalence in Tanzania was lower than most African nations. An estimated 1.5 million or 10% suffered from the procedure. The government of Tanzania has not prohibited it.

The HIV/AIDS prevalence was 8.80 per 100 adults in 2003. As of 2004, there were approximately 1,600,000 people living with HIV/AIDS in the country. There were an estimated 160,000 deaths from AIDS in 2003. The Tanzanian government is working to stop the spread of AIDS by improving the treatment of sexually transmitted diseases. Intervention on some STDs has shown a reduction in HIV prevalence.

#### 42 HOUSING

Tanzania has developed a serious urban housing shortage as a result of the influx of people to the towns. All development planning has included considerable financial allocations for urban housing schemes. With private enterprise unable to meet the demand, the

government in 1951 launched a low-cost housing program, which has been continued since that time.

A significant number of dwellings are constructed from mud and poles or from mud bricks and blocks. A smaller percentage of dwellings are made of concrete and stone, or of baked and burned bricks. Piped indoor water is available to about one-fourth of households and over half have private toilets. In 1995, it was estimated that about 70% of the urban population was living in temporary shelters of squatter/slum areas. The housing deficit in urban areas was estimated at 1.2 million units. In 2002, there were an estimated 6,996,036 households; the average household size was 4.9 members.

### 43 EDUCATION

Education is compulsory for seven years, generally for children between the ages of 7 and 14. This is covered by a two-stage primary school program (four years plus three years). Students may then attend four years of lower secondary and two years of upper secondary school. In the upper secondary level, students choose three courses of study from the following topics: languages, arts, social sciences, mathematics, sciences, commercial subjects, military science, and technology. All senior secondary students take a course in political education. The academic year runs from September to July.

Primary school enrollment in 2003 was estimated at about 69% of age-eligible students. In 2000, secondary school enrollment was about 4.6% of age-eligible students. It is estimated that about 57.7% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 56:1 in 2003.

The University College in Dar es Salaam opened in 1961 and achieved university status in 1970. The Sokoine University of Agriculture, at Morogoro, was founded in 1984. Other educational facilities in Tanzania include trade schools, the Dar es Salaam Technical College, University College of Lands, Architecture, and Survey (Formerly Ardhi Institute of Dar es Salaam), the Institute of Finance Management and a political science college (both in Dar es Salaam), the College of African Wildlife Management at Mweka, the Institute of Development Management at Morogoro, and the College of National Education in Korogwe. The School of Art at Bagamoyo, devoted to preserving traditional cultures, is one of the few national art schools in sub-Saharan Africa. In 1995, an Open University was established to offer distance learning programs to students in remote areas. The first university to be established on Zanzibar, the University of Zanzibar, opened in 1998. In 2003, it was estimated that about 1% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 69.4%, with 77.5% for men and 62.2% for women.

As of 2003, public expenditure on education was estimated at 2.2% of GDP.

### 44 LIBRARIES AND MUSEUMS

The Tanzania Library Service was established in 1964. It maintains the National Central Library in Dar es Salaam (656,000 volumes), 20 regional public libraries, a school library service, and a rural extension service. The British Council Library and the American Center Library are also in Dar es Salaam. The other major library is the University of Dar es Salaam Library (750,000 volumes). The

library at Dar es Salaam Technical College circulates books by mail to all parts of the country. Also in the capital is the library of the East African Literature Bureau. Zanzibar's National Archives has a collection of Arabic manuscripts. The Tanzanian Library Association was founded in 1973.

The National Museums of Tanzania, with branches in Dar es Salaam and Arusha, have ethnographical, archaeological, historical, geological, and natural history sections; the discoveries from Olduvai Gorge are located there. The Department of Geological Survey maintains a geological museum in Dodoma. There are also museums in Arusha, Bagamoyo, Mikumi, Mwanza, and Tabora.

In Zanzibar, the Government Museum has extensive exhibits illustrating the history, ethnography, industries, and natural history of Zanzibar and Pemba. Tabora has the Livingstone and Stanley Memorial site. There is a fine arts museum in Marangu.

### 45 MEDIA

In 2003, there were an estimated 4 mainline telephones for every 1,000 people; about 8,000 people were on a waiting list for telephone service installation. The same year, there were approximately 25 mobile phones in use for every 1,000 people.

Radio Tanzania, a government corporation, broadcasts internally in Swahili and English and abroad in English, Afrikaans, and several indigenous African languages. Radio Tanzania Zanzibar broadcasts in Swahili. Private radio and television stations broadcast from Dar es Salaam. As of 1999 there were 12 AM and 4 FM radio stations and 3 television stations. In 2003, there were an estimated 406 radios and 45 television sets for every 1,000 people. The same year, there were 5.7 personal computers for every 1,000 people and 7 of every 1,000 people had access to the Internet. There was one secure Internet server in the country in 2004.

In 2004, there were about 110 newspapers published in English and Kiswahili, including 19 dailies and 53 weeklies. Many of the papers are privately owned. The largest dailies, both published in Dar es Salaam, are the government-owned *Daily News* (in English), with a circulation of about 50,000 in 2002, and the CCM-owned *Uhuru* (in Swahili), with a circulation of 100,000. *Kipanga* (in Swahili) is published on Zanzibar by the government. The constitution provides for freedom of speech and the press; however, the government is said to pressure journalists into self-censorship.

### 46 ORGANIZATIONS

In most of the larger centers, chambers of commerce represent commercial, agricultural, and industrial interests. Rural cooperatives, dissolved in 1976, were reintroduced in 1982 to take over from state bodies the functions of crop purchasing and distribution of agricultural products. There are professional associations and unions for a number of fields, such as the Tanzania Teachers' Union and the Tanzania Sports Medicine Association. The Tanzania Consumers Protection Association is active.

The CCM has five principal affiliates: the Umoja Wa Wawake Wa Tanzania, a women's organization; the Youth League; the Workers' Organization; the Union of Cooperative Societies; and the Tanzania Parents' Association. Cultural organizations include the National Kiswahili Council, which promotes the use of the Swahili language.

The Tanzanian Scout Association, Girl Guides, and YMCA/YWCA programs are available for youth. There are also several sports associations offering youth programs for athletes interested in a variety of pastimes, such as badminton, cricket, lawn tennis, squash, and track and field.

Social action groups include the Catholic Women Organization of Tanzania, the Center for Human Rights Promotion, National Peace Council of Tanzania, and the Tanzania Gender Networking Program. The multinational African Medical and Research Foundation–Tanzania is based in Dar es Salaam. The Center for Women and Children's Rights, established in 1998, and the Huruma Rehabilitation Programme, established in 1994, are dedicated to promoting and supporting the rights and social welfare of women. Volunteer service organizations, such as the Lions Clubs International, are also present. International organizations with national chapters include Amnesty International, Habitat for Humanity, Africare, Caritas, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tanzania has great natural resources along its Indian Ocean coastline, 29 game reserves and 13 national parks, especially the 14,763 sq km (5,700 sq mi) Serengeti National Park, famed for its profusion of wildlife. Tourists also enjoy the dramatic view of Mt. Kilimanjaro. As of 2006, scientists were predicting that Kilimanjaro's ice cap, which had visibly shrunk during the 1990s, would completely disappear by 2015. Other attractions are the national dancing troupe and the ebony wood sculptures of the Makonde tribe. Visas are required and are valid for Zanzibar as well.

Yellow fever immunizations are required if traveling from an infected area, and malaria suppressants advised.

In 2005, the US Department of State estimated the cost of staying in Dar es Salaam at \$255 per day. Other areas were significantly less with daily expenses of \$187.

#### 48 FAMOUS TANZANIANS

The most famous 19th-century Zanzibari was Sayyid Sa'id bin Ahmad al-Albusa'idi (b.Oman, 1791–1856), who founded the Sultanate. Mkwawa, chief of the Hehe, carried on guerrilla warfare against the Germans for three years until he was betrayed for a reward in 1898. The Germans cut off his head and sent it to the anthropological museum in Bremen; in 1961, Mkwawa's skull was returned to the Hehe. The foremost present-day figure is Julius Kambarage Nyerere (1922–99), the founder and first president of independent Tanganyika (and later of Tanzania) from 1962 to 1985, when he stepped down. He was succeeded by 'Ali Hassan Mwinyi (b.1925), who had been president of Zanzibar during 1984–85. Abeid Karume (1905–72), a sailor of Congolese origin, was the first president of Zanzibar and first vice president of Tanzania until his assassination. He was succeeded by Aboud Jumbe (b.1920), who resigned both posts in 1984. Since 1985, the pres-

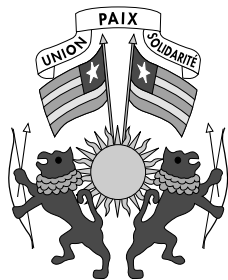
ident of Zanzibar has been Idris Abdul Wakil (b.1925). Edward Moringe Sokoine (1938–84), a prime minister during 1977–80 and 1983–84, was regarded as Nyerere's most likely successor until he died in a car crash. Salim Ahmed Salim (b.1942) was a president of the UN General Assembly during 1979–80, a foreign minister during 1980–84, and a prime minister during 1984–85. An internationally known Tanzanian runner is Filbert Bayi (b.1953), a former world record holder at 1,500 m.

#### 49 DEPENDENCIES

Tanzania has no territories or colonies.

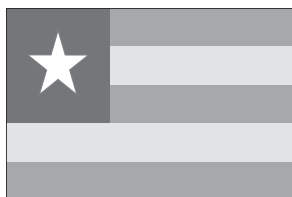
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# TOGO

Republic of Togo  
*République Togolaise*



**CAPITAL:** Lomé

**FLAG:** The national flag consists of five alternating horizontal stripes of green and yellow. A five-pointed white star is at the center of a red square that spans the height of the top three stripes.

**ANTHEM:** *Terre de nos aïeux (Land of Our Fathers)*.

**MONETARY UNIT:** The Communauté Financière Africaine franc (CFA Fr) is a paper currency of 100 centimes. There are coins of 1, 2, 5, 10, 25, 50, 100, and 500 CFA francs and notes of 50, 100, 500, 1,000, 5,000, and 10,000 CFA francs. CFA Fr1 = \$0.00192 (or \$1 = CFA Fr521.74) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; National Liberation Day, 13 January; Economic Liberation Day, 24 January; Victory Day, 24 April; Independence Day, 27 April; Labor Day, 1 May; Martyrs' Day, 21 June; Assumption, 15 August; All Saints' Day, 1 November; Anniversary of the failed attack on Lomé, 24 September; Christmas, 25 December. Movable religious holidays include Easter Monday, Ascension, Whitmonday, 'Id al-Fitr, and 'Id al-'Adha'.

**TIME:** GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated on the west coast of Africa, Togo has an area of 56,785 sq km (21,925 sq mi), extending 510 km (317 mi) N–S and 140 km (87 mi) E–W. Comparatively, the area occupied by Togo is slightly smaller than the state of West Virginia. Togo is bounded on the N by Burkina Faso, on the E by Benin, on the S by the Gulf of Guinea, and on the W by Ghana, with a total boundary length of 1,703 km (1,058 mi), of which 56 km (35 mi) is coastline.

Togo's capital city, Lomé, is located on the Gulf of Guinea coast.

## <sup>2</sup> TOPOGRAPHY

Togo is traversed in the center by a chain of hills, the Togo Mountains, extending roughly southwest into Ghana and northeastward into Benin and averaging about 700 m (2,300 ft) in height. The highest elevation is Mt. Agou (986 m/3,235 ft). To the north and west of these hills, the Oti River drains in a southwesterly direction into the Volta River, which constitutes a part of the upper boundary with Ghana. To the north of the Oti River Valley lies gently undulating savanna country. From the southern spurs of the central hills, a plateau stretches gradually southward to a coastal plain. The coastline consists of a flat sandy beach thickly planted with coconut trees and partially separated from the mainland by lagoons and lakes that are the former estuaries of several rivers.

## <sup>3</sup> CLIMATE

Togo has a humid, tropical climate, but receives less rainfall than most of the other countries along the Gulf of Guinea. In the south there are two rainy seasons, from March to early July and in September and October. The heaviest rainfall occurs in the hills of the west, southwest, and center, where the precipitation averages about 150 cm (60 in) a year. North of the Togo Mountains there

is one rainy season, lasting from April to August. Rainfall in this region averages 100 cm (40 in) a year. The coast gets the least rainfall, about 78 cm (31 in) annually. The average maximum and minimum temperatures are 30°C (86°F) and 23°C (73°F) at Lomé, on the southern coast, and 35°C (95°F) and 15°C (59°F) at Mango, in the north.

## <sup>4</sup> FLORA AND FAUNA

Natural vegetation is chiefly of the savanna type, luxuriant in the rainy season, brittle grass and shrub during the dry season. Dense belts of reeds are found along the coastal lagoons. Much of the largest wildlife has been exterminated in the southern area, but in the north, elephants and lions still can be found. Hippopotamuses and crocodiles live in and along the rivers, and monkeys are fairly common. The coastal swamps abound in snakes. As of 2002, there were at least 196 species of mammals, 117 species of birds, and over 3,000 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

The dense tropical rain forests that once covered much of the country are now found only along the river valleys and in isolated pockets of the Atakora Mountains. Slash-and-burn agriculture and the cutting of wood for fuel are the major causes of forest depletion. Between 1990 and 2000, Togo lost an average of 3.4% of its forest and woodland each year. Soils are generally of poor quality, requiring intensive fertilization and cultivation to be productive. The soil and water supply are threatened by pesticides and fertilizers. The nation's land is also threatened by desertification.

Water pollution is a significant problem in Togo, where only 80% of urban dwellers and 36% of the people living in rural areas have access to improved water sources. Contamination of the water supply contributes to the spread of disease.



Responsibility in environmental matters is vested in the Ministry of Rural Development and the Ministry of Environment and Tourism. The government of Togo has tried to protect the nation's environment through a comprehensive legislative package, the Environmental Code of 1988. As of 2003, 7.9% of Togo's total land area was protected.

The nation's wildlife population is at risk due to poaching and the clearing of land for agricultural purposes. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 7 types of mammals, 2 species of birds, 2 types of reptiles, 3 species of amphibians, 8 species of fish, and 10 species of plants. Threatened species included the African elephant, Diana monkey, and West African manatee.

## 6 POPULATION

The population of Togo in 2005 was estimated by the United Nations (UN) at 6,145,000, which placed it at number 101 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 43% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 2.7%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 9,613,000. The population density was 108 per sq km (280 per sq mi), with density greatest in the south, exceeding 500 per sq km (200 per sq mi) in some areas.

The UN estimated that 33% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.96%. The capital city, Lomé, had a population of 799,000 in that year. Other important centers with estimated populations are Sokodé, 86,500; Kpalimé, 75,000; Atakpamé, 64,000; and Aného, 24,000.

The prevalence of HIV/AIDS has had a significant impact on the population of Togo. The number of AIDS orphans increased by 17,000 from 2003–04. The UN estimated that 6% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

There is a steady migration of laborers from rural to urban areas. Members of the Ewe group migrate to and from Ghana. Formerly, an estimated 100,000 workers went to Ghana from Togo each year, but because of Ghana's declining economy, this number has probably decreased. There is also much movement of Ouatchi, Adja, Kabré, and Losso peoples to and from Benin. Some of the aliens expelled from Nigeria in 1983 were Togolese; moreover, Togo suffered the disruptive effect of the hundreds of thousands of Ghanaians who returned home from Nigeria via the Togolese coastal roads. Foreign refugees in Togo, including Ewe dissidents in exile from Ghana, are entitled to employment and free medical treatment, although they retain the status of aliens. About 7% of the population consists of noncitizens. The total number of migrants in Togo in 2000 was 179,000 including refugees. As of 2004, there were 11,285 refugees, including 11,208 Ghanaian refugees in northern Togo, and 390 asylum seekers, and 120 returned refugees. In 2005, the net migration rate was estimated as zero migrants per 1,000 population. This was a significant change from

-6.7 per 1,000 in 1990. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

Native Africans constitute 99% of Togo's total population. About 40 tribal groups comprise a mosaic of peoples of distinct languages and histories. The main ethnic group consists of the Ewe and such related peoples as the Ouatchi, Fon, and Adja; they live in the south and constitute about 20–25% of the population. Next in size are the Kabye, accounting for about 10–15% of the population. As elsewhere in Africa, political and ethnic boundaries do not coincide. Thus, the Ewe are divided by the Togo–Ghana boundary, and large numbers of Ouatchi, Adja, Kabye, and Losso live in adjacent Benin. Other significant groups are the Mina (5% of the population), Cotocoli (10–15%), Moba (10–15%), Gourma, Akposso, Ana, Lamba, Ehoué, and Bassari. Despite Togo's complex ethnic, linguistic, and racial makeup, a major distinction can be made between the tribes of Sudanic origin that inhabit the northern regions and those of the true Negroid Bantu type found in the south. The remaining 1% of Togo's populace is non-African, mostly European and Syrian-Lebanese.

## 9 LANGUAGES

French is the official language. Most newspapers are printed in French, and trade and commerce passing through Aného and Lomé usually are conducted in that language; however, the public schools combine French with Ewe and Mina in the south, Kabiye and Dagomba in the north. In northern Togo, Hausa is also widely spoken. Pidgin English and French are used widely in the principal trading towns. In all, more than 44 different languages and dialects are spoken in Togo.

## 10 RELIGIONS

The most recent statistics indicate that about 47% of the population are Christian. Of these nearly 28% are Catholic. About 14% of the population are Sunni Muslim. Nearly 33% practice a variety of traditional indigenous religions or other faiths, including Vodoun (Voodoo), which is believed to have originated in the region that is now Togo. Most of the Muslims live in the central and northern parts of the country, while Christians are found primarily in the south.

The government requires registration of religious groups, but this involves a fairly easy process and no applications have been rejected outright. The constitution provides for freedom of religion and this right is generally respected in practice. Certain Muslim and Christian holidays are celebrated as national holidays.

## 11 TRANSPORTATION

Togo has a relatively well-developed road system of about 7,520 km (4,673 mi), of which 2,376 km (1,476 mi) were paved in 2002. One main road, completely paved since 1980, runs north from Lomé to the border with Burkina Faso; another runs east along the coast from Lomé to Aného and onward to the Benin border; and a third runs west along the coast to the Ghana border. Because of extreme variations in weather, the roads that are not paved require constant attention. During the dry season, they are very dusty and crack easily, but during the rainy season they become extremely

muddy and are frequently washed out. In 2003, there were 97,800 passenger cars and 43,200 commercial vehicles.

As of 2004, Togo had 568 km (326 mi) of meter gauge (narrow gauge) railroad, including three major lines from Lomé: to Kpalimé (116 km/72 mi), to Aného (44 km/27 mi), and to Atakpamé and Blitta (276 km/171 mi). An 80-km (50-mi) spur goes to Tabligbo. The rail system is operated by Chemin de Fer Togolais.

Togo lacks a natural harbor, but in 1968 a major deepwater port east of central Lomé was completed with a loan from the Federal Republic of Germany (FRG). An autonomous free port at Lomé serves landlocked Burkina Faso, Niger, and Mali. There is also a phosphate-handling port at Kpémé. A small merchant-shipping fleet was created in 1974 as a joint venture with the FRG. In 2005 there were two ships of 1,000 GRT or over, totaling 3,918 GRT. As of 2003, Togo's navigable inland waterways consisted of a 50 km (31 mi) stretch of the Mono River, in which navigation is seasonal and dependent upon rainfall.

There were an estimated nine airports in 2001, only two of which had paved runways as of 2005. The international airport at Lomé links Togo with other countries of West and Central Africa and with Europe; a second international airport, at Niamtougou, was completed in the early 1980s. Among the international airlines serving Togo is Air Afrique, of which Togo owns a 7% share. Air Togo operates domestic service, flying to airstrips at Atakpamé, Sokodé, Sansanné-Mango, Lama-Kara, Niamtougou, and Dapaong. In 2003, about 46,000 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Between the 12th and the 18th century, the Ewe, Adja, and related peoples, who now constitute a majority of the population of southern Togo and adjoining Ghana, came to this area from the Niger River Valley as a result of pressure from the east. Portuguese sailors visited the coast in the 15th and 16th centuries. Slave shipments began from Grand Popo (now in Benin), Petit Popo (now Aného), and other coastal villages; traders introduced the growing of cassava, coconuts, corn, and other crops in order to provision their slave ships. The French established trading posts at Petit Popo in 1626 and again in 1767, but abandoned them each time. The French were again active there and at Porto-Séguero, east of Lomé, from 1865 to 1883.

German traders came to Grand Popo as early as 1856, but did not arrive in significant numbers until 1880. Germany finally established control over the area, its first African acquisition, on 5 July 1884, when Dr. Gustav Nachtigal made a treaty with the chief of Togo, a village on the north side of a lagoon behind Porto-Séguero. The treaty established a German protectorate over a small coastal enclave, and the village name eventually was given to the entire territory. The Germans established a capital first at Baguida, then at Zebe, and in 1897 at Lomé. Boundary delimitations with the British and French were made in 1897 and 1899. Although the Volta River formed a natural boundary between Togo and the Gold Coast (now Ghana), as a result of the negotiations, the frontier diverged from the river about 320 km (200 mi) north of Lomé and descended diagonally, so that the so-called Volta Triangle on the left bank became part of the Gold Coast. The boundary arrangements resulted in splitting the Ewe, Adja, Ouatchi, Fon, and other peoples between the Gold Coast, Togo, and Dahomey (now Benin). As the Germans extended their control to the north, they



LOCATION: 6°5' to 11°11'N; 0°5' to 1°45' E. BOUNDARY LENGTHS: Burkina Faso, 126 kilometers (78 miles); Benin, 644 kilometers (400 miles); Gulf of Guinea coastline, 56 kilometers (35 miles); Ghana, 877 kilometers (545 miles). TERRITORIAL SEA LIMIT: 30 miles.

built roads and railroads and established administrative, legal, economic, educational, and other institutions.

Soon after the outbreak of World War I in August 1914, neighboring French and British units gained control of Togo. In a provisional arrangement, the British took the coastal area and the railways, and the French assumed control of the interior. League of Nations mandates were established in 1922.

Following World War II, both the United Kingdom and France placed their spheres of Togoland under UN trusteeship. Beginning in 1947, leaders of the Ewe people repeatedly petitioned the UN first for Ewe unification and subsequently for Togoland unification. At the time, the Ewe were under three different administrations: the Gold Coast, British Togoland, and French Togoland. For nine years thereafter, the Togoland question was before the UN. Its resolution was difficult not only because of the resistance of the British and French governments to the Ewe demands, but also because both the Ewe and non-Ewe of the two Togolands were deeply divided on the form self-determination should take. The problem was partially resolved by a plebiscite held in British Togoland on 9 May 1956 under UN supervision. A majority of the registered voters decided in favor of integration of British Togoland with an independent Gold Coast. Consequently, when the Gold Coast became the independent state of Ghana, British Togoland ceased to exist.

On 28 October 1956, in a referendum held in French Togoland, 72% of the registered voters chose to terminate French trusteeship and to accept the status of internal autonomy and continued association with France that had been proffered them by the French government. This unilateral effort to terminate French trusteeship was not accepted by the UN.

In April 1958, new elections were held under UN supervision. The Committee for Togolese Union, pledged to secure complete independence, won control of the Togo Assembly, and its leader, Sylvanus Olympio, subsequently became prime minister. On 13 October 1958, the French government announced that full independence would be granted, and on 27 April 1960, the Republic of Togo became a sovereign nation, with Olympio as president.

President Olympio was assassinated on 13 January 1963 by military insurgents. At the insurgents' behest, Nicolas Grunitzky, the exiled leader of the Togolese Party for Progress, returned to Togo and formed a provisional government. He abrogated the constitution, dissolved the National Assembly, and called new elections. In the May 1963 balloting, Grunitzky was elected president, a new 56-member National Assembly was chosen, and a new constitution was approved by national referendum.

Grunitzky held office through 1966. The final months of his presidency were marked by antigovernment demonstrations involving many of Olympio's former supporters and sympathizers. On 13 January 1967, the Grunitzky government was overthrown by a military coup led by Col. Kléber Dadjo, who was succeeded in April 1967 by Lt. Col. Étienne Éyadéma. The constitution was again suspended and the Assembly dissolved, and Éyadéma declared himself president.

In 1969, Éyadéma proposed the establishment of a national party of unification, the Togolese People's Rally (*Rassemblement du Peuple Togolais*—RPT). At its first party congress in November 1971, the RPT representatives opposed the idea of constitutional government and asked for a national referendum in support of the

Éyadéma regime. This took place in January 1972, with 99% of the population voting for Éyadéma. Survivors of a 1970 plot to overthrow the regime were pardoned after the referendum, and several former members of Olympio's government joined the RPT. Others of Olympio's supporters went into exile or into business, and there was no coherent opposition to the government.

In 1974, Éyadéma began to advocate a "cultural authenticity" policy, stimulated at least in part by the crash of his private plane in January 1974, from which he escaped uninjured. The crash (the cause of which he believed suspicious) followed his nationalization of the phosphate industry and appeared to spur his drive for further Africanization in Togo. At this time, Éyadéma dropped his first name, Étienne, using instead his African second name, Gnassingbé.

Éyadéma was reelected as president without opposition on 30 December 1979, when the voters also approved a draft constitution for what was called the Third Republic (succeeding the republics headed by Olympio and Grunitzky). A 67-member National Assembly was elected at the same time. Éyadéma remained firmly in control in the early 1980s, despite the disruptions caused by Nigeria's expulsion of illegal aliens and the economic decline attributable to falling phosphate prices. An alleged plot to assassinate Éyadéma on 13 January 1983, while French president, François Mitterrand, was visiting Togo, apparently misfired. Éyadéma reportedly blamed Gilchrist Olympio, the son of the former president, for the coup attempt.

On 23–24 September 1986, about 60 insurgents, mostly Togolese in exile, attempted to seize control of Lomé but were repulsed. About 150 French and 350 Zairian troops were flown in to help restore order. The official death toll was 26. The coup attempt was reportedly financed by Gilchrist Olympio, who was sentenced to death in absentia. Another 12 men were given death sentences, and 14 were sentenced to life imprisonment. Éyadéma accused Ghana and Burkina Faso of aiding the insurgents. In National Assembly elections on 24 March 1985, 216 candidates, all approved by the RPT, contested 77 seats; only 20 deputies were reelected. Éyadéma was elected unopposed to a new seven-year term as president on 21 December 1986.

Opposition to Éyadéma's rule came to a head in March 1991 when, after police clashes with thousands of antigovernment demonstrators, the government agreed to institute a multiparty system and to grant amnesty to dissidents. On 28 August 1991, Éyadéma ended 24 years of military rule by surrendering authority to Joseph Kokou Koffigoh, an interim prime minister selected by a National Conference. The RPT was to be disbanded and Éyadéma barred from running for the presidency.

In October and November 1991, armed forces loyal to Éyadéma failed several times to overthrow Koffigoh. On 3 December 1991, however, they attacked the government palace and seized him. The French refused to help Koffigoh; instead, he was forced to compromise; he then formed a coalition government with Éyadéma and legalized the RPT.

On 5 May 1992, opposition leader Gilchrist Olympio was severely wounded in an ambush, and in July another opposition figure was assassinated. The transitional government several times rescheduled the referendum on a new constitution. Finally, on 27 September 1992, it was approved. The legislative and presidential elections were postponed again and again until August 1993.

The Army, composed largely of Kabyé (Éyadéma's group) has never accepted Éyadéma's ouster, the National Conference, or Koffigoh. Eventually, Koffigoh's interim government was dissolved in 1992, and Éyadéma consolidated his powers. However, in January 1993 he reappointed Koffigoh prime minister of a government which cooperated closely with Éyadéma, now president. On 25 August 1993, Éyadéma easily won reelection as president (97% of the vote). The electoral process, however, was marred by a low turnout (all major opposition candidates refused to participate) and serious irregularities.

Following delays, legislative elections were held in two rounds in February 1994. With the exception of Olympio's Union of the Forces of Change (UFC), the main opposition parties participated. The RPT reportedly took 33 of the 81 seats in the first round. The Action Committee for Renewal (CAR), won 19. Koffigoh's New Force Coordination failed to take a single seat. Nonetheless, the armed forces continued to attack opposition politicians. The second round voting was marred by violence, with armed gangs attacking voting stations and opposition supporters. Still, international observers declared the election satisfactory.

On 24 February 1994 the National Electoral Commission released results for 76 seats as follows: opposition, 38 seats; RPT, 37 seats; Koffigoh, 1 seat. The Supreme Court ordered new elections for 3 seats of the Action Committee for Renewal and the Togolese Union for Democracy, lowering their totals to 34 and 6 seats, respectively. Defections from the CAR to the RPT and the merging of the Union of Justice and Democracy (UJD) with the RPT gave the RPT a narrow majority with 42 seats.

In June 1998 Éyadéma officially won the presidential elections with 52%, but the opposition rejected the election as rigged. Éyadéma's dubious victory precipitated a national crisis, and led the opposition to boycott the legislative elections delayed and then scheduled for March 1999. In July, the RPT and opposition parties signed the Lomé Framework Agreement, which included a pledge by Éyadéma to respect the constitution and not to seek another term. The Agreement ensured among other things political rights for opposition leaders, the safe return for refugees, and compensation for victims of political violence. Éyadéma also agreed to dissolve the National Assembly in March 2000 and hold new legislative elections, to be supervised by an independent national election commission (CENI). The March deadline passed, as did deadlines in October 2001 and March 2002. The elections were finally held on 27 October 2002, but under a boycott from the Union of the Forces for Change (UFC) and the Action Committee for Renewal (CAR), grouped as the Coalition of Democratic Forces (CFD). The RPT took 72 of the 81 seats.

In December 2002, parliament amended the constitution to allow Éyadéma to seek a third term, and to bar Gilchrist Olympio, leader of the UFC, from running by instituting residence requirements. In February 2003, a new nine-member CENI was formed, including four representatives each of the RPT and the opposition umbrella group CFD. The ninth member was the president of the Lomé Court of Appeal. However, the UFC withdrew from the CFD because it regarded CENI's mandate as curtailed by the government, and because it regarded the CFD's actions and strategies as incoherent. In June, Éyadéma won the election with 57.8% of the vote, but no international observers were present, and the

opposition refused to accept the outcome as a free and fair expression of the will of the people.

Facing a new political stalemate, the government initiated talks in late 2003 and into 2004 with the opposition via the Cotonou Convention platform (2000) sponsored by the EU. Despite the regime's new promises to implement reforms, the opposition mostly boycotted the talks. In December 2004, the boycott seemed to be having an effect as Éyadéma dissolved the parliament and announced new elections for 2005. However, in February 2005, he died unexpectedly leaving a succession void, which was precipitously filled by his son, Faure Gnassingbé. Although Gnassingbé had the support of the army, strong pressure from ECOWAS forced him to step down and to organize fresh elections. On 24 April, Gnassingbé won the election, but again the opposition dismissed the exercise as fraudulent, and neither the EU nor the United States recognized the outcome as legitimate. In rioting that followed, more than 150 people were killed, and thousands fled the country in the face of government crackdowns. Gnassingbé also appointed his brother Kpatcha Gnassingbé to be defense minister.

In the months that followed, Nigerian president Obasanjo insisted on a government of national unity with an opposition prime minister. Bowing to concerted pressure, Gnassingbé finally appointed an opposition leader, Edem Kodjo—a former head of the OAU—to be the new prime minister, however, this appointment was refused by the UFC. Talks held in Rome between Gnassingbé and Gilchrist Olympio sponsored by the Italian Catholic community of Sant Egidio, revealed a number of sticking points including a mutually acceptable electoral framework and constitutional rules.

Specifically, the opposition demanded a return to the 1992 constitution while the RPT refused to reverse the amendments made in 2002 that disqualify Olympio's candidacy, but allow Gnassingbé to hold office. In the meantime, Lomé became a dangerous city beset by violent organized crime. Owing to government crackdowns, poor military accountability and harassment by pro-government militias, the number of Togolese seeking refuge in neighboring Benin and Ghana grew to about 45,000 by 2006.

### 13 GOVERNMENT

The constitution of 30 December 1979 provided for a president nominated by the RPT and elected for a seven-year term by universal adult suffrage at age 18. The president nominated and presided over the cabinet and may rule by decree after declaring a state of emergency. Members of the National Assembly were nominated by the RPT and directly elected for five years. The legislature, which may be dissolved by the president, met twice a year.

A new constitution mandating multiparty elections was approved in a referendum on 27 September 1992. Although opposition parties are permitted, they are subjected to intimidation and coercion. Chief of state, President Gen. Gnassingbé Éyadéma, held power between April 1967 and February 2005, which made him sub-Saharan Africa's longest ruling leader at the time. The cabinet is a Council of Ministers appointed by the president and the prime minister. Given the weakness of the legislature, and the RPT's majority, public decision-making authority resides with the executive.

According to the constitution, the president is elected by popular vote for a five-year term. In December 2002, the National Assembly amended the constitution, revoking the two-term limit on the presidential office (allowing Éyadéma to run again), instituting a single rather than two-round system of voting (to prevent the opposition from forcing a run-off against their best-placed candidate), insisting that presidential candidates be residents of Togo for at least 12 months prior to the election (to prevent Gilchrist Olympio from running), and to lower the minimum age for presidential candidates to 35, (enabling Faure Gnassingbé to run). The 81-seat National Assembly is selected in national, multiparty elections.

The next presidential election was scheduled in principle for 2010, and the next parliamentary election was scheduled for 2007 with the possibility that an agreement would be reached to hold it in 2006.

## 14 POLITICAL PARTIES

Political parties in Togo were considerably more active and competitive before independence than after, and from 1969 till the legalization of opposition parties in 1991, Togo was a one-party state. In the first Territorial Assembly elections in 1946, there were two parties, the Committee of Togolese Unity (Comité de l'Unité Togolaise—CUT) and the Togolese Party for Progress (Parti Togolais du Progrès—PTP). The CUT was overwhelmingly successful, and Sylvanus Olympio, the CUT leader and Assembly president, campaigned for Ewe reunification. The CUT controlled all Assembly seats from 1946 to 1952. In the 1952 elections, however, the CUT was defeated, and it refused to participate in further elections because it claimed that the PTP was receiving French support. In the territorial elections of 1955, the PTP won all 30 Assembly seats, and when Togo was given autonomy in 1956, Nicolas Grunitzky, PTP leader, became prime minister.

In the UN-supervised elections of April 1958, the CUT regained power with a demand for independence from France, while the PTP and the Union of Chiefs and Peoples of the North (Union des Chefs et des Populations du Nord—UCPN) advocated that Togo remain an autonomous republic within the French Union. The two defeated parties merged in October 1959 to form the Togolese People's Democratic Union (Union Démocratique des Populations Togolaises—UDPT), under Grunitzky's leadership.

In March 1961, the National Assembly enacted legislation that based elections to the Assembly on a party-list system, with a single ballot in which a majority would be decisive. In the April 1961 elections, which were held on this single-list system, candidates from the alliance of the UDPT and the Togolese Youth Movement (Mouvement de la Jeunesse Togolaise—Juvento) were prevented from registering and were not permitted on the ballot. Consequently, the new Assembly consisted entirely of CUT members.

After Olympio (who had become president in 1960) was assassinated by military insurgents, Grunitzky, who was living in exile in Benin (then Dahomey), was invited back to Togo to form a provisional government. Grunitzky announced that free elections would be held, but in fact the delegates of the four leading parties—UDPT, Juvento, the Togolese Unity Movement (Unité Togolaise, formed from the CUT after Olympio's assassination), and the Togolese Popular Movement (Mouvement Populaire Togolais)—as well as the insurgents' Committee of Vigilance, agreed

on a single national union list of candidates. In the elections of 5 May 1963, Grunitzky became president and Antoine Meatchi vice-president; a new 56-member Assembly was elected; and a new constitution was approved by national referendum. In early 1967, however, Grunitzky was deposed, and a military regime took power, with no constitution and no legislature.

Organized political activity was suspended until 1969, when the Togolese People's Rally (Rassemblement du Peuple Togolais—RPT) was founded as the nation's sole legal political party. The President heads the RPT, which has a Central Committee and a Political Bureau. In the 1979 and 1985 legislative elections, all candidates were nominated by the RPT. In the 1994 legislative elections, however, other parties participated.

Political opposition to Éyadéma became bolder after 1990. For years, an anti-Éyadéma group, the Togolese Movement for Democracy (Mouvement Togolais pour la Démocratie), functioned in exile from Paris. After opposition parties were legalized on 12 April 1991, and especially after the National Conference engineered a governmental change in August 1991, other parties began to function, albeit in an atmosphere of threat from the armed forces and pro-Éyadéma gangs. Among the country's parties as of 1996 were the Coordination des Forces Nouvelles (CFN), Rally of the Togolese People (RPT), Togolese Union for Democracy (UTD), Action Committee for Renewal (CAR), Union for Democracy and Solidarity (UDS), Pan-African Sociodemocrats Group (GSP—an alliance of three radical parties: CDPA—Democratic Convention of African Peoples, PDR—Party for Democracy and Renewal, and PSP—Pan-African Social Party), Union of Forces for Change (UFC), and Union of Justice and Democracy (UJD).

All major opposition parties boycotted the 1993 elections, delaying elections until February 1994. The winners distributed the seats as follows: CAR 36, RPT 35, UTD 7, UJD 2, CFN 1. However, as a result of defections from the CAR to the RPT and the merging of the UJD with the RPT, representation in the National Assembly in August 1997 was RPT 42, CAR 32, UTD 5, CFN 1, independent 1, giving Eyadéma's party a narrow majority.

Disagreements between the divided opposition and the RPT thwarted efforts to achieve a national consensus on how the 1998 elections were to be conducted. The opposition boycotted the elections in March 1999 to protest the alleged cheating by Éyadéma and his supporters in the June 1998 presidential election. But progress was made in defining the role of the national electoral commission (CENI), and by April 2000, the two sides agreed to return to the table to discuss endorsement of an electoral bill, and related issues pertaining to national reconciliation. Legislative elections were delayed throughout 2000, 2001, and early 2002; they were finally held on 27 October 2002. The elections were judged to be democratic and transparent by international election observers, but the two main opposition parties—the UFC and the CAR—grouped as the Coalition of Democratic Forces (CFD), boycotted the elections, and the RPT emerged with 72 of the 81 seats. Also winning seats were the Rally for Democracy and Development (Rassemblement pour le soutien de la démocratie et du développement—RSDD), 3; the Union for Democracy and Social Progress (Union pour la démocratie et le progrès social—UDPS), 2; Juvento, 2; the Believers' Movement for Equality and Peace (Mouvement des croyants pour l'égalité et la paix—MOCEP), 1; and an independent won 1 seat.

In early 2003, the UFC pulled out of the CFD umbrella opposition organization, due to disagreements with its strategies and its agreement to sit on the newly reformed electoral commission, CENI, which the UFC judged to be manipulated by the government. In the June 2003 presidential contest, Éyadéma scored 57.8% of the vote to 33.7% for the UFC candidate, Emmanuel Bob-Akitani, Gilchrist Olympio's replacement. In the April 2005 presidential contest, Bob-Akitani ran against Éyadéma's son, Faure Gnassingbé, and was defeated 60.1% to 38.3%. The main opposition declared both polls fraudulent, and has refused to accept the results. The UFC and the CAR remained outside the government of national unity.

### 15 LOCAL GOVERNMENT

Togo is divided into five administrative regions—Maritime, Plateaux, Centrale, Kara, and Savanes—each supervised by an inspector. The regions are subdivided into 30 prefectures and four sub-prefectures. Inspectors and prefects are appointed by the president. The prefectures and sub-prefectures are subdivided into cantons. The prefectures in theory are supposed to be governed by elected councils, but these elections have never been held.

A policy of decentralization has been undertaken in Togo, and local communities comprise 30 communes, 9 of them “fully independent” with an elected mayor, and 21 “semi-independent” with the prefect acting as mayor. Communes have popularly elected municipal councils.

### 16 JUDICIAL SYSTEM

Maintaining the independence of the judiciary is the responsibility of the Superior Council of Magistrates, which was set up in 1964 and includes the president of the republic as chairman, the minister of justice, the president and vice president of the Supreme Court, and others. A Constitutional Court is the highest court of jurisdiction in constitutional matters. The Supreme Court sits in Lomé; there is also a sessions court (Court of Assizes), and Appeals Courts. Tribunals of first instance are divided into civil, commercial, and correctional chambers; labor and children's tribunals; and the Court of State Security, set up in September 1970 to judge crimes involving foreign or domestic subversion. A Tribunal for Recovery of Public Funds handles cases involving misuse of public funds.

The judicial system blends African traditional law and the Napoleonic Code in trying civil and criminal cases. In practice, the judiciary is subject to the influence and control of the executive branch.

Defendants in criminal cases are presumed innocent and are afforded the right to counsel. Village chiefs or a Council of Elders may try minor criminal cases in rural areas. Appeals from such rulings may be taken to the regular court system.

Trials are open and judicial procedures are generally respected. However, the judicial system suffers from the lack of personnel and remains overburdened.

### 17 ARMED FORCES

In 2005, Togo's armed forces numbered 8,550 active personnel. The Army numbered some 8,100 troops including a Presidential Guard unit. Equipment included two main battle tanks and nine *Scorpion* light tanks. The 250-member Air Force had 16 combat

capable aircraft that included 4 fighter ground attack aircraft. The country's estimated 200-member Navy had two coastal patrol vessels. Paramilitary forces numbered 750 members. In 2005, the defense budget totaled \$38.3 million.

### 18 INTERNATIONAL COOPERATION

Togo was admitted to the United Nations on 29 September 1960. It is a member of ECA and several nonregional specialized agencies, such as the World Bank, UNESCO, UNIDO, the ILO, FAO, and the WHO. Togo also belongs to the African Development Bank, the ACP Group, the Arab Bank for Economic Development in Africa, ECOWAS, G-77, the WTO, the Organization of the Islamic Conference (OIC), the West African Economic and Monetary Union, the New Partnership for Africa's Development (NEPAD), the Community of Sahel and Saharan States (CENSAD), and the African Union. Togo has been an active member of the Conseil d'Entente, which includes Côte d'Ivoire, Niger, Burkina Faso, and Benin. Togo hosted the signing ceremony for the Lomé Convention (providing for preferential treatment by the European Community for developing countries) in February 1975. The nation is part of the Franc Zone.

In environmental cooperation, Togo is part of the Convention on Biological Diversity, Ramsar, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

### 19 ECONOMY

Togo has an agricultural economy with over 65% of its people engaged in subsistence and commercial agriculture. Togo is drought-prone but is food self-sufficient in years of ample rainfall. Coffee, cocoa, and cotton are the major cash crops, and the food crops include corn, sorghum, millet, cassava, and yams. The nation also has an active commercial sector and significant phosphate deposits upon which it draws for foreign exchange.

Political instability led to the suspension of international aid in 1992 as donors pressured the government into quicker action toward democratic reforms. Economic activity was further disrupted by an eight-month general strike that lasted until July 1993.

In January 1994 France suddenly devalued the CFA franc, cutting its value in half overnight. Immediately, prices for almost all imported goods soared, including prices for food and essential drugs. The devaluation was designed to encourage new investment, particularly in the export sectors of the economy, and discourage the use of hard currency reserves to buy products that could be grown domestically. Unfortunately, political instability and a general atmosphere of uncertainty prevented the country from taking advantage of the devaluation to improve the economy. Excessive military expenditures and stalled progress on privatizing state-owned enterprises were factors keeping the World Bank and IMF from resuming aid. During the 1995 to 1997 structural adjustment program, Togo succeeded in meeting demands and capturing funds only for the last year.

The 1998 presidential elections and 1999 legislative elections were characterized as undemocratic. These events led to reconciliation talks in July 1999 that laid the groundwork for a more democratic government, bringing back substantial development aid. However, legislative elections held in 2002 were boycotted

by opposition parties, and the presidential elections of 2003 were deemed by opposition leaders to be marred by irregularities and fraud. This political climate did little to encourage foreign investors, increase donor contributions, and provide the stability needed for economic progress. While most bilateral and multilateral aid to Togo remained frozen as of early 2006, the EU initiated a partial resumption of cooperation and development aid to Togo in late 2004, based upon commitments by Togo to expand opportunities for political opposition and liberalize portions of the economy.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Togo's gross domestic product (GDP) was estimated at \$9.0 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,600. The annual growth rate of GDP was estimated at 2.8%. The average inflation rate in 2005 was 5.5%. It was estimated that agriculture accounted for 39.5% of GDP, industry 20.4%, and services 40.1%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$103 million or about \$21 per capita and accounted for approximately 5.9% of GDP. Foreign aid receipts amounted to \$45 million or about \$9 per capita and accounted for approximately 2.6% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Togo totaled \$1.49 billion or about \$307 per capita based on a GDP of \$1.8 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.9%. It was estimated that in 1989 about 32% of the population had incomes below the poverty line.

## 21 LABOR

Togo's labor force in 2002 (the latest year for which data was available) was estimated at two million. In 1998, about 65% of the labor force engaged in agriculture, 30% in services, and 5% in industry. The majority of families engage in subsistence farming. Data on unemployment in Togo was not available.

Trade unions in Togo, which once were the base for left-wing opposition to the military regime, have been incorporated into the one-party system. The Central Committee of the RPT dissolved the central bodies of all Togolese trade unions in December 1972, and the National Workers Confederation of Togo (Confédération Nationale des Travailleurs du Togo—CNTT) was established in 1973 as the sole national union. In 1991, the National Conference suspended the automatic withholding of CNTT dues for all workers, and it froze CNTT's assets. Several trade unions left the CNTT, some of which then affiliated with two new federations: the Labor Federation of Togolese Workers and the National Union of Independent Syndicates. Since 1991, all of Togo's labor federations have taken a more active role in independent collective bargaining. About 60–70% of the workforce in the formal (wage) sector (about 20% of the entire workforce) was unionized as of 2002.

The minimum working age is 14 (18 for certain industrial employment) but it is not enforced and many children work, especially on their family's subsistence farms. The minimum wage varies for different categories of employment and ranged from \$20 to \$33 monthly in 2002. This does not provide a living wage for a family. The workweek is limited to 72 hours, with one mandatory rest period of 24 hours.

## 22 AGRICULTURE

Togo is predominantly an agricultural country, with about four-fifths of the work force engaged in farming. Approximately 12% of the land area is arable. Most food crops are produced by subsistence farmers who operate on family farms of less than 3 hectares (7 acres). Peanuts and sorghum are grown in the extreme north; sorghum, yams, and cotton in the region around Niamtougou; sorghum, cotton, and corn in the central region; coffee, cocoa, and cotton in the southern plateau; and manioc, corn, and copra near the coast. Agriculture accounted for about 39.5% of GDP in 2003.

In the late 1990s, the government emphasized food production. Main food crops in 2004 (in tons) included manioc, 725,000; yams, 570,000; corn, 485,000; sorghum, 180,000; and millet, 50,000. Although Togo is basically self-sufficient in food, certain cereals—notably wheat, which cannot be grown in Togo—must be imported.

Leading cash crops are coffee and cocoa, followed by cotton, palm kernels, copra, peanuts, and shea nuts (karité). Coffee production decreased from 22,000 tons in 1991 to 13,500 tons in 2004. Cocoa production amounted to just 8,500 tons in 2004—less than half the amount produced 15 years earlier. When world prices for both coffee and cocoa fell in the mid-1980s, there was a greater emphasis on cotton production, with cotton exports increasing by over 400% from 1984 to 1992. Cotton production averaged 7,000 tons annually from 1979 to 1981; production in 2004 totaled 76,000 tons of fiber. A new state organization, the Togolese Cotton Co., had been set up in 1974 to develop the industry. Production of palm kernels, historically erratic, was estimated at 21,000 tons in 2004. There are over 100,000 coconut trees in Togo; about 2,000 tons of copra are produced annually. The peanut crop in 2004 was 33,000 tons (shelled). Some attempts are being made to export pineapples, house plants, vegetables, and palm oil.

## 23 ANIMAL HUSBANDRY

Alleviation of the tsetse fly in the savanna area north of the Atakora Mountains has permitted the development of small-scale cattle raising. Most of the cattle thus produced, principally the humpless West African shorthorn type, are either consumed locally or, when there are surpluses, driven south for consumption in the main cities and towns. Few cattle are exported. Grazing is communal, in the south on family group lands and in the north on tribal lands. Water supplies are short in certain areas.

Livestock in 2005 included an estimated 1.48 million goats, 1.85 million sheep, 320,000 hogs, 280,000 head of cattle, and 9 million chickens. There are slaughterhouses at Lomé, Atakpamé, Sokodé, Lama-Kara, Sansanné-Mango, and Dapaong.

## 24 FISHING

Fishing remains relatively unimportant, in part because of the country's limited territorial waters. Production, mostly by small operators employing pirogues, amounted to an estimated 28,706 tons in 2003; about 78% of that was caught in Atlantic waters and the rest inland. Almost all fish is sold smoked or dried. A new fishing quay has been constructed at Lomé, and a joint Libyan-Togolese fishing company has been established. Togo imports fish from Europe and its West African neighbors.

## 25 FORESTRY

Although much of Togo once was forested, the country now must import wood. Production of roundwood in 2004 was estimated at 5,914,000 cu m (208,700,000 cu ft), of which 96% was for fuel.

## 26 MINING

As of 2004, Togo was a producer of cement, clinker, diamonds, gold, limestone and phosphate rock, the latter of which is found mostly in the coastal region and whose production accounts for most of the country's industrial activity. Phosphate rock is also a leading export commodity, accounting for around 24% of the country's gross domestic product (GDP). Phosphate rock production (by gross weight) in 2004 was 1.115 million metric tons, down from 1.441 million metric tons in 2003. Togo's output of phosphate rock has been declining since production hit a high of 2.73 million metric tons in 1996. Virtually the entire output was exported, the principal destination being the European Union (EU). However, the phosphate rock currently mined in the coastal region contains a high amount of cadmium (about 150 milligrams per kilogram; mg/kg), and the EU is considering setting a 60mg/kg cadmium limit on imports of phosphate rock within five years, followed by a 20mg/kg limit within 15 years. Although cadmium-free resources have been identified in Togo's northwest, they are not currently being mined. The phosphate industry was nationalized in 1974, and production was carried-on by the Togolese Office of Phosphates (Office Togolais des Phosphates—OTP), one of Togo's largest employers. Although the government was pursuing the privatization of its phosphate mines; no serious offers were made.

Exploitation of marble reserves in the region around Niamtougou was begun in 1970 by the Togolese Marble Co. The state-run Nouvelle Sotoma closed operations in 1991, and the government has been looking for private investors to lease or purchase the operation.

Iron ore reserves, east of Bassari, were 95 million tons, averaging more than 40% iron. There was some artisanal recovery of diamond and gold. Other mineral deposits included attapulgite, barite, bauxite, bentonite, brick clay, chromite, copper, dolomite, garnet, granite, gypsum, kaolin, kyanite, limestone, manganese, monazite, nickel, peat, rutile, silica sand, and dimension stone. The government considered many of these potential small-scale operations.

## 27 ENERGY AND POWER

Togo, as of 1 January 2003 had no proven reserves of crude oil, natural gas, or oil refining capacity. All hydrocarbon needs were met by imports. In 2002, Togo's imports and consumption of re-

fined petroleum products averaged 11,870 barrels per day. There were no recorded imports or consumption of natural gas in 2002.

Togo's main energy source is electricity. Togo's installed electrical generating capacity in 2002 totaled 0.035 million kW, of which 0.032 million kW of capacity came from conventional thermal plants, and 0.003 million kW came from Hydroelectric sources. Electric power production in 2002 amounted to 0.115 billion kWh, of which conventional thermal plants produced 0.112 billion kWh, and hydroelectric plants the rest. Demand for electric power that year came to 0.602 billion kWh, necessitating electricity imports of 0.500 billion kWh.

## 28 INDUSTRY

Manufacturing represents a small part of the economy (6–8%), with textiles and the processing of agricultural products—palm oil extraction, coffee roasting, and cotton ginning and weaving—being the most important sectors. Cocoa, coffee, and cotton generate some 40% of export earnings, with cotton being the most important cash crop. Other industries were developed to provide consumer goods—footwear, beverages, confectioneries, salt, and tires. Phosphate mining, however, is the most important industrial activity, accounting for 5% of GDP and 26–28% of exports in 2002. Togo as of 2006 was the world's fourth-largest producer of phosphate. Until the mid-1980s, most industries were partly or totally government owned. Sales and leases reduced the parastatal sector by nearly half by 1990, but by 2006 most privatization had stalled.

The government-owned phosphates plant put out a maximum of 3.3 to 3.5 metric tons a year, at the Office Togolaise de Phosphates (OTP). Togo's cement clinker plant, Cimtogo, is operated and owned by a Norwegian company, Scancem. The textile complex at Kara, along with a second plant at Dadja, were bought by American and Korean interests in 1987. A cotton ginning plant opened in 1991 in Talo; as of 2002 there were six cotton-producing factories in Togo, with a capacity of 205,000 metric tons. A plastics factory is 25% state owned and 75% owned by Danish and Swiss interests. The steel rolling mill in Lomé reopened in 1991. The state-owned national oil refinery was leased to Shell Togo and converted into a storage facility. The national dairy was bought by a Danish company in 1995. A free-trade zone opened in Lomé in 1990. Following the election of Faure Gnassingbé as president in 2005, there was more interest in this program, as the country wished to attract foreign business from Asia and Europe in the industry and service sectors.

Togo is involved in the \$500 million West Africa Gas Pipeline. The pipeline's estimated capacity is 400 million cubic feet per day, and is expected to supply industry in Nigeria, Ghana, Benin, and Togo. Construction of the pipeline began in 2005.

## 29 SCIENCE AND TECHNOLOGY

The National Institute of Scientific Research, founded in 1965 at Lomé, is the central scientific coordinating body. Several French research institutes have branches in the capital, and there are pilot farm projects throughout the country. The University of Benin at Lomé maintains faculties of sciences and medicine and schools of engineering and agriculture. Togo also has an agricultural school at Kpalimé and a technical college at Sokodá. In 1987–97, science and engineering students accounted for 35% of college and uni-



versity enrollments. In the same period, expenditures for research and development totaled 0.5% of GNP. For the period 1990–2001, there were an estimated 102 scientists and engineers, and 65 technicians engaged in research and development per million people. High technology exports in 2002 were valued at \$1 million, accounting for 1% of the country's manufactured exports.

### 30 DOMESTIC TRADE

The Togolese are among the most active traders on the West African coast, with much of the domestic trade handled by women. The national trade organization, Société Nationale de Commerce (SONACOM), has a monopoly on importation and distribution of soaps, cereals, sugar, salt, and industrial products, but there is still a flourishing free market both within Togo and with neighboring countries.

Most wholesalers have their headquarters in Lomé, the principal commercial and financial center. In Lomé, some shops specialize in such lines as dry goods, foodstuffs, and hardware. Elsewhere, retailers deal in a wide variety of goods rather than specializing in a few products. In the smaller towns, individual merchants deal in locally grown products and items of the first necessity. Kpalimé, Sokodé, and Tsévié are smaller regional commercial and trade centers.

Business hours are from 8 AM to 5:30 PM, Monday through Friday, and from 7:30 AM to 12:30 PM on Saturday. Banks are normally open from 8 AM to 4 PM on weekdays only.

### 31 FOREIGN TRADE

Togo's export earnings in 2000 fell to nearly half their 1999 level due to sharp declines in coffee, cotton, and gold output. Togo's main export commodities are crude fertilizers, cotton, and cement. Other exports include coffee and cocoa.

In 2004, Togo's primary export partners were: Burkina Faso (16.3%), Ghana (15%), Benin (9.4%), Mali (7.6%), China (7.4%), and India (5.6%). Primary import partners included: China (25.5%), India (13.3%), and France (11.5%).

#### Principal Trading Partners – Togo (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	250.6	405.3	-154.7
Ghana	53.8	8.1	45.7
Benin	33.1	3.0	30.1
Burkina Faso	32.6	...	32.6
Other Asia nes	15.8	...	15.8
Niger	11.6	...	11.6
Australia	9.2	...	9.2
New Zealand	8.5	...	8.5
South Africa	5.9	8.1	-2.2
Poland	5.9	...	5.9
India	5.9	4.8	1.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Togo (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>-139.9</b>
Balance on goods		-151.4
Imports	-575.6	
Exports	424.2	
Balance on services		-58.1
Balance on income		-21.6
Current transfers		91.2
<b>Capital Account</b>		<b>13.6</b>
<b>Financial Account</b>		<b>150.8</b>
Direct investment abroad		-2.7
Direct investment in Togo		53.7
Portfolio investment assets		-1.1
Portfolio investment liabilities		13.0
Financial derivatives		...
Other investment assets		-3.8
Other investment liabilities		91.7
<b>Net Errors and Omissions</b>		<b>5.0</b>
<b>Reserves and Related Items</b>		<b>-29.6</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 32 BALANCE OF PAYMENTS

In 2005, the value of Togo's exports was estimated at \$768 million, and the value of imports at \$1.047 billion. The current account balance was estimated at -\$223 million. Togo had an external debt burden of \$2 billion in 2005. The country had \$331 million in reserves of foreign exchange and gold.

### 33 BANKING AND SECURITIES

The bank of issue is the Central Bank of the West African States (Banque Centrale des États de l'Afrique de l'Ouest-BCEAO), based in Dakar, which also acts in that capacity for Benin, Côte d'Ivoire, Niger, Senegal, and Burkina Faso. Togo has a 10% share in the BCEAO, the development bank of which has its headquarters in Lomé.

The most important commercial and savings banks include the Banque Internationale de L'Afrique (BIA), ECOBANK Togo, the Bank of Credit and Commerce International, the Libyan Arab-Togolese Bank of Foreign Commerce, the Banque Togolaise de Commerce et de L'Industrie (BTCl), and the Union Bank of Togo (the latter two with a state share of 35%).

Development banks include the Togolese Development Bank, founded in 1967, which has a 50% state share; the 36.4% state-owned National Farm Credit Fund; and the state-owned National Investment Co., which is intended to mobilize savings, guarantee loans to small- and medium-sized domestic enterprises, and amortize the public debt. The banking and credit systems are not well developed, and large sections of the population remain outside the monetary economy. The banking system was virtually shut down by the general strike in the first half of 1993 and a limited service operated until the second half of 1994.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$220.3 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits,

and money market mutual funds—was \$327.0 million. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.95%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

There are no securities exchanges in Togo.

### 34 INSURANCE

The Togolese Insurance Group is 63% state owned; about a half-dozen French companies were also operating in Togo in the 1990s.

### 35 PUBLIC FINANCE

By the late 1970's, public investment expenditures had reached an unsustainable level (exceeding 40% of GDP), touched off by an earlier rise of commodity prices. As a result, large payment arrears on the external debt began to mount. In the mid-1980s, the fiscal deficit was reduced largely through IMF credits and debt reschedulings. The civil unrest of 1991 resulted in decreased revenues and increased expenditures, and led to an overall budget deficit of 7.5% of GDP. In 1992, further civil unrest widened the budget deficit to 8.5% of GDP. In 1994, Togo entered into new programs with the IMF and the World Bank.

The US Central Intelligence Agency (CIA) estimated that in 2005 Togo's central government took in revenues of approximately \$251.3 million and had expenditures of \$292.9 million. Revenues minus expenditures totaled approximately -\$41.6 million. Total external debt was \$2 billion.

### 36 TAXATION

Taxes are levied on individual incomes and on corporate profits and capital gains. A transactions tax, a tax on fuel consumption, and social security contributions are also paid. There are also registration and stamp taxes and a tax on income from securities. A 5% "solidarity" surtax on salaries was imposed in 1983 as an austerity measure. There was a value-added tax of 18% in 1998.

### 37 CUSTOMS AND DUTIES

There are no export controls. Tariffs are based on a nondiscriminatory schedule at 5%, 10%, or 20% and there is a customs stamp tax and a 3% statistical tax. A common external tariff (CET) for members of the West African Economic and Monetary Union (WAEMU) is set at a maximum of 22% for goods coming from outside the WAEMU. Restricted or prohibited goods include arms, ammunition, narcotics, and explosives.

### 38 FOREIGN INVESTMENT

In the 1980s, Togo was distinguished by a relatively pro-Western, entrepreneurial stance, but incidents of political violence from 1991 to 1994—including the targeting of foreign-owned shops (principally Lebanese and Indian) by rioters in January 1993—and in 1998, following the contested presidential election in June, together with the maintenance of many restrictions on foreign investment and evidence of increased corruption have deterred foreign investment as well as stalled the privatization process. Togo's current investment code, enacted April 1990, was designed as an

improvement over the previous code, and offers foreign investors guaranteed repatriation of capital and profits. The former investment code offered tax exemptions, but these were abused, and were removed in the 1990 revision. The investment code, which applies only to foreign investment of about \$42,000, allows foreign participation up to 100% ownership in eight listed sectors (agriculture, fishing, and forestry; manufacturing; mining; low-cost housing; tourist infrastructure; agricultural storage; applied research; and socio-cultural activities), requires that the business must employ at least 60% local workers and provide at least 25% of the funding. The 1989 export processing zone (EPZ) law gives companies the advantages of duty-free imports of materials for production, a less restrictive labor code, and the ability to hold foreign currency accounts. About 35 firms were operating in the EPZ in 2002, representing investments from France, Italy, Norway, Denmark, the United States, India, and China. A severe electricity shortage in the EPZ from March to May 1998 hurt manufacturing enterprises particularly. Prospects for foreign investment in the EPZ in the industrial and service sectors looked brighter after the election of Faure Gnassingbé in 2005. In 2000 a Franco-Canadian consortium took over the state power company.

The annual inflow of foreign direct investment (FDI) to Togo rose from \$23 million in 1997 to a high of almost \$70 million in 1999. FDI inflow declined to \$57.2 million in 2000, but recovered to \$67 million in 2001. As a percent of gross fixed capital formation, FDI inflows rose from 11.3% in 1997 to nearly 35% in 1999, averaging about 30% in 2000 and 2001. In 2003, FDI amounted to 1.12% of GDP.

Major foreign investors include the United States, France, Germany, and Denmark. Petroleum products distribution, seafood processing, construction, textile milling, and agricultural processing are the main foreign businesses. The top corporate tax rate in 2006 was 40%.

### 39 ECONOMIC DEVELOPMENT

The 1981–85 development plan called for spending roughly equal allocation levels for rural development (26.5%), industry (29.2%), and infrastructure (29.5%). In the 1986–90 development plan, principal allocations were for infrastructure and rural development.

Of the development funds for the 1986–90 plan, 90% were sought from foreign sources. Principal sources of development aid are France, Germany, the United States, China, the EU, the World Bank, and IDA. France ranked first among the bilateral donors, with Germany second. The government was diverted from implementing the plan by international financial considerations and concerns over the process of democratization. In 1998 the EU and World Bank suspended aid because of such considerations, and poor economic performance. Accords signed in 1999 brought back some interest in developing the country economically, but the major setback remained inadequate political development. While most bilateral and multilateral aid to Togo remained frozen as of early 2006, the EU initiated a partial resumption of cooperation and development aid to Togo in late 2004, based upon commitments by Togo to expand opportunities for political opposition and liberalize portions of the economy.

Togo is a member of the Economic Community of West African States (ECOWAS), whose development fund is located in Lomé.

The country is also a member of the West African Economic and Monetary Union (UEMOA). Affiliated with the UEMOA is the West African Development Bank, also based in Lomé.

#### 40 SOCIAL DEVELOPMENT

The government's social welfare program, under a 1973 law, amended in 2001, includes family allowances and maternity benefits; old age, disability, and death benefits; and workers' compensation. Retirement is normally allowed at age 55. The program covers employed persons, students, apprentices and members of cooperatives. Maternity benefits are provided for 14 weeks to working women. The labor code requires employers to provide paid sick leave. Family allowances are available for almost all workers with children, including domestic, casual, and temporary laborers. The program supplements a continued strong sense of social obligation to one's family or clan, even among those in urban centers.

The status of women is improving, but they are still subject to legal and social restrictions. A husband may deny his wife the right to work and has legal control over her earnings. Women face discrimination in employment and access to education. A wife has no financial rights in a divorce and no inheritance rights upon the death of her husband. Polygamy is practiced. Although illegal, female genital mutilation is performed on numerous girls and women. Domestic abuse and violence are widespread. Child labor also continued to be a problem.

The human rights record of the Togolese government remains poor. Abuses include political repression, excessive force by police (with little accountability), and arbitrary arrest and detention. Prison conditions remained very harsh. Human rights organizations are permitted to exist, although they may be subject to intimidation by the government.

#### 41 HEALTH

Medical services include permanent treatment centers and a mobile organization for preventive medicine. Special facilities treat leprosy, sleeping sickness, and mental illness. All services are free except at the clinic attached to the hospital in Lomé, where some patients pay a nominal fee. In 2004, there were an estimated 6 physicians, 17 nurses, 1 dentist, 3 pharmacists, and 7 midwives per 100,000 people. About 61% of the population had access to health care services, and total health care expenditure was estimated at 2.6% of GDP. Approximately 54% of the population had access to safe drinking water and 34% had adequate sanitation.

The Mobile Service for Hygiene and Preventive Medicine performs mass inoculations, carries out pest control campaigns, and provides education in hygiene and basic preventive measures. Its activities have led to significant decreases in mortality caused by smallpox, yellow fever, and sleeping sickness. Yaws, malaria, and leprosy continue to be major medical problems. Immunization rates for children up to one year old were: tuberculosis, 73%; diphtheria, pertussis, and tetanus, 71%; polio, 71%; and measles, 58%. Rates for DPT and measles were, respectively, 41% and 43%.

The crude birth rate and overall mortality rate were estimated at, respectively, 36.1 and 11.3 per 1,000 people. The fertility rate in 2000 was five children per woman living through her childbearing years. The infant mortality rate was 62.20 per 1,000 live births in 2005 and the maternal mortality rate was 480 per 100,000 live births. Average life expectancy in 2005 was 57.01 years.

The HIV/AIDS prevalence was 4.10 per 100 adults in 2003. As of 2004, there were approximately 110,000 people living with HIV/AIDS in the country. There were an estimated 10,000 deaths from AIDS in 2003.

At least 50% of the women in Togo underwent female genital mutilation. The government has published a policy opposing the practice.

#### 42 HOUSING

With the limited resources at its disposal, the government is endeavoring to solve the problem of urban overcrowding by promoting housing schemes and establishing sanitation facilities. According to the latest available information for 1980–88, total housing units numbered 470,000 with 6.2 people per dwelling.

Rural dwellings are generally made from sun-dried mud bricks and mud plaster, with straw roofs. Urban dwellings are made of cement blocks and/or bricks with brick or iron sheeted roofs.

#### 43 EDUCATION

Six years of primary education (ages 6–12) is compulsory and free of charge. Secondary education lasts for seven years, with students attending either general or technical secondary schools. Mission schools play an important role in education.

In 2001, about 2% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 91% of age-eligible students. In 2000, secondary school enrollment was about 26.6% of age-eligible students. It is estimated that about 77.8% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 34:1 in 2000; the ratio for secondary school was about 31:1. In 2000, private schools accounted for about 40% of primary school enrollment and 18% of secondary enrollment.

The University of Lomé and the University of Kara are the primary sites for higher education. Lomé also has colleges of administration, architecture, and urban planning. In 1999, it was estimated that about 4% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 53%, with 68.5% for men and 38.3% for women.

As of 2003, public expenditure on education was estimated at 2.6% of GDP, or 13.6% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library in Lomé has a collection of approximately 18,000 volumes. The University of Lomé Library offers some library services to the public. There is a public library with 26 service points holding a total of 63,000 volumes. The National Museum, founded in Lomé in 1975, has ethnography, history, and art exhibits. There are regional museums in Aného, Kara, Savanes, and Sokode.

#### 45 MEDIA

Telecommunications links are maintained with major African, European, and American cities. There is an automatic telephone exchange in Lomé. In 2003, there were an estimated 12 mainline telephones for every 1,000 people; about 27,500 people were on a waiting list for telephone service installation. The same year,

there were approximately 44 mobile phones in use for every 1,000 people.

The government owns the only major television station as well as the primary radio stations. The radio network presents programs in French, English, and local languages. Television service, broadcast in French and local languages, began in 1973. In 2003, there were an estimated 263 radios and 123 television sets for every 1,000 people. The same year, there were 32 personal computers for every 1,000 people and 42 of every 1,000 people had access to the Internet. There was one secure Internet server in the country in 2004.

*The Journal Officiel de la République du Togo* is published daily in Lomé; another Lomé daily, *Togo-Presses*, published in French and *Ewe*, had a circulation of 15,000 in 1999. Both are government owned. In 2005, there were at least six privately owned weekly papers.

The constitution of Togo provides for freedom of speech and of the press; however, though the government is said to generally respect these rights, it has on one occasion intimidated journalists through threats, detention, and other persecution. Opposition media are tolerated, though sometimes censored or prevented access to information.

#### 46 ORGANIZATIONS

The Chamber of Commerce, Agriculture, and Industry is active in Lomé. The Federation of Non-Government Organizations of Togo helps promote small enterprise development by providing training and lobbying services. The African Organization of Supreme Audit Institutions, a large multinational organization promoting high ethical business and accounting standards, is based in Lomé.

The major women's and youth groups are affiliated with the RPT. There is also a Junior Chamber, the Scout Association of Togo, and YMCA/YWCA programs for youth. Sports associations promote amateur competitions in such pastimes as tae kwon do, baseball and softball, badminton, and track and field. Cultural organizations, all located in Lomé, include the Alliance Française, American Cultural Center, Goethe-Institute, and Togolese Association for Cultural Exchanges with Foreign Countries.

Social action organizations include Islands of Peace, the Adventist Development and Relief Agency, and the Togo Association of Volunteers for Development. Volunteer service organizations, such as the Lions Clubs International, are also present. There are national chapters of the Red Cross Society, Caritas, UNICEF, and CARE Togo.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourist attractions include the Mandouri hunting reserve in the northeast, and the beaches and deep sea fishing of the Gulf of Guinea coast. Even though social and political calm has been restored after disturbances in the early 1990s, there has been lack of financial resources for the development of tourism. In 2003, there were 60,592 tourist arrivals creating an 11% occupancy rate in the 4,480 hotel rooms with 6,720 beds. Tourism receipts totaled about \$16 million in 2002.

According to 2005 estimates of the US Department of State, the average daily cost of staying in Lomé was \$170, and Lama Kara and other small areas were significantly smaller averaging \$72.

#### 48 FAMOUS TOGOLESE

Togo's most prominent statesman was Sylvanus Olympio (1902–63), who led his country's fight for independence and was its first president. Gnassingbé Eyadéma (Étienne Eyadéma, 1937–2005) was president of Togo from 1967 until his death in 2005, when his son Faure Essozimna Gnassingbé (b.1966) became president. Edem Kodjo (b.1938) was OAU secretary-general, 1978–84.

#### 49 DEPENDENCIES

Togo has no territories or colonies.

#### 50 BIBLIOGRAPHY

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# TUNISIA

Republic of Tunisia  
*Al-Jumhuriyah at-Tunisiyah*



**CAPITAL:** Tunis

**FLAG:** Centered on a red ground is a white disk bearing a red crescent and a red five-pointed star.

**ANTHEM:** *Al-Khaladi (The Glorious)*.

**MONETARY UNIT:** The Tunisian dinar (D) is a paper currency of 1,000 millimes. There are coins of 1, 2, 5, 10, 20, 50, and 100 millimes and of ½, 1, and 5 dinars, and notes of 1, 5, 10, and 20 dinars. D1 = \$0.78125 (or \$1 = D1.28) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Independence Day, 20 March; Martyrs' Day, 9 April; Labor Day, 1 May; Victory Day, 1 June; Republic Day, 25 July; Women's Day, 13 August; Evacuation Day, 15 October; Accession of President Ben Ali, 7 November. Movable religious holidays include 'Id al-Fitr, 'Id al-Adha, 1st of Muharram (Muslim New Year), and Milad an-Nabi.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated on the northern coast of Africa, Tunisia has an area of 163,610 sq km (63,170 sq mi), extending 792 km (492 mi) N–S and 350 km (217 mi) E–W. Comparatively, the area occupied by Tunisia is slightly larger than the state of Georgia. It is bounded on the N and E by the Mediterranean Sea, on the SE by Libya, and on the W by Algeria, with a total boundary length of 2,572 km (1,598 mi), of which 1,148 km (713 mi) is coastline.

Tunisia's capital city, Tunis, is located on the northern coast.

## <sup>2</sup>TOPOGRAPHY

The Nemencha mountains—eastern extensions of the Atlas chain—divide the country into two distinct regions, the well-watered north and the semiarid south. The latter includes Tunisia's highest point, Jebel Chambi, 1,544 m (5,064 ft), near Kasserine. The northern region is further divided into three subregions: the northwest, with extensive cork forests; the north-central, with its fertile grasslands; and the northeast, from Tunis to Cape el-Tib, noted for its livestock, citrus fruits, and garden produce. The southern region contains a central plateau and a desert area in the extreme south, which merges into the Sahara and is characterized by date palm oases and saline lakes, the largest of which is Chott el Djerid. The Medjerda, the most important river system, rises in Algeria and drains into the Gulf of Tunis.

## <sup>3</sup>CLIMATE

Tunisia consists of two climatic belts, with Mediterranean influences in the north and Saharan in the south. Temperatures are moderate along the coast, with an average annual reading of 18°C (64°F), and hot in the interior south. The summer season in the north, from May through September, is hot and dry; the winter,

which extends from October to April, is mild and characterized by frequent rains. Temperatures at Tunis range from an average minimum of 6°C (43°F) and maximum of 14°C (57°F) in January, to an average minimum of 21°C (70°F) and maximum of 33°C (91°F) in August. Precipitation in the northern region reaches a high of 150 cm (59 in) annually, while rainfall in the extreme south averages less than 20 cm (8 in) a year.

## <sup>4</sup>FLORA AND FAUNA

Tunisia has a great variety of trees, including cork oak, oak, pines, jujube, and gum. More than one-fourth of the country is covered by esparto grass, which is the characteristic vegetation of the steppe region. Jackal, wild boar, and several species of gazelle are numerous. Horned vipers and scorpions are common in the Sahara. The sleeved mouflon, a species of wild sheep, is found in the mountains. As of 2002, there were at least 78 species of mammals, 165 species of birds, and over 2,100 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Loss of agricultural land to erosion, and degradation of range and forest lands because of overgrazing or overcutting of timber for fuel are major concerns. Erosion threatens about 76% of the nation's land area. Overcrowding and poor sanitation in urban centers are also major environmental problems. Pollution from industry and farming activities threatens the nation's limited water supply. Tunisia has about four cu km of renewable water resources with 86% of annual withdrawals used for farming and 1% for industrial purposes. Only 60% of the people living in rural areas have access to improved water sources. The nation's cities produce

about 0.9 million tons of solid waste; inadequate disposal of toxic and hazardous wastes poses health risks.

There are four national parks, including one natural UNESCO World Heritage Site; however, in 2003 less than 1% of the total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 10 types of mammals, 9 species of birds, 3 types of reptiles, 9 species of fish, and 5 species of invertebrates. Threatened species in Tunisia include the Barbary hyena, Barbary leopard, two species of gazelle (Cuvier's and slender-horned), the Mediterranean monk seal, and oryx. The Bubal hartebeest has become extinct. A World Wildlife Fund project succeeded in rescuing the Atlas deer from near extinction.

## 6 POPULATION

The population of Tunisia in 2005 was estimated by the United Nations (UN) at 10,043,000, which placed it at number 80 in population among the 193 nations of the world. In 2005, approximately 7% of the population was over 65 years of age, with another 27% of the population under 15 years of age. There were 102 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 1.1%. The government has had a commitment to family planning and reproductive health since the 1990s. The projected population for the year 2025 was 11,583,000. The overall population density was 61 per sq km (159 per sq mi), ranging from only about 4 per sq km (10 per sq mi) in the south to over 1,000 per sq km (400 per sq mi) in the thickly settled north.

The UN estimated that 65% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.59%. The capital city, Tunis, had a population of 1,996,000 in that year. Other cities are Sfax (Safaqis); Ariana (a suburb of Tunis); Bizerte (Binzart); Gabes; and Sousse (Susa).

## 7 MIGRATION

French and Italian migration to Tunisia dates from the French military occupation of 1881. There were 255,000 Europeans in Tunisia in 1956, but most have since left the country. With the conclusion of the Franco-Algerian war in 1962, 110,000 Algerian refugees returned to their homeland.

Internal migration constitutes a serious problem. Rural unemployment has caused significant population movement to urban centers, where conditions are often harsh. Since 1964, the government has sought to decentralize industry and to resettle nomads and seminomads in permanent villages. Many Tunisians seek employment abroad; in the early 1990s there were approximately 350,000 Tunisian workers in foreign countries, mostly Libya and France. The total number of migrants in 2000 was 38,000. In 2003, the Tunisian government, along with the Algeria and Morocco, cracked down on sub-Saharan migration that was heading toward Europe.

In 2004, there were some 90 refugees and 12 asylum seekers. The net migration rate in 2005 was estimated as -0.54 migrants per 1,000 population. The government views the migration levels as satisfactory. Worker remittances in 2003 were \$1.1 billion.

## 8 ETHNIC GROUPS

Tunisia has a highly homogeneous population, almost entirely of Arab and Berber descent (98%). The small European population (1%) consists mostly of French and Italians. Tunisian Jews and other groups make up the remaining 1% of the populace.

## 9 LANGUAGES

Arabic is the official language and one language used in commerce. French is taught to all school children and is also commonly used in commerce and administration. Small numbers of people speak Berber.

## 10 RELIGIONS

Islam is the state religion and nearly all Tunisians are Sunni Muslims. A small number are of the mystical Sufi branch. The Christian community, which contains only about 25,000 people, is made up primarily of Roman Catholics, Russian Orthodox, French Reformists, Anglicans, Greek Orthodox, and a small number of Jehovah's Witnesses and Seventh-Day Adventists. There are approximately 1,500 Jews in the country and about 150 Baha'is.

The constitution provides for the free exercise of religions that do not disturb the public order. Under this stipulation, the government restricts groups that are considered to be part of Islamic fundamentalist movements. Though members of other established, non-Muslim religions are generally allowed to practice freely, proselytizing is prohibited by law. Muslims who convert to another faith are often denied the right to vote, obtain a passport, and to enlist in the army, as well as facing social discrimination. Members of the Baha'i faith are only allowed to practice their faith in private, since the government considers the religion to be a heretical sect of Islam. The government offers some state support of the Jewish community, such as paying the salary of the grand rabbi, presumably based on the point that Judaism is considered to be indigenous to the country. The government prohibits the formation of political parties based on religious doctrines.

## 11 TRANSPORTATION

As of 2002, Tunisia had 23,100 km (14,354 mi) of highway, of which 18,226 km (11,326 mi) were paved, including 142 km of expressways. Roads connected the major cities and provided access to most regions of the country. In 2003, there were 585,194 passenger cars and 288,285 commercial vehicles. The Tunisian National Railway Co. (Société National des Chemins de Fer Tunisiens) operates over 2,152 km (1,337 mi) of standard, narrow and dual gauge track, located mostly in the northern region and central plateau. Most of the country's rail system is narrow gauge, accounting for 1,674 km (1,040 mi), followed by standard gauge at 468 km (291 mi). The remainder—10 km (6.2 mi)—consists of dual gauge right-of-way. A metro rail system for Tunis opened in 1985.

Tunisia has excellent shipping facilities at Tunis, the principal port, and at Sfax, Sousse, Bizerte, and Gabes; Sekhira is the port for oil exports. The free port terminal at Zarzis is scheduled for further development at an estimated cost of \$20.8 million, in order to expand harbor and storage facilities. Tunisia's modest merchant fleet, established in 1958, operates a freighter service principally to French ports. As of 2005 there were 12 ships of 1,000 GRT

or more, totaling 124,733 GRT. The Tunisian Navigation Co. is the principal shipping firm.

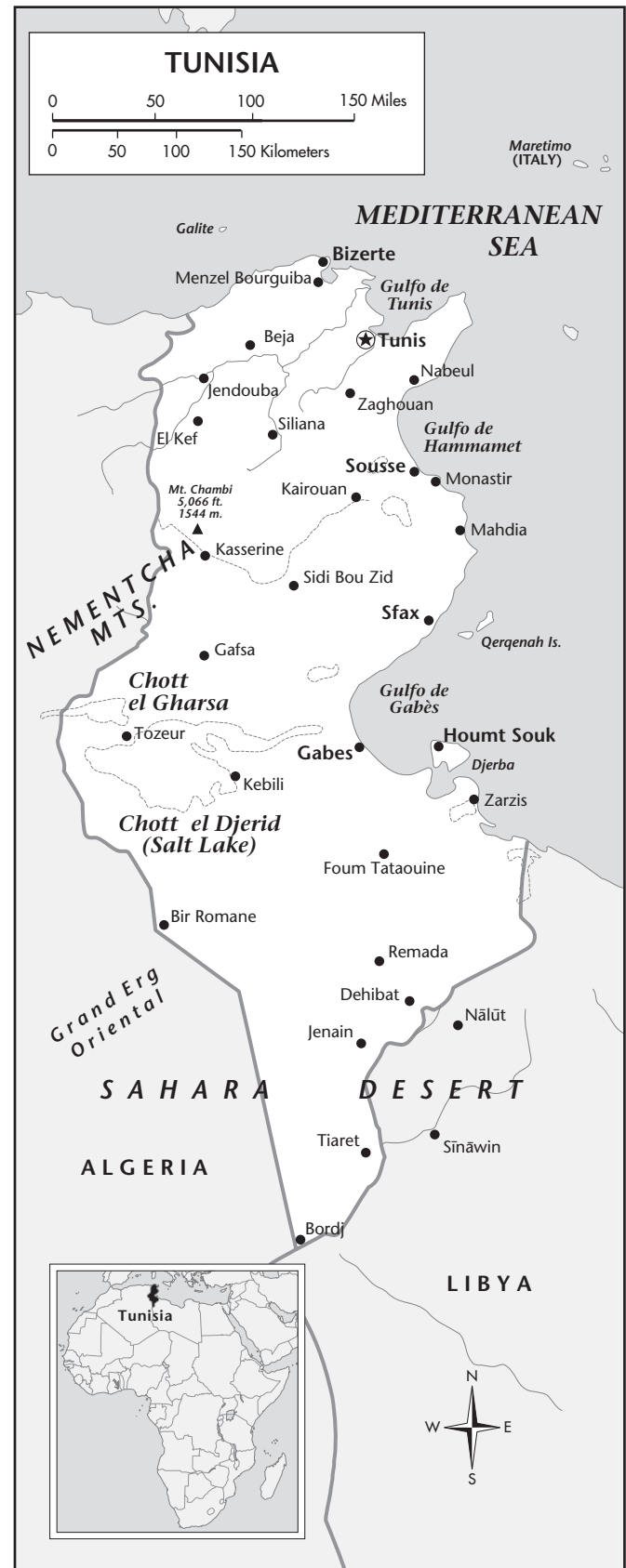
Airports in 2004 numbered an estimated 30, of which 14 had paved runways as of 2005. Tunis-Carthage Airport, about 14 km (9 mi) from the capital, provides direct connections to most of the major cities of Europe and the Middle East. There are five other international airports, at Menzel Bourguiba (Monastir), Zarzis (Jerba), Tozeur, Tabarka, and Sfax. Tunis Air, the national airline, is owned by the Tunisian government (51%), Air France, and Tunisian citizens. In 2003, about 1.720 million passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

The history of early Tunisia and its indigenous inhabitants, the Berbers, is obscure prior to the founding of Carthage by seafaring Phoenicians from Tyre (in present-day Lebanon) in the 9th century BC. A great mercantile state developed at Carthage (near modern-day Tunis), which proceeded to dominate the western Mediterranean world. The great Carthaginian general Hannibal engineered the monumental trans-Alpine assault on Rome in 211 BC and inflicted costly losses on the Roman Empire until choosing suicide rather than capture in 183 BC. Carthage was eventually burned to the ground by the Romans at the culmination of the Punic Wars in 146 BC. The Romans subsequently rebuilt the city, making it one of the great cities of the ancient world. With the decline of the Roman Empire, Tunisia fell successively to Vandal invaders during the 5th century AD, to the Byzantines in the 6th century, and finally to the Arabs in the 7th century. Thenceforth, Tunisia remained an integral part of the Muslim world.

In the 9th century, the governor of Tunisia, Ibrahim ibn Aghlab, founded a local dynasty nominally under the sovereignty of the 'Abbasid caliphs of Baghdad. The Aghlabids conquered Sicily and made Tunisia prosperous. In 909, the Fatimids ended Aghlabid rule, using Tunisia as a base for their subsequent conquest of Egypt. They left Tunisia in control of the subordinate Zirid dynasty until the 11th century, when the Zirids rebelled against Fatimid control. The Fatimids unleashed nomadic Arab tribes, the Banu Hilal and Banu Sulaym, to punish the Zirids, a move resulting in the destruction of the Zirid state and the general economic decline of Tunisia. In the 13th century, the Hafsids, a group subordinate to the Almohad dynasty based in Morocco, restored order to Tunisia. They founded a Tunisian dynasty that, from the 13th century to the 16th, made Tunisia one of the flourishing regions of North Africa. In the beginning of the 16th century, however, Spain's occupation of important coastal locations precipitated the demise of Hafsids rule.

In 1574, the Ottoman Turks occupied Tunisia, ruling it with a dey appointed by the Ottoman ruler. The dey's lieutenants, the beys, gradually became the effective rulers, in fact if not in name. Ultimately, in 1705, the bey Husayn ibn 'Ali established a dynasty. Successive Husaynids ruled Tunisia as vassals of the Ottomans until 1881 and under the French until 1956, the year of Tunisia's independence (the dynasty was abolished in 1957). During the 19th century, the Tunisian dynasts acted virtually as independent rulers, making vigorous efforts to utilize Western knowledge and technology to modernize the state. But these efforts led to fiscal bankruptcy and thus to the establishment of an international commission made up of British, French, and Italian representa-



LOCATION: 7°33' to 11°38'E; 29°54' to 37°21' N. BOUNDARY LENGTHS: Mediterranean coastline, 1,028 kilometers (639 miles); Libya, 459 kilometers (285 miles); Algeria, 958 kilometers (595 miles). TERRITORIAL SEA LIMIT: 12 miles.

tives to supervise Tunisian finances. Continued rivalry between French and Italian interests culminated in a French invasion of Tunisia in May 1881. A protectorate was created in that year by the Treaty of Bardo; the Convention of La Marsa (1883) allowed the Tunisian dynasty to continue, although effective direction of affairs passed to the French. French interests invested heavily in Tunisia, and a process of modernization was vigorously pursued; at the same time, direct administration in the name of the dynasty was gradually expanded. The Tunisians, in turn, supported France in World War I.

The beginnings of modern nationalism in Tunisia emerged before the outbreak of the war, with hopes of greater Tunisian participation in government encouraged during the war by pronouncements such as the Fourteen Points (1918) of Woodrow Wilson. When these hopes were not realized, Tunisians formed a moderate nationalist grouping, the Destour ("Constitutional") Party. Dissatisfaction over the group's poor organization led, in 1934, to a split: the more active members, led by Habib Bourguiba, founded the Neo-Destour Party. France responded to demands for internal autonomy with repression, including the deposition and exile of the sovereign Munsif Bey. On 23 August 1945, the two Destour parties proclaimed that the will of the Tunisian people was independence. But the French still held firm. In December 1951, they again rejected a request by the Tunisian government for internal autonomy. The situation worsened when extremists among the French colonists launched a wave of terrorism. Finally, on 31 July 1954, French Premier Pierre Mendès-France promised the bey internal autonomy. After long negotiations accompanied by considerable local disorder, a French-Tunisian convention was signed on 3 June 1955 in Paris. On 20 March 1956, France recognized Tunisian independence.

In April 1956, Habib Bourguiba formed the first government of independent Tunisia, and on 25 July 1957, the National Assembly, having established a republic and transformed itself into a legislative assembly, elected Bourguiba chief of state and deposed the bey. A new constitution came into effect on 1 June 1959. Bourguiba won the first presidential election in 1959 and was reelected in 1964, 1969, and 1974, when the National Assembly amended the constitution to make him president for life.

Economic malaise and political repression during the late 1970s led to student and labor unrest. A general strike called by the General Union of Tunisian Workers (UGTT) on 26 January 1978, in order to protest assaults on union offices and the harassment of labor leaders, brought confrontations with government troops in which at least 50 demonstrators and looters were killed and 200 trade union officials, including UGTT Secretary-General Habib Achour, were arrested. Prime Minister Hedi Nouria was succeeded by Mohamed Mzali in April 1980, marking the advent of a political liberalization. Trade union leaders were released from jails, and Achour ultimately received a full presidential pardon. In July 1981, the formation of opposition political parties was permitted. In elections that November, candidates of Bourguiba's ruling Destourian Socialist Party, aligned in a National Front with the UGTT, garnered all 136 National Assembly seats and 94.6% of the popular vote. An economic slump in 1982–83 brought a renewal of tensions; in January 1984, after five days of rioting in Tunis, the government was forced to rescind the doubling of bread prices that had been ordered as an austerity measure.

After independence, Tunisia pursued a nonaligned course in foreign affairs while maintaining close economic ties with the West. Tunisia's relations with Algeria, strained during the 1970s, improved markedly during the early 1980s, and on 19 March 1983 the two nations signed a 20-year treaty of peace and friendship. Relations with Libya have been stormy since the stillborn Treaty of Jerba (1974), a hastily drafted document that had been intended to merge the two countries into the Islamic Arab Republic; within weeks after signing the accord, Bourguiba, under pressure from Algeria and from members of his own government, retreated to a more gradualist approach toward Arab unity. A further irritant was the territorial dispute between Libya and Tunisia over partition of the oil-rich Gulf of Gabes, resolved by the international Court of Justice in Libya's favor in 1982. Tunisian-Libyan relations reached a low point in January 1980, when some 30 commandos (entering from Algeria but apparently aided by Libya) briefly seized an army barracks and other buildings at Gafsa in an abortive attempt to inspire a popular uprising against Bourguiba. In 1981, Libya vetoed Tunisia's bid to join OAUPEC and expelled several thousand Tunisian workers; more Tunisian workers were expelled in 1985.

Following the evacuation of the Palestine Liberation Organization (PLO) from Lebanon in August 1982, Tunisia admitted PLO Chairman Yasir Arafat and nearly 1,000 Palestinian fighters. An October 1985 Israeli bombing raid on the PLO headquarters near Tunis killed about 70 persons. By 1987, the PLO presence was down to about 200, all civilians.

In 1986 and 1987, Bourguiba dealt with labor agitation for wage increases by again jailing UGTT leader Achour and disbanding the confederation. He turned on many of his former political associates, including his wife and son, while blocking two legal opposition parties from taking part in elections. Reasserting his control of Tunisian politics, Bourguiba dismissed Prime Minister Mzali, who fled to Algeria and denounced the regime. A massive roundup of Islamic fundamentalists in 1987 was the president's answer to what he termed a terrorist conspiracy sponsored by Iran, and diplomatic relations with Tehrān were broken. On 27 September 1987, a state security court found 76 defendants guilty of plotting against the government and planting bombs; seven (five in absentia) were sentenced to death.

General Zine el-Abidine Ben Ali, the trusted minister of interior who had conducted the crackdown, was named prime minister in September 1987. Six weeks later, Ben Ali seized power, ousting Bourguiba, whom he said was too ill and senile to govern any longer. He assumed the presidency himself, promising political liberalization. Almost 2,500 political prisoners were released and the special state security courts were abolished. The following year, Tunisia's constitution was revised, ending the presidency for life and permitting the chief executive three five-year terms. Elections were advanced from 1991 to 1989 and Ben Ali ran unopposed. Candidates of the renamed Destour Party, the Constitutional Democratic Rally (RCD), won all of the 141 seats in the Chamber of Deputies, although the Islamist party, an-Nahda, won an average of 18% of the vote where its members contested as independents.

The constitution does not permit political parties based on religion, race, regional, or linguistic affiliation, and thus Islamist parties in Tunisia face an uphill battle in gaining official recognition.



After an attack on RCD headquarters in 1990, the government moved decisively against its Islamist opposition. Thousands were arrested and in 1992 military trials, 265 were convicted.

In the March 1994 presidential election, two men not Islamist-affiliated, after announcing their candidacy for the presidency, were arrested and Ben Ali again was unopposed and was reelected with 99.9% of the vote. In the electoral system established for the 1994 Chamber of Deputies elections, the number of seats had been increased from 144 to 163. That year, a new proportional system was established where 144 of the seats were to be contested and were won by the majority party and the remaining 19 were to be distributed to the remaining contesting parties according to their vote draw at the national level. In the parliamentary elections the president's RCD took all 144 seats with the remaining six parties dividing up the 19 set-aside seats. In the 1995 municipal elections, out of 4,090 seats contested in the 257 constituencies, independent candidates and members of the 5 recognized political parties won only 6 of the seats.

In July 1998 Ben Ali announced his plans to contest the presidential elections scheduled for October 1999. Two other candidates, Mohamed Belhaj Amor of the PUP and Abderrahmane Tlili of the UDU also announced their candidacy. The parliament had again been enlarged to 182 members, with 34 seats guaranteed to the opposition. In the 1999 elections Ben Ali received 99.4% of the votes, with Amor receiving 0.3% and Tlili 0.2%. The RCD was awarded with 148 seats and the 5 other official parties splitting the remaining 34 seats.

In the 1990s Tunisia continued to follow a moderate, non-aligned course in foreign relations, complicated by sporadic difficulties with its immediate neighbors. Relations with Libya remained tense after ties were resumed in 1987. However, Ben Ali pursued normalized relations, which dramatically improved over the next few years. Thousands of Tunisians found work in Libya as the border was reopened. In 1992 the UN Security Council imposed sanctions against Libya due to its decision not to hand over for trial suspects in the Pan Am bombing affair. Tunisia did not wholeheartedly support all of the UN Security Council sanctions due to the real economic ties that the two countries have. Due to these ties Libya's difficulties impacted on the ability of Tunisia and the Union of the Arab Maghreb (UAM) to establish closer relations with the European Union. From 1995 forward, Tunisia lobbied at the international level for the cessation of the sanctions due to the suffering that was caused to the Libyan people as well as to the regional tensions that the sanctions were creating. By 1997 Tunisia had quietly resumed joint economic projects and bilateral visitation with Libya. Following Libya's 1998/99 decision to hand over the Pan Am bombing suspects for trial in the Netherlands for the 1988 Pam Am explosion over Lockerbie, Scotland, Tunisia moved to normalize relations with Libya, including resumption of TunisAir flights to Tripoli in June 2000.

Ben Ali also appeared committed to the promotion of the UAM, an organization that became formalized in 1989 with Mauritania, Morocco, Algeria, Tunisia, and Libya. Ben Ali became president of the organization for 1993, though at this point the active work toward unification of the five countries was put on hold due in large part to the political and economic difficulties that Algeria and Libya faced internally and internationally. In 1999 the leaders of Mo-

rocco and Tunisia again called for a resuscitation of the organization and pledged to work toward that end in the following year.

Tunisia's relations with Algeria in the 1990s were controlled by the Islamist issue. The leadership of Tunisia's not-officially-recognized ah-Nahda party continued to be closely watched by both countries. With the decision of the Algerian military to annul their January 1992 elections in order to prevent the Islamists from gaining control of the government, relations improved between the two countries. Algeria signed a border agreement in 1993 with Tunisia, ratified during a state visit of the Algerian leader. Reciprocal visits between the leadership of the two countries reinforced their commitment to controlling their joint border and fighting "extremism."

In 1988 Abu Jihad, the military commander of the PLO, was assassinated near Tunis by Israeli commandos, provoking a Tunisian protest to the United Nations Security Council and a following resolution of condemnation of the Israeli aggression by the Council. However, relations with Israel then improved, and in 1993, Tunisia welcomed an official Israeli delegation as part of the peace process. Joint naval exercises between the two countries took place in March 1994. The PLO offices in Tunis were closed in 1994 as the new Palestinian Authority (PA) took up residence in Gaza. In 1996, following PA elections, Tunisia moved to establish low-level diplomatic relations with Israel as it also announced its decision to recognize PA passports. However, with the slowing of the peace process and the election of the Netanyahu government in Israel, improving relations between Israel and Tunisia cooled and remained on hold.

Ben Ali also moved to normalize relations with Egypt and visited Cairo in 1990 to that end, the first such trip by a Tunisian president since 1965. In 1997 several agreements regarding economic and cultural cooperation were signed between the two countries.

Although the United States has provided economic and military aid, Tunisia opposed American support for Kuwait following Iraq's invasion in 1990. The support of Iraq in this crisis caused a rift in relations with Kuwait that were finally healed, through Ben Ali's efforts, with the visit of Kuwait's crown prince to Tunis in 1996 and a loan from the Kuwait-based Arab Fund for Economic and Social Development being granted to Tunisia. At the same time, Tunisia continued good relations with Iraq and continued to call for a cessation of UN sanctions against Baghdad.

The consistent stance of Ben Ali's government toward Islamist parties has brought him friends in the West, though his own poor human rights record has provoked consternation from Western governments and vocal criticism from Western media and human rights organizations. Complaints against his regime have included torture under interrogation, deaths in custody, secret or unfair trials and long prison sentences for opposition leaders, inhumane prison conditions, and restrictions on free speech and the press, including controls on the use of satellite dishes. Ironically, the UN Committee against Torture (along with numerous other human rights groups and including the Arab Commission of Human Rights) denounced the police and security forces in Tunisia, while Tunisia was unanimously elected to the UN Human Rights Commission in 1997. This caused international controversy, and by 2006, a Human Rights Council replaced the UN Human Rights Commission. The Human Rights Council was meant to be a standing body that would meet year-round to promote and

protect human rights with a membership that excluded the worst human rights violators.

In July 1995, Tunisia signed an association agreement with the European Union that in 2007 would make the country part of a free-trade area around the Mediterranean known as the European Economic Area, the first southern Mediterranean country to be brought into the planned association. The United States has continued to offer praise to Tunisia and encouragement of US investment, but has held off on requested military aid. Relations with Italy, Tunisia's second-largest trading partner after France, have been complicated by the issues of illegal immigration from Tunisia and of fishing rights.

On 6 April 2000, Bourguiba died at age 96. A seven-day period of mourning was declared, and thousands of mourners lined his funeral procession route.

Following the 11 September 2001 terrorist attacks on the United States, the United States called upon all states to implement counterterrorism measures. On 11 April 2002, a truck exploded at a synagogue on the Tunisian resort island of Djerba, killing 21 people, including 14 German tourists. German intelligence officials reported the bombing was a terrorist attack, and cited links to the al-Qaeda organization. In November, Ben Ali called for an international conference on terrorism to establish an international code of ethics to which all parties would be committed. In December, the United States praised Tunisia for its efforts in combating terrorism, and for its "record of moderation and of tolerance in the region."

In a referendum held on 26 May 2002, voters overwhelmingly approved a series of constitutional amendments that would make a marked change in the country's political structure. They included: additional guarantees regarding the pretrial and preventive custody of defendants; the creation of a second legislative body; the elimination of presidential term limits, along with the setting of a maximum age ceiling of 75 years for a presidential candidate; and the consecration of the importance of human rights, solidarity, mutual help, and tolerance as values enshrined in the constitution.

In November 2002, Ben Ali announced a series of electoral reform measures. In addition to the creation of a second legislative body (Chamber of Advisors approved by the May referendum) these included provisions to further guarantee the fairness of voter registration and election processes, and provisions to reduce the minimum requirement for campaign financing and reimbursement by the state. He also called on radio and television operators to provide wider coverage of opposition parties and nongovernmental organizations, and introduced a bill that would guarantee citizens' privacy and protection of personal data.

Presidential and legislative elections were held on 24 October 2004. Ben Ali was reelected for a fourth term with 94.5% of the vote. His contenders included Mohamed Bouchiha (PUP), Mohamed Ali Halouani (Ettajdid), and Mounir Beji (PSDL). The main opposition group, the Democratic Progressive Party (PDP), pulled out of the election two days before the vote, saying its participation would only legitimize a masquerade of democracy. The legislative election for the Chamber of Deputies was dominated by the RCD, as was the election for the new Chamber of Advisors held on 3 July 2005. The next presidential and Chamber of Deputies

elections were to be held in October 2009. The next Chamber of Advisors election was to be held July 2011.

### 13 GOVERNMENT

According to the constitution of 1959, Tunisia is an Islamic republic, although since independence it has been a thoroughly secular state. The president, who is chief of state, must be a Muslim and a Tunisian citizen, born of a Tunisian father and grandfather, and at least 40 years old. He serves a five-year term. The president enjoys extensive powers, initiating and directing state policy and appointing judges, provincial governors, the mayor of Tunis, and other high officials. The cabinet, headed by a prime minister, varies in size and is under presidential domination.

The unicameral National Assembly or Chamber of Deputies (Majlis al-Ummah) was expanded in 1993 to 163 members and again in 1997 to 182 members, elected by general, free, direct, and secret ballot. Since 1994 the opposition has been guaranteed a number of seats in the assembly, with the changes introduced in 1997 guaranteeing them 20% of the assembly seats. All citizens 20 years of age or older may vote; candidates must be at least 25 years old and born of a Tunisian father or Tunisian mother. The assembly sits twice a year for five years, but may be extended in the event that a national emergency prevents new elections. Presidential ratification is required before a bill passed by the legislature can become law, but the assembly may override the president's veto by a two-thirds majority. The president may enact decrees in an emergency or when the assembly is in recess.

A series of constitutional amendments were overwhelmingly approved by voters in a 26 May 2002 referendum. Civil liberties were expanded, and human rights were guaranteed. Provisions for a second legislative body, a Chamber of Advisors, were made. Presidential term limits were abolished, and the age limit for a presidential candidate was raised from 70 to 75, thereby making Ben Ali, then age 65, eligible for reelection in 2004 and 2009.

### 14 POLITICAL PARTIES

The Constitutional Democratic Rally (RCD) dominates the country's political life. Its leader from its founding as the Neo-Destour Party in 1934 to 1987 was Habib Bourguiba. In the first national elections in 1956, all 98 seats in the National Assembly were won by the National Union, a united front of the Neo-Destour Party with the UGTT, the National Union of Tunisian Farmers, and the Tunisian Union of Craftsmen and Merchants. In the November 1959 elections for the National Assembly, the Communist Party (Parti Communiste Tunisien) presented a list of 13 candidates in Tunis and Gafsa; elsewhere, the Neo-Destour Party was unopposed, and the ruling party won all 90 seats at stake. From 1959 to 1994, the RCD (acting in 1981 as part of a National Front with the UGTT) held a monopoly of Assembly seats.

Banned in 1963, the Communist Party was the first opposition group to be fully legalized under the political liberalization of 1981. Two other parties, the Movement of Social Democrats (Mouvement des Démocrates Socialistes—MDS) and the Party of Popular Unity (Parti de l'Unité Populaire—PUP), failed to retain their provisional authorization when each fell short of receiving a 5% share of the total vote in the November 1981 election but nevertheless were formally legalized in 1983. The principal Islamist

party, an-Nahda, has been outlawed. In 1992, it was hit hard by the jailing of many of its senior leaders.

Due to a change in the 1994 electoral code to guarantee the opposition would win seats, opposition parties such as the Movement of Social Democrats (MDS) entered the Chamber of Deputies. As of 2006, there were seven officially recognized opposition parties: MDS, PUP, the Union of Democratic Unionists (UDU), Ettajdid (also called the Renewal Movement), the Social Democratic Liberal Party (PSDL), plus the Democratic Progressive Party (PDP) and the Democratic Forum for Labor and Liberties (FDTL), the only two not represented in the Chamber of Deputies as of the October 2004 elections. The RCD held 152 of the 182 seats as of 2006. The Islamist an-Nahda remained an outlawed party.

## 15 LOCAL GOVERNMENT

Tunisia is divided into 23 provinces (*wilayets*, or governorates). Each province is headed by a governor appointed by the president through the secretary of interior. The governor is assisted by elected municipal councils and a governmental council, members of which are appointed for a three-year term by the central government on the governor's nomination. Each province is in turn divided into delegations (*mutamadiyat*), the number of which varies with the size and social and economic importance of the province. The number of communes, or municipalities, in 2006 was 257. In local elections boycotted by the opposition in 1990, RCD candidates won control of all but one of the councils. In 1990 proportional representation for municipal elections was introduced, where the winning party would receive 50% of the council seats with the remaining seats to be proportionally divided between the other political parties according to their electoral draw.

Municipal elections were held in May 2005. Local council members serve five-year terms.

## 16 JUDICIAL SYSTEM

The constitution provides for an independent judiciary. The judiciary is susceptible to being influenced by the executive branch in practice. Magistrates are appointed by the president upon recommendation of the Supreme Council of the Magistracy; its members are drawn from the Department of Justice and the courts of appeal and cassation. In 2006, there were 51 cantonal courts, 23 courts of first instance, and 3 courts of appeal, located in Tunis, Sousse, and Sfax. A Court of Cassation in Tunis has three civil sections and one criminal section; it acts as the ultimate court of appeal. In addition, a High Court is constituted for the sole purpose of prosecuting a member of the government accused of high treason. The Council of State is an administrative tribunal empowered to resolve conflicts between citizens and the state and public authorities; as an accounting department, it is empowered to audit and examine government records.

Civil and criminal law generally follows French-influenced practices that evolved during the period of the protectorate. Since 1956 there has been a steady reform of existing Islamic legislation, including the abolition of polygamy. Shariah courts were abolished in 1956.

A military tribunal consisting of a presiding civilian judge from the Court of Cassation and four military judges hears cases involving military personnel as well as cases concerning civilians

when national security is deemed to be at stake. Decisions of the military tribunal may be appealed to the Court of Cassation.

## 17 ARMED FORCES

As of 2005, Tunisia had an Army of 27,000 active personnel equipped with 84 main battle tanks, 48 light tanks, 60 reconnaissance vehicles, 268 armored personnel carriers, and 276 artillery pieces. The Navy numbered 4,500 personnel. Major naval units totaled over nineteen patrol boats and two logistics/support vessels. The Air Force had 3,500 personnel, with 27 combat capable aircraft that included 12 fighters and 3 fighter ground attack aircraft, in addition to 11 search and rescue, 11 support, and 37 utility helicopters. Paramilitary forces consisted of a 12,000-member National Guard. Tunisia participated in peacekeeping efforts in the DROC, Burundi, Côte d'Ivoire and Ethiopia/Eritrea. The defense budget in 2005 totaled \$436 million.

## 18 INTERNATIONAL COOPERATION

Admitted to the United Nations on 12 November 1956, Tunisia belongs to ECA and several nonregional specialized agencies, such as the World Bank, the FAO, UNESCO, UNHCR, UNIDO, IAEA, and the WHO. The nation also participates in the African Development Bank, the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Islamic Development Bank, the Arab League, OAPEC, the Organization of the Islamic Conference (OIC), the New Partnership for Africa's Development (NEPAD), the Community of Sahel and Saharan States (CENSAD), G-77, the Arab Maghreb Union, and African Union. The nation has observer status in the OAS and Black Sea Economic Cooperation Zone. Tunisia was the site of the Palestine Liberation Organization (PLO) headquarters from 1982–93. Tunisia is part of the Nonaligned Movement.

In environmental cooperation, Tunisia is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Agriculture is still the mainstay of the Tunisian economy, although minerals (especially crude oil and phosphates), textiles, and tourism are the leading sources of foreign exchange. Industrial development has increased rapidly since the 1960s. Tunisians live a middle class lifestyle with almost 80% of household owning their own home. The GDP grew by 4.7% annually during 1961–70, by 7.3% during 1970–81, by only 2.9% during 1982–87, and by 4.6% during 1988–98. It stood at 4.8% in 2001. GDP growth slowed to a 15-year low of 1.9% in 2002 due to agricultural drought and sluggish tourism. Better rains between 2003–05 helped push GDP growth to around 5%. An association agreement with the European Union signed in 1998 was forecast to have negative short-term effects to the economy (due to the required drop of trade barriers), but positive long-term effects. Roughly 80% of foreign trade is carried out with Europe, and a free trade zone between Tunisia and the EU is to come into effect in 2010 as a result of the association agreement.

After a period of socialist economic policies Tunisia began a structural reform program with the IMF designed to encourage a

market-based economy. Privatization of state-owned enterprises began in 1987 with 67 of the government's 189 companies privatized through 1995. The privatization program, however, focused on smaller companies so as not to disrupt employment. Privatization of the energy, construction materials, and transport sectors, all of which contain unprofitable and overstaffed entities, has yet to occur. The reforms also decontrolled domestic prices and liberalized foreign trade. The private sector accounted for about 60% of output in 1999.

Tourism, increasing as a growth sector, experienced a decline in 2001 following the 11 September 2001 terrorist attacks on the United States: there were 13% fewer tourists arriving in Tunisia in the first half of 2002 than during the same period in 2001. However, the government doubled its expenditures on tourism promotion in 2002. A drought in 2001–02 caused a decrease in cereal production, as well as in the production of olive oil, but rains returned over the 2003–05 period. By 2006, industrial production, total exports, and the number of tourists had all increased. Overall total visitors to the country were approximately 5.1 million in 2003; goals were 2004, 5.5 million; 2005, 6 million, and 2006, 6.5 million. Half the number of visitors come from Maghreb countries such as Libya and Algeria. There was a marked increase in total visitors from European countries as France and Germany, despite a terrorist attack in early 2002 in which 21 people, mostly German tourists, were killed. The number of visitors from Eastern Europe also increased in the mid-2000s. Tourism contributes approximately 7% of GDP.

Unemployment remained high in 2005 (at an estimated 13.5%, but likely higher). In 2002, the banking and insurance sectors began to be privatized. Foreign trade, in terms both of imports and exports, increased markedly in 2001–02. The increases in exports during those years were due to the textile and clothing sector, leather and footwear sector, mechanical and electrical industries, and the agro-food, phosphates, and energy sectors.

Tunisia began to open its telecommunications sector to foreign business in 2002. Thirty-five companies were due to be privatized in 2003–04, including the national petroleum distribution company (SNDP), the state automobile manufacturer (STIA), and the joint Tunisian/Algerian white cement company (SOTACIB). Twelve hotels were also up for sale, and the sale of the government's share in the partially state-owned Banque du Sud was nearing completion.

In 2001, Egypt, Jordan, Morocco, and Tunisia agreed to set up a free trade zone ahead of the 2010 target for trade barriers to end in the Euro-Mediterranean area. The Great Arab Free Trade Zone was eventually expected to encompass 10 Arab nations.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Tunisia's gross domestic product (GDP) was estimated at \$76.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$7,600. The annual growth rate of GDP was estimated at 4.9%. The average inflation

rate in 2005 was 2%. It was estimated that agriculture accounted for 13.8% of GDP, industry 30.7%, and services 55.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.250 billion or about \$126 per capita and accounted for approximately 5.0% of GDP. Foreign aid receipts amounted to \$306 million or about \$31 per capita and accounted for approximately 1.3% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Tunisia totaled \$15.62 billion or about \$1,578 per capita based on a GDP of \$25.0 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.5%. In 2001 it was estimated that approximately 28% of household consumption was spent on food, 8% on fuel, 3% on health care, and 12% on education. It was estimated that in 2001 about 7.6% of the population had incomes below the poverty line.

## 21 LABOR

Tunisia's labor force was estimated at 3.41 million in 2005. In 1995 (the latest year for which data was available), estimated employment by sector was as follows: services 55%, industry 23%, and agriculture 22%. Since 1958, regional workshops to combat underemployment have provided jobs in land development, reforestation, terracing, and drainage. Full employment has been a goal of successive development plans; however, rates of unemployment and underemployment have remained high. The estimated unemployment rate in 2005 was 13.5%.

The only trade federation is the General Union of Tunisian Workers (Union Générale des Travailleurs Tunisiens—UGTT). In 2002, about 15% of the workforce belonged to the UGTT. Unions have the right to strike after a mandatory notice period of ten days. Regional labor councils seek to foster cooperation between management and labor. Collective bargaining contracts cover 80% of the private workforce.

The labor code sets the regular workweek at 48 hours with one 24-hour rest period for most sectors. If the workday exceeds 10 hours, overtime rates must be paid. All workers are entitled to annual paid leave of up to 18 working days. All nonagricultural employers with over 40 workers are required to have a medical facility available. In 2002, the minimum wage was \$138 per month in industry and \$4.27 per day in agriculture.

The minimum age for agricultural work is 13 years and the minimum age for manufacturing is 16. Children must attend school until 16 and have restricted working hours until the age of 18. The laws are somewhat effectively enforced but children can still be seen performing agricultural work in rural areas and working as vendors in urban areas.

## 22 AGRICULTURE

In 2003, about 25% of the labor force engaged in agriculture, which accounted for about 14% of GDP. Fertile land is generally limited to the north, where cereals, olives, fruits, grapes, and vegetables are produced. In the southern desert and plateau, desert farming is precarious, but barley is produced in quantity. About 4,900,000 hectares (12,108,000 acres) are arable. Cereals account

for 1,347,000 hectares (3,328,000 acres), while tree crops utilized 2,000,000 hectares (4,492,000 acres).

Harvests have traditionally yielded sizable surpluses for export, chiefly to France. Tunisia's early growing season allows the nation to profit from exporting fresh produce to Europe before European crops ripen. Crops fluctuate greatly in size, however, depending upon the weather. In very poor years, wheat and barley must be imported to satisfy local food requirements.

Chief grain crops in 2004 were wheat, 1,722,000 tons, and barley, 395,000 tons. Olive trees number some 55 million; output of olives in 2004 comprised 650,000 tons, with 130,000 tons of olive oil produced in 2004/05. Other important commodities (with 2004 production estimates, in thousands of tons) were tomatoes, 970; oranges, 106; potatoes, 375; peppers, 255; dates, 122; and grapes, 122.

The government has undertaken irrigation and soil conservation projects to improve agricultural production and raise the living standard of rural areas. The 1962–71 plan aimed at constructing 40 dams, mostly in the Medjerda River system, plus opening over 1,000 new wells, particularly in the southern regions. In the period 1962–64, the government initiated a program to help the new cooperative farm system, with a total investment of d150.5 million; remaining European-owned farms were nationalized as part of the program. In 1969, however, the development of cooperatives was halted, and appropriated land was redistributed to individual Tunisian owners. Irrigation and flood-control projects, many undertaken with foreign aid, were under way in Bizerte, the Medjerda River basin, and other locales in the early 1980s. To increase and direct the flow of capital to this sector, the government has established the Agricultural Investment Promotion Agency and the National Agricultural Development Bank.

### 23 ANIMAL HUSBANDRY

Although animal breeding is a major occupation in the central plateau and southern region, the largest herds are in the well-watered north. In 2005 there were an estimated 6,700,000 sheep, 1,400,000 goats, 750,000 head of cattle, 231,000 camels, 230,000 asses, 81,000 mules, 57,000 horses, 6,000 pigs, and 64 million chickens. Meat production in 2005 consisted of 120,600 tons of poultry, 55,000 tons of beef, 55,000 tons of mutton, and 9,500 tons of goat meat. Milk production in 2005 was 60,500 tons; cheese, 3,800 tons.

Since 1970, a great effort has been undertaken to develop the livestock sector to meet increased demands created by Tunisia's improved standard of living and expanding tourism. Poultry farming is being encouraged to provide farmers with an additional resource and to increase protein in the local diet.

### 24 FISHING

Commercial fishing takes place along the Mediterranean coast and in the Lake of Tunis and Lake Achkel. Small quantities of tuna, sardines, shrimp, and lobsters are exported. Except for some trawler and sponge fishing, most activity is on a limited scale; the 2003 catch was 92,507 tons. In 2003, fish and fishery products ex-

ports exceeded \$105 million. The National Fisheries Office owns part of the trawler fleet.

### 25 FORESTRY

Forested lands cover about 510,000 hectares (1,260,000 acres), a large proportion of which was state owned. The oak and pine forests of the northern highlands provide cork for export (some 9,000 tons produced annually) and firewood for local use. Estimated forestry output in 2004 included wood for fuel, 2,137,000 cu m (75.4 million cu ft); wood-based panels, 104,000 cu m (3.67 million cu ft); paper and paperboard, 94,000 tons; and sawn wood, 20,400 cu m (720,419 cu ft).

### 26 MINING

In 2004, Tunisia's mineral production included barite, clay, gypsum, iron ore, lead, phosphate rock, silver, zinc and salt. Washed phosphate rock production in 2004 totaled 7,954 metric tons (gross weight). (12.9 million tons in 2000; 90% from open-pit mining) was entirely controlled by the government-owned *Compagnie des Phosphates de Gafsa* (CPG), founded in 1896. CPG was the largest company in Tunisia, both in terms of employees and capital investment, directly employing 9,000 people and indirectly employing over 200,000. The Kef Eschfair Mine accounted for 29.5% of total ore volume; the Kef Eddour Mine, 19.6%; and the Jallabia Mine, 18.2%. The underground M'rata Mine was closed in 2000. Known reserves of crude phosphate, in the south, amounted to 100 million tons (5% of world reserves). High-grade iron ore was found in the north, while lead and zinc, mined intermittently since Roman times, were widely dispersed. International interest in developing Tunisia's lead-zinc deposits continued to grow. High-quality marine salt was exploited along the coast. Uranium was discovered in 1965. In 2004, preliminary mineral production included: washed phosphate rock, 7,954,000 metric tons (gross weight); iron ore (metal content), 128,000 metric tons, up from 97,000 metric tons in 2003; zinc concentrate (gross weight), 52,747 metric tons; mined lead, 5,500 metric tons (estimated); cement (hydraulic and white), 7.124 million metric tons; marine salt, 608,000 metric tons; and gypsum, 130,000 metric tons (estimated). Barite, clays, fertilizers (triple-superphosphate, phosphoric acid, diammonium-phosphate, and ammonium nitrate), gravel, lime, sand, and stone were also produced. No fluorspar was mined during 2000–04.

### 27 ENERGY AND POWER

Tunisia has only modest reserves of oil, no known reserves of coal, but fairly robust reserves of natural gas.

As of 1 January 2005, Tunisia's reserves of crude oil totaled 308 million barrels. Petroleum output in 2004 was estimated at 79,800 barrels per day, of which almost all of it was crude oil. In 2000 Tunisia became a net importer of oil. In 2002, production of refined oil products averaged 37,360 barrels per day, while demand for refined oil products that year averaged 87,860 barrels per day. Imports of all petroleum products in 2002 averaged 86,630 barrels per day, with crude oil imports accounting for 23,280 barrels per day. Exports of crude oil in 2002 averaged 60,820 barrels per day. Nearly 75% of Tunisia's oil production comes from the El Borma (the country's largest) and the Ashtart fields. Tunisia has a single

oil refinery at Bizerte, which as of 1 January 2005, had a crude oil refining capacity of 34,000 barrels per day.

Tunisia's proven reserves of natural gas as of 1 January 2005, totaled 2,750 billion cu ft, of which around two-thirds of it is located offshore. In 2003, natural gas production totaled 100 billion cu ft, up from 88 billion cu ft in 2002 and 79 billion cu ft in 2001. Tunisia's consumption of natural gas is also increasing. According to Tunisia's state-owned electric and gas company, Société Tunisienne de l'Électricité et du Gaz (STEG), natural gas accounted for 44% of all energy consumed in 2005, up from 14% in 2003. The Miskar gas field, located about 130 km (80 mi) into the Gulf of Gabes, produces the majority of the country's natural gas.

In 2002, Tunisia's electric power generating capacity was 2.894 million kW, of which 2.894 million kW of capacity was dedicated to conventional thermal fuel plants. Hydroelectric capacity that year came to 0.054 million kW, followed by geothermal/other sources at 0.020 million kW. Electric power output that same year totaled 11.140 billion kWh, of which 11.044 billion was produced by fossil fuel burning facilities. Hydropower produced 0.066 billion kWh, followed by geothermal/other at 0.030 billion kWh. Demand for electric power in 2002 totaled 10.301 billion kWh. In 1999 more than 94% of Tunisian households had access to electrical power.

## 2<sup>8</sup> INDUSTRY

Tunisia has a relatively diversified economy, with agricultural, mining, energy, and manufacturing production. Manufacturing industries, particularly those producing for export, have fueled Tunisia's growth for many years. They contribute one-fifth of total GDP, three-quarters of export earnings, and employ more than one-fifth of the labor force. The manufacturing industry is dominated by textile and leathers operations, followed by the electrical and mechanical industries, chemical exports (mainly phosphate by-products), and agribusiness. Agribusiness includes flour milling; fish, fruit, and vegetable canning; olive oil processing; and sugar refining. As one of the world's largest sources of phosphates, the country's mineral-processing industries are dominated by the manufacture of phosphate fertilizers. Handicrafts industries produce clothing, rugs, pottery, and copper and leather goods for both local and export markets.

The skills of the Tunisian work force and their relatively low wages have led an increasing number of European clothing firms to subcontract their work to Tunisian factories, thereby causing a sharp increase in Tunisia's exports of clothing. Textiles are the primary source of foreign currency revenue, with more than 90% of production being exported. The electrical power industry in Tunisia increased dramatically in the early 2000s, with the state supporting major renovations in existing plants, and the construction of new power plants. Tunisia has approximately 60 automotive assembly plants.

An oil refinery at Bizerte has a production capacity of 34,000 barrels per day. In December 2005, the Ministry of Industry and Energy opened bidding to build a new \$150 million refinery at La Skhirra; the Ministry planned to finalize the contract by 2007.

In 2005, the industrial production growth rate was estimated at 3.8%.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

The Pasteur Institute, founded in 1893, conducts medical research in Tunis. That city is also home to institutes for the study of veterinary science (1897) and geology (1962). There are research centers for agronomy (founded in 1914) and forestry (1967) in Ariana. Science and engineering students account for about one-third of college and university enrollments. The University of Sciences, Technologies, and Medicine of Tunis (Tunis II, founded 1988) maintains a comprehensive science program, including faculties of medicine and mathematics, physics, and natural sciences and schools of veterinary medicine, health sciences and technology, engineering, computer science, and agriculture. The University of Sfax (founded in 1988) has faculties of medicine and science.

In 2002, Tunisia had 1,013 scientists and engineers, and 34 technicians engaged in research and development per million people. In that same year, Tunisia's expenditures on research and development totaled \$416.080 million, or 0.63% of GDP. Of that amount, 51.1% came from government sources, followed by higher education at 35.1%. Business provided 8% and 5.9% came from foreign sources. High technology exports in 2002 totaled \$177 million, or 4% of the country's manufactured exports.

## 3<sup>0</sup> DOMESTIC TRADE

Rades/Tunis is the principal commercial, industrial, and distribution center; most of the import and export houses, banks, and mining firms have their central offices in the city. Other commercial and distribution centers are Sfax, noted for olive oil and phosphate shipments, and Bizerte, known for grain and olive oil. Fairs are held at various times of the year in Sfax, Sousse, Tunis, and other towns. Most businesses are family-owned and operated. The government has posed some resistance to the establishment of foreign firms, particularly foreign franchises. An extensive system of price controls was for the most part eliminated in 1998, but the government still exerts pressure on private firms to show restraint in price increases. The chief advertising media are daily newspapers, outdoor displays, and motion picture theaters. The first private radio station started broadcasting in November 2003, and a private satellite television channel started broadcasting in February 2005. Other private television and radio stations are expected in the future. Arabic is the language of sales promotion, French the language of commercial correspondence.

Normal business hours in winter are from 8:30 AM to 1 PM and 3 to 5:45 PM, Monday–Friday. Summer business hours are from 8:30 AM to 1 PM Monday through Saturday.

## 3<sup>1</sup> FOREIGN TRADE

Tunisia's foreign trade is based upon the export of mineral and agricultural products, textiles, and chemicals in exchange for consumer goods, raw and processed materials, and agricultural and industrial equipment. Apparel, textiles, and leather are now the major exports. By 2000 their share of exports amounted to nearly half of total export value. The petroleum industry's share in Tunisian foreign trade dropped from a peak of 44% of the total in 1984 to only 12% in 2000.

Garments make up a large portion of Tunisia's export commodities. Other exports include crude petroleum, chemicals, manufactured fertilizers, and vegetable oils. In 2000 Tunisia's im-

**Principal Trading Partners – Tunisia (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	7,354.4	10,146.7	-2,792.3
France-Monaco	2,462.1	2,768.2	-306.1
Italy-San Marino-Holy See	1,538.3	1,895.5	-357.2
Germany	739.9	913.0	-173.1
Libya	352.2	130.8	221.4
Belgium	315.0	321.6	-6.6
Spain	276.7	581.9	-305.2
Areas nes	274.2	107.2	167.0
United Kingdom	261.8	244.1	17.7
Netherlands	185.6	221.7	-36.1
Algeria	103.5	58.3	45.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

ports were distributed among the following categories: consumer goods, 12.0%; food, 5.9%; fuels, 10.6%; industrial supplies, 39.4%; machinery, 20.8%; and transportation, 11.4%.

The EU is the focus of Tunisia's foreign trade, accounting for an estimated 80% of exports and 71% of imports in 2000. France is by far Tunisia's largest trading partner, being the market for 33.1% of Tunisia's exports in 2004 and the source of 25.2% of its imports. The next three largest trading partners in 2004 were Italy, Germany, and Spain. Tunisia's main non-EU trading partner is Libya.

Overall, Tunisia's export revenue grew 12% year-on-year in 2005, led by olive oil exports. Tunisia in 2005 was the world's leading exporter of olive oil in bulk, alongside Turkey. Most of the exports go to Italy and Spain, where the oil is blended with local product for the internal market, freeing up local oils for export.

**3<sup>2</sup> BALANCE OF PAYMENTS**

Since 1960, Tunisia has experienced perennial trade deficits. These have been partly covered by tourist income, by remittances from Tunisian workers abroad, and by foreign investment and assistance. The 8th Development Plan (1992–96) aimed at improving the balance of payments deficit from 4.2% of GDP in 1991 to 2% by 1996 by encouraging free trade, foreign direct investments, and elimination of exchange restrictions. The budget deficit declined from 4.0% of GDP in 1997, to 1.7% of GDP in 1998, due to the privatization of two cement plants. The country's trade deficit rose substantially in 2000, by nearly 20%. Imports rose 16.5%, and exports climbed 14.9%. Food exports decreased, driven by weak olive oil sales. Although textile exports still remain the country's leading source of hard currency, ready-to-wear apparel sales have fallen off in recent years. Nevertheless, high petroleum product prices made up the difference for the decline in lower-performing export sectors in the early 2000s.

In 2005, exports were estimated at \$10.3 billion, and imports were valued at \$12.86 billion. The current-account balance stood at -\$492 million.

**3<sup>3</sup> BANKING AND SECURITIES**

The Central Bank of Tunisia (Banque Centrale de Tunisie-BCT), established in September 1958, is the sole bank of issue. The Tun-

sian Banking Co. (Société Tunisienne de Banque-STB) was established in 1957; it is the leading commercial and investment bank; the state holds 52% of the STB's capital.

The banking system is a mixture of state-owned and private institutions which offer a variety of financial instruments and services. There are 13 commercial banks; eight development banks; eight leasing companies; eight offshore banks; a savings bank; five portfolio management institutions; two merchant banks. Commercial banks include Citibank, Amen Bank, Banque International Arabe de Tunisie (BIAT), Banque Nationale Agricole (BNA); and one merchant bank is International Maghreb.

Of the 12 commercial banks, one is fully state-owned and four others are part-owned by the state. These five banks control 70% of total bank assets. Total estimated assets of these banks amounted to \$8.9 billion in 1997. In 1999, the World Bank approved a \$159 million loan to support banking reform efforts in Tunisia. The weak banking system is under government duress and has a low average credit line. Commitments under the WTO and EU free trade agreement will begin to liberalize the banking sector.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$4.8 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$11.3 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 6.04%.

A stock exchange began operations in Tunis in May 1970. While its activities have been expanding steadily, they remain limited to transactions in securities issued by the state and the stocks of a few private or government-owned firms, including 46 companies, 13 of them banks. Between 2000 and 2001, the Tunisian stock exchange reported a 30% loss. As of 2004, a total of 44 companies were listed on the Tunis Stock Exchange, which had a market capitalization of \$2.641 billion. In 2004, BVM General index rose 3.7%

**Balance of Payments – Tunisia (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-730.0</b>
Balance on goods		-2,269.0
Imports	-10,297.0	
Exports	8,027.0	
Balance on services		1,325.0
Balance on income		-1,632.0
Current transfers		1,307.0
<b>Capital Account</b>		<b>59.0</b>
<b>Financial Account</b>		<b>1,110.0</b>
Direct investment abroad		-2.0
Direct investment in Tunisia		541.0
Portfolio investment assets		...
Portfolio investment liabilities		14.0
Financial derivatives		...
Other investment assets		-428.0
Other investment liabilities		-428.0
<b>Net Errors and Omissions</b>		<b>-58.0</b>
<b>Reserves and Related Items</b>		<b>-380.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

from the previous year to 974.8. The exchange completed a shift to fully electronic trading, but remains under the government eye.

### 3<sup>4</sup> INSURANCE

Although Tunisians have traditionally resisted taking out insurance, the insurance market has begun to grow rapidly, with turnover growing by 24% in 1994. Vehicle insurance is the biggest category. There are 22 companies in all, 15 of which are Tunisian and seven foreign, including firms from France and Italy. Four of the Tunisian companies are state-owned including the biggest, STAR, founded in 1958. The insurance business is shared roughly equally between state-owned and private companies. In 2003, the value of all direct insurance premiums written totaled \$456 million, of which nonlife premiums accounted for \$416 million. Star was Tunisia's top nonlife insurer in 2003, with gross written nonlife premiums of \$137.6 million, while HAYETT was the leading life insurer that year, with gross written life insurance premiums of \$7.1 million.

### 3<sup>5</sup> PUBLIC FINANCE

Each year, an administrative budget and a development budget are submitted to the National Assembly. Levies on imports provide the major sources of current revenue, but trade agreements with the WTO and the EU will disturb this pattern. Government spending amounted to about half of GDP in 1999, 60% of which was spent on social projects. The Tunisian government's economic reform programs are lauded as some of the best in the world by international financial institutions. Reforms included liberalized prices, reduced tariffs, and lowered debt-to-GDP ratios. Since the privatization program was launched in 1987, about 140 state-owned enterprises had been fully or partially privatized as of 2002.

The US Central Intelligence Agency (CIA) estimated that in 2005 Tunisia's central government took in revenues of approximately \$7.3 billion and had expenditures of \$8.3 billion. Revenues minus expenditures totaled approximately -\$982 million. Public

debt in 2005 amounted to 58.7% of GDP. Total external debt was \$18.91 billion.

The International Monetary Fund (IMF) reported that in 2004, the most recent year for which it had data, central government revenues were D10,296 million and expenditures were D11,091 million. The value of revenues in US dollars was us\$8,267 million and expenditures us\$8,907 million, based on a market exchange rate for 2004 of us\$1 = D1.2455 as reported by the IMF. Government outlays by function were as follows: general public services, 16.8%; defense, 4.9%; public order and safety, 7.7%; economic affairs, 14.9%; housing and community amenities, 5.1%; health, 5.5%; recreation, culture, and religion, 3.2%; education, 20.1%; and social protection, 21.9%.

### 3<sup>6</sup> TAXATION

The standard corporate tax rate was 35% in 2005. Exporting resident companies are exempt from most taxes. However, all companies are liable to a minimum tax of 0.5% of turnover, with a ceiling of D2,000 (about us\$1,470). There is also a 0.2% turnover tax on industrial and commercial establishments. Capital gains are taxed at 35%. Dividend income is not taxed, but income from royalties is subject to a 15% withholding tax if made to nonresidents.

Personal taxes include a progressive income tax and a benefits tax levied on gross salaries and paid quarterly by the employer to the National Social Security Fund. The inheritance (succession) tax is 6%.

The main indirect tax is Tunisia's value-added tax (VAT), with a standard rate of 18%, a reduced rate of 6% and a top rate of 29%. The VAT is assessed on all transactions and on imports.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Tunisia's import duties, as of 2005, range from 10% to more than 200%. Most goods do not need import licenses. Exceptions include textiles and automobiles. There is a 3% customs formality fee based on the total duties paid on the import. Certain luxury goods are assessed a consumption tax as high as 700%. Most goods entering Tunisia are subject to an 18% value-added tax (VAT). However, some goods are subject to VAT rates of 6%, 10%, and 29%. As of 1999, all cotton imports were duty-free. The import of weapons and health care products is strictly controlled, while imports that go against health, morality, or cultural heritage are prohibited.

In 1969, Tunisia was granted associate membership in the European Community. Under the accord, which was renewed in 1976 and 1983, the EC countries removed customs duties and quotas on nearly all of Tunisia's industrial exports. In 1995, Tunisia signed a free trade accord with the renamed European Union that will remove tariff and other trade barriers on most nonagricultural goods, services, and capital by 2008. Tunisia is also a member of the World Trade Organization.

### 3<sup>8</sup> FOREIGN INVESTMENT

In 1972, an investment law provided special benefits to companies manufacturing commodities for export, a regulation that stimulated some foreign involvement, particularly in the textile industry. Incentives consisted of partial or total tax exemption for periods of 10–20 years, as well as exemption from customs and import duties on raw materials and equipment. A similar law that encouraged investment in industries producing for local markets was en-

#### Public Finance – Tunisia (2004f)

(In millions of dinars, central government figures)

<b>Revenue and Grants</b>	<b>10,296</b>	<b>100.0%</b>
Tax revenue	7,303	70.9%
Social contributions	1,954	19.0%
Grants	86	0.8%
Other revenue	953	9.3%
<b>Expenditures</b>	<b>11,091</b>	<b>100.0%</b>
General public services	1,861	16.8%
Defense	540	4.9%
Public order and safety	855	7.7%
Economic affairs	1,648	14.9%
Environmental protection	...	...
Housing and community amenities	568	5.1%
Health	611	5.5%
Recreational, culture, and religion	356	3.2%
Education	2,230	20.1%
Social protection	2,425	21.9%

(...) data not available or not significant. f = forecasted or projected data.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.



acted in 1974 and amended in 1981; the statute required that such firms exhibit partial (in many cases majority) Tunisian ownership. A 1981 law offered incentives for investment in less-developed regions. Kuwait, Saudi Arabia, Qatar, the United Arab Emirates, and Algeria participated with Tunisia in development banks to channel Arab investment funds.

Tunisia's severe balance of payments crisis forced the government to reverse many of its protectionist and socialist policies under structural adjustment programs supervised by the IMF and World Bank. A new investment code was passed in 1989 offering further tax and customs concessions to local as well as foreign investors, particularly in export-oriented enterprises. Tunisian law still prohibits ownership of land by non-Tunisians, although a special 40-year land lease system permits agricultural development by foreign companies. In January 1994 the government adopted an investment incentives law that, in conjunction with added provisions, offers tax reductions on reinvested profits and revenues, and optional depreciation schedules for production equipment. For companies that export at least 80% of their output, the incentives include a 10-year profits tax holiday, with a 50% reduction thereafter; full tax and duty exemptions on materials and services used in production; full tax exemption on reinvested profits and revenue; and duty-free import of capital goods that have no local equivalent. Large investments with high job creation may qualify to use state land virtually rent-free.

Foreign property is still at risk of expropriation by the Tunisian government and in 1995 an American company had property taken without compensation. The government also reserves the right to take property by eminent domain, in which case just compensation is offered. There remain many restrictions on foreign investment as the government pursues a gradualist approach, caught between pressure to liberalize from the IMF and the WTO, and a fear of igniting a popular uprising. Under the terms of its accession to the WTO (29 March 1995), Tunisia was obligated to relax restrictions on foreign participation in its information, telecommunications, and financial services industries by 2003.

The annual inflow of foreign direct investment (FDI) in Tunisia peaked at \$778.8 million in 2000, up from \$368 million in 1999. The annual inflow has fallen since, caught in the global economic slowdown of 2001 and, in particular, the decline in FDI flows worldwide following the 11 September 2001 terrorist attacks in the United States. FDI inflow in Tunisia was \$486 million in 2001 and \$402 million in 2002. Tunisia attracted FDI totaling \$626 million in 2003. Total FDI in Tunisia by 2004 was estimated at \$14.3 billion. FDI in manufacturing industries, the main generator of jobs and exports and the real indicator of the investment climate, totaled \$216 million in 2003 compared with \$180 million in 2002.

As much as 75% of FDI in Tunisia has been in the petroleum sector. Other important sectors are textiles, and mechanical and electrical industries. The telecommunications industry is ready for substantial growth. France is the largest investor, followed by Italy, Germany, Belgium, Switzerland, and the United Kingdom.

As of 2004, 2,600 companies had established operations in Tunisia as a result of FDI. About 85% are totally exporting operations, the vast majority in the textile and footwear industries.

### **39 ECONOMIC DEVELOPMENT**

The plan for 1973–76 proposed increasing investments by 75% over the previous ten-year plan. An annual growth rate of 6.6% was targeted for the period. Fully 75% of the plan's investments were to be financed with international aid. Manufacturing industries received the largest single allocation of total investment under the 1977–81 plan. Once again, the burden of financing the program fell on external sources, with Arab funds accounting for 30% of the anticipated foreign capital. Actual growth came close to the target of 7.5% a year in real terms. The development plan for 1982–86 set forth three main goals: employment growth, regional development, and balance of payments equilibrium. Some 33% of the total expenditure was to be invested in labor-intensive industries. Performance fell far short of the goal of 6% a year in real growth.

The inauguration of the 1987–94 development plan followed the foreign exchange crisis of 1986, and the adoption of an International Monetary Fund (IMF) sponsored economic rehabilitation scheme. Services were to receive 39%, agriculture 19%, and manufacturing 16%. This plan was successfully completed, winning the country accolades from investment institutions. The 1994–96 development plan was based on strong expansion in the manufacturing industry (8.7%) and tourism (22%). The plan called for further cuts in consumer subsidies and the privatization of many state assets. The economic development plan of 1997–2001 called for investment in telecommunications infrastructure, continued privatization of industry, and lowering of trade barriers.

The 10th economic development plan of 2002–06 aimed at improving the competitiveness of the economy; increasing the private sector's share in investment; setting up a knowledge economy; and securing sustainable economic and social development and a creation of new jobs while maintaining global balances. Targets set for economic development included: an average economic growth of 5.7% a year; an increase in private sector investment to 60% (the total investment rate would be brought to 26.6% by 2006); and the consolidation of the national savings rate to reach 26% of GNP by 2006, allowing for the financing of 91% of projected investment.

As of 2006, the tourism industry was growing. A surge in demand for new housing and luxury units and a series of plans to expand transportation infrastructure and develop Tunisia's growth corridors combined to improve conditions for both the construction industry and foreign investors. Challenges for the economy remaining are high unemployment, the existence of the "gray" economy, the continued dominance of the public sector, and masses of bureaucratic red tape that increase the cost of doing business in the country.

### **40 SOCIAL DEVELOPMENT**

A social insurance system provides benefits including maternity payments, family allowances, disability and life insurance, and old age insurance. The system covers private-sector employees and some categories of fishermen. There are special systems for government workers, agricultural workers, the self-employed, fishermen, artists and intellectuals. Pensions normally are provided at age 60, and benefits are equal to 40% of average earnings, plus 0.5% for each 3 months of contributions above 120. Work inju-

ry insurance is compulsory for employers and covers all salaried workers including domestic servants. Unemployment benefits are provided for all salaried nonagricultural workers and payable for six months.

Tunisian women enjoy full civil and political rights under the law. Educational and employment opportunities are growing steadily. The law specifically requires equal pay for equal work and this is generally respected. Inheritance laws, based on Muslim tenets, discriminate against women. Domestic violence occurs but the police and courts regard the issue as a family matter. In 2004 the government launched a morality campaign, which penalized women deemed immodest in dress or behavior. The rights of children are protected.

Human rights organizations are permitted to operate in Tunisia, but may be subject to some government restrictions and harassment. Continuing human rights abuses include arbitrary arrest and detention and abuse of prisoners, including torture.

#### 41 HEALTH

Free health services are available to about 70% of the population, with about 90% of the population having access to health care services. As of 2004, there were an estimated 70 physicians, 287 nurses, 13 dentists, and 17 pharmacists per 100,000 people. Total health care expenditure was estimated at 5.1% of GDP.

Health conditions improved significantly in the 1990s and early 2000s, although diet and sanitation remain deficient. Epidemics have virtually disappeared and the incidence of contagious diseases has been considerably reduced. Immunization rates for children up to one year old were: tuberculosis, 75%; diphtheria, pertussis, and tetanus, 90%; polio, 90%; and measles, 89%.

The government supports a family planning program. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 16.8 and 5 per 1,000 people. About 60% of married women (ages 15 to 49) used contraception. The fertility rate in 2000 was 2.1 children per woman surviving her childbearing years. Infant mortality was 24.77 per 1,000 live births in 2005 and average life expectancy was 74.89 years. Maternal mortality was 70 per 100,000 live births.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 1,000 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

#### 42 HOUSING

The government has spent well over \$1 billion on workers' housing. Since the mid-1960s, trade unions have provided new housing for members. Financial assistance to needy homeowners is provided by a national housing fund.

In 2000, the housing stock stood at about 2,501,000 serving about 1,999,200 households, with an average of 4.78 people per household. By 2003, the number of households had increased to 2,137,600 with an average of 4.61 people per household. About 45% of all housing was considered to be of modern construction, including detached apartment complexes and villas. About 54% of all housing was of traditional construction, such as an Arabic-style home.

In 2001, the Ministry of Housing announced that the amount of available housing had exceeded the number of families by about

13% and that there had been a decrease in slums by about 1.2%. However, squatter communities, called *gourbilles*, are still prevalent in urban regions.

#### 43 EDUCATION

On becoming independent in 1956, Tunisia inherited a small but efficient educational system based on French and, to a lesser extent, Islamic influence. In 1958, the government nationalized most of the existing facilities; remaining private institutions were subject to government regulation. In the same year the government began a comprehensive plan for educational development to achieve universal, free, compulsory primary education and a significant expansion of the secondary school system.

Primary school covers nine years of study in two cycles of six plus three years. Secondary school covers an additional four years, with two years of general education plus two years of specialized education in arts, mathematics, experimental sciences, technology, or economy and management. Vocational studies are also available at the secondary level. The academic year runs from September to June.

In 2001, about 19% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 97% of age-eligible students. The same year, secondary school enrollment was about 64% of age-eligible students. It is estimated that nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 22:1 in 2003; the ratio for secondary school was about 20:1.

The University of Tunis was founded on 31 March 1960. In total there are 162 institutions of higher education, including 13 universities. In 2003, it was estimated that about 27% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 74.3%, with 83.4% for men and 65.3% for women.

As of 2003, public expenditure on education was estimated at 6.4% of GDP, or 18.2% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library (est. 1885) in Tunis contains a special collection of rare Arabic and Oriental manuscripts. The University of Tunis library has 220,000 volumes. The Arab League Documentation and Information Center, with 25,000 volumes, has been housed at Tunis since 1980. The collections of Tunisia's approximately 380 public libraries hold over 2.7 million volumes. There are also 23 regional libraries throughout the country.

The Bardo National Museum, founded in Tunis in 1888, has the largest collection of Roman mosaics in the world. Another fine collection is located at the museum in Sousse, which contains archaeological remains dating from the 6th century BC to the 6th century AD. The Raqqada Museum, housed in a former presidential palace near Kairouan, has the country's largest collection of Islamic art, including manuscripts of the Quran (Koran) from the Great Mosque of Kairouan. Other museums are in Monastir, Sfax, Qairouan, Maktar, Sbeitla, Sousse, and Carthage. The National Institute of Archaeology is located in Tunis, as is the Center of Living Arts and the Museum of Traditional and Popular Art.

## 45 MEDIA

Tunisia's well-developed postal, telephone, and telegraph system is government-operated and links all the important cities. A marine cable connects Tunisia with France, and a land cable links it with Algeria and Morocco. In 2003, there were an estimated 118 mainline telephones for every 1,000 people; about 108,700 people were on a waiting list for telephone service installation. The same year, there were approximately 192 mobile phones in use for every 1,000 people.

The government-owned Tunisian Radio-Television Broadcasting (ERTT) broadcasts in Arabic, French, and Italian over one national station, one international station, and five regional stations. Relay stations bring in programs from Italian television. In 2004, the government owned the two major television networks and all but one of the national radio stations. Egyptian and British channels are available via satellite. In 2003, there were an estimated 158 radios and 207 television sets for every 1,000 people. The same year, there were 40.5 personal computers for every 1,000 people and 64 of every 1,000 people had access to the Internet. There were 19 secure Internet servers in the country in 2004.

In 2004, there were over 250 newspapers and magazines in the country. There were eight major daily newspapers, including (with language of publication and 2002 circulation rates as available) *As-Sabah* (Arabic, 50,000), *Assahafa/La Presse* (Arabic), *Le Renouveau* (French, 23,000), *Al Amal* (Arabic, 50,000), *La Presse de Tunisie* (Arabic/French, 40,000), *L'Action* (French, 40,000), and *Errai El-Am* (Arabic). The Arabic *Ach Chourouk* (110,000) and the French *Le Temps* (42,000) are major weeklies.

The constitution provides for freedom of speech and of the press. However, the government is said to limit these freedoms significantly through economic control, confiscations, imprisonment, and detention. Government permits are required for distribution of publications. Criticism of high government officials or fundamental state institutions can result in seizure or suspension of the offending publication.

## 46 ORGANIZATIONS

There are chambers of commerce in Tunis, Sfax, Sousse, and Bizerte; the Tunisian Union of Industry, Commerce, and Crafts, a national association of trade federations and business interests, is in Tunis. The National Union of Tunisian Farmers is very active. There are professional associations for several different fields, particularly those involving medicine and healthcare.

The National Union of Tunisian Women promotes greater participation by women in economic, political, and cultural affairs. National youth organizations include the Tunisian General Union of Students, the Young Constitutional Democrats, the League of Arab States Youth and Sports Division, Junior Chamber, and Scouts of Tunisia. Kiwanis and Lions Clubs have active programs. There are several sports associations, including the multinational African Boxing Confederation, African Rugby Football Union, and the African Table Tennis Federation.

The multinational Arab League Educational, Cultural and Scientific Organization encourages cultural unity among Arab countries.

The Arab Institute for Human Rights and the Arab Medical Union, both based in Tunis, are multinational, social action orga-

nizations. Other international organizations with national chapters include Greenpeace, Amnesty International, Caritas, UNICEF, and the Red Crescent Society.

## 47 TOURISM, TRAVEL, AND RECREATION

Tunisia's cosmopolitan capital city, Tunis, the ruins of Carthage, the ancient Muslim and Jewish quarters of Jerba, and the modern coastal resorts in the vicinity of Monastir and Sousse are among the main tourist attractions. Recreations include hunting, hiking, golf, tennis, and other water sports.

Tunisia has been investing in the tourism industry since the late 1990s. In 2003, there were 5,114,303 foreign visitors. Tourist expenditures reached about \$1.9 billion that year, and hotel rooms numbered 110,009 with 222,018 beds and an occupancy rate of 42%. Visitors stayed in Tunisia an average of six nights.

According to 2005 US Department of State estimates, the daily cost of staying in Tunis or Carthage was \$165, and other areas about \$117.

## 48 FAMOUS TUNISIANS

Ancient Carthage was located near the site of modern Tunis. Its most famous leader was Hannibal (247–183 BC), the general who campaigned in Italy for several years (218–211 BC) but who was defeated by the Romans under Scipio Africanus at Zama in 202 BC. The dominant figure of modern Tunisia was Habib Bourguiba (Habib bin 'Ali ar-Rugaybah, 1903–2000); he led Tunisia to independence, formed its first government, and was president from 1957 to 1987. Mongi Slim (1908–69) served as president of the 16th session of the UN General Assembly (1961–62). Mohamed Mzali (b.1925) has served in numerous government posts, including prime minister in 1980–86. Gen. Zine el 'Abidine Ben 'Ali (b.1936) assumed the presidency in 1987.

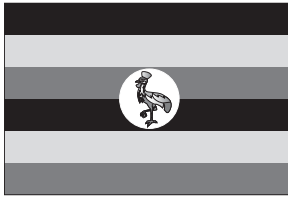
Tunisia's noteworthy literary figures include Albert Memmi (b.1920), the author of *The Statue of Salt* (1957), who writes in French; and Mahmoud Messadi (1911–2004), who wrote in Arabic. Prominent Tunisian painters are Ammar Farhat (1911–86) and Jallah bin 'Abdallah (b.1921).

## 49 DEPENDENCIES

Tunisia has no territories or colonies.

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# UGANDA

Republic of Uganda

**CAPITAL:** Kampala

**FLAG:** The national flag consists of six equal horizontal stripes of black, yellow, red, black, yellow, and red (from top to bottom); at the center, within a white circle, is a crested crane, the national bird of Uganda.

**ANTHEM:** Begins "O Uganda! May God uphold thee."

**MONETARY UNIT:** The new Uganda shilling (NUS<sub>H</sub>) was introduced in May 1987 with a value equal to 100 old Uganda shillings. NUS<sub>H</sub>1 = \$0.00056 (or \$1 = NUS<sub>H</sub>1,776.68) as of 2005. There are coins of 1, 2, and 5 shillings, and notes of 10, 20, 50, 100, 200, 500, and 1,000 shillings.

**WEIGHTS AND MEASURES:** The metric system is now in use.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; Martyrs' Day, 3 June; Independence Day, 9 October; Christmas Day, 25 December; Boxing Day, 26 December. Movable holidays include Good Friday, Easter Monday, 'Id al-Fitr, and 'Id al-'Adha'.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

A landlocked country in east-central Africa, situated north and northwest of Lake Victoria, Uganda has a total area of 236,040 sq km (91,136 sq mi), of which 36,330 sq km (14,027 mi) is inland water. Comparatively, the area occupied by Uganda is slightly smaller than the state of Oregon. It extends 787 km (489 mi) NNE–SSW and 486 km (302 mi) ESE–WNW. Bounded on the N by Sudan, on the E by Kenya, on the S by Tanzania and Rwanda, and on the W by the Democratic Republic of the Congo (DROC). Uganda has a total boundary length of 2,698 km (1,676 mi).

## <sup>2</sup> TOPOGRAPHY

The greater part of Uganda consists of a plateau 800 to 2,000 m (2,600–6,600 ft) in height. Along the western border, in the Rwenzori Mountains, Margherita Peak reaches a height of 5,109 m (16,762 ft), while on the eastern frontier Mount Elgon rises to 4,321 m (14,178 ft). By contrast, the Western Rift Valley, which runs from north to south through the western half of the country, is below 910 m (3,000 ft) on the surface of Lake Edward and Lake George and 621 m (2,036 ft) on the surface of Lake Albert (L. Mobutu Sese Seko). The White Nile has its source in Lake Victoria; as the Victoria Nile, it runs northward through Lake Kyoga and then westward to Lake Albert, from which it emerges as the Albert Nile to resume its northward course to the Sudan. With 69 lakes, Uganda has the highest number of lakes in Africa.

## <sup>3</sup> CLIMATE

Although Uganda is on the equator, its climate is warm rather than hot, and temperatures vary little throughout the year. Most of the territory receives an annual rainfall of at least 100 cm (40 in). At Entebbe, mean annual rainfall is 162 cm (64 in); in the northeast,

it is only 69 cm (27 in). Temperature generally varies by altitude; on Lake Albert, the mean annual maximum is 29°C (84°F) and the mean annual minimum 22°C (72°F). At Kabale in the southwest, 1,250 m (4,100 ft) higher, the mean annual maximum is 23°C (73°F), and the mean annual minimum 10°C (50°F). At Kampala, these extremes are 27°C (81°F) and 17°C (63°F).

## <sup>4</sup> FLORA AND FAUNA

In the southern half of Uganda, the natural vegetation has been largely replaced by cultivated plots, in which plantain is the most prominent. There are, however, scattered patches of thick forest or of elephant grass and mvuli trees, providing excellent timber.

The cooler western highlands contain a higher proportion of long grass and forest. In the extreme southwest, however, cultivation is intensive even on the high mountain slopes. In the drier northern region, short grasses appear, and there are areas of open woodland; thorn trees and borassus palms also grow.

Elephant, hippopotamus, buffalo, cob, topi, and a variety of monkeys are all plentiful, while lion, giraffe, and rhinoceros also are seen. At least six mammal species are found only in Uganda.

The birds of Uganda include the crowned crane (the national emblem), bulbul, weaver, crow, shrike, heron, egret, ibis, guinea fowl, mouse bird, lourie, hornbill, pigeon, dove, bee-eater, hoopoe, darter, lily-trotter, marabou stork, kingfisher, fish eagle, and kite. As of 2002, there were at least 345 species of mammals, 243 species of birds, and over 4,900 species of plants throughout the country.

There are relatively few varieties of fish, but the lakes and rivers contain plentiful stocks of tilapia, Nile perch, catfish, lungfish, elephant snout fish, and other species. Crocodiles, too, are found in many areas and are particularly evident along the Nile between the Kabalega (Murchison) Falls and Lake Albert. There

is a wide variety of snakes, but the more dangerous varieties are rarely observed.

## 5 ENVIRONMENT

Major environmental problems in Uganda include overgrazing, deforestation, and primitive agricultural methods, all of which lead to soil erosion. Attempts at controlling the propagation of tsetse flies have involved the use of hazardous chemicals. The nation's water supply is threatened by toxic industrial pollutants; mercury from mining activity is also found in the water supply.

Forests and woodlands were reduced by two-thirds between 1962 and 1977. By 1985, 193 square miles of forests were eliminated. Between 1990 and 2000, the annual rate of deforestation was about 2%. Wetlands have been drained for agricultural use. As of 2003, 24% of Uganda's total land area was protected, including two natural UNESCO World Heritage Sites and two Ramsar wetland sites.

In 1996, water hyacinth growth created a serious environmental and economic problem on Lake Victoria. By some estimates, the hyacinths covered 6,000 ha (14,820 acres) of water, still less than 0.1% of the lake. When the masses of hyacinths drifted into Uganda's ports and coves, they impaired the local fishing, trapped small boats in ports, and kept fish under the plants. The weed invasion had also been known to affect cargo boat and ferry transportation by fouling engines and propellers and making docking difficult. Environmentalists introduced different types of pests to control the weed growth, so that by 2001, much of the growth had diminished. Of more recent concern for Lake Victoria is the drop in water level that has occurred in from about 1995–2005. Some reports estimate that the water level had dropped by one meter in that decade.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 29 types of mammals, 15 species of birds, 6 species of amphibians, 27 species of fish, 10 types of mollusks, 9 species of other invertebrates, and 38 species of plants. Threatened species include the mountain gorilla, northern white rhinoceros, black rhinoceros, and Nile crocodile. Poaching of protected animals is widespread.

## 6 POPULATION

The population of Uganda in 2005 was estimated by the United Nations (UN) at 26,907,000, which placed it at number 41 in population among the 193 nations of the world. In 2005, approximately 2% of the population was over 65 years of age, with another 51% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 3.2%. In response to this rate, which the government viewed as too high, the government revised its Population Policy in an attempt to slow population growth. As of 2006 Uganda had one of the fastest-growing populations in the world. The projected population for the year 2025 was 55,810,000.

The overall population density was 112 per sq km (289 per sq mi). However, density varied from 673 per sq km (260 per sq mi) in Kabale to 36 per sq km (14 per sq mi) in the dry Karamoja plains. The northern, eastern, and western regions are less densely populated than the region along the north shore of Lake Victoria.

The UN estimated that 12% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.67%. The capital city, Kampala, had a population of 1,246,000 in that year. Other major cities and their estimated populations were Jinja, 106,000; Mbale, 70,437; and Masaka, 61,300.

## 7 MIGRATION

Expulsion of Asian noncitizens was decreed by the Amin government in 1972; almost all the nation's 74,000 Asians, both citizens and noncitizens, emigrated during the Amin regime. In 1982, the government enacted the Expropriated Properties Bill, which provided for the restoration of property to Asians expelled under Amin. About 6,000 Asians had returned by 1983.

After the fall of the Amin regime, as many as 240,000 people from Amin's West Nile district may have fled Zaire (now the Democratic Republic of the Congo) and the Sudan. Many of them returned to Uganda in 1983; government campaigns against guerrillas, however, displaced thousands more, and at the end of 1986 there were an estimated 170,000 Ugandan refugees in Sudan and 23,000 in Zaire. The refugee population in Zaire remained steady, but the number in the Sudan had dropped to 3,800 by the end of 1992.

As of 2004, Uganda had 250,482 refugees, 1,809 asylum seekers, and 91 returned refugees. According to the United Nations High Commissioner for Refugees (UNHCR), these refugees were primarily from Sudan (214,623), Rwanda (18,902), and the DROC (14,982), and other neighboring African nations. Asylum seekers were from Somalia, the DROC, Rwanda, Burundi and Ethiopia. In that same year some 16,000 Ugandans were refugees in the DROC and Sudan, and some 1,200 sought asylum in South Africa, the United Kingdom and Kenya. The net migration rate in 2005 was estimated as -1.49 migrants per 1,000 population. The government views the migration levels as satisfactory. Worker remittances in 2002 were \$365 million.

## 8 ETHNIC GROUPS

Uganda's ethnic groups are most broadly distinguished by language. In southern Uganda, most of the population speak Bantu languages. Sudanic speakers inhabit the northwest; Nilotic speakers, principally the Acholi and Langi, live in the north; and the Iteso and Karamajong in the northeast. The Baganda, who populate the northern shore of Lake Victoria, constitute the largest single ethnic group in Uganda, making up about 17% of the total population. The Ankole account for about 8%, Basogo 8%, Iteso 8%, Bakiga 7%, and the Langi 6%. Perhaps 6% of the population (not counting refugees) is of Rwandan descent, either Tutsi or Hutu. Most of them live in the south. Bagisu constitute 5%; Acholi account for 4%; Lugbara another 4%; Bunyoro 3%; and Batoro 3%. The Karamajong account for 2%. The Bakonjo, Jopodhola, and Rundi groups each account for 2% of the population as well. About 1% is comprised of non-Africans, including Europeans, Asians, and Arabs. Other groups make up the remaining 8%.

## 9 LANGUAGES

English is the official national language. It is taught in grade schools, used in courts of law, and by most newspapers and some radio broadcasts. Bantu languages, particularly Luganda (the language of the Baganda), are widespread in the southern, western,

and central areas. Luganda is the preferred language for native-language publications and may be taught in school. Nilotic languages are common in the north and northeast, and Central Sudani clusters exist in the northwest. Kiswahili (Swahili) and Arabic are also widely spoken.

## 10 RELIGIONS

Christianity is the majority religion, practiced by about 75% of the population, with about 90% of all Christians fairly evenly split in membership as Roman Catholics or Anglicans. Other denominations include Seventh-Day Adventist, the Church of Jesus Christ of Latter-Day Saints, Jehovah's Witnesses, Baptists, the Orthodox Church, the Unification Church, and Pentecostal churches. Muslims account for about 15% of the population; most are of the Sunni sect. Others practice traditional African religions, which are more common in the north and west of Uganda. There are also small numbers of Hindus, Baha'is, and Jews. Traditional beliefs and customs are often practiced in conjunction with other established faiths.

Though freedom of religion is provided for in the constitution, local governments have placed restrictions on some religious groups that are considered to be cults. This has been particularly true since 2000, when it was discovered that members of a cult group had killed over 1,000 citizens. Some organizations are banned from evening meetings for what local authorities claim to be a matter of public safety. All religious organizations must register with the government; failure to do so brings the threat of criminal prosecution for those who practice any religious activities. Several religious alliances have formed in cooperation for peace within the country. These include the Acholi Religious Leaders Peace Initiative, the Inter-Religious Council, Religious Efforts for Teso and Karamoja, and the Inter-Religious Program. Certain Muslim and Christian holidays are officially observed.

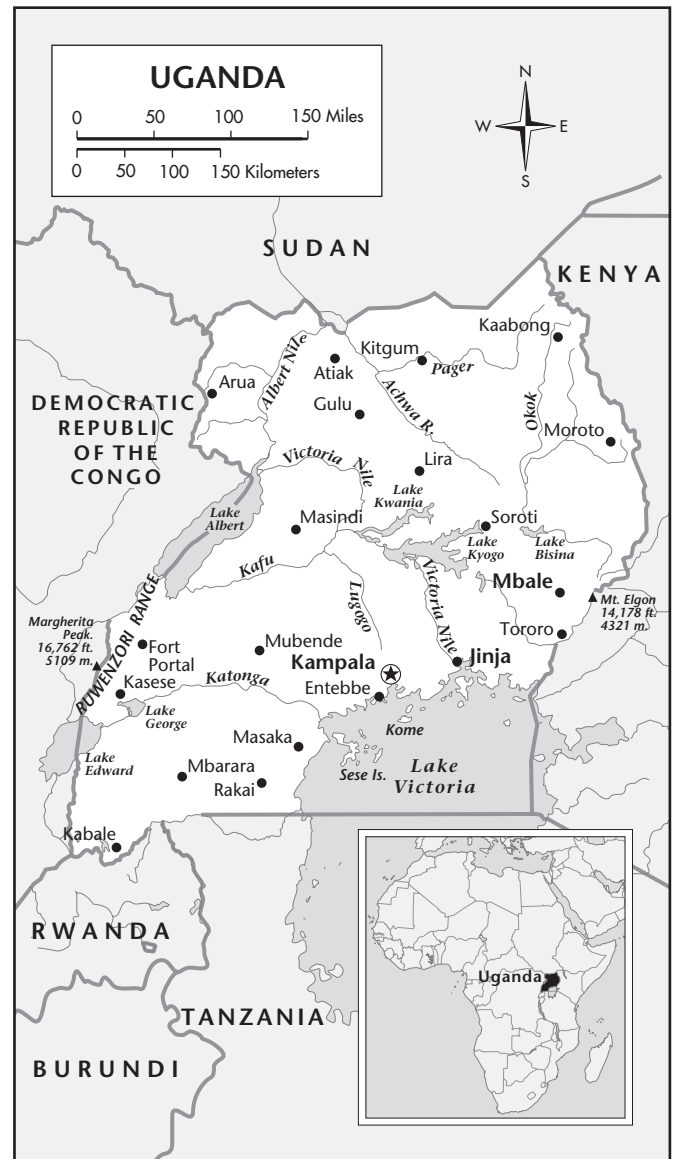
## 11 TRANSPORTATION

A landlocked country, Uganda depends on links with Tanzania and Kenya for access to the sea. The main rail line runs from Tororo in the east through Jinja and Kampala to the Kilembe copper mines near Kasese. The northwest line runs from Tororo to Pakwach. Eastward from Tororo, the line crosses into Kenya and runs to the port of Mombasa. As of 2004, the Ugandan railway system totaled 1,241 km (771 mi), all of it narrow gauge.

In 2002, there were 27,000 km (16,778 mi) of roads, 1,809 km (1,125 mi) of which were surfaced. In 2003, there were 51,010 passenger cars and 43,150 commercial vehicles registered in Uganda. However, many were not in service due to damage, shortages of fuel and spare parts, and closing of repair and maintenance facilities.

Steamships formerly carried cargo and passengers along the country's major lakes and navigable rivers, but there is no regular service on the Nile. Three Ugandan train ferries ply Lake Victoria, connecting at Kisumu, Kenya, and Mwanza, Tanzania. Important ports and harbors include Entebbe, Jinja, and Port Bell. As of 2004, Uganda had an estimated 300 km (187 mi) of navigable inland waterways. As of 2002, Uganda had a merchant fleet of three cargo ships totaling 5,091 GRT.

In 2004, airports numbered an estimated 29, only 4 of which had paved runways as of 2005. Uganda's international airport is at



LOCATION: 4°7' N to 1°30' S; 29°33' to 35°20' E. BOUNDARY LENGTHS: Sudan, 435 kilometers (271 miles); Kenya, 933 kilometers (578 miles); Tanzania, 396 kilometers (247 miles); Rwanda, 169 kilometers (105 miles); Democratic Republic of the Congo (DROC), 765 kilometers (475 miles).

Entebbe. In 2003, about 40,000 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

San-like peoples were among the Uganda region's earliest inhabitants. Over the centuries, however, they were overcome by waves of migrants, beginning with the Cushitic speakers, who probably penetrated the area around 1000 BC. In the first millennium AD, Bantu-speaking peoples moved into the highland areas of East Africa, where they cultivated the banana as a food crop. After AD 1000, two other migrations filtered through the area: Nilotic-speaking Sudanic people and Luo speakers.

In the region south and west of the Nile, a number of polities formed, most of them strongly centralized. North and east of the Nile, political organization tended to be decentralized. In the

south, the kingdom of Bunyoro was the most powerful and extensive, but in the 18th century the neighboring kingdom of Buganda began to challenge its supremacy. The two states were engaged in a critical power struggle when the British explorers John Hanning Speke and J. A. Grant reached Buganda in 1862. They had been preceded some years earlier by Arab ivory and slave traders. Other foreigners soon followed. Sir Samuel Baker entered Uganda from the north shortly after Speke's departure. Baker described a body of water, which he named Lake Albert. Baker returned to Uganda in 1872–73 as a representative of the Egyptian government, which was pursuing a policy of expansion up the Nile. The first Christian missionaries, members of the Church Missionary Society of Great Britain, came to Buganda in 1877. They were followed in 1879 by the Roman Catholic White Fathers.

The missionaries were welcomed by the *kabaka* (ruler) of Buganda, Mutesa I, who hoped to gain their support or the support of their countrymen against the Egyptian threat from the north. When the missionaries displayed no interest in military matters and the Egyptian danger was removed by the Mahdist rising in the Sudan in the early 1880s, Mutesa became less amenable. His son, Mwangi, who succeeded Mutesa on the latter's death in 1884, was even more hostile, fearing the influence exerted over his subjects by both the missionaries and the Arab traders. The *kabaka*, therefore, began to persecute the Bagandan adherents of Christianity and Islam. Both sets of converts joined forces to drive the *kabaka* from his country in 1888. A few weeks later, the Christians were expelled by the Muslims. Mwangi then appealed to the Christians for help, and they finally succeeded in restoring him to power early in 1890.

In 1888, the Imperial British East African Co. was granted a charter and authorized to administer the British sphere of East Africa. The Anglo-German agreement of 1890 officially outlined imperial spheres of influence in East Africa. By that agreement, what is now Uganda and Kenya were to be considered British spheres and Tanganyika a German sphere. In 1890, Capt. F. D. Lugard was sent to Buganda to establish the company's influence there. Lugard obtained Mwangi's agreement to a treaty that placed Buganda under the company's protection. Shortly afterward, however, lack of funds compelled the company to withdraw its representatives from Buganda.

In 1894, the kingdom of Buganda became a British protectorate, which was extended in 1896 to cover Bunyoro and most of what is now Uganda. In 1897, Mwangi led a revolt against British encroachments; he was quickly defeated and deposed. His infant son, Daudi Chwa, succeeded him, and a regency was established to govern Buganda under British supervision. Under the Uganda Agreement of 1900, Buganda was ruled indirectly by the British, who in turn used the Baganda leadership as agents to extend British control indirectly throughout Uganda. The agreement confirmed the privileged position of Buganda in Uganda and of the traditional chiefs in Buganda. Subsequent treaties for indirect rule were concluded with the remaining kingdoms over a period of years.

Buganda's rebuff of British policies following World War II marked the beginning of a conflict over the place of Buganda within the future evolution of the territory. *Kabaka* Mutesa II was deposed in 1953 when he refused to force his chiefs to cooperate

with the British. He was restored to power in 1955 under a compromise agreement.

It was only at the constitutional conference convened in London in October 1961 that a place was agreed for Buganda in a federal relationship to central government. It was also decided at this conference that Uganda should obtain independence on 9 October 1962. At a second constitutional conference in June 1962, Buganda agreed to scale down its demands over financial matters and ended its threats of secession from the central government. In August, a federal relationship with the kingdom of Ankole was agreed upon, and the agreement used as a model for dealing with the remaining two kingdoms, Bunyoro and Toro.

On 9 October 1963, an amendment to the constitution abolished the post of governor-general and replaced it with that of president. Sir Edward Mutesa (*Kabaka* Mutesa II of Buganda) became Uganda's first president. In February 1966, the 1962 constitution was suspended and the prime minister, Milton Obote, assumed all powers of government. Parliament formally abrogated the 1962 constitution on 15 April 1966 and adopted a new constitution, which created the post of president and commander-in-chief; Obote was elected to fill this position on the same day. Obote declared a state of emergency in Buganda following a clash between the police and dissident Baganda protesting the new constitution. On 24 May, Ugandan troops took control of the *kabaka*'s palace, and the *kabaka* fled the country.

Further revisions to the constitution enacted in June 1967 abolished the federal relationship of Buganda and the other kingdoms, making Uganda a unitary state. Uganda became a republic with an executive president, who would be concurrently head of state and government.

Following a failed assassination attempt on Obote in December 1969, parliament declared a state of emergency on 22 December. Ten opposition leaders were arrested and all opposition parties were banned.

#### Amin Seizes Power

On 25 January 1971, while Obote was out of the country, Maj. Gen. Idi Amin led a successful military coup. Obote was received by Tanzania as a political exile. The Second Republic of Uganda was proclaimed on 17 March 1971, with Amin as president. In September 1972, Ugandans who had followed Obote into exile in Tanzania staged an abortive invasion. They were immediately overpowered, but tensions between Uganda and Tanzania remained high.

The expulsion of Asian noncitizens from Uganda in August 1972 also caused international tension, especially with the United Kingdom. Expulsion of numerous British nationals in 1973 and the nationalization of UK-owned enterprises beginning in December 1972, further aggravated relations with the United Kingdom. An Israeli commando raid on Entebbe Airport on 3–4 July 1976, which freed 91 Israeli passengers and 12 crew members held captive by pro-Palestinian radicals in a hijacked aircraft, was a severe blow to the prestige of Amin, who was suspected of collusion with the hijackers (20 Ugandan troops were killed during the raid).

Under Amin, Uganda suffered a reign of terror that had claimed 50,000 to 300,000 lives by 1977, according to Amnesty International. The expulsion of the Asians took a heavy toll on trade and

the economy. Agricultural and industrial production also fell, and educational and health facilities suffered from the loss of skilled personnel. The collapse in 1977, essentially because of political differences, of the 10-year-old East African Community (members—Kenya, Tanzania, and Uganda) also dealt a blow to Uganda's economy.

In late October 1978, Ugandan forces invaded Tanzanian territory, but Tanzanian forces, supported by anti-Amin rebels, struck back and by January 1979 had entered Ugandan territory. Kampala was taken on 11 April 1979, and all of Uganda was cleared of Amin's forces by the end of May; Amin fled first to Libya and later to Saudi Arabia. Yusuf K. Lule, an educator, formed a provisional government but was ousted on 20 June in favor of Godfrey Binaisa. On 13 May 1980, a military takeover ousted Binaisa and installed Paulo Muwanga. Parliamentary elections administered by Muwanga and other supporters of Obote, who returned from exile in Tanzania, were held on 10 December 1980. The election results, which opponents claimed were fraudulent, gave Obote's Uganda People's Congress (UPC) a clear majority, and he was sworn in as president on 15 December 1980. A period of reconstruction followed, and Tanzanian troops left in mid-1981. Security remained precarious, however. An undisciplined soldiery committed many outrages, and antigovernment guerrilla groups, especially the National Resistance Army (NRA), which was supported from abroad by Lule and Binaisa, remained active.

Obote's second term in office was marked by continued fighting between the army and guerrilla factions. As many as 100,000 people may have died as a result of massacres, starvation, and hindrance of relief operations. International groups denounced the regime for human rights abuses. On 27 July 1985, Obote was overthrown in a military coup and Lt. Gen. Tito Okello, commander of the armed forces, was installed as president.

The NRA continued fighting, however, and on 26 January 1986 it occupied Kampala. Three days later, NRA leader Yoweri Museveni assumed the presidency. By April the National Resistance Movement (NRM) government was in control of most of the country, but armed supporters of the Obote, Amin, and Okello regimes remained active in northern and northeastern Uganda, as well as opposition from Karamojong separatists and prophetic religious movements, most notably the Holy Spirit rebels of Alice Lakwena in 1987.

After 1990, except for tiny groups of bandits, rebel military action was almost eliminated. However, Museveni resisted introducing a multiparty constitution advocating "no-party government" instead. In late August 1992, parliament formalized the ban on party politics which officials of the UPC and Democratic Party, DP (both abolished by Museveni in 1986) rejected at a press conference. Nonetheless, parties became more active, despite the ban and police action.

Although lauded by western countries as a new breed of African leader, and Uganda as a role model for African development, there was growing criticism of Museveni for his lack of democratic credentials. In July 1993, parliament enacted Constituent Assembly Statute No. 6, the basis for nonparty elections to choose a constituent assembly, which would consider the draft constitution released in December 1992 by an appointed commission. In a secret ballot election on 28 March 1994, Ugandans elected 214 delegates to the 288-member assembly. Also included were 10 delegates ap-

pointed by the president, 56 representing interest groups, and 8 representing 4 parties that had contested the 1980 election.

In addition, the government introduced constitutional changes allowing the Baganda to restore their monarchy purely for ceremonial purposes. Ronald Mutebi, son of the former king, was installed as Kabaka on 31 July 1993. The monarchies had been abolished in the 1967 constitution. A second king was restored and a third was rejected by government.

In October of 1995, the new constitution was finally enacted. It replaced the interim National Resistance Council with a permanent parliament, and made minor changes in executive power, but its most noticed element was the prohibition of political party activity for five years.

The first popular elections for president since independence were held on 9 May 1996. Museveni won with 74% of the vote, Paul Ssemogerere got 24%, and Muhammad Mayanja 2%. Non-party parliamentary elections for the 276-member (214 elected, 62 nominated by special groups) house followed on 27 June 1999. The elections were peaceful and orderly, but election conditions, including restrictions on political party activities, resulted in flaws. Elections were held again in March 2001 with Museveni claiming victory with 69% of the vote to 28% for Kizza Besigye. The results were upheld despite objections by the opposition.

By June 2003, there was growing concern over the government's inability to build political consensus in the country and to maintain peace and security. In the north, the Lord's Resistance Army (LRA), a cult-like Christian rebel group operated from bases in southern Sudan, and in western Uganda, the Allied Democratic Forces (ADF) stepped up rebel attacks from the DROC. Other rebel groups included Rwanda Hutu rebels, Uganda National Rescue Front-II, and the Uganda National Front/Army. Members of these rebel groups murdered, raped, kidnapped, tortured, and abducted children using them as combatants, sex and labor slaves. UNICEF estimated that the LRA and ADF abducted over 4,900 men, women and children since 1987, most of whom remained missing.

Museveni has tried both diplomatic and military means to end the fighting. He reluctantly accepted an Amnesty Bill in January 2000, which provided for pardon to any rebels who surrendered their arms within six months. Three months later, no rebels had complied. A highly publicized all-out offensive in 2002 also failed to achieve its goals, and independent observers accused government troops of killing innocent civilians including women and children.

In 2004, three opposition groups—Reform Agenda, the Parliamentary Advocacy Reform (PAFO), and the National Democratic Forum (NDF)—merged to form the FDC, which became the main challenger to Museveni's NRM party. In 2005, the parliament approved two constitutional amendments that restored a multiparty system and removed the two-term limit for the president. The elimination of the two-term limit, which opposition groups and donors stridently opposed, was significant in that it allowed Museveni to run for another term. Uganda had operated under a no-party system since 1980. Subsequently, some 50 parties formed and began to campaign in the run-up to the 2006 elections. In August, the parliament also approved additional changes to the constitution that increased the power of the executive vis-à-vis the legislature.



The February 2006 polls marked the first multiparty presidential and parliamentary elections in 26 years. In the run-up, three people were killed as a result of violent clashes between security personnel and opposition supporters. Voting day itself was mostly peaceful though many irregularities such as unsealed ballot boxes, under-age voting, and military patrols in the vicinity of polling stations were reported. Thousands of domestic and international observers from the EU, AU, United States and Commonwealth nations observed the polling. Some 80–90% of polling stations were monitored.

As the results were announced the following day, the FDC alleged voter-list tampering. International observer missions, though not uniform in their assessments, generally rated the exercise as short of free and fair. The main complaint by observers was that the playing field had been made extremely unlevel mostly because of the rape and treason charges leveled at Dr. Kizza Besigye, Museveni's opponent, by government agencies. In March 2006 the rape charges were dropped. However, the treason trial was due to begin on 15 March 2006. Ironically, Mr. Besigye, who had fled Uganda after losing the 2001 poll, had formerly been Museveni's personal doctor, and the two were allies in the guerrilla war. The official results gave Museveni the victory by a margin of 59.28% of the vote to Dr. Besigye's 37.36%. The FDC immediately challenged the results, but police surrounded FDC headquarters to prevent a mass protest. Voter turn-out was 68.6%.

In the 2006 parliamentary contest, the NRM ruling party took the majority of the seats with 202 to 40 for the FDC and 49 seats to other smaller opposition groups. This result assured the president's party of a two-thirds majority. In a hotly contested race in a district in southwest Uganda, the first lady, Janet Museveni, became a member of parliament by beating an FDC incumbent of ten years. Evidence that she used state resources during her campaign did not reverse the outcome. Although the FDC accused the NRM of having stolen the election, it vowed to pursue change through legal and constitutional means. A separate FDC tally showed Museveni winning 51% of the vote with enough votes to exceed a run-off by only 600,000—which the FDC claimed it could prove was rigged.

Internationally, a cease-fire with President Joseph Kabila of DROC signed in 2003 was threatened by alleged evidence of rebel ADF bases in neighboring Ituri province. Additionally, though most Ugandan troops were withdrawn from Congolese territory in early 2003, the Ugandan government was likely to send troops back in if Rwanda were to do the same. Relations with Sudan continued to be unsettled because of unanswered questions following the crash of John Garang's helicopter in July 2005. Garang, former leader of the SPLA, had been a long-time friend of Museveni, but speculation that Uganda was connected to the crash chilled relations with the South Sudan government. For Uganda, this meant that insecurity in the north would likely continue, especially with the rebel group, the Lord's Resistance Army (LRA) able to operate from Sudanese territory.

### **13 GOVERNMENT**

Following Gen. Amin's coup of 25 January 1971, provisions of the 1967 constitution dealing with the executive and legislature were suspended, and Amin ruled by decree. As commander-in-chief of

the armed forces and president of the military government, he exercised virtually all power.

Following Amin's defeat, the Uganda High Court in 1980 declared a modified version of the 1967 constitution to be the law of the land. The constitution was amended in May 1985, but it was suspended with the fall of the Obote government in July, when the National Assembly was dissolved. A 270-person National Resistance Council was established in 1986 to act as the nation's legislative body pending the holding of elections. Nonpartisan elections for the NRC were held in February 1989. There were 382 members, 216 elected and 166 appointed by the president. An appointed cabinet (including members of the banned opposition parties) advised the president. He also sought advice from and consensus with key interest groups and institutions on important policy issues, especially from the National Resistance Army.

The new constitution was enacted in October 1995, replacing the NRC with an elected parliament while leaving the power and structure of the executive largely unchanged. It provided for a 276-member body, with ensured representation for special interest groups (including 39 seats for women, 10 for the Army, 5 for the disabled, 5 for youth, and 3 for trade unions). By 2003, the number and proportion of appointed seats had been altered. In 2005, parliament voted two significant changes to the constitution that restored multipartyism and revoked the two-term limit for presidents.

Parliamentary elections were first held on 27 June 1996 and again on 26 June 2001. The parliamentary term is five years. The current eighth legislative body numbers 309 members up from 304 seats in the seventh parliament. Presidential elections were held on 9 May 1996, on 12 March 2001, and most recently (along with parliamentary elections) on 23 February 2006—the first multiparty elections in 26 years. Fresh elections were due in 2011. Suffrage is universal at age 18.

### **14 POLITICAL PARTIES**

The Uganda People's Congress (UPC), founded in 1959, was the leading political party of the pre-Amin era. At the time of independence it formed a ruling coalition with the Kabaka Yekka (The King Only), which drew its support from the Baganda. The opposition party was the Democratic Party (DP), founded in 1953.

The marriage of convenience between the UPC and the Kabaka Yekka deteriorated, and in February 1966, Prime Minister Milton Obote, who had been the head of the UPC, suspended the constitution, deposed the president and vice president, and began a move to power, which culminated in the proclamation of the Republic of Uganda under a new constitution adopted in September 1967. The political situation under Obote continued to deteriorate, and after an attempt on his life, Obote's government banned the opposition parties and arrested 10 of their leaders. Uganda was subsequently declared a one-party state in 1969, the UPC remaining as the only legal party. After the military overthrow of the Obote government on 25 January 1971, Maj. Gen. Amin outlawed all political parties.

After the overthrow of Amin, four political parties took part in the parliamentary elections held in December 1980. The UPC was declared to have won 74 seats in the National Assembly; the DP, 51; the Uganda Patriotic Movement, 1; and the Conservative Party, 0. These parties, as well as Yoweri Museveni's National Re-

sistance Movement and the Uganda Freedom Movement, were represented in the cabinet appointed in 1986. The government ordered all parties to suspend active operations, however, and mandated that elections would not be held before 1989.

By 1991, however, party activity, although banned, began to increase. Top officials of the DP and UPC were arrested in January 1992. Museveni insisted that no party activity could precede the new constitution. In August, the DP and UPC held a joint press conference to denounce parliament's formalization of the ban. President Museveni declared that parties were not allowed to participate in either the presidential election or the parliamentary elections held in May and June of 1996, respectively. Nonetheless, 156 of the 276 members of the parliament elected in 1996 were considered to be supporters of General Museveni. The UPC, DP, and CP remained the most important opposition parties.

In June 2000, the no-party system was subjected to a national referendum. Despite accusations of vote rigging and manipulation by the opposition, Ugandans approved it. They also reelected Museveni to a second five-year term in March 2001. In the 303-member National Assembly, 214 seats were directly elected by popular vote, and 81 were nominated by legally established special interest groups including women (56), army (10), disabled (5), youth (5), labor (5), and ex officio members (8). Campaigning by party was not allowed.

In May 2003, the National Executive Committee recommended that subject to another national referendum in 2004, parties be free to operate. Nonetheless, the United States was particularly concerned about the lack of political space and freedom of speech that Museveni's Movement has allowed other political forces. The United States also expressed its disapproval of any attempt by Museveni or his Movement to tamper with the constitution to legalize a run for a third term. Nevertheless, the February 2006 elections showed the grassroots strength of the reconstituted National Resistance Movement Organization (NRMO), which despite opposition (FDC) complaints, was confirmed in its victory by parallel vote tabulation. One deciding factor in the outcome, however, was a highly unlevel playing field characterized by the use of state resources, intimidation, and a smear campaign on FDC candidate, Dr. Besigye, launched by the ruling NRMO party.

## 15 LOCAL GOVERNMENT

Until the adoption of the 1967 constitution, local government in Buganda was conducted on behalf of the kabaka by six ministers, advised by the *lukiko* (Buganda council) and by a hierarchy of chiefs. With the abolition of the federal system of government in 1967, Buganda was divided into four districts, and the kabaka's government was dissolved. The federal status of the kingdoms of Ankole, Bunyoro, and Toro was also abolished. Under that constitution, Uganda was divided into 18 districts.

In 1973, President Amin instituted a new system of provincial government establishing 10 provinces subdivided into 26 districts. Later Kampala became Central Province. In 1980 the number of districts increased to 33, and in March 2000, to 39. By 2002, there were 45 districts and by 2006, the number rose to 56.

Since 1986, National Resistance Movement committees have played leading roles in local and district affairs. In early March 1992, local council elections were held nationwide. Political par-

ties were not allowed to campaign, although many candidates could be identified as members of particular parties.

There was disappointment on the part of donors with logistical delays, irregularities in distribution of electoral material and voting, confusion over electoral laws, and electoral violence during the 2002 local elections.

## 16 JUDICIAL SYSTEM

In 1995, the government restored the legal system to one based on English common law and customary law. At the lowest level are three classes of courts presided over by magistrates. Above these is the chief magistrate's court, which hears appeals from magistrates. The High Court hears appeals and has full criminal and civil jurisdiction. It consists of a chief justice and a number of puisne justices. The three-member Court of Appeal hears appeals from the High Court. A military court system handles offenses involving military personnel. Village resistance councils (RCs) mediate disputes involving land ownership and creditor claims. These councils have at times overstepped their authority in order to hear criminal cases including murder and rape. RC decisions are appealable to magistrate's courts, but ignorance of the right to appeal and the time and cost involved make such appeals rare. In practice, a large backlog of cases delays access to a speedy trial.

Although the president retains some control of appointments to the judiciary, the courts appear to engage in independent decision-making and the government normally complies with court decisions. Uganda accepts the jurisdiction of the International Court of Justice with reservations.

## 17 ARMED FORCES

After Amin's regime was overthrown, a Commonwealth training force was sent to reorganize the army, which proved difficult. In 1987, the National Resistance Army (NRA) was established as the national army in the wake of another civil war. Thousands of defeated guerillas were given amnesty and integrated into the NRA, swelling its ranks to as many as 70,000–100,000 men, armed with outdated US, UK, and Russian weapons.

The Ugandan People's Defense Force was estimated at 40,000–45,000 in 2005, and consisted of five divisions, one armored and one artillery brigade. Equipment included 152 main battle tanks and 20 light tanks. There was an air wing with 15 combat capable aircraft that included 11 fighters, in addition to six attack helicopters. Paramilitary forces consisted of a border defense unit of around 600, some 400 marines, a police air wing of around 800, and local defense units numbering up to 10,000. In 2005, the defense budget totaled \$196 million.

## 18 INTERNATIONAL COOPERATION

On 25 October 1962, Uganda became the 110th member of the United Nations; it is a member of ECA and several nonregional specialized agencies, such as the World Bank, IAEA, the FAO, ILO, UNESCO, UNHCR, UNIDO, and the WHO. Uganda participated in the establishment of the African Development Bank. It is a member of the Commonwealth of Nations, the ACP Group, the WTO, the East African Development Bank, the Islamic Development Bank, the Organization of the Islamic Conference (OIC), COMESA, the New Partnership for Africa's Development (NEPAD), and G-77. Kampala was the headquarters of the African

Union (formerly the Organization of African Unity) for the 1975 summit meeting, and then president Idi Amin was the OAU president for 1975–76.

Uganda generally supports peace efforts in neighboring countries. Relations with Rwanda, Congo and Sudan are sometimes tense, primarily due to unrest in those nations. Uganda fully supports the international war on terrorism. The country is part of the Nonaligned Movement. In environmental cooperation, Uganda is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Uganda's economy is agriculture based, with agriculture employing over 80% of the population and generating 90% of export earnings. Coffee is the main export crop, with tea and cotton other agricultural products. Uganda also has mineral deposits of copper and cobalt, which contributed 30% of export earnings during the 1960s, although the mining sector is now only a minor contributor to the economy.

The upheavals of the 1970s and the troubles of the 1980s left the economy in disarray. However, economic reforms begun in 1986 have resulted in important progress. The government made significant strides in liberalizing markets and releasing government influence during the 1990s, although some administrative controls remained in 2003. Monopolies were abolished in the coffee, cotton, power generation, and telecommunications sectors and restrictions on foreign exchange were removed. Reforms improved the economy and gained the confidence of international lending agencies.

The economy has posted growth rates in the GDP averaging 6.9% from 1988–98, and 5.8% from 2000–2005. Consequently, the economy has almost doubled. Still, Uganda is one of the poorest countries in the world heavily dependent on foreign aid (approximately 55% of government spending in 1998). High growth rates are necessary to balance the population growth rate of over 3%. The government in 2003 was known for its sound fiscal management. World coffee prices recovered in 2003, which brought in revenue. New property developments have been fueled by an influx of foreign investment, which has provided testimony of confidence in Uganda's economy. Ugandan Asians, who had been expelled by Idi Amin in 1972, have had their property restored and have brought business back into the country. One of the first African nations hit by HIV/AIDS, Uganda had by 2005 witnessed a drop in infection rates over the previous decade. However, Uganda's continued involvement in the civil war in the Democratic Republic of the Congo compromised the progress Uganda has made on many other fronts.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Uganda's gross domestic product (GDP) was estimated at \$46.0 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,700. The annual

growth rate of GDP was estimated at 9%. The average inflation rate in 2005 was 9.7%. It was estimated that agriculture accounted for 31.1% of GDP, industry 22.2%, and services 46.9%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$295 million or about \$12 per capita and accounted for approximately 4.7% of GDP. Foreign aid receipts amounted to \$959 million or about \$38 per capita and accounted for approximately 15.6% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Uganda totaled \$4.92 billion or about \$195 per capita based on a GDP of \$6.3 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 6.0%. It was estimated that in 2001 about 35% of the population had incomes below the poverty line.

## 21 LABOR

Uganda's workforce in 2005 was estimated at 13.17 million. As of 2003, agriculture accounted for the majority of the country's workforce at 69.1%, followed by the services sector at 23.1%, industry at 7.6% and undefined occupations for the remainder. A 2003 survey of the Ugandan workforce gave an unemployment rate for that year of 3.2%.

The Uganda Trade Union Congress was dissolved in 1973 and replaced by the National Organization of Trade Unions, which remains the largest labor federation. NOTU is independent of the government but has little influence in the economy since it claims only about 5% of the workforce. Strikes are permitted by law but are greatly restricted by lengthy and complicated procedures.

The minimum working age is 18 but many children work out of economic necessity and because school fees are so high. A large percentage of under-18 children do not attend school. Most children work in the informal sector. In 2002, the legal minimum wage remained at a level set in the early 1960s, at \$3.50 per month. Wage earners are an extremely small percentage of the workforce. In this sector, the workweek is set at 40 hours. Most workers supplement their income with second jobs and family farming. Occupational safety regulations have existed since 1954 but the government lacks the resources to implement them.

## 22 AGRICULTURE

Uganda's economy is predominantly agrarian; 32% of the GDP, 70% of the employed labor force, and 40% of export earnings are derived from the agricultural sector. A total of 7,350,000 hectares (18,162,000 acres), or 37% of the land area, is under cultivation. Subsistence production remains the pattern; 70% of the area under cultivation is used to produce locally consumed food crops. Women provide over half of agricultural labor, traditionally focusing on food rather than cash crop production. The monetary value of market crops is exceeded by the estimated value of subsistence agriculture. Plantains, cassava, sweet potatoes, and bananas are the major food crops. In 2004, food production estimates included plantains, 9.9 million tons; cassava, 5.5 million tons; sweet potatoes, 2.6 million tons; bananas, 615,000 tons; millet, 700,000

tons; corn, 1,350,000 tons; sorghum, 420,000 tons; beans, 545,000 tons; and potatoes, 573,000 tons.

Coffee is still an important export earner for Uganda, with receipts in 2004 at \$124.2 million, 35% of agricultural exports. Production of robusta, which was cultivated by the Baganda before the arrival of the Arabs and British, and some arabica varieties of coffee provides the most important single source of income for more than one million Ugandan farmers and is the principal earner of foreign exchange. Export crop production reached a peak in 1969. Estimated production of major cash crops in 2004 included coffee, 186,000 tons; cotton (lint), 22,200 tons; tea, 36,000 tons; sugarcane, 1,600,000 tons; and tobacco, 33,000 tons. Roses and carnations are grown for export to Europe.

### 23 ANIMAL HUSBANDRY

Uganda had an estimated 6.1 million head of cattle; 7.7 million goats; 1.15 million sheep; and 1.3 million hogs in 2005, as well as about 33 million chickens. Meat production in 2005 was an estimated 256,000 tons, 23% pork. The tsetse fly, which infests about 30% of Uganda, limits livestock production, and cattle rustling remains a problem. The livestock sector had been disrupted by armed rebels, but the United Nations, the EU, Denmark, and several international development banks are contributing to its revitalization.

### 24 FISHING

Many persons find employment in fishing and the marketing of fish, and many fishermen sell their catch to the main distribution centers. Most fish are caught from dugouts or hand-propelled canoes. Lake Victoria and Lake Kyoga are the major commercial fishing areas; Nile perch and Nile tilapia are the most abundant species. In 2003, the total catch was estimated at 245,431 tons. The fishing industry has benefited from a large ice-making plant at Soroti.

### 25 FORESTRY

Forests cover 4,190,000 hectares (10,353,000 acres), or 21% of the land area. About half of the forested area is savanna woodland. In 2000, production of roundwood was estimated at 39.4 million cu m (139 billion cu ft). About 92% was used for fuel.

### 26 MINING

Mining and quarrying in fiscal year 2002/2003 accounted for 1% of Uganda's gross domestic product (GDP), which grew by 4.7% in 2002/2003 and 6.8% in 2002/2001. Gold accounted for 13% of Uganda's exports by value in 2002. In recent years, Uganda has been known to produce cobalt (95% of which was exported), limonite and other iron ore, niobium, steel, tantalum, tin, tungsten, apatite, gypsum, kaolin, brick clays and other clays, hydrated lime, quicklime, limestone, pozzolanic materials (used for pozzolanic cement), and salt (by evaporation of lakes and brine wells).

Mine gold output (metal content) in 2003 was estimated at 5 kg, up from 3 kg in 2002. Gold production began in 1992. Limestone output, in 2003 was estimated at 226,408 metric tons, up from 140,022 metric tons in 2002. Limestone resources at the largest deposits—Hima, Tororo Hill, and Bukiribo—totaled 46.1 million tons. Output of hydraulic cement in 2003 was estimated at 505,000 tons, down slightly from 505,959 metric tons in 2002; and colum-

bite-tantalite ore and concentrate (gross weight) was estimated at 7,200 kg. In addition, Uganda presumably produced copper content of slag, corundum, garnet, gemstones, gravel, marble, ruby, sand, and vermiculite. No wolfram was produced in 2003. Extraction of copper was halted in 1980.

The Namekhela high-quality vermiculite deposit had resources of 5 million tons. Pyrochlore resources amounted to 6 million tons. Iron ore resources in Sukulu were 45.7 million tons at an average grade of 62% iron; the Muko deposit, worked by artisanal miners, contained 30 million tons at a grade 61–67% iron; and there were additional resources at Kyanyamuzinda, Metuli, Mugabuzi, and Wambogwe. Inferred resources of wolframite were 20 million tons; gypsum deposits totaled 5.5 million tons; marble resources, 10 million tons; the Sukulu phosphate deposit had resources of 230 million tons; and there were occurrences of silica sand deposits. The abandoned Kilembe copper mine had proven reserves of 5 million tons, and its tailings contained 5.5 million tons. A pilot study in 1991 attempted to process the tailings for cobalt and copper, using a natural strain of bacteria to separate the cobalt metal.

The United Nations Security Council accused Ugandan government officials, military officers, and businessmen of illegally exploiting columbium, diamonds, gold, and tantalum from Democratic Republic of the Congo; the Ugandan government denied the accusations.

### 27 ENERGY AND POWER

Uganda has no known reserves of crude oil, natural gas or coal, nor any refining capacity.

Uganda must import all the petroleum products, natural gas or coal that it consumes. In 2002, demand and imports of refined petroleum products each averaged 9,920 barrels per day. There were no recorded imports of natural gas or coal, nor any demand for either in that year.

Uganda's electric power generating capacity is almost entirely hydroelectric. In 2002, electric generating capacity totaled 0.303 million kW, with conventional thermal capacity accounting for 0.003 million kW. Electric power output that year totaled 1.675 billion kWh, with 1.668 billion kWh from hydroelectric sources and 0.007 billion kWh from fossil fueled plants. Demand for electric power in 2002 totaled 1.413 billion kWh. Only an estimated 3–5% of the population has access to electricity. Fuel wood and charcoal supply 95% of required energy.

### 28 INDUSTRY

Production of most industrial products declined in 1973, largely because of the expulsion of skilled Asian personnel. A precipitous decline followed, with output in 1985 little more than a third of the postindependence peak levels of 1970–72. As of 2002, however, growth over the past decade had occurred in manufacturing and construction, among other sectors, and the size of the Ugandan economy had doubled. Industrial contribution to GDP was 21% in 2004. The agricultural industry produces cotton, coffee, tea, sugar, tobacco, edible oils, and dairy products. Ugandan industrial production also includes grain milling, brewing, vehicle assembly, textiles, steel, metal products, cement, soap, shoes, animal feed, fertilizers, paint, and matches.

The textile industry suffers from a lack of skilled labor but is being encouraged by funds from the EU and the Arab Develop-

ment Bank. General Motors is assembling vehicles in Uganda, and Lonrho has returned to manage its previously owned brewery, to build an oil pipeline, and to join in agricultural marketing efforts. Coca-Cola, Pepsi, and Schweppes are producing soft drinks. A tannery will make Uganda self-sufficient in leather products. Batteries, canned foods, pharmaceuticals, and salt are among the other products being produced in Uganda's industrial sector.

In 2002, the country planned to build from one to three hydroelectric projects along the Nile River, and this and other infrastructure projects fueled the construction industry.

### 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Uganda has a medical association, a child malnutrition unit, an agriculture research institute, a forestry research center, and a cotton research station in Kampala. An animal health research center and the Geological Survey and Mines Department are in Entebbe. Makerere University (founded originally in 1922 as a technical school at Kampala) has faculties of science, agriculture and forestry, technology, medicine, and veterinary science. Uganda Polytechnic Kyambogo (founded in 1954 at Kampala) has 1,000 students. Mbarara University of Science and Technology (founded in 1989) has faculties of medicine and science education.

In 1987–97, science and engineering students accounted for 17% of college and university enrollments. In 2001 expenditures on research and development (R&D) totaled \$259.438 million, or 0.82% of GDP. In 2000 (the latest year for which data was available), foreign sources accounted for the overwhelming majority of R&D spending at 90.3%, followed by government sources at 6.6%, the domestic business sector at 2.2%, higher education at 0.6%, and private nonprofit organizations at 0.3%. As of 2001, there were 25 researchers and 15 technicians engaged in R&D per million people. High technology exports in 2002 totaled \$4 million, accounting for 12% of the country's manufactured exports.

### 3<sup>0</sup> DOMESTIC TRADE

Most retail trade is accomplished through small shops supplied by small distributors. Consumer products are priced based on what the market will bear. Kampala is Uganda's main commercial center, but many concerns have their headquarters or regional offices in Nairobi, Kenya. Bootlegging of cassettes and videos is common. The market for smuggled goods, including fuel, clothing, electronics and other consumer goods, is rather large. English is the business language, although Swahili is often spoken as well. Products are marketed through radio and television advertising.

Business hours are from 8 or 8:15 AM to 12:30 PM and from 2 to 5 PM. Shops close on Sundays. Banking hours are 8:30 AM to 12:30 PM, Monday–Friday.

### 3<sup>1</sup> FOREIGN TRADE

Principal imports in 2005 included machinery equipment, iron, steel, vehicles and accessories, chemical and related products, medical supplies, petroleum and related products, vegetable products, animal fats and oil. Traditionally, coffee accounted for nearly a third (31%) of Uganda's export commodities. For example in 2005 the big four exports were coffee (41%), fish (34%), cotton (13%), and tea (12%). Other exports include gold and tobacco.

Uganda exports most of its goods to Belgium, Netherlands, the United States, Germany and Spain while most of its imports come

#### Principal Trading Partners – Uganda (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	164.6	1,375.1	-1,210.5
Switzerland-Liechtenstein	30.9	7.1	23.8
Kenya	17.7	357.3	-339.6
Netherlands	15.3	25.0	-9.7
United Kingdom	12.7	86.4	-73.7
Germany	7.4	39.2	-31.8
Belgium	7.1	23.1	-16.0
United Arab Emirates	6.6	80.4	-73.8
Congo (DROC)	6.3	...	6.3
France-Monaco	5.5	15.7	-10.2
Rwanda	5.2	...	5.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

from Kenya, the United Kingdom, China and Japan. Principal trading partners for exports in 2004 as a percent of total exports were as follows: Netherlands (15.8%), Belgium (10.2%), the United States, (9.0%), Germany (7.8%), and Spain (6.6%). Principal trading partners for imports in 2004 as a percent of total imports were as follows: Kenya (44.6%), South Africa (6.6%), India (5.6%), the United Kingdom (5.3%), and China (4.5%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Uganda had a favorable balance of payments in the 1930s and throughout the postwar years—an unusual feature in an underdeveloped country. The favorable balance with the rest of the world, however, was diminished by deficits in trade with Kenya and Tanzania following independence. Uganda's payments position declined during the 1960s, and during the 1970s, years of deficit out-

#### Balance of Payments – Uganda (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-377.4</b>
Balance on goods		692.9
Imports	-1,255.9	
Exports	563.0	
Balance on services		-214.3
Balance on income		-175.5
Current transfers		705.3
<b>Capital Account</b>		...
<b>Financial Account</b>		<b>421.4</b>
Direct investment abroad		...
Direct investment in Uganda		194.2
Portfolio investment assets		...
Portfolio investment liabilities		20.8
Financial derivatives		...
Other investment assets		-39.7
Other investment liabilities		246.0
<b>Net Errors and Omissions</b>		<b>-10.4</b>
<b>Reserves and Related Items</b>		<b>-33.6</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

numbered those of surplus; moreover, the deficits were larger than the surpluses. Poor trade performances and mounting debt service led to a loss of reserves in the 1980s. From 1986 to 1990, merchandise exports fell by 56% (due largely to plummeting coffee prices), while merchandise imports increased by 30%, so that the trade deficit widened rapidly from \$69 million to \$440 million in just a few years. Trade deficits continued through the 1990s. Low levels of foreign investment, coupled with weak coffee exports, led to a decline in foreign exchange reserves and a deteriorating balance of payments position in the early 2000s.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Uganda's exports was \$791.1 million while imports totaled \$1.608 billion resulting in a trade deficit of \$816.9 million.

### 33 BANKING AND SECURITIES

The Bank of Uganda was established on 16 May 1966 as the bank of issue, undertaking the function previously served by the East African Currency Board in Nairobi. The government-owned Uganda Commercial Bank (UCB) provided a full commercial banking service, complementary to and in competition with other commercial banks in the country. Uganda was rocked by a banking scandal in 1989. Lack of public confidence in the system was compounded by a prolonged period of high inflation, which caused rapid erosion in the value of money, and by the liquidity and insolvency problems of some banks. These problems remained unresolved through the 1990s.

In 1998, the financial sector included the Bank of Uganda together with 18 commercial banks and 2 development banks. In addition to the UCB, major commercial banks included Crane Bank Limited, Stanbic, Bank of Baroda, Standard Chartered Bank, Nile Bank, and Barclays Bank. The Uganda Development Bank is a government bank that channels long-term loans from foreign sources to Ugandan businesses. The East African Development Bank, the last remnant of the defunct East African Community, obtains funds from abroad for Kenya, Tanzania, and Uganda.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$517.6 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$938.8 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 9%.

The government supported the establishment of a stock exchange in Kampala, and it inaugurated the Capital Markets Authority in 1995/96. The initial stage of capital market development concentrated on the interbank market and the sale of treasury bills, which the Bank of Uganda started selling in 1992 at weekly auctions. The exchange was officially opened in 1997, but in 1999, had not been active since inception.

### 34 INSURANCE

As of 1997, the government-owned National Insurance Corp. of Uganda, the Uganda American Insurance Co., and the East Africa General Insurance Co. were doing business in Uganda. Some 27 insurance companies were operating in Uganda in 1998.

### Public Finance – Uganda (2002)

(In billions of shillings, budgetary central government figures)

	2,014.8	100.0%
<b>Revenue and Grants</b>		
Tax revenue	1,212.3	60.2%
Social contributions	...	...
Grants	761	37.8%
Other revenue	41.4	2.1%
<b>Expenditures</b>	<b>2,483.2</b>	<b>100.0%</b>
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 35 PUBLIC FINANCE

The fiscal year runs from 1 July to 30 June. The main sources of government revenue are the export duties on coffee and cotton, import duties, income and profit taxes, excise taxes, and sales taxes. Deficits are chronic. Over half of public monies comes from foreign aid.

The US Central Intelligence Agency (CIA) estimated that in 2005 Uganda's central government took in revenues of approximately \$1.8 billion and had expenditures of \$1.9 billion. Revenues minus expenditures totaled approximately -\$59 million. Public debt in 2005 amounted to 62.8% of GDP. Total external debt was \$4.949 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, budgetary central government revenues were NUS\$2,014.8 billion and expenditures were NUS\$2,483.2 billion. The value of revenues in US dollars was us\$1.12 million and expenditures us\$1.38 million, based on a principal exchange rate for 2002 of us\$1 = NUS\$1,797.6 as reported by the IMF.

### 36 TAXATION

Individual income is taxed progressively at rates ranging from 4–15% for residents, and 15–20% for nonresidents. For the year ending 30 June 2005, corporate income was taxed at 30%, while mining companies were subject to a tax rate ranging from 25–45%, based on the level of profits. Capital gains are taxed at the corporate rate and are applied only to business assets. Generally, dividends, interest income, royalties and management fees are subject to a 15% withholding tax. Social security taxes are paid by both employers and employees.

A value-added tax (VAT) is set at 17%. The tax holiday for foreign investments was eliminated in 1997, replaced with accelerated appreciation schedules.

### **37 CUSTOMS AND DUTIES**

All imports and exports require licenses. As a party to the Lomé Convention, Uganda benefits from EU tariff preferences for its goods. Import duties are levied at 15%. Excise surcharges are set at 10%. Reductions were planned for 1999 to 2000.

Items that cannot be exported without permission from Uganda include scrap iron, wood charcoal, timber, coffee husks, fresh fish, and game trophies. Other restrictions exist when importing medications, firearms, live animals, endangered species, second-hand clothing, explosives, and plants; and when exporting minerals, fruit, and hides and skins. Prohibited imports include pornographic materials and used tires.

### **38 FOREIGN INVESTMENT**

A large number of Asian Ugandan companies were expropriated in 1972. A 1982 law provided for restoration of expropriated property to Asians who returned and for compensation to those who did not; a number of large Asian-owned enterprises resumed operations in 1986 as joint ventures, in which the government held 51% ownership. The United Kingdom group Mitchell Cotts also regained its nationalized property by participating in a similar joint venture. Further measures were taken in 1991 to recompense Asian Ugandans, and a new investment code designed to protect foreigners was issued in 1990. Ugandan law still allows for expropriation for public purposes, but investors are guaranteed compensation within 12 months. The Ugandan government has made attracting foreign investment a central part of its policy, and the Uganda Investment Authority has reported that the country has moved from 161 to 82 on a world ranking of average FDI per capita in the period 1990 to 2000. Most FDI inflows have come from expatriate Asians investing in repatriated property. Other investors are deterred by pervasive corruption. On Transparency International's 2002 listing of countries according to its Corruption Perception Index (CPI), Uganda was ninth from the bottom of 102 countries, scoring 2.1 on the 10-point index. Corruption infected the privatization process, which had greatly slowed in 2002 due to a lack of transparency, rampant asset stripping, and the failures of a number of negotiations.

From 1998 to 2001, the average annual inflow of foreign direct investment (FDI) held rather steady at approximately \$229 million a year, peaking in 2000 at \$275 million. From 2000–2004 FDI averaged \$231 million with the year 2004 registering \$237 million.

Foreign investors include those from the United Kingdom, India, Kenya and South Africa. Foreign companies operating in Uganda in 2005 included Pepsi, Coca-Cola, Caltex, Sheraton, Starcom, Citibank, Xerox, Cargill, AES, Colgate Palmolive, Swift Global, IBM, Hewlett-Packard, GM, Ford, Ernst and Young, Price-Waterhouse-Coopers, Deloitte and Touche, and Caterpillar.

### **39 ECONOMIC DEVELOPMENT**

Uganda's economic development policy for the early 1990s was outlined in the Economic Recovery Program for 1988–92. State investment was lowered by 42% from the previous plan and the export sector was to be revived, particularly the nontraditional export sector. The investment budget was divided equally among the

transport and communications sector, social infrastructure, agriculture, and the industry and tourism sector.

Inflation, which ran at 240% in 1987 and 42% in mid-1992, was under 5% for 1998. This was further reduced to -0.3% in 2002 but was estimated to have risen to 9.7% in 2005. Nevertheless, a slowdown in privatization, low interest in foreign investment, and sustained but limited growth dimmed the prospects for economic development.

In 2000, Uganda became eligible for \$1.3 billion in debt service relief under the International Monetary Fund (IMF)/World Bank Heavily Indebted Poor Countries (HIPC) initiative. In 2002, the IMF approved a three-year \$17.8 million Poverty Reduction and Growth Facility (PRGF) Arrangement for Uganda, which was due to expire in September 2005. Political instability and poor economic management have stunted economic development, although gross domestic product (GDP) growth stood at 5.5% in 2005. The government was implementing a Poverty Eradication Action Plan (PEAP) in 2003, with the goal of reducing the incidence of poverty to less than 10% of the population by 2017. The Economist Intelligence Unit reported that the latest IMF review in 2005 of Uganda's poverty reduction and growth facility (PRGF) was broadly positive. The government has published a new poverty eradication and action plan (PEAP). There were, however, a number of weaknesses in the PEAP, such as how high levels of donor inflows could be better managed.

### **40 SOCIAL DEVELOPMENT**

A social security system was introduced in 1967 and amended in 1985. This program provides old-age and disability pensions for employees of firms with five or more workers. Voluntary coverage is available. Retirement benefits amount to total employee and employer contributions plus interest, payable in a lump sum. Work injury benefits are provided for all workers and is funded by the employer.

Women are accorded equal rights by law, but tradition limits their exercise of them. Under customary law, women may not own or inherit property and are not entitled to custody of their children after divorce. The children of Ugandan women married to foreigners are not entitled to Ugandan citizenship. This stipulation does not apply to Ugandan men married to foreigners. Domestic abuse and violence against women is common. According to a 2003 study, one in three women were victims of domestic abuse. There are still reports of abduction and rape to obtain wives, and in 2004, thousands of women were raped by rebel forces. Female genital mutilation is practiced by several ethnic groups. Child labor is common.

The human rights situation in Uganda has improved in a few areas, but serious violations persisted, including excessive force by security forces, incommunicado detention, and prolonged pretrial detention. Prison conditions are very poor.

### **41 HEALTH**

Although medical treatment in government hospitals and dispensaries is free, facilities deteriorated greatly under Amin's rule. Following the 1978–79 war of liberation, many hospitals were left without medicine or beds. A new government health care policy in 1993 outlined goals for restoration of a cohesive network of health care services. As of 2000, however, Uganda's health indica-

tors were still poor, even in comparison with those of other African countries. Containment of serious diseases, such as cholera, dysentery, tuberculosis, malaria, schistosomiasis, sleeping sickness, typhus, and leprosy, has been made difficult by poor sanitation and unclean water. Other barriers to health care access for the rural poor were distance from providers, cost of services, and inadequate quality of health care. Less than half the population lives within 5 km (3 mi) of a health care facility. An estimated 71% of the population had access to health care services. The most serious obstacle to health has arisen from nutritional deficiencies, particularly among children. The goiter rate was 75 per 100 school-age children. Approximately 50% of the population had access to safe drinking water and 75% had adequate sanitation. As of 2004, it was estimated that there were fewer than 5 physicians per 100,000 people. There were fewer than 6 nurses per 100,000 population, and even fewer midwives. Total health care expenditure was estimated at 5.9% of GDP.

Planned health care projects in the 1990s included: rehabilitation of buildings, equipment, fittings, and services; institutional support and training; designs for five district hospitals and 10 rural centers; and a mental health rehabilitation study. Malaria remains the country's most serious health threat, even more so than AIDS. Venereal disease continues to be a problem in the adult population and AIDS became a severe problem in the 1980s, with an estimated 800,000 Ugandans HIV-positive in 1989. The country plans to focus on health care awareness and education—in particular, family planning and AIDS. Prevention strategies that change high-risk sexual behavior have had a direct impact on HIV infection rates in Uganda. The HIV/AIDS prevalence was 4.10 per 100 adults in 2003. As of 2004, there were approximately 530,000 people living with HIV/AIDS in the country. There were an estimated 78,000 deaths from AIDS in 2003.

The life expectancy was only 51.59 years in 2005. The infant mortality rate that year was 67.83 per 1,000 live births. Only 15% of married women ages 15–44 used any form of contraception. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 47.2 and 17.5 per 1,000 people. Immunization rates for children up to one year old were high: tuberculosis, 84%; diphtheria, pertussis, and tetanus, 58%; polio, 59%; and measles, 60%. Commonly reported diseases were guinea worm, measles, and tuberculosis.

## 42 HOUSING

Most of the inhabitants live in thatched huts with mud and wattle walls, but styles of building vary from group to group. Even in rural areas, however, corrugated iron is used extensively as a roofing material. In urban centers, sun-baked mud bricks, concrete blocks, and even fired bricks were encouraged by the government, which was responsible for a number of housing schemes prior to the Amin era. In that period, housing was neglected and there was considerable damage to the nation's housing stock during the 1978–79 war.

The National Housing and Construction Corp., a government agency founded in 1964, builds residential housing and has sponsored a number of developments in recent years. One of its newest projects is called the Growing House. The Growing House is a basic, one-bedroom detached house that is ready for immediate oc-

cupation but is designed for easy expansion by the owner, as their own financial situation allows.

For 1980–88, the total number of housing units was 3.1 million with 5.1 people per dwelling. At the 2002 census, there were 5,126,558 housing units nationwide. At least 71% of all units were considered to be temporary structures. Another 11% were semi-permanent structures. About 78% of all housing was owner occupied. Only 11% of all houses had access to piped drinking water. Only 5.7% had a water source on the premises; 21.9% of the population relied on water sources that are 1 km (0.62 miles) or further from their home. Only 1.7% of all dwellings had flush toilets; 63.6% of all households used pit latrines. The average household had 4.7 members.

## 43 EDUCATION

The school system generally comprises a seven-year primary course, a four-year junior secondary course, and a two-year senior secondary course for those who qualify. Those who do not choose to attend general secondary schools may attend technical schools for three years. Agricultural studies are compulsory in all secondary programs. Many of the senior schools are boarding establishments, and bursaries are available from local authorities and various groups for qualified candidates unable to pay the fees. Primary schools are financed from central government grants, local government funds, and fees from pupils. In 1997, the government eliminated fees for education and introduced universal primary education made possible by IMF debt relief. All senior secondary schools, technical schools, and training colleges receive direct grants-in-aid. The academic year runs from October to July.

In 2001, about 4% of children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 1995 was estimated at about 87% of age-eligible students. In 2003, secondary school enrollment was about 16% of age-eligible students. It is estimated that about 63.4% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 59:1 in 2000; the ratio for secondary school was about 18:1.

The University College of East Africa (founded 1921), became Makerere University in 1970. Situated on the outskirts of Kampala, it prepares students for degrees in the arts, sciences, and agriculture and for advanced diplomas in medicine, education, engineering, law, and veterinary science. Other universities include Mbale Islamic University and the Mbarara University of Science and Technology. There are also a number of religious colleges, 5 commercial colleges, 52 technical schools, and 71 colleges for teachers. In 2003, it was estimated that about 3% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 68.9%, with 78.8% for men and 59.2% for women.

As of 2003, public expenditure on education was estimated at 2.5% of GDP.

## 44 LIBRARIES AND MUSEUMS

Makerere University has the largest and most comprehensive library in East Africa. It consists of a central library with over 566,000 volumes, which functions as the National Reference Library, and the Albert Cook Library of Medicine with over 55,000 volumes, which functions as the National Library of Medicine.



The university also has specialized libraries in the fields of technology, education, social sciences, and farm management. The Public Libraries Board, founded in 1964, administers the Uganda Library Service, with 20 branches and 160,000 volumes.

The Uganda Museum, founded in 1908 on the outskirts of Kampala, contains an excellent anthropological collection. The museum conducts a regular education service in collaboration with the Uganda Society. It has a fine collection of East African musical instruments and a growing collection of archaeological specimens. The Zoological Museum at Makerere University has a collection of rock fossils, birds, and mammals indigenous to Uganda, and the university's geology department has natural history collections. Entebbe has botanical gardens, a zoo, an aquarium, and a game and fisheries museum. There are also two fine arts museums in Kampala, regional folk museums at Kabale, Mbarara, and Soroti, a variety of agricultural and forestry collections, and three national park museums.

#### 45 MEDIA

In 2003, there were an estimated two mainline telephones for every 1,000 people. The same year, there were approximately 30 mobile phones in use for every 1,000 people.

Radio Uganda, founded in 1954, controls the only national radio broadcasting station in the country, broadcasting daily in 22 languages, including English, French, Swahili, and local languages. In 2004, there were about 60 local and regional radio stations that were privately owned. Uganda television sponsors a public broadcasting station with programming in English, Swahili, and Luganda. In 2001, there were about eight television stations. In 2003, there were an estimated 122 radios and 18 television sets for every 1,000 people. The same year, there were four personal computers for every 1,000 people and five of every 1,000 people had access to the Internet. There were two secure Internet servers in the country in 2004.

The government-operated *New Vision*, with a 2002 circulation of 40,000 is published in English in Kampala. Two other major dailies published in Kampala are *The Monitor* (in English, 34,000) and *Munno* (in Luganda, 15,000).

The constitution provides for free speech and a free press; however, the government is said at times to restrict these rights in practice. The occasional use of sedition laws and imprisonment of some members of the media lead to the general practice of self-censorship.

#### 46 ORGANIZATIONS

There is a National Chamber of Commerce and Industry and an employers' federation. The cooperative movement is extensive. The Uganda Manufacturers Association sponsors an annual international trade fair in Kampala held in early October.

The Uganda Society is the oldest and most prominent cultural organization. The Uganda National Council for Science and Technology was established in 1990 to promote interest, education, and research in various branches of science. There are several professional organizations that also promote education and research in specialized fields of science and technology, such as the Uganda Medical Association.

There are a number of women's rights groups, including the Committee for the Advancement of Women of the Bahai's of

Uganda, the National Association of Women Organizations of Uganda, the Uganda Association of University Women, and the multinational African Women's Leadership Institute. National youth organizations include Boy's Brigade of Uganda, the Uganda Scouts Association, Uganda Girl Guides, Junior Chamber, and YMCA/YWCA. The Mukono Multi-Purpose Youth Organization promotes programs for the health and well-being of youth, particularly those in rural areas. The National Council of Sports is active in promoting amateur athletics programs.

The African Medical and Research Foundation is dedicated to public health issues. The Minsaki Katende Foundation, founded in 2003, serves as a national HIV/AIDS support organization and provides programs for orphans and the disabled. There are national chapters of the Red Cross Society, UNICEF, Habitat for Humanity, and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

Wildlife, the major tourist attraction, includes the endangered mountain gorilla as well as many other animal species. There are 10 national parks that spread across Uganda and both sides of the equator, all rich in biodiversity. Tourism facilities are adequate in Kampala but limited in other areas. Hiking in the Virunga Mountains is popular along with white-water rafting, and mountain biking. Tourists require a passport and visa. A vaccination against yellow fever is required to enter Uganda.

In 2003, about 305,000 tourists visited Uganda, the vast majority from African countries. That same year, tourism expenditure receipts totaled \$221 million. There were 19,385 hotel rooms in 2002, with 29,295 beds.

According to 2004 US Department of State estimates, the daily cost of staying in Kampala was \$293; in Entebbe, \$164; and in other areas, considerably lower.

#### 48 FAMOUS UGANDANS

Kabaka Mutesa I (r.1856–84) contributed to Uganda's modern development. Sir Apollo Kagwa, chief minister (1890–1926) to Kabaka Mwanga and his successor, Kabaka Daudi Chwa, was one of the dominant figures in Uganda's history. Mukama Kabarega of Bunyoro (r.1896–99) led his people against British and Buganda forces until captured and exiled in 1899; he died in exile in 1923. Apollo Milton Obote (1924–2005), founder of the UPC and prime minister from 1962 to 1966, overthrew the first president, Sir Edward Frederick Mutesa (Kabaka Mutesa II of Buganda, 1924–69), and was himself president of Uganda from 1966 to 1971 and from 1980 to 1985. Maj. Gen. Idi Amin Dada (1925–2003) overthrew Obote in 1971 and led a military government until he was ousted in 1979 by Tanzanian forces and Ugandan rebels. Yoweri Museveni (b.1944), leader of the National Resistance Movement, became president in 1986 with the help of about 2,000 guerrillas recruited among Tutsi refugee families who had fled Rwanda.

#### 49 DEPENDENCIES

Uganda has no territories or colonies.

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# UNITED KINGDOM AFRICAN DEPENDENCIES

## BRITISH INDIAN OCEAN TERRITORY

In November 1965, the United Kingdom created a new colony, the British Indian Ocean Territory, from three island groups (Aldabra, Farquhar, and Des Roches) and the Chagos Archipelago (formerly a dependency of Mauritius). Aldabra, Farquhar, and Des Roches became part of independent Seychelles in 1976.

The chief island of the Chagos Archipelago is Diego Garcia, on which the United States maintains a naval base under an agreement with the British. The expressed intent of the United States to expand its naval base in order to strengthen the US military presence in the Indian Ocean and thereby secure the oil routes from the Persian Gulf was a sensitive international question in the late 1970s and early 1980s.

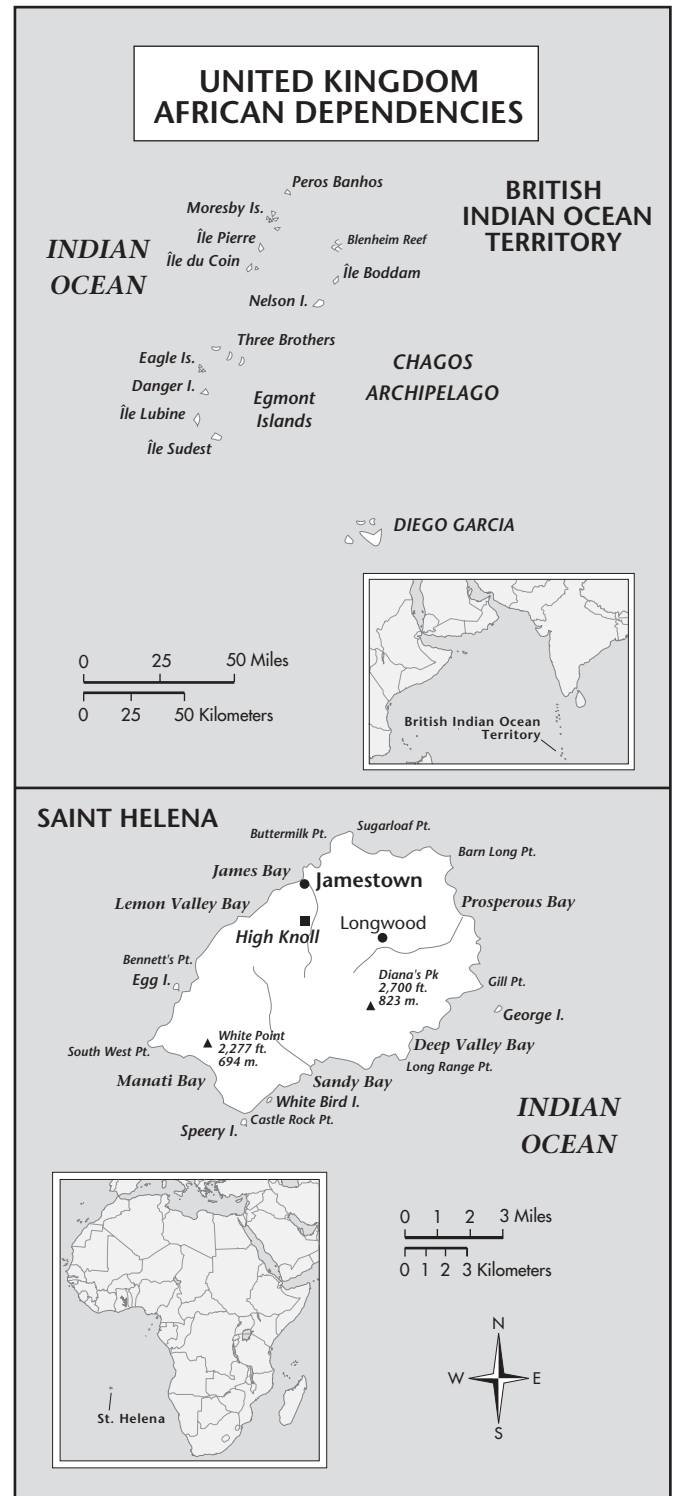
The Chagos Archipelago is located at 6° S and 72° E and covers a total area of 54,400 sq km (21,000 sq mi), although the land area is only 60 sq km (23 sq mi). Diego Garcia is both the largest island (44 sq km/17 sq mi) and the most southerly, lying nearly 1,770 km (1,100 mi) east of Mahé, the main island of the Seychelles; it is also the only populated island in the territory. The military installation there has military personnel and civilian contract employees from the United Kingdom, Mauritius, the Philippines, and the United States. The average temperature on Diego Garcia is 27° C (81° F); annual rainfall ranges from 230–255 cm (90–100 in).

France took possession of the Chagos Archipelago during the 18th century but ceded it to the United Kingdom in 1814. It was administered as a dependency of Mauritius until 1965. Initially the archipelago was exploited for copra by slave laborers from Mauritius; after emancipation in the 19th century, they became contract employees. Some of them, now known as Ilois, stayed on and became permanent residents. The United Kingdom bought the copra plantations from the private owners in 1967 and decided to close them down; some 1,200 Ilois were removed to Mauritius during 1967–73. In 1982, after prolonged negotiation, the United Kingdom granted £4 million to the Ilois on Mauritius, whose government agreed to provide land worth £1 million for their permanent resettlement.

In 1980, the government of Mauritius demanded that Diego Garcia revert to its control, arguing that the United Kingdom had violated an understanding allegedly given in 1967 that the island would not be used as a military base. The UK government denied giving any such assurance. As of 1999, a military installation on Diego Garcia was under joint jurisdiction by the United States and the United Kingdom. In 2000, a British High Court upheld the military status of Diego Garcia. In 2005 there were 1,500 military personnel and 2,000 civilians living on Diego Garcia.

## ST. HELENA

St. Helena, a British colony 122 sq km (47 sq mi) in area, is a mountainous island in the South Atlantic Ocean at approximately 16° S and 5°45' W, about 1,930 km (1,200 mi) from the west coast of Af-



rica. The maximum elevation, at Diana's Peak, is 828 m (2,717 ft). Southeast trade winds give the island a pleasant climate, despite its tropical location. The temperature at Jamestown, the capital, on the north coast, ranges from 18°–29° C (65–85° F); inland, as the elevation rises, temperatures are somewhat cooler. Rainfall ranges to an annual maximum of about 100 cm (40 in). The population, of mixed origin, was estimated at 7,460 in mid-2005; approximately 25% of the population lives in Jamestown. The language is English, and the majority of people are Anglicans.

Jamestown has open anchorages but no port facilities. The St. Helena Shipping Co. provides passenger and cargo service from the United Kingdom and South Africa. As of 2004, there was one airport on the island. St. Helena has 198 km (123 mi) of all-weather roads, 168 km (104 mi) of which have been paved.

Uninhabited when first sighted by the Portuguese navigator João da Nova Castella in 1502, and claimed by the Dutch in 1633, the island was garrisoned in 1659 by the British East India Company, captured by the Dutch in 1673, and retaken that same year by the English. It became famous as the place of Napoleon's exile, from 1815 until his death in 1821, and passed to the crown in 1834.

The island is administered by a governor, with the aid of a Legislative Council that includes, in addition to the governor, the speaker, 3 ex-officio, and 12 elected members. General elections were held in August 2005; Council committees, a majority of whose members belong to the Legislative Council, are appointed by the governor and charged with executive powers and general supervision of government departments. The Supreme Court of St. Helena, headed by a chief justice, has full criminal and civil jurisdiction. Other judicial institutions include a magistrate's court, a small claims court, and a juvenile court.

St. Helena coins of 1, 2, 5, 10, and 50 pence and 1 pound and notes of 5 and 10 pounds are legal tender; their value is on a par with their UK equivalents.

The domestic economy is based on agriculture. The main crops are potatoes, sweet potatoes, corn, and vegetables. St. Helenians also are employed on Ascension and the Falkland Islands. Fish, especially skipjack and tuna, are among St. Helena's primary exports. There are no exploitable minerals, and virtually all timber is imported. St. Helena also imports all of its consumer and capital goods. The United Kingdom, the United States, Tanzania, and South Africa are St. Helena's main trading partners. In 2004, imports were valued at us\$45 million, and exports at us\$19 million; British aid amounted to us\$5.3 million in 1997; total foreign aid in 1995 amounted to us\$12.6 million.

There is an unemployment relief system, and workers' compensation is paid for death or disablement. There is one labor union, the St. Helena General Workers' Union; approximately two-thirds of the labor force works for the government. Health facilities include a hospital of 58 beds as well as facilities for the elderly and the physically and mentally disabled.

The population is entirely literate. Education is free and compulsory between the ages of 5 and 15. A free public library is located in Jamestown, and there are branch libraries in several rural districts. Longwood House, Napoleon's home in exile, is now

French property and a museum. The colony had 2,200 main telephone lines in use in 2002. Cable and Wireless Ltd. provides telegraph communications between St. Helena, Cape Town, and Ascension Island. Radio receivers in use numbered about 3,000 in 1997. The government maintains a radio broadcasting station, a weekly newspaper, and monthly film shows in each district. Television programs are received via satellite and distributed by cable. There were 500 Internet users in 2002.

Dependencies of St. Helena are Tristan da Cunha and Ascension, which are inhabited, and Gough Island, the three Nightingale Islands, and Inaccessible Island, which are not. Tristan da Cunha, at 37°15' s and 12°30' w, approximately 2,400 km (1,500 mi) sw of St. Helena, is a partly wooded volcanic island, with an area of 98 sq km (38 sq mi), reaching a maximum elevation of 2,060 m (6,760 ft). Annual rainfall averages 168 cm (66 in) on the coast. The population numbers around 300, nearly all of whom traced their ancestry to members of an English garrison sent to the island in 1816. Communications are limited to a few calls by ships each year and to a wireless station in daily contact with Cape Town. There is also a local broadcasting and radiotelephone service.

A South African rock lobster (crayfish) company operates a fish-freezing factory on the island. This facility replaced a cannery that was destroyed by a volcanic eruption in October 1961 that forced the inhabitants to evacuate the island. They were resettled near Southampton, England, in January 1962. Owing to their previous isolation, however, the islanders were particularly vulnerable to respiratory diseases, and many of them became ill because of the English climate. In March 1963, an advance group returned to Tristan da Cunha to repair some of the damaged property and to plant potatoes, the staple subsistence crop; the remaining islanders returned by the end of the year. With the construction of a harbor, shore fishing has also developed.

An island council consists of an administrator (who also serves as a magistrate), three appointed members, and eight elected members. Considerable revenue is derived from the sale of stamps; however, the fishing industry provides the chief source of livelihood. Development aid ended in 1980, and since then the island has financed its own projects.

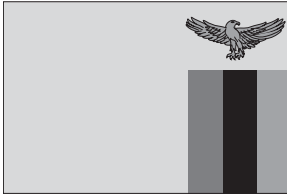
Ascension, at 7°56' s and 14°25' w, about 1,131 km (703 mi) nw of St. Helena, is a bleak volcanic island with an area of 88 sq km (34 sq mi). The island's highest peak, Green Mountain, is 859 m (2,817 ft) above sea level. Ascension became a dependency of St. Helena in 1922 and is an important telecommunications station. In 1942, during World War II, the United States established an air base on the island. A US National Aeronautics and Space Administration (NASA) tracking station and a British Broadcasting Corp. (BBC) relay station were established in 1966. British forces used the island in 1982 as a staging area for the recovery of the Falkland Islands from Argentine occupation, and a new Royal Air Force camp was completed in 1984. The population of Ascension, excluding British military personnel, totals around 1,100.

Sea turtles come to the island between December and May to lay their eggs. Wild goats and partridges abound. Ascension is the breeding ground of the sooty tern, the "wide-awake bird."



# ZAMBIA

Republic of Zambia



**CAPITAL:** Lusaka

**FLAG:** The flag is green, with a tricolor of dark red, black, and orange vertical stripes at the lower corner of the fly, topped by a golden flying eagle.

**ANTHEM:** *Stand and Sing for Zambia.*

**MONETARY UNIT:** The kwacha (K) of 100 ngwee replaced the Zambian pound (z£) on 15 January 1968. There are coins of 1, 2, 5, 10, 20, and 50 ngwee, and notes of 1, 2, 5, 10, 20, 50, 100, and 500 kwacha. K1 = \$0.00022 (or \$1 = K4,549.58) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year's Day, 1 January; Youth Day, 11 March; Labor Day, 1 May; African Freedom Day, 24 May; Heroes' Day, 1st Monday after 1st weekend in July; Unity Day, Tuesday after Heroes' Day; Farmers' Day, 5 August; Independence Day, 24 October; Christmas, 25 December. Movable religious holidays include Good Friday and Easter Monday.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

A landlocked country in south central Africa, Zambia has an area of 752,614 sq km (290,586 sq mi), with a maximum length of 1,206 km (749 mi) E–W and a maximum width of 815 km (506 mi) N–S. Comparatively, the area occupied by Zambia is slightly larger than the state of Texas. Bounded on the NE by Tanzania, on the E by Malawi, on the SE by Mozambique and Zimbabwe, on the S by Zimbabwe, Botswana, and Namibia (South West Africa), on the W by Angola, and on the W and N by the Democratic Republic of the Congo (DROC), Zambia has a total boundary length of 5,664 km (3,519 mi).

Zambia's capital city, Lusaka, is located in the south central part of the country.

## <sup>2</sup> TOPOGRAPHY

Most of the landmass in Zambia is a high plateau lying between 910 and 1,370 m (3,000–4,500 ft) above sea level. In the northeast, the Muchinga Mountains exceed 1,800 m (5,900 ft) in height. Elevations below 610 m (2,000 ft) are encountered in the valleys of the major river systems. Plateau land in the northeastern and eastern parts of the country is broken by the low-lying Luangwa River, and in the western half by the Kafue River. Both rivers are tributaries of the upper Zambezi, the major waterway of the area. The frequent occurrence of rapids and falls prevents through navigation of the Zambezi.

There are three large natural lakes—Bangweulu, Mweru, and Tanganyika—all in the northern area. Lake Tanganyika is the largest with an area of about 12,770 sq km (32,893 sq mi). Lake Bangweulu and the swamps at its southern end cover about 9,840 sq km (3,799 sq mi) and are drained by the Luapula River. Kariba, one of the world's largest manmade lakes, is on the southern bor-

der; it was formed by the impoundment of the Zambezi by the construction of the Kariba Dam.

## <sup>3</sup> CLIMATE

Although Zambia lies within the tropics, much of it has a pleasant climate because of the altitude. Temperatures are highest in the valleys of the Zambezi, Luangwa, and Kafue and by the shores of Lakes Tanganyika, Mweru, and Bangweulu.

There are wide seasonal variations in temperature and rainfall. October is the hottest month. The main rainy season starts in mid-November, with heavy tropical storms lasting well into April. The northern and northwestern provinces have an annual rainfall of about 125 cm (50 in), while areas in the far south have as little as 75 cm (30 in). May to mid-August is the cool season, after which temperatures rise rapidly. September is very dry.

Daytime temperatures may range from 23° to 31° C (73–88°F), dropping at night to as low as 5° C (41°F) in June and July. Lusaka, at 1,250 m (4,100 ft), has an average minimum of 9° C (48°F) and an average maximum of 23° C (73°F) in July, with averages of 17° C (63°F) and 26° C (79°F), respectively, in January; normal annual rainfall is 81 cm (32 in).

## <sup>4</sup> FLORA AND FAUNA

Most of the territory is plateau and the prevailing type of vegetation is open woodland or savanna. Acacia and baobab trees, thorn trees and bushes, and tall perennial grasses are widespread, becoming coarser and sparser in the drier areas to the south. To the north and east grows a thin forest. The southwest has forests of Zambian teak (*Baikiaea plurijuga*).

The national parks and game reserves, such as the Kafue National Park, conserve the wildlife threatened by settlement. The Cookson's wildebeest, Senga Kob, Thornicroft giraffe, and red

lechwe are unique to Zambia. The many varieties of buck include kudu, impala, duiker, and sten. In Luangwa Valley can be found giraffe, zebra, rhinoceros, elephant, baboon, monkey, hyena, wolf, and lion. Among the nocturnal animals are serval and civet cat, genet, and jackal. Other mammals include the honey badger, ant bear, rock rabbit, wart hog, and bush pig.

Zambia has a wealth of bird life, including the eagle, gull, tern, kingfisher, swift, redwing, lark, babbler, sunbird, weaver, red-billed quelea (in Luangwa Valley), stork, goose, plover, skimmer, bee-eater, wagtail, sparrow, swallow, thrush, shrike, nightingale, dove, nightjar, and an occasional ostrich. White pelican, flamingo, heron, ibis, and the crowned crane are found in the game reserves. As of 2002, there were at least 233 species of mammals, 252 species of birds, and over 4,700 species of plants throughout the country.

There are more than 150 recorded species of reptiles, including 78 species of snakes and 66 of lizards. Among them are the crocodile, tortoise, turtle, terrapin, gecko, agama, nonvenomous python, mamba, viper, and adder. The range of species of fish is also wide and includes bream, snoutfish, butterfly, tigerfish, bottle-nose, gorgefish, mudfish, catfish, barbel, “vundu,” squeaker, white-bait, perch, carp, bass, and “utaka” (of the sardine type). Insect types number in the thousands, and many are peculiar to the area. The Copperbelt region and the swamps of Lake Bangweulu are especially rich in insect life.

## 5 ENVIRONMENT

Both traditional and modern farming methods in Zambia involve clearing large areas of forest. As of 1985, the nation had lost 699 sq km (270 sq mi) of forestland, mainly to slash-and-burn agriculture but also to firewood gathering and charcoal production. Consequent erosion results in the loss of up to 3 million tons of topsoil annually. The exclusive cultivation of a single crop on agricultural land and the use of fertilizers threaten the soil and contribute to acidification. The Copperbelt region, Zambia’s mineral-extraction and refining center has been polluted by contaminants including acid rain. The buildup of toxins in the soil near many smelters poses a threat to food crops.

Air pollution is caused by vehicle emissions and coal-powered industrial plants. Lack of adequate water-treatment facilities contributes to the prevalence of bilharziasis and other parasitic infections. Water pollution arises from contamination by sewage and toxic industrial chemicals. The nation has 80 cu km of renewable water sources, of which 77% of annual withdrawals is used for farming and 7% for industry. Roughly 90% of Zambia’s city dwellers and 36% of the people living in rural areas have access to improved water sources.

Wildlife is endangered in some areas by hunting and poaching, although the National Parks and Wildlife Act (1982) mandates automatic imprisonment for trading illicitly in elephant tusks and rhinoceros horns. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 11 types of mammals, 12 species of birds, 1 species of amphibian, 4 types of mollusks, 3 species of other invertebrates, and 8 species of plants. Threatened species include the African wild dog, the black rhinoceros, the Madagascar pond heron, and white-winged crane.

## 6 POPULATION

The population of Zambia in 2005 was estimated by the United Nations (UN) at 11,227,000, which placed it at number 73 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 45% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 1.9%, a rate the government viewed as too high. With support from international organizations, the country sought to reduce its fertility rate, which stood at 5.8 births per woman in 2005. The projected population for the year 2025 was 15,798,000. The population density was 15 per sq km (39 per sq mi).

The UN estimated that 35% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.32%. The capital city, Lusaka, had a population of 1,394,000 in that year. Population estimates for other cities included Ndola (374,757), Kitwe (363,734), Kabwe (219,600), Chingola (211,755), and Mufulira (204,104). The main urban concentrations were in the Copperbelt mining complex.

The prevalence of HIV/AIDS has had a significant impact on the population of Zambia. The UN estimated that 17% of adults between the ages of 15–49 were living with HIV/AIDS in 2005. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

Before independence, the size of the European population waxed and waned with the fortunes of the mining industry. During the political upheavals of the mid-1960s, many Europeans in the mining industries left Zambia. As of 1999, there were nearly 200,000 refugees in Zambia. Most were from Angola; the rest were from the DROC, Rwanda, Burundi, and other African countries. There were 377,000 migrants living in Zambia in 2000, including refugees. By the end of 2004 there were 17,307 refugees and 84 asylum seekers in Zambia. However, in that same year over 39,000 Angolan refugees had been assisted by the United Nations High Commissioner for Refugees (UNHCR) in Zambia, as well as, over 49,000 refugees from the DROC, and over 3,000 refugees from Rwanda. Also in 2004, 111 Zambians sought asylum in South Africa. The net migration rate in 2005 was estimated as zero migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The African community, close to 99% of Zambia’s total population, is composed of various Bantu groups. (The term “Bantu” refers roughly to all peoples in whose language the root *ntu* means “man.”) The Bemba group—37% of the African population—inhabits the Northern and Copperbelt provinces. Other African societies include the Tonga (19%), Lunda (12%), Nyanja (11%), Mambwe (8%), and Lozi or Barotse (7%). In all, there are at least 73 different African societal classifications.

The Europeans, accounting for about 1% of the population, are mainly of British stock, either immigrants or their descen-



LOCATION: 9° to 18° S; 23° to 34° E. BOUNDARY LENGTHS: Tanzania, 338 kilometers (210 miles); Malawi, 837 kilometers (523 miles); Mozambique, 419 kilometers (260 miles); Zimbabwe, 797 kilometers (498 miles); Namibia (Caprivi Strip), 233 kilometers (145 miles); Angola, 1,110 kilometers (690 miles); Democratic Republic of the Congo (DROC), 1,930 kilometers (1,193 miles).

dants from the United Kingdom or South Africa. Other European groups include those of Dutch, Italian, and Greek descent. Counting Asians, mainly migrants from the Indian subcontinent, and people of mixed race, other non-Africans constitute only about 0.2% of the population.

## 9 LANGUAGES

Some 80 different languages have been identified, most of them of the Bantu family. For educational and administrative purposes, seven main languages are recognized: Bemba, Lozi, Lunda, Kaonda, Luvale, Tonga, and Nyanja. Bemba, with its various dialects, is widely spoken in northern Zambia and is the lingua franca in the Copperbelt. The Ila and Tonga tongues predominate in the Southern Province. English is the official language.

## 10 RELIGIONS

An estimated 87% of the population professes some form of Christianity. Another 1% are either Muslim or Hindu. The majority of Christians are either Roman Catholics or Protestants. There has also been a surge in new Pentecostal churches, which have attracted many young followers. Muslims tend to be concentrated in parts of the country where Asians have settled—along the railroad line from Lusaka to Livingstone and in the eastern province.

A 1996 amendment to the constitution declared the country a Christian nation while providing for freedom of religion in practice. Some members of the Muslim community have complained of discrimination since the country was declared a Christian nation. They claim they cannot freely teach and practice Islam; how-

ever, other Muslim organizations state they have not experienced any restrictions on their activities. Religious groups must register with the government in order to operate legally; however, all applications for registration are reportedly approved without discrimination. Various ecumenical groups have formed to promote interfaith dialogue and to discuss national political concerns. These include the Zambia Episcopal Conference, the Christian Council of Zambia, and the Evangelical Fellowship of Zambia.

## <sup>11</sup>TRANSPORTATION

Almost all of Zambia's industries, commercial agriculture, and major cities are located along the rail lines, which are often paralleled by highways. The Zambia Railways system consists of 2,173 km (1,349 mi) of track, all of it narrow gauge. The rail link with the Atlantic via the Katanga and Benguela railways to Lobito Bay in Angola has been affected by instability in Angola since the mid-1970s. Construction began in October 1970 on the Tazara railway, a 1,860-km (1,156-mi) line linking Dar es Salaam in Tanzania with Kapiri Mposhi, north of Lusaka; intended to lessen Zambian dependence on the former white-minority regimes of South Africa and the former Rhodesia (presently Zimbabwe), the line (890 km/553 mi of which is in Zambia) was completed and commissioned in July 1976. Equipment and operational problems have kept the railway from reaching its full potential, however, and rail cargo links with South Africa and Mozambique ports, passing through Zimbabwe, remain important for Zambian commerce.

Zambia had 66,781 km (41,498 mi) of roadway in 2002. The principal routes were: the Great North Road (809 km/503 mi), running from Kapiri Mposhi through Tanzania to Dar es Salaam, with a connecting road in Zambia from Kapiri Mposhi south to Livingstone (Maramba); the Great East Road (586 km/364 mi), from Lusaka to Chipata and thence to the Malawi border, with a connecting road (583 km/362 mi) from Mongu to Lusaka; the Zaire Border Road, from Kapiri Mposhi on the Great North Road through the Copperbelt region to Katanga, DROC; and the Kafue-Harare (Zimbabwe) road. Road services continue to play an important role in transporting copper and general cargo to and from Dar es Salaam. Transport services on the main routes also are provided by the National Transport Corp. of Zambia, the state-owned freight and passenger transport service. The United Bus Co. of Zambia is the largest passenger carrier. In 2003, there were 114,300 registered motor vehicles, including 68,500 passenger cars.

In 2004, there were an estimated 109 airports, but only 10 of which had paved runways as of 2005. Lusaka International is the principal airport. State-owned Zambia Airways is the national airline. Zambia Airways provides international service from Lusaka to several African and European countries, as well as domestic service to 17 Zambian centers. In 2003, about 51,000 passengers were carried on scheduled domestic and international flights.

There are 2,250 km (1,398 mi) of waterways, including Lake Tanganyika, and the Zambezi and Luapula rivers. Mpulungu on Lake Tanganyika is Zambia's only port and receives goods supplied through Tanzania. There are several fishing harbors on Kariba Lake.

## <sup>12</sup>HISTORY

The history of Zambia before the 19th century can be studied only through archaeology and oral traditions. Iron working and agriculture were practiced in some parts of Zambia by about AD 100. By AD 900, mining and trading were evident in southern Zambia. Between the 15th century (or possibly earlier) and the 18th century, various groups of Bantu migrants from the southern Congo settled in Zambia. By the beginning of the 19th century, three large-scale political units existed in Zambia, in three different types of geographic environment. On the northeast plateau between the valleys of the Luapula and Luangwa, the Bemba had established a system of chieftainships; the Lunda kingdom of Kazembe was in the Luapula Valley; and the kingdom of the Lozi was in the far west, in the floodplain of the upper Zambezi.

Zambia was affected by two "invasions" in the mid-19th century. Shaka's Zulu empire in South Africa set in motion a series of migrations, commonly referred to as the mfecane; groups of peoples, including the Ngoni, were forced to migrate north across the Zambezi in order to avoid the Zulu raids and conquests. The other invasion came in the form of traders from the north—Nyamwezi, Arabs, and Swahili—drawing Zambia into long-distance trading systems.

The first significant European contact was through Christian missionaries. David Livingstone explored the region near Lake Bangweulu extensively from 1851 to his death in 1873. In 1884, François Coillard, a French Protestant missionary, settled in Barotseland (now the Western Province).

In the 1890s, Cecil Rhodes' British South Africa Company, which had already established itself to the south, extended its charter to the lands north of the Zambezi. From 1891 to the end of 1923, the territory—known as Northern Rhodesia—was ruled by this private company. Efforts to stimulate European settlement were disappointing, since anticipated discoveries of mineral wealth failed to materialize.

In the 1920s, new methods of exploiting the extensive mineral deposits in the Copperbelt region transformed the economic life of the territory. Development of these ore bodies, although hampered by the Great Depression, reversed the roles of the two Rhodesias. Northern Rhodesia, formerly viewed as an economic liability in any projected merger with Southern Rhodesia, now was seen as a source of wealth. European settlements rose rapidly, spurred directly by the requirements of the mining industry and indirectly by the subsequent expansion of the economy.

Before federation in 1953, the political development of the territory focused on two relationships: that of the European settlers with the colonial authorities on the one hand, and that between the settlers and the Africans on the other. The European settler community pressed for a greater voice in the colony's affairs. The major political issue involving the relations between Europeans and Africans concerned the allocation of land. Commissions on land policy designated the areas adjacent to the railway line as crown land. Although there was no legal bar to the acquisition of crown land by Africans, the effect of the arrangement was to exclude them from the commercially most attractive acreage.

In 1953, Northern Rhodesia became a member of the Federation of Rhodesia and Nyasaland. Even though the overwhelming majority of Africans in the territory was opposed to the federal arrangement, the British government decided that Northern Rho-



desia would participate in the federation. In 1960, a royal commission reported that, despite clear economic benefits, the majority of Africans in both Northern Rhodesia and Nyasaland was opposed to the continuance of federation in its present form. In early 1962, Nyasaland's desire to secede from the federation was acknowledged by the British government.

Following its initiation into the federation, the government of Northern Rhodesia underwent constitutional changes, with a growing emphasis on African representation. Africans had not been represented on the Legislative Council until 1948, when two were named to that body. An enlarged Legislative Council, convened in 1954 just after the formation of the federation, included four Africans selected by the African Representative Council. A new constitution, introduced in January 1959, aimed at replacing the council with a political system based on a greater degree of cooperation between the races.

Discussions on a revision of this constitution began in December 1960 but were brought to an early close by disagreement between the European-dominated United Federal Party and the United National Independence Party (UNIP). But agreement was finally reached, and a new constitution came into effect in September 1962. Elections later that year produced an African majority in the Legislative Council, which then called for secession from the federation, full internal self-government under a new constitution, and a new National Assembly based on a broader, more democratic franchise.

### **The Republic of Zambia is Born**

On 31 December 1963, the Federation of Rhodesia and Nyasaland was formally dissolved. On 24 October 1964, Northern Rhodesia became an independent republic, and its name was changed to Zambia. Kenneth Kaunda, the leader of the ruling UNIP, became the nation's first president. Kaunda was reelected in 1969, 1973, 1978, and 1983, surviving a series of coup attempts during 1980–81.

During the 1970s, Zambia played a key role in the movement toward black majority rule in Rhodesia. Zambia's border with Rhodesia was closed from 1973 to 1978 by Kaunda in retaliation for Rhodesian raids into Zambia; the raids were intended to impede the infiltration of Patriotic Front guerrillas into Rhodesia from their Zambian bases. The emergence of independent, black-ruled Zimbabwe eased the political pressure, but a drastic decline of world copper prices in the early 1980s, coupled with a severe drought, left Zambia in a perilous economic position. The continuing civil war in Angola also had repercussions in Zambia, bringing disruption of Zambian trade routes and casualties among Zambians along the border.

A South African air raid near Lusaka on 19 May 1986 was aimed at curbing Zambia's support for black nationalist groups in exile there. Later in the year, Kaunda supported Commonwealth sanctions against South Africa but did not take action himself, since Zambia was heavily dependent on imports from South Africa.

Riots, the worst since independence, broke out on 9 December 1986 in protest against the removal of subsidies for cornmeal, which had caused the price to rise by 120%; 15 people were killed, hundreds were injured, and hundreds of shops were looted. Peace returned two days later when Kaunda restored the subsidy and nationalized the grain-milling industry. He also ruled thenceforth

with state of emergency powers. Reduction in government spending in order to reduce the deficit had been demanded by the International Monetary Fund, along with the devaluation of the currency, as a condition for extending new loans to enable Zambia to pay for essential imports. On 1 May 1987, Kaunda rejected the IMF conditions for a new financing package of about \$300 million. He limited payments on the foreign debt to well under 10% of export earnings and established a new fixed currency rate of eight kwacha to the dollar. This did little to improve the economy or the popularity of Kaunda and UNIP.

By early 1989, Zambia, in consultation with the IMF and the World Bank, developed a new economic reform plan. In early 1991, Zambia qualified for World Bank assistance for the first time since 1987, although this was later suspended. By 1990, a growing opposition to UNIP's monopoly of power had coalesced in the Movement for Multiparty Democracy (MMD). A number of UNIP defectors and major labor leaders came together to pressure Kaunda to hold multiparty elections. In December 1990, after a tumultuous year that included riots in Lusaka and a coup attempt, Kaunda signed legislation ending UNIP's legal monopoly of power.

After difficult negotiations between the government and opposition groups, Zambia enacted a new constitution in August 1991. It enlarged the National Assembly, established an electoral commission, and allowed for more than one presidential candidate. Candidates no longer were required to be UNIP members. In September, Kaunda announced the date for Zambia's first multiparty parliamentary and presidential elections in 19 years. On 31 October and 1 November 1991, the 27-year long state of emergency was terminated. Frederick J. T. Chiluba (MMD) defeated Kaunda, 81% to 15%. The MMD won over 125 of the 150 elected seats in the Assembly. UNIP won 25 seats, although UNIP swept the Eastern Province, winning 19 seats there.

Despite the change of government, the economy still sputtered. Chiluba's austerity measures may have been popular with Zambia's creditors, but not with its people. Likewise, his privatization plans alarmed the unions, his original base of support. Chiluba's MMD in power became autocratic and corrupt. Kaunda, his family, and UNIP officials were harassed. The press began to criticize Chiluba's government and Chiluba lashed back. An Anticorruption Commission investigated three senior cabinet ministers suspected of abuse of office.

UNIP remained the principal target of Chiluba's wrath. In February 1993, a document known as "Operation Zero Option" was leaked to the press. Allegedly written by Kaunda loyalists, it called for a campaign of strikes, riots and crime to destabilize the government. On 4 March 1993, government declared a three-month state of emergency and detained 26 UNIP members, including three of Kaunda's sons. Chiluba lifted the state of emergency on May 25 and released all but eight of the detainees, whom he charged with offenses from treason to possession of seditious documents.

Throughout the 1990s, Zambia continued to face troubles in its attempts to modernize its economy and to reform its political system. Despite liquidation of the government's huge stake in the nation's industrial sector, and implementing a drastic austerity program to reduce its budget deficit, the country saw only marginal growth. Further, despite the promise of fresh beginnings in 1991, the country momentarily reverted to one-party rule under

Chiluba as the MMD fraudulently won huge victories in the November 1996 elections prompting foreign donors to suspend aid payments briefly in early 1997. Subsequently, a campaign mounted by Chiluba and his party to amend the constitution to allow a third term was defeated. In the election of 27 December 2001, Chiluba's handpicked candidate Levy Mwanawasa was elected president with 29% of the vote; the MMD picked up 68 of 150 seats in the National Assembly. The vote was ruled flawed by international and local poll monitors—mainly on grounds of misuse of state funds and vote buying. An opposition petition to the Supreme Court alleged that the elections were rigged.

In an overture for national unity, or perhaps a bid to save his presidency, Mwanawasa named nine opposition members of parliament to his cabinet in February 2003. The move provoked a constitutional crisis when Mwanawasa refused to back down against a High Court ruling that the appointments were unconstitutional. Opposition parties expelled the members of parliament from the National Assembly. Later that month the Supreme Court declined a petition by former president Chiluba seeking immunity from prosecution under the government's anticorruption drive. Chiluba was accused of abuse of office and 60 counts of theft during his ten-years in office. In May 2003, under pressure from church, women's and other civil society groups, Mwanawasa conceded to the formation of a constituent assembly to review the constitution. Civic groups contended that the current document grants the executive far-reaching powers, which groups say is at odds with their vision for a people-driven constitution. Activist opponents of the president's vision for the constitutional review process took to wearing green ribbons and honking their horns on Fridays.

Levy Mwanawasa attempted to root out corruption in Zambia unlike the increasingly apparent corruption of the later years of Frederick Chiluba's time in office. Chiluba was arrested by Mwanawasa's government and charged with several counts of embezzlement and corruption, firmly quashing initial fears that President Mwanawasa would turn a blind eye to the allegations of his predecessor's corrupt practices. However, his early zeal to root out corruption waned, with key witnesses in the Chiluba trial leaving the country. The Constitutional Review Commission set up by Mwanawasa also hit some turbulence, with arguments as to where its findings should be submitted leading to suspicions that he has been trying to manipulate the outcome. Nevertheless, Zambian people view Mwanawasa's rule as a great improvement on Chiluba's corrupt regime.

In recent years, the government has considered participation in a future free trade area as part of the Southern Africa Development Community (SADC) arrangement. Food security and care for AIDS orphans and vulnerable children were also on the policy agenda. The government had also commenced the repatriation of some 5,000 Rwandan refugees. An estimated 1.2 million Zambians are HIV positive, with 21.5% of adults aged between 15 and 49 years infected with the virus. Around 86% of Zambians are classified as poor, which impacts nutritional status. Lingering fallout from crop failures and drought in the sub-region in 2001-2002 required targeted food aid for some 60,000 persons, down from a high of 2.7 million in 2002.

### **13 GOVERNMENT**

From 1953 to 1963, Northern Rhodesia was a protectorate under the jurisdiction of the British crown, within the Federation of Rhodesia and Nyasaland. On 24 October 1964, it became an independent republic. The constitution of January 1964 was amended in 1968 and in 1972, when it was officially announced that Zambia would become a one-party "participatory democracy," with the sole party the ruling United National Independence Party. A new constitution was drafted and received presidential assent in August 1973.

Under the 1973 constitution, the president of the Republic of Zambia was head of state, commander-in-chief of the armed forces, and president of the UNIP. Once chosen by the ruling party, the president had to be confirmed by a majority of the electorate, but there was no limitation on the length of the president's tenure in office. The prime minister was the leader of government business and an ex officio member of the UNIP Central Committee. As provided in the constitution, the Central Committee consisted of not more than 25 members, 20 to be elected at the party's general conference held every 5 years, and 3 to be nominated by the president, who was also a member. Cabinet decisions were subordinate to those of the UNIP Central Committee. The parliament consisted of the president and a National Assembly of 125 elected members, but all Assembly members had to be UNIP members, and their candidacy had to be approved by the party's Central Committee. The constitution also provided for a House of Chiefs of 27 members. A Bill of Rights guaranteed the fundamental freedom and rights of the individual, but if at any time the president felt the security of the state threatened, he had the power to proclaim a state of emergency. Indeed, Zambians lived under a state of emergency for 27 years.

In August 1991, a new constitution was promulgated. The president is now elected directly by universal suffrage and may serve a maximum of two five-year terms. The National Assembly has 150 directly elected members with up to eight appointed by the president, also for five-year terms. Since 2 January 2002, President Levy Mwanawasa served as head of state with Vice President Enoch Kavindele (4 May 2001) and on 4 October 2004 a new vice president was appointed, Lupando Mwaape. The next presidential elections were scheduled for December 2006.

### **14 POLITICAL PARTIES**

African nationalism began to rise in Northern Rhodesia after World War II. African welfare associations, founded before the war, developed rapidly into political organizations. In 1946, representatives from 14 welfare societies formed the Federation of Welfare Societies. In 1948, the federation was reconstituted as the Northern Rhodesia Congress. It became the North Rhodesian African National Congress (ANC) in 1951 under the leadership of Harry Nkumbula. In 1958, dissatisfaction with Nkumbula's leadership gave rise to a breakaway movement led by the party's secretary-general, Kenneth Kaunda. Kaunda formed the Zambia African National Congress, which was declared illegal the following year. In 1960, the United National Independence Party (UNIP) was formed under Kaunda's leadership. UNIP received a majority of the popular votes in the 1962 elections and formed the first

government after independence. The ANC became the chief opposition party.

In 1967, the United Party (UP) was formed by Nalumino Munda, a Lozi who had been dismissed from the cabinet in 1966. Its support came mainly from Barotseland in the southwest, where the UP promised to restore the power of the chiefs. After violence erupted in the Copperbelt, Kaunda banned the UP as a "threat to public security and peace," and Munda and his principal officers were arrested. In August 1968, the UP was declared illegal. Munda was released in 1969, joined the UNIP in 1974, and was named prime minister in 1981.

In the general elections of December 1969, the UNIP won 81 seats in the National Assembly, the ANC 23, and independents 1. Kaunda was reelected president. The elections were followed by violence and political unrest. At the opening of the new Assembly, the speaker refused to recognize the ANC as the official opposition. With the proclamation of a one-party state in December 1972, UNIP became the only legal party in Zambia. The ANC was assimilated into UNIP; the United Progressive Party, formed in August 1971, was summarily disbanded by the government, and its founder, Simon Kapwepwe, briefly arrested.

On 5 December 1973, the first presidential elections held under the new constitution brought the reelection of Kaunda to a third term with 85% of the vote. Voters also filled the 125 elective seats in the National Assembly. In 1975, the UNIP declared its ranks open to former followers of banned parties, but in 1978 candidacy was restricted to those with five years' continuous UNIP membership. National Assembly and presidential elections were held in December 1978, with Kaunda, again unopposed, receiving 80.5% of the vote. In the elections of October 1983, Kaunda's share of the total rose to 93%. A total of 766 candidates ran for the 125 Assembly seats.

After considerable social unrest in 1986 and again in 1990, the Kaunda government came under domestic and international pressure to end UNIP's monopoly in legitimate partisan activity. A Movement for Multiparty Democracy (MMD) was formed and led by trade unionists and defectors from UNIP. Finally, in December 1990, Kaunda signed into law a bill legalizing opposition political parties. In the new constitution adopted in August 1991, candidates are no longer required to belong to UNIP.

These changes paved the way to multiparty presidential and parliamentary elections on 31 October and 1 November 1991, the first in 19 years. The MMD's leader, Frederick Chiluba, easily won the presidency, 81% to 15% for Kaunda. The MMD got 125 seats to 15 for UNIP in the National Assembly. Kaunda and his family were harassed by the MMD, which forced Kaunda to step down as UNIP leader in August 1992. However, he returned a few years later to reclaim UNIP leadership. He briefly considered running on the UNIP ticket in the national presidential elections in 2001.

Since the legalization of multiparty competition, more than 30 parties have operated in the country. Parties include Agenda for Zambia (AZ), Forum for Democracy and Development (FDD), Heritage Party (HP), Progressive Front (PF), Movement for Multiparty Democracy (MMD), National Citizens Coalition (NCC), National Leadership for Development (NLD), National Party (NP), Patriotic Front (PF), Zambian Republican Party (ZRP), Social Democratic Party (SDP), United National Independence Party (UNIP), United Party for National Development (UPND), and

the National Democratic Alliance (NADA). The United Democratic Party and the United Democratic Congress Party are headed by former top UNIP leaders. The National Party (also with prominent ex-MMD figures) was created in August 1993 and won four seats in the Assembly in 1993–94 by-elections. Within the MMD there is a breakaway group, the Caucus for National Unity, to root out corruption in government.

In elections held on 20 November 1996, President Frederick Chiluba and the MMD won over 85% of the available seats in the National Assembly. However, independent observers condemned the election as being rigged by the MMD.

In the election of 27 December 2001, Levy Mwanawasa was elected president with 29% of the vote to 27% for Anderson Mazoka, 13% for Christon Tembo, 10% for Tilyenji Kaunda, 8% for Godfrey Miyanda, 5% for Benjamin Mwila, and 3% for Michael Sata. In the legislative contest held the same date, eight parties won seats in the National Assembly. The MMD claimed 45.9% of the vote winning 68 seats, followed by the UPND with 32.4% and 48 seats, the UNIP with 8.8% and 13 seats, the FDD with 8.1% and 12 seats, the HP with 2.7% and 4 seats, the PF with 0.7% and one seat, the ZRP with 0.7% and one seat, and independents with 0.7% and one seat. Two seats were not determined. The next elections were due in December 2006.

## 15 LOCAL GOVERNMENT

Zambia is divided into nine provinces (including the special province of Lusaka), administered by officials appointed by the central government. Each province is further divided into districts, presided over by district secretaries. Around 55% of Zambians live in towns and cities, giving Zambia one of the highest urbanization rates in Africa. Lusaka has a city council, and the other large towns have councils or town management boards; most townships, however, are directly administered by government officers. Local elections in urban areas are organized on a ward system with universal adult suffrage. Local urban authorities can levy taxes, borrow money, and own and manage housing projects. They control roads, water, power, town planning, health facilities, and other public services within their areas.

Administrative districts lying outside municipal and township areas are governed by rural councils, consisting of members elected by universal adult suffrage and a minority of nominated members, mainly chiefs, appointed by the under minister of the interior. Councils have evolved from the former native authorities, which were constituted on a tribal basis. The rural councils have frequently cut across African societal boundaries in order to establish larger and more viable units. The functions and powers of rural councils are similar to those of the urban local authorities.

## 16 JUDICIAL SYSTEM

The judicial system is based on English common law and customary law. Common law is administered by several High Courts, which have authority to hear criminal and civil cases and appeals from lower courts. Resident magistrate's courts are also established at various centers. Local courts mainly administer customary law, especially cases relating to marriage, property, and inheritance.

Under the constitution of 1991, the Supreme Court is the highest court in Zambia and serves as the final court of appeal. The chief justice and other eight judges are appointed by the president.

In consultation with the prime minister, the president also appoints the director of public prosecution and the attorney general, the latter being the principal legal adviser to the government. The independence of the judiciary has been respected by the government. Trials in magistrate courts are public.

## 17 ARMED FORCES

As of 2005, the strength of the armed forces was 15,100 active personnel, supported by 3,000 reservists and paramilitary forces that consisted of two police battalions, totaling 1,400 members. The Army had 13,500 personnel, whose equipment included 30 main battle tanks and 30 light tanks. The Air Force had 1,600 personnel operating 33 combat capable aircraft, that included 14 fighters and 12 fighter ground attack aircraft. In 2005, the defense budget totaled \$48.1 million.

## 18 INTERNATIONAL COOPERATION

Zambia joined the United Nations on 1 December 1964 and participates in ECA and several nonregional specialized agencies, such as the FAO, UNESCO, UNHCR, UNIDO, the FAO, the World Bank, IAEA, and the WHO. It belongs to the African Development Bank, the ACP Group, the Commonwealth of Nations, G-77, the WTO, COMESA, and the African Union. Located in Zambia are the headquarters of the International Red Locust Control Organization for Central and Southern Africa, as well as COMESA headquarters, an office of the UN High Commissioner of Refugees, and a regional office of the UN Institute for Namibia, established to provide training for future administrators of an independent Namibian state. Zambia belongs to the Southern African Development Community (SADC) and the Preferential Trade Area for Eastern and Southern Africa.

Zambia has played an important role in peace negotiation efforts for neighboring states, particularly the DROC. The country has also supported UN operations and missions in Kosovo (est. 1999), Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Sierra Leone (est. 1999), Burundi (est. 2004), and Côte d'Ivoire (est. 2004). Zambia is part of the Nonaligned Movement.

In environmental cooperation, Zambia is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The Zambian economy was in a precarious state during the 1990s. High inflation, severe drought, declining export prices, and failed economic policies all took their toll. Four of the nation's 20 banks failed and total debt stood at \$7 billion in 1999. Divided into the population, that was \$700 of debt per capita, compared with a GDP per capita of only \$380. After steady declines in per capita GDP, Zambia was redesignated a least developed country by the United Nations. The impact of inflation on the poor, the middle class, and business eroded public support for the government's reform policies. Economic reforms aimed at privatizing the economy succeeded in selling approximately 85% of 330 parastatal com-

panies, including the main copper mining conglomerate Zambia Consolidated Copper Mines (ZCCM) in 2000.

The first sign that tight monetary and fiscal policies were beginning to have an effect, was a rapid drop in the inflation rate, but by 1998, the rate had increased from 19% in 1997 to 31% in 2001. It was forecast to remain at around 20% in 2002. After the drought of 1992, agricultural production rebounded with record harvests of many crops, but the government's tight cash budget policy limited its capacity to purchase the crops. The key copper industry (which took in 80% of export revenues in 1999), maintained production levels, but depressed world prices kept revenues at lower levels. However, in 2000, copper export earnings reached \$800 million, a 5.4% increase over 1999, but declined to \$595 million in 2003. As of 2003, there was growing interest in developing coffee and tobacco as cash crops, but the main agricultural product is maize, a noncash crop necessary for domestic consumption. The tourism industry is growing. In 2000 Zambia became eligible for \$3.8 billion in debt relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) initiative.

In 2005, the kwacha had gained some ground and remained strong, but falling copper prices and the need for maize imports will put downward pressure on it. Furthermore, the only oil refinery in Zambia was shut down in 2005 bringing the country into a fuel crisis that is likely to wreck havoc on an already weak economy. The fuel crisis has adversely affected the mining sector. It is estimated that about 1.7 million Zambians do not have adequate food due to a prolonged drought.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Zambia's gross domestic product (GDP) was estimated at \$10.3 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$900. The annual growth rate of GDP was estimated at 5.8%. The average inflation rate in 2005 was 19%. It was estimated that agriculture accounted for 21.7% of GDP, industry 29.5%, and services 48.8%.

Foreign aid receipts amounted to \$560 million or about \$54 per capita and accounted for approximately 13.4% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Zambia totaled \$2.89 billion or about \$278 per capita based on a GDP of \$4.3 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of -2.6%. Approximately 52% of household consumption was spent on food, 8% on fuel, 2% on health care, and 11% on education. It was estimated that in 1993 about 86% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, the labor force in Zambia was estimated at 4.8 million persons. Agriculture accounts for 85% of the country's workforce, with industry accounting for only 6% and the services sec-

tor only 9%. In 2000 it was estimated that 50% of the workforce was unemployed.

The Labor Department is responsible for employment exchange services and for enforcing protective labor legislation. In 2002, about 60% of the country's 300,000 formal wage earners were unionized. There were about 19 large national labor unions, all but one of them affiliated with the Zambia Congress of Trade Unions (ZCTU). With the exception of essential services, all workers have the right to strike.

The minimum wage was \$0.07 per hour in 2002. The maximum regular workweek is 48 hours, but most wage earners work 40-hour weeks. The minimum working age is 16 years. This is enforced in the industrial sector but not in subsistence agriculture, domestic services, or the informal economy where children are more likely to work. The law also regulates minimum health and safety standards in industry but staffing problems at the Ministry of Labor chronically limit enforcement effectiveness.

## 22 AGRICULTURE

The development of commercial farming followed the construction of the railroad in the early 20th century, but the main stimulus did not come until World War II (1939–45), when it was necessary to ensure a maximum output of copper and to minimize the shipping space required for food imports. Food production continued to expand as the copper industry helped raise living standards. Additional European immigration in the 1950s, as well as programs to diversify the economy, gave rise to the production for export of tobacco, cotton, and peanuts. However, partly because of the rapidly rising population, agricultural output never reached the point of meeting domestic food requirements. Only 5% of the land area is cultivated at any time, although a much larger area is potentially arable.

The majority of Zambia's population engages in subsistence farming. The principal subsistence crops are corn, sorghum, and cassava, while the main cash crops are tobacco, corn, sugarcane, peanuts, and cotton. In 1992, liberalized marketing began for most crops, but because of the 1991/92 drought, corn marketing remained under government control. A bountiful 1993 harvest made a solid recovery from the drought. In 2003, agriculture accounted for 23% of total GDP.

Production of tobacco, the most important export crop, was estimated at 4,800 tons in 2004. Marketed corn production in 2004 was 1,161,000 tons. Cotton production reached 22,000 tons of fiber. Also marketed in 2004 were 1,800,000 tons of sugarcane, 10,000 tons of sunflowers, 42,000 tons of peanuts, and 135,000 tons of wheat.

## 23 ANIMAL HUSBANDRY

The estimated livestock population in 2005 included 2,600,000 head of cattle, 1,270,000 goats, 340,000 hogs, and 150,000 sheep. Cattle production in certain regions is limited by sleeping sickness, carried by the tsetse fly. During 2005, beef production was 40,800 tons; poultry, 36,500 tons. Meat production in 2005 was estimated at 127,000 tons.

## 24 FISHING

Because Zambia's inland waters are a valuable source of food and employment, the fishing industry plays an important part in the

rural economy. Large quantities of fish, most of which are transported by rail to processing centers, are frozen or dried. Major quantities are obtained from Bangweulu, Tanganyika, and Mweru lakes, and from the Kafue and Luapula rivers. The catch in 2003 was 69,500 tons.

## 25 FORESTRY

About 42% of Zambia is covered by forest; commercial exploitation is concentrated in the southwest and in the Copperbelt. Roundwood production was about 8.05 million cu m (284 million cu ft) in 2004, 90% of it for fuel needs.

## 26 MINING

Zambia's mining sector in 2003 was dominated by the production of copper and cobalt, for which the country ranks 11th and second in the world, respectively. The country was also a leading producer of gem quality emeralds. However, mining and quarrying as a whole, accounted for only 2.8% of Zambia's gross domestic product (GDP) in 2003, although employment in that industry rose to 53,900, from 39,900 in 2002. Gemstones, mined mostly by small-scale and artisanal miners, also recorded significant earnings; earnings from this segment may amount to as much as \$250 million per year, since much of the output bypassed official counts. Construction was another leading industry, along with the production of chemicals and fertilizers. By 2000, privatization of most of the major mines, including copper, had been completed, and efforts were ongoing to privatize the gemstone and other small mines sectors, and to attract foreign investors to develop other known metallic and industrial mineral resources. Among the difficulties faced by landlocked Zambia were high transportation costs, the threat posed by HIV/AIDS to the labor force, cyclical world commodity prices, and the impact of civil wars in Angola and Democratic Republic of the Congo on foreign investment.

In 2003, total copper mine output (by concentration, cementation, and leaching; metal content) was 349,000 metric tons, up from 330,000 metric tons in 2002. The output of cobalt (metal content), as a by-product of copper mining and processing, was 6,550 metric tons, up from 6,144 metric tons in 2002. The mining industry has been effected by declining world copper demand, slow global economic growth, labor unrest, transportation difficulties, including port and rail congestion, and shortages of spare parts, raw materials, and fuel. Most of Zambia's major mines had been privatized by 2000. However, investment reversals in 2002 involved the Konkola Mines and the Baluba-Luanshya Mines. As a result, the government was forced to reopen privatization bids.

Among the largest copper mines were the Nkana (5.5 million tons ore per year capacity), the Nchanga and Chingola open-pits (4.5 million tons ore per year), the Nchanga underground (2.8 million tons), the Mufalira (2.8 million tons), the Konkola underground (2.2 million tons), the Luanshya underground (1.7 million tons), and the Baluba underground (1.4 million tons). The country's total mineral resources exceeded 2,580 million tons, with ore reserves of 728 million tons. Equinox Resources Ltd.'s Lumwana project, with two large copper-cobalt-gold-uranium deposits (Chimwunga and Malundwe), had resources of 1 billion tons that contained 0.67% copper, and 481 million tons of ore (1% copper). The Kalimba Group's Nama and Ngosa areas had a resource of 950 million tons.

Zambia also produced gold, refined selenium, silver, cement, clays (including brick, china, and ball), gemstones (amethyst, beryl, emerald, red garnet, and tourmaline), calcined lime, limestone, sand and gravel, and sulfur. No iron ore, tin, aquamarine, citrine, feldspar, magnetite, or nitrogen has been produced for several years. Exploration was being carried out for zinc, and for diamonds in western Zambia.

## 27 ENERGY AND POWER

Zambia is self-sufficient in electricity. The country's output of electric power in 2002 totaled 9.015 billion kWh, of which nearly 100% was from hydropower. Consumption of electricity in that year totaled 5.684 billion kWh. Total electric power generating capacity in 2002 was 1.8 million kW. Zambia exports almost 30% of its production to Zimbabwe.

Zambia relies almost entirely on imports to meet its hydrocarbon needs. In 2002, imports of all petroleum products averaged 12,240 barrels per day, of which crude oil accounted for 9,500 barrels per day. Refined oil product output in 2002 averaged 9,800 barrels per day. Refined petroleum consumption that year averaged 12,190 barrels per day. Crude oil is imported by means of a pipeline from Tanzania.

Coal production in 2002 totaled 231,000 short tons, all of which was bituminous. Demand for coal that year totaled 150,000 short tons.

## 28 INDUSTRY

Industry accounted for 28% of GDP in 2001. Apart from copper refining, the most important industries are those connected with the manufacture of sulfuric acid, fertilizer, compressor lubricants, electrical appliances and parts, glass, batteries, cigarettes, textiles, yarn, glycerine, vehicle and tractor assembling, sawmilling, wood and joinery manufacture, tire retreading, processing of food and drink, and the manufacture of cement and cement products. Nitrogen Chemicals of Zambia, which produces fertilizer, is the largest nonmining enterprise. Since tariff barriers for imports have been lifted, many manufacturing facilities have closed, especially in the clothing industry.

To assist in the establishment of manufacturing and processing industries, the government has formed the Industrial Development Corp. of Zambia (INDECO). It has developed a number of enterprises, including a chemical-fertilizers plant, an explosives plant, a glass bottle factory, and a battery factory; these projects were joint ventures with foreign companies. The country has one oil refinery, at Ndola, with a production capacity of 24,000 barrels per day.

## 29 SCIENCE AND TECHNOLOGY

The National Council for Scientific Research, founded in 1967 at Lusaka, advises the government on scientific matters and coordinates and disseminates the results of the Zambian research effort. Scientific learned societies include the Engineering Institution of Zambia, founded in 1955 at Lusaka. Research institutes specialize in fisheries, veterinary science, geology, agriculture, forestry and forest products, tropical diseases, pneumoconiosis, and red locust control. The University of Zambia, founded in 1965 at Lusaka, has departments of natural sciences, engineering, medicine, agricultural sciences, veterinary sciences, and mines. Copperbelt

University, founded in 1979 at Kitwe, has schools of environmental studies and technology. Three other colleges offer courses in agriculture and engineering. In 1987–97, science and engineering students accounted for 16% of college and university enrollments. In 1999 (the latest year for which data is available, there were 55 researchers and 17 technicians engaged in research and development per million people. In 2002, high technology exports totaled \$2 million, or 2% of the country's manufactured exports.

## 30 DOMESTIC TRADE

Since independence, trading activity has increased in both rural and urban areas, especially in Lusaka. The Zambian Privatization Agency was in the process of privatizing parastatals that controlled large wholesale and retail chains. Centers of trading activity are the main towns along the rail line. Wholesale outlets are prevalent in larger towns and cities, while individually owned vendors and smaller retail shops are common in smaller communities and remote areas.

Normal business hours are from 8 AM to 5 PM, Monday–Friday, and 8 AM to 12:30 PM on Saturday. Banks are open from 8:15 AM to 12:45 PM on most weekdays, but close at noon on Thursdays and 11 AM on Saturdays.

## 31 FOREIGN TRADE

Mineral commodities account for about 90% of exports, led by copper and cobalt. Other export commodities include zinc, lead, and tobacco. Leading imports are machinery, transportation equipment, foodstuffs, fuels, petroleum products, electricity, and fertilizer.

## 32 BALANCE OF PAYMENTS

Zambian trade is normally in rough balance. However, a heavy debt burden gives the country a current account deficit, and hard currency is often in short supply. Total debt service payments in 1997 equaled \$277 million, or about 21% of export earnings.

In the early 2000s, the trade deficit worsened due to mining-related imports needed to reform the privatized copper industry. Nonetheless, an improvement in official and commercial inflows,

### Principal Trading Partners – Zambia (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	929.5	1,252.7	-323.2
United Kingdom	393.6	153.6	240.0
South Africa	214.0	641.7	-427.7
Tanzania	71.1	14.9	56.2
Switzerland-Liechtenstein	57.1	6.9	50.2
Congo (DROC)	39.8	...	39.8
Malawi	19.4	3.8	15.6
Belgium	17.3	7.8	9.5
India	17.0	45.5	-28.5
Zimbabwe	14.1	97.9	-83.8
Netherlands	11.3	6.6	4.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Zambia (2000)**

(In millions of US dollars)

<b>Current Account</b>		<b>-584.0</b>
Balance on goods		-221.0
Imports	-978.0	
Exports	757.0	
Balance on services		-226.0
Balance on income		-120.0
Current transfers		-18.0
<b>Capital Account</b>		<b>153.0</b>
<b>Financial Account</b>		<b>-274.0</b>
Direct investment abroad	...	
Direct investment in Zambia	122.0	
Portfolio investment assets	...	
Portfolio investment liabilities	-1.0	
Financial derivatives	...	
Other investment assets	-85.0	
Other investment liabilities	-309.0	
<b>Net Errors and Omissions</b>		<b>185.0</b>
<b>Reserves and Related Items</b>		<b>520.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

supported by a resumption of concessional donor support, was expected to prompt a recovery.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Zambia's exports was \$1.947 billion while imports totaled \$1.934 billion resulting in a trade deficit of 13 million.

**3.3 BANKING AND SECURITIES**

In November 1970, the Zambian government announced that it would take a majority interest in all banks operating in Zambia; however, the banking proposals were later modified so that the government became majority shareholder through the State Finance and Development Corp. of the already state-owned Zambia National Commercial Bank Ltd. (ZNCB) and the Commercial Bank of Zambia. The state-owned Bank of Zambia (BOZ), the central bank founded in 1964, sets and controls all currency and banking activities in the country.

In 2002, the leading commercial banks were subsidiaries of Barclays, Citibank, Equator Bank, Standard Chartered, First Alliance, and Stanbic. There are two development banks: the Development Bank of Zambia and the Lima Bank. Other state-owned financial institutions include the Zambia National Building Society, and the Import Export Bank of Zambia, launched in early 1988 to promote trade generally and nontraditional exports in particular. In 1985, the first locally and privately owned bank was formed, the African Commercial Bank. Its success led to the establishment of several more, including Caymont Merchant Bank, making Zambia one of Africa's most "overcrowded" countries in terms of banking, with 28 registered commercial banks at the end of December 1994. This number had dropped to twelve, however, by 2002.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$288.4 million. In that same year, M2—an ag-

gregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$764.3 million.

In 1997, things were looking up for the Lusaka Stock Exchange (LuSE), which has in the past struggled to attract new listings and improve its frequently thin trading volumes.

**3.4 INSURANCE**

On 1 January 1972, the Zambia State Insurance Corp. (ZSIC) took over all insurance transactions in Zambia. The operations of ZSIC cover fire, marine, aviation, accident, motor vehicle, and life insurance. All imports must be insured with this agency.

**3.5 PUBLIC FINANCE**

With its heavy dependency on copper, Zambia is able to show comfortable surpluses in its public accounts only when the mining industry is prosperous. From 1985 to 1987, Zambia attempted to implement a structural reform program, sponsored by the IBRD and IMF. In 1987, however, the government stopped the program and reverted to deficit spending and monetary creation. By 1992, a new government was committed to curtailing public expenditures through privatization and decreasing the civil service. By 1998, more than 85% of parastatals were privatized. In early 2000, the giant parastatal mining company, Zambian Consolidated Copper Mines (ZCCM) was completely privatized; that transaction helped Zambia satisfy the conditions for balance of payment support.

The US Central Intelligence Agency (CIA) estimated that in 2005 Zambia's central government took in revenues of approximately \$1.6 billion and had expenditures of \$1.8 billion. Revenues minus expenditures totaled approximately -\$178 million. Public debt in 2005 amounted to 104.2% of GDP. Total external debt was \$5.866 billion.

The International Monetary Fund (IMF) reported that in 1999, the most recent year for which it had data, budgetary central government revenues were K1,844.4 billion and expenditures were

**Public Finance – Zambia (1999f)**

(In billions of kwacha, budgetary central government figures)

<b>Revenue and Grants</b>	<b>1,844.4</b>	<b>100.0%</b>
Tax revenue	1,378.3	74.7%
Social contributions	...	...
Grants	414.2	22.5%
Other revenue	51.9	2.8%
<b>Expenditures</b>	<b>1,874.3</b>	<b>100.0%</b>
General public services	758.9	40.5%
Defense	73.7	3.9%
Public order and safety	61.4	3.3%
Economic affairs	383.4	20.5%
Environmental protection	...	...
Housing and community amenities	43.3	2.3%
Health	248	13.2%
Recreational, culture, and religion	10.5	0.6%
Education	270.8	14.4%
Social protection	24.3	1.3%

(...) data not available or not significant. f = forecasted or projected data.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

κ1,874.3 billion. The value of revenues in US dollars was us\$770 million and expenditures us\$780 million, based on a official exchange rate for 1999 of us\$1 = κ2,388.02 as reported by the IMF. Government outlays by function were as follows: general public services, 40.5%; defense, 3.9%; public order and safety, 3.3%; economic affairs, 20.5%; housing and community amenities, 2.3%; health, 13.2%; recreation, culture, and religion, 0.6%; education, 14.4%; and social protection, 1.3%.

### 3<sup>6</sup>TAXATION

As of 2005, Zambia's corporate tax rate ranged from 15% up to 45%, depending upon the type of business. Generally, dividends, interest, royalties and management fees are each subject to a 15% withholding tax. There is also a mineral royalty tax and a property transfer tax.

Income taxes include a 1% charge by local Councils on the gross salaries of employees after a deduction of 300,000 Kwacha (about \$66.55) and a 1.015% property tax. Individual income is taxed according to a progressive schedule with four bands: 0% on the first 600,000 Kwacha (about \$133) of annual income; 10% on the next 600,000 Kwacha; 20% on the next 600,000 Kwacha, and 30% on the increment of annual income above 1,800,000 Kwacha (about \$400).

A value-added tax (VAT) with a standard rate of 20% replaced the sales tax in 1995. The standard rate was subsequently reduced to 17.5%, where it stands as of 2005. Items exempted from VAT include insurance transactions, mosquito nets and insecticides, and exports.

### 3<sup>7</sup>CUSTOMS AND DUTIES

Tariff schedules give preferential treatment to imports from the United Kingdom and other Commonwealth countries. Zambia belongs to the Common Market of Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC), both committed to free trade. Rebates are allowed on certain capital goods and on most materials used in local manufacturing industries. Tariff protection also is accorded to selected new industries. Most imports require licenses. Import duties ranged from 5% for raw materials and capital equipment, 15% for intermediate goods, and 25% on final products as of 2005. Selected items, such as soaps and vegetable cooking oils, carry special protective tariffs. There are no free trade zones.

### 3<sup>8</sup>FOREIGN INVESTMENT

In the past, the heaviest concentrations of foreign private capital in Zambia were in the mining enterprises of the Copperbelt. Anglo-American holds only a 27% interest in the national mining company ZCCM, a company that was privatized in 2000. Most investment is from the United Kingdom or South Africa. Although tax holidays have been offered as incentives, Zambia's highly socialized economy has not been conducive to private foreign investment, and exchange controls have made the repatriation of profits and dividends difficult.

Laws concerning retention of foreign exchange have been consistent, achieving full liberalization only recently. In 1983, exporters of nontraditional items could keep 50% of earned foreign exchange to finance imported inputs. This resulted in a fivefold increase in nonmetal exports. This provision was revoked in 1987.

The Investment Act of 1991 provided for a 70% foreign exchange retention during the first three years of a license, 60% in the next two years, and 50% for the rest of the license's term. This act was subsequently revised to allow for full retention of foreign exchange earnings.

Annual foreign direct investment (FDI) flow into Zambia reached \$207 million in 1997, after which it steadily declined, from \$198 million in 1998 to \$72 million in 2001. Zambia's success in attracting FDI declined from 1990 to 2000. The FDI flow increased steadily from \$82 million in 2002 to \$334 million in 2004. For the period 1988 to 1999, Zambia's share of world FDI inflows was more than four times its share in world GDP. For the period 1998 to 2000, its share of world inward FDI was less than twice its share of world GDP.

### 3<sup>9</sup>ECONOMIC DEVELOPMENT

Controlling inflation is a development priority, followed by faster implementation of social sector programs, legal and civil service reform, and privatization. New investment has been slow to form as investors await anticipated lower inflation rates. The lack of administrative capacity lies at the heart of the delays. Various debt cancellations and loans have been prescribed by the World Bank (loan of \$170 million), Paris Club (aid of \$630 million), and the United States (aid of \$20 million). Inflation stood at 26.7% in 2002 and at 18.5% in 2004.

The public sector in 2003 represented some 44% of total formal employment. In 2000, Zambia became eligible for \$3.8 billion in debt service relief under the International Monetary Fund (IMF)/World Bank Heavily Indebted Poor Countries (HIPC) initiative. In July 2005, the world's eight leading industrialized nations (G8) agreed to provide further debt relief for poor countries including Zambia. The additional relief for Zambia would cut around \$2.8 billion and combining this with the \$3.9 billion debt write-off package agreed under the heavily indebted poor countries (HIPC) initiative, Zambia's debt burden would decline to just \$300 million by mid-2006. This comes as a direct result of the government's fiscal austerity measures which had finally paid off through the two debt cancellations which is likely to renew confidence of donors and investors in the country's economic policies.

In 2003, the government indicated it would take measures to privatize the Zambia National Commercial Bank and the national telephone and electricity utilities. In 2005, the Zambia Privatisation Agency (ZPA) invited bids for 49% government shareholding in the Zambia National Commercial Bank with management rights. The closing date for submission of bids was 13 September 2005 with bids received from three entities. In addition to undertaking a relatively ambitious privatization program, Zambia in the early 2000s was implementing trade and exchange liberalization, and the liberalization of agricultural policies.

### 4<sup>0</sup>SOCIAL DEVELOPMENT

A social insurance system provides benefits to most employed persons. Coverage includes old age pensions, permanent disability benefits, and survivorship payments. Medical care is available to all citizens in government facilities. Workers' compensation is funded totally by the employer. A funeral grant is also provided.

A national provident fund requires employers and employees to make contributions toward a worker's retirement at ages 50–55.



This program covers employed persons, including domestic servants in urban areas, and agricultural workers. The lump sum payment is equivalent to contributions plus interest. Maternity leave of 90 days plus a maternity grant for each birth are provided to working women. Medical benefits are available to all citizens in government run facilities and rural health clinics. Employers are required to fund work injury insurance for all employees.

Domestic violence against women is a widespread problem. Police are hesitant to interfere, although in 2004 the government formed a sex crimes unit to address the issue. Women have full legal rights under law, but customs discriminate against women in areas of inheritance, property ownership, and marriage. Sex-based discrimination in education and employment is pervasive. Women are underrepresented in senior management positions in the private sector and in high-level government positions. However, a growing number of women can be found in local government. Child welfare is a serious concern; there were approximately one million orphans under the age of 15 in 2004, mostly attributable to the deaths of parents from AIDS.

Human rights abuses, including beatings and even the killing of persons in police custody, continue to be reported. A government-created commission is investigating past human rights abuses and some offenders have been punished. However, human rights organizations operate freely in Zambia.

#### 41 HEALTH

In 1964, responsibility for public health was transferred from the federation to Zambian authorities. Since then, the government has developed a health plan centered on specialist hospitals, with general and regional hospitals dealing with less complicated cases. At a lower level, district hospitals treat common medical and surgical cases. Rural health centers and clinics with outpatient facilities have been established throughout the country. Services to Zambian nationals are free at the rural health centers and clinics and at hospitals at the large urban centers. Due to government spending restrictions, the public health care sector has suffered from a severe shortage of doctors, medicine, and medical equipment and supplies. Health indicators have suffered since the advent of the AIDS epidemic, with earlier improvements reversed. For example, average life expectancy, which has been declining since 1984, was down to 39.70 years in 2005.

The government records indicated nine hospitals and a few small outpatient clinics. Zambia produces locally 25% of the pharmaceuticals it consumes. As of 2004, there were an estimated 7 physicians and 113 nurses per 100,000 people. Total health care expenditure was estimated at 6.9% of GDP.

Malaria and tuberculosis are major health problems, and hookworm and schistosomiasis afflict a large proportion of the population. Cholera remains prevalent. In addition, the HIV/AIDS epidemic has increased the incidence of tuberculosis. Other commonly reported diseases in Zambia were diarrheal diseases, leprosy, and measles.

Zambia has one of the highest rates of HIV infection, even in hard-hit sub-Saharan Africa. The HIV/AIDS prevalence was 16.50 per 100 adults in 2003. As of 2004, there were approximately 920,000 people living with HIV/AIDS in the country. There were an estimated 89,000 deaths from AIDS in 2003. It has been esti-

ated that 500,000–1,000,000 Zambian children have lost both parents to AIDS.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 41 and 21.9 per 1,000 people. About 26% of Zambian married women used contraceptives. The maternal mortality rate was 649 per 100,000 live births. It was estimated that 32 of every 100 school-age children suffered from goiter. Children up to one year old were immunized against tuberculosis, 81%; diphtheria, pertussis, and tetanus, 70%; polio, 70%; and measles, 69%. The infant mortality rate in 2005 was 88.29 per 1,000 live births. In the same year, 42% of the all children under five were malnourished.

#### 42 HOUSING

Widespread instances of overcrowding and slum growth have for many years focused government attention on urban housing problems. Local authorities have statutory responsibility for housing and housing management. The Zambia National Building Society makes loans to local agencies for the financing of approved schemes and the National Housing Authority established a special fund to support self-help projects for low-income earners. One program gives land ownership to certain residents in recognized informal settlements, thus giving them legal status to build more permanent structures. Mining companies have constructed townships for the families of African workers in the Copperbelt.

The 2000 census counted 1,768,287 housing units nationwide. A 2002/2003 housing survey stated that 66% of all dwellings were defined as traditional structures; these use mud bricks, thatch, straw, and grass as primary building materials. Traditional dwellings accounted for 91% of the housing stock in rural areas and 16% in urban areas. About 34% of the population lived in modern or conventional housing structures. Conventional structures accounted for 86% of the housing stock in Lusaka province and 72% of housing in Copperbelt. About 78% of all dwellings were owner occupied. About 54% of all households lived in units of only one bedroom. Only 50% of all households had access to a source of clean drinking water, 18% had electricity for lighting, and over 50% of all households used pit latrines. The average household size was about five members.

#### 43 EDUCATION

Most of the nation's schools are operated by local authorities or by missions and are aided by the central government. A small number of schools are directly administered by the government. Primary education lasts for seven years and is compulsory. Secondary education lasts for five years: two years of junior and three years of senior school. Students must pass an entrance exam to enter senior secondary school.

Primary school enrollment in 2003 was estimated at about 68% of age-eligible students. The same year, secondary school enrollment was about 23% of age-eligible students. It is estimated that about 69% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 43:1 in 2003; the ratio for secondary school was about 34:1.

The University of Zambia was established in 1965, and the Copperbelt University opened in 1986. Other institutions of higher learning include technical colleges and a two-year college of agriculture. In 2001, it was estimated that about 2% of the tertia-

ry age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 67.9%, with 76.1% for men and 59.7% for women.

As of 2003, public expenditure on education was estimated at 2% of GDP, or 17.6% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The Zambia Library Service maintains 900 library centers, six regional libraries, six branch libraries, and a central library with 500,000 volumes. The Lusaka Urban District Libraries has 145,000 volumes, and the Zambesi District Library has 120,000. The National Archives of Zambia maintains a library of about 70,000 volumes. The University of Zambia has holdings of more than 2.5 million books.

Zambia's museums include the National Museum, located in Livingstone. It has displays on natural history, archaeology, ethnography, recent history, African art, metallurgy, and memorabilia relating to David Livingstone. The Eastern Cataract Field Museum near Victoria Falls concentrates on archaeology and geology, including illustrations of the formation of the falls and the Stone Age sequence in the area. Lusaka has the Art Center and the Military and Police Museum of Zambia. The Moto Moto Museum in Mbala (founded in 1974) exhibits ethnography and history materials. The Copperbelt Museum at Ndola exhibits geological and historical items as well as ethnic art.

#### 45 MEDIA

The central government is responsible for postal and telecommunication services. A direct radiotelegraph circuit has been established between Lusaka and London, and direct telephone links are in operation to all neighboring countries. In 2003, there were an estimated eight mainline telephones for every 1,000 people; about 11,600 people were on a waiting list for telephone service installation. The same year, there were approximately 22 mobile phones in use for every 1,000 people.

The Zambia Broadcasting Service, which provides radio programs in English and seven local languages, and Zambian Television are government owned and operated. As of 2001, there were also several church-sponsored radio stations, two private commercial stations and three community stations. The same year there were 19 AM and 5 FM radio stations. There were nine television stations in 2002. In 2003, there were an estimated 179 radios and 51 television sets for every 1,000 people. The same year, there were 8.5 personal computers for every 1,000 people and six of every 1,000 people had access to the Internet. There were two secure Internet servers in the country in 2004.

There are a number of privately-owned newspapers in the country. However, the publications with the largest circulations tend to be politically affiliated. There are three major daily newspapers: the UNIP-owned *Times of Zambia*, founded in Ndola in 1943 and with an estimated 2002 daily circulation of 32,100; the government-owned *Zambia Daily Mail*, published in Lusaka, with a circulation of 40,000; and *The Post*, an independent English-language paper founded in 1991, with a circulation of 40,000.

The constitution provides for free expression, including a free press; however the penal code lists several exceptions and justifies government restrictions and censorship.

#### 46 ORGANIZATIONS

Professional and learned societies include the Wildlife Conservation Society of Zambia, the Zambia Library Association, and the Zambia Medical Association, all in Lusaka. Business groups include chambers of commerce in the major towns. The Zambia Association of Chambers of Commerce and Industry is located in Lusaka. The Consumer Protective Association of Zambia is also active.

National youth organizations include the Catholic Agricultural and Rural Youth Movement, Girl Guides Association of Zambia, YMCA/YWCA, United National Independence Party Youth League, Zambian Youth League, Girl Guides, and the Zambia Scouts Association. There are sports associations promoting amateur competition for athletes of all ages in a wide variety of pastimes, including softball, baseball, squash, lawn tennis, badminton, and weightlifting.

National women's organizations include the National Women's Lobby Group, the Society For Women and AIDS in Zambia, Women for Change, and the Women in Development Department. Among service organizations are the Lions, Rotary, Junior Chamber of Commerce (Jaycees), Professional Women's Club, and Women's Institute. There are national chapters of the Red Cross Society, Habitat for Humanity, the Society of St. Vincent de Paul, UNICEF, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

One of the most impressive tourist attractions in Zambia is Mosi-oa-Tunya ("the smoke that thunders")—Victoria Falls. In 1972, a national park system created 17 parks covering 8% of the entire country. The Kafue National Park, one of the largest in Africa, with 22,500 sq km (8,700 sq mi) of bush, forest, and plain, is well-served with tourist facilities. South Luangwa National Park is another outstanding wildlife area. Tourism in Zambia has maintained a steady increase since the mid-1970s. A valid passport is required to enter Zambia. Most travelers need a visa. Proof of vaccination against yellow fever is required if traveling from an infected country.

In 2003, about 578,000 visitors arrived in Zambia, mostly from other African countries. There were 5,202 hotel rooms with 8,774 beds and an occupancy rate of 53%. Tourism expenditure receipts totaled \$149 million that year.

According to 2005 US Department of State estimates, the cost of staying in Lusaka was \$171 per day. Expenses in other areas ranged from \$51 to \$213 per day.

#### 48 FAMOUS ZAMBIANS

Kenneth David Kaunda (b.1924) was Zambia's president from independence in 1964 until 1991. Frederick J.T. Chiluba (b.1943) ousted Kaunda in 1991 in Zambia's first free elections and was re-

elected in 1996; he served until 2002. Levy Patrick Mwanawasa (b.1948) is the third president of Zambia (since 2002).

Nalumino Mundia (1927–88), long prominent in Zambian political affairs, was prime minister 1981–85, when he became ambassador to the United States.

#### 49 DEPENDENCIES

Zambia has no territories or colonies.

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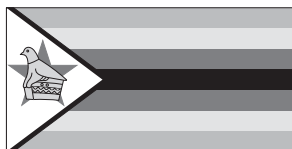
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# ZIMBABWE

Republic of Zimbabwe



**CAPITAL:** Harare

**FLAG:** The flag has seven equal horizontal stripes of green, yellow, red, black, red, yellow, and green. At the hoist is a white triangle, which contains a representation in yellow of the bird of Zimbabwe superimposed on a red star.

**ANTHEM:** *God Bless Africa.*

**MONETARY UNIT:** The Zimbabwe dollar (z\$) is a paper currency of 100 cents. There are coins of 1, 5, 10, 20, and 50 cents and 1 dollar, and notes of 2, 5, 10, and 20 dollars. z\$1 = us\$0.00007 (or us\$1 = z\$15190.8) as of 2005. These are official exchange rates, non-official rates vary significantly

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year's Day, 1 January; Independence Day, 18 April; Workers' Day, 1 May; Africa Day, 25 May; Heroes' Days, 11–13 August; Christmas Day, 25 December; Boxing Day, 26 December. Movable holidays are Good Friday, Holy Saturday, Easter Monday, and Whitmonday.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

A landlocked country of south central Africa, Zimbabwe (formerly Rhodesia) lies between the Zambezi River on the N and the Limpopo River on the S. It has an area of 390,580 sq km (150,804 sq mi), with a length of 852 km (529 mi) WNW–ESE and a width of 710 km (441 mi) NNE–SSW. Comparatively, the area occupied by Zimbabwe is slightly larger than the state of Montana. Bounded on the N and E by Mozambique, on the S by the Republic of South Africa, on the SW by Botswana, and on the NW and N by Zambia, Zimbabwe has a total boundary length of 3,066 km (1,905 mi). Zimbabwe's capital city, Harare, is located in the northeast part of the country.

## <sup>2</sup> TOPOGRAPHY

Most of Zimbabwe is rolling plateau, with over 75% of it lying between 600 and 1,500 m (2,000–5,000 ft) above sea level, and almost all of it over 300 m (1,000 ft). The area of high plateau, known as the highveld, is some 650 km (400 mi) long by 80 km (50 mi) wide, and stretches northeast to southwest at 1,200–1,675 m (4,000–5,500 ft). This culminates in the northeast in the Inyanga mountains, reaching the country's highest point at Mt. Inyangani, 2,592 m (8,504 ft). On either side of the highveld is the middleveld, a plateau ranging from about 600–1,200 m (2,000–4,000 ft) in height. Below 610 m (2,000 ft) are areas making up the lowveld, wide and grassy plains in the basins of the Zambezi and the Limpopo.

The highveld is a central ridge forming the country's watershed, with streams flowing southeast to the Limpopo and Sabi rivers and northwest into the Zambezi. Only the largest of the many rivers have an all-year-round flow of water.

## <sup>3</sup> CLIMATE

Altitude and relief greatly affect both temperature and rainfall in Zimbabwe. The higher areas in the east and the highveld receive more rainfall and are cooler than the lower areas. Temperatures on the highveld vary from 12–13°C (54–55°F) in winter to 24°C (75°F) in summer. On the lowveld the temperatures are usually 6°C (11°F) higher, and summer temperatures in the Zambezi and Limpopo valleys average between 32–38°C (90–100°F). Rainfall decreases from east to west. The eastern mountains receive more than 100 cm (40 in) annually, while Harare has 81 cm (32 in) and Bulawayo 61 cm (24 in). The south and southwest receive little rainfall. Seasonal shortages of water are common.

The summer rainy season lasts from November to March. It is followed by a transitional season, during which both rainfall and temperatures decrease. The cool, dry season follows, lasting from mid-May to mid-August. Finally, there is the warm, dry season, which lasts until the onset of the rains.

## <sup>4</sup> FLORA AND FAUNA

The country is mostly savanna, although the moist and mountainous east supports tropical evergreen and hardwood forests. Trees include teak and mahogany, knobthorn, msasa, and baobab. Among the numerous flowers and shrubs are hibiscus, spider lily, leonotus, cassia, tree wisteria, and dombeya. There are over 4,400 species of plants throughout the country.

Mammals include elephant, lion, buffalo, hippopotamus, rhinoceros, gorilla, chimpanzee, baboon, okapi, giraffe, kudu, duiker, eland, sable, gemsbok, waterbuck, zebra, warthog, lynx, armadillo, porcupine, fox, badger, otter, hare, bat, shrew, and scaly anteater. There are at least 270 species of mammal in the country.

Snakes and lizards abound. The largest lizard, the water monitor, is found in many rivers, as are several species of crocodile.

About 500 species of birds include the ant-thrush, barbet, bee-eater, bishop bird, bulbul, bush-warbler, drongo, emerald cuckoo, grouse, gray lourie, and pheasant.

## 5 ENVIRONMENT

Among the most serious of Zimbabwe's environmental problems is erosion of its agricultural lands and deforestation. By 1992, deforestation was progressing at the rate of 70,000–100,000 ha per year, or about 1.5% of the nation's forestland. This same rate of deforestation was reported to the year 2000. The confinement of large segments of the population to relatively unproductive lands before independence put severe pressure on these lands, a substantial portion of which may have been irreversibly damaged.

Zimbabwe's air is polluted by vehicle and industrial emissions, while water pollution results from mining and the use of fertilizers. Zimbabwe's cities produce 0.5 million tons of solid waste per year. The nation has been estimated to have the highest DDT concentrations in the world in its agricultural produce.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 8 types of mammals, 10 species of birds, 6 species of amphibians, 2 species of invertebrates, and 17 species of plants. Zimbabwe has about half of the world's population of black rhinoceroses, an endangered species. Rare or threatened species include the cape vulture, black-cheeked lovebird, and brown hyena. For protection, the government has adopted a policy of shooting poachers on sight.

## 6 POPULATION

The population of Zimbabwe in 2005 was estimated by the United Nations (UN) at 13,010,000, which placed it at number 68 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 40% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 1.1%. The projected population for the year 2025 was 14,430,000. The population density was 33 per sq km (86 per sq mi).

The UN estimated that 34% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.48%. The capital city, Harare, had a population of 1,469,000 in that year. Other large cities and their estimated populations included Bulawayo, 676,000; Chitungwiza, 321,782; Gweru, 137,000; Kwekwe, 88,000; Kadoma, 67,750; and Masvingo, 60,000.

The prevalence of HIV/AIDS has had a significant impact on the population of Zimbabwe. The UN estimated that 33.9% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

By early 1987, about 110,000 whites were estimated to have remained in Zimbabwe, about half the number since independence in 1980. There were also about 25,000 Coloured (of mixed race) and 10,000 Asians. Some 1.5 million people who had left for neighboring states during the civil war returned after independence, putting considerable strain on the new nation. In addition, by the end of 1992, famine and civil war in Mozambique had driven an

estimated 136,600 Mozambicans into Zimbabwe. Between 1992 and 1996, 241,000 Mozambican refugees repatriated from Zimbabwe. As of 1999, Zimbabwe was hosting some 1,200 refugees, the majority of whom were from Somalia, Ethiopia, and countries in the Great Lakes region.

In the early 1990s, there were about 25,000 Zimbabwe-born whites and 14,000 Zimbabwe-born blacks living in South Africa. As of 1999, there was still a small but steady flow of Zimbabweans into South Africa and Botswana in search of better paid employment.

In 2000 there were 656,000 migrants living in Zimbabwe, including refugees. By 2004, there were 6,884 refugees and no asylum seekers. In that same year over 7,000 Zimbabweans sought asylum in South Africa, the United Kingdom, Germany, and the United States. The net migration rate in 2005 was estimated as zero migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

Africans make up 98% of the total population in Zimbabwe and are mainly related to the two major Bantu-speaking groups, the Shona (about 82% of the population) and the Ndebele (about 14%). Of the former group, the Korekore predominate in the north; the Zezuru are in the center around Harare; the Karanga are in the south; the Ndau and Manyika in the east; the Kalanga in the west; the Rozwi are spread throughout the country. The various clans of the Ndebele, more recent immigrants from the south, occupy the area around Bulawayo and Gwanda. Other groups account for 11% of the African populace and include the Tonga near Kariba Lake, and the Sotho, Venda, and Hlengwe along the southern border.

Whites make up 1% of the non-African population. Europeans are almost entirely either immigrants from the United Kingdom or South Africa or their descendants; those from South Africa include a substantial number of South African Dutch (Afrikaner) descent. There are small groups of Portuguese, Italians, and other Europeans. Asians and peoples of mixed ancestry make up the remaining 1%.

## 9 LANGUAGES

The Shona speak dialects of the same Bantu language, Shona. There are six major dialects: Karanga, Zezuru, Korekore, Manyika, Ndau, and Kalanga. The Ndebele speak modified versions of Ndebele (or Sindebele), which belongs to the Nguni group of south-east Bantu languages.

English, the official language, is spoken by most Europeans and by an increasing number of Africans.

## 10 RELIGIONS

Historically, Christianity, brought into the region by Portuguese traders and Jesuit priests in the late 1500s, has been the dominant religion of the nation. About 60–70% of the total population belong to various Christian denominations, with the largest being Roman Catholic (between 17–27% of the population). Certain regions of the country have traditional links to specific denominations, based on "areas of interest," which were created by missionaries from groups such as the Catholics, Methodists, Anglicans,



LOCATION: 15°37' to 22°25' S; 25°14' to 33°4' E. BOUNDARY LENGTHS: Mozambique, 1,231 kilometers (762 miles); South Africa, 225 kilometers (140 miles); Botswana, 813 kilometers (505 miles); Zambia, 797 kilometers (498 miles).

Dutch Reformed, and the Salvation Army. As a result, individuals will often claim adherence to their local denomination.

There is a small Muslim community, estimated at less than 1% of the population. They are primarily immigrants from South Asia, the Middle East, and North Africa. There are also small numbers of Greek Orthodox, Jews, Hindus, Buddhists, and atheists.

A good number of indigenous churches have developed from the mainstream Christian churches. The Zimbabwe Assembly of God, a branch of the Assemblies of God Church, adheres strictly to Christian tenets and opposes incorporation of traditional practices and beliefs. Other groups such as the Seven Apostles, provide a mixture of traditional religious practices with Christianity. An organization known as Fambidzano formed in the mid-1970s to serve as a support coalition of indigenous churches. One of the goals of the organization is to provide continuing theological and biblical education for church leaders.

Belief in and practice of traditional religions is thought to be quite widespread, as it is sometimes practiced in conjunction with other established belief systems. The belief in and respect for traditional healers resulted in the organization of the Zimbabwe National African Traditional Healers' Association (ZINATHA), which provides licensing and regulation of healers.

In response to widespread belief in and fear of witchcraft, the government has initiated the Witchcraft Suppression Act (WSA), which prohibits the practice of witchcraft, but also calls for prosecution of those falsely accusing others of the practice or engaging in witch hunts. The act has helped protect those, particularly women, who have been falsely accused of witchcraft. However, members of ZINATHA are seeking an amendment to the law that would redefine certain terms. The Act defines witchcraft as "the use of charms and any other means or devices adopted in the practice of sorcery." The proposed amendment would refocus the law to prohibit any practices that are intended to cause harm.

Though relations between religious groups are generally amicable, some tensions exist between Christians and practitioners of traditional religions. In particular, Christian churches oppose traditional practices that allow polygamy and refuse the use of modern medicine. Some tension exists between the government and indigenous religions which refuse to participate in public health and vaccination programs because of religious beliefs in healing through prayer alone. The Zimbabwe Council of Churches, the Heads of Denominations, and the Evangelical Fellowship of Zimbabwe are ecumenical groups that promote interfaith dialogue and cooperation, while offering forums for discussion of social and political issues.

## **11** TRANSPORTATION

In 2004, the National Railways of Zimbabwe, a public corporation, operated 3,077 km (1,912 mi) of rail lines (all of it narrow gauge), of which 313 km (194 mi) were electrified. Rail links exist with Zambia, Mozambique, Botswana, and the Republic of South Africa. Electrification of the railroads was begun following independence. There were 18,338 km (11,395 mi) of road in 2002, of which 8,692 km (5,401 mi) were classified as paved. In 2003, there were 401,007 registered motor vehicles, including 347,007 passenger cars and 54,000 commercial vehicles.

The Mazoe and Zambezi rivers are used for transporting chrome ore from Harare to Mozambique. Important ports and harbors are at Binga and Kariba.

In 2004, there were an estimated 404 airports, but only 17 of which had paved runways as of 2005. Zimbabwe operates domestic, regional, and European flights. Harare and Bulawayo are the principal airports. In 1997, total scheduled traffic included 938 million passenger-km (583 million passenger-mi) and 153 million freight ton-km (95 million freight ton-mi) of flight. Zimbabwe's passenger airline is Air Zimbabwe, and its international cargo airline is Affretair. In 2003, about 201,000 passengers were carried on scheduled domestic and international airline flights.

## **12** HISTORY

Evidence of Stone Age cultures dating back 100,000 years has been found, and it is thought that the San people, now living mostly in the Kalahari Desert, are the descendants of Zimbabwe's original inhabitants. The remains of ironworking cultures that date back to AD 300 have been discovered. Little is known of the early ironworkers, but it is believed that they were farmers, herdsman, and hunters who lived in small groups. They put pressure on the San by gradually taking over the land. With the arrival of the Bantu-speaking Shona from the north between the 10th and 11th centuries AD, the San were driven out or killed, and the early ironworkers were incorporated into the invading groups. The Shona gradually developed gold and ivory trade with the coast, and by the mid-15th century had established a strong empire, with its capital at the ancient city of Zimbabwe. This empire, known as Munhumutapa, split by the end of the century, the southern part becoming the Urozwi Empire, which flourished for two centuries.

By the time the British began arriving in the mid-19th century, the Shona people had long been subjected to slave raids. The once-powerful Urozwi Empire had been destroyed in the 1830s by the Ndebele, who, under Mzilikaze, had fled from the Zulus in South Africa. David Livingstone, a Scottish missionary and explorer, was

chiefly responsible for opening the whole region to European penetration. His explorations in the 1850s focused public attention on Central Africa, and his reports on the slave trade stimulated missionary activity. In 1858, after visiting Mzilikaze, Robert Moffat, Livingstone's father-in-law, established Inyati Mission, the first permanent European settlement in what is now Zimbabwe.

To forestall Portuguese and Boer expansion, both the British government and Cecil Rhodes actively sought to acquire territory. Rhodes, whose fortune had been made through diamond mining in South Africa, became especially active in gaining mineral rights and in sending settlers into Matabeleland (the area occupied by the Ndebele people) and Mashonaland (the area occupied by the Shona people). In 1888, Lobengula, king of the Ndebele, accepted a treaty with Great Britain and granted to Charles Rudd, one of Rhodes's agents, exclusive mineral rights to the lands he controlled. Gold was already known to exist in Mashonaland, so, with the grant of rights, Rhodes was able to obtain a royal charter for his British South Africa Company (BSAC) in 1889. The BSAC sent a group of settlers with a force of European police into Mashonaland, where they founded the town of Salisbury (now Harare). Rhodes gained the right to dispose of land to settlers (a right he was already exercising *de facto*). With the defeat of the Ndebele and the Shona between 1893 and 1897, Europeans were guaranteed unimpeded settlement. The name Rhodesia was common usage by 1895.

Under BSAC administration, British settlement continued, but conflicts arose between the settlers and the company. In 1923, Southern Rhodesia was annexed to the crown; its African inhabitants thereby became British subjects, and the colony received its basic constitution. Ten years later, the BSAC ceded its mineral rights to the territory's government for £2 million.

After the onset of self-government, the major issue in Southern Rhodesia was the relationship between the European settlers and the African population. The British government, besides controlling the colony's foreign affairs, retained certain powers to safeguard the rights of Africans. In 1930, however, Southern Rhodesia adopted a land apportionment act that was accepted by the British government. Under this measure, about half the total land area, including all the mining and industrial regions and all the areas served by railroads or roads, was reserved for Europeans. Most of the rest was designated as Tribal Trust Land, native purchase land, or unassigned land. Later acts firmly entrenched the policy of dividing land on a racial basis.

In 1953, the Central African Federation was formed, consisting of the three British territories of Northern Rhodesia (now Zambia), Nyasaland (now Malawi), and Southern Rhodesia, with each territory retaining its original constitutional status. In 1962, in spite of the opposition of the federal prime minister, Sir Roy Welensky, Nyasaland and Northern Rhodesia withdrew from the federation with British approval. The federation disbanded in 1963. Southern Rhodesia, although legally still a colony, sought an independent course under the name of Rhodesia.

Political agitation in Rhodesia increased after the United Kingdom's granting of independence to Malawi and Zambia. The white-settler government demanded formalization of independence, which it claimed had been in effect since 1923. The African nationalists also demanded independence, but under conditions of universal franchise and African majority rule. The British gov-

ernment refused to yield to settler demands without amendments to the colony's constitution, including a graduated extension of the franchise leading to eventual African rule. Negotiations repeatedly broke down, and on 5 November 1965, Rhodesian Prime Minister Ian Smith declared a state of emergency. On 11 November, the Smith government issued a unilateral declaration of independence (since known as UDI). The British government viewed UDI as illegal and imposed limited economic sanctions, but these measures did not bring about the desired results. In December, the UN Security Council passed a resolution calling for selective mandatory sanctions against Rhodesia. Further attempts at a negotiated settlement ended in failure. In a referendum held on 20 June 1969, the Rhodesian electorate—92% white—approved the establishment of a republic.

The British governor-general, Sir Humphrey Gibbs, resigned on 24 June 1969. The Legislative Council passed the constitution bill in November, and Rhodesia declared itself a republic on 2 March 1970. The United Kingdom called the declaration illegal, and 11 countries closed their consulates in Rhodesia. The UN Security Council called on member states not to recognize any acts by the illegal regime and condemned Portugal and South Africa for maintaining relations with Rhodesia.

Problems in Rhodesia deepened after UDI, largely as a result of regional and international political pressure, African nationalist demands, and African guerrilla activities. Members of the African National Council (ANC), an African nationalist group, were increasingly subjected to persecution and arrest. Nevertheless, guerrilla activity continued. The principal African nationalist groups, besides the ANC, were the Zimbabwe African People's Union (ZAPU), and the Zimbabwe African National Union (ZANU).

A meeting took place in Geneva in October 1976 between the British and Smith governments and four African nationalist groups. Prominent at the meeting were Joshua Nkomo, the leader of ZAPU; Robert Mugabe, leader of ZANU; Bishop Abel Muzorewa of the ANC; and the Reverend Ndabaningi Sithole, former leader of ZANU. Nkomo and Mugabe had previously formed an alliance, the Patriotic Front. The conference was unable to find the basis for a national settlement; but on 3 March 1978, the Smith regime signed an internal agreement with Muzorewa, Sithole, and other leaders, providing for qualified majority rule and universal suffrage. Although Bishop Muzorewa, whose party won a majority in the elections of April 1979, became the first black prime minister of the country (now renamed Zimbabwe-Rhodesia), the Patriotic Front continued fighting.

Meanwhile, the British government had begun new consultations on the conflict, and at the Commonwealth of Nations Conference in Lusaka, Zambia, in August 1979, committed itself to seeking a settlement. Negotiations that began at Lancaster House, in England, on 10 September resulted in an agreement, by 21 December, on a new, democratic constitution, democratic elections, and independence. On 10 December, the Zimbabwe-Rhodesian parliament had dissolved itself, and the country reverted to formal colonial status during the transition period before independence. That month, sanctions were lifted and a cease-fire declared. Following elections held in February, Robert Mugabe became the first prime minister and formed a coalition government that included Joshua Nkomo. The independent nation of Zimbabwe was

proclaimed on 18 April 1980, and the new parliament opened on 14 May 1980.

### Independence and Factionalism

Following independence, Zimbabwe initially made significant economic and social progress, but internal dissent became increasingly evident. The long-simmering rivalry erupted between Mugabe's dominant ZANU-Patriotic Front Party, which represented the majority Shona ethnic groups, and Nkomo's ZAPU, which had the support of the minority Ndebele. A major point of contention was Mugabe's intention to make Zimbabwe a one-party state. Mugabe ousted Nkomo from the cabinet in February 1982 after the discovery of arms caches that were alleged to be part of a ZAPU-led coup attempt. On 8 March 1983, Nkomo went into exile, but returned to Parliament in August.

Meanwhile, internal security worsened, especially in Matabeleland, where Nkomo supporters resorted to terrorism. The government responded by jailing suspected dissidents, using emergency powers dating from the period of white rule, and by military campaigns against the terrorists. The government's Fifth Brigade, trained by the Democratic People's Republic of Korea and loyal to Mugabe, was accused of numerous atrocities against civilians in Matabeleland during 1983. By early 1984, it was reported that many residents in Matabeleland were starving as a result of the military's interruption of food supplies to the area.

Armed dissidents continued to operate in Matabeleland until 1987, and food supplies in the area continued to be inadequate. A round of particularly brutal killings—men, women, and children—occurred late in the year. The violence abated after the two largest political parties, ZANU and ZAPU, agreed to merge in December 1987.

A growing problem, however, was the political instability of Zimbabwe's neighbors to the south and east. In 1986, South African forces raided the premises of the South African black-liberation African National Congress in Harare, and 10,000 Zimbabwean troops were deployed in Mozambique, seeking to keep antigovernment forces in that country from severing Zimbabwe's rail, road, and oil-pipeline links with the port of Beira in Mozambique. Although Beira is the closest port to landlocked Zimbabwe, because of the guerrilla war in Mozambique about 85% of Zimbabwe's foreign trade was passing through South Africa instead.

Despite its reputed commitment to socialism, the Mugabe government was slow to dismantle the socioeconomic structures of the old Rhodesia. Until 1990, the government's hands were tied by the Lancaster House accords. Private property, most particularly large white-owned estates, could not be confiscated without fair market compensation. Nevertheless, economic progress was solid and Zimbabwe seemed to have come to terms with its settler minority. There was only modest resettlement of the landless (52,000 out of 162,000 landless families from 1980 to 1990) and when white farmers were bought out, black politicians often benefited. Some 4,000 white farmers owned more than one-third of the best land.

In March 1992, a controversial Land Acquisition Act was passed calling for the government to purchase half of the mostly white-owned commercial farming land at below-market prices, without the right of appeal, in order to redistribute land to black peasants. However, the government continued to move slowly and not until



April 1993 was it announced that 70 farms, totaling 470,000 acres, would be purchased. Unease among whites grew, as did fear of unemployment, already at around 40%. Economic conditions also threatened to derail the Economic Structural Adjustment Program (ESAP) designed by the IMF and the World Bank. ESAP pressed for a market-driven economy, reduction of the civil service, and an end to price controls and commodity subsidies.

Meanwhile, in the March 1990 elections, Mugabe was reelected with 78.3% of the vote. The Zimbabwe Unity Movement (ZUM) candidate, Tekere, received about 21.7% of the vote. For parliament, ZANU-PF got 117 seats; ZUM, 2 seats; and ZANU-Ndonga, 1 seat. There was a sharp drop in voter participation, and the election was marred by restrictions on opposition activity and open intimidation of opposition voters. At first, Mugabe insisted that the results were a mandate to establish a one-party state. In 1991, however, growing opposition abroad and domestically, even within ZANU-PF, forced him to postpone his plans. Sensing an erosion of political support, Mugabe restricted human and political rights, weakened the Bill of Rights, placed checks on the judiciary, and tampered with voters' rolls and opposition party financing. The government also suspended the investigation into the 1982–87 Matabeleland Crisis, a decision that prompted a November 1993 reprimand by the Organization of African Unity (OAU)'s Human Rights Commission.

As the economy sputtered, political opposition grew. In January 1992, Sithole returned from seven years of self-imposed exile in the United States. In July, Ian Smith chaired a meeting of Rhodesian-era parties seeking to form a coalition in opposition to Mugabe. Sithole and his ZANU-Ndonga Party, the United African National Congress, the largely white Conservative Alliance, and Edgar Tekere's ZUM were included. Students, church leaders, trade unionists, and the media began to speak out. In May 1992 a new pressure group, the Forum for Democratic Reform, was launched in preparation for the 1995 elections. Parliamentary and presidential elections in 1995 and 1996 though officially won by ZANU-PF, were discredited by opposition boycotts and low voter turnout. Then in 1997, a homegrown pro-democracy coalition was launched from the constituency for constitutional reform—the National Constitutional Assembly (NCA). The birth of the NCA dovetailed with the growing radicalization of the Zimbabwe Confederation of Trade Unions (ZCTU) and its transformation from a collective bargaining agent for organized urban industrial labor into a broad-based political opposition movement representing a wide spectrum of civil society, the Movement for Democratic Change (MDC). The official launch of the MDC at Rufaro Stadium on 11 September 1999 was followed by the first Congress at which Morgan Tsvangirai was elected president, and Gibson Sibanda his deputy. NCA supporters embraced the MDC as a vehicle for implementing the new constitution should the government be amenable to it.

The MDC's first test came in February 2000 at a national referendum for constitutional changes strongly pro-regime. On 12–13 February, voters soundly rejected the proposals much to the chagrin of the ruling party. The results signaled that ZANU-PF was not invincible, and they catapulted Morgan Tsvangirai and the MDC into a leading position heading into the 24–25 June parliamentary elections. Again threatened, Mugabe cracked down on the opposition. In the run-up to and aftermath of the elections, 34

people were killed, including Tsvangirai's driver and a poll worker who were killed in a gasoline-bomb attack. Officially, but without the sanction of international observers, ZANU-PF claimed 62 of 120 elective seats in the House of Assembly, with the MDC taking 57 seats with a turnout of 60% of eligible voters.

The credibility the regime was further damaged in the 9–11 March 2002 presidential polls, the conduct of which was declared fraudulent by the opposition and—with the exception of the African Union (AU) and Southern African Development Community (SADC)—by the international community. Officially, Mugabe garnered 53.8% of the vote to 40.2% for Tsvangirai while others claimed 6.0%. The government prevented as many voters as possible in urban districts favorable to the MDC from registering, reduced the number of urban polling stations by 50% over the 2000 elections, added 664 rural polling stations, conducted a state media barrage, and intimidated the opposition. By some reports, 31 people were killed in January and February and 366 tortured. The opposition mounted a legal challenge to the results while the Commonwealth suspended Zimbabwe for one year.

By 2003, the country faced multiple crises. Owing to negative impacts of land grabbing, squatting, and repossessions of large white farms under the government's fast-track land reform program, some 400,000 jobs had been lost in commercial agriculture. Combined with a 90% loss in productivity in large-scale farming since the 1990s, some 5.5 million people in a population of 11.6 million were in need of food aid. Inflation had reached 228% and a fuel crisis threatened the nation. Strikes crippled production, prompting ever more severe repression by the government. More than 30% of the adult population was infected with the AIDS virus.

Given the devastating social impact of these issues, internal and diplomatic pressures were mounting for Mugabe to abandon his survival strategy in favor of a quick and clean exit strategy. One such move afoot was to offer the MDC a form of transitional government in exchange for cooperation in amending the constitution to allow a managed presidential succession and immunity from prosecution for the president and his followers in their retirement. However, there was a reluctance on the part of Tsvangirai's supporters to offer amnesty to a regime that had committed in excess of 550,000 cases of human rights violations ranging from murder, abduction, and rape to arson.

Tsvangirai was arrested and charged with treason in June 2003; he already had an outstanding treason charge from 2002 for attempting to assassinate Mugabe. In October 2004, Tsvangirai was acquitted of the 2002 treason charge. In August 2005, prosecutors dropped the remaining treason charges against Tsvangirai.

In a parliamentary election held in March 2005, the ZANU-PF party won two-thirds of the vote. The opposition claimed the election was rigged, but the MDC won almost all urban seats in the second election in a row. From May to July of that year, tens of thousands of shanty dwellings and illegal street stalls were destroyed as part of a government clean-up program ("Operation Murambatsvina"—"Drive Out Rubbish"). In some cases the police forced people to knock down their own homes. In other cases, trucks and bulldozers moved in. The United Nations estimated the program left approximately 700,000 people homeless. The government's policy of moving city dwellers to rural areas only worsened

the already dire consequences of food shortages. The main opposition to Mugabe's rule came from urban areas.

### 13 GOVERNMENT

Under the constitution of 18 April 1980, independent Zimbabwe had a bicameral parliament consisting of a house of assembly with 100 members, 20 of whom were elected by white voters, and 80 by persons on the common voters' roll, which included all voters except whites. The upper house, or senate, had 40 members, 14 of whom were chosen by the 80 assembly members elected from the common roll, 10 by the 20 white assembly members, 10 by the council of chiefs, and 6 nominated by the president on the advice of the prime minister. The racial basis of parliament could not be amended until 1987 unless by unanimous vote of parliament; amendment afterward needed only a 70% vote of the assembly. During the first 10 years of independence, the declaration of rights in the constitution could be amended only by a unanimous vote of the assembly; amendment of other clauses required a 70% majority. In August 1987, as soon as the constitution allowed, the separate representation for whites in parliament was abolished and the 20 seats were temporarily filled by representatives selected by the other 80 members.

After the 1990 elections, the two houses of parliament were merged into a single chamber of 150 members—120 elected by popular vote serving for five years, 10 traditional chiefs, 8 provincial governors, and 12 members appointed by the president. A constitutional change created an executive presidency and abolished the office of prime minister. ZANU leader Robert Mugabe assumed the presidency on 1 December 1987. Amidst controversy, he was reelected in March 1990, March 1996, and March 2002.

There is universal suffrage from age 18. The next presidential elections were scheduled for March 2008.

### 14 POLITICAL PARTIES

The Rhodesian Front Party, which dominated politics from its formation in March 1962 until the establishment of majority rule in 1979, advocated racial separation, division of land on a racial basis, and the protection of the Rhodesian whites. The party won all 20 Assembly seats reserved for whites in both the 1979 and 1980 elections, and in 1981, it changed its name to the Republican Front Party (RFP). Ian Smith, who served (1964–79) as prime minister, remained as party leader until his suspension from parliament in 1987. He was succeeded by Mark Partridge. The name of the party had previously been changed again to the Conservative Alliance Zimbabwe (CAZ). The CAZ won 15 of the 20 seats allotted to whites in the 1985 elections.

The principal black parties in Zimbabwean politics originated in the struggle for independence along ethnic lines. The Zimbabwe African People's Union (ZAPU) was formed in December 1961 and led by Joshua Nkomo. It was split in July 1963 by the creation of the Zimbabwe African National Union (ZANU), led by the Reverend Ndabaningi Sithole, and later by Robert Mugabe. ZAPU's constituency was eventually reduced to the Ndebele minority, while ZANU gained wide support among the Shona ethnic group. Both ZAPU and ZANU took up arms against the government and in 1976 allied themselves in the Patriotic Front (PF).

After Bishop Abel Muzorewa accepted the Smith government's proposal for an internal constitutional settlement in 1978, his

followers, now known as the United African National Council (UANC), emerged as the major party. In elections on 17–21 April 1979, the UANC captured a majority of 51 seats in the new Assembly, and Muzorewa became the nation's first black prime minister. The elections, however, were boycotted by the PF, which continued its armed opposition to the government.

Under British auspices, a new constitutional settlement obtained PF approval in 1979, and the elections of 27–29 February 1980 were contested by nine parties, including ZANU-Patriotic Front, led by Robert Mugabe, and ZAPU (which registered under the name Popular Front). Of the 80 Assembly seats elected from the common rolls, ZANU-Patriotic Front took 57, Popular Front (or ZAPU) 20, and UNAC 3. In the July 1985 elections, ZANU-PF won 63 seats, PF-ZAPU, 15. After much enmity and bitterness during most of the 1980s, ZAPU and ZANU finally agreed to merge in late 1987 under the name of ZANU-PF and the merger was consummated in December 1989.

President Mugabe declared his intention to make Zimbabwe a one-party state by 1990. He regarded his party's victory in the 1990 elections as a mandate to proceed with his plans to establish ZANU-PF as the only legal party. He was soon turned away from that scheme by strong pressure from creditor governments abroad and a chorus of opposition domestically, including from within ZANU-PF. Zimbabwe got caught up in the general press throughout tropical Africa for greater decentralization of power and competitive party politics.

New parties began to emerge in the late 1980s and early 1990s in preparation for the expected elections in 1995. Tekere's Zimbabwe Unity Movement (ZUM) contested the 1990 elections with some success. The UANC merged with ZUM in January 1994. In January, longtime Mugabe rival Sithole returned from exile and created his own party, also using the ZANU rubric of ZANU-Ndonga or sometimes ZANU-Sithole.

In March 1993, former Chief Justice Enoch Dumbutshena launched the Forum Party, an outgrowth of the pressure group, Forum for Democratic Reform. The Democratic Party emerged from a split within ZUM.

In 1996 elections for Executive President, Robert Mugabe, the longtime ruler of Zimbabwe, won 93% of the vote, while his party, the Zimbabwe African National Union-Patriotic Front, won 98% of the available seats in elections held a year earlier. However, in both elections it was widely accepted that the result had been predetermined. The Zimbabwe government made little pretense of conducting a free and fair election.

Parliamentary elections were scheduled for April 2000, but were postponed until June. Two new strong political parties were formed to challenge Mugabe's ZANU-PF. The United Democratic Front (UDF) party was launched by Lupi Mushayakarara, former Rhodesian leader Ian Smith, Abel Muzorewa, and Ndabaningi Sithole, a pack of leaders that Mugabe dismissed as "ghosts of the past." A more formidable opponent emerged in the form of the Movement for Democratic Change (MDC) led by Morgan Tsvangirai. The MDC successfully campaigned against a government-sponsored draft constitution in the national referendum held in February 2000 with the government securing 45% of the national referendum votes against 55% for the opposition. The opposition argued that the draft constitution further entrenched executive rule allowing Mugabe to dissolve cabinet and parliament,

and to rule by decree. Led by the MDC, opposition parties won nearly half of the seats in the House of Assembly in the June 2000 elections.

Parliamentary elections were held on 31 March 2005. ZANU-PF won 78 of 150 seats, or 59.6% of the vote. The MDC won 41 seats, or 39.5% of the vote. One seat was secured by an independent candidate. The elections were not marked by violence as in the past, but the opposition claimed the elections were fraudulent. Human rights groups said that hundreds of thousands of "ghost voters" appeared on the electoral roll. Other parties functioning in Zimbabwe were the National Alliance for Good Government (NAGG), the International Socialist Organization, the Shalom Reform Zimbabwe Party, and the Zimbabwe Labour Party. The next parliamentary elections were scheduled for 2010.

Challenges to the continued success of the MDC included leadership, credibility on the streets, articulation of position on contentious issues, and resource base. It remained to be seen whether the MDC could transform itself in a sustainable way from a broad-based civic movement opposed to Mugabe into an organized political entity representing and voicing the interests of a defined constituency all the while contesting power.

### 15 LOCAL GOVERNMENT

Each of the eight provinces of Zimbabwe is administered by a provincial commissioner appointed by the central government. Local services are provided by city, town, and rural councils. The Ministry of Local Government, Rural and Urban Planning is charged with ensuring the establishment of local authorities where necessary and local adherence to legislation. In addition to the eight provinces, two cities have provincial status: Harare and Bulawayo.

### 16 JUDICIAL SYSTEM

The legal system is based on Roman-Dutch law and has been influenced by the system of South Africa. A four-member Supreme Court, headed by the chief justice, has original jurisdiction over alleged violations of fundamental rights guaranteed in the constitution and appellate jurisdiction over other matters. There is a High Court consisting of general and appellate divisions. Below the High Court are regional magistrate's courts with civil jurisdiction and magistrate's courts with both civil and criminal jurisdiction. Before independence, separate African courts had jurisdiction over cases involving traditional law and custom. Beginning in 1981, these courts were integrated into the national system.

The chief justice of the High Court is appointed by the president upon recommendation of the Judicial Service Commission. The Commission also advises the president on the appointment of the other judges.

In 1990 the Customary Law and Local Courts Act established a unitary court system made up of headmen's courts, chiefs' courts, magisterial courts, the High Court, and the Supreme Court. Under this system, customary law cases can be appealed through all levels to the Supreme Court.

The constitution provides for the right to a fair trial and the judiciary rigorously enforces this right. However, under Mugabe, the judiciary's reputation for independence from the executive branch has been compromised as the executive has refashioned the courts to conform with its dictates. Nevertheless, the High

Court has ruled in favor in several of the MDC's elections petitions alleging violence and intimidation that obstructed the election process.

### 17 ARMED FORCES

Regular armed forces numbered 29,000 active personnel in 2005. The Army had an estimated 25,000 troops including a Presidential Guard. Armaments included 40 main battle tanks, most of which were listed as nonoperational, and 242 artillery pieces. The Air Force had 4,000 personnel with 50 combat capable aircraft, that included 13 fighters and 1 fighter ground attack aircraft. The service also had six attack helicopters. Paramilitary forces included the Zimbabwe Republic Police Force, with 19,500 members, and the Police Support Unit with 2,300 members. In 2005, the defense budget totaled \$255 million.

### 18 INTERNATIONAL COOPERATION

Zimbabwe became a United Nations member on 25 August 1980 and belongs to ECA and several nonregional specialized agencies, such as the World Bank, the FAO, IAEA, UNESCO, UNIDO, and the WHO. It is also a member of the African Development Bank, the Commonwealth of Nations, the ACP Group, G-15, G-77, the African Union, the WTO, COMESA, the Southern African Development Community (SADC), and the Preferential Trade Association (PTA) for eastern and southern Africa. Zimbabwe is part of the Nonaligned Movement.

In environmental cooperation, Zimbabwe is part of the Convention on Biological Diversity, CITES, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

### 19 ECONOMY

Zimbabwe has developed one of the most diverse economies in Africa. It has abundant agricultural and mineral resources and a well-developed industrial sector and infrastructure. Average annual growth during the first postindependence decade was 2.9%, but grew at an annual negative growth rate (i.e. declined) of 7.2% between 2001 and 2005 with a peak of -10.6% in 2003. Problems abound, with an annual average inflation rate of 246% between 2001 and 2005 and the unemployment rate above 70% in 2002. It is estimated that over 70% of Zimbabwe's population currently lives below the poverty line. A small white elite continues to dominate economic resources, but repatriation of white farms caused the flight of white capital in 2000, and by 2003, the land reform program had created chaos and violence. Inflation seriously threatened the gold mining and tobacco industries.

The government remained committed to the 1991-95 Economic Structural Adjustment Program (ESAP), despite severe hardships the Program caused average Zimbabweans. Central to this program was the reduction of the civil service by 25% with some 32,000 jobs eliminated by 1994. Although Zimbabwe recovered from the effects of the devastating 1991-92 drought, which caused a decline of between 8% and 9% in the GDP, thousands remained chronically dependent on food support. During 2000-05 period, many of Zimbabwe's population struggled to afford basic commodities as inflation rose. The African Development Bank and the IMF granted loans to Zimbabwe in 1999 and 2000, but Zimbabwe's external debt had already risen to \$5 billion in 2001 and

is currently estimated to be \$5.2 billion. Civil unrest threatens the ruling government of Robert Mugabe. High budget deficits, inflation, and the HIV/AIDS pandemic prevent economic stability. As of 2002, the IMF's program with Zimbabwe remained suspended because the country was not complying with the IMF's conditions, and Zimbabwe had not made payments to the IMF since 2001. The World Bank also suspended programs in 2000 due to Zimbabwe's falling into arrears on payments. Mugabe's greater exercise of control over the economy did not portend well for the future. In its April 2005 World Economic Outlook, the IMF projected that real GDP in Zimbabwe would contract by 1.6% in 2005 and that growth would be stagnant in 2006. The fall in GDP in 2005 represented the seventh consecutive year of decline. GDP in 2005 was 40% lower than in 1998 and it is projected that in 2010 it will be 57% lower than in 1998.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Zimbabwe's gross domestic product (GDP) was estimated at \$28.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,900. The annual growth rate of GDP was estimated at -4%. The average inflation rate in 2005 was 266.8%. It was estimated that agriculture accounted for 17.9% of GDP, industry 24.3%, and services 57.9%.

Foreign aid receipts amounted to \$186 million or about \$14 per capita.

The World Bank reports that in 2003 household consumption in Zimbabwe totaled \$12.87 billion or about \$982 per capita based on a GDP of \$17.8 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 0.4%. Approximately 20% of household consumption was spent on food, 21% on fuel, 3% on health care, and 15% on education. It was estimated that in 2004 about 80% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Zimbabwe's labor force was estimated at 3.94 million. As of 1996 (the latest year for which data was available), 66% of the workforce was engaged in agriculture, 24% in services, and 10% in industry. Growing unemployment remains a serious problem as new jobs fail to keep pace with the number of new job seekers. The unemployment rate in 2004 was estimated at 60%.

In 1981, the Zimbabwe Congress of Trade Unions (ZCTU) was formed as an umbrella organization for all trade unions and to promote the formation of a single trade union for each industry. As of 2002, about 25% of the salaried workforce were members of the 31 unions which formed the ZCTU. Spontaneous strikes and lockouts are banned. Government-mandated worker committees carry out many functions performed by unions elsewhere, and annual wage increases are mandated for all workers.

Since independence, a priority of the government's wage policy has been reduction of the huge variation in earnings among work-

ers, partly by increasing minimum wages and by controlling increases in higher wage brackets. The monthly minimum wage in 2002 ranged from about us\$14 for agricultural workers to us\$30 in the manufacturing sector. Although children under the age of 15 are legally banned from employment, child labor is widespread in all aspects of the economy. Workplace safety and health continue to be problems. There are no general standards for the safety of the work environment. The government sets standards and enforces them on an inconsistent basis.

## 22 AGRICULTURE

In 2003, Zimbabwe had 3.3 million hectares (8.3 million acres) of arable land, covering 8.7% of the country's total land area. Most of what is now central Zimbabwe was sparsely populated when Europeans first settled into the region, gradually transforming the bush into fertile farmland. Since 2000, government policy changes have led to the seizure of 4,000 white-owned farms, and many who lost land have emigrated elsewhere in Africa or overseas. In 2003, agriculture accounted for 17% of GDP and 23% of exports.

In April 2000, some 35,000 guerilla veterans of Mugabe's Bush War revolution began expropriating hundreds of white-owned farms, frequently assaulting and occasionally murdering farmers. The farmland occupation cost millions of dollars in crop damage. Mugabe had promised to give each landless veteran z\$50,000 as well as a monthly pension, but there was no money in the budget for it. Zimbabwe's High Court ordered police to evict the squatters from white farms, but the order was not enforced. Mugabe gave an implied approval of the confiscation by publicly declaring all white Zimbabweans as enemies of the state. The mainly white Commercial Farmers Union of Zimbabwe had been willing to negotiate redistribution of much of the farmland owned by whites, but Mugabe and the ruling ZANU-PF party were reluctant to settle. Previous land confiscations ordered by Mugabe have typically resulted in farmland left fallow or under the control of corrupt government officials. Crop production during 2002-04 fell by almost 25% compared with 1999-2001.

Since 1991, Zimbabwean agriculture has undergone a fundamental transition away from artificial producer and consumer prices, which were set far below world market levels. Many commercial farms changed from corn, cotton, and oilseed production to tobacco and horticultural activities because the government refused to permit producer prices to keep pace with rising input prices. About 63% of the economically active population was engaged in agriculture in 2000.

In the early 1990s, drought severely affected the output of every crop except tobacco. Corn, wheat, cotton, oilseed, coffee, and sugar outputs all declined by at least 75%. Tobacco production in 2004 was 80,000 tons. Corn production in 2004 totaled only 1,000,000 tons, down from 2,609,200 tons in 1996. In 2004, cotton production totaled 100,000 tons. Marketed production figures of other crops in 2004 were wheat, 80,000; sorghum, 80,000; soybeans, 93,000; peanuts, 150,000; coffee, 9,000; and sunflower seeds, 5,000. Rice, potatoes, tea, and pyrethrum are also grown.

## 23 ANIMAL HUSBANDRY

In 2005, some 5,400,000 head of cattle, 2,970,000 goats, 610,000 sheep, 610,000 hogs, 112,000 donkeys, and 28,000 horses were held. Chickens numbered about 23 million. Livestock raising is

an important industry, which has been helped by increased diversification initiated after 1965. In 2005, beef production totaled 96,700 tons; pork, 27,500 tons; and goat meat, 12,800 tons. Fresh milk production from cows totaled 248,000 tons.

## 24 FISHING

There is some commercial fishing on Kariba Lake. Rural Zimbabweans fish the smaller lakes and rivers. The total catch in 2003 was estimated at 15,600 tons, with dagaas accounting for 67%.

## 25 FORESTRY

About 49% of Zimbabwe's land area is estimated to be forest, but this classification included scattered tree savanna and considerable areas of grassland likely to be reforested in the foreseeable future. Forestry is gaining importance in Zimbabwe. There are hardwood forests in the western part of the country and in the Victoria Falls area. About 100,000 tons of teak, mahogany, and mukwa (kiaat) are cut annually. Roundwood production totaled 9.1 million cu m (321 million cu ft) in 2004, with about 89% used as fuel wood. Sawn wood production that year was 397,000 cu m (14 million cu ft). Softwood afforestation projects have been undertaken in the eastern districts to supply local needs heretofore met by imports; however, the loss of woodlands may be as high as 1.5% per year.

## 26 MINING

Zimbabwe's chief minerals were coal, gold, copper, nickel and clays. Zimbabwe was a world leader in the production of lithium minerals, chrysotile asbestos, and ferrochromium, with more than half of the world's known chromium reserves. Zimbabwe was self-sufficient in most minerals, producing 35 commodities mainly from small-scale mines. The total value of mineral production totaled \$804.3 million in 2003. Employment however in the mining and quarrying sector has declined between 1998 and 2002, dropping from 61,000 to 43,000 in 2002. The fall may be attributed to economic conditions that have forced many smaller mining operations to shutdown between 2000 and 2003. However, another 100,000 to 300,000 were thought to be employed in the panning for gold. Of total exports of \$1.23 billion in 2003, mineral and manufactured metal exports accounted for \$492.3 million, up from \$426.6 million in 2002.

Gold production peaked in 1999 at 27,666 kg, but government policies caused a more than 50% drop to 12,564 kg in 2003. As a result, gold exports also fell, from \$236.1 million in 1998 to \$137.4 million in 2003. Gold historically had been a major export.

Although several major metals saw production increases in 2003, most of the other minerals saw production declines ranging from 5% to more than 60% in 2003. Among the reasons for the decline were: general domestic economic conditions compounded by the state-sanctioned expropriation of commercial farmlands which threatened to spill over to the mining sector, and the high incidence of HIV/AIDS—25% of the 15–49-year-old population was infected—added substantially to the mining sector's labor costs, through absenteeism, lost productivity, medical treatment, and skill replacement.

Output of other major minerals in 2003 included chromite (gross weight), 637,099 metric tons, down from 749,339 metric tons; asbestos, 147,000 tons, down from 168,000 in 2002; mine

copper concentrate (metal content), 2,767 metric tons, up from 2,502 metric tons in 2002; mined nickel, 11,600 metric tons (estimated), up from 8,092 metric tons; lithium minerals (gross weight), 12,131 metric tons, down from 33,172 metric tons in 2002; black granite, 47,007 metric tons, down from 408,550 metric tons in 2002; iron ore (metal content), 184,000 tons, up from 136,000 in 2002; and marketable phosphate rock concentrate, 95,496 metric tons, down from 107,854 metric tons in 2002. The Madziwa nickel mine was closed down in 2000, the Mhangura Copper Mines were near depletion, and Munyati Copper Mines Ltd. suspended operations in 2000, following its abandoned sale. In the late 1960s and early 1970s, copper replaced gold and asbestos as the most valuable mineral, but its production has not kept pace with other minerals. Zimbabwe in 2003 also produced palladium, platinum, rhodium, selenium, silver, barite, hydraulic cement, clays (including montmorillonite bentonite and fire clay), emerald, feldspar, graphite, kyanite, limestone, magnesite, mica, nitrogen, rough quartz, sulfur, talc, and vermiculite. National PGM metal production grew in 2003 to an estimated 8,418 kg, up from 4,729 kg in 2002. No antimony, lead, zinc, diamonds, or iron oxide pigments were produced in 2003.

Gold panning was legal, but, by the Gold Trade Act, the Reserve Bank of Zimbabwe had a monopoly on purchasing and exporting of all gold and silver produced in the country. The revised code also permitted unlimited foreign exchange to companies that exported more than 75% of their production, and mining companies were allowed to keep 5% of their export earnings, to buy imported raw materials. Coal deposits in the Hwange area were substantial.

Excess government intervention in the economy and in state-run industries has been a major contributor to the growing number of closed mines and suspended projects, undermining the ability of the mining sector to generate more than 25% of export earnings. The government has been making efforts to privatize its interests in the energy, mining, and rail sectors, and to loosen its foreign exchange rules. Although the short-term outlook was not favorable, the natural resource endowment and a well-developed infrastructure remained in place.

## 27 ENERGY AND POWER

Zimbabwe relies heavily on hydroelectricity and coal for its energy needs. Wood is also important.

With no proven oil reserves or refining capacity, the country's demand for refined oil is met by imports. In 2002, imports of refined petroleum products averaged 21,560 barrels per day, of which distillates accounted for 11,490 barrels per day and gasoline 5,680 barrels per day. Demand for refined products averaged 22,330 barrels per day in that same year. A pipeline from the Mozambique port of Beira to Mutare provides the majority of Zimbabwe's refined petroleum and diesel oil; the rest comes from South Africa.

Coal reserves in Zimbabwe were estimated at about 809 million tons at the beginning of 1998. Production in 2002 totaled 4,068,000 short million tons, with much of that amount going to the coal-fired Hwange plant for electricity production. Imports of coal totaled 43,000 short tons that year.

Electrical production is shared with Zambia. In 2002, Zimbabwe produced 8.279 billion kWh of electricity, of which 54% was from fossil fuels and 46% from hydropower. Consumption of elec-

tricity in 2002 was 11.394 billion kWh. Installed capacity in 2002 was 1.961 million kW, of which 61.5% of capacity came from conventional thermal plants.

## 28 INDUSTRY

Zimbabwe has a substantial and diverse manufacturing base, which is partly a legacy of the international sanctions imposed over the five years prior to independence. Industry accounted for only 14% of GDP in 2001, however. Manufacturing was at its lowest level in 15 years in 2001 due to civil unrest. Food and beverages, minerals processing, chemical and petroleum products, and textiles account for the majority of the value added by manufacturing. Lower levels of consumer demand because of high prices have affected producers of many household goods, clothing, footwear, drink, and tobacco products.

The Zimbabwe Iron and Steel Corporation (ZISCO) was operating at 30% in 1996, and supplied 60% of local need. The Zimchem chemical refinery processes a range of chemical products. Cement is produced in large quantities. Zimbabwe also has a substantial cotton and textile industry. The textiles industry has lost some 17,000 jobs in recent years to foreign competition from South Africa, which used subsidies, export incentives, and tariff protection to support its textiles industry. The gold mining industry faced collapse and closure in 2000 because of a lack of foreign exchange. Gold output dropped by half in that year, and 46,000 jobs were in peril. The tobacco industry was also in danger of foreclosure due to farm repatriation. As of 2005, the dire condition of the economy (a severely problematic balance of payments situation, devaluation of the currency, desperate foreign currency shortage, high inflation, very high interest rates, a fall in exports, and fuel shortages) was damaging the operations and viability of the manufacturing, construction, and mining sectors, in addition to agriculture.

## 29 SCIENCE AND TECHNOLOGY

Much of Zimbabwe's research effort is directed at improvements in agriculture. The government's budget for agricultural research is administered by the Agricultural Research Council which is headquartered in Harare and operates seven research institutes, eight research and experiment stations, and the National Herbarium and Botanic Garden. In Harare, at the Blair Research Laboratory, simple, innovative technologies are being developed to improve Zimbabwe's water supply and sewage disposal. Other research organizations, all in Harare, include the Geological Survey of Zimbabwe, the Institute of Mining and Metallurgy, and the Public Health Laboratory. The National University of Science and Technology, founded in 1990 at Bulawayo, has faculties of industrial technology and applied sciences. The University of Zimbabwe, founded in 1955 at Harare, has faculties of agriculture, engineering, medicine, science, and veterinary science. Degrees in agriculture and polytechnic studies are offered by seven colleges. In 1987-97, science and engineering students accounted for 24% of college and university enrollments. In 2002, high technology exports were valued at \$21 million, or 3% of all manufactured exports.

## 30 DOMESTIC TRADE

Harare and Bulawayo are the country's principal distribution centers. They are linked by rail and road to smaller towns that serve

as centers for their immediate rural areas. Head offices of most of the large companies are in one or the other of the two cities. There are supermarkets and department stores in Harare as well as few newer shopping centers offering a wider variety of goods. Many products are locally produced. Kwe Kwe serves as a processing and distribution center for livestock, tobacco, steel, and chrome. Mutare is a regional trading center. A chaotic, controversial land reform program and uncontrolled inflation have hindered the domestic trade and economy.

Business hours are generally from 8 AM to 5 PM Monday through Saturday. Banks are open from 8:30 AM to 2 PM Monday through Friday, except on Wednesday, when they close at noon. Saturday banking hours are from 8:30 to 11 AM.

## 31 FOREIGN TRADE

Due to violence in 2000, the annual tobacco auction that usually provides 30% of Zimbabwe's foreign exchange earnings had less than 20% of its normal sales volume and sold bales at prices 15% lower than usual. Unmanufactured tobacco from Zimbabwe (30% of total exports) typically accounts for about 11% of the world's export market in that category.

Gold had been the second-largest export commodity, but gold revenues were down by almost 50% in 2000 due to high inflation rates in Zimbabwe and low world market prices for gold. Other important exports include cotton (9.2%), iron and steel (9.2%), sugar (4.7%), and nickel (4.4%).

In 2005 the principal exports in terms of monetary revenues were as follows: gold (\$366 million), tobacco (\$227 million), ferro-alloys (\$185 million), and platinum (\$121 million). During the same year the principal imports were as follows: fuels (\$413 million), chemicals (\$401.3 million), machinery (\$271.4 million), and manufactured goods (\$268.7 million).

## 32 BALANCE OF PAYMENTS

Zimbabwe's imports grew by an average of 11% between 1988 and 1998, reflecting a relaxation of import controls and the inflow of capital goods needed for investment, but declined rapidly after 1998. The rapid rise of the current account deficit since 1989 was caused primarily by the surge in imports from the creation of the

### Principal Trading Partners – Zimbabwe (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	2,327.4	2,466.7	-139.3
South Africa	431.4	1,297.8	-866.4
Switzerland-Liechtenstein	303.7	19.5	284.2
Zambia	215.6	21.5	194.1
United Kingdom	140.4	120.7	19.7
Japan	122.3	72.5	49.8
Malawi	120.1	...	120.1
Germany	109.6	134.3	-24.7
United States	104.7	87.0	17.7
Netherlands	89.8	21.4	68.4
Spain	70.5	10.0	60.5

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Zimbabwe (1998)**

(In millions of US dollars)

<b>Current Account</b>		<b>-424.9</b>
Balance on goods	157.6	
Imports	-1,803.5	
Exports	1,961.1	
Balance on services	-328.5	
Balance on income	-293.7	
Current transfers	39.6	
<b>Capital Account</b>		<b>284.4</b>
<b>Financial Account</b>		<b>-25.5</b>
Direct investment abroad	...	
Direct investment in Zimbabwe	...	
Portfolio investment assets	...	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	...	
Other investment liabilities	...	
<b>Net Errors and Omissions</b>		<b>80.2</b>
<b>Reserves and Related Items</b>		<b>85.8</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Open General Import License (OGIL) list of items possible for importation without first obtaining a foreign exchange allocation from the government. With huge pent-up demand and future uncertainty about the program, importers rushed to take advantage of the opportunity, often hoarding several years' supply of items, which caused the trade deficit to balloon. After 1997, the amount of imports leveled off, and dropped rapidly in 1998. Due to the government's disastrous land reform programs, the commercial sector, as the traditional source of exports and foreign exchange, has suffered considerably.

The Economist Intelligence Unit reported that in 2005 the purchasing power parity of Zimbabwe's exports was \$1.686 billion while imports totaled \$2.053 billion resulting in a trade surplus of \$367 million.

**33 BANKING AND SECURITIES**

Zimbabwe has a relatively well-developed financial sector, in sub-Saharan Africa, second only to that of South Africa. The Reserve Bank of Zimbabwe (RBZ) administers all monetary and exchange controls and is the sole bank of issue. The Zimbabwe Development Bank was established in 1983 as a development finance institution.

Five commercial banks and 10 merchant banks operate in Zimbabwe. Commercial banks include Barclays, Standard Chartered, Stanbic, the Zimbabwe Banking Corporation, and the Commercial Bank of Zimbabwe. Merchant banks include the Merchant bank of Central Africa, First Merchant Bank, Standard Chartered Merchant Bank, Syfrets Merchant Bank, National Merchant Bank of Zimbabwe. Commercial banks are obliged to maintain a statutory deposit ratio of 20%. The Post Office Savings Bank is an important savings institution. High inflation rates in the late 1990s prompted the government to print \$250 million worth of Zimbabwean dollars in order to keep the state running, instead of depreciating the currency itself.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$2.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$3.3 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 21.52%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 57.2%.

The Zimbabwe Stock Exchange (ZSE), with floors in Harare, deals in government securities and the securities of many privately owned companies. The stock exchange opened in 1946. Until 1993, it was insignificant as a source of new capital, but the government allowed foreign investment through the ZSE, and by September 1995 the net foreign inflow exceeded us\$125 million. In 1997, the value of shares traded more than doubled, but in 1998, there was an 88% decline in the value of shares traded because of social unrest and high interest rates. 2001 proved to be a banner year, however, with market capitalization at a soaring all-time high of just under \$8 billion, and trading valued at \$1.5 billion. The ZSE Industrial Index was up 158% for the year, at 46,351.9, despite the severe economic slowdown caused by President Robert Mugabe's policies. As of 2004, a total of 79 companies were listed on the ZSE, which had a market capitalization of \$1.941 billion. In that same year, the ZSE Industrial index rose 173.3% from the previous year to 1,097,492.5. Trading value in 2004 totaled \$136 million.

**34 INSURANCE**

Insurance companies must be registered with and licensed by the Registrar of Insurance, make security deposits with the treasury, file annual financial reports, and observe other government regulations. Principal types of insurance written are life, fire, automobile, employers' liability, and accident. Automobile third-party liability is compulsory. There were some 50 insurance companies doing business in Zimbabwe in the mid-1980s.

In 1996, insurance companies continued to complain about the persistence of regulations that they considered to be inappropriate in the liberalized environment. Two foreign-owned insurance companies were reported to be holding out against government localization requirements against which a deadline of 1 August 1993, for 51% local shareholding had been set. The requirement on insurance companies and pension funds to invest 55% in government securities was also felt to be too high. In 2003, the value of all direct insurance premiums written totaled \$482 million, of which life insurance premiums accounted for \$277 million. NicozDiamond was the country's top nonlife insurer in 2003, with gross written nonlife premiums of \$195 million. In 2002, Old Mutual was the leading life insurer, with gross written life insurance premiums of \$144.3 million.

**35 PUBLIC FINANCE**

Zimbabwe derives its principal revenues from income taxes, sales tax, customs and excise duties, and interest, dividends, and profits. Principal categories of expenditure are education, defense, debt service, and agriculture. Budgets for the 1970s and the 1980s were generally in deficit. Escalating fiscal deficits in the 1980s led to the implementation early in 1991 of an extensive reform program, which focused on fiscal deficit reduction and monetary reforms. A

**Public Finance – Zimbabwe (1997)**

(In millions of Zimbabwe dollars, central government figures)

<b>Revenue and Grants</b>	<b>30,539.8</b>	<b>100.0%</b>
Tax revenue	26,913.9	88.1%
Social contributions	839	2.7%
Grants	456	1.5%
Other revenue	2,330.9	7.6%
<b>Expenditures</b>	<b>36,454.4</b>	<b>100.0%</b>
General public services	9,118.7	25.0%
Defense	2,584.4	7.1%
Public order and safety	2,249	6.2%
Economic affairs	2,462.4	6.8%
Environmental protection	...	...
Housing and community amenities	1,591.1	4.4%
Health	2,957.4	8.1%
Recreational, culture, and religion	25.2	0.1%
Education	8,820.3	24.2%
Social protection	6,645.9	18.2%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

severe drought in 1992, however, set back the program; the deficit rose to more than 10% of GDP in 1993, and 15% of GDP in 2000. In 1999, an estimated one-third of the total budget was spent on troops sent to the Congo. Pay raises from 60% up to 90% were given to the civil service and the army.

The US Central Intelligence Agency (CIA) estimated that in 2005 Zimbabwe's central government took in revenues of approximately us\$1.4 billion and had expenditures of us\$1.9 billion. Revenues minus expenditures totaled approximately -us\$496 million. Public debt in 2005 amounted to 30.1% of GDP. Total external debt was us\$5.17 billion.

The International Monetary Fund (IMF) reported that in 1997, the most recent year for which it had data, central government revenues were z\$30,539.8 million and expenditures were z\$36,454.4 million. The value of revenues in US dollars was us\$36,314 million and expenditures us\$43,346 million, based on a official exchange rate for 1997 of us\$1 = z\$0.841 as reported by the IMF. Government outlays by function were as follows: general public services, 25.0%; defense, 7.1%; public order and safety, 6.2%; economic affairs, 6.8%; housing and community amenities, 4.4%; health, 8.1%; recreation, culture, and religion, 0.1%; education, 24.2%; and social protection, 18.2%.

**36 TAXATION**

The corporate tax rate as of 2005 was 30% plus a 3% AIDS levy, down from a flat rate of 36.8%. A 5% levy is imposed on the net profits of banking institutions. New projects or enterprises in designated growth point area are taxed at 15% for five years. Other tax concessions are available for export manufacturers. Dividends paid to a Zimbabwean company are not taxable, but dividends paid to a foreign company are subject to 15% withholding if the company is stock exchange-listed, and 20% otherwise. Listed securities are exempt from capital gains tax, which is otherwise 20%. Withholding rates may be reduced or eliminated in double taxation agreements. Zimbabwe has tax treaties with at least 12

countries, including the United Kingdom, France, Germany, the Netherlands, Sweden, Canada, South Africa, Poland, Malaysia, Bulgaria, and Mauritius.

The primary tax on individuals is an income tax, which is based on a graduated scale of rates: 0%, 20%, 25%, 30%, 35%, and 40%.

As of 2005, Zimbabwe had a value-added tax (VAT) with a standard rate of 15%, which was applied to most goods and services. Exempt from the VAT were rail or road passenger transport, financial, medical, educational and training services, long-term residential leases, tobacco, and fuel. Exports are zero-rated, as are prescribed drugs and tourist services. Tobacco sold on the auction floor is subject to a 1.5% levy. There are excise duties on alcoholic beverages, cigarettes, and tobacco. Other taxes include a betting tax, and stamp, transfer, and estate duties.

**37 CUSTOMS AND DUTIES**

Zimbabwe uses the GATT system of tariff codes. Imports are subject to duty, import tax, and surtax. Capital goods are exempt from all three. Duties mostly range between 15% and 20% but can go as high as 60%. The surtax is 10% and sales tax is charged to the importer as the end-user. The customs duty for textiles is 5% and the duty for clothes is 15%.

Zimbabwe is a member of the 14-nation Southern African Development Community (SADC), which was formed to promote "regional integration," and the 22-nation Preferential Trade Area (PTA) of Eastern and Southern Africa, which provides reduced duties on trade between member countries.

**38 FOREIGN INVESTMENT**

From independence in 1980 until 1991, the government was very defensive toward foreign investment, subjecting each proposal to careful scrutiny and requiring foreign investors to get permission from the Foreign Investment Center for the development of any new enterprise in Zimbabwe. Enterprises could be 100% foreign owned, especially in priority areas, but there was (and is) in effect a strong preference for joint ventures with at least 30% local participation.

In 1991 there was some revision of the regulations but the emphasis on indigenization remained at least as strong as the emphasis on the need to attract foreign investment. There is a long list of reserved sectors, but priority areas are offered a schedule of tax and tariff exemptions and incentives. Incentives are aimed at encouraging capital investments, the transfer of technology, the utilization of local raw materials, the development of rural areas, the use of labor-intensive methods, and the hiring of local personnel. Industries geared toward exporting that meet EPZ requirements receive tax holidays and customs free trade. In 1992, as part of a structural reform program under the IMF's Enhanced Structural Adjustment Facility (ESAF), the Zimbabwe Investment Centre (ZIC) was established as a one-stop shop for investment approval. In 1995, disbursements under the ESAF program were suspended for failure to meet IMF targets, and in 1996, the government substituted a second plan, the Zimbabwe Program for Economic and Social Transformation (ZIMPREST), whose operations investors have found much less satisfactory. By the late 1990s, political turbulence and the government's defiance of the IMF had greatly increased investor risk, and brought foreign direct investment flows to a standstill.



Foreign investment has played a crucial role in Zimbabwe's development. In 1998, foreign direct investment (FDI) in Zimbabwe totaled over \$444 million; by 2001, FDI in-flow had fallen to \$5.4 million. In the last three years (2003–05) FDI has all but dried up, as the government's focus on political objectives at substantial cost to the economy continue and a return to better policies and practices seems no closer. At the end of the 1970s, foreigners owned an estimated 70–80% of listed corporations. Today, offshore ownership of shares on the Zimbabwe Stock Exchange has fallen to approximately 25%.

There has been a comparable decline in foreign portfolio investment, reflected in the transformation of Zimbabwe's capital account balance, from a surplus in 1995 equal to 7.1% of GDP to a deficit in 2002 equal to 6.5% of GDP. The lack of foreign currency in the country has made investment even less attractive because of the near-impossibility of converting earnings out of the rapidly depreciating local currency, which the government in many cases restricts. The suspension of IMF funding, with its negative implications about the credit-worthiness of the country, has limited most business transactions to a cash basis. The situation was worsened in June 2003, when the IMF suspended Zimbabwe's voting rights in the organization for failure to make effective efforts to repay arrears of about \$305 million to the fund. Zimbabwe's total arrears increased from \$700 million at the end of 2001 to \$1.5 billion at the end of 2002. Somewhat ironically, the Zimbabwe Stock Exchange (ZSE), founded in 1896 and open to foreign investment since 1993, has been the best- or second-best-performing emerging market stock exchange since 1999, propelled by inflation rates that in 2003 were reaching 300%.

Most foreign investment in Zimbabwe has roots in the colonial era, such as the mining conglomerate Anglo-American of Zimbabwe (AMZIM), and the timber company Lonrho, long the country's two largest investors. In 2001 Lonrho sold its timber holdings in Zimbabwe to Brotherhood Holdings Ltd. for a cash payment of \$275 million. AMZIM, after selling off a number of subsidiaries, announced in June 2003 that it was relocating its headquarters to South Africa. Government policy allows squatters to take over, at times forcefully, white-owned commercial farms. When Zimbabwe was Rhodesia, white farmers, constituting less than 1% of the population, controlled over one-third of the land. Under Zimbabwe's investment regime investments in agriculture were discouraged and underutilized land was subject to fair-value purchase by the government for redistribution to family farmers. This policy primarily affected the 50% of the 11 million ha of agricultural estates created prior to independence. The United States provided some funding for a land-for-purchase program from 1980 to 1997, but by 1998 the government had rejected this gradualist approach as too slow. By 2003, over 4,000 white-owned farms had been taken against the will of the owners.

### 39 ECONOMIC DEVELOPMENT

A three-year transitional development plan was adopted for 1982–85. It called for investments in the public sector and assumed an average net growth rate of 8% per year. Manufacturing was to receive 23% of total investment, transport 14%, and agriculture 13%. Total investment fell 30% short of this goal. The Five-Year Development Plan for 1986–90 called for an annual growth rate of 5.1%, some 60% from public-sector investment and 40% from

foreign sources. Education, defense, and debt service were the largest categories of government spending. During the 1990s, the International Monetary Fund (IMF) supported Zimbabwe's balance of payments, but in 1999 President Robert Mugabe declared that he would sever ties with the development fund. The president was not willing to "save" the economy under a structural adjustment plan because it would have effectively bankrupted the government. In 2000, economic development slid backwards as inflation spiraled, industries died, and agricultural production fell; but in terms of leveling the distribution of wealth between blacks and whites, it was a red-letter year.

Mugabe's radical land reform program, poor management of the economy, and interference with the judiciary have combined to prevent further investment and development. Shortages of food, fuel, and foreign exchange marked the early 2000s. The IMF adopted a declaration of noncooperation for Zimbabwe in 2002 and suspended its technical assistance to the country, due to the nonpayment of arrears. In 2003, the IMF suspended Zimbabwe's voting and related rights. That year, inflation stood at 385%, and economic and social conditions had deteriorated, including a rise in unemployment and poverty, and a worsening of the HIV/AIDS pandemic in the country. In February 2003, the government launched a National Economic Revival Program (NERP) designed to stabilize the economy. The Economist Intelligence Unit notes that since no fundamental changes in economic policy are expected, the economic collapse of recent years is expected to continue and real GDP is forecast to contract by 4.2% in 2006 and 1.5% in 2007. Inflation is forecast to remain firmly in triple digits as monetary policy will remain loose and the government will struggle to rein in spending, and because of ongoing food and foreign-exchange shortages and high world oil prices.

### 40 SOCIAL DEVELOPMENT

The social insurance system, instituted in 1993, has been updated in 2001, 2002, and 2003. All employed persons between the ages of 16 and 64 who are citizens or residents of Zimbabwe are covered. Old age pensions, disability, and survivorship benefits are provided under the program. Workers' compensation is available to all private-sector employees except domestic workers; government employees are covered under a state plan.

In 1993, a social security system was introduced providing old age, disability, and survivor's pensions. The program covers all employees between the ages of 16 and 65. Retirement is normally allowed at age 60. Free health care is provided for low-income families (about 75% of the population). Maternity benefits provide 70% of regular earnings for 90 days. Workers compensation insurance is provided for private sector employees. The State Disability Act provides coverage to public sector employees.

Domestic violence and abuse is common, and is on the rise due to economic stress and high unemployment. As of 2004, there was no legislation addressing domestic abuse, and officials often condone wife beating. Despite some legislative advances, women are bound by traditional customs which are discriminatory in areas of property ownership and inheritance. Sexual harassment in the workplace is prevalent. Rape, including politically motivated assaults, remain a huge and underreported problem. There are hundreds of thousands of orphans due to the large number of deaths

from HIV/AIDS. Education is not compulsory, and schooling is not free.

There are numerous reports of human rights violations. Abuses included police killings, beatings, and torture, violation of privacy rights, and persecution of journalists. The government has generally failed to take action against those responsible for human rights abuses.

## 41 HEALTH

All health services are the responsibility of the Ministry of Health, which covers 50% of total health care expenditures provided by local authorities (with Ministry of Health grants), mission churches (also with grants), and industrial organizations and private services. The government has declared its intention to provide free medical services for all. Prior to independence, facilities for Africans were free, but these were greatly inferior to those available to Europeans. Zimbabwe has been focusing on building and/or upgrading rural health care centers and district hospitals and expanding rural health programs, such as immunization, control of diarrheal diseases, training of health care workers, and improving the supply and affordability of essential drugs. The local pharmaceutical industry is well developed. The Ministry of National Supplies operates the Government Medical Stores, which procures goods on behalf of the Ministry of Health. There were four tiers of health care delivery in Zimbabwe: 56 rural hospitals and 927 health centers (public and private) providing preventive and curative services; 55 district hospitals; 8 provincial and 4 general hospitals; and 5 central hospitals located in major cities. As of 2004, there were an estimated 6 physicians and 54 nurses per 100,000 people. About 85% of the population had access to health care services. An estimated 85% of the population had access to safe drinking water and 68% had adequate sanitation.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 24.6 and 24 per 1,000 people. About 54% of married women (ages 15 to 49) were using contraception. The fertility rate was 3.8 births per woman. Infant mortality was 52.34 per 1,000 live births in the same year, and life expectancy was only 39.13 years in 2005. Maternal mortality rates were high with an estimated 695 per 100,000 live births and the disease pattern for mothers and children was one of mainly preventable diseases. The government of Zimbabwe paid for 80% of the routine immunizations. The immunization rates for children under five were as follows: diphtheria, pertussis, and tetanus, 78%; polio, 79%; measles, 73%; and tuberculosis, 82% in 1994.

Guinea worm incidence has decreased from 1,570 cases in 1991 to 257 in 1995. Commonly reported diseases were malaria and measles. Tuberculosis continues to be a major health problem. Local campaigns are under way to control schistosomiasis, which affects a large percentage of the African population. An estimated 16% of children under five years old were considered malnourished.

The AIDS epidemic is among the worst in the world. The HIV/AIDS prevalence was 24.60 per 100 adults in 2003, the fourth highest in the world. As of 2004, there were approximately 1,800,000 people living with HIV/AIDS in the country. There were an estimated 170,000 deaths from AIDS in 2003. Demographic surveys project that AIDS may increase child mortality rates nearly threefold by the year 2010 in Zimbabwe.

## 42 HOUSING

In rural areas, Africans live in villages and on farms in housing that is mainly of brick or mud and stick construction with thatch or metal roofs. The villages are usually small (except for the massive protected villages), with fewer than 100 inhabitants. Urban housing is generally of brick. According to the latest available information for 1980–88, total housing units numbered two million, with 4.2 people per dwelling. In 2000, the housing deficit was estimated at over one million units. In 2001, about 3.4% of the urban population lived in slums.

The Zimbabwe National Association of Housing Cooperatives (ZINAHCO) is an umbrella organization of over 1,000 national housing cooperatives. The organization was established as a means of providing advice to member groups on dealing with local and national authorities and to offer training in building techniques. In 2003, ZINAHCO was working to change urban building standards which dictate that hook-ups to public services must be in place before an owner may begin to build a home. The Cooperatives argue that for many of the urban poor living in slum shacks, it is more appropriate to first allow for the construction of permanent structures with communal utility services. Residents can then install utilities at a later date, as they can afford to do so.

## 43 EDUCATION

A unitary system of education under the Ministry of Education has replaced the dual system of separate educational facilities for Africans and non-Africans formerly maintained by the Rhodesian government. Education is free and compulsory for seven years between the ages of 6 and 13. Secondary education lasts for six years (four years lower and two years upper). The government has developed a strong vocational school and apprenticeship system.

Primary school enrollment in 2003 was estimated at about 80% of age-eligible students. The same year, secondary school enrollment was about 38% of age-eligible students. It is estimated that about 80.6% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 39:1 in 2003; the ratio for secondary school was about 22:1. In 2003, private schools accounted for about 86.9% of primary school enrollment and 71.3% of secondary enrollment.

The University of Zimbabwe provides higher education on a multiracial basis. Other universities include the National University of Science and Technology and the Africa University, which is sponsored by the United Methodist church. In 2003, it was estimated that about 4% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 90%, with 93.8% for men and 86.3% for women.

As of 2003, public expenditure on education was estimated at 4.7% of GDP.

## 44 LIBRARIES AND MUSEUMS

The National Free Library of Zimbabwe was founded in 1943 in Bulawayo as a national lending library and center for interlibrary loans. It has over 100,000 volumes. The Bulawayo Public Library holds about 100,000 volumes and operates a mobile library service. Other libraries include the Harare City Library, with 200,000 volumes and the Turner Memorial Library in Mutare. The Na-

tional Archives of Zimbabwe, located in Harare, receives a copy of every book published in Zimbabwe, as does the Bulawayo Public Library. The library at the University of Zimbabwe is the largest in the country, with 500,000 volumes in the main library and branches. The Parliament of Zimbabwe holds a collection of 115,000 volumes.

The Zimbabwe Museum of Natural History (1901) at Bulawayo has geologic, ethnographic, historical, and zoological collections. A Railway Museum is also located in Bulawayo. Located in Harare are the Zimbabwe Museum of Human Sciences, with archaeological, historical, zoological, and other collections, the National Gallery of Zimbabwe, which displays works of national, regional, and European art, and the Queen Victoria Museum. There is a military museum in Gweru and a children's museum in Marondera.

#### 45 MEDIA

The Ministry of Information, Posts, and Telecommunications provides telephone, telegraph, and postal services. In 2003, there were an estimated 26 mainline telephones for every 1,000 people; about 131,000 people were on a waiting list for telephone service installation. The same year, there were approximately 32 mobile phones in use for every 1,000 people.

The state-owned Zimbabwe Broadcasting Corporation controls all domestic broadcasting of television and radio. In total there were 7 AM and 20 FM radio stations in 1998. In 1997, there were 16 television stations. In 2003, there were an estimated 362 radios and 56 television sets for every 1,000 people. The same year, there were 52.7 personal computers for every 1,000 people and 43 of every 1,000 people had access to the Internet. There were seven secure Internet servers in the country in 2004.

There are a number of independent and government-owned newspapers in the country. The *Herald* (2002 circulation, 122,166) and the *Chronicle* (74,032) are owned by the Mass Media Trust (MMT), a holding company affiliated with the ZANU-PF. Though circulation figures were not available at this printing, *The Daily News*, an independent publication, is reported to have the largest circulation in the country. Major independent weeklies include *The Financial Gazette*, *The Independent*, and *The Standard*.

The constitution provides for free expression, but allows for legal limitations in the name of defense, public safety, public order, state economic interest, public morality, and public health. There is said to be a high degree of self-censorship employed by the media, though an increasingly independent press is sometimes critical of the government.

#### 46 ORGANIZATIONS

The government encourages the development of agricultural and other cooperatives, which are seen as a means of improving the subsistence economy. The Zimbabwe National Chamber of Commerce has many branches. The Consumer Council of Zimbabwe is located in Harare. The Africa regional office of Consumers International is in Harare.

The National Arts Council of Zimbabwe is based in Harare. The Zimbabwe Medical Association and the Zimbabwe Scientific Association serve as both professional associations and educational/research organizations. The Wildlife Society of Zimbabwe is an

educational and activist group for conservation and environmental issues.

National youth organizations include Youth for Christ, Junior Chamber, the Zimbabwe National Students Union, Zimbabwe Student Christian Movement, the Boy Scouts Association of Zimbabwe, The Girl Guides Association of Zimbabwe, and YMCA/YWCA. There are sports associations promoting amateur competition for athletes of all ages in a wide variety of pastimes, including softball, baseball, badminton, and track and field.

The Zimbabwe Association for Human Rights was established in 1994. Active groups for women's rights and social development include the Kunwana Women Association, the Musasa Project, the Zimbabwe Association of University Women, and the Zimbabwe Women's Bureau. Amnesty International, Habitat for Humanity, the Society of St. Vincent de Paul, UNICEF, and the Red Cross have national chapters.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourist attractions include Victoria Falls and the Kariba Dam on the Zambezi River, numerous wildlife sanctuaries and game reserves, including Hwange National Park, the eastern highlands, the Matobo Hills, and the Zimbabwe ruins near Masvingo. There are safari areas in the Zambezi Valley below the Kariba Dam and at Tuli. Resort, camping, and fishing facilities are also available. South African visitors still account for the largest share of the tourist trade. Political progress in South Africa brightens the outlook for tourism in Zimbabwe. A passport, visa, onward/return ticket, and sufficient funds are required for travel to Zimbabwe. Precautions against typhoid, malaria, and hepatitis are recommended.

In 2001, approximately 2,067,864 tourists visited Zimbabwe. Tourism receipts for 2003 totaled us\$44 million. In that year there were 5,766 hotel rooms with 12,053 beds and a 38% occupancy rate. The average length of stay was three nights.

According to 2005 US Department of State estimates, the cost of staying in Harare was us\$301 per day, and at Victoria Falls, us\$411 per day.

#### 48 FAMOUS ZIMBABWEANS

The country's former name, Rhodesia, was derived from Cecil John Rhodes (1853–1902), whose company administered the area during the late 19th and early 20th centuries.

Lobengula (1833–94), king of the Ndebele, whose grant of the minerals concession in his territory to Rhodes in 1888 led to European settlement, headed an unsuccessful rebellion of his people against the settlers in 1893. Prominent African nationalist leaders are Joshua Nkomo (1917–99), leader of ZAPU; Bishop Abel Muzorewa (b.1925) of the United Methodist Church, who became the nation's first black prime minister in 1979; and ZANU leader Robert Gabriel Mugabe (b.1924), who became prime minister after independence and later first executive president; he has been head of state since 1980. Ian Smith (b.1919) was prime minister from 1964 to 1979. Many of the early works of the British novelist Doris Lessing (b.1919) are set in the Rhodesia where she grew up.

#### 49 DEPENDENCIES

Zimbabwe has no territories or colonies.

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# INDEX TO COUNTRIES AND TERRITORIES

This alphabetical list includes countries and dependencies (colonies, protectorates, and other territories) described in the encyclopedia. Countries and territories described in their own articles are followed by the continental volume (printed in *italics*) in which each appears. Country articles are arranged alphabetically in each volume. For example, Argentina, which appears in *Americas*, is listed this way: Argentina—*Americas*. Dependencies are listed here with the title of the volume in which they are treated, followed by the name of the article in which they are dealt with. In a few cases, an alternative name for the same place is given in parentheses at the end of the entry. The name of the volume *Asia and Oceania* is abbreviated in this list to *Asia*.

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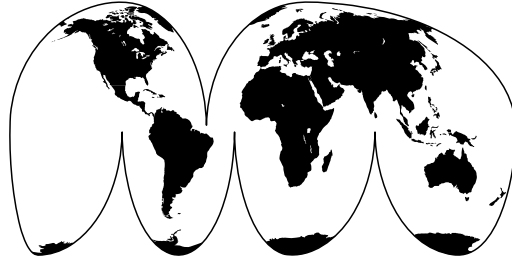
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- Vietnam, North—*Asia*: Vietnam  
 Vietnam, South—*Asia*: Vietnam  
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- Wake Island—*Asia*: US Pacific Dependencies  
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 Western Samoa—*Asia*: Samoa  
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 West Irian—*Asia*: Indonesia  
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- Xisha Islands—*Asia*: China (Paracel Islands)
- Yemen, People's Democratic Republic of (PDRY)—*Asia*: Yemen  
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- Zaire—*Africa*: Congo, Democratic Republic of  
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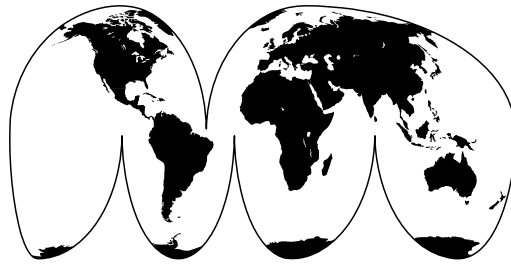
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# READER'S GUIDE

**GENERAL NOTE:** The Twelfth Edition of *Worldmark Encyclopedia of the Nations* (WEN) is comprised of five volumes. Volume 1 is dedicated to the United Nations and its related agencies. Volumes 2 through 5, “Africa,” “Americas,” “Asia and Oceania,” and “Europe,” contain entries on the countries of the world.

Reflecting the ever-changing status of the world geopolitical situation, the Twelfth Edition includes entries for 194 countries, one more than the previous edition. This reflects the 2006 decision of Montenegro to dissolve its relationship with Serbia to become an independent nation in its own right. Seven entries describe dependencies. This edition no longer includes volume 6, which was entitled *World Leaders*.

Some notable changes in previous editions include the Eleventh Edition's inclusion of an entry on East Timor, coverage of the aftermath of the terrorist attacks of 11 September 2001, and the expansion of the European Union and the North Atlantic Treaty Organization (NATO). Changes in the Tenth Edition included recording of the change in status for Macau; as of December 1999 Macau came under Chinese authority, and thus Macau was incorporated into the China entry (previously it was described under Portuguese Asian Dependency). Similarly, the entry for United Kingdom Asian Dependency (Hong Kong) was eliminated with the Ninth Edition; as of 1997 Hong Kong came under Chinese authority and, like Macau, is described in that country's entry. Also with the Tenth Edition, the introduction of the euro as currency in the nations of the European Union was noted. The Eighth Edition of this encyclopedia (1995) reported on the dramatic changes in the world in the early 1990s, including the dissolution of the USSR, Czechoslovakia, and Yugoslavia; the unification of Germany; the unification of Yemen; and the independence of Eritrea. These changes resulted in twenty-five new country articles. Whereas the First Edition of the *Worldmark Encyclopedia of the Nations*, in one volume, contained 119 articles, the present Twelfth Edition now contains 201.

In compiling data for incorporation into the *Worldmark Encyclopedia of the Nations*, substantial efforts were made to enlist the assistance of the government of every nation in the world, as well as of all pertinent UN agencies, who cooperated by supplying data and by revising and updating materials relevant to their sphere of interest. Material received from official sources was reviewed and critically assessed by the editors as part of the process of incorporation. Materials and publications of the UN family and of intergovernmental and nongovernmental organizations throughout the world provided a major fund of geographic, demographic, economic, and social data.

In compiling historical, economic, and political data, primary materials generated by governments and international agencies were supplemented by data gathered from numerous other sources including newspapers (most notably *The European*, the *Financial Times*, the *New York Times*, and the *Wall Street Journal*); periodicals (most notably *Current History*, *Elections Today*, *The Economist*, the *Far Eastern Economic Review*, *Foreign Affairs*, and *World Press Review*); and thousands of World Wide Web sites hosted by government agencies and embassies.

The reader's attention is directed to the Glossary of Special Terms for explanations of key terms and concepts essential to a fuller understanding of the text.

**COUNTRY NAMES:** Country names are reported (as appropriate) in three forms: the short-form name (generally conformed to the U.S. Central Intelligence Agency's *World Factbook 2006*), as commonly used in the text; the English version of the official name (generally conformed to the United Nations list of country names); and the official name in the national language(s). When necessary, textual usages of some short-form names have been rectified, usually through the substitution of an acronym for the official name, in order to strike a better balance between official usages and universal terminology. Thus the following short-form names have been adopted throughout (except in historical context to preserve accuracy): DROC (Democratic Republic of the Congo—known as Zaire prior to the Ninth Edition); ROC (Republic of the Congo); FRG (Federal Republic of Germany); North Korea: DPRK (Democratic People's Republic of Korea); and South Korea: ROK (Republic of Korea). In addition, Vietnam has replaced Viet Nam to reflect common usage.

**MAPS:** Spellings on the individual country maps reflect national usages and recognized transliteration practice. To clarify national boundaries and landforms, dark shading has been applied to waters, and lighter shading to lands not within that nation's jurisdiction. Cross-hatching has been used to designate certain disputed areas. Rivers that run dry during certain times of the year are indicated by dashed instead of solid lines.

**FLAGS AND NATIONAL EMBLEMS:** All depictions of flags, flag designations, and national emblems have been reviewed and, where necessary, corrected or changed to reflect their official usage as of 2006. In general, the term “national flag” denotes the civil flag of the nation.

**CURRENCY:** In most cases, currency conversion factors cited in the Twelfth Edition are as of the first quarter of 2006.

**WEIGHTS AND MEASURES:** The general world trend toward adoption of the metric system is acknowledged through the use of metric units and their nonmetric (customary or imperial) equivalents throughout the text. The two exceptions to this practice involve territorial sea limits, which are reported in nautical miles, and various production data, for which (unless otherwise stated) units of measure reflect the system in use by the country in question. All tons are metric tons (again, unless otherwise indicated), reflecting the practice of the UN in its statistical reporting.

**HOLIDAYS:** Except where noted, all holidays listed are official public holidays, on which government offices are closed that would normally be open. Transliterations of names of Muslim holidays have been standardized. For a fuller discussion on these points, and for a description of religious holidays and their origins and meanings, see the Glossary of Religious Holidays in this volume.

**GEOGRAPHIC INFORMATION:** To update the sections on Location, Size, and Extent; Topography, Climate, Flora and Fauna, and Environment, the following print publications (and their publishers) were used: *Geo-Data: The World Geographical Encyclopedia* (Gale Group), *World Development Indicators 2005* (The World Bank), and *World Resources* (Oxford University Press). Additional data was acquired from these websites: Library of Congress, *Country Studies: Country Profiles* (<http://lcweb2.loc.gov/frd/cs/profiles.html>); *Ramsar Convention on Wetlands* (<http://www.ramsar.org>); *UNESCO World Heritage Centre* (<http://www.whc.unesco.org>); *United Nations Environment Programme* (<http://www.unep.org>); *Weather Channel: Averages and Records* (<http://www.weather.com/common/home/climatology.html>); *World Conservation Union: Species Survival Commission* (<http://www.iucn.org/themes/ssc>); *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>).

**POPULATION DATA:** Data for the four rubrics describing population (Population, Migration, Ethnic Groups, Languages) were compiled from numerous publications of the U.S. Department of State, the World Bank, the United Nations, and the Organization for Economic Co-Operation and Development (OECD), specifically its publication *Trends in International Migration*. Also consulted were *The State of the World's Refugees* (Oxford University Press) and *International Committee of the Red Cross Annual Report* (International Committee of the Red Cross)

**RELIGIONS:** Data for this section were compiled in large part from the *2005 International Religious Freedom Report* released by the Bureau of Democracy, Human Rights, and Labor, U.S. Department of State. This is an annual report to Congress compiled in compliance with Section 102(b) of the International Religious Freedom Act (IRFA) of 1998. The *2005 Report* covers the period from 1 July 2004 to 30 June 2005 and includes the work of hundreds of State Department, Foreign Service, and other U.S. government employees. The authors gathered information throughout this period from a variety of sources, including government and religious officials, nongovernmental organizations, journalists, human rights monitors, religious groups, and academics.

**TRANSPORTATION:** Sources consulted for updated information on transportation include publications of the American Automobile Manufacturers Association, the International Road Transport Union, specifically its publication *World Transport Data*, and the *World Factbook 2006*.

**HISTORY:** In writing the History rubric, a variety of news and background information sources on each country were used. Full country profiles—including information on the history, economy, political institutions, and foreign relations on most nations of the world—are provided by the U.S. Library of Congress and by the U.S. Department of State; similar formats are published by the *BBC News International* version and *The Economist's* Country Briefings feature. In consulting news sources for up-to-date information on events, only reported facts (not editorials) were used. The *New York Times* and the *Washington Post* are more comprehensive than the *Wall Street Journal*, whose focus is placed on financial and business news. While the website of the United Nations was used extensively in compiling Volume 1 “United Nations,” of the *Worldmark Encyclopedia of the Nations*, its coverage of such problems as politics in the Middle East and global terrorism pertained to and supported the updating of history rubrics of a number of countries. Other organizations that publish journals or studies on global current events, foreign policy, international relations, and human rights include Amnesty International; Human Rights Watch; *Foreign Affairs*, published by the Council on Foreign Relations; and *Great Decisions*, published by the Foreign Policy Association. In addition, the

official websites of each nation were consulted critically for information that could be gleaned from a state's view of its own history and place in the world.

**GOVERNMENT:** The Government rubric is constructed by outlining the institutions of government as they were formed throughout a nation's modern history, up to those existing under the present constitution. *Countries of the World and Their Leaders Yearbook 2006* (Thomson Gale) outlines the form of government and provides information on political conditions.

The U.S. Library of Congress and the U.S. Department of State chronicle constitutional changes and also provide information on the form of government. Electionworld and the *World Factbook 2006* provide information on officeholders in place at the time of publication. The *BBC News International* "Country Profiles" cover current leaders and their political parties, and *The Economist* is comprehensive in its coverage of political structures and political forces in place and at work in the nations it profiles. The official government websites of individual nations were also consulted.

**POLITICAL PARTIES:** *Countries of the World and Their Leaders Yearbook 2006* not only lists the political parties present in each nation, but provides additional information on the political parties in its "History" and "Government and Political Conditions" sections. *The Economist* also has sections in its country briefings labeled "political structure" and "political forces," which describe the political climate of each nation the magazine profiles. In addition, *The Economist* provides a brief history of the nation, which often includes the history of political parties. Editors reviewed the profiles of selected nations prepared by the U.S. Library of Congress, which include comprehensive coverage of politics and political parties. The *World Factbook 2006* was consulted for a list of political parties, and often, their leaders. The website, Electionworld.org, describes the major political parties and their leaders, and also lists minor and defunct parties. Political Resources on the Net, a website, compiles links to a variety of sites useful to the researcher with a critical eye.

**LOCAL GOVERNMENT:** *Countries of the World and Their Leaders Yearbook 2006* lists the administrative subdivisions in each nation of the world; as does the U.S. State Department in its *Background Notes*, and the U.S. Central Intelligence Agency in its *World Factbook 2006*. *The Economist* was consulted for a description of regional legislatures. The U.S. Library of Congress "Country Profiles" briefings describe administrative divisions and provincial and local government.

**JUDICIAL SYSTEM:** *Countries of the World and Their Leaders Yearbook 2006*, *Background Notes*, and the *World Factbook 2006* all provided basic information on each nation's judicial system. *The Economist* was consulted for a description of the legal systems of each nation it profiles. The U.S. Library of Congress "Country Profiles" briefings provided more in-depth detail about judicial power and structure in the nations it profiles. Jurist, a web-based legal news and real-time legal research service based out of the University of Pittsburgh School of Law in Pittsburgh, Pennsylvania, was consulted as well for concise information on each nation it profiles.

**ARMED FORCES:** Statistical data on armed forces was compiled from the *World Factbook 2006*, *The Military Balance* (The International Institute for Strategic Studies), the *SIPRI Yearbook* (Stockholm International Peace Research Institute), and other print and online sources including *Current World Nuclear Arsenals* maintained by the Center for Defense Information.

**INTERNATIONAL COOPERATION:** This section was updated using data provided by news agencies and the following websites: *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>) and *Background Notes* (<http://www.state.gov/r/pa/ei/bgn>).

**ECONOMY:** In addition to numerous official online sources, data on the economies of the world were compiled from the most recent editions of the following U.S. government publications: *National Trade Estimate on Foreign Trade Barriers*, *Country Commercial Guides*, and *Economic Policy and Trade Practices*. *The Economist* was consulted for detailed information on economic structures and select indicators in its "Country Profiles" archive; it also included economic and political forecasts for the nations it profiled. The U.S. Library of Congress "Country Profiles" provided a brief historical overview of the economies of the countries it profiled, in addition to detailing the current state of various sectors of those economies. *The Index of Economic Freedom* (Heritage Foundation) was also consulted for its measurement of independent variables into broad factors of economic freedom.

**INCOME:** Statistics on national income were obtained from sources published by the United Nations, The World Bank, and the U.S. Central Intelligence Agency (CIA). CIA figures are for gross domestic product (GDP), defined as the value of all final goods and services produced within a nation in a given year. In most cases, CIA figures are given in purchasing power parity terms.



**LABOR:** Labor statistics were compiled from *World Employment* and *Yearbook of Labour Statistics* (International Labour Office—ILO) and the ILO’s website *Child Labor Statistics by Country* (<http://www.ilo.org/public/english/standards/ipecc/simpoc/countries.htm>); the World Bank publication *World Development Indicators 2004*; and the U.S. State Department’s *Human Rights Reports 2005*.

**AGRICULTURE, FISHING AND FORESTRY:** In addition to government sources, statistical data for these sections was compiled from the following yearbooks published by the Food and Agriculture Organization of the United Nations: *Trade; Fishery Statistics: Commodities; Fisheries; Production; Agriculture; and Forest Products*.

**MINING:** Data on mining and minerals production came from various online sources and from statistics compiled by the Minerals Information office of the U.S. Geological Survey, U.S. Department of the Interior, including Volume III of the *Minerals Yearbook*. This volume of the *Minerals Yearbook* is published both electronically on the Internet and in various print formats available from the U.S. Government Printing Office Superintendent of Documents. The *Yearbook* provides an annual review of mineral production and trade and of mineral-related government and industry developments in more than 175 countries.

**ENERGY AND POWER:** Key sources consulted include *Country Analysis Briefs* (U.S. Energy Information Administration, U.S. Department of Energy), *Key World Energy Statistics* (International Energy Agency), and *World Development Indicators* (The World Bank).

**INDUSTRY :** The primary source material for the Industry rubric was the U.S. State Department’s *Country Commercial Guides*, which provide a comprehensive look at countries’ commercial environments, using economic, political, and market analysis. *Background Notes* were consulted for the information on the industrial history and climate of each country profiled. Also useful was information contained in the “Country Profiles” published by the U.S. Library of Congress. The *World Factbook 2006* provides a list of key economic indicators. *The Economist* and, to a lesser extent, *BBC News* were useful in providing background material for the Industry rubric.

**SCIENCE AND TECHNOLOGY:** The following print sources were consulted: *The Nature Yearbook of Science and Technology* (Palgrave Macmillan Publishers Ltd.); *NIRA’s World Directory of Think Tanks* (National Institute for Research Advancement); in addition, the following websites were accessed: *International Science and Technology Activity* (maintained by Industry Canada, Government of Canada); *Economics Departments, Institutes, and Research Centers in the World* (maintained by the Department of Economics, University of Connecticut); *Science and Technology Statistics* (maintained by UNESCO Institute for Statistics); *World Development Indicators* (maintained by The World Bank); and *Annual Statistics* (patent and trademark information, maintained by the World Intellectual Property Organization).

**DOMESTIC TRADE:** Source material for the Domestic Trade rubric came from the U.S. State Department’s *Country Commercial Guides*, *Background Notes*, and the United Nations publication, *International Trade Statistics Yearbook*. Also used was information contained in the “Country Profiles” published by the U.S. Library of Congress. *The Economist* and, to a lesser extent, the *BBC* were consulted in providing background material for the Domestic Trade rubric. The World Bank’s service “Doing Business” database and the U.S. Commercial Service’s “Buy USA” website were consulted for information on conducting business in a nation, which included business hours and business regulations. Finally, most nations’ government websites provided information on domestic trade.

**FOREIGN TRADE:** Sources consulted included *2005 International Trade Statistics Yearbook* (Department of Economic and Social Affairs, Statistics Division, United Nations) and *Direction of Trade Statistics* (Real Sector Division, IMF Statistics Department, International Monetary Fund). The U.S. Department of State’s *Country Commercial Guides* and *Background Notes* were also used. *The Economist* and the *World Factbook 2006* were consulted in listing import and export partners and key products traded. Various UN bodies—such as UNCTAD and UNESCO—provided up-to-date trade statistics.

**BALANCE OF PAYMENTS:** Balance of payments tables were computed from the International Monetary Fund’s *Balance of Payments Statistics Yearbook*. In some cases, totals are provided even though not all components of those totals have been reported by the government of the country. Accordingly, in some instances numbers in the columns may not add to the total. Supplementing the IMF’s *Balance of Payments Statistics Yearbook* were *The Economist*’s “Country Briefings,” the *World Factbook 2006*, and information taken from the U.S. State Department, in particular, the *Country Commercial Guides*. “Country Profiles” from the U.S. Library of Congress were also used. Also consulted was the United Nations publication *National Accounts Statistics: Main Aggregates and Detailed Tables*.

**BANKING AND SECURITIES:** Statistical data on securities listings and market activity was compiled in part from *Emerging Stock Markets Factbook, 2005* (Standard and Poor’s) as well as from the websites *Country*

*Forecasts* (www.countrywatch.com) and *International Banking Statistics* (www.bis.org/statistics/bankstats.htm). Various websites specific to the individual countries of the world were also consulted.

**INSURANCE:** Primary sources for information on insurance include the online resources of the Insurance Information Institute, Rowbotham and Co. LLP, PricewaterhouseCoopers, the Swiss Reinsurance Company, and J. Zakhour & Co., as well as numerous national websites dealing with insurance.

**PUBLIC FINANCE:** In addition to official government websites, analytical reports from the U.S. Department of Commerce, and news reports, the following publications were consulted for standardized statistical data: *World Factbook 2006*, *International Financial Statistics Yearbook, 2002* (International Monetary Fund), and *Government Finance Statistics Yearbook, 2002* (International Monetary Fund).

**TAXATION:** Information on Taxation was compiled from country data sheets published by international accounting firms (Deloitte and Ernst & Young). Additional information was obtained from the U.S. Commerce Department and the government websites of the countries of the world.

**CUSTOMS AND DUTIES:** Information on Customs and Duties was compiled from country data sheets published by the accounting firms of Deloitte and Ernst & Young. Additional information was obtained from the U.S. Commerce Department, the World Trade Organization and the government website of the countries of the world.

**FOREIGN INVESTMENT:** Source material for the Foreign Investment rubric included the U.S. State Department's *Country Commercial Guides*, which provided a comprehensive analysis of the foreign direct investment environments of the countries of the world, as did the World Bank publication, *A Better Investment Climate for Everyone*. The International Monetary Fund's publications *International Financial Statistics Yearbook* and *Balance of Payments Statistics Yearbook*, and the U.S. State Department's *Background Notes* were consulted for the information on foreign direct investment. Also used was information contained in the "Country Profiles" published by the U.S. Library of Congress. *The Economist* was consulted in providing basic FDI figures and other relevant data.

**ECONOMIC DEVELOPMENT:** Source material for the Economic Development rubric included the U.S. State Department's *Country Commercial Guides* and *Background Notes*. *The Economist* was consulted for economic and political forecasts for selected nations. The U.S. Library of Congress "Country Profiles" provided a brief historical overview of the economies of the countries profiled, in addition to detailing the current state of various sectors of those economies. The *Index of Economic Freedom* was also consulted for its broad description of economic freedom and development. Information on foreign aid was taken from the print publications and websites of the International Monetary Fund, World Bank, and the United States Agency for International Development (USAID).

**SOCIAL DEVELOPMENT:** Publications consulted in the preparation of this rubric include *2005 Country Reports on Human Rights Practice* (<http://www.state.gov/g/drl/rls/hrrpt/2005/index.htm>), *International Save the Children Alliance Annual Report 2004* (Cambridge House), *The State of the World's Children* (Oxford University Press), and the *World Development Report* (Oxford University Press). Additional information was obtained from country-specific websites and general news publications.

**HEALTH:** Statistical sources consulted include *Country Health Briefing Papers* (a series of reports produced by IHSD Limited and DFID Health Systems Resource Centre for the United Kingdom Department for International Development); *Health Care Systems in Transition* (European Observatory on Health Care Systems, World Health Organization Regional Office for Europe); *Health in the Americas*, Volume II (Pan American Health Organization, World Health Organization) as well as numerous websites on the individual nations of the world. In addition, country-specific health profiles published by the World Health Organization and the World Bank were consulted.

**HOUSING:** The latest government population and housing census information available was used for each country through access of official government websites. Also of use was the World Bank publication *World Development Indicators 2005*. Topics accessed on the World Bank's website included *Countries and Regions*, *Urban Development*, and *Housing and Land*. Other websites consulted included Habitat for Humanity (<http://www.habitat.org>), United Nations Human Settlements Programme (<http://unhabitat.org>) and the U.S. Agency for International Development (USAID—<http://www.usaid.gov>). USAID topics accessed included *Locations* and *Urban Programs*.

**EDUCATION:** Data on Education was obtained from various UNESCO publications including *World Education Report*, *Global Education Digest*, *Education for All Global Monitoring Report 2005*, and the UNESCO *Statistical Yearbook*. Also consulted was *EdStats* compiled by the World Bank (<http://devdata.worldbank.org/edstats/>), the *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>), the UNESCO

website's *Country and Regional Profiles* (<http://www.uis.unesco.org/profiles/>), and *World Data on Education* (International Bureau of Education).

**LIBRARIES AND MUSEUMS:** Some information concerning libraries and museums was accessed through official government websites of various countries when links were available to tourism, education, and/or cultural ministries or departments. In addition, the following websites were consulted: American Library Association (<http://www.ala.org>); International Federation of Library Associations and Institutions (<http://www.ifla.org>); Museums of the World (<http://www.museum.com>); and United Nations Educational, Scientific, and Cultural Organization (<http://www.unesco.org>).

**MEDIA:** Primary sources for this section include the annual *Editor & Publisher* publication *International Year Book*, online data provided by UNESCO, and the media sections of the "Country Profiles" featured on the website of *BBC News*. The UNESCO profiles provide key statistics and indicators on education, science and technology, and culture and communication. In addition, government and other websites related to the countries of the world were consulted. Additional sources consulted include the publications *World Development Indicators 2005* (World Bank), *World Media Handbook* (United Nations), *World Factbook 2006*, and *2005 Country Reports on Human Rights Practices*.

**ORGANIZATIONS:** Lists of member countries were obtained through the official websites of a variety of prominent international organizations and associations, such as the International Federation of Red Cross and Red Crescent Societies, Amnesty International, Kiwanis International, the World Alliance of YMCAs, the World Organization of the Scout Movement, etc. *Associations Unlimited* (Thomson Gale) was also consulted.

**TOURISM, TRAVEL, AND RECREATION:** Statistical sources consulted include *Yearbook of Tourism Statistics* and *Compendium of Tourism Statistics*, both published by the World Tourism Organization. Tourism websites of the individual countries were also consulted, as well as the United Nations publication *Schedule of Daily Substinence Allowance Rates* and the U.S. Department of State per diem travel allowances published online at [www.state.gov/r/pa/ei/bgn](http://www.state.gov/r/pa/ei/bgn).

**FAMOUS PERSONS:** Entries are based on information available through March 2006. Where a person noted in one country is known to have been born in another, the country (or, in some cases, city) of birth follows the personal name in parentheses.

**DEPENDENCIES:** Source material for the Dependencies rubric was taken from *Background Notes* and from the website of the United Nations. The Library of Congress's "Country Profiles" archive provided up-to-date information on dependencies. *The Economist* and the website of *BBC News* were also consulted, as was *Countries of the World and Their Leaders Yearbook 2006*.

**BIBLIOGRAPHY:** Bibliographical listings at the end of country articles are provided as a guide to further reading on the country in question and are not intended as a comprehensive listing of references used in research for the article. Effort was made to provide a broad sampling of works on major subjects and topics as covered by the article; the bibliographies provide, wherever possible, introductory and general works for use by students and general readers, as well as classical studies, recent contributions, and other works regarded as seminal by area specialists. The country article bibliographies were supplemented with information obtained from a search conducted in July 2006. An extensive bibliography listing key references related to the facts in this encyclopedia follows. However, it is not a complete listing since many fact sheets, brochures, World Wide Websites, and other informational materials were not included due to space limitations.

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# GUIDE TO COUNTRY ARTICLES

All information contained within a country article is uniformly keyed by means of small superior numerals to the left of the subject headings. A heading such as "Population," for example, carries the same key numeral (6) in every article. Thus, to find information about the population of Albania, consult the table of contents for the page number where the Albania article begins and look for section 6 thereunder. Introductory matter for each nation includes coat of arms, capital, flag (descriptions given from hoist to fly or from top to bottom), anthem, monetary unit, weights and measures, holidays, and time zone.

## SECTION HEADINGS IN NUMERICAL ORDER

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## FREQUENTLY USED ABBREVIATIONS AND ACRONYMS

AD—Anno Domini	fl.—flourished	m <sup>3</sup> —cubic meter(s)	rev. ed.—revised edition
AM—before noon	FRG—Federal Republic of Germany	mi—mile(s)	s—south
b.—born	ft—foot, feet	Mt.—mount	sq—square
BC—Before Christ	ft <sup>3</sup> —cubic foot, feet	Mw—megawatt(s)	St.—saint
c—Celsius	GATT—General Agreement on Tariffs and Trade	N—north	UK—United Kingdom
c.—circa (about)	GDP—gross domestic products	n.d.—no date	UN—United Nations
cm—centimeter(s)	gm—gram	NA—not available	US—United States
Co.—company	GMT—Greenwich Mean Time	oz—ounce(s)	USSR—Union of Soviet Socialist Republics
Corp.—corporation	GNP—gross national product	PM—after noon	w—west
cu ft—cubic foot, feet	GRT—gross registered tons	r.—reigned	
cu m—cubic meter(s)	ha—hectares		
d.—died	i.e.—id est (that is)		
E—east	in—inch(es)		
e—evening	kg—kilogram(s)		
e.g.—exempli gratia (for example)	km—kilometer(s)		
ed.—edition, editor	kw—kilowatt(s)		
est.—estimated	kwh—kilowatt-hour(s)		
et al.—et alii (and others)	lb—pound(s)		
etc.—et cetera (and so on)	m—meter(s); morning		
F—Fahrenheit			

A fiscal split year is indicated by a stroke (e.g. 1998/99).  
For acronyms of UN agencies and their intergovernmental organizations, as well as other abbreviations used in text, see the United Nations volume.  
A dollar sign (\$) stands for US\$ unless otherwise indicated.  
Note that 1 billion = 1,000 million.





# ANTIGUA AND BARBUDA



**CAPITAL:** St. John's

**FLAG:** Centered on a red background is a downward-pointing triangle divided horizontally into three bands of black, light blue, and white, the black stripe bearing a symbol of the rising sun in yellow.

**ANTHEM:** Begins "Fair Antigua and Barbuda, I salute thee."

**MONETARY UNIT:** The East Caribbean dollar (EC\$) is a paper currency of 100 cents, pegged to the US dollar. There are coins of 1, 2, 5, 10, 25 cents and 1 dollar, and notes of 5, 10, 20, and 100 dollars. EC\$1 = US\$0.37037 (or US\$1 = EC\$2.7; as of 2004).

**WEIGHTS AND MEASURES:** Imperial measures are used, but the metric system is being introduced.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1st Monday in May; CARICOM Day, 3 July; State Day, 1 November; Christmas, 25 December; Boxing Day, 26 December. Movable holidays include Good Friday, Easter Monday, and Whitmonday.

**TIME:** 8 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The state of Antigua and Barbuda, part of the Leeward Islands chain in the eastern Caribbean, is approximately 420 km (261 mi) SE of the US Commonwealth of Puerto Rico and 180 km (110 mi) N of the French overseas department of Guadeloupe. The total land area of 440 sq km (170 sq mi) includes Antigua (280 sq km/108 sq mi); Barbuda (161 sq km/62 sq mi); and uninhabited Redonda (1.3 sq km/5 sq mi), located 40 km (25 mi) to the SW. This total area comprises slightly less than 2.5 times the size of Washington, D.C. The total coastline is 153 km (95 mi). Antigua and Barbuda's capital city, St. John's, is located on the northwestern edge of the island of Antigua.

## <sup>2</sup> TOPOGRAPHY

Partly volcanic and partly coral in origin, Antigua has deeply indented shores lined by reefs and shoals; there are many natural harbors and beaches. Boggy Peak (402 m/1,319 ft), in southwestern Antigua, is the nation's highest point. Antigua's northeastern coastline is dotted by numerous tiny islets; the central area is a fertile plain. Barbuda, a coral island with a large harbor on the west side, rises to only 44 m (144 ft) at its highest point. Redonda is a low-lying rocky islet.

## <sup>3</sup> CLIMATE

Temperatures average 24°C (75°F) in January and 29°C (84°F) in July, with cooling tradewinds from the east and northeast. Rainfall averages 117 cm (46 in) per year; September through November is the wettest period. The islands have been subject to periodic droughts and to autumn hurricanes.

## <sup>4</sup> FLORA AND FAUNA

Most of the vegetation is scrub, but there is luxuriant tropical growth where fresh water is available. Many varieties of fruits,

flowers, and vegetables are grown. Palmetto and seaside mangrove are indigenous, and about 1,600 hectares (4,000 acres) of red cedar, white cedar, mahogany, whitewood, and acacia forests have been planted. Barbuda is heavily wooded, with an abundance of deer, wild pigs, guinea fowl, pigeons, and wild ducks. Pineapple plantations can be found throughout Antigua.

## <sup>5</sup> ENVIRONMENT

Water management is the principal environmental concern. A water shortage due to limited freshwater resources is exacerbated by limited rainfall and drought. The existing water supply is threatened by pollution from distilleries, food processing facilities, and other industrial operations. Deforestation resulting from the nation's energy demands, combined with agricultural development, contributes to soil erosion, as rainfall, which is concentrated in a short season, quickly runs off, compounding the water shortage problem on the islands. The nation's main city, St. John's, has developed a problem with waste disposal. Untreated sewage from resort hotels travels in open sewage lines across the land and empties into the sea. Construction of a desalination plant in 1970 relieved some of the water shortage.

The government of Antigua and Barbuda supports a Historical, Conservation, and Environmental Commission. There are four main protected areas, including the offshore islands of North Sound and Codrington Lagoon of Barbuda, the latter of which is a Ramsar wetland site. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 2 species of birds, 5 types of reptiles, 11 species of fish, and 4 species of plants. Endangered species in the nation included the Antiguan ground lizard, the West Indian whistling duck, and the Antiguan racer.

## 6 POPULATION

The population of Antigua and Barbuda in 2005 was estimated by the United Nations (UN) at 80,000, which placed it at number 182 in population among the 193 nations of the world. In 2005, approximately 8% of the population was over 65 years of age, with another 26% of the population under 15 years of age. According to the UN, the annual population rate of change for 2005–2010 was expected to be 1.4%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 87,000. The population density was 182 per sq km (471 per sq mi).

The UN estimated that 37% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.54%. The capital city, St. John's (Antigua), had a population of 28,000 in that year. The majority of the populace resides on the island of Antigua.

## 7 MIGRATION

The United Kingdom has been the historic destination of Antiguan emigrants, but in recent years St. Martin, Barbados, the US Virgin Islands, and the US mainland have been the principal recipients of the outflow. The primary motive for emigration is the search for work. The net migration rate in 2005 was -6.11 migrants per 1,000 population. The government views both the immigration and emigration levels as too high.

## 8 ETHNIC GROUPS

Antiguans are almost entirely of African descent. There are small numbers of persons of British, Portuguese, Lebanese, and Syrian ancestry.

## 9 LANGUAGES

English is the official and commercial language. An English patois is in common use.

## 10 RELIGIONS

The dominant religion is Christianity. Over 70% of the population belongs to churches represented in the Antigua Christian Council, which include the Anglicans, Methodists, Moravians, Roman Catholics, and the Salvation Army. The Anglican Church is the dominant denomination, representing about 35% of the population. Methodists account for about 15%. The Moravians also make up about 15% of the population and Roman Catholics make up about 6% of the population. There are about 400 Jehovah's Witnesses. Communities of non-Christians are fairly small. Rastafarianism has an estimated 1,000–1,500 adherents. The Baha'i faith has about 50 members. As estimate on the number of Muslims practicing in the country was unavailable. St. John's, as capital, serves as the episcopal seat of both the Anglican and Roman Catholic churches.

The constitution provides for freedom of religion and this right is generally respected in practice. Christian holidays are celebrated as public holidays. The Antigua Christian Council actively promotes tolerance and mutual understanding among religious denominations. The Council has also served as an advocate for peace, particularly during political elections. In early 2004, the council presented a "Code of Ethics" that denounced any use of violence and verbal abuses during March elections; all of the candi-

dates signed the code. The United Evangelical Association unites most of the nation's independent evangelical churches.

## 11 TRANSPORTATION

In 2002, there were 1,165 km (724 mi) of highways, of which 384 km (239 mi) were paved. In 1995, there were 302 motor vehicles per 1,000 population. The railway consists of 77 km (48 mi) of narrow-gauge track, used mainly to haul sugar cane. The islands have no natural deepwater harbors; a deepwater facility was constructed at St. John's in 1968. The merchant fleet in 2005 consisted of 980 ships (1,000 GRT or over), totaling 5,873,626 GRT. In 2005, there were three airports, two of which had paved runways. Vere Cornwall Bird International Airport, 7 km (4 mi) northeast of St. John's, accommodates the largest jet aircraft; Coolidge Airport, also on Antigua, handles freight. There is also a landing strip at Codrington. Domestic and international scheduled flights carried 1,369,100 passengers in 2001.

## 12 HISTORY

The first inhabitants of Antigua and Barbuda were the Siboney, whose settlements date to 2400 BC. Arawak and Carib Indians inhabited the islands at the time of Christopher Columbus' second voyage in 1493. Columbus named Antigua after the church of Santa Maria de la Antigua, in Sevilla (Seville), Spain. Early settlements were founded in 1520 by the Spanish, in 1629 by the French, and in 1632 by the British. Antigua formally became a British colony in 1667 under the Treaty of Breda.

In 1674, Sir Christopher Codrington established the first large sugar estate in Antigua. He leased Barbuda to raise slaves and supplies for this enterprise. In 1834 slavery was abolished, but this was a mere technicality, since no support was provided for the new freemen. In 1860, Antigua formally annexed Barbuda. The Federation of the Leeward Islands served as the governing body of the islands from 1871 to 1956, and from 1958 to 1962, they belonged to the Federation of the West Indies.

Antigua became an associated state with full internal self-government as of 27 February 1967. Opposition to complete independence came from the residents of Barbuda, who sought constitutional guarantees for autonomy in land, finances, and local conciliar powers. With these issues still not fully resolved, Antigua and Barbuda became an independent state within the Commonwealth of Nations on 1 November 1981, with Vere Cornwall Bird as prime minister. (Considered a national hero for his role in leading the nation to independence, when Bird died in 1999, thousands turned out to observe a national moment of silence in his honor.) Bird and the Antigua Labor Party (ALP) won renewed mandates in every subsequent election to that of 1976 under his leadership until 1994 and also under the leadership of his son, Lester Bird, up until March 2004, when the ALP lost power in national elections.

Antigua is an active participant in Caribbean affairs. In May 1987, the prime ministers of the members of the Organization of Eastern Caribbean States (OECS) agreed on a merger proposal, creating a single nation out of their seven island states. A national referendum in each of the states was planned for ratification of the accord, but the referendums were defeated and the seven nations remained separate.

In its fifth general election as an independent nation, on 23 March 2004, Antigua and Barbuda experienced a peaceful change of government. The United Progressive Party (UPP), led by Winston Baldwin Spencer, won 13 of the 17 elected seats. The opposition, led by Robin Yearwood, retained four seats. Winston Baldwin Spencer was named prime minister in 2004. The next election was scheduled for 2009.

**13 GOVERNMENT**

Universal adult suffrage on the islands dates from 1951, and ministerial government from 1956. The bicameral legislature gained its present form in 1967, and the United Kingdom granted formal independence to Antigua and Barbuda in November 1981. Under the constitution, the chief of state is the reigning British monarch. A local governor-general, appointed on the advice of the prime minister, is the chief of state's representative in Antigua and Barbuda. Since 10 June 1993, Governor-General Sir James B. Carlisle has represented Queen Elizabeth II. The bicameral legislature consists of a 17-member House of Representatives, elected from single-member constituencies for up to five years by universal adult suffrage at age 18; and a 17-member Senate, appointed by the governor-general, of whom 11 (including at least one inhabitant of Barbuda) are named on the advice of the prime minister, 4 on the advice of the leader of the opposition, 1 at the governor-general's discretion, and 1 on the advice of the Barbuda council. The governor-general appoints the prime minister, who must have the support of a majority of the House, and the cabinet.

The prime minister as of 2004 was Winston Baldwin Spencer, with the next elections scheduled for 2009. The prime minister, in addition to his role as prime minister, holds a number of other governmental posts, including minister of defense; minister of external affairs; minister of legislature, privatization, printing, and electoral affairs; minister of telecommunications and gambling; minister of public works, sewage, and energy; and minister of urban development and renewal.

**14 POLITICAL PARTIES**

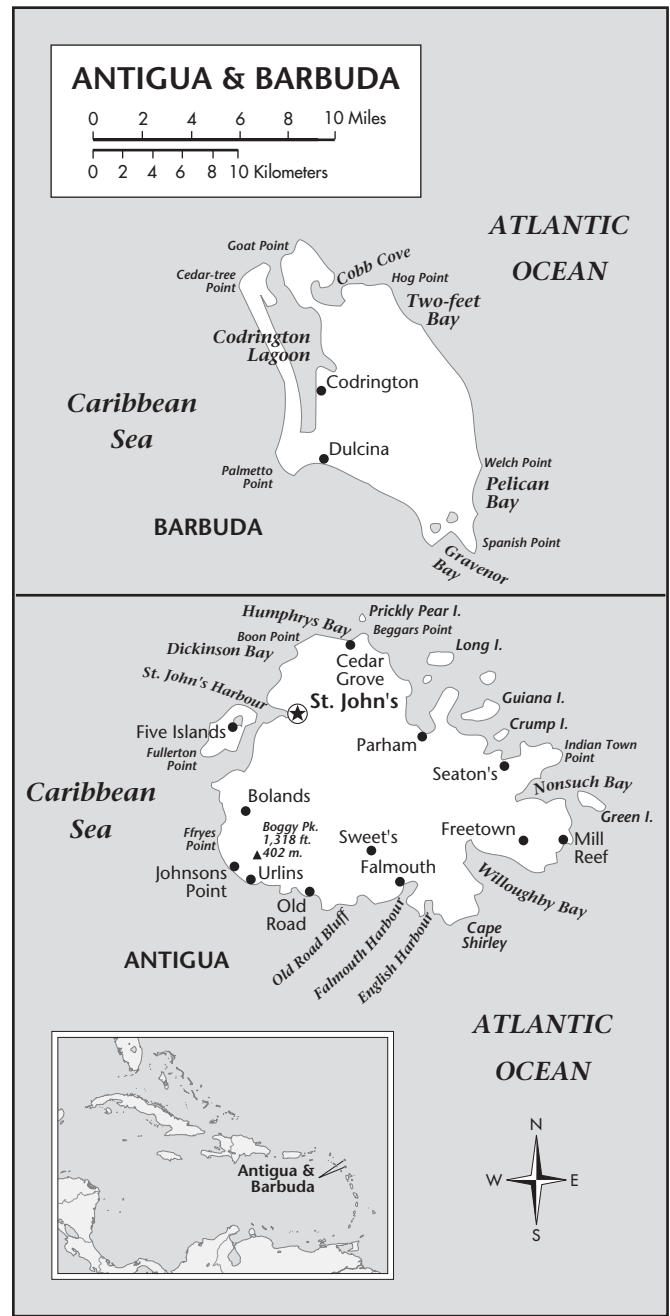
The United Progressive Party (UPP) took over power in 2004 formerly held by the Antigua Labor Party (ALP) since 1946, except for a period from 1971 to 1976, when the Progressive Labor Movement (PLM), led at the time by George H. Walter, held a parliamentary majority. As of 2004 the UPP, a coalition of the Antigua Caribbean Liberation Movement (ACLM), the Progressive Labor Movement (PLM), and the United National Democratic Party (UNDP), was led by Winston Baldwin Spencer. Other active political parties in 2004 included the Antigua Labor Party, led by former Prime Minister Lester Bryant, and the Barbuda's People's Movement.

**15 LOCAL GOVERNMENT**

The island of Antigua has six parishes and two dependencies, Barbuda and Redonda. Twenty-nine community councils, each with nine members, five elected and four appointed, conduct local government affairs.

**16 JUDICIAL SYSTEM**

English common law and local statutory law form the basis for the legal system, which the Eastern Caribbean Supreme Court, based



LOCATION: Antigua: 17°9' N; 61°49' W. Barbuda: 17°41' N; 61°48' W. TOTAL COAST-LINE: 153 kilometers (95 miles). TERRITORIAL SEA LIMIT: 12 miles.

in St. Lucia, administers; it also provides a High Court and Court of Appeal. Final appeals may be made to the Queen's Privy Council in the United Kingdom. A court of summary jurisdiction on Antigua, which sits without a jury, deals with civil cases involving sums of up to EC\$1500; three magistrates' courts deal with summary offenses and civil cases of not more than EC\$500 in value. The Industrial Court, for arbitration and settlement of trade disputes, was reintroduced in 1976. On 9 June 2003, Caribbean leaders met in Kingston, Jamaica, to ratify a treaty to establish the Caribbean Court of Justice (CCJ). The first session of the CCJ was scheduled for November 2003. Eight nations—Barbados, Belize,

Dominica, Guyana, Jamaica, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago—officially approved the CCJ, although 14 nations, including Antigua and Barbuda, were planning to use the court for appeals.

The constitution prohibits arbitrary arrest and detention. The suspect must be brought before a court within 48 hours of arrest or detention. The constitution prohibits arbitrary interference with privacy, family, home, or correspondence. The government respects these provisions in practice.

## 17 ARMED FORCES

As of 2005, there was a Royal Antigua and Barbuda Defense Force of some 170 active personnel (Army, 125; Navy, 45) and 75 reservists. The Navy has three patrol craft. The military budget in 2005 was \$4.81 million.

## 18 INTERNATIONAL COOPERATION

Antigua and Barbuda joined the United Nations on 11 November 1981. It belongs to several specialized UN agencies, such as FAO, ICAO, IFAD, IFC, ILO, IMF, UNESCO, the World Bank, and WHO. The country joined the WTO 1 January 1995. Antigua and Barbuda is a member of the ACP Group, CARICOM, the CDB, G-77, the ICFTU, the World Confederation of Labor, and the World Federation of Trade Unions. It is also a part of the Commonwealth of Nations, the OECS, the OAS, the Eastern Caribbean's Regional Security System (RSS), the Association of Caribbean States (ACS), and the Alliance of Small Island States (AOSIS).

Antigua and Barbuda is a member of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL). In cooperation on environmental issues, Antigua and Barbuda is part of the Basel Convention, the Convention on Biological Diversity, CITES, the London Convention, the International Convention for the Regulation of Whaling, the Nuclear Test Ban Treaty, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Sugar and cotton production historically were the mainstays of Antigua and Barbuda's economy. This changed in the 1960s when tourism became the main industry. The sugar industry has become insignificant and cotton output has declined. Antigua and Barbuda's reliance on tourism has made its economy quite vulnerable to natural disasters and global politics. As the production of sugar declined in the 1980s, the country's public sector debt skyrocketed. In the 1990s, the tourism industry was ravaged when five major hurricanes hit the islands. Tourism suffered an additional setback in 2001 and 2002 following the 11 September 2001 terrorist attacks on the United States. As of 2004, the tourism industry had recovered, and logged more than 750,000 visitors, mostly from Europe and the United States, although the industry slowed again in 2005. About 500,000 of the visitor arrivals in 2004 came via cruise ship.

The economy of this small eastern Caribbean island-nation continues to be precarious. Antigua and Barbuda together consist of less than 300 square miles of land, and the nation had a population of 68,722 in July 2005. A troubling report from the International Monetary Fund in 2004 documented the nation's dif-

iculties: debt was 137% of GDP, and salaries of government workers—about 37% of the total work force—were eating up 60% of public revenue.

The International Monetary Fund noted in early 2006, however, that the government had introduced significant economic reforms, many of which have been designed to curb public sector corruption and to overhaul the country's tax system. The international lending authority is generally quite optimistic about Antigua and Barbuda's future.

The economy is primarily service-based. Tourism, financial services and government services are Antigua and Barbuda's major employers. Tourism accounts for more than half of the nation's GDP. What agricultural production remains is directed primarily to the domestic market. Farming faces water and labor shortages, as the lure of higher wages draws more people to tourism and construction. Tourism has helped stimulate the construction industry in recent years, leading to the development of enclave-type assembly plants where bedding, handicrafts, and electronics components are assembled for export.

GDP for Antigua and Barbuda was \$815.2 million in 2004. In 2004, agriculture accounted for 3.2% of GDP and employed 11% of the labor force, while services, including tourism accounted for 76.8%. Antigua and Barbuda's small assembly plants made up the remaining 19.2% of GDP. The GDP growth rate fell to 3.5% in 2000, and hovered as of 2002 at about 3%, as the islands felt the effects of a worldwide slowdown in tourism. However, with the recovery of tourism, GDP rose to 5.2% in 2004. Although GDP growth slowed to 3% in 2005, the IMF anticipated that a rebound in tourism and construction activity associated with the 2007 Cricket World Cup would help stimulate Antigua and Barbuda's economy.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Antigua and Barbuda's gross domestic product (GDP) was estimated at \$750.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$11,000. The annual growth rate of GDP was estimated at 3%. The average inflation rate in 2005 was 0.4%. It was estimated that agriculture accounted for 3.9% of GDP, industry 19.2%, and services 76.8%.

In 2001 approximately 36% of household consumption was spent on food, 8% on fuel, 3% on health care, and 18% on education. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings.

## 21 LABOR

The total labor force in 2002 was estimated at 30,000. About 82% of the employed labor force worked in occupations connected with tourism or other services; 7% in industry, and 11% in agriculture, hunting, forestry, and fishing. The unemployment rate was estimated at 11% in 2001.

Around 75% of the workforce is unionized. Workers have a recognized right to strike unless either party in a dispute requests

mediation. Employers found guilty of antiunion discrimination are routinely ordered to make compensation payments to an affected worker, although the employer will not be required to rehire the worker.

The law provides for a maximum 48-hour workweek, but most people work 40 hours on the average. In 2002, the minimum wage averaged us\$2.22 per hour, but generally wages are paid according to experience and skill level. The vast majority of employed persons earned substantially more than the minimum. There is a minimum working age of 16, which is entirely enforced by the Labor Ministry. In addition, those under the age of 18 are prohibited from working later than 10 pm and must have a medical clearance. All forms of compulsory or forced labor (including slavery) are forbidden. Although specific regulations and laws regarding occupational health and safety have yet to be promulgated by the government, workers can leave a workplace deemed to be dangerous, without facing jeopardy to their jobs.

## 22 AGRICULTURE

Some 30% of land on Antigua is under crops or potentially arable, with 18% in use. Sea-island cotton is a profitable export crop. A modest amount of sugar is harvested each year, and there are plans for production of ethanol from sugarcane. Vegetables, including beans, carrots, cabbage, cucumbers, plantains, squash, tomatoes, and yams, are grown mostly on small family plots for local markets. Over the past 40 years, agriculture's contribution to the GDP has fallen from over 40–4%. The decline in the sugar industry left 60% of the country's 66,000 acres under government control, and the Ministry of Agriculture is encouraging self-sufficiency in certain foods in order to curtail the need to import food, which accounts for up to 25% by value of all imports. Crops suffer from droughts and insect pests, and cotton and sugar plantings suffer from soil depletion and the unwillingness of the population to work in the fields. Mango production in 2004 was 1,430 tons.

## 23 ANIMAL HUSBANDRY

Livestock estimates in 2004 counted 14,300 head of cattle, 19,000 sheep, and 36,000 goats; there were some 5,700 hogs in the same year. Most livestock is owned by individual households. Milk production in 2004 was an estimated 5,350 tons. The government has sought to increase grazing space and to improve stock, breeding Nelthropp cattle and Black Belly sheep. There is a growing poultry industry. In 1992, the European Development Bank provided us\$5 million to the government to help develop the livestock industry.

## 24 FISHING

Most fishing is for local consumption, although there is a growing export of the lobster catch to the United States and of some fish to Guadeloupe and Martinique. Antiguans consume more fish per capita (46 kg/101.4 lb) per year live weight than any other nation or territory in the Caribbean. The main fishing waters are near shore or between Antigua and Barbuda. There are shrimp and lobster farms operating, and the Smithsonian Institution has a Caribbean king crab farming facility for the local market. The government has encouraged modern fishing methods and supported mechanization and the building of new boats. Fish landings in

2003 were 2,587 tons; the lobster catch, 243 tons. Exports of fish commodities in 2003 were valued at us\$1.4 million.

## 25 FORESTRY

About 11% of the land is forested, mainly by plantings of red cedar, mahogany, white cedar, and acacia. A reforestation program was begun in 1963, linked with efforts to improve soil and water conservation.

## 26 MINING

Few of the islands' mineral resources, which included limestone, building stone, clay, and barite, were exploited until recently. Limestone and volcanic stone have been extracted from Antigua for local construction purposes, and the manufacture of bricks and tiles from local clay has begun on a small scale. Barbuda produced a small amount of salt, while phosphate has been collected from Redonda.

## 27 ENERGY AND POWER

Electric power produced in 2002 totaled 0.099 billion kWh, all from fossil fuels, and based on a capacity of 27,000 kW. Consumption of electricity was 0.092 billion kWh. The Antigua Public Utilities Authority, run by the Ministry of Public Works and Communications, operates generating stations at Cassada Gardens and Crabbes Peninsula. Gas is now produced and refined locally. Off-shore oil exploration took place during the early 1980s.

As part of the government's energy conservation program, incentives are offered for the manufacture and use of solar-energy units, and there are import surcharges on automobiles with engine capacities exceeding 2,000 cc. Under study as alternatives to fossil fuels are wind power, surplus bagasse from the sugar refinery, and fast-growing tree species. Imports of refined petroleum products in 1994 surpassed 3,000 barrels per day, mostly in the form of jet fuel, distillates, and gasoline.

## 28 INDUSTRY

Most of the industrial activity in Antigua and Barbuda is assembly-based, although the islands also produce rum, refined petroleum, and paints. Other items, such as furniture, handicrafts, and electrical components, are primarily for export. The government encourages investment in manufacturing establishments, and most industries have some government participation.

Industry accounted for 19.2% of GDP in 2002. Manufacturing—which accounts for approximately 5% of GDP—comprises enclave-type assembly for export with major products being bedding, handicrafts, and electronic components. The industrial park, located in the Coolidge Area, produces a range of products such as paints, furniture, garments, and galvanized sheets, also mainly for export.

## 29 SCIENCE AND TECHNOLOGY

Technological services for the fishing industry, such as the introduction of depth finders and hydraulic gear, are provided by the government. An extramural department of the University of the West Indies offers technical courses, as does Antigua State Col-

lege. The University of Health Sciences at St. John's, founded in 1982, has a school of medicine.

### 30 DOMESTIC TRADE

The economy in Antigua and Barbuda is primarily service based with a focus on tourism. General business is usually conducted from 8:30 AM to 4 PM, Monday–Saturday, except for Thursday afternoon, when many shops close. Banks are open from 8 AM to noon five days a week, and on Friday additionally from 3 to 5 PM. St. John's is the main commercial center with many small shops and a few larger supermarkets. Fresh seafood and produce are sold in Saturday morning markets.

### 31 FOREIGN TRADE

Antigua and Barbuda are part of the US Caribbean Basin Initiative that grants duty-free entry into the United States for many goods. Antigua and Barbuda also belongs to the predominantly English-speaking Caribbean Community and Common Market (CARICOM) and the CARICOM Single Market and Economy. However, with tourism as its primary industry, trading relationships between Antigua and Barbuda and other nations are relatively small. The islands import considerably more items than they export. Imports, for instance, totaled \$369 million in 2004 compared with \$20 million for exports. The International Monetary Fund (IMF) projected that Antigua and Barbuda's exports would grow by 7.7% and imports would increase by 3.3% in 2005.

Most of what the country exports goes to the Organization of Eastern Caribbean States (OECS) (24%), the United States (10%), Barbados (21%), and Trinidad and Tobago (7%). Imports include food and live animals, machinery and transport equipment, manufactures, chemicals, and oil. Major providers are the United States (27%), the United Kingdom (10%), and the OECS (1%).

### 32 BALANCE OF PAYMENTS

Foreign investment in tourism-related construction has helped to compensate for the trade imbalance that Antigua and Barbuda face. However, the dependence on imports is of concern to many experts on Antigua and Barbuda's economy, and the country has begun to take steps to increase its level of exports. The IMF projected that 2005 exports will increase by 7.7% while imports will rise more slowly to 3.6%.

The US Central Intelligence Agency (CIA) reported that in 2004 the purchasing power parity of Antigua and Barbuda's exports was \$214 million. Imports accounted for \$735 million.

### 33 BANKING AND SECURITIES

There were eight commercial banks in 1994, five of which were foreign, including the Bank of Antigua and the Stanford International Bank. The Antigua and Barbuda Development Bank, wholly owned by the government, began operations in 1975. Currency is issued by the Eastern Caribbean Central Bank. The financial industry suffered in Antigua and Barbuda in 1999, due to fears of money laundering by drug cartels. The government passed the Money Laundering Prevention Amendment in order to protect foreign investment in the sector.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$125.8 million. In that same year, M2—an ag-

gregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$577.6 million.

### 34 INSURANCE

There are several life insurance companies on the islands.

### 35 PUBLIC FINANCE

Since the abolition of the income tax on residents, government revenues have been derived mainly from indirect taxes, principally customs and excise duties and consumption taxes. A major source of revenue is the US's military bases.

The US Central Intelligence Agency (CIA) estimated that in 2000 Antigua and Barbuda's central government took in revenues of approximately \$123.7 million and had expenditures of \$145.9

#### Principal Trading Partners – Antigua and Barbuda (1999)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	15.0	356.0	-341.0
United States	3.2	176.1	-172.9
Montserrat	2.0	...	2.0
Saint Kitts and Nevis	1.7	...	1.7
France-Monaco	1.1	3.3	-2.2
United Kingdom	1.1	22.3	-21.2
Dominica	1.0	3.5	-2.5
Jamaica	0.9	2.7	-1.8
Trinidad and Tobago	0.8	21.4	-20.6
Saint Lucia	0.8	2.2	-1.4
Barbados	0.5	6.7	-6.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Antigua and Barbuda (2002)

(In millions of US dollars)

<b>Current Account</b>			<b>-102.6</b>
Balance on goods		-290.8	
Imports	-335.6		
Exports	44.8		
Balance on services		217.2	
Balance on income		-34.5	
Current transfers		5.6	
<b>Capital Account</b>			<b>13.9</b>
<b>Financial Account</b>			<b>84.6</b>
Direct investment abroad		...	
Direct investment in Antigua and Barbuda		47.7	
Portfolio investment assets		-2.9	
Portfolio investment liabilities		0.7	
Financial derivatives		...	
Other investment assets		-10.8	
Other investment liabilities		49.9	
<b>Net Errors and Omissions</b>			<b>11.7</b>
<b>Reserves and Related Items</b>			<b>-7.7</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

million. Revenues minus expenditures totaled approximately - \$22.2 million. Total external debt was \$231 million.

### 3<sup>6</sup> TAXATION

The profits tax for corporations in 2003 was 40%. Incorporated businesses are taxed at 2% of gross income with the first \$4,160 of income per month tax-exempt. The income tax, introduced in 1924, was abolished for residents at the end of 1976. Taxes on residential property are based on current replacement values, and in 2003 were subject to surcharges of 0–20% depending on zoning regulations. Hotels are taxed at preferential rate of 0.2% of taxable value while other commercial property is taxed at 0.75% of taxable value. Other taxes include taxes on life and general insurance premiums, and on property transfers.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Antigua and Barbuda adheres to the common external tariff schedule of CARICOM; rates (which range up to 35%) are generally ad valorem, based on the cost, insurance, and freight value, and a wide range of goods is permitted duty-free entry. Additional special rates are applied for tobacco, cement, petroleum products, vans and trucks, and certain types of timber.

### 3<sup>8</sup> FOREIGN INVESTMENT

The government's efforts to improve the investment climate have met with some success. Antigua and Barbuda offer tax holiday periods of 10 to 15 years, and rebates of 25–50% to export-oriented industries. The country also allows imports of machinery, equipment, spare parts, and raw materials duty free to companies who meet government requirements. The offshore financial sector has grown aggressively, offering tax-haven facilities to international business companies, trusts, banks, and insurance companies. In addition, the country has no capital gains or personal income tax. In addition to local tax and duty concessions, manufacturers have access to the United States, European, Canadian, and Caribbean markets through the Lomé Convention, Caribbean Basin Initiative (CBI), CARICOM, and other agreements.

In 1997 and 1998, the reported inflow of foreign direct investment (FDI) was \$22.9 million and \$27.4 million respectively. Increases in 1999 and 2000 to \$36.5 million and \$33.2 million reflected growth in the islands' technology sector when the Internet gaming company Starnet Communications International moved its headquarters to St. John's. Internet gaming is treated like a financial institution under the law. FDI increased steadily, rising to \$106 million in 2004.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Because of its reliance on tourism, Antigua and Barbuda's prospects for economic growth will depend on the economic fortunes of the industrialized world, particularly the EU and United States. However, the hurricanes and global slowdown in tourism following the 11 September 2001 attacks have prompted Antigua and Barbuda to begin diversifying the economy in recent years. The island-nation encourages growth in transportation, communications, Internet gambling, and financial services.

Antigua has the largest tourist sector in the Leeward and Windward Islands. Frequent cruise ship arrivals at the St. John's Har-

bour and the Deep Water Harbour play a major part in boosting tourism.

There has been a substantial decrease in agriculture's contribution to the country's gross domestic product (GDP), falling from 40% to just slight more than 3% since the 1960s. However, the Ministry of Agriculture has been implementing policies to encourage farmers to increase output in an effort to decrease imports of agricultural products. The trade imbalance severely endangers the Antiguan and Barbadian economy in the event of decreased tourism revenues.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

Social insurance was implemented in 1972, with a social assistance system enacted in 1993. All employees and self-employed between the ages of 16 and 59 are covered, with a few minor exceptions. The program is funded by contributions from employees and employers. It provides old age, disability, and survivor benefits. The cost of a medical insurance scheme that includes maternity benefits is shared equally between employers and employees. Workers' medical services are provided directly through public health facilities.

Although there are no legal restrictions on women's roles in society, traditional expectations tend to limit their activities outside the home, especially in rural areas. Women are well represented in public service, accounting for more than half of the work force. Domestic violence against women is a serious problem, but the legal system is often lenient when addressing this issue. Police are reluctant to intervene, and many abused women refuse to testify for fear of retaliation. Nongovernmental organizations were increasingly advocating women's rights and providing support to abused women. Child abuse also appeared to be prevalent.

Human rights are generally respected by the government, although prison conditions are poor.

### 4<sup>1</sup> HEALTH

Four institutions are maintained for the care of the sick and aged. Holberton Hospital, with 135 beds, is the only public acute care facility. The only private hospital is Adelin Medical Center. Other facilities include the Fiennes Institute for the aged, with 100 beds, and the Mental Hospital, with 150 beds. In addition, 9 health centers and 18 dispensaries are located throughout the country. As of 2004, there were an estimated 17 physicians, 328 nurses, and 18 dentists per 100,000 people.

The infant mortality rate in 2005 was estimated at 22 per 1,000 live births, up from 12 in 1998. The average life expectancy was 71.9 years in 2005. As of 1995, 100% of the population was immunized against diphtheria, pertussis, and tetanus and 94% against measles, mumps, and rubella. The leading causes of death included cancer, cardiovascular disease, and trauma.

By the end of 2003, 271 cases of HIV/AIDS had been reported. As of that year, the annual incidence of AIDS was 209 per million people. The government approved a national policy on HIV/AIDS and other sexually transmitted diseases in 1997.

### 4<sup>2</sup> HOUSING

The housing stock in Antigua and Barbuda is continually threatened by natural disasters, particularly by severe hurricanes which seem to hit the country every three to five years. The Central Hous-

ing and Planning Authority (CHAPA) advises on suitable sites, rehabilitates houses in the event of disaster, develops new housing tracts, and redevelops blighted areas. In March 2003, the government announced that plans were in place for CHAPA to build a number of affordable housing developments on private lands and to institute a Housing Improvement Mortgage program to make it easier for citizens to purchase these homes. At least six housing developments are planned as part of a three-year program to meet increased demand for housing. Most of these planned homes are single family dwellings with two or three bedrooms.

### 43 EDUCATION

Education for children between the ages of 5 and 16 years is compulsory. Primary education begins at the age of five years and normally lasts for seven years. Secondary education lasts for five years, with three years of lower secondary, followed by two years of upper secondary. In 2001, there were about 13,000 students enrolled at the primary schools and 5,000 students at the secondary schools. About 1,000 secondary school age students were enrolled in vocational programs. As of 2000 the primary pupil-teacher ratio was an estimated 19 to 1; the ratio for secondary school was about 13:1. The government administers the majority of the schools. In 2003, estimated spending on education was about 3.8% of the GDP. In 2000, about 38% of primary school students were enrolled in private schools.

There currently are three colleges. The University of Health Sciences, Antigua, was founded in 1982. It had, in the 1990s, an enrollment of 46 students and 16 teachers. The University of the West Indies School of Continuing Studies (Antigua and Barbuda) was founded in 1949 and offers adult education courses, secretarial skills training programs, summer courses for children, and special programs for women. In 1972, the technical and teacher's training colleges merged and formed the Antigua State College.

The University of the West Indies has campuses in Barbados, Trinidad, and Jamaica, and it maintains extramural departments in several other islands, including Antigua. Those interested in higher education also enroll at schools in the United Kingdom, the United States, Europe and Canada. The adult literacy rate is approximately 89%.

### 44 LIBRARIES AND MUSEUMS

The largest library is the Antigua Public Library located in St. John's with 50,000 volumes. The library at the University of the West Indies School of Continuing Studies on St. John's has 10,000 volumes. The American University of Antigua College of Medicine has been establishing a fairly good sized library, primarily for use by the students and faculty. The Museum of Antigua and Barbuda is at St. John's, as is Betty's Hope, a historic sugar plantation. A Dockyard Museum is housed in the Naval Officer's House at English Harbor.

### 45 MEDIA

The islands' automatic telephone system, operated by the Antigua Public Utilities Authority, had approximately 38,000 mainline telephones in 2002. The same year, there were about 38,200 mobile

phones in use. International telephone and telex services are supplied by Cable and Wireless (West Indies), Ltd.

In 2001, the first independent radio station, Observer, began operations. This station is operated by the owners of the *Observer* newspaper. In 2005, there were six main radio broadcast stations. ABS Radio is run by Antigua and Barbuda Broadcasting Service, Crusader Radio is owned by the United Progressive Party, and Caribbean Radio Lighthouse is operated by the Baptist church. The only television station, ABS Television, is operated by the government. In 1997 there were about 36,000 radios and 31,000 television sets in use throughout the country. In 2003, there were about 1,665 Internet hosts within the country serving about 10,000 users.

The *Workers' Voice*, the official publication of the ALP and the Antigua Trades and Labour Union, appears weekly and has a circulation of 6,000 as of 2002. The *Outlet*, published weekly by the Antigua Caribbean Liberation Movement, has a circulation of 5,000. The *Nation*, with a circulation of about 1,500, is published by the government and appears weekly.

The constitution ensures the freedom of expression and press, and the authorities are said to generally respect these rights in practice. However, the government dominates all electronic media, thereby restricting to some degree opposing political expression and news.

### 46 ORGANIZATIONS

Four employers' organizations represent workers' interests in Antigua and Barbuda. The Antigua Chamber of Commerce has its headquarters in St. John's. The Antigua Cotton Growers Association was founded in 1985.

Many missionary, charity, and family health organizations have operations on the islands, including Planned Parenthood, the Caribbean Family Planning Affiliation, the Inter-American Foundation, the American Bible Society, and the People-to-People Health Foundation. There is a chapter of Lions Clubs International. The Antigua and Barbuda Association of Persons with Disabilities was founded in 1995.

Youth organizations include the Girls Brigade, Red Cross Youth, Young Women's Christian Association, Girl Guides, Young Men's Christian Association, and Youth for Christ. There are also a few national sports organizations, such as the Athletic Association of Antigua and Barbuda and the Antigua and Barbuda Tennis Association.

There are national chapters of the Red Cross, Habitat for Humanity, and UNICEF.

### 47 TOURISM, TRAVEL, AND RECREATION

Tourism is the main source of revenue in Antigua and Barbuda. Antigua's plethora of beaches—said to number as many as 365—and its charter yachting and deep-sea fishing facilities have created the largest tourist industry in the Windward and Leeward Islands. The international regatta and Summer Carnival are popular annual events. Cricket is the national pastime; local matches are played Thursday afternoons, Saturdays, and Sundays. All visitors, except



nationals of the United States, Canada, and the United Kingdom, must have a valid passport to enter Antigua and Barbuda.

A wide range of hotels and restaurants served approximately 232,000 tourists in 1999. Receipts from tourism climbed to us\$290 million that year.

In 2005, the US Department of State estimated the daily expenses in Antigua and Barbuda at us\$222.

#### 48 FAMOUS ANTIGUANS AND BARBUDANS

The first successful colonizer of Antigua was Sir Thomas Warner (d.1649). Vere Cornwall Bird, Sr. (1910–99) was prime minister from 1981–94. (Isaac) Vivian Alexander (“Viv”) Richards (b.1952) is a famous cricketer. Jamaica Kincaid (b.1949), author of *Autobiography of My Mother* (1996), was born Elaine Potter Richardson; she changed her name when she moved to the United States.

#### 49 DEPENDENCIES

Antigua and Barbuda has no territories or colonies.

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# ARGENTINA

Argentine Republic  
*República Argentina*

**CAPITAL:** Buenos Aires

**FLAG:** The national flag consists of a white horizontal stripe between two light blue horizontal stripes. Centered in the white band is a radiant yellow sun with a human face.

**ANTHEM:** *Himno Nacional*, beginning “Oíd, mortales, el grito sagrado Libertad” (“Hear, O mortals, the sacred cry of Liberty”).

**MONETARY UNIT:** The peso (A\$) is a paper currency of 100 centavos. There are coins of 1, 5, 10, 25 and 50 centavos, and notes of 1, 2, 5, 10, 20, 50, and 100 pesos. The rate of exchange is about A\$0.34722 (or US\$1=A\$2.88) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year’s Day, 1 January; Labor Day, 1 May; Anniversary of the 1810 Revolution, 25 May; Occupation of the Islas Malvinas, 10 June; Flag Day, 20 June; Independence Day, 9 July; Anniversary of San Martín, 17 August; Columbus Day, 12 October; Immaculate Conception, 8 December; Christmas, 25 December. Movable religious holidays include Carnival (two days in February or March) and Good Friday.

**TIME:** 9 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Shaped like a wedge with its point in the south, Argentina, the second-largest country in South America, dominates the southern part of the continent. Argentina is slightly less than three-tenths the size of the United States with a total area of 2,766,890 sq km (1,068,302 sq mi); the length is about 3,650 km (2,268 mi) N–S and the width, 1,430 km (889 mi) E–W. To the N Argentina is bounded by Bolivia; to the NE by Paraguay; to the E by Brazil, Uruguay, and the Atlantic Ocean; and to the S and W by Chile, with a total boundary length of 9,665 km (6,006 mi).

Argentina lays claim to a section of Antarctica of about 1,235,000 sq km (477,000 sq mi). Both Argentina and the United Kingdom claim the Falkland Islands (Islas Malvinas), with the United Kingdom exercising effective occupancy. In 1978, Argentina almost went to war over three Chilean-held islands in the Beagle Channel. The case was referred to papal mediation; on 29 November 1984, the two countries signed a treaty that confirmed Chile’s sovereignty over the three islands.

Argentina’s capital city, Buenos Aires, is located along the eastern edge of the country on the Atlantic coast.

## <sup>2</sup>TOPOGRAPHY

Except for the mountainous western area, Argentina is for the most part a lowland country. It is divided into four topographical regions: the Andean region, Patagonia, the subtropical plain of the north, and the pampas. The Andean region, almost 30% of the country, runs from the high plateau of the Bolivian border southward into western Argentina. Within the Andes there are over 1,800 volcanoes, about 28 of which are still considered to be active. Patagonia comprises all the area from the Río Negro to the southern extremity of the continent, or about 777,000 sq km

(300,000 sq mi). Rising from a narrow coastal plain, it extends westward in a series of plateaus. In most places, the altitude range is 90–490 m (300–1,600 ft), although it may rise to 1,500 m (5,000 ft). Patagonia is a semiarid, sparsely populated region. It includes the barren island of Tierra del Fuego, part of which belongs to Chile. A portion of the Gran Chaco, covering the area between the Andean piedmont and the Paraná River, consists of an immense lowland plain, rain forests, and swampland, little of which is habitable.

The most characteristic feature of Argentine topography, however, is the huge expanse of lush, well-watered level plains known as the pampas. Stretching from the east coast estuary, Río de la Plata, the pampas spread in a semicircle from the Buenos Aires area to the foothills of the Andes, to the Chaco, and to Patagonia, forming the heartland of Argentina, the source of its greatest wealth, and the home of 80% of its people.

The major Argentine rivers, which originate in the Andean west or the forested north, flow eastward into the Atlantic Ocean. The Paraná, Uruguay, Paraguay, and Alto Paraná rivers all flow into the Río de la Plata, which reaches a maximum width at its mouth of 222 km (138 mi), between Uruguay and Argentina. The highest peaks in Argentina are Mt. Aconcagua (6,960 m/22,835 ft), also the highest mountain in South America; and Mt. Tupungato (6,800 m/22,310 ft). There is a region of snow-fed lakes in the foothills of the Andes in western Patagonia. Many small lakes, some of which are brackish, are found in the Buenos Aires, La Pampa, and Córdoba provinces.

## <sup>3</sup>CLIMATE

Argentina’s climate is generally temperate, but there are great variations, from the extreme heat of the northern Chaco region, through the pleasant mild climate of the central pampas, to the

subantarctic cold of the glacial regions of southern Patagonia. The highest temperature, 49°C (120°F), was recorded in the extreme north, and the lowest, -16°C (3°F), in the southern tip of the country. Rainfall diminishes from east to west. Rainfall at Buenos Aires averages 94 cm (37 in) annually, and the mean annual temperature is 16°C (61°F). Light snowfalls occur occasionally in Buenos Aires. Throughout Argentina, January is the warmest month and June and July are the coldest. North of the Río Negro, the winter months (May–August) are the driest period of the year. The wide variations of climate are due to the great range in altitude and the vast extent of the country. In the torrid zone of the extreme north, for example, the Chaco area has a mean annual temperature of about 23°C (73°F) and a rainfall of about 76 cm (30 in), whereas Puna de Atacama has a temperature average of 14°C (57°F) and a rainfall of about 5 cm (2 in). The pampas, despite their immensity, have an almost uniform climate, with much sunshine and adequate precipitation. The coldest winters occur not in Tierra del Fuego, which is warmed by ocean currents, but in Santa Cruz Province, where the July average is 0° C (32°F).

#### **4 FLORA AND FAUNA**

More than 10% of the world's flora varieties are found in Argentina. The magnificent grasslands have figured prominently in the development of Argentina's world-famous cattle industry. Evergreen beeches and Paraná pine are common. From yerba maté comes the national drink immortalized in gaucho literature, while the shade-providing ombú is a national symbol.

Many tropical animals thrive in the forests and marshes of northern Argentina; among them are the capybara, coypu, puma, and various wildcats. In the grasslands and deserts are the guanaco, rhea, and many types of rodents. The cavy, viscacha, tuco tuco, armadillo, pichichiago, otter, weasel, nutria, opossum, various types of fox, and hog-nosed skunk are common. The ostrich, crested screamer, tinamou, and ovenbird are a few of the many species of birds. Caimans, frogs, lizards, snakes, and turtles are present in great numbers. The dorado, a fine game fish, is found in larger streams, and the pejerrey, corvina, palameta, pacu, and zurubi abound in the rivers.

Spanish cattle on the pampas multiplied to such an extent that the role of wild cattle herds in Argentine history was the same as that of the buffalo herds in the US West. Argentina is richly endowed with fossil remains of dinosaurs and other creatures.

#### **5 ENVIRONMENT**

The principal environmental responsibilities are vested in the Ministry of Public Health and the Environment; the Subsecretariat of Environmental Planning in the Ministry of Transportation and Public Works; and the Subsecretariat of Renewable Natural Resources and Ecology within the Secretariat of State for Agriculture and Livestock. In 1977, the Metropolitan Area Ecological Belt State Enterprise was created to lay out a 150-km (93-mi) greenbelt around Buenos Aires, with controls on emission and effluents as well as on building density.

The major environmental issues in Argentina are pollution and the loss of agricultural lands. The soil is threatened by erosion, salinization, and deforestation. Air pollution is also a problem due to chemical agents from industrial sources. The water supply is threatened by uncontrolled dumping of pesticides, hydrocarbons,

and heavy metals. Argentina has a renewable water supply of 276 cu km. In 2002, some 97% of all city dwellers and over 70% of rural dwellers had access to improved water sources.

In 2000, about 12.7% of the land area contained forest and woodland. In 2003, about 6.6% of the total land area was protected. Argentina has four natural UNESCO World Heritage Sites: Los Glaciares, Iguazu National Park, Peninsula Valdes, and Ischigualasto/Talampaya National Parks. There are 14 sites designated as Ramsar Wetlands of International Importance.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 32 types of mammals, 55 species of birds, 5 types of reptiles, 30 species of amphibian, 12 species of fish, and 42 species of plants. Endangered species in Argentina include the ruddy-headed goose, Argentinean pampas deer, South Andean huemul, Puna rhea, tundra peregrine falcon, black-fronted piping guan, glaucous macaw, spectacled caiman, the broad-nosed caiman, Lear's macaw, the guayaquil great green macaw, and the American crocodile.

#### **6 POPULATION**

The population of Argentina in 2005 was estimated by the United Nations (UN) at 38,592,000, which placed it at number 31 in population among the 193 nations of the world. In 2005, approximately 10% of the population was over 65 years of age, with another 27% of the population under 15 years of age. There were 96 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 1.1%, a rate the government viewed as satisfactory, although reducing fertility among adolescents was a government priority. The projected population for the year 2025 was 46,424,000. The population density was 14 per sq km (36 per sq mi).

The UN estimated that 89% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.25%. More than one-third of all Argentines live in or around Buenos Aires, the capital city, which had a population of 13,047,000 in 2005. Other estimated metropolitan area populations in 2000 were Córdoba, 1,592,000; Rosario, 1,312,000; Mendoza, 988,600; La Plata, 838,600; and San Miguel de Tucumán, 837,000.

The majority of the population descends from early Spanish or Italian immigrants. Approximately 10% of the people are of indigenous Indian or mestizo descent.

#### **7 MIGRATION**

Migration to Argentina from Spain and Italy has been heavy in the past. Under the rule of Juan Domingo Perón (1946–1955), immigration was restricted to white persons, exceptions being made for relatives of nonwhites (Japanese and others) already resident. More recently, immigrants from across the border in Paraguay have numbered at least 600,000; Bolivia, 500,000; Chile, 400,000; Uruguay, 150,000; and Brazil, 100,000. Some 300,000 illegal aliens were granted amnesty in 1992. Foreigners, on application, may become Argentine citizens after two years' residence. A total of 16,738 were naturalized in 1991, of which 13,770 were from other American countries. In 2000, Argentina's refugee population was estimated at 2,400. Few Argentines emigrated until the 1970s, when a "brain drain" of professionals and technicians began to de-

velop. In the mid-1980s, some 10,000 of the estimated 60,000 to 80,000 political exiles returned home.

Of much greater significance to Argentina has been the tendency for workers in rural areas to throng to the cities. This had particular political and economic overtones during the Perón regime. Perón's encouragement of workers to move to Buenos Aires and surrounding industrial areas drained rural areas of so many persons that agriculture and livestock raising, the base of Argentina's wealth, suffered severely. Moreover, the inability of the economy to absorb all of the new urban masses led to a host of economic and social problems that still besiege the nation in the 21st century. Both the federal government and provincial governments have since vainly entreated aged workers to return to rural areas.

There has been a significant increase in asylum claims in recent years, beginning in the latter half of the 1990s. As of the end of 2004, there were 3,910 refugees and asylum seekers. Of the 990 asylum seekers, 428 received counseling and assistance from the United Nations High Commissioner for Refugees (UNHCR). Most asylum seekers were from neighboring countries, but there were also more than 30 other nationalities from Latin America, Eastern Europe, Africa, and Asia. In 2005 estimates were that there were 0.4 migrants per 1,000 population.

## 8 ETHNIC GROUPS

Argentina's population is overwhelmingly European in origin (principally from Spain and Italy); there is little mixture of indigenous peoples. An estimated 97% of the people are of European extraction and 3% are mestizo, Amerindian, or of other nonwhite groups. The pure Amerindian population has been increasing slightly through immigration from Bolivia and Paraguay.

## 9 LANGUAGES

The national language of Argentina is Spanish. Argentine Spanish has diverged in many ways from Castilian, showing the effects of the vast influx of foreigners into Buenos Aires, as well as of Spaniards from Andalucía, Galicia, and the Basque provinces. First- and second-generation Italians have added their touch to the language, and French settlers have contributed many Gallicisms.

The outstanding phonetic feature of Argentine Spanish is the yeísmo, in which the *ll* and *y* are pronounced like the *z* in *azure*. The meaning of many Castilian words also has been modified. The Porteños, as the inhabitants of Buenos Aires are called, rely heavily upon a variety of intonations to express shades of meaning.

English has become increasingly popular as a second language, especially in metropolitan areas and in the business and professional community. There are pockets of Italian, French, and German immigrants speaking their native languages. Some Amerindian languages are still spoken, including a version of Tehuelche in the pampas and Patagonia, Guaraní in Misiones Province, and Quechua in some parts of the Jujuy and Salta provinces.

## 10 RELIGIONS

Statistics submitted by nongovernmental organizations in 2001 indicate that the Roman Catholics continue to claim the largest number of members, at about 88% of the population. Protestants accounted for about 7% of the population. About 1.5% of the population are Muslims and about 1% are Jewish. These statistics,



LOCATION: 21°47' to 55°16' S; 53°38' to 73°35' W. BOUNDARY LENGTHS: Bolivia, 832 kilometers (517 miles); Paraguay, 1,880 kilometers (1,168 miles); Brazil, 1,224 kilometers (761 miles); Uruguay, 579 kilometers (360 miles); Atlantic coastline, 4,989 kilometers (3,100 miles); Chile, 5,150 kilometers (3,200 miles).

TERRITORIAL SEA LIMIT: 200 miles.

however, simply refer to reported membership and do not indicate active religious practice.

Argentina retains national patronage, a form of the old Spanish royal patronage, over the Roman Catholic Church. Under this system, bishops are appointed by the president of the republic from

a panel of three submitted by the Senate; papal bulls and decrees must be proclaimed by the president and sometimes must be incorporated into an act of the Congress. The government also provides the Catholic Church with certain subsidies. However, the constitution does provide for freedom of religion and the government encourages tolerance and understanding between social and religious groups.

The Secretariat of Worship in the Ministry of Foreign Affairs, International Trade, and Worship is responsible for overseeing relations between religious organizations and the government. According to the National Registry kept by the secretariat, there are about 2,800 religious organizations in the country representing about 30 different religious denominations or groups. Certain Catholic holidays are officially observed; however, the law allows for up to three days of paid leave for those observing Jewish or Islamic holidays. Associations that promote interdenominational understanding and cooperation include the Argentine Jewish-Christian Brotherhood (an affiliate of the International Council of Christians and Jews), the Argentine Council for Religious Freedom, the Foundation for Education and Peace, and the Federation of Arab Entities.

Some members of non-Catholic faiths have reported discrimination in employment through the military and the federal ministries, but these reports have not been substantially verified. Anti-Semitic and anti-Muslim attitudes have surfaced in some social circles, but a number of nongovernmental ecumenical groups are working toward greater levels of understanding and acceptance through all faiths.

## **11** TRANSPORTATION

Argentina has the largest railway system in South America, with 34,091 km (21,204 mi) of track (167 km electrified) as of 2004. Although railroads link all the provinces, the three provinces of Buenos Aires, Córdoba, and Santa Fe contain about one-half the total track and are the destinations of about two-thirds of all goods carried. The seven major railroads and all other lines belong to the state and are administered by Argentine Railways. Until 1947, when Perón bought them at a price exceeding their real value, the railroads were mainly under the control of British interests. Since then, they have been in decline and have regularly run up large deficits. A major problem is that the railway system uses three incompatible track gauges (standard: 1.435-m; broad: 1.676-m; and narrow: 1.000-m and 0.750-m), which severely restricts system interoperability, and forces virtually all interregional freight traffic to pass through Buenos Aires. The railroads' share of merchandise transported has declined steadily since 1946.

A five-year railroad modernization and rationalization plan was initiated by the military government in 1976, but the general decline of the railway system was not halted, and the number of passengers carried dropped from 445 million in 1976 to about 300 million in 1991. The subway system in Buenos Aires, completely state-owned since 1978, consists of five lines totaling 36 km (22 mi).

The continued deterioration of the railroads has resulted in a sharply increased demand for road transportation, which the present highways cannot handle. By 2001, the nation had 215,434 km (133,871 mi) of roads, of which 63,553 km (39,492 mi) were paved. In late 1969, a tunnel under the Río Paraná was opened,

connecting Santa Fe with the nation's eastern region. The road system is still far from adequate, especially in view of Argentina's rapidly increasing automotive industry. In 2003, the total number of registered vehicles reached 6,873,000, including 5,380,000 passenger cars and 1,493,000 commercial vehicles.

The main river system of Argentina consists of the Río de la Plata and its tributaries, the Paraná, Uruguay, Paraguay, and Alto Paraná rivers. There is a total of 10,950 km (6,800 mi) of navigable waterways, offering vast possibilities for efficient water transportation. The river system reaches Paraguay, northeastern Argentina, and regions of Brazil and Uruguay. The La Plata estuary, with its approaches and navigation channels, is the basis of the entire river system. The La Plata ports (Buenos Aires and La Plata) account for more than half of all maritime cargo, including more than two-thirds of all cargo transported on the river system. The Paraná is easily navigable up to Rosario, but the 171-km (106-mi) stretch between Rosario and Santa Fe has considerably less depth and is less suitable for oceangoing vessels. Up-river from Santa Fe, the Paraná rapidly loses depth and is navigable only by small ships.

The port of Buenos Aires handles about four-fifths of the country's imports and exports, and it is the focus of river traffic on the La Plata system. Other major ports are Rosario, Quequén, Bahía Blanca, Campana, and San Nicolás. Most port storage facilities are owned and operated by the government. In 1961, the State Merchant Fleet and the Argentine Overseas Navigation Fleet were merged to form the Argentine Maritime Lines. This state company carries approximately one-half of all Argentine overseas freight. In 2005, the merchant marine consisted of 26 vessels with a total GRT of 149,007.

Buenos Aires is the most important air terminal in South America. The four principal airports include Aeroparque and Ezeiza, both at Buenos Aires, Catarata Iguazu at Iguazu, and El Plumerillo at Mendoza. In 2004, there were an estimated 1,334 airports and landing fields, of which only 144 had paved runways as of 2005. The government line is Aerolíneas Argentinas. However, there are other major Argentine airlines and many foreign lines operating in the country. In 2003, the total scheduled civil aviation services flew 113 million freight ton-km and carried 6.03 million passengers on domestic and international flights.

## **12** HISTORY

Before the Spaniards arrived, about 20 Amerindian groups comprising some 300,000 people lived in the region now called Argentina. They were mainly nomadic hunter-gatherers, although the Guandant practiced slash-and-burn agriculture.

Spaniards arrived in Argentina in 1516. They called the region "La Plata" (literally "silver") under the mistaken impression that it was rich in silver. Colonists from Chile, Peru, and Asunción (in present-day Paraguay) created the first permanent Spanish settlements in Argentina, including Buenos Aires in 1580. In 1776, Río de la Plata became a vice-royalty, with Buenos Aires as the main port and administrative center.

During the early colonial period, there was little interest in Argentina. The region had no mineral wealth, and Spaniards overlooked the fertile soil and temperate climate of the region. As a result, Buenos Aires had a population of only about 25,000 at the time of the viceroy's arrival. The Spaniards could not afford to ignore Buenos Aires by the late 1700s, when the city was growing

rapidly thanks to illegal trade financed by British interests. Goods were smuggled to Brazil and the Caribbean Islands. Spain worried about British and Portuguese expansion and sought to control trade and collect more taxes from the growing commerce.

In May 1810, following the example set by Spanish cities after the capture of King Ferdinand VII by the French, Buenos Aires held an open town meeting (*Cabildo Abierto*). A junta was elected, which deposed the viceroy and declared itself in authority. On 9 July 1816, a congress of provincial delegates in San Miguel de Tucumán signed a declaration of independence, and in 1817, Gen. José de San Martín led an army across the Andes to liberate Chile and Peru.

After independence, Buenos Aires was a major force in the region, and strongmen (*caudillos*) from the surrounding provinces attempted to curb its power. The internal power struggle lasted until Juan Manuel de Rosas became governor of Buenos Aires Province. He imposed order and centralism from 1835 until 1852, when the forces of Gen. Justo José de Urquiza defeated him. A new constitution was adopted in 1853, and Urquiza was elected president in 1854. The struggle for power between Buenos Aires, the hub of commercial activity for the country, and the provinces that provided the raw materials, continued through the late 1800s. It was not until 1880, when the city was named the federal capital, that regional peace was achieved. By then, Argentina was becoming a modern nation, with new railroads and roads under construction. Thousands of European immigrants flocked to the country each year looking for a better life. Buenos Aires alone grew from 90,000 people in 1851 to 1.3 million by 1910, when the city was called the “Paris of South America.”

Social conflicts always had been part of Argentina’s history, but they intensified during the late 19th century as the gap between the wealthy classes and the poor widened. The National Party, under the leadership of Gen. Julio Roca (who served two terms as president, 1880–86 and 1898–1904) and supported by the military and landowners, dominated the nation. To combat this powerful coalition, a middle-class party called the Radical Civic Union (*Unión Cívica Radical*) was formed. The Radicals stressed democratic practices and attempted to expand the political system beyond its elite-restricted boundaries. The Radicals’ efforts came to fruition in 1916, when Hipólito Yrigoyen was elected president for a six-year term. But little changed for the working classes. Most workers could barely afford to feed their families during this time, despite the tremendous affluence of the upper class. Workers who sought to improve their working conditions were suppressed. A violent army attack against striking metalworkers in 1919 came to be known as “*La Semana Trágica*” (The Tragic Week). Yrigoyen sat out for a term, and was reelected president in 1928, but he did not last long. An economic crisis precipitated by the world depression led to a military coup in 1930.

For the next 13 years, Argentina was ruled by the old conservative oligarchy. The military-landowner alliance brought both economic recovery and political corruption, as well as the exacerbation of social tensions. Particularly divisive was the matter of Argentina’s foreign relations. While opening Argentina to trade with Europe improved the economic picture, many felt that the leadership had sold out to foreign interests. Argentina’s careful neutrality toward the Axis powers masked considerable Fascist sympathies, further dividing the nation.

Another military coup in 1943 brought to power an even more Axis-sympathetic group but also launched a new era in Argentine politics. Argentina had undergone an industrial expansion, accelerated by the war. This expansion led to the formation of a large blue-collar workforce, which in 1943 came under the direction of the military head of the Labor Department, Col. Juan Domingo Perón. Perón used his new constituency to build a power base that allowed him in 1946 to be elected president, while his supporters won majorities in both houses of congress. Perón, it was later reported, allowed many Nazi German leaders to hide in Argentina.

Perón made sweeping political, economic, and social changes. His ideology was an unusual blend of populism, authoritarianism, industrialism, and nationalism. His strong personal appeal was buttressed by the charm of his wife Eva (“Evita”), a woman of modest upbringing who captivated the masses with her work on behalf of the poor. Peronist rhetoric stressed the rights of *descamisados* (literally “shirtless”), the poor of Argentina.

Perón sought to establish a foreign policy that allied Argentina with neither the West nor East, while acting as protector of weaker Latin American nations against US and British “imperialists.” He coined a new word to describe his approach—*justicialismo* (roughly translated as “essence of justice.” After reelection in 1951, Perón became increasingly dictatorial and erratic, especially after the death of Evita a year later. Economic hardship led to reversals in policy that favored the old oligarchy. Newspapers were shut down and harassed. Perón legalized divorce and prostitution, and began to incite violence against churches. Finally, a military group took over in September 1955.

For the next 20 years, Argentina felt the shadow of Perón. From exile in Spain, Perón held a separate veto power. Under the military’s watchful eye, a succession of governments attempted unsuccessfully to create a new political order.

The first of these efforts came from Gen. Pedro Eugenio Aramburu, who repressed Perón’s followers and declared their party illegal. After two years of provisional government, elections were held. Rival factions of the old Radical Civic Union competed in a contest won by Arturo Frondizi of the more left-leaning UCRI. With the initial support of the Peronistas, Frondizi attempted to balance that support with the military, which grew nervous at the mention of Peronism. Frondizi curbed inflation through an austerity program and increased Argentina’s petroleum production by extending concessions to foreign companies. These economic measures helped increase political tensions, and in the elections of 1961 and 1962, Peronist candidates, running under the banner of the Justicialist Front (*Frente Justicialista*), won sweeping victories. A military junta removed Frondizi from the presidency in March 1962 and annulled the elections, thus denying governorships to the supporters of Perón. Divisions among the military leaders kept the nation in a state of tension until mid-1964, when new elections were held. Dr. Arturo Illía of the rightist UCRP won the presidency. Illía’s administration was beset by rising government debt, inflation, labor unrest, and political agitation, but was most seriously threatened by the military. The chief of the armed forces, Lt. Gen. Juan Carlos Onganía resigned in November 1965, after Illía appointed a Peronist sympathizer as war minister.

In June 1966, following election victories by the Peronist faction, the military leaders installed Onganía as President. Onganía dissolved the nation’s legislative bodies and suspended the con-

stitution. Onganía announced a revolutionary program to restore economic prosperity and social stability, saying that only after this restoration would the democratic system be reestablished. Inflation was cut by means of rigid wage controls, and by the end of 1969, the economy was growing at a rate of 7% annually. His economic policies were overshadowed, however, by growing political tension. With the help of the military, strict controls were imposed on the press and all means of mass communication. Students led in denouncing these repressive policies, and in the early months of 1969, violence erupted in Córdoba and Rosario.

Dissatisfaction mounted early in 1970, and acts of terrorism increased. Several groups were active, some of which claimed to be Peronist, others Marxist, still others claiming to be both. The most serious incident was the kidnapping and killing of former President Aramburu by a Peronist group. Although President Onganía stiffened in response to the disorder, it was becoming clear that Argentina would never be stabilized without the participation of the Peronists. For his part, Perón encouraged these groups from abroad.

In June 1970, a junta of high-ranking military officers removed Onganía, and began to move toward democratic reform. Under two ensuing military governments, preparations were made for elections that would include the Peronists, now organized as the Justicialist Liberation Front (FREJULI). In general elections held in March 1973, the winner was Dr. Héctor J. Cámpora, whose unofficial slogan was “Cámpora to the presidency; Perón to power.” Cámpora was elected president with 49% of the vote, while FREJULI won a congressional majority and 11 of the 22 provincial governorships. However, Cámpora, who assumed office in May 1973, was no better able than his predecessors to cope with a rising tide of terrorism, much of it from extreme Peronist factions. After a consultation with Perón in Madrid, Cámpora announced his resignation, effective in July.

Perón, who had returned to Argentina in June 1973, ran for the presidency and took 61.9% of the vote in a special election in September. His running mate was his third wife, María Estela (“Isabel”) Martínez de Perón, a former exotic dancer. There was no magic left in the elderly Perón. He cracked down on the very terrorist groups he had encouraged, but the economy sagged. When he died in July 1974, his widow succeeded to the presidency.

Isabel had none of Evita’s appeal, and her administration plunged Argentina more deeply into chaos. The first year of Isabel Perón’s regime was marked by political instability, runaway inflation, and a renewal of guerrilla violence. In September 1975, Perón vacated her office for 34 days, ostensibly because of ill health. During her absence, the military strengthened its position. In March 1976, she was arrested in a bloodless coup, and a military junta consisting of the commanders of the army, navy, and air force took over. The leading member of the junta was Army Commander Lt. Gen. Jorge Rafael Videla, who became president.

The junta dissolved congress, suspended political and trade union activity, and mounted a concerted campaign against leftist guerrillas. For seven years, the military attempted to “purify” Argentina by imprisoning, torturing, and executing leftists, Peronists, trade unionists, and members of other political parties deemed divisive. Military officers also kidnapped the babies of the “disappeared” and gave them to officers or released them to adoption agencies. Meanwhile, they attempted a complete liberaliza-

tion of the economy, including the privatization of banking and industry. However, the military was never able to solve the problem of inflation, which remained in triple digits for most of this period.

In March 1981, Gen. Roberto Viola succeeded Videla as president, and in December, Lt. Gen. Leopoldo Galtieri took over. Troubled by economic woes and lacking any political support from the general populace, the military turned to foreign affairs in an attempt to gain support. In April 1982, Argentina invaded the Falkland Islands, claiming sovereignty over them, but in the ensuing war with the United Kingdom, Argentina’s armed forces were routed, surrendering in June. The defeat led to Galtieri’s resignation, and a new junta was formed in July under Maj. Gen. Reynaldo Benito Antonio Bignone. Liberalization measures during the remainder of 1982 led to strikes and antigovernment demonstrations, including a one-day general strike in December in which 90% of the work force reportedly took part. In addition to demands for a return to civilian rule, more and more Argentines demanded to know the fate of at least 10,000—and perhaps as many as 30,000—persons who had “disappeared” during what came to be known as the “dirty war” of 1976–83. Official government figures for the “disappeared” stand at 10,000, but human rights groups believe it is much higher.

In elections for a civilian president held in October 1983, the upset winner was a human rights activist from the People’s Radical Civic Union (Unión Cívica Radical del Pueblo—UCRP), Dr. Raúl Alfonsín. After taking office in December, Alfonsín called for a new inquiry into the “disappearances” and ordered the prosecution of former junta members. In December 1985, five were convicted, including Lt. Gen. Videla. The legacy of the “dirty war” preoccupied the Alfonsín government. The president saw the need to close the 50-year cycle of military intervention and political instability by building a stable democracy. However, the political reality of Argentina could not be changed by wishes. The human rights trials of leading military officers irked the military, and in April 1987, an abortive military uprising spread to a number of bases. Although Alfonsín refused to yield to the rebels, he soon afterward retreated from his position, getting approval from congress for a law that would limit the trials to a few superior officers, thereby accepting the defense of “taking orders” for the lower-ranking officers.

The Alfonsín administration also acted to halt rampant inflation with the “Austral Plan” of mid-1985, which froze wages and prices and created a new unit of currency, the austral, to replace the beleaguered peso. The initial success of the plan was weakened by a resurgence of inflation and labor intransigence over wage demands. With the failure of the Alfonsín administration to stabilize the economy or bring military leaders to justice, Argentines sought change from an old source: the Peronists. In May 1989, Carlos Saul Menem, running under the Justicialist banner, was elected with 47% of the popular vote. Because the Alfonsín government was in such dire straits, the president resigned in July and Menem was immediately installed. This was Argentina’s first transfer of power between democratically elected leaders in more than 60 years.

Menem abandoned his party’s traditional support of state enterprises; he cut government spending and generally liberalized the Argentine economy. He also pardoned and released top mili-

tary leaders involved in human rights violations. In May 1995 after he successfully changed the constitution, following a first term marked by economic success and political stability, Menem was reelected to a second four-year term. He weathered Argentina's 1995–96 economic recession with the aid of Domingo Cavallo, the minister of economics and architect of the anti-inflation plan. Despite the economic successes, many Argentines grew tired of Menem and alleged corruption in his administration. Menem also could not keep his private “playboy” life apart from politics, and began showing the traits of a *caudillo* by pressing for changes to the constitution so he could run for a third term in 1999. His bitter party rival and critic, Eduardo Duhalde, prevailed and represented the Justicialists in the 1999 presidential election. For Duhalde, a downturn in the economy came at a bad time. In 1999, Argentina entered a recession and saw its GDP decline by 3%. Unemployment reached 14%. Menem didn't help his party's cause. He seemed more intent in undermining Duhalde, while actively campaigning for a third term in 2003.

In the meantime, Fernando de la Rúa Bruno, the mayor of Buenos Aires, had balanced the city's budget and even managed to increase and improve services. A leader of the Unión Cívica Radical, de la Rúa aligned his party with a new political movement called Front for a Country in Solidarity (FREPASO), an amalgamation of several center-left parties. De la Rúa's conservatism and successes in Buenos Aires got the attention of voters. He provided a sharp contrast to the excesses of the *bon vivant* Menem. A serious president would take the country's problems seriously, his aides stressed. The campaign worked. In October 1999, voters gave de la Rúa 48.5% of the vote. Duhalde received 38.1%.

After taking office, de la Rúa declared a national economic emergency. By March 2000, he had pushed through Congress a new budget that sliced in half the fiscal deficit and new laws to weaken the bargaining power of unions. While the Alianza held on to a slim majority in the lower Chamber of Deputies, the Senate remained under Justicialist control. Partially because of his inability to restrict spending by provincial governors and because he had little maneuvering space to adopt policies that could stimulate growth, de la Rúa could not overcome the economic crisis and the government was eventually forced to devalue the national currency. Social and political chaos ensued with the economy going into its worst recession in decades. After his party lost the mid-term elections in 2001, President de la Rúa's popularity continued to fall and the economic situation became unbearable. After protests turned violent in Buenos Aires in December 2001, looting and chaos erupted, followed by police repression. De la Rúa was forced to resign. After a few weeks of political instability, the Senate chose Eduardo Duhalde, who had been elected to the Senate in the 2001 midterm election, as a temporary president. Duhalde governed until May 2003, when Néstor Kirchner, elected in April, was inaugurated president. Although former president Carlos Menem obtained the plurality of votes in the first round among a handful of other presidential candidates, the former president withdrew less than a week before the runoff when it became clear that Kirchner, who came in second with 22% of the vote, would win by a landslide. Kirchner was a little-known governor from the southern province of Santa Cruz, but he successfully captured the growing anti-Menem sentiment. In addition, Kirchner was wide-

ly seen as Duhalde's favorite and many expected him to carry on Duhalde's policies.

In the end, the 2003 presidential election turned out to be a contest between the two Perónist rivals, Menem and Duhalde. Although Duhalde's candidate became president, Menem's withdrawal prevented Kirchner from winning a majority of votes in the runoff election. With his legitimacy weakened and his independence of Duhalde under doubt, Kirchner became president of a country in the midst of an economic, social and political crisis. The economy shrank by 14% in 2002 and official unemployment remained at 25%. With a mounting foreign debt and financial obligations to foreign lenders difficult to meet, President Kirchner opted for a radical economic reform package. Argentina opted to default on its foreign debt and called on creditors to renegotiate on terms much more convenient to Argentina's interest. In the end, Kirchner got away with his initiative and successfully lowered Argentina's foreign debt by renegotiating it. Disappointed creditors were forced to choose partial payment or no payment at all. Although the move made Kirchner very popular domestically, Argentina's credit abroad was severely hurt. Almost no foreign investment has entered Argentina since the country defaulted on its past debt.

Yet, because Argentina's exports had been strong and because the country continued to rely on a weak national currency to make its exports more competitive, the economy grew rapidly under Kirchner's administration. The economic recovery, deemed as unsustainable in the long term by many economists, was sufficiently strong to reduce unemployment and improve the president's approval ratings. Kirchner and the Peronist Party went on to win an absolute majority in congress in the 2005 mid-term legislative elections. Kirchner's wife, Cristina Fernández (Cristina Kirchner) won a Senate seat representing the province of Buenos Aires, the most populous in the country. Her victory over Duhalde's wife highlighted the absolute control the Kirchner political machine exerted over the Peronist Party.

Although the economy continued to do well relying on strong exports, some signs of inflationary pressures emerged in early 2005. Price control schemes and a more active intervention in the economy by the central government underlined Kirchner's strong mistrust of free trade policies. The president's decision to attract foreign investment from Venezuela's Hugo Chávez government put Argentina at odds with the United States. But the strong nationalist discourse by the Argentine leader helped boost his popularity at home. Whether or not Kirchner would run for reelection or step down in favor of his wife Cristina was undecided as of mid-2006, but either way, it was felt that the Kirchners were likely to remain in power after the 2007 presidential elections.

### 13 GOVERNMENT

Argentina's government is ruled by its 1853 constitution, although that document has been suspended many times. The basic structure is federal and republican. In 1949, the Perón government adopted a new constitution, but the subsequent military government expunged that document. Some modifications in the original constitution were subsequently made by a constituent assembly that



met in October 1957. In July 1962, a system of proportional representation was adopted.

The constitution provides for a federal union of provinces that retain all powers not specifically delegated to the federal government by the constitution. There is a separation of powers among the executive, legislative, and judicial branches, but the president is powerful within this arrangement. The president can draw up and introduce his own bills in Congress, appoint cabinet members and other officials without the consent of the Senate, and possesses broad powers to declare a state of siege and suspend the constitution. The president is commander-in-chief of the army, navy, and air force and appoints all major civil, military, naval, and judicial offices, with the approval of the Senate in certain cases. The president is also responsible, with the cabinet, for the acts of the executive branch and has the right of patronage (control over appointments) in regard to bishoprics. The president and vice president are directly elected for a four-year term and cannot be re-elected beyond a second consecutive term. They or their parents must be native-born citizens. Voting is compulsory for all citizens 18 to 70 years of age.

The constitution calls for a National Congress consisting of a Senate and a Chamber of Deputies. The 72 senators are directly elected, 3 from each of the 23 provinces and the Federal District of Buenos Aires. The term of office is set at six years, with staggered elections every three years for one-third of the membership. The Chamber of Deputies is the result of direct elections for 257 seats. Seats are allocated to each province in proportion to its population, but less populated provinces are over-represented. The deputies' term of office is four years, with one-half of the membership being elected every two years. The Chamber of Deputies is authorized to receive the budget and initiate fiscal legislation and has the exclusive right to impeach officials before the Senate.

The most recent suspensions of the constitution were between 1966 and 1973, and then again from 1976 until 1983. During the most recent suspension, a military junta performed the executive, legislative, and judicial functions. Since the resumption of civilian government in 1983, there has been an uneasy relationship between the military and the government. The controversial trials of military leaders led to serious questions about the credibility of the judiciary and mild sentences for the accused. Revisions to the constitution were approved in August 1994. During political crisis of the late 1990s, the military was unwilling to step back into political life signaling a consolidation of democracy and civilian rule in Argentina.

## 14 POLITICAL PARTIES

Political party activity in Argentina has been sporadic, given the frequency of military takeovers and the many years during which parties have been banned. Still, several parties reformed in the 1980s and continued to be active in the 1990s and into the 21st century.

Traditionally, the alignment of Argentine political parties has been along socioeconomic and religious lines. The landowners, the high clergy, and the more conservative lower class supporters have formed an alliance that defends the church and the status quo. On the other side have been the advocates of change: merchants and professionals who resent the preeminence of the aristocracy and who tend also to be anticlerical. This second group has supported

separation of church and state and decentralization. However, in modern times, new parties have emerged to represent the working class, small farmers, and intellectuals.

During the first half of the 20th century, the Radical Party in Argentina was either the governing party or the chief opposition. The Radicals were committed to the expansion of Argentine politics to the middle and lower classes, and a transformation of the nation's economic and social life. This party was as close to a mass-based party as Argentina had ever had. The core was middle class, but the party was also supported by upper- and lower-class elements. Only radical by the standards of Argentine politics, it occupied a middle ground between the Conservatives and the Socialist left. However, with a heterogeneous membership, tensions and schisms were frequent. The party split into the Radical Intransigent Civic Union (Unión Cívica Radical Intransigente—UCRI), which formed the major support for Arturo Frondizi in 1958, and the People's Radical Civic Union (Unión Cívica Radical del Pueblo—UCRP), led by Ricardo Balbín. The UCRP was somewhat more nationalistic and doctrinaire than the UCRI, but shifting policies made the differences difficult to define. Balbín's party survived into the 1980s as the Radical Civic Union (Unión Cívica Radical—UCR). After the military stepped down in 1983, that party was one of the few viable political entities in Argentina, and emerged victorious in the 1983 elections. However, with the failure of the Alfonsín administration, the UCR found itself again in its old role as loyal opposition. The UCR regained the presidency in 1999 with de la Rúa, but his dismal performance and his early departure sent the UCR into its worst crisis in history. In the 2003 presidential election, the UCR official candidate only captured 2.3% of the vote. In the 2005 mid-term elections, the UCR recovered somewhat, but it remained far below its historic strength.

The Conservatives dominated Argentine politics from about 1874 to 1916 and again from 1932 to 1945 when they were known as the National Democrats. This era of Argentine politics was known as the "Concordancia." The Conservatives were the chief spokesmen for the landed interests, from whom they drew their main support. During the Perón regime, the right lost most of its influence. In 1958, conservative parties banded together to form the National Federation of Parties of the Center (Federación Nacional de Partidos del Centro). Years of military rule in the name of conservatism yielded no mass-based conservative parties, mainly because the military professed a disdain for partisan politics. Currently, there are several small right-wing parties, the largest of which is the Union of the Democratic Center (UCD).

Although leftism in Argentina has a long tradition, it was dealt a serious blow during the 1976–83 military governments. Those governments were committed to the extermination of all leftist influences. This meant the jailing and "disappearance" of leaders of the socialist and communist movements. In addition, Peronism preempted much of the ideological appeal of these parties, as well as their traditional working-class constituencies. The earliest leftist party was the Communist Party, founded in 1918 by Juan B. Justo, who split from Yrigoyen and the Radicals. The Communists were never terribly revolutionary, but concentrated instead on the trade union movement. In the 1970s, Argentine leftism was thrown into confusion by the appearance of several substantial "urban guerrilla" movements. The Trotskyist People's Revolutionary Army (Ejército Revolucionario del Pueblo—ERP), the Montoneros, and the

Peronist Armed Forces (FAP), among others, became major players on the Argentine political scene, if only because of the dramatic impact of their actions. Their presence may well have hastened the return of Perón in 1974, but their persistence became a major justification for the military repression that followed. Refusing to make any distinction between a leftist and a terrorist, the government decimated the Argentine left.

Peronism defies political classification, and it was still alive in Argentina in the early 2000s. Peronism went underground for nearly two decades after the coup of 1955. Operating under the names Popular Union Party, Populist Party, and Laborite Party, a variety of Peronist organizations put up candidates wherever possible. The movement was alternately wooed, tolerated, or repressed, depending on the degree to which the military was involved. In 1973, elections were held in which the Peronists were allowed to field a candidate, Hector J. Cámpora, representing a coalition of various Peronist factions and other smaller parties. This coalition, the Justice Liberation Front (Frente Justicialista de Liberación—FREJULI), took 49% of the vote. Under Cámpora's successors, Juan Perón and Isabel Perón, FREJULI remained the governing coalition until the March 1976 coup, after which political activity was suspended until 1980. A "reform" movement led to infighting that crippled the party in the 1983 elections.

In 1989, Carlos Menem's victory was accompanied by solid legislative majorities in both houses of the legislature. The Justicialist Party (JP) had 122 seats in the Chamber of Deputies and 27 seats in the Senate. In the elections of May 1995, the party took 132 of a total 257 seats in the Chamber of Deputies, and 38 of a total 72 Senate seats. In 1999, the JP suffered a set back in the Chamber, but retained control of the Senate. In 2001, the JP regained seats in the Chamber reaching a total of 116 and increased its hold of the Senate where it controlled 66 seats, two short of a majority. In the 2003 and 2005 parliamentary elections, the Peronistas remained the dominant party in both chambers. Yet, in 2005, Kirchner created an alternative Peronist party (the Front for Victory) that won about one-third of the seats up for election. President Kirchner commanded the loyalty of the large majority of all the Peronist factions that won seats in Congress in 2005.

Argentina's party politics have been contentious and vicious over the years, with various sides coalescing in order to defeat rivals. One notable exception was the formation in July 1981 of the Multipartidaria, an alliance among Argentina's five leading parties—FREJULI, the UCR, the Democratic Christian Federation (Federación Demócrata Cristiana), the Movement for Integration and Development (Movimiento de Integración y Desarrollo—MID), and the Intransigent Party (Partido Intransigente). Claiming the support of about 80% of the voters, this opposition alliance began to negotiate with the military concerning a return to constitutional government, and in July 1982, political parties were formally permitted to resume their activities.

In April 1994, the Front for a Country of Solidarity (Frente del País Solidario or Frepaso) was formed. A center-left group, it has won widespread middle-class support by campaigning against government corruption. It defeated the UCR for second place in the 1995 legislative elections when it gained a representation in the Chamber of Deputies of 29 members. In 1999, Frepaso joined the UCR to create the Alianza (alliance) to elect UCR candidate Fernando de la Rúa. He was elected with 48.5% and assumed the

presidency in December. The Alianza has a slim majority in the lower house of Congress, but the Justicialists remain in control of the Senate. The Alianza proved to be short-lived. With the resignation of Vice President Carlos Álvarez in 2000, the Alianza fell apart. With de la Rúa's resignation in 2001, a new leftwing movement emerged led by former Radical Party deputy Elisa Carrió. Her Alternative for a Republic of Equals (ARI) won 8 seats in the Senate and 17 seats in the Chamber in 2001 and Carrió placed fourth in the 2003 presidential election. It remains to be seen if ARI will remain a political party beyond the parliamentary elections scheduled for October 2003.

Despite the political and social crisis, the Peronista and Radical parties continue to dominate Argentinean politics. In the 2001 midterm election, the Peronistas regained ground in the Chamber and Senate. De la Rúa's demise dealt a severe blow to the Radical Party. In the 2003 presidential election, the Radical Party candidate obtained fewer than 3% of the vote, but two formerly Radical Party militants running as an independent and in a leftist coalition collected more than 30%. The Peronist party also faced the 2003 election in the midst of a division. The three Peronist presidential candidates obtained more than 50% of the vote combined, showing that party's continuous domination of Argentine politics.

## **15 LOCAL GOVERNMENT**

Argentina is a federation of 23 provinces and the federal capital of Buenos Aires. During the 19th century there was a bitter struggle between Buenos Aires and the interior provinces, and there has long been an element of tension regarding the division of powers between the central government and provincial bodies. The federal government retains control over such matters as the regulation of commerce, customs collections, currency, civil or commercial codes, or the appointment of foreign agents. The provincial governors are elected every four years.

The constitutional "national intervention" and "state of siege" powers of the president have been invoked frequently. The first of these powers was designed to "guarantee the republican form of government in the provinces." Since the adoption of the 1853 constitution, the federal government has intervened over 200 times, mostly by presidential decree. Under this authority, provincial and municipal offices may be declared vacant, appointments annulled, and local elections supervised. Between 1966 and 1973, all local legislatures were dissolved and provincial governors were appointed by the new president. A restoration of provincial and municipal government followed the return to constitutional government in 1973. After the March 1976 coup, the federal government again intervened to remove all provincial governors and impose direct military rule over all municipalities. Since 1983, representative local government has been in force again.

Until 1996, the president appointed the mayor of Buenos Aires, and by law, the president and congress controlled any legislation that affected the city. Constitutional reforms that year led to an elected mayoral position, and a 60-member Poder Legislativo (legislative power). The members are elected by proportional representation to four-year terms.

## **16 JUDICIAL SYSTEM**

Justice is administered by both federal and provincial courts. The former deal only with cases of a national character or those to

which different provinces or inhabitants of different provinces are parties. The Supreme Court, which supervises and regulates all other federal courts, is composed of nine members nominated by the president and confirmed by the Senate. Other federal courts include nine appellate courts, with three judges for each; single-judge district courts, at least one for each province; and one-judge territorial courts. The federal courts may not decide political questions. Judges of the lower courts are appointed by the president.

Provincial courts include supreme courts, appellate courts, courts of first instance, and minor courts of justices of the peace (*alcaldes*) and of the market judges. Members of provincial courts are appointed by the provincial governors. Trial by jury was authorized by the 1853 constitution for criminal cases, but its establishment was left to the discretion of congress, resulting in sporadic use.

A 1991 law provides a fund for compensating prisoners who were illegally detained during the 1976–83 military dictatorship. In 1992, a system of oral public trials was instituted in order to speed up the judicial process while improving the protection of procedural rights of criminal defendants.

In practice, there is not a truly independent judiciary. The courts lack power to enforce orders against the executive and federal judges who actively pursue charges of police or military corruption. In 1989, President Menem, in a court-packing maneuver, expanded the number of Supreme Court justices from five to nine. In 2003, shortly after taking office, President Néstor Kirchner signaled his intention to remove some of Menem's appointees and to strengthen the judiciary by undoing some of Menem's moves that turned the Supreme Court into a political ally of the president rather than an autonomous power of the state. Formal and informal constitutional accusation against Menem-appointed Supreme Court justices between 2003 and 2005 allowed Kirchner to appoint new justices who were considered friendly to his regime. Thus, the autonomy and independence of the Supreme Court continued to be weakened by the executive's decision to influence the appointment and tenure of justices.

The constitution prohibits arbitrary interference with privacy, family, home or correspondence. The government respects these provisions. The constitution prohibits torture; however, police brutality remains a serious problem. The judicial system is subject to delays, resulting in lengthy pretrial detention.

## 17 ARMED FORCES

The Argentine armed forces in 2005 numbered 71,400 active personnel, with no formally established reserves. The Army of 41,400 was organized into 3 corps and included mechanized infantry, engineer, and artillery battalions. Equipment included 200 main battle tanks, 150 light tanks, 74 reconnaissance vehicles, 105 armored infantry fighting vehicles, 422 armored personnel carriers, and 1,701 artillery pieces. The Navy had 17,500 personnel including 2,500 Marines and 2,000 naval aviation personnel. Equipment included 3 tactical submarines, 5 destroyers, 8 frigates, and 14 patrol/coastal vessels. The naval aviation arm had 11 combat capable aircraft including 6 fighter ground attack and 5 antisubmarine warfare aircraft, in addition to 4 maritime patrol aircraft and 7 antisubmarine warfare helicopters. The Air Force numbered 12,500 personnel with 104 combat-capable aircraft that included 13 fighters and 91 fighter ground attack aircraft. Paramilitary forces in-

cluded an 18,000 member gendarmerie and the 13,240 member Prefectura Naval (Coast Guard). In 2005, the defense budget totaled \$1.75 billion. In that same year, Argentine military forces were deployed in five countries or regions as UN peacekeepers.

## 18 INTERNATIONAL COOPERATION

Argentina is a charter member of the United Nations, having joined on 24 October 1945; it belongs to ECLAC and all the non-regional specialized agencies, such as IAEA, FAO, IFC, UNIDO, UNESCO, WHO, ILO, and IMF. It is a member of the World Bank and joined the WTO on 1 January 1995. Argentina also belongs to the OAS and many other inter-American and intergovernmental organizations, such as the Cartagena Group (G-11), G-15, G-19, G-24, G-77, IADB, LAES, and LAIA. The country is a nonregional member of the African Development Bank and a member of the Permanent Court of Arbitration. Argentina has been an active member of Mercosur (Southern Common Market), the economic and strategic alliance formed by Brazil, Argentina, Uruguay, and Paraguay, with Chile and Bolivia allied as associate members. It is also part of the 19 member Río Group and the South American Community of Nations.

Argentina belongs to the G-6, the Australia Group, the Zangger Committee, the Organization for the Prohibition of Chemical Weapons, the Nuclear Suppliers Group (London Group), and the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL). The country also holds a seat on the UN Monitoring, Verification, and Inspection Commission (UNMOVIC), which was originally established in 1999 as the Special Commission for the Elimination of Iraq's Weapons of Mass Destruction (UNSCOM). Argentina was the only Latin American country to participate in the 1990–91 Gulf War. The United States designated Argentina as a non-NATO ally in January 1998. Argentina has participated in UN peacekeeping and administrative efforts in Kosovo (est. 1999), Western Sahara (est. 1991), Cyprus (est. 1964) and Haiti (est. 2004). The country is a signatory of the 1947 Río Treaty.

In cooperation on environmental issues, Argentina is part of the Antarctic Treaty, the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, Convention of Antarctic-Marine Living Resources, the London Convention, the International Convention for the Regulation of Whaling, the Kyoto Protocol, the Montréal Protocol, MARPOL, Antarctic-Environmental Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Argentina has one of the most highly developed economies and most advantageous natural resource bases of Latin America, but political instability and conflicts among various sectors of the economy have delayed the realization of this potential. The delay has likely been lengthened by the four-year recession that turned into an acute financial crisis in 2001–02 that reduced Argentina's per capita income from \$7,330 in 2001 (the highest in Latin America) to \$2,700 in 2002 (the sixth-highest), and left an estimated 54.3% of the population below the poverty line. It may have

set a modern record for the amount of wealth lost in the shortest period of time.

Argentina's economy had weathered repeated blows to its prospects for sustained growth during 1980–2005—deep recession and slow growth that accompanied hyperinflation in 1989 (4,924%) and 1990 (1,344%), a recession in 1995 following the devaluation of the Mexican peso, nonstop recessions from 1999 that followed the successive impacts of the Asian financial crisis in 1997, the Russian financial crisis in 1998, and the Brazilian financial crisis in 1999, all raising the question of the viability of emerging markets like Argentina's, and finally the global slowdown caused by the United States recession from the beginning of 2001, aggravated by the aftereffects of the 11 September 2001 terrorist attacks on the United States, which in particular put a chill on foreign investment flows. However, the factor that seems to have pushed the Argentine economy over the brink was a tough policy by the administration of US president George W. Bush with respect to IMF rescue packages. Public doubts were expressed by the US treasury as to Argentina's ability to repay its debts and there was public discussion about a willingness to allow an "orderly default." Unpopular steps taken by the government—tax increases (January 2000, April 2001, and August 2001), spending cuts, a "zero deficit" target, and restrictions on bank withdrawals to preserve the peso's convertibility to the dollar—proved of no avail in stopping the decline in investor and consumer confidence, evidenced in widening spreads on Argentine bonds, massive withdrawals from the banks, a halt to investment and a slowdown in production, with a consequent decline in revenues, and a hopelessly worsening debt situation. The IMF had agreed to a standby agreement in December 2000, and to its enhancement in March 2001 when it became apparent that the original targets were not going to be met, but no agreement on a third arrangement could be reached at the end of 2001, as street violence broke out and the country went through an extraordinary five presidents in two weeks. It was the third president who actually took the step of defaulting on payments due on \$132 billion of bonds in late December 2001, and it was the fifth who broke the one-to-one peg of the peso to the dollar in January 2002, which plunged to a low of  $\text{us}\$1 = \text{ec}\$3.87$  in June 2002. With the devalued currency, external debt jumped from 56% of GDP to over 130%. In November 2002, Argentina also defaulted on payments due to the World Bank.

Prior to 1970, Argentina suffered serious deficits in trade balance, but with increased exports, favorable trade balances were achieved during the 1970s. In 1974, increases of 7.6% were registered for agriculture, 7.5% for commerce, and 22.3% for construction. However, the average increase of annual GDP registered only 40% from 1977 to 1987. During the period between 1988 and 1999, average annual growth reached 4.4%, due largely to successful economic planning and political stability. On 23 January 2003 the government entered into a nine-month agreement with the IMF supported by loans of \$6.87 billion with the explicit understanding that a longer term arrangement would be concluded following the presidential election in April 2003. The winner, Nestor Kirchner, a Peronist from Patagonia and not widely known, promised a \$3-billion public works program but without deficit spending.

Twenty years earlier in 1982, the peso had so depreciated that the government decided to redenominate the currency, which it

did in 1983, at 10,000:1. Also in 1983, Argentina received a stabilization loan from the IMF to compensate for the effects of inflation and recession. As a condition for the loan, the government agreed to reduce the inflation rate to 165% in 1983. By autumn, however, inflation was running at an annual rate of over 900%; the inflation rate for the whole of 1983 was 434%, the highest in the world. Thereafter, it rose without interruption until it reached some 1,200% in mid-1985. At that time, the government introduced the Austral Plan—a bold attempt to halt inflation by freezing wages and prices, revaluing (and redenominating) the currency, and resolving to finance public spending with real assets only (not by printing money); under this plan the annual rate for 1985 was cut to 385%. By the end of 1986, the rate had been cut further to 82%; by early 1987, however, inflation had begun to surge again, and it was expected to exceed 100% by the end of the year.

In July 1989, President Carlos Menem of the Justicialista Party took office at a time when the economy was entangled in a hyperinflationary spiral. In 1991, President Menem unveiled an innovative stabilization/reform program, which was implemented successfully. The cornerstone of the stabilization/reform plan was to link the peso to the dollar at a fixed rate of 0.99 pesos per dollar (under the 1991 "Convertibility Law"), and requiring congressional approval for devaluation. In 1992, economic policy continued to focus on structural adjustment involving a strategy of cleaning up the fiscal accounts. The reforms took on a four-pronged approach: fiscal revenues were strengthened through a broadening of the VAT and an enhancement in revenue enforcement; administrative reforms included a substantial cut in public payroll and revamping of national fiscal accounting; the use of the Central Bank's rediscount window to finance deficits of provincial governments was curtailed; and public enterprises were privatized. Both revenue enhancements and expenditure cutbacks sharply reduced the inflation rate.

After three years of swift growth, the devaluation of the Mexican peso on 20 December 1994 pushed the Argentine economy into a severe recession, but economy minister Domingo Cavallo took an austere line and refused to devalue the Argentine currency in 1995, even though the economy shrank by 4.4% in that year. However, the economy began to recover in 1996, and by 1998 the inflation rate held at about 1%, one of the lowest rates in the world. Even though inflation was low in 1999, a recession brought the realization that high consumer prices were not the only roadblock to economic development. Negative growth also reflected poor labor policies and a lack of capital in 2000.

The country has to a large degree overcome its dependence on imported machinery and finished products, but in their place there has grown a great external demand for parts and raw materials that are assembled or finished within the country. Basic industries, such as iron and steel, petroleum and petrochemicals, aluminum, plastics, and electrical equipment are being established, but these will continue to require extensive raw material imports for some time, or even permanently, because of the absence of certain minerals, such as bauxite (which is needed for aluminum production).

In 2004, the economy expanded by 9.0%, up from 8.8% in 2003, and from a dramatic -10.9% in 2002; in 2005, the GDP growth rate was estimated at 6.7%, while the GDP per capita (at purchasing power parity) grew to \$13,600. The inflation rate was reduced

to 4.4% in 2004, but was estimated to have grown again to 8.8% in 2005. The unemployment rate was on a downwards trend after 2002, and in 2005 it looked like it was brought back under control (at 11.7%). All of the provinces in Argentina achieved a consolidated fiscal surplus of 5.8% in 2004, with the tax burden growing however, to almost 28%.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Argentina's gross domestic product (GDP) was estimated at \$537.2 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$13,600. The annual growth rate of GDP was estimated at 8.2%. The average inflation rate in 2005 was 11.8%. It was estimated that agriculture accounted for 10.5% of GDP, industry 35.8%, and services 53.7%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$253 million or about \$7 per capita and accounted for approximately 0.2% of GDP. Foreign aid receipts amounted to \$109 million or about \$3 per capita and accounted for approximately 0.1% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Argentina totaled \$81.2 billion or about \$2,142 per capita based on a GDP of \$129.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 0.1%. In 2001 it was estimated that approximately 30% of household consumption was spent on food, 17% on fuel, 15% on healthcare, and 15% on education. It was estimated that in 2005 about 38.5% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

As of 2005, Argentina's labor force was estimated at 15.34 million. According to 1996 estimates (the latest year for which data was available), the labor force was divided as follows: 18.5% in manufacturing, 2.2% in agriculture and mining, 18.1% in commerce, 10.3% in transport and communications, 9.5% in public administration and defense, and the remainder in other sectors. As of September 2005, Argentina's unemployment rate stood at 11%, down from 25% in 2001.

Unions in Argentina came into their own during the reign of Juan Perón, who used the labor movement as a vehicle to achieve and hold dictatorial power. He built the General Confederation of Labor (Confederación General del Trabajo—CGT) from a disjointed membership of about 250,000 into a highly centralized organization of 6 million workers encompassing every aspect of the Argentine economy. Although the labor unions won tremendous benefits in the form of higher wages and improved working conditions as a result of Perón's support, these advances were built on a political rather than on a sound economic foundation, and the fortunes of the CGT waxed and waned with those of Perón and his followers, as well as with successive governments. As of 2005, an estimated 35% of the workforce belonged to a union.

The national minimum wage is set at \$215 per month which does not provide a living wage for a family. However, most workers earn considerably more. The average salary in the formal sector is around \$550 per month. The legal workweek has a maximum of 48-hours, at 8 hours a day. Overtime hours worked in excess of those limits are subject to overtime rates of pay. Children under the age of 14 are legally prohibited from full-time work, as they are required to attend school. However, child labor continues to be a problem, particularly in the informal or underground economy. Children between the ages of 14 and 18 are allowed to work, but only for limited hours and only in a limited number of occupations, and only if they have finished compulsory schooling, which usually ends at 15. There are extensive occupational and health and safety laws but they are not fully enforced because the government has inadequate resources. Cases of very poor labor conditions are known to exist in plants employing illegal aliens.

## 2<sup>2</sup> AGRICULTURE

Agriculture and agro-industry in Argentina focus on the production of cereal, oil grains and seeds, sugar, fruit, wine, tea, tobacco, and cotton. Argentina is one of the greatest food-producing and food-exporting countries of the world, with an estimated 35,000,000 hectares (86,500,000 acres) of arable and permanent cropland, or 12.8% of the land area. Agriculture and animal husbandry have traditionally supplied the nation with 70–95% of its export earnings, and the landowners have alternated the two activities in accordance with prices on the world market. As of 2004, agriculture made up 10% of the GDP. Agricultural products also accounted for 43% of exports by value. One of the most important factors in Argentine agriculture is the advanced degree of mechanization; in 2002, an estimated 300,000 tractors and 50,000 harvester-threshers were in use.

The principal agricultural region consists of the humid pampas, one of the world's greatest reaches of arable land. Argentine agriculture is virtually coextensive with this region, although efforts have been made to spread it into other areas. Citrus fruit, tobacco, cotton, and sugarcane are cultivated outside the pampas.

Wheat is the leading crop. Argentina accounted for about 61% of all wheat produced in South America in 2004 and was the world's fifth-leading wheat exporter. The area harvested in 2004 was estimated at 5.74 million hectares (14.18 million acres), and production at 14.5 million tons. Argentina is the sixth-largest corn-growing country in the world. The area harvested in 2004 was 2.33 million hectares (5.75 million acres), and production was 15 million tons. Barley is favored as the grain of greatest yield and resistance to disease; types for feed and beer are grown in the pampas areas having soil unfavorable or a climate too rigorous for wheat. Harvests amounted to 659,000 tons per season in the early 1970s; in 2004 production was 1,004,000 tons.

Rice is a major crop, with a 2004 production of 1,060,000 tons on plantings of 169,200 hectares (418,000 acres). Argentina was once one of the world's biggest producers of flaxseed (linseed); production in 2004 was 29,000 tons (1.5% of world production), down more than 90% from the early 1990s. Most of the crop is exported in the form of linseed oil. The province of Tucumán dominates the sugar-raising industry, which dates from 1646; sugarcane production in 2004 was 19.3 million tons. To control overproduction, the government formed the National Sugar Co. in 1970 and

forbade the construction of new sugar mills through the end of the decade.

Cotton growing dates from 1909 and is concentrated in Chaco province. In 2004 the production of cotton fiber was 112,000 tons, down from 432,000 tons in 1996. Sunflower seed oil is a major industrial plant product; 1.8 million hectares (4.5 million acres) of sunflowers were harvested in 2004, producing 3,100,000 tons of sunflower seeds. Tobacco is raised in several northern provinces, especially Misiones; production in 2004 was an estimated 118,000 tons. Soybean production, only 78,000 tons in 1971–72, increased to 7.1 million tons by 1985–86, and to 31.5 million tons in 2004, 15% of world production.

Fruit growing has developed rapidly since the 1940s. Estimates for 2004 fruit production (in tons) were apples, 1,262,000; oranges, 770,000; lemons and limes, 1,300,000; peaches and nectarines, 272,000; and grapefruit, 170,000. The output of bananas was 400,000 tons in 1974, 10 times the 1961–65 average; it fell to 144,000 tons in 1978 and rebounded to 280,000 tons in 1992 before declining to 180,000 tons in 2004.

The province of Mendoza is the center for the nation's vineyards. In 2004, grape production was 2.36 million tons. Argentina is one of the world's leading producers of wine, exporting 159,826 tons in 2004, or 2% of the world's total wine exports.

## 23 ANIMAL HUSBANDRY

Argentina is one of the world's preeminent producers of cattle and sheep, possessing approximately 3% of the entire world's stock of the former and 1% of the latter. Livestock and meat exports play an essential part in the nation's international trade. Annual meat exports (including meat extracts) were 598,900 tons in 1978, but fell to 394,900 tons in 1981 and 301,390 tons in 1997 before rising to 1,183,000 tons in 2004. Because of extremely favorable natural conditions, Argentina, with about 50.8 million head of cattle in 2004, is one of the world's leading cattle-raising countries.

Cattle were introduced into Argentina by Pedro de Mendoza in 1536, and these cattle, together with those brought by other explorers, quickly became wild and began to multiply on the lush grasses of the pampas. There was no attempt to control the vast herds; when the inhabitants wanted meat and hides, they would merely kill the animals at random and take the desired parts. The most important single advance was the invention of refrigeration, which enabled ships to transport meat without spoilage. The policy followed by foreign-owned meat-packing firms of purchasing cattle by quality rather than weight led to the introduction of new breeds and selective crossbreeding, which have brought the cattle industry to its present advanced state.

Argentine pastures cover an estimated 142 million hectares (350.9 million acres) and are most productive in the provinces of Buenos Aires, Santa Fe, Córdoba, Entre Ríos, and Corrientes. The most important beef-producing breeds are Shorthorn, introduced in 1823; Hereford, 1858; Aberdeen Angus, 1879; and in recent years, zebu and Charolais.

The dairy industry has shown steady development. In 2004, the following quantities were produced: milk, 8,100,000 tons; cheese, 260,000 tons; and butter, 55,000 tons. The most important dairy breeds are Holstein-Friesian, Jersey, and Holando Argentino. Córdoba, Santa Fe, and Buenos Aires are the three major dairy provinces. Argentina's dairy sector has received the most investments

in recent years, especially foreign investments. Egg production was 300,000 tons in 2004. The number of chickens in 2004 reached 95 million.

In sheep raising, Argentina ranks second in South America after Brazil, with an estimated 12.5 million animals in 2004. Before World War II (1939–45), Argentina accounted for 14% of the world's wool production, but in the 1970s, its production declined; the wool clip (greasy basis) was 60,000 tons in 2004. In 2004, production of mutton and lamb was 51,700 tons. Patagonia has approximately 40% of all the sheep in Argentina.

Total meat production was 3.9 million tons in 2004, of which 2.7 million tons consisted of beef. Beef exports for 2004 were valued at over \$1 billion.

In 2004, Argentina had 3.6 million horses, placing it among the top 5 countries in the world. Argentine horses, especially favored as polo ponies and racehorses, have won many international prizes. Other livestock in 2004 included 3 million pigs and 4.2 million goats. In 2004, Argentina accounted for nearly 5% of the world's production of cow hides. Argentina is South America's largest producer of honey, with an output of 80,000 tons in 2004.

## 24 FISHING

In a country that is among the world's leaders in meat production, fishing has not been able to develop as an industry of any significance. In recent years, the government has tried with some success to induce the public to eat more fish in order to export more beef, one of the country's largest earners of foreign exchange. Since 1970, the government has offered fiscal incentives to encourage the modernization of the fishing industry. The catch has increased from 475,043 tons in 1982 to 1,256,000 tons in 1996 before falling to 916,246 tons in 2003.

The most favored saltwater fish are the pejerrey, a kind of mackerel; the dorado, resembling salmon but of a golden color; and the zurubí, an immense yellow-and-black-spotted catfish. The principal species in the 2003 catch were Argentine hake (36%), Argentine shortfin squid (15%), and grenadier (11%).

Argentina established a 322-km (200-mi) territorial sea limit in December 1966. In 1982, the government moved to protect Argentina's coastal waters from foreign exploitation, declaring that only 16 foreign vessels would be allowed in Argentine waters at any one time.

## 25 FORESTRY

Argentina's forests, estimated at some 50.9 million hectares (125.8 million acres), or about 18.6% of the total area, constitute one of its greatest underexploited natural resources. Of the 570 species of trees sold in international commerce, Argentina possesses 370, but of these it exploits only about a dozen species. A major factor in the industry's lack of development is the great distance of most forests from the markets and the resultant high cost of transportation. In the Río Paraná Delta, the woods currently exploited are softwoods, such as the elm and willow, used in the cellulose and container industries; in the Gran Chaco, white quebracho, used as a fuel and in the refining of coal, and red quebracho, from which tannin is extracted; in Misiones Province, several varieties, including cedar for furniture manufacturing; in the Salta-Tucumán re-

gion, cedar and oak; and in Patagonia, araucania, pine, cypress, larch, and oak.

The most important tree is the red quebracho, which contains 21% tannin, the extract used for tanning. Argentina possesses four-fifths of the world's supply of this wood. Many quebracho trees now being used are from 200 to 500 years old, and trees younger than 75 years are of little commercial use. Since the trees are not being replaced, it is estimated that the quebracho forests will eventually be exhausted.

Production of roundwood was 9,307,000 cu m (328,500,000 cu ft) in 2003. Exports of forest products totaled \$280.7 million that year.

## 26 MINING

Argentina is an important regional producer of minerals, including primary aluminum, mine lead, copper, and zinc, and silver and gold.

In 2003 the value of nonfuel mineral production totaled \$1.1 billion, of which copper concentrate alone accounted for \$467 million.

Argentina was the third-largest Latin American producer of aluminum in 2003, producing 271,932 metric tons; one of six Latin American producers of mine lead and zinc, ranking second to Mexico in lead; and the fourth-largest producer of silver in Latin America.

Mine copper production in 2003 totaled 199,020 metric tons, up slightly from 2001's output of 191,566 metric tons, but down from 2002's level of 204,027 metric tons. Almost all copper production was from Minera Alumbrera, operating from the Bajo de la Alumbrera open pit mine, in Catamarca Province, since 1998.

Gold production in 2003, mostly from the Bajo de la Alumbrera and the Cerro Vanguardia mines, totaled 29,744 kg, down from 32,506 kg in 2002. The country's total silver mine output for 2003 was 133,917 kg, down from 152,802 kg, in 2001.

In 2003, zinc mine production totaled 29,839 metric tons, down from 2001's total of 39,703 metric tons. In that same year lead mine output totaled 12,079 metric tons down slightly from 12,334 metric tons in 2001.

In 2003, Argentina produced 545,304 metric tons of crude boron materials, ranking third in the world, after the United States and Turkey; the 1999 and 2000 totals were 245,450 and 512,624 metric tons, respectively. Among other industrial minerals, output in 2003 for limestone was 8,119,879 metric tons; dolomite, 320,116 metric tons; crushed quartzite, 284,503 metric tons; crushed quartz, 100,000 metric tons; talc, 1,759 metric tons; bentonite, 128,406 metric tons; diatomite, 24,946 metric tons; feldspar, 88,427 metric tons; crude gypsum, 387,936 metric tons; kaolin, 10,653 metric tons; and salt, 1,156,023 metric tons. The country also produced marble, clays, celestite, sodium carbonate, asbestos, barite, and vermiculite. Asphaltite, fluorspar, mica, manganese, and antimony are found mainly in the northwest. There are also deposits of lithium, beryllium, and columbium.

## 27 ENERGY AND POWER

Despite a shortage of energy resources, production of electric power has steadily increased since 1958, after more than a decade of neglect. In 2002, electrical energy production totaled 81.151 billion kWh (48% thermal, 44% hydropower, 6.6% nuclear and 1.4%

other). In the same year, consumption of electricity was 81.270 billion kWh. Generating capacity was 27.558 million kW in 2002. The government places great emphasis on the development of hydroelectric projects and nuclear power, even though installed capacity exceeds projected demand. The final stage of the Yaciretá-Aripe project on the Paraná River, with an installed capacity of 3,200 MW, was completed in 1998.

In 1974, Argentina became the first country in Latin America to install a nuclear-powered electric generating plant. (As of 2006, the only other South American country to use nuclear power was Brazil.) The Atucha power station in Buenos Aires Province has a capacity of 357 MW; Embalse (648 MW) in Córdoba Province started up in 1983. Construction of a second 692-MW reactor at Atucha began in 1980; one reactor there was operating but a second had not yet come online as of 2006.

The modern petroleum industry dates from 1907; after 1940, it became necessary to supplement domestic production with large-scale imports of foreign fuels. In 1958, ownership of all crude oil and natural gas was taken over by the state, and petroleum was then placed under the control of the state oil corporation, Yacimientos Petrolíferos Fiscales (YPF). Production of crude oil fell from 25.6 million tons in 1982 to 22.3 million tons in 1987 but rose to 37.7 million tons in 1995. Production in 1998 totaled 847,000 barrels per day; it dropped to an estimated 756,000 barrels per day in 2004. In 1978, foreign-owned companies were allowed to drill for oil, after decades of policy changes on the role of foreign companies. In August 1985, the Alfonsín government announced more liberal rules on foreign-company participation; in 1987, YPF's influence was reduced. In July 1993, Argentina privatized YPF via the largest initial stock offering on the New York stock exchange (more than \$3 billion). Large deposits have been found in the San Jorge Gulf near Comodoro Rivadavia. Production rates have exceeded the rate at which depleted reserves have been replaced by new discoveries, however. Proven reserves as of end 2003 were put at 2.7 billion barrels.

In conjunction with petroleum extraction, the significant natural gas industry, which is completely run by the private sector, has rapidly expanded. As of 2002, Argentina had the third-largest proven natural gas reserves in South America, exceeded only by Venezuela and Mexico. Production in 2004 totaled 44.9 billion cu m (1,603 billion cu ft), compared with 5.3 billion cu m (187 billion cu ft) in 1969 and 9.8 billion cu m (356 billion cu ft) in 1982. At the end of 2004, proven reserves were at 0.61 trillion cu m (21.4 trillion cu ft). Argentina has a network of over 9,900 km (6,150 mi) of gas pipelines. Since 1997 Argentina has exported natural gas to Chile, which is its major gas export customer.

A major coal deposit in Santa Cruz Province is estimated to contain 552 million tons of coal, nearly 80% of the nation's total. Production as a whole was reported at 330,000 tons in 2002, down from 505,000 tons in 1988.

## 28 INDUSTRY

Córdoba is Argentina's major industrial center. It is the center of metalworking, especially for motor vehicle production. Argentina's other principal industrial enterprises are heavily concentrated in and around the city of Buenos Aires. The plants are close to both the many raw materials imported by ship and the vast productive area of the pampas. The major industries in Buenos Aires are food

processing, motor vehicles, consumer durables, textiles, chemicals and petrochemicals, printing, metallurgy, and steel. Other industrial areas include Rosario, with important steel-producing plants and oil refineries, tractor and meat-packing plants, and chemical and tanning industries; Santa Fe, with zinc- and copper-smelting plants, flour mills, and dairy industry; San Miguel de Tucumán, with sugar refineries; Mendoza and Neuquén, with wineries and fruit-processing plants; the Chaco region, with cotton gins and sawmills; and Santa Cruz, Salta, Tierra del Fuego, Chubut, and Bahía Blanca, with oil fields and refineries.

During the 1960s, the average annual growth rate of industry was 5.9%; during the 1970s, it fell to only 1.8%. In the early 1980s, industrial production went into recession, declining by 16% in 1981 and by 4.7% in 1982. The sharp cutback in imports due to the foreign debt crisis spurred local manufacturing to growth of 10.8% and 42%, in 1983 and 1984, respectively; 1985 brought a sharp plunge of 10.5%, but 1986 saw a growth of 12.8%, aided by the "Austral Plan." In all, the 1980s saw an average annual growth rate of -1.0%. From 1988 to 1998, manufacturing grew by an annual average of 3.6%, and in 1997 alone by 9.2%, but in 1998 that rate fell to 1.6%.

Industry accounted for 16% of GDP in 2001; it was 20% of GDP in 2002, and was expected to be at least 25% of GDP in 2003. Industrial goods represented approximately 31% of exports in 2002. Seasonally adjusted manufacturing production fell 6.9% from August 2001 to August 2002, and nonseasonally adjusted manufacturing production registered a 4.5% decrease.

Packing and processing of foodstuffs is the oldest and most important industry in Argentina. Beginning in the last part of the 19th century, the great *frigoríficos*, or meat-packing plants, were founded to prepare beef for export to Europe. In recent times, the Argentine government has entered directly into the meat-processing enterprises, which for many years were under British ownership. The textile industry was also developed quite early, making use of wool from the vast herds of sheep and the cotton from Chaco Province. In addition to these traditional products, a variety of synthetic fibers are now produced.

Portland cement is the country's leading construction material. A major chemical industry produces sulfuric, nitric, and other acids and pharmaceuticals. The most important center of this industry is San Lorenzo on the Río Paraná. The petrochemical industry is related to the increasing production of oil and has received special benefits from the government. In 1985, exports of petroleum fuels exceeded imports for the first time, and by 1999 Argentina was self-sufficient in oil and gas. Natural gas annual output growth should reach 3.4% for the next decade. Output of petroleum fuels reached 800,000 barrels per day in 1999; at the same time, new oil reserves were found in Río Negro Norte. In 2002, Argentina had 10 oil refineries with a total capacity of 639,000 barrels per day.

In 1961, a giant integrated steel mill began production at San Nicolás. Dependent on steel is the automobile industry, which experienced fairly sustained growth during the 1960s and 1970s. Production rose from 33,000 units in 1959 to 288,917 in 1980. Motor vehicle production peaked at 450,000 in 1998, falling back to around 300,000 in 1999. There were 235,577 automobiles produced in 2001, a 31% decrease from the 339,632 units produced in 2000. Tractors, motorcycles, and bicycles also are manufactured. Argentina also produces electric appliances, communica-

tions equipment—including radios and television sets—motors, watches, and numerous other items.

Industry continues to restructure to become competitive after decades of protection. Capacity utilization rates have increased substantially and companies are now focusing on modernization and expansion of their plants to meet both domestic and foreign demand. New technologies are being adopted, work forces pared, and management is focusing on just what its clients want. Output of cement, trucks, machinery, plastics, petrochemicals and other chemicals all rose, while production of basic metal goods held flat or rose off a low base in the 1990s. A recession that began in 1998 was exacerbated by the economic crisis of December 2001, with Argentina's default on its foreign debt, devaluation of the peso, and conversion of dollar debts and deposits to pesos. Industrial production began to increase in late 2002, however, and the best-performing sectors were textiles, automobile tires, and oils.

In 2004, industry made up 35.8% of the economy, and was bested by services, with 53.7%; agriculture accounted for 10.5% of the GDP. The industrial production growth rate was 7.5% in 2005, underperforming the overall economic growth rate, and signaling that targeted policies are needed for troubled industries. Some of the policies implemented by the government included import licenses for footwear, toys, washing machines, paper, bicycles, and tires. In September 2005, President Kirchner announced that the launching of the automobile free trade agreement between Argentina and Brazil was postponed until 2008 (from the predicted January 2006 date), to allow more symmetry in bilateral trade flows to be established.

## 29 SCIENCE AND TECHNOLOGY

Argentina has five scientific academies: an academy of agronomy and veterinary science (founded in 1909); an academy of exact, physical, and natural sciences (1874); an academy of medicine (1822); and the National Academies of Sciences of Córdoba (1869) and Buenos Aires (1935). Numerous agricultural, medical, scientific, and technological research institutes exist in Argentina, including, as of 1996, some 51 operated by the National Council of Scientific and Technical Research (founded in 1958) and 27 by the National Institute of Industrial Technology (founded in 1957). Research and development expenditures in 2003 amounted to 0.4% of GDP. Argentina has 47 universities and colleges offering training in basic and applied sciences. In 1987–97, science and engineering students accounted for 28% of college and university enrollments.

In 2002–03, Argentina had 715 researchers and 166 technicians per million people actively involved in research and development (R&D). Spending on R&D was approximately \$1.6 million, with about 43.3% coming from government sources, 28.8% from higher education sources, 2.5% from private nonprofit organizations, and 24.2% from private business. In 2002, high technology exports amounted to \$583 million or 7% of the country's manufactured exports.

## 30 DOMESTIC TRADE

Many leading mercantile firms have their head offices in Buenos Aires and branches or agents in the other large cities. Department stores, retail shops, and specialty shops in Buenos Aires are on a par with similar establishments in most world capitals. The num-



ber of supermarkets and large outlets is increasing as consumers are becoming accustomed to such establishments and are seeking the greater convenience and lower costs that these places afford. Industrial equipment and machinery is primarily sold through agents or trade fairs.

Business hours are generally from 9 AM to 6 PM, Monday–Friday, with a one-hour lunch break. Stores are usually open from 9 AM to 9 PM, Monday–Saturday; banks are generally open on weekdays from 10 AM to 3 PM. Travelers checks are not widely accepted at business establishments. Domestic demand absorbs most of the nation's industrial production.

### 3<sup>1</sup> FOREIGN TRADE

Many industrial products imported prior to 1960 are now produced in Argentina. Argentina removed virtually all nontariff barriers to trade in 1991 and reduced tariff rates. The only nontariff barrier is the tariff/quota system applicable to auto and auto parts imports. The Argentina/Brazil auto agreement establishes preferential market access treatment for both countries.

A surge in imports during 1991/92 shifted the trade balance from a large surplus to a deficit position. The strong increase in imports is explained by several factors: first, the dynamic growth of the domestic economy which resulted in greater import demand; second, the reduction of import tariffs and elimination of nontariff barriers which released pent-up demand for imports; and third, the real appreciation of the peso which made imports much less expensive since the local currency cost of these goods rose by much less than the accumulated inflation since the beginning of the Convertibility Plan. Because exports contributed only 10% to GDP, increased foreign sales had little impact on aggregate growth, skewing the balance of payments report.

The creation of NAFTA was viewed as an extremely positive development and presented Argentina with the possibility of acceding to NAFTA as either a member of Mercosur or alone. The government remained fully committed to seeing the creation of Mercosur (a common market incorporating Argentina, Brazil, Uruguay, and Paraguay) through its completion (on 1 January 1995). Argentina's exports and imports more than doubled at comparable rates in six years, between 1992 and 1998; but the de-

valuation of the Brazilian real in 1999 was expected to significantly lower export revenues.

For the last few years of the 1990s, Argentina experienced a significant recession. In late 2001, Argentina's economic meltdown came to a breaking point, and the country was forced to default on its \$155 billion foreign debt, the largest such default in history. The resulting devaluation of the peso and the move from a fixed to floating exchange rate regime has proved disastrous for Argentina's trade situation. The peso, which was pegged to the dollar for most of the last decade, has fallen to trading less than two to the dollar, encouraging exports but making imports prohibitively expensive.

Agricultural products from Argentina, including animal feed, vegetable oil, oil seeds, wheat, maize, and produce, make up the majority of the country's commodity export market (31%). Other important exports are petroleum, and motor vehicles and parts. The top 10 exports for 2000 are as follows:

In 2005, exports reached \$40 billion (FOB—Free on Board), while imports grew to \$29 billion (FOB). In 2004, the bulk of exports went to Brazil (15.4%), Chile (10.4%), the United States (10.2%), China (8.7%), and Spain (4.4%). Imports included intermediate goods, capital goods, consumer goods, and fuels, and mainly came from Brazil (36.2%), the United States (16.6%), Germany (5.7%), and China (4.3%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Until 1952, Argentina's foreign-payments position was excellent, owing mainly to its large exports of basic commodities, principally agricultural products. In that year, however, because of widespread crop failures and unfavorable terms of trade, export value decreased sharply while imports remained high. The Argentine deficit was met by foreign credits, with dollar shortfalls partially covered by large credits from the Export-Import Bank, the IMF, and US banks. Over half of the foreign exchange earned was used

#### Principal Trading Partners – Argentina (2002–2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	29,565.8	8,989.5	20,576.3
Brazil	4,663.3	2,518.3	2,145.0
Chile	3,536.3	176.6	3,359.7
United States	3,133.5	1,804.3	1,329.2
China	2,478.4	330.2	2,148.2
Spain	1,387.9	311.0	1,076.9
Netherlands	1,094.4	74.2	1,020.2
Italy-San Marino-Holy See	930.8	311.6	619.2
Mexico	796.2	157.8	638.4
Area nes	723.4	250.9	472.5
Germany	720.8	553.6	167.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Argentina (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>7,838.0</b>
Balance on goods	16,447.0	
Imports	-13,119.0	
Exports	29,566.0	
Balance on services	-1,541.0	
Balance on income	-7,669.0	
Current transfers	602.0	
<b>Capital Account</b>		<b>70.0</b>
<b>Financial Account</b>		<b>-16,899.0</b>
Direct investment abroad	-774.0	
Direct investment in Argentina	1,020.0	
Portfolio investment assets	-95.0	
Portfolio investment liabilities	-8,064.0	
Financial derivatives	...	
Other investment assets	-4,448.0	
Other investment liabilities	-4,539.0	
<b>Net Errors and Omissions</b>		<b>-1,729.0</b>
<b>Reserves and Related Items</b>		<b>10,720.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

during the 1950s and 1960s to service the external debt. The strict economic controls enacted in 1967 helped curb the inflationary trend and thus stabilized the nation's economy. After a decline during the early 1970s because of the international financial crisis, Argentina registered a surplus between 1973 and 1979, but after 1981, the current account was in deficit because of heavy debt-servicing costs.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Argentina's exports was \$26.7 billion, while imports totaled \$20.3 billion resulting in a trade surplus of \$6.4 billion. In view of the liberalization of trade policies and the real appreciation of the peso, the current account deficit deteriorated sharply since 1990. This was more than offset by a large influx of foreign capital that was enticed by the government's new economic program. Since 1991, the decline in interest rates internationally and the lack of attractive alternatives for foreign direct investment helped to generate a massive inflow of foreign capital, much of which was actually owned by Argentines but held abroad. A debt restructuring plan in early 1993 permitted the investment of reserves by eliminating the threat of seizure. Nevertheless, Argentina's external public debt increased in 1995 to almost \$80 billion, due to new borrowing in capital markets and lending from international financial institutions. In 1998, external debt reached \$133 billion.

The International Monetary Fund (IMF) reported that in 2001 Argentina had exports of goods totaling \$26.6 billion and imports totaling \$19.2 billion. The services credit totaled \$4.3 billion and debit \$8.40 billion.

Exports of goods and services reached \$36 billion in 2004, up from \$33 billion in 2003. Imports increased from \$18 billion in 2003, to \$27 billion in 2004. The resource balance was consequently positive in both years, deteriorating however from \$15 billion in 2003, to \$9 billion in 2004. The current account balance was also positive, decreasing from \$8 billion in 2003, to \$1.5 billion in 2004. Foreign exchange reserves (including gold) reached \$14 billion in 2003, covering more than nine months of imports.

### 33 BANKING AND SECURITIES

In 1935, the Central Bank of the Argentine Republic was established as a central reserve bank, having the sole right of note issue, with all capital held by the state. The bank acts as the fiscal agent of the state. Its board of directors is appointed by and responsible to the government. The bank administers banking laws, regulates the volume of credit and interest rates, supervises the securities market, and applies government laws and decrees regarding banking and foreign exchange. Legislation in August 1973 increased its control over the commercial banking system. The National Mortgage Bank, founded in 1886, is the most important institution for housing credit. Other institutions include the National Development Bank, the National Bank for Savings and Insurance, and the Cooperative Credit Bank.

The Central Bank took advantage of the recovery in economic activity and relatively high rate of monetary growth in the early 1990s to further the restructure the financial system, and to strengthen it so that it would be able to withstand even severe external shocks. In late 1996, a schedule was implemented gradually to raise Minimum Liquidity Requirements (MLKs) from the current (1997) 17–20% by March 1998.

In late 1996, the role of the deposit insurance system (DIS) was broadened to allow support for troubled banks before they went bankrupt. Parallel to these measures, the Central Bank continued to encourage concentration in the financial system through mergers and acquisitions. By 2000, there were 120 financial institutions left, out of a total of 300 existing in 1990. Nine banks in 2000 owned 67% of all deposits, including public sector banks Nacion and Banco de la Provincia de Buenos Aires (accounting for 28% together); foreign owned Banco Río and Banco Frances; and the privately owned Argentinian Banco Galicia. Total assets in 1999 added up to \$15.6 billion, reflecting a growth of 7% from the previous year. Total deposits added up to 25% of GDP.

In 2001, after three years of debilitating recession and overspending by the government, Argentina was forced to default on its \$155 billion debt, the largest such default in history. The old fixed currency regime was abandoned after years of high inflation, and the architect of that original regime, Domingo Cavallo, was brought in to construct a new one. He decided to peg the Argentine peso to the US dollar and the euro when the two currencies achieved parity. However, the Argentine people were not convinced by this new scheme, and the policy did not achieve its intended results. Political upheaval resulted, with three interim presidents holding office before Eduardo Duhalde took office. He was defeated in April 2003 in a runoff election against Néstor Kirchner.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$15.7 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$73.2 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 25%.

The Buenos Aires Stock Exchange is one of 23 markets that form the Buenos Aires Commercial Exchange, which has over 12,000 members and is often confused with the Stock Exchange. The Commercial Exchange, founded in 1854, established the Stock Exchange, which the government subsequently separated from it. The Commercial Exchange now includes a grain market, a foreign currency exchange, a general produce exchange, and the securities exchange. There are also stock exchanges in the cities of Córdoba, San Juan, Rosario, Mendoza, and Mar del Plata, although more than 90% of stock transactions are conducted on the Buenos Aires exchange.

Between late October and early December 1996, Argentine asset prices rose under the influence of a favorable international financial environment, evidence of a recovery in domestic economic activity, and the decision of the government to deepen labor market deregulation. Between 22 October, and 5 December 1996, the Merval Stock index rose 15%, Bocon (peso-denominated) bond prices increased by 8%, and Brady bonds surged 7% (floating rate bond), 8% (discount bond), and 12% (par bond). From 1996 to 1999, while market capitalization rose from \$45 million to \$115 million, average daily market turnover fell from a high of over \$650 million to about \$200 million. As of 2004, there were 104 companies listed on the Buenos Aires Stock Exchange. Market capitalization as of December 2004 stood at \$46.432 billion. The Bolsa Indice General was up 17%, from the previous year at 56,639.1.

### 3<sup>4</sup> INSURANCE

In 1984, about 200 insurance companies were in operation in Argentina. Although various legal restrictions have been placed on foreign insurance companies, many retain offices in Buenos Aires. The insurance market is regulated by the Superintendent of Insurance of the nation, which is a branch of the Ministry of Economy.

The Argentine insurance market is characterized by a relatively large number of insurers with no single organization dominating the industry. From 1994 to 1997, there was a reduction in the number of insurers as some closed operations or were liquidated. Observers believe that there will be further reductions in the number of insurance companies as consolidation of the industry and the quest for economies of scale and critical mass continues. Observers expect the Argentine life market to develop significantly, especially under stable currency conditions. In 2003, direct premiums written totaled \$3.293 billion, of which nonlife premiums accounted for \$2.365 billion. Argentina's top nonlife insurer that same year was HSBC Buenos Aires with gross written nonlife premiums of \$167.2 million. The country's top life insurer that year was Origenes Retiro, with gross written life premiums of \$87.4 million.

### 3<sup>5</sup> PUBLIC FINANCE

Beginning in 1970, Argentina's budget picture steadily worsened. By the late 1970s, deficit spending annually ranged from 10–14% of GDP, and topped 15% in the early 1980s, when public expenditures consumed some 40% of GDP. By the late 1980s, hyperinflation and depletion of reserves necessitated a public finance reform. Since 1991, the government has considerably narrowed the deficit gap through structural reform efforts. Stricter controls on public spending and more efficient tax collection methods resulted in an overall public sector accounts deficit of only about 1% of GDP, compared to a deficit equivalent to 21.7% of GDP in 1989. The deficit grew marginally worse in the late 1990s, reaching 5% of GDP in 1998. Although tax enforcement has improved, evasion

is still a major problem. Continued heavy expenditures and low tax revenues threatened to generate a deficit in 1999 and 2000. In 2001, Argentina defaulted on its record \$155 billion external debt, the largest such default in history.

The US Central Intelligence Agency (CIA) estimated that in 2005 Argentina's central government took in revenues of approximately \$42.6 billion and had expenditures of \$39.9 billion. Revenues minus expenditures totaled approximately \$2.6 billion. Public debt in 2005 amounted to 69.7% of GDP. Total external debt was \$119 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues in were A\$42,826 million and expenditures were A\$61,070 million. The value of revenues in US dollars was us\$13,981 million and expenditures us\$19,893, based on an official exchange rate for 2002 of us\$1 = A\$3.06326 as reported by the IMF. Government outlays by function were as follows: general public services, 38.7%; defense, 3.2%; public order and safety, 4.1%; economic affairs, 5.4%; environmental protection, 0.2%; housing and community amenities, 1.3%; health, 4.9%; recreation, culture, and religion, 0.2%; education, 4.1%; and social protection, 37.9%.

### 3<sup>6</sup> TAXATION

In 2005, the principal national taxes included personal income tax (in seven brackets ranging from 9–35%), wealth tax (0.5%), value-added tax (21%; up from 18% in 1994), and excise taxes on tobacco, alcohol, soft drinks, perfumes, jewelry, precious stones, automobile tires, insurance policies, gasoline, lubricating oils, and other items. There is no inheritance tax. Corporate taxes are levied at 30% for domestic and foreign companies. Provincial and municipal governments impose various taxes.

### 3<sup>7</sup> CUSTOMS AND DUTIES

The Perón regime abolished in large measure the traditional system of exports and imports. Through the use of multiple exchange rates and through control of Argentine agricultural exports by the Argentine Institute for the Promotion of Exchange, Perón was able to obtain goods from producers at low prices and sell them abroad at great increases, employing the difference to promote the development of industry. In 1959, this cumbersome system of import permits and multiple exchange rates was abolished.

The government employed surcharges on imports to promote the growth of Argentine industries. Special import benefits were allowed to industries and regions regarded as significant contributors to the national economy. The petrochemical, cellulose, and steel industries have shared in these benefits, which include exemption from customs duties and exchange premiums on imports of machinery, spare parts, and raw materials. A common MERCOSUR auto policy of a 20% tariff applies to automobiles, as well as a quota system that will probably be eliminated by 2006. Duties of 11% were applied to raw materials and medicines and a duty of up to 30% was applied to electronic appliances. The average Common External Tax rate is 17%, but was reduced to 2.5% in 2001. There are valued-added taxes (VAT) levied on goods delivered and services performed in Argentina as well as on imported goods and services. The standard rate is 21%. A 10.5% rate applies to public transport and capital goods, while a 27% rate is applied to some services provided by utilities and telecommunications services.

#### Public Finance – Argentina (2002)

(In millions of pesos, central government figures)

<b>Revenue and Grants</b>	<b>42,826</b>	<b>100.0%</b>
Tax revenue	29,480	68.8%
Social contributions	8,661	20.2%
Grants	124	0.3%
Other revenue	4,561	10.7%
<b>Expenditures</b>	<b>61,070</b>	<b>100.0%</b>
General public services	23,660	38.7%
Defense	1,979	3.2%
Public order and safety	2,499	4.1%
Economic affairs	3,275	5.4%
Environmental protection	133	0.2%
Housing and community amenities	818	1.3%
Health	2,981	4.9%
Recreational, culture, and religion	95	0.2%
Education	2,481	4.1%
Social protection	23,149	37.9%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

There are also advanced VATs of 10% or 5.5% on goods imported for resale. A customs administration fee of 0.5% is also charged.

Argentina, Brazil, Paraguay, and Uruguay officially established a customs union (MERCOSUR) on 1 January 1995 with a common external tariff (CET) covering 85% of traded goods, but excluding capital goods, information technology, and telecommunications equipment.

The government signed the Uruguay Round Agreements in December 1993 and congress ratified the Agreements at the end of 1994. Argentina was a founding member of the World Trade Organization. In the 1990s, Argentina nominally eliminated all non-tariff trade barriers, but customs practices remain cumbersome and time consuming. Argentine beef was exported to the US market in 1997 for the first time in 50 years.

### 38 FOREIGN INVESTMENT

During the 19th century, Argentina offered a favorable climate for foreign investment and the basic development of the nation's transportation system and shipping facilities was financed with British capital. This system placed ownership of extensive properties in foreign hands, arousing the resentment of Argentine nationalists, who advocated a policy of reducing dependence on outside interests. The organization of a national petroleum agency, YPF, in 1922 was one of the first important steps in implementing that policy. The high point in the drive for nationalization came during the Perón era, when railroads were purchased from foreign owners and numerous state-owned enterprises were established. These measures led to substantially reduced foreign investment.

In 1958, President Frondizi negotiated contracts with a number of foreign companies, allowing them to join YPF in the exploitation of Argentine petroleum. He promoted a bill designed to attract foreign capital under close government supervision. As a result, foreign companies invested over US\$387 million between 1959 and 1961, of which more than half came from the United States.

Between 1961 and 1966, direct foreign investment declined, with the question of foreign ownership constantly entering the political picture. After the military coup, President Onganía declared that his government would renew an "open door" policy and would provide legal guarantees to investors. Net capital inflow continued to grow through the late 1960s.

In the 1970s, government policies toward investors underwent a significant reappraisal. Foreign direct investment, according to a law enacted in 1973, required specific congressional approval if foreign capital exceeded 50% of the total in a company. Profit remittances and capital repatriation were limited and new foreign investments were prohibited in several major areas, including national defense, banking, mass media, agriculture, forestry, and fishing.

In the 1980s the economy was caught in the dynamics of the second oil shock and the third world debt crisis, fighting recurrent bouts of hyperinflation. In 1985, the austral replaced the peso at 1:1000, and then in 1991, the Menem administration replaced the austral with the new Argentine peso at 1:10,000, inaugurating the Convertibility Plan (designed by economy minister Domingo Cavallo) whereby every peso would be backed by at least one dollar in reserves. A currency board was created to maintain the peso's virtual 1:1 equivalency to the dollar.

In December 1989, the government eliminated all restrictions on the movement of capital in and out of Argentina, adopting a single foreign exchange market. By Decree 1853 of 8 September 1993, the government established an extraordinarily open foreign investment regime. Foreign companies could invest without registration or prior government approval on the same terms as national firms in virtually every sector, the few exceptions being real estate in border areas, air transportation (later lifted), ship building, nuclear energy, uranium mining, and some fishing. Foreign portfolio investment in the companies listed on the Argentine stock exchange required no government approval. The Argentinean-US Bilateral Investment Treaty (BIT), signed in 1991, came into full effect in 1994. The treaty provided for national treatment in virtually all sectors of the Argentine economy, although national treatment did not prevent numerous contentious and time-consuming investment disputes, particularly with provincial governments. Incentives were provided for investments in mining, shipbuilding, iron and steel, petrochemicals, forest industries, silo construction, wine, and maritime fishing. Corporate taxes were equal for foreign- and Argentine-owned companies. Argentine Law 24331 of 1994 authorized the federal government to create one free trade zone (FTZ) in each province and four others in border areas. FTZs, offering tax-free and duty-free importing and exporting, were located at Córdoba, La Plata (the most important, opened in 1997), Mendoza, Santa Fe, and Comodoro. Capital inflows were strong. Privatization generated a large source of US dollars. More than 60 state-owned enterprises were sold, most to foreign investors, raising about \$10 billion in direct sales and more, counting cancelled debt and promised post-acquisition capital investments.

Accumulated foreign direct investment (FDI) in Argentina was an estimated \$5.3 billion in 1980 rising only to \$6.56 billion in 1985 and to \$8.77 billion in 1989. However, under the liberalized investment regime, accumulated FDI reached \$25.7 billion by 1995 and \$36 billion by 1997. The rise in market capitalization on the Buenos Aires Stock Exchange (the BCBA, accounting for 95% of transactions on Argentine exchanges in equity shares, corporate bonds, and government debt instruments) was also dramatic, more than doubling from \$18.6 billion in 1990 to \$44 billion in 1993. Argentina does not keep records of foreign investment, but an accepted estimate is that total direct and portfolio foreign investment from 1990 to 1996 was about \$49 billion.

In 1997, annual foreign direct investment (FDI) inflow was over \$9 billion, but fell to \$6.85 billion in 1998 as the effects of the Asian financial crisis were felt. In 1999, FDI inflow soared to \$24.1 billion, including about \$15 billion from US investors, with most going to telecommunications, energy, petrochemicals, financial services, food processing, and motor vehicle manufacturing sectors.

In 2001–02, the Argentina economy went through the worst implosion in its history, much of it connected with the government's effort to attract foreign investment. In 2000, FDI inflow continued at a near-record total of \$11.15 billion but then plummeted to \$3.18 billion in the global economic slowdown in 2001. After the abolishment of the convertibility system in January 2002, FDI inflow fell \$2.2 billion.

In terms of portfolio investment, the total market value of companies on the BCBA, which through the vagaries of the Mexican peso crisis in 1995 and the Asian financial crisis in 1997 was only 3% ahead of the 1993 value in 1998 (\$45.3 billion), jumped to

\$83.9 billion in 1999, then to \$165.8 billion in 2000, peaking at \$203.5 billion in January 2001, a 4.5% increase since 1998 and an 11-fold increase since 1990. A rough estimate is that about half of the transactions on the BCBA are by foreigners. In 2001, average daily trading was \$200 million (up from \$11 million in 1990), 70% in government bonds, 20% in equities, and 10% in corporate bonds. In 2001, portfolio investment in Argentina by US investors amounted to \$4.5 billion, 83.5% in debt instruments (\$3.2 billion in long-term debt bonds and \$344 million in short-term debt) and 16.5% in equity (\$744 million). In 2002, although in pesos the market value of companies on the BCBA had risen to 250 million pesos, with the fall of the value of the peso to more than three to a dollar, total market capitalization of listed companies was only \$75 million, of which all but \$15 million was accounted for by three Spanish companies.

Argentina's economy, at first benefiting from the tie to the US dollar in quelling hyperinflation and attracting records levels of direct and portfolio investment, was then hurt by the tie, first when interest rates were raised in the United States in the late 1990s, making Argentina's borrowing costs and export prices uncompetitive, and then from 2001, when the dollar tie served a means of importing the US recession into Argentina's already contracting and heavily indebted economy. Government efforts to stem capital flight and shore up investor confidence in 2001 were caught between violent popular protests and a hardening of IMF policy. After five presidents in two weeks in December 2001 (the third one carried out the default and the fifth one abandoned the convertibility system on 7 January 2002, allowing the peso to float), with widespread bankruptcies and debt repayments far outpacing new loans, the economy became even more dependent on foreign investment as a means of economic recovery.

The largest sources of FDI in Argentina have been the United States (36%, 1994–2000) and Spain (11.9%). Other important sources of FDI have been France (11%), Chile (9.8%), Italy (7.1%), the United Kingdom (6.2%), Canada, and Japan. The major destinations for FDI from 1999 to 2002 were the oil industry, telecommunications, supermarkets, the automotive industry, energy, construction, banks, insurance, chemicals, and the food industry.

Although Argentina remains a net recipient of FDI, Argentinean firms have recently begun making substantial outward investments regionally, in Brazil, Paraguay, and Uruguay. The peak year for the outward flow FDI was 1997, \$3.65 billion up from \$1.6 billion in 1996. In the recession that gripped the economy from 1998, outward FDI fell to \$2.3 billion in 1998, to \$1.3 billion in 1999, and \$1.1 billion in 2000, according to the latest available UNCTAD estimates

The United States and Spain remain the largest investors in the Argentinean economy, but the pace of investment is dwindling as compared to other years. Thus, the stock of US foreign direct investments decreased from \$11.2 billion in 2002, to \$11.0 billion in 2003. In 2003 and 2004, five US power companies abandoned the Argentinean market due to continued losses. Other US firms have substantially written down the value of their investments. On the other hand, public and private companies from China have signed letters of intent to invest almost \$20 billion over the next coming decade, in transportation, mining, construction, telecommunications, and tourism.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Argentine economic policy has undergone several cycles of change since the 1940s. During World War II (1939–45), the demand for Argentine beef and wheat boosted the country's exchange reserves to their highest point in history. Under the Perón regime (1950s), however, declining terms of trade and increasing state benefits and subsidies, as well as Perón's attempt to industrialize Argentina at the expense of the agrarian sector, disrupted the nation's economic system. Although inherently a wealthy country, Argentina, with a crushing foreign debt and a shattered economy, was nearly bankrupt.

When Perón fell in 1955, steps were taken to fund foreign obligations with long-term provisions for Argentine repayment and to create a climate favorable to private investment. Complicated multiple exchange rates were abolished, and massive financial assistance was extended by the International Monetary Fund (IMF) and other foreign agencies. Staggering deficits in the railroads and other state enterprises were a constant problem. The government sought to turn over some of these to private hands, and it also encouraged livestock raising and agricultural production, the chief earners of foreign exchange.

The government abolished many of the state subsidies and at the same time tried to hold wages steady. The austerity program fell hardest on the workers, who saw wages increase sluggishly while prices skyrocketed. They sought political solutions to the economic problems through crippling strikes, which in turn robbed the government of the increased production on which it was relying for a solution to the economic crisis. Between 1960 and 1966, the problems continued, with the government fluctuating between economic nationalism and liberal policies designed to seek foreign investment. Inflation, unemployment, and commercial failures reached new highs. Economic strife formed the backdrop for the military coup of 1966 and the suspension of the constitutional government. Despite widespread opposition, steps were taken in the late 1960s to turn over some state enterprises to private owners; other measures sought to put state-owned businesses on a paying basis.

The 1970s brought a resurgence of economic and political instability. The return to constitutional government—and especially the return of the Perónists to power in the late 1960s—brought a period of increased labor influence, extraordinary wage demands, accelerating inflation, and huge government deficits, largely financed through short-term borrowing. The government's Three-Year Plan for Reconstruction and Liberation, announced in December 1973 during Juan Perón's presidency, called for more equitable distribution of income, elimination of unemployment and underemployment, better regional distribution of wealth, and extension of government housing, health, welfare, and education programs and services.

Perón's death in July 1974 and the subsequent political instability aborted this program and led to an economic crisis. In 1978, a medium-term economic adjustment plan, based on free-market principles, was announced. It included regular devaluations of the peso, cuts in public investment, and return of some state enterprises to private ownership; but instead of improving the nation's economic performance, the new policies led to triple-digit inflation and increasing unemployment. In the fall of 1982, the government began to negotiate with the IMF for a standby loan

and committed itself to an austerity program, consisting of cuts in government spending, higher interest rates on bank loans to the private sector, and continuing regular devaluations. Additional financial controls, including a temporary ban on the issuance of new import licenses, were imposed the following autumn.

The “Austral Plan,” launched in June 1985, was an attempt by the government of President Raúl Alfonsín to break out of the stagflation that characterized the economy since 1982. The combination of a wage-price freeze, a new currency pegged to the dollar, and a commitment to austerity in public spending was initially successful in curbing inflation, although somewhat at the expense of development. Since then, the government has attempted to manage price and wage increases and has offered several public corporations for sale. Multilateral assistance to Argentina totaled \$6.3 billion between 1962 and 1986, of which 51% came from the IDB and 41% from the IBRD.

In the 1990s, the industrial sector’s performance was excellent, in particular the food processing, construction, and automotive industries. Demand for consumer durable goods was strong as a result of ample credit availability. Construction activity was boosted by infrastructure projects associated with the privatization. Sweeping privatization and a wave of investment, both foreign and local, modernized old industries and nourished new ones. Farmers started to plant more profitable products, such as garlic, fruit, and olives. A new mining code brought foreign investment to a long-neglected sector. Oil and gas output doubled, attracting investment in petrochemicals, while Mercosur encouraged a boom of car exports. A recession in 1999 caused capital flight and high interest rates. Consumption was slow to pick up, and unemployment remained at around 12%. It was estimated that nearly 40% of the workforce was employed in the black market.

A combination of Argentina’s fixed exchange rate, which made its currency uncompetitive, and continuing fiscal deficits led to the country’s economic collapse and default on the bulk of its \$141 billion in foreign debt in December 2001. The IMF at that time refused to grant Argentina an emergency \$1.3 billion loan. By 2003, the government had suspended the last remaining controls on bank savings, and eased capital controls. The 2002 devaluation of the peso by 2003 had led to growth in exports and a rise in local products being substituted for imported ones. There was a good harvest that year, industry revived, and tourism rebounded as increasing numbers of foreign tourists visited Argentina’s resorts. A standby agreement with the IMF that began in January 2003 was reviewed in June, and resulted in the release of \$320 million.

2005 was expected to be the third year of continued growth, following the deep 2002 recession. This economic expansion was expected to moderate by 2006 and 2007, as the gap between actual and potential output was narrowing. Consumption, driven by higher real incomes, was one of the main growth engines. Investments were projected to be another big contributor, although they were expected to slow after 2007. Export and import values were expected to even out as the economy fell back into its prerecession tracks.

#### 40 SOCIAL DEVELOPMENT

The election of Hipólito Yrigoyen as president of Argentina in 1916 initiated a series of profound changes in the nation’s social structure. The Radical-controlled legislature enacted a series of

economic and social measures, including a measure to establish retirement funds. Despite differences between Radical leadership and labor, limited social welfare measures were continued until 1930, when Yrigoyen was expelled from office. The Conservative regime in power for the next 13 years took little cognizance of demands for social benefits.

The next major advance in the creation of social and economic benefits was made during the government of Juan Perón, who assumed power in 1946. The 44-hour workweek that had been enacted in 1933 was for the first time put into effect. New provisions established salary increases, paid holidays, sick leave, job tenure, and many other benefits. By 1945, a National Social Security Institute administered social insurance programs and the pension system. In the early 1950s, these measures continued and were extended also to the rural sector. The failure of the Argentine welfare system to live up to Perón’s promises helped to bring about his overthrow in 1955. During the 1960s, the pension funds were often diverted for other purposes, and there was a general breakdown in the system. By 1970, many of the persons eligible for welfare payments received none at all, and the secretary of social welfare under the Levingston administration, charged former government authorities with misappropriating millions of pesos.

Most of the social legislation enacted during the Perón years has remained on the statute books. The pension laws, updated in 1993, mandates that workers pay 11% of their wages into a pension fund, and this amount was supplemented by an 16% contribution from the employer. Work injury coverage is funded solely by the employer. Unemployment benefits were introduced for construction workers in 1967 and were expanded to include all employed persons in 1991. Both public and private sector employees are covered by workers’ compensation, which is being expanded to cover domestic workers and others previously excluded from the system. There is also a prenatal allowance, and grants for marriage, birth, and adoption.

Although guaranteed equality under the constitution, women are fighting for equal advancement and pay in the labor force. Despite the government’s efforts, discrimination against women in the workplace and sexual harassment continue to be important social problems. Women are more likely to work in unskilled, low paying jobs, even though, on average, they are more highly educated. Although prohibited by law, women earn less than men for similar work. Domestic abuse and violence against women are recognized as serious social problems. It was estimated in 2004 that one-fourth of the women in Argentina were victims of domestic abuse. A battered women’s shelter and 24-hour hotline are operated by the city of Buenos Aires.

The National Council on Children and Families is working to develop child protection programs and legislation. Handicapped access to public places is specified by law aimed at eliminating barriers to the disabled, and a constitutional amendment recognizes the ethnic and cultural identities of Argentina’s indigenous people. Reports of torture and brutality by police persist.

#### 41 HEALTH

In the field of health and medical care, Argentina compares favorably with other Latin American countries. National health policy is determined by the Department of Public Health, an agency of the Ministry of Social Welfare. In 2004 Argentina had an esti-

mated 301 physicians, 80 dentists, 42 pharmacists, and 239 nurses per 100,000 people. Nutritional requirements are comfortably met and, in 2000, 79% of the population had access to safe drinking water and 85% had adequate sanitation. Health and medical services for workers are provided by clinics of unions, and employers are usually required to provide free medical and pharmaceutical care for injured workers. Total health care expenditure was estimated at 8.4% of GDP. In Argentina the private sector plays a role in the provision of health services, ensuring social security through organizations called Obras Sociales. Funding for health services comes from employee payroll taxes and contributions.

In 2005, the infant mortality rate was 15.18 per 1,000 live births. As of 1999, an estimated 7% of all births were classified as low birth weight. As of 1998 maternal mortality was estimated at 38 per 100,000 live births. The overall death rate in 1999 was 7.6 per 1,000 people. Approximately, 74% of married women (ages 15–49) used contraception.

Of the major infectious diseases, smallpox, malaria, and diphtheria have been virtually eliminated and poliomyelitis has been greatly reduced. The incidence of tuberculosis in 1999 was 55 per 100,000 people, down 47% from 20 years earlier. In the same year, one-year-old children were immunized against the following diseases: diphtheria, pertussis, and tetanus, 88%; and measles, 99%. Life expectancy averaged 75.91 years in 2005.

The HIV/AIDS prevalence was 0.70 per 100 adults in 2003. As of 2004, there were approximately 130,000 people living with HIV/AIDS in the country. There were an estimated 1,500 deaths from AIDS in 2003. Argentina reported the second-highest incidence of AIDS cases (41 per million) in South America during the mid-1990s. HIV spread rapidly throughout Argentina via intravenous drug use soon after the first cases of HIV infection were reported.

## 4<sup>2</sup> HOUSING

Economic collapse in late 2001 left at least 50% of the population below the poverty line. In early 2001, it was estimated that about 17.7% of all households lived in substandard housing units. In 2005, it was estimated that 30% of the population lived in inadequate housing.

Houses in Argentina reflect the Italian and Spanish ethnic backgrounds of the population. Except for marginal rural dwellings and urban shanty towns, concrete, mortar, and brick are favored as the principal construction materials. Wood is generally considered less durable and feared as a fire hazard.

## 4<sup>3</sup> EDUCATION

Education is free, secular, and compulsory for all children at the primary level (ages 5–14). In 1993 Argentina switched from seven years of primary and five years of secondary education to a system known as EGB, consisting of nine compulsory years divided into three-year stages. This is followed by a three-year “multimodal” course of study offering either general or specialized training. In 2003, about 60% of children ages three to five were enrolled in preprimary school programs. At last estimates, primary school enrollment was about 94% (1991) while secondary school enroll-

ment stood at about 81% (2002). The academic year runs from March to November.

Private, foreign, and religious schools are permitted, but they must conform to a nationally prescribed pattern of teaching in the Spanish language.

The Ministry of Education supervises the National Council on Technical Education and the National Administration of Middle and Higher Education. The Consejo Nacional de Evaluación y Acreditación Universitaria (CONEAU), established in 1997, oversees the external evaluations of all universities. In 2003 public expenditure on education totaled about 4% of GDP.

Traditionally, university students have played an active role in campus policy, based in part on the concept of university autonomy established in the Córdoba reform movement of 1918. Student organizations have also been outspoken in national politics, denouncing the policies of the military government in the late 1970s and early 1980s. Argentina has over 46 officially accredited universities. The largest is the University of Buenos Aires. All institutions of higher learning had a combined total enrollment of 1.9 million students as of the 2001. The adult literacy rate for 2003 was estimated at about 97%, with an even distribution between men and women.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library was founded in 1810 and has occupied its present site in Buenos Aires since 1902; in 2002 it had about 1.9 million volumes. The libraries of the University of Buenos Aires have combined holdings of over 2.5 million volumes, while the library of the National Congress has two million volumes. The Catholic University of Argentina, with five campuses, has a combined collection of 90,000 volumes. The National Academy of Medicine has a library with 50,000 volumes in Buenos Aires and the Museum of Ethnography in Buenos Aires has a specialized collection of 100,000 volumes. The Buenos Aires Stock Exchange Library has a collection of 12,000 books, along with more than 200 periodicals, CD-ROMs and videotapes, covering the topics of the stock market, finances, and economics. The National Teachers Library is an initiative of the Ministry of Education, Science and Technology, designed to serve as a national reference center for knowledge and data management within the education system. There are thousands of public and school libraries and innumerable private libraries.

The National Museum of Fine Arts in Buenos Aires contains modern Argentine, American, and European works, as well as paintings attributed to old masters, paintings of the conquest of Mexico executed 300–400 years ago, and wooden carvings from the Argentine interior. Also in Buenos Aires are the National Historical Museum; the Isaac Fernández Blanco Museum of Hispanic-American Art, which contains an interesting and valuable collection of colonial art; the Mitre Museum and Library, containing the manuscripts, documents, printed works, and household objects of Gen. Bartolomé Mitre, which constitute a unique record of Argentine political development; the Natural Science Museum; and the Municipal Museum. There are several important historical museums in the provinces, including the Colonial and Historical Museum at Luján and the Natural History Museum of the University of La Plata, which is world-famous for its important collections of the skeletons of extinct pre-Pliocene reptiles (for which the Argentine pampas form one of the richest burial grounds).

#### 45 MEDIA

In 2003, there were an estimated 219 mainline telephones for every 1,000 people. The same year, there were approximately 178 mobile phones in use for every 1,000 people. Internal telegraph facilities and some international circuits to nearby countries are wholly government operated.

As of 1999 there were 260 AM and an unspecified number of unlicensed FM radio stations. There were 42 television stations the same year stations. Many of the stations are privately owned. In 2003, there were an estimated 697 radios and 326 television sets for every 1,000 people. The same year, there were 82 personal computers for every 1,000 people and 112 of every 1,000 people had access to the Internet. The number of secure Internet servers in 2004 was about 386.

Buenos Aires is one of the principal editorial centers of the Spanish-speaking world, with more than 50 publishing houses. Numerous literary magazines and reviews, as well as books, are published. Press coverage in Argentina is one of the most thorough in the hemisphere, with over 150 daily newspapers published throughout the country. At least three news agencies were operating in 2005: Noticias Argentinas, coordinated by a group of privately owned newspapers; TELAM, run by the state; and Diarios y Noticias, owned in part by Grupo Clarin. The major international news services were also represented.

*La Prensa* is probably the most famous newspaper in Latin America. Throughout the early days of the Perón regime, *La Prensa* battled the dictatorship, but it was finally taken over forcibly by Perón and given to the CGT, the dictator's central labor organization. The provisional government of Gen. Eduardo Lonardi returned *La Prensa* to its rightful owner, Alberto Gainza Paz, and it resumed publication in February 1956. In 1969, the Onganía government imposed siege regulations on the press, and in August of that year, two weekly papers were closed down. After the 1976 coup, no formal censorship was introduced, but some journalists were arrested for "subversive" articles. With the restoration of democratic government, harassment of the media stopped.

The largest dailies, with their estimated daily circulation figures in 2004, included: *La Nación*, 250,000 (down from 630,000 in 2002); *Clarín*, 300,000 (down from 560,000 in 2002); *Diario Popular*, 140,000; *El Cronista*, 65,000; *La Voz del Interior*, 100,000; *La Gaceta*, 55,000; *El Día* (La Plata), 55,000; and *El Litoral*, 37,000. The Sunday edition of *Clarín* had a circulation of about 300,000, down from the one million copies reported in 2002.

#### 46 ORGANIZATIONS

Argentine organizations fall into the following main categories: agricultural, business and industrial, social and cultural, and political and humanitarian action. The Argentine Agricultural Association, established in 1866, with a membership predominantly of owners of large ranches (estancias), occupies itself mainly with the improvement of agricultural and livestock production. The Argentine Association of Cooperatives and the Argentine Agrarian Federation also represent rural interests. The Milk Industry Center and the Argentine Meat Industry Union are based in Buenos Aires.

Social and leisure organizations are found in almost every community of any size. The Athletic and Fencing Club in Parque Palermo, a suburb of Buenos Aires, has extensive recreational facilities.

The Argentine capital also sponsors numerous clubs in the delta region. At the other social extreme is the exclusive Jockey Club of Buenos Aires, with a wealthy membership. There are several yacht clubs. The Automobile Club operates a chain of service and rest stations throughout the country, giving travel information and selling gasoline at a slight discount.

Many intellectuals belong to the Argentine Writers' Society. The Academia Nacional de Bellas Artes, Argentine Academy of Letters, the National Academy of History, and the National Arts Foundation support and encourage activities in the arts and humanities.

Industrialists and business leaders participate in the Argentine Industrial Union, which originated in 1887 and was reestablished in 1977 through the merger of the Argentine Industrial Confederation and the General Confederation of Industry. The leading chambers of commerce in 1993 were the Argentine Chamber of Commerce; the Chamber of Commerce, Industry, and Production of the Argentine Republic; the Chamber of Foreign Trade of the Federation of Trade and Industry; and the Chamber of Exporters of the Argentine Republic. Argentina also has a committee with the International Chamber of Commerce. There are three national consumers organizations and a regional office for the Consumers Association of Mercosur is in the capital. There are professional associations representing a wide variety of fields, including dozens of medical and health associations.

Youth organizations supporting a variety of political and social interests include: the Federation of Argentine University Students (FUA, founded in 1918), the Argentine Youth Hostel Federation, Argentine Student Tourism Association, Youth of the Popular Socialist Party, Youth of the Radical Civic Union, Communist Youth Federation of Argentina (FJCA), the Latin American Youth for Democracy (JULAD), Scouts de Argentina, and Asociación Guías Argentinas (Girl Guides). There are also organizations representing the Special Olympics and both the YMCA and YWCA. Organizations focusing on the rights and role of women include Equal Rights for Argentine Women, the Foundation for Women's Equality, and the Foundation for Women's Research and Studies.

Greenpeace, Amnesty International, Caritas, Friends of the Earth, and the Red Cross have organizations within the country.

#### 47 TOURISM, TRAVEL, AND RECREATION

The government promotes tourism through the National Tourist Bureau, with headquarters in Buenos Aires. Visitors from all countries are required to have a passport to enter Argentina, although Australians and New Zealanders must also have a visa. There are no required vaccines to enter Argentina.

Mar del Plata, on the southern Atlantic coast about 400 km (250 mi) from Buenos Aires, is the most popular ocean resort. The delta of the Río Paraná, forming a series of inland waterways, is a center for pleasure boats and launches. Córdoba, with its fine colonial cathedral, and nearby Alta Gracia attracts many visitors. San Carlos de Bariloche, at the entrance to Nahuel Huapi National Park in the Andean lake region of western Patagonia, has become famous as a summer and winter resort, with some of the best skiing in the Southern Hemisphere. The Iguazú Falls, in the province of Misiones, on the border of Argentina and Brazil, is a major tourist attraction. Mendoza, situated in a fertile oasis below the towering Andes, offers such historical attractions as the Cerro de la Gloria, with its monument to San Martín, and the Historical Museum, with its collection on San Martín.



The most popular sport is football (soccer). Tennis, rugby, basketball, and golf are also played. Opportunities for gambling include a weekly lottery, football pools, horse racing at the Palermo and San Isidro tracks (in Buenos Aires), and the casino at Mar del Plata, whose profits go to the Ministry of Social Welfare.

In 2003, about 2,995,000 foreign tourists visited Argentina, 65% of whom came from other countries in South America. Receipts from tourism were estimated at \$2.4 billion. As of that year, there were 174,629 hotel rooms with 417,995 beds.

The US Department of State estimated the daily cost of staying in Buenos Aires in 2005 at \$228 per day. Expenditures at other locations averaged \$175 per day.

#### 48 FAMOUS ARGENTINES

The most famous Argentine is José de San Martín (1778–1850), known as the Protector of the South, who was principally responsible for freeing southern South America from the Spanish yoke.

The tyrannical dictator Juan Manuel de Rosas (1793–1877) ruled Argentina from 1829 to 1852. The political tactics and the pen of the statesman and essayist Domingo Faustino Sarmiento (1811–88) did much to undermine him. While in exile, Sarmiento wrote some of his best works, including *Facundo*, the story of a rival caudillo. The most literary of Argentina's statesmen was Gen. Bartolomé Mitre (1821–1906), who was president from 1862 to 1868. Mitre, the founder and owner of the newspaper *La Nación*, wrote several important historical works and biographies. The most famous Argentine political figures of modern times have been Juan Domingo Perón Sosa (1895–1974) and his second wife, Eva Duarte de Perón (1919–52), known as "Evita." Perón's third wife, María Estela ("Isabel") Martínez de Perón, was vice-president during 1973–74 and, after her husband's death, president from 1974 to 1976.

José Hernández (1834–86), one of the first Argentine literary figures to use the uncultured language of the gaucho in his writings, is the author of *Martín Fierro*, considered the greatest of gaucho poems. Ricardo Güiraldes (1886–1927) kept the "gauchesco" spirit alive in his novel *Don Segundo Sombra*, a spiritual study of an Argentine gaucho. A less romantic view of these hardy horsemen of the pampas appears in the writings of Benito Lynch (1885–1951). The works of the poet Leopoldo Lugones (1874–1938) form a panorama of all Argentine life and landscape. José Mármol (1817–71) gave a good description of life in Buenos Aires under the tyrant Rosas in his novel *Amalia*, and Enrique Rodríguez Larreta (1875–1961) wrote the first Latin American novel to win international fame, *La gloria de Don Ramiro*, a reconstruction of Spanish life during the reign of Philip II. The leading contemporary writer of Argentina is Jorge Luis Borges (1899–1986), best known for his essays and collections of tales such as *Historia universal de la infamia*. Other world-famous writers are Julio Cortázar (1914–84) and Adolfo Bioy Casares (1914–1999). Outstanding in the visual arts are the sculptor Rogelio Irurtia (1879–1950) and the painters Miguel Carlos Victorica (1884–1955) and Emilio Pettoruti (1892–1971). Argentina's foremost composers are Alberto Williams (1862–1952), founder of the Buenos Aires Conservatory; Juan José Castro (1895–1968); Juan Carlos Paz (1901–72); and Alberto Ginastera (1916–83). Ástor Piazzolla (1921–92), is regarded as the world's foremost composer of modern tango music. A bandoneon player, his compositions incorporated jazz and

classical music with the traditional tango in a style called *nuevo tango*. In Argentina, he is regarded as "El Gran Ástor" ("The Great Ástor"). Piazzolla is credited with having redefined the music of tango singer Carlos Gardel (1890–1935). Another important Argentine musician is pianist Martha Argerich (b.1941), who avoids the limelight but is recognized as one of the great piano virtuosos of the 21st century. Pianist and composer Lalo Schifrin (b.1932) composes music for film, television, and video games. He has won numerous Grammy Awards and Oscar nominations.

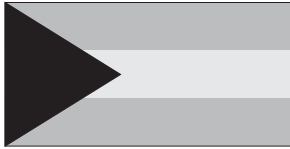
The most famous Argentine scientist, Bernardo Alberto Houssay (1887–1971), was awarded the 1947 Nobel Prize in medicine for his work on diabetes; French-born Luis Federico Leloir (1906–87) won the Nobel Prize for chemistry in 1970. Notable philosophers include Alejandro Korn (1860–1936), whose work marked a reaction against positivism, and Francisco Romero (1891–1962). Carlos Saavedra Lamas (1878–1959), an authority on international law, received the Nobel Prize for peace in 1936. Adolfo Pérez Esquivel (b.1931), a sculptor and professor of architecture, received the Nobel Peace Prize in 1980 for his work in the Argentine human-rights movement.

#### 49 DEPENDENCIES

Argentina continues to claim the Falkland Islands (Islas Malvinas), held by the United Kingdom, and a sector of Antarctica as dependencies.

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# THE BAHAMAS

Commonwealth of the Bahamas

**CAPITAL:** Nassau

**FLAG:** Three horizontal stripes of blue, gold, and blue, with a black triangle at the hoist.

**ANTHEM:** *March on Bahamaland.*

**MONETARY UNIT:** The Bahamas dollar (B\$) of 100 cents has been in use since May 1966. As of June 1972, the Bahamas dollar ceased to be part of the sterling area and was set on a par with the US dollar. There are coins of 1, 5, 10, 15, 25, and 50 cents, and 1, 2, and 5 dollars, and notes of 50 cents and 1, 3, 5, 10, 20, 50, and 100 dollars. B\$1.00000 (or US\$1=B\$1; as of 2004).

**WEIGHTS AND MEASURES:** Imperial weights and measures are in use.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, first Friday in June; Independence Day, 10 July; Emancipation Day, first Monday in August; Discovery Day, 12 October; Christmas Day, 25 December; Boxing Day, 26 December. Movable religious holidays include Good Friday, Easter Monday, and Whitmonday.

**TIME:** 7 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The Commonwealth of the Bahamas occupies a 13,940 sq km (5,382 sq mi) archipelago which extends 950 km (590 mi) SE–NW and 298 km (185 mi) NE–SW between southeast Florida and northern Hispaniola. Comparatively, the area occupied by the Bahamas is slightly smaller than the state of Connecticut. There are nearly 700 islands, of which about 30 are inhabited. New Providence, 207 sq km (80 sq mi), although not the largest, is by far the most populous and most densely populated island. The total coastline is 3,542 km (2,201 mi).

The Bahamas occupy a strategic location adjacent to the United States and Cuba.

The Bahamas' capital city, Nassau, is located on New Providence Island in the center of the island group.

## <sup>2</sup> TOPOGRAPHY

The Bahamas were formed as surface outcroppings of two oceanic banks, the Grand Bahama Bank and the Little Bahama Bank. The islands are for the most part low and flat, rising to a peak elevation of about 63 m (206 ft), which is Mt. Alvernia on Cat Island. The terrain is broken by lakes and mangrove swamps, and the shorelines are marked by coral reefs.

## <sup>3</sup> CLIMATE

The climate is pleasantly subtropical, with an average winter temperature of 23°C (73°F) and an average summer temperature of 27°C (81°F). Rainfall averages 127 cm (50 in) and there are occasional hurricanes.

## <sup>4</sup> FLORA AND FAUNA

Because of a favorable combination of soil and climate conditions, the islands abound in such tropical flora as bougainvillea, jasmine,

oleander, orchid, and yellow elder. Native trees include the black olive, casuarina, cascarilla, cork tree, manchineel, pimento, and seven species of palm. There are 218 species and subspecies of birds, including flamingos, hummingbirds, and other small birds and waterfowl.

## <sup>5</sup> ENVIRONMENT

Among the government's priorities in environmental protection are monitoring industrial operations, providing potable water and regular garbage collection throughout the country, maintenance and beautification of public parks and beaches, and the removal of abandoned vehicles. Other significant environmental issues are the impact of tourism on the environment, coral reef decay, waste disposal, and water pollution. The principal environmental agency is the Department of Environmental Health Services. A rookery on Great Inagua affords protection to some 30,000 flamingos as well as to the roseate spoonbill. Land clearing for agricultural purposes is a significant environmental problem because it threatens the habitats of the nation's wildlife. Inagua National Park is a Ramsar international wetland site.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 5 types of mammals, 10 species of birds, 6 types of reptiles, 15 species of fish, and 5 species of plants. Endangered species included Kirtland's warbler, Bachman's warbler, the green sea turtle, hawksbill turtle, Allen Cays rock iguana, and Watling Island ground iguana. The Caribbean monk seal and American crocodile are extinct.

## <sup>6</sup> POPULATION

The population of Bahamas in 2005 was estimated by the United Nations (UN) at 319,000, which placed it at number 167 in popu-

lation among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 30% of the population under 15 years of age. There were 95 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 1.2%; while the government is satisfied with this rate, it is concerned about high adolescent fertility. The projected population for the year 2025 was 398,000. The population density was 23 per sq km (60 per sq mi).

Only 30 to 40 of the islands are inhabited, and some two-thirds of the population reside on the island of New Providence, the site of Nassau, the capital and largest city with a population of 222,000 in 2005. The UN estimated that 89% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.17%. The population of Freeport on Grand Bahama Island grew from a few hundred in 1960 to an estimated 24,423 in the 1990s.

The first census was conducted in 1838, and in 1980 a law was passed requiring one to be conducted every ten years.

## 7 MIGRATION

Emigration to the United Kingdom, considerable in the past, has fallen off since the mid-1960s. Some Bahamians migrate to the United States in search of employment. There is also inter-island migration, chiefly to New Providence and Grand Bahama islands.

Located between the United States and other Caribbean islands, the country's position has made it a transit point for migrants, including asylum seekers, trying to reach the United States. An estimated 100 Cuban nationals seek asylum in the Bahamas each month. The estimated net migration rate of the Bahamas was -2.18 migrants per 1,000 population in 2005. As of 2000 there were 30,000 migrants living in the Bahamas, including 100 refugees. There has also been an increasing number of asylum seekers from Europe, Asia, and Africa.

In 2004, the government spent us\$521, 000 repatriating 3,034 illegal immigrants, including 2,500 Haitians. An estimated us\$678,000 was spent on repatriation in 2003. Besides Haitians, there are increasing numbers of other nationalities—such as Cubans, Jamaicans, and Chinese—illegally landing in the Bahamas.

## 8 ETHNIC GROUPS

About 85% of the population are descendants of slaves brought to the Western Hemisphere from Africa. About 12% of the total is white, largely of British origin, and 3% are Asian and Hispanic.

## 9 LANGUAGES

English is the official language of the Bahamas. Haitian immigrants speak French or a Creole patois.

## 10 RELIGIONS

As of 2000, at least 90% of the population claimed religious affiliation, and most accounts indicated that these were generally active participants. The population was overwhelmingly Christian, with Baptists comprising about 35%. About 15% of the population were Anglicans and about 24% belonged to other Protestants groups such as Pentecostals (8%), the Church of God (5%), the Method-

ists (4%), the Presbyterians, Seventh-Day Adventists, and members of the Salvation Army. About 13.5% of the population were Roman Catholics. There is also a strong Greek Orthodox community. Smaller groups include Jews, Baha'is, Muslims, Hindus, and Rastafarians.

The constitution provides for the freedom of religion and this right is generally respected in practice. Religion, with a focus on Christianity, is considered an academic subject in government schools. Although students may freely choose not to participate in religious instruction or observance outside of their own faith, the topic is included in mandatory standardized tests.

## 11 TRANSPORTATION

The larger islands have modern road networks. In 2002 there were about 2,693 km (1,673 mi) of highways, of which 1,546 km (961 mi) were paved. There were 83,500 passenger cars and 27,000 commercial vehicles in 2003. About 60% of all vehicles are on New Providence. There are no railways.

The Bahamas established a shipping register in 1976. In 2005, this archipelago nation had a merchant fleet of 1,119 ships of 1,000 GRT or over. Nassau is a major port of call for cruise ships, which visit Freeport as well. Airports in 2004 totaled an estimated 63. Of that number in 2005, a total of 30 had paved runways and there was also a single heliport. There are international airports at Nassau and Freeport, with frequent connections to the United States, Canada, and the United Kingdom. In 2001, a total of 1,625,700 passengers were carried on scheduled domestic and international airline flights. Bahamas Air, a state-owned enterprise, is the national airline.

## 12 HISTORY

Christopher Columbus is believed to have made his first landfall on the island now called San Salvador (formerly Watlings Island) on 12 October 1492, but the Spanish made no permanent settlement there. Spanish traders captured the native Lucayan Indians and sold them as slaves. The Eleutherian Adventurers, a group of religious refugees, established the first permanent European settlement in 1647. They and subsequent settlers imported blacks as slaves during the 17th century. The islands were also used as bases for pirates, including the notorious Blackbeard.

The British established a crown colony to govern the islands in 1717. The first royal governor, Captain Woodes Rogers, himself an ex-pirate, drove away the privateers, leaving the slave trade as the main economic enterprise on the islands.

After the end of slavery in 1838, the Bahamas served only as a source of sponges and occasionally as a strategic location. During the US Civil War, Confederate blockade runners operated from the islands. After World War I, prohibition rum-runners used the islands as a base. During World War II, the United States used the islands for naval bases.

Like other former British colonies, the Bahamas achieved independence in stages. After self-government was established in 1964, full independence was granted on 10 July 1973. The country's first prime minister was Lynden O. Pindling, leader of the Progressive Liberal Party. Pindling ruled for nearly 20 years, during which the Bahamas benefited from tourism and foreign investment. By the early 1980s, the islands had also become a major center for the

drug trade, with 90% of all the cocaine entering the United States reportedly passing through the Bahamas. Diplomatic relations were established with Cuba in 1974. A decade later, as increased Cuban immigration to the islands strained the Bahamas' resources, Cuba refused to sign a letter of repatriation.

In August 1992, the Bahamas had its first transfer of political power, when Hubert Ingraham became prime minister. Ingraham was reelected in March 1997 for another four-year term. The principal focus of his administration was economic development and job creation. Under Ingraham's watch, a number of government enterprises were privatized. In September 1999, Hurricane Floyd did extensive damage in the Abacos and Eleuthera, causing a significant dip in tourism revenues. Tourism operations in other parts of the Bahamas were able to resume normal operations days after the Category-4 storm. Also during Ingraham's administration, a stock exchange, Bahamas International Securities Exchange, officially opened (15 December 1999); trading in local companies was initiated in May 2000 and in mutual funds in April 2001.

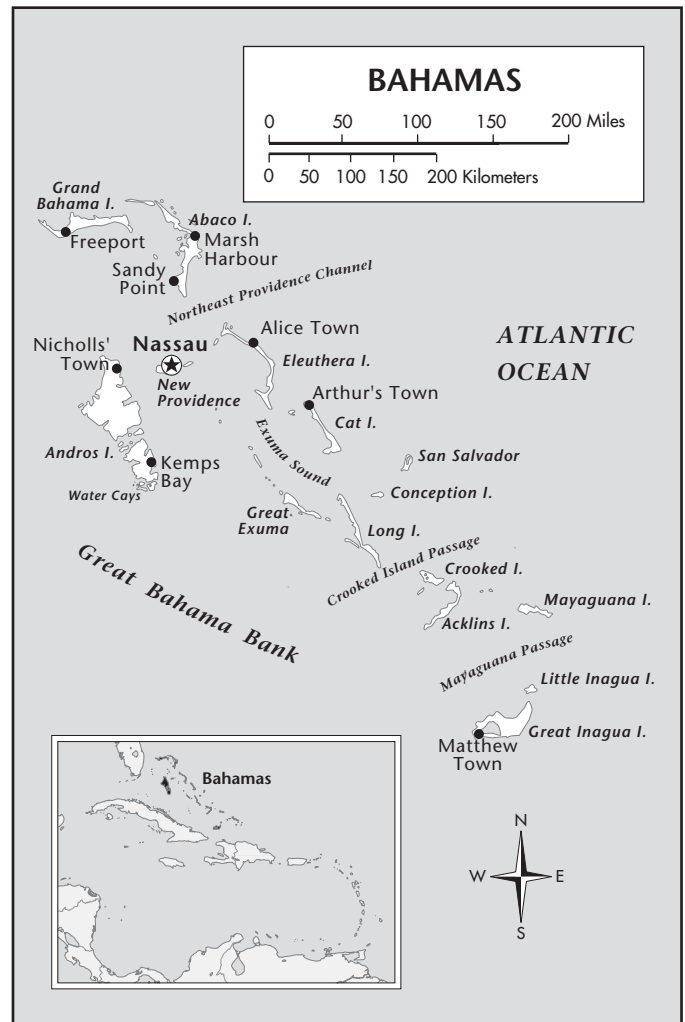
In the May 2002 election, the PLP came back to power and its leader Perry Christie became the new prime minister. Christie promised to bring about more economic development to the tourism-dependent economy. He also vowed to further develop the country's fast-growing financial industry. Christie actively broadened the Bahamian political sphere by establishing diplomatic relations with Singapore (December 2004), Pakistan (February 2005), Sri Lanka (July 2005), and the Czech Republic (July 2005), as well as, opening the door for Sino-Bahamas bilateral ties with a visit to China. On 4 February 2005, the Bahamas signed the Comprehensive Nuclear Test Ban Treaty (CTBT) banning any nuclear weapon test explosion in any environment. The total number of signatories was then 175 worldwide, with 28 in the Latin America and the Caribbean Region.

In September 2004, Hurricane Frances swept through the Bahamas, leaving widespread damage in its wake. Just three weeks later, Hurricane Jeanne flattened the islands. Jeanne uprooted trees, blew out windows, and sent seawater flooding through neighborhoods on the islands of Abaco and Grand Bahama. Receding floodwaters left boats tossed on roads and homes battered.

On 3 May 2005 Christie suffered a stroke. Although rest was indicated, within weeks he returned to a reduced schedule of official duties. General elections were scheduled for no later than 2 May 2007, but in September 2005 Christie hinted that the next elections were "not too far down the 'political highway.'"

### 13 GOVERNMENT

Under the constitution of 10 July 1973, the Bahamas adheres to a republican form of government, formally headed by the British sovereign, who is represented by a governor-general. In 2001, at age 71, Dame Ivy Dumont became the Bahamas' first woman governor-general. Executive authority is vested in a prime minister and a cabinet. The bicameral legislature consists of a 16-member Senate, appointed by the governor-general (9 on the advice of the prime minister, 4 on the advice of the opposition leader, and 3 at the governor's discretion), and an elected 40-member House of Assembly. The prime minister is the leader of the majority party in the House. The normal span of the elected legislature is five years,



LOCATION: 20°50' to 27°25' N; 72°37' to 82°32' W. TOTAL COASTLINE: 3,542 kilometers (2,201 miles) TERRITORIAL SEA LIMIT: 3 miles.

but, as in the United Kingdom, elections can be called at any time. Suffrage is universal at age 18.

### 14 POLITICAL PARTIES

The Progressive Liberal Party (PLP), a leader in the pro-independence movement, emerged as the Bahamas' majority party in the early 1970s. The Free Progressive Liberal Party, a splinter group formed in 1970, merged with another opposition group, the United Bahamian Party, to form the Free National Movement (FNM). After years of loyal opposition, the FNM took power in 1992, winning 32 seats to 17 for the PLP. In the 1997 elections, the FNM increased its majority to 34 seats and another seat was added in a by-election later the same year. Meanwhile PLP representation in the House dwindled to six seats and Lynden Pindling resigned as party leader. In 2002, under the leadership of Perry Christie, the PLP won 50.8% of the vote and 29 seats in the 40-member legislature, enough to command majority control.

## 15 LOCAL GOVERNMENT

There are 21 administrative districts, consisting of various islands and groups of islands. A commissioner responsible to the national minister of local government heads each.

## 16 JUDICIAL SYSTEM

British common law forms the basis of the Bahamas' judicial system. The highest court is the Court of Appeal, consisting of three judges. The Supreme Court is composed of a chief justice, two senior justices, and six justices. The governor-general makes High Court appointments. Ultimate appeals go to the Privy Council of the United Kingdom. In 2003 the Bahamas was not among the eight Caribbean nations that ratified a treaty to establish the Caribbean Court of Justice to handle some cases formerly heard by the Privy Council. Lower courts include three magistrates' courts on New Providence and one on Freeport. For other islands, commissioners decide minor criminal and civil cases.

The judiciary is independent. The executive branch with the advice of the Judicial and Legal Services Commission appoints judges.

Long pretrial detentions are not uncommon in cases involving narcotics. In 1993, new magistrate's courts were established in order to work toward a reduction of backlogs requiring long pretrial detentions. A new Supreme Court was established in Freeport in addition to the Supreme Court in Nassau.

The lowest level courts are magistrate's courts, which handle crimes with a maximum sentence of five years. The Supreme Court handles most major cases as the trial court. Jury trial is only available for the Supreme Court cases.

Criminal defendants have the right to an attorney, but government appointed counsel is provided only in capital cases. There is also a right to be brought before a magistrate within 48 hours, a right to bail, a presumption of innocence, and a right to appeal.

The constitution prohibits torture and other cruel punishment. However, in 1991, corporal punishment was reinstated after having been abolished for seven years. Capital punishment is still used despite protests from the United Kingdom, which has requested its former colonies to eliminate the death penalty.

## 17 ARMED FORCES

The Royal Bahamian Defence Force in 2005 consisted of 860 active personnel including 70 women. They operate 7 patrol/coastal vessels 7 logistics/support ships, and 4 transport aircraft. The defense budget totaled \$32 million in 2005.

## 18 INTERNATIONAL COOPERATION

The Bahamas joined the UN on 18 September 1973 and belongs to ECLAC and several nonregional specialized agencies. The Bahamas is an observer in the WTO (2001). It is a member of the Commonwealth of Nations, the ACP Group, CARICOM, G-77, LAES, and OAS. It is also a part of the Alliance of Small Island States (AOSIS), the Association of Caribbean States (ACS), and the Inter-American Development Bank. The Bahamas is a member the Nonaligned Movement and of the Agency for the Prohibition of Nuclear Weapons in Latin American and the Caribbean (OPANAL). The country is a signatory of the 1947 Río Treaty. In environmental cooperation, the Bahamas are part of the Basel Con-

vention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Tourism and financial services drive the Bahamas economy. Tourism, the mainstay of the economy, directly or indirectly involves about half of the population and accounts for about 40% of GDP, with an additional 10% coming from tourism-related construction. More than five million tourists visited the Bahamas in 2004, 87% from the United States.

The reliance on tourism, particularly from the United States, makes the Bahamas vulnerable not only to worldwide economic shocks such as the decline in travel that followed the 11 September 2001 attacks on the United States but also to cyclical slowdowns that occur in the US economy.

The absence of direct taxation makes the Bahamas a financial haven for banking and trust companies, mutual funds, investment firms, and offshore sales and insurance companies. The financial services sector made up about 15% of GDP in 2004, constituting the second most important activity in the Bahamas economy. According to the US State Department, the Bahamas government had 262 banks and trust companies as of 2005. However, legislative measures passed since 2000 to better regulate money laundering have led to the closure of some offshore banks and international business companies since 2002. The government is considering new legislation that would keep the financial sector competitive while continuing to comply with international standards.

Besides tourism, tourism-related construction, and financial services, other contributors to GDP include government spending (20%), manufacturing (8%), and agriculture and fisheries (3%). Local companies produce a small array of exports, including salt, aragonite, cement, timber, pharmaceuticals, petroleum products, and rum. Agricultural and fisheries products—which include fruits, vegetables, lobster and fish—are produced mainly for domestic consumption.

After a decade of slow growth, the economy began to pick up in the mid-1990s due to increased private investment in tourism, shipping, construction and the expansion of financial services. Renewed economic buoyancy followed privatization of major hotels in 1994 and completion of major renovations by the new owners since, as well as increased marketing and an improved foreign investment regime. Real GDP growth, at 3–3.5% in 1997 and 1998, increased to 6% and 5% in 1999 and 2000. The global economic slowdown in 2001 and particularly, in tourism, after the 11 September 2001 terrorist attacks on the United States, reduced growth to 3.5% in 2001. However, since 2002, the government has attempted to stabilize its tourism services base through an encouragement of large-scale private sector investments. Still, GDP growth has not kept up with its 1999 pace, and was reported at 3% in 2004 and 2005. The US State Department predicted that plans to develop tourism on the Family Islands, expand ship-repair facilities, and encourage film production would help stabilize the Bahamas economy for the long-term.

Steady economic growth has brought a steady decline in unemployment: from 11.5% in 1996 to an estimated 6.9% in 2001. Unemployment has climbed in recent years, however, and was 10.2%

in 2004. Inflation remained low, averaging 1.27% from 1996 to 2001. Inflation was 1.2% as of September 2004.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 The Bahamas' gross domestic product (GDP) was estimated at \$5.7 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$18,800. The annual growth rate of GDP was estimated at 3%. The average inflation rate in 2004 was 1.2%. It was estimated that agriculture accounted for 3% of GDP, industry 7%, and services 90%.

Approximately 32% of household consumption was spent on food, 5% on fuel, 3% on health care, and 8% on education.

## 21 LABOR

The total number of workers was put at 156,000 in 1999 (the latest year for which data was available). Of that total in that same year, an estimated 50% were employed in tourism-related activities, with another 40% in other service industries. The remaining 10% of workers were equally distributed between industrial and agricultural employment. In 2004, the unemployment rate in the Bahamas was estimated at 10.2%.

Labor unions operate with constitutional protection, and approximately 25% of the workforce belongs to a union. In the important hotel industry, 80% of the workers are union members. The three leading union federations are the Trade Union Congress, the National Workers Council of Trade Unions and Associations, and the National Congress of Trade Unions. Members of the police force, defense force, fire brigade, and prison guards are not permitted to unionize. All labor unions have the right to affiliate with international trade organizations.

In 2000 (the latest year for which data was available), the government set a minimum wage for all hourly and temporary workers in the public sector at us\$4.45 per hour, and in 2002 (the latest year for which data was available), a minimum wage for private sector employees was set at us\$4.00 per hour. The law limits the regular workweek to 40 hours, requires time-and-a-half overtime pay over that limit, and a standard 24-hour rest period. The Ministry of Labor promulgates minimum health and safety standards. It enforces these standards with routine inspections, and the standards are generally respected by employers. Children under the age of 14 are not permitted to work in industry or during school hours. Children under the age of 16 are not permitted to work at night.

## 22 AGRICULTURE

Agriculture is carried out on small plots throughout most of the islands. Only about 1% of the land area is cultivated. The nature of the terrain limits the scope of farming, which is mainly a household industry. The main crops are vegetables: onions, okra, and tomatoes, the last two raised mainly for export. Inadequate production has necessitated the import of some 80% of the islands' food supply. Among steps the government has taken to expand and improve agriculture is the reserving of 182,000 hectares (450,000 acres) exclusively for farming, 8,000 hectares (20,000 acres) of

which were converted to fruit farming. Export-oriented orange, grapefruit, and cucumber production occurs on Abaco. Agricultural products in 2004 included 55,500 tons of sugar cane, 13,000 tons of grapefruit, 8,700 tons of lemons and limes, 5,000 tons of tomatoes, and 880 tons of sweet potatoes.

## 23 ANIMAL HUSBANDRY

Except for poultry and egg production, the livestock industry is relatively insignificant. In 2004, the livestock population included 750 head of cattle, 6,500 sheep, 14,500 goats, 15,000 hogs, and 3,000,000 poultry. About 700 tons of cow's milk, 1,050 tons of goat's milk, and 900 tons of eggs were produced in 2004. Poultry production in 2004 (8,050 tons) accounted for almost all domestic meat production. In December 1991, the government banned foreign chicken, in order to protect local poultry producers from cheaper imports, mainly from the United States.

## 24 FISHING

The 2003 catch amounted to 12,736 tons, over 81% of which was spiny lobsters (crayfish). Crayfish and conch exports are commercially important. There is excellent sport fishing for wahoo, dolphin fish, and tuna in Bahamian waters. In 2003, fisheries exports totaled \$93.8 million. Since the Bahamas imports 80% of its food, the government is interested in expanding the role of domestic commercial fishing. Aquaculture and mariculture development are planned to grow into a \$150 million annual business by the government, with the anticipation of 15,000 new jobs created. In 2003, fishery exports accounted for 25% of agricultural exports.

## 25 FORESTRY

Caribbean pine and cascarilla bark are the major forestry products, but there is no commercial forestry industry. About 32% of the total land area consists of forests and woodlands. Roundwood production in 2003 totaled 17,000 cu m (600,000 cu ft). That year, the Bahamas imported \$21.3 million in wood and forest products.

## 26 MINING

The mineral sector played a minor role in the economy of the Bahamas. Salt and aragonite stone, a component in glass manufacture, were the two most commercially important mineral products. Estimated 2003 production had figures of 900,000 metric tons for salt and 1.2 million metric tons for aragonite, figures which have remained unchanged since 1999. The major salt producer on the Islands was Morton Bahamas Salt Company, the only major industry and the largest employer on the island of Inagua, where the second-largest solar saline operation in North America was located. Limestone sand was produced by Freeport Aggregate Ltd. for the local construction industry.

## 27 ENERGY AND POWER

Most electricity is produced at thermal plants owned by the Bahamas Electricity Corp. Production totaled 1.716 billion kWh in 2002 with capacity for that year at 401,000 kW. Fossil fuel accounts for all power production. Electricity consumption in 2002 was 1.596 billion kWh. In 1991, a 28,000 kW upgrade was initiated at the Clifton Power Plant on the west end of New Providence

Island. Gas turbines were added to the Blue Hill Power Station and were operational in late 2002 and early 2003.

## 2<sup>8</sup> INDUSTRY

A few Bahamas-owned industrial companies dominate this sector: the BORCO oil facility, based in Freeport; the Commonwealth Brewery in Nassau, which produces Heineken, Guinness, and Kalik beers; and Bacardi Corp., which distills rum in Nassau for shipment to US and European markets. In addition, a formerly US-owned pharmaceuticals company now operates in Freeport as PFC Bahamas and is owned by the Swiss pharmaceutical company Roche. In addition to these companies, sun-dried sea salt and aragonite (a form of limestone) are produced. Cruise ship repairs are carried out at a wet dock facility in Freeport.

Large-scale oil refining began in 1967 with the installation of a large refinery on Grand Bahama with a daily capacity of 500,000 barrels, but by 2000 no oil was being refined. The BORCO facility now services primarily as a resource for regional oil transshipments.

A duty-free zone and nearly industrial park in Freeport have been established to encourage foreign industrial investment. Through these efforts, Hong Kong-based Hutchison Whampoa opened a container port. The Bahamian Parliament approved legislation in 1993 that extended most Freeport tax and duty exemptions through 2054.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Agricultural research facilities include the Bahamas Agricultural Research Center, Central Agricultural Station, and the Food Technology Complex.

## 3<sup>0</sup> DOMESTIC TRADE

Lack of a strong production infrastructure means that most of what residents of the Bahamas consume comes from outside the country, mainly from the United States. Shopping hours are from 9 AM to 5 PM, except Sunday. Banks are open from 9:30 AM to 3 PM, Monday–Thursday, and from 9:30 am to 5 PM on Friday.

## 3<sup>1</sup> FOREIGN TRADE

The United States is the Bahamas' major trading partner and takes 77.5% of its exports. Other trading partners include EU (17.6%), Canada (1.6%) and Mexico (0.4%). Trade agreements that the Bahamas participates in the Caribbean Basin Initiative (CBI), the Caribbean-Canada Agreement (CAIBCAN), and the Lomé Convention.

Exports include pharmaceuticals, cement, rum, crawfish, and aragonite.

Foods, manufactured goods, hotel, restaurant, and medical supplies; and computers and electronics are all imported. In 2004, 83.3% of the imports came from the United States, with small amounts coming from Venezuela (5.5%), the Netherlands Antilles (2.6%), the EU (2.1%) and Japan (1.2%). Nassau is the principal distribution and import center.

## 3<sup>2</sup> BALANCE OF PAYMENTS

The US Central Intelligence Agency (CIA) reported that in 2005 the GDP of the Bahamas was \$5.685 billion. Exports totaled \$1.507 billion in 2004, while imports totaled \$5.804 billion, result-

ing in a significant trade deficit. Although the Bahamas remains an import-oriented economy, income from tourism and financial services is a vital offsetting factor in the country's balance-of-payments position. The CIA described the Bahamas economy as "stable" and "developing."

An International Monetary Fund (IMF) statement on the Bahamas in 2005 reported an increase in the country's net international reserves, which strengthened the Bahamas' position on balance of payments. Net international reserves rose through early 2005, which also helped increase the size of excess bank reserves.

## 3<sup>3</sup> BANKING AND SECURITIES

Banking started in the Bahamas in 1837, when the first commercial bank opened in New Providence. The Central Bank of the Bahamas, established in 1973, is the central issuing and regula-

### Principal Trading Partners – The Bahamas (2001)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	375.9	1,927.3	-1,551.4
United States	291.5	1,605.5	-1,314.0
France-Monaco	21.5	10.9	10.6
Germany	14.5	6.1	8.4
Spain	12.5	3.5	9.0
United Kingdom	12.0	9.9	2.1
Canada	5.9	19.9	-14.0
Italy-San Marino-Holy See	5.4	4.2	1.2
Mexico	1.7	7.3	-5.6
Australia	0.9	...	0.9
Japan	0.9	22.6	-21.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

### Balance of Payments – The Bahamas (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-429.8</b>
Balance on goods		-1,204.7
Imports	-1,629.5	
Exports	424.8	
Balance on services		900.4
Balance on income		-163.1
Current transfers		37.6
<b>Capital Account</b>		<b>-37.4</b>
<b>Financial Account</b>		<b>259.7</b>
Direct investment abroad		...
Direct investment in The Bahamas		145.0
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		46,576.8
Other investment liabilities		-46,462.1
<b>Net Errors and Omissions</b>		<b>317.5</b>
<b>Reserves and Related Items</b>		<b>-110.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

tory authority. Funds for local development are made available through the Bahamas Development Bank.

Low taxation and lenient regulations have encouraged the establishment of about 420 financial institutions in the country in 2000, half of which operate offshore banks, dealing exclusively with nonresidents. The banking sector accounts for more than 20% of GDP. Many of the loans of domestic banks are denominated in foreign currency. Major Bahamian banking institutions include Bank of the Bahamas Limited, Barclay's Bank, British-American Bank, Canadian Imperial Bank of Commerce (CIBC), Citibank, Commonwealth Bank, and the Royal Bank of Canada. Anti-money laundering acts have provided for the security of the banking sector.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$767.0 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$3.6 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 5.75%.

The Bahamas International Securities Exchange (BISX) opened in 2000. It opened in two phases; domestic stocks (from about 20 companies listing an estimated \$30 billion in shares) followed by international offerings. In April 2001 the BISX launched a mutual fund listing facility. In 2003 there were 17 public companies listed on the exchange.

### 34 INSURANCE

The establishment of a large number of insurance firms in the Bahamas has been encouraged by a 1970 law that permits companies to conduct part or all of their business out of the country while still benefiting from local tax advantages. The government is encouraging the formation of “captive” insurance companies created to insure or reinsure the risks of offshore companies. In 1997, there were approximately 30 captive insurers in the Bahamas. Supervisory jurisdiction is provided by the Ministry of Finance, Registrar of Insurance Companies. In 2003, the value of direct premiums written totaled \$405 million, with life accounting for the largest portion at \$223 million. Royal & SunAlliance was the country's top nonlife insurer with gross nonlife written premiums totaling \$84.8 million.

### 35 PUBLIC FINANCE

The Bahamian government budget receives revenues primarily from import duties (65%), but Hemispheric Free Trade scheduled for 2005 was expected to greatly reduce revenues. The government has looked for other sources of funds, including a restructuring of the banking system. Tourism remains about 60% of GDP.

The US Central Intelligence Agency (CIA) estimated that in FY03/04 the Bahamas's central government took in revenues of approximately us\$1 billion and had expenditures of us\$1 billion. Total external debt was us\$308.5 million.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, budgetary central government revenues were B\$901.1 million and expenditures were B\$1,067.7 million. The value of revenues in US dollars was us\$736 million and expenditures us\$872 million, based on a principal exchange rate for 2003 of us\$1 = B\$1.2250 as reported by the IMF.

### Public Finance – The Bahamas (2003)

(In millions of Bahamian dollars, budgetary central government figures)

<b>Revenue and Grants</b>	<b>901.1</b>	<b>100.0%</b>
Tax revenue	823.9	91.4%
Social contributions	...	...
Grants	...	...
Other revenue	77.2	8.6%
<b>Expenditures</b>	<b>1,067.7</b>	<b>100.0%</b>
General public services	295.9	27.7%
Defense	30.9	2.9%
Public order and safety	129.3	12.1%
Economic affairs	166.1	15.6%
Environmental protection	...	...
Housing and community amenities	12.3	1.2%
Health	173.3	16.2%
Recreational, culture, and religion	...	...
Education	199.5	18.7%
Social protection	60.4	5.7%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Government outlays by function were as follows: general public services, 27.7%; defense, 2.9%; public order and safety, 12.1%; economic affairs, 15.6%; housing and community amenities, 1.2%; health, 16.2%; education, 18.7%; and social protection, 5.7%.

### 36 TAXATION

The absence of direct taxation has enabled the Bahamas to attract a substantial number of financial enterprises in search of tax-shelter advantages. The country has no income taxes, capital gains taxes, or profit taxes, and residents are free from succession, inheritance, gift, or estate taxes. The only indirect taxation is a real property tax, ranging from 1–2% based on appraised value, owner's nationality, location and development status.

### 37 CUSTOMS AND DUTIES

Import duties make up approximately 60% of government revenues. As of 2005, import levies range from 1–260% and average 35%, but are subject to change quite frequently. Most duties are applied ad valorem. Preferential rates apply to imports from Commonwealth countries. Exemptions are available for many basic commodities. Luxury goods are taxed at separate tariff rates, for example: cigarettes are taxed at 210% with a stamp tax of 7%, pool tables at 100%, bottled water at 70%, automobiles from 45–75%, and air conditioners at 35%.

### 38 FOREIGN INVESTMENT

The absence of corporate and personal income taxes, as well as any form of sales, estate or inheritance taxes, acts as a direct inducement to foreign capital. In addition, specific investment incentives are included through the following: the Industries Encouragement Act, providing total exception from import duties and taxes for development of approved industries; the Hawksbill Act, which provides for tax-free development of the Freeport area; the newer Bahamas Free Trade Zone Act; the Export Manufacturing Industries Encouragement Act; the Spirits and Beer Manufacturing Act,



which allows duty-free importation of construction materials and raw material; the Hotels Encouragement Act, which, as amended, exempts large new hotels from all taxes for up to 20 years with reductions for the next 10 years; the Agricultural Manufacturers Act, which allows machinery and raw materials for an agricultural factory to be imported duty-free; and recent amendments to the Tariffs Act, which allow duty exemptions for construction on some of the outer "Family Islands." Investment proposals are processed by the Bahamas Investment Authority, established under the Foreign Investment Law in 1993 to be a one-stop shop.

In 2000, in response to multilateral organizations' concerns, the government enacted stronger measures to regulate the financial sector and prevent money laundering in the country's banking sector. The measures included establishment of a Financial Intelligence Unit and enforcement of "know-your-customer" rules. By 2004, all banks without a meaningful presence in the country were to be shut down. These rules had the effect of reducing the number of offshore banks registered in the Bahamas (50) and prompted half of the international business companies to close shop. Though painful, the IMF has praised the effort as increasing the efficiency of the financial services sector and reducing the number of non-performing loans.

Net international reserves have climbed from \$484 million in 2003 to \$668 million in 2004, and were project to end 2005 at \$642 million.

The government actively seeks foreign investment in every sector of the economy, but reserves many businesses exclusively for Bahamians, including wholesale and retail operations, commission agencies in import/export trade; real estate; domestic newspaper and magazine publication; domestic advertising; local night clubs and restaurants; security services; construction; beauty parlors and barber shops; shallow water scalefish, crustacean, mollusk, and sponge fishing operations; auto and appliance service; and public transportation.

The Bahamas has the world's third-largest registry of ships, administered by the Bahamas Maritime Authority (BMA) headquartered in London. The registry has been famous for cruise ships, but with the development of the Freeport deep-water container facility and transshipment, larger vessels can be accommodated.

Foreign investment remains mainly in the tourism-related sector and the banking and related services sector. Since the enactment of a revised foreign landholding act in 1993, investment in the second-home sector has been growing. The United Nations Conference on Trade and Development estimates the inflow of foreign direct investment (FDI) for 2004 at \$206 million, compared with \$147 million in 2003. FDI stocks accounted for \$2.20 billion in 2004, or about 39.9% of the Bahamas GDP. Despite the declines in FDI in 2001 and 2002 that resulted from a global economic slowdown and worldwide declines in foreign investment and tourism after the 11 September 2001 terrorist attacks on the US World Trade Center, FDI continued to remain a significant source of revenue for the Bahamas.

The Bahamas' only stock exchange is the Bahamas International Stock Exchange (BISX) started as a private venture with a \$5 million investment in 2000. It has not developed into an efficient channel for foreign portfolio investment. By 2003, the BISX had lost an estimated \$2 to \$3 million and was being sustained by government subsidies of \$50,000 a month. In March 2003, 14 compa-

nies were listed with a market capitalization value of \$1.4 billion. In 2001, US investors held \$1.16 billion in equity in Bahamian companies.

### 39 ECONOMIC DEVELOPMENT

The promotion of tourism and financial activity by foreign firms continued as a basic tenet of the Bahamas government. Since the late 1960s, increased emphasis has been focused on development of local industry, with the liberal tax structure remaining the key incentive. In 1976, the government began a series of measures to foster greater participation by Bahamians in the economy. The new ruling included increased work-permit fees for foreigners and sharp rises in property-transfer taxes and business licensing for non-Bahamians. Since late 1979, government permission has been required for the sale of land to non-Bahamians. The Bahamas Development Bank helps provide financing for non-Bahamian entrepreneurs. In 1996, the government implemented an income tax on foreign workers. The government is attempting to diversify the economy and attract new industry, as well as to conserve and develop the country's 324,000 hectares (800,000 acres) of forest.

Economic challenges facing the Bahamas included meeting continued employment demands, encouraging privatization and keeping a rising level of government debt in check. Bahamas's residents do not pay income or sales taxes. Most government revenue comes from tariffs and import fees. This situation may change when the Free Trade Area of the Americas incorporates the Bahamas. Because trade barriers will be reduced, the country is likely to require some form of taxation.

Other future hopes for economic growth lie in continued tourism investment. Two major hotel projects were in the works in late 2004: the Atlantis Resort and Casino on Paradise Island and a \$1.2 billion hotel resort development project in the Cable Beach area of Nassau. In addition, the Baha Mar Company was to purchase three major hotels and a development site, including the last assets of the state-owned Hotel Corporation. As part of the deal, the government was to expand the Nassau International Airport. In 2004 and 2005, the government also began to expand its outreach to foreign investors, making trips to Asia, Europe, Latin America, and Canada to promote the islands. Special attention was paid to China, with the Bahamas government making multiple trips there to encourage tourism and investment.

### 40 SOCIAL DEVELOPMENT

Old age, disability, and survivorship benefits are available to all employees, self-employed individuals, and those who are voluntarily insured. Contributions are shared between employers and employees, but there are no governmental contributions. There is a maternity grant for each live birth, and a 13-week maternity benefit of 60% of the average weekly earnings. Funeral benefits are provided in a lump sum.

Bahamian women are well represented in business, the professions, and government. However, the constitution and the law have continued to discriminate against women. For example, inheritance laws mandate that in the absence of a will, a deceased person's estate be passed on to the oldest son or nearest male relative. Violence against women increased in 2004. The government was taking measures to combat the widespread problem of domes-

tic abuse. Economic difficulties prevent the government from improving standards for child welfare. Child labor laws are in effect.

Human rights are generally respected by the government, although there are occasional reports of arbitrary arrest and detention. Illegal immigrants, mainly Haitians and Cubans, are detained until arrangements are made to either leave the country or remain legally.

#### 41 HEALTH

The government operates the 436-bed Princess Margaret Hospital in Nassau and two other hospitals, the Sandilands Rehabilitation Center and the 82-bed Rand Memorial Hospital. In addition, 57 clinics and 54 satellite clinics are maintained throughout the islands, with emergency air links to Nassau. Health expenditures totaled us\$132,492,992, or 14.8% of the national budget.

In 2004, there were 105 physicians, 447 nurses, and 7 dentists per 100,000 people. In 2005, the infant mortality rate was 25.21 per 1,000 live births. In 2000, low birth weight babies accounted for an estimated 10.4% of all births. In 1999, the birth rate was 20 per 1,000 people, and the general mortality rate was 5.4 per 1,000. Average life expectancy in 2005 was 65.54 years. Approximately 28% of all deaths were attributable to diseases of the circulatory system, 20% to communicable diseases, 14% to cancer, and the remainder to other causes.

Approximately 88% of one-year-old children were immunized against measles and 91% were immunized against diphtheria. The HIV/AIDS prevalence was 3.00 per 100 adults in 2003. As of 2004, there were approximately 5,600 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

#### 42 HOUSING

Frequent severe hurricanes in the past decade have caused damage and destruction to thousands of homes. Overcrowding is a problem in some areas and adequate low-cost housing is in short supply. An estimated 70% of housing units were detached houses, nearly 15% were apartments, and more than 10% were single attached dwellings. Over 50% of all homes were stone, concrete and/or brick, and over 30% were wood. The Bahamas Housing Authority was established by the government in 1983, with a mandate to develop housing for low-income people.

To encourage construction of new homes in remote areas the government has waived customs duties on building materials to less developed islands. As of 2001, the government had also launched a "new birth" program to renovate dwellings in traditional communities and to create new housing in urban centers, particularly for low or middle-class residents. Churches, businesses, and other organizations have been called on to find ways to provide shelter for low-income families, women, and children. The government has also sponsored housing projects for senior citizens and the disabled.

#### 43 EDUCATION

Primary education begins at age five and lasts for six years. Secondary education lasts for five years and is divided into a three-year junior high school course and a two-year senior high school

course. Education is compulsory for children between the ages of 5 and 16.

In 2001, about 30% of all children between ages three and five attended some form of preschool program. Primary school enrollment in 2003 was estimated at about 86% of age-eligible students; 85% for boys and 88% for girls. The same year, secondary school enrollment was about 76%; 74% for boys and 77% for girls. The student-to-teacher ratio for primary school was at about 17:1 in 2003; the ratio for secondary school was about 15:1.

Postsecondary training is provided by the government primarily through the College of the Bahamas. The College of Bahamas (founded in 1974) provides a two-year/three-year program that leads to an associate degree. It also offers a Bachelor of Arts degree in education. Other schools of continuing education offering academic and vocational courses include the Bahamas Hotel Training College, the Catholic Continuing Education College of St. Benedicts, and the Industrial Training College. In addition, the Bahamas has been affiliated with the University of the West Indies since 1960.

Education is under the jurisdiction of the Ministry of Education and Culture and is free in all government-maintained schools. English is the official language. As of 2003, public expenditure on education was estimated at 3.7% of GDP. An IDB-funded program for the Improvement of Primary and Secondary Education is under way. The adult literacy rate in 2003 was estimated at about 95.6%; 94.7% for men and 96.5% for women.

#### 44 LIBRARIES AND MUSEUMS

The Nassau Public Library is the largest of four public libraries on New Providence, with some 80,000 volumes. The Ranfurly Out Island Library, a private institution, distributes free book packages to school libraries throughout the country. The Haynes Library is a public library on Eleuthera. The library of the College of the Bahamas in Nassau maintains a collection of 75,000 volumes. There is a Bahamas Library Association and a Bahamas Association of Law Libraries.

Most museums in the Bahamas are archaeological and historical. In Hope Town is the Wyannie Malone Historical Museum, which features the history of the town and its early American loyalist settlers. In Nassau there is the Bahamia Museum (1973), featuring ethnology and folklore; the Bahamas Historical Society Museum (1959), a public affairs museum with a Marine Salvage collection; the Nassau Public Library and Museum; the Pompey Museum of Slavery and Emancipation (1992), a historical, ethnological, and folklore museum; and Angelo Roker's Art Centre and Museum.

#### 45 MEDIA

All telephone, telegraph, and teletype service is provided by the Bahamas Telecommunications Corp. In 2003, 131,700 mainline telephones were in service, with automatic equipment in use on the major islands. A submarine cable connects New Providence with Florida, and direct dialing to the United States has been available since 1971. In 2002, there were about 121,800 mobile phones in use.

In 2004, there was one government-run radio station (ZNS Bahamas) and five privately owned radio broadcasters. The country has two television stations, one operated by the state-owned

Broadcasting Corporation of the Bahamas, and a privately owned station. In 1997 there were 215,000 radios and 67,000 television sets in use nationwide. In 2003, there were about 84,000 Internet users.

Three daily newspapers are published in the country. The *Nassau Daily Tribune* had a circulation of 12,000 in 2002 while *The Nassau Guardian* had a circulation of 14,100. The daily *Freeport News* has a circulation of 4,000. All three papers are privately owned. There are also several weekly papers.

The government is said to respect the constitution's provisions for freedom of speech and press.

## 46 ORGANIZATIONS

Commercial associations include the Bahamas Chamber of Commerce (with locations on Nassau and Grand Bahama) and the Bahamas Agricultural and Industrial Corporation (BAIC). Employers' groups include the Bahamas Employers' Confederation and the Bahamas Union of Teachers.

International amateur sports activities are coordinated by the Bahamas Olympic Association and the Bahamas Amateur Athletic Association (BAAA).

There is a Bahamas Historical Society promoting education and preservation of native culture. The Medical Association of the Bahamas promotes high standards of medical care and serves as an alliance for specialized medical professional associations.

There are about 15 prominent youth organizations throughout the country, including some which are affiliated with political parties. Other groups include the Girl Guides and the Scout Association of the Bahamas, Progressive Young Liberals, Torchbearers Youth Association, and the YMCA and YWCA. Sports associations represent a number of particular pastimes and include the Bahamas Association of Athletic Associations (track and field), the Bahamas Baseball Federation, Bahamas Lawn Tennis Association, and the Bahamas Olympic Association.

There are branches of the Red Cross, the Red Cross Youth Society, and Amnesty International. Other service groups include Kiwanis International, Rotary, and Lions Clubs.

## 47 TOURISM, TRAVEL, AND RECREATION

Tourism in the Bahamas makes up almost 40% of the economy. Visitors are attracted to the excellent climate, beaches, flora, fauna, and recreational and resort facilities. Water sports (including excellent deep-sea fishing) are the favorite pastimes. Gambling is legal for non-Bahamians. Major hotels are being renovated and built to accommodate for the growing tourism industry in the Bahamas.

Passports are not required for tourists from the United States and Canada for stays of less than three weeks. Passports but not

visas are required of most visitors from Western Europe, Commonwealth countries, and Latin America. All visitors who enter the Bahamas must possess proof of funds to support the visit and either a return or onward ticket. In 2003, approximately 1,500,000 tourists visited the islands, spending a total of us\$1.8 billion. There were 15,393 hotel rooms and 30,786 beds with a 59% occupancy rate. The average length of stay was 4.5 nights.

According to 2004 US Department of State estimates, the cost of staying in the Bahamas varied between seasons and location. Averages were as low as us\$25 per day for a stay on Andros Island to us\$350 per day on Nassau (from November to June).

## 48 FAMOUS BAHAMIANS

Lynden Oscar Pindling (1930–2000), a lawyer and leader of the PLP, was the Bahamas' first prime minister following independence in 1973 until he was succeeded by Hubert Ingraham (b.1947) in 1992. Actor Sidney Poitier (b.USA, 1924) was appointed Bahamian ambassador to Japan in 1997.

## 49 DEPENDENCIES

The Bahamas has no territories or colonies.

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# BARBADOS



**CAPITAL:** Bridgetown

**FLAG:** The national flag has three equal vertical bands of ultramarine blue, gold, and ultramarine blue and displays a broken trident in black on the center stripe.

**ANTHEM:** *National Anthem of Barbados*, beginning “In plenty and in time of need, when this fair land was young. . .”

**MONETARY UNIT:** Officially introduced on 3 December 1973, the Barbados dollar (BDS\$) of 100 cents is a paper currency officially pegged to the US dollar. There are coins of 1, 5, 10, and 25 cents and 1 dollar, and notes of 1, 2, 5, 10, 20, 50, and 100 dollars. BDS\$1 = US\$0.50000 (or US\$1 = BDS\$2; as of 2004).

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year’s Day, 1 January; Errol Barrow Day, 23 January; May Day, 1 May; Kadooment Day, first Monday in August; CARICOM Day, 1 August; UN Day, first Monday in October; Independence Day, 30 November; Christmas Day, 25 December; Boxing Day, 26 December. Movable religious holidays are Good Friday, Easter Monday, and Whitmonday.

**TIME:** 8 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated about 320 km (200 mi) NNE of Trinidad and about 160 km (100 mi) ESE of St. Lucia, Barbados is the most easterly of the Caribbean islands. The island is 34 km (21 mi) long N–S and 23 km (14 mi) wide E–W, with an area of 430 sq km (166 sq mi) and a total coastline of 97 km (60 mi). Comparatively, Barbados occupies slightly less than 2.5 times the area of Washington, DC.

The capital city of Barbados, Bridgetown, is located on the country’s southwestern coast.

## <sup>2</sup> TOPOGRAPHY

The coast is almost entirely encircled with coral reefs. The only natural harbor is Carlisle Bay on the southwest coast. The land rises to 336 m (1,102 ft) at Mt. Hillaby in the parish of St. Andrew. In most other areas, the land falls in a series of terraces to a coastal strip or wide flat area.

## <sup>3</sup> CLIMATE

The tropical climate is tempered by an almost constant sea breeze from the northeast in the winter and early spring, and from the southeast during the rest of the year. Temperatures range from 21–30°C (70–86°F). Annual rainfall ranges from about 100 cm (40 in) in some coastal districts to 230 cm (90 in) in the central ridge area. There is a wet season from June to December, but rain falls periodically throughout the year.

## <sup>4</sup> FLORA AND FAUNA

Palms, casuarina, mahogany, and almond trees are found on the island, but no large forest areas exist, most of the level ground having been turned over to sugarcane. The wide variety of flowers and shrubs includes wild roses, carnations, lilies, and several cacti.

Natural wildlife is restricted to a few mammals and birds; finches, blackbirds, and moustache birds are common.

## <sup>5</sup> ENVIRONMENT

Principal environmental agencies are the Ministry of Housing, Lands, and Environment, established in 1978, and the Barbados Water Authority (1980). Soil erosion, particularly in the northeast, and coastal pollution from oil slicks are among the most significant environmental problems. The government of Barbados created a marine reserve to protect its coastline in 1980.

As of 2000, the most pressing environmental problems result from the uncontrolled handling of solid wastes, which contaminate the water supply. Barbados is also affected by air and water pollution from other countries in the area. Despite its pollution problems, 100% of Barbados’ urban and rural populations have safe water.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 3 species of birds, 4 types of reptiles, 11 species of fish, 25 other invertebrates, and 4 species of plants. The Barbados yellow warbler, Eskimo curlew, tundra peregrine falcon, and Orinoco crocodile are endangered species. The Barbados raccoon has become extinct.

## <sup>6</sup> POPULATION

The population of Barbados in 2005 was estimated by the United Nations (UN) at 258,000, which placed it at number 171 in population among the 193 nations of the world. In 2005, approximately 12% of the population was over 65 years of age, with another 22% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual

population rate of change for 2005–2010 was expected to be 0.6%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 272,000. The population density was 600 per sq km (1,554 per sq mi).

The UN estimated that 50% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.42%. The capital city, Bridgetown, had a population of 140,000 in that year.

## **7** MIGRATION

The estimated net migration rate for Barbados in 2005 was -0.31 migrants per 1,000 population. Foreign-born residents are mainly from the other countries in the region, such as St. Lucia, St. Vincent, and Guyana. Extra-regional foreign-born residents are mainly from the United Kingdom, United States, and India. To meet the problem of overpopulation, the government encourages emigration. Most emigrants now resettle in the Caribbean region or along the eastern US coast. As of 2004, Barbados recorded a small refugee population of nine. Barbados was expected to receive greater numbers of asylum seekers in the future due to extra-regional migration to and migrant trafficking through the Caribbean.

## **8** ETHNIC GROUPS

About 90% of all Barbadians (colloquially called Bajans) are the descendants of former African slaves. Some 4% are of European descent and about 6% of the population are Asian or of mixed descent.

## **9** LANGUAGES

English, the official language, is spoken universally, with some local pronunciations.

## **10** RELIGIONS

Christianity is the dominant religion, with over 95% percent of the population claiming Christian affiliation, even if they are not active members of a particular denomination. The largest denomination is the Anglican Church, which has 70,000 members, about 65% of whom are considered active participants. The second-largest denomination is the Seventh-Day Adventists with 16,000 reported members. The Roman Catholic Church reports having 11,000 members, of whom about 20% are considered to be active participants. Pentecostals have a membership of about 7,000 with 50% active participation. There are about 5,000 Methodists with about 60% active participation. Of the 2,500 members of the Jehovah's Witnesses, 95% are active members. Other Christian denominations include Moravians, Baptists, and the Church of Jesus Christ of Latter-Day Saints (Mormons). About 17% of the population claims no religious affiliation and about 12% profess other faiths, including Islam, Baha'i, Judaism, Hinduism, and Rastafarianism (Nyabinghi school).

The constitution provides for religious freedom and the right is generally respected in practice. Interfaith associations promoting tolerance and mutual understanding include the Barbados Christian Council and the Caribbean Conference of Churches.

## **11** TRANSPORTATION

The highway system had a total length of 1,600 km (995 mi) in 2003, all of which was paved. There were 66,900 passenger cars and 13,200 commercial vehicles registered in 2003. Grantley Adams International Airport, situated 18 km (11 mi) southeast of Bridgetown, is the only airport. Barbados is served by 1 local and 14 international airlines. There is also a deep water harbor at Bridgetown, with berthing facilities for cruise ships and freighters. In 2005, Barbados had a merchant fleet of 58 ships of 1,000 GRT or over, totaling 427,465 GRT. The Barbados ships registry is the second Ships Registry worldwide that received Lloyd's Registry Quality Assurance approval under the Quality Management System Standard ISO 9002.

## **12** HISTORY

Barbados originally supported a considerable population of Arawak Indians, but invading Caribs decimated that population. By the time the British landed, near the site of present-day Holetown in 1625, the island was uninhabited. Almost 2,000 English settlers landed in 1627–28. Soon afterward, the island developed the sugar-based economy, supported by a slave population. Slavery was abolished in 1834 and the last slaves were freed in 1838.

During the following 100 years, the economic fortunes of Barbados fluctuated with alternating booms and slumps in the sugar trade. In 1876, the abortive efforts of the British to bring Barbados into confederation with the Windward Islands resulted in the "confederation riots."

In the 1930s, the dominance of plantation owners and merchants was challenged by a labor movement. Riots in 1937 resulted in the dispatch of a British Royal Commission to the West Indies and the gradual introduction of social and political reforms, culminating in the granting of universal adult suffrage in 1950. In 1958, Barbados became a member of the West Indies Federation, which was dissolved in 1962. The island was proclaimed an independent republic on 30 November 1966. Political stability has been maintained since that time. Barbados helped form CARICOM in 1973, the same year the nation began issuing its own currency. The country was a staging area in October 1983 for the US-led invasion of Grenada, in which Barbadian troops took part. In 1995 it was designated as a center for the Regional Security System, funded by the United States, which conducted military exercises in the region.

Laws enacted in the early 1980s led to the development of Barbados as an offshore business center in the 1980s and 1990s, although tourism remained the nation's primary source of revenue. The international recession of the early 1990s negatively affected the economy of Barbados, touching off a decline in tourism and other sectors, and leading to a crisis of confidence in the government. After a no-confidence vote on 7 June 1994, Prime Minister Erskine Sandiford dissolved the House of Assembly, the first time since independence that such an action had been taken, and a new government was installed following general elections in September. Economic recovery in the subsequent years helped Prime Minister Owen S. Arthur lead to BLP to a landslide victory in the 1999 elections. Prime Minister Arthur won the 2004 elections and was leading his country for the launch of a single CARICOM economic market scheduled to take place in 2005.

In 2004 Barbados and Trinidad and Tobago struggled bitterly over their maritime boundary and associated fishing rights. Barbados decided to submit the issue to binding arbitration in the United Nations. Barbados continued to experience an almost yearly rise in narcotics trafficking and violent crime. Joint patrols of the Royal Barbados Police Force and the all-volunteer Barbados Defense Force increased patrols of the island. Barbadian US-foreign policy was hampered somewhat as Barbados refused to agree to the immunity of US military personnel from proceedings in the International Criminal Court. The United States responded by suspending military equipment sales. As of late 2005, the two countries remained at an impasse over the issue.

### 13 GOVERNMENT

The constitution of Barbados, which came into effect on 30 November 1966, provides for a crown-appointed governor-general (who in turn appoints an advisory Privy Council) and for independent executive, legislative, and judicial bodies. The bicameral legislature consists of a Senate and a House of Assembly. The Senate, appointed by the governor-general, has 21 members: 12 from the majority party, 2 from the opposition, and 7 of the governor-general's choice. The 28-member House of Assembly is elected at intervals of five years or less. The voting population is universal, with a minimum age of 18. The governor-general appoints as prime minister that member of the House of Assembly best able to command a majority. The prime minister's cabinet is drawn from elected members of the House of Assembly.

### 14 POLITICAL PARTIES

The leading political groups grew out of the labor movement of the 1930s. The Barbados Labor Party (BLP) was established in 1938 by Sir Grantley Adams. The Democratic Labor Party (DLP) split from the BLP in 1955. The National Democratic Party (NDP) was formed in 1989 by dissident members of the DLP. The parties reflect personal more than ideological differences.

Errol W. Barrow, the DLP leader, was prime minister from independence until 1976. The BLP succeeded him under J.M.G. ("Tom") Adams, the son of Grantley Adams. In 1981, the BLP retained its majority by 17–10, and Adams continued in that office until his death in 1985. On 28 May 1986, Barrow and the DLP won 24 House of Assembly seats to three for the BLP. After Barrow's death on 2 June 1987, Deputy Prime Minister Erskine Sandiford, minister of education and leader of the House of Assembly, assumed the prime ministership.

Despite the resignation of finance minister Dr. Richie Haynes in 1989, and his subsequent formation of the National Democratic Party, the DLP under Sandiford continued in power, retaining 18 of the now 28 seats in the House of Assembly. The BLP won the remaining 10 seats, leaving the dissident NDP without any representation.

After losing a vote of confidence in the legislature on 7 June 1994, Sandiford dissolved the House of Assembly and scheduled a general election for September. The BLP won by an overwhelming margin, with 19 seats; the DLP won 8, and the NDP, 1. The BLP leader, Owen S. Arthur, became the new prime minister. The BLP swept the next elections, held in January 1999, winning 26 of the 28 House seats, while the DLP claimed only 2. The 2003 elections



LOCATION: 13°2' to 13°20' N; 59°25' to 59°39' W. TOTAL COASTLINE: 101 kilometers (63 miles). TERRITORIAL SEA LIMIT: 12 miles.

resulted in a slight loss for the BLP with 23 seats and the DLP with 7; the next elections were scheduled to take place in 2008.

### 15 LOCAL GOVERNMENT

All local governments, including those on the district and municipal levels, were abolished on 1 September 1969; their functions were subsumed by the national government. The country is divided into 11 parishes and the city of Bridgetown for administrative and electoral purposes.

### 16 JUDICIAL SYSTEM

The Barbados legal system is founded in British common law. The Supreme Court of Judicature sits as a high court and court of appeal; vested by the constitution with unlimited jurisdiction, it consists of a chief justice and three puisne judges, appointed by

the governor-general on the recommendation of the prime minister after consultation with the leader of the opposition party. Magistrate courts have both civil and criminal jurisdiction. On 9 June 2003, Caribbean leaders met in Kingston, Jamaica, to ratify a treaty to establish the Caribbean Court of Justice (CCJ) to hear many of the cases formerly brought to the Judicial Committee of Her Majesty's Privy Council in the United Kingdom. The first session of the CCJ was scheduled for November 2003. Eight nations—Barbados, Belize, Dominica, Guyana, Jamaica, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago—officially approved the CCJ, although 14 nations were planning to use the court for appeals.

The courts enforce respect for civil rights and assure a number of due process protections in criminal proceedings including a right of detainees to be brought before a judge within 72 hours of arrest. The Judiciary is independent and free from political influence.

In October 2002, Attorney General Mia Mottley announced that a National Commission

on Law and Order would be established to assist the government in achieving civil peace and harmony by promoting cultural renewal and social cohesion, thereby reducing crime and the fear of crime. The Commission published a National Plan on Justice, Peace and Security in June 2004 that included 68 recommendations on constitutional support for social institutions, governance and civil society, cultural values, law enforcement, and criminal courts.

## 17 ARMED FORCES

In 2005 the armed forces numbered 610 active personnel and 430 reservists, of which 500 were in the Army and 110 in the Navy. The Navy was equipped with five patrol boats. The defense budget in 2005 was \$14 million.

## 18 INTERNATIONAL COOPERATION

Barbados became a member of the United Nations (UN) on 9 December 1966 and belongs to several UN specialized agencies, such as the ILO, IMF, FAO, IFC, UNESCO, the World Bank, and WHO. The country joined the WTO on 1 January 1995. Barbados is also a member of the Commonwealth of Nations, ACP group, the Caribbean Development Bank, the Inter-American Development Bank, the Latin American Economic System (LAES), G-77, OAS, the Association of Caribbean States (ACS), and the Alliance of Small Island States (AOSIS). Barbados was one of the founding members of CARICOM (1973). Barbados is part of the Non-aligned Movement and Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL). In environmental cooperation, Barbados is part of the Basel Convention, the Convention on Biological Diversity, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Sugar, rum, and molasses used to be Barbados' main sources of revenue. In recent years, however, economic activity has focused more on light industry and tourism. Offshore finance and information services also contribute to the country's gross domestic

product (GDP), providing an important source of foreign reserve holdings.

The dependence on tourism and foreign exchange makes Barbados vulnerable to shifts in the global economic climate. That became especially clear in 2002–03 when a worldwide slowdown in tourism that accompanied the 11 September 2001 attacks on the United States hit the Caribbean country's economy hard. The economy suffered a severe decline in foreign investment and went into recession as a result. Conditions began to improve with the recovery of tourism in 2003 and 2004. GDP grew at a 3.4% rate in 2004 and at a more modest 2.5% rate in 2005.

The 2005 figures indicated that Barbados still had not recovered from the earlier slowdown. Through the mid-1990s to early 2000, GDP growth averaged 3.4% annually, and hit 5% in 2000. Yet, the country has managed to keep its historically high unemployment rate in check. Inflation also has remained relatively low, coming in at a manageable 2.4% in 2004.

The transition from an economy dependent upon sugar production to one more oriented toward tourism has helped make Barbados one of the most prosperous nations in the western hemisphere, besides the United States and Canada. Per capita GDP was \$17,300 in 2005. For the short term, much of Barbados' economic activity has been focused on tourism development. The country is scheduled to host several games and the final of the World Cricket Match in 2007. Much of the country's construction work has been aimed at accommodating an anticipated influx of visitors.

Services—of which the largest sector for Barbados is tourism—comprised 83% of the country's GDP in 2004, with industry (12%) and agriculture (4%) lagging significantly behind.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Barbados's gross domestic product (GDP) was estimated at \$4.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$17,300. The annual growth rate of GDP was estimated at 2.5%. The average inflation rate in 2003 was -0.5%. It was estimated that agriculture accounted for 6% of GDP, industry 16%, and services 78%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$97 million or about \$358 per capita and accounted for approximately 3.7% of GDP.

## 21 LABOR

The total labor force as of 2001 was estimated at 128,500. In 1996 (the latest year for which data was available), it was estimated that the service sector accounted for 75% of the labor force, industry 15%, and agriculture 10%. Unemployment, traditionally high, was estimated at 10.7% in 2003.

There is one major union, the Barbados Workers' Union, and several smaller specialized ones. As of 2005, about 19% of the workforce was organized, and were concentrated in important sectors of the economy such as agriculture, transportation and the government. Workers freely enjoy the right to organize and join unions, and unions (except in certain "essential" sectors) are not restricted in their right to strike. Trade unions are affiliated

with a variety of regional and international labor organizations, and the Caribbean Congress of Labor has its center of operations in Barbados.

The standard legal workweek is five days and 40 hours, with overtime pay required for additional hours worked. In addition, all overtime is voluntary. A minimum of a three-week paid holiday each year (four weeks for those employed at least five years) is required by law. There is a legal minimum work age of 16, which is generally observed, and is reinforced by compulsory primary and secondary educational rules. The law sets the minimum wage for only household domestics and shop assistants, which (as of 2005) was \$2.50 per hour.

## 22 AGRICULTURE

About 17,000 hectares (42,000 acres), or 39.5% of the total land area, are classified as arable. At one time, nearly all arable land was devoted to sugarcane, but the percentage devoted to ground crops for local consumption has been increasing. In 2004, 361,200 tons of sugarcane were produced, down from the annual average of 584,000 tons in 1989–91. In 2004, sugar exports amounted to us\$22.4 million, or 8% of total exports. Major food crops are yams, sweet potatoes, corn, eddo, cassava, and several varieties of beans. Some cotton is also grown.

## 23 ANIMAL HUSBANDRY

The island must import large quantities of meat and dairy products. Most livestock is owned by individual households. Estimates for 2004 showed 9,000 head of cattle, 13,500 sheep, 18,500 hogs, 5,100 goats, and 3,370,000 chickens. Poultry production in 2004 included 13,300 tons of meat and 1,928 tons of hen eggs.

## 24 FISHING

The fishing industry employs about 2,000 persons, and the fleet consists of more than 500 powered boats. The catch in 2003 was 2,500 metric tons. Flying fish, dolphinfish, tuna, turbot, kingfish, and swordfish are among the main species caught. A fisheries terminal complex opened at Oistins in 1983.

## 25 FORESTRY

Fewer than 20 hectares (50 acres) of original forests have survived the 300 years of sugar cultivation. There are an estimated 5,000 hectares (12,350 acres) of forested land, covering about 12% of the total land area. Roundwood production in 2003 totaled 5,000 cu m (176,500 cu ft), and imports amounted to 5,000 cu m (176,500 cu ft). In 2003, Barbados imported us\$25.9 million in wood and forest products.

## 26 MINING

Deposits of limestone and coral were quarried to meet local construction needs. Production of limestone in 2003 amounted to 1.23 million metric tons. Clays and shale, sand and gravel, and carbonaceous deposits provided limited yields. Preliminary production figures for hydraulic cement in 2003 totaled 330,000 metric tons. Hydraulic cement output in 2002 totaled 297,667 metric tons.

## 27 ENERGY AND POWER

Electricity supply and distribution is managed by Barbados Light and Power, a private company under government concession. Production in 2002 totaled 800 million kWh, with consumption at 744 million kWh for that year. Capacity in 2002 stood at 166,000 kW. Fossil fuels met 100% of energy demand (petroleum roughly 95% and natural gas the remainder). The world oil crisis of the mid-1970s initiated an active search for commercial deposits of oil and natural gas. Limited pockets of natural gas were discovered, and oil was found in St. Philip Parish. Daily oil production in 2004 averaged 1,000 barrels; natural gas production was 1 billion cu ft in 2003. According to the Oil and Gas Journal, proven oil reserves in 2005 totaled 2.9 million barrels. Barbados's oil is refined in Trinidad. As of the beginning of 2000, Barbados was planning to privatize its energy companies, including the National Petroleum Corporation and the Barbados National Oil Company (BNOC).

## 28 INDUSTRY

Although tourism is the main economic driver, Barbados was gradually developing a healthy offshore banking and financial services sector. The sugar industry made up less than 1% of the country's GDP and employed about 800 people in a labor force of 146,300 in 2004.

Barbadian tourism has benefited from continued income growth in its major source markets and dynamic marketing efforts by the national authorities. The United Kingdom is the largest market for Barbados, providing about one-third of all overnight visitors to the island. The construction industry has grown as a result of tourism-related construction projects (such as a hotel, golf course, condominiums, and a marina), in addition to a series of public works projects. Barbados also has garment and furniture making enterprises.

## 29 SCIENCE AND TECHNOLOGY

Barbadian learned societies include the Barbados Astronomical Society and the Barbados Pharmaceutical Society, founded in 1956 and 1948 respectively. The Bellairs Research Institute, associated with McGill University in Montréal, is a center for the study of the tropical environment. The Cave Hill Campus of the University of the West Indies has faculties in medicine (located in Bridgetown, founded in 1963) and social sciences. Barbados Community College, founded in 1968, offers training in science and technology. The Barbados Museum and Historical Society, in St. Ann's Garrison, established in 1933, has collections illustrating the island's geology, prehistory, natural history, and marine life.

## 30 DOMESTIC TRADE

Domestic trade is centered on fish, fruit, and vegetable markets, as well as tourism-related shopping. Many food products and other consumer goods are imported. General business is conducted on weekdays from 8 AM to 4:30 PM. Most shops are also open Saturdays from 8 AM to noon. Banks are open Monday through Thursday from 8 AM to 3 PM and Friday from 8 AM to 5 PM.



**Principal Trading Partners – Barbados (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	249.8	1,195.0	-945.2
Bunkers, ship stores	53.0	...	53.0
United States	36.1	453.0	-416.9
Trinidad and Tobago	28.4	236.4	-208.0
United Kingdom	27.5	74.5	-47.0
Jamaica	15.4	10.1	5.3
Saint Lucia	11.7	5.3	6.4
Saint Vincent and the Grenadines	9.2	3.6	5.6
Grenada	7.4	...	7.4
Antigua and Barbuda	6.3	...	6.3
Guyana	6.2	12.3	-6.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.**3<sup>1</sup> FOREIGN TRADE**

Barbados consistently imports more than its exports, which has caused it historically to operate with a negative trade balance. That imbalance has widened in recent years, raising some concerns among international lending authorities such as the International Monetary Fund (IMF).

Exports in 2004 totaled \$278 million, with major markets being the United States (15%), Trinidad and Tobago (10%), the United Kingdom (10%), and Jamaica (4%). Primary export products include agricultural commodities such as sugar, honey, molasses, and rum; electrical equipment and small manufactures; medications, printed materials, and pesticides and disinfectants. Imports outpaced exports by a ratio of nearly 5:1 in 2004, totaling \$1.413 billion. Most trading activity occurred with the United States (36%), Trinidad and Tobago (21%), the United Kingdom (6%), and Japan (5%).

The government and private sector were both working to prepare the country for the CARICOM Single Market and Economy (CSME)—a European Union-style single market that was to begin in 2006.

**3<sup>2</sup> BALANCE OF PAYMENTS**

The consistently adverse trade balance is substantially alleviated by foreign currency remittances from various emigrants and by tourist expenditures. Furthermore, the IMF notes that the rise in imports is related to an increase in economic activity. More mortgages were being sought in Barbados and construction for the 2007 World Cricket Games was on the rise.

However, the growth in import activity has resulted in a shift in balance of payments: Barbados used to maintain a surplus but ended 2004 with a deficit accounting for 5.5% of GDP. Gross international reserves fell to approximately 3.75 months of imported goods and services.

**3<sup>3</sup> BANKING AND SECURITIES**

The bank of issue is the Central Bank of Barbados. In 1972, it replaced the East Caribbean Currency Authority (ECCA). Com-

**Balance of Payments – Barbados (2003)**

(In millions of US dollars)

<b>Current Account</b>			<b>-169.4</b>
Balance on goods		-801.4	
Imports	-1,065.6		
Exports	264.2		
Balance on services		646.7	
Balance on income		-106.9	
Current transfers		92.2	
<b>Capital Account</b>			<b>...</b>
<b>Financial Account</b>			<b>202.4</b>
Direct investment abroad		-0.5	
Direct investment in Barbados		58.3	
Portfolio investment assets		-22.9	
Portfolio investment liabilities		84.1	
Financial derivatives		...	
Other investment assets		-83.1	
Other investment liabilities		166.5	
<b>Net Errors and Omissions</b>			<b>34.4</b>
<b>Reserves and Related Items</b>			<b>-67.4</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

mercial banks include the Bank of Nova Scotia, Barbados National Bank, Barclay's Bank, Broad Street, Caldon Finance Merchant Bank, Canadian Imperial Bank of Commerce, Caribbean Commercial Bank, Caribbean Financial Services Corporation, Mutual Bank of the Caribbean, and Royal Bank of Canada. Public institutions include the Barbados Development Bank and the Sugar Industry Agricultural Bank. Barbados has begun development of the offshore banking sector, including the Republic Bank of Trinidad and Tobago in 1999.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$571.9 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$1.9 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 7.5%.

There is no stock exchange in Barbados, although the Central Bank has established the Barbados Securities Marketing Corp. in anticipation of the future development of a securities exchange. Mutual funds provide a tax-exempt vehicle for investment in existing shares.

**3<sup>4</sup> INSURANCE**

The regulatory authority is the Supervisor of Insurance of the Ministry of Finance. The General Insurance Association of Barbados is the general trade association. A full range of life and nonlife insurance is available. Barbados Mutual Life Assurance Society and Life of Barbados Limited provided most insurance services to the nation in 1999.

**3<sup>5</sup> PUBLIC FINANCE**

Revenues are derived mostly from import duties, internal consumption taxes, and income tax. Public sector deficits grew during

the 1980s as the economy weakened. The international recession of 1990–91 magnified problems of debt service and debt management. By the end of 1990, the national debt was 9.5% higher than that of 1989. By 1991, the fiscal deficit had become unsustainable; in February 1992, the government began a stabilization program in fiscal policies with assistance from the IMF. By 2000, the deficit problem had been resolved.

The US Central Intelligence Agency (CIA) estimated that in 2000 Barbados's central government took in revenues of approximately us\$847 million and had expenditures of us\$886 million. Revenues minus expenditures totaled approximately -us\$39 million. Total external debt was us\$668 million.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, budgetary central government revenues were BDS\$1,827.5 million and expenditures were BDS\$1,981.6 million. The value of revenues in dollars was us\$914 million and expenditures us\$925 million, based on a official exchange rate for 2003 of us\$1 = BDS\$2 as reported by the IMF. Government outlays by function were as follows: general public services, 28.8%; defense, 2.0%; public order and safety, 6.4%; economic affairs, 16.2%; environmental protection, 6.6%; housing and community amenities, 1.5%; health, 11.7%; recreation, culture, and religion, 2.2%; education, 19.3%; and social protection, 5.3%.

### 36 TAXATION

The top individual tax rate, as of 2005, was 37.5% and applies to incomes over BDS\$24,200. However, in 2006, that rate was scheduled to drop to 35%. The corporate income tax rate was 30% but like the top individual tax rate, was slated for reduction to 25% in 2006. There is also a 10% branch remittance tax. Other taxes were levied on insurance premiums, property transfers, land value, bank assets, and rental income. A value-added tax (VAT) was

instituted in 1997, that is levied at 15% generally, and 7.5% on hotel accommodations. Basic commodities are exempt.

### 37 CUSTOMS AND DUTIES

Most imports, except those from other CARICOM members, are subject to import duties that include a customs duty, a consumption tax, and a stamp tax. The Common External Tariff (CET) was reduced to 20% in 1999 and the 35% surtax was removed in 2000. Items that carry a higher import duty rate include fruit and vegetables (40%), jewelry (60%), watches (50%), and motor vehicles (45%). The value-added tax of 15% replaced eleven different taxes, mostly on imports. In addition to the VAT, an excise tax of 46.95–93.73 % is placed on imported vehicles. Import licenses are needed to import many agricultural products, but there are no export controls. Beer and fruit drinks may be imported only from CARICOM countries, but fruit juices may be imported from non-member states.

Barbados became a signatory to the World Trade Organization agreement in 1994, agreeing to dismantle all nontariff barriers by the year 2004.

### 38 FOREIGN INVESTMENT

Various investment incentives, administered through the Barbados Investment and Development Corporation (BIDC), are available to both domestic and foreign investors. These include exception from custom duties, tax reduction and exceptions, and training grants. The government favors productive foreign investments with an emphasis on tourism and banking because of their employment and foreign exchange generating potential. Special incentive packages exist for the hotel industry, manufacturing, and offshore business sectors. The Fiscal Incentives Act of 1974 provides for tax holidays up to 10 years for investment in manufacturing, plus a schedule of rebates on income tax is available for any manufacturing company deriving profits from exports. There is full exemption from all income and withholding taxes for investors in some offshore industries (captive insurance, foreign sales corporations), while most International Business Corporations (IBCs), provided they export 100% of their manufactured output, pay 1–2.5% corporate tax rate, can import production equipment duty free, and are free of exchange controls. Foreign ownership of Barbadian enterprises or participation in joint ventures must be approved by the Central Bank. The offshore sector offers many opportunities, particularly given the island's strong educational base. The government is stable, labor relations are comparatively tranquil, political violence is unknown, and corruption is not considered a problem.

Barbados has concluded double taxation treaties with the United States, Canada, the United Kingdom, CARICOM, Cuba, China, Venezuela, Sweden, Finland, Norway, and Switzerland.

Foreign direct investment (FDI) picked up significantly in 2003 and 2004. The UN Conference on Trade and Development reported FID inflows of \$58 million in 2003, and \$50 million in 2004. These shifts were significant compared with the slowdown in FDI that affected Barbados even before the worldwide decline in tourism that accompanied the 11 September 2001 attacks on the United States. In 2001, FDI fell to \$17.5 million, after hitting a previous peak of \$19.4 million in 2000. FDI remained at \$17 million in

#### Public Finance – Barbados (2003)

(In millions of Barbados dollars, budgetary central government figures)

<b>Revenue and Grants</b>	<b>1,827.5</b>	<b>100.0%</b>
Tax revenue	1,620.4	88.7%
Social contributions	100.4	5.5%
Grants	9.1	0.5%
Other revenue	97.6	5.3%
<b>Expenditures</b>	<b>1,981.6</b>	<b>100.0%</b>
General public services	570.7	28.8%
Defense	39.9	2.0%
Public order and safety	127.8	6.4%
Economic affairs	321.2	16.2%
Environmental protection	131.2	6.6%
Housing and community amenities	28.8	1.5%
Health	231.5	11.7%
Recreational, culture, and religion	42.7	2.2%
Education	381.8	19.3%
Social protection	106	5.3%

(...) data not available or not significant.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

2002 before starting to turn around in 2003. Barbados held \$451 million in FDI stocks in 2004, which comprised 15.9% of GDP.

### 39 ECONOMIC DEVELOPMENT

Government planning, in operation since 1951, has helped Barbados make a successful transition from a sugar-based economy to one with a more globalized presence, particularly in the tourism and financial services sector.

The economy recovered well from its 1990 recession, and showed signs in 2005 of bouncing back from the post-11 September 2001 slowdown. The IMF and US State Department both describe Barbados as a healthy, open economy with steady growth rates, low inflation, and falling unemployment.

While the IMF projects that growth prospects for Barbados will remain strong through 2008, the international lending agency expresses some concern about the country's decline in foreign reserves and growing trade imbalance.

For the long-term, Barbados needs to diversify its economy to protect itself from the shock effects of worldwide recessions and other crises. As a small, open economy, the nation itself has little ability to protect itself from the vagaries of market shifts. This is particularly the case with tourism, as the economic contraction that followed the 11 September 2001 attacks showed.

### 40 SOCIAL DEVELOPMENT

A national social security system provides old age and survivors' pensions, sickness, disability, and maternity benefits, and employment injury benefits. All employed persons are covered. Unemployment insurance was introduced in 1982 and is funded by equal contributions from employers and employees. Sickness and maternity benefits are provided for employed persons. Free medical care is available in health centers and public hospitals.

Although women are well-represented in all aspects of national life, women's rights advocates cite domestic violence and abuse as a serious problem. A domestic violence law requires an immediate police response to reports of violence against women and children. There are public and private counseling services for victims of rape, domestic violence, and child abuse. Sexual harassment continued in the workplace. In 2004, the government continued to address the issues of children's rights and welfare.

Human rights are protected under the constitution. Prison conditions are inadequate consisting of one overcrowded adult facility that is more than 150 years old.

### 41 HEALTH

Barbados has a national health service. In 2004, there were 120 physicians, 13 nurses, and 23 dentists per 100,000 people. Life expectancy in 2005 was 72.59 years and the overall death rate was estimated at 8 per 1,000 people as of 2002. The infant mortality rate was 11.72 per 1,000 live births in 2005. By the mid-1990s, the under-five mortality rate had improved to only 10 per 1,000 from 1960, when it was 90 per 1,000 children. In the mid-1990s, the birth rate was 14 births per 1,000 people. As of 1994, 97% of one-year-old children were vaccinated against measles. The HIV/AIDS prevalence was 1.50 per 100 adults in 2003. As of 2004, there were

approximately 2,500 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

### 42 HOUSING

The Barbados Housing Authority is empowered to acquire land, construct housing projects, and redevelop overcrowded areas. Rising land costs continued to be a hindrance to new home construction, but since 1996, the government has been looking at new ways to help private owners finance land and home purchases. Also since 1996, the government has initiated a new building code to improve existing structures, particularly focusing on renovations that may prevent destruction from hurricanes.

At last estimate, 90% of all housing consisted of detached homes and more than 5% of apartments. About 76% of all homes were owner occupied. The average household size is 4.3 people. An important concern for the government has been to offer a supply of adequate, low-income housing to both improve and supplement the existing housing stock. In the late 1990s, it was estimated that about 30% of the population in Greater Bridgetown lived in "chattel" homes, portable makeshift homes that are built and owned by a household but placed on land rented from the government or other private landlord. As of 2004, the government was still behind schedule on completion of new housing projects.

### 43 EDUCATION

Education is compulsory for children between the ages of 5 and 16. Primary school covers six years and secondary school covers seven years. Primary school enrollment in 2003 was estimated at close to 100% of age-eligible students. The same year, secondary school enrollment was about 90% of age-eligible students. Nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 16:1 in 2003; the ratio for secondary school was about 15:1.

As of 2000, there were 93 government primary schools and a small number of private primary schools. Secondary education was provided in 22 government secondary schools, 15 assisted private schools, and 7 senior schools for students ages 14–16. The education program in Barbados is administered by the Ministry of Education and is free in all government-run schools. As of 2003, public expenditure on education was estimated at 7.6% of GDP.

Scholarships are awarded for study in the United Kingdom and in Caribbean institutions. The Barbados branch of the University of the West Indies opened at Cave Hill in 1963. The government pays the fees of all Barbadian students at the Cave Hill Campus of the University of West Indies. The Barbados Community College was established in 1968. The adult literacy rate for 2004 was estimated at about 99.7%.

There is also advanced education for adults at the Extramural Center of the University of West Indies, the Erdiston Teachers Training College, and the Samuel Jackman Prescod Polytechnic. There are special schools for the deaf, blind, and mentally retarded, including two residential institutions for disabled persons.

### 44 LIBRARIES AND MUSEUMS

A free library (1847) is maintained by the government in Bridgetown. There are seven branches, with bookmobile stops throughout the island. By 2002, the system had 126,000 volumes. The library of the Barbados branch of the University of the West

Indies has 179,000 volumes and serves as a depository library of the United Nations. The Law Library of the University of the West Indies holds about 110,000 books.

There were seven museums in the country in 2001. There are also 17 monuments and historic sites and 5 zoos and botanical gardens. The Barbados Museum and Historical Society (1933) in Saint Michael is a general museum with collections showing the geology, history, natural history, marine life, and plantation home furnishings of the island, as well as Arawak artifacts. Other museums include the Mallalieu Motor Museum in Christ Church, the Sir Frank Huts on Sugar Museum in Saint James, and a science museum at the Rum Factory and Heritage Park in Saint Phillip.

#### 45 MEDIA

Automatic telephone service is provided by a private firm, the Barbados Telephone Co. Ltd. In 2003, there were 134,000 main-line phones in use, as well as 140,000 mobile phones. A wireless telephone service provides overseas communications and a telex cable connects Barbados with the United Kingdom. The Congor Bay Earth Station, opened in 1972, links Barbados with the global satellite communications system.

Barbados has a government-controlled television and radio broadcasting service (The Caribbean Broadcasting System—CBS) and a commercial rediffusion service that broadcasts over a cable network. In 2004, there were nine radio stations, three of which were owned by CBS. The country's only television station is also owned by CBS. In 1997, there were about 237,000 radios and 76,000 television sets in use throughout the country. In 2003, there were 100,000 Internet subscribers.

There are two major daily newspapers (both independently operated, in Bridgetown), the *Advocate* (circulation 15,000 in 2002) and the *Daily Nation* (32,000), as well as some periodicals, including a monthly magazine, the *New Bajan*.

The Constitution of Barbados provides for freedom of expression and the government is said to uphold freedom of speech and press. The government prohibits the production of pornographic materials.

#### 46 ORGANIZATIONS

Barbados has a chamber of commerce in St. Michael. The Barbados Association of Office Professionals provides some general business training and networking options. There is also a Barbados Employers' Confederation, a Barbados Manufacturers' Association, and a Barbados Workers' Union. Associations are available a number of professionals, including lawyers, teachers, journalists, and medical professionals. Some notable medical associations include the Barbados Cancer Society, Barbados Dental Association, Barbados Family Planning Association, and the Barbados Association of Medical Practitioners.

The Barbados Museum and Historical Society is a key organization for the preservation and promotion of art and culture. The Evangelical Association of the Caribbean and the Caribbean Conference of Churches are multinational organizations based in the country.

International youth organizations include 4-H Clubs, Boy Scouts, Girl Guides, YMCA, and YWCA. Other youth organizations include the Anglican Young People's Association, the Caribbean Youth Business Network, the Caribbean Youth Environ-

ment Network, the Guild of Undergraduates of Barbados, and the League of Progressive Youth. There are a number of sports associations in the country, promoting such pastimes as track and field, weightlifting, badminton, and lawn tennis.

The Barbados Council of Women serves as an umbrella organization for women's groups. Branches of international service organizations include Kiwanis International, Lions Club, and Rotary Club. There are national chapters of the Red Cross, Amnesty International, and UNICEF.

#### 47 TOURISM, TRAVEL, AND RECREATION

Barbados, with its fine beaches, sea bathing, and pleasant climate, has long been a popular holiday resort. Cricket is the national sport, followed by surfing, sailing, and other marine pastimes. A valid passport and onward/return ticket are required of all visitors entering Barbados. Visas are not required for citizens of the United States, Canada, or Australia, but visas are required for citizens of some 78 countries.

In 2003, about 531,000 tourists visited Barbados. There were 6,210 hotel rooms that year with 10,770 beds and a 49% occupancy rate. The cost of staying in Barbados varied seasonally. According to 2005 US Department of State estimates, the daily cost of staying in Barbados between December and April was us\$394. At other times of the year, daily costs averaged us\$284.

#### 48 FAMOUS BARBADIANS

Sir Grantley Adams (1898–1971) was premier of the Federation of the West Indies (1958–62). His son, John Michael Geoffrey Manningham “Tom” Adams (1931–85) was prime minister from 1976 until his death, succeeding Errol Walton Barrow (1920–87). In 1985, Barrow again assumed the office of prime minister until his death. Erskine Sandiford (b.1938) succeeded Barrow. Barbados-born Edwin Barclay (1882–1955) was president of Liberia from 1930 to 1944. George Lamming (b.1927) is a well-known West Indian novelist. Sir Garfield Sobers (b.1936) has gained renown as the “world's greatest cricketer.”

#### 49 DEPENDENCIES

Barbados has no territories or colonies.

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# BELIZE



**CAPITAL:** Belmopan

**FLAG:** The national flag consists of the Belize coat of arms on a white disk centered in a blue rectangular field with a narrow red stripe at the top and the bottom.

**ANTHEM:** *Land of the Free.*

**MONETARY UNIT:** The Belize dollar (B\$), formerly tied to the UK pound sterling and now pegged to the US dollar, is a paper currency of 100 cents. There are coins of 1, 5, 10, 25, 50 cents and 1 dollar, and notes of 1, 5, 10, 20, 50, and 100 dollars. B\$1 = US\$0.50000 (or US\$1 = B\$2) as of 2005.

**WEIGHTS AND MEASURES:** Imperial weights and measures are used. The exception is the measuring of petroleum products, for which the US gallon is standard.

**HOLIDAYS:** New Year's Day, 1 January; Baron Bliss Day, 9 March; Labor Day, 1 May; Commonwealth Day, 24 May; National Day, 10 September; Independence Day, 21 September; Columbus Day, 12 October; Garifuna Day, 19 November; Christmas, 25 December; Boxing Day, 26 December. Movable holidays are Good Friday and Easter Monday.

**TIME:** 6 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Belize (formerly British Honduras), on the Caribbean coast of Central America, has an area of 22,966 sq km (8,867 sq mi), extending 280 km (174 mi) N-S and 109 km (68 mi) W-E. Comparatively, the area occupied by Belize is slightly smaller than the state of Massachusetts. Bounded on the N by Mexico, on the E by the Caribbean Sea, and on the S and W by Guatemala, Belize has a total boundary length of 516 km (320 mi).

The capital city of Belize, Belmopan, is located in the center of the country.

## <sup>2</sup>TOPOGRAPHY

The country north of Belmopan is mostly level land interrupted only by the Manatee Hills. To the south the land rises sharply toward a mountainous interior from a flat and swampy coastline heavily indented by many lagoons. The Maya and the Cockscomb mountains (which reach a high point of 1,122 m/3,681 ft at Victoria Peak, in the Cockscombs) form the backbone of the country, which is drained by 17 rivers. The coastal waters are sheltered by a line of reefs, beyond which there are numerous islands and cays, notably Ambergris Cay, the Turneffe Islands, Columbus Reef, and Glover Reef.

## <sup>3</sup>CLIMATE

The climate is subtropical and humid, tempered by predominant northeast trade winds that keep temperatures between 16–32°C (61–90°F) in the coastal region; inland temperatures are slightly higher. The seasons are marked more by differences of humidity than of temperature. Annual rainfall averages vary from 127 cm (50 in) in the north to more than 380 cm (150 in) in the south.

There is a dry season from February to May and another dry spell in August. Hurricanes occur from July to October.

## <sup>4</sup>FLORA AND FAUNA

Most of the forest cover consists of mixed hardwoods—mainly mahogany, cedar, and sapodilla (the source of chicle). In the flat regions there are extensive tracts of pine. The coastal land and the cays are covered with mangrove. Indigenous fauna include armadillo, opossum, deer, and monkeys; common reptiles include iguana and snakes.

## <sup>5</sup>ENVIRONMENT

Due to its low population density, Belize has suffered less than its neighbors from such problems as soil erosion and pollution. However, substantial deforestation has occurred and water quality remains a problem because of the seepage of sewage along with industrial and agricultural chemicals into the water supply. It is estimated that 18% of the country's rural population does not have access to pure water. Pollutants also threaten Belize's coral reefs. Removal of coral, picking orchids in forest reserves, spear fishing, and overnight camping in any public area (including forest reserves) are prohibited.

Approximately 21% of Belize's total land area is protected. Natural hazards to Belize's environment include hurricanes and coastal flooding. Belize's national capital was moved 129 km (80 mi) inland from Belize City to Belmopan because of hurricanes. The Belize Barrier Reef Reserve System is a UNESCO World Heritage Site.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 5 types of mammals, 3

species of birds, 4 types of reptiles, 6 species of amphibian, 18 species of fish, and 30 species of plants. Endangered species in Belize included the tundra peregrine falcon, hawksbill, green sea and leatherback turtles, American crocodile, and Morelet's crocodile.

## 6 POPULATION

The population of Belize in 2005 was estimated by the United Nations (UN) at 292,000, which placed it at number 170 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 36% of the population under 15 years of age. There were 101 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.3%, a rate the government viewed as too high. The government is especially concerned about the growing adolescent fertility rates. The projected population for the year 2025 was 396,000. The population density was 13 per sq km (33 per sq mi).

The UN estimated that 49% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.32%. That year, the largest city was Belize City, with an estimated population of 52,600; the capital, Belmopan, had an estimated population of 9,000.

The first case of HIV infection was diagnosed in 1986; by 2005 approximately 2.4% of the population was believed to be infected. A national plan to combat HIV/AIDS was implemented in 1999.

The largest ethnic group in Belize is the Mestizo, which comprises 44% of the population. Other ethnic groups include Creole (30%), Mayan (10%), and Garifuna (6%).

## 7 MIGRATION

The population of Belize increased significantly in 1993, when 40,000 Central American refugees and other immigrants, mostly from Guatemala and El Salvador, arrived in the country. This offset the heavy Creole emigration to North America. As of 1995, Belize still had 6,000 refugees from El Salvador and 2,000 refugees from Guatemala. United Nations High Commissioner for Refugees (UNHCR) negotiations with the government produced two significant developments in 1999. First, as of February 1999 refugees are able to apply for naturalization after five years of residence in the country. Second, in May 1999 the government enacted an amnesty program, offering permanent resident status for illegal immigrants and unregistered refugees. By 30 June 1999, some 10,000 families had registered. The total number of migrants in Belize in 2000 was 17,000.

In 2005, the net migration rate was estimated as zero. Worker remittances in 2002 amounted to us\$13.8 million.

## 8 ETHNIC GROUPS

According to the latest estimates, 46.4% of the population are mestizo (mixed White and Mayan); about 27.7% are Creole (of African descent); another 10% are Mayan; 6.4% are Garifuna (Carib); and 9.5% are comprised of various other groups, including those of Arab, European, Chinese, East Indian, North American, and Syrian-Lebanese ancestry.

## 9 LANGUAGES

The official language is English. At least 80% of the people can speak standard English and/or a Creole patois. Spanish is spoken

by approximately 60% of the population; for one-third to one-half it is the first language. Although English is the language of instruction, other languages spoken include Garifuna (Carib), Mayan and other Amerindian languages, and, in the Mennonite colony, Low German.

## 10 RELIGIONS

About 58% of inhabitants are Roman Catholic. Only 7% of the populace are Anglicans; another 6% are Pentecostals. Other faiths and denominations generally have fewer than 11,000 members each. These include Methodists (4.2%), Seventh-Day Adventists (4.1%), and Mennonites (4%). There are approximately 6,000 Nazarenes and smaller numbers of Hindus, Baha'is, Baptists, Buddhists, Jehovah's Witnesses, Mormons, Muslims, Rastafarians, and Salvation Army members. About 6% of the population claim to be nonbelievers or to have no religious affiliation.

There is no state religion, however, the preamble of the constitution recognizes the religious history of the country by asserting that the nation "shall be founded upon principles which acknowledge the supremacy of God." Freedom of religion is generally respected in practice. Spirituality is a required topic in public schools as part of the social studies curriculum and all schools, both public and private, are required to provide 220 minutes per week of religious education or chapel services for students in kindergarten through sixth grade. However, students are not forced to participate in such instruction and the faith of the individual student, or their parents, is generally respected. Traditional Christian holidays are celebrated as public holidays.

## 11 TRANSPORTATION

In 2002, Belize had 2,880 km (1,789 mi) of roads, of which 490 km (304 mi) were paved. In 2003, there were 25,880 registered motor vehicles, 11,500 of which were passenger cars and 14,380 were commercial vehicles. The country had no railways. There are 825 km (513 mi) of waterways consisting of seasonally navigable river networks used by shallow-draft craft. Belize City is the main port. In the late 1970s, deepwater facilities were constructed through financing from the Caribbean Development Bank (CDB). Other ports and harbors include Big Creek, Corozol, and Punta Gorda. In 2005 Belize's merchant marine was comprised of 295 ships, totaling 1,015,270 GRT. Several shipping lines provide regular services to North America, the Caribbean, and Europe. In 2004, there were an estimated 44 airports, of which only 5 had paved runways as of 2005. International airports at Belize City (P.S.W. Goldson) and Punta Gorda handle services to the United States and Central America. Maya Airways provides domestic service, and there are various international air carriers.

## 12 HISTORY

Numerous ruins indicate that the area now called Belize was once heavily populated by Maya Indians, whose civilization collapsed around AD 900. Columbus sailed along the coast in 1502, but did not land. The first permanent settlement was established in 1638 by shipwrecked English seamen. Later immigrants included African slaves and British sailors and soldiers.

In its early colonial history the area was a virtual backwater, used only for logging and as a pirate base. A power struggle between England and Spain ensued over possession of the area, with

the British prevailing by the 19th century. In 1862 the British organized the area as the colony of British Honduras. For the next century, forestry continued as the main enterprise until eventually supplanted by sugar.

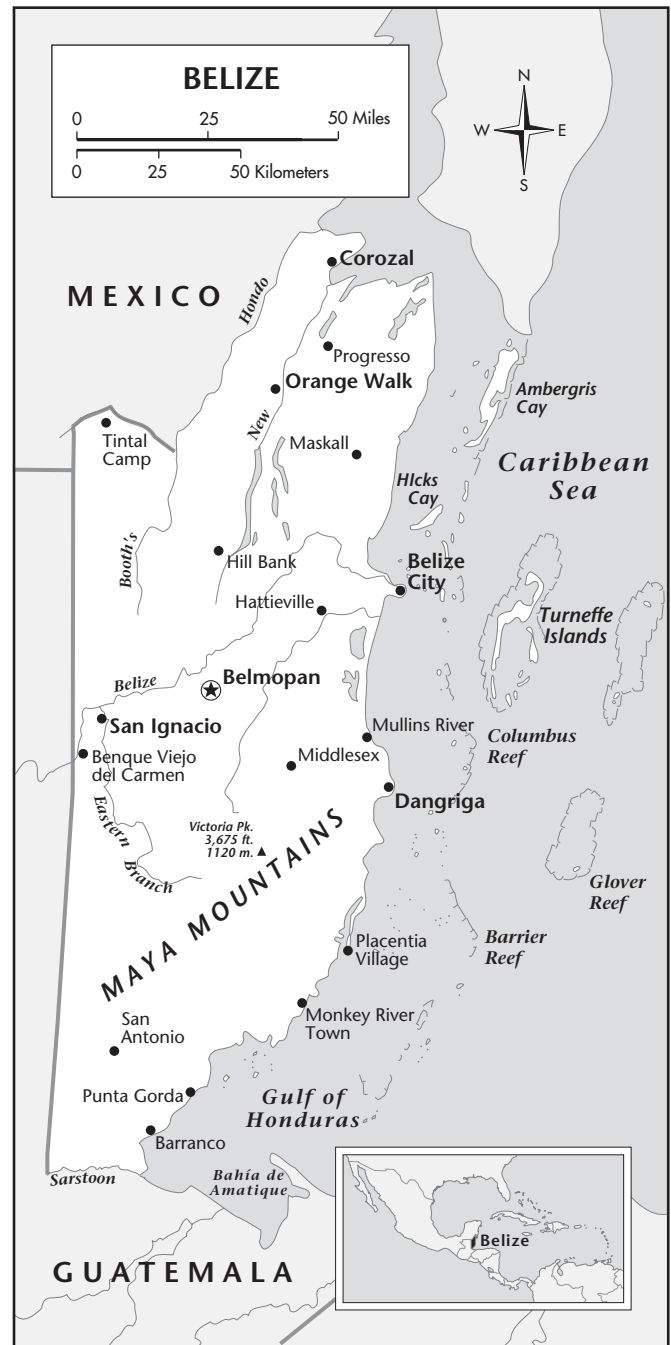
On 1 January 1964, a constitution was promulgated, providing for self-government, although the United Kingdom maintained the defense force. That force remained in place partly because of a border dispute with Guatemala, going back to an 1859 treaty. The Guatemalan government pressed territorial claims over the southern quarter of the area. A settlement guaranteeing the country's independence by 1970 seemed to resolve the dispute, but rioting in British Honduras in May 1968 led to the repudiation of the agreement by both the United Kingdom and Guatemala.

The country dropped the appearance, if not the reality, of colonial dependence in 1973, adopting Belize as the official country name. The border dispute continued unabated until 1977, when Guatemala and the United Kingdom began new negotiations on Belize. The United Kingdom, Guatemala, and Belize reached agreement on a solution in March 1981, but disagreement soon followed. Finally, the United Kingdom decided to take matters into its own hands and granted Belize independence as of 21 September 1981. Guatemala refused to recognize the new nation, severed diplomatic relations with the United Kingdom, and declared the date of independence a national day of mourning. In December 1986, the United Kingdom and Guatemala resumed diplomatic ties, but the 1,800-member British garrison remained in Belize. Since independence, control of the government has alternated between the People's United Party (PUP) led by George C. Price, which had dominated Belize's politics since the 1950s, and the United Democratic Party (UDP), led by Manuel Esquivel. The UDP won the elections of 1984 and 1993; in between, the PUP governed from 1989 to 1993. The PUP won the parliamentary elections of 1998 and 2003. Said Musa was prime minister under these PUP wins.

In 1991 Belize was admitted to the Organization of American States (OAS). The same year, Guatemala's new president, Jorge Serrano, reached an agreement with then-prime minister George Price that led to full Guatemalan recognition of Belize's independence the following year and the signing of a nonaggression pact between the two nations in 1993. The United Kingdom withdrew its troops from Belize in 1994.

Belize's tourism industry became a mainstay of the economy in the 1980s and 1990s, growing from 64,000 tourists in 1980 to 247,000 in 1992. By 1995, tourism surpassed all other sectors, including the sugar industry, as a source of foreign exchange, and it continued to grow through the remainder of the decade. Challenges facing Belize in the late 1990s included high unemployment, a growing involvement in South American cocaine trafficking, and increased urban crime, which worsened in 1998 and 1999, prompting new gun control measures.

Negotiations continued with Guatemala over territorial disputes not settled by the 1991 agreement, mainly Guatemalan claims to land in the southern part of the country. Tensions between the two countries continued into the early months of 2000, when Belize's ambassador was expelled from Guatemala, and talks scheduled for February were suspended. But a hurricane in 2001 hurt Belize and Guatemala and helped reduce tensions between both countries. After three years of rapid economic growth, Belize's econo-



LOCATION: 15°53' to 18°31' N; 87°16' to 89°8' W. BOUNDARY LENGTHS: Mexico, 250 kilometers (155 miles); Caribbean coastline, 386 kilometers (240 miles); Guatemala, 266 kilometers (165 miles). TERRITORIAL SEA LIMIT: 3 miles.

my expanded by just 3% in 2001 and 2002. Under the auspices of the OAS, both countries agreed to each having their own facilitator look into the territorial dispute. In August 2003, before facilitators' proposals were submitted to referenda in either country, the Government of Guatemala rejected the facilitators' proposals. The Guatemalan claim remained unresolved.

In January 2004, Britain's Privy Council by a split 3-2 decision dismissed an appeal to overturn the Belize government's approval of the proposed Chalillo hydroelectric dam. The then proposed dam on the Macal River at Chalillo would have created a lake

extending 20 km (12 mi) up the Macal and 10 km (6 mi) up its tributary the Ruspaculo, flooding 10 sq km (2,471 acres). The Canadian company Fortis, Inc. of Newfoundland under agreement with the Belizean government would build a 49.5 m (160 ft) high dam to provide hydroelectric power for Belize. The flooded locale would include areas designated for preservation as national environmental resources—habitat to the highest density of big cats, jaguar, puma and ocelot, in Central America, rare Morelet's crocodiles, tapirs and scarlet macaws, as well as to cultural remains. Dissent against the project was worldwide. Fires used to remove forest cover to protect the construction area were large enough to be picked up by satellite. By October 2005, the dam was tested prior to its complete start.

In January 2005, public and private sector workers went on strike over budget measures, including tax increases, and for salary increases. By April antigovernment protests in the capital resulted in rioting. Opposition political groups and trade unions called for general elections (next scheduled for March 2008) citing Musa's mismanagement of the country. Acts of sabotage deprived the population of basic services including water, electricity and communications. In his "State of the Nation" address, 19 September 2005, Musa noted that despite the fear and uncertainty of the previous months, the economy had not collapsed. He intended to pursue his tax reform measures and highlighted the effect of rising oil prices on higher domestic costs of production consumer prices and as a drain on foreign reserves.

In October 2005, Belize reported its first case of dengue hemorrhagic fever in the country. It occurred in the Cayo District.

### **13 GOVERNMENT**

The independence constitution of 21 September 1981 (based on that of 1 January 1964) vests governmental authority in a governor-general appointed by the UK monarch, a cabinet headed by a prime minister, and a bicameral National Assembly. The governor-general on the advice of the prime minister appoints the cabinet ministers. The National Assembly consists of a 29-member House of Representatives elected by universal adult suffrage to serve five-year terms, and a Senate of eight members appointed by the governor-general (5 on the advice of the prime minister, 2 on the advice of the opposition, and 1 on the recommendation of the Belize Advisory Council). Parliamentary elections must be held at intervals of no longer than five years. The voting age is 18.

### **14 POLITICAL PARTIES**

The two major parties in Belize are the current majority People's United Party (PUP) and the United Democratic Party (UDP). George C. Price dominated Belize's politics after becoming the country's premier in 1964. The PUP had dominated the electoral scene for more than 30 years and was the party in power when Belize became independent. At independence in 1981, Price became prime minister and ruled for three years. The UDP coalition, under Manuel Esquivel's leadership, took 21 House seats in 1984 and ruled until 1989, when the PUP again gained control and Price once again became prime minister. He called an early election in June 1993, which his party unexpectedly lost, placing the UDP in a dominant position, UDP 15 seats, PUP 13 seats.

Although it won a sweeping victory in the 1997 municipal elections, the opposition UDP held only three elected seats at the

national level as of 1999. The PUP had increased its position in the subsequent August 1998 elections (PUP 26 seats and UDP 3 seats), after which Said Musa succeeded Manuel Esquivel as party leader and prime minister. The elections of 2003 were the fifth National Assembly elections since independence in 1981 and the first time that a political party had been in government for two successive terms. In the March 2003 elections, the PUP won 22 seats and the UDP 7 seats. Said Musa remained as prime minister. After the death of a minister in October 2003 the PUP lost one seat in the by-election, but still retained a majority. Dean Barrow led the opposition. There was one political pressure group, the Society for the Promotion of Education and Research or SPEAR headed by Adele Catzim.

### **15 LOCAL GOVERNMENT**

Belize is divided into six administrative districts: Corozal, Orange Walk, Belize City, El Cayo, Stann Creek, and Toledo. Except for Belize City, which has an elected city council of nine members, each is administered by a seven-member elected town board. Local government at the village level is through village councils.

### **16 JUDICIAL SYSTEM**

The crown appoints the independent judiciary. The law of Belize is the common law of England, augmented by local legislation. The judiciary consists of the Magistrate's Courts, the Supreme Court, and the Court of Appeal. The Supreme Court is presided over by a Chief Justice. Appeals are to the court of appeal, established in 1968, and, until 2003, to the Judicial Committee of the Privy Council in the United Kingdom. Six summary jurisdiction courts (criminal) and six district courts (civil) are presided over by magistrates.

On 9 June 2003, Caribbean leaders met in Kingston, Jamaica, to ratify a treaty to establish the Caribbean Court of Justice (CCJ). The first session of the CCJ was scheduled for November 2003. Eight nations—Barbados, Belize, Dominica, Guyana, Jamaica, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago—had officially approved the CCJ, although 14 nations were planning to use the court for appeals. Haiti had agreed to use the CCJ for resolution of trade disputes.

The judiciary has protected individual rights and fundamental freedoms. Detainees must be brought before a judge within 72 hours of arrest. Bail is liberally afforded. A jury trial is required in capital cases. The 1981 Constitution provides a wide range of fundamental rights and freedoms. Criminal defendants have rights to presumption of innocence, protection against self-incrimination, counsel, appeal, and public trial. The constitution prohibits torture and other cruel, inhuman, or degrading treatment or punishment. The constitution also prohibits arbitrary interference with privacy, family, home, or correspondence. The government generally respects these provisions.

### **17 ARMED FORCES**

The armed forces totaled an estimated 1,050 active personnel in 2005, supported by 700 reserves. The Army was structured into 3 infantry battalions, a maritime wing with 14 patrol craft, an



air wing with 2 transports, but no combat aircraft, and 1 support group. The defense budget totaled \$16 million in 2005.

## 18 INTERNATIONAL COOPERATION

Belize was admitted to the UN on 25 September 1981, four days after independence. Belize participates in a number of UN specialized agencies, such as ILO, ICAO, IFAD, IFC, UNESCO, UNIDO, the World Bank, and WHO. Belize joined the WTO in January 1995. Belize is also a member of the ACP Group, the Commonwealth of Nations, CARICOM, the Caribbean Development Bank, the Latin American Economic System, G-77, the Association of Caribbean States (ACS), and the OAS. The country is part of the Nonaligned Movement and the Agency for the Prohibition of Nuclear Weapons in Latin American and the Caribbean (OPANAL). Belize has an unresolved boundary dispute with Guatemala. In environmental cooperation, Belize is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification. Belize is also a signatory to the Central American-US Joint Declaration (CONCAUSA).

## 19 ECONOMY

The economy is dependent on agriculture and fishing. Sugar, bananas, and citrus fruits are the main cash crops. Until a recent depletion, the country's main export had been forest products, especially mahogany. Belize continues to import most of its consumer goods, including much of its food and all of its petroleum requirements. The tourism industry, fishing industry, and the garment manufacturing industry grew in importance during the late 1990s.

Belize started the decade of the 1990s positively. However, after five years of economic growth averaging 4.3%, the economy decelerated to 1.5% in 1996. This was largely due to a slowdown in tourism, a decline in fisheries production, and cutbacks in public spending and construction. The agricultural sector grew rapidly in that year, with banana and sugar production up by significant amounts, while production of oranges was nearly flat. Fishing was also hurt by corrective measures to overcome the taura virus, which affected farmed shrimp production and lowered lobster catches. In 1997, the government implemented austerity measures and capital projects that continued the economic depression in the short-run. The agricultural industry experienced a decline of production in 1998, but the fishing, tourism, and garment manufacturing industries gained ground. In 1997 and 1998, GDP growth hovered around 3%, but by 2004, the economy was growing at a rate of 4.5%, due to strong growth in the agriculture, fishing, and tourism industries. Inflation remained subdued at around 3% in 2004 and 2005. In 2005, the GDP growth rate was estimated at 3.8%.

Belize's future economic growth is linked to the improvement of technology and physical infrastructure. The Agency for International Development (USAID), the World Bank, the United Kingdom, the EU, the Caribbean Development Bank (CDB), Canada, and Taiwan have provided assistance to Belize for the reconstruction and pavement of major highways, and the construction of houses. Electricity has become dependable, and the telecommunications system is reliable.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Belize's gross domestic product (GDP) was estimated at \$1.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$6,800. The annual growth rate of GDP was estimated at 3.8%. The average inflation rate in 2005 was 3%. It was estimated that agriculture accounted for 22.5% of GDP, industry 23%, and services 54.5%.

According to the World Bank, in 2002 remittances from citizens working abroad totaled \$14 million or about \$51 per capita and accounted for approximately 1.5% of GDP.

In 2001 it was estimated that approximately 27% of household consumption was spent on food, 5% on fuel, 3% on health care, and 13% on education. It was estimated that in 1999 about 33% of the population had incomes below the poverty line.

## 21 LABOR

The Belize labor force in 2001 (the latest year for which data was available) was estimated at 90,000. Of that number in that same year, approximately 27% of the labor force was employed in agriculture, 18% in industry, and 55% in services. In 2003, the unemployment rate was estimated at 12.9%. The Belize labor market is marked by a shortage of skilled labor and technical personnel.

Labor legislation covers minimum wages, work hours, employment of young persons, and workers' safety and compensation. The National Trades Union Congress of Belize is the major union federation, and the United General Workers' Union is the leading trade union. In 2005, there were eight independent unions, comprising about 11% of the labor force, which represented a cross-section of white-collar, blue-collar, and professional workers, including most civil service employees. There are procedural requirements that a union must meet, but the government freely recognizes the right to join unions and to strike. Unions representing "essential" service workers must give an intent to strike notice two days prior to a strike.

The labor act prohibits all employment for children under the age of 12, and children between the ages of 12 and 14 are not permitted to work during school hours. The minimum age for hazardous industry employment is 17. A minimum wage of \$1.12 per hour covers all workers and is effectively enforced. This wage does not provide a decent standard of living. The legal workweek, as of 2005, was set at 45 hours or six days, with overtime pay required if work is beyond those limits. Workplace safety and health regulations are also effectively enforced by the Ministry of Labor and Public Health, particularly in Belize City.

## 22 AGRICULTURE

Only 4% (89,000 hectares/220,000 acres) of total land area is used for the production of seasonal and permanent crops. Most Mayans still practice the traditional slash-and-burn method of farming, under which at any one time some 80% of the land is left idle. More efficient agricultural colonies have been established by Mennonite immigrants. Sugar, citrus, and bananas are the leading agricultural exports. In 2004, Belize's major exports amounted to

B\$410.1 million, with sugar accounting for 20%; orange concentrate, 13.5%; bananas, 13%; and grapefruit, 5.8%. Sugarcane production, centered in the northern lowland around Corozal and the town of Orange Walk, totaled 1,149,000 tons in 2004. Citrus production is concentrated in the Stann Creek valley; the 2004 output included 213,000 tons of oranges and 56,000 tons of grapefruit. The US-based Hershey Foods Corp. has invested B\$4 million in cacao cultivation in El Cayo; production in 2004 totaled 40 tons.

Because agriculture is not sufficiently diversified, the country relies heavily on food imports. By establishing a marketing board to encourage production of rice, beans, and corn, the government hopes eventually to become self-sufficient in these crops. Rice paddy production, which averaged 9,000 tons annually during 1979–81, fell to a reported 4,000 tons in 1990 but rose to 10,600 tons by 2004. Corn production, which had been hovering at 18,000 tons per year, rose to a reported 30,500 tons in 2004. Dry bean production was 4,000 tons. Export earnings from sugar in 2004 exceeded US\$35.5 million. Belize's sugar industry is heavily dependent on preferential price markets; over 50% of its exports are sent to preferential price markets (principally the European Union). Citrus output (exported in concentrate form), expanded by 170% as new acreage planted in the late 1980s came into production and weather conditions were very favorable. In 1985, a consortium that included Coca-Cola paid B\$12 million for 383,000 hectares (946,400 acres) northwest of Belmopan for a citrus farming project. Banana production was aided by privatization and restructuring in the production and marketing areas, which has acted as a catalyst to improve technology (success in combating sigatoka disease) and infrastructure. Banana production, however, fell from 68,000 tons in 1994 to 45,000 tons in 1995 before rising back to 79,400 tons in 2004. Papaya production totaled 27,700 tons in 2004; mangoes totaled 563 tons. Peanuts, pineapples, and winter vegetables are also grown for export.

### **23 ANIMAL HUSBANDRY**

Mennonite farms account for much of Belize's dairy and poultry output. In 2004, the nation had an estimated 21,200 hogs, 5,300 horses, 4,600 mules, 6,300 sheep, and 1,600,000 chickens. Cattle suited for breeding or crossbreeding with local cattle are Red Poll, Jamaica Black, Hereford, and Brahman (zebu); there were 57,800 head of cattle in 2004. Some 14,000 tons of poultry meat and 3,600 tons of milk were produced in 2004.

### **24 FISHING**

Fishing resources and development are good. In 2003, the total catch was 15,353 tons. Lobster, squid, and conch are the leading products; US\$16.2 million in export earnings were derived from fishing in 2003. In the mid-1990s, shrimp production increased by 75% as a result of three new shrimp farms opening in 1992. Aquaculture accounted for 66% of the total catch in 2003. Fishery exports accounted for 12% of agricultural exports and almost 8% of total merchandise exports in 2003.

### **25 FORESTRY**

Although Belize is still rich in forest resources, the accessible stands of commercial timber have been depleted. Reforestation and natural regeneration in the pine forest (mainly in Cayo, Stann

Creek, and Toledo Districts) and artificial regeneration of fast-growing tropical hardwood species are creating a resurgence in forestry. About 92% of Belize's land area is covered with forests and woodlands. Timber cutting is usually done during the short dry season. Total roundwood production in 2003 was 188,000 cu m (6.64 million cu ft). The principal varieties of trees cut are mahogany, pine, cedar, and rosewood. Exports of forest produce (including chicle) in 1965 amounted to one-third of total exports; in 2003, however, the export value was US\$4.0 million.

### **26 MINING**

Clays, limestone, marble, and sand and gravel for construction were the mainstays of Belize's minerals industry; none was reportedly exported in 2003. The Belize, Sibun, and Monkey rivers, as well as North and South Stann creeks, were the sites of clay, limestone, and sand and gravel operations. Clay production amounted to 500,000 tons in 2003; dolomite, 5,000 metric tons; limestone, 400,000 tons; sand and gravel, 130,000 cubic meters; marl, 1,140 cubic meters; and gold, 1,000 grams, by stream panning.

### **27 ENERGY AND POWER**

Electric power supplied by ten diesel-powered generators is inadequate. As of 2002 Belize imported about half its electricity from Mexico. Of the remainder, 30% came from the Mollejon dam and 20% from thermal sources. A central authority, the Belize Electricity Board, supplies and operates the national power system. In 2002, total capacity stood at 0.052 million kW, including power from the Board's generators and additional wattage supplied by private industries and individuals. Production in 2002 was 0.117 billion kWh, of which 0.039 billion kWh came from thermal sources (fossil fuels) and 0.078 billion kWh from hydropower. Construction of a 7 MW, US\$50 million hydroelectric power station on the Macal River, upstream from the Mollejon dam, was under way as of 2002 despite a suit by environmental groups pending before Belize's supreme court. The dam would be privately owned until 2034, after which the plant would be transferred to the government. In 2002, the consumption of electricity in Belize totaled 0.109 billion kWh.

### **28 INDUSTRY**

The manufacturing sector is small but has been expanding. Major industrial activities include textiles and garments, and sugar, citrus, and banana processing. The Development Finance Corporation promotes private capital investment in industry.

Aside from the processing of sugar, citrus, and bananas, the manufacturing sector in Belize continues to be quite small. Garment production stabilized and grew in the late 1990s after significant declines in 1994 and 1995 that resulted from heavy competition from Mexico and the United States. Other manufacturing products—batteries, beer, and beverages—represent a minimal share and are protected by import substitution policies. Belize has witnessed increased export earnings from marine products in the late 1990s and into the 2000s. Construction projects have included a multimillion dollar housing project designed to build 10,000 units, a US\$14.7 million project to rehabilitate the country's southern highway, and US\$9.5 million in upgrading health centers and hospitals.

Tourism is the number one source of foreign exchange earnings. Offshore business in Belize is a fledgling industry with high growth potential. Attractive incentives to foreign investment have been promoted by the government in order to attract capital.

### 29 SCIENCE AND TECHNOLOGY

University College of Belize and Wesley College, both in Belize City, offer some scientific and technical training, but Belizean students must go abroad for advanced study. The National Library Service operates a Technical/Reference Library in Belize City.

### 30 DOMESTIC TRADE

Except for warehouses and shops in Belize City, open markets still predominate in Belize. The domestic market is limited by high labor and energy costs. Small industries include cigarettes, beer, dairy products, and agricultural processing. Many residents shop in Mexico and Guatemala where prices for goods and services are lower. Within the country, most consumer goods are imported from the United States and Mexico. Since 1987, the government has maintained price controls on some basic items, such as bread, flour, rice, and fuel. A 9% sales tax applies to most goods (basic food items are exempt). A 14% sales tax applies to petroleum products, alcohol, and tobacco.

Normal business hours in Belize cities are 8 AM to noon and 1 to 5 PM, Monday through Friday. Banks are open from 8 AM to 1 PM, Monday through Thursday, and from 8 AM 4:30 PM on Fridays.

### 31 FOREIGN TRADE

Belize's major partners are NAFTA, the United Kingdom, CARICOM and the European Union (EU). In 2004, the United States imported 37.2% of Belize's total exports, and supplied 30.1% of all Belizean imports.

The Belize export market depends mostly upon agriculture, in particular on the sugars, and fruit and nut trade. There are a few clothing exporters that deal in men's outerwear and undergarments. Other substantial exports include shellfish, wood, and vegetables.

### 32 BALANCE OF PAYMENTS

The visible trade deficit is counterbalanced by overseas aid, British military expenditures, foreign remittances from expatriates, and receipts from tourism. Since the end of 1998, the trade deficit has widened, due to an increase in manufactured good purchases for the industrial and construction sectors. In 2005, the value of Belize's exports was estimated at us\$349.9 million, and imports were valued at us\$622.4 million. The current-account balance was estimated at -us\$200.1 million in 2005. That year, Belize had us\$90.45 million in reserves of foreign exchange and gold. As of June 2004, the external debt burden was us\$1.362 billion.

### 33 BANKING AND SECURITIES

The bank of issue is the Central Bank of Belize. Two foreign banks, Barclay's Bank and the Bank of Nova Scotia, and two local banks, the Atlantic Bank and Belize Bank, conduct commercial banking. The Banking Ordinance was amended in 1996 to authorize offshore banking; in March 2000 over 14,000 offshore financial institutions were operating in Belize. Anti-laundering legislation was

put into effect in 1998, and a small farmers' and business bank was created with bilateral aid from Taiwan.

In the fourth quarter of 1996, the Central Bank of Belize was obliged to defend the exchange rate by selling foreign exchange to commercial banks. The quantities involved were not announced, but international reserves fell from us\$71 million at the end of September 1996, to us\$65 million at the end of December 1996. However, year-end reserves were still significantly higher than the end-of-June figure of us\$39 million. Contributing to this rise was the receipt in August of a Taiwanese government loan of us\$26 million, as well as the proceeds of a bond issue for the new Central Bank building and increased sugar export receipts.

In 1998, the new government led by Said Musa lowered the liquidity and cash reserve requirements of commercial banks, and increased government spending on capital projects, in order to increase funds. Foreign assets had declined even further, from us\$65 million in 1997 to us\$51 million in 1998. A us\$50 million loan from the Taiwanese government was granted for infrastructure development in 1998. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to us\$189.8 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small-time deposits, and money market mutual funds—was us\$505.5 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 12%.

There is no securities exchange in Belize.

### 34 INSURANCE

There are several insurance companies doing business in Belize.

### 35 PUBLIC FINANCE

About half of Belize's recurrent expenditures are financed by customs duties; nearly all capital spending is funded by foreign loans

#### Balance of Payments – Belize (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>-162.7</b>
Balance on goods		-189.9
Imports	-500.3	
Exports	310.4	
Balance on services		53.4
Balance on income		-72.1
Current transfers		45.9
<b>Capital Account</b>		<b>7.5</b>
<b>Financial Account</b>		<b>143.7</b>
Direct investment abroad		...
Direct investment in Belize		25.0
Portfolio investment assets		...
Portfolio investment liabilities		110.0
Financial derivatives		0.8
Other investment assets		-1.4
Other investment liabilities		9.4
<b>Net Errors and Omissions</b>		<b>3.8</b>
<b>Reserves and Related Items</b>		<b>7.7</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

and grants. Since an IMF standby stabilization program was implemented in 1985, fiscal responsibility has improved. The government typically budgets over 50% of projected spending to capital development, and raises 60% of current revenues from trade taxes. Government spending accounts typically for almost one-third of GDP.

The US Central Intelligence Agency (CIA) estimated that in 2005 Belize's central government took in revenues of approximately us\$262 million and had expenditures of us\$329 million. Revenues minus expenditures totaled approximately -us\$67 million. Total external debt was us\$1.362 billion.

The International Monetary Fund (IMF) reported that in 1997, the most recent year for which it had data, budgetary central government revenues were B\$322 million and expenditures were B\$362 million. The value of revenues in US dollars was us\$161 million and expenditures us\$181 million, based on an official exchange rate for 1997 of us\$1 = B\$2.0000 as reported by the IMF. Government outlays by function were as follows: general public services, 20.9%; defense, 5.4%; public order and safety, 7.1%; economic affairs, 28.1%; housing and community amenities, 2.6%; health, 8.2%; recreation, culture, and religion, 1.3%; education, 20.5%; and social protection, 5.9%.

### 36 TAXATION

Income tax is levied on companies and individuals. Corporate taxes are set at a fixed rate of 35% of the chargeable income. Personal income tax is levied on those earning more than us\$10,000 per year, at a flat rate of 25%. A company granted a development concession has a tax holiday of up to 25 years. The Sales Tax Act of 1999 implemented a 12% tax on alcohol, tobacco, and fuel, and a 8% tax on all other items.

### 37 CUSTOMS AND DUTIES

Customs duties are generally ad valorem. Belize uses the CARICOM common external tariff (CET), which ranges from 5–45%. There is also a stamp tax (normally 12%) on certain goods. Import duties on industrial products average 20% and there is a duty of 15–25% on luxury items. Certain products require import licenses to protect domestic industry, including sugar and citrus fruits, but these will be removed.

The 1990 Export Processing Zone (EPZ) Act and the Commercial Free Zone (CFZ) Act of 1995 foster the import-export industry with tax incentives. Belize is a CARICOM member state, has free trade agreements with Venezuela and Colombia, and was working on a free trade agreement with Mexico in 1999.

### 38 FOREIGN INVESTMENT

As of 2006, proposals for foreign investments and applications for incentives are processed by BELTRAIDE—Belize Trade and Investment Development Service—formerly the Trade and Investment Promotion Service (TIPS). BELTRAIDE was designed as a one-stop shop for investors. In 2006, it was identifying as priority areas for investment agroindustries and food processing, tourism, aquaculture and horticulture, light manufacturing and assembly plants, deep-sea fishing, and forestry-related industries. An Aliens Land-Holding Ordinance governs real estate investment through licensing procedures.

Several incentive packages are available, outlined in the Fiscal Incentives Act of 1990, the International Business and Pub-

lic Companies (IBC) Act, the Export Processing Zone (EPZ) Act of 1990, and the Commercial Free Zone (CFZ) Act of 1995. No sectors are closed to foreign investment, but special permits and licenses for activities mostly reserved for Belize citizens—merchandising, sugar cane cultivation, internal transportation, beekeeping, accounting, beauty salons, etc.—may not be granted to foreigners. Fiscal incentives include tax holidays up to 25 years, tax and duty exemptions, reduced rents, and guaranteed repatriation of initial investment and profits.

IBCs are offered a host of tax exemptions and other incentives. EPZs offer duty exemptions on imports of capital equipment, spare parts, office furniture, and intermediate goods; tax exemptions; tax holidays of 20 years with options to extend; and no-cost work permits for professional and technical staff and up to 20% of the workforce. CFZ businesses are offered comparable incentives tailored to commercial enterprises. Three locations are designated EPZs-CFZs: the San Andres EPZ, eight miles from the Mexican border; an area adjacent to the Philip Goldson International Airport; and Price Barracks near Belize City.

Foreign direct investment was only us\$7 million in 1987. In 1997, FDI was us\$11.9 million, but rose to us\$19 million 1998, and peaked at us\$56 million in 1999. In 2000, FDI inflow was us\$27.6 million and in 2001, us\$34.2 million. In 2004, FDI amounted to us\$254.8 million. In 1999, amendments to existing legislation and new legislation—the Gaming Control Act, the Retired Persons (Incentive) Act, the Limited Liability Partnership Act, the Mutual Funds Act, the International Insurance Act, the Belize Business Bureau Act, and the International Financial Services—provided the legal framework for expanded offshore services, e-commerce and real estate development. The government also began the sale of Belize citizenship to those willing to pay from \$35,000 up to \$50,000 for the honor, especially to those from the United States, the United Kingdom, Ireland, and Canada. More CFZs are being created in Belize City, Benque Viejo del Carmen, and Punta Gorda. E-zones, equipped with the latest information technology, were fused with the EPZs. All concessions must be negotiated through BELTRAIDE.

### 39 ECONOMIC DEVELOPMENT

The government has opted to concentrate on developing agriculture, livestock, forestry, fishing, and tourism as foreign exchange earners. The main sources of bilateral aid are the United States and the United Kingdom; of multilateral aid, the United Nations (UN), Caribbean Development Bank (CDB), Organization of American States (OAS), and the Inter-American Development Bank (IDB). Belize joined the OAS and IDB in 1992 in a move to increase its access to developing financing and external technical cooperation.

Belize undertook several fiscal adjustment measures in 1996, including the retrenchment of the public sector work force and the introduction of a major value-added tax (VAT) of 15%. These two measures caused an increase in annual inflation from 3.2% in 1995 to 4.7% in 1996 and an increase of 1.3% in the rate of unemployment, to 13.8% of the labor force. In 2005, the inflation rate was estimated at 3%. The unemployment rate stood at 12.9% in 2003.

The National Development Strategy 1996–2000 drafted by the Ministry of Economic Development stressed fiscal restraint, and identified activities to stimulate private sector development, in-

cluding physical infrastructure improvement and financial sector reforms. Belize continues to strive toward meeting these goals.

A rural electrification project was underway in 2001–02, and the government pledged \$20 million to restore essential services such as health and education facilities and transportation networks to communities harmed by Hurricane Keith. The government is investing in projects to alleviate poverty. The government has been engaged in implementing an IDB-funded project to improve the competitiveness of the country's agricultural products in foreign markets. The country aims to promote the growth of commercial agriculture through Caribbean Community and Common Market (CARICOM) although most of its trade is conducted with the United States and Europe, not with other Caribbean nations. Tourism averaged 20% of gross domestic product (GDP) from 1997–2005, but the industry was adversely affected by the September 2001 terrorist attacks on the United States and the subsequent decline in tourism to the region.

#### 40 SOCIAL DEVELOPMENT

Social security systems provide benefits to all employed persons aged 14–64. Both employers and employees make contributions towards old age pensions, disability, survivor, and health benefits. Retirement is set at age 60 for both men and women. There is a social assistance program for women aged 65 and older. Sickness and maternity benefits are available, as well as work injury. Full medical care is provided at government hospitals and clinics, and if necessary, treatment abroad is available.

Women have access to education and are active in all areas of national life, but face domestic violence and certain types of discrimination in the business sector. In 2004 domestic violence reports against women increased. The Women's Bureau of the Ministry of Labor and Social Services develops programs to improve the status of women. Despite these efforts, few women hold top managerial positions, and women generally earn less than their male counterparts. Child abuse is not a societal problem, however there are reports of families selling daughters to older men.

The rights of minority groups in Belize are generally well protected, although there have been continued reports of poor treatment of immigrant agricultural workers. Human rights are generally respected, although as of 2004 there have been reports of excessive police force and other violations. Prison conditions are improving.

#### 41 HEALTH

Belize is relatively free of endemic diseases; during 1996–2000, communicable diseases were on the decline. Cardiovascular disease, mental illness, external trauma, and HIV/AIDS are significant public health problems. In 1995, 9,413 malaria cases were diagnosed. Belize was reported as a cholera-infected country in 1996, with 25 reported cases during that year. There are eight public hospitals. The Cayo and Belize districts have two hospitals each and all the remaining districts have one. There are 40 health centers and 35 rural satellites. As of 2004, there were an estimated 105 physicians and 126 nurses per 100,000 people.

Life expectancy was 68 years in 2005 and the infant mortality rate for that year was 25 per 1,000 live births. The total fertility rate was 4.0 per woman. There were 30 births per 1,000 people in 1999. The total mortality rate was estimated at 4.6 deaths per 1,000 people as of 2002. About 90% of one-year-old children had

been vaccinated against measles by the mid-1990s. Approximately 82% of the Belize population had access to safe water and 57% had access to adequate sanitation. However, only 69% of rural households in the south of the country had safe water. The HIV/AIDS prevalence was 2.40 per 100 adults in 2003. As of 2004, there were approximately 3,600 people living with HIV/AIDS in the country. The government has implemented a strategic program to deal with the AIDS epidemic.

#### 42 HOUSING

Housing is inadequate, overcrowding is prevalent, and the situation has been aggravated by hurricane devastation (such as Hurricane Mitch 1998 and Hurricane Keith 2000). The government has put aside small sums for low-cost housing programs.

According to the 2001 census, about 83% of the population lived in undivided private homes and about 62% of all housing units were owner-occupied. About 44% of all households contained five or more members. About 32.8% of the housing stock was built in the period 1980–94; about 22% was built in 1979 or before. Only about 26% of all households had piped water leading directly into their homes. Another 17% had access to piped water to their yards. About 43.9% of the population still used outdoor pit latrines; but about 50% were linked to septic tanks or the public sewer system.

#### 43 EDUCATION

Primary education is free and compulsory for children between the ages of 5 and 14. Primary schooling covers an eight-year course of study. Secondary education covers four years and consists of either a general course of study or classes at a vocational or trade school. Most schools are church-affiliated but still supported by the government. About 28% of children between the ages of three and four attend some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 69% of age-eligible students. The student-to-teacher ratio for primary school was at about 21:1 in 2003. The ratio for secondary school was about 23:1.

The University of Belize was founded in 2000 by the merger of the University College of Belize (est. 1986), Belmopan Junior College, Belize School of Nursing, Belize School of Education, and Belize College of Agriculture. The University of the West Indies maintains a School for Continuing Education (SCE) in Belize. There are also several colleges providing specialized training such as the Belize Technical College, the Belize Teachers' College, and the Belize Vocational Training Center. In 2003, it was estimated that about 2% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 76.9%, with 76.7% for males and 77.1% for females.

The Ministry of Education, Youth, and Sports is the primary administrative body. As of 2003, public expenditure on education was estimated at 5.2% of GDP, or 18% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library Service maintains a central library in the Bliss Institute, a children's library, and a branch library in Belize City. The National Library Service was established in 1966 to over-

see the nation's public library system. In 2003, the public library network included 12 branch (operating on a full-time basis) and 17 sub libraries (open only about 20 hours per month). The University of Belize Library System includes four department branch libraries and one resource center, including the Management and Social Science Library (MASS Library) and the Engineering Resource Center.

The Museum of Belize, opened in 2002, houses historical and cultural exhibits in a former prison. The remains of the ancient Maya civilization—the best known are at Xunantunich—are being excavated by the government. The Department of Archaeology in Belmopan houses artifacts thus far uncovered.

#### 45 MEDIA

Belize is connected by radiotelegraph and telephone with Jamaica, Guatemala, Mexico, and the United States. This service, along with cable and telex services, is operated by Cable and Wireless Ltd. An automatic telephone network, covering the entire country, is operated by the Belize Telecommunications, which was fully privatized in early 1992. In 2003, Belize had 33,300 mainline telephones and 60,400 mobile phones in use.

The Belize National Radio Network, a government station in Belize City, transmits in English and Spanish. The first privately owned commercial radio station began broadcasting in 1990. In 2004, there were 10 privately owned commercial radio stations and 1 British military station. There were also two privately-owned television stations and several cable stations. The Belize Broadcasting Authority regulates all broadcasting and retains the right to preview certain broadcasts. In 1997, there were 133,000 radios and 41,000 television sets in use nationwide. In 2002, there were 30,000 Internet users in the country.

There are no daily newspapers. The largest weeklies in 2002 were *Amandala* (*Black Power*, circulation 45,000) and *The Reporter* (6,500), both published in Belize City. *Belize Today*, a monthly publication out of Belmopan, has a circulation of 17,000. The Belize Press Association was formed in 1995.

Though Belize's constitution assures the freedom of speech and press, there are provisions for the curtailment of these freedoms, including a law forbidding citizens from questioning financial statements submitted by public officials. The Supreme Court has warned journalists that questioning the integrity of the court or of its members could result in criminal charges. The government makes free use of Belize's largest radio facilities to produce partisan advertisements and party propaganda. The Belize Broadcasting Authority (BBA) asserts its right to delete defamatory or libelous material from political broadcasts.

#### 46 ORGANIZATIONS

The Belize Chamber of Commerce and Industry has its headquarters in Belize City. There are active workers' unions and professional associations, including the Belize Citrus Growers' Association and the Belize National Teachers' Union.

Youth organizations include the Belize Union of Students and Youth (BUSY), YMCA, YWCA, The Scout Association of Belize,

an organization of Girl Guides, and a branch of the Red Cross Youth as part of the national chapter of the Red Cross. There are sports associations in the country for such pastimes as tennis, football (soccer), and track and field.

The United Democratic Party National Organization of Women (UPNOW) encourages involvement in party activities and educates women about political and social issues. The group also serves to defend women against discrimination and violence.

There are active chapters of Habitat for Humanity, the Lions Club, and Kiwanis International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Belize is attracting growing numbers of tourists to its Mayan ruins, its barrier reef (the longest in the Western Hemisphere), and its beaches, forests, and wildlife. Tourist arrivals totaled 220,574 in 2003; mostly from the Americas. There were 5,050 hotel rooms in Belize with 8,166 beds and an occupancy rate of 41%. Visitors stayed an average of seven nights.

In 2005, the US Department of State estimated the cost of staying in Belize City at us\$183 per day.

#### 48 FAMOUS BELIZEANS

George C. Price (b.1919), leader of the PUP, became the country's first premier in 1964. Manuel Esquivel (b.1940), leader of the UDP, was prime minister from 1984–89 and from 1993–98. Said Wilbert Musa (b.1944) succeeded Esquivel in 1998.

#### 49 DEPENDENCIES

Belize has no territories or colonies.

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# BOLIVIA

Republic of Bolivia  
*República de Bolivia*



**CAPITAL:** La Paz (administrative capital); Sucre (legal and judicial capital)

**FLAG:** The flag is a horizontal tricolor of red, yellow, and green stripes, representing the animal, mineral, and vegetable kingdoms.

**ANTHEM:** *Himno Nacional*, beginning “Bolivianos, el hado propicio coronó nuestros volos anhelos” (“Bolivians, propitious fate crowned our outcries of yearning”).

**MONETARY UNIT:** The boliviano (B) was introduced on 1 January 1987, replacing the peso at a rate of P1,000,000 = B1. There are coins of 2, 5, 10, 20, and 50 cents and 1 boliviano and notes of 2, 5, 10, 20, 50, 100, and 200 bolivianos. B1 = \$0.12330 (or \$1 = B8.11) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some Spanish weights are still used in retail trade.

**HOLIDAYS:** New Year’s Day, 1 January; Labor Day, 1 May; National Festival, 5–7 August; Columbus Day, 12 October; All Saints’ Day, 1 November; Christmas, 25 December. Movable holidays include Carnival, Ash Wednesday, Holy Thursday, Good Friday, Holy Saturday, and Corpus Christi.

**TIME:** 8 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in South America just N of the Tropic of Capricorn, Bolivia has a total area of 1,098,580 sq km (424,164 sq mi), extending about 1,530 km (950 mi) N–S and 1,450 km (900 mi) E–W. Comparatively, the area occupied by Bolivia is slightly less than three times the size of the state of Montana. Completely landlocked, Bolivia is bounded on the N and NE by Brazil, on the SE by Paraguay, on the S by Argentina, on the SW by Chile, and on the W by Peru, with a total boundary length of 6,743 km (4,190 mi).

The capital city of Bolivia, La Paz, is located in the west-central part of the country.

## <sup>2</sup> TOPOGRAPHY

Bolivia has three geographic zones: the Andean highlands in the southwest, running north to south; the moist slopes and valleys on the eastern side of the Andes, called the Yungas and Valles; and the eastern tropical lowland plains, or Oriente. In Bolivia, the Andes, divided into two chains, attain their greatest width, about 640 km (400 mi), and constitute about one-third of the country. Between the Cordillera Occidental, forming the border with Chile and cutting Bolivia off from the Pacific, and the complex knots of the Cordillera Oriental lies a broad sedimentary plateau about 4,000 m (13,000 ft) above sea level, called the Altiplano, which contains about 28% of Bolivia’s land area and more than half of its population. In the north of this plateau, astride the border with Peru, lies Lake Titicaca, 222 km (138 mi) long and 113 km (70 mi) wide; with its surface at an altitude of 3,805 m (12,484 ft), it is the highest navigable lake in the world. The lake is drained to the south by the 322-km (200-mi) Desaguadero River, which empties into shallow, salty Lake Poopó. Farther south are arid salt flats.

The Cordillera Oriental has high habitable basins and valleys collectively referred to as the Puna. Bolivia’s most majestic moun-

tains are in the northern part of the Cordillera Oriental around Lake Titicaca, where the mountain sector is capped with snow; the highest of these is Ancohuma (6,550 m/21,489 ft). Illimani and Illampu, both rising more than 6,400 m (21,000 ft), overlook the city of La Paz, which is protected from cold winds by its position in the spectacular gorge formed by the headwaters of the La Paz River. The three important valleys of this region, Cochabamba, Sucre, and Tarija, are from 1,830 to 3,050 m (6,000 to 10,000 ft) in altitude.

Bolivia’s important rivers descend across the Yungas and Valles into the low tropical plains of the Oriente, which comprises three-fifths of the land but has only about one-fifth of the population. The Guaporé, the Mamoré, the Beni, and the Madre de Dios rivers cross the often-flooded northern savanna and tropical forests, all converging in the northeast to form the Madeira, which flows into Brazil. The plains become drier in the southeast, forming Bolivia’s scrub-covered Chaco. Crossing the Chaco to the southeast, the Pilcomayo River leaves Bolivia to form the border between Paraguay and Argentina.

## <sup>3</sup> CLIMATE

Although Bolivia lies entirely in the tropics, extreme differences in altitude and rainfall give it a great variety in climate. The mean annual temperature of La Paz, at 3,697 m (12,130 ft), is about 8°C (46°F); that of Trinidad, in the eastern lowlands, is 26°C (79°F). In the western highlands, cold winds blow all year round; at night the temperature often drops below freezing, but the sun is intense and the air brilliant during the day. The rainy season lasts from December to February, but during most of the year the high Altiplano plateau is parched and inhospitable. Around Lake Titicaca, rainfall is adequate, but there is less than 13 cm (5 in) a year in the

extreme southwest. The fertile valleys in the Cordillera Oriental have a warmer, semiarid Mediterranean climate.

The Yungas and Valles have a semitropical, moist climate that gradually becomes hotter as one descends from the eastern slopes of the Andes to the tropical eastern lowlands. Rainfall is heavy in the northeast, and floods are common in March and April. The lowland plain becomes drier to the south, until it reaches drought conditions near the Argentine border.

#### **4 FLORA AND FAUNA**

Bolivia shares much of the wide variety of flora and fauna found in the four countries surrounding it. Because of the wide range in altitude, Bolivia has plants representative of every climatic zone, from arctic growth high in the sierra to tropical forests in the Amazon basin. On the high plateau above 3,050 m (10,000 ft) grows a coarse bunch grass called ichu, used for pasture, thatching, and weaving mats. A reed called totora, which grows around Lake Titicaca, is used for making small fishing boats (balsas). The low bushlike tola and the resinous mosslike yareta are both used for fuel. The Lake Titicaca region is believed to be the original home of the potato.

In the tropical forest, the quinine-producing quina tree grows, as does the Pará rubber tree. There are more than 2,000 species of hardwoods. Aromatic shrubs are common, as are vanilla, sarsaparilla, and saffron plants. Useful native plants include palms, sweet potatoes, manioc, peanuts, and an astonishing variety of fruits. The Chaco is covered with a prickly scrub collectively called monte; tannin-producing quebracho trees also abound there.

On the Altiplano, the most important animal is the llama, one of the most efficient carrier animals known; alpaca and guanaco and several varieties of cavy (guinea pig) are found there, too. Lake Titicaca has several varieties of edible fish. In the tropical Amazon region are the puma, coati, tapir, armadillo, sloth, peccary, capiguara (river hog), and ant bear, as well as several kinds of monkeys. Birdlife is rich and varied. The Andean condor, usually found in the mountain regions, is the largest flying bird in the Americas. Reptiles and an enormous variety of insects are found below 3,050 m (10,000 ft).

#### **5 ENVIRONMENT**

The chief environmental problem in the densely populated Altiplano is soil erosion, resulting from poor cultivation methods (including slash-and-burn agriculture) and overgrazing. Erosion affects about 30% of the land in Bolivia. Salinity and alkalization are also a significant problem. Inadequate sanitation and solid-waste disposal, as well as effluents from mining activities, contribute to the Altiplano's declining water quality, which poses a threat both to fish life and to human health. Bolivians have about 316 cu km of renewable water resources, but only 95% of the city dwellers and 68% of all rural people have access to improved water sources. The main sources of water pollution are fertilizers, pesticides, and mining. Most environmental legislation dates from the 1970s, when Bolivia enacted the Health Code of 1978 (which contains provisions governing water quality), the National General Forest Act of 1974, and the Law of Wildlife, National Parks, Hunting, and Fishing (Decree Law No. 12,301) of 1975.

In July 1987, the Bolivian government became the first government in history to agree to protect a part of its environment in

return for a reduction of its foreign debt, when Conservation International, a US nonprofit group, purchased \$650,000 of the debt in return for Bolivia setting aside 1.5 million hectares (3.7 million acres) of tropical lowlands in three conservation areas. As of 2003, 13.4% of Bolivia's total land area was protected. There are eight Ramsar wetland sites in the nation. The Department of Science and Technology, within the Ministry of Planning and Coordination, plans and coordinates all governmental and intergovernmental activities related to the environment.

As of 2002, there were at least 316 species of mammals, 504 species of birds, and over 17,360 species of plants. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 26 types of mammals, 30 species of birds, 2 types of reptiles, 21 species of amphibian, and 70 species of plants. Another 100 species of animals were considered to be near threatened or at a low concern of threat. Endangered species in Bolivia included the puna rhea, South American river turtle, broad-nosed caiman, spectacled caiman, black caiman, jaguar, jaguarundi, margay, ocelot, emperor tamarin, and giant anteater. The llama and the alpaca are also threatened with extinction.

#### **6 POPULATION**

The population of Bolivia in 2005 was estimated by the United Nations (UN) at 8,922,000, which placed it at number 85 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 37% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.1%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 12,018,000. The population density was 8 per sq km (21 per sq mi).

The UN estimated that 63% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.50%. The capital city, La Paz (administrative capital) had a population of 1,477,000 in that year. Sucre (legal and judicial capital), had a population of 190,000. Santa Cruz, a departmental capital, had a metropolitan population of 1,352,000. Other important departmental capitals and their estimated populations include Cochabamba, 815,800; Oruro, 211,700; and Potosí, 115,000.

#### **7 MIGRATION**

Aside from Spaniards during the colonial period, European immigration has been insignificant. Small numbers of Italians, Poles, and Germans have settled mainly in the vicinity of La Paz and Cochabamba, and some Jewish refugees from Nazi Germany arrived in the 1930s. After World War II, about 1,000 Japanese settled in colonies around Santa Cruz and became successful in truck farming, and several hundred Okinawan families established themselves as rice growers in the same area.

From the 1950s to the 1980s, migration to neighboring countries increased: 30,000 left Bolivia in 1950–55; 40,000 left in 1980–85. Since the emigrants tend to have basic training or technical skills, a drain of important human resources is occurring. A number of Bolivian *braceros* (contract agricultural laborers) go to northwestern Argentina to work in rice and sugar harvests. In the 1970s, Brazilian settlers, drawn by improved railroad and high-





LOCATION: 9°40' to 22°53' s; 57°29' to 69°35' w. BOUNDARY LENGTHS: Brazil, 3,400 kilometers (2,108 miles); Paraguay, 750 kilometers (465 miles); Argentina, 832 kilometers (516 miles); Chile, 861 kilometers (535 miles); Peru, 900 kilometers (558 miles).

way links, migrated to northeastern Bolivia in growing numbers; these immigrants had a substantial influence on the region, since they continued to speak Portuguese and to use Brazilian currency as their medium of exchange. Within the country, migration is swelling the sparsely populated lowlands, particularly in Santa Cruz and its environs. High unemployment among agricultural laborers and miners has caused significant migration to the cities. The net migration rate estimated for 2005 was -1.27 migrants per 1,000 population. The government views the migration levels as satisfactory.

As of 2000, the number of migrants in Bolivia totaled 61,000. In 2004 there were 546 refugees living in Bolivia. Worker remittances for 2003 totaled \$85.5 million.

## 8 ETHNIC GROUPS

Among the Amerindian population, an estimated 30% are Quechua and 25% are Aymará. Cholos (Bolivians of mixed white and Amerindian lineage) make up another 25 to 30%, and those of wholly European background account for virtually all of the re-

mainder. One reason for the uncertainty of these estimates is that although the distinction between Amerindian, cholo, and white was at one time racial, it has gradually become at least partially sociocultural: Amerindians become cholos when they abandon their native costumes, learn to speak Spanish, and acquire a skill or trade. Not all those classified as whites are without some Amerindian mixture.

The rapidly disappearing Amerindians who populate the tropical plains in the southeast, the Chiriguano, are believed to be a Guaraní tribe that moved west from Paraguay before the Spanish conquest. The Mojenos, Chiquitanos, and Sirionós inhabit the forest-grassland border in the far east.

## <sup>9</sup>LANGUAGES

Spanish, Quechua, and Aymará are all official languages. Spanish as spoken by educated Bolivians differs less from Castilian than do the dialects of many regions in Spain itself. An increasing number of Amerindians also speak Spanish.

## <sup>10</sup>RELIGIONS

Roman Catholicism is the official religion. As such, the Roman Catholic Church receives support from the state and exercises a certain degree of political influence through the Bolivian Bishops' Conference. Courses in Catholicism are offered in public schools, but students of other faiths are not required to attend. Non-Catholic organizations register with the Ministry of Foreign Affairs and Worship for tax and legal benefits, but unregistered groups are not restricted from gathering. Freedom of religion is provided for in the constitution and this right is generally respected in practice.

According to a 2001 survey, about 78% of the population were Roman Catholic. Between 16 and 19% of the population were Protestant, including Mennonites, Lutherans, Mormons, Methodists, Seventh-Day Adventists, Baptists, Pentecostals, and various evangelical groups. There is a Mormon temple in Cochabamba which is believed to serve more than 100,000 Mormons from across the country. Less than 0.2% of the population were affiliated with other faiths such as Judaism, Bahá'ism, Islam, Buddhism, and Shintoism. There is a small Jewish community with a synagogue in La Paz, as well as a Muslim community with a mosque in Santa Cruz. Korean immigrants also have a church in La Paz.

Indigenous beliefs and rituals are exercised by the Aymará, Quechua, Guaraní, and Chiquitano, many of whom practice a blend of Roman Catholicism and traditional customs. Common traditional beliefs include a focus on Pachamama, who is a mother earth figure, and Akeko, a god of luck, harvests, and abundance.

## <sup>11</sup>TRANSPORTATION

Transportation in Bolivia has been seriously impeded both by the geographic configuration of the country and by the concentration of population and mineral wealth in the mountain regions. Railroads and highways twist along the Andean Range, and are often blocked by mudslides during the rainy season. The shortage of transportation facilities is one of the most serious barriers to economic development. Railroads are almost entirely single, 1,000 m narrow gauge track, totaling 3,519 km (2,189 mi) in 2004. The railway system, National Railway Co, is in two distinct parts separated by the eastern Andes. All of the trackage was government owned and operated until privatized in 1996. A major portion of

the railway system, the Andina, services the Altiplano, the western mountainous region, providing vital international connections with Pacific coast ports. The remaining track, the Oriental, connects the eastern city of Santa Cruz with Brazil and Argentina. An important route to Puerto Suárez eventually reaches the Brazilian port of Santos, while the line to Argentina via Villazón continues on to Buenos Aires. Two smaller lines (157 km/98 mi) are run by the Mining Corp. of Bolivia and by the Pulacayo mining enterprise.

In 2003, of a total of 60,762 km (37,794 mi) of roads, only about 4,314 km (2,683 mi) were paved, including 11 km (7 mi) of expressways. The Cochabamba-Santa Cruz highway, completed in 1963, was a major achievement in connecting lowland and highland Bolivia. In 2003 there were 493,600 motor vehicles, of which 203,500 were passenger cars, and 290,100 were commercial vehicles.

Airlines are particularly important in view of Bolivia's topography and the underdevelopment of other means of transportation. In 2004, there were an estimated 1,065 airports, only 16 of which had paved runways as of 2005. The hub of air traffic is El Alto airport near La Paz, the world's highest commercial airport; the other international airport is at Santa Cruz. Lloyd Aéreo Boliviano (LAB), with 50% government capital, services most of the country. In 2003, a total of about 1.768 million passengers were carried on scheduled international and domestic flights. Military Air Transport, operated by the air force, provides some civilian freight and passenger service, and numerous air taxi companies are also in service.

Little use has been made of Bolivia's 10,000 km (6,214 mi) of commercially navigable waterways. The merchant marine had 32 vessels (1,000 GRT or over), totaling 413,407 GRT in 2005. There are no regular riverboat services. Bolivia has free port privileges at Antofagasta and Arica (Chile), at Mollendo (Peru), and at Santos (Brazil).

## <sup>12</sup>HISTORY

By about AD 600, Amerindians (believed to belong to the Aymará-speaking Colla tribe) were settled around the southern end of Lake Titicaca. As they came into contact with coastal tribes, the highly developed classic Tiahuanaco civilization emerged, reaching its peak about AD 900. Lake Titicaca became a place of worship and a great commercial center. Then cultural and political disintegration set in, and by 1300, the Quechua-speaking Incas had conquered the region and had colonized villages in most of what is now Bolivia.

The demise of the Inca empire began in 1527 with the death of the Inca Emperor Huayna Capac. His two sons, Huáscar and Atahualpa, fought a civil war over succession. Francisco Pizarro, taking advantage of the civil war raging between the two heirs, led the Spanish conquest of the Inca Empire in 1532–33. In 1539, Pedro de Anzures established La Plata, subsequently called Charcas and Chuquisaca and now known as Sucre, Bolivia's legal and judicial capital.

The Spaniards did not become interested in the land called Alto Peru, or Upper Peru, until the discovery in 1545 of the fabulously rich silver mine called the Cerro Rico (Rich Hill) de Potosí. Three years later, La Paz was founded on the main silver transport route between Potosí and the coast. In 1559, the *audiencia* (region un-

der a royal court) of Charcas was established in Upper Peru under the viceroyalty of Lima. The mines continued to produce vast amounts of wealth for the Spanish Empire, and for years the city of Potosí was the largest city in the Western Hemisphere. In 1776, the *audiencia* was appended to the viceroyalty of La Plata (Buenos Aires).

The independence of Upper Peru came from the revolt of the small, native-born Spanish ruling class. In 1809, a year after Napoleon's invasion of Spain, the Spanish authorities in Chuquisaca (Sucre) were temporarily overthrown, and the local elite proclaimed independence. The movement was quickly put down by Spanish arms. The young government in Buenos Aires showed some interest in the region, having included delegates from Upper Peru when independence was declared at the Congress of Tucumán in 1816. However, independence came from Peru, after Simón Bolívar's victory at the battle of Ayacucho in December 1824. Bolívar then sent his young general, Antonio José de Sucre, to free Upper Peru. On 6 August 1825 a congress at Chuquisaca formally proclaimed the independence of the Republic of Bolívar, a name soon changed to Bolivia. Sucre was chosen as the first president in 1826, and Chuquisaca was renamed Sucre in his honor.

A period of instability followed, with civilians and army officers succeeding one another, usually by force of arms. The almost constant civil war retarded Bolivia's economic organization and helped bring about the loss of a large part of its land. The first of these losses came after the War of the Pacific (1879–84), pitting Chile against Bolivia and Peru. Chile's superior military force routed the Bolivians and seized what was then the Bolivian port of Antofagasta. The postwar settlement took away Bolivia's only coastal territory, as well as the nitrate-rich coastal area around it. Bolivia was forever after a landlocked country, with only rights of access to the Pacific under a 1904 treaty. Another territorial loss came in 1903 with the cession to Brazil of the Acre region, rich in natural rubber, in exchange for an indemnity and other minor concessions. Sucre was driven out of office after only two years. He was succeeded by Gen. Andrés de Santa Cruz, a man with imperial ambitions. In 1836, Santa Cruz conquered Peru and formed the Peruvian-Bolivian Confederation. In 1839, Chilean forces defeated and dissolved the confederation and ended the life term of Santa Cruz.

The economy was aided in the late 19th century by a silver boom. When prices collapsed, silver production gave way to tin mining. The dominance of mining in Bolivia's economy conditioned the political system. A few wealthy mine and plantation owners, allied with various foreign interests, competed for power. Indians, excluded from the system, found their lot unchanged after almost 400 years.

This arrangement began to unravel with yet another loss of Bolivian territory. In 1932, Bolivia warred with Paraguay over the Chaco, the lowland area believed at the time to be rich in oil. Despite their numerical superiority, the Bolivians were defeated by 1935, and Paraguay controlled about three-fourths of the disputed territory. The formal settlement in 1938 gave most of this land to Paraguay, although Bolivia was promised a corridor to the Paraguay River.

The Chaco war pointed out the weaknesses in Bolivia's political and social structure. Bolivia's loss was in part due to the poor morale of its soldiers, an army of conscripted Indians with no loy-

alty to the elite officer corps. In 1936 Bolivia's rigid caste system cracked, and Col. David Toro came to power with labor support and a vaguely socialist/nationalist platform. The government expropriated Standard Oil of New Jersey's Bolivian properties in 1937. Toro's government attempted social reform, and its efforts to control mining and banking led to fierce opposition. The tension continued after Toro was forced out of office by Col. Germán Busch. Busch challenged Bolivia's three large tin-mining interests, owned by Patiño, Aramayo, and Hochschild. With strong labor backing, Busch arranged for the constitution of 1938, a document guaranteeing the right of labor to organize, universal education, and nationalized subsoil rights. The very next year, Busch died in what was officially ruled a suicide.

World War II brought further strains to Bolivia. As world demand skyrocketed, the tin market boomed, but working conditions remained miserable, and wages remained low. In 1942, protests by tin workers against the "tin barons" and their American financiers were met with force by the government of Gen. Enrique Peñaranda, resulting in the "Catavi massacre." Wishing to retain the strategic materials in mid-war, the United States commissioned a US-Bolivian commission to study working conditions. This report confirmed the workers' grievances, but was completely ignored by Peñaranda. In December of 1943, a coalition of the army and the Nationalist Revolutionary Movement (Movimiento Nacionalista Revolucionario—MNR), which had gained considerable support among the mineworkers, engineered a coup, ousting Peñaranda and putting Maj. Gualberto Villarroel into power. The tin market collapsed at the war's end, weakening the government's power base. In 1946, Villarroel was overthrown and hanged, along with others, by a mob of workers, soldiers, and students, and a conservative government was installed.

In 1951, the MNR's candidate, Víctor Paz Estenssoro, a former associate of Villarroel, apparently won the presidential election, but a military junta stepped in, denying the legality of the vote. Paz, representing the left wing of the MNR, became president in 1952 as a result of a party-led uprising. For the next 12 years, Bolivian politics would be dominated by the MNR.

The leadership of the MNR was shared by four men: Paz, Juan Lechín Oquendo, leftist head of the miners' union, Hernán Siles Zuazo, close ally of Paz, and the right-wing Walter Guevara Arze. A pact among the four was to allow them to take turns in the presidency over the next 16 years. The Paz government made dramatic moves in an attempt to transform Bolivian society. The tin holdings of the three dominant family interests were expropriated, and a comprehensive land reform program was begun, along with wide-scale welfare and literacy programs. Industry was encouraged, the search for oil deposits was accelerated, and a new policy gave Amerindians the right to vote and sought to integrate the Amerindian community more fully into the national economy. The right to vote, previously restricted to literate Bolivian males (who constituted less than 10% of the population), was made universal for all Bolivians over 21.

In 1956, as expected, Hernán Siles succeeded to the presidency. But Siles only governed under Paz's watchful eye, and in 1960, Paz challenged the candidacy of Guevara Arze. Guevara went into exile, and Paz again assumed the presidency, with Lechín as his vice president. Paz became increasingly dictatorial, and the splits within the MNR worsened. Paz conspired to give himself yet another

er presidential term, complete with rigged elections in June 1964. Siles, now leading the right wing of the MNR, and Lechín, now leading the leftist opposition, conducted a hunger strike protesting Paz's authoritarian designs. Finally, the military defected when it became clear that Paz was without any allies. The military coup occurred in November 1964, with the junta selecting as president Paz's vice president René Barrientos Ortuño.

Barrientos moved quickly to consolidate his new government, removing Paz's old supporters and sending Lechín into exile. In the following year, a military faction forced Barrientos to allow Gen. Alfredo Ovando Candia to become his "co-president." This odd arrangement was resolved in 1966 with new elections. Barrientos and his newly formed Popular Christian Movement won a resounding victory.

In 1967, an active guerrilla movement with pro-Castro tendencies emerged in southeastern Bolivia. The Bolivian authorities imprisoned the French intellectual Jules Régis Debray, who revealed that the famous comrade of Fidel Castro, Ernesto "Che" Guevara, was leading the guerrilla movement. Later in the year, the Bolivian army apprehended and killed Guevara.

Barrientos died in a helicopter crash in April 1969, and a civilian, Vice President Adolfo Siles Salinas, became president. Siles was overthrown in September by Barrientos' former rival, Gen. Ovando, who presented himself as a presidential candidate for 1970 but then canceled the election. In October 1970, President Ovando was overthrown by rightist elements of the military, but the next day a leftist faction succeeded in making Gen. Juan José Torres Gonzales the new president.

The Torres regime was marked by increasing political instability. Backed by students and the Bolivian Labor Council, Torres expelled the US Peace Corps, permitted the expropriation of both US and privately owned Bolivian properties, sanctioned the seizure of land by landless peasants, established a labor-dominated People's Assembly, and declared his support for the reestablishment of diplomatic relations with Cuba. In a bloody three-day revolution in August 1971, the Torres government was ousted by a coalition of the armed forces and political leaders from the MNR and the Bolivian Socialist Falange (Falange Socialista Boliviana—FSB), together with other middle-class groups. The leader of the coup was Hugo Bánzer Suárez, who was installed as president later in the month. Bánzer consolidated his support with the founding of the Nationalist Popular Front, which became the political framework of the new government. Ex-president Paz returned from exile to head the MNR.

The first threats to the Bánzer government came from the left. There were reports late in 1971 of renewed activity by the Guevarist National Liberation Army. The government launched a vigorous antiguerrilla campaign and claimed nearly complete success. In 1973, however, Bánzer's coalition began to splinter. In 1974, when the MNR threatened to withdraw from the coalition, Paz went into exile again. After two coup attempts had been crushed in the fall of 1973 and two others in the summer of 1974, Bánzer formed a new all-military cabinet. In November 1974, the MNR, the FSB, and other political parties were abolished, and trade union meetings were declared illegal.

In response to industrial and political unrest, Bánzer announced the restoration of political parties in 1977 and of unions in 1978. He promised to hold new elections in July 1978. Paz again re-

turned from exile to run. The election results were annulled, however, and a new military government came to power in a bloodless coup. Another election took place in July 1979, but because no candidate received a majority and the Congress could not decide whom to select from among the three main candidates, an interim president was named. Another coup followed in November, but constitutional government was restored only two weeks later, in the wake of popular resistance. New presidential and congressional elections in June 1980 again failed to produce a majority winner, and in July there was another coup, staged by Gen. Luis García Meza, who promptly suspended the Congress, banned most political parties and all union activity, and established strict censorship in order to remove the "Marxist cancer" from Bolivia. Paz again went into exile. During the García regime there were frequent reports of arbitrary arrests, use of torture, and other human rights violations. In August 1981, García, who was suspected, along with other top officials in the government, of involvement with the cocaine trade, was deposed in a coup—the 190th in Bolivian history. He went into exile in Argentina in October 1982, and in May 1983, he was ordered arrested on charges of "corruption and economic crimes"—specifically, the fraudulent use of government funds in agricultural, construction, and oil refinery deals. Meanwhile, under two more military governments, political and union rights were gradually restored.

In October 1982, amid a worsening economic situation and increasing labor unrest, the Congress elected Hernán Siles Zuazo to the presidency. Siles, returning to office 22 years after the end of his previous presidency, could still count on electoral support, and had received a plurality of votes in the 1979 and 1980 elections. His shaky coalition faced continued economic problems, including food shortages and rampant inflation, and a right-wing threat from paramilitary groups whose activities were reportedly financed by cocaine smuggling. In November 1983, the Bolivian government announced an austerity program that included a 60% devaluation of the peso and hefty food price increases. By mid-1985, Siles had so mismanaged the economy and the political situation that labor unrest and social tension forced him to call national elections and to agree to relinquish power a full year before the expiration of his term. Bánzer won a plurality of the popular vote, but the MNR won more seats in the congressional elections, resulting in a fourth term of office for the 77-year-old Paz. In a departure from the norm, the MNR and Bánzer's party agreed to cooperate, allowing a comprehensive economic reform package to pass through the legislature.

Faced with runaway inflation, which reached an annual rate of 14,000% in August 1985, the government abandoned controlled exchange rates, abolished price controls, liberalized external trade, and instituted more restrictive monetary and wage policies. The result was sharply lower inflation and interest rates, and a more stable economy, although the shocks of this liberalization were felt through government layoffs and falling consumer buying power.

More importantly, Paz was able to forge a fundamental consensus among competing political parties in support of a continuing democracy. In 1989, despite a hotly contested presidential race, power passed from the MNR to the left-wing movement of the Revolutionary Left (MIR). The peaceful transfer of power from one party to another was a milestone in itself. An equally hopeful sign was the fact that the MIR leader, Jaime Paz Zamora, was able

to hold together a coalition with the right-wing national Democratic Alliance (ADN) to serve a full four-year presidential term. In Bolivia, this is a major accomplishment.

The elections of 1993 brought the MNR back to power, with Gonzalo Sánchez de Lozada assuming the presidency. Sánchez chose as his running mate Victor Hugo Cárdenas, an advocate for Bolivia's Aymara-speaking Amerindians. While some saw the move as a cynical ploy, others expressed hope that Bolivia's long-suffering native population might be brought into the political system. Sánchez de Lozada's administration embarked on a wide-ranging program of reforms that included decentralization of government, tariff reduction, educational reform, and most notably, a major privatization campaign. State enterprises that were privatized included the national railroad, the state-owned airline, and the nation's electric power generation facilities. Sánchez de Lozada's plans also included privatization of Bolivia's mining sector through joint ventures with foreign investors. In spite of continued economic stabilization and progress, the government's policies drew protests and labor strikes leading to the declaration of a 90-day state of siege in 1995.

In 1997, Gen. Hugo Bánzer, the former dictator who had tried unsuccessfully to regain power by legal means since his ouster in 1978, came in first in the June presidential elections and, in the absence of an electoral majority, was chosen by Congress to be the nation's next president. Bánzer, a conservative democrat, pledged to halt his predecessor's privatization program while improving basic services and expanding jobs. Shortly into his term, Bánzer faced growing social unrest resulting from an economic crisis and the government's inability to fight corruption and implement an effective anti-narcotics program. Due to health reasons, Bánzer resigned in 2001 before the end of his term and was replaced by his young vice president Jorge Quiroga who served as a caretaking president until Gonzalo Sánchez de Lozada, the plurality winner in the June 2002 election, took office for the second time in his life. After failing to win a majority of the popular vote, Sánchez de Lozada was elected by Congress over second-place finisher, indigenous and peasant activist Evo Morales.

Sánchez de Lozada's second term was marked by social and political upheaval. One year into his term, the economy was stagnant, and social and racial tensions kept the country in turmoil. Sánchez de Lozada's initiative to attract foreign investments to exploit Bolivia's large and rich natural gas reserves was met with indignant opposition by indigenous leaders. Social protests against Sánchez de Lozada turned violent and the government ordered the police to repress protestors. The vice president, Carlos Mesa Gisbert, announced his withdrawal of support for Sánchez, thus forcing him to resign. Mesa was appointed president and promised to implement social and economic reforms to mitigate poverty and bring about political reform. Mesa also took on a harder stance against Chile and promised that Bolivian natural gas would not be exported through Chilean ports. Although he did experience some positive response, Mesa soon found himself under the same heavy fire that brought his predecessor down. Mesa was forced to resign on 9 June 2005. A new care-taking government, led by Supreme Court President Eduardo Rodríguez, took charge to conduct new presidential elections.

Indigenous leader Evo Morales was widely seen as the favorite to win the presidential election. Having led the opposition against

Sánchez de Lozada and Mesa, Morales was blamed for the political instability that characterized Bolivia in the preceding years. Yet, he was also the most important indigenous political leader and represented an excluded class of Bolivians who had been historically subjected to neglect and poverty. Thus, his electoral victory was considered the only way to bring about stability and political inclusion.

Presidential elections were held in December 2005. Evo Morales won an absolute majority of the vote (53.7%) and became the first indigenous president in Bolivia's history. He defeated former President Jorge Quiroga (28.6%). Morales's strong showing was unusual for Bolivia, where presidents are usually elected by Congress after candidates fail to get an absolute majority of the vote. Evo Morales is the leader of the Movement Towards Socialism (MAS). MAS obtained a clear majority control of the Chamber of Deputies (72 seats in the 130-member Chamber) and 12 of the 27 seats in the Senate. As of this election there had been no other president in Bolivian history that had enjoyed such a clear mandate. Morales promised to bring about economic reforms to help the marginalized and poor, to fight corruption, and nationalize mining interests.

### 13 GOVERNMENT

Constitutionally, Bolivia is a centralist republic. The constitution of 3 February 1967 (amended in 1994) provides for a representative democracy, with its government divided into an executive branch, a bicameral legislature (a Congress consisting of a Chamber of Deputies and a Senate), and the judiciary. President Morales promised to call special elections in 2006 for a constitutional assembly mandated with drafting a new constitution.

Bolivia has had a spotty constitutional history. The current constitution is the result of a series of actions begun by the military junta that took control in November 1964. The junta replaced the 1961 constitution with the 1945 constitution, as amended in 1947. At the same time, it retained those sections of the 1961 constitution that dealt with universal suffrage, nationalization of the tin mines, land reform, and compulsory education. The 1967 constitution was further amended to circumscribe the power of militia forces. In practice, the constitution has not been rigorously observed. Coups and states of siege have been frequent. Congress was dissolved by the armed forces from 1969 to 1979 and again between 1980 and 1982. The constitution was amended in 1994 to give more power to the president and recognize indigenous people. If successful, President Morales would have a new constitution written. It would be the first where an indigenous majority took an active role in shaping the institutional order of Bolivia.

Under the constitution, the president and the vice president are elected by direct popular vote for a four-year term and cannot serve consecutive terms. If no candidate receives a majority in a presidential election, the Congress chooses among the three leading candidates. However, between 1966 and 1978, no presidential elections were held. The president's powers are considerable, and presidential authority often extends beyond the constitution. The president has the prerogative to declare a state of siege and may then rule by decree for 90 days. The Congress consists of 27 senators (three from each department) and 130 deputies. Deputies and senators are elected for five-year terms concurrently with the president. Bolivia utilizes a form of proportional representation to

ensure minority representation in the Chamber of Deputies and an incomplete-list system for the Senate. The regular session of Congress lasts for 90 days.

Universal suffrage, with no literacy or property qualifications, was decreed in 1952 for married persons at 18 years and single persons at 21. The constitution includes a bill of rights, which guarantees the right to express ideas freely, petition the government, and obtain a release under a writ of habeas corpus in case of illegal detention.

## 14 POLITICAL PARTIES

Bolivia's proportional representation system has encouraged the formation of several political parties. Numerous parties and coalitions have formed and dissolved over the years, usually tied to the personalities of the various leaders.

The Nationalist Revolutionary Movement (Movimiento Nacionalista Revolucionario—MNR) was founded by Víctor Paz Estenssoro, Hernán Siles Zuazo, and others in 1941. Although militant originally, the years have moderated the party's stance. The MNR came to power in 1952, with the help of the Revolutionary Workers Party, the carabineros (national police), and the miners' and peasants' militias. In the subsequent years, the MNR began to rely increasingly on foreign aid, especially from the United States, and became increasingly autocratic and corrupt. Finally, quarreling among the party leadership weakened the party, and by 1964 the MNR's monopoly on power had dissolved. In November 1964, Paz was sent into exile in Peru.

The MNR was then eclipsed by the charisma of President René Barrientos and his Popular Christian Movement. The MNR returned as part of the Nationalist Popular Front, organized by Hugo Bánzer Suárez. Bánzer then outlawed the MNR in November 1974. In the late 1970s, the MNR reappeared, along with a dissident MNRI (the "MNR of the left") headed by Hernán Siles.

With the restoration of Bolivian democracy, the MNRI won the presidency under Siles along with a coalition of leftist parties that included the Communist Party of Bolivia and the Movement of the Revolutionary Left (Movimiento de la Izquierda Revolucionaria—MIR), headed by Jaime Paz Zamora. MIR was an active partner in the Siles government; Paz Zamora was the vice president, and several MIR officials were in the cabinet. MIR won the presidency in 1989 after an extremely close election, and only after seeking support from the right wing Democratic Nationalist Alliance (Alianza Democrática Nacionalista—ADN).

The ADN was closely tied to former President Hugo Bánzer Suárez until his death. Bánzer, a former military officer, came to power in an alliance with the MNR, but eventually ruled as a military dictator. This right-wing party was denied power in 1985 by the MNR/MIR coalition. However, the ADN was instrumental in bringing Paz Zamora to power, and held half the ministerial positions in that government. In the most recent presidential election, the ADN candidate only managed to obtain 6.3% of the vote, generating doubt about the future of a party associated with the late leader, Hugo Bánzer.

In June 1997 Bánzer, whose dictatorial regime ruled Bolivia from 1971 to 1978, placed first in the nation's presidential election and, with the backing of Congress, was sworn in as president in August. Bánzer's own party, the ADN, formed a coalition government with the MIR, the UCS, and Condepa. In 2002, former

president Sánchez de Lozada narrowly edged peasant activist Evo Morales in the presidential election. As mandated by the constitution, Congress had to choose the president from among the top two vote-getters. Sánchez de Lozada, who had obtained 22.5% of the vote, won with overwhelming support from most established political parties, but new groups and party splinters supported Morales. The alternative candidates demonstrated little willingness to work with the Sánchez de Lozada administration but they also failed to mount an organized and coherent political opposition. The strength of political parties in Bolivia has been weakened by the emergence of populist activists like Morales and by the resistance of aging party leaders like Sánchez de Lozada and Paz Zamora to retire from politics. In addition to the center-left MNR, the leftist MIR, and the center-right ADN, leading political parties include the New Republican Force (NFR) and Movement Toward Socialism (MAS), both populist parties created by presidential candidates Manfred Reyes and Evo Morales respectively. Morales narrowly edged Reyes out in the 2002 presidential election to face Sánchez de Lozada in the runoff election in the electoral college. As a result of no candidate winning a majority in the June 2002 election, Sánchez de Lozada was chosen president by Congress. Morales led MAS strong parliamentary representation during the unstable Sánchez de Lozada and Mesa governments. After the 2005 elections, MAS, whose indigenous identity shapes its politics and policies, was the largest political party in the country.

Democratic and Social Power (PDS), a new alliance formed around former President Jorge Quiroga, became the second-largest party in congress after the 2005 elections. With a center-left, free market approach, PDS sought to replace the discredited and weakened rightwing MNR and ADN parties.

## 15 LOCAL GOVERNMENT

Bolivia is essentially a unitary system, with a highly centralized national government. Bolivia's nine departments—La Paz, Cochabamba, Chuquisaca, Potosí, Oruro, Santa Cruz, Tarija, El Beni, and Pando—were historically administered by prefects appointed by the president for four-year terms. However, in the 2005 elections, Bolivians also chose their provincial prefects directly. The departments are subdivided into 94 provinces, each headed by a subprefect appointed by the prefect. The provinces are further divided into 1,713 cantons, each of which is under the jurisdiction of a magistrate (*corregidor*). As of 1997, Bolivia had 312 municipalities. There are no local legislatures. Important towns and cities have more self-government. Each has a popularly elected council of from 5 to 12 members, but municipal tax ordinances must be approved by the Senate. Mayors (*alcaldes*) are also elected. The Amerindian communities, although they are not formal administrative units, are recognized by law.

## 16 JUDICIAL SYSTEM

The Bolivian judiciary usually defers to the political direction of the nation's executive. Judicial power is exercised by the Supreme Court, the superior district courts in each department (courts of second instance), and the local courts (courts of first instance). The Supreme Court, which sits at Sucre, is divided into four chambers: two deal with civil cases, one with criminal cases, and one with administrative, mining, and social cases. The 12 Supreme Court judges, called ministros, are chosen for 10-year terms by

a two-thirds vote of the Chamber of Deputies from a list of three names submitted for each vacancy by the Senate. They may be re-elected indefinitely.

Most cases that reach the Supreme Court are appellate; its area of original jurisdiction is limited mainly to decisions on the constitutionality of laws and to disputes involving diplomats or important government officials. Each district court judge is elected by the Senate for six years from a list of three submitted by the Supreme Court.

The district courts usually hear appeals from the courts of first instance. Judges of the courts of first instance (tribunales and juzgados) are chosen by the Supreme Court from a list submitted by the district courts. There is also a separate national labor court and an agrarian court, dealing with agrarian reform cases.

Defendants have a right to counsel, to confront witnesses, to present evidence, and to appeal. These rights are generally respected.

## 17 ARMED FORCES

As of 2005, Bolivia's armed forces totaled 31,500 active personnel, of which the Army numbered 25,000, the Navy 3,500, and the Air Force 3,000 personnel. The Army's equipment included 36 light tanks, 24 reconnaissance vehicles, 77 armored personnel carriers, and over 168 artillery pieces. The Navy's main naval units were 60 patrol/coastal vessels and 18 support vessels. The service also had a 1,700 member Marine force. The Air Force had 37 combat capable aircraft that included 18 fighter ground attack aircraft. Paramilitary forces consisted of a national police force of more than 31,100 and a narcotics police force of over 6,000. Bolivia participated in seven UN peacekeeping missions. The defense budget totaled \$146 million in 2005.

## 18 INTERNATIONAL COOPERATION

Bolivia is a charter member of the UN, having joined on 14 November 1945, and participates in several specialized agencies, such as the FAO, IFC, IMF, ILO, UNESCO, UNIDO, the World Bank, and WHO. Bolivia joined the WTO on 12 September 1995. The country is also a member of the Cartagena Group (G-11), G-77, Río Group, the Amazon Pact, the Latin American Economic System, the Latin American Integration Association, the OAS, the Inter-American Development Bank, and the Andean Community of Nations. Bolivia is an associate member of Mercosur.

The country is part of the Nonaligned Movement and the Agency for the Prohibition of Nuclear Weapons in Latin American and the Caribbean (OPANAL). Bolivia has offered support to UN efforts in Kosovo (est. 1999), Liberia (est. 2003), Sierra Leone (est. 1999), East Timor (est. 2002), Burundi (est. 2004), Côte d'Ivoire (est. 2004), and the DROC (est. 1999). The country is a signatory of the 1947 Río Treaty, an inter-American security agreement.

In environmental cooperation, Bolivia is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Seas, Climate Change, and Desertification.

## 19 ECONOMY

Bolivia is one of the Western Hemisphere's poorest countries, despite an abundance of mineral resources. Its economy has always been dependent on mineral exports, principally of tin, but these have gradually declined since World War II. Little of the nation's great agricultural and forest potential has been developed; agriculture remains little above the subsistence level, and Bolivia must import large quantities of food. Moreover, evidence is that the coca crop eradication program, without effective crop substitution, has led to a substantial contraction in the informal market. The opening in 1999 of the \$2-billion, 3,150-km (1,969-mi) Bolivia-Brazil pipeline holds the promise of the development of new export markets—in Brazil and, eventually, in the United States, via extensions into Mexico—for Bolivia's previously untapped natural gas reserves, but the project has been fraught with controversy and delays. Originally agreed to in 1974, construction did not begin until 1994, and then it was under a contract that gave Enron Corporation a 40% share, allegedly without a proper bidding process. Protests against Enron's involvement began immediately, but after Enron's bankruptcy in 2001, many new complaints surfaced concerning its failure to meet the terms of the contract, including its failure to donate a promised \$10 million for rural electrification; its failure to supply land deeds for indigenous people whose land was being transversed by the pipeline; its failure to secure financing for the project (a task eventually taken over by Brazil), and, its failure, apparently, to make any investments in the project beyond an undocumented \$22 million in the planning stage.

In 2003, President Sánchez de Lozada, who in a previous term had sponsored the "capitalization" program that brought in private foreign investors like Enron as partners in public sector enterprises and who had won a second term in June 2002, faced violent protests that threatened to unseat the government. In February 2003, there were violent clashes with coca farmers, and in March, the police joined protests against an IMF-sponsored tax hike, which the government subsequently rescinded. Sánchez de Lozada appealed to foreign governments, particularly the United States, for \$100 million in immediate aid to help his government survive, and as of June 2003, the Bush administration had sent \$10 million. The United States gives Bolivia \$150 million a year in aid conditional on the government's satisfactory progress in the coca crop eradication and crop substitution program.

Bolivian economic production grew at a fairly steady rate of about 5% during the 1960s and 1970s; but in the 1980s, after the second oil shock, growth turned negative. Inflation, which had averaged 3.5% in the 1960s, averaged 22% in the 1970s, and then got out of control in the early 1980s, after the second oil shock. Attempts to implement IMF austerity programs to contain inflation back-fired in the face of violent protests and government efforts to their limit human costs. When world tin prices plummeted to a fraction of production costs in 1985 after the collapse of the International Tin Agreement (ITA), a consumer-producer international commodity agreement (ICA) for tin, inflation reached as high as 24,000%. After 1985, a strong anti-inflation consensus allowed the government to apply strong austerity measures that brought annual inflation down to 10.87% by 1987. In August 1985, President Paz implemented a drastic anti-inflationary program: he floated the peso, froze public-sector wages, cut public spending, eliminated controls on bank interest rates, authorized banks to make

foreign-currency loans and offer foreign-currency accounts, initiated a comprehensive tax reform, eliminated price controls, established a uniform 20% tariff, removed tariff exemptions, eliminated virtually all import and export restrictions, and modified labor laws to permit greater flexibility in hiring and firing. The immediate result was a jump in capital repatriation and retention as a result of the rise in interest rates. The government also restructured several public-sector institutions, including the Central Bank and COMIBOL, the national mining corporation. The Central Bank closed several branches and reduced staff by 70%, and COMIBOL closed numerous mines and dismissed nearly 20,000 workers. Inflation was held to double digits until 1993, after which averages have been held to single digits.

In 1994, the first Sánchez de Lozada government introduced the innovative “capitalization” plan for privatizing six major state enterprises (the national airlines, the railways, electricity, telecommunications, the ironworks, and, most controversially, the oil and gas corporation). The plan provided for a private company to take over 50% ownership plus the operation of the enterprise, with the other shares distributed to the adult population to be deposited in private pension funds. Bolivia’s high foreign debt obliged it to seek private partners in order to raise capital. The average GDP growth between 1977 and 1987 was -1.8%, but this improved during the 1990s with an average rate of 4.2%. By 1999, Bolivia was in its second decade of democratic rule and its thirteenth consecutive year of economic expansion. Market reforms were firmly in place, investment was growing steadily and inflation under control, at 4.4% in 1998. Privatization of state-owned industries had improved the investment environment of Bolivia. Growth was led by energy (particularly investments in the gas pipeline to Brazil and in hydrocarbons exploration), mining, and agriculture (particularly in soy products as a substitute for coca).

In 1999, however, real GDP growth slowed to 0.4% due mainly to the Brazilian financial crisis, which caused revenues from the newly opened Bolivia-Brazil gas pipeline to fall well below expectations. Another factor thought to be dampening growth was the success of the coca crop eradication program coupled with a lack of success in crop substitution. An estimated 50,000 to 60,000 hectares of coca had been eliminated by 2002, leaving between 5,000 and 10,000 hectares (although in 2003 there were reports of substantial increases). An improvement to 2.4% growth in GDP in 2000 was cut short by the world-wide economic slowdown in 2001, during which growth fell to 1.2%. Inflation also increased in 2000, to 4.8%, up from 2.4% in 1999, but then declined to 1.6% in 2001. Real GDP growth in 2002 was estimated at 2.5%, and average inflation at a new low of 0.9%.

On 2 April 2002, the IMF agreed to a one-year standby arrangement with the government with credit totaling about \$120 million, less than Bolivia’s IMF quota. For 2003, the government has laid out a program it hopes to see supported by a three-year arrangement under the IMF’s Poverty Reduction and Growth Facility (PRGF), established in 1999 and normally permitting borrowing up to 140% of a country’s quota. The program aims at containing public sector borrowing while increasing social expenditures, containing inflation, increasing international reserves, and adopting policies to strengthen the banking sector.

As of 2004, Bolivia’s GDP per capita remained lower than many other countries in the region (including Mexico, Chile, Venezuela, Argentina, Uruguay, Brazil, Peru, Ecuador, Colombia, and Paraguay). Its GDP growth rate was also less than all of the same countries, with the exception of Bolivia. With an inflation rate less than 5%, however, Bolivia’s consumer prices were near average for the region.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Bolivia’s gross domestic product (GDP) was estimated at \$23.6 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,700. The annual growth rate of GDP was estimated at 3%. The average inflation rate in 2005 was 5.4%. It was estimated that agriculture accounted for 12.6% of GDP, industry 35%, and services 52.4%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$126 million or about \$14 per capita and accounted for approximately 1.6% of GDP. Foreign aid receipts amounted to \$930 million or about \$105 per capita and accounted for approximately 12.3% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Bolivia totaled \$5.8 billion or about \$658 per capita based on a GDP of \$8.1 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.3%. In 2001 it was estimated that approximately 37% of household consumption was spent on food, 11% on fuel, 9% on health care, and 14% on education. It was estimated that in 2004 about 64% of the population had incomes below the poverty line.

## 21 LABOR

Bolivia’s labor force was estimated at 4.22 million in 2005. In 2000, (the latest year for which data was available), the 28.2% of the work force was in manufacturing, while 4.9% was in agriculture, and 66.8% in the services sector. As of 2005, unemployment in Bolivia was estimated to be widespread. In the country’s urban areas, the unemployment rate was estimated at 8% that year.

Workers may form and join unions, but the labor courts and inadequate government laws undermine the effectiveness of this right. The government must authorize a union, may dissolve a union, and must confirm the legitimacy of elected officers. Workers, however, are generally not penalized for union activity. The Bolivian Labor Federation theoretically represents all workers, but only one half of the employees actually belong. About 25% of the country’s workers in the formal economy belong to unions. However, the formal economy covers only about 30% of the country’s entire workforce. Strikes are prohibited in public services, although some strikes were initiated and workers were not penalized.



The law prohibits child labor under age 14, but this is generally ignored. According to statistics from UNICEF and the Bolivian government, about 32% of the country's children and adolescents between the ages of 7 and 19 were engaged in some kind of work. The minimum wage is subject to annual negotiation and in 2005 was set at \$55 per month. This does not provide a decent standard of living, and most workers earn more than the minimum. However, the minimum wage does not cover the 30% of workers in the informal sector. The workday is set at eight hours a day with a maximum of 48 hours per week, but this is not effectively enforced.

## 22 AGRICULTURE

An estimated 2.9% of Bolivia's land area is devoted to arable farming and permanent crops. Agricultural development has been impeded by extremely low productivity, poor distribution of the population in relation to productive land, and a lack of transportation facilities. Prior to 1953, about 93% of all privately owned land was controlled by only 6.3% of the landowners. The agrarian reform decree of August 1953 was aimed at giving ownership of land to those working it and abolishing the large landholdings (latifundios). By 1980, 30.15 million hectares (74.5 million acres) had been distributed to 591,310 families. In 2004, 43% of Bolivia's economically active population was engaged in agriculture.

Except around Lake Titicaca, about two-thirds of the cultivated land on the Altiplano lies fallow each year. Dry agriculture is the rule, and the most important crops are potatoes, corn, barley, quinoa (a millet-like grain), habas (broad beans), wheat, alfalfa, and oca (a tuber). The potato is the main staple; dehydrated and frozen to form chuño or tunta, it keeps indefinitely. The Yungas and Valles contain about 40% of the cultivated land. The eastern slopes, however, are too steep to permit the use of machinery, and erosion is a serious problem despite the practice of terracing. The most lucrative crop in the Yungas is coca, which is chewed by the local population and from which cocaine is extracted. The government allows up to 12,000 hectares (29,600 acres) of legal coca cultivation to supply the legitimate pharmaceutical market. The net production of coca leaf was estimated at 29,100 tons in 2003, down from 85,000 tons in 1995. Coca leaf production represents about 20% of world production. Coffee, cacao, bananas, yucca, and aji (a widely used chili pepper) are also important. In the fertile irrigated valleys, the important crops are corn, wheat, barley, vegetables, alfalfa, and oats. The Tarija area is famous for grapes, olives, and fruit. The region east of Santa Cruz de la Sierra, where most of the nation's unused fertile lands lie, is considered the "promised land" of Bolivian agriculture. Lowland rice production is increasing rapidly and already satisfies domestic need. The sugar grown there is used mostly for alcohol, but in the 1960s, the mills increased their refining capacity, thus meeting internal consumption requirements. In the tropical forests of the northeast, the Indians practice slash-and-burn agriculture.

The leading commercial crops are soybeans, cotton, sugar, and coffee. Production in 2004 for selected crops was soybeans, 1,670,000 tons; seed cotton, 80,000 tons; sunflowers, 167,000 tons; wheat, 107,900 tons; coffee, 24,000 tons; sugar, 4.8 million tons; and rice, 304,500 tons. Droughts and freezing weather in the west

during the 1990s caused harvests to fall for basic crops like quinoa, potatoes, barley, and garden vegetables.

## 23 ANIMAL HUSBANDRY

In 2004 there were an estimated 6.8 million head of cattle, 8.6 million sheep, 1.5 million goats, 3 million hogs, 635,000 donkeys, and 323,000 horses. Poultry numbered 75 million in 2004.

The main cattle-raising department is El Beni, in the tropical northeast, which has about 30% of the nation's cattle. In 1994, a joint program began with Brazil to eradicate and control hoof and mouth disease in cattle, which had caused exports of beef to fall that year. Cochabamba is the leading dairy center, and improved herds there supply a powdered-milk factory. Genetic development helped increase milk production from an average of 113,000 tons annually during 1989–91 to 233,000 tons by 2004. The Amerindians of the high plateau depend on the llama because it can carry loads at any altitude and provides leather, meat, and dung fuel. Leading animal product exports are hides, alpaca and vicuña wool, and chinchilla fur. Breeding of alpacas and llamas is by and large left to chance; disease is rampant, and production is low, considering the relatively large numbers of animals. Llamas and alpacas are grown for their wool and meat in the Altiplano of La Paz, Potosí, and Oruro. In 1995, the llama population was about two million, and the alpacas numbered 324,336. The United Nations and the Integrated Association of Camelmen in the High Andes began a program in 1994 to improve the quality of the animals' meat and wool.

## 24 FISHING

Fishing is a minor activity in Bolivia. A few varieties of fish are caught in Lake Titicaca by centuries-old methods and sent to La Paz. The catch was 6,974 tons in 2003. Bolivia has some of the world's largest rainbow trout, and Bolivian lakes are well stocked for sport fishing.

## 25 FORESTRY

Bolivia is potentially one of the world's most important forestry nations. More than half of the total area is held as public land by the state, and more than 40 million hectares (100 million acres) of forest and woodland are maintained as reserves or for immediate exploitation. About 53% of Bolivia's land area consists of forests and woodlands. Trees are mostly evergreens and deciduous hardwoods, with the richest forests on the Andes' eastern slope along the tributaries of the Amazon; humid tropical and subtropical forests account for 37% of Bolivia's forests. More than 2,000 species of tropical hardwoods of excellent quality, such as mahogany, jacaranda, rosewood, palo de balsa, quina, ironwood, colo, and cedar, abound in this area. Sawmills are few, however, and the almost total lack of transportation facilities has made exploitation expensive. Most of the sawmills are in the eastern department of Santa Cruz. Roundwood production in 2003 was 2.86 million cu m (101 million cu ft), up from 1.6 million cu m (56 million cu ft) in 1991. About 50% of Bolivia's exports are derived from forestry.

## 26 MINING

Bolivia has traditionally been a mining country—mining was the country's top industry—producing antimony, bismuth, copper, gold, lead, silver, tungsten, and zinc. It had large reserves of gold, lithium, iron ore, natural gas, and petroleum.

Production totals for 2003 were: zinc, 144,985 metric tons; gold, 9,362 kg; silver, 465,309 kg; tin, 16,755 metric tons; lead, 9,740 metric tons; antimony, 2,911 metric tons; tungsten, 556 metric tons; rough amethyst, 144 kg; hydraulic cement, 1,138,000 metric tons; and arsenic, 276 metric tons. The richest and most productive alluvial gold deposits were located in Challana and the Kaka, the Mapiiri, and the Tipuani River valleys, in the northern area of La Paz Department.

For two centuries following the discovery of silver at Cerro Rico de Potosi in 1545, the area that became Bolivia was the largest producer of silver. Cerro Rico was protected as a United Nations Educational, Scientific, and Cultural Organization site, making the use of expensive backfill mining techniques necessary to maintain the mountain's shape. New studies at the base of the mountain estimated 3.3 million kg of silver in its gravel bed channel deposits.

Bolivia's tradition of state-owned monopolies has been a highly politicized topic; the government's capitalization plan became a way to bring Bolivia the benefits of privatization, without entirely turning over state companies to private investors. Mining codes enacted in 1991 allowed foreign firms to operate with fewer restrictions and replaced royalties with a 30% tax on profits. By 1994, privately owned commercial mines became the dominant producers, responsible for 52% of the value of all mine production. In 2000, the medium-sized mining sector was responsible for 59% of the value of mine production; the small-sized mining sector accounted for 36%; and COMIBOL's share was 2%, down from 25% in 1997, and 51% in 1985. Starting in 1999, companies looking to invest in the minerals sector were granted a deferral on value-added tax and customs duty payments, representing a savings of up to 20% on investment project costs. The large number of available prospects and a new mining code have encouraged mineral exploration in the country.

## 27 ENERGY AND POWER

Capacity at Bolivian electric power plants rose from 267,000 kW in 1970 to 1.3 million kW in 2001 and stood at 1.228 million kW in 2002. Of the last amount, 25% was hydroelectric and 75% thermal. Electric power output in 2000 was 3.8 billion kWh, of which 50.1% was hydroelectric, 48.4% was from fossil fuels, and 1.5% was from other sources. In 2002, electric power output rose to an estimated 4.049 billion kWh, of which, 2.202 billion kWh was generated by hydroelectric means; 1.766 was produced by thermal sources; and 0.081 billion kWh was from geothermal or other sources. Bolivia's national electrical grid, Sistema Interconectado Nacional (SIN) connects approximately 83% of the nation's installed generating capacity. The 17% that remains is independent of the grid and is classified as "Aislados." As of 2003, SIN was supplied by nine generating firms, of which, three: Empresa Electrica Valle Hermoso (EVH); Empresa de Generacion Guaracachi (EGSA); and Compania Boliviana de Energia Electrica (COBEE), supplied 58% of the power. Consumption of electricity in 2000 to-

taled 3.6 billion kWh. In 2002, consumption was estimated at 3.8 billion kWh.

According to the Oil and Gas Journal (OGJ), Bolivia has the fifth-largest proven reserves of crude oil in South America at 441 million barrels as of January 2004. However, the estimates tend to vary. Bolivia's Ministry of Mining and Hydrocarbons reports that the nation's proven reserves stand at 462 million barrels, as of end 2003. While Bolivia's domestic oil production is able to meet the country's internal needs, the country must still import certain petroleum products, in particular, diesel. As of November 2004, refinery capacity stood at 67,000 barrels per day. Production of natural gas has gradually increased from the mid-1980s until the early 1990s. Meanwhile, estimates of Bolivia's natural gas reserves keep growing. In 2002, Bolivia's natural gas reserves were put at 680 billion cu m (24 trillion cu ft), according to an official estimate. As of January 2004, the nation's proven reserves of natural gas were placed at 27.6 trillion cu ft by the Bolivian government. If potential reserves are included, Bolivia may have the second-largest in South America. Estimated production in 2000 was 3.3 billion cu m (116 billion cu ft). In 2004, production totaled 8.5 billion cu m.

The first phase of a pipeline project linking Bolivia to São Paulo, Brazil, was completed in February 1999 at a cost of \$2.1 billion and went into operation later the same year. Future pipeline plans include a pipeline to northern Chile, and a project to run a pipeline to Asunción, Paraguay, with a possible extension to Curitiba, Brazil. In February 2002 Bolivia and Brazil signed an agreement pledging further cooperation in the energy sector, including the possibility of a new \$5 billion gas pipeline.

## 28 INDUSTRY

Historically, industrial development has been severely restricted by political instability, the small domestic market, the uncertain supply of raw materials, and the lack of technically trained labor. Domestic industry supplies less than one-fourth of the processed food and manufactured goods consumed. Over one-half of manufacturing output is in nondurable consumer goods—food, beverages, tobacco, and coffee. Handicrafts and hydrocarbons account for much of the remainder.

At their peak, Bolivia's tin mines accounted for 70% of the country's total export earnings, but in 1985 the London Metal Exchange abruptly halved the price of tin, causing economic chaos. The ensuing economic stabilization program was a mixed blessing to industry. The easing of foreign-exchange restrictions, the uniform 20% tariff, and the significant reduction in duties on nonessential consumer goods improved the availability of raw materials and semi-manufactured goods, thereby stimulating industrial growth.

In 1992, growth in the construction industry was a remarkable 15%, sustained both by the larger number of public works projects and by private investment. By 1995, this growth had slowed to 5%. The manufacturing sector grew by 3.8% in 1995, with the largest gains occurring in agriculture-based industries despite the problems resulting from the precarious state of agriculture. The mining and hydrocarbon sector contracted because of the decline in mining output and stagnation in the production of petroleum and natural gas. The drastic reduction of COMIBOL's production resulted from the closing of several mines and frequent labor dis-

putes. The slump in the hydrocarbons subsector was because of the depletion of a number of wells, lack of investment in exploring for new deposits, and the torrential rains that damaged the infrastructure of the state-owned company.

In the late 1990s, Bolivia experienced a renaissance in the mining and hydrocarbons sectors due to privatization of the state-owned interests in these sectors. This attracted foreign interest in developing the energy and minerals potential of the country. In 2002, Bolivia had three oil refineries with a production capacity of 63,000 barrels per day.

The construction and manufacturing sectors were experiencing a slowdown in 2002, after three years of a stagnant economy. The development of the country's infrastructure was expected to be an engine for industrial growth, however. The opening of a gas pipeline to Brazil in 1999 was expected to take in much of Bolivia's natural gas production.

## 29 SCIENCE AND TECHNOLOGY

The Bolivian National Academy of Sciences was founded in 1960. Notable scientific and technological research institutes and learned societies include the Bolivian Geological Service and Bolivian Petroleum Institute, both in La Paz. Bolivia has eight universities offering courses in basic and applied sciences. In 1987–97, science and engineering students accounted for 30% of college and university enrollments. In 2002, Bolivia had 118 researchers and 6 technicians per million people actively engaged in research and development (R&D). In that same year, Bolivian expenditures on R&D totaled \$60.692 million or 0.28% of GDP. Higher education accounted for 31% of R&D expenditures in 2002, with 20% coming from the government, 14% from foreign sources, 19% from nonprofit institutions, and 16% from business. Undistributed expenditures accounted for the remainder. High technology exports in 2002 totaled \$15 million, or 7% of all manufactured exports.

## 30 DOMESTIC TRADE

La Paz is the chief marketing center. Oruro is second to La Paz as a market for imported goods and is the main distributing center for mining supplies. Santa Cruz is also quickly becoming an important market center for imported goods. Cochabamba distributes its agricultural production to La Paz and the mining districts. Though most retail is accomplished through small shops and street vendors, there are a number of large import houses and wholesalers in the major cities. In more rural areas, most buying and selling is carried on at weekly markets and village fairs and barter may still be common. Advertising has become highly developed over the past few years, with television being the most used medium, followed by newspapers and radio. There are at least 12 major market research firms active in the country.

In the past decade, the government has sponsored several programs of capitalization/privatization for public sector enterprises. Under these programs, investors receive 50% of the companies' shares and management control but are required to invest directly into the company for a number of years. However, many of these companies are controlled by foreign investors, which has made some capitalization plans nationally unpopular. In 2000, violent protests over plans to capitalize the water company of Cochabamba forced the government to cancel an arrangement with foreign investors and keep the utility under public control.

Regular retail store hours are weekdays, 9 AM to noon and 2:30 to 6:30 PM. Business hours differ somewhat by city. In La Paz and Cochabamba, hours are 9 AM to noon and 2:30 PM to 6:30 or 7 PM. In Santa Cruz, hours are generally from 7 or 8 AM to 4:30 PM with a two-hour lunch break around the middle of the workday. Bank hours are 9 AM to noon and 2 to 4:30 PM.

## 31 FOREIGN TRADE

Bolivia depends primarily on its mineral exports, especially zinc, natural gas, and gold. Tin exports, which had been an integral part of the Bolivian export schedule, have been gradually decreasing since 1946. The 1985 devaluation of tin caused major problems in the Bolivian economy, and now tin plays a minor role in Bolivia's exports, as the country moves to diversify. Exports of natural and manufactured gas and petroleum are expected to surpass those of other minerals in the future, as a new pipeline has facilitated exports of natural and manufactured gas to neighboring Brazil. In 2004, natural gas exports totaled \$619.6 million, and zinc exports totaled \$151 million. Agricultural exports include wood, oil seeds, soya, and animal feed. Principal imports include \$984.6 million in raw materials and semi-manufactures, \$498.4 million in capital goods, and \$407.4 million in consumer goods.

The United States has historically been Bolivia's chief trading partner. However, recently Bolivia has been diversifying its trade relations to include more regular trade with regional and European partners. As a member of the Comunidad Andina (CAN—Andean Community), Bolivia has been trading with the other members, including Peru, Venezuela, Colombia, and Ecuador. Since 1997, Bolivia has also been an associate member of the Mercado Comun del Sur (Mercosur—the Southern Cone customs union). Though devaluations in Brazil and Argentina (1999 and 2002 respectively) and nontariff barriers in CAN have discouraged trade somewhat, Brazil has nonetheless become Bolivia's main trading partner due to gas exports (something that China has been increasingly interested in importing, as well). Bolivia's drive to diversify its exports is assisted by Chinese demand for soybeans and other Bolivian commodity exports.

### Principal Trading Partners – Bolivia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,650.7	1,684.5	-33.8
Brazil	495.9	343.4	152.5
United States	236.0	302.9	-66.9
Colombia	170.4	48.1	122.3
Switzerland-Liechtenstein	165.9	6.7	159.2
Venezuela	155.5	8.8	146.7
Peru	89.5	104.4	-14.9
Argentina	56.6	281.4	-224.8
Chile	43.7	122.0	-78.3
United Kingdom	33.5	13.5	20.0
Mexico	21.0	34.7	-13.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Bolivia (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>35.6</b>
Balance on goods	75.1	
Imports	-1,498.3	
Exports	1,573.4	
Balance on services	-179.4	
Balance on income	-301.1	
Current transfers	441.0	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-64.1</b>
Direct investment abroad	-2.5	
Direct investment in Bolivia	166.8	
Portfolio investment assets	-68.2	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	-463.3	
Other investment liabilities	303.0	
<b>Net Errors and Omissions</b>		<b>-33.0</b>
<b>Reserves and Related Items</b>		<b>61.6</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

tial Norms Financial Committee (CONFIP) regulates finance companies. The Bolivian Development Corp. channels credits from the Inter-American Development Bank into industrial expansion projects.

There are 13 private banks, accounting for over 85% of the deposits and loans of the financial system. Private banks, which had been under strict control since 1953, were largely deregulated in mid-1985. Commercial banks include: Banco Boliviano Americano (BBA), Banco de Credito de Bolivia, Banco de la Nacion Argentina, Banco de La Paz, Banco de la Union, Banco Economico, Banco Industrial SA (BISA), Banco Mercantil, Banco Nacional de Bolivia, Banco Real, Banco Santa Cruz, and Citibank. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$717.9 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$3.7 billion. The money market rate, or the rate at which financial institutions lend to one another in the short term, was 6.99%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 8.5%.

The Bolivian Stock Exchange is the main stock exchange, with seven listed companies trading in 1995. There is also the Santa Cruz Stock Exchange.

**3<sup>2</sup> BALANCE OF PAYMENTS**

Unlike many nations, Bolivia has no large earnings from tourism or shipping to compensate for trade deficits. After World War II, falling exports and rising imports led to depletion of the nation's gold and foreign currency reserves. By 1969, in part because of increased US aid, the unfavorable balance had been considerably reduced; five years later, thanks to import restrictions and a sharp rise in export earnings, Bolivia had a favorable payments balance of \$72.5 million. In the late 1970s, Bolivia's international financial position again began to worsen, and by the end of 1986, the country had accumulated \$3.7 billion in foreign debt (perhaps \$100 million of it in the private sector), an amount equal to the GDP. External debt equaled \$4.4 billion at the end of 2000.

In 2000, foreign direct investment stood at \$750 million, some 25% lower than in 1999, due in part to the completion of capitalization contracts. Foreign direct investment was concentrated in the hydrocarbons and service sectors. Bolivia's inclusion in the IMF/World Bank Heavily Indebted Poor Countries (HIPC) Initiative will provide the country significant debt relief by both bilateral and multilateral creditors.

The International Monetary Fund (IMF) reported that in 2003, Bolivia had exports of goods totaling \$1.57 billion and imports totaling \$1.50 billion, making for the first positive trade balance since 1999, when the trade balance was at a \$487 million deficit. The current account balance was also positive in 2003, at \$35.6 million; the balance had been steadily decreasing annually from the deficit of \$488 million recorded in 1999.

**3<sup>3</sup> BANKING AND SECURITIES**

The Central Bank of Bolivia, established in 1928 and reorganized in 1945, is the sole bank of issue. The 1995 Central Bank Law refined the CBB's controls on the banking sector. The Superintendent of Banks regulates the operations of banks, and the Pruden-

**3<sup>4</sup> INSURANCE**

In 1995, there were over 20 insurance companies doing business in Bolivia. The insurance industry in Bolivia grew during the 1990s, as premium income increased 170% between 1988 and 1998, while the country's GDP grew only 86%. Liability insurance grew at the extraordinary rate of 555% within that same time frame. Motor vehicle insurance is the largest sector, comprising 43% of the market, and is followed by fire, engineering, and miscellaneous risks insurance. Members of the Bolivian Insurance Association accounted for 93% of all 1998 premiums.

**3<sup>5</sup> PUBLIC FINANCE**

Many of the expenditures and revenues of autonomous agencies—government development, mining, petroleum corporations, and the universities—do not appear in the central budget. Also, an estimated 15% of revenues come from illegal drug shipments. Since April 1992, comprehensive privatization has helped decrease the need for public sector expenses. In 1996, both current and capital spending had been reduced as a percentage of GDP. On the one hand, state capital spending, in the productive sector, fell overall as the privatization and capitalization programs relieved the state of responsibility for the capital spending of leading industrial enterprises; on the other, social investment rose sharply.

The US Central Intelligence Agency (CIA) estimated that in 2005 Bolivia's central government took in revenues of approximately \$2.9 billion and had expenditures of \$3.4 billion. Revenues minus expenditures totaled approximately -\$522 million. Total external debt was \$6.43 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were B14,123 million and expenditures were B18,806 million. The value of revenues in US dollars was US\$1,844 million and expenditures US\$2,433 million, based on a market exchange

**Public Finance – Bolivia (2003)**

(In millions of bolivianos, central government figures)

<b>Revenue and Grants</b>		
	<b>14,123</b>	<b>100.0%</b>
Tax revenue	8,031	56.9%
Social contributions	1,431	10.1%
Grants	2,487	17.6%
Other revenue	2,174	15.4%
<b>Expenditures</b>		
	<b>18,806</b>	<b>100.0%</b>
General public services	3,716	19.8%
Defense	1,157	6.2%
Public order and safety	1,368	7.3%
Economic affairs	2,955	15.7%
Environmental protection	169	0.9%
Housing and community amenities	159	0.8%
Health	1,798	9.6%
Recreational, culture, and religion	36	0.2%
Education	4,249	22.6%
Social protection	3,200	17.0%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

rate for 2003 of us\$1 = B7.6592 as reported by the IMF. Government outlays by function were as follows: general public services, 19.8%; defense, 6.2%; public order and safety, 7.3%; economic affairs, 15.7%; environmental protection, 0.9%; housing and community amenities, 0.8%; health, 9.6%; recreation, culture, and religion, 0.2%; education, 22.6%; and social protection, 17.0%.

**36 TAXATION**

The Bolivian revenue system contains an unusually large number of taxes, leading to complexity and confusion that make the system difficult to enforce. Income taxes are extremely low, with a flat individual rate of 13%. In December 1994, a 25% tax on corporate income was established which replaced the 3% national income tax on corporations' taxable net worth. Both local and foreign corporations can receive tax holidays, exemptions, and other benefits if they invest in new companies or in production of nontraditional exports. There is an effective tax rate of 12.5% on income and net dividends to nonresident parent companies. There are taxes on the value of particular assets, such as motor vehicles, boats, and airplanes, which can be deducted from income tax, and taxes of 10–18% on the price of a vehicle. Bolivia also levies excise taxes on alcoholic and nonalcoholic beverages (1.61 bolivianos and 0.20 bolivianos per liter, respectively) and a 50% tax on tobacco products. There is also a 20% tax on perfumes and a 30% tax on cosmetics, and other items classed as luxuries. A value-added tax (VAT) of 13%, which can be deducted from income tax, is in effect. The hydrocarbons industry, as outlined in the Hydrocarbon Law, pays an 18% royalty and tax rate for new projects, and a 60% royalty and tax rate on existing projects.

**37 CUSTOMS AND DUTIES**

Export and import duties have traditionally been an important source of government revenue, but in mid-1985, as part of a drive to stimulate the economy, the government established a uniform 20% duty (which has since been lowered to 10%) on all imports,

eliminated tariff exemptions, removed import restrictions except for those related to health and state security, and eliminated all export controls except those on dangerous substances, endangered species, and cultural treasures. Most import charges end up totaling between 30 and 45%. This is considerably higher than the 20% uniform duty due to inspection company fees (2%), customs tariffs (2% for publications, 5% for capital goods, and a 10% flat rate), customs warehouse fees, Internal Revenue Service fees (15%), a specific consumption tax (for luxury goods, up to 60%), customs broker fees (up to 2%), and monies for forms and fees. Customs brokers charge up to 20% in fees to cover their own tax liability.

The 1990 Investment Law created a number of Free Trade Zones (FTZs), including those in El Alto, Puerto Aguirre, Cochabamba, Santa Cruz, Oruro, and Desaguadero. Bolivia had free trade agreements with MERCOSUR countries (Brazil, Argentina, Paraguay, Uruguay, and Chile) starting in 1997. In 1994, Bolivia signed a free trade agreement with Mexico and continues to lower or eliminate trade barriers.

**38 FOREIGN INVESTMENT**

The Patiño, Hochschild, and Aramayo mining groups, expropriated in 1952, accounted for nearly all the foreign capital in mining at that time. In 1955, Bolivia issued the Petroleum Code, safeguarding foreign investment in the exploitation of petroleum, and US oil companies began large-scale exploration and development. Although the investment law of December 1971 granted substantial benefits to foreign investors, political instability, inadequate infrastructure, and Bolivia's poor debt-repayment record held foreign investments down. The 1990 Investment Law guaranteed basic rights to foreign investors: national treatment, free currency conversion, no restrictions on remittances, and the right to international arbitration in most industries. Under the Capitalization Program (Bolivia's version of privatization) in 1996–97, 50% ownership in five of the largest parastatals—in transportation, energy, and telecommunications—was exchanged for the pledge of \$1.7 billion in new investment by foreign "strategic partners." Subsequent laws governed activities in the mining, hydrocarbon, and banking sectors. Bolivia's economic future lies in the development of large reserves of natural gas discovered by foreign companies working in Bolivia. Plans to construct pipelines to deliver gas to Mexico and California depend on foreign investment.

Bolivia has free trade zones (FTZs) in El Alto (the Department of La Paz), Santa Cruz, and Cochabamba. In 2000, foreign investment activities were the focus of two widespread social protests. In April, protests spread nationwide over the issue of foreign investment in municipal water systems and in September/October, economically damaging roadblocks were thrown up around the country by indigenous farmers, coca growers, and a variety of labor and social movements to protest the government's policies. Relevant to the investment climate, in 2003 Bolivia remained on the US government's list of 23 "major" drug-producing and/or drug-transit countries.

Foreign direct investment (FDI) inflow to Bolivia averaged \$928 billion from 1997 to 1999 under the impetus of the Capitalization Program, but then dropped to an average of \$670 million for 2000 and 2001 mainly due to the fall in investment from Argentina (from \$158 million in 1999 to \$9.2 million in 2000) and Brazil (\$144 million to \$38.5 million). The United States has been

Bolivia's major foreign investor, accounting for a third to a half of all investment. In 1999 and 2000, other major investors were the Netherlands (\$145 million total), Italy (\$116.2 million total) and Spain (\$59 billion total). Smaller investments were made by Chile, Peru, and Canada.

As an associate member of Mercosur, Bolivia has benefited from increasing investment from regional partners and Europe. In the place of the United States, which invested in the privatized oil and electricity industries, now Brazil, Italy, and the United Kingdom are big investors. However, the Economist Intelligence Unit predicts that political uncertainty may stem foreign investment in energy in 2006.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

In 1985, Bolivia was one of the first Latin American countries to institute market liberalizations—following the model set by Chile years earlier. In 1993, newly elected President Lozada furthered these liberalizations by increasing privatizations, which were called capitalizations in order to deflect criticism, increasing money spent on education and decreasing the federal government's regulatory power.

Unrest among the large indigenous population and the difficulties of cracking down on cocoa leaf production hampered economic development in South America's poorest country. Bolivia reached the completion point of the International Monetary Fund (IMF) and World Bank's Heavily Indebted Poor Country (HIPC) debt relief initiative in 2001, becoming the second country to do so, after Uganda. Total debt-service relief under the HIPC Initiative was to amount to around \$2 billion. The HIPC assistance and bilateral debt relief was to reduce Bolivia's total external debt by one-half. A \$121 million Stand-By Agreement with the IMF was approved in April 2003, and was due to expire in April 2004. In 2003, the government was pursuing policies aimed toward poverty reduction and the stabilization of the financial system, including the enacting of a modern bankruptcy law. Many public sector enterprises have been capitalized, meaning investors in Bolivia may acquire a 50% share and management control of the public enterprises by investing in them directly over a period of years rather than paying cash to the government. The capitalization program raised foreign direct investment in Bolivia in the amount of \$1.7 billion in stock during 1996–2002. Total external debt, however, ranged between \$5.5 billion and close to \$5.8 billion from 1999–2003 with a slight dip to \$4.7 billion in 2001. In 2003, the total external debt to GDP ratio was 70.3%. In December 2005, \$232 million in debt to the IMF was cancelled.

Evo Morales became president in January 2006, and it was expected that economic policy would become more state-led during his five-year term. Increased public spending will likely cause the fiscal deficit—a deficit that had narrowed in May 2005 due to revenues generated by the new hydrocarbons law—to grow in 2006–2007.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

Social security coverage, through private insurance, is compulsory for all workers, and voluntary coverage is available to the self-employed. Those covered by the program receive medical, hospital, dental, and pharmaceutical care for themselves and their families. Old age pensions begin at age 65. Maternity benefits cover female

workers and workers' wives. Family allowances include cash payments for birth, nursing, and burial and monthly subsidies for each unmarried child. Employers contribute 2% of payroll for workers' compensation and are also required to grant two months' severance pay to dismissed employees. Employees contribute 10% of earnings for old age, and additional amounts for other benefits.

Although guaranteed equal rights under the law, women by and large do not enjoy the same social status as men due to limited political power and social traditions. In most cases, women earn less than men for doing similar work. Spousal abuse and domestic violence are widespread in Bolivia. As of 2004, the government had taken little action to combat domestic abuse. Laws are in place to protect women, but they are irregularly enforced. Sexual harassment, although illegal, is considered to be common.

The government does not give priority to improve the welfare of children. Government surveys show that nearly one in three children are physically or psychologically abused. Corporal punishment is used widely at home and in schools. Child labor and prostitution continue to be major problems.

Human rights improved in 2004 but there were still problems in many areas including excessive force, extortion, and improper arrest by security forces. The prison system is harsh and life-threatening.

### 4<sup>1</sup> HEALTH

Health conditions have been notably poor, owing to poor hygiene and an insufficient number of doctors and hospitals, especially in rural areas. The most common disorders are acute respiratory diseases, tuberculosis, malaria, hepatitis, and Chagas' disease. In 1996, 618 per 100,000 people were diagnosed with malaria and in 1999 there were 238 cases of tuberculosis per 100,000 people. In 1995, cholera was reported in 2,293 cases. Malnutrition is a serious and growing problem, with 27% of children under five-years-old considered malnourished as of 2000. In the same year, 79% of the population had access to safe drinking water and 66% of the rural population had adequate sanitation. In 2004, there were an estimated 73 physicians, 107 nurses, and 8 dentists per 100,000 people. Bolivia had 3,165 public and private health care facilities, with a total of 12,554 beds, as of 2002. The country's public health care expenditures as of 1999 equaled an estimated 6.5% of GDP. The 1997–2002 Strategic Health Plan was designed to ensure universal access to primary care through a system of basic insurance.

There was a birth rate of 31 per 1,000 people in 1999. Approximately 49% of married women (ages 15–49) were using contraception as of 2000. The government of Bolivia paid 65% of vaccination costs in 1995. In 1999, one-year-old children were immunized at the following rates: diphtheria, pertussis, and tetanus, 78%, and measles, 79%. The infant mortality rate has declined from 117 per 1,000 live births in 1985 to 53 per 1,000 in 2005. As of 2000, an estimated 27% of all children were suffering from malnutrition. Life expectancy in 2005 was estimated at 65.5 years. The overall death rate was 8 per 1,000 people.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 4,900 people living with HIV/AIDS in the country. Health conditions in Bolivia have improved since the World Health Initiative Program in 1991. The Bolivian government has taken a greater role in the health of its citizens.

## 42 HOUSING

At the 2001 census, there were a total of about 2,270,731 housing units nationwide. The majority of all housing units were detached private dwellings. About 66% of all housing units are owner occupied. According to reports from Habitat for Humanity, about 52% of all homes are built with adobe and 69% have dirt floors.

Although the government intended to provide adequate drinking water systems for all places of 2,000 or more inhabitants and to alleviate the sewage system shortage, water systems remain inadequate in some areas. In 2000, only about 79% of the population had access to improved water sources and only 66% had access to improved sanitation.

## 43 EDUCATION

Primary education, which lasts for eight years, is compulsory and free of charge. Secondary education lasts for another four years and students have the option of choosing either a general education or a technical studies track. The academic year runs from March to December. The language of instruction is Spanish.

In 2001, about 46% of all children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 95% of age-eligible students. The same year, secondary school enrollment was about 71% of age-eligible students. Most students complete their primary education. The student-to-teacher ratio for primary school was at about 24:1 in 2003; the ratio for secondary school was about 24:1.

Bolivia has about 10 state-funded and 23 private universities. The University of San Andrés (founded in 1930) in La Paz is Bolivia's largest university; the University of San Francisco Xavier in Sucre, dating from 1624, is one of the oldest universities in Latin America. In 2003, it was estimated that about 39% of age-eligible students were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 86.5%, with 92.9% for males and 80.4% for females.

As of 2003, public expenditure on education was estimated at 6.3% of GDP, or 19.7% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

There are a small number of public libraries throughout Bolivia, with a combined collection of 200,000 volumes. The National Archives and Library in Sucre (114,000 volumes) serves as a public library for that city and as a depository library of the United Nations. A second facility, the United Nations Information Center, is located in La Paz. Another important public library is the Mariscal Andrés de Santa Cruz Municipal Library (80,000 volumes) in La Paz. The most important university libraries are those of the University of San Andrés in La Paz (121,000 volumes) and the University of San Simón in Cochabamba (62,000 volumes). The Department of Culture operates a large library in La Paz with 140,000 volumes, as does the Institute of Bolivian Culture, housing 150,000 volumes.

The National Museum of Archaeology (1846) in La Paz is the most prominent museum. Also in La Paz are the National Museum of Art (1961) and the National Museum of Tihuanaca, featuring the art and culture of the indigenous people of Bolivia. There are several provincial museums, including the House of Liberty in

Sucre, commemorating Bolivian independence, and the Institute of Anthropology and Archaeology Museum in Cochabamba.

## 45 MEDIA

In 2003, there were an estimated 72 mainline telephones for every 1,000 people. The same year, there were approximately 152 mobile phones in use for every 1,000 people. The telegraph system is owned by the Ministry of Communications; remote parts of the country are connected by wireless.

A government-owned television station broadcasts from La Paz, but there are several privately owned stations in the country as well. There were 171 AM and 73 FM radio stations in 1999. There were 48 television stations as of 1997. In 2003, there were an estimated 671 radios for every 1,000 people. Due to low literacy rates, radio is the most important source of news and information for many rural dwellers. In 2003, there were 22.8 personal computers for every 1,000 people and 32 of every 1,000 people had access to the Internet. There were 16 secure Internet servers in the country in 2004.

In 2004 there were at least 13 major daily newspapers. The largest La Paz daily newspapers are *El Diario*, *La Razon*, *El Deber*, and *Presencia* (2004 circulation figures were unavailable). Important provincial dailies are *Los Tiempos* (Cochabamba), with 19,000 circulation, and *El Mundo* (Santa Cruz), with 15,000.

The Constitution of Bolivia provides for the freedom of speech and press, and the government is said to allow free operation of electronic and print media. However, the penal code provides that persons found guilty of slandering government officials may be jailed, though it is said that this law is infrequently enforced.

## 46 ORGANIZATIONS

Learned societies include the Institute of Bolivian Sociology, the Society of Geographic and Historical Studies, the Center of Philosophical Studies, the Bolivian Language Academy, the National Academy of Fine Arts, the National Academy of Sciences, the Archaeological Society of Bolivia, and the Tiahuanaco Institute of Anthropology, Ethnology, and Prehistory.

Youth organizations include Girl Guides, the Scout Association of Bolivia, YWCA/YMCA, and programs of the Special Olympics.

The National Chamber of Commerce and the National Chamber of Industry are both headquartered in La Paz. There are departmental chambers of commerce throughout the country.

There are national chapters of the Red Cross, Habitat for Humanity, UNICEF, and Caritas.

## 47 TOURISM, TRAVEL, AND RECREATION

The dry season (May–November) is Bolivia's peak tourist season. La Paz and Sucre have many colonial churches and buildings, and there are Inca ruins on the islands of Lake Titicaca, which also offers opportunities for fishing and sailing. The world's highest ski run is located at Chacaltaya. Mountain climbing and hiking are available on the country's cordilleras and other peaks.

In 2003, there were about 367,000 visitor arrivals in Bolivia, including 209,715 visitors from the Americas. Tourism receipts totaled \$176 million. Hotel rooms numbered 20,611 with 33,338 beds and a 20% occupancy rate. Visitors stayed an average of two nights.

In 2005, the US Department of State estimated the cost of staying in La Paz at \$109 per day. Costs in Santa Cruz were an estimated \$127 per day and in Cochabamba, \$98 per day. In other areas, daily expenses averaged \$83 per day.

#### 48 FAMOUS BOLIVIANS

Pedro Domingo Murillo (1757–1810) was the precursor and first martyr of Bolivian independence. Andrés de Santa Cruz (1792–1865), who considered himself the “Napoleon of the Andes,” dominated the early years of the independent nation. The most infamous of the 19th-century Bolivian dictators was Mariano Melgarejo (1818–71). Ismael Montes (1861–1933), who was president of Bolivia from 1904 to 1909 and from 1913 to 1917, is identified in Bolivian history as the “great president.” Simón Patiño (1861–1947), the richest of the “big three” tin barons, began his career as a loan collector and acquired his first mine by chance; he later became one of the world’s wealthiest men. Víctor Paz Estenssoro (1907–2001), architect of the national revolution of 1952 and founder of the MNR, served as president during from 1952 to 1956 and was reelected in 1960 and 1964; he was deposed shortly thereafter by a military junta but returned to office from 1985 to 1989. Hernán Siles Zuazo (1914–1996), also connected with the MNR and later founder of the MNRI, was president in 1956–60 and again in 1982–85. Juan Lechín Oquendo (1914–2001), a leader of the 1952 uprising, led the powerful Bolivian Workers’ Federation from its formation in 1952 until 1987. Juan Evo Morales Ayma (b.1959) became the first Amerindian president of Bolivia in 2006.

Bolivia’s outstanding literary figure is Gabriel René-Moreno (1836–1909), a historian, sociologist, and literary critic. The highly original poet and philosopher Franz Tamayo (1879–1956), although belonging to the landed aristocracy, was a champion of the downtrodden Amerindian. Tamayo was elected president in 1935, but an army revolt prevented him from taking power. Alcides Argüedas (1879–1946) achieved fame throughout Latin America with his historical works on Bolivia and his novels *Wata wara* and *Raza de bronce*, concerned with the plight of the Indian; his critical sociological study *Pueblo enfermo* provoked an enduring con-

troversy. The archaeologist and anthropologist Arturo Posnansky (1874–1946), born in Austria, did pioneering work in studying the civilization that once flourished at Lake Titicaca. Jaime Laredo (b.1941) is a world-famous violinist.

#### 49 DEPENDENCIES

Bolivia has no territories or colonies.

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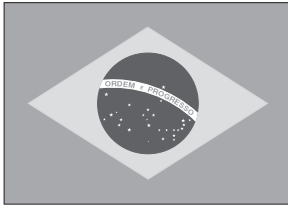
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# BRAZIL

Federative Republic of Brazil  
*República Federativa do Brasil*



**CAPITAL:** Brasília

**FLAG:** The national flag consists of a green field upon which is a large yellow diamond twice as wide as it is high. Centered within the diamond is a blue globe showing constellations of the southern skies dominated by the Southern Cross. Encircling the globe is a white banner bearing the words *Ordem e Progresso*.

**ANTHEM:** *Hino Nacional Brasileiro*, beginning “Ouviram do Ipiranga” (“Listen to the cry of Ipiranga”).

**MONETARY UNIT:** On 1 July 1994, the real (R\$), a paper currency of 100 centavos, replaced the cruzeiro real (CR\$). R\$1 = US\$0.40161 (or US\$1 = R\$2.49) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some local units also are used.

**HOLIDAYS:** New Year’s Day, 1 January; Tiradentes, 21 April; Labor Day, 1 May; Independence Day, 7 September; Our Lady of Aparecida (Patroness of Brazil), 12 October; All Souls’ Day, 2 November; Proclamation of the Republic, 15 November; Christmas, 25 December. Movable holidays include the pre-Lenten carnival, usually in February, Good Friday, and Corpus Christi.

**TIME:** At noon GMT, the time in Fernando de Noronha is 10 AM; Rio de Janeiro, 9 AM; Manaus, 8 AM; Rio Branco, 7 AM.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated on the east-central coast of the continent, Brazil is the largest country in South America and the fourth-largest in the world in coterminous area, ranking after Russia, Canada, and China (the United States is larger with Alaska, Hawaii, and the dependencies included). Occupying nearly half of the South American continent, it covers an area of 8,511,965 sq km (3,286,488 sq mi), extending 4,395 km (2,731 mi) N–S and 4,320 km (2,684 mi) E–W. Contiguous with all continental South American countries except Ecuador and Chile, Brazil is bounded on the N by Venezuela, Guyana, Suriname, and French Guiana, on the NE, E, and SE by the Atlantic Ocean, on the S by Uruguay, on the SW by Argentina and Paraguay, on the W by Bolivia and Peru, and on the NW by Colombia, with a total boundary length of 14,691 km (9,128 mi). Brazil is divided into 26 states and one federal district. The federal district, including the capital of Brasília, inaugurated on 21 April 1960, is surrounded on three sides by the state of Goiás and on the fourth by Minas Gerais.

Brazil’s capital city, Brasília, is located in the southeastern part of the country.

## <sup>2</sup> TOPOGRAPHY

The northern part of Brazil is dominated by the basin of the Amazon River and its many tributaries, which occupies two-fifths of the country. The Amazon Basin itself occupies 7,049,975 sq km (2,722,000 sq mi), or about 40% of South America’s total area. The Amazon River (Río Amazonas) is, at 6,436 km (4,000 mi), the world’s second-longest river after the Nile, although the Amazon ranks first in volume of water carried; rising in the Peruvian Andes, the Amazon eventually empties into the Atlantic Ocean at an average rate of about 198,000 cu m (7 million cu ft) per second. The Amazon lowlands east of the Andes constitute the world’s

largest tropical rain forest. In the northernmost part of the Amazon Basin lies a series of mountain ranges, known as the Guiana Highlands, where Brazil’s highest mountain, Pico da Neblina (3,014 m/9,888 ft), is located. South of the Amazon Basin is a large plateau called the Brazilian Highlands, ranging in elevation from 300 to 910 m (1,000 to 3,000 ft) above sea level. From the city of Salvador (Bahia) southward to Pôrto Alegre, the highlands meet the Atlantic Ocean in a steep, wall-like slope, the Great Escarpment, which in southeastern Brazil is surmounted by mountain ranges with elevations from 2,100 to 2,400 m (7,000 to 8,000 ft) above sea level.

The Atlantic coast of Brazil has no real coastal plain, but there are stretches of lowlands along the northeast coast, and there are many bay-like indentations, where Brazil’s principal cities are located. Along the southwest border is a small portion of the upper Paraguay lowlands. The Paraná, Paraguay, and Uruguay rivers flow through southern Brazil; the São Francisco flows 3,199 km (1,988 mi) through northeastern and central Brazil; and the Tocantins (2,698 km/1,677 mi) empties into the Pará and from there into the Atlantic Ocean at an estuary south of the Amazon proper.

## <sup>3</sup> CLIMATE

Brazil is a tropical country but extends well into the temperate zone. The Amazon Basin has a typically hot, tropical climate, with annual rainfall exceeding 300 cm (117 in) in some areas; the Brazilian Highlands, which include roughly half of the total area, are subtropical. The narrow coastal lowland area ranges from tropical in the north to temperate in the south. The cool upland plains of the south have a temperate climate and an occasional snowfall. The coolest period is from May to September, and the hottest is from December to March. October to May is the rainy season. Rainfall is excessive in the lowlands and in the upper Amazon Ba-

sin, along the northern coast, at certain points on the east coast, and in the southern interior, while there are periodic droughts in the northeast. The average high temperature in Rio de Janeiro in February is 29°C (84°F); the average low in July is 17°C (63°F).

#### 4 FLORA AND FAUNA

As of 2002, there were at least 394 species of mammals, 686 species of birds, and over 56,000 species of plants. About one-fourth of the world's known plant species are found in Brazil. The Amazon Basin, the world's largest tropical rain forest, includes tall Brazil nut trees, brazilwood, myriad palms, kapok-bearing ceiba trees enlaced with vines and creepers, rosewood, orchids, water lilies, and the wild rubber tree.

South of the vast Amazonian forest is a mixture of semideciduous forest (*mata*) and scrub forests. The characteristic flora of the northeast interior is the carnauba wax-yielding palm in the states of Ceará and Piauí. To the east there are big areas of thorn scrub, the result of generally poor soils and periodic devastating droughts. Along the humid coast are many mango, cajú, guava, coconut, and jack-fruit trees, as well as large sugar and cotton plantations, the latter indigenous. Within the savanna, sparse forests, and "campos cerrados" (enclosed fields of badly deforested, populous Minas Gerais), there are various woody shrubs, lianas, and epiphytes, the staghorn fern, and an abundance of herbs, especially grasses. Brazil has many fair to good pasturage grasses, on which millions of beef cattle, not always of high grade, and some dairy cattle in the favored southern states graze.

In the southern states are exotic flowers, such as papagaias; flowering trees, such as the quaresma, which blossoms during Lent; and the popular ipê tree with its yellow petals, planted on some São Paulo streets. In the southernmost part of the Brazilian plateau forests, where temperate climate prevails, is found a mixture of araucarias (umbrella pines) and broadleaf species. The pampas of Rio Grande do Sul are extensive grasslands. Maté, of economic importance as a beverage, is made from the roasted, powdered leaves of a tree harvested extensively in the southern states.

The Amazon rain forest is host to a great variety of tropical fauna, including hundreds of types of macaws, toucans, parrots, and other brightly colored birds; brilliant butterflies; many species of small monkeys; anacondas, boas, and other large tropical snakes; crocodiles and alligators; and such distinctive animals as the Brazilian "tiger" (onca), armadillo, sloth, and tapir. The rivers in that region abound with turtles and exotic tropical fish, and the infamous "cannibal fish" (piranha) is common; in all, more than 2,000 fish species have been identified.

#### 5 ENVIRONMENT

A 20-year US-Brazilian project, initiated by the World Wildlife Fund, in Washington, D.C., and the National Institute for Research on Amazonia, in Manaus, studied the Amazon forest since 1978 in order to recommend appropriate measures for its protection. In 1986, it was estimated that the forests of the Amazon were being cleared for colonization, pasturage, timber development, and other commercial purposes at a rate of up to 20 million hectares (50 million acres) a year. From 1990 to 2000, the average annual rate of deforestation was 0.4% per year. A Brazilian law requiring

that developers leave 50% of each Amazon land parcel untouched is erratically enforced.

Other environmental problems in Brazil include water pollution and land damage. Rivers near urban industrial centers are polluted by mercury, toxic industrial wastes, and untreated waste. Brazil lacks fertile soil for agriculture, and the existing soils are threatened by erosion from the clearing of the forests.

Federal agencies with environmental responsibilities include the National Environment Council of the Ministry of the Interior, the Brazilian Institute of Forest Development, and the Ministry of Planning.

Only 6.7% of Brazil's natural areas were protected in 2003, including seven natural UNSECO World Heritage Sites and eight Ramsar wetland sites.

The damage to the rain forest environment is reflected in the number of endangered species which inhabit the region. Between 1900 and 1950, 60 species of birds and mammals became extinct. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 74 types of mammals, 120 species of birds, 22 types of reptiles, 24 species of amphibian, 42 species of fish, 21 types of mollusks, 13 other invertebrates, and 381 species of plants. The list of endangered species includes Lutz's coastal frog, the Lear's macaw, the guayaquil great green macaw, the American crocodile, two species of marmoset (buffy-headed and white-eared), three species of tamarin (golden lion, golden-headed lion, and golden-rumped lion), the black saki, the woolly spider monkey, and the maned sloth. At least 13 species have become extinct, including the Glaucous macaw.

#### 6 POPULATION

The population of Brazil in 2005 was estimated by the United Nations (UN) at 184,184,000, which placed it at number 5 in population among the 193 nations of the world. In 2005, approximately 6% of the population were over 65 years of age, with another 29% of the population under 15 years of age. There were 97 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.4%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 228,874,000. The population density was 22 per sq km (56 per sq mi).

The population is concentrated in the Atlantic coastal region, especially in the southeast, with the states of Rio de Janeiro, São Paulo, and Minas Gerais containing approximately 41% of the total; the states of Bahia, Rio Grande do Sul, Pernambuco, and Ceará have about 23%, and the remaining units about 36%.

The UN estimated that 81% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.63%. The capital city, Brasília, had a population of 3,099,000 in that year. Other major metropolitan areas and their estimated populations are: São Paulo, 18,333,000; Rio de Janeiro, 11,469,000; Belo Horizonte, 5,304,000; Porto Alegre, 3,795,000; Recife, 3,527,000; Salvador, 3,331,000; Fortaleza, 3,261,000; Curitiba, 2,871,000; Campinas, 2,640,000; Belém 2,097,000; Manaus, 1,673,000; Santos, 1,600,000; Goiânia, 1,878,000; São Luís, 978,824; and São José dos Campos, 949,000. The vast interior of the country is sparsely populated, with the indigenous population somewhat concentrated near the Amazon River Basin.



LOCATION: 5°16'19" N to 33°45'9" S; 34°45'54" to 73°59'32" W. BOUNDARY LENGTHS: Venezuela, 2,200 kilometers (1,367 miles); Guyana, 1,119 kilometers (695 miles); Suriname, 597 kilometers (370 miles); French Guiana, 673 kilometers (418 miles); Atlantic coastline, 7,491 kilometers (4,655 miles); Uruguay, 985 kilometers (612 miles); Argentina, 1,224 kilometers (761 miles); Paraguay, 1,290 kilometers (802 miles); Bolivia, 3,400 kilometers (2,113 miles); Peru, 1,560 kilometers (969 miles); Colombia, 1,643 kilometers (1,021 miles). TERRITORIAL SEA LIMIT: 12 miles.

## 7 MIGRATION

Between 1821 and 1945, approximately 5.2 million European immigrants entered Brazil, most of them settling in the south. Brazil has the largest expatriate Japanese colony in the world, numbering more than one million. In recent years, because of the increasing

prosperity of Europe and Japan, there has been less desire to migrate to underdeveloped rural Brazil or its inflation-harassed industrial cities. Moreover, immigration is controlled by laws limiting the annual entry of persons of any national group to 2% of the total number of that nationality that had entered in the preceding

50 years. The total number of migrants in 2000 was 546,000. As of 2004, Brazil was hosting some 3,833 refugees, 80% of whom came from Africa. In 2004, 1.5 to 3 million Brazilians were abroad, most in the United States. Remittances in 2004 were estimated at \$6 billion, equivalent to earnings from soybean exports. In 2005, the net migration rate was estimated as -0.03 per 1,000 population.

## <sup>8</sup>ETHNIC GROUPS

The indigenous inhabitants were Amerindians, chiefly of Tupi-Guaraní stock, and other small groups in the Amazon Basin and the lowlands of the Paraguay and Paraná rivers. The Portuguese settlers had few taboos against race mixture, and centuries of large-scale intermarriage have produced a tolerant and distinctly Brazilian culture. Within the Brazilian nationality are blended the various aboriginal Indian cultures; the Portuguese heritage, with its diverse strains; the traditions of millions of persons of African descent; and European elements resulting from sizable immigration since 1888 from Italy, Spain, Germany, and Poland. The influx of Japanese and some Arabs during the 20th century has contributed to the complex Brazilian melting pot.

According to the 2000 census, 53.7% of Brazil's population are white; 38.5% are mixed white and black; and 6.2% are black. The remainder are comprised of Japanese, Arab, and Amerindian groups.

## <sup>9</sup>LANGUAGES

The official language of Brazil is Portuguese, which is spoken by virtually all inhabitants except some isolated Indian groups. Substantial variations in pronunciation and word meaning, however, distinguish it from the language as it is spoken in Portugal. Spanish is also spoken. A large percentage of the educated have learned either French or English. German, Italian, and Japanese are used in immigrant communities.

## <sup>10</sup>RELIGIONS

The 2000 census indicated that about 74% of the population were affiliated with the Roman Catholic church. Protestants constituted roughly 15% of the population, the majority of whom (about 85%) were Pentecostal/Evangelical; Lutherans and Baptists accounted for most of the remaining Protestants. Other denominations included the Assemblies of God, the Christian Congregation of Brazil, the Universal Church of the Kingdom of God, Lutheran, Presbyterian, and Baptist. About 374,000 respondents to the census were members of "oriental religions," which include several branches of Buddhism, Messianism, Seicho No-Ie, Perfect Liberty, Hare Krishna, Oshoo Disciples, Tenrykyo, Mahicari, Baha'i, Shintoism, and Taoism. There were about 27,239 Muslims, primarily of the Sunni and Shia branches. About 2,905 Brazilians were Hindus. About 7% of the population did not claim any religious affiliation. Muslim leaders estimated that about 3 million citizens were nominally Muslims; however, only about 700,000 were active participants in religious practices. About 100,000 Brazilians are Jewish.

Followers of traditional African and syncretic religions make up about 4% of the populace. Candomble, which focuses on traditional African deities, is a predominant religion among Afro-Brazilians. Xango and Macumba include practices of animism as well as the veneration of Catholic saints and African deities. About 1.3% of the population adhere to a spiritism doctrine known as

Kardecism, which was introduced in the 19th century by Allan Kardec of France.

The constitution provides for freedom of religion and the right is generally respected in practice. There is no official state religion; however, the government of Brazil maintains a Concordat with the Vatican. Several Roman Catholic holidays are celebrated as public holidays.

## <sup>11</sup>TRANSPORTATION

Roads are the primary carriers of freight and passenger traffic. Brazil's road system totaled 1.98 million km (1.23 million mi) in 2002. The total of paved roads increased from 35,496 km (22,056 mi) in 1967 to 184,140 km (114,425 mi) in 2002. Motor vehicles registered as of 2003 included 16,650,000 passenger cars, and 4,200,000 commercial vehicles. Although the bulk of highway traffic is concentrated in the southern and central regions, important roads have been constructed to link the northeastern and northern areas with the industrialized south. Roads of all types have been built with federal aid, the most important being the network of more than 14,000 km (8,700 mi) of paved roads south of Brasília; aid is also supplied for their maintenance. In September 1970, construction began on the 5,000-km (3,100-mi) Trans-Amazon Highway, possibly the most ambitious overland road project undertaken in this century, linking Brazil's Atlantic coast with the Peruvian border; when completed, a 4,138-km (2,571-mi) north-south section will link Santarém, on the Amazon River, with Cuiabá. The project has had a profound effect on the Amazon Basin, among the world's last great wildernesses. However, a World Bank study in the early 1990s showed that 28% of the country's existing highways were in bad condition, up from only 10% in 1979. Lack of proper road maintenance possibly adds 10–15% to total transportation costs in Brazil. As of 2002, the government had privatized or turned over to the states most of the federal highway system.

Brazil's railway system has been declining since 1945, when emphasis shifted to highway construction. The total extent of railway trackage was 29,412 km (18,294 mi) of broad, standard, and narrow gauge right of way in 2004, as compared with 31,848 km (19,789 mi) in 1970. Of that total, 1,000-m narrow gauge track accounts for the largest portion at 23,915 km (14,875 mi), followed by broad gauge track (1.6 m) at 4,907 km (3,052 mi). Standard gauge track (194 km/121 mi) and a dual broad/narrow gauge track system (396 km/246 mi) make up the remainder. Most of the railway system belongs to the Federal Railroad Corp., with a majority government interest. There are also seven lines that the government privatized in 1997.

Coastal shipping links widely separated parts of the country. Of the 36 deep-water ports, Santos and Rio de Janeiro are the most important, followed by Paranaguá, Recife, Vitória, Tubarao, Macaíó, and Ilhéus. Bolivia and Paraguay have been given free ports at Santos. Although there are 50,000 km (31,070 mi) of navigable inland waterways, most as of 2004, were remote from the country's population and industry. In 2005, the merchant shipping fleet, which included 150 vessels (1,000 GRT or over), had a total GRT of 2,961,431.

Air transportation is highly developed. In 2003, local and international airlines transported about 32.372 million passengers. In 2004 there were an estimated 4,136 airports, of which 709 had paved runways as of 2005. There were also 417 heliports (as of

2005). Of the 48 principal airports, 21 are international; of these, Rio de Janeiro's Galeao international airport and São Paulo's Guarulhos International Airport are by far the most active. The main international airline is Empresa de Viação Aérea Rio Grandense (VARIG). Other Brazilian airlines are Transbrasil Linhas Aéreas, Cruzeiro do Sul, (associated with VARIG since 1983), and Viação Aérea São Paulo (VASP), which handles only domestic traffic and is run by the state of São Paulo. All except VASP are privately owned.

## 12 HISTORY

The original inhabitants of Brazil were hunter-gatherers, except in the lower Amazon, where sedentary agriculture developed. There are no reliable population estimates from pre-European times, but probably there were no more than one million.

After the European discovery of the New World, Spain and Portugal became immediate rivals for the vast new lands. Portugal's claim was established by a papal bull of Pope Alexander VI (1493) and by the Treaty of Tordesillas (1494), which awarded to Portugal all territory 370 leagues west of the Cape Verde Islands. On Easter Sunday in 1500, the Portuguese admiral Pedro Álvares Cabral formally claimed the land for the Portuguese crown. Cabral's ship returned to Portugal with a cargo of red dyewood, which had been gathered along the shore, and from the name of the wood, pau-brasil, the new land acquired the name Brazil.

In 1532, the first Portuguese colonists arrived, bringing cattle, seed, and the first slaves from Africa. In 1549, the Portuguese governor-general, Tomé da Souza, founded the city of São Salvador, and established the first Portuguese government in the New World. The same year marked the arrival of the missionary Society of Jesus (the Jesuits) to begin their work among the Indians.

Other Europeans began to move in on the Portuguese colony. In 1555, the French established a settlement in the Bay of Rio de Janeiro. In 1624, the Dutch attacked Bahia and began to extend throughout northeastern Brazil. Under the Dutch, who remained until ousted in 1654, the area flourished economically. Colonists planted sugarcane, and during the 17th century, the large sugar plantations of northeastern Brazil were the world's major source of sugar.

In 1640, Portugal appointed a viceroy for Brazil, with his seat first in Bahia and after 1763 in Rio de Janeiro. The discovery of gold in 1693 and of diamonds about 1720 opened up new lands for colonization in what are now the states of São Paulo, Minas Gerais, Paraná, Goiás, and Mato Grosso. From their base in São Paulo, Brazilian pioneers (Bandeirantes) pushed inland, along with their herds of cattle and pigs, in search of Indian slaves and mineral riches. By the 1790s, when the primitive surface gold and diamond mines were largely exhausted, the Brazilian plateau became thinly populated.

Brazil's first attempt at independence came in 1789 in the mining state of Minas Gerais. A plot, known as the Miners' Conspiracy (Conjuração Mineira) was led by Joaquim José da Silva Xavier, a healer known as Tiradentes ("tooth-puller"). The plot was betrayed and crushed, and Tiradentes was captured and eventually executed, but Tiradentes remains a national hero. In 1807, the invading armies of Napoleon forced the Portuguese royal family and 15,000 Portuguese subjects to flee to Brazil. Rio de Janeiro became the seat of the Portuguese royal family until 1821, when

King John (João) VI returned home, leaving his son Pedro to rule Brazil as regent. Meanwhile, Portugal's monopolistic trade practices, the suppression of domestic industry, and oppressive taxation had brought about a strong movement for independence, which Pedro supported.

Pedro proclaimed Brazil's independence on 7 September 1822, and later that year was crowned Emperor Pedro I. In 1831, a military revolt forced him to abdicate. The throne passed to his five-year-old son, Pedro. In 1840, Pedro was crowned Emperor. Under Pedro II, Brazil enjoyed half a century of peaceful progress. New frontiers were opened, many immigrants arrived from Europe, railroads were built, and the gathering of rubber in the Amazon Basin stimulated the growth of cities, such as Belém and Manaus. The abolition of slavery in 1888 brought about an economic crisis that disrupted the Brazilian Empire. In 1889, a bloodless revolution deposed Pedro II and established the Republic of the United States of Brazil. A new constitution modeled after the US federal constitution, was promulgated by the Brazilian government in 1891. At first, the republic was ruled by military regimes, but by 1894 constitutional stability was achieved.

Meanwhile, empty areas of good soil were settled in the southern plateau by over 2.5 million Italian, Portuguese, German, Polish, and Levantine immigrants. The rapid spread of coffee cultivation in the state of São Paulo transformed Brazil into the world's largest coffee-producing country. By the end of the 19th century, coffee had become the nation's principal source of wealth. Brazil soon entered a period of economic and political turmoil. Malayan and Indonesian rubber plantations had overwhelmed the Brazilian rubber market, while coffee revenues were reduced by falling world prices of coffee. Regionalism and military rivalries contributed to instability, and by 1930, the nation was in a state of unrest. In that year, a military coup with widespread civilian support placed into power Getúlio Vargas, the governor of Rio Grande do Sul.

Vargas' ideology was a blend of populism and corporatism. He sought reforms for Brazil's middle and lower classes, but discouraged dissent and was often repressive. Between 1930 and 1937 Vargas brought a minimum wage and social security to Brazil, but also crushed a leftist uprising in 1935. Vargas formalized his system in 1937, calling it the New State (Estado Novo). For eight years, Vargas attempted to industrialize Brazil, while organizing both workers and their employers into state-run syndicates. Vargas was nationalist in foreign policy, although he encouraged foreign investment. He exploited the US-German rivalry over Latin America to get large amounts of aid until joining the allies in 1942.

Conservative elements of the military, convinced that Vargas was a dangerous force, removed him from office, and promulgated a new constitution in 1946. The "Second Republic" was initiated with the presidency of Eurico Dutra. Vargas was returned to the presidency in the election of 1950 and did not attempt to rejuvenate the New State. He did continue to press for industrialization under state control, establishing a National Development Bank and a state petroleum company. Eventually he ran afoul of the military, which demanded his resignation. He committed suicide in August 1954, a few months before his term of office was due to expire.

He was succeeded from 1955 to 1961 by Juscelino Kubitschek de Oliveira. Kubitschek embarked on an ambitious program of development, spending huge amounts of money and attracting large foreign investments in Brazil. Kubitschek's most ambitious program was the building of a new federal capital, Brasília, in the highlands of central Brazil. Inflation and a burdensome national debt proved to be his undoing, and in January 1961 Jânio da Silva Quadros was inaugurated after a campaign promising an end to corruption and economic stability. The situation proved too difficult for Quadros, and he resigned after only seven months. João Goulart, who had been vice president under both Kubitschek and Quadros, became president only after the conservative Congress combined with the military to reduce his powers and institute an unwieldy form of parliamentary government. In January 1963, in a national plebiscite, Brazil chose to restore presidential powers. But Goulart was caught between pressures from the left, demanding the acceleration of social programs, and the right, increasingly alarmed by trends toward populism.

On 1 April 1964 the military deposed Goulart and arrested 40,000 people, including 80 members of Congress. In the same month, Congress appointed Humberto de Alencar Castelo Branco to the presidency, and in July it approved a constitutional amendment extending Castelo Branco's term of office to March 1967. National elections were postponed, and Brazil entered an era of military supremacy.

In March 1967 Arthur da Costa e Silva, a former army marshal, took office under a new constitution. That constitution was suspended in December 1968, and military hard-liners took the upper hand. Costa e Silva suffered a stroke in September 1969 and died in December. Gen. Emilio Garrastazú Médici, former head of the secret police was chosen to replace him. In March 1974, Gen. Ernesto Geisel, a high official in the Castelo Branco government, became president.

The military governments of the previous 10 years had brought Brazil rapid economic expansion, but there was a dramatic reversal during the oil crisis of 1973–74. Opposition began to mount, encouraged by religious and trade union leaders. President Geisel gradually instituted some degree of political liberalization (*abertura*), but the military split on the wisdom of this policy.

During the late 1970s, continuing economic difficulties led to labor unrest and numerous strikes, including a strike of 300,000 metalworkers in metropolitan São Paulo in April and May of 1980 that ended only after troops in tanks and trucks occupied the region. Meanwhile, Gen. João Baptista de Oliveira Figueiredo became president in March 1979. That August, Figueiredo continued Geisel's policy of liberalization by signing a political amnesty law that allowed many political exiles to return home. Also in 1979, censorship of the press and the controlled two-party system were abolished. In November 1982, Brazil had its first democratic elections since 1964. Opposition parties won the governorships of 10 populous states and a majority in the lower house of Congress, but the ruling party remained in control of the upper house and the electoral college, which was to choose the next president. Moreover, the military retained broad powers to intervene in political affairs under national security laws.

The 1985 election was indirect, yet the opposition managed to turn the campaign in 1984 into a reflection of popular choice and capture the presidency. The ruling party chose São Paulo governor

Paulo Maluf, who proved unable to distance himself from the unpopularity of the military-controlled regime. The opposition capitalized on the groundswell of hostility and coalesced behind the paternal figure of Tancredo Neves, a senator from Minas Gerais who had held office under Vargas and who campaigned as if the ballot were direct. The election went against the government, and in January 1985, the electoral college duly chose Neves as Brazil's first civilian president in a generation. In March, however, just before his inauguration, Neves fell gravely ill, and he died in April without having been formally sworn in. Brazilians feared another military strike, but Vice President José Sarney was allowed to take office as president. Sarney, who represented a small center-right party allied with Neves's party, consolidated his position after an impressive showing in regional and legislative elections in November 1986.

A new constitution, passed in 1988, was followed by elections a year later. Brazil's first direct presidential elections in 29 years resulted in the victory of Fernando Collor de Mello. Collor received 53% of the vote in the runoff elections. Collor took office in March 1990 and launched an ambitious liberalization program that attempted to stabilize prices and deregulate the economy. Collor was in the process of renegotiating Brazil's huge debt with foreign creditors and the IMF when massive corruption was revealed inside the Collor administration. Allegations implicated Collor himself, who was forced to resign in December 1992. Itamar Franco took over, promising to continue Collor's programs, but long-standing structural problems continued. The nation's chronic inflation was finally brought under control through the Real Plan launched in 1994 by finance minister Fernando Henrique Cardoso (and named for the new currency, linked to the US dollar, which was introduced under the plan).

On the strength of the plan's success, Cardoso, a leading social scientist, was elected to the presidency in October 1994. His policies, which continued to keep inflation under control, reduced tariffs, and included major privatization measures, earned him sufficient support for the passage in January 1997 of a constitutional amendment by the lower house of Congress overturning the nation's ban on consecutive presidential terms and making it possible for Cardoso to seek reelection in 1998. He won reelection in October of 1998 with 53% of the vote in the first round. Worker's Party candidate Luiz Inácio "Lula" da Silva came second with 31.7%. Cardoso also commanded the support of a loose center-right coalition of parties. One of the major challenges tackled by the Cardoso administration was the privatization of the state-owned mining company, Vale de Rio Doce, which drew strong opposition from nationalist, leftist, and religious forces. In May 1997 a \$3.2 billion controlling stake in the mining and transport conglomerate was sold to private investors. Cardoso's parties also won a majority of the state governor races. Shortly after the election, as a result of the economic crisis, Brazil was forced to devalue its currency, the *real*. Previously pegged to the US dollar, the *real* lost more than 60% of its value within days, sending the country into a deeper crisis. Some recovery was observed starting in 1999, but social discontent resulting from high unemployment and growing poverty also flourished. Cardoso was constitutionally prevented from seeking a third consecutive presidential term in 2002.

In the 2002 election, Lula da Silva, the runner-up in the previous two elections and the founder of the Worker's Party, final-

ly succeeded in winning the presidency. After placing first in the first-round election, Lula went on to win more than 61% of the vote to defeat José Serra, Cardoso's candidate, and become the first factory worker ever to be elected president of Brazil. Although many observers feared that Lula would adopt policies detrimental to sound fiscal management and would favor redistribution of wealth over fiscal discipline, during his first months in office Lula demonstrated his ability to be a clever, reliable, trustworthy leader who sought to balance sound macroeconomic policies with an active but responsible commitment to reduce poverty and use government resources to help those most in need. The economy recovered after the 1998 crisis, but poverty and inequality remained widespread and fighting them was Lula's first priority as president. Lula's Zero Hunger plan, aimed at devoting state resources to help the most impoverished Brazilians, received enthusiastic support from political actors and international observers.

In 2004, Brazil—along with Germany, India, and Japan—launched an application for a permanent seat on the United Nations Security Council. Those in favor of expanding the Security Council from its current five permanent members (the United States, Russia, the United Kingdom, France, and China) argued such expansion would remedy the democratic and representative deficit from which the Council suffers. African leaders also wanted permanent African representation in the Council.

During the summer of 2005, corruption allegations plagued the governing Workers' Party (PT). The PT was accused of paying monthly bribes of \$12,000 to lawmakers from other parties, and of manipulating the system of appointments to state-run companies. A wave of resignations ensued. President Lula da Silva made a televised apology and claimed he knew nothing about the corruption. His popularity, however, suffered a blow as a result of the corruption scandal.

### 13 GOVERNMENT

The Federative Republic of Brazil is a constitutional republic composed of 26 states and the Federal District. This district surrounds the federal capital, Brasília. The constitution of October 1988 established a strong presidential system.

The president and vice president are elected to four-year terms and can be reelected once. In 1985, the previous constitution was amended to allow for direct popular election as opposed to an electoral college system. Between 1964 and 1978, presidents were pre-selected by the military. The president is the head of the armed forces and is in charge of the executive branch, assisted in that task by a cabinet of ministers. He also appoints justices to the Supreme Federal Tribunal, the highest court in Brazil.

The Congress consists of the Senate and the Chamber of Deputies. The Senate has 81 members, 3 for each state plus the Federal District. Senators serve for eight-year terms, with half the members retiring every four years. The 513 deputies are elected for four-year terms by a system of proportional representation in the states, territories, and Federal District. The constitution stipulates that Congress meet every year from 15 March to 15 December. In practice, from 1964 to 1985, the military used the office of the president to dominate the Congress and the state legislatures, suspending them from time to time.

Voting is compulsory between the ages of 18 and 70 and optional for persons over 70, and those between 16 and 18 years of

age. Illiterates were permitted to vote in 1985. Military conscripts may not vote.

### 14 POLITICAL PARTIES

During the last days of the Brazilian Empire, a group of positivists advocating abolition of the monarchy organized the Republican Party (Partido Republicano—PR) along military lines. After the fall of the empire in 1889, the government was controlled by PR-supported military regimes and opposed locally by the established Conservative and Liberal parties. An opposition group, the Civilian Party (Partido Civilista), organized by Ruy Barbosa, overcame the military regime but was soon absorbed into the Conservative and Liberal groups from Minas Gerais and São Paulo, which instituted a system of alternating the presidency between the two states.

Getúlio Vargas was responsible for the success of three successive parties, one of which survives to this day. In 1930, Vargas formed the Liberal Alliance Movement (Aliança Nacional Liberal—ANL). After Vargas resigned the presidency in 1945 his supporters formed the Social Democratic Party (Partido Social Democrático—PSD). Eurico Dutra, who succeeded Vargas, ran under this party. In 1950, Vargas was elected under the banner of the Brazilian Labor Party (Partido Trabalhista Brasileiro—PTB). Finally, Vargas inspired the National Democratic Union (União Democrática Nacional—UDN) to put up candidates against him. The UDN won the presidency in 1961 for Quadros.

The PSD continued on without Vargas, but formed a coalition with the PTB in 1955. The PSD candidate, Kubitschek, became president, while the PTB's leader, Goulart, became vice president. In the 1958 congressional elections, however, the PTB broke with the PSD. The PTB survives as a small party, having lost many of its members to other laborite parties.

After the military takeover in 1964, parties disappeared. In 1966, the military allowed the formation of two official parties: the Alliance for National Renewal (Aliança Renovadora Nacional—ARENA) and the Brazilian Democratic Movement (Movimento Democrático Brasileiro—MDB). ARENA was created as the ruling party, with the MDB playing the role of "loyal opposition." ARENA began with two-thirds majorities in both houses of Congress and increased its majorities in the elections of 1970, while also maintaining control of nearly all state legislatures. ARENA scored further gains in the 1972 municipal elections. However, beginning in November 1974, the MDB began to score legislative gains. Moreover, in the 1974 election the MDB was able to raise issues of social justice and civil liberties.

In November 1979, in accordance with the government's liberalization policy, Congress passed a law abolishing ARENA and the MDB and permitting the formation of new parties. Over the next decade, a number of groups emerged. The government created the conservative Social Democratic Party (Partido Democrático Social—PDS) to replace ARENA. The Democratic Workers' Party (Partido Democrático Trabalhista—PDT) is headed by Leonel Brizola, a frequent critic of the military regime and leader of a similar party before 1964. The Party of the Brazilian Democratic Movement (Partido de Movimento Democrático Brasileiro—PMDB) is a moderate successor to the MDB. The Brazilian Social Democracy Party (PSDB) was founded in 1988 by former PMDB members, including future president Fernando Enrique Cardo-

so. The Workers' Party (Partido dos Trabalhadores—PT) is led by Luis Inácio da Silva, also known as “Lula,” the popular leader of the metalworkers' union. In 1989, Lula placed second in the presidential race, running under a coalition of laborite parties called the Popular Front. Lula lost the runoff election to Collor, receiving 47% of the vote. He ran again unsuccessfully in 1994 and 1998 before winning the 2002 presidential election. The Brazilian Workers' Party (Partido Trabalhista Brasileiro—PTB) is a populist party with working-class appeal, but is conservative on a variety of economic issues. The PT is currently the party with most legislators in congress and its ability to govern will be tested during Lula's presidential term (2003–07).

In 1985, the Liberal Front Party (PFL) was organized by dissident PDS members. It formed the National Alliance with the PMDB, an alliance that won the 1985 elections. Although the PFL lost the 1989 presidential elections, it soon allied with President Collor, although the scandal of 1992 did little to help its fortunes. In the 2002 election, the PFL placed second, behind the PT; and PFL had 84 deputies in the 513-member Chamber and 19 senators in the 81-member Senate.

The Communists had been banned since 1957, but were allowed to organize after 1985. The Brazilian Communist Party (Partido Comunista Brasileiro), founded in 1922, is now a Euro-Communist party firmly committed to conventional politics. The Communist Party of Brazil (Partido Comunista do Brasil) is a more radical faction, Maoist in its origins but now expressing solidarity with any socialists who resist reforms.

Fernando Henrique Cardoso of the PSDB was elected president in October 1994, in Brazil's second direct presidential election since 1960, winning 53% of the vote to 26% for the PT candidate, Inácio da Silva (known as Lula), his closest rival. In October 1998 Cardoso won reelection in a first-round election with 53.1% of the vote, defeating Lula who came second with 31.7%. In 2002, Lula won in a runoff election with 61% of the vote, but his PT only captured about one out of every five seats in Congress. Through alliances and coalitions with other parties, Lula secured majority control of both chambers, but Brazilian politics is characterized by the lack of discipline, and party allegiance responds more to provincial and local interests than strong central party discipline. Yet, under Lula's leadership, the PT has successfully become a national party and is currently the largest and most important party in the country. Party loyalty by legislators has remained weak as most members of the legislature show more loyalty to their state governors than national party leadership. But the success of the PT helped foster a higher degree of party discipline and cohesiveness. The corruption scandal that rocked the PT in 2005, however, caused the party to lose a significant amount of public trust.

## 15 LOCAL GOVERNMENT

Brazil is a highly centralized system, in which local units have very little authority. Each of Brazil's 26 states has its own constitution and popularly elected legislature and governor. The states are divided into about 5,500 municipalities, which are, in turn, divided into districts. Each municipality has its own elected council and mayor. The state and municipal legislative bodies are subordinate to the federal government. Municipal authorities are responsible for the construction and maintenance of roads, the creation and upkeep of public parks and museums, and for the program of pri-

mary education. As districts increase in population, they, in turn, become municipalities. The large municipalities are important political units and may rival the state in political power. The largest city in each municipality serves as the capital, and usually the largest city in the largest municipality serves as the state capital. The Federal District government in Brasília is appointed by the president with Senate approval.

In 1960, after Brasília became the new capital, the former Federal District, comprising Rio de Janeiro and the 1,165 sq km (450 sq mi) surrounding it, became the state of Guanabara. Eventually this state was amalgamated into the state of Rio de Janeiro. From 1979 on, a few previously unincorporated territories became states.

## 16 JUDICIAL SYSTEM

The legal system is based on continental European principles. Although the jury system has been used in criminal cases for more than 100 years, there is a general tendency away from the use of juries. The Supreme Federal Court is composed of 11 justices, chosen by the president with Senate approval, who serve until age 70. It has final jurisdiction, especially in cases involving constitutional precepts and the acts of state and local authorities. The Federal Appeals Court deals with cases involving the federal government. Immediately below it are federal courts located in the state capitals and in the Federal District, as well as military and labor courts. Codes of criminal, civil, and commercial law are enacted by Congress, but in order to preserve the jurisdiction of state courts, the federal courts will not accept original jurisdiction solely because a law of Congress is involved. Electoral tribunals deal with registration of political parties, supervision of voting, infractions of electoral laws, and related matters.

Each state and municipality has its own judicial system. Justices of the peace and magistrates deal with commercial and other civil cases of the first instance. Decisions from state or municipal courts may be appealed to the federal courts and on up to the Supreme Federal Court.

There is also a system of specialized courts dealing with police, juveniles, and family matters.

The judiciary is independent from the executive and legislative branches. Judges are appointed for life and may not accept other employment.

Criminal defendants have a right to counsel.

## 17 ARMED FORCES

The Brazilian armed forces had 302,909 active personnel, with reserves of 1,340,000 in 2005. The Army had 189,000 personnel, whose equipment included 178 main battle tanks, 286 light tanks, 409 reconnaissance vehicles, 803 armored personnel carriers, and over 1,554 artillery pieces. The Navy had 48,600 personnel, including 14,600 Marines and 1,150 naval aviation personnel. The Navy's major fleet units included 1 aircraft carrier, 14 frigates, 4 corvettes, 50 patrol/coastal vessels, and 6 mine warfare ships. The naval aviation arm had 26 combat capable aircraft that included 23 fighter ground attack aircraft in addition to 26 antisubmarine warfare helicopters. The Air Force had 69,309 active personnel, with 9 combat capable aircraft, consisting of P-3A Orion maritime patrol aircraft. Brazil's paramilitary force was under Army control and consisted of a public security force of more than 385,600



members. Brazil participated in five UN peacekeeping missions in 2005. The defense budget in 2005 totaled \$13.08 billion.

## 18 INTERNATIONAL COOPERATION

Brazil is a charter member of the UN, having joined on 24 October 1945; it belongs to the ECLAC and several specialized agencies, such as the FAO, IAEA, IFC, ILO, IMF, UNESCO, the World Bank, and WHO. Brazil joined the WTO on 1 January 1995. The country also participates in G-15, G-19, G-24, G-77, the Río Group, the Latin American Economic System, and the Latin American Integration Association. Brazil is also a member of the OAS. In 1991, Brazil together with Argentina, Uruguay, and Paraguay created the Mercosur trade and strategic alliance.

Brazil is an observer of the Nonaligned Movement and a member of the Nuclear Suppliers Group (London Group) and the Agency for the Prohibition of Nuclear Weapons in Latin American and the Caribbean (OPANAL). The nation contributed a battalion of troops to the UNEF in the Gaza area after the Suez crisis of 1956 and also sent troops to the Congo (now Zaire) in the early 1960s. It has also supported UN efforts in Kosovo (est. 1999), Liberia (est. 2003), East Timor (est. 2002), Côte d'Ivoire (est. 2004), and Haiti (est. 2004). Brazil serves on the United Nations Monitoring, Verification, and Inspection Commission, which was originally established in 1999 as the Special Commission for the Elimination of Iraq's Weapons of Mass Destruction. The country is a signatory of the 1947 Río Treaty, an inter-American security agreement.

In environmental cooperation, Brazil is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The history of the Brazilian economy before World War II was characterized by six principal cycles, each centered on one export particular commodity: brazilwood, livestock, sugar, gold, rubber, and coffee. At the height of each cycle, Brazil led the world in production of that commodity. Even during the postwar era, variations in price and market conditions for coffee largely determined the degree of national prosperity.

Attempts to diversify the economy through rapid industrialization made Brazil one of the two leading industrial nations of South America, but spiraling inflation thwarted many of the economic advances. The rising inflationary trend of the mid-1960s was due mainly to public budgetary deficits resulting from losses incurred by the government-owned railroads and shipping lines and by official subsidy expenses for imports, such as wheat and petroleum. At the same time, wages increased at a higher rate than productivity; expansion of credit to private enterprises also lagged. The pace of further industrial expansion was determined largely by the availability of foreign exchange, derived chiefly from the sale of coffee, to buy the necessary equipment and raw materials, especially wheat and crude oil.

After the period of what some called an economic miracle (1968–73), during which GDP growth averaged more than 11% annually; the economy cooled to an annual growth rate of 6% between 1974 and 1980, mainly because of increased costs of import-

ed oil. Throughout this period, industrial growth rates outstripped those for the economy as a whole, and industrial products claimed an increasingly large share of GDP.

Inflation was so chronic that in the late 1960s, the government instigated monetary correction, whereby fixed payments were indexed to past inflation. Thus, interest rates, pension payments, mortgage payments, and so forth, kept pace with rising prices, but inflation fed on itself. Even as economic growth surged in the mid-1980s, triple-digit inflation persisted. In February 1986, as the projected inflation rate for the year approached 500%, the government imposed a package of sweeping economic reforms, the Cruzado Plan, which created a new currency (the cruzado), eliminated monetary correction, and froze wages and prices. While inflation plunged to near-zero initially, by mid-1987, it had surged beyond 100%, fueled by increased customer spending due to the price freeze. The government then imposed an austerity program and began negotiations with the IMF for a rescheduling of the staggering foreign debt.

The Brazilian economy was hit by a deep recession and record inflation in 1990. The GDP fell by an unprecedented 4%, while inflation hit an all-time high of 2,938%. In March 1990, upon assuming office, President Collor announced sweeping economic reforms designed to stop inflation and integrate Brazil into the developed world economy. In addition, the Collor Plan imposed a price freeze, as well as a freeze on bank deposits, resulting in a precipitated capital flight. Trade barriers were significantly reduced but the attempt to reduce Brazil's large fiscal deficit resulted in the continual resurgence of inflation and a lack of confidence in the government's economic policies.

The Collor government introduced on 31 January 1991 another package, Collor II, attempting to reduce inflation. The package included wage and price controls and eliminated the overnight market. The economy experienced a lackluster recovery with GDP growth of 1.2%. However, the failure to reduce the structural fiscal deficit, inconsistent monetary policy, the unfreezing of prices and wages by the third quarter, and the unfreezing of remaining blocked accounts undermined the efforts to reduce inflation.

Under IMF guidance, monetary policy continued to tighten liquidity in 1992. The failure of the government's stabilization efforts produced a new inflationary spiral with monthly inflation rates in the mid-20% range. High real interest rates combined with the acceleration of inflation and the political uncertainty over the outcome of the impeachment proceedings produced another recession with GDP decline of 1.5% for 1992.

Inflation continued to rage in the early 1990s. In 1994 it peaked at 2,700%. That year, the finance minister, Fernando Henrique Cardoso (later president), introduced a new currency, the real, and a new economic plan called the Real Plan. The plan featured privatization of state-owned industries, lowering of tariffs, and the abolition of Brazil's unique and counterproductive wage-inflation indexing, which had sent prices on a seemingly endless upward spiral. By ending the hyperinflation of the past decades, the government greatly increased the standard of living of millions of Brazilians, allowed businesses to plan for the medium term in an environment of stability, and created a class of economically stable consumers. Inflation had dropped to only 6.9% by 1997, and has since remained in single digits.

From 1988 to 1998, GDP growth averaged 2.4%. The Real Plan had to be abandoned in early 1999, however, as the Brazilian economy became engulfed in the aftermath of the Asian financial crisis of 1997 and the Russian financial crisis of 1998. Brazil lost an estimated \$50 billion in foreign reserves in the resulting capital flight. Steps were taken by the Group of Seven and the international financial institutions to try to reassure foreign investors. On 2 December 1998, a two- and-three-quarter-year standby agreement with the IMF went into effect, buttressed by a credit line of about \$18.2 billion, as well as a one-year standby under the Supplementary Reserve Facility (SRF) with a \$12.6 billion credit line, both part of an international support package totaling \$41.5 billion. The support package had been designed as a precaution against Brazil catching the "Asian flu," as it were, but it did not prevent the Brazilian currency crisis of 1999. On 13 January 1999 the Central Bank devalued the real by 8%; on 15 January 1999, the Cardoso government announced that the real would no longer be pegged to the US dollar, ending the Real Plan. Immediately, the real lost more than 30% of its value, and subsequent devaluation made the real lose a total of 45% of its value. Despite the devaluation, the economy showed positive, if weak, growth in both 1998 (0.2%) and 1999 (0.8%), and inflation remained under control, at 3.2% in 1998 and 4.9% in 1999. However, Brazil's debt service ratio soared to an untenable 113.1% of export earnings in 1999, up from 62.7% in 1997 and 76.2% in 1998. To some extent, the problem was self-correcting, as the devalued real made Brazilian exports more competitive, which increased export earnings in 2000, and helped reduce the debt service ratio to 90.8% by 2000 and to 78.5% by 2001. GDP grew 4.5% in 2000, led by exports, while inflation picked up to 7%. Growth then fell to 1.4% in 2001 as the US recession and the global economic slowdown dampened export demand.

At the expiration of the 1998 IMF standby agreement in September 2001, two other one-year standbys were put in place with credit lines totaling about \$30 billion. In 2002, debt service payments were running at over 80% of exports (a debt service ratio of 80.3%) as export markets continued slow after the 11 September 2001 terrorist attacks on the United States, and as investors became increasingly anxious about the economic consequences of a victory by Luiz Inácio Lula da Silva in the October presidential election. There were also questions about whether the administration of US president George W. Bush would support another standby arrangement with the IMF for Brazil. On 6 September 2002 the expiring 2001 arrangements were replaced by two more one-year standby arrangements with a \$30 billion line of credit just as the currency exchange rate and the Brazilian stock market index—the Bovespa index—were reaching historic lows. Both the exchange rate and the Bovespa index improved after the election and into the first quarter 2003; the improvements were in part because the sell-off had preceded the election and in part because the Lula government was proving less radical than had been feared. Overall, real GDP is estimated to have grown 1.5% in 2002, while inflation increased to 8.4%, up from 6.8% in 2001.

Although hyperinflation in Brazil has ended, and the economy has to a great extent been liberalized, public-solvency indicators deteriorated in the midst of low growth and stalled fiscal reforms in the mid-2000s. President Lula da Silva by 2006 had won market confidence by showing commitment to stability and reform, and improved public-debt ratios, but the tightness of macroeconomic

management frustrated industrialists and alienated da Silva's traditional supporters. Brazil uses inflation-targeting as a framework for monetary policy in the context of a floating exchange rate. The central bank has set a target inflation rate of 5.1%, and by 2006, inflation was on the decline. After the trade balance swung back into surplus in 2001 for the first time since 1993, the export to GDP ratio rose further in 2003, to 17.2%, following consecutive years of record export earnings in 2002–03. Primary products performed strongly by 2005, prompted by robust Chinese demand for soya and iron ore, but exports of manufactures also increased, led by automobiles. Underinvestment, particularly in infrastructure, has led to high costs and inefficiencies in services such as transportation, energy provision, and communications. Construction, which accounts for two-thirds of investment, was weak in 2005, partly because of high interest rates. There is also a heavy corporate tax burden. In 2004, the economy grew by 4.9%. Growth was likely to slow to 3% in 2005 before picking up again in 2006. Real GDP growth averaged 2.6% from 2000–04. Inflation averaged 8.7% during that period. Brazil was the world's 14th largest economy in 2004, according to the World Bank.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Brazil's gross domestic product (GDP) was estimated at \$1.6 trillion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$8,500. The annual growth rate of GDP was estimated at 2.6%. The average inflation rate in 2005 was 6.8%. It was estimated that agriculture accounted for 10% of GDP, industry 39.4%, and services 50.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$2.821 billion or about \$16 per capita and accounted for approximately 0.6% of GDP. Foreign aid receipts amounted to \$296 million or about \$2 per capita and accounted for approximately 0.1% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Brazil totaled \$291.57 billion or about \$1,647 per capita based on a GDP of \$505.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.4%. In 2001 it was estimated that approximately 22% of household consumption was spent on food, 18% on fuel, 15% on health care, and 34% on education. It was estimated that in 1998 about 22.0% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Brazil had an estimated work force of 90.41 million. In 2003, it was estimated that 20% were engaged in agriculture, 66% in services, and 14% in industry. As of 2005, an estimated 9.9% of the workforce was unemployed.

The law provides for union representation of all workers except the military, uniformed police, and firemen. Union financing depends largely on a mandatory tax administered by the gov-

ernment, which applies to nearly all workers and employers. The number of strikes has decreased in recent years, with 1,250 strikes recorded in 1996 compared to 84 in the year 2000. Union organizers, especially in rural areas, continue to be violently harassed and even killed. About 16% of Brazil's workforce is unionized. However, most workers in the informal economy, including those not registered with the Ministry of Labor and Employment (MLE) and those who are self-employed, remain outside of the union structure. Around 50% of the country's labor force worked in the informal sector, while the percentage was even higher in the agricultural sector, where 70% were unregistered with the MLE.

Brazilian law limits the workweek to 44 hours, with a weekly rest period of 24 consecutive hours. Excessive compulsory overtime is prohibited with overtime hours at time-and-a-half rate of pay. The minimum wage is adjusted annually. In May 2005, the monthly minimum wage was set at us\$130. These laws generally apply to workers in the formal economy.

Children under 16 are generally forbidden to work by law except in certain apprentice programs. However, this law is not effectively enforced. Estimates in 2004 put the number of children laborers between the ages of 5 and 17 who were working at 5.1 million.

Although Brazilian law prohibits compulsory or forced labor, forced, even slave labor, continues to be a problem. According to estimates by the International Labor Organization, there were about 25,000 slave laborers in Brazil, most of whom were in the states of Mato Grosso and Para. In addition, unsafe working conditions are prevalent throughout the country.

## 2<sup>2</sup> AGRICULTURE

In 2003, 15% of Brazil's economically active population worked in agriculture, down from 23.3% in 1990. Total arable and permanent crop area comprises 66.5 million hectares (165 million acres). Although agriculture's share of exports has declined relative to industrial goods, the value has continued to increase, so that Brazil in 1977 became the world's second-largest exporter of agricultural products. Except for grain (particularly wheat), of which some 6.3 million tons had to be imported in 2004, Brazil is virtually self-sufficient in food. The growth rates for agriculture as a whole averaged 2.8% during 1980–90, and 3.2% for 1990–2000. By 2003, agricultural production was 13.7% higher than during 1999–2001. In 2003, agriculture accounted for 8% of the total GDP. Export crops are significant—in addition to the traditional exports of coffee and cocoa, Brazil is also a major exporter of soybeans and orange juice. In 2004, Brazil ranked sixth in the production of cocoa beans at 169,400 tons, or 4.7% of the world's cocoa bean production. In recent years production has been devastated by the effects of the witches-broom fungus.

The Land Statute Law of 1964 was designed to modify the agrarian structure and increase agricultural output in selected regions over a 20-year period. The law empowered the federal government to expropriate unused or underutilized land by offering indemnification in bonds in the case of large properties and cash payment for smallholdings. In redistributing expropriated lands, priority is given to those who work the land under tenancy, sharecropping, or ordinary labor agreements. Responsibility for implementing the law is divided between the Brazilian Agrarian Reform Institute and the National Institute of Agricultural Development.

In October 1984, a law was passed to facilitate the distribution of 43.1 million hectares (106.5 million acres) of state-owned land and nonproductive private estates to 1.4 million peasant families, primarily in the impoverished northeast, through 1989. The formation of cooperatives was encouraged.

Coffee, until 1974 preeminent among export earners, has been declining in importance since the early 1960s, while soybeans, sugarcane, cotton, wheat, and citrus fruits have shown dramatic increases. Brazil led the world in coffee production in 2004, at 2,475,000 tons. Sugarcane production, in which Brazil ranked first in the world in 2004, is grown not only for refined sugar but also as a source of alcohol for fuel, and totaled 410,983,000 tons that year. In 2004, production included 18,256,500 tons of oranges, 24,039,000 tons of cassava, and 211,800 tons of cashews. At 28,500 tons, Brazil was not the world's leading producer of Brazil nuts in 2004—it trails Bolivia. Tobacco production in 2004 totaled 928,338 tons, 14% of world production. Agricultural production in 2004 (in millions of tons) was corn, 41.9; soybeans, 42.9; rice, 13.3; wheat, 6.0; and cottonseed, 2.2. Further agricultural reforms have been carried out under the Carta de Brasília of 1967. The Carta included an incentive program for the construction of storage facilities, to permit farmers to hold products off the market in expectation of better prices. Agricultural research in Brazil is conducted by the Agriculture and Cattle Raising Institute of Research. The expansion of power, transportation, and communications systems during the 1970s further contributed to agricultural development.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Brazil is a leading livestock-producing country, and 197,000,000 hectares (487,000,000 acres—more than one-fifth of the total national area) are devoted to open pasture. Since World War I, cattle production has become one of the country's major sources of wealth. Hereford and polled angus are raised in the southern states of Rio Grande do Sul and Santa Catarina, and Dutch and Jersey cattle supply dairy products in the uplands of Minas Gerais, Rio de Janeiro, São Paulo, and Paraná. The humped zebu was first introduced in Minas Gerais, where intense crossbreeding produced the Hindu-Brazil breed that is now most common throughout Brazil because it resists tick fever and heat. There were an estimated 192 million head of cattle in 2004, as compared with an annual average of 147.8 million during 1989–91 and 116.6 million during 1979–81.

Hog raising, marked by an improvement in breeds, has doubled since 1935, making Brazil the world's third-largest producer. In 2004 there were an estimated 33 million hogs. Berkshires and Poland Chinas have been introduced in quantity, and, since vegetable oils are increasingly replacing lard, the emphasis is on production of pork, ham, and sausages. Brazil is not a major sheep country, since most of the area is too tropical. The bulk of Brazil's 14.2 million sheep are in Rio Grande do Sul. Of the other domestic animals raised commercially in 2004, there were some 9.1 million goats, 5.9 million horses, 1.4 million mules, and some 1.1 billion chickens. Brazil is the world's third-largest exporter of broiler meat.

The government encourages production and seeks more efficient methods of conservation and distribution of meat products. Meat production was 19.1 million tons in 2004, including 7.8 mil-

lion tons of beef and veal. The dairy industry is most highly developed in the vicinity of large cities. Estimated output of dairy products in 2004 included 23.3 million tons of fresh cow's milk and 1.6 million tons of eggs.

During the years of high inflation, ranchers and farmers looked at their herds and land as assets whose value increased in line with inflation and were less challenged to make investments and increase productivity. With inflation now under control, cattle prices have remained fairly stable, and some meat packers have started turning to the export market.

## 24 FISHING

Although Brazil has a seacoast of some 7,400 km (4,600 mi) and excellent fishing grounds off the South Atlantic coast, the nation has never fully utilized its commercial potential. Traditionally, fishing has been carried on by small groups of individual fishermen using primitive techniques and equipment and seldom venturing out of sight of land. Lack of storage facilities, canneries, and adequate methods of distribution have limited the supply and led to the importation of dried fish. Swordfish is caught in large quantities off the coast of Paraíba and Rio Grande do Norte, and shrimp is caught and dried along the coasts of Maranhão, Ceará, and Bahia. The fish resources of the Amazon River are not exploited, except for the commercial processing of the pirarucú and an aquatic mammal, the sea cow. The annual fish catch is so modest that there has traditionally been a scarcity during Holy Week, about the only time when Brazilians eat much fish. The total catch in 2003 was 1,086,504 tons, 36% from inland waters. Exports of fish products were valued at \$419.1 million in 2003. Small quantities of lobster are exported.

A fisheries development agency was established in the early 1970s to exploit Brazil's coastal potential. The discovery of large quantities of tuna off the coast of Rio Grande do Sul has interested foreign fishing companies, and Japanese and US concerns have obtained the right to fish in Brazilian waters and to establish storage and canning facilities. Normally, foreign fishing rights are reserved to the Portuguese. Aquacultural production consists primarily of carp and tilapia.

## 25 FORESTRY

Over 50% of South America's forests and woodlands are in Brazil, with an estimated 412 million hectares (1,018 million acres). Sylvan areas in Brazil are nearly three-quarters as large as the forests of all African nations combined. Brazil's forests cover 49% of the country's land area and are among the richest in the world, yielding timber, oil-bearing fruits, gums, resins, waxes, essential oils, cellulose, fibers, nuts, maté, and other products. The Amazon region contains almost 80% of the national forest resources. In the rain forest, as many as 3,000 different species per sq mi (2.6 sq km) may coexist. However, only a limited percentage of forestland is being exploited, in part because of a lack of adequate transportation. Commercial tropical hardwood forests covered 238,000 hectares (588,000 acres) in 2005, or about 58% of the forested area. Brazil accounts for 20% of the world's tropical hardwood resources and is one of the leading producers of tropical hardwood products. Brazilian timber is of fine quality, ranging from wood as light as cork to the wood of the Brazilian pepper tree, with a density one and one-half times that of water. By 1991, rapid deforestation dur-

ing the previous 30 years in the Amazon (from migration, road building, mining, and tax incentives) had caused the rain forest to shrink by an estimated 8.5% since colonial times. However, the annual rate of deforestation in the 1990s was 0.4%. Government incentives for reforestation projects ended in 1986. Most reforestation is carried out by private companies. The average annual reforested area in Brazil during 1999–2004 was 150,000 hectares (371,000 acres). The hardwood trees of the Amazon rain forest are of excellent quality, but because of a thriving domestic furniture industry, they are used mainly locally; furniture manufacturing is responsible for 40% of the wood consumption in Brazil. The Paraná pine (*Araucaria angustifolia*) is in greatest demand. It grows in the southern states in stands that comprise about 420 million trees. A Brazilian ban on log exports has focused exports on value-added products (mostly lumber, plywood, hardboard, and veneers). Policies to develop forest resources have changed recently, and the utilization of native species has become very restricted, mainly in the southern region. In July 2004 the government lifted the prohibition on exports of mahogany and other Amazon species such as virola and imbuia, but these exports are under rigid control.

Production of roundwood in 2003 was estimated at 238.5 million cu m (8.4 billion cu ft). Production of paper and woodpulp has expanded considerably since 1975; exports of paper intensified between 1981 and 2000, from 337,000 tons to 1,815,000 tons. Production amounts in 2004 included 31.8 million cu m (11.2 billion cu ft) of tropical hardwood logs and 8.4 million cu m (20.6 million cu ft) of softwood lumber. The total value of Brazilian forest product exports in 2003 reached \$2.7 billion, with the United States, Belgium, and China as the primary markets. The Amazon region accounted for 40% of the total Brazilian exports of wood products, while the rest of Brazil accounted for 60% (of which Paraná represented 20%). Exports of plywood in 2003 totaled 1.3 million cu m (3.2 million cu ft), with 47% going to the European Union, 39% for the United States, 4% for the Dominican Republic, and 10% going to other markets.

Brazil's production of rubber in 2004 was 55,000 tons; the natural rubber industry, once a world leader, was dealt a strong blow by the development of cheaper synthetics. Forest products like rubber, Brazil nuts, cashews, waxes, and fibers now come from plantations and no longer from wild forest trees as in earlier days. Maté, derived from a species of South American holly, is steeped to make a popular form of tea. Production totaled 560,000 tons in 2004.

## 26 MINING

Brazil was Latin America's leading producer of iron ore, manganese, aluminum, cement, ferroalloys (ranking third in the world), tin (fourth in the world), gold (sixth in the world), and steel (eighth in the world), and produced 92.4% of the world's columbium, whose deposits contained 90% of the world's pyrochlore reserves. Brazil continued to be one of the world's largest gemstones producers and exporters, and the only source of imperial topaz and Paraiacuteba tourmaline. Iron ore was Brazil's second-leading export commodity in 2002, and production of cement, iron ore, tin, and steel were among its top eight industries. Brazil's 19,500 million tons of iron ore reserves ranked it sixth in the world, and recent discoveries of platinum indicated that Brazil could have

half the world's reserves. Brazil produced 72 mineral commodities—22 metal, 46 industrial, and 4 fuel—including large deposits of the metals alumina, bauxite, beryllium, chromium, columbium (niobium), copper, lead, nickel, silver, tantalum, thorium, titanium, zinc, and zirconium; of the industrial minerals anhydrite, asbestos, bentonite, diamond, dolomite, fluorite, fluorspar, graphite, gypsum, kaolin (4,000 million tons of reserves, 28.2% of world total), limestone, magnesite (630 million tons of resources with 180 million tons of magnesium content identified), marble, mica, phosphate rock, potash, potassium, prophyllite, quartz (crude, common, crystal, and powder, reserves of 53 million tons), marine salt, rock salt, and talc; and of the fuel mineral coal. In 2000, Brazil also produced sizable quantities of cobalt, tungsten, barite, basalt, calcite, hydraulic cement, diatomite, feldspar, gneiss, granite, kyanite, lime, lithium, nitrogen, mineral pigments, quartzite, industrial sand, calcareous shells, silica, slate, caustic soda, soda ash, sulfur (Frasch and pyrites), and vermiculite.

Brazil's economy was the world's eighth-largest and the largest in Latin America, making up one-third of the region's economy. However, GDP fell in 2003 by 0.2% versus growth of 1.5% in 2002. The mineral-based industries accounted for \$38 billion or 8.4% of Brazil's GDP in 2003. Mineral production, including gas and crude oil, came to nearly \$13 billion, or around 2.8% of GDP. In 2003, Brazil's workforce was almost 80 million, of this total, about 5% or 960,000 were employed by the minerals sector, not including nearly 650,000 active *garimpeiros* (independent miners).

Gross iron ore and concentrate output for 2003 was 234,478,000 tons. Eight firms accounted for 96% of iron ore production, with CVRD accounting for 48%. The second-largest producer, *Mineracões de Ilhéus Brasileiras Reunidas S/A (MBR)*, opened three new mines, *Capatildeo Xavier*, *Tamanduacutê*, and *Capatildeo do Mato*, in Minas Gerais, to increase capacity to 32 million tons per year by 2004 and to offset depletion at the *Aguas Claras* and *Matuca* mines.

In 2003, an estimated 2.5 million metric tons in gross weight of marketable manganese ore and concentrate were mined. Brazil's output of mined tin in 2003 was estimated at 12,000 metric tons.

Major deposits of high-quality bauxite have been discovered in the Amazon region. As a result, output has risen rapidly, from 6.5 million metric tons in 1987, to 13,147,900 metric tons in 2003.

Brazil in 2003 produced 41,300 metric tons of pyrochlore in concentrates, 24,875 tons of columbium in alloys, and 5,064 tons of columbium in oxides from two open pits—*Araxá* (Minas Gerais) and *Catalão* and *Ouro Preto* (Goiás). The two columbium producers, *Mineração Catalão de Goiás Ltda. (MCGL)* and *Companhia Brasileira de Metalurgia e Mineração (CBMM)*, had capacities of 65,000 tons per year pyrochlore and 1.9 million tons per year columbium ore. Tantalum production totaled 249 tons in 2003, and increased world demand was expected to maintain an upward trend.

Diamonds, along with other precious and semiprecious stones, were mined primarily in Minas Gerais, Goiás, and Bahia. Other gemstones, found throughout the country, were emerald, aquamarine, amethyst, citrine, chrysoberyl, opal, topaz, agate, tourmaline, ruby, and sapphire. In 2003, total estimated yield was 500,000 carats of gem-quality diamond (up from 100,000 in 1998) and an estimated 600,000 carats of industrial diamond. Fewer *garimpeiros* and increased environmental restrictions have caused a de-

cline in production. Despite government closure of high-content gem placers and high taxes on domestic sales of jewelry, Brazil had great potential, with its 600 million cu m of sedimentary rocks containing diamond grading between 0.01 and 0.1 carat per cu m (15 million carats), which represented 1.2% of the world's diamond reserve base. Belgium received 95% of the uncut stones.

Gold production was estimated at 39,400 kg in 2003, including 5,000 *garimpeiros*. Deposits found at *Serra Pelada* in 1980 raised gold production to 103,000 kg by 1989; production averaged 90,380 kg in 1987–91, and output in 1996 was 60,011. Higher production costs, depletion of shallower deposits, lower world prices, and much higher environmental standards caused the drop-offs. Gold output could increase significantly with the growth of copper production and increased interest by domestic and foreign investors in largely unexplored areas; more than 2000 gold occurrences were known, mostly Precambrian vein deposits and alluvial placers.

The discovery of gold in Minas Gerais (general mines) in 1693 made Brazil the world's leading gold producer; rapid exploitation under the Portuguese colonial system exhausted the mines in less than a century. The dissipation of the nation's gold wealth for the benefit of a foreign power, instilled in Brazilians a protective attitude toward mineral reserves, resulting in government control. The 1988 constitution forbade foreign majority participation in direct mining operations. Lack of capital has long restricted development by domestic firms, and Brazilian mining laws and adverse geographic conditions have discouraged foreign capital. The major portion of the mineral industry was partially or wholly owned by private Brazilian investors, Brazilian corporations, and/or foreign companies, the exceptions being the natural gas and petroleum industries. The structure of the industry continued to change to a privately owned/government-regulated regime. Two 1995 constitutional amendments opened the way for participation of the private sector (domestic and foreign), through privatization, joint ventures, and deregulated investment, in the sectors of coastal and river shipping, mining, natural gas, petroleum, telecommunications, and transportation. By the mid-1990s, investment was on the rise, as a result of aggressive economic policies, the diversity of mineral resources, and the constitutional reform that eliminated restrictions on foreign investment in mining. In 2000, the import tax for minerals was reduced, with varying rates, and the export tax would no longer apply to exported mineral products, nor would the tax on industrialized products apply to mining activities.

## 27 ENERGY AND POWER

In 2001 drought created an energy crisis in Brazil, which is strongly dependent on hydroelectric power and also the third-largest consumer of electricity in the Western Hemisphere. As of 2002 the country's per capita energy consumption was equal to that of all other South and Central American countries combined. From June 2001 through March 2002, power was rationed allowing the country to avoid rolling blackouts. Brazil is one of the world's leading producers of hydropower.

Total installed electrical capacity increased from 4.8 million kW in 1960 to 8.5 million kW in 1968 and to 73.4 million kW in 2001. In 2003, installed capacity stood at 82.5 GW. Production for 2000 was 339.5 billion kWh, of which hydropower contributed 89%.

By 2003, production increased to 359.2 billion kWh. Consumption of electricity in 2000 was 360.6 billion kWh, which increased to 371.4 billion kWh in 2003. Hydroelectric power accounted for 84% of the nation's electric power in 2003, at 302.9 billion kWh. Construction of the Itaipu Dam on the Paraná River took place between 1975 and 1982; this joint Brazilian-Paraguayan project, the world's largest hydroelectric plant, attained its full capacity of 12.6 million kW in 1986, at a cost of \$15 billion. About 70% of Brazil's population is served by Itaipu, which generates about 75 billion kWh per year. Each of Brazil's nine turbines (Paraguay controls the other nine) at Itaipu has a capacity of 700,000 kW, which can be transmitted up to 1,000 km (620 mi) away. Brazil regularly purchases a large portion of Paraguay's half of its Itaipu electricity production. Conventional thermal generation in 2003 accounted for only 7.4% of Brazil's total supply of electricity. Nuclear power is provided by two plants: Angra-1 (630 MW) and Angra-2 (1,350 MW). A decision to complete an unfinished third facility, Angra-3, was promised to have been made before the end of 2005. Angra-3, began operations in May 1985. It was followed by Angra-2, which took 23 years and \$10 billion to complete and became operational in 2000. As of 2002, it was estimated that five more years would be needed to finish Angra-3 and bring it online. Nuclear generation of electricity accounted for 13.840 billion kWh in 2002, or 4% of production for that year. Estimates of uranium reserves were put at 163,000 tons in 1991, the fifth-largest in the world.

Brazil's proven oil reserves, according to the Oil and Gas Journal, are estimated to total 10.6 billion barrels, as of 1 January 2005, making the country second only in South America to Venezuela in the size of its proven reserves. The government-owned *Petróleo Brasileiro* (Petrobrás), established in 1953, formerly had a monopoly over the exploration and development of petroleum reserves. The 1988 constitution guaranteed the maintenance of state monopolies in the petroleum and electricity sectors, despite rampant privatization. In 1995, however, Brazil's Congress and Senate approved a constitutional amendment ending the government's oil monopoly, and allowing foreign companies to drill, prospect, import, export, refine, and transport oil. The government was to maintain at least 50% of Petrobrás' voting shares, plus one. In August 2000 the government sold a 29% stake in the company but remained the majority shareholder. Brazil's government hopes to raise large amounts of money and attract foreign investment through the privatization of the oil sector, in order to pay off the national debt.

Foreign participation and investment had been forbidden by Brazilian law. However, in the mid-1970s, exploration was opened to foreign companies through risk contracts, and the petrochemicals industry was opened to foreign participation. The National Petroleum Agency (ANP), created in 1997, is charged with opening up the oil industry to both foreign and domestic private interests. By 2004, estimated production totaled 1.8 million barrels per day. However, at 2.2 million barrels per day, consumption still outstripped production, and oil imports were necessary, mostly from Argentina and Venezuela. As of 2002 Brazil had 13 crude oil refineries.

Estimated production of natural gas in 2003 production was reported at 310 billion cu ft. As of 1 January 2005, proven reserves of natural gas were estimated at 8.8 trillion cu ft. In 1975, the government initiated a program to develop alcohol from sugarcane as

an energy source. In the 1980s, 80% of the country's cars and light vehicles were powered by alcohol, although slumping oil prices and persistent financial problems within the alcohol industry prompted the government to freeze production at the 1985 level of 11.1 billion liters (2.9 billion gallons). By 1995, the production of gasoline-powered vehicles had shifted to 95% from the almost entirely alcohol-powered production of 1989. Alcohol still has an important function to maintain diverse sources of fuel for the transportation sector. Most transportation fuel sold in Brazil is a mixture of 22% ethanol and 78% gasoline. As of 1999, Brazil produced 200,000 barrels per day of ethanol.

The absence of good coking coal is a handicap to industrial plans, and Brazil must import coal for its steel industry. As of 2002 it was estimated that coal imports could double within the following ten years. Coal consumption in 2002 was estimated at 22.09 million tons.

## 28 INDUSTRY

Major industries include iron and steel production, automobile assembly, petroleum processing, chemicals production, and cement making; technologically based industries have been the most dynamic in recent years, but have not outpaced traditional industries. Peak industrial growth was achieved in 1973, when the manufacturing sector grew by 15.8%; growth rates averaging about 7% were posted during 1978–80, rising to 8.3% in 1985 and 11.3% in 1986. Growth slowed significantly during the 1990s. According to the Brazilian Statistical Institute (IBGE), manufacturing rose an annual average of only 0.7% between 1988 and 1998. Growth in 2002 was particularly pronounced in the construction industry, but by 2005 high interest rates had put a drag on construction. The industrial production rate was estimated at 6% in 2004.

In 1969, 3.7 million metric tons of crude steel were produced; by 1985, this had reached 20.5 million metric tons. In 2004, crude steel production amounted to 32.9 million metric tons, making Brazil the eighth-largest steel producer in the world, just ahead of India. Vast reserves of accessible, high-grade ore, plus rapidly expanding domestic and foreign demand for these products, favor continued expansion of the steel industry. By 2006, China had become a key market for Brazilian steel. The major negative factor is lack of domestic soft coal. *Companhia Vale do Rio Doce* (CVRD) is the world's largest producer of iron ore and pellets and the largest Brazilian mining company, responsible for more than 30% of the iron ore transoceanic market share of Brazil. It is the country's largest investor, responsible for 14% of all Brazilian trade.

Motor vehicle production, Brazil's industrial backbone, experienced a drop of nearly 27% from 1998 to 1999 because of the country's financial difficulties. Production of automobiles went from about 2 million units in 1997, down to 1.6 million units in 1998. In 2001, Brazil produced 1.8 million automobiles, an increase of 7% over 2000. In 2000, the country produced more than 70,000 heavy trucks, an increase of 27% over 1999. In 2005, approximately 2.3 million vehicles were produced in Brazil. Thirty percent of all automobiles produced in Brazil are exported to Mexico. The automobile industry is expanding rapidly with major sources of foreign investment and the construction of new manufacturing plants.

Brazil mines and refines petroleum products. Because of increased domestic refining capacity during the 1970s, imports of

petroleum products were less needed, and by 1979, Brazil was a net exporter of petroleum derivatives. Brazil's petrochemical industry emphasizes the production of synthetic rubber. There are also over 500 pharmaceutical laboratories and plants in Brazil, the majority in São Paulo. Over 80% of the industry is foreign-owned. Increased construction demands boosted Brazil's cement production during the 1980s and 1990s. Brazil's electrical equipment industry manufactures computers, television sets, transistor radios, refrigerators, air conditioners, and many other appliances. Brazil has the largest textile industry in South America in terms of installed capacity and output, with nearly half of the spindles and looms in operation on the continent. The manufacture of footwear is an important industry. The Brazilian pulp and paper sector is also large, consisting of more than 220 companies, which together employ approximately 80,000 people in industrial operations, as well as another 57,000 in forestry work and operations. The pulp and paper sector is almost fully privately-owned. The government allowed foreign investment in vital industries since 1995, and supports the sale of any residual parastatal enterprises.

## 29 SCIENCE AND TECHNOLOGY

The National Council of Scientific and Technological Development, created in 1951 and headquartered in Brasília, formulates and coordinates Brazil's scientific and technological policies. The Brazilian Academy of Sciences was founded in 1916 and is headquartered in Rio de Janeiro. In 1996, there were 25 specialized learned societies and 52 research institutes covering virtually every area of scientific and technological endeavor. Among the most important scientific institutions are the Oswaldo Cruz Foundation for biological research in Rio de Janeiro and the Butantan Institute in São Paulo, which produces serums for the bites of venomous snakes, a field in which Brazil leads the world. Government expenditures on research and development (R&D) in 2000 amounted to \$13.078 billion or 1% of GDP. In that same year, Brazil had 352 researchers and 339 technicians actively engaged in R&D per million people. Government spending in 2002 accounted for 60.2% of R&D expenditures, while business accounted for 38.2% and higher education 1.6%. Brazilian high technology exports in 2002 totaled \$6.007 billion, or 19% of the country's manufactured exports.

Brazil entered the space age in 1973, with the launching of the SONDA II rocket as part of a program to determine electron density in the low ionosphere, a question of practical importance for aircraft navigation. Under the government's Amazon development program, Humboldt City, a scientific and technological center, has been established in Mato Grosso. Atomic research is conducted at the Energetics and Nuclear Research Institute of São Paulo; other research reactors are located at Belo Horizonte and Rio de Janeiro. The Nuclear Energy Center for Agriculture was established in 1966. A total of us\$550 million was allocated to the nuclear energy program under the 1975–79 development plan, but the program languished in the 1980s.

In 1996, Brazil had approximately 100 universities and colleges offering courses in basic and applied science. In 1987–97, science and engineering students accounted for 27% of college and university enrollments.

## 30 DOMESTIC TRADE

Rio de Janeiro and São Paulo are the principal distribution centers; the largest numbers of importers, sales agents, and distributors are located in these cities, having branch offices in other areas. Other major commercial centers are Recife and Porto Alegre, in the northeast and the south; Belém, which serves as a distribution center for the whole Amazon River Valley; and Salvador, which is the main distribution center for Bahia and the neighboring states.

The Brazilian commercial code permits the exercise of trade by all persons who make trade their habitual occupation and register with the appropriate government body. Goods are sold in department stores, in specialty shops, by street vendors, and in supermarkets in the larger cities, but most commercial establishments have fewer than six employees. There are a number of consumer cooperatives that are generally sponsored by ministries, trade unions, and social security institutes. Producer cooperatives are found mostly in agriculture and fishing. The franchising sector by 2006 was booming: franchising accounts for about 25% of the retail revenues. There are some 800 franchise chains and 56,000 franchise units in Brazil, which generate more than 350,000 jobs. Credit is extended to higher-income customers on open accounts and to lower-income groups on installment payment plans. Since 1994, the government has enacted constitutional reforms to remove obstacles for privatization and foreign investment.

Business hours are from 8 or 8:30 AM to 5 or 6 PM, Monday through Friday, with a two-hour lunch period from 12 to 2 PM. Banks transact business from 10 AM to 4:30 PM, Monday through Friday. Shopping hours are from 9 AM to 7 PM, Monday through Friday, and from 9 AM to 1 PM on Saturdays. Stores are usually closed on Sundays. Department stores are open from 10 AM to 10 PM, Monday through Saturday. In many smaller cities and towns, stores are closed for over an hour at lunchtime.

Since 1947, the advertising sector (in all the various media) has increased its expenditures many times over. Most advertising agencies maintain headquarters in São Paulo; some major agencies have branch offices in other large cities. Advertisements are presented on television and on all radio stations, with the exception of the special broadcasting system of the Ministry of Education. Newspapers, magazines, periodicals, motion pictures, billboards, posters, and electric signs are used for advertising. Mobile advertising units equipped with loudspeaker systems are common in the larger cities.

## 31 FOREIGN TRADE

Brazil's long-favorable foreign-trade balance deteriorated substantially between 1958 and 1974 as a result of industrial expansion, which necessitated increased imports of industrial capital goods and petroleum. During 1975/76 and again from 1978 to 1982, the foreign-trade balance was in deficit. Beginning in 1983, Brazil recorded trade surpluses: \$5.1 billion in 1983, \$11.8 billion in 1984, and \$11.3 billion in 1985. This achievement was the result of policies that restricted imports and offered substantial incentives to exporters.

Between 1963 and 1981, exports expanded at an average annual rate of 17%, but they grew by only 9.1% between 1982 and 1985. Coffee has long been Brazil's dominant export, but the propor-

**Principal Trading Partners – Brazil (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	73,084.1	50,824.3	22,259.8
United States	16,901.0	10,166.3	6,734.7
Argentina	4,561.1	4,949.5	-388.4
China	4,532.6	2,330.9	2,201.7
Netherlands	4,245.7	532.7	3,713.0
Germany	3,135.8	4,374.6	-1,238.8
Mexico	2,741.3	563.2	2,178.1
Japan	2,310.5	2,634.4	-323.9
Italy-San Marino-Holy See	2,207.5	1,828.3	379.2
United Kingdom	1,898.8	1,250.9	647.9
Chile	1,880.3	848.9	1,031.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

tion of its export earnings declined from 41.3% in 1968 to 3.2% in 2000. As a result of an ambitious energy development program, Brazil's reliance on imported oil dropped from 70% of its needs in 1980 to 45% in 1985.

The notable accomplishment of former President Fernando Collor de Mello to open the Brazilian market remains the cornerstone of Brazil's economic and trade policies. However, after almost 30 years of import substitution, which initially brought high growth and short-term industrialization in the 1960s–1970s, this policy was finally recognized in the late 1980s as the principal culprit of Brazil's economic woes, particularly high inflation and industrial decline.

By the early 2000s, most of Brazil's nontariff barriers to trade, which for many years were the hallmark of Brazil's restrictive trade regime, were eliminated or drastically reduced. Import duties were reduced from an average of about 50% in the late 1980s to 14.2% and a maximum of 35%. While the overall level and pervasiveness of nontariff barriers have been drastically reduced, some import duties remain high in comparison with other countries. While the depression/inflation problems of the late 1990s reduced purchasing power by about 50% among the working and lower middle classes and further skewed the already highly uneven distribution of income, the Brazilian market remains enormously attractive to US businesses.

Although trade barriers continued to recede with the government of former President Itamar Franco who assumed office in 1992, trade liberalization lost some of its momentum, and there were serious concerns regarding automobile, telecommunications, and information technology sectors. The reforms gained new momentum under the administration of the next president, Cardoso.

In 1995, Brazil joined with Argentina, Paraguay, and Uruguay to form the Mercosur common market, made up of 200 million people worth over \$1 trillion. The agreement covered tariffs for over 85% of some 9,000 items with the remaining 15% to be covered by 2003 and complete coverage to be achieved by 2006. Brazil has an almost symbiotic relationship with Argentina, in which the latter supplies natural gas, automobiles, and other products; while the former exports steel, shoes, and paper products.

In 1999, Argentina implemented trade restrictions on certain Brazilian products because prices were ridiculously low from the currency devaluation. Brazil replied by putting its own trade barriers in place. Such measures did not bode well for the Mercosur community. Argentina had been in recession for several years, and the global economic slowdown, which began in 2001 further, worsened Mercosur's situation. In addition, Brazil has had considerable problems with its electrical distribution system, forcing the rationing of electricity and complicating production.

By 2006, Brazil and other members of the G-20 group of developing nations had called the most recent trade concessions from the United States and the European Union insufficient. The group was pressing for deeper cuts in farm subsidies. At the same time, Brazil found itself in a separate trade dispute with the United States, after accusing it of failing to obey a WTO ruling outlawing some of its cotton policies. The United States threatened to remove trade preferences worth more than \$2 billion if Brazil insisted on asking the WTO for the right to impose \$1 billion in sanctions on American goods.

The most popular export commodities from Brazil are road vehicles, iron, and steel. Brazil also exports footwear and textiles. The country exports a substantial amount of iron ore, soybeans, meat, and coffee. Productivity gains, especially in agriculture, have contributed to a surge in exports. Brazil imports machinery, electrical and transportation equipment, chemical products, and oil.

Brazil's leading markets in 2004 were the United States (21.1% of all exports), Argentina (7.6%), the Netherlands (6.1%), and China (5.6%). Leading suppliers included the United States (18.3% of all imports), Argentina (8.9%), Germany (8.1%), and China (5.9%).

**32 BALANCE OF PAYMENTS**

After a decline in the mid-1960s, Brazil's reserve holdings grew spectacularly, reaching \$6.5 billion by 1974. The prime reason was a steadily rising inflow of long-term capital investment, coupled

**Balance of Payments – Brazil (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>4,016.0</b>
Balance on goods	24,801.0	
Imports	-48,283.0	
Exports	73,084.0	
Balance on services	-5,100.0	
Balance on income	-18,552.0	
Current transfers	2,867.0	
<b>Capital Account</b>		<b>498.0</b>
<b>Financial Account</b>		<b>-164.0</b>
Direct investment abroad	-249.0	
Direct investment in Brazil	10,144.0	
Portfolio investment assets	179.0	
Portfolio investment liabilities	5,129.0	
Financial derivatives	-151.0	
Other investment assets	-6,284.0	
Other investment liabilities	-5,731.0	
<b>Net Errors and Omissions</b>		<b>-764.0</b>
<b>Reserves and Related Items</b>		<b>-3,586.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.



with trade balances that were favorable or only minimally unfavorable. In 1974, however, a decline in the value of coffee exports and a doubling of import costs (partly attributable to increased oil prices) more than offset a further rise in capital investment, resulting in Brazil's first payments deficit in nearly a decade. Between 1976 and 1978, Brazil had a positive balance of payments, but large deficits were registered in 1979 and 1980. A surplus was achieved in 1981, in part because of Brazil's excellent trade showing. The surpluses in 1984 and 1985 were sufficient to pay all interest on the foreign debt.

During the 1970s and early 1980s, Brazil increasingly came to rely on international borrowing to meet its financing needs. The foreign debt grew rapidly after 1974 as the government pressed for continued economic growth without regard for balance of payments pressures generated by the oil shocks of the later 1970s and without increasing domestic savings or improving the tax base. The huge trade surpluses of 1984 and 1985 halted the upward trend. However, the 1986 surge in consumer spending drained reserves to such an extent that by early 1987, the government was forced to suspend payments on \$68 billion of the estimated \$108 billion debt, the highest of any developing nation. An agreement was reached in April 1991 on 1989–90 arrears. In 1992, Brazil and the advisory committee representing foreign commercial banks agreed to a debt and debt service reduction for \$44 billion. Under the Real Plan, the balance of payments dropped from a surplus of \$10.5 billion in 1994 to a deficit of \$3.1 billion in 1995, -\$5.5 billion in 1996, and -\$8.4 billion in 1997. This transformation in Brazil's trade position was due to an overvalued exchange rate, market opening, and suppressed demand for capital and consumer goods. A devaluation of the currency in 1999 led to a reduction of the trade deficit in 1999 and in 2000.

The period of high net capital inflows and currency strength came to an end in 2001. Import compression in 2002–03, and an increase in export earnings after 2003, brought about a large adjustment on the current accounts: the trade surplus ballooned from \$2.7 billion in 2001 to \$33.7 billion in 2004, which transformed the current account from a deficit of 4.6% of GDP in 2001 to a surplus of 1.9% of GDP in 2004. In the first half of 2005, the trade surplus continued to grow.

### 33 BANKING AND SECURITIES

A banking reform enacted in December 1964 provided for the establishment of the Central Bank of the Republic of Brazil (changed in 1967 to the Central Bank of Brazil), with powers to regulate the banking system and the stock market. The Central Bank serves as the financial agent of the federal government and functions as a depository for the reserves of private banks. The reform also created the National Monetary Council, which formulates monetary policies for the Central Bank.

The Bank of Brazil primarily finances projects in the agricultural sector. The National Economic and Bank (BNDES) provides long-term financing and administers the privatization program.

There once were about 340 commercial banks in Brazil, with hundreds of branch offices. However, banking reforms reduced that number to 233 in 1998. The largest banks are the federal banks Bank of Brazil, the Federal Savings Bank, and BNDS; private banks Bradesco, Itau, Unibanco, Safra, and Banespa; the Real Bank, and the state bank of Rio Grande do Sul, Banrisul. Since

January 1994, banks and other financial institutions must publish constant-currency financial statements. The major banks are considered to be sophisticated and competitive, many operating online, and offer a broad range of financial services.

The 1996 rise in international reserves and the fall of the dollar against the real falsely portrayed an improvement in the financial market. In an attempt to calm the financial markets' worries about exchange rate risk, the government began issuing bonds indexed to the exchange rate. The bonds were supposed to be a guarantee that exchange rate policy was not going to change. The Central Bank curbed the expansion of the monetary base, thus controlling inflation, while the volume of money controlled by banks increased with the initial relaxation of credit. This enlarged monetary base, which included the stock of federal bonds and deposits at the Central Bank, rose at a faster rate than nominal GDP. At the end of 1996, the enlarged monetary base was equivalent to 23% of GDP compared with 18% of GDP at the end of 1995. The expansion of monetary aggregates resulted from the rise in public debt through bond financing of the fiscal deficit. The relaxation of credit policy after the end of 1995 caused borrowers to overdraw, resulting in liquidity problems during 1996 and 1997. This presented a precarious situation for the Brazilian economy, especially when the 1998 financial crisis occurred. The Central Bank decided to let the real float in relation to the US dollar, severely depreciating the value of the real by about 45%; and the bonds that were supposed to have guaranteed a fixed exchange rate were also devalued. These issues led to a number of bank mergers and closures in 1999 and 2000. The 2001 collapse of the Argentine economy forced down the value of Brazil's currency, although it has since recovered somewhat. An energy crisis has also caused some trouble in the Brazilian economy, leading to and overall downturn in 2002. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$35.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$149.3 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 17.47%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 21.43%.

Brazil opened its market to foreign portfolio investment in 1991. Brazilian tax laws provide incentives for investment in stocks and bonds. Profit and dividend remittances are subject to a 15% income withholding tax. Up to 24% of individual tax liability may be invested annually in share certificates from authorized financial institutions. Furthermore, individuals may deduct from gross income up to 42% of capital subscription in companies or agencies involved in developing the northeastern or Amazon regions, up to 25% of amounts invested in open capital companies, up to 20% of investments in approved forestation or reforestation projects, up to 13.5% of investments in mutual funds, and up to 4% of savings under the National Housing System. Earnings from all the above investments are also excluded from gross income, up to certain limits. The stock market is a source of financing for all listed companies in Brazil, regardless of ownership. All public issues require the approval of the Securities Commission (CVM). There are nine regional stock exchanges, although over 90% of transactions are carried out in São Paulo and Rio de Janeiro. In 2004, there were

357 companies listed on the São Paulo exchange. As of December 2004, the total market capitalization of the São Paulo Stock Exchange was \$330.347 billion, up from \$234.560 billion in 2003. In 2004 the IBOVESPA Index rose 17.8% from the previous year, ending at 26,196.3.

### 3<sup>4</sup> INSURANCE

Brazil has a low rate of insurance compared to developed countries. 2.3% of its GDP in 2001 was insurance compared to an average of 7% in most developed countries. The operations of insurance companies in Brazil are supervised by the Superintendency of Private Insurance (SUSEPO), the National Private Insurance Council (CNSP), and the Institute of Reinsurance of Brazil (IRB), a company which is 50% owned by the government and 50% by the insurance companies operating in Brazil. The IRB was privatized in the second half of 2000. Motor-vehicle third-party liability, workers' compensation, fire, cargo/truck, and inland marine insurance are compulsory.

With the lifting of restrictions on foreign insurance companies operating in Brazil, several companies made major investments in the market during 1997 and 1998. The United States is the top investor, with 40% of the market. Nearly half of the insurance policies are sold in the city of São Paulo.

The Brazilian insurance market is characterized by two large groups of insurance companies. The top five groups occupied approximately 50% of the insurance market, including Sul America, Bradesco, Itau Porto Seguro, and American International Group (AIG-Unibanco). The balance of the market is shared among approximately 80 additional groups. As of 2003, direct premiums written totaled \$14.565 billion, with nonlife premiums accounting for the largest portion at \$8.259 billion. Bradesco and Bradesco Vida were Brazil's top nonlife and life insurers with gross nonlife (including healthcare) and gross life premiums written in 2003 of \$663.2 million and 1,953.6 million, respectively.

### 3<sup>5</sup> PUBLIC FINANCE

The Brazilian fiscal year coincides with the calendar year. The budget, prepared under the supervision of the Ministry of Planning and Economic Coordination, represents the government's plans for financing administrative operations and capital expenditures. Budgetary deficits increased considerably in the 1960s. The government's objective—to hold total expenditures fairly constant while raising the share of capital outlays—was achieved by an austerity policy. Although the federal budget deficit was reduced in real terms during the late 1960s, fiscal problems continued to be a major source of inflationary pressure, with revenues hovering between 14.5% and 16.5% of GNP and total government expenditures in the range of 17.5–19%. Government revenue increased considerably, and each year the real deficit was reduced below the previous year's level both absolutely and relatively. Public spending was stepped up, particularly transfer payments; transfers of capital to decentralized agencies increased, although direct investment by the central government fell off. Thus, more capital was invested in basic infrastructural projects. Increases in both revenues and expenditures were rapid during the 1970s, but the pattern of decreasing deficits continued. The budgets for 1973 and 1974 actually showed a surplus, although the realized surplus in 1974 fell far short of the budgeted surplus. There was a budget deficit

#### Public Finance – Brazil (1998)

(In millions of reals, central government figures)

<b>Revenue and Grants</b>	<b>221,604</b>	<b>100.0%</b>
Tax revenue	111,086	50.1%
Social contributions	77,492	35.0%
Grants	71	0.0%
Other revenue	38,614	17.4%
<b>Expenditures</b>	<b>245,032</b>	<b>100.0%</b>
General public services	69,692	28.4%
Defense	8,542	3.5%
Public order and safety	7,822	3.2%
Economic affairs	11,857	4.8%
Environmental protection	...	...
Housing and community amenities	1,561	0.6%
Health	15,226	6.2%
Recreational, culture, and religion	166	0.1%
Education	15,033	6.1%
Social protection	115,791	47.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

in 1975, but surpluses were recorded annually during 1976–80. One of the principal causes of Brazil's financial instability in the 1980s was the rate at which public spending exceeded revenues. Following another stabilization program in 1990, a budget surplus of 1.4% of GDP was recorded, but deteriorated to a deficit of 1.7% of GDP by 1992. During the 1990s, the budget remained in deficit by about 4.0% of GDP, but in 1999, the budget recorded a deficit equal to 9.5% of GDP due to the devaluation of the real. This figure had declined to about 4.2% by 2002. Public spending accounts for about one-third of GDP in Brazil.

The US Central Intelligence Agency (CIA) estimated that in 2004 Brazil's central government took in revenues of approximately \$140.6 billion and had expenditures of \$172.4 billion. Revenues minus expenditures totaled approximately -\$31.8 billion. Public debt in 2005 amounted to 50.2% of GDP. Total external debt was \$211.4 billion.

The International Monetary Fund (IMF) reported that in 1998, the most recent year for which it had data, central government revenues in millions of reals were 221,604 and expenditures were 245,032. The value of revenues in millions of US dollars was \$190,873 and expenditures \$211,619, based on a principal exchange rate for 1998 of 1.161 as reported by the IMF. Government outlays by function were as follows: general public services, 28.4%; defense, 3.5%; public order and safety, 3.2%; economic affairs, 4.8%; housing and community amenities, 0.6%; health, 6.2%; recreation, culture, and religion, 0.1%; education, 6.1%; and social protection, 47.3%.

### 3<sup>6</sup> TAXATION

Brazil's tax structure has been modified repeatedly in recent years, and traditional tax evasion has come under strong attack. A series of income tax reforms, during the 1960s and 1970s closed many loopholes and expanded the roster of taxpayers, mainly through wider use of withholding taxes.

The basic income tax rate on corporations and other legal entities in 2005 was 15%, with an added 10% surtax if profits exceed a certain limit. In addition, there is a 9% social contribution tax. Firms may effectively reduce income tax liability by investing part of the tax due in government-approved incentive projects or by purchasing quotas in funds that invest in such projects. Resident companies are taxed on their worldwide income.

Brazil has a progressive personal income tax that rises to 27.5%. Numerous exclusions from ordinary taxable income include profits on sales of shares, profits from certain real estate sales, and interest on stocks and bonds up to certain limits.

A value-added tax is payable on sales and transfers of goods at varying rates in accordance with the nature of the production (generally 10–15%). All corporations are subject to a social contribution tax at rates ranging from 8% for corporations to 18% for financial institutions. Other taxes include a financial operations levy; taxes on the production and distribution of minerals, fuels, and electric power; a real estate transfer tax; and municipal service and urban real estate taxes. There is a social security tax of 2%, and from 10–20% of employee payroll.

### 37 CUSTOMS AND DUTIES

Since the late 1980s, the government has reduced import duties incrementally to encourage trade. Tariffs are based on the MERCOSUR common external tariff, known in Brazil as the TEC. The average applied tariff rate was 13.7% in 2000, down from 32% in 1990. There is an industrial products tax (IPI) that usually ranges from 0–15%, but goes up to 365% on cigarettes and alcoholic beverages. There is also an ICMS (merchandise and service circulation) tax on goods moved through Brazil, at 18% in São Paulo, and 12% in other Brazilian states. There is also a Social Security product tax that varies by product but is generally around 10%. All imports and exports are controlled by SECEX, the Foreign Trade Secretariat, with the help of the SISCOMEX computer system.

Certain sectors, including petroleum products and weapons, require departmental or ministerial approval for imports. Importers must pay state and federal value-added taxes at ports, but these may be recovered for goods to be manufactured or sold in Brazil. There are eight free trade zones, including the oldest one in Manaus, and others in Macapa/Santana, Tabatinga, Guajaramirim, Bonfim, Paracaima, Brasileia, and Ebitaciolandia. These zones and some energy development projects are exempted from import duties, as long as they export at least 90% of production.

Brazil and its MERCOSUR partners implemented a common external tariff in 1995, which increased by 3% in 1997 to 23%, to cover all tariff items by 2006. However, the 3% increase is being phased out.

### 38 FOREIGN INVESTMENT

Brazilian law gives the same protection and guarantees to foreign capital investments that it gives to investments made by Brazilian nationals. Special incentives are offered for investments in mining, fishing, tourism, shipbuilding, and reforestation and for projects undertaken in the northeast and Amazon regions. Brazil's Foreign Capital and Profit Remittance Law of 1962, as amended, regulates the registration of foreign capital and of reinvestment, profit remittance, interest, royalties, and payments for technical assistance, as well as repatriation of foreign capital. There is no limita-

tion on the repatriation of capital; reinvestment of profits is considered an increase of the original capital for the purposes of the law. Prohibitions on remittances for royalty and technical service payments between related parties were removed under the 1992 tax code. The base tax rate on profits and royalty remittances was reduced from 25% to 15%.

In 1995, Brazil amended its constitution to eliminate the distinction between foreign and national capital. Foreign investors have been allowed to trade on the Brazilian stock market since 1991. The petroleum, telecommunications, mining, power generation, and internal transportation sectors were opened up to foreign investment in 1995.

The growth in the attractiveness of Brazil as a recipient of foreign investment is directly attributed to the economic liberalization implemented under finance minister, and later president, Fernando Enrique Cardoso in 1994. He instituted a new currency, reined in the hyperinflation that had plagued the country for decades, and opened up previously closed industries to private ownership. However, although Brazil embarked on the world's largest privatization drive in 1991, by 2002 privatization had virtually stopped. With the exception of the power-generation sector, most of the largest state enterprises have been sold, and thus privatization has died down.

The Cardoso Administration's liberalization provisions saw foreign portfolio investment go from \$760 million the year it was enacted to \$30 billion in 1997. Foreign direct investment rose from \$19 billion in 1997 to \$28.9 billion in 1998 and \$28.5 billion in 1999, and then to a record \$32.8 billion in 2000. Brazil's surplus on its capital account was over \$19 billion in 2000, but not quite enough to prevent a balance of payments deficit of \$2.3 billion because of a \$10.4 billion debt servicing payment on official development assistance (ODA). A plunge in FDI to \$22.5 billion in 2001, in the context of the global economic slowdown and worldwide decline in foreign investment after the 11 September 2001 terrorist attacks on the United States, presented the Brazilian government with serious difficulties in making its debt servicing obligations. The gap would have to be filled through a combination of IMF loans, foreign borrowing, and sales in shares of state-owned enterprises (SOEs).

Investment comes mainly from the United States and EU countries. Investment from the Cayman Islands is thought to represent mainly repatriation of Brazilian capital through FDI, but it is also increasingly a conduit for US-based companies. Investment from Spain and Portugal increased in 1998 due to investment in the telecommunications and banking sectors. The stock of FDI in Brazil was \$130.7 billion as of December 1998, of which the US share was 30% (\$39 billion); Spain, 8.4% (\$10.9 billion); and Germany, 8.1% (\$10.5 billion). Four US companies—GM, Ford, Texaco, and Exxon—were among Brazil's top ten domestic enterprises. Four of its top ten exporting firms were foreign, all car manufacturers—Fiat, Ford, GM, and Volkswagen—while five of its top ten importers were foreign companies—Fiat, GM, Mercedes-Benz, Ford, and Ericsson Telecommunications.

Since 2001, the trade balance has improved significantly, helping to produce current-account surpluses in 2003 and 2004. This trend enabled Brazil to weather a steep continuing decline in FDI inflows from \$22.5 billion in 2001 to \$16.6 billion in 2002 and just \$10.1 billion in 2003. FDI inflows in 2004 increased to approxi-

mately \$17 billion. Brazil had undertaken a significant reduction in trade barriers in the early 2000s. In 2004, Brazil's average Normal Trade Relations (NTR) tariff was 10.8%, down from 32% in 1990. However, Brazil has a poorly-structured revenue system marked by heavy tax burdens. The corporate and indirect taxation systems are particularly complex, porous, and unwieldy, but they do not discriminate between foreign and domestic firms.

### **39 ECONOMIC DEVELOPMENT**

Economic policy since the late 1960s has had three prime objectives: control of inflation, gradual improvement of the welfare of the poorest sector, and a high economic growth rate. Generally, under the stewardship of finance ministers Roberto de Oliveira Campos and, later, Antonio Delfim Netto (who became minister of planning in 1979), Brazilian policy sought to prevent inflation from eroding economic growth by a process of monetary correction—that is, by the legal revaluation of fixed assets, such as real estate, debits in arrears, and the face value of bonds, to reflect inflation. This technique, which requires extensive government control over the economy, was intended to prevent inflation from distorting the relative values of various types of holdings. It was also disastrously inflationary.

The central stress of the 1975–79 development plan was on economic growth. Economic infrastructure (energy, transportation, and communications) received top priority, with a 25% share of the total investment. A special development plan, known as *Palomazonia* (the Program for Agriculture, Cattle Raising, and Agrominerals for the Amazon), concentrated on expansion of agriculture, forestry, mineral exploitation, and hydroelectric power in the region. The third national plan (1980–85) placed the greatest emphasis on agricultural development, energy, and social policies. Its main aim was improvement of the public welfare through continued economic growth and more equitable income distribution.

The First National Plan of the New Republic (1986–89), sought to maintain high levels of economic growth, introduce a wide range of basic institutional and fiscal reform in the public sector, and reduce poverty significantly. When inflation continued to mount, however, the Cruzado Plan was introduced; it froze wages and prices for a year, and introduced a new unit of currency, the cruzado. While inflation did drop dramatically, the ensuing consumer spending boom, caused by the desire to take advantage of the price freeze, rekindled inflation. By 1987, Brazil had reverted to orthodox austerity and monetary correction in an attempt to bring the economy under control.

In 1994, finance minister (and later president) Fernando Henrique Cardoso implemented the Real Plan, an economic liberalization named for the newly launched currency, the real. The plan called for the abolition of state control of wages and all indexing to inflation, lowering of tariffs and barriers to international investment, and a massive selloff of state-owned enterprises in nearly every sector. The plan was almost immediately successful, and attracted huge amounts of international investment while raising the living standards of million of Brazilians. Unfortunately, the 1997–1998 international financial crisis caused the Central Bank to let the real float, devaluing the currency by 45%. Instead of immediately falling into a recession, the economy reported modest gains in 1999 and 2000. In 2001, however, economic growth slowed, in part due to the raising of interest rates by the Central

Bank to counteract inflationary pressures (Brazil's real interest rates remain among the highest in the world). Brazil was also adversely affected by a domestic energy crisis and the 2001 economic crisis in Argentina, and the real depreciated almost 20% that year. Brazil has been the recipient of successive Stand-By Arrangements with the International Monetary Fund (IMF). The controversial election of the left-wing Workers' Party candidate Luiz Inácio Lula da Silva as president in October 2002 brought jitters to international financial markets, but as of 2006, investors had been impressed with the president's tight fiscal and monetary policies.

Brazil is on the path toward a new development strategy, that of export substitution, which, it is hoped, will allow local government to address Brazil's severe problem of unequal income distribution. As of 2006, the government was committed to structural reforms and tight fiscal management to increase economic efficiency and reduce the fiscal debt. It was running a primary fiscal surplus (excluding interest payments) of more than 4% of GDP in 2005; however, government debt remains high, at 51% of GDP in 2004. Brazil uses inflation-targeting as a framework for monetary policy in the context of a floating exchange rate. Progress on reforms in 2006 was slowed by the government's need to negotiate support in a fragmented Congress.

Since the early 1960s, the government has offered special incentives to agricultural and industrial enterprises that further the development of the northeastern and northern regions of the country. The development of these areas is under the supervision of the Development Superintendency of the Northeast, whose activities cover the states of Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Sergipe, Bahia, the zone of Minas Gerais located within the Drought Polygon, and the territory of Fernando de Noronha. The Superintendency for the Development of Amazonia, the Superintendency for the Development of the West-Central Region, and the Superintendency for the Development of the Southern Region are the other regional development agencies.

### **40 SOCIAL DEVELOPMENT**

The Organic Social Security Law of Brazil, passed during the Vargas reform years of the 1930s, covered only some four million urban workers by the 1960s, including metallurgical, textile, and other industrial workers and commercial, bank, and store clerks. In 1976, social security laws were consolidated, and in the following year, the National System of Social Security and Welfare was established. Benefits include modest insurance against accidents; old age, invalids', and survivors' pensions; funeral insurance; and medical, dental, and hospital coverage. The system is financed by contributions from the employer, the worker, and the government. In urban areas the retirement age is 65 for men and 60 for women. Assistance programs and unemployment insurance are funded solely by the government. Sickness and maternity benefits are available to almost all workers. A family allowance is provided for low-income workers with one or more children.

Perhaps the most significant social challenge facing Brazil is caring for the millions of children who lack sufficient education, housing, health care, and nutrition. It has been estimated that over one-third of all children live in poverty. Thousands of children live and work on the streets in deplorable conditions; some

are homeless, but a greater number have homes they return to at night. Many street children abuse drugs and they are often forced to resort to crime and prostitution to make a living. As a result, many shopkeepers have taken action against street children, and there is a widespread tendency to regard the problem as a security concern rather than a human rights issue.

Sexual and domestic violence is common and often goes unreported. According to a 2004 survey, 23% of women were subjected to domestic violence. The government has implemented women's stations to address crimes against women, with counseling, shelter, hospital treatment, and information on criminal redress. Although a criminal offense, sexual harassment in the workplace remains a problem.

Racial discrimination is pervasive in Brazil. Most Afro-Brazilians work in low paid jobs and live in poor housing. They have fewer opportunities for higher education and professional employment. Indigenous tribes of the Amazon are increasingly being threatened by mining, logging, and ranching, which encroach on their lands.

Serious human rights abuses by the police have been reported, including the beating, torture, and killing of detainees.

#### 41 HEALTH

A health and welfare program, *Prevsau*, introduced by the government in 1981, was intended to double health services by 1987. In 1993, however, Brazil's national health care system came to an end, chiefly due to extensive fraudulent activity by hospitals, physicians, and state and municipal health secretariats. The new Brazilian Minister of Health planned to implement a new system and supported legislation to increase funds for the public health sector. As of 1998, public health services, complemented by private services, covered 75% of the population. The Ministry of Health has made efforts to encourage the federal district and 26 states to participate in some quality of care projects. Initiatives include certification by the International Standards organizations, consulting services, total quality management, patient satisfaction, and development of new technologies to increase efficiency. Total health care expenditure was estimated at 6.5% of GDP.

Health and sanitary conditions vary widely from region to region. The large cities have competent physicians, generally with advanced training abroad, but there is a dearth of doctors, hospitals, and nurses in most towns in the interior. In 2004, there were approximately 237,000 physicians, 145,000 dentists, and 77,000 nurses in Brazil. As of that year, there were an estimated 1.3 physicians and 3.1 hospital beds per 1,000 people.

In 2000, 87% of the population had access to safe drinking water and 77% had adequate sanitation. As part of a pilot program, Brazil is fortifying sugar with vitamin A and is currently investigating the feasibility of fortifying foods with vitamin A or iron. As of 1999, children one year old and under were immunized as follows: diphtheria, pertussis, and tetanus, 90%; and measles, 99%. Cholera affected many Brazilians. The HIV/AIDS prevalence was 0.70 per 100 adults in 2003. As of 2004, there were approximately 660,000 people living with HIV/AIDS in the country. There were an estimated 15,000 deaths from AIDS in 2003.

The infant mortality rate is high, but it has declined over the last 20 years. In 2005, the infant mortality was 29.61 per 1,000

live births. Many Brazilian women die during childbirth. In 1998, 160 maternal deaths occurred for every 100,000 live births. An estimated 77% of married women between the ages of 15 and 49 years used contraception. The average life expectancy in 2005 was 72 years.

#### 42 HOUSING

Despite major urban developments, both the housing supply and living conditions in Brazil remain inadequate. Large, sprawling slums are endemic in the large cities, while most rural dwellers live without amenities such as piped water and electricity. In 2000, there were 44,776,740 residences. Roughly 75% of all dwellings were owner occupied. Roughly half of the housing stock was considered to be in semi-adequate condition. Only about 44% of all housing was considered to be adequate. At last estimate, more than 80% of all housing units were detached houses of brick, stone, wood or concrete; less than 10% were apartments; less than 10% were rural dwellings of wood or clay; and less than 5% were semiprivate units called *quartes*. In 2000, the housing deficit was estimated at 6.6 million houses.

In 1964, the federal government enacted the National Housing Act and suspended rent controls, with the stipulation that rents could be brought in line with private market levels. The law provided for the establishment of the National Housing Bank (*Banco Nacional de Habitação*, or BNH), whose main purposes are to stimulate savings to finance home construction through lending institutions, to coordinate the activities of both the public and private sectors, and to introduce financial incentives. The BNH can raise funds through bond issues and may also receive deposits from governmental agencies, public cooperatives, and mixed companies.

#### 43 EDUCATION

Education in colonial times was carried on first by the Jesuits and then by a few royal schools. Brazil's public school system, always weak, was under the Ministry of Justice and Interior until 1930, when the Ministry of Education and Health was created by Vargas. Responsibility for public education, as defined by the 1946 constitution and the 1961 directives and standards for national education, is divided between the federal, state, and municipal governments. Public elementary and secondary instruction is almost exclusively a function of the municipalities and states, while higher education is the responsibility of the federal Ministry of Education. Public education is free at all levels and nonprofit private schools also receive public funding. The federal government has been active, however, on all three levels through the Federal Council of Education, established in 1961 to coordinate the implementation of the 1961 directives and to advise the Ministry of Education.

The 1961 directives required the federal government to contribute at least 12% of its tax revenues to education, and state and municipal governments were required to contribute a minimum of 20% of their tax revenues for this purpose. The first National Plan of Education, formulated in 1962, called for the extension of compulsory elementary education to five and, eventually, six years, and by 1980 eight years of schooling was required. The 1988 Brazilian constitution allocates 25% of state and local tax revenues to educa-

tion. As of 2003, public expenditure on education was estimated at 4.2% of GDP, or 12% of total government expenditures.

Primary courses last for eight years. The general secondary lasts for three years; however, students may choose to participate in technical or vocational programs at the secondary level, with programs lasting from three to five years. In 2001, about 67% of all eligible children had been enrolled in some types of preschool program. Primary school enrollment in 2003 was estimated at about 97% of age-eligible students. The same year, secondary school enrollment was about 75% of age-eligible students. Most students complete their primary education. The student-to-teacher ratio for primary school was at about 24:1 in 2003. The ratio for secondary school was about 19:1.

There are more than 90 universities, including the Federal University of Rio de Janeiro (founded 1920) and the universities of Minas Gerais (1927), São Paulo (1934), Rio Grande do Sul (1934), Bahia (1946), Recife (1946), Paraná (1946), and Brasília (1961). The federal government maintains at least one federal university in each state. Entrance to a college or university is through an examination called the “vestibular”; students may either earn a “bacharel” degree or, with an additional year spent in teacher training, obtain a “licenciado” degree. There are at least 902 institutions at the postsecondary level. In 2003, about 21% of the tertiary age population were enrolled in some type of higher education program.

Adult education campaigns have functioned sporadically since 1933, backed by the federal government with some assistance from social, fraternal, Catholic, Protestant, professional, and commercial organizations. Although millions of Brazilians have received literacy training, the adult literacy rate for 2004 were estimated at 88.4%, with a fairly even rate for men and women.

#### 44 LIBRARIES AND MUSEUMS

Of Brazil's many hundreds of public libraries, the largest municipal library system is that of São Paulo, with over one million volumes. The National Library in Rio de Janeiro (founded in 1810) houses 1.4 million bound volumes, more than eight million documents, and many rare manuscripts. Included in the collection are 60,000 volumes brought to Brazil by the Royal Family of Portugal in 1808. Various government ministries maintain separate libraries in Brasília. The largest academic library is the São Paulo University Integrated Library System with three million volumes in 39 libraries, while the Federal University in Rio de Janeiro houses one million volumes. The Brazilian Federation of Librarians Associations, Information Scientists and Institutions (FEBAB) was established in 1959.

Brazil has nearly 200 museums. The National Museum (founded in 1818), one of the most important scientific establishments in South America, is especially known for its Brazilian ethnographic collections. Other important museums in Rio de Janeiro include the National Museum of Fine Arts, the Museum of Modern Art, the Historical Museum, the Museum of Mineralogy, the Museum of the Bank of Brazil, the Getúlio Vargas Gallery, and the Indian Museum. The most important museums in São Paulo are the Paulista Museum and the São Paulo Museum of Art. Also in São Paulo is the Museum of Japanese Immigration, detailing Japan's impact on the country. The Goeldi Museum in Belém is famous for

exhibits covering every aspect of Amazonian life and history and there is a well-known museum of religious art in Vitória.

#### 45 MEDIA

The principal telegraph network is operated by the Brazilian Postal and Telegraph Administration, in which the government holds part ownership. National trunk routes and international connections are also operated directly by another mixed corporation, the Brazilian Telecommunications Corp. (EMBRATEL), which inaugurated an earth satellite station in 1969 linking the Brazilian network with member countries of INTELSAT. EMBRATEL has rapidly modernized and extended the domestic telecommunications system with the introduction of microwave networks, including long-distance direct dialing, throughout much of the country. In the Amazon region, the company relies on a tropodiffusion system because of the area's large empty spaces. In 2003, there were an estimated 223 mainline telephones for every 1,000 people; about 200,000 people were on a waiting list for telephone service installation. The same year, there were approximately 264 mobile phones in use for every 1,000 people.

Brazil has one of the largest television broadcasting systems in the world. As of 1999, Brazil had 1,365 AM and 296 FM radio stations. There were also 138 television stations. The primary news agencies are Agencia Brasil (state-owned), Agencia Estado (private, in São Paulo), and Agencia Globo (private). In 2003, there were an estimated 433 radios and 369 television sets for every 1,000 people. About 13.4 of every 1,000 were cable subscribers. The same year, there were 74.8 personal computers for every 1,000 people and 82 of every 1,000 people had access to the Internet. There were 2,001 secure Internet servers in the country in 2004.

There are over 100 daily newspapers published in Brazil. The leading dailies in Rio de Janeiro, with their political affiliation and 2002 circulation, include *Globo* (conservative), 350,000; *Jornal o Dia* (labor), 250,000; and *Jornal do Brasil* (conservative), 196,000 (in 2004). The sports daily, *Jornal dos Sports*, had a circulation of 150,000 in 2004. In São Paulo, the leading dailies (with 2004 circulation figures) included *Folha de São Paulo* (independent) 1.2 million (up from 640,407 in 2002); *Estado de São Paulo* (conservative) 491,070 (in 2002); *Gazeta Mercantil*, 106,000; and *Noticias Populares*, 100,000. In Belo Horizonte, the independent *Estado de Minas* had a circulation of 170,000 in 2004, up from 65,000 in 2002. Porto Alegre's *Zero Hora* had a circulation of 270,000 in 2004, down from 528,000 in 2002. In Recife, the independent *Diário de Pernambuco* had a 2004 circulation of 90,000, up from 31,000 in 2002.

The largest Brazilian-owned magazine, which competes with the Portuguese-language edition of the *Reader's Digest*, called *Seleções*, is the popular illustrated *Manchete* of Rio de Janeiro (1995 circulation 100,000).

Freedom of the press is guaranteed under the constitution of 1967 and no license is required for the publication of books, newspapers, and periodicals. However, under the newspaper code of 19 September 1972, newspapers were forbidden to publish “speculative” articles on politics or unfavorable reports on the economy. The interests of Brazilian journalists are defended by the Inter-American Press Association and the influential Brazilian Press Association.

## 46 ORGANIZATIONS

Owners of large farms and plantations, particularly coffee plantation owners, usually belong to one or more agricultural associations. The largest of the national agricultural organizations is the National Confederation of Agriculture, but, in general, local member groups of the federation, such as the Paraná Coffee Producers' Association, the Association of Coffee Farmers, and the Brazilian Rural Society, are more powerful than the national organization. Agricultural societies are organized for the primary purpose of promoting favorable legislation toward agriculture in the Congress, and they have become important political units over the years. Other agricultural groups include cattlemen's associations, dairymen's associations, and rice growers' and grain producers' organizations, usually organized on a statewide basis. Professional organizations exist for a wide variety of trades, professions, and interests. These are strongest in São Paulo, Minas Gerais, Paraná, Goiás, and Rio Grande do Sul. Chambers of commerce function in every state.

The Brazilian Academy of Letters, the Brazilian Academy of Sciences, and the Brazilian Society for the Advancement of Science are among the many cultural and scholarly organizations. The *Associação Médica Brasileira* serves as a physicians network as well as a national forum for the promotion of high standards in healthcare and medical research. There are also several organizations involved in specialized medical research for a wide variety of conditions and diseases.

Most international service, social, and fraternal organizations are represented in Brazil. The Rotary International is well organized in the industrial cities of the south and there are Lions clubs and societies of Freemasons. The Catholic Church and the growing number of Protestants maintain various organizations. Catholic Action and the Catholic hierarchy have actively addressed themselves to combating misery and disease, especially in the big-city slums and in the northeast.

Youth organizations include the Boy Scouts of Brazil and the Federation of Girl Guides of Brazil, which are active nationwide. There is a Junior Chamber organization and active chapters of YWCA. There are numerous sports associations, including many that are affiliated with international organizations.

Brazil has chapters of the Red Cross, ActionAid, Habitat for Humanity, HOPE, World Vision, Defense for Children, Amnesty International, and Greenpeace.

## 47 TOURISM, TRAVEL, AND RECREATION

Rio de Janeiro is one of the leading tourist meccas in South America. Notable sights include Sugar Loaf Mountain, with its cable car; the Corcovado, with its statue of Christ the Redeemer; Copacabana Beach, with its mosaic sidewalks; and the Botanical Gardens. Large numbers of visitors are also drawn to the churches of Bahia; the historic city of Ouro Preto in Minas Gerais; and the colorful Amazon Valley cities of Belém and Manaus. Brazil is also famous for its vibrant celebrations of Carnival, especially in Rio de Janeiro; neighborhood samba groups rehearse all year for this occasion. Brazil's African heritage can best be savored at the Carnival in Salvador. Ecotourism attracts growing numbers of visitors to the world's largest rain forest in the North, the Iguacu Falls in the South, and the Mato Grosso wetlands in the Central West region.

Football (soccer) is by far the most popular sport. Brazil hosted the World Cup competition in 1950, and Brazilian teams won the championship in 1958, 1962, 1970, 1994, and 2002. The Maracanã soccer stadium in Rio de Janeiro seats more than 180,000 spectators. Other favorite recreations include water sports, basketball, tennis, and boxing.

A valid passport and visa are required of all tourists to enter Brazil. All visitors must secure a visa in advance. Yellow fever vaccination certificates are required if a visitor is from an infected area. Malaria prevention is also recommended.

In 2003, a total of 4,090,590 tourists visited Brazil. As of that year, tourism receipts totaled \$2.6 billion. There were 212,580 hotel rooms in 2000, with 425,160 beds.

In 2003, the US Department of State estimated the daily cost of staying in Rio de Janeiro at \$213. Costs in other cities were lower, with Belo Horizonte at \$96, Belém at \$173, and Campo Grande at \$105.

## 48 FAMOUS BRAZILIANS

Joaquim José da Silva Xavier, also known as Tiradentes (d.1792), led an unsuccessful uprising in 1789 against Portuguese colonial rule. The patriarch of Brazilian independence was José Bonifácio de Andrada e Silva (1763–1838), a geologist, writer, and statesman. Pedro I (Antonio Pedro de Alcântara Bourbon, 1798–1834), of the Portuguese royal house of Bragança, declared Brazil independent and had himself crowned emperor in 1822; he became King Pedro IV of Portugal in 1826 but gave up the throne to his daughter, Maria da Gloria. His Brazilian-born son, Pedro II (Pedro de Alcântara, 1825–91), emperor from 1840 to 1889, consolidated national unity and won respect as a diplomat, statesman, and patron of the arts and sciences. Other famous Brazilians during the imperial period include the Brazilian national hero, Luís Alves de Lima e Silva, Duque de Caxias (1803–80), a patron of the Brazilian army; and Joaquim Marques Lisboa, Marques de Tamandaré (1807–97), a naval hero, soldier, and statesman. In the field of international politics, Joaquim Nabuco (1849–1910) won distinction as a diplomat, journalist, and champion of the abolition of slavery; José Maria de Silva Paranhos, Barão de Rio Branco (1847–1912), was a famous minister of foreign affairs, who represented Brazil at many international conferences; and Ruy Barbosa (1849–1923) was a lawyer, diplomat, statesman, and jurist. A leader of industrial and economic development was Irineu Evangelista de Souza, Barão de Mauá (1813–89). Brazilian aviation pioneer Alberto Santos Dumont (1873–1932) is called the father of flight for his invention of a gasoline-powered airship in 1901. Oswaldo Cruz (1872–1917) founded the Brazilian Public Health Service and helped eradicate yellow fever in Rio de Janeiro. Marshal Cândido Rondon (1865–1957), an explorer of Amazonia, organized the Brazilian Indian Bureau. Dr. Vital Brasil (1865–1950) developed São Paulo's snakebite serum institute at Butantã.

Joaquim Maria Machado de Assis (1839–1908), author of *Memórias Póstumas de Braz Cubas* and other novels and poems, is generally considered the greatest Brazilian literary figure. The poet Euclides da Cunha (1866–1909) wrote *Os Sertões* (1902), one of the foremost works by a Brazilian. Other literary figures include Antônio Gonçalves Dias (1824–64), a romantic poet who idealized the Brazilian Indian; Castro Alves (1847–71), who influenced the abolition of slavery; and contemporary writers such as Gilber-

to de Mello Freyre (1900–1987), José Lins do Rego (1900–1959), Erico Verissimo (1905–1975), and Jorge Amado (1912–2001).

Aleijadinho (Antônio Francisco Lisboa, 1739–1814) was an 18th-century church architect and carver of soapstone religious statues in Minas Gerais. Contemporary artists include the painter Emiliano di Cavalcanti (1897–1976); the painter and muralist Cândido Portinari (1903–62), considered the greatest artist Brazil has produced; and the sculptor Bruno Giorgi (b.1905). Lúcio Costa (b.France, 1902–85), regarded as the founder of modern Brazilian architecture, designed the new capital city of Brasília, and Oscar Niemeyer (b.1907) designed most of the government buildings. Robert Burle Marx (1909–94) originated an unusual form of landscaping to complement modern architectural form. Another Brazilian architect of note, Alfonso Eduardo Reidy (b.France, 1909–64), designed the Museum of Modern Art in Rio de Janeiro.

The greatest figure in Brazilian music is the composer and educator Heitor Villa-Lobos (1887–1959), who wrote prolifically in many styles and forms. Other musicians include the composers Carlos Gomes (1836–96), Oscar Lorenzo Fernandez (1897–1948), Francisco Mignone (1897–1987), and Camargo Guarnieri (1907–1993); the concert pianist Guiomar Novaes Pinto (1895–1979); the operatic soprano Bidu Sayao (Balduina de Oliveira Sayao, 1902–99); and the folklorist and soprano Elsie Houston (1900–1943). One of the best-known Brazilians is soccer star Edson Arantes do Nascimento (b.1940), better known as Pelé.

Other noted figures are Getúlio Vargas (1883–1954), president-dictator in the period 1930–45, who increased the power of the central government; Francisco de Assis Chateaubriand Bandeira de Melo (1891–1966), a publisher, diplomat, and art collector; Oswaldo Aranha (1894–1960), president of the UN General Assembly during 1947–49; and Marcelino Candau (1911–83), director-general of WHO during 1953–73. Gen. Ernesto Geisel (1907–96) and his presidential successor, Gen. João Baptista de Oliveira Figueiredo (1918–99), guided Brazil through a period of political liberalization. Luis Inácio Lula da Silva (b.1945) was elected president in 2002, the first socialist president to be elected since 1964.

#### 49 DEPENDENCIES

Brazil has no colonies, but three national territories are contiguous with or incorporated within the national domain. The con-

stitution provides for the creation of a territory from part of an established state, the incorporation of a territory into an established state, or the organization of a territory into a new state if that territory can demonstrate its ability to meet the requirements of statehood.

The territories of Amapá, on the French Guiana border, and Roraima (formerly Rio Branco), on the Venezuelan border, became states on 5 October 1988. The Fernando de Noronha island, off the northeastern coast, was annexed to the state of Pernambuco in 1988. Territorial governors are appointed by the president of the republic, and each territory has one representation in the federal Chamber of Deputies. Territories have no representation in the federal Senate. Trindade, Atol das Rocas, Penedos de São Pedro e São Paulo, and the Ilhas Martin Vaz, small islands in the Atlantic, also belong to Brazil.

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# CANADA



**CAPITAL:** Ottawa

**FLAG:** The national flag, adopted in 1964, consists of a red maple leaf on a white field, flanked by a red vertical field on each end.

**ANTHEM:** Since 1 July 1980, *O Canada* has been the official anthem.

**MONETARY UNIT:** The Canadian dollar (c\$) is a paper currency of 100 cents. There are coins of 1, 5, 10, 25, and 50 cents, 1 dollar and 2 dollars, and notes of 2, 5, 10, 20, 50, 100, and 1,000 Canadian dollars. Silver coins of 5 and 10 dollars, commemorating the Olympics, were issued during 1973–76. c\$1 = us\$0.82645 (or us\$1 = c\$1.21) as of 2005. US currency is usually accepted, especially in major cities and along the border.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Good Friday; Easter Monday; Victoria Day, the Monday preceding 25 May; Canada Day, 1 July; Labor Day, 1st Monday in September; Thanksgiving Day, 2nd Monday in October; Remembrance Day, 11 November; Christmas Day, 25 December; Boxing Day, 26 December. Other holidays are observed in some provinces.

**TIME:** Newfoundland, 8:30 AM = noon GMT; New Brunswick, Nova Scotia, Prince Edward Island, and Québec, 8 AM = noon GMT; Ontario east of 90° and western Québec, 7 AM = noon GMT; western Ontario and Manitoba, 6 AM = noon GMT; Alberta and Saskatchewan, 5 AM = noon GMT; British Columbia and Yukon Territory, 4 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Canada consists of all of the North American continent north of the United States except Alaska and the small French islands of St. Pierre and Miquelon. Its total land area of 9,976,140 sq km (3,851,809 sq mi) makes it the second-largest country in the world (slightly larger than China and the United States), extending 5,187 km (3,223 mi) E–W from Cape Spear, Newfoundland, to Mt. St. Elias in the Yukon Territory and 4,627 km (2,875 mi) N–S from Cape Columbia on Ellesmere Island to Pelee Island in Lake Erie. Canada is bounded on the N by the Arctic Ocean, on the E by Kennedy Channel, Nares Strait, Baffin Bay, Davis Strait, and the Atlantic Ocean, on the S by the United States, and on the W by the Pacific Ocean and the US state of Alaska. The coastal waters of Canada also include the Hudson Strait and Hudson Bay. The country's total land boundary length is 8,893 km (5,526 mi). Its total coastline length is 202,080 km (125,566 miles). Canada's capital city, Ottawa, is located in the southeastern part of the country.

## <sup>2</sup>TOPOGRAPHY

Canada's topography is dominated by the Canadian Shield, an ice-scoured area of Precambrian rocks surrounding Hudson Bay and covering half the country. This vast region, with its store of forests, waterpower, and mineral resources, is being increasingly developed. East of the Shield is the maritime area, separated from the rest of Canada by low mountain ranges pierced by plains and river valleys, and including the island of Newfoundland and Prince Edward Island. South and southeast of the Shield are the Great

Lakes–St. Lawrence lowlands, a fertile plain in the triangle bounded by the St. Lawrence River, Lake Ontario, and Georgian Bay.

West of the Shield are the farmlands and ranching areas of the great central plains, some 1,300 km (800 mi) wide along the US border and tapering to about 160 km (100 mi) at the mouth of the Mackenzie River. Toward the north of this section is a series of rich mining areas, and still farther north is the Mackenzie lowland, traversed by many lakes and rivers. The westernmost region of Canada, extending from western Alberta to the Pacific Ocean, includes the Rocky Mountains, a plateau region, the coastal mountain range, and an inner sea passage separating the outer island groups from the fjord-lined coast. Mt. Logan, the highest peak in Canada, in the St. Elias Range near the Alaska border, is 5,959 m (19,551 ft) high. The Arctic islands constitute a large group extending north of the Canadian mainland to within 885 km (550 mi) of the North Pole. They vary greatly in size and topography, with mountains, plateaus, fjords, and low coastal plains.

The central Canadian Shield area is drained by the Nelson-Saskatchewan, Churchill, Severn, and Albany rivers flowing into the Hudson Bay. The 4,241-km (2,635-mi) Mackenzie River—with its tributaries and three large lakes (Great Bear, Great Slave, and Athabasca)—drains an area of almost 2.6 million sq km (1 million sq mi) into the Arctic Ocean. The Columbia, Fraser, and Yukon rivers are the principal drainage systems of British Columbia and the Yukon Territory. The Great Lakes drain into the broad St. Lawrence River, which flows into the Gulf of St. Lawrence. Other rivers flow laterally from the interior into Hudson Bay or the Atlantic or Pacific ocean.

### **3 CLIMATE**

Most of northern Canada has subarctic or arctic climates, with long cold winters lasting 8 to 11 months, short sunny summers, and little precipitation. In contrast, the populated south has a variety of climatological landscapes. The greatest temperature range is in the Northwest Territories, where the average temperature at Fort Good Hope ranges from  $-31^{\circ}\text{C}$  ( $-24^{\circ}\text{F}$ ) in January to  $16^{\circ}\text{C}$  ( $61^{\circ}\text{F}$ ) in July.

Cool summers and mild winters prevail only along the Pacific coast of British Columbia. There the mean temperatures range from about  $4^{\circ}\text{C}$  ( $39^{\circ}\text{F}$ ) in January to  $16^{\circ}\text{C}$  ( $61^{\circ}\text{F}$ ) in July, the least range in the country. On the prairies there are extreme differences in temperature between day and night and summer and winter. In Ontario and Québec, especially near the Great Lakes and along the St. Lawrence River, the climate is less severe than in western Canada. This region has abundant precipitation that is highly uniform from season to season. The growing season is short, even in the south. Much of the interior plains area does not get enough rain for diversified crops.

East of the Rockies across the flat prairie lies the meeting ground for air from the Arctic, Pacific, and American interior. The mixing of air masses leads to a turbulent atmosphere and the emergence of cyclonic storms, producing most of the rain and snow in the country. The northwest and the prairies, having fewer or weaker storms, are the driest areas, although the prairies are the site of some heavy blizzards and dramatic thunderstorms. The windward mountain slopes are exceptionally wet; the protected slopes are very dry. Thus, the west coast gets about 150–300 cm (60–120 in) of rain annually; the central prairie area, less than 50 cm (20 in); the flat area east of Winnipeg, 50–100 cm (20–40 in); and the maritime provinces, 115–150 cm (45–60 in). The annual average number of days of precipitation ranges from 252 along coastal British Columbia to 100 in the interior of the province.

### **4 FLORA AND FAUNA**

A great range of plant and animal life characterizes the vast area of Canada, with its varied geographic and climatic zones. The flora of the Great Lakes–St. Lawrence region resembles that of the adjacent US section, with white pine, hemlock, sugar and red maples, yellow birch, and beech trees. Coniferous trees—particularly red spruce—predominate in the Maritime region, black spruce in the eastern Laurentian zone, white spruce in the western. In the east are also found the balsam fir, white cedar, tamarack, white birch, and aspen, with jack pine in the drier areas. From the prairie grassland to the Arctic tundra there are aspen, bur oak, balm of Gilead, cottonwood, balsam poplar, white birch, and other deciduous trees. Conifers dominate the northern section. Many types of grasses grow on the interior plains. The wet area along the west coast is famous for its tall, hard conifers: western hemlock and red cedar, Douglas fir, Sitka spruce, and western white pine. Subalpine forests cover the Rocky Mountain area, where there are such conifers as alpine fir, Engelmann spruce, lodgepole pine and aspen, and mountain hemlock. The great Arctic region is covered with low-growing grasses, mosses, and bushes.

The fauna of the Great Lakes–St. Lawrence region includes deer, black bear, opossum, gray and red squirrels, otter, beaver, and skunk; birds include eastern bluebird, red-winged blackbird, rob-

in, wood thrush, woodpecker, oriole, bobolink, crow, hawk, bittern, heron, black duck, and loon. In the boreal forest area there are moose, caribou, black bear, lynx, timber wolf, marten, beaver, porcupine, snowshoe rabbit, red squirrel, and chipmunk. Typical mammals of the Rocky Mountain area are grizzly bear, mountain goat, moose, wapiti, cougar, and alpine flying squirrel. In the plains are rabbits, gophers, prairie birds, and waterfowl. Abundant on the west coast are deer, Cascade mountain goat, red squirrel, mountain beaver, various species of mice, and Puget striped skunk; common birds include northern Pigmy-owl, band-tailed pigeon, black swift, northern flicker, crow, rufous-sided towhee, and black brant. Over the stretches of the Arctic are the musk ox and reindeer, polar bear, caribou, white and blue fox, arctic hare, and lemming, as well as the snowy owl, ptarmigan, snow bunting, arctic tern, and other birds. Walrus, seals, and whales inhabit Canada's coastal waters.

### **5 ENVIRONMENT**

Canada's principal environmental agency is the Department of the Environment, established in 1971 and reorganized in 1979. Responsibilities of this department, also known as Environment Canada, include air and water pollution control, land-use planning, and wildlife preservation. Responsibility for maritime resources was vested in the Department of Fisheries and Oceans under the 1979 reorganization. Air pollution and the resulting acid rain have posed a threat to lakes and forests in an area of eastern Canada about 2.6 million sq km (1 million sq mi). Canadian sources estimate that about 14,000 lakes in eastern Canada are acidified and another 300,000 lakes will remain in danger if adequate emission reductions are not implemented. As of the mid-1990s, acid rain had affected a total of 150,000 lakes throughout Canada. Waterfowl populations have already been depleted. About half the acid rain comes from emissions from Canadian smokestacks, but Canada has blamed US industry for 75% of the Ontario pollution.

Canada's rivers and ocean waters have been contaminated by toxic pollutants from agricultural, industrial, mining, and forestry activities. As of the mid-1990s, 50% of Canada's coastal shellfish areas were closed because of the dangerous levels of pollutants.

Canada has more than 90 bird sanctuaries and 44 National Wildlife Areas, including reserves in the western Arctic to protect waterfowl nesting grounds. In May 1986, Canada and the United States signed an agreement to restore the breeding habitat of mallard and pintail ducks in the midcontinental regions of both countries. The project, which spanned 15 years and cost c\$1.5 billion, was meant to protect and improve 1,200,000 hectares (3,000,000 acres) of duck habitat in order to reverse the decline in waterfowl populations and raise the average annual fall migration to 100 million birds—the level of the 1970s. The project also called for the protection of waterfowl habitats in the lower Mississippi River and Gulf Coast region, and the black duck habitat in eastern Canada and the East Coast of the United States.

The annual Newfoundland seal hunt, producing seals for pelts and meat, drew the ire of environmentalists chiefly because of the practice of clubbing baby seals to death (adult seals are shot). Approval by the European parliament of a voluntary boycott on seal-skin imports undercut the market, and the Newfoundland seal



LOCATION: 41°41' to 83°7' N; 52°37' to 141° W. BOUNDARY LENGTHS: Total coastline, 243,791 kilometers (151,492 miles); United States (excluding Alaska), 6,416 kilometers (3,987 miles); Alaska, 2,477 kilometers (1,539 miles). TERRITORIAL SEA LIMIT: 12 miles.

catch dropped from about 1,400 in 1981–82 to 360 in 1982–83. In 1987, Canada banned the offshore hunting of baby seals, as well as blueback hooded seals.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 16 types of mammals, 19 species of birds, 2 types of reptiles, 1 species of amphibian, 24 species of fish, 1 type of mollusk, 10 other invertebrates, and 1 species of plant. Endangered species in Canada include the Vancouver Island marmot, eastern puma, wood bison, sea otter, right whale, St. Lawrence beluga, Acadian whitefish, mountain plover, piping plover, spotted owl, leatherback turtle, cucumber tree, Furbish's lousewort, Eskimo curlew, Kirtlands warbler, American peregrine falcon, whooping crane, and the southern bald eagle. The longjaw cisco, the Labrador duck, and the great auk have become extinct.

## 6 POPULATION

The population of Canada in 2005 was estimated by the United Nations (UN) at 32,225,000, which placed it at number 36 in population among the 193 nations of the world. In 2005, approximately 13% of the population was over 65 years of age, with another 18% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.3%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 36,027,000. The population density was 3 per sq km (8 per sq mi).

Statistics Canada is the Canadian government bureau that conducts the census; every five years, forms are included with the annual income tax returns that are sent to every mailing address. The population doubled between 1945 and 1993, although the

growth rate has been declining since the 1970s, when it was 12.9% (1971–81).

The UN estimated that 79% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.05%. The capital city, Ottawa, had a population of 1,093,000 in that year. The Toronto metropolitan area had an estimated population of 5,060,000; Montréal, 3,511,000; Vancouver, 2,125,000; Edmonton, 1,005,000; and Calgary, 1,074,000. Other large cities and their estimated populations include Winnipeg, 706,900; Québec, 670,000; Hamilton, 662,401; Kitchener, 450,100; London, 432,451; St. Catherines-Niagara, 377,009; Halifax, 375,000; Victoria, 335,000; Windsor, 307,877; Oshawa, 296,298; and Saskatoon, 236,000. Ontario, with 81.8% of its population classed as urban, was the most urbanized province, followed by British Columbia (80.4%), Alberta (79.8%), and Québec (77.6%). Only New Brunswick (47.7%), Prince Edward Island (39.9%), and the Northwest Territories (36.7%) have less than half their population in urban areas.

The population is unevenly distributed, ranging from 0.045 per sq km (0.02 per sq mi) in the Northwest Territories to 59 per sq km (22.8 per sq mi) on Prince Edward Island. Nearly 85% of the people live within 150 km (93 mi) of the US boundary. All except the Maritime provinces have large areas virtually uninhabited.

## 7 MIGRATION

Canadians of French origin are descendants of about 10,000 settlers who arrived in the 17th century and in the first half of the 18th century. Black slaves were brought to Canada as early as 1608. Later in the 18th century, thousands of British settlers came to Canada from New England and other colonies to the south. By 1850, 500,000 persons had left the British Isles for Canada; between 1846–54, an additional 500,000 arrived, mainly from Ireland. The Underground Railway, a network of people and safe houses that helped runaway slaves reach freedom, operated from 1840–60, and enabled about 30,000 blacks to reach Canada. The peak year for immigration was 1913, when 400,870 people arrived. From 1921–30, there were 1,230,202 immigrants; in 1931–40, 158,562; in 1946–65, 2,504,120. Many re-emigrated, mainly to the United States; by 1950, Canadian-born persons formed the second-largest group of foreign-born US inhabitants. Between 1951–56, however, the excess of immigration over emigration was almost 600,000. After a lull in the early 1960s, immigration reached a peak of 222,876 in 1967. In 1974, immigration controls were tightened, and between 1975–85, the number of immigrants per year averaged 118,656, and between 1986–93, 193,881. In 1993, total immigration was 252,042. Of these, immigrants from Asia numbered 134,532; from Europe, 50,050; Africa, 19,033; the Caribbean, 19,028; the United States, 6,565; and South America, 11,327. Emigration is mainly to the United States.

The Immigration and Refugee Protection Act, which became law in 2001, determines admissibility, emphasizing education, language, and skills. As of May 2001, 18.4% of Canada's population was foreign born. Over half was made up of immigrants from Asia and the Middle East. In 2004 Canada led the G-8 nations (Canada, the United States, the Russia, the United Kingdom, Germany, France, Italy, and Japan) in gains in migratory exchanges, with the highest international migration rate of any G8 country.

In 2005, the net migration rate for Canada was estimated as 5.9 migrants per 1,000 population.

Interprovincial migration is generally from east to west. During 1990–91 British Columbia gained 37,620 more people from other provinces than it lost, and Alberta 7,502, while provinces experiencing net population loss were Ontario (lost 22,301), Saskatchewan (9,941), and Québec (7,690). However, from 1996–2001, the Northwest Territories, Yukon Territory, and Nunavut, respectively, had the greatest percentage population increases among the provinces, and Québec and Ontario had the lowest.

In 2004, Canada had 168,688 applications for asylum, primarily from Afghanistan, Sri Lanka, Pakistan, Colombia, China, Iran, and Sudan. There were 141,398 refugees in the country in 2004, and 27,290 asylum seekers.

## 8 ETHNIC GROUPS

More than 80% of the population is Canadian-born. In general, the percentage of the population born outside Canada increases as one goes westward from Newfoundland to British Columbia. Persons of whole or partial British (including Irish) origin make up about 28% of the total population; those of whole or partial French origin (centered mainly in Québec, where they constitute some 80% of the population) make up 23%. Other European groups account for 15% of the total populace. About 26% of the population are from mixed backgrounds. Others, mostly Asian, African, and Arab, make up about 6% of the population.

Amerindians constituted about 2%. These Amerindians were classified into ten major ethnolinguistic groups; the métis, of mixed European and Indian extraction, were recognized as an aboriginal people in the Constitution Act of 1982. Most of the Inuit (Eskimos) live in the Northwest Territories, with smaller numbers in northern Québec and northern Newfoundland (Labrador). Since 1959, Inuit cooperatives have been formed to finance fishing, fish processing, retail, housing, and tourist enterprises, and to promote the graphic arts.

## 9 LANGUAGES

English and French are the official languages of Canada and have equal status and equal rights and privileges as to their use in all governmental institutions. The federal constitution also gives the English and French minorities the right to publicly funded education in their own language at the primary and secondary levels, wherever the number of children warrants it.

The constitution provides for bilingualism in the legislature and courts of Québec, New Brunswick, and Manitoba. Although there are no similarly entrenched constitutional rights in Ontario and Saskatchewan, these provinces have made English and French the official languages of the courts. In 1984, the Northwest Territories Council adopted an ordinance providing for the use of aboriginal languages and establishing English and French as official languages.

English was proclaimed the sole official language of Manitoba in 1890, and French was made the official language of Québec in 1974. However, the 1890 Manitoba legislation was declared unconstitutional in 1979, as was a Québec law passed in 1977 declaring French to be the sole language of the legislature and the courts.

Although Canada is frequently referred to as a bilingual country, only a minority are able to speak both English and French. In Québec, more than 80% of the people speak French as a native language; in the other provinces, most of the people speak only English, although there are sizable proportions of people able to speak French in New Brunswick and parts of Ontario and Manitoba. Some 60% of Canadians report that their only mother tongue is English, and only about 24% say that is French. About 15% report a single mother tongue other than English or French. Italian, German, Chinese, Ukrainian, Portuguese, and Polish are spoken by small numbers of people. There are at least 58 different Indian languages and dialects, in 10 major language groups. Cree is the most common Indian language.

## 10 RELIGIONS

About 74.6% of the Canadian population belong to Christian denominations. Roman Catholics constitute the largest single group, with 43% of the population. Other Catholic groups include Eastern Orthodox and Ukrainian Catholics. Protestants make up 29% of the populace; the largest denominational groups include the United Church; Anglicans, Presbyterians, Lutherans, Baptists, and Pentecostals. Members of other religions include Jews (1.1% of the population), Muslims (2%), Buddhists, Hindus, and Sikhs. There are a number of parareligious faiths, including Scientology, Kabbalism, and Rastafarianism. Shintoism and Taoism are also represented within the country. Approximately 16% of the population has no religious affiliation.

Freedom of religion has been specifically protected by the constitution and the Charter of Rights and Freedoms. The right has generally been respected in practice. Certain Christian holidays are observed as public holidays. In 2003, a group of Muslims in Ontario established an Islamic Court of Civil Justice, designed to rule on civil disputes between Muslims using the tenets of Shariah law.

## 11 TRANSPORTATION

With such a vast land area, and with most production inland, all forms of transportation are vital. Since 1945, with the rapid growth of road, air, and pipeline services, the trend has been away from railways for carrying both freight and passengers. But because they can supply all-weather transportation in large volume over continental distances, railways are still important. The federal government, through the Canadian Transport Commission, has allowed a few rate rises and has insisted on a slow curtailment of services; nevertheless, the companies have traditionally operated at a deficit or very low margin of profit because of competition and rising costs. In 2004, the Canadian railway system consisted of 48,683 km (30,281 mi) of all standard gauge track. Two great continental systems operate about 90% of the railway facilities, the formerly government-owned Canadian National Railways (CNR), which was privatized in 1995, and the privately owned Canadian Pacific Ltd. (CP). They compete in some areas but cooperate where duplication of service is not profitable. In addition to their railway operations, CNR and CP maintain steamships and ferries, nationwide telegraph services, highway transport services, and hotel chains.

The populated sections are generally well supplied with roads and highways, but because of difficult winter weather conditions,

road maintenance is a recurring and expensive task and puts a tremendous strain on road-building facilities. As of 2002, there are about 1,408,800 km (876,273 mi) of roads, 493,080 km (306,696 mi) of which are paved, including 16,906 km (10,516 mi) of expressways. The 7,820-km (4,860-mi) paved Trans-Canada Highway, a c\$500-million project financed jointly by the federal and provincial governments, was completed in 1962. Canada ranks next to the United States in per capita use of motor transport, with one passenger car for every 2 persons. Motor vehicles in use in 2003 totaled 18,495,531, including 17,755,075 passenger cars and 740,456 commercial vehicles.

Bounded by water except for the Alaskan and southern land boundaries with the United States, Canada has many inland lakes and rivers that serve as traffic arteries. In addition, there is also the 3,769-km (2,355-mi) Saint Lawrence Seaway (which includes the 3,058 km/1,911 mi Saint Lawrence River) and Canada's portion of the Great Lakes, each of which are shared with the United States. Canada has access to three oceans, the Pacific, the Atlantic, and the Arctic. Canada's merchant fleet was comprised of 169 ships, totaling 1,784,229 GRT, in 2005. Most overseas commerce is carried by foreign ships. Montréal is Canada's largest port and the world's largest grain port. Others among the many well-equipped ports are Toronto, Hamilton, Port Arthur, and Fort William on the Great Lakes, and Vancouver on the Pacific Coast. The Montréal and lake ports are closed by ice from December to April, during which time Halifax on the Atlantic and Saint John on the Bay of Fundy are the only Atlantic Ocean traffic terminals.

The St. Lawrence Seaway and Power Project, constructed jointly by Canada and the United States, and its many canals provide an 8-m (27-ft) navigation channel from Montréal to Lake Superior. The Athabasca and Slave rivers and the Mackenzie, into which they flow, provide an inland, seasonal water transportation system from the end of the railway in Alberta to the Arctic Ocean. The Yukon River is usually open from mid-May to mid-October. All Canadian inland waterways are open on equal terms to the shipping of all nations.

Canada had an estimated 1,326 airports in 2004. As of 2005, a total of 508 had permanent runways and there were also 319 heliports. Principal airports include Calgary International at Calgary, Edmonton International at Edmonton, Halifax International at Halifax, Lester Pearson at Toronto, Vancouver International at Vancouver, Winnipeg International at Winnipeg, and Dorval International and Mirabel International at Montréal. International air service is provided by government-owned Air Canada and Canadian Airlines. Regional service is provided by some 570 smaller carriers. Air transport is the chief medium in the northern regions for passengers and freight. Canadian airlines transported 35.884 million passengers in 2003.

## 12 HISTORY

The first inhabitants of what is now Canada were the ancient ancestors of the Inuit. Exactly where they originated or when they arrived is uncertain, but they probably crossed from eastern Siberia to Alaska, Canada, and Greenland between 15,000 and 10,000 BC. Their descendants, the Dorset people, who inhabited the central Canadian Arctic region from about 700 BC to AD 1300, were primarily hunters of walrus and seal. The shorter-lived Thule culture, which may have assimilated the Dorset, lasted from about 1200 to

the first arrival of the Europeans. Although most Inuit lived near the coast, some followed the caribou herds to the interior and developed a culture based on hunting and inland fishing.

Although the Norse had occupied a settlement at L'Anse aux Meadows in Newfoundland by AD 1000, the first fully documented arrival by Europeans was in 1497 by the Italian-born John Cabot, who led an English expedition to the shore of a "new found land" (Newfoundland) and claimed the area in the name of Henry VII. In 1534, the French, under Jacques Cartier, planted a cross on the tip of the Gaspé Peninsula; the following year, his expedition discovered and ascended the St. Lawrence River. By 1604, Pierre du Guast, Sieur de Monts, along with Samuel de Champlain had founded the first permanent French colony, Port Royal (now Annapolis Royal, Nova Scotia). Four years later, Champlain established the town of Québec. The great St. Lawrence waterway led Étienne Brulé and others after him to the Great Lakes and the rivers flowing south through the center of the North American continent. Missionaries and fur traders soon arrived, and an enormous French territory was established. Between 1608 and 1756, about 10,000 French settlers arrived in Canada. In the hope of protecting French settlers and the fur trade, Champlain supported the Huron Indians against their enemies, the Iroquois. When the Iroquois demolished the Hurons, the French colony was almost destroyed.

In the 17th century, England pressed its claim (by virtue of Cabot's expedition) to the rich fur-trading colony, and during the frequent skirmishing between New France and New England the English conquered Québec (1629). Restored to France in 1632, Québec, together with the rest of New France, was placed under the absolute control of a chartered commercial organization, the Company of One Hundred Associates, with the twofold purpose of exploiting the fur trade and establishing settlements. In 1663, New France became a royal province of the French crown. Thereafter, three important officials—the royal governor, the intendant, and the bishop—competed in exercising control of the government. Under the seigneurial system, which had been founded in 1598, large land grants were made to seigneurs, who made other grants to settlers. The actual farmers owed some quasi-feudal dues and could sell the property only by paying a large duty to the seigneur.

The movement of exploration, discovery, commercial exploitation, and missionary enterprise, which had begun with the coming of Champlain, was extended by such men as Jacques Marquette, Louis Jolliet, and Robert Cavelier, Sieur de la Salle, reaching its climax in the last three decades of the 17th century. At that time, French trade and empire stretched north to the shores of Hudson Bay, west to the head of the Great Lakes, and south to the Gulf of Mexico. Meanwhile, a British enterprise, the Hudson's Bay Company, founded in 1670, began to compete for the fur trade.

The European wars between England and France were paralleled in North America by a series of French and Indian wars. The imperial contest ended after British troops commanded by James Wolfe defeated Marquis Louis Joseph de Montcalm on the Plains of Abraham, bringing about the fall of Québec in 1759. The French army surrendered at Montréal in 1760, and the Treaty of Paris in 1763 established British rule over what had been New France. The Québec Act of 1774 established English criminal law but secured seigneurial tenure, a modified oath of office allowing

Roman Catholics to serve in the conciliar governments, and the right of the Roman Catholic Church to collect tithes.

These concessions, which reflected the sympathy of the British ruling class for the French upper classes, instituted the separateness of French-speaking Canada that has become a distinctive feature of the country. It also secured the loyalty of the French clergy and aristocracy to the British crown during the American Revolution. Although the poorer French settlers (*habitants*) sympathized with the Revolutionists, efforts to take Canada by arms for the revolutionary cause failed in the Québec campaign. Some 40,000 Loyalists from the colonies in revolt fled northward to eastern Canada and did much to change the political character of their new country. The Constitutional Act of 1791 divided Lower Canada (now southern Québec) from Upper Canada (now southern Ontario) and provided for elected assemblies with limited powers, the first organs of self-government in the territory.

In the 1780s, the newly organized North West Company began to challenge the Hudson's Bay Company's fur-trade monopoly. The period was one of expansion, marked by Alexander Mackenzie's journey to the Arctic Ocean in 1789 and his overland voyage to the Pacific Ocean in 1793. British mariners secured for Britain a firm hold on what is now British Columbia.

The War of 1812, in which US forces attempting to invade Canada were repulsed by Canadian and British soldiers, did not change either the general situation or the US-Canadian boundary. After amalgamating the North West Company in 1821, the Hudson's Bay Company held undisputed sway over most of the north and west. Eastern border problems with the United States were resolved by the Webster-Ashburton Treaty in 1842; in the west, however, US expansionists sought to fix the border at 54°40'N. In 1846, the border was resolved at 49°N, and since then, except for minor disputes, the long border has been a line of peace.

The continuing influx of immigrants stimulated demands for political reforms. In Nova Scotia and New Brunswick the reformers had some early success, but in the two Canadas it was not until groups led by Louis Joseph Papineau in Lower Canada and William Lyon Mackenzie in Upper Canada had conducted separate futile rebellions in 1837–38 that the British government acted. John George Lambton, Earl of Durham, was sent to Canada as governor-general in 1838; he resigned later that year, but in 1839 submitted a report to the crown in which he recommended the granting of some forms of self-government. He also advised the immediate union of the two Canadas for the express purpose of Anglicizing the French Canadians. Union of the two provinces was approved in 1840, but responsible government was not achieved until 1849, after strenuous efforts by leaders in the various provinces. There was, however, no single unified nation—only a string of provinces in the east and the Hudson's Bay Company domain in the west and north.

The movement for Canadian confederation—political union of the colonies—was spurred in the 1860s by the need for common defense and the desire for a common government to sponsor railroads and other transportation. John Alexander Macdonald and George Brown, rival political leaders, agreed in 1864 to unite Upper Canada and Lower Canada under a common dominion government. Already the Maritime provinces were seeking union among themselves; their Charlottetown Conference in 1864 was broadened to admit delegates from the Canadas. After two more

conferences, in 1864 and 1866, the dominion government was established under the British North America Act of 1867. The dominion was a confederation of Nova Scotia, New Brunswick, and the two provinces of Canada. There had been much opposition, and Nova Scotia and New Brunswick were brought to accept the union only through the efforts of Sir Charles Tupper and Sir Samuel Leonard Tilley and by the fear and indignation roused by the invasion of Canada by Fenians (militant Irish nationalists) from the United States in 1866. Since the name Canada was chosen for the entire country, Lower Canada and Upper Canada became the provinces of Québec and Ontario, respectively.

In 1869, the Hudson's Bay Company relinquished its territorial rights to Rupert's Land and the Northwest Territories. In 1870, the province of Manitoba was established and admitted to the confederation, and the Northwest Territories were transferred to the federal government. In 1871, British Columbia, on the Pacific shore, joined the confederation, largely on the promise of a transcontinental railroad. Prince Edward Island did not join until 1873. Pushing through the Canadian Pacific (CP) Railway was a main achievement of Macdonald's Conservative administration. The CP was given large grants of land in return for its promise to aid in settling these lands, a policy that is still being carried on. Objection in the west to being taken over by the east led to two métis rebellions, headed by Louis Riel, in 1869–70 and 1885, but the west was opened to settlement nonetheless.

Under the long administration (1896–1911) of the Liberal Party under Sir Wilfrid Laurier, immigration to the prairie provinces was greatly accelerated. The prairie agricultural empire bloomed. Large-scale development of mines and of hydroelectric resources helped spur the growth of industry and urbanization. Alberta and Saskatchewan were made provinces in 1905. In 1921, Manitoba, Ontario, and Québec were greatly enlarged to take in all territory west of Hudson Bay and south of 60°N and all territory east of Ungava Bay. In February 1931, Norway formally recognized the Canadian title to the Sverdrup group of Arctic islands (now the Queen Elizabeth Islands); Canada thus held sovereignty in the whole Arctic sector north of the Canadian mainland. Newfoundland remained apart from the confederation until after World War II; it became Canada's tenth province in March 1949.

Canadian contributions of manpower and resources were immensely helpful to the Allies when Canada joined the British side in World War I; more than 600,000 Canadians served in Europe, and over 60,000 were killed. The war contributions of Canada and other dominions helped bring about the declaration of equality of the members of the British Commonwealth in the Statute of Westminster of 1931. The wartime struggle over military conscription, however, deepened the cleavage between French Canadians and other Canadians. After the war, the development of air transportation and roads helped weld Canada together, and the nation had sufficient strength to withstand the depression that began in 1929 and the droughts that brought ruin to wheat fields. The farmers developed huge cooperatives, especially in Nova Scotia and the prairie provinces, and also took up radical political doctrines, notably through the Social Credit and the Socialistic Cooperative Commonwealth Federation parties.

Canada was again vitally important in World War II, under the premiership of William Lyon Mackenzie King. More than one million Canadians took part in the Allied war effort, and over 32,000

were killed. The nation emerged from the war with enhanced prestige, actively concerned with world affairs and fully committed to the Atlantic alliance.

Domestically, a far-reaching postwar development was the resurgence in the 1960s of French Canadian separatism, symbolized by a series of cultural agreements between France and Québec. In 1970, terrorist acts by the Québec Liberation Front led to the banning of that organization and to the federal government's first invocation in peacetime of emergency powers under the War Measures Act. The emergency measures, imposed on 16 October, were not lifted until 30 April 1971. Although administrative reforms—including the establishment of French as Québec's official language in 1974—helped meet the demands of cultural nationalists, separatism continued to be an important force in Canadian politics. In the 1976 provincial elections, the separatist Parti Québécois came to power in Québec, and its leader, Premier René Lévesque, proposed that Québec become politically independent from Canada, in a relationship termed sovereignty-association. In a referendum on 20 May 1980, in which 82% of those eligible voted, the proposal was defeated, 59.5% to 40.5%. Meanwhile, other provinces had their own grievances, especially over oil revenues. Alberta objected to federal control over oil pricing and to reduction of the provincial share of oil revenues as a result of the new National Energy Program announced in late 1980; the failure of Newfoundland and the federal government to agree on development and revenue sharing hindered the exploitation of the vast Hibernia offshore oil and gas field in the early 1980s.

Since 1927, when discussions first began on the question of rescinding the British North America Act, disagreements between the provinces and the federal government over constitutional amendment procedures had stood in the way of Canada's reclaiming from the United Kingdom authority over its own constitution. In 1980, Liberal Prime Minister Pierre Elliott Trudeau made "patriation" of the constitution a principal priority of his administration. Initially he faced considerable opposition from 8 of the 10 provincial premiers, but a compromise on amending procedures and a charter of rights eventually proved acceptable to all but Québec. The Constitution Act, passed in December 1981 and proclaimed by Queen Elizabeth II on 17 April 1982, thus replaced the British North America Act as the basic document of Canadian government. In 1987, Québec was to sign the new constitution, after winning the inclusion of a clause acknowledging that Québec is a "distinct society." The Meech Lake Accord of 1987, however, failed to compel Québec into signing the constitution, and Québec's status has been in limbo ever since. New Brunswick and Manitoba failed to ratify the Accord because of the perceived preferential status Québec would have received. The Charlottetown Accord also proposed recognizing Québec as a "distinct society" in addition to acknowledging aboriginals' inherent right to self-government and converting the senate into an elected and more effective legislative body. On 26 October 1992, however, the majority of Canadians chose not to support the Charlottetown Accord in a national referendum.

Canada joined with the United States and Mexico to negotiate the North American Free Trade Agreement (NAFTA), which was built upon the US-Canada Free Trade Agreement (FTA). The three nations came to an agreement in August 1992 and signed the text on 17 December 1992. NAFTA created a single market of 370

million people with a combined GNP exceeding US\$6 trillion and was implemented in 1994.

Like the French Canadians of Québec, Canada's native peoples have also challenged the federal government on issues of identity and autonomy. In 1992 the Inuits approved an agreement by which the country's Northwest Territories would be divided in two, with the eastern part comprising the semiautonomous Nunavut territory, which would serve as an Inuit homeland. Other native groups also advanced land claims.

On 30 October 1995, the province of Québec held a referendum on secession from Canada; the measure was defeated by the narrowest of margins—a majority of less than 1%. As the 1990s ended, the province remained deeply divided over the secession issue, and the constitutional impasse over the status of Québec persisted. In 1998, Canada's Supreme Court ruled that in order for Québec to secede from the country, it had to reach agreement with the other provinces and the federal government on issues including a common currency and payment of the national debt. In 2003, the Liberal Party defeated the Bloc Québécois in provincial elections in Québec, ending nine years of rule by the pro-independence party.

After ousting the Progressive Conservatives in the 1993 national election, the Liberal party, led by Prime Minister Jean Chrétien, won a second consecutive parliamentary victory for the first time in 40 years in June 1997. However, the party's majority was significantly reduced from its previous size, and the right-wing Reform Party replaced the Bloc Québécois as the leading opposition group, a development that added to the regional fragmentation posing an increasing threat to the national unity of Canada. To overcome regional divisions within their own ranks, Canada's conservatives voted to create the new Canadian Alliance party early in 2000, in an attempt to unite the western-based Reform Party with the Progressive Conservatives. In 2003, the Canadian Alliance and the Progressive Conservatives voted to disband and form the new Conservative Party of Canada.

In the late 1990s, Canada's native peoples achieved two historic milestones in their quest for autonomy. In 1998 the Nisga'a Indians ratified a treaty according them 1930 sq km (745 sq mi) of land in British Columbia. The following year, the Nunavut territory—occupying an area larger than Western Europe—was officially founded as a homeland for the Inuit in the Northwest Territories.

In March and April 2003, Toronto was the site of the largest outbreak of the deadly severe acute respiratory syndrome (SARS) virus outside Asia. The World Health Organization (WHO) imposed a travel advisory to Toronto which lasted a week. Some 300 people were affected and 33 died. That August, Toronto, Ottawa, and other parts of Ontario as well as many cities in the United States were affected by the largest power outage in North American history.

On 12 December 2003, former finance minister and member of the Liberal Party Paul Martin was sworn in as prime minister, ending 10 years of leadership by Jean Chrétien. In February 2004, a financial scandal erupted over the misuse of government funds being used for advertising and sponsorship. The Liberal Party was accused of receiving kickbacks from advertising contracts awarded in Québec in the late 1990s. Paul Martin ordered an official inquiry. In June 2004, Martin was returned to power in parliamentary elections, but the Liberal Party was no longer in the ma-

majority. In February 2005, Martin and Chrétien appeared before a commission set up to investigate the financial scandal involving the misspent government funds. That May, the government won a confidence motion in parliament by only one vote.

In July 2005, Canada became the fourth nation in the world to legalize same-sex marriages. The other countries having such laws at that time were Belgium, the Netherlands, and Spain.

Canada has collaborated with the United States in its war against international terrorism. Securing the long border shared between the two countries in order to prevent possible terrorist infiltration has been a challenge, and has caused Canada and the United States to cooperate on sharing intelligence. However, Canada did not join the US-led coalition in the war in Iraq which began in 2003, prompting much domestic debate and US criticism of Jean Chrétien, who was prime minister at the time.

### 13 GOVERNMENT

Canada is a federation of 10 provinces and three northern territories (including the Nunavut territory formed in 1999). Under the British North America Act of 1867, which united the four original provinces of Québec, Ontario, Nova Scotia, and New Brunswick into one dominion under the name of Canada, the federation was provided with a powerful central government, which, besides its areas of exclusive authority, held residual authority in matters beyond the powers of local or private concern specifically assigned to the provincial legislatures. The British North America Act—which effectively served, together with a series of subsequent British statutes, as Canada's constitution—could be amended only by the British Parliament. In 1982, the British North America Act was superseded by the Constitution Act (or Canada Act), the principal innovations of which are the Charter of Rights and Freedoms and the provision for amendment. For passage, an amendment requires approval by the federal parliament and the legislative assemblies of at least two-thirds of the provinces, which must hold an aggregate of at least half the population of all the provinces. However, when an amendment derogates from provincial rights, it will not apply in any province in which the legislative assembly dissented by majority vote. When such an amendment deals with education or other cultural matters, the federal government must pay compensation to any dissenting province, to make up for the funds that would have been transferred had the province accepted the amendment.

Under the Constitution Act, the British sovereign remains sovereign of Canada and head of state; for the most part, the personal participation of Queen Elizabeth II in the function of the crown for Canada is reserved to such occasions as a royal visit. The queen's personal representative in the federal government is the governor-general, appointed by the crown on the advice of the prime minister of Canada; the governor-general is usually appointed for a term of five years. Active executive authority resides in the cabinet, or ministry, headed by the prime minister.

The federal parliament is made up of the House of Commons and the Senate. A new House of Commons, with 308 members as of 2005, is elected at least once every five years by all Canadian citizens 18 years of age or older. Representation by provinces and territories is based on population, ranging from one for the Yukon Territory to 106 for Ontario.



The leader of the party that wins the largest number of seats in a newly elected House of Commons is asked to form the government. The governor-in-council (cabinet), responsible for determining all important government policies and for securing the passage of legislation, financial measures, and administrative provisions, is chosen by the prime minister.

The 105 members of the Senate, or upper house, are appointed for life, or until age 75, by the governor-general on the nomination of the prime minister, with equality of representation for regional divisions. There are roughly equal proportions of senators from the Maritime provinces, Ontario, Québec, and the western provinces. In October 1992, Canadian voters declined a constitutional amendment that would have made the Senate an elected body.

## 14 POLITICAL PARTIES

Throughout most of the 20th century and into the 21st, national unity has been the primary aim of every Canadian government: leaders of both the English-speaking majority and the French-speaking minority have cooperated to develop a united Canada with a great destiny to which differences arising from national origin were subordinate. In the 1970s, this unity was challenged by a growing demand for French Canadian autonomy. Despite cultural division, national unity has remained a basic factor in Canadian foreign policy. Two elements have contributed to the growth of Canadian nationalism—deliberate government policy and reaction against overidentification with either the United Kingdom or the United States.

Continuity of policy characterizes party relationships. The Liberal Party (LP), which held office from 1935 to 1957, from 1968 to 1984 (except for part of 1979), and since 1993, is nationwide in its representation but has its main strength in Québec. It traditionally emphasizes trade and cultural relationships with the United States. Its principal rival, the Conservative Party (formerly the Progressive Conservative Party or PC), which held power from 1957 to 1968, from May to December 1979, and from 1984 to 1993, stresses Canada's relationships with the United Kingdom. In economic policy, the Liberals generally champion free trade, while the Conservatives favor a degree of protection; but practical political considerations have modified this distinction.

The Cooperative Commonwealth Federation (CCF) was a farmer-labor party with its main strength in Saskatchewan. Its foreign policy was much like that of the British Labour Party, but with an admixture of traditional Canadian prairie radicalism. It merged with the Canadian Labour Congress to form the New Democratic Party (NDP) in 1961. The Social Credit Party (SCP) has headed governments in Alberta and British Columbia but has not done well nationally. In June 1962, the group collapsed into independent factions, leaving only five representatives in the Commons. In September, the Québec wing of the party united to form the *Ralliement des Créditistes*, which after the 1965 elections became the new focal point of French Canadian interests.

After 22 years of uninterrupted rule, the Liberals were defeated by the PC in the 1957 elections. This was widely interpreted as a vote of protest against individual Liberal ministers and high taxes, as a reflection of concern over US economic penetration, and as a demonstration of widespread feeling that it was "time for a change." In the general election on 31 March 1958, the PC was returned to power with an unprecedented majority, taking 208 of

the 265 seats. The LP was reduced to 49 seats, the smallest number in its history. In the election of June 1962, the PC lost 92 seats. The following February, the PC government lost a vote of confidence, the major issue being defense policy and the refusal of the prime minister to accept nuclear weapons from the United States. In the election of April 1963, the resurgent Liberals gained an additional 29 seats for a total of 129 (four short of a parliamentary majority). With some support from the SCP, Liberal leader Lester B. Pearson formed a new government.

In April 1968, the new Liberal Party leader, Pierre Elliott Trudeau, was elected prime minister in a colorful campaign emphasizing personality more than specific issues. In the June general election, which he called for almost immediately, the LP took 155 seats and the PC 72; the SCP lost all five of its seats. In the general elections of 30 October 1972, the Liberals lost their parliamentary majority, winning only 109 seats to the PC's 107. The NDP increased its representation from 22 seats to 31, and the *Créditistes*, who had resumed calling themselves the SCP in 1971, won 15 seats. When the NDP decided to support the continuance of Liberal rule, Prime Minister Trudeau formed a new cabinet. The Liberal-NDP alliance collapsed on 8 May 1974 when, for the first time in Canadian history, the government received a vote of no confidence on a budget bill. Elections were called, and the campaign was fought largely on the issue of inflation, with the PC calling for a system of wage and price controls. In the elections of 8 July 1974, the Liberals regained their majority.

In the general elections of 22 May 1979, the Liberals lost to the PC, taking 114 seats of the now 282-seat parliament to the PC's 136, and were unable to form a government in any province. However, on 13 December 1979, the government of Prime Minister Joe Clark was defeated by a Liberal and NDP coalition on a vote of no confidence on a budget bill that called for an increase of 18 cents a gallon in the excise tax on gasoline. Trudeau, who in November had announced his planned retirement, decided to continue as Liberal leader, and again became prime minister after elections on 18 February 1980 gave the Liberals 147 seats. Four years later, on 29 February 1984, Trudeau again announced his impending retirement, and his party chose John Turner as successor. Brian Mulroney became prime minister following a landslide PC victory in the September 1984 elections, which gave the PC 211 seats, the Liberals 40 (their lowest number ever), the NDP 30, and an independent 1. However, the Liberals regained strength over the next year and in 1985 won the Québec general election and, in a coalition with the NDP, ended 42 years of PC government in Ontario.

In 1993, the PC fell from power, primarily due to one of the worst Canadian recessions in nearly 60 years and the failure of the PC government to implement constitutional reforms. Brian Mulroney resigned and was succeeded by Kim Campbell. Liberals soundly defeated the PC in the October 1993 election, with 177 of the 295 seats (up from only 80 in 1988). The PC retained only two of their 157 seats. The Liberal party named Jean Chrétien as the new prime minister.

The Liberal Party's majority in parliament was reduced to 155 in elections called by Chrétien in June 1997. The majority of opposition seats were won by the right-wing populist Reform Party, formed in Alberta in 1988 and led by Robert Manning, which increased its representation to 60 seats, winning broad support in the western provinces. Other party totals were Bloc Québécois,

44; New Democratic, 21; Progressive Conservative, 20; and Independent, 1. In 2000, members of the Reform Party voted to create a broader conservative grouping called the Canadian Alliance, uniting the western-based, populist Reform Party with the eastern-based Progressive Conservatives in an attempt to eventually unseat the dominant Liberals. In 2003, the Canadian Alliance and the Progressive Conservatives disbanded to create the Conservative Party of Canada.

On 12 December 2003, former finance minister and member of the Liberal Party Paul Martin was sworn in as prime minister, ending 10 years of leadership by Jean Chrétien. Parliamentary elections were held in June 2004. The distribution of the vote by percentage and seats was as follows: Liberal Party, 36.7%, (134 seats); Conservative Party, 29.6% (99 seats); New Democratic Party, 15.7% (19 seats); Bloc Québécois, 12.4% (54 seats); Greens, 4.3% (no seats); independents held 2 seats in the new House of Commons.

### **15 LOCAL GOVERNMENT**

Canada is made up of 10 provinces and three territories. Each province has a premier and a legislature. They function like those of the central government. However, the provincial parliaments are unicameral. In each province, the sovereign is represented by a lieutenant-governor appointed by the governor-general. The provinces are empowered to regulate their own affairs and dispose of their own revenues. Civil and property rights, civil law, education, health, labor conditions, licenses, management and sale of public land, municipal government, and direct provincial taxation are within the jurisdiction of the provinces. Although the federal government still exercises considerable authority over the northern territories, they now have elected legislative bodies. In Yukon, the powers of the federal commissioner have been greatly reduced, and the newly formed Nunavut territory, an Inuit homeland, is semiautonomous.

Each province is divided into municipalities, the number and structure of which vary from province to province. In Prince Edward Island, Nova Scotia, New Brunswick, Ontario, and Québec the first order of municipalities consists of counties, which are further subdivided into cities, towns, villages, and townships, although there are minor variations. In Newfoundland and the four western provinces there are no counties; municipalities are either rural or urban, the latter being made up of cities, towns, and villages, but again with minor variations. Municipalities are usually administered by an elected council headed by a mayor, overseer, reeve, or warden. Local governments are incorporated by the provinces, and their powers and responsibilities are specifically set forth in provincial laws.

### **16 JUDICIAL SYSTEM**

The civil law follows English common law everywhere except in Québec, where it follows the Napoleonic Code. The main body of criminal law is derived from English sources; most criminal statutes, being federal, are uniform throughout the country. Police magistrates and justices of the peace are appointed by the provincial governments. Civil and criminal courts exist on county, district, and superior levels; all judges of the superior, federal, tax, district, and county courts are appointed for life (but not beyond age 75) by the governor-in-council (the cabinet) and are paid by

the federal parliament. The Supreme Court in Ottawa has appellate, civil, and criminal jurisdiction throughout Canada; its chief justice and eight associate (“*puisne*”) justices (at least three of whom must come from Québec) are appointed by the governor-general. The Federal Court of Canada (formerly the Exchequer Court), organized into trial and appeal divisions, hears cases having to do with taxation, claims involving the federal government, copyrights, and admiralty law. Its appeal jurisdiction includes review of rulings by federal boards and commissions. The Tax Court, with seats in major cities throughout the country, rules on cases involving tax and revenue matters.

The death penalty in Canada was abolished in 1976; that decision was upheld in a vote by the House of Commons in June 1987.

The judiciary is independent of the legislative and executive branches. The Canadian Charter of Rights and Freedoms, part of the 1982 revised constitution, guarantees a number of individual fundamental rights.

Criminal defendants are afforded a wide range of procedural due process protections including a presumption of innocence, a right to counsel, public trial, and appeal.

Canada accepts compulsory jurisdiction of the International Court of Justice with reservations.

### **17 ARMED FORCES**

In 2005 the armed forces numbered 62,000 active and 36,900 reserve personnel. The army (land forces) consisted of 33,000 active and 15,500 reserve personnel. Equipment included 114 main battle tanks, 303 reconnaissance vehicles and 1,278 armored personnel carriers. The air force (air command) had a strength of 14,500 active personnel, and 2,600 reservists with 140 combat aircraft. The navy (maritime command) had 12,000 active personnel and 4,00 reservists, with 4 guided missile destroyers, 12 frigates, and 2 submarines. Major deployments of Canadian troops include Bosnia and Afghanistan. Canadian personnel are also deployed in nine other overseas peacekeeping operations. Paramilitary organizations had 9,350 members and consisted of the Canadian Coast Guard and Department of Fisheries and Oceans. Defense spending in 2004 totaled c\$15 billion.

### **18 INTERNATIONAL COOPERATION**

A Commonwealth nation, Canada became a charter member of the UN on 9 November 1945 and participates in ECE, ECLAC, and several nonregional specialized agencies. A Canadian, Lester B. Pearson, served as president of the General Assembly in 1952/53. Maj. Gen. E. L. M. Burns of Canada was chief of staff of the UN Truce Supervision Organization in the Middle East from August 1954 to November 1956, when UNEF was established, and he served as UNEF commander for the next three years. Canada has contributed to UN peacekeeping efforts in Cyprus (est. 1964), Sierra Leone (est. 1999), and the DROC (est. 1999).

The country is a member of NATO and other intergovernmental organizations, such as the Asian Development Bank, APEC, ASEAN (dialogue partner), OECD, the OSCE, the OAS, and the WTO (1995). Canada participates in G-7, G-8, the Paris Club (G-10), the European Bank for Reconstruction and Development, the Euro-Atlantic Partnership Council, and the Inter-American

Development Bank. The country is an observer in the Council of Europe.

Canada cooperates with the United States in North American defense through the North American Air Defense Command (NORAD). A free-trade agreement with the United States signed in 1988 was extended to include Mexico with the 1992 signing of the North American Free Trade Agreement (NAFTA), creating a free trade bloc among the three countries. The agreement was ratified by the governments of all the countries in 1993 and went into effect the following year. Canada supported joint military actions with the United States in Afghanistan throughout 2002–05, with plans for ongoing support as necessary. Canada is a member of the United Nations, Monitoring, Verification, and Inspection Commission, which was originally established in 1999 as the Special Commission for the Elimination of Iraq's Weapons of Mass Destruction. Though Canada did not participate in the 2003 military coalition in Iraq, it has offered financial support for reconstruction efforts.

Canada is part of Nuclear Energy Agency and the Nuclear Suppliers Group (London Group). In environmental cooperation, Canada is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The Canadian economy is the eighth-largest in the world (measured in US dollars at market exchange rates), behind the United States, Japan, Germany, the United Kingdom, France, China, and Italy. The postwar period saw a steady shift from the production of agricultural goods toward increased emphasis on manufacturing and services. The service sector employed three-fourths of the workforce in 2006, compared to only half of the workforce in 1960. Canada is a world leader in the production and export of asbestos, nickel, silver, zinc, uranium, cadmium, cobalt, magnesium, gypsum, molybdenum, potash, aluminum, gold, iron ore, copper, fluorspar, and lead. Although no longer the foremost sector of the economy, agriculture is of major importance to the economy as a whole and still is basic in many areas; Canada is the world's second-largest wheat exporter, after the United States. Canada is also the world's leading producer of newsprint and ranks among the leaders in other forestry products.

Canada in the postwar period changed from a country producing and exporting mainly primary products to one that increasingly produced and exported manufactured goods. In the 1980s, machinery and equipment joined automotive products among the country's leading exports; at the same time, the importance of natural resource products declined (partly reflecting the 1986 collapse of oil prices). However, by 2006, the engines of growth for the Canadian economy—automobiles and high-tech industries—slowed or had shrunk considerably. In their place, such perennial industries as mining had gained in importance. By that year, natural resources, construction, and business services (including work by architects and engineers) were the three fastest-growing sectors of the economy. Natural resources, and particularly energy,

account for more than 60% of Canada's exports. With oil prices high in the mid-2000s, Canada's wealth increased.

Canada was hard hit by the recession of the early 1980s, with interest rates, unemployment, and inflation all running higher than in the United States. The effects of the recession on minerals and manufacturing were especially severe. By the end of 1982, all mining operations in the Yukon were closed, and throughout the country more than 70,000 of 115,000 miners were unemployed. The economy recovered during the mid-1980s, and Canada's economic growth rate was among the highest of OECD countries during 1984–86. However, differences in prosperity among the provinces increased during the 1980s, with the central provinces relatively robust, the western provinces suffering declines in growth because of lower prices for oil and other natural resources, and the Atlantic provinces depressed. Although the 1990s were marked by continued high rates of unemployment and restrained domestic spending, the economy posted an average growth rate in GDP of about 3%. From 2001–05, real GDP growth averaged 2.5%. GDP growth was forecast at 2.7% in 2006 and 2.8% in 2007.

Unemployment was rated at a peak of about 12% in 1992 but had gone down to 8% in 1999. The unemployment rate stood at 7% in 2004, but was considerably lower in rural areas and in the western provinces, where employment in the natural resource sector had increased; blue-collar work grew more rapidly than white-collar employment in urban areas after 2000. As of 2006, the unemployment rate in Alberta was half the national average.

The Canadian economy is highly integrated with the US economy, which absorbed nearly 85% of Canada's exports and was the source of 64% of its imports in 2004. Most Canadians live in a narrow strip north of the US border, which makes them vulnerable to potential US economic and cultural domination.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Canada's gross domestic product (GDP) was estimated at \$1.1 trillion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$32,800. The annual growth rate of GDP was estimated at 2.8%. The average inflation rate in 2005 was 2.3%. It was estimated that agriculture accounted for 2.2% of GDP, industry 29.1%, and services 68.7%.

Foreign aid receipts amounted to \$50 million and accounted for approximately 4.2% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Canada totaled \$407.97 billion or about \$12,910 per capita based on a GDP of \$856.5 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.8%. Approximately 14% of household consumption was spent on food, 10% on fuel, 4% on health care, and 21% on education. It was estimated that in 2003 about 15.9% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2005, Canada's labor force numbered an estimated 17.35 million workers. In 2004, the service sector accounted for 75% of all workers, with 14% in manufacturing; 2% in agriculture, 5% in construction, and the remaining 3% in various other occupations. The rate of unemployment was estimated at 6.8% in 2005.

In 2005, about 30% of the civilian workforce was unionized. All workers have the right to strike except those in essential services.

Child labor legislation, standard work hours, and minimum wage rates vary from province to province. Most provinces prohibit employment for children under the age of 15 or 16 from working without parental consent, at night, or in hazardous conditions. However, Alberta allows minors between the ages of 12 and 14 to work for limited periods in certain sectors of the economy, without a permit from the director of employment standards. In British Columbia minors between 12 and 14 can be employed with the written consent of the parent or guardian. The province also allows children under 12 to be employed in "exceptional circumstances," such as in the entertainment industry, with the permission of the director of employment standards.

All provinces limit the regular workweek to 40 or 48 hours, with at least 24 hours of rest. Minimum wage rates in 2005 ranged from c\$5.90 to c\$8.00 per hour. A family with only one wage earner at the minimum level would fall below the poverty line. Federal and provincial laws effectively protect the health and safety of workers.

## 2<sup>2</sup> AGRICULTURE

Until the beginning of the 1900s, agriculture was the predominant occupation, and farmers and their families made up the majority of the population. Since then, however, the farm population has been shrinking both relatively and absolutely. Even in Saskatchewan, the province with the highest proportion of farm population, farm families account for no more than 25% of the total population. For Canada as a whole, agriculture engaged only 2.1% of the economically active population in 2000. Farm production continues to increase, as have the size of holdings, crop quantity, quality and variety, and cash income. Canada is still one of the major food-exporting countries of the world; agriculture engages about 362,000 people and generates about 2% of GDP. Farm cash receipts for crops totaled almost c\$14.5 billion in 2004, or 40% of total farm receipts.

Of Canada's total land area, about 5% is classified as arable land; another 3% is considered as permanent pasture land. More than 90% of the cultivated area is in the three prairie provinces. The trend is toward fewer and larger farms and increased mechanization and specialization. Ontario and Saskatchewan together account for about half of all farm cash receipts. Sale of field crops provide more than 50% of farm cash income in the prairie region, but less than 10% elsewhere in Canada.

The estimated harvest of principal field crops in 2004 (in thousands of tons produced per thousand hectares) was wheat, 25,860 produced on 9,862; barley, 13,186 on 4,050; corn, 8,388 on 1,072; oats, 3,680 on 1,320; and rapeseed (canola), 7,728 on 5,564.

Formerly, Canada imported only such items as could not be grown domestically—coffee, tea, cane sugar, spices, and citrus fruits—while exporting large surpluses of wheat, barley, and live-

stock. However, food imports have risen sharply in recent years. Nevertheless, Canada remains a significant food exporter; in 2004, Canadian grain exports totaled 18,984,000 tons, fifth after the United States, France, Australia, and Argentina.

Federal and provincial departments of agriculture provide guidance and aid to farmers in almost every field of operation. Activities include research and experimentation, protection of animals and crops, irrigation and reclamation, and price stability and farm credit measures. The government can stabilize the price of any agricultural product (except wheat, for which separate provision is made) by outright purchase or by supporting the market with guarantees or deficiency payments.

The departments of agriculture apply fundamental scientific research to soil management and crop and animal production, promote agricultural production, and enact financial measures to ensure greater stability of the farm economy. Long-term and short-term mortgages are made available; other loans are granted for equipping, improving, and developing farms. Various federal acts assist the marketing of produce. Governments, working with product organizations, also set limits on the production of milk, eggs, tobacco, chicken, and turkey meat. Price supports may be given to any designated natural or processed product but are mandatory for cattle, sheep, hogs, dairy products, wheat, oats, and barley. Farmers who have suffered severe crop losses through drought may obtain compensation, and prairie farmers who cannot deliver all their grain to market are given temporary financial assistance. The rail freight rates paid by western farmers to ship their grain to eastern markets, basically unchanged since 1897, increased five-fold between 1983 and 1991. The increase, partially subsidized by the federal government, would pay for improvements in the western rail system.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Canada traditionally exports livestock products, producing more than the domestic market can use. Animal production (livestock, dairy products, and eggs) now brings in about half of total farm cash income. Stock raising is the foundation of agricultural economy in the foothills of the Rockies, across northern Alberta and Saskatchewan and southern Manitoba, on the interior plateaus of British Columbia, in the Georgian Bay district of Ontario, in Prince Edward Island, and in western Nova Scotia. One of the great ranching sections is located in the Palliser Triangle of southern Saskatchewan and Alberta.

Livestock on farms in 2004 numbered 14,660,000 head of cattle; 14,623,000 pigs and hogs; 1,005,000 sheep; and 160 million chickens. In 2004, meat production included 1,460,000 tons of beef, 1,930,000 tons of pork, and 16,100 tons of mutton and lamb. Poultry production totaled 969,716 tons. Milk production in 2004 was 8 million tons; butter production amounted to about 88,400 tons, and cheese production to 366,355 tons. Most dairy products are consumed within Canada. In 2004, 376,560 tons of eggs were produced. Cash receipts in 2004 for cattle amounted to c\$5,069 million; for dairy products, c\$4,598 million; for hogs, c\$4,261 million; and for poultry, c\$1,845 million.

The wild fur catch, which was important in Canada's early history, is now limited to the northern parts of the provinces, Nunavut, the Northwest Territories, and the Yukon. In 2003, the value

of fur production totaled c\$103.6 million, with ranch-raised pelts accounting for 82% and wildlife pelts for 18%.

## 24 FISHING

With a coastline of nearly 29,000 km (18,000 mi) and a lake-and-river system containing more than half the world's fresh water, Canada ranked 20th among the world's major fish producers in 2003 and was the world's fifth-leading exporter of fresh, chilled, and frozen fish by value. That year, Canada exported \$3.3 billion in fishery commodities, accounting for 15.8% of agricultural exports.

Two of the world's great fishing grounds are located off Canada. One lies along the Atlantic coast of the Maritime provinces, and in this region the Grand Banks of Newfoundland constitute the largest area. More than one billion pounds of cod, haddock, halibut, pollock, and other fish are caught every year along the Atlantic in deep-sea and shore operations. Most of the cod and about a third of the total catch is dried and salted for export to Mediterranean and Latin American countries; another third is sold fresh; the rest is canned. Vast numbers of lobsters and herring are caught in the Gulf of St. Lawrence and the Bay of Fundy. The other great fishing region includes the bays, inlets, river mouths, and fjords of British Columbia. Salmon, the specialty of the Pacific fisheries, is canned for export and constitutes the most valuable item of Canadian fish production. Also exported are fresh halibut and canned and processed herring. Other important export items are whitefish, lake trout, pickerel, and other freshwater fish caught in the Great Lakes and some of the larger inland lakes. Feed and fertilizer are important by-products.

Canada's total fish and seafood landings were estimated at 1,229,925 tons in 2003, of which all but 45,876 tons were from marine fishing. Pelagic species and other finfish (primarily salmon and herring) accounted for 33% of the 2003 marine catch; shellfish (mostly shrimp, oysters, and crabs), 42%; and groundfish (mostly hake and redfish), 25%. The United States imported about 58% of Canada's fish product exports by volume in 2003. Japan is the second most important market for fish exports.

Canadian aquacultural production in 2003 consisted of 151,264 tons, primarily salmon. Canada's aquaculture industry faces many federal and provincial regulatory impediments that restrict its growth, such as regulations on the introduction and transfer policy of new species and salmon tagging. However, in 2002, the British Columbia government announced that new environmental standards would allow for a managed expansion of salmon aquaculture, ending a moratorium on fish farms in effect since 1995. In 2004, gross output of aquaculture amounted to c\$726.1 million, primarily from British Columbia and New Brunswick.

The government protects and develops the resources of both ocean and inland waters and helps expand the domestic market for fish. It extends loans to fishermen for the purchase of fishing craft. Canadian-US action has helped restore Pacific salmon runs and halibut stocks and the Great Lakes fisheries, but pollution represents a threat to freshwater sport fishing, especially in Ontario.

## 25 FORESTRY

Canada's National Forestry Database (CNFD) reports total forestland area at 417.6 million hectares (1,031.9 million acres), equivalent to 42% of the total land area. Only about 6% of Canada's

forests are privately owned. Of the 94% under crown (public) control, provincial governments manage 71% and the federal government manages 23%. Some 9.6 million hectares (23.7 million acres) of the public forest land are for uses other than timber production, including parks, game refuges, water conservation areas, and nature preserves. Most of the provincial crown forestland is in Québec, British Columbia, and Ontario. The crown forests are leased to private individuals or companies. Each province and territory regulates and controls the harvest rate on crown land through an allowable annual cut.

In 2003, an estimated 194.7 million cu m (6.9 billion cu ft) of roundwood was harvested. Canada ranks as the third-largest producer of coniferous wood products (after the United States and Russia), and is the leading supplier of softwood products to world markets. Chief forest products in eastern Canada are pulp and paper manufactures, especially newsprint. Canada leads the world in newsprint production, with 8,201,000 tons in 2004, accounting for 21% of the world's production. Exports of newsprint were valued at over c\$4 billion, with about three-fourths going to the United States. In the west, the chief product is sawn timber. The value of Canada's forestry exports in 2003 amounted to over \$24 billion, or 16% of the world's forestry exports that year. In 2003, production for leading export commodities included: sawnwood, 57.5 million cu m (2 billion cu ft); wood pulp, 26.2 million cu m (925 million cu ft); industrial roundwood, 191.7 million cu m (6.8 billion cu ft); wood-based panels, 16.7 million cu m (590 million cu ft); and paper and paperboard, 20.1 million tons. About 75% of forestry exports are sent to the United States. Exports of wood products contribute about 14% to the value of all Canadian exports.

Other well-known Canadian forestry sector products include Christmas trees and maple syrup. Québec accounts for about 35% of the annual Christmas tree production and 90% of maple syrup production.

With such a large annual forestry output, conservation and reforestation are stressed. Both government and industry promote improvements in management practices and in the use of forest products. New manufacturing methods permit the use of inferior classes of wood. The government estimated there were 5,400 forest fires in 2000, 57% due to human activities.

## 26 MINING

The world's largest exporter of minerals and metals, Canada's mining sector was considered a pillar of the economy and a way of life for Canadians. Canada was the leading producer and exporter of potash (world's largest and richest reserves), the leading supplier of uranium, the second-largest producer of asbestos (possibly the largest deposits) and sulfur (17% of world output and 38% of world trade), the third-largest in titanium, platinum-group metals (PGMs) and mine zinc, fourth in aluminum (from imported oxide), fifth in copper, lead, silver, and gold, and among the leading producers of nickel, salt, and nitrogen in ammonia. Yet, the country only recently began to fully develop many of its most important mineral resources, and resources developed earlier continued to display great growth potential. This was reaffirmed by discoveries such as the huge and rich nickel, copper, and cobalt deposit

at Voisey's Bay, and the Ekati diamond mines—diamond was expected to be the most sought-after mineral in the country.

The production, by value, of minerals, metals, and coal in 2003, totaled us\$14.4 billion, up 1.2% from 2002. In addition, Canada's minerals industry played an integral part in Canada's new-technology-driven and knowledge-based economy. The value of non-fuel minerals production increased to us\$13.4 billion in 2003, up 2.3% from 2002.

In terms of value, the top nonfuel mineral commodities in 2003 were: gold us\$1.6 billion; nickel, us\$1.4 billion; diamonds us\$1.2 billion; cement, coal, and potash, at us\$1.1 billion each; iron ore us\$1.0 billion; copper, us\$929 million; sand gravel, and stone us\$714 million each; and zinc, us\$643 million. Exports of minerals, and mineral products (excluding crude oil and natural gas), and metals (including smelted and refined), totaled us\$35.3 billion in 2003.

Mined nickel (metal content) output in 2003 was 162,756 metric tons. The world's biggest newsmaker in nickel continued to be Inco Ltd.'s nickel-copper-cobalt project at Voisey's Bay. Proved reserves at the site totaled 30 million tons (2.85% nickel and 1.68% copper); indicated resources were 54 million tons (1.53% nickel, 0.70% copper); inferred resources, 16 million tons (1.60% nickel, 0.80% copper).

Gold output in 2003 was 140,559 kg, down from 151,904 kg in 2002. Gold has lost some of its luster. Three mines opened, while 13 closed, a result of low gold prices and/or depletion. Operating mines accounted for 92.5% of Canada's output, with the remainder coming from 19 base-metal mines (gold as a by product) and a number of placers. Ontario produced 49% of Canada's gold, followed by Québec at 21%, British Columbia at 15% and Manitoba at 4%, with the remaining provinces and territories accounting for the remainder.

Mined zinc output (metal content) was 788,328 metric tons in 2003, down from 923,931 metric tons in 2002. Zinc prices remained depressed in 2003 as a result of continued poor demand in Japan, slow growth in Europe, and increased mine production worldwide. The country's proven and probable reserves totaled 10.2 million tons, 35% of which was in New Brunswick.

Mined copper output (metal content) was 534,287 metric tons in 2003, down from 584,195 metric tons in 2002. Proven and probable reserves for the country totaled 8.4 million tons, 50% of which was in Ontario, and 35% in British Columbia.

The output of iron ore and concentrate (metal content) was 32,957,000 tons in 2003, up from 30,902,000 tons in 2002. Exploration continued in Roche Bay (Northwest Territories), the Peach River area of Alberta, and Ungava Bay and Schefferville (Québec). Total proven and probable reserves in Canada were 1,261 million tons.

Mined silver output (metal content) was 1,309,274 kg, down from 1,407,558 kg in 2002. Silver, the value of whose output dropped by almost 7% in 2003 versus 2002, was mainly a by-product of base-metal and gold mining. Proven and probable reserves in Canada totaled 15,738 tons.

Lead output (metal content) was 81,268 metric tons, down from 101,330 metric tons in 2002. Proven and probable reserves amounted to 1.85 million tons; 76% were in New Brunswick. In addition, Canada mined the metals antimony, arsenic trioxide, bismuth, cadmium, magnesium, molybdenum (121,000 tons of

proven and probable reserves, all in British Columbia), pyrochlore, selenium, spodumene, tantalite (from Niobec, the world's third-largest producer, and the only operating columbium mine in North America), tellurium, and titanium. Calcium may have been produced as well.

Among industrial minerals, diamonds have been attracting much attention. Total output was 11.2 million carats in 2003, up 127% from 4.937 million carats in 2002. By value, diamond production in 2003 totaled us\$1.2 billion versus us\$552 million in 2002. Canada's first commercial production of diamonds—by BHP Diamonds Inc., in the Ekati Mine—began in 1998, when production totaled 300,006 carats; 2000 was Ekati's first full year of operation, and it has become a factor in world markets. BHP Diamonds reported that the quality of diamonds recovered from the five kimberlite pipes at its Lac de Gras property, northwest of Yellowknife, compared favorably with the best pipes in the world. De Beers, which bought 35% of Ekati's output, has discovered 220 kimberlites, several of which had the potential to become diamond mines; one, the Snap Lake project, is due to start production in 2008, and is De Beers's first mine outside of Africa. Diavik Diamond Mines Inc.'s Diavik Mine began production in January 2003. At least 90% of Diavik's output is estimated to be of gem quality. More than 500 companies have been exploring for diamonds, on an off and on basis. The First Canadian Diamond Cutting Works, in Montréal, became the country's first fully integrated cutting and polishing factory, with the aim of handling Canada's diamond production at lower cost than European competitors; artisans came from Belgium.

Potash output was 9,131,000 tons in 2003, up by 9.2% from 8,361,000 tons in 2002. However, potash output by value increased only slightly in 2003 from 2002, to around us\$1.65 billion versus us\$1.63 billion. The 63%-government-owned Potash Corp. of Saskatchewan Inc. was the largest publicly held potash producer in the world, with an annual capacity of 8.2 million tons, 61% of Canada's total capacity. An area extending from central Saskatchewan southeast into Manitoba was probably the largest and richest reserve of potash in the world, and could probably supply all the world's needs for 1,000 years. Known national reserves amounted to 14 billion tons.

Asbestos output in 2003 was 240,500 metric tons, down slightly from 242,241 metric tons in 2002. The world's largest deposits of asbestos (including chrysotile, crocidolite, and amosite) were believed to be in a region of eastern Québec that included the Black Lake open pit and the Bell underground mines and the town of Asbestos. The nation's proven and probable reserves of fiber asbestos totaled 35.8 million tons.

Output totals for other industrial minerals in 2003 were: salt, 12,390,000 tons, with 264 million tons of proven and probable reserves; sulfur, 8,509,000 tons, with 130 million tons of proven and probable reserves; nitrogen (content of ammonia), 3,440,000 metric tons; and sand and gravel, 235,574 tons. In addition, Canada produced amethyst, anhydrite, barite, brucite, hydraulic cement, clay and clay products, diatomite, dolomite, gypsum (482,000 tons of proven and probable reserves), jade, lime, mica (scrap and flake), nepheline syenite, pyrite, pyrophyllite, pyrrhotite, silica (quartz), soapstone, sodium carbonate (soda ash), natural sodium sulfate (81.3 million tons of proven and probable reserves),

and stone (including crushed, building, ornamental, and paving). Canada also had capacities to produce graphite and limestone.

Mining has been conducted in Canada since the seventeenth century, but the remarkably rapid development of mineral exploitation dates from the end of World War I. Petroleum has been found in the Midwest; iron ore deposits in Labrador, Québec, and Ontario; and uranium in Ontario and Saskatchewan. Ontario led the provinces, producing 30.8% of nonfuel mineral commodities, followed by Québec (19.5%), Saskatchewan (11.9%), and British Columbia (11.2%).

Land use, which had not been given much attention, has become an issue, with First Nation rights receiving consideration. Canada's provincial governments regulated most aspects of exploration and mining, and the exceptions, the Yukon Territory and the Northwest Territories, have been accumulating more independent powers. Federal agencies recently became able to review mining activity for environmental impact. Exploration for metals and petroleum has tended to move north in recent years, into the new territory Nunavut, which was created in 1999 out of the Northwest Territories; Nunavut included Baffin, Ellesmere, and the Queen Elizabeth islands, one-fifth of Canada's landmass. The Inuit have generally been receptive to mining proposals, including the new Nanisivik lead-zinc mine on Baffin Island, north of the Arctic Circle.

The Standards of Disclosure for Mineral Projects, which was to be enacted in 2001, covered all technical public disclosure on mineral projects and was intended to preserve Canada's preeminent position in world mining, exploration, development, and financing. The mineral industry consisted of 3,000 domestic and 150 foreign companies; 10% were actively engaged in mining; the rest were engaged in exploration, in advanced stages of development, or dormant, in search of financing. More than 200 mine sites, including coal sites, were active, and 3,000 mines and quarries produced sand, gravel, and other construction materials. Total employment in mining and mineral manufacturing in 2000, including coal, was 400,000, and 55,750 were employed in coal, metal, and nonmetal mining and quarrying. Most of the mineral industry was privately owned; an exception was government participation in potash and petroleum, which were transitioning to private ownership. Mining had the prospect of diversifying and strengthening Canada's economy. Canada was well positioned in terms of its mineral-resource base and its access to markets in the United States.

## 27 ENERGY AND POWER

Abundantly endowed with fossil fuels and hydroelectric resources, Canada was the world's seventh-leading energy producer, as of 2004. Energy production is exceeded only by manufacturing as a percent of Canada's gross domestic product (GDP).

In the late 1990s, Canada's oil industry made a strong recovery from low prices in the preceding years. Petroleum production in quantity began in 1947 with the discovery of oil 29 km (18 mi) south of Edmonton. Output of oil in 2004 was estimated at 3.1 million barrels per day (2.4 million barrels per day was crude oil). Canada's oil reserves were estimated in 2005 to total 178.8 billion barrels, of which 95% are oil sands. Petroleum is now the largest single contributor to mineral output. Heavy crude oil is produced entirely in western Canada, with 60% coming from Alberta

and 40% from Saskatchewan. It is transported to eastern Canada and the United States through two major oil pipeline systems, both originating at Edmonton; one extends east to Toronto, and the other southwest to Vancouver and the state of Washington. On the east coast of Canada, oil exploration has been focused on the Jeanne d'Arc Basin off Newfoundland. Terra Nova, the second major project in the region, began production at the beginning of 2002, with a capacity of 115,000 barrels per day over six years. The White Rose oil field, in the same basin, was expected to become operational in 2004. There are potentially up to 300 billion barrels of synthetic crude oil available from western Canada's oil sands. Reserves at Athabasca in northern Alberta are among the world's two largest oil sand deposits.

Canadian natural gas reserves were estimated at 56.6 trillion cu ft as of 1 January 2005. Natural gas production was estimated in 2002 to have totaled 6.6 trillion cubic feet, and according to British Petroleum (BP), to have totaled 182.8 billion cu m in 2004. Gas production is mostly centered in Alberta, which accounts for about 80%. The 3,017 km (1,875 mi) Alliance Pipeline, which carries natural gas from western Canada to the Chicago region, is the longest pipeline in North America.

Canada ranks among the top producers of electric power in the world and first in the production of hydroelectricity. In 2002, Canada's installed capacity was estimated to have reached 111.0 million kW. In that same year, Canada generated an estimated total of 548.9 billion kWh of electricity, of which: 57% came from hydropower sources; 28% from conventional thermal; and 13% from nuclear sources, with geothermal making up the remainder. The marked trend toward the development of thermal stations, which became apparent in the 1950s, is due in part to the fact that most of the hydroelectric sites within economic transmission distance of load centers have already been developed. When the Churchill Falls project reached completion in 1974, the capacity of the plant was 5,225 MW, making it, at the time, the largest single generating plant of any type in the world. It has since been surpassed by Hydro-Québec's 5,328 MW generator, the first completed station of the massive James Bay project. Electricity consumption was estimated in 2002 to have totaled 487.3 billion kWh.

Low-cost electricity generated from waterfalls and fast-flowing rivers has been a major factor in the industrialization of Québec, Ontario, and British Columbia, most significantly in the establishment of metal-smelting industries. In other areas, hydroelectric power is not as abundant, but all provinces have turbine installations. As of 2002, Canada's hydroelectric resources still included substantial untapped potential.

Atomic Energy of Canada Ltd. is responsible for research into reactor design and the application of nuclear power in the electric power field. In 1962, commercial electric power was first generated in Canada by a nuclear reaction when the Nuclear Power Demonstration Station at Rolphton, Ontario, became operative. Canada's first full-scale nuclear power station, completed in 1956 at Douglas Point on Lake Huron, produced its first power early in 1967. Nuclear power production declined from 102.4 billion kWh at its peak in 1994 to 69.8 billion kWh in 2000. However, in 2002, Canada's output of electrical power from nuclear sources rose to 71.750 billion kWh. In 1999, Canada had 14 nuclear reactors operating at five power facilities. Spurred by a desire to meet its obligations under the Kyoto Protocol, which Canada has signed, plans

were put forth in 2004 by the government to build a new nuclear power plant in Ontario. It would be the first such plant in two decades.

Coal production in 2002 is estimated to have reached 73.2 million short tons in 2002, with reserves estimated at 7.3 billion short tons, for that year. About 90% of coal consumption is for electricity generation, and most of the remainder is for steel production. The increase in total output since 1970, especially the increased output from Alberta and British Columbia, is almost entirely due to the growth of the Japanese and South Korean export markets. In eastern Canada, however, domestic coal must be augmented by US coal imports.

## 28 INDUSTRY

Industry accounted for 26.4% of GDP in 2004, with approximately 15% of the labor force employed in manufacturing and 5% in construction. The leading industrial sectors are foods and beverages, transport equipment, petroleum, natural gas, coal products, paper and paper products, primary metals, chemicals, fabricated metals, electrical products, and wood products.

Canada's automotive industry is the nation's largest manufacturing sector, accounting for 12% of manufacturing GDP and 25% of manufacturing trade. It employs more than 170,000 people in automotive assembly and component manufacturing, and nearly 335,000 people in distribution and aftermarket sales and service. Canada in 2005 manufactured approximately 2.5 million passenger and commercial vehicles. Canada currently ranks eighth in the world in motor vehicle production. Canada's automotive sector is closely integrated with that of the United States.

More than 150 communities in Canada depend on mining. Canada is one of the largest mining nations in the world, producing more than 70 minerals and metals. Exports of minerals and mineral-based products are close to \$50 billion a year, averaging 13% of Canada's total domestic exports. (These figures include all minerals and mineral products excluding oil and natural gas.) The production of fabricated metals is one of Canada's leading industries, with about 50 nonferrous smelters, refineries, and steel mills in operation.

Of the total manufacturing output, about half is concentrated in Ontario, which not only is the center of Canadian industry but also has the greatest industrial diversification. Some important industries operate there exclusively. Québec ranks second in manufacturing production, accounting for some 25% of the value of Canadian manufactured goods. British Columbia ranks third. Manufacturing is also the leading industry in Manitoba, New Brunswick, Nova Scotia, and Newfoundland.

## 29 SCIENCE AND TECHNOLOGY

In 2000, Canada had 3,487 researchers and 1,105 technicians per million people actively engaged in scientific research and development (R&D). In 2004, Canadian R&D expenditures were provisionally set at c\$24.487 billion. Of that amount, 46.2% came from business, with 35.4% from government sources. Higher education accounted for 17.8%, with foreign sources and private nonprofit organizations accounting for 7.9% and 3.2%, respectively, in that

same year. In 2002, high technology exports totaled \$22.662 billion, or 14% of manufactured exports.

The Ministry of State for Science and Technology, established in 1971, is the chief federal policymaking body. In 1986, the National Advisory Board for Science and Technology, chaired by the prime minister, was created, and merged with the ministry. In the following year, a National Science and Technology Policy (NSTP) was approved by ministers of the federal, provincial, and territorial governments. The NSTP has emphasized a strong push linking national research to national needs.

The Royal Society of Canada, founded in 1882 and headquartered in Ottawa, is the most prestigious learned society; there are 53 specialized societies in the fields of agriculture, medicine, science, and technology. The National Research Council of Canada, founded in 1916 and headquartered in Ottawa, coordinates research and development in the country; one of its major facilities is the Dominion Astrophysical Observatory, established in 1918 at Victoria, British Columbia. The Geological Survey of Canada (founded in 1842) is headquartered in Ottawa.

The National Museum of Science and Technology in Ottawa, founded in 1967, shows Canada's role in science and technology. The Ontario Science Centre, established in North York in 1965, has over 800 exhibits. In 1996, Canada had 49 universities offering courses in basic and applied science. In 1987–97, science and engineering students accounted for 16% of college and university enrollments. In 2000, of all bachelor's degrees awarded, 20% were in science (natural sciences, mathematics and computers, and engineering).

## 30 DOMESTIC TRADE

Wholesalers' and manufacturers' sales branches are the most prominent wholesale and distribution agencies. Wholesaling is particularly prominent in foodstuffs, lumber and building supplies, hardware, coal, clothing, dry goods, automotive equipment, and machinery. In producer goods, however, direct relations are often maintained by resident or traveling agents.

Large-volume outlets, including department stores, large mail-order houses, and chain stores, often buy direct from the manufacturer. A wide variety of local and imported goods is available in all major towns and cities. Vast indoor shopping complexes have been developed in the larger cities, including Eaton Centre in Toronto with over 300 stores and the West Edmonton Mall in Alberta. A 7% goods and service tax (GST) applies to most consumer products and services.

Due to Canada's size and its regional economic differences, distribution is essentially regional. Toronto and Montréal dominate merchandising, are the headquarters of much of Canada's trade and financial apparatus, and do by far the greatest share of import business. Winnipeg is the business center for grain and agricultural implements. Vancouver is the center of the growing British Columbia market. As of 2006, about three-quarters of the labor force was employed in the service industry, which accounted for some 70% of the GDP.

There is considerable advertising overflow from the United States. Business hours are 9 AM to 5 PM, Monday through Friday. Shopping hours are 9:30 AM to 6 PM, Monday through Saturday; many stores stay open to 9 PM on Thursday and Friday nights and have Sunday hours. Normal banking hours are from 10 AM to 4:30



**Principal Trading Partners – Canada (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	272,044.7	239,698.9	32,345.8
United States	233,425.4	145,403.3	88,022.1
Japan	5,823.1	9,891.0	-4,067.9
United Kingdom	4,345.2	6,481.6	-2,136.4
China	3,402.1	13,278.3	-9,876.2
Germany	2,052.0	6,176.2	-4,124.2
Mexico	1,584.1	8,710.5	-7,126.4
France-Monaco	1,561.0	3,567.6	-2,006.6
Korea, Republic of	1,383.3	3,651.7	-2,268.4
Belgium	1,314.5	831.3	483.2
Italy-San Marino-Holy See	1,234.9	3,299.8	-2,064.9

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

PM, Monday through Thursday, and from 10 AM to 5 or 6 PM on Fridays. Some banks are open on Saturday mornings.

**31 FOREIGN TRADE**

Canada's exports are highly diversified; the principal export groups are industrial goods, forestry products, mineral resources (with crude petroleum and natural gas highly important), and agricultural commodities. Imports are heavily concentrated in the industrial sector, including machinery, transport equipment, basic manufactures, and consumer goods. Trade balances are almost invariably favorable.

In 1989, the United States and Canada signed a free trade agreement; and in 1994 the United States, Canada, and Mexico signed the North American Free Trade Agreement (NAFTA). Currently, trade between the United States and Canada is essentially unhindered. In fact, the US-Canada trade relationship is the largest such economic association in history.

Cars, trucks, and automobile parts were the second-largest exports of Canada in 2004 (totaling 21.1%), behind machinery and equipment (21.3%). Wood, paper, and paper products follow Canada's vehicle exports closely. Canada's leading markets in 2004 were the United States (88.4% of all exports), Japan (2.1%), the United Kingdom (1.7%), and China (1.7%). Canada's leading suppliers in 2004 were the United States (64.5% of all imports), China (7.5%), Mexico (4.2%), and Japan (4.1%).

**32 BALANCE OF PAYMENTS**

Canada's merchandise balances, although fluctuating, showed consistent surpluses between 1961 and 2005, except for 1975. These, however, were offset by persistent deficits from other transactions. Sources of these deficits include Canada's indebtedness to other countries, travel of Canadians abroad, payments for freight and shipping, personal remittances, migrants' transfers, official contributions, and other Canadian government expenditures abroad.

In 2000, Canada recorded a current account surplus of US\$12.8 billion, the first such surplus since 1996. Merchandise trade was responsible for most of the improvement, in part due to the then-thriving US economy, which received 86% of Canada's total merchandise exports. Canada at that time received 22% of total US

**Balance of Payments – Canada (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>17,268.0</b>
Balance on goods	41,513.0	
Imports	-244,281.0	
Exports	285,794.0	
Balance on services	-7,727.0	
Balance on income	-16,738.0	
Current transfers	221.0	
<b>Capital Account</b>		<b>2,386.0</b>
<b>Financial Account</b>		<b>-21,592.0</b>
Direct investment abroad	-22,240.0	
Direct investment in Canada	6,273.0	
Portfolio investment assets	9,139.0	
Portfolio investment liabilities	13,160.0	
Financial derivatives	...	
Other investment assets	-20,555.0	
Other investment liabilities	10,910.0	
<b>Net Errors and Omissions</b>		<b>-1,767.0</b>
<b>Reserves and Related Items</b>		<b>3,255.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

merchandise exports, making it the largest single-country export market for the United States.

Merchandise exports on a balance-of-payments basis rose by 7.2% to c\$429 billion in 2004 as growth in the US economy remained strong and bilateral trade with China increased exponentially. Merchandise imports rose by 6% to c\$363 billion. The merchandise trade surplus rose to c\$66.1 billion in 2004 from c\$57.6 billion in 2003. In 2004, the current-account balance amounted to US\$28.2 billion. From 2001-05, the current-account balance averaged 1.9% of GDP.

**33 BANKING AND SECURITIES**

The Bank of Canada, which was established in 1934, is a government-owned institution that regulates the total volume of currency and credit through changes in the cash reserves of eight domestic chartered banks and 45 foreign bank subsidiaries. The Bank of Canada also acts as the government's fiscal agent, manages the public debt, and has the sole right to issue paper money for circulation in Canada. It is empowered to buy and sell securities on the open market, to fix minimum rates at which it will make advances, and to buy and sell bullion and foreign exchange.

The Federal Business Development Bank, established as the Industrial Development Bank in 1944 as a subsidiary of the Bank of Canada, has operated as a separate entity since 1974. It does not engage in the business of deposit banking but supplements the activities of the chartered banks and other agencies by supplying medium- and long-range capital for small enterprises.

The eight domestic chartered banks are commercial and savings banks combined, and they offer a complete range of banking services. Canada's banks were reorganized in 1992 under the Banking Act. Every 10 years the banks' charters are subject to renewal and the Banking Act is revised to keep abreast of changing trends, a practice unique to Canada. The banks were reorganized into Schedule I and II banks. The Schedule I banks are

banks whose ownership is public. No one shareholder in Schedule I banks controlled more than 10% of the shares until the law was revised in 2000. Schedule II banks are subsidiaries of foreign or domestic banks that are held privately or semiprivately. In 1999, foreign banks were given the right to operate branches in the full-service and lending sectors. Schedule I banks include the Bank of Montréal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Canadian Western Bank, Laurentian Bank of Canada, National Bank of Canada, Royal Bank of Canada, and the Toronto-Dominion Bank of Canada.

Canada's four biggest banks—Royal Bank of Canada (RBC), Canadian Imperial Bank of Commerce (CIBC), Bank of Montréal, and Bank of Nova Scotia—were all among the top 10 in North America in the 1980s. In 1997, only RBC and CIBC qualified. The Canadian banks began in mid-1996 to speak out in favor of liberalized ownership rules if they were to maintain their competitive edge. In October 1996, the Bank of Montréal chairman, Matthew Barrett, said domestic banks should have the freedom to merge, and that serious thought should be given to dropping the 10% ownership limit. In 1999, banks with equity of over c\$5 billion were allowed to merge, and the ownership limit was raised to 20% on vote-taking shares, and 30% on nonvote taking shares. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to us\$163.9 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was us\$463.9 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.11%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 2.5%.

The Toronto Stock Exchange (TSE) was founded in 1852 and incorporated in 1878. The Standard Stock and Mining Exchange, incorporated in 1908, merged with it in 1934. Its members have branch offices in principal Canadian cities and in some US financial centers.

The Montréal Stock Exchange was incorporated in 1874. In 1974, it merged with the Canadian Stock Exchange, which was organized in 1926 as the Montréal Curb Market. Other securities exchanges were: the Winnipeg Stock Exchange, founded in 1903; the Vancouver Stock Exchange, founded in 1907; and the Alberta Stock Exchange (formerly Calgary Stock Exchange), founded in 1913.

In 1999, the TSE took over all senior equity exchanges from the Montréal market. Also in that year, the TSE and the Canadian Venture Exchange combined to create the TSX Group. The Vancouver and Alberta stock exchanges also merged to form the Canadian Equities Exchange, handling only junior exchanges. As of 2004, there were 3,597 companies listed by the TSX Group. Total market capitalization as of December 2004 stood at \$1,177.518 billion. The TSX in 2004 was up 12.5% from the previous year at 9,246.7.

### 34 INSURANCE

Of the billions of dollars worth of coverage that Canadians buy every year, most is either life and health insurance or property and casualty insurance. Canadians buy more life and health insurance on a per capita basis than any other group except the Japa-

nese (the United States is third). Compulsory insurance for Canadians includes automobile insurance and workers' compensation, on which the government holds a monopoly. Manitoba, British Columbia, Québec, and Saskatchewan also operate a monopoly on primary automobile policies.

Since 1978, the Canadian property and insurance market has continued to experience underwriting losses. The return on equity fell to 13.1% in 1997, to 6.8% in 1998, and to 5.4% in 1999. Since the industry continues to pay more in claims and expenses than it earns in premium revenue, overall profitability is ultimately determined by revenues generated from investment earnings. A high rate of natural disasters coupled with a low rate of crime in 1999 influenced industry intake. In 2000, government restructuring of the financial sector refused to allow bank branches to distribute insurance policies, supporting the insurance industry. In 2003, direct premiums written in Canada totaled us\$59.144 billion, of which us\$36.303 billion was nonlife insurance and us\$22.841 billion life insurance. In that same year, ING Canada was the country's top nonlife insurer, with gross written nonlife premiums of us\$2,119.0 million, while Sun Life of Canada was the nations top life insurer, with gross written life insurance premiums (excluding segregated funds) of us\$2,495.8 million.

### 35 PUBLIC FINANCE

By far the largest item of expenditure of the federal government is for social services, including universal pension plans, old age security, veterans benefits, unemployment insurance, family and youth allowances, and assistance to disabled, handicapped, unemployed, and other needy persons. Through the early 1970s, federal budgets remained relatively in balance, fluctuating between small surpluses and small deficits. Since then, however, the budget has been in continuous and growing deficit. The federal debt rose from 18% of GDP in 1974 to 70% of GDP in 1993, and about 65% in 1999. Government options to reduce the deficit are constrained by the high level of nondiscretionary spending in the federal budget. Sources

#### Public Finance – Canada (2003)

(In billions of Canadian dollars, central government figures)

<b>Revenue and Grants</b>	<b>240.98</b>	<b>100.0%</b>
Tax revenue	168.71	70.0%
Social contributions	57.98	24.1%
Grants	0.62	0.3%
Other revenue	13.67	5.7%
<b>Expenditures</b>	<b>224.4</b>	<b>100.0%</b>
General public services	67.91	30.3%
Defense	13.11	5.8%
Public order and safety	6.84	3.0%
Economic affairs	13.48	6.0%
Environmental protection	1.44	0.6%
Housing and community amenities	2.86	1.3%
Health	6.04	2.7%
Recreational, culture, and religion	3.44	1.5%
Education	4.77	2.1%
Social protection	104.5	46.6%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

of provincial revenue include various licenses, permits, fines, penalties, sales taxes, and royalties, augmented by federal subsidies, health grants, and other payments. Federal grants and surpluses and federal payments to the provinces under the federal-provincial tax-sharing arrangements constitute a major revenue source of the provinces. Corporation and personal income taxes provide a considerable portion of the revenue of Québec. The largest provincial expenditures are for highways, health and social welfare, education, natural resources, and primary industries. Real property taxes account for more than two-thirds of revenue for municipalities and other local authorities. Almost one-third of their expenditures go to supporting local schools.

The US Central Intelligence Agency (CIA) estimated that in 2004 Canada's central government took in revenues of approximately us\$159.6 billion and had expenditures of us\$152.6 billion. Revenues minus expenditures totaled approximately us\$7 billion. Public debt in 2005 amounted to 68.2% of GDP. Total external debt was us\$600.7 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues in billions of Canadian dollars were 240.98 and expenditures were 224.4. The value of revenues in millions of US dollars was \$172 and expenditures \$159, based on a market exchange rate for 2003 of 1.4011 as reported by the IMF. Government outlays by function were as follows: general public services, 30.3%; defense, 5.8%; public order and safety, 3.0%; economic affairs, 6.0%; environmental protection, 0.6%; housing and community amenities, 1.3%; health, 2.7%; recreation, culture, and religion, 1.5%; education, 2.1%; and social protection, 46.6%.

### 36 TAXATION

As with most industrialized democracies, Canada's tax system is complex, reflecting the impact of numerous social and economic policy goals. There are both federal and provincial taxes on corporate and individual income. Ontario, Québec, and Alberta administer their own corporate tax systems, but in the other provinces, the federal government levies both. As of 2005, Canada's federal corporate income tax rate is 21%, with a surtax adding another 1.12%. However, additional taxes by Canadian provinces/territories, can add 11.5% to 17%. Québec has a rate of 8.9% for active income. Canada is also slated to further reduce the corporate rate. Effective January 1, 2008, the corporate rate will be lowered to 20.5%, while the surtax (as of that date) will be abolished. As of January 1, 2009, the corporate rate will be cut further to 20%, and will be reduced on January 1, 2010 to 19%. Nonresidents of Canada are also subject to a 15% withholding tax for services performed in Canada. Individual income taxes are based on a progressive system, for which the top federal rate is 29%. Individual income tax rates imposed by the provinces/territories vary from 4–24%.

### 37 CUSTOMS AND DUTIES

Customs duties, once the chief source of revenue, have declined in importance as a revenue source as Canada's economy has grown and developed. The tariff, however, still is an important instrument of economic policy. There is a wide range of duties, progressing from free rates on raw materials to higher duties as goods become more highly processed. Producer goods, including ma-

chinery of a kind not made in Canada, are subject to lower rates or are admitted free. Imports from the United Kingdom, most Commonwealth countries, and some crown colonies receive a tariff preference on a basis of reciprocity. Imports from nonmembers of the World Trade Organization (WTO) that have not negotiated a trade agreement with Canada are subject to the general or highest duty category. A federal goods and services tax, excise tax, and provincial retail sales taxes add to the cost of importation.

In October 1987, Canada and the United States reached agreement to establish a free trade area between the two countries, which came into force in 1989 with all tariffs being eliminated within 10 years. Today, there are essentially no tariffs on US goods, although there remain a few nontariff barriers to trade. Canadian commercial policy is generally opposed to the use of quantitative restrictions except as permitted by the WTO, or for sanitary reasons, in emergencies, to allocate scarce supplies, or to meet balance-of-payments problems. Canada does not adhere to a general system of import licensing but does require permits for a limited number of products, such as electric power, petroleum, and natural gas and by-products. There are no free ports, but bonded facilities are operated at many ports. Except in grain, for which storage facilities are extremely large, customs warehousing is not extensive.

The United States, Canada, and Mexico signed the North American Free Trade Agreement (NAFTA) in December 1992. Approved by the legislatures of all three countries in 1993, NAFTA replaced the existing free trade agreement between Canada and the United States in 1994 but retained many of its major provisions and obligations. Canada and Chile signed a free trade agreement in 1997. NAFTA members are working towards a Free Trade Area of the Americas to incorporate Central and South America.

### 38 FOREIGN INVESTMENT

With few exceptions, Canada offers foreign investors full national treatment within the context of a developed open market economy operating with democratic principles and institutions. However, Canada is one of the few OECD countries that still have a formal investment review process, and foreign investment is prohibited or restricted in certain sectors of the economy.

The federal corporate tax is 21%. The federal capital tax will be eliminated for all businesses by 2008. Provincial governments charge corporate taxes at rates from 10% upwards; the federal government allows a tax credit of 10% against these provincial levies.

By the beginning of 2003, foreign direct investment (FDI) in Canada, which has increased steadily since the early 1950s, amounted to us\$349.4 billion. This was only 4.7% above the level in 2001, the lowest rate of increase since 1993. FDI inflow in 2002 was us\$33.6 billion, about 20% lower than 2001. The US share in annual FDI inflow declined from 91% in 2001 to 74.7% in 2002. The second-largest source of inward FDI was the European Union. Canada's relative share of global inward FDI remained unchanged in 2001 and 2002, at about 4% of the world total. The inflow of foreign portfolio investment (foreign purchases of Canadian stocks and bonds) declined from us\$30.1 billion to us\$17.9 billion.

Outward FDI by Canadians has grown at an even faster average rate than inward FDI over the last 10–15 years. FDI assets held by Canadians reached us\$432 billion in 2002. Outward FDI flow was us\$43.8 billion down about 20% from 2001. Direct investments in

the United States accounted for 47% of outward FDI, down from 60% in 2001. As in 2001, Canada accounted for about 6% of the world total outward FDI in 2002. Outward portfolio investment in 2002 was us\$24.7 billion, down from us\$37.7 billion in 2001 in 2002, up 10.8% from 2001.

By 2006, the soaring price of oil and other commodities had prompted a surge in investment. Some us\$39 billion of new investment was announced early in 2005 in Alberta's oil sector alone. Railway lines are being built, ports expanded, and oil and gas pipelines laid. From 2001–05, FDI inflows averaged 2% of GDP.

### **39 ECONOMIC DEVELOPMENT**

Basically, Canada has a free-enterprise economy. However, the government has intervened in times of economic crisis and to accomplish specific social or economic goals. For example, in October 1963, the Canadian government announced a plan, involving tariff rebates, designed to induce US automobile companies to increase the export of vehicles and parts from their plants in Canada; subsequently, US companies markedly increased the scale of their Canadian operations. To dampen speculative buying of the Canadian dollar, the government permitted the dollar to float in the foreign exchange markets as of 31 May 1970; the government's intent was also to make imports cheaper in terms of Canadian dollars, and thereby to dampen domestic inflation. Another attempt at economic intervention, the Canada Anti-Inflation Act, became effective on 16 December 1975. This legislation established an Anti-Inflation Board and an Anti-Inflation Appeal Tribunal to monitor wage and price guidelines, which are mandatory for key sectors of the economy. The act was part of a government program to limit the growth of public expenditures and public service employment, to allow the money supply to increase at a rate consistent with moderate real growth, and to establish new agencies and policies to deal with energy, food, and housing.

A recurrent problem for Canada has been the dominant position of US corporations and investors. Attempts to limit US influence have included tightened tax policies, the Foreign Investment Review Act, and, in 1980, the National Energy Program (NEP), which aimed at reducing foreign ownership of Canada's oil and gas industry, principally through assisting Canadian companies to take over foreign holdings. One beneficiary of the NEP was the government-owned Petro-Canada, created in the mid-1970s; by the end of 1985, Petro-Canada had become the country's second-largest oil company, ranked by assets. However, much of the NEP was eliminated in the mid-1980s by the Conservative government, which sought to encourage foreign investment and to privatize government-owned enterprises. Between 1984 and 1991, the government sold or dissolved over 20 federal corporations, deregulated much of the energy, transportation, and financial sectors, and removed many controls on foreign investment.

In 2000, after more than 10 years of the bilateral trade agreement with the United States, and six years under the North American Free Trade Agreement (NAFTA), Canada's economy was growing at a comfortable pace, unemployment was falling, and inflation was low; but nationals were still dissatisfied with the size of the Canadian economy as compared to US affluence. The economic downturn that began in the United States in 2001 negatively impacted the Canadian economy. In addition, the 2003 out-

break of Severe Acute Respiratory Syndrome (SARS) worldwide harmed tourism and exports in Canada, as Toronto was struck by the worst outbreak of the disease outside Asia. In addition, a cow in Alberta was diagnosed with mad-cow disease (bovine spongiform encephalopathy) in May 2003, and the United States and four other countries placed a ban on the import of Canadian beef. (Canada is the world's third-largest exporter of beef, after Australia and the United States.) However, shipments of most Canadian beef to the United States were resumed in late 2003, and trade in live cattle under 30 months resumed in July 2005.

By 2006, federal finances were holding up well and federal debt as a share of GDP was forecast to continue on a downward trend. In the medium term, the government planned to cut taxes and increase expenditures. Immigration and internal security remain key policy issues. Canada's close bilateral relationship with the United States had been soured by a number of security and trade disputes, such as the United States' imposition of tariffs on shipments of Canadian softwood lumber and over the United States' approach to climate change.

### **40 SOCIAL DEVELOPMENT**

Federal programs include family allowances, old age security, and earning-related disability and survivors' pensions. There is a universal pension for all residents, and an earnings related pension for most employed persons. The universal pension is funded by the government, while the employment based program is financed with employer and employee contributions. There is a family allowance for low-income families for each child under the age of eighteen. The amount of these child allowances declines as family net income increases. Benefits are provided for the disabled, and the benefit is adjusted for changes in the consumer price index.

Sickness and maternity benefits are available for all wage earners and salaried workers. Virtually the total population is covered for physician and hospital services. Workers' medical benefits include general medical and maternity care, as well as specialty and laboratory services. There are additional benefits available to residents of some provinces. There is a funeral grant that varies according to province.

The first work injury laws were enacted in 1908. Employees in industry and commerce are covered, and the employer funds the program. Unemployment is funded by both the employer and employee contributions. All wage earners and salaried workers are covered by the program. The government funds a social assistance system for all residents based on total family income.

Women participate fully in the Canadian labor force, including business and the professions, although government reports show that their average earnings are still less than those of men. There is equality in marriage and property rights. The law prohibits sexual harassment and criminal harassment. The government spends considerable funds to prevent domestic violence and to provide services to victims. Incidences of violence against women declined in 2004.

The government protects human rights, and the law and judiciary are effective in addressing incidence of abuse. There has been an increase in anti-Semitic harassment in recent years, as well as a rise in trafficking in women.

## 41 HEALTH

Canada adopted a national health insurance scheme in 1971. It is administered regionally; each province runs a public insurance plan with the government contributing about 40% of the cost (mostly from taxes). Government regulations ensure that private insurers can only offer particular types of health care provision. Drug prices are low. Most hospitals and doctors operate privately. Hospitals are paid by allocated budgets and doctors receive fees per treatment. The system offers considerable choice, but there is little competition and the government has used rationing measures to limit health care expenditures. Access to health care and cost containment are good, but there are strains on the budget, increased by an aging population. In 1997, the National Forum on Health, created by the government three years earlier, released a report on ways to improve Canada's health system. It recommended several initiatives, including formation of a Health Transition Fund to support provincial and territorial health programs.

Major health planning is carried on by provincial governments, most of which offer substantial free care for patients suffering from tuberculosis (7 cases reported per 100,000 people in 1999), poliomyelitis, venereal diseases, and certain types of cancer. They also assume responsibility for mental health treatment. Municipalities are responsible for sanitation; communicable disease control; child, maternal, and school health care; public health nursing; health education; and vital statistics. In some cases, they supply hospital care and medical service to the poor. The federal government provides consultant and specialist services to the provinces, assists in the financing of provincial programs, provides services to veterans and Indians, exercises control over the standard and distribution of food and drugs, maintains quarantine measures, and is responsible for carrying out certain international health obligations. The federal Department of National Health and Welfare provides financial assistance for provincial health and hospital services through the National Health Program and for provincial hospital insurance programs through the Hospital Insurance and Diagnostic Services Act of 1957, under which the federal government shares the provinces' costs (since 1977, by means of tax transfers and cash payments). By 1973, this program had been established in all provinces and territories, covering more than 99% of the total population of Canada. Federal and provincial governments contribute toward construction costs of new hospitals. Total health care expenditures for 1995 were us\$1,899 per capita. Public insurance pays about 80% of the Canadian population's health bills. The total expenditure on health is second only to the United States, with an estimated 9.3% of GDP going toward health as of 1999. As of 2004, there were an estimated 209 physicians, 1,010 nurses, 80 pharmacists, and 56 dentists per 100,000 people.

The Canadian death rate of 7.5 per 1,000 people in 1999, the maternal death rate (1998) of 6 per 100,000 live births, and the infant mortality rate (2005) of 5 per 1,000 live births are among the lowest in the world. In 1999, 6% of all births were low birth weight. Diseases of the heart and arteries account for nearly 40% of all deaths and cancer accounts for about 28%; the proportion of deaths from causes related to old age is rising. Tobacco consumption, which was 2.8 kg (6.2 lbs) a year per adult in 1984–86, was 2.3 kg (5.1 lbs) in 1995. Accidents are the leading cause of death in childhood and among young adult males and rank high for other population groups. In 2005, life expectancy at birth was

estimated at 80 years. Canada had a birth rate of 11.9 per 1,000. Approximately 73% of married women (ages 15 to 49) were using contraception. Children up to one year of age were immunized as follows: diphtheria, pertussis, and tetanus, 93%; polio, 89%; and measles, 98%.

The HIV/AIDS prevalence was 0.30 per 100 adults in 2003. As of 2004, there were approximately 56,000 people living with HIV/AIDS in the country. There were an estimated 1,500 deaths from AIDS in 2003.

## 42 HOUSING

According to the 2001 census, there were about 11,562,975 occupied private dwellings in Canada and 25,755 collective dwellings. The average number of persons per household is about 2.6. The most active period of housing construction of private homes was during the period 1971–80, when about 21% of the existing housing stock was built. In the period 1996–2001, there were 819,865 private dwellings built. The average value of a private home was about \$162,709 in 2001. In 2003, about 57% of all households were in single, detached homes, about 30% were in apartments, and 10% were in single, attached housing. About 65% of all dwellings are owner occupied.

## 43 EDUCATION

The age limits of compulsory school attendance are roughly from age 6 to age 16. Primary schools lasts for six to eight years and secondary or high school another six years. Each province is responsible for its own system of education. While the systems differ in some details, the general plan is the same for all provinces except Québec, which has two parallel systems: one mainly for Roman Catholics and speakers of French, the other primarily for non-Catholics and speakers of English. Québec, Newfoundland, Alberta, Saskatchewan, and, to a lesser extent, Ontario provide for public support of church-affiliated schools. Primary and secondary education is generally free, although nominal fees are charged for secondary education in some schools or provinces. Public elementary and secondary schools are administered by the provinces and Yukon Territory. As of 2003, public expenditure on education was estimated at 5.2% of GDP, or 12.5% of total government expenditures.

In 2001, about 64.7% of all children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 2000 was estimated at about 99.6% of age-eligible students. The same year, secondary school enrollment was about 94% of age-eligible students. The student-to-teacher ratio for primary school was at about 17:1 in 2003. The ratio for secondary school was about 17:1.

Canadian higher education began with the founding of the Collège des Jésuites in Québec City in 1635. The Séminaire de Québec, another Jesuit institution, established in 1663, became Laval University in 1852. Other early institutions on the French collegiate model were the Collège St. Boniface in Manitoba (1827), the University of Ottawa (1848), and St. Joseph's University in New Brunswick (1864). Although many French institutions survive—most notably the University of Montréal, which separated itself from Laval in 1920—most university-level instruction is conducted in English on the Scottish, British, or US model. The first

English-language college in Canada was King's College in Halifax, Nova Scotia (1789). Two private universities on the Scottish model are Dalhousie University in Halifax (1818) and McGill University in Montréal (1821). The first state-supported institution, founded in 1827 on the principles of Anglicanism and loyalty to the British crown, was King's College at York in Upper Canada, which became the University of Toronto, the largest and one of the most distinguished of Canadian institutions. Universities in each of the four western provinces—Manitoba, Saskatchewan, Alberta, and British Columbia—founded in the late 19th century, represent a Canadian adaptation of the US state land-grant universities.

Canada also has numerous community colleges, teachers' colleges, technical institutes, nursing schools, and art schools. Adult education is sponsored by universities, colleges, school boards, government departments, and voluntary associations, each of which has some other primary function. The Canadian Broadcasting Corp., the National Film Board, and many museums, art galleries, and libraries engage in adult education as part of their work. Instructors are represented by the Canadian Association of University Teachers, and students by the Canadian Federation of Students. In 2001, about 59% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate has been estimated at about 97%.

#### 44 LIBRARIES AND MUSEUMS

Municipal public libraries serve the large cities and many small towns and rural areas; regional units supply library service to scattered population areas. Traveling libraries, operated by provincial governments or university extension departments, also provide mail services for more isolated individuals and communities. Although public libraries are organized and financed by municipalities, in most provinces the provincial government supervises library services and makes grants to the municipal units. Special libraries of various kinds and at various levels serve limited groups.

In 2004, Library and Archives Canada (LAC) was established through a government act which essentially merged the services of the National Library of Canada with the National Archives of Canada. The massive collection of the new LAC includes over 300,000 hours of film archives; over 2.5 million architectural drawings, plans, and maps; 21.3 million photographic images; 343,000 works of arts; 200,000 music recordings; the Canadian Postal Archives; and millions of books, among other materials.

Canada also has a number of major academic libraries, most notably at the University of Toronto, which itself has over 14 million volumes. In 2002, Canada had a total of 3,932 libraries, including 1,673 public libraries, 484 academic libraries, 380 government libraries, and a variety of special libraries.

There are about 2,000 museums, art galleries, and related institutions in Canada. Major museums located in Ottawa include the National Arts Center, the National Gallery of Canada (including the Canadian Museum of Contemporary Photography), the Canadian Museum of Nature, and the National Museum of Science and Technology (including the National Aviation Museum and the Agriculture Museum). Other notable Canadian museums include the Royal Ontario Museum in Toronto and the Fine Arts Museum in Montréal. The major museums and art galleries, located in the principal cities, provide valuable educational services

to adults and children; many supply traveling exhibitions for their surrounding areas or regions. The National Gallery conducts extension work throughout the country and sends many exhibitions on tour.

#### 45 MEDIA

The 10 public and private companies in Telecom Canada provide a major share of the nation's telecommunications services, including all long-distance service, and link regional networks across Canada. In 2003, there were an estimated 629 mainline telephones for every 1,000 people. The same year, there were approximately 417 mobile phones in use for every 1,000 people. Telegraph services are operated by the two transcontinental railroads and by the federal government to outlying districts. All external telecommunication services are operated by the Canadian Overseas Telecommunication Corp., a crown agency. The Post Office became a crown corporation in 1981.

The Broadcasting Act of 1968 entrusted the Canadian Radio-Television Commission with the regulation and supervision of all aspects of the broadcasting system. The publicly owned Canadian Broadcasting Corp. (CBC) provides the national broadcasting service in Canada. Its radio and television facilities extend from the Atlantic Ocean to the Pacific and north to the Arctic Circle. The CBC has broadcasting stations in the principal cities and operates both English- and French-language national networks. Privately owned local stations form part of the networks and provide alternative programs. In 2005, there were nearly 2,000 licensed radio stations in the country. There are at least 80 television stations. Radio Canada International, the CBC's shortwave service, broadcasts in seven languages to Europe, Africa, Latin America, Asia, the Middle East, the South Pacific, and the United States.

The Canadian communication satellites play an increasingly significant role in efforts to bring radio and television services to the more remote parts of the country, particularly in the north. Beginning in late 1980, a new television network began broadcasting programs in the Inuit language via satellite, offering viewers the opportunity to "talk back" through their television sets to people in other communities. In 2003, there were an estimated 1,047 radios and 691 television sets for every 1,000 people. The same year, there were 487 personal computers for every 1,000 people and 513 of every 1,000 people had access to the Internet. There were over 15,000 secure Internet servers in the country in 2004.

In 2004 there were over 100 major daily newspapers across the country. Although some newspapers in Montréal, Québec, Toronto, Winnipeg, and Vancouver have more than local influence, most circulate only on a regional basis and have a limited number of readers. Rural areas are served by over 2,000 monthly and weekly publications. There are many consumer magazines, but only *Maclean's* is truly national. Three large news-gathering organizations are the Canadian Press, a cooperatively owned and operated venture, the British United Press, and United Press International of Canada.

Canada's leading English-language newspapers (with their 2004 daily circulations) include *Toronto Star* (464,838), *Globe and Mail* (317,954), *National Post* (243,966), *Toronto Sun* (194,011), *Vancouver Sun* (172,486), *The Province* (in Vancouver, 154,590), *The Gazette* (in Montréal, 135,471), *Ottawa Citizen* (129,175), *Edmonton Journal* (125,848), *Winnipeg Free Press* (117,608), *Calgary*

*Herald* (114,213), *The Chronicle-Herald* (in Halifax, 110,033), *The Hamilton Spectator* (102,574), and *The London Free Press* (90,043). The leading French-language dailies (with their 2002 daily circulations) include *Le Journal de Montréal* (265,168), *La Presse* (in Montréal, 188,216), *Le Journal de Québec* (97,805), and *Le Soleil* (in Québec, 76,307). The *Mail Star* of Halifax merged with the *Chronicle-Herald* on 2004. The *Times Colonist* in Victoria is a fairly substantial regional paper with a daily circulation of about 69,855.

In 2004, there about 765 community weekly newspapers in the country. A few of the largest include the *Brampton Guardian* (circulation 113,032 in 2004), *The Scarborough Mirror* (110,000), *Eto-bicoke Guardian* (69,500), and *The Cambridge Reporter* (52,000). *Le Soleil du St. Laurent* is a French weekly based out of Chateauguay, Québec with a circulation of 51,560. Some prominent alternative newspapers in Canada include *Le Journal Voir* (Montréal, 107,161 weekly in 2004), *Now* (Toronto, 106,296 weekly), *Mirror* (Montréal, 66,494 weekly), and *Monday Magazine* (Victoria, 40,000 weekly). Prominent ethnic weeklies with their language, city, and average circulation in 2004 were *Il Cittadino Canadese* (Italian, Montréal, 40,000), *Corriere Italiano* (Italian, Montréal, 40,000), *Deutsche Press* (German, Toronto, 27,500), *El Expreso* (Spanish, Toronto, 20,000), and *Kanada Kurier* (German, Winnipeg, 19,500). *The Canadian Daily News* of Don Mills, Ontario, has a weekly circulation of 48,700.

The law provides for freedom of expression, including speech and press, and the government supports these rights. The banning of journalists from reporting on some court cases until after a trial in concluded enjoys widespread public support, in favor of a defendant's right to a fair trial.

## 46 ORGANIZATIONS

Cooperatives are very important in Canadian agriculture and fishing, and also provide housing, medical insurance, transportation, and other services. Trade unions and professional organizations exist for a wide array of professions. The Confederation of National Trade Unions and the Canadian National Federation of Independent Unions serve as umbrella organizations for some unions. Almost every city has a chamber of commerce, affiliated with the national Canadian Chamber of Commerce. The Canadian Council of Better Business Bureaus and the Consumers' Association of Canada are based in Ottawa.

Among organizations active in general education are the Canadian Association for Adult Education, the Canadian Association of University Teachers, Project READ Literacy Network, and the Industrial Foundation on Education, a research organization aiming to promote aid to education by business. There are numerous associations for educators in various fields. The Canada Council is the official national agency for promotion of the arts, humanities, and the social sciences. The Royal Canadian Academy of Arts is the oldest arts organization with national prestige. The Canada Arts Council, a federation of professional cultural organizations, includes the Royal Architectural Institute of Canada, the Canadian Authors' Association, the Canadian Music Council, the Sculptors' Society of Canada, and similar societies. The Royal Canadian Geographical Society promotes the study of Canadian history and culture. There are also numerous associations for hobbyists.

Such organizations as the Canadian Medical Association, the Canadian Dental Association, the Canadian Nurses Association, and the Canadian Mental Health Association serve as both as networks for medical professionals and a resource for education and public action and awareness on health issues. There are hundreds of health and medical associations dedicated to education and research in specialized fields of medicine, such as the Canadian Lung Association and the Heart and Stroke Foundation of Canada. Many voluntary societies are active in the field of health.

There are numerous national, regional, and local organizations dedicated to concerns of social welfare and public affairs. These include the National Council of Women of Canada, National Action Committee on the Status of Women, Canadian Human Rights Foundation, and the Canadian Civil Liberties Association is based in Toronto. The Canadian Red Cross Society, affiliated with the International Red Cross Society, has branches in all 10 provinces. The country has chapters of UNICEF, Habitat for Humanity, CARE, Amnesty International, and Greenpeace.

Youth organizations exist for a variety of interests. The Canadian Federation of Students (CFS), founded in 1981, has over 400 000 individual members and 65 student association voting members. The Canadian Council on Children and Youth (CCCY), established in 1958, works to defend the rights of youth. Other youth organizations include Big Brothers/Big Sisters of Canada, the Boys and Girls Clubs of Canada, Canada World Youth, Canadian 4-H Council, YMCA/YWCA, Canadian Hostelling Association, Girl Guides of Canada, National Canadian Girls in Training Association, and the Progressive Conservative Youth Federation of Canada. Sports organizations exist for nearly every sport and leisure-time activity.

## 47 TOURISM, TRAVEL, AND RECREATION

One of Canada's principal attractions for tourists is its extraordinary geographic variety: from the polar ice cap to the mountains, fjords, and rain forests of the west coast, from the lakes, forests, and ranchlands of the interior to the rugged shores and fine beaches of the east, Canada offers a remarkable range of scenic wonders. The excavation of L'Anse aux Meadows in Newfoundland, with its Norse artifacts and reconstructed dwellings, has been designated a world heritage site by UNESCO, as have Nahanni National Park in the Northwest Territories and Dinosaur Park in Alberta's Red Deer Badlands. Among the most spectacular parks are the Kluane National Park in the Yukon and the Banff (with Lake Louise) and Jasper national parks in the mountains of Alberta. Other attractions include the Cabot Trail in Nova Scotia; the Bay of Fundy, between New Brunswick and Nova Scotia; and the Laurentians and the Gaspé Peninsula in Québec.

The arts and crafts of the Dene Indians and the Inuit may be seen in cooperative workshops in Inuvik in the Northwest Territories; and of the North West Coast Indians, at the reconstructed Indian village Ksan in British Columbia. Québec City is the only walled city in North America; picturesque old fishing villages are to be found in the Atlantic provinces. Fishing and hunting attract many sportsmen to Canada, and ice hockey attracts many sports fans, particularly to the Forum in Montréal. In 1992, the Toronto major league baseball team, the Blue Jays, became the first non-American team to both play in and win the World Series. In 2004, the Montréal Expos played their final major league baseball season

in Canada; the team relocated to Washington, D.C., where they opened the 2005 baseball season as the Washington Nationals.

One of the world's foremost summer theatrical events is the Shakespeare Festival at Stratford, Ontario. Toronto is known for its many theaters, the CN Tower, and a fine zoo; Montréal, the second-largest French-speaking city in the world (after Paris), is famous for its fine French cuisine, night life, vast underground shopping and entertainment network, and its excellent subway system.

Montréal in 1967 hosted a major world trade exhibition, EXPO 67; the Summer Olympics took place in that same city in 1976. A world's fair, EXPO 86, was held in Vancouver in 1986, and Calgary was the site of the 1988 Winter Olympics. The Winter Olympics were scheduled to be held in Vancouver in 2010.

In 2003, Canada was the third most popular tourist destination in the Americas after the United States and Mexico. In that year, 17,534,298 tourists arrived from abroad, 14,232,370 of them from the United States. In 2003, tourist receipts totaled us\$12.2 billion.

Citizens of the United States do not need passports but should carry documents attesting to their citizenship, such as birth certificates or voter registration cards. Alien residents should carry their green cards. Nationals of other countries must have valid passports and may require visitor visas; they should check with the nearest Canadian embassy, consulate, or high commission. In 1991, a 7% Goods and Services Tax went into effect; however, it is refundable to foreign tourists.

In 2005, the US Department of State estimated the daily cost of staying in Vancouver at us\$207 from the months of May through October. That same year, the daily cost of a visit to Toronto was estimated at us\$295.

## 48 FAMOUS CANADIANS

### Political Figures

Because of their exploits in establishing and developing early Canada, then known as New France, a number of eminent Frenchmen are prominent in Canadian history, among them the explorers Jacques Cartier (1491–1557), Samuel de Champlain (1567?–1635), Étienne Brulé (1592?–1633), Jacques Marquette (1637–75), Robert Cavalier, Sieur de la Salle (1643–87), and Louis Jolliet (1645–1700); François Xavier de Laval de Montigny (1623–1708), first and greatest bishop of Québec; Jean Baptiste Talon (1625?–94), first and greatest intendant, who re-created the colony on a sound economic basis; and Louis de Buade, Comte de Palluau et de Frontenac (c.1622–98), greatest of the French royal governors. Great explorers of a later period include Pierre Gaultier de Varennes, Sieur de la Vérendrye (1695–1749), Sir Alexander Mackenzie (1764–1820), David Thompson (1770–1857), Simon Fraser (1776–1871), Joseph E. Bernier (1852–1934), and Joseph Burr Tyrrell (1858–1957). Louis Riel (1844–85), of Indian and French-Irish ancestry, led the métis in rebellion in 1869–70 and 1885, when he was captured and hanged for treason.

Fathers of confederation and other important 19th-century political figures include Louis Joseph Papineau (1786–1871) and William Lyon Mackenzie (1795–1861); Sir John Alexander Macdonald (1815–91), first prime minister of the confederation; George Brown (1818–80), Sir Samuel Leonard Tilley (1818–96), and Sir Charles Tupper (1821–1915). The greatest political leader at the

turn of the century was Sir Wilfrid Laurier (1841–1919), prime minister from 1896 to 1911. The outstanding national leader of the first half of the 20th century was William Lyon Mackenzie King (1874–1950), Liberal prime minister for over 21 years (1921–26, 1926–30, 1935–48), who retired with a record of the longest service as prime minister in Commonwealth history. Charles Vincent Massey (1887–1967), governor-general from 1952 to 1959, was the first Canadian to represent the British crown in Canada. Lester Bowles Pearson (1897–1972), prime minister and Canada's longtime UN representative, won the Nobel Prize for peace in 1957. Pierre Elliott Trudeau (1919–2000) served as prime minister from 1968 to 1979 and again from 1980 to 1984, when he was succeeded by Brian Mulroney (b.1939). The best-known French-Canadian separatist was René Lévesque (1922–87), leader of the Parti Québécois, who became premier of Québec in 1976.

### Artists

Highly regarded Canadian painters include James Edward Hervey MacDonald (1873–1932), Thomas John ("Tom") Thomson (1877–1917), Frederick Horsman Varley (1881–1969), and Lawren Stewart Harris (1885–1970) of the Group of Seven; James Wilson Morrice (1864–1924); and Emily Carr (1871–1945). Paul-Emile Borduas (1905–60) and Jean-Paul Riopelle (1923–2002) both were part of the Montréal School; however, after settling abroad, they probably became better known in France and the United States than in their native country. Two other artists of distinction are James W. G. MacDonald (1897–1960) and Harold Barling Town (1924–90). The portrait photographer Yousuf Karsh (b.Armenia-in-Turkey, 1908–2002) was a longtime Canadian resident.

### Musicians

Well-known Canadian musicians include the composer Healey Willan (1880–1968); the conductor Sir Ernest Campbell MacMillan (1893–1973); the pianist Glenn Gould (1932–82); the singers Edward Johnson (1878–1959), Jon Vickers (b.1926), and Maureen Forrester (b.1931); the bandleader Guy Lombardo (1902–77); and, among recent popular singers and songwriters, Gordon Lightfoot (b.1938), Paul Anka (b.1941), Joni Mitchell (b.1943), Neil Young (b.1945), Celine Dion (b.1968), and Shania Twain (b.1965).

### Actors

Canadian-born actors who are known for their association with Hollywood include Marie Dressler (Leila Koerber, 1869–1934), Walter Huston (Houghston, 1884–1950), Mary Pickford (Gladys Mary Smith, 1893–1979), Raymond Hart Massey (1896–1983), Walter Pidgeon (1897–1984), Norma Shearer (1904–83), Lorne Greene (1915–87), Raymond Burr (1917–93), William Shatner (b.1931), and Donald Sutherland (b.1935). Stage personalities include Beatrice Lillie (1894–1989), Hume Cronyn (1911–96), and Christopher Plummer (b.1929). Atom Egoyan (b.1960 in Egypt) is a filmmaker of Armenian descent, known for his film *The Sweet Hereafter* (1997).

### Sports

Notable in the world of sports are ice-hockey stars Maurice ("Rocket") Richard (1921–2000), Gordon ("Gordie") Howe (b.1928), Robert Marvin ("Bobby") Hull, Jr. (b.1939), Robert ("Bobby") Orr (b.1948), and Wayne Gretzky (b.1961).

### Authors



Thomas Chandler Haliburton (1796–1865), author of *Sam Slick*, was the first Canadian writer to attain more than a local reputation. Sir Charles George Douglas Roberts (1860–1943) and Bliss Carman (1861–1929) were widely read poets and short-story writers. Archibald Lampman (1861–99) wrote sensitive poems about nature. Narrative poems about the northwest frontier by Robert William Service (1874–1958) achieved mass popularity, as did the backwoods novels of Ralph Connor (Charles William Gordon, 1860–1937). The animal stories and bird drawings of Ernest Evan Thompson Seton (b.UK, 1860–1946) are still highly regarded. Stephen Butler Leacock (1869–1944), economist and essayist, is regarded as Canada's leading humorist. The *Anne of Green Gables* novels of Lucy Maud Montgomery (1874–1942) have been popular with girls of several generations. Mazo de la Roche (1885–1961) achieved fame for her romantic *Jalna* novels about an Ontario family. Well-known contemporary novelists include Morley Edward Callaghan (1903–90), Hugh MacLennan (1907–90), Farley McGill Mowat (b.1921), Alice Munro (b.1931), Margaret Lawrence (1926–87), Mordecai Richler (1931–2001), and Marian Passmore Engel (1933–1985). The novels and plays of Robertson Davies (1913–95), newspaper editor, actor, music critic, and university administrator, crackle with wit. Lorne Albert Pierce (1890–1961) was a prominent editor and literary critic. Herbert Marshall McLuhan (1911–80) was a communications theorist and cultural critic. Herman Northrop Frye (1912–91) was a well-known literary critic, and Margaret Atwood (b.1939) is a noted novelist and poet. Jewish-American novelist Saul Bellow (1915–2005), was born in what is now Montréal; he won the Nobel Prize for Literature in 1976. The British newspaper publisher William Maxwell Aitken, 1st Baron Beaverbrook (1879–1964), was born in Canada.

The *Histoire du Canada* (1845) of François Xavier Garneau (1809–66) stimulated a great interest in French Canada's heritage. Joseph Octave Crémazie (1827–79) was the first notable French Canadian poet. The poems of Louis Honoré Fréchette (1839–1908) were crowned by the French Academy. Louis Hémon (1880–1913), a French journalist who came to Canada in 1910 and spent only 18 months there, wrote the classic French Canadian novel *Maria Chapdelaine* (1914). Authors of realistic novels dealing with social and economic problems of French Canada include Claude-Henri Grignon (1894–1976), author of *Un Homme et son péché* (1933); Jean-Charles Harvey (1892–1967), author of *Les Démi-civilisés* (1934); Ringuet (Dr. Philippe Panneton, 1895–1960), author of *Trente Arpentés* (1938); Germaine Grignon Guevremont (1900–1968); Roger Lemelin (1919–92), author of *Au pied de la pente douce* (1944); and Gabrielle Roy (Carbotte, 1909–93). Gratien Gélinas (1909–1999) is an actor, director, and dramatic satirist. Abbé Félix Antoine Savard (1896–1982) wrote a poetic novel of pioneer life, *Menaud, maître-draveur*.

#### Scientists and Inventors

Among the famous Canadian scientists and inventors are Sir Sanford Fleming (1827–1915), inventor of standard time; Sir William Osler (1849–1919), the father of psychosomatic medicine; and Sir Charles Saunders (1867–1937), who developed the Marquis wheat strain, which revolutionized wheat growing in northern latitudes. The codiscoverers of insulin, Sir Frederick Grant Banting (1891–1941) and John James Richard Macleod (1876–1935), were awarded the Nobel Prize for medicine in 1923. George Brock Chisholm

(1896–1971) was an eminent psychiatrist and former head of WHO. Gerhard Herzberg (b.Germany, 1904–1999) won the 1971 Nobel Prize for chemistry for his work on molecular spectroscopy. Marius Barbeau (1883–1969), anthropologist and folklorist, was an authority on totem poles and Canadian folk music. David Hubel (b.1926 in Windsor, Ontario) shared the Nobel Prize for physiology or medicine in 1981 for discoveries concerning information processing in the visual system. Henry Taube (1915–2005) was born in Saskatoon; he won the 1983 Nobel Prize in chemistry. Canadian John C. Polanyi (b.1929) shared the Nobel Prize in chemistry in 1986. Sidney Altman (b.1939), shared the 1989 Nobel Prize in chemistry. Richard E. Taylor (b.1929), shared the 1990 Nobel Prize in physics for discoveries regarding the development of the quark model in particle physics. Rudolph A. Marcus (b.1923), born in Montréal, won the 1992 Nobel Prize in chemistry for his contributions to the theory of electron transfer reactions in chemical systems. Michael Smith (1932–2000) shared the 1993 Nobel Prize in chemistry for contributions to the developments of methods within DNA-based chemistry. Bertram N. Brockhouse (1918–2003) shared the 1994 Nobel Prize in physics for contributions to the development of neutron scattering techniques. William Vickrey (1914–96) was born in Victoria, British Columbia; he shared the 1996 Nobel Prize in economics. Myron S. Scholes (b.1941) shared the 1997 Nobel Prize in economics. Robert Mundell (b.1932) won the 1999 Nobel Prize in economics for his analysis of monetary and fiscal policy under different exchange rate regimes.

## 49 DEPENDENCIES

### Northwest Territories

Prior to its division with Nunavut in 1999, the Northwest Territories constituted all of Canada north of 60°N except the Yukon and the northernmost parts of Québec and Newfoundland. Total land area was 3,293,020 sq km (1,271,438 sq mi). After the 1999 division, the territory encompassed 1.17 million sq km. The division ran along the Saskatchewan-Manitoba border through the Arctic Archipelago to the North Pole. Most of the people who live in the territories are aboriginal. The population of the new Northwest Territories in 2000 was 42,083. Over half the population is spread out among 33 communities, and the other half is located in the capital of Yellowknife.

The Mackenzie River and its tributaries, the Athabasca and Slave, provide an inland transportation route of about 2,700 km (1,700 mi). There is some traffic on Lakes Athabasca, Great Bear, and Great Slave. Most of the settlements in Mackenzie are linked by scheduled air service.

The new territory is governed by a commissioner and by a 19-member elected territorial assembly. Six ministers and a premier are elected to serve as an executive council. Following the approval by voters in April 1982 of a proposal to divide the territory, the federal government scheduled the division in 1999. The Inuit of the east called their eastern jurisdiction Nunavut; Indians of the west—where opinion on the proposal was sharply split—called their proposed division Deneden. Land claims of Dene Indians and the Inuit overlapped. Nunavut was created in 1999, and the name “Northwest Territories” for the other half of the area was to be used until such time as residents would be asked to vote on

a new constitution, or the territorial assembly would be asked to vote on a new name.

Northwest Territories' mineral resources include rich deposits of gold, silver, lead, tungsten, and zinc. The Northwest Territories contain some of Canada's total mineral resources. It was the Yukon gold rush in 1897 that triggered a large migration of people northward. In one year 30,000 people from the lower parts of Canada were in the Northwest and Yukon Territories looking for gold.

Today, Canada leads in the production of oil, natural gas and coal. Canada's mining industry contributes US\$20 billion annually to the economy and employs 145,000 people. In 1989 Canada's oil and gas industry was valued at US\$19 billion with 55% of the revenue coming from oil production. Whitefish and trout are caught in Great Slave Lake; the 100,000 or more lakes of the territories provide an "angler's last frontier" in North America for sport fishermen. Fur production is a sizable industry in the Northwest Territories.

### Nunavut

The territory of Nunavut, meaning "Our Land" in Inuktitut, was created on 1 April 1999, when the Northwest Territories divided in two. Nunavut encompasses 1,994,000 sq km in the eastern Arctic region of Canada. The islands in the Hudson and James Bays are included. The population in 1999 was approximately 27,500, of whom 20,500 were Inuit. Languages spoken are Inuktitut (many dialects), Inuinnaqtun, English, and French. Iqaluit is the capital and the largest community in Nunavut, with more than 4,200 residents in 1996. The territory is divided into three regions (Qikiqtaaluk, Kivalliq, and Kitikmeot) and 28 communities. Government departments and agencies are located in the various communities in a decentralized fashion. There are an elected legislative assembly, a cabinet, and a territorial court. As of 2003, the government of Nunavut was assuming the responsibilities formerly controlled by the government of the Northwest Territories for programs in culture, public housing, and health care to be completed by 2009. The territory has 21 km of roadways, none of them paved. A handicrafts industry supplies Inuit-made sculpture and prints to the Canadian Handicrafts Guild. Most of the richest and well-developed parts of the Northwest Territories were not included in Nunavut, which now relies largely on developing its mineral resources. Hunting, fishing, fur trapping, and sealing also contribute to the economy.

### Yukon Territory

The Yukon Territory, located north of British Columbia and east of Alaska, has a land area of 478,970 sq km (184,931 sq mi) and had an estimated population in the mid-1990s of more than 30,000, of whom some one-fifth were of Indian origin. The principal town is Whitehorse, the capital. An all-weather roadway connects the territory with Alaska and British Columbia, and a railroad connects Whitehorse with ocean shipping at Skagway, Alaska. Air service is available to and from Edmonton, Vancouver, and Fairbanks, Alaska. There are local telephone services in the three chief towns. The territory was separately constituted in June 1898. Since 1978, the Yukon has had a legislative assembly, consisting of 16 elected

members. In late 1982, the federal government gave its consent for the Yukon cabinet to call itself the Executive Council and officially to take over some powers hitherto reserved by the federally appointed commissioner, as representative of the governor-general-in-council, or by the minister of Indian affairs and northern development. The Yukon government has recently pressed for provincial status.

Mineral resources include rich deposits of gold, silver, lead, tungsten, and zinc. Mining and tourism are Yukon's principal industries.

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# CHILE

Republic of Chile  
*República de Chile*



**CAPITAL:** Santiago

**FLAG:** The flag, adopted in 1817, consists of a lower half of red and an upper section of white, with a blue square in the upper left corner containing a five-pointed white star.

**ANTHEM:** *Canción Nacional (National Song)* beginning “Dulce Patria, recibe los votos.”

**MONETARY UNIT:** The peso (P) of 100 centavos replaced the escudo as the nation’s monetary unit in October 1975. There are coins of 1, 5, 10, 50, 100, and 500 pesos, and notes of 500, 1,000, 5,000 and 10,000 pesos. P1 = us\$0.00196 (or us\$1 = P511.45) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but local measures also are used.

**HOLIDAYS:** New Year’s Day, 1 January; Labor Day, 1 May; Navy Day (Battle of Iquique), 21 May; Assumption, 15 August; Independence Day, 18 September; Army Day, 19 September; Columbus Day, 12 October; All Saints’ Day, 1 November; Immaculate Conception, 8 December; Christmas, 25 December. Movable religious holidays include Good Friday and Holy Saturday.

**TIME:** 8 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated along the southwestern coast of South America, Chile has an area of 756,950 sq km (292,260 sq mi). Comparatively, the area occupied by Chile is slightly smaller than twice the size of the state of Montana. A long string of land pressed between the Pacific and the towering Andes, Chile is 4,270 km (2,653 mi) long N–S; it is 356 km (221 mi) wide at its broadest point (just north of Antofagasta) and 64 km (40 mi) wide at its narrowest point, with an average width of 175 km (109 mi) E–W. It is bordered on the N by Peru, on the NE by Bolivia, on the E by Argentina, on the S by the Drake Passage, and on the W by the Pacific Ocean. At the far SE, at the end of the Strait of Magellan (Estrecho de Magallanes), it has an opening to the Atlantic Ocean. Chile’s boundary length (including coastline) is 12,606 km (7,833 mi).

Included in the national territory are the Juan Fernández Islands, Easter Island, and other Pacific islands. A dispute with Argentina over three small islands in the Beagle Channel almost led to war between the two countries in 1978, but papal intervention prevented hostilities. The issue was resolved peacefully by a treaty signed in the Vatican on 29 November 1984 and ratified on 2 May 1985, granting Chile sovereignty over the three islands, giving Argentina rights to waters east of the Strait of Magellan, and dividing the territorial waters south of Cape Horn between the two countries. There is another outstanding boundary problem with Bolivia over its claim for an opening to the sea. Chile also claims the Antarctic Peninsula and other areas of Antarctica, comprising 1,250,000 sq km (482,500 sq mi).

Chile’s capital city, Santiago, is located in the center of the country.

## <sup>2</sup>TOPOGRAPHY

Chile is divided into three general topographic regions: the lofty Andean cordillera on the east; the low coastal mountains of the west; and the fertile central valley between. The Andes, occupying from one-third to the entire width of the country, stretch from the Puna de Atacama in the north, a high plateau with peaks averaging 4,600 m (15,000 ft), to middle Chile, where, on the border with Argentina, rises the highest peak in the Western Hemisphere, Aconcagua (6,960 m/22,834 ft), and then, diminishing in height, run south into the Chilean lake country, with its snowcapped volcanoes and several passes.

The region of the Andes is a seismically active area with low magnitude earthquakes occurring on a regular basis, even to about a dozen a month. Situated on the South American Tectonic Plate, the country has recorded over 100 major earthquakes (magnitude 7 or higher) since such record keeping began in 1570. On 13 June 2005, a 7.8 magnitude earthquake occurred in Tarapaca that was felt as far away as Santiago and Brasília, Brazil. At least 11 people died.

The coastal range, verging from 300 to 2,100 m (1,000 to 7,000 ft) in height, rises from the sea along most of the coast. In the extreme north, the coastal mountains join with the Andean spurs to form a series of plateaus separated by deep gorge like valleys. In the south, the valleys and the coastal range plunge into the sea and form a western archipelago; fjords reach into the range at about 42°S.

The central valley, an irregular alluvial plain 965 km (600 mi) long, 73 km (45 mi) wide at its maximum, and up to 1,200 m (4,000 ft) high, begins below the arid Atacama Desert of the north and ends at Puerto Montt in the south. Fertile between the Aconcagua and Bío-Bío rivers, this valley is the center of agriculture

and of population. Although some 30 rivers rise in the Andes and descend to the Pacific, cascades and great waterfalls severely limit navigation; the ocean itself facilitates transportation between the different regions of this narrow country.

The northern side of the Strait of Magellan, part of Patagonia (a region shared by Chile and Argentina), and part of the island of western Tierra del Fuego (divided between Chile and Argentina) is low, glaciated, morainal country.

### 3 CLIMATE

Climatic zones range from the subtropical deserts in the north to the temperate rain forests of Aisén and the tundras of Magallanes in the extreme south. The cold Humboldt Current, traveling northward from the Antarctic, affects the climate of the coastal regions of central and northern Chile. Generally, however, Chile is divided into three climatic regions: (1) The north, which contains the Atacama Desert, one of the driest regions in the world, is characterized by hot and arid weather in the lowlands and occasional summer showers in the Andean highlands. (2) The middle, extending about 1,450 km (900 mi) from 30–43°s, has a Mediterranean climate, with mild, wet winters, averaging 11°C (52°F), and long, dry summers, averaging 18°C (64°F). (3) The south, a region of mountains and fjords, has high winds and heavy rains. Annual rainfall ranges from no recorded precipitation in some parts of the north to 50–100 cm (20–40 in) around Concepción, in south-central Chile, to more than 406 cm (160 in) in some southern regions. South of the Bío-Bío River, rains occur all year round. The Andean highlands, even in the tropical north, are cold and snowy.

### 4 FLORA AND FAUNA

Chile's botanical zones conform to the topographic and climatic regions. The northernmost coastal and central region is largely barren of vegetation, approaching most closely an absolute desert of any place in the world. On the slopes of the Andes, besides the scattered tola desert brush, grasses are found. The central valley is characterized by several species of cactus, the hard espinos, the Chilean pine, and the copihue, a red bell-shaped flower that is Chile's national flower. In southern Chile, south of the Bío-Bío River, heavy precipitation has produced dense forests of laurels, magnolias, and various species of conifers and beeches, which become smaller and more stunted to the south. The cold temperatures and winds of the extreme south preclude heavy forestation. Grassland is found in Atlantic Chile (in Patagonia). The Chilean flora is distinct from that of Argentina, indicating that the Andean barrier existed during its formation. Chilean species include the monkey-puzzle tree and the pine-like araucaria, also found in Australia. True pines have been introduced from the Northern Hemisphere.

Chile's geographical isolation also has restricted the immigration of faunal life, so that only a few of the many distinctive Latin American animals are found. Among the larger mammals are the puma or cougar, the llama-like guanaco, the Andean wolf, and the fox-like chilla. In the forest region, several types of marsupials and a small deer, known as the pudu, are found.

There are many species of small birds, but most of the larger common Latin American types are absent. Few freshwater fish are native, but North American trout have been successfully introduced into the Andean lakes. Owing to the vicinity of the Hum-

boldt Current, ocean waters abound with fish and other forms of marine life, which in turn support a rich variety of waterfowl, including different penguins. Whales are abundant and some six species of seals are found in the area.

### 5 ENVIRONMENT

The principal responsibility for environmental matters is vested in the environmental programs department in the Ministry of Health and in the National Planning Office, as well as in the ecological advisory office in the Ministry of National Welfare and the department of the environment in the Ministry of Foreign Affairs.

Chile's main environmental problems are deforestation and the resulting soil erosion, and the pollution of its air, water, and land. Air pollution from industry and transportation and water pollution are especially acute in urban centers, where the population has doubled in the last 30 years. In 1996, Chile's industrial carbon dioxide emissions totaled 48.7 million metric tons. In 2000, the total of carbon dioxide emissions was 59.5 million metric tons. Untreated sewage poses the major threat to the nation's water quality. While 99% of its urban dwellers have pure drinking water, only 59% of its rural dwellers have the same access.

About 18.9% of the total land area is protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species included 22 types of mammals, 32 species of birds, 20 species of amphibians, 9 species of fish, and 40 species of plants. Endangered species in Chile included the South Andean huemul, tundra peregrine falcon, puna rhea, Chilean woodstar, ruddy-headed goose, and the green sea turtle.

### 6 POPULATION

The population of Chile in 2005 was estimated by the United Nations (UN) at 16,136,000, which placed it at number 60 in population among the 193 nations of the world. In 2005, approximately 7% of the population was over 65 years of age, with another 24% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 1.0%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 19,078,000. The overall population density was 21 per sq km (55 per sq mi); over 80% of the people live in the central region between La Serena and Concepción, although this area covers little more than a quarter of the country's area.

The UN estimated that 87% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.43%. The capital city, Santiago, had a population of 5,478,000 in that year. Other large cities and their estimated populations include Concepción, 379,860; Antofagasta, 318,779; Viña del Mar, 318,489; Temuco, 300,000; Valparaíso 276,737; Talcahuano, 250,348; and Rancagua, 206,971.

### 7 MIGRATION

After the Spanish conquest, there were three main waves of immigration: Germans during 1800–50; Spaniards, Italians, Swiss, Yugoslavs, Syrians, Jordanians, and Lebanese around 1900; and

Spaniards and European Jews during the 1930s and 1940s. Since World War II, permanent immigration has been minimal.

In the years immediately preceding and after the Allende victory in 1970, about 10,000 political refugees (largely Brazilians, Bolivians, and Argentines) came to Chile. After the military coup of 1973, however, the bulk of them were expelled. The 1970s also witnessed two successive waves of Chilean emigration when, as a reaction to the Allende victory and, later, as a result of the military coup, several hundred thousand Chileans departed the country for political and economic reasons. Many of them later returned. In 1990 a National Office of Refugees was established to facilitate the reincorporation of returning exiles into Chilean society. In its first three years this office assisted more than 13,000 of the 26,000 exiles who returned in this period. In 1996, the United Nations High Commissioner for Refugees (UNHCR) office closed after 22 years of operation in Chile, as it was determined that the need for asylum for Chileans no longer existed. The net migration rate for Chile in 2005 was estimated as zero. The government viewed the migration levels as satisfactory.

In 1999, the Chilean Minister of Foreign Affairs signed a resettlement agreement for refugees from the former Yugoslavia. The project was being implemented by the Vicariate of Social (Catholic Church). As of 2004, the total refugee population in Chile numbered 654, asylum seekers numbered 85 (mainly from Colombia), and 569 were refugees. In that year there were 185,000 migrants living in Chile, 21% of whom were Peruvian.

There is a seasonal pattern of trans-Andean immigration to Argentina by Chilean agricultural workers; for many years the presence of several thousand Chilean settlers in the Argentine part of Patagonia created a minority problem.

## 8 ETHNIC GROUPS

Ethnically, the Chilean population is estimated at nearly 95% white and Mestizo (mixed white and Amerindian); 3% Amerindian; and 2% other. Mixtures between the conquering Spaniards, largely Andalusians and Basques, and the Mapuches (Araucadians) produced the principal Chilean racial type. An indigenous population of perhaps as many as 800,000 Mapuches live mainly in Temuco and in the forest region south of the Bío-Bío River. The Aymara and Diaguita groups can be found mainly in the northern desert valleys. Remnants of other small tribal groups are found on the archipelagos and islands of the extreme southern coast. A small minority of Germans and their descendants live in the Valdivia-Puerto Montt area.

## 9 LANGUAGES

Spanish is the national language. A sizable segment of Mapuche (Araucanian) Amerindians use Spanish in addition to their native tongue. The only other language of any importance is German, spoken mainly in the Valdivia region.

## 10 RELIGIONS

Roman Catholicism remains the principal religion. According to a 2002 census, about 70% of the population are at least nominally Roman Catholic. About 15% of the population describe themselves as Evangelical, a term which includes most non-Catholic churches, with the exception of Orthodox Churches, the Church of Jesus Christ of Latter-Day Saints, Seventh-Day Adventists, and



LOCATION: 17°31' to 56°33' s; 66°25' to 80°47' w. BOUNDARY LENGTHS: Peru, 169 kilometers (105 miles); Bolivia, 861 kilometers (535 miles); Argentina, 5,308 kilometers (3,298 miles); coastline, 5,338 kilometers (3,317 miles). TERRITORIAL SEA LIMIT: 12 miles.

Jehovah's Witnesses. Other traditional Protestant denominations included Lutheran, Wesleyan, Reformed Evangelical, Presbyterian, Methodist, and Anglican. The Jewish community had about 14,976 members. Islam, Buddhism, and the Baha'i Faith were also

represented. Amerindians still practice an indigenous religion involving shamanism. About 8.3% of the population claimed to be atheists or indifferent concerning religious affiliation.

Traditionally, the Roman Catholic Church has held a privileged status in the country. In 1999, however, a new law on religion, *ley de culto*, was adopted to allow non-Catholic churches certain rights and permissions. For instance, churches are allowed to set up affiliate organizations, such as schools and clubs, without establishing them as separate, independent corporations. Under the 1999 law, non-Catholic religious groups leaders are permitted to have chaplains in public hospitals, prisons, and military units. However, a 2004 report indicated that implementation of these laws had been somewhat lax and there were complaints of discrimination against non-Catholics in military and political employment.

## 11 TRANSPORTATION

In 2004, Chile had 6,585 km (4,096 mi) of broad and narrow gauge railways, of which narrow gauge right of way accounted for 3,754 km (2,335 mi). Rail lines in the desert area are used mainly for mineral transport. In the period 2000-03, cargo transportation by rail averaged 1.317 million ton km annually. There are five international railroads from Chile: a line to Tacna, Peru; two to La Paz, Bolivia; and two to Argentina. In 1975, the first section of a new subway was opened in Santiago; the second section was opened in 1980.

There were 79,800 km (49,588 mi) of roads in 2002, 11,012 km (6,843 mi) of which were paved. The Pan American Highway, extending 3,460 km (2,150 mi) from the Peruvian border to Puerto Montt, is Chile's principal road artery. In 2003 there were 1,373,121 passenger cars and 749,914 commercial trucks, buses, and taxis. The Carretera Austral Presidente Augusto Pinochet, a highway, is under construction in the south; when complete it will link Cochrane in Coyhaique with Puerto Montt.

Chile has some 20 ports, 10 of which are used principally for coastal shipping. Valparaíso, the principal port for Santiago, is by far the most important. Arica, Iquique, Tocopilla, Antofagasta, Coquimbo, San Antonio, Talcahuano, and Punta Arenas are other important ports. In 2005, the Chilean merchant marine had 47 vessels over 1,000 tons and a total GRT of 725,216.

Air transportation has become increasingly important. As of 2004 there were an estimated 364 airports in Chile, 72 of which had paved runways as of 2005. Santiago hosts the principal international airport, Arturo Merino. Chile's largest airline is the state-owned National Airlines of Chile (LAN-Chile), which provides both domestic and international service. LAN-Chile's only significant domestic competitor is Copper Airlines (LADECO), a privately owned company. In 2003, airlines carried 5.247 million passengers on domestic and international flights.

## 12 HISTORY

Before the Spanish conquest, several small groups of Amerindians lived in Chile. Araucanian Amerindians, who came under the influence of the Incas in the early 15th century, inhabited central and southern Chile. The conquistador Pedro de Valdivia founded Santiago in 1541, and brought Chile north of the Bío-Bío River under Spanish rule. The Araucanians resisted Spanish rule and killed Valdivia in battle. Amerindian resistance continued for 350 years, effectively barring Spanish settlement south of the Bío-Bío.

The Araucanians (also known as Mapuches today) were not subjugated until the early 1880s.

During Spanish rule, Chile was subject to the viceroyalty of Peru. Later, the territory was given the status of captaincy-general and was largely administered from Santiago.

Chile had one of Latin America's first independence movements. A *cabildo abierto* (town meeting) declared independence in 1810 in response to the French usurpation of the Spanish crown. Rival independence leaders Bernardo O'Higgins and José Miguel Carrera fought each other, then were overcome by Spanish troops. Eventually, Gen. José de San Martín, with O'Higgins as his chief ally, defeated the Spanish in 1817. In 1818 Chile formally proclaimed independence. O'Higgins ruled from 1818 to 1823, during which time he built a navy and consolidated the Chilean government under his dictatorial regime. However, his anticlerical and anti-nobility policies proved to be his undoing.

The next few years saw the growth of two political parties, the Conservative and the Liberal. While both were narrow elite factions, they differed in that Liberals favored a parliamentary, secular, federal system, while Conservatives wanted a traditional, religious, centralized system. The two groups fought bitterly, plunging Chile into civil strife until 1830 when Conservative Diego Portales assumed control of the political system.

Portales ruled as behind-the-scenes dictator from 1830 until his assassination in 1837. He launched a successful three-year war with Peru (1836-39), which destroyed a threatening Bolivian-Peruvian confederation. He also initiated a Conservative rule, which was to last until 1861. During that period, Chile's territory expanded with new claims to Patagonia and the island of Tierra del Fuego, and in 1847, the founding of Punta Arenas on the Strait of Magellan.

Between 1861 and 1891, the Conservatives were forced to share power with the Liberals, who had won several legislative victories. A wave of liberal reforms curtailed the power of the Roman Catholic Church and the presidential office. At the same time, both parties suffered a series of splits and realignments. But most notable during this period was Chile's greatest military achievement. In the War of the Pacific (1879-83), Chile again fought Peru and Bolivia, this time over possession of the Atacama Desert and its nitrate deposits. After victories on land and sea, Chilean forces entered Lima in 1881. By a treaty signed in 1883, Peru yielded Tarapacá, while Bolivia surrendered Antofagasta. The disposition of the other contested areas, Tacna and Arica, was not finally settled until 1929, when, with US mediation, Tacna went to Peru and Arica to Chile.

In 1891, Jorge Montt, a naval officer, led a revolt that resulted in eight months of civil war. The triumph of Montt marked the beginning of a 30-year period of stable parliamentary rule. Bolstered by nitrate revenues, Chile's national treasury grew, especially during World War I. At the same time the seeds of revolt were sown. Miners, farm workers and factory workers, sharing none of this prosperity, began to agitate for change. After the war ended, there was a recession and the country was on the verge of civil war. In 1920, a coalition of middle and working class groups elected Arturo Alessandri Palma as president. Alessandri, the son of an Italian immigrant, found himself in between the left's demands for change and the right's intransigence. He was deposed in a coup in 1924 but recalled in a countercoup in the following year. His sec-

ond administration lasted only six months, but he left the legacy of a new constitution passed on 18 October 1925. The new system created a strong, directly elected executive to replace the previous parliamentary system. The military strongman Gen. Carlos Ibáñez del Campo ruled Chile from behind the scenes until 1927, then served formally as president until 1931. US banks loaned large sums to Chilean industry, and efforts were made to salvage the foundering nitrate trade and boost the copper sector. World depression struck, however, bringing an end to foreign loans and a catastrophic drop in world copper prices. A general strike caused Ibáñez to flee in 1931. After two years marked by short-lived juntas and presidencies and a 100-day “socialist republic,” Alessandri was again elected.

Chile pulled out of the depression by 1938, but popular demand for social legislation remained unsatisfied. The 1938 election was narrowly won by Radical Party member Pedro Aguirre Cerda, running under the banner of a catchall coalition called the “Popular Front.” His ambitious “new deal” program was never enacted, as Aguirre found himself in the crossfire of Chilean politics. His coalition dissolved formally in January 1941, and Aguirre died in November. In 1942, the Radicals won election easily over former dictator Ibáñez.

Juan Antonio Ríos governed moderately amid political conflict aroused by World War II. Ríos at first cooperated with Argentina in toning down the US-sponsored anti-Axis program but later led his country into a pro-Allied position, entering the war on the side of the United States in 1944. After World War II, Chile went into an inflationary cycle and riots and strikes broke out throughout the country. Ríos died in 1946, and a special election brought to power a coalition of Communists and former Popular Front supporters under Gabriel González Videla. González’s coalition soon broke down, as the Communists organized demonstrations and strikes. Within months, González fired the three Communists he had appointed to cabinet positions. He then broke off relations with the Soviet Union, and outlawed the Communist party. Strikes and violence grew, and Chile, an example of stability by Latin American standards for so long, seethed with tensions. Chile’s pursuit of industrialization, which had started with the Aguirre and Ríos administrations, had led to increasing social problems as the cities bulged with unemployable rural workers. As the cost of living soared, the radicalism of the workers intensified.

The 1952 election brought the 75-year-old Carlos Ibáñez del Campo back to power. The ex-dictator, who had been plotting to return to power for years, defeated González Videla by exploiting a split among the Radicals and the disaffected Communists. Despite his reputation as an authoritarian and his connection with Argentina’s Perón, Ibáñez ruled democratically until 1958.

By 1958, the cost of living had soared and Chile’s trade balance had moved from a large surplus to a deficit. Evidence of a general discontent could be seen in the 1958 presidential election. A narrow victory was won by Jorge Alessandri Rodríguez (a son of President Arturo Alessandri Palma), who received support from both Liberals and Conservatives. The Socialist Salvador Allende Gossens, supported by his own party and the newly legalized Communist Party, won 29% of the vote (compared with only 5% in 1952), and Eduardo Frei Montalva, candidate of the new Christian Democratic Party (Partido Demócrata Cristiano—PDC), ran third with 20% of the vote.

Aware of popular pressure for reform, Alessandri drew up a 10-year development plan, initiated in 1959 with construction projects, tax reforms, and a token start at agrarian reform. A devastating earthquake and tidal wave in 1960 cut drastically into Alessandri’s programs, and his government was unable to regain momentum. In 1964, the traditional parties of the right and center lost strength to a wave of reform sentiment that shifted public attention to a choice between the socialist Allende and the moderate reformer Frei. In September 1964, Frei was elected by an absolute majority, and congressional elections in March 1965 gave the PDC a majority in the Chamber of Deputies and a plurality in the Senate.

The Frei government implemented numerous social and structural reforms. These included educational reform, land reform, and a scheme to create a majority Chilean interest in Chile’s copper mines. Frei became a cornerstone of the Alliance for Progress, a harsh critic of communism, and a leading exponent of Christian democracy. However, the reforms did not deliver as hoped and overall economic growth was sporadic. The Frei administration was not able to control the endemic inflation that had plagued Chile for more than 80 years.

In the 1970 presidential election there were three contenders: Jorge Alessandri, PDC candidate Radomiro Tomic, and the Socialist Senator Salvador Allende. Allende, who was supported by Popular Unity, a leftist coalition that included the Communist Party, received 36.5% of the total vote. Alessandri followed with 35.2%, and Tomic with 28%, with 0.3% of the ballots left blank as a protest. Since no candidate received a majority of the popular vote, congress was required by the constitution to select the president from the two leading candidates. The PDC supported Allende in exchange for a promise of full constitutional guarantees. The victory was unique in that for the first time in the Western Hemisphere, a Marxist candidate took office by means of a free election. Allende, inaugurated on 3 November 1970, called for a socialist economy, a new leftist constitution, and full diplomatic and trade relations with Cuba, China, and other Communist countries. It was later revealed through US congressional investigations and independent journalistic inquiries that the United States, with the help of the International Telephone and Telegraph Corp. (ITT), had secretly worked to thwart the election and confirmation of Allende.

The first full year of rule by Allende witnessed a rise in economic prosperity and employment, as well as an improvement in the standard of living of the poorer elements of the population. Allende expropriated US copper interests and turned large rural landholdings into peasant communes. By 1972, however, the economy began to lag, and the situation was aggravated by middle- and upper-class resentment over the government’s seizures of industrial and agricultural property. In June 1973, against a backdrop of strikes and street brawls beginning in the previous year, an abortive coup attempt was staged by a rightist army contingent. Throughout this period, the US Central Intelligence Agency had secretly supported the 1972 and 1973 strikes and disturbances, especially the truckers’ strike, which had caused nationwide shortages of food and consumer goods.

On 11 September 1973, the Allende government was violently overthrown. Allende himself died—officially reported as a suicide. A four-man junta headed by Gen. Augusto Pinochet Ugarte

seized power, dissolved congress, banned all political activities, and declared that Marxism would be eradicated in Chile. At least 3,000—and possibly as many as 10,000—people were killed or “disappeared” without a trace during and immediately after the coup. The military declared a state of siege and assumed dictatorial powers.

During its 16 years in power, the military attempted to eradicate not only Marxism, but all vestiges of leftism, trade unionism, reformism, and, for that matter, any other deviation from the official military line. High on their list of priorities was the privatization of the Chilean economy, which had gradually become more dependent on the state over three decades, a movement that had accelerated dramatically under Allende. This included the attracting of foreign investment, virtually untouched by government regulations or requirements. With unions under siege, workers’ rights rapidly eroded under the regime.

This powerful dose of economic liberalization was administered within a continuously authoritarian political system. After the original state of siege was lifted in 1978, Chile continued under a “state of emergency” until another state of siege was declared from November 1984 to June 1985. A third state of siege was in effect from September 1986 to January 1987, after a failed assassination attempt against Pinochet. At each denial of democracy, the Pinochet government insisted that it was not yet done with the task of “redeeming” Chile, and that full political rights could not be restored until then. A constitution that outlawed the advocacy of Marxism and gave Pinochet eight more years of rule was passed in a controversial plebiscite by 67% of voters in 1980.

Although forced to operate clandestinely, an opposition nevertheless emerged. A collection of political factions found common cause with the Roman Catholic Church, forming a group called the Civic Union. The Church had become increasingly critical of the Pinochet regime, despite the latter’s insistence that Catholicism was the cornerstone of the new Chile. When Pope John Paul II visited Chile in 1987, he brought accusations of torture and other human rights abuses. Finally, in 1988, Pinochet was pressured to call for a plebiscite to determine whether he should become president for another eight years. In February 1988, 16 political parties came together to form the “Coalition for the ‘No.’” In October 1988, Pinochet was soundly defeated, and in 1989 new elections were held. Christian Democrat Patricio Aylwin, running as the candidate of a 17-party Concert of Parties for Democracy (Concertación de Partidos por la Democracia) received 55.2% of the vote and assumed office in 1990. The election was hailed as a victory for democracy, but Chile remained under the watchful eye of the military. Pinochet, who remained head of the armed forces, retained enormous power.

The general resisted Aylwin’s efforts to place the military firmly under civilian control, and threatened a return to military rule if any of his officers were prosecuted for human rights violations. The Truth and Reconciliation Commission, established during the Aylwin administration, recorded 1,102 disappearances and 2,095 executions and death from torture during the dictatorship years. Those figures did not include thousands of others who were detained, tortured, and exiled.

Little could be done to prosecute military abuses. Aylwin’s administration was hampered by the constitution approved during the military regime. Pinochet had engineered the constitution to

his favor, allowing the regime to appoint eight senators for life in the new government. With eight pro-military senators, the Senate’s democratic coalition was unable to reach a majority and make constitutional changes. Military leaders also pushed through an amnesty law, which covered human rights abuses between 1973 and 1978. The Supreme Court remained under the control of judges sympathetic to the former military regime.

In the December 1993 presidential elections, the Concertación backed Christian Democratic Party candidate Eduardo Frei Ruiz-Tagle, the son of former President Eduardo Frei Montalva. With more than 58% of the vote, Frei continued the economic policies of his predecessor, with an even greater emphasis on social spending. By the end of the decade, poverty had declined to less than 20% from a high of 38% when democracy was restored. The Frei regime also emphasized privatization of state-owned enterprises, protection of foreign investment, and trade liberalization. Chile remained the world’s leading producer and exporter of copper, but with a greatly diversified export base. By 1998 the nation had achieved 15 consecutive years of economic growth. After a short recession in 1999, growth resumed in 2000 but at lower rates.

While the country’s commitment to democratic, representative government appeared secure and stable, Pinochet remained an impediment to real democratic reforms. In 1998, Pinochet retired as head of the military and became a senator for life. Despite eight years of democratic government, relations between the government and the military, which continued to assert its independence, remained tense. In October 1998, Pinochet traveled to London for back surgery. At the request of Spanish authorities, British police arrested Pinochet, who was recovering at a private hospital. Baltazar Garzón, a Spanish judge wanted Pinochet extradited to Spain to face charges of crimes against humanity. The arrest became a major international incident and shocked Chileans, most of whom thought Pinochet was untouchable. Following a lengthy legal battle that stretched across two continents and three nations, a London court in October 1999 ruled Pinochet could be extradited to Spain to stand trial. Back in Chile, the armed forces remained loyal to Pinochet and his arrest raised tensions between the military and the government. Yet, in his absence, Chilean politics were changing dramatically. While he languished in detention in England, the cause in favor of prosecuting human rights violators and finding out the whereabouts of individuals killed during the dictatorship moved forward in Chile. Several judges felt strengthened by the events in London and dared to indict active and retired military officers for human rights violations, contravening a amnesty passed by the military dictatorship in 1978. Some military leaders acknowledged that victims’ families had a right to know what happened to the “disappeared.” In March 2000, after 16 months in detention, the 84-year-old Pinochet was released. British authorities cited humanitarian reasons, saying Pinochet was medically unfit to stand trial. Pinochet returned to Chile, where he faced more than 70 criminal charges and efforts to remove him as senator for life. Chilean courts eventually ruled that he was unfit to stand trial in Chile for health reasons. He was forced to resign from the Senate and retired from public life. He currently lives in Santiago but does not appear in public or make public statements.

During his absence, the Concertación had backed the Socialist Ricardo Lagos for president. Joaquín Lavín, the conservative can-



didate, distanced himself from the hard politics of Pinochet and appealed for votes among Chile's poorest. Strains were beginning to show in the center-left coalition, which had ruled the country since 1990. Early in the campaign, Lavín, a former member of Pinochet's government, was not considered a strong candidate against Lagos. But both men finished tied in the December 1999 election, forcing a runoff election a month later. In the second round, Lagos captured 51.3% to narrowly defeat Lavín, who obtained 48.69% of the vote. With the victory, Lagos became the first Socialist to hold office since Allende. Lagos is a reformed Socialist who distanced himself from Allende's Marxist ideas. More of a social democrat similar in political style to England's Tony Blair, Lagos promised moderate policies and no changes to the nation's free-market economy. During the 1999 presidential campaign, the Chilean economy faced its worst recession in 20 years, with unemployment reaching 11%. But Lagos had ambitious programs of new infrastructure, health reform, judicial reform and educational reform. Yet, in 2002 the government was hurt when accusations of corruption surfaced that resulted in the indictments of several government coalition legislators and former cabinet ministers. The signing of a free trade agreement with the European Union and a much-awaited free trade pact with the United States helped boost Lagos's popularity in 2003. During his presidency, Chile was the most open economy in the region. Lagos's opposition in the United Nations Security Council, where Chile had a two-year period, to US president George W. Bush's intention to attack Iraq in early 2003 positioned him as strong regional leader committed to strengthening the UN and the international rule of law. Lagos finished his six-term with the highest approval ratings of any president since democracy was restored. A constitutional reform approved in 2005 stripped all pending authoritarian enclaves from the Pinochet-imposed Constitution. It also reduced the presidential term to four years with no immediate reelection.

Michelle Bachelet, a socialist and the candidate of the ruling Concertación center-left coalition won the 2005 presidential elections. In addition to electing its first woman president, Chileans ratified the same ruling coalition for the fourth consecutive presidential election and fifth consecutive parliamentary election. The conservative camp divided its support among two candidates, Joaquín Lavín and Sebastián Piñera. Lavín, who narrowly lost in 2000, failed to catch on with the electorate and ended up third. Piñera, a more moderate rightwing politician and wealthy businessman, went on to lose the runoff against Bachelet. Yet, he successfully positioned himself as the new leader of the conservative camp. The fact that former dictator Pinochet was involved in a secret bank accounts corruption scandal uncovered in the United States hurt the conservative parties, still associated with the Pinochet legacy in the 2005 elections.

Bachelet inherited a stable economy, but her challenges included renewing her coalition and projecting a platform for future growth. Because she is the daughter of a victim of the military dictatorship and suffered herself arrest and exile during the Pinochet era, Bachelet—who served as Lagos's defense minister—has also symbolized reconciliation for many Chileans. She started her four-year term with unprecedented opportunities to help Chile move forward as the most developed country in Latin America by 2010, Chile's bicentennial.

### **13 GOVERNMENT**

After the restoration of democracy in 1990, Chile continued to feel the legacy of the Pinochet regime. The Constitution of 1980 is still in effect, even though it was created with a different Chile in mind. In 1989, a series of amendments went into effect, reducing the influence and power of the military and consolidating the power of elected authorities. The 1980 constitution, as amended, is the third Chilean constitution. The first two were the original 1833 constitution, and the 1925 chart. The 1980 constitution was custom-made for the Pinochet military dictatorship, but it did not come fully into effect until after Pinochet left office in March of 1990. In 2005, new reforms stripped most of the remaining authoritarian provisions from the constitution.

The constitution provides for a strong executive serving a four year term (although Lagos and Frei served for six years, before the 2005 constitutional reform). The president has the authority to proclaim a state of emergency for up to 20 days and the power to introduce legislation and control the legislative agenda. There is a bicameral National Congress, consisting of a 120-member Chamber of Deputies and a 38-member Senate. Until 2005, the Senate included nine appointed members, as well as all ex-presidents, who had life membership. But starting in 2006, all senators were democratically elected. The constitution also provides for an independent judiciary, headed by a 21-member Supreme Court.

The 2005 constitutional reforms eliminated the active participation of the armed forces in government, although there remained some limitations on the right to strike and on freedom of information and expression. The Constitution institutionalizes a free-market economy. Although the Constitution was adopted under the Pinochet military dictatorship, several reforms starting in 1990 and, ending in a comprehensive package in 2005, made it more compatible with democratic standards.

### **14 POLITICAL PARTIES**

Except for an initial period of political disorder, independent Chile's first century of political life was dominated by the aristocratic Liberal and Conservative parties. Segments of the two parties split, shifted, entered into new alliances, regrouped, and took on new names. Since electoral law permitted the registration of parties with relatively small popular bases, coalitions were usually formed to elect presidents and control the congress. Many cabinets had a fleeting existence. After 1860, the Radicals emerged from the Liberal party, and over the next six decades, they increased their following with the rise of the middle class. In the meantime, the Liberals became conservative, and moved close to that party. Although the Conservatives and Liberals disagreed over the status of the Roman Catholic Church and over the matter of relative congressional and presidential powers, they were united in opposing the Radicals.

Designation of Chilean parties as being of the right, center, or left has been a function of shifting national political climates. Parties and party alliances have tended to appear and disappear over time. During the 1950s and 1960s, there were fewer, but much larger parties. Before the 1973 military coup there were five major parties in Chile: the Christian Democratic Party, founded in 1957, the Socialist Party, founded in 1931, the Communist Party, founded in 1921 (and outlawed during 1948–58), the National Party,

formed in 1966 by members of the Liberal and Conservative parties, and the old Radical Party, which saw its strength greatly diminished after 1964. The ruling Allende coalition of Popular Unity consisted of Socialists, Communists, and several smaller leftist parties. The most radical political group, the Revolutionary Movement of the Left, was not a coalition member.

In September 1973, all the Allende coalition parties were abolished. The other parties were initially suspended and then banned in March 1977.

The reemergence of political parties in the aftermath of Pinochet's ouster was dramatic. In 1990, to ensure that Pinochet's preferred presidential candidate would not take office, several center-left parties came together as the Coalition of Parties for Democracy (Concertación) and backed a single candidate. Today, the coalition includes four major parties: the Christian Democrats (PDC), the Party for Democracy (PPD), the Radical Party (PR), and the Socialist Party (PS). The Concertación has won four consecutive presidential elections, five consecutive parliamentary elections, and four consecutive municipal elections, becoming the most successful and lasting political coalition in Chile's history. The opposition from the right comes from the Independent Democratic Union (UDI), and the National Renewal (RN), which, bolstered by the influence of most Senate appointees held sway in the Senate since the restoration of democracy in 1990 until 2005. In the left, a coalition of the Humanist Party and Communist Party has attracted as much as 10% of the vote but has failed to gain parliamentary representation because of the electoral system—known as binominal—that favors the two largest coalitions.

## 15 LOCAL GOVERNMENT

After the military government came to power in September 1973, local authorities yielded power to the armed forces, and the nation was divided into military districts. The traditional 25 provinces, as well as all municipalities, were placed under military control.

Today, the country is divided into 13 regions, including the metropolitan area of Santiago, which is not numbered like the other 12 regions, beginning with Region I at the northern border with Peru and continuing in sequence to Region XII at the southern end. The regions each have a capital and are subdivided into provinces. Regions and provinces are administered by regional intendants and provincial governors. The nation's 345 municipalities, headed by mayors, form the smallest units of local government. Mayors and local councilors are elected every four years in concurrent elections.

In 1991, a constitutional amendment was passed granting some autonomy to local areas, but compared to other countries in the region; local governments in Chile remained weak. Legislation was introduced to create two new regions and to allow for the direct election of regional legislatures.

## 16 JUDICIAL SYSTEM

The Chilean civil code of 1857, although modified and amended, remained in use until 1973. Although not eliminated by the military in the wake of the 1973 coup, the judicial system had almost all of its major powers removed, with the military code of justice in force as the effective law of the land. In 1975, the junta began to

restore some of the traditional powers exercised by the 13-member Supreme Court.

The 1980 constitution, which came into full effect in 1989, provides for an independent judiciary. The Supreme Court, whose 21 members are appointed by the president with Senate approval, has authority over appellate and lower courts but does not exercise jurisdiction over the ten-member Constitutional Court and the five-member Electoral Court, which supervises all elections.

Although independent in theory, the judiciary remains subject to criticism for inefficiency and lack of independence. The Court's unwillingness to prosecute human rights violations during the military dictatorship cost the judicial system dearly and hindered its reputation. Appointees of the former military regime dominated the courts for most of the 1990s. By 2000, turnover had diminished the number of pro-Pinochet judges, and some judges were asserting their independence. In addition, a comprehensive reform adopted in 1997 effectively strengthened the judiciary and made it more autonomous of the military and civilian authorities. A criminal legal reform initiated in 1997 was completed in 2004 with the separation of the role of judge and prosecutor. A similar reform was likely to occur for civil cases, where the judge currently also serves as the prosecutor.

Military tribunals have jurisdiction over the military officers. Military courts have also authority to charge and try civilians for defamation of military personnel for sedition. In such cases, appeals can be made to the civilian Supreme Court. Reforms passed in 1991 (the "Cumplido" laws) transferred some of the jurisdiction of the military tribunals to the civilian courts.

There is no jury trial. The legal system is mainly based on Napoleonic Code. The constitution provides for the right to counsel.

## 17 ARMED FORCES

The Chilean armed forces in 2004 had 78,098 active and 50,000 reserve personnel. Military service became voluntary beginning in 2005. The Army numbered 47,700 active personnel (20,700 conscripts). Equipment included 260 main battle tanks, 157 reconnaissance vehicles, 20 armored infantry fighting vehicles, 1,066 armored personnel carriers, and over 615 artillery pieces. The Navy had 19,398 personnel (1,660 conscripts; 600 naval aviation personnel and 3,500 Marines). Major naval units included 4 tactical submarines, 2 destroyers, 4 frigates and 25 patrol/coastal vessels. The naval aviation arm's six combat capable aircraft consisted of the PC-7 Turbo Trainer. The Air Force had 11,000 personnel (700 conscripts). The service had 87 combat capable aircraft including 18 fighters and 69 fighter ground attack aircraft. In addition, there is a 38,000 member paramilitary national police force, the Carabineros. Chile participated in UN peacekeeping missions in the Middle East, Haiti, and India/Pakistan. The defense budget in 2005 totaled \$1.66 billion.

## 18 INTERNATIONAL COOPERATION

Chile is a charter member of the UN, having joined on 24 October 1945, and participates in several nonregional specialized agencies. The headquarters of ECLAC and the Latin American office of the FAO are located in Santiago. In 2002, Chile signed a free trade agreement with the European Union, becoming the first Latin American nation to do so; in 2003, Chile signed a free trade agreement with the United States, becoming the second Latin Ameri-

can nation, after Mexico, to do so. Chile is a member of APEC, G-15, G-77, the Latin American Economic System (LAES), the Latin American Integration Association (LAIA), the OAS, and the Río Group. The country is an associate member of Mercosur.

Chile is part of the Nonaligned Movement, the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL), and the Organization for the Prohibition of Chemical Weapons. Chile has offered support to UN peacekeeping and administrative efforts in Kosovo (est. 1999), India and Pakistan (est. 1949), and Haiti (est. 2004). The country is a signatory of the 1947 Río Treaty, an inter-American security agreement.

In environmental cooperation Chile is part of the Antarctic Treaty; the Basel Convention; Conventions on Biological Diversity, Whaling, and Antarctic Marine Living Resources; Ramsar; CITES; the London Convention; the Kyoto Protocol; the Montréal Protocol; MARPOL; and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The Chilean economy is strongly oriented toward commerce and industry, although minerals, chiefly copper and iron ore, provide most of the country's foreign exchange earnings. Chile's leading industries are engaged in the processing of local raw materials; they include mineral refining, metal manufacturing, food processing, paper processing, and textiles. Chilean agriculture, dwarfed in value by mining and manufacturing, supports less than one-seventh of the population. Arable land is limited and livestock raising is the dominant rural enterprise.

The economy suffered profound economic disruptions during the Allende period (1970–73). Legal nationalization of industries and expropriation of large agricultural holdings by the military government were accompanied by illegal seizures of property. The chaotic situation was exacerbated by acts of economic sabotage perpetrated by the opposition, by covert destabilization by agents of the United States, and by denial of commercial credit by foreign banks and corporations. By the time of the military coup in late 1973, the nation's manufacturing and farm production had fallen by about 10% from 1972 levels, and inflation had soared to 350%.

After the Pinochet coup, the military government attempted to revitalize the economy by adopting the principles of a free marketplace, although without reversing Allende's nationalization of the copper industry. Subsidies were removed and tariffs were lowered to increase competition. A policy of privatization of industries and utilities was instituted, including the return of companies nationalized under Allende to their previous owners (again, excepting the copper industry, which remained nationalized), the sale of government-owned companies to individuals and conglomerates, and the sale of percentages of companies to employees and the public on the stock exchange. The GDP fell by 12% in 1975, but Chile's economic performance began to improve thereafter. The average annual rate of increase in GDP between 1977 and 1981 was 7.8%, and the inflation rate dropped from 174% in 1976 to 9.7% in 1981. In 1982, however, a severe economic slump (caused by the worldwide recession, low copper prices, and an overvalued peso) led to an inflation rate of 20.7%, a drop in the GDP of 15% in real terms, and jump in unemployment to 30%. Chile had been caught in the Third World debt crisis that followed the second oil shock of 1978–79.

Beginning in 1984, growth returned, averaging 7% for the next five year (1984–88), constrained somewhat by persistently depressed world copper prices. An economic adjustment program introduced in 1985 aimed at strengthening exports other than copper, increasing domestic savings and investments, and strengthening the financial and corporate sectors. Inflation remained high, averaging almost 21% (1985–88), but unemployment dropped from 12% to 6%. In 1989, GDP growth rose to 10% and unemployment fell to 5%, although inflation remained in double digits (17%). Civilian rule, starting in 1990, implemented positive monetary policies that continued to lower inflation and attract investment. Inflation was down to 6% by 1997, and growth of GDP averaged over 8% between 1988 and 1997. By 1995, unemployment had fallen to 4.7%. In 1998, however, growth was slowed to 3.2% and then turned negative (-1.0%) in 1999 in the first contraction since 1983, as the effects of the Asian financial crisis of 1997, the Russian financial crisis of 1998, and the Brazilian financial crisis of 1999 were felt. Unemployment increased to 6.2% in 1998, and then to 9.7% in 1999. Inflation, however, remained low at 4.7% (1998) and 2.3% (1999), the lowest yearly rate yet achieved since the 1960s. Growth returned in 2000 at 4.4% and unemployment eased to 9.2% while inflation edged up to 4.5%. However, a more robust recovery was short-circuited by the global slowdown that began in 2001, aggravated by the aftermath of the 11 September 2001 terrorist attacks on the United States. The GDP growth rate fell to 2.8% in 2001 and was estimated at 3% for 2002. Inflation remained under control at 2.6% in 2001 and 3% in 2002. Chile's official unemployment rate remained above 9%.

On 6 June 2003 Chile signed a free trade agreement with the United States, making it the second Latin American country to do so (after Mexico). The United States had delayed the signing because of Chile's opposition as temporary member of the Security Council to the US-led invasion of Iraq in March 2003.

The GDP growth rate was 6.1% in 2004, up from 3.7% in 2003, and 2.2% in 2002; in 2005, the economy was estimated to have expanded by 5.8%. The inflation rate dropped to 1.1% in 2004 and it did not pose any problems to the economy. The unemployment rate was fairly stable, but it registered a long term downward trend—in 2005, it was estimated at 7.4%. The engines of growth in 2004–05 were high copper prices, booming exports (especially for mining, forestry, and fishing), and increased foreign investments. In November 2005, Chile signed a free trade agreement with China.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Chile's gross domestic product (GDP) was estimated at \$180.6 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$11,300. The annual growth rate of GDP was estimated at 5.9%. The average inflation rate in 2005 was 4%. It was estimated that agriculture accounted for 6.2% of GDP, industry 46.5%, and services 47.3%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$13 million or about \$1 per capita. Foreign aid receipts amounted to \$76 million or about \$5 per capita

and accounted for approximately 0.1% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Chile totaled \$43.94 billion or about \$2,781 per capita based on a GDP of \$72.4 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 5.8%. In 2001 it was estimated that approximately 17% of household consumption was spent on food, 24% on fuel, 20% on health care, and 15% on education. It was estimated that in 2000 about 20.6% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2005, Chile's labor force was estimated at 6.3 million workers. Of the employed workforce in 2003, service occupations accounted for 63%, while 13.6% were in agriculture, and 23.4% in the industrial sector. Unemployment and underemployment have plagued successive governments during recent decades, reaching nearly 22% (unofficially) by the end of 1990. As of 2005, Chile's unemployment rate was 7.4%, down from 10.1% in 2001.

Workers have the right to form and join unions without the need to obtain prior approval. Although private sector employees have the right to strike, it is regulated by the government. Public employees are denied the right to strike. Although it is allowed to replace striking workers, employers must pay a cash penalty that is divided among the strikers. Employers must also pay severance benefits to dismissed striking workers and show cause for dismissal. Union membership dropped from about 30% of the labor force in 1975 to about 10% in 2005.

Although child labor is restricted by law, in Chile's informal economy it is a problem. Minors between the ages of 15 and 18 can work but must have parent or guardian approval. In addition, they must also attend school. There are also other requirements regarding the type of labor opened to them and how long they may work. Work in underground mines is limited to those 21 and over, although 18 to 21 year olds can work at other types of mining sites.

The law sets the minimum wage and it is adjusted annually. As of end 2005, it was set at \$245 per month. The minimum wage is designed as a starting wage for an unskilled single worker and does not provide a decent standard of living for a family. The legal workweek is 45 hours and 10 hours per day (which includes overtime pay) with limited exceptions. There are also occupational safety and health standards. The government is putting expanded resources into enforcement of these measures and compliance is increasing.

## 2<sup>2</sup> AGRICULTURE

Of the total land area of 74.8 million hectares (184 million acres), 2.3 million hectares (5.7 million acres) is arable land. Until 1940, Chile was substantially self-sufficient in most basic foodstuffs. Since World War II (1939–45), serious food deficits have developed, adding to the nation's external payments burden.

Agricultural production of major crops in 2004 (in tons) was as follows: sugar beets, 2,370,483; wheat, 1,921,652; corn, 1,320,606;

oats, 538,600; barley, 81,000; rapeseed (canola) 18,500; and rice, 119,265.

Agriculture was one of the sectors most adversely affected by the recession of 1982, but it quickly recovered by the mid-1980s. Poor results in the traditional agricultural sector inhibit a more rapid expansion in agriculture. One of the areas of most rapid growth is in fresh fruit, with the production of grapes rising by 235% between 1981 and 1985. The fruit harvest in 2004 (in tons) included grapes, 1,900,000; apples, 1,250,000; peaches and nectarines, 304,000; pears, 205,000; oranges, 125,000; and lemons and limes, 160,000. Avocado production for 2004 was estimated at 160,000 tons, up from 39,000 tons during 1989–91. Most of the avocado orchards are in central Chile.

The traditional land system, inherited from colonial times, has retarded maximum use. Chile's first agrarian reform law, passed in 1962 and supplemented by a constitutional reform in 1963, enabled the government to expropriate and subdivide abandoned or poorly cultivated land and compensate the landowner in installments. Another agrarian reform law was passed in 1967 to clarify expropriation and settlement procedures and to permit an increased turnover rate. By the end of the Frei administration in November 1970, some 1,400 agricultural estates, representing 3.4 million hectares (8.4 million acres), had been confiscated and converted to *asentamientos* (agricultural communities).

The pace of expropriation was accelerated by the Allende government, which by 1972 had doubled the previous administration's figure for land acquisitions. By taking over virtually all of the land subject to redistribution under the 1967 reform act, the Allende government effectively transformed the Chilean land tenure system. In addition, agricultural laborers, often led by militants to the left of the Allende government, illegally seized some 2,000 farms. Following the 1973 coup, the military regime returned almost all farms in the last category to their original owners; the expropriated land was redistributed to 45,000 smallholders. In 1978, the land reform law was replaced by new legislation that removed restrictions on the size of holdings.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Stock raising is the principal agricultural activity in most rural areas. In 2004 there were an estimated 3.7 million sheep, 4 million head of cattle, 3.2 million hogs, 725,000 goats, and 790,000 horses, mules, llamas, and alpacas. The extreme south of Chile is noted for sheep production, while cattle are raised in the central regions. Meat products must be imported from Argentina to fulfill domestic demand. In 2004, 208,258 tons of beef and veal, 363,305 tons of pork, and 19,539 tons of mutton and lamb were produced. In north-central Chile, the hills afford pasturage during the rainy season, and fodder or irrigated pasture provides feed during the dry months. In the south-central regions, natural pasturage is available throughout the year.

The dairy industry is small; milk production totaled 2,309,750 tons in 2004. Production of raw wool in 2004 was an estimated 15,100 tons.

## 2<sup>4</sup> FISHING

With 1,016 species of fish within Chilean waters, its commercial fisheries have long been important. The low temperatures and Antarctic current supply the purest and most oxygenated ma-

rine waters in the world. Since 1959, their growth has been rapid, largely owing to the development of a fish-meal industry, centered around Iquique. Anchovies are predominant along the northern coast, whiting and mackerel in the central waters, and shellfish in the south.

Leading fish and seafood caught commercially are Spanish sardines and yellow jacks, as well as anchovies, whiting, eels, sea snails, mackerel, and mussels. Tuna fishing has increased, as have catches of clams and lobsters. The total fish catch soared from 340,000 tons in 1960 to 1,237,000 tons in 1976 and 4,185,188 tons in 2003, but down from 7,720,578 tons in 1994. Chile is ranked seventh in the world in total landings of fish. In 2003, Chile contributed 3.4% to the world's exports of fish products, valued at \$2.13 billion. Exports of fish and fish-meal account for about 9% Chile's total exports.

Increasingly, salmon production is playing an important role in Chile's fishing industry. The Chilean salmon and trout industry consists of more than 70 companies employing directly and indirectly over 40,000 workers. Aquaculture is conducted in 234 coastal operations for which the companies pay user fees to the government. In 2004, exports of salmon and trout products were valued at \$996.2 million and were projected to top \$2 billion by 2010.

## 25 FORESTRY

Chile has extensive forests, estimated at some 15.5 million hectares (38.3 million acres), or about 20.7% of the total land area. In 2004, the total area of commercial forests increased by 32,000 hectares (79,000 acres). The average annual deforestation rate during 1990–2000 was 0.1%. Logging operations are concentrated in the areas near the Bío-Bío River. Softwoods include alerce, araucaria, and manio; hardwoods include alamo, laural, lenga, and olivillo. The establishment of radiata pine and eucalyptus plantations, largely as a result of government assistance, has helped Chile to become an important supplier of paper and wood products to overseas markets. Chile is a major source of hardwood in the temperate zone. Native forests—in addition to the radiata pine and eucalyptus—are as yet under-utilized and could become an important factor in Chile's growing competitiveness. Most wood products from Chile are exported as logs, chips, and lumber.

The total roundwood harvest in 2004 was 44.3 million cu m (1.56 billion cu ft). About 65% of the roundwood output is used by the forestry industry, and the rest is used as firewood. Commercial uses for roundwood include pulp, wood chips, sawnwood, and lumber production. At least half of Chile's population uses firewood for heating and cooking.

Government incentives also resulted in an increase of forestry product exports from \$36.4 million in 1973 to \$468 million in 1980; by 1991, forestry exports rose to \$836 million. In 2004, the forestry sector generated exports of \$3.4 billion, or 11% of Chilean exports. Export demand has especially strengthened for sawnwood and wood pulp. Production from 1987 to 1991 increased by nearly 60% as a result of maturation of trees planted in the 1970s. Chile's forest products sector has expanded through commercial planting, especially radiata pine and eucalyptus. The major markets for Chilean wood are the United States, China, Japan, Mexico, Netherlands, and Italy. The Chilean-German Technology Transfer

Center in Concepción assists in contributing to the technological development of forestry in the Bío-Bío region.

## 26 MINING

In 2003, Chile produced around 36% of the world's mined copper, was home to the largest copper mine in terms of production, and continued to be a top producer and exporter of copper by volume and value. Copper Refined copper accounted for 35.4% of the country's exports in 2003. Chile's copper mines accounted for 36% of the world's production in that year. Chilean mining activities were also concentrated in coal, iron, precious metals, and industrial minerals. Traditionally dependent on copper exports, Chile also produced iodine and lithium, molybdenum, potassium nitrate, sodium nitrate, gold, silver, rhenium, and selenium. Iron ore was another primary export mineral. Chile also exported ferromolybdenum, potash, and zinc. In addition, Chile produced arsenic trioxide, lead, manganese, barite, natural borates (ulexite), bentonite, kaolin, other clays, diatomite, dolomite, feldspar, crude and calcined gypsum, lapis lazuli, hydraulic lime, phosphate rock (apatite), pigments (mineral, natural, and iron oxide), pyrite, potassium chloride, pozzolan, pumice, common quartz, salt, sodium compounds (including natural sodium sulfate and anhydrous sodium sulfate), sand and gravel (silica), limestone (calcium carbonate), marble, sulfur, and talc.

The mineral industry employed 95,222 people in 2003, including office personnel, administrators, staff, and mining personnel.

Copper output totaled 4.9 million tons in 2003, up from 4.58 million tons in 2002.

Gold production increased to 38,954 kg, in 2003, up slightly from 38,688 kg in 2002. Silver production—derived from the gold and copper mining—totaled 1,313 metric tons, up from 1,210 metric tons in 2002.

Chile is a world leader in natural nitrate production. The Salar (salty marsh) de Atacama, which held significant nitrate reserves, also contained 58% of the world reserves of lithium. In 2003, lithium carbonate output was 41,667 metric tons, up from 35,242 metric tons in 2002. In 2003, Chile produced 15,580 metric tons of elemental iodine, up from 11,648 metric tons in the previous year. Chile also produced 215,000 tons of potassium nitrate and 919,000 tons of sodium nitrate in 2003.

Production totals for other minerals in 2003 were: manganese, 19,461 metric tons; molybdenum, 33,375 metric tons, up from 29,467 metric tons in 2002; zinc, 33,051 metric tons; and iron ore and concentrate (gross weight), 8,011,000 tons, up from 7,269 tons in 2002.

A cross-border mine treaty between Chile and Argentina, ratified by the countries' presidents in 2000, lifted restrictions on property ownership and access rights for mining and exploration along most of the border and simplified customs and taxation procedures. It was reported that the agreement should result in \$6 billion worth of new mining investment over five years. Legislation passed in 1966 initiated a "Chileanization" policy for the copper industry, which provided for government ownership of a controlling share of the sector; US management of the large mines was permitted to continue. Agreements signed in 1967 with the three US-owned companies that produced most of Chile's copper provided for an increase of Chilean participation, expanded investment, and a stable tax and exchange rate; the government was

to acquire an equity position in the mines. A law passed unanimously by the Chilean congress in 1971 provided for the nationalization of the copper holdings of the Kennecott and Anaconda corporations. Copper production grew significantly in the following years, despite the emigration of a large number of trained specialists. The military government of 1973–1990 subsequently compensated US interests for their expropriated holdings and sold many state-owned companies; the three democratic governments since 1990 have continued privatization at a slower pace. Foreign investment in copper has since resumed. The largest recent investment projects were the \$2.342 billion La Escondida expansion copper oxides project, which started in 1998; the \$2.185 billion Collahuasi copper cathode project, begun in 1998; the \$1.8 billion Al Abra copper project, which started in 1997; the \$1.307 billion Los Pelambres copper expansion project, which started in 1999; and the \$1.33 billion Cerro Casale copper/gold project, whose start-up date had not been determined.

## 27 ENERGY AND POWER

Chile's limited domestic energy sources means that the country will have to rely upon imports to meet its rapidly expanding demand for energy. Electric power generation reached 39.8 billion kWh in 2000, up from 6.9 billion kWh in 1968. Output was estimated for 2003 at 45.3 billion kWh. Hydroelectric power accounted for 53% in 2003, with conventional thermal sources at 43%. Electricity consumption was 37.9 billion kWh in 2000, which increased to an estimated 44.1 billion kWh in 2003. Installed capacity in 2001 was 9.7 million kW. By 2003, it was estimated that installed capacity had risen to 10.5 GW. Within South America, Chile is exceeded only by Brazil in its hydroelectric power potential, much of it located in the heavily populated central part of the country between La Serena and Puerto Montt. The quick descent of Andes-born rivers, together with the narrowness of the country, makes production and transportation of electricity comparatively inexpensive. A severe drought in 1997–1999 created serious power shortages, including rolling blackouts in Santiago, and spurred Chile to try diversifying its power supply. As of 2002, the 570 MW Ralco hydropower project on the Bío-Bío River was slated for possible completion in 2003.

The state lays claim to all petroleum deposits, and a government agency, the National Petroleum Co. (Empresa Nacional del Petróleo—ENAP), manages oil fields in Region XII. ENAP's oil production only meets around 8% of Chile's needs and reserves are decreasing. Production, which began in 1945, is concentrated around the Strait of Magellan, both onshore and offshore. The crude petroleum is transported by sea to the refinery at Concón, north of Valparaíso. A second refinery was completed near Concepción in 1965 and, later, a third at Gregorio-Magallanes. In 2002, production totaled 14,000 barrels per day. By 2004, output had risen to an estimated 18,400 barrels per day. However, consumption in 2004 was estimated at 225,000 barrels per day. As of 1 January 2005, proven reserves were estimated at 150 million barrels. Chile's primary sources for imported oil are Argentina, Brazil, Angola, and Nigeria, respectively.

ENAP also controls all of Chile's production of natural gas. Since 1997, when Chile began to import natural gas on a large scale, consumption has increased an average of 21.7% annually. In 2003, the consumption of natural gas in Chile totaled an estimated

249.3 billion cu ft. According to the Oil and Gas Journal, Chile's proven reserves of natural gas in 2005 stood at 3.5 trillion cu ft. Argentina is Chile's main source for imported natural gas.

Chile's recoverable coal reserves have been boosted by recent discoveries in the Bío-Bío area. Recoverable reserves were estimated in 2003 at 1,301.8 million short tons and are now believed adequate to supply Chile's needs for 100 years. A number of petroleum-fired electric generators have recently been converted to coal.

## 28 INDUSTRY

Chile ranks among the most highly industrialized Latin American countries. Since the 1940s, manufacturing has contributed a larger share of GDP than has agriculture. About one-third of the value added by manufacturing comes from the production of food, beverages, and tobacco products. During the last decade of the 19th century, food product exports soared, with growth of 85% up to 1,000%.

The basic industrial pattern, established in 1914, included food processing, beverage production, sugar refining, cotton and woolen mills, a hosiery mill, a match factory, an iron foundry, and a cement factory. During the next decade, industrial production rose about 85%, but from 1949 to 1958 the level of output was virtually stationary. With the establishment of the Huachipato steel mill in 1950, the groundwork was laid for the development of heavy industry. Chile's first copper refinery was inaugurated in November 1966. The major industrial region is the Santiago-Valparaíso area. Concepción is in the center of an industrial complex. The state-owned firm CODELCO is the world's second-largest copper mining company, but the private sector generally produces more copper than the state (two-thirds of the total).

During 1970–73, 464 domestic and foreign-owned plants and facilities were nationalized by the Allende government. These included the copper installations of the Anaconda and Kennecott corporations and other companies owned by US interests. By 1982, the military government had returned most expropriated installations to their original owners. The free-market policies of the junta, together with a worldwide recession, resulted in a 25.5% drop in manufacturing output in 1975. After the mid-1970s, Chilean industry moved away from concentration on import substitution to become more export-oriented. Over 20% of the 1985 value of industrial production came from exports, and in 1998, the value of exports exceeded the value of imports for the first time. Key sectors include textiles, automobiles, chemicals, rubber products, steel, cement, and consumer goods.

The industrial sector grew at an average rate of 7% between 1976 and 1982. Industrial output grew by an average of 3.7% per year between 1980 and 1990, and by 6.6% annually during 1988–98. Manufacturing output grew on average by 3.4% annually during the 1980s, and by 5.8% per year between 1988 and 1998. Chile has three oil refineries, with a production capacity of 205,000 barrels per day. It has a fledgling automobile industry: in 2001, Chile produced 10,519 units, up from 5,245 in 2000. It also produces some heavy trucks.

In 2005, industry accounted for 46.5% of the GDP (about the same figure as in the previous year), and was bested by services, with 47.3% (which was also the largest employer in the country); agriculture made up only 6.2% of the economy. The industrial

production growth rate was 6%, overperforming the GDP growth rate in the same year.

## 29 SCIENCE AND TECHNOLOGY

The Academy of Sciences, which promotes research in the pure and applied sciences, and the Chilean Academy of Medicine, which promotes research and disseminates information in the health sciences, were both founded in 1964 in Santiago and are part of the Institute of Chile. In addition, there were, as of 1996, 64 specialized learned societies in the fields of medicine; the natural, biological, and physical sciences; mathematics and statistics; and technology. The government agency responsible for planning science and technology policy is the National Commission for Scientific and Technological Research. Total expenditures on research and development (R&D) totaled \$799.218 million in 2001 or 0.54% of GDP. Government spending accounted for 68.9% of R&D expenditures in 2001, with business accounting for 24.9%, foreign sources 4.1% and nonprofit institutions at 2.1%. In that same year, Chile had 419 researchers and 307 technicians actively engaged in R&D. High technology exports in 2002 totaled \$107 million in 2002, or 3% of manufactured exports.

Chile has 22 institutes conducting research in agriculture, medicine, natural sciences, and technology, as well as the European Southern Observatory. At least 27 colleges and universities offer degrees in basic and applied sciences. In 1987–97, science and engineering students accounted for 42% of college and university enrollments.

## 30 DOMESTIC TRADE

The best market for manufactured and imported goods is heavily concentrated in central Chile, particularly in Santiago, Valparaíso, and Viña del Mar. Valparaíso, which serves as the shipping outlet for Santiago, is Chile's chief port. Concepción provides direct access to the markets of southern Chile and Antofagasta to those in northern Chile.

The predominant elements in the pattern of retail merchandising are the independent merchants. They sell their wares in small specialized stores, in municipally owned markets, or in free markets (*ferias libres*). There is a growing number of chain groceries and supermarkets. As of 2002, there were about 80 franchises supporting about 300 stores throughout the country. Shopping malls are showing up in major cities. Stores are owned primarily by Chileans, although foreign interests are represented in retail merchandising.

Some large segments of the economy are still controlled by business groups, but the number of small and medium-sized private companies is growing. An 18% value-added tax applies to most goods. Government policies toward privatization have been in effect since the 1970s and both foreign and domestic investments have been encouraged.

The usual retail business hours are from 10:30 AM to 7:30 PM, with half a day on Saturday. Business hours run from 9 AM to 6 or 7 PM, Monday through Friday, with a one hour lunch break at one. Normal banking hours are from 9 AM to 2 PM, Monday through Friday. It is common practice for stores and factories to close for about 15 days sometime between 1 December and 1 April for summer vacation. The business language is Spanish, but most business people also know English.

## Principal Trading Partners – Chile (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	20,076.7	17,375.9	2,700.8
United States	3,569.9	2,531.2	1,038.7
Japan	2,242.9	642.9	1,600.0
China	1,817.1	1,289.3	527.8
Korea, Republic of	1,006.3	540.5	465.8
Italy-San Marino-Holy See	923.8	386.5	537.3
Mexico	910.0	479.8	430.2
Brazil	854.5	2,025.1	-1,170.6
Netherlands	799.5	111.6	687.9
France-Monaco	743.3	593.1	150.2
United Kingdom	694.0	180.2	513.8

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

## 31 FOREIGN TRADE

Copper remains Chile's largest commodity export (28%) and the country has the highest percentage of the world export market of that mineral (16%). Other significant exports include wood pulp and waste paper (6.1%), fruit and nuts (6.5%), and fish (6.5%). Chile claims 7.2% of the world's wood chip exports.

In 2005, exports reached \$38 billion (FOB—Free on Board), while imports grew to \$30 billion (FOB). In 2004, the bulk of exports went to the United States (14%), Japan (11.4%), China (9.9%), South Korea (5.5%), the Netherlands (5.1%), Brazil (4.3%), Italy (4.1%), Mexico (4%). Imports included intermediate goods, capital goods, and consumer goods, and mainly came from Argentina (16.8%), the United States (13.7%), Brazil (11.2%), and China (7.5%).

## 32 BALANCE OF PAYMENTS

Between 1982 and 1984, the combination of world recession, slumping copper prices, rising foreign interest rates, and an unexpected rise in imports prompted the Pinochet regime to impose domestic austerity measures in order to meet IMF fiscal and monetary targets. The unrest that followed forced the government to request a 90-day moratorium on some debt repayments and seek rescheduling of \$3.4 billion due in 1983–84. The current account balance averaged -\$2 billion from 1980 to 1995, but fell again to -\$4.5 billion in 1998. Following the 1998 recession, Chile applied tight monetary policies to push the current account into a small surplus in 1999. By 2000, however, the current account posted a \$1 billion deficit.

The International Monetary Fund (IMF) reported that in 2001 Chile had exports of goods totaling \$18.5 billion and imports totaling \$16.4 billion. The services credit totaled \$3.81 billion and debit \$4.81 billion. The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Chile's exports was \$18.5 billion while imports totaled \$18 billion resulting in a trade surplus of \$500 million.

Exports of goods and services reached \$34 billion in 2004, up from \$25 billion in 2003. Imports increased from \$24 billion in 2003, to \$28 billion in 2004. The resource balance was conse-

**Balance of Payments – Chile (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-594.0</b>
Balance on goods	3,015.0	
Imports	-18,031.0	
Exports	21,046.0	
Balance on services	-766.0	
Balance on income	-3,280.0	
Current transfers	438.0	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-630.0</b>
Direct investment abroad	-1,395.0	
Direct investment in Chile	2,982.0	
Portfolio investment assets	-5,327.0	
Portfolio investment liabilities	1,701.0	
Financial derivatives	118.0	
Other investment assets	-387.0	
Other investment liabilities	1,678.0	
<b>Net Errors and Omissions</b>		<b>866.0</b>
<b>Reserves and Related Items</b>		<b>357.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

quently positive in both years, improving from \$2 billion in 2003, to \$6 billion in 2004. The current account balance however was negative, deteriorating from -\$594 million in 2003, to -\$1.7 billion in 2004. Foreign exchange reserves (including gold) reached \$15 billion in 2004, covering more than five months of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

During the Allende period, almost all private banks were taken over by the government, mainly through the purchase of stock. The military government reversed its predecessor's policy, making the financial market essentially private. In 1999, Chile had, in addition to the Central Bank, 29 banks and 3 finance societies (which have less capital than banks and cannot perform foreign trade operations). There was one state-owned bank; the Banco del Estado is the country's second-largest bank, with 13% of loans and 14% of deposits in 1998. Six US banks, twelve Chilean banks, and eleven foreign banks operated in Chile. The Central Bank and the Superintendent of Banks and Financial Institutions (that reports to the Finance Minister) both regulate the financial industry.

Following government intervention in a number of financial institutions in 1983, the Central Bank introduced three major measures: the issue of \$1.5 billion in emergency loans; a provision by which banks could sell their risky portfolios to the Central Bank for 10 years with an obligation to use their profits to buy them back; and the "popular capitalism" program, announced in April 1985, which allowed, among other things, a new share issue for banks in which there had been intervention.

A working group was formed in December 1996 to iron out the remaining technical obstacles to a new banking law so that it might be approved by both houses of congress before February 1997. Several deadlines were missed regarding bank liberalization, which has been under discussion since 1991. The Central Bank kept its main monetary policy instruments unchanged in

1995, but it lifted its target range for interbank rates from 7–7.5%. In 1997, a new banking law relaxed some of the restrictions by allowing banks to provide factoring and leasing services.

Securities trading has been traditionally inhibited by the Chilean investors' preference for real estate investment. There is free sale of securities, the largest groups of which are in mining, banking, textile, agricultural, metallurgical, and insurance stocks. All corporations with more than 100 shareholders must register with a stock exchange. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$6.5 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$30.9 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 6.81%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

In 2004, there were 239 companies were listed on the Bolsa de Comercio de Santiago, (BCS), which was founded on 27 November 1893. It is a private company comprised of 48 shares held by single shareholders. Chile's first stock exchange dates from 1892 and was established in the Port of Valparaíso. It closed in 1982. Stock operations on the Santiago exchange are regulated by the Insurance and Value Superintendency. Total market capitalization in 2004 stood at \$1.200 billion. As of end 2004, the IGPA index stood at 8,962.6, up 22.2% from the previous year.

In November 1996 the foreign ministry and the Central Bank, together with the superintendence for banks (SBIF) and for securities and insurance (SVV) completed a draft bill for the launch of an offshore stock market in Santiago. It would operate in foreign currency, not convertible into pesos, and would give access to the local capital and credit markets to all Latin American and other foreign borrowers. The offshore stock market began operations in 2000.

### 3<sup>4</sup> INSURANCE

The insurance market is regulated through the Superintendent of Security Markets and Insurance Companies. Accounting practices reflect generally accepted accounting principles, and, in addition, the requirements as established by the Superintendent. These differ from generally accepted accounting principles in the United States in respect to accounting for monetary correction which takes into consideration the changing price levels in Chile.

The Chilean insurance market is characterized by a relatively large number of insurers for its size and a very competitive environment. The market was opened to foreign organizations, the government insurers were privatized, and the market liberalized under the military government. An increasing number of foreign insurers operate in Chile either in association with domestic organizations or independently. Workers' compensation and automobile personal accident insurance for drivers, passengers, and third parties are compulsory.

In 2003, direct insurance premiums written in Chile totaled \$3.396 billion, with \$2.117 billion comprised of life insurance and \$1.225 billion comprised of nonlife insurance. The country's top nonlife insurer in 2003 was Ceuz del Sur, with \$158.5 million



in gross nonlife premiums written. ING was Chile's top life insurer that same year, with \$387.7 million of gross life premiums written.

### 35 PUBLIC FINANCE

Chile experienced budget deficits from the early 1960s through the mid-1970s. Expenditures grew steadily with the expansion of public-sector participation in social welfare and economic activities and with increasing government investment in development projects; the resulting deficits were covered by Central Bank loans and foreign borrowing. Budgetary surpluses were recorded from 1975 through 1981, after which the pattern reverted to deficits. From 1985 to 1993, Chile reduced its external debt by \$11.3 billion through debt-equity conversions.

The US Central Intelligence Agency (CIA) estimated that in 2005 Chile's central government took in revenues of approximately \$29.2 billion and had expenditures of \$24.7 billion. Revenues minus expenditures totaled approximately \$4.4 billion. Public debt in 2005 amounted to 8.1% of GDP. Total external debt was \$44.8 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues in billions of pesos were P10,604.4 billion and expenditures were P10,884.1 billion. The value of revenues in US dollars was us\$15 million and expenditures us\$16 million, based on a market exchange rate for 2003 of us\$1 = P691.43 as reported by the IMF. Government outlays by function were as follows: general public services, 10.2%; defense, 6.3%; public order and safety, 6.2%; economic affairs, 12.4%; environmental protection, 0.3%; housing and community amenities, 0.9%; health, 13.9%; recreation, culture, and religion, 0.8%; education, 17.6%; and social protection, 31.4%.

### 36 TAXATION

Prior to 1920, government revenue was derived largely from export and import taxes, but since then, a more varied tax base has been achieved.

During the Allende period, the congress, which was strongly influenced by opposition parties, resisted government efforts to introduce redistributive income tax policies. At the end of 1974, the military government eliminated the capital gains tax and established a 15% taxation rate for income from real estate, investments, and commercial activities, which has since been reduced to 10%. In 2002 corporate income was paid in two stages: first on declared profits, called the first category income tax (FCIT); and then on distributed profits. The rate for the FCIT was increased from 15% to 16.5% in 2003, and was raised in 2004 to 17%. The rate on distributed profits is 35% minus the FCIT credit. Dividends and interest payments to nonresidents are taxed at 21.69% and 35%, respectively. Royalties and fees paid to nonresidents are subject to withholding taxes of 30%, though this may be modified through tax treaties.

Personal income is progressively taxed up to 40%. Other direct taxes include a housing tax, assessments on real estate, and inheritance and gift taxes.

### Public Finance – Chile (2003)

(In billions of pesos, central government figures)

	10,604.4	100.0%
<b>Revenue and Grants</b>		
Tax revenue	8,121.7	76.6%
Social contributions	728	6.9%
Grants	3.5	0.0%
Other revenue	1,751.1	16.5%
<b>Expenditures</b>	<b>10,884.1</b>	<b>100.0%</b>
General public services	1,112	10.2%
Defense	685.4	6.3%
Public order and safety	670.2	6.2%
Economic affairs	1,350.3	12.4%
Environmental protection	35.9	0.3%
Housing and community amenities	93.8	0.9%
Health	1,515.3	13.9%
Recreational, culture, and religion	82.6	0.8%
Education	1,915.8	17.6%
Social protection	3,422.9	31.4%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Consumption taxes include a value-added tax (VAT) with a standard rate of 19%, various stamp taxes, entertainment taxes, and excise on gasoline, alcoholic beverages, and tobacco.

### 37 CUSTOMS AND DUTIES

As of 1 October 2003, most imported goods are subject to an 19% value-added tax. Automobiles were subject to a luxury tax of 85% on any value above \$15,834.65. Other luxury items, such as jewelry, furs, and yachts were taxed at 50%. Import and export licenses are mandatory, but easily obtainable. In 1977, free trade zones were established in Iquique and Punta Arenas. Chile has free trade agreements with Canada, Mexico, Colombia, Venezuela, Ecuador, Costa Rica, MERCOSUR, and as of 1 January 2004, with the United States. Under the agreement, items originating in the United States would have a tariff between 0% and 6%, although the Chilean tariff rate on nearly all products from most countries is 6%. Chile also places a 50% tax surcharge on used goods/products in addition the current tariff rate. However, the surcharge does not apply to those items originating in the United States, as well as exempting armored cars, prison vans, ambulances, public road cleaning vehicles, cement-making vehicles, and mobile homes. Cigars, cigarettes and processed tobacco are subject to taxes of 51%, 60.4%, and 57.9%, respectively.

### 38 FOREIGN INVESTMENT

Through the Decree Law 600 of 1974 (and its subsequent modifications) and the Chilean Foreign Investment Committee, Chile seeks to encourage foreign direct investment. However, broadcasting, fishing, shipping, and hydrocarbon production usually require majority national control. Foreign investors have purchased many of the assets privatized by the Chilean government over the last decade. Chile has the highest credit rating of all Latin American countries. From 1997 to 2001, \$28.2 billion of foreign direct

investment (FDI) went into Chile. FDI flow peaked in 1999 at \$9.2 billion but dipped to \$3.67 billion in 2000. In 2001, FDI inflow was at a near average level of \$5.5 billion. The principal source of FDI has been the United States, but in 2002, FDI from the United States amounted to a negative flow of \$1 billion. Other principal sources of FDI have been Canada, Spain, the United Kingdom, South Africa, Australia, and Japan. In 2002, the lead areas for FDI were transportation, telecommunications, and mining.

In terms of portfolio investment, by 2001 the number of companies listed on the Chile Stock Exchange and their market valuation had dropped from their peak in 1997 (before the Brazilian currency crisis) of 295 listed companies valued at \$72 billion to 249 listed companies valued at \$56.3 billion. As of 31 December 2001, US investors held \$5.4 billion in Chilean securities, \$1.92 billion in equity shares, \$3.5 billion in long-term debt, and only \$1 million in short-term debt.

With \$64.4 billion invested between 1974 and 2003, had the highest FDI per capita and the highest FDI to GDP ratio of the major economies in Latin America. Capital inflows as a percentage of GDP reached a yearly average of 6.4%. In the first three quarters of 2004, FDI totaled \$6.5 billion—a 219% increase over the same period in 2003. This was however an exceptional year and the result of two large investments made by Spanish companies.

### **39** ECONOMIC DEVELOPMENT

Chile established two free trade zones: the Free Zone of Iquique (ZOFRI) in the northern tip (Region I), and the Free Zone of Punta Arenas (PARANEZON) in the southern tip (Region XII) during the 1970s to encourage trade. Chile has been negotiating for admission into the North American Free Trade Agreement (NAFTA) since 1994, but the process has been stalled by the US Congress. Chile is a member of the South American Mercosur free-trade bloc. Through its concentration on value-added exports and increased foreign direct investment, Chile has become one of Latin America's most-developed nations. Economic growth had averaged over 5% annually since 1985, and was 7.9% during 1988–98. Under the Aylwin administration, the population living in poverty dropped by 800,000 to 4.5 million and real incomes of the poorest workers increased by 20%.

Chile's debt management has been very effective. The government negotiated a favorable rescheduling with its creditor banks of its 1991–94 debt maturities. The government's economic policies also kept consumer price inflation limited to an average of 13.6% during 1990–95, down from the annual average of 20.6% during the 1980s, lowering the rate to 4.7% by 1998. Social expenditures, especially those aimed at improving human capital, rose since 1991 to 15% of gross national product (GNP), and were funded through increased surtaxes. For example, the Program for Youth Labor Training focuses on the high levels of poverty and unemployment among youth. President Lagos, inaugurated in 2000, aimed to bring public accounts into balance by 2001 (after the 1998 financial crisis).

The Lagos government increased consumption taxes (VAT and duties on alcohol, diesel, and tobacco) to finance its healthcare plan and a program aimed at supporting the 225,000 families living in extreme poverty. In late 2003, a gradual tightening of monetary policy was expected, as was a narrowing of fiscal deficits. Corruption scandals adversely affected the business climate, yet

investment in Chile has been strong. The government's role in the economy is limited, and Chile's economy is open and market-oriented. The finance sector has grown faster than other areas of the economy in recent years. The country's large service sector is thriving, with services being modern and competitive (especially telecommunications). Economic activity remains concentrated in the central region of the country, around Santiago and the Valparaíso region.

Economic growth was slower in 2005 as compared to the previous year—a decrease in copper exports (due to a switch by mining companies to ores rich in molybdenum) was the main cause of this decrease. Imports of good and services, on the other hand, have risen by more than 14%. Growth rates were expected to continue a downward trend in 2006 (as a result of slow investment growth), but were likely pick-up again in 2007 (owing to an increase in exports).

### **40** SOCIAL DEVELOPMENT

Prior to the 1973 coup, Chile had built one of the most comprehensive social welfare systems in the world, with over 50 separate agencies participating in programs. Following the military's accession to power in 1973, many of the welfare benefits were suspended, and regulations lapsed. From 1974 to 1981, the junta remodeled the welfare system along the lines of private enterprise.

A mandatory private insurance system was introduced in 1981. Pensions are financed exclusively by workers, whose contributions can amount to over 20% of earnings; employers are not required to contribute, and the government provides subsidies for a guaranteed minimum pension. Retirement is set at age 65 for men and at age 60 for women. Medical benefits are available to wage earners and salaried employees. Workers medical benefits include necessary medical, dental, and pharmaceutical, hospitalization, and rehabilitation. The government funds the Unified Family Allowance system, which provides family allowances.

Sexual abuse and domestic violence are becoming increasingly addressed by the government. It was estimated that over half of Chilean women experience some form of domestic abuse. Legislation implemented in 2004 specifically targeted child pornography. There were no laws regarding sexual harassment in the workplace, although it is recognized as a problem. The average earnings of women with university training were only 60% of those of men with equivalent backgrounds. The labor code provides benefits for pregnant workers.

Excessive use of force by police has been reported, as well as failure to observe due process of law and other human rights abuses toward detainees. The indigenous population continued to suffer discrimination.

### **41** HEALTH

As of 1999, total health care expenditure was estimated at 5.9% of GDP. In 1995, the public health system included 187 hospitals, 230 urban outpatient clinics, 146 rural outpatient clinics, and over 1,000 rural health posts.

Chile made considerable progress in raising health standards. The infant mortality rate declined from 147 per 1,000 live births in 1948 to 8.80 in 2005. The maternal mortality rate was 20 per 1,000 live births in 1998. The birth rate was an estimated 16 per 1,000 people as of 2002. Approximately 43% of married women (ages

15 to 49) used contraception. Average life expectancy in 2005 was 76.58 years. In 1995, the leading causes of death per 100,000 were diseases of the circulatory system (150), cancer (116), injuries or accidents (64), and respiratory diseases (61).

In 2004, Chile had an estimated 109 physicians, 63 nurses and 43 dentists per 100,000 people. In the same year, there were 196 general hospitals in the public sector, as well as 526 primary care clinics and 1,840 rural outpatient clinics. There were 223 private-sector hospitals with 11,000 beds.

An estimated 15% of Chileans, including 10% of children under the age of five, fell below the minimum nutritional requirements established by the UN Food and Agriculture Organization. Protein deficiency among the general population has induced an abnormally high rate of congenital mental handicap. In 2000, 94% of the population had access to safe drinking water and 97% had adequate sanitation.

The HIV/AIDS prevalence was 0.30 per 100 adults in 2003. As of 2004, there were approximately 26,000 people living with HIV/AIDS in the country. There were an estimated 1,400 deaths from AIDS in 2003. Altogether, 90% of the country's AIDS victims have been men and 10% have been women; the incidence among women is increasing.

## 42 HOUSING

The Allende government expanded the housing program following the 1970 housing census, which enumerated 1,860,111 housing units in the country. In 1971, 6.5% of the national budget was expended on public housing, mainly for the poor, and the state built 76,079 new housing units. The military government, on the other hand, stressed the role of the private sector in the housing market. In 1974, the number of new units built by the public sector was 3,297, compared to 17,084 units built privately; the corresponding figures for 1984 were 276 and 46,493. From 1981 through 1985, the number of new units built was 201,244. The number of new dwellings completed jumped from 88,000 in 1991 to 106,000 in 1992.

In 2001, the government had pledged to build at least 25,000 basic homes per year for low-income and poverty stricken residents. The government also set up a subsidy program for those who could not obtain a mortgage. With such assistance, the government estimates that about 130,000 families currently living in squatter villages or slums can be relocated to permanent dwellings by 2007.

As of 2002, there were about 4,399,952 dwellings across the country; about 90% of all housing units were occupied. The majority of all housing (81.6%) were detached homes. About 84.9% of all dwellings were located in urban areas. About 98% of all housing was privately owned; about 73% were owner occupied. Of the privately owned housing stock, about 96% were permanent structures. As of 2003, the housing deficit was estimated at 1,164,629 homes.

## 43 EDUCATION

Chile's present educational system stems from a 1965 reform program that called for curriculum modernization (with new texts for all grade levels), teacher training, and professional educational planning and management. There are both state-run and private schools; all state schools provide free education. As of 2004, gener-

al education was compulsory for 12 years (for students between the ages of 6 and 18). This includes eight years of primary school and four years of secondary school. At the secondary level, students choose to follow a humanistic-scientific course of study or a technical-professional program. The academic year runs from March to December. The primary language of instruction is Spanish.

In 2001, about 77% of all children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 86% of age-eligible students. The same year, secondary school enrollment was about 79% of age-eligible students. Nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 34:1 in 2003. The ratio for secondary school was about 33:1. In 2003, private schools accounted for about 46.5% of primary school enrollment and 48.2% of secondary enrollment.

The University of Chile (founded as Universidad Real de San Felipe in 1738) and the University of Santiago de Chile (founded as Universidad Técnica del Estado in 1949) are national universities with branches in other cities. There are numerous institutions which provide vocational and technical education. There are also several Roman Catholic universities. In 2003, about 42% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 95.6%, with a fairly even rate between men and women.

As of 2003, public expenditure on education was estimated at 4.2% of GDP, or 18.7% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

Chile's principal libraries and museums are in Santiago. The three most notable libraries are the National Library (3,700,000 volumes in 2002), the central library of the University of Chile (41 libraries with an aggregate of over 1,000,000 volumes), and the Library of Congress (750,000). Other significant collections include the Severín Library in Valparaíso (101,000) and the library of the University at Concepción (420,000). The Catholic University of Chile in Santiago has more than a dozen branches holding 500,000 volumes. Public libraries are coordinated through the Directorate of Libraries, Archives and Museums. In 2003, there were about 319 municipal libraries and smaller 45 branch libraries nationwide. The Directorate also sponsored 19 prison libraries and 17 hospital libraries.

Chile's most outstanding museums are the National Museum of Fine Arts, the National Museum of Natural History, and the National Museum of History, all in Santiago, and the Natural History Museum in Valparaíso. The Chilean Museum of Pre-Columbian Art in Santiago has one of the hemisphere's finest collections of indigenous artifacts, including textiles, ceramics, metals, and stonework from the Mapuche, Aymara, Tiahuanaco, Atacoma, and Araucanian cultures. There are dozens of historical, public affairs, and ethnographic museums throughout the country.

## 45 MEDIA

An extensive telegraph service, about three-fourths of which is state-owned, links all the principal cities and towns. International links are supplied by worldwide radiotelephone service and by international telegraph companies. In 2003, there were an estimated 221 mainline telephones for every 1,000 people; about 32,300

people were on a waiting list for telephone service installation. The same year, there were approximately 511 mobile phones in use for every 1,000 people.

Radio Nacional de Chile is a publicly owned station, but numerous private stations exist. As of 1999 there were 180 AM and 64 FM radio stations and 63 television stations. The National Television Council is in charge of monitoring the content of broadcasting for violence and sexually explicit materials. In 2003, there were an estimated 759 radios and 523 television sets for every 1,000 people. About 57 of every 1,000 people were cable subscribers. In 2003, there were 119.3 personal computers for every 1,000 people and 272 of every 1,000 people had access to the Internet. There were 274 secure Internet servers in the country in 2004.

There are over 30 major daily newspapers, the largest of which are in the Santiago-Valparaíso area, where the most important magazines are also published, including the state funded *La Nación*. Among the best-known magazines are *Caras*, (1995 circulation 18,000) and *Qué Pasa?* (20,000). The newspaper *El Mercurio* (founded in 1827) claims to be the oldest newspaper in the Spanish-speaking world. The *El Mercurio* chain includes *La Segunda* and *Las Últimas Noticias* of Santiago, *El Mercurio* of Valparaíso, and *El Mercurio* of Antofagasta.

In Santiago, the leading daily newspapers (with 2004 circulation) are *La Tercera* (180,000), *La Cuarta* (NA), *Las Últimas Noticias* (120,000), *El Mercurio* (112,000), *La Nación* (NA), *La Segunda* (25,000), and *Diario Oficial* (NA). In Valparaíso the leading daily is *El Mercurio de Valparaíso*, with a 2004 circulation of about 65,000. The leading daily in Concepción is *El Sur*, which had a 2004 circulation of 20,000.

Many of Chile's newspapers and periodicals were closed for political reasons in the aftermath of the 1973 military coup. The lifting of the second state of siege in mid-1985 brought a significant improvement in the area of the freedom of the press. Opposition magazines resumed publication, and editors were no longer required to submit copy to government censors prior to publication; radio and television programs featuring political debates reappeared in the last half of 1985. The print and broadcast media, as of 1999, is largely independent, and the government is said to fully support a free press and free speech.

#### 46 ORGANIZATIONS

The members of many workers' organizations have formed consumer cooperatives. Producer cooperatives also are common, particularly in the dairy industry. The National Society of Agriculture has been politically very influential, and the minister of agriculture has been frequently drawn from its ranks. Representative of the many industrial, commercial, and professional organizations are the National Mining Society, Society of Industrial Development, Commercial Union Society, National Press Association, Medical Society, Chilean Medical Association, Agronomers' Society, Geographical Society of Chile, the Computer Science Society and Scientific Society.

The Consumers International Regional Office for Latin America and the Caribbean is located in Santiago. The Confederation for Production and Commerce is an official organization representing the country's industrialists and traders. The Chilean Chamber of Commerce, with its headquarters in Santiago, is the central organ for all chambers of commerce and most trade associations.

The National Academy of Fine Arts was established in 1964. Other educational organizations include the Academy of History and the Center for Investigation and Development of Education. There are several organizations for medical research and education in specialized fields.

Among fraternal organizations, the Masonic Order is prominent. Among the more politically potent organizations are the professional middle-class guilds (*gremios*), which were instrumental in bringing down the Allende government. Social development corporations, comprising mainly business people, have been organized regionally to deal with various welfare problems. Rotary and Lions clubs are also active among the business community.

The National Council of Sports is the overall confederation of athletic associations. Many of the national sports associations are affiliated with international organizations as well. There are youth organizations affiliated with major political parties. The Council of Student Federations of Chile (CONFECH) is a coordinating body for student unions. Scouting programs are active through the Guide and Scout Association of Chile. There are also chapters of the YMCA and YWCA. National women's organizations include the Association of University Women and the Centro de Estudios para el Desarrollo de la Mujer.

There are chapters of Greenpeace, Amnesty International, Defense for Children, Habitat for Humanity, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourist attractions include the Andean lakes of south-central Chile and the famed seaside resort of Viña del Mar, with casinos rivaling those of Monaco. Also popular is Robinson Crusoe Island in the Pacific. Another Pacific dependency, Easter Island (Isla de Pascua), with its fascinating monolithic sculptures, is a major attraction. The giant Christ of the Andes statue, which commemorates the peaceful settlement of the Chilean-Argentine border dispute in 1902, is located on the crest of the Andes overlooking the trans-Andean railway tunnel. Santiago is noted for its colonial architecture, as well as the largest library in South America. Popular national parks include Parque Nacional Lanca in the north, the Nahuelbuta Park near Temuco, and Terres del Paine in the far south. Chilean ski resorts, notably Portillo near Santiago, have become increasingly popular.

The most popular sport in Chile is football (soccer). Other pastimes include skiing, horse racing, tennis, fishing in the Pacific for marlin and swordfish, and some of the world's best trout fishing in the Lake District.

Tourists need a valid passport to enter Chile. A visa is not required for a stay of 90 days or less. There were about 1.6 million tourist visits reported in 2003; around 63% were by visitors from South America. Tourism receipts totaled \$1.3 billion. That year there were 52,362 total hotel rooms with 117,905 beds and an occupancy rate of 32%. The average length of stay per visit was two nights.

In 2004, the US Department of State estimated the daily cost of staying in Chile at \$198.

#### 48 FAMOUS CHILEANS

Chile's first national hero was the conquistador Pedro de Valdivia (1500?-53), who founded Santiago in 1541. The Indian leader Lautaro (1525-57), another national hero, served Valdivia as sta-

ble boy and then escaped to lead his people to victory against the Spanish. His exploits are celebrated in the great epic poem *La Araucana* by Alonso de Ercilla y Zúñiga (1533?–96), a Spanish soldier. Bernardo O'Higgins (1778–1842), a leader of the fight for independence, was the son of the Irish soldier of fortune Ambrosio O'Higgins (1720?–1801), who had been viceroy of Peru. Diego Portales (1793–1837) helped build a strong central government. Admiral Arturo Prat (1848–79) is Chile's most revered naval hero because of his exploits during the War of the Pacific. Arturo Alessandri Palma (1868–1950), who became president in 1921, initiated modern sociopolitical reform. Salvador Allende Gossens (1908–73), the Western Hemisphere's first freely elected Marxist head of state, served three years as Chile's president (1970–73), initiating a broad range of socialist reforms and dying in the throes of a violent military coup in September 1973. The coup's leader was Gen. Augusto Pinochet Ugarte (b.1915), a former commander-in-chief of the army. Outstanding church figures have been Crescente Errázuriz (1839–1931), archbishop of Santiago, and his successor, José Cardinal Caro (1866–1958). Benjamin A. Cohen (1896–1960) was an undersecretary of the United Nations.

Three distinguished historians, Miguel Luis Amunátegui (1828–88), Diego Barros Arana (1830–1907), and Benjamin Vicuña Mackenna (1831–86), brightened the intellectual life of the second half of the 19th century. José Toribio Medina (1852–1930) gained an international reputation with works ranging from history and literary criticism to archaeology and etymology. Important modern historians include Francisco Antonio Encina (1874–1965), Ricardo Donoso (1896–1985), and Arturo Torres Riosco (1897–1971), who was also a literary critic. Benjamín Subercaseaux (1902–73) was a popular historian as well as a novelist.

The first indigenous literary movement was that of the "generation of 1842." One of its leaders was the positivist writer José Victorino Lastarria (1817–88). The novelist and diplomat Alberto Blest Gana (1830–1920) wrote panoramic novels about Chilean society in the tradition of Balzac. Twentieth-century writers include novelist Eduardo Barrios (1884–1963), an explorer of the abnormal psyche; Joaquín Edwards Bello (1887–1968), an author of realistic novels of urban life; the symbolic novelist, poet, and essayist Pedro Prado (1886–1952); and novelist José Donoso (1925–96). Isabel Allende (b.1942) is a world-famous novelist and niece of Salvador Allende; her novel *The House of Spirits* (1982) was made into a film. Ariel Dorfman (b.1942) is a Jewish Argentine-Chilean novelist, playwright, essayist, and human rights activist: *Death and the Maiden* is his most famous play. He teaches at Duke University but divides his time between the United States and Santiago.

Poets of note include Gabriela Mistral (Lucila Godoy Alcayaga, 1889–1957), who won the Nobel Prize in 1945; Pablo Neruda (Nefthalí Ricardo Reyes, 1904–73), the nation's greatest poet, who was awarded a Stalin Prize as well as the Nobel Prize (1971); and the poet-diplomat Armando Uribe Arce (b.1933).

The nation's first native-born composer was Manuel Robles (1780–1837); Silvia Soubllette de Valdes (b.1923) is a leading composer, singer, and conductor; and Gustavo Becerra (b.1925) is a composer and teacher. Claudio Arrau (1903–91) was one of the world's leading concert pianists. Well-known painters are Roberto Matta (1911–2002) and Nemesio Antúnez (1918–1993),

while sculptors include Lily Garafulic (b.1914) and Marta Colvin (1917–1995).

## 49 DEPENDENCIES

### Easter Island

About 3,700 km (2,300 mi) w of Chile is Easter Island (Isla de Pascua or Rapa Nui), a volcanic island roughly 24 km (15 mi) long by 16 km (10 mi) wide. Easter Island is inhabited by a mostly Polynesian-speaking population and a few hundred people from the mainland. Easter Island's population exceeded 2,000 in the mid-1990s. The people raise bananas, potatoes, sugarcane, taro roots, and yams. The island is famous for its *moai*, the massive monolithic stone heads of unknown origin, carved from tufa (a soft volcanic stone). The cryptic sculptures have attracted increasing numbers of visitors to the island from both mainland Chile and around the world. In 1975, the government engaged Spanish consultants to undertake major tourist development on the island. The number of tourist arrivals has been increasing since the 1980s. In 1986, about one-third of the island was a national park.

Easter Island was discovered by Edward Davis, an English buccaneer, in the late 1680s and was named on Easter Day 1722 by Roggeveen, a Dutch navigator. Claimed by Spain in 1770, the island was taken over by Chile in 1888 and is now administered as part of Valparaíso Province.

### Diego Ramírez Islands

About 100 km (60 mi) sw of Cape Horn, at 56°30' s and 68°43' w, lies the small, uninhabited Diego Ramírez archipelago.

### Juan Fernández Islands

Some 580 km (360 mi) w of Valparaíso, at 33°36' to 48' s and 78°45' to 80°47' w, is a group of rugged volcanic, wooded islands belonging to Chile. The two principal islands, about 160 km (100 mi) apart e–w, are Robinson Crusoe, formerly Más a Tierra (93 sq km/36 sq mi), and Alejandro Selkirk, previously Más Afuera (85 sq km/33 sq mi); the smaller island of Santa Clara (or Goat Island) is off the southwest coast of Robinson Crusoe. The chief occupation is lobster fishing. Discovered by Juan Fernández around 1563, the islands achieved fame in 1719, when Daniel Defoe wrote *Robinson Crusoe*, generally acknowledged to have been inspired by the experiences of Alexander Selkirk, a Scottish sailor who quarreled with his captain and was set ashore at his own request on Más a Tierra, where he lived alone until he was rescued (1704–09). The islands are administered by Valparaíso Province.

### Sala-y-Gómez Island

About 3,380 km (2,100 mi) w of Chile and some 400 km (250 mi) ENE of Easter Island, at 26°28' s and 105°28' w, lies arid, volcanic Sala-y-Gómez Island. Almost 1,200 m (4,000 ft) long and about 150 m (500 ft) wide, this uninhabited island belongs to and is administered by Valparaíso Province.

### San Ambrosio Island

Volcanic San Ambrosio Island, uninhabited, lies 965 km (600 mi) w of Chile, at 26°21' s and 79°54' w, rising to 479 m (1,570 ft).

### San Félix Island

Situated 19 km (12 mi) ESE of San Ambrosio Island, at 26°17' s and 80°7' w, is small, uninhabited San Félix Island (about 8 sq km/3

sq mi). Of volcanic origin, the island rises to about 180 m (600 ft). The islet of González is at its southeastern tip. San Félix, along with San Ambrosio, was discovered in 1574.

#### Chilean Antarctic Territory

Chile claims the section of Antarctica lying between 53° w and 90° w, the Antarctic (or O'Higgins) Peninsula, parts of which are also claimed by Argentina and the United Kingdom.

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# COLOMBIA

Republic of Colombia  
*República de Colombia*



**CAPITAL:** Bogotá

**FLAG:** The national flag consists of three horizontal stripes; the yellow upper stripe is twice as wide as each of the other two, which are blue and red.

**ANTHEM:** *Himno Nacional*, beginning “O gloria inmarcesible, júbilo inmortal” (“O unwithering glory, immortal joy”).

**MONETARY UNIT:** The Colombian peso (c\$) of 100 centavos is a paper currency. There are coins of 10, 20, and 50 centavos and of 1, 2, 5, 10, 20, and 50 pesos, and notes of 100, 200, 500, 1,000, 2,000, 5,000 and 10,000 pesos. Commemorative gold coins of various denominations also have been minted. c\$1 = us\$0.00043 (or us\$1 = c\$2,324.08) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the official standard, but Spanish units such as the botella, vara, fonegada, arroba, and quintal also are used.

**HOLIDAYS:** New Year’s Day, 1 January; Epiphany, 6 January; St. Joseph’s Day, 19 March; Labor Day, 1 May; Day of St. Peter and St. Paul, 29 June; Independence Day, 20 July; Battle of Boyacá, 7 August; Assumption, 15 August; Columbus Day, 12 October; All Saints’ Day, 1 November; Independence of Cartagena, 11 November; Immaculate Conception, 8 December; Christmas, 25 December. Movable religious holidays include Holy Thursday, Good Friday, Holy Saturday, Ascension, Sacred Heart, and Corpus Christi. In addition there are six official commemorative days.

**TIME:** 7 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Colombia is the only South American country with both Caribbean and Pacific coastlines. The fourth-largest country in South America, it has a total area of 1,138,910 sq km (439,736 sq mi), including insular possessions, and extends 1,700 km (1,060 mi) NNW–SSE and 1,210 km (750 mi) NNE–SSW. Comparatively, the area occupied by Colombia is slightly less than three times the size of the state of Montana. Bordered on the N by the Caribbean Sea, on the NE by Venezuela, on the SE by Brazil, on the SW by Peru and Ecuador, on the W by the Pacific Ocean, and on the NW by Panama, the Colombian mainland is located entirely within the tropics. Its total boundary length is 6,004 km (3,731 mi). Its coastlines extend 3,208 km (1,993 mi).

Also held by the Republic of Colombia (though claimed by Nicaragua) are the archipelago of San Andrés and Providencia in the Caribbean Sea, about 190 km (120 mi) off the coast of Nicaragua, and the islands of Malpelo, Gorgona, and Gorgonilla in the Pacific Ocean. (In 2001 Nicaragua filed a claim in the International Court of Justice regarding these islands.) Colombia also holds the uninhabited Caribbean islands of Quita Sueño Bank, Roncador Cay, and Serrana Bank, to which the United States renounced all rights under the Treaty of Quita Sueño, ratified by the US Senate in July 1981; Nicaragua also disputes this claim. Colombia has a dispute with Venezuela over maritime rights in the Gulf of Venezuela. Negotiations have been going on unsuccessfully since 1970, and in August 1987, a Colombian naval vessel entered the disputed region in an apparent attempt to make Venezuela more responsive.

Colombia’s capital city, Bogotá, is located in the center of the country.

## <sup>2</sup>TOPOGRAPHY

The Andes Mountains divide just north of Colombia’s southern border with Ecuador into three separate chains, or cordilleras, known as the Cordillera Occidental (western), the Cordillera Central, and the Cordillera Oriental (eastern). The western and central cordilleras run roughly parallel with the Pacific coast, extending northward as far as the Caribbean coastal lowlands. They are alike in geological structure, both being composed of massive crystalline rocks. The Cordillera Central is the highest range of the Colombian Andes, with several volcanic cones whose snow-covered peaks rise to about 5,500 m (18,000 ft), notably Huila (5,750 m/18,865 ft). The third chain, the Cordillera Oriental, runs north-eastward, bifurcating into an eastern branch, the Sierra de los Andes, which slopes down to Venezuela, and a second branch, the Sierra de Perijá, which continues northward to terminate on the border between Venezuela and Colombia just south of the Guajira Peninsula. This range is composed of folded stratified rocks over a crystalline core.

On the margin of the Caribbean stands the Sierra Nevada de Santa Marta, an isolated block of mountains composed of a triangular massif of granite, whose highest elevation is Pico Cristóbal Colón (5,775 m/18,947 ft), the tallest peak in Colombia. In the town of Arboletes in the Sierra Nevada de Santa Marta, there are a number of active mud volcanoes, one of the largest of which fills

a volcanic crater and attracts many locals and tourists who swim and bathe in the mud lake. West of the Cordillera Occidental but not geologically a part of the Andean chain is the low Serranía de Baudó, which skirts the Pacific and extends into the Isthmus of Panama.

Separating the three principal Andean ranges are Colombia's two major rivers, the Cauca (1,014 km/630 mi), which flows northward between the western and central cordilleras, and the Magdalena (1,553 km/965 mi), which divides the central and eastern cordilleras. After emerging from the mountains, the two rivers become one and descend through marshy lowlands to the Caribbean. The area south and east of the Andean ranges is largely composed of river plains divided among the effluents of the Orinoco and Amazon rivers. Open plains immediately adjoin the mountains, but as the distance from the cordillera increases, the plains give way to largely uninhabited and unexplored jungle. The Pacific coastal area is also characterized by jungle vegetation. Principal rivers on the Pacific coast include the Baudó, San Juan, and Patía.

### 3 CLIMATE

Colombia's climatic variations are determined by altitude, and seasons are periods of lesser or greater rainfall, with little or no temperature change. The country may be divided vertically into four regions. The hot country, or *tierra caliente*, is the tropical zone, reaching from sea level to roughly 1,100 m (3,500 ft), where the mean annual temperature is 24°C to 27°C (75–81°F); at sea level, temperatures have a mean maximum of 38°C (100°F) and a minimum of 18°C (64°F). Between 1,100 m (3,500 ft) and 2,000 m (6,500 ft) is the temperate zone, or *tierra templada*, where the average year-round temperature is about 18°C (64°F). Between 2,000 m (6,500 ft) and 3,000 m (10,000 ft) is the cold country, or *tierra fría*, with temperatures averaging a little over 13°C (55°F). Above the 3,000-m (10,000-ft) level the temperature varies from 13°C to -17°C (55°F to 1°F), according to altitude. The annual mean temperature at the capital, Bogotá (altitude 2,598 m/8,525 ft), is 14°C (57°F).

Rainfall is heaviest on the west coast and in the Andean area; rainy and dry seasons, or "winter" and "summer," generally alternate in three-month cycles, as in Bogotá, where precipitation occurs most heavily and consistently during the periods of April to June and October to December. Northern areas have only one long rainy season, from May through October. The annual average rainfall is 107 cm (42 in).

### 4 FLORA AND FAUNA

More than 45,000 species of plants have been identified in Colombia, but it is predicted that when the region is thoroughly explored that number may be doubled. At the highest (3,000–4,600 m/10,000–15,000 ft) and coldest level of mountain meadows, called páramos, the soil supports grasses, small herbaceous plants, and dense masses of low bushes. In the intermontane basins some vegetables, European-introduced grains, and corn are found, along with the bushes, trees, and meadow grasses indigenous to the region. The temperate areas support extensive and luxuriant forests, ferns, mosses, trees of the laurel family, Spanish cedars, vegetables, and grain crops. The tropical zone may be divided into four main groups according to the amount of rainfall received: desertlike areas supporting arid plants, deciduous forests, rain for-

ests, and grass plains. Palm trees of various species abound in the tropics and there are many edible fruits and vegetables.

Animal life is abundant, especially in the tropical area. Among carnivorous species are puma, a variety of smaller cats, raccoons, and mustelids. Herbivores include the tapir, peccary, deer, and large tropical rodents. Sloths, anteaters, opossums, and several types of monkeys are also found, as well as some 1,665 species and subspecies of South American and migratory birds. As of 2002, there were at least 359 species of mammals, 708 species of birds, and over 51,200 species of plants throughout the country.

### 5 ENVIRONMENT

Colombia's main environmental problems are soil erosion, deforestation, and the preservation of its wildlife. Soil erosion has resulted from the loss of vegetation and heavy rainfall, and the soil has also been damaged by overuse of pesticides. Deforestation has resulted from the commercial exploitation of the country's forests, which cover approximately 47.8% of the country. Between 1981 and 1985, 820,000 hectares (2,260,000 acres) were lost each year, and 8,000 hectares (20,000 acres) were reforested. Between 1983 and 1993, Colombia lost another 5.8% of its forest and woodland. From 1990–2000, the rate of deforestation was estimated at 0.4% per year. Air pollution from vehicle emissions is also a problem, especially in Bogotá. Safe drinking water is available to 99% of urban dwellers and 70% of the rural population.

The Colombian government has initiated several programs to protect the environment. By 1959, the Amazon forests, the Andean area, and the Pacific coast were protected. In 1973, the government created the National Resources and Environment Code. The main environmental agency is the Institute for Development of Renewable Natural Resources and the Environment (INDERENA), established in 1969. Among other activities, it has undertaken extensive projects in the training of personnel in conservation, fishing, and forestry. The Colombian Sanitary Code, in force since January 1982, establishes pollution control standards. The National Environmental Education Plan for 1991–94 introduces environmental issues in the elementary schools. In 2003, about 10.2% of the total land area was nationally protected. Los Katios National Park is a natural UNESCO World Heritage Site. There are three Ramsar wetland sites.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 39 types of mammals, 86 species of birds, 15 types of reptiles, 208 species of amphibians, 23 species of fish, and 222 species of plants. Endangered species in Colombia include the tundra peregrine falcon, Cauca guan, gorgeted wood-quail, red siskin, pinche, five species of turtle (green sea, hawksbill, olive ridley, leatherback, and arrau), two species of alligator (spectacled caiman and black caiman), and two of crocodile (American and Orinoco). The Colombian grebe and the Caribbean monk seal have become extinct.

### 6 POPULATION

The population of Colombia in 2005 was estimated by the United Nations (UN) at 46,039,000, which placed it at number 28 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 32% of the population under 15 years of age. There were 98 males





LOCATION: 12°27'46" N to 4°13'30" S; 66°50'54" E to 79°1'23" W. BOUNDARY LENGTHS: Caribbean Sea, 1,760 kilometers (1,094 miles); Venezuela, 2,050 kilometers (1,274 miles); Brazil, 1,643 kilometers (1,021 miles); Peru, 2,900 kilometers (1,802 miles); Ecuador, 590 kilometers (367 miles); Pacific Ocean, 1,448 kilometers (900 miles); Panama, 266 kilometers (140 miles). TERRITORIAL SEA LIMIT: 12 miles.

for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 1.7%; the government sought to reduce adolescent fertility, which it viewed as too high. The projected population for the year 2025 was 58,294,000. The population density was 41 per sq km (105 per sq mi), with about 95% of the population residing in the mountainous western half of the country.

A rapid transfer of population to urban centers has taken place since the 1950s, and during the 1990s, over a million people were internally displaced. The UN estimated that 75% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.96%. The capital city, Bogotá, had a population of 7,290,000 in that year. The populations of other major metropolitan areas were as follows: Medellín, 3,236,000; Cali, 2,583,000; and Barranquilla, 1,918,000. Other metropolitan areas include Cartagena, Bucaramanga, and Cúcuta.

## 7 MIGRATION

Despite government inducements, such as the granting of agricultural land in the eastern plains, immigration has been insignificant, partly because of guerrilla activity and violence. Emigration is small but significant, since many of those who leave the country are scientists, technicians, and doctors. Between 1951 and 1985, some 218,724 Colombians settled in the United States. In 1990 there were more persons in the United States of Colombian birth—304,000—than of any other South American nationality.

As of May 1997, more than 900,000 people had been internally displaced by the violence between the leftist guerrillas and government forces. Though estimates varied, studies agree that displacement is pan-national and on the rise. Twenty-seven provinces within Colombia have been affected by the internal displacement in as far as most of the displaced people have moved to the cities of Colombia. According to SISDESC (System of Information on the Families Displaced by Violence in Colombia), in 1997, every two hours two families were displaced by violence in the country. Between 1985 and 2004, Colombia's internally displaced population numbered 3,100,000.

While the level of external displacement does not match the level of internal displacement, there is a steady outflow of people fleeing the country. The three neighboring countries most affected by cross-border movements are Panama, Ecuador, and Venezuela. In 1999, about 3,000 Colombians from the north of Santander Department fled to Venezuela in response to the armed conflict in the region. In 2004, there were 141 refugees in Colombia, 85 asylum seekers, and 2,000,000 internally displaced persons. As of 2005, the net migration rate of Colombia was estimated as 0.31 migrants per 1,000 population. The government views the migrant levels as satisfactory.

## 8 ETHNIC GROUPS

The predominant racial strain in Colombia is the mestizo (mixed white and Amerindian), constituting about 58% of the total population. An estimated 20% of the inhabitants are of unmixed white ancestry; 14% are mulatto (black-white); 4% are black; 3% are *zambo* (black-Amerindian); and 1% are pure Amerindian. Blacks and mulattoes are concentrated in the coastal regions and tropical valleys. Pure Amerindians are rapidly disappearing; the remaining few live mainly in inaccessible and barren regions. The

principal Amerindian culture of Colombia during the pre-Columbian period was that of the Chibcha, whose descendants are today chiefly concentrated in the departments of Cundinamarca, Boyacá, Santander, and Norte de Santander. The Mutilones, one of the few surviving Amerindian groups untouched by civilization in South America, inhabit the region west of Lake Maracaibo and the Venezuelan border; they are famous for their lethal weapon, the black palm bow and arrow. Small, diverse Amerindian groups also inhabit the eastern extremities of the Colombian plains region, the south, and the western coastal jungles.

## 9 LANGUAGES

The official language, Spanish, is spoken by all but a few Amerindian tribes. Spanish as spoken and written by educated Colombians is generally considered the closest to Castilian in Latin America.

## 10 RELIGIONS

Roman Catholicism was the country's official religion until the adoption of the 1991 constitution. The current law states that there is no official or state religion but adds that the state is "not atheist or agnostic, nor indifferent to Colombians' religious sentiment." Some have interpreted this as meaning that the Roman Catholic Church retains a privileged position; however, a 1994 constitutional court decision declared unconstitutional any official government reference to religious characterizations of the country.

According to a national poll commissioned by the nation's leading newspaper, *El Tiempo*, 81% of the people are Roman Catholic and about 14% belong to other Christian denominations. Officials from the Roman Catholic Church, however, estimate that 90% of the population is Roman Catholic. Protestant groups such as the Seventh-Day Adventists, Jehovah's Witnesses, and the Church of Jesus Christ of Latter-Day Saints make up less than 1% of the population. Other religious faiths or movements include Judaism, Islam, animism, various syncretic beliefs, agnosticism, and atheism. A number of Afro-Colombians, particularly those residing in the department of Choco, practice a syncretic religion which combines elements of Catholicism with African animism. About 1.9% of the population claimed no religious beliefs.

According to a 1997 public law agreement, non-Catholic religious organizations must receive special permission from the state in order to provide chaplains to public institutions such as hospitals or prisons or to perform marriages recognized by the state. Total membership, social popularity, and the content of an organization's statutes and required behavioral norms are considered before permission is granted. As of 2004, only 13 non-Catholic churches had received the necessary status to perform legal marriages.

A 2004 report indicated that religious leaders and followers were regular targets of killings, kidnappings, and extortion by the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN). However, many of the incidents in question seemed to be motivated primarily by political and economic issues.

## 11 TRANSPORTATION

Transportation lacks integration, owing to the mountainous terrain. For this reason, air transportation has become the most important means of travel for most passengers. Despite the develop-

ment of roads and railways, river travel has remained the chief mode of transportation for cargo since the trip up the Magdalena River in 1536 by the Spanish conqueror Gonzalo Jiménez de Quesada. Inland waterways navigable by riverboats totaled 9,187 km (5,742 mi) in 2004. The Magdalena, the fourth-largest river in South America, is navigable for 950 km (590 mi) and carries almost all of Colombia's river traffic.

The railroads, which were nationalized in 1954 and deregulated in 1989, had a combined 3,304 km (2,053 mi) of standard and narrow gauge track in 2004. Of that total, narrow gauge accounted for 3,154 km (1,962 mi).

Also in 2002 there were about 110,000 km (68,354 mi) of roads, of which only about 26,000 km (16,156 mi) were paved. Many roads are plagued by landslides and washouts. The 2,800-km (1,700-mi) Caribbean Trunk Highway, completed in 1974, links the Atlantic ports of Cartagena, Barranquilla, and Santa Marta with the Pan-American Highway (south of Panama) and the Venezuelan highway system. In 2003 there were 850,000 passenger cars and 534,500 commercial motor vehicles.

Owing to inadequate land transport, air service is essential and well developed. A flight from Bogotá to Medellín takes only half an hour, while a truck requires 24 hours over a winding mountain road. In 2004 there were an estimated 980 airports. As of 2005, only 100 had paved runways, and there were also 2 heliports. Colombia's airline, Avianca, is the second-oldest commercial airline in the world and one of the largest in Latin America. Avianca handles about two-thirds of the domestic and international movement of passengers. Most of the country's air transportation is handled by the six principal airports at Bogotá, Barranquilla (E. Cortissoz), Medellín, Cali, Cartagena (Rafael Núñez), and San Andreas. In 2003, these airports serviced about 9.143 million passengers.

Colombia's merchant marine is dominated by the Grand Colombian Merchant Fleet (Flota), a stock corporation owned by the Colombian Coffee Federation. In 2005, merchant marine companies had an aggregate of 15 vessels with 1,000 GRT or over, totaling 35,427 GRT. The nation's chief ports on the Caribbean are Barranquilla, Cartagena, and Santa Marta. Buenaventura is the only important Pacific port.

## 12 HISTORY

Archaeological studies indicate that Colombia was inhabited by various Amerindian groups as early as 11,000 BC. Prominent among the pre-Columbian cultures were the highland Chibchas, a sedentary agricultural people located in the eastern chain of the Andes.

The first Spanish settlement, Santa Marta on the Caribbean coast, dates from 1525. In 1536, Gonzalo Jiménez de Quesada and a company of 900 men traveled up the Magdalena River in search of the legendary land of El Dorado. They entered the heart of Chibcha territory in 1538, conquered the inhabitants, and established Bogotá. As a colony, Colombia, then called New Granada, was ruled from Lima, Peru, until it was made a viceroyalty. The viceroyalty of New Granada, consolidated in 1740, incorporated modern Colombia, Panama, Venezuela, and Ecuador. The area became Spain's chief source of gold and was exploited for emeralds and tobacco.

In the late 1700s, a separatist movement developed, stemming from arbitrary taxation and the political and commercial restric-

tions placed on American-born colonists. Among the Bogotá revolutionaries was Antonio Nariño, who had been jailed for printing a translation of the French Assembly's Declaration of the Rights of Man. Independence, declared on 20 July 1810, was not assured until 7 August 1819, when the Battle of Boyacá was won by Simón Bolívar's troops. After this decisive victory, Bolívar was tumultuously acclaimed "Liberator" and given money and men to overthrow the viceroyalty completely.

After 1819, Bolívar's Republic of Gran Colombia included Colombia, Venezuela, Ecuador, and Panama. Venezuela and Ecuador seceded, but Panama remained part of Colombia. In 1831 the country became the State of New Granada. Political and financial order was attained under Francisco de Paula Santander, Bolívar's vice president, who took office in 1832. During Santander's four-year term and in the subsequent decade there was intense disagreement over the relative amount of power to be granted to the central and state governments and over the amount of power and freedom to be given to the Roman Catholic Church. Characterized by Bolívar as Colombia's "man of laws," Santander directed the course of the nation toward democracy and sound, orderly government.

By 1845, the supporters of strong central government had organized and become known as the Conservatives, while the federalists had assumed the Liberal label. The respective doctrines of the two parties throughout their history have differed on two basic points: the importance of the central governing body and the relationship that should exist between church and state. Conservatism has characteristically stood for highly centralized government and the perpetuation of traditional class and clerical privileges, and it long opposed the extension of voting rights. The Liberals have stressed states' rights, universal suffrage, and the complete separation of church and state. The periods during which the Liberals were in power (1849–57, 1861–80) were characterized by frequent insurrections and civil wars and by a policy of government decentralization and strong anticlericalism.

As effective ruler of the nation for nearly 15 years (1880–94), the Conservative Rafael Núñez, a poet and intellectual, restored centralized government and the power of the church. During his tenure as president, the republican constitution of 1886 was adopted, under which the State of New Granada formally became the Republic of Colombia. A civil war known as the War of a Thousand Days (1899–1902) resulted in more than 100,000 deaths, and the national feeling of demoralization and humiliation was intensified by the loss of Panama in 1903. After refusing to ratify without amendments a treaty leasing a zone across the Isthmus of Panama to the United States, Colombia lost the territory by virtue of a US-supported revolt that created the Republic of Panama. Colombia did not recognize Panama's independence until 1914, in exchange for rights in the Canal Zone and an indemnity from the United States.

Conservative presidents held power between 1909 and 1930, and Liberals from 1930 to 1942. During World War II, which Colombia entered on the side of the Allies, social and political divisions within the country intensified.

The postwar period was marked by growing social unrest in the capital and in the countryside. Politics became much more violent, especially after the assassination of Jorge Eliécer Gaitán, the leftist Liberal mayor of Bogotá. This sparked protests that devel-

oped into riots, the “Bogotazo,” in Bogotá, the end of which only led Liberals and Conservatives into sporadic guerrilla fighting. This extended and bloody period is commonly known as La Violencia, it claimed 150,000 to 200,000 lives. The political system in the 1950s had become irrelevant in the midst of the violence. Three years of Conservative government were followed by a populist military government under Gen. Gustavo Rojas Pinilla, who managed a slightly successful recovery of arms from guerrillas. Rojas ruled as an absolute dictator, but could not quell the violence still raging in the field. Overthrown largely by a coalition of Conservatives and Liberals who used newsprint as their weapon, Rojas gave up power in May 1957 to a military junta, which promised and provided free elections.

When the fall of Rojas was imminent, Liberal and Conservative leaders met to discuss Colombia's future. The period of La Violencia had convinced Colombia's elite that there was a need to bring the rivalry between Liberals and Conservatives under control. Determined to end the violence and initiate a democratic system, the parties entered into a pact establishing a coalition government between the two parties for 16 years. This arrangement, called the Sitges Agreement, created the National Front and was ratified by a plebiscite in December 1957. Under the terms of this agreement, a free election would be held in 1958. The parties would then alternate in power for four-year terms until 1974. Thus, Liberals and Conservatives would take turns in the presidency. Parties were also guaranteed equal numbers of posts in the cabinet and in the national and departmental legislatures.

In 1958, the first election under the National Front, was won by Liberal Alberto Lleras Camargo. As provided in the agreement, he was succeeded in 1962 by a Conservative, National Front candidate Guillermo León Valencia.

During this time another civil war period began. A group of leftist liberals who had established small independent agrarian republics during La Violencia and who were cut out of the power-sharing Sitges Agreement, were attacked by the government in 1964. Two years later the survivors formed the FARC (Fuerzas Armadas Revolucionarias de Colombia) with the stated goal of overthrowing the government. A year earlier in 1965, another group with roots in La Violencia, the ELN (Ejército de la Liberación Nacional), formed the second major revolutionary group after receiving training in revolutionary war tactics in Cuba.

In May 1966, Colombia held another peaceful election, won by Carlos Lleras Restrepo, a Liberal economist. Although lacking the necessary two-thirds majority required under the Colombian constitution to pass legislation, Lleras came to power with the firm support of the press and other important public sectors. His regime occupied itself with increasing public revenues, improving public administration, securing external financial assistance to supplement domestic savings, and preparing new overall development plans. In April 1970, Conservative Party leader Misael Pastrana Borrero, a former cabinet minister, was elected president, narrowly defeating former President Rojas. The election results were disputed but later upheld. A third major revolutionary group, the urban guerrilla M-19 (Movimiento 19) formed a few years later, taking their name from the 19 April 1970 elections dispute.

In August 1974, with the inauguration of the Liberal Alfonso López Michelsen as president, Colombia returned to a two-party

system for presidential and congressional elections. As provided by a constitutional amendment of 1968, President López shared cabinet posts and other positions with the Conservative Party. In 1978, another Liberal candidate, Julio César Turbay Ayala, won the presidency, but because his margin of victory was slim (49.5% against the Conservatives' 46.6%), he continued the tradition of giving a number of cabinet posts to the opposition. In June 1982, just before leaving office, Turbay lifted the state of siege that had been in force intermittently since 1948.

Because of a split in the Liberal Party, the Conservatives won the 1982 elections, and a former senator and ambassador to Spain, Belisario Betancur Cuartas, was sworn in as president in August. He continued the tradition of including opposition party members in his cabinet, however, Betancur's most immediate problem was political violence. Since the late 1970s kidnappings and political murders by both left- and right-wing organizations had become common. In 1983, it was estimated that some 6,000 leftist guerrillas were active in Colombia in at least four guerrilla groups. The Betancur government pursued a policy of negotiation with the guerrillas. He offered amnesty and political recognition in exchange for the cessation of activity and for joining in the electoral process. Betancur's last year in office was marred when M-19 seized the Palace of Justice. Troops stormed the building; it was completely destroyed by fire and over 90 people were killed.

The 1986 election went resoundingly to the Liberals under the longtime politician Virgilio Barco Vargas, who campaigned on a platform of extensive economic and social reform that focused on poverty and unemployment. Barco won with a significant majority and the Conservative Party broke from the tradition started by the National Front by refusing cabinet and other government posts to the Liberals. President Barco did not match the rhetoric of his campaign with policies of any substance, and the economy continued to stagnate. Barco made no progress with drug traffickers, who arranged for the murder of his attorney-general. However, he was able to initiate a plan aimed at bringing guerrilla groups into the political system.

Also, in the 1980s a new military force came into being in Colombia, the paramilitary organizations. These were started by narcotics traffickers, wealthy civilians, businesses, political parties, and the military. This myriad of founders hired their paramilitaries for an equally variable number of violent ends: to assassinate, terrorize, protect from kidnappers, cleanse the country of socially unwanted peoples (such as drug addicts, thieves, prostitutes, beggars, street children, and others), and to fight against the rebels (such as the FARC, the ELN, and the M-19). By 1989 all paramilitary organizations were outlawed, but continued to operate with impunity. The complicated balance of military power in Colombia was then exercised through the government, the rebels, the narcotics traffickers, and the paramilitary organizations. It was estimated that during the 1980s Colombian drug traffickers controlled 80% of the world's cocaine trade.

The election of 1990 brought another Liberal, César Gaviria Trujillo, to the presidency. In that election, three candidates were assassinated. Gaviria continued Barco's outreach to the various leftist guerrilla groups, and in 1991 the notorious M-19 group demobilized and became a political party. The other groups chose to remain active. Gaviria responded to their intransigence in November 1992 by announcing new counterinsurgency measures

and a hard-line policy against both guerrillas and drug traffickers. A constitutional assembly was also held to create a new constitution, which was promulgated on 5 July 1991. It included a number of reforms aimed at increasing the democratization of Colombia's elite-controlled political system.

The powerful Medellín cartel stepped up its terrorist attacks, including car bombings and political assassinations, but the new constitution strengthened government control and the leaders of the cartel surrendered to the Gaviria government in 1991. However, head boss Pablo Escobar escaped from government custody the following year, and was eventually hunted down and killed in 1993. Most top leaders of the Cali cartel, which had taken over much of the Medellín market, were arrested in 1995 and subsequently imprisoned. Even with the arrests, Colombia's lucrative drug trade continued to flourish.

In the 1994 elections, Colombians continued their preference for Liberal candidates, with Ernesto Samper Pizano winning a runoff election against Conservative TV newscaster Andrés Pastrana. In the general election, only 18,499 votes separated the two candidates. The campaign was again marked by widespread political violence. Samper's government was weakened by charges that he and other senior government officials had accepted money from drug traffickers during the 1994 election campaign. (Congress formally exonerated the president of these charges in 1996.)

As of 1996, there was a guerrilla presence in over half the country's villages and towns, and it was estimated that about one million Colombians had fled their homes between 1987 and 1997 as a result of rural violence. With forces estimated at 10,000, there was no apparent prospect that guerrilla groups would succeed in taking over the country, but they continued to thrive, relying heavily on funds from the drug cartels following the collapse of the Soviet Union.

In 1998, the Conservative Party came back to power when Andrés Pastrana won the presidential election with 50.5% of the vote, defeating Liberal Horacio Serpa. Pastrana was committed to negotiations, but the absence of peace kept interrupting any progress. In November 1998, Pastrana ceded a large area in south-central Colombia to FARC's control as a goodwill gesture, but the rebels continued to mount attacks, until finally Pastrana ordered the military to attack rebel positions and reassert control over the rebel zone. The FARC felt betrayed and withdrew into the jungle. Similarly, Pastrana sought more collaboration from the United States to fight the war, but his efforts proved fruitless. What would have been an aid package turned into the adoption of Plan Colombia in 2000, a multibillion dollar initiative funded by the US government aimed at combating drug production. This generated criticism for its heavy focus on military action rather than economic incentives that could lead peasants to abandon coca leaf production.

In the 2002 presidential election, former Liberal Party leader turned independent Álvaro Uribe won with 53.1% of the vote. Campaigning on a tough platform against guerrilla leaders and drug traffickers, Uribe promised a relentless fight against organized crime if elected. In the first term Uribe's government increased the military and police presence throughout the country, increased social spending and health care, nationalized or reorganized many state-owned companies, and increased the number of indicted and extradited narcotics traffickers.

The two major developments in Uribe's first term were the demobilization of the paramilitary groups and the constitutional amendment to allow a president to run for a second term in office. The demobilization of the paramilitaries was controversial internationally because the leaders were penalized very lightly for their involvement in the drug trade, for the violent acts which they perpetrated, and because there appeared to be few guarantees that they would completely disarm or completely demobilize. Plan Colombia was pushed forward but the drug trade was not subdued. During his first term in office, Uribe enjoyed popular support and was able to build a coalition of Liberal and Conservative legislators to push through his tough plans against the guerrillas, as well as to amend the constitution to allow for a second term in office. As of December 2005, initial peace talks were ongoing with the ELN.

### 13 GOVERNMENT

Colombia is a unitary republic, organized democratically under the constitution of August 1886, substantially amended in 1910, 1936, 1945, 1957, 1959, 1968, and 1979, and superseded by the constitution of 1991, which included provisions guaranteeing health care, social security, and human rights protection.

The Congress consists of a 161-member Chamber of Representatives and a 102-member Senate. Members of both houses are elected directly for four-year terms. Colombian congressional representation is determined by the size of the population. Some seats are reserved for blacks, Indians, and other minorities. The chief executive is granted the initiative in fiscal policies and the power to declare a state of emergency during times of economic and social stress. Under such a declaration, the president may rule by decree for a period of not longer than 90 days in any one year. There is universal suffrage for those 18 years of age and over.

Historically, Colombia had an officer called the *designado* (designate), elected by Congress every two years, who served as a sort of vice president and was responsible for exercising the executive function in the president's absence. The 1991 constitution introduced a formal vice presidency. The Constitution was amended in 2005 to increase the number of terms a president is allowed to serve, from one to two consecutive four-year terms.

### 14 POLITICAL PARTIES

For many years, the Colombian constitution allowed only two political parties, the Liberal and the Conservative, to participate in the national government. These two parties consistently dominated Colombian politics. Recent changes allow for more parties, and several have emerged, but the Conservative and Liberal parties control the majority of elected offices.

The Liberal Party (Partido Liberal—PL) continues to support religious toleration and a positive response to the social and economic demands of the masses. The Liberals theoretically support separation of church and state, though in practice a strong church is accepted. Federalism, while important in theory, has been abandoned in practice by Liberal leaders. In general, Liberals have been more successful in elections since the end of the National Front than the Conservatives and have controlled the majority of seats in both houses.

The policy of the Conservative Party (Partido Conservador Social—PCS) has been characterized by close cooperation with the

Roman Catholic Church, a lack of tolerance for non-Roman Catholic religious beliefs, maintenance of class privileges, and highly centralized government with local authority strictly subservient to national rule. Before universal suffrage, the Conservatives sought to allow only heads of families to vote. Under the leadership of Andrés Pastrana, the son of former Conservative president Misael Pastrana, the PCS regained the presidency in 1998.

Despite the spread of suffrage and the rise of industrialization and a middle class, both parties continue to be dominated by a wealthy oligarchy. Both are controlled at the national level by a convention and a directorate, and congressional discipline is strong. Since the National Front agreement of 1958, the two parties have become increasingly similar ideologically.

Congressional and presidential elections from 1958 through 1982 primarily constituted votes of confidence in the National Front. Perhaps as a means of protest, 60% of eligible voters abstained from the presidential election in 1978, and 80% of the electorate abstained from the municipal and local elections of March 1980. In 1982 and 1986, however, Colombian voters turned out in record numbers, with 55% of the electorate participating in the presidential ballot in 1982 and 57% in 1988.

The Colombian Communist Party (Partido Comunista de Colombia—PCC), a traditional, Marxist-oriented party, combined with the nation's largest guerrilla group, the Colombian Revolutionary Armed Forces (Fuerzas Armadas Revolucionarias de Colombia—FARC), to form the Patriotic Union (UP); the group has not become a major force in electoral politics.

There is considerable independent party activity in Colombia, and it has been increasing. Traditionally, the third force in Colombian politics was provided by former dictator Rojas Pinilla, whose National Popular Alliance (Alianza Nacional Popular—ANAPO), now defunct, was a strong party movement. The election dispute of 19 April 1970 gave rise to the extremist rebel group M-19, which stood for the April 19th Movement. After over two decades of military action against the government, M-19 demobilized in 1991. M-19 is part of a coalition of leftist parties and other dissident groups, called Democratic Alliance M-19, which no longer had a presence in Congress as of 2006. Several militant leftist groups remain outside the political system, including the National Liberation Army (Ejército de Liberación Nacional—ELN) and the Revolutionary Armed Forces of Colombia. Although officially a member of the Patriotic Union political party, the FARC also refuses to demobilize. The People's Liberation Army (EPL) began to demobilize in 1993, but a dissident faction refused orders to lay down arms, and returned to the field.

The traditional parties have lost so much power that President Uribe was elected as an independent. It was the first time since 1957 that the president was not elected under the Liberal or Conservative party tickets.

## 15 LOCAL GOVERNMENT

Colombia is divided into 32 departments (states) and the Bogotá federal district, and subdivided into 1,011 municipalities. Departments control their own finances, as well as administration, within the limits set by the constitution. Governors of departments, once appointed by the president, are now elected. Each departmental assembly meets yearly for a session of two months. As-

sembly members are elected by universal suffrage, one for each 40,000 inhabitants.

The departments have the power to establish municipal districts and to review the acts of the municipal governments to determine their constitutionality. Each municipality has a popularly elected municipal council. Another reform from the 1991 constitution is the direct election of mayors; previously mayors were chosen by the president and were directly under the control of their respective governors. Mayors are elected for a two-year term by direct vote.

## 16 JUDICIAL SYSTEM

The judicial system is comprised of a Constitutional Court, Supreme Court of Justice, Council of State, the Higher Judiciary Council, and superior and municipal courts. The Supreme Court in Bogotá is composed of 24 magistrates selected for lifetime terms by justices already in office. The Supreme Court reviews state and municipal laws, frames bills to be submitted to Congress, and proposes reforms. It acts as an advisory board to the government and can veto decrees. It has original jurisdiction in impeachment trials and constitutional interpretation and appellate jurisdiction in ordinary judicial matters. The court is divided into four chambers—civil cassation, criminal cassation, labor cassation, and constitutional procedure.

The 1991 constitution extensively revised the judicial system. It established an independent prosecution system and a national people's defender office to investigate human rights cases. Traditional courts on Indian reservations were validated. A Constitutional Court reviews the constitutionality of proposed legislation.

There is a superior court of three or more judges in each of the judicial districts and a number of municipal courts. A judge of minors in the capital of each department has jurisdiction throughout the department. There are also special labor courts. In criminal cases, the judge chooses a five-member jury; jury duty is obligatory. There is no capital punishment and the maximum penalty for crimes is 20 years in prison. Although the right of habeas corpus is guaranteed by the constitution, suspects in security cases have been detained incommunicado for 10 days or longer.

The judiciary is independent, both in theory and in practice, from the executive and legislative branches. In 1991, the government set up five regional jurisdictions to handle narcotics, terrorism, and police corruption cases in which anonymous judges and prosecutors handle the major trials of narcotics and terrorists. However a 1996 law dictated that the regional justice system would cease to exist by 30 June 1999.

The jurisdiction of the regional justice system included drug-related crimes, crimes against the state and constitutional order, arms manufacturing and trafficking, terrorism, and membership in illegal armed groups, but in practice, a wide array of cases were processed by the regional justice system. The inadequate description of the crimes which fell within its competence and the imprecise jurisdiction of the regional justice system elongated processing and led to situations in which either influential individuals avoided this jurisdiction or less fortunate individuals were unable to do so, and often served the applicable sentence for the crime charged before the case even went to trial.

## 17 ARMED FORCES

Colombia's armed forces in 2005 had 207,000 active personnel, with 60,700 reservists. The Army had 178,000 active members. Equipment included 12 light tanks (all in storage) 135 reconnaissance vehicles, over 192 armored personnel carriers and 639 artillery pieces. The Air Force had 7,000 active personnel. Equipment included 22 combat capable aircraft under the service's Air Combat Command and another 30 under the Tactical Air Support Command. The Navy had 22,000 personnel, including 14,000 Marines and 100 naval aviation personnel. Major naval units included four tactical submarines, four corvettes and 179 patrol/coastal vessels. The naval air arm had seven transport and two utility fixed wing aircraft and one antisubmarine warfare and two utility helicopters. The country's paramilitary forces consisted of an 8,000 member rural militia and a 121,000-member national police force.

Colombia's defense forces are frequently occupied in opposing rural violence, often stemming from militant guerrilla groups and drug lords' armies. Opposition forces include the *Coordinadora Nacional Guerrillera Simón Bolívar* (CNGSB) which is in collaboration with guerrilla groups numbering around 18,000. The right-wing paramilitary group *Autodefensas Unidas de Colombia* (AUC) has approximately 10,600 members. The defense budget in 2005 totaled us\$3.5 billion.

## 18 INTERNATIONAL COOPERATION

Colombia is a charter member of the UN, having joined on 5 November 1945, and participates in ECLAC and many specialized agencies, such as FAO, ILO, IMF, IAEA, UNESCO, UNHCR, the World Bank, and WHO. Colombia became a member of the WTO on 30 April 1995. The nation is a member of the Andean Community of Nations and a nonregional member of the Central American Bank for Economic Integration (BCIE). It also participates in the Caribbean Development Bank, G-3, G-24, G-77, the Latin American Economic System (LAES), the Latin American Integration Association (LAIA), the Association of Caribbean States (ACS), OAS, and the Río Group. Colombia is an observer in CARICOM and an associate member of Mercosur.

The nation is part of the Nonaligned Movement, the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL), and the Organization for the Prohibition of Chemical Weapons. It is a member of the Permanent Court of Arbitration. The country is a signatory of the 1947 Río Treaty, an inter-American security agreement. In environmental cooperation, Colombia is part of the Antarctic Treaty, the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

With the expansion of the manufacturing sector, Colombia has become more dependent upon industry (34.3% of GDP in 2005) than agriculture (12.5% of GDP). Historically, coffee was by far the most important crop: its share of total exports ranged from about 40–65% of the annual total between 1964 and 1986, depending on crop yields and international commodity prices. In 1997, this share had dropped to only 21%, and by 2000, to 8%. A

fall in coffee prices in 2001 reduced coffee's share further, to 6.2%. Nontraditional exports, however, increased 5% in 2001. Colombia's policy has been to reduce its dependence on coffee exports because of widely fluctuating world market conditions, and to encourage other agricultural exports, especially sugar, bananas, rice, potatoes, and cotton. The government has also attempted to attract investment in manufacturing and mining projects. Colombia became a net exporter of petroleum in 1986, and coal has become a major export as well. New oil output from the Cusiana field and other fields helped Colombia reach a record production level in 1999—830,000 barrels per day. By 2002, production had been reduced to 591,250 barrels per day. The share of oil exports to total exports dropped from 34.8% in 2000 to 24.9% in 2001. There is concern that without substantial new crude oil discoveries, Colombia will revert to being a net importer of crude oil again within a few years. Exploration of vast areas of likely territory is inhibited by the occupation of about 40% of the country by groups (mainly the FARC and the ENL) that are not only trying to overthrow the government, but which have made the oil industry infrastructure the prime target of their guerrilla attacks. The Trade Development Bureau's PROEXPO Fund (since renamed the Foreign Trade Bank) was established in 1967 to increase the volume of nontraditional exports and to provide a flexible exchange rate and special tax incentives. Foreign direct investment (FDI), which reached a yearly rate of us\$5.56 billion in 1997, fell to a little over us\$2 billion a year in 2001 and 2002, as the guerrilla attacks continued unabated (an estimated 3,500 persons were killed in attacks in 2002, with another 2000 kidnapped), reaching into urban areas and targeting prominent politicians. In February 2002, the government broke off negotiations that had been going on for three years with no progress towards a resolution.

During the 1970s, Colombia's economy struggled with an inflationary spiral that rose from a rate of 15.4% in 1972 to 25% during the following decade. Inflation remained close to 20% annually through the 1980s and much of the 1990s. After 1983, however, the economy improved significantly, and growth rates rose above the world and hemispheric averages—an average of 4% between 1988 and 1998. In 1990, President Cesar Gaviria instituted an economic restructuring plan known as *apertura* (opening). The program emphasized trade expansion through tariff reduction, free trade agreements, and privatization of state-owned enterprises, including banks, power plants, airports, seaports, roads and telecommunications networks. After the initial burst, the pace of privatization was slowed.

In 1995, domestic political considerations constricted Colombia's economic liberalization. In 1996 and 1997 the administration of US president Bill Clinton decertified Colombia as a country fully cooperative with US narcotics policy. The move was taken in response to continued narco-guerrilla activity in the countryside and to allegations that President Samper had solicited and received campaign contributions from drug cartels. The decertification made it difficult for US companies to further invest in the country, and halted the growth of trade; though the United States remained the biggest foreign investor in the country. The decertification was lifted in 1998, but by then the economy was being impacted by intensified guerrilla activity, fiscal shortfalls, and external shocks—the Asian financial crisis in 1997, the Russian financial crisis in 1998, and the Brazilian financial crisis in 1999. In

1998, GDP growth fell to 0.6% and then in 1999, Colombia experienced its first contraction (-4.2%) since 1983. Growth returned in 2000, but only at the anemic level of 2.7%. Domestic instability and the external economic slowdown combined to reduce growth to 1.4% in 2001 and 1.6% in 2002. In December 1999, the government entered into a three-year arrangement with the IMF under its Extended Fund Facility (EFF), and there was a marked decline in the inflation rate across this period: inflation fell from 18.7% in 1998 to 5.7% in 2002. Unemployment in 2002 was estimated at 17.7%, with subemployment at 35%.

In 1999, due to economic instability in 1998, Colombia signed its first agreement with the IMF for a us\$3 billion approved standby line of credit. The government also unveiled plans to renew the privatization many state-owned enterprises to revitalize the economy. Nevertheless, guerrilla warfare put off potential investors.

In late 2002, the government offered reform legislation in five areas: taxes, pensions, labor, public administration, and banking. In January 2003, the government entered into a us\$2.5-billion standby arrangement with the IMF to support these reforms.

From 2000, the annual average GDP growth was 2.9%; in 2004, it was 4.1%, the highest level since 1995 (as reported by the Economist Intelligence Unit). Figures show that GDP growth continued at this pace in 2005, as well. This growth could be tied to the increases in private investment and household consumption during Alvaro Uribe's term, in which he sought to boost investor confidence in the country. The increase in growth rates was also aided by good international economic conditions.

As of May 2004, Colombia had begun to negotiate a free-trade agreement with the United States (as did Peru and Ecuador). The talks were expected to culminate in a deal in 2006–07 that would increase liberalization by reducing tariffs and restrictions on trade and capital flows, and strengthening property rights protection (including intellectual property rights).

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Colombia's gross domestic product (GDP) was estimated at us\$303.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at us\$7,100. The annual growth rate of GDP was estimated at 4.3%. The average inflation rate in 2005 was 5%. It was estimated that agriculture accounted for 12.5% of GDP, industry 34.3%, and services 53.3%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled us\$3.076 billion or about us\$69 per capita and accounted for approximately 3.8% of GDP. Foreign aid receipts amounted to us\$802 million or about us\$18 per capita and accounted for approximately 1.1% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Colombia totaled us\$50.79 billion or about us\$1,139 per capita based on a GDP of us\$80.0 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consump-

tion grew at an average annual rate of 1.8%. It was estimated that in 2001 about 59% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Colombia's labor force was estimated at 20.52 million. As of 2000, the service industry employed an estimated 58.5% of the workforce, with 22.7% in agriculture and 18.7% in industry. The unemployment rate in 2005 was estimated at 11.8%.

The right to organize unions is provided by the constitution, although violence and discrimination against union members are major obstacles to engaging in union activities. Less than 5% of the workforce was unionized in 2005, with the vast majority of these workers in the public sector. The right to strike is guaranteed by the constitution with the exception of essential workers, such as those in the armed forces or the police.

The basic source of Colombian labor legislation is the Substantive Labor Code. The standard workday is eight hours with a 48-hour workweek. A minimum eight-hour rest period is also required per week. The minimum wage is reviewed each January to set the standard for wage negotiations. As of 2005, the minimum wage was us\$167 per month. This amount does not provide a decent standard of living for a family.

The law prohibits children under the age of 12 from working. Those in the age 12 to 13 category are severely limited as to the kind of work they can perform. Minors between the ages of 14 and 17 are limited in the number of occupations they can enter. In spite of these regulations, child labor remains a significant problem especially in the informal sector and in agriculture. Only 38% of children that worked also attended school.

## 22 AGRICULTURE

Agriculture, despite an endemic problem of poor productivity, remains the most important segment of the Colombian economy. In 2005, agriculture accounted for 12.5% of the GDP.

Only about 3.7% of Colombia's land area is cultivated, most of it in elevated regions of the temperate zone. The small area of cultivation is due in part to the rugged Andean terrain and in part to lack of irrigation. In 2000–02, 21.5% of cropland was irrigated, up from 13.1% during 1989–91. The flat, fertile valleys are generally devoted to livestock, limiting cultivation to the slopes, an unecological practice that is gradually being changed. Hand cultivation, especially by machete and hoe, predominates, but mechanization is making headway on the larger farms. Fertilizer is expensive and not sufficiently used. The small size of farms is another constraint on agricultural growth: in the mid-1980s, farms of less than 20 hectares (50 acres) accounted for 80% of all agricultural land.

Coffee, by far the most important crop, is grown mainly on the Andean slopes at altitudes of 1,300–1,800 m (4,200–6,000 ft). Colombia, the world's second-largest coffee grower, contributes 13–16% of the total world production each year. In 2004, coffee-growing farms, many under 6 hectares (15 acres), accounted for about 800,000 hectares (2 million acres), about 40% of the land under permanent crops. In 1992, despite a severe drought, the amount of coffee exported increased by over 30% as a result of a successful strategy for expanding the external markets. In 1993, coffee production increased to 1,080,000 tons, but dwindled to only 678,000



tons in 1994. Production in 2004 was 663,660 tons. In 2004, coffee accounted for 28% of agricultural exports.

Sugar, also important, is grown chiefly in the Cauca Valley, with its center at Cali. Many varieties of bananas are grown; bananas for export are produced in the Uraba and Santa Maria regions. Colombia is the world's third-largest banana exporter (after Ecuador and Costa Rica) and supplies about one-sixth of the world export market. Corn, yucca, plantains, and, in high altitudes, potatoes have been traditional food staples since before the Spanish conquest. Beans, rice, and wheat, introduced in the 19th century, are also important in the diet. Other export crops include fresh-cut flowers, cotton, and tobacco. Cocoa is produced in limited amounts for domestic consumption. Colombia produces much of its domestic food requirements, but it has to import wheat, barley, fats, oils, and cocoa.

Since 1940, the government has taken an increasing part in the control, organization, and encouragement of agriculture. Through the Colombian Institute of Agrarian Reform (Instituto Colombiano de la Reforma Agraria—INCORA), farmers are given financial support, technical aid, and social assistance for better housing, education, and health facilities. INCORA acquires land for equitable distribution to farmers and helps to develop potentially valuable but uncultivated land and to increase agricultural productivity. The production-oriented Rural Development Program, begun in 1976, gave technical assistance and credit to about 30,000 small landholders. Farmers have also benefited from the US\$150-million rural electrification program, introduced in 1981, and from a program to extend irrigation and drainage systems, initiated in the early 1980s.

Agricultural production (in thousands of tons) for major crops in 2004 was: sugarcane, 37,100; plantains, 2,950; potatoes, 2,959; rice, 2,663; cassava, 2,218; bananas, 1,450; corn, 1,458; sorghum, 285; cotton, 52; palm kernels, 144; cocoa, 49; and dry beans, 135. Marijuana, coca leaf, and opium are also grown for the production of illicit drugs. In 2003, there were an estimated 144,000 hectares (356,000 acres) producing coca leaf, generating 680 tons of cocaine base, 80% of the world estimate.

### 23 ANIMAL HUSBANDRY

Occupying about 42 million hectares (104 million acres) of pasture, livestock farming (especially cattle breeding) has long been an important Colombian industry. Of this total area, about 19 million hectares (46.9 million acres) are actually used for livestock production. The Ministry of Agriculture maintains experimental stations in Antioquia and Bolívar departments to improve breeds, but the quality of livestock is still low. Cattle are driven to market by truck. This practice often entails crossing high mountains, with much wastage; accordingly, there has been a movement to construct slaughterhouses and meat-packing plants near the ranges. Dairy farming, not important in the past, expanded in the 1970s, especially near the big cities. Colombian sheep produce about one-third of the wool used by the country's textile industry. The government maintains an experimental station for sheep in Cundinamarca and for goats in Norte de Santander. In 2004 there were 25 million cattle, 2.2 million sheep, and 2.3 million pigs. The production of beef and veal was 690,000 tons in 2004.

### 24 FISHING

Colombia has an abundance of fish in its Caribbean and Pacific coastal waters and in its innumerable rivers. Lake Tota in Boyacá and Lake La Cocha in Nariño abound in trout, as do the artificial reservoirs of Neusa and Sigsa in Cundinamarca. About half of the annual catch consists of freshwater fish. Tarpon are caught in the delta waters of the Magdalena, and sailfish, broadbills, and tuna in the Caribbean. The 2003 fish catch was 157,794 tons. The development of crustacean aquaculture has expanded since the mid-1980s, especially for Penaeid shrimps. Aquaculture production totaled 60,895 tons in 2003 and consisted primarily of tilapia and rainbow trout.

### 25 FORESTRY

Colombia's forested area is some 50 million hectares (123.6 million acres), or nearly 50% of the total area. Although much timberland is inaccessible or of limited value, the nation is self-sufficient in lumber. Roundwood production was 9.9 million cu m (350 million cu ft) in 2003; exports of roundwood were valued at US\$3 million that year. The soft tropical woods that predominate are also suitable for plywood production, for paper pulp, and for furniture manufacture; total export of forest products amounted to US\$142.8 million in 2003.

### 26 MINING

Historically, Colombia has been the world's leading exporter of emeralds, although the fuel sector now dominates the country's mineral production. It also produced a significant amount of gold (ranking second in the region), was Latin America's only producer of platinum, was the third-largest producer of cement, and was a leading producer of nickel. In terms of value, the main minerals produced in Colombia (after petroleum) were coal, emeralds, gold, and platinum, respectively, in 2003. Colombia also produced sizable amounts of common clay, kaolin, dolomite, gypsum, limestone, hydrated lime and quicklime, magnesite, nitrogen (content of ammonia), rock and marine salt, sand, gravel, marble, feldspar, phosphate rock, and sodium compounds (sodium carbonate), as well as small quantities of sulfur (native, from ore), asbestos, bauxite, bentonite, calcite, diatomite, fluorite, mercury, mica, talc, soapstone, prophyllite, dolomite, and zinc.

Production figures for principal nonfuel minerals in 2003 were: gold, 46,515 kg, up from 20,823 kg in 2002; emeralds, 8.963 million carats, up from 5.390 million carats in 2002; nickel, 70,844 metric tons, compared with 58,196 in 2002; iron ore and concentrate, 625,002 metric tons, down from 688,106 metric tons in 2002; silver, 9,511 kg, up from 6,986 kg in 2002; and feldspar, estimated at 55,000 tons. Production of nickel content of ferronickel increased to 47,868 metric tons in 2003, up from 43,987 metric tons in 2002.

According to estimates by the Colombian government, 90% of emerald production is destined for exports. Emerald deposits are located in the sedimentary basin of the Cordillera Oriental, in Boyacá in the Cinturón Esmeraldífero Oriental and Cinturón Esmeraldífero Occidental; more than 60 production licenses were active. Most gold production came from small- and medium-sized alluvial operations, which employed artisanal methods of extraction. All platinum was mined by small mining cooperatives or in-

dividual prospectors, at Río San Juan, Choco. Silver was produced in Segovia and Río Nechi, Antioquia.

The country's substantial copper, iron, nickel, and lead reserves were of major importance to the future development of the economy. The El Roble copper mine produced output for Japan. A copper deposit with reserves estimated at 625 million tons was discovered at Pantanos, Antioquia, in 1973. Cerro Matoso S.A., a subsidiary of BHP Billiton PLC, was the country's sole producer of nickel and ferronickel, near Monetlibano, Córdoba. Reserves of the lateritic nickel mine were estimated to be 39.9 million tons with a nickel content of 2.3%. A second production plant, completed in 2001, ahead of schedule, doubled Cerro Matoso's ferronickel production capacity to 55,000 tons per year of nickel.

Under Article 332 of the 1990 constitution, the state retained the rights to all surface and subsurface nonrenewable and natural resources; the government granted concessions for exploration and production. In 1989, a new mining code sought to encourage mineral exploration and development by expediting the processing of claims, improving the security of mineral occupancy and tenure, and providing financial aid to small- and medium-scale miners. The mining code of 2001 sought to encourage exploration and production of mineral resources and limit the role of the government to one of a regulatory and administrative entity, with more production transferring to the private sector. The law also clarified the provisions for establishing mining contracts.

## 27 ENERGY AND POWER

Colombia's mountainous terrain and network of rivers offer one of the highest potentials in the world for the generation of hydroelectric power. These resources remain largely undeveloped, despite intensive government efforts. In addition, the nation's energy sector, particularly oil, has had to deal with an ongoing civil war involving a pair of leftist insurgent groups: the Fuerzas Armadas Revolucionarias de Colombia (FARC) and the Ejercito de Liberacion Nacional (ELN); and the Autodefensas Unidas de Colombia (AUC), a right-wing paramilitary group. Further complicating the security situation has been the problem of narcotics trafficking.

Electric generating capacity was estimated for 2002 to stand at 13.1 GW, of which hydropower accounted for 63.3% and thermal 36.7%. The output of electricity has been estimated for 2002 at 44.9 billion kWh (77% hydroelectricity; 21% thermal), up from 2000, in which output stood at 42.9 billion kWh. Colombia's heavy reliance upon hydroelectric power makes the country vulnerable to drought, such what happened in 1992, when a severe drought led to power blackouts and rationing. Although the government has attempted to encourage the construction of natural gas and coal-fired plants to diversify the nation's electric power supply, since the early 1990s, hydropower has continued to increase its share as a source of power generation. Estimated consumption of electricity rose in 2002, from 2000, to 41.1 billion kWh. In the latter year, consumption of electricity totaled 40.3 billion kWh. Colombia in 2003 had an estimated 7.3 billion short tons in recoverable coal reserves. For the same year, coal production totaled 52.5 million short tons.

According to the Oil and Gas Journal, Colombia has estimated proven petroleum reserves of 1.54 billion barrels and an estimated oil refining capacity of 285,850 barrels per day, as of 1 January 2005. Production of oil rose rapidly from 7.4 million tons in

1982 to 30.1 million tons in 1995. In 1999 it hit an all-time high of 826,000 barrels per day, before declining to 616,000 barrels per day in 2001. In 2004, oil output was estimated at 530,000 barrels per day, of which crude oil accounted of 508,000 barrels per day. Domestic oil consumption was estimated for 2004 at 261,000 barrels per day. The Colombian government since 1999 implemented new measures to encourage increased exploration and production, and to attract foreign investment. While these moves have spurred an increase in the upstream sector, a major contributing factor in the revival of interest, has been an improvement in the nation's security situation. In 2004, the number of kidnappings fell by 60% and attacks against Colombia's oil infrastructure fell significantly in 2003. For example, attacks against the Cano-Limón oil pipeline dropped from 170 in 2001 to 34 in 2003.

The production and consumption of natural gas have grown since the mid-1970s. According to the Oil and Gas Journal, as of 1 January 2005 Colombia had estimated proven natural gas reserves of 4.0 trillion cu ft, down from 4.5 trillion cu ft in 2004. In 2003, production and consumption of natural gas were each estimated at 215 billion cu ft. As with the oil sector, the nation's gas sector has been targeted by saboteurs and guerrillas. However attacks against the natural gas infrastructure and the costs associated with lost production and repairs have been cut, due to increased security measures.

## 28 INDUSTRY

The National Association of Manufacturers (Asociación Nacional de Industriales—ANDI) represents firms engaged in some 40 different branches of manufacturing. ANDI was founded in 1944 to assist both large and small businesses. Since 1940, the Industrial Development Institute (Instituto de Fomento Industrial—IFI), a government-operated finance corporation, has been investing in enterprises that otherwise might not be undertaken because of high risk or lack of capital. It provides direct financing for construction, acquisition of essential machinery and equipment installation services, and working capital. Most of the industrial activity is concentrated in and around Bogotá, Medellín, Barranquilla, and Cali. Industries in Medellín produce textiles, clothing, chemicals, plastic, and printed materials.

Manufacturing accounted for 15% of GDP in 1950, 24% at its peak in 1977, and 14% in 1998. Colombia is almost self-sufficient in consumer products, which represent about half of total industrial production. The 1970s witnessed a shift in industrial development policies from import substitution to expansion of exports. While the pace of industrial growth declined slightly in the mid-1970s, it increased by 2.5% between 1977 and 1987. This growth continued into the early 1990s, but slowed by mid-decade. Industry declined by 2.3% in 1998. Manufacturing growth began to pick up after the 1997–99 recession, registering a 9.7% growth rate in 2000.

Export-oriented industries include coal and oil derivatives, chemicals, porcelain, and glass. In 1995, mining and hydrocarbons grew by 17%, the highest growth sector in the Colombian economy. That the rest of the industrial economy has been sluggish in recent years is due to a cluster of factors, including the lack of infrastructure, labor difficulties, and most significantly, the civil unrest in the countryside caused by bands of paramilitaries loyal to drug traffickers and political extremists. The decline in indus-

try also reflects an ebb in the country's construction boom. The construction sector grew by nearly 10% a year through the early part of the 1990s, but fell to just 5.3% in 1995. Due to the effects of the recession, construction saw negative growth rates of 14.4% and 19.9% in 1998 and 1999, respectively. The construction sector began to stabilize in 2000, contracting by only 1.5%.

Colombia has five oil refineries. Hydrocarbon production decreased by 15.5% in 2000, but due to the rise in international oil prices, revenues were maintained. Though industrial growth was fairly widespread from 2000–2005, the construction industry appeared to have benefited the most.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

The government of President Turbay Ayala (1978–82) emphasized research in farming in order to help raise agricultural production. The Academy of Exact, Physical, and Natural Sciences (founded in 1933) and the National Academy of Medicine (founded in 1890), are both located in Bogotá. As of 1996, there were 24 specialized agricultural, medical, scientific, and technical learned societies, and 13 scientific research institutes in Colombia, and the country had 43 universities offering degrees in basic and applied sciences. In 1987–97, science and engineering students accounted for 28% of college and university enrollments.

In 2002, Colombia had 81 researchers and 46 technicians per million people engaged in research and development (R&D). For 2001 (the latest year for which data is available), Colombia's R&D expenditures totaled us\$450.758 million, accounting for 0.17% of GDP. Of that amount, business accounted for 46.9%, followed by higher education at 38.3%, the government at 13.2%, and non-profit institutions at 1.7%. High technology exports in 2002 totaled us\$319 million, or 7% of manufactured exports.

## 3<sup>0</sup> DOMESTIC TRADE

There are four primary marketing areas: the Caribbean coast region, the Antioquia region, the Cauca Valley region, and the Bogotá region. Firms desiring distribution of their products to all important national markets generally appoint agents in the leading city of each of the four regions (Barranquilla, Medellín, Cali, and Bogotá, respectively). Most small purchases are made for cash, but many stores offer installment credit facilities. A 16% value-added tax applies to most goods and services. As of 2002, there were about 80 franchise companies operating stores through the country. These are primarily foreign-based fast-food establishments.

Small, individually owned retail establishments predominate, although chain stores are increasing. Variety stores and department stores on the pattern of those in the United States are becoming popular, and food supermarkets are increasing in larger cities. Local farmers' markets, however, are still more generally patronized even in the cities, and in rural areas they are often the only trading centers. Direct marketing is gaining in popularity.

Business hours vary largely with climatic conditions; however, the usual workday is from 7:30 or 8 AM to noon and from 1 to 4:30 or 5 PM. Most businesses close on Saturday afternoons, Sundays, and on state or religious holidays. Banking hours are generally from 9 AM to 3:30 PM. Retail establishments are generally open from 9 AM to 7 or 8 PM on weekdays and from 9 AM to 9 PM on Saturdays. Restaurants and other food stores may be open on

Sundays and some holidays. Major credit cards are now generally accepted in most cities and ATM machines are prevalent.

The principal advertising media are newspapers, magazines, radio, and television; in motion picture theaters, it is also customary to display advertisements on the screen between features. There are a number of advertising and public relations firms.

## 3<sup>1</sup> FOREIGN TRADE

Beginning in 1990, Colombia opened up its economy to greater international trade and investment. The program of liberalization resulted in mass privatizations and lifting of restrictions on foreign investment; and substantially reduced import tariffs while eliminating most import licensing requirements. The government also signed the Andean Free Trade Agreement (ANCOM) with Venezuela, Peru, Ecuador, and Bolivia; the Latin American Integration Association (LAIA) with Argentina, Bolivia, Brazil, Chile, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, El Salvador, Costa Rica, Guatemala, Nicaragua, and Honduras; a Bilateral Free Trade Agreement with Chile; and an agreement with Mexico and Venezuela called the Group of Three (G-3).

Colombia also has several free-trade zones, the largest of which is Barranquilla, on the Caribbean. Other free-trade zones providing benefits for importers and exporters, as well as for manufacturers located within the zone boundaries, are the Buenaventura Harbor, Cúcuta, Palmaseca (near Cali's international airport), and the Caribbean port of Santa Marta. The illicit trade in marijuana and cocaine, especially to the United States, is known to be substantial, but there are no reliable estimates of its volume or its value. The Colombian government estimated in 1999 that drug traffickers smuggled us\$5 billion annually in contraband into the country.

Colombia exports 10–20% of the world's coffee, which is the country's second-largest commodity export. Fuels contribute largely to the export market, including crude and refined petroleum; and coal, lignite, and peat. Agricultural exports like fruit, nuts, vegetables, sugar, and honey account for a smaller percentage of Colombia's exports.

### Principal Trading Partners – Colombia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	13,092.2	13,880.6	-788.4
United States	6,160.2	4,112.7	2,047.5
Ecuador	779.0	409.7	369.3
Venezuela	694.3	727.4	-33.1
Peru	395.4	193.4	202.0
Mexico	358.2	744.4	-386.2
Dominican Republic	342.4	...	342.4
Netherlands	301.1	103.5	197.6
Italy-San Marino-Holy See	285.2	289.9	-4.7
Germany	264.4	611.7	-347.3
Belgium	227.8	86.7	141.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

In 2004, Colombia exported 42.1% of its products to the United States, 9.7% to Venezuela, and 6% to Ecuador, totalling over us\$23 billion. On the other hand, 29.1% of its imports came from the United States, 6.5% from Venezuela, 6.4% from China, 6.2% from Mexico, and 5.8% from Brazil.

### 3<sup>2</sup> BALANCE OF PAYMENTS

When President Carlos Lleras Restrepo took office in August 1966, the economy of Colombia was unstable; inflation was spiraling, and there was a lack of centralized economic planning. Lleras embarked on an austerity program that included trade and exchange controls, tight credit policies, tax reforms, a balanced budget, and the determination of priorities in the field of public investment. The cutback in imports had repercussions in the industrial sector, but controls were then loosened and business activity stepped up rapidly.

Colombia succeeded in building up a national account surplus during the 1970s, 1980s, and early 1990s. Emphasis on export expansion, import substitution, and continuation of foreign assistance led to further progress. The second half of the 1990s, though, brought a consistently negative balance of payments of about 5% of GDP. The Pastrana government implemented austerity measures through an IMF us\$2.7-billion loan in the hopes of cutting the fiscal deficit to 3.6% by 2000 and 1.5% by 2003. In 2000, Colombia had a trade surplus of us\$1.5 billion, in contrast with a us\$3.8 billion deficit in 1988. Recent rises in exports have focused on nontraditional exports such as bananas, flowers, gold, emeralds, chemical products, machinery, textiles and apparel, and plastic products. In 2000, due to lower international commodity prices for coffee and coal, those exports decreased.

The CIA estimated that in 2005, the current account balance was in deficit at -us\$917 million.

### 3<sup>3</sup> BANKING AND SECURITIES

The Bank of Bogotá, founded in 1879, was the first Colombian credit establishment. The Bank of the Republic was established in 1923 as the semiofficial central bank. This bank is the sole note-issuing authority. The notes must be covered by a reserve in gold or foreign exchange of 25% of their value. The Bank of the Republic also operates the mint for the government. It rediscounts and makes loans to official and semiofficial institutions. In 1963, the Monetary Board was set up to assume from the bank the responsibility for setting required reserve rates for managing general monetary policy; this board, which formulates monetary, credit, and exchange policy, is thus the most influential financial agency in Colombia. The government supervises the banking system by means of a special governmental body, called the Superintendency of Banks.

In 2000, the Colombian financial system included 29 commercial banks (four of them state-owned), the Colombian Export Promotion Bank (BANCOLDEX), 107 foreign bank offices, six savings and loans corporations (CAVs), 10 development banks, 32 commercial finance companies, 37 trust companies, 33 insurance companies, and a state-owned mortgage bank. The Bank of the Republic and the commercial banks supply mainly short-term loans, and investment corporations make long-term loans.

In 1982, in the wake of a scandal that led to the liquidation of a commercial bank and a finance company, the government moved to reform the banking sector by placing limits on the equity any individual (or his family) could hold in a financial institution and on the credit any lending institution could extend to any individual or entity. Several more crises in the ensuing years shook public confidence in the financial system, but tight government control over the sector has brought it back to a state of partial recovery.

Beginning in 1989, the government began to privatize the banks. Several bank liquidations took place in 1999, including Pacifico, Andino, and Selfin. Two government owned banks merged (Estado and Uconal), while the largest government bank, Caja Agraria, was liquidated and replaced by the new Banco Agrario. The goal was to reduce the number of banking institutions to about 17. The Central Bank devalued the peso by 9% in 1998 and by 10% in 1999 in an effort to stimulate economic growth. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to us\$8.0 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was us\$22.6 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 10.4%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 16.4%.

The Bogotá Stock Exchange, organized in 1928, is the largest official stock exchange in the country. The Medellín Exchange was established in 1961, and the Occidente Stock Exchange in Cali was established in 1983 and began operations in 1993. The Bogotá exchange accounts for about 57%, the Medellín 28%, and the Cali exchange 15%. In 2004, a total of 114 companies were listed by the combined Bogotá, Medellín and Cali stock exchanges (Colombia Stock Exchange), which had a market capitalization of us\$25.223

#### Balance of Payments – Colombia (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-1,456.0</b>
Balance on goods		326.0	
Imports	-13,258.0		
Exports	13,584.0		
Balance on services		-1,551.0	
Balance on income		-3,447.0	
Current transfers		3,216.0	
<b>Capital Account</b>			<b>...</b>
<b>Financial Account</b>			<b>877.0</b>
Direct investment abroad		-923.0	
Direct investment in Colombia		1,746.0	
Portfolio investment assets		-1,741.0	
Portfolio investment liabilities		130.0	
Financial derivatives		-45.0	
Other investment assets		1,651.0	
Other investment liabilities		59.0	
<b>Net Errors and Omissions</b>			<b>391.0</b>
<b>Reserves and Related Items</b>			<b>188.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

billion. The IGBC rose 86.2% from the previous year in 2004 to 4,345.8.

### 34 INSURANCE

The government regulates the insurance industry through the Insurance Section of the Superintendency of Banks. A social insurance system, the Institute for Social Insurance (Instituto para Seguros Sociales-ISS) established by law in 1946, was organized by the Ministry of Labor to provide life and disability insurance, a pension plan, and a health program for employees in the modern private subsector. In 1999, there were 27 insurance companies in operation, two of which were governmental. In Colombia, third-party automobile liability, workers' compensation, personal accident, professional liability, earthquake, and aviation third-party insurance are compulsory.

During 1995, regulations were issued that require insurance companies to adjust investments to market or equity values and to account for such changes through the income statements. Prior to 1995, any such unrealized adjustments were adjusted directly to policy holders' surplus funds. A relatively modest number of insurers, a competitive environment, and a few dominant companies in terms of market share characterize the Colombian market. A number of foreign insurers operate in Colombia, but foreign insurance companies may not establish local branch offices in lieu of opening major offices. Foreign investment in domestic insurance companies is now up to 100%, although a few restrictions may apply. In 2003, direct premiums written totaled us\$1.998 billion, with nonlife premiums accounting for us\$1.449 billion. Colombia's top life insurer that year was Previsora, with us\$144.5 million in gross nonlife premiums written. The country's top life insurer that same year was Suramericana, with us\$224.7 million in gross life premiums written.

### 35 PUBLIC FINANCE

Much of Colombia's foreign debt has been accumulated by financing infrastructural rather than industrial projects, the latter being more common among Latin American nations during the 1970s and 1980s. Considerable sums were spent in the 1990s to stimulate the development of industry, and higher than normal military expenditures were necessitated by the continuing and disruptive guerrilla activity. The inflationary conditions that prevailed from 1961 into 2000 also stimulated government expenditures. For political reasons, the national government was unable to raise tax revenues sufficient to cover sharply expanding investment outlays. Loans from external financial agencies (including the IMF, IDB, and IBRD) were substantial, but insufficient to permit a buildup in the level of public investment operations. The recession of the early 1980s brought another round of deficits as spending increased far more rapidly than revenues. By the 1990s, reforms in the public sector had greatly improved the efficiency of public expenditures.

The US Central Intelligence Agency (CIA) estimated that in 2005 Colombia's central government took in revenues of approximately us\$46.8 billion and had expenditures of us\$48.7 billion. Revenues minus expenditures totaled approximately - us\$1.9 billion. Public debt in 2005 amounted to 44.2% of GDP. Total external debt was us\$37.06 billion.

### Public Finance – Colombia (2003)

(In billions of pesos, budgetary central government figures)

	42,446	74.4%
<b>Revenue and Grants</b>		
Tax revenue	31,472	74.1%
Social contributions	124	0.3%
Grants	...	...
Other revenue	...	...
<b>Expenditures</b>	...	...
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, budgetary central government revenues in pesos were c\$42,446 billion. The value of revenues in US dollars was us\$15 million, based on a principal exchange rate for 2003 of us\$1 = c\$2,877.65 as reported by the IMF.

### 36 TAXATION

In addition to income taxes, Colombia levies a value-added tax (VAT), as well as municipal and property taxes. Many stamp taxes are imposed on legal documents. Personal income tax rates are based on income and there is a flat tax on corporate income. Indirect taxes include a tax on exported goods and services, surcharges on imports, a gasoline tax, and local taxes on vehicles and property.

Colombia's corporate income tax, as of 2005, stood at 35%. However, a 10% surcharge also applies. Branches of foreign companies resident in Colombia are taxed at the same rate as domestic companies, but there is a remittance tax of 7% for foreign companies. A 0.3% tax is charged on debit transactions in the financial system. In 2002, a one-time 1.2% tax on companies and individuals with assets over c\$170 million (about us\$65,000) was assessed to fund increased military spending.

Individual income is taxed according to a progressive schedule with 35% as the highest marginal rate. The main indirect tax in Colombia is its value-added tax (VAT), with a standard rate of 16%. The VAT applies to most transactions, although items such as utilities, insurance, financial and property leasing, and health-care are exempt. The VAT also varies, with higher rates of 20–40% applied to certain items, such as vehicles, alcoholic beverages (including wine) and pleasure boats. The VAT for automobiles ranges from 22% for nonluxury vehicles and 40% for luxury automobiles. A lower VAT rate of 10% is applied to nuts and almonds, while games of chance (excluding lotteries) have a 5% VAT.

### 37 CUSTOMS AND DUTIES

Colombian import tariffs have been significantly reduced and simplified. There are four tariff levels: 5% for raw materials, and intermediate and capital goods not produced in Colombia; 10% and 15% for goods in the first category but with domestic production in Colombia; 20% for finished consumer goods; and 35% and 40% for automobiles and some agricultural products. The average tariff lies between 11% and 13.5%. The four-tariff system also acts as the common external tariff for the Andean Community, which became effective for Colombia in 1995.

Nontariff barriers to trade include restrictions on poultry parts, powdered milk, wheat, and other agricultural products. Tariff rates for some of these selected basic commodities ranged up to 119% in 1999. Import and export licenses are required for most items.

Colombia maintains free trade agreements with Venezuela, Ecuador, Bolivia, and Mexico. There are also international agreements for preferential duty rates with the Caribbean Common Market and the Central American Common Market, and Colombia has requested consideration for NAFTA accession and entry into the future Free Trade Area of the Americas (FTAA). Several free trade zones are in operation.

### 38 FOREIGN INVESTMENT

After the serious crisis in Colombia's capital markets in the 1980s, the Gaviria administration implemented an aggressive economic liberalization program known as *apertura*, or opening, in the early 1990s, including increased promotion of foreign investment. Under Law 9 of 1991, together with administrative resolutions from the Council on Economic and Social Policy (CONPES) and Resolution 21 of the Board of Directors of the Central Bank, foreign companies were put on an equal legal footing with local ones and most sectors were opened to foreign investment, barring only investments touching on security and the disposal of hazardous wastes.

In order to continue boosting the economy, the government has negotiated free trade agreements with several countries. A free trade pact among Colombia, Venezuela, and Central America (except Costa Rica) came into operation on 1 July 1993. In addition, an agreement was signed between Colombia, Venezuela, and Mexico (G-3) on establishing a free trade zone in 1994. In 1993, Colombia, Venezuela, Ecuador, and Bolivia achieved a customs union, with free trade between the four countries under the auspices of the Andean Pact. Effective 1 January 1994, pact members implemented a common external tariff (CET) based on a four-tier tariff range. In June 1999, the clause in the Colombian constitution permitting expropriation without indemnification was repealed opening the way for ratification by Colombia of bilateral investment agreements (BITS) with Peru, the United Kingdom, Spain, Cuba, and France. Colombia ended its monopoly over telecommunications in 1998, limiting foreign ownership to 70%. In 2003, the US Trade Representative (USTR) was raising objections that restrictions on foreign entry into Colombia's telecommunications sector violated its obligations under the World Trade Organization.

The petroleum industry is one industry that has enjoyed significant foreign investment; international investment grew from

us\$458 million in 1993 to us\$890 million in 1997. In 1996, CONPES eliminated the requirement of government authorization for investment in public services, mining, and hydrocarbons. Despite this allowance, investment in the hydrocarbons sector requires an association contract with the state-owned oil company ECOPETROL. Due to the *apertura* program, the sectors that have seen the largest growth in international investment have been infrastructural. Investment in the utilities sector (electricity, gas, and water) leapt from us\$145 million in 1996 to us\$2.3 billion in 1998. The transportation and communications sectors, which have been mostly privatized in recent years, grew from us\$5.7 million in 1993 to us\$360 million in 1997. The increased foreign investment coincided with increased borrowing in foreign financial markets (enabled by the opening of the financial sector in 1991) and a large inflow of capital from increased petroleum exports. The excess liquidity led to a credit boom and a sharp increase in interest rates, which rose further as the Central Bank tried to support the peso's exchange rate. Aggravated by political uncertainty, the economy was in another financial crisis by 1998.

Annual direct foreign investment (DFI) inflow reached a peak of us\$5.56 billion in 1997 and then fell to us\$2.83 billion in 1998 and to us\$1.47 billion in 1999. For 2000 to 2002, average annual FDI inflow was about us\$2.2 billion. FDI inflow from the United States in 2002 was us\$317 million.

Security concerns remained a major deterrent to foreign investment in 2003 as the government continued its 40-year fight against two major leftist guerrilla groups that had come to control about half of the country. In 2003, hostage taking and hostage execution involving increasingly prominent individuals and a bombing in a Bogotá nightclub indicated the penetration of guerrilla activity into major urban centers. In June 2003, as part of a us\$98 million military aid package, the United States sent about 60 Special Forces members to train local soldiers to guard the Occidental Petroleum pipeline; the Cano Limón pipeline, which had been bombed 40 times in 2002 and 170 times in prior years.

In terms of portfolio investment, the total market valuation of companies listed on the Colombia Stock Exchange peaked in 1997 at us\$19.5 billion (189 listed companies) and had fallen to us\$9.56 billion in 2000 (126 listed companies). In 2001, total market valuation had risen to us\$13.2 billion with 123 listed companies, but turnover was at a record low of 3.2%.

### 39 ECONOMIC DEVELOPMENT

In 1974, President Alfonso López outlined to Congress a long-range development plan with a major objective of achieving maximum growth while raising the living standards of the poorer half of the population. Efforts were to be concentrated in four main areas: exports, agriculture, regional development, and industry. An economic program published in 1980 during the administration of President Julio César Turbay, listed investment in energy, economic decentralization, regional autonomy, improvements in communications and transportation, mining development, and social improvement as its principal aims. A national development plan for the years 1981–84 provided for acceleration of public works. In 1982, during the Belisario Betancur presidency, economic emergencies were declared so that decrees to revise banking and fiscal policies could be issued without the need of congressional approval. The Virgilio Barco administration formu-

lated an economic program similar to that proposed in 1974 by López, whose objectives were to attack unemployment and poverty while encouraging growth.

In 1990, President Cesar Gaviria instituted a national system of economic liberalization known as *apertura*, or opening. The system called for greatly increased international investment, a lowering of trade barriers, and massive state sell-offs. These began in earnest in the early 1990s as the government sold off seaports, airports, power plants, telecommunications networks, banks—even roads. In addition to these measures, the government aggressively pursued the creation of regional trading blocs and became a major voice in support of a hemispheric free trade area. Colombia became a member of Latin American Integration Association (LAIA), a bilateral free-trade pact with Chile and the G-3.

Liberalizations secured Colombia as a reliable regional market. The country saw positive growth every year for over two decades and was one of the only Latin American countries not to default on its international loans during the 1980s. Impeding further development are domestic political scandals, poor infrastructure, and narco-terrorism. In 1998, growth slowed, and even turned negative in 1999.

A us\$2.7 billion International Monetary Fund (IMF) loan in 1999 was needed in order to save the shrinking economy, which improved from the inflow and austerity measures during the next year. In 2000, the US government gave us\$1.3 billion in aid to Colombia's government and army, chiefly to help the war against drugs, but guerrilla armies continued to operate in at least two-fifths of the country.

President Uribe, elected in 2002, pledged to restore order to the country and to increase security measures. He planned to raise defense spending from 3.5% of gross domestic product (GDP) to 5.8% by the end of his term in 2006, and the government in 2003 was training 10,000 new police and 16,000 part-time “peasant soldiers” to secure close to 200 towns previously lacking police. US troops were also enlisted to guard Colombia's main oil pipeline. Uribe employed crop-dusting aircraft supplied by the United States, which in 2002 resulted in a 30% fall in coca cultivation. The government in 2003 also pledged to raise social spending, and depended on lending from international bodies such as the Inter-American Development Bank, World Bank, and Andean Development Corporation to augment the lack of sufficient revenue. In exchange for the assistance, the government was planning to implement structural reforms, such as pension and labor reforms to cut costs, and other spending cuts to reduce the deficit. In January 2003, Colombia negotiated a two-year, us\$2.1-billion Stand-By Arrangement with the IMF.

Though Colombia has been embroiled in armed conflict, the economy has managed to take a turn for the better, possibly due to export promotion and government budgets designed to decrease public debt. Business confidence in Colombia has increased due to Uribe's economic and democratic strengthening. Also, Colombian coffee has been earning greater market shares in developed countries, raising the price of the prized export. Furthermore, from 2002 to 2005, unemployment dropped slightly—from 15.7% in 2002 to 15.2% in July 2005, as reported by the Economist Intelligence Unit. The CIA had slightly more optimistic predictions for Colombia's 2005 unemployment, at 11.8%. However, unemployment, along with pension reform and the need to increase oil

production, continued to be challenges to be faced by President Uribe. Yet, as of 2005, Uribe was praised by various international financial institutions for the benefits that had come of the administration's economic policies. In addition to unemployment, the inflation rate was also on the decline—a rate that previously had persisted at a near 20% throughout the 1990s (with the exception of the recessionary years of 1998–99, when inflation was less than 10%). In 2002, inflation dropped further due to weak domestic demand. Throughout the increase in economic growth in 2003–05, inflation still remained consistently low—near 5%—due to the strengthening currency.

#### **40 SOCIAL DEVELOPMENT**

Social security coverage extends to all employees with the exception of some agricultural workers. Coverage is voluntary for the self-employed. Both employers and employees contribute to the program, while the government guarantees a minimum pension. All private-sector employees are covered by unemployment, and there is voluntary coverage for public workers. A worker's compensation program is funded fully by employers and provides benefits in proportion to the degree of incapacity. Employers also fund the family allowance benefits available to low income families.

The law provides women with extensive civil rights and prohibits any form of discrimination against women. However, there is still discrimination against women, especially in rural areas. They earn less than men for doing similar work, and occupy few of the top positions in government. Sexual harassment is pervasive. Rape and other acts of violence against women are widespread, and traditionally the law has not provided strict penalties for offenders. Trafficking in women for sexual exploitation continues to be a major problem.

Urban Colombia, and especially Bogotá, has acquired a reputation for street crime: pickpockets and thieves are a common problem. Drug trafficking flourishes on a large scale, despite government efforts to suppress cocaine smuggling and to eradicate the coca and marijuana crops. Kidnapping, both for political reasons and for profit, is widespread.

Human rights excesses by security forces continue with reports of extrajudicial killings and disappearances. Human rights abuses are committed by many groups, including guerrillas, narcotics traffickers, paramilitary groups and the military. Prison conditions are harsh, but international monitoring of conditions is allowed by the government. The constitution provides for special rights and protection for Colombia's many indigenous minorities, but these are not always respected in practice.

#### **41 HEALTH**

Health standards have improved greatly since the 1950s, but malaria is still prevalent in areas up to 1,100 m (3,500 ft) in altitude. In the mid-1990s, malaria was at epidemic numbers with nearly 130,000 cases reported. Many Colombians suffered from intestinal parasites. Malnutrition, formerly a very serious problem, with nutritional goiter, anemia, scurvy, and pellagra frequent, had become less severe by the early 1980s, when the per capita calorie supply was estimated at 102% of requirements. As of 2000, an estimated 15% of children under five years old were considered to be malnourished. In 2000, 91% of the population had access to safe drinking water and 85% had adequate sanitation. In 1990, the gov-

ernment began an initiative to improve the national health system at every level. Health care provisions (doctors and beds) do not compare favorably with other countries of the region. As of 1999, total health care expenditure was estimated at 9.4% of GDP.

In 1993, Colombia departed from its older health care system to one of payment by capitation and structured competition among integrated health care service delivery systems; 5 million people in the poorest groups, previously excluded from the medical system, were given access to health services. Approximately 87% of the population had access to health care services. As of 2004, Colombia had an estimated 135 physicians, 237 nurses and 78 dentists per 100,000 people.

Average life expectancy in 2005 was 71.72 years. The infant mortality rate decreased from 99.8 per 1,000 live births in 1960 to 20.97 in 2005. As of 2002, there were an estimated 22 births per 1,000, with 77% of married women (ages 15 to 49) using contraception in 2000. In 1999, children up to one year of age were immunized against the following: diphtheria, pertussis, and tetanus, 74%, and measles, 74%. Colombia's estimated death rate as of 2002 was 5.66 per 1,000 inhabitants. Between 1986 and 1992, there were approximately 22,000 civil war-related deaths.

The HIV/AIDS prevalence was 0.70 per 100 adults in 2003. As of 2004, there were approximately 190,000 people living with HIV/AIDS in the country. There were an estimated 3,600 deaths from AIDS in 2003.

The disease is mostly spread by sexual activity. The first case of perinatal transmission occurred in 1987 and there have been 195 cases reported since then.

## 42 HOUSING

Colombia's housing shortage is largely a result of the rapid growth of the urban population. With the annual urban population growth rate at over 5%, the housing deficit was estimated to be around 800,000 units in the early 1980s and is expanding annually. Total housing units numbered approximately seven million in the mid-1990s. About 6,923,945 units were privately owned. About 81% of privately owned units were detached homes; about 13% were apartments, and the remainder were mobile units, natural shelters, and nonresidential housing. Roughly 70% were owner-occupied, and 25% were rented. Three-fourths of all dwellings were made of bricks, adobe, mud or stone; nearly 15% had external walls of wattle or daub; 7% were wood; and 3% were mostly cane.

In 2005, Habitat for Humanity reported that about 11.5 million homes are still without basic necessities. About 40% of these homes are overcrowded and of inadequate structures. The housing deficit is at about 900,000 and growing. In rural areas, poverty-stricken residents often construct their own tin huts called *cambuches*. Rural housing problems in Colombia are dealt with primarily by the Credit Bank for Agriculture, Industry, and Mining, and by the Colombian Institute of Agrarian Reform.

Public resources are channeled into urban housing through the Central Mortgage Bank, whose mortgages, because of interest rates, down-payment requirements, and repayment terms, have usually been accessible only to upper-middle-income groups; and the savings and loan corporations, whose interest rates are pegged to inflation through daily monetary correction factors known as

units of constant purchasing power value (UPACs). In addition, through AID, substantial private funds from US investors have been used for various housing programs.

## 43 EDUCATION

The constitution provides that public education shall not conflict with the doctrines of the Roman Catholic Church; courses in the Roman Catholic religion are compulsory, and the Church is in virtual control of the public schools. Private schools have freedom of instruction, and there are a number of Protestant schools, principally in Bogotá. The national government supports secondary as well as university education and maintains a number of primary schools throughout the country.

Education is free and compulsory for nine years, beginning with one year of preschool starting at age five or six. Primary school covers five years of study and is followed by four years of basic secondary school. For their remaining two years of secondary school, students may choose a general course of studies or a technical school program. The government has established two basic programs for improving secondary education—the integration of practical training into high-school academic curricula and the training of agricultural experts at the secondary level—so that students who do not go on to college are prepared to receive further technical training or to earn a living. The National Apprenticeship Service offers technical and vocational training in fields that contribute to national development; the program is financed by compulsory contributions from private enterprises and employees.

In 2001, about 36% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 87% of age-eligible students. The same year, secondary school enrollment was about 55% of age-eligible students. Dropout rates are high at the primary level, particularly in rural areas, where the students frequently live at considerable distances from their schools. Almost all secondary schools are in the larger cities; thus, little educational opportunity is open to rural children, except those reached by educational radio and television broadcasting. The student-to-teacher ratio for primary school was at about 27:1 in 2003. The ratio for secondary school was about 21:1.

By law, Colombia must spend at least 10% of its annual budget on education. Financing and supervision of public education is the joint responsibility of the Ministry of Education, the departments, and the municipalities. Secondary and technical education and universities are administered by the Ministry of Education. The central government also pays teachers' salaries. As of 2003, public expenditure on education was estimated at 5.2% of GDP, or 15.6% of total government expenditures.

The National University in Bogotá, founded in 1572, is one of the oldest in the Western Hemisphere. Other important universities include the Universidad Javeriana (founded 1622), which is operated by the Jesuits; the Universidad de los Andes, a private institution based on a US model; and the Universidad Libre, a private university with active liberal leanings. In 1964, the Colombian Overseas Technical Specialization Institute (ICETEX) was formed to coordinate scholarship and fellowship funds for Colombians wishing to study abroad. Graduates of foreign schools who return to Colombia reimburse ICETEX from their subsequent earnings.



In 2003, about 24% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 94.2%.

#### 44 LIBRARIES AND MUSEUMS

The National Library, founded in 1777 in Bogotá, has over 800,000 volumes. It also acts as a public library, maintaining a small circulating collection and a children's room, and serves as a depository library of the United Nations. The cities have municipal libraries and the towns have village libraries, which are under the control of the Colombian Institute of Culture. There are two valuable private libraries in Bogotá, established by Dr. Luis Augusto Cervo and Dr. Antonio Gómez Restrepo, respectively; each contains about 50,000 volumes. The Bank of the Republic maintains the Luis Angel Arango Library, an important cultural center holding some 400,000 volumes. The library of the National University in Bogotá has approximately 230,000 volumes. The University of the Andes in Bogotá has 210,000 volumes. The Library of Congress holds 140,000 volumes. There are over 1,000 local branches of the public library.

The most notable of Bogotá's museums are the National Museum, which concentrates on history and art since the Spanish conquest, the founding of Bogotá, and the colonial period; the National Archaeological Museum, which exhibits indigenous ceramics, stone carvings, gold objects, and textiles; the Museum of Colonial Art, formerly part of the National University, which specializes in art of the 16th, 17th, and 18th centuries; and the Gold Museum, located in the Bank of the Republic. There are more than 50 provincial museums, including many archeological and anthropological sites.

#### 45 MEDIA

Telephone and telegraph networks link all provincial capitals and connect these centers with surrounding rural areas. Each local system is independent; most are municipally owned, but a few are in private hands. Long-distance service is provided by the national government and is based on an agreement among local and departmental systems. In the early 1980s, the National Telecommunications Enterprise (TELECOM) had one of the largest automatic telephone service networks in Latin America. Its high-capacity microwave system connected the 40 largest cities in the country. Colombia launched its own communications satellite in 1985. In 2003, there were an estimated 179 mainline telephones for every 1,000 people; nearly one million people were on a waiting list for telephone service installation. The same year, there were approximately 141 mobile phones in use for every 1,000 people.

Most of the nation's 498 (463 AM, 35 FM) radio stations are privately owned. In 1997 there were 60 television stations. Color television was introduced in 1979. Radiodifusora Nacional de Colombia is the government owned radio station. Intravision is a government-owned television station that operates two commercial and one educational station. Caracol is a prominent private commercial station for both television and radio. In 2003, there were an estimated 548 radios and 319 television sets for every 1,000 people. The same year, there were 49.3 personal computers for every 1,000 people and 53 of every 1,000 people had access to the Internet. There were 159 secure Internet servers in the country in 2004.

Almost every town publishes at least one daily newspaper. The press varies from the irregular, hand-printed newspapers of the small towns of the interior to such national dailies as *El Tiempo*, one of the most influential newspapers of the Spanish-speaking world. The leading newspapers in Bogotá, with their political orientation are *El Tiempo*, liberal; *El Espacio*, liberal; and *El Nuevo Siglo*, conservative. *La Republica* in Bogotá reported a 2004 circulation of 55,000. In Cali, the leading newspapers are *El País*, conservative, 60,000 circulation in 2004 and *Occidente*, conservative, 25,000. In Medellín, the conservative *El Colombiano* had a 2004 circulation of 90,000. The same year, the Barranquilla *El Heraldito* (liberal) had a circulation of 70,000, and the Bucaramanga *El Vanguardia liberal* had a circulation of 48,000.

In general, the authorities are said to respect free speech and free press; most media are able to resist pressure from the government concerning sensitive issues, though censorship has been exercised occasionally in times of national emergency, and journalists exercise some self-censorship.

#### 46 ORGANIZATIONS

The National Federation of Coffee Growers, organized in 1927, is a semiofficial organization partly supported by tax revenue. The organization carries great weight as the representative of Colombia's leading industry, and its influence is felt in many spheres. Other trade associations include the National Association of Manufacturers, the People's Association of Small Industrialists of Colombia, and chambers of commerce in the larger cities. The Bank Association is an association of both national and foreign banks in Colombia. The Colombian Livestock Association, the National Federation of Cotton Growers, and the National Association of Sugar Growers serve their respective industries. Most farmers belong to the Agricultural Society of Colombia.

Learned societies include the Academy of History, the Colombian Academy of Language, the Colombian Academy of Exact, Physical, and Natural Sciences, the Academy of Medicine, the Colombian Academy of Jurisprudence, the Colombian Geographical Society, the Colombian Institute of Anthropology, and a number of regional bodies. The National Association of Colombian Writers and Artists includes most of the country's writers, painters, sculptors, and composers. Journalists have national and local organizations.

There are a number of youth organizations, some of which are affiliated with political or religious groups. Scouting programs are active throughout the country as are organizations of the YMCA and YWCA. A wide variety of sports organizations are active in the country.

In 2004, there were over 60,000 human rights and civil society nongovernmental organizations in the country. The Center for Popular Research and Education, sponsored by the Jesuits, is a prominent human rights organization. Others include the Colombian Commission of Jurists and the Jose Alvear Restrepo Lawyers' Collective. There are national chapters of the Red Cross, UNICEF, and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

Colombia has mountains, jungles, modern and colonial cities, and resorts on both the Pacific Ocean and the Caribbean Sea, all of

which the Colombian Government Tourist Office (CORTURISMO) has aggressively promoted.

Football (soccer) is the most popular sport, followed by basketball, baseball, boxing, and cockfighting; there are also facilities for golf, tennis, and horseback riding, and bullrings in the major cities. Visas are not required, but all visitors need a valid passport and an onward/return ticket for entry.

The tourist industry in Colombia developed greatly in the late 1970s but declined in the 1980s. Spurred by the government's economic liberalization program, earnings from tourism rose from us\$755 million in 1993 to us\$955 million in 1997. In 2003, about 625,000 tourists arrived in the country and tourism receipts reached us\$1.1 billion. There were 54,820 hotel rooms with 109,940 beds and an occupancy rate of 50%.

In 2005, the US Department of State estimated the cost of staying in Cartagena at us\$234 per day; in Bogotá, us\$184; in Cali, us\$186; and in Medellín, us\$160.

#### 48 FAMOUS COLOMBIANS

Outstanding political and military figures in Colombian history include Francisco de Paula Santander (1792–1840), who served as a general in the war of independence and was the first president of independent Colombia, and José María Córdoba (1800?–1830), a brilliant young soldier of the war of independence, who was made a general at 22 by Simón Bolívar.

Colombia, famous for its literary figures, has produced three outstanding novelists widely read outside the country: Jorge Isaacs (1837–95), whose most famous work, *María*, is a novel in the Romantic tradition; José Eustacio Rivera (1880–1929), whose outstanding novel, *La Vorágine (The Vortex)*, written after World War I, is a drama of social rebellion; and Gabriel García Márquez (b.1928), a Nobel Prize winner in 1982, who is best known for *Cien años de soledad (One Hundred Years of Solitude)*. Colombia has had a number of noteworthy poets. The 19th-century Romantic school included Julio Arboleda (1814–92), José Eusebio Caro (1817–53), Gregorio Guitiérrez Gonzales (1826–72), and Rafael Pombo (1834–1912). Caro, who was influenced by the English poets, is generally rated as the most important Colombian Romantic. José Asunción Silva (1865–96) is regarded as the father of Latin American symbolism; his *Nocturnos* are among the finest poems in the Spanish language. Guillermo Valencia (1873–1945), the author of *Anarkos*, was a polished poet of the classical school, and León de Greiff (1895–1976) was a well-known poet. Miguel Antonio Caro (1843–1909) and Rufino José Cuervo (1844–1911) were philologists and humanists of great erudition who influenced scholars and students in the 19th century. The Instituto Caro y Cuervo in Bogotá is devoted to the study and publication of their works. Well-known literary critics include Baldomero Sanín-Cano (1861–1957) and Antonio Gómez-Restrepo (1868–1951).

Colombia's most notable painter was Gregorio Vázquez Arce y Ceballos (1638–1711), whose drawing and coloring have been compared to the work of the Spanish painter Murillo. Fernando

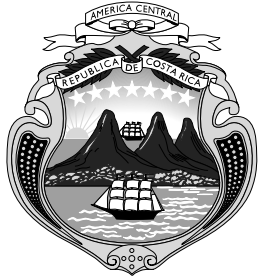
Botero (b.1932) is a contemporary painter and sculptor whose human and animal subjects are known for their corpulence and exaggerated proportions. Francisco José de Caldas (1770–1816) was a brilliant botanist who discovered a system for determining altitude by the variation in the boiling point of water and began the scientific literature of the country. Guillermo Uribe-Holguín (1880–1971) and José Rozo Contreras (1894–1976) are noted composers. The works of historian Germán Arciniegas (1900–99) are well known to the English-speaking world through translation.

#### 49 DEPENDENCIES

The archipelago of San Andrés and Providencia, administered as an intendency, is located 729 km (453 mi) from the Caribbean coast northwest of Cartagena and about 190 km (118 mi) off the Nicaraguan coast. Grouped roughly around the intersection of longitude 82° W and latitude 12° N, the archipelago consists of the islands of San Andrés and Providencia and 13 small keys. The population is mostly black. Both English and Spanish are spoken. The principal towns are San Andrés, San Luis, and Loma Alta on the island of San Andrés and Old Town on Providencia.

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# COSTA RICA

Republic of Costa Rica  
*República de Costa Rica*

**CAPITAL:** San José

**FLAG:** The national flag consists of five horizontal stripes of blue, white, red, white, and blue, the center stripe being wider than the others.

**ANTHEM:** *Himno Nacional*, beginning “Noble patria, tu hermosa bandera” (“Noble native land, your beautiful flag”).

**MONETARY UNIT:** The colón (c) is a paper currency of 100 céntimos. There are coins of 1, 5, 10, 25, and 50 céntimos and of 1, 2, 5, 10, and 20 colones, and notes of 5, 10, 20, 50, 100, 500, and 1,000 colones. c1 = \$0.00209 (or \$1 = c479.28) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but local measures also are used.

**HOLIDAYS:** New Year’s Day and Solemnity of Mary, 1 January; Day of St. Joseph (Costa Rica’s patron saint), 19 March; Anniversary of the Battle of Rivas, 11 April; Labor Day, 1 May; Day of St. Peter and St. Paul, 29 June; Anniversary of the Annexation of Guanacaste, 25 July; Feast of Our Lady of the Angels, 2 August; Assumption (Mother’s Day), 15 August; Independence Day, 15 September; Columbus Day, 12 October; Immaculate Conception, 8 December; Abolition of Armed Forces Day, 1 December; Christmas, 25 December. Movable religious holidays include Holy Thursday, Good Friday, Holy Saturday, and Corpus Christi.

**TIME:** 6 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The third-smallest country in Central America, Costa Rica has an area of 51,100 sq km (19,730 sq mi), including some small islands. Comparatively, the area occupied by Costa Rica is slightly smaller than the state of West Virginia. Its length is 464 km (288 mi) N–S, and its width is 274 km (170 mi) E–W. Costa Rica is bordered on the N by Nicaragua, on the E by the Caribbean Sea, on the SE by Panama, and on the SW and W by the Pacific Ocean; the total boundary length is 1,929 km (1,199 mi), which includes the coastline of 1,290 km (805 mi). Costa Rica’s capital city, San José, is located in the center of the country.

## <sup>2</sup> TOPOGRAPHY

Costa Rica has three main topographic regions. The central highlands, extending from northwest to southeast, reach elevations of more than 3,660 m (12,000 ft) south of San José; the highest point in the country is Chirripó Grande (3,810 m/12,500 ft). Four volcanoes, two of them active, rise near the capital city; one of these volcanoes, Irazú (3,432 m/11,260 ft), erupted destructively during 1963–65. Nestled in the highlands is the Meseta Central, with an elevation of 900–1,200 m (3,000–4,000 ft), covering some 2,000 sq km (770 sq mi) of fairly level, fertile terrain. Half of the population, the centers of culture and government, four of the six main cities, and the bulk of the coffee industry are found on the plateau.

The Atlantic coastal plain, on the Caribbean side of the highlands, comprises about 30% of Costa Rica’s territory and is low, swampy, hot, excessively rainy, and heavily forested. The Pacific slope, some 40% of the country’s area, resembles the Caribbean

lowlands, but to the northwest is a dry area producing cattle and grain. Fifteen small rivers drain Costa Rica.

The country lies in a moderately seismic area that experiences occasional earthquakes, some of which have been severe. On 22 April 1991, an earthquake in the Limón–Pandora area caused the death of 47 people, as well as severe damage to homes, buildings, and some roads. The quake triggered minor tsunamis in the Cahuita–Puerto Viejo area and at Portobelo and Cristobal in Panama.

## <sup>3</sup> CLIMATE

Costa Rica has only two seasons: the wet season, from May to November, and the dry season, from December to April. There are three climatic zones. The torrid zone (tierra caliente), which includes the coastal and northern plains to an altitude of 457 m (1,500 ft), is characterized by heavy rains, almost continuous on the Atlantic watershed, and by a temperature range of 29–32°C (84–90°F). The temperate zone, including the central valleys and plateaus, has altitudes ranging from 457 to 1,524 m (1,500 to 5,000 ft), with regular rains from April through November and a temperature range of 24–27°C (75–80°F). The cold zone, comprising areas higher than 1,524 m (5,000 ft), has a temperature range of 10–27°C (50–81°F) and is less rainy but more windy than the temperate regions. The average annual rainfall for the country is more than 250 cm (100 in).

## <sup>4</sup> FLORA AND FAUNA

Costa Rica supports varied flora and fauna. From the coast to an altitude of about 900 m (3,000 ft) are tropical forests and savannas;

oaks and chaparrals are found between 2,070 and 3,050 m (6,800 and 10,000 ft); and sub-Andean and subalpine flora characterizes the highest mountains. The dense tropical forests contain rich stands of ebony, balsa, mahogany, oak, laurel, campana, and cedar. Plant life is abundant. The country has more than 1,000 species of orchids.

Most of the wild mammals common to South and Central America, such as jaguar, deer, puma, and varieties of monkeys, are found in Costa Rica. There are over 600 species of birds and 130 species of snakes and frogs; fish and insects are plentiful.

## 5 ENVIRONMENT

Nearly all of Costa Rica was once covered by forests, but deforestation for agricultural purposes and cattle ranching has reduced forested areas to only 38% of the total area. Between 1990 and 1995, the country lost an average of 3% of its forests and woodlands annually. Most of the wood was wasted by burning or rotting, and there has been little incentive for conservation or reforestation. The result has been soil erosion and the loss of soil fertility. Another serious problem, according to the UN, has been contamination of the soil by fertilizers and pesticides used in growing important cash crops, such as bananas, sugarcane, and coffee. Costa Rica's use of pesticides is greater than that of all the other countries in Central America added together. Under the General Health Law of 1973, the Ministry of Health has broad powers to enforce pollution controls, and the Division of Environmental Health has attempted to set standards for air and water quality. However, trained personnel and equipment are lacking.

Carbon dioxide emissions from industrial sources totaled 4.6 million metric tons in 1996; in 2000, the total emissions increased to 5.4 million metric tons. As of 2001, Costa Rica has 112 cu km of renewable water resources with 80% of the total used for farming activity. Of the nation's urban dwellers 99% have safe drinking water, as do 92% of the rural population.

Costa Rica's national park system is among the most extensive and well developed in Latin America. The system, covering nearly 4% of the total land area, includes 12 parks, 6 nature reserves, 4 recreation areas, the Guayabo National Monument archaeological site in the Turrialba region, and the International Peace Park established jointly by Costa Rica and Panama on their common border. There are 3 natural UNESCO World Heritage Sites and 11 Ramsar wetland sites. Altogether, 23% of Costa Rica's total land area is protected.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 13 types of mammals, 18 species of birds, 8 types of reptiles, 60 species of amphibians, 13 species of fish, 9 species of invertebrates, and 110 species of plants. Threatened species include the red-backed squirrel monkey, tundra peregrine falcon, spectacled caiman, American crocodile, and four species of sea turtle (green sea, hawksbill, olive ridley, and leatherback). The golden toad has been listed as extinct since 2001.

## 6 POPULATION

The population of Costa Rica in 2005 was estimated by the United Nations (UN) at 4,331,000, which placed it at number 118 in population among the 193 nations of the world. In 2005, approximately 6% of the population was over 65 years of age, with another

30% of the population under 15 years of age. There were 103 males for every 100 females in the country. According to the UN, the annual population growth rate for 2005–10 was expected to be 1.3%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 5,568,000. The population density was 85 per sq km (220 per sq mi).

The UN estimated that 59% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.49%. The capital city, San José, had a population of 1,085,000 in that year. Other large cities and their estimated populations are Alajuela, 791,900; Cartago, 475,100; Puntarenas, 397,700; Heredia, 390,400; and Limón, 380,200.

## 7 MIGRATION

In 1995, 24,600 refugees were in Costa Rica. Of these, 4,200 were from El Salvador and 19,500 were from Nicaragua. Large numbers of Nicaraguans migrate seasonally to Costa Rica seeking employment opportunities. Illegal migration is a major national concern, with estimates of people illegally in the country ranging from 300,000 to 500,000 in 1999, most of whom were thought to be from Nicaragua. In the aftermath of 1998's Hurricane Mitch, Costa Rica declared an amnesty on illegal immigration, which expired on 31 July 1999. While intended primarily for aliens from Belize and Panama, the United Nations High Commissioner for Refugees (UNHCR) secured a provision that extended the amnesty to refugees. Under the amnesty, some 160,000 people applied for permanent residence. In 2004, there were 10,413 refugees living in Costa Rica and 223 asylum seekers. The net migration rate in 2005 was estimated as .5 migrants per 1,000 population.

## 8 ETHNIC GROUPS

The population is fairly homogeneous, primarily of European (mainly Spanish) descent. Whites and mestizos (mixed white and Amerindian) account for 94% of the total population. The remainder are blacks (3%), Chinese (1%), and Amerindians (1%). The blacks for the most part are of Jamaican origin or descent, and some mulattoes live mainly in the Limón port area. Most of the Amerindians reside on isolated reservations.

## 9 LANGUAGES

Spanish is the official language, but English is also spoken around Limón and among members of the middle class. Descendants of the Jamaican blacks speak an English dialect.

## 10 RELIGIONS

Roman Catholicism, the predominant religion, is the official religion of the state; however, the constitution guarantees religious freedom and this right is generally respected in practice. About 69% of the population is nominally Roman Catholic; only about 40% of Roman Catholics are active members. About 18% of the population belong to other Christian churches. Of these churches, the primary Protestant denominations include Methodist, Baptist, Evangelical, Episcopalian, Mormon, Jehovah's Witnesses, and Seventh-Day Adventists. There is a Mormon temple in San José which serves members from Costa Rica, Panama, Nicaragua, and Honduras. San José is also the site of the Continental Headquarters for Latin America of the Unification Church. There are small communities of Quakers, Mennonites, and Beechy Amish. Other reli-



LOCATION: 8°2'26" to 11°13'12" N; 82°33'48" to 85°57'57" W. BOUNDARY LENGTHS: Nicaragua, 309 kilometers (192 miles); Panama, 330 kilometers (205 miles); Caribbean and Pacific coastlines, 1,290 kilometers (802 miles). TERRITORIAL SEA LIMIT: 12 miles.

gions include Judaism, Islam, Taoism, Hare Krishna, Scientology, Tenrikyo, and Baha'ism.

Representing the official religion of state, the Roman Catholic Church enjoys some privileges that are not automatically conferred on other religious organizations. For instance, Catholic marriages are automatically recognized by the state; couples of other faiths must have marriages legalized through a civil union. The Catholic Church also has more opportunity to be in open dialogue with the government concerning economic, social, and political causes, such as the 2003 CAFTA negotiations. Catholic holidays are celebrated as public holidays. The government does not impose any major restrictions on the activities of non-Catholic groups.

## 11 TRANSPORTATION

San José is linked to both coasts by railroad and by highway. The Inter-American Highway, 687 km (427 mi) long, connects Costa Rica with Nicaragua and Panama. Another major highway runs from San José to the Caribbean coast beyond Limón. As of 2003 there were 35,889 km (22,323 mi) of roads, of which 8,075 km (5,022 mi) were paved. Motor vehicle registrations in 2003 included 367,832 passenger automobiles and 230,048 commercial vehicles.

As of 2004, Costa Rica had 278 km (173 mi) of railroad, all of it narrow gauge.

Principal ports are Limón on the Caribbean Sea and Puntarenas, Caldera, and Golfito on the Pacific. As of 2005, Costa Rica had two merchant vessels of more than 1,000 GRT totaling 1,716 GRT. There are about 730 km (454 mi) of seasonally navigable waterways.

There were an estimated 149 airports in 2004, only 31 of which had paved runways as of 2005. Líneas Aéreas Costarricenses, S.A. (LACSA), the national airline, provides domestic and international services centered at Juan Santamaria International Airport near San José. Service was also provided by fifteen international passenger lines and 22 cargo lines. In 2003, about 781,000 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

There were about 25,000 Amerindians in the region when Columbus landed in 1502. He named the area Costa Rica ("Rich Coast"), possibly because he saw gold ornaments on some of the indigenous people. European settlement of Costa Rica began in 1522, the Spanish conquered the Ticos, as the Costa Rican natives called themselves, and Spain organized the area into a colonial province in 1540; it was eventually placed under the provincial administration in Guatemala. Cartago, the colonial capital, was founded in 1563.

When independence came to Central America in 1821, Costa Rica had fewer than 70,000 inhabitants. In the following year,

it was absorbed into the short-lived Mexican Empire proclaimed by Agustín de Iturbide. Following the collapse of Iturbide's rule, Costa Rica became a member of the United Provinces of Central America in 1823. At the same time, the provincial capital of Costa Rica was moved to San José. The United Provinces fell apart in 1838, and Costa Rica proclaimed itself sovereign. In 1848, the Republic of Costa Rica was established. The new state was threatened by William Walker, a US military adventurer who invaded Central America in 1855, but his troops were repelled in 1857. In 1860 Walker was captured and executed. In 1871, General Tomás Guardia, dictator from 1870 to 1882, introduced the constitution that, though frequently modified, remained Costa Rica's basic law until 1949. Although Guardia's rule was characterized by decreased liberty and rising debt, it also brought increased sugar and coffee exports, as well as increased education.

In the late 19th and early 20th centuries, there was a series of boundary disputes with Panama and Nicaragua, in the course of which Costa Rica annexed Guanacaste Province from Nicaragua. In World Wars I and II, Costa Rica was a US ally, but not a military participant.

Meanwhile, the success of coffee cultivation, introduced in the early 1800s, had encouraged rapid population growth, progress in education, and the beginnings of modern economic development, through the construction of a coast-to-coast railroad from Limón on the Caribbean through San José to the Pacific. Banana cultivation was started in 1871, and at the turn of the century, the US-owned United Fruit Company (now United Brands) made Costa Rica a major producer of bananas.

Costa Rica's first major political crisis of the 20th century came when President Teodoro Picado Michalski annulled the 1948 elections in order to impose Rafael Ángel Calderón Guardia as president rather than the legally chosen president-elect Otilio Ulate Blanco. José Figueres Ferrer, a socialist landowner, led a civilian uprising, installed his own junta for 18 months, and restored democratic government, turning over the presidency to Ulate. The 44-day civil war was Costa Rica's bloodiest event of the 20th century, leaving 2000 dead and resulting in the prohibition of a standing army in the new constitution. Based on the constitution of 1871, the 1949 constitution reinstated free elections and banned the army, replacing it instead with a Civil Guard. However, it was not until 2000 that a professional Coast Guard was established in addition to domestic police and internal security forces.

Figueres was himself elected president by an overwhelming majority in 1952 (with women voting for the first time), and under his leadership, Costa Rica was one of the most democratic and prosperous countries in Latin America. Figueres was strongly opposed to all dictatorships, and Costa Rica proceeded to sever diplomatic relations with several Latin American countries. A socialist, Figueres nationalized the banks and threatened the holdings of the United Fruit Co. and other large-scale utilities. Border skirmishes with Nicaragua in 1955 were resolved through the mediation of the Organization of American States.

In 1958, the candidate of the opposition National Unification Party, Mario Echandi Jiménez, was elected by a bare majority vote. He was unable to enact his program of minimizing the government's role in social and economic matters because the legislature was dominated by other parties. In 1962, Francisco J. Orlich Bolmarich, a candidate of Figueres's National Liberation Party (Parti-

do de Liberación Nacional—PLN), won the elections and continued Figueres's progressive program. Costa Rica joined the Central American Common Market (CACM) in 1963 and has benefited from Central American economic integration, especially through increasing industrialization. Figueres served as president again from 1970 to 1974 and was succeeded by the PLN candidate, Daniel Oduber Quirós. An internal split within the PLN opened the gap for a conservative, Rodrigo Carazo Odio, to be elected president in 1978. However, after facing economic and political strains from Nicaraguan refugees, as well as the destabilization from surrounding Central American conflicts and civil wars, Carazo's administration left spiking inflation and unemployment for the presidency of Luis Alberto Monge Álvarez of the PLN in 1982.

During the 1980s, Costa Ricans were confronted with a severe economic crisis and with increasing political violence in the region, including sporadic terrorist activities in San José. The Monge government, on the insistence of the World Bank and International Monetary Fund, introduced an austerity program of devaluation, budget cuts, and other fiscal contraction to help economic recovery. Monge also tried to avoid being drawn into the war in neighboring Nicaragua between the insurgents known as "contras" and the Sandinista government. Nevertheless, the government resisted pressure from the United States to support the contras or to accept US aid toward the building of a military establishment.

In February 1986, the PLN won another presidential election when Oscar Arias Sánchez defeated Rafael Ángel Calderón Fournier. An important factor in the PLN victory was Monge's popularity. As the surrounding countries of Central America descended into war, drug trafficking, corruption, and further economic distress, Arias focused on his role in international affairs, leading a peace movement to bring stability to the region. In August 1987, a peace plan for Central America was signed in Guatemala by Nicaragua, Guatemala, Costa Rica, El Salvador, and Honduras. With little support from the United States, Arias's accomplished provisions were free elections in all countries, a guarantee of basic democratic freedoms in Nicaragua, a cease-fire by both Sandinistas and contras, an end to outside aid to the contras, amnesty for the contras, repatriation or resettlement of refugees from all countries, and an eventual reduction in the armed forces of all countries. For his efforts, Arias won the Nobel Prize for Peace later that year.

In 1990, amid continued economic troubles, Rafael Ángel Calderón Fournier was elected, and his Social Christian Unity Party (Partido Unidad Social Cristiana—PUSC) won a paper-thin majority in the Legislative Assembly. Although he campaigned on a platform of liberalization, economic equality, and welfare reform, little change was accomplished. The economy nevertheless rebounded, with peace settlements easing some of Costa Rica's demographic problems.

On 6 February 1994, Costa Ricans returned the PLN to power, as José María Figueres Olsen, son of former president Figueres, was elected president of Costa Rica, though the PLN failed to win an outright majority in the assembly. In response to the nation's weakening economy, Figueres introduced an economic reform package in 1995 that focused on government-spending cuts and the privatization of state-owned enterprises. These measures, which represented a reversal of the traditional policies of Figueres's PLN ruling party, drew stiff opposition from labor leaders, who

feared cutbacks in Costa Rica's large public sector, and touched off a month-long strike by the nation's teachers. Although the government responded by modifying some of its proposed plans, public support for Figueres plummeted as the nation's economy continued to slip, officially entering a recession in 1996. The economic crisis led to cooperation between the PLN and PUSC in order to enact fiscal reform. In December 1996 Figueres announced plans to raise taxes, privatize parts of the state-owned banking and telecommunications systems, and end the state insurance monopoly. Costa Rica's economic issues increased with the damage caused by Hurricane Cesar.

Elections were held again in February of 1998 and Social Christian (PUSC) leader Miguel Angel Rodríguez won with 46.9% of the vote, narrowly defeating National Liberation Party candidate José Miguel Corrales who obtained 44%. Rodríguez's party also won 29 of out 49 seats in the unicameral Congress. The sweeping Social Christian Union Party victory was attributed to popular discontent with Figueres's administration between 1994 and 1998. Rodríguez was a popular president and his government had some important achievements in an environment of increased tourism and foreign investment. That helped PUSC candidate Abel Pacheco de la Espriella win the 2002 presidential election with 58% of the vote; however, the previous two-party political system was toppled with the arrival of three presidential candidates, with no candidate garnering at least 40% of the vote. Therefore, Pacheco was the first president since 1948 to have to win a runoff election for the presidency, and the Citizen Action Party (Partido Acción Ciudadana—PAC) won 14 seats in the Legislative Assembly, denying an overall majority to either the PLN or the PUSC. In 2003 the Supreme Court annulled the 1969 constitution amendment limiting presidents to a single four-year term, which reverted back to the 1949 rule enabling a former president to be elected again after an eight-year period out of office.

Although it has a reputation as one of the most stable and least corrupt countries, Costa Rica has not been immune to government corruption and profiteering amidst the current trend of worldwide corporate and government depravity. In October 2004, former presidents Miguel Angel Rodriguez and Rafael Angel Calderón Fournier, along with several top government officials, were implicated in a corruption scandal involving a multimillion-dollar "commission" from a pharmaceutical company. Both were incarcerated in 2004, and released to house arrest in March 2005, with the former obliged to step down as secretary general of the Organization of American States. That same month former president José María Figueres was also forced to resign as executive director of the World Economic Forum in Geneva. This led to investigations in 2005 of corruption and illegal receiving of gifts, including free airline tickets, by President Pacheco and other government officials.

Because of the corruption tainting their government, Costa Rican voters approached the 2005 presidential election lacking enthusiasm. The candidates were former president and Nobel laureate Oscar Arias, who was not among the politicians implicated in the 2005 investigation. His opponent, Otto Solís, was the candidate of the PAC. Arias won, in one of the closest elections in Costa Rica's history. Arias and his vice president, Laura Chinchilla took office 8 May 2006

### 13 GOVERNMENT

For the most part, Costa Rica has held to a tradition of orderly, democratic rule. The nation is a republic organized under the constitution of 1949, based on the constitution of 1871. A president, two vice presidents, and a unicameral congress (the Legislative Assembly) of 57 members (in 2003), apportioned by provinces, are all directly elected for four-year terms. Runoff provisions are in place in case no candidate wins an outright majority in the first round vote. The cabinet (composed of 15 members in 2005) is appointed by the president, who may also remove any of its members. For every three assembly deputies, one substitute deputy (*suplente*) is elected to obviate any subsequent need for by-elections. After each population census, the Supreme Electoral Tribunal proportions the number of deputies for each province. This body, consisting of three magistrates elected by the Supreme Court for six-year terms, also supervises all other aspects of the electoral process. Suffrage is universal and obligatory for all persons of 18 years or more.

The constitution bars all high government officials from running for the legislature or the presidency while already in office. The president, cabinet ministers, and all government employees are forbidden to interfere with or to participate in election campaigns or to hold party office. The constitution guarantees equality before the law, as well as freedom of speech, assembly, press, and organization. In addition, it guarantees foreigners the same rights as Costa Rican citizens. However, foreigners may not participate in political affairs, nor may members of the clergy. In the presidential election held 5 February 2005 Oscar Arias Sanchez of the Partido de Liberación Nacional—National Liberation Party (PLN) was elected president in a close contest, winning 40.9% or the vote to the PAC's Otto Solís's 39.8%. Arias and his vice president, Laura Chinchilla, took office 8 May 2006.

### 14 POLITICAL PARTIES

The largest political grouping is the PLN (Partido de Liberación Nacional—National Liberation Party), a reformist party that has been the nation's leading party since its formation in 1948. The other major party is the more conservative Social Christian Unity Party (Partido Unidad Social Cristiana—PUSC), which held the presidency during 1978–82, 1990–1994, and was in power during the 1998–2002 period. The PUSC has ties to Christian Democratic parties in the Western Hemisphere and Europe. Toward the end of the 20th century and the beginning of the 21st, elections were closer than in the past, and saw the rise of additional political parties. In the 1994 elections, José María Figueres of the PLN was elected president with 49.7% of the vote, to 47.5% for PUSC candidate Miguel Angel Rodriguez. In 1998, Rodríguez became president with 46.9% of the vote, defeating PLN's José Miguel Corrales. The PUSC also won a majority in Congress with 29 seats, followed by the PLN with 22, the remaining 6 seats went to small and provincial parties. In 2002, however, the PUSC presidential candidate, Abel Pacheco, obtained only 38.6% of the vote in the first round due to the increased presence of other parties. Pacheco won 58% in the runoff election on 7 April 2002 to become president. The PUSC only clinched 19 of the 57 seats of the National Assembly, with the PLN with 17 and the Citizen Action Party (Partido Acción Ciudadana—PAC) 14, depriving Pacheco of a legislative

majority. Legislative elections left the composition of the assembly as of January 2005 with the PUSC holding 19 seats, the PLN 16, PAC 8, the PML (Libertarian Movement Party) with 5, and the PRC (Costa Rican Renovation Party), 1. PUSC's power dropped significantly in the legislative assembly after elections held 5 February 2005; PUSC lost 15 seats, winning just 4. The election also resulted in the PLN gaining 8 seats (for a total of 25); PAC gaining 3 (for a total of 18); and PML gaining 1 (for a total of 6). Oscar Arias Sanchez of the PLN was narrowly elected president in that same election with 40.9% of the vote to the PAC's Otto Solís's 39.8%. Arias and his vice president, Laura Chinchilla, took office 8 May 2006.

## 15 LOCAL GOVERNMENT

Costa Rica is divided into seven provinces, which are further subdivided into 81 cantons and 429 districts. The governor of each province is appointed by the president and is responsible to the minister of government. There are no provincial assemblies, and no elected provincial officials. The chief city of each canton elects a council (*municipalidad*), which possesses legislative powers and cooperates with a presiding officer appointed by the national executive. In December 2002, the first mayoral elections in Costa Rican history were held; prior to 2002 the office of mayor did not exist. A police agent appointed by the national government oversees each district.

## 16 JUDICIAL SYSTEM

The judiciary consists of justices of the peace, lower courts, labor courts, a court of cassation, two civil courts of appeal, two penal courts of appeal, and the Supreme Court, the highest court in the land. The Supreme Court is composed of 22 justices chosen for renewable eight-year terms by the Legislative Assembly. A Constitutional Chamber of the Supreme Court was established in 1989 to review the constitutionality of legislation, executive decrees, and habeas corpus warrants. Justices are automatically reelected for an additional eight-year term unless the Legislative Assembly votes to the contrary by a two-thirds majority. The Assembly also names 25 alternates from a list of 50 names submitted by the Supreme Court, and vacancies on the court are then filled by lot from the list of alternates. Relatives of incumbent justices are ineligible for election. The Supreme Court, by a two-thirds majority, can declare legislative and executive acts unconstitutional. Justices of lower courts are appointed by the Supreme Court, but justices of the peace are appointed by the minister of government acting for the president. Capital punishment has been abolished. The judiciary is independent of the legislative and executive branches and assures fair public trials. Public security forces generally observe procedural safeguards established by law and the 1949 constitution. The constitution prohibits arbitrary interference with privacy, family, home, or correspondence. Judges may approve use of wiretaps in limited cases, primarily to combat narcotics trafficking.

## 17 ARMED FORCES

The 1949 constitution prohibits the establishment of military armed forces. However, the country did have an 8,400 member paramilitary force in 2005. This force included the 4,400 member Civil Guard, the 2,000 member Border Security Police, and the

Rural Guard which had 2,000 members. The security budget was \$101 million in 2005.

## 18 INTERNATIONAL COOPERATION

Costa Rica is a charter member of the United Nations, having joined on 2 November 1945, and participates in ECLAC and several nonregional specialized agencies. It is one of five members of the Central American Bank for Economic Integration (BCIE) and the Central American Common Market (CACM). In 2004, Costa Rica, the United States, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic signed the US–Central America Free Trade Agreement (CAFTA). The agreement must be ratified by all participating countries before it enters into force. Costa Rica also participates in G-77, the Inter-American Development Bank, the Latin American Economic System (LAES), the Río Group, the Association of Caribbean States (ACS), and OAS. The nation has observer status in the Latin American Integration Association (LAIA) and the Nonaligned Movement.

Costa Rica is part of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL) and the Organization for the Prohibition of Chemical Weapons. San José is the seat of the Inter-American Human Rights Court. In August 1987, a peace plan for Central America proposed by Costa Rica was signed by Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. In 1999, the United States and Costa Rica signed the Maritime Counter-Drug Agreement as a cooperative effort to stop drug trafficking through Costa Rican waters. It is first of its kind in Central America. The country is a signatory of the 1947 Río Treaty, an inter-American security agreement.

In environmental cooperation, Costa Rica is part of the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification. Costa Rica is also signatory to the Central American-US Joint Declaration (CONCAUSA).

## 19 ECONOMY

The economy of Costa Rica, like that of all other countries in Central America, was originally based on the production of tropical agricultural commodities for export. There is some forestry in Costa Rica but very little mining, although steps have been taken to exploit bauxite, sulfur, and petroleum. Since about 1961 there has been a significant expansion of manufacturing activity, but most industrial plants remain small, concentrating on simple consumer goods to displace more expensive imports. Government efforts to promote diversification of agricultural production have resulted in notable expansion of cattle and dairy farming, second in value only to coffee among agricultural sectors. The opening of an Intel chip-making factory in 1998 spurred high growth rates and an influx of high technology companies, and increasing tourism revenues supported the growing economy. GDP growth, based on increases in tourism and industrial output, rose to 8.2% in 1999, while the official unemployment fell to 5.6%. There is relatively little underemployment in Costa Rica. From 2000 to 2002, however, economic growth turned sluggish, averaging a little under 2% per year, the result of both a weakened external environment—



in which tourism, export demand, and foreign investment were all declining—and slackness in the domestic economy, reflected an average yearly inflation rate of 10.4% and a yearly combined government deficit amounting, on average, to 4.7% of GDP. Costa Rica's unemployment rate, however, has remained at a relatively unproblematic 6%. (with underemployment estimated at 7.8% for 2002), which relieves some of the pressure for reform.

Through the 1960s, prospects for economic expansion were promising, particularly in view of progress toward economic integration in Central America. However, in the 1970s, increases in import prices for raw materials (particularly oil) and finished goods caused an inflationary surge (reaching 100% in 1982), to which some internal policies, such as credit expansion and wage increases, also contributed significantly. Chiefly because of a decline in coffee prices in 1978 and the doubling of oil import costs in 1979, the economic growth rate fell sharply from 8.9% in 1977 to -8.8% in 1982. Costa Rica normally spends the whole of its export revenues from coffee on importing petroleum.

Positive growth rates averaging 3.8% resumed in 1983 and continued through 1985, largely due to government-imposed austerity under IMF standby agreements. Unemployment declined from an official high of 9.1% in 1982 to 6.7% in 1986, the year world oil prices finally collapsed. The annual inflation rate dropped from 90% to 11.8% in the same period. Foreign debt, rescheduled in 1983 and 1985, remained high at \$3.67 billion at the end of 1985. The overall growth rate between 1978 and 1988 was 4.1%.

Although per capita income slipped in the early 1990s, Costa Ricans still enjoyed the highest per capita income in Central America. Following a structural adjustment period, real GDP grew by 7.3% in 1992. In 1993, however, economic growth slowed to 4.5%; continually declining until the rate hit -0.8% in 1996. The decline was attributed to lingering negative expectations in the private sector, adverse effects of increasing international competition, and unfavorable weather. Tight fiscal and monetary policies adopted under an IMF standby agreement April 1993–February 1994 also contributed to the mild recession. The government entered into another standby agreement with the IMF, which ran from November 1995 to February 1997. By 1998, annual inflation was down to 12%, a significant improvement on the 22.5% recorded in 1995, and GDP growth rose to 6.2%, above the 3.7% recorded in 1997, reflecting increased tourist and export trade, and new investment activity. Inflation dropped to 10.1% in 1999, the year of Costa Rica's strongest recent growth. In 2000 GDP growth fell to 2% and in 2001 to 1.1%. In 2002, GDP growth was estimated at 2.8% and inflation at 10%.

In 2004, the economy expanded by 4.2%, down from 6.5% in 2003; in 2005, the GDP growth rate was estimated at 2.7%. The inflation rate was fairly stable, but in 2004 it grew to 12.3%, and was expected to continue this trend in 2005 (increasing to 13.6%). The unemployment rate was also stable, and remained under the 7% marker. The main economic growth engines remain agriculture, tourism, and electronics exports. Costa Rica's economy is attractive for investors as it is framed within a stable political system; it benefits from high education levels and a booming tourism sector. However, the government has to struggle with substantial internal and external deficits, and a sizable internal debt.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Costa Rica's gross domestic product (GDP) was estimated at \$40.3 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$10,000. The annual growth rate of GDP was estimated at 3.2%. The average inflation rate in 2005 was 13.8%. It was estimated that agriculture accounted for 8.6% of GDP, industry 28.3%, and services 63.1%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$321 million or about \$80 per capita and accounted for approximately 1.8% of GDP. Foreign aid receipts amounted to \$28 million or about \$7 per capita and accounted for approximately 0.2% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Costa Rica totaled \$11.72 billion or about \$2,925 per capita based on a GDP of \$17.5 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.2%. It was estimated that in 2004 about 18% of the population had incomes below the poverty line.

## 21 LABOR

As of 2005, Costa Rica's labor force was estimated at 1.82 million workers. In 2003, the services sector accounted for 62.1% of the workforce, followed by industry at 22.2%, agriculture at 15.1%, and various other occupations at 0.6%. Unemployment was estimated at 6.6% in 2005.

The law provides workers with the right to join and form unions, although this is limited in practice. Unionization was about 9% of the total workforce in 2005. *Solidarismo* (solidarity associations), a Costa Rican alternative to traditional trade unions, have grown popular and have around 330,000 workers, 95% of whom are in the private sector. *Solidarismo* are *nondues* collecting associations and work to promote cooperative labor/management relations by offering workers practical benefits (like credit unions), in exchange for which workers renounce their striking and collective bargaining rights. *Solidaristas* are established with mutual contributions from the employer and the workers, so that the fund serves as savings plan, benefits, and severance pay. Private sector workers have the right to strike, but public employees are prohibited from striking.

A minimum wage is set up by a National Wage Council. The private sector minimum wage ranged from \$150 per month for domestic servants to \$588 for university graduates in 2005. The workweek was set at 48 hours. Overtime pay is required for work in excess of that. Occupational health and safety standards are inconsistently enforced, especially outside of San José. Although child labor remains a problem, the government is working to eradicate abuses. The minimum working age is 15 years, while minors between the ages of 15 and 18 may work up to six hours per day and 36 hours per week. Night work and overtime for minors are prohibited.

## 2<sup>2</sup> AGRICULTURE

About 10.3% (525,000 hectares/1,297,000 acres) of the total land area is used for crop production. Nearly half of all farms average less than 10 hectares (25 acres) in size. Over 326,000 persons, or about 19% of the economically active population, were engaged in farming in 2003.

Corn and sugar crops are usually sufficient to meet domestic needs, but beans and rice must be imported from time to time. Agriculture accounted for about 9% of the GDP in 2004. The principal cash crops are coffee, bananas, cocoa, and sugar. Coffee and bananas together accounted for 12% of exports in 2004, with values of \$199.5 million and \$545.4 million, respectively.

Over 85% of coffee properties belong to Costa Ricans. The banana industry has been producing more than one million tons of bananas annually since the 1970s. The principal marketer of Costa Rica's bananas is Standard Fruit Co. Corn, rice, potatoes, beans, sisal, cotton, citrus fruits, pita (used to make hats, baskets, and mats), yucca, vegetables, pineapples and other fruits, tobacco, abaca (hemp), and vegetable oils (especially African and coconut palms) are produced primarily for domestic consumption. Estimated crop production in 2004 (in tons) was sugarcane, 3,945,000; bananas, 2,230,000; rice, 222,000; coffee, 126,000; corn, 12,000; dry beans, 10,500; and cocoa, 700. In 1999, agricultural output was 26% higher than the annual average during 1989–91. During 2002–04, it was 20% higher than during 1999–2001.

## 2<sup>3</sup> ANIMAL HUSBANDRY

About 46% of Costa Rica's total land area was devoted to livestock raising in the early 1990s as the result of a major conversion of land to pasturage during the 1970s. In the past, Costa Rica had to import meat, but improvements in animal husbandry have made the country self-sufficient and provided a surplus for export. However, low productivity, low international prices, and high domestic interest rates affected profitability of the beef cattle sector in 1993 and 1994. National milk production in 2004 was an estimated 790,000 tons, enough to permit exports of excess production. Exports of meat were worth \$37.3 million in 2004. In 2004, there were an estimated 1,080,000 head of cattle, 550,000 hogs, 115,000 horses, and 19,500,000 chickens.

## 2<sup>4</sup> FISHING

Fish abound in Costa Rican waters, particularly in the Pacific Ocean, where 89% of the annual harvest is caught. Tuna, herring, and shrimp are the most valuable commercial fish; they are caught, processed, and shipped abroad by US firms. A small native fishing industry contributes to the domestic food supply and exports shark, mollusks, and live lobsters. Pearl fishing, once an important industry on the Pacific coast, has declined. In 2003, the total volume of fish landed was an estimated 29,327 tons. Aquacultural production added another 20,546 tons to the 2003 total.

## 2<sup>5</sup> FORESTRY

Costa Rica's forestland has declined from about 75% of the total land area in 1940 to 39% in 2000. About 18% of the area still forested is lightly exploited, while 82% is virgin forest. Varieties of commercial woods include laurel, cedar, oak, quina, espavel, campana, cristobal, pochote, maca wood, cedro macho, cedar, and

caoba (mahogany). In the Golfo Dulce rain forest of the southern Pacific coast, 135 families of trees embracing some 1,315 species in 661 genera have been identified. Forest products include rubber, chicle, ipecac, roots, medicinal plants, seeds, and other plant products. Although lumber exports have declined, overall timber output increased to 5.1 million cu m (181 million cu ft) of roundwood cut in 2003, of which about 67% was used for fuel. Forestry product exports in 2003 totaled \$21.7 million.

## 2<sup>6</sup> MINING

The production of minerals contributed less than 1% to the GDP. Mineral production in 2003 included cement, 1.3 million tons; common clays, 420,000 metric tons; sandstone, 3.25 million tons; and limestone, 920,000 tons. Diatomite, lime, pumice, silver, marine salt, crushed stone, and sand and gravel were also mined in 2003. Except for clays, fertilizers, and lime, most mineral commodities were produced for domestic use. In May 2002, the president of Costa Rica issued a decree that placed a moratorium on oil exploration, open pit mining, and cyanide processing. While the moratorium was not expected to affect the open-pit heap-leach Bellavista and Cerro Crucitas gold projects, which were approved prior to the moratorium, other gold projects could be severely affected. Gold production in 2003 totaled 110 kg, up from 100 kg in 2002.

## 2<sup>7</sup> ENERGY AND POWER

Costa Rica, with no proven reserves of oil, natural gas, or coal, relies heavily upon electric power to meet the bulk of its energy needs. In 2002, the country had an electric power generating capacity of 1.715 million kW, with production and consumption for that same year at 7.360 billion kWh and 6.420 billion kWh, respectively. The nation's generating capacity, and output is primarily hydroelectric. Hydropower accounted for 1.226 million kW or 71.4% of generating capacity, and for 5.871 billion kWh or almost 80% of the power produced in 2002. Additional capacity and production comes from geothermal/other and conventional thermal sources. In 2002, geothermal/other sources accounted for 0.207 million kW or 12% of capacity, and 1.374 billion kWh or 18.6% of production. Conventional thermal sources accounted for 0.282 million kW or 16.4% of capacity, and 0.115 billion kWh or 1.5% of production. Costa Rica has no nuclear power generating capacity.

Costa Rica relies mostly on imports to meet its hydrocarbon-based needs. All crude oil is imported. In 2002, crude imports averaged 9,680 barrels per day. Costa Rica however, does have limited refining capacity. According to data from the Energy Information Administration, updated as of October 2005, of the seven countries that comprise Central America, Costa Rica is among only three (El Salvador and Nicaragua are the others) to have refining capacity. Of the three, Costa Rica's refining capacity is the largest, at 24,000 barrels per day, and is handled by a single refinery, the Limón facility. In 2002, refinery output totaled 9,280 barrels per day and consisted of: distillates (2,920 barrels per day); residual product (4,500 barrels per day); liquefied petroleum gas (800 barrels per day); and unspecified products (1,780 barrels per day). However the country's demand for refined product far outstrips the capacity of this single facility, so imports are necessary. In 2002, demand for refined petroleum products averaged 39,670 barrels per day. Costa Rica must also import all of the coal it con-

sumes. In 2002, these imports consisted of hard coal and amount-  
ed to 54,000 tons.

## 28 INDUSTRY

Costa Rica is one of the most industrialized countries in Central America, although industries are predominantly small-scale and primarily involve assembling or finishing imported semifinished components. Of the few larger-scale manufacturing enterprises, the majority are in chemical fertilizers, textiles, coffee and cocoa processing, chemicals, plastics, electronics, and computer chips. The Intel Corporation opened a chip-manufacturing plant in 1998. The garment assembly and tuna processing industries are important. Other manufacturing projects include aluminum processing, a petrochemical plant at Moin, a tuna-processing plant at Golfito, and an oil refinery at Limón with a production capacity of 15,000 barrels per day. Major infrastructure construction projects were planned as of 2002, but with the exception of road repair, most had not progressed. Industry represented 37% of GDP in 2000. The Costa Rican Investment and Development Board (CINDE), is designed to attract high quality foreign investment oriented toward exports.

The share of industry in the GDP decreased to 28.3% in 2005, and was bested by services with a 63.1% share (which was also the country's largest employer). The industrial production growth rate was 2.6%, similar to the GDP growth rate in the same year—an indicator of unspectacular development in this sector. Manufacturing and mining continue to account for most of the industrial output.

## 29 SCIENCE AND TECHNOLOGY

The principal scientific policymaking body in Costa Rica is the General Directorate of Geology, Mining, and Petroleum (founded in 1951). Several institutes specialize in tropical sciences, including the Organization for Tropical Studies in San Pedro, the Tropical Science Center in San José, and the Tropical Agronomy Center in Turrialba, as well as medicine, nuclear energy, technology, geology, agriculture, and meteorology. The University of Costa Rica in San José, founded in 1843, has faculties of agronomy, science, pharmacy, engineering, medicine, microbiology, and dentistry. The National University in Heredia, founded in 1973, has faculties of exact and natural science, earth and sea sciences, and health sciences. The Technological Institute of Costa Rica in Cartago, founded in 1971, has numerous attached research centers. In 1987–97, science and engineering students accounted for 20% of college and university enrollments.

For the period 1990–2001, there were 530 researchers per million people engaged in research and development (R&D). In 2002, high technology exports by Costa Rica were valued at \$1.146 billion, which accounted for 37% of manufactured exports. In 2000, R&D expenditures totaled \$131.417 million, or 0.39% of GDP.

## 30 DOMESTIC TRADE

San José is the commercial center, and most importers, exporters, and manufacturers' agents operate there. Though there are a number of small merchants and traditional public markets; modern shopping centers, malls, supermarkets, and franchise outlets are becoming the norm. E-commerce is slowly becoming

popular but has been hindered by the lack of appropriate telecommunications.

In recent years, the economy has made a major shift from agricultural production and exports, primarily of bananas and coffee, to high-tech industries and tourism. As of 1999, 58% of the work force was employed in service industries. In 1998, the opening of an Intel Corporation microprocessor assembly and testing plant accounted for half of the nation's economic growth the following year. Subsequent large foreign investment companies include Abbott Laboratories and Procter and Gamble.

Shops are open on weekdays from 8:30 to 11:30 AM and from 2 to 6 PM, and on Saturday in the morning only. Business hours are from 8 AM to 12 PM, and 2 to 6 PM, Monday through Friday. Normal banking hours are 9 to 11 AM and 1:30 to 3 PM, Mondays through Friday, and 8 to 11 AM on Saturday. Advertising agencies in Costa Rica, all located in San José, offer advertising services through newspapers, radio, television, and direct mail.

## 31 FOREIGN TRADE

Among Costa Rica's major exports are coffee, bananas, sugar, cocoa, and cattle and meat products—all commodities vulnerable to world market prices. The major markets for Costa Rican exports are the United States, the United Kingdom, Germany, Italy, Guatemala, El Salvador, Honduras, and Belgium.

Imports consist mainly of raw materials for industry and mining, followed by consumer goods and capital goods for industry, mining, and transportation. Major suppliers include the United States, Mexico, Venezuela, Japan, Spain, Guatemala, and Germany.

In 1996, falling terms of trade due to lower international prices for coffee, beef, and sugar, and the drop in banana production, caused traditional exports to perform less well than in previous years. However, the growth of nontraditional exports picked up part of the slack, despite some adverse effects from much-enhanced competitiveness of competing Mexican exports. Despite the economic recession, the value of imports of goods increased by 16% in 1996, well above the 8% for the previous year. A major factor was the substantial increase in international fuel prices and a relatively strong local currency. As a result, the trade deficit worsened from 1995 by almost 117% to \$76 million.

### Principal Trading Partners – Costa Rica (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	5,800.4	7,388.2	-1,587.8
United States	2,733.2	3,682.5	-949.3
Areas nes	359.4	191.2	168.2
Guatemala	253.5	154.0	99.5
Malaysia	206.4	...	206.4
Nicaragua	186.3	51.0	135.3
Germany	179.6	165.3	14.3
Special Categories	170.8	97.9	72.9
Panama	163.3	114.5	48.8
United Kingdom	156.3	80.4	75.9
Honduras	155.4	42.3	113.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

The value of imports continued to rise into 1998; after 1997 the value of imports as compared to exports was balanced. Exports in 1999 climbed above imports because of the sale of computer chips, but in 2000 the trade deficit returned.

Costa Rica relied mostly on agriculture to sustain its commodity export market in 1996. Fruits and nuts made up almost a third of exports (30%) and coffee was the second-largest export (15%). Other agricultural exports included nonedible vegetable oils (4.6%), fruit (2.5%), edible vegetables (2.4%), meat (2.0%), and sugar (1.5%). Small amounts of medicines and gold were exported from Costa Rica (2.1% and 1.7%).

In 2005, exports reached \$7 billion (FOB—Free on Board), while imports grew to \$9.7 billion (FOB). In 2004, the bulk of exports went to the United States (46.9%), the Netherlands (5.3%), and Guatemala (4.4%). Imports included raw materials, capital goods, and consumer goods, and mainly came from the United States (46.1%), Japan (5.9%), Mexico (5.1%), and Brazil (4.2%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Costa Rica has traditionally experienced balance-of-payments difficulties because of the vulnerability of its main sources of exchange earnings to fluctuations in world markets. The nation's payments problems in the late 1970s were aggravated by domestic inflationary policies and rising trade imbalances, despite increases in foreign capital receipts. The deficit on capital accounts declined in the mid-1980s due to increases in capital investment from foreign loans and credits and favorable renegotiation of the foreign debt. During the early 1990s, an unfavorable trade balance resulted from fluctuating coffee prices and high oil prices, but the balance of payments leveled out by 1999. Costa Rica's chronic trade and current account deficits have been offset by foreign direct investment in the form of capital goods, which is reflected in the offsetting figures for the current and capital accounts. The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing

power parity of Costa Rica's exports was \$5 billion while imports totaled \$6.5 billion resulting in a trade deficit of \$1.5 billion.

The International Monetary Fund (IMF) reported that in 2001 Costa Rica had exports of goods totaling \$4.91 billion and imports totaling \$6.12 billion. The services credit totaled \$2.05 billion and debit \$1.28 billion.

The current account balance was negative in 2004, slightly improving from -\$967 million in 2003 to -\$960 million in 2004. Foreign exchange reserves (including gold) decreased to \$1.4 billion in 2004, covering almost two months of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

The Central Bank (Banco Central de Costa Rica), an autonomous governmental body established in 1950, issues currency, holds the nation's gold reserves, formulates general banking policy, and regulates commercial banks. Three commercial state banks, which dominate the banking system, are operated as autonomous government corporations: the Banco Nacional de Costa Rica, Banco de Costa Rica, and Banco Crédito Agrícola de Cartago. The banking monopoly was surrendered in 1995. There are also nearly 70 private banks and financial groups operating in Costa Rica.

Costa Rican residents can own and deal in gold, own foreign securities and foreign currencies, maintain foreign bank balances, import and export national bank notes, and import goods from abroad, but they must repatriate export earnings. Costa Ricans traditionally put their savings into real property rather than securities, but on several occasions during the 1960s and 1970s, the government successfully floated bond issues within the country. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$2.2 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$6.1 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 28.75%.

Stock sales and foreign currency transactions are handled by the Bolsa Nacional de Valores in San José. The Superintendency of Financial Markets (SUGEVAL) is in charge of the stock exchange.

### 3<sup>4</sup> INSURANCE

Only the government's National Insurance Institute (Instituto Nacional de Seguros—INS), founded in 1924, may write insurance in Costa Rica. It handles all types of insurance, the most important being life, fire, automobile, and workers' compensation. One of the more popular features of life insurance policies is that the holder may borrow up to the full face value of the policy after paying premiums for only two years. In 1996, the insurance monopoly was reformed to allow private agents to sell policies, while the INS continued to hold all underwriting rights. The INS does, however, reinsure its risks with private, foreign insurers. In 2003, the value of all direct premiums written totaled \$318 million, of which nonlife premiums accounted for \$290 million. In 2002, the INS' gross written nonlife premiums (including personal accident) totaled \$313.5 million.

### 3<sup>5</sup> PUBLIC FINANCE

The central government budget is passed upon by the Legislative Assembly. Municipal budgets are of minor importance, and local

#### Balance of Payments – Costa Rica (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-967.0</b>
Balance on goods		-1,169.6	
Imports	-7,294.4		
Exports	6,124.7		
Balance on services		838.6	
Balance on income		-848.6	
Current transfers		212.6	
<b>Capital Account</b>			<b>26.1</b>
<b>Financial Account</b>			<b>653.4</b>
Direct investment abroad		-26.9	
Direct investment in Costa Rica		576.7	
Portfolio investment assets		-91.6	
Portfolio investment liabilities		-304.5	
Financial derivatives		...	
Other investment assets		170.6	
Other investment liabilities		329.1	
<b>Net Errors and Omissions</b>			<b>68.0</b>
<b>Reserves and Related Items</b>			<b>219.5</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

**Public Finance – Costa Rica (2003)**

(In billions of colones, central government figures)

	<b>1,579.4</b>	<b>100.0%</b>
<b>Revenue and Grants</b>		
Tax revenue	935.4	59.2%
Social contributions	510.7	32.3%
Grants	3.8	0.2%
Other revenue	129.5	8.2%
<b>Expenditures</b>	<b>1,691</b>	<b>100.0%</b>
General public services	375.6	22.2%
Defense	...	...
Public order and safety	127.6	7.5%
Economic affairs	164.6	9.7%
Environmental protection	...	...
Housing and community amenities	0.5	<1.0%
Health	352.6	20.9%
Recreational, culture, and religion	13.2	0.8%
Education	365.5	21.6%
Social protection	292.4	17.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

government funds are mainly grants from the national government. The financial range of the public sector extends to a large number of publicly owned entities. Interest costs on the accumulated government debt consume a huge 16.8% of the government's revenues. Approximately 42% of the 2001 national budget was financed by public borrowing.

The US Central Intelligence Agency (CIA) estimated that in 2005 Costa Rica's central government took in revenues of approximately us\$2.7 billion and had expenditures of us\$3.1 billion. Revenues minus expenditures totaled approximately -us\$473 million. Public debt in 2005 amounted to 56.2% of GDP. Total external debt was us\$3.633 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues in colones were c1,579.4 billion and expenditures were c1,691 billion. The value of revenues in US dollars was us\$3.97 million and expenditures us\$4.24 million, based on a market exchange rate for 2003 of us\$1 = c398.66 as reported by the IMF. Government outlays by function were as follows: general public services, 22.2%; public order and safety, 7.5%; economic affairs, 9.7%; health, 20.9%; recreation, culture, and religion, 0.8%; education, 21.6%; and social protection, 17.3%.

**36 TAXATION**

Indirect taxes, such as import duties, contribute about three-quarters of government revenues.

Both individuals and businesses residing in Costa Rica are subject to income tax only on income derived from sources within the country. The corporate tax rate is 30%. Incentives are available for new industries and for engaging in the export of non-traditional products. Personal income taxes range from 10–25% for employed persons and 10–20% for self-employed persons. The personal exemption level is equal to only 80% of Costa Rica's average income, and the threshold for the highest tax rate is less than four times the average. The main indirect tax is Costa Rica's value-

added tax (VAT) introduced in January 1975 at a standard rate of 10%, which was reduced to 8% during the 1990s, and then raised to 13% in 2001. Items exempted from the VAT include inputs for dwelling construction, food, medicines, educational supplies and books. Electric power to homes is subject to a 5% rate. There is also a property tax, a franchise tax, a real estate transfer tax, and a selective-consumption tax levied on luxury items, with rates ranging from 10–75%.

**37 CUSTOMS AND DUTIES**

Initially, the import tariff was primarily for revenue raising purposes, but in 1954 it was increased to protect Costa Rican industry. In 1962, tariffs were raised so high that they virtually prohibited foreign competition in certain fields. Import duties usually included a specific duty on the gross weight in kilograms and ad valorem duties of varying percentages of the CIF (cost, insurance, and freight) value of the imported goods.

Since Costa Rica's entry into GATT, tariffs have been lowered. As of 2002, customs duties range from 1–15%. However, food tariffs were between 14% and 19%. Import duties on raw materials, bulk grains, and oilseeds were reduced to 1% in 1996. Capital goods and most finished products have a tariff of 1% and 10–15% respectively. There is a 13% value-added tax (VAT). Excise taxes range from 5–75%, applying to about half of all products imported. For example, arms and munitions are taxed at 75%; costume jewelry, fireworks, and whiskey at 50%; wine and beer at 40%.

Costa Rica has a bilateral free trade agreement with Mexico and was planning future agreements in 1999 with Dominican Republic, Panama, Chile, and Trinidad and Tobago. Costa Rica is also a member of the Central American Common Market (CACM) with El Salvador, Guatemala, Honduras, and Nicaragua. The CACM has a common external tariff of 5–20% for most products.

**38 FOREIGN INVESTMENT**

Foreign investment, which is welcomed in Costa Rica, is concentrated in manufacturing (45%) and agriculture (25%, mainly banana and coffee interests). Other investments are placed in the railways, tobacco, communications, airlines, government bonds, and real estate. The United States, Costa Rica's major foreign investor (78% in 1998), has interests chiefly in computer chip manufacturing, agriculture, petroleum refining, and distribution, utilities, cement, and fertilizers. The continued high level of trade with the United States has been conducive to private foreign investment, especially in export industries. Investment incentives include constitutional equal treatment guarantees and free trade zones. Foreign direct investment in Costa Rica in 1998 was \$530 million, or 5% of GDP.

Liberalization of Costa Rica's trade and investment regimes, resolution of the internal debt problem, and passage of legislation expanding private sector investment in energy, telecommunications, roads, ports, and airports have boosted opportunities for foreign and local investors and increase Costa Rica's prosperity. In 1998, the Public Concessions Law defined the ways in which foreigners could invest in Costa Rica's public sector. Still, in the energy sector, foreign ownership may not exceed 65%, and a long list of activities are reserved for the state. The government had no privatization programs in 1999, but in 2000 investment was pro-

moted by the government in the electricity and telecommunications parastatals.

Costa Rica has sought to widen its economic and diplomatic ties, including outside the region. Costa Rica has maintained connections with the United States, the EU, along with the other Central American states, through periodic ministerial consultations. The country is a founding member of the WTO and has actively participated in the follow-up to the Summit of the Americas to bring about the Free Trade Area of the Americas by the year 2005.

In 2003, total capital inflows reached \$587 million, down from \$662 million in 2002, but up from \$454 million in 2001. The United States' stock of foreign investment decreased by \$75 million in 2003, reaching \$1.6 billion. In August 2004, Costa Rica (together with El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic) signed a free trade agreement with the United States. Through this agreement, Costa Rica has committed itself to open up two sectors that are currently state monopolies—telecommunications and insurance. Costa Rica is also a beneficiary of the US Caribbean Basin Trade Partnership Act (CBTPA).

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

Despite trying to remain neutral, Costa Rica was affected adversely by regional political turmoil in the late 1970s and the 1980s. Instability in neighboring Nicaragua and Panama discouraged new investment and tourism in Costa Rica. Many displaced Nicaraguans and Salvadorans sought refuge in Costa Rica, further burdening the country's educational and health facilities. An oil shock and debt crisis also made economic recovery difficult.

Following an economic crisis in the early 1980s, Costa Rica made significant progress toward macroeconomic stability, structural adjustment, and growth through increasingly diversified exports. Gross domestic product (GDP) growth averaged 4% from 1988 to 1998. Nontraditional exports and tourism have increased rapidly and account for almost 60% of foreign currency earnings. Impressive growth after 1998 was recorded, in part due to the investments of the Intel Corporation. Although that and other North American corporations remain crucial to the success of the economy, since 2000, growth slowed to around 2%, unemployment remained at 6%, and inflation remained at 10%.

The government faced a large budget deficit in 2002 (it was 6% of GDP, up from 3.8% in 2001); 42% of the 2001 national budget was financed by public borrowing. The public debt was 52% of GDP in 2002. In 2000, an effort to privatize the telecommunications sector failed, and important economic sectors remain controlled by large public enterprises. The government in 2003 planned to implement tax reform to broaden the tax base, and to improve the condition of the financial system. Costa Rica is a supporter of the Free Trade Area of the Americas.

In 2005, the economy expanded at an overall slower pace than in 2004. This deceleration was reflected in all sectors of the economy, save agriculture and utilities. Government spending also went down, holding down growth in government consumption. Domestic demand was sluggish, with the exception of fixed investment. The fastest-growing sectors were transport and communications.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

A national social insurance and mandatory private insurance system provides old age, disability and survivorship benefits for employed persons. There is also a voluntary program for the self-employed. All employed persons have coverage for sickness and maternity cash benefits, and all residents get medical care. A family allowance program provides pensions for persons, employed or not, that are not covered under the national social insurance system. The social security program is compulsory for all employees under 65 years of age. Pensions are generally set at 60% of average earnings during the last five years of coverage.

The government is taking action to protect women against domestic violence and abuse, including passing laws and providing services to victims. Domestic abuse is considered a major society problem. Women have equal rights under the law. The Law for the Promotion of the Social Equality of Women further obligates the government to promote political, economic, social, and cultural equality. Although women remain underrepresented in senior government positions, progress has been made. The law stipulates that women receive equal pay for equal work, but men usually have higher earnings. The Women's Council and the Women's Delegation, two government agencies, act as advisors and advocates for women who have suffered abuse or harassment. Child prostitution remains prevalent. However, the government is committed to children's rights and adequately funds public education and medical care.

Prisons are overcrowded, but conditions are generally considered to be humane. The judicial process tends to be slow, resulting in some lengthy pretrial detentions. Human rights are respected by the government.

### **4<sup>1</sup> HEALTH**

Health standards have steadily improved in Costa Rica. The infant mortality rate, 166.7 per 1,000 live births in 1927, was 62.3 in 1968 and 9.95 in 2005. The decreases in mortality rates were attributed to improvements in sanitary and medical facilities under the national health program administered by the Ministry of Health. The fertility rate was 3.1 in 1994, a 1.3% yearly reduction since 1984, and was reduced further to 2.5 as of 2000. The use of contraceptives is one of the highest in Latin America and the Caribbean. In the mid-1990s, 75% of married females aged 15–49 were using a form of contraception. During 2005, life expectancy at birth was an average of 76.84 years.

Hospitals are located in the principal cities and about 95% of the hospital beds are in urban areas. In 2004, Costa Rica had an estimated 172 physicians, 245 nurses, 42 dentists, and 34 pharmacists per 100,000 people.

Health services for the rural population are generally inadequate and the refugee problem has severely taxed urban services. However, there are sanitary units and dispensaries to care for the health needs of the poor. During the 1980s, the greatest health problem was protein-calorie malnutrition, particularly among infants and children. Diseases of the circulatory system are the leading cause of death. Almost 100% of the population had access to safe water. Costa Rica immunized children up to one year old as follows: diphtheria, pertussis, and tetanus, 91%; measles, 99%; po-

lio, 93%; and tuberculosis, 91%. The incidence of tuberculosis was 17 per 100,000 in 1999.

The HIV/AIDS prevalence was 0.60 per 100 adults in 2003. As of 2004, there were approximately 1,200 people living with HIV/AIDS in the country. There were an estimated 900 deaths from AIDS in 2003.

## 42 HOUSING

In 2004, there were approximately 1,082,662 housing units in the country. About 646,806 (59.7%) were detached houses. About 74% of all dwellings were owner occupied. About 84.5% of all dwellings were listed in good or average condition and 88% were listed as having access to all basic services.

Sources for housing mortgages include private funds, the Central Bank, the Social Security Fund, and the national banking system. In 2002, the cost of building a home was about \$315 to \$540 per square meter. The National Institute of Housing and Urban Affairs, established in 1954, administers a national low-cost housing program.

In 1986, the National Bamboo Project was launched as a way to introduce new building technology aimed at preventing deforestation throughout the country. The project focuses on the use of bamboo for building material in indigenous housing projects. In 1995, FUNBAMBU (The Bamboo Foundation) was established to take over the program. To date, at least 3,000 low-cost homes have been built through this program and about 200 hectares of bamboo have been cultivated for future use. FUNBAMBU plans to build another 1,500 homes per year, about 6% of all housing construction per year.

## 43 EDUCATION

Primary education lasts for six years followed by three years of secondary education. Either a two-year academic course of study or a three-year technical course of study follows. Primary and secondary education is free, and primary-school attendance is compulsory.

Primary school enrollment in 2003 was estimated at about 90% of age-eligible students. The same year, secondary school enrollment was about 53% of age-eligible students. It is estimated that about 94% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 23:1 in 2003; the ratio for secondary school was about 19:1.

The country has 39 universities, including an open university. The University of Costa Rica (founded in 1843) is supported by the government. The Open University (1977) in San José operates 28 regional centers for all students who apply. There are also the Autonomous University of Central America (1976) in San José and the National Autonomous University of Heredia (1973), among others. In 2003, about 19% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 95.8%, with fairly even rates for men and women.

As of 2003, public expenditure on education was estimated at 5.1% of GDP, or 22.4% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

The National Library at San José, founded in 1888, is a reference library that contained about 255,000 volumes in 2002. Other im-

portant libraries in San José are the National Archives, with 8,500 volumes, and the library of the University of Costa Rica, which contains about 439,000 volumes. The Inter-American Institute of Agricultural Sciences, in Turrialba, has a library of over 90,000 volumes. The Legislative Assembly maintains a library of 35,000 volumes and the Indigenous Museum (1890) holds 40,000 volumes. The Tropical Science Center in San José sponsors the L.R. Holdridge Documentation and Information Center, which specializes in research materials on nature conservation and management.

The National Museum of Costa Rica in San José, founded in 1887, is a general museum with collections of pre-Columbian, colonial, republican, and religious art, a herbarium, and bird displays. The Museum of Costa Rican Art was founded at San José in 1977. There are several other art museums in the capital as well, including the Indigenous Museum, the Museum of Pre-Columbian Gold, and the Museum of Jade.

## 45 MEDIA

Costa Rican telephone, telegraph, and radio systems are owned and operated by both governmental and private firms. In 2003, there were an estimated 251 mainline telephones for every 1,000 people; about 15,800 people were on a waiting list for telephone service installation. The same year, there were approximately 111 mobile phones in use for every 1,000 people.

There were 65 AM and 51 FM radio stations in 2002. The same year, there were 20 television stations in Costa Rica. Many stations are privately owned. The Commission on Control and Rating of Public Performances has the authority to restrict radio and television broadcasts, as well as films and live theater productions that may contain violent or explicitly sexual content. In 2003, there were an estimated 816 radios for every 1,000 people. The number of televisions was unavailable in the same survey.

The major daily newspapers, all published in San José, (with 2004 circulations except as noted) include *Diario Extra*, an independent morning paper (120,000); *La Nación*, an independent morning paper (125,000); *La República*, an independent morning journal (60,000 in 2002); *Al Día*, an independent morning paper (65,000); and *La Prensa Libre*, an independent evening paper (56,000). There are several periodicals and magazines available, the most popular of which is the general interest weekly *Esta Semana*, with a 1995 circulation of 27,000.

Freedom of speech and the press is guaranteed by the constitution and observed in practice. Print and electronic media are largely privately owned.

## 46 ORGANIZATIONS

Consumer cooperatives purchase, sell, and distribute goods among the membership. The cooperative credit societies procure loans for agriculture, stock raising, and industrial development, and cooperative housing associations provide low-cost housing facilities. There are chambers of commerce and of industry in San José. In addition, there are about 50 employers' and industrial organizations, including the National Coffee Chamber. An unusual organization, combining features found in credit unions, company unions, and building and loan societies, is the Movimiento Sol-

idarista, which advocates harmony between employers and workers. Professional associations are also available.

The Central American Health Institute is a multinational organization based in San José. There are also several organizations concerned with environmental issues and conservation. Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present.

National women's organizations include the Association of University Women, The Center of Feminist Information and Action, and the National Institute of Women. There are two major student unions, the Federation of University Students of Costa Rica (FEUCR) and The Nation Federation of University Students (FEUNA). The Association of Guides and Scouts of Costa Rica and the YMCA are also active youth organizations. There are several sports organizations representing a variety of interests, such as taekwondo, badminton, tennis, and football (soccer), to name a few. There is an active organization of the Special Olympics.

Costa Rica has chapters of Amnesty International, the Society of St. Vincent de Paul, and the Red Cross. A national organization, the Arias Foundation for Peace and Human Progress, is based in San José. The Arias Foundation works to build peace and justice in Central America and operates the Center for Peace and Reconciliation, the Center for Human Progress, and the Center for Organized Participation. The Commission for the Defense of Human Rights in Central America and the Inter-American Institute of Human Rights are multinational groups based in San José.

#### **47 TOURISM, TRAVEL, AND RECREATION**

Popular tourist sights in San José are the National Museum, National Theater, and the Central Bank's gold exhibition. Other attractions include the Irazú and Poás volcanoes, brief jungle excursions, and the Pacific beaches. Popular recreations are bird-watching, mountain climbing, swimming, water-skiing, and deep-sea fishing. Football (soccer) is the national sport; there are matches every Sunday morning in San José from May through October. Horseback riding is widely available.

Visitors to Costa Rica must have passports and an onward/return ticket. In 2003, Costa Rica received 1,238,692 tourists, of whom 82% were from the United States. There were 35,003 hotel rooms that year. Tourism receipts reached \$1.4 billion.

In 2005, the US Department of State estimated the daily cost of staying in Costa Rica at \$171.

#### **48 FAMOUS COSTA RICANS**

José María Castro was Costa Rica's first president (1847–49, 1866–68). Juan Rafael Mora Porras, the second president of the republic

(1849–59), successfully defended the country against the invasion of US military adventurer William Walker. General Tomás Guardia (1832–82) led a revolt against the government in 1870, became a dictator, and in 1871 introduced the constitution that remained in force until 1949. José Figueres Ferrer (1906–90), president during 1953–58 and 1970–74, is regarded as the father of the present constitution. Oscar Arias Sánchez (b.1940), president 1986–90 and elected again in 2005, won the Nobel Prize for peace in 1987 for his plan to bring peace to Central America. Ricardo Fernández Guardia (1867–1950) is regarded as Costa Rica's greatest historian. Joaquín García Monge (1881–1958) founded the literary review *Repertorio Americano*. Maribel Guardia (b.1960) is a Costa Rican singer, actress, and model famous throughout Latin America.

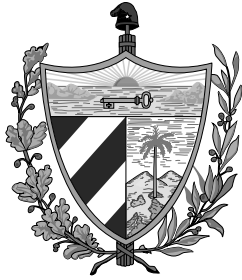
#### **49 DEPENDENCIES**

Cocos Island—26 sq km (10 sq mi), about 480 km (300 mi) off the Pacific coast, at 5°32'N and 87°2'W—is under Costa Rican sovereignty. It is mainly jungle, with a maximum elevation of 850 m (2,788 ft). There is no permanent population, but the island is popular with transient treasure hunters. Cocos Island has two harbors and is of strategic importance because of its position along the western approach to the Panama Canal.

#### **50 BIBLIOGRAPHY**

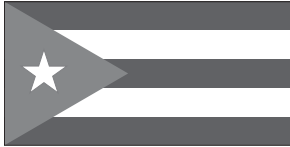
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# CUBA

Republic of Cuba  
*República de Cuba*



**CAPITAL:** Havana (La Habana)

**FLAG:** The flag consists of five alternating blue and white horizontal stripes penetrated from the hoist side by a red triangle containing a white five-pointed star.

**ANTHEM:** *Himno de Bayamo* (*Hymn of Bayamo*), beginning “Al combate corred bayameses” (“March to the battle, people of Bayamo”).

**MONETARY UNIT:** The Cuban peso (c\$) of 100 centavos is a paper currency with one exchange rate. There are coins of 1, 2, 3, 5, 20, 40, and 100 centavos and notes of 1, 3, 5, 10, 20, 50, and 100 pesos. c\$1 = us\$1.07527 (or us\$1 = c\$0.93) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but older Spanish units and the imperial system are still employed. The standard unit of land measure is the *caballería* (13.4 hectares/133.1 acres).

**HOLIDAYS:** Day of the Revolution, Liberation Day, 1 January; Labor Day, 1 May; Anniversary of the Revolution, 25–27 July; Proclamation of Yara, 10 October. Celebration of religious holidays falling during the workweek was prohibited by a 1972 law.

**TIME:** 7 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The Republic of Cuba consists of one large island and several small ones situated on the northern rim of the Caribbean Sea, about 160 km (100 mi) south of Florida. With an area of 110,860 sq km (42,803 sq mi), it extends 1,223 km (760 mi) E–W and about 89 km (55 mi) N–S. Cuba is the largest country in the Caribbean, accounting for more than one-half of West Indian land area. Comparatively, the area occupied by Cuba is slightly smaller than the state of Pennsylvania. It is separated from Florida by the Straits of Florida, from the Bahamas and Jamaica by various channels, from Haiti by the Windward Passage, and from Mexico by the Yucatán Channel and the Gulf of Mexico. Cuba’s total coastline is 3,735 km (2,316 mi). The largest offshore island, the Isle of Youth (Isla de la Juventud), formerly known as the Isle of Pines (Isla de Pinos), lies southwest of the main island and has an area of 2,200 sq km (849 sq mi); the other islands have a combined area of 3,715 sq km (1,434 sq mi).

Cuba’s capital city, Havana, is located on its north coast.

## <sup>2</sup>TOPOGRAPHY

Cuba’s spectacular natural beauty has earned it the name Pearl of the Antilles. The coastline is marked by bays, reefs, keys, and islets. Along the southern coast are long stretches of lowlands and swamps, including the great Zapata Swamp (Ciénaga de Zapata). Slightly more than half the island consists of flat or rolling terrain, and the remainder is hilly or mountainous, with mountains covering about a quarter of its total area. In general, eastern Cuba is dominated by the Sierra Maestra, culminating in Pico Real del Turquino (2,005 m/6,578 ft); around Camagüey are rolling plains and low mountains; central Cuba contains the Trinidad (Escambray) Mountains in addition to flat or rolling land; and the west is

dominated by the Sierra de los Órganos. The largest river, the Cauto, flows westward for 249 km (155 mi) north of the Sierra Maestra but is little used for commercial navigation purposes.

## <sup>3</sup>CLIMATE

Except in the mountains, the climate of Cuba is semitropical or temperate. The average minimum temperature is 21°C (70°F), the average maximum 27°C (81°F). The mean temperature at Havana is about 25°C (77°F). The trade winds and sea breezes make coastal areas more habitable than temperature alone would indicate. Cuba has a rainy season from May to October. The mountain areas have an average precipitation of more than 180 cm (70 in); most of the lowland area has from 90 to 140 cm (35–55 in) annually; and the area around Guantánamo Bay has less than 65 cm (26 in). Droughts are common. Cuba’s eastern coast is often hit by hurricanes from August to October, resulting in great economic loss.

## <sup>4</sup>FLORA AND FAUNA

Cuba has a flora of striking richness, with the total number of native flowering species estimated at nearly 6,000. The mountainous areas are covered by tropical forest, but Cuba is essentially a palm-studded grassland. The royal palm, reaching heights of 15–23 m (50–75 ft), is the national tree. Pines like those in the southeastern United States grow on the slopes of the Sierra de los Órganos and on the Isla de Juventud (Isle of Youth). The lower coastal areas, especially in the south, have mangrove swamps. There is a small area around Guantánamo Bay where desert plants grow.

Only small animals inhabit Cuba. These include tropical bats, rodents, birds, and many species of reptiles and insects. As of

2002, there were at least 31 species of mammals and 86 species of birds throughout the country.

## 5 ENVIRONMENT

The Cuban government has formed several agencies to protect the environment. Among them are the National Parks Service, the National Commission of Environmental Protection and Rational Use of Natural Resources (1977), the National Environmental Education Program, the Academy of Sciences of Cuba, and the National Commission for the Protection of the Environment and for Conservation of Natural Resources. In 2003, about 69% of the land was protected by the government. There are two natural UNESCO World Heritage Sites and six Ramsar wetland sites.

As of 2000, Cuba's most pressing environmental problems were deforestation and the preservation of its wildlife. The government has sponsored a successful reforestation program aimed at replacing forests that had gradually decreased to a total of 17% of the land area by the mid-1990s. In 2000, about 21% of the total land area was forested.

Another major environmental problem is the pollution of Havana Bay. In 1994, Cuba had the seventh-largest mangrove area in the world. Altogether, 51% of the country's renewable water sources are used for agricultural purposes. About 95% of Cuba's city dwellers and 77% of its rural people have pure drinking water. In 1996 Cuban industries emitted 31.1 million metric tons of industrial carbon dioxide.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 11 types of mammals, 18 species of birds, 7 types of reptiles, 47 species of amphibians, 23 species of fish, 3 species of invertebrates, and 163 species of plants. Endangered species in Cuba include the Cuban solenodon, four species of hutia (dwarf, Cabela's, large-eared, and little earth), two species of crocodile (American and Cuban), and the Cuban tree boa. The ivory-billed woodpecker, Cuban red macaw, Caribbean monk seal, and Torre's cave rat have become extinct.

## 6 POPULATION

The population of Cuba in 2005 was estimated by the United Nations (UN) at 11,275,000, which placed it at number 72 in population among the 193 nations of the world. In 2005, approximately 10% of the population was over 65 years of age, with another 21% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.4%, a rate the government viewed as satisfactory. To inhibit further growth, the government has put restrictions on migration to Havana. The projected population for the year 2025 was 11,824,000. The population density was 102 per sq km (263 per sq mi).

The UN estimated that 76% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.44%. The capital city, Havana (La Habana), had a population of 2,189,000 in that year, accounting for about 20% of the total population. Other important cities and their estimated populations are Santiago de Cuba (554,400), Camagüey (354,400), Holguín (319,300), Guantánamo (274,300), and Santa Clara (251,800).

## 7 MIGRATION

Before independence, there was a large migration from Spain; the 1899 census reported 129,000 Spanish-born persons living in Cuba. The 1953 census reported about 150,000 persons of foreign birth, of whom 74,000 were Spaniards. From 1959 through 1978, Cuba's net loss from migration, according to official estimates, was 582,742; US figures indicate that during the same period a total of 669,151 Cubans arrived in the United States.

During the 1960s, Cuban emigrants were predominantly of the upper and middle classes, but in the 1970s emigrants were urban blue-collar workers and other less-educated and less-wealthy Cubans. The flow of emigrants declined in the late 1970s, but beginning in April 1980, Cubans were allowed to depart from Mariel harbor; by the end of September, when the harbor was closed, some 125,000 Cubans in small boats (the "freedom flotilla") had landed in the United States. Of that number, 2,746 were classified as "excludable aliens" and were being held in prisons or mental institutions. According to an agreement of December 1984, Cuba agreed to accept the 2,746 back; repatriation began in February 1985, but in May, Cuba suspended the agreement. By the mid-1980s, well over 500,000 Cuban exiles were living in the Miami, Florida, area. In 1990 there were 751,000 Cuban-born persons in the United States. Large numbers have also settled in Puerto Rico, Spain, and Mexico.

Since 1979, the Cuban government has been providing education to a number of students from developing countries. Due to events making return to their homelands difficult, many have become refugees. Sporadically, Cuba receives groups of Haitians who generally return to their homeland voluntarily. Between 1991 and 1994, the United Nations High Commissioner for Refugees (UNHCR) worked with the government to protect and assist more than 1,500 Haitians during a temporary stay in Cuba. In 1995, Cuba was harboring 1,500 refugees from the Western Sahara; in 1999, the government was still working with UNHCR to return them to their country of first asylum. In 2000 there was a total of 82,000 migrants living in Cuba. UNHCR assisted a total of 802 people in Cuba in 2004; 795 were refugees, 5 were asylum seekers, and 2 were returned refugees.

The Economic Commission for Latin America and the Caribbean estimated that remittances to Cuba in 2000 amounted to \$750 million, 90% from Cubans living in the United States. By 2003, remittances to Cuba were \$1.2 billion. In 2004, the United States revised its regulations restricting cash remittances to Cuba by restricting remittances to members of the remitter's immediate family. In addition, the amount of remittance that an authorized traveler may carry was reduced from \$3000 to \$300. The Cuban government takes 20% of US remittances.

In 2004, 11,821 Cubans sought asylum in the United States. The net migration rate for Cuba in 2005 was estimated as -1.58 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

About 51% of the total Cuban population are described as mulattos. Whites (primarily of Spanish descent) make up about 37% of



LOCATION: 74°8' to 84°57' W; 19°49' to 23°17' N. TERRITORIAL SEA LIMIT: 12 miles.

the total; blacks account for 11%; and Chinese for 1%. Virtually the entire population is native-born Cuban.

## <sup>9</sup> LANGUAGES

Spanish is the national language of Cuba.

## <sup>10</sup> RELIGIONS

The Roman Catholic Church has never been as influential in Cuba as in other Latin American countries. In the 1950s, approximately 85% of all Cubans were nominally Roman Catholic, but the Church itself conceded that only about 10% were active members. From the early 1980s into the 1990s, Roman Catholics represented about 40% of the population. A 2004 report indicated that only about 40–45% of the population were nominally Catholic. Some sources indicate that a large number of the population adhere to varying degrees of syncretic Afro-Caribbean, such as Santería. The Baptists are believed to be the largest Protestant denomination. Other denominations include Jehovah's Witnesses, Methodists, Episcopalians, the Assembly of God, and Presbyterians. There is a very small Jewish population.

Fidel Castro originally established an atheist state in accordance with the beliefs of the Communist Party. As a result, his govern-

ment has closed more than 400 Catholic schools, claiming that they taught dangerous beliefs, and the number of people who attend churches has diminished during Castro's reign since many churches are closely monitored by the state and church members face harassment. In 1992, the constitution was amended to label the state as secular rather than atheist. However, according to a 2004 report, Christian churches, particularly the Catholic Church, have still been viewed suspiciously by members of the Communist Party who have claimed that the organizations are undermining public policies and laws. Separate religious schools are forbidden, though churches can provide religious instruction to their members.

There are 22 denominations that are members of the Cuban Council of Churches. Membership in the Council means that the religion is officially recognized by the government and so is shown a higher degree of tolerance by the government. All registered denominations must report to the Ministry of Interior's Office of Religious Affairs. Nonregistered groups face various degrees of government harassment and repression.

## <sup>11</sup> TRANSPORTATION

In 2002, Cuba had about 60,858 km (37,817 mi) of roads, of which 29,820 km (18,530 mi) were paved, including 638 km (396 mi) of

expressways. The first-class Central Highway extends for 1,223 km (760 mi) from Pinar del Río to Guantánamo, connecting all major cities. An extensive truck and bus network transports passengers and freight. In 2003, there were 184,980 registered motor vehicles, of which 210,300 were passenger vehicles.

Nationalized railways connect the east and west extremities of the island by 4,807 km (2,986 mi) of standard-gauge track, of which 140 km (87 mi) were electrified as of 2004. In addition, large sugar estates have 7,162 km (4,451 mi) of lines of various gauges.

Cuba first began to develop a merchant marine under the revolutionary government. The USSR had supplied oceangoing vessels and fishing boats and, in the mid-1960s, built a huge fishing port in Havana Bay to service Cuban and Soviet vessels. By 2005, the Cuban merchant fleet had 15 vessels of at least 1,000 GRT, totaling 54,818 GRT. Cuba's major ports—Havana, Cienfuegos, Mariel, Santiago de Cuba, Nuevitas, and Matanzas—are serviced mainly by ships of the former Soviet republics, with ships from Spain, the United Kingdom, and Eastern Europe making up the bulk of the remainder. Cuba also has 240 km (140 mi) of navigable inland waterways.

In 2004 there were an estimated 170 airports, 78 of which had paved runways as of 2005. The principal airport is José Martí at Havana. There are daily flights between Havana and the major Cuban cities, and weekly flights to Spain, Mexico, Moscow, Prague, and Jamaica. Cubana Airlines is the national air carrier. The number of air passengers increased from 140,000 in 1960 to 1,117,000 in 1997. However, by 2003 passenger traffic declined to around 611,000. Between 1975 and 1980, airports at Havana and Camagüey were renovated, and new airports were built at Bayamo, Manzanillo, and Las Tunas.

## 12 HISTORY

Cuba was originally inhabited by about 50,000 Ciboney and Taíno Amerindians who are related to the Arawak peoples; they were hunter-gatherer and agricultural societies. Christopher Columbus made the European discovery of Cuba in 1492 on his first voyage to the Americas. Many died from disease and maltreatment soon after. The African slave trade began about 1523 as the Amerindian population declined, and grew thereafter, especially with the development of coffee and sugar on the island. During the early colonial years, Cuba served primarily as an embarkation point for such explorers as Hernán Cortés and Hernando de Soto. As treasure began to flow out of Mexico, Havana became a last port of call and a target for French and English pirates. In 1762, the English captured Havana, holding Cuba for almost a year. It was ceded to Spain in exchange for Florida territory in the Treaty of Paris (1763). Spanish rule was harsh, and intermittent rebellions over the next century all ended in failure.

Cuba's first important independence movement came in 1868, when Carlos Manuel de Céspedes, a wealthy planter, freed his slaves and called for a revolution against Spain. For the next 10 years, guerrillas (*mambises*), mainly in eastern Cuba, fought in vain against the Spanish colonial government and army. Although eventually subdued, Céspedes is nevertheless viewed as the father of Cuban independence. A second hero was added in the 1890s when poet and journalist José Martí founded the Cuban Revolutionary Party during exile in the United States. The call to arms (*Grito de Baire*) on 24 February 1895 initiated a new war. After

landing with a group of recruits gathered from throughout the region, Martí was killed at Dos Ríos, in eastern Cuba. The Spanish had the insurrection under control within a year.

In the end, the Cubans had to rely on the United States to defeat the Spanish. Anti-Spanish sentiment, fueled by US newspapers, erupted after the battleship *Maine* mysteriously blew up in Havana harbor on 15 February 1898. The United States declared war on Spain on 25 April, and in a few months, the Spanish-American War was over. The Treaty of Paris (10 December 1898), established Cuban independence. During the interim period 1899–1902, the US army occupied Cuba. It instituted a program that brought about the eradication of yellow fever, but it was more fundamentally concerned with the establishment of US political and commercial dominance over the island.

On 21 February 1901, a constitution was adopted, and Cuba was nominally a free nation. But the United States insisted that Cuba include in its constitution the Platt Amendment, which gave the United States the right to intervene in Cuban affairs and maintain a naval base at Guantánamo.

For the next 30 years, Cuba lived through a succession of governments, constitutional and otherwise, all under the watchful eye of the United States. American companies owned or controlled about half of Cuba's cultivated land, its utilities and mines, and other natural resources. The US Marines intervened in 1906–9, in 1912, and again in 1920. The period culminated in the brutal dictatorship of Gerardo Machado y Morales (1925–33).

Cuba entered another unstable phase in 1933. A nationalist uprising chased Machado from office. After the United States attempted to install a regime, a "sergeants' revolt" headed by 32-year-old Fulgencio Batista y Zaldívar assumed power and named Ramón Grau San Martín provisional president. Grau, a physician and university professor noted for his nationalist zeal, was never recognized by the United States, and his regime lasted only four months. From 1934 until 1940, Batista ruled through a series of puppet presidents. During these years, Batista made two major contributions to Cuba. In 1934, President Franklin D. Roosevelt allowed Cuba to abrogate the Platt Amendment, although the United States did retain its naval base at Guantánamo Bay. Batista also allowed the drafting of a new constitution, passed in 1940, under which he became president. In 1944, Batista permitted Grau San Martín, now his political enemy, to take office. The eight years of rule by Grau and his ally, Carlos Prío Socarrás, were ineffective and corrupt, and in 1952, a reform party was expected to win the election.

That election was subverted, however, on 10 March 1952, when Batista seized power in a military coup. During the seven years of Batista's second administration, he used increasingly savage suppressive measures to keep himself in office. Under the Batista regime, the United States dominated the economy, social services suffered, poverty, and illiteracy were widespread, and the bureaucracy was flagrantly corrupt. It was at this point that Fidel Castro came on the scene.

Castro's insurrection began inauspiciously on 26 July 1953 with an abortive raid on the Moncada Army Barracks in Santiago de Cuba. Captured, jailed, and then exiled, Castro collected supporters in Mexico, and in 1956 landed in Cuba. Routed by Batista's troops, Castro escaped into the Sierra Maestra mountains with a mere dozen supporters. The force never grew to more than a few

thousand, but clever use of guerrilla tactics evened the score with Batista's poorly trained army. Moreover, there was almost no popular support for Batista, and in 1958 the United States ended its military aid to the falling government. On 1 January 1959, the Batista regime collapsed, and Batista and many of his supporters fled the country. Castro's 26th of July Movement took control of the government, and began to rule by decree. The revolutionary government confiscated property that had been dishonestly acquired, instituted large-scale land reforms, and sought to solve Cuba's desperate financial and economic problems by means of a bold revolutionary program.

After June 1960, Cuban-US relations deteriorated at an accelerated pace. Largely in retaliation for the nationalization of about \$2 billion in US-owned property in Cuba, the United States severed diplomatic relations with the Castro government. Tensions increased when the revolutionary regime nationalized US oil refinery companies after they refused to process Soviet crude oil. The United States response was to eliminate Cuba's sugar quota. In April 1961, a group of 1,500 Cuban exiles—financed, trained, organized, and equipped by the CIA—invaded Cuba at the Bay of Pigs on the southern coast. The brigade was defeated within 72 hours, and the 1,200 surviving invaders were captured. They were eventually released after US officials and private sources arranged for a ransom of \$50 million in food and medical supplies.

However, the United States did continue its attempt, through the OAS and other international forums, to isolate Cuba politically and economically from Latin America and the rest of the non-Communist world. All Latin American governments were pressured to break off diplomatic relations with Cuba. Castro responded with an attempt to destabilize certain Central and South American governments. Inspired by the Sierra Maestra campaign, guerrilla movements became active throughout the region, often with Cuban support. However, by 1967, when Ché Guevara (an Argentinean collaborator of Castro), was killed in Bolivia, these movements had collapsed. The United States was only slightly more successful in its campaign of isolation. The OAS suspended Cuba in 1962, but in July 1975 passed the "freedom of action" resolution allowing countries to deal with Cuba as they pleased. Meanwhile, Communist influence was growing in the Cuban government. Castro declared Cuba to be a Socialist country in late 1960, and the following year declared himself to be a Marxist-Leninist and a part of the Socialist world. All major means of production, distribution, communication, and services were nationalized. Soviet-style planning was introduced in 1962, and Cuba's trade and other relations turned from West to East. In October 1962, US planes photographed Soviet long-range-missile installations in Cuba. The United States blockaded Cuba until the USSR agreed to withdraw the missiles, in exchange for a US government pledge to launch no more offensive operations against the island.

During the Carter administration, there were moves to normalize relations with Cuba. In 1977, the United States and Cuba resumed diplomatic contacts (but not full relations) and concluded fishing and maritime rights agreements. However, the advent of the Reagan administration brought increased tensions between the two countries. Citing Cuban involvement in Angola, Ethiopia, Nicaragua, and Grenada, the United States took up a more intransigent stance toward Cuba.

Domestically, Castro's administration has had its successes and failures. A strong social welfare system, including free health care and subsidized housing, was implemented in the 1960s and 1970s. However, an attempt to produce 10 million metric tons of sugar by 1970 seriously crippled the island's economy. Other mismanaged projects have led to economic stagnation or chaos. Cubans live frugally under a highly controlled system of rationing.

Cuba was dealt a serious blow in the late 1980s with the collapse of the Soviet Union, which meant a cutoff of economic and military aid on which Cuba had come to rely heavily over the years. The USSR had been Cuba's most important trading partner and provided the major market for Cuban sugar. The few consumer goods the USSR had supplied in the past were no longer available.

Most Cubans that fled since Castro came to power settled in southern Florida, and many have had hope of returning to a Castro-free Cuba. There have been sporadic attempts to reunite families broken up by the emigration, but political circumstances often curtail these programs. For example, in February 1985 the repatriation of 2,746 "undesirables" from the United States began, but after Radio Martí (sponsored by Voice of America) began broadcasting in Spanish in May 1985, Cuba abrogated the agreement.

Just as the Cuban economy began to show signs of a rebound from the collapse of the Soviet Union, the United States tightened its embargo with the Cuban Democracy Act of 1992. This led to another wave of emigration in 1994, as thousands of Cubans left the island on rafts and other small vessels bound for Florida. To stem this tide of illegal immigration, the United States in 1995 reached an agreement with Cuba under which the United States would admit 20,000 Cuban immigrants per year. Cuba, in turn, was to take steps to prevent future "boat lifts."

US-Cuba relations deteriorated further, and Cuba's weakened economy was hampered anew in 1996 when the US Congress passed the Helms-Burton Act, another embargo-strengthening measure. The act met with harsh international criticism, and Canada and the World Trade Organization moved to fortify trade ties with the Castro government as a rebuff to the United States. Prior to the passage of Helms-Burton, Cuba had renewed its crackdown on the pro-democracy movement. In February 1996, Cuban air force planes shot down two civilian aircraft over international waters, killing the four persons aboard. The planes had left the United States carrying computer and medical supplies.

In late 1999 and early 2000, tensions between Cuba and the United States returned to the international spotlight with the highly publicized custody dispute surrounding Elian Gonzalez, a six-year-old Cuban boy who was the sole survivor of an attempted boat crossing to the United States in which his mother and 10 other Cuban refugees drowned. The dispute between the boy's father in Cuba and his expatriate relatives in Florida, who wanted him to stay in the United States, became a rallying point for both the Castro regime in Cuba and the anti-Castro Cuban community in southern Florida.

Despite its acquiescence starting in the 1990s to some economic reforms, dollar transactions and limited self-employment in agriculture, crafts and vending, the Castro regime retains its commitment to socialism. Its economy, still recovering from the collapse of the Soviet Union, has been buoyed by increased tourism, mining, and cigar and fish exports. But economic growth has not

translated into an improved quality of life for most Cubans, and Castro has continued to blame poverty and harsh living conditions on the US embargo. After the United States declared war on terrorism, Castro accused Washington of planning to invade the island; he has increased his prosecution of political opponents. Critics observed that, during the time that world attention was focused on the US invasion of Iraq, Castro took the opportunity to increase pressure on opposition by executing political dissidents.

In January 2003 Cuba held its third direct election for the National Assembly. Participation was limited to a “yes” or “no” vote for a list of candidates approved by the Communist Party. A month later, the Assembly appointed Fidel Castro chairman of the Council of State for five more years. As of 2005, Castro had ruled Cuba for 46 years, the longest tenure in recent Latin American history.

In the period leading up to the 2004 US presidential elections, the United States limited cash transfers to Cuba and reduced the number of trips Cuban-Americans could make to visit family in Cuba. Since then, Castro rolled back many of the self-employment freedoms and forbid previously accepted US dollars, making the only accepted currency for foreigners the Cuban convertible peso. Further discouraging the use of US currency, the exchange rate for euros and Canadian dollars was more favorable. However, the island’s dual economy continued. Criminal penalties for possession of foreign currency (repealed in 1993) were not reinstated. Cubans were able to continue to hold dollars in cash and in bank accounts.

### **13 GOVERNMENT**

After he became premier on 16 February 1959, Fidel Castro was the effective source of governmental power. The juridical basis for this power rested on the Fundamental Law of the Revolution, which was promulgated on 8 February 1959 and was based on Cuba’s 1940 constitution. To regularize government functions, a 10-member Executive Committee, with Castro as premier, was formed on 24 November 1972.

A new constitution, first published on 10 April 1975, then approved by the first congress of the Cuban Communist party in December, and ratified by a 97.7% vote in a special referendum in February 1976, established the National Assembly of People’s Power as the supreme state organ. The deputies, originally elected by municipal assemblies and directly elected in national elections since 1993, serve five-year terms. The National Assembly elects the Council of State, whose president is both head of state and head of government. There are six vice presidents in the Council of State, and 23 other members.

In January 2003, the third direct election to the National Assembly took place; all 601 candidates approved by the Communist Party received more than the required 50% of the vote necessary for election to the Assembly. One month later, the Assembly re-elected Castro as president of the state council. He remains the key figure in domestic and foreign policy making. The constitution recognizes the Communist party as the “highest leading force of the society and of the state,” which effectively outlaws other political parties.

Suffrage is universal for citizens age 16 and over, excluding those who have applied for permanent emigration.

### **14 POLITICAL PARTIES**

Fidel Castro came to power through a coalition group known as the 26th of July Movement. Along with it, in 1959, the Student Revolutionary Directorate (Directorio Revolucionario Estudiantil) and the Communist Party (Partido Socialista Popular—PSP) were permitted to function.

Castro’s relationship with the PSP was at first uneasy. The PSP condemned his early attempts at insurrection as “putschism,” and did not support the 26th of July Movement until it had reached its final stages in 1958. After June 1959, Castro began to refer to anti-Communists as counterrevolutionaries, and used the PSP as an organizational base and as a link to the USSR. In December 1961, Castro declared his complete allegiance to Marxism-Leninism.

By 1962, the 26th of July Movement, the Student Revolutionary Directorate, and the PSP had merged into the Integrated Revolutionary Organization (Organización Revolucionaria Integrada), which, in turn, gave way to the United Party of the Socialist Revolution (Partido Unido de la Revolución Socialista) and, in 1965, to the Cuban Communist Party (Partido Comunista Cubano—PCC).

On 17 December 1975, the PCC convened its first congress, which ratified a 13-member Politburo; Fidel Castro was reelected first secretary of the PCC. The second congress of the PCC took place in December 1980. The third congress, in February and November-December 1986, witnessed a massive personnel change when one-third of the 225-member Central Committee and 10 of 24 Politburo members were replaced, with Fidel Castro reelected first secretary. The Young Communist League and the José Martí Pioneer Organization for children up to 15 years of age are mass political organizations closely affiliated with the PCC. As of 2005, the PCC remained Cuba’s only authorized political party.

However, political dissidence continued to occur in Cuba. Members of unauthorized groups such as the Dissident Liberal Party, the Cuban Orthodox Renovation Party, the Independent Option Movement and others have faced prosecution and harassment. The Ladies in White Movement is comprised of the mothers, wives, and daughters of political prisoners in Cuba. The Varela Project is a proposal from the populace to amend the Cuban constitution to include changes such as free speech, free enterprise, amnesty to political prisoners, and electoral reform.

### **15 LOCAL GOVERNMENT**

The country is divided into 14 provinces and 169 municipalities. The Isla de la Juventud is a special municipality. The 1976 constitution provides for a system of municipal assemblies to be elected for 2-year terms by direct universal suffrage at age 16. Municipal assemblies choose delegates to provincial assemblies and deputies to the National Assembly. The most recent municipal elections were held in April 2005.

### **16 JUDICIAL SYSTEM**

The 1976 constitution established the People’s Supreme Court, consisting of a president, vice president, and other judges, as the highest judicial tribunal. All members of the court are elected by the National Assembly, as are the attorney general and deputy attorneys general. Through its Governing Council, the court proposes laws, issues regulations, and makes decisions that must be

implemented by the people's courts, whose judges are elected by the municipal assemblies. There are also seven regional courts of appeal, as well as district courts with civil and criminal jurisdiction. Military tribunals assume jurisdiction for certain counter-revolutionary cases.

Although the constitution provides for an independent judiciary, the courts are subordinate to the National Assembly and the Council of State.

There are no jury trials. Most trials are public. The legal system is based on Spanish and American law influenced by communist legal theory.

## 17 ARMED FORCES

Total armed strength in 2005 came to 49,000 active duty personnel, with 39,000 reservists. The Army had an estimated 38,000 personnel, whose equipment included around 900 main battle tanks, an undisclosed number of light tanks, reconnaissance and armored infantry fighting vehicles, an estimated 700 armored personnel carriers and over 1,715 artillery pieces. The navy had an estimated 3,000 personnel including more than 550 Naval Infantry members. Major naval units included five patrol/coastal vessels and six mine warfare ships. The air force had around 8,000 personnel and 125 combat capable aircraft, of which only 25 are known to be operable. The service also has around 40 attack helicopters. Paramilitary forces included 20,000 State Security troops, 6,500 border guards, 50,000 Civil Defense Force members, the 70,000-member Youth Labor Army, and the million-member Territorial Militia. Cuba's key military ally and supporter for decades, Russia had cut off nearly all military assistance by 1993. In 2004, defense spending was estimated at \$1.3 billion.

The US maintains a naval base at Guantánamo Bay in southeastern Cuba, under a 1934 leasing treaty. The US government considers the base to be of some strategic and training significance in the Caribbean and has refused to give it up, despite demands by the Castro regime that it do so. About 2,000 military personnel are stationed at Guantánamo.

## 18 INTERNATIONAL COOPERATION

Cuba is a member of the United Nations, having joined on 24 October 1945; it belongs to ECLAC and several specialized agencies, such as the FAO, IAEA, IFAD, ILO, UNESCO, UNIDO, and WHO. Cuba is a part of the ACP Group, G-77, the Latin American Economic System (LAES), the Alliance of Small Island States (AOSIS), the Association of Caribbean States (ACS), and the Latin American Integration Association (LAI). Cuba's charter membership in the OAS was suspended at the second Punta del Este meeting, in February 1962, through US initiative. The isolation of Cuba from the inter-American community was made almost complete when, at Caracas, on 26 July 1964, the OAS voted 15–4 for mandatory termination of all trade with the Castro government. Cuba has been very active in the Nonaligned Movement, and held its chairmanship between 1979 and 1983. The nation is also part of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL) and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, Cuba is part of the Antarctic treaty, the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Proto-

col, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Traditionally, one of the world's leading cane sugar producers, Cuba has been primarily an agricultural nation. Sugar was the leading earner of foreign exchange until 1992, when tourism revenues outstripped sugar revenues. Agriculture's contribution to GDP has decreased from 24% in 1965 to 10% in 1985, to 7% in 2000. Manufacturing increased from 23% of GDP in 1965 to 36% by 1985. In 2000, the contribution of the industrial sector fell to 34.5% as services, including tourism, became more dominant.

After 1959, the revolutionary government, following policies espoused by Ernesto "Che" Guevara, attempted to liberalize the sugar economy in order to achieve agricultural diversification and industrialization. When this policy proved disastrous to the sugar crop, Castro reversed the Guevara program in 1962 and announced a goal of 10-million-ton crop by 1970. Despite a severe drought in 1968–69, Cuba did achieve a record 7.6-million-ton output of refined sugar in 1970. Efforts to diversify foreign trade during the early 1970s were aided by record high prices for sugar. Between 1971 and 1975, the Cuban economy grew by about 10% annually, and moderate growth averaging about 4.4% per year continued through most of the 1980s. The special relationship with the Soviet Union, whereby it supplied Cuba with oil below market prices and bought its sugar at above market prices, insulated the Cuban economy from the vagaries of the two oil shocks of the 1970s and the Third World debt crisis of the early 1980s. However, commercial agreements with Argentina, Canada, Spain, France, the United Kingdom, Italy, and Germany indicated Cuba's keen desire to move away from nearly exclusive reliance on the Socialist countries for both imports and exports. Trade with the then-USSR and other CMEA members, nevertheless, made up the bulk of Cuba's foreign commerce, and Soviet aid remained essential to the economy.

From 1981 to 1985, Cuba's GDP growth averaged 7.3% due mainly to increased sugar production. In 1986 and 1987, however, GDP growth dropped to approximately 1.7% due mainly to the collapse of oil prices, a depressed world sugar market, prolonged drought in Cuba, and the fall in the value of the dollar. The situation worsened when the Soviet bloc collapsed in 1989, eliminating its assistance and subsidized markets. Cuban GDP fell 35% between 1989 and 1993. The Castro government restricted public expenditure and in 1993–94 introduced a series of market-oriented reforms. It legalized the dollar, allowed trading with market economies and developed new sources of foreign currency. The government placed special emphasis on the promotion of foreign investment and the development of sugar and tourism. About 150 occupations were opened up for self-employment. The economy began to expand again in 1994, and by 1996 GDP growth was at 7.8%. Tourism established new records in 1996, with arrivals increasing by 35% to 1,001,739, and gross revenues rising by 18% to \$1.3 billion. The number of self-employed rose to over 200,000, but after income taxes were introduced, fell to an estimated 100,000 by 2001. By the end of 2000, nearly 400 joint ventures with foreign companies had been established representing a total investment of \$4.2–4.5 billion.

In 1997, growth fell to 2.5% and then to 1.2% in 1998. Annual inflation was almost nonexistent in 1998, down from 19.0% in 1995. Growth increased to 6.2% in 1999 and 5.6% in 2000 as tourist arrivals rose to 1.7 million in 2000, and gross receipts to about \$1.9 billion. In 2001, in the context of a global economic slowdown, the aftermath of the 11 September 2001 terrorist attacks in the United States, and a devastating hurricane in November, tourist arrivals increased only marginally and gross receipts remained unchanged. Tourism was estimated to have declined in 2002.

In 2002, the government introduced a comprehensive restructuring of the sugar sector. Over half of Cuba's 156 mills were to be closed, leaving only the 71 most efficient. 100,000 of the 400,000 employed in the mills were to be retrained for other jobs. More rice and other crops were to be grown. Sugar production, at 8 million tons a year in 1989, had fallen to 3.2 million tons a year by 2003.

Between 75–90% of adult Cubans are employed by the state in relatively low-paying jobs. However, education, medical care, housing, and other public services are free or highly subsidized, and there are no taxes on public jobs. Although there has been an increasing infusion of dollars and other hard currencies into the economy, the society still faces a painful transition out of its isolated socialism.

In 2004, the economy expanded by 4.2%, up from 2.9% in 2003; in 2005, the GDP growth rate was estimated at an impressive 8.0%, while the GDP per capita, at purchasing power parity, was \$3,300. The standard of living in Cuba continues to hover at levels lower than before the downturn of the 1990s. The inflation rate was insignificant in 2003 and 2004, but by 2005 it was estimated to have risen to 4.2%. As a result, the government strengthened its control over inflowing currencies (which are mainly provided by tourism, remittances, and trade).

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Cuba's gross domestic product (GDP) was estimated at \$37.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$3,300. The annual growth rate of GDP was estimated at 5.2%. It was estimated that agriculture accounted for 5.5% of GDP, industry 26.1%, and services 68.4%.

## 21 LABOR

As of 2005, Cuba's workforce was estimated at 4.6 million, of which the nonstate sector accounted for 22% and the state sector 78%. In 2004, the Cuban workforce by occupation was distributed as follows: industry 14.4%; agriculture 21.2%; and services 64.4%. The unemployment rate in 2005 was estimated at 1.9%. However, underemployment is a chronic problem, and has been exacerbated by the idling of thousands of industrial workers whose jobs rely on foreign imports. Labor has been shifted to agriculture to compensate for fuel and machinery shortages affecting food and production.

All Cuban workers belong to a trade union, under the central control of the Confederation of Cuban Workers (CUTC), which is

affiliated with the Communist-oriented World Federation of Trade Unions. Independent unions are explicitly prohibited. Those who attempt to engage in independent union activities face government persecution and harassment. Strikes and collective bargaining are not legally permitted.

The minimum wage varies, depending on the type of employment. As of 2005, the average monthly wage was \$9. The minimum wage is supplemented by social security consisting of free medical care and education, and subsidized housing and food. However, a worker must still earn significantly more than minimum wage to support a family. The eight-hour workday, a weekly rest period, an annual paid vacation of one month, and workers' compensation are guaranteed by the constitution. The standard work week is 44 hours, with shorter workdays for hazardous occupations. Although the legal minimum working age is 17, the employment of minors 15 and 16 years of age is permitted as a way to offset labor shortages or to obtain training. Teenagers can only work 7 hours per day or 40 hours per week or only on holidays.

## 22 AGRICULTURE

The state owns about 3 million hectares (7.4 million acres) of arable land, and 750,000 hectares (1.8 million) of permanent crops. About 13.1% of the economically active population was engaged in the agricultural sector in 2003. An agrarian reform law of June 1959 made the government proprietor of all land in Cuba, created the National Institute of Agrarian Reform (INRA) as administrator, and set a general limit of 30 caballerías (400 hectares/990 acres) of farmland to be held by any one owner. A second agrarian reform, of October 1963, expropriated medium-size private holdings; there remained about 170,000 small private farms, with average holdings of over 16 hectares (40 acres). By 1985 there were 1,378 farm cooperatives. Almost a third of cultivated land is irrigated.

Sugarcane, Cuba's most vital crop and its largest export, is grown throughout the island, but mainly in the eastern half. The government regulates sugar production and prices. Sugar output reached 7.6 million tons in 1970, but that fell short of the 10 million tons projected. Subsequent targets were lowered, and the output was 7.9 million tons in 1979, 6.7 million in 1980 (when crop disease reduced production), 8 million in 1985, and 3.5 million in 1999. In 2004, exports of raw sugar amounted to 1.9 million tons, valued at \$348.8 million. Cuba has pioneered the introduction of mechanical cane harvesters, and by 2002 there were 7,400 harvester-threshers (up from 5,717 in the early 1980s). Cuba and Russia signed several finance and investment accords in 1992 and 1993 whereby Russia will supply fuel, spare parts, fertilizer, and herbicide in exchange for Cuba's sugar harvest, with Russia annually importing a minimum of two million tons of Cuban sugar. The sugar industry also has diversified into exporting molasses, ethyl alcohol, rum and liquor, bagasse chipboard, torula yeast, dextran, and furfural. Tobacco, the second most important crop, is grown on small farms requiring intensive cultivation. In the late 1970s, the average annual production was about 35,000 tons, but crop disease in 1979 resulted in a drop in production to 8,200 tons in 1980; production was 34,494 tons in 2004. Other crops in 2004 included (in tons) oranges, 490,000; lemons and limes, 26,000; grapefruit, 225,000; rice, 610,000; plantains, 790,000; bananas, 310,000; potatoes, 300,000; sweet potatoes, 490,000; and coffee,



12,900. Other Cuban products with export potential include mangoes, pineapples, ginger, papayas, and seeds.

### 23 ANIMAL HUSBANDRY

In the state sector, milk production in 2004 amounted to 610,700 tons (up from 431,000 during 1989–91) and egg production reached 79,000 tons (120,000 tons during 1989–91). Livestock in 2004 included an estimated 4,050,000 head of cattle, 1.7 million hogs, 400,000 horses, 3.2 million sheep, 425,000 goats, and 18.4 million chickens. The populations of most livestock species have declined since 1990, as a result of input shortages from the worsening economy. Honey production in 2004 was an estimated 7,200 tons, the highest in the Caribbean.

### 24 FISHING

The territorial waters of Cuba support more than 500 varieties of edible fish. The catch in 2003 was 68,420 tons, compared with 244,673 tons in 1986. Tuna, lobster, and shellfish are the main species caught. The Cuban Fishing Fleet, a government enterprise, supervises the industry.

The former USSR aided in the construction of a fishing port in Havana. Seafood exports are an important source of foreign exchange; in 2003, fish and fish products exports amounted to \$64.4 million.

### 25 FORESTRY

Much of the natural forest cover was removed in colonial times, and cutting between the end of World War I and the late 1950s reduced Cuba's woodland to about 14% of the total area and led to soil erosion. Between 1959 and 1985, about 1.8 billion seedlings were planted, including eucalyptus, pine, majagua, mahogany, cedar, and casuarina. State forests cover 2,348,000 hectares (5,802,000 acres), or about 21.4% of the total land area. Roundwood production in 2003 amounted to 2.6 million cu m (93 million cu ft), with 69% used for fuel.

### 26 MINING

Nickel was Cuba's leading mineral commodity, second to sugar in export earnings. The country produced 74,018 metric tons of mined nickel in 2003, up from 71,342 metric tons in 2002. Cuba's nickel reserves were the world's fourth-largest and the reserves base was the largest. Recent changes in investment and mining laws have increased foreign trade. Production has been boosted by a joint venture formed in 1994 between Sherritt International of Canada, and the Cuban government. Nickel deposits and plants were located in eastern Cuba at Nicaro, Moa, and Punta Gorda, all in Holguín Province. Production of cobalt (oxide, oxide sinter, sulfide, and ammoniacal liquor precipitate), a by-product of nickel operations, totaled 3,982 metric tons in 2004. In 2004, Cuba also produced ammonia, chromite, gold, gypsum, salt from seawater (180,000 metric tons), and silica sand. Production of copper has declined substantially from pre-Revolutionary times.

### 27 ENERGY AND POWER

Cuba is the second-largest producer of electric power in the Caribbean region, exceeded only by Puerto Rico. In 2002, Cuba's electrical generating capacity stood at 4.411 million kW, of which 4.354 million kW, was dedicated to conventional thermal sources and

0.057 million kW to hydropower. Output in 2002 stood at 14.771 billion kWh, with 13.920 kWh produced by fossil fuels, 0.105 billion kWh generated by hydropower, and 0.746 billion kWh generated by geothermal or other sources. Demand for electric power in 2002 totaled 13.737 billion kWh.

Cuba has the second-largest proven hydrocarbon reserves in the Caribbean area, surpassed only by those of Trinidad and Tobago. In 2005, according to the Oil and Gas Journal, Cuba's proven reserves of oil stood at 750 million barrels. Over the previous two decades the production of crude oil has risen noticeably, going from 16,000 barrels per day in 1984 to 67,000 barrels per day in 2004. The majority of the country's production is centered in the northern Matanzas province. However, the oil produced is a sour, heavy type of crude that requires special processing. There is interest in offshore production, and it has been reported by industry analysts that Cuba's offshore basins may hold at least 1.6 billion barrels of crude oil. Cuba has a refining capacity, consisting of four facilities operated by state-owned Cubapetroleo (Cupet) totaling 301,000 barrels per day, as of July 2005.

Cuba's consumption of oil in 2004 amounted to 211,000 barrels per day, far outpacing the country's production capabilities. While Cuba has had to import the difference, it has also taken measures to offset the cost of imported oil. In 2000, Cuba signed a five-year agreement to import crude oil and refined oil products from Venezuela, paying for the oil via a barter arrangement that has seen Cuban teachers and doctors sent to Venezuela to promote literacy and provide medical help to Venezuela's poor. In addition Cuba has offered offshore exploration rights in its territorial waters in the Gulf of Mexico to international oil companies. Among them are two Canadian companies—Sherritt International; and Pebercan—both of which are producing oil in conjunction with Cupet, under joint venture agreements.

Cuba had proven natural gas reserves of 2,500 billion cu ft in 2005, according to the Oil and Gas Journal. Gross natural gas production in 2002 amounted to 19.42 billion cu ft, with 3.53 billion cu ft vented or flared and 15.89 billion cu ft marketed. Dry production and consumption for 2002 each stood at 12.36 billion cu ft.

Cuba has no known coal production so the country must import what it uses. In 2002, Cuba imported a total of 44,000 tons of coal and related products, which consisted of 29,000 tons of hard coal and 15,000 tons of coke. Coal product demand in that year amounted to 30,000 tons, with 14,000 tons stockpiled.

### 28 INDUSTRY

All Cuban industrial production was nationalized by March 1968. Industry accounts for approximately 35% of GDP.

Cuba had 156 sugar mills in 1985, and at that time, about 10% of exports from the then-USSR to Cuba consisted of machinery for the sugar industry. Other food processing plants produced cheese, butter, yogurt, ice cream, wheat flour, pasta, preserved fruits and vegetables, alcoholic beverages, and soft drinks. Light industry comprises textiles, shoes, soap, toothpaste, and corrugated cardboard boxes. Other industries are petroleum products (Cuba has four oil refineries with a total production capacity of 301,000 barrels per day), tobacco, chemicals, construction, cement, agricultural machinery, nickel, and steel production. In the mid-1990s, tourism surpassed sugar processing as the main source of foreign

exchange, although the government in 2002 announced plans to implement a “comprehensive transformation” of the sugar industry, including the closing of almost half the existing sugar mills. Although 1.7 million tourists visited the country in 2000, bringing in \$1.9 billion, the global economic slowdown in 2001 and the 11 September 2001 terrorist attacks on the United States negatively impacted Cuba’s tourism industry.

In 2005, industry accounted for 26.1% of the GDP and it employed 14.4% of the labor force. The industrial production growth rate in the same year was 3.5%, less than the overall GDP growth rate. Services were by far the largest economic engine, with a 68.4% share of the economy, and the largest employer, with 64.4% of the labor force engaged in this sector. Agriculture was the smallest economic sector (5.5% of the GDP), but a significant employer (21.2% of the work force). Financing from abroad has contributed to positive developments in the mining, oil, and construction sectors.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

In 2002, total expenditures for research and development (R&D) amounted to 189.6 million Cuban pesos, or 0.62% of GDP. Of that amount in 2002, 60% came from government sources, with 35% from business and 5% from foreign sources. For that same year, there were 2,510 technicians and 538 researchers per million people that were engaged in R&D. High technology exports in 2002 totaled \$48 million, or 29% of manufactured exports.

The Academy of Sciences of Cuba, founded in 1962, is Cuba’s principal scientific institution; it, as well as the Ministry of Agriculture, operates numerous research centers throughout Cuba. Institutions offering higher education in science and engineering include the University of Havana (founded in 1928), the University of Oriente at Santiago de Cuba (founded in 1947), the Central University of Las Villas in Villa Clara (founded in 1952), the University of Camagüey (founded in 1967), and the University Center of Pinar del Río (founded in 1972). In 1987–97, science and engineering students accounted for 16% of college and university enrollments.

## 3<sup>0</sup> DOMESTIC TRADE

Havana is Cuba’s commercial center. Provincial capitals are marketing and distribution centers of lesser importance. Camaguey is a cattle and sugar center, Santa Clara lies in the tobacco belt, and Santiago is a major seaport and mining city. Holguín has been transformed into a major agricultural and industrial center.

By May 1960, the National Institute of Agrarian Reform was operating about 2,000 “people stores” (*tiendas del pueblo*), and by the end of 1962 all retail and wholesale businesses dealing in consumer essentials had been nationalized. In 1984 there were 27,301 retail establishments in Cuba. As of 2002, there were only about 200,000 independent farmers and only 100,000 private business owners. These private businesses are strictly controlled by the government.

Due to the US-organized trade boycott and the inability of production in the then-USSR and Cuba to meet Cuban demands, rationing was applied to many consumer goods in the 1960s and 1970s. By the mid-1980s, rationing had been reduced and accounted for about 25% of individual consumption. Allocation of major consumer items after 1971 was by the “just class” principle,

with the best workers receiving priority. The availability of basic consumer items increased noticeably after 1980, when the small-holder’s free market (*mercado libre campesino*) was introduced. Under this system, small-scale private producers and cooperatives could sell their surplus commodities directly to consumers once their quotas had been filled. However, the peasant markets were abolished in May 1986, allegedly because they led to widespread speculation and profiteering. It has been estimated that nearly 40% of the domestic economy operates in the “informal” sector, or black market.

Between \$800 million and \$1 billion per year is added to the domestic economy in the form of remittances from expatriates. Much of this comes from families residing in the United States, who are permitted to send a total of \$1,200 per year. The Cuban government acquires these funds by allowing consumers to purchase products in state-run “dollar stores.”

## 3<sup>1</sup> FOREIGN TRADE

Cuba has established or reestablished trade relations with many countries in Latin America, the Caribbean, Africa, Asia, and Europe. The sudden rupture of trade with the former Soviet Union and the Eastern bloc nations in 1989 after 30 years of interrelationship caused severe trauma to the Cuban economy. However, there remains a clear political will on the part of the former Soviet republics to maintain economic relations with Cuba with a certain degree of preference. Nevertheless, Cuba has diversified its trading partners in recent years.

Almost half of Cuba’s commodity export market (53%) is taken up by sugar and honey, representing 5.7% of the world’s export sales in these commodities. Nickel is the second most lucrative exported commodity (23%), followed by fish (6.8%). Other exports include tobacco (5.6%) and medicinal and pharmaceutical products (2.8%). Primary imports include petroleum, food, machinery, and chemicals.

In 2005, exports reached \$2.4 billion (FOB—Free on Board), while imports grew to \$6.9 billion (FOB). In 2004, the bulk of exports went to the Netherlands (22.7%), Canada (20.6%), China (7.7%), Russia (7.5%), Spain (6.4%), and Venezuela (4.4%). Imports mainly came from Spain (14.7%), Venezuela (13.5%), the

### Principal Trading Partners – Cuba (2001)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,660.6	4,838.7	-3,178.1
Russia	402.6	81.0	321.6
Netherlands	333.9	69.3	264.6
Canada	227.8	369.6	-141.8
Spain	188.6	707.9	-519.3
China	70.8	551.3	-480.5
France-Monaco	62.8	269.9	-207.1
Dominican Republic	30.7	16.5	14.2
Switzerland-Liechtenstein	30.3	...	30.3
Japan	28.8	81.9	-53.1
Mexico	26.0	298.0	-272.0

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

United States (11%), China (8.9%), Canada (6.4%), Italy (6.2%), and Mexico (4.9%).

### **3<sup>2</sup> BALANCE OF PAYMENTS**

Since the United States stopped trading with Cuba in 1963, Cuba's dollar reserves have dropped to virtually nothing, and most trade is conducted through barter agreements. In 1997, Cuba's debt to the former Soviet Union was estimated at \$20 billion. With the demise of the USSR, Cuba has focused on trading with market-oriented countries in order to increase foreign currency reserves, notably by promoting sugar exports and foreign investment in industry. Remittances from Cuban workers in the United States (totaling approximately \$800 million annually), tourism dollars, and foreign aid help to cover the trade deficit.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Cuba's exports was \$1.8 billion while imports totaled \$4.8 billion resulting in a trade deficit of \$3 billion.

Exports of goods reached \$2.2 billion in 2004, up from \$1.7 billion in 2003. Imports increased from \$4.6 billion in 2003, to \$5.3 billion in 2004. The resource balance was consequently negative in both years, deteriorating from -\$2.9 billion in 2003, to -\$3.1 billion in 2004. The current account balance followed a similar path, worsening from -\$130 million in 2003, to -\$177 million in 2004. Foreign exchange reserves (including gold) reached \$2.5 billion in 2005, covering less than five months of imports.

### **3<sup>3</sup> BANKING AND SECURITIES**

All banks in Cuba were nationalized in 1960. The National Bank of Cuba, established in 1948, was restructured in 1967. Commercial banks include Banco Financiero Internacional (1984). Savings banks include Banco Popular del Ahorro. A number of foreign banks offer limited services in Cuba. The Grupo Nuevo Banco was set up in 1996.

There are no securities exchanges.

Hard-currency reserves have been depleted by import growth in excess of export growth. In the domestic economy, the attempt to reduce enterprise subsidies caused an increase in demand for working capital that the state was unable to meet. A combination of price and direct rationing systems is operating.

### **3<sup>4</sup> INSURANCE**

All insurance enterprises were nationalized by January 1964. Although insurance never accounted for more than 1% of national income, new opportunities began to emerge throughout the insurance sector as a result of the changes in economic structure. Seven insurance companies and two reinsurers had offices in Cuba in 1997. They concentrated on freight insurance, but there was interest in development and diversification.

Cuba's domestic state insurance company, Esen, appeared to be preparing to compete with foreign companies in the domestic market in 1997. It launched a major marketing drive with an expanded sales force of 3,500 to persuade Cubans to take out new personal insurance policies. Apparently, they were having some success, despite the lack of a private insurance tradition. The volume of premiums was 30% higher in 1995 than in 1990. New products include not only travel and medical insurance, but also pensions and life insurance policies. In 1997, a new insurance law

was passed to permit the establishment of private insurers to compete with the state-owned companies. Although limited foreign penetration into the Cuban market will help to develop the sector, the authorities will continue to foster the development of Cuban insurers before the sector is fully opened. Private insurance schemes will not replace state social security provision.

Third-party automobile liability for foreign residents (including diplomats) and for vehicles carrying either freight or people are compulsory.

### **3<sup>5</sup> PUBLIC FINANCE**

Under the Economic Management System, developed during the 1970s and approved by the PCC Congress in 1975, state committees for statistics and finances have been established, and formal state budgets, abandoned in 1967, have been reintroduced. State revenues come from the nationalized enterprises, income tax, social security contributions, and foreign aid.

The US Central Intelligence Agency (CIA) estimated that in 2005 Cuba's central government took in revenues of approximately \$22.1 billion and had expenditures of \$23.6 billion. Revenues minus expenditures totaled approximately -\$1.5 billion. Total external debt was \$13.1 billion.

### **3<sup>6</sup> TAXATION**

A 1962 tax code instituted a sharply progressive income tax as well as a surface transport tax, property transfer tax, documents tax, consumer goods tax, and a tax on capital invested abroad.

### **3<sup>7</sup> CUSTOMS AND DUTIES**

Cuba's average weighted tariff in 1997 (the most recent year the World Bank could gather statistics) was 8.1%. However, Cuba also maintains significant nontariff barriers to trade. Required government inspection of imports and corrupt customs officials are among the worst factors.

### **3<sup>8</sup> FOREIGN INVESTMENT**

In February 1960, Fidel Castro announced that foreign investment in Cuba would be accepted only if delivered to the government to be used as it saw fit. The enterprises in which this capital would be invested were to be "national enterprises," so that Cuba would not be dependent on foreigners. Any new foreign investments were to be controlled by the Central Planning Board. From mid-1960s, US holdings in Cuba were systematically seized, partly for political reasons and partly because US corporations refused to accept Cuba's terms of nationalism. Some of the investments of other foreign nationals were left operating under stringent governmental regulation.

Between 1960 and the early 1970s, foreign investment activities were restricted to limited technical and economic assistance from East European countries and the then-USSR, with which Cuba concluded over 40 cooperation agreements between 1963 and 1983. Limited investments from the noncommunist world were sought with some success in the mid-1970s. In 1982, in a further effort to attract investors from Western Europe, Canada, and Japan, Cuba passed its first foreign investment law, permitting foreign companies to form joint ventures with the Cuban government, but to own no more than 49% of the stock. In 1985, how-

ever, direct investment in Cuba by OECD countries totaled only \$200,000.

Since 1990, the Cuban government has seen the necessity to open its recessed economy to foreign investment, either via joint ventures or other forms of association. In 1992, Cuba further intensified its efforts to attract foreign investment in several key areas of its economy, including sugar, tourism, textiles, tobacco, pharmaceuticals, nickel, and shipping. In 1995, full repatriation of profits and 100% foreign ownership was allowed in Cuba.

As of 1998, there were 322 joint ventures in force, with partners from over fifty different countries. In addition, many foreign contracts were being sought for oil drilling. The annual inflow of foreign direct investment (FDI) into the more liberalized Cuba reached a peak of \$15.2 million in 1998. FDI inflow dropped, to \$9 million in 2000 and further, to \$4.6 million in 2001. Principal sources of foreign investment include Canada, Spain, France, Italy, the Netherlands, and Latin America.

In April 2002, after President Hugo Chavez of Venezuela was returned to power, oil shipments to Cuba on concessional terms were cut off. In April 2003, there appeared to be a decisive shift away from further opening of the economy as the Castro regime rounded up dissidents and executed by firing squad three men who attempted to hijack a passenger ferry to take them to Florida, accusing the US Mission Chief of trying to organize political opposition to the regime.

### 39 ECONOMIC DEVELOPMENT

Until 1959, the Cuban government followed a policy of free enterprise; government ownership was largely limited to local utilities. When the Castro government came to power in 1959, it proceeded to create a centrally planned economy. By means of nationalization and expropriation, all producer industries, mines, refineries, communications, and export-import concerns were brought under government control by 1968.

Planning in the 1960s vacillated on the question of whether Cuba should concentrate on the production of sugar, on industrialization, or on a balance between the two. After 1963, sugar predominated. But the effort that went into the 1970 harvest diverted enormous resources from other sectors of the economy. At the same time, there was growing absenteeism and low productivity in the labor force, attributed to the policy of eliminating material incentives. Under the Economic Management System, pay was again tied to production though the introduction of a system akin to piecework.

The 1975–80 development plan, approved by at the PCC Congress in December 1975, set specific production goals for Cuban industry and projected an overall economic growth rate of 6% annually; it was announced in 1980 that the actual growth rate was 4%. The 1981–85 plan introduced new incentive schemes and gave more freedom to market forces; it also eased restrictive hiring regulation. One of the major aims of the plan was to increase industry's share of gross social product to 50%, but industry accounted for only 45.3% in 1985. The 1986–90 plan envisioned a 5% annual growth and aimed particularly at an increase in exports. In December 1986, 28 austerity measures were approved by the National Assembly, including increases in transport and electricity prices and rationing of kerosene.

Under several finance and investment accords signed by Cuba and Russia in 1992 and 1993, Russia agreed to supply fuel, tires, and spare parts for mechanical harvesters and other vehicles, in addition to fertilizers and herbicides, all for Cuba's sugar harvest. In addition, Russia agreed to import a minimum of 2 million tons of Cuban sugar. Russia also agreed to extend a \$350 million credit to Cuba to complete and further develop a number of oil, energy, and nickel mining projects that had previously been backed by the Soviet Union.

Since 1998, Cuba has sat as an observer at International Monetary Fund (IMF)/World Bank meetings. Cuba's economic planners predicted a 1.5% growth rate for 2003, as tourism declined following the 11 September 2001 terrorist attacks on the United States, sugar prices were low, hurricanes damaged the island, and external financing was lacking. The Central Bank reported a \$12.2 billion hard-currency foreign debt by late 2002. Unemployment stands at approximately 12%, but close to 30% of workers have been displaced or underemployed. Castro in 2003 replaced at least five officials in economy-related government positions in an effort to combat a faltering economy. Cubans increasingly turn to the black market for food, clothing, and household goods. Cuba continued to apply timid market reforms while actively seeking foreign investment. Economic growth in the late 1990s came from an expansion of manufacturing, tourism, mining, and services. Other positive factors included the improved tourist industry and a sharp recovery of the cigar industry. Indeed, during the 1990s, tourism replaced sugar exports as Cuba's primary source of foreign exchange. The creation of a new Central Bank completed financial sector reforms begun in 1995. These reflected the increased role of the private sector in financial transactions. In 2000, the Cuban economy continued its growth through the generous investment of foreign countries, but the US trade embargo held fast in the face of opposition from key US political leaders.

The main impediment to growth in 1990s Cuba was the restricted access to external financing. As a response, in 2005 the government strengthened its control over capital flows—especially from tourism, oil, mining, and construction. New trade agreements and investment commitments from China and Venezuela will likely give a boost to the Cuban economy in the years to come. Positive developments in the tourism, nickel, and oil sectors will also contribute to the overall growth trend. However, if President Hugo Chavez were to lose power in Venezuela or if the Chinese economy were to face a downturn, Cuba would suffer the repercussions.

### 40 SOCIAL DEVELOPMENT

A single system of social security covering almost all workers and protecting them against the risks of old age, disability, and survivorship was enacted in 1963. Contributions to pension programs are made by employers (10% of earnings for self-employed persons), with the government making up the deficit. These contributions also fund maternity, sickness, and work-injury programs. Pensions are set at a rate of 50% of average earnings. The national health care system covers all citizens. The Maternity Law provides up to one year of maternity leave.

The Family Code proscribes all sex discrimination. Women receive equal access to education and are found in most professions. Legislation provides for the equal rights of illegitimate and legitimate children, and specifies the obligations of parents. Crime is

not reported in the media, and there are no reliable data regarding the prevalence of violence against women and domestic abuse. Prostitution is legal for those over 17 years of age, but the government has been curtailing activity to combat the perception that sex tourism is endorsed.

Human rights activists have been targeted for arbitrary arrest and detention. Prison conditions are harsh: medical care is inadequate and abusive treatment is not uncommon. The government does not allow international organizations to operate in the country.

#### 4<sup>1</sup> HEALTH

Sanitation is generally good and health conditions greatly improved after the 1959 revolution. However, with the dissolution of the Soviet Union, Cuba no longer receives the same level of foreign support and has fallen behind in many of its social services. In spite of this, in 1993 100% of the population was reported to have access to health care. In 2000, 95% of the population had access to safe drinking water and 95% had adequate sanitation.

Infant mortality declined from more than 60 per 1,000 live births before 1959 to 6.33 in 2005. About 8% of babies born in 1999 were considered low birth weight. Approximately 79% of married women (ages 15 to 49) used contraception. The government claims to have eradicated malaria, diphtheria, poliomyelitis, tuberculosis, and tetanus. Children up to one year of age were immunized as follows: tuberculosis, 99%; diphtheria, pertussis, and tetanus, 99%; polio, 97%; and measles, 99%.

Life expectancy was an average of 77.23 years in 2005. Major causes of death were circulatory system diseases, cancer, injuries, and infectious diseases. There were 15 reported cases of tuberculosis per 100,000 in 2001. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 3,300 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

As of 2004, there were an estimated 591 physicians, 744 nurses, and 87 dentists per 100,000 people. Medical services are now more widely distributed in rural as well as urban areas. All doctors are obliged to work for the rural medical service in needy areas for two years after graduation. All health services are provided free of charge. Health care expenditure was estimated at 6.1% of GDP.

#### 4<sup>2</sup> HOUSING

Within the past few years decades, Cuban housing has begun to catch up to population demand. Nearly 1.3 million housing units were built between 1959 and 1993. In the 1980s, over half of all housing units were detached houses. The remainder were apartments, palm huts called *hohios*, and *cuarterias*, housing units in buildings composed of a number of detached rooms where occupants share some or all facilities. More than half of all dwellings were concrete and brick, about one-third were solid wood, and a smaller number were constructed with palm planks. Water was piped indoors to roughly half of all homes and outside to one-fifth; about half had private bath facilities.

Housing conditions have generally improved over the past few years. By 1998, about 87% of urban dwellings were graded as good or fair, as were 68% of rural dwellings. From 1998–2001, some 800,212 housing conservation and rehabilitation projects were

completed; about 51% were initiated by the government and 49% by residents.

Though most dwellings are built by the state, there are a few cooperative and individual concerns represented in the market. Habitat-Cuba, a nongovernment organization, has been working with local architects and low-income families to provide quality, low-cost housing. Part of this program involves using indigenous and more easily renewable materials for construction, such as clay and bamboo.

#### 4<sup>3</sup> EDUCATION

Education has been a high priority of the Castro government. In 1959 there were at least one million illiterates and many more were only semiliterate. An extensive literacy campaign was inaugurated in 1961, when 100,000 teachers went out into the countryside.

Education is free and compulsory for six years (6–11 years of age) of primary school. Basic secondary studies last for three years, after which students may then choose to pursue a three-year course of university prep studies or a three-year technical school course. The addition of agricultural and technical programs to the secondary-school curriculum was an innovation of the Castro government; the work-study principle is now integral to Cuban secondary education. Students in urban secondary schools must spend at least seven weeks annually in rural labor. The first junior high schools, based on the work-study concept, were introduced in 1968. Catholic parochial schools were nationalized in 1961.

In 2001, nearly all children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 95.7% of age-eligible students. The same year, secondary school enrollment was about 86% of age-eligible students. It is estimated that about 94% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 11:1 in 2003; the ratio for secondary school was about 12:1.

Cuba has five universities: the University of Havana (founded 1728), Oriente University at Santiago de Cuba (1947), the University of Las Villas at Santa Clara (1952), University of Camagüey (1974), and the University of Pinar Del-Rio. Workers' improvement courses (*superación obrera*), to raise adults to the sixth-grade level, and technical training schools (*mínimo técnico*), to develop unskilled workers' potentials and retrain other workers for new jobs, were instituted after 1961. Special worker-farmer schools prepare workers and peasants for enrollment at the universities and for skilled positions in industrial and agricultural enterprises. In 2003, about 34% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 99.8%.

As of 2003, public expenditure on education was estimated at 9% of GDP, or 18.7% of total government expenditures.

#### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The José Martí National Library in Havana, founded in 1901, had a collection of two million volumes in 2002. Besides acting as the National Library, it provides lending, reference, and children's services to the public. Other sizable collections in Havana are found at the Havana University Library (203,000 volumes), the Library of the Institute of Literature and Linguistics (1 million), the José An-

tonio Echevarría Library of the House of the Americas (150,000), and the University of the East in Santiago (535,000 volumes).

Although libraries of private institutions disappeared in the 1960s and many collections were transferred to the National Library, the number of special and research libraries increased, especially with the creation of many departments of the Academy of Sciences. A national library network was established by the Department of Libraries of the National Cultural Council.

The National Museum of Fine Arts in Havana contains classical and modern art from around the world as well as Cuban art from the colonial period to the present day. The Colonial Municipal Museum and the Felipe Poey Natural History Museum in Havana, the Bacardi Municipal Museum in Santiago, the Oscar Rojas Museum in Cárdenas, and the Ignacio Agramonte Museum in Camagüey are also noteworthy. There is a Naval Museum at Cienfuegos and a Museum of Archaeology in Sancti Spiritus.

#### 45 MEDIA

All telephone service is free; about 95% of the telephones are automatic. In 2003, there were an estimated 51 mainline telephones for every 1,000 people. The same year, there were approximately two mobile phones in use for every 1,000 people.

As of 1999 there were 150 AM and 5 FM radio broadcasting stations and 58 television stations operating throughout the country. All stations are owned and operated by the government. In 2003, there were an estimated 185 radios and 251 television sets for every 1,000 people. The same year, there were 31.8 personal computers for every 1,000 people and 11 of every 1,000 people had access to the Internet. There was one secure Internet server in the country in 2004.

Like the radio and television stations, the press is entirely controlled and owned by the government. Cuba's major newspapers are all published in Havana and include *Granma*, established in 1965 (with an estimated 2002 circulation of 400,000) as the official organ of the Communist party. The party also publishes weekly editions in Spanish, English, and French. The weekly *Juventud Rebelde* is the publication of the Union of Young Communists, and had a 2002 circulation of 250,000.

Magazines published in Havana include *Bohemia* (weekly, 20,000, general articles and news) and *Mujeres* (monthly, 250,000, women's-interest news). *Prensa Latina*, the Cuban wire service, covers international affairs and distributes its coverage throughout Latin America.

The constitution states that print and electronic media are state property and cannot be made private. Media operate under strict guidelines and reflect government views. The government is said to intimidate journalists through the penal system and the threatening of jobs.

#### 46 ORGANIZATIONS

Most of the leading mass organizations in Cuba were founded shortly after the revolution. The Committees for the Defense of the Revolution were founded on 28 September 1960 to combat counterrevolutionary activities. The Federation of Cuban Women was established 23 August 1960. The National Association of Small Farmers, the leading peasants' organization, was established 17 May 1961; in 1989 it had 167,461 members, both private farmers and members of cooperatives. The Confederation of Cuban

Workers, the principal trade union federation, antedates the revolution. Founded in 1939, it had a total membership of 3,060,838 workers in 1990.

The Union of Young Communists of Cuba (UJC), founded in 1962, has reported over 500,000 members. The Federation of Cuban University Students (FEU), founded in 1922, consists of students from all major universities, colleges, and secondary schools. There are a number of sports organizations in the country and an active organization of the Special Olympics.

There are national chapters of the Red Cross Society and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

Before 1959, tourism, especially from the United States, was a major source of revenue. Foreign tourism declined in the 1960s, and Cuba's ornate and expensive hotels were used mainly by visiting delegations of workers and students. Renewed emphasis on international tourism characterized the 1976–80 development plan, under which 25 new hotels were opened. The Cuban government actively promotes tourism as a means of offsetting the financial decline brought on by the collapse of the Soviet bloc.

Among Cuba's attractions are fine beaches; magnificent coral reefs, especially around the Isle of Youth; and historic sites in Old Havana (where some buildings date from the 17th century), Trinidad, and Santiago de Cuba. Passports and visas are required for nationals of countries that do not have visa-free agreements with Cuba. In June 1992, Cuba was admitted to the Caribbean Tourism Organization.

There were 1,905,682 foreign visitors who arrived in Cuba in 2003. Hotel rooms numbered 43,696 with 84,200 beds and a 62% occupancy rate. Tourism receipts reached \$1.8 billion.

In 2004, the US Department of State estimated the cost of staying in Havana at \$167 per day, and in Guantánamo Bay, \$78 per day.

#### 48 FAMOUS CUBANS

José Martí (1853–95), poet, journalist, and patriot, was the moving spirit behind the revolution that liberated Cuba from Spain. Antonio Maceo (1848–96), the mulatto general known as the "Titan of Bronze," became famous both as a guerrilla fighter and as an uncompromising advocate of independence. Carlos J. Finlay (1833–1915) gained lasting recognition for his theory regarding the transmission of yellow fever.

Cuban literature is most famous for its poetry and essays. The influential Afro-Cuban tradition has been explored by Cuban scholars, most notably by Fernando Ortiz (1881–1916), jurist and ethnographer. Another leading writer was José Antonio Saco (1797–1879), author of a six-volume history of slavery. Ernesto Lecuona (1896–1963) was a composer of popular music, and Juan José Sicre (1898–1974) is Cuba's outstanding sculptor.

The major heroes of the revolution against Batista are Fidel Castro Ruz (b.1926); his brother, Gen. Raúl Castro Ruz (b.1931); Argentine-born Ernesto "Che" Guevara (1928–67), who was killed while engaged in revolutionary activities in Bolivia; and Camilo Cienfuegos (d.1959). Cubans notable in literature include poet Nicolás Guillén (1902–89) and playwright and novelist Alejo Carpentier y Valmont (1904–80). Cuban-American writer Cristina Garcia (b.1958), made her debut as a novelist with *Dream-*

*ing in Cuban* (1992); she was a Guggenheim Fellow. Alicia Alonso (b.1921), a noted ballerina, founded the National Ballet of Cuba.

#### 49 DEPENDENCIES

Cuba has no territories or colonies.

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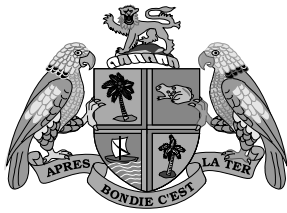
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# DOMINICA

Commonwealth of Dominica

*Dominica*



**CAPITAL:** Roseau

**FLAG:** On a green background appears a cross composed of yellow, black, and white stripes; in the center is a red disk with 10 yellow-bordered green stars surrounding a parrot.

**ANTHEM:** *Isle of Beauty, Isle of Splendor.*

**MONETARY UNIT:** The East Caribbean dollar (EC\$) of 100 cents is the national currency. There are coins of 1, 2, 5, 10, and 25, and 1 dollar, and notes of 5, 10, 20, and 100 East Caribbean dollars. EC\$1 = US\$0.37037 (or US\$1 = EC\$2.7; as of 2004).

**WEIGHTS AND MEASURES:** The metric system is being introduced, but imperial measures remain in common use.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; CARICOM Day, 2 July; Bank Holiday, 1st Monday in August; National Days, 3–4 November; Christmas, 25 December; Boxing Day, 26 December. Movable religious holidays include Carnival, Good Friday, Easter Monday, and Whitmonday.

**TIME:** 8 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Although usually classified as one of the Windward Islands, Dominica, located between Guadeloupe to the N and Martinique to the S, marks the midpoint of the Lesser Antilles. To the E lies the Atlantic Ocean, to the W the Caribbean Sea. The island has an area of 754 sq km (291 sq mi) and is 47 km (29 mi) long by 26 km (16 mi) wide, with a coastline of 148 km (92 mi). Comparatively, the area occupied by Dominica is slightly more than four times the size of Washington, D.C.

Dominica's capital city, Roseau, is located on the southwest coast of the island.

## <sup>2</sup> TOPOGRAPHY

The most rugged island of the Lesser Antilles, Dominica is a mass of peaks, ridges, and ravines. Several mountains are over 1,200 m (4,000 ft), of which the highest is Morne Diablatins, with an altitude of 1,447 m (4,747 ft). The whole land mass is of recent volcanic formation, and the mountain peaks are cones of volcanoes with lava craters and small lakes of boiling water. The largest of these is Boiling Lake near Roseau, which is the second-largest thermally active lake in the world. The coastal rim of the island is a thin strip limited by the mountainsides, which extend directly down to the shore.

## <sup>3</sup> CLIMATE

The climate of Dominica is mildly tropical; in the winter months the temperature averages 25°C (77° F); in the summer, 28°C (82° F). The spring months are the driest; the heaviest rains fall during late summer. The average yearly rainfall ranges from about 191 cm (75 in) on the drier Caribbean coast to 508 cm (200 in) in moun-

tainous inland areas. Destructive hurricanes coming in from the Atlantic Ocean can be expected during the late summer months.

## <sup>4</sup> FLORA AND FAUNA

Since few plantations could be established on Dominica's rugged terrain, the island is still covered with forests, some of which have never been cut except by the destructive winds of a hurricane. On one 4-hectare (10-acre) plot in the rain forest, as many as 60 species of trees may be identified. Some of the most common are cha-taignier, gommier, carapite, breadfruit, white cedar, and laurier.

There are no large wild animals, but the agouti and maniocou can be found. Some 135 species of birds inhabit Dominica. The coastal waters abound in fish.

## <sup>5</sup> ENVIRONMENT

As a member of the Organization of Eastern Caribbean States (OECS) formed in 1981, Dominica shares environmental problems common to the area's island countries. Water shortages are among the most significant. Other areas of concern are pollution from chemicals used in farming and untreated sewage. The nation's forests are endangered by the expansion of farming activities. Hurricanes are the most destructive natural threat to the environment.

Pollution of the nation's coastal waters threatens the tourist trade in the area. Two extensive areas have been set aside as nature reserves. The southern reserve, which constitutes Morne Trois Pitons National Park, is a natural UNESCO World Heritage Site that covers an area of 6,500 hectares (16,100 acres). In it are the nesting places of the red-necked and imperial parrots, both endangered species of Dominica.



According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 1 type of mammal, 4 species of birds, 4 types of reptiles, 2 species of amphibians, 11 species of fish, and 11 species of plants. The tundra peregrine falcon and the green sea and hawksbill turtles are classified as endangered.

## 6 POPULATION

The population of Dominica in 2005 was estimated by the United Nations (UN) at 70,000, which placed it at number 184 in population among the 193 nations of the world. In 2005, approximately 8% of the population was over 65 years of age, with another 28% of the population under 15 years of age. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.8%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 78,000. The population density was 93 per sq km (242 per sq mi), one of the lowest in the West Indies.

The UN estimated that 71% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.67%. The capital city, Roseau, had a population of 27,000 in that year.

AIDS was the leading cause of death among people ages 15–44 in the Eastern Caribbean region.

## 7 MIGRATION

There are no restrictions on foreign travel, emigration, or repatriation. In 2005 the net migration rate was estimated as -11.6 migrants per 1,000 population. The number of migrants living in Dominica in 2000 was 4,000, close to 5% of the total population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The vast majority of Dominicans are descendants of African slaves brought to the island in the 17th and 18th centuries. Some of the population are of mixed descent and a small minority are of European origin. Dominica is the only island of the Caribbean on which descendants of the native Carib population still make up a community of significant size. Isolation and the establishment of a 1,500-hectare (3,700-acre) reserve have enabled the Caribs, who number about 3,000 people, to preserve their identity.

## 9 LANGUAGES

English is the official language of Dominica. Nearly all Dominicans also speak a French patois, based on a mixture of African and French grammar and consisting mostly of French words, with some English and Spanish borrowings. Some islanders speak French as their first language.

## 10 RELIGIONS

About 61% of the population are Roman Catholic. Evangelical churches have a membership that accounts for about 18% of the population. About 6% of the people are Seventh-Day Adventists and 3.7% are Methodists. Other minority groups include Anglicans, Jehovah's Witnesses, Muslims, Baha'is, Rastafarians, Bap-

tists, Nazarenes, and Brethren Christians. About 6% of the population does not claim any religious affiliation.

Religious freedom for all faiths is provided for in the constitution and this right is generally respected in practice. All religious groups must register with the government to receive nonprofit status. Certain Christian holidays are observed as national holidays. The Dominica Christian Council and the Dominica Association of Evangelical Churches offer opportunities for interreligious dialogue on religious and social matters.

## 11 TRANSPORTATION

A paved road circles the northern two-thirds of the island, connecting the two main towns, Roseau and Portsmouth, with Melville Hall Airport in the northeast. Much of the road system was severely damaged by a 1979 hurricane; reconstruction averages about 16 km (10 mi) a year. There were about 780 km (485 mi) of roadways in 2002, of which 390 km (242 mi) were paved. There are 2,770 passenger cars and 2,830 commercial motor vehicles on the island. A deepwater harbor has been completed near Roseau on Woodbridge Bay, and both Roseau and Portsmouth also receive ships. As of 2005, Dominica's merchant marine consisted of 32 ships of 1,000 GRT or over, for a total of 13,771 GRT. Dominica Air Transport and other small airlines connect the main airport with Martinique, Guadeloupe, Antigua, and Barbados. In 2004 there were two airports, both with paved runways, one is a 760-m (2,500-ft) airstrip at Canefield, about 5 km (3 mi) north of Roseau.

## 12 HISTORY

The first island sighted by Christopher Columbus on his second voyage to the New World was Dominica at which he arrived Sunday (*dies dominica*), 3 November 1493. Carib Indians, whose ancestors originally had come from the Orinoco Basin in South America and, during the 14th century, had driven out the indigenous Arawaks, inhabited the island. The Caribs resisted conquest and the Spaniards soon lost interest in the island, which had no apparent mineral wealth.

In 1635, France claimed Dominica, and French missionaries visited the island seven years later, but strong Indian resistance to further contact prevented either the French or the English from settling there. In 1660, England and France declared Dominica a neutral island and left it to the Caribs. Within 30 years, however, Europeans began to settle on the island, and in 1727 the French took formal possession. Under the Treaty of Paris in 1763, however, France ceded the island to Great Britain, which then developed fortifications for its defense. French colonists established coffee plantations during the nearly forty years they held the island. The British introduced sugar production later, but the large slave plantations that characterized other West Indian islands never developed on Dominica. When Great Britain abolished slavery in the West Indies in 1834, 14,175 Dominican slaves obtained their freedom.

Dominica became the first and only British Caribbean colony to have a black-controlled legislature in the 19th century, but blacks lost most of their political power when the British government, acceding to the wishes of Dominican planters, diluted the strength of the Legislative Assembly and, in 1896, reduced Dominica to

a crown colony. Great Britain governed Dominica as part of the Leeward Islands from 1871 until 1939, and in 1940 transferred governance to the Windward Islands administration. From 1958 to 1962, the island belonged to the Federation of the West Indies. Dominica became an associated state of the Commonwealth of Nations in 1967 and on 3 November 1978 became an independent republic.

In its first years of independence, Dominica had several problems. Hurricanes, especially Hurricane David in 1979, brought great destruction to the island, but the corrupt, tyrannical administration of Premier Patrick John led to numerous severe difficulties. Dominicans ousted John in June 1979, and, after a year of interim rule, Mary Eugenia Charles became prime minister in July 1980.

Charles, the first female prime minister in the Caribbean, remained in office for 15 years. (She died at the age of 86 on 6 September 2005.) Her Dominica Freedom Party received parliamentary majorities in 1985 and 1990, partly because of an improved economic picture. Charles fully supported and sent a token force to participate in the US-led intervention of the island of Grenada in October 1983.

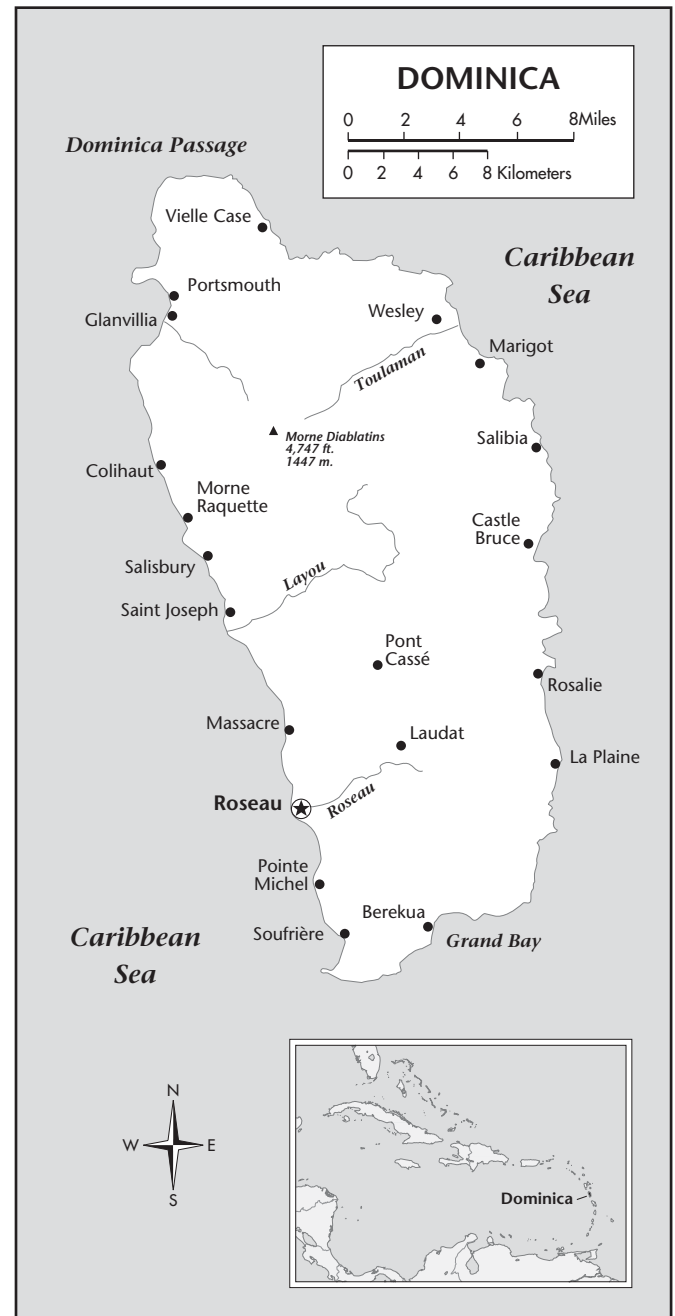
In the early 1990s, controversy flared over the practice of granting “economic citizenship” to Asian nationals who invested \$35,000 or more in the country. In response, the government implemented stiffer requirements, including licenses, waiting periods, and additional financial outlays.

Prime Minister Charles’s DFP lost its majority in the 1995 elections, and Edison James, leader of the United Workers’ Party, formed a new government. Under James, Dominica’s economy improved, but charges of corruption concerning the continued sale of Dominican citizenship to foreigners, allegedly including gangsters and smugglers, seriously undermined his credibility. In the election held in January 2000, the UWP narrowly won a plurality of votes over the DLP and DFP. In 2000–04, UWP’s Pierre Charles was prime minister.

In 2002, Pierre Charles told the Caribbean Development Bank that Dominica faced economic and financial collapse. Revenue from exports and tourism was down, and Charles cited the effects of globalization as one of the causes of Dominica’s economic troubles. Charles died in office at the age of 49 in January 2004. Education Minister Roosevelt Skerrit succeeded him as prime minister. In November 2004, an earthquake damaged buildings on the north side of the island, and Prime Minister Skerrit estimated the damages would rise in the millions of dollars. Skerrit and the governing DLP won the general elections held in May 2005.

### 13 GOVERNMENT

Under the independence constitution of 3 November 1978, Dominica has a unicameral parliament, the House of Assembly, with 21 members elected by universal adult suffrage (at age 18) and 9 appointed members (5 named on the advice of the prime minister, 4 on the advice of the leader of the opposition). The term of the Assembly is five years. The prime minister and leader of the opposition nominate the president, though Parliament officially elects



LOCATION: 15° N; 16° W. TOTAL COASTLINE: 148 kilometers (92 miles). TERRITORIAL SEA LIMIT: 12 miles.

the head of state, who in turn appoints the prime minister and cabinet from the majority party in the assembly.

### 14 POLITICAL PARTIES

Dominica’s major political parties are the Dominica Freedom Party (DFP), the Dominica Labour Party (DLP), and the United Workers’ Party (UWP). The DFP held power from 1980 to 1995, led by Eugenia Charles, the first woman prime minister in the Caribbean region. (Party leadership was transferred to Brian Alleyne

in 1993, but Charles remained prime minister.) The UWP dominated the 1995 elections, winning 11 of the 21 elected seats in the National Assembly. (The DFP and DLP, led by Rosie Douglas, each won 5.) Following the elections, UWP leader Edison James became prime minister. The DLP won 10 of the 21 elected seats in the 2000 election and formed a coalition government with the DFP, then led by Pierre Charles, which captured two seats. In the 2005 general election, the DLP won 52.08% of the vote (12 seats), the UWP won 43.6% of the vote (8 seats), and the DFP won 3.15% of the vote. An independent held the remaining seat in the House of Assembly. Roosevelt Skerrit, who had been chosen prime minister after the death of Pierre Charles in 2004, remained prime minister.

### **15 LOCAL GOVERNMENT**

In contrast to other English-speaking islands in the Caribbean, Dominica has a well-developed local government system. There are 37 village councils, made up of both elected and appointed members. Both Roseau and Portsmouth have town councils, and Canefield has an urban council. There is a Carib Council which governs the Carib territory, set aside for indigenous peoples. There are also 10 parishes, which are administrative divisions for the national government.

### **16 JUDICIAL SYSTEM**

Dominica's judicial process derives from English common law and statutory acts of the House of Assembly. The courts of first instance are the four magistrates' courts; at the second level is the Court of Summary Jurisdiction. The highest court is the Eastern Caribbean Supreme Court, based in St. Lucia, and one of its six judges must reside in Dominica and preside over the Court of Summary Jurisdiction. In exceptional cases prior to 2003, appeals were carried to the Judicial Committee of the Privy Council in the United Kingdom.

On 9 June 2003, Caribbean leaders met in Kingston, Jamaica, to ratify a treaty to establish the Caribbean Court of Justice (CCJ). The court was officially inaugurated in April 2005, in Port-of-Spain, Trinidad and Tobago. As of 2005, however, the court's jurisdiction was limited to the CARICOM states of Barbados and Guyana. The CCJ heard its first case in August 2005.

The law provides for public trial before an independent, impartial court. Criminal defendants have the right to legal counsel, and to appeal.

### **17 ARMED FORCES**

A police force of 300 is in charge of law and order. Dominica, along with Antigua and Barbuda, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, is a member of the Regional Security System, established in 1985. Defense from foreign attack would come from the United States or United Kingdom.

### **18 INTERNATIONAL COOPERATION**

Dominica became a member of the United Nations on 18 December 1978 and belongs ECLAC and several specialized agencies, such as the FAO, IMF, ILO, UNESCO, WHO, and the World Bank. Dominica is also a member of the WTO, OAS, the Caribbean Development Bank, the Commonwealth of Nations, G-77, CARICOM, the ACP Group, the OECS, the Association of Carib-

bean States (ACS), and the Alliance of Small Island States (AOSIS). The nation is an observer in the Nonaligned Movement and a member of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL). In environmental cooperation, Dominica is part of the Basel Convention, Conventions on Biological Diversity and Whaling, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

### **19 ECONOMY**

Bananas and other agriculture dominate Dominica's economy, and nearly one-third of the labor force works in agriculture. This sector, however, is highly vulnerable to weather conditions and to external events that affect commodity prices. With the decline of banana exports, GDP growth began declining and in the late 1980s, average annual GDP growth was 5.5%; in the early 1990s, about 3.5%, and from 1996 to 1999, 2.5%. In 2000, GDP stagnated and in 2001 there was a contraction of about 4.5% as adverse weather, a drop in tourism, and reduced export demand added to the effects of declining banana production. From 1998 to 2000, banana exports fell 24.6%, and then in the global slowdown of 2001, fell another 35.4%.

In response to decreasing European Union (EU) banana trade preferences, the government has diversified the agricultural sector, with the export of small quantities of citrus fruits and vegetables and the introduction of coffee, patchouli, aloe vera, cut flowers, and exotic fruits such as mangos, guavas, and papayas. Dominica also has had some success increasing its manufactured exports, primarily soap. Furthermore, Dominica recently entered the offshore financial services market.

Dominica is mostly volcanic and has few beaches; therefore, tourism has developed more slowly than on neighboring islands. Nevertheless, Dominica does have the highest mountain peak in the Caribbean. Rain forests, freshwater lakes, over 200 rivers, hot springs, waterfalls, and diving spots make it an attractive ecotourism destination. Cruise ship stopovers have increased following the development of modern docking and waterfront facilities in the capital. However, development of the tourism industry remains difficult because of the rugged coastline and the absence of an international airport.

The government is promoting industrial development involving agro-processing and light industry, and hopes to build an airport with greater accessibility. After the government began a comprehensive restructuring of the economy in 2003, the 2004 GDP growth rate was reported at 3.5%. The country nearly had a financial crisis in 2003 and 2004, but it has managed to stabilize its debt and fiscal deficits using some difficult reform measures, earning the praise of international financial institutions (IFIs).

### **20 INCOME**

The US Central Intelligence Agency (CIA) reports that in 2005 Dominica's gross domestic product (GDP) was estimated at \$384.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$5,500. The annual growth rate of GDP was estimated at -1%. The average inflation

rate in 2001 was 1%. It was estimated that agriculture accounted for 18% of GDP, industry 24%, and services 58%.

It was estimated that in 2002 about 30% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

The labor force in 2002 (the latest year for which data was available) was estimated at 25,000. About 40% of the labor force was employed in agriculture, 32% in industry and commerce, and 28% in services. Unemployment was officially 23% in 2002.

Unions have the right to strike, organize, and engage in collective bargaining. As of 2005, unions represented about 33% of the workforce, with approximately 50% of all government employees belonging to unions as that same year. Essential services are prohibited from striking and this includes the coconut, citrus, and banana industries, as well as the port service that supports them.

The standard work week is 40 hours over 5 days. However, excessive overtime is not prohibited. The minimum wage is set by the government and varies from sector to sector. Last revised in 1989, the average wage was between US\$.74 per hour and US\$1.11 per hour in 2005 for most workers. These wages are not sufficient to support a family, although most workers earn more than the minimum. The minimum working age is 15 and this is generally observed without government enforcement. Children between the ages of 12 and 14 were permitted to work in certain family businesses such as farming. Occupational safety and health standards for adults and children are generally enforced by the government, and most employers comply with them.

## 2<sup>2</sup> AGRICULTURE

About 26.7% of the total land area is arable. Agricultural production was on the decline even before the 1979 hurricane disaster. The main crop of Dominica is bananas, output of which had fallen to 29,700 tons in 1978. As a result of Hurricane David, production hit a low of 15,700 tons in 1979. Agriculture suffered a further blow from Hurricane Allen in August 1980. However, after outside financial support began to rehabilitate the sector, production rose to 27,800 tons in 1981 and totaled 29,000 tons in 2004.

Agriculture accounts for about 18% of GDP and employs about 40% of the labor force. Agricultural exports amounted to \$15.3 million in 2004. Most crops are produced on small farms, the 9,000 owners of which are banded together in about 10 cooperatives; there are also several large farms that produce mostly bananas for export. Coconuts and citrus fruits are grown in commercial quantities. Production for 2004 included coconuts, 11,500 tons; grapefruit, 17,000 tons; lemons and limes, 1,020 tons; and oranges, 7,200 tons. Fruits and vegetables are produced mostly for local consumption.

## 2<sup>3</sup> ANIMAL HUSBANDRY

There are about 2,000 hectares (4,900 acres) of pastureland, comprising 2.7% of the total land area. The island does not produce sufficient meat, poultry, or eggs for local consumption. In 2004 there were an estimated 13,400 head of cattle, 9,700 goats, 7,600 sheep, and 5,000 hogs. In 2004, production of meat totaled 1,364 tons; and milk, 6,100 tons.

## 2<sup>4</sup> FISHING

Before Hurricane David in 1979, some 2,000 persons earned a living fishing in coastal waters, producing about 1,000 tons of fish a year and meeting only about one-third of the local demand. The hurricane destroyed almost all of the island's 470 fishing boats; afterward, only about a dozen vessels could be reconstructed for use. In 2003, the catch was 1,103 tons, up from 552 tons in 1991.

## 2<sup>5</sup> FORESTRY

Dominica has the potential for a lumber industry. Some 46,000 hectares (114,000 acres) are classified as forest, representing 61% of the total land area. In 1962, Canadian experts produced a study indicating that over a 40-year period the island could produce a yearly output of 22,000 cu m (800,000 cu ft) of lumber. Before Hurricane David in 1979, annual output had reached about 7,500 cu m (265,000 cu ft). There are some 280 hectares (700 acres) of government land allocated to commercial forestry and about 100 hectares (240 acres) of forestland in private hands. Commercially valuable woods include mahogany, blue and red mahoe, and teak.

## 2<sup>6</sup> MINING

Dominica had no significant or recorded production of minerals in 2003, although small amounts of pumice are exported. What production there is of clay, limestone, volcanic ash, and sand and gravel is primarily for the domestic construction industry.

## 2<sup>7</sup> ENERGY AND POWER

Dominica's energy and power sector is marked by a complete lack of any proven reserves of oil, natural gas, or coal, nor does it possess any refining capacity. As a result, the country is entirely dependent upon imports to meet its consumption of fossil fuels. However, the country does have access to hydropower, which makes up a large portion of the nation's electric power generating capacity and production.

In 2002, Dominica imported an average of 820 barrels per day of refined oil products, the largest of which were gasoline at 470 barrels per day, and distillates, at 250 barrels per day. Liquefied natural gas imports for that year stood at 60 barrels per day, with kerosene and residual fuel oils each at 20 barrels per day.

Dominica's electric power sector is solely managed by a private utility the Dominica Electricity Service (Domlec). According to Domlec's 2002 annual report, the company had an installed capacity of 20,440 kW, of which diesel fueled generation accounted for 12,840 kW and hydropower at 7,600 kW. However, the Energy Information Administration (EIA) for that year placed the country's generating capacity at 19,000 kW, with hydropower and conventional thermal capacity at 8,000 kW and 11,000 kW, respectively. In addition, the company's hydropower capacity can drop sharply during a very dry season. According to Domlec's 2002 annual report, installed hydropower capacity could fall to as much as 32,000 kW. In 2002, the CIA reported that Dominica's output and consumption of electrical power was 68.41 million kWh and 63.62 kWh, respectively, while the EIA placed production and consumption of electrical power at 65 million kWh and 61 million kWh, respectively. Domlec's annual report for 2002 placed total electric power output at 80.1 million kWh.

In April 2004, Commonwealth Development Corporation (London, UK) sold its 72% stake in Domlec to WRB Enterprises (Tampa, Florida).

## 2<sup>8</sup> INDUSTRY

Dominica has only light industry and most of it is connected with the processing of agricultural products. Industrial establishments include a plant for processing coconuts into oil and copra for export, four plants to process limes and other citrus fruits, two bottling plants, two distilleries, four small apparel plants, and four small furniture factories. Dominica exports water to its Caribbean neighbors; shoes, cement blocks, furniture, soap and toiletries are also exported. Home industries produce some leather work, ceramics, and straw products. Wood products, including furniture, are produced from local timber. Portsmouth is the main boat-building center.

Since the 1990s, the small manufacturing sector has been expanding at a modest pace, including electronics assembly, rum, candles, and paints. Industry accounted for 24% of GDP in 2004. While services account for 58% of GDP it only hires 28% of the labor force (with comparison to agriculture, which hires 40%)

The Dominican economy has high poverty (30%), high unemployment (23%), and a low per capita GDP (us\$5,400). The Dominican economy has been hurt by problems in the banana industry. The entire economy suffers when weather conditions damage the banana crop, or when the price of bananas falls. The European Union has phased out preferred access of bananas to its markets, causing banana demand to fall. In response, the Dominican government privatized the banana industry.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Late in 1980, Dominica created a Council for Science and Technology, under the Ministry of Education. The Caribbean Agricultural Research Development Institute has been active in more than a half-dozen projects.

## 3<sup>0</sup> DOMESTIC TRADE

Local produce markets exist in all the small villages and towns. About 40% of the work force is employed in agriculture and many foods and manufactured goods have to be imported.

The island has sought to develop preserves of its unique flora and fauna to attract tourists.

The tourism industry has reoriented many artisan jobs, such as in the fishing industry; the Dominica fleet has increased from only 913 vessels in 1994 to more than 1100 in 2000. However tourism overall has been slow to develop because of poor transport and the lack of hotel facilities and good beaches. Commercial activity is concentrated in the morning hours, since tropical rains impede afternoon travel.

## 3<sup>1</sup> FOREIGN TRADE

Dominica is well known for its exports of bananas, which reflect over a quarter of the country's commodity export revenues. Soap and cleaning products account for almost a third of exports (29%). Other exports include vegetables (3.7%), paint (3.1%), and perfume (13.7%). Exports accounted for \$41.2 million in 2004 (main-

### Principal Trading Partners – Dominica (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	39.3	127.0	-87.7
Jamaica	9.0	1.6	7.4
United Kingdom	6.2	9.7	-3.5
Antigua and Barbuda	4.0	0.3	3.7
France-Monaco	3.6	3.1	0.5
Guyana	3.3	1.5	1.8
Trinidad and Tobago	2.6	23.2	-20.6
United States	2.5	47.2	-44.7
Barbados	2.0	5.5	-3.5
Saint Kitts and Nevis	1.3	0.4	0.9
Saint Lucia	1.3	3.5	-2.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

ly bananas, citrus fruits, soap, and cocoa). The major markets are CARICOM, 61%; the European Union, 18%; and the United States, 3%. On the other hand, imports reached \$145 million in 2004, mainly of machinery and equipment, foodstuffs, manufactured articles, and cement. The major suppliers are the United States 35%, CARICOM 29%, EU 13% and Japan 5%.

Dominica is a beneficiary of the US Caribbean Basin Initiative, which grants duty-free entry into the United States for many goods. In 2004, exports totaled \$41 million, with 3% going to the United States. Dominica also belongs to the predominantly English-speaking Caribbean Community and Common Market (CARICOM), the CARICOM Single Market and Economy (CSME), and the Organization of Eastern Caribbean States (OECS). Dominica and the other countries of the Organization of Eastern Caribbean

### Balance of Payments – Dominica (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>-38.1</b>
Balance on goods		-59.4
Imports	-102.4	
Exports	42.9	
Balance on services		26.0
Balance on income		-18.5
Current transfers		13.8
<b>Capital Account</b>		<b>20.5</b>
<b>Financial Account</b>		<b>8.9</b>
Direct investment abroad		...
Direct investment in Dominica		11.4
Portfolio investment assets		0.0
Portfolio investment liabilities		12.1
Financial derivatives		...
Other investment assets		-2.8
Other investment liabilities		-11.8
<b>Net Errors and Omissions</b>		<b>17.0</b>
<b>Reserves and Related Items</b>		<b>-8.3</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

States (OECS) were scheduled to join the Caribbean Single Market and Economy (CSME) in June 2006.

In 2004 Dominica cut diplomatic relations with Taiwan in favor of ties with mainland China. China agreed to give aid worth more than \$100 million over five years.

### 32 BALANCE OF PAYMENTS

The increasingly unfavorable balance of trade produces a current account deficit and boosts the foreign debt. Recurrent hurricanes and other natural disasters, such as an earthquake that caused millions in damages in November 2004, have added to the debt burden. Dominica hopes to be able to offset the trade deficit with tourism revenues.

The US Central Intelligence Agency (CIA) reported that in 2004 the purchasing power parity of Dominica's exports was \$74 million while imports totaled \$234 million resulting in a trade deficit of approximately \$150 million, increasing yearly.

### 33 BANKING AND SECURITIES

The principal national banks are the National Commercial and Development Bank of Dominica and the Dominica Agricultural Industrial and Development (AID) Bank. Private commercial banks include Barclays (UK), the Royal Bank of Canada, and the Banque Française Commerciale. Dominica is a member of the Eastern Caribbean Central Bank, which issues a common currency. Dominica has no stock market, and is considered an offshore tax haven for international companies. It guarantees a 20-year tax exemption. The International Monetary Fund reported that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$39.3 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$204.1 million.

### 34 INSURANCE

Representatives of British, Canadian, and US insurance companies do business in Dominica.

### 35 PUBLIC FINANCE

Operating revenues come mostly from customs duties, excise taxes, and other taxes and fees for government services. The leading areas of expenditure are education, health, public services, housing, and defense.

The US Central Intelligence Agency (CIA) estimated that in 2001 Dominica's central government took in revenues of approximately \$73.9 million and had expenditures of \$84.4 million. Revenues minus expenditures totaled approximately -\$10.5 million. Total external debt was \$161.5 million.

### 36 TAXATION

Taxes levied by the Dominican government include a progressive personal income tax ranging from 0–40%; a business income tax of 35%; social security taxes; a 3% gross receipts tax on retail sales; and taxes on land transfers and land-value appreciation. There is no capital gains tax except the land-value appreciation tax.

### 37 CUSTOMS AND DUTIES

Specific import duties apply to food and ad valorem duties apply to other items. The government levies export duties on principal agricultural products; the charge is heavy on rum and cigarettes but lighter on bananas and coconuts. Under a 1992 Caribbean Community agreement, Dominica eliminated import licensing. Dominica adopted CARICOM's common external tariff, which ranges up to 35%. Additional duties are applied to cigarettes, rum and motor vehicles.

### 38 FOREIGN INVESTMENT

The amount of foreign investment in Dominica is limited, largely because the island lacks the infrastructure to support an industrialization program. Investment increased in the early 1990s under the Charles government, particularly in agriculture. The marketing of banana production is monopolized by European multinational corporations. Tax holidays and import-duty exemptions are offered as investment incentives. The area near the Canefield airstrip is an industrial estate and export processing zone. The government agency for industrial development has had some success attracting capital investment funds for the island. The introduction of an offshore financial industry may also attract investment, as well as increased tourism. Other investment incentives include repatriation of profits, alien landholding license fees, factory building/industrial estates, and residence/work permits.

Foreign direct investment (FDI) inflows peaked in 1997 at \$21 million before falling to \$6.1 million in 1998. FDI inflows recovered to \$18 million in 1999 and averaged about \$13 million a year in 2000 and 2001. By 2003 there was a decent increase in FDI of up to \$17 million, but FDI as a percentage of GDP continues to decrease.

### 39 ECONOMIC DEVELOPMENT

Similar to its Eastern Caribbean neighbors, the main priority of Dominica's foreign relations is economic development. Dominica seeks to foster private enterprise.

Dominica's government until recently has been sensitive about market liberalization. In 1986, for example, it created an export-import agency and announced a land-reform program, both to stimulate agriculture. Under the latter, the government purchased 800 hectares (2,000 acres) of land in prime growing areas and then guaranteed a minimum holding with security of tenure, as well as services and equipment, to small farmers and landless farm workers. As of 1994, the government encouraged agriculture expansion through a diversification program, which was aimed at improving the marketing of products and providing income guarantees for farmers who are in the process of diversifying into new crops. There was still serious concern about the implications of the restructuring of formerly protected European markets.

In August 2002, Dominica negotiated a one-year \$4.3 million Stand-By Arrangement with the IMF and immediately the government implemented a 4% Stabilization Levy tax to tackle the financial crisis. Further economic austerity measures were taken while massive protests followed. But by 2003 the government began a comprehensive restructuring of the economy, which included elimination of price controls, privatization of the state banana

company, and tax increases—to address Dominica's economic crisis and to meet IMF targets.

The main problem has been that the small island's economy is dependent on agriculture and thus is highly vulnerable to climatic conditions. Development of the tourist industry remains difficult because of the rugged coastline and the lack of an international airport (though the government bought land for the construction of an airport in 1999). There has been much debate over proposals to build an airport capable of handling large jet aircraft because there is concern that an increase in tourist arrivals, as well as the promotion of eco-tourism, would damage the island's finely balanced environment.

Besides tourism, the government has attempted to diversify the economy and inspire confidence in investors and the population. For example, for a time the offshore business sector of Dominica was included on a list of countries deemed to be noncooperative in the fight against money-laundering. The government subsequently tightened up banking rules and set up a financial intelligence unit. Other positive events have been the establishment of diplomatic ties with the People's Republic of China in March 2004 and the announcement by Prime Minister Skerrit in June that year that the Stabilization Levy had ended. In early 2005 a boost to the economy was given by the shooting of the feature film *Pirates of the Caribbean*.

#### **40 SOCIAL DEVELOPMENT**

Until the early 1980s, a high rate of unemployment, a markedly high rate of emigration, and very limited resources hindered the development of social service programs in Dominica. A social insurance system covers all workers from 14–60 years of age, including apprentices. Under this plan, both workers and employers contribute specific amounts to a government fund, which provides pensions for workers reaching retirement age, compensation for workers who become incapacitated, and survivor benefits. There are also sickness and maternity benefits. The social security system is funded by worker contributions of 3% of earnings (7% self-employed) and a 7% employer payroll tax. Retirement is set at age 60.

Domestic violence is prevalent. A hotline manned by volunteers is available for battered women, and the Welfare Department often helps them find temporary quarters. Apart from the constitution, there is no specific legislation in force to protect women from sex discrimination. Property ownership is given to the "head of household" which is generally male. When a man dies without a will his wife cannot inherit the property. Many women in rural areas face considerably difficulty in meeting basic needs. Children's rights are generally protected, and education is free and compulsory.

Indigenous Carib minorities face minimal discrimination, and most live on a 3,700-acre reservation set aside for them by the government in 1903. Human rights are generally respected in Dominica. However, instances of excessive police force have been reported, and prison conditions are poor.

#### **41 HEALTH**

In 2004 there were an estimated 49 physicians, 415 nurses, and 6 dentists per 100,000 people. The one general hospital on Dominica is in Roseau, the 195-bed Princess Margaret Hospital. There are

7 health centers and 44 clinics scattered across the island. Serious tropical diseases such as yaws and malaria have been eradicated, but owing to the high humidity and rainy conditions, tuberculosis and other respiratory diseases continue to be a problem. Intestinal parasites afflict particularly those in the early years of life. Only 7% of newborns were low birth weight. In 2005, the infant mortality rate was estimated at 14.15 per 1,000 live births. Average life expectancy for that year was 74.65 years. Approximately 99% of the country's children were immunized against measles and the same percentage for DPT, tuberculosis, and polio. There were no cases of polio or measles reported on the island.

#### **42 HOUSING**

Hurricane David in 1979 destroyed the homes of over four-fifths of the population. Under an emergency housing program, construction supplies were brought into the island, and shelters were built for most of the population. Most of all dwellings are detached houses. In 1993, at least 71% were owner occupied. Most houses are built through the private sector, with individuals financing their own homes. Over half of all housing units were wooden, while smaller percentages were either concrete or wood and concrete.

Since the mid-1990s, the nation has participated in a reconstruction program focusing on techniques for hurricane retrofitting. Through the Cooperative Housing Foundation, eligible residents can obtain loans to aid in the upgrade of their homes.

#### **43 EDUCATION**

Education is compulsory between the ages of 5 and 16. Technical and vocational studies offer practical training in technical and electrical engineering, auto mechanics, plumbing, general business, construction, and agriculture. Transportation to secondary schools is a problem for students in rural areas.

Primary school enrollment in 2003 was estimated at about 81% of age-eligible students; 83% for boys and 79% for girls. The same year, secondary school enrollment was about 92% of age-eligible students; 86% for boys and 98% for girls. It is estimated that about 91% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 19:1 in 2003; the ratio for secondary school was about 17:1. In 2003, private schools accounted for about 28% of primary school enrollment and 32% of secondary enrollment.

Higher educational facilities include a teacher training institute, a technical college, a nursing school, and a local center maintained by the University of the West Indies. In higher-level institutions, there were 34 teaching staff and 484 students in 1993. The adult literacy rate was estimated at about 94% in 2003.

As of 2003, public expenditure on education was estimated at 5% of GDP.

#### **44 LIBRARIES AND MUSEUMS**

A national library system of about 50,000 volumes includes a Main Library in Roseau and branches in Portsmouth, Grand Bay, and Marigot. There is also a mobile library unit for rural areas. The Roseau Museum highlights the island's cultural and natural history.

#### 45 MEDIA

In 2002, there were 23,700 mainline telephones in use, with an additional 9,400 cellular phones throughout the country. In 1997 there were 703 radios and 81 television sets per 1,000 population. As of 2004, there were 2 AM and 4 FM radio stations and one (cable) television station. Dominicans also receive TV and radio broadcasts from neighboring islands. In 2002, there were about 12,500 Internet subscribers in the country. Two weekly newspapers are published in Roseau, the *Chronicle* (circulation in 2002, 2,500) and the government-published *Official Gazette* (550), among other journals and periodicals.

The constitution provides for the right of free expression, and the government is said to respect free speech and a free press. Independent print and electronic media operate without restrictions by the government authorities.

#### 46 ORGANIZATIONS

There are many cooperatives and credit unions in Dominica. A chamber of commerce and a small Rotary Club also function. There is a Dominica Employers' Federation in Roseau. The Dominica National Development Corp. promotes both industry and tourism. The Association of Eastern Caribbean Manufacturers is a multinational union based in Djibouti. There are unions, such as the Waterfront and Allied Workers' Union, and professional associations, such as the Dominica Association of Teachers.

The Dominica National Council of Women and the Women's Bureau are umbrella organizations supporting a variety of national women's groups. Youth organizations include the Young Freedom Movement, the Scout Association of Dominica, Girl Guides, and YWCA. Sports associations are active for several different pastimes, including tennis, track and field, and squash.

Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. There is a national chapter of the Red Cross Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

Dominica's tourism industry has developed slower than that of neighboring Caribbean islands. However, the growth of ecotour-

ism has helped make tourism a staple in the economy. The principal attraction is the rugged natural beauty of its volcanic peaks, forests, lakes, waterfalls, and over 365 rivers. Day trips to Dominica from Barbados, Guadeloupe, and Martinique have gained increasing popularity. Cricket is the national sport.

Citizens of the United States and Canada may enter the country with proof of citizenship; other foreign visitors must have a valid passport. All tourists must have an onward/return ticket. A certificate of vaccination against yellow fever is required if traveling from an infected area.

In 2003, there were 72,948 tourists who visited Dominica, of whom 83% came from the Americas. The US Department of State estimated the average stay in Dominica at us\$182 per day.

#### 48 FAMOUS DOMINICANS

Maria Eugenia Charles (1919–2005), cofounder of the Dominica Freedom Party, became prime minister in 1980. She served until 1995, and was the first female prime minister in the Caribbean. Edison Chenfil James (b.1943) was prime minister from 1995 until 2000. Pierre Charles (1954–2004) was prime minister from 2000–2004. Roosevelt Skerrit (b.1972) succeeded him.

#### 49 DEPENDENCIES

Dominica has no territories or colonies.

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# DOMINICAN REPUBLIC

Dominican Republic  
*República Dominicana*



**CAPITAL:** Santo Domingo

**FLAG:** The national flag, adopted in 1844, consists of a white cross superimposed on a field of four rectangles, the upper left and lower right in blue, the upper right and lower left in red.

**ANTHEM:** *Himno Nacional*, beginning “Quisqueyanos valientes, alcemos nuestro canto” (“Valiant Dominicans, let us raise our song”).

**MONETARY UNIT:** The Dominican peso (RD\$) of 100 centavos is a paper currency. There are coins of 1, 5, 10, 25, and 50 centavos and 1 peso, and notes of 1, 5, 10, 20, 50, 100, 500, and 1,000 pesos. RD\$1 = US\$0.03287 (or US\$1 = RD\$30.42) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but US and Spanish weights are widely used in commercial transactions.

**HOLIDAYS:** New Year’s Day, 1 January; Epiphany, 6 January; Altigracia Day, 21 January; Duarte Day, 26 January; Independence Day, 27 February; Labor Day, 1 May; Restoration of Independence, 16 August; Day of Our Lady of Las Mercedes, 24 September; All Saints’ Day, 1 November; Christmas, 25 December. Movable religious holidays include Good Friday and Corpus Christi.

**TIME:** Eastern Daylight Savings Time is maintained throughout the year; 8 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The Dominican Republic occupies the eastern two-thirds of the island of Hispaniola (Española) and includes the islands of Beata, Catalina, Saona, Alto Velo, and Catalinita in the Caribbean Sea, and several islets in the Atlantic Ocean. It has an area of 48,730 sq km (18,815 sq mi), with a length of 386 km (240 mi) E–W, extending from Cape Engaño to the Haitian border, and a width of 261 km (162 mi) N–S, extending from Cape Isabela to Cape Beata. Comparatively, the area occupied by the Dominican Republic is slightly more than twice the size of the state of New Hampshire. Bounded on the N by the Atlantic Ocean, on the E by the Mona Passage (which separates it from Puerto Rico), on the S by the Caribbean Sea, and on the W by Haiti, the Dominican Republic has a total boundary length of 1,648 km (890 mi), of which only 360 km (194 mi) is the length of the land boundary with Haiti.

The Dominican Republic’s capital city, Santo Domingo, is located on its southern coast.

## <sup>2</sup>TOPOGRAPHY

The Dominican Republic is generally mountainous, with deserts in the extreme western regions. The principal mountain range, the Central Cordillera, running from east to west and extensively pine-forested, bisects the republic. Between the Central Cordillera and the Northern Cordillera (and their associated plains) lies the famous Cibao (La Vega Real) Valley (225 km/140 mi long, with an average width of 23 km/14 mi), noted for the excellent quality of its soil. Fertile valleys also abound in the central and eastern areas. The country contains both the highest mountain in the West

Indies, Mt. Duarte (Pico Duarte, 3,175 m/10,417 ft), and the lowest-lying lake, Lake Enriquillo (46 m/151 ft below sea level). The Yaque del Norte, the Yaque del Sur, and the Yuna are the principal rivers.

## <sup>3</sup>CLIMATE

Climate and rainfall vary with region and altitude. Generally, however, average minimum and maximum temperatures range from 18–29°C (64–84°F) in the winter and from 23–35°C (73–95°F) in the summer. The coastal plain has an annual mean temperature of 26°C (79°F), while in the Central Cordillera the climate is temperate and the mean is 20°C (68°F). Rainfall varies from an annual average of 135 cm (53 in) in the eastern regions, with an extreme of 208 cm (82 in) in the northeast, to a mean of 43 cm (17 in) in the western areas. The rainy season generally extends from June to November and the dry season from December to May. The nation lies within the hurricane belt, and tropical storms constitute a major weather hazard.

## <sup>4</sup>FLORA AND FAUNA

Plants and animal life vary by region. Dense rain forests are common in the wetter areas; scrub woodland thrives along the drier slopes; and savanna vegetation is found on the open plains. Dominican mahogany and highly resinous pine trees grow in the high mountains. The rare hutia (a small rodent) and herds of wild boar are found in the mountainous areas. Ducks, doves, and several varieties of pigeons are seasonal visitors. Lake Enriquillo is the natural habitat of large flocks of flamingos. Spanish mackerel, mullet, bonito, and yellowtail snapper are found in the surround-

ing waters. As of 2002, there were at least 20 species of mammals, 79 species of birds, and over 5,600 species of plants throughout the country.

## 5 ENVIRONMENT

The main agencies responsible for environmental protection are the Department of National Parks and the Department of State for Agriculture. The Dominican Republic has environmental problems in the areas of deforestation, water supply, and soil erosion, the latter of which also damages the nation's coral reefs. United Nations (UN) sources report that, as of 1993, the nation was losing 20,000 hectares per year of its forest lands largely due to commercial interests. The felling of trees was prohibited in 1967 to remedy the ill effects of indiscriminate cutting by commercial producers and farmers and the destruction by fire of large stands of timber. However, many farmers continue to cut trees surreptitiously to make more land available for cultivation. Soil erosion results from a combination of rainfall and the use of land in mountainous areas. The country has 21 cu km of renewable water resources with 89% used for farming. About 97% of the population has access to pure drinking water. Water pollution results from the effects of mining along with industrial and agricultural sources.

In 2003, about 51.9% of the total land area was legally protected. Lago Enriquillo is a Ramsar wetland site. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 5 types of mammals, 16 species of birds, 10 types of reptiles, 31 species of amphibians, 10 species of fish, 2 species of invertebrates, and 30 species of plants. Endangered species in the Dominican Republic include the tundra peregrine falcon, Haitian solenodon, three species of sea turtle (green sea, hawksbill, and leatherback), and American crocodile. The imposter hutia, the Hispaniolan edible rat, and Marcano's solenodon have become extinct.

## 6 POPULATION

The population of Dominican Republic in 2005 was estimated by the United Nations (UN) at 8,862,000, which placed it at number 86 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 34% of the population under 15 years of age. There were 102 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.7%, a rate the government viewed as too high. The government was initiating programs to address the high rate of adolescent fertility. The projected population for the year 2025 was 11,038,000. The population density was 182 per sq km (471 per sq mi). The southern coastal plains and the Cibao Valley are the most densely populated areas of the country.

The UN estimated that 64% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.99%. The capital city, Santo Domingo, had a population of 1,865,000 in that year. Other important cities are Santiago de los Caballeros, La Romana, San Pedro de Macorís, San Francisco de Macorís, and Concepción de la Vega.

## 7 MIGRATION

Four overseas immigration movements took place 1930–60: approximately 5,000 refugees from the Spanish Civil War in the late

1930s; a Jewish refugee group, which arrived in 1940; a continuous flow of Japanese, mainly farmers, since 1950; and 600 Hungarian refugees invited by the government in 1957. These are dwarfed, however, by the influx of Haitians, some seasonal, others permanent.

An estimated 35,000 Haitians entered the Dominican Republic after the military coup that overthrew Haiti's president, Jean-Bertrand Aristide, in September 1991. By May 1997, 20,000 Haitians had returned to their homeland, voluntarily or by deportation. The majority of Haitian refugees live outside the capital, Santo Domingo. The Dominican Republic government initiated a program to deport illegal migrants back to Haiti. However, this program does not affect recognized refugees or asylum seekers, as they receive temporary residence permits. In October 2005, *Migration News* reported that estimates of the number of Haitians in the Dominican Republic in 2005 ranged from 300,000 to 1.6 million. A census of Haitians was planned to determine how they obtained illegal Dominican identity cards. The Dominican Republic began to issue identity cards to 300,000 Dominicans living illegally in Puerto Rico.

Emigration became significant for the first time during the 1960s, when 93,300 Dominicans legally entered the United States; during 1971–80, the figure rose to 148,100, and during 1981–85, it was 104,800. In 1990 there were 357,000 Dominican-born people living in the United States, mostly along the eastern seaboard. This census total may have been an undercount, for estimates of the Dominican population in the United States ranged as high as 1,000,000, including 200,000 in Puerto Rico. The total of remittances in 2001 was \$1,982,000, or 9.3% of GDP. By the end of 2004, 99 Dominicans had applied to Canada for asylum.

The net migration rate estimated in 2005 was -3.2 migrants per 1,000 population, almost equivalent to the rate of -3.03 migrants per 1,000 population in 1999.

## 8 ETHNIC GROUPS

Ethnic divisions have been estimated at 16% European, 11% African, and 73% mixed. Descendants of early Spanish settlers and of black slaves from West Africa constitute the two main racial strains.

## 9 LANGUAGES

Spanish is the official language. Some English is spoken in the capital, and a Creole dialect is used along the Haitian border.

## 10 RELIGIONS

According to a 1997 population survey, professing Roman Catholics represented an estimated 68.1% of the population and Protestants, including Baptists, Jehovah's Witnesses, Methodists, Mormons, Seventh-Day Adventists, and others accounted for another 11%. However, the Catholic Church has claimed that their membership accounts for about 87% of the population and Evangelical Christians have claimed up to 25% of the population as members. As many as 20% of the population claims no religious affiliation whatsoever. It is believed that some Catholics may practice a combination of Catholicism and tradition Afro-Caribbean beliefs and customs. Other religions include Judaism, Islam, and Buddhism.

Religious freedom is protected by law, and there is no state religion. However, the Roman Catholic Church, which signed a con-



LOCATION: 17°36'22" to 19°56'9" N; 68°19'24" to 72°0'48" W. BOUNDARY LENGTHS: Total coastline, 1,288 kilometers (799 miles); Haiti, 275 kilometers (170 miles). TERRITORIAL SEA LIMIT: 6 miles.

cordat with the government in 1954, is extended special privileges not granted to other religions. Religious groups are required to register with the government for legal tax-exempt status. Roman Catholic marriages are the only religious marriages that are automatically recognized by the state. Civil unions are required for other faiths.

## 11 TRANSPORTATION

The national highway system is the dominant means of inland public transportation. Three main highways emanate from Santo Domingo: the Carretera Sánchez (connecting with Elias Piña on the Haitian border), the Carretera Mella (to Higüey in the extreme southeast), and the Carretera Duarte (to Monte Cristi on the northwest coast). In 2002 there were 12,600 km (7,830 mi) of roadways, of which 6,224 km (3,868 mi) were paved. In 2003, a total of 171,200 passenger cars and 207,000 commercial vehicles were licensed.

In 2004, the Dominican Republic had 1,743 km (1,084 mi) of standard and narrow gauge railroad. Of that total, 1,226 km (763

mi) were operated by sugar companies, and consisted of varying types of narrow gauge track. In that same year, there were 375 km (233 mi) of standard gauge track in operation, and another 142 km (88 mi) of narrow gauge railroad not affiliated with the sugar companies operated that year.

The Santo Domingo, Andrés, and Haina harbors, all in the Santo Domingo area, handle the vast majority of imports. Other large ports include Puerto Plata in the northwest; La Romana, Boca Chica, and San Pedro de Macoris in the southeast; and Barahona in the southwest. The Dominican merchant fleet had three cargo ship of 1,000 GRT or over, totaling 11,230 GRT in 2005.

In 2004, there were an estimated 31 airports, 13 of which had paved runways as of 2005. Dominicana de Aviación provides international service from Las Americas International Airport at Punta Caucedo, 29 km (18 mi) east of Santo Domingo. Cargo and mail service to the US mainland, Puerto Rico, and the US Virgin Islands is provided by Aerolíneas Argo. Alas del Caribe provides domestic passenger service, as does Aerovías Quisqueyanas. There are also six other international airports at Puerto Plata, Punt

Cana, Santiago, Samana, Barahona, a new airport in Santo Domingo, and La Romana. In 1997 (the latest year for which data is available), about 34,000 passengers were carried on regularly scheduled domestic and international flights.

## <sup>12</sup>HISTORY

The eastern part of the island of Hispaniola was originally known as Quisqueya, meaning “mother of all lands.” It was first settled by the nomadic and warlike Carib Amerindians and later by the agricultural and peace-loving Arawaks. Christopher Columbus made the European discovery of the island and claimed it for Spain in 1492. Santo Domingo, the oldest city in the New World, was founded four years later by Bartholomew Columbus, the explorer’s brother. By 1517, Hispaniola had become the springboard for Spanish conquest of the Caribbean and of the American mainland. As with other Caribbean islands, the Amerindian population dwindled, and was replaced by African slaves.

The importance of Hispaniola waned during the 16th and 17th centuries. In 1697, by the Treaty of Ryswick, Spain was forced to recognize French dominion over the western third of the island, an area now known as Haiti. In 1795, under the Treaty of Basel, Spain ceded to France the eastern two-thirds of the island, which by then had been renamed Santo Domingo. The island then came under the rule of the rebellious ex-slave Toussaint L’Ouverture. After Haiti received independence in 1804, the French retained the rest of the island until 1809. After a brief attempt at independence, the Dominicans fell under the control of Spain, which regained the eastern section of the island under the Treaty of Paris (1814).

In 1821, the Dominicans, led by José Muñoz de Cáceres, proclaimed their independence. The Dominicans sought to become part of Simón Bolívar’s newly independent Republic of Gran Colombia, but in 1822, the Haitians conquered the entire island. For 22 years, the Haitians ruled with an iron fist. A civil war in 1843 gave the Dominicans the opportunity to try again for independence, and, under Juan Pablo Duarte, they established the Dominican Republic as an independent state.

Between 1844 and 1916, the new republic alternated among personalist leaders, who sought foreign protection against Haiti. The most prominent among these were Pedro Santana and Buenaventura Baez, who dominated Dominican politics until 1882. Santana restored the Dominican Republic to the Spanish Empire during 1861–65. Baez in 1869 negotiated a treaty providing for US annexation, but the US Senate refused to ratify it.

After a 17-year dictatorship, the Dominican Republic entered a turbulent period characterized by general political instability and increasing debt to US interests. In 1905, US president Theodore Roosevelt appointed an American receiver of Dominican customs, and a subsequent treaty provided for repayment of the debt. This first application of the “Roosevelt Corollary” to the Monroe Doctrine was followed in 1916 by the US establishment of a military government under Marine Capt. H. S. Knapp. It ruled the Dominican Republic until 12 July 1924, when sovereignty was restored. US customs control continued until 1941.

In 1930, Rafael Leonidas Trujillo Molina was elected president. For the next 31 years, he ruled the Dominican Republic either directly or indirectly. Trujillo had himself reelected in 1934, 1940, and 1947, then arranged for his brother to become president in

1952 and 1957, and then installed Joaquín Balaguer in 1960. Under Trujillo, the Dominican Republic achieved some economic progress, removing its foreign debt. But Trujillo brutally suppressed fundamental human rights. Only one party was allowed, the press was totally controlled, and constant purges weeded out all but his most servile supporters. His most dubious achievements were a result of his own megalomania. In the capital city of Santo Domingo, which he renamed Ciudad Trujillo (Trujillo City), there were 1,870 monuments to Trujillo, who gave himself the title “The Benefactor of the Fatherland.” He also amassed a personal fortune estimated at \$900–\$1,500 million.

Trujillo was assassinated on 30 May 1961. In July 1961, the Balaguer cabinet resigned as street rioting broke out. The opposition agreed to an interim coalition government under Balaguer that September, with Rafael Trujillo, Jr., as head of the armed forces. In November, the United States sent warships just outside Dominican waters to prevent the armed forces chief and his two uncles from a staging a rumored coup. They went into exile immediately.

After rule by an interim Council of State, Juan Bosch of the Dominican Revolutionary Party was elected president in 1962. He assumed office in February 1963 but remained in power for only seven months, during which time very little of the promised social and economic reform could be accomplished. The military, which overthrew Bosch in September 1963, proceeded to install a three-man civilian junta, called the Triumvirate, which was in turn overthrown by the supporters of Juan Bosch in April 1965. With anarchy threatening—and, according to US allegations, Communists deeply involved in the pro-Bosch insurrection—the United States sent 23,000 troops into the Dominican Republic, ostensibly to protect the lives of US citizens. Within weeks, the OAS had set up an Inter-America Peace Force in the country. This controversial set of arrangements eventually brought order to the country. After the 1966 elections, all US and OAS troops left the island.

In the general elections of June 1966, Balaguer, returned from exile, campaigned vigorously throughout the country, while Bosch, his chief opponent, remained home, apparently fearful of an attempt on his life. Balaguer won with 57.2% of the vote. Four years later, Balaguer ran essentially without opposition, as most parties withdrew from the campaign in response to rising political violence.

Events in 1974 followed a similar pattern. Two days before the election, an opposition coalition announced their withdrawal from the contest. The opposition’s principal candidate, Silvestre Antonio Guzmán Fernández of the PRD (Dominican Revolutionary Party), called for general abstention from the election, charging Balaguer with fraudulent practices. Only one candidate—Adm. Luis Homero Lajara Burgos, a former chief of police under Trujillo—remained in the race. The results gave Balaguer an overwhelming majority, with 924,779 votes to Lajara Burgos’s 105,320.

Following the 1974 elections, the opposition coalition, an amalgam of widely divergent political elements, decided to disperse in anticipation of the 1978 campaign. Despite their lack of representation in the legislature and in municipal councils as a result of the election boycott, the major opposition parties, aided by a large degree of press freedom, remained active and vocal. In the 1978 elections, the main presidential candidates were Balaguer and the

PRD's Guzmán. Guzmán won with a 158,000-vote plurality, and his party gained a majority in the Chamber of Deputies. Numerous other parties, including the newly legalized Dominican Communist Party, participated in the elections. A right-wing military attempt to prevent Guzmán from assuming office was foiled, partly because of US government pressure.

During Guzmán's term, political prisoners were freed, press censorship was practically abolished, and political parties engaged in open activity. At the same time, however, there were mounting economic difficulties, aggravated by two hurricanes in 1979, which together left 1,300 people dead, 500 missing, and 100,000 homeless. In May 1982, a left-wing PRD senator, Salvador Jorge Blanco, was elected president. On 4 July, six weeks before his term was due to expire, Guzmán committed suicide, after several close associates were accused of fraud. Power was transferred peacefully to Vice President Jacobo Majluta Azar, and in August 1982, to Blanco.

Whatever plans President Blanco may have had were soon overtaken by the country's burgeoning foreign debt. Blanco turned to the IMF for assistance. The resultant restrictive economic policy raised production costs and reduced industrial output. A cut in the US sugar quota, as well as a generally low world price for the commodity, was a further blow to the economy.

In presidential elections held 16 May 1986, former president Joaquín Balaguer was returned to office with 857,942 votes (41.6%). Jacob Majluta Azar of the PRD took 814,716 votes (39.5%), and Juan Bosch of the PLD (Dominican Liberation Party) won 379,269 votes (18.4%). Balaguer embarked on an ambitious program of public works that created employment for nearly 100,000 people. But by 1988, inflation was on the rise, and the peso had become unstable. Nationwide strikes in 1989 suggested that the country was headed for further crisis.

In 1990, Balaguer stood for reelection, and won a narrow, hotly contested victory amid claims of fraud by the opposition. Officially, Balaguer received 35.7% of the vote to Juan Bosch's 34.4%. Balaguer was inaugurated, but immediately created controversy by suggesting a set of IMF-style liberal reforms. This brought national strikes in August and November of 1990, and demands for resignation. In the Chamber of Deputies, where Bosch's PLD held a plurality, Balaguer faced serious opposition.

The results of a large portion of the May 1994 presidential vote, won once again by Balaguer, were voided by the electoral board, and Balaguer agreed to shorten his term to two years, scheduling a new election for May 1996. In that contest, no candidate won a majority, but a second round of voting on 30 June produced a victory for Leonel Fernández of the PLD, who took office in August.

Although economic reforms introduced in late 1994 helped improve growth and lower inflation, unemployment remained high, spurring substantial emigration to the United States and Puerto Rico. In March and June 1995, riots occurred in response to unauthorized increases in public transportation fares. During his four years in office, Fernández successfully privatized several state-owned enterprises and utilities. The economy expanded at an average of 5% annually, unemployment fell, and inflation was low. Fernández successfully fought government corruption and consolidated democratic institutions. In spite of his popularity, however, he was constitutionally prevented from seeking reelection in the polling scheduled for May 2000. PRD's Rafael Hipólito Mejía

won the May 2000 election after PLD's Danilo Medina withdrew from the runoff. Mejía had obtained 49.5% of the vote in the first round and was expected to easily defeat Medina in the runoff. Mejía took office promising to increase social spending but vowing to maintain the macroeconomic policies adopted by Fernández that helped that country become one of the fastest growing nations in Latin America in the late 1990s. In July 2002, Joaquín Balaguer died at the age of 95.

Deadly clashes between police and protestors broke out in November 2003 during demonstrations held to protest higher prices and cuts in electricity. In January 2004, further protests took place, demonstrating against the government's economic policies; five people were killed.

In May 2004, Mejía admitted defeat in presidential elections that were won by Leonel Fernández with 57.1% of the vote. That month, severe flooding took place in the southwest and in parts of neighboring Haiti; more than 2,000 people died or disappeared. The next presidential election was scheduled for May 2008.

### 13 GOVERNMENT

The constitution of 28 November 1966 established a unitary republic consisting of 26 (later increased to 31) provinces and a single National District. The government is effectively controlled by the chief executive, a president directly elected for a four-year term and eligible for reelection. Cabinet ministers (called secretaries of state) are appointed by the president, who must be at least 30 years of age.

The National Congress consists of a Senate, composed of 32 members, and a 150-member Chamber of Deputies, apportioned on the basis of population. Members of the two houses are elected for four-year terms and must be at least 25 years of age. Bills for legislative action may be introduced by the president, by the National Congress, or by the Supreme Court. Voting is by universal suffrage of citizens 18 years or older, although younger citizens, if married, may also vote. Members of the armed forces and national police may not vote. Presidential and congressional elections are not held simultaneously.

### 14 POLITICAL PARTIES

Although the Dominican Republic has three major parties and more than ten minor parties, two men, Joaquín Balaguer Ricardo and Juan Bosch Gavino, dominated its political system for decades, but starting in 1996 a new cadre of politicians emerged.

Joaquín Balaguer, a former president under Trujillo, was elected to the presidency six times, the last time in 1994. He died in 2002. He founded the Social Christian Reform Party (Partido Reformista Social Cristiano—PRSC) while living in exile in New York in 1963. The party is tied to the Christian Democratic political movement, and relies principally on peasant and middle-class support. As of 2005, the PRSD held 1 of 32 Senate seats and 36 of 150 seats in the Chamber of Deputies.

Juan Bosch, who held the presidency for seven months in 1963, remained a major voice in Dominican politics into the 1990s. Bosch founded the Dominican Revolutionary Party (Partido Revolucionario Dominicano—PRD) in 1939. After withdrawing from the PRD, Bosch created his own party, the Dominican Liberation Party (Partido de la Liberación Dominicana—PLD) in 1973. In the second round of voting in the 1996 presidential elections, the

PLD's Leonel Fernández was elected president with just over 51% of the vote. In May 2004, Fernández defeated incumbent Rafael Hipólito Mejía and was returned to office as president with 57.1% of the vote.

The PRD continued on without Bosch, and with far more success than Bosch was ever able to achieve. The PRD won the presidential elections of 1978 and 1982, although it was unable to achieve a majority in either house of congress in 1982. Headed by Vicente Sanchez Baret, the PRD has an association with Socialist International, and a "Eurosociologist" ideological thrust of moderate economic and social change. The party draws support from landless peasants and urban workers. Rafael Hipólito Mejía emerged as the PRD leader and easily won the 2000 presidential election. The PRD went on to win the 2002 parliamentary elections with 41.9% of the vote. The PRD held 29 out of the 32 seats in the Senate and also commanded a majority control in the Chamber of Deputies with 73 out of the 150 seats. The next parliamentary elections were scheduled for May 2006.

The Independent Revolutionary Party (PRI) was the vehicle for Jacobo Majluta Azar, who served as president briefly in 1982. A former PRD member, Majluta received only 7% of the vote in 1990. As of 2006 the party held no seats in the Chamber of Deputies or the Senate.

## 15 LOCAL GOVERNMENT

The Dominican Republic is divided into 31 provinces and a National District, encompassing Santo Domingo. The provinces are further subdivided into municipal districts and municipalities. The president appoints the provincial governors. Municipal districts must have at least 5,000 inhabitants and produce sufficient revenue to finance their own administrative agencies. The municipalities and the National District are governed by mayors and municipal councils of at least five members, elected by popular vote.

## 16 JUDICIAL SYSTEM

The judicial system is headed by a Supreme Court with 16 judges, which rules on constitutional questions and serves in the last instance on appeals. Supreme Court judges are appointed by the National Judicial Council (consisting of the president, the leaders of both chambers of the National Congress, the president of the Supreme Court, and an opposition or nongoverning party member). The National Judicial Council appoints the judges of the lower courts and of the special courts. All judges are required to hold a law degree.

There are 31 provincial courts, as well as one court of first instance in the National District. The judicial system also includes one judge or court of justice for each of the country's 124 municipal districts, three courts of appeal, a court of accounts, and a land tribunal. There are also justices of the peace. The death penalty was abolished in 1924. Although the constitution provides for an independent judiciary, in practice the executive branch as well as public and private entities exert pressures on the courts. The constitution guarantees public trials, and indigent defendants have a right to a court-appointed attorney at state expense. Judicial reforms were being undertaken in the early 2000s.

Military courts try military personnel charged with extrajudicial killings.

## 17 ARMED FORCES

Active armed forces personnel in the Dominican Republic numbered 24,500 in 2005. The Army had 15,000 active personnel and was organized into six infantry brigades, one (each) armored, special forces, mountain infantry, artillery, engineer and Presidential Guard battalions. Equipment included 12 light tanks, 28 armored personnel carriers and over 56 artillery pieces. The Air Force has 5,500 personnel, whose equipment included 6 combat capable aircraft that consisted of fighter ground attack aircraft. The Navy had 4,000 personnel. Major naval units consisted of 15 coastal defense and 4 logistics/support ships. The country's paramilitary force consisted of the 15,000 member National Police. In 2005, the armed forces were allocated \$190 million.

## 18 INTERNATIONAL COOPERATION

The Dominican Republic is a charter member of the UN, having joined on 24 October 1945, and participates in the ECLAC, as well as other nonregional specialized agencies. The nation is also a member of the WTO, the ACP Group, G-77, the Inter-American Development Bank, the Latin American Economic System (LAES), the OAS, the Association of Caribbean States (ACS), and the Río Group. The country has observer status in CARICOM and the Latin American Integration Association (LAIA). In 2004, the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the United States signed the US-Central America Free Trade Agreement (CAFTA). The agreement must be ratified by all participating countries before it enters into force.

The Dominican Republic is a member of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL) and an observer in the Nonaligned Movement. The country is a signatory of the 1947 Río Treaty, an inter-American security agreement. In environmental cooperation, the Dominican Republic is part of the Basel Convention, the Convention on Biological Diversity, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Traditionally, the economy of the Dominican Republic was based primarily on agriculture, with sugar, coffee, and tobacco as the main export crops, but the services sector has become the largest employer (about 60% of the labor force), led by tourism. Between 1968 and 1974, the average annual growth of GDP was 10.5%. The improved political climate during that period stimulated public and private investment, both domestic and foreign, and the development of tourism. A sugar boom also contributed to rapid growth. During the second half of the 1970s, the growth rate slowed, in part because of rising oil prices and a weakening of the sugar market; damage from two 1979 hurricanes cost an estimated \$1 billion. The GDP declined by 2.2% in 1985, reflecting low world prices for the country's exports, declining US sugar quotas, and IMF-imposed austerity. Unemployment soared to 26%, and inflation reached 37.5% the same year. The economy recovered some-

what in 1986 and 1987, due to the government's capital spending program and an increase in foreign investment.

The Dominican Republic had one of the fastest growing economies in the world in the 1990s, owing much of its success to the adoption of sound macroeconomic policies in the early 1990s and greater opening to foreign investment. Although GDP declined in both 1990 and 1991, in 1992 real GDP increased by 7%. The high inflation prevailing in the late 1980s and early 1990s was finally tamed in 1993 as a result of an austerity program that brought the annual inflation rate from 53.9% in 1992 to only 4.6% in 1993. However, very tight monetary and fiscal policies caused the economy to decline by 1.7% in 1994. Boosted by the continuous expansion of tourism, mining, and the export processing zones, the annual average growth rate 1995–2001 was 7.7%, despite Hurricane Georges in September 1998, which left about 300 dead, hundreds of thousands homeless, and did an estimated \$1.3 billion worth of damage (8% of GDP). The rate of inflation fell from 14.3% in 1994 to 6% in 1999, but in 2000 had increased to 9%. Fiscal measures were introduced in 2001 to reduce the inflation rate in the booming economy, but this coincided with the decline in the external economy, and also became a factor in reducing the country's GDP growth rate to 2.7% in 2001, down from 7.6% in 2000 (the highest in Latin America).

In 2003, services accounted for over half of GDP (57.8%) and agriculture accounted for only 10.7%, down from about 20% in the mid-1990s. Tourism (the leading foreign exchange earner), telecommunications, and free-trade-zone manufacturing remain increasingly important industries. The Dominican Republic is among the top ten developing countries in terms of the amount of remittances received from abroad. In 2001 these totaled about \$2 billion, double the rate in the mid-1990s. The economy's other major engine of growth has been its free trade zones. In 2000, net exports from the free trade zones were \$1.7 billion, up from \$1.2 billion in 1997, whereas traditional exports had fallen to \$.97 billion from \$1 billion. Both sectors declined in 2002, and in 2003 growth turned negative in (-0.4%), mainly due to the effects of a major bank fraud and limited growth in the US economy. The Dominican Republic continued to go through difficult economic times due in large part to bank frauds discovered in 2003 in which losses totaled more than 20% of GDP. In 2004 the real growth rate was only 1.7%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reported that in 2005 the Dominican Republic's gross domestic product (GDP) was estimated at \$58.5 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$6,500. The annual growth rate of GDP was estimated at 4.1%. The average inflation rate in 2005 was 4.3%. It was estimated that agriculture accounted for 10.7% of GDP, industry 31.5%, and services 57.8%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$2.325 billion or about \$266 per capita and accounted for approximately 14.1% of GDP. Foreign aid re-

ceipts amounted to \$69 million and accounted for approximately 0.5% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Dominican Republic totaled \$11.98 billion or about \$1,371 per capita based on a GDP of \$16.5 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.1%. It was estimated that in 2002 about 25% of the population had incomes below the poverty line.

## 21 LABOR

The labor force in 2002 (the latest year for which data was available) consisted of about 2.6 million persons. For that same year, 15.9% were engaged in agriculture, 21.1% in industry, and 63% in services and government. Unemployment is a persistent problem, affecting an estimated 17% of the workforce in 2005. Underemployment was also widespread.

The labor code provides comprehensive protection for workers, but as of 2005, only about 8% of the Dominican workforce was unionized. Employees in nonessential public services are provided with the right to strike. The labor code also specifies steps for union registration, entering into collective bargaining pacts, and calling strikes. While it is illegal for companies to dismiss union members and organizers, enforcement has been inconsistent and there have been reports of intimidation of union organizers and members.

The standard work week is set at 44 hours with an eight hour day. The law also provides for a rest time each week of 36 uninterrupted hours. The labor code prohibits employment of children under 14. However, economic and social conditions have forced many children to work to help support their families. The minimum wage was \$119 per month in the nation's free trade zones (FTZs) and \$164 per month outside the FTZs in 2005. However, these amounts were insufficient to support a worker and a family. Occupational health standards are not enforced and working conditions, especially on sugar plantations, can be particularly harsh.

## 22 AGRICULTURE

With almost 33% of the total land area suitable for crop production and about 17% of the labor force engaged in farming, agriculture remains the primary occupation, accounting for 11% of GDP in 2003. Value of agricultural output grew at an average annual rate of 7.1% during 1968–73, but since 1975 the sector has been hampered by droughts (1975, 1977, and 1979), hurricanes (in 1979 and 1980), and slumping world prices and quota allocations for sugar (since 1985). In 1999, agricultural production was 0.4% higher than during 1989–91. The fertile Cibao Valley is the main agricultural center. In 2003, arable land totaled 1,546,000 hectares (3,944,000 acres).

After Cuba, the Dominican Republic is the second-largest Caribbean producer of sugarcane, the nation's most important commercial crop. The State Sugar Council (Consejo Estatal de Azúcar—CEA) operates 12 sugar mills and accounts for more than half of total production. Other large producers are the privately owned Vicini, with three mills, and Gulf and Western, whose

largest mill is at La Romana. In 2004, sugarcane production was 5.2 million tons, down from an average of 7.1 million tons during 1989–1991. Output of sugar has declined since 1982, and land is gradually being taken out of sugar production and switched to food crops. Production of raw sugar rose from 636,000 tons in 1990 to 813,000 tons in 1997 but fell to 508,000 tons in 2004/05. The Dominican Republic has the largest single allocation of the US sugar import quota.

Another leading cash crop is coffee. Part of the crop was destroyed by hurricanes in 1979 and 1980, and 1979–80 production was only 670,000 bags (40,200 tons). Although production was usually about 57,000–59,000 tons annually in the 1980s, the acreage harvested declined from 157,000 hectares (388,000 acres) in the early 1980s to 139,000 hectares (363,000 acres) by the late 1990s, indicating a greater yield per acre. Coffee production in 2004 was estimated at 45,000 tons; exports of coffee in 2004 generated \$5.8 million. Cocoa and tobacco are also grown for export. In 2004, production of cocoa beans was 45,000 tons and of tobacco, 18,000 tons. Banana production in 2004 was 480,000 tons. Production of other crops in 2004 (in thousands of tons) included rice, 640; coconuts, 181; cassava, 105; tomatoes, 154; pulses, 69; dry beans, 26; eggplants, 7; and peanuts, 3.

Under a land reform program initiated in 1962, a total of 178,602 hectares (441,333 acres) had been distributed to 36,480 farmers by the end of 1977. The government encourages fuller use of the nation's arable land through extensive land-clearing and irrigation projects and diversification of crops. Some mechanization has taken place on the large plantations, but primitive techniques are generally used. In 1973, the first stage of the Integrated Agricultural and Livestock Development Plan was initiated, calling for an investment of \$38.1 million, to be financed by the IDB. The plan was designed to provide credit and technical aid to 45,000 small farmers, improve side roads, and study the country's water resources. The second stage of the plan, in the early 1980s, included extension of farm credits, reforestation, manpower training for irrigation projects, and reorganization of the Dominican Agrarian Institute.

Agricultural exports, mostly in the form of sugar, coffee, cocoa, tobacco, and cigars generated \$646 million in 2004, or 48.4% of total exports. The government and private sector are emphasizing diversification to nontraditional agricultural crops such as fresh fruits, vegetables, and flowers.

### 2<sup>3</sup> ANIMAL HUSBANDRY

In 2005, Dominican livestock included 190,000 goats and 123,000 sheep. There were also about 2.2 million head of cattle, 60% for beef and 40% for dairy. The hog population, decimated by African swine fever in the late 1970s, decreased from 400,000 in 1978 to 20,000 in 1979; by 2005, however, it had recovered to 580,000. Poultry is the main meat source because it is cheaper than beef or pork. Poultry production relies on imports of feed grain from the United States. In 2005, 185,000 tons of poultry meat were produced, along with 78,000 tons of beef and 690,000 tons of milk.

### 2<sup>4</sup> FISHING

Although the waters surrounding the Dominican Republic abound with fish, the fishing industry is comparatively undeveloped, and

fish for local consumption are imported. In 2003, the total marine catch was 17,490 tons, down from 19,048 tons in 1994. Marlin, barracuda, kingfish, mackerel, tuna, sailfish, and tarpon are found in the Monte Cristi Bank and Samaná Bay, which also supports bonito, snapper, and American grouper. The inland catch amounted to 4,161 tons in 2003.

### 2<sup>5</sup> FORESTRY

About 28.4% of the total land area consisted of forests and woodlands in 2000. Roundwood production in 2003 totaled 562,000 cu m (19.8 million cu ft). Virtually all the timber cut is for land clearing and fuel.

### 2<sup>6</sup> MINING

The Dominican Republic in 2003, was a regional producer of cement, steel, ferronickel, salt and gypsum, while the production of sand and gravel, limestone and marble were produced for the domestic market. Also, modest amounts of pectolite (larimar), amber, and limestone are produced by six artisanal mining associations. While, mining activity in the Dominican Republic has been centered on gold exploration as of 2003, there was no recorded gold production since 1999, when 651 kg were produced. In that same year, the production of gold and silver were suspended. Silver output in 1999 totaled 3,140 kg. Nickel production (mine output, laterite ore) in 2003 totaled 45,400 metric tons, up from 38,859 metric tons in 2002. The only nickel producer was Falconbridge Dominicana, an 85% Canadian-owned company.

The country was one of the few sources of amber in the Western Hemisphere. Salt Mountain, a 16 km block of almost solid salt west of Barahona, was the world's largest known salt deposit. There were also large deposits of gypsum near Salt Mountain, making the Dominican Republic one of three sources of gypsum in the Caribbean. In 2003, the country produced 230,632 metric tons of gypsum and 2,906,699 metric tons of hydraulic cement. Limestone, marble, and sand and gravel were also produced in 2003. Substantial lignite deposits were found in the early 1980s.

Production of bauxite, traditionally the principal mining product, ceased in 1992. The Aluminum Co. of America (Alcoa) mined bauxite between 1959 and 1983, when it turned its concession over to the state. Production in 1991 dropped 92% from the previous year, as a presidential decree suspended mining operations at the largest mine, in response to increasing fears of deforestation, although reforestation of mined areas was in progress.

### 2<sup>7</sup> ENERGY AND POWER

The Dominican Republic's energy and power sector is marked by a lack of oil, natural gas and coal. Therefore, the country is heavily dependent upon imports to satisfy its fossil fuel needs. Although the country does have a small refining capacity, imports far outweigh production.

In the electrical power sector, the Dominican Republic's capacity for 2002 has been placed at 2.968 billion kW, with the bulk, 2.486 billion kW generated by fossil fuels. Hydroelectric generating capacity takes up the remaining portion at 0.482 million kW. Electric power production in 2002 totaled 10.863 billion kWh, of which: 9.957 kWh came from conventional thermal sources; 0.869 kWh came from hydropower sources; and 0.037 billion kWh from



geothermal/other sources. Electric power consumption in 2002 stood at 10.103 billion kWh. The Dominican Electric Corp. (Corporación Dominicana de Electricidad) is responsible for all public production, sale, and distribution of energy. However, electrical power supply has been erratic. Power blackouts are frequent and can last up to 20 hours per day. Although the government has taken steps to remedy the power shortage, as of 2006, the reliability of the power supply remained a problem.

The Tavera Dam, with a capacity of 60,000 kW, was completed in 1972. The Sabana Yegua hydroelectric and irrigation complex, begun in 1974, opened in 1980. The Habo I coal-fired plant at Haina was inaugurated in 1984.

In 2002, crude oil imports totaled an average 39,500 barrels per day, with total oil product imports at 130,540 barrels per day. Distillate residual and gasoline imports were the top three refined products imported in that year at 29,880 barrels per day, 25,090 barrels per day and 18,670 barrels per day respectively. Consumption of refined oil products in 2002 stood at 126,150 barrels per day.

Under the terms of the San José Pact, the Dominican Republic buys oil at discount prices from Venezuela and Mexico. It imports liquefied natural gas (LNG) from Trinidad and Tobago. An LNG terminal that is part of a \$400 million project built by AES Andres became operational at the beginning of 2003, but the associated 300 MW power plant was not expected to be completed until the summer of 2003.

Imports of coal in 2002 came to 257,000 tons of hard coal.

## 28 INDUSTRY

Including the processing of sugar, food processing represents more than half of the total industrial production. Dominican agriculture was hit hard during the late 1990s by droughts in 1996 and 1997, and a hurricane in 1998, but little effect was seen on the manufacturing sector. The construction sector realized high growth after the arrival of Hurricane Georges in 1998, including in housing, commercial construction, and public works projects. Small plants produce powdered and condensed milk, ceramics, aluminum furniture and fittings, concrete blocks, pipes and tiles, air conditioners, barbed wire, and other products.

Since 1990, free assembly zones have contributed more than 3.5% of the GDP, although growth in the free trade zones decreased in 2001. The most active sectors in this industry were related to the processing of clothes and textiles, tobacco, electronics, and shoes. The Dominican Republic was the seventh-largest supplier of textiles to the United States after Mexico, Hong Kong, Taiwan, Indonesia, and South Korea at the end of 2001. However, lack of demand in the United States for textiles resulted in layoffs in that sector and domestic manufacturing experienced no growth in 2001. The Dominican Republic has two oil refineries, with a total production capacity in 2002 of 49,000 barrels per day.

Industry represents a 31% of GDP, mainly focused on sugar refining, pharmaceuticals, cement, light manufacturing, and construction.

## 29 SCIENCE AND TECHNOLOGY

The Dominican Medical Association and the Dominican Sugar Institute have their headquarters in Santo Domingo. Ten colleges

and universities offer degrees in engineering, basic sciences, medicine, and agriculture. In 1987–97, science and engineering students accounted for 35% of college and university enrollments.

## 30 DOMESTIC TRADE

Santo Domingo is the principal port and commercial center, while Santiago de los Caballeros is the market and distribution center for the Cibao Valley. Most importing and exporting firms are located in Santo Domingo. Importers ordinarily represent numerous foreign manufacturers.

Department stores and supermarkets are increasing in number, but most retail stores are specialty shops. Groceries, meat, and fish are sold in most cities through a large central market, by neighborhood stores, and by street vendors. Retail credit is granted by larger stores and automobile dealers.

The domestic economy has shifted to rely on the developing tourism, which accounts for about \$1.5 billion in annual earnings. Remittances from Dominicans living abroad are estimated to be about \$3 billion per year.

Much of the population still lives in rural areas—many as impoverished peasants or migrant workers, others as independent small-scale landowners, and a small minority as elite landowners. Moreover, rural life in the Cibao Valley generally diverges from that of the southeastern sugar plantations and other areas, and city life varies from the frenetic pace of Santo Domingo to the more relaxed, traditional character of Santiago and smaller towns.

## 31 FOREIGN TRADE

Numerous free trade zones make the Dominican Republic attractive to export-import businesses. After the passage of the 299 Law on 23 April 1969, the free zone sector started to develop in the Dominican Republic. The first to be installed was La Romana Free Zone, followed by San Pedro de Macorís Free Zone, which was created by law in 1971 and built in 1972. However, some FTZ businesses moved to Mexico after the North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico, went into effect.

Clothing production brings in the majority of export revenues (32%), but the commodity market also supports the export of pig iron (7.8%), medical instruments (7.7%), sugar (5.6%), and electrical parts (5.1%). Dominican Republic imports include food, petroleum, cotton and fabrics, chemicals, and pharmaceuticals.

The Dominican Republic's most important trading partner is the United States (87% of export revenues); other markets include Canada, Western Europe, and Japan. The country exports free-trade-zone manufactured products (garments, footwear, etc.), nickel, sugar, coffee, cacao, and tobacco, and it imports foodstuffs, petroleum, industrial raw materials, and capital goods. On 5 August 2004, the Dominican Republic signed a Free Trade Agreement with the United States and five Central American countries to integrate into the US-Central American Free Trade Agreement.

## 32 BALANCE OF PAYMENTS

For more than 20 years prior to 1961, the Dominican Republic had no internal or external debt. In 1961, however, about US\$70 million was taken out of the country by the Trujillo family and others. Political instability induced further net outflows of private capital throughout the 1960s. The nation's current accounts posi-

**Balance of Payments – Dominican Republic (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>867.1</b>
Balance on goods	-2,444.0	
Imports	-7,883.4	
Exports	5,439.4	
Balance on services	2,219.2	
Balance on income	-1,243.6	
Current transfers	2,335.5	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-853.4</b>
Direct investment abroad	...	
Direct investment in Dominican Republic	309.9	
Portfolio investment assets	-20.1	
Portfolio investment liabilities	552.6	
Financial derivatives	...	
Other investment assets	-1,535.2	
Other investment liabilities	-160.6	
<b>Net Errors and Omissions</b>		<b>-468.1</b>
<b>Reserves and Related Items</b>		<b>454.4</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

tion worsened during the 1970s, as trade deficits grew. Declines in export earnings in the 1980s brought shortages of foreign exchange. Large increases in imports and a sharp drop in commodity exports pushed the merchandise trade deficit to over \$1.6 billion by the end of 1992, and \$1.4 billion in 1998. Tourism (now the country's largest foreign exchange earner), expatriate remittances, and earnings from the free trade zones help to finance the trade deficit. Foreign direct investment as of the early 2000s was likely to remain high.

In 2004 the purchasing power parity of the Dominican Republic's exports was \$5.2 billion while imports totaled \$8.9, resulting in a trade deficit of -\$3.7 million.

**3<sup>3</sup> BANKING AND SECURITIES**

The Central Bank of the Dominican Republic (Banco Central de la República Dominicana—BCRD) is the sole bank of issue. The state-owned Banco de Reservas, established in 1941, is the largest commercial bank in the country and acts as the fiscal agent and depository for the government. The Agricultural and the Industrial Credit Bank promotes the development of agriculture as well as industry by granting medium-term and long-term credit. The National Housing Bank (Banco Nacional de Vivienda) is a primary investor in low-cost housing. Other commercial banks include the Bank of Nova Scotia, Citibank, Banco Nacional de Credito, Banco Intercontinental (BANINTER), Banco Mercantil, Banco Osaka, Banco Global, Banco Hipotecario Dominicano (BHD), Banco Domingo del Progreso, Banco Popular Dominicano, and Banco Santa Cruz.

At the end of January 1996, the central bank tightened reserve requirements for lending based on new deposits and imposed limits on new lending to the commercial sector. The prime lending rate, which had fallen from 24% in December 1995 to 17% in 1996, was 18% in 1999. The exchange rate was devalued 9% in 1998, and continued to devalue through that year, but stabilized in

1999. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$2.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$7.9 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 13.47%.

Securities are traded on the Santo Domingo Securities Exchange, founded in 1991.

**3<sup>4</sup> INSURANCE**

Insurance firms are government-supervised and are required to furnish a bond to guarantee their obligations. Net premiums on life insurance are taxable, and the law requires that a certain proportion of the premiums collected must be invested locally. Workers' compensation and third-party automobile liability are compulsory insurance. The insurance market is regulated by the Superintendent of Insurance of the nation. In relation to the North American and European markets, the Dominican insurance industry has very low penetration and was among the lowest in Latin America, the result of relatively low per capita income and general lack of insurance awareness. In 2003, the value of all direct premiums written totaled \$400 million, with nonlife premiums accounting for \$368 million. Seguros Popular was the country's top nonlife and life insurer in 2003, with gross nonlife (including personal accident) and life insurance premiums written, totaling \$98.2 million and \$8.3 million, respectively.

**3<sup>5</sup> PUBLIC FINANCE**

Between 1968 and 1975, dependence on foreign loans and grants to finance the budget was substantially decreased, and by 1975 tax revenues amounted to about 12% of the GNP. In the late 1970s, this trend was reversed, with rising expenditures and increased assistance from abroad. Legislation was passed in 1997 to allow the privatization of state-owned enterprises, including public utilities,

**Public Finance – Dominican Republic (2002)**

(In millions of pesos, central government figures)

<b>Revenue and Grants</b>	<b>70,158</b>	<b>100.0%</b>
Tax revenue	63,101	89.9%
Social contributions	2,974	4.2%
Grants	540	0.8%
Other revenue	3,544	5.1%
<b>Expenditures</b>	<b>70,874</b>	<b>96.2%</b>
General public services	9,911	14.0%
Defense	4,264	6.0%
Public order and safety	3,167	4.5%
Economic affairs	16,676	23.5%
Environmental protection	471	0.7%
Housing and community amenities	5,928	8.4%
Health	9,161	12.9%
Recreational, culture, and religion	...	...
Education	11,889	16.8%
Social protection	6,690	9.4%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

the country's largest bank, an insurance company, and a number of factories. The government receives almost one-third of its revenues from taxes on imports, but the increasing use of the free trade zones diminishes indirect tax returns.

The US Central Intelligence Agency (CIA) estimated that in 2005 the Dominican Republic's central government took in revenues of approximately \$5.3 billion and had expenditures of \$5.4 billion. Revenues minus expenditures totaled approximately -\$163 million. Public debt in 2005 amounted to 51.4% of GDP. Total external debt was \$7.907 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were RD\$70.158 billion and expenditures were RD\$70.874 billion. The value of revenues in US dollars was US\$3.770 billion and expenditures US\$3.637 billion, based on a market exchange rate for 2002 of US\$1 = RD\$18.610 as reported by the IMF. Government outlays by function were as follows: general public services, 14.0%; defense, 6.0%; public order and safety, 4.5%; economic affairs, 23.5%; environmental protection, 0.7%; housing and community amenities, 8.4%; health, 12.9%; education, 16.8%; and social protection, 9.4%.

### 36 TAXATION

Personal income tax rates in the Dominican Republic in 2002 were 15–25%. The personal exemption level was equal to 2.3 times the country's average income and the threshold for the highest income tax bracket was 5.8 times the average income (in contrast to 1985 when the highest bracket was 73% and the threshold was 413.5 times the average income). Since January 1995 business income has been taxed at a flat rate of 25%. The main indirect tax is the Dominican Republic's value-added tax (VAT) introduced in January 1983 with a standard rate of 16% as of 2005. Excise taxes are imposed on alcoholic beverages (25–45%), tobacco products (25–50%), nonalcoholic beverages, and petroleum products. There is also a technical education tax.

### 37 CUSTOMS AND DUTIES

The customs tariff is primarily a revenue-raising instrument, although it is occasionally used to protect local industry. In September 1990, a government decree simplified the tariff schedule to six categories, with seven tariff rates, ranging from 5–35%.

As of 2001, the maximum basic tariff rate stood at 20%, but there were also levied consumption taxes that generally range from 15–60% on “nonessential” goods. However, nonagricultural luxury goods such as perfumes, automobiles and jewelry are subject to additional consumption taxes that range from 15–80%, which are calculated on the CIF (cost, insurance, freight) price. There is also a 5% foreign exchange surcharge associated with import transactions. A 16% industrialized goods and services tax is also levied on processed agricultural and nonagricultural goods based upon the CIF price plus the amount paid for taxes and duties.

There are no free ports, but at least 19 industrial free zones have been established at locations including La Romana, San Pedro de Macoris, Santiago de los Caballeros, Baní, and Puerto Plata.

In 1998, the Dominican Republic helped to establish the Central American–Dominican Republic Free Trade Area (CADRFTA). The country also has an agreement with CARICOM and Western Hemisphere governments for a free trade area by 2005.

## 38 FOREIGN INVESTMENT

In August 1996, the Dominican congress passed the Multilateral Investment Guarantee Agreement (MIGA) and in September 1996, President Leonel Fernández signed the accord. The program was designed to encourage the flow of foreign private investment by mitigating political risks associated with a project. It also provides guarantees to foreign investors against the risk of transfer restriction, expropriation, and war and civil disturbance in the host country. In 1997, the government established the Office for Investment Promotion (OPI).

In 1998, foreign direct investment (FDI) inflows rose to nearly \$700 million, up from \$421 million in 1997 and then peaked at a record \$1.3 billion in 1999. For 2000 and 2001, average yearly FDI inflow was a little over \$1 billion. At the end of 2000, total FDI stocks were an estimated \$5.2 billion, up from \$2.9 billion at the end of 1998. In 1998, the tourist sector was the destination of 44.5% of FDI inflows, but in 1999, tourism accounted for only 20% while foreign investments in electricity became the single-largest destination for inward FDI, attracting 47.2%. In 2000, the tourist sector was the destination of 7.7% of FDI inflows, investments in electricity (29.5%), telecommunications (28.6%), and trade (16%) all ahead of it.

In 2000, the leading source of FDI was the United States (21%); other major sources in 2000 were Spain (20%), Canada (14%), and France (10%). Major foreign investors include GTE and Bank of Nova Scotia of Canada; Shell of Holland/England; and Central Romana, Philip Morris, Citibank, Esso, Texaco, and Colgate Palmolive of the United States.

The International Monetary Fund reported that foreign direct investment is permitted in all sectors except the disposal and storage of toxic, hazardous, or radioactive waste; activities that affect public health or the environment; and activities related to defense and security. Furthermore, it reported that both residents and nonresidents may hold foreign exchange accounts. Payments and transfers are subject to documentation requirements. Some capital transactions are subject to approval, documentation, or reporting requirements.

Foreign direct investment (FDI) was \$309 million in 2003; it was projected to be about \$100 million for 2004, much of it directed at the tourism sector, free trade zones, and telecommunication sector. The decision to privatize or “capitalize” ailing state enterprises (electricity, airport management, sugar) has attracted substantial foreign capital to these sectors.

## 39 ECONOMIC DEVELOPMENT

Caribbean Basin Initiative (CBI) and Generalized Systems of Preferences—government programs that allow the import of raw materials, equipment, and goods for re-export duty-free—benefit the economy. Tax exempt status for up to 20 years is also available. Duty-free access to the European common market was granted by joining the Lomé Convention in 1989, which also provides inexpensive financing for economic development projects. The addition of free trade zones greatly improved the level of industry in the country, but the NAFTA agreement transplanted some manufacturers to Mexico.

The 1998 hurricane caused at least \$1.2 billion in damage; analysts estimated that the Dominican Republic's emergency aid

would amount to 25% of its annual budget. The United States offered \$47 million, and the European Union (EU) offered \$50 million. Foreign aid may have successfully saved the small economy, and even improved it in 1999. Still, the state has a number of parastatals to privatize, and the fairly strict tariff regime has driven most investment capital into the free trade zones.

Rising foreign direct investment, particularly in the electricity, telecommunications, tourism, and free-trade zone sectors drove the average annual gross domestic product (GDP) growth rate from 2.25% in the early 1990s to 7.75% in the second half of the decade. Economic growth fell to 2.7% in 2001, however, in part due to the global economic downturn, and to the 11 September 2001 terrorist attacks on the United States. The unemployment rate rose that year, yet the inflation rate was reduced by half. The government maintained a strict fiscal policy, and tightened monetary policy in early 2002. There was a need for further social spending and investments in infrastructure, however.

Growth turned negative in 2003 with reduced tourism, a major bank fraud, and limited growth in the US economy (the source of about 85% of export revenues), but recovered in 2004 and 2005. Resumption of a badly needed IMF loan, slowed due to government repurchase of electrical power plants, was basic to the restoration of social and economic stability.

As of 2005, the Dominican Republic was a country on the mend following the 2003 banking scandal under former President Hipólito Mejía, when inflation spiked to 63% and GDP contracted by 0.4%. Since then, President Leonel Fernández has improved banking supervision, cut government spending, and introduced tax reforms. His administration passed tax reform and arranged a \$600 million IMF standby arrangement in March 2005 to ease the country's fiscal situation. Although the economy continued to grow at a respectable rate, inflation and unemployment remained the two biggest challenges. Other challenges include the continuous flow of undocumented Haitians seeking refuge and an inefficient legal system in which a lack of resources and personnel keeps rule-of-law reforms from expediting judicial processes. Additionally, a deteriorated electrical distribution system, partly sustained by subsidies, was subject to frequent outages that hurt industry and tourism. Finally, the end of global quotas on apparel exports might allow China to increase its share of sales to the United States, cutting into exports from the Dominican Republic. The DR-CAFTA agreement could help the Dominican Republic to overcome such changes in global markets, but increases in the competitiveness of the economy are required.

#### 40 SOCIAL DEVELOPMENT

A 2001 law created a three-part social security program to be implemented in stages until 2006. Individual accounts provide coverage for public and private sector workers, including Dominican citizens living abroad. The funding for old age, disability and survivorship programs comes from contributions from the insured and the government, with the bulk of responsibility on the employer. There is universal coverage for basic health care and pediatrics. Employers cover the total cost of workers' compensation. Family allowances are limited to unemployed single mothers with young children.

Women continue to have lower economic and social status than men. They are often paid less for similar work and occupy few top

leadership positions. Employers avoid hiring pregnant women, and some administer pregnancy tests to job applicants. Divorce is easily obtainable by either spouse and women can own property in their own name. Domestic violence and sexual harassment are common. The first shelter for battered women opened in 2004. Rape is a serious and grossly underreported problem.

Haitian immigrants, many of whom are low paid agricultural workers, face considerable discrimination. An estimated half million live under harsh conditions in special camps for sugarcane workers. Reports of mistreatment of Haitian migrant workers continue. Documented human rights violations include police brutality, arbitrary detention, and mistreatment of suspects in custody.

#### 41 HEALTH

In 2005, average life expectancy was 71.44 years; in the same year the infant mortality rate was 29.37 per 1,000 live births. The overall mortality was estimated at 4.7 per 1,000 people. Approximately 64% of women with partners (ages 15 to 49) used contraception.

Modern aqueducts, drainage systems, and garbage disposal plants have been constructed in the principal cities. The National Water Supply and Sewerage Institute was established in 1962 and the National Rural Water Service was formed in 1964. In 2000, an estimated 79% of the population had access to safe water, compared with 37% in 1970, and 71% had adequate sanitation. In 2000, however, approximately 11% of children under five years of age were considered to be malnourished and as of 1999, 14% of all births were low birth weight. As access to health care has improved, so has the under-5 mortality rate, which in 1996 was 56; in 1980 it was 94. In 1999, there were 135 cases of tuberculosis per 100,000 people.

The country immunizes over 80% of children up to one year of age against tuberculosis, diphtheria, pertussis, and tetanus, and polio. Major causes of death between 1990 and 1994 were: communicable diseases (27 per 100,000), malignant neoplasms (28 per 100,000), and injuries (30 per 100,000). As of 1999 total health care expenditure was estimated at 4.8% of GDP. Approximately 80% of the population has access to health care services. As of 2004, there were an estimated 188 physicians, 184 nurses, and 84 dentists per 100,000 people. The HIV/AIDS prevalence was 1.70 per 100 adults in 2003. As of 2004, there were approximately 88,000 people living with HIV/AIDS in the country. There were an estimated 7,900 deaths from AIDS in 2003.

#### 42 HOUSING

Rapid population growth and migration to urban areas have combined to create an increasingly serious housing shortage. Destructive hurricanes have not helped the situation either. The National Housing Institute and the National Housing Bank, both established in 1962, have been responsible for a great deal of construction, including about 10,000 homes during the period 1966–72. In the period 1975–78, construction activity slowed down, but a 1979 hurricane prompted a construction boom—not, however, to create new housing but to replace units that had been destroyed by the storms. The Guzmán government promoted the building of low-cost housing at a rate of about 6,000 units a year. President Jorge Blanco pledged in 1982 that 25,000 low-cost houses would be built annually during his administration and President

Balaguer, after he returned to office in 1986, also built low-cost housing, though at a far slower pace than announced.

Hurricane Georges in 1998 damaged about 170,000 homes or about 10% of the nation's entire housing stock. About 49,000 of these homes were completely destroyed. With assistance from foreign programs such as USAID, the government was able to complete 2,250 new homes and make repairs and utility upgrades to over 1,000 others.

At the 2002 census, there were about 2,445,315 dwellings in the country; this figure does not include institutionalized dwelling spaces. Most housing units are detached houses; accounting for 80% of all housing in the census. Concrete blocks, cement, and wood are the most frequently used construction materials for dwellings.

### 43 EDUCATION

The foremost educational objective in recent years has been the enrollment of the entire population in the 5–14 age range. Nine years of education is compulsory. Primary education lasts for six years. Students have two choices for secondary education. The traditional system covers a six-year course of study with two years of general education followed by a four-year track of academic, technical, vocational, or teacher-training studies. The reform system also covers six years, with four years of science based studies and two years of specialization.

In 2001, about 35% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 96% of age-eligible students. The same year, secondary school enrollment was about 36% of age-eligible students (30% for boys and 41% for girls). It is estimated that about 93% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 39:1 in 2003; the ratio for secondary school was about 31:1.

The state-run Autonomous University of Santo Domingo, founded in 1538 and the oldest in the hemisphere, has suffered from a lack of resources. There are four private universities, one technological institute, four colleges, and seven schools of art and music. In 2003, about 34% of the tertiary age population were enrolled in some type of higher education program (26% men and 43% women). The adult literacy rate for 2004 was estimated at about 87.7%.

As of 2003, public expenditure on education was estimated at 2.3% of GDP, or 12.4% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

There are about 130 libraries located throughout the country. The library of the University of Santo Domingo is the most important, with over 105,000 volumes. The Pedro Henríquez Ureña National Library, founded in Santo Domingo in 1970, had a collection of over 154,000 volumes in 2002. In general, public library collections are few and small, mostly containing only a few hundred books. Exceptions are the public libraries in Santo Domingo and Baní, with holdings of about 35,000 volumes and 38,000 volumes, respectively.

All of the leading museums are in and around Santo Domingo. The Museum of Dominican Man (formerly the National Museum) houses 19,000 pre-Columbian, colonial, and contemporary

exhibits relating to the country's history. The Gallery of Modern Art promotes the music, painting, sculpture, and poetry of both Dominican and foreign artists and writers. A new complex at the Plaza of Culture houses several museums, the National Library, and the National Theater. The Alcázar de Colón is the 16th-century home of the Columbus family; the reputed tomb of Christopher Columbus is in the Cathedral of Santa María la Menor. The Zoological and Botanical Garden in Santo Domingo is unique because of its natural setting and grottoes. Ponce de Leon's fort was declared a historic site in 1972 and is maintained as a museum.

### 45 MEDIA

The Dominican Telephone Co. operates the domestic telephone system, and the government controls domestic telegraph service. The larger cities have automatic telephone exchanges, and most of the telephones are on an automatic dial system. In 2003, there were an estimated 115 mainline telephones for every 1,000 people. The same year, there were approximately 271 mobile phones in use for every 1,000 people.

In 1998 there were 120 AM and 56 FM radio stations as well as about 25 television stations, of which the government-owned Radio-Televisión Dominicana is the most important. Many privately owned radio and TV stations broadcast differing political points of view, as do the many independent newspapers and periodicals. In 2000 there were 97 television sets for every 1,000 people. In 2003, there were about 181 radios for every 1,000 people. About 64 of every 1,000 people have access to the Internet as of 2003.

The newspapers of the Dominican Republic are rated by the Inter-American Press Association as among the freest in Latin America. The leading daily is *Listín Diario* (circulation 88,000 in 2004). Other papers of importance also published in the capital are *El Nacional* (circulation 45,000 in 2002), *Hoy* (40,000 in 2004), *Ultima Hora* (40,000 in 2004), and *El Caribe*, an independent morning daily (circulation 10,000 in 2004). Of the dailies published outside the capital, *La Información de Santiago* (circulation 15,000 in 2004) is the best known.

The legally provided freedom of speech and the press are said to be generally supported in practice by the government.

### 46 ORGANIZATIONS

Consumer associations, mainly for low-income groups, deal in basic foods such as rice, plantains, potatoes, and beans. The Confederation of Employers of the Dominican Republic and the National Council of Businessmen are the principal employers' organizations. There are chambers of commerce in Santo Domingo and other large towns. There are a couple of teachers' unions/associations as well as associations for a number of other professions.

The Asociación Médica Dominicana promotes research and education on health issues and works to establish common policies and standards in healthcare. There are also several associations dedicated to research and education for specific fields of medicine and particular diseases and conditions.

The Dominican Revolutionary Youth, with membership of about 150,000, is the youth wing of the Dominican Revolutionary Party (PRD), which is affiliated to the Socialist International. The Federation of Dominican Students is the national students' union. The Dominican Scout Associations and the Girl Guides have active youth programs. There are also number of youth or-

ganizations with religious affiliations. Sports associations promote competition in a number of favorite pastimes, including squash, tennis, and taekwondo. National women's organizations include the Research Center for Feminist Action and You, Woman.

Volunteer service organizations, such as the Lions Clubs International, are also present. There are national chapters of the Red Cross Society, UNICEF, Habitat for Humanity, and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

Although the Dominican Republic offers fine beaches and historical sites as well as quality hotel facilities, it had no organized tourist industry to speak of until 1967, and received no more than 45,000 visitors per year. Increased political stability made the country more attractive to tourists, and by 1973 the number of foreign visitors had grown to 182,036. By 1997 the Dominican Republic had 38,585 hotel rooms with an occupancy rate of 76%, and tourism was a mainstay of its economy. In 2003 approximately 3,268,182 tourists arrived in the Dominican Republic. There were 56,378 hotel rooms with 140,945 beds and a 72% occupancy rate. The average length of stay was 9.5 nights.

Resort centers—La Romana, Puerto Plata, Samaná, and Playa Grande—are the main attraction. Baseball is the national sport. Other popular pastimes include basketball, boxing, tennis, golf, hunting, fishing, and scuba diving. The Juan Pablo Duarte Olympic Center is one of the best-equipped sports facilities in the Caribbean. Citizens of the United States and Canada are not required to carry a passport; they may purchase a tourist card upon entering the country. Other visitors require a valid passport, and may require visitor visas.

In 2004, the US Department of State estimated the daily cost of staying in Santo Domingo was \$189. Daily expenses in La Romana were \$267.

#### 48 FAMOUS DOMINICANS

Juan Pablo Duarte (1813–76), national hero of the Dominican Republic, was the leader of the famous “La Trinitaria,” along with Francisco del Rosario Sánchez (1817–61) and Ramón Matías Mella (1816–64), which proclaimed and won independence from Haiti in 1844. Emiliano Tejera (1841–1923) and Fernando Arturo de Merino (1833–1906), first archbishop of the Dominican Republic, were noted statesmen.

Rafael Leonidas Trujillo Molina (1891–1961) was the dominant figure in the political life of the country from 1930 until his assassination on 30 May 1961. He served four times as president and was commander-in-chief of the armed forces. Joaquín Balaguer

(1909–2002) was a prominent political figure in the Dominican Republic. Juan Bosch (1909–2001), founder of the leftist PRD and later of the PLD, served for seven months as president in 1963.

Juan Bautista Alfonseca (1810–75), the father of Dominican music, was the first composer to make use of Dominican folklore. José Reyes (1835–1905), musician and soldier, wrote the music for the national anthem. José de Jesús Ravelo (1876–1954) composed the oratorio *La Muerte de Cristo*, which has been performed yearly since 7 April 1939 at the Basílica de Santa María la Menor on Good Friday. Other prominent Dominican musicians are Juan Francisco García (1892–1974), Luis Emilio Mena (1895–1964), and Enrique de Marchena (1908–1988).

In sports, Juan Marichal (b.1937) achieved fame in the United States as a baseball pitcher, as has Pedro Martínez (b.1971). Sammy Sosa (b.1968), a star home-run hitter, won the National League Most Valuable Player Award in 1998. Outfielder and slugger Manny Ramírez (b.1972) won the 2004 World Series Most Valuable Player Award for leading the Boston Red Sox to its first World Series victory in 86 years.

#### 49 DEPENDENCIES

The Dominican Republic has no territories or colonies.

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# ECUADOR

Republic of Ecuador  
*República del Ecuador*



**CAPITAL:** Quito

**FLAG:** The flag consists of three horizontal stripes, the yellow uppermost stripe being equal to the combined widths of the blue center stripe and the red lower stripe; coat of arms superimposed at center of the flag.

**ANTHEM:** *Salve, O Patria (Hail, O Fatherland).*

**MONETARY UNIT:** The sucre was replaced by the US dollar as the official currency as of March 2000 at a rate of 25,000 sucres for us\$1. The dollar (\$) of 100 cents is a paper currency with a floating rate. There are coins of 1, 5, 10, 25, and 50 cents and 1 dollar, and notes of 1, 2, 5, 10, 20, 50, and 100 dollars. Although issuance of higher notes ceased in 1969, a limited number of notes of 500, 1,000, 5,000, and 10,000 dollars remain in circulation. SUCRE1 = US\$0.00004 (or US\$1 = SUCRE25,000) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but local and old Spanish units also are used.

**HOLIDAYS:** New Year's Day, 1 January; Epiphany, 6 January; Labor Day, 1 May; Battle of Pichincha, 24 May; Simón Bolívar's Birthday, 24 July; Quito's Independence Day, 10 August; Guayaquil's Independence Day, 9 October; Columbus Day, 12 October; All Saints' Day, 1 November; All Souls' Day, 2 November; Cuenca's Independence Day, 3 November; Foundation of Quito, 6 December; Christmas Day, 25 December. Movable holidays include Carnival and Holy Week.

**TIME:** Mainland, 7 AM = noon GMT; Galápagos Islands, 6 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The fourth-smallest country in South America, Ecuador is located on the west coast of the continent and is crossed by the equator (the country gets its name from the Spanish word for "equator"). It has a length of 714 km (444 mi) N–S and a width of 658 km (409 mi) E–W. Ecuador borders Colombia on the N, Peru on the E and S, and the Pacific Ocean on the W, with a total boundary length of 4,247 km (2,639 mi), of which 2,237 km (1,398 mi) is coastline. (Ecuador has lost about two-thirds of the territory it once claimed to Colombia and Peru.)

The Galápagos Islands, a province of Ecuador with an area totaling 8,010 sq km (3,093 sq mi), are approximately 1,130 km (700 mi) off the coast on the equator at 89° to 92°W. The total area of the republic and its territory is estimated at 283,560 sq km (109,483 sq mi). Comparatively, the area occupied by Ecuador is slightly smaller than the state of Nevada. Ecuador also claims about 200,000 sq km (77,000 sq mi) of land awarded to Peru under the 1942 Protocol of Río de Janeiro. Armed hostilities flared along a still undemarcated stretch of the border in January 1981, but by 20 February, a 14-km (9-mi) demilitarized zone had been arranged along the disputed line. Official maps of Ecuador show the entire region as Ecuadoran territory. Ecuador's capital city, Quito, is located in the north central part of the country.

## <sup>2</sup>TOPOGRAPHY

Ecuador is characterized by three distinct regions: the coast; the highlands, or Sierra; and the eastern interior lowlands, or Oriente. The coast, except for a hilly area west of Guayaquil, is a low al-

luvial plain from 32 to 185 km (20 to 115 mi) wide, comprising about one-quarter of the national territory. It extends from sea level to the base of the Cordillera Real of the Andes, at an elevation of about 460 m (1,500 ft). The Guayas in the southwest and the Esmeraldas in the northwest form the principal river systems and serve as important arteries of transportation in their respective regions.

The highlands constitute another fourth of the country. This region is formed by two parallel ranges of the Andes, from 110 to 290 km (70 to 180 mi) wide, and the intervening narrow central plateau, nearly 640 km (400 mi) long. This inter-Andean plateau is divided into 10 basins at altitudes from 2,400 to 2,900 m (7,800 to 9,500 ft), some draining east and some west. The Andes are studded with massive snow-capped volcanoes, the highest of which are Chimborazo, 6,267 m (20,561 ft); Cotopaxi, 5,897 m (19,347 ft), the world's third-highest active volcano; Cayambe, 5,790 m (18,996 ft); Antisana, 5,705 m (18,717 ft); Altar, 5,320 m (17,454 ft); Iliniza, 5,266 m (17,277 ft); Sangay, 5,230 m (17,159 ft); and Tungurahua, 5,016 m (16,457 ft).

The Oriente, forming part of the upper Amazon Basin, begins at the base of the Andes at about 1,200 m (4,000 ft). The land at first drops quickly and is segmented by rushing torrents escaping from the cold highlands. At about 260 m (850 ft), the forests become almost level, and the streams suddenly widen into sluggish, meandering rivers as they begin their journey down the Amazon system to the Atlantic.

Ecuador is located on the South American Tectonic Plate, near the Nazca Plate that is off the western coast. As such, it is an area

of frequent, though usually moderate, seismic activity. One of the worst earthquakes in history occurred off the coast of Ecuador on 31 January 1906. An 8.8 magnitude quake triggered a tsunami that reached as far north as San Francisco and as far west as Japan. Between 500 and 1500 people were killed by the event. More recent quakes have been significantly less destructive. An earthquake of 5.7 magnitude occurred east of Quito on 9 November 2005.

### **3 CLIMATE**

The climate varies with the region. Most of the coast consists of wet, tropical forest, increasingly humid toward the north. The cold Humboldt Current (also called the Peruvian Current), which flows northward along the coast of Peru and then heads out into the Pacific off the coast of central Ecuador, limits the rainfall on a strip of the coast extending from as far north as the Bay of Caráquez and widening to include most of the coastal lowlands south of Guayaquil. In the Guayaquil area there are two seasons: a hot rainy period, lasting from January to May; and a cooler dry season, during the rest of the year, when sea breezes modify the equatorial heat. The tropical forests of the Oriente, east of the Andes, are more humid than the coast; there, temperatures are high, and rain falls all year round.

The climate of the central plateau is governed mainly by the altitude. The capital, Quito, at 2,850 m (9,350 ft), has perpetual spring, with an average temperature of 13°C (55°F) and about 127 cm (50 in) of rainfall annually. The highlands are cut by numerous deep valleys, which bring subtropical climates to within a few miles of the more temperate areas. Cold and wind increase as the slopes surrounding the central plateau ascend to form the páramo, or highland meadow. The higher areas rise to peaks above 5,200 m (17,000 ft) that are perpetually covered with snow.

### **4 FLORA AND FAUNA**

The arid savanna strip along about half of Ecuador's coast, with occasional low shrubs and isolated ceiba trees, contrasts sharply with the northern coast and the inner portion of the southern coast. In these humid regions, the typical dense growth of the tropical jungle abounds, extending as wet mossy forests up the Andean slopes to over 2,400 m (8,000 ft) in some places. Beyond the moisture barrier formed by the Western Cordillera, the high mountain slopes above 3,000 m (10,000 ft) are covered with wiry páramo grass and, in the northern province of Carchi, with a mulleinlike plant, the fraylejón (*espeletia*).

The highland valleys, at an altitude between 2,400 and 3,000 m (8,000 and 10,000 ft), support most of the temperate-zone plants; potatoes and corn, for example, have been raised there for thousands of years. There are few native trees in the highlands; eucalyptus was introduced in the 1860s and has been widely planted. The Oriente has little that is unique to tropical flora except for the delicious naranjilla, a small green orange used in making a conserve.

Ecuadoran forests support the usual smaller mammals, reptiles, and birds. In the highlands, the condor and a few other species of birds are found. There is relatively little wild game because of the density of the population and the intensive use of the land. The Amerindians still make some use of the llama in southern Ecuador. Throughout the highlands, Amerindians and some mestizos

raise cavies (guinea pigs) in their homes as an important source of meat.

As of 2002, there were at least 302 species of mammals, 640 species of birds, and over 19,300 species of plants throughout the country.

### **5 ENVIRONMENT**

Ecuador's major environmental problems are erosion in the highland areas; deforestation, especially in the Oriente; and water pollution. The Ecuadoran Institute of Water Resources estimated that the amount of arid land increased by 31.5% between 1954 and 1979, when 7.5% of the coastal lowland and Sierra were classified as arid. Between 1981 and 1985, 340,000 hectares (840,000 acres) of land were deforested annually. By the 1990s, Ecuador had lost over 30% of the original mangrove area, which covered over 117,000 hectares. From 1990–2000, the annual rate of deforestation was about 1.2%. In 2000, about 38% of the total land area was forested. It was estimated that, at current deforestation rates, coastal forests will be completely eliminated within 10 years and the Amazon forests will be gone within 40 years. Traditional farming practices have been blamed for most of these problems, but oil development has also played a role in the clearing of forests. A program for reforestation and maintenance of existing forests was initiated in 1979, but only 4,000 hectares (10,000 acres) were reforested annually during the early 1980s. Ecuador's principal environmental agency is the Ministry of Natural Resources and Energy. Land erosion is accelerated by deforestation.

Flooding and desertification are related problems which have damaged or eliminated valuable soil, particularly in the western coastal region. Water pollution is a problem due to the influx of domestic, industrial, and agricultural contaminants. The nation has 432 cu km of renewable water resources with 82% used for agricultural purposes. Some 92% of all urban dwellers and 77% of the rural population have access to pure drinking water.

In 2003, about 18% of the land area was legally protected. The Galápagos Islands and Sangay National Park are natural UNESCO World Heritage Sites. There are 11 Ramsar wetland sites. The expansion of Ecuador's population centers threatens its wildlife. Endangered species on the Ecuadoran mainland include the tundra peregrine falcon, yellow-tailed woolly monkey, five species of turtle (green sea, hawksbill, olive ridley, leatherback, and South American river), and three species of crocodile (spectacled caiman, black caiman, and American).

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 34 types of mammals, 69 species of birds, 10 types of reptiles, 163 species of amphibians, 12 species of fish, 48 types of mollusks, and 1,815 species of plants. Endangered species in the Galápagos Islands include the dark-rumped petrel, Galápagos dark-rumped petrel (a subspecies), black petrel, African ass, two species of turtle (green sea and hawksbill), and the Galápagos giant tortoise and 11 of its subspecies. A subspecies of Galápagos giant tortoise is extinct, and another may be. Darwin's Galápagos mouse, the Fernandina Galapagos mouse, Charles Island tortoise, and the Duncan Island tortoise have become extinct.

Ecuador's natural attractions could lead to increased tourism, benefiting the economy. However, environmental problems, including further endangerment of native plants and animals, could



be exacerbated without careful management of the areas attractive to tourists.

## 6 POPULATION

The population of Ecuador in 2005 was estimated by the United Nations (UN) at 13,032,000, which placed it at number 67 in population among the 193 nations of the world. In 2005, approximately 7% of the population was over 65 years of age, with another 33% of the population under 15 years of age. There were 101 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.1%, a rate the government viewed as too high. The government incorporated family life education into the school curriculum in an attempt to address the high adolescent fertility rate. The projected population for the year 2025 was 17,473,000. The population density was 46 per sq km (119 per sq mi).

The UN estimated that 61% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.05%. The capital city, Quito, had a population of 1,451,000 in that year. Guayaquil, the major port, had 2,387,000 metropolitan inhabitants. Other large cities and their estimated populations were Cuenca (285,700), Machala (204,400), and Portoviejo (175,700).

## 7 MIGRATION

Ecuador has had no large-scale immigration since the colonial period, and emigrants have generally outnumbered newcomers. There was an influx of European refugees in the late 1930s. In 1959, a modest attempt was made to colonize the northern coastal province of Esmeraldas with Italian families. Within Ecuador, the largest migration is from rural areas to the cities, as urban employment opportunities widen. There is also a growing movement from the overpopulated highlands to the virgin lands of the Oriente and the coast.

At the end of 2004, there were around 16,281 persons who concerned the United Nations High Commissioner for Refugees (UNHCR) in Ecuador. Most of these people were living and working in the capital, Quito. Also in 2004, there were 8,450 refugees under UNHCR's program in Ecuador, mostly from Colombia and Peru; there were also 1,660 asylum seekers, also mainly from Colombia and Peru. The net migration rate estimated for Ecuador in 2005 was -6.07 migrants per 1,000 population. In 2003 worker remittances totaled \$1.5 billion. By 2005 about 12% of Ecuador's population had emigrated abroad, remitting almost \$2 billion year. About one-third emigrated to Spain and over 600,000 Ecuadorians were in the United States, most in the New York City area and many from Azuay and Canar provinces. The government views the migration rates as satisfactory.

## 8 ETHNIC GROUPS

The population of Ecuador is about 65% mestizo (mixed Amerindian and Spanish). About 25% are Amerindian, 7% are Spanish or others, and another 3% are black. There are only a few groups of unassimilated Amerindians on the coast, notably the Colorados and Cayapas. The blacks live mainly in the northern coastal province of Esmeraldas. The Amazon Basin is inhabited by many primitive tribes, including the Jívaros, once famous for their shrunken-



LOCATION: 1°26'30" N to 5°1' S; 75°11'44" to 81°1' W. BOUNDARY LENGTHS: Colombia, 590 kilometers (368 miles); Peru, 1,420 kilometers (887 miles); Pacific coastline, 2,237 kilometers (1,398 miles). TERRITORIAL SEA LIMIT: 200 miles.

head war trophies, and the Záparos, Aucas, Secoyas, and Cofanes. In the early 1980s, the tribes were organized in the Federación Shuar, which seeks to preserve their cultural identities.

## 9 LANGUAGES

The official language of Ecuador is Spanish, spoken by over 90% of the population. The Spanish of the coastal areas is similar to that of the other lowland areas of Latin America, maintaining something of the Andalusian characteristics, especially the dropping or slurring of the consonants represented by *s* and *d*. In the isolated highlands, a more precise Castilian pronunciation is found, but many words and even some of the singsong intonations of Quechua, the Amerindian language, have crept into the Spanish.

A small percentage of the total population speak only Quichua, a dialect of the Quechua language. Some speak Quichua in addition to Spanish. Quechua was imposed on the Amerindians of Ecuador by the conquering Incas in the 15th century, supplanting a number of unrelated languages. Remnants of these forgotten languages are retained in many modern place names. There has been little detailed study of the languages of the tribes of the Oriente.

## <sup>10</sup>RELIGIONS

Introduced by the Spaniards with the conquest in 1540, Roman Catholicism is by far the dominant religion. In fact, the Roman Catholic Church is considered to be one of the three pillars of society, along with the government and the military. According to 2005 estimates, over 95% of the population identified themselves as Roman Catholics. Some individuals combine customs and beliefs of traditional indigenous religions with their practice of Catholicism. Protestants, including Anglicans, Baptists, and Methodists, make up about 2% of the population. Other denominations include Lutherans, Jehovah's Witnesses, Mormons, Episcopalians, Presbyterians, Eastern Orthodox, and Rosicrucians. Buddhists, Baha'is, Hindus, Jews, Muslims, Scientologists, and the Unification Church have small communities. Animistic religions survive among the Amerindians of the Oriente. Itzachilatan is one Amerindian church. Some natives are followers of Inti, the Incan sun god. Freedom of worship is guaranteed by the constitution and this right is generally respected in practice.

## <sup>11</sup>TRANSPORTATION

The topography and climate of Ecuador have greatly hindered the development of adequate means of land transportation. In 2003 there were 43,197 km (26,843 mi) of highways, including 7,287 km (4,533 mi) of paved roads. The Pan American Highway (1,076 km/669 mi in Ecuador) extends the length of the highlands from Tulcán on the Colombian border to Loja in the south and on to Peru. In 1970, the five-nation Bolivarian Highway was undertaken, as were east-west routes linking the Oriente with the Sierra, and Guayaquil with its hinterland. The most important lateral route connecting the highlands and the coast runs from Latacunga, crossing a pass in the Cordillera Real over 3,650 m (12,000 ft) high, to Quevedo in the lowlands. In 2003, there were 529,359 passenger cars and 269,248 commercial vehicles.

Modern port facilities to serve Guayaquil were opened in 1963 on an estuary 10 km (6 mi) from the Guayas River. The Guayas River basin is important for transportation in the coastal provinces. Other international ports are Esmeraldas, Puerto Bolívar, and Manta; La Libertad and Balao can accommodate oil tankers. In 2005, Ecuador's merchant marine consisted of 31 ships of at least 1,000 GRT, with a total gross registered tonnage (GRT) of 241,403. As of 2003, Ecuador had 1,500 km (933 mi) of internal navigable waterways, but most are inaccessible.

Railways, all government owned, are of decreasing importance because of their poor condition and competition from highways. As of 2004, the nation's three railroad networks totaled 965 km (600 mi) of narrow gauge track, of which the most important line ran between Guayaquil and Quito. Floods in 1983 damaged much of the system, and by 1986 service had been restored on only some of the sections. The railway system has been largely inoperative for the last decade, following damage by a major earthquake.

Ecuador's rugged topography has hastened the growth of air travel. There were an estimated 205 airports and airfields in 2004. In 2005 a total of 85 had paved runways, and there was also one heliport. Those airports at Guayaquil (Simon Bolivar) and Quito (Mariscal Sucre) provide international service. In 2003, total scheduled airline traffic amounted to 8 million freight ton-km and around 1.123 million passengers were carried on scheduled do-

mestic and international airline flights. The government-run Ecuatoriana de Aviación provides service between Ecuador and the rest of Latin America.

## <sup>12</sup>HISTORY

Archaeological explorations indicate that the coastal regions of present-day Ecuador supported corn-cultivating communities as early as 4500 BC. In the first few centuries AD, the population was divided into dozens of small isolated tribes. By AD 1000, the highland groups had formed a loose federation, the Kingdom of Quito, but they were absorbed into the Inca Empire in the late 15th century. Atahualpa, son of the conquering Inca Huayna Capac and a Quito princess, later became emperor, but by then the Spanish forces under Francisco Pizarro were gaining a foothold on the coast.

Pizarro's pilot, Bartolomé Ruiz, the first European to see the Ecuadorian coast, arrived in 1526 on a scouting expedition. The actual conquest reached Ecuador in 1531. Except for a few emeralds, from which their first landing place took its name (the city and province of Esmeraldas), the Spanish found those shores valuable only as a stopping place on their way to the riches of the Incas in Peru. Sebastian de Belacázar, a lieutenant of Pizarro, extended Spanish dominion northward from Peru after the conquest of the Incas. He found the northern capital of the Inca Empire left in ashes by the retreating Amerindians, and on that site in 1534, he founded the city of San Francisco de Quito, later to become the capital of the republic.

The Spanish governed the region as the Audiencia of Quito, part of the Viceroyalty of Peru. Quito, in the cool highlands, was soon steeped in culture and rich in ornately decorated churches and monasteries. Guayaquil, the principal seaport, grew slowly because of its unhealthy tropical climate, and would not become a major city until much later. The Spanish colonial period was a time of ruthless exploitation of the Amerindians and bickering and bloodshed among the Spanish in the struggle for power and riches.

### Republic of Ecuador

The early stirrings of Ecuadorian independence were spread, in part, through the writings of the 18th-century satirist Francisco Javier Eugenio de Santa Cruz y Espejo. Abortive revolts against Spanish rule came in 1809 and in 1811. The decisive struggle began on 9 October 1820, with the proclamation of an independent Guayaquil. Finally, on 24 May 1822, with the Battle of Pinchincha, the Spanish were defeated. This victory unified the liberation movements of the continent. Simón Bolívar and José de San Martín met in Guayaquil in 1822 to consider the future of newly freed areas. Liberated Ecuador became part of Bolívar's dream, the Republic of Gran Colombia, consisting of modern Ecuador, Colombia, Venezuela, and Panama. In 1830, when this union collapsed, the traditional name Quito was dropped in favor of La República del Ecuador, "The Republic of the Equator."

The Republic's first president was Juan José Flores, one of Bolívar's aides. The 15-year period of Flores's domination was noted for iron-handed conservative rule. In 1832, he occupied the Galápagos Islands in a comic-opera invasion witnessed only by the giant tortoises native to the islands. Then, from 1845-60, Ecuador went through 11 presidents and juntas. The nation was split

between pro-clerical Conservatives and the more secular Liberals, and regional strongmen vied for power.

From 1860 to 1875, Ecuador was ruled by the fervently religious Conservative Gabriel García Moreno, Ecuador's first great statesman. He sought peace and consolidation for his torn country through a rigid, theocratic government. His administration granted special privileges to the Roman Catholic Church, even dedicating the Republic to "The Sacred Heart of Jesus" by act of congress in 1873. Beyond his religious zeal, García Moreno was also known for developing roads and public education, beginning the Guayaquil-Quito railway, and putting Ecuador on a firm financial footing. However, his relentless conservatism caused bitter strife, culminating in the dictator's assassination in 1875. In the ensuing period of confusion, the Conservatives were not able to carry on the program of García, nor could the opposition take command until the emergence of Gen. Eloy Alfaro, who ushered in the Radical Liberal era with the revolution of 1895. He and the succeeding Liberal presidents were able to counteract much of García's program. Church and state were carefully separated, and liberty of thought, worship, and the press was established. The Guayaquil-Quito railway was completed, uniting the coast and the highlands commercially.

The Liberal era continued until 1944, with numerous interludes of violence and crisis. The economy rose and fell with world prices on such commodities as cocoa. Territory was lost to Brazil in 1904, Colombia in 1916, and finally Peru in 1942. The border dispute with Peru, originating in the colonial period, came to a climax when Peru invaded Ecuador's southern and Oriente (Amazon Basin) provinces. The Río de Janeiro Protocol awarded to Peru the greater part of the Amazon Basin territory claimed by Ecuador.

In 1944 José María Velasco Ibarra came to power as a nationalist denouncing the Río agreement. Velasco, who had served as president during 1934–35, ruled for three years until he was sent into exile. After three ineffective presidents in less than one year, Galo Plaza Lasso (1948–52) was elected to the presidency. Plaza, later chief of the OAS, ruled for four years. In 1952, Velasco Ibarra returned to office for four years, and was again elected in 1960. In his inaugural address, Velasco formally renounced the Treaty of 1942, and embarked on an economic program of "growth through inflation."

By 1961, with Ecuadorian currency in a slump and consumers heavily taxed, the air force revolted and sent Velasco into exile, thus ending Ecuador's unprecedented streak of elected governments. Vice President Carlos Julio Arosemena Monroy assumed the presidency on 7 November 1961. Arosemena lasted less than two years, and in July 1963, he was arrested by the military for "drunkenness" (a charge that could have been substantiated throughout his presidency) and sent into exile.

#### **Military governments**

A four-man military junta headed by Capt. Ramón Castro Jijón took over and ruled until March 1966. Elections were scheduled and held in October 1966 for a constitutional assembly. Otto Arosemena Gómez, cousin of Arosemena Monroy, became provisional president. In 1968, new elections were held for the presidency, won yet again by Velasco. On 22 June 1970, following a fiscal crisis, Velasco suspended the 1967 constitution and assumed

dictatorial power. He dissolved Congress, reorganized the Supreme Court, and proceeded to rule by executive decree.

In June 1971, Velasco promised new presidential and congressional elections, which were scheduled for the following June. However, on 15 February 1972, Velasco was overthrown in a bloodless coup after he refused demands by senior army officers to postpone the elections. On the following day, Gen. Guillermo Rodríguez Lara was installed as head of a new military government. Velasco, deported to Panama, was granted asylum by Venezuela.

#### **Return to elected government**

The regime of General Rodríguez lasted for four years, and then he was ousted on 12 January 1976. A three-member Supreme Council assumed power and presidential elections took place in July 1978, but because none of the candidates received the required majority, a runoff election was held in April 1979. The winner was Jaime Roldós Aguilera, a populist running under the banner of the Concentration of Popular Forces. Christian Democrat Osvaldo Hurtado was made vice president. Both were inaugurated on 10 August 1979, the day Ecuador's current constitution went into effect. Roldós was killed in a plane crash on 24 May 1981, whereupon Hurtado became president until 1984.

Hurtado's term was marked by modest gains in the economy, but by 1984, a flagging economy, caused in part by widespread flooding, led to calls for change. The 1984 election was won by León Febres Cordero Rivadeneira, a conservative Social Christian who advocated a free-enterprise economic policy. Febres formed a coalition government and pressed his platform of reducing state intervention in the economy and making it more responsive to market forces. Just as it appeared that Febres's fiscal policies were about to bring widespread benefits to the populace, Ecuador was dealt two staggering blows: the 1986 plunge in world oil prices and a devastating earthquake in March 1987.

In presidential elections held 31 January 1988, Rodrigo Borja Cevallos of the Democratic Left (ID) Party and Abdalá Bucaram Ortiz of the Roldista Party (honoring ex-president Jaime Roldós) won the most votes in a field of 10 candidates. Borja won the runoff election, and took office along with a strong contingent in congress. The government made improvements in Ecuador's human rights record; however, economic troubles, particularly inflation, continued, and the ID lost half its congressional seats in midterm elections in 1990. In 1992, voters elected a conservative government, headed by President Sixto Durán-Ballén of the Republican Unity Party (PUR) and Vice President Alberto Dahik of the Conservative Party (CP). Durán-Ballén imposed severe economic measures to try to improve Ecuador's situation. These measures proved economically successful, but socially unpopular.

On 26 January 1995, the longstanding border dispute with Peru sprang to life once again when Ecuadorian troops attacked a Peruvian post. A full-fledged war began, which lasted until March 1, causing some 80 casualties and leaving 200 wounded. Although the war created further economic difficulties for Ecuador, it also stirred national pride and Durán-Ballén's popularity rose on the tide of fervent patriotism. By the fall of 1995, however, Durán-Ballén had once again fallen from favor due to charges of political corruption against himself and Vice President Alberto Dahik. Dahik fled the country, and Durán-Ballén served the remainder of his presidential term with little support.

In July 1996, Abdalá Bucaram was elected president. A showy and eccentric populist, Bucaram quickly alienated most of the political establishment. Bucaram had come to describe himself as “El Loco,” or the madman, and citizens began to believe that he was indeed crazy. On February 6, Congress declared Bucaram mentally incompetent, charged him with corruption, and ousted him from office. Bucaram was accused of absconding with \$100 million to \$300 million in public funds during his brief presidency. Vice President Rosalia Arteaga and Fabian Alarcon, leader of Congress, claimed the presidency. Bucaram finally fled to Panama, while Arteaga agreed to briefly become president until Congress could establish right of succession. Alarcon emerged as interim president, and held office until the next presidential election in 1998. Through most of the 1990s, Ecuador suffered double-digit inflation as high as 50–60% a year. By 1999, the economy had contracted by 7.5%, and over 62% of Ecuadorians lived in poverty. Many of the country’s Pacific Coast communities were battered by El Niño storms during early 1998, causing millions of dollars in damage.

Presidential elections were held in May 1998, with Harvard-educated Jamil Mahuad facing Alvaro Noboa, a banana tycoon and reputedly the richest man in the country. With promises for political stability and economic recovery, Mahuad prevailed at the polls and took office in July 1998. The next month, extensive constitutional reforms approved by a National Constituent Assembly took effect. Reforms gave unprecedented new rights to the country’s indigenous peoples, who had become more vocal about their rights during the 1990s.

In 1996, the leaders of 11 indigenous groups joined with women, ecologists, and human rights workers to found the Pachakutik (“change” or “revolution” in Quichua) political movement. Under this new political umbrella, native peoples urged massive social changes, and won several seats in Congress by 2000. By late 1999, native peoples had grown disenchanted with Mahuad. Amerindian leaders accused him of lacking sympathy for native peoples’ economic problems. Mahuad also had overseen a \$1.2 billion bailout of 18 corrupt banks. The financial scandal only widened after a jailed banker claimed he had given \$3.1 million to Mahuad’s presidential campaign. In the meantime, Mahuad was unable to bring the economy under control and was making political enemies. In May 1999, Mahuad and Peruvian president Alberto Fujimori formally ended their border dispute. Ecuador gained a small sliver of land and navigation rights on some Peruvian rivers. The peace accord was seen as a defeat within Ecuador, where the military resented its loss of power and resources and was embarrassed by territorial concessions to Peru.

In January 2000, Mahuad announced plans to replace the sucre, the national currency, with the US dollar to stabilize the economy and end chronic inflation. Indigenous groups grew angry at the plan because they believed they would lose their savings. The sucre had been pegged at about 8,000 per dollar only a year earlier, but now stood at 25,000 per dollar. On 21 January, thousands of indigenous peoples marched to protest “dollarization” of the economy and called for Mahuad’s ouster. With the aid of the military, they occupied the empty Congress building and Supreme Court. Mahuad fled the government palace. Gen. Carlos Mendoza took power and declared that a three-man junta would lead the country. The junta was composed of Antonio Vargas, leader of the

Confederation of Indigenous Nationalities of Ecuador, Carlos Solorzano, a former Supreme Court justice, and Col. Lucio Gutierrez. The junta only lasted a few hours. Under intense international pressure, the junta was dissolved. Congress named the 62-year-old vice president, Gustavo Noboa Bejarano, as president. Noboa, a respected former academic carried out the dollarization of the economy. By giving up its currency, Ecuador turned its monetary policy to the US Federal Reserve seeking to stabilize its economy.

In the October 2002 presidential elections, newcomer Lucio Gutiérrez ended first with slightly over 20% of the vote in a field of 11 presidential candidates. He went on to win the runoff election with 58.7%, easily defeating Alvaro Noboa, the candidate favored by the outgoing president. Gutiérrez had entered politics after he led a coup attempt in 2000 to oust president Mahuad. Gutiérrez assembled a loose coalition of smaller parties and indigenous groups and campaigned against established parties. Although he used a populist rhetoric to win the election, after his inauguration he has sought to reassure foreign investors and international lending institutions. He has maintained the economic policies of his predecessors and has softened his criticism of the dollarization initiative. After years of economic stagnation, the economy began to show signs of recovery in 2001 and continued during the first years of the Gutiérrez government. Yet, more than 70% of the population lived in poverty in 2002.

Political tensions increased in 2004 and Gutiérrez showed signs of losing control. Despite strong economic growth, unemployment and underemployment remained high and the cost of living, exacerbated by the dollarization scheme, continued to hurt the poor. Because political parties have focused on obstructing the president’s legislative initiatives and because Gutiérrez alienated support from former friendly legislators, the Gutiérrez government was widely deemed as ineffective. The failed effort by Gutiérrez to replace Supreme Court justices with friendlier faces was used by opponents to denounce Gutiérrez authoritarian tendencies. A former military coup plotter, Gutiérrez was often authoritarian and disrespectful of political opponents. Opposition against his government, fueled by opposition parties and built on popular discontent with economic policies, combined with Gutiérrez’s effort to undermine the Supreme Court were sufficient to provoke new protests against the government. Gutiérrez was forced to resign on 20 April 2005. Vice President Luis Alfredo Palacio, who had fallen out with Gutiérrez shortly after taking office, was appointed president. New presidential and parliamentary elections were scheduled for 26 November 2006.

The political challenges Ecuador faces are complex. The last three democratically elected presidents were forced to resign due to social protests or were removed from office by the legislature. The legislature became specialized on blocking presidential initiatives and weakening the executive. Yet, fragmented political parties failed to constitute themselves into a positive and constructive force. The political instability that has characterized Ecuador, even in good economic years, rendered the country’s democracy as ineffectual.

### 13 GOVERNMENT

Since 1860, Ecuador has had 17 different constitutions. The most recent constitution came into force in August 1998. The previous constitution was approved on 10 August 1979, in preparation for a

return from military to civilian rule. That document was amended in 1984 and again in 1996, but many Ecuadorians believed their needs were not reflected by that document. In 1998, a 70-member elected National Constituent Assembly rewrote the constitution. Unprecedented rights granted to native populations and blacks were among key reforms. The constitution gave them equal rights, additional rights that guaranteed their lands, protected their culture and customs. Native peoples were allowed to use their own languages and teach their children in their native languages at schools, although Spanish remained the official language of the nation. The constitution also emphasized unity in diversity. Eradicating poverty was a key component written into the new constitution, which also prohibits granting amnesty to human rights violators. The constitution also prohibits the death penalty.

The unicameral Chamber of Representatives (or Congress) consists of 100 members chosen for five-year terms by proportional representation from each of the country's 22 provinces. The chamber meets in full session for two months a year, leaving the rest of its business to four permanent committees. The president and vice president are elected for a four-year term, and are not allowed to seek consecutive terms. As is traditional in Ecuador, the president initiates the budget and appoints the cabinet, as well as provincial governors, many administrative employees, and diplomatic representatives. Under the 1998 constitutional reforms, the chamber may no longer remove cabinet ministers (it forced the finance minister out of office late in 1986, and ousted the president of Ecuador in February 1997), although the parliament has managed to oust two presidents since the constitution came into effect. The president also controls the armed forces and can declare a state of siege. Voting is compulsory for literate people aged 18 to 65, and optional for illiterates.

## 14 POLITICAL PARTIES

The constitution guarantees the right of democratic activities of political parties. A party must gain a minimum of 5% of the vote to remain in the electoral registry and retain its legal standing. The 1998 constitution also allows candidates without party affiliation or party backing to run for office. It also makes it the responsibility of the government to promote equal participation of men and women in politics. There are currently some 25 parties with parliamentary representation in Ecuador.

Two major parties played dominant roles prior to the 1960s. The Conservative Party (Partido Conservador—PC), which held sway during the first half of the republic's history, was the political representative for the Roman Catholic Church, and its support came from the large landowners of the highlands. The principal opposition, the Radical Liberal Party (Partido Liberal Radical—PLR), which rose to power in the revolution of 1895, was supported by businessmen and the newer city elite. It sought scrupulous separation of church and state, especially in public education, and called for the development of industry and the attraction of foreign capital.

Modern parties on the right include the Social Christian Party (PSC), the Republican Unity Party (PUR), and the Ecuadorian Conservative Party (PCE). On the left are the Democratic Left (ID), linked to the Social Democratic Movement; the Popular Democracy Party (DP) of former President Hurtado; the traditional

Ecuadorian Radical Liberal Party (PLRE); and the Radical Alfarista Front (FRA).

Ecuador's populist tradition has given rise to many parties, organized along highly personalist lines, such as the Roldista Party (PRE), formerly headed by Abdalá Bucaram, the Popular Revolutionary Action (APRE), and the Concentration of Popular Forces (CFP).

The far left in Ecuador has been beset by factionalism and governmental intrusion. In the 1920s, the original Socialist Party of Ecuador split into the Socialist Party and the Communist Party. Further splits occurred with the advent of the Cuban revolution. Currently, the Popular Democratic Movement (MPD), the Ecuadorian Socialist Party (PSE), and other parties vie for the non-Communist vote. Communists are divided between the Communist Party of Ecuador (PCE), which is identified as a pro-North Korean faction, and the Communist Party of Ecuador/Marxist-Leninist (PCMLE), which is identified as Maoist.

In the 1996 national elections, an indigenous electoral movement called Pachakutik (Quichua for "change") sponsored candidates for offices on the national, provincial, and local levels. Pachakutik candidates won eight seats in Congress as well as several mayoral positions in cities throughout the country. Their successes, although small on the overall national scale, increased the voice of indigenous peoples in Ecuadorian politics and prodded the traditional political parties to give more attention to long-neglected indigenous concerns. Lucio Gutiérrez allied with Pachakutik for the 2002 election and appointed some of that party's leaders to his cabinet. But the influence of the indigenous movement has been limited by Gutiérrez's personalist leadership and the party's limited political power resulting from its small parliamentary delegation. In fact, Gutiérrez's demise began when Pachakutik legislators withdrew their support from the government in 2004.

In the October 2002 elections, 14 different parties won seats in the legislature. The PSC remained as the largest party, but it only captured 24 seats in the 100-member chamber. Lucio Gutiérrez's parties captured less than 10 seats. The persistent problem of weak political parties and personalist leadership by populist politicians has worsened. Since 1996, three presidents could not finish their constitutional terms. Political parties are widely seen as fractional and obstructionist with little intraparty discipline and unpredicted interparty alliances. The next legislative elections were scheduled for October 2006.

## 15 LOCAL GOVERNMENT

The three levels of local government—province, canton, and parish—are controlled by the central government in a fundamentally unitary system. Ecuador has 20 continental provinces, plus the insular Galápagos Islands. The provincial governors, who are appointed by the president, are responsible to the interior ministry. Each province is divided into cantons, which in urban areas are administratively subordinate to the municipality with which they coincide. A municipal council is popularly elected and in turn elects its officers. In the larger towns, a mayor is popularly elected. The municipality is unique in that it lies somewhat outside the unitary pattern and is less subject to national control than are the other units of local government. The rural canton, of little importance in the sparsely populated Oriente and northern coast, is significant in the more developed regions of the highlands and

the coastal provinces of Guayas and Manabí. The highest official of the canton, the political chief, is appointed by the president on the recommendation of the provincial governor.

## 16 JUDICIAL SYSTEM

Traditionally, the judicial function has been carried out by five levels of tribunals. The parochial judge, the political lieutenant appointed by the president to supervise the affairs of the parish, handles only minor civil cases. Cantonal courts, at least one in each canton, try minor civil and criminal actions. Provincial courts handle all but a few of the criminal cases and the more serious civil and commercial suits. Superior courts handle appeals from the lower courts and have other administrative duties in the district; they may try original cases only if these relate to the affairs of their district. The Supreme Court has 31 justices and 3 alternates chosen by the National Chamber of Representatives for six-year periods.

Although citizens are afforded a wide range of freedoms and individual rights, there remain some shortcomings in the functioning of the judicial system, which is susceptible to political pressure. Police officers are tried only in closed session before police courts so that convictions for abuse or other violations are rare. Despite laws restricting arbitrary arrest and detention, such violations continue to occur in practice. Modernization of the court system began in 1993. In 1998, a new Judicial Council, with the power to administer the court system and discipline judges, began operations. In November of that year, the council's disciplinary committee fired two judges and two court employees for improperly releasing suspected drug traffickers. Because Ecuadorians continued to distrust the judicial system, reports of citizens taking the law into the own hands by lynching or burning criminal suspects continued into the year 2000.

Discontent with the judicial system, President Gutiérrez used repeated accusations of corruption to try to intervene with the Supreme Court. So far, efforts at reforming the judicial system have been primarily motivated by political short-term gains.

## 17 ARMED FORCES

In 2005 Ecuador's active armed forces personnel numbered 46,500, which were supported by 118,000 reservists. The Army numbered 50,000 personnel whose equipment included over 30 main battle tanks and 150 light tanks, over 90 reconnaissance vehicles, 130 armored personnel carriers, and more than 156 artillery pieces. The Navy consisted of 5,500 personnel including 1,700 Marines and 250 naval aviation personnel. Major naval units included 2 tactical submarines, 2 frigates, and 6 corvettes. The Air Force had 4,000 members and 22 combat capable aircraft that were made up of fighter ground attack aircraft. Paramilitary forces consisted of a 270-member Coast Guard. In 2005, Ecuador's defense budget totaled \$593 million.

## 18 INTERNATIONAL COOPERATION

Ecuador is a charter member of the United Nations, having joined on 21 October 1945; it belongs to ECLAC and several specialized agencies. Ecuador is also a member of the Inter-American Development Bank, G-77, the Latin American Economic System (LAES), the Latin American Integration Association (LAIA), Latin American Energy Organization, the Andean Community

of Nations, the OAS, and the Río Group. Ecuador received full membership in OPEC in 1973. The country holds associate status in Mercosur.

The country is part of the Nonaligned Movement and a signatory of the 1947 Río Treaty. Ecuador is also a part of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL). In environmental cooperation, Ecuador is part of the Antarctic Treaty, the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law on Climate Change and Desertification.

## 19 ECONOMY

Ecuador is the world's leading exporter of bananas, and it also exports flowers, cocoa, coffee, tuna, and shrimp, and is developing export markets for other tropical fruits and vegetables. Tourism has become the country's third-largest earner of foreign exchange, after oil and remittances from expatriates. Since the 1970s Ecuador's economy has been dominated by oil, and vexed by indigenous opposition to the impacts of oil exploration and development. Ecuador's average annual GDP growth rate exceeded 9% in the 1970s, due largely to high oil prices. As oil prices fell in the early 1980s, debt began to increase. Furthermore, a major earthquake in 1987 interrupted oil production and exports. The average annual GDP growth rate between 1988 and 1998 was 2.9%. Growth stemmed mainly from increased petroleum production and expansionary fiscal policy.

The administration of President Ballén, elected in July 1992, raised petroleum derivatives taxes and electricity tariffs, while cutting public expenditures and freezing public sector employment. As a result, the 1992 public sector deficit fell from 7% to 2.8% in 1995. The inflation rate, which stood at 60% at the end of 1992, fell to 25% by 1995. Although the Ballén administration's reforms were relatively successful in stabilizing the economy and encouraging foreign investment, key sectors like petroleum, utilities, and aviation still experienced heavy government involvement.

The late 1990s brought a border dispute with Peru, shortages of electric power, and high interest rates that combined to restrain growth in the GDP. Large parastatals put off the interest of foreign investment. The growth rate was only 1% in 1998, the inflation rate soared to 43%, and government corruption was rampant. In 1999, the economy experienced a currency and banking crisis, a default on public debt, and soaring inflation, which reached 60% for the end of the year. Real GDP declined 6.3%, falling 8.2% on a per capita basis. In January 2000 the US dollar was adopted as legal tender, and in April the US dollar was adopted as Ecuador's legal currency in an effort to control inflation which soared to over 100%, ending the year at about 80%. Real GDP increased 2.8% in 2000 although only 0.9% on a per capita basis. In 2001 real GDP growth increased to 5.2% (3.2% on a per capita basis) and the inflation rate moderated to 22.4%. However, economic growth slowed again in 2002, a reflection mainly of internal inefficiencies in public administration and in the running of the state oil corporation. Real GDP grew an estimated 3% and only 1.1% on a per capita basis. End of period inflation, however, fell to 9%, the lowest level in decades. In March 2003 the IMF agreed to a one-year standby arrangement with Ecuador's new government designed to sup-

port measures to bring about macroeconomic stability beginning with a freeze on public sector wages. In December 2003 Ecuador's second pipeline, the \$1.3-billion, 500-km (312-mi) Oleoducto de Crudos Pesador (OCP) pipeline opened. The OCP pipeline when it reaches full capacity will about double Ecuador's oil transporting capacity, which is 400,000 barrels per day, the capacity of the country's only other oil pipeline. In June 2003 the old pipeline was ruptured briefly by mud slides caused by heavy rains mixed with ash from the volcanic eruption of El Reventador. The participants in the OCP consortium include EnCana (Canada, 31.4%); Repsol-YPF (Spain, 25.6%); Pecom Energia (Argentina, 4.1%), Occidental Petroleum (United States, 12.2%); and AGIP (Italy, 7.5%), with construction by the Ecuador company Techint. The project implies increased exploration and development of Ecuador's oil reserves in order to fill the new pipeline. A substantial portion of increased oil revenues were then slated to be applied to paying down the country's \$15 billion foreign debt.

While GDP growth in 2003 decreased to 2.7%, it jumped again to 6.9% in 2004, only to fall back to an estimated (Economist Intelligence Unit) 3% in 2005. However, since 2001 inflation has been steadily decreasing from a recorded 37.7% in 2001 to 2.4% in 2005.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Ecuador's gross domestic product (GDP) was estimated at \$52.7 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$3,900. The annual growth rate of GDP was estimated at 3%. The average inflation rate in 2005 was 2%. It was estimated that agriculture accounted for 7.4% of GDP, industry 31.8%, and services 60.8%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.545 billion or about \$119 per capita and accounted for approximately 5.7% of GDP. Foreign aid receipts amounted to \$176 million or about \$14 per capita and accounted for approximately 0.7% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Ecuador totaled \$18.47 billion or about \$1,421 per capita based on a GDP of \$27.2 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.3%. In 2001 it was estimated that approximately 26% of household consumption was spent on food, 15% on fuel, 13% on health care, and 10% on education. It was estimated that in 2001 about 45% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, there were an estimated 4.6 million employed wage earners in urban areas. As of 2003, agriculture accounted for 9.1%, followed by 21.7% in industry, and 69.2% in services. The unem-

ployment rate in 2005 officially stood at 11.2%, although the underemployment rate was estimated at 47%.

Although most workers in Ecuador have the right to organize and join a union, legal protections have been insufficient. In addition, members of the armed forces, the police, and most public sector employees are prevented from joining a union, engaging in collective bargaining, or striking. In 2005, only 2–3% of the nation's labor force was affiliated with a labor union. Of those, 25% were covered by a collective bargaining agreement. The right to strike is protected by law after a mandatory 10-day cooling off period.

The labor code provides for a 40-hour workweek and two consecutive rest days each week. Overtime is limited to 12 hours per week at premium pay rates. The legal minimum working age was set at 15 years for all types of work. Also, minors are limited to working six hours per day and five days per week. Minors are also prevented from working in environments where there are hazardous conditions (mines), among dangerous machinery, and where there are toxic or dangerous substances. In spite of these laws, child labor remains a significant problem as of 2005. The minimum monthly wage plus mandatory bonuses equaled about \$166 per month in 2005. However, this wage does not provide a satisfactory standard of living for a family, but most earn more than this proscribed amount. Health and safety standards are generally protected by the Labor Code.

## 22 AGRICULTURE

Although Ecuador's main economic activity has long been agriculture, only about 11% of the land is arable or under permanent crops, and another 18% is permanent pasture. Throughout the 1970s, agricultural development was neglected because of the emphasis on oil exploitation, and the sector showed negative rates of growth, declining by 5.4% in 1978, 2.8% in 1979, and 2% in 1980. During 1985–90, however, agriculture (along with fishing and forestry) showed an average annual increase of 4.8%. Agricultural production had an average annual growth of 1.7% during 1990–2000. But during 2002–04, crop production was down 2.8% from 1999–2001. Agriculture employed 25.9% of the labor force in 2000 and contributed 8% to GDP in 2003.

The land census of 1974, which covered a much larger area than the previous census of 1954, showed that during the intervening period the number of agricultural units had grown by 172,810. This increase was the result of agrarian reform and colonization, initiated in 1964. Ceilings imposed on the maximum size of holdings ranged from 800 hectares (2,000 acres) of arable land plus 1,000 hectares (2,500 acres) for pasture in the Sierra region to 2,500 hectares (6,200 acres) plus 1,000 hectares (2,500 acres) of pasture in the coastal region. The 1975 plans of the Ecuadorian Land Reform and Colonization Institute called for the redistribution of 80,000 hectares (198,000 acres) of land in the coastal region.

Traditionally, agricultural products have included bananas, coffee, tea, rice, sugar, beans, corn, potatoes, and tropical fruit. Exported products of more recent prominence include roses and carnations, strawberries, melons, asparagus, heart of palm, and tomatoes. The major crops of the highlands are corn, barley, wheat, kidney beans, potatoes, horsebeans, peas, and soybeans, all for domestic consumption. Agriculture on the coast is large-

ly oriented toward the export market. Increased acreage and improved yields, as well as the government's price-support program, have caused rapid growth in agriculture. Most of the cacao crop is produced on plantations of 60 hectares (150 acres) or larger, but the more important banana and coffee crops are grown mainly on small landholdings by independent farmers. Banana exports rose from less than 5% of total exports after World War II (1939–45) to 62.2% in 1958; in 1974, they were 10.8%, and in 2004, 13.3%. Ecuador is the world's leading banana exporter, selling almost 4.7 million tons abroad in 2004. Cacao became a valuable export in the mid-1970s, but low prices and declining harvests had a negative impact on revenues until the early 1980s, when they began to rise again. In 1978 and 1979, coffee brought high export earnings (\$281.2 million and \$263.1 million, respectively), but with lower world prices, coffee export earnings fell to \$106 million in 1981, despite an increase in production. Revenues rose steadily during the 1980s, reaching \$290 million in 1986, but fell to \$75 million in 1992. Coffee revenues in 2004 amounted to \$14.6 million.

Principal commodities in 2004 (in tons) were sugar, 5,400,000; bananas, 5,900,000; corn, 651,000; plantains, 652,000; palm oil, 261,000; potatoes, 400,000; cocoa beans, 88,000; and coffee, 83,000. The production of paddy rice reached one million tons in 2004.

The agricultural sector of the economy presents potential for further development and growth. Crops for domestic consumption, particularly rice, barley, maize, African palm, and potatoes, continue to show growth due to increased area planted and improved yields. Other segments likely to experience growth are nontraditional agricultural products such as flowers, fresh fruit, vegetables, and processed foods. The government's agricultural policy focuses on integration into the World Trade Organization, import tariffs, and the lack of credit in the agricultural sector.

### **2<sup>3</sup> ANIMAL HUSBANDRY**

The dairy industry is located in the most fertile valleys of the highland plateau from Ibarra to Riobamba, where irrigation is available. The beef cattle industry is an important part of the agricultural economy, as exports to Colombia and Peru have become more profitable; there were 4,951,300 head of cattle in 2005. Nearly all the sheep (2,550,000 in 2005) are in the highlands; most are raised by Amerindians and are pastured at over 2,700 m (9,000 ft). The wool is of poor quality. Hogs and goats, found throughout the country, are frequently diseased and poorly fed; in 2005 there were an estimated 1,949,000 hogs and 250,000 goats. The use of bananas as hog feed has made hog farming more attractive economically. Poultry production has been steadily growing—208,870 tons in 2005, up from an annual average of 69,000 tons during 1989–91. Beef production totaled 206,500 tons in 2005. Milk production in 2005 totaled 2,546,000 tons, and eggs, 75,000 tons.

### **2<sup>4</sup> FISHING**

In the waters around the Galápagos Islands, Ecuador has some of the world's richest fishing grounds, particularly for tuna. In the past, these waters were exploited mainly by foreign companies, but in recent years, Ecuadoran enterprises have participated more fully. Shifts in ocean currents can cause great variance in the annual catch. Ecuador is a leading producer of canned tuna. Shrimp farming occupies some 110,000 hectares (over 270,000 acres). Ec-

uador produces more shrimp than any other nation in the Americas, and exports more than 35,000 tons annually, mostly to the United States. Rainbow trout aquaculture is being developed in the Andean highlands. The total catch in 2003 was 465,084 tons, down from 1,003,380 tons in 1986. Exports of fish and fish products in 2005 totaled \$780.5 million.

Ecuador proclaimed sovereignty over its coastal waters to a limit of 200 km. In 1952, along with Peru and Chile, Ecuador signed the Declaration of Santiago (joined later by Colombia) to enforce these rights.

### **2<sup>5</sup> FORESTRY**

One of Ecuador's vast untapped resources is its forestland. Forests, half of which are government owned, cover 10,557,000 hectares (26,086,000 acres), or 38.1% of the total mainland area. During 1990–2000, the annual average rate of deforestation was 1.2%. The tropical forests contain more than 2,240 known species of trees. Some of the denuded highlands have been planted with eucalyptus trees, which prevent soil erosion and provide both fuel and rough lumber. Total roundwood production in 2003 was 6.3 million cu m (221 million cu ft). About 50% of the wood cut was burned as fuel.

Ecuador is the world's largest producer and exporter of balsa. Several varieties of hardwoods, including species of mahogany, are used in cabinetmaking. Other forest products having some importance are the fiber for Panama hats (toquilla palm), vegetable ivory (tagua palm), kapok (ceiba tree), quinine (cinchona bark), and rubber.

### **2<sup>6</sup> MINING**

Ecuador was heavily dependent on petroleum production, its leading industry and export commodity in 2003. The country had extensive but underdeveloped gold resources and other minerals. In 2001, Ecuador produced cadmium, copper, gold, lead, silver, zinc, cement, bentonite, common clay, kaolin, feldspar, crude gypsum, silica (glass sand), ferruginous sand, stone, sand and gravel (limestone, marble, pozzolan, pumice), salt, and sulfur. The country also contained known mineral resources of bismuth and tin. Production totals for 2003 included: gold, estimated at 3,020 kg, up from 2,750 kg in 2002; silver, 100 kg, up from 96 kg in 2002; kaolin, 9,330 metric tons, up from 8,483 metric tons in 2002; limestone, 6.28 million tons, down from 6.699 million tons in 2002; and marble, 292 metric tons, up from 265 metric tons in 2002. The slow pace of exploration and mining activities reflected low metal prices and recent political and economic uncertainties and disappointments.

### **2<sup>7</sup> ENERGY AND POWER**

In recent years, an increasingly important percentage of Ecuador's national income has come from the petroleum industry. With estimated proven oil reserves of 4.6 billion barrels, as of 1 January 2005, Ecuador has the third-largest oil reserves in South America, and is the continent's fifth-largest oil producer. Initially, this industry was slow in developing, and production actually declined from 2,849,000 barrels of crude oil in 1965 to a low of 1,354,000 barrels in 1971. Starting in the 1970s, however, output increased dramatically, from 28,579,000 barrels in 1972 to 77,052,000 barrels in 1981, and to 109,400,000 barrels in 1991. After Ecuador



withdrew from the Organization of the Petroleum Exporting Countries (OPEC) in 1992, the country's daily crude oil production rose from 321,000 barrels in 1992 to nearly 400,000 barrels by the end of 1995. Production in 2004 was estimated at 534,800 barrels per day, of which crude oil accounted for 528,200 barrels per day. Net oil exports in 2004 were estimated at 390,800 barrels per day. During the first 11 months of that year, oil exports to the United States totaled 226,000 barrels per day. Ecuador is only second to Venezuela as a source of oil imports for the United States. Petroecuador, the state oil agency, is the largest oil producer in Ecuador, controlling around 37% of the country's output.

The most productive oil fields are located in the northeast corner of Ecuador, with Occidental's Eden Yuturi the nation's largest oil field, which in the first half of 2004, produced more than 75,500 barrels per day. Ecuador has two major oil pipelines: the first, the 310-mile Sistema Oleducto Trans-Ecuatoriano (SOTE); and the 300-mile Oleducto de Crudos Pesados (OCP). The two pipelines can transport 400,000 barrels per day and 450,000 barrels per day, respectively. SOTE is frequently affected by natural disasters. In March 2004 oil shipments via SOTE were halted due to a landslide and in 1987, a large section of the pipeline was taken out by an earthquake, which cut Ecuador's oil output by more than 50% in that year. Ecuador has three oil refineries, with a combined capacity of 176,000 barrels per day, the largest of which, is the 100,000 barrel per day, Esmeraldas facility that is located on the Pacific coast.

Ecuador's proven reserves of natural gas are relatively small, estimated at 345 billion cu ft, as of 1 January 2005. Production and consumption of natural gas in 2002, is each estimated at 3.5 billion cu ft.

Although it is estimated that Ecuador had no consumption of coal in 2002, the country does have 26 million short tons of recoverable coal reserves.

Ecuador gets approximately 63% of its electric power from hydropower sources, with conventional thermal plants providing the remainder. However, the country's heavy reliance upon hydroelectric power has resulted in periodic power shortages during the dry season, which runs from October to March. In 1995, a serious drought affected hydroelectric generating capacity and daily blackouts became common. When drought struck again in 2001, the government declared an energy emergency, urging the public to conserve energy. More than 60% of the country's hydroelectric generating capacity comes from the Paute plant, located in the eastern part of the nation. In 2002, it is estimated that Ecuador had an installed generating capacity, electric power output, and consumption of: 3.3 GW; 11.5 billion kWh; and 10.8 billion kWh, respectively.

## 28 INDUSTRY

Ecuador enjoyed a period of prosperity in the 1970s, due in large part to a boom in oil. A decline in international oil prices, an earthquake in 1987, and political difficulties hampered industrial development during the 1980s. During 1988–98, manufacturing output increased by an annual average of 2.5% per year. According to official estimates, in 1998 manufacturing contributed an estimated 22% GDP, but achieved only minimal growth during that year, and negative growth in 1999. A default on external debt in 1999 resulted in a 70% depreciation of the currency which nega-

tively impacted the industrial sector. The subsequent dollarization and rise in oil prices in the early 2000s caused a rise in export revenue.

Ecuador had three oil refineries in 2002, with a production capacity of 176,000 barrels per day. The construction of the new Transandean Heavy Oil Pipeline (OCP, in Spanish) due for completion in 2003 slated the petroleum industry for further growth. The most promising sectors, outside of oil, are linked to agriculture and natural resources. In the agricultural sector, expansion has come from processed foods and nontraditional agricultural products, such as flowers and fresh tropical fruits (mango, babaco, and passion fruit) and vegetables (asparagus and heart of palm). Other major manufactured items include canned seafood, automobiles, processed coffee, and cocoa. In the early part of the decade, Ecuador was also increasing its production of automobiles. Other industries include textiles, chemicals, wood products, metal work, paper products, and plastics.

## 29 SCIENCE AND TECHNOLOGY

In 1996, Ecuador had 20 agricultural, medical, scientific, and technical learned societies and research institutes, most notably the General Directorate of Hydrocarbons, the Institute of Nuclear Sciences, the Ecuadoran Institute of Natural Sciences, and the National Institute of Agricultural Research, all in Quito; the Charles Darwin Research Station in the Galápagos Islands; and the Naval Oceanographic Institute in Guayaquil. Ecuador has 19 colleges and universities offering degrees in basic and applied sciences. In 1987–97, science and engineering students accounted for 27% of college and university enrollments.

In 1998 (the latest year for which the following data is available) Ecuador had 84 researchers and 73 technicians per million people engaged in research and development (R&D). In that same year, R&D spending totaled \$31.485 million, or 0.08% of GDP, of which 90.6% came from the government, with 8.9% and 0.5% coming from foreign sources and private nonprofit institutions, respectively. In 2002, high technology exports were valued at \$34 million, accounting for 7% of all manufactured exports.

## 30 DOMESTIC TRADE

The major commercial centers are Quito, Guayaquil, Cuenca, and Santo Domingo de los Colorados. Importers may have headquarters in these locations, with retail branches and warehouses throughout the country. Most buyers prefer to make retail purchases directly from the manufacturers.

Rural domestic trade among the *campesinos* (indigenous peoples) is limited by frequent deep levels of poverty and underdevelopment. The (mostly urban) middle class is relatively moderate in size, and suffered major declines in purchasing power during the 1980s and 1990s, when economic growth faltered. Unemployment and underemployment have stimulated the growth of informal domestic economic activity.

The nation's economy is primarily based on petroleum and agricultural exports. The industrial segment, including petroleum, food processing, textiles, paper and wood products, plastics, lumber, chemicals, and fishing, primarily supplies the domestic market.

In the mountains, businesses are generally open from 8 AM to 6 PM, with a two-hour midday break; lunch hours are longer along

the coast during the hottest months (December–April). Banks are usually open from 9 AM to 1:30 PM and from 2 to 6 PM during the week. Urban and suburban factories typically operated from 7 AM to 4 PM.

### 3<sup>1</sup> FOREIGN TRADE

Ecuador's trade balance is generally positive, due overwhelmingly to its oil exports. Ecuador's oil reserves and refineries account for slightly over half of the country's commodity exports. Agricultural exports include bananas and plantains, shellfish, coffee and cocoa, and fish. In 2000, the government raised the price of Ecuadorian petrol by 60% in order to forge an economic recovery. Ecuador exports about half of its petroleum to the United States, while the United States supplied 24.3% of Ecuador's imports in 2005. Ecuador's exports in 2005 were destined for the United States (55%), Colombia (6.3%), Germany (5.3%), Russia (4%), and South Korea (4%). Imports came from the United States, Colombia (13%), Brazil (6.9%), Venezuela (5.9%), and Japan (5.2%). Principal imports include raw materials, consumption goods, capital goods, fuel, and lubricants.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Ecuador's balance of payments showed repeated deficits on current accounts until the vast increases in petroleum exports during the 1970s; only in 1974 did the net balance finally register a surplus of \$26.7 million. International reserves rose steadily from \$57.3 million in 1967 to \$64.7 million in 1971, increased dramatically (with the rise in oil exports) from \$143.4 million in 1972 to \$1 billion by December 1980, and then dropped (as the oil market softened) to \$304 million at the end of 1982, but were up to \$500 million by 1987. In 1992, currency appreciation caused a narrowing in the trade surplus, which pushed down international reserves. In 1994, increased production in the petroleum, banana, construction, and manufacturing sectors generated growth of 4%, up from 3% the

year before, helping Ecuador post a merchandise trade surplus of \$435 million. The surplus, however, was offset by a deficit on the services account resulting in a current account deficit of \$807 million. Increased exports in 1995 were partially offset by increased military imports due to the conflict with Peru. The current account deficit in 1997 also showed an increase of military imports with a deficit of \$734 million (according to the US embassy in Ecuador). The 1998 peace agreement with Peru assuaged the balance of payments deficit, but by that time the flight of private capital due to the unstable political situation had precipitated a negative turn in the economy. Capital flight still remained a problem in the early 2000s, due to a difficult investment climate, a fragile banking system, and continued economic and political uncertainty.

External debt was approximately 80% of GDP in 2000 (at approximately \$14 billion in debt), an improvement over 1999 when the debt-to-GDP ratio was 100%, due in large measure to the depreciation of the sucre prior to dollarization. Though Ecuador's debt had risen to \$18.1 billion by 2005, the debt-to-GDP ratio had dropped to roughly 60%.

The International Monetary Fund (IMF) reported that in 2003 Ecuador had exports of goods totaling roughly \$6.2 billion and imports totaling roughly \$6.3 billion, making for a trade deficit of approximately \$72 million. The services credit totaled \$900 million and debit \$1.6 billion.

### 3<sup>3</sup> BANKING AND SECURITIES

The Central Bank of Ecuador, founded as a private bank in 1927, was declared an organ of the state in 1948 by the Monetary Board. The Central Bank issues and stabilizes currency, holds and manages foreign-exchange reserves, issues import and export permits, and regulates international transactions. The Monetary Board supervises government monetary, financial, and exchange policies. In 2002, there were 22 private banks operating in Ecuador. The five largest banks included Banco Popular, Filanbanco, Banco del Progreso, Banco del Pichincha, and Banco del Pacifico.

The government-owned National Development Bank (BNF) was founded in 1928 to provide credit for agricultural and industrial development. Other major government-owned financial institutions are the Bank of the State (BEDE), the National Finance Corporation (CFN), the Ecuadorian Housing Bank (BEV), and the Development Bank of Ecuador (BEDE).

On 1 December 1996, President Abdalá Bucaram anchored the fully convertible sucre to the dollar. In July 1997 the sucre was pegged at a fixed exchange rate of 4 new sucres (4,000 old sucres) per dollar. Bucaram was dismissed from the government for incompetence, and his plan was abandoned by the Alarcon government, which introduced a currency auction system to minimize fluctuations between the sucre and the dollar. The sucre depreciated by almost 200% in 1999. In 2000, President Mahuad decided to dollarize the economy at 25,000 sucres per dollar. He was also ousted in a coup d'état on an anti-dollarization platform, but the incumbent President Naboia went ahead with the plan anyway. IMF-backed recovery plans for 2001 included massive amounts of foreign assistance. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.9 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$4.9 billion. The

#### Balance of Payments – Ecuador (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-455.0</b>
Balance on goods	-71.0	
Imports	-6,268.0	
Exports	6,197.0	
Balance on services	-692.0	
Balance on income	-1,465.0	
Current transfers	1,772.0	
<b>Capital Account</b>		<b>25.0</b>
<b>Financial Account</b>		<b>316.0</b>
Direct investment abroad	...	
Direct investment in Ecuador	1,555.0	
Portfolio investment assets	...	
Portfolio investment liabilities	8.0	
Financial derivatives	...	
Other investment assets	-904.0	
Other investment liabilities	-343.0	
<b>Net Errors and Omissions</b>		<b>184.0</b>
<b>Reserves and Related Items</b>		<b>-70.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 16.44%.

Trading in securities is relatively minor. Ecuador has two stock exchanges, one in Quito and the other in Guayaquil, both established in 1969. Market capitalization of the Guayaquil Stock Exchange was \$2.581 billion in 2004, with a trading value of \$99 million. As of that same year, a total of 30 companies were listed on the Guayaquil Stock Exchange. Purchase and sale of government and some private securities are functions of the National Financial Corp., which, along with several hundred business people, owns the two stock exchanges. This autonomous agency, founded in 1964, deals in mortgage bonds issued by banks for agricultural and industrial development and in general seeks to mobilize funds for technical assistance to industry.

### 34 INSURANCE

The principal branches of insurance are fire, marine, and vehicular, with some growth in aviation and aircraft. Other branches, including life, are still undeveloped. Work-related injuries and imports are required to be insured.

Insurance is closely governed by legal provisions determining necessary reserves and security funds and requiring a percentage of investments in government securities. The Superintendency of Banks periodically examines insurance operations and authorizes the formation of new companies. In accordance with the General Insurance Law of 1965, all insurance companies must apply to the Bank Superintendency for authority to operate.

It has been proposed to privatize the management of pension funds in the state security system, the Instituto Ecuatoriano de Seguridad Social (IESS). This will be made possible by separating the IESS into three sectors: health, pensions, and rural social security. In 2003, the value of all direct premiums written totaled \$458 million, of which \$412 million were nonlife. Colonial was the country's top nonlife insurer, in 2003 with \$56.6 million gross premiums written. Pan American Life was the country's leading life insurer, with \$12.8 million of gross life premiums written in that same year.

### 35 PUBLIC FINANCE

The central government, 20 provincial and some 100 municipal governments, and a large number of decentralized autonomous agencies constitute the public sector of the Ecuadoran economy. Central government budgets in the late 1970s and early 1980s grew expansively from one year to the next, with oil being the key source of income. Economic reforms instituted in 1992 rose domestic fuel prices and utility rates, eliminated subsidies, and brought the government budget into balance. These changes helped eliminate the budget deficit by 1994. The government was able to maintain budgetary control in 1995 when faced with increased military expenditures because of the border conflict with Peru, with a deficit of only 1.4% of GDP. However, the 1996 balance ran a deficit of 3% due to increased public spending. A growing fiscal deficit in the late 1990s due to declining oil prices, El Niño damage, and the inefficiencies of the public sector, caused the removal of several political leaders. The extreme financial cri-

sis during 1999 and 2000 caused the total public debt to rise from 64% of GDP in 1997 to 116% of GDP in 1999.

The US Central Intelligence Agency (CIA) estimated that in 2005 Ecuador's central government took in revenues of approximately \$8.8 billion and had expenditures of \$8.1 billion. Revenues minus expenditures totaled approximately \$669 million. Public debt in 2005 amounted to 44.9% of GDP. Total external debt was \$17.01 billion.

### 36 TAXATION

Ecuador's tax structure includes an income tax, a 12% value-added tax (VAT), a stamp tax, a real estate tax, a transfer tax, municipal taxes, and inheritance and gift taxes.

As of 2005, the basic tax on corporate income was 25%. A reduced rate of 15% is available on the amount of profits that are reinvested. A withholding tax of 25% is also imposed upon certain payments made abroad. These include: royalty payments for technical assistance to nondomiciled companies and nonresident persons; payments to nonresident persons for services performed; payments made to nondomiciled firms for professional services performed abroad or occasional services performed in Ecuador. Dividends received as well as certain capital gains are not taxed. Personal income tax is assessed according to a progressive schedule ranging from 5–25%, up from a range of 0–15% in 2000. Additional rates and surcharges are applicable to certain classes of income. A stamp tax is levied on almost all commercial and legal documents. Estate, inheritance, and gift taxes vary according to the amount involved and the closeness of family relationship between donor and recipient. Municipal real estate taxes range from 0.3–2%. A special consumption tax is imposed on cigarettes, alcoholic beverages, soft drinks, motor vehicles, aircraft, helicopters, and ships.

### 37 CUSTOMS AND DUTIES

Import duties range from 0–20%, although there is a 35% duty applied to automobile imports. The average tariff rate is 13% ad valorem, as a result of Ecuador's accession to the World Trade Organization in 1996. Ecuador has a common external tariff (CET) with Colombia and Venezuela, ranging from 5% on raw materials and capital goods, 10% or 15% for intermediate goods, and 20% for consumer goods. A 12% VAT on imports based on CIF plus duty and all other taxes is placed on imports, with exemptions for agricultural inputs, petroleum development equipment, medicines, and books.

Ecuador is a member of the Andean Pact and the Latin American Integration Association (LAIA). Ecuador also has bilateral free trade agreements with Colombia, Bolivia, Venezuela, and Chile. All accord preferential duty treatment. Five free trade zones were established in 1991, including the Zona Franca de Esmeraldas, Zona Franca del Pacifico S.A., Zona Franca Centro Ecuatoriana CA, Zona Franca Manabi, and Parque Industrial de Cuenca CEM.

### 38 FOREIGN INVESTMENT

The government welcomes foreign investment and has substantially decreased regulatory barriers in recent years, though Ecuador's economy retains a considerable statist and protectionist orientation. As a member of the Andean Pact, Ecuador's foreign

investment policy is governed largely by the parameters of Andean Pact Decisions 291 and 292 of May 1991, which provide for equal treatment of foreign and domestic investors, and unrestricted remittance of profits overseas. As of 8 January 1993, foreign investment was allowed without previous authorization in virtually all sectors of the economy that were open to domestic private investment, with total repatriation permitted.

In 1997 the government passed a law on promoting foreign investment. Investment in telecommunications and electricity were opened in 2000, when the government announced plans to sell half of the rights in each sector. In 2001 a new mining law went into effect designed to spur increased foreign investment in Ecuador's considerable untapped mineral reserves. The law provides for 30-year, renewable concessions of up to 5,000 hectares (with no limit on the number of concessions per investor), with exploration and production covered by a single license and environmental regulation under a single, central authority. Licensing fees are called "conservation patents" and increase over the life of the concession. Concessions can be both transmitted (passed on to heirs) and transferred (rented, leased, or sold.) Four major mining companies were awarded concessions in 2002.

Foreign oil companies still have to work with PetroEcuador, the state oil company, which is judged to be sorely in need of foreign investment funds, particularly after the government default in 1999 and near-collapse of domestic banking system. In 2003, PetroEcuador's problems—production was 35% below the level in 1990—were under study by an international financial group headed by the IMF, which will doubtless prescribe more openness to foreign investment in the sector.

The annual average inflow of foreign direct investment (FDI) in Ecuador amounted to \$740.5 million in 1997 to 2000. In 2001 and 2002, the annual FDI inflow rose over 75% (to \$1.33 billion and \$1.28 billion, respectively), contrary to the worldwide trend of sharp decreases in inward FDI. Flows increased further in 2003, with the vast majority going to petroleum and mining. Major investors include the United States, Italy, Spain, and Argentina. Ecuador's good relations with the United States, plentiful natural resources, low wages and property costs, and membership in the Andean Community all serve to attract FDI. Detracting from these advantages, however, are the skills shortage, legal insecurity, and a small, infrastructurally underdeveloped business sector.

### 39 ECONOMIC DEVELOPMENT

In 1992–93, a major macroeconomic adjustment program was introduced, featuring a sizable currency devaluation (35%) and substantial increases in domestic fuel and electricity prices. Free trade agreements with Colombia, Venezuela, and Bolivia were signed, and new investment regulations were adopted to open up the economy to foreign investment and eliminate previous bureaucratic impediments. In April 1993, Ecuador qualified for Andean Trade Preference Act benefits, and became a member of the WTO in 1996.

High debt service obligations and external payments arrears to commercial banks impaired Ecuador's economic growth during the rest of the 1990s. The economy basically fell apart in 1999, despite aid throughout the decade from multilateral donors. In 2000, Ecuador accepted a \$600 million loan from the International Monetary Fund (IMF), IBRD, and the Andean Development

Corporation; while it rescheduled loan payments on \$600 million with the Paris Club. This was part of a total \$2 billion package from multilateral aid agencies to take place over a period of three years. In order to receive the money, the government was required to undertake a privatization program, and increase the price of petrol by 60%. Total external debt in 2001 reached \$14 billion, most of which was in default. The country adopted the US dollar as legal tender in 2000.

In March 2003, Ecuador negotiated a 13-month, \$205-million standby arrangement with the IMF. In 2002, economic growth was slow, due in part to tax cuts, a drop in oil output, large increases in a public wage bill, and a high-level corruption scandal. The government that took office in 2003 pledged to eliminate arrears, resolve remaining problems with closed banks, and modernize state-owned enterprises. Completion of a new Transandean Oil Pipeline was seen as a sign of potential output growth.

In 2004, Ecuador engaged in talks with Peru, Colombia, and the United States regarding a new free-trade agreement (to replace the 2002 Andean Trade Promotion and Drug Eradication Act—AT-PDEA—that was scheduled to expire in December 2006). As opposed to other nations in the region, the emphasis of economic policy in Ecuador continues to be on primary goods, and less on diversification of trade, making it vulnerable to terms-of-trade shocks. A lack of support for the proposed Hydrocarbons Law (concerning the privatization of the state-owned oil sector) led to its demise in July 2004, in general leading to one more failure to implement privatization fully in Ecuador. In the meantime, the high oil prices have helped Ecuador to accumulate foreign currency reserves from \$545 million in 2000 to \$849 in 2004.

### 40 SOCIAL DEVELOPMENT

Ecuador's social security program is administered through the Ecuadorian Social Security Institute. A 2001 law to overhaul the system has not yet been implemented. The government funds the Bono de Desarrollo Humano program, which provides assistance to the elderly and disabled. Old age pensions, disability and survivorship benefits are funded through employee and employer contributions, depending on the type of occupation. Unemployment benefits for public and private employees are provided by individual severance accounts and a social insurance program. There is a minimal family allowance for impoverished mothers with at least one child under 18 years of age.

Despite equal legal status, women have fewer educational and employment opportunities than men. There are fewer women in the professions, and salary discrimination is common. Social, economic, and cultural change is promoted by the Ecuadorian Women's Permanent National Forum. The Law Against Violence Affecting Women and Children criminalized domestic abused including psychological abuse. It also created family courts and gave authorities the power to remove an abusive spouse from the home. However, domestic abuse remained widespread in 2004.

Indigenous peoples in the Amazon area are increasingly demanding that the government take into account their interests before making decisions that affect their land. Human rights organizations reported cases of mistreatment of detainees and incommunicado detention. The judicial system is slow and pretrial detention may be lengthy.

## 41 HEALTH

Health facilities are largely concentrated in the towns and are both too expensive and too distant to be used by most of the highland Amerindian population. Hospitals are operated by agencies of the national government, the municipalities, and private organizations or persons. As of 2004, there were an estimated 148 physicians, 157 nurses, and 17 dentists per 100,000 people. Health care expenditure was estimated at 3.6% of GDP.

In 2002, the birthrate was an estimated 25.5 per 1,000 people. As of 2000, 66% of married women (ages 15 to 49) used contraception. The infant mortality rate in 2005 was 23.66 per 1,000 live births. Life expectancy that year was 76.21 years. In 1997, Ecuador immunized large numbers of children up to one year old as follows: tuberculosis, 99%; diphtheria, pertussis, and tetanus, 76%; polio, 77%; and measles, 75%. The overall death rate was an estimated 5.4 per 1,000 people.

Malnutrition and infant mortality are the country's two basic health problems. Malaria is still a problem; 12,011 cases were reported in 1996. In 1999, there were 172 cases of tuberculosis per 100,000 people. In 1996, 40 cases of measles were reported. Cholera still persists; however, less than 1% of the 1,060 cases accounted for died of cholera in 1996. Other health problems are largely being controlled. Yellow fever was eliminated by the efforts of the Rockefeller Foundation. Two antituberculosis organizations have helped reduce the mortality from that disease, which earlier was responsible for one-fifth of the nation's deaths. In 2000, 71% of the population had access to safe drinking water and 59% had adequate sanitation.

The HIV/AIDS prevalence was 0.30 per 100 adults in 2003. As of 2004, there were approximately 21,000 people living with HIV/AIDS in the country. There were an estimated 1,700 deaths from AIDS in 2003.

## 42 HOUSING

In 2001, there were about 3,456,103 housing units in the country. About 72% of all housing units were detached, single-family homes, 9% were apartments, and 4% were *ranchos* or *covachas*, dwellings of wood, stone, or brick covered with palm leaves, straw or other vegetation. About 20,085 dwellings were *choza*, temporary shacks or huts. Owners occupied 67%. About 18% of the population live in inadequate housing structures. Almost all rural homes and many city dwellings on the coast are made with split bamboo siding and a palm thatch or corrugated iron roof.

Over the past decade, the government has received substantial amounts of money from international organizations for projects focusing on low-income housing. A housing development bank, Banco de la Vivienda, was established in 1961.

## 43 EDUCATION

Education is free and compulsory from ages 6 to 15. Primary education is six years, followed by three years of basic secondary school. This is followed by a diversified secondary program with students opting for two or three years of study in humanities, science, or technology. A two year vocational program is also offered.

The academic year runs from October to July. The primary language of instruction is Spanish.

In 2001, about 73% of children were enrolled in some type of preschool program at age five. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 50% of age-eligible students. It is estimated that about 99% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 23:1 in 2000; the ratio for secondary school was about 12:1. In 2000, private schools accounted for about 22.7% of primary school enrollment and 24.6% of secondary enrollment.

The Central University of Ecuador dates from 1594. There are three Catholic universities, in Quito, Guayaquil, and Cuenca. The National Polytechnical School in Quito offers degrees in industrial science and mechanical engineering, while the Polytechnical School of the Littoral in Guayaquil provides training in naval and petroleum engineering and in the natural sciences. The adult literacy rate for 2004 was estimated at about 91%, with 92.3% for men and 89.7% for women.

The Ministry of Education is the principal authority for all educational programs except higher education, which is supervised by a national technical council. As of 2003, public expenditure on education was estimated at 1% of GDP, or 8% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

The oldest and most important library in Ecuador is the Central University Library in Quito. It was founded in 1586 and has 170,000 volumes. Other important collections are maintained at the Cuenca University Library (more than 63,000 volumes) and at the National Library in Quito (over 70,000 volumes). Libraries are also maintained by the other universities; the municipalities of Quito, Guayaquil, Cuenca, and Riobamba; the Ecuadoran Culture House; the Central Bank of Ecuador (48,000 volumes); and other organizations, including the Ecuadoran Culture House, which holds the Laura de Crespo room of National Authors. The library of the Pontificia Universidad Católica del Ecuador in Quito contains about 119,854 books and serves as a depository library of the United Nations.

A number of museums in Ecuador preserve and display paintings, sculpture, coins, records, and artifacts of historic and scientific interest. One of Ecuador's best collections of Inca and pre-Inca objects is found in a privately owned museum near Cuenca. Quito has the National Museum and Archives, the Museum of Modern Art, the Archaeological Museum and Art Galleries of the Central Bank of Ecuador, the Jijón and Caamaño Archaeological and Historical Museum, and the museum of the Ecuadoran Culture House, as well as other smaller collections in schools and government agencies. There are municipal museums in many smaller cities, as well as ethnographic and historical museums.

## 45 MEDIA

Between the main cities and towns there are radiotelephone links. Quito is connected by telegraph with Colombia and Peru, and there are telephone and cable connections with all parts of the world. In 2003, there were an estimated 122 mainline telephones for every 1,000 people; about 14,500 people were on a waiting list

for telephone service installation. The same year, there were approximately 189 mobile phones in use for every 1,000 people.

Ecuador had 392 AM and 35 FM radio stations and 7 television stations as of 2001. In addition to the numerous local stations, there was one central government network, Radio Nacional del Ecuador. In 2003, there were an estimated 422 radios and 252 television sets for every 1,000 people. About 13.9 of every 1,000 people were cable subscribers. Also in 2003, there were 31.1 personal computers for every 1,000 people and 46 of every 1,000 people had access to the Internet. There were 38 secure Internet servers in the country in 2004.

In Quito, the leading newspapers, with their political tendencies and estimated daily circulations in 2004 as available, were: *El Comercio*, independent; *Hoy*, independent; *Últimas Noticias*, independent, 60,000; and *La Hora*, independent, 12,000. In Guayaquil, leading papers include *El Extra*, 380,000 (in 2004); *El Universo*, independent, 143,000; *La Segunda*, independent, 60,000; *Expreso*, independent, 60,000; and *El Telegrafo*, independent. In Cuenca, the conservative daily *El Mercurio* had a circulation of 18,000 in 2004.

The government requires all mass periodicals to participate in literacy and adult education campaigns. There is no censorship of newspapers or of radio and television stations, as ensured by Ecuador's constitution.

#### 46 ORGANIZATIONS

There are about seven chambers of commerce and industry and at least 10 employers' organizations. Workers' and business organizations include the National Association of Cocoa Exporters, Textile Industry Association of Ecuador, and the National Association of Coffee Exporters. Trade unions are not common.

The outstanding contemporary learned society is the Ecuadorian Academy, founded in 1875, and the second academy in Spanish America. It is a correspondent of the Royal Spanish Academy. The Ecuadorian Culture House prints works of contemporary Ecuadorian writers, encourages the investigation of scientific and social problems, and conducts discussions on cultural matters. The Andean Institute of Popular Arts, based in Ecuador, is a multinational organization that promotes interest and study in the arts through special programs and scholarships.

The Federacion Medica Ecuatoriana (Medical Federation of Ecuador) promotes research and education on health issues and works to establish common policies and standards in healthcare. There are also a number of associations dedicated to research and education for specific fields of medicine and particular diseases and conditions. Professional networking and educational associations exist for many other fields as well.

Fraternal organizations and service clubs in Ecuador include the Masons, Rotary clubs, and Lions clubs. The Scout Association of Ecuador and the Girl Guides have active programs. There is a Junior Chamber Program promoting leadership development for youth. Sports associations are active in supporting amateur competitions in a number of pastimes. Many social and charitable organizations are sponsored by the Roman Catholic Church.

The Charles Darwin Foundation for the Galápagos Isles, with multinational interest and membership, is based in Quito. Golondrinas Foundation is another environmental conservation organiza-

tion. The World Conservation Union has a regional office in Quito.

An organization called Ecuador Volunteer supports a number of service organizations throughout the country. The International Red Cross, Caritas, UNICEF, Habitat for Humanity, the Society of St. Vincent de Paul, and Amnesty International are active in the country.

#### 47 TOURISM, TRAVEL, AND RECREATION

Ecuador's highlands, reached by air, by the spectacular railroad, or highway, are rich in natural beauty. Quito, the second-highest capital in the world, has modern hotels and transportation. Its churches and monasteries, with their delicately carved doors and altars, and an abundance of exquisite paintings and sculptures, make Quito, in the words of a 1979 UNESCO citation, a "cultural patrimony of mankind."

An important part of Ecuador's cultural life is the feria, or market day, which takes place weekly in many towns. The town of Otavalo, about 56 km (35 mi) north of Quito, is well-known for its colorful Saturday fairs. The Galápagos Islands, world-famous for their unusual wildlife, have become a popular site for ecotourism.

Tourism has experienced significant growth in Ecuador due to the natural attractions and architectural and historical sights. Further development of ecotourism must be carefully managed to avoid a negative impact on Ecuador's environment.

Tourists need a valid passport. Visas are only required for stays of over 90 days. Visitors need a yellow fever vaccination certificate if arriving from an infected area. Tourist facilities on the coast include modern resort hotels and fine beaches.

There were 760,766 tourists who arrived in Ecuador in 2003, about 55% from other countries in South America. That same year there were 38,237 hotel rooms with 86,466 beds. Tourism receipts totaled us\$408 million.

In 2005, the US Department of State estimated the daily cost of staying in Quito was us\$222. Expenses in Guayaquil were us\$172 per day.

#### 48 FAMOUS ECUADORANS

Ecuadorans claim Atahualpa (1500?–33), the last emperor of the Incas, as the first renowned figure in their country's history; during the civil war between him and his half-brother, Huáscar, his administration of the Inca empire was based in what is now Ecuador. The 16th-century Amerindian general Rumiñahui is remembered for his heroic resistance to Spanish conquest. During the colonial period, Quito produced notable artists and sculptors. Among these were Miguel de Santiago (d.1673) and the Amerindians Manuel Chile (Caspicara) and Pampite. Francisco Javier Eugenio de Santa Cruz y Espejo (1747–95), the national hero of Ecuador, inspired much of the independence movement through his political writings. Espejo advocated complete emancipation from Spain, autonomous government for each colony, and nationalization of the clergy. Although he did not live to take part in the War of Independence (he died in prison for his political activities), he was an important figure in its philosophical development.

Vicente Rocafuerte (1783–1847), an early president, made significant contributions to the development of the republic. Another president, Gabriel García Moreno (1821–75), was the first to achieve national consolidation; he also contributed to the literary

development of the nation. Juan Montalvo (1823–89) bitterly and brilliantly opposed conservatism in his essays and other works. Eloy Alfaro (1841–1912), another outstanding president, was noted for the honesty of his administration.

Among Ecuador's literary figures were Numa Pompilio Llona (1832–1907), a poet-philosopher, and Juan de León Mera (1832–94), a poet and novelist. Outstanding Ecuadorans of the 20th century include the poets Gonzalo Escudero (1903–71), Jorge Carrera Andrade (1903–78), César Dávila Andrade (1918–67), and Benjamín Carrión (1897–1979); the novelist Jorge Icaza (1906–78); the painter Oswaldo Guayasamin Calero (b.1919); José María Velasco Ibarra (1893–1979), who served five times as president of his country; and Galo Plaza Lasso (1906–87), a former president of Ecuador and of the OAS. Mike Judge (b.1962) is an animator, voice actor, writer, and producer for such US television series as *Beavis and Butt-head* and *King of the Hill*.

#### 49 DEPENDENCIES

Ecuador's only territory, administered as a province since 1973, is the Archipelago of Columbus (Archipiélago de Colón), more commonly known as the Galápagos Islands, after the Spanish name for the large land tortoise found there. The six largest islands of the group (with their earlier names in parentheses) are Isabela (Albemarle), Santa Cruz (Indefatigable), Santiago (San Salvador or James), Fernandina (Narborough), Floreana (Santa María or Charles), and San Cristóbal (Chatham). Lying on the equator, this cluster of 60-odd islands is scattered over nearly 60,000 sq km (23,000 sq mi) of ocean and has a total land area of 8,010 sq km (3,093 sq mi). The center of the group lies at about 90°w, some 1,130 km (700 mi) from the coast of Ecuador and about 1,600 km (1,000 mi) southwest of Panama.

Most of the islands are small and barren. The largest, Isabela, which is 121 km (75 mi) long and makes up half the land area of the group, has the highest volcano (now only slightly active), reaching 1,689 m (5,541 ft). The climate of these tropical islands is modified by the cold Humboldt Current, which keeps the mean annual temperature as low as 21°C (70°F). Desertlike low-lying areas contrast with mist-shrouded heights at 240 m (800 ft) and higher elevations that have considerable rainfall.

Charles Darwin visited the islands in 1835 during his voyage on the *Beagle*, and his observations there made an important contribution to the development of his theories of evolution and natural selection. The unique forms of plant and animal life found on the

various islands include 15 species of giant tortoise, considered to be the longest-lived creatures on earth, with a life span of about 150 years and a maximum weight of more than 225 kg (500 lb). In the mid-1980s, their number was estimated at 10,000. The Galápagos have 85 species of birds. In 1959, Ecuador declared the Galápagos a national park to prevent the extinction of the wildlife. The islands have since become one of the world's most noted focal points for naturalist studies and observations. About 21,000 visitors come to the islands each year.

Early Amerindian navigators, traveling on balsa rafts, frequently went to the Galápagos for the excellent fishing, but there is no evidence of any permanent settlement. Bishop Tomás de Berlanga of Panama landed at the Galápagos in 1535; he was the first of a series of Spaniards to visit the islands. In 1832, the first president of Ecuador, Juan José Flores, declared the islands a national territory. Several were used from time to time for penal colonies, but the practice was discontinued in 1959. The administrative seat is San Cristóbal. Only four of the islands are inhabited, and the estimated population numbers 6,000.

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# EL SALVADOR

Republic of El Salvador  
*República de El Salvador*

**CAPITAL:** San Salvador

**FLAG:** The national flag consists of a white stripe between two horizontal blue stripes. The national coat of arms is centered in the white band.

**ANTHEM:** *Saludemos la Patria Orgullosos* (*Let us Proudly Hail the Fatherland*).

**MONETARY UNIT:** The US dollar became El Salvador's currency in 2001 replacing the colón.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some old Spanish measures also are used.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; Independence Day, 15 September; Columbus Day, 12 October; All Souls' Day, 2 November; First Call for Independence, 5 November; Christmas, 25 December. Movable religious holidays include Good Friday, Holy Saturday, Easter Monday, and Corpus Christi; there is a movable secular holiday, the Festival (1st week in August).

**TIME:** 6 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

El Salvador, the smallest Central American country, has an area of 21,040 sq km (8,124 sq mi), extending 270 km (168 mi) WNW-ESE and 142 km (88 mi) N-S. Comparatively, the area occupied by El Salvador is slightly smaller than the state of Massachusetts. Bounded on the N and E by Honduras, on the S and SW by the Pacific Ocean, and on the NW by Guatemala, El Salvador has a total boundary length of 852 km (529 mi), of which 307 km (191 mi) is coastline. It is the only Central American country without a Caribbean coastline.

El Salvador's capital city, San Salvador, is located in the west central part of the country.

## <sup>2</sup> TOPOGRAPHY

El Salvador is a land of mountains and once-fertile upland plains. It is divided into three general topographic regions: (1) the hot, narrow Pacific coastal belt, 260 km (160 mi) long and 16–24 km (10–15 mi) wide; (2) the central plateau, at an altitude of about 610 m (2,000 ft), crossing from east to west, between two mountain ranges; and (3) the northern lowlands, formed by the wide Lempa River Valley, bounded by a high mountain range ascending to the Honduran border.

The central plateau, north of the Pacific coastal belt, is an area of valleys endowed with rich volcanic soil. This is the agricultural, industrial, and population center of the country; the capital, San Salvador (682 m/2,237 ft above sea level), is in this region. Almost surrounded by active volcanoes—Santa Ana (2,381 m/7,812 ft), San Vicente (2,173 m/7,129 ft), San Miguel (2,132 m/6,995 ft), San Salvador (1,967 m/6,453 ft), and Izalco (1,965 m/6,447 ft)—the region is a zone of recurrent earthquakes and volcanic activity; Izalco is known as the Lighthouse of the Pacific. El Salvador has sev-

eral lakes, the largest being Ilopango, Güija, and Coatepeque. The Lempa, the most important of some 150 rivers, rises in Guatemala and runs south into El Salvador, eventually reaching the Pacific.

## <sup>3</sup> CLIMATE

Located in the tropical zone, El Salvador has two distinct seasons: the dry season, from November to April, when light rains occur, and the wet season, from May to October, when the temporales, or heavy rains, fall. The coastal plain receives the heaviest rainfall. Some interior areas are relatively dry most of the year, necessitating irrigation and a selection of crops suited for arid land cultivation. The average annual rainfall is 182 cm (72 in). Temperatures vary with altitude, from the hot coastal lowlands to the semitropical central plateau; in general, the climate is warm, with an annual average maximum of 32°C (90°F) and an average minimum of 18°C (64°F). The average temperature at San Salvador is 22°C (72°F) in January and 23°C (73°F) in July.

## <sup>4</sup> FLORA AND FAUNA

Indigenous trees include the mangrove, rubber, dogwood, mahogany, cedar, and walnut; pine and oak are found in the northern mountainous region. Varieties of tropical fruit, numerous medicinal plants, and balsam, a medicinal gum, grow in the country. Native fauna (greatly reduced in past decades) includes varieties of monkey, jaguar, coyote, tapir, and armadillo, along with several kinds of parrots and various migratory birds. Fish, both freshwater and saltwater, turtles, iguanas, crocodiles, and alligators abound. Both venomous and nonvenomous snakes, the latter including the boa constrictor, are common in El Salvador.

As of 2002, there were at least 135 species of mammals, 141 species of birds, and over 2,900 species of plants throughout the country.



## 5 ENVIRONMENT

Because of heavy cutting, the forest resources of El Salvador had been reduced to about 5.8% of the total area by 2000. Forty-five percent of the wood taken from the forests has been used for fuel. Peasant farmers burn the small trees and other growth on the hillsides to plant corn and beans, thus hastening the erosion of the topsoil. Seventy-five percent of the land area in El Salvador is threatened by erosion and desertification at a rate of 20 tons per hectare per year. The government enacted forestry conservation measures in 1973, but they have had little effect on the rate of deforestation. Among the environmental consequences of forest depletion, in addition to loss of soil fertility, are diminution of groundwater resources and drastic loss of native flora and fauna.

Pollution is widespread and restrictions on waste disposal, including disposal of toxic waste, are lax. By 1993, 90% of El Salvador's rivers were polluted. Safe drinking water is available to 91% of the urban population and 68% of the rural dwellers. Forty-six percent of the nation's 18 cu km of renewable water sources is used for agricultural purposes.

There is no comprehensive national law controlling environmental protection, and the legislation that is on the books is poorly enforced. The National Environmental Protection Committee, established by decree in 1974, has had little impact. In 2003, about 0.4% of the total land area was legally protected. There are two Ramsar wetland sites.

The pollution of the environment in El Salvador is a serious threat to the survival of its plants and wildlife. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 2 types of mammals, 3 species of birds, 5 types of reptiles, 8 species of amphibians, 5 species of fish, 1 species of invertebrate, and 25 species of plants. Endangered species in El Salvador included the tundra peregrine falcon, four species of turtle (green sea, hawksbill, leatherback, and olive ridley), American crocodile, ocelot, spectacled caiman, jaguar, giant anteater, and Central American tapir.

## 6 POPULATION

The population of El Salvador in 2005 was estimated by the United Nations (UN) at 6,881,000, which placed it at number 98 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 33% of the population under 15 years of age. There were 97 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.0%, a rate the government viewed as too high. The projected population for the year 2025 was 9,052,000. The population density was 327 per sq km (847 per sq mi), which makes it the most densely populated country in Central America. Overpopulation is considered a major problem in El Salvador. A majority of the people live in the central plateau.

The UN estimated that 59% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.7% for 2000–2005. The capital city, San Salvador, had a population of 1,424,000 in that year. Other major cities and their estimated populations are Santa Ana (250,000) and San Miguel (245,428).

## 7 MIGRATION

Until the early 1980s, emigration and immigration were negligible in El Salvador, except for migration of Salvadorans seeking economic advantages in Honduras, a trend that inflamed tensions between the two nations and was an underlying cause of their 1969 war. At that time, 300,000 Salvadorans were estimated to have settled in Honduras; following the war, as many as 130,000 Salvadorans may have returned from Honduras. An estimated 550,000 people were displaced from their homes by warfare between 1979 and 1992.

While the United States granted temporary asylum to thousands of Salvadoran refugees under the administration of President Jimmy Carter (1977–81), the administration of President Ronald Reagan began returning them to El Salvador in 1981. Of the one million Salvadorans estimated to be in the United States in 1988, an estimated 550,000 had entered the country illegally, about 500,000 of them since 1979. Their remittances to their families in El Salvador were an important component of the stagnant economy, and their absence from the Salvadoran labor force kept local unemployment lower than it would otherwise have been. In 2002 worker remittances were 13.5% of GDP; in 2003 remittances amounted to \$2.2 billion. Where migration from rural to urban areas was once heavy, the pattern has changed as rural migrants bypass urban centers and migrate directly to the United States and Canada. Internal migration had also shifted significantly by 2004. The population of the peri-urban area around San Salvador more than doubled, while the population of the northern third of the country remained stagnant and the southeastern portion of El Salvador's population increased by more than 20%.

In 1989, Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Nicaragua adopted a five-year plan called CIREFCA to solve the problems of uprooted people. Between 1989 and 1994, this plan helped repatriate 30,000 Salvadorians to their homeland. Thousands more Salvadorans who decided not to go home were integrated into asylum countries. In 2000 there were 24,000 migrants living in El Salvador, including 100 refugees. By the end of 2004 only 1 person sought asylum in El Salvador, while 235 sought refuge. However, in that same year 127,941 Salvadorans applied for asylum in the United States and 415 in Canada. The net migration rate estimated for El Salvador in 2005 was -3.67 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The population of El Salvador is racially and culturally homogeneous, with about 90% mestizo (mixed European and Amerindian), 1% Amerindian (mainly the Pipil tribes), and 9% European.

## 9 LANGUAGES

The official language of the country is Spanish. A few Amerindians continue to speak Nahua.

## 10 RELIGIONS

About 57.1% of the population identify themselves as Roman Catholic; San Salvador is an archbishopric. About 21.2% of the population are members of various Protestant churches, with the



LOCATION: 13°9' to 14°26' N; 87°41' to 90°08' W. BOUNDARY LENGTHS: Honduras, 342 kilometers (212 miles); Pacific coastline, 307 kilometers (191 miles); Guatemala, 203 kilometers (126 miles). TERRITORIAL SEA LIMIT: 200 miles.

largest denominations being Baptists and Assemblies of God. There are also many active Protestant missions throughout the country. Approximately 2.3% of the populace are associated with other churches and religious groups, including the Church of Jesus Christ of Latter-Day Saints (Mormons), Seventh-Day Adventists, Jews, Muslims, and Amerindian tribal religionists, among others. As many as 16.8% of inhabitants have no religious affiliation whatsoever.

The constitution of 1962 guarantees religious freedom and exempts churches from property taxes. The constitution specifically recognizes the Roman Catholic Church, granting it legal status; however, it also provides that other churches may register for such status according to the Non-Profit Organizations and Foundations law. Certain Christian holidays are celebrated as public holidays.

## <sup>11</sup>TRANSPORTATION

As of 2002 there were 1,986 km (1,234 mi) of paved highways out of 10,029 km (6,232 mi) of roadway in El Salvador. The Pan American Highway links El Salvador with Guatemala in the northwest and Honduras in the southeast. The Cuscatlán Bridge, where the Pan American Highway crosses the Lempa River, was the main thoroughfare for travel between eastern and western El Salvador at the time of its destruction by guerrillas in January 1984. In

2003, registered passenger vehicles numbered about 67,500, and commercial vehicles numbered 98,250.

As of 2004, El Salvador's railroad mileage totaled 283 km (176 mi), down from 562 km (349 mi) in 2002, due to a lack of maintenance and general disuse. The entire rail system is narrow gauge and single track.

The country's three ports—La Unión/Cutuco, La Libertad, and Acajutla—are located on the Pacific coast. Acajutla was the only port in service and it only receives bulk goods. Finished goods arrive at Guatemalan or Honduran ports and are trucked into El Salvador. In 2002, El Salvador had no registered cargo ships. Inland waterway traffic is negligible, with only the Río Lempa partially navigable, as of 2004.

In 2004 there were an estimated 73 airports. In 2005 only four had paved runways, and there was also one heliport. El Salvador is linked with the entire Western Hemisphere, Europe, and the Far East through international air services provided by Transportes Aéreos Centroamericanos (TACA) and other transportation companies. The principal airport, El Salvador International, is near San Salvador. In 2003, about 2.966 million passengers were carried on scheduled domestic and international airline flights.

## <sup>12</sup>HISTORY

The Pipil Amerindians, a subgroup of the nomadic Nahuatl Amerindians, migrated from present-day Mexico to Central America

in about 3000 BC. The Pipil are believed to have organized their nation into two federated states comprised of smaller principalities in the 11th century, after the Mayan Empire that had held sway over the Nahuatl declined in the 9th century. They were an agricultural people, with a civilization comparable to the Aztecs, except that the Pipil had abolished human sacrifice. The Pipil also succeeded in building lasting urban centers that grew into current cities, such as Sonsonate and Ahuachapan. This fierce people—as well as two smaller groups, the Pocomans and the Lenca—lived in the area of present-day El Salvador met the Spanish conquistadors with significant resistance.

In 1524, Pedro de Alvarado, a Spanish conquistador sent by Hernán Cortés from Mexico, invaded El Salvador but was forced by Pipil resistance to retreat. After two additional attempts in 1525 and 1528, the Spanish eventually brought the Pipil under their control. When the conquistadors discovered the area's relative lack of precious metals, the Spanish monarch appropriated to Spanish settlers large tracts of land and the ability to collect tribute (forced payments) from the Amerindians under the terms of the *encomienda* system.

During the Spanish colonial period, San Salvador—founded by Alvarado—was one of six administrative regions of the captaincy general of Guatemala. This collective of Central American colonies declared their independence from Spain in 1821, but the first calls for liberation far preceded that date. At the La Merced church in San Salvador, Father José Matías Delgado cried out for independence on 5 November 1811, a day still commemorated as a national holiday in El Salvador. Following successful independence from Spain in 1821, Central America was annexed by the Mexican emperor, Agustín de Iturbide in 1822. When Iturbide was deposed a year later, the Central American states broke from Mexico to form a federation of El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica, which they named the United Provinces of Central America.

Perpetual conflict between liberals and conservatives forestalled any unification of the United Provinces of Central America into a national unit, as it crippled the legitimacy of the government and its capability to enact political, economic, and social reforms. El Salvador was particularly supportive of the liberals and the rule of liberal Honduran Francisco Morazan, as opposed to the conservative Guatemalan Rafael Carrera. Thus, when liberal forces fell to Carrera in March 1840, El Salvador declared its independence from the United Provinces of Central America shortly thereafter, in January 1841.

The republic of El Salvador was formally proclaimed on 25 January 1859. Turbulence, political instability, and frequent presidential changes characterized Salvadoran history during the second half of the 19th century. This period also saw the growth of coffee as El Salvador's leading product. The Salvadoran elite, known as the "14 families" or simply "the 14," created large coffee plantations, often on the land of displaced Indians. There followed a period of relative stability during 1900–30, but the seizure of power in 1931 by Gen. Maximiliano Hernández Martínez brought a period of constant military rule for almost 50 years. Hernández ruled for 13 years and presided over *la matanza*, a brutal suppression of a peasant uprising known in 1932, killing about 30,000 people. Few of the governments after Hernández tried to reduce the gap

between the landowners and the landless classes, and those that did were doomed to failure.

Landless Salvadorans found land available in neighboring Honduras. During the 1960s the influx of Salvadorans increased, provoking countermeasures from the Honduran government. Tensions rose between the two nations, and on 14 July 1969, they went to war for four days. The immediate occasion of the conflict was the Central American soccer championship between the two states, in which El Salvador won on a disputed referee's call, leading US journalists to dub it the "Soccer War." A total of 3,000–4,000 people on both sides were killed. After an OAS-sponsored cease-fire, the two sides worked out a peace settlement, which was signed on 30 October 1980. A leftover border dispute was settled by the International Court of Justice (ICJ) in 1992.

In 1972, the military candidate for president was opposed by José Napoleón Duarte of the Christian Democratic Party (PDC). Duarte was denied election by fraud and sent into exile. Pressure for reform came from the armed resistance from several leftist factions. In response, the right unleashed "death squads" to intimidate and eliminate any who attempted to introduce change to the country.

By the late 1970s, the situation had erupted into civil war. The guerrillas consolidated under the Farabundo Martí National Liberation Front (FMLN), and right-wing violence escalated. The military had not distinguished itself in its response to the violence, having engaged in widespread repression against suspected rebels. In 1979, a coup brought to power a set of reformist officers, who found common cause with such civilian leaders as Duarte. The junta liberalized the political system, setting legislative elections for 1982. It also nationalized banks and the coffee export trade, while launching an ambitious and controversial land-reform program. Attacked by both left and right, the junta was unable either to suppress left-wing guerrillas or to control its own security forces, which began their own vigilante campaigns even as the angry landowners hired "death squads" to suppress opposition among peasants, students, clergy, and other groups.

In December 1980, José Napoleón Duarte of the Christian Democratic Party was installed by the junta as president. Though he was El Salvador's first civilian head of state since 1931, human rights abuses and bloodshed persisted throughout his administration. In 1980, Archbishop Romero was assassinated while celebrating mass, spurring the guerrilla's launch of their unsuccessful "final offensive," in 1981. It is estimated that at least 62,000 people died between October 1979 and April 1987, most of whom were civilian noncombatants murdered by death squads and government security forces.

The junta headed by Duarte oversaw the drafting of a new constitution, adopted on 20 December 1983 by interim president Álvaro Alfredo Magaña and a constituent assembly that had been elected in March 1982. Following the 1984 election, Duarte became the first constitutionally elected president in over 50 years, after defeating Roberto D'Aubuisson of the National Republican Alliance (ARENA). D'Aubuisson was an extreme anticommunist accused of plotting against the government and supporting the death squads.

Despite Duarte's attempts at reform, charges of corruption, the ongoing civil war, and the economic dislocation brought on by his austerity measures, all led to Duarte's defeat by Alfredo Félix

Christiani Burkard in the 1989 elections. Many were concerned because Christiani's ARENA party was tied to former candidate D'Aubuisson.

Christiani allayed these fears, calling for direct dialogue between the government and the guerrillas. Despite a rocky negotiations process punctuated by military escalations, on 31 December 1991 the government and the FMLN signed the Chapultepec Accord formally ending the civil war. The accord called for reforms throughout the military, including the purge of officers linked to human rights abuses, and a reduction by 50% of the force. While the former has been a slow process, the latter goal was achieved ahead of schedule. A cease-fire took effect 1 February 1992, and held until 15 December 1992, when the FMLN officially laid down its arms.

ARENA was returned to power again when Calderón Sol won the presidential runoff election in 1994. Calderón's ambitious economic liberalization plan, his cutting tariffs, his privatizing of banks and pensions, and his attracting foreign investment resulted in healthy economic growth of 4–5% a year. Yet underemployment and low wages were persistent and were accompanied by an upswing in violent crime—from marauding bands robbing agricultural workers to organized gang activity preying on urban dwellers. Even the 1996 12-point government plan, which included investment in infrastructure and social services, couldn't convince the electorate to maintain its support of ARENA in the March 1997 parliamentary and local elections. FMLN significantly increased its share of seats in the legislature, as well as in local elections.

The ruling ARENA party managed to retain control of the presidency in the 1999 elections, with Francisco Flores winning 51.4% of the vote. In the March 2000 parliamentary election, however, FMLN became the strongest party in the Assembly, with more seats than ARENA. The FMLN maintained these seats in the March 2003 elections, but ARENA maintained its hold on the presidency when Elias Antonio Saca won the March 2004 presidential election. Despite a public outcry, Saca upheld amnesty laws protecting former officials, like himself, from prosecution for involvement in death-squad murders during the civil war.

Though the peace agreement officially ended the civil war in 1992, the country was still trying to grapple with justice in the region as of 2006. El Salvador has not been able to cope fully with the effects of the civil war; this process has been further hindered by a series of natural disasters that contributed to the socio-political and economic instability.

Hurricane Mitch struck in 1998, and a number of earthquakes occurred in 2001, leaving at least 1,200 people dead and more than one million others homeless. The financial toll, furthermore, was in the billions. In October 2005, the Ilimatepec (Santa Ana) volcano erupted, forcing thousands of people from their homes only days before Hurricane Stan hit, with its consequent flooding and deadly landslides.

### 13 GOVERNMENT

The constitution adopted on 20 November 1983 defines El Salvador as a republic. The constitution vests executive power in the president, who is to be elected by direct popular vote for a term of five years. The president, who must be native-born, over 30 years of age, the offspring of native-born parents, and a layperson, is not

eligible for immediate reelection. The president is commander-in-chief of the armed forces, enforces the laws, formulates an annual budget, draws up international treaties and conventions (which must be ratified by the National Assembly), appoints diplomatic and consular officials, and supervises the police. Every two years, the National Assembly elects three substitutes (*designados*), who can, in order of designation, assume the presidency when the president and vice president are not available.

Legislative power is exercised by a unicameral National Assembly composed of 84 deputies apportioned among the various departments according to population. Deputies are elected for a three-year term and must be at least 25 years of age. The Assembly levies taxes, contracts loans and arranges for their payment, regulates the money supply, approves the executive budget, ratifies treaties and conventions, declares war, and suspends or reestablishes constitutional guarantees in national emergencies. The deputies, the president's ministers, and the Supreme Court all may propose legislation. The Assembly approves legislation and is technically empowered to override a presidential veto by a two-thirds vote.

Universal male and female suffrage (over the age of 18) was inaugurated in 1950. However, voting in El Salvador has been a source of controversy. During the 1980s, the government made voting compulsory, while the guerrillas insisted the citizens should not collaborate with the system. Thus, the Salvadorans were confronted with a dilemma: vote, and face the wrath of the guerrillas, or refuse to vote, and immediately become suspected of leftist sympathy. At times, voting was not secret. Current practices include a more confidential and voluntary system.

### 14 POLITICAL PARTIES

The leading party of the right in El Salvador is the National Republican Alliance (Alianza Republicana Nacionalista—ARENA), organized in 1982 by Roberto D'Aubuisson. ARENA controlled the National Assembly until 1985, and its next leader, Alfredo Christiani, was elected to the presidency in 1989. Five years later, ARENA candidate Armando Calderón Sol became president. In the March 1997 parliamentary elections, ARENA's representation was reduced from 42 seats in the 84-member legislature to 28. In 1999, ARENA recovered and won the presidency again with 51.4% of the vote, but a year later its support fell to 36% in the National Assembly elections of March 2000. In March 2003, ARENA plummeted even further with 28% of the vote. However, in 2004, ARENA scored a victory when Elias Antonio Saca Gonzalez captured 57.7% of the vote, securing the fourth consecutive ARENA presidential win and extending his term for five years, until 2009. During the campaign, Saca stated his desire to work with other parties to tackle the violent street gangs, known as *maras*, and to make government more transparent. As one of the most pro-US governments in the hemisphere, Saca worked to promote economic ties with the United States through CAFTA and other similar free trade arrangements.

The Chapultepec Accords introduced a new force into El Salvador's electoral system: the Farabundo Martí National Liberation Front (Frente Farabundo Martí de Liberación Nacional—FMLN). Named for an insurgent leader of the 1930s, the FMLN was originally a paramilitary group in armed rebellion against the government. As part of the 1992 accords, the FMLN is now a legal par-

ty after having ceased its military operations. The FMLN-backed candidate, Ruben Zamora, was the runner-up in the 1994 presidential election, winning 24% of the vote. In the March 1997 legislative elections, the FMLN made significant gains, nearly doubling its representation in the Legislative Assembly, from 14 to 27 seats, and winning municipal elections in half the departmental capitals. In the March 2000 elections, the FMLN won 31 seats, shy of a majority but more than any other political party. In 2003, the FMLN increased its share of the vote to 34%, but did not win any additional seats in parliament. Expectations ran high that FMLN might secure the presidency in the 2004 elections, but its candidate, Schafik Handa, secured just 35.6% of the vote, more than 20% less than Saca.

The moderate Christian Democratic Party (Partido Demócrata Cristiano—PDC) was formed in 1960. For three decades, it was associated with its leader and founder, José Napoleón Duarte. Damaged by many splits over the years, and suffering after Duarte's unsuccessful presidency (1984–1989), the centrist PDC lost strength among the electorate. In the March 2000 National Assembly elections, it obtained 7.2% of the votes and 6 seats in the 84-member Assembly. In 2003, its share of the vote fell to 7.3% and it lost one seat. The National Conciliation Party (PCN), which was founded by the military in 1961, obtained 8.8% of the votes in the 2000 election and secured 13 seats, enough to give a majority to either ARENA or the FMLN. In 2003, it increased its vote to 13% and it secured 16 seats. Because of its ability to break the tie between the FMLN and ARENA, the PCN has gained an important negotiating role in Salvadorian politics.

In March 2003, the Centro Democrático Unido (United Democratic Centre, social-democratic) secured five seats in the National Assembly. The PDC and UDC's mutually endorsed presidential candidate, Hector Silva, secured only 3.9% of the vote in the March 2004 elections.

## 15 LOCAL GOVERNMENT

El Salvador is divided into 14 departments (*departamentos*), including Ahuachapan, Cabanas, Chalatenango, Cuscatlan, La Libertad, La Paz, La Union, Morazan, San Miguel, San Salvador, Santa Ana, San Vicente, Sonsonate, and Usulután. Each *departamento* has its own governor and alternate governor appointed by the executive power through the corresponding ministry. The country's 262 municipalities (cities, towns, and villages) are administered by mayors and municipal councils elected by popular vote. Traditionally independent in their local functions, municipalities may be limited in their activities by the departmental governor.

## 16 JUDICIAL SYSTEM

The court system includes justices of the peace, courts of the first instance, intermediate level appellate courts, and the Supreme Court (*Corte Suprema*) made up of 13 justices selected by the National Assembly. With the exception of justices of the peace, judges are appointed to renewable three-year terms. An 11-member National Council of the Judiciary, appointed by the National Assembly, is an independent body charged with screening judicial candidates for nomination.

According to the constitution, the Supreme Court is the court of last appeal; it passes on writs of habeas corpus, constitutionality of the laws, jurisdiction and administration of lower courts, and

appointment of justices below the appellate level. There are also special courts, appointed by the National Assembly, and military tribunals, selected by the Supreme Court. The 1995 legislation provides for oral trials and establishes family and juvenile courts. The 1996 criminal procedure code replaces a criminal system based on civil law with one in which oral argument is the norm.

Under the constitution, defendants have the right to a presumption of innocence, to representation by legal counsel, to be present in court, and to confront witnesses.

Foreign and international judicial systems also mattered to the future of justice in El Salvador. El Salvador accepts compulsory jurisdiction of the International Court of Justice with reservations. In 2002, US courts held two former Salvadoran army generals on trial for civil war atrocities and ordered them to pay the victims. Additionally, in March 2005, an OAS human rights court reopened an investigation into one of the worst massacres of the civil war—the 1981 massacre in El Mozote.

## 17 ARMED FORCES

In 2005, there were a total of 15,500 active personnel in El Salvador's armed forces, supported by 9,900 reservists. Military numbers had been reduced as prescribed by the peace accord ending the country's civil war. There were 13,850 members in the Army, 700 in the Navy, and an Air Force estimated at 950 personnel. The Army's primary equipment included 10 reconnaissance vehicles, 51 armored personnel carriers and over 600 artillery pieces. The Navy's major units consisted of 38 patrol/coastal vessels. The Air Force had 21 combat capable aircraft, including 5 fighter ground attack aircraft. Paramilitary forces consisted of the National Civilian Police, which numbered over 12,000. In 2005, the defense budget totaled \$106 million.

## 18 INTERNATIONAL COOPERATION

El Salvador is a founding member of the United Nations, having joined on 24 October 1945; it is part of the ECLAC and several specialized agencies, such as the FAO, IAEA, IFAD, IFC, ILO, IMF, UNESCO, UNIDO, WHO, and the World Bank. El Salvador is one of five members of the Central American Bank for Economic Integration (BCIE) and the Central American Common Market (CACM). It is also a member of the WTO, the Latin American Economic System (LAES), G-77, the Río Group, the Association of Caribbean States (ACS), and the OAS. The country has observer status in the Latin American Integration Association (LAIA). In 2004, El Salvador, the United States, Costa Rica, Guatemala, Honduras, Nicaragua, and the Dominican Republic signed the US–Central America Free Trade Agreement (CAFTA). The agreement must be ratified by all participating countries before it enters into force.

The country is a signatory of the 1947 Río Treaty, an inter-American security agreement. In environmental cooperation, El Salvador is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change, and Desertification. El Salvador is also signatory to the Central American-US Joint Declaration (CONCAUSA).

## 19 ECONOMY

Traditionally, the Salvadoran economy depended on a single agricultural export commodity. Shortly after independence, this product was indigo. When the market for indigo declined (due to replacement with artificial dyes), El Salvador moved to the cultivation and export of coffee in the mid-1800s. Earnings from coffee spurred cultivation of cotton and sugar, and later financed light manufacturing. The Central American Common Market (CACM) provided a previously absent market for the light manufactures and thus prompted that industry's growth throughout the 1960s. Coffee and sugar remained two of the four principal exports in 2005.

By the 1970s, El Salvador was the most industrialized nation in Central America, although the breakdown of CACM and a dozen years of civil war eroded that position. The change in GDP growth over the years from 1965–1978 and 1979–1982 illustrate the effects of civil conflict and disruption of coffee, sugar, and cotton production during the 1980s. From 1965–1978, GDP growth averaged about 4.3% annually. However, from 1979 to 1982, it declined by 23%. From 1983–1986, growth recovered modestly at an average annual rate of 1.5%.

The economy largely recovered from the civil strife of the 1980s. Agriculture (mostly coffee) is the foundation of El Salvador's economy, providing about two-thirds of the nation's exports and employing nearly one-third of its labor force. El Salvador enjoys one of the lowest levels of indebtedness in the region, with the bulk of foreign financing provided on a concessional basis.

The Crisitani administration, which came into power in 1989, began a comprehensive economic reform plan oriented toward a free market economy. A market-based currency exchange rate was adopted. Price controls were eliminated, as were the sugar, coffee, and cotton marketing monopolies. The nationalized banking system was largely privatized beginning in 1989. However, due to increased credit availability and public services prices, inflation doubled to around 20% in 1992.

Bolstered by peace, El Salvador's economy experienced brisk growth, with yearly GDP growth averaging 6.5% from 1990 to 1995. Inflation remained a problem, however, falling to 12% in 1993 and 8.9% in 1994, but rising to 11.4% in 1995. The latter increase was due in part to an increase in the VAT rate and one-off increases in charges for telephone, electricity, and water services. Unlike most of the Latin American economies, El Salvador was largely unaffected by the "Tequila Effect" following the Mexican peso devaluation in 1995 because of the government's solid macro-economic management and the economy's low external debt.

In 1996 economic growth slowed to 2.1% as the government sought to rein in inflation, which, through tight monetary and fiscal policies, achieved a then-record low for El Salvador of 7.4% for the year. Higher interest rates resulting in very expensive borrowing costs and pessimistic expectations combined to drive down domestic investment. Yet this did not hold back growth. In 1997, GDP growth rose to 4%, and inflation dipped to the low level of 2% where it stayed through 2000. The growth rate gravitated around that level, with a rate of 3.4% in 1998 and 4.9% in 1999. In 1999, inflation remained at 2%.

In 2000, however, the growth rate was reduced to 2% by the destructive impact of Hurricane Mitch. Inflation rose to 4.3%. Growth was further dampened (1.4%) in 2001 due to two earth-

quakes, as well as the US recession, global slowdown, and reduced investment activity following the 11 September 2001 terrorist attacks. Inflation declined to 3% in 2001. According to the Economist Intelligence Unit, real GDP growth in El Salvador averaged 1.9% from 2000 to 2004, and inflation averaged 2.9%.

By 2005, El Salvador had become one of the strongest economies in Central America, with a steady growth in GDP, an environment of macroeconomic stability, falling inflation rates, and increased exports from involvement in several free trade arrangements.

The Economist Intelligence Unit projected that GDP growth would remain positive (at approximately 2.5%) in 2006 due to increased consumption, investment and exports due to the launching of the Dominican Republic-Central American Free-Trade Agreement (DR-CAFTA). Inflation was projected to average 4.7%, accompanied by a worsening current-account deficit.

Despite these advances, GDP per capita was only half that of Brazil, Argentina, and Chile. A historic inequality in income distribution plagued the country wherein 45% of the income accrued by the richest fifth of the population and 5.6% by the poorest. In 2003, 36.1% of the population lived below the poverty line. Further, though the dollarization in 2001 made for some increased trade and investment opportunities, it also created an increase in prices without increases in wages, which eroded individuals' purchasing power (GDP per capital was \$4,900 in 2004). Natural disaster struck El Salvador once again at the end of 2005, as Tropical Storm Stan acted as another weight on the economy.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 El Salvador's gross domestic product (GDP) was estimated at \$33.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$5,100. The annual growth rate of GDP was estimated at 2%. The average inflation rate in 2005 was 4.7%. It was estimated that agriculture accounted for 9.8% of GDP, industry 30.3%, and services 60%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$2.122 billion or about \$325 per capita and accounted for approximately 14.2% of GDP. Foreign aid receipts amounted to \$192 million or about \$29 per capita and accounted for approximately 1.3% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in El Salvador totaled \$13.31 billion or about \$2,037 per capita based on a GDP of \$14.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.5%. It was estimated that in 2003 about 36.1% of the population had incomes below the poverty line.

## 21 LABOR

The civilian labor force was estimated at 2.81 million in 2005. As of 2003, agriculture accounted for 17.1% of the workforce, with 65.8% in services, and 17.1% in industry. Although unemploy-

ment in 2005 was estimated at 6.5%, much of the nation's workforce is underemployed.

Although workers have the right to organize a union without gaining prior authorization, the government and the courts continued to deny union applications for legal standing through the excessive use of formalities, effectively blocking union formation. Collective bargaining is limited to private sector employees and to those public employees in autonomous government agencies, such as the port authority and utilities. Technically, only private sector workers may strike, nevertheless, many public sector workers carry out strikes that are treated as legitimate. However, unions wishing to call a strike must meet a number of conditions if that strike is to be considered legal. These include: the collective bargaining agreement has to have expired; attempts at resolving differences must first go through a process of direct negotiations, mediation, and arbitration; and at least 51% of the affected workers must support the strike, including those who are not represented by the union. According to the Ministry of Labor, as of end 2005, only 9.1% of El Salvador's workforce were unionized.

The workweek is set at a maximum of 44 hours and six days. Bonus pay is required for overtime, and all full-time employees are required to get a weekly, paid eight-hour day of rest. Minimum pay rates are set by executive decree, and are based on recommendations from a committee made up of labor, business and government representatives. As of 2005, minimum daily wage rates were \$5.28 for service employees, \$5.16 for industrial workers, and \$5.04 for workers in the maquila plants. Those rates were set in 2003. Although the law prohibits employment for those under age 14, child labor remains a problem. Minors between the ages of 14 and 16 years are limited to six hours per day, with a maximum normal workweek at 34 hours. Workers in hazardous occupations must be at least 18 years of age.

## 2<sup>2</sup> AGRICULTURE

Arable land in 2003 consisted of 910,000 hectares (2,249,000 acres) planted with annual and permanent crops. Irrigation covered 4.9% of this area in 2003, half of it in the Sonsonate and Sensunapan region. In 2003, agriculture represented 9.8% of GDP and 17.1% of employment.

Coffee, El Salvador's major crop (30% of total agricultural output), is grown principally in the west and northwest at elevations of 460 to 1,520 m (1,500 to 5,000 ft). Primarily as a result of the civil war, coffee production declined in the 1980s. In June 1993, the Ministry of Economy certified the first shipment of organic coffee; the agrarian reform cooperative that produced the coffee had not used chemicals or pesticides for over four years. Production in 2004 amounted to 83,000 tons (down from 156,000 tons in 1990). Exports of coffee in 2004 amounted 80,744 tons, valued at \$123.4 million. The coffee industry is a major employer in El Salvador, generating about 82,000 jobs.

Sugar production fell between 1979 and 1981 but later recovered; cane production in 2004 was 5.3 million tons, and the sugar industry contributed \$37.6 million to the country's foreign exchange earnings in 2004. Sugar is the most important agricultural product after coffee, and is grown mostly by independent producers. Investment has increased, as has the area under cultivation (in contrast to the other two major export crops). The world price has, however, been in decline for several years, and this decline has

cut export earnings; the government secured a \$30.4 million loan from Venezuela to divert some production to gasohol.

Traditional grains grown in El Salvador include white corn, sorghum, rice, and edible beans. These crops make up the fundamental diet for most Salvadorans and are produced on virtually all small farms. Production amounts in 2004 included corn, 648,000 tons; sorghum, 148,000 tons; rice, 26,500 tons; and beans, 72,000 tons. An additional 441,660 tons of corn were imported in 2004 to meet local demand.

Land that was originally planted for cotton is now being used for sugarcane, pasture, and nontraditional crops. El Salvador has steadily shifted agricultural exports towards nontraditional items such as jalapeño peppers, marigold flowers, okra, and pineapples. Traditional coffee areas are also being absorbed by urbanization projects.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Cattle and hogs are the predominant livestock in El Salvador. Cattle are of the "criollo" type and are used for production of both meat and milk. The dairy sector continued to suffer from inefficient production methods, poor animal genetic quality, and diseases. There are over 100 slaughterhouses operating illegally and without sanitary control. The government has planned to rebuild the livestock sector through financial and technological assistance.

The poultry industry is one of El Salvador's most organized and efficient agri-businesses, divided into smaller family farms and large commercial operations. The poultry industry directly generates roughly 6,000 jobs (60% of which are in rural areas), with an additional 20,000 secondary jobs. Commercial production accounts for 80% of poultry meat and about 75% of egg production.

In 2005 there were 1,259,000 head of cattle. The hog population rose from 390,000 in 1950 to 560,000 in 1979 but then declined to 188,000 in 2005. Other livestock included 96,000 horses, 24,000 mules, 10,800 goats, and 13,209,000 chickens. In 2005, milk production was 412,602 tons. A total of 63,649 tons of eggs were produced during the same year.

## 2<sup>4</sup> FISHING

The fishing industry, which centers on shrimp, has undergone significant development since it first gained commercial importance in 1957. The best coastal fishing grounds are off the southeastern sector. Scaled fish include freshwater robalo, sea bass, mullet, mackerel, swordfish, and redmouth; a tuna industry has been operating since 1963. Total fish production was 36,541 tons in 2003, including 1,131 tons from aquaculture.

## 2<sup>5</sup> FORESTRY

Forests and woodlands covered 121,000 hectares (299,000 acres) in 2000, representing only 6% of the total land area. Virgin forests once covered 90% of El Salvador. Almost all of the lumber used in building and in other Salvadoran industries must be imported, mainly coming from neighboring Guatemala, Honduras, and Nicaragua. Roundwood production in 2003 was 4.5 million cu m (170 million cu ft). Forest products include dye woods and lumber, such as mahogany, walnut, and cedar, for furniture and cabinet work. El Salvador is the world's main source of balsam, a me-

dicinal gum; between Acajutla and La Libertad in the southwest is the so-called Balsam Coast, which supports a species of balsam tree unique to El Salvador. Imports of forest products in 2003 exceeded exports by \$148.3 million.

## 26 MINING

El Salvador, 90% of which is of volcanic origin geologically, is less well endowed with mineral resources than other Central American country. Mineral production contributed less than 1% to the GDP. The country has produced gold and silver in the past. As of 2003, there had been no recorded production of gold or silver since 2000. Recent activity has been limited to exploration, including at El Dorado, whose indicated resources were estimated at 25,536 kg of gold and 164,849 kg of silver. A 1,050 m diamond drill program on the Aldea Zapote project was completed in 2001. Industrial minerals, especially limestone mined for domestic cement plants, were the primary commodities of the industry. Marine salt output rose in 2003 totaling 31,366 metric tons, down from 31,552 metric tons in 2002. Gypsum output in 2003 was estimated at 5,600 metric tons, unchanged from 1999 through 2002. Copper, lead, zinc, and sands containing titanium and ilmenite were also found in El Salvador.

## 27 ENERGY AND POWER

El Salvador has no known exploitable reserves of fossil fuels. Thus, it must rely upon imports to meet its fossil fuel needs. However, El Salvador is the largest producer of geothermal generated energy in Central America, with two geothermal facilities, the 95 MW Ahuachapan and the 66 MW Berlin facilities, in operation as of October 2005. According to government statistics, in 2003, geothermal sources produced 0.97 billion kWh of electricity, or about 21.9% of the total amount of the electricity generated. In that same year, thermal and hydropower sources accounted for 37.5% and 33.1%, respectively of all power generated. In 2004, a total of 4.158 billion kWh of electricity was produced, with consumption at 4.45 billion kWh. Imports and exports of electricity in that year totaled 473 million kWh and 91 million kWh, respectively. In 2002, electric power generating capacity stood at 1.133 million kW.

Although El Salvador has no known reserves of oil, it is one of only three countries in Central America to operate a refinery. Located at Acajutla on the Pacific coast, the facility has a capacity of 22,000 barrels per day, according to the Oil and Gas Journal. In 2002, refinery output totaled 18,840 barrels per day. Oil product consumption for that year came to 39,010 barrels per day, with total petroleum imports at 45,710 barrels per day.

## 28 INDUSTRY

The leading industrial region is the department of San Salvador. Other industrial centers are La Libertad, Santa Ana, San Miguel, Usulután, and San Vicente. The industrial sector has been oriented largely to the domestic and Central American markets, though this is changing in light of recent free trade arrangements. There are coffee-processing plants, sugar mills, bakeries, plants making petroleum products, vegetable oils, fats, confectioneries, dairy products, tobacco, soap, candles, matches, shoes, furniture, light metals, cement, and organic fertilizers.

Manufacturing got a foothold in the economy in the 1950s and further grew as the CACM opened up regional markets in the

1960s. Large-scale industry was then introduced, relying mostly on imports of crude materials. In 1963, an oil refinery at Acajutla began processing Venezuelan crude oil; most of the output is consumed locally (in 2002, production capacity was 22,000 barrels per day). During the early 1970s, the greatest increase in value of manufacturing occurred in chemicals and textiles. Civil war during the 1980s hurt industrial production, with an average annual decline of 6% between 1977 and 1987.

Following the attainment of civil peace in the 1990s, the Salvadoran economy boomed. This growth was sustained by the recovery of the agricultural sector, and expansion of the construction and manufacturing sectors. Boosted by the rapid growth and development of its *maquila* (offshore assembly for re-export) zones, the economy became the most industrialized and best-performing in the Central American region. Maquila exports, as the primary export, are more important to El Salvador's economy than local manufactures. However, reliance on maquilas may prove to be a short-term growth prospect as lower production costs in China and Asia attract maquilas elsewhere. Where growth rates in the 1990s were around 45%, they fell to an average of 7% in 2000–04, and a 3% drop is expected for 2005. In May 2005, the garment-producer Charles Products transferred operations from El Salvador to Sri Lanka to take advantage of cheaper production costs that would make its products more competitive with those produced in China.

Growing at a rate of 4.5% in 2000, the manufacturing sector as a whole was one of the largest contributors to GDP, and, along with construction (which accounted for 4% of the GDP in 2004), led the economy in past years. Though growth in the sector slowed to 2.3% and 0.7% in 2003 and 2004 respectively, it still remained an important motor for economic growth from 2000–04. By 2004, manufactures accounted for 27% of El Salvador's total output.

Despite the growth in manufactures, the same basic problems persisted from decade to decade: the low purchasing power of the local population and the difficult financial and political situation of other Central American countries on which El Salvador depends for export markets. Nevertheless, El Salvador received substantial amounts of foreign direct investments in the industrial sector in 2001.

## 29 SCIENCE AND TECHNOLOGY

El Salvador has research institutes devoted to the study of seismology and geology, meteorology and hydrology, agriculture (including the Salvadoran Institute for the Study of Coffee), and medicine. The principal learned society in the country is the El Salvador Academy, headquartered in San Salvador. In the same city are museums devoted to natural history and zoology. Nine colleges and universities offer degrees in basic and applied sciences. In 1987–97, science and engineering students accounted for 59% of college and university enrollments.

In 1998, (the latest year for which the following data was available) research and development (R&D) expenditures totaled \$21.280 million, or 0.08% of GDP. Of that total, 51.9% came from the government, followed by foreign sources at 23.4%, higher education at 13.2%, private nonprofit institutions at 10.4%, and business at 1.2%. In 1998, El Salvador had 33 researchers per million people actively engaged in R&D. In 2002, high technology exports



were valued at \$44 million, accounting for 6% of manufactured exports.

### 3<sup>0</sup> DOMESTIC TRADE

San Salvador is the chief commercial and marketing center. However, following the end of the civil war, thousands of Salvadorans returned from the United States and made San Miguel and Santa Ana two of the most industrialized cities in Central America.

Food is generally produced in small, scattered plots in the vicinity of urban areas and taken to market by traders (mostly women), either on their heads or by pack animals. Residents of remote rural areas usually consume most of what they produce exchanging the remainder for other commodities. In urban areas, the business units are mainly small shops, while in rural regions, individual traders conduct their business at town marketplaces, where agricultural produce, meats, fruit, handicrafts, ceramics, and flowers are sold.

A 10% value added tax was established in 1992 and raised to 13% in 1995. This tax made up 52.3% of the governments total tax revenues in 2004.

The central bank estimated that nearly \$150 million per month, over \$1.9 billion per year (2001 est.) is added to the economy through remittances of expatriates, primarily those living in the United States. Such remittances reached a record high of \$2.5 billion in 2004 and accounted for 17.1% of GDP.

The usual business hours in the major cities are from 8 AM to noon and from 2 to 6 PM on weekdays and from 8 AM to noon on Saturday. Banking hours are from 9 to 11:30 AM and from 2:30 to 4 PM on weekdays, with a half day on Saturday.

### 3<sup>1</sup> FOREIGN TRADE

While coffee remains one of the four main exports, it has gone from making up one-half of the country's exports in 1988 to 3.8% in 2004. Maquilas and nontraditional goods comprised, respectively, 55.3% and 39.8% of the \$3.249 billion in exports in 2004. Sugar, shrimp, textiles, chemicals, and electricity comprised a portion of the remaining exports. The United States, Guatemala, and

Honduras absorbed, respectively, 65.5%, 11.8%, and 6.3% of El Salvador's exports in 2004.

El Salvador imports raw materials, consumer goods, capital goods, fuels, foodstuffs, petroleum, and electricity. In 2004, imports totaled \$5.968 billion. Imports emanated from the United States (46.3%), Guatemala (8.1%), and Mexico (6%).

One of the El Salvador's greatest weaknesses remained its trade deficit. In 2000, the value of imports was almost three times that of exports. In 2004, the current account balance was -\$880.5 million. The deficit is sustained in part by huge inflows of remittances from Salvadoran workers in the United States, estimated at 2.5 billion, 16% of the 2004 GDP.

El Salvador has sought to shrink its trade deficit and increase exports, especially of manufactured and nontraditional products, by creating new export industries through free trade zones. Fifteen of these zones already exist in El Salvador. Maquila industries have thus far been the largest beneficiaries, and have employed approximately 90,000. The Caribbean Basin Trade Partnership Act allows these goods to be sold duty-free in the United States.

Additionally, El Salvador has negotiated agreements to reduce trade and investment barriers through CAFTA. It has increased its exports to those countries with which it already has signed agreements—Mexico, Chile, the Dominican Republic, and Panama. Along with the other five Central American states, El Salvador is pushing for a customs union and the harmonization of customs duties.

### 3<sup>2</sup> BALANCE OF PAYMENTS

El Salvador's positive trade balances in the late 1970s changed into deficits after 1980. The main reasons for this development were declines in cotton, sugar, and coffee export earnings, civil war, and the virtual collapse of the CACM market. The US Central Intelligence Agency (CIA) reported that in 2004 El Salvador's exports were \$3.249 billion while imports totaled \$5.968 billion, resulting

#### Principal Trading Partners – El Salvador (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,255.0	4,381.8	-3,126.8
Guatemala	361.2	463.6	-102.4
United States	243.8	1,500.0	-1,256.2
Honduras	184.9	134.9	50.0
Costa Rica	102.0	157.4	-55.4
Nicaragua	98.1	111.6	-13.5
Panama	46.3	126.0	-79.7
Mexico	37.4	315.6	-278.2
Russia	25.9	21.5	4.4
Areas nes	25.7	...	25.7
Spain	14.6	66.5	-51.9

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – El Salvador (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-733.6</b>
Balance on goods		-2,273.6	
Imports	-5,436.0		
Exports	3,162.4		
Balance on services		-169.4	
Balance on income		-407.7	
Current transfers		2,117.1	
<b>Capital Account</b>			<b>112.9</b>
<b>Financial Account</b>			<b>1,089.5</b>
Direct investment abroad		-18.6	
Direct investment in El Salvador		103.7	
Portfolio investment assets		-263.7	
Portfolio investment liabilities		452.7	
Financial derivatives		...	
Other investment assets		19.8	
Other investment liabilities		795.6	
<b>Net Errors and Omissions</b>			<b>-152.6</b>
<b>Reserves and Related Items</b>			<b>-316.2</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

in a trade deficit of \$880.5 million. Though the deficit was down from figures reported in 2001, it still remained uncomfortably high.

Capital inflow, principally in the form of remittances, transfers, donations, and credits from the United States, has helped cover the deficit. The government in 2000 expected remittances to grow at a rate of 5–6% from 2000 to 2002–04. However, with a low tax base and national savings, the economy can become vulnerable to fluctuations in such flows.

Though nontraditional and maquila exports were expected to grow by more than 15% each, maquila exports declined due to more competitive production conditions in China and other regions. This engendered, in part, projections that the current-account deficit would worsen in 2005–06.

### 33 BANKING AND SECURITIES

The Central Reserve Bank of El Salvador, established in 1934, was nationalized in 1961. It is the sole bank of issue and the fiscal agent for the government. The entire banking system was nationalized in March 1980, but was later privatized. By 1989, the financial system was practically broke; destroyed by mismanagement and political conflict. In 1991, as part of economic reforms, the government privatized six commercial banks and seven savings and loan institutions. In 1994, the government created the Banco Multisectorial de Inversiones (BMI) to promote private sector development. The Banking Law was modified in 1995 to encourage foreign banks to enter the country. There were 12 commercial banks in 2002. The International Monetary Fund reports that in 2000, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.1 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$6.1 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 6.93%.

A stock exchange was established in San Salvador in 1993, with five government issues of long-term bonds. In the first 12 months of activity, stock market transactions were nearly \$100 million; the rate of growth in 1993–95 was rapid, and by the end of 1995 transactions reached an estimated \$2.4 billion. The market trades almost exclusively in government bonds and short-term commercial paper, but private companies put shares on the market in the late 1990s.

### 34 INSURANCE

By 2000, El Salvador had at least 19 insurance companies in operation. The 1995 Insurance Law provided national treatment for foreign insurance firms. In 2003, there was \$350 million worth of direct premiums written, with nonlife premiums accounting for \$246 million. The country's top insurer in that same year was SISA Vida, with written premiums (life and nonlife) of \$44.4 million.

### 35 PUBLIC FINANCE

Most public revenues come from taxes, fees, and fines. Municipal taxes and fees are subject to approval by the Ministry of the Interior. Until the early 1980s, government fiscal operations had generally shown surpluses; these enabled the government to sustain a growing volume of capital expenditures, resulting in a higher

#### Public Finance – El Salvador (2003)

(In millions of colones, central government figures)

<b>Revenue and Grants</b>	<b>2,312.8</b>	<b>100.0%</b>
Tax revenue	1,679.1	72.6%
Social contributions	344.6	14.9%
Grants	17.9	0.8%
Other revenue	271.2	11.7%
<b>Expenditures</b>	<b>2,688.7</b>	<b>100.0%</b>
General public services	471.9	17.6%
Defense	91.1	3.4%
Public order and safety	306.6	11.4%
Economic affairs	273.7	10.2%
Environmental protection	5.4	0.2%
Housing and community amenities	213.2	7.9%
Health	358.1	13.3%
Recreational, culture, and religion	31.7	1.2%
Education	404.5	15.0%
Social protection	381	14.2%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

government share in total investments. Improved tax collection in 1998 resulted in approximately 56% of government revenues being attributed to the VAT. The use of the colón was phased out and the Central Bank was dissolved in 2003.

The US Central Intelligence Agency (CIA) estimated that in 2005 El Salvador's central government took in revenues of approximately \$2.8 billion and had expenditures of \$3.1 billion. Revenues minus expenditures totaled approximately -\$28.8 billion. Public debt in 2005 amounted to 45.8% of GDP. Total external debt was \$8.273 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues in millions of colones were 2,312.8 and expenditures were 2,688.7. The value of revenues in millions of US dollars was \$264 and expenditures \$289, based on a market exchange rate for 2003 of 8.750 as reported by the IMF. Government outlays by function were as follows: general public services, 17.6%; defense, 3.4%; public order and safety, 11.4%; economic affairs, 10.2%; environmental protection, 0.2%; housing and community amenities, 7.9%; health, 13.3%; recreation, culture, and religion, 1.2%; education, 15.0%; and social protection, 14.2%.

### 36 TAXATION

Residents of El Salvador, whether citizens or not, are subject to progressive taxation on both domestic and foreign income ranging from 10–30%. Amounts received from insurance policies, interest on savings accounts, gifts, and inheritances are tax exempt. Taxes on corporate income are levied at 25% for amounts over the first \$75,000, which are exempt. Dividends are not taxable. The main indirect tax is the value-added tax (VAT) introduced in September 1992 at a standard rate of 10%. In 2003, the standard VAT rate was 13%. Excise taxes are assessed on alcoholic beverages and tobacco products. A 3% real estate transfer tax is imposed when

the real estate involved has a market value above \$250,000. There are no local taxes.

### 37 CUSTOMS AND DUTIES

According to the Heritage Foundation in 2000, El Salvador had the most open trade environment in Central America. El Salvador completed a tariff reduction program in 1999 and as a result has tariffs of 0% on capital goods, 0–5% on raw materials, 5–10% on intermediate goods, and up to 15% on final products. Some items, such as textiles, agricultural products, and vehicles receive higher tariffs of up to 40%.

### 38 FOREIGN INVESTMENT

The Salvadoran government has fostered foreign investment since the 1988 Foreign Investment and Promotion Law came into force. Incentives included unrestricted remittance and reinvestment of profits and, for firms located in the free zones, the government offers up to a 20-year income tax holiday and duty-free importation of materials needed for production.

The inflow of foreign direct investment (FDI) spiked in 1998 to over \$1 billion (up from only \$59 million in 1997), but then averaged about \$219 million a year 1999 to 2001. Contrary to the global trend, and due primarily to the international relief effort following the earthquake of January 2001, FDI inflow increased to El Salvador in 2001 and in 2002 rose to an estimated \$277.8 million, \$10 million above the year before. Major foreign investors included Coastal Technologies (power generation), Kimberly Clark (paper products), Texaco (fuel storage and distribution), Esso and Shell (petroleum refining), Bayer (pharmaceuticals), Sara Lee (clothing assembly), Xerox (sales), AIG (insurance), and British American Tobacco. El Salvador received approximately \$250 million in direct investments in 1999, the majority from the United States.

Over 300 US companies have a commercial presence or financial investment in El Salvador. Such opportunities came about through the US-supported privatization of the electrical and telecommunications markets.

PROESA, the national agency promoting foreign investment in El Salvador, has been boosted by the Multilateral Investment Guarantee Agency (MIGA). The guarantees that MIGA makes of Salvadoran manufacturing and financial sectors helps those sectors attract further investment.

### 39 ECONOMIC DEVELOPMENT

Prior to 1950, the government, with moderate success, followed a policy of stimulating national economic development indirectly by building roads, developing power facilities, establishing credit facilities, and extending tariff protection to some industries. The prosperity and advantageous international position of Salvadoran coffee masked the long-term need for further diversification.

During the 1950s, it became apparent that El Salvador's primary problems were the growing population and lack of uncultivated arable land. The government therefore embarked on a program to encourage intensification of agriculture and expansion of small industry. The National Council for Economic Planning and Coordination (CONAPLAN), established in 1962, drafted a comprehensive five year plan (1965–69) embodying general objectives

proclaimed by the government in line with the aims of the US-inspired Alliance for Progress. The objectives included an increase of the GNP; decrease in illiteracy; expansion of education, health, and housing programs; extension of social security benefits to areas not yet covered; and implementation of an integrated program of agrarian reform. The stimulus for the development program was to be provided by a small group of wealthy Salvadorans, with a minimum of government participation.

In early 1973, CONAPLAN drafted a development plan for 1973–77, concentrating on production, labor, and social welfare. The basic objectives of the plan were improvement in income distribution, employment, health, nutrition, housing, and education; stimulation of the agricultural, industrial, and construction sectors; acceleration of regional development; and export diversification. The plan called for adoption of a government-sponsored investment and financing program, institutional and financial reforms, and policies to stimulate private investment.

The economic reforms adopted in 1980 included a land redistribution program and nationalization of the banking system. After the civil war was over, the country received substantial influx of economic aid and private remittances. As part of the economic reform program, initiated in 1989 by newly elected President Christiani, the country's economy recuperated at a fair pace. After the signing of the Chapultepec Peace Accords in January 1992, El Salvador boosted business confidence and stimulated private investment.

In January 1986, a comprehensive stabilization program was announced. Among its most important measures were unification of the exchange rate at C5=\$1 (a 50% devaluation), raising of fuel prices and public transportation fares, imposition of price controls on consumer staples (food, medical supplies, and clothing), tariff hikes on nonessential imports, and a rise in commercial interest rates. Because of the continuing costs from the civil war, and also from a drought the program fell short of its objectives. Approximately \$2.2 billion were lost to infrastructure damage and foregone production opportunities from 1979–90 due to the civil war. However, since attacks ended and the peace accords were signed in 1992, investor confidence improved and foreign direct investment (FDI) increased.

In 1990, the International Monetary Fund (IMF) approved a standby agreement, which was followed by another one in January 1992 and another one in May 1993. The World Bank extended a \$75 million structural adjustment loan in 1991, and the Inter-American Development Bank provided additional sectoral adjustment financing. Aided by the government's economic reforms and the IMF and World Bank supported macroeconomic programs, the country's economy continued to prosper. The rising influx of private remittances, official transfer, and the return of local capital boosted domestic demand as well as construction activity, especially in transportation infrastructure and other public projects. The industrial sector also benefited from this upturn.

El Salvador's external debt decreased sharply in 1993, chiefly as a result of an agreement under which the United States forgave about \$461 million of official debt. Debt still stood at around \$2.4 billion in 1999, despite US forgiveness. In 1998, significant aid came from the World Bank for agricultural reform (\$40 million) and structural adjustment (\$52.5); from the Central American Bank for Economic Development (\$20 million) for road repair;

and from the Inter-American Development Bank (\$60 million) for poverty alleviation. Total non-US government aid reached \$600 million in 1998.

In 2001, El Salvador's external debt stood at \$4.9 billion. A damaging hurricane, earthquakes, and a decline in world coffee prices in the late 1990s and early 2000s slowed economic growth. The country adopted the US dollar as legal tender in 2001 upon approval of the "Monetary Integration." Colónes were no longer printed, and the Central Bank was dissolved in 2003. This meant that the government could no longer use monetary policy and had to focus attention on maintaining a disciplined fiscal policy. The government broadened the income tax base, by introducing a new tax code, and implemented new banking reform legislation. El Salvador still faced the difficult challenge of reducing poverty, in part by investing in infrastructure and social programs.

In 2004, El Salvador ratified the US-Central American Free Trade Agreement (CAFTA) that it had signed the previous year. It was the first Central American country to do so. El Salvador worked to encourage foreign investment, modernize tax systems and fiscal policies, and to pursue liberalization policies in an effort to open new export markets and balance its trade deficits. Once in place, CAFTA was expected to increase GDP of the signatories by 0.6% annually.

It was projected that the Salvadoran government would implement further tax reforms to raise fiscal revenue after the 2006 elections, to be implemented prior to the legislative elections in 2009.

#### 40 SOCIAL DEVELOPMENT

A mandatory private social insurance program replaced the government-sponsored program. Employees and employers each must contribute 7% of payroll for social insurance, and there is also a private insurance scheme. Old age, disability and survivorship is covered. Maternity and sickness benefits are provided by a social insurance program that is funded by employee and employer contributions, as well as a subsidy from the government. Maternity benefits are equal to 75% of wages for up to 12 weeks. Work injury insurance covers those in industry, commerce and public service; casual workers, domestic workers, and teachers are not covered.

Women have the same legal rights as men, but in practice they face discrimination in employment, salaries, education, and access to credit. Men often receive priority in hiring, and there have been reports of pregnancy tests for female job applicants. Domestic violence against women is pervasive. The incidence of child abandonment and abuse and the use of child labor appear to be on the increase. The government was working with the United Nations Children's Fund to improve the welfare of children.

Human rights violations include use of excessive force and extrajudicial killings by police. New criminal and sentencing codes decreased violations of due process. Lengthy pretrial detentions are common, and prison conditions remain harsh. Very few Salvadorians claim indigenous status; most have been assimilated into the general population. Indigenous groups live in poor rural areas. Most lack titles to their land and therefore lack the collateral necessary to access credit from a bank.

#### 41 HEALTH

Health standards have improved considerably since 1930. Average life expectancy in 2005 was 71.22 years. The infant mortality rate, 139.4 per 1,000 live births in 1930 to 1934, declined to 25.10 by 2005. The crude death rate, 23 per 1,000 in 1930 to 1934, dropped to an estimated 6.1 as of 2002. The fertility rate has dropped from 5.3 in 1980 to 3.1 in 2000. Malnutrition persisted in an estimated 23% of children under five as of 2000. However, immunization rates for children up to one year old were quite high in 1997: tuberculosis, 93%; diphtheria, pertussis, and tetanus, 97%; polio, 96%; and measles, 97%. The contraceptive prevalence for women was 60% as of 2000.

As of 2004, El Salvador had 127 physicians, 184 nurses, 56 dentists, and 31 pharmacists per 100,000 people. The Ministry of Public Health and Social Welfare coordinates mobile health brigades, professional medical delegations, field offices, clinics, laboratories, and dispensaries. UNICEF, the US Institute of Inter-American Affairs, the Rockefeller Foundation, and other foreign organizations assisted health campaigns. Health care expenditure was estimated at 7.2% of GDP.

The principal causes of death remain gastroenteritis, influenza, malaria, measles, pneumonia, and bronchitis, caused or complicated by malnutrition, bad sanitation, and poor housing. Major causes of death were noted as communicable diseases and maternal/perinatal cause, noncommunicable diseases, and injuries. In 2000, 74% of the population had access to safe drinking water and 83% had adequate sanitation. In 1999, there were 67 cases of tuberculosis per 100,000 people. There were 1,416 new cases of AIDS reported in 1996 and 2,798 cases of malaria in 1994. The HIV/AIDS prevalence was 0.70 per 100 adults in 2003. As of 2004, there were approximately 29,000 people living with HIV/AIDS in the country. There were an estimated 2,200 deaths from AIDS in 2003.

Much of the progress since the 1930s was undermined by the country's civil war, which overtaxed health care facilities while, in real terms, expenditures on health care declined. The National Medical School was shut down in 1980.

#### 42 HOUSING

Inadequate housing, most critically felt in cities and towns, is endemic throughout El Salvador. A 2005 report from Habitat for Humanity indicated a housing deficit of 630,000 homes. Housing problems have been exacerbated by the civil war, which has created hundreds of thousands of refugees. Earthquakes in 2001 damaged nearly 335,000 homes, about 25% of the total housing stock. In 2002, there were about 1,491,588 dwellings in the country. About 90% were single-family, detached homes.

More than half of all urban dwellings have earthen floors and adobe walls and many have straw roofs. Concrete and adobe are preferred building materials. In 2000, only about 74% of households had access to improved water sources and 83% had access to improved sanitation systems.

The government has received financial assistance from international and foreign organizations, such as USAID and the Inter-American Development Bank, for projects focused on repair and reconstruction of damaged housing, as well as new housing development. The Salvadorian Foundation for Development and Basic

Housing (FUNDASAL), which was established in 1968, continued to work on projects to improve the living conditions of low-income and poverty stricken residents. FUNDASAL has sponsored over 200 improvement projects and built over 25,000 homes.

### 4<sup>3</sup> EDUCATION

Primary education is free and compulsory through elementary school, and the public school system is government controlled. Enforcement of primary-school attendance is difficult, however, and truancy is high in rural areas. Primary education lasts for nine years, followed by three years of secondary education, with student choosing either a general studies or technical/vocational track. In 2000, an institutional reform process for education was initiated under a Basic Education Modernization Project, and the government was seeking international funding support for improvements in the quality and coverage of secondary education. The academic year runs from February to December. The primary language of instruction is Spanish.

In 2001, about 46% of children between the ages of four and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 90% of age-eligible students. The same year, secondary school enrollment was about 49% of age-eligible students. It is estimated that about 88.6% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 28:1 in 1995.

Twelve private and three public universities offer higher education. The University of El Salvador in San Salvador, authorized in 1841 and with enrollments averaging 30,000, was a base for antigovernment agitation during the 1970s. The university was stormed and ransacked by government troops on 26 June 1980; at least 50 students and the rector were killed; the university did not reopen for several years. In 2003, about 17% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 79.7%, with 82.4% for men and 77.1% for women.

As of 2003, public expenditure on education was estimated at 2.9% of GDP, or 20% of total government expenditures.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library in San Salvador is the largest in the country, with 150,000 volumes. The library at the University of El Salvador has 34,000 volumes. The Central American University José Simeón Cañas in San Salvador has 150,000 volumes. In addition, there are three governmental libraries attached to the ministries of Education, Economics, and Foreign Affairs and a few small private and college libraries. The Ministry of Education maintains a mobile library with a total of 25,000 volumes.

The David J. Guzmán National Museum in San Salvador, founded in 1883, is a general museum housing historical documents and pre-Columbian artifacts. The Natural History Museum of El Salvador was founded in 1976. The National Zoological Park in San Salvador, established in 1961, maintains a natural science museum. The Anthropological Museum of El Salvador and the Museum of Word and Image are also in San Salvador.

### 4<sup>5</sup> MEDIA

Ownership of domestic telephone and telegraph services has been transferred from the government to a semiautonomous agency.

In 2003, there were an estimated 116 mainline telephones for every 1,000 people; about 38,200 people were on a waiting list for telephone service installation. The same year, there were approximately 176 mobile phones in use for every 1,000 people.

As of 2001 there were 150 licensed radio stations and at least 11 commercial television stations, including the government-owned Radio Nacional. Radios in use increased from 398,000 in 1968 to about 2.75 million in 1995. In 2003, there were an estimated 481 radios and 233 television sets for every 1,000 people. The same year, there were 25.2 personal computers for every 1,000 people and 84 of every 1,000 people had access to the Internet. There were 35 secure Internet servers in the country in 2004.

The principal newspapers are published in San Salvador. They are, with 2004 circulations, *El Diario de Hoy*, 115,000; *La Prensa Gráfica*, 112,800; *El Mundo*, 58,000 (in 2002); and *Co Latino*, 15,000.

The constitution of El Salvador provides for freedom of expression, including that of speech and press, and the government is said to respect these rights in practice. Print and broadcast journalists are said to freely and regularly criticize the government without censure.

### 4<sup>6</sup> ORGANIZATIONS

Of prime importance is the Salvadoran Coffee Association, founded in 1930 to promote coffee production, distribution, and consumption; to improve quality; and to provide information and advice to growers. Its membership includes all native and foreign coffee growers in El Salvador, and it receives financial support from the government export tax on coffee. Other prominent management organizations include the National Coffee Institute, Chamber of Commerce and Industry, Salvadoran Association of Industrialists, Cattle Raisers' Association, El Salvador Sugar Cooperative, National Sugar Institute, Salvadoran Cotton Growers' Cooperative, and National Federation of Small Salvadoran Enterprises. In the early 1970s, the Salvadoran Communal Union was formed to improve peasant farming methods and to campaign for agrarian reform. In 1986, the union claimed 100,000 members.

There are youth organizations affiliated with religious institutions and political movements, as well as student unions at major universities. Scouting and Girl Guide programs are also active. There are several sports associations promoting amateur competitions in a variety of pastimes, such as tennis, badminton, taekwondo, squash, and baseball. The country also has an active program of the Special Olympics.

Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. There are national chapters of the Red Cross, Habitat for Humanity, the Society of St. Vincent de Paul, and Caritas.

### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

El Salvador's best-known natural wonder is Izalco, an active volcano often referred to as the Lighthouse of the Pacific because its smoke and flames are a guide to ships. Noteworthy are the cathedrals and churches of San Salvador, Santa Ana, and Sonsonate; the parks, gardens, and architecture of San Miguel; and the colonial atmosphere of San Vicente. Archaeological ruins of pre-Columbian origin are found in many parts of the country. Among the most striking are those at Tazumal, near Santa Ana, which include

large pyramids and buildings with ancient carvings and inscriptions; there are more than 100 pyramid sites in El Salvador, many still unexcavated. The Pacific coast contains excellent beaches, and there is large-game fishing in the Gulf of Fonseca and in the ocean. Football (soccer) is the national sport. A valid passport is required for entry into El Salvador as well as a visa or a tourist card.

In 2003, there were 857,378 foreign visitors. The 4,578 hotel rooms with 9,156 beds had an occupancy rate of 51%. Visitors stayed an average of five nights. Tourism receipts totaled us \$514 million.

In 2005, the US Department of State estimated the cost of staying in San Salvador at us\$191 per day. Outside the capital, daily expenses were an estimated us\$91.

#### 48 FAMOUS SALVADORANS

The national hero of El Salvador is Father José Matías Delgado (1768–1833), who raised the first call for independence. A renowned political leader was Manuel José Arce (1786–1847), who fought against the Mexican empire of Iturbide and was the first president of the United Provinces of Central America. Gerardo Barrios Espinosa (1809–65) was a liberal president during the 19th century.

Prominent Salvadoran literary figures of the 19th century were Juan José Cañas (1826–1912), a poet and diplomat and the author of the Salvadoran national anthem, and Francisco E. Galindo (1850–1900), a poet and dramatist.

Writers of note in the 20th century included Alberto Masferrer (1865–1932), an essayist and poet; poet Roque Dalton (1935–1975); Juan Ramón Uriarte (1875–1927), an essayist and educator; and Salvador Salazar Arrué (1899–1975). Juan Francisco Cisneros (1823–78) was a nationally recognized painter.

Key figures in Salvadoran politics of the 1970s and 1980s were José Napoleón Duarte (1926–90) and Roberto D'Aubuisson Arrieta (1943–92). The assassinated Roman Catholic Archbishop Oscar Arnulfo Romero y Galdames (1917–80) was well known as a defender of human rights.

#### 49 DEPENDENCIES

El Salvador has no territories or colonies.

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# FRENCH AMERICAN DEPENDENCIES

## FRENCH GUIANA

Located on the northeast coast of South America, and extending from 1°30' to 5°30' N and from 51°4' to 54°3' W, French Guiana (Guyane Française) has an Atlantic shoreline of about 320 km (200 mi) and a total area of some 91,000 sq km (35,000 sq mi). It is separated from Brazil by the Oyapock River in the E and the Tumuc-Humac Mountains in the S (440 km/273 mi); and from Suriname by the Maroni River (398 km/247 mi) on the W. Its length is about 400 km (250 mi) N-S, and its width is 300 km (190 mi) E-W. Several islands offshore are part of French Guiana including: the Îles du Salut (Devil's Island, Royale, and Saint-Joseph).

French Guiana consists of a small, low swampy coast called "terres basses," varying from 10 to 30 km (6-19 mi) in width, and a vast, partly unexplored interior, the "terres hautes," with grassy plateaus, equatorial forests (which cover 90% of the land area), and mountains. The mean annual temperature along the coast is 26°C (80°F) year-round. There is a rainy season from January to June; annual rainfall has a range of 350-400 cm (140-160 in). Average humidity is 85%. Endangered species in 2002 included the small-footed water rat, giant armadillo, giant otter, three species of turtle (South American river, olive ridley, and leatherback), and the black caiman.

The population was estimated at 195,506 in mid-2005. Four-fifths of the inhabitants live in the coastal lowlands, and about 55% of the total live in Cayenne, the capital city. About 66% of the population is either black or mixed-raced, 12% is white, 12% is either of East Indian, Chinese, or Amerindian origin, and 10% belongs to other ethnic origins. In the interior are six tribes of aboriginal Indians; descendants of fugitive black slaves from Dutch Guiana (now Suriname) have settled along the rivers. Roman Catholicism is the dominant religion. The official language is French.

Amerindian tribes inhabited the region from ancient times, but their numbers probably did not exceed 25,000 on the eve of European colonization. The land now known as French Guiana was first settled by Frenchmen in 1604 and was awarded to France by the Peace of Breda in 1667. Since 1946, it has been an overseas department, sending, in 1986, two deputies and one senator to the French parliament and one representative to the French Economic and Social Council. The old penal settlements to which French prisoners were once deported have been completely liquidated. Devil's Island, the most famous of the offshore penal colonies, operated from 1851 until 1951. French Guiana consists of Cayenne and St.-Laurent-du-Maroni, each of which has the status of an arrondissement. The French commissioner is assisted by a popularly elected 19-member general council and a 31-member regional council.

Arable land and labor both being scarce, agriculture in French Guiana is still in a primitive state. Trade is mainly with France. The territory's exports, mainly shrimp, timber, gold, rosewood essence, and clothing, totaled us\$155 million in 2002; imports to-

taled us\$625 million. Gold, which has been mined since 1853, and large deposits of bauxite are the chief mineral resources. The European Space Agency launches communications satellites from Kourou.

Education for French Guiana's children is compulsory and provided by the government. The Pasteur Institute, five hospitals, and other health units provide public health services. The infant mortality rate in 2005 was 12.07 deaths per 1,000 live births, down from 13.22 deaths per 1,000 live births in 2002.

## GUADELOUPE

The French overseas department of Guadeloupe, situated among the Lesser Antilles, extends 15°52' to 18°7' N, and 61° to 63°5' W. The length of Guadeloupe proper is 67 km (42 mi) E-W, and its width is 60 km (37 mi) N-S; its total coastline amounts to 656 km (408 mi). A narrow channel, Rivière Salée, divides Guadeloupe proper into two islands: Basse-Terre (848 sq km/327 sq mi) and Grande-Terre (585 sq km/226 sq mi). Outlying islands include Marie-Galante and La Désirade, and the Les Saintes and Petite Terre island groups, near the main islands; St. Barthélémy, about 120 km (75 mi) to the NW; and St. Martin, about 175 km (110 mi) to the NW, the northern two-thirds of it French, the southern third Dutch. Total area, including the outlying islands, is 1,780 sq km (687 sq mi). Basse-Terre is volcanic; its highest peak, La Soufrière (1,484 m/4,869 ft), erupted in the 18th and 19th centuries, and is still active. Annual rainfall ranges from 99 cm (39 in) on La Désirade to between 500 and 1,000 cm (200-400 in) on the mountains of Basse-Terre. Ferns, bamboo, mangrove, and tropical hardwoods are abundant. Endangered species include the Guadeloupe wren, green sea turtle, and leatherback turtle.

The estimated population in mid-2005 was 448,713. About 90% of the inhabitants are blacks or a mixture of blacks and descendants of Normans and Bretons who first settled the island in the 17th century. Some 95% of the people are Roman Catholic. French is the official language, but a Creole dialect is widely spoken.

Guadeloupe was first settled by Arawak Indians from Venezuela about AD 200. Carib Indians, also from Venezuela, overran this agricultural and fishing community around AD 1000. Discovered by Columbus in 1493 and occupied by the French in 1635, Guadeloupe has, except for short periods during the Napoleonic wars, been French ever since. In 1648, St. Martin was shared with the Dutch. Guadeloupe became an overseas department in 1946. It is represented in the French parliament by four deputies and two senators. Local administration is similar to that of regions and departments in metropolitan France. The appointed commissioner is assisted by a 42-member general council, elected by universal suffrage, and by a newly created regional council.

There are about 2,082 km (1,300 mi) of highways, of which about 1,752 km (1,089 mi) are paved. There are no railways except for privately owned plantation lines. Marine traffic is concen-



trated at Pointe-à-Pitre and Basse-Terre. Steamships connect Guadeloupe with other West Indian islands, with North and South America, and with France. Air France and other airlines serve the international airport at Pointe-à-Pitre.

Sugar has been replaced by bananas as the principal agricultural product. Other products include other tropical fruits and vegetables. About 63% of import and 60% of export trade is with France. In 1997, exports yielded us\$140 million; imports totaled us\$1.7 billion (the last figures available). Sugar refining and rum distilling are the traditional industries.

About 90% of the population is literate. Four teaching and research units—one for law and economics, one for liberal arts and the sciences, one for medicine, and one for the science and technology of physical and sporting activities—provide higher education at the Université Antilles-Guyane in Pointe-à-Pitre. Several hundred scholarship-holders study in French universities. The infant mortality rate was an estimated 8.6 deaths per 1,000 live births in 2005, down from 9.3 in 2002 and 17 in 1985.

**MARTINIQUE**

The island of Martinique is situated from 14°26' to 14°53' N and 61° W among the Lesser Antilles in the Caribbean Sea, between the islands of Dominica and St. Lucia. It has an area of 1,110 sq km (429 sq mi), with a length of 75 km (47 mi) SE-NW and a maximum width of 34 km (21 mi) NE-SW. Its total coastline is about 350 km (220 mi). Most of the island is mountainous. The two highest peaks, Pelée (1,397 m/4,583 ft) and Carbet (1,196 m/3,923 ft), are volcanoes. On 8 May 1902, Mt. Pelée erupted, completely destroying the city of St. Pierre and killing 30,000 inhabitants. About 25% of the land is wooded, with both European and tropical trees represented. Average temperature is about 26°C (80°F) and average annual rainfall about 190 cm (75 in).

The mid-2005 estimated population was 432,900. The population, composed mostly of descendants of black Africans, Carib Indians, and Europeans, is predominantly Roman Catholic. French is the official language, but a Creole dialect is widely spoken and English is understood in tourist areas.

There were reportedly 2,105 km (1,314 mi) of highway in 2000, and no railways. Steamer service connects Martinique with North and South America and France. Air France and other airlines provide air service from Lamentin Airport near Fort-de-France.

First inhabited by Carib Indians, Martinique was discovered by Columbus in 1502, and colonized by the French in 1635. Except for the periods 1762-63, 1793-1802, and 1809-15, the island has remained in French hands ever since. It is represented in the French parliament by four deputies and two senators.

Martinique's economy is agricultural. Sugarcane and bananas are the leading crops; pineapples, citrus fruit, mangoes, avocados, coffee, and cacao are also grown. Sugar refining, rum distilling, and fruit processing are the chief industries. Bananas, petroleum products, and rum are the principal exports; foodstuffs and oil are the main imports. In 1997, exports totaled us\$250 million; imports totaled us\$2 billion (the last figures available). Trade is mainly with France, which heavily subsidizes the budget. Tourism has become more important than agriculture as a source of foreign exchange.

Education is compulsory through the primary and secondary levels. There is a branch of the Universitaire Antilles- Guyana.



Martinique has 13 hospitals. The infant mortality rate in 2005 was estimated at 7.09 deaths per 1,000 live births, up from 6.76 per 1,000 live births in 1999, but down significantly from 14 in 1985. Life expectancy was 79.04 years in 2005, up from 78.56 years in 2002.

### ST. PIERRE AND MIQUELON

The French territorial collectivity of St. Pierre and Miquelon (Territoire des Îles Saint-Pierre et Miquelon) is an archipelago in the North Atlantic Ocean, between 46°45' and 47°10' N and 56°5' and 56°25' W, located about 24 km (15 mi) W of Burin Peninsula on the south coast of Newfoundland. It consists of three main islands, St. Pierre, Miquelon, and Langlade—the two latter linked by a low, sandy isthmus—and several small ones. The length of the group is 43 km (27 mi) N–S, and it measures 22 km (14 mi) E–W at its widest extent. The total area is 242 sq km (93 sq mi). The islands were the focus of a maritime boundary dispute between Canada and France, but in 1992 an arbitration panel awarded the islands an exclusive economic zone area of 12,348 sq km (4,768 sq mi) as a settlement. Although the archipelago is volcanic in origin, the highest point, Morne de la Grande Montagne, is only 393 m (1,289

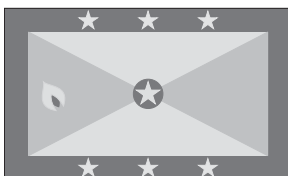
ft). The temperature varies between an average daily low of –15°C (5°F) in winter and an average daily high of 22°C (72°F) in summer. The spring and autumn are very windy, and fogs are frequent throughout the year; annual precipitation averages 130 cm (51 in). Vegetation is scanty, except on Langlade, where several species of trees are found. Animal life includes seabirds, foxes, rabbits, and deer. The population in mid-2005 was estimated to be 7,012. Most of the people are descendants of Basque, Breton, and Norman settlers and are Roman Catholics.

The first permanent French settlement dates from 1604, and, except for several periods of British rule, the islands have remained French ever since. They became a French overseas territory in 1946, an overseas department in 1976, and a territorial collectivity in 1985. The economy has traditionally centered around fishing and by servicing the fishing fleets operating off the coast of Newfoundland, but the number of ships stopping at St. Pierre has been declining in recent years. Also affecting the economy are disputes with Canada over fishing quotas. The islands receive significant subsidies from France. Total exports in 2004 amounted to US\$7 million, while imports totaled US\$70 million, requiring heavy subsidies from France.



# GRENADA

*Grenada*



**CAPITAL:** St. George's

**FLAG:** The national flag consists of a red border surrounding a rectangle divided into two gold and two green triangles. There are seven yellow stars—three on the upper and three on the lower red border, and one large star at the apex of the four triangles—representing the six parishes and the island of Carriacou. A yellow nutmeg is represented on the hoist triangle.

**ANTHEM:** National anthem beginning "Hail Grenada, land of ours, we pledge ourselves to thee."

**MONETARY UNIT:** The East Caribbean dollar (EC\$) is a paper currency of 100 cents. There are coins of 1, 2, 5, 10, 25, and 50 cents, and 1 dollar, and notes of 5, 10, 20, and 100 East Caribbean dollars. EC\$1 = US\$0.37037 (or US\$1 = EC\$2.7; as of 2004).

**WEIGHTS AND MEASURES:** The metric system is in use.

**HOLIDAYS:** New Year, 1–2 January; Independence Day, 7 February; Labor Day, 1 May; Thanksgiving, 25 October; Christmas, 25 December; Boxing Day, 26 December. Movable holidays include Good Friday, Easter Monday, and Emancipation Day, 1st Monday in August.

**TIME:** 8 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Located about 160 km (100 mi) N of Trinidad and 109 km (68 mi) ssw of St. Vincent, Grenada, which includes the inhabited islands of Grenada, Carriacou, and Petite Martinique, has an area of 340 sq km (131 sq mi). Comparatively, the area occupied by Grenada is slightly less than twice the size of Washington, DC. Grenada island extends 34 km (21 mi) NE–SW and 19 km (12 mi) SE–NW, and has a coastline of 121 km (75 mi).

Grenada's capital city, Saint George's, is located on the island's southwestern coast.

## <sup>2</sup> TOPOGRAPHY

Volcanic in origin, Grenada is very hilly, with the highest peak, Mt. St. Catherine, in the Central Highlands, rising to 840 m (2,756 ft). The coastline is indented with many beaches and small bays. Several short streams cross the terrain. Lake Grand Etang is formed in the crater of a volcano at 530 m (1,740 ft) above sea level.

## <sup>3</sup> CLIMATE

The tropical climate is tempered by almost constant sea breezes; the prevailing wind is from the northeast. Temperatures range from 24–30°C (75–87°F). Annual rainfall varies from about 150 cm (60 in) in the northern and southern coastal belts to as much as 380 cm (150 in) in the Central Highlands. There is a wet season from June to December, but rain falls periodically throughout the year. Hurricanes are a natural hazard, particularly between June and November.

## <sup>4</sup> FLORA AND FAUNA

The Central Highlands support a wide variety of forest trees and many types of tropical flowers and shrubs grow throughout the

island. Characteristic wildlife includes the hummingbird, egret, dove, and wild pigeon; also to be found are armadillo, agouti, and monkeys.

## <sup>5</sup> ENVIRONMENT

As a member of the Organization of Eastern Caribbean States (OECS) formed in 1981, Grenada shares the advantages and disadvantages of island nations in the area. Water supply is limited and, in some areas, polluted by agricultural chemicals and sewage. Forests are threatened by the expansion of farming activities and the use of wood for fuel. The nation's coasts are affected by industrial pollution which threatens the nation's tourist trade. Environmental responsibilities are vested in the Ministry of Health and Housing.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 1 type of mammal, 2 species of birds, 4 types of reptiles, 1 species of amphibian, 12 species of fish, and 3 species of plants. Endangered species included the Grenada hook-billed kite, tundra peregrine falcon, the green sea and hawksbill turtles, the spectacled caiman, and the Orinoco crocodile.

## <sup>6</sup> POPULATION

The population of Grenada in 2005 was estimated by the United Nations (UN) at 101,000, which placed it at number 179 in population among the 193 nations of the world. In 2005, approximately 8% of the population was over 65 years of age, with another 35% of the population under 15 years of age. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.2%, a rate the government viewed as too high. The projected

population for the year 2025 was 96,000. The population density was 297 per sq km (769 per sq mi).

In 2005, the UN estimated that 39% of the population lived in urban areas, principally St. George's, where the annual population growth rate was 1.34%. St. George's, which is the capital, had a population of 33,000 in that year.

## <sup>7</sup>MIGRATION

Grenadians have always emigrated, mainly to the United Kingdom and Canada. Emigration increased after the 1979 coup. As of 2004, Grenada hosted no refugees or asylum seekers. However, the country's lack of a national refugee law is a cause for concern as Grenada is likely to see an increase in the number of asylum seekers due to escalating extra-regional migration and migrant trafficking through the Caribbean. The total number of migrants in Grenada in 2000 was 8,000. However, after the terrorist attacks on the United States on 11 September 2001, Grenada and St. Vincent terminated their programs to sell passports to nonnationals. In 2005, the net migration rate was -13.25 migrants per 1,000 population. The government views the immigration level as satisfactory, but the emigration level as too high.

## <sup>8</sup>ETHNIC GROUPS

About 82% of the population are black, primarily the descendants of former African slaves. Those of mixed African and European origin account for about 13% of the population. Europeans and Asian Indians account for about 5%. A small number are Arawak/Carib Amerindians.

## <sup>9</sup>LANGUAGES

English is the official and common language. A French-African patois also is spoken.

## <sup>10</sup>RELIGIONS

According to 2004 reports, about 64% of the population were Roman Catholic. Other main groups included Anglicans (22%), Methodists (3%), and Seventh-Day Adventists (3%). Other Protestant denominations included Presbyterians, Church of God, Baptists, and Pentecostals. The Church of Jesus Christ of Latter-Day Saints (Mormons) and the Mennonites have small congregations. Minority religions are Islam and Baha'i. There were about 5,000 Rastafarians.

The constitution provides for freedom of religion and this right is generally respected in practice. Religious groups are required to register with the government. The Ministry of Ecclesiastical Relations, established in 2004, meets monthly to provide an open forum for leaders of all faiths. The Conference of Churches Grenada also serves as a forum for mutual understanding between religious organizations. The Christian Forum for Social Action is a group that addresses issues such as HIV/AIDS and drug use.

## <sup>11</sup>TRANSPORTATION

In 2002, Grenada's road system of 1,040 km (646 mi) included 638 km (396 mi) of paved roads. The country's major port is St. George's. A new international airport, Point Salines, built largely with Cuban assistance, and scheduled for completion in 1984, was repeatedly cited by the United States as posing a possible military threat to the Caribbean region. After the US-led invasion in 1983,

the airport was completed with funding mainly from the United States. Airline flights began in October 1984, and in 2001, the airport served 322,000 arriving and departing passengers. In 2004 there were three airports, all of which had paved runways. The smaller airports are at Pearls and on Carriacou.

## <sup>12</sup>HISTORY

Grenada was inhabited by Arawak Indians when first discovered on 15 August 1498 by Christopher Columbus, who named it *Concepción*. By the 18th century, the island was known as Grenada. The origin of that name is unknown, possibly a corruption of the Spanish city of Granada. A secure harbor (at St. George's) attracted traders and some French settlers during the 16th century. After a few failed French private ventures in 1650 and 1657, the French government annexed Grenada in 1674. The island remained under French control until 1762, when Admiral George Rodney captured it for Great Britain. The French regained Grenada in 1779, but the Versailles treaty of 1783 returned Grenada to Britain.

Sugar was Grenada's main product until the 19th century. At that time, the development of spices, especially nutmeg, coupled with the emancipation of slaves in 1834, led to a new economic base for the island. The economy flourished during the second half of the 19th century, and the cultivation of nutmeg, cloves, ginger, and cinnamon, earned Grenada the name *Isle of Spice*. Grenada's colonial status ended in 1958 when it joined the ill-fated Federation of the West Indies. In 1962, the federation dissolved, and in 1967, Grenada became an associated state of the United Kingdom.

On 28 February 1972, general elections resulted in the victory of Eric Matthew Gairy, who ran under the banner of the pro-independence Grenada United Labour Party (GULP). A constitutional conference was held in London during May 1973, and independence was set for the following February. Independence came on 7 February 1974, in spite of widespread strikes and demonstrations protesting Gairy's secret police force, actions that were supported by trade unions in neighboring Barbados and Trinidad and Tobago. Prime Minister Gairy ruled for five years.

On 13 March 1979, the opposition party, the New Jewel Movement, seized power, and Maurice Bishop became prime minister of the People's Revolutionary Government (PRG). Bishop suspended the constitution, jailed opposition leaders, and shut down independent newspapers. The PRG was drawn toward Cuba and its allies in the Caribbean region, as relations with the United States and some of Grenada's more conservative Caribbean neighbors deteriorated.

On 19 October 1983, in the course of a power struggle within the PRG, Bishop and several followers were shot to death, and a hard-line Marxist military council, headed by Gen. Hudson Austin, took over. Six days later, 6,000 US troops, accompanied by token forces from seven other Caribbean nations, invaded the island, ostensibly to protect the lives of American students there. Nearly all of the 700 Cubans then in Grenada were captured and expelled. In spite of the UN General Assembly's condemnation of the invasion, Gen. Austin was placed in detention, and the governor-general, Sir Paul Scoon, formed an interim government to prepare for elections. US combat troops were withdrawn in December 1983, but 300 support troops and 430 members of Caribbean forces remained on the island until September 1985.

Elections were held in December 1984, and Herbert Blaize and his New National Party (NNP) won 59% of the popular vote and 14 of the 15 House of Representatives seats. Prime Minister Blaize died in December 1989, and Ben Jones formed a government until the elections of 1990. Those elections elevated the National Democratic Congress (NDC) to majority status and Nicholas Brathwaite became prime minister. By 1993, ten years after the US invasion, tourist arrivals in Grenada had more than tripled, and the Point Salines airport, begun by the ousted Cubans and completed in 1984, was a modern facility servicing international flights.

In his 1994 budget, Brathwaite reintroduced the personal income tax, which had been abolished in 1986. Controversy over the tax helped carry the NNP to victory in the June 1995 election, and Keith Mitchell, who had promised to rescind the tax once again, became the new prime minister.

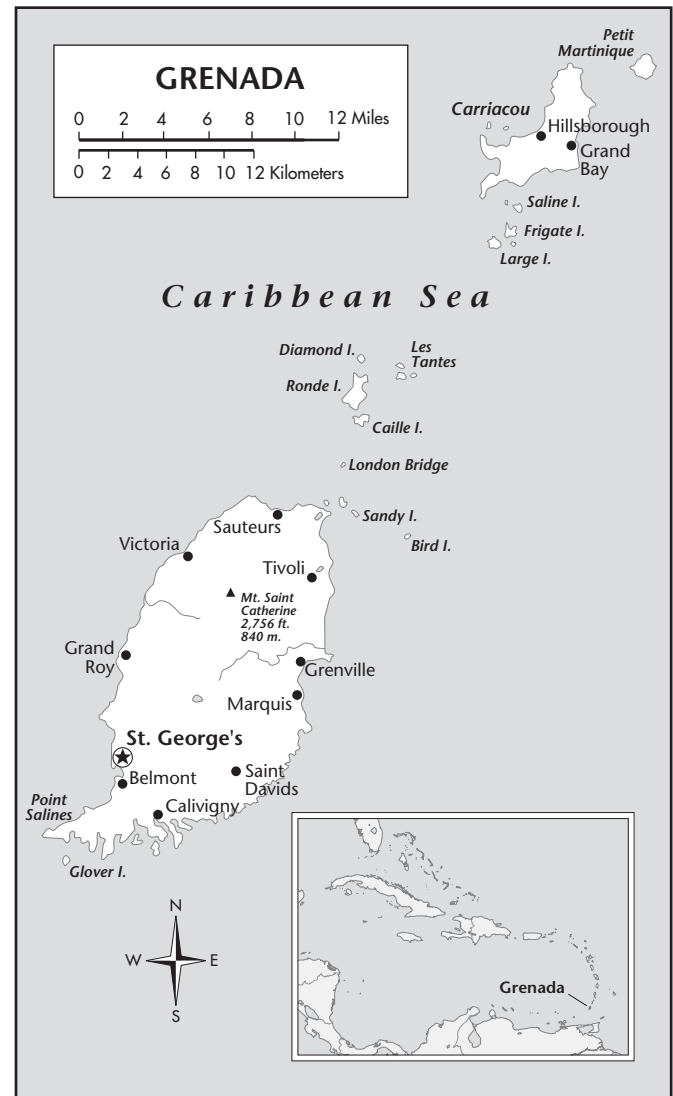
In November 1998, Mitchell's government lost its parliamentary majority when two members crossed over to the opposition, forcing early elections. In spite of allegations of government corruption, Mitchell's NNP swept the polling, winning all 15 seats in the House of Representatives in the January 1999 elections—the fourth peaceful electoral contest since the 1983 US intervention. Mitchell received credit for bolstering the country's economy and increasing foreign investment. In August 1998, Fidel Castro arrived in Grenada for his first state visit since 1983. Mitchell's government has pursued economic cooperation with Cuba, and Mitchell had visited Cuba the previous year. During the Castro visit, an economic agreement was signed by the two countries. In spite of steady economic growth and low inflation, the IMF issued a warning in 1999 about the state of Grenada's public finances, especially the nation's growing budget deficit, which was partially caused by tax cuts.

In the election of January 1999, the NNP once again won with an overwhelming 62.4% of the vote. Mitchell remained as prime minister and the NNP won all 15 seats in the parliament. In November 2003, the NNP narrowly edged out the National Democratic Congress (NDC), taking 8 seats in the House of Representatives to the NDC's 7. Mitchell remained prime minister.

In 2002, the country engaged in a major organic banana project in an effort to promote the industry; 150 acres were set aside for organic farming.

Hurricane Ivan devastated the island of Grenada in September 2004. Prime Minister Mitchell declared a national emergency; 90% of the country's buildings were damaged and the nutmeg crop was devastated. It was Grenada's worst hurricane in living memory. In July 2005, as Grenada was still recovering from Hurricane Ivan, Hurricane Emily destroyed crops and damaged homes across the island.

Grenada has taken serious steps to tackle the problem of money laundering, after reviewing its offshore banking sector. In 2001 Grenada was blacklisted by the Paris-based Financial Action Task Force for not doing enough to prevent money laundering, but in 2002 the group removed Grenada from its blacklist. In 2003, the US Treasury Department's financial crimes agency withdrew an advisory on Grenada as the country made efforts to clean up offshore banking.



LOCATION: 12°7' N and 61°40' W. COASTLINE: 121 kilometers (75 miles).  
TERRITORIAL SEA LIMIT: 12 miles.

### 13 GOVERNMENT

The independence constitution, effective in 1974 but suspended after the 1979 coup, was reinstated after the US invasion. It provides for a governor-general appointed by the British crown and for a parliamentary government comprising independent executive, legislative, and judicial branches. Under this constitution, the bicameral legislature consists of a Senate of 13 members, 10 of whom are appointed by the government and 3 by the leader of the opposition, and a 15-seat House of Representatives, members of which are popularly elected for five-year terms. The governor-general appoints as prime minister the majority leader of the House. The cabinet, which comprises the prime minister, four senior ministers, and four ministers of state, is the executive arm of the government and is responsible for making policy. In 1996, a portfolio for women's affairs was created.

## **14 POLITICAL PARTIES**

The New National Party (NNP), formed from a coalition of moderate parties and headed by Prime Minister Keith Mitchell, has been the majority party since the 1995 elections when it won 8 out of 15 seats in the House. In early elections called in January 1999, the party won 62% of the vote and all 15 House seats. The National Democratic Congress (NDC), a moderate party, took 5 of 15 seats in the House of Representatives in the 1995 elections but won no seats in 1999 (although garnering 25% of the vote).

The Grenada United Labour Party (GULP) was under the leadership of Sir Eric Gairy, who founded it in 1950, until Gairy's death in 1997. Right wing and populist in its approach, the group won no seats, but 12% of the vote, in the 1999 elections. The moderate National Party (NP), organized in 1989 by former Prime Minister Ben Jones, did not sponsor any candidates in 1999. On the left, the Maurice Bishop Patriotic Movement (MBPM) never won legislative representation, and it no longer exists as a party. Another party in existence as of 2005 was the People's Labor Movement (PLM), which is a combination of members of the original NDC and members of the MBPM.

Following the November 2003 elections, the NNP won 8 seats to the NDC's 7 seats.

## **15 LOCAL GOVERNMENT**

For administrative purposes, the main island is divided into six parishes and one dependency.

## **16 JUDICIAL SYSTEM**

Until it joined the Eastern Caribbean Supreme Court, the Grenada Supreme Court, in St. George's, consisted of a High Court of Justice and a two-tier Court of Appeals. The Court of Magisterial Appeals heard appeals from magistrates' courts, which exercised summary jurisdiction; the Itinerant Court of Appeal heard appeals from the High Court.

On joining the Organization of Eastern Caribbean States (OECS) in 1991, Grenada became subject to the jurisdiction of the Eastern Caribbean Supreme Court. Under the OECS system, until 2003 appeals were taken from this court to the Judicial Committee of Her Majesty's Privy Council in the United Kingdom. Grenada was among the eight nations (Barbados, Belize, Dominica, Guyana, Jamaica, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago) whose leaders met in Kingston on 9 June 2003 to ratify a treaty to establish the Caribbean Court of Justice (CCJ) to hear cases formerly taken to the Privy Council. The CCJ was officially inaugurated in April 2005, in Port-of-Spain, Trinidad and Tobago. As of 2005, however, the court's jurisdiction was limited to the CARICOM states of Barbados and Guyana. The CCJ heard its first case in August 2005.

The judiciary is independent. There are no military or political courts. The law provides for the right to a fair public trial, to a presumption of innocence, to remain silent, and to seek the advice of an attorney.

## **17 ARMED FORCES**

The Royal Grenada Police Force (RGPF), numbering 650 members, provides internal defense in Grenada. A special service unit of 80 and a 30-member coast guard is included in this security

force. The US Army and Coast Guard provide training and support to Grenada.

## **18 INTERNATIONAL COOPERATION**

Grenada became a member of the United Nations on 17 September 1974; it participates in the ECLAC and several UN specialized agencies, such as FAO, IFC, UNESCO, UNIDO, WHO, and the World Bank. Grenada is also a member of the ACP Group, the Commonwealth of Nations, the Caribbean Development Bank, G-77, the Latin American Economic System (LAES), the Alliance of Small Island States (AOSIS), OECS, the OAS, the Association of Caribbean States (ACS), and CARICOM.

Grenada is part of the Nonaligned Movement and the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL). The nation is part of the Eastern Caribbean's Regional Security System (RSS). In environmental cooperation, Grenada is part of the Convention on Biological Diversity, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## **19 ECONOMY**

Grenada's economy is highly dependent on international trade and finance for its development. The economy is essentially agricultural and is centered on the traditional production of spices and tropical plants. Agriculture accounts for about 7.7% of GDP and 80% of exports and employs 24% of the labor force. Tourism is the leading foreign exchange earner (especially since the construction of the international airport in 1985) followed by agricultural exports. Manufacturing remains relatively undeveloped, but is growing due to a favorable private investment climate. The economy achieved an impressive average annual growth rate of 5.5% in 1986–91 but has slowed since 1992. In the late 1990s the offshore financial industry, begun to help develop Grenada's economy, grew by approximately 6.5% in 2001 despite the worldwide slowdown in tourism, while inflation remained under control at 2.8%.

The economy of Grenada, based primarily on services (tourism and education) and agricultural production (nutmeg and cocoa), was brought to a near standstill by Hurricane Ivan on 7 September 2004. Thirty-seven people were killed by the hurricane, and approximately 8,000–10,000 left homeless. Hurricane Ivan damaged or destroyed 90% of the buildings on the island, including some tourist facilities. Overall damage totaled as much as 2.5 times annual GDP. Reconstruction has proceeded quickly, but much work remains.

Despite initial high unemployment in the tourist and other sectors, urban Grenadines have benefited from post-hurricane job opportunities in the surging construction sector. Agricultural workers have not fared as well. Hurricane Ivan destroyed or significantly damaged a large percentage of Grenada's tree crops, and Hurricane Emily (14 July 2005) further damaged the sector. Thus, reconstruction from the devastation wreaked by Hurricane Ivan in September 2004 and Hurricane Emily in July 2005 is a major political issue for the present government.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Grenada's gross domestic product (GDP) was estimated at \$440.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$5,000. The annual growth rate of GDP was estimated at 2.5%. The average inflation rate in 2002 was 2.8%. It was estimated that agriculture accounted for 7.7% of GDP, industry 23.9%, and services 68.4%.

It was estimated that in 2000 about 32% of the population had incomes below the poverty line.

## 21 LABOR

In the latest years for which data was available, Grenada's labor force was estimated at 42,300 in 1996, and was distributed in 1999 as follows: agriculture 24%; industry 14%; and services 62%. In 2000 unemployment was estimated at 12.5%.

Approximately 25% of the labor force is unionized. There are several major trade unions in the country, including civil service unions. All major unions belong to one major federation, the Grenada Trade Unions Council (GTUC). The GTUC is somewhat connected to the government organizationally and receives subsidies from the government for its operating budget. Workers are free to strike and employees who claim to have been dismissed for union activism may seek redress through formal governmental procedures. Workers engage in collective bargaining.

In 2002, there were no minimum wage laws in effect. In general, wages do not provide a decent living for a family. The minimum working age is 18. This minimum age is respected and enforced in the formal economy, but enforcement is somewhat lax in the informal economy and agriculture. The constitution sets the maximum workweek at 40 hours. Health and safety standards are not regularly enforced.

## 22 AGRICULTURE

Numerous spices, fruits, and vegetables are grown in Grenada. The principal crops for export are nutmeg and mace, bananas, cocoa beans, and other fresh fruits and vegetables. Production in 2004 included bananas, 4,000 tons; cocoa, 1,000 tons; and avocados, 1,500 tons. Banana production decreased in the 1980s due to the appearance of Moko disease. There are small scattered plots of cotton, cloves, limes, nutmeg, cinnamon, and coffee. Both cotton and lime oil are produced on Carriacou. Food crops consist of yams, sweet potatoes, corn, peas, and beans. Grenada is especially known for its nutmeg production, earning it the nickname "Spice Island." In 1991, Grenada and Indonesia (the world's largest nutmeg producer) signed a cartel agreement which aims to constrict production, thereby driving up world prices for the spice. Nutmeg production in 2004 totaled 2,747 tons. In 2003, exports of agricultural products amounted to us\$12.9 million.

## 23 ANIMAL HUSBANDRY

There is very little dairy farming in Grenada. Most livestock is raised by individuals for their own use. In 2005 there were an esti-

mated 4,450 head of cattle, 20,400 sheep and goats, and 660 donkeys. Some 268,000 poultry were raised to supply local needs.

## 24 FISHING

Fishing is mostly coastal. The 2003 catch was 2,544 tons, predominantly tuna and scad.

## 25 FORESTRY

There are approximately 5,000 hectares (12,300 acres) of forest, about 75% of which is government owned. Since 1957, some 320 hectares (800 acres) of forest, primarily of Honduras mahogany, blue mahoe, and teak, have been introduced. The Forestry Development Corp. was established in 1979 to develop forest resources and woodworking industries. Imports of forestry products totaled \$5.2 million in 2004.

## 26 MINING

There were no reported mining operations in Grenada except for limestone, sand and gravel, and open-face red gravel deposits for the local construction industry.

## 27 ENERGY AND POWER

Grenada has no known reserves of oil, natural gas, or coal, and is thus dependent upon imports to supply its fossil fuel needs. In 2002, imports and consumption of refined petroleum oil products each totaled 1,740 barrels per day. There were no imports of natural gas or coal in 2002.

The government and the Commonwealth Development Corp. jointly operate a private company, Grenada Electricity Services, Ltd., for the supply and distribution of electricity throughout the island. In 2002, total electric generating plants capacity was placed at 0.042 million kW, with output that year at 0.149 billion kWh, all of which came from fossil fuels. Consumption of electricity that same year came to 0.139 billion kWh.

## 28 INDUSTRY

Industry is small scale, mainly producing consumer products for local use. Local firms produce food and beer, oils, soap (from copra), furniture, mattresses, clothing, and a number of other items. In 1996, Grenada expanded its production of flour, animal feed, chemicals, paints, and tobacco. Construction, textile production, and light assembly operations are other industrial sectors.

In 2003, industry accounted for 23.6% of GDP, while services accounted for 66.7% of GDP and agriculture for 9.7%.

Grenada's nutmeg industry, a major income earner for the country, was devastated in 2004 by Hurricane Ivan. The Commonwealth action plan has covered replanting, processing and development of nutmeg-based products, market and export promotion activities, and institutional changes; aid has focused on reviving the country's affected industry.

## 29 SCIENCE AND TECHNOLOGY

St. George's University School of Medicine was founded in 1976. A school of agriculture is located in Mirabeau. The Grenada Na-

tional Museum, at St. George's, maintains exhibits on technology and native fauna and flora.

### 3<sup>0</sup> DOMESTIC TRADE

There are meat, fish, fruit, and vegetable markets, in addition to other types of small retail shops, all over the island. St. George's is the import and merchandising center. A widespread network of cooperatives exists for the local distribution and sale of agricultural products. The nation relies heavily on imports for food and manufactured goods.

Firms in textile and garments industries, which have one of the lowest capital intensities among all types of companies, are large employers and foreign exchange earners due to their export-orientation. By contrast, firms in the ICT-enabled services bring in much more capital on average, but do not provide as much employment and are much more geared towards serving the domestic market.

### 3<sup>1</sup> FOREIGN TRADE

The Grenadian economy is highly import dependent, with imports accounting for 49% of GDP. The United States is the main source of imports (44%), followed by countries of the Caribbean Community (CARICOM) (20%). Virtually all exports are agricultural products, while the large flow of imports include motor vehicles and other consumer goods, fuels, and fertilizer. The spice trade supports Grenada with the largest percentage of commodity exports, including nutmeg, mace, and cardamom (47%). Other important exports include cocoa (4%), paper (11%), fish (10%), and flour (10%). Grenada's main exports go to Saint Lucia 12.7%, United States 12.2%, Antigua and Barbuda 8.7%, Netherlands 7.9%, Saint Kitts and Nevis 7.8%, Dominica 7.8%, Germany 7.1% and France 4.6%.

Grenada is a member of the Eastern Caribbean Currency Union (ECCU). The Eastern Caribbean Central Bank (ECCB) issues a common currency for all members of the ECCU. The ECCB also manages monetary policy, and regulates and supervises commercial banking activities in its member countries.

Grenada is also a member of the Caribbean Community and Common Market (CARICOM). Most goods can be imported into

Grenada under open general license, but some goods require specific licenses. Goods that are produced in the Eastern Caribbean receive additional protection; in May 1991, the CARICOM common external tariff (CET) was implemented. The CET aims to facilitate economic growth through intra-regional trade by offering duty-free trade among CARICOM members and duties on goods imported from outside CARICOM.

### 3<sup>2</sup> BALANCE OF PAYMENTS

The adverse trade balance is generally offset by a flow of remittances from migrant groups abroad and by tourism. To illustrate, in 2005, Grenada received \$108.2 million in transfers (including remittances) compared to the \$30.4 million it exported (while it imported \$276 million worth of goods).

The US Department of State reported that in 2004 the total external debt outstanding was of \$415 million. The trade deficit grows yearly. In 2002, based on these figures, the debt to GDP ratio stood at 103% of GDP in 2002, climbing dramatically from the 2001 debt to GDP ratio of 67%. The 2002 ratios are very high both in relation to Grenada's economic history and in comparison to the debt-to-GDP ratios in other countries.

### 3<sup>3</sup> BANKING AND SECURITIES

Local financial institutions include the National Commercial Bank of Grenada, the Grenada Bank of Commerce, the Grenada Development Bank, and the Grenada Cooperative Bank. Foreign banks include Barclays Bank and the Bank of Nova Scotia. In 1992, Republic Bank Limited of Trinidad and Tobago bought 51% of the National Commercial Bank. There is no stock exchange.

Grenada is a member of the Organization of Eastern Caribbean States (OECS), and a member of the Eastern Caribbean Central Bank (ECCB), which is headquartered in St. Christopher and Nevis. Grenada's finances are bound by the ECCB's general guidelines on money supply and bank regulation and the currency is the Eastern Caribbean dollar, which is pegged to the US dollar at a constant exchange rate of EC\$2.70:\$1. The country is considered a tax haven for many US companies. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$78.9 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$430.6 million.

### 3<sup>4</sup> INSURANCE

There are a number of international firms (mainly UK, US, and Canadian) and some local interests doing business in Grenada. A full range of life and nonlife insurance is available. There were at least nine insurance companies operating in Grenada in 2000.

### 3<sup>5</sup> PUBLIC FINANCE

Main sources of revenue are export and import duties, income tax, estate duties, and various internal rates, licenses, and taxes. The 1986 Fiscal Reform Program replaced a number of taxes, including a personal income tax, with a VAT of 20% on certain consumer goods. In 1999, the government decided to double its expendi-

#### Principal Trading Partners – Grenada (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	38.0	253.2	-215.2
United States	11.0	106.9	-95.9
Netherlands	3.8	4.6	-0.8
Sweden	3.5	5.2	-1.7
Saint Lucia	2.9	2.0	0.9
Germany	2.4	8.0	-5.6
Belgium	2.0	0.4	1.6
Saint Kitts and Nevis	1.9	...	1.9
Trinidad and Tobago	1.6	46.6	-45.0
Barbados	1.5	5.2	-3.7
Antigua and Barbuda	1.1	...	1.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

tures on infrastructure projects, including airport expansion, the creation of a new port, and road construction.

The US Central Intelligence Agency (CIA) estimated that in 1997 Grenada's central government took in revenues of approximately \$85.8 million and had expenditures of \$102.1 million. Revenues minus expenditures totaled approximately -\$16.3 million. Total external debt was \$196 million.

### 36 TAXATION

Corporate taxes are levied on net profits at a rate of 30% on the first us\$50,000 and 40% on the remainder. A debt service levy is payable on salaries over us\$12,000 per year at a rate of 10%. VAT ranges from 5% on most services to 15% on locally manufactured products.

### 37 CUSTOMS AND DUTIES

All imports are subject to a general or preferential tariff, as well as a fixed package tax. Although Grenada is a member of the CARICOM community, it does not apply the group's common external tariff (CET). A 5% customs fee based on the value of cost, insurance, and freight (CIF) is applied to most goods. Import restrictions cover 45 product categories, including certain consumer goods, vehicles, and foods. Import licenses are required for 16 product categories that include appliances, foods, and beverages. A 20% consumption tax is levied on new cars. Capital equipment is exempt from tariffs.

### 38 FOREIGN INVESTMENT

Since independence, the government has sought to attract foreign investment for industrial development, especially the processing of local agricultural commodities for export. Grenada offers incentives competitive with other Caribbean nations and gives high priority to foreign investment that is either 100% foreign owned or joint venture with nationals.

There are no free trade zones in the country, but generous investment incentive packages are available, including a tax holiday of up to 15 years. There has been a considerable amount of foreign investment in the country's hotel sector. Most foreign investment during the 1990s came in the form of infrastructure construction projects related to the tourism industry.

In September 2001, Grenada was placed on the list of noncooperative countries in preventing money laundering by the OECD's Financial Action Task Force (FATF). After strengthening its anti-money laundering legislation and closing a number of banks, Grenada was removed from the list in February 2003.

In the period 1980–2000, FDI inflows as a percentage of GDP more than doubled, and registered an 11% annualized growth rate between 1997 and 1999. Since then, however, there has been virtually no growth in FDI inflows into Grenada. In 1998, the foreign direct investment (FDI) inflow into Grenada rose to \$48.7 million, up from \$33.5 million in 1996. Yearly FDI inflows stayed within this range from 1998 to 2001. FDI inflow in 2001 was \$34.2 million. As a result of the global economic downturn, the worldwide FDI flows halved between 2000–02. The most significant uncontrollable challenge relates to its small market size, with a population in the vicinity of 100,000, Grenada is unlikely to attract any foreign investment that is oriented to its domestic market.

## 39 ECONOMIC DEVELOPMENT

Increasing indebtedness threatens Grenada's macro-stability; foreign direct investment (FDI) inflows have stagnated in the last couple of years, and it continues to be constrained by the host issues related to the small size of its economy.

Import substitution was the focal point of the agricultural development plan. The PRG was committed to nationalizing agriculture and turned the large estates that had belonged to former Prime Minister Gairy into cooperative farms. Following the 1984 election, the Blaize government reversed the trend toward state control and embarked on an economic policy that encouraged private sector participation and modified the fiscal system to encourage economic growth. The establishment of the Industrial Development Corporation, and of the National Economic Council early in 1985, were essential components of the new policy, as was the privatization of 18 state enterprises. The tax structure was modified in 1986 to offer incentives to the private sector.

Tourism, the main foreign exchange earner, was adversely affected by the 11 September 2001 terrorist attacks on the United States. Large expenditures for infrastructure and tourism projects, and the global economic downturn in 2001, led to a decline in GDP by 3% in 2001. The government tried to expand its cargo ports to handle the growing volume of cargo, but in 2002 tropical storm Lili damaged crops and infrastructure. The International Monetary Fund (IMF) approved \$4 million in emergency assistance to Grenada.

The country took an even more serious blow in 2004 when Hurricane Ivan swept through, killing dozens of people, damaging 90% of the island's buildings, and devastating the nutmeg crop. After the extent of destruction by Hurricane Ivan was assessed in 2004, the UK Secretariat put together a three-year assistance package valued at ec\$5 million (almost \$2 million) from 2004 to 2007, aimed at helping Grenada rebuild its shattered economy. The package included technical support for rehabilitating infrastructure, principally in planning for and implementing the reconstruction of schools, public and historic buildings, and roads. Assistance was also provided to strengthen institutional support for the Ministry of Works, Communications, and Transport and capacity-building for national and external debt management. The development of a national export strategy to promote economic diversification and an emergency post-disaster scholarship and skills development program were also part of the assistance program.

The United States has been the leading donor since the hurricane, with an emergency program of about \$45 million aimed at repairing and rebuilding schools, health clinics, community centers, and housing; training several thousand Grenadines in construction and other fields; providing grants to private businesses to speed their recovery; and providing a variety of aid to help Grenada diversify its agriculture and tourism sectors. Other practical help has been the launching of a Trade Reference Center in 2005; the Center is sponsored by the Canada International Development Agency and has technical assistance from the OAS. This center is aimed at providing simple and friendly user access to regional and country specific information related to trade and trade negotiations.

Government policy has aimed toward sustained development of agriculture and tourism as the prime sectors of the economy,



with respect to both employment and foreign exchange earnings. The last decade has been a period of considerable development in Grenada. While the expansion of the tourist industry has proceeded rapidly, the island nation has taken great care to protect their magnificent natural environment. National Parks have been developed, and the protection of both the rain forest and the coral reefs continues to be a high priority. In 2003 a major organic banana project launched an effort to boost the industry; 150 acres were set aside for organic cultivation. Due to the hurricane devastation however, further assessment of the economy will be needed in the years to come.

#### **40 SOCIAL DEVELOPMENT**

A Social Insurance System provides old age, disability, survivor, health, and maternity benefits to all workers aged 16 to 59, including public employees. It is financed by wage contributions of 5% from employers and 4% from workers. The retirement age is 60 for both men and women, and pensions equal 30% of average earnings. Maternity benefits are payable for 12 weeks. Survivor pensions total 75% of the pension of the insured. A funeral grant is also provided. Workers' medical benefits are comprehensive, and include travel overseas if necessary.

Women often earn less than men, especially in lower paying jobs, although there is no official discrimination. Sexual harassment in the workplace is common. Domestic violence is addressed with laws carrying penalties including jail time, community service, fines, and restraining orders for perpetrators. Child abuse is also prevalent. Most cases of abuse, domestic violence, and rape go unreported.

Human rights organizations operate freely in Grenada. Flogging is a legal form of punishment, although it is rarely used in practice.

#### **41 HEALTH**

Grenada is divided into seven medical districts, each headed by a medical officer. Grenada General Hospital in St. George's and two other general hospitals (one on Carriacou and one in St. Andrews) have a combined total of 340 beds. Other hospital facilities include an 80-bed mental hospital (rebuilt after being severely damaged in the 1983 invasion) and a nursing home with 120 beds. There are 36 health centers, which provide primary care. In 2004, it was estimated that Grenada had 50 physicians, 368 nurses, and 20 midwives per 100,000 people.

As of 2005, the infant mortality rate was 14.62 per 1,000 live births, and life expectancy averaged 64.53 years. The total fertility rate was an estimated 2.5 children per woman during her childbearing years. Respective 2002 estimates for overall birth and death rates were 23 and 7.6 per 1,000 people. Approximately 92% of the country's children were immunized against measles. Malaria has virtually been eradicated and a program to eradicate yellow fever mosquito is making progress.

In 1996, there were 76 new cases of AIDS reported.

#### **42 HOUSING**

The housing situation in Grenada has been difficult to track for the past few years due to a cycle of losses, reconstructions, and new losses caused by severe hurricanes to the region. In 2004, Hurricane Ivan caused some type of damage to about 90% of the hous-

ing stock. Ten months later in 2005, Hurricane Emily, though less severe, caused damage to about 2,641 homes. A variety of international groups have offered assistance to the country in rebuilding and maintaining housing and infrastructure.

In the early 1980s, the latest point for which statistical information was available, some 90% of all dwellings were detached houses. Nearly 75% of all housing units were owner occupied, 14% were rented, and 9% were occupied rent free. The most common construction material for homes was wood (70%), followed by concrete (12%), and wood and brick combined (7%).

The Grenada Housing Authority is a government agency empowered to acquire land and construct low-income housing projects. All main population centers have generally been supplied with sewerage and piped-water facilities.

#### **43 EDUCATION**

Grenada's educational system is modeled largely on the British educational system. Education is free and compulsory for children between the ages of 5 and 16. Primary education lasts for seven years and secondary education for five years. In 2001, about 68% of children between the ages of three and four were enrolled in some type of preschool program. Primary school enrollment in 2001 was estimated at about 84% of age-eligible students; 89% for boys and 80% for girls. In 2003, secondary school enrollment was about 99% of age-eligible students. It is estimated that about 80% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 19:1 in 2003; the ratio for secondary school was about 20:1.

Postsecondary institutions include T.A. Marryshow Community College, Grenada National College, Technical and Vocational Institute, the Teacher Training College, and the Institute for Further Education. St. George's University Medical School, a private US institution founded in 1977, provides medical training for students from other countries, the majority from the United States. The adult literacy rate has been estimated at about 98%.

As of 2003, public expenditure on education was estimated at 5.1% of GDP, or 12.9% of total government expenditures.

#### **44 LIBRARIES AND MUSEUMS**

The Grenada Public Library system encompasses about 11 community branches. The main branch (also known as the Sheila Buckmire Memorial Library) serves as the national library and the national archives center; it is also the site of the administrative offices of the Department of Library Services, Ministry of Education. The St. George's University Medical School maintains a collection of 13,000 volumes. There is also a mobile library that visits the island's schools. The Grenada National Museum, founded in 1976, is located in St. George's and focuses on the history and archeology of the island.

#### **45 MEDIA**

A local automatic telephone system covers the island, with connections to Carriacou. In 2002, there were 33,500 mainline telephones and 7,600 mobile phones in use throughout the country.

Radio and television services are provided primarily by Radio Grenada and Grenada television. In 2004, there were seven radio stations and one television station. The Grenada Broadcasting Network (GBN) operates the primary stations. GBN is a privately

owned organization, but the government holds minority shares in the group. In 1997, there were 817 radios and 306 television sets in use per 1,000 population. In 2002, there were 15,000 Internet subscribers.

As of 2005, there were at least five weekly newspapers and several other newspapers published on an irregular schedule. The most popular weeklies are *The Grenada Informer* (1995 circulation, 5,000), *The Grenadian Voice* (3,500), and *The Grenada Guardian* (published by the United Labour Party).

The constitution provides for free speech and press, and the government is said to uphold these rights.

#### 46 ORGANIZATIONS

The Grenada Chamber of Industry and Commerce is in St. George's. The Grenada Employers' Federation assists in strengthening relations between business owners and employee unions. Other labor unions and organizations exist, such as the Grenada Co-operative Nutmeg Association and the Grenada Union of Teachers.

National youth organizations include the National Student Council of Grenada, The Scout Association of Grenada, and the Girl Guides Association. YMCA and YWCA organizations are also active. There are several sports associations promoting amateur competition in various pastimes. Volunteer service organizations, such as the Lions Clubs International and the Rotary Club, are also present. There are national chapters of the Red Cross Society and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourism, although modest in relation to that of other Caribbean islands, was a major enterprise for Grenada before the 1979 coup and 1983 invasion. Since 1984, it has recovered rapidly, and the government is emphasizing development of the tourist infrastructure. There has also been substantial foreign investment in the hotel sector. Since 1989, American Airlines nonstop service to Grenada has boosted tourism significantly. In 2003, tourist arrivals numbered 142,355, a 7% increase from 2002. There were 1,758 hotel rooms with 3,844 beds that same year. The average length of stay was seven nights.

Tourism in Grenada offers the visitor a wide array of white sand beaches and excellent sailing. Two yacht harbors provide port and customs facilities. A valid passport is required for entry into Grenada, except for citizens of the United Kingdom, the United

States, and Canada, who only need two documents proving citizenship. Visas are not required by visitors from the United States, the United Kingdom, Canada, the British Commonwealth, Caribbean countries (except Cuba), most European countries, South Korea, and Japan. Evidence of vaccination against yellow fever is required if traveling from an infected country.

In 2005, the US Department of State estimated the daily cost of staying in Grenada at \$261 from April through December. The rest of the year was estimated at \$300 per day.

#### 48 FAMOUS GRENADIANS

Theophilus Albert Marryshow (1889–1958) is known throughout the British Caribbean as “the Father of Federation.” Eric Matthew Gairy (1922–1997), a labor leader, became the first prime minister of independent Grenada in 1974. Maurice Bishop (1944–83) ousted Gairy in 1979 and held power as prime minister until his assassination. After the US-led invasion, the task of choosing an interim government fell to the governor-general, Sir Paul Scoon (b.1935). Herbert A. Blaize (1919–89) was elected prime minister in 1984; he was Grenada's first chief minister (1957) and its first premier (1967). Keith Mitchell (b.1946) won election as prime minister in 1994, and was reelected in 1999 and 2003.

#### 49 DEPENDENCIES

Carriacou (34 sq km/13 sq mi), Petit Martinique, and several other islands of the Grenadines group are dependencies of Grenada.

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# GUATEMALA

Republic of Guatemala  
*República de Guatemala*

**CAPITAL:** Guatemala City

**FLAG:** The national flag consists of a white vertical stripe between two blue vertical stripes with the coat of arms centered in the white band.

**ANTHEM:** *Himno Nacional*, beginning “Guatemala feliz” (“Happy Guatemala”).

**MONETARY UNIT:** The quetzal (Q) is a paper currency of 100 centavos. There are coins of 1, 5, 10, and 25 centavos, and notes of 50 centavos and 1, 5, 10, 20, 50, and 100 quetzales. Q1 = \$0.13072 (or \$1 = Q7.65) as of 2005. US notes are widely accepted.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some imperial and old Spanish units also are used.

**HOLIDAYS:** New Year’s Day, 1 January; Epiphany, 6 January; Labor Day, 1 May; Anniversary of the Revolution of 1871, 30 June; Independence Day, 15 September; Columbus Day, 12 October; Revolution Day, 20 October; All Saints’ Day, 1 November; Christmas, 25 December. Movable religious holidays include Holy Thursday, Good Friday, and Holy Saturday.

**TIME:** 6 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated in Central America, Guatemala has an area of 108,890 sq km (42,043 sq mi), with a maximum length of 457 km (284 mi) NNW–SSE and a maximum width of 428 km (266 mi) ENE–WSW. Comparatively, the area occupied by Guatemala is slightly smaller than the state of Tennessee. It is bounded on the E by Belize, Amatique Bay, and the Caribbean Sea, on the SE by Honduras and El Salvador, on the S by the Pacific Ocean, and on the W and N by Mexico, with a total boundary length of 2,087 km (1,297 mi).

Guatemala has long laid claim to territory held by Belize (formerly known as British Honduras). In 1821, upon achieving independence, Guatemala considered itself the rightful inheritor of this former Spanish possession and continued to regard Belize as an administrative adjunct of Guatemala. In 1859, British rights to the area were defined in a treaty with Guatemala, but, alleging that the United Kingdom had not fulfilled its obligations, Guatemala subsequently refused to recognize the British title. In mid-1975, Guatemala demanded the cession of one-fourth of the territory of Belize as a condition for recognizing that country’s sovereignty.

When Belize did become independent in September 1981, Guatemala refused to recognize the new nation. In January 1983, the Guatemalan government announced that it would drop its sovereignty claim and would press instead for the cession of the southernmost fifth of Belize’s territory. Guatemala’s claim has been rejected not only by the United Kingdom and Belize but also by the UN General Assembly and, in November 1982, at the CARICOM heads of government conference. In mid-1986, Guatemala and the United Kingdom reestablished consular and commercial relations.

Guatemala’s capital city, Guatemala City, is located in the south central part of the country.

## <sup>2</sup>TOPOGRAPHY

A tropical plain averaging 48 km (30 mi) in width parallels the Pacific Ocean. From it, a piedmont region rises to altitudes from 90 to 1,370 m (300 to 4,500 ft). Above this region lies nearly two-thirds of the country, in an area stretching northwest and southwest and containing volcanic mountains, the highest of which is Mt. Tajumulco (4,211 m/13,816 ft). The larger towns and Lake Atitlán are located in basins at elevations of about 1,500 to 2,400 m (5,000 to 8,000 ft). To the north of the volcanic belt lie the continental divide and, still farther north, the Atlantic lowlands. Three deep river valleys—the Motagua, the Polochic, and the Sarstún—form the Caribbean lowlands and banana plantation area. North of it, occupying part of the peninsula of Yucatán, is the lowland forest of Petén, once the home of the Mayas. The largest lakes are Izabal, Petén Itza, and Atitlán.

Near the boundaries of the Cocos and Caribbean plates, Guatemala is in a geologically active region with frequent earthquakes and volcanic activity. Of some 30 volcanoes in Guatemala, six have erupted or been otherwise active in recent years. A catastrophic earthquake in February 1976 left nearly 23,000 dead, 70,000 injured, and 1 million people whose homes were partially or completely destroyed.

## <sup>3</sup>CLIMATE

Temperature varies with altitude. The average annual temperature on the coast ranges from 25 to 30°C (77 to 86°F); in the central highlands the average is 20°C (68°F), and in the higher mountains 15°C (59°F). In Guatemala City, the average January minimum is 11°C (52°F) and the maximum 23°C (73°F); the average minimum and maximum temperatures in July are, respectively, 16°C (61°F)

and 26°C (79°F). The rainy season extends from May to October inland and to December along the coast, and the dry season from November (or January) to April. Because of its consistently temperate climate, Guatemala has been called the “Land of Eternal Spring.”

On 4 October 2005, Hurricane Stan, a Category 1 hurricane, struck Guatemala’s Pacific coastal region, sending winds of 128 km/h (80 mi/h) along the coast below Guatemala City. The disaster caused landslides and mudslides, which destroyed many towns. Villages near the popular tourist area of Lake Atitlán suffered damage. Almost 1,000 died and hundreds lost their homes.

#### 4 FLORA AND FAUNA

Flowers of the temperate zone are found in great numbers. Of particular interest is the orchid family, which includes the white nun (*monja blanca*), the national flower. There is also an abundance of medicinal, industrial, and fibrous plants. Overall, there are more than 8,600 plant species throughout the country.

Indigenous fauna includes the armadillo, bear, coyote, deer, fox, jaguar, monkey, puma, tapir, and manatee. The national bird is the highland quetzal, the symbol of love of liberty, which reputedly dies in captivity. Lake Atitlán is the only place in the world where a rare flightless waterbird, the Atitlán (giant pied-billed) grebe, is found; this species, classified as endangered, has been protected by law since 1970. There are more than 900 other species of native and migratory birds. Reptiles, present in more than 204 species, include the bushmaster, fer-de-lance, water moccasin, and iguana.

#### 5 ENVIRONMENT

Guatemala’s main environmental problems are deforestation—over 50% of the nation’s forests have been destroyed since 1890—and consequent soil erosion. As recently as 1993, the nation obtained 90% of its energy from wood, losing 40,000–60,000 hectares of forest per year. Between 1965 and 1990, Guatemala also lost over 30% of its mangrove area, which totaled 16,000 hectares in the early 1990. From 1990–2000 the rate of deforestation was about 1.7% per year. In 2000, about 26.3% of the total land area was forested.

The nation’s water supply is at risk due to industrial and agricultural toxins. Guatemala has 27.8 cu mi of water with 74% used for agriculture and 17% used in farming activity.

United Nations sources show that environmental contamination is responsible for a significant number of deaths due to respiratory and digestive illnesses. Despite the establishment in 1975 of a ministerial commission charged with conserving and improving the human environment, coordination of antipollution efforts remains inadequate, and Guatemala still suffers from a lack of financial resources and well-trained personnel to implement environmental control programs.

In 2003, 20% of Guatemala’s total land area was protected. Tikal National Park is a UNESCO World Heritage Site and there are four Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 7 types of mammals, 10 species of birds, 10 types of reptiles, 74 species of amphibians, 14 species of fish, 2 species of invertebrates, and 85 species of plants. Endangered or extinct species in Guatemala included the

horned guan, Eskimo curlew, California least tern, green sea turtle, hawksbill turtle, olive ridley turtle, spectacled caiman, American crocodile, and Morelet’s crocodile.

#### 6 POPULATION

The population of Guatemala in 2005 was estimated by the United Nations (UN) at 12,701,000, which placed it at number 69 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 42% of the population under 15 years of age. There were 95 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.8%, a rate the government viewed as too high. Although the government implemented programs that provide access to subsidized contraception, only 31% of women used modern contraception and the fertility rate remained high at 4.9 births per woman. The projected population for the year 2025 was 19,962,000. The population density was 117 per sq km (302 per sq mi). Most of the population is concentrated in the southern third of the country.

The UN estimated that 39% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.27%. The capital city, Guatemala City, had a population of 951,000 in that year. Other large cities and their estimated populations are Quezaltenango, 250,000, and Escuintla, 68,000.

#### 7 MIGRATION

Because of persecution and civil war, Amerindian peasants began emigrating across the Mexican border in 1981. Under the CIRE-FCA plan (International Conference on Central American Refugees), 18,000 Guatemalans repatriated between 1989 and 1994. In 1995, 9,500 repatriated from Mexico, and in 1996, another 3,974 repatriated from Mexico. In 1997, there were still 40,000 in Mexico and Belize. Between 1984, when the first repatriation movements took place, and 1999, a total of 43,663 refugees had returned to more than 160 communities throughout Guatemala. The Guatemalan government spent some \$30 million on 36 farms purchased for collective returns. In 2004 there were 656 refugees, 4 asylum seekers, and 8 returned refugees. A population that remained of concern to the United Nations High Commissioner for Refugees (UNHCR) at the end of 2004 was 660 persons in Guatemala City.

In 2003 remittances were \$2 billion. In 2005, the net migration rate was -1.63 migrants per 1,000 population, down from 4.3 per 1,000 in 1990. The government views the migration levels as satisfactory.

#### 8 ETHNIC GROUPS

Guatemala has a larger proportion of Amerindians in its total population than any other country in Central America. In 2004, persons of mixed Amerindian and Spanish ancestry, called mestizos, constituted about 59.4% of the national total. Amerindians who have become assimilated and no longer adhere to a traditional Amerindian life-style are also called ladinos, but this term is sometimes used to refer to mestizos. There are at least 22 separate Mayan groups, each with its own language. The largest minority groups include the Quiché (9.1%), the Cakchiquel (8.4%), the Mam (7.9%), and the Q’equchi (6.3%). Other Mayan groups account for about 8.6% of the population. The Garifuna are de-



LOCATION: 13°42' to 18°30' N; 87°30' to 92°13' W. BOUNDARY LENGTHS: Belize, 266 kilometers (166 miles); Honduras, 256 kilometers (160 miles); El Salvador, 203 kilometers (126 miles); total coastline, 400 kilometers (250 miles); Mexico, 962 kilometers (595 miles). TERRITORIAL SEA LIMIT: 12 miles.

scendants of African slaves. The white population is estimated at less than 1% of the total.

## <sup>9</sup> LANGUAGES

Spanish, spoken by about 60% of the population, is the official and commercial language. Amerindians speak some 28 dialects in five main language groups: Quiché, Mam, Pocomam, and Chol—all of the Mayan language family—and Carib, Kekchi, Garifuna, Cakchiquel, and Xinca. Amerindian languages are spoken by about

40% of the populace. A 2003 Law of Languages mandates the use of Mayan languages in public sectors such as health, education, and justice.

## <sup>10</sup> RELIGIONS

Historically, Roman Catholicism is the predominant religion (between 50–60%), with an archbishopric at Guatemala City and bishoprics at Quetzaltenango, Verapaz, and Huehuetenango. Many inhabitants combine Catholic beliefs with traditional Mayan rites.

Protestants account for about 40% of the population. The largest Protestant denominations are the Full Gospel Church, the Assembly of God, the Church of God of the Central American Church, and the Prince of Peace Church. Other denominations represented are Presbyterians, Baptists, Lutherans, Episcopalians, the Church of Jesus Christ of Latter-Day Saints, and Jehovah's Witnesses. Minority groups and religions with small communities include Jews, Muslims, and followers of the Indian spiritual leader Sri Sathya Sai Baba.

A 1995 Agreement on the Identity and Rights of Indigenous Peoples was approved to provide freedom of practice and promote respect for the forms of spirituality practiced by the Maya, Garifuna, and Xinka groups. As of 2005, however, very little had been done to implement the agreement. Though there is no official religion, the constitution recognizes the Catholic Church as a distinct legal personality. Other religious groups must register with the government in order to make legal business transactions. Some tension exists between Christian groups and the indigenous Mayan religious groups. The Interreligious Dialogue and Foro Guatemala are groups that encourage tolerance and cooperation between indigenous and Christian faiths. The Ecumenical Forum for Peace and Reconciliation is a group of primarily Christian leaders who conduct public conferences and debates on a variety of social and political topics.

## <sup>11</sup>TRANSPORTATION

In 2002, the total length of Guatemala's road system was estimated at 13,856 km (8,610 mi), of which 4,370 km (2,715 mi) was paved, including 140 km (87 mi) of expressways. In 2003, there were approximately 127,800 passenger cars and 145,900 commercial vehicles registered. Two international highways cross Guatemala: the 824-km (512-mi) Franklin D. Roosevelt Highway (part of the Pan American Highway system) and the Pacific Highway. Guatemala Railways operates 90% of the nation's 884 km (549 mi) railroad system, all of it narrow-gauge.

Few of the rivers and lakes are important to commercial navigation. Of the 990 km (615 mi) only 260 km (161 mi) are navigable year round, an additional 730 km (454 mi) are only navigable during high water. Puerto Barrios and Santo Tomás on the Caribbean coast are Guatemala's chief ports. The Pacific coast ports are Champerico and San José. In 2002, Guatemala had no registered cargo ships.

There were an estimated 452 airports in 2004, but only 11 had paved runways as of 2005. La Aurora International Airport at Guatemala City, the first air terminal in Central America, serves aircraft of all sizes, including jumbo jets. The government-owned Aviateca has a monopoly on scheduled domestic service and also flies to other Central American countries, Jamaica, Mexico, and the United States. In 1998, (the latest year for which data was available) 508,000 passengers were carried on scheduled domestic and international flights.

## <sup>12</sup>HISTORY

Three distinct stages—Mayan indigenous, Spanish colonial, and modern republican—have left their mark on the history of Guatemala.

Guatemala includes much of the old Mayan civilization, which may date back as early as 300 BC. The classical Mayan period last-

ed from about AD 300 to 900 and featured highly developed architecture, painting, sculpture, music, mathematics (including the use of zero), a 365-day calendar, roads, and extensive trade. This great pre-Columbian civilization seems to have collapsed around AD 900, and by the 12th century, the Mayas had disintegrated into a number of separate Amerindian groups. The Amerindians offered resistance to the Spanish expedition sent by Hernán Cortés from Mexico and led by Pedro de Alvarado during 1523–24, but by the end of that time, their subjugation to Spain was virtually complete.

Alvarado founded the first Guatemalan capital, Santiago de los Caballeros de Guatemala, in 1524. Because of several earthquakes, the capital was moved a number of times until it became permanently established at Guatemala City in 1776. From 1524 until 1821, Guatemala (City and province) was the center of government for the captaincy-general of Guatemala, whose jurisdiction extended from Yucatán to Panama. Economically, this was mainly an agricultural and pastoral area in which Amerindian labor served a colonial landed aristocracy. The Roman Catholic religion and education regulated the social life of the capital. Spanish political and social institutions were added to Amerindian village life and customs, producing a hybrid culture.

In 1821, the captaincy-general won its independence from Spain. After a brief inclusion within the Mexican Empire of Agustín de Iturbide (1822–23), Guatemala, along with present-day Costa Rica, El Salvador, Honduras, and Nicaragua, formed the United Provinces of Central America in 1824. This federation endured until 1838–39, but was fragmented by liberal and conservative divides. Guatemala proclaimed its independence in 1839 under the military rule of the conservative Rafael Carrera, an illiterate dictator with imperial designs. Though the people went through three different pushes for independence, representative democracy was the exception from the mid-19th century until the mid-1980s. The country passed through dictatorships, military rule, insurgencies (in the 1960s), and coups.

After Carrera died (without reaching his dictatorial goals), Guatemala fell under a number of military governments. These included three notable administrations: Justo Rufino Barrios (1871–85), the "Reformer," who ruled through the transition from the colonial to the modern era; Manuel Estrada Cabrera (1898–1920), whose early encouragement of reform developed later into a push for increased power; and Jorge Ubico (1931–44), who continued, and elaborated upon, the programs begun by Barrios.

Guatemalan politics changed with the election of reform candidate Juan José Arévalo Bermejo in 1945. Arévalo's popularity marked one of the first mass-based movements in Guatemalan politics. In 1951, Jacobo Árbenz Guzmán was elected. Following Arévalo's approach to land reform, Árbenz expropriated holdings of the United Fruit Co., a US firm. The United States alleged communist influence within the Árbenz government, and began mobilizing opposition against him. In the summer of 1954, Col. Carlos Castillo Armas and an army of Guatemalan exiles, backed by the CIA, invaded Guatemala from Honduras and toppled Árbenz. Castillo took over, restored expropriated properties, and ruled by decree until he was assassinated by a presidential palace guard in July 1957.

After a period of confusion, Gen. Miguel Ydígoras Fuentes became president in January 1958. His administration was essential-

ly a military dictatorship, even though he claimed to follow democratic principles. He was particularly hard on his domestic critics, denouncing them as communists. He was equally bombastic on the international stage, denouncing the United States, quarreling with Mexico over fishing rights, and challenging the United Kingdom over Belize. He was also contemptuous of Fidel Castro, and allowed Guatemala to be a training area for the exiles in the abortive US invasion of the Bay of Pigs in April 1961.

In March 1963, Ydígoras was overthrown by Defense Minister Col. Enrique Peralta Azurdia, who declared a state of siege. For two years, Peralta ruled dictatorially, and continued to assert Guatemala's claims on Belize. In September 1965, the Peralta regime announced a new constitution and elections, and in March 1966, Dr. Julio César Méndez Montenegro was elected president. He was the first civilian president since Árbenz, and would be the last for some time. During his term, the army and right wing counter-terrorists proceeded to kill hundreds of guerrillas, who were believed to be sponsored by Cuba, and claimed destruction of the guerrilla organization by the end of 1967. Uprooted from the countryside, the guerrillas concentrated their efforts on the capital, where, in 1968, guerrillas assassinated US Ambassador John G. Mein.

Guatemala returned to military rule as Col. Carlos Arana Osorio was elected president in 1970. He instituted the country's first comprehensive development plan, but the plan was upset by guerrilla violence, which now engulfed the country. Ambassador Karl von Spreti of the Federal Republic of Germany (FRG) was murdered in April 1970 by leftists. Many prominent Guatemalans were killed or held for ransom. In response to the violence, Arana suspended civil liberties from November 1970 to November 1971. In 1974, Arana's candidate, Gen. Kjell Laugerud García, was confirmed by Congress as president, after an election marred by charges of fraud. Laugerud followed a centrist policy and obtained a measure of popular support. During his tenure, guerrilla violence decreased, and some political liberties were restored. The principal challenge to Laugerud's administration was the need to rebuild Guatemala after the catastrophic earthquake of February 1976.

A militant rightist, Gen. Fernando Romeo Lucas García, was elected president in 1978. As guerrilla violence continued, there was also an upsurge of activity by right wing "death squads," which, according to unofficial Guatemalan sources, committed over 3,250 murders in 1979 and even more during 1980. In addition, hundreds of Amerindians were reportedly massacred during antiguerrilla operations. The Carter administration objected to Guatemala's deteriorating human rights record, whereupon the military charged that communist influence had reached the White House.

In January 1981, the main guerrilla groups united and escalated while the government went into crisis. The elections of March 1982 were won by Laugerud's handpicked candidate, Gen. Angel Anibal Guevara. Three weeks later, a coup placed in power a "born-again" Protestant, Gen. José Efraín Ríos Montt. After his month-long amnesty offer to the guerrillas was rejected, he declared a state of siege in July, and the antiguerrilla campaign intensified. The government's counter-insurgency killed between 2,600 and 6,000 in 1982, and drove up to a million Guatemalans from their homes by the end of 1983. In March 1983, Ríos lifted the state of siege and announced that elections for a constituent

assembly would be held in July 1984. But Ríos, who had fought off some 10 coup attempts during his administration, was overthrown in August 1983.

The new government of Brig. Gen. Oscar Humberto Mejía Victores declared that the coup was undertaken to end "abuses by religious fanatics" and pledged continued efforts to eradicate the "virus of Marxism-Leninism." Elections for a constituent assembly were held, as promised, in July 1984. In May 1985, the assembly promulgated a constitution for a new government with an elected Congress. The general elections of November 1985 were followed by a runoff election in December. The overwhelming winner was Mario Vicio Cerezo Arévalo of the Guatemalan Christian Democratic Party (DCG). He also brought a majority into Congress. Political violence decreased under Cerezo, who withstood two attempted coups. But he was unable to make any progress on human rights in Guatemala, and was unwilling to risk prosecution of military personnel who had been the most serious violators. As the economy worsened, political instability increased, including violence.

The elections of 11 November 1990 necessitated a runoff election, which was won by Jorge Serrano of the Movement for Solidarity and Action (Movimiento para Acción y Solidaridad—MAS). Serrano's inauguration in January 1991 marked the first transition in memory from one elected civilian government to another. Serrano promised to negotiate with insurgents and bring to justice both corrupt former officials and human rights violators, but was deposed by the military after he declared a state of emergency and suspended the constitution on 25 May 1993. The military, in unusual service in defense of democracy, then allowed Congress to name Ramior de Serrano's successor. This unusual service of the military in defense of democracy led to the naming of Ramior de León Carpio as president on 5 June. De León, a human rights advocate, promised to bring to justice those responsible for the dismal state of human rights in Guatemala. He also proposed reductions in the military, which predictably were not well-received by the officer corps.

On 29 December 1996, under the government of Alvaro Arzu, the Guatemalan government signed a peace accord with the guerrilla Guatemalan National Revolutionary Unity. This signaled the end of Central America's longest-running guerrilla war, beginning with an informal cease-fire in March 1996, and the signing of the socioeconomic accord (which called for the government to raise its tax revenues from 8% to 12% of GDP and increase its spending in health, education, and housing). The last accord, signed in Mexico City in September 1996, called for legislative and judicial reforms. It also included a reassessment of the military's role, as the parties agreed to remove the army from public security functions and to annul the law that provided for the Civil Defense Patrols established in the 1980s to fight guerrillas in the highland villages.

In February 1999, the country's Historical Clarification Commission blamed the army for more than 90% of the deaths or disappearances of more than 200,000 Guatemalans during the 36-year civil war. In many instances, the army committed genocide against entire Mayan villages, the report concluded. The three-member commission blamed the United States government for supporting right wing regimes even though it knew about the atrocities being committed by the army. An earlier report by the Catholic

Church revealed similar findings. During a short visit to Guatemala in March 1999, US president Bill Clinton said his country had been wrong for supporting the Guatemalan army. He pledged to support the peace process. In May, the peace process suffered a setback when Guatemalans rejected 50 key constitutional reforms that would have diminished the role of the army and given protection and recognition to Amerindian languages and traditional customs, in a vote in which only about 20% of Guatemalans took part.

In November of 1999, a populist lawyer named Alfonso Portillo captured 47.8% of the vote in the presidential election. This vote was not enough to prevent a runoff election (held a month later), which was unsurprising as Portillo was a very controversial candidate. Portillo had fled Mexico in 1982 to avoid what he termed unfair prosecution for the killing (in self-defense) of two men in Guerrero. Further, he was also associated with former dictator Ríos Montt (whose 17-month regime in 1982–83 committed some of the worst atrocities against Amerindians) through membership in the conservative Guatemalan Republican Front (FRG). Ríos Montt, who had his eye set on the presidency in 2003, worked closely with Portillo as FRG's secretary general. Portillo built support with promises to reduce crime, one of the worst problems facing the nation after the war. Crime was rampant throughout the nation, with dramatic increases in murders, kidnappings, and armed robbery. Portillo also promised to aid the poor and curb unemployment, a message that did not go unheard in a nation where 64% of Guatemalans are unemployed or underemployed. In the December runoff election, Portillo captured 68.3% of the vote to win the presidency. His party captured 63 of 113 seats in Congress, while the conservative PAN won 37 seats. A leftist coalition captured nine seats.

Montt attempted to overturn a constitutional ban preventing former coup plotters from running for public office, but he failed to overturn the ban in 1999. It was widely speculated that, in the midst of meager economic growth, a 60% poverty rate, and increasing levels of crime and violence, Montt's tough-on-crime stance would be able to convince the Guatemalans to give him a second chance. However, Montt was defeated in the first round of voting, as he was only able to win 19.3% of the vote. The former Guatemala City mayor, Oscar Berger Perdomo won 54.1% of the vote as the Grand National Alliance (GAN) candidate. Alvarado Colom Caballeros, a center-left candidate of the National Unity for Hope (UNE) party, garnered 49.1% of the vote. Though there were fears that violence and fraud might mar the election, those fears were not realized. Berger Perdomo, a conservative backed by the business class, assumed office on 14 January 2004. Portillo, however, quickly fled Guatemala as news of a corruption scandal in the presidency grew. In October 2005, Guatemala requested that Mexico send Portillo back to face accusations of public funds misuse—specifically, a diversion of about \$16 million in military funds.

In his inaugural speech, Oscar Berger Perdomo committed to adherence to the 1996 Peace Accords. However, the UN Verification Mission in Guatemala (MINUGUA) reported that many of the fundamental reforms of the 1996 Peace Accords were not being realized due to persistent racism and social inequality. MINUGUA predicted that the persistence would lead to an engendered future social conflict, stunted economic development, and corro-

sion of democratic government. Violence against women, femicide, was also a growing problem in Guatemala, where 527 women, mostly poor, were reportedly raped and murdered in 2004.

Civil war, corruption, and instability are among the reported reasons that Guatemala maintained a 75% poverty rate in 2005. The effects of Hurricane Stan and its concomitant flooding and landslides, claimed thousands of lives in October 2005.

### 13 GOVERNMENT

Constitutionally, the Guatemalan government is defined as democratic and representative, and the new constitution that took effect on 14 January 1986 reaffirms that definition. Since the 1950s, however, civil disorder has often prompted the suspension of constitutional guarantees. In October, 1999, Congress approved constitutional reforms that ended the military's constitutional role in internal security except for limited periods and under civilian control.

Guatemala is a republic. The president, who must be a native-born lay person at least 40 years old, is elected by direct vote for a four-year term and may not be reelected. The constitution calls for a popularly elected vice president. The office of vice president provides a guarantee of presidential succession in case of the death or disability of the chief executive. There is a five-member court of constitutionality, which officially advises the president. Its members are appointed, one each by the Supreme Court, Congress, the president, the University of San Carlos, and the bar association. The president, who has broad powers, appoints and is assisted by a cabinet. The cabinet members traditionally resign at the end of each year so that the president may choose a new cabinet. The president, who is also commander-in-chief of the armed forces, appoints most military officers, the 22 governors, and other important public and diplomatic officials. Presidential duties include preserving public order, proposing laws, and making an annual presentation of the budget.

The unicameral National Congress has 113 members elected to four-year terms. Ninety-one members are elected from departmental constituencies, while 22 are elected by proportional representation. In districts with a population over 200,000, an additional deputy is elected to represent each additional 100,000 inhabitants or fraction exceeding 50,000. In addition, at-large representatives are elected by proportional representation from lists submitted by each political party. Under the constitution, Congress imposes taxes, enacts the national budget, declares war and makes peace, and ratifies treaties and conventions proposed by the president. Congress elects the president of the judiciary and judges of the Supreme Court and courts of appeals. The president may veto congressional bills, but Congress may override by a two-thirds vote. All public officials must declare the amount of their incomes and property holdings before assuming their posts and after they leave office.

Citizenship is acquired at the age of 18. Voting is obligatory for literate men and women 18 years of age and older and optional for nonliterate citizens.

### 14 POLITICAL PARTIES

Political power in Guatemala has been largely a matter of personal, rather than party, influence. Although parties have generally



developed along conservative or liberal lines, political periods are commonly identified with the names of important leaders.

Under President Carlos Castillo Armas (1954–57), the Guatemalan Communist Party and other leftist parties were dissolved, and all other parties were temporarily suspended. To prevent further party proliferation, the membership necessary for party certification was raised from 10,000 to 50,000 in 1963. Only three parties were able to meet this requirement in time for the March 1966 elections: the Revolutionary Party (Partido Revolucionario—PR), a center-left party, the conservative Institutional Democracy Party (Partido Institucional Democrático—PID), formed in 1965, and the militantly anticommunist National Liberation Movement (Movimiento de Liberación Nacional—MLN).

During the 1970s, these parties remained dominant. The MLN won the presidency in 1970, and an MLD-PID coalition took the 1974 election (which was ultimately decided in Congress), defeating Gen. José Efraín Ríos Montt, representing the leftist National Opposition Front, a coalition of the several parties, including the Christian Democrats (Partido de Democracia Cristiana Guatemalteca—DCG). In 1978, the PR and PID formed a center-right coalition. In the congressional voting, the MLN won 20 seats, the PID 17, the PR 14, the DCG 7, and other parties 3. In the presidential elections of March 1982, a coalition of the PR, PID, and the National Unity Front (Frente de Unidad Nacional—FUN), an extreme right wing party formed in 1977, won a plurality of 38.9% of the vote. Congress endorsed the PR-PID-FUN candidate, Gen. Ángel Aníbal Guevara, as president, but he was deposed in a coup later in March. All parties were suspended by the new ruler, Gen. Ríos, but political activity resumed in March 1983. In the 1980s, the Christian Democrats grew significantly, winning the 1985 presidential and congressional elections. In addition, a host of new parties entered the political arena. Many had hopeful names suggesting national reconciliation, moderation, and solutions to Guatemala's problems. Among these were the National Union of the Center (Unión del Centro Nacional—UCN), the Democratic Party for National Cooperation (Partido Democrático de Cooperación Nacional—PDCN), the Solidarity Action Movement (Movimiento para Acción y Solidaridad—MAS), the National Advancement Plan (Plan por el Adelantamiento Nacional), and the National Authentic Center (Centro Auténtico Nacional).

The left wing guerrilla movement is represented by the Guatemalan National Revolutionary Unity (Unidad Revolucionaria Nacional Guatemalteca—URNG). Founded in 1982, these groups consist of the Guerrilla Army of the Poor (Ejército Guerrillero de los Pobres—EGP), the Guatemalan Workers' (Communist) Party (Partido Guatemalteco del Trabajo—PGT), the Rebel Armed Forces (Fuerzas Armadas Rebeldes—FAR), and the Organization of the People in Arms (Organización del Pueblo en Armas—ORPA). During the 1999 elections, the leftists won nine seats in Congress. The main political parties in 1999 were the conservative Frente Republicano Guatemalteco and Partido de Avanzada Nacional; Frente had 63 seats in Congress and PAN had 37 seats.

In the November 2003 elections, the Grand National Alliance (GANNA) won 49 of the 140 seats in Congress; the FRG won 42 seats; the National Unity for Hope (UNE) won 33 seats; and PAN took 16. In the November and December 2003 presidential elections, Óscar Berger Perdomo of the Grand National Alliance won both the first and second rounds of voting to become president.

His opponent, Caballeros, won 49.1% of the vote. The next legislative and presidential elections were scheduled for November 2007.

## <sup>15</sup> LOCAL GOVERNMENT

Guatemala is divided into 22 departments, plus Guatemala City, each with a governor appointed by the president. Municipalities are governed by a mayor and independent municipal councils whose officials are popularly elected for two-year terms.

## <sup>16</sup> JUDICIAL SYSTEM

The Constitution of 1985 established an independent judiciary and a human rights ombudsman. Courts of ordinary jurisdiction are the nine-member Supreme Court, 10 courts of appeals, 33 civil courts of first instance, and 10 penal courts of first instance. There is also a Constitutional Court. Judges of the Supreme Court and courts of appeals are elected for four-year terms by the National Congress from lists prepared by active magistrates, the Bar Association, and law school deans. Judges of first instance are appointed by the Supreme Court. Courts of private jurisdiction deal separately with questions involving labor, administrative litigation, conflicts of jurisdiction, military affairs, and other matters. An independent tribunal and office of accounts supervises financial matters of the nation, the municipalities, and state-supported institutions, such as the National University.

In 1986, under Cerezo's civilian government, reforms were added in the effort to end political violence and establish rule of law. These included *amparo* (court ordered protection), new laws of habeas corpus, and a series of Supreme Court reforms to fight corruption and make the legal system more efficient. However, the government was criticized for still failing to investigate and prosecute human rights violations throughout the rest of Cerezo's term.

A new criminal procedural code affording stronger due process protections took effect in July 1994. Trials are public. Defendants have the rights to counsel, to be presumed innocent, and to be released on bail.

In 2001, there was some concern that intimidation would stop justice, specifically in regards to the prosecution of the Bishop Gerardi murder. In this trial, retired army and foreign intelligence chief Col. Disrael Lima and his son Capt. Byron Lima were charged for murder along with former member of the Presidential Guard (EMP) Ogdulio Villanueva, among others. Archbishop Gerardi was beat to death two days after the Restoration of Historical Memory (REMHI) report was released by the human rights office (ODHA) that he headed. The report blamed the military and paramilitary for Guatemala's 36-year long civil war and the majority of deaths that occurred during that time. The reopening of the trial in 2001 was met by a bomb attack against Judge Iris Yassmin Barrios the night before the reopening of the Gerardi trial. Several witnesses died suspiciously, and judicial officials, judges, and prosecutors backed out of participation in the case due to threats and surveillance.

In 2004, Guatemala's judiciary was still said to suffer from corruption, inefficiency, intimidation, and the de facto doling out of impunity, despite its legal independence. Furthermore, military courts retain control of military personnel who commit crimes

while on official business, thus disallowing civil courts to try human rights abuses by the military.

The consequently incomplete justice under the formal judicial system has been a reason that some citizens have taken justice into their own hands through the carrying out of *linchamientos* in vigilante groups that attack war criminals and others accused of war crimes. According to MINUGUA, an average of one lynching per week was carried out between April 1997 and May 1998, usually in rural areas lacking substantive police presence and where civil patrols had once been prevalent. Former patrollers, ironically, were often involved in the instigation of attacks.

Some outside courts have attempted to give justice where Guatemalan courts have had less progress. The Inter-American Court of Human Rights ordered that the state pay compensation to victims of human rights abuses committed by the state. In December, 2004, \$3.5 million was paid. The court found the state specifically responsible for the 1982 massacre of 268 people in Plan de Sanchez, Rabinal, and Baja Verapaz. The Constitutional Court, in 2005, also rejected the proposal to create a UN Commission for the Investigation of Illegal Bodies and Clandestine Security Apparatus, saying it would be unconstitutional and that alternative methods of protecting human rights from state aggression would be carried out. It also questioned the legality of Guatemala's accepting the jurisdiction of the Inter-American Court of Human Rights. An attorney with close ties to the military sought this ruling. Incidentally, Guatemala had not accepted compulsory ICJ jurisdiction, either, as of 2004.

The World Bank invested in a Judicial Reform Project aiming to create a more effective, accessible and credible judicial system that would improve consistency, equity, public trust, and confidence in its judging of the law.

## 17 ARMED FORCES

The Guatemalan national armed forces (29,200 active and 35,200 reservists in 2005) are combined for administrative purposes, with the Army providing logistical support to the Navy and Air Force. In 2005 the Army had 27,000 active personnel, while there were 1,500 in the Navy, and 700 in the Air Force. The Army's primary armament included 12 light tanks, 57 reconnaissance vehicles, and over 118 artillery pieces. The Navy's major units consisted of 31 coastal patrol craft and 1 amphibious landing craft. The Air Force had 10 combat capable aircraft, including 4 fighter ground attack aircraft, in addition to 21 utility helicopters. Paramilitary forces included a 19,000 member national police force, in addition to a 2,500 member Treasury Police force. The defense budget in 2005 totaled \$101 million. A decree promulgated in December 1983 authorized military service for women.

## 18 INTERNATIONAL COOPERATION

Guatemala is a charter member of the United Nations, having joined on 21 November 1945; it participates in ECLAC and several other UN specialized agencies, such as the FAO, ILO, IMF, UNESCO, UNIDO, WHO, and the World Bank. It is one of five members of the Central American Bank for Economic Integration (BCIE) and the Central American Common Market (CACM). The country also belongs to G-24, G-77, the Latin American Economic System (LAES), OAS, the Association of Caribbean States (ACS), and the Río Group. In 2004, Guatemala, the United States,

Costa Rica, El Salvador, Honduras, Nicaragua, and the Dominican Republic signed the US Central America Free Trade Agreement (CAFTA). The agreement must be ratified by all participating countries before it enters into force. Guatemala has observer status in the Latin American Integration Association (LAIA). Guatemala was a founding member of the Central American Parliament (PARLACEN).

Guatemala is part of the Nonaligned Movement and is a signatory of the 1947 Río Treaty, an inter-American security agreement. The country is also part of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL). In environmental cooperation, Guatemala is part of the Antarctic Treaty, the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification. Guatemala is also signatory to the Central American-US Joint Declaration (CONCAUSA).

## 19 ECONOMY

Since the Spanish conquest, the economy of Guatemala has depended on the export of one or two agricultural products. During the colonial period, indigo and cochineal were the principal exports, but the market for them was wiped out by synthetic dyes in the 1860s. Cocoa and essential oils quickly filled the void. Coffee and bananas were introduced later, and in 1999, the chief exports were coffee, sugar, and bananas. Guatemala's economy, the largest in Central America, is dominated by the private sector, which generates nearly 90% of GDP. Since World War II, the government has encouraged light industrial production (such as tires, clothing, and pharmaceuticals). Nevertheless, in 1995, agricultural pursuits occupied 58% of the national labor force and accounted for some two-thirds of Guatemalan foreign exchange earnings. Living standards and personal income remain low, and no significant domestic market exists, except for subsistence crops. However, the agricultural-based structure of the economy has been changing slowly since about 1980, morphing into a country that is more services-based and focused on commerce and financial services. As of 2004, commerce was the largest sector in the economy, accounting for approximately 25% of GDP; agriculture comprised 22.8% of GDP. Manufacturing accounted for 12.6% of the GDP.

The economy boomed from 1971 through early 1974. Then, as a result of inflation (21.2% in 1973), the world energy crisis, and an annual population growth of 2.9%, the economic growth rate slowed from 7.6% for 1973 to 4.6% for 1974. During the second half of the 1970s, Guatemala's economic performance slowed further; during 1974–80, the average annual growth rate was 4.3%. By the early 1980s, the civil war, coupled with depressed world commodity prices, had led to decreases in export earnings and to foreign exchange shortages. The GDP dropped by 3.5% in 1982, the first decline in decades, and the GDP declined or was stagnant through 1986. The annual inflation rate, which averaged 11% during 1979–81, dropped to no more than 2% in 1982. It rose thereafter, reaching 31.5% in 1985 and about 40% in the first half of 1986.

In the 1990s the Guatemalan economy grew at a healthy pace, propelled by nontraditional exports and investment. Inflation was reduced through fiscal and monetary policies to an average of

12% in 1993. Economic growth accelerated to an estimated 5.0% in 1993 compared with 4.6% in 1992. In a sudden shift that was perceived as a recession by the private sector, GDP growth decelerated in 1996 to 3.1%. The slowdown reflected a combination of factors: windfall profits from coffee exports, a slowdown in most Central American countries causing a significant decline in Guatemalan exports, and a severe competition of domestic products by Mexican imports. In addition, domestic demand cooled off as private sector credit demand ran out of steam, and tax increases were designed to strengthen the fiscal situation ahead of the signing of the peace accords. Growth for 1997 had improved to 4% thanks to greater domestic and trade liberalization; despite Hurricane Mitch, which destroyed a large portion of the country's agricultural produce for the year, GDP growth reached 5% in 1998.

Real GDP growth remained steady throughout 2001–05, between 2–3%. Additionally, inflation remained under 10% for the 5-year period.

The US Central Intelligence Agency reported that Guatemala was still struggling with an appalling poverty rate—75% of the population lived beneath the poverty line as of 2004. The unemployment rate was estimated at 7.5% in 2003, and GDP per capita was estimated at \$4,200 in 2004. In 2004, there remained an estimated 250,000 internally displaced persons, indicative of the continued negative influence of prior conflict on the current economy.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Guatemala's gross domestic product (GDP) was estimated at \$62.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$4,300. The annual growth rate of GDP was estimated at 3.1%. The average inflation rate in 2005 was 9.1%. It was estimated that agriculture accounted for 22.8% of GDP, industry 19.1%, and services 58.1%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$2.147 billion or about \$175 per capita and accounted for approximately 8.7% of GDP. Foreign aid receipts amounted to \$247 million or about \$20 per capita and accounted for approximately 1.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Guatemala totaled \$22.25 billion or about \$1,809 per capita based on a GDP of \$24.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.0%. It was estimated that in 2004 about 75% of the population had incomes below the poverty line.

## 21 LABOR

In 2005 Guatemala's labor force was estimated at 3.76 million. As of 2002, it was divided among the following sectors: agriculture 38.7%; industry 20%; services 37.5%; with 3.9% in other unde-

financed occupations. As of 2003, the unemployment rate was estimated at 7.5%.

The trade union movement was born at the end of World War II. Directed in part by foreign communist labor leaders and cultivated by a sympathetic administration, the labor movement grew in the next 10 years to a force claiming nearly 500 unions with 100,000 members. With the overthrow of the Árbenz government in 1954, however, the unions were dissolved. After slow reorganization, the trade unions numbered about 110 by 1974, but in 1979 and 1980, trade union activity was severely restricted. In 1992, the Labor Code of 1947 was amended to facilitate freedom of association, to strengthen the rights of working women, to increase penalties for violations of labor laws, and to enhance the role of the Labor Ministry and the courts in enforcement. Approximately 2% of the workforce were union members in 2002. Unions are independent of government and political party domination, however retaliation against union participation is common. Workers dismissed for union activity have little legal or administrative redress. Workers have the right to strike, but it is weakened by legal restrictions and the force of tradition in a country where strikes were illegal until recently.

The workweek is statutorily recognized as being 44 hours long, but most workers work longer hours out of economic necessity. The minimum legal age to work is 14 but child labor remains a huge problem particularly in agriculture and in the informal economy. Hazardous conditions for child laborers are common especially in the fireworks industry. The minimum wage as of 2002 was \$3.57 per eight-hour day for industrial workers and \$3.24 per day for agricultural workers. There is routine noncompliance of the minimum wage law in the rural areas.

## 22 AGRICULTURE

In 2003, only about 18.9% of the total land area of Guatemala was used for the production of annual or perennial crops, although almost two-thirds is suitable for crop or pasture use. Agriculture contributes about 23% to GDP, makes up 48% of export earnings, and employs 46% of the labor force. The principal cash crops are coffee, sugar, bananas, and cotton, followed by hemp, essential oils, and cacao. Coffee is grown on highland plantations; most of the bananas are produced along the Atlantic coastal plain. Cash crop output in 2004 included 18,000,000 tons of sugarcane, 216,000 tons of coffee, 1,000 tons of cotton, and 1,000,000 tons of bananas. Subsistence crop production included 1,072,000 tons of corn and 97,000 tons of dry beans, along with rice, wheat, and fruits and vegetables. Nontraditional agricultural exports have greatly increased in recent years; such products include: lychee, rambutan, melon, papaya, mango, pineapple, broccoli, okra, snow peas, celery, cauliflower, asparagus, garlic, spices and nuts, and ornamental plants. Guatemala's trade deficit in agricultural products was \$454.5 million in 2004.

An agrarian reform law of 1952 provided for government expropriation of unused privately owned agricultural lands, with the exception of farms of 91 hectares (225 acres) or less and those up to 273 hectares (675 acres) if two-thirds of the acreage was under cultivation. By 1954/55, 24,836 hectares (61,371 acres) had been distributed to 10,359 farmers. The law of 1952 was supplemented by an agrarian reform law of 1956, which aimed to distribute state-owned farms (*fincas nacionales*) to landless peasants. From

1954 to 1962, the government distributed 17,346 land titles. In 1962, the National Agrarian Improvement Institute was created to provide assistance to the new landowners and to improve their living standards. The government requires plantation owners to set aside land for the raising of subsistence crops for their tenants. An agrarian credit bank provides loans to small farmers. Some of the land farmed by Amerindians is held in common by groups of families and is never sold.

### **2<sup>3</sup> ANIMAL HUSBANDRY**

Consumption of dairy products and meat is low, despite improvements in stock raising and dairying. The wool industry in the western highlands supplies the famed Guatemalan weavers. Hog and poultry production is ample for domestic consumption. In 2005, there were 2,540,000 head of cattle, 212,000 hogs, 260,000 sheep, 124,000 horses, and 27,000,000 chickens. Guatemala exports poultry, with 155,000 tons of poultry meat and 85,000 tons of eggs produced in 2005. Total cattle numbers continue to fall despite increased illegal imports from Honduras and a decline in illegal exports to Mexico. Depressed beef prices and rising production costs are the main causes of this trend.

### **2<sup>4</sup> FISHING**

Guatemalan waters are rich in fish, including shrimp, snapper, and tuna. The total catch in 2003 was 30,480 tons (up from 6,513 tons in 1991), about 32% of which came from inland waters.

### **2<sup>5</sup> FORESTRY**

Forests are among Guatemala's richest natural resources; they covered some 26% of the total land area in 2000. The forests in the Petén region yield cabinet woods, timber, extracts, oils, gums, and dyes. Mahogany, cedar, and balsam are important export products, and chicle for chewing gum is another important commodity. In 2004, 16.4 million cu m (579 million cu ft) of roundwood were produced, with 97% burned for fuel. Sawn wood production was 366,000 cu m (12.9 million cu ft) that year. Imports of forestry products exceeded exports by \$165.8 million in 2004.

### **2<sup>6</sup> MINING**

The principal commercial minerals were gold, iron ore, and lead. Production of antimony fell to zero in 1999–2001, from a high of 1,020 tons in 1997, when Guatemala ranked third in Latin America, behind Bolivia and Mexico. Gold, which was mined from the colonial period until the early 20th century, was no longer a major export item. An estimated 4,550 kg was produced in 2003, up from an estimated 4,500 kg in 2002. Rough marble, which ranged in color from white through green, was exported to Mexico and other nearby countries. Deposits of nickel have also been found at Marichaj and Sechol. Barite, bentonite, kaolin, other clays, feldspar, gypsum, iron ore, lime, pumice, salt, limestone, sand and gravel, and silica sand were also produced, primarily for domestic use. Reported deposits of copper, quartz, manganese, uranium, mica, and asbestos awaited exploitation.

### **2<sup>7</sup> ENERGY AND POWER**

Guatemala is the only oil producing country in Central America, but has no refining capacity. Therefore it must import all of its refined petroleum products. Most of the country's oil production

lies in its northern jungles along the Mexican border. According to the Oil and Gas Journal, Guatemala has proven oil reserves of 526 million barrels, as of October 2005. Since the end of the civil war in 1996, the government has been granting oil exploration concessions. In March of 2005, a new oil licensing round was initiated, the first since 1997. Two blocks, A6 and A7, with known proven reserves were offered, with two unexplored blocks, Piedras Blancas and Cotcal offered. Production averaged an estimated 19,800 barrels per day in 2004, of which almost all was exported to the United States. In 2002, oil exports totaled an estimated 3,104 barrels per day. Consumption of refined products totaled 64,560 barrels per day in that year. Guatemala has modest natural gas reserves of 1.543 billion cu m as of 1 January 2002, but no production.

Guatemala is Central America's largest producer and consumer of electricity. In 2002, electric power generating capacity came to 1.698 million kW, while total production in that year reached 6.808 billion kWh, of which: fossil fuels accounted for almost 60%; hydropower for 27%; and geothermal/other sources accounted for the rest. Electricity consumption in Guatemala grew at an annual rate of 8.1% from 1993 to 2003. In 2002, electric power demand totaled 5.76 billion kWh. The surplus power generated has made Guatemala a power exporter. In 2002, electric power exports totaled 4.40 million kWh, with imports at 55 million kWh.

### **2<sup>8</sup> INDUSTRY**

Manufacturing and construction accounted for a growing proportion of GDP in 2004. In that year, agriculture accounted for 22.7% of the GDP while industry accounted for 19.5% and services accounted for 57.9%. Guatemalan factories produce beverages, candles, cement, pharmaceuticals, chemicals, cigarettes, foodstuffs, furniture, matches, molasses, rubber goods, shirts, shoes, soap, sugar, textiles, and apparel. More recently established firms produce electrical machinery, refined petroleum products, metal furniture, instant coffee, pasteurized milk, plastic, plywood, aluminum and tires. Handmade woven and leather goods are sold to tourists and exported.

Most of the country's industrial enterprises operate on a very small scale. A small domestic market has traditionally limited Guatemala's industrial potential, although the CACM temporarily broadened the market for the country's exported manufactures. The value of Guatemala's exports more than tripled between 1972 and 1978. During the 1980s, however, the industrial sector declined, partly because of the collapse of the CACM but also because of a shortage of the foreign exchange necessary to purchase basic materials. In the mid-1980s, Guatemalan firms turned to export production as internal demand contracted. The 1986 devaluation of the quetzal raised the cost of imported industrial inputs. During the 1990s, the value added by manufacturing remained at a steady pace, except for during 1996. The manufacturing sector suffered from increased competition from Mexico, often unregistered and untaxed, while export to major neighboring markets was hampered in 1996 by the slowdown in Costa Rica and El Salvador.

In 2002, major manufactures included sugar, clothing and textiles, furniture, chemicals, petroleum, metals, and rubber. Heavy industry included a small steel mill located in Escuintla, and an oil refinery that had a capacity of 16,000 barrels per day. The

pharmaceutical industry shrank by 53% in 1998 because several manufacturing companies had moved their businesses to Mexico. Construction, very dynamic during the first half of the 1990s, was affected by falling demand in 1996 and 1997, but grew by about 25% annually in 1998 and 1999. Electricity generation and telephone services continued to grow strongly, while oil production, thanks to a very active development policy, increased by 250% between 1992 and 1998.

Maquila plants have comprised a growing proportion of the manufacturing sector, though they are not as heavy of a proportion as in Mexico, Honduras, or El Salvador. In 1994, maquilas in Guatemala employed 70,000; this number grew to 113,200 in 2004. As of December 2004, 222 maquila plans operated in Guatemala—65.3% were Korean-owned, 27% Guatemalan-owned, and 59.9% US-owned.

### 29 SCIENCE AND TECHNOLOGY

In 1987–97, total Guatemalan expenditures on research and development amounted to 0.2% of GDP, with 112 technicians and 104 scientists and engineers per million people engaged in research and development. The Academy of Medical, Physical, and Natural Sciences, headquartered in Guatemala City, dates from 1945. In 1996, Guatemala had learned societies devoted to natural history, pediatrics, and engineering, and research institutes concerned with nuclear energy, industry, and earth sciences. The Institute of Nutrition of Central America and Panama founded in 1949 and administered by the Pan American Health Bureau Organization and the World Health Organization, conducts research and disseminates scientific and technical information. Five universities offer degrees in basic and applied sciences. The National Museum of Natural History is located in Guatemala City.

In 2002, high technology exports by Guatemala totaled \$55 million, or 7% of the country's manufactured exports.

### 30 DOMESTIC TRADE

Outside the capital city, markets are held on appointed days, and local fairs are held annually. Traders bring their wares on large racks atop buses or by mule, herding animals ahead of them. Prices are not fixed. Although there are some modern, tourist-oriented shops, traditional methods of commerce, with modifications, also prevail in Guatemala City. Franchise stores are beginning to gain acceptance. In 2002, there were about 150 franchising companies with around 450 outlets nationwide. Business hours are weekdays, 8 AM to 6 PM; shops also open on Saturday mornings. Normal banking hours in Guatemala City are weekdays, 9 AM to 3 PM.

### 31 FOREIGN TRADE

The Guatemalan commodity export market is dominated by coffee, sugar, bananas, and oil. Other main exports are medicinal and pharmaceutical products, vegetables, and cardamom. Nontraditional exports, such as cut flowers, fruits and berries, shrimp, and textile assembly, are of growing importance to the Guatemalan economy.

Most exports go to the United States (55.3% in 2003); they also have increasingly gone to other Central American countries. Guatemala runs a trade surplus with the region, exporting mainly to El Salvador (10.5% of exports), but also to Honduras (7.1%) and Mexico (4.1%). As of 2003, Guatemala imported primarily from

#### Principal Trading Partners – Guatemala (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	2,634.7	6,718.7	-4,084.0
United States	790.9	2,944.1	-2,153.2
El Salvador	501.7	398.9	102.8
Honduras	281.2	101.5	179.7
Nicaragua	153.9	...	153.9
Costa Rica	152.6	302.1	-149.5
Mexico	106.9	561.9	-455.0
Panama	91.6	322.2	-230.6
Korea, Republic of	59.5	85.4	-25.9
Russia	46.7	5.0	41.7
Germany	46.3	159.0	-112.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

the United States (comprising 33.1% of imports), Mexico (9.1%), and South Korea (8.8%). In 2004 Guatemala imported 34% of its imports from the United States, 8.1% from Mexico, 6.8% from South Korea, 6.6% from China, and 4.4% from Japan. Guatemala typically imports fuels, machinery and transport equipment, construction materials, grain, fertilizers, and electricity.

Guatemala signed the Central American Free-Trade Agreement (DR-CAFTA) on 10 March 2005.

### 32 BALANCE OF PAYMENTS

Guatemala generally finances its trade deficit through capital inflows. Capital flight caused by regional instability during the 1980s led to large deficits on the overall payments balance and brought foreign exchange reserves down from \$709.6 million at the end of 1978 to \$112.2 million at the end of 1982. In 1991 and 1992,

#### Balance of Payments – Guatemala (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-1,050.9</b>
Balance on goods		-3,126.7	
Imports	-6,175.0		
Exports	3,048.3		
Balance on services		-68.0	
Balance on income		-318.1	
Current transfers		2,461.9	
<b>Capital Account</b>			<b>133.8</b>
<b>Financial Account</b>			<b>1,155.9</b>
Direct investment abroad		...	
Direct investment in Guatemala		115.8	
Portfolio investment assets		21.7	
Portfolio investment liabilities		-11.0	
Financial derivatives		...	
Other investment assets		116.0	
Other investment liabilities		913.4	
<b>Net Errors and Omissions</b>			<b>311.4</b>
<b>Reserves and Related Items</b>			<b>-550.1</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

with inflation lowered, private capital inflows were large enough to offset public capital outflows and the current account deficit. As a result, foreign reserves expanded during the 1990s, growing by \$559 million. Foreign exchange reserves were over \$1 billion from 1997 into 1999. Exports increased by 7.2% in 1997 and by 20.7% in 1998. National income reports do not include the export value added by the textile assembly industry (as they are generally located in the Free Trade Zones), and remittances from Guatemalans living abroad, which help finance the trade deficit.

Guatemala's underdeveloped infrastructure is a hindrance to foreign investment and economic development. A disproportionate share of investment goes to the Guatemala City area, despite rehabilitation of the railway system and investment in highways, telephone service, and electricity.

The US Central Intelligence Agency (CIA) reported that in 2004 exports were approximately \$2.9 billion; imports were approximately \$7.1 billion, resulting in a trade deficit of approximately \$4.2 billion.

### 33 BANKING AND SECURITIES

The Bank of Guatemala (BANGUAT) is the central bank and the bank of issue. The Monetary Board, an independent body, determines the monetary policy of the country. Associated with the Bank of Guatemala are six other government institutions: The National Mortgage Credit Institute (the official government mortgage bank); two development banks, the National Bank of Agricultural Development and the National Housing Bank; and the National Finance Corp., organized in 1973 to lend funds to industry, tourism, and mining to provide technical assistance. BANGUAT intervenes in the foreign exchange market to prevent sharp deviation in the exchange rate. In 1998, the Central Bank spent over \$500 million to support the exchange rate, but the currency depreciated by 15% anyway that year.

As of 2002, the formal banking system consisted of 32 private commercial banks, three state banks, and several financial houses. Over 18 international banks are represented in one form or another. The five largest banks control approximately 45% of total assets. Several financial institutions collapsed in 1998 and 1999, prompting the government to bring banks into line with the Basel convention on minimum capital requirements. The government also hopes to make credit more available. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$2.7 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$6.3 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 10.6%.

When the Bank of Guatemala was established the Fund for the Regulation of the Bond Market was created to promote security issues. Nevertheless, Guatemalans still tend to prefer tangible investments, and there is no fully developed securities market. The National Stock Exchange of Guatemala (the Bolsa Nacional de Valores—BNV) opened in 1989 where shares from private companies in the country and other securities are traded. It is the largest of Guatemala's stock exchanges. The other two main exchanges, the Bolsa Nacional Global and the Bolsa Agrícola, merged to form the Corporación Bursatil in 1994. Three government bonds are

traded on the exchanges, including CENIVACUS, CERTIBONO, and CDP. The volume traded in 1999 was \$5.9 billion.

### 34 INSURANCE

In Guatemala, worker's compensation (the country's Social Security Plan) is compulsory, providing pension, disability pension, medical and hospital benefits, maternity benefits, and funeral expenses. In addition, the insurance market is entirely domestic, as foreign insurers are prohibited from issuing policies. Market rates, and the types of fire, auto, life, personal accident, and crime insurance are set by the superintendency. In 2003, the value of direct premiums written totaled \$271 million, with nonlife premiums accounting for \$222 million. The country's top nonlife insurer that same year was G&T, which had gross nonlife written premiums of \$55.2 million.

### 35 PUBLIC FINANCE

Fiscal policy loosened after the 1985 elections, but tax reforms in 1987 failed to generate additional income, and governmental expenditures continued to grow. By 1990, the public sector deficit was 4.7% of GDP. The Serrano administration transformed the deficit of 1990 to a slight surplus in 1991 and a virtually balanced budget in 1992. The consolidated public sector deficit amounted to 1.2% in 1991 and 1.0% in 1992. Guatemala's public sector is among Latin America's smallest, and the tax burden is one of the lightest, at about 8% of GDP. The budget deficit grew to 2.5% of GDP in 1998, from only 0.50% in 1997, forcing the government to reevaluate its taxation and customs practices. Continued privatization and trade liberalization should boost public finances.

The US Central Intelligence Agency (CIA) estimated that in 2005 Guatemala's central government took in revenues of approximately \$3.3 billion and had expenditures of \$4.0 billion. Revenues minus expenditures totaled approximately -\$667 million. Public debt in 2005 amounted to 26.9% of GDP. Total external debt was \$5.503 billion.

#### Public Finance – Guatemala (2003)

(In millions of quetzales, budgetary central government figures)

<b>Revenue and Grants</b>	<b>21,694.4</b>	<b>100.0%</b>
Tax revenue	20,317.7	93.7%
Social contributions	504.7	2.3%
Grants	377.1	1.7%
Other revenue	494.9	2.3%
<b>Expenditures</b>	<b>26,210.9</b>	<b>100.0%</b>
General public services	5,819.7	22.2%
Defense	1,235.1	4.7%
Public order and safety	2,725.1	10.4%
Economic affairs	6,265.3	23.9%
Environmental protection	204.7	0.8%
Housing and community amenities	2,948.3	11.2%
Health	1,830.4	7.0%
Recreational, culture, and religion	395.2	1.5%
Education	4,625.1	17.6%
Social protection	162	0.6%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, budgetary central government revenues in millions of quetzales were 21,694.4 and expenditures were 26,210.9. The value of revenues in millions of US dollars was \$2,732 and expenditures \$3,275, based on a market exchange rate for 2003 of 7.9408 as reported by the IMF. Government outlays by function were as follows: general public services, 22.2%; defense, 4.7%; public order and safety, 10.4%; economic affairs, 23.9%; environmental protection, 0.8%; housing and community amenities, 11.2%; health, 7.0%; recreation, culture, and religion, 1.5%; education, 17.6%; and social protection, 0.6%.

### 3<sup>6</sup> TAXATION

The corporate income tax rate in Guatemala is 31% of net income. However, companies operating there have a choice between two payment regimes: a general withholding regime, and an optional tax regime. Under the General regime, a monthly 5% tax on gross income is made. Under the optional regime, a quarterly payment at the 31% corporate rate is made on net taxable income. In addition, there is a 2.5% asset tax that is applied to the previous year's income or net assets. The asset tax is credited against the corporate income tax. An industrial development law provides tax exemptions for new industries. There is also a 3.5% tax on all foreign exchange transactions. Only income earned from Guatemalan sources is taxed. Capital gains, like the corporate income tax, offer two payment regimes: a general withholding regime; and an optional tax regime. Under the first, a 10% monthly withholding rate is applied, while under the second, a quarterly 31% rate is used. Dividends from resident companies are exempt from tax if the income tax was paid out of the income that was distributed as dividends by the distributing company. Otherwise a 10% withholding tax is applied.

The progressive personal income tax schedule has a top rate of 31%. Nonresidents pay a flat 31% rate, while income from employment and professional services is charged at the progressive rate. Other taxes include property taxes, and inheritance and gift taxes. Excise taxes are levied on beverages, cigars, tobacco, gasoline, vehicles, and airline tickets. Royalties are taxed at 31%.

Guatemala's main indirect tax is a 12% value-added tax (VAT) that is applied to most transactions. However, basic foodstuffs, sales of some low-cost housing and certain financial services are exempt. Exports are zero-rated.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Guatemala requires licenses for the importation of restricted goods, including pharmaceuticals, basic food grains, milk, coffee beans, and armaments. As a member of the Central American Common Market CACM, Guatemala adheres to a common tariff classification system as well as a common customs code and regulations. Duties are stated as both specific and ad valorem. Import duties are generally minimal, ranging from 5 to 15%. Imports of agricultural products that exceed the quota have higher rates. There is also a 12% value-added tax (VAT) that is collected at the port of entry.

### 3<sup>8</sup> FOREIGN INVESTMENT

There are no general requirements for local participation nor any restrictions on repatriation of capital. Guatemala's major diplo-

matic interests are regional security and, increasingly, regional development and economic integration. Guatemala participates in several regional groups, particularly those related to trade and environment. Foreign investor interest in Guatemala picked up with the signing of peace accords in 1996 and deregulation of the electric and telecommunications sectors. Structural reforms, such as the privatization program and trade liberalization measures, will add to investor appetite, but substantial investment in infrastructure and training the workforce is needed. As of the first quarter of 1997, the government had invited bids for 12 oil exploration and production contracts. Oil production increased by 250% between 1992 and 1998.

In 1998, Guatemala passed the Foreign Investment Law, reducing the barriers to foreign investment. But investment was still restricted to minority ownership of domestic airlines and ground transport. Incentives are available for the forestry, mining, tourism, and petroleum sectors. There are also eight free trade zones. The Foreign Investment Law had also removed limitations to foreign ownership of domestic airlines and ground transport companies in January 2004. There were also plans within the government to form mining legislation in 2005 that would encourage foreign investment.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Guatemala's economic development policy is to create rural employment through the provision of investment incentives. Such enticements include inexpensive financing by government institutions, free assistance and technical support, and preferential treatment to use government facilities and institutions for guidance. The government has initiated a number of programs aimed at liberalizing the economy and improving the investment climate. After the signing of the final peace accord in December 1996, Guatemala was well-positioned for rapid economic growth. Growth in the late 1990s was led by development of petroleum mining and refining.

The country's economy is commanded by the private sector which generates about 85% of GDP. The public sector is small and shrinking, with its business activities limited to transportation, and several development oriented institutions. Problems hindering economic growth include illiteracy and low levels of education; inadequate and underdeveloped capital markets; and lack of infrastructure, particularly in the transportation, communications, and electricity sectors. The distribution of income and wealth remains unequal. The wealthiest 10% of the population receives almost one-half of all income; the top 20% receives two-thirds of all income.

Tax reform was one government objective in 2003, as was reform of the financial services sector, liberalizing trade, and overhauling public finances. Drought and low coffee prices harmed the economy in 2001-02, and caused malnutrition among the poor in rural areas. In 2003, the International Monetary Fund (IMF) approved a nine-month, \$120-million Stand-By Arrangement to support Guatemala's economic program through March 2004. In 2003, the government was targeting the fiscal deficit, aiming to control inflation, and working toward putting into place a new legal framework for the financial sector. The country was also improving transparency in government, and working to strengthen governing structures themselves.

A tax reform was passed in June 2004 to supplement the rolled-over 2003 budget. Corporate income tax was changed, and excise duties on alcohol were levied. Further, a new corporate tax (the Impuesto Temporal de Apoyo a los Acuerdos de Paz—IETAAP) was made to support peace agreements. This replaced the agricultural and mercantile business tax (Impuesto sobre Empresas Mercantiles y Agropecuarias—IEMA) that was rejected by the Constitutional Court in January 2004 and left the government vulnerable to a shortfall in tax revenue if tax reform were not carried out.

In 2005, the IMF supported President Berger's economic policy program and declared that Guatemala was capable of dealing with potential balance of payments without a new Stand-By Arrangement. The Stand-By Arrangement that gave Guatemala a \$120-million credit line ended in 2004.

#### 40 SOCIAL DEVELOPMENT

A social insurance system covers all employees, including agricultural workers. Public employees are covered by a separate program. The pensions for old age, survivorship, and disability are funded by a small contribution from employees, larger contribution from employers, and 25% covered by the government. Retirement is set at age 60. Cash and medical benefits are provided for sickness and maternity for employees of firms with more than five workers. Free medical care is provided for those receiving pensions. A grant for funeral expenses is provided.

Despite legal equality, women are paid significantly less than their male counterparts and are generally employed in low-wage jobs. Some domestic laws also discriminate against women. Women can be charged with adultery, while men can only be charged with a lesser crime. Sexual violence, including domestic violence, is widespread, and most cases go unreported. However, the number of complaints for both rape and spousal abuse has risen in recent years due to the nationwide educational program that has encouraged women to seek help. The police have little training to assist victims of sexual crimes. Sexual harassment is not illegal.

The constitution provides that all persons are free and equal in dignity and rights, and that the government must protect the life, liberty, justice, security, and peace of all citizens. Due to inadequate resources and corruption, however, the government is unable to enforce these provisions.

#### 41 HEALTH

Guatemala's health care system consists of three sectors: public, private nonprofit, and private for-profit. Health coverage has been estimated to be low, with more than 40% of the population receiving no access to health care services. As of 2004, there were an estimated 89 physicians, 404 nurses, and 18 dentists per 100,000 people. Approximately 4.3% of GDP went to health expenditures. Among the chief causes of death are heart disease, intestinal parasites, bronchitis, influenza, and tuberculosis. Other major causes of death were perinatal conditions, intestinal infectious diseases, and nutritional deficiencies. Malnutrition, alcoholism, and inadequate sanitation and housing also pose serious health problems. Approximately 92% of the population had access to safe drinking water and 85% had adequate sanitation. Malaria rates are high. Guatemala does attempt to vaccinate its children and all routine vaccinations are paid for by the government. It is estimated that the poorest half of the population gets only 60% of the minimum

daily caloric requirement. Some steps have been taken to fortify foods with daily vitamin requirements. Currently, sugar is being fortified with vitamin A and wheat flour will be fortified with iron.

The total fertility rate was 4.6 in 2000, a dramatic reduction from 6.5 in 1980. By 2000 the maternal mortality rate had fallen to 55 deaths per 1,000 live births, down from 200 in 1990. In 2005, the infant mortality rate was 32 per 1,000 live births and the overall mortality rate was an estimated 6.7 per 1,000 people as of 2002. The average life expectancy was 69.06 years in 2005. From 1966 to 1992 there were about 140,000 war-related deaths.

The HIV/AIDS prevalence was 1.10 per 100 adults in 2003. As of 2004, there were approximately 78,000 people living with HIV/AIDS in the country. There were an estimated 5,800 deaths from AIDS in 2003.

Political violence and problems associated with poverty have left more than 200,000 Guatemalan children orphaned. Many suffer from psychological problems and malnutrition.

#### 42 HOUSING

Many of the nation's urban housing units and most of its rural dwellings have serious structural defects and lack electricity and potable water. In 2002, there were about 2,483,458 housing units in the country. Most dwellings were detached houses. Over 50% of all housing are owner occupied. About 24% of all houses are of adobe walls; 50% use concrete blocks. Metal sheeting is the most common material for roofing. Most apartment buildings are made of cement block. The housing need in 2005 stood at about 1.6 million houses and overcrowding, especially in rural area hut dwellings and urban rented rooms, was prevalent.

As of 1995, there were about 205 "squatter" settlements inhabited by homeless or displaced persons. In these settlements, shelters are made of wood, cardboard, or mud, with zinc sheet roofs. A public housing program is supervised by the National Housing Bank. The Ministry of Public Health and Welfare is charged with the improvement of rural dwellings.

#### 43 EDUCATION

Elementary education is free and compulsory for nine years although enforcement is lax in rural areas. Primary school covers six years of study, followed by three years of basic secondary school. Students may then choose a two-year diversified secondary program or a three-year technical school program.

In 2001, about 55% of children between the ages of five and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 87% of age-eligible students. The same year, secondary school enrollment was about 30% of age-eligible students. It is estimated that about 66.5% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 30:1 in 2003; the ratio for secondary school was about 14:1. In 2003, private schools accounted for about 12% of primary school enrollment and 74% of secondary enrollment.

Among Guatemala's six main universities, the Universidad de San Carlos, in Guatemala City, is the most important center of higher learning. The others include Universidad del Valle de Guatemala, Universidad Francisco Marroquin, Universidad Mariano



Galvez, Universidad Rafael Landívar, and Universidad Rural. In 2003, about 9% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 69.1%, with 75.4% for men and 63.3% for women.

As of 1995, public expenditure on education was estimated at 1.7% of GDP.

#### 44 LIBRARIES AND MUSEUMS

There are three notable libraries in Guatemala City. The National Library, with about over 350,000 volumes, has collections of Guatemalan and other Central American books and newspapers. The General Archives of Central America has a 100,000-item collection of documents for the three-century colonial period, when Guatemala was the administrative center for the Central American area. The library of the Geographical and Historical Academy of Guatemala (30,000 volumes) is of special value to researchers. The Central American Industrial Research Institute maintains the largest technical library in Central America (36,000 volumes). The Institute of Nutrition in Central American and Panama in Guatemala City maintains an important collection of public health documents. The University of San Carlos library has 205,000 volumes. There are about 64 public libraries that are supervised through the National Library. Another 29 public libraries are sponsored by the Bank of Guatemala.

The Museum of Archaeology and Ethnology (1948) in the capital has an excellent collection of Mayan artifacts, and the Colonial Museum in Antigua contains colonial paintings, woodcarvings, iron and leatherwork, and sculpture. Also in the capital are the National Museum of Fine Arts, the National Museum of History, the Museum of the National Palace, the Popol Vuh Archaeological Museum, and the Center for Conservation Studies, founded in 1981.

#### 45 MEDIA

Except for a few privately controlled facilities, the government owns and operates the postal, telephone, and telegraph services. The Guatemalan Telecommunications Enterprise provides international radiotelegraph and radiotelephone service. In 2003, there were an estimated 71 mainline telephones for every 1,000 people. The same year, there were approximately 131 mobile phones in use for every 1,000 people.

As of 2000 there were 130 AM and 487 FM radio stations. In 2001, four of the most prominent television stations were all owned by the same Mexican citizen, who has a political preference for the FRG. In 2003, there were an estimated 79 radios and 145 television sets for every 1,000 people. The same year, there were 14.4 personal computers for every 1,000 people and 33 of every 1,000 people had access to the Internet. There were 50 secure Internet servers in the country in 2004.

There were three major daily newspapers in 2004, all published in Guatemala City. They were (with orientation and 2004 circulations): *Prensa Libre* (moderate liberal, 110,000), *Siglo Veintiuno* (moderate, 56,000), and *La Hora* (moderate liberal, 18,000).

The constitution provides for free speech and a free press, though journalists admit that in certain cases fear of reprisals or government pressure leads to self-censorship.

#### 46 ORGANIZATIONS

Artisans', consumers', service, and savings and credit cooperatives are grouped in four federations. The major employers' organizations are the General Farmers' Association, the Chamber of Commerce, the Chamber of Industry, and the National Coffee Association.

The Academy of Geography and History of Guatemala promotes the study of Guatemalan history, geography, and culture. There are several associations dedicated to research and education for specific fields of medicine and particular diseases and conditions.

National youth organizations include the Association of University Students, associations of Boy Scouts and Girl Guides, youth rotary clubs, and Junior Achievement of Guatemala. Sports associations promote amateur competition in such pastimes as hiking, football (soccer), tae kwon do, and squash. Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. The Red Cross and Habitat for Humanity are active in Guatemala.

#### 47 TOURISM, TRAVEL, AND RECREATION

All visitors need a passport and may need a visa depending on nationality. Tourism has rebounded since Guatemala's return to civilian rule in 1986. In 2003, approximately 880,223 tourists arrived in Guatemala. There were 17,519 hotel rooms in 2002 with 44,579 beds and an occupancy rate of 47%. Guatemala's main tourist attractions are the Mayan ruins, such as Tikal; the numerous colonial churches in Guatemala City, Antigua Guatemala, and other towns and villages; and the colorful markets and fiestas.

In 2005, the US Department of State estimated the daily expenses of staying in Guatemala City at \$200. Other areas were estimated at \$156 per day.

#### 48 FAMOUS GUATEMALANS

The *Rusticatio Mexicana*, by Rafael Landívar (1731–93), represents the height of colonial Guatemalan poetry. Outstanding figures of the romantic period were philologist Antonio José de Iri-sarri (1786–1868); José Batres y Montúfar (1809–44), the author of *Tradiciones de Guatemala* and many poetical works; and José Milla y Vidaurre (1822–82), a historian and novelist and the creator of the national peasant prototype, Juan Chapin. Justo Rufino Barrios (1835–85) became a national hero for his liberal, far-reaching reforms between 1871 and 1885. Enrique Gómez Carillo (1873–1927), a novelist and essayist, was perhaps better known to non-Spanish readers during his lifetime than any other Guatemalan author. Twentieth-century novelists include Rafael Arévalo Martínez (1884–1975), Carlos Wyld Ospina (1891–1956), and Flavio Herrera (1895–1968). The novelist and diplomat Miguel Ángel Asturias (1899–1974) was awarded the Nobel Prize for literature in 1967.

Mario Cardinal Casariego (b.Spain, 1909–83) became the first Central American cardinal in 1969. Among the better-known Guatemalan political personalities of the 20th century are Col. Jacobo Árbenz Guzmán (1913–71), president during 1951–54, and Gen. Miguel Ydígoras Fuentes (1896–1982), president during 1958–63. Alfonso Portillo Cabrera (b.1951) served as president from 2000 to 2004. Óscar Berger (b.1946) succeeded him. Rigoberta Menchú (b.1959) won the 1992 Nobel Peace Prize for

her campaign against human rights violations and for the rights of indigenous peoples.

#### **49 DEPENDENCIES**

Guatemala has no territories or colonies.

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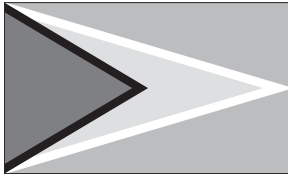
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# GUYANA

Cooperative Republic of Guyana



**CAPITAL:** Georgetown

**FLAG:** A red triangle at the hoist extending to the flag's midpoint is bordered on two sides by a narrow black stripe; extending from this is a golden arrowhead pointing toward the fly and bordered on two sides by a narrow white stripe. Two green triangles make up the rest of the flag.

**ANTHEM:** Begins "Dear land of Guyana, of rivers and plains."

**MONETARY UNIT:** The Guyanese dollar (G\$) of 100 cents is a paper currency tied to the US dollar. There are coins of 1, 5, 10, 25, 50, and 100 cents, and notes of 1, 5, 10, 20, and 100 Guyanese dollars. G\$1 = US\$0.00498 (or US\$1 = G\$200.79) as of 2005.

**WEIGHTS AND MEASURES:** Guyana officially converted to the metric system in 1982, but imperial weights and measures are still in general use.

**HOLIDAYS:** New Year's Day, 1 January; Republic Day, 23 February; Labor Day, 1 May; Caribbean Day, 26 June; Freedom Day, 7 August; Christmas, 25 December; Boxing Day, 26 December. Movable religious holidays include Good Friday, Easter Monday, Phagwah, 'Id al-'Adha, Yaou-Mun-Nabi, and Dewali.

**TIME:** 9 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated on the northeast coast of South America, Guyana is the third-smallest country on the continent, with an area of 214,970 sq km (83,000 sq mi), extending 807 km (501 mi) N-S and 436 km (271 mi) E-W, including disputed areas. Comparatively, the area occupied by Guyana is slightly smaller than the state of Idaho. Bounded on the N by the Atlantic Ocean, on the E by Suriname, on the S and SW by Brazil, and on the NW by Venezuela, Guyana has a total boundary length of 2,921 km (1,815 mi) of which 459 km (285 mi) is coastline.

Neither Guyana's western border with Venezuela nor its eastern border with Suriname has been resolved. Venezuela claims all territory west of the Essequibo River, an area of more than 130,000 sq km (50,000 sq mi), or over three-fifths of Guyana. Suriname claims a largely uninhabited area of 15,000 sq km (5,800 sq mi) in the southeast, between two tributaries of the Corentyne River.

Guyana's capital city, Georgetown, is located on the country's Atlantic coast.

## <sup>2</sup> TOPOGRAPHY

Guyana has three main natural regions: a low-lying coastal plain, extending for about 435 km (270 mi) and ranging from 16 to 64 km (10–40 mi) in width, much of which is below high-tide level and must be protected by sea walls and drainage canals; a region of heavily forested, rolling, hilly land, about 160 km (100 mi) in width, which contains most of the mineral wealth and comprises almost five-sixths of Guyana's land area; and in the south and west, a region of mountains and savannas. There are several large rivers, including the Essequibo (the longest at 966 km/600 mi), Demer-

ara, and Berbice, but few are navigable for any distance above the plains because of rapids and falls.

## <sup>3</sup> CLIMATE

The climate is subtropical and rainy. The average temperature at Georgetown is 27°C (81°F); there is little seasonal variation in temperature or in humidity, which averages 80–85%. Rainfall averages 229 cm (90 in) a year along the coast, falling in two wet seasons—May to July and November to January—and 165 cm (65 in) in the southwest, where there is a single wet season, extending from April through August.

## <sup>4</sup> FLORA AND FAUNA

The flora varies with the rainfall and soil composition. The coastal area, originally swamp and marsh with mangrove and associated vegetation, has long been cleared for farming. In inland areas of heavy rainfall there are extensive equatorial forests, with greenheart a major species; varieties of trees may number as many as 1,000. Local fauna includes locusts, moth borers, acoushi ants, bats, and other small mammals. There may be more than 675 species of birds. Northwestern coastal beaches are an important breeding ground for sea turtles.

## <sup>5</sup> ENVIRONMENT

Because over 80% of Guyana is still wilderness, the country has so far sustained little serious environmental damage. The air is clean, but water supplies are threatened by sewage and by agricultural and industrial chemicals. One potential problem for the nation's water supply is the pollution of its wells by salt water from the ocean. Guyana has 241 cu km of renewable water resources with 98% used for farming purposes. About 98% of the nation's city

dwellers and 91% of people living in the rural areas have access to safe drinking water. Since 1985, the nation has experienced an increase in diseases related to water and food consumption.

Kaieteur National Park is the only specifically designated conservation area. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 13 types of mammals, 3 species of birds, 6 types of reptiles, 6 species of amphibians, 13 species of fish, 1 species of invertebrate, and 23 species of plants. Endangered species in Guyana included the tundra peregrine falcon, the black caiman, and four species of turtle (green sea, hawksbill, olive ridley, and leatherback).

## **6** POPULATION

The population of Guyana in 2005 was estimated by the United Nations (UN) at 751,000, which placed it at number 157 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 28% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.3%, a rate the government viewed as satisfactory. Since 1995, the Guyana Responsible Parenthood Association has promoted programs in schools to educate adolescents about reproduction in an attempt to address the high fertility rates. The projected population for the year 2025 was 703,000. The population density was 3 per sq km (9 per sq mi), but density varies dramatically. More than 90% of the people live on 5% of the land along the Atlantic coast; the interior of the country is practically uninhabited.

The UN estimated that 36% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.35%. The capital city, Georgetown, had a population of 231,000 in that year. Linden had an estimated 60,000 inhabitants, and New Amsterdam had about 33,000.

## **7** MIGRATION

Although specific figures were not available, there was significant outward migration in the 1980s, creating shortages of skilled workers and managers. Unofficial estimates put the number at 10,000 to 30,000 a year in the late 1980s, chiefly persons of Asian Indian extraction. Their destinations were chiefly the United States and Canada. The migration rate of tertiary educated individuals in 1990 was 77.3%. According to 1999 estimates, about 50,000 Guyanese citizens live in the Venezuelan territory that borders Guyana and are fully integrated into the local population. Remittances in 2002 were \$100 million, 14.3% of GDP. In 2003, the Guyana government threatened to deport 80% of the 2,000 Brazilians in the mining industry as illegal workers. However, Guyana allows cultural workers, such as musicians, to come and go.

Guyana has traditionally had only a very small number of asylum seekers, mainly from Cuba and Angola. In 2005 the net migration rate was estimated as -7.51 migrants per 1,000 population, compared to -13.6 per 1,000 in 1990. The total number of migrants in Guyana in 2000 was 2,000. The government views the emigration level as too high.

## **8** ETHNIC GROUPS

Guyana's population is made up of five main ethnic groups: East Indians, Africans, Amerindians, Chinese, and Portuguese. An estimated 50% of the population is of East Indian descent and 36% of African descent. Those of Amerindian ancestry constitute 7%; all others account for an additional 7% of the population.

## **9** LANGUAGES

English is the official language and is used in government, the schools, the press, and commerce. Also spoken are Chinese, Portuguese, Amerindian languages, Creole, Hindi, Urdu, and a patois used mainly by those of African descent.

## **10** RELIGIONS

Christians make up approximately 50% of the total population, of whom about 30% are Anglicans, 25% are Roman Catholics, 25% are Pentecostals and Baptists, and 20% are Seventh-Day Adventists. There are smaller groups of Methodists, Presbyterians, Lutherans, Mormons, and Jehovah's Witnesses. Hindus make up some 35% of the population, and Muslims (Sunni and Shia) about 10%. There are small communities of Baha'is and Jews. It is believed that many people practice Rastafarianism and the traditional Caribbean religion known as Obeah, either exclusively or in conjunction with the practice of other faiths.

The constitution provides for freedom of religion and this right is generally respected in practice. All religious groups must register with the government in order to be formally recognized, but there is no other official monitoring of religious groups. Certain Christian, Muslim, and Hindu holidays are celebrated as public holidays.

## **11** TRANSPORTATION

As of 2001, Guyana had an estimated 187 km (116 mi) of standard and narrow gauge railroad track in service. The standard gauge line is 139 km (86 mi) in length, while the narrow gauge line is 48 km (30 mi) in length. Both lines are dedicated to the transport of ore and were originally built for the government-owned mining companies. The two government-owned passenger railway systems, however, have been scrapped: the Georgetown to New Amsterdam line in 1972, and the Georgetown to Parika line in 1974. Waterborne passenger and cargo service between these cities is carried out by a government-owned transport service via the Essequibo and Berbice rivers. Georgetown is the main port, while New Amsterdam accommodates coastal and small oceangoing vessels. Springlands, on the Corentyne River, is the main port for service with Suriname. In 2005, the merchant fleet had six ships of 1,000 GRT or more for a total of 7,475 GRT. As of 2004, Guyana had 1,077 km (670 mi) of navigable inter-waterways. Three rivers, the Berbice, Demerara, and the Essequibo are navigable by oceangoing vessels for 150 km, 100 km, and 80 km, respectively.

Roadways measured an estimated 7,970 km (4,953 mi) in 2002, of which only 590 km (367 mi) were paved. As of 2003, Guyana had about 28,000 passenger cars, and 13,000 commercial taxis, trucks, and buses. There were an estimated 49 airports in 2004, only 8 of which had paved runways as of 2005. Georgetown's Timehri International Airport is served by several international carriers. Guyana Airways Corp., a government company, oper-

ates domestic and international air service. In 2001 (the latest year for which data was available), 47,800 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

The coastline was first charted by Spanish sailors in 1499, at which time the area was inhabited by Amerindians of the Arawak, Carib, and Warrau language groups. By 1746, the Dutch had established settlements on the Essequibo, Demerara, and Berbice rivers, and had withstood French and English attempts to capture and hold the area. The English occupied the settlements in 1796 and again in 1803, and gained formal possession at the Congress of Vienna in 1815. The three main settlements were united into the Colony of British Guiana in 1831. Slavery was abolished in 1834, and many blacks settled in cooperative villages or moved into the towns. Under pressure from planters, indentured servants were brought in from India to work on the sugar plantations. As a result, most of the sugar workers still are of Asian Indian origin, while the urban population is predominantly black. This division into ethnocultural groupings later became an important factor in Guyana's politics.

The change in British imperial policy after World War II was reflected in a new constitution introduced in 1953, providing for a bicameral legislature and universal adult suffrage. Elections were held in the same year. However, the British balked after the People's Progressive Party (PPP) captured 18 of the 24 elected seats. Six months after the elections, the United Kingdom suspended the constitution, charging Communist subversion of the British Guiana government. The colony was governed on an interim basis until 1957, when general elections again were held. Again, the PPP won, with 47.9% of the votes, and Cheddi Jagan, leader of the PPP, was named chief minister.

The colony was granted full internal self-government in 1961, following four years of continued economic and social progress. In elections held under a new constitution introduced that year, the PPP won 20 of the 35 seats in the newly established Legislative Assembly. In October 1961, Jagan, who had been named prime minister, went to Washington, DC, to ask US president John F. Kennedy for US aid. Classified documents released in the mid-1990s revealed that, following Jagan's visit, Kennedy gave the CIA orders to destabilize Jagan's government. Kennedy also urged Britain to withhold full independence from Guyana until Jagan was removed from power. Through covert operations, the CIA incited a general labor strike and racial violence between Jagan's Asian Indian followers and his opponents, mainly of African descent. British troops were called upon to restore order, but the situation did not calm until July.

In the elections of December 1964, the PPP again emerged as the strongest party, but due to US efforts to undermine its power, it was unable to form a government alone. As a result, the British governor called upon the leader of the People's National Congress (PNC), Forbes Burnham, to establish a government.

The following November, an independence conference held in London approved the present constitution, and on 26 May 1966, Guyana became a sovereign and independent nation. Guyana was proclaimed a cooperative republic on 23 February 1970, the 207th anniversary of a Guyanese slave revolt led by Cuffy, still a national



LOCATION: 1°12' to 8°34' N; 56°29' to 61°23' W. BOUNDARY LENGTHS: Atlantic coastline, 459 kilometers (285 miles); Suriname, 600 kilometers (372 miles); Brazil, 1,119 kilometers (694 miles); Venezuela, 743 kilometers (461 miles). TERRITORIAL SEA LIMIT: 12 miles.

hero. The PNC ruled as majority party between 1968 and 1992, although not without controversy.

Guyana became known to the US public in 1978 in the wake of the Jonestown massacre. The government of Guyana, in an attempt to colonize the nation's wilderness regions, had in 1977 allowed an American, James Warren "Jim" Jones, to establish the People's Temple commune at what became known as Jonestown, in the northwest. Many in the United States had become con-

cerned with developments in the commune, and US representative Leo J. Ryan had gone to Jonestown to investigate. He and four other US citizens were murdered at a nearby airstrip by Jones's followers. Then, on 18 November 1978, Jones and more than 900 of his followers committed suicide by drinking poisoned punch.

Between 1980 and 1985, relations between the PNC and opposition parties deteriorated sharply, as opposition parties charged harassment and fraud. The assassination in 1980 of Dr. Walter Rodney, a leading opposition figure, escalated the conflict. Under the administration of Forbes Burnham (1980–1985), human rights declined steadily. Burnham died in 1985 and was succeeded by first vice president and prime minister, Desmond Hoyte. The new president sought to improve Guyana's relations with non-Socialist nations, particularly the United States, and attempted the liberalization of the Guyanan economy.

However, by 1992 the country had grown tired of the PNC, and elected Cheddi Jagan of the PPP to the presidency in what was considered to be the first free and fair election since 1965. Jagan, who had been minority leader for years, received an impressive mandate with 53.4% of the vote, to 42.3% for the PNC. This translated to a solid 36 PPP seats in the National Assembly. Jagan had mellowed in the three decades since his ouster by the CIA, and in an ironic twist of history he was elected this time with the full support of the United States. Jagan served effectively as president until his death in March 1997 at age 78.

Under Jagan's administration, Guyana was able to consolidate its massive foreign debts and began to enjoy sustained economic growth. Jagan's widow, Janet Jagan, was elected to succeed him in general elections held on 15 December 1997, but the opposition PNC challenged the legitimacy of the election. In spite of a CARICOM audit that deemed the election fair, the opposition PNC, led by former prime minister, Hoyte, continued to protest the presidency of Jagan throughout the early months of 1998, and there were demonstrations and other forms of civil unrest, as well as a 55-day strike by civil servants. On 14 August, the 78-year-old, US-born Jagan, suffering from a heart condition, stepped down, naming as her successor finance minister Bharrat Jagdeo, who, at age 35, became one of the world's youngest heads of state. Jagdeo went on to lead the PPP into a new electoral victory in 1999 elections, with 53.1 % of the vote. Jagdeo was reelected as prime minister and his party commanded the support of 34 of the 65 elected members of the legislature.

Legislative elections were held in March 2001, and Jagdeo's PPP/C (People's Progressive Party/Civic) took 34 seats to the PNC's 27 (the remaining seats were won by smaller parties). Jagdeo was reelected prime minister.

In 2000, Suriname gunboats evicted an oil exploration rig from the area; Guyana had approved the exploration in the oil-rich disputed region. In June 2004, the UN set up a tribunal to try to resolve the long-standing maritime border dispute between Guyana and Suriname.

In January 2005, the government declared the capital of Georgetown to be a disaster zone, as severe flooding followed days of continuous rain. More than 30 people were killed, and the UN estimated the loss to the economy to be approximately \$500 million.

### **13 GOVERNMENT**

As of 23 February 1970, Guyana became a cooperative republic. Guyana's first president was elected by the National Assembly on 17 March 1970, and the post of governor-general was abolished. Proclamation of the cooperative republic also entailed the provision of mechanisms for the takeover of foreign enterprises. Guyana's basic parliamentary structure dates from the constitution negotiated prior to independence in 1966. Under a new constitution approved in 1980, the unicameral National Assembly consisted of 53 members elected by secret ballot under a system of proportional representation for a five-year term, plus 10 members elected by 10 regional councils, and 2 members elected by the National Congress of Democratic Organs. The latter, which was composed of deputies from local councils, together with the National Assembly, constituted the Supreme Congress of the People of Guyana, which could be summoned or dissolved by the executive president. This office, created by the 1980 constitution, was filled by the leader of the majority party as both chief of state and head of government.

Constitutional reform was undertaken after the 2001 elections. The National Congress of Democratic Organs was abolished. There are 65 elected members of parliament, 1 elected Speaker of the National Assembly, and 2 nonvoting members appointed by the president. Members serve five-year terms. The president appoints a cabinet including a prime minister.

The voting age and age of majority are 18 years, and suffrage is universal. However, electoral irregularity is the rule, rather than the exception. A British-led team of observers pronounced the 1980 vote "fraudulent in every respect." The 1992 election was considered by most observers to be the first fair poll since 1965. Boycotts both before and after elections have been frequent as a result of fraud charges, but the net effect of these boycotts has been to enhance the power of the majority party.

### **14 POLITICAL PARTIES**

Guyana's political parties are generally committed to socialism or some variant of it, but differ in the groups they represent and especially the ethnic groups that support them. A schism between the black and Asian Indian communities defines the major political division in the country.

In 1950, Cheddi Jagan and his wife organized the People's Progressive Party (PPP), which was anticolonial in nature, claimed to speak for the lower social classes, and cut across racial lines. Early in 1955, Forbes Burnham, who had been minister of education in Jagan's government, led a dissident PPP wing in the formation of the People's National Congress (PNC), which became the predominant political vehicle of Guyanese blacks, with Asian Indians remaining in the PPP. Until 1992, the PNC had dominated Guyana's politics since independence. It drew its members primarily from urban blacks, and was in the majority from its first government, formed after the 1964 elections, until 1992 when the PPP returned to power. The PNC ideologically defines itself as socialist, but stresses the importance of a mixed economy in which the private sector is encouraged.

The PPP had been the opposition party since the 1960s, after dominating Guyanan politics in the 1950s. Appealing to Asian Indian rice farmers and sugar workers, the PPP nevertheless claims

to be primarily an ideological party. Over the years, the PPP has taken an orthodox socialist position along the lines of international Communism. However, Jagan at times called for increased foreign investment, and introduced conservative economic measures during his tenure as premier in the early 1960s. PPP opposition has been both loyal and otherwise. After the 1973 elections, the PPP boycotted the National Assembly, charging electoral fraud. In 1976 the representatives took their seats. In the 1980s the party appeared to be waning, but the 1992 elections gave a boost to this long-standing party.

Because Guyana uses a proportional representation system, small parties are accommodated within the system. In preparation for the 1992 elections, Guyanan citizens formed nearly 20 new parties. One such group is the Working People's Alliance (WPA), a multi-ethnic independent party professing its own brand of Marxism. The WPA, founded in 1979, boycotted the 1980 elections on the grounds that they were bound to be rigged. In June 1980, its leader, Walter Rodney, was killed in a bomb blast. The party took one seat in the 1985 elections, and 2 seats in the 1992 elections. The United Force (TUF) was organized by Peter D'Aguilar, a wealthy brewer of Portuguese extraction, in the early 1960s. Its program, called economic dynamism, was based principally on close ties with the West, encouragement of foreign enterprise, and the acquisition of foreign loans. It helped the PNC form the first non-PPP government in Guyana in 1964, but in 1968 the PNC formed a government by itself. In 1973, TUF lost the four seats it had won in 1968. In 1980, TUF won two seats, which it held until 1992, when it lost one of the two.

The 1992 elections brought the PPP and Cheddi Jagan back to power. Jagan served as president until his death in March 1997. In the general elections of December 1997, his widow, Janet Jagan, was elected to succeed him, and the PPP remained in power with 36 seats, while the PNC held 26; the Alliance for Guyana, 1; the TUF, 1; and the Guyana Democratic Party, 1. However, following extended challenges by the PNC over the validity of the election, Jagan resigned the following August, naming finance minister Bharrat Jagdeo to succeed her. Jagdeo has remained as PPP leader and prime minister since then.

In the March 2001 elections, the PPP/C won 34 seats to the PNC's 27. Smaller parties took the remaining seats.

## 15 LOCAL GOVERNMENT

Guyana's system of local government was restructured after independence. Guyana is divided into 10 regions, each of which is administered by a chairman and council. City and village councils administer the local communities.

## 16 JUDICIAL SYSTEM

The Supreme Court of Judicature has two divisions: the High Court, which consists of the chief justice of the Supreme Court and any number of puisne justices and has both original and appellate jurisdiction; and the Court of Appeal (established 30 July 1966), which consists of a chancellor, the chief justice of the Supreme Court, and as many justices as the National Assembly may prescribe. The chancellor of the Court of Appeal is the country's chief judicial officer. Magistrates' courts exercise summary jurisdiction in lesser civil and criminal matters. The constitution of 1980 provides for an ombudsman to investigate governmental

wrongdoing. English common law is followed. Although there is an ombudsman, he lacks the authority to investigate allegations of police misconduct. There is no independent body charged with responsibility for pursuing complaints of police brutality or abuse.

In 2003, Caribbean leaders met in Kingston, Jamaica, to ratify a treaty to establish the Caribbean Court of Justice (CCJ). Eight nations—Barbados, Belize, Dominica, Guyana, Jamaica, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago—officially approved the CCJ, although a total of 14 nations were planning to use the court for appeals. Haiti had agreed to use the CCJ for resolution of trade disputes. The court was officially inaugurated in April 2005, in Port-of-Spain, Trinidad and Tobago. As of 2005, however, the court's jurisdiction was limited to the CARICOM states of Barbados and Guyana. The CCJ heard its first case in August 2005.

The constitution provides for an independent judiciary. Delays in judicial proceedings are caused by shortages of trained personnel and inadequate resources.

## 17 ARMED FORCES

The Combined Guyana Defense Force numbered 1,100 full-time officers and troops in 2005. Reserves consisted of 670 reservists and a paramilitary force, the Guyana Peoples Militia, which numbered 1,500. Army personnel numbered 900. Equipment included 9 reconnaissance vehicles and 54 artillery pieces. The Navy and the Air Force numbered 100 each. Operable naval units consisted of three patrol/coastal craft. The Air Force's equipment consisted of three transport aircraft and two utility helicopters. Paramilitary forces consisted of the Guyana People's Militia which had more than 1,500 members. The defense budget in 2005 totaled \$5.92 million.

## 18 INTERNATIONAL COOPERATION

Guyana became a member of the United Nations on 20 September 1966; it belongs to ECLAC and several specialized agencies of the United Nations, such as the FAO, ICAO, ILO, IMF, UNESCO, UNIDO, WHO, and the World Bank. Guyana served on the UN Security Council in 1975–76 and 1982–83. General Mohamed Shahabuddeen, a former vice president and deputy prime minister of Guyana, served on the International Court of Justice from 1987–96. Guyana is a member of the ACP Group, the Commonwealth of Nations, the Caribbean Development Bank, G-77, the Latin American Economic System (LAES), the OAS, the Río Group, the Alliance of Small Island States (AOSIS), the Organization of the Islamic Conference (OIC), the Association of Caribbean States (ACS), and CARICOM. Georgetown is home to offices of the European Union, the Inter-American Development Bank, the UN Development Program (UNDP), the WHO, and the OAS. The CARICOM Secretariat is also headquartered in Georgetown.

The nation is also a member of the Nonaligned Movement and participates in the Organization for the Prohibition of Chemical Weapons and the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL). In environmental cooperation, Guyana is part of the Basel Convention, the Convention on Biological Diversity, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Guyana's economy is dominated by the production and processing of primary commodities, of which sugar, gold, and bauxite are the most important. Much of the country is undeveloped, with more than 90% of the population and almost all of the agriculture concentrated in the narrow coastal plain. The interior is sparsely settled, and communications are poor. The bulk of the population is engaged in agriculture, either as laborers on sugar plantations or as peasant cultivators of rice. Although sugar and rice continued to be important export earners, bauxite and gold share comparable percentages of national exports. The government plays a direct role in the sugar industry; the nation's leading sugar producing company was nationalized in 1976.

Beginning in the late 1970s, Guyana's economy suffered a severe decline, attributable both to the increasingly high costs of imported oil and petroleum products (39% of Guyana's merchandise imports in 1983) and to sagging production and prices of Guyana's exports. In 1982 there were serious shortages of basic commodities, foreign exchange reserves dwindled, and Guyana was forced to reschedule its debts. In 1985, the IMF declared Guyana ineligible for further loans because of noncompliance with fund conditions and high arrears.

However, Guyana's economy improved dramatically under the Economic Recovery Program (ERP) launched by the government in April 1989. The program, which was designed with the assistance of International Monetary Fund (IMF) and World Bank officials; was supported by Canada, the United Kingdom, and the United States. It marked a drastic reversal in government policy away from a predominantly state-controlled, socialist economy towards a more open, free market system. The government reformed its monetary and fiscal policy establishing a free market in foreign currency, which was designed to stabilize the exchange rate and put an end to runaway inflation. The exchange rate remained stable at G\$125 to the dollar and inflation dropped from a 1989–91 annual average of 60–100% to only 14% in 1992. The growth rate reached 6% in 1991, after 15 years of decline. The government also eliminated price controls, removed import restrictions, promoted foreign investment, and divested itself of 15 of 41 state-owned enterprises by 1997.

Real GDP growth of 6.2% registered in 1997 marked the seventh consecutive year of strong recovery, with all of the key sectors demonstrating significant increases in production. Growth was particularly strong in the major export industries, including rice and sugar. Inflation had fallen to 4.2%. In July 1998, Guyana entered into a three-and-a-half-year arrangement with the IMF under a program which combined both the Enhanced Structural Adjustment Facility (ESAF) and the Poverty Reduction and Growth Facility (PRGF) with a credit line of about \$70 million. However, a severe drought and political turmoil due to the 1997 elections combined to produce a contraction of -1.7% in 1998. Real GDP grew a reported 3% in 1999, but as the pace of structural reform slackened, the currency appreciated, and the country's overall terms of trade weakened, inflation jumped to 8.7%, up from 4.7% in 1998. In May 1999 the country received some debt relief under the Highly Indebted Poor Country (HIPC) initiative mounting initially to \$92 million. In 2000, real GDP contracted 1.4% though inflation declined to 5.8%. In early 2001, the IMF suspended the ESAF/PRGF program with only 46% of the mon-

ey paid out due to slippages in the government's implementation of fiscal and structural reforms that sent the budget deficit soaring to 6.3% of GDP in 2000 and 7% of GDP in 2001, respectively, even after grants. Real GDP growth in 2001 was 1.4%, and inflation declined to 1.5%. In September 2002, Guyana entered into a new three-year arrangement under the IMF's PRGF supported by a credit line of \$73 million. The GDP was estimated to have grown 1.8% in 2002, with inflation at 4.3%.

In 2004, the GDP growth rate was 1.6%, up from -0.7% in the previous year; in 2005, the growth rate was expected to fall back, to 0.4%. The inflation rate, although fluctuating, remained under control—in 2004, it reached 4.6%, down from 6.0% in 2003. The growth in 2004 was mainly fueled by higher export earnings. The bauxite mining sector was scheduled for restructuring and privatization, which was expected to give an extra boost to the economy.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Guyana's gross domestic product (GDP) was estimated at \$3.0 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$3,900. The annual growth rate of GDP was estimated at 0.5%. The average inflation rate in 2005 was 5.5%. It was estimated that in 2005 agriculture accounted for 36.8% of GDP, industry 20.2%, and services 43%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$64 million or about \$83 per capita and accounted for approximately 8.6% of GDP.

## 21 LABOR

In the latest years for which data was available, Guyana's workforce in 2001 was estimated at 418,000. In 1997, agriculture accounted for 27.8% of the workforce, with industry at 22.6%, services at 47.9%, and undefined occupations at 1.7%. The reported unemployment figure in 2000 was 9.1%, but this is considered vastly understated. There is a severe shortage of skilled labor.

Workers are legally entitled to form and join unions, although in practice this has been slow to materialize. Union membership accounts for approximately 32% of workers, primarily concentrated in the public sector and state-owned industry. Strikes are permitted provided they are approved by union leadership and meet the requirements of the collective bargaining agreement.

No person under 14 is legally permitted to work outside a family business. Child labor regulations are not effectively enforced and child labor remains a prevalent concern. The minimum public-sector wage was us\$104 per month in 2002; there is no legally set minimum wage in the private sector. Hours of employment are set by various industries. Health and safety standards are established by the Factories Act but are not enforced due to lack of resources.

## 22 AGRICULTURE

Agriculture, the main economic activity, provides nearly half the total value of exports and a large part of domestic food needs. Because the narrow strip of rich, alluvial soil along the coast lies



in part below the high-tide mark of the sea and rivers, and because of heavy seasonal rainfall, agricultural expansion requires heavy expenditures for flood control, drainage, and irrigation. About 2.5% of the land is used for temporary and permanent crop production.

Guyana has two sugarcane harvests per year, and there are currently eight sugar mills in operation. About 90% of all cane is grown on land owned or leased by Guysuco, the government-owned sugar monopoly. Guysuco is managed under contract by the British firm Booker Tate. Independent farmers contribute only about 8% to total cane production. Guyana is not an efficient producer of sugar and cannot compete on the world market; it depends on preferential export markets for its sugar trade. Sugar production in 2004 was 3,000,000 tons, up from the 395,000 tons produced in 1971; sugar accounted for 29% of exports in 1980 and about 19% in 2004. Rice production in 2004 (501,500 tons) had more than doubled since 1991. Agricultural exports in 2004 totaled us\$189.8 million. Other crops, grown for domestic consumption include bananas, citrus, cassava, and yams.

### 23 ANIMAL HUSBANDRY

Livestock in 2005 included 110,000 head of cattle, 130,000 sheep, 79,000 goats, 13,000 hogs, and 20,000,000 chickens. Other important domestic animals are horses, mules, and donkeys. Extensive work is carried on to improve cattle productivity by importing breeding stock and providing artificial insemination and veterinary services.

### 24 FISHING

Efforts are being made to increase the fish catch in order to improve the local diet and reduce imports of fish. The catch was 60,304 tons in 2003. The principal species caught that year were Atlantic seabob (19,205 tons) and whitebelly prawn (2,218 tons). Fish exports amounted to us\$54.2 million in 2003. The Demerara Fish Port Complex, built near Georgetown with Japanese aid, includes a fish-processing plant and office facilities.

### 25 FORESTRY

Forests cover about 16,879,000 hectares (41,708,000 acres), or 79% of the total land area. Commercial exploitation, however, is confined to a relatively small section in the northeast. The government-operated timber plant buys lumber from private sawmills and processes it with a view to standardizing and raising the quality of timber for export. Only about 20% of the forest area is reasonably accessible for timber exploitation. Green-heart is the most important timber produced and exported. Timber production was about 1,158,000 cu m (40,900,000 million cu ft) in 2004. Exports of forestry products amounted to us\$29.4 million that year.

### 26 MINING

Guyana's primary mineral industries in 2003, were centered on bauxite, gold, diamonds, sand, and crushed stone. In 2003, production of bauxite totaled 1.7 million metric tons, up from 1.69 million metric tons in 2002. Mined gold production in 2003 totaled 12,170 kg, down from 13,581 kg in 2002. In 2003 about 8,400 kg of gold were produced by the Omai Mine. However gold output at the mine has been falling and exploration has failed to find new reserves. The mine was slated to cease operations. Diamond pro-

duction in 2003 was estimated at 250,000 carats, up from 248,436 carats in the previous year. Diamond production since 1999 increased 450%, allegedly due to the breakup of a Brazilian smuggling ring. Sand and crushed stone were also mined in 2003. The Guiana Shield region was well known for its undeveloped resources of copper, gold, iron ore, manganese, nickel, platinum, and uranium, and undeveloped resources of columbite and tantalite were also being investigated in Guyana.

### 27 ENERGY AND POWER

Guyana has no known proven reserves of oil, natural gas, coal, or any oil refining capacity. As a result the country must import whatever refined petroleum products or other fossil fuels it consumes. In 2002, imports and consumption of refined petroleum products each averaged 11,270 barrels per day. There were no imports or consumption of natural gas or coal in that year.

Guyana's electric power sector in 2002, was marked by the near total use of fossil fuels to provide electric power, although there is a very small hydroelectric sector. In 2002, electric power generating capacity totaled 0.305 million kW, with conventional thermal plants accounting for 0.300 million kW and hydropower 0.005 million kW. Total electric energy produced in 2002 was 0.808 billion kWh, of which 0.800 billion kWh came from fossil fuels and the rest from hydropower. Consumption of electricity in 2002 was 0.751 billion kWh. Frequent power failures have hampered production and thus impeded economic growth. The lack of reliable electricity in and around Georgetown has prompted many businesses to utilize imported small diesel-operated generators, further increasing total fuel demand.

### 28 INDUSTRY

Industry is limited chiefly to processing gold, bauxite, sugar, and rice for export and food and beverages for the local market. Gourmet food processing is increasingly gaining in importance, including the production of certain jams, jellies, sauces, spices, and fruit purees. Manufacturing accounted for about 11% of GDP in 1998, when output decreased by 8.9% over the previous year. Industry as a whole accounted for 32% of GDP in 2000.

In 1993 the government announced a policy move toward total privatization, joint ventures, public share offers, employee and management buyouts, and leased management contracts. The government has followed a serious program of privatization of key state enterprises, such as the telephone utility—80% of which is owned by the US Virgin Islands firm Atlantic Telenetwork. In 1996, a number of companies were offered for privatization, including the state-owned Guyana Electricity Corporation (GEC), Guyana Airways Corporation, the Linmine and Bermine bauxite mines, Guyana National Printers, Guyana Stores, the Guyana Pharmaceutical Corporation, Versailles Dairy Complex, and the Wauna Oil Palm Estate. The GEC was privatized in 1999. The government continued its hold on the state monopoly Guyana Sugar Corporation (Guysuco). Following privatization of the government-owned rice mills and the transfer of rice transactions to the common market for foreign currency, the rice industry recovered and its production increased. In 1999, rice output increased 7.6% and sugar production increased 25.8% over 1998. Due to the fact that much development of infrastructure was needed, the construction sector realized significant growth in the early 2000s. In

2002, breakfast cereals manufactured through the processing of rice were seen as potential exports.

The share of the industry in the GDP was 19.9% in 2004; agriculture contributed with 38.3% and also was the main employer in the country; services came in first with a 41.8% share in the GDP. The oil industry was expected to be an important income earner in future years, although explorations in western Guyana proved unfruitful in the past.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

The University of Guyana, founded in 1963 at Georgetown, has faculties of agriculture, health sciences, technology, and natural sciences. The Guyana School of Agriculture Corporation was founded in 1963. The Inter-American Institute for Cooperation on Agriculture, founded in 1974 at Stabroek and operated by the Organization of American States, aims to stimulate and promote rural development as a means of achieving the general development and welfare of the population. The Pan-American Health Organization has maintained an office in Georgetown since 1949. The Guyana Zoo, an adjunct of the Guyana Museum in Georgetown, specializes in the display, care, and management of South American fauna.

## 3<sup>0</sup> DOMESTIC TRADE

Domestic trade is conducted largely through small retail shops and kiosks scattered throughout the settled areas, and by cooperatives. Franchising began to show signs of growth potential, primarily in the fast-food industry. There are also traditional informal markets for the sale of agricultural products. One of the poorest countries in the Western Hemisphere, the economy relies heavily on foreign aid and investment. Normal business hours are 8 AM to 4:30 PM, Monday–Friday. Banks are open from 8 AM to 12:30 PM and 3 to 5 PM weekdays.

## 3<sup>1</sup> FOREIGN TRADE

Leading exports are bauxite, sugar, rice, gold, shrimp, rum, timber, and molasses. In 1968, bauxite replaced sugar as Guyana's single most important export. From the 1970s to mid-1980s, however, world markets for Guyana's export commodities weakened

while oil import costs rose, leading to chronic trade deficits. As a result of Guyana's economic reform program, import restrictions have been removed, and import licenses are granted routinely by the Ministry of Trade, Tourism, and Industry.

Guyana's biggest exports are sugar (25%) and gold (24%). The mining industry also produces a large amount of bauxite/alumina exports (16%). Foodstuffs account for substantial amounts of commodity export percentages, including rice (11%), shrimp (2.3%), and rum (2.0%).

In 2004, exports reached \$570 million (FOB—Free on Board), while imports grew to \$650 million (FOB). The bulk of exports went to Canada (23.2%), the United States (19.2%), the United Kingdom (10.9%), Portugal (9%), Belgium (6.4%), and Jamaica (5.2%). Imports included manufactures, machinery, petroleum, and food, and mainly came from Trinidad and Tobago (24.8%), the United States (24.5%), Cuba (6.8%), and the United Kingdom (5.4%).

## 3<sup>2</sup> BALANCE OF PAYMENTS

Guyana generally runs a deficit on current accounts, which became increasingly severe in the 1980s. Since 1989, the government has sought a policy of a free market in foreign currency and the removal of import prohibitions. Still, over half of the annual budget went to debt servicing during the 1990s and early 2000s. In 1996, Guyana's debt with Paris Club creditors was reduced by 67%; bringing total external debt to us\$1.5 billion, or, slightly less than 100% of GDP. Guyana qualified for \$590 million in debt service relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) Initiative in 2000. As a result of its qualification for HIPC assistance, Guyana became eligible for a reduction of its multilateral debt for the first time. In 2002, Guyana negotiated a three-year \$73 million loan with the IMF.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Guyana's exports was \$505 million

### Principal Trading Partners – Guyana (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	472.1	556.8	-84.7
United Kingdom	105.1	35.7	69.4
Canada	94.4	8.1	86.3
United States	94.1	177.1	-83.0
Trinidad and Tobago	28.3	148.6	-120.3
Jamaica	26.5	4.4	22.1
Belgium	19.6	5.6	14.0
Barbados	19.2	6.4	12.8
Netherlands	15.7	14.2	1.5
Portugal	9.6	...	9.6
Antigua and Barbuda	7.1	...	7.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

### Balance of Payments – Guyana (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-90.6</b>
Balance on goods		-58.9
Imports	-571.7	
Exports	512.8	
Balance on services		-19.9
Balance on income		-52.1
Current transfers		247.1
<b>Capital Account</b>		<b>43.8</b>
<b>Financial Account</b>		<b>40.0</b>
Direct investment abroad		...
Direct investment in Guyana		26.1
Portfolio investment assets		-22.1
Portfolio investment liabilities		4.5
Financial derivatives		...
Other investment assets		43.3
Other investment liabilities		-11.8
<b>Net Errors and Omissions</b>		<b>16.6</b>
<b>Reserves and Related Items</b>		<b>-9.8</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

while imports totaled \$585 million resulting in a trade deficit of \$80 million.

The International Monetary Fund (IMF) reported that in 1995 Guyana had exports of goods totaling \$496 million and imports totaling \$537 million. The services credit totaled \$134 million and debit \$172 million.

Exports of goods reached \$589 million in 2004, up from \$513 million in 2003. Imports grew from \$571 million in 2003, to \$647 million in 2004. The resource balance was consequently negative, reaching -\$58 million in both years. The current account balance was also negative, improving from -\$91 million in 2003 to -\$62 million in 2004. Foreign exchange reserves (excluding gold) grew to \$232 million in 2004, covering more than four months of imports.

### 33 BANKING AND SECURITIES

The Bank of Guyana is the central bank. In addition to the Bank of Guyana, seven commercial banks operate in the country. Three of them are foreign-owned, namely, Bank of Baroda, Bank of Nova Scotia, and The National Bank for Industry and Commerce (NIBC). In April 1994, the government sold its shares in the Guyana Bank for Trade and Industry (GBTI). In November 1994 the Demerara Bank (a private, domestic bank) and the Citizen's Bank started operations. Further liberalization of the financial sector occurred in April 1995 when Parliament approved the Financial Institutions Act of 1995. The new legislation aimed to tighten the supervisory and regulatory framework of the financial system. The NIBIC, one of Guyana's largest banks, was offered for privatization in 1996. By 2002, only one state-owned bank remained: the Guyana National Cooperative Bank (GNCB). The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$139.3 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$513.2 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 8.8%.

While a number of firms with publicly issued share capital are active, no large-scale securities market has developed.

### 34 INSURANCE

As of 1995, there were at least eight insurance companies operating in Guyana.

### 35 PUBLIC FINANCE

The budget follows the calendar year. Taxes finance the current account budget, with net surpluses or deficits being added to or subtracted from a general revenue balance. Nearly half of government revenue is derived from customs and excise receipts. Divestment of state enterprises, elimination of price controls and subsidies, and a reform of fiscal and monetary policy have led to debt restructuring and forgiveness. Nevertheless, in 1998, government expenditures were about 40% of GDP, and Guyana's debt reached 44% of GDP in 2000.

The US Central Intelligence Agency (CIA) estimated that in 2005 Guyana's central government took in revenues of approximately \$320.1 million and had expenditures of \$362.6 million.

Revenues minus expenditures totaled approximately -\$42.5 million. Total external debt was \$1.2 billion.

### 36 TAXATION

Income taxes are the major source of direct tax revenue. Personal income taxes are levied at a rate of 0%, 20%, and 33.33%. The corporate tax rate is 45% for commercial companies (generally nonmanufacturing companies) and 35% for all other companies. Other taxes include property tax and consumption tax on locally manufactured goods, a withholding tax of 20% is placed on dividends, interest and royalties. There are also stamp taxes. Local government authorities derive their revenues primarily from land, building, and service taxes. Tax evasion is a constant problem.

### 37 CUSTOMS AND DUTIES

Customs revenues are traditionally a main source of government income. Guyana uses the common external tariffs (CETs) of CARICOM. Intra-CARICOM trade is free of tariffs. The CET on imports is 5–20%. However, customs duties of 10–75% are also applied. Consumption taxes are also levied on imports, based on CIF (cost, insurance, and freight) value, but some items are exempted to encourage development. Export taxes range from 0.5% of value to 10%. There is an 80-acre gold export processing zone in Linden.

### 38 FOREIGN INVESTMENT

Investment by foreign firms accounted for the bulk of capital formation prior to the establishment of Guyana's cooperative republic in 1970. After Guyana became a cooperative republic, the government did little to attract foreign private investment. The Hoyte government, however, began efforts to obtain foreign investments for the rehabilitation of the bauxite industry and for oil prospecting and gold mining. New legislation to simplify foreign investment procedures was written in 1987.

The implementation of the Economic Recovery Program and the strong interest of the government in privatization attracted many foreign investors. In 1988, the government permitted foreign ownership of businesses operating in Guyana. In addition, the government was prepared to implement arrangements designed to facilitate investors' derivation of tax benefits in their home territories as well as tax credits in Guyana. Other investment incentives include: tax holidays, export allowances, accelerated depreciation, an export processing zone, and special provisions for agribusiness, mining, and tourism.

From 1997 to 2001, annual foreign direct investment (FDI) inflows to Guyana averaged \$54 million, with a high of \$67 million reached in 2000. For the period 1998 to 2000, Guyana's share of world FDI inflows was 2.2 times its share in world GDP. This was a marked improvement over the period 1988 to 1990 when Guyana's share of world inward FDI flows had been only 70% of its share in world GDP.

In 2002, \$16.6 million were invested in a poultry farm—one of the few large investments in Guyana, in recent years. For 2005, the government planned to privatize the country's Linmine bauxite operations, which would have translated into a dramatic increase in capital inflows in that year.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

A continuing theme of Guyanese economic development policy has been the attempt, without great success, to expand agriculture and to diversify the economy. A seven-year development program (1966–72) aimed to move the country's economy away from its heavy dependence on sugar, rice, and bauxite and to increase funds for scientific, vocational, and technical training and agricultural education. A key feature of the 1972–76 development plan was its emphasis on improving Guyana's health and housing standards.

A decisive change in economic orientation was marked by the proclamation on 23 February 1970 of a cooperative republic. The government embarked on a policy of cooperative socialism by nationalizing the bauxite industry, seeking a redistribution of national wealth, and fostering the establishment of cooperative enterprises for agricultural production, marketing, transportation, housing and construction, labor contracting, services, and consumer purchases. Within a decade, about 80% of the economy was in the public sector.

As economic conditions declined in the late 1970s and early 1980s, the government instituted such austerity measures as import restrictions, foreign exchange controls, cutbacks in planned government spending, and layoffs of government employees.

From 1953 through 1986, Guyana received US\$115.5 million in nonmilitary loans and grants. Multilateral assistance during the same period equaled US\$265.4 million, of which 42% came from the IDB and 30% from the IBRD. The 1985 declaration by the International Monetary Fund (IMF) that Guyana was ineligible to receive further assistance until outstanding debts with the fund had been repaid was an indication of how severe the nation's financial crisis had become. In 1983, the United States had vetoed aid from US and IDB sources, and late in 1985 a barter agreement with Trinidad and Tobago was suspended because of Guyana's failure to repay outstanding loans. As a result, the Hoyte government sought a rapprochement with international lending agencies: a delegation from the IMF, the World Bank, and the IDB visited Guyana late in 1986, and early in 1987 the Guyana dollar was devalued by 56%.

In the late 1990s, primarily as a result of economic reforms, agricultural output grew at a stable rate. Manufacturing output also grew because of improvements in electricity generation and distribution and improved incentives for private investments. These factors combined made continued recovery with real growth rates in excess of 5% per year possible until 1997. Drought and political instability threatened a decade of economic development.

The continuation of sound macroeconomic policies and public sector reform, together with multilateral and bilateral assistance, is crucial to sustaining growth. The fiscal situation was expected to continue improving in the short and medium term, largely as a result of increased current revenues. The inflation rate was likely to stay low, while the medium-term external position of Guyana was expected to remain clouded by the large external debt outstanding, so that the search for debt relief and preferred lending from international donors remained essential.

In 2000, Guyana became eligible for \$590 million in debt service relief under the IMF/World Bank Heavily Indebted Poor Countries (HIPC) Initiative. In 2002, Guyana negotiated a three-year \$73 million Poverty Reduction and Growth Facility (PRGF)

Arrangement with the IMF, to support the government's economic reform program.

In 2005, the economy was expected to expand by only 2.5%, with most of the growth being fueled by higher investments in the public-works projects and in the sugar industry. The loss of gold production from the Omai gold mine was expected to be offset by a higher output in the bauxite-mining sector. Fisheries were expected to suffer as a result of rising fuel costs, and overfishing posed a series of problems for the future.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

A social insurance system covers almost all employed and self-employed persons between the ages of 16 and 59. Social welfare benefits include workers' compensation, maternity and health insurance, death benefits, disability, and old age pensions. Workers contributed 4.8% of earnings, and employers made a 7.2% payroll contribution. Retirement pensions are 40% of average weekly earnings, disability pensions are 30%, and survivor benefits are 50% of the payable old age or disability pension. Maternity benefits are available for 13 weeks. Work injury laws have been in place since 1916.

Violence against women, including domestic violence, remained widespread in 2004, crossing socio-economic and racial lines. There is still social stigma attached to victims of rape, therefore the incidents largely go unreported. There is no legal protection against sexual harassment in the workplace. The law protects women's property rights in common law marriages and divorce, although divorce by mutual consent remained illegal.

Tensions between citizens of African descent and those of South Asian origin continued. Also, the land rights of the Amerindian population remained an issue. Guyana continued to have serious human rights problems, including police abuses, pretrial detention, and poor prison conditions.

### 4<sup>1</sup> HEALTH

In 2004, there were 48 doctors, 229 nurses, and 4 dentists per 100,000 people. Some 90% of the population of Guyana had adequate sanitation and 65% had access to safe water in 1994–95. In 2005 the average life expectancy was estimated at 65.50 years and the total fertility rate at 2.1. In the same year infant mortality was an estimated 33.26 deaths per 1,000 live births. A high incidence of malaria was present in 1997, with 34,075 new cases. That year, malaria was the country's second leading cause of death. Of the 6,506 cholera cases in 1995, 565 died. The incidences of filariasis, enteric fever, helminthiasis, nutritional deficiencies, and venereal diseases still were significant. Yellow fever remains a constant threat. In 1997, 82% of Guyana's children were vaccinated against measles, roughly a 28% increase from 1988.

The HIV/AIDS prevalence was 2.50 per 100 adults in 2003. As of 2004, there were approximately 11,000 people living with HIV/AIDS in the country. There were an estimated 1,100 deaths from AIDS in 2003.

### 4<sup>2</sup> HOUSING

Housing is a critical problem, as is the lack of adequate water supplies and of effective waste disposal and sewage systems. Overcrowding exists in many areas, with families of four or more members often living in one-room homes. Urban development plans

have been prepared for Georgetown and New Amsterdam and a number of schemes, including the construction of low-cost rental housing, have been inaugurated. Loans are made through the Guyana Cooperative Mortgage Finance Bank, founded in 1973. To spur housing development, the government established the Guyana Housing Corp. in 1974. The government provides supervision by trained personnel for those willing to build their own homes. Housing is provided by some firms for their employees. Even so, housing shortages are prevalent and overcrowding and homelessness in urban areas is a great problem.

In the period 1996–2001, the government worked on programs for low-income housing. The result was the construction of about 91 settlements providing 50,000 housing units. The government has estimated that it must build 5,200 homes per year for at least 10 years to meet the national housing need.

Most housing units in the country are detached houses. Owners occupy over half of all dwellings. Most dwellings are wooden, with a smaller proportion made either of wood and concrete or concrete.

### 43 EDUCATION

Although educational standards are high, educational development has suffered from shortages of teachers and materials. School attendance is free and compulsory for eight years for children between the ages of 5 and 14. All schools in Guyana are public, as church and private schools were taken over by the government in 1976. Primary education lasts for six years. General secondary education (community high school) usually covers four years of study. Students will take an additional year to prepare for senior secondary school, which offers a two-year program ending with the Caribbean Advanced Proficiency Exam. The academic year runs from September to July.

Most children between the ages of four and five attend some type of preschool program. Primary school enrollment in 2003 was estimated at about 99% of age-eligible students. The same year, secondary school enrollment was about 75% of age-eligible students, 58% for boys and 92% for girls. It is estimated that about 99% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 27:1 in 2003; the ratio for secondary school was about 15:1.

The first students completed the one-year course at the Government Training College for Teachers in 1960. Teachers also are trained in the United Kingdom and at the University of the West Indies in Jamaica. The University of Guyana was established in 1963, and awarded its first degrees in 1967. The university has faculties in agriculture, the arts, health sciences, social sciences, education, and technology. The Kuru Kuru Cooperative College was established in 1970 to equip the Guyanese people both technically and philosophically for cooperative socialism and nation building. In 2003, about 6% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2003 was estimated at about 98.8%.

As of 2003, public expenditure on education was estimated at 8.4% of GDP, or 18.4% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

The National Library in Georgetown, with holdings of more than 198,000 volumes, also functions as a public library and has

37 branches. The site of the National Library was originally built in 1909 as the Public Free Library, with funding in part from the American industrialist Andrew Carnegie. The Guyana Society Library (formerly the Library of the Royal Agricultural and Commercial Society) is the oldest in the country and has a collection of rare books dealing with the Amerindians of Guyana. Other important libraries include the British Council Library, the Caribbean Community Secretariat, and the library of the US Information Agency. The University of Guyana, founded in 1963, maintains a library which has holdings of over 200,000 volumes.

The Guyana Museum in Georgetown has a collection of flora and fauna, archaeological findings, and examples of Amerindian arts and crafts. It also has an aquarium and a zoological and botanical park. The Walter Roth Museum of Anthropology is also found in Georgetown.

### 45 MEDIA

In 2002 there were 80,400 mainline telephones in use throughout the country with an additional 87,300 mobile phones. A public corporation runs the postal system. An international telex service was inaugurated in 1967. Overseas radiotelephone and cable services are provided by Cable and Wireless (W.I.), a private firm.

Broadcasting is carried on by the government-owned Guyana Broadcasting Corp. As of 2004, there was only one radio station and it was operated by the government. There were 13 television stations (only one of which was government-owned). In 1997 there were 817 radios and 306 television sets in use for every 1,000 people. In 2002, there were 125,000 Internet subscribers served by about 613 Internet hosts.

In 2004, there were three daily newspapers in Guyana, the *Starbroek News* (circulation 23,500 in 2002), which is an independent newspaper, *Kaieteur News* (also independent), and the *Guyana Chronicle* (23,000). *The Mirror* (circulation 25,000) is published twice a week by the People's Progressive Party.

The government is said to generally respect the constitutional provisions for freedom of speech and the press.

### 46 ORGANIZATIONS

Cooperative societies cover virtually every aspect of the economy. There is a chamber of commerce in Georgetown. Labor and industry organizations include the Guyana Manufacturers' Association and the Guyana Rice Producers' Association. There is a Guyana Consumers Association. Professional associations exist for teachers and lawyers.

There are a number of national youth organizations, including National Association of Youth and Students, the Progressive Youth Organization, Student Christian Movement of Guyana, the Trade Union Youth Movement of Guyana, Working Peoples Alliance Youth, and the Guyana United Youth Society. Scouting programs and YMCA/YWCA chapters are also active. There are several sports associations promoting amateur competition in a variety of pastimes.

Amnesty International, Habitat for Humanity, the Society of St. Vincent de Paul, UNICEF, and the Red Cross have active chapters within the country.

## 47 TOURISM, TRAVEL, AND RECREATION

Guyana's scenery varies from the flat marshy coastal plain to the savannas, plateaus, and mountains of the interior; the 226-m (740-ft) Kaieteur Falls, four times as high as Niagara, is the country's most outstanding scenic attraction. Tourist facilities are not very developed in Guyana, although there are hotels in Georgetown. Other attractions are the eco-resorts. Riding, hunting, fishing, and swimming are available in the southern savanna of the Rupununi. Cricket is the national sport.

All visitors are required to have a passport and an onward/return ticket. Visas are issued upon arrival for 30 days. In 2003, there were 100,911 foreign arrivals in Guyana, of whom 49% came from the United States.

In 2004, the US Department of State estimated the daily expenses for staying in Guyana at us\$196.

## 48 FAMOUS GUYANESE

Citizens of Guyana who have established literary reputations abroad include the novelists Edgar Mittelholzer (1909–65), Edward Ricardo Braithwaite (b.1920?), and the poet and novelist Jan Carew (b.1925). Linden Forbes Sampson Burnham (1923–85), former leader of the PNC, dominated Guyanese politics from 1964 until his death. Cheddi Berret Jagan, Jr. (1918–97), founder of the PPP, was chief minister from 1957 to 1961 and premier from 1961 to 1964, and was the main opposition leader after returning to office in 1992. Hugh Desmond Hoyte (b.1930) served as president from 1985 to 1992. From 1997–99, Cheddi Jagan's wife Janet Jagan

(b.1920) served as president; she resigned due to health reasons and was succeeded by Bharrat Jagdeo (b.1964).

## 49 DEPENDENCIES

Guyana has no territories or colonies.

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# HAITI

Republic of Haiti  
*République d'Haïti*



**CAPITAL:** Port-au-Prince

**FLAG:** The upper half is blue, the lower half is red.

**ANTHEM:** *La Dessalinienne (Song of Dessalines)*.

**MONETARY UNIT:** The gourde (G) is a paper currency of 100 centimes. There are coins of 5, 10, 20, and 50 centimes and notes of 1, 2, 5, 10, 50, 100, 250, and 500 gourdes. Silver (5, 10, and 25 gourdes) and gold (20, 50, 100, 200, 1,000 gourdes) coins have also been minted. US paper currency also circulates freely throughout Haiti. G1 = \$0.02555 (or \$1 = G39.14) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is official for customs purposes, but French colonial units and US weights also are used.

**HOLIDAYS:** Independence and New Year's Day, 1 January; Forefathers Day, 2 January; Pan American Day, 14 April; Labor Day, 1 May; Flag and University Day, 18 May; National Sovereignty Day, 22 May; Assumption, 15 August; Anniversary of the Death of Dessalines, 17 October; UN Day, 24 October; All Saints' Day, 1 November; Commemoration of the Battle of Vertières and Armed Forces Day, 18 November; Discovery of Haiti, 5 December; Christmas, 25 December. Movable religious holidays include Carnival (three days before Ash Wednesday) and Good Friday.

**TIME:** 7 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Occupying the western third of the island of Hispaniola, Haiti has an area of 27,750 sq km (10,714 sq mi) including the islands of Tortuga (La Tortue), Gonâve, Les Cayemites, and Vache. Comparatively, the area occupied by Haiti is slightly smaller than the state of Maryland. Extending roughly 485 km (300 mi) ENE–WSW and 385 km (240 mi) SSE–NNW, Haiti is bounded on the N by the Atlantic Ocean, on the E by the Dominican Republic, on the S by the Caribbean Sea, and on the W by the Windward Passage and the Gulf of Gonâve, with a total land boundary length of 360 km (224 mi) and a coastline of 1,771 km (1,100 mi). Haiti claims Navassa Island, an uninhabited US possession about 50 km (31 mi) west of Hispaniola.

Haiti's capital city, Port-au-Prince is located on Hispaniola's west coast.

## <sup>2</sup>TOPOGRAPHY

The coastline of Haiti is irregular and forms a long southern peninsula and a shorter northern one, between which lies the Gulf of Gonâve. Rising from the coastal plains to a peak height at La Selle of 2,680 m (8,793 ft) and covering two-thirds of the interior, three principal mountain ranges stretch across the country; one runs east and west along the southern peninsula, while the others stretch northwestward across the mainland. Once-fertile plains run inland between the mountains: the Plaine du Nord, extending in the northeast to the Dominican border, and the Artibonite and Cul-de-Sac plains reaching west to the Gulf of Gonâve. Of the

many small rivers, the Artibonite, which empties into the Gulf of Gonâve, and L'Estère are navigable for some distance.

## <sup>3</sup>CLIMATE

The climate is tropical, with some variation depending on altitude. Port-au-Prince ranges in January from an average minimum of 23°C (73°F) to an average maximum of 31°C (88°F); in July, from 25–35°C (77–95°F). The rainfall pattern is varied, with rain heavier in some of the lowlands and on the northern and eastern slopes of the mountains. Port-au-Prince receives an average annual rainfall of 137 cm (54 in). There are two rainy seasons, April–June and October–November. Haiti is subject to periodic droughts and floods, made more severe by deforestation. Hurricanes are also a menace.

## <sup>4</sup>FLORA AND FAUNA

Tropical and semitropical plants and animals are characterized more by their variety than by their abundance. In the rain forest of the upper mountain ranges, pine and ferns as well as mahogany, cedar, rosewood, and sapin are found. Coffee, cacao, and coconut trees and native tropical fruits such as avocado, orange, lime, and mango grow wild.

Many species of insects abound, but there are no large mammals or poisonous snakes. Ducks, guinea hens, and four varieties of wild pigeons are plentiful. Egrets and flamingos live on the inland lakes. Reptile life includes three varieties of crocodile, numerous small lizards, and the rose boa. Tarpon, barracuda, kingfish, jack, and red snapper abound in the coastal waters.

As of 2002, there were at least 20 species of mammals, 62 species of birds, and over 5,200 species of plants throughout the country.

## 5 ENVIRONMENT

The virgin forests that once covered the entire country have now been reduced to 4% of the total land area. Deforestation has had a disastrous effect on soil fertility, because the steep hillsides on which so many Haitian farmers work are particularly susceptible to erosion. From 1990–2000, the rate of deforestation was about 5.7% per year. The nation loses 1.35 tons of soil per square kilometer yearly. Agricultural chemicals, such as DDT, are widely used in Haiti. These pollutants plus the use of oil with high lead content are a significant source of pollution. Not only has much of the topsoil been washed away, but the eroded slopes retain little rainfall and are vulnerable to flooding.

The chief impediment to reforestation is the fact that Haiti is so intensely cultivated that allocation of land for forests means a reduction in the land available for crop growing and grazing. Foreign organizations have attempted to alleviate these problems. In 1981, an \$8 million Agroforestry Outreach Project, funded primarily by the United States, helped farmers plant trees throughout Haiti—over 4.5 million seedlings by 1983. The government also agreed to set up the nation's first two national parks with funding from the US Agency for International Development. However, as of 2003, only 0.4% of Haiti's total land area was protected.

Water quality is also a serious environmental problem. Haiti has 13 cu km of renewable water resources with 94% used for farming activity. About 91% of the nation's city dwellers and 59% of the rural population have access to improved water sources.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 4 types of mammals, 15 species of birds, 9 types of reptiles, 46 species of amphibians, 12 species of fish, 5 species of invertebrates, and 208 species of plants. Endangered species in Haiti included the tundra peregrine falcon, Haitian solenodon, green sea turtle, hawksbill turtle, and American crocodile. At least 13 species have become extinct, including the Caribbean monk seal, impostor hutia, and the Haitian edible rat.

## 6 POPULATION

The population of Haiti in 2005 was estimated by the United Nations (UN) at 8,288,000, which placed it at number 91 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 42% of the population under 15 years of age. There were 97 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.9%, a rate the government viewed as too high. The government reinstated the Population Secretariat in 1997, which attempted to address the high fertility rate (4.5 births per woman); however, as of 2005 little progress had been made. The projected population for the year 2025 was 12,887,000. The population density was 299 per sq km (774 per sq mi).

The UN estimated that 36% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.95%. The capital city, Port-au-Prince, had a population

of 1,961,000 in that year. Other major cities and their estimated populations are Jacmel (216,600) and Les Cayes (214,606).

The prevalence of HIV/AIDS has had a significant impact on the population of Haiti. The UN estimated that 7.7% of adults between the ages of 15–49 were living with HIV/AIDS in 2001. The AIDS epidemic causes higher death and infant mortality rates, and lowers life expectancy.

## 7 MIGRATION

Emigration from Haiti has been mainly to Cuba, other Caribbean states, Canada, and the United States; illegal emigration to the United States has been substantial since the 1960s. Between 1972 and 1981 more than 55,000 (perhaps as many as 100,000) Haitian “boat people” arrived in Florida. During 1981–85, some 43,312 Haitians were admitted legally to the United States. In September 1981, the US and Haitian governments agreed to work together to halt the flow of refugees, and these efforts apparently met with success. Over the next 10 years only 28 of the 22,716 Haitians intercepted at sea were admitted to the United States.

Several thousand Haitian migratory workers travel to the Dominican Republic each year during the cane-harvest season; many more change their residences permanently.

Following the 1991 coup (which overthrew President Jean-Bertrand Aristide) many Haitians left for the Dominican Republic, Jamaica, Suriname, Cuba, Panama, Honduras, Venezuela, Colombia, and Mexico. Between 1991–93, 43,000 Haitians tried to reach the United States by boat, but were interdicted and held at Guantanamo Bay, the US naval base in Cuba. In October 1994, soon after Aristide's return to power, Haitians began repatriating, and the United Nations High Commissioner for Refugees (UNHCR) helped repatriate 8,052 persons from various countries. From the United States, some 16,500 repatriated voluntarily. The UNHCR office in Haiti was closed in April 1996. After disputed legislative elections in 2000, Haiti was politically and economically paralyzed. In February 2004, Jean-Bertrand Aristide was forced to resign. Again, US troops arrived and the US warned Haitians that if intercepted on their way to Florida, they would be returned to Haiti, or be detained in Guantanamo. In 2004, 5,389 Haitians entered the United States as refugees.

In 2005, the net migration rate was estimated as -1.68 migrants per 1,000 population. The total number of migrants living in Haiti in 2000 was 26,000. The government viewed the emigration level as too high.

## 8 ETHNIC GROUPS

For the vast majority of Haiti's people, the African ethnic influence is dominant. About 95% of the inhabitants are of African descent; mulattos and whites make up the remaining 5% of the population.

## 9 LANGUAGES

The official languages of Haiti are French and Creole. French is only spoken by about 10–20% of the population. Virtually all the people speak Creole, a mixture of early 17th-century provincial French and African tongues, with infusions of English, Spanish, and Amerindian words. English is used in the capital and to a less-



er extent in the provincial cities, and along the Dominican border a Spanish Creole is spoken.

## 10 RELIGIONS

For many years Roman Catholicism was the official religion of Haiti. Its official status was repealed with the enactment of the 1987 constitution; however, neither the government nor the Vatican has renounced the 1860 Concordat that serves as a basis for relations between the two. Roman Catholicism retains a position of honor, but Haitians are guaranteed the freedom to practice all religions by the constitution.

Roman Catholics represent about 50–55% of the population. Most of the remainder belong to various Protestant denominations, the largest being the Baptist and Pentecostal churches. Other significant denominations include Methodists, Episcopalians, Jehovah's Witnesses, Mormons, Seventh-Day Adventists, and Orthodox Christians. Other religious groups include Jews, Muslims, Rastafarians, and Baha'is. Voodoo, a traditional religion that is partially derived from West African beliefs, is still widely practiced, often in tandem with Christianity. Voodoo became an officially recognized church in 2003 with the establishment of the *Eglise Voudou d'Ayiti* (the Voodoo Church of Haiti) and has had a growing attendance since then.

## 11 TRANSPORTATION

In 2002, Haiti had 4,160 km (2,585 mi) of roads, 1,011 km (628 mi) of which were paved. Farm-to-market roads are few, and most produce for the local market is transported by burro or carried on foot by women. In 1980, a new highway linking Port-au-Prince with Les Cayes was opened, and several road improvement projects have been completed; overall, however, road conditions continue to deteriorate because of flooding. There were some 34,800 passenger cars and 34,325 commercial vehicles in 2003. In that same year, Haiti had a ratio of 223.3 inhabitants per registered vehicle, the highest ratio of any country in the Western Hemisphere. Two railroad systems, the National Railroad of Haiti and the Cul-de-Sac Railroad, with a combined trackage of 301 km (187 mi), originally operated lines from Port-au-Prince to Verrettes and to Léogâne, and from Cap-Haïtien south to Bâton-Rouge. By 1982, however, most of the system had become inoperative; the 40 km (25 mi) of lines that remained in 1999 were being used only for sugarcane transport.

The commercial shipping fleet consists of a few hundred small sailing vessels engaged in coastal trade and a few motorized vessels of light tonnage. The island depends chiefly on foreign shipping. During the early 1980s, the IBRD sought to stimulate intercoastal trade by building port facilities at Jérémie, Port-au-Prince, and Port-de-Paix. Other ports and harbors include Cap-Haïtien, Gonaïves, Jacmel, Les Cayes, Miragoâne, and Saint-Marc.

In 2004 there were an estimated 13 airports, of which 4 had paved runways as of 2005. Domestic air service is supplied by the privately owned Air Haiti, which connects principal cities on regular scheduled flights. An international airport at Port-au-Prince opened in 1965; the other international airport is at Cap-Haïtien. Carriers serving Port-au-Prince are ALM, American Airlines, Air Canada, Canada 3000, Caribintair, Tropical Airways, Haiti International airlines, Air France, and COPA.

## 12 HISTORY

In 1492, Christopher Columbus made the European discovery of the island of Hispaniola and established a settlement near the present city of Cap-Haïtien. Within 25 years, the native Arawak, a peace-loving, agricultural people, were virtually annihilated by the Spanish settlers. Bishop Bartolomé de las Casas, a missionary to the Amerindians, who had originally come to Hispaniola as a planter in 1502, proposed that African slaves be imported for plantation labor. Starting after 1517 a forced migration of Africans gave Haiti its black population.

About 1625, French and English privateers and buccaneers, preying on Spanish Caribbean shipping, made the small island of Tortuga their base. The French soon also established a colonial presence on nearby mainland coasts and competed with the Spaniards. In the Treaty of Ryswick (1697), Spain ceded the western third of the island (Haiti) to the French. Under French rule it became one of the wealthiest of the Caribbean communities. This prosperity, stemming from forestry and sugar-related industries, came at a heavy cost in human misery and environmental degradation.

The French Revolution in 1789 outlawed slavery in France, which inspired Haiti's nearly half million black slaves to revolt. In a series of violent uprisings, slaves killed white planters and razed estates. Although they suffered cruel reprisals, they fought on under the direction of Toussaint L'Ouverture, an ex-slave who had risen to the rank of general in the French army. By 1801 Toussaint controlled the entire island, and promulgated a constitution, which abolished slavery. The emperor Napoleon did not accept this move, and sent 70 warships and 25,000 men to suppress the movement. Toussaint was captured, and died in a French prison.

Jean Jacques Dessalines, another black general who rose from the ranks, continued the struggle, and in 1803 the disease-decimated French army surrendered. On 1 January 1804, Dessalines proclaimed Haiti's independence. Dessalines, after assuming the title of emperor in 1804, was assassinated in 1806, and Haiti was divided into a northern monarchy and a southern republic. Under both regimes, the plantations were distributed among former slaves, and Haiti became a nation of small farmers. Haiti was reunited by Jean Pierre Boyer in 1820, and in 1822 the Haitian army conquered Santo Domingo (now the Dominican Republic). For 22 years there was one republic for the entire island. In 1844, however, one year after Boyer was overthrown, the Dominican Republic proclaimed its independence from Haiti. In 1849, the president of Haiti, Faustin Elie Soulouque, proclaimed himself Emperor Faustin I. He was dethroned by a revolution headed by Nicholas Fabre Geffrard, who reestablished the republic and became president. In 1860, Geffrard negotiated a concordat with the Holy See that established Roman Catholicism as the national religion, although freedom of worship was retained.

A long period of political instability between 1843 and 1915, during which time Haiti had 22 dictators, culminated in the assassination of President Vilbrun Guillaume Sam and was followed by US military occupation. The occupation, which lasted 19 years, terminated in 1934 during the administration of President Sténio Vincent (1930–41), who in 1935 proclaimed a new constitution.

After World War II, another period of political instability reached a peak in a 1950 coup d'état that brought Gen. Paul Magloire to power. Magloire's economic policies led to a serious de-

pression. In December 1956 a national sit-down strike, organized jointly by business, labor, and professional leaders, forced Magloire into exile. A period of chaos ensued in which seven governments attempted to establish control.

In a September 1957 election filled with irregularities, François Duvalier, a middle-class black physician known to his followers as Papa Doc, became president. He began to rule by decree in 1958, and in May 1961, he had himself elected for another six years. On 22 June 1964, Duvalier was formally elected president for life. Despite several attempted revolts, he consolidated his position, ruling largely through his security force, the Tontons Macoutes (“bogeymen”). Political opposition was ruthlessly suppressed, and thousands of suspected dissidents “disappeared.” Also murdered were some 3,000 supporters of Daniel Fignolé, leader of the Peasant Workers Movement (Mouvement Ouvrier Paysan) and Duvalier’s most effective opponent.

Political life under the Papa Doc regime was characterized by plots against the government and governmental counterterrorism, the latter was entrusted to the Tontons Macoutes and to other thugs known as *cagouleurs*. Opposition leaders went into hiding or exile. The Haitian Revolutionary Movement (Mouvement Révolutionnaire Haïtien), led by Haitian exiles Luc B. Innocent and Paul G. Argelin, began operations in Colombia in February 1961.

The National Democratic Union (Union Démocratique Nationale) was founded in Puerto Rico in April 1962 by former Ambassador Pierre Rigaud, with a branch in Venezuela organized by Paul Verna and an underground movement operating in Haiti. Invasions in 1964, 1969, and 1970 met with no success. Haitian exiles in New York, Montréal, Chicago, and Washington mounted an influential anti-Duvalier campaign during the 1960s. Throughout this period, no party operated openly in Haiti except the Duvalierist Party of National Unity (Parti de l’Unité Nationale).

On 22 January 1971, Duvalier named his son Jean-Claude to be his successor. Papa Doc died on 21 April 1971, and Jean-Claude, at the age of 19, became president for life the following day. The younger Duvalier sought to ease political tensions, encouraged tourism and foreign investment, and contributed to the beginnings of an economic revival. However, political arrests did not wholly cease, and there were severe economic reversals in the mid- and late-1970s.

In February 1979, elections to the National Assembly took place amid allegations of government fraud. Opposition groups were then arrested, tried, and convicted of subversion, but later released. In January and March 1982, two small exile groups tried unsuccessfully to overthrow the government by staging armed invasions. The first municipal elections of the Duvalier period were held in spring 1983. The voting resulted, for the most part, in victories for the government, partly because several opposition figures had been arrested during the campaign.

Jean-Claude proved to be an ineffectual leader and tensions mounted as the economy stagnated after 1980. When civil disorder began to break out in the mid-1980s, the president became increasingly reclusive. In February 1986, following a series of demonstrations and protests, Jean-Claude and his family fled to France, and the National Governing Council (Conseil National de Gouvernement—CNG), led by Lt. Gen. Henri Namphy, seized power. Namphy’s declared purpose was to provide a transition to a

democratically elected government. A constituent assembly, convened in October 1986, drafted a new constitution that was approved by referendum in March 1987.

Hopes for the restoration of democracy soon faded. The presidential election scheduled for November 1987 was postponed as gangs of thugs and soldiers killed at least 34 persons. The CNG attempted new elections and a new government, but those governments had no legitimacy at home or abroad. In December 1990 a Roman Catholic priest, Jean-Bertrand Aristide, was elected with 67.5% of the votes cast. The immediate aftermath of the CNG’s takeover was euphoric. Political prisoners were released and the dreaded Tontons Macoute (Duvalier’s clandestine secret police) were disbanded.

Aristide had an ideology, a sort of egalitarian Catholic doctrine, and a political coalition of 15 parties, the National Front for Change and Democracy (FNCD). But, he did not have the confidence of the military. Upset by his popularity and his foreign policy, which favored stronger hemispheric relations at the expense of US-Haitian relations, the military under Gen. Raoul Cédras ousted him in October 1991. From exile, Aristide did not relent, and appealed to international organizations for help. The UN and OAS forged an agreement between Cédras and Aristide to return Aristide to the presidency in October 1993, but the military balked. Aristide promptly appealed to the Clinton administration, even as he criticized US policy, and the Clinton administration responded with sanctions against the Haitian regime in May and June of 1994. However, the impasse persisted.

In September 1994, as a last resort, the Clinton administration secured international support for a military invasion of Haiti to force Cédras from power. A US invasion force was assembled and war seemed imminent. However, in the 11th hour, Clinton sent a special delegation, headed by former US president Jimmy Carter, to negotiate a peaceful solution to the crisis. As US fighter planes were about to take off for Haiti, the Carter team reached an agreement with Cédras and war was diverted. American forces peacefully took control of the country and, in October 1994, restored Aristide to power.

Returning to the country after a three-year absence, Aristide faced two major challenges: rescuing the country’s economy, which was in dire straits following the international embargo that had been imposed on it, and curbing the rampant violent street crime, gang activity, and vigilantism that had developed in the absence of an adequate justice system. To cope with the security vacuum created by the departure of the military regime, UN peace-keeping forces arrived in March of 1995.

In June 1995 elections for local and legislative office, though marred by mismanagement and requiring additional rounds of voting, remained free of state-sponsored violence and were generally regarded as a sign of success for the nation’s fledgling democracy. Although there was strong sentiment among many Haitians in favor of having Aristide remain in office beyond the end of his designated single term as president (most of which had been usurped by military rule), US support remained contingent on adhering to the terms of the 1987 constitution, which barred the president from seeking a second consecutive term. Aristide himself wavered about honoring this provision but ultimately stepped down, endorsing a close associate, René Préval, to succeed him in office. Préval was elected on 17 December 1995, with 88% of



LOCATION: 18°1'42" to 20°5'44" N; 71°38' to 74°28'45" W. BOUNDARY LENGTHS: Dominican Republic, 275 kilometers (171 miles); total coastline, 1,771 kilometers (1,098 miles). TERRITORIAL SEA LIMIT: 12 miles.

the vote. In February 1996 he took office, becoming Haiti's second democratically elected president in the country's 191-year history as an independent nation. The presence of both a UN peacekeeping force of over 1,000 and several hundred US troops was extended through November 1997. In July 1997 Haiti became a member of the Caribbean Community (CARICOM).

Even under relatively stable political conditions, Haiti's economic and security problems proved intractable. Poverty and unemployment—estimated at 80%—remained endemic. In May 1996 Préval agreed to economic reforms demanded by the International Monetary Fund, including privatization of state-owned enterprises, a measure previously resisted by his government. However, former president Aristide opposed the privatization plans and in

1997 formed a new political grouping of his own. After failing to win parliamentary approval for three nominees for prime minister in 1998, President Préval dissolved parliament in January 1999 and unilaterally appointed a new prime minister, provoking civil unrest in the streets. Through the rest of 1999 and into early 2000, Préval repeatedly postponed promised legislative elections, leaving the country without a fully operating government. A wave of violence escalated and eventually claimed the life of the country's most prominent radio journalist, Jean Leopold Dominique, who was murdered in April 2000.

In the presidential election held in November 2000, former president Aristide easily won the election with 91.8% of the vote. His party, the Fanmi Lavalas (FL—Lavalas Family), won 83 of the

93 seats in the National Assembly. After taking office in early 2001, Aristide was accused of developing a highly personalist and authoritarian government. He concentrated power in his own hands and failed to build and consolidate democratic institutions. The economy continued its downward spiral, with negative growth in 2001 and 2002 and more than 80% of Haitians living in poverty. In addition, international organizations expressed concern over the growing violence in the country and the little respect for human rights shown by the Aristide government. Rebellion, escalating in early 2003, coupled with international pressure, led to the resignation of Aristide on 29 February 2004, who then went into exile in South Africa. The same day, Boniface Alexandre, a Supreme Court justice, was sworn in as president of an interim government. The rebels, made up largely of personnel from the disbanded military, continued sporadic violence as UN forces attempted to control security by confiscating weapons; Aristide supporters also protested, sometimes in violent support for his return. Rebels almost began another attempt to oust the interim government, but money began flowing into the country again when loans and aid were released after about a four-year freeze. The interim government was able to make some payments to appease the rebels, who demanded that the military be reinstated with 10 years of back pay, but organizational hurdles twice postponed elections originally slated for October.

On 7 February 2006, general elections were held for the first time since Aristide was overthrown in 2004. Former President René Préval was declared the winner of the highly contested presidential election, with 51% of the vote. Préval was declared the winner after election officials agreed to discount thousands of blank ballots. Préval's supporters had taken to the streets, rejecting initial vote tallies, which would have led to a second round of voting. Préval took office on 14 May 2006.

### 13 GOVERNMENT

Under Article 197 of the 1964 constitution, François Duvalier was appointed president for life, with the stipulation that this article be approved in a nationwide plebiscite. On 14 June 1964, the voters were declared to have "almost unanimously" given their consent. He was granted power to dissolve the Legislative Assembly and the cabinet and to govern by decree in case of grave conflict. A constitutional amendment in January 1971 allowed the president to choose his successor. Jean-Claude Duvalier became president for life in April 1971 and was chief of state and head of government until early 1986.

The constitution adopted in March 1987 established a president elected to a five-year term as head of state and restricted to no more than two nonconsecutive terms in office. The head of government was to be the prime minister, appointed by the president from the party holding the majority in both houses of the legislature, which is made up of a 27-member Senate and a Chamber of Deputies with 83 members. Supporters of the Duvaliers were barred from holding political office for 10 years. Senators are elected for six years and deputies for four.

Since its passage, the constitution was suspended in June 1988 and reinstated in March 1989. The leaders of the coup of October 1991 claimed to be observing the constitution and Marc Bazin was named head of a caretaker government. But to all observers, nothing approaching a political system was present in Haiti until the

restoration of the democratically elected Aristide government in late 1994. Because of an agreement with the United States, Aristide was unable to seek a second consecutive term and endorsed René Préval to succeed him in office. Préval was elected on 17 December 1995 as the country's second democratically elected president. In 2000, Aristide was elected president again, marking the first time that a democratically elected president completed his term without interruption and handed power over to another democratically elected leader. In 2004, however, Aristide resigned following a violent uprising; he went into exile in South Africa. The country was thrown into chaos and UN peacekeepers arrived to provide security for the country. In February 2006, former President René Préval was elected with 51% of the vote in the first round.

### 14 POLITICAL PARTIES

From the mid-19th to the mid-20th century, two major political parties, the Liberals and the Nationalists, were predominant. The Liberals, composed mainly of the wealthier and better-educated mulatto minority, advocated legislative control of government, while the Nationalists, composed mainly of the lower- and middle-class black majority, favored a strong executive. The traditional mulatto hegemony, whose wealth was inherited from the departed French colonists, was ended by Duvalier, who used the mulattoes as scapegoats.

After Jean-Claude Duvalier became president in 1971, some political activity was allowed, but by 1982 most dissidents had again been silenced. In 1979, an opposition Haitian Christian Democratic Party (Parti Démocratique Chrétien d'Haïti—PDCH) was founded, but its leader, Sylvio Claude, was arrested in October 1980. In the 1979 legislative elections only one antigovernment candidate won a seat; he resigned in July 1981. The PDCH dropped out of the municipal election campaign in 1983 following the arrest of several party members on national security charges.

Dozens of parties emerged after the CNG ousted Jean-Claude Duvalier in February 1986, most prominently, the National Front for Change and Democracy (FNCD), which backed Jean-Bertrand Aristide in the 1990 elections, but from which he later disassociated himself. Other groups include the National Congress of Democratic Movements (CONACOM), the Rally of Progressive National Democrats (RDNP), the Revolutionary Progressive Nationalist Party (PANPRA), and the Movement for the Installation of Democracy in Haiti (MIDH), under former Prime Minister Marc Bazin.

By 1995 the dominant party, and the one associated with Aristide, was the Lavalas Political Platform, an alliance of the Lavalas Political Organization (OPL) and the Movement for the Organization of the Country (MOP). Backed by Aristide and Lavalas, René Préval was elected president in the December 1995 elections with 88% of the vote. In the mid-1995 legislative elections, all but one of the 18 vacated Senate seats were won by Lavalas candidates and the party also swept the election in the lower house, with 12 seats going to candidates of other groups, including independents. In 1997, former president Bertrand Aristide formally registered a new party—Fanmi Lavalas (FL—Lavalas Family)—which broke ranks with the existing Lavalas government before the 2000 elections. The legislative elections, initially scheduled for June 1999, were postponed repeatedly throughout the rest of 1999 and the first half of 2000. They were eventually held, together with the

presidential elections, in November 2000. The FL dominated the elections, which were boycotted by the opposition. Parliamentary elections were due to be held in 2003, but they were not. Large protests were held against Aristide's rule, which eventually turned into a rebellion which, along with international pressure, ousted him on 29 February 2004.

A first round of legislative elections was held on 7 February 2006, but only two deputies were elected. A second round of legislative elections was held on 21 April 2006. René Préval's alliance Front for Hope or L'ESPWA won 11 seats in the Senate. Other parties winning Senate seats included: Struggling People's Organization (OPL), 4; Fanmi Lavalas (FL), 3; Merging of Haitian Social Democratic Parties (FUSION), 3; Artibonite in Action (LAAA), 2; National Christian Union for the Reconstruction of Haiti (UNCRH), 2; Democratic Alliance (ALYANS) 1; For Us All (PONT), 1; 3 seats were subject to a run-off election. In the Chamber of Deputies, seats by party were: L'ESPWA 19; FUSION 15; ALYANS 10; OPL 8; FL 6; UNCRH 6; Mobilization for Haiti's Development (MPH), 4; Assembly of Progressive National Democrats (RDNP), 4; LAAA 3; Cooperative Action to Build Haiti (KONBA), 3; National Front for the Reconstruction of Haiti (FRN) 1; New Christian Movement for a New Haiti (MOCHRENHA), 1; Movement for National Reconstruction (MRN), 1; Heads Together (Tet-Ansanm), 1; Independent Movement for National Reconciliation (MIRN), 1; Justice for Peace and National Development (JPDN), 1; Union of Nationalist and Progressive Haitians (UNITE), 1; Liberal Party of Haiti (PLH), 1; 13 seats were subject to a run-off election by June 2006.

## 15 LOCAL GOVERNMENT

As of 1999, Haiti was divided into nine departments and subdivided into arrondissements and communes. Each department is headed by a prefect appointed by the central government. Under the constitution, a commune is headed by an elected mayor, whose powers are strictly circumscribed. Local government is limited and all taxes collected by the communes are paid directly into the national treasury. The first open municipal elections in 26 years took place in 1983. Local mayoral and council elections were held in December 1995. In January 1999 President René Préval began appointing mayors and other local officials because political violence and instability had resulted in the delay of local elections. Since taking office, President Aristide has replaced many of the mayors elected by Préval. By late 2002, most government officials and authorities were loyal to Aristide and his Fanmi Lavalas party. Opposition leaders were prevented from having power in local governments.

## 16 JUDICIAL SYSTEM

The judiciary consists of four levels: the Court of Cassation, courts of appeal, civil courts, and magistrates' courts. Judges of the Court of Cassation are appointed by the president for 10-year terms. Government prosecutors, appointed by the courts, act in both civil and criminal cases. There are also land, labor, and children's courts. Military courts function in both military and civilian cases when the constitution is suspended. The legal system is based upon the French Napoleonic Code.

Until 1995, the Haitian armed forces controlled law enforcement and public security even though the constitution called for

separation of the police and military. The 1987 constitution was put into effect in 1995. Although the constitution also calls for an independent judiciary, all judges since 1986 have been appointed and removed at the will of the government and political pressures affect the judiciary at all levels. The justices of peace issue warrants and adjudicate minor infractions. The Supreme Court deals with questions of procedure and constitutionality. Haiti accepts compulsory jurisdiction of the International Court of Justice. On 9 June 2003, a treaty was ratified to establish the Caribbean Court of Justice (CCJ), with the first session of the CCJ scheduled for November 2003. Although Haiti was not among the eight nations to officially approve the CCJ, it did agree to use the CCJ for resolution of trade disputes.

## 17 ARMED FORCES

In 1994, a civilian administration replaced the military government. The armed forces and police were disbanded and they were replaced with a National Police Force, which had an estimated 5,300 members. Since 1 June 2004 there have been no active armed forces, replaced instead, by a UN stabilization force, with 6,700 authorized personnel. A National Police Force of around 2,000 personnel remains operational. Security expenditures in 2000 (the latest year for which data was available) were \$50 million.

## 18 INTERNATIONAL COOPERATION

Haiti is a charter member of the United Nations, having joined on 24 October 1945; it is part of ECLAC and several specialized UN agencies, such as FAO, IAEA, ILO, IMF, IFC, UNESCO, UNIDO, WHO, and the World Bank. Haiti joined the WTO in 1996. The country is also a member of the ACP Group, G-77, the Inter-American development Bank, the Latin American Economic System (LAES), CARICOM, the Alliance of Small Island States (AOSIS), the Association of Caribbean States (ACS), and the OAS.

During the 1991–94 period of de facto military rule, the UN Mission in Haiti (UNMIH) was formed (1993), with a total of 38 countries participating, to restore legitimate government and create a secure and stable political environment within the country. In 1994, the UN Security Council authorized deployment of a US-led multinational force to accomplish this task. From 1994–2001, other peacekeeping missions were established, including the United Nations Support Mission in Haiti (UNSMIH), the United Nations Transition Mission in Haiti (UNTMIH) and the United Nations Civilian Police Mission in Haiti (MIPONUH). The United Nations Stabilization Mission in Haiti (MINUSTAH) was established in 2004, at the resignation of Jean-Bertrand Aristide, to support the efforts of the transitional government. A total of 20 countries have offered support to MINUSTAH.

Haiti is a signatory of the 1947 Río Treaty, an inter-American security agreement. The nation also participates in the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL) and is a signatory to the Organization for the Prohibition of Chemical Weapons. In environmental protection, Haiti is part of the Convention on Biological Diversity, the London Convention, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

One of the richest colonial possessions based on its slave-operated sugar plantations, and site of the world's first successful slave revolt, Haiti is now one of the world's poorest countries, separated on the island of Hispanola from the prospering Dominican Republic by racial and linguistic divisions, and a river named Massacre. About 80% of the population lives in abject poverty, engaged mainly in subsistence agriculture. The economy is basically agricultural: coffee, mangoes, sugar, rice, corn, sorghum, and wood are the main products. Some cottage industries were developed in the mid 1940s, and in the late 1950s and early 1960s the mining sector, particularly bauxite and copper, grew to provide important export items. By the early 1980s, however, mining was losing its importance, and light export-oriented industry, based on cheap labor, was the main growing area. The informal market is growing including the black market transshipment of cocaine. In 2003, Haiti remains one of the 23 countries on the US government's list of major drug-producing or drug-transit countries.

Haiti has suffered a series of natural and political setbacks. Hurricanes have often destroyed substantial parts of the coffee and sugar crops. During 1960–70, the real GDP declined annually by 0.2%. The accession of Jean-Claude Duvalier in 1971 improved the economy, and between 1970 and 1979, the average annual growth of the GDP was 4%. The economy took a downward turn in the early 1980s, growing by only 0.90% between 1977 and 1987.

On 30 September 1991 a military coup headed by General Cedras deposed the democratically elected government of President Jean-Bertrand Aristide. The OAS and the United States imposed several economic sanctions following this military coup. The accumulated contraction in the economy from 1991–94 amounted to about 30%, leaving per capita income at about \$260. A UN-mediated agreement called for President Aristide's return to power, which occurred in 1994.

In 1995, GDP growth reached a recent high of 4.5% due mainly to public investment equal to 7.2% of GDP (compared to 0.6% in 1994). Inflation fell to 30.2%, down from 36.1% in 1994. In 1996, GDP growth moderated to 2.78% as inflation fell to 20%. From 1997 to 1999, annual GDP growth averaged 2.1% and inflation fell to single digits, 8.3% in 1998 and 9.9% in 1999. With extensions of credit under the IMF's Enhanced Structural Adjustment Facility (ESAF), the government initiated fiscal policy and structural reforms. After Aristide was voted out of office in 1996, the prime minister resigned in 1997, and the legislature broke up in 1999; all these factors contributed to a cessation of economic reforms. In 2000, violence, civil unrest and fraud that marred the presidential election and led donor countries to put a hold on about \$500 million of economic assistance, helped bring GDP growth down to a negligible 0.9% as inflation increased to 15.3%. A new agreement in November 2000 with the IMF was voted down by the legislature. In 2001, continued political unrest, the freezing of over \$1 billion in credits from international financial institutions, and the deterioration in the external economy following recession in the United States and the 11 September 2001 terrorist attacks brought on Haiti's first contraction since 1994 as GDP fell 1.1%. In 2002, the US government (George W. Bush administration) continued to block aid to Haiti on condition that political reforms, specific arrests, and disarmament would first have to be carried out, and sent assistance to the Dominican Republic to help their

military seal their border against Haitian refugees along the Massacre River.

Economic growth for 2002 was -0.9%, with inflation at 9.9%. Unemployment was an estimated 60%. In 2003 the GDP growth rate recovered slightly at 0.5%, but in 2004 it relapsed again, reaching -3.8%; in 2005 the economy was expected to expand by 2%. Inflation went out of control, reaching 39.3% in 2003, and 22.8% in 2004; it was expected to fall to 15% in 2005. Haiti suffers from lack of investments, and a severe trade deficit. In addition, civil conflict and natural disasters, in 2004, added to the problems of an already impoverished country. Foreign aid flows have started to pick up in past years that not at a pace that would offer immediate economic relief.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Haiti's gross domestic product (GDP) was estimated at \$12.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,600. The annual growth rate of GDP was estimated at 3.5%. The average inflation rate in 2005 was 13.3%. It was estimated that agriculture accounted for 30% of GDP, industry 20%, and services 50%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$811 million or about \$96 per capita and accounted for approximately 27.8% of GDP. Foreign aid receipts amounted to \$200 million or about \$24 per capita and accounted for approximately 6.9% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Haiti totaled \$2.69 billion or about \$316 per capita based on a GDP of \$2.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1980 to 1990 household consumption grew at an average annual rate of 0.9%. It was estimated that in 2003 about 80% of the population had incomes below the poverty line.

## 21 LABOR

In the latest years for which data was available, Haiti's labor force in 1998 was estimated at three million. Of that total, agriculture employed 66%; industry, 9%; and services, 25%. Unemployment and underemployment in Haiti is widespread. As of 2002, it was estimated that more than two-thirds of the country's labor force did not have formal employment of any kind.

Because the proportion of wage earners is relatively small, the labor movement is weak. In 2002, there were nine principal labor federations, representing about 5% of the total labor force. Unions are independent of the government and political parties, but they must register to achieve legal recognition. Strikes are permitted, but participation in strike activity is low. Collective bargaining does not occur.

The minimum age for employment is legally set at 15 years with the exception of domestic service. Child labor is not problematic in the formal sector due to job competition, however it remains prevalent in the informal economy. In industry and service orga-

nizations, the legal standard is an eight-hour day with a 48-hour week and 24-hour rest on Sunday. The legal daily minimum wage in 2002 was \$1.52, which does not provide a decent standard of living for a family. This only applies to the formal wage-earners, and does not apply to agricultural workers or the informal sector of the economy.

## 22 AGRICULTURE

With 62% of the laboring population deriving its living exclusively from the soil, farming is the mainstay of the Haitian economy. Although only about one-third of the country's land is considered suitable for cultivation because of the rugged terrain, 40% of the land was actually being used for crop and feed production and pasture in 2003. Nevertheless, population growth outstripped agricultural growth during the 1970s, and a drought in 1985 affected the production of such important staple crops as rice, maize, and beans. Consequently, foodstuffs have had to be imported in increasing quantity.

Production of coffee in 2004 totaled 28,000 tons, as compared with the record-high of 43,600 tons in 1962. Sugarcane is the second major cash crop, but production has been declining; in 1976, Haiti became a net importer of sugar. Sugarcane production in 2004 was 1,080,000 tons. Other agricultural production figures for the 2004 growing season (in thousands of tons) were bananas, 290; corn, 180; rice, 102; sorghum, 85; dry beans, 33; and cocoa beans, 4.4. Haitian agriculture is characterized by numerous small plots averaging slightly over one hectare (2.5 acres) per family, on which peasants grow most of their food crops and a few other crops for cash sale; few farms exceed 12 hectares (30 acres). Haiti employs an unusual form of farming called arboriculture. Combinations of fruit trees and various roots, particularly the manioc plant, the traditional Haitian bread staple, replace the grain culture of the usual subsistence-economy farming. Crops are cultivated with simple hand tools; the plow or animal power is only rarely employed, except on sugarcane plantations. Coffee is grown on humid mountain slopes, cotton on the semiarid plateaus and sea-level plains, and bananas as well as sugar on the irrigated plains, which covered about 57,000 hectares (140,800 acres) in 2004. Rice has become a basic staple for Haitians, but local production only meets a little more than 20% of demand.

## 23 ANIMAL HUSBANDRY

Stock raising is generally a supplementary activity on small farms. In 2005 there were 1,456,000 head of cattle, 1,000,000 hogs, 1,900,000 goats, 500,000 horses, 153,500 sheep, and 5,500,000 poultry. The hog population was decimated by African swine fever in 1979, and careful efforts at replacement have been unsuccessful. In the mid-1990s, the poultry industry contracted from over 100 commercial producers to less than 10. In addition to the embargo and political uncertainty, the industry is under competitive pressure of low cost poultry imports from the United States. Poultry production has not risen enough to fill the vacuum in the rural diet. Extension work directed by the Department of Agriculture's educational center at Damien has helped to stabilize animal husbandry. Poultry production slowly increased from about 6,000 tons per year in the mid-1990s to 8,400 tons by 2005. Native stock has been upgraded by the introduction of hogs and cattle from abroad, particularly the zebu, which does well in the hot, dry

plains. Two major stock-feeding centers operate at Port-au-Prince and Cap-Haïtien. Livestock products in 2005 included 99,893 tons of meat, 25,200 tons of goat's milk, 44,500 tons of cow's milk, and 5,050 tons of eggs.

## 24 FISHING

While the proximity of Haiti to the Windward Passage and the north-flowing currents off the Venezuelan coast place it in the path of major fish migrations, including tuna, marlin, bonito, and sardines, the commercial fishing industry is not developed. Reef fish, including giant grouper and rock lobster, are important food sources because deep-sea fishing is limited. Fisheries have been successfully developed in the small ponds and in the irrigation and drainage ditches of the Artibonite Plain. Carp and tertar, a native fish, are abundant, but lack of transport and other facilities limits this important food source to local consumption. The catch was estimated at 5,010 tons in 2003, including 200 tons of Caribbean spiny lobster and 300 tons of conch.

## 25 FORESTRY

Originally, Haiti was endowed with abundant forest resources. Excellent stands of pine were located in the mountain rain forests of La Hotte Massif and in the Massif du Nord. (Haitian pine is high in turpentine and rosin content, making it suitable for naval stores.) Major stands of mahogany grew in the Fer à Cheval region, and small stands occurred in the island's lower mountain ranges. Tropical oak, cedar, rosewood, and taverneaux also were widespread; hardwoods included lavan (mahogany), narra, tindalo, and ipil. The intensive use of the forests for fuel, both in colonial times and in the modern era, and the clearing of woodlands for agriculture resulted in a decline of Haiti's forestland from over 2.7 million hectares (6.7 million acres) before the coming of Columbus to about 88,000 hectares (217,000 acres) by 2000, the majority of which was privately owned. Such deforestation has created a problem with soil erosion. Reforestation efforts have been more ambitious in design than successful in execution. Haiti had an annual average deforestation rate of 5.7% during 1990–2000, the highest in the world. Of the estimated 2,231,000 cu m (78,784,000 cu ft) of wood cut in 2004, almost 89% was used for fuel.

## 26 MINING

The mining sector played a minor role in Haiti's economy. In 2003, mining was limited to sand, gravel, and marble. Cement was also produced in 2003. Asphalt, lime, and salt may also have been produced. The marble industry was being developed for export possibilities.

In 2003, cement production totaled 290,300 metric tons. Sand and gravel production that same year each totaled an estimated 450,000 and 2 million cu m, respectively. Marble output in 2003 was estimated at 131 cu m.

There were small, undeveloped deposits in northern Haiti of chromite, copper (both sedimentary and in veins, in the Massif du Nord), gold, iron ore, lead, manganese (in the Morne Macat section of the Massif du Nord), silver, sulfur, tin, and zinc. There were also bauxite deposits near Miragoâne, and deposits of antimony, gypsum, nickel, and porphyry. The Canadian company St. Genevieve Resources estimated that two small gold mines near Cap-Haïtien could yield at least \$100 million over 10 years. The Cana-

dian company KWG Resources, Inc. had two properties with gold and copper resources—Grand Bois and Morne Bossa.

All subsoil rights belonged to the state; private ownership of mining companies was permitted, and mineral exploration has generally been conducted by foreign enterprises. Private gold mining was permitted, but the metal had to be sold to the National Bank. Production of bauxite ceased with the 1985 closing of the Reynolds mine; production peaked at 613,000 tons in 1979, and exports were worth \$14.9 million in 1982. Copper mining was suspended in 1971, because it became unprofitable.

## 27 ENERGY AND POWER

Haiti has no known proven reserves of oil, natural gas, coal, or any oil refining capacity. As a result the country must import whatever refined petroleum products or fossil fuels it consumes. In 2002, imports and consumption of refined petroleum products averaged 11,610 barrels per day in 2002. There were no imports or consumption of natural gas or coal for that same year.

Haiti's electric power sector is marked by reliance upon fossil fuels and hydropower to generate electricity. In 2002, conventional thermal fueled generating capacity totaled 0.244 million kW, with hydropower accounting for 0.063 million kW and fossil fuel plants 0.181 million kW. Electric power production in that year totaled 0.609 billion kWh, with hydropower and conventional thermal accounting for 0.298 billion kWh and 0.311 kWh, respectively. Total power demand in 2002 totaled 0.566 billion kWh. Although power represented the government's top investment priority in the early 1970s, as of July 2005, the electricity supply remains erratic and inadequate. Most industrial plants have stand-by generators.

## 28 INDUSTRY

Industry has traditionally been primarily devoted to the processing of agricultural and forestry products, although the assembly of imported components for export to the United States and other markets has grown into a substantial industry. During 1970–78, the industrial sector grew by 8.3% annually; between 1977 and 1987, growth was null; and between 1988 and 1998 the sector declined by 3.1% annually. The parastatal flour refinery and cement factory were sold to foreign interests in 1999. The flour refinery had been out of service for five years before it began operations again in 1998. The cement factory was undergoing restructuring in 1999, and thus was closed. Since the flour refinery and cement factory were privatized in 1999, privatization has stalled. Other industries produce aluminum, enamelware, garments and hats, essential oils, plastic, soap, pharmaceuticals, and paint. A steel plant commenced operations in 1974, converting imported scrap into steel sections. Haitian plants assemble US-made components to create electronic devices, toys, and leather goods. In 1986, before the trade embargo, some 140 export assembly firms employed about 40,000 people. The figure was only 400 in 1994, but five years later 25,000 people were employed in such firms.

Industry grew by 6% annually in 1997 and 1998. However, a growing trade imbalance preempted a more robust recovery, and the global economic slowdown in the United States that began in 2001 negatively affected the Haitian economy. Construction has been consistently more dynamic than agriculture and manufacturing, which realized only moderate output increases.

Industry made up 20% of the economy in 2001, and it employed only 9% of the labor force; services represented 30% of the overall GDP, and employed 25% of the workforce; agriculture was the biggest employer, at 66%, and contributed with 30% to the overall GDP.

## 29 SCIENCE AND TECHNOLOGY

The National Council for Scientific Research, founded in 1963, coordinates scientific activities in Haiti, especially in the public health field. Four colleges and universities, including the University of Haiti, offer degrees in basic and applied sciences.

## 30 DOMESTIC TRADE

Port-au-Prince, a free port, is the commercial center of Haiti, with Cap-Haïtien second in importance. Most Haitian products are sold in regional markets, which meet on traditional established days, once or twice a week. The Croix-de-Bossales market in Port-au-Prince is the largest market in the country, handling about two-thirds of the food and manufactures used in the capital.

Imported goods usually are sold in small stalls (*boutiques*), but there are some modern supermarkets. Specialty goods and articles for the tourist trade are offered by merchants who are generally franchised to handle specific brands. Some larger franchised stores, including Sears, Radio Shack, NAPA Auto Parts, and Domino's Pizza, have found a market with the help of Haitian business managers. Although foreign imports, motion pictures, and soft drinks are advertised in newspapers, radio is the principal advertising medium.

Stores are generally open on weekdays from 8 AM to 5 PM in the winter, with some shops open until about 7 PM. In summer, closing time is set by law at 4 PM; on Saturdays, stores close at noon. Banks are open from 9 AM to 1 PM, Monday through Friday.

## 31 FOREIGN TRADE

Coffee has been supplanted as the main export by manufactured articles assembled in Haiti. The high deficit in the trade balance, with a marginal increase in exports and continued high import buoyancy in the late 1990s, reflects pent-up aggregate demand that is not satisfied by domestic production. Narrowing the trade deficit will therefore require a policy mix that prioritizes export-oriented productive sectors.

The light manufacture of clothes in Haiti accounts for the majority of commodity exports (56%). Other exports include essential oils (5.6%), coffee (5.4%), tropical fruits and vegetables (5.4%), and paper products (4.8%). Haiti's biggest export market is, by far, the United States.

In 2004, exports reached \$338 million (FOB—Free on Board), while imports grew to \$1.1 billion (FOB). The bulk of exports went to the United States (81.2%), the Dominican Republic (7.3%), and Canada (4.1%). Imports included food, manufactured goods, machinery and transport equipment, fuels, and raw materials, and mainly came from the United States (34.8%), the Netherlands Antilles (18%), Malaysia (5.1%), and Colombia (4.7%).

## 32 BALANCE OF PAYMENTS

Haiti's external trade position worsened from 1991 to 1994 following the imposition of the trade embargo. As all but humanitarian foreign aid was suspended during those years, balance of



**Balance of Payments – Haiti (2003)**

(In millions of US dollars)

<b>Current Account</b>			<b>-13.1</b>
Balance on goods		-782.7	
Imports	-1,115.8		
Exports	333.2		
Balance on services		-123.0	
Balance on income		-14.3	
Current transfers		906.8	
<b>Capital Account</b>			<b>...</b>
<b>Financial Account</b>			<b>-76.5</b>
Direct investment abroad		...	
Direct investment in Haiti		...	
Portfolio investment assets		...	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		-98.0	
Other investment liabilities		13.7	
<b>Net Errors and Omissions</b>			<b>85.0</b>
<b>Reserves and Related Items</b>			<b>4.6</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

payments deficits reflected the decline in net capital inflows. Once a constitutional government was returned to power in 1994, however, imports increased, due to high domestic demand. As a result of aid flows and remittances from Haitians living abroad, imports in the 1990s and into the early 2000s grew steadily. Haiti's ability to generate export revenue depends upon a revival of the assembly sector.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Haiti's exports was \$326.6 million while imports totaled \$977.5 million resulting in a trade deficit of \$650.9 million.

The International Monetary Fund (IMF) reported that in 1998 Haiti had exports of goods totaling \$299 million and imports totaling \$641 million. The services credit totaled \$180 million and debit \$381 million.

Exports of goods and services reached \$502 million in 2004, up from \$461 million in 2003. Imports grew from \$1.4 billion in 2003, to \$1.5 billion in 2004. The resource balance was consequently negative in both years, worsening from -\$939 million in 2003, to -\$953 million in 2004. The current account balance was also negative, slightly improving from -\$140 million in 2003, to -\$98 million in 2004.

**33 BANKING AND SECURITIES**

The national bank of the Republic of Haiti (Banque Nationale de la République d'Haiti-BRH), the sole bank of issue and government depository, was founded in 1880 and acquired from US interests in 1934 and became the fiscal agent of Haiti in 1947. As the nation's principal commercial bank, it participates in the national lottery, the national printing office and plant, the National Archives, banana development, the tobacco and sugar monopolies, the Agricultural and Industrial Development Institute, and

the Agricultural Credit Bureau; it is also a depositor with the IMF and IBRD.

The first private Haitian bank, the Bank of the Haitian Union, opened in 1973. In 2002, nine other commercial banks were in operation; including one of them Haitian (Banque Industrielle et Commerciale d'Haiti), one US (Citibank), and one Canadian (Bank of Nova Scotia). There are two state-owned banks, Banque Nationale de Crédit and Banque Populaire Haitienne. Other banks included Promobank, Unibank, Sogebank, Socabank, and Capital Bank. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$434.3 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$1.4 billion.

There is no securities exchange in Haiti. Trading in Haitian corporations that make public offerings of their bonds or equity shares is conducted on the New York over-the-counter market.

**34 INSURANCE**

Major world insurance companies maintain agencies or branches in Haiti, the most prominent being Sun Life of Canada, the first to enter into life insurance. The insurance classes covered are life, accident, sickness, fire, and motor.

**35 PUBLIC FINANCE**

In the mid to late 1990s, Haiti, under President Préval, undertook a program of economic reform. The agenda included trade liberalization, increasing fiscal responsibility, downsizing civil service, financial sector reform, and privatization of some state-owned enterprises. The privatization program stalled in 2001, a year in which GDP fell by 2.1% due to political uncertainty, low investment, a high budget deficit, and reduced capital inflow from abroad.

The US Central Intelligence Agency (CIA) estimated that in 2005 Haiti's central government took in revenues of approximately \$400 million and had expenditures of \$600.8 million. Revenues minus expenditures totaled approximately -\$200.8 million. Total external debt was \$1.3 billion.

**36 TAXATION**

Corporate and personal incomes are both taxed according to a progressive scale ranging from 10% to 35%. Since 1951, new corporations, if placed on the government's list of recommended new industries have benefited from special tax concessions, including customs duties exemption and a five-year corporate income tax exemption. The progressive income tax is the most important direct tax. The first band, 10%, implicitly exempts the first 20,000 gourde of income (about \$509) from taxation, and runs to 100,000 gourde (\$2,542). The 15% band covers the next increment of income to 250,000 gourde (\$6,360); the 25% band covers the next increment to 750,000 gourde (\$19,076), and the highest band, 30%, applies to all income above \$19,076. The highest property tax rate is reportedly 15%. Indirect taxes include a value-added tax

(VAT) with a 10% standard rate, raised from 7% in 1985. There are also numerous excise taxes at various rates.

### 37 CUSTOMS AND DUTIES

In February 1987, a new tariff structure replaced all remaining specific duties with ad valorem tariffs and introduced new rates of between zero and 15%, except for higher rates on rice, maize, millet, flour, and gasoline, and lower rates for sugar and cement. All imports are subject to a 10% VAT and 4% verification fee. Fuel imports are subject to various additional excise taxes.

Haiti was voted into CARICOM in July 1999 and is working towards full integration by 2006. The country is also a part of the Caribbean Basin Initiative (CBI), allowing duty-free entry of exports to the United States, and is a signatory to the Lomé Convention, allowing mostly free exporting to the European Union.

### 38 FOREIGN INVESTMENT

The government welcomes foreign investment, granting important concessions to new industries not competing with local production. Such enterprises are exempt from import and export duties for the life of the enterprise and enjoy a full tax exception for the first five years of operation. Companies locating in the industrial park are entitled to tax exception for a further three years. For companies that locate outside the Port-au-Prince metropolitan area there is a 100% income tax exemption for 5 to 15 years with 15–20% of the income tax payable thereafter. Additionally, for export and import oriented business, there is an exemption without time limit from customs duties on imported machinery, equipment, raw materials, and accessories needed for production. Foreign capital enjoys equal status treatment with Haitian capital. The National Office for Investment Promotion is in charge of foreign investment.

Substantial foreign investment in Haiti began during World War II as a means of stimulating production of goods considered essential to the United States war effort. Agricultural development was financed largely by the US Export-Import Bank and the World Bank, supplemented with private foreign capital.

In October 1996, the IMF approved a \$131 million loan to Haiti. The credit, to be provided over a three-year period, is aimed at supporting a national economic reform program. The international donor community committed \$2 billion in concessional loans and grants to Haiti for the 1995–99 period, including \$390 million from the World Bank. Unfortunately, the political impasse of 2000 caused a freeze on international donations.

Foreign direct investment (FDI), since the lifting of the trade embargo in 1995, has increased only moderately. By 1998, annual FDI inflow to Haiti reached almost \$11 million, up from \$4.4 million in 1997, and in 1999, FDI inflow peaked at \$30 million. The disputed elections in 2000 and continuing political uncertainty helped bring FDI flows down to \$13.2 million in 2000 and less than \$3 million in 2001. In 2003, Haiti was one of 23 countries that remained on the US “majors” list of countries involved in illicit drug processing and/or illicit drug transit.

Most investment comes from petroleum companies (Texaco, Shell, Esso, and Elf). Other major foreign investors include American Airlines, American Rice Corporation, Citibank, Compagnie Tabac, Continental Grain, Seaboard Marine, and West-

ern Wireless, from the United States; and Royal Caribbean and Scotiabank.

### 39 ECONOMIC DEVELOPMENT

Although its annual national revenue covers basic necessities, the government supports development programs by encouraging loans and by requiring private enterprises to finance development projects. Aided by the United States and various international aid organizations, the government has supported the construction of tourist facilities, public works, and irrigation and the creation of monopolies in cement, sugar marketing, tobacco and lumbering.

The framework for economic policy in 1996 was determined mainly by the passage of a structural reform program and the agreement signed between the Central Bank and the Ministry of Finance to curtail financing of the fiscal deficit by the Central Bank. Passage of the structural reform program (which forms the basis for international financial support and includes Civil Service Reform and Modernization of Public Enterprises), proved slow and difficult. The Civil Service Reform prescribed the modalities for a reduction of the civil service by 7,500 employees over a period of 18 months. The Modernization of Public Enterprises program established a legal framework for private sector participation in the state-owned enterprises, in the form of either concession, management contract, and/or capitalization.

Macroeconomic stability, structural and institutional reforms, and poverty alleviation are still the main objectives in Haiti's agenda for the future. The administration has demonstrated its commitment through programs with the International Monetary Fund (IMF); the passage of laws pertaining to structural reforms; coordinated efforts with multilateral and national institutions to design the modernization of the state program; and continuation of programs for poverty alleviation such as the IMF's Poverty Reduction and Growth Facility (PRGF) Arrangement. In exchange for the IMF assistance, Haiti in 2003 pledged to reduce spending and stabilize its currency, moves that were expected to pave the way for other financial institutions to release suspended funds to the country (funds were suspended due to flawed legislative elections in 2000, and due to Haiti's state of arrears on its debts).

Haiti, the poorest country in the Western Hemisphere, experienced worsening economic and social conditions from 2001–03. About 80% of the population lives in abject poverty. Nearly 70% of all Haitians depend on the agriculture sector, which consists mainly of small-scale subsistence farming and employs about two-thirds of the economically active work force. The country has experienced only moderate job creation in recent years. Failure to reach agreement with multilateral lenders in late 1995 led to rising deficit spending, subsequently increasing inflation, and a drop in the value of the Haitian currency in the final months of 1995. Potential investors, both foreign and domestic, have been reluctant to risk their capital. The government will have to grapple with implementing necessary, although unpopular, economic reforms in order to obtain badly needed foreign aid and improve Haiti's ability to attract foreign capital if the Haitian economy is to gain momentum. Haiti will continue to depend heavily on foreign aid in the medium term.

Foreign aid flows have mainly targeted the garment assembly industry, and were doubled by remittances from abroad (which are estimated to represent over 20% of the country's GDP). The

economy was expected to expand by around 2% in 2005, a rate that is far from what is needed to improve the economic situation for the population that is living in abject poverty.

#### 40 SOCIAL DEVELOPMENT

A social welfare program covers employees of industrial, commercial, and agricultural firms funded equally from employee and employer contributions. The government funds any deficit. Retirement is set at age 55. Pensions are also available for survivors and disability. Work injury insurance is funded by the employer. Maternity benefits were first introduced in 1999. A funeral grant of one month's earnings is provided.

Women do not enjoy the same economic and social status as men. Women's rights groups reported in 2004 that rape and other abuses against women increased. The government provides no services for victims of sexual violence. Although the government signed the International Convention on the Rights of the Child, the abuse of children is widespread. Many children in Haiti are forced to work as domestic servants in the homes of middle and upper class families.

Haiti has an extremely poor human rights record.

#### 41 HEALTH

In general, sanitation facilities in Haiti are among the poorest in Latin America. Haiti lacks water in both quantity and quality, with only 46% of the urban population having access to safe water in 2000. City sewerage systems are inadequate and business and residential areas often make use of septic tanks. In 2000, only 28% of Haiti's population had access to adequate sanitation.

As of 2004, there were an estimated 25 physicians, 11 nurses, and 1 dentist per 100,000 people. Half the doctors are in Port-au-Prince and a fourth are in other principal towns, leaving a minimum of medical services for the rural population. In 1999, the government entered into an agreement with Cuba under which 120 Haitians are studying medicine in Cuba, while 500 Cuban health care professionals provide services to Haitians.

Malaria and yaws have been combated by the World Health Organization, while other health programs have been conducted by the Rockefeller Foundation and the American Sanitary Mission. Tuberculosis has long been a serious health problem; in 1999, there were about 361 reported cases of tuberculosis per 100,000 inhabitants. Malnutrition and gastrointestinal diseases are responsible for more than half of all deaths. Children may receive vaccinations, but the statistics are very low. Haiti's government did not pay for routine vaccines. Children were vaccinated against tuberculosis, 40%; diphtheria, pertussis, and tetanus, 35%; polio, 32%; and measles, 30%. Goiter was present in 12.4% of school-age children in 1996. Some 27% of children were underweight between 1989 and 1995.

Haiti has one of the highest HIV infection rates in the Americas. The HIV/AIDS prevalence was 5.60 per 100 adults in 2003. As of 2004, there were approximately 280,000 people living with HIV/AIDS in the country. There were an estimated 24,000 deaths from AIDS in 2003.

The fertility rate has declined from 6.3 in 1960 to 4.3 children per woman in 2000. An estimated 15% of all births were considered low birth weight. Haiti has the highest maternal mortality rate in the Americas, with 525 maternal deaths per 1,000 live

births. The infant mortality rate fell from 182 per 1,000 live births in 1960 to 73.45 in 2005 and the general mortality rate was estimated at 14.8 per 1,000 in 2002. During 2005, the average life expectancy was estimated at 52.92 years. The birth rate was an estimated 31.4 per 1,000 people in 2002. As of 2000, 28% of women (ages 15 to 49) used some form of contraception. Less than half the population had access to health care services. Total health care expenditure was estimated at 4.2% of GDP.

#### 42 HOUSING

Although housing projects have been constructed in Port-au-Prince and in Cap-Haïtien, there is an increasing shortage of low-cost housing. Migration to the major cities has compounded the urban housing problem. Natural disaster including cyclones, floods, droughts, and earthquake have had serious effects on the housing situation as well.

Outside the capital and some other cities, housing facilities are generally primitive and almost universally without sanitation. Wooden huts are the prevalent standard for the countryside. The average household includes about five or six people, often living on a two- or three-room dwelling. Over 40% of all homes have dirt floors. About 63% of the population do not have access to clean water or sanitary restroom facilities. The housing deficit has been estimated at one million homes and growing.

By presidential decree, the National Housing Office was established in 1966. Housing built in the 1970s in Port-au-Prince for about 18,000 people merely replaced demolished units. A new cooperative project, supervised by the National Housing Office and financed by UNDP, was initiated in 1979 in St. Martin, on the outskirts of Port-au-Prince. Housing construction is reported to have proceeded at a steady pace since that time. According to the latest available statistical information, total housing units numbered 890,000, with 6.1 people per dwelling.

#### 43 EDUCATION

Although 80% of the students speak Creole and have only rudimentary knowledge of French, educational programs are mostly conducted in French. The Office of National Literacy and Community Action has the major responsibility for literacy programs throughout the country. The adult literacy rate for 2004 was estimated at about 51.9%, with 53.8% for men and 50% for women. In 1990, public expenditure on education was estimated at 1.4% of GDP.

Education is compulsory for six years (ages 6 to 12). There are two systems of public education. In the traditional (French) system, primary school covers six years and secondary school covers seven years. In the reform system, there are nine years of primary school followed by three years of secondary school. At about age 15, some students may choose to attend a three-year technical school instead of following the classical or professional education tracks of the other systems. The academic year runs from October to June. Primary school enrollment in 1999 was estimated at about 81% of age-eligible students. The student-to-teacher ratio in 1999 was about 31:1 for primary schools.

The Université d'État d'Haïti (Port-au-Prince), dating from 1920, offers the following schools: administration and management, agronomy, economics, ethnology, law, medicine and pharmacy, science, and surveying. There are about two dozen other

universities in Haiti, including the Université Jacques Theodore Holly. There are also several vocational training centers and trade schools.

#### 44 LIBRARIES AND MUSEUMS

The library of the Brothers of St.-Louis de Gonzage, the finest in Haiti, includes bound newspaper collections covering the 19th and 20th centuries and many rare works of the colonial and republican eras. The Bibliothèque Nationale contains about 26,000 volumes. Le Petit Séminaire, a parochial college, has an excellent library. The government has a wealth of library material dating back to colonial Saint-Domingue in the National Archives and rare papers on the Napoleonic expedition in Haiti in the famous Rochambeau Collection. Private libraries, notably the Mangones Library in Pétienville, make important contributions to Haitian scholarship. There is a French Institute and an American Institute library in Port-au-Prince. The University of Haiti has an important agricultural collection.

The National Museum in Port-au-Prince dates from 1938. The Museum of the Haitian People, also in the capital, has anthropological and folklore collections, and the College of St. Pierre houses the Museum of Haitian Art, which opened in 1972. There is a historical and public affairs museum in the capital as well.

#### 45 MEDIA

The government owns and operates domestic telephone and telegraph communications. All America Radio and Cables, RCA Global Communications, and Western Union International provide international telephone and telegraph service. In 2003, there were an estimated 17 mainline telephones for every 1,000 people. The same year, there were approximately 38 mobile phones in use for every 1,000 people.

With low literacy rates and limited television broadcasting, radio is the most important medium for news and information. A 1997 law designates the government as the sole owner of the airwaves; however, the government provides broadcast leases to private operators. In 2004, there were about 307 licensed radio stations and at least 133 unlicensed stations. Most broadcast in French; some offer programming in Creole. In 2005, there were at least three television stations. Television Nationale d'Haiti is a government-owned cultural television station offering programs in Creole, French, and Spanish. Trans-America and PVS Antenne are private stations broadcasting in French. In 2003, there were an estimated 18 radios and 60 television sets for every 1,000 people. The same year, about 18 of every 1,000 people had access to the Internet. There were five secure Internet servers in the country in 2004.

The principal Haitian newspapers (all published in Port-au-Prince) are the three dailies, *Le Matin*, (2002 circulation, 5,000), *Le Nouvelliste* (6,000), and *L'Union* (7,000). *Le Moniteur*, the official gazette, is published three times a week.

The constitution guarantees free speech and a free press, and the government is said to uphold these freedoms with few exceptions.

#### 46 ORGANIZATIONS

Organizational activity in Haiti is limited. The Credit Cooperative of Les Cayes, the only cooperative of any significance, has main-

tained a sizable membership. There is a chamber of commerce in Port-au-Prince. The Center d'Art, an informal artists' cooperative founded in 1944, has exhibited Haitian artists locally and internationally. There are some professional associations in the country, such as the Association Médicale Haïtienne, which serves as both a physician network and an advocacy group for research and education in medicine and healthcare industries.

A national student movement is organized through the National Federation of Haitian Students. Boy Scouts and Girl Scouts programs are available, as are branches of the YMCA. There are some sports associations in the country representing a variety of pastimes.

There are branches of the Red Cross, Habitat for Humanity, Rotary, Lion's Club, and the Masonic Order.

#### 47 TOURISM, TRAVEL, AND RECREATION

Port-au-Prince is a free port for a variety of luxury items. Tourist attractions include white sand beaches, numerous colonial buildings in Port-au-Prince and other cities, and the early 19th-century Citadelle and Sans Souci Palace in Cap-Haïtien. Rapid divorces—granted in 24 to 48 hours—and casino gambling are among the attractions for US residents. Football (soccer) is the national sport, and cockfighting is very popular. Tourist resorts offer facilities for water sports and tennis.

For entry to Haiti, visitors must have a valid passport. A visa is not required for stays of up to 90 days. In the 1980s and 1990s, tourism was adversely affected by the island's generally depressed economy, political turbulence, and by the alleged link between Haitians and AIDS. The political and civil unrest in 2004 caused the tourism industry to suffer further.

In 2005, the US Department of State estimated the daily cost of staying in Port-au-Prince at \$235. Other areas were as low as \$129.

#### 48 FAMOUS HAITIANS

The national heroes of Haiti include Pierre Dominique Toussaint L'Ouverture (1743–1803), the Precursor; Jean Jacques Dessalines (1758–1806), who defeated Napoleon's army and proclaimed Haitian independence; Alexandre Sabès Pétiion (1770–1818), first president of the republic established in southern Haiti; and Henri Christophe (1767–1820), king of Haiti (1811–20), who built the famous Citadelle and Sans Souci Palace. François Duvalier ("Papa Doc," 1907–71), originally trained as a physician, was elected president in 1957 and in 1964 became president for life. His son Jean-Claude Duvalier (b.1951) inherited his father's title in 1971 but was ousted in 1986. Ertha Pascal-Trouillot (b.1943) was the first woman to hold the post of president of Haiti. She held the position for nearly a year, from 1990 to 1991. Jean-Bertrand Aristide (b.1953), a former Roman Catholic priest, succeeded her in 1991, and served again from 1994 to 1996, and then from 2001 to 2004, when he was overthrown in a popular rebellion.

John James Audubon (1785–1851), an artist and ornithologist, was born in Haiti. The writers Émeric Bergeaud (1818–58), Oswald Durand (1840–1906), Philippe Thoby-Marcelin (1904–75), Jacques Roumain (1907–44), and Jean Fernand Brierre (1909–92) have won international literary recognition. Noted poets include the dramatist Pierre Faubert (1803–68), Corolian Ardouin (1812–35), Alibée Féry (1819–96), and Charles-Seguy Villavaleix (1835–

1923). Haitian artists include the sculptor Edmond Laforestière (1837–1904); the primitive painter Héctor Hippolyte (1890–1948), leader of the Afro-Art Renaissance in the Caribbean; Wilson Bigaud (b.1931); and Jacques Enguerrand Gourge (1931–1996). Haitian composers include Occide Jeanty (1860–1936) and Justin Elie (1883–1931); Ludovic Lamothe (1882–1953) used voodoo music in his compositions.

#### 49 DEPENDENCIES

Haiti has no territories or colonies.

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# HONDURAS

Republic of Honduras  
*República de Honduras*

**CAPITAL:** Tegucigalpa

**FLAG:** The national flag consists of a white horizontal stripe between two blue horizontal stripes, with five blue stars on the white stripe representing the five members of the former union of Central American provinces.

**ANTHEM:** *Himno Nacional*, beginning “Tu bandera es un lampo de cielo” (“Thy flag is a heavenly light”).

**MONETARY UNIT:** The lempira (L), also known as the peso, is a paper currency of 100 centavos. There are coins of 1, 2, 5, 10, 20, and 50 centavos, and notes of 1, 2, 5, 10, 20, 50, and 100 lempiras. L1 = \$0.05285 (or \$1 = L18.92) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard; some old Spanish measures are still used.

**HOLIDAYS:** New Year’s Day, 1 January; Day of the Americas, 14 April; Labor Day, 1 May; Independence Day, 15 September; Birthday of Francisco Morazán, 3 October; Columbus Day, 12 October; Army Day, 21 October; Christmas, 25 December. Movable religious holidays include Holy Thursday, Good Friday, and Holy Saturday.

**TIME:** 6 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in Central America, Honduras has a total area of 112,090 sq km (43,278 sq mi), with a length of 663 km (412 mi) ENE–WSW and 317 km (197 mi) NNW–SSE. Comparatively, the area occupied by Honduras is slightly larger than the state of Tennessee. It is bounded on the N and E by the Caribbean Sea, on the S by Nicaragua and the Gulf of Fonseca, on the SW by El Salvador, and on the W by Guatemala, with a total boundary length of 2,340 km (1,454 mi), of which 820 km (509 mi) is coastline.

Under the terms of an arbitration award made by Alfonso XIII of Spain in 1906, Honduras received a portion of the Mosquito Coast, or La Mosquitia, north and west of the Coco (Segovia) River. Citing Honduras’s failure to integrate the territory, Nicaragua renewed its claim to the entire Mosquito Coast in the 1950s and brought the case to the International Court of Justice (ICJ). In February 1957, Honduras created the new Department of Gracias a Dios, made up of the former Mosquitia territory. The ICJ determined in 1960 that Nicaragua was obligated to accept the 1906 arbitration ruling concerning that country’s boundary with Honduras. The judges ruled, by a vote of 14–1, that once a valid arbitration award was made in an international dispute, it became effective, and remained so, despite any lapse of time in carrying it out.

The two tiny Swan Islands (Islas del Cisne), lying at 17°23′ N and 83°56′ W in the west Caribbean Sea some 177 km (110 mi) NNE of Patuca Point, were officially ceded by the United States to Honduras on 20 November 1971. For administrative purposes, they are included under the Department of Islas de la Bahía, whose capital is Roatán on Roatán Island. The Swan Islands had been effectively

held by the United States, which asserted a claim in 1863 to exploit guano, and had housed a weather station and an aviation post.

The capital city of Honduras, Tegucigalpa, is located in the south central part of the country.

## <sup>2</sup> TOPOGRAPHY

Honduras is mountainous, with the exception of the northern Ulúa and Aguán river valleys on the Caribbean Sea and the southern coastal area. There are four main topographic regions: the eastern lowlands and lower mountain slopes, with 20% of the land area and no more than 5% of the population; the northern coastal plains and mountain slopes, with 13% of the land and about 20% of the population; the central highlands, with 65% of the area and 70% of the population; and the Pacific lowlands and their adjacent lower mountain slopes, with 2% of the area and 5% of the population.

The width of the Caribbean coastal plain varies from practically no shore to about 120 km (75 mi), and the coastal plain of the Gulf of Fonseca is generally narrow. The highest elevations are in the northwest (almost 3,000 m/10,000 ft) and in the south (over 2,400 m/8,000 ft). Many intermontane valleys, at elevations of 910 to 1,370 m (3,000 to 4,500 ft), are settled. The old capital city, Comayagua, lies in a deep rift that cuts the country from north to south. Tegucigalpa, the modern capital, is situated in the southern highlands at about 910 m (3,000 ft). There are two large rivers in the north, the Patuca and the Ulúa. Other important features include the Choluteca, Nacaome, and Goascorán rivers in the south, Lake Yojoa in the west, and Caratasca Lagoon in the northeast.

### **3 CLIMATE**

The northern Caribbean area and the southern coastal plain have a wet, tropical climate, but the interior is drier and cooler. Temperature varies with altitude. The coastal lowlands average 31°C (88°F); from 300 to 760 m (1,000 to 2,500 ft) above sea level the average is 29°C (84°F); and above 760 m (2,500 ft) the average temperature is 23°C (73°F). There are two seasons: a rainy period, from May through October, and a dry season, from November through April. Average annual rainfall varies from over 240 cm (95 in) along the northern coast to about 84 cm (33 in) around Tegucigalpa in the south. The northwest coast is vulnerable to hurricanes, of which the most destructive, Hurricane Fifi in September 1974, claimed some 12,000 lives, caused \$200 million in property damage, and devastated the banana plantations.

### **4 FLORA AND FAUNA**

Honduras has a rich and varied flora and fauna. Tropical trees, ferns, moss, and orchids abound, especially in the rain forest areas. Mammal life includes the anteater, armadillo, coyote, deer, fox, peccary, pocket gopher, porcupine, puma, tapir, and monkeys in several varieties. Fish and turtles are numerous in both freshwater and marine varieties. Among the reptiles are the bushmaster, coral snake, fer-de-lance, horned viper, rattlesnake, and whip snake, caiman, crocodile, and iguana. Birds include the black robin, hummingbird, macaw, nightingale, thrush, partridge, quail, quetzal, toucanet, wren, and many others. As of 2002, there were at least 173 species of mammals, 232 species of birds, and over 5,600 species of plants throughout the country.

### **5 ENVIRONMENT**

The major environmental problems are soil erosion and loss of soil fertility (in part because of traditional slash-and-burn cultivation) and rapid depletion of forests for lumber, firewood, and land cultivation. From 1990–95, the annual rate of deforestation was at about 2.34%. In 2000, about 48% of the total land area was forested.

Enforcement of antipollution laws has been weak, and Honduras also lacks an integrated economic development and land-use policy. Rivers and streams in Honduras are threatened by pollution from mining chemicals. The nation has 96 cu km of renewable water resources with 91% used in farming activities. About 99% of city dwellers and 82% of people living in rural areas have access to pure drinking water. Air pollution results from a lack of pollution control equipment for industries and automobiles. The Secretariat of Planning, Coordination, and Budget (Secretaría de Planificación, Coordinación, y Presupuesto—SECPLAN), the Ministry of Natural Resources, and several other agencies are vested with environmental responsibilities.

In 2003, 6.4% of the total land area in Honduras was protected. The Río Plátano Biosphere Reserve is a natural UNESCO World Heritage Site and there are six Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 10 types of mammals, 6 species of birds, 10 types of reptiles, 53 species of amphibians, 14 species of fish, 2 species of invertebrates, and 111 species of plants. Endangered or extinct species in Honduras included the tundra peregrine falcon, jaguar,

three species of turtle (green sea, hawksbill, and olive ridley), and three species of crocodile (spectacled caiman, American, and Morelet's). The Caribbean monk seal, the Lago Yojoa palm, and the Swan Island hutia have become extinct.

### **6 POPULATION**

The population of Honduras in 2005 was estimated by the United Nations (UN) at 7,212,000, which placed it at number 96 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 41% of the population under 15 years of age. There were 102 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.8%, a rate the government viewed as too high. Of particular concern was the high rate of adolescent pregnancy, with 50% of the population under 19 years of age. The projected population for the year 2025 was 10,700,000. The population density was 64 per sq km (167 per sq mi), with the majority of the population living in the western portion of the country.

The UN estimated that 47% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.99%. The capital city, Tegucigalpa, had a population of 1,007,000 in that year. San Pedro Sula, the second-largest city, had an estimated population of 486,000; La Ceiba, 250,000; and El Progreso, 115,000.

Honduras has the highest number of HIV/AIDS cases in Central America, with the rate of infection increasing rapidly among women and those under age 19. In 2003 Honduras began receiving monies from the Global Fund for Aids, Tuberculosis, and Malaria to address its HIV/AIDS situation.

### **7 MIGRATION**

Before 1969 there was a steady flow of immigrants from El Salvador. The steps taken by the Honduran government in 1969 to curb this influx were a contributing cause of the war with El Salvador during the same year. When the Sandinistas took over in Nicaragua in 1979, former National Guard members began to arrive in Honduras, and by 1983 there were 5,000–10,000 of them along the border. In addition, at least 25,000 Miskito Amerindians from Nicaragua and about 21,000 Salvadorans had fled to Honduras by the end of 1986. Many of them later returned. By the end of 1992 about 100,000 citizens of Central American nations had taken refuge in Honduras.

As a result of the Central American refugee problem of the 1990s, Honduras has adopted a restrictive policy toward refugees. There were very few refugees among the 44,000 migrants living in Honduras in 2000. In 2004 worker remittances were \$1,134 million. In 2005, the net migration rate was estimated as -1.95 migrants per 1,000 population. The government viewed the migration levels as satisfactory.

### **8 ETHNIC GROUPS**

The vast majority (90%) of the Honduran people are mestizo, a mixture of European and Amerindian. About 7% of the population is purely Amerindian, the largest proportion being in the Copán area near the Guatemalan border. Africans, about 2% of



LOCATION: 13° to 16° N; 83°10' to 89°20' W. BOUNDARY LENGTHS: Caribbean coastline, 591 kilometers (367 miles); Nicaragua, 922 kilometers (573 miles); Gulf of Fonseca (Gulfo de Fonseca) coastline, 74 kilometers (46 miles); El Salvador, 335 kilometers (208 miles); Guatemala, 248 kilometers (154 miles). TERRITORIAL SEA LIMIT: 12 miles.

the population, live mostly along the north coast. About 1% of the population is European, chiefly of Spanish origin.

## <sup>9</sup> LANGUAGES

The official language is Spanish. However, English is used widely, especially in northern Honduras. The more important Amerindian languages include Miskito, Zambo, Paya, and Xicaque.

## <sup>10</sup> RELIGIONS

The Roman Catholic Church reports a membership that comprises slightly more than 80% of the country's total population. However, according to estimates based on a 2002 poll of citizens 18 or older, only 63% of the population identify themselves as Roman Catholic. Approximately 23% report themselves to be evangelical Christians, and 14% designate themselves as belonging to other religious groups. The remainder were either "others" or provided no answer. The primary religious groups include Roman Catholics, Jews, Greek Orthodox, Episcopalians, Lutherans, Jehovah's Witnesses, Mennonites, the Church of Jesus Christ of Latter-Day Saints (Mormons), the Union Church, and about 300 evangelical Protestant churches (including the Abundant Life, Living Love,

and the Grand Commission church). There are small numbers of Muslims and Jews.

Religious freedom is guaranteed by the constitution of 1982. Though there is no state religion, many consult with the Roman Catholic Church and some Catholic leaders have been appointed to semiofficial commissions on key political and social issues. Certain Christian holidays are celebrated as public holidays.

## <sup>11</sup> TRANSPORTATION

In 2002 there were 13,603 km (8,461 mi) of highways, about 2,775 km (1,726 mi) of which were paved. Of the 112,300 registered vehicles in 2003, only 25,000 were passenger cars, while commercial vehicles totaled 87,300. The Pan American Highway virtually bypasses Honduras, entering from El Salvador and running to the eastern Nicaraguan border. The 362-km (225-mi) Inter-Ocean Highway is the only surface connection between the Pacific and the Caribbean that includes in its path both Tegucigalpa and San Pedro Sula. In 1971, a paved highway was opened between Tegucigalpa and San Pedro Sula and west to the Guatemalan border. Tegucigalpa is served by secondary roads to the north and east, while San Pedro Sula is connected both to the important Caribbean ports of Puerto Cortés, Tela, and Trujillo and to the western



Mayan shrine site of Copán. Road improvements near the Nicaraguan border were undertaken with US military aid beginning in 1983.

Rail service exists only in the north, connecting the industrial and banana-growing northeastern coastal zone with the principal ports and cities. As of 2004, National Railway of Honduras, owned and operated by the government, maintains all 699 km (435 mi) of narrow gauge track.

Four principal ports—Puerto Cortés, Tela, La Ceiba, and Puerto Castilla—serve the country on the Caribbean side. Another Caribbean port, Roatán, is offshore, in the Bay Islands, and Puerto de Henecán, on the Pacific coast, opened in 1979, replacing Amapala as a port facility, although the latter retains a naval base. La Ceiba and Tela are primarily banana-trade ports. Puerto Castilla (completed in 1980) serves the Olancho forestry project; and Puerto Cortés and Puerto de Henecán handle general traffic. River traffic is negligible, with only 465 km (289 mi) accessible and only to small craft, as of 2004. In 2005, the Honduran merchant fleet comprised 137 vessels of 1,000 GRT or more, totaling 598,600 GRT.

Air service is important in the transportation of passengers and cargo. In 2004 there were an estimated 115 airports in Honduras, 11 of which had paved runways as of 2005. The two principal airports are Ramon Villeda, at San Pedro Sula, and Toncontín, about 6.4 km (4 mi) from Tegucigalpa. Toncontín is served by Transportes Aéreos Nacionales de Honduras/Servicio Aéreo de Honduras (TAN/SAHSA), Líneas Aéreas Costarricenses (LACSA), Challenge, and TACA airlines and the domestic carrier Lineas Aéreas Nacionales (LANSA). TAN/SAHSA flies to the United States, Mexico, and other Central American countries and also provides domestic passenger service. In 2001, San Pedro Sula International Airport serviced 510,000 passengers on scheduled domestic and international flights.

## 12 HISTORY

Before the Spaniards entered the land now called Honduras, the region was inhabited by the war-like Lencas and Jicaques, Mexican Amerindian traders, and Paya hunters and fishermen. The Mayan ceremonial center at Copán in western Honduras flourished about the 8th century AD but was in ruins when Columbus reached the mainland on his fourth voyage in 1502. He named the region Honduras, meaning “depths.”

Colonization began in 1524 under Gil González de Ávila. In 1536, Pedro de Alvarado, who came from Guatemala at the bidding of Hernán Cortés in Mexico, founded San Pedro Sula, and another faction founded Comayagua in 1537. After the treacherous murder by the Spaniards of an Amerindian chieftain named Lempira in 1539, his followers were subjugated. In that year, Honduras was made part of the captaincy-general of Guatemala, and for most of the period until 1821, it was divided into two provinces, Comayagua and Tegucigalpa. Some silver was produced in the mines of Tegucigalpa, but the area was otherwise ignored by the Spanish empire.

Honduras joined other provinces of Central America in declaring independence from Spain in 1821. It came under the Mexican empire of Agustín de Iturbide in 1822–23. Honduras was a member of the United Provinces of Central America from 1824 to 1838. During that time, a liberal Honduran, Francisco Morazán,

became president and struggled unsuccessfully to hold the federation together. He was exiled in 1840 and assassinated in 1842.

After Honduras declared itself independent on 26 October 1838, conservatives and liberals fought for political control. From 1840 to 1876, conservative leaders held power either as presidents or as army leaders. The second half of the 19th century brought the development, by US companies, of banana growing in northern Honduras. During the administration of liberal president Marco Aurelio Soto (1876–83), there was a “golden age” in Honduran letters and education.

US corporate interests, especially the United Fruit Co. (now Chiquita Brands International Inc.) and military dictators, dominated Honduran economic life during the first half of the 20th century. Honduran politics was dominated by the conservative Gen. Tiburcio Carías Andino (1932–48). In 1948, his handpicked successor, Juan Manuel Gálvez, took office. Gálvez proved to be more than a mere puppet, but was conservative nonetheless. When the election of 1954 produced no presidential candidate with a majority vote, he transferred the presidency to the vice president, Julio Lozano Díaz, who governed for almost two years. After an abortive attempt to have himself elected president, Díaz was deposed in 1956 by high army officers, who set up a junta. Democratic elections were held in 1957, and José Ramón Villeda Morales of the Liberal Party was elected president.

In 1963, just before completing the final months of his six-year term, Villeda was turned out of office by a coup. The liberal government was succeeded by a conservative coalition of military, Nationalist Party, and Liberal Party leaders under an air force officer, Col. Oswaldo López Arellano. This government was legalized almost two years later by an elected constituent assembly, which adopted a new constitution and proclaimed López president in June 1965.

During López's second term, a bitter and destructive four-day war broke out in July 1969 between Honduras and El Salvador. Although the immediate cause of the war was animosity arising from a World Cup elimination-round soccer match between the two countries, the underlying causes were a long-standing border dispute and the long-term migration of some 300,000 Salvadorans in search of land, which the Honduran government made it illegal for Salvadoran immigrants to own. Salvadoran troops won the ground war, but Honduran planes controlled the air. Out of this stalemate and with the help of the OAS, a compromise cease-fire was arranged. In June 1970, the two nations accepted a seven-point peace plan, creating a “no-man's-land” demilitarized zone along their common frontier. In the fall of 1973, Honduras and El Salvador began bilateral talks to resolve their differences. Progress was slow, and it was not until October 1980 that Honduras and El Salvador signed a treaty settling the dispute.

In the 1970s, López and the military continued to dominate Honduran politics. A civilian, Ramón Ernesto Cruz Uclés, was elected president in 1971, but lasted only briefly. By 1972, General López was back in power. General López assumed the title of chief of state, and suspended the National Congress and all political party activities. It was later discovered that in 1974 officials in the López administration had accepted a \$1.25-million bribe from United Brands (formerly United Fruit and now Chiquita) in exchange for a 50% reduction in the banana tax. A Honduran investigative commission insisted on examining López's Swiss bank

account, and the scandal came to be known as “Bananagate” in the United States. Finally, in April 1974, López was overthrown by a group of lieutenant colonels.

This military group was something of a reformist group, seeking social reforms and the removal of the senior officer corps. Political activity continued to be banned following the coup of 1975. Meanwhile, a significant grassroots movement, the National Front of United Peasants, had come to the fore and was pressuring the successive military governments to enact a program of large-scale land redistribution.

There followed two more military governments led by Col. Juan Alberto Melgar Castro (1975–78) and Gen. Policarpo Paz García (1978–83). This period saw strong economic growth and the building of a modern infrastructure for Honduras. At the same time, there was a gradual movement toward the democratization of the system.

Elections to a constituent assembly took place in April 1980, followed by general elections in November 1981. Under a new constitution in 1982, Roberto Suazo Córdova of the Liberal Party became president. The armed forces retained broad powers, including veto power over cabinet appointments and responsibility for national security. The military continued to grow in response to domestic instability and the fighting in neighboring Nicaragua and El Salvador. By 1983, several thousand anti-Sandinista guerrillas (popularly known as “contras”) in Honduras were working for the overthrow of the Sandinista government, while the Honduran army, backed by the United States, was helping Salvadoran government forces in their fight against leftist guerrillas.

This stability became apparent in November 1985, when Hondurans elected José Simón Azcona Hoyo to the presidency in the first peaceful transfer of power between elected executives in half a century. Azcona was elected with only 27% of the vote, due to a peculiarity of Honduran electoral laws. Azcona attempted to distance himself from the United States in foreign policy and was critical of US contra policy. He signed the Central American peace plan outlined by President Oscar Arias Sánchez of Costa Rica; however, he did not move to close down contra bases as promised. The Suazo government worked closely with the United States on matters of domestic and foreign policy. US military presence in Honduras grew rapidly. Several joint military maneuvers took place during 1983–87, and the US CIA used Honduras during that time as a base for covert activities against the Sandinista regime. In exchange, the United States sent large amounts of economic aid to Honduras. Suazo also worked closely with the Honduran military, allowing it to pursue its anticommunist agenda freely. This arrangement led to an unprecedented political stabilization in Honduras.

In 1989, Rafael Leonardo Callejas of the National (conservative) Party was elected. With the Nicaraguan issue fading after the Sandinistas’ electoral loss, Callejas focused on domestic issues, applying a dose of both conservative economics and IMF austerity measures to the Honduran economy. Callejas moved to reduce the deficit and allow for a set of market adjustments, which in the short term produced a good deal of dislocation but led to higher rates of growth thereafter. Most significantly, Callejas maintained good relations with the military. In an unprecedented show of restraint, the military sat on the sidelines as voters went to the polls in November 1993.

The voters themselves showed a good deal of resentment toward the Callejas reforms. The Liberal Party returned to power in the person of Carlos Roberto Reina. While it was unlikely that its economic problems would be solved quickly, Honduras nevertheless had achieved a level of political stability that few could have anticipated in decades past. Reina, known for his support of human rights and clean government, called for a “moral revolution” to combat crime, poverty, and widespread corruption in both the public and private sectors. In late 1994, corruption charges were filed against former president Callejas and other top government officials. Reina also took steps to further reduce the influence of Honduras’s powerful military, most notably the abolition of the draft, including the notorious press-gang conscription by which young men were seized off the streets and forced into military service. The liberal administration also dismantled the military-controlled Public Security Forces (FUSEP), replacing them with a new civilian force.

Reina proved less successful in dealing with the economic problems of his nation, long considered the poorest in Central America. An already difficult situation was exacerbated by the 1994 drought that slashed production of hydroelectric power, creating an energy crisis that drove up food and fuel prices and caused chronic power outages. The struggle to improve economic conditions continued through 1996, with the government caught between an international financial community demanding tough structural reforms and a beleaguered population unwilling to tolerate the sacrifices entailed by such programs. In November of 1997, Carlos Roberto Flores of the Liberal Party won the presidential elections with 52.8%. His party also won 62 out of 128 seats in the unicameral National Assembly. But the fury of Hurricane Mitch in October 1998 destroyed Honduras’s economy and placed an even heavier burden on President Flores’ challenges. The subsequent economic crisis of 1999 further worsened the economic situation.

Discontent with the government helped opposition candidate Ricardo Maduro win the 2001 presidential election with 52.2% of the vote. His National Party also came ahead in the legislative election with 46% of the vote, but it only gained 61 seats in the 128-seat assembly, forcing Maduro to seek the support of the smaller centrist parties to pass his legislative initiatives. The economy has continued to perform poorly. More than 50% of Hondurans live in poverty. In March 2005, the Honduran Congress ratified the Central American Free Trade Agreement (CAFTA) with the United States.

Crime and violence are significant problems in Honduras. Youth gangs known as *maras* are thought to have tens of thousands of members, and use threats and violence to control poorer areas in the main urban centers. In December 2004, gang members massacred 28 bus passengers in the northern city of Chamelecon. At the same time, police officers have been implicated in high-profile crimes; in January 2001, the Honduran Committee for the Defense of Human Rights reported that more than 1,000 street children had been murdered in 2000 by death squads backed by the police. Also, former military and security personnel, along with right wing paramilitary groups, are thought to be behind the murder of members of indigenous minority rights groups.

Presidential and legislative elections were held on 27 November 2005. Although National Party presidential candidate Porfirio Lobo Sosa—who came in second place behind Liberal Party can-

didate José Manuel Zelaya Rosales—contested the results of the election, the National Party after 10 days conceded the election to Zelaya. Zelaya took 49.9% of the vote to Lobo's 46.2%. In the elections for the National Congress, the Liberal Party won 62 of 128 seats, with the National Party winning 55. The Democratic Unification Party won 5 seats, followed by the Christian Democratic Party with 4 and the Innovation and Unity Party-Social-Democracy with 2.

### 13 GOVERNMENT

The constitution of 1965, suspended following the 1972 coup, was superseded by a governing document adopted in November 1982 (amended in 1995). It defines Honduras as a democratic republic headed by a president who must be a native-born civilian. The president is elected by direct popular vote for a four-year term. The executive branch also includes a cabinet of 14 ministers. A constitutional change approved by the legislature in November 1982 deprived the president of the title of commander-in-chief of the armed forces, transferring that responsibility to the army chief of staff.

The 1982 constitution provides for the popular election of deputies to the unicameral National Congress, consisting of 128 deputies. The deputies, who are directly elected for four-year terms, must be natives or residents of the constituencies they represent. Voting is compulsory for all men and women 18 years of age and older.

### 14 POLITICAL PARTIES

The two major parties in Honduras are the Liberal Party (Partido Liberal—PL) and the National Party (Partido Nacional—PN). Both descend from the old Liberal and Conservative Parties from the 19th century. Although generally the National Party remains more conservative in nature, the two parties are very close ideologically.

The National Party was in power from 1932 to 1954 under Carías and Gálvez. In 1965, a PN-backed constituent assembly promulgated a new constitution, designated its membership as the National Congress for a six-year term, and proclaimed Gen. Oswaldo López Arellano as president. In the 1971 elections, the PN candidate, Gen. Ramón Ernesto Cruz, received about 52% of the vote and was elected president. Their most recent success came in 1989 when Rafael Leonardo Callejas became president. In the 1997 elections, its presidential candidate was Alba Gunera, the first woman to seek Honduras's presidency. She gained 42% of the vote. The National Party won 54 seats in the National Assembly in 1997, but it benefited from Ricardo Maduro's victory in 2001 and increased its parliamentary representation to 61 seats.

The Liberals rely on their following in urban areas and among the laboring classes and have had some successes over the last half-century. In 1957, José Ramón Villeda Morales was elected to the presidency, and governed until 1963, when he was removed by a coup. The next successes came in 1981 with the election of Suazo, and then in 1985 with the election of José Simón Azcona Hoyo, in 1993 with Carlos Roberto Reina and in 1997 with Carlos Flores, who became president with 52% of the vote. The Liberal Party also won 67 out of the 128 seats in the National Assembly, but its support fell in 2001 when it captured only 40.8% of the vote and clinched 55 seats.

Two minor parties occupy mildly leftist positions: the Christian Democratic Party, under Marco Orlandi, and the National Innovation and Unity Party, led by Olban Valladares. Each of those parties won three and four seats respectively in the National Assembly in 2001. In 1997, a Social Democratic party made its debut. The Partido de Innovación y Unidad-Social Democracia (Party for Innovation and Unity-Social Democracy) won five seats in the National Assembly in 1997 and four seats in 2001.

In the December 1996 primaries preceding the November 1997 presidential elections, the Liberal Party nominated Carlos Roberto Flores. Nora Gúnera de Melgar won the National Party nomination. Flores went on to win the election and his party won 62 of 128 seats in the National Assembly. In 2001, Ricardo Maduro became the National Party candidate and won the presidential election. His party captured 61 of the 128 seats in the Assembly.

In 2005, Liberal Party presidential candidate José Manuel Zelaya Rosales beat National Party candidate Porfirio Lobo Sosa. Zelaya took 49.9% of the vote to Lobo's 46.2%. In the elections for the National Congress, the Liberal Party won 62 of 128 seats, with the National Party winning 55. The Democratic Unification Party won 5 seats, followed by the Christian Democratic Party with 4 and the Innovation and Unity Party-Social-Democracy with 2.

### 15 LOCAL GOVERNMENT

Honduras is divided into 18 departments, each with a governor popularly elected for a two-year term. Departments are divided into municipalities (298 in 2005) governed by popularly elected councils. Localities with populations between 500 and 1,000 have a mayor, a legal representative, and a council member. A council member is added for each additional 1,000 residents, but the total is not to exceed seven. A special law governs the Central District of Tegucigalpa and Comayagüela.

Under the jurisdiction of the local government, municipal land is granted or lent to peasants in the district in sections known as *ejidos*. The *ejido* system is designed to aid landless peasants and has become an important function of local administration.

### 16 JUDICIAL SYSTEM

Judicial power is exercised by the nine-member Supreme Court (with seven substitutes) and courts of appeal, as well as by courts of first instance, justices of the peace, and courts of limited jurisdiction. The Supreme Court appoints the judges of the courts of appeal and the courts of first instance, who, in turn, appoint local justices of the peace. The justices of the Supreme Court are elected by the National Assembly and serve for seven-year terms. The Supreme Court has the power to declare laws unconstitutional.

There is a military court of first instance from which appeals can be taken to the civilian judicial system. In practice, the civilian courts are not independent. Because of underfunding and corruption, the formal resolution of legal disputes in courts is often the product of influence and political pressure.

The constitution provides for an independent judiciary and the right to a fair trial. A public defender program provides services to indigent defendants.

Honduras accepts the jurisdiction of the International Court of Justice with reservations.

## 17 ARMED FORCES

The Honduran military as of 2005 had an active force of 12,000 personnel with 60,000 registered as reservists. As of that year, there were 8,300 personnel in the Army, 2,300 in the Air Force, and 1,400 in the Navy, which included 830 Marines. The Army's major armament included 12 light tanks, 57 reconnaissance vehicles, and over 118 artillery pieces. Naval equipment consisted of 31 patrol/coastal vessels and one amphibious landing craft. The Air Force had 18 combat capable aircraft made up of 8 fighters and 10 operating fighter ground attack aircraft. Paramilitary forces consisted of an 8,000 member Public Security Force. The defense budget in 2005 was \$52.4 million.

## 18 INTERNATIONAL COOPERATION

Honduras is a charter member of the United Nations, having joined on 17 December 1945; it is part of ECLAC and serves in several specialized agencies, such as FAO, IFC, UNESCO, UNIDO, ILO, IMF, WHO, and the World Bank. Honduras served on the UN Security Council from 1995–96. It is one of five members of the Central American Bank for Economic Integration (BCIE) and the Central American Common Market (CACM). In 2004, Honduras, the United States, Costa Rica, El Salvador, Guatemala, Nicaragua, and the Dominican Republic signed the US–Central America Free Trade Agreement (CAFTA). The agreement must be ratified by all participating countries before it enters into force.

Honduras is also part of G-77, the Latin American Economic System (LAES), the OAS, the Association of Caribbean States (ACS), and the Río Group. Honduras has observer status with the Latin American Integration Association (LAIA) and belongs to the Central American Parliament (PARLACEN), the Central American Integration System (SICA), and the Central American Security Commission (CASC). The country is a signatory of the 1947 Río Treaty, an inter-American security agreement.

Honduras is a member of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL) and is a signatory to the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, Honduras is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification. Honduras is also part of the Central American-US Joint Declaration (CONCAUSA).

## 19 ECONOMY

Honduras is one of the poorest and least developed countries in Latin America. The economy has been based mostly on agriculture, and over a third of the labor force in 2001 were still involved in this sector. However, agriculture's contribution to the overall GDP fell from 27% in 1998 to 18% in 2000 mainly due to the damage done to export crops by Hurricane Mitch in October 1998. About 16% of the land is arable, located mostly along the coastal plains. Coffee and bananas account for 65% of total Honduran export revenues. The vast majority of banana holdings are controlled by two US companies, United Brands and Standard Fruit, and most other profitable agricultural enterprises are owned by a small

number of private citizens. With its economy enormously dependent on banana production, the country is vulnerable to weather and world market price variations. Honduras also has extensive forest, marine, and mineral resources, although widespread slash-and-burn agricultural methods continue to destroy forests. Hondurans, however, are becoming more concerned about protecting their environmental patrimony, in part because of the benefits of ecotourism.

In 1995, the Honduran economy rebounded from the severe recession experienced in 1994. Real GDP growth in 1995 was 3.6%. It was led by a solid expansion in agricultural production spurred by soaring world coffee prices, excellent basic grains harvests, and a resurrected banana industry as well as a growing maquila (Free Trade Zone of assembly plants) sector that employed 65,000 people by year's end. Honduras also received abundant rainfall which replenished the nation's dams and enabled the country to generate adequate hydroelectric energy, thus avoiding the drought-related power cuts which adversely affected economic performance in 1994. In 1996, Honduran GDP grew about 3.5%. However, inflation for 1996 reached 24.9%, well above the government's target of 16%. End of period inflation declined to 12.8% in 1997.

The economy, however, has still not recovered from the devastation left by Hurricane Mitch in late 1998, a Category Five Hurricane, rated the worst in 200 years, with winds reaching 200-mph and dumping unprecedented amounts of rain in their wake. The dead were officially counted at almost 6,000, but the total number buried in the mud slides will likely never be known. Hurricane Mitch destroyed 20–80% of the 1998 coffee and banana crops, and caused an estimated \$3 billion in damages, equal to half of the annual GDP. End of period inflation rose to 15.9%. In 1999 the Paris Club creditor countries extended a three-year moratorium on debt repayments by Honduras and wrote-off about two-thirds of its \$1.7 billion external debt contingent on the implementation of austerity, liberalization, and privatization program under the IMF's Poverty Reduction and Growth Facility (PRGF). In February 1999, a man-made disaster, a fire at the El Cajón hydroelectric plant, shut down 60% of the country's electricity until May. In all, GDP in 1999 fell 1.9% as the fall in production and export revenues was offset by increases in construction under the National Reconstruction and Transformation Plan presented by the government in May. Inflation was held to 10.9%, but the country's trade deficit, which had amounted to 10.7% of GDP in 1997, more than doubled as a proportion of GDP, to 23.8% in 1999.

In 2000, GDP growth rose to 5% as the reconstruction program continued, although the trade deficit remained high—21.1% of GDP. Inflation dipped slightly to 10.1% and Honduras qualified for debt forgiveness and restructuring under the Highly Indebted Poor Countries (HIPC) initiative which included adhering to a program of civil service reform that meant large layoffs in the public sector. Honduras joined Guatemala and El Salvador in a free trade agreement with Mexico, but ended up placing trade sanctions on Nicaragua over border and fishing rights disputes. In 2001, though reconstruction continued, Honduras was hit by a serious drought that helped reduce GDP growth to 3.5%. The trade deficit increased slightly as a percent of the GDP to 23% as exports were further depressed by a declining external demand. Inflation fell to 10%. In 2002, GDP grew about 1.4% and inflation fell to 7.7%, although the IMF withheld further disbursement of

debt relief under the HIPC because the targets under the PRGF program had not been sufficiently met. The trade deficit remained inordinately high, amounting to about 25% of GDP.

The economy expanded by 5.0% in 2004, up from 3.0% in 2003; in 2005, the GDP growth rate was estimated at 4.0%, while the GDP per capita, at purchasing power parity, reached \$2,900. The inflation rate was fairly stable and at 8.1% in 2004 it did not pose a major problem to the economy. The unemployment rate however, was, at 28%, very high and, together with the unequal distribution of income, represented one of the main concerns of the government. Honduras remains one of the poorest countries in the Western hemisphere and is dependent on the economy of the United States, its largest trading partner.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Honduras's gross domestic product (GDP) was estimated at \$20.6 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,900. The annual growth rate of GDP was estimated at 4%. The average inflation rate in 2005 was 9.2%. It was estimated that agriculture accounted for 12.7% of GDP, industry 31.2%, and services 56.1%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$867 million or about \$124 per capita and accounted for approximately 12.6% of GDP. Foreign aid receipts amounted to \$389 million or about \$56 per capita and accounted for approximately 5.7% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Honduras totaled \$5.13 billion or about \$736 per capita based on a GDP of \$6.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.1%. It was estimated that in 1993 about 53% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2005, the Honduran workforce totaled an estimated 2.54 million (excluding the armed forces). In 2002, agriculture accounted for 37.4% of the labor force, with services at 41.2%, and industry at 21.4%. The unemployment rate in 2005 was estimated at 28%.

Honduras did not have effective labor legislation until 1954. It joined the ILO in 1955 and subsequently adopted several labor codes, most notably that of 1959, which established the Ministry of Labor. The code also provided for union organization, collective bargaining, arbitration, social security, and fair labor standards. The principal labor organizations in 2002 were the Confederation of Honduran Workers (CTH), the General Workers' Central (CGT), and the Unitary Confederation of Honduran Workers (CUTH). Although retribution against union activity is prohibited by law, it frequently occurs. Only 14% of the workforce was unionized in 2002.

The law sets the maximum at an 8-hour day, a 44-hour week, and a 24-hour rest period each week. Because of high unemploy-

ment and a lack of government enforcement, however, these regulations are often not enforced. The labor code disallows children under 16 from working; however, in actuality, economic necessity and a lack of government enforcement mean that many children do work, especially on small farms in rural areas and as street vendors in cities. As of 2002, the daily minimum wage ranged from \$2.25 to \$4.08.

## 2<sup>2</sup> AGRICULTURE

Over 16% of the national territory is agriculturally productive; because of the uneconomical system of land use, much arable land has not been exploited. Agriculture is the primary sector of the economy, accounting for about 13% of GDP and 32% of employment in 2003. Farming methods are inefficient, and crop yields and qualities are low. The principal export crops are bananas and coffee; the major subsistence crops are corn, sorghum, beans, and rice. In 2002–04, crop production was 11% higher than during 1999–2001. The trade surplus in agricultural products totaled \$173.7 million in 2004. Crop production for 2004 included: sugarcane, 5,363,000 tons; bananas, 965,000 tons; sorghum, 52,500 tons; dry beans, 69,900 tons; rice, 29,100 tons.

Since 1972, agrarian reform has been an announced priority of the national government. In January 1975, plans were made for the distribution of 600,000 hectares (1,483,000 acres) of land among 100,000 families over a five-year period. The program was suspended in 1979 because of lack of funds and pressure from landowners; by that time, only about one-third of the goal had been met. The reform program was revived in the early 1980s, and in 1982, lands totaling 27,960 hectares (69,090 acres) were distributed to 4,000 peasant families. By 1986, however, land reform was at a virtual standstill; peasant groups, demanding immediate land distribution, staged "land invasions" and seized the offices of the National Agrarian Institute in San Pedro Sula. The agricultural modernization law eliminated subsidized credit to small farmers, while high commercial interest rates squeezed small farmers from the credit market.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Honduran consumption of milk and meat is traditionally low. However, pastures account for 13.8% of the total land area. Poor transportation facilities are a barrier to the development of stock raising and dairying, two potentially profitable economic activities. Honduras has nearly 100,000 livestock operations, mostly small or medium-sized producers. About 50% of all cattle ranches are 50 hectares (124 acres) or smaller, and 95% of all ranches have less than 100 head. In 2005, the cattle population was estimated at 2,500,000 head; hogs, 490,000; horses and mules, 250,600; and chickens, 18,700,000. That year, 1,761,950 tons of raw milk and 40,900 tons of eggs were produced. During 2002–04, livestock and poultry production had increased 6% since 1999–2001.

## 2<sup>4</sup> FISHING

There is commercial fishing in Puerto Cortés, and other areas are served by local fishermen. A small local company operates a cannery for the domestic market on the Gulf of Fonseca. There is a commercial fishing concern on the island of Guanaja, and a large refrigeration-factory ship is engaged in freezing shrimp and lobster near Caratasca. In 2003, the total catch was 30,835 tons.

Shrimp accounted for about 65% of the total catch, taken mostly from southern shrimp farms. Exports of fish products amounted to \$46.3 million in 2003.

## 25 FORESTRY

About 48% of Honduras is covered by forests, including stands of longleaf pine and such valuable hardwoods as cedar, ebony, mahogany, and walnut. Total roundwood production in 2004 amounted to 9.5 million cu m (335 million cu ft), and forest products exports were valued at \$43.1 million. The National Corporation for Forestry Development (Corporación Hondureña de Desarrollo Forestal), established in 1974, is charged with the overall preservation, exploitation, and exportation of Honduran forest resources. The privatization of government-owned woodlands is expected to intensify the use of forestry resources. A restriction on the export of raw wood also is causing growth in the woodworking industry for semifinished wood products.

## 26 MINING

The mineral resources of Honduras consisted of cadmium, cement, gold, gypsum, iron oxide pigments, lead, limestone, marble, pozzolan, rhyolite, salt, silver, and zinc, a leading export commodity. However, inadequate transportation continued to hamper full development of the country's mineral resources. In the mid-1990s, the El Mochito Mine, in Santa Bárbara, was the country's only large operating base metal mine. By the end of 2002, the mine's proven and probable reserves stood at 3.2 million tons at an average grade of 6.8% zinc, 1.9% lead, and 78 grams per ton of silver. Estimated and indicated reserves were placed at 4.3 million tons, with inferred reserves at 2.4 million tons. Lead and zinc concentrates from the mine contributed less than 2% to GDP, which grew 5% in 2001, with the completion of reconstruction from Hurricane Mitch. Under 0.3% of the Honduran labor force was employed in the mining sector.

In 2003, production of mined zinc was estimated at 46,500 metric tons, up from 46,339 metric tons in 2002. Lead mine output in 2003 was estimated at 8,000 metric tons. Silver and gold production in 2003 totaled 2,040 kg and 3,029 kg, respectively in 2003. Limestone output that same year was estimated at 1.23 million metric tons, unchanged from 2001 and 2002.

## 27 ENERGY AND POWER

Honduras has no known proven reserves of oil, natural gas, coal or refining capacity. Therefore, it must import all the refined petroleum products natural gas or coal that it consumes. However, it is nearly self-sufficient for its own electricity needs. In 2002, imports and consumption of refined oil products averaged 38,710 barrels per day and 38,340 barrels per day, respectively. Coal was also imported that year, amounting to 186,000 short tons of hard coal, of which consumption came to 155,000 short tons. There were no imports or consumption of natural gas in 2002.

Honduras's electric power sector is heavily reliant upon fossil fueled plants and hydropower. However, the country is facing increasing demand for electric power and the possibility of power shortages due to underperforming hydroelectric facilities. In 1998, for example, a drought induced by El Niño forced the government to declare an energy emergency. Since then, the government has sought to diversify its sources of electric power via the

construction of thermal power plants. In 2002, electric power generating capacity was 0.923 million kW, with hydropower accounting for 0.435 million kW and conventional thermal plants 0.488 million kW. In the same year, consumption of electricity totaled 3.371 billion kWh, while output came to 3.195 billion kWh, with hydropower accounting for 1.594 billion kWh, and 1.601 billion kWh from conventional thermal plants.

## 28 INDUSTRY

Industry as a whole supplied 32% of Honduras's GDP in 2000 and employed 21% of the work force. Manufacturing has traditionally been limited to small-scale light industry supplying domestic requirements.

Assembly plant operations developed in the 1970s, especially after a free-trade zone was established in Puerto Cortes in 1975. San Pedro Sula is the center for matches, cigars, cigarettes, cement, meatpacking, sugar, beer and soft drinks, fats and oils, processed foods, shoes, and candles. Tegucigalpa has plants for the manufacture of plastics, furniture, candles, cotton textiles, and leather. The country has also established a well-known apparel assembly industry in the maquiladora sector, which employed over 125,000 workers in 2001. As of 2002, Honduras was the second-largest exporter of maquiladora items to the US market.

Production in the manufacturing industry, mainly of nondurable goods, has realized significant growth in the late 1990s and into the 2000s. The largest growth has been seen in the construction sector, which rebounded after the destruction wrought by Hurricane Mitch in 1998. The electric, gas, and water sectors gained almost 9%. However, in 1999 a fire temporarily closed the Cajon hydroelectric plant that had supplied 40% of the country's electricity. The electronic distribution system was privatized in 2000.

The industrial production growth rate in 2003 was 7.7%, higher than the overall GDP growth rate, and an indicator that industry was an economic growth engine. In 2005, industry accounted for 31.2% of the GDP and it employed around 21% of the labor force. Services were by far the largest sector, with a 56.1% share of the economy, while agriculture was the smallest one, with a 12.7% share.

## 29 SCIENCE AND TECHNOLOGY

The Honduran Academy (founded in 1949), the Honduran Coffee Institute, and the National Agriculture Institute are all located in Tegucigalpa. The José Cecilio del Valle University (founded in 1978) has engineering and computer science departments, and the National Autonomous University of Honduras (founded in 1847) has faculties of medicine, pharmacy, dentistry, and engineering. The Pan-American Agricultural School (founded in 1942) has students from 20 Latin American countries. The National Museum in Tegucigalpa has natural history exhibits. In 1987–97, science and engineering students accounted for 24% of college and university enrollments.

In 2000, there were 74 researchers and 261 technicians per million people who were actively engaged in research and development (R&D) activities. For that same year, R&D spending by Honduras totaled \$8.346 million, or 0.05% of GDP. In 2002, high technology exports by Honduras totaled \$5 million, accounting for 2% of that country's manufactured exports.

### 3<sup>0</sup> DOMESTIC TRADE

The principal distribution centers include Puerto Cortes and San Pedro Sula, the latter of which is the commercial and industrial capital on the nation. Tegucigalpa is a leading center of retail trade. In major cities, shops are comparable to those in Central American towns. In the countryside, small markets and stores supply staple needs. As of 2002, there were about 55 foreign franchise companies present in the country. That number is expected to rise rapidly as local business managers become interested in franchise agreements. Foreign investment is encouraged, but in certain industries, the law requires that majority ownership be by Hondurans. The government maintains a certain degree of price management and controls over some items, including coffee, medicine, gasoline, milk, and sugar. A 12% sales tax applies to many goods and services, with the exception of staple food items and certain health and educational expenses.

Business hours are generally from 8 AM to noon and 1:30 or 2 to 5 or 6 PM on weekdays and 8 to 11 AM on Saturdays. Banks in Tegucigalpa are open from 9 AM to 3 PM, Monday through Friday.

### 3<sup>1</sup> FOREIGN TRADE

Honduras remains at the forefront of Central American economic integration efforts. In May 1992, Honduras signed several trade agreements with its neighbors, including Free Trade Agreements with Guatemala and El Salvador, and a Honduran/Salvadoran/Guatemalan Northern Triangle Accord, with the intent of accelerating regional integration. Honduras is also a member of the WTO and the CACM. Free trade agreements were under discussion with Chile, Panama, Mexico, the Andean Community, Taiwan, and the Dominican Republic in 1999.

The most important export from Honduras is coffee (33%), followed by printed matter (13%), and the cultivation of fruits and nuts (10%). Other major exports include shrimp and lobster (3.5%), wood and logging products, including paper (4.1%), and tobacco (2.4%).

In 2005, exports reached \$1.7 billion (FOB—Free on Board), while imports grew to \$4.1 billion (FOB). In 2004, the bulk of exports went to the United States (54.4%), El Salvador (8.1%), Germany (5.9%), and Guatemala (5.4%). Imports included manu-

factures and industrial raw materials, machinery and transport equipment, minerals and fuels, and food and animal products, and mainly came from the United States (37.5%), Guatemala (6.9%), Mexico (5.4%), Costa Rica (4.3%), and El Salvador (4%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Since 1973, trade balances have been negative. Investment income repatriated by foreign companies in Honduras is an endemic burden on the local economy. The Honduran authorities have generally adhered to the policies of fiscal and monetary restraint that were introduced early in 1959, following a period of exceptional strain on the country's international reserves. The fall in reserves resulted from a decline in income from the banana industry and reduced international prices for other major exports. Political instability in the region in the late 1970s to the mid-1980s, together with low commodity prices and high oil prices, had an adverse effect on the balance of payments. The 1990s brought a continuation of the negative trade balance (averaging 7% of GDP), especially after the increase of imports after Hurricane Mitch. However, increases in agricultural and clothes exports are forecast to improve the balance of payments situation. International reserves reached \$700 million in 1999 due, in part, to increased remittances from abroad, and international aid following the hurricane (\$300 million from the United States alone).

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Honduras's exports was \$2 billion while imports totaled \$2.7 billion, resulting in a trade deficit of \$700 million.

The International Monetary Fund (IMF) reported that in 2001 Honduras had exports of goods totaling \$1.93 billion and imports totaling \$2.81 billion. The services credit totaled \$481 million and debit \$653 million.

Exports of goods reached \$1.6 billion in 2004, up from \$1.4 billion in 2003. Imports increased from \$3.1 billion in 2003, to \$3.7

#### Principal Trading Partners – Honduras (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	961.8	3,105.3	-2,143.5
United States	448.9	1,210.7	-761.8
El Salvador	138.7	171.7	-33.0
Guatemala	63.3	261.6	-198.3
Germany	53.6	38.5	15.1
Netherlands	27.1	15.1	12.0
Belgium	23.4	23.6	-0.2
Costa Rica	22.1	149.9	-127.8
Japan	17.4	168.4	-151.0
Nicaragua	16.5	48.9	-32.4
Jamaica	15.1	...	15.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Honduras (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-279.2</b>
Balance on goods		-987.2
Imports	-3,065.4	
Exports	2,078.2	
Balance on services		-77.0
Balance on income		-183.3
Current transfers		968.2
<b>Capital Account</b>		<b>21.0</b>
<b>Financial Account</b>		<b>-20.0</b>
Direct investment abroad		...
Direct investment in Honduras		198.0
Portfolio investment assets		-4.1
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		-77.6
Other investment liabilities		-136.3
<b>Net Errors and Omissions</b>		<b>76.1</b>
<b>Reserves and Related Items</b>		<b>202.1</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

billion in 2004. The resource balance was consequently negative in both years, deteriorating from -\$1.7 billion in 2003, to -\$2.1 billion in 2004. The current account balance followed a similar path, worsening from -\$292 million in 2003, to -\$391 million in 2004. Foreign exchange reserves (including gold) reached \$2.2 billion in 2005, covering more than six months of imports.

### 33 BANKING AND SECURITIES

In 1950, the Central Bank of Honduras (Banco Central de Honduras), the sole bank of issue, was established to centralize national financial operations and to replace foreign currencies then in circulation. In 2002, there were 22 commercial banks in Honduras with an estimated \$3.4 billion in assets. In addition, there are some 150 nonbank financial institutions, many of them associated with the major banks. The Banco Atlántida, the most important commercial bank, accounts for over one-half of the total assets of private banks. US banks play a significant role in the commercial system: the Atlántida is affiliated with Chase Manhattan, and the second-largest commercial bank, the Banco de Honduras, is affiliated with Citibank of New York.

The government-controlled banks, including the National Development Bank, the National Agricultural Development Bank, and the Municipal Bank, provide credit for development projects. The National Development Bank extends agricultural and other credit—mainly to the tobacco, coffee, and livestock industries—and furnishes technical and financial assistance and other services to national economic interests. The Municipal Bank gives assistance at the local level.

In 1990, the Central Bank devalued the lempira and let it float freely until 1994, when a currency auction was created. The year of 1995 saw the Financial Sector Reform Law, which created a modern Banking Commission. Elements of Central Bank reforms in 1997 included the abolition of the government's right to borrow at below-market rates of interest. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$800.6 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$3.3 billion.

In 1990, a stock exchange opened in San Pedro Sula to raise short-term bond finance for local businesses.

### 34 INSURANCE

The oldest insurance company in Honduras is Honduras Savings (Ahorro Hondureño), established in 1917. Five other companies deal with life insurance and other types of policies. The number and the role of foreign companies in the insurance sector have decreased because of government incentives to domestic underwriters. In 2002, direct premiums written totaled \$190 million, of which the largest portion, \$142 million, was nonlife premiums. In 2003, the top nonlife insurer was Ahorro, with gross written nonlife premiums of \$19.3 million. In that same year, the country's leading life insurer was Palic, with gross written life insurance premiums of \$16.5 million.

### 35 PUBLIC FINANCE

The US Central Intelligence Agency (CIA) estimated that in 2005 Honduras's central government took in revenues of approximately

\$1.6 billion and had expenditures of \$1.9 billion. Revenues minus expenditures totaled approximately -\$245 million. Public debt in 2005 amounted to 70.5% of GDP. Total external debt was \$4.675 billion.

### 36 TAXATION

Personal income in Honduras is taxed according to a progressive schedule with rates running from 10–25%. In 2001, the personal exemption level equaled six times the average income in Honduras whereas the threshold for the 25% bracket was 36 times the average income (down from over 100 times the average in 1997). Social security taxes are also collected. No distinction is made for tax purposes between individuals and businesses. Agricultural activities and industries classified as “basic” receive favorable depreciation rates. The corporate tax rate is 25%, with a 5% solidarity tax added. Profits from branch operations are taxed at 15%. The main indirect tax is a value-added tax (VAT) with a standard rate of 12%. An increased rate of 15% is applied to some items. Excise taxes are imposed mainly on beer and cigarettes, but also on imported matches, soft drinks, imported sugar, and new motor vehicles. New industries are exempted from income and production taxes and import duties for up to 10 years.

District and municipal governments obtain their revenues from taxes on amusements and livestock consumption, and from permits, licenses, registrations, certifications, storage charges, transfers of real estate, and fines.

### 37 CUSTOMS AND DUTIES

Most imports from outside the CACM are subject to a common external tariff (CET) ranging from 0–20%. Duties are levied ad valorem over the cost, insurance, and freight (CIF) value of goods. Honduras also imposes a sales tax (12% on most goods, 15% for alcohol and tobacco) and consumption tax on selected imports: 20% on alcoholic beverages, 35% on motor vehicles, and 55% on cigarettes. Capital goods are admitted at a tariff rate of only 1%.

In June 1992, the Central Bank of Honduras eliminated the need for most import permits and foreign exchange authorizations.

### 38 FOREIGN INVESTMENT

Traditionally, the Honduran attitude toward foreign enterprise has been favorable. Foreign capital is treated in the same way as domestic capital; however, firms in the distribution, health services, telecommunications, fishing and hunting, mining, insurance and financial services, or lumber business must have 51% Honduran ownership. Honduran economic development has been powerfully influenced by foreign investment in agriculture, industry, commerce, and other economic sectors.

Since 1910, the Standard and Fruit and Steamship Co. and United Brands (formerly the United Fruit Company) have developed railroads, ports, plantations, cattle farms, lumber yards, breweries, electric power, housing, and education. All contracts, aside from commodity exports, were canceled on 15 September 1975; plans to convert banana-marketing operations into a joint venture fell through, however, and in 1976, the government instead expropriated large tracts of land from the banana producers. Mines have been developed by the New York and Honduras Rosario Mining Co.



In 1998, annual foreign direct investment (FDI) inflows into Honduras totaled almost \$100 million, down from \$128 million in 1997. Annual FDI inflows more than doubled from 1999 to 2001, averaging \$238 million.

The United States has historically been, and remains today, Honduras's largest investor, accounting for at least three-quarters FDI in Honduras. More than 100 American companies operate there. About 75% of those companies produce apparel, but the largest US investments in Honduras have been in the agribusiness sector. Other important sectors include petroleum products, marketing, electric power generation, banking, insurance, and tobacco.

US franchises have substantially increased their presence in recent years, mostly in the fast food sector. Other major investors include Japan, El Salvador, Korea, Hong Kong, and Taiwan. Total capital inflows reached \$198 million in 2003 (or 3.0% of the GDP), up from \$172 billion in 2002, but still far from the 2000 historical high of \$282 million.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

During the administration of President Callejas, between 1990 and 1993, economic policy was mostly based on neoliberal ideas. This included a move from an inward-oriented policy to an export-oriented one. In addition, privatization was deeply emphasized. During that period, GDP was characterized by consistent growth. At the same time the country's galloping inflation was reduced to single digits. Government corruption, however, prompted citizens to vote Callejas out of office.

The November 1993 elections gave birth to a new political era in Honduras. President Reina of the Liberal Party was expected to slow down the pace of market-oriented reforms, but to continue privatization. Strong growth in nontraditional exports and the prospects for an improvement in coffee prices helped to finance the current account deficit. The continuation of foreign aid and investment was essential to closing the Honduras trade gap.

Reforms in the late 1990s were focused on alleviating the lot of the poorest citizens in Honduras, and improving international competitiveness. Hurricane Mitch in 1998 damaged the economy (particularly banana exports), as did low world coffee prices in the early 2000s, and cold weather and heavy rains in 2002–03 harmed the harvest (coffee revenues were down to \$161 million in 2001, from \$340 million in 2000). The garment-manufacturing industry, the third-largest in the world, turned in a strong performance in early 2003. In 2000, Honduras became eligible under the International Monetary Fund (IMF)/World Bank Heavily Indebted Poor Countries (HIPC) Initiative for \$900 million in debt service relief.

The economic growth of 2005 was mainly led by an increase in consumption and exports. However, consumption levels are expected to grow slower than the overall economic growth (despite a rise in remittances from abroad) due to the impact on wages of above-target inflation. Maquilas and tourism, as well as major public development projects, will likely benefit the economy in coming years, although they can also lead to high levels of indebtedness.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

The social insurance program covers accidents, illness, maternity, old age, occupational disease, unemployment, disability, death,

and other circumstances affecting the capacity to work. Social security services are furnished and administered by the Honduran Social Security Institute and financed by contributions from employees, employers, and the government. Workers contribute 1% of their earnings toward retirement, disability, and survivor insurance, while employers paid 2% of their payroll. Retirement is set at age 65 for men and age 60 for women. These programs exclude domestic, temporary and some agricultural workers. Workers' medical benefits include medical care and surgery, hospitalization and medications, and appliances.

Violence against women remains widespread although the penal code classifies domestic violence and sexual harassment as crimes. These laws are not effectively enforced. Cultural attitudes toward women limit career opportunities, and women mostly work in low status jobs. Women are treated equally under the law in divorce cases. There is a growing problem of child abuse, and trafficking in children continues.

The government's human rights record has improved since 1995, but serious abuses still occur, including torture and killing by the police. Human rights groups have challenged the existence of organized death squads.

### 4<sup>1</sup> HEALTH

Health conditions in Honduras are among the worst in the Western Hemisphere. There are an estimated 83 physicians, 25 nurses, and 1 dentist per 100,000 people. The Inter-American Cooperative Public Health Service, created in 1942 under the joint sponsorship of Honduras and the United States, has contributed to public health through malaria control, construction of water systems and sewage disposal plants, personnel training, and the establishment of a national tuberculosis sanatorium. US Peace Corps volunteers help train personnel for urban and rural clinics. Nearly 39% of children under five years of age were considered malnourished as of 2000. Honduras started fortifying sugar with vitamin A in 1996. Health care expenditure was relatively high, estimated at 8.6% of GDP.

Major causes of illness and death are diseases of the digestive tract, intestinal parasites, accidents, suicides, influenza, pneumonia, cancer, and infant diseases. Malnutrition, impure water, poor sewage disposal, and inadequate housing are the major health problems. In 2000, 90% of the population had access to safe drinking water and 77% had adequate sanitation. In 1995, there were 4,717 cases of cholera, of which 77 turned fatal. In 1995, there were 1,022 malaria cases per 100,000 people. Honduras has been hard hit by AIDS. The HIV/AIDS prevalence was 1.80 per 100 adults in 2003. As of 2004, there were approximately 63,000 people living with HIV/AIDS in the country. There were an estimated 4,100 deaths from AIDS in 2003. Immunization rates for children up to one year old were as follows: tuberculosis, 99%; diphtheria, pertussis, and tetanus, 94%; polio, 93%; and measles, 89%. The government pays 79% of routine immunization bills. As of 2002, the birth rate was estimated at 31 per 1,000 people and the general mortality rate at 5 per 1,000 people. About 50% of married women (ages 15 to 49) were using contraception. In 2000 the total fertility rate was 3.9 children per mother during her childbearing years. The infant mortality rate in 2005 was 26.47 per 1,000 live births. Life expectancy in the same year was an average of 69.30 years.

## 4<sup>2</sup> HOUSING

Housing shortages and lack of access to basic utilities in existing housing units has been an ongoing problem throughout most of the country. In recent years, the government has initiated and participated in several programs focusing on low-income housing construction. These have included a \$30-million low-cost housing program sponsored by the Housing Finance Corp. and a \$19-million venture undertaken by the National Housing Institute.

As of 2000, about 90% of the population had access to improved water sources; 77% of the population had access to improved sanitation systems. As of the 2001 census, there were about 1,487,319 housing units in the nation. The vast majority of housing units are individual homes, about 66% of which are considered to be deficient. Many homes are simply made of cardboard or plastic structures that house from 4 to 10 people in a single room.

## 4<sup>3</sup> EDUCATION

Public education is free and compulsory for six years (ages 6 to 12). After these six years of primary education, students take three years of lower secondary school and two years of upper secondary school. In the upper level, students choose between literary or scientific tracks. Students may also choose to attend a three-year technical school at the upper level. The academic year runs from February to November.

In 2001, about 21% of children between the ages of four and six were enrolled in some type of preschool program. It is estimated that about 79% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 34:1 in 2003. As of 1998, there were 169,430 students enrolled in secondary schools.

The major university is the National Autonomous University of Honduras, founded at Tegucigalpa in 1847, with branches at San Pedro Sula and La Ceiba. There are several other universities, as well as technical and agricultural schools. In 2001, about 15% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 80%.

As of 2003, public expenditure on education was estimated at 4% of GDP.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

Although the National Archive and Library of Honduras was established in 1880 to conserve and maintain the records of the republic, no great attention has been shown to government documents and other records in modern times. The National Archive and Library (40,000 volumes) includes land titles dating from 1580, historical documents dating from the 17th century, a newspaper collection from 1880 onward, a civil registry, and a collection of laws since 1880. The Ministry of Education has charge of the National Archive, as well as of other libraries and museums. The National University's library in Tegucigalpa contains over 200,000 volumes.

In Tegucigalpa, the National Museum exhibits historical and archeological works and the Miguel Paz Baraona Historical Museum highlights the personal effects of the national hero as well as the country's history. Also in Tegucigalpa are the National Art Gallery, the Museum of Natural History, and the Museum of Mil-

itary History. The Museum of Anthropology in San Pedro Sula covers regional history from 1500 bc to present day and houses an impressive collection of Mayan artifacts. The Mayan Museum of Sculpture is in Copan. A Colonial Museum in Comayagua contains a collection of religious art and artifacts.

## 4<sup>5</sup> MEDIA

The government owns and operates postal, telephone, and telegraph services. Tegucigalpa and San Pedro Sula are linked by a multiplex radio relay network. The Tropical Radio Co. provides international radiotelegraph and radiotelephone service. In 2003, there were an estimated 48 mainline telephones for every 1,000 people; about 342,200 people were on a waiting list for telephone service installation. The same year, there were approximately 49 mobile phones in use for every 1,000 people.

As of 1998, Honduras had 241 AM and 53 FM radio stations. In 1997, there were 11 television stations. In 2003, there were an estimated 411 radios and 119 television sets for every 1,000 people. About 21.6 of every 1,000 people were cable subscribers. Also in 2003, there were 13.6 personal computers for every 1,000 people and 25 of every 1,000 people had access to the Internet. There were 31 secure Internet servers in the country in 2004.

The country's principal newspapers (with 2004 circulation) were *El Herald* (30,000), *Tiempo* (30,000), and *La Tribuna* (20,000), all published in Tegucigalpa, and *La Prensa* (62,000), published in San Pedro Sula. *La Tribuna* is owned by President Flores.

The constitution provides for freedom of speech and press, and the government is said to generally respect these rights. The media itself, however, is said to be subject to a high degree of politicization and corruption.

## 4<sup>6</sup> ORGANIZATIONS

The Chamber of Commerce and Industries has its headquarters in Tegucigalpa; chambers of commerce also function in San Pedro Sula, La Ceiba, and other towns. Business and industry organizations include the Federation of Agricultural Producers and Exporters, the Honduran Manufacturers Association, and the Honduran Association of Sugar Producers. Various professional associations are also active.

The National Federation of University Students of Honduras is an active student movement. Other national youth organizations include scouting and YMCA/YWCA programs. There are several sports associations promoting amateur competition in such pastimes as tennis, football (soccer), badminton, tae kwon do, and baseball. There are also active branches of the Special Olympics.

Volunteer service organizations, such as the Lions Clubs International, are present. There are national chapters of the Red Cross, Habitat for Humanity, Caritas, and CARE.

## 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

The main tourist attraction is the restoration at Copán, the second-largest city of the ancient Mayan Empire. There are many beaches on the northern and southern coasts where there is vibrant underwater life. Fishing is popular in Trujillo Bay and Lake Yojoa. A valid passport is needed for entry, and all visitors need visas except for nationals of the United States, and of the countries

of Central and South America. Evidence of vaccination against yellow fever is required if traveling from an infected country.

Approximately 610,535 tourists visited Honduras in 2003, an 11% increase from 2002. About 57% of the visitors came from Central America. There were 18,590 hotel rooms with 26,897 beds that same year. The average length of stay was estimated at 10 nights. Gross tourism expenditures totaled \$341 million.

In 2004, the US Department of State estimated the cost of staying in Tegucigalpa at \$173 per day. Daily costs in San Pedro Sula were estimated at \$163 in 2002.

#### 48 FAMOUS HONDURANS

José Cecilio del Valle (1780–1834), a member of the French Academy of Sciences, was an intellectual, a political leader, and the author of the Central American declaration of independence. Francisco Morazán (1799–1842) was the last president of the United Provinces of Central America, which lasted from 1823 to 1839. Father José Trinidad Reyes (1797–1855) founded an institute in 1847 that became the National University. Outstanding literary figures were Marco Aurelio Soto (1846–1908), an essayist and liberal president; Ramón Rosa (1848–93), an essayist and biographer; Policarpo Bonilla (1858–1926), a politician and author of political works; Alberto Membreño (1859–1921), a philologist; Juan Ramón Molina (1875–1908), a modernist poet; Froilán Turcios (1875–1943), a novelist and writer of fantastic tales; Rafael Heliodoro Valle (1891–1959), a historian and biographer; and Ramón Amaya Amador (1916–1966), a journalist and left wing political

figure. Contemporary writers include Eduardo Bähr (b.1940), Roberto Sosa (b.1930), Amanda Castro (b.1962), Javier Abril Espinoza (b.1967), and Roberto Quesada (b.1962).

#### 49 DEPENDENCIES

Honduras has no territories or colonies.

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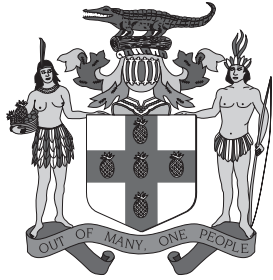
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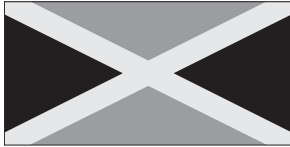
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# JAMAICA



**CAPITAL:** Kingston

**FLAG:** Two diagonal yellow gold bars forming a saltire divide the flag into four triangular panels. The two side panels are black, and the top and bottom panels are green.

**ANTHEM:** First line, "Eternal father, bless our land..."

**MONETARY UNIT:** The Jamaican dollar (J\$) of 100 cents was introduced on 8 September 1969. There are coins of 1, 5, 10, and 25 cents, and 1 dollar, and notes of 2, 5, 10, 20, 50, and 100 dollars. J\$1 = US\$0.01612 (or US\$1 = J\$62.04) as of 2005.

**WEIGHTS AND MEASURES:** Both metric and imperial weights and measures are used.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 23 May; Independence Day, 1st Monday in August; National Heroes' Day, 3rd Monday in October; Christmas, 25 December; Boxing Day, 26 December. Movable religious holidays include Ash Wednesday, Good Friday, and Easter Monday.

**TIME:** 7 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Jamaica is an island in the Caribbean Sea situated about 145 km (90 mi) s of Cuba. It has a total area of 10,990 sq km (4,243 sq mi) and extends, at maximum, 235 km (146 mi) N–S and 82 km (51 mi) E–W. Comparatively, the area occupied by Jamaica is slightly smaller than the state of Connecticut. The total coastline is 1,022 km (634 mi).

Jamaica's capital city, Kingston, is located on the country's southeastern coast.

## <sup>2</sup> TOPOGRAPHY

The greater part of Jamaica is a limestone plateau, with an average elevation of about 460 m (1,500 ft). The interior of the island is largely mountainous, and peaks of over 2,100 m (7,000 ft) are found in the Blue Mountains, which dominate the eastern part of the island; the highest point on the island is Blue Mountain Peak, at 2,256 m (7,402 ft) above sea level.

The coastal plains are largely alluvial, and the largest plains areas lie along the south coast. The island has numerous interior valleys. There are many rivers, but most are small, with rapids and falls that make navigation virtually impossible for any distance.

Some volcanic and seismic activity is present on the island in the form of lava cones and hot springs, some of the latter being radioactive. One of the worst earthquakes in history occurred at Port Royal (then the chief city in Jamaica) on 7 June 1692 when a large portion of the city literally sank below sea level through a series of three main quakes and several days of aftershocks; thousands of people were killed. A 1907 earthquake followed by a tidal wave destroyed the Kingston area and killed about 900 people. Lesser earthquakes, such as the 5.1 magnitude tremor felt throughout the country on 13 June 2005, have caused damage to homes and other building, but few injuries.

## <sup>3</sup> CLIMATE

The climate ranges from tropical at sea level to temperate in the uplands; there is relatively little seasonal variation in temperature. The average annual temperature in the coastal lowlands is 27°C (81°F); for the Blue Mountains, 13°C (55°F).

The island has a mean annual rainfall of 198 cm (78 in), with wide variations during the year between the north and south coasts. The northeast coast and the Blue Mountains receive up to 500 cm (200 in) of rain a year in places, while some parts of the south coast receive less than 75 cm (30 in), most of it falling between May and October. The rainy seasons are May to June and September to November. The period from late August to November has occasionally been marked by destructive hurricanes.

## <sup>4</sup> FLORA AND FAUNA

The original forest of Jamaica has been largely cut over, but in the areas of heavy rainfall along the north and northeast coasts there are stands of bamboo, ferns, ebony, mahogany, and rosewood. Cactus and similar dry-area plants are found along the south and southwest coastal area. Parts of the west and southwest consist of grassland, with scattered stands of trees.

The wild hog is one of the few native mammals, but there are many reptiles and lizards. Birds are abundant. Jamaican waters contain considerable resources of fresh- and saltwater fish. The chief varieties of saltwater fish are kingfish, jack, mackerel, whiting, bonito, and tuna; freshwater varieties include snook, jewfish, gray and black snapper, and mullet.

As of 2002, there were at least 24 species of mammals, 75 species of birds, and over 3,300 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

Among the government agencies charged with environmental responsibilities are the Ministry of Health and Environmental Con-

trol, the Ministry of Agriculture, and the Natural Resources Conservation Authority. The major environmental problems involve water quality and waste disposal. Jamaica has 9 cu km of renewable water resources with 77% used for agriculture and 7% used for industrial purposes. About 87% of the people living in rural areas and 98% of the city dwellers have access to pure drinking water. Coastal waters have been polluted by sewage, oil spills, and industrial wastes. Another major source of water pollution has been the mining of bauxite, which has contaminated the ground water with red-mud waste.

Another environmental problem for Jamaica is land erosion and deforestation. Forest and woodland decreased 1.5% annually between 1990 and 2000. Jamaica's coral reefs have also been damaged. Kingston has the waste disposal and vehicular pollution problems typical of a densely populated urban area.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 5 types of mammals, 12 species of birds, 8 types of reptiles, 17 species of amphibians, 12 species of fish, 5 species of invertebrates, and 208 species of plants. Endangered species in Jamaica included the tundra peregrine falcon, homerus swallowtail butterfly, green sea turtle, hawksbill turtle, and American crocodile. The Caribbean monk seal, Osborn's key mouse, and the Jamaica giant galliwasp have become extinct.

## 6 POPULATION

The population of Jamaica in 2005 was estimated by the United Nations (UN) at 2,666,000, which placed it at number 134 in population among the 193 nations of the world. In 2005, approximately 7% of the population was over 65 years of age, with another 31% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.4%. The projected population for the year 2025 was 3,048,000. The population density was 242 per sq km (628 per sq mi), with most of the population residing in coastal regions.

The UN estimated that 52% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.23%. The capital city, Kingston, had a population of 575,000 in that year. Other leading cities (and their estimated populations) are Montego Bay (120,000), Spanish Town (about 92,383), and Portmore (90,138).

## 7 MIGRATION

Jamaica's net loss from emigration totaled 145,800 between 1891 and 1921; after a net gain of 25,800 during 1921–43, losses of 195,200 were recorded from 1943 to 1960, and 265,500 from 1960 through 1970. Until the United Kingdom introduced restrictions on immigration from Commonwealth countries in 1962, a large number of Jamaican workers emigrated to Great Britain. In 1964, in an effort to curb increasing migration, Jamaica passed the Foreign Nationals and Commonwealth Citizens (Employment) Act, providing Jamaicans with easier access to the island's employment market; however, domestic unemployment continued to plague Jamaica through the 1970s. During this period, Jamaica suffered from a "brain drain," losing perhaps as much as 40% of its middle class. From 1971 through 1980, 276,200 Jamaicans left the island, 142,000 for the United States. According to the 2000 US Census,

Jamaican ancestry in the United States was claimed by 736,513 people.

The great disparity between rural and urban income levels has contributed to the exodus of rural dwellers to the cities, where many of these migrants remain unemployed for lack of necessary skills. In this search for jobs, migration is so routine in Jamaica that the term "barrel children" has come to describe children whose parent have gone abroad for work and ship back necessities and goodies to their children in barrels. The US Department of State notes that 20,000 Jamaicans immigrate to the United States each year, settling mainly in New York, Miami, Chicago, and Hartford, Connecticut. In 2003, remittances to Jamaica were \$1.4 billion. In 2005, the net migration rate was estimated as -4.07 migrants per 1,000 population.

Jamaica is a transit point for migrants, including asylum seekers, trying to reach the United States. The total number of migrants living in Jamaica in 2000 was 13,000.

In 1999, Jamaica hosted 25 recognized refugees, most from Cuba, and had granted humanitarian status to a number of others. Asylum seekers continue to arrive from Cuba, Haiti, and other parts of the world. In 2002 six Haitians sought political asylum, having arrived by boat. Fearing their forcible return to Haiti, Amnesty International drew attention to their plight and their claims were fairly heard. In 2004, some 1,104 Jamaicans sought political asylum in Canada, the United Kingdom, and the United States.

## 8 ETHNIC GROUPS

About 97% of the population is of partial or total African descent. This population is comprised of blacks, mulattos, and black-East Indians or black-Chinese. Other ethnic groups include East Indians (1.3%), Chinese (0.2%), and Europeans. Nearly the whole population is native-born Jamaican. Black racial consciousness has been present in Jamaica at least since the beginnings of the Rastafarian sect, founded in 1930 and based on the ideas of Marcus Garvey.

## 9 LANGUAGES

Jamaica is an English-speaking country and British usage is followed in government and the schools. Creole is also often used.

## 10 RELIGIONS

There is freedom and equality of religion in Jamaica. Protestant churches are dominant, with various denominations comprising over 61% of the total population. The Church of God now claims the largest number of adherents, with 24% of the populace. Seventh-Day Adventists, with 11%, and Pentecostals, with 10%, are the next largest denominations. About 7% of the population are Baptist. The Church of England (Anglican), formerly the dominant religion in Jamaica, claims about 4%. Other denominations include Roman Catholics (2%), United Church (2%), Methodists (2%), Jehovah's Witnesses (2%), Moravians (1%), and Brethren (1%). Other religious groups, including Hindus, Jews, Muslims, and Rastafarians, as well as some spiritual cults, make up about 10% of the population. About 22% of the population claim no religious affiliation.

The Rastafarian movement continues to grow and is culturally influential in Jamaica and abroad. Rastas regard Africa (specifically Ethiopia) as Zion and consider their life outside Africa as an

exile or captivity; the use of marijuana, or ganja, plays an important role in the movement. The government officially recognized Rastafarianism as a religion in 2003.

## 11 TRANSPORTATION

Jamaica has an extensive system of roads; in 2002 there were 19,000 km (11,806 mi) of roads, including 13,433 km (8,347 mi) of paved roads. In 2003 there were 115,260 licensed passenger cars and 30,100 commercial vehicles on the island. Motorbus service, which has greatly facilitated travel, is operated by the government-owned Jamaica Omnibus Services Company.

The standard-gauge rail system totals 272 km (169 mi) of track. Of that total, 207 km (129 mi) which belonged to the government-owned Jamaica Railway Corp. (JRC) are no longer operational, as of 1992. The remaining track is privately owned and used to transport bauxite.

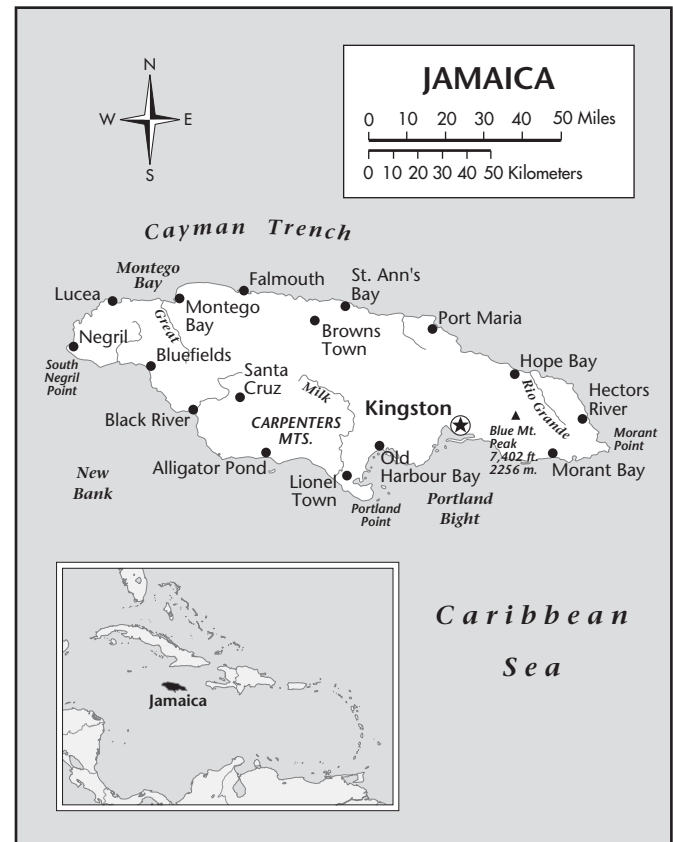
Kingston, the main port, handles nearly all of the country's foreign imports but only a small percentage of its exports, by weight. The remaining exports are shipped through 18 other ports, which tend to specialize in particular commodities: Montego Bay and Port Antonio in bananas and sugar, for instance, and Port Esquivel and Ocho Rios in bauxite. More than 30 shipping companies provide passenger and cargo service. The port facilities of Kingston harbor are among the most modern in the Caribbean. In 2005, Jamaica's merchant marine consisted of nine vessels of 1,000 GRT or more, for a total of 74,881 GRT.

Air service is the major means of passenger transport between Jamaica and outside areas. In 2004 there were an estimated 35 airports, 11 of which had paved runways as of 2005. Control of the two modern airports, Norman Manley International Airport (Kingston) and Sangster International Airport (Montego Bay), was assigned to the Airports Authority of Jamaica in 1974. About eleven airlines provide scheduled international air transportation. Air Jamaica, the national airline, operates internationally in association with British Airways and British West Indian Airways. The government owns a controlling interest in Air Jamaica and has also invested in a domestic air carrier, Trans Jamaican Airlines. In 2003 about 1.838 million passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

Jamaica was discovered by Christopher Columbus in 1494 and was settled by the Spanish in the early 16th century. The Spanish used the island as a supply base and also established a few cattle ranches. The Arawaks, who had inhabited the island since about AD 1000, were gradually exterminated and replaced by African slaves. In 1655, the island was taken over by the English, and the Spanish were expelled five years later.

Spain formally ceded Jamaica to England in 1670 by the Treaty of Madrid. The island became a base for English privateers raiding the Spanish Main. A plantation economy was developed, and sugar, cocoa, and coffee became the basis of the island's economy. The abolition of the slave trade in 1807 and of slavery itself in 1834 upset Jamaica's plantation economy and society. The quarter million slaves were set free, and many became small farmers in the hill districts. Freed slaves were replaced by East Indian and Chinese contract workers.



LOCATION: 17°43' to 18°32' N; 76°11' to 78°21' W. TOTAL COASTLINE: 1,022 kilometers (634 miles). TERRITORIAL SEA LIMIT: 12 miles.

The economy suffered from two developments in mid-century: in 1846 the British rescinded favorable terms of trade for Jamaica, and the union blockade during the US Civil War limited commercial options for the island. Bankruptcies and abandonment of plantations followed, and dissension between the white planters and black laborers led to a crisis. An uprising by black freedmen at Morant Bay in 1865 began a struggle that necessitated the imposition of martial law. Parliament established a crown colony government in 1866, and Jamaica's new governor, Sir John Peter Grant, introduced new programs, which included development of banana cultivation, improvement of internal transportation, and reorganization of government administration. Advances in education, public health, and political representation pacified the island.

These measures did not resolve Jamaica's basic problems, stemming from wide economic and social disparities, and social unrest came to the surface whenever economic reverses beset the island. The depression of the 1930s, coupled with a blight on the banana crop, produced serious disruption and demands for political reform. A royal commission investigated the island's social and economic conditions and recommended self-government for Jamaica. A Jamaica legislative council committee concurred, and in 1944, Jamaica had its first election. The contenders in that election were two recently formed political parties, the People's National Party (PNP), led by Norman W. Manley, and the Jamaica Labour Party (JLP), founded by Manley's cousin, Sir Alexander Bustamante.

During the 1950s, the bauxite industry and the tourist trade assumed prominent roles in the economy. The economic gains from these enterprises did little to solve Jamaica's underlying economic problems. Jamaica joined with other British Caribbean colonies in 1958 to form the Federation of the West Indies, but in a referendum in 1961 a majority of Jamaicans voted for withdrawal from the federation. The governments of the United Kingdom and Jamaica accepted the decision of the electorate, and Jamaica became an independent state on 6 August 1962, with dominion status in the Commonwealth of Nations. The PNP had supported the federation concept, so the JLP became the independence party, and Bustamante became the nation's first prime minister.

The JLP held power through the 1960s. Donald Sangster became prime minister in 1965 and was succeeded by Hugh Shearer, also of the JLP, two years later. In February 1972, the PNP regained a majority in parliament, and the late Norman Manley's son, Michael, headed a new democratic socialist government.

Manley moved to nationalize various industries, and expanded Jamaica's programs in health and education. Manley placed price controls on a number of key products and provided consumer subsidies for others. Internationally, Manley established friendly relations with Cuba, which the United States decried. Deteriorating economic conditions led to recurrent violence in Kingston and elsewhere during the mid-1970s, discouraging tourism. By 1976, Jamaica was faced with declining exports, a critical shortage of foreign exchange and investment, an unemployment rate estimated at 30–40%, and rampant currency speculation.

The PNP nevertheless increased its parliamentary majority in the December elections that were held during a state of emergency. Tourism suffered another blow in January 1979 with three days of rioting in Kingston, at the height of the tourist season. Meanwhile, Manley quarreled with the IMF. The IMF responded to Jamaica's request for loan guarantees by conditioning acceptance on a set of austerity measures. Manley refused to initiate many of the market-oriented measures the IMF was demanding.

Manley called for elections in the fall of 1980. The campaign was marred by somewhere between 500 and 800 deaths, and was further inflamed by PNP claims that the CIA was attempting to destabilize its government. The opposition JLP won a landslide victory, and Edward Seaga became prime minister and minister of finance. He announced a conservative economic program that brought an immediate harvest of aid from the United States and the IMF. In October 1981, Jamaica broke off diplomatic relations with Cuba, and two years later it participated in the US-led invasion of Grenada.

In December 1983, Seaga called for elections, which the PNP boycotted, leaving the JLP with all 60 seats in the House of Representatives. Seaga then implemented an IMF plan of sharp austerity, pushing the economy into negative growth for two years. In May 1986, Seaga turned away from the IMF, announcing an expansionary budget. The JLP nevertheless suffered a sharp loss in July parish elections, with the PNP taking 12 of 13 municipalities. By January 1987, a new IMF agreement was in place, but their political position continued to slide.

The 1989 elections were a good deal less tumultuous than expected. The two parties reached an agreement to control their respective partisans, and election violence was minimal. The rhetoric was also considerably less inflammatory, as the PNP's Manley

ran as a more moderate candidate. Citing the deterioration of social services under Seaga, and promising to attract foreign capital, Manley was returned to the prime ministership as the PNP took a powerful 45-seat bloc in the House of Representatives. Manley reversed many of Seaga's policies, but by 1992, inflation was on the rise and the economy slowed. Unemployment hovered around 20%. Manley retired in 1992, leaving the government to Percival J. Patterson.

Patterson moved further to the right from Seaga, encouraging more market-oriented reforms. Within a year of taking office, he called for elections, in which violence erupted anew and 11 died in campaign-related killings. The PNP increased its parliamentary margin to 52–8, a small consolation for a government besieged by serious political, social, and economic problems.

Political violence resurged in 1996, following the establishment in 1995 of two new political parties, the Jamaica Labour Party and the rival National Democratic Movement. Clashes between party regulars in Kingston and Spanish Town led to 10 deaths in a six-month period. Vigilante killings in response to a high crime rate were also the norm in 1995 and 1996, with police reporting 22 such killings in that span.

In March 1997, former prime minister and PNP founder Michael Manley died. In the December elections that year, the PNP remained the dominant party. It was the first time a Jamaican political party had won a third consecutive legislative victory. The ruling party also swept local elections in September 1998. However, it presided over an increasingly troubled country, with continued economic contraction and an escalating crime wave, much of it attributable to rival gangs that had begun as armed militias created by the major political parties in the 1970s and later evolved into highly powerful organized crime networks engaged in international drug smuggling and other illicit activities. In the first half of 1999 alone, an estimated 500 Jamaicans had been killed in gang-related violence. In addition, rioting followed the announcement of a 30% gasoline tax increase in April. Export revenues driven down by low prices and high costs followed in a historically cyclical pattern, while tourism was hurt by the rising violence and harsh army tactics were used to curb the crime rate.

The PNP continued to dominate Jamaican politics. In the October 2002 elections, the PNP captured 52.2% of the vote, winning 34 seats in the 60-member Assembly. The prime minister was PNP leader Percival James Patterson. Violence continued with 971 murders in 2003 and 1,145 in 2004. England imposed policies such as halting death penalty executions intended to curb crime in 2002, and in 2003 introduced visa requirements for Jamaicans entering the United Kingdom.

In addition to social and economic hardships, on 10 September 2004 Jamaica was hit hard by Hurricane Ivan. Prime Minister Patterson declared a state of emergency in the interest of public safety, as the national public power and water supplies were forced to shut down. All sectors of the economy were badly affected; the southern parishes that are the breadbasket of the country suffered a double blow, as crops were also damaged during the passage of Hurricane Charley less than a month before. By 2005 protests over price increases, such as utilities and public transportation, continued, as well as general social unrest. In the midst of prevalent gang violence, Prime Minister Patterson announced that he would step down before the legal date of October 2007. Portia Simpson-

Miller was sworn in as the new prime minister on 30 March 2006, becoming the first woman to lead Jamaica's government.

Amidst the violence and poverty, the rural sections of the island, especially in and around the resort towns of Negril, Montego Bay, and Ocho Rios, remained quite safe. Furthermore, President Chavez from Venezuela made preferential agreements with Jamaica and a number of Caribbean nations to aid them with their fuel scarcity, helping boost the slowly progressing economy.

### 13 GOVERNMENT

The 1962 constitution provides for a governor-general appointed by the crown, a cabinet presided over by a prime minister, and a bicameral legislature.

The Senate, the upper house, consists of 21 members appointed by the governor-general, 13 on the advice of the prime minister and 8 on the advice of the leader of the opposition. The popularly elected House of Representatives consists of 60 members (increased from 53 in 1976). The House is by far the more important of the two. The governor-general appoints both the prime minister and the leader of the opposition. The normal term of office in parliament is five years, but elections can be called at any time. Suffrage is universal at age 18.

The cabinet consists of the prime minister and at least 11 additional ministers, appointed by the governor-general on the advice of the prime minister.

### 14 POLITICAL PARTIES

Two political parties, the Jamaica Labour Party (JLP) and the People's National Party (PNP), dominate Jamaican politics. Their fortunes have risen and fallen dramatically over the past thirty years. Both parties have held more than three-fourths of parliament. The JLP, founded in 1943 by Sir Alexander Bustamante, is the more conservative of the two parties. Its original political base was the Bustamante Industrial Trade Union, which Bustamante organized in 1938. The JLP held a parliamentary majority during the first 10 years of independence, and again from 1980–89 under Edward Seaga.

The PNP, founded by Norman W. Manley in 1938, held to a moderate socialist program and from its foundation sought responsible government and independence for Jamaica. The party formed its first government in 1972 under Michael Manley. In 1976, the PNP remained in power, increasing its majority by 10 seats in a house that had been enlarged by 7. After losing in 1980, the PNP refused to participate in the parliamentary elections called by Prime Minister Seaga for December 1983, two years ahead of schedule. The PNP draws much of its support from the National Workers' Union, Jamaica's largest trade union, and is primarily an urban, middle-class party that has moved toward the political center since its defeat in the 1980 elections. Both the JLP and PNP stand for a broad program of social reform and welfare and economic development with the participation of foreign capital. The PNP was returned to power in 1989. In 1992, its founder and longtime leader Michael Manley retired and was succeeded by Percival (P.J.) Patterson, who led the party to four consecutive parliamentary victories 1993–2002.

A third political party, the National Democratic Movement (NDM), was formed in October 1995 by Bruce Golding, who was the former chairman of the JLP, and who is now the main leader of

the opposition. In the 2002 elections the JLP gained power as the PNP fell from 50 seats in 1997 to 34. The JLP went from winning 10 seats in 1997 to clinching 26 seats in 2002. The next elections were scheduled for October 2007.

### 15 LOCAL GOVERNMENT

Local government is patterned on that of the United Kingdom and the unit of local government is the parish. Responsibility for local government is vested in 12 parish councils and the Kingston and St. Andrew Corporation, which represents the amalgamation of two parishes. Since 1947, all of the councils (called parochial boards until 1956) have been fully elective, although the members of the House of Representatives from each parish are ex-officio members of the councils. Elections are normally held every three years on the basis of universal adult suffrage.

Local government authorities are responsible for public health and sanitation, poor relief, water supply, minor roads, and markets and fire services. Revenues come largely from land taxes, supplemented by large grants from the central government.

### 16 JUDICIAL SYSTEM

The judicial system follows British practice, with some local variations. Cases may be brought in the first instance before a lay magistrate (justice of the peace), a magistrate, or a judge in the Supreme Court, according to the seriousness of the offense or the amount of property involved. The Supreme Court also has appellate jurisdiction. Final appeal rests with the seven-member Court of Appeals, appointed on the advice of the prime minister in consultation with the leader of the opposition. The attorney general, who need not be a member of parliament, is appointed by the governor-general on the advice of the prime minister.

The judiciary is independent but is overburdened and backlogged because of a lack of trained personnel. Recent increases in salaries, training programs for judicial personnel, and improvement in court facilities may eventually serve to improve efficiency and processing of cases. In 1995, to reduce the backlog of cases, the government initiated a night court, but little progress has been achieved almost eight years after the reform.

The constitution gives power to the Court of Appeals and the parliament to refer cases to the Judicial Committee of the Privy Council in the United Kingdom. However, Jamaica was among the eight nations (Barbados, Belize, Dominica, Guyana, Jamaica, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago) whose leaders met in Kingston on 9 June 2003 to ratify a treaty to establish the Caribbean Court of Justice (CCJ), which was inaugurated on 16 April 2005 in Port of Spain, Trinidad and Tobago. It has been established as an attempt to ensure autonomy of judicial determinations in the region in order to complete the process of independence, to inspire confidence, and to ensure voluntary compliance, freeing the justice system from political manipulation.

### 17 ARMED FORCES

The Jamaica Defense Force assumed responsibility for the defense of Jamaica following the withdrawal of British forces in 1962. The total defense force in 2005 numbered 2,830 active personnel with 953 reservists. The Army accounted for 2,500 personnel, the Coast



Guard 190, and the air wing 140. In 2005, the defense budget totaled \$57.5 million.

## 18 INTERNATIONAL COOPERATION

Jamaica was admitted to the United Nations on 18 September 1962 and is a member of ECLAC and several nonregional specialized agencies, including the FAO, IAEA, ILO, IMF, UNESCO, UNIDO, WHO, and the World Bank. Jamaica served on the UN Security Council from 2000–01. Although Jamaica remains a member of the Commonwealth of Nations, the country's political, social, and economic ties have shifted toward participation in Latin American, Caribbean, and third-world international organizations. International memberships includes the ACP Group, CARICOM, the Caribbean Development Bank, G-15, G-77, the Alliance of Small Island States (AOSIS), Latin American Economic System (LAES), the Association of Caribbean States (ACS), and OAS.

Jamaica is a member of the Nonaligned Movement and a part of the Organization for the Prohibition of Chemical Weapons and the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL).

In environmental cooperation, Jamaica is part of the Convention on Biological Diversity, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The structure of the Jamaican economy has undergone extensive changes since 1945, when it was primarily dependent on tropical agricultural products such as sugar, bananas, coffee, and cocoa. The island has since become one of the world's largest producers of bauxite, though the industry suffered severely in the 1980s from high local costs and low world prices. It has also developed into a major tourist center for North Americans. Since 1983, tourism has been Jamaica's primary foreign exchange earner.

The underlying weaknesses of Jamaica's economy (including unemployment, underemployment, and unequal distribution of income) have revealed themselves as the market for bauxite has weakened. During 1972–80, production and foreign sales of bauxite, sugar, and bananas declined; tourism dropped because of rising social unrest; investor confidence waned; and consumer prices (1975–81) increased by 325%. With the change of administration in both Jamaica and the United States during 1980–81, more than \$1 billion in IMF and other credits became available. This was enough to extricate the country from its immediate payments crisis, but weak growth continued through 1986, when per capita income was 5.6% less than in 1981.

This trend of declining growth performance continued in the 1990s as the country experienced negative growth, for the first time in nearly a decade, declining by 1.5% in 1996. Underlying this performance was a marked deterioration in manufacturing and construction which declined by 2% and 3%, respectively, and the surfacing of severe problems in the financial sector. Significant among industries showing decline was the apparel industry, second only to bauxite and aluminum in terms of export earnings, resulting in a 5% drop in apparel exports in January–October 1996, compared to the same period of 1995. This marked a reversal of the progress for this sector, which experienced 22% growth dur-

ing the same period of 1995. Competition from NAFTA caused many garment manufacturers to close, and thousands of workers to go jobless.

Following the financial crisis of 1995/96, the Jamaican government adopted tight money policies to bring down inflation, which had peaked at 80% in 1992. At 15.8% in 1995/96, inflation fell to 8.8% in 1997/98, and has remained in single digits since. However, 1997/98 was also the first of three consecutive years of contraction in part attributable to the government's financial stabilization policies. Real GDP decreased 0.4% in 1998/99 and 0.1% in 1999/2000, while inflation averaged 7.7% a year. In June 2000, the government agreed to a staff-monitored program (SMP) with the IMF for 2001/02 designed to reduce Jamaica's heavy debt servicing burden and increase the country's attractiveness for foreign investment. In 2000/01 growth returned at a weak level of 1.1%, and continued at the same low level in 2001/02 as export demand weakened and tourism declined in the global economic slowdown in 2001 and in the aftermath of the 11 September 2001 terrorist attacks in the United States. Remittances to Jamaica from expatriates accounted for 13.6% of GDP in 2001. In 2002 and 2003 Jamaica was one of 23 countries on the US government's "Majors" list for being certified as a major illicit drug producer and/or drug transit country.

In 2004, the GDP growth rate was 1.3%, down from 2.3% in 2003; the economy was expected to recover in 2005, and expand by 3.3%. Inflation was on an upward spiral, expected to grow to 14.3% in 2005, from 13.6% in 2004, and 10.3% in 2003. The unemployment rate seemed to have been brought under control at around 11%.

Civil unrest, fueled by gang violence and drug wars, as well as damages caused by Hurricane Ivan hampered the governments attempts of achieving fiscal discipline and economic growth in 2004.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Jamaica's gross domestic product (GDP) was estimated at \$11.7 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$4,300. The annual growth rate of GDP was estimated at 3.2%. The average inflation rate in 2005 was 14.9%. It was estimated that agriculture accounted for 4.9% of GDP, industry 33.8%, and services 61.3%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.398 billion or about \$529 per capita and accounted for approximately 18.6% of GDP. Foreign aid receipts amounted to \$3 million or about \$1 per capita and accounted for approximately 0.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Jamaica totaled \$5.98 billion or about \$2,264 per capita based on a GDP of \$7.5 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at

an average annual rate of 7.4%. In 2001 it was estimated that approximately 24% of household consumption was spent on food, 3% on fuel, 1% on health care, and 9% on education. It was estimated that in 2002 about 19.7% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

Jamaica's labor force in 2005 was estimated at 1.2 million. As of 2003, agriculture accounted for 20.1%, with industry at 16.6%, and the services sector at 63.4%. The nation's unemployment rate in 2005 was estimated at 11.5%.

The right to unionize is protected by law, and union membership accounted for 15% of those employed. The two major trade unions are closely identified with the country's two main political parties: the National Workers' Union with the PNP and the Bustamante Industrial Trade Union with the JLP. The Trade Union Congress is a third major union. The ability to strike is neither authorized nor prohibited by law and strikes do occur. The government rarely interferes with union organizing or bargaining efforts and it effectively enforces laws which prohibit discriminating against workers for their union activities.

Labor legislation covers such items as national insurance, employment of nationals, hours of work, minimum wages, employment of women and youths, apprenticeship, and welfare (workers' compensation and factory conditions). The industrial workweek is generally eight hours a day for five days with mandatory overtime pay for work in excess of eight hours. Hours in agriculture and some of the service industries vary, but are usually longer. The minimum wage was US\$30 per week in 2002, but most salaried workers earn more than the minimum.

## 2<sup>2</sup> AGRICULTURE

Jamaican agriculture accounts for about 7% of GDP, less than in most developing countries. Agriculture (together with forestry and fisheries) is the third-largest foreign exchange earner and the second-largest employer of labor. Attempts to offset the serious price and production problems of traditional agricultural exports by encouraging production of winter vegetables, fruits, and flowers have had limited success. Vegetable and melon production in 2004 amounted to 196,500 tons; principal varieties include pumpkin, carrot, cabbage, tomato, callaloo, and cucumber. Production of other crop groups (with leading varieties) in 2004 included: pulses (red peas, peanut, gungo peas), 5,050 tons; fruits (papaya, pineapple, watermelon), 464,404 tons; cereals (corn, rice), 1,105 tons; and roots and tubers (yams, potatoes, plantains), 212,500 tons.

Sugar, the leading export crop, is produced mainly on plantations organized around modern sugar factories that also buy cane from independent growers. Raw sugar production in 2004 was estimated at 181,042 tons, down from 290,000 tons in 1978.

Sugar is Jamaica's largest agricultural export, earning \$84.9 million in 2004. Sugar is also used for the production of molasses (78,884 tons in 2004) and rum (24.7 million liters in 2004). Banana production in 2004 was 1250,000 tons. Other major export crops in 2004 included cocoa, and coffee. Blue Mountain coffee, which is primarily exported to Japan, brings in some \$12 million annually in foreign exchange earnings. Jamaica also exports coconuts, pimientos, citrus fruits, ginger, tobacco, yams, papayas,

dasheens, peppers, and cut flowers. Jamaica exported \$266.2 million and imported \$438.4 million in agricultural products during 2004.

The island's food needs are met only in part by domestic production, and foodstuffs are a major import item. The main food crops, grown primarily by small cultivators, are sweet potatoes and yams, rice, potatoes, manioc, tomatoes, and beans. Jamaica is a major producer of marijuana, which, however, remains illegal. The government participates in a US-funded campaign to eradicate marijuana trading.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Livestock has long been important in Jamaica's agricultural life, providing both fertilizer and protein for the local diet. Despite increases in the livestock population and in the production of meat, milk, and poultry, increased demand has resulted in continued imports of livestock products. Livestock holdings in 2005 included some 430,000 head of cattle, 440,000 goats, and 85,000 hogs. Livestock products in 2005 included 102,900 tons of meat (80% poultry) and 28,500 tons of cow's milk.

## 2<sup>4</sup> FISHING

The fishing industry grew during the 1980s, primarily from the focus on inland fishing. Whereas the inland catch in 1982 was 129 tons, by 2003 it had risen to 3,013 tons. Nevertheless, imports exceeded exports by \$31.3 million in 2003 to meet domestic needs. The total catch in 2003 was 11,671 tons.

## 2<sup>5</sup> FORESTRY

By the late 1980s, only 185,000 hectares (457,000 acres) of Jamaica's original 1,000,000 hectares (2,500,000 acres) of forest remained. Roundwood production increased from 55,000 cu m (1.9 million cu ft) in 1981 to 220,000 cu m (7.8 million cu ft) in 1988 and to 852,500 cu m (30 million cu ft) in 2004. About 67% of the timber cut in 2004 was used as fuel wood. The Forestry Department began a reforestation program in 1963 that was scheduled to last for 30 years; the target was to plant 1,200 hectares (3,000 acres) of timber a year. During the 1990s, reforestation averaged 5,000 hectares (12,300 acres) a year.

## 2<sup>6</sup> MINING

Jamaica in 2003 was a leading producer of alumina, with 3.844 million tons, as well as of bauxite, with 13.444 million tons, gross weight dry equivalent. In 2003 Jamaica's alumina plants were operating at near full capacity. The country's bauxite ores were expected to last 100 years.

In 2003, Jamaica produced 248,558 metric tons of gypsum, up from 164,880 metric tons in 2002. Output of lime totaled 275,763 metric tons in 2003. Quality marble was found in the Blue Mountains, and silica sand, limestone, clays, salt, hydraulic cement, marl and fill, and sand and gravel were also exploited. Australia's Ausjam Mining began the first recorded gold-mining operation in Jamaica in 2000, at the Pennants gold mine, in Clarendon Parish. In 2003, the mine produced 277 kg of gold and 98 kg of silver. However, low ore grades and labor union demands forced Ausjam to close Pennants in December 2003.

## 27 ENERGY AND POWER

Jamaica has no coal deposits proven reserves of oil, or natural gas, and very little hydroelectric potential.

Electricity is the main source of power and is almost all generated by steam from oil-burning plants. In 2002, Jamaica's electric power generating capacity stood at 1.398 million kW, of which conventional thermal accounted for 1.398 million kW of capacity and hydropower at 0.023 million kW. The total amount of electricity generated by public and private sources in 2002 totaled 6.524 billion kWh, of which 6.334 billion kWh came from conventional thermal sources and 0.093 billion kWh came from hydroelectric sources. Geothermal and other sources accounted for 0.097 billion kWh. Consumption of electricity in 2002 came to 6.067 billion kWh. As of 2002, blackouts still occurred from lack of capacity. Some large enterprises, such as the bauxite companies, and the sugar estates generate their own electricity. In 2001, US-based Mirant Corporation acquired 80% of the Jamaica Public Service Company, which had been government owned.

In 2001, Jamaica stated its intention to start replacing fuel oil with natural gas as the primary energy source for its power plants and for the bauxite and alumina industry. Although Jamaica has made a few ventures into alternative sources of energy, these are still minor relative to overall demand.

In 2002, Jamaica's imports of refined and crude oil products averaged 67,860 barrels per day, with total demand for refined products averaging 67,780 barrels per day.

Imports and consumption of coal in 2002 each came to 97,000 short tons.

## 28 INDUSTRY

In 1996, the production of bauxite and aluminum, the leading export commodities, bounced back from a sharp decline in 1995, but the growth of earnings was dampened by soft conditions in aluminum markets. While bauxite and aluminum output grew by 8.9% and exports of ore and aluminum grew by 9.5%, the value added by mining and quarrying, which consists overwhelmingly of these products, grew by only 2%. In 2001, production of bauxite reached its highest level in 20 years. Alumina production fell by 1% that year, due to the 11 September 2001 terrorist attacks on the United States and the temporary closure of the JAMALCO Halse Hall aluminum plant due to workers' action in October 2001.

Construction was seen as a growth sector in 2002, as was food processing (particularly poultry meat production and condensed milk). Jamaica has an oil refinery with a production capacity of 34,000 barrels per day in 2002.

Industry made up 32.7% of the economy in 2004, and it employed 16.6% of the labor force; agriculture contributed only 6.1% to the economy, but it employed a fifth of the working population; services came in first with 61.3% and 63.4% respectively.

## 29 SCIENCE AND TECHNOLOGY

Learned societies include the Jamaica Institution of Engineers and the Medical Association of Jamaica, both in Kingston, and the Jamaican Association of Sugar Technologists, in Mandeville. Research institutions include the Caribbean Food and Nutrition Institute, in Kingston, and the Sugar Industry Research Institute, in Mandeville. The Scientific Research Council, located in Kingston

and founded in 1960, coordinates research efforts in Jamaica. The University of the West Indies, with a campus in Mona, has faculties of medical sciences and natural sciences. An agricultural college is located in Portland. The College of Arts, Science and Technology, founded in 1958, is located in Kingston, and the College of Agriculture, founded in 1982, is located in Portland. In 1986, the Scientific Research Council had 18 scientists and engineers and 15 technicians engaged in research and development (R&D). In 1987-97, science and engineering students accounted for 64% of college and university enrollments. In 2002, high technology exports were valued at \$1 million. For that same year, R&D spending totaled \$7.843 million, or 0.08% of GDP.

## 30 DOMESTIC TRADE

Imports normally account for about one third of the goods distributed and importing is in the hands of a relatively small number of firms. Competition is limited by the acquisition of import licenses and profit margins are high. Many importers function as wholesalers and also have retail outlets. Locally produced consumer goods often are marketed through the same firms.

Retail outlets range from supermarkets and department stores, in the urban areas, to small general stores and itinerant merchants, in the rural regions. Purchases tend to be made in small quantities. Newspapers, radio, and television are the main advertising media.

Shops open weekdays between 8 and 9 AM; large stores generally close at 4:30 or 5 PM, with an early closing one day a week. Food stores, drugstores, and family enterprises, however, often remain open until 9 PM or later. Most commercial establishments also have Saturday hours. They are generally closed on Sundays. Banks are normally open on weekdays from 9 AM to 2 PM.

## 31 FOREIGN TRADE

Since the discovery of bauxite deposits in the 1950s, Jamaica has become increasingly active in international trade and has gradually loosened its ties to the Commonwealth and increased commercial contacts with North America and the Caribbean. On the supply side, the Jamaican government is committed to attracting foreign investment; and on the demand side, Jamaica is a consumer

### Principal Trading Partners – Jamaica (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,104.1	3,543.1	-2,439.0
United States	313.0	1,525.6	-1,212.6
Canada	156.9	112.6	44.3
Netherlands	135.2	24.1	111.1
United Kingdom	122.5	129.7	-7.2
Norway	93.3	...	93.3
China	43.7	60.4	-16.7
France-Monaco	41.8	22.2	19.6
Japan	28.6	214.9	-186.3
Ghana	24.0	...	24.0
Sweden	21.9	78.6	-56.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

oriented country that produces very little of its major necessities. The United States supplies at least 50% of Jamaica's food needs, but two-thirds of all tourists come from the United States. Jamaica has never recorded a visible trade surplus. In February 1991, the government implemented the CARICOM Common External Tariff (CET), creating the first customs union in the Caribbean.

This island's most lucrative exports are alumina and bauxite (56%), while the garment industry comes second (11%). Sugar (6.4%), rum (4.4%), and fruits (bananas) and nuts (2.5%) are the important agricultural products.

In 2004, exports reached \$1.7 billion (FOB—Free on Board), while imports grew to \$3.6 billion (FOB). The bulk of exports went to the United States (17.4%), Canada (14.8%), France (13%), China (10.5%), the United Kingdom (8.7%), the Netherlands (7.5%), Norway (6%), and Germany (5.9%). Imports included food and other consumer goods, industrial supplies, fuel, parts and accessories of capital goods, machinery and transport equipment, and construction materials, and mainly came from the United States (38.7%), Trinidad and Tobago (13.2%), France (5.6%), and Japan (4.7%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Balance-of-payments deficits in the 1960s and early 1970s were directly related to the growth of the Jamaican economy and to increased imports of capital goods and raw materials. Later in the 1970s, however, the continued deficits were symptomatic of a weakened economy, declining exports, and the flight of capital. The payments picture brightened somewhat in the first half of the 1980s (despite rising debt payments and the downturn of bauxite exports), as income from tourism and remittances from Jamaicans abroad rose, while substantial international assistance enabled Jamaica to meet its payments obligations. In the 1990s, a favorable balance of payments was aided by increased tourism inflows, reduced capital outflows, significant improvement in the

agricultural sector, stability in the foreign exchange rate, and the improved economic strength of the United States, Jamaica's major trading partner. The 11 September 2001 terrorist attacks on the United States negatively impacted Jamaica's balance of payments situation, which had improved in 2000.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Jamaica's exports was \$1.6 billion while imports totaled \$3.1 billion resulting in a trade deficit of \$1.5 billion.

The International Monetary Fund (IMF) reported that in 2001 Jamaica had exports of goods totaling \$1.45 billion and imports totaling \$3.07 billion. The services credit totaled \$1.9 billion and debit \$1.52 billion.

Exports of goods and services reached \$1.6 billion in 2004, up from \$1.4 billion in 2003. Imports grew from \$3.3 billion in 2003 to \$3.5 billion in 2004. The resource balance was consequently negative in both years, hovering at around -\$1.9 billion. The current account balance was also negative, slightly improving from -\$773 million in 2003, to -\$509 million in 2004. Foreign exchange reserves (excluding gold) grew to \$1.8 billion in 2004, covering more than six months of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

The Bank of Jamaica, the central bank, acts as the government's banker and is authorized to act as agent for the government in the management of the public debt. It also issues and redeems currency, administers Jamaica's external reserves, oversees private banks, and influences the volume and conditions of the supply of credit. Financial institutions in Jamaica in 2002 included 6 commercial banks, 11 merchant banks, 2 development banks, and 59 credit unions. The financial sector accounted for 15% of GDP in 2002. Total bank assets amounted to \$5.14 billion in 2001. Commercial banks include the Bank of Nova Scotia, Citibank, Union Bank, CIBC, National Commerce Bank, and Trafalgar Commercial Bank.

Various measures were introduced to restructure the liquidity profile of the banking system. In July 1992, in an attempt to reduce domestic credit and curb inflation, the minimum liquid assets ratio of the commercial banks was raised to 50% (it had been 20% in April 1991). The measure appeared to have been successful and the inflation rate fell until May 1993. However, the first half of 1994 saw a rise in the inflation rate, reflecting the government's price liberalization policies. This was contained by sustained tight monetary and fiscal policy. Reduced interest rates stimulated rapid growth in domestic credit, however, and in 1995 money supply grew by 38.5%.

Economic instability which emerged during 1995–96 brought into focus the relationship between the central bank and the government, and in particular, the destabilizing impact of the government's drawdown of its deposits. The government has since recommended that the central bank be given greater autonomy, and transferred its operational revenue and expenditure accounts from the central bank to commercial banks. It also froze the aggregate balance in the Bank of Jamaica at the September 1995 level in an attempt to minimize any expansionist effect of fiscal operations on money supply.

The lack of confidence in the financial sector was underlined in October 1996 when further rumors of a liquidity crisis led to a

#### Balance of Payments – Jamaica (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-761.4</b>
Balance on goods		-1,943.8	
Imports	-3,329.4		
Exports	1,385.6		
Balance on services		564.7	
Balance on income		-571.4	
Current transfers		1,189.1	
<b>Capital Account</b>			<b>0.1</b>
<b>Financial Account</b>			<b>312.1</b>
Direct investment abroad		-116.3	
Direct investment in Jamaica		720.7	
Portfolio investment assets		-1,105.2	
Portfolio investment liabilities		819.6	
Financial derivatives		...	
Other investment assets		-308.8	
Other investment liabilities		302.1	
<b>Net Errors and Omissions</b>			<b>14.1</b>
<b>Reserves and Related Items</b>			<b>435.1</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

run on Jamaica's fourth-largest financial institution, the Citizen's Bank. Despite the bank's relatively healthy assets position, hundreds of depositors were prompted to withdraw their assets over a three-day period. Following the announcement of record losses of \$24.6 million at the National Commercial Bank (NCB) group in the nine months prior to June 1996, it was confirmed that the National Security Bank (NSB) and Mutual Security Bank (MSB), both subsidiaries of the NCG group, were to merge their operations, thus creating the island's largest commercial bank. The extent of the drain upon public finances caused by the precarious state of the financial sector became clear in mid-February 1997, when it was reported that net advances by the Bank of Jamaica to financial institutions had risen by \$17.4 million in January alone. Several financial institutions had become dependent upon the government to solve their liquidity problems.

In January 1997, the government established the Financial Sector Adjustment Company (FINSAC) to rescue the ailing financial sector. By 1998, FINSAC had already spent \$2.3 billion on the restructuring project, with annual debt financing amounting to approximately \$170 million. In order to pay for its operations, FINSAC sold shares in the Canadian Imperial Bank of Commerce, and merged Citizens, Eagle, and Island Victoria commercial banks into one entity called Union Bank. Laws were instituted to improve the solvency of Jamaican banks. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.2 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$3.5 billion.

In September 1968 the Jamaican Stock Exchange was incorporated. Jamaica's security market merged with the stock markets in Barbados and Trinidad and Tobago in 1989. As of 2004, a total of 38 companies were listed on the Jamaica Stock Exchange (JSE), which had a market capitalization in the year of \$14.415 billion. In 2004, the JSE rose 66.7% from the previous year to 112,655.5.

### 3<sup>4</sup> INSURANCE

Insurance companies in Jamaica are regulated by law through the Office of the Superintendent of Insurance of the Ministry of Finance. Major life insurance companies operating in Jamaica in 2003 were Life of Jamaica, Scotia Life, and Blue Cross. General insurance companies included United General, NEM, Dyoll, and the Insurance Co. of the West Indies. In 2003, direct insurance premiums written totaled us\$410 million. In Jamaica, third-party auto liability and workers' compensation are compulsory.

### 3<sup>5</sup> PUBLIC FINANCE

Debt servicing accounts for about 62% of the fiscal budget, which limits economic expansion. Privatization of public entities has been one of the strategies used by the government to reduce the budget deficit. In 2001, the government raised \$3.6 billion in new sovereign debt in both local and international financial markets, and used it to meet its US dollar debt obligations, quell rampant liquidity in order to maintain the exchange rate, and partially fund that current year's budget deficit.

The US Central Intelligence Agency (CIA) estimated that in 2005 Jamaica's central government took in revenues of approximately us\$3.2 billion and had expenditures of us\$3.3 billion. Rev-

### Public Finance – Jamaica (2003)

(In millions of Jamaican dollars, budgetary central government figures)

Revenue and Grants	131,088	100.0%
Tax revenue	...	...
Social contributions	...	...
Grants	...	...
Other revenue	...	...
<b>Expenditures</b>	<b>185,422</b>	<b>98.6%</b>
General public services	107,590	58.0%
Defense	3,244	1.7%
Public order and safety	13,776	7.4%
Economic affairs	8,857	4.8%
Environmental protection	368	0.2%
Housing and community amenities	3,460	1.9%
Health	11,763	6.3%
Recreational, culture, and religion	...	...
Education	29,184	15.7%
Social protection	4,589	2.5%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

enues minus expenditures totaled approximately -us\$105 million. Public debt in 2005 amounted to 127.5% of GDP. Total external debt was us\$6.792 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, budgetary central government revenues in millions of Jamaican dollars were 131,088 and expenditures were 185,422. The value of revenues in millions of US dollars was \$2,270 and expenditures \$3,160, based on a market exchange rate for 2003 of 57.741 as reported by the IMF. Government outlays by function were as follows: general public services, 58.0%; defense, 1.7%; public order and safety, 7.4%; economic affairs, 4.8%; environmental protection, 0.2%; housing and community amenities, 1.9%; health, 6.3%; education, 15.7%; and social protection, 2.5%.

### 3<sup>6</sup> TAXATION

In 2005, there was a single individual income tax rate of 25% on all income over \$120,432 (up from \$50,544 in 1996). Income tax deductions include allowances for social security, retirement fund contributions, and charitable contributions. Personal allowances and deductions for medical expenses, insurance premiums, and mortgage interest are no longer applicable.

There is a single 33.33% tax on all companies except building societies which pay 30%. Life insurance companies pay a 15% rate on investment income and a 3% rate on their premium income. Special depreciation allowances, income tax incentives, and other benefits are still available. Other direct taxes include a bauxite production levy, transfer taxes, stamp duties, travel tax, duties on estates, and motor vehicle licenses. Tax reductions and exemptions are offered as incentives to hotel and resort developers, and to export manufacturers. Jamaica does not levy a tax on capital gains.

The main indirect tax is Jamaica's General Consumption Tax (GCT) with a standard rate of 16.5% on most goods and services. A higher rate of 20% applies to telephone calls. Zero-rated or exempt items include foodstuffs, raw materials, capital goods, books,

and school uniforms. The government is seeking to narrow the scope of goods that are zero-rated or exempt from the GCT. Other indirect taxes include customs on betting, gambling and lotteries, and excise duties.

The main source of local revenue is a property tax based on the unimproved value of the land.

### 37 CUSTOMS AND DUTIES

The importance of customs duties as a major source of government income is declining and most imports are duty-free. The remaining duties on imports from non-CARICOM nations range from 0–20% under the CARICOM common external tariff (CET). In addition, a stamp duty is levied on motor vehicles, alcohol, and tobacco, in addition to a special consumption tax. Most imported items are subject to the 16.5% GCT and is based upon cost, insurance, freight (CIF) plus duty. Special rates or exemptions on dutiable imports apply to goods from members of CARICOM and signatories of the Lomé Convention.

Licenses are required for imports of certain durable and non-durable consumer goods. License applications are reviewed by the Trade Board. Most capital goods and raw materials do not require import licenses. Jamaica has three free trade zones: the Kingston Export Free Zone, the Montego Bay Export Free Zone, and Garmex.

### 38 FOREIGN INVESTMENT

Foreign investment in Jamaica has accounted for a large part of the capital formation of the post-1945 period. Until the early 1960s, new US and Canadian capital was invested heavily in the bauxite industry. Capital investment in bauxite and aluminum then tapered off, but investment increased in other industries as a result of a vigorous campaign by the government. Starting in 1972, however, capital investments in the private sector fell substantially. After 1980, the JLP government of Prime Minister Seaga had some success attracting foreign capital, but then the economic downturn of the mid-1980s again produced a decline in foreign investment. By early 1987, when 120 US companies operated in Jamaica, cumulative US investment, excluding the bauxite industry, was over \$1 billion. There are no statutory restrictions on sectors open to foreign investment, but in practice most service industries are reserved for Jamaicans.

Increased investment, particularly in the private sector, has been identified by the government as an essential factor in the strategy for reviving and sustaining the economy. Government has therefore continued and initiated actions that are intended to encourage investment in a number of areas such as those that generate foreign exchange, utilize domestic raw materials, and generate employment. The government offers a wide range of incentives, including tax holidays up to a maximum of 10 years and duty-free concessions on raw materials and capital goods for approved incentive periods. There are in existence several acts that provide major benefits for foreign investors, such as the Industrial Incentives Act, the Export Industries Encouragement Act, and the Hotel Incentives Act. Additionally, since the liberalization of exchange controls in September 1991, investors are free to repatriate without prior approval from the Bank of Jamaica.

The United States continues to play a leading role in foreign investment. In late 1996, a US firm acquired control of Jamaica's

only flour manufacturer, Jamaica Flour Mills, for \$35 million. In 1997, the Financial Sector Adjustment Company privatized a large number of companies in order to support the country's financial sector.

Annual foreign direct investment (FDI) inflows into Jamaica in 1999 reached \$523 million, more than double the inflow in 1997 of \$203 million, but then fell to \$471 million in 2000. In 2001, FDI inflow rose to \$722 million. In the period 1998 to 2000, Jamaica's share of world FDI inflows was almost twice its share of world GDP (170%).

Major sources of foreign investment have been, in order, the United States, Colombia, Canada, and the United Kingdom. About half of foreign investment has gone into agriculture, 20% into films, 8% into manufacturing, 7% into the garments and textiles industry, and 5% each into tourism and information processing.

### 39 ECONOMIC DEVELOPMENT

Since assuming office in 1992, Prime Minister Patterson has consolidated the market-oriented reforms initiated by his predecessor, Michael Manley, to make Jamaica a regional leader in economic reform. Patterson has eliminated most price controls, streamlined tax schedules, and privatized government enterprises. Tight monetary and fiscal policies under an International Monetary Fund (IMF) program have helped slow inflation and stabilize the exchange rate, but, as a result, economic growth has slowed and unemployment remains high. Jamaica's medium-term prospects depend largely on its ability to continue to attract foreign capital and limit speculation against the Jamaican dollar.

Inevitably, the contraction of economic output impacted adversely on the employment situation. The reduced performance of the traditionally labor-intensive apparel industry contributed significantly to rising unemployment as some 7,000 jobs, amounting to 25% of the employment in the industry, were lost. Along with job losses in the financial sector and other sectors, 1996 witnessed overall losses of employment amounting to 10% of the labor force and rising unemployment above the 20% mark. The unemployment rate was 16% in 2000. Problems in the financial sector continued in the new millennium, disturbing economic development.

Inflation fell from 25% in 1995 to 7% in 2001. Low levels of investment have hampered economic development. The government offers an extensive array of incentives to investors, however, including tax holidays and duty-free access for machinery and raw materials imported for certain enterprises. The government aims to encourage economic growth by stimulating growth in tourism, pursuing increased privatization, restructuring the financial sector, and lowering interest rates. The 11 September 2001 terrorist attacks on the United States and heavy floods that November and in May 2002 hurt the tourist industry in 2002–03. Government expenditures for tourist promotion, flood relief, and wages resulted in a less-than-expected lowering of the public debt. In 2002, the public debt stood at 129% of GDP. The government's monetary policy was tight in 2002, to keep inflation in single digits. The government put forth efforts to fight crime, improve infrastructure, and strengthen the competitiveness of the economy.

The Jamaican economy has failed to recover as quickly as expected from the floods produced by Hurricane Ivan in 2004. In addition, poor weather conditions in 2005 have negatively im-

pacted the agriculture sector and seriously decreased tourist numbers. At the same time, the mining industry has suffered capacity constraints. The economy is expected to recover in 2006 however, due to investments in the tourist industry and in mining. Remittances from abroad will encourage private consumption, which will most likely lead to an increase in imports.

#### 40 SOCIAL DEVELOPMENT

A social insurance system was first put in place in 1958 for sugar workers, and has been most recently updated in 2003 covering all employed and self-employed workers. Benefits are available for old age and disability, healthcare and maternity, workers' compensation, widows' and widowers' pensions, and grants. The program is financed by contributions from employers and employees. The government contributes as an employer. Maternity benefits amount to the minimum weekly wage for eight weeks. Workers' medical benefits include all necessary medical, surgical and rehabilitative treatment.

Jamaican women are guaranteed full equality under the constitution and the Employment Act, but cultural traditions, economic discrimination, and workplace sexual harassment prevent them from achieving it. Violence against women is widespread. The domestic violence law provides for restraining orders and other measures to combat spousal abuses. The government is committed to improving children's welfare. However, children are often forced to work due to economic hardship.

While Jamaica's human rights record has improved in recent years, serious abuses continue to occur. A major problem is lack of police accountability for human rights violations. Prison conditions are poor, but are open to inspection by international human rights organizations. Crime is a serious social problem.

#### 41 HEALTH

The central government has traditionally provided most medical services in Jamaica through the Ministry of Health. The National Health Services Act of 1997 authorized the decentralization of the health care system through the creation of regional health authorities and the restructuring of the national Ministry of Health. In 1996, the island had 364 government-operated primary health centers offering five levels of service. There are 23 public and nine small private hospitals. There were an estimated 85 physicians, 165 nurses, and 8 dentists per 100,000 people in 2004. Health care expenditure was estimated at 5.5% of GDP.

The government conducts a broad public health program, involving epidemic control, health education, industrial health protection, and campaigns against tuberculosis, venereal diseases, yaws, and malaria. These programs have brought about a significant decrease in the death rate. As of 2002 the death rate was estimated at 5.5 per 1,000 people. The infant mortality rate was 16.33 per 1,000 live births in 2005. Tuberculosis, hookworm, and venereal diseases remain the most prevalent diseases. Approximately 7% of Jamaica's children under five years old were considered malnourished and an estimated 11% of births were low birth weight. In 2000, 71% of the population had access to safe drinking water and 84% had adequate sanitation. Life expectancy averaged 73.33 years in 2005. The maternal mortality rate was 120 per 100,000 live births in 1998.

The HIV/AIDS prevalence was 1.20 per 100 adults in 2003. As of 2004, there were approximately 22,000 people living with HIV/AIDS in the country. There were an estimated 900 deaths from AIDS in 2003.

Heterosexual transmission predominates.

#### 42 HOUSING

Housing is one of the government's most pressing problems. While middle- and upper-income housing is comparable to that in neighboring areas of North America, facilities for low-income groups are poor by any standard. The problem has been aggravated by constant migration from the rural areas to the cities, causing the growth of urban slums. Most new urban housing is built of cinder block and steel on the peripheries of the cities. Rural housing is primarily built of wood and roofed with zinc sheeting. Squatter settlements surround the major cities of Jamaica. According to the 2001 census figures, there were 723,343 occupied private dwellings with an average of 3.6 people per household. About 137,900 housing units were added from 1991–2001.

#### 43 EDUCATION

Education is compulsory for six years of primary education. At the secondary level, there are two stages, one of three years and one of two. After this, students may enter a two-year program known as sixth form, which leads to completion of the Caribbean Examinations Council Secondary Education Certificate. In 2001, about 87% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 95% of age-eligible students. The same year, secondary school enrollment was about 75% of age-eligible students. The student-to-teacher ratio for primary school was at about 30:1 in 2003.

The University of the West Indies, founded in 1948 as the University College of the West Indies, achieved full university status in 1962 and serves all British Commonwealth Caribbean territories. There are faculties of arts, natural sciences, education, general studies, medicine, law, library studies, management studies, public administration, and social work at Jamaica's Mona campus; arts, natural sciences, social sciences, agriculture, engineering, international relations, and management studies at St. Augustine in Trinidad; and arts and natural sciences in Barbados. Higher technical education is provided at the College of Arts, Science, and Technology. Jamaica also has a school of agriculture, several teacher-training colleges and community colleges, and an automotive training school. In 2003, about 17% of the tertiary age population were enrolled in some type of higher education program, with 10% for men and 25% for women.

The Jamaica Movement for the Advancement of Literacy Foundation, known as JAMAL (formerly the National Literacy Board), has reached more than 100,000 students since its founding in 1972. The adult literacy rate for 2004 was estimated at about 87.6%, with 83.8% for men and 91.4% for women. As of 2003, public expenditure on education was estimated at 4.9% of GDP, or 9.5% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The Jamaica Library Service provides free public library programs throughout the island and assists the Ministry of Education in sup-

plying books to primary-school libraries. The book stock of the Public Library Service totals about 2,666,000 volumes, 1,473,000 in schools and 1,193,000 in parish libraries. There are nearly 700 service points, including parish and branch libraries, book centers, and 14 bookmobiles. There are 507,000 volumes at the Mona campus of the University of the West Indies. The National Library in Kingston was established in 1979 and holds over 46,000 books, as well as collections of maps, newspapers, manuscripts, photographs, posters, and calendars.

The Institute of Jamaica, in Kingston, has a notable collection of artifacts and materials relating to the West Indies, as well as a museum and exhibition galleries focusing on natural history, military, and maritime studies. The National Gallery of Art, the African-Caribbean Institute, and Jamaica Memory Bank are also part of the Institute of Jamaica. There is a museum celebrating the life, music, and accomplishments of Bob Marley in Kingston, while Spanish Town houses the Jamaican's People's Museum of Craft and Technology and the Old Kings House Archaeological Museum. There is a botanical garden and zoo at Hope, on the outskirts of Kingston.

#### 45 MEDIA

The Post and Telegraphs Department provides daily postal deliveries to all parts of the island and operates Jamaica's internal telegraph service. Jamaica International Telecommunications (JAMINTEL) provides five major international services: telephone, telegraph, television, telex, and leased circuits. Telephone service is provided by the privately owned Jamaica Telephone Co. All telephone exchanges are automatic. In 2003, there were an estimated 170 mainline telephones for every 1,000 people; about 168,000 people were on a waiting list for telephone service installation. The same year, there were approximately 535 mobile phones in use for every 1,000 people.

Jamaica has two major broadcasting companies. The Radio Jamaica Limited broadcasts 24 hours a day over both AM and FM bands; it also owns an extensive wire network. Television Jamaica Limited, with similar transmitting facilities, broadcasts FM radio and television programs. Both are privately owned. As of 2001 there were 13 radio station and 3 television stations. In 2003, there were an estimated 795 radios and 374 television sets for every 1,000 people. The same year, there were 53.9 personal computers for every 1,000 people and 228 of every 1,000 people had access to the Internet. There were 24 secure Internet servers in the country in 2004.

As of 2002, there were four daily newspapers, all privately owned. The morning *Jamaica Gleaner* (circulation about 259,000 in 2002) and the evening *Daily Star* (circulation 49,500) are published by the Gleaner Co., which also publishes the *Sunday Gleaner* (est. 950,000) and the *Thursday Star* (60,000), an overseas weekly. There are also a number of weeklies and monthlies, and in addition, several papers are published by religious groups.

The constitution of Jamaica provides for free expression, including the rights of free speech and press, and the government is said to respect these rights in practice.

#### 46 ORGANIZATIONS

The producers of the main export crops are organized into associations, and there are also organizations of small farmers. The

Jamaica Agricultural Society, founded in 1895, is concerned with agricultural and rural development and works closely with the government. The cooperative movement has grown rapidly since World War II. All cooperatives must register with the government and are subject to supervision. Savings and credit groups are the most numerous, followed by marketing organizations. Consumer cooperatives have had little success. Outside the agricultural sector, the chambers of commerce have long been the most important business groups.

Societies and associations for the study and advancement of various branches of science and medicine have developed. These include the Medical Association of Jamaica and the Science Research Council. There are several other professional associations as well.

A wide variety of national youth organizations are active, including the Girl Guides Association, Jamaican Guild of Undergraduate Students, Jamaica Youth for Christ, Jamaica Environmental Youth Network, League of Young Socialists of Jamaica, National Council of YMCA's of Jamaica, Peoples National Party Youth Organization, Scout Association of Jamaica, 4-H clubs, Student Christian Movement of Jamaica, and the Workers Party of Jamaica Youth League. There are a number of sports associations and clubs throughout the country.

International organizations with active chapters include Amnesty International, the Society of St. Vincent de Paul, Habitat for Humanity, the Salvation Army, the Red Cross, and UNITAS of Jamaica.

#### 47 TOURISM, TRAVEL, AND RECREATION

Jamaica is firmly established as a center for tourists, mainly from North America. Greatly expanded air facilities linking Jamaica to the United States, Canada, and Europe were mainly responsible for the increase in tourism during the 1960s. Rising fuel costs and a weak international economy, as well as intermittent political unrest, contributed to a slowdown in the growth rate of the industry in the 1970s; between 1980 and 1986, however, the number of tourists increased by 68%, and tourism has continued to grow since early 2000. Some 1,350,285 tourists visited the island of Jamaica in 2003, about 79% of whom came from North America. The 20,827 hotel rooms with 43,909 beds had a 58% occupancy rate. The average length of stay was six nights.

Major tourist areas are the resort centers of Montego Bay and Ocho Rios. Cricket is the national sport, and excellent golf and water-sports facilities are available. All visitors are required to have a valid passport and some countries require a visa. Citizens of the United States, Canada, and other Commonwealth countries may stay up to six months with other valid identification. All visitors must have an onward/return ticket and proof of sufficient funds for their stay.

The US Department of State estimated the 2005 daily expenses for staying in Jamaica at US\$223.

#### 48 FAMOUS JAMAICANS

Names associated with Jamaica's early history are those of Europeans or of little-known figures such as Cudjoe, chief of the Maroons, who led his people in guerrilla warfare against the English in the 18th century. George William Gordon (1820–65), hanged by the British as a traitor, was an advocate of more humane treatment



for blacks. Jamaica-born Marcus Garvey (1887–1940), who went to the United States in 1916, achieved fame as the founder of the ill-fated United Negro Improvement Association. In the mid-20th century, Jamaicans whose names have become known abroad have been largely political and literary figures. Sir (William) Alexander Bustamante (1894–1977), trade unionist, political leader, and former prime minister of Jamaica, and his cousin and political adversary, Norman Washington Manley (1893–1969), a Rhodes scholar and noted attorney, were leading political figures. More recently, Norman Manley's son Michael (1923–97), prime minister during 1972–80, and Edward Seaga (b.US, 1930), prime minister from 1980–89, have dominated Jamaica's political life. P.J. Patterson (b.1935) was prime minister from 1992–2006. Portia Simpson-Miller (b.1945) succeeded him in March 2006. The novelists Roger Mais (1905–55), Vic Reid (1913–87), and John Hearne (1926–94) built reputations in England, and the poet Claude McKay (1890–1948) played an important role in the black literary renaissance in the United States. Performer and composer Robert Nesta ("Bob") Marley (1945–81) became internationally famous and was instrumental in popularizing reggae music outside Jamaica.

#### 4<sup>9</sup> DEPENDENCIES

Jamaica has no territories or colonies.

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# MEXICO

United Mexican States  
*Estados Unidos Mexicanos*



**CAPITAL:** Mexico City (México)

**FLAG:** The national flag is a tricolor of green, white, and red vertical stripes; at the center of the white stripe, in brown and green, is an eagle with a snake in its beak, perched on a cactus.

**ANTHEM:** *Mexicanos, al grito de guerra (Mexicans, to the Cry of War).*

**MONETARY UNIT:** The peso (₱) is a paper currency of 100 centavos. There are coins of 1, 5, 10, 20, 50, 100, 500, 1,000, and 5,000 pesos and notes of 2,000, 5,000, 10,000, 20,000, 50,000, and 100,000 pesos. As of 1 January 1993, a new unit of currency (the new peso) was issued, worth 1,000 of the pesos that were used until 31 December 1992. ₱1 = \$0.09116 (or \$1 = ₱10.97) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some old Spanish units are still in use.

**HOLIDAYS:** New Year's Day, 1 January; Constitution Day, 5 February; Birthday of Benito Juárez, 21 March; Labor Day, 1 May; Anniversary of the Battle of Puebla (1862), 5 May; Opening of Congress and Presidential Address to the Nation, 1 September; Independence Day, 16 September; Columbus Day, 12 October; Revolution Day (1910), 20 November; Christmas, 25 December. Movable religious holidays include Holy Thursday, Good Friday, and Holy Saturday. All Souls' Day, 2 November, and Our Lady of Guadalupe Day, 12 December, are not statutory holidays but are widely celebrated.

**TIME:** 6 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated south of the United States on the North American continent, Mexico has an area of 1,972,550 sq km (761,606 sq mi), including many uninhabited islands off the E and W coasts, which have a combined area of 5,073 sq km (1,959 sq mi). Comparatively, the area occupied by Mexico is slightly less than three times the size of the state of Texas. Mexico extends about 3,200 km (2,000 mi) SSE–NNW and 1,060 km (660 mi) ENE–WSW. Bordered on the N by the United States, on the E by the Gulf of Mexico (including the Bay of Campeche), the Caribbean Sea, Belize, and Guatemala and on the S and W by the Pacific Ocean, Mexico has a total land boundary length of 4,353 km (2,704 mi) and a coastline of 9,330 km (5,797 mi).

Mexico's capital city, Mexico City, is located in the south central part of the country.

## <sup>2</sup>TOPOGRAPHY

Mexico's dominant geographic feature is the great highland central plateau, which occupies most of the width of the country, extending from the US border to the Isthmus of Tehuantepec. It averages 1,219 m (4,000 ft) in elevation in the north to over 2,438 m (8,000 ft) in the central part of the country. The plateau is enclosed by two high cordilleras (mountain chains), the Sierra Madre Oriental on the east and the Sierra Madre Occidental on the west, each separated from the coast by lowland plains. The ranges rise to over 3,000 m (10,000 ft), and some volcanic peaks exceed 5,000 m (16,400 ft); Pico de Orizaba, or Citlaltépetl (5,700 m/18,702 ft), Popocatepetl (5,452 m/17,887 ft), and Ixtaccíhuatl (5,286 m/17,342 ft) are the highest. The plateau falls to the low Isthmus

of Tehuantepec and then rises again to Chiapas Highland to the south. The lowlands of Tabasco, Campeche, and Yucatán lie north and east of Chiapas.

There are no important inland waterways. Except for the Río Grande (known as the Río Bravo del Norte in Mexico), which extends for about 2,100 km (1,300 m) of the boundary with the United States, and the Papaloapan, an important source of waterpower, the other rivers are short; they are the Lerma, Santiago, Usumacinta (part of the boundary with Guatemala), Grijalva, Balsas, Pánuco, and the Soto la Marina. The largest lake in Mexico is Lake Chapala, in Jalisco State, covering about 1,686 sq km (651 sq mi).

Located along the boundaries of the North American, Cocos, and Pacific tectonic plates, Mexico is part of the "Ring of Fire," a band of seismically active lands that surround the Pacific Ocean. One of the strongest earthquakes in history occurred in Michoacán on 19 September 1985. The 8.0 magnitude quake triggered deadly landslides and a tsunami with wave heights of up to 3 meters. The official death count was reported as about 9,500 people, with an additional 30,000 reported injuries. Another 8.0 magnitude quake occurred near the coast of Jalisco on 9 October 1995; though it was recorded as the largest earthquake of the year worldwide, only about 49 deaths were reported. A 7.6 magnitude earthquake in Colima on 22 January 2003 left about 29 dead, 300 injured, and 10,000 homeless.

## <sup>3</sup>CLIMATE

The climate varies according to altitude and rainfall. The tropical and subtropical zone (tierra caliente), ranging from sea level to about 900 m (3,000 ft), consists of the coastal plains, the Yuca-

tán Peninsula, and the lower areas of southern Mexico. These areas have a mean temperature of 25–27°C (77–81°F), with a minimum of 16°C (61°F) and a maximum of almost 49°C (120°F). The temperate zone (tierra templada), at elevations of 900–1,800 m (3,000–6,000 ft), has a temperate-to-warm climate and a mean temperature of 21°C (70°F). Mexico City and most other important population centers are in the cool zone (tierra fría), starting at about 1,800 m (6,000 ft), with a mean annual temperature of 17°C (63°F). The highest mountain peaks are always covered with snow.

Most of Mexico is deficient in rainfall, but two coastal belts covering about 12% of the total area—from Tampico south along the Gulf of Mexico and from the state of Colima south along the Pacific—receive an average of from 99–300 cm (39–118 in) per year. Annual rainfall may exceed 500 cm (200 in) in Tabasco and Chiapas, while in parts of Baja California, virtually no rain falls. Precipitation is adequate in central Mexico except at altitudes above 1,800 m (6,000 ft), while the northern states are semidesert or desert. Most of the country receives its heaviest rainfall during the summer months.

#### **4 FLORA AND FAUNA**

Plant and animal life differs sharply with Mexico's varied climate and topography. The coastal plains are covered with a tropical rain forest, which merges into subtropical and temperate growth as the plateau is ascended. In the northern states there is a dry steppe vegetation, with desert flora over much of the area. Oaks and conifers are found in mixed forest regions along the mountain slopes. The Yucatán Peninsula has a scrubby vegetation.

Among the wild animals are the armadillo, tapir, opossum, puma, jaguar, bear, and several species of monkey, deer, and boar. Poisonous snakes and harmful insects are found. In the coastal marshes, malarial mosquitoes pose a problem. The only remaining elephant seals in the world are on Guadalupe Island west of Baja California. As of 2002, there were at least 491 species of mammals, 440 species of birds, and over 26,000 species of plants throughout the country.

#### **5 ENVIRONMENT**

One of Mexico's most widespread environmental problems is soil erosion; slash-and-burn agricultural practices, especially in the tropical zones, have also contributed to deforestation. Mexico loses its forest at a rate of about 1.1% annually due to agricultural and industrial expansion. Mexico has the fourth most extensive mangrove area in the world, covering approximately one million hectares. Mexico City, located more than 2,250 m (7,400 ft) above sea level and surrounded by mountains, has chronic smog, aggravated by the presence in the metropolitan region of thousands of factories, more than two million motor vehicles, and by open burning of garbage by slum dwellers.

Cities along the US-Mexican border also suffer from serious air pollution. In 1996, Mexico's level of industrial carbon dioxide emissions totaled 348.1 million metric tons. In 2000, total carbon dioxide emissions was at 424 million metric tons. Transportation vehicles are responsible for about 76% of the air pollution.

Water pollution results from the combined impact of industrial, agricultural, and public waste. Mexico's cities have produced over 12.9 million tons of solid waste per year along with about 164 mil-

lion tons of industrial waste. Mexico has 409 cu km of renewable water resources. In the north, fresh water resources are scarce and polluted; in the central southeast region they are frequently inaccessible and of poor quality. About 72% of the nation's rural dwellers have pure drinking water.

An environmental protection statute adopted in 1971 has not been widely enforced; however, SEDUE, which was created in 1982, is fostering a more coherent approach to environmental issues. In 2003, about 10% of the total land area was protected. Mexico has three natural UNESCO World Heritage Sites and 58 Ramsar wetland sites. The Secretariat for Urban Development and Ecology (SEDUE) has the principal environmental responsibility.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 72 types of mammals, 57 species of birds, 21 types of reptiles, 190 species of amphibians, 106 species of fish, 5 types of mollusks, 36 species of other invertebrates, and 261 species of plants. Endangered species in Mexico include the volcano rabbit, Mexican grizzly bear (possibly extinct), Lower California pronghorn, Sonoran pronghorn, imperial woodpecker, southern bald eagle, American peregrine falcon, whooping crane, light-footed clapper rail, California least tern, maroon-fronted parrot, ridge-nosed rattlesnake, five species of turtle (green sea, hawksbill, Kemp's ridley, olive ridley, and leatherback), two species of crocodile (American and Morelet's), and totoaba. At least 30 species have become extinct, including the Mexican dace, Durango shiner, Tlaloc's leopard frog, and the Caribbean monk seal.

#### **6 POPULATION**

The population of Mexico in 2005 was estimated by the United Nations (UN) at 107,029,000, which placed it at number 11 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 31% of the population under 15 years of age. There were 96 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.9%, a rate the government viewed as too high. The projected population for the year 2025 was 129,381,000. The population density was 55 per sq km (142 per sq mi).

The UN estimated that 75% of the population lived in urban areas in 2005 (with 32% of the population concentrated in 14 urban areas), and that urban areas were growing at an annual rate of 1.62%. The capital city, Mexico City (México), had a population of 18,660,000 in that year. Other major cities and their estimated populations were Guadalajara, 3,905,000; Monterrey, 3,517,000; Toluca, 1,987,000; Puebla, 1,888,000; Tijuana, 1,570,000; Ciudad Juárez, 1,469,000; León, 1,438,000; Torreón, 1,057,000; San Luis Potosí, 927,000; and the Federal District, 500,000.

#### **7 MIGRATION**

As of 2000, the US Census Bureau estimated that 18,382,291 persons of Mexican ancestry were living in the United States, up from 8,740,000 in 1980. Formerly, under an agreement between the United States and Mexico, there was a large annual movement of Mexican agricultural laborers (braceros) into the United States. The United States has since banned such border crossings, and the 1986 Immigration Act imposed stiff penalties on employers who hire illegal aliens. Nevertheless, hundreds of thousands of illegal



LOCATION: 14°32' to 32°43' N; 86°42' to 118°22' W. BOUNDARY LENGTHS: US, 3,326 kilometers (2,067 miles); Gulf of Mexico and Caribbean coastline, 2,070 kilometers (1,286 miles); Belize, 251 kilometers (156 miles); Guatemala, 871 kilometers (541 miles); Pacific coastline (including Baja California), 7,339 kilometers (4,560 miles). TERRITORIAL SEA LIMIT: 12 miles.

crossings still take place annually. According to *Migration Information Source*, in 2000 more than 1.6 million people were apprehended at the US-Mexico border. Bilateral attempts to deal with migration issues disappeared after 11 September 2001. In 2004, US President George W. Bush proposed a temporary worker program, acknowledging the US economy's demand for migrants. However, these proposals held no special relationship to Mexico-US relations, nor a means for immigrants to earn US residence. The pertinence to Mexican migration is that of the estimated 6.3 million unauthorized foreigners in the United States, about 57% are Mexicans. In January 2005 the Mexican government published a guide for Mexican immigrants to enter the United States safely. In that same year President Bush supported immigration reform by improving border security and then legalizing unauthorized foreigners in the United States. Also, in that same year, the Real ID Act established national standards for drivers' licenses, requiring legal residence in the United States within three years of application.

In the 1970s, there was substantial internal migration to the frontier areas, especially to the northern border states, to Quin-

tana Roo and Guerrero in the south, and to government colonization projects such as Papaloapan, Veracruz, where the construction of irrigation, flood control, and hydroelectric projects attracted many people. Most notable, however, is the migration of rural inhabitants to Mexico's already overcrowded cities, creating huge urban slums, especially in Mexico City. Guadalajara and Monterrey, although growing rapidly, are attempting to use Mexico City's experience to plan urban and industrial growth. The great disparity between rural-zone, low-income, marginal groups producing only for their own consumption and highly developed urban and industrial sectors has produced acute social problems. Mexico remains a country of destination for Central American migrants and a country of transit for the considerable mixed migratory movement toward the North.

Mexico has long had a liberal asylum policy; the most famous exile in Mexico was probably Leon Trotsky, a revolutionary exiled from the USSR in 1929 who lived in Mexico City from 1937 until his assassination in 1940. In the 1930s and 1940s, Spanish republican refugees in the tens of thousands settled in Mexico, as did thousands of refugees from World War II. In the 1970s and 1980s,

many victims of Latin American military regimes fled to Mexico. By the end of 1993, the number of persons from Guatemala, El Salvador, and other Central American countries living in Mexico was about 400,000, not counting 45,000 Guatemalan refugees living in camps. Over 13,000 Guatemalans repatriated in 1995 and 1996. In 2004 there were 161 asylum seekers in Mexico. In the same year 3,400 Mexicans sought asylum in Canada and 15,431 in the United States.

By 30 June 1999, 42,652 Guatemalan refugees had returned to Guatemala from Mexico. At that time, about 22,500 Guatemalan refugees remained in the southeastern states of Campeche (7,100), Quintana Roo (2,900), and Chiapas (12,500). These refugees were in the process of gaining full legal and socioeconomic integration under the Mexican government's Migratory Stabilization Plan, enacted in August 1996. Nearly 2,200 refugees in Campeche and Quintana Roo had already been naturalized in 1999; another 1,800 applications for naturalization were being processed.

As of 2004, Mexico was host to some 4,343 refugees, arriving from Latin American countries, Central Asia, the Middle East, and Africa. Most were in urban areas. In addition, there were 12,000 internally displaced persons mainly in the eastern Chiapas region; there as a result of the government's suppression in 1994 of the Zapatista uprising. In November 2004, the Mexico Declaration and Plan of Action to Strengthen the International Protection of Refugees in Latin America was adopted by the governments of the region.

Mexico is the country where the greatest number of US citizens, estimated as 200,000, live outside the United States. This may be due to the growing economic and business interdependence of the two countries under the North American Free Trade Agreement (NAFTA), and also that Mexico is considered an excellent choice for retirees. The official figures for foreign-born citizens in Mexico are 493,000 (since 2004), with a majority (86.9%) of these born in the United States (with the exception of Chiapas, where the majority of immigrants are from Central America).

In 2005, the net migration rate was an estimated -4.57 migrants per 1,000 population. In 2004, Mexico ranked second among the countries of the world in the amount of remittances from migrant workers, \$17 billion up from about \$6 billion in 2000.

## **8** ETHNIC GROUPS

The people of Mexico are mostly mestizos, a mixture of indigenous Amerindian and Spanish heritage. There are small numbers of persons of other European heritages, and small numbers of blacks are found in Veracruz and Acapulco. At last estimates, about 60% of the population was mestizo, 30% pure Amerindian, 9% pure white, and 1% other. Amerindian influence on Mexican cultural, economic, and political life is very strong.

## **9** LANGUAGES

Spanish, the official language, is spoken by nearly the entire population, thus giving Mexico the world's largest Spanish-speaking community; more Mexicans speak Spanish than Spaniards. Only a small number of inhabitants, about 1% of the population according to last estimate, speak only indigenous Amerindian languages or dialects. A larger percentage, some 7.5% at last estimate, speak some Amerindian language. There are at least 31 different Amer-

indian language groups, the principal languages being Nahuatl, Maya, Zapotec, Otomi, and Mixtec.

## **10** RELIGIONS

According to the 2000 census, about 88% of the Mexican population were at least nominally affiliated with the Roman Catholic Church and about 6% were Protestant. Protestant denominations represented include Presbyterians, Jehovah's Witnesses, Seventh-Day Adventists, Mormons, Lutherans, Methodists, Baptists, and Anglicans. There are small Greek and Russian Orthodox communities. There are also small numbers of Jews, Buddhists, and Muslims. While professing the Roman Catholic faith, a number of indigenous people include strong pre-Hispanic Mayan elements in their religion.

Roman Catholicism has increased greatly in activity since the 1940s; there have been religious processions and considerable construction of new churches in major cities. The bitter anticlericalism of the Mexican Revolution, of the 1917 constitution, and of the administration of President Plutarco Elias Calles (1924–28) had lessened by the 1960s. However, the constitution still stipulates that members of the clergy are prohibited from holding public offices. In 1992, full diplomatic relations with the Vatican were established.

Following an amendment to the constitution adopted in 1991, ecclesiastical corporations now have legal rights and can acquire property. All church buildings, including schools, however, remain national property. Priests now have political rights, and religious control over both public and private education prohibited earlier under the 1917 constitution has been restored. Religious groups must register with the Director of Religious Affairs (DAR) of the Federal Secretariat of Government. The DAR is also responsible for promoting and enforcing rules of religious tolerance. Certain Christian holidays are recognized as national holidays.

## **11** TRANSPORTATION

The local, state, and federal Mexican road system amounted to 349,038 km (217,102 mi) in 2003, of which 116,928 km (72,729 mi) were paved, including 6,979 km (4,341 mi) of expressways. Most roads are engineered for year-round service. In 2003 there were 19,846,100 registered vehicles, including 13,600,100 passenger cars and 6,246,000 commercial vehicles.

The country's major railroad system is the National Railway of Mexico. In 2004, the total route length was 17,634 km (10,968 mi) all standard gauge, and consisted of six integrated lines. A railway improvement program was carried out during 1975–79, but in the mid-1980s, the network was still in disrepair. The Mexico City subway system, totaling 120 km (75 mi), suffers from overcrowding. The system's technology, however, is being exported to other developing countries.

Mexico's 2,900 km (1,802 mi) of inland waterways and lakes, while navigable, are not important for transportation, but ocean and coastal shipping is significant. Of Mexico's 102 ocean ports, the most important are Tampico and Veracruz, on the Gulf of Mexico; Mazatlan and Manzanillo, on the Pacific coast; and Guayamas, on the Gulf of California. These five ports together handle about 80% of total general cargo tonnage for Mexico. Most Mexican ships are operated by the government-owned Maritime Transport of Mexico. The merchant marine in 2005 had 57 vessels of 1,000 GRT or

more, totaling 649,389 GRT. The oil tanker fleet, owned and operated by Mexican Petroleum (Petróleos Mexicanos-PEMEX), the government oil monopoly, included 26 tankers.

Air transportation in Mexico has developed rapidly. In 2004 there were an estimated 1,833 airports and airfields. As of 2005, a total of 227 had permanent-surface runways, and there was also one heliport. Principal airports include Juan N. Alvarez at Acapulco, Cancun International at Cancun, Cozumel International at Cozumel, Miguel Hidalgo at Guadalajara, Gen. R. Buelna at Mazatlan, Manuel C. Rejon at Merida, Benito Juarez at Mexico City, Gral. Escobedo at Monterrey, and G. Diaz Ordaz at Puerto Vallarta. Mexican commercial aircraft carried about 20.688 million passengers on scheduled domestic and international flights in 2003. The main airline company is the newly privatized Aeroméxico.

## 12 HISTORY

The land now known as Mexico was inhabited by many of the most advanced Amerindian cultures of the ancient Americas. The Mayan civilization in the Yucatán Peninsula began about 2500 BC, flourished about AD 300–900, and then declined until its conquest by the Spanish. The Mayas had a well-developed calendar and a concept of zero; skillful in the construction of stone buildings and the carving of stone monuments, they built great cities at Chichen Itzá, Mayapán, Uxmal, and many other sites. About 1200–400 BC the Olmecs had a civilization with its center at La Venta, featuring giant carved stone heads and the first use of pyramids for worship among the Amerindians. In the early 10th century AD the Toltecs, under Ce Acatl Topiltzin, founded their capital of Tollan (now Tula) and made the Nahuatl culture predominant in the Valley of Mexico until the early 13th century. At that time, the Aztecs, another Nahuatl tribe, gained control.

The Aztec Empire, with its capital at Tenochtitlán (now Mexico City), founded in 1325, was essentially a confederation of allied and tributary communities. Skilled in architecture, engineering, mathematics, weaving, and metalworking, the Aztecs had a powerful priesthood and a complex pantheon dominated by the sun god and war god Huitzilopochtli, to whom prisoners captured from other tribes were sacrificed.

The empire was at its height in 1519, when the Spanish conquistadores, under Hernán Cortés, having set out from Cuba, landed at modern Veracruz; with superior weapons and the complicity of local chieftains, the Spaniards had conquered Mexico by 1521. First, Cortés imprisoned the emperor Montezuma II, who was wounded by stoning when he was released in an attempt to quell an uprising against the Spanish. Then Montezuma's nephew, Guatemotzin, drove the Spanish from Tenochtitlán on 30 June 1520, now called "la noche triste" ("the sad night"), during which Montezuma died, probably at the hands of the Spaniards. Eventually, Cortés returned to Tenochtitlán and defeated Guatemotzin.

The Spaniards brought Roman Catholicism to Mexico, imposed their legal and economic system on the country, and enslaved many of the inhabitants. The combination of Spanish oppression and the smallpox, influenza, and measles the conquistadores brought with them reduced the Amerindian population from an estimated 5 million in 1500 to 3.5 million a century later; not until late in the 18th century did Mexico match its pre-Columbian population. Gradually, the Spaniards extended their territory south-

ward, to include, for a time, the captaincy-general of Guatemala, and northward as far as California, Nevada, and Colorado.

Spain ruled Mexico as the viceroyalty of New Spain for three centuries. Continued political abuses and Amerindian enslavement combined with the Napoleonic invasion of Spain in 1807 and consequential political uncertainty to produce a movement for independence. In 1810, a revolt against Spain was initiated by a priest, Miguel Hidalgo y Costilla, and a captain, Ignacio José Allende. Both were captured and shot by loyalists in 1811, but the revolt continued through another priest, José María Morelos y Pavón, who proclaimed Mexico an independent republic in 1813. Morelos and his followers were defeated and he was shot in 1815, but a swing toward liberalism in Spain in 1820 altered the political picture, leading Mexico's conservative oligarchy to favor independence as a way of preserving its power. In 1821, under the leadership of a rebel, Vicente Guerrero, and a former loyalist, Agustín de Iturbide, independence was again proclaimed and this time secured. Iturbide proclaimed himself emperor in 1822 but was deposed in 1823, when a republic was established; when he returned in the following year, he was captured and shot.

In the next 25 years, there were at least 30 changes of government. Gen. Antonio López de Santa Anna, who had participated in the overthrow of Iturbide, became the dominant figure in the 1830s and 1840s and attempted to centralize the new government. Texas gained its independence from Mexico in 1836 as a result of the defeat of Santa Anna at San Jacinto; in 1845, after a period as the Republic of Texas, it joined the United States. Mexico lost the subsequent war with the United States (1846–48), which began over a dispute about the border of Texas; under the Treaty of Guadalupe Hidalgo, Mexico recognized the Río Grande as the boundary of Texas and ceded half its territory (much of the present western United States) in return for \$45 million. In 1853, the United States purchased a small portion of land from Mexico for another \$10 million, which was widely regarded as further compensation for the land lost in the war.

A reform government was established in 1855 after a revolt against Santa Anna, and a new liberal constitution was adopted in 1857. Included in the reforms were laws abolishing military and clerical immunities. Article 27 prohibited corporations from holding land, and Article 123 established federal authority in matters of worship and religious discipline. Benito Juárez, the leader of the reform movement, became president in 1858. In 1861, during a period of civil strife, French troops under Emperor Napoleon III intervened in Mexico, ostensibly because Mexico had not paid its debts; in 1863, they captured Mexico City and installed Archduke Maximilian of Austria as emperor, with his Belgian wife, Carlota, as empress. After the French troops withdrew in 1866, partly because the United States protested their presence and partly because Napoleon needed them in France, forces loyal to Benito Juárez and led by José de la Cruz Porfirio Díaz regained control of the country. Maximilian was executed and the republic restored in 1867; Carlota, who had returned to Europe to plead with Napoleon to protect her husband, was driven mad by his death.

Díaz twice ran for president, in 1867 and 1871, each time leading an abortive military uprising after his electoral defeat. Finally, in 1876, Díaz seized power and assumed the presidency, a position he held (except for 1880–84, when a subordinate exercised nominal power) until 1911. Under his dictatorship, Mexico modern-

ized by opening its doors to foreign investors and managers. At the same time, the so-called Pax Porfiriana meant suppression of all dissent, by persuasion or by force, and a complete lack of concern with improving the life of the Mexican peasant; an elite corps of mounted police, the *Rurales*, held the rural areas in check. As the president's aging circle of associates, called *Científicos* (Scientists), clung tenaciously to power, resentment among the middle classes and the peasantry continued to grow.

After Díaz was once again reelected to the presidency in 1910, the Mexican Revolution erupted. This revolution, which by 1917 had claimed perhaps one million lives, was, on the one hand, a protest by middle-class political liberals against the stultifying Díaz regime and, on the other, a massive popular rebellion of land-hungry peasants. The interests of these two groups sometimes coincided but more often clashed, accounting for the turmoil and confusion of those years. The spark that touched off the revolution was the proclamation on 5 October 1910 of the Plan of San Luis Potosí, in which the liberal politician Francisco Indalecio Madero, who had lost the vote to Díaz, called for nullification of the election. Riots in Mexico City forced Díaz to resign and leave the country in 1911, and Madero was elected president later in that year. Meanwhile, popular revolts led by Emiliano Zapata and Pancho Villa, who refused to submit to Madero's authority, led the country into chaos. Madero, accused by the Zapatistas of not giving land to the peasants, was ousted and murdered in 1913 by Gen. Victoriano Huerta, who had conspired with the rebels.

When Huerta, a corrupt dictator, was driven from power by Venustiano Carranza and Álvaro Obregón in July 1914, a full-scale civil war broke out. This phase of the revolution ended in February 1917, when a new constitution was proclaimed; this nationalistic, anticlerical document, considered by some to be the world's first socialist constitution, embodied the principle of the one-term presidency in order to prevent the recurrence of a Díaz-type dictatorship. Article 3 established government rather than church control over schools; Article 27 provided for public ownership of land, water, and minerals; and Article 123 ensured basic labor rights.

Carranza was elected president in 1917, but for the next decade Mexico was still beset by political instability and fighting between various revolutionary groups. Most of the revolutionary leaders met with violent deaths. Zapata, still regarded by many as a revolutionary hero, was assassinated in 1919, and both Carranza and Obregón (who was president during 1920–24) lost their lives in military coups.

Political stability at last came to Mexico with the formation in 1929 of an official government party that incorporated most of the social groups that had participated in the revolution; it has been known since 1945 as the Institutional Revolutionary Party (*Partido Revolucionario Institucional*—PRI). Although its main pillars were, at least in theory, the peasants, workers, and other popular movements, it has also been closely allied with business since the 1940s. The most outstanding political leader of the post-1929 era was Lázaro Cárdenas, president during 1934–40, who sought with some success to realize the social goals of the revolution. His reforms included massive land redistribution, establishment of labor unions with strong bargaining positions, extension of education to remote areas of the country, and in 1938, the expropriation of foreign petroleum holdings, mostly US-owned. A compensa-

tion agreement with the United States was reached in 1944, when the two nations were World War II allies.

The postwar years have been marked by political stability, economic expansion, and the rise of the middle classes, but also by general neglect of the poorest segments of the population. One serious political disturbance came in 1968, the year the Summer Olympics were held in Mexico City, when the army and police clashed with students protesting political repression and human rights abuses. The number of students shot and killed has never been revealed. Yet, for many Mexicans, the murder of the students marked the unraveling of the authoritarian PRI, which could no longer hold on to power without resorting to extreme violence.

An economic boom during the late 1970s, brought about by huge oil export earnings, benefited a small percentage of the people, but millions of peasants continued to be only slightly better off than in 1910. Declining world oil prices in 1981 led to a severe financial crisis in 1982, a year of presidential elections. Mexico's new president, Miguel de la Madrid Hurtado, immediately introduced a series of austerity measures and promised a crackdown on corruption, which has long been a problem in Mexico. After the arrest of two government officials for misuse of public funds and fraud, the anticorruption drive appeared to languish; furthermore, public resentment of austerity increased. In 1985, when the PRI was accused of electoral malpractice in local and congressional elections, resentment boiled over in violent public protest. In October 1987, the PRI named Carlos Salinas de Gortari, a 39-year-old economist, as its candidate to succeed President de la Madrid. In September 1993, changes in federal electoral law—including an autonomous Federal Electoral Institute—were designed to make future elections more tamperproof. More transparent elections made it easier for more Mexicans to believe in their electoral system.

Mexico City was devastated by a major earthquake in September 1985. The official death toll was 7,000, although unofficial estimates were as high as 20,000; in addition, 300,000 were left homeless. There was widespread protest over the fact that many of the buildings destroyed had been built in violation of construction regulations and claims that foreign emergency aid had been misappropriated by the government.

In August 1992, formal negotiations regarding the North American Free Trade Agreement were concluded, whereby Mexico would join the United States and Canada in the elimination of trade barriers, the promotion of fair competition, and increased investment opportunities. NAFTA went into effect on 1 January 1994.

In January 1994, within hours after the NAFTA agreement went into effect, a primarily Amerindian group calling itself the Zapatista Army of National Liberation resorted to an armed uprising against the government. They initially took control of four municipalities in the State of Chiapas to protest what they regarded as government failure to effectively deal with regional social and economic problems. Two months after the Zapatista uprising, the nation witnessed its first high-level political assassination in over 60 years when PRI presidential candidate Luis Donaldo Colosio was murdered in Tijuana. His replacement, Ernesto Zedillo, was elected at the end of the year in a closely monitored campaign.

The devaluation of the peso in late December of 1994 threw the nation into economic turmoil, triggering its worst recession

in over half a century. Over a million Mexicans lost their jobs, and the country's gross domestic product plummeted 10.5% in the first months of 1995. The United States responded to its neighbor's distress with a multimillion-dollar bailout that averted even worse damage to the economy.

The discontent bred by this economic crisis, together with continued high levels of poverty, rising crime and corruption, and political instability, led in 1997 to a rejection of Mexico's nearly 70-year-old system of one-party rule. In June of that year, the PRI lost its majority in the lower house of the National Congress, its control superseded by the combined power of the leftist Party of the Democratic Revolution (PRD) and the conservative National Action Party (PAN), as well as two smaller parties. The PRD obtained one of its most important victories in Mexico City, where former presidential candidate Cuauhtémoc Cardenas Solórzano was elected mayor. Both parties, especially the PAN, went on to win important gubernatorial seats throughout the country.

Traditionally, the president selected his successor from the PRI ranks, a practice known as the *dedazo*, which means pointing the presidential finger at the new candidate. But in 1999, Zedillo said there would be no *dedazo*, and replaced the practice with a presidential primary, which was won by party loyalist Francisco Labastida Ochoa. Leading to the 2 July presidential election, Labastida was facing increasing competition from PAN candidate Vicente Fox Quesada. A former Coca-Cola executive and governor of Guanajuato, Fox was gaining a wide following by openly attacking the PRI, even discussing sensitive issues that others would not touch, including the PRI's connections to illegal drug trafficking. In the meantime, Cardenas, who resigned as mayor of Mexico City in September 1999, was losing support in his third try at the presidency.

On 2 July 2000, after over seven decades of PRI rule, Fox was elected president in an upsetting victory over Labastida. Although he did not receive a majority of the votes, Fox won by a 7% margin. The vote was the cleanest in Mexico's history, passing standards of freedom and fairness, as well as remaining peaceful. Fox drew support from beyond his conservative PAN party, indicating voter support for his commitment to tackling government corruption and economic reform. Yet, by mid-2003, Fox's tenure had proven a disappointment. The president lost popularity after his two most symbolic legislative initiatives failed to pass the divided congress. First, the president failed to solve the indigenous revolt in Chiapas. Despite an effort to pass legislation championed by the Zapatista Army, Fox's own PAN party killed the initiative. Second, a tax reform aimed at increasing government revenues to beef up social spending was also significantly scaled back by the PRI and PRD opposition. President Fox's ambitious legislative and government agendas moved slowly and many Mexicans disapproved of the gridlock between the executive and the divided congress. Yet, the 2003 midterm parliamentary elections did not drastically change the composition of congress. Thus, President Fox was unable to push his reform package forward and will likely leave the presidency having fulfilled very few of his electoral promises.

The presidential elections, scheduled for 2 July 2006, were likely to reflect once again the three-way divide in the Mexican electorate. Former Mexico City mayor Andrés Manuel López Obrador stood as favorite to win with a plurality of votes. PAN's Felipe Calderón promised continuity of the good policies implemented

by President Fox but needed to fight against the perception that Fox did not fulfill all of his electoral promises. PRI candidate Roberto Madrazo Pintado hoped to recapture the presidency for his party, but accusations of corruption and other scandals that have hurt the party were expected to play against his chances. In any event, the election was likely result in a divided congress and, thus, whoever was elected president would need to work with opposition parties to advance his agenda. Ever since the PRI lost control of the presidency, politics in Mexico have been characterized by gridlock. No single party has achieved commanding control of the executive and legislative branches, and obstructionist politics have dominated relations between the president and congress.

### 13 GOVERNMENT

Mexico is a federal republic consisting of 31 states and the Federal District. Its basic political institutions are defined in the constitution of 1917.

The president, elected for a six-year term (by universal adult suffrage beginning at age 18) and forever ineligible for reelection, appoints the attorney-general and a cabinet, which may vary in number. Although the constitution established separation of powers, in practice the Mexican chief executive traditionally dominated the legislative and judicial branches. Since the president is head of state, head of government, and commander-in-chief of the armed forces, and since the PRI enjoyed a clear majority in congress from 1934 to 1997, it was said that the only limit placed on the power of a president of Mexico is that of time—six years in office. Yet, as the PRI lost control of congress in 1997 and lost the presidency in 2000, real separation of powers has emerged under the 1917 constitution. Congress has become more powerful, although it has in practice used the power to obstruct, rather than influence, the executive's agenda. With the approval of congress, the president may intervene in the states, restricting their independence; also, under congressional authorization, he has certain legislative authority, especially in the regulation and development of commerce and industry. There is no vice president. If the president dies or is removed from office, congress is constitutionally empowered to elect a provisional president.

The bicameral congress, also elected by direct universal suffrage, is composed of a Senate (*Cámara de Senadores*), expanded from 64 to 128 members in 1994 (four from each state and four from the Federal District), and a Chamber of Deputies (*Cámara de Diputados*) made up of 500 members. Three hundred single-member districts represent each 250,000 people or fraction above 100,000, with a minimum of two districts in each state; 200 members are allocated by proportional representation. No party is allowed to have more than 60% of the seats in the Chamber of Deputies. Senators are elected for six years (half the Senate is elected every three years) and deputies for three years, and both groups are ineligible for immediate reelection. All legislators have alternates who temporarily occupy their posts when they make use of their constitutional prerogative to request a leave of absence. The congress may legislate on all matters pertaining to the national government and the Federal District.

### 14 POLITICAL PARTIES

From 1929 to 1997, the majority party and the only political group to gain national significance was the Institutional Revolution-



ary Party (Partido Revolucionario Institucional—PRI), formerly called the National Revolutionary Party (Partido Nacional Revolucionario) and the Party of the Mexican Revolution (Partido de la Revolución Mexicana). Three large pressure groups operate within the PRI: labor, the peasantry, and the “popular” sector (such as bureaucrats, teachers, and small business people). In 1997, for the first time in nearly 70 years, the PRI failed to retain a majority of seats in the 500-member lower house of congress, the Chamber of Deputies.

Of the major opposition parties, Party of the Democratic Revolution (PRD) advocates active government intervention in economic matters and questions close relations with the United States. The PRD has also voiced concerns about negative side effects of free trade policies. The PRD formed in 1991 and has gained electoral strength in urban areas, particularly Mexico City, whose local government elections it has dominated.

The conservative National Action Party (PAN) favors a reduced government role in the economy, backs close ties with the United States, and is closely linked to the Catholic Church. Vicente Fox, of the conservative PAN party, was elected on 2 July 2000, becoming the first non-PRI president in 70 years. That year, PAN also became the largest party in the 500-member Chamber of Deputies, with 223 seats. In the Senate, the PRI won 60 seats in the 128-member Chamber. The PRD won 53 seats in the Chamber and 17 in the Senate. Thus, no party holds majority control on either chamber of the Mexican congress. Yet, in the 2003 midterm elections, the PRI won a plurality of votes and secured 224 seats, just short of a majority. The PAN ended up in second place with 153 seats and the PRD obtained 95 seats.

## 15 LOCAL GOVERNMENT

Twenty-nine states of Mexico were created as administrative divisions by the constitution of 1917, which grants them those powers not expressly vested in the federal government; Mexico's two remaining territories, Baja California Sur and Quintana Roo, achieved statehood on 9 October 1974, raising the total to 31. Each state has a constitution, a governor elected for six years, and a unicameral legislature, with representatives elected by district vote in proportion to population. An ordinary session of the legislature is held annually, and extraordinary sessions may be called by the governor or the permanent committee. Bills may be introduced by legislators, by the governor, by the state supreme court, and by municipalities (a unit comparable to a US county). In addition to the 31 states, there is also one federal district comprising Mexico City, whose governor serves as a member of the cabinet. Many state services are supported by federal subsidies.

The principal unit of state government is the municipality. Mexico's 2,378 municipalities are governed by municipal presidents and municipal councils. State governors generally select the nominees for the municipal elections. Municipal budgets are approved by the respective state governors. During the seven decades of PRI rule, some local government elections were competitive. Until 1997, the president appointed the mayor of Mexico City. Political reforms allowed the first open elections in 1997. PRD candidate Cuauhtémoc Cardenas Solórzano was elected mayor. When he resigned to run for the presidency in 1999, Rosario Robles Berlanga became the first woman mayor of Mexico City. In 2000, PRD's Andrés Manuel López Obrador became the second democratically

ly elected mayor of Mexico City. López Obrador's popularity as mayor has made him a prime candidate for the 2006 presidential election.

## 16 JUDICIAL SYSTEM

Mexico's judiciary, both federal and state, has been a separate branch of government since independence. Federal courts include the Supreme Court, with 11 justices; 32 circuit tribunals, and 98 district courts, with one judge each. Special courts include a fiscal tribunal and boards of conciliation and arbitration.

Supreme Court magistrates are appointed for 15-year terms by the president, with the approval of the Senate, and can be removed only by a guilty verdict after impeachment. The other justices are appointed for six years by the Supreme Court magistrates. The Supreme Court has both original and appellate jurisdiction in four divisions: administrative, civil, labor, and penal. Circuit courts hear appeals from the district courts.

The jury system is not commonly used in Mexico, but judicial protection is provided by the Writ of Amparo, which allows a person convicted in the court of a local judge to appeal to a federal judge. Capital punishment, except in the army for crimes against national security, was abolished by the penal code of 1 January 1930.

Although the judiciary is constitutionally independent and judges are appointed for life (unless dismissed for cause), there have been charges that judges are sometimes partial to the executive. Low pay and high caseloads contribute to a susceptibility to corruption in the judicial system. In unprecedented moves in 1993, the government issued an arrest warrant for obstructing justice and for bribery against a former Supreme Court Justice and three federal judges were dismissed for obstructing justice.

In 1995, congress passed a judicial reform law. The judicial reform law provides for a competitive examination for selecting most lower and appellate federal court judges and law secretaries. The Supreme Court has the authority to strike down a law for unconstitutionality. The judicial reform law provides that the Supreme Court may declare a law unconstitutional when one-third of the congress, one-third of a state congress, or the Attorney General asks the Supreme Court to review the constitutionality of the law.

The judicial trial system is based on the Napoleonic Code and consists of a series of fact-gathering hearings. The record of the proceeding is not available to the public.

After the 2000 presidential election and the end of PRI control of the presidency, the Supreme Court and the judicial power in general has shown signs of greater autonomy and more independence from the elected authorities. The judiciary has consolidated as an independent power of the Mexican state.

## 17 ARMED FORCES

In 2005, Mexico's armed forces had 192,770 active personnel, with reserves numbering 300,000. The Army had 144,000 personnel. Equipment included 264 reconnaissance vehicles, over 862 armored personnel carriers, and 1,774 artillery pieces. The Navy, including its naval aviation arm and Marines, had 37,000 personnel. Naval vessels included 1 destroyer, 10 frigates, and 109 patrol/coastal vessels. The Air Force had 11,770 personnel operating 107 combat capable aircraft, including 10 fighters and 17 fight-

er ground attack aircraft. The service also had 43 support and 71 utility helicopters. Paramilitary forces included an estimated 11,000 Federal Representative Police backed by a reserve rural defense militia of 14,000. The defense budget in 2005 totaled \$3.09 billion.

## 18 INTERNATIONAL COOPERATION

Mexico is a charter member of the United Nations, having joined on 7 November 1945, and participates ECLAC and several nonregional specialized agencies, such as FAO, IAEA, the World Bank, UNESCO, UNHCR, ILO, and the WHO. The country held a seat on the UN Security Council from 2002–03. Mexico is a member of APEC, the Caribbean Development Bank, the European Bank for Reconstruction and Development, G-3, G-6, G-11, G-15, G-19, G-24, The Inter-American Development Bank, the Latin American Economic System (LAES), the Latin American Integration Association (LAIA), the OAS, the OECD, the Association of Caribbean States (ACS), and the Río Group. The country holds observer status in the Council of Europe.

Mexico, which for many years was the only Latin American nation to recognize Fidel Castro's Cuba, has based its foreign policy on the principles of nonintervention and self-determination of peoples, which it helped incorporate into the charter of the OAS in 1948 (Articles 15–17). In 1993, Mexico signed the North American Free Trade Agreement (NAFTA), creating a free-trade zone comprising the United States, Mexico, and Canada. The agreement was ratified by all three governments in 1993 and took effect the following year.

In environmental cooperation, Mexico is part of the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Traditionally, Mexico's economy has been predominantly agricultural, but by 2004 the primary sector contributed only 4% of the GDP and employed less than a fifth of the labor force. The secondary sector—industry—contributed 27.2% of GDP and employed 24% of the labor force. Services is the largest sector, accounting for 68.9% of GDP and employing 58% of the work force. Mexico both exports a substantial amount of agricultural products (10% of exports) and imports substantial amounts (10% of imports) Mexico is self-sufficient in most fruits and vegetables and in beans, rice, and sugar, and it is approaching self-sufficiency in meat and dairy products. Marginal subsistence, however, is still the lot of much of Mexico's rural population. In 2003, the CIA estimated that 40% of the population were living below the poverty line. While this is an improvement on over 50% in the early 1980s, population growth means that this constitutes an increase in absolute numbers. Further, the government of Mexico's estimate for 2002 is that 54% of the population is lacking security in basic necessities. On the other hand, in 2002 it was estimated that 35.6% of the country's wealth was concentrated in the top 10% of population; the lowest 10% of the population had 1.6% of the wealth.

A great mining nation, Mexico is the world's leading producer of silver and is well endowed with sulfur, copper, manganese,

iron ore, lead, and zinc. Since the 1920s, Mexico has been one of world's leading oil producers. From 1973 to 1982 (i.e., from the first oil shock to the Mexican default marking the onset of the Third World debt crisis) oil production increased at 50% a year and accounted for about 75% of exports. By 2002, manufacturers had long ago overtaken oil as the main economic driver: oil made up only about 10% of exports, while 80% were manufactured products, half from the maquiladora sector of assembly plants. The maquilas are plants which import semifinished goods from the United States, taking advantage both of low Mexican wages and of laws that allow the goods to be imported, processed, and re-exported free of tariff charges. The maquiladoras, however, were also in decline by 2005 due to competition from lower-wage countries and the progressive lowering of all Mexico's tariffs under the NAFTA agreement. While some moved to the southern states of Mexico, where wages were lower, others moved their operations abroad.

Led by the oil boom, from 1978 to 1981 the Mexican GDP increased by an annual rate of 8% and the government embarked on an ambitious public spending program, financed to a great extent by external borrowing in the petro-dollar market. The ambitions slammed up against a wall of falling oil prices, world-wide recession, and increasingly tight money in 1981. By August 1982, Mexico found itself unable to service its spiraling external debt. The annual inflation rate, which had hovered around 30% during 1979–81, reached almost 100% in 1982.

In December 1987, the Pact for Stability and Economic Growth (PECE) was implemented. The PECE was a series of price and wage restraint agreements between government, labor, and the private sector, which combined austere fiscal and monetary restraints with price/wage controls and freer trade possibilities. The PECE helped curb inflation to 51.6% in 1988 without incurring a recession. Gradual recovery saw the inflation rate fall to 20% in 1991, 11.9% in 1992, and to around 10% in 1993.

As the price of debt rescheduling and the maintenance of international credit worthiness, the government was brought to adopt a program of economic liberalization and privatization that culminated in the North American Free Trade Agreement (NAFTA). This agreement went into effect on 1 January 1994 and opened the domestic market to foreign trade by a phased elimination of trade barriers between Mexico, the United States, and Canada over the next 15 years. The same day, the Zapatista National Liberation Army (EZLN) led an uprising in Chiapas. That year, 1994, turned out to be a politically and economically tumultuous year for Mexico. First, the PRI candidate in the presidential race had been assassinated by old economic nationalists within the party. Second, a speculative boom in lending by US banks and businesses seeking new markets in Mexico generated an unsustainable run-up of external short-term debt. The Zedillo government sought to lance the debt by devaluing the peso in December. Then, following the devaluation, even more rapid withdrawal of foreign capital threatened to sink the peso further and to spread throughout Latin America and beyond.

In January 1995, the Clinton administration organized an international assistance package which provided \$50 billion in loans (including \$20 billion in loan guarantees from the United States). As a measure of its sincerity, the Mexican government put its oil revenues up as collateral for the loans. Also with an eye to restor-

ing its international creditworthiness, the government only used about half of the credits made available, and paid back those it did use ahead of schedule. The Mexican GDP contracted 6.9% in 1995, but by 1996 growth expanded 4.2%. By 1997, growth had increased to 6.8%. Ironically, the depreciation of the peso aided recovery by making Mexican goods less expensive and thus more competitive on world markets, and the net effect of NAFTA has been a trade deficit with Mexico, reaching \$29 billion in 2001, up \$5.3 billion from 2000. Nevertheless, the promise of the Mexican market has been kept. US exports to Mexico grew from \$46 billion in 1995 to \$112 billion in 2000, more than double the value of US exports to the EU and making Mexico the second-largest trading partner of the United States (after Canada).

Inflation and external debt remained serious problems for the economy, threatening stability. In 1997 the government adopted the National Program for Development Finance (PRONAFIDE) which outlined the government's economic policy framework for the period 1997 to 2000. It supported further privatization and deregulation of the economy. Inflation, at 20.6% in 1997, decreased steadily to 5% (est.) in 2002. External debt as a percent of GDP fell from 37% in 1997 to 24.9% in 2002, and the external debt to exports ratio fell from 113.6% to 85.9% during the same period. However, GDP growth also moderated, to 4.9% in 1998 and 3.7% in 1999, due mainly to the spreading effects of the Asian financial crisis of 1997, the Russian debt default of 1998, and the Brazilian currency crisis of 1999. In 2000, however, as Vicente Fox was elected as the first non-PRI president in 71 years, the GDP rose a sharp 6.6%.

By 2000, Mexico had, thus, improved its macroeconomy, such that Moody's and Fitch IBCA, in March 2000 and January 2002 respectively, issued investment-grade ratings for its sovereign debt. Recovery was cut somewhat short in 2001, as Mexico imported the US recession and slowdown, which carried over into 2002. The economy contracted 0.3% in 2001, and grew at only an estimated 0.9% in 2002. In 2003 and 2004, growth picked up at respective rates of 1.4 and 4.4%. The Economist Intelligence Unit estimated real GDP growth to be 3.0% in 2005, and reported the unemployment rate to be gravitating around 3.8% in 2004 and 2005. Inflation decreased steadily from 6.4% in 2001 to 5% in 2002 and hovered between 4 and 5% from 2003–05. However, damage to agriculture from Hurricane Stan, which hit the southern states of Mexico in fall 2005, is likely to cause inflationary pressures. Even so, the GDP is expected to stay afloat, despite the damage to production, because of reconstruction investment estimated at \$2.3 billion. The funds will likely be drawn from the extra oil revenue that resulted from heightened oil prices.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Mexico's gross domestic product (GDP) was estimated at \$1.1 trillion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$10,000. The annual growth rate of GDP was estimated at 3%. The average inflation

rate in 2005 was 4.1%. It was estimated that agriculture accounted for 4% of GDP, industry 26.5%, and services 69.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$14.595 billion or about \$143 per capita and accounted for approximately 2.3% of GDP. Foreign aid receipts amounted to \$103 million or about \$1 per capita and accounted for approximately 0.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Mexico totaled \$433.06 billion or about \$4,246 per capita based on a GDP of \$639.1 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.8%. In 2001 it was estimated that approximately 30% of household consumption was spent on food, 4% on fuel, 2% on health care, and 7% on education. It was estimated that in 2003 about 40% of the population had incomes below the poverty line.

## 21 LABOR

The labor force in Mexico numbered an estimated 37.38 million in 2005. As of 2003, the services sector accounted for 58% of those employed, with industry accounting for 24%, and agriculture the remaining 18%. Underemployment, Mexico's major labor problem, affected mainly those engaged in agriculture. Although unemployment was put at an estimated 3.6% in 2005, around 25% of the country's workforce may be classified as underemployed.

As of 2005, approximately 25% of the labor force in the formal economy was unionized. As of that same year, Mexican workers were free to organize and join unions, bargain collectively, and engage in strikes. However, independent unions must register with the government and strikes must be preceded with advance notice and some brief mediation.

Under the federal labor law, every employee is entitled to one paid day of rest after every six days of work, seven paid holidays, and at least six days of vacation after a year of employment and at least eight days after two years. An annual bonus equal to 15 days' pay is required to be paid to all employees before Christmas, and vacation pay carries a 25% premium. The workday is generally eight hours, six days per week. Double or triple pay must be paid for overtime, depending on how many overtime hours are accumulated. Compulsory overtime is prohibited. Children as young as 14 may work, but with severe restrictions as to the conditions and hours of employment, and only with parental consent. Child labor provisions are well-enforced among medium and large companies, but many children work in smaller companies, in agriculture, or in the informal economy, usually in family enterprises, where enforcement is spotty and in the informal sector, almost nonexistent.

The national minimum wage rate varies by geographical area. In 2005, the minimum wage in southeast Veracruz State was \$4.23 per day, while in Mexico City, it was \$4.36 per day. These rates do not provide a worker and family with a decent standard of living, and only a small portion of workers in the formal economy earn the minimum wage. Many workers earn less, while those employed by prosperous industrial enterprises can earn three to four

times more. Employers are required by law to observe health and safety regulations.

## 22 AGRICULTURE

Agriculture's contribution to GDP fell from 15.1% in 1960 to 10.7% in 1970 and 4% in 2003—yet agriculture employs about 22% of the labor force. Only about 14% of Mexico's total land area is suitable for cultivation, and only 6% is cultivated with permanent crops; over 6.3 million hectares (15.6 million acres) are irrigated.

In 1960, Mexico became self-sufficient for the first time in corn; it continues to be self-sufficient in beans, rice, sugar, and most fruits and vegetables, and fluctuates between being either a net importer or self-sufficient with wheat and corn. During the late 1960s, Mexico almost tripled the investment allocated for agriculture. The government continues to protect agriculture and to ensure domestic consumption through import and export duties and controls. The government supports the prices of corn, wheat, beans, and fresh eggs and then sells these and other farm products at minimal prices through retail stores operated by the National Corporation for Public Subsidies. In 1977, the government introduced a new program called the Mexican Alimentary System, seeking to foster food production through subsidized credit, cheap raw materials, guaranteed prices, and crop insurance. Because of a record harvest in 1981, the agricultural sector grew by 6% overall. The program was terminated in December 1982 because of what the government called its limited contribution to rural welfare and incomes. In response to increasing pressure from Mexican producers to protect agriculture, in 2002 the government announced a series of measures to make Mexican agriculture more competitive.

In 2004, the principal crops' production totals (in tons) were as follows: sugarcane, 45,126,000; corn, 20,000,000; sorghum, 6,300,000; wheat, 2,500,000; dry beans, 1,400,000; soybeans, 75,700; rice, 191,500; and barley, 1,109,000. Principal exports are coffee, cotton, fresh fruit, sugar, tobacco, and tomatoes. In 2004, the value of agricultural exports amounted to \$9,879 million, and agricultural imports totaled \$13,439 million.

At the time of the Mexican Revolution, an estimated 830 landowners held 97% of the land. The principles of land reform were incorporated into Article 27 of the constitution of 1917, which provided for division of large landholdings into small farms, communally owned by villages, known as ejidos (one individual may only own 100 hectares/247 acres of irrigated land). Much of the arable land has been expropriated for the establishment of ejidos. The Agrarian Reform Law of April 1972 formally recognizes two types of landholdings, private and ejidal (in the form of lifetime land grants, which cannot be disposed of by sale or transfer). The proportion of ejidal-owned land rose from 7.5% in 1930 to 26.3% in 1960 and 47% in 1970. By 1986, 61.1% of the farm population belonged to the ejidal system, but the system yielded only about 33% of total agricultural output, and an estimated four million peasants remained landless. Beginning in the late 1970s, the government sought to group together ejidal holdings into larger collectives to increase production.

## 23 ANIMAL HUSBANDRY

More than one-third of the total land area is suitable for pasture. Livestock produced in the central, southern, and southeastern

states are mostly native breeds of general-purpose cattle; in the northern and northwestern states, Herefords and other improved breeds are raised for export, mainly to the United States.

In 2005, the livestock population was estimated at 31.5 million head of cattle, 14.6 million hogs, 9 million goats, 6.8 million sheep, 6.26 million horses (third in the world), 3.26 million donkeys, 3.28 million mules, and 425 million chickens. Output of livestock products in 2005 included 9,873,000 tons of cows' milk, 154,000 tons of goats' milk, 1,543,000 tons of beef and veal, 2,225,000 tons of poultry meat, 1,058,000 tons of pork, and 1,906,000 tons of eggs. In 1996, cattle inventories declined due to lower birth rates of calves, high slaughter rates, and increased exports. One of the worst droughts in decades in northern Mexico (combined with unfavorable weather in southern Mexico) was also responsible for the decline in livestock inventories.

## 24 FISHING

Mexico's principal commercial catches are shrimp, sardines, bass, pike, abalone, Spanish mackerel, and red snapper. Coastal fishing is important. The 2003 catch was 1,553,925 tons. The leading species caught by volume that year were California pilchard, 620,000 tons; yellowfin tuna, 165,767 tons; jumbo flying squid, 100,000 tons; and tilapia, 61,771 tons.

The fishing industry is largely handled by cooperative societies, which are granted monopolies on the most valuable species of fish. Most fish processed in Mexico's canneries are consumed domestically. Ensenada, in Baja California, is Mexico's most important fisheries center. It produces most of the canned fish and virtually all of Mexico's abalone and spiny lobster exports. Mexico's first fisheries college, the Higher Institute of Marine Sciences, is located in Ensenada. In 2003, Mexico's exports of fish products were valued at over \$634.5 million.

## 25 FORESTRY

About 84.57 million hectares (209 million acres) are classified as forestland, 60% tropical and subtropical forests, and 40% temperate and cold climate forests. Palms are found at elevations up to 500 m (1,600 ft), while mahogany, cedar, primavera, and sapote are found from 500–1,000 m (1,600–3,300 ft). Stands of oak, copal, and pine grow from 1,000–1,500 m (3,300–4,900 ft), and conifers predominate in higher elevations. Mexico has 72 species of pine, more than any other country; pine accounts for over 80% of annual forestry production. About 90% of Mexico's forestry production comes from temperate forests, which are mainly found in the states of Chihuahua, Durango, Jalisco, Michoacán, Oaxaca, Chiapas, and Guerrero. Tropical forests account for only 10% of forestry production, and exist in the states of Chiapas, Quintana Roo, Yucatan, Campeche, Tabasco, and Oaxaca.

Mexico's forestry policy is designed to protect and renew these resources, so that forests may fulfill their soil-protection functions and timber reserves may be exploited rationally and productively. Only about 30% of all forests are exploited, mostly in Chihuahua, Durango, and Michoacán. Timber is often located in mountainous regions with rough terrain and few all-season roads. As a result, wood production costs are 35–40% higher than the world average. Moreover, most roundwood comes from ejido (communally owned) forests; this system has greatly inhibited the development of an integrated forest industry. Mexico's ability to supply

its own wood products needs are severely restricted by the limited timber available. Roundwood production in 2004 was estimated at 45.7 million cu m (1.6 billion cu ft) by the FAO; forestry imports exceeded exports by \$2.2 billion. Over 90% of the hardwood demand is for the manufacture of furniture.

There are also many other useful products found in Mexico's forests other than wood. Annual forestry production also includes an estimated 100,000 tons of resins, fibers, oils, waxes, and gums. The indigenous peoples living in Mexico's rain forests are estimated to utilize up to 1,500 species of tropical plants to manufacture 3,000 different products such as medicines, construction and domestic materials, dyes, and poisons. Mexico's National Autonomous University estimated the rate of annual forest loss during 1976–2000 was 0.25% for temperate forests, 0.76% for tropical forests, and 0.33% for semiarid forests, for a total average annual loss of around 545,000 hectares (1,347,000 acres).

## 26 MINING

Mexico's globally significant mineral sector in 2003 was dominated by hydrocarbons. However, the country ranked first in the production of bismuth (with around 24% of the world's refined total), and was the world's second-largest producer of silver and celestite (strontium mineral; 35% of world output). The country was also a major supplier of cadmium, cement, copper, fluor spar, gold, gypsum, manganese ore (metal content), molybdenum, salt, steel, sulfur, and mine zinc. Mexico is the second-largest producer of steel in Latin America.

The total value of nonfuel minerals produced was \$4.61 billion in 2003, slightly under 2002's revised total of \$4.68 billion. Metals contributed 45% of the total (\$2.06 billion), while industrial minerals accounted for \$2.55 billion or 55%. Of the latter, sand and gravel was the highest value commodity (excluding natural gas and oil) at \$842.5 million. Among metals, copper production in 2003 was first, accounting for \$578 million. Total exports in 2003 were valued at \$164.9 billion, with nonfuel minerals accounting for \$3.1 billion. Metal exports totaled \$2.7 billion. About 80% of Mexico's mineral exports went to the United States in 2003.

Silver output in 2003 was 2,568,877 kg (metal content of ore). Peñoles mined 59% of Mexico's silver. Its Fresnillo/Proaño mine, in Zacatecas, produced over 995,000 kg. Peñoles also produced almost all of the country's refined silver, and mined 58% of its lead and 57% of its zinc. Grupo Mexico mined 33% of Mexico's zinc in 2003. In 2003, Mexico produced 20,406 kg of mined gold. As with silver, Peñoles was Mexico's largest gold producer with 52% of the total. Copper output in 2003 (by cementation, concentration, and leaching) was 355,653 metric tons. Mined bismuth output that same year totaled 1,064 metric tons. Celestite output in 2003 totaled 130,329 metric tons, while fluor spar (acid grade and metallurgical grade), production 756,000 tons. Iron ore (gross weight) output in 2003 totaled 11.265 million tons, while cadmium mine production in that year, totaled 1,616 metric tons. Barite production in 2003 totaled 287,451 metric tons, while lead mine output that same year came to 139,348 metric tons. In 2003, Mexico also produced antimony; mercury; tin; natural abrasives (comprising mostly pumice stone and emery, a granular, impure variety of corundum); clays (bentonite, common clay, fuller's earth, and kaolin); diatomite; feldspar; hydrated lime and quicklime; magnesite and magnesia; mica; nitrogen; perlite; phosphate rock; so-

dium compounds; stone, sand, and gravel (including common calcite, dolomite, limestone, marble, quartzite, and glass sand [silica]); talc; and wollastonite. No tungsten was produced from 2000 through 2003. Although vermiculite was not produced from 1998 through 2001, 300 metric tons was produced in 2002 and 312 metric tons in 2003.

Mexico had 15% of the world's graphite reserves (3.1 million tons) and 13% of silver reserves (37,000 tons). The country also ranked among the highest in reserves of cadmium (35,000 tons), mercury (5,000 tons), and selenium (4,000 tons). Lead reserves totaled 1 million tons; zinc reserves, 6 million tons; molybdenum, 90,000 tons; copper, 14 million tons; and manganese, 4 million tons. Sulfur was found in the salt domes of the Isthmus of Tehuantepec—reserves of all forms amounted to 75 million tons. An area in Baja California potentially rich in gold, silver, copper, lead, and zinc was discovered by a sensor on the US space shuttle *Columbia* in 1981. Northern Mexico dominated the production of minerals. Metallic deposits were mostly in the Sierra Madre ranges; copper, gold, and manganese were mined mainly in the northwest (Sonora produced more than 80% of the nation's copper and received three-quarters of foreign investment); lead, zinc, and silver in central Mexico (Zacatecas was the principal state for silver, and Chihuahua was the leader in lead and zinc); and coal and petroleum in the east. Employment in the mineral sector totaled 220,100 in 2000, including 58,400 in metal mining, 57,200 in iron and steel, and 46,500 in nonmetallic minerals.

Under the constitution, minerals were part of the national patrimony. Nearly all formerly state-owned mines had been privatized by 1997. Although low prices for base metals (except copper) and precious metals have hurt the industry, the North American Free Trade Agreement (NAFTA) was expected to have a significant role in attracting foreign investment to the mineral sector. Amendments in 1996 to the 1992 Mining Law removed many of the restrictions regarding the participation of private and foreign companies, permitting direct investment with up to 100% ownership of equity in exploration works and activities, and allowing up to 100% foreign participation in production. Further revisions in 1999 were geared to increase participation of the private sector, and competitiveness of mining companies in the country.

## 27 ENERGY AND POWER

Mexico, according to most analysts, has the third-highest proven reserves of crude oil in the Western Hemisphere, following Venezuela and the United States. The country also contains deposits of natural gas that gives it the sixth-largest proven reserves of natural gas in the Western Hemisphere. Mexico also has recoverable deposits of coal.

As of 1 January 2004, Mexico is estimated to have proven oil reserves of 15.7 billion barrels, with production in 2003 estimated at 3.8 million barrels per day, of which 3.37 million barrels per day was crude oil. Domestic consumption of oil in 2003 was estimated at 2.02 million barrels per day. Net oil exports that same year were estimated at 1.78 million barrels per day. Crude oil refining capacity, as of 1 January 2004, was estimated at 1.73 million barrels per day. Although the government restricts exploration and exploitation of petroleum deposits, some foreign and private exploratory drilling has been permitted. Oil exploration and production is managed by state-owned Petroleos Mexicanos (Pemex), which

was split into four subsidiaries in 1992. While Pemex maintains exclusive rights to oil output and exploration in Mexico, the nation's hydrocarbon reserves are owned by Mexico, not Pemex.

According to the Oil and Gas Journal, Mexico's proven reserves of natural gas were estimated, as of 1 January 2004, to be 15 trillion cu ft. In 2002, natural gas output was estimated at 1.33 trillion cu ft, mostly from offshore sources. However, Mexico's demand for natural gas outstripped production in 2002. Net imports of natural gas that year came to 0.27 trillion cu ft.

Mexico, in 2001, had an estimated 1.3 billion short tons of recoverable coal reserves. In 2002, Mexico's production of coal came to an estimated 12.1 million short tons, while demand that year came to an estimated 13.8 million short tons, making Mexico a net importer of coal, which amounted to 1.7 million short tons.

Total electric power generating capacity came to an estimated 42.3 GW, as of 2002. The amount of electricity produced in 2002 was an estimated 198.6 billion kWh, of which 81% came from conventional thermal plants, and 12% from hydroelectric sources. Nuclear generating output came to 4.5%, with 2.5% from other, alternative sources. The possibilities for geothermal electrical production are extensive, with over 100 thermal springs available for exploitation.

## 28 INDUSTRY

Mexico has one of the best-developed manufacturing sectors in Latin America. The manufacturing sector surpassed agriculture's contribution to GDP as far back as the early 1950s. Government support of industry, via import substitution industrialization, resulted in sharp increases to satisfy increased domestic demand for manufacturing output from the 1950s through the 1970s.

In the 1980s, the Mexican government retreated from its position of dominance over the economy, and the private sector was given an expanded role. Manufacturing output increased on average by 2.3% per year during the 1980s and by 3.9% annually during 1988–98. In 1998, manufacturing contributed an estimated 22.1% to GDP, and had a growth rate of 7.4%. In 2004, industry as a whole accounted for about 27% of GDP and the industrial production growth rate was estimated to be 3.8%.

Major industrial centers are Mexico City, Guadalajara, Monterrey, Cidua Juárez, and Tijuana. Mexico City is an attractive venue for manufacturing due to its skilled work force, low distribution costs, large consumer market, and closeness to political decision makers and the nexus of Mexico's communications system. The principal manufacturing industries include food and beverages, tobacco, chemicals, iron and steel, petroleum, textiles, clothing, and motor vehicles, consumer durables, and tourism. Other industries include footwear, metalworking, furniture, and other wood products.

Manufacturing has been focused around the reexport processing industry, carried out by *maquiladoras* that have traditionally been located near the US border and owned by a foreign corporation, but have recently moved operations southward to take advantage of lower production costs. The *maquiladoras* contract to assemble or process imported goods brought in from the United States and then reexport them duty free. In 2002, there were some 3,200 *maquiladora* factories. Baja had the most export industries in 2001, at over 1,300; other leading states included Sonora, and Tijuana, which hosts the majority of electronic-related assembly

plants. However, the *maquiladora* industry was in crisis in 2003, with Mexico losing nearly 600 *maquiladoras* in 2001–02, mostly in electronics and apparel. During that period, 250,000 jobs were lost, which amounted to 15% of the *maquila* workforce. China was Mexico's chief rival in the industry. (China's hourly wage is 40 US cents, compared to approximately \$1.20 in Mexico, making it hard for Mexico to compete on the world market for reexports.) As of 2005, this continued to be a concern for the Mexican economy.

The construction sector has great potential, as major improvements in basic infrastructure—including roads, highways, railways, ports, and the airport network—are carried out.

## 29 SCIENCE AND TECHNOLOGY

The National Academy of Science, founded in 1884, is the principal scientific organization. Among Mexico's 36 scientific and technological learned societies and 26 scientific research institutes, the natural sciences and medicine predominate. Especially well known is the International Maize and Wheat Improvement Center, founded in Mexico City in 1966; its director, Norman Ernest Borlaug, received the Nobel Peace Prize in 1970 for his work in advancing the "green revolution." More than 60 universities and colleges in Mexico offer courses in basic and applied sciences. In 1987–97, science and engineering students accounted for 32% of college and university enrollments. In 2002, of all bachelor's degrees awarded, 23.6% were in the sciences (natural, mathematics and computers, engineering).

The primary science and technology policymaking body is the National Council for Science and Technology, a decentralized public body created in 1970 composed of researchers, scientists, academicians, and government officials. They formulate, study, evaluate, and execute national science and technology policies. In 1989, the Consultative Council on Sciences was created to advise directly the President of Mexico on science and technology. In 2002, Mexico's expenditures on research and development (R&D) totaled \$3,859.637 billion, or 0.43% of GDP. Of that amount, 61% came from government sources, while 30.6% came from the business sector. Higher education accounted for 7.1%, while nonprofit institutions and foreign sources accounted for 0.3% and 1%, respectively. In that same year, Mexico had 274 researchers and 98 technicians that were engaged in R&D per million people. High technology exports in 2002 totaled \$28.939 billion or 21% of manufactured exports.

## 30 DOMESTIC TRADE

Mexico City is the commercial hub of the country and is the principal distribution point for all types of commodities. Other large cities, such as Guadalajara, Monterrey, and Puebla, serve as distribution points for their respective regions. Regional marketing is dominated by the open market, with its small stalls or shops, where business is transacted on an individual bargaining basis. There are also chain stores, supermarkets, department stores (some selling by mail), and a government-operated chain of more than 2,000 discount-priced food and clothing stores.

Although most sales are for cash, the use of consumer credit is increasingly extensive, especially for automobiles, furniture, household appliances, and other expensive items. A 10–15% value-added tax applies to most imported products. Products are ad-

vertised through newspapers, radio, television, outdoor signs, and motion picture shorts and slides.

In 1999, the federal government mandated that businesses should keep operational hours between 8 AM and 6 PM. However, most establishments continue to keep traditional work and operation hours, which can vary by region. These traditional hours are from 9 or 9:30 AM to 7 PM, Monday through Friday, with one or two hours for lunch. Some offices in Mexico City have kept hours from about 10 AM to 9 PM, with a two-hour lunch. Banks are open from 9 AM to 1:30 PM.

### 3<sup>1</sup> FOREIGN TRADE

Mexico is one of the most trade-dependent countries in the world, and is especially connected to the United States, which buys about 88% of its exports, which include electronics, motor vehicle parts, and chemicals. Since the start of NAFTA in 1994, Mexico has increased its trade with the United States and Canada three-fold. It has also been a member of free trade agreements with Guatemala, Honduras, El Salvador, and the European Free Trade Area since 2001. More than 90% of Mexico's trade, then, is under free trade agreements. For this reason, Mexico participates actively in the World Trade Organization (WTO), and hosted the WTO Ministerial Meeting in Cancun in September 2003.

Not including exports from the maquiladoras, some of the most important general export commodities from Mexico are crude oil and automobiles. Mexico also exports 9.5% of the world's vegetables. The main destinations of Mexico's exports in 2004 were the United States (87.5%), Canada (1.8%), Japan (1.1%), and Spain (1.0%).

The main origins of Mexico's imports in 2004 were the United States (56.3%), China (3.8%), Germany (3.6%), and South Korea (3.0%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Mexico's balance of payments, in deficit throughout much of the 1960s, turned favorable in the 1970s, as inflows of foreign funds rose fast enough to offset the worsening visible trade balance. However, during the 1980s a steep rise in imports due to trade liberalization led to a growing imbalance. Mexico's external position had so deteriorated by 1986 that the IMF and World Bank coordinated a financial rescue package of \$12 billion and commercial banks agreed to reschedule \$44 billion in foreign debt; an innovative feature of the agreement was that repayment was effectively tied to Mexico's oil export earnings. Mexico began running a current account deficit in 1988, that remained through the 1990s. Following the 1994 devaluation of the peso, international lenders provided \$40 billion in economic aid, half from the United States. This influx of capital resulted in bringing the current account deficit to less than 1% of GDP in 1995, from at least 7% in 1994.

The International Monetary Fund (IMF) reported that in 2001 Mexico had exports of goods totaling \$158.4 billion and imports totaling \$168.4 billion. The services credit totaled \$12.7 billion and debit \$17.2 billion.

The US Central Intelligence Agency (CIA) reported that in 2004 the purchasing power parity of Mexico's exports was \$184 billion while imports totaled \$90 billion resulting in a trade deficit of \$94 billion. The current account balance was estimated at -\$4.113 billion. Banco de Mexico, however, reported the current account def-

icit to be -\$7.4 billion and projected the deficit would continue, approximating -\$9.0 billion in 2005.

### 3<sup>3</sup> BANKING AND SECURITIES

The Bank of Mexico (established 1925), in which the government owns 51% of the capital stock, is also the central bank and bank of issue. Together with the National Banking and Insurance Commission and the Secretariat of Finance, it supervises commercial, savings, trust, mortgage, capitalization, and investment institutions. National institutions for economic development extend agricultural and long-term industrial credit and finance and develop public works, international trade, cooperatives, and the motion picture industry; they also operate savings accounts. The National Financing Agency (founded in 1934) acts as a financing and

#### Principal Trading Partners – Mexico (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	165,394.6	171,290.8	-5,896.2
United States	147,027.5	106,081.8	40,945.7
Canada	2,835.0	4,120.8	-1,285.8
Germany	1,753.2	6,274.9	-4,521.7
Spain	1,464.8	2,288.3	-823.5
Aruba	765.6	...	765.6
Switzerland-Liechtenstein	714.2	839.2	-125.0
Japan	607.0	7,622.8	-7,015.8
Netherlands	596.1	555.7	40.4
United Kingdom	560.7	1,242.3	-681.6
Guatemala	536.2	...	536.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Mexico (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-9,247.0</b>
Balance on goods		-5,624.0
Imports	-170,546.0	
Exports	164,922.0	
Balance on services		-5,521.0
Balance on income		-11,814.0
Current transfers		13,712.0
<b>Capital Account</b>		...
<b>Financial Account</b>		<b>17,683.0</b>
Direct investment abroad		-1,390.0
Direct investment in Mexico		10,784.0
Portfolio investment assets		91.0
Portfolio investment liabilities		3,864.0
Financial derivatives		...
Other investment assets		8,266.0
Other investment liabilities		-3,931.0
<b>Net Errors and Omissions</b>		<b>1,381.0</b>
<b>Reserves and Related Items</b>		<b>-9,817.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

investing corporation; it also regulates the Mexican stock market and long-term credits.

There are a number of state development banks, including Nacional Financiera (Nafin, mainly for small and medium-sized businesses), Banco Nacional de Comercio Exterior (Bancomext, foreign trade), Banco Nacional de Obras y Servicios Públicos (Banobras, public works and services), Financiera Azucarera (sugar industry), Banco Nacional de Comercio Interior, and Banco Nacional de Crédito Rural. Nafin and Bancomext are by far the most important.

In September 1982, in order to stop the flight of capital, the government nationalized all 57 private banks; their combined assets were estimated at \$48.7 billion. After the inauguration of President de la Madrid in December 1982, it was announced that 34% of the shares of the nationalized banks would be sold to bank workers and users and to federal, state, and municipal agencies. No single shareholder would be allowed to purchase more than 1% of the stock, and the federal government would retain a 66% controlling interest. The government had consolidated the commercial banking system into 19 financial institutions by the end of 1986. In November 1986 the government introduced a plan that would privatize 18 of Mexico's 19 state owned commercial banks. The sale of the banks began in 1987. In 1990 the government began allowing foreigners to buy up to 30% of the state's banks. By July 1992 the banking system was completely private. The only foreign bank permitted to operate within Mexico as of 1993 was Citibank; another 100 foreign banks had representatives in Mexico, however.

The 1990s brought fundamental change to the financial sector. Apart from liberalization of interest rates and credit terms and the elimination of obligatory lending to the public sector, there was the creation of new financial instruments and institutions. At the end of 1994, there were around 50 commercial banks in operation compared with just 19 two years earlier. The newly privatized commercial banks had problems almost from the outset. The principal cause was poor asset quality which manifested itself in an increasingly serious burden of nonperforming loans.

Faced with the prospect of a wholesale banking collapse, the government came up with a succession of different measures to deal with the problem of bad debts. There had been a scheme to enable bank loans to be rescheduled using index-linked *Unidades de Inversión* (UDIs) and a program of support for bank debtors (*Apoyo a Deudores*, ADE) designed to help as many as eight million people reschedule debts of up to \$26,000. In May 1996, the government announced a further scheme to help mortgage debtors under which it was to assume 30% of monthly payments due during the year, the proportion falling progressively to 5% over 10 years.

Apart from providing relief for debtors, the government also set up a program to enable banks to meet capital and loan loss provisions (*Programa Temporal de Capitalización Temporal*), as well as a fund (*Fondo Bancario de Protección de Ahorro-Fobaproa*) to take over banks' bad debts in exchange for new capital injections by shareholders. Nevertheless, it has had to step in and take control of a number of institutions. The reserve package cost the government a considerable sum. However, it limited the damage by selling off banks in its control, mainly to foreign investors. Foreign investors also helped to capitalize banks which were in private hands. By 1999, there were \$61 billion of unpaid debts that

the Mexican government had bought from banks in order to keep them from collapsing, adding to the public debt. These bank loans equaled 20% of GDP in 1999.

In mid-March 1997, after two years of preparation, the government introduced measures to curb money laundering. Anywhere between \$4 billion and \$30 billion of drug money is laundered in Mexico every year. Starting in 1998, banks, brokerages, and large foreign exchange houses had to report all cash transactions involving \$10,000 or more to the central bank. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$56.5 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$138.3 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 12.89%.

The National Securities Commission (founded in 1946) supervises stock transactions. The Stock Exchange of Mexico (Bolsa Mexicana de Valores), the largest stock exchange in Latin America, was organized in its present form in 1933. It lists the stocks of the most important industrial companies, as well as a few mining stocks. Two smaller exchanges at Monterrey and Guadalajara were absorbed in 1976 by the Mexico City exchange. Trading on the exchange increased tenfold between 1976 and 1981, but dropped thereafter with the prolonged recession. It recovered to its 1979 level by 1986 and rose 124% in 1987 despite a spectacular crash in October and November of that year tied to the Wall Street's crash. The greatest part of the trading is in fixed-interest, high-yield bonds and bank deposit paper. Under new rules, which came into force in November 1989, foreigners are allowed to purchase almost any stock through a "neutral" trust, although as of 1997 they still did not have voting rights. In 1992, the market behaved erratically, largely because of sensitivity to the political and economic situation in the United States and uncertainty about NAFTA.

In 1996, the recovery in the stock market strengthened as the economy began to pull out of recession, inflation and interest rates fell, and the currency held steady. As confidence grew, so foreign investment flowed back into the market. By mid-year, the total value of foreign investment in the stock exchange was \$33.8 billion compared with \$27.8 billion at the end of 1995, \$34.4 billion at the end of 1994, and \$54.6 billion at the end of 1993. As of 2004, a total of 152 companies were listed on the Stock Exchange of Mexico, which had a market capitalization \$171.940 billion. In 2004, the IPC Index rose 46.9% from the previous year to 12,917.9.

### 3<sup>4</sup> INSURANCE

Since 1935, all life, fire, marine, automobile, agriculture, accident and health, and other insurance companies have been Mexican operated. Insurance companies must be authorized by the National Banking and Insurance Commission. In recent years, regulation has changed from rates and forms to solvency requirements. The effect of this change has been to increase product and price competition to the advantage of the consumer. The Mexican market has been divided into general and life insurers (including composites) and surety companies for purposes of regulation and government oversight. At year-end 1995, there were approximately 55 insurers, including three mutuals, two reinsurers, and two government companies. In addition, there were approximately 20



surety organizations with a total premium volume exceeding \$115 million. Government companies provide the compulsory workers' compensation insurance, which is a part of the social security scheme.

The Mexican insurance market is characterized by a relatively small number of insurers, with the top five insurers enjoying 70% of the market in terms of premiums. Thereafter, the size of insurers drops very rapidly. During 1996, two of the top five insurance organizations were expected to complete a merger, with the resulting company having 30% of the 1995 market. With the liberalization of the insurance market, a number of foreign insurance organizations have established or strengthened their presence in Mexico. In 2003, the value of direct insurance premiums written in Mexico totaled \$10.920 billion, of which nonlife premiums accounted for \$6.690 billion. As of 2003, Mexico's top nonlife insurer was ING Comercial America, which had gross written nonlife premiums (includes personal accident; figures adjusted for inflation) of \$1,481.1 million, while the leading life insurer, Metlife Mexico, had gross written life insurance premiums of \$1,598.1 million in that same year. Market penetration when compared to North America and Europe, is especially low for life insurance products.

Employee benefits (Social Security) are compulsory.

### 3<sup>5</sup> PUBLIC FINANCE

Major sources of revenue are income taxes, a VAT, and public enterprise revenues. Among regular government departments, education receives the largest budget allocation, but outlays for debt service, subsidies to federal enterprises, and capital expenditures for highways, irrigation, and hydroelectric projects have exceeded regular departmental expenditures in recent years. The public-sector deficit usually increases sharply in the last year of a presidential term as the outgoing administration strives to complete its public works program. During the 1960s, government revenues rose at a faster rate than GDP, with revenues from income taxes (including surcharges) increasing by 170% in the 1960–69 peri-

od. Budgets in the 1970s and early and mid-1980s continued to show current-account "surpluses," or minimal apparent deficits; the fact that borrowings and transfers are built into the budget structure masked the true magnitude of annual deficits. In the late 1970s and the early 1980s, real budget deficits increased substantially, reaching nearly 18% of the GDP by 1982. By slashing public spending, the government was able to bring the deficit down to 8.9% of the GDP in 1983 and 7.1% in 1984, but the collapse of the world oil price sent it up to 16.3% in 1986. By the early 1990s, however, public finances were strengthening, and a surplus was recorded in 1992, equivalent to about 1.5% of GDP. Public revenues policy in 1992 sought to widen the tax base and simplify and enforce tax administration. At the same time, public expenditures have been reoriented to provide basic infrastructure and services. In 1997 and 1998 there was a current account deficit equaling 0.70% and 1.3% respectively.

The US Central Intelligence Agency (CIA) estimated that in 2005 Mexico's central government took in revenues of approximately \$173.2 billion and had expenditures of \$175.4 billion. Revenues minus expenditures totaled approximately -\$2.2 billion. Public debt in 2005 amounted to 21.2% of GDP. Total external debt was \$174.3 billion.

The International Monetary Fund (IMF) reported that in 2000, the most recent year for which it had data, central government revenues in millions of pesos were 810,620 and expenditures were 875,775. The value of revenues in millions of US dollars was \$85,729 and expenditures \$101,425, based on a market exchange rate for 2000 of 9.4556 as reported by the IMF. Government outlays by function were as follows: general public services, 38.4%; defense, 3.0%; public order and safety, 2.7%; economic affairs, 8.1%; housing and community amenities, 6.9%; health, 5.0%; recreation, culture, and religion, 0.6%; education, 24.7%; and social protection, 20.1%.

### 3<sup>6</sup> TAXATION

The main sources of tax revenue in Mexico are the income tax, the value-added tax (VAT), and local levies on real property. The federal government also imposes excise taxes on alcohol and cigarettes, as well as production taxes on mining.

A new income tax law, effective 1 January 1987, retained the 1981 division of taxpayers into four groups: resident corporations; resident individuals; nonresident corporations and individuals taxed only on their Mexican-source income; and nonprofit organizations, which, though paying no taxes, are still required to file annual returns. The tax reforms of 2001 extended the requirements for reporting income to the Hacienda (the term for Mexico's tax agency) as a condition for maintaining various income tax exemptions on income from dividends, capital gains, gifts and inheritances.

As of 2005, Mexico imposed a corporate income tax of 30%, which generally aggregates all income categories into a single taxable income figure. However, in 2006, the standard corporate rate will be cut to 29% and to 28% for 2007 and beyond. A 1.8% tax on fixed assets is deductible from corporate income tax. Except for gains from sale of stock on the Mexican stock exchange, capital gains are taxed at the same rate as other corporate income. Dividend payments by Mexican companies to nonresidents are not subject to any withholding. Branches of the foreign companies

#### Public Finance – Mexico (2000)

(In millions of pesos, central government figures)

<b>Revenue and Grants</b>	<b>810,620</b>	<b>100.0%</b>
Tax revenue	640,777	79.0%
Social contributions	84,931	10.5%
Grants	...	...
Other revenue	84,912	10.5%
<b>Expenditures</b>	<b>875,775</b>	<b>100.0%</b>
General public services	335,966	38.4%
Defense	26,586	3.0%
Public order and safety	23,832	2.7%
Economic affairs	71,025	8.1%
Environmental protection	...	...
Housing and community amenities	60,633	6.9%
Health	43,387	5.0%
Recreational, culture, and religion	4,885	0.6%
Education	216,548	24.7%
Social protection	176,175	20.1%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

have the same tax obligations as domestic companies. Interest income is taxed at rates of 10%, 21%, and 30%. Royalty income from patents and trademarks are subject to a withholding tax of 30%, while royalties derived from intellectual and technical assistance are subject to a 25% withholding tax. Payments made to so-called tax havens are subjected to a withholding tax of 40%.

As of 1 January 2005, Mexico had a progressive individual income tax with a top rate of 30%. Several types of deductions are available, including lump-sum standard deductions, for housing expenses, property taxes paid, etc., but the specific mix in determining taxable income differs from region to region. The 3% Substitute Tax on Salary Credits (ISCAS) introduced in 2002 was raised to 4% for 2003. Though the tax reforms of 2001 allow state governments to impose an income tax up to 3%, as of 2003 none had a state income tax. Gifts less than about \$1,700 (calculated as the equivalent of three annual minimum wages) are tax-exempt as are gifts between spouse and linear descendants (although such gifts over one million pesos—about \$95,000—must be reported to the Hacienda to maintain the tax exemption).

The main indirect tax is Mexico's value-added tax (VAT), in effect since 1980, which has a current standard rate of 15% on most goods and services, except in border zones in which a 10% VAT applies. Medicine and food products are zero-rated. VAT-exempt goods and services include sales of animals, vegetables, and fruit for other than industrial use; sales of tractors, fertilizers, and pesticides; rentals of agricultural machinery; international freight; international air passenger service, prepaid cellular phone service, radio paging and beeper services, the sale of natural gas for car fuel, and imports and exports in Strategic Bonded Warehouse facilities. A 5% luxury tax on a rather arbitrary collection of goods (luxury cars, jet skis, salmon, golf, horseback riding, but not yachts, lobster, scuba diving or skydiving) was abolished in 2003. Though the tax reforms of 2001 give the states leeway to impose sales taxes up to 3%, none are reported to have done so as of 2005.

### 37 CUSTOMS AND DUTIES

Mexico, a member of NAFTA since 1994, also has free trade agreements with 32 countries and regions, among them the European Union, EFTA, Israel, and 10 nations in Latin America. The agreement with the European Union is roughly the same as the specifications afforded in the NAFTA treaty. Mexico has also implemented "Sectoral Promotion Programs (PROSEC)" that reduce tariffs for goods imported from countries with most-favored nation status by up to 5% on a wide range of manufacturing inputs. In doing so, Mexico has allowed East Asian products to be increasingly competitive with US or Canadian products in Mexican markets, undermining the efficacy of NAFTA.

Since mid-1985, Mexico has undertaken a major liberalization of its trade restrictions, departing from the import-substitution approach that had been followed since the 1940s. In the second half of 1985, the need for many import licenses was abolished and Mexico joined GATT in July 1986. Until June 1985, a license was required for 4,513 of the 8,077 items on the import tariff schedule. Trade protected in this manner represented 75% of total import value. By 1991, less than 2% of all imports (14% of total import value) were subject to licensing requirements, and in 1999 there were hardly any licensing requirements. Businesses may receive

reductions of up to 100% on duties for certain industrial imports in Mexico's free trade zones.

Mexico gives preferential treatment to some imports from the 10 other member nations of the Latin American Integration Association. The North American Free Trade Agreement (NAFTA) entered into force on 1 January 1994. It further lowered tariffs on US and Canadian goods to 0–10%. Under NAFTA, tariffs were phased out in 2005, however, many US goods already enter Mexico duty-free. There is also a value-added tax (IVA) of 10–15% (depending on the destination within the country) on most sales transactions. As of 2005, Mexican tariffs on cars, and light and heavy trucks originating in the United States or Canada, can enter duty-free. However, Canadian and US vehicles that do not meet the rules of origin as contained in NAFTA are subject to a 20% tariff, as are those vehicles from other countries.

### 38 FOREIGN INVESTMENT

Old federal law was aimed at attracting foreign investment without placing the nation "at the mercy of interests that are not those of Mexico and its citizens." Under the Foreign Investment Law of 1973, capital profits and dividends could be transferred to and from Mexico and the inflow of foreign funds was encouraged by allowing foreigners to make bank deposits without revealing the identity of the depositors. The current Foreign Investment Law of 1973 preceded the launch of the first phases of the implementation of the NAFTA agreement in January 1994 and opened the economy to further foreign investment. Investment in high technology and export-oriented industries is particularly welcome. About 95% of foreign investment transactions do not require official approval. The National Foreign Investment Commission rules on cases requiring government approval.

Annual foreign direct investment (FDI) in Mexico ranged from \$12 billion to \$14.7 billion from 1997 to 2000 and then soared to \$24.7 billion in 2001. In 2002, FDI inflow fell to \$13.6 billion and in the first quarter of 2003 was 2.7% below the first quarter of 2002, at \$2.6 billion. Foreign investment in 2004 was valued at \$24.5 billion, \$17.4 billion of which was FDI (the rest was portfolio investment).

Foreign portfolio investment as indicated by the total market capitalization of companies listed on the Mexican Stock Market reached a peak in 1993 at \$200.7 billion. By 2001, market capitalization had fallen to \$126 billion. In 2002, Mexican securities held by US investors totaled \$47.6 billion, with \$26.4 billion in equity shares, \$21.2 billion, in long-term debt, and about \$132 million in short-term debt.

The United States is the leading source of direct foreign investment in Mexico, reaching 86.3% in 2000, up from 55% to 66% in previous years. In 2001, there were many large foreign investments in the financial services sector, including a purchase by Citigroup of majority control in Banamex for \$12.5 billion. In 2002, FDI from the United States was 26.7% of the total, at \$3.6 billion. The European Union and EU countries account for most of the rest. From 2004–05, the foreign participation in total market capitalization was approximately 44%, according to the Economist Intelligence Unit. The US Department of State reported that, from 2000–04, the United States spent \$35,234 million out of the total FDI inflow of \$83,373 million. Manufacturing and Financial

received the most investment, respectively receiving \$5,750 and \$4,802 million in FDI.

Mexico's Foreign Investment Law identifies 704 activities, 656 of which allow 100% foreign ownership. Ten activities are reserved for the Mexican State, and five for Mexican nationals. Thirteen activities require approval by the National Foreign Investment Commission for 100% foreign ownership, and 18 activities have ceilings of 49% for foreign investment. Sectors reserved for the state, in whole or in part, include petroleum, petrochemicals, telegraphic and radio telegraphic services, radioactive materials, electric power, nuclear energy, money printing, postal service, airports, and control of ports and heliports. Sectors reserved for Mexican citizens include retail sales of gasoline, noncable radio and television services, credit unions and banks, professional and technical services, and domestic transport. Land and water within 100 km (62 mi) of Mexico's borders or 50 km (31 mi) of the coastline may not be foreign owned.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

The government encourages local industry by giving financial support, customs protection, and tax exemption to approved or new enterprises. The National Financing Agency has supported new industries by purchasing their stock and then reselling it to the public when the firm is established. The executive branch of government may set ceiling prices on foodstuffs, drugs, and other basic necessities, such as workers' rents. Modern Mexican economic policy derives in principle from the constitution of 1917, which, in Article 27, proclaims national ownership of subsoil rights, provides for expropriation of property needed for national purposes, and provides for the breaking up of large estates and the establishment of village communal landholdings (*ejidos*). The property of foreign oil companies was expropriated in 1938, and production, refining, and distribution were placed under the government-controlled PEMEX. The government also nationalized the railway and banking systems, owns most electric power plants, and partly owns some industrial establishments. Majority Mexican ownership was required in virtually all sectors until early 1984, when restrictions on foreign investment were relaxed somewhat.

Major development projects in the 1970s included an attempt to increase agricultural productivity, modernization of the nation's railroads, expansion of the fishing fleet, and resettlement of some 50,000 families from the northern states to the southern states Campeche, Yucatán, and Quintana Roo.

When the exploitation of huge oil deposits began in the mid-1970s, the Mexican government embarked on an expansionist economic policy, which included an ambitious public-spending program financed to a great degree by foreign borrowing. A 17-point development program announced in 1978 created about three million new jobs by 1981, but it was not fully implemented because of the drop in world oil prices and the subsequent financial crisis. The crisis reached its climax in August 1982, when the government suspended all payments of foreign debt principal and had to resort to emergency credits to avoid default.

New credits from the International Monetary Fund (IMF) were conditional upon Mexico's acceptance of an austerity program that entailed reduction of the budget deficit from 17.9% of the gross domestic product (GDP) in 1982 to 8.5% in 1983. Other austerity

measures included tax increases, increases in the prices of controlled commodities, such as bread and salt, and steps to decrease tax evasion and reduce inflation. The de la Madrid administration simultaneously pursued policies to reduce the inflated value of the peso and to generate massive trade surpluses; indicative of their effectiveness were the 1983 and 1984 surpluses, over \$13 billion in each year. The government, moreover, pursued rescheduling of its foreign debt, winning agreements in 1983 (\$14 billion) and 1986 (\$43.7 billion). In 1985 and 1986, however, the earthquake and the fall in world oil prices undermined the recovery; export revenues plunged, and inflation soared. The 1986 rescheduling was conditional upon Mexico's agreement to increase development of the export sector and encourage efficient import-substitution policies, as well as foreign investment.

Since Mexico joined GATT in 1986, trade barriers were eliminated and tariffs reduced. Privatizations since 1989 include: the telephone company, Telmex; Mexico's 18 commercial banks; the airlines, Aeromexico and Mexicana; two large copper mines, Cananea and Mexicana de Cobre; and two large steel companies, Sicartsa and AHMSA. Privatizations have produced large one-time revenues for the government, while simultaneously reducing the government's role in the economy thus garnering savings by reducing its transfers to inefficient enterprises. Furthermore, these new profit-making private sector companies have widened the tax base.

The North American Free Trade Agreement (NAFTA), ratified in 1992 and implemented in 1994, culminated several years of trade liberalization efforts begun in 1986. NAFTA's goal is the creation of a market of 360 million consumers with \$6 trillion in annual output. Tariffs on most industrial and agricultural goods are to be eliminated or phased out within 15 years. NAFTA trading benefits are only given to goods produced wholly or principally in NAFTA countries. NAFTA eliminates trade barriers and investment restrictions on participating countries' autos, trucks, buses, and auto parts within 10 years. NAFTA proposed to safeguard domestic agricultural production of the dairy, egg, poultry, and sugar sectors. NAFTA opens up foreign investment possibilities in the Mexican energy sector. NAFTA has provisions for the textiles and services sectors, banking, investment, and intellectual property rights. Labor and environmental impacts are also addressed. Mexico established free trade agreements with Venezuela and Colombia as a member of the Group of Three, and with several other Central American nations. Mexico signed a free trade agreement with Chile in 1991.

The 1994–95 Mexican financial crisis demanded the government undertake major policies of economic management and reform. A buoyant financial market and large inflows of capital preceded the crisis. Capital inflow to Mexico between 1990 and 1994 amounted to \$104 billion—20% of total capital flows to developing countries during that period. Mexico's external current account deficit widened, there was a rapid growth in bank credit to the private sector, international interest rates were rising, and the country maintained an exchange rate peg. Mexico floated the peso in December 1994; the currency was attacked by speculative investors, which led to a drastic devaluation. The financial system was also very weak, and there was a massive outflow of capital from the country. After the crisis broke, the government realized major structural changes would need to be taken, and interna-

tional financial support would be needed. The US government, the IMF, World Bank, and the Inter-American Development Bank provided emergency funds, to prevent the crisis from spreading to other countries. The Mexican economy began to recover in 1996.

In 1999, the IMF approved a 17-month, \$4,123-million Stand-By Arrangement with Mexico to support the government's economic reform program. In 2000, Mexico repaid all of its obligations to the IMF. The country in the early 2000s was a recipient of large amounts of foreign direct investment, the largest recipient of FDI in Latin America in 2000 (22.5 billion). The Mexican economy weakened in 2001–02, however, marked by weak domestic demand. In 2002, the government was following an economic program (PRONAFIDE) aimed toward strengthening the country's fiscal position, enhancing competitiveness and stimulating productivity. The government was aiming for a reduction of the fiscal deficit and public debt by 2006. Although the government realized it had to maintain spending constraints, it still increased social expenditures in an effort to combat poverty. The government in 2003 was considering tax reform, opening up the telecommunications sector to more competition, and, most controversial, allowing for private investment in energy. As of 2004, the government was working to privatize port operations in order to increase trade development. At the time, Tampico and Veracruz were Mexico's primary seaports.

#### 40 SOCIAL DEVELOPMENT

The social security system includes old age pensions, disability, medical, and work injury benefits. The system covers all workers, and consists of both social insurance and a private insurance scheme. Pensions are financed by contributions from employees, employers, and the government. Retirement is set at age 65, and benefits are determined by length of employment. Insurance for occupational accidents is financed by employer contributions, and provides for 100% of earnings for temporary disability, and 70% of salary for those permanently disabled. Insured workers and their families receive medical and maternity benefits. A funeral grant is provided. Child care is available to dependent children of poor women, widowers, and divorced working men.

An amendment to the 1917 constitution states that men and women are equal before the law, however in practice this was not respected. Women continue to earn less than men, and are concentrated in lower paying jobs. Women can own property and file for divorce. Domestic violence is widespread and is vastly underreported. It was estimated in 2004 that 47% of women experienced at least one incident of physical or emotional abuse. Organizations and women's groups are working to counter the view that spousal abuse is a private matter and normal behavior. Sexual tourism is a problem, especially in the resort areas of the country.

Indigenous peoples have full protection under the law, but in practice they face discrimination and experience economic hardship. Numerous nongovernmental organizations in Mexico are working to protect and promote the rights of indigenous peoples. The human rights of citizens are generally respected, although there are continued reports of extrajudicial killings, torture, illegal arrests, and arbitrary detention. Narcotics related killings have increased in recent years.

#### 41 HEALTH

Mexico has made slow but measurable progress in public health. The Health Sector Reform Program, launched in 1995, has aimed at reorganizing the healthcare system to expand coverage and increase efficiency of services. In 2004 there were an estimated 171 physicians, 221 nurses, and 10 dentists per 100,000 people. Total health care expenditure was estimated at 5.3% of GDP. In 2000, 86% of the population had access to safe drinking water and 73% had adequate sanitation.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 22.36 and 4.99 per 1,000 people. About 65% of the married women (ages 15 to 49) were using contraception. The infant mortality rate, which was 101.7 per 1,000 live births in 1948, was reduced to 20.91 by 2005. Average life expectancy, meanwhile, rose from 32.4 years in 1930 to 57.6 in 1965; by 2005, average life expectancy was estimated at 75.19 years. Maternal mortality was 55 per 100,000 live births.

Cholera, yellow fever, plague, and smallpox have been virtually eliminated, and typhus has been controlled. Permanent campaigns are waged against malaria, poliomyelitis, skin diseases, tuberculosis, leprosy, onchocerciasis, and serious childhood diseases. Immunization rates for children up to one year of age were as follows: tuberculosis, 99%; diphtheria, pertussis, and tetanus, 93%; polio, 94%; and measles, 84%. Major causes of death were communicable diseases, neoplasms, injuries and circulatory diseases.

Since 1995, the number of new AIDS cases reported each year has stabilized. The HIV/AIDS prevalence was 0.30 per 100 adults in 2003. As of 2004, there were approximately 160,000 people living with HIV/AIDS in the country. There were an estimated 5,000 deaths from AIDS in 2003.

#### 42 HOUSING

Government agencies that have fostered the development of low-income housing include the Fund for Housing Operations and Bank Discounts, the National Public Works and Services Bank, the Housing Credit Guarantee and Support Fund, and the Comisión Nacional de Fomento a la Vivienda (CONAFOVI). In 1974, the National Workers' Housing Fund Institute (Instituto del Fondo Nacional de la Vivienda para los Trabajadores—INFONAVIT) was created to provide housing for workers. With funds provided by employers (equal to 5% of the total salary of each worker), INFONAVIT makes direct loans to employees and provides short-term loans to finance the construction of approved multi-unit projects, which are then sold to employees covered by the program.

Government efforts have fallen short of eradicating Mexico's housing shortage, which had been exacerbated by accelerated population growth in the 1980s. The government allocated us\$1.93 billion in 1989 to build 250,000 low-cost housing units, and expected to receive an additional us\$700 million from the World Bank to build more. The 1990 National Housing Plan predicted a shortage of 6.1 million homes, to be felt most severely in the outskirts of urban areas, including Mexico City, Guadalajara, Monterrey, and cities in the northern states.

In 2000, there were about 21,954,733 housing units; in 2004 the stock was estimated at about 24 million units. About 85% are detached homes. Most dwellings are privately owned; about 84%

have running water and 78% have access to sewage services. The average household had about 4.4 members. About 50% of all new housing (about 300,000 units per year) is self-built by low-income households. However, much of this is informal housing with inadequate structure and a lack of public utilities.

### 43 EDUCATION

Except in the Federal District, where education is administered by the federal government, schools are controlled by the states. As of the 2004/05 academic year, 10 years of schooling are compulsory and free, beginning with one year of preschool at about age five. Primary school then covers six years of study. Secondary school studies generally last for three years. Secondary students may choose a general education program, a technical school program, or a vocational school program.

In 2001, about 76% of children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 99% of age-eligible students. The same year, secondary school enrollment was about 63% of age-eligible students. It is estimated that about 99% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 27:1 in 2003; the ratio for secondary school was about 17:1.

Major universities include the National Autonomous University (founded in 1551), the National Polytechnic Institute, and Iberoamericana University (private), all in Mexico City, and Guadalajara University, the Autonomous University of Guadalajara, and the Autonomous University of Nuevo León. In each state there are other state and private institutions. In 2002, there were 1550 institutions of higher education nationwide; 606 were public and 944 were private. In 2003, about 22% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 90.3%, with 92% for men and 88.7% for women.

The government provides extracurricular education through cultural and motorized missions, community-development brigades, reading rooms, and special centers for workers' training, art education, social work, and primary education. As of 2003, public expenditure on education was estimated at 5.3% of GDP, or 24.3% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

The Mexican public library system has over 4,800 branches holding in total over 20 million volumes and servicing about 72 million registered library users. The National Library, now affiliated with the National University of Mexico, has about three million volumes. Other important collections include the Library of Mexico, the Library of the Secretary of the Treasury, and the Central Library of the National Autonomous University in Mexico City. In total, there are over 1,000 libraries affiliated with institutions of higher education.

The National Museum of Anthropology in Mexico City, founded in 1825, has over 600,000 anthropological, ethnological, and archaeological exhibits and a library of 300,000 volumes. Among its exhibits are the famous Aztec calendar stone and a 137-ton figure of Tlaloc, the god of rain. The National Historical Museum, attached to the National Institute of Anthropology and History,

has more than 150,000 objects ranging in date from the Spanish conquest to the constitution of 1917. The National Museum of Art exhibits Mexican art from 17th century to present, while several other art museums exhibit the works of leading European artists, including the Museum of Modern Art and the Museum of Popular Art. Also in Mexico City is the Frida Kahlo Museum in the former home of Frida Kahlo and Diego Rivera, featuring the works of the former, considered to be Mexico's finest artist. (There is another museum featuring Rivera's work in Guanajuato.) Many public buildings in Guadalajara and elsewhere display murals by famous Mexican painters.

### 45 MEDIA

National and international telegraphic service is furnished by the government-owned National Telegraph Co. The government also owns and operates the international radiotelegraph and radiotelephone facilities. A privately owned telephone company provides supplemental facilities in outlying areas. The largest utility is the government-owned Telephones of Mexico. In 2003, there were an estimated 158 mainline telephones for every 1,000 people. The same year, there were approximately 291 mobile phones in use for every 1,000 people. The national microwave network, now complete, cost more than P650 million; facilities by 1968 included the central telecommunications tower in the Federal District and a land station for artificial satellite communications at Tulancingo, Hidalgo, with one of the largest antennas in the world. The network serves most of the country's larger cities.

Broadcast media is primarily under private ownership and operation. Televisa and TV Azteca are the two primary television broadcasters, accounting for about 90% of the broadcast market in 2004. The federal government owned two television stations. There were also several regional stations supported in part by the various state governments. As of 2003 there were 850 AM and 545 FM radio television stations and over 200 television stations. In 2003, there were an estimated 330 radios and 282 television sets for every 1,000 people. About 24.3 of every 1,000 people were cable subscribers. Also in 2003, there were 82 personal computers for every 1,000 people and 118 of every 1,000 people had access to the Internet. There were 634 secure Internet servers in the country in 2004.

Leading newspapers in Mexico City (with their estimated average daily circulations in 2004) include: *La Prensa* (275,000), *El Universal* (170,000), *Esto* (150,000), *Reforma* (126,000), *El Universal Grafico* (105,000), *Ovaciones* (50,000), *El Financiero* (40,000), *Tribuna* (40,000), and *La Jornada* (35,000). Leading newspapers in Monterrey in 2004 included *El Norte* (133,872), *Metro* (62,000), and *El Porvenir* (60,000). There are two major daily papers in Tampico, *El Sol de Tampico* (77,000 in 2004) and *El Heraldo de Tampico* (54,000). *El Mexicano* in Tijuana had a 2004 daily circulation of 48,000 (a significant decrease from 80,000 in 2002), while *El Sol de Tijuana* distributed 50,000 daily papers. Guadalajara has four major papers, including: *El Occidental* (49,400), *El Informador* (46,000 in 2004), *El Sol de Guadalajara* (NA), and *Ocho Columnas* (40,000). The English language paper *The News* is distributed out of Mexico City, reporting a circulation of 30,000 in 2004.

Freedom of the press is guaranteed by law and to a large extent exercised in practice. However, by controlling the supply of newsprint and by providing advertising, indirect subsidies, and out-

right payoffs to the press, the government exerts an indirect form of press censorship.

#### 46 ORGANIZATIONS

The Mexican government supervises and promotes producer and consumer cooperatives, which are exempt from profits and dividends taxes, and are given customs protection. Producer cooperatives are active in agriculture, fishing, forestry, and mining. Consumer cooperatives buy, sell, and distribute clothing, foodstuffs, and household articles.

Chambers of commerce and of industry are located in most cities, and merchants and manufacturers are required to join either or both. Headquarters for the Confederation of National Chambers of Commerce and the Confederation of Industrial Chambers are in Mexico City. The principal employers' organization is the Employers' Confederation of the Mexican Republic, which dates from 1929. There are several trade unions and associations for particular occupations; specialized unions include the Federation of Coffee Organizations, the Mexican Association of Gifts, and the Decorative Goods and Folk Art Producers. Professional associations also exist for a variety of occupations and fields.

Cultural and educational organizations include the Academia Mexicana de la Historia, Academia Mexicana de la Lengua, and Instituto Nacional de Bellas Artes. The National Academy of Sciences and the National Council for Science and Technology are major supporters of scientific research and education. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions, such as the Mexican League Against Epilepsy.

National youth organizations include the University Student Council, the Scouts Association of Mexico, Girl Guides, the Conference of Political Youth Organizations in Latin America, Junior Chamber, and YMCA/YWCA. Sports associations and clubs are popular in Mexico and many national groups are affiliated with international associations, such as the World Boxing Council, which is based in Mexico City.

Environmental groups include Conservation Mexico and a national chapter of Greenpeace.

Kinal Antzetik is an organization focusing on improving the health and welfare of women, particularly those of indigenous groups, and promoting equal rights and social justice. Centro Mujeres is a similar community health organization for women. Other social action groups include the Mexican Society for Women's Rights and the Mexican Commission for the Defense and Promotion of Human Rights. Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. Several national service groups network through the Mexican Association of Volunteers. International organizations with chapters in Mexico include the Red Cross, Habitat for Humanity, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Mexico's tourist attractions range from modern seaside resort areas, such as Tijuana, Acapulco, Puerto Vallarta, Punta Ixtapa/Zihuatanejo, Cozumel, and Cancún, to the Mayan ruins of Chiapas State and the Aztec monuments of the south-central regions. Mexico City, combining notable features from the Aztec, colonial, and modern periods, is itself an important tourist mecca. Veneration

of the patron saints plays an important role in Mexican life, and the calendar is full of feast days (fiestas). These predominantly Roman Catholic celebrations include many ancient Amerindian rites and customs and, invariably, bands of mariachi musicians playing Mexican folk songs. Tourists from the United States and Canada are not required to have a visa for stays of up to 30 days, but must have photo identification, proof of citizenship, and a tourist card. All other visitors must have a valid passport and a visa.

Mexico was host in 1968 to the Summer Olympics and in 1970. The 1986 World Cup football (soccer) championship was also held in Mexico; the World Cup helped tourism recover from the effects of the earthquake, which kept many visitors away in 1985 and 1986. Mexico's most popular sports are baseball, soccer, jai-alai, swimming, and volleyball. Bullfights are a leading spectator sport; the Mexico City arena, seating 50,000, is one of the largest in the world, and there are about 35 other arenas throughout the country.

There were 18,665,384 tourists who visited Mexico in 2003, of whom 94% came from the United States. Hotel rooms numbered 496,292 with 992,584 beds and an occupancy rate of 48%. The average length of stay that year was three nights. Tourist expenditure receipts totaled \$10.1 billion.

The cost of traveling in Mexico varies considerably from city to city. According to the 2005 US Department of State estimates, daily expenses in Mexico City were \$285; in Nogales, \$193; in Cozumel, \$230; in Cancún, \$294; and in Tijuana, \$187.

#### 48 FAMOUS MEXICANS

The founder of Spanish Mexico was Hernán Cortés (1485–1547), a daring and clever Spanish conquistador. One of the great heroes in Mexican history is Guatemotzin (Cuauhtémoc, 1495?–1525), the last emperor of the Aztecs, who fought the Spanish after the death of his uncle, Montezuma II (Moctezuma or Motecuhzoma, 1480?–1520). Bartolomé de las Casas (1474–1566) and Junípero (Miguel José) Serra (1713–84) were Spanish-born missionaries who tried to improve the conditions of the Amerindians in the colonial period. Two heroes of the War of Independence were the liberal priests Miguel Hidalgo y Costilla (1753–1811) and José María Morelos y Pavón (1765–1815). The first 25 years of independence were dominated first by Manuel Félix Fernández, known as Guadalupe Victoria (1786?–1843), and then by Antonio López de Santa Anna (1794–1876). Austrian-born Maximilian (Ferdinand Maximilian Josef, 1832–67) and Belgian-born Carlota (Marie Charlotte Amélie Augustine Victoire Clémentine Léopoldine, 1840–1927) were emperor and empress from 1864 to 1867, ruling on behalf of the emperor of France. Benito Juárez (1806–72), the great leader of the liberal revolution, attempted to introduce a program of national reform. The dictator José de la Cruz Porfirio Díaz (1830–1915) dominated Mexico from 1876 to 1911. He was overthrown largely through the efforts of Francisco Indalecio Madero (1873–1913), called the Father of the Revolution. Revolutionary generals and politicians included Venustiano Carranza (1859–1920) and Álvaro Obregón (1880–1928). Two other revolutionary leaders—Doroteo Arango, known as Pancho Villa (1877?–1923), and Emiliano Zapata (1879?–1919)—achieved almost legendary status. The foremost political leader after the revolution was Lázaro Cárdenas (1895–1970). Luis Echeverría Álvarez (b.1922), who held the presidency during 1970–76, made Mexico

one of the leading countries of the developing world in international forums. Miguel de la Madrid Hurtado (b.1934) was president from 1982–88. Carlos Salinas de Gortari (b.1948) was president from 1988–1994. Ernesto Zedillo Ponce de León (b.1951) was president from 1994–2000. Vicente Fox Quesada (b.1942) was elected president in the 2000 election; he became the first president elected from an opposition party since Francisco Madero in 1910, breaking the 70-year reign of the PRI. The diplomat Alfonso García Robles (1911–91) shared the 1982 Nobel Peace Prize for his work on behalf of disarmament.

Painters Diego Rivera (1883–1957), José Clemente Orozco (1883–1949), and David Alfaro Siqueiros (1898–1974) are renowned for their murals. Frida Kahlo (1907–1954) is known for her self-portraits. The Spaniards Bernal Díaz del Castillo (1496?–1590?) and Bernardino de Sahagun (1499?–1590) wrote historical accounts of the Spanish conquest. Mexican-born Juan Ruiz de Alarcón y Mendoza (1580?–1639) became a playwright in Spain. Juana Inés de la Cruz (1651–95), a nun, was a poet and proponent of women's rights. Outstanding novelists include José Joaquín Fernández de Lizardi (1776–1827), author of *El periquillo sarniento*; Mariano Azuela (1873–1952), author of *Los de abajo*; Martín Luis Guzmán (1887–1976), author of *El águila y la serpiente*; and Gregorio López y Fuentes (1897–1966), author of *El indio*. Well-known contemporary authors include Agustín Yáñez (1904–80), Octavio Paz (1914–1998), Juan Rulfo (1918–86), and Carlos Fuentes (b.1928). Poets include Salvador Díaz Mirón (1853–1928), Manuel Gutiérrez Nájera (1859–95), and Amado Nervo (1870–1919). The outstanding figure in recent Mexican literary life is the diplomat, dramatist, poet, essayist, and critic Alfonso Reyes (1889–1959). Anthropologist Carlos Castaneda (b.Brazil, 1931–1998) was widely known for his studies of mysticism among the Yaqui Amerindians. Well-known Mexican composers include Manuel Ponce (1882–1948), Silvestre Revueltas (1899–1940), Carlos Chávez (1899–1978), and Agustín Lara (1900–70). Significant figures in the motion picture industry are the comedian Cantinflas (Mario Moreno, 1911–93), Mexican-born actor Anthony Rudolph Oaxaca Quinn (1916–2001), and directors Emilio Fernández (1904–86) and Spanish-born Luis Buñuel (1900–83). Oscar-nominated Salma Hayek (b.1966) is considered to be one of Latin America's most successful actresses in Hollywood; she portrayed Frida Kahlo in the 2002 film *Frida*, which she co-produced.

Notable Mexican sports figures include Fernando Valenzuela, (b.1960), a pitcher for the Los Angeles Dodgers who won the Cy Young Award as a rookie. "Beto" or "Bobby" Avila (1924–2004), second baseman for the Cleveland Indians (1949–58); catch-

er Gerónimo Gil (b.1975); pitcher Esteban Loaiza (b.1971); and pitcher Oliver Pérez (b.1981) have all made their mark in Major League Baseball.

## 49 DEPENDENCIES

Mexico has no territories or colonies.

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# NETHERLANDS AMERICAN DEPENDENCIES

## NETHERLANDS ANTILLES

The five islands of the Netherlands Antilles are divided geographically into two groups: the Leeward Islands (Benedenwindse Eilanden) and the Windward Islands (Bovenwindse Eilanden). The Windward group, off the north coast of South America, comprises the islands of Curaçao, with an area of 444 sq km (171 sq mi), and Bonaire, 288 sq km (111 sq mi). Aruba, another Windward island, seceded from the Netherlands Antilles in 1986. The Leeward group, more than 800 km (500 mi) to the northeast, consists of the southern part of St. Martin (Sint Maarten), 34 sq km (13 sq mi); Saba, 13 sq km (5 sq mi); and Sint Eustatius, 21 sq km (8 sq mi). The islands total 800 sq km (309 sq mi).

All the Windward Islands have volcanic bases, partly covered with coral reefs; they are semiarid and flat, with little vegetation. The Leeward Islands are more mountainous and receive enough rainfall to enable crops and vegetation to flourish. Saba, the most fertile, is an extinct volcano with luxuriant vegetation in its crater, on its sides, and leading down to the sea. Temperatures average between 25° and 31°C (77° and 88°F); annual rainfall averages 107 cm (42 in) on the Windward Islands and 51 cm (20 in) on the Leeward Islands. The entire population of the Netherlands Antilles was estimated at 219,958 in mid-2005. Most of the inhabitants were born on the islands. Persons of mixed African origins account for 85% of the population, but over 40 ethnicities are represented, including Dutch, Surinamese, British, Latin Americans, French West Indians, Carib Amerindians, and US emigrants.

The official language is Dutch. Papiamentu, a lingua franca evolved from Dutch and English with an admixture of French, Spanish, Portuguese, Arawak, and African words, is also common, principally in the Leeward Islands. English is spoken, mainly in the Windward Islands. Spanish is also widely spoken. Roman Catholicism has the most adherents on the Leeward Islands and Saba, but Protestantism is dominant on St. Martin and Sint Eustatius.

Buses, private automobiles operating as small buses on fixed routes, and taxicabs provide the only public transportation. There are no rivers or railroads. Each island has a good all-weather road system. The most important port is on Curaçao, where there is a natural harbor at Willemstad. Airline connections to nearby islands and countries are provided by Royal Dutch Airlines (Koninklijke Luchtvaart Maatschappij—KLM) and other international carriers.

The European discovery of the Windward Islands was made by Columbus in 1493, and that of the Leeward Islands (including Aruba) by a young Spanish nobleman, Alonso de Ojeda, who sailed with Amerigo Vespucci in 1499; hence the claim went to Spain. The Dutch fleet captured the Windward Islands in 1632 and the Leeward Islands in 1634. Peter Stuyvesant was the first governor. In 1648, St. Martin was peacefully divided between the Netherlands and France; this division still exists. During the colonial

period, Curaçao was the center of the Caribbean slave trade. For a period during the Napoleonic wars (1807–15), Great Britain had control over the islands. Slavery was abolished in 1863.

Under a 1954 statute, the Netherlands Antilles is a component of the Kingdom of the Netherlands, with autonomy in internal affairs. A governor, appointed by and representing the crown, heads the government, with a Council of Ministers as the executive body. The ministers are responsible to the Staten, a 22-member legislature (14 from Curaçao, 3 each from Bonaire and St. Martin, and 1 each from Saba and Sint Eustatius). Members are elected by general suffrage of Dutch nationals aged 18 or older. A 1951 regulation established autonomy in local affairs for each of the then-existing island communities—Aruba, Curaçao, Bonaire, and the Leeward Islands—with responsibilities divided between an elected island council, an executive council, and a lieutenant-governor. By agreements made in 1983, St. Martin, Saba, and Sint Eustatius have separate representation in the Staten, elect their own separate councils, and have their own lieutenant-governors and executive councils. Cases are tried in a court of first instance and on appeal in the Joint High Court of Justice, with justices appointed by the crown. Defense is the responsibility of the Netherlands; a naval contingent is permanently stationed in the islands, and military service is compulsory.

The prosperity of Curaçao is inseparably linked with its oil refineries. These were built there, beginning in 1918, chiefly because of the favorable location of the islands, their good natural ports and cheap labor, and the political stability of the territory. Tankers bring crude oil from Venezuela. The economic significance of the refineries is great, not only because of their output, but also because they provide employment and stimulate other economic activities, such as shipbuilding, metal industries, shipping, air traffic, and commerce in general. The government controls the price of basic foodstuffs and participates in the setting of rates to be charged for transportation and by privately owned utilities.

The currency unit is the Netherlands Antilles guilder, or florin (NAf) of 100 cents; NAf1 = \$0.55866 (or \$1 = roughly NAf1.79). The GDP for 2003 was estimated at us\$2.45 billion, or us\$11,400 per capita. The unemployment rate was 15.6% in 2002, and 60–70% of the work force was organized in labor unions. The principal agricultural products are sorghum, orange peel, aloes, groundnuts, yams, divi-divi, and some assorted vegetables. Curaçao's favorable position at the crossing of many sea-lanes has stimulated commerce since the earliest days of European settlement. Transit trade benefits from Curaçao's improved harbors; Willemstad is a free port, as are the islands of Saba and Sint Eustatius. In 2004, exports were estimated at us\$2.076 billion and imports at us\$4.383 billion. Refined petroleum products are exported to the Netherlands and other countries from a refinery on Curaçao. Petroleum shipments dominate the country's foreign trade. In 2004, primary export partners included: the United States (20.4%), Panama





Numerous commercial banks and several savings and loan institutions that also handle financial matters. Tax treaties with the United States have encouraged US individuals and businesses to shelter their funds in the islands.

In addition to nursery schools, primary schools, and secondary schools located on the islands, the University of the Netherlands Antilles is found on Curaçao; all schools are government-supported. The language of instruction is Dutch in the Leeward Islands, except in the International School, where classes are taught in English; English is also used in the Windward Islands. The literacy rate was 96.7% in 2003.

All the islands have cable, radiotelegraph, or radiotelephone connections with one another and, via the central exchange at Curaçao, with international systems. There are 8 AM, 19 FM, and 3 TV stations on the islands. Broadcasts are in Papiamentu, Dutch, Spanish, and English. There are 2,000 Internet users. Newspapers include *La Prensa*, the *Bonaire Reporter*, *Vigilante*, *Extra*, *Antilliaans Dagblad*, the *Daily Herald* and *Amigoe*, along with several weekly and monthly periodicals.

Tourism is a significant source of revenue. Annually, some 470,000 cruise passengers visit the islands; total visitors to the islands amount to over 1,000,000.

**ARUBA**

The island of Aruba is located off the north coast of South America, nw of Curaçao. It has an area of 193 sq km (75 sq mi). The land is basically flat and is renowned for its white-sand beaches. The temperature is almost constant at 27°C (81°F); the annual rainfall averages 60 cm (24 in). The mid-2005 population was estimated at 71,566. The official language is Dutch, but Papiamentu, English, and Spanish are also spoken. The religion of the majority is Roman Catholic.

There are no rivers or railways. The road system connects all major cities. There are three deepwater harbors, at San Nicolas, Oranjestad, and Barcadera. Airline connections are provided by Royal Dutch Airlines (Koninklijke Luchtvaart Maatschappij—KLM) and other international carriers.

In March 1983, at the Hague, the governments of the Netherlands and Netherlands Antilles agreed to grant Aruba the status of a separate state. On 1 January 1986, Aruba seceded from the Netherlands Antilles, becoming a separate member of the kingdom. In 1990, Aruba requested and received from the Netherlands a cancellation of the agreement that would have granted independence in 1996.

The head of government is a governor appointed by and representing the crown. A Council of Ministers, led by a prime minister, has executive power. The ministers are responsible to the Staten, a legislative body of 21 members elected by universal adult suffrage for four-year terms. Cases are tried in a court of first instance and on appeal in the Common Court of Justice of Aruba, with justices appointed by the crown. Defense is the responsibility of the Netherlands; a naval contingent is stationed on the island, and military service is compulsory.

The two principal sources of revenue for the island are tourism and oil refining. Coastal Aruba Refining Co., produces asphalt,

(11.2%), Guatemala (8.8%), Haiti (7.1%), the Bahamas (5.6%), and Honduras (4.2%). The primary import partners were: Venezuela (51.1%), the United States (21.9%), and the Netherlands (5%).

The Bank of the Netherlands Antilles (Bank van de Nederlandse Antillen) issues currency, holds official reserves, regulates the banking system, and acts as the central foreign exchange bank.

diesel fuel, feedstock for other refineries, kerosene, and residual fuel oil at the Lago refinery. Since the refinery reopened in 1993, economic growth has surged, as the refinery provides a major source of employment and foreign exchange earnings. The currency unit is the Aruban florin (Af) of 100 cents, with a fixed exchange rate of Af1 = \$0.5587 (or \$1 = Af1.79) since 1986. The GDP for 2002 was us\$1.94 billion, or us\$28,000 per capita. The unemployment rate was 0.6% in 2003, leading to a large number of unfilled job vacancies despite recent sharp increases in wage rates.

In 2004, Aruban exports were valued at us\$80 million (mostly refined petroleum products), and imports at us\$875 million. The United States and the EU are Aruba's major trading partners.

There is a Central Bank of Aruba, and there are other commercial banks.

Medical care is entirely subsidized by the government; there is a modern hospital. The literacy rate is high (97%). There are 2 AM and 16 FM commercial radio stations and one television station in Aruba. There are 24,000 Internet users. There is one daily newspaper published in Dutch, one in English, and 1 in Papiamentu. There were an estimated 37,100 main telephones on the island in 2002; 53,000 mobile cellular telephones are also in use.

Tourism is the major source of revenue. Over 500,000 tourists annually visit the island, with about half coming from the United States.



# NICARAGUA

Republic of Nicaragua  
*República de Nicaragua*

**CAPITAL:** Managua

**FLAG:** The national flag consists of a white horizontal stripe between two stripes of cobalt blue, with the national coat of arms centered in the white band.

**ANTHEM:** *Salve a ti, Nicaragua (Hail to You, Nicaragua).*

**MONETARY UNIT:** The gold córdoba (c\$) is a paper currency of 100 centavos. There are coins of 5, 10, 25, and 50 centavos and 1 and 5 córdobas, and notes of 1, 2, 5, 10, 20, 50, 100, 500, 1,000, 5,000, 10,000, 20,000, 50,000, 100,000, 200,000, 500,000, 1,000,000, 5,000,000, and 10,000,000 córdobas. c\$1 = us\$0.59701 (or us\$1 = c\$1.675) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some local units also are used.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; Liberation Day (Revolution of 1979), 19 July; Battle of San Jacinto, 14 September; Independence Day, 15 September; All Saints' Day, 1 November; Christmas, 25 December. Movable religious holidays include Holy Thursday and Good Friday.

**TIME:** 6 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Nicaragua, the largest of the Central American countries, has an area of 129,494 sq km (49,998 sq mi), which includes the area covered by the waters of Lake Nicaragua (about 8,000 sq km/3,089 sq mi) and Lake Managua (about 1,025 sq km/396 sq mi). Comparatively, the area occupied by Nicaragua is slightly smaller than the state of New York. The country has a length of 472 km (293 mi) N–S and a width of 478 km (297 mi) W–E. Bounded on the N by Honduras, on the E by the Caribbean Sea, on the S by Costa Rica, and on the W by the Pacific Ocean, Nicaragua has a total boundary length of 2,141 km (1,330 mi), of which 910 km (565 mi) is coastline.

In 1980, Nicaragua unilaterally abrogated its 1928 treaty with Colombia, confirming that nation's sovereignty over the Caribbean archipelago of San Andrés and Providencia, about 190 km (120 mi) off the Nicaraguan coast. Nicaragua also disputes the Treaty of Quita Sueño, ratified by the US Senate in July 1981, according to which Colombia received the uninhabited islands of Quita Sueño Bank, Roncador Cay, and Serrana Bank.

Nicaragua's capital city, Managua, is located in the southwestern part of the country.

## <sup>2</sup>TOPOGRAPHY

The Caribbean coast, known as the Mosquito (or Miskito) Coast or Mosquitia, consists of low, flat, wet, tropical forest, extending into pine savannas 80–160 km (50–100 mi) inland. The coastal lowland rises to a plateau covering about one-third of the total area. This plateau is broken by mountain ranges extending eastward from the main cordillera to within 64–80 km (40–50 mi) of the Caribbean coast. The mountainous central area forms a trian-

gular wedge pointed southeast, rising at its highest to some 2,000 m (6,600 ft).

The plains and lake region, in a long, narrow structural depression running northwest to southeast along the isthmus, contains a belt of volcanoes rising to 1,500 m (5,000 ft) and extending from the Gulf of Fonseca to Lake Nicaragua. In this region is located Lake Managua, at 41 m (136 ft) above sea level, which drains through the Tipitapa Channel into Lake Nicaragua, at 32 m (106 ft) above sea level, which, in turn, drains through the San Juan River eastward into the Caribbean. Lake Nicaragua is about 160 km (100 mi) long and 65 km (40 mi) wide at the widest point, while Lake Managua is 52 km (33 mi) long by 25 km (16 mi) wide.

The principal waterways are the Coco (or Segovia) River, navigable up to 240 km (150 mi) inland from the eastern Mosquito Coast, and the San Juan, navigable to within a few miles of the Caribbean, where a series of rapids halts transportation.

Nicaragua lies in an earthquake zone where hundreds of minor tremors, shocks, and earthquakes occur each year. More severe earthquakes have occurred periodically. Some of these are centered off the coast of Nicaragua, such as the 6.9 magnitude earthquake on 9 October 2003 and the 6.6 magnitude quake of 2 July 2005.

## <sup>3</sup>CLIMATE

Except in the central highlands, the climate is warm and humid. Average humidity in Managua in June, the most humid month, is 84%; in April, the driest month, 62%. The mean temperature, varying according to altitude, is between 20° and 30°C (68° and 86°F). In Managua, monthly average temperatures range from a minimum of 23°C (73°F) and a maximum of 30°C (86°F) in January to a minimum of 26°C (79°F) and a maximum of 31°C (88°F) in

July. There are two seasons: a wet season, from May to December, and a dry season, from January through April. Rainfall, however, varies according to region, and the rainy season in the eastern area may extend 9 or even 12 months. Average annual rainfall along the Mosquito Coast reaches 254–635 cm (100–250 in) as a result of the easterly trade winds blowing in from the Caribbean; the highlands also have heavy rainfall. Managua receives 114 cm (45 in), while the Pacific coast averages over 102 cm (40 in) a year.

#### 4 FLORA AND FAUNA

The central highlands region has extensive forests of oak and pine on the slopes, but lower valley elevations show damage from fire and agricultural activities. The largest pine savanna in the rainy tropics stands on the lowlands behind the Mosquito Coast. The wet and humid Caribbean coastal plain has an abundance of tropical forest, with wild rubber, cedar, ebony, mahogany, and rosewood attracting some exploitation.

Wildlife includes the puma, deer, monkey, armadillo, alligator, parrot, macaw, peccary, and several species of snakes (some poisonous). Lake Nicaragua contains the only freshwater sharks in the world, owing to a prehistoric geological movement that separated the lake from the Pacific Ocean, gradually changing the ocean water into fresh water.

As of 2002, there were at least 200 species of mammals, 215 species of birds, and over 7,500 species of plants throughout the country.

#### 5 ENVIRONMENT

Nicaragua's major environmental problems are soil erosion, caused in part by cultivation of annual crops on steep slopes, and depletion of upland pine forests for lumber, fuel, and human settlement. The nation lost an average of 3% of its forest and woodland each year between 1990 and 2000. One contributing factor is the use of wood for fuel. Excessive or ineffective use of pesticides to control malaria, along with widespread agricultural use, has resulted in some environmental contamination.

Industrial pollutants have contaminated the lakes and rivers. The nation has 190 cu km of renewable water resource, with 84% of annual withdrawals used for farming and 2% in industrial activity. As of 2002, 93% of Nicaragua's city dwellers and 65% of its rural population have access to improved water sources. Dumping of sewage and chemical wastes has made Lake Managua unsuitable for swimming, fishing, or drinking. Primary responsibility for resource conservation is vested in the Nicaraguan Institute of Natural Resources and Environment (Instituto Nicaragüense de Recursos Naturales y del Ambiente—IRENA), established in October 1979.

In 2003, 17.8% of the total land area was protected, including eight Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 6 types of mammals, 8 species of birds, 8 types of reptiles, 10 species of amphibians, 17 species of fish, 2 types of mollusks, and 39 species of plants. Threatened species in Nicaragua include the tundra peregrine falcon, four species of turtle (green sea, hawksbill, leatherback, and olive ridley), the spectacled caiman, and the American crocodile.

#### 6 POPULATION

The population of Nicaragua in 2005 was estimated by the United Nations (UN) at 5,774,000, which placed it at number 105 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 42% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.7%, among the highest in the region. The projected population for the year 2025 was 8,318,000. The population density was 44 per sq km (115 per sq mi).

The UN estimated that 59% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.91%. The capital city, Managua, had a population of 1,098,000 in that year. Other major cities and their estimated populations are Granada 450,439; León, 145,000; Chinandega, 133,700; Esteli, 119,000; Masaya, 118,000; Matagalpa, 109,100; Chichigalpa, 97,387; Tipitapa, 67,925; and Juigalpa, 54,700.

#### 7 MIGRATION

During the 1980s, Nicaragua hosted more than 10,000 refugees, mainly from El Salvador and Guatemala. Most have since repatriated. Those who chose to remain have been naturalized or granted permanent resident status.

After the Sandinista takeover in 1979, thousands of Nicaraguans left the country. It was estimated in 1987 that 24,000 had fled to Honduras, 16,000 to Costa Rica, and over 200,000 to the United States, chiefly to Florida. After the defeat of the Sandinistas in the 1990 elections, some 200,000 Nicaraguans returned from abroad. Under the CIREFCA plan, during the period 1989–94, 70,000 Nicaraguans repatriated. In 2002 worker remittances were 29% of GDP. Worker remittances in 2004 amounted to \$810 million, or 10.8% of GDP. In 2005, the net migration rate was -1.19 migrants per 1,000 population. The government viewed the migration levels as satisfactory.

#### 8 ETHNIC GROUPS

The Nicaraguan population is basically mestizo, a mixture of white and Amerindian. There are no census data on racial composition, but estimates place the mestizo component at 69% and the white population at 17%; blacks account for 9% and Amerindians for the remaining 5%.

Traditionally, the Atlantic littoral has been inhabited mainly by blacks from Jamaica, Belize, and various present and former British possessions in the Caribbean. The more densely populated Pacific coast highland has long been basically mestizo in composition. Most Amerindian groups in Nicaragua have been assimilated, but Miskito Amerindians, as well as Sumus, make their traditional homes on the Mosquito Coast and neighboring areas. The Garifuna and Rama are other indigenous groups with a somewhat significant number of people.

#### 9 LANGUAGES

Spanish is the official language and is spoken by the overwhelming majority of the population. Some Nahuatl and other Amerindian



LOCATION: 10° to 15° N; 83° to 87° W. BOUNDARY LENGTHS: Honduras, 922 kilometers (573 miles); Caribbean and Pacific coastline, 910 kilometers (565 miles); Costa Rica, 309 kilometers (192 miles). TERRITORIAL SEA LIMIT: 200 miles.

words and phrases are in common use. English is often spoken as a second language at professional levels.

## 10 RELIGIONS

Roman Catholicism is the predominant religion, claiming about 72.9% of the population. Approximately 15.1% of the populace are members of evangelical Protestant churches. Another 1.5% are members of the Moravian Church, and 0.1% belong to the Episcopal Church. An additional 1.9% claim membership in other churches or religious groups, which include Mormons, Amish, Mennonites, and Jehovah's Witnesses; 8.5% profess no religion or are atheistic. There are small communities of Jews, Muslims, Unification Church members, Baha'is, and members in the Church of Scientology. Amerindian tribal religionists and spiritists also

practice, usually combining elements of Christianity and African religions.

Nicaragua does not have a state religion; however, the Roman Catholic Church seems to have significant political influence in the country. The political party Partidon Camino Cistiano (Christian Path Party) was formed by evangelicals. Churches register with the government for legal recognition in much the same process as other nongovernmental groups. Certain Catholic holidays are recognized as national holidays.

## 11 TRANSPORTATION

Main transportation arteries are concentrated in the more densely populated Pacific region. The national road network in 2002 totaled 18,712 km (11,639 mi), of which 2,126 km (1,322 mi) were

paved. The Inter-American Highway from Honduras to Costa Rica was completed in 1972. The Pacific Highway begins in Granada and passes through Managua, León, and Chinandega to Corinto. In 2003 there were 64,650 passenger cars and 99,350 commercial vehicles registered.

Pacific Railways of Nicaragua, government-owned with a length of 373 km (231 mi), was shut down in 1993. As of 2004, there were only 6 km (3.7 mi) of narrow gauge railway in operation, mostly for carrying passengers from Chichigalpa to Ingenio San Antonio.

The Naviera Nicaragüense provides regular services to Central America, the United States, and Europe. As of 2005 Nicaragua had no merchant fleet. Corinto is Nicaragua's only natural harbor on the Pacific coast and the major port, handling about 60% of all waterborne trade. Other ports include Puerto Sandino and San Juan del Sur on the Pacific and Puerto Cabezas on the Atlantic coast. A deepwater port at El Bluff/Bluefields on the Atlantic allows ships from Europe, Africa, and the Caribbean to deliver goods to Nicaragua without passing through the Panama Canal. Inland waterways total 2,220 km (1,380 mi), including Lake Nicaragua, Lake Managua and the San Juan River.

Air transportation is important because of limited road and railway facilities. In 2004, there were an estimated 176 airports, only 11 of which had paved runways as of 2005. A state-owned airline, Aerolíneas de Nicaragua (AERONICA), provides services to El Salvador, Costa Rica, Panama, and Mexico. The principal airport is Augusto Sandino, an international terminal at Las Mercedes, near Managua. In 2000 (the latest year for which data is available), 61,000 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

Nicaragua derives its name from that of the Amerindian chief Nicarao who once ruled the region. The first European contact came with Columbus in 1502. At that time the northern part of the country was inhabited by the Sumo Amerindians, the eastern region by the Miskitos, and the region around Lakes Nicaragua and Managua by agricultural tribes.

The first Spanish settlements in Nicaragua were founded by the conquistador Gil González de Ávila in 1522. The cities of Granada and León were founded in 1524 by Francisco Hernández de Córdoba. During the next 300 years—most of the colonial period—Nicaragua was ruled as part of the captaincy-general of Guatemala. The independence of the five provinces of Central America, including Nicaragua, was proclaimed on 15 September 1821. After a brief period under the Mexican empire of Augustín de Iturbide (1822–23), Nicaragua joined the United Provinces of Central America. Nicaragua declared its independence from the United Provinces on 30 April 1838, and a new constitution was adopted.

Nicaragua did not immediately consolidate as a nation. The Spanish had never entirely subdued Nicaragua, and the Mosquito Coast at the time of independence was an Amerindian and British enclave, especially around the Bluefields area. Britain occupied the Mosquito Coast during the 1820s and 1830s, and maintained a significant presence thereafter. Beyond that, Nicaragua was torn apart by a bitter struggle between liberals, based in León, and conservatives, based in Granada.

Yet another factor impeding Nicaragua's development was constant foreign intervention focusing on the trade route through the country. Commodore Cornelius Vanderbilt competed with the British for control of the transisthmian traffic, a rivalry settled by the Clayton-Bulwer Treaty of 1850. In 1853, liberals led by Máximo Jérez and Francisco Castellón revolted and invited the US military adventurer William Walker to help their rebellion. Walker invaded Nicaragua in 1855, capturing Granada and suppressing Jérez, and had himself elected president in 1856. He lasted only one year, and was captured and executed in Honduras in 1860. Conservatives seized control in 1863 and ruled until 1893.

The 30-year conservative reign brought increases in coffee and banana production. Liberals successfully revolted in 1893, making José Santos Zelaya dictator for 16 years. In this time, he incorporated most of the Mosquito territory into Nicaragua, developed railroads and lake transportation, enlarged the coffee plantations, and stirred up revolts among his Central American neighbors. In 1901, by the Hay-Pauncefote Treaty, Great Britain gave the United States the undisputed right to build a Central American canal.

After Zelaya was deposed in a conservative revolt in 1909, US influence on Nicaragua grew steadily until 1933, often at the behest of Conservative requests for help.

The United States placed an American agent in the customhouse in 1911, and US banks extended considerable credit to the bankrupt treasury. US marines and warships arrived in 1912 to support President Adolfo Díaz. US forces remained active in Nicaraguan politics and administered the country directly or through handpicked rulers until August 1925. During this period, the Bryan-Chamorro Treaty of 1914 allowed the United States to build a canal across Nicaragua. After the marines withdrew, the liberals revolted against the US-backed conservative government of Diego Manuel Chamorro and established a government on the Mosquito Coast. The marines returned in 1926 to reimpose Díaz and supervised the electoral victor of the liberal José María Moncada, with whom the conservatives had made peace, in 1928. However, the guerrilla hero General Augusto César Sandino had begun organizing resistance to the marine occupation force in 1927, and fought the US troops to a standstill. With the inauguration of US president Franklin D. Roosevelt's "good neighbor" policy in 1933, the marines were pulled out for the last time. But the marines left a legacy, having built the Nicaraguan National Guard, headed by Anastasio ("Tacho") Somoza García.

In 1934, the liberal Juan B. Sacasa was elected to office. In the same year, however, officers of the National Guard shot Sandino, leaving them unchallenged in Nicaragua, and paving the way for Somoza's overthrow of Sacasa three years later. The Somoza family would rule Nicaragua directly or indirectly for the next 42 years. Somoza made constitutional changes as necessary to prolong his term until he retired in 1947. He returned in 1950, and was assassinated in 1956. Tacho's son, Luis Somoza Debayle, had been president of congress, and immediately became president under the constitution. The next year, he was elected by a rather suspicious 89% of the vote. Though a law was passed in 1962 that prohibited relatives within four generations from immediately succeeding Luis Somoza as president, his younger brother Anastasio Somoza Debayle would become president in 1967 (after the brief presidencies of René Schick Gutiérrez and Lorenzo Guerrero of the National Liberation Party). Though Anastasio's term in office

was due to end in May 1972, he had worked out an agreement by March 1971 that allowed him to stand for reelection in 1974, ruling in the interim with a three-man coalition government. Anastasio and his triumvirate drew up a new constitution, signed by the triumvirate and the cabinet on 3 April 1971. Then, after declaring nine opposition parties illegal, Somoza easily won the September 1974 elections.

While Somoza consolidated his hold on Nicaragua, the Sandinista National Liberation Front (Frente Sandinista de Liberación Nacional—FSLN) began to agitate against his rule. At first the group was small and confined to the foothill and mountain regions of Nicaragua. But domestic opposition to Somoza mounted, driven by the family's monopolistic and corrupt economic practices. One powerful example of the corruption was the disappearance of half the US relief aid extended to Nicaragua after a devastating 1972 earthquake. Most of the rebuilding of Managua was done by Somoza-controlled firms on Somoza's land. Throughout the 1970s, Somoza's opposition grew and US support began to dissipate.

In December 1974, guerrillas kidnapped 13 prominent political personalities, including several members of the Somoza family. The group secured a ransom of US\$1 million and the release of 14 political prisoners. Somoza responded by declaring a martial law and unleashed the National Guard. The Guard's repressive tactics created even more enemies of the Somoza regime. Repression continued throughout the 1970s, and climaxed in January 1978 with the assassination of Pedro Joaquín Chamorro, editor and publisher of the opposition newspaper *La Prensa*. The assassins were never found, but most felt that Somoza and the National Guard were behind the killing of this moderate leader from a prominent family. By 1979, loss of support from the Catholic Church and the business community left Somoza without domestic allies. He had become isolated diplomatically, and after the administration of US president Jimmy Carter cut off military aid, his ability to remain in power further weakened. In May 1979, the Sandinistas launched a final offensive. By July, the FSLN overthrew Somoza, who fled the country and was assassinated on 17 September 1980 in Asunción, Paraguay. By this time, an estimated 30,000–50,000 people had died during the fighting.

The Sandinistas engaged in an ambitious program to develop Nicaragua under semi-socialist lines, giving priority to healthcare, improved literacy rates, and land reform. To achieve these ends, they nationalized Somoza's land and commercial interests, initiated agrarian reform, and announced a series of literacy and public health campaigns. Politically, they professed democratic ideals, but delivered only sporadically. A Statute on Rights and Guarantees was adopted, but elections were postponed. As antigovernment activity increased in response to government control of production and distribution, the government became increasingly authoritarian, as reflected by the proclamation of a state of emergency from 1982–87, censorship (particularly felt by *La Prensa*), and the dissolution of the National Guard. In 1982, a number of former guard members and Somoza supporters ("Somocistas") joined into an anti-Sandinista, counter-revolutionary group of "contras." They were aided by the administration of US president Ronald Reagan, which had also cut off Nicaragua's aid in April 1981 and introduced a trade embargo in response to Nicaragua's support of leftist guerrillas in El Salvador. Though the Sandinistas

made overtures to please the United States by pulling 2,200 advisors out of Cuba, the United States continued to support over 12,000 contras' operating out of Honduras and Costa Rica with aid channeled through the CIA and directed toward guerrilla-style offensives that disrupted Nicaragua's agriculture and oil supplies.

Daniel Ortega emerged as the leader of the Sandinistas in the 1984 presidential elections. However, in that election, the major opposition groups withdrew from the election, making it a rather hollow victory. Internationally, the Sandinistas made some gains. In 1986, the World Court ruled that the United States had violated international law by mining the harbors in Nicaragua. Though the United States refused to recognize the decision, the Congress proved more reluctant to fund the Nicaraguan resistance. In 1986, it was revealed that US government funds derived from covert arms sales to Iran had been secretly diverted to provide aid to the contras in violation of a US congressional ban on such aid.

On the domestic scene, the Sandinistas were less successful due to their failure to improve socioeconomic conditions; attempts to pin the economic woes on the civil war fell on deaf ears as the economic situation worsened. The inflation rate skyrocketed in 1988 and reserves dwindled. Price controls had led to serious shortages in basic foodstuffs. Lacking any capital for investment, the situation was becoming hopeless. Still, the Sandinistas continued to seek negotiated settlements for their internal strife. In 1986, they signed an accord with leaders of the Miskito Amerindians, granting autonomy to their region. In August 1987 Nicaragua signed the Arias peace plan for Central America. Nicaragua promised guarantees of democratic rights, and a reduction of hostilities with the contras, including a cease-fire, a reduction in the armed forces, repatriation or resettlement of refugees, and amnesty for the rebels. In exchange, the Nicaraguans were to receive guarantees of nonintervention by outside powers, and a further \$9 million from the United States and aid from other countries, tied to the holding of free elections in 1990.

The 1990 elections had a surprise winner—Violeta Chamorro. Heading a 10-party alliance called the National Opposition Union (UNO), Chamorro received 54% of the vote to Daniel Ortega's 41%. UNO also took a majority in the National Assembly. Chamorro moved to liberalize the Nicaraguan economy, but found it sluggish. Austerity measures led to dislocations and political disquiet. The United States delivered miniscule amounts of economic aid, to the disappointment of hopeful Nicaraguans. Nevertheless, Chamorro's government succeeded in driving down hyperinflation that had reached 13,500% to an acceptable single-digit level and in obtaining relief of much of the country's \$10 billion foreign debt. Stable economic growth of around 4% from 1994–96 was achieved.

Politically, Chamorro's situation was tenuous. With the Sandinistas still in control of the military, Chamorro had a difficult time achieving a reduction in force. Sandinista organizations and syndicates remained, often striking against the Chamorro government. Meanwhile, the resettlement and repatriation of the contras moved slowly. Some former contras took to the field again, resuming their previous attacks on civilian installations. Chamorro's own coalition, UNO, proved shaky, withdrawing support from her government in 1993 after she attempted to call for new elections. The beleaguered government persisted, but by 1994 the outlook

for further progress in unifying the country and implementing democratic and free-market reforms was bleak.

The prospect of a peaceful political transition in the politically polarized country were considered so shaky that international observers were called in for the October 1996 elections, as they had been in 1990. Although the results were later contested due to allegations of corruption, and some irregularities found, the elections proceeded peacefully and without incident. With 80% of the electorate voting, Arnoldo Alemán, the conservative former mayor of Managua and leader of the Liberal Constitutionalist Party (PLC), defeated Sandinista leader Daniel Ortega, with each garnering, respectively, 51% and 38% of the vote. The Liberal Party took 41 of the 93 seats in the Chamber of Deputies, while the Sandinistas took 38; the remaining seats were won by leftist and conservative groups.

President Arnoldo Alemán Lacayo and Vice President Enrique Bolaños Geyer were inaugurated into office on 10 January 1997. Alemán, who had close ties to right-wing groups and American entrepreneurs, worked to instill economic reforms focused on economic growth in an effort to establish Nicaragua's market economy. Throughout Alemán's term, the GDP steadily increased. Despite the legacy of the civil war and years of financial mismanagement, growth continued until 1998, when it was dampened by Hurricane Mitch. The hurricane devastated Nicaragua and Honduras, leaving Nicaragua, already the poorest country in Central America, with \$1 billion worth of damage. Worst hit was the agricultural sector, which the country depends on for the majority of its exports. By 1999, Alemán was forced to deal with a trade deficit approaching \$900 million. However, despite the destruction caused by Hurricane Mitch, Nicaragua's economy continued to grow slightly, possibly due in part to aid, debt relief, and free market reforms.

Alemán and Daniel Ortega (the Sandinista former president) were charged with involvement in scandals during Alemán's presidential term that made these surprising bedfellows come together in PLC-FSLN talks. In 1998, Daniel Ortega faced accusations from his stepdaughter of sexual abuse dating back to her childhood. Meanwhile, Alemán faced charges that the presidential plane he had been using was actually reported stolen in the United States and that it had been used throughout Central America and Colombia to carry cocaine. Both Ortega and Alemán denied all charges against them, but worked together to create a PLC-FSLN political pact that protected them from scrutiny. This limited the substantive democracy in Nicaragua. These scandals, as well as border disputes, growing poverty, and migration issues all continued to be challenges throughout the rest of Alemán's term.

Enrique Bolaños won the 2001 presidential elections with 56.3% of the vote. Daniel Ortega, the Sandinista leader, came second with 42.3%. Surprising supporters and observers, Bolaños quickly moved to support a judicial corruption investigation against Alemán and to break up the PLC-FSLN alliance. In August 2001, the Bolaños administration brought indictments against Alemán officials. Alemán was personally indicted in August 2002. In December 2002, Alemán was denied his parliamentary immunity, which then forced him to serve 20 years in prison when he was found guilty of corruption and money laundering in December 2003. Yet, from prison Alemán maintained control of the PLC, which kept Bolaños from making further political progress. In

2004, the FSLN and PLC renewed the political pact and worked to extend the powers of the legislature and limit those of the executive. In response to these threats to democracy, Bolaños threatened to declare a state of emergency in January 2005, promoting the UN's involvement via the National Dialogue forum, intended to avert a possible political crisis. In March 2005, the Central American Court of Justice (Corte Centroamericana de Justicia – CCJ), ruled the constitutional reforms being sought by the PLC-FSLN-dominated legislature violated the principle of separation of powers. However, the PLC-FSLN also captured Nicaragua's Supreme Court and could use it to refuse the CCJ's jurisdiction and proceed with the constitutional amendments, despite the ruling. As of June 2005, the Organization of American States was also failing in its effort to mediate negotiations between the political leaders.

During Bolaños's term, the economy expanded slowly, but the president sought to generate further growth by increasing the country's exports and liberating the national economy. Although the country possesses few comparative advantages for economic development, President Bolaños set the goal of incorporating his country into the world economy to reduce poverty and boost employment. As of 2006, experts were predicting that the ratification of the Dominican Republic-Central American Free-Trade Agreement (DR-CAFTA) would boost Nicaraguan exports and energize its economy.

## 13 GOVERNMENT

Although constitutionally defined as a democracy, Nicaragua was ruled by the Somoza family from 1934–79; they did not hesitate to suppress political opponents with violence. The last of the constitutions promulgated during the Somoza period, effective 3 April 1974, provided for a bicameral congress, a president elected for a six-year term, and guaranteed political rights. After the FSLN took power as the Government of National Reconstruction in July 1979, this constitution was abrogated and congress dissolved. From July 1979 until November 1984, executive power was vested in a junta composed of five members (three members after April 1980).

The 1984 electoral reforms created an executive branch with a president elected for a six-year term by popular vote and assisted by a vice president and a cabinet. (The presidential term was shortened to five years in 1995.) Legislative power is vested in a 93-member unicameral National Constituent Assembly elected under a system of proportional representation for six-year terms. The electoral process in Nicaragua is said to be one of the most complicated in the Americas as it forces voters to select candidates for the office of president, National Assembly posts, and local municipalities from a vast number of political parties. Further, vote counting is still a tedious, manual process.

As of 2006 the Sandinista constitution of 1987 was in effect; it provides for a democratic system in which elections are held every six years and there is an executive, National Assembly (legislature), judiciary, and electoral council (Consejo Supremo Electoral—CSE). It also called for two new levels of elected government—municipal councils (131 in 1987; 153 as of 2006), and the two autonomous Atlantic coast regional councils.



## 14 POLITICAL PARTIES

Nicaragua's traditional two parties were the National Liberal Party (Partido Liberal Nacionalista—PLN) and the Nicaraguan Conservative Party (Partido Conservador Nicaragüense—PCN). The PLN favored separation of church and state, some social legislation, no foreign interference in the political process, and limited land reform. It was supported by government employees, the National Guard, and large segments of the middle and lower classes. The PCN desired government cooperation with the Catholic Church (but also advocated freedom of religion), less government interference in private business, and a regressive tax structure.

When the leftist Sandinista National Liberation Front (FSLN), which was founded in 1962, came to power in July 1979, all political parties except those favoring a return to Somoza rule were permitted. Since the Somozas had all been liberals, the PLN was specifically banned.

Under the Sandinistas, Nicaragua's governing political coalition, the Patriotic Front for the Revolution (Frente Patriótico para la Revolución—FPR), formed in 1980, consisted of the FSLN, the Independent Liberal Party (Partido Liberal Independiente—PLI), the Popular Social Christian Party (Partido Popular Social Cristiano—PPSC), and the Moscow-oriented Nicaraguan Socialist Party (Partido Socialista Nicaragüense—PSN). Opposition parties included the Conservative Democratic Party (Partido Conservador Democrático—PCD), the Nicaraguan Social Christian Party (Partido Social Cristiano Nicaragüense—PSCN), and the Social Democratic Party (Partido Social Demócrata—PSD).

The National Opposition Union (UNO), under which Violeta Chamorro was elected president in 1990, was a 10-party coalition that included both the Conservatives and the Liberals, as well as several parties formerly aligned with the Sandinistas, including the PLI and the PSD. The PLI was also the party of Vice President Virgilio Godoy. Others included the Christian Democratic Union (UDC), the National Democratic Movement (MDN), the National Action Party (PAN), and the Neo-Liberal Party (PALI). President Arnoldo Alemán's Liberal Alliance, a conservative group that supported the Somoza dictatorship, also supported the National Opposition Union (UNO) candidate and President Violeta Chamorro during her six-year reign. Alemán's support diminished when Chamorro failed to control the UNO coalition; Alemán thus switched to the Liberal Party to launch his presidential campaign in 1996. The disbanded UNO party forced Chamorro to link with the Sandinistas in congress to maintain control of her office; she thus maintained the Sandinista control over the Revolutionary Army. Alemán's main purpose as the National Liberal Party representative was to overturn Chamorro and try to reverse some of the economic policies of her regime.

By the mid-1990s, the UNO coalition had disbanded. Nicaragua had numerous parties ranging across the political spectrum, although the country was dominated by two principal opposed groups—the Liberal Constitutionalist Party (PLC), a right-wing successor to the traditional liberal party, and, on the left, the still-active FSLN. In the October 1996 presidential election, Arnoldo Alemán, former mayor of Managua and leader of the PLC, was elected with 51% of the vote, supported by a coalition of parties and factions called the Liberal Alliance (AL). Daniel Ortega, the FSLN candidate, won 38% of the vote, with the rest going to candidates from smaller parties. In the legislative elections, 42 of the 93

seats in the National Assembly were won by the National Alliance, with the FSLN winning 36, and the remaining 15 going to candidates from nine other parties. These included the Christian Way (Camino Cristiano), the Conservative Party of Nicaragua (PCN), the center-right Nicaraguan Resistance Party (PRN), the center-left Sandinista Renovation Movement (MRS), and the center-right Independent Liberal party (PLI). Altogether, 24 political parties and popular organizations participated in the 1996 elections.

Alemán and Ortega collaborated in bringing about a PLC-FSLN political pact in 2000 that increased their political influence and reduced their vulnerability to investigation by putting the two major political parties in control of important institutions that combat corruption and could change the election rules to deter smaller parties from challenging PLC-FSLN dominance. Illustrative of this damper on democracy, only one other party was able to register to contest the elections in 2000 and 2001.

In the 2001 parliamentary elections, held concurrently with the presidential election, the PLC won 53.7% of the vote, clinching 47 seats in the 93-member Assembly. The Sandinistas gained 43 seats and the remaining seats went to the Conservative Party of Nicaragua. The 2001 elections witnessed the consolidation of Nicaragua as a two-party system, with an overwhelming majority of votes going to the rightwing PCN and the leftwing Sandinistas.

The Economist Intelligence Unit projected that the prevailing dynamic of party politics in 2006 improved Ortega's chances of winning the presidency. This was because his only opponent in FSLN, Herty Lewites, would likely be barred from running, and the right-wing vote would be split, allowing Ortega to garner enough to win in the election scheduled for November 2006.

## 15 LOCAL GOVERNMENT

In July 1982, the nation's departments were consolidated into six regions and three special zones, each to be administered by an official directly responsible to the central government. However, under the Chamorro government, Nicaragua returned to the old system, with fifteen departments and two autonomous regions along the Atlantic coast.

Local elections for mayoralities accompany national elections.

## 16 JUDICIAL SYSTEM

Constitutionally, Nicaragua's Supreme Court is an independent branch of the government. However, selection of its 16 members (who serve five-year terms) is proscribed by politics, in that selection is limited to a list submitted by the president and political parties to the National Assembly. The court appoints judges to the lower courts. The selection of magistrates (who decide the Supreme Court's president and vice-president) has been historically political, making de facto judicial independence from executive and legislative pressures unlikely.

The Supreme Court has administrative, criminal, civil, and constitutional matters divisions. The judicial system consists of both civilian and military courts. Military courts investigate, prosecute, and try crimes committed by or against the police or armed forces. Therefore, the military courts have jurisdiction over citizens involved in security-related offenses. In a controversial 1993 decision, a military court exercised jurisdiction to convict a former member of the EPS (Sandinista Popular Army).

In 2004, it was legislated that the judicial career system should be based on merit. This is partly in response to a public lack of confidence in the training or fairness of judges. In 2006 the Economist Intelligence Unit warned that “corruption and influence-peddling in the judicial branch puts foreign investors at a sharp disadvantage in any litigation or dispute, and legal security for business in general is among the lowest in Latin America.”

## 17 ARMED FORCES

In 2005 Nicaragua's armed forces numbered 14,000 active personnel. The Army had around 12,000 personnel equipped with over 127 main battle tanks, 10 light tanks, and 800 artillery pieces. The Navy had approximately 800 active personnel, operating 5 patrol/coastal vessels, and 2 mine warfare ships. The Air Force had 1,200 personnel, with 16 support helicopters but no combat aircraft. Nicaragua's defense budget in 2005 totaled \$34.7 million.

## 18 INTERNATIONAL COOPERATION

Nicaragua is a charter member of the United Nations, having joined on 24 October 1945; it belongs to the ECLAC and several non-regional specialized agencies, such as the FAO, ICAO, ICFTU, the World Bank, UNESCO, UNHCR, UNIDO, ILO, and the WHO. Nicaragua is a member of G-77, the Inter-American Development Bank, the Latin American Economic System (LAES), OAS, the Association of Caribbean States (ACS), and the Río Group. It is one of five members of the Central American Bank for Economic Integration (BCIE) and the Central American Common Market (CACM). The country also participates in the Central American Parliament (PARLACEN). In 2004, Nicaragua, the United States, Costa Rica, El Salvador, Guatemala, Honduras, and the Dominican Republic signed the US–Central America Free Trade Agreement (CAFTA). The agreement must be ratified by all participating countries before it enters into force.

Nicaragua is part of the Nonaligned Movement and a signatory of the 1947 Río Treaty, an inter-American security agreement. It is also a part of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL) and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, Nicaragua is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification. The nation is also part of the Central American-US Joint Declaration (CONCAUSA).

## 19 ECONOMY

Nicaragua has long had, in effect, two economies: an export segment, producing mainly cotton, meat, coffee, and sugar, and a subsistence segment, tying a majority of both urban and rural Nicaraguans to an impoverished existence. Nicaragua has been one of the poorest countries in the western hemisphere, partially due to enormous external debt, low per-capita income, massive unemployment, and one of the most unequal income distributions in the world. Some 50% of the population lived below the poverty line. The 10% of the population with the lowest income consumed 1.2% of GDP, whereas 10% of the population with the highest in-

come consumed 45% of GDP. As of 2004, per capita GDP was \$2,300.

Agriculture and forestry remain mainstays of the Nicaraguan economy, employing about 30.5% of the labor force, but the services sector is increasingly important, employing about 52.2% of the labor force. Industry employs 17.3% of the labor force. Agriculture, industry, and services comprise 20.7%, 24.7%, and 54.6% of the GDP.

During 1960–64, the GDP increased by an annual average of 8.1%, the highest rate in Latin America. Annual growth ranged from 4–6% during 1965–73, largely because of favorable world prices for Nicaraguan commodities. The 1972 earthquake that struck Managua caused material losses estimated at \$845 million, but the agricultural sector was left largely unscathed.

The civil war of the late 1970s disrupted the economy. Infrastructure was destroyed in the war and a US blockade was put in place against Nicaragua, resulting in the near-collapse of the economy. In 1978, the GDP fell by 7.9%; and in 1979, the year of the Sandinista takeover, by 25%. Under the Sandinista regime 80% of the economy was nationalized. Massive public spending resulted in a GDP growth of 10.4% in 1980 and 7% in 1981. However, because of floods in May 1982, a weak international market for export crops, the virtual collapse of the CACM, direct and indirect economic pressure from the US government, and disruption by the *contras*, the economy suffered a GDP decline of 1.4% in 1982. Because of shortages, rationing of soap, flour, and cooking oil was introduced in 1982. In 1983, high world prices and a bumper harvest boosted GDP growth to 4.6%, but decline set in again from 1984 to 1986. Across this three year period, GDP declined 6.7%, and on a per capita basis, with population growth averaging 3.4% a year, the decline was 16.3%. The average annual inflation rate during 1980 to 1984 was about 35%, but in 1985 this inflation jumped to 219.5%. In 1986 the United States imposed a formal trade embargo on Nicaragua, and inflation (as measured by consumer prices) soared for the rest of the decade: 681.6% in 1986; 912% in 1987; 14,316% in 1988; 4,770% in 1989; and 12,338% in 2000.

In response to both domestic and international pressure, the Sandinista regime entered into negotiations with the Nicaraguan Resistance and agreed to nationwide elections in February 1990. The candidate of the National Opposition Union (UNO), Violeta Barrios de Chamorro, whose campaign received financial support from the United States, won the election. She took over a country with a controlled economy, uncontrolled inflation, and debt outstanding at 508% of GDP. During President Chamorro's nearly seven years in office, her government achieved major progress toward consolidating democratic institutions, advancing national reconciliation, stabilizing the economy, privatizing state-owned enterprises, and reducing human rights violations.

Nicaragua began free market reforms in 1991. Despite some setbacks, it made dramatic progress, privatizing 351 state enterprises, reducing inflation from 775% in 1990 to 12.4% in 1994 to 7.3% in 1997. Foreign debt had risen 638.4% as Nicaragua was given renewed access to IMF funding, but by 1997, this ratio had declined to 296.7% of GDP. The GDP continued to contract from 1991 to 1993, but 1994–97 GDP growth averaged 4.35%. As a result of the strong decline in foreign debt, the country's current account balance declined as a percentage of GDP from 60.0% in

1992 to 30.3% in 1997. In addition, the government's budget deficit in 1997 stood at 9.7% of GDP (before grants), down considerably from 20.3% in 1990. The election of Arnaldo Alemán in 1996 served to continue the social and economic reforms. (This trend was undermined somewhat when, in December 2002, Alemán was indicted for diverting \$100 million of state funds for his own and others' personal enrichment during his term in office.)

Damage caused by Hurricane Mitch in 1998 reduced the GDP to 4% for that year, and shot inflation up to 18.5%, but an in-pouring of foreign assistance and activity on reconstruction projects pushed GDP growth to 7.4% in 1999 (the highest since 1982), while inflation fell to a new low of 7.2% by the end of the year. Growth continued in 2000, up 4.3% with inflation at 9%. However, in 2001, the global slowdown, and, in particular, a glut on the coffee market, drought, and lower demand in the United States for textiles and other manufactured goods from Nicaragua, reduced growth to 2%. Inflation was at 7.3% that year.

From 2001–05, the real GDP growth rate fluctuated from year to year, while the inflation rate dipped briefly in 2002 and continued steadily upward through 2005. In 2002, real GDP growth was 0.8% and inflation was 3.7%. The years 2003 and 2004 saw an increase in both GDP growth (2.3% and 5.1%, respectively) and inflation (5.3% and 8.5%, respectively). It was projected that GDP growth would fall to approximately 3.6% in 2005, and that inflation would continue to rise to approximately 10.1%. External debt was \$4.573 billion, approximately one-third of the \$12.34 billion of GDP for that year.

## 20 INCOME

The US Central Intelligence Agency (CIA) reported that in 2005 Nicaragua's gross domestic product (GDP) was estimated at \$16.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,800. The annual growth rate of GDP was estimated at 3.5%. The average inflation rate in 2005 was 10.1%. It was estimated that agriculture accounted for 16.8% of GDP, industry 27.6%, and services 55.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$439 million or about \$80 per capita and accounted for approximately 10.6% of GDP. Foreign aid receipts amounted to \$833 million or about \$152 per capita and accounted for approximately 21.0% of the gross national income (GNI).

The World Bank reported that in 2003, household consumption in Nicaragua totaled \$2.99 billion or about \$546 per capita based on a GDP of \$4.1 billion, measured in current dollars rather than PPP. Household consumption included expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated during 1990–2003, household consumption grew at an average annual rate of 3.7%. It was estimated that in 2001 about 50% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Nicaragua's workforce was estimated at 2.17 million. As of 2003, the labor force was estimated to have been distributed as follows: services 52.2%; agriculture 30.5%; and industry 17.3%. As

of 2005, unemployment was estimated at 6.4%, although 46.5% of the workforce is said to be underemployed.

Nicaragua became a member of the ILO in 1919, withdrew in 1938, and rejoined in 1957. The former labor code, effective January 1945, was patterned on Mexican labor legislation. In establishing and protecting the rights of workers, emphasis was placed on law rather than collective bargaining. A labor code, effective as of 1996, allows all public and private-sector employees to form and join unions and legally recognizes cooperatives, as well as the right to strike. However, administrative requirements make it difficult for a union to engage in a legal strike. As of 2001, approximately 15% of the labor force was organized.

Children may not work until the age of 14 but this regulation is not effectively enforced and many children work in agriculture and in cities as urban street-peddlers. The maximum legal workweek is 48 hours, with one day of rest per week. The minimum wage varies from sector to sector throughout the formal economy. In 2001, the monthly minimum wage was \$47 in agriculture, \$118 in construction, and \$75 in manufacturing. This does not provide a family with a decent standard of living. The legal workweek is set at 48 hours with one day of rest. The labor code attempts to bring work conditions up to the international standard.

## 22 AGRICULTURE

Nicaragua's economy is predominantly agricultural. Arable land amounted to 2,161,000 hectares (5,340,000 acres), or about 17.8% of the total land area. Some 61,000 hectares (150,700 acres) were under irrigation in 2003. The harvest season begins in November and lasts through January; during the rest of the year, most rural laborers are unemployed. Plantings begin in May immediately before the wet season.

The main agricultural exports are coffee, cotton, sugar, and bananas. Nontraditional exports are growing and include: honeydew melons, cantaloupe, sesame seed, onions, baby corn, asparagus, artichokes, and cut flowers. Sorghum, cacao, yucca, tobacco, plantains, and various other fruits and vegetables are produced on a smaller scale for the local markets. Bananas were once nearly totally decimated by Panama disease. By the late 1960s, however, production had begun a slow recovery, reaching 135,000 tons in 1992 (up from 29,000 tons in 1970). Banana production in 2004, however, was just 61,000 tons. Cottonseed production has expanded from virtually zero prior to 1950 to 105,700 tons in 1985, before returning to 1,860 tons by 2004. During the 1980s, coffee was severely threatened by contra activities; production of 71,000 tons in 2004 was an improvement over the 28,000 tons produced in 1990. In 2004, 4,090,000 tons of sugarcane were produced. Major food crops in that year were corn, 522,000 tons; rice, 242,000 tons; sorghum, 114,000 tons; and beans, 224,000 tons.

During the Somoza era, most of the titled land was held by large landowners (with farms of 140 hectares/346 acres or more), who owned some 60% of the land while representing only 5% of the farming population. About 36% of the farm population controlled individual holdings of less than 3.5 hectares (8.6 acres). The Sandinista government expropriated almost one million hectares (2.5 million acres) of land, of which over two-thirds became state farms and 280,000 hectares (692,000 acres) were turned into peasant cooperatives. Agriculture was severely disrupted in 1979–80 because of the revolution, but by 1981 it had recuperated. In May

1982, severe floods caused damages estimated at \$180 million; the withdrawal of the Standard Fruit Co. in the following October caused losses of \$400,000 per week in foreign exchange earnings. Bad weather continued to plague the sector through 1984. An estimated 450,000 hectares (1,111,500 acres) of land were redistributed in 1985. From 1983 to 1987, the *contras* sought to destabilize Nicaraguan agriculture by damaging agricultural machinery, destroying crop storage sheds, and intimidating farm workers. After eight years of steady decline, the agricultural sector grew by a modest 1–2% in 1992. During 1990–2000 agricultural output grew by a yearly average of 5.7%. During 2002–04, output was up another 6.5% from 1999–2001. In 2004, the agricultural trade surplus was \$210.8 million.

### 23 ANIMAL HUSBANDRY

Nicaragua, the second-largest cattle-raising country of Central America (after Honduras), had 3.5 million head of dairy and beef cattle in 2005. There were also 268,000 horses, 123,000 hogs, and 57,000 mules and donkeys. Total beef production in 2005 was 152,000 tons. Meat exports, perennially one of Nicaragua's most important trade commodities, were valued at \$23 million in 1981 but fell to \$7 million by 1987. By 2004, meat exports had recovered, to \$111.2 million. The primary markets for Nicaraguan beef are the United States, El Salvador, and Puerto Rico. In 1990, Nicaragua access to the US beef products market was restored, and since then the livestock industry has been a profitable business and a key economic indicator for the country. Milk production in 2005 totaled 612,945 tons.

### 24 FISHING

Commercial fishing in the lakes and rivers and along the seacoasts is limited. In 2003, the total catch amounted to 22,331 tons, over 97% of which came from marine waters. About 80% of the marine catch comes from the Atlantic coast. Shrimp and lobster catches in 2003 amounted to 10,753 and 3,922 tons, respectively. Exports of shrimp and lobster expanded after the 1960s and by 1980 had reached an export value of \$25.9 million. In 2003, exports of fish products reached \$67.6 million. Commercial fishing was trying to diversify its catch to include more red snapper, grouper, and flounder.

After the Sandinistas took over, the fishing industry was nationalized. The fishing port at San Juan del Sur was expanded in the early 1980s to service the tuna fleet. In late 1991, the government privatized the Atlantic seafood packaging plants, causing seafood production to rise.

### 25 FORESTRY

About 38.6% of Nicaragua is forested. The country has four distinct forest zones: deciduous hardwood, mountain pine, lowland pine, and evergreen hardwood. Nicaragua's largest remaining timber resources, in the evergreen hardwood zone, are largely inaccessible. Nicaragua is the southernmost area of natural North American pine lands. The most well-known cloud forest in Nicaragua is Selva Negra (Black Forest), in the Matagalpa region. In 2004, roundwood production totaled 5,999,000 cu m (212 million

cu ft), with 98% burned as fuel wood. Sawn wood production was about 45,000 cu m (1.6 million cu ft) that year.

### 26 MINING

Gold, a leading export commodity, underwent a resurgence in the 1990s. After a long period of low production, gold output almost tripled in the late 1990s, from 1,500 kg in 1996 to 4,450 in 1999. In 2003, output was 3,029 kg. Gold and silver mines were in León, Chontales, and Zelaya departments. Mineral production for 2003 included silver, 2,040 kg, down from 2,198 kg in 2002; marine salt, 31,320 metric tons, up from 29,710 metric tons in 2002; and crude gypsum and anhydrite, 30,642 metric tons, up from 28,153 metric tons in 2002. Bentonite, lime, limestone, sand and gravel, and crushed stone were also produced. Deposits of iron, copper, lead, antimony, and zinc have been uncovered.

In the mid-20th century, Nicaragua ranked roughly 15th in the world in gold production, and the development of gold mining was emphasized during the Sandinista era, when the entire mining industry was nationalized. Gold exports reached \$39.9 million in 1980, fell to \$15 million in 1982, and were suspended through 1985. The *Corporación Nicaragüense de Minas* (INMINE), a subsidiary of the government holding company, controlled most of the country's mineral exploration and production. In 2001, the congress passed a Mining Code despite opposition from small-scale miners and environmentalists, who argued the law would unduly benefit multinational companies and lead to environmental damage; Congress was investigating ways to protect the interests of small-scale miners, and the law made submission of environmental impact statements mandatory. In 1997, the ban on new concessions was lifted.

### 27 ENERGY AND POWER

Although Nicaragua has no proven reserves of oil, natural gas, or coal, the country is one of only three nations in Central America (the others are Costa Rica and El Salvador) to operate an oil refinery.

Nicaragua imported all of the petroleum products it used in 2003. Imports that year averaged 27,950 barrels per day. In 2002, imports averaged 26,030 barrels per day, of which, an average of 16,560 barrels per day was crude oil. Demand for refined petroleum products averaged 25,770 barrels per day in 2003, up from 2002's average of 25,410 barrels per day. Nicaragua's refinery is the smallest of the three operated in Central America. Located in Managua, the facility has a capacity of 20,000 barrels per day. However, refined petroleum output in 2002 averaged only 17,010 barrels daily.

Nicaragua had no recorded imports or consumption of natural gas or coal in 2002.

The majority of the electric power generated in Nicaragua came from conventional thermal sources. Production of electricity in 2002 totaled 2.514 billion kWh, of which 78.2% came from fossil fuels, 11.9% from hydropower, and the rest from other renewable sources. Consumption of electricity in 2002 was 2.4p billion kWh. In 2002, Nicaragua had a total generating capacity of 0.641 million kW, of which approximately 16% was hydroelectric and 11.9% was geothermal.

## 28 INDUSTRY

Nicaraguan industry expanded during the 1970s but was severely disrupted by the civil war and nationalization in 1979. In 1980, the manufacturing sector began to recuperate, and modest growth continued through 1984. In 1985, however, net output again declined, by an estimated 5%. In the mid-1980s, there were still many state enterprises, some of them created by nationalization; in 1985, the government announced plans for a mixed economy. All state monopolies except for public utilities were eliminated; price controls were ended; and more than 300 state enterprises were privatized after 1990.

In 2000, the industrial sector contributed approximately 23% to the GDP and employed approximately 15% of the labor force. The industrial production growth rate in 2000 was 4.4%. In 2004, the industrial sector contributed 24.7% to the GDP and employed about 17.3% of the labor force. Among the most important industries are processed food, chemicals, metal products, textiles, clothing, petroleum refining and distribution, beverages, shoes, and wood. Nicaragua has one oil refinery, with a production capacity of 20,000 barrels per day. The services sector has become the major player in the country's economy since the reforms instituted by the Chamorro government. Services account for 52.2% of GDP and include commerce, financial services, transportation, energy and construction. The services and industrial sector share of GDP and the labor force has been growing as the shares in agriculture have decreased.

The construction sector rebounded after the destruction wrought by Hurricane Mitch in 1998, but slowed in 2000. The building of shopping centers and hotels, the industrial production of meat and poultry, and the development of transportation and communications were all growth sectors as of the early 2000s. Manufacturing in free trade zones rose 22.9% in 2000 to \$250 million in 2005. Manufacturing overall accounted for around 20% of GDP.

## 29 SCIENCE AND TECHNOLOGY

Among Nicaragua's scientific learned societies and research institutes are the Geophysical Observatory, founded in 1980, the Ni-

caraguan Society of Psychiatry and Psychology, founded in 1962, and the National Center of Agricultural Information and Documentation, founded in 1984. Part of the Ministry of Agriculture, all three institutes are in Managua. Nicaragua has six universities and colleges offering degrees in agricultural studies and other scientific studies. In 1987–97, science and engineering students accounted for 33% of college and university enrollments. The National Museum of Nicaragua, founded in 1896 in Managua, has exhibits concerning archaeology, ceramics, zoology, botany, and geology.

As of 2002 total research and development (R&D) expenditures amounted to \$6.011 million, or 0.05% of GDP. In that same year, there were 50 researchers and 39 technicians engaged in R&D per million people. High technology exports in 2002 totaled \$6 million or 5% of the country's manufactured exports.

## 30 DOMESTIC TRADE

Managua is the principal trading and distribution center and all importers and exporters have offices there. Exporters, except those concerned with cotton, coffee or lumber, are usually importers also. Managua has a variety of retail establishments, including department stores and numerous general stores; many small shops are in private homes. Managua also has a central market to which merchants come daily with all types of produce and domestic and imported consumer goods. Retail sales are mainly for cash. Price controls apply to pharmaceuticals, sugar, domestically produced soft drinks, national cigarettes, and liquefied natural gas.

The usual business hours are from 8 AM to noon and from 2:30 to 5:30 PM, Monday through Friday, with a half-day on Saturday. Banking hours are from 8:30 AM to noon and from 2 to 4 PM on weekdays; from 8:30 to 11:30 AM on Saturday.

## 31 FOREIGN TRADE

Nicaragua's total trade volume grew considerably during the 1970s because of the country's membership in the CACM and because of worldwide inflation. Following the Sandinista revolution and the virtual collapse of the CACM because of political instability in the region, Nicaragua's imports and exports fell by more than half from 1976 to 1985.

By 1986, Latin America and EC member countries, particularly Germany, accounted for the bulk of Nicaragua's trade volume; the Communist bloc had filled the breach opened by the shutting down of US commerce. The Chamorro government changed Nicaragua's trading partners as it reduced trade barriers in 1991. The government issued export promotion incentives with special tax benefits for products sold outside Central America. The Communist bloc was discarded in favor of the United States and South American countries, but Germany remained an important partner. By the Law of Free Trade Zones, Nicaragua waived all duties for imports used in the free zones. The result was widespread availability of US goods in several newly established Managua supermarkets.

One of the key engines of economic growth has been production for export. Although traditional products such as coffee, meat, and sugar continue to lead the list of Nicaraguan exports, the fastest growth was in nontraditional exports: maquila goods

### Principal Trading Partners – Nicaragua (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	584.5	1,835.8	-1,251.3
United States	201.3	477.7	-276.4
El Salvador	104.2	83.6	20.6
Costa Rica	49.1	164.4	-115.3
Honduras	43.4	32.4	11.0
Mexico	27.9	154.4	-126.5
Guatemala	25.9	127.9	-102.0
Canada	21.3	12.6	8.7
United Kingdom	16.8	14.4	2.4
Spain	15.9	26.8	-10.9
Russia	14.5	14.4	0.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

(apparel), bananas, gold, seafood, and agricultural products such as sesame, melons, and onions.

The most important commodity export from Nicaragua is coffee (28%), followed by shellfish (19%) and meat (9.4%). Other exports include sugar (5.8%), oil seeds (5.2%), and gold (3.6%).

Money spent on principal imports well outweighed money earned from exports in 2004. Nicaragua spent \$733.8 million on consumer goods, \$646.1 million on intermediate goods, \$404.6 million on capital goods, and \$425.9 million on oil and derivatives. This contrasts with exports: \$126.8 million earned from coffee, \$110.4 million from beef, \$80.5 million from shrimp and lobster, and \$36.8 million from sugar.

In 2004, Nicaragua's exports were absorbed by the United States (64.8%), El Salvador (7%), and Mexico (3.6%). In the same year, 22.6% of imports came from the United States, 8.5% from Costa Rica, 8.4% from Venezuela, 6.8% from Guatemala, 5.8% from Mexico, 4.9% from El Salvador, and 4.5% from South Korea. Exports totaled approximately \$750 million and imports totaled approximately \$2.02 billion, resulting in a substantial trade deficit of \$1.27 billion.

Nicaragua has been reducing trade barriers and working towards integration with its Central American neighbors, the United States and the Dominican Republic in the Dominican Republic-Central American Free-Trade Agreement (DR-CAFTA). The DR-CAFTA was expected to take effect in 2006, but ratification had not yet been accomplished by midyear. Nicaragua has a free trade agreement with Mexico and trade links with Taiwan.

### 3<sup>2</sup> BALANCE OF PAYMENTS

An adverse balance of trade with Nicaragua's major trading partners is the major factor in its deficit. Incoming capital in the form of public and private loans, as well as foreign capital investment and tourism, traditionally offset amortization and interest payments abroad. (The tourist industry has grown substantially in re-

cent years and has become the third-largest source of foreign exchange.) The current account balance sustained a deficit averaging 30% of GDP throughout the 1990s.

The US Central Intelligence Agency (CIA) reported that in 2004 the purchasing power parity of Nicaragua's exports was \$750 million while imports totaled \$2.02 billion, resulting in a continued substantial trade deficit.

### 3<sup>3</sup> BANKING AND SECURITIES

The banking system, nationalized in July 1979, is under the supervision of the comptroller general. The National Bank of Nicaragua, established in 1912, has been government-owned since 1940. In 1979, the bank was reorganized to become the National Development Bank. The Central Bank of Nicaragua (Banco Central de Nicaragua), established in 1961, is the bank of issue and also handles all foreign exchange transactions. As of 1979, deposits in foreign banks were prohibited, but in May 1985, the establishment of private exchange houses was permitted. In 1990, legislation was passed that allowed for the establishment of private banks. There are no state-owned commercial banks in Nicaragua.

By 2002, there were at least seven private banks operating, after several mergers in the first few years of the new millennium. Three banks closed in 2000, and another was absorbed into another bank the following year. Banco de la Producción (BANPRO) assumed the performing loans in INTERBANK's portfolio, while the Central Bank took over control of the nonperforming loans. Banco de Finanzas (BDF) assumed BANCAFE's good loans in a similar deal. Also, Primer Banco Inmobiliario (PRIBANCO) merged with BANPRO, and Banco Mercantil (BAMER) merged with Banco de Crédito Centroamericano (BANCENTRO). The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$338.7 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$2.1 billion.

A small stock market began operations in the late 1990s.

### 3<sup>4</sup> INSURANCE

In 1979, the Nicaraguan Institute of Insurance and Reinsurance took over all domestic insurance companies. There were five domestic insurance companies operating in 2000, including the government-owned Iniser; Seguros America, Seguros Centroamericanos, Seguros Metropolitana, and Seguros Pacificano. All private insurance companies were majority owned by Nicaraguan banks.

### 3<sup>5</sup> PUBLIC FINANCE

Since the mid-1960s, government spending has consistently exceeded revenues. During the Sandinista regime, detailed public finance budgets were not a priority. The government budget deficit shrank from 18% of GDP in 1987 to 4% in 1998, while government revenues consistently reflected almost one-third of GDP. Nicaragua reached the decision point under the Heavily Indebted Poor Countries (HIPC) debt relief initiative in late 2000.

The US Central Intelligence Agency (CIA) estimated that in 2005 Nicaragua's central government took in revenues of approximately \$1.1 billion and had expenditures of \$1.3 billion. Revenues minus expenditures totaled approximately -\$224 million. Public

#### Balance of Payments – Nicaragua (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-779.5</b>
Balance on goods		-972.1
Imports	-2,021.2	
Exports	1,049.1	
Balance on services		-123.1
Balance on income		-203.2
Current transfers		1,817.3
<b>Capital Account</b>		<b>261.6</b>
<b>Financial Account</b>		<b>-9.2</b>
Direct investment abroad		...
Direct investment in Nicaragua		201.3
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		-16.0
Other investment liabilities		-194.5
<b>Net Errors and Omissions</b>		<b>26.4</b>
<b>Reserves and Related Items</b>		<b>500.7</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

**Public Finance – Nicaragua (2003)**

(In millions of cordobas, central government figures)

	15,893	100.0%
<b>Revenue and Grants</b>		
Tax revenue	9,422	59.3%
Social contributions	2,468	15.5%
Grants	3,002	18.9%
Other revenue	1,001	6.3%
<b>Expenditures</b>	<b>16,559</b>	<b>100.0%</b>
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

debt in 2005 amounted to 100.3% of GDP. Total external debt was \$4.054 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues in córdobas were c\$15,893 million and expenditures were c\$16,559 million. The value of revenues in US dollars was us\$1,053 million, based on a principal exchange rate for 2003 of us\$1 = c\$15.10 as reported by the IMF.

**36 TAXATION**

As of 2005, the standard corporate income tax rate was 30%. Capital gains are treated as ordinary income and are taxed at the corporate rate. Dividends are subject to a 10.5% withholding rate, but if distributed by an entity that has already paid income tax, the dividends are not considered taxable income. Interest and royalties are subject to withholding taxes of 22.5% and 21%, respectively. However, income received from motion pictures and radio and television shows are subject to a 9% withholding rate.

The individual income tax ranged from 10–25%. The main indirect tax is Nicaragua's value-added tax (VAT), introduced in January 1975 with a standard rate of 6%. As of 2005, the standard rate had risen to 15%. Basic necessities were zero-rated such as water and power, as well as exports and some imports. Exempted from VAT were finance, petroleum products, publications and medicines. Other taxes included a luxury tax; a 1% municipal tax levied on sales; and a 1% real estate tax on 80% of assessed value.

**37 CUSTOMS AND DUTIES**

In 1990, the government's liberalized import schedule allowed private sector imports for the first time in 11 years. Import licenses are only required for the import of sugar. Nicaragua follows the CACM common import tariff schedule with rates ranging from 5–15%. Duties are set on an ad valorem basis, and there are specific consumption (usually less than 15%) and sales taxes (15%). However, a small number of agricultural products are subject to

higher rates, among them are chicken parts and rice. A VAT of 15% is placed upon most items based upon the item's CIF (cost, insurance and freight) value plus the duty. Agricultural raw materials are exempt. An industrial free zone operates at Las Mercedes near the Managua international airport.

Nicaragua has free trade agreements with Mexico and the Dominican Republic; and is a member of the Central American Common Market (CACM). The country is also a Caribbean Basin Initiative beneficiary.

**38 FOREIGN INVESTMENT**

Until the 1979 revolution, Nicaragua encouraged private investment. Virtually no restrictions were imposed on the remittance of profits or the repatriation of capital. The economic and political climate for foreign investors in the 1980s was bleak, despite the claim that the Sandinista government was prepared to offer more favorable investment terms (including 100% foreign ownership and repatriation of profits) than the Somoza government had provided. As of 1984, direct US investment in Nicaragua had stopped completely. However, in the 1990s Nicaragua began free market reforms, privatized over 350 state enterprises, decreased inflation from 13,500% to 5.3%, and cut foreign debt in half.

Under the New Foreign Investment Law, the government of Nicaragua has concentrated most of its efforts on the expansion and promotion of foreign and national investment. This law, among other things, guarantees the repatriation of invested capital and generated capital. Also, it allows for 100% foreign ownership in all areas. Foreign private capital inflows doubled from \$97 million in 1996 to \$184 million in 1998 and peaked at \$300 million in 1999. For the period 1998–2000, Nicaragua's share of world FDI inflows was over three times its share of world GDP. In the global slowdown in 2001, FDI inflows to Nicaragua fell to \$132 million in 2001, and then to an estimated \$95 million in 2002. Most of the FDI during those years was invested in cellular communications, maquila operations, and tourist projects.

About 25 US companies, wholly or partly owned subsidiaries, do business in Nicaragua. The largest investments are in the energy, communications, manufacturing, fisheries, and shrimp farming sectors. In addition to those sectors, opportunities for further investment abound in tourism, construction, services, mining, and agriculture.

Foreign investment in commercial establishments in Nicaragua has been on the rise. Modern shopping malls have been built by investors from Taiwan and El Salvador, and supermarkets have been built by Costa Rican investors. US fast-food franchises have prospered and car sales from Asia have proliferated since 1999. However, formal commerce growth potential is limited by low income levels. Furthermore, property disputes, a corrupt judiciary, political unease, and a low-skilled workforce are all factors that serve to discourage further investment in Nicaragua.

**39 ECONOMIC DEVELOPMENT**

The Somoza government's 1975–79 National Reconstruction and Development Plan had as its major objective the improvement in living conditions through increased employment, continuing reconstruction of Managua, reduction in the economy's dependence on the external sector, acceleration of regional development, and

strengthening of the country's role in CACM. The plan was disrupted by the civil strife in the late 1970s.

After the 1979 revolution, the government nationalized banking, insurance, mining, fishing, forestry, and a number of industrial plants. Although the government officially favored a mixed economy, in practice the private sector took second place in a development strategy that focused on public investment and control.

In response to the macroeconomic problems that arose in 1992, a series of measures were adopted by the Chamorro administration aimed at consolidating the stabilization process, increasing the competitiveness of exports and establishing a base for the promotion of growth. However, long-term success at attracting investment, creating jobs, and reducing poverty depends on its ability to comply with International Monetary Fund (IMF) programs, resolve the thousands of Sandinista-era property confiscation cases, and open its economy to foreign trade.

In 1999 the Alemán government was faced with poverty (over 70%), unemployment and underemployment (over 50%), one of the highest per capita debt ratios in the world (\$6 billion), and one of the highest population growth rates of the hemisphere (2.8%). Alemán signed an IMF Structural Adjustment Program for Nicaragua that aimed at cutting the fiscal deficit, continuing liberalization, and maintaining monetary stability.

Nicaragua received at least \$2.5 billion for reconstruction in the aftermath of Hurricane Mitch, debt deferral until 2001, and debt forgiveness through the Highly Indebted Poor Countries (HIPC) Initiative. In December 2002, the IMF approved a three-year \$129 million Poverty Reduction and Growth Facility (PRGF) Arrangement for Nicaragua. However, in 2003, the IMF threatened to sever financial assistance to the country in the midst of a budget dispute between President Enrique Bolaños and the National Assembly. Bolaños had submitted his 2003 budget—in accordance with IMF criteria—to the National Assembly, which revised it, violating terms of the agreement with the IMF. The IMF also stipulated the government would have to sell off state-owned hydroelectric dams and the hydroelectric company, and 51% of the shares in the national telephone company, ENITEL. In 2002, the government began privatizing management of water systems. Despite the IMF threats to cut its aid to the country, Nicaragua still received \$541.8 million in total foreign aid in 2003.

The Bolaños administration undertook macroeconomic policies that contributed to 5.1% growth in GDP in 2004. With increased tax collection and less public spending, fiscal deficits declined. Yet, unemployment and underemployment remain high at 12.2% and 35.4%, respectively. Foreign aid (donations and debt relief) comprised 42% of Nicaragua's GDP in 2004. In 2005, G-8 finance ministers agreed to forgive Nicaragua's foreign debt due to its HIPC classification. While debt relief under the HIPC program of the World Bank will continue, the debt relief by the G-8 countries was dependent upon Nicaragua's putting a PRGF (Poverty Reduction and Growth Facility) back in place. It was hoped that involvement in Dominican Republic-Central American Free-Trade Agreement (DR-CAFTA) would attract foreign, provide jobs, and spur steady economic development and growth.

## 40 SOCIAL DEVELOPMENT

A system of mandatory individual accounts replaced the social insurance system in 2004. All working persons are covered. These programs are financed by a 6% of payroll contribution from employers and a 4% of earnings contribution from employees. Retirement is set at age 60 for most workers. Employers cover the entire cost of work injury insurance. Medical care is provided to treat work injuries and occupational diseases. Family allowances vary depending on earnings and the age of the children.

There is no official discrimination against women and a number of women hold government positions. However, women continue to suffer de facto sex discrimination in many segments of society. They tend to hold traditionally low-paid jobs in the health, education, and textile sectors while occupying few management positions in the private sector. Sexual harassment in the workplace is prevalent despite laws designed to protect women. Domestic and sexual violence are common, and the perpetrators are seldom prosecuted. Dire economic circumstances force many children to work to contribute to household income. Many children work for low wages on banana or coffee plantations, while in urban areas, children often work as vendors in the streets.

Human rights abuses have been on the decline but there are continued reports of the mistreatment of detainees, although torture is punishable by law.

## 41 HEALTH

As of 2004, there were an estimated 164 physicians and 107 nurses per 100,000 people. Total health care expenditure was estimated at 12.5 % of GDP. Approximately 79% of the population had access to safe drinking water and 84% had adequate sanitation.

Slow progress in health care was made from the 1960s through the 1980s, as the crude death rate dropped from 19 per 1,000 people in 1960 to an estimated 4.8 in 2002. During 2005, the infant mortality rate was 29.11 per 1,000 live births and average life expectancy was 70.33 years. The maternal mortality rate was 150 per 100,000 live births. The fertility rate was 3.5 births per woman in 2000; 44% of married women (ages 15 to 49) used some form of contraception.

Malnutrition and anemia remain common, as do poliomyelitis, goiter, and intestinal parasitic infections (a leading cause of death). The prevalence of child malnutrition was 25% of children under five. The goiter rate was 4.3 per 100 school-age children. Immunization rates for children up to one year old were as follows: tuberculosis, 99%; diphtheria, pertussis, and tetanus, 94%; polio, 99%; and measles, 94%.

The HIV/AIDS prevalence was 0.20 per 100 adults in 2003. As of 2004, there were approximately 6,400 people living with HIV/AIDS in the country. Common diseases reported in Nicaragua were malaria, cholera, and tuberculosis.

## 42 HOUSING

Both urban and rural dwellers suffer from a dire lack of adequate housing. As a result of the 1972 earthquake, approximately 53,000 residential units were destroyed or seriously damaged in the Managua area. The Sandinistas launched housing-construction and tree-planting programs, but were hampered by a shortage of hard



currency to pay for the construction equipment required. Hurricane Mitch in 1998 also destroyed thousands of dwellings.

At the last census in 1995, there were only about 751,637 dwellings to serve over 4.3 million people. Most dwellings are detached houses. Many rural residents live in *ranchos* or *cuartes* (private units with some common facilities). Estimates in 2005 indicated that there was a housing deficit of over 500,000 dwellings and that about 3.75 million people were living in substandard housing.

### 4<sup>3</sup> EDUCATION

Primary and secondary education is free and compulsory for 6 years between the ages of 6 and 12. Basic secondary education covers three years of study, after which students may continue in a two-year diversified secondary program or a three-year technical school program. The academic year runs from March to December.

In 2001, about 26% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 85% of age-eligible students. The same year, secondary school enrollment was about 39% of age-eligible students; 36% for boys and 42% for girls. It is estimated that about 74.6% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 35:1 in 2003; the ratio for secondary school was about 34:1. In 2003, private schools accounted for about 15.5% of primary school enrollment and 29% of secondary enrollment.

The National Autonomous University of Nicaragua offers instruction in 10 faculties: medicine, law and social sciences, dentistry, chemistry, and humanities in León; and agriculture, education, economics, physical and mathematical sciences, and humanities in Managua. The Central American University, affiliated with Georgetown University, opened in Managua in 1961, and the privately controlled Polytechnic University of Nicaragua, also in Managua, attained university status in 1977. Some others include the Central American Institute for Business Management, affiliated with the Harvard Business School; the University of Mobile, affiliated with Mobile College, Alabama; Nicaraguan Catholic University; and the National Engineering University. There were a total of 14 universities in Nicaragua in 1998. In 2003, about 18% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 76.7%.

As of 2003, public expenditure on education was estimated at 3.1% of GDP, or 15% of total government expenditures.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library in Managua is the largest library in the country, holding a collection of 120,000 volumes. The National Autonomous University of Nicaragua in León holds the largest university collection with 36,700 volumes. Nicaragua has about 13 branch public libraries holding a total of 187,000 volumes. The largest branch is in León, and holds 32,000 volumes. There is a Central American Institute in Managua with 39,000 volumes focusing on the social and economic conditions of the region.

The National Museum, founded in 1896 and featuring archaeology and history, is in Managua at the National Palace, which houses the National Library and the National Archives as well. There is

an archeological museum in Granada and three provincial historical and archeological museums.

### 4<sup>5</sup> MEDIA

Postal, telegraph, and telephone facilities are government-owned. Since 1990, TELCOR, the national communications company, has invested over \$100 million on upgrading its facilities. Telephone service is limited to the heavily populated west coast and, except for Managua (where there is an automatic dial system), is inadequate. In 2003, there were an estimated 37 mainline telephones for every 1,000 people. The same year, there were approximately 85 mobile phones in use for every 1,000 people.

In 2004, there were 210 chartered radio stations in the country, 52 AM stations and 158 FM. The Voice of Nicaragua is the primary government station. There were 10 television stations based in Managua and 63 cable television franchises. In 2003, there were an estimated 270 radios and 123 television sets for every 1,000 people. The same year, there were 27.9 personal computers for every 1,000 people and 17 of every 1,000 people had access to the Internet. There were 17 secure Internet servers in the country in 2004.

There were two major daily newspapers in 2004 including, *La Prensa*, with a circulation of 37,000, and *El Nuevo Diario*, circulation 30,000. *La Prensa*, a harsh critic of Somoza rule and of the Sandinista regime, was closed in 1986 but, in accordance with the Arias peace plan, was allowed to resume publication in 1987. Press censorship ended with the departure of the Sandinista government. *Confidencial* is a popular weekly.

The constitution provides for freedom of speech and the press, and the government is said to be supportive of these rights in practice. The privately owned print media and the broadcast media openly discuss diverse viewpoints without government interference.

### 4<sup>6</sup> ORGANIZATIONS

Three cooperative organizations for cotton growers, shoemakers, and leather workers operate in the country. Of the four employers' associations, the most important was the Higher Council of Private Enterprise (Conejos Superior de la Empresa Privada—COSEP). The Nicaragua Chamber of Commerce is in Managua. The Augusto Cesar Sandino Foundation offers technical and methodological assistance to grassroots organizations for local development.

National youth organizations include the Union Nacional de Estudiantes de Nicaragua, Juventud Sandinista 19 de Julio, the Scout Association of Nicaragua, Girl Guides, and chapters of YMCA/YWCA. There are several sports associations active within the country. Fundacion Puntos de Encuentro is a national women's organization.

Volunteer service organizations, such as the Lions Clubs International, are also present. There are national chapters of the Red Cross, the Society of St. Vincent de Paul, UNICEF, and Habitat for Humanity.

### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Although Nicaragua has beaches on two oceans, magnificent mountain and tropical scenery, and the two largest lakes in Central America, a decade of military conflict retarded the development of the tourist industry. The government, however, has made the development of its tourism industry a top priority. Foreign na-

tionals must possess a passport valid for at least six months after entry. Tourist cards instead of visas are used for travelers from most countries. Baseball is the national sport. Basketball, cock-fighting, bullfighting, golfing, and water sports are also popular.

In 2003, about 526,000 foreign visitors arrived in Nicaragua. Hotel rooms numbered 4,418 with 7,669 beds and an average stay of two nights. Tourism expenditure receipts totaled \$155 million.

In 2002, the US Department of State estimated the daily cost for food, hotel, and other expenses in Managua at \$176.

#### 48 FAMOUS NICARAGUANS

International literary fame came to Nicaragua with the publication of *Azul*, a collection of lyric poetry and short stories by Rubén Darío (Félix Rubén García-Sarmiento, 1867–1916). Born in Meta-pa (renamed Ciudad Darío in his honor), Darío created a new literary style in Spanish, exemplified by “art for art’s sake” and a revelry in the senses. Miguel Larreynaga (1771–1845) was an outstanding figure during the colonial period and later an ardent independence leader, teacher, jurist, and author. Santiago Arguëllo (1872–1940) was a noted poet and educator. Three modern poets are Fray Azarías Pallais (1885–1954), Alfonso Cortés (1893–1963), and Salomón de la Selva (1893–1959). Luis Abraham Delgado (1887–1961), a writer, educator, and musical conductor, was also Nicaragua’s leading composer.

The Somoza family, which ruled Nicaragua 1934–79, included Anastasio Somoza García (1896–1956), president during 1937–47 and again during 1950–56; his oldest son, Luis Somoza Debayle (1922–67), president during 1956–63; and a younger son, Anastasio Somoza Debayle (1925–80), president during 1967–72 and again from 1974–79 revolution. The Sandinistas, who overthrew the Somoza dynasty, take their name from the nationalist Gen. Augusto César Sandino (1895–1934). José Daniel Ortega Saavedra (b.1945) emerged as the leading figure in the junta that governed Nicaragua from 1979 to 1990.

#### 49 DEPENDENCIES

Nicaragua has no territories or colonies.

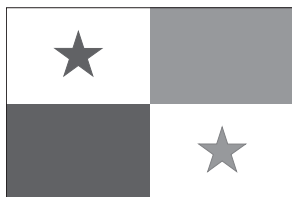
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# PANAMA

Republic of Panama  
*República de Panamá*



**CAPITAL:** Panama City

**FLAG:** The national flag is divided into quarters. The upper quarter next to the staff is white with a blue star; the upper outer quarter is red; the lower quarter next to the staff is blue; and the lower outer quarter is white with a red star.

**ANTHEM:** *Himno Nacional*, beginning “Alcanzamos por fin la victoria” (“We reach victory at last”).

**MONETARY UNIT:** The balboa (B) of 100 centésimos is the national unit of account. Panama issues no paper money, and US notes are legal tender. Panama mints coins of 0.05, 0.10, 0.25, 0.50, 1 and 5 balboas which are interchangeable with US coins. B1 = \$1.00000 (or \$1 = B1) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is official, but British, US, and old Spanish units also are used.

**HOLIDAYS:** New Year’s Day, 1 January; Martyrs’ Day, 9 January; Labor Day, 1 May; National Revolution Day, 11 October; National Anthem Day, 1 November; All Souls’ Day, 2 November; Independence from Colombia, 3 November; Flag Day, 4 November; Independence Day (Colón only), 5 November; First Call of Independence, 10 November; Independence from Spain, 28 November; Mother’s Day and Immaculate Conception, 8 December; Christmas, 25 December. Movable religious holidays are Shrove Tuesday and Good Friday.

**TIME:** 7 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The Republic of Panama, situated on the Isthmus of Panama, has an area of 78,200 sq km (30,193 sq mi). Comparatively, the area occupied by Panama is slightly smaller than the state of South Carolina. The Canal Zone (1,432 sq km/553 sq mi), over which the United States formerly exercised sovereignty, on 1 October 1979 was incorporated into Panama, with the United States retaining responsibility for operation of the Panama Canal and the use of land in the zone for maintenance of the canal until the year 2000.

Panama extends 772 km (480 mi) E–W and 185 km (115 mi) N–S. Bordered on the N by the Caribbean Sea, on the E by Colombia, on the S by the Pacific Ocean, and on the W by Costa Rica, Panama has a total boundary length of 555 km (345 mi), of which 2,490 km (1,547 mi) is coastline.

Panama’s capital city, Panama City, is located where the Panama Canal meets the Gulf of Panama.

## <sup>2</sup>TOPOGRAPHY

Panama is a country of heavily forested hills and mountain ranges. The two principal ranges are in the eastern and western sections of the country, and a third, minor range extends southward along the Pacific coast into Colombia. The eastern Cordillera de San Blas parallels the Caribbean coastline, while the Serranía de Tabasará ascends westward, culminating in the Barú volcano (3,475 m/11,401 ft), formerly known as Chiriquí. Between these ranges, the land breaks into high plateaus, ridges, and valleys. The Panama Canal utilizes a gap in these ranges that runs northwest to southeast and averages only 87 m (285 ft) in altitude.

Panama has more than 300 rivers, most of which flow into the Pacific, with only the Tuira River in Darién Province of any com-

mercial importance. Both coasts of the isthmus have deep bays, but the Gulf of Panama is especially well provided with deepwater anchorages. Panama also has more than 1,600 islands, including the Amerindian-inhabited San Blas Islands in the Caribbean (366) and the Pearls Archipelago (Archipiélago de las Perlas) in the Gulf of Panama (over 100). Its largest island is the penal colony Coiba, which is south of the Gulf of Chiriquí.

Panama rests upon the Caribbean Tectonic Plate near its convergence with the Cocos, Nazca, and South American plates. The same motion of these plates, which created the Isthmus of Panama, continues to cause frequent tremors and earthquakes in the region; most of these are of low magnitude and cause little damage.

## <sup>3</sup>CLIMATE

Panama is tropical, but temperatures vary according to location and altitude. The annual average temperature on both coasts is 29°C (81°F), and it ranges from 10° to 19°C (50 to 66°F) at various mountain elevations. There is little seasonal change in temperature, with warm days and cool nights throughout the year. Humidity is quite high, however, averaging 80%. Rainfall averages 178 cm (70 in) in Panama City and 328 cm (129 in) in Colón. The period of lightest rainfall is from January to March.

## <sup>4</sup>FLORA AND FAUNA

Most of Panama is a thick rain forest, with occasional patches of savanna or prairie. On the wet Caribbean coast, the forest is evergreen, while on the drier Pacific side the forest is semi-deciduous. Species of flowering plants total over 9,900 and include the national flower, the Holy Ghost orchid. Mammals inhabiting the

isthmus are the anteater, armadillo, bat, coati, deer, opossum, peccary, raccoon, tapir, and many varieties of monkey. Reptiles, especially alligators, are numerous along the coasts. Bird life is rich and varies according to the presence of migratory species. Fish abound, with the Pacific coast being a favored region for sport fishing. As of 2002, there were at least 218 species of mammals and 302 species of birds throughout the country.

## 5 ENVIRONMENT

Soil erosion and deforestation are among Panama's most significant environmental concerns. Soil erosion is occurring at a rate of 2,000 tons per year. During 1990–2000, the annual average rate of deforestation was 1.6%. Air pollution is also a problem in urban centers due to emissions from industry and transportation. In 2000, the total of carbon dioxide emissions was at 6.3 million metric tons. Pesticides, sewage, and pollution from the oil industry cause much of the pollution.

Agencies with environmental responsibilities include the Ministry of Health and Ministry of Rural Development. The Smithsonian Tropical Research Institute, in Balboa, conducts studies on the conservation of natural resources.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 17 types of mammals, 20 species of birds, 7 types of reptiles, 52 species of amphibians, 17 species of fish, 2 species of invertebrates, and 195 species of plants. Endangered species include the red-backed squirrel monkey, tundra peregrine falcon, spectacled caiman, American crocodile, and four species of sea turtle (green sea, hawksbill, olive ridley, and leatherback).

## 6 POPULATION

The population of Panama in 2005 was estimated by the United Nations (UN) at 3,232,000, which placed it at number 130 in population among the 193 nations of the world. In 2005, approximately 6% of the population was over 65 years of age, with another 29% of the population under 15 years of age. There were 102 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.8%, a rate the government viewed as too high; it was addressing the relatively high fertility rate with family life and sexuality education programs in primary and secondary schools. The projected population for the year 2025 was 4,239,000. The population density was 43 per sq km (111 per sq mi).

The UN estimated that 62% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.31%. The capital city, Panama City (Panamá), had a population of 930,000 in that year. Other major cities and their estimated populations include Colón, 187,705; and David, 112,000.

## 7 MIGRATION

Immigration and emigration have been roughly in balance in recent years. In the 1990s, there were 61,400 foreign-born persons in Panama, of which 13,644 were Colombians. In 1999, the United Nations High Commissioner for Refugees (UNHCR) urged Panamanian authorities to take a more flexible approach toward Colombians who arrived after February 1998 and were under a Temporary Protection plan. The total number of migrants in the country in 2000 was 82,000. In 2004 worker remittances were \$231

million. In 2004 there were 1,608 refugees in Panama and 271 asylum seekers. In 2005, the net migration rate was an estimated -0.86 migrants per 1,000 population. The government viewed the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The racial and cultural composition of Panama is highly diverse. According to recent estimates, about 70% of the inhabitants are mestizo (mixed Amerindian and white) or mulatto (mixed white and black); 14% are Amerindian and mixed (West Indian); 10% are white (mostly Europeans); and 6% are Amerindian. There is also a Chinese community of about 150,000. The indigenous tribes include the Embera-Wounaan, Ngobe-Bugle, and the Kona, all of which reside in tribal-led reservations within the country. The Bri-Bri and the Naso are smaller tribes found near the Costa Rica border.

## 9 LANGUAGES

Spanish, the official language of Panama, is spoken by over 90% of the people, but English is a common second language, spoken by most Panamanian professionals and businesspeople. The Amerindians use their own languages. Many Panamanians are bilingual.

## 10 RELIGIONS

At the last census in 1998, an estimated 82% of the people were Roman Catholic; 10% were evangelicals; and 3% were unaffiliated with any religious group. More recent, but unofficial, estimates suggest that the Catholic population is declining in favor of the evangelicals, which may account for up to 20% of the population. Mainstream Protestant groups include Lutherans, Southern Baptists, and Methodists (United Methodist and the Methodist Church of the Caribbean and the Americas). There are small groups of Latter-Day Saints (Mormons), Seventh-Day Adventists, Jehovah's Witnesses, Episcopalians, and other Christians. Buddhists, Jews, Muslims, and Baha'is also had small communities. Panama is home to one of the world's seven Baha'i Houses of Worship.

Although Roman Catholicism is recognized by the constitution of 1972 as the majority religion, it is not designated as an official religion of state and religious freedom, as well as separation of church and state, are guaranteed. The Panamanian Ecumenical Committee is a nongovernmental group that encourages interfaith dialogue and charitable service.

## 11 TRANSPORTATION

Motor vehicles transport most agricultural products. In 2002, there were 11,592 km (7,203 mi) of roads, of which about 4,079 km (2,534 mi) were paved, including 30 km (19 mi) of expressways. The principal highway is the National (or Central) Highway—the Panamanian section of the Pan American Highway—which runs from the Costa Rican border, via Panama City and Chepo, to the Colombian border. The 80-km (50-mi) Trans-Isthmian Highway links Colón and Panama City. Panama's rugged terrain impedes highway development, and there are few good roads in the republic's eastern sections. In 2003 there were 266,900 registered passenger cars and 171,800 commercial vehicles.

As of 2004, there were a total of 355 km (220 mi) of standard and narrow gauge railway lines, all government-run. Of that to-

tal, narrow gauge accounted for 279 km (174 mi). The Panama Railroad parallels the canal for 77 km (48 mi) between Colón and Panama City. Other lines connect Pedregal, David, Puerto Armuelles, and Boquete and unify Bocas del Toro Province.

In 2005, the Panamanian merchant marine registered 5,005 ships of 1,000 GRT or more, totaling 122,960,929 GRT. Most of the ships are foreign-owned but are registered as Panamanian because fees are low and labor laws lenient. International shipping passes almost entirely through the canal ports of Cristóbal, which serves Colón, and Balboa, which serves Panama City.

Panama is a crossroads for air travel within the Americas. As of 2004, there were an estimated 105 airports, 47 of which had paved runways as of 2005. The most widely used domestic airline is Compañía Panameña de Aviación (COPA), which also flies throughout Central America. Air Panama International serves passenger traffic to the United States and South America. Internacional de Aviación (INAI) is an international passenger and cargo carrier. Panama has two international airports: the largest, Tocumen International Airport is in Panama City; the smaller, Omar Torrijos International Airport, is 19 km (12 mi) east of Panama City. In 2003, about 1.264 million passengers were carried on scheduled domestic and international airline flights.

The Panama Canal traverses the isthmus and is 82 km (51 mi) in length from deepwater to deepwater and is part of the nation's 800 km (497 mi) of navigable internal waterways. The great technical feat involved in constructing the canal was to cut through the mountains that span the region, dam the Chagres Lake, and then design and build the three sets of double locks that raise and lower ships the 26 m (85 ft) between lake and sea levels. The first passage through the canal was completed by the S.S. *Ancon* on 15 August 1914. As of 1 October 1979 when the US-Panama treaties went into effect, the canal was administered by the joint Panama Canal Commission, on which the United States had majority representation through the end of 1989. The United States turned over complete control of the canal to Panama on 31 December 1999. The canal takes ships of up to 67,000 tons. An oil pipeline across the isthmus was opened in 1982 to carry Alaskan oil. Its capacity is 830,000 barrels per day. The Bridge of the Americas across the canal at the Pacific entrance unites eastern and western Panama as well as the northern and southern sections of the Pan American Highway. Panama, the United States, and Japan have commissioned a \$20-million study to search for alternatives to the canal. The feasibility of building a new canal at sea level was to be examined. Alternatively, the Panama Canal Commission has indicated its intention to increase the width of the Gaillard Cut (Corte Culebra), since larger ships are restricted to one-way daylight passage due to the narrowness. Panama also plans to consolidate the ports of Balboa on the Pacific and Cristóbal on the Caribbean into a single container terminal system.

## 12 HISTORY

The isthmian region was an area of economic transshipment long before Europeans explored it. It was also the converging point of several significant Amerindian cultures. Mayan, Aztec, Chibcha, and Caribs had indirect and direct contact with the area. The first European to explore Panama was the Spaniard Rodrigo de Bastidas in 1501. In 1502, Columbus claimed the region for Spain. In 1513, Vasco Nuñez de Balboa led soldiers across the isthmus and

made the European discovery of the Pacific Ocean. Despite strong resistance by the Cuna Amerindians, the settlements of Nombre de Dios, San Sebastián, and, later, Portobelo were established on the Caribbean coast, while Panama City was founded on the Pacific coast. In 1567, Panama was made part of the viceroyalty of Peru. English buccaneers, notably Sir Francis Drake in the 16th century and Henry Morgan in the 17th, contested Spanish hegemony in Panama, burning and looting its ports, including Panama City in 1671.

From the 16th until the mid-18th century, the isthmus was a strategic link in Spanish trade with the west coast of South America, especially the viceregal capital of Lima. In 1740, the isthmus was placed under the jurisdiction of the newly recreated viceroyalty of New Granada.

Panama declared its independence from Spain in 1821 and joined the Republic of Gran Colombia, a short-lived union of Colombia, Venezuela, and Ecuador, founded in 1819. In 1826, it was the seat of the Pan American Conference called by the liberator, Simón Bolívar. When Gran Colombia was dissolved in 1829–30, Panama still remained part of Colombia. Secessionist revolts took place in 1830 and 1831, and during 1840–41.

The discovery of gold in California in 1848 brought the isthmus into prominence as a canal site linking the Atlantic and Pacific oceans. After the French failed to build one in the 1880s, they sold those rights to the United States for \$40 million. The United States then negotiated the Hay-Herrán Treaty with Colombia in 1903. After Colombia refused to ratify the treaty, Panama seceded from Colombia and, backed by US naval forces, declared its independence on 3 November 1903. Panama then signed a canal agreement with the United States and received a lump sum of \$10 million and an annual rent of \$250,000. The Hay-Bunau-Varilla Treaty (1903) granted the United States in perpetuity an 8-km (5-mi) strip of land on either side of the canal and permitted the United States to intervene to protect Panamanian independence, to defend the canal, and to maintain order in the cities of Panama and Colón and in the Canal Zone.

The United States intervened to establish order in 1908—while the canal was under construction—and, after the canal had opened to traffic, in 1917 and again in 1918. In 1936, however, the United States adopted a policy of nonintervention, and in 1955, the annuity was raised to \$1,930,000.

During the postwar decades, the question of sovereignty over the Canal Zone was a persistent irritant in Panamanian politics. On 9 January 1964, riots broke out in the Canal Zone as Panamanians protested US neglect of a 1962 joint Panama-US flag-flying agreement. On the following day, Panama suspended relations with the United States and demanded complete revision of the Canal Zone treaty. Thereafter, Panama sought sovereignty over the Canal Zone and the elimination of the concept of perpetuity on any future arrangement. Diplomatic relations were restored in April, but negotiations went slowly thereafter.

The Panamanian government turned to dictatorship in October 1968, when National Guard Brig. Gen. Omar Torrijos Herrera deposed the elected president and established a dictatorship.

Final agreement on the future of the canal and the Canal Zone came on 7 September 1977, when Gen. Torrijos and US president Jimmy Carter signed two documents at OAS headquarters in Washington, DC. The first document, the Panama Canal Treaty,

abrogated the 1903 Hay-Bunau-Varilla accord, recognized Panama's sovereignty over the Canal Zone (which ceased to exist as of 1 October 1979), and granted the United States rights to operate, maintain, and manage the canal through 31 December 1999, when ownership of the canal itself would revert to Panama. Panama would receive a fixed annuity of \$10 million and a subsidy of \$0.30 (to be adjusted periodically for inflation) for every ton of cargo that passed through the canal, plus up to \$10 million annually from operating surpluses. The second document, the so-called Neutrality Treaty, guaranteed the neutrality of the canal for "peaceful transit by the vessels of all nations" in time of both peace and war. An additional provision added in October denied the United States the right of intervention into Panamanian affairs. The treaties were ratified by plebiscite in Panama on 23 October 1977 and, after prolonged debate and extensive amendment, by the US Senate in March and April 1978. When both treaties came into force in 1979, about 60% of the former Canal Zone's total area immediately came under Panama's direct control, including 11 of 14 military bases, the Panama City-Colón railway, and ports at both ends of the canal.

The Torrijos regime was populist, with a wide appeal to the neglected lower and lower middle classes of Panama. Moreover, Torrijos established nationalist credentials by standing up to the United States and demanding recognition of Panama's positions on the Canal Zone. Torrijos resigned as head of government in 1978 but continued to rule behind the scenes as National Guard commander until his death in a plane crash on 31 July 1981. Over the next few years, the National Guard, now renamed the Panama Defense Forces (PDF), came under the influence of Gen. Manuel Noriega.

On the civilian side, Aristedes Royo was elected president by the Assembly in October 1978, and was later forced out of office in July 1982. His successor was the vice president, Ricardo de la Escriella, who resigned in February 1984, just three months before scheduled presidential elections. In those elections, the economist and former World Bank official Nicolás Ardito Barletta, the military's approved candidate, won a close victory over former president Arnulfo Arias Madrid (running for the fifth time), in an election marked by voting irregularities and fraud. Barletta soon lost the confidence of the military and was forced out in September 1985. Vice President Eric Arturo Delvalle assumed power.

By 1987, Noriega had been accused by close associates and the United States of falsifying the 1984 election results, plotting the deaths of prominent opposition leaders and Gen. Torrijos, drug trafficking, giving aid to the Colombian radical group M-19 and Salvadoran rebels, and providing intelligence and restricted US technology to Cuba. Opposition forces, including the Roman Catholic Church, intensified and the government responded by banning public protest. The US Senate approved legislation cutting off aid to Panama in December 1987. In February 1988, following indictments of Noriega in US courts for drug trafficking, President Delvalle announced Noriega's dismissal. Noriega refused to step down, and the Legislative Assembly voted to remove Delvalle from office and replace him with Manuel Solís Palma, the minister of education. Delvalle went into hiding, and Panama entered a two-year period of instability and conflict.

Noriega also had problems within the PDF. Dissident military leaders, with either tacit or direct US approval, attempted coups in March 1988 and in October 1989. Unable to rely on the loy-

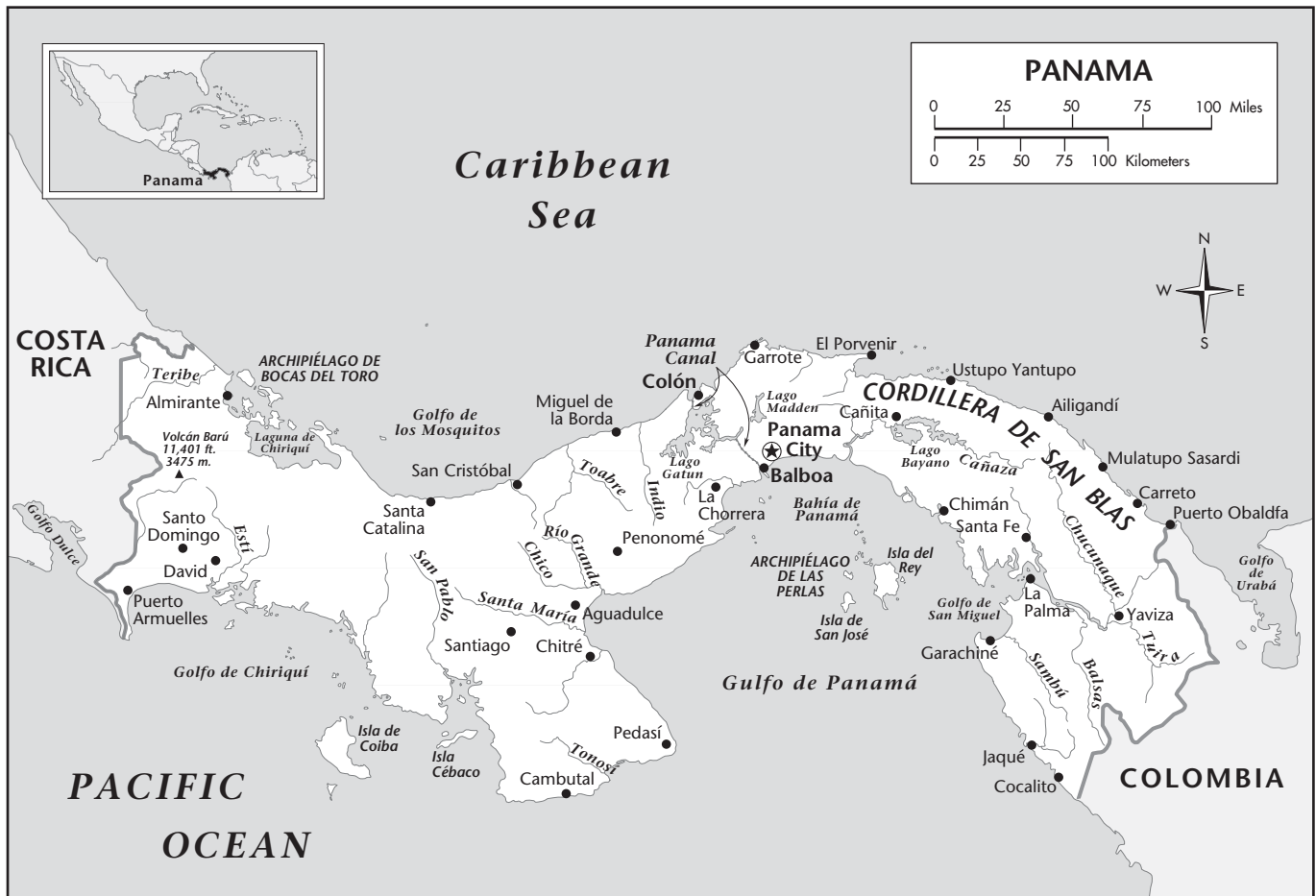
alty of the PDF, Noriega created his own paramilitary force, called the "Dignity Battalions," which were nothing more than freelance thugs called in at the dictator's whim. Domestically, Noriega suffered from a lack of support. In March 1987, a general strike occurred for several weeks. Emboldened by US efforts to remove Noriega, opposition forces coalesced, even as the government became more repressive. In elections held in May 1989, opposition candidates scored overwhelming victories, forcing Noriega to annul the elections and rely on intimidation and force.

Finally, the United States was engaged in a series of moves calculated to bring down the Noriega regime, which eventually led to a showdown. In March 1988, President Ronald Reagan suspended preferential trade conditions and withheld canal-use payments. In April, Reagan froze US-held Panamanian assets and suspended all private payments to Panama. Negotiations to allow Noriega to step down dissolved in May, when Noriega refused to abide by an agreement between the United States and Noriega's assistants. The administration of President George H. W. Bush continued pressure on Noriega, but itself came under criticism for its inability to resolve the problem. Finally, in December 1989, Noriega played his final card, declaring war on the United States and ordering attacks on US military personnel.

President George H. W. Bush responded quickly, ordering the US military into Panama. The troops remained for a week, delayed when Noriega sought sanctuary in the residence of the Papal Nuncio. Noriega surrendered and was returned to the United States for trial. Immediately, the Panamanian Electoral Tribunal declared the 1989 elections valid and confirmed the results. Guillermo Endara became president, Ricardo Arias Calderón first vice president, and Guillermo "Billy" Ford second vice president. Legislative elections were confirmed for most Legislative Assembly seats, and in January 1991 a special election filled the remaining seats.

Under President Endara, Panama made some strides toward economic recovery, but these were only impressive because the situation under Noriega had become so desperate. Politically, Endara lacked nationalist credentials, especially since he was installed by US military might. His administration was widely criticized for the continuing poor economic conditions.

In May 1994, a new president, Ernesto Pérez Balladares, was elected in the country's first free and fair elections since 1968. His opponent, Mireya Moscoso, entered political life in 1964 when she worked on the campaign of Arnulfo Arias, whom she eventually married. After Arias's death in 1988, Moscoso returned to Panama, where she formed the Arnulfista party, named for Arnulfo Arias. Balladares's Democratic Revolutionary Party (PRD) was closely associated with the Noriega dictatorship but the new president identified himself with the populist Torrijos regime. The years of Pérez Balladares's rule were characterized by a multiparty cabinet that included several members who publicly denounced former dictator Manuel Noriega. Pérez Balladares set in motion various economic reforms and continued close collaboration with the United States to implement treaties regarding the eventual turnover of the Panama Canal to Panamanian rule (which occurred 31 December 1999). A law ratified in 1997 created the Canal Authority to administer the Canal after the United States relinquished control. Though Pérez Balladares worked to pass a referendum to allow his reelection, it failed.



LOCATION: 7°12'9" to 9°37' 57" N; 77°9'24" to 83°3'7" W. BOUNDARY LENGTHS: Caribbean coastline, 963 kilometers (596 miles); Colombia, 225 kilometers (140 miles); Pacific coastline, 1,527 kilometers (950 miles); Costa Rica, 330 kilometers (206 miles). TERRITORIAL SEA LIMIT: 200 miles.

Presidential campaigns ensued. The PRD, with its majority in congress, campaigned fiercely with its candidate Martin Torrijos Espino, son of the late dictator. The main opposition was the Arnulfista Party. Its candidate, Mireya Moscoso (who is the widow of Arias) swept the elections on 2 May 1999. Moscoso thus became the first woman to take the office. After having run in 1994 and lost to Pérez Balladères), Moscoso defeated Torrijos in what was considered a fair election: 75% of the country's 2.7 million citizens voted. Moscoso took office on 1 September 1999.

As the end of the decade neared, the country prepared for the withdrawal of the US military on 31 December 1999, under the terms of the Panama Canal Treaty. Moscoso officiated, with former US president Jimmy Carter, at the formal ceremony where the United States relinquished power over the Canal. The Panama Canal was officially handed over to Panamanian rule on 31 December 1999; this marked an end to 80 years of US occupation. Though the accompanying ceremony took place a week prior to the historic date due to potential complications with millennium celebrations, the significance was nonetheless grand. The ceremony included King Juan Carlos of Spain and several Latin American leaders. Carter, who began the process to grant Panama control over the waterway more than 20 years prior under a treaty with then-president General Omar Torrijos, signed over the United States rule. President Bill Clinton declined invitations to attend

the ceremony. The celebrations that ensued were overshadowed somewhat by concerns from US conservative politicians that the canal will not be secure in Panamanian hands. However, President Clinton pledged continued collaboration with Panama to ensure the canal's security.

In 2004, on a strong "zero tolerance" anticorruption platform that called for increased transparency, Martin Torrijos won the presidency, and his PRD party won a majority in the National Assembly over the Panameñista (formerly Arnulfista) party. After his inauguration in September of that year, he created a broad coalition of labor, religious, and civil society, as well as government leaders to form the Anti-Corruption Council to crack down on the corruption endemic to previous administrations.

Since regaining control of the canal, Panama has experienced difficulties turning the canal into an engine for economic growth. The economy expanded by less than 3% in 2001 and 2002, but GDP increased to approximately 4% in 2004 and 6% in 2005. Despite being the country with the highest per capita income in Central America, roughly 40% of Panamanians live in poverty.

### 13 GOVERNMENT

Under the constitution of 1972, Panama is a republic in which the president, assisted by a cabinet, exercises executive power. Reforms adopted in April 1983 changed the election of the president

from an absolute majority of the National Assembly of Municipal Representatives to a direct popular vote, and a second vice president was added. The president and the two vice presidents must be at least 35 years of age and native Panamanians; they serve for five years and are not eligible for immediate reelection. For the 2009 national elections the executive branch will be reduced to including only one vice president. The constitution was ratified to reflect these changes in 2004.

Legislative power is vested in the unicameral Legislative Assembly, which replaced the National Assembly of Municipal Representatives in 1984. The 78 members are elected for five-year terms by direct popular vote. However, as per the 2004 constitutional changes, assembly membership will be capped at 71 representatives for the 2009 elections. Regular sessions are from 11 October–11 November annually, and special sessions may be called by the president. Suffrage is universal for Panamanians 18 years of age or over. The next national elections were scheduled to take place 3 May 2009.

The 1972 constitution conferred extraordinary decision-making powers upon the commander of the Panama Defense Forces (PDF), who was allowed to participate in sessions of all executive and legislative organs, to direct foreign policy, to appoint Supreme Court magistrates, and to appoint and remove ministers of state, among other responsibilities.

The PDF was subsequently converted into a civilian group called the Public Forces. Following a purge of PDF senior officials, the Public Forces were placed under the cabinet-level Minister of Government and Justice.

## 14 POLITICAL PARTIES

Personalities rather than ideological platforms tend to be the dominating force in Panamanian politics. The traditional political parties were the Liberals and the Conservatives, and their differences lay initially in the issue of church and state power. More recently, parties tended to be coalitions of the many splinter groups that had formed around local leaders. Military interventions frequently led to the banning of political parties. Such interruptions have led to an extremely splintered party system, which held together only insofar as they opposed the military regimes.

The coalition that came to power in 1990 consisted of President Endara's Arnulfista Party, led by Dr. Arnulfo Escalona, the National Liberal Republican Movement (MOLIRENA), led by second vice president Guillermo Ford; and the Christian Democratic Party (PDC), led by first vice president Ricardo Arias. Subsequently, Arias broke from the coalition, and the PDC, which held a plurality of seats in the Legislative Assembly, became the leader of the opposition.

With the election of Ernesto Pérez Balladares to the presidency in May 1994, the Democratic Revolutionary Party (PRD), which had been closely linked to the country's former military regime, was returned to power, as part of a coalition that also included the Liberal Republican Party (PLR) and the Labor Party (PALA). This coalition gained effective control of the National Assembly as well as the executive branch.

Although the PRD was defeated with the election of Mireya Moscoso in 1999, in 2004 the PRD came back with a victory fueled by a much-awaited anticorruption campaign, and a coalition with the Popular Party (PP). The other six constituted political

parties are the former Arnulfista party of the Partido Panameñista (PA), MOLIRENA, Democratic Change (CD), Solidarity Party (PS), National Liberal Party (PLN), and the Liberal Party (PL).

## 15 LOCAL GOVERNMENT

Panama is divided into nine administrative provinces, each headed by a governor appointed by the president, and one Amerindian territory. The provinces are subdivided into 67 municipal districts, each of which is governed by a mayor and a municipal council of at least five members, including all that district's representatives in the National Assembly. There are 511 municipal subdistricts in all.

## 16 JUDICIAL SYSTEM

Judicial authority rests with the Supreme Court, composed of nine magistrates and nine alternates, all appointed by the president (subject to approval by the Legislative Assembly) for 10-year terms. The Supreme Court magistrates appoint judges of the superior courts who in turn appoint circuit court judges in their respective jurisdictions. There are four superior courts, eighteen circuit courts (one civil and one criminal court for each province), and at least one municipal court in each district.

At the local level, two types of administrative judges—*corregidores* and night (or police) judges—who hear minor civil and criminal cases involving sentences under one year. Appointed by the municipal mayors, these judges are similar to Justices of the Peace. Their proceedings are not subject to the Code of Criminal Procedure and defendants lack procedural safeguards afforded in the regular courts.

The constitution guarantees a right to counsel for persons charged with crimes and requires the provision of public defenders for indigent criminal defendants. Trial by jury is afforded in some circumstances.

The 1996 amendment to the constitution abolished the standing military and contains a provision for the temporary formation of a "special police force" to protect the borders. The Judicial Technical Police perform criminal investigations in support of public prosecutors. The constitution also provides for an independent judiciary; however, the judiciary is susceptible to corruption.

The legal system is based on the civil law system. Panama accepts the compulsory jurisdiction of the International Court of Justice with reservation.

## 17 ARMED FORCES

The Panamanian Defense Force disappeared with the US intervention in 1989. The National Police Force numbers approximately 11,800 members, supported by a maritime service (estimated at 400 with 39 patrol boats) and an air service (400 staff, 12 aircraft, and 34 utility helicopters). In 2005, Panama's defense budget totaled \$158 million.

## 18 INTERNATIONAL COOPERATION

Panama is a charter member of the United Nations, having joined on 13 November 1945, and participates in ECLAC and several nonregional specialized agencies, such as the FAO, IAEA, the World Bank, the IFC, UNESCO, UNIDO, and the WHO. Panama is also a member of the Inter-American Development Bank, G-77, the Latin American Economic System (LAES), the Latin Ameri-



can Integration Association (LAIA), the OAS, the Association of Caribbean States (ACS), and the Río Group. Panama is also a part of the Central American Parliament (PARLACEN). The nation is part of the Nonaligned Movement.

In environmental cooperation, Panama is part of the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification. The nation is also a part of the Central American-US Joint Declaration (CONCAUSA).

## 19 ECONOMY

Panama depends largely on its privileged geographical position: the economy is based on a well-developed services sector, including the Panama Canal, banking, insurance, government, the trans-Panamanian oil pipeline, and the Colón Free Zone. The Panama Canal and the monetary regime anchored in the use of the US dollar as legal tender spurred the rapid development of the service economy which offset markedly unfavorable terms of trade. The unique monetary system played a significant role in the creation of an International Banking Center and the Colón Free Zone.

Whereas many countries were characterized by a growing protectionism in the late 1940s, Panama launched the Colón Free Zone (the world's largest free zone, with Hong Kong as the largest free port). Panama also earned substantial rents through the construction of the trans-Panamanian oil pipeline and by the licensing of the Panamanian flag to merchant ships from around the world.

The economy generated annual growth of more than 6% during the period 1950–81. However, economic growth stagnated to 1.9% annually over 1977–87, caused by the aftermath of the second oil shock and the debt crisis. In the early 1990s, Panama rebounded from an excruciating recession brought about by a US embargo and subsequent military invasion. The US objective was the capture of General Manuel Noriega, who had installed puppet governments and was responsible for an increase in drug trafficking and money laundering. After Noriega was captured, extradited and condemned at a Miami federal court, Guillermo Endara assumed office. Nevertheless, his administration was widely criticized for not fulfilling Panamanians' hope for a rapid and bountiful recovery.

In May 1994, Armando Perez Balladares was elected president. The economy continued to grow, but at a slower pace during the first half of the 1990s. Panama's main engines of economic growth (the Panama Canal, the Colón Free Zone, and International Banking Center) continued to lose competitiveness in the context of an open economy throughout the world. The Balladares administration responded in 1996 with a solid program of economic reforms. These included the privatization of two seaports (Cristóbal and Balboa), the promulgation of an antimonopoly law, the renegotiating of foreign debt with commercial banks, the privatization of the electricity and water companies, and a banking reform law. These economic reforms were accompanied with the recovery of the majority of traditional sectors, with the exception of the construction sector.

Between 1988 and 1998, the economy grew at 5% annually. In 1999, Mireya Moscoso was elected to the presidency. She did not intend to privatize the few remaining state enterprises, and wanted to raise protectionist tariffs to help local farmers, but membership in the WTO forbade this action. In December 1999, in accordance with the 1977 Panama Canal Treaty, the Panama Canal and all American bases were returned to the Panamanian government, comprising 364,000 acres and estimated to be worth \$4 billion. Real GDP growth fell to 3.2% in 1999 (down from 4.4% in 1998) and then to 2.5% in 2000. A major cause of the slowdown was a decline in foreign direct investment (FDI), which had run at about \$1.3 billion in 1997 and 1998, but fell to \$.65 billion in 1999 and \$.60 billion in 2000. Real GDP growth fell to 2.5% in 2000.

In 2001, growth declined further as declining export demand and a dramatic drop in tourism following the 11 September 2001 terrorist attacks on the United States were added to declining domestic demand. Real GDP annual growth fell to 0.3% in 2001, and is estimated to have reached only 1.2% in 2002. Inflation has been held in control, falling from 1.5% in 1999 to 0.3% in 2001, and estimated at 0.8% for 2002. Unemployment remains in double digits, reaching 14.4% in 2001. In 2001 Panama was removed from both the United States and the OECD lists of noncooperating countries on money laundering, having been certified as compliant with 23 of 25 Basel Core Principles by the IMF Offshore Financial Center Module II assessment in August 2001. However, in 2002 and 2003, Panama remained one of 23 countries on the US list of major illicit drug producing and/or drug transit countries.

The economy expanded by 7.6% in 2004, up from 4.3% in 2003; in 2005, the GDP growth rate was estimated at 5.5%, while the GDP per capita, at purchasing power parity, reached \$7,300. Most of this growth has been fueled by export-oriented services, and the construction boom, which in turn were backed up by tax incentives. The inflation rate was fairly stable and at 0.2% in 2004 it did not pose a major problem to the economy. The unemployment rate was modest in 2005 (8.7%), and as such was not a key concern for the government.

## 20 INCOME

The US Central Intelligence Agency (CIA) reported that in 2005 Panama's gross domestic product (GDP) was estimated at \$22.2 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$7,300. The annual growth rate of GDP was estimated at 4.3%. The average inflation rate in 2005 was 2.5%. It was estimated that agriculture accounted for 7.6% of GDP, industry 17.9%, and services 74.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$85 million or about \$28 per capita and accounted for approximately 0.7% of GDP. Foreign aid receipts amounted to \$30 million or about \$10 per capita and accounted for approximately 0.3% of the gross national income (GNI).

The World Bank reported that in 2003 household consumption in Panama totaled \$8.07 billion or about \$2,703 per capita based on a GDP of \$12.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods

and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.9%. In 2001 it was estimated that approximately 22% of household consumption was spent on food, 18% on fuel, 14% on health care, and 4% on education. It was estimated that in 1999 about 37% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2005, Panama's workforce was estimated at 1.39 million. As of 2003, the services sector accounted for 65.2% of the labor force, with 17.51% in agriculture, 17.2% in industry, and 0.1% in undefined occupations. Panama's workforce is marked by an abundance of unskilled laborers, but a shortage of skilled workers. The unemployment rate rose from 11.8% in 1985 to 17% in 1990, and then declined to 13% by 2000. In 2005, the unemployment rate was estimated at 8.7%.

In 1999, Panama had over 250 unions with about 80,000 private sector members, organized into 48 federations and 7 confederations. The province of Panama is where more than two-thirds of the total number of unions are found. About 10% of the workforce was unionized as of 2001. The Confederation of Workers of the Republic of Panama, formed in 1963, is an affiliate of the ICF-TU, and the National Center of Panamerican Workers is affiliated with the WFTU. Strikes are permitted, and collective bargaining is widely practiced.

The law provides for an eight-hour day, a six-day week, minimum wages, a month's vacation with pay, maternity benefits and equal pay for women, and restrictions on the employment of minors. The minimum wage ranged from \$0.80 to \$1.50 per hour in 2001. All employees are entitled to a one-month annual bonus in three equal installments, two of which the worker receives directly and one of which is paid into the Social Security Fund. The law prohibits children under the age of 14 from working, but child labor continues to be widespread.

## 2<sup>2</sup> AGRICULTURE

About 9.3% of the total land area was classified as arable in 2003. Farming methods are primitive, and productivity is low. The best lands are held by large owners. Agriculture contributes about 7% to GDP and accounted for 34% of exports in 2004.

Panama is self-sufficient in bananas, sugar, rice, corn, and coffee, but imports large quantities of other foods. Bananas are the leading export product and the banana industry is an important source of rural employment; exports were valued at \$108.2 million in 2004, about half destined for the German market. In 2004, crop production (in tons) included sugarcane, 1,650,000; bananas, 525,000; rice, 296,000; corn, 80,000; and coffee, 8,700.

## 2<sup>3</sup> ANIMAL HUSBANDRY

The Panamanian livestock industry produces sufficient meat to supply domestic demand and provides hides for export. Most cattle and hogs are tended by small herders, and dairy farming has expanded in recent years. In 2005 there were 1,600,000 head of cattle, 272,000 hogs, and about 14 million chickens. Milk production in 2005 was reported at 187,000 tons. Panama imports a sub-

stantial amount of its dairy needs (powdered milk, butterfat, and cheese), primarily from New Zealand.

## 2<sup>4</sup> FISHING

The offshore waters of Panama abound in fish and seafood, and fisheries are a significant sector of the national economy. There is freshwater fishing in the Chiriquí River and deep-sea fishing along the Pacific and Caribbean coasts for amberjack, barracuda, bonito, corbina, dolphinfish, mackerel, pompano, red snapper, sailfish, sea bass, and tuna.

In 2006, the fish catch totaled 229,652 tons, as compared with 131,514 tons in 1986. The main commercial species caught that year were Pacific anchoveta (78,618 tons), Pacific thread herring (55,730 tons), yellowfin tuna (28,694 tons), and skipjack tuna (11,474 tons). Exports of fish products were valued at nearly \$412.3 million in 2003.

## 2<sup>5</sup> FORESTRY

Forests cover about 39% of the country's area but have been largely unexploited because of a lack of transportation facilities. Nearly all forestland is government-owned. Hardwood, particularly mahogany, is produced for export in Darién and along the Pacific coast in Veraguas. Abacá fiber, which is obtained in Bocas del Toro and is used in the making of marine cordage, is a valuable forest product. Approximately 30% of Panama's natural forests are still unused. The average annual deforestation rate was 1.6% during 1990–2000. In order to protect and preserve native forests, the National Association for the Conservation of Nature has begun a vast reforestation program. Production of roundwood was 1,372,000 cu m (48.4 million cu ft) in 2004, 89% used as fuel wood.

## 2<sup>6</sup> MINING

Panama had a small-to-moderate mineral sector, with known deposits of copper, manganese, iron, asbestos, gold, and silver. Construction materials were a leading industry, including cement, clays, lime, limestone, and sand and gravel. There was no recorded gold or silver production from 2000 through 2003, nor was there any copper output that year. Salt, produced by evaporation of seawater at Aguadulce, was a major mineral product. Output was in 2003 was estimated at 23,000 metric tons. Cement production in 2003 was estimated at 770,000 metric tons in 2003.

## 2<sup>7</sup> ENERGY AND POWER

Panama has no proven reserves of oil, natural gas, or coal, nor any oil-refining capacity. As a result, the country is totally dependent upon imports to meet its fossil fuel needs.

In 2002, Panama's petroleum imports, including crude oil, averaged 88,980 barrels per day, of which 28,000 barrels per day consisted of crude oil. Demand for refined oil products averaged 76,580 barrels per day. Refinery output that year averaged 19,790 barrels per day. However, in that same year, Panama closed its sole refinery. As a result, the country must import all of its refined petroleum products.

There were no recorded imports of natural gas in 2002, although Panama did import 50,000 tons of hard coal that year.

Panama had a total installed electric capacity of 1,260,000 kW in 2002, of which conventional thermal facilities accounted for 51.3% of capacity, with hydroelectric dedicated capacity account-

ing for the rest. Production of electric power that year totaled 5.162 billion kWh, of which 34.4% was from fossil fuels, 65.2% from hydropower, and the rest from other renewable sources. Consumption of electricity in 2002 was 4.786 billion kWh.

## 28 INDUSTRY

The performance of Panama's industry as a whole was negative during the 1980s, but garnered a 7% growth rate during the 1990s. Construction, manufacturing, mining, and utilities together accounted for 17% of GDP in 2000, but industrial activity decreased by 1.5% that year. The government and the private sector have invested large amounts in the construction of ports, roads, and bridges. Thus, the production of construction-related materials and finished wood products have all risen considerably in recent years. Construction activity itself rose 7.5% in 2000.

Limited by a small domestic market, Panamanian manufacturing represents around 8% of GDP. Growth in production reached an average 1.1% annually between 1978 and 1988, rising to 5.4% between 1988 and 1998 due to an import-substitution high tariff regime that ended in 1998. Manufacturing of mainly nondurable goods consists principally of food-processing plants and firms for the production of: alcoholic beverages, sugar, ceramics, tropical clothing, cigarettes, hats, furniture, shoes, soap, and edible oils. Other manufactured products include clothing, chemicals, cement, and construction products for domestic consumption.

Panama has potential to further develop its mining industry. The country has one oil refinery with a production capacity of 60,000 barrels per day. The government's privatization program was largely complete as of 2002.

The industrial production growth rate in 2005 year was 3.5%, lower than the overall GDP growth rate and an indicator that industry was not an economic growth engine. In 2005, industry accounted for 17.9% of the GDP and was bested by services—which comprised 74.5% of the economy; agriculture was the smallest economic sector although it employed more people than the industrial sector. Panama currently suffers from a shortage of skilled labor, but has an oversupply of unskilled labor.

## 29 SCIENCE AND TECHNOLOGY

Although the shipping technology of the Panama Canal is owned and operated by the United States, technicians from the United States who operated the canal's facilities were replaced gradually by Panamanian personnel before the canal was officially turned over to Panama. The National Academy of Sciences of Panama (founded in 1942) advises the government on scientific matters, and the National Research Center (1976) coordinates scientific and technological research. The Smithsonian Institution has had a tropical research institute in Balboa since 1923. The University of Panama, founded in 1935 in Panama City, has faculties of agriculture, medicine, sciences, dentistry, nursing, and pharmacy. Santa María La Antigua University, founded in 1965 at El Doradom Panama, has a department of technology and natural science. The Technological University of Panama, founded in 1984 at El Dorado, has colleges of civil, mechanical, industrial, electrical, and computer-science engineering. The Nautical School of Panama, founded in 1959 at Patilla, offers courses in nautical engineering. In 1987–97, science and engineering students accounted for 29% of college and university enrollments. The Museum of Natural Sci-

ences, founded in Panama in 1975, is concerned with natural history and the fauna of Panama and other countries.

In 2001, spending by Panama on research and development (R&D) totaled \$68.432 million or 0.37% of GDP. Of that amount, foreign sources accounted for the largest portion (55.1%), followed by the government sector (32.8%). Business accounted for 10.2%, with higher education and nonprofit organizations at 0.6% and 1.2%, respectively. In that same year, Panama had 95 researchers and 213 technicians engaged in R&D per million people. In 2002, Panama's high technology exports totaled \$1 million, or 1% of its manufactured exports.

## 30 DOMESTIC TRADE

About 65% of the total national sales of consumer goods occurs in Panama City. The cities of David, Colón, Santiago, and Chitre sponsor nearly all of the rest. Marketing and distribution are generally on a small scale, with direct merchant-to-customer sales. Some wholesalers also act as retailers. Many shops in Panama City and Colón sell both native handicrafts and imported goods. Luxury items are generally untaxed in order to attract tourist sales. There are also US-style variety stores. In rural districts, agricultural products and meat are sold at markets. A 5% value-added tax (VAT) applies to most goods and services.

The usual business hours are 8 AM to 5 PM, Monday through Friday; and 8 AM to noon on Saturday. Government offices are open weekdays from 8:30 AM to 4:30 PM, Monday through Friday. Banking hours in Panamanian urban centers are generally from 8:00 AM to 3 PM, Monday through Friday, and most banks are open on Saturdays from 9 AM to 12 noon.

## 31 FOREIGN TRADE

The leading agricultural export—mainly controlled by foreigners—is bananas, followed by shrimp. The decline in exports of almost 11% from 1997 to 1998 can be explained by quotas imposed on banana exports by the EU (bananas represent nearly one-fifth of all exports). Light industry exports (clothing and manufacturing textiles) have been increasing due to the free trade zone; but competition from Mexico starting in 1996 and the reduction of protective tariffs in 1998 stunted growth. All of Panama's main ex-

### Principal Trading Partners – Panama (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	798.7	3,124.1	-2,325.4
United States	415.6	1,093.5	-677.9
Sweden	48.3	17.1	31.2
Spain	45.6	48.7	-3.1
Costa Rica	33.5	151.1	-117.6
Portugal	27.5	...	27.5
Nicaragua	24.8	...	24.8
Belgium	24.3	...	24.3
Netherlands	15.4	15.9	-0.5
Honduras	13.4	...	13.4
Guatemala	13.3	71.1	-57.8

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

port commodities are foods, including bananas (19%), fish (18%), shrimp (10%), sugar (2.6%), and coffee (2.1%).

In 2005, exports reached \$7.4 billion (FOB—free on board), while imports grew to \$8.7 billion (FOB). In 2004, the bulk of exports went to the United States (50.5%), Sweden (6.6%), Spain (5.1%), the Netherlands (4.4%), and Costa Rica (4.2%). Imports included capital, food products, and petroleum products, and mainly came from the United States (33.3%), Netherlands Antilles (8.1%), Japan (6%), Costa Rica (5.7%), Mexico (4.6%), and Colombia (4.2%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Panama's adverse balance of trade is largely made up by invisible foreign exchange earnings from sales of goods and services in the Colón Free Trade Zone and from the Panama Canal. Nonetheless, Panama has had one of the highest amounts of goods and services export earnings in the region, relative to GDP. A strong services sector and foreign direct and financial investments have usually offset large merchandise trade deficits. In addition, Panama's debt traditionally trades with less volatility and a lower risk premium than most other Latin American issues.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Panama's exports was \$5.9 billion while imports totaled \$6.7 billion resulting in a trade deficit of \$800 million.

The International Monetary Fund (IMF) reported that in 2001 Panama had exports of goods totaling \$5.88 billion and imports totaling \$6.71 billion. The services credit totaled \$1.82 billion and debit \$1.14 billion.

Exports of goods reached \$8.8 billion in 2004, up from \$7.6 in 2003. Imports increased from \$7.4 billion in 2003 to \$8.4 billion in 2004. The resource balance was consequently positive in both years, improving from \$171 million in 2003 to \$395 million in 2004. The current account balance was negative however, reach-

ing -\$408 million in 2003, and -\$274 million in 2004. Foreign exchange reserves (including gold) reached \$1.1 billion in 2004, covering more less than two months of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

Panama was considered the most important international banking center in Latin America in the late 1980s. In 1970, 28 banks operated in Panama's international banking center; by 1987 there were 120, with assets of nearly \$39 billion. Liberalized banking regulations and use of the dollar made Panama one of Latin America's major offshore banking centers.

Since 1983, the year of the onset of Latin America's financial crisis, the Panamanian banking sector has contracted, both in number of banks and total assets. In 2001 there were about 85 banks in Panama, holding \$38 billion in total assets. Fifty of the banks in Panama have general licenses, 25 banks have offshore licenses, eight foreign banks have representative offices, and two banks are government owned. The National Bank of Panama (Banco Nacional de Panamá—BNP), founded in 1904, is the principal official (but not central) bank and also transacts general banking business. Banking activities are supervised by the National Banking Commission (Comisión Bancaria Nacional—CBN).

The balboa is fully convertible with the dollar at a fixed rate of 1:1. The government cannot, therefore, implement a monetary policy. Most monetary developments are exogenously determined by the balance of payments.

Panama's banking center has allegedly been the main money-laundering point for proceeds from international drug-trafficking. In March 1994, it was decreed that persons entering Panama had to declare money or financial instruments in excess of \$10,000. For deposits and withdrawals in excess of this amount from local banking institutions, a form had to be completed, providing details about the person carrying out the transaction. In 1998, a banking law was enacted in order to modernize the banking system and increase government supervision. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.3 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$9.4 billion.

Panama's international stock exchange, the Bolsa de Valores de Panama, began operations in June 1990. In 2003, there were a total of 94 listed companies. Companies rarely issue stock on the stock market and investment is small because of a 10% withholding tax. Panama's Central de Custodia de Valores (Panaclear) began operations in November 1996. A rating agency began operations in early 1997.

### 3<sup>4</sup> INSURANCE

There were about 41 national insurance companies in Panama in 1997. Domestic companies include the General Insurance Co., the International Insurance Co., and the International Life Insurance Co. For a firm to qualify as a national insurance company, 51% of the capital must be Panamanian. In Panama, third-party automobile liability and workers' compensation are compulsory insurance. Only the government provides workers' compensation, as it is a part of the social security scheme. All firms must be approved by the Superintendency of Insurance. In 2003, the value of all di-

#### Balance of Payments – Panama (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-408.0</b>
Balance on goods		-1,092.0
Imports	-6,143.3	
Exports	5,051.3	
Balance on services		1,262.6
Balance on income		-819.9
Current transfers		241.3
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>25.4</b>
Direct investment abroad		...
Direct investment in Panama		791.5
Portfolio investment assets		-59.3
Portfolio investment liabilities		139.6
Financial derivatives		...
Other investment assets		464.1
Other investment liabilities		1,310.5
<b>Net Errors and Omissions</b>		<b>228.1</b>
<b>Reserves and Related Items</b>		<b>154.5</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

**Public Finance – Panama (2001)**

(In millions of balboas, central government figures)

<b>Revenue and Grants</b>		
	<b>3,041</b>	<b>100.0%</b>
Tax revenue	1,093.4	36.0%
Social contributions	594.9	19.6%
Grants	23.5	0.8%
Other revenue	1,329.2	43.7%
<b>Expenditures</b>		
	<b>2,934.4</b>	<b>100.0%</b>
General public services	808.3	27.5%
Defense	...	...
Public order and safety	195.6	6.7%
Economic affairs	175.9	6.0%
Environmental protection	...	...
Housing and community amenities	107.5	3.7%
Health	527.5	18.0%
Recreational, culture, and religion	39.2	1.3%
Education	476.7	16.2%
Social protection	603.7	20.6%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

rect insurance premiums written totaled \$388 million, of which nonlife premiums accounted for \$261 million. Panama's top non-life insurer in 2003 was ASSA, which had gross written nonlife premiums of \$44.8 million, while the nation's leading life insurer, Aseguradora Mundial had gross written life insurance premiums of \$48.1 million.

**35 PUBLIC FINANCE**

Panama does not issue its own currency; US dollar notes circulate as the paper currency. Panama's local currency, the balboa, established in 1904, is issued only in coins. One balboa equals one US dollar.

The US Central Intelligence Agency (CIA) estimated that in 2005 Panama's central government took in revenues of approximately \$3.4 billion and had expenditures of \$3.9 billion. Revenues minus expenditures totaled approximately -\$533 million. Public debt in 2005 amounted to 73.2% of GDP. Total external debt was \$9.859 billion.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, central government revenues in millions of US dollars were 3,041 and expenditures were 2,934.4. Government outlays by function were as follows: general public services, 27.5%; public order and safety, 6.7%; economic affairs, 6.0%; housing and community amenities, 3.7%; health, 18.0%; recreation, culture, and religion, 1.3%; education, 16.2%; and social protection, 20.6%.

**36 TAXATION**

As of 2005, Panama's corporate tax rate stood at a flat rate of 30%. However, companies not declaring any dividends during the tax year are subject to a minimum dividend tax of 4% of taxable income, minus the income tax. For companies registered in Panama's tax-free processing zones (TFPZs), which are modeled after the long-standing Colón Free Trade Zone (CFTZ), a much-vaunted 0% rate is applied on all profits arising outside of Panama. The

0% corporate tax rate goes with an exemption from all export and import duties on reexports. Companies in TFPZs have tax liability only for sales within Panama's fiscal jurisdiction which, by statute, can make up no more than 40% of their business. Capital gains are generally taxed as income and at the corporate rate. Interest income and royalties are subject to withholding taxes of 15% and 30%, respectively.

Personal income tax in Panama, as of 2005, was taxed according to a progressive schedule that has a top rate of 30%. Dividends received by individuals are subject to a 10% withholding tax on nominative shares, and 20% if issued to the bearer. There are targeted deductions for mortgage interest, loans to pay school fees, medical expenses, health insurance, and donations to charity among others that reduce taxable income for individuals. Gift taxes depend on the amount, unless the gift was between linear descendants, in which case, the gift is tax-exempt.

The main indirect tax is Panama's value-added tax (VAT) with a standard rate of 5%, and a reduced rate of 0% applied to basic foodstuffs, trade and medical services. Tobacco-related products are subject to a 15% excise tax, with alcohol subject to a 10% rate. Other levies include license fees, stamp and education taxes, and property taxes. Property improvements are tax-exempt for the first five years.

**37 CUSTOMS AND DUTIES**

Panama imposes tariffs ranging of 0–15% on most manufactured goods. A 3% rate is applied to industrial equipment, industrial production inputs and raw materials. Agricultural inputs, agricultural machinery and agricultural chemicals pay no import duties. However, automobiles are subject to a 15–20% duty, while dairy products and rice are subject to duties of 40% and 50%, respectively. There is also a 5% value-added tax (VAT) on imports.

Panama has a free port in the Colón Free Trade Zone, the world's second-largest free trade zone, where foreign goods enter without going through customs. Goods may be stored, assembled, processed, or repackaged for sale or shipment to another country free of duty. Panama is a part of the Caribbean Basin Initiative and has bilateral preferential trade agreements with Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua, and the Dominican Republic. The country also has special arrangements with Mexico, Colombia, and Chile.

**38 FOREIGN INVESTMENT**

Increased private sector investment and inflows from lending agencies should offset lower public expenditure and help to stimulate economic growth. The government sold the electricity generation and distribution utilities in 1996. In addition, the government partially sold the telephone company. The United Kingdom's Cable and Wireless bought a 49% stake in INTEL, the national telecommunications monopoly. Privatization of the state water utility was put on hold in 1998 due to violent protests. Other parastatal sales included the transisthmian railroad, both canal ports, two sugar companies, a casino, a cement company, a fruit company, and a horse racetrack.

The government encourages industrialization by granting special tax concessions to new enterprises and imposing protective duties on competing foreign manufacturers. The Industrial Development Bank, equivalent to the US Small Business Adminis-

tration, promotes small industries and facilitates credit on a long-term basis. A 1986 law on industrial incentives grants industrial investors a wide range of benefits, the foremost of which is tax exceptions that vary according to whether all or part of the output is earmarked for the export or domestic market.

In 1997 and 1998, annual inflows of foreign direct investment (FDI) peaked at almost \$1.3 billion a year. Total FDI reached 40% of GDP in 1998. In 1999, as sovereignty over the canal was transferred from the United States to Panama, FDI flows declined by more than half, to \$652 million in 1999, \$603 million in 2000, and \$513 million in 2001. Major investors include the United States, the United Kingdom, Mexico, and Taiwan. The majority of foreign investments in Panama are in the transport, storage, services, and communication sectors.

In 2003, total capital inflows reached \$792 million (or 5.72% of the GDP), up from \$98.6 million in 2002. Most of the investments went to Colón Free Zone businesses and banks.

### 39 ECONOMIC DEVELOPMENT

The Panamanian economy is the most stable and among the most prosperous in the region. But the economy is highly segmented between its dynamic, internationally oriented service sector and the domestically oriented sector, which is beset with policy-induced rigidities and low productivity. About 14% of the labor force is unemployed despite the preponderance of services in the economy, low growth of the economically active population and relatively slow rural-urban migration. The protected poor performance of the economy has impeded job creation and contributed to high poverty levels and income inequality.

Despite Panama's relatively high per capita income, distribution of the wealth is highly skewed and had become progressively more evident in the 1990s. In 1979, the poorest 20% of the population received 4% of income; in the early 1990s that share had plunged to 2%, leaving Panama with one of the most unequal distributions in the hemisphere. The government's strategy for mitigating poverty and inequality rests primarily on reviving sustainable growth; its economic program emphasizes reforms that will mitigate the bias against employment creation (unemployment surpassed 14% in 2002), increase agricultural productivity, and reduce the high cost of the basic consumption basket.

In 2000, the International Monetary Fund (IMF) approved a 21-month, \$85.5-million Stand-By Arrangement with Panama, to support the government's economic reform program. Economic growth slowed in the early 2000s, due in part to the global economic downturn, and weak domestic demand that resulted from the completion of large investment projects and a decline in bank credit to the private sector. The government in 2002 invested in infrastructure projects and strengthened the banking system.

The economy expanded at healthy rates in 2005, due to strong world trade growth, and good performance in the primary sectors. By 2006 and 2007 this trend was expected to dampen following a slower world trade growth.

### 40 SOCIAL DEVELOPMENT

The Social Security Fund, established by the government in 1941, provides medical service and hospitalization, maternity care, pensions for disability or old age, and funeral benefits. Retirement is

set at age 62 for men and age 57 for women. This program is financed by an alcohol tax, in addition to employee and employer contributions. Employed women receive 14 weeks of maternity leave at 100% pay. Compulsory workers' compensation legislation covers employees in the public and private sectors. This program is funded entirely by employer contributions.

Despite constitutional equality, women generally do not enjoy the same opportunities as men. While Panama has a relatively high rate of female enrollment in higher education, many female graduates are still forced to take low-paying jobs. Women's wages are, on average, 30% lower than those of men. Women also face sexual harassment in the workplace, although it is prohibited by the Labor Code. Domestic violence remains a widespread problem. Convictions for domestic abuse are rare; victims generally choose counseling over prosecution. The Ministry of Women, Youth, Family, and Childhood was established to focus national attention on social issues affecting women and families. In 2004, child labor and trafficking in children continued.

Indigenous peoples in Panama are increasingly demanding more participation in decisions that affect their land. Semiautonomous status has been given to some tribal groups. Despite these provisions, many indigenous groups feel that existing reserves are too small. Human rights abuses include prolonged pretrial detention, poor prison conditions, and internal prison violence.

### 41 HEALTH

Public health services are directed by the Ministry of Health, whose programs include free health examinations and medical care for the needy, health education, sanitation inspection, hospital and clinic construction, and nutrition services. Health care expenditure was estimated at 7.3 % of GDP.

In 2004, Panama had 168 physicians, 48 dentists, and 152 nurses per 100,000 people. In 2000 there were close to 2,000 beds in public hospitals at the national, regional, and municipal levels.

Proceeds from a national lottery support state hospitals, asylums, and public welfare. Assistance has been received from such organizations as the World Health Organization, the US Institute of Inter-American Affairs, the Pan American Sanitary Bureau, the Institute of Nutrition of Central America and Panama, and UNICEF.

During the first two decades of the 20th century, when the Panama Canal was being built, the major health threats were yellow fever, malaria, smallpox, typhoid, dysentery, and intestinal parasites. Through the efforts of Col. William Crawford Gorgas, a US military surgeon and sanitary officer, malaria was controlled and the yellow fever mosquito was virtually eliminated. In the early 2000s, the principal causes of death were cancer, heart disease, cerebrovascular disease, pneumonia and bronchopneumonia, enteritis, and diarrhea.

Col. Gorgas pioneered in providing Panama City and Colón with water and sewer systems; in some areas of Panama, poor sanitation, inadequate housing, and malnutrition still constitute health hazards. In 2000, 87% of the population had access to safe drinking water and 94% had adequate sanitation. However, in the same year, 18% of children under five years old were considered malnourished. The government of Panama is currently increasing distribution of vitamin A capsules to populations with high risk of vitamin A deficiency, mostly the Indians in the western region

of Panama. Immunization rates for children up to one year old were: tuberculosis, 99%; diphtheria, pertussis, and tetanus, 95%; polio, 99%; and measles, 92%. Polio, measles, and neonatal tetanus were at extremely low numbers during 1994. Goiter was present in 13.2% of school-age children.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 18.6 and 5 per 1,000 people. The infant mortality rate in 2005 was 16.73 per 1,000 live births. Maternal mortality was 70 per 1,000 live births in 1998. Average life expectancy in 2005 was 75 years.

The HIV/AIDS prevalence was 0.90 per 100 adults in 2003. As of 2003, there were approximately 16,000 people living with HIV/AIDS in the country. AIDS and pneumonia were the only communicable diseases among the ten leading causes of death in Panama.

## 42 HOUSING

Housing in urban areas has been a permanent problem since US construction in the Canal Zone brought a great influx of migrant laborers into Colón and Panama City. The government-established Bank of Urbanization and Rehabilitation began to build low-cost housing in 1944, and by 1950, it had built more than 1,500 units to house 8,000 people near Panama City. A 1973 housing law, designed to encourage low-income housing construction, banned evictions, froze all rents for three years, and required banks to commit half their domestic reserves to loans in support of housing construction projects. By the early 1980s, however, the shortage of low-income housing remained acute, particularly in Colón. A construction boom in the early 1980s was mainly confined to infrastructure projects and office space.

In 2000, there were 793,732 dwellings units nationwide with an average of 3.6 people per dwelling. Though most homes are made of brick, stone, or concrete blocks, about 4% of the total housing stock was made of straw and thatch.

## 43 EDUCATION

Education is free for children ages 6 through 15. Primary school covers the first six years of compulsory studies. Secondary education has two stages, each lasting three years. At secondary, vocational, and university levels, fees may be charged for the development of libraries and laboratories. The academic year runs from April to December.

In 2001, about 50% of children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 63% of age-eligible students. It is estimated that about 97.5% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 24:1 in 2003; the ratio for secondary school was about 16:1. In 2003, private schools accounted for about 10% of primary school enrollment and 14.5% of secondary enrollment.

The leading institution of higher education, the state-run University of Panama, was founded in Panama City in 1935. A Catholic university, Santa María la Antigua, was inaugurated in May 1965, with an initial enrollment of 233. In 2003, about 43% of the tertiary age population were enrolled in some type of higher edu-

cation program; (32% for men and 55% for women). The adult literacy rate for 2004 was estimated at about 91%.

As of 2003, public expenditure on education was estimated at 4.5% of GDP, or 7.7% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

The National Library of Panama, located in Panama City, was founded in 1892 as Biblioteca Colón and reorganized as the National Library in 1942. It is a branch of the Ministry of Education's public library system and has over 200,000 volumes. There are more than 40 other public libraries and branches. The National Archives, established in 1924, contain historical documents, books, and maps, as well as administrative papers of government agencies and a judicial section with court records. The Biblioteca Pública Morales has 280,000 volumes, while the Simón Bolívar Library at the University of Panama has holdings of over 267,000 volumes. The Smithsonian Tropical Research Institute in Balboa has 44,000 volumes.

The Instituto Panameño de Arte, founded in 1964, displays excellent collections of pre-Columbian art. Newer museums in Panama City include the Museum of Nationhood (dedicated in 1974); the Museum of Colonial Religious Art (1974); the Museum of the History of Panama (1977), which exhibits documents and objects of historical value; and the Museum of Panamanian Man (1976), with archaeological, ethnographic, and folkloric displays. Panama City also hosts the Museum of Contemporary Art, the Afro-Antillean Museum, the Museum of Natural Sciences, the Postal Museum, and the Anthropological Museum Reina Torres de Arauz. The Museum of History and Tradition of Penonome is in Cocle.

## 45 MEDIA

The Instituto Nacional de Telecomunicaciones (INTEL) operates Panama's telephone and telegraph systems. In 2003, there were an estimated 122 mainline telephones for every 1,000 people. The same year, there were approximately 268 mobile phones in use for every 1,000 people. Telegraph cables link Panama to the United States, to Central and South America, and to Europe.

In 2004, there was one government-owned educational television station. The same year, there were 8 television stations and 120 radio stations that were privately or institutionally owned. In 2003, there were an estimated 300 radios and 191 television sets for every 1,000 people. The same year, there were 38.3 personal computers for every 1,000 people and 62 of every 1,000 people had access to the Internet. There were 149 secure Internet servers in the country in 2004.

There were five major daily newspapers in 2004. With their estimated circulations, they were: *El Siglo*, 42,000; *Crítica Libre*, 40,000; *La Prensa*, 40,000; *La Estrella de Panama*, NA; and *El Panama America*, 40,000. The constitution provides for freedom of speech and the press, and the government is said to respect these rights in practice.

## 46 ORGANIZATIONS

The cooperative movement in Panama is limited. Producers' organizations are small, local, uncoordinated groups concerned mainly with practical education in techniques to improve production. The Chamber of Commerce, Industry, and Agriculture is in Pan-

ama City. There are some professional associations, including the National Medical Association.

National youth organizations include the Student Federation of Panama, the National Scout Association of Panama, and the YMCA. There are several sports associations organizing amateur competitions for such pastimes as baseball, tennis, squash, and track and field.

There are several associations dedicated to research and education in health and medicine, including the National Cancer Association and branches of Planned Parenthood. The Panama Association of University Women promotes career and education opportunities for women. Kiwanis and Lion's Clubs have programs in the country. There are national chapters of the Red Cross, UNICEF, and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

Travel facilities within Panama are good; Panama City and Colón are only one hour apart by road or rail. In addition to the Panama Canal itself, tourist attractions include Panama City, beach resorts in the Pearls Archipelago and San Blas Islands, the ruins of Portobelo, and the resort of El Valle in the mountains. Water sports, tennis, golf, and horse racing are popular. Nature treks and historic tours also attract visitors to Panama. Citizens of the United States and Canada need only a valid passport and tourist card to enter Panama. Other foreign nationals are required to have a valid passport, and either a visa or tourist card; both card and visa are valid for up to 90 days.

The government encourages tourism through the Panamanian Tourist Bureau. In 2003, about 534,000 tourists arrived in Panama, with about 88% of travelers from the Americas. That year there were 16,766 hotel rooms with 33,532 beds and an occupancy rate of 44%. The average length of stay per visit was two nights.

In 2005, the US Department of State estimated the daily cost of staying in Panama City and Colón at \$186.

#### 48 FAMOUS PANAMANIAN

Outstanding political figures of the 19th century include Tomás Herrera (1804–54), the national hero who led the first republican movement, and Justo Arosemena (1817–96), a writer and nationalist. The international lawyer Ricardo J. Alfaro (1882–1971) and the rector of the University of Panama, Octavio Méndez Pereira (1887–1954), were well-known Panamanian nationalists. The

most important political leader of the 20th century was Omar Torrijos Herrera (1929–81), who ruled Panama from 1969 until his death and successfully negotiated the Panama Canal treaties of 1979 with the United States.

Important poets were Tomás del Espíritu Santo (1834–62), nationalist Amelia Denis de Icaza (1836–1910), Federico Escobar (1861–1912), Darío Herrera (1870–1914), and Ricardo Miró (1888–1940). Panamanian-born José Benjamin Quintero (1924–1999) was a noted stage director in the United States. Narciso Garay (1876–1953) founded the National Conservatory of Music and served as a foreign minister. Harmodio Arias (1886–1962) was the prominent owner of the newspaper *El Panamá-América*. Leading Panamanian painters include Epifanio Garay (1849–1903), Roberto Lewis (1874–1949), Sebastián Villalaz (1879–1919), and Humberto Ivaldi (1909–47). Noteworthy among Panamanian athletes is the former world light- and welter-weight boxing champion Roberto Durán (b.1951); the former baseball star Rod (Rodney) Carew (b.1945) is also of Panamanian birth.

#### 49 DEPENDENCIES

Panama has no territories or colonies.

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# PARAGUAY

Republic of Paraguay  
*República del Paraguay*



**CAPITAL:** Asunción

**FLAG:** The national flag, officially adopted in 1842, is a tricolor of red, white, and blue horizontal stripes. The national coat of arms appears in the center of the white stripe on the obverse, and the Treasury seal in the same position on the reverse.

**ANTHEM:** *Himno Nacional*, beginning “Paraguayos, república o muerte” (“Paraguayans, republic or death”).

**MONETARY UNIT:** The guaraní (G) is a paper currency of 100 céntimos. There are notes of 1, 5, 10, 50, 100, 500, 1,000, 5,000, and 10,000 guaraníes. G1 = \$0.00016 (or \$1 = G6,158.47) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year’s Day, 1 January; San Blas Day, 3 February; National Defense Day, 1 March; Labor Day, 1 May; Independence Days, 14–15 May; Peace Day, 12 June; Founding of Asunción, 15 August; Constitution Day, 25 August; Victory Day (Battle of Boquerón), 29 September; Columbus Day, 12 October; All Saints’ Day, 1 November; Our Lady of Caacupé, 8 December; Christmas, 25 December. Movable religious holidays are Holy Thursday, Good Friday, and Corpus Christi.

**TIME:** 8 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

One of South America’s two landlocked countries, Paraguay has a total area of 406,750 sq km (157,047 sq mi). Comparatively, the area occupied by Paraguay is slightly smaller than the state of California. The western 246,925 sq km (95,338 sq mi) of the country constitute a dry, sparsely populated region known as the Chaco, while the remaining 159,827 sq km (61,709 sq mi) lie in the more verdant east. Paraguay extends 992 km (616 mi) SSE–NNW and 491 km (305 mi) ENE–WSW. Bounded on the NE and E by Brazil, on the SE, S, and W by Argentina, and on the NW and N by Bolivia, Paraguay has a total boundary length of 3,920 km (2,436 mi).

Paraguay’s capital city, Asunción, is located in the southwestern part of the country.

## <sup>2</sup>TOPOGRAPHY

The eastern part of Paraguay contains luxuriant hills, meadows, and forests. The western three-fifths is a waterless prairie covered with dry grass and sparsely dotted with shadeless trees. The southward-flowing Paraguay River, the nation’s most important waterway, divides the two sections; this river, which for a long time was Paraguay’s principal contact with the outside world, rises in southwestern Brazil and extends for a total length of 2,549 km (1,584 mi). The Pilcomayo River, which rises in the mountains of southern Bolivia and extends about 1,600 km (1,000 mi), flows south-east, forming the southwestern border between Argentina and Paraguay, and joins the Paraguay near Asunción.

The eastern sector of Paraguay comprises the western part of the great Paraná Plateau, varying from 300 to 610 m (1,000 to 2,000 ft) in altitude. The Paraná River—called Upper (Alto) Paraná in Paraguay—flows southward from south-central Brazil through the center of the plateau, dropping in the Guairá Falls at the easternmost point in the Paraguay-Brazil frontier. Between the Guairá

Falls and the confluence with the Paraguay River at the southwestern tip of the country, the Paraná passes through a deep canyon that forms the eastern and southern frontier with Argentina.

Just west of the plateau is an area of gently rounded hills descending to the low plains that stretch westward to the Paraguay River. These hills occur in two series, one extending northward to the Paraguay River just north of Concepción, and the other meeting the river at Asunción. The remaining territory east of the Paraguay River is composed of lowland plain, much of it subject to annual floods.

West of the Paraguay River is the Chaco, part of the larger Gran Chaco, which includes portions of Argentina, Bolivia, and Brazil. The Gran Chaco, a vast alluvial plain composed of unconsolidated sands and clays, is crossed by the Pilcomayo and Bermejo rivers, but over much of the area there are no surface streams. The water table, however, is only a few feet below the surface, and patches of alkali frequently appear during the long dry season. In many places the groundwater is salty.

## <sup>3</sup>CLIMATE

Two-thirds of Paraguay is within the temperate zone, one-third in the tropical zone. The climate varies from mild to subtropical. During the winter months (roughly May through August), the temperature range is 16–21°C (60–70°F); nights are occasionally colder. During the summer (October through March), the temperature range is 25–38°C (77–100°F), with extremes of 43°C (109°F) and above in the west. Paraguay is open to dry, cold polar winds from the south and to hot, humid north winds from southwestern Brazil; sudden sharp drops in temperatures are not uncommon. Rainfall averages about 152 cm (60 in) a year along the eastern frontier with Brazil, gradually diminishing toward the west to an average of 127 cm (50 in) along the Paraguay River and

76 cm (30 in) in the Chaco. Asunción has an annual average of about 130 cm (50 in), which is moderate for its latitude. There is no definite rainy season, although violent thunderstorms sometimes occur in the summer.

#### 4 FLORA AND FAUNA

The vegetation, like the rainfall, is concentrated in the Paraná Plateau and diminishes toward the west. Tall broadleaf trees, some evergreen and some deciduous, cover eastern Paraguay, thinning out on the red sandy soils of the hilly perimeter. Scrub woodland and palm also dot the sandy plateau areas. Between the semideciduous forest and the Paraguay River, the vegetation is mostly the savanna type mixed with scattered palms. In contrast, the Chaco supports primarily deciduous scrub woodlands, luxuriant along the Paraguay River but becoming more and more xerophytic as the rainfall decreases toward the west.

The eastern forests abound in hardwoods, including indigenous varieties such as urunday, cedron, curupay, and lapacho. Softwoods are scarce. In the northern Chaco, along the Paraguay River, there are scattered stands of quebracho and many large, spreading trees, such as the ceiba. Medicinal herbs, shrubs, and trees abound, as well as some dyewoods. Yerba maté, a holly popularly used in tea, grows wild in the northeast.

Animals found in Paraguay include the jaguar (especially numerous in the Chaco), wild boar, capybara, deer, armadillo, ant-eater, fox, brown wolf, carpincho, and tapir. Paraguay abounds with crocodiles along its watercourses, and the boa constrictor thrives in the west. The carnivorous piranha is common.

As of 2002, there were at least 305 species of mammals, 233 species of birds, and over 7,800 species of plants throughout the country.

#### 5 ENVIRONMENT

Agencies responsible for environmental protection include the National Environmental Health Service, the Ministry of Public Health, and the Ministry of Public Works and Communications.

Nearly all forests are privately owned and little was done to develop a national forest policy until the establishment in 1973 of the National Forest Service. Paraguay's forests are currently threatened by the expansion of agriculture. At most recent estimate, about a third of the nation's forest and woodland area has been lost. The absence of trees contributes to the loss of soil through erosion.

Water pollution is also a problem. Its sources include industrial pollutants and sewage. The nation has 94 cu km of renewable water resources with 78% of the annual withdrawal used to support farming and 7% used for industrial purposes. Only about 62% of the rural people have access to improved water sources. Some of Paraguay's cities have no facilities for waste collection.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 11 types of mammals, 27 species of birds, 2 types of reptiles, and 10 species of plants. Threatened species include the black-fronted piping guan, black caiman, spectacled caiman, and broad-nosed caiman. The glaucous macaw has become extinct.

#### 6 POPULATION

The population of Paraguay in 2005 was estimated by the United Nations (UN) at 6,158,000, which placed it at number 100 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 32% of the population under 15 years of age. There were 102 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.7%, a rate the government viewed as too high. The projected population for the year 2025 was 8,565,000. The overall population density was 15 per sq km (39 per sq mi), but over 98% of the population is located in the eastern two-fifths of the country; the vast western Chaco region is virtually uninhabited.

The UN estimated that 54% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.25%. The capital city, Asunción, had a population of 1,639,000 in that year. Other leading cities and their estimated populations include Ciudad del Este, 239,000; Pedro Juan Encarnación, 72,300; Caballero, 66,400; Concepción, 62,000; and Pilar, 26,352.

#### 7 MIGRATION

Emigration was a problem historically for Paraguay. During 1955–70, some 650,000 Paraguayans emigrated, mainly to Argentina, Uruguay, or Brazil. Much of the labor force of agricultural regions in Argentine border provinces is made up of Paraguayan nationals. The greatest exodus occurred after the 1947 civil war, but in the 1960s there were new waves of political emigration.

Immigration to Paraguay was limited to a few thousand Europeans during the 19th century. A major attempt by the Paraguayan government to encourage new settlers led to negotiations with Japan in 1959 for the immigration of 85,000 Japanese by 1990, but only about 8,000 arrived. An immigration agreement was signed with the Republic of Korea (ROK) in 1966. In 1985, the immigrant population totaled 199,500; the leading immigrant groups were Germans, Japanese, Koreans, Chinese, Brazilians, and Argentines. It was believed, however, that the actual number of Brazilians was 300,000–350,000. The number of migrants residing in Paraguay in 2000 was 203,000. The net migration rate in 2005 was an estimated -0.08 migrants per 1,000 population. Worker remittances in 2004 amounted to \$506 million. The government views the migration levels as satisfactory.

#### 8 ETHNIC GROUPS

About 95% of the population is mestizo, principally a mixture of Spanish and Guaraní Amerindian. The others are pure Amerindian (1–3%), black, or of European or Asian immigrant stock. The Guaraní Amerindians, belonging to the Tupi-Guaraní linguistic group, had spread throughout a large area of South America east of the Andes before the Spaniards arrived. Within Paraguay, extensive intermarriage between the races resulted in almost complete assimilation.

#### 9 LANGUAGES

Paraguay is a bilingual nation. Spanish, the dominant language, is taught in the schools and is spoken by slightly more than half of the people. However, the great majority of Paraguayans speak Guaraní, an Amerindian language that evolved from the southern



LOCATION: 19°17' to 27°30' s; 54°30' to 62°28' w. BOUNDARY LENGTHS: Brazil, 1,290 kilometers (806 miles); Argentina, 1,880 kilometers (1,170 miles); Bolivia, 750 kilometers (460 miles).

dialect of the Tupi-Guaraní group. It is also the language of widely esteemed literature, drama, and popular music. Both Spanish and Guaraní are official languages.

## 10 RELIGIONS

Roman Catholicism is the dominant religion, accounting for about 90% of the total population. The remaining 10% consisted of mainline Protestant, evangelical Christian, Jewish, Mormon,

Muslim, and Baha'i groups. There are also substantial Mennonite communities, whose practitioners originally came to the country in several waves between 1880 and 1950 in order to avoid religious persecution.

The constitution provides for freedom of conscience and recognizes no official religion. Religious groups must register through the Ministry of Education and Culture. Certain Catholic holidays are recognized as national holidays.

## 1<sup>1</sup> TRANSPORTATION

Inadequate transportation facilities have been a major impediment to Paraguay's development. For a long time, some 3,100 km (1,925 mi) of domestic waterways provided the chief means of transportation, with most vessels owned by Argentine interests. Hampered by the high costs and slow service of Argentine riverboats transporting cargo to and from Buenos Aires, the Paraguayan government put its own fleet of riverboats in operation. This remedy, however, did not solve the underlying problems of Paraguayan transport. Drought conditions frequently affect navigation, and while the Paraguay is open to river traffic as far as Concepción (about 290 km/180 mi north of Asunción), passage is sometimes hazardous to vessels of even medium draft. The inland waterways and the Río de la Plata handle more than half of Paraguay's foreign trade with Argentina, Brazil, Chile, Europe, Japan, and the United States.

Asunción, the chief port, and Concepción can accommodate oceangoing vessels. In 2005, Paraguay had 21 merchant vessels of 1,000 GRT or more, totaling 31,667 GRT. In addition, Paraguay has been given free port privileges at Santos and Paranaguá, Brazil. More than 90% of Paraguay's foreign trade passes to Asunción through ports in Argentina and Uruguay.

Road construction is another critical focus of development. In 2001, highways totaled an estimated 29,901 km (18,580 mi). Of these roads, however, only 3,067 km (1,906 mi) were paved. Two major road projects of the 1960s were the Friendship Bridge on the Brazilian border in the Iguazu Falls area, inaugurated in 1961, and the 770-km (480-mi) all-weather Trans-Chaco Road, which extends from Asunción to Bolivia. The Friendship Bridge permits highway travel from Asunción to the Brazilian Atlantic port of Paranaguá. A bridge over the Paraguay River, linking the western and eastern parts of the country, was inaugurated in 1978. All-weather roads connecting Asunción with Buenos Aires and Puerto Presidente Stroessner with Paranaguá have also been completed. In 2003, there were 81,837 passenger cars and 80,400 commercial vehicles in use.

In 1961, the 441-km (274-mi) British-owned Paraguayan Central Railroad was sold to Paraguay for \$560,000. It was subsequently renamed Ferrocarril Presidente Carlos Antonio López Railroad. There is a direct line between Asunción and Buenos Aires. Altogether as of 2004 there were some 441 km (274 mi) of standard gauge trackage, excluding narrow gauge industrial lines in the Chaco.

In 2004, there were an estimated 878 airports and airfields, only 12 of which had paved runways as of 2005. S. Pettrossi is the principal airport at Asunción. Paraguayan Air Lines (Líneas Aéreas Paraguayas—LAP) provides both domestic and international service. Three carriers provide domestic service. In 2003, about 313,000 passengers were carried on scheduled domestic and international airline flights.

## 1<sup>2</sup> HISTORY

The original inhabitants of present-day Paraguay were Guaraní Amerindians of the Tupi-Guaraní language family. As many as 150,000 Amerindians may have been living in Paraguay at the time of the earliest European contacts. The first European known to have explored Paraguay was the Italian Sebastian Cabot, sail-

ing from 1526 to 1530 in the service of Spain. The first permanent Spanish settlement, Nuestra Señora de la Asunción (Our Lady of the Assumption, present-day Asunción), was founded at the confluence of the Paraguay and Pilcomayo rivers on Assumption Day, 15 August 1537.

Paraguay's next two centuries were dominated by Jesuit missionaries, whose efforts to protect the Amerindians from Portuguese slave traders and Spanish colonists resulted in one of the most remarkable social experiments in the New World. Shortly after the founding of Asunción, missionary efforts began. The priests organized Guaraní families in mission villages (*reducciones*) designed as self-sufficient communes. Amerindians were taught trades, improved methods of cultivation, and the fine arts, as well as religion. Above all, they were protected from exploitation by the Spanish colonists. As the settlements prospered and grew in number to around 30 (with over 100,000 Amerindians), the jealousy of the colonists sparked a campaign to discredit the Jesuits. Eventually, the king of Spain became convinced that the order was trying to set up a private kingdom in the New World, and in 1767, he expelled the Jesuits from the New World. Once they had left, the *reducciones* disappeared. As for the Spanish colony at Asunción, it dominated the area of the Río de la Plata throughout this period. However, in 1776, when Buenos Aires became the capital of the new viceroyalty of La Plata, Asunción was reduced to an outpost.

In achieving independence, Paraguay first had to fight the forces of Argentina. Buenos Aires called on Paraguay in 1810 to follow its lead in a virtual declaration of independence. Paraguay declared independence from Spain but rejected the leadership of Buenos Aires. An Argentine expedition was decisively defeated, and Paraguay completed its move toward independence by deposing the last of its royal governors in 1811.

Since then, Paraguay has been dominated by dictatorships or near-dictatorships. The first and most famous of the dictators was José Gaspar Rodríguez de Francia (known as "El Supremo"), originally a member of the five-man junta elected in 1811 to govern the newly independent nation. He was granted full dictatorial powers for three years in 1814 and thereafter had the term extended for life. Francia attempted to cut Paraguay off from all contact with the outside world. Commerce was suspended, foreigners were expelled, relations with the papacy were broken off, and an anticlerical campaign was begun. All criticism was stifled, and a widespread spy network was developed. However, at the same time, Francia was honest and tireless in his devotion to his personal concept of the country's welfare. Francia governed until his death in 1840. Today, he is regarded as Paraguay's "founding father."

The next dictator was Carlos Antonio López. López loosened the ties of dictatorship only slightly, but reversed Francia's paranoid isolationism. He reestablished communications with the outside world and normalized relations with the papacy. López encouraged road and railway building, improved education somewhat, and became the largest landowner and the richest man in Paraguay. He made his son Francisco Solano López commander-in-chief of the army, thereby ensuring the younger López's succession to power in 1862, when the elder López died.

During his dictatorship, Francisco Solano López provoked quarrels with Argentina, Brazil, and Uruguay, who allied and attacked Paraguay. The War of the Triple Alliance (1865–70), sometimes

called the Paraguayan War, was the bloodiest in Latin American history. López, who fancied himself a Latin Napoleon, drafted virtually every male in Paraguay over the age of 12, with no upper age limit, and insisted that his troops never surrender. The war was a disaster for Paraguay, which lost two-thirds of all its adult males, including López himself. Paraguay's population fell from about 600,000 to about 250,000. The war also cost Paraguay 142,000 sq km (55,000 sq mi) of territory, its economic well-being, and its pride.

For the next 50 years, Paraguay stagnated economically. The male population was replaced by an influx of immigrants from Italy, Spain, Germany, and Argentina. Politically, there was a succession of leaders, alternating between the Colorado and Liberal parties. Then, a long-smoldering feud with Bolivia broke into open warfare (1932–35) after oil was discovered in the Chaco, a desolate area known as the “green hell.” Although outnumbered three-to-one, the Paraguayans had higher morale, were brilliantly led, and were better adapted to the climate of the region. Moreover, they regarded the conflict as a national undertaking to avenge the defeat of 1870. Paraguayans conquered three-fourths of the disputed territory, most of which they retained following the peace settlement of 1938.

Although President Eusebio Ayala emerged victorious from the Chaco War, he did not last long. The war produced a set of heroes, all of whom had great ambitions. One such man, Col. Rafael Franco, took power in February 1936. In 1939, after two more coups, Gen. José Felix Estigarribia, commander-in-chief during the Chaco War, was elected president. Estigarribia was killed in an airplane crash only a year later, and Gen. Higinio Morínigo, the minister of war, was appointed president by the cabinet. Through World War II, Morínigo received large amounts of aid from the United States, even though he allowed widespread Axis activity in the country. Meanwhile, he dealt harshly with domestic critics.

Morínigo retired in 1948, but was unable to find a successor. After a one-year period of instability, Federico Chávez seized control, and ruled from 1949 until 1954. In May 1954, Gen. Alfredo Stroessner, commander-in-chief of the armed forces, used his cavalry to seize power. He had himself elected president as the candidate of the Colorado Party, and then was reelected in another single-slate election in 1958, although he did permit the Liberal Party to hold its first convention in many years. With help from the United States, he brought financial stability to an economy racked by runaway inflation, but he used terrorist methods in silencing all opposition. Exiles who invaded Paraguay simultaneously from Argentina and Brazil in December 1959 were easily routed. Six other small invasions during 1960 were also repulsed. Stroessner won a third presidential term in February 1963, despite the constitutional stipulation that a president could be reelected only once. In August 1967, a constitutional convention approved a new governing document that not only provided for a bicameral legislature but also established the legal means for Stroessner to run for reelection. Stroessner did so in 1968, 1973, 1978, 1983, and 1988, all with only token opposition permitted. On 17 September 1980, the exiled former dictator of Nicaragua, Anastasio Somoza Debayle, who had been granted asylum by the Stroessner government, was assassinated in Asunción, and Paraguay broke off relations with Nicaragua.

During the 1980s, Stroessner relaxed his hold on Paraguay. The state of siege, which had been renewed every three months since 1959 (with a partial suspension from February 1978 to September 1980), was allowed to lapse in April 1987. Opponents of the regime gave credit for the ending of the state of siege to the United States, which had kept pressure on the Stroessner administration. However, allegations of widespread human rights abuses continued to be made. In April 1987, Domingo Laíno, an opposition leader exiled in December 1982 who had tried unsuccessfully to enter the country on five earlier occasions, was allowed to return to Paraguay. Part of this liberalization may have been in response to mounting criticism from the Roman Catholic Church, whose position moved closer to that of the various dissident groups.

On 3 February 1989 Stroessner's 35-year dictatorship came to an end at the hand of Gen. Andrés Rodríguez, second in command of the Paraguayan military. Immediately after the coup, Rodríguez announced that elections would be held in May. With only three months to prepare, little opposition beyond Domingo Laíno was mounted, and Rodríguez won easily with 75.8% of the vote. There followed an immediate easing of restrictions on free speech and organization. Labor unions were recognized and opposition parties allowed to operate freely. Rodríguez promised and delivered elections in 1993. In those elections, Colorado candidate Juan Carlos Wasmosy was elected to the presidency, the first time a civilian had become president through popular election since 1954. Paraguay had experienced an unprecedented transfer of political power through a constitution from one elected government to another. Wasmosy began to push for economic liberalization, including the sale of state-owned enterprises, but it was unclear whether the military was willing to support such measures.

In April 1996, General Lino Cesar Oviedo staged a brief rebellion when asked by Wasmosy to resign his post as army commander, but a coup was averted and Oviedo was eventually acquitted of charges of armed insurrection. Oviedo, now a civilian, has become the leader of an opposing faction of Wasmosy's Colorado Party. Other than Oviedo's short-lived rebellion, however, no serious threats to Wasmosy's economic and political reforms have been offered. In fact, the more democratic environment was tested and proven in 1993 by the first general labor strike in 35 years. Although the government responded with some force to this first strike, subsequent strikes have been met with a much gentler governmental hand. Unfortunately, the economy itself has been slow to respond to the new reforms. In the 1990s, Paraguay experienced 0% economic growth.

In the 1998 presidential elections, Raúl Cubas of the Colorado Party became president with 55.3% of the vote, but a year later he had to resign after the assassination of Vice President Luis Argaña. Cubas was closely associated with General Oviedo and the latter was linked to the political assassination. Upon Cubas' resignation, the president of the Senate, Luis González Macchi, was sworn in as president. Cubas sought exile in Brazil and Oviedo sought refuge in Argentina. González was correctly considered as a caretaker until new elections were held in 2003.

On 27 April 2003, Colorado Party candidate Oscar Duarte won the presidential election with 37.1% of the vote. Duarte promised to fight corruption in his party and the country. He sought to distance himself from former Colorado Party leaders and sought to portray himself as a modernizer and democratizing leader that

would open Paraguay to the world economy. Yet, his tenure had been rather modest in accomplishments. Duarte's party commanded support from 37 of the 80 members of the Chamber of Deputies and from 16 of the 45 members of the Senate. Thus, in order to advance his legislative initiative, he had to seek support from minority parties. Because he promised to fight corruption and promote transparency, it was difficult to bargain with corruption-prone parties. Moreover, because he failed to command majority control of congress, many of his anticorruption initiatives failed to materialize. The economy grew due primarily to a strong growth in Brazil, Paraguay's most important trade partner. Yet, government reform did not follow suit. The country remained somewhat isolated from the world and failed to seize trade opportunities. Poverty remained high and despite the good intentions, Duarte's tenure did not deliver on many of the promises made during the campaign. Yet Duarte helped consolidate democratic order and brought about stability which was threatened under the Cubas government.

### 13 GOVERNMENT

Under the constitution of 25 August 1967, Paraguay was a republic, with substantial powers conferred on the executive. The Constituent Assembly revised the constitution on 20 June 1992, but kept most of the structure from the previous document, while limiting many of the powers Stroessner used during his administration. The judicial system was also slated for overhaul.

The president is directly elected for a five-year term. The president is commander-in-chief of the military forces and conducts foreign relations. He appoints the 11-member cabinet, most administrators, and justices of the Supreme Court. He is advised by the Council of State, consisting of the cabinet ministers, the president of the National University, the archbishop of Asunción, the president of the Central Bank, and representatives of other sectors and the military.

The 1967 constitution provided for a bicameral legislature, consisting of the 45-member Senate and the 80-member Chamber of Deputies. Representatives must be at least 25 years of age and are elected for five-year terms. Voting is by secret ballot and is compulsory for all citizens ages 18–60. Women were first allowed to vote in 1963.

### 14 POLITICAL PARTIES

Since the end of the War of the Triple Alliance, two parties have dominated politics—the National Republican Association (Asociación Nacional Republicana), generally known as the Colorado Party, and the Liberal Party. Both parties have exemplified the uncompromising nature of Paraguayan politics and used their position to stifle the opposition. Consequently, changes of administration have been effected principally by armed revolt.

The Colorado Party governed from its founding in 1887 until 1904, and again after 1947. Conservative and nationalistic, the Colorados split during the 1950s into two factions: the “officialist” Colorados supported the Stroessner dictatorship, while the People's Colorado Movement (Movimiento Popular Colorado—MOPOCO) styled itself a supporter of “representative democracy.” Most of the MOPOCO leadership chose exile in 1959. In the 1980s the Colorados became even more divided. Three groups emerged: a “militant” pro-Stroessner faction; “traditionalists,” pushing for

Stroessner to step down; and a reformist “ethical” faction, which is interested in cleaning up government corruption.

The 1989 coup was engineered by a leader of the “traditionalist” faction. Wasmosy, the first freely elected civilian president who took office in 1993, was more reformist in his approach. Raúl Cubas was elected party president in 1998. He ran against his fellow party member Wasmosy and was supported by Gen. Lino Oviedo, who had attempted a military coup against Wasmosy in 1995. After the assassination of Colorado Party vice president Luis Argaña in 1999, Cubas had to resign. Senate president Luis González, also from the Colorado Party, became president. González faced accusations of corruption but an effort to impeach him failed in 2002. Even with the hefty parliamentary majority—45 out of 80 seats in the Chamber and 24 out of 45 seats in the Senate—the Colorados remained badly split and in disrepair until 2003. That year, the Colorado Party only won 37 seats in the Chamber and 16 seats in the Senate, falling short of a majority control in either chamber.

The Liberal Party, like the Colorados, appeared in 1887. They seized power in 1904 and governed until 1936. Banned in 1942, the Liberals were reconstituted during the 1960s. There has never been a recognizable ideological distinction between the Liberals and Colorados, but the two parties are similar in their disunity. Liberals had, by 1982, split into three factions: the Authentic Radical Liberal Party (Partido Liberal Radical Auténtico—PLRA), the Liberal Teeté Party (Partido Liberal Teeté—PLT), and the Radical Liberal Party (Partido Liberal Radical—PLR). After 1989, the PLRA and the PLR reemerged to compete for votes, with the PLRA considerably stronger. The PLRA, led by Domingo Laíno, was the largest opposition party in 1996. In the 1998 presidential and parliamentary elections Laíno obtained 43.9% of the vote and his party secured 27 out of 80 seats in the Chamber of Deputies and 13 out of 45 seats in the Senate. The 2003 presidential candidate, Julio César Franco, obtained a disappointing 24% of the vote, and the Liberal Party secured 21 seats in the Chamber and 12 seats in the Senate.

A number of short-lived parties have formed. The National Encounter Party (PEN), which appealed to the urban middle class, consisted of an alliance of several smaller parties and civic organizations. The PEN won eight seats in the Senate and nine seats in the Chamber of Deputies in the 1993 elections. But in 2003, it failed to win seats in either chamber. In 2003, three smaller parties—the populist Movement Fatherland of the Best, the conservative National Union of Ethical Citizens, and the left-wing Party for a Country of Solidarity—also won 10, 10, and 2 seats respectively in the Chamber and 8, 7, and 2 seats respectively in the Senate.

Electoral reform has purged the voter rolls of the deceased (who usually “voted” for Colorado Party members), made voting more than once in an election a punishable crime, and established a tribunal to oversee the electoral process. These reforms appear to be working, as evidenced by fair municipal elections in 1996 and presidential and parliamentary elections in 1998 and 2003.

### 15 LOCAL GOVERNMENT

Paraguay is divided into 17 departments, which are subdivided into districts, which, in turn, comprise municipalities (the minimum requirement for a municipality is 3,000 persons) and rural districts (*partidos*). A governor, elected by popular vote, runs each department. Municipal government is exercised through a

municipal board, chosen by direct election, and an executive department. In the principal cities and capitals, the executive department is headed by a mayor appointed by the minister of the interior; in other localities, the mayor is appointed by the presidents of the municipal boards. Police chiefs are appointed by the central government.

## 16 JUDICIAL SYSTEM

The five-judge Supreme Court exercises both original and appellate jurisdiction. There are four appellate tribunals: civil/commercial, criminal, labor, and juvenile. There are special appellate chambers for civil and commercial cases and criminal cases. Each rural district (*partido*) has a judge appointed by the central government to settle local disputes and to try accused persons and sentence those found guilty. Federal judges and magistrates are appointed by the executive for a term of five years coinciding with the presidential term, so that the judges of the Supreme Court and lesser tribunals are always named by the president in power. The Council of State must approve the appointment of members of the Supreme Court and may remove them by impeachment. Justices of the peace deal with minor cases. The judicial system has been modernized and has been identified as the main tool to end widespread corruption historically associated with the government bureaucracy. Because Paraguay has been historically considered a safe haven for smuggling of goods (with Argentina and Brazil being the final destinations), an independent and powerful judiciary is deemed essential to instill the rule of law in trade and commerce in Paraguay.

The 1992 constitution provides for selection of judges by an independent body working with the congress and the executive. As of 1997 based on recommendations from the Magistrates Council, the Supreme Court nominated 215 lower court judges and magistrates. There is also a military court system for the armed forces. The judicial system is based on civil law, mainly influenced by French and Argentine codes.

## 17 ARMED FORCES

Paraguay's armed forces in 2005 amounted to 10,300 active personnel, and was supported by some 164,500 reservists. The Army numbered 7,600, and whose equipment included 12 main battle tanks and 5 light tanks, all of World War Two vintage. The Navy of 1,400 included 900 Marines and 100 naval aviation personnel. Major naval units included 28 patrol/coastal vessels and 2 amphibious landing craft. The Air Force had 1,100 active personnel with 10 combat capable, including 4 fighter ground attack aircraft. It had no armed helicopters. The country's paramilitary force consisted of the 14,800-member Special Police Service. Paraguay had compulsory military service of one year for all males 18 years of age. The defense budget in 2005 totaled \$57.6 million.

## 18 INTERNATIONAL COOPERATION

Paraguay is a charter member of the United Nations, having joined on 24 October 1945; it participates in ECLAC and several nonregional specialized agencies, such as the IAEA, the World Bank, ICFTU, ILO, IMF, UNESCO, UNIDO, and the WHO. Paraguay is also a member of the South American Community of Nations, G-77, the Inter-American development Bank, the Latin American

Economic System (LAES), the Latin American Integration Association (LAIA), Mercosur, the OAS, and the Río Group.

Paraguay has offered support to UN missions and operations in Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Burundi (est. 2004), Côte d'Ivoire (est. 2004), and the DROC (est. 1999). The country is a signatory of the 1947 Río Treaty, an inter-American security agreement. Paraguay belongs to the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL) and the Organization for the Prohibition of Chemical Weapons.

In environmental cooperation, Paraguay is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Landlocked Paraguay has a limited economy based predominantly on agriculture (cotton and soy), livestock production, forestry, and the basic processing of materials. The country has vast hydroelectric resources, including the world's largest hydroelectric generation facility built and operated jointly with Brazil (Itaipú Dam), but it lacks significant mineral or petroleum resources. Partnering with Brazil on the Itaipú, with Argentina on the Yacyreta, and operating the Acaray dam on the Acaray River, allows Paraguay to generate all of the country's electrical power from hydroelectric plants, and even export the remaining to neighboring countries. The relative importance of agriculture has declined, and the value of services has risen; however, cattle raising remains a key economic activity. The large informal sector consists mainly of the reexport of consumer goods from Asia and the United States to neighboring countries, and of the many small street vendors and businesses that provide services.

Paraguay suffered for years from runaway inflation. The International Monetary Fund (IMF) joined with the US government in 1957 to provide stabilization loans which enabled Paraguay to establish a free exchange system and to accelerate the pace of public investment. During the 1960s, inflation ranged between 2% and 3%, but the rate increased during the following decade to 28.2% in 1979. The rate was estimated to be 30–40% through the 1980s, fueled by rapid expansion of the money supply.

During the 1980s, construction of the Itaipú hydroelectric project (which was finished in 1982) stimulated Paraguay's economic expansion. At the end of the Itaipú building boom, currency devaluations in Argentina and Brazil (and thus the relative overvaluation of the guaraní), and declining international market prices for Paraguay's agricultural products led to an economic slowdown that was exacerbated by the impact of adverse weather on the agricultural sector.

An economic reform package instituted in the early 1990s included judicial reform, a macroeconomic stabilization program featuring fiscal austerity, liberalization of the exchange rate, and efforts to privatize state-owned enterprises. But the banking crisis of 1995 required a government bailout and sent shock waves through the economy, causing a sharp drop in commercial sales. Progress on the reforms continued in 1996 but at a slow pace due to stiff political opposition. Reforms were all but abandoned in 1997 and 1998. The economy grew at a rate of 2.7% between 1988 and 1998, but GDP contracted by 0.4% in 1998, when the financial

crisis was aggravated by El Niño crop damage. Inflation was at 7% in 1997, but rose to 14.6% in 1998, mainly because of the impact of the Brazilian currency devaluation, which led to a devaluation of the local currency, Paraguay's third banking crisis since 1995.

Similar to many Latin American countries during the 1980s and 1990s, Paraguay experienced small contractions alternating with slow growth; however, in 2002, the contraction in real GDP was estimated at 4.4% as the political situation became increasingly unstable. Unemployment rose to 16% in 1999, to 18% in 2000, and to 25% in 2001. An estimated 65% of the population was living below the poverty line in 2001. The integration into Mercosur (Southern Cone Common Market), did not bring the hoped-for benefits of increased foreign investment and increased exports, primarily because of the melt-down of the Argentinean economy in 2001 and 2002.

The election of President Duarte Frutos in August 2003 stabilized the situation. Aided by a firmer exchange rate and perhaps a greater confidence in the economic policy of the Duarte administration, the economy rebounded from 2003 to 2005, posting modest growth each year. Paraguay's real GDP in 2004 of \$7.98 billion (in 1994 dollars) represented an increase of 3.9% from 2003 (IMF data using the prior base year of 1982 shows real GDP growth of 2.9% in 2004). Official foreign debt rose slightly in 2005, to \$2.35 billion, but inflation dropped to 2.8%, down from 9.3% in 2003, the lowest rate since 1970. However, given the importance of the informal sector, accurate economic measures are difficult to obtain.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reported that in 2005 Paraguay's gross domestic product (GDP) was estimated at \$30.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$4,900. The annual growth rate of GDP was estimated at 3.3%. The average inflation rate in 2005 was 7.5%. It was estimated that agriculture accounted for 27.5% of GDP, industry 24%, and services 48.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$222 million or about \$39 per capita and accounted for approximately 3.7% of GDP. Foreign aid receipts amounted to \$51 million or about \$9 per capita and accounted for approximately 0.8% of the gross national income (GNI).

The World Bank reported that in 2003 household consumption in Paraguay totaled \$5.29 billion or about \$937 per capita based on a GDP of \$6.0 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.8%. It was estimated that in 2005 about 32% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2005, Paraguay's labor force totaled an estimated 2.68 million. As of 2003, agriculture accounted for 31.5% of the workforce, with 15.8% in the industrial sector and 52.7% in the ser-

vices sector. In 2005, it was estimated that 16% of the labor force was unemployed.

The constitution provides Paraguayans in both the public and private sector the freedom to form and join unions without government interference. The constitution also protects fundamental worker rights, including the right of association. There also are provisions for antidiscrimination, employment tenure, severance pay, collective bargaining, and the right to strike. As of 2001, 15% of the labor force (about 121,000 workers) belonged to unions, which numbered approximately 1,600.

Labor laws provide for a maximum workweek of 48 hours for day work and 42 for night work, with one day of rest. The law also provides for an annual bonus of one month's salary. The minimum wage was \$170 per month in 2001 for the private sector; the public sector has no mandated minimum. It is estimated that 50% of workers earn less than the minimum amount. The minimum working age is 15, although minors as young as 12 may work in family enterprises. In reality these provisions are not effectively enforced and thousands of children work both on farms and in urban areas.

## 2<sup>2</sup> AGRICULTURE

Cultivation utilizes about 7.9% of Paraguay's total land area. The total area under cultivation rose from 245,636 hectares (606,976 acres) in 1940–41 to an estimated 3,136,000 hectares (7,749,000 acres) in 2003. Primary agriculture accounts for 20% of GDP and about 35% of employment. The principal areas of cultivation are in the clearings around Asunción and Encarnación. Arable land outside these regions is sparsely settled, and inhabitants there rely principally on livestock and forestry for a living.

The two most widely cultivated crops are manioc (cassava) and corn, which, with meat, are the staples of the Paraguayan diet. Cotton, tobacco, and sugarcane are among the leading cash and export crops. A national wheat program increased production from 7,000 tons in 1965 to 23,000 tons in 1973, 55,000 tons in 1981, and 715,000 tons in 2004, eliminating the need for wheat imports. Enough beans, lentils, sweet potatoes, peanuts, coffee, and fruits are grown for home use, and slightly more than enough rice. Crops yielding edible oils are widely grown, and yerba maté is cultivated on plantations. Production of principal crops for 2004 (in tons) included sugarcane, 3,637,000; manioc, 5,500,000; soybeans, 3,583,000; corn, 1,120,000; yerba maté, 115,000; cotton, 109,000; and tobacco, 16,500. In 2004, Paraguay exported \$1.35 billion in agricultural products, 68% of total exports.

## 2<sup>3</sup> ANIMAL HUSBANDRY

During the 1960s and 1970s, the meat-packing industry developed appreciably, with meat and related products constituting Paraguay's most important single export. Since the late 1970s, however, market conditions for beef exports have deteriorated, and the value of exported meat products has declined significantly. Exports of livestock and livestock products typically account for 7% of total exports and in some years comprise as much as 14%. In 2004, meat exports amounted to \$159.7 million. About 70–80% of beef exports are sent to Mercosur countries.

In 2005, livestock totaled 9,622,000 head of cattle, 1,600,000 hogs, 500,000 sheep, and 360,000 horses. There were also an estimated 17 million chickens that year. Beef production was about



215,000 tons. Other livestock products in 2005 included 372,400 tons of cow's milk and 100,000 tons of eggs.

## 24 FISHING

Paraguay has no appreciable fishing industry, and the consumption of fresh fish is low. The country has potential resources for fisheries, however. Dorado weighing up to 18 kg (40 lb) are caught in the Upper Paraná River, and the Paraguay River yields salmon, surubi, pacú, boga, and mandi. The catch was 25,000 tons in 2003.

## 25 FORESTRY

Although forest resources are immense, exploitation is limited by lack of roads and mechanized transport facilities. About 59% of Paraguay's total land area consists of forest (23.4 million hectares/57.7 million acres in 2000). However, much of that lies in the western Chaco, the forest resources of which have never been exploited. Roundwood cuttings totaled 9.99 million cu m (352.6 million cu ft) in 2004, with 60% used for fuel wood.

Exportation of logs was banned in 1973 in order to encourage the domestic lumber industry; forest products earned \$37.5 million on the export market during 2004.

The chief forest products are quebracho, various cabinet and other tropical hardwoods, and oil of petitgrain. Quebracho, the source of the tannin used by the leather-tanning industry, is the wood of the greatest commercial importance. Paraguay is the world's largest producer of petitgrain oil, a perfume base distilled from the leaves and shoots of the bitter orange tree. Since wood and charcoal are the only fuels produced in Paraguay, about two-thirds of all wood cut is used for burning.

## 26 MINING

Paraguay's mining potential has been restricted by limited exploration, inadequate infrastructure, large fiscal and trade deficits, scarcity of foreign exchange, and limited private investment, and the reforms deemed necessary to alleviate the country's economic stagnation were impeded by political uncertainty. The mineral industry in 2003 accounted for less than 1% of GDP, and was focused on the production of cement, and the extraction of industrial minerals such as clays, gypsum, kaolin, limestone, marble, ocher, ornamental stone, silica sands, and pryophyllite soapstone talc. No minerals were among the country's top export commodities. Production for 2003 included an estimated 66,600 metric tons of kaolin and an estimated 16,300 metric tons of limestone for cement and lime. In 2003, Paraguay also produced lime, rock, dimension stone, other stone, and hydraulic cement. In addition, sandstone, mica, copper, and salt have been exploited modestly in recent years.

There were small deposits of iron ore, and a few mines were worked before 1865, but there was no evidence, until recently, of any metallic mineral deposits of commercial value. Lateritic iron ore deposits along the Paraná River near Encarnación were estimated at 300 million tons with 35% iron. Manganese deposits were known to exist near the Guairá Falls. Excellent limestone, found in large quantities along the Paraguay River north of Concepción, was quarried for the cement industry. There were also known deposits of azurite, barite, lignite, malachite, peat, pyrite, pyrolusite, and uranium. Under Paraguayan law, all mineral rights

belong to the government, which has sought to encourage mining development by the privatization of some state-owned companies. A diamond-drilling and igneous exploration program begun in 1997 was completed, and there was ongoing exploration throughout the country by foreign companies.

## 27 ENERGY AND POWER

Paraguay has no known proven reserves of oil or natural gas. However, it is a major exporter of hydroelectric power.

Hydroelectric power accounts for nearly all of the country's electric power capacity. In 2002, electric power generating capacity totaled 7.416 million kW, of which hydroelectric capacity accounted for 7.410 million kW, with the remaining capacity dedicated to conventional thermal generation. Electric power output in 2002 totaled 47.774 billion kWh, of which hydroelectric plants generated 47.730 billion kWh. Geothermal/other sources generated 0.030 billion kWh, and conventional thermal sources 0.14 billion kWh. However, domestic demand for electric power totaled only 2.660 billion kWh. Exports of electric power that year came to 41.770 billion kWh.

Although Paraguay has no reserves of oil, it does have a modest crude oil refining capacity. As of 1 January 2004, the country's refining capacity was estimated at 7,500 barrels per day. Crude oil imports in 2002 averaged 2,020 barrels per day, while imports of all petroleum products, averaged 25,340 barrels per day, for that year. Demand for refined petroleum products in 2002, averaged 25,050 barrels per day.

## 28 INDUSTRY

Paraguay is one of the least industrialized countries in South America. Because of the limited quantities of proven mineral reserves, there is mining only of limestone, gypsum, and clays, mostly for the building trade. Manufacturing is generally small-scale and directed toward processing agricultural products. The principal industry of Paraguay is farming; agriculture accounted for 24.1% of GDP in 2004. The leading agricultural products are cotton, sugarcane, corn, soybeans, potatoes, bananas, oranges, wheat, beans, tobacco, mandioca (yucca), and yerba maté (Paraguayan tea, which is very popular among country residents). Livestock breeding is also a major occupation, and the most favored areas are located at the Chaco and southern oriental region. Forestry is also important to the economy, while tourism plays a minor role. Most visitors are from Brazil and Argentina, demonstrating the strong economic ties with those countries.

Processing of agricultural, animal, and forestry products, mainly for export, and small-scale manufacture of consumer goods for local needs are of greatest importance. Most manufacturing is done in the Asunción area; some plants, however, are near the source of their respective raw materials. Import-substitution industries encouraged by the government include petroleum refining, foodstuffs, wood processing, and chemicals. The re-export of imported consumer goods to neighboring countries is a recent economic development. Maquila assembly operations began in 2000, with the export of leather car seats to France. Manufacturing accounted for 14.5% of GDP in 2004.

Industries include two cement plants, at Vallemí and Itapucumi, and a Paraguayan-Brazilian steel mill at Villa Hayes. Food-processing plants include slaughterhouses; flour mills; sugar mills;

oil mills producing cottonseed and peanut oils for domestic consumption, as well as castor, tung, cocoa, and palm oils for export; related industries that process the by-products of oil extraction; and mills that produce yerba maté. There are numerous sawmills. A considerable but decreasing number of hides are also produced for export. Although there is a considerable textile industry, imports still run high.

### 2<sup>9</sup> SCIENCE AND TECHNOLOGY

In 1993, there were eight scientific and technological research institutes and learned societies in Paraguay, all of them located in Asunción. Notable among them are the Paraguayan Scientific Society, founded in 1921, and the South American Union of Engineers' Associations, established in 1935. The Nuestra Señora de la Asunción Catholic University, founded in 1960 at Asunción, has a faculty of science and technology. The National University of Asunción, founded in 1889, has faculties of medicine, dentistry, chemistry, exact and natural sciences, physical sciences and mathematics, veterinary sciences, and agricultural engineering. The Higher School of Philosophy, Sciences and Education, also in Asunción, was founded in 1944. In 1987–97, science and engineering students accounted for 20% of college and university enrollments.

In 2002, Paraguay's expenditures on research and development (R&D) totaled \$24.852 million, or 0.10% of GDP. Of that amount, 63.1% came from government sources, followed by 21.8% from foreign investors. Higher education accounted for 12.7% and private nonprofit groups accounted for 2.3%. In that same year there were 83 researchers and 118 technicians that were engaged in R&D per million people. High technology exports in 2002 totaled \$7 million, or 3% of the country's manufactured exports.

### 3<sup>0</sup> DOMESTIC TRADE

Offices that deal with foreign concerns and most important retail establishments are in Asunción, the only significant commercial center. Most retail trade is in small shops dealing in a limited variety of goods.

Legislation in 1961 provided for governmental and private commercial credit companies to aid in the development of agricultural, livestock, and industrial activities. Consumer credit facilities have been expanding. Many of the larger Asunción stores offer installment credit.

Most commercial activity is focused on reexport of items from Asia and the United States to Argentina and Brazil. Much of this activity takes place through an underground market system, which some business groups claim is just as large as Paraguay's formal economy. The informal sector features thousands of small enterprises and urban street vendors, along with reexports of select imported consumer goods (electronics, whiskeys, perfumes, cigarettes, and office equipment).

### 3<sup>1</sup> FOREIGN TRADE

Paraguay's foreign trade is typical for an agricultural country, but the re-export trade on the black market is the country's largest foreign exchange earner. Over a third of Paraguay's reported commodity export returns comes from oil seeds (34%), while another

#### Principal Trading Partners – Paraguay (2002-2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,241.5	1,672.1	-430.6
Brazil	424.9	511.5	-86.6
Uruguay	243.1	61.5	181.6
Cayman Islands	119.8	...	119.8
Switzerland-Liechtenstein	97.1	67.0	30.1
Argentina	66.4	344.6	-278.2
United States	45.0	83.6	-38.6
Italy-San Marino-Holy See	40.4	14.9	25.5
Bolivia	21.4	...	21.4
Peru	17.9	...	17.9
China	16.7	211.4	-194.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

9.1% comes from cotton. Other exports include meat (8.3%), leather (6.0%), wood and plywood (5.5%), and vegetable oil (4.8%).

The main imports are machinery, petroleum and petroleum products, chemicals, automobiles and buses, principally from Brazil and the United States. Bilateral European Union-Paraguay trade represented 10.8% of GDP in 2004, with imports decreasing and exports increasing as a percentage of GDP for the last five years.

### 3<sup>2</sup> BALANCE OF PAYMENTS

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Paraguay's exports was \$2.2 billion while imports totaled \$2.7 billion resulting in a trade deficit of \$500 million. The International Monetary Fund (IMF) reported that in 2001 Paraguay had exports of goods totaling \$2.41 billion

#### Balance of Payments – Paraguay (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>146.0</b>
Balance on goods		-260.2	
Imports	-2,520.7		
Exports	2,260.5		
Balance on services		241.7	
Balance on income		-0.1	
Current transfers		164.6	
<b>Capital Account</b>			<b>15.0</b>
<b>Financial Account</b>			<b>217.6</b>
Direct investment abroad		-5.5	
Direct investment in Paraguay		90.8	
Portfolio investment assets		...	
Portfolio investment liabilities		-0.4	
Financial derivatives		...	
Other investment assets		202.3	
Other investment liabilities		-69.6	
<b>Net Errors and Omissions</b>			<b>-145.8</b>
<b>Reserves and Related Items</b>			<b>-232.8</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

and imports totaling \$2.95 billion. The services credit totaled \$580 million and debit \$410 million.

Paraguay presently maintains a balance-of-payments surplus. It runs a deficit in the trade of goods, but a large surplus in services, reflecting large exports of electricity from Paraguay's two large hydroelectric dams shared with Brazil and Argentina. In 2004, official foreign exchange reserves increased almost 50% from 2002.

### 33 BANKING AND SECURITIES

The Central Bank of Paraguay (BCP) was founded in 1952 as a state-owned, autonomous agency charged with establishing the government's monetary credit and exchange policies. Recommendations in early 1961 by an economic mission of the IDB and IBRD led to the establishment of the National Development Bank to provide an effective source of medium- and long-term agricultural and industrial credits. Savings and loan institutions are regulated by the superintendent of banks. There are two state-owned banks, some locally owned banks, and nine foreign banks. Foreign-owned banks account for 86% of total deposits and 83% of all loans, and the two largest banks—Banco de Asunción and Citibank—are foreign-owned.

In 1995, there were 35 banks operating in Paraguay, 9 of which had opened since 1990. During the same period the number of finance companies nearly doubled, to 68. The increase in the number of banks and finance companies, out of all proportion to the size of the economy, was generally believed to be related to the rapid increase in "hot money" flows through Paraguay associated with drug smuggling. In late 1995, the Central Bank announced a freeze on the opening of new banks and finance companies on the grounds that the local market was saturated. In the same year, a currency crisis caused the collapse of ten institutions, requiring \$400 million in government subsidies. The 1996 Banking Law strengthened supervision of the banking system; in 1997 Banco Union was liquidated, as were two of the largest public banks due to poor performance. There are now 40 finance companies. The International Monetary Fund (IMF) reported that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$668.1 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$2.6 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 13.45%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 20%.

Paraguay's first stock market began trading in October 1993. There are 60 local companies traded on the exchange. All companies have a minimum paid-up capital of \$50,000. However, the tradition of family ownership and almost universal practice of "double accounting" for tax evasion purposes places limits on the growth of a capital market. In 1998, the stock market handled approximately \$10–15 million per a month in transactions.

### 34 INSURANCE

All insurance business in Paraguay is regulated by the government through the superintendent of banks. Foreign companies are permitted to operate in the country, but are under stringent requirements calling for the investment of capital and reserves. In 1995, there were 40 insurance companies operating in Paraguay. Work-

### Public Finance – Paraguay (2003)

(In billions of guaraníes, budgetary central government figures)

Revenue and Grants	6,065.6	100.0%
Tax revenue	3,676.4	60.6%
Social contributions	369.4	6.1%
Grants	163.3	2.7%
Other revenue	1,856.4	30.6%
Expenditures	6,299.8	100.0%
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ers' compensation and public transport liability are both compulsory insurances in Paraguay, with the government providing workers' compensation as a part of the social security scheme.

### 35 PUBLIC FINANCE

The Paraguayan government depends upon import duties for revenue, especially from the reexport trade. The government is the largest employer, and the budget represents 40% of GDP. The majority of the budget (80%) goes to public employee salaries, 15% to servicing the foreign debt, and 5% for investment.

The US Central Intelligence Agency (CIA) estimated that in 2005 Paraguay's central government took in revenues of approximately \$1.3 billion and had expenditures of \$1.3 billion. Revenues minus expenditures totaled approximately -\$36 million. Public debt in 2005 amounted to 36.1% of GDP. Total external debt was \$3.535 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, budgetary central government revenues in guaraníes were G6,065.6 billion and expenditures were G6,299.8 billion. The value of revenues in US dollars was US\$1 million, based on a market exchange rate for 2003 of US\$1 = G6,424.3 as reported by the IMF.

### 36 TAXATION

In 2005 the basic corporate tax rate was 30%, but there are a number of exceptions. Reinvested income and investment in reforestation are taxed at 10%, and stock exchange companies are taxed at a reduced rate of 15% until 2008. In addition, the corporate rate was scheduled to be cut to 20% in 2006 and to 10% in 2007 and beyond. Capital gains on all assets are taxed at 30%, but in tandem with the corporate rate, was to be reduced to 20% in 2006 and to 10% in 2007. In 2005, dividends to resident shareholders were not taxed, but dividends paid to nonresident shareholders were subject to a 5% withholding tax. However, in 2006 the withholding tax rate on dividends paid abroad to nonresidents was scheduled

to increase to 15%. In 2007, and onward, dividends paid to residents and nonresidents will be 5% and 15%, respectively. Branches of foreign companies established in Paraguay, apart from the maquila, free zone, and investment incentives regimes, are subject to a 35% corporate income tax rate for 2005 and 2006, which was slated to drop to 30% in 2007. There is a license tax payable by all persons and entities engaged in permanent forms of business.

Paraguay only directly taxes "high-level" executives on their income, but this may be handled through the corporation tax if the company only deducts the amount of executive salaries held to be tax-exempt under the law. If the company deducts all executives' salaries, individual executives are subject to income tax. Social security taxes total 25.5% of payroll, with 16.5% from the employer and 9% from the employee. All land and buildings are also subject to an annual property tax proportional to the fiscal valuation of real estate.

The main indirect tax is Paraguay's value-added tax (VAT) with a standard rate of 10%.

### **37 CUSTOMS AND DUTIES**

In general, Paraguayan customs duties have been viewed as a source of revenue and a means of conserving foreign exchange, with relatively few of the high duties being intended as protection for manufactured products. Tariff rates, under the Mercosur common external tariff (CET) agreement, range from 0% for raw materials to 20% for automobiles. Import duties are specific, ad valorem, or both. Import pressures are such that the government has not kept a tight control on the purchase of nonessentials. In 2005, Paraguay imposed consumption taxes of 5% on imported luxury items such as perfumes, toilet waters, cosmetics, precious and semiprecious stones and on watches, arms, ammunition and parts. A 1% rate will be applied to certain consumer appliances and electronic products. Toys, games, and musical instruments (and parts) will be zero-rated.

Paraguay has free port privileges in Brazil at Paranaguá, Santos, and Río Grande do Sul; in Argentina at Buenos Aires and Rosario; in Chile at Antogagasta; and in Uruguay in Montevideo and Nueva Palmira. Most trade is done through the Brazilian ports.

### **38 FOREIGN INVESTMENT**

Paraguay's economy historically has been dominated by foreign interests, in particular by those of wealthy Argentineans, Britons, and Brazilians. Nevertheless, the Paraguayan government has encouraged foreign investment in recent years, as a means of developing the country. Foreign direct investment (FDI) inflows into Paraguay were approximately \$100 million per year in 1993 and 1994. By 1997, FDI inflow had increased to \$230 million, peaking at \$336 million in 1998. FDI inflows fell sharply in 1999 to only \$66 million amid the political violence and chaos that ensued after President Cubas released General Lino Oviedo from prison. FDI inflows increased to \$95 million in 2000, and to \$152 million in 2001. During the period of August 2003 through July 2004 the Paraguayan government approved foreign investment projects worth \$45.2 million, which represented 29% of all investment projects, foreign and national, approved during that period.

Government efforts to attract foreign investment through privatization have progressed slowly because of political opposition and uncertainty about the transparency of the process. Politi-

cal realities impede the process even further, as the large state-run companies most attractive to foreign buyers (such as telecommunications, water/sewage, and electrical companies) employ thousands of potential voters and are outlets for political patronage. The telephone and utilities company were in the process of being privatized before the government suspended the process in June 2002, after bowing to political pressure. In 2004, Congress tried to reverse legislation that prohibited privatization but discontinued its efforts in the face of public demonstrations against privatization.

Currently, the United States has the largest foreign investment in Paraguay, with a total of US investments in Paraguay exceeding \$440 million. Foreign investment was strongly concentrated in the services sector, mainly cellular telephones and hotels.

Foreign investment laws are among the most liberal in Latin America. Private property has historically been respected in Paraguay but despite the incentives, private investment has been insufficient to maintain a sustainable pace of growth.

### **39 ECONOMIC DEVELOPMENT**

Paraguay has sought to develop closer economic ties with Brazil, the United States, and Western European nations, largely to reduce the country's dependence on trade with Argentina.

Economic planning is the responsibility of the Technical Planning Secretariat for Economic and Social Development, established in 1962. The first national plan covered 1965–66; the second, 1967–68. The third plan, a medium-term, five-year program for 1969–73, was replaced by a 1972–77 development scheme calling for a 26% increase in public investment in agriculture. Regional development, also given high priority, was to be accomplished through Paraguay's utilization of its water resources in the Itaipú hydroelectric project; a parallel development program for the Alto Paraná region was retarded by delays in the Yacyretá power project. The 1977–81 development plan aimed to achieve a more equitable distribution of social resources. A plan announced in September 1986 provided for comprehensive reform in exchange rates and in investment and fiscal policies. Government economic reforms during the 1990s were generally subsumed by opposition parties. Reforms in 1999 centered on a diversification of the economy, away from the re-exportation business, and on fighting corruption, which the government's comptroller office estimated to have cost \$2.3 billion in 1997.

Foreign debt rose in early 2003 to \$2.28 billion, inflation rose to 14.6%, and the currency lost over 50% of its value against the US dollar in 2002. In the early 2000s, the country's economy was marked by slow economic growth, increasing unemployment, and rising poverty rates. Paraguay was in arrears with the World Bank and the Inter-American Development Bank in 2003. That year the IMF encouraged the country to revive its privatization program and to strengthen the banking system.

Macroeconomic performance has improved significantly under the Duarte administration, with inflation falling significantly, and the government clearing its arrears with international creditors. Unemployment remains stubbornly high and the living standard of most households has not improved. However, the administration has placed a strong emphasis on participating in international institutions and has used diplomacy to promote the opening of international markets to Paraguayan products. To curb corruption,

the president identified respected apolitical officials to head the ministries of finance and industry. The ministry of industry has created a transparent, internet-based government procurement system that has won the praise of the private sector. Six Supreme Court justices were selected with input from civil society and public hearings in the congress, both a first for Paraguay.

#### 40 SOCIAL DEVELOPMENT

All employed persons are covered by the social insurance system, first established in 1943, and most recently updated in 1992. The program is funded by a contribution of 9% of earnings from employees and a contribution of 14% of payroll by employers, and a contribution of 1.5% of earnings by the government. The program provides for free medical, surgical, and hospital care (not always available) for the worker and dependents, maternity care and cash benefits, sickness and accident benefits, retirement pensions for people ages 55–59, and funeral benefits. Coverage for work injury is also available for all employees including domestic servants and teachers.

Although women have full legal rights, in practice they face discrimination in education and employment, and their literacy rates are much lower than those of men. Domestic violence and sexual harassment remain serious problems for women and have been targeted as key issues by both the government and nongovernmental organizations. Spousal abuse is common and punishable only by a fine. The majority of women face harassment in the workplace. As of 2004, women had a higher illiteracy rate than men. The secretariat of women's affairs sponsors programs to increase opportunities for women.

Human rights abuses include arbitrary arrest and detention, corruption in the judiciary, and poor prison conditions. Discrimination against indigenous people continues.

#### 41 HEALTH

Hospital and medical facilities are generally concentrated in Asunción and other towns. There were an estimated 117 physicians, 36 dentists, and 20 nurses per 100,000 people in 2004. Total health care expenditure was estimated at 5.2% of GDP.

Average life expectancy in 2005 was 74.89 years; the infant mortality rate averaged 25.63 per 1,000 live births. As of 2003, the crude birth rate and overall mortality rate were estimated at, respectively, 30.5 and 4.7 per 1,000 people. Maternal mortality was 190 per 100,000 live births. More than half of the married women ages 15–44 used contraceptives. The principal causes of death are bacillary dysentery and other intestinal diseases, heart disease, pneumonia, and cancer. Approximately 79% of the population had access to safe drinking water and 95% had adequate sanitation. Immunization rates for children up to one year old were: tuberculosis, 87%; diphtheria, pertussis, and tetanus, 82%; polio, 82%; and measles, 60%. About 26% of children under five years old were considered malnourished.

There were an estimated 600 deaths from AIDS in 2003. The HIV/AIDS prevalence was 0.50 per 100 adults in 2003. As of 2004, there were approximately 1,500 people living with HIV/AIDS in the country.

#### 42 HOUSING

As of 1998, the country continued to face serious housing shortages with a cumulative deficit of about 350,000 dwelling units. About 30% of the population live with overcrowded conditions; the average number of people per dwelling is 4.6. A majority of housing units lack basic utilities. At the 2002 census, there were about 1.1 million housing units.

A government agency, the Paraguayan Housing and Urban Institute, was created in 1964 with an IBRD loan of \$3.4 million to aid in the construction of living units for low-income families. In 1973, a National Housing Bank was established to finance low-income housing development.

#### 43 EDUCATION

Elementary education is compulsory and free for 9 years, usually for children ages 6–14 (ages 9–14 in rural areas). Primary education lasts for nine years followed by three years of secondary or professional school. The academic year runs from March to November.

In 2001, about 30% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 89% of age-eligible students. The same year, secondary school enrollment was about 51% of age-eligible students. It is estimated that about 92.8% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 27:1 in 2003; the ratio for secondary school was about 12:1.

The National University of Paraguay is located in Asunción, the capital city. Nuestra Señora de la Asunción Catholic University, a private institution, was founded in 1960. There are at least 12 other universities within the country. In 2003, about 27% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 91.6%.

As of 2003, public expenditure on education was estimated at 4.4% of GDP, or 11.4% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

Paraguay's modest cultural life is centered in Asunción, which has the nation's principal libraries and museums. The National Library and Archives, established in 1869, are located in Asunción and hold 44,000 volumes. The National University of Asunción holds 26,100 volumes, and the Natural and Ethnographic History Museum, also in Asunción, holds 30,000 volumes. The Centro Cultural Paraguayo-Americano has a 12,000-volume library with both Spanish and English titles and includes one of the country's most complete collections of Paraguayan works.

Asunción is the site of 13 historical, scientific, and art museums. Prominent art museums include the National Museum of Fine Arts and Antiquities; the Andrés Barbero Ethnographic Museum, devoted to Amerindian art; the Julián de la Herrería Ceramics and Fine Arts Museum; and the Museum of Modern Art of the Ministry of Education. There is an historic house museum in Yaguaron.

## 45 MEDIA

In 2003, there were an estimated 46 mainline telephones for every 1,000 people. The same year, there were approximately 299 mobile phones in use for every 1,000 people.

Radio Nacional del Paraguay is the primary state-owned station. Other stations for radio and television are privately owned. In 2000, there were 218 television sets for every 1,000 people. In 2003, there were 188 radios for every 1,000 people. The same year, there were 34.6 personal computers for every 1,000 people and 20 of every 1,000 people had access to the Internet. There were nine secure Internet servers in the country in 2004.

Newspaper readership in Paraguay is among the lowest in Latin America. There were four major daily papers in circulation in 2004. The circulation of *Ultima Hora*, founded in 1973, was 40,000 in 2004. *Noticias* had a circulation of 50,000 in 2004 and *ABC Color* had a circulation of 35,000 (down from 75,000 in 2002). *Diario Popular* began publication in 1967; circulation figures in 2004 were unavailable.

As of 2006, the constitutionally guaranteed freedom of speech and the press is said to be respected by the government to a greater degree than any time in the country's recent history. An increasing amount of the media is independently owned.

## 46 ORGANIZATIONS

Several chambers of commerce promote local and international trade. Active trade associations include the Federation of Production, Industry, and Commerce, an importers' association, and various organizations of particular trades. Professional associations are also active, particularly in the field of healthcare.

The Paraguayan Athenaeum sponsors lectures, concerts, and recitals, as well as courses in foreign languages, art, and music. The Paraguayan-American Cultural Center and the Argentine-Paraguayan Institute are important binational centers. Paraguay has an Academy of Language and several organizations devoted primarily to Guaraní culture, including the Academy of Guaraní Culture and the Indian Association of Paraguay.

Other organizations include the Women's Center and the Youth Athenaeum. The Paraguay Association of Scouts and Guides, Junior Chamber, and the YMCA/YWCA are also active. Sports associations offer programs for all ages and there are active organizations of the Special Olympics.

Amnesty International, Caritas, Habitat for Humanity, and the Red Cross have national chapters.

## 47 TOURISM, TRAVEL, AND RECREATION

The monuments, museums, and parks of Asunción are the main tourist attractions. Also of interest are the Amerindian markets in and around the capital; at the famous market of Itauguá about 30 km (18 mi) from Asunción, the makers of ñandutí lace sell their wares. Other popular tourist attractions include the world famous Iguazu Falls at Paraguay's borders with Brazil and Argentina, the San Bernardino resort, on Lake Ypacarai, and the modern boom town of Ciudad del Este (formerly Puerto Presidente Stroessner). Football (soccer) is Paraguay's national sport, with some 30 clubs

in Asunción alone. Tennis, horse racing, boxing, basketball, and rugby football are also popular.

Foreign tourists entering Paraguay are required to present a valid passport and visa. Visitors may be required to show proof of vaccinations against yellow fever. Strong precautions are recommended against typhoid and malaria.

In 2003, there were 268,175 tourist arrivals in Paraguay, of whom 66% came from Argentina. Tourist receipts totaled \$81 million. That year there were 4,899 rooms in hotels and other facilities with 10,565 beds and a 38% occupancy rate. The average length of stay was 2.5 nights.

In 2004, the US Department of State estimated the daily cost of staying in Asunción at \$153; in Encarnación, \$47; and in Ciudad del Este, \$122.

## 48 FAMOUS PARAGUAYANS

Paraguay acclaims—despite their reputations as dictators—the first three leaders of the independent nation: José Gaspar Rodríguez de Francia (El Supremo, 1761?–1840), his nephew Carlos Antonio López (1790–1862), and the latter's son Francisco Solano López (El Mariscal, 1827–70). Of nearly equal prominence is José Félix Estigarribia (1888–1940), president and Chaco War commander. Manuel Gondra (1872–1927), twice president of Paraguay, was a literary critic, educator, and diplomat. Eusebio Ayala (1875–1942), another president, was an authority on political economy and international law. Alfredo Stroessner (b.1912) was president of Paraguay from 1954 to 1989.

Leading writers include Juan Silvano Godoi (1850–1926), Manuel Domínguez (1869–1935), Pablo Max Ynsfrán (1894–1972), Justo Pastor Benítez (1895–1962), former president Juan Natalicio González (1897–1966), Gabriel Casaccia (1907–80), Augusto Roa Bastos (1917–2005), and Hugo Rodríguez Alcalá (b.1917). Pablo Alborno (1877–1958) and Juan Domínguez Samudio (1878–1936) were noted artists, while in music, José Asunción Flores (1904–1972) is best known.

## 49 DEPENDENCIES

Paraguay has no territories or colonies.

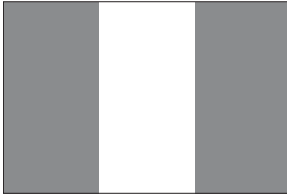
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# PERU

Republic of Peru  
*República del Perú*



**CAPITAL:** Lima

**FLAG:** The national flag consists of red, white, and red vertical stripes.

**ANTHEM:** *Himno Nacional*, beginning “Somos libres, seámoslo siempre” (“We are free; let us remain so forever”).

**MONETARY UNIT:** The nuevo sol (ML), a paper currency of 100 céntimos, replaced the inti on 1 July 1991 at a rate of 11,000,000 = ML1, but, in practice, both currencies are circulating. There are coins of 1, 5, 10, 20, and 50 céntimos and 1 nuevo sol, and notes of 10, 20, 50, and 100 nuevos soles and 10,000, 50,000, 100,000, 500,000, 1,000,000, and 5,000,000 intis. ML1 = \$0.30395 (or \$1 = ML3.29) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year’s Day, 1 January; Labor Day, 1 May; Day of the Peasant, half-day, 24 June; Day of St. Peter and St. Paul, 29 June; Independence Days, 28–29 July; Santa Rosa de Lima (patroness of Peru), 30 August; Battle of Anzamos, 8 October; All Saints’ Day, 1 November; Immaculate Conception, 8 December; Christmas, 25 December. Movable holidays include Holy Thursday and Good Friday.

**TIME:** 7 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Peru is South America’s third-largest country, with an area of 1,285,220 sq km (496,226 sq mi), extending about 1,287 km (800 mi) SE–NW and 563 km (350 mi) NE–SW. Comparatively, the area occupied by Peru is slightly smaller than the state of Alaska. It is bounded on the N by Ecuador and Colombia, on the E by Brazil and Bolivia, on the S by Chile, and on the W by the Pacific Ocean, with a total land boundary length of 5,536 km (3,440 mi) and a coastline of 2,414 km (1,500 mi).

Various offshore islands, chiefly the Chincha Islands off Pisco in southern Peru, are uninhabited, but at least 21 of these are important to the Peruvian economy and are protected by the government’s guano monopoly.

Peru’s capital city, Lima, is located on the Pacific coast.

## <sup>2</sup>TOPOGRAPHY

Peru is divided into three contrasting topographical regions: the coast (costa), the highlands (sierra), and the eastern rain forests (selva). The coastline is a narrow ribbon of desert plain from 16 to 160 km (10 to 100 mi) broad. It is scored by 50 rivers, which water some 40 oases. Only a few of these rivers, which have their source in the Andean snowbanks, reach the sea in all seasons. Although the coastal region constitutes only 12% of the national territory, it contains the ports and chief cities of Peru.

Inland, the low costa rises through the steep wastes of the high costa (760–2,000 m/ 2,500–6,500 ft), then ascends abruptly to the western cordillera (Cordillera Occidental) of the Andes, which, with its ridge of towering peaks, runs parallel to the coast and forms the Peruvian continental divide. The less regular Cordillera Central and Cordillera Oriental merge in central Peru with the Cordillera Occidental. They branch off to the southeast, meeting

a transverse range that becomes a crescent of peaks forming the drainage basin of the 8,288 sq km (3,200 sq mi) Lake Titicaca, the highest large navigable lake in the world (about 3,810 m/12,500 ft high), which is bisected by the Peruvian-Bolivian border. Of the 10 Peruvian peaks that rise above 5,800 m (19,000 ft), Huascarán, 6,768 m (22,205 ft), is the highest.

The intermontane basins, deep-gashed canyons, and high treeless plateaus (punas) of the Andes form the sierra and constitute 27% of the country’s surface. The most important rivers draining the Andes on the Atlantic watershed, such as the Marañón, Hualaga, and Ucayali, flow north or south and eventually east to form the Amazon Basin. The selva covers 61% of Peru and consists of the low selva (the Amazon rain forest) and the high selva, a steeply sloping transition zone about 100–160 km (60–100 mi) wide between the sierra and the rain forest.

Peru lies near the boundary of the Nazca and South American Tectonic Plates, which is a seismically active area. An 8.4 magnitude earthquake occurred near the coastal region on 23 June 2001, triggering a tsunami that affected parts of Chile and Bolivia. Over 100 people were killed by the event and over 2,600 more were injured. It was recorded as the largest earthquake of the year worldwide. One of the countries most devastating quakes on record occurred in May 1970 when a 7.9 magnitude earthquake killed 66,000 people.

## <sup>3</sup>CLIMATE

Although Peru’s seaboard is situated well within the tropical zone, it does not display an equatorial climate; average temperatures range from 21°C (70°F) in January to 10°C (50°F) in June at Lima, on the coast. At Cuzco, in the sierra, the range is only from 12°C (54°F) to 9°C (48°F), while at Iquitos, in the Amazon region, the

temperature averages about 32°C (90°F) all year round. The cold south–north Humboldt (or Peruvian) Current cools the ocean breezes, producing a sea mist with the inshore winds on the coastal plain. Only during the winter, from May to October, does this sea mist (garúa) condense into about 5 cm (2 in) of rain.

Latitude has less effect upon the climate of the sierra than altitude. The rainy season in the Andes extends from October to April, the reverse of the coastal climate. Temperatures vary more from day to night than seasonally. The snow line ranges from 4,700 to 5,800 m (15,500 to 19,000 ft). In the eastern rain forest, precipitation is heavy, from 190 to 320 cm (75 to 125 in) annually; rain falls almost continuously between October and April.

A warm Pacific west-to-east current called El Niño appears near the Peruvian coast every four to ten years around Christmastime (the name is a reference to the Christ child), occasionally causing serious weather disturbances.

#### 4 FLORA AND FAUNA

Peru's several climates and contrasting surface features have produced a rich diversity of flora and fauna. Where the coastal desert is not barren of life, there are sparse xerophytic shrub, cactus, and algarroba, and a few palm oases along the perennially flowing rivers from the Andes. Where the sea mist (garúa) strikes against the rising slopes between 800 and 1,400 m (2,600 and 4,600 ft), a dense belt of lomas, flowering plants, and grasses (important for grazing) grows. Perennial shrubs, candelabra cacti, and intermontane pepper trees account for much of the western slope vegetation in the higher altitudes and forests of eucalyptus have been planted.

High-altitude vegetation varies from region to region, depending on the direction and intensity of sunlight. Tola grows in profusion at 3,400 m (11,000 ft) in the southern volcanic regions; bunch puna grasses may be found at 3,700 m (12,000 ft). On the brow (ceja) of the eastern slopes, mountain tall grass and sparse sierra cactus and low shrub give way at 900 m (3,000 ft) to rain forests and subtropical vegetation. As the eastern slopes descend, glaciers are remarkably close to tropical vegetation.

The 601,000 sq km (232,000 sq mi) of eastern selva, with 18 rivers and 200 tributaries, contain the dense flora of the Amazon basin. Such native plants as sarsaparilla, barbasco, cinchona, coca, ipecac, vanilla, leche caspi, and curare have become commercially important, as well as the wild rubber tree, mahogany, and other tropical woods.

For centuries, vast colonies of pelicans, gannets, and cormorants have fed on the schools of anchovies that graze the rich sea pastures of the Humboldt Current and have deposited their excrement on the islands to accumulate, undisturbed by weather, in great quantities of guano. This natural fertilizer was used by the pre-Inca peoples, who carried it on their backs to the sierra. Forgotten during the days of colonial gold greed, guano attracted the attention of scientists in 1849, when its rich nitrogen content was analyzed as 14–17%. For 40 years thereafter, Peru paid many of its bills by exporting guano to exhausted croplands of Europe. Guano has since been largely replaced in the international market by synthetic fertilizers.

The rich marine plant life off the Peruvian coast attracts a wealth of marine fauna, the most important of which are anchoveta, tuna, whale, swordfish, and marlin. Characteristic of the Andes are the

great condor, ducks, and other wild fowl. The vizcacha, a mountain rodent, and the chinchilla are well known, as is the puma, or mountain lion. Peru is famous for its American members of the camel family—the llama, alpaca, huarizo, and guanaco—all typical grazing animals of the highlands. The humid forests and savannas of eastern Peru contain almost half the country's species of fauna, including parrots, monkeys, sloths, alligators, paiche fish, piranhas, and boa constrictors, all common to the Amazon Basin.

As of 2002, there were at least 460 species of mammals, 695 species of birds, and over 17,000 species of plants throughout the country.

#### 5 ENVIRONMENT

Peru's principal environmental problems are air pollution, water pollution, soil erosion and pollution, and deforestation. Air pollution is a problem, especially in Lima, due to industrial and vehicle emissions. Carbon dioxide emissions from industrial sources totaled 26.1 million metric tons in 1996. In 2000, the total of carbon dioxide emissions was at 29.5 million metric tons.

Water pollution is another of Peru's environmental concerns. Its sources are industrial waste, sewage, and oil-related waste. The nation has 1,616 cu km of renewable water resources with 86% of the annual withdrawal used to support farming and 7% used for industrial activity. Only 87% of city dwellers and 66% of the rural population have access to improved water sources. Soil erosion has resulted from overgrazing on the slopes of the costa and sierra.

The National Office for the Evaluation of Natural Resources is the principal policymaking body for resource development, while the General Department of the Environment, part of the Ministry of Health, deals with control of pollution problems; water, forest, and wildlife resources are the province of the Ministry of Agriculture. Numerous environmental protection measures have been passed, but enforcement is lax and hampered by inefficient management and scarce fiscal resources. A major environmental challenge for Peru in the 1980s had been opening the selva for agricultural development without doing irreparable harm to the ecology of the Amazon Basin.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 46 types of mammals, 94 species of birds, 6 types of reptiles, 78 species of amphibians, 8 species of fish, 2 species of invertebrates, and 274 species of plants. Threatened species included the yellow-tailed woolly monkey, black spider monkey, puna rhea, tundra peregrine falcon, white-winged guan, arrau, green sea turtle, hawksbill turtle, olive ridley turtle, leatherback turtle, spectacled caiman, black caiman, Orinoco crocodile, and American crocodile. The red-throated wood rail has become extinct.

#### 6 POPULATION

The population of Peru in 2005 was estimated by the United Nations (UN) at 27,947,000, which placed it at number 40 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 32% of the population under 15 years of age. There were 101 males for every 100 females in the country. According to the UN, the annual





LOCATION: 0°1' to 18°20'S; 68°39' to 81°19' W. BOUNDARY LENGTHS: Ecuador, 1,420 kilometers (880 miles); Colombia, 2,900 kilometers (1,800 miles); Brazil, 1,560 kilometers (975 miles); Bolivia, 900 kilometers (560 miles); Chile, 160 kilometers (100 miles); Pacific coastline, 2,414 kilometers (1,497 miles). TERRITORIAL SEA LIMIT: 200 miles.

population rate of change for 2005–10 was expected to be 1.6%, a rate the government viewed as too high. The projected population for the year 2025 was 35,725,000. The overall population density was 22 per sq km (56 per sq mi), with some 53% of the inhabitants living in the coastal region; 36% living in the Andean sierra; and 11% living in the eastern rain forest.

The UN estimated that 73% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of

1.86%. The capital city, Lima, had a population of 7,899,000 in that year. Other important cities are Trujillo, Arequipa, and Chiclayo.

## 7 MIGRATION

In the 1860s and 1870s, the Peruvian government imported Chinese laborers to mine guano deposits, build railroads, and work on cotton plantations. Since then, Peru has not attracted large numbers of immigrants, although there are Japanese as well as Chinese

enclaves in the coastal cities. In 1991, some 377,485 Peruvians left the country, and 309,136 returned. The United States was the leading country of destination (38%), with Chile second. In 1999, Peru continued to produce more refugees than it received, due particularly to human rights violations. As of 2004, there were 766 refugees recognized by the United Nations High Commissioner for Refugees (UNHCR), and 232 asylum seekers, the latter mainly from Colombia. In that same year, 1,593 Peruvians sought asylum in Canada, Ecuador, and the United States.

For decades, the government encouraged the movement of people into the empty areas of the eastern Andean slopes (the high selva) in order to bring the eastern provinces into the national economic mainstream. Since the 1950s, however, the main trend has been in the reverse, from the sierra to the coastal cities. Lima has received the bulk of rural migrants, and by the mid-1990s the metropolitan area of Lima supported nearly one-third of the total national population.

The total number of migrants living in Peru in 2000 was 46,000. In 2004, remittances were \$1.3 billion, 5% of GDP. In 2005, the net migration rate was an estimated -1.0 migrants per 1,000 population. The government views the migration levels as satisfactory.

## <sup>8</sup>ETHNIC GROUPS

According to the latest estimates, about 45% of the inhabitants are Amerindian, 37% are mestizo (of mixed Amerindian and Spanish or other European ancestry), 15% are white, and 3% are black, Asian, or other. Small groups of Germans, Italians, and Swiss are important in commerce, finance, and industry. Chinese and Japanese operate small businesses, and some Japanese have been successful in agriculture.

Of the 4–7 million sierra Amerindians under Inca domination, fewer than one million were left when the first colonial census was taken in 1777. A failing food supply and new diseases, such as smallpox, scarlet fever, and measles, were lethal to the young. Despite continuing disease and poverty found among the Amerindians today, they have increased to more than eight million. The main groups are the Quechua- and Aymará-speaking tribes, but there are also some other small tribes in the highlands. Peru's lowland forest Amerindians were never subjugated by Incas or by Spaniards and continue to be fishermen, hunters, and foragers.

In the mid-1980s, at least 225,000 rain forest Indians were grouped in 37 tribes. A 20-year plan announced in 1968 called for the full social, economic, and political integration of Peru's Amerindian population. Nevertheless, in the 1980s, sociocultural distinctions based on ethnic background were endemic to Peruvian society, with whites (especially the criollos, those of early Spanish descent) at the top of the hierarchy, mestizos and cholos (acculturated Amerindians) below them, and monolingual Quechua- or Aymará-speaking Amerindians at the bottom.

## <sup>9</sup>LANGUAGES

Spanish is spoken, as in all Latin America, without the use of the sound represented by *th* in *thing* characteristic of Castilian. The majority of the population speaks only Spanish. At least seven million Amerindians, as well as many mestizos, speak Quechua, the native tongue of the Inca peoples, the use of which was outlawed following an Amerindian revolt in 1780. A decree of 27 May 1975 granted Quechua the status of an official language,

along with Spanish. Some words in modern English usage derived from Quechua are *alpaca*, *condor*, *pampa*, *coca*, *guano*, *Inca*, *llama*, *guanaco*, *vicuña*, *puma*, and *quinine*. Aymará is spoken by at least 700,000 people, especially in the department of Puno and around Lake Titicaca, and various other languages are spoken by tribal groups in the Amazon Basin.

## <sup>10</sup>RELIGIONS

Although about 80% of the population is nominally Roman Catholic, it has been estimated that only about 15% of all Catholics actively participate in religious services. The practice of Catholicism in Peru is often imbued with Amerindian elements. Between 7% and 12% of the populations are Protestants, including evangelical Christians (Lutherans, Calvinists, Anglicans, Methodists, Baptists, Presbyterians, Pentecostals, members of the Assemblies of God, the Christian Missionary Alliance, The Evangelical Church of Peru, and the Church of God) and non-evangelical Christians (Mormons, Seventh-Day Adventists, and Jehovah's Witnesses). Approximately 2.5% of the populace are members of other religions, including Jews, Muslims, Buddhists, and Shintoists. Atheists and agnostics account for 1.4%.

The constitution guarantees religious freedom, but it also recognizes the Roman Catholic Church as an "important element in the historical, cultural, and moral development" of the country. A 1980 concordat signed with the Vatican grants special recognition, and preferential treatment, to the Catholic Church as well.

## <sup>11</sup>TRANSPORTATION

The system of highways that was the key to the unification of the Inca Empire was not preserved by the Spanish conquerors. The lack of an adequate transportation system is still a major obstacle to economic integration and development.

As of 2004, Peru's railroad system consisted of 3,462 km (2,153 mi) of standard and narrow gauge railway lines. Of that total, the standard gauge accounts for 2,962 km (1,842 mi). Nationalized in 1972, the system is subject to landslides and guerrilla attacks. Operation of the system was given in concession in July 1999, for 30 years, to two companies: Ferrovias Central Andina S. A. (central railway); and Ferrocarril Transandino S. A. (south and southeast railways). The two principal railway systems, the Central and Southern railways, were built during the second half of the 19th century and were at one time owned and operated by British interests. The Central Railway, the world's highest standard-gauge railroad, connects Lima-Callao with the central sierra. The Southern Railway links Arequipa and Cuzco with the ports of Mollendo and Matarani and runs to Puno on Lake Titicaca, where steamers provide cross-lake connections with Bolivia. The Tacna-Arica Railway, totaling 62 km (39 mi) and linking Peru with Chile, is also a part of the nationalized system.

In 2002, of the estimated 72,900 km (45,300 mi) of existing roads, only 8,700 km (5,406 mi) were paved. The nation's highways are deteriorating, especially in the mountains, where landslides and guerrilla attacks often occur. The two primary routes are the 3,000 km (1,864 mi) north-south Pan American Highway, connecting Peru with Ecuador, Bolivia, and Chile, and the Trans-Andean Highway, which runs about 800 km (500 mi) from Callao to Pucallpa, an inland port on the Ucayali River. The 2,500-km (1,550-mi) Jungle Edge Highway, or Carretera Marginal de la Sel-

va, spans most of Peru along the eastern slopes of the Andes and through the selva. In 2003, there were 346,300 automobiles and 234,800 commercial vehicles. About 60% of inland freight and 90% of all passengers are carried by road.

The Amazon River with its tributaries, such as the Marañón and the Ucayali, provides a network of waterways for eastern Peru. Atlantic Ocean vessels go 3,700 km (2,300 mi) up the Amazon to Iquitos and, at high water, to Pucallpa. As of 2004, there were 8,808 km (5,473 mi) of waterways, of which 8,600 km (5,349 mi) consist of tributaries of the Amazon River and 208 km (129 mi) on Lake Titicaca. Peru has 11 deepwater ports and in 2005 its merchant fleet consisted of four vessels of 1,000 GRT or more, totaling 13,666 GRT. Only Peruvian ships may engage in coastal shipping. Callao, Peru's chief port, and Salaverry, Pisco, and Ilo have been expanded.

Much of Peru would be inaccessible without air transport. In 2004 there were an estimated 234 airports. In 2005, a total of 54 had paved runways, and there was also one heliport. The two principal airports are Col. Fco. Secada at Iquitos and Jorge Chavez at Lima. Faucett Airlines is the older of the two main domestic air carriers, which serve 40 airports and landing fields. The recently privatized Aeroperú, created in May 1973, provides both domestic and international services. In 2003, about 2.233 million passengers were carried on scheduled domestic and international flights. The Peruvian Air Force also operates some commercial freight and passenger flights in rain forest areas.

## 12 HISTORY

Archaeological evidence indicates that Peru has been inhabited for at least 12,000 years. Perhaps as early as 6,000 years ago, the first primitive farmers appeared. Between 500 BC and AD 1000 at least five separate civilizations developed. The Paracas, on the southern coast, produced elaborately embroidered textiles and performed brain surgeries, in Spanish “*trepanaciones craneanas*.” The Chavin, in the highlands, were noted for their great carved stone monoliths. The Mochica, on the north coast, produced realistic pottery figures of human beings and animals. The Nazca in the south were noted for the giant figures of animals in the ground that can be seen only from the sky. The Chimú were the most developed of these groups.

The Quechua Empire, whose emperors had the title Sapa Inca, was established in the 13th century. During the next 300 years, the extraordinary empire of the Incas, with its capital at Cuzco, spread its spiritual and temporal power to northern Ecuador, middle Chile, and the Argentine plains. By means of a system of paved highways, the small Cuzco hierarchy communicated its interests to a population of 8–12 million. The intensive agriculture of scarcely tillable lands, held in common and controlled by the state, created a disciplined economy. The *ayllu*, a kinship group that also constituted an agrarian community, was the basic unit of the Inca Empire, economically and spiritually. The Incas were sun worshipers and embalmed their dead. Their highly developed civilization used a calendar and a decimal system of counting and advanced architecture, but never developed a wheel.

Francisco Pizarro's small band of Spaniards arrived in 1532, shortly after a civil war between the Inca half-brothers Huáscar and Atahualpa. The empire collapsed in 1533. Lima was established in 1535 and promptly became the opulent center of the Viceroyalty

of Peru. It held jurisdiction over all Spanish South America except Venezuela. The Spanish imperial economy, with its huge land grants given by the crown and its tribute-collecting *encomiendas*, brought vast wealth and a new aristocracy to Peru. To Spain, Peru was a gold bank. Mines were exploited, and overworked Indians perished by the millions as food supplies declined.

Peru remained a Spanish stronghold into the 19th century, with modest internal agitation for independence. One notable exception was the abortive revolt led by a mestizo known as Tupac Amaru II in 1780. Otherwise, Peruvian royalists helped the crown suppress uprisings in Peru and elsewhere. In the end, Peru was liberated by outsiders—José de San Martín of Argentina and Simón Bolívar of Venezuela. San Martín landed on Peruvian shores in 1820 and on 28 July 1821 proclaimed Peru's independence. The royalists were not quelled, however, until the Spaniards were defeated by forces under Bolívar at the battle of Junín and under Antonio José de Sucre at Ayacucho in 1824. The victory at Ayacucho on 9 December put an end to Spanish domination on the South American continent, although the Spanish flag did not cease to fly over Peru until 1826.

Between 1826 and 1908, Peruvian presidents ruled an unstable republic plagued by rivalries between military chieftains (*caudillos*) and by a rigid class system. Marshal Ramón Castilla, president from 1845 to 1851 and from 1855 to 1862, abolished Amerindian tributes and introduced progressive measures. Between the 1850s and the mid-1880s, Peru experienced an economic boom financed by sales of guano to Europe. A program of road building was implemented, and an American entrepreneur, Henry Meiggs, was hired by the government to build a railroad network in the Andes. In 1866, a Spanish attempt to regain possession of Peru was frustrated off the port of Callao. An 1871 armistice was followed in 1879 by the formal recognition of Peruvian independence by Spain. The War of the Pacific (1879–84) followed, in which Chile vanquished the forces of Peru and Bolivia and occupied Lima from 1881 to 1883. Under the Treaty of Ancón, signed in October 1883, and subsequent agreements, Peru was forced to give up the nitrate-rich provinces of Tarapacá and Arica.

Peru entered the 20th century with a constitutional democratic government and a stable economy. This period of moderate reform came to an end in 1919, when a businessman, Augusto Leguía y Salcedo, who had served as constitutionally elected president during 1908–12, took power in a military coup and began to modernize the country along capitalistic lines. It was in opposition to Leguía's dictatorship, which had the backing of US bankers, that a Peruvian intellectual, Víctor Raúl Haya de la Torre, founded the leftist political party “American Popular Revolutionary Alliance” (APRA). In 1930, after the worldwide depression reached Peru, Leguía was overthrown by Luis M. Sánchez-Cerro, who became Peru's constitutional president in 1931 after an election which the Apristas (the followers of APRA) denounced as fraudulent. An Aprista uprising in 1932 was followed by the assassination of Sánchez-Cerro in April 1933, but the military and its conservative allies maneuvered successfully to keep APRA out of power. Manuel Prado y Ugarteche served as president during World War II, a period which also brought the eruption of a border war with Ecuador in 1941. The 1942 Protocol of Río de Janeiro, which resolved the conflict on terms favorable to Peru, was subsequently repudiated by Ecuador.

In 1945, Prado permitted free elections and legalized APRA. Haya de la Torre and the Apristas supported José Luis Bustamante y Rivera, who won the elections, and APRA (while changing its name to the People's Party) received a majority in congress. In 1948, military leaders charged the president with being too lenient with the Apristas and dividing the armed forces. A coup led by Gen. Manuel A. Odría ousted Bustamante, and APRA was again outlawed. Several hundred Apristas were jailed, while others went into exile. In January 1949, Haya de la Torre found refuge in the Colombian embassy, where he lived for the next five years. Under the rule of Odría and his military board of governors, the Peruvian economy flourished. Odría announced his retirement in 1956, and promoted his own candidate for the presidency. In a free election, the opposition candidate, former President Prado (tacitly supported by the outlawed APRA) returned to office.

Peru under the Prado regime was characterized by deep-rooted social unrest and political tension. Prado himself faded into the background, allowing Premier Pedro Beltrán to rule. Beltrán's economic moves stabilized Peru's financial picture, but the political problems remained. The election of 1962 was a three-way race between Haya de la Torre; Odría, back from retirement; and Fernando Belaúnde Terry, leader of the Popular Action Party (AP). Although Haya de la Torre got the most votes, he did not receive the constitutionally required one-third of the votes cast. The parties then went into negotiations, and a deal was struck giving Odría the presidency with an APRA cabinet. The military thereupon intervened, annulled the vote, and suspended the newly elected congress. The governing junta then announced new elections for July 1963, and the same candidates ran. This time, Belaúnde received 39% of the votes cast to become president.

Belaúnde embarked on a program of agrarian reform, as well as tax incentives to promote manufacturing. However, he was caught in a crossfire between the Odristas, who considered him a radical, and the Apristas, who believed he was not doing enough. Belaúnde's AP formed a coalition with the Christian Democratic Party to control the senate, but APRA and the Odría National Union controlled the Chamber of Deputies. On top of all this, Belaúnde had to deal with two separate leftist insurgencies in Peru's highlands. As Peru approached new presidential elections, the AP began to quarrel, and opposition parties continued to sabotage Belaúnde's programs. Then a scandal concerning the granting of oil concessions to the International Petroleum Co., a subsidiary of Standard Oil of New Jersey, rocked the government. A military junta exiled Belaúnde on 3 October 1968 in a bloodless coup.

In 1969, the military government, under the presidency of Gen. Juan Velasco Alvarado, began enacting a series of social and economic reforms. This time, they did not worry about opposition, ruling instead by decree. By 1974 they had converted private landholdings into agricultural cooperatives, nationalized a number of basic industries, and had mandated profit-sharing schemes for industrial workers. The military also reached out to Peru's long-neglected Amerindian population, making Tupac Amaru a national symbol, and recognizing Quechua as an official national language.

In August 1975, Velasco, whose health and political fortunes had both declined, was removed from office in a bloodless coup and replaced by Gen. Francisco Morales Bermúdez Cerruti, formerly his prime minister. The new regime moved to liberalize the

system, declaring a general amnesty for post-1968 political exiles and the legalization of some previously banned publications. They subsequently announced a return to civilian government and the creation of a "fully participatory social democracy." Some state-controlled enterprises were sold and worker-participation programs were scaled down. A Constituent Assembly was elected, and under the leadership of the perennial candidate Haya de la Torre they drew up a new constitution in 1979. New elections were held in 1980, and the AP and Belaúnde returned to power.

Belaúnde's second term was even less a success than his first. Adverse weather conditions and the world recession accompanied ill-conceived policies that led to triple-digit inflation. Austerity programs caused increased rates of unemployment and currency problems pinched the Peruvian middle-class. Perhaps most disturbing of all, a small Maoist guerrilla group, Sendero Luminoso (Shining Path) was operating openly in the Andes, especially around Ayacucho. Despite passage of an antiterrorist law in 1981, terrorist activities intensified. The AP's tenuous hold on the government was slipping. The AP won only 15% of the vote in the 1983 municipal elections. By 1985, with Peru on the brink of an economic collapse, the AP received a mere 7% of the vote.

The election of 1985 was historic in two ways: it was the first peaceful transfer of power in 40 years, and it brought the first president from APRA since the party's founding in 1928. Alán García Pérez, secretary-general of APRA, won with 53% of the vote and brought with him an APRA majority in both houses. The new president pursued populist economic policies aimed at controlling inflation, stimulating the economy, and limiting external debt repayments. To get inflation under control, García established a strict set of price controls, dropping inflation precipitously. Salaries were then allowed to increase, which led to a dramatic surge in the production of industrial and consumer goods. García also announced that external debt service would be set at 10% of export earnings, when several times that amount would have been required to keep up with interest payments alone.

While initially successful, these programs eventually ran aground. The IMF, a constant target of García, declared Peru ineligible for any further borrowing because of the size of Peru's external debt. After its initial boom, industrial production began to sag. Food shortages became common as suppliers refused to produce with artificially low prices. By 1990, inflation had climbed to four-digit levels.

García had some success in dealing with Peru's democratic left, but the militant left was another story. By increasing the stridency of his rhetoric, especially against the United States, García was able to capture leftist votes, seriously damaging the power of the United Left (Izquierda Unida—IU). However, Sendero escalated its attacks, coming down out of the mountains and striking at urban and suburban targets around Lima and Callao. In addition, the Tupac Amaru Revolutionary Movement (MRTA) merged with the Movement of the Revolutionary Left (MIR), and struck with increasing intensity. Although García had promised to get the military under control, it was soon clear that he could not function without them, and authorized a set of brutal counter-insurgent campaigns.

By 1990, Peruvians began to cast about for someone to deliver the country from its economic and social woes. Neither APRA nor the AP had any credibility left. In a surprise, Alberto Fujimori, the

son of Japanese immigrants, defeated conservative novelist Mario Vargas Llosa by 57% to 34%. Other candidates totaled a little over 9%. Fujimori immediately imposed a draconian set of austerity measures designed to curb inflation, which he had promised not to do during his candidacy. These measures caused a great deal of economic dislocation, but did reduce inflation to pre-1988 levels.

Fujimori moved aggressively to combat Sendero and the MRTA-MIR. He organized and armed rural peasants to counter the increased guerrilla presence, and gave the military a broad mandate to crack down on the insurgents. The capture of Abimaél Guzmán, leader of Sendero Luminoso, was hailed as a major blow against the movement, but the violence continued. Human rights continued to deteriorate, and the military became stronger.

Domestic opposition increased as Fujimori became increasingly isolated politically. Then, in April 1992, Fujimori shut down Congress and refused to recognize any judicial decisions. The autogolpe ("self-coup") received widespread popular approval and, most significantly, the military supported Fujimori's moves. In 1992, elections were held to create a Constituent Assembly charged with making constitutional reforms, including allowing Fujimori to run for a second five-year term in 1995. Both APRA and AP refused to participate, and Fujimori's New Majority/Change 90 party took a majority of seats. With full executive powers and a legislature full of supporters, Fujimori was able to enact whatever reforms he deemed necessary to improve Peru's economic and social situations.

A border war with Ecuador in early 1995 (in which both sides claimed victory) boosted Fujimori's popularity to a level that enabled him to win his unprecedented second-consecutive presidential election by a landslide, roundly defeating former UN secretary general Javier Perez de Cuellar. In May 1999, Fujimori and Ecuadorian President Jamil Mahuad formally ended the border dispute that dated from 1941. The accord gave Ecuador a small piece of Peruvian territory and navigation rights on some Peruvian rivers. In Ecuador, the peace treaty was considered a capitulation, turning the army against Mahuad.

Fujimori continued to rule by martial law, and took decisive steps to end terrorist opposition and violence in Peru. In 1996, the second-highest leader of Sendero, Elizabeth Cardenas Huayta, was arrested. The Tupac Amaru rebel movement was decimated in April 1997 when military commandos stormed the Japanese Embassy, where the rebels had been holding hostages since December 1996, and killed all 14 of the Tupac Amaru guerrillas who had carried out the siege (one hostage died in the raid, from a heart attack as a result of a gunshot wound).

Although the success of the embassy raid and the end of the hostage crisis at first raised Fujimori's popularity, it soon began to decline as Peruvians wearied of Fujimori's strong-arm tactics. Government attacks on the press and on certain members of the business community created a mounting dissatisfaction with the Fujimori regime. When Fujimori fired three Constitutional Tribunal judges for rejecting his claim to a third consecutive presidential term, Peruvians' tolerance was pushed beyond its breaking point and protests erupted. Continuing widespread poverty (despite recent years of economic growth), coupled with governmental abuses of power and violence eroded Fujimori's popular support. As the April 2000 elections came near, Fujimori at first remained silent on whether he would seek a third term. However,

political maneuvering by his supporters had ensured that no viable candidate would rise to face him.

Opposition parties were weak and divided. Former President Alan García, who had fled the country in 1992 and faced corruption charges, became a possible candidate. Fujimori's supporters in congress quickly approved a law banning any former officeholder facing criminal charges from running for election. But Fujimori did remain vulnerable; a two-year recession and widespread unemployment had left one of every two Peruvians living in poverty by mid-1999. Fujimori also was under a great deal of international pressure to rectify undemocratic conduct. In June 1999, members of the US House of Representatives said they were concerned at the "erosion of democracy and the rule of law" in Peru. A Senate subcommittee said it should be consulted before the White House gave any more American intelligence to Peru. Later that year, the Inter-American Court of Human Rights rejected Peru's bid to withdraw from its jurisdiction, saying it would continue to summon Peruvian officials to declare on reported abuses.

Within weeks of the April 2000 elections, Fujimori seemed all but certain of winning the presidency for a third term. Yet, a virtual unknown had suddenly become a viable candidate, winning support from throughout the country. Alejandro Toledo, a 54-year-old business school professor, was soon ahead of other challengers trying to defeat Fujimori. Toledo had a modest upbringing. His father was a bricklayer, and his mother sold fish at a street market. Of indigenous ancestry, Toledo quickly gained an important following in Peru's Amerindian communities, where Fujimori had found support. The election was held on 9 April, with several international organizations monitoring polling stations.

It soon became clear that Fujimori's supporters were trying to steal the election. There were unexplained delays in revealing the results, and widespread reports of voter fraud. The United States, the Organization of American States, the Atlanta-based Carter Center, and several other international organizations monitoring the election agreed that widespread fraud had tainted the elections and demanded a second presidential election between Fujimori and Toledo. Tens of thousands of Peruvians marched in peaceful protests demanding a second round. The other presidential candidates backed Toledo. Three days after the election, the electoral office said Fujimori had obtained 49.8% of the vote, not enough to capture the 50% plus one he needed to avoid a second round. Toledo received 40.3% of the vote.

The political crisis resulting from the rigged election became uncontrollable after Fujimori's chief advisor, Vladimiro Montesinos, was shown nationwide in a video, which he had produced, bribing an opposition congressman to join with Fujimori in September 2000. Dissenting politicians had leaked the tape to the media and with the knowledge that hundreds of similar tapes existed, Montesinos fled the country to Panama, which did not grant him political asylum. Montesinos then returned to Peru, but his whereabouts were unknown. Fujimori enacted a far-fetched search for the runaway Montesinos, but in the process Montesinos escaped by yacht to Costa Rica and later Venezuela. In a last hope to stabilize the political environment, Fujimori offered to hold new presidential elections in April 2001 in which he would not run. However, such gestures did not prevent the deepening of the institutional crisis and in an official APEC meeting in November, Fujimori flew to Japan and resigned via facsimile. He remained in

exile in Japan, and the Japanese government subsequently recognized him as a Japanese citizen. Congress impeached Fujimori, judging him “morally unfit to govern” and selected congressman Valentin Paniagua to be the president of the interim government (after the sitting vice president also resigned). During Paniagua’s presidency, Montesinos was found and extradited to Peru, and political calm was restored for a brief period.

A new presidential election was held in April 2001. Alejandro Toledo came in first with 36.5% of the vote, but he was forced into a runoff with former president Alan García (25.8%) who had returned to the country after Fujimori’s resignation. Toledo went on to win the runoff with 53.1% of the vote. But García’s impressive 46.9% transformed the former discredited president into a powerful actor in Peruvian politics.

Toledo became the first Peruvian of indigenous heritage to become president. Yet, his popularity and support during the first months of his administration began to fall as accusations of corruption and moral improprieties tainted his presidency. After failing to keep his campaign’s main promise to create jobs for all Peruvians within 90 days after his inauguration, protests and national strikes plagued the country as people demanded better services and wages, as well as less corruption. No real advancement in the economy was perceived, and further resentment was sparked by criminal acts of Toledo’s family and symbolic acts of government, such as increasing the president’s salary and attempting to increase the sales tax twice in one year. Security declined as crowds in poorer areas took the law in their own hands, even lynching corrupt local bureaucrats or criminals. Toledo’s efforts to prosecute those responsible for corruption and human rights violations during the Fujimori government also distracted him from the urgent social and economic challenges facing his country.

During his tenure, Toledo suffered from dismal approval ratings, ranging in the single digits. Politically, his party quickly crumbled, with many key followers leaving or beginning new parties. The political turmoil brought by his style of leadership led him to change presidents of congress five times, in vain attempts to appease the opposition and Peruvian citizens. His ineffectual leadership and the lack of discipline within his political party also hindered the process of democratic restoration in Peru.

### 13 GOVERNMENT

Prior to the military coup in 1968, Peru was governed under the constitution of 1933, which declared Peru to be a republic with a centralized form of government. Legislative powers were vested in a Senate and a Chamber of Deputies, of variable number. Both senators and deputies served their electoral districts for a period of six years. Under the constitution, executive power was held by the president, who, with two vice presidents, was elected for a six-year term, with a minimum of one-third of the vote, but could not be reelected until an intervening term had passed. Voting was obligatory for all literate Peruvian citizens aged 21 to 60.

The military leaders who seized control of the government in 1968 immediately disbanded the bicameral Congress. For the following decade, Peru was ruled by a military junta consisting of the president and the commanders of the three armed forces. The return to civilian rule began with the election of a Constituent Assembly in June 1978 and the promulgation of a new constitution

on 12 July 1979. Presidential elections were held in May 1980, and Peru’s first civilian government in 12 years took office in July.

After the *autogolpe* in 1992, the constitution was suspended. A new Constituent Assembly was elected and a new constitution was written. For the most part, all the major elements of the 1979 constitution were preserved, but presidents were allowed to run for one immediate reelection. Under the 1979 constitution, the president was popularly elected for a five-year term and could not be reelected to a consecutive term. The winning candidate had to win at least 50% of the vote or face a runoff election against the second-place candidate. The National Congress consisted of a 60-member Senate and a 180-member Chamber of Deputies. All elected legislators had five-year terms. The 1979 constitution eliminated literacy as a qualification for voting and made suffrage universal at age 18. In addition, there are more than 160 locally elected government councils.

### 14 POLITICAL PARTIES

Throughout most of Peru’s modern political history, personalities and power politics have counted for more than party platforms. There are nevertheless several parties with origins at least as far back as the 1950s.

The American Popular Revolutionary Alliance (*Alianza Popular Revolucionaria Americana*—APRA) was begun in 1924 by Víctor Raúl Haya de la Torre as a movement of and for Latin American workers. The five planks in its original platform were opposition to “Yankee imperialism,” internationalization of the Panama Canal, industrialization, land reform, and solidarity among the world’s oppressed. Controlling most of unionized labor, APRA was anti-Communist and anti-imperialist. Outlawed in 1931 and again in 1948, APRA was legalized in 1956. APRA has been historically opposed to the military, and political conditions in Peru from the 1930s until the mid-1980s have been dominated by hostility between APRA and armed forces leaders. After the death of Haya de la Torre in 1979, APRA was weakened by internal dissension. By 1985, new leadership and the failure of the Belaúnde government allowed APRA its first experience in power. Yet, the economic crisis experienced during the Alan García government severely hurt the party. Lack of leadership within APRA also hindered that party electorally. After Fujimori’s demise, APRA reemerged as a strong and unified party. In the 2001 presidential and parliamentary elections, APRA obtained 20% of the vote (26 seats in the 120-member chamber), consolidating its position as the second-largest and the most disciplined party in Peru.

The Popular Action Party (*Partido de Acción Popular*, or AP) was founded in 1956. Originally a reform party, it competed with APRA for the support of those favoring change in Peru. After an impressive campaign in 1956, the AP won the presidency in 1963, thanks to the military’s hatred of APRA. In the 1980 presidential election, Belaúnde received 45.4% of the votes cast, compared with 27.4% for APRA candidate Armando Villanueva del Campo. After Belaúnde’s tenure, AP has lost electoral appeal. In the most recent election, AP only obtained 4% of the vote and three seats in the chamber.

After the dissolution of congress by the 1968 military coup, political parties continued to exist, although they were denied any role in government until the late 1970s. Ideologically, the military

rulers between 1968 and 1980 reflected both strong socialist and nationalist principles.

The left has undergone a number of changes, partly as a result of military intervention, and most recently has been undermined by the activities of leftist guerrillas. The Peruvian Communist Party (Partido Comunista Peruano) was formed in 1929. Outlawed in 1948, it changed its name to the Revolutionary Labor Party (Partido Obrero Revolucionario—POR), which split in the 1980s into a number of small factions. The United Left (Izquierda Unida—IU), which formed to support the candidacy of Alfonso Barrantes Lingán, took 21.3% of the 1985 ballot. Barrantes was mayor of Lima until APRA unseated him in 1986, whereupon Barrantes resigned as IU president and the coalition dissolved.

The largest active guerrilla party is Sendero Luminoso (Shining Path), a Maoist group founded in 1964. Its founder, Abimael Guzmán, a former college professor, was captured by the government and is still imprisoned. Sendero's strength is concentrated around Ayacucho, in the sierra southeast of Lima. Its program includes not only attacks on bridges, power lines, and urban centers but also attempts to organize highland peasants. Sendero collects tribute from peasants in exchange for protection and encourages peasants not to sell their food crops to the cities.

A smaller group, the Tupac Amaru Revolutionary Movement (Movimiento Revolucionario Tupac Amaru—MRTA), merged with the Movement of the Revolutionary Left (MIR) to form a group that has been increasingly active. The MRTA-MIR is more urban-oriented and follows a more orthodox Marxist line than the eccentric Sendero.

President Alberto Fujimori came to office in 1990 as an independent, calling his party Change 90-New Majority. In the 1995 elections, Fujimori was reelected in a landslide victory and his party took 67 of the 120 congressional seats, giving it a clear majority (the next-highest number of seats, 17, went to the Union for Peru party, led by former UN secretary general Javier Perez de Cuellar who came in second in the presidential election).

Current president Alejandro Toledo also formed his own party before the 2001 election. Peru Posible was formed in 2001 around the then-popular figure of Toledo. With 26.3% of the vote, it captured 45 seats in the Assembly. But Peru Posible has shown little party discipline and it is unlikely that the party will survive beyond Toledo's own political career.

By 2005 the Popular Christian Party (Partido Popular Cristiano—PPC), aligned with former Prime Minister Antero Flores Arao, led in the political arena against Fujimori's newly named party Si Cumple and APRA which came in second and third. However, with growing discontent with the more traditional political parties, several new options emerged. Business leaders from the manufacturing conglomerate commonly known as Gamarra created their own political party named Solución Nacional. Another political party growing from the small and medium business sector is Proyecto Pais and Somos Peru, started by the former Mayor of Lima Alejandro Andrade. For the 2006 elections, 28 candidates were formally registered. Because political parties represent small constituencies and have uncertain political futures, the prospect of party politics remains uncertain.

## <sup>15</sup> LOCAL GOVERNMENT

In March 1987, President García promulgated a regionalization law that would replace the nation's 24 departments (and the constitutional province of Callao) with 12 regions having economic and administrative autonomy. Each region was to have an assembly of provincial mayors, directly elected members, and representatives of various institutions. However, due to inadequate funding and an uncertain political picture, these regions did not function and existed alongside the departmental structure, which was never dismantled. The 148 provincial subdivisions remained intact.

The 1979 constitution confirmed the legal status of about 5,000 Indian communities. The first local elections since 1966 took place in November 1980 and occur at three-year intervals. The 1993 constitution reaffirmed those indigenous rights and divided the country into 25 departments.

## <sup>16</sup> JUDICIAL SYSTEM

The Peruvian legal system is based generally on the Napoleonic Code. The 1993 constitution guarantees the independence of the judiciary. Peru's highest judicial body, the 16-member Supreme Court, sits at Lima and has national jurisdiction. The nine-member Court of Constitutional Guarantees has jurisdiction in human rights cases. Superior courts, sitting in the departmental capitals, hear appeals from the provincial courts of first instance, which are divided into civil, penal, and special chambers. Judges are proposed by the National Justice Council, nominated by the president, and confirmed by the Senate; they serve permanently until age 70. Justices of the Peace hear misdemeanor cases and minor civil cases.

The 1993 constitution abolished the death penalty (except for treason in time of war) and limited the jurisdiction of military tribunals; it also established the Public Ministry, including an independent attorney general, to serve as judicial ombudsman. Despite such reforms, the Peruvian judicial system still suffers from overcrowded prisons and complex trial procedures. Many accused persons (especially those accused of drug trafficking or terrorism) may spend months or even years in prison before they are brought to trial.

Although the judicial branch has never attained true independence, provisions of the 1993 constitution establish a new system for naming judges which may lead to greater judicial autonomy in the future. The 1993 constitution also provides for a human rights ombudsman (the Office of the Defender of the People), a Tribunal of Constitutional Guarantees empowered to rule on the constitutionality of legislation and government actions, a National Judiciary Council, and a Judicial Academy to train judges and prosecutors. The Tribunal of Constitutional Guarantees has seven members; three of them are in some way associated with the president or his party. To declare a law unconstitutional, at least six of the judges must agree.

## <sup>17</sup> ARMED FORCES

Peru's armed forces in 2005 totaled 80,000 active personnel, supported by 188,000 reservists. The Army numbered 40,000 members, whose equipment included 275 main battle tanks and 110 light tanks. The Navy had 25,000 active personnel including 4,000 Marines, 1,000 Coast Guard members, and 800 naval aviation per-

sonnel. The Air Force numbered 15,000 personnel, with 89 combat capable aircraft, including 18 fighters, over 73 fight ground attack aircraft, and 16 attack helicopters. The Navy operated 6 tactical submarines, 1 cruiser, 4 frigates, and 13 patrol/coastal vessels. About 77,000 paramilitary troops comprise the national police force. The defense budget in 2005 totaled \$1.08 billion.

## 18 INTERNATIONAL COOPERATION

Peru is a charter member of the United Nations, having joined on 31 October 1945; it belongs to ECLAC and several nonregional specialized agencies, such as the FAO, IAEA, the World Bank, ILO, IMF, UNESCO, UNIDO, and the WHO. Peru is a member of the WTO, APEC, the South American Community of Nations, the Arab Bank for Economic Development in Africa, the Andean Community of Nations, G-15, G-24, G-77, the Inter-American Development Bank, the Latin American Economic System (LAES), the Latin American Integration Association (LAIA), the OAS, and the Rio Group.

Peru is part of the Nonaligned Movement and a signatory of the 1947 Rio Treaty, an inter-American security agreement. The government has supported UN missions and operations in Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Burundi (est. 2004), Côte d'Ivoire (est. 2004), and the DROC (est. 1999). The country belongs to the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL) and the Organization for the Prohibition of Chemical Weapons.

In environmental cooperation, Peru is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Since World War II, the Peruvian economy has developed rapidly, exhibiting a rate of growth that has been among the highest in Latin America. The strength of Peru's economy lies in the diversity of its natural resources. Silver and gold were the prized commodities of colonial Peru. In more recent times, lead, copper, zinc, iron ore, and since the late 1960s, petroleum have become important export earners. Fishing, including the production of fish meal, has become a major undertaking. Agriculture, which occupies about 4.9% of the work force, is sharply divided between two sectors: small-scale farming, producing food crops for subsistence and the domestic market, and export-oriented production.

Policies from 1960 to 1990 were aimed at social reform, but worsened and perpetuated poverty. Repeated experiments in social engineering created economic and institutional uncertainty and a prolonged decline in governance. Government spending grew steadily in the 1980s—until it collapsed in 1989—but spending in the production of public services fell. As a result, there was a steady degradation of the civil service and the provision of public goods that undermined productivity, fostered anarchy and public turmoil, and, ultimately, made poverty reduction impossible.

By 1990 per capita income was below that of 1966; political violence was claiming 3,000 lives each year; tax collections were less than 5% of GDP; and prices had increased by a factor of 27 million over three decades. In fact, Peru's economy had all but collapsed.

It was the finale of 30 years of misguided policies, economic mismanagement, and since 1980, rampant and escalating terrorism.

Since 1990 and the Fujimori regime, the government has pursued a bold reform agenda. It has strengthened the authority of the state throughout the country, defeating terrorism and fighting drug trafficking. It liberalized interest rates, the exchange rate, and international capital flows. It established the independence of the central bank and eliminated credit from the central bank to the government. It increased competition by opening the economy to trade with the rest of the world and eliminating public monopolies and price controls. It improved labor market efficiency by addressing tenure regulations and establishing more flexible terms for probationary periods and fixed-term contracts. It facilitated private ownership of land and developed a vast privatization program. It eliminated the state monopoly in social security and established the framework for a private pension fund system. And it eliminated public development banks and state intervention in the allocation of credit.

Since the reform program, Peru has enjoyed macroeconomic success, but the reforms have done little to alleviate poverty. Between 1993 and 1996, Peru's economy grew by 32%, in part due to the privatization of state companies; but thousands of Peruvians lost their jobs as a result. The rate of inflation fell steadily as a result of stringent monetary and fiscal measures. It dropped from over 7,650% in 1990 to about 40% in 1993; and 4% in 2000, one of the lowest inflation rates in Latin America. The Peruvian economy grew by 7.3% in 1997, but in 1998 and 1999 growth slowed to an estimated 1.8% and 3.8% respectively. A combination of El Niño weather that hurt the fishing and agricultural industries, and the Asian financial crisis which depressed metal prices, contributed to the Peruvian economic downturn. Growth for 2000 was forecast at over 5%.

In 2004, the economy expanded by 4.8%, up from 4.0% in 2003, but down from 4.9% in 2002; in 2005, the GDP growth rate was estimated at 4.7%. These steady growth rates contrasted with the erratic development patterns displayed by Peru in previous years. The country's overdependence on minerals and metals makes its economy susceptible to world market price fluctuations. Inflation has been fairly stable, and at 2.1% in 2005 it did not pose any major problems to the economy. In the same year, the unemployment rate has reached 8.4%, and while it is not endemic, it remained a matter of concern to policy makers.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Peru's gross domestic product (GDP) was estimated at \$168.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$6,000. The annual growth rate of GDP was estimated at 5.6%. The average inflation rate in 2005 was 2.1%. It was estimated that agriculture accounted for 8% of GDP, industry 27%, and services 65%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$860 million or about \$32 per capita and accounted for approximately 1.4% of GDP. Foreign aid receipts



amounted to \$500 million or about \$18 per capita and accounted for approximately 0.9% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Peru totaled \$43.00 billion or about \$1,587 per capita based on a GDP of \$60.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.5%. In 2001 it was estimated that approximately 26% of household consumption was spent on food, 17% on fuel, 13% on health care, and 5% on education. It was estimated that in 2003 about 54% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2005, Peru's labor force was estimated at 9.06 million. As of 2001 (the latest year for which data was available), 9% of the population was employed in agriculture, 18% in industry, and 73% in the services sector. In 2005, the unemployment rate in metropolitan Lima was estimated at 8.7%. However, there was widespread underemployment across the country as a whole.

About 5% of the total labor force was unionized in 2001. Although unions have played an important role in Peruvian politics in recent decades, membership has declined as the informal labor sector grows. Begun in 1944 under Communist domination, the Workers' Confederation of Peru was reorganized in 1956 as the national central labor organization, now known as the Peruvian Revolutionary Workers' Center (Central de Trabajadores de la Revolución Peruana—CTRP). In 1980, this organization was incorporated into the Democratic Trade Union Front, which also includes the Communist-led General Confederation of Peruvian Workers, the National Workers' Confederation, and the APRA-affiliated General Confederation of Peruvian Workers (Confederación General de Trabajadores Peruanos—CGTP), which dates from 1944. In 1999, the CGTP called a one-day general strike, supported by 400,000 transit workers and other public-sector employees that paralyzed normal activity in Peru's major cities.

An eight-hour day and a 48-hour week are the maximum in Peru, with a weekly day of rest mandated. Legislation has been uneven, but the law requires in most cases that employers create healthy and safe working conditions. Dangerous and night work are regulated. The civil code prohibits labor by minors under 14; nevertheless, a recent study indicated that 8% of the workforce was between the ages of 8 and 16. Peru's labor stability laws provide that after three months of employment a worker may be dismissed only for a "serious offense." As of 2002, the minimum wage was \$128 a month.

## 2<sup>2</sup> AGRICULTURE

Only 4.3 million hectares (10.6 million acres), or 3.4% of the total land, was under cultivation in 2003. The area of available agricultural land per capita is one of the lowest in the nonindustrialized world. The major portion of the coastal farmland is devoted to the raising of export crops, while the sierra and the selva are used primarily for the production of food for domestic consumption. In various communities, the Inca system of cooperative labor and

land use still remains; fields are communally planted and harvested, and the produce or the profits divided.

The Agrarian Reform Law (ARL) of 1969 profoundly affected the whole of Peruvian agriculture. By 1973, most of Peru, except for the rain forest on the eastern side of the Andes, was brought under the reform program. Large private landholdings were abolished. Contrary to the expectations of farm workers, however, the appropriated land was not redistributed in small individual parcels. The large estates expropriated by the government were instead reorganized into cooperatives that maintained their administrative unity and were often incorporated into still larger units, known as social-interest agricultural societies, through which they were linked on a cooperative basis. By 1980, the expropriation and redistribution of land were largely complete. Out of the nine million hectares (22.2 million acres) of cropland and pasture originally expropriated, 8.8 million hectares (21.7 million acres) were allocated to 379,000 families. In addition, 2.9 million hectares (7.2 million acres) reverted to the state, and 1.1 million hectares (2.7 million acres) were distributed to 10,706 families in the selva. The bulk of land went to cooperatives, and only about 43,000 families received land, totaling 683,000 hectares (1,688,000 acres), in the form of private holdings. The government justified this program by arguing that the supply of arable land in inhabited zones of Peru is so small that equal distribution of the land would permit an allotment of less than 0.5 hectares (1.2 acres) per rural inhabitant; that community ownership of land accords with Peruvian traditions, especially the proto-socialist Inca heritage; and that improved equipment and technique are more easily implemented in larger enterprises. As it turned out, inadequate distribution systems and lack of technical expertise limited the productivity of the cooperatives, and by 1981, about 80% of them were operating at a loss. The free market policies of President Fujimori played an important role in Peruvian agriculture during the 1990s, virtually undoing the expropriative and redistributive policies of the ARL. In 1996, the Land Tenure Law was instituted, which was a step toward allowing land to be titled and used as collateral. The Water Law no longer ties water usage with land area, and mandates that farmers must pay for their use of water. Water is an extremely expensive commodity in the coastal valleys.

Peru's agriculture is highly diversified but not well integrated. In an irrigated section of the coastal desert lowlands, more than 1,195,000 hectares (2,953,000 acres) are cultivated with cotton, sugar, rice, soybeans, pulses, fruits, tobacco, and flowers. Modern methods are widely used in this area, and as a result, output has risen at a much faster rate than population growth. The sierra, in contrast, is relatively dormant, its lands being inferior or impractical to till. The selva contributes cocoa, fruits and nuts, tea, coffee, tobacco, and forest products.

In the 1980s, a combination of weak financing, heavy overseas borrowing, poor pricing policy, bad weather, and outmoded equipment contributed to a serious deterioration in the performance of the sugar industry. In 1996, the sugar industry's twelve collective farms were forced to change their management and ownership structure. Most had been inefficient, overloaded with administrative workers, and together owed the government \$250 million in back taxes and social security payments. Some of the collective farms began to sell portions of their capital to the private sector. Staples are potatoes and corn, grown throughout Peru, but with

very low yields. The leading commercial crops are rice, cotton, sugar, and barley. The principal agricultural deficiencies—wheat, livestock and meat, animal and vegetable fats, and oils—are covered by imports. Production of major crops (in thousands of tons) in 2004 included rice, 1,816; corn, 1,180; coffee, 145; wheat, 168; and beans, 83. Sugarcane and potato production in 2004 amounted to 7.9 million tons and 3 million tons, respectively.

Cultivation for illicit purposes of the coca leaf (the source of cocaine), which has long been used habitually and ritually by Andean Amerindians, has been a problem recognized by the Peruvian government and by the International Narcotics Control Board since the 1980s. The US government estimated there were 31,150 hectares (76,970 acres) of managed coca in 2003 (67% growing in the Upper Huallaga and the Apurimac valleys), the lowest level of coca cultivation in Peru since 1986. The total cocaine economy in Peru may amount to \$1.2–2.4 billion annually (2–4% of Peru's GDP). Nearly all of the wealth derived from the cocaine economy accrues to narcotics traffickers and other criminal elements.

### 2<sup>3</sup> ANIMAL HUSBANDRY

The cattle, sheep, hogs, goats, horses, and poultry brought by the Spaniards to Peru were strange to the Amerindians, whose only domestic animals were the hunting dog and the American members of the camel family—the llama, alpaca, and their hybrids—which served as carriers and for food, clothing, and fuel. Only recently domesticated, the vicuña is protected by law, and limited quantities of its fine fleece are marketed. Most Amerindians of the southern highlands are herders.

The southern Andes contain the major cattle ranges. Brown Swiss, zebu, and Holstein have been imported, and agronomists are crossbreeding stock to attain herds of greater weight or of more milk on less feed. Although 16.9 million hectares (41.7 million acres), or 13% of Peru's land area, are permanent natural pasture and meadow, areas suitable for dairy cattle are few. In 2005, the livestock population included 14,009,000 sheep, 5,100,000 head of cattle, 2,900,000 hogs, and 2,000,000 goats. Living at altitudes of 10,000 ft above sea level, Peru has an estimated three million alpacas, or 80% of the world's alpaca population. There are also about 150,000 vicuñas, up from 5,000 in the 1960s. Production of alpaca hair fiber amounts to about 4,000 tons per year. Livestock output in 2005 included 152,000 tons of beef, 90,000 tons of pork, 34,000 tons of mutton, 650,000 tons of poultry, 180,000 tons of eggs, and 1,311,000 tons of milk.

### 2<sup>4</sup> FISHING

Commercial deep-sea fishing off of Peru's coastal belt of over 3,000 km (1,860 mi), is a major enterprise. Peruvian waters normally abound with marketable fish: bonito, mackerel, drum, sea bass, tuna, swordfish, anchoveta, herring, shad, skipjack, yellowfin, pompano, and shark. More than 50 species are caught commercially. There are over 40 fishing ports on the Peruvian coast, Paita and Callao being the most important centers.

The Peruvian fishing industry, primarily based on the export of fish meal, used in poultry feed, is among the largest in the world. Fish meal production in 2004/05 was 1.5 million tons; fish oil, 210,000 tons. Only 90 of the 110 fish meal plants on Peru's coast were operating in 2004. Peru's fishing sector led the world during the mid-1960s, although production since then has fluctuated

radically. In the 1970s, overfishing nearly led to the disappearance of the anchovy resource. The fish meal and fish-processing industry is managed by Pescaperú, which was founded in 1973.

The key to Peru's fishing industry in any given year is the presence or absence of El Niño; this warm ocean current displaces the normally cool waters deep in the Pacific, thereby killing the microorganisms upon which other marine life depends. The recurrence of El Niño causes the disappearance of anchoveta and a sharp fall in the catch of other species. The average annual catch during 1991–2000 was 8,515,000 tons. The total catch in 2003 was 6,089,660 tons, second highest in the world after China. That total included 5,347,187 tons of anchoveta, and 217,734 tons of Chilean jack mackerel. Exports of fish products in 2003 amounted to \$1.03 billion, with fish meal accounting for 72%. The major export markets are China, Germany, Japan, and Taiwan.

To suppress invasion of their rich fishing grounds by foreign powers, Peru made formal agreements with Chile and Ecuador to extend the rights to their coastal waters out to 200 nautical mi. Violations of the proclaimed sovereignty by Argentine and US fishing fleets in 1952 and 1954 gave rise to shooting incidents. Since then, US fishing boats have occasionally been seized and fined or required to purchase fishing licenses; after eight US tuna boats were taken in November 1979, the United States retaliated by imposing a temporary embargo on Peruvian tuna.

### 2<sup>5</sup> FORESTRY

About 51% of Peru's land area, or approximately 65.2 million hectares (161.1 million acres), is covered by tropical rain forests. Most of Peru's exploitable timberlands lie on the eastern slopes of the Andes and in the Amazon Basin; the arid Pacific watershed cannot support forestlands. The trees of commercial importance on the coastal plain are amarillo, hualtaco, and algarroba (cut for railway ties and for charcoal fuel). Lumber from planted eucalyptus is used locally in the sierra for ties and for props by the mining industry. Eastern Peru, however, with its abundance of rain, consists of approximately 70 million hectares (173 million acres) of forestland (more than half the country's area), most of it uncut. A precise indication of Peru's volume of standing timber has never been ascertained. The selva contains Peru's only coniferous stand, where ulcumano is logged. Cedar, mahogany, moena, tornillo, and congona (broadleaf hardwoods) are also logged. The rain forests of the Amazon lowlands contain cedar, mahogany, rubber (wild and plantation), and leche caspi (a chewing-gum base). Commercially important are tagua nuts, balata, coca, fibers, and a wide range of medicinal plants.

Lumbering is conducted chiefly in the selva, where Pucallpa and Iquitos are the main sawmill centers. Mahogany is now the principal lumber export product, sent mainly to the United States and Europe; mahogany and Spanish cedar trees supply about half of Peru's lumber output, which falls far short of the nation's needs. In 2004, production of roundwood totaled 10,486,000 cu m (370 million cu ft).

### 2<sup>6</sup> MINING

The mining of metals was Peru's leading industry in 2003. Among the minerals exported in that year were gold, copper, zinc, lead, silver, tin, and iron. In 2003, the country's mining industry accounted for \$4.6 billion or more than 51% of total export revenues,

which came to \$9 billion in that year. Peru was the second-largest producer of silver, after Mexico, the third-largest producer of zinc, after China and Australia, and the fourth-largest producer of lead, after Australia, China, and the United States. Peru's zinc output represented 12% of world concentrate output, almost 62% of Latin America's concentrate, and 29% of refined zinc. Other leading industries were cement, steel, and metal fabrication in 2003.

Gold output (from mines and placers) was about 172,000 kg in 2003, up from 157,530 kg in 2002. Of that total, 159,770 kg came from mines. Reserves (metal content) totaled 3.5 million tons, excluding placer deposits. The southeastern Andes had well-known gold placers on the Inambari River and its tributaries. Placer gold production, which accounted for about 14% of total gold output, was concentrated in the Inca and the Mariategui regions, and gold was also recovered from placers in rivers and streams throughout the jungle.

Copper mine output in 2003 (metal content) was 842,578 metric tons, down slightly from 844,553 metric tons in 2002. The country's copper reserves totaled 57.4 million tons (metal content). Southern Peru Copper Corp. (SPCC) remained the largest copper producer, with a total output of 326,900 metric tons of copper metal from its mine operations at the Cuajone open pits and its solvent extraction and electrowinning cathode plant at Toquepala. Peru's second-largest copper producer, Compañía Minera Antamina S.A., owned the \$2.3 billion copper-zinc Antamina megaproject (Huari, Ancash Department), which could become the world's third-largest producer of zinc (163,000 tons per year) and seventh-largest producer of copper (272,000 tons per year). The project included the Antamina open pit and concentrator, a 302-km slurry pipeline, port facilities in Huarney, and a new access road, power line, and town site. The new mine had a capacity of 275,000 tons per year; the concentrator, 70,000 tons per day. Antamina's revised proven and probable ore reserves were 559 million metric tons at a grade of 1.24% copper, 1.03% zinc, 13.71 grams per ton of silver, and 0.029% molybdenum, or 1.8% equivalent copper.

Zinc mine output (metal content) was 1,372,790 metric tons in 2003, up from 1,232,997 metric tons in 2002. Mined lead output was 308,874 metric tons in 2003, up from 305,651 metric tons in 2002. Cía Minera Volcán S.A. (CMA) was Peru's largest private producer of zinc. CMA had operations in the Yauli mining district and the Paragsha property, in Cerro de Pasco. Total reserves of zinc (metal content) amounted to 16 million tons; lead, 3.5 million tons.

In 2003 Peru produced 2,921 metric tons of mined silver (metal content), up from 2,870 metric tons in 2002. Medium-sized companies accounted for three-quarters of production. Reserves totaled 36 million tons (metal content).

Production of iron ore and concentrate (gross weight) was 5,239,000 tons in 2003, up from 4,594,000 tons in 2002. Shougang Hierro Perú S.A., a subsidiary of China's Shougang Corp., continued to be Peru's sole iron ore producer. Iron ore reserves (metal content) totaled 830 million tons. Exploitation of iron ore, centered in southern Peru, was exclusively for export until the steel mills at Chimbote began operations in 1958.

The metals antimony, white arsenic, bismuth, indium, manganese, molybdenum, and tin were extracted in various parts of

Peru. No cadmium or chromium was mined in 1998–2001, or in 2003, nor was any tungsten mined in 1999–2001, or 2003.

Of the 30 industrial minerals mined commercially in Peru, the most important were salt, gypsum, marble, and limestone. Peru also produced barite, bentonite, boron materials (borates), hydraulic cement, chalk, common clay, fire clay, diatomite, dolomite, feldspar, flagstone, granite, kaolin, lime, nitrogen, onyx, phosphate rock, pyrophyllite, quartz, quartzite, sand and gravel (including silica sand), marl shell, slate, sulfur, talc, and travertine. Minero Perú had proven reserves of 550 million tons of phosphate rock at its Bayóvar Project, in the Sechura Desert. The Bayóvar Project had tremendous export opportunities to the Asia-Pacific region via the port of Paita.

Peru has long been famous for the wealth of its mines, some of which have been worked extensively for more than 300 years. Through modern techniques and equipment, a vast potential of diverse marketable minerals was gradually becoming available from previously inaccessible regions. Because many of the richest mines were found in the central Andes, often above 4,300 m, their operations have been wholly dependent on the Andean Indians' adaptation to working at high altitudes. Copper, iron, lead, and zinc were mined chiefly in the central Andes, where all refining was done at La Oroya, the metallurgical center.

The government no longer had exclusive control over exploration, mining, smelting, and refining of metals and fuel minerals, although, in principle, all mineral and geothermal resources belonged to the government. The role of the government has been limited to that of a regulator, promoter, and overseer. Individuals and private companies were allowed to hold mining permits. As of 2001, the government has privatized 90% of its assets in mining, a greater rate than in any other sector, with some mining tenders still pending, and several mining prospects waiting to be privatized, which could generate \$2.14 billion. The promotion of domestic and foreign private investment via a sweeping privatization process and the formation of joint ventures started off at a vigorous pace in 1991 and has continued at a slower pace. Private firms, most of which were controlled by local interests, dominated medium- and small-sized mining operations. More than 100 foreign mining companies have been established in Peru since 1990. Of the \$10.02 billion of foreign direct investment in 2001, \$3.32 billion was in the minerals sector, \$1.67 billion of it in mining. In 2001, \$1.4 billion worth of mine and facility expansions were completed, and \$2.6 billion worth of mine projects were completed. In addition, \$3.3 billion of investment were projected for mine projects with feasibility studies, and \$1.3 billion were expected in projects with advanced exploration work. The state was expecting Minero Perú's projects pending privatization to generate \$2.1 billion of investment. Mining, energy, telecommunications, and related industries were the most attractive sectors of the Peruvian economy. Privatization of Centromín, Electrop Perú S.A., Minero Perú, Petro Perú, and the banking sector was expected to continue to generate investments in every sector of the economy, particularly in the mining and energy sectors. Future foreign investments in the minerals sector were projected to be \$17 billion, the largest amount of capital committed to date, with \$9.1 billion expected in the mining sector for the 2001–2009 period.

Peru was facing political upheavals, and the mining industry was increasingly on the defensive. Development of MYSAs's Cerro

Quilish gold deposit was stilled by the city of Cajamarca to protect its major watershed. The citizen group Coordinadora Nacional de Comunidades Afectadas por la Minería (Conacami) indicated that it had the right to participate and to be consulted on mineral policies that involved communities affected by mining operations.

The junta that came to power in 1968 pursued a steady program of nationalization. In 1971, state mining rights were assigned to the government enterprise *Mínero Perú*. The General Mining Law of 1992 made legal procedures to obtain mining rights easier, and amendments in 1996 guaranteed protections to mining ventures and contracts. These laws have ensured more favorable exploration and production contract terms for investors. Within the framework of four 1990s laws promoting investment in mining and natural resources and dealing with foreign and private investment, more than 250 domestic "Stability and Guarantee" contracts have been signed since 1993.

## 27 ENERGY AND POWER

Peru, as of 1 January 2005, had proven oil reserves of 253 million barrels, a crude oil refining capacity of 192,950 barrels per day, and proven natural gas reserves of 8.7 trillion cu ft.

Oil production in 2004, was estimated at 94,120 barrels per day, with crude oil production accounting for 79,900 barrels per day. However, domestic oil demand averaged an estimated 161,000 barrels per day in 2004, making Peru a net oil importer. Net oil imports in 2004 averaged an estimated 66,880 barrels per day.

Natural gas production and domestic demand in 2002 were each estimated at 15.5 billion cu ft. However, Peru's Camisea project, when it does come fully on-stream, is seen as making Peru a net exporter of natural gas. September 2004 marked the first full month of production for the Camisea field, producing 3.68 billion cu ft of natural gas.

Peru's electric power generating capacity in 2002 totaled 5.912 million kW, of which hydroelectric capacity came to 2.965 million kW and conventional thermal capacity accounted for 2.940 million kW. Geothermal/other capacity accounted for 0.007 million kW. Electric power output in 2002 totaled 21.749 billion kWh, with hydroelectric generation providing the largest share at 17.860 billion kWh. Conventional thermal sources provided 3.705 billion kWh, and geothermal/other 0.184 billion kWh. Demand for electric power in 2002 totaled 20.227 billion kWh.

## 28 INDUSTRY

Manufacturing in Peru began with the establishment of consumer goods industries, which still dominate the sector. Smelting and refining are among Peru's most important industrial enterprises. As part of a long-term industrial program through hydroelectric power development, the Chimbote steel mills began to function in 1958; by 1965, capacity reached 350,000 ingot tons. A number of foundries, cement plants, automobile assembly plants, and installations producing sulfuric acid and other industrial chemicals have also come into operation. The expansion of the fish meal industry necessitated the construction of new plants as well as the establishment of many subsidiary industries: boatyards, repair and maintenance installations, and factories for the production of tinplate and cans, paper, jute bags, and nylon fishnet. Once a ma-

ior guano exporter, Peru now produces synthetic fertilizers high in nitrogen and related industrial chemicals.

The country's sustained economic growth has been the result of a well diversified economic base. In 1996, the most dynamic area was agriculture, with crop production rising by 7% due to substantial increases in industrial crops like cotton, soy bean, tea, and asparagus. Other industries showing important growth during the late 1990s were the mining of metals, petroleum, and construction. In 1998, it was estimated that an average of 11 new oil wells would be drilled per year until 2003, but in 1999 oil exploration slowed when a couple of dry wells were drilled. There are five oil refineries operating in Peru, with a production capacity of 182,000 barrels per day. In 2000, a concession was signed to develop the 13 trillion cubic foot (Tcf) Camisea natural gas field, and the development of this field may lead to the establishment of a natural gas market in Peru. Growth in construction during 1998 skyrocketed by 12%, with projects related to the repair of an estimated \$1 billion in El Niño damage, and road building projects. Revenues from manufacturing production fell by 3%, however, because of low agricultural production and low world metals prices. By 2003, the economy was recovering. Textile production was an increasingly important sector, as was the production of leather goods, shoes, and the Alpaca and Vicuna sectors. In 2003, it was expected that 150,000 new jobs would be created in textile manufacturing.

The industrial production growth rate in 2005 was 6.6%, higher than the overall GDP growth rate, and an indicator that industry was an economic growth engine. In 2005, industry accounted for 27% of the GDP and it employed less than 20% of the labor force. Services were by far the largest sector, with a 65% share of the economy, while agriculture was the smallest one, with an 8% share.

## 29 SCIENCE AND TECHNOLOGY

The Lima Academy of Exact, Physical, and Natural Sciences was founded in 1939. In 1996, Peru had 18 other scientific and technological learned societies and 15 scientific and technological research institutes. The Natural History Museum of the National University of San Marcos, founded in 1918, and the Geological Museum of the National University of Engineering are both located in Lima. In 1996, Peru had 34 universities that offered courses in basic and applied sciences. In 1987–97, science and engineering students accounted for 34% of college and university enrollments. According to the Industrial Law of 1982, enterprises may invest up to 10% of their income tax-free in research and development (R&D) projects approved by the National Council of Science and Technology and carried out by the national universities.

In the period 1990–2001 there were 233 scientists and engineers and 1 technician engaged in research and development (R&D) per million people. In 2002 spending on R&D totaled \$138.196 million, or 0.10% of GDP. High technology exports in that same year totaled \$24 million, or 2% of the country's manufactured exports.

## 30 DOMESTIC TRADE

A disproportionate amount of Peru's purchasing power is concentrated in the Lima-Callao area, where selling practices increasingly follow the pattern of more commercially developed Western countries. In the highlands, where more than 60% of the population lives, retailing is done at the market level. Only about 17% of

Peruvians shop in supermarkets. The fiesta day, or weekly market, for the Andes Amerindian is an important social commercial affair, where objects made at home are bartered. Barter is also the method of exchange among the first Amerindians of the Amazon Basin. Cooperative retail outlets have been established in the large mining concerns and agricultural estates. Installment sales are increasing on vehicles, refrigerators, television sets, and agricultural and industrial equipment. Franchising has grown slowly in recent years, with US-based companies predominating. Direct market for services has become popular as well. An 18% value-added tax applies to most imported goods.

Shops and some businesses are open from 10:00 AM to 1 PM, and 4 to 8 PM, Monday through Saturday. Banks transact public business from 8:30 AM to 4:00 PM. Business hours are normally 9 AM to 5:30 PM, Monday through Friday. In the provinces, openings and closing are usually one hour earlier.

### 31 FOREIGN TRADE

In general, Peru exports raw materials and imports capital goods and manufactures. The United States is Peru's largest trading partner, and exports include mineral fuel oil, refined silver and jewelry, lead ore, and concentrated coffee. Main imports from the United States include cereals, refined oil, machinery parts, chemicals, and electrical machinery.

Peru's major export commodities are gold (17%), copper and its ores (15%), animal feed (13%), and zinc (8.3%). Other exports include refined petroleum products (4.0%), coffee (3.3%), refined silver (2.6%), and lead (2.4%).

In 2005, exports reached \$16 billion (FOB—Free on Board), while imports grew to \$12 billion (FOB). In 2004, the bulk of exports went to the United States (29.5%), China (9.9%), the United Kingdom (9%), Chile (5.1%), and Japan (4.4%). Imports included intermediate goods, capital goods, and consumer goods, and mainly came from the United States (30.3%), Spain (11.5%), Chile (7.2%), Brazil (5.4%), and Colombia (5.2%).

### 32 BALANCE OF PAYMENTS

Peru's export earnings depend heavily on world market prices in metals and fish meal. Peru maintained a favorable balance of trade from 1966 to 1973; but a surge in the price of oil imports, a decline in world copper prices, and a drop in fishing exports reversed this trend. The trade balance began to improve in 1976 and 1977, but rising interest payments kept current accounts at a loss. An austerity program was adopted in 1978; by the end of the year, Peru had reduced the deficit on current accounts, thanks in part to IMF loans. The surplus rose in 1979 and 1980 because of an extremely favorable trade performance and an additional infusion of public-sector capital. During the 1980s, however, Peru's export position was negatively affected by the worldwide recession and by lower world mineral prices, resulting in a negative trade balance, which, together with rising interest payments on the foreign debt to the IMF, led once again to an overall payments deficit. During 1990, Peru experienced a trade and capital surplus, but a deficit in the current account. Exports fell, while imports grew largely due to overvalued exchange and because government subsidies promoting exports were eliminated. With the reforms of the Fujimori government during the 1990s, trade liberalization more than doubled the overall trade volume during the decade. Unfor-

tunately, the current account balance remained low; between 1992 and 1999 the balance of payments deficit was over 5% of GDP. In 2002, the IMF approved a two-year \$316 million standby agreement with Peru.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Peru's exports was \$7.3 billion while imports totaled \$7.4 billion resulting in a trade deficit of \$100 million.

The International Monetary Fund (IMF) reported that in 2001 Peru had exports of goods totaling \$7.11 billion and imports totaling \$7.2 billion. The services credit totaled \$1.5 billion and debit \$2.3 billion.

Exports of goods and services reached \$15 billion in 2004, up from \$11 billion in 2003. Imports increased from \$11 billion in 2003 to \$13 billion in 2004. The resource balance was consequent-

#### Principal Trading Partners – Peru (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	8,749.4	8,414.1	335.3
United States	2,318.5	1,565.8	752.7
United Kingdom	1,082.4	77.4	1,005.0
China	675.3	640.0	35.3
Switzerland-Liechtenstein	672.0	60.9	611.1
Chile	416.1	429.3	-13.2
Japan	390.2	368.8	21.4
Spain	288.8	177.8	111.0
Germany	254.6	242.4	12.2
Brazil	231.3	549.4	-318.1
Italy-San Marino-Holy See	187.2	190.3	-3.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Peru (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-1,061.0</b>
Balance on goods		731.0
Imports	-8,255.0	
Exports	8,986.0	
Balance on services		-930.0
Balance on income		-2,082.0
Current transfers		1,221.0
<b>Capital Account</b>		<b>-93.0</b>
<b>Financial Account</b>		<b>1,061.0</b>
Direct investment abroad		-60.0
Direct investment in Peru		1,377.0
Portfolio investment assets		-1,435.0
Portfolio investment liabilities		1,211.0
Financial derivatives		...
Other investment assets		328.0
Other investment liabilities		-361.0
<b>Net Errors and Omissions</b>		<b>655.0</b>
<b>Reserves and Related Items</b>		<b>-561.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ly slightly negative in 2003 (-\$18 million), and positive in 2004 (\$2 billion). The current account balance followed a similar path, improving from -\$935 million in 2003 to -\$10 million in 2004. Foreign exchange reserves (including gold) grew to \$12.7 billion in 2005, covering more than a year of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

The Central Reserve Bank, the sole bank of issue, was established in Lima in 1931 to succeed the old Reserve Bank. Also created in 1931 was the Superintendency of Banks and Insurance, an agency of the Ministry of Finance, which defines procedure and obligations of banking institutions and has control of all banks. The government-owned National Bank (Banco de la Nación) not only acts as the government's tax collector and financial agent, but also is Peru's largest commercial bank. Another government agency, the Caja de Ahorros, provides secured loans to low-income borrowers. The government-owned development bank is COFIDE. There are 15 commercial banks in Peru.

Peru's banking sector has grown rapidly as a result of the economic recovery and capital inflows into the financial system. A decade ago, in 1987, the president of Peru was contemplating nationalizing the entire system. Shortly after his election, Mr. Fujimori decreed the abolition of the state's development and mortgage credit banks. Today, only COFIDE offers state-regulated development assistance, but as a second-tier bank channeling funds from other institutions and without the powers to raise financing on its own account. Along with the subsidized state development banks, a host of savings and loans cooperatives have disappeared, victims of financial mismanagement, hyperinflation, and embezzlement. With them went the savings of many lower and middle-class Peruvians, who have been left with a distrust of the financial system.

Financial operations and assets remain concentrated: four banks account for over 60% of all loans, and almost three-quarters of all deposits in the system. During 1997, commercial bank loan portfolios grew by approximately one-third. Total assets of the banking system amounted to \$18.8 billion in 2001. Peru is severely underbanked. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$6.1 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$17.4 billion. That year, the discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 14%.

The privately owned Lima Stock Exchange (Bolsa de Valores de Lima—BVL) regulates the sale of listed securities. Securities exchanges actually began in Lima in 1860, but the stock exchange in its current form was founded in 1971. There was a long bull run in 1992 as the economy stabilized after the coup and progress towards pacification was made. After falling by 27% in 1999 and 34% in 2000, the dollar value of the index dropped only 2.6% in 2001. At the end of 2001, 207 companies were listed on the BVL, and the market capitalization was \$11.1 billion. As of 2004, there were 194 companies listed on the BVL, which had a market capitalization of \$20.115 billion. In 2004, the IGBVL Index rose 52.4% from the previous year to 3,710.4.

### 3<sup>4</sup> INSURANCE

Insurance companies are controlled through the Superintendency of Banks and Insurance of the Ministry of Finance. According to a law of 1952, branches controlled by foreign insurance companies may not be established in Peru, although foreign insurers may operate through Peruvian subsidiaries in which they hold only minority interest. A majority of stockholders and directors of locally incorporated stock companies must be Peruvian nationals. The National Bank assumes exclusive control of all foreign reinsurance operations, as well as the writing of export credit insurance. In 2003, a total of \$873 million in direct premiums were written, with \$507 million of the total comprised of nonlife and \$366 million of the total was life insurance. For that same year, Peru's top nonlife insurer was Rimac Internacional, which had gross written nonlife premiums of \$174.5 million, while the country's leading life insurer, El Pacifico Vida, had gross written life insurance premiums of \$94 million. Worker's compensation and employees' life insurance are compulsory.

### 3<sup>5</sup> PUBLIC FINANCE

The central government publishes an annual budget representing the government's consolidated accounts (including budgetary and extrabudgetary transactions). Indirect taxes, including import and export duties, constitute the major source of government revenues. In the early 1970s, the number of state enterprises increased rapidly, which led to increased public-sector spending. As the revenues from state enterprises lagged behind expenditures, the budget deficit increased to about 10% of GDP during 1975–77, as compared to 1.7% during 1970–72. As a result of a fiscal stabilization program, the deficit was reduced to 6.5% of GDP in 1978, and to 2.5% in 1985. In 1990, the Fujimori administration began to pursue tighter fiscal policies and attempted to avoid domestic financing of the deficit. The consolidated public sector deficit, which in 1990 was 6.5% of GDP, fell to 2.5% by 1992, despite the suspension of most foreign financing after the 5 April 1992 coup.

#### Public Finance – Peru (2003)

(In millions of nuevos soles, central government figures)

<b>Revenue and Grants</b>	<b>34,742</b>	<b>100.0%</b>
Tax revenue	27,257	78.5%
Social contributions	2,502	7.2%
Grants	544	1.6%
Other revenue	4,439	12.8%
<b>Expenditures</b>	<b>38,542</b>	
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	154	0.4%
Health	4,867	12.6%
Recreational, culture, and religion	...	...
Education	2,584	6.7%
Social protection	15,508	40.2%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

The IMF program allowed a foreign-financed deficit of 2.9% of GDP in 1993 for increased social sector spending and investment in infrastructure. However, with lower than expected foreign financing and tax collection, the deficit that could be maintained while meeting the public sector external debt obligations was only equivalent to about 2% of GDP. The privatization of state enterprises fattened the government's coffers between 1992 and 2000. The budget deficit for 2000 was 2.5% of GDP due to a rise in public sector wages of 16%, and lower-than-expected revenues from privatization that year.

The US Central Intelligence Agency (CIA) estimated that in 2005 Peru's central government took in revenues of approximately \$21.8 billion and had expenditures of \$22.4 billion. Revenues minus expenditures totaled approximately -\$600 million. Public debt in 2005 amounted to 41.8% of GDP. Total external debt was \$30.18 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues in millions of nuevos soles were 34,742 and expenditures were 38,542. The value of revenues in millions of US dollars was \$9,988 and expenditures \$6,645, based on a market exchange rate for 2003 of 3.4785 as reported by the IMF. Government outlays by function were as follows: housing and community amenities, 0.4%; health, 12.6%; education, 6.7%; and social protection, 40.2%.

### 36 TAXATION

The basic corporate tax rate is 30%. However, incentives are available to investments made in mining, oil and gas licensing, and services contracts, for investments in manufacturing located in jungle areas, in tax-free zones, and in border areas. Capital gains are generally taxed as income at the corporate rate. Also, a special regime for small businesses and for some low-income companies imposes a monthly income of 2.5%. There is also a 4.1% tax on the distribution of dividends to nonresidents and individuals. However, dividend payments are not taxed if they are made between resident companies. Foreign dividends are part of taxable income. Branches of foreign companies are subject to the same taxes as Peruvian companies.

The personal income tax is charged at progressive rates of 15%, 21%, and 30%. Various deductions and allowances reduce the individual's taxable income. 20% of the salary and wages paid by a company to its employees is tax-exempt.

The main consumption tax is Peru's value-added tax (VAT) with a standard rate of 19%, of which 2% goes to the local level as a municipal promotion tax. Exports of goods, services, and chattels are exempt for VAT. Other taxes include excise, social security, healthcare pension fund, and profit-sharing taxes.

### 37 CUSTOMS AND DUTIES

Import licenses are not required on most products. Ad valorem duties are levied at 4% (on 23% of products), 12% (on 45% of products), or 7% (on 15% of products, especially textiles, footwear, and some agricultural products) of CIF value (cost, insurance, and freight). The remaining items are assessed duties rang-

ing from 17–20%. Tariffs range from a total of 4–20%, averaging 11.6%.

Export processing free zones offer investors exemptions from customs duties for imports and exports. Peru does not adhere to the common external tariff of the Andean Community, but is a member of the group, which opened a free trade zone with MERCOSUR in 2000.

### 38 FOREIGN INVESTMENT

The British were the first to gain prominence as investors in Peru, when they took power of the railways in payment of debt to Peruvian bondholders in 1890. They developed oil fields and a long distance telephone and cable service. In the mid-1950s, Swiss, German, and Canadian interests became active in the transportation and communication services. Private US interests ventured capital and technical aid to all sectors, especially the oil and mining industries. The fishing industry from the beginning was fostered by the United States. Private companies operated tuna fleets in Peruvian waters, as well as canneries.

Between 1959 and 1961, following passages of industrial development laws and the signing of an investment guarantee treaty with the United States, under which private US investors could obtain federal risk insurance against currency inconvertibility, total foreign investment almost doubled, rising from \$686 million to \$1,274 million. US investments continued their rapid growth rate until the 1968 coup, after which Peru's military rulers pursued a nationalist course, characterized by selective expropriation of foreign-held interests in sectors such as mining, finance, and infrastructure. In addition, a variety of strictures were placed on the uses of foreign capital, as well as on the relative proportion of foreign-to-local control. US-linked firms were the hardest struck by these measures, causing a strain in relations. In February 1974, a US-Peruvian agreement provided a compensation schedule for properties taken over during 1968–73. At the end of 1973, the US investment column stood at \$793 million, less than half of the total a decade earlier. Private investments in the 1970s continued to lag, although some new funding was being advanced in mining and petroleum. From 1977 through 1980, net direct capital investment totaled only \$177 million, or less than the total for 1981 (\$263 million), the first year after the restoration of civilian rule. In 1984 and 1985, after the economic slump, net direct investment was \$89 million and \$53 million, respectively.

After 1980, the official attitude toward foreign investment changed substantially. The 1979 constitution guarantees protection of private property, whether Peruvian or foreign, and permits foreign jurisdiction for international financial contracts. The agency responsible for foreign investment is the National Commission of Foreign Investment and Technology (Comite Nacional de Inversion Extranjera y Tecnologia, or CONITE). In late 1986, the Andean Group relaxed its regulations on foreign investment; this change was expected to benefit Peru. About 1,000 foreign companies were represented in Peru in the 1980s, either directly or through subsidiaries or affiliates.

The trade and investment climate in Peru improved significantly after President Fujimori assumed office in July 1990. Foreign investor confidence in Peru should be maintained with Fujimori as the key element in sustaining capital inflows. The Foreign Investment Promotion Law and the Framework Law for Private Invest-

ment Growth outlined the government's support for privatization and foreign investment in 1991. From 1991 to 1997, privatization sales totaled over \$7 billion, most of which came from foreign investors. There are no restrictions on remittances, but there is a mandatory affirmative action program for Peruvian employees. Activities in export processing zones are tax and customs duty exempt for 15 years.

In 1998, total foreign direct investment (FDI) stock totaled about \$7.3 billion. FDI inflow to Peru in 1998 was over \$1.8 billion, up from nearly \$1.7 billion in 1997, and then peaked at \$2.3 billion in 1999. Due mainly to political turmoil and uncertainty in the country, FDI flows to Peru fell to \$681 million in 2000. In 2001, FDI flows increased to \$1.1 billion, and in 2002 were approximately \$2 billion. The major sources of FDI have been Spain (particularly in telecommunications), the United States, and the United Kingdom (in the energy and industry and mining sectors). Cumulative FDI as of 2002 was over \$10 billion.

In 2004, the stock of FDI was \$12.6 billion, up from \$12.46 in 2003. Most of the investments went to communications (29%), industry (14.7%), finance (14.7%), mining (13.5%), and energy (13%). In June 2004, PetroPeru was excluded from the privatization list by a congress law, and it was authorized to conduct exploration and production activities. A series of major mining and energy projects (the Camisea natural-gas field being one of the most important ones), were likely to attract important investors from abroad.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

After World War II, President Odría discontinued import licensing and certain price controls and enacted the Mining Code of 1950, the Petroleum Law of 1952, and the Electrical Industry Law of 1955, all with a view to reassuring sources of foreign and domestic capital of reasonable taxation and an adequate rate of earnings under liberal exploitation concessions. Given this stimulus to capital ventures, the economy expanded, and new exports, such as iron and coal, were developed.

After the coup of 1968, Peru's military rulers sought a profound restructuring of the country's economic life. The overall objectives were the establishment of effective state control of natural resources; redistribution of foreign participation; creation of manageable balance among governmental, private, and foreign sectors; and redistribution of productive sources more broadly throughout the population. Nationalization, coupled with a redistribution of ownership and management authority in major enterprises, was the cornerstone of the new policy from its incipient stages in 1968 through 1975. A five year plan was announced in December 1968, emphasizing a reorientation from an agricultural to an industrial economy and stressing the expropriation of large estates, with redistribution of land to peasants in the sierra. In early 1969, tax and credit incentives for the formation of cooperatives and the consolidation of smaller landholding were enacted. In nonagricultural sectors, the government began, in 1969, selective nationalization of major foreign holding in the mining, petroleum, and infrastructure sectors. In several areas, a government presence was asserted through the creation of state-owned commercial enterprises, the most notable of which included Induperu, in industry; Mineroperu, in mining; Pescaperu, in fishing; Petroperu, in petroleum; En-

telperu, in telecommunications; and COFIDE (Corporacion Financiera de Desarrollo), in investment.

Industrial enterprises in general were required to adopt profit-sharing and co-ownership schemes for their employees. Although strict limits were placed on foreign participation in Peruvian industry, such investments were not ruled out in principle, and in 1974, the government acted to guarantee fair settlement for US holdings expropriated during 1968–73.

In the mid-1970s, the regime began to moderate the rigid price control system instituted in its formative years. The prices of petroleum and basic consumer goods were increased, while wage increases were fixed and agricultural subsidies removed. In September 1975, the sol was devalued and financial controls were imposed to help stem inflation (reaching 40% in 1975) and to ease the trade imbalance. The Tupac Amaru Development Plan, announced in 1977, limited the structural reforms of the Inca Plan, calling for economic decentralization and encouragement of foreign investment.

In the late 1970s, a number of state-controlled enterprises were sold, and worker participation was curtailed. The civilian leaders who came to power in 1980 sought to reduce government participation in the economy and to improve the efficiency of state enterprises. Import tariffs and export taxes were reduced, and a new investment program for 1980–85 emphasized power and irrigation projects and the construction of housing and health care facilities. These attempts to revitalize the economy were hampered by the worldwide recession and by the soft market of Peru's commodity exports. In response, the García Administration reverted to an interventionist policy, imposing import controls and regulating foreign-exchange availability, as well as influencing the financial sector by threatening to nationalize the banks.

On 28 July 1974, the government announced its Inca Plan (which may actually have been drawn up before the 1969 coup), a master plan that envisioned eventual transformation of all economic entities along prescribed socialist lines. Three types of enterprises were to be permitted to operate in Peru: state-owned enterprises, worker-owned collectives (industrial communities), and social-property companies (entities managed by workers but financed by the state).

In late 1975, the Central Bank set up a line of credit to aid the formation of social-property companies through the National Fund for Social Property. The Agrarian Bank, which had been created in July, was authorized to handle the credit requirements of the reorganized agricultural sector, as well as to ease the transformation of cooperatives and farmers' associations, many of which had existed for only a few years, into social-property entities. The order of priorities for industry placed basic industries—notably steel, nonferrous metals, chemicals, fertilizers, cement, and paper—at high rung, followed by manufacturers of capital good, such as machine tools, and industrial research. Reinvestment of profits was stressed throughout.

The decade of the 1990s, with an administration in favor of a market economy, attracted more investment into Peru's economy. With foreign capital flowing, Peru was poised for economic recovery. Privatization and the rapidly growing economy were providing the government with funds to spend on infrastructure and social programs.



In August of 1990, the government implemented an economic program based on (1) an economic stabilization plan, (2) a structural reform program and (3) a set of initiatives aimed at reintegrating the Peruvian economy into the international economic system. As a direct result economic growth in the 1990s was quite strong.

The economic stabilization plan focused on achieving an inflation rate comparable to international levels, and to foster an environment favorable for savings, investment and sustained economic growth. The plan was based on strict fiscal discipline in accordance with an austere monetary policy. The inflation rate was about 6% in 1999. Structural reforms resulted in capital amounting to \$7 billion between 1991 and 1999, resulting in a massive inflow of foreign investment. The reinsertion of Peru into the international financial system, beginning in 1991, was intended to restore normal relations between the country and its international creditors. Peru normalized its relations with multilateral bodies, the Paris Club, and with commercial banks.

Upon being elected in 2001, President Toledo implemented an economic recovery program, to revive an economy that had stagnated from 1998–2001. He took measures to revive the privatization program and to attract investment. The production, refining, and distribution of coca engages approximately 200,000 Peruvians, but the government has taken steps to curtail the narcotics industry. These include promoting alternative development programs in coca-growing areas, in order to convince coca farmers not to grow the crop.

In 2002, the International Monetary Fund (IMF) approved a two-year \$347 million Stand-By Arrangement with Peru, to support the government's plans for economic recovery and a lowered rate of inflation.

The consistent economic growth was likely to continue in 2006 and 2007, although at more moderate rates. The growth was expected to be fueled by higher consumption rates, which in turn would be positively influenced by consumer confidence and employment growth in export-oriented industries. A series of planned public development projects were expected to trigger a boom in the construction industry, which would also be reflected in the overall growth pattern of the country.

#### 40 SOCIAL DEVELOPMENT

A modern system of social security (referred to as SNP) has evolved from initial legislation provided in the 1936 constitution. Coverage and benefits were substantially broadened after the 1968 coup. Workers were entitled to receive benefits covering disability, medical attention, hospitalization, maternity, old age, retirement, and widows and orphans. In 1991, the government introduced a new system of individualized capitalization through private pensions (SPP), which exists along side the national social security system.

Social insurance is compulsory for all employees up to the age of 60. The national social security and pension funds (SNP) are endowed by 13% of employee earnings, with the balance of funds supplied by the government. The private system is funded entirely by contributions from employees amounting to 10% of earnings. Sickness and maternity benefits are funded by 9% of employer payroll, with a special credit for employers who use the newer pri-

ivate system. Working mothers are entitled to maternity leave of 90 days at 100% pay. A funeral grant is provided.

Women are often kept from leadership roles in the public and private sectors by the force of tradition, although they are equal under the constitution. A government-supported program to provide credit to female entrepreneurs encourages women to pursue ventures. Racial and sexual discrimination are specifically prohibited by law in hiring, but in practice it continued to occur. Sexual harassment continued despite new legislation adopted in 2003. Domestic abuse and violence against women is a widespread problem which is exacerbated by insensitivity on the part of authorities, although there are some special police stations staffed by women to assist female victims of violence.

Human rights violations have been committed by the government and terrorist groups. There are restrictions on freedom of speech and of the press. Prison conditions are poor and the physical abuse of prisoners is common. The native population of the Amazon region continued to suffer discrimination.

#### 41 HEALTH

Although Peru has made significant advances toward reducing epidemic disease, improving sanitation, and expanding medical facilities, much remained to be done. Approximately 77% of the population had access to safe drinking water and 76% had adequate sanitation. Health services are concentrated around metropolitan Lima. A health care plan initiated in 1981 called for the establishment of 100 health centers in rural areas and shantytowns. The central administration of all health services lies with the Ministry of Health. A General Health Law enacted in 1997 restructured and reformed the health care sector. As of 2004, there were an estimated 117 physicians, 67 nurses, and 11 dentists per 100,000 people. Total health care expenditure was estimated at 6.2% of GDP.

The infant mortality rate in 2005 was estimated at 31.94 per 1,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 23.3 and 5.8 per 1,000 people. Maternal mortality was high at 265 per 100,000 live births. Some 69% of married women used contraception during 2000. Average life expectancy in 2005 was estimated at 69.53 years.

Leading causes of death included acute respiratory infections, intestinal infectious diseases, circulatory system and cardiovascular disease, and tuberculosis. Serious vitamin A deficiency was documented in 22% of children ages four and under and an estimated 48% of all children aged six to nine suffering from malnutrition. Goiter rates in school-age children were high.

Peru has repeatedly reported the highest number of yellow fever cases in the Americas. Other common diseases included malaria and tuberculosis. Immunization rates for children up to one year old were: tuberculosis, 98%; diphtheria, pertussis, and tetanus, 98%; polio, 97%; and measles, 95%.

The HIV/AIDS prevalence was 0.50 per 100 adults in 2003. As of 2004, there were approximately 82,000 people living with HIV/AIDS in the country. There were an estimated 4,200 deaths from AIDS in 2003.

#### 42 HOUSING

Successive governments since the 1950s have recognized the importance of slum clearance and public housing programs in com-

bating disease and high mortality rates. Most housing development programs carried out by the government and by private enterprise have been in the Lima area. In Lima and other towns, several “neighborhoods” (*unidades vecinales*) have been completed through government efforts since the early 1960s. Each such housing complex is designed to be a self-sufficient community. A typical neighborhood is built to house 6,000 persons at moderate rentals.

One of the revolutionary government’s early decrees gave the Housing Bank control over financing low-cost housing. Construction grew rapidly during 1970–73, to the point of depleting local cement supplies.

In 2002, there were about 6 million dwelling units nationwide. About 88.7% of all units were single-family detached houses. Rapid urbanization has resulted in housing shortages in urban areas. Shanty towns called *pueblos jóvenes* have developed in these areas as families build temporary structures out of straw mats, scrap wood, and other disposable materials.

### 43 EDUCATION

The government has been responsible for public education since 1905; free secondary education began in 1946, but with far too few public schools to meet the need. In March 1972, new education legislation enhanced the central authority of the Ministry of Education, granting the government control over all teaching appointments in the public schools and increasing its authority over the private sector. The legislation provided for adult literacy instruction and instituted the concept of a fully staffed six-grade “nuclear” school to serve the rural population. The 1972 law also established Quechua and Aymará as languages of instruction for non-Spanish-speaking Amerindians, especially in the lowest grades.

Education is compulsory for 12 years, including one year of preprimary education. Primary school covers six years and is followed by two years of general secondary school. Students then attend either a three-year general academic secondary school (studying either arts or sciences) or a three-year technical school. Students planning to enter university may take an additional year of preparatory studies, but this is not an entry requirement. The academic year runs from April to December.

In 2001, about 50% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 69% of age-eligible students. Nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 25:1 in 2003; the ratio for secondary school was about 19:1. In 2003, private schools accounted for about 13.7% of primary school enrollment and 17.3% of secondary enrollment.

There is a national university in virtually every major city; the oldest is the National University of San Marcos of Lima, originally founded in 1551. The National University of Engineering and the National University of Agriculture are specialized governmental institutions. The University of San Cristóbal de Huamanga in Ayacucho, founded in the 17th century, was reopened in 1960 and offers mainly technical training. Peru’s hard-pressed universities can accept only a fraction of each year’s applicants. As of 2005, the government was in the process of organizing a university for the

indigenous people of the Northern Amazon region. This school would offer course in such fields as forestry management and medicinal plants, with classes conducted in indigenous languages. In 2003, about 32% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 87.7%, with 93.5% for men and 82.1% for women.

As of 2003, public expenditure on education was estimated at 3% of GDP, or 17.1% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

The National Library in Lima, with 736,000 volumes, is the largest in Peru. More than 450,000 volumes may be found in the various libraries of the University of San Marcos. The library at the National University of San Agustín at Arequipa contains over 430,000 volumes. The library at the Pontifical Library has over 350,000 items. There are nearly 200 public libraries in Peru, the largest of them in Callao, Arequipa, and Lima.

Peru has endeavored to restore and maintain the aesthetic and historical evidences of its pre-Columbian and colonial civilizations in more than 250 public and private museums. The City Hall in Lima contains a full record of the city’s official acts since its founding. The Cathedral of Lima, with its silver-covered altars and carved stalls, contains priceless historical, and religious relics. A chapel near the entrance contains the alleged remains of Francisco Pizarro. Two colonial residences, the Palacio Torre Tagle and the Quinta de Presa, have been maintained to exhibit antiques and to serve as examples of the architecture of traditional Lima. There is no law protecting old houses, however, and many have been removed to make way for new downtown buildings. Some have been privately restored, such as the headquarters of the Association of Amateur Artists, the Institute Riva Agüero, the Associated Electrical Companies, the Bullfight Museum, and the Oquendo Mansion. In the Quinta de Presa is a museum with the possessions of the actress La Perricholi, the famous favorite of the 18th-century Viceroy Amat.

At Pueblo Libre in Lima are the National Museum of Archaeology and Anthropology, with exhibits of pre-Columbian civilizations, and the Museum of the Republic, a historical museum. The Rafael Larco Herrera Museum in Lima (housing the former collection of the Chiclín plantation near Trujillo) is a private museum with a vast collection of notable antiquities from the pre-Inca Chimú culture. The University of Trujillo has a museum with specimens of early Peruvian cultures. Lima’s Museum of Art exhibits Peru’s national art from the pre-Columbian era to the contemporary period. There are regional museums throughout the country, including the Frederico Galvez Durand Archeological Museum in Huancayo featuring artifacts from the Nazca peoples.

### 45 MEDIA

Peru’s major telecommunications systems were developed privately by Swedish, US, and Swiss enterprises. In 1970, however, the government nationalized the Lima Telephone Co. and announced plans to take over the entire telecommunications system through its wholly owned company Entelperú. A joint Peruvian-Chilean firm operates a system in southern Peru and Arica, Chile. In 2003, there were an estimated 67 mainline telephones for every 1,000 people; about 33,000 people were on a waiting list for telephone

service installation. The same year, there were approximately 106 mobile phones in use for every 1,000 people. The government's Bureau of Mails and Telecommunications operates the domestic telegraph system, using radio to reach communities not served by land lines.

In 2004, there were 65 radio stations and 2 news channels on 2 commercial cable systems in the Lima area. There are many privately owned provincial stations. The government owns only one radio station and one television network. In 2003, there were an estimated 269 radios and 172 television sets for every 1,000 people. About 16.6 of every 1,000 people were cable subscribers. Also in 2003, there were 43 personal computers for every 1,000 people and 104 of every 1,000 people had access to the Internet. There were 129 secure Internet servers in the country in 2004.

The leading Lima dailies—among them *El Comercio* (2004 circulation 120,000), *Ojo* (40,000), and *Expreso* (50,000)—are the most important newspapers and are flown daily to provincial towns. Other major papers from Lima include *Aja* (120,000), *El Bocon* (90,000), and *La Republica* (50,000). The official government paper is *El Peruano* (27,000), a daily gazette in which laws, decrees, and brief government announcements are published. Special-interest periodicals are published by learned societies, agricultural groups, and business associations.

During the period of military rule between 1968 and 1980, the press in Peru was under strict government control. The law provided severe penalties for criticizing government officials and required newspapers to publish reports from the president and cabinet ministers. When civilian rule returned in 1980, the press was returned to private control. However, freedom of the press was again restricted during the political crackdown by President Fujimori in April 1992, and journalists have been arrested by the government. As of 1999, journalists were subject to harassment and intimidation, and practiced self-censorship. The government is said also to exert control over the media through the purchasing of advertising to promote government views and pro-government opinion.

## 46 ORGANIZATIONS

The national Society of Industries, founded in 1896, coordinates the branches of organized industry. The Office of Small Industry and the Institute for the Development of Manual Arts were established in 1946 to revive the weaving and spinning skills of Incas and to coordinate the handicraft workers in textile and other industries, such as gold and silver crafts. Numerous chambers of commerce continued to function.

Of Peru's many learned societies, perhaps the most important is the Academia Peruana, affiliated with the Royal Spanish Academy of Madrid. Others include the Peru Association for the Advancement of Science and the Geographic Society of Lima. There are several professional associations dedicated to research and education for specific fields of medicine and particular diseases and conditions.

National youth organizations include the National Association of Scouts and Guides, the Federation of Peruvian Students, Junior Chamber, and YMCA/YWCA, as well as a number of religious youth groups. Sports associations offer encouragement for amateur competition in such pastimes as badminton, squash, and track and field.

The Latin American and Caribbean Committee for the Defense of Women's Rights has an office in Lima. International organizations with national chapters include Amnesty International, UNICEF, the Society of St. Vincent de Paul, Habitat for Humanity, CARE Peru, and the Red Cross.

## 47 TOURISM, TRAVEL, AND RECREATION

As part of a program to encourage foreign tourism, the government has built and manages, through its Peruvian Hotel Co., several hotels or inns and a variety of tourist services. To help increase foreign exchange earnings from tourism, Peru consolidated all government agencies dealing with tourism into an autonomous corporation in 1964. The Fund for the Promotion of Tourism was established in 1979.

Tourists, as well as scholars, are especially drawn to the wealth of archaeological remains on the coast and in the sierra. Chan Chan, the center of the Chimú civilization, stands in adobe ruins near Trujillo. The ruins of the 9th-century coastal city of Pachacamac are just south of Lima. Inca ruins may be seen at Cuzco, Sacahuamán (on the northern edge of Cuzco), Ollantaytambo, and Machu Picchu, as well as on Lake Titicaca islands.

The northern coastal waters are famous for big-game fishing, and the abundant resources of the sierra waters are maintained by fish culture stations. Lakes and streams have been stocked with trout throughout Peru. In Lake Titicaca, trout average 10 kg (22 lb); trout weighing as much as 21 kg (46 lb) have been caught. Other tourist attractions include beaches and water sports; several state parks offer mountain climbing, cross-country skiing, and white-water rafting. The most popular sports are football (soccer), baseball, basketball, and bullfighting. Fiestas, especially the annual celebrations of patron saints, include both Catholic and Indian rites; bands of musicians, or conjuntos, are an important part of each fiesta.

There were 933,643 visitors who arrived in Peru in 2003, of whom 67% came from the Americas. Hotel rooms numbered 123,252 with 213,829 beds. The average length of stay was two nights. A US passport is required along with an onward/return ticket. Visas are only required for visitors from Cuba, Iran, Iraq, Kuwait, Bulgaria, Russia, Pakistan, India, and China. The presence of yellow fever in the area may require a certificate of vaccinations against the disease.

In 2004, the US Department of State estimated the daily cost of staying in Lima at \$215; in Cuzco, \$204; and in Paracas, \$158.

## 48 FAMOUS PERUVIANS

The Inca Huayna Capac (1450?–1525) reigned from 1487 and extended the Inca Empire, encouraging public works and fine arts. On his death he left the empire to his two sons, Huáscar (1495?–1533) and Atahualpa (1500?–1533); Huáscar was executed by his half-brother, and Atahualpa, the last of the great Incas, was executed by the Spanish conquistador Francisco Pizarro (1470?–1541). Acknowledged as America's first great writer, Garcilaso de la Vega (El Inca, 1539?–1616), son of a Spanish conquistador and an Inca princess, preserved in his *Royal Commentaries of the Incas* authentic descriptions of this ancestral empire and its traditions. Manuel de Amat (fl. 18th century), viceroy from 1762 to 1776, was a patron of the colonial theater and of the famous actress Micaela Villegas, known as La Perricholi. Tupac Amaru II (José Gabriel

Condorcanqui, 1742–81), partly descended from the Incas, led a revolt against Spanish rule in 1780 in which he was defeated, captured, and executed.

Dr. José Hipólito Unnúa (1758–1833), a statesman and scientist, founded Lima's medical school in 1808 and reformed Peruvian education. The hero of the War of Independence, Mariano Melgar (1792–1815), was also a poet and composer whose regional songs (*yaravís*) are still popular. Marshal Ramón Castilla (1797–1867) distinguished himself in two great presidential terms (1845–51, 1855–62), introducing railways and the telegraph, emancipating the slaves, abolishing Amerindian tribute, modernizing Lima, and developing the important guano industry. Ricardo Palma (1833–1919) is considered Peru's greatest literary figure; a critic, historian, and storyteller, he originated the genre called *tradicción*, and wrote the 10-volume *Tradiciones Peruanas*. José María Valle-Riestra (1858–1925) was an important composer.

In the modern era, the work of an erudite Amerindian, Julio Tello (1880–1947), became internationally known in archaeological circles. Jorge Chávez (1887–1910) made the first solo flight across the Alps in 1910. Santos Chocano (1875–1934), César Vallejo (1895–1938), and José María Eguren (1882–1942) are considered Peru's finest modern poets. Established prose writers are Víctor Andrés Belaúnde (1883–1966), Jorge Basadre (1903–80), and Ciro Alegría (1909–67); the novelist Mario Vargas Llosa (b.1936) was the first Latin American president of PEN, an international writers' organization. Peru's best-known contemporary painter is Fernando de Szyszlo (b.1925). Other noted Peruvians include Ventura García Calderón (1866–1959), a writer; José Sabogal (1888–1956), a painter; Honorio Delgado (1892–1969), a scientist; and José Carlos Mariátegui (1895–1930), a political essayist. Yma Sumac (b.1928) is an internationally known singer.

Víctor Raúl Haya de la Torre (1895–1979) originated APRA in 1924 as a Latin American workers' movement; it became Peru's most significant political force. Gen. Juan Velasco Alvarado (1910–77), who led the military coup of 1968, ruled as president of Peru until his own ouster by a bloodless coup in 1975. Gen. Francisco Morales Bermúdez Cerruti (b.1921), president during 1975–80, prepared the country for a return to civilian rule. Fernando Belaúnde Terry (1913–2002), founder of the Popular Action Party, served as president during 1963–68 and again during 1980–85. Alán García Pérez (b.1949) was elected president in 1985. Alberto

Fujimori (b.1938), was president from 1990 to 2000: once out of office, Interpol issued an international arrest warrant for Fujimori on charges including crimes against humanity, murder, and kidnapping, and President Alejandro Toledo (b.1946) lodged an extradition request with the Japanese government (where Fujimori had fled) in 2003. In 1982, Javier Pérez de Cuéllar (b.1920) became secretary-general of the UN.

#### 49 DEPENDENCIES

Peru has no territories or colonies.

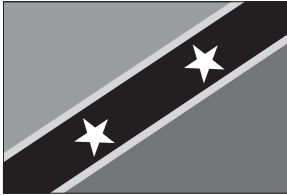
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# ST. KITTS AND NEVIS

Federation of Saint Kitts and Nevis



**CAPITAL:** Basseterre

**FLAG:** Two thin diagonal yellow bands flanking a wide black diagonal band separate a green triangle at the hoist from a red triangle at the fly. On the black band are two white five-pointed stars.

**ANTHEM:** *National Anthem*, beginning "O land of beauty."

**MONETARY UNIT:** The East Caribbean dollar (EC\$) of 100 cents is the national currency. There are coins of 1, 2, 5, 10, and 25 cents and 1 East Caribbean dollar, and notes of 5, 10, 20, and 100 East Caribbean dollars. EC\$1 = US\$0.37037 (or US\$1 = EC\$2.7) as of 2004.

**WEIGHTS AND MEASURES:** The imperial system is used.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1st Monday in May; Bank Holiday, 1st Monday in August; Independence Day, 19 September; Prince of Wales's Birthday, 14 November; Christmas, 25 December; Boxing Day, 26 December; Carnival, 30 December. Movable religious holidays include Good Friday and Whitmonday.

**TIME:** 8 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

St. Kitts lies about 8 km (5 mi) SE of the Netherlands Antilles and 72 km (45 mi) NW of Antigua, in the Leeward Islands. It is 37 km (23 mi) long and 8 km (5 mi) across at its widest point, with a total area of 261 sq km (101 sq mi). Comparatively, the area occupied by St. Kitts and Nevis is slightly more than 1.5 times the size of Washington, DC. Nevis lies about 3.2 km (2 mi) SE of St. Kitts, across a channel called the Narrows; it is 13 km (8 mi) long and 10 km (6 mi) wide, with a land area of 93 sq km (36 sq mi). Together the islands have a coastline of 135 km (84 mi).

The capital city, Basseterre, is located on St. Kitts.

## <sup>2</sup> TOPOGRAPHY

St. Kitts and Nevis are of volcanic origin. In the northwest of St. Kitts is Mt. Liamuiga (also called Mt. Misery), a dormant volcano that is the island's highest peak at 1,156 m (3,792 ft); to the south and west of Mt. Liamuiga are 210-m (700-ft) cliffs that drop straight to the sea. On the southern arm of the island lies the Great Salt Pond. The island of Nevis could be considered to be one large dormant volcano. Nevis's highest elevation is the central peak of Mt. Nevis, at 985 m (3,232 ft); it is usually capped in clouds. There is a black sand beach on the northwest coast.

The islands are located on the Caribbean tectonic plate at the boundary of the North American Plate; the subduction of the Atlantic Plate beneath the Caribbean Plate was responsible for the formation of the islands and continues to cause earthquakes in the surrounding region.

## <sup>3</sup> CLIMATE

Temperatures range from 26°C (79°F) to 32°C (89°F) all year long. Northeast tradewinds are constant. Rain usually falls between

May and November, averaging 109 cm (43 in) a year. High humidity characterizes the summer months. Hurricane season runs from late summer to early fall.

## <sup>4</sup> FLORA AND FAUNA

The upper slopes of Mt. Nevis are well wooded; coconut palms, poincianas, and palmettos are profuse. Lemon trees, bougainvillea, hibiscus, and tamarind are common on both islands. Swamps and marshes on the southern peninsula of St. Kitts feature red and white mangroves. There are some black-faced vervet monkeys on Monkey Hill in St. Kitts. Coral reefs off the coast serve as a habitat for such marine life as sea turtles, barracuda, eels, and rays.

## <sup>5</sup> ENVIRONMENT

Deforestation, erosion, and water pollution are among the most significant environmental problems in St. Kitts and Nevis. Deforestation has affected the nation's wildlife population and contributed to soil erosion. The erosion of the soil produces silt, which affects the living environment for marine life on the coral reefs.

Water pollution results from uncontrolled dumping of sewage into the nation's waters. Another contributing factor is pollution from cruise ships which support the nation's tourist trade. In an effort to establish a framework for the regulation of environmental issues, the government has introduced legislation. The National Conservation and Environmental Protection Act, along with the Letter Act, are aimed at monitoring the nation's most pressing environmental concerns.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 1 type of mammal, 2 species of birds, 3 types of reptiles, 11 species of fish, and 2 species of plants. Threat-

ened species in the country included the red-bellied racer, green turtle, leatherback turtle, and the hawksbill turtle.

## 6 POPULATION

The population of St. Kitts and Nevis in 2005 was estimated by the United Nations (UN) at 48,000, which placed it at number 186 in population among the 193 nations of the world. In 2005, approximately 8% of the population was over 65 years of age, with another 28% of the population under 15 years of age. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.0%, a rate the government viewed as too high. The projected population for the year 2025 was 57,000. The overall population density was 133 per sq km (345 per sq mi), with the density on the island of St. Kitts twice that of Nevis.

The UN estimated that 33% of the population lived in urban areas in 2005, and that the population in urban areas was declining at an annual rate of -0.42%. The capital city, Basseterre, had a population of 13,000 in that year. Charlestown is the largest urban settlement on Nevis.

## 7 MIGRATION

There is less emigration in the current period than there was during the mid-20th century, largely because the economy enjoys almost full employment during the tourist and harvest seasons. During the off-season, some people migrate to other islands in search of work. The total number of migrants was 4,000 in 2000. In 2005, the net migration rate was -5.9 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

About 96% of the population are of black African descent. Only about 5% of the population are mulatto, 3% Indo-Pakistani, and 1.5% European.

## 9 LANGUAGES

English, sprinkled with local expressions, is the universal language.

## 10 RELIGIONS

Christianity is the dominant religion. The Anglican Church, the largest church on the island, claims about 50% of the population. About 25% are Roman Catholics. Other Christian groups are Methodists, Moravians, Seventh-Day Adventists, Mormons, and Jehovah's Witnesses. There are small communities of Rastafarians and Baha'is. Religious freedom is guaranteed by the constitution. Certain Christian holidays are recognized as national holidays. The St. Kitts Christian Council is a nongovernment group that promotes interfaith understanding.

## 11 TRANSPORTATION

As of 2004, a light, narrow-gauge railway of 50 km (31 mi) on St. Kitts was operated by the government to transport sugarcane from fields to factory and processed sugar to the pier at Rawlins Bay. In 2002, there were 320 km (199 mi) of roads on the islands, of which 136 km (85 mi) were paved; the main roads circle each island. Basseterre and Charlestown are the principal ports. A state-run motorboat service is maintained between St. Kitts and Nevis. In

2004 there were two airports, both with paved runways. Golden Rock International Airport is a modern facility serving Basseterre; several small airlines fly to a landing strip at Newcastle, on Nevis.

## 12 HISTORY

Arawak Indians, followed by Caribs, were the earliest known inhabitants of the islands. Discovered by Columbus in 1493 and named St. Christopher, St. Kitts was the first of the British West Indies to be settled. Sir Thomas Warner established a settlement on St. Kitts in 1623, later leading colonial expeditions to Nevis in 1628 and Antigua in 1632. For a short while during this period there were French settlements at both ends of St. Kitts, and the French settlers cooperated with the British to repel a Spanish invasion. By the 1660s there were some 4,000 Europeans engaged in the sugar trade, based on a plantation system with slaves imported from Africa. The French gained control in 1664 but lost it to the British in 1713, under the Peace of Utrecht. The French besieged the British garrison in the Brimstone Hill fortress in 1782 and once more gained control of the island, but the Treaty of Versailles (1783) returned St. Kitts again to Britain. By the late 18th century, the thermal baths at Charlestown, Nevis, attracted thousands of international tourists. Although the slaves were emancipated in 1834, many of the ex-slaves continued to work on the sugar plantations, so the sugar-based economy did not decline as rapidly as elsewhere in the West Indies.

St. Kitts, Nevis, and Anguilla (the most northerly island of the Leeward chain) incorporated with the British Virgin Islands in 1816. The territorial unit of St. Kitts-Nevis-Anguilla became part of the Leeward Islands Federation in 1871 and belonged to the Federation of the West Indies from 1958 to 1962. In 1967, the three islands became an associated state with full internal autonomy under a new constitution. After the Anguilla islanders rebelled in 1969, British paratroopers intervened, and Anguilla seceded in 1971, an arrangement formally recognized on 19 December 1980.

There have been regular general elections in St. Kitts and Nevis since 1971. A 1982 white paper on independence provoked stormy debate over the form of the constitution, spilling over into civil unrest in 1982 and 1983. St. Kitts and Nevis became an independent federated state within the Commonwealth on 19 September 1983. Under the arrangement, Nevis developed its own legislature and gained the power to secede from the federation. Elections in June 1984 produced a clear majority for the People's Action Movement/Nevis Reformation Party coalition.

In the 21 March 1989 elections, 11 of 14 members of the National Assembly were elected, six from the People's Action Movement Party (PAM), two from St. Kitts and Nevis Labor Party (SKNLP), two from the Nevis Reformation Party (NRP), and one from the Concerned Citizens Movement (CCM). In the 29 November 1993 elections, no major party won the most seats and no coalition government emerged. The governor-general invited a minority government to form. In response, the Labour Party demonstrated, which led to serious disturbances, causing a 21-day state of emergency in December 1993.

In June 1996, Nevis premier Vance Amory announced plans for Nevis to secede from the federation as detailed in the constitution. Elections for the Nevis Island Assembly held in February 1997 returned Amory to power. The CCM retained its three seats, and the

NRP held its two seats. Nevis's assembly voted unanimously for secession in 1997. However, a referendum on succession in July 1998 was unsuccessful when it failed to gain the approval of two-thirds of the electorate (61.8% in favor).

The 3 July 1995 elections gave the SKNLP seven seats; PAM kept one seat; NRP, one seat; and the CCM, two seats. Denzil L. Douglas, leader of the SKNLP, became prime minister. Elections in March 2000 resulted in SKNLP winning all eight seats in St. Kitts, returning Douglas for a second five-year term as prime minister. The CCM retained two seats in Nevis, and NRP kept one seat. The PAM won no seats.

Elections were held in October 2004. The SKNLP won 7 seats, the CCM, 2; the NRP, 1; and the PAM, 1. Douglas began a third term as prime minister. Douglas has stated that any differences between Nevis and St. Kitts should be resolved through constitutional reform, rather than by a referendum on secession.

In March 2005, the government decided to close the 300-year old sugar industry after the 2005 harvest. The sugar industry had long been ailing. However, tourism and the offshore financial industry are growing. By 2003, Nevis had approximately 17,000 offshore businesses operating under strict secrecy laws; this made the islands attractive to drug traffickers and money launderers. St. Kitts and Nevis enacted new laws to try to crack down on the problem.

### 13 GOVERNMENT

St. Kitts and Nevis is a federation of the two constituent islands. Under the constitution passed at independence in 1983, the British monarch is head of state and is represented by a governor-general, who is required to act upon the advice of the cabinet, and a deputy governor-general for Nevis.

The nation is governed under a parliamentary system, with legislative power vested in the unicameral House of Assembly, consisting of the speaker, three senators (two appointed on the advice of the prime minister and one on the advice of the leader of the opposition), and 11 elected members elected from each of 11 constituencies for up to five years. The cabinet, collectively responsible to the Assembly, consists of the prime minister (who must be able to command the support of a legislative majority), the attorney general (ex officio), and other ministers. The prime minister could call for an early election if the people request it in a voted referendum, though it has yet to happen. The Nevis Island Assembly and the Nevis Island Administration (headed by the British monarch represented by the deputy governor-general) operate similarly to the federation government.

Suffrage is universal for all citizens 18 or older.

### 14 POLITICAL PARTIES

There are four political parties that have held seats in the House of Assembly. Although the Labour Party (now the St. Kitts and Nevis Labour Party—SKNLP) dominated the political scene from the 1950s until 1980, it was supplanted after independence by the People's Action Movement. The PAM won 6 seats, a clear majority, in both 1984 and 1989. The Labour Party held 2 seats in 1984 and 1989. The Nevis Reformation Party, founded in 1970, took 3 seats in 1984 and 2 seats in 1989, all of which were from constituencies on Nevis. The Concerned Citizen's Movement took 1 Nevisian seat in 1989. In 1993, the SKNLP and PAM each had 4 seats. CCM



LOCATION: 17°10' to 17°20' N; 62°24' to 62°45' W. TOTAL COASTLINE: 135 kilometers (84 miles). TERRITORIAL SEA LIMIT: 12 miles.

took 2 seats and the NRP took 1 seat. In 1995, the SKNLP won 7 seats, the PAM, 1 seat, and the CCM, 2 seats. In 2000, the SKNLP won all 8 seats from St. Kitts. The CCM held its 2 seats, and the NRP held its 1 seat. In 2004, the SKNLP won 7 seats, the CCM, 2; the NRP, 1; and the PAM, 1.

### 15 LOCAL GOVERNMENT

There are nine parishes in St. Kitts: St. George Basseterre, St. Peter Basseterre, St. Mary Cayon, Christ Church Nichola Town, St. John Capisterre, St. Paul Capisterre, St. Anne Sandy Point, St. Thomas Middle Island, and Trinity Palmetto Point. Nevis has five parishes: St. Paul Charlestown, St. John Figtree, St. George Gingerland, St. James Windward, and St. Thomas Lowland. Under the 1983 constitution, Nevis has its own legislative assembly and the right to secede under certain conditions.

### 16 JUDICIAL SYSTEM

The Eastern Caribbean Supreme Court, established on St. Lucia, administers the judicial system, which is based on English common law and statutory acts of the House of Assembly. A judge of the Court is responsible for St. Kitts and Nevis and presides over the Court of Summary Jurisdiction. Magistrates' courts deal with petty criminal and civil cases. The attorney general is the govern-

ment's principal legal adviser. An appeal may be taken to the organization of Eastern Caribbean States Court of Appeal; until 2003, final appeals were taken to the Judicial Committee of the Privy Council in the United Kingdom. St. Kitts and Nevis was among the nations joining together to form the Caribbean Court of Justice (CCJ) to hear cases formerly taken to the Privy Council. The court was officially inaugurated in April 2005. As of 2005, however, the court's jurisdiction was limited to the CARICOM states of Barbados and Guyana. The CCJ heard its first case in August 2005.

There are no military or political courts.

The judiciary has a reputation for independence and integrity. The system provides legal assistance to indigent criminal defendants.

## 17 ARMED FORCES

St. Kitts and Nevis participates in the Eastern Caribbean Regional Security System created jointly with Antigua and Barbuda, Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines in 1985.

## 18 INTERNATIONAL COOPERATION

St. Kitts and Nevis became a member of the United Nations on 23 September 1983; it belongs to ECLAC and several nonregional specialized agencies, such as, the FAO, the World Bank, ILO, UNSECO, UNIDO, and the WHO. The country is a member of the ACP Group, the WTO, the Commonwealth of Nations, CARICOM, the Caribbean Development Bank, G-77, the Alliance of Small Island States (AOSIS), the OAS, the Association of Caribbean States (ACS), and OECS. The headquarters for the Eastern Caribbean Central Bank is in St. Kitts.

St. Kitts and Nevis is also a part of the Eastern Caribbean Regional Security System (RSS), the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL), and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, the country is part of the Basel Convention, Conventions on Biological Diversity and Whaling, CITES, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Before 1987, the economy was based on agriculture, particularly on sugar, which generated over half of export revenues. The government closed down the sugar industry following the 2005 harvest after decades of losses at the state-owned sugar company. To compensate for the loss of the sugar industry, the government is embarking upon new ways to diversify the agricultural and other sectors of the economy. During the 1990s, tourism and related industries became the most important source of revenue in St. Kitts and Nevis. The country still produces sea island cotton, peanuts, vegetables, and coconuts, but the more than 400,000 visitors per year are the most important sources of jobs and earnings. The government has been making efforts to expand tourism and to improve local food production (the country imports most of its food needs). The country has had success with the development of its light manufacturing industries—mainly garments and electronics assembly, data entry, the expansion of non-sugar agricultural production and tourism. The average annual GDP between 1988 and

1998 was 4.8%. In 2004, the GDP growth rate stood at 5.1%. Inflation remains tame, at an annual average just below 2%.

Decreasing world prices hurt the sugarcane industry in the recent past, as have natural disasters like Hurricane Georges in 1998. Faced with the prospect of declining tourism after the 11 September 2001 terrorist attacks on the United States, Prime Minister Douglas offered a free one-week vacation in St. Kitts to all the firefighters and police in New York City and Washington, DC.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 St. Kitts and Nevis's gross domestic product (GDP) was estimated at \$339.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$8,800. The annual growth rate of GDP was estimated at -1.9%. The average inflation rate in 2001 was 1.7%. It was estimated that agriculture accounted for 3.5% of GDP, industry 25.8%, and services 70.7%.

Approximately 33% of household consumption was spent on food, 11% on fuel, 5% on health care, and 13% on education.

## 21 LABOR

In the latest years for which data was available, the labor force in 1995 was estimated at 18,172. Manufacturing employed 31% and services 69%. The unemployment rate was estimated at 4.5% in 1997.

The St. Kitts and Nevis Trades and Labor Union, established in 1940, is associated with the Labor Party and is the major workers' labor organization. The sugar industry and civil service are the largest employers, with tourism gaining importance, especially on Nevis. Unions have the right to organize and bargain collectively. The right to strike is not codified by law but is well established and respected.

The minimum working age is 12 years and this is effectively enforced. The government sets and enforces basic worker health and safety laws. The minimum wage varies by job classification and skill level of the wage earner. In 2001, it was us\$67.42 per week for a full-time domestic worker and us\$166.10 per week for a skilled worker. The workweek is generally set at five days with 40 hours. The law provides a two-week annual vacation.

## 22 AGRICULTURE

Of the islands' total land area, about 22% is devoted to crops. The principal agricultural product of St. Kitts is sugarcane; peanuts are now the second crop. On Nevis, sea island cotton and coconuts are the major commodities. Sweet potatoes, onions, tomatoes, cabbages, carrots, and breadfruit are grown for local consumption on both islands, mostly by individual smallholders. In 2004, agricultural products accounted for about 35.2% of total imports by value and 19.6% of exports; the government has embarked on a program to substitute for food imports.

Sugar estate lands were nationalized in 1975, and the sugar factory was purchased by the government the following year. The output of raw sugar slumped between 1986 and 1989, and as a result the government entered into a management agreement with Booke and Tate of Great Britain in August 1991; a World Bank



loan of us\$1.9 million was utilized to provide financial stability. Sugar production in 2004 was estimated at 193,000 tons.

### 23 ANIMAL HUSBANDRY

Pasture areas are small, covering some 5.6% of the islands. Pango-la and Bermuda grasses provide the bulk of the fodder. Estimates of livestock in 2005 were sheep, 12,500; goats, 16,000; cattle, 4,800 head; and pigs, 2,000.

### 24 FISHING

Fishing is a traditional occupation that has not expanded to any great extent; the catch in 2003 was 370 tons (down from 620 tons in 1990). Some exports (primarily lobsters) are made to the Netherlands Antilles and Puerto Rico; fisheries exports totaled us\$267,000 in 2003.

### 25 FORESTRY

Both islands have small stands of virgin tropical forest, with palms, poincianas, and palmettos. About 11% of the land area consists of forests. Imports of forest products nearly reached us\$1.8 million in 2004.

### 26 MINING

The mining sector played a minor role in St. Kitts and Nevis. Raking of salt, the country's fourth-leading industry, was done from time to time. Local quarrying of some materials was used to supplement the construction industry. In 2001, output for sand and gravel was 215,000 metric tons (estimated), up from 50,389 metric tons in 1996; crushed stone output was 121,270 metric tons.

### 27 ENERGY AND POWER

Total electric power generating capacity in 2002 was 20,000 kW. Electricity production in 2002 was 106 million kWh, entirely from conventional thermal sources. Consumption of electricity in 2002 was 98 million kWh. St. Kitts and Nevis have no fossil fuels, and all petroleum products must be imported. Imports and consumption of refined petroleum products in 2002 averaged 710 barrels per day, the largest portion at 370 barrels per day were distillates. There were no imports of natural gas or coal in 2002.

### 28 INDUSTRY

Industry accounted for 26% of GDP in 2001. The principal manufacturing plant and largest industrial employer until 2006 was the St. Kitts Sugar Manufacturing Corp., a government enterprise; it ground and processed sugarcane for export. The government shut down the company after the 2005 harvest due to decades of losses. A brewery on St. Kitts makes beer for local consumption, and cotton is ginned and baled on Nevis. Electronic plants produce switches, calculators, car radios, and pocket radios. Other industries are clothing and shoe manufacturing.

The manufacturing suffered a decline in 1998 due to Hurricane Georges. As a result of diversification and expansion, St. Kitts and Nevis has transformed small electronics plants into the largest electronics assembly industry in the Eastern Caribbean. Its apparel assembly industry has also become very successful in recent years.

There are four major industrial sites in St. Kitts and Nevis: C. A. Paul Southwell Industrial Park, Bourkes Industrial Estate, Canada Industrial Estate, and Prospect Industrial Estate. Porte Zante is the main seaport.

### 29 SCIENCE AND TECHNOLOGY

St. Kitts and Nevis is dependent on outside resources both for industrial technology and for advanced scientific and technical education. The government is currently developing postsecondary education; a technical school was in operation in 1987.

### 30 DOMESTIC TRADE

Basseterre, on St. Kitts, and Charlestown, on Nevis, are the primary commercial centers of the islands. Once based almost exclusively on sugar production and exports, the economy has shifted over the years to focus on services, particularly related to tourism. The government continues to work on investment incentive programs to encourage both domestic and foreign business investors.

General business is conducted from 8 AM to 4 or 4:30 PM, Monday through Friday. Normal banking hours are 8 AM to 2 PM, Monday through Thursday, and from 8 AM to 4 PM on Fridays.

### 31 FOREIGN TRADE

The government of St. Kitts and Nevis has expanded trade incentives in recent years. Doing business in the country is virtually tax free. However, American businesses' use of tax havens such as St. Kitts and Nevis has been called into question in recent years.

Most exports in 2004 went to the United States (57.5%), followed by Canada (9%), Portugal (8.3%), and the United Kingdom (6.7%). About two-thirds of the sugar crop until 2006 was exported to the United States. Other exports include machinery, electronics, food, and beverages.

The majority of imports in 2004 came from the Ukraine (44.7%), the United States (22.1%), Trinidad and Tobago (8.8%), and the United Kingdom (6.2%).

### 32 BALANCE OF PAYMENTS

Earnings from tourism and overseas remittances largely offset the trade deficit. From 1988 to 1990, the current account deficit in-

#### Principal Trading Partners – St. Kitts and Nevis (2001)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	30.9	189.2	-158.3
United States	22.1	95.6	-73.5
United Kingdom	7.3	15.6	-8.3
Dominica	0.4	0.7	-0.3
Netherlands Antilles	0.2	1.7	-1.5
Anguilla	0.1	...	0.1
Montserrat	0.1	...	0.1
Antigua and Barbuda	0.1	0.9	-0.8
Japan	0.1	4.7	-4.6
St. Lucia	0.1	0.7	-0.6
Trinidad and Tobago	0.1	23.4	-23.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Saint Kitts and Nevis (2002)**

(In millions of US dollars)

<b>Current Account</b>		<b>-124.0</b>
Balance on goods	-113.2	
Imports	-177.6	
Exports	64.4	
Balance on services	10.9	
Balance on income	-38.2	
Current transfers	16.4	
<b>Capital Account</b>		<b>14.6</b>
<b>Financial Account</b>		<b>106.9</b>
Direct investment abroad	...	
Direct investment in Saint Kitts and Nevis	8.4	
Portfolio investment assets	0.0	
Portfolio investment liabilities	31.5	
Financial derivatives	...	
Other investment assets	0.6	
Other investment liabilities	-5.6	
<b>Net Errors and Omissions</b>		<b>12.2</b>
<b>Reserves and Related Items</b>		<b>-9.7</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

creased from 21% of GDP to nearly 35% of GDP, but went down to about 20% in 1998. The 11 September 2001 terrorist attacks on the United States negatively impacted the St. Kitts and Nevis tourism industry.

In 2005, the value of exports was estimated at us\$70 million, and the value of imports at us\$405 million.

**33 BANKING AND SECURITIES**

St. Kitts and Nevis has a relatively simple system of public and private financial institutions, which the government wishes to expand. As a member of the Organization of Eastern Caribbean States (OECS), it has as its central monetary authority the Eastern Caribbean Central Bank (ECCB), headquartered in Basseterre. The Eastern Caribbean Home Mortgage Bank is also located in St. Kitts and Nevis.

The two islands had eight banks in 2000, including both foreign and domestic concerns. Barclays Bank, the Royal Bank of Canada, and the Bank of Nova Scotia represent foreign interests, whereas domestic interests include the St. Kitts and Nevis National Bank, the Development Bank of St. Kitts and Nevis, and the Nevis Co-operative Bank. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$42.5 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$305.9 million.

Securities transactions on international exchanges are performed by the banks.

**34 INSURANCE**

International, regional, and local insurance companies or agents offer life and property insurance. There are five insurance companies in St. Kitts and Nevis, including Barbados Mutual Life and Assurance Society, British American Insurance, Colonial Life In-

urance (Trinidad), St. Kitts and Nevis Insurance, and National Caribbean Insurance.

**35 PUBLIC FINANCE**

The US Central Intelligence Agency (CIA) estimated that in 2003 St. Kitts and Nevis's central government took in revenues of approximately \$89.7 million and had expenditures of \$128.2 million. Revenues minus expenditures totaled approximately -\$38.5 million. Total external debt was \$171 million.

**36 TAXATION**

There is no personal income tax for residents of St. Kitts and Nevis. Corporations are taxed at the rate of 38% of income, but the Fiscal Incentives Act offers generous development and tax concessions. Profit remittances are taxed at a 10% rate; there is also a land tax and a house tax. There is a capital gains tax of 20%.

**37 CUSTOMS AND DUTIES**

St. Kitts and Nevis is bound by the common external tariff of CARICOM and requires an import license for certain durable and nondurable products. CARICOM members have reduced rates to a maximum of 20%. Tariff rates for pharmaceuticals and medicines used to treat infectious diseases are subject to a 10% tariff. Automobiles are subject to a 70% rate. There are no value-added or sales taxes.

**38 FOREIGN INVESTMENT**

Like most Caribbean microstates, St. Kitts and Nevis has an investment incentives program. Joint ventures and labor-incentive industries are especially welcome. Official development assistance and resource flows from commercial sources totaled us\$25 million in 1997.

Foreign investment incentives include the following: a tax holiday of up to 15 years; tax rebates of up to 5 years; and exemption from customs duties on machinery deemed necessary to establish and update an enterprise.

Annual foreign direct investment (FDI) rose steadily from us\$19.7 million in 1997 to a peak of us\$96.2 million in 2000. In 2001, FDI inflow was us\$82.9 million. Significant new investment in the tourism industry, including a 648-room Marriott hotel and convention center that opened in December 2002, as well as other planned resort projects, are designed to improve economic performance. Net FDI inflows were projected to equal 15.5% of GDP in 2005.

**39 ECONOMIC DEVELOPMENT**

The government until 2006 attempted to halt the decline of the sugar industry by restructuring the sector, and encouraged agricultural diversification and the establishment of small industrial enclaves linked to the international export market. However, following the 2005 harvest, the government shut down the sugar industry after decades of losses. Four industrial estates have been developed. The tourist industry has received considerable government support. The Development and Finance Corporation is the principal development agency.

The country's plans continue to be aimed at diversifying the economy. Construction projects in the private and public sector are expected to contribute substantially to the moderate eco-

conomic growth that St. Kitts and Nevis should experience in the near future. Hurricanes in 1998–99 caused widespread damage, but due to spending on post-hurricane reconstruction and repair, gross domestic product (GDP) growth was strong in the early and mid-2000s. The 11 September 2001 terrorist attacks on the United States adversely impacted the tourism industry in the short-term. The telecommunications sector has been liberalized, and a Financial Intelligence Unit was set up in the offshore sector.

#### 40 SOCIAL DEVELOPMENT

A dual social insurance and social assistance system provides coverage for old age, disability, and survivorship. Qualifying conditions for receiving an old-age pension include an age of 62 and 500 weeks of paid contributions. The government funds the system. Sickness and maternity benefits have been in place since 1996, covering all employed and self-employed persons. Work injury provisions are funded solely by employer contributions.

Although there is no overt discrimination against women, tradition prevents women from achieving higher levels of employment. The Department of Gender Affairs was created by the government to promote women's rights and provide counseling for abused women. A special police unit works closely with the Ministry to investigate domestic violence and rape cases. There is a special training program to educate police and school guidance counselors in dealing with domestic violence, sex crimes, and child abuse. Most of the provisions of the UN Convention on the Rights of the Child have been incorporated into domestic law.

Human rights are generally well respected, although prison conditions are poor. Facilities are overcrowded, and in the past these conditions led to prison riots.

#### 41 HEALTH

In 2004, there were an estimated 118 physicians, 498 nurses, and 18 dentists per 100,000 people. Total health care expenditure was estimated at 3.1% of GDP.

Hygienic education is the primary concern of the Central Board of Health. The infant mortality rate was an estimated 14.49 per 1,000 people in 2005. Average life expectancy in the same year was 72.15 years. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 18.6 and 9 per 1,000 people. AIDS is present but not considered a major problem. Polio and measles appeared to be absent from these islands.

#### 42 HOUSING

The government has placed emphasis on planned housing development in order to conserve agricultural lands. The Central Housing Authority began a program of low-cost home construction in 1977. The water supply, which comes from mountain springs and deep wells, is controlled by the Water Department. In the early 1980s, roughly four-fifths of all dwellings were detached houses, with apartments and commercial buildings making up most of the remainder. Over half of all dwellings were owner occupied and about one-third were rented privately; the remainder were occupied rent free or rented from the government. The most common

construction materials for housing were wood (50%), wood and concrete combined (25%), and concrete (20%).

In 1998, Hurricane Georges damaged 85% of the housing stock. In response, the government joined with USAID and the OAS to create a Housing Sector Recovery Plan which was meant to create a plan of action for repair and upgrading of existing housing, so that these structures might be better suited to withstand future storms. The government has also supported a number of other housing development plans sponsored in part by foreign investors, including the 2002 projects of the KOMLA Group of Companies of Guadeloupe and the CLICO Group of Barbados. These projects were community plans which included shopping locations, a medical center, recreation and park areas, as well as two- and three-bedroom homes. The same year, the Minister of Housing announced plans of the St. Kitts and Nevis Labor Party Administration to build 1,000 low-income homes in 2003 with an investment of EC\$45 million. The Labor Party built 1,200 homes in 2000.

The CARIFESTA Housing Programme is an ongoing project of the government for construction and funding of new housing. In 2000, 130 two- and three-bedroom homes were constructed through the program. In 2002, the CARIFESTA Revolving Fund was established to offer loans of up to EC\$80,000 to individual landowners hoping to build their own homes.

#### 43 EDUCATION

Schooling is compulsory for students between the ages of 5 and 16. Primary school covers a course of seven years, followed by five years of high school and, for those who choose to attend, two years of senior high school. Charlestown Secondary School is the only school on Nevis that offers the full seven years of secondary education. On St. Kitts, students wishing to complete the final two years of secondary school attend Clarence Fitzroy Bryant College of Further Education. The academic year runs from September to July.

Most children attend some type of preschool program between the ages of three and four. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students and nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 17:1 in 2003; the ratio for secondary school was about 10:1.

The Clarence Fitzroy Bryant College of Further Education is the only state institution of higher learning. Most programs offered cover the first year of general university programs. There is also a local extension site of the University of the West Indies. There are six private institutions. The adult literacy rate has been estimated at about 97%.

As of 2003, public expenditure on education was estimated at 3.2% of GDP, or 7.9% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The Charles A. Halbert Library Public Library has a central library at Basseterre and four branch locations on St. Kitts. The Nevis Public Library Service consists of the Nevis Central Public Library, the St. George's Branch Library, and three school libraries. There are mobile library services on both St. Kitts and Nevis. The National Museum is located in the Old Treasury Building at Basseterre. The

Museum of Nevis History is in Charlestown, as is Nelson Museum, which preserves memorabilia of Lord Horatio Nelson.

#### 45 MEDIA

The telephone system is operated by the government, while international cable and wireless services are operated privately. In 2002, there were 23,500 mainline phones and 5,000 mobile phones in use nationwide.

ZIZ Radio and Television is owned and operated by the government. The Voice of Nevis is an AM radio station. WinnFM is a private commercial station. Radio broadcasting began in 1961, and television broadcasting in 1972. In 2004, there were 3 AM and 3 FM radio stations and 1 television station. In 1997 there were 575 radios and 273 television sets in use per 1,000 population. In 2002, there were 10,000 Internet subscribers. In 2003, there were 53 Internet hosts.

In 2004, there were four independent weekly newspapers and one independent daily, as well as papers published by the major political parties. *Sun St. Kitts/Nevis* is the daily. *The Labour Spokesman*, founded in 1957, is published twice weekly and had a 2002 circulation of 6,000. The *Democrat*, which is published weekly, had a circulation of 3,500.

The constitution provides for freedom of speech and the press, and the government is said to generally respect these rights. However, because the government owns the only radio and TV stations, these media are said to inadequately cover opposition rallies and other events.

#### 46 ORGANIZATIONS

The St. Kitts and Nevis Chamber of Commerce has its headquarters in Basseterre, and the Nevis Cotton Growers' Association has its office in Charlestown. The primary labor union is the St. Kitts Trades and Labour Union, which is associated with the St. Kitts and Nevis Labour Party.

National youth organizations include Boy Scouts of Saint Kitts and Nevis, New Reformation Party Youth Movement, Young Labor, Young Pamites, and YMCA/YWCA. There are a variety of sports associations, many associated with the St. Kitts and Nevis Olympic Association.

Many US charitable organizations have operations in the islands, including the 4-H Foundation, Planned Parenthood, Heifer Project International, Operation Crossroads Africa, and Project Concern. Volunteer service organizations, such as the Lions Clubs

and Kiwanis International, are also present. There is a national chapter of the Red Cross Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

The chief historic attraction on St. Kitts is Brimstone Hill fortress. The UNESCO World Heritage Site towers 230 m (750 ft) above the Caribbean, took 100 years to build, and is partially restored. Beautiful beaches and the Georgian architecture of Basseterre also attract tourists. Nevis has many beaches and relic plantations and a quaint atmosphere reminiscent of the 18th century. Popular spectator sports are golf, bird watching, snorkeling, and parasailing.

Visitors from the United States and Canada only need proof of citizenship to enter the island. Nationals of all other countries need a valid passport, and citizens of 96 countries do not need a visa. An onward/return ticket and proof of sufficient funds may be required. The government has dredged the main harbor on St. Kitts to accommodate cruise ships.

In 2002, approximately 67,531 tourists arrived on the islands. Over half of these visitors were from the United States.

The cost of traveling in St. Kitts and Nevis varies according to the season. Between December and April, estimated daily expenses are approximately us\$272, and us\$235 the rest of the year.

#### 48 FAMOUS KITTSIANS AND NEVISIANS

Sir Thomas Warner (d.1649) established the first colony on each island. US statesman Alexander Hamilton (1757–1804) was born in Charlestown.

#### 49 DEPENDENCIES

St. Kitts and Nevis has no territories or colonies.

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# ST. LUCIA

**CAPITAL:** Castries

**FLAG:** On a blue background is a yellow triangle surmounted by a black arrowhead whose outer edges are bordered in white.

**ANTHEM:** *Sons and Daughters of St. Lucia.*

**MONETARY UNIT:** The East Caribbean dollar (EC\$) of 100 cents is the national currency. There are coins of 1, 2, 5, 10, and 25 cents and 1 dollar, and notes of 5, 10, 20, and 100 East Caribbean dollars. EC\$1 = US\$0.37037 (or US\$1 = EC\$2.7) as of 2004.

**WEIGHTS AND MEASURES:** The metric system has been introduced, but imperial measures are still commonly employed.

**HOLIDAYS:** New Year's Day, 1 January; Carnival, 8–9 February; Independence Day, 22 February; Labor Day, 1 May; Queen's Official Birthday, 5 June; Bank Holiday, 1st Monday in August; Thanksgiving Day, 1st Monday in October; St. Lucia Day, 13 December; Christmas Day, 25 December; Boxing Day, 26 December. Movable religious holidays include Good Friday, Easter Monday, Whitmonday, and Corpus Christi.

**TIME:** 8 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The Caribbean island of St. Lucia, part of the Windward Islands group of the Lesser Antilles, is 43 km (27 mi) N–S by 23 km (14 mi) E–W and has a total area of 616 sq km (238 sq mi). Comparatively, the area occupied by St. Lucia is slightly less than 3.5 times the size of Washington, DC. Situated between Martinique to the N and St. Vincent to the SW, St. Lucia has a total coastline of 158 km (98 mi). The Maria islands, located off the southeast coast of the main island, are kept as a natural reserve. The capital city, Castries, is located on St. Lucia's northwest coast.

## <sup>2</sup> TOPOGRAPHY

St. Lucia is a volcanic island, the younger part of which is the mountainous southern half, and the older the hilly but more nearly level northern half. The highest mountain, Mt. Gimie, rises 950 m (3,117 ft) above sea level. Better known are the two peaks on the southern coast, Gros Piton (798 m/2,619 ft) and Petit Piton (750 m/2,461 ft), which together form one of the scenic highlights of the West Indies. The lowlands and valleys of the island have fertile soil and are irrigated by many streams. The island has beautiful beaches, some with black volcanic sand. The two major ports are located at Castries, in the northwest, and Vieux Fort, by Cape Moule à Chique at the southern tip of the island. Cap Point marks the northern tip of St. Lucia.

St. Lucia lies along the Caribbean Tectonic Plate, a location of moderate seismic activity. Volcanic activity is evident through the bubbling mud and gasses emitted from sulfur springs near the crater of Soufrière.

## <sup>3</sup> CLIMATE

The average yearly temperature on St. Lucia is 27°C (80°F); the warmest month is usually September, and the coolest January. The

average rainfall at sea level is 231 cm (91 in) a year; on the mountain peaks, more than 380 cm (150 in). Like the rest of the West Indies, St. Lucia is vulnerable to hurricanes, which hit the Caribbean in the late summer months.

## <sup>4</sup> FLORA AND FAUNA

Tropical sunlight, heavy rainfall, and fertile soil combine to produce an abundance of tropical flora, including hibiscus, poinciana, frangipani, orchids, jasmine, and bougainvillea. The higher mountain slopes support a dense rain forest. Common tree species include palm, bamboo, breadfruit, mangoes, coconut, and pawpaw. There are no large mammals on St. Lucia. Bats are common and there are several species of small snakes. The central highlands provide nesting places for many birds, including flycatchers, hummingbirds, pigeons, and about a hundred other species. The surrounding sea contains extensive coral reefs supporting lobster, turtle, and conch, as well as an abundance of fish.

## <sup>5</sup> ENVIRONMENT

Densely populated, St. Lucia has been shorn of much of its protective woodland by agricultural and commercial interests, except for limited areas in the south-central rain forest. The loss of forest cover contributes to the erosion of the soil, particularly in the drier, northern part of the island. The nation does not have the financial resources to develop an adequate water purification system and the population is at risk from contamination of the water supply by agricultural chemicals and sewage.

The Mankoté Mangrove and Savannes Bay have been designated as Ramsar wetland sites and the Pitons Management Area was designated as a natural UNESCO World Heritage Site (2004). Population pressure prevents the government from expanding the area of protected lands. Principal responsibility for the environment is

vested in the Ministry of Agriculture's Lands, Fisheries, and Cooperatives Forestry Division and the National Trust Fund. Excessive use of herbicides and pesticides threaten the wildlife population in St. Lucia and the eastern Caribbean states in general.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 2 types of mammals, 5 species of birds, 6 types of reptiles, 10 species of fish, and 6 species of plants. Threatened species include the red cedar, American mahogany, the St. Lucia parrot, the great white shark, the St. Lucia racer, and St. Lucia white-breasted thrasher. The St. Lucia giant rice rat has become extinct.

## 6 POPULATION

The population of St. Lucia in 2005 was estimated by the United Nations (UN) at 163,000, which placed it at number 174 in population among the 193 nations of the world. In 2005, approximately 7% of the population was over 65 years of age, with another 30% of the population under 15 years of age. There were 96 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.0%; the government viewed the fertility rate, at 2.8 births per woman, as too high. The projected population for the year 2025 was 209,000. The population density was 263 per sq km (681 per sq mi).

The UN estimated that 30% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.23%. The capital city, Castries, had a population of 14,000 in that year.

## 7 MIGRATION

Emigration has provided an escape valve for population pressure. Neighbors such as Trinidad, Guyana, and the French Caribbean islands have received the bulk of emigrants from St. Lucia, with lesser numbers going to the United Kingdom, Canada, and the United States. The number of migrants in 2000 was 8,000. In 2005, the net migration rate was -2.19 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

It is estimated that 90% of the population are of African descent, being descendants of slaves brought into the country in the 17th and 18th centuries. About 6% are of a mixed origin and 3% are East Indian. Approximately 1% of the population is of European descent.

## 9 LANGUAGES

English is the official language of St. Lucia. However, only about 80% of the population speak it. Language outreach programs are seeking to integrate these people into the mainstream of society. Almost all the islanders also speak a French patois based on a mixture of African and French grammar and a vocabulary of mostly French with some English and Spanish words.

## 10 RELIGIONS

The vast majority of the population is Christian. About 67% of the residents are Roman Catholic, though only about 40% of all

Catholics are active members. There is a substantial Protestant community comprised of Anglicans, Pentecostals, Seventh-Day Adventists, Baptists, Jehovah's Witnesses, and Methodists. There are small communities of Hindus, and Muslims, as well as small groups of Rastafarians and Baha'is. The constitution guarantees freedom of religion. The St. Lucia Christian Council, an interfaith group of Roman Catholics and mainline Protestants, has a close relationship with the government. Certain Christian holidays are recognized as national holidays.

## 11 TRANSPORTATION

St. Lucia, as of 2004, had two airports. Direct flights to New York, Miami, Toronto, London, and Frankfurt operate out of Hewanorra International Airport, on the southern tip of the island at Vieux-Fort. The smaller Vigie Airport, located near Castries, is used for flights to and from neighboring Caribbean islands. St. Lucia has two important ports: Castries, in the north, with a cargo-handling capacity of 365,000 tons per year; and Vieux Fort, at the southern tip of the island, from which ferries link St. Lucia with St. Vincent and the Grenadines.

All of the island's towns, villages, and main residential areas were linked by 1,210 km (752 mi) of all-purpose roads in 2002, of which 63 km (39 mi) were paved. Motor vehicles numbered 12,157 in 1995, including 11,399 passenger cars and 758 commercial vehicles.

## 12 HISTORY

Arawak and Carib Amerindians were the earliest known inhabitants of what is now St. Lucia. There is no hard evidence for the folklore that Columbus sighted St. Lucia on St. Lucy's Day in 1498, but in keeping with the tradition, 13 December is still celebrated as the date of the island's discovery.

The islands were not settled until the mid-17th century because the Caribs defended the islands successfully for years. The French settled the islands, but the natural harbor at Castries brought English interest. The island changed hands between the British and the French no fewer than 14 times, until in 1814, the British took permanent possession. In 1838, St. Lucia came under the administration of the Windward Islands government set up by Great Britain.

Unlike other islands in the area, sugar did not monopolize commerce on St. Lucia. Instead, it was one product among many others including tobacco, ginger, and cotton. Small farms rather than large plantations continued to dominate agricultural production into the 20th century. A total of 10,328 slaves were freed when slavery was abolished in 1834. To replace the slave labor, East Indian indentured workers were brought to the island during the late 1800s.

St. Lucia has a democratic tradition which began in 1924 when a few elected positions were added to the appointed legislative council. St. Lucia became an associated state with full internal self-government in 1967 and on 22 February 1979 became an independent member of the Commonwealth.

The first three years of independence were marked by political turmoil and civil strife, as leaders of rival political parties fought bitterly. In 1982, the conservative United Workers' Party (UWP) won 14 of 17 seats in the House of Assembly. Party leader and

Prime Minister John Compton, who had been premier of the island since 1964, became prime minister at independence.

The UWP dominance was eroded in 1987, when the party won only nine seats. Prime Minister Compton called for new elections almost immediately, but received the same result. In 1992, the UWP increased its majority to 11 seats, as the St. Lucia Labour Party (SLP) won 6 seats. The SLP, which had been out of office for 15 years, won the April 1997 elections in a landslide, and its leader, Kenny Anthony, replaced Compton as prime minister.

St. Lucia suffered back-to-back tropical storms in 1994 and 1995 that caused losses of about 65% and 20% of each of those years' banana crops, respectively. In the late 1990s, the country's heavy reliance on bananas posed an additional economic threat as the United States challenged the preferential treatment accorded by several European nations to their former colonies in the Caribbean. In February 1999, a ruling by the World Trade Organization allowed the United States to impose trade penalties on Europe in response to these banana import policies. St. Lucia joined with its Caribbean neighbors in lobbying against the ruling.

In the December 2001 election, Anthony's SLP won with 54% of the vote, securing 14 of the 17 seats in the Assembly. The opposition UWP obtained 36.6% of the vote, but only captured three seats.

In 2002, Tropical Storm Lili destroyed about half of the banana crop; entire plantations were destroyed in some areas. St. Lucia is promoting the growth of mangos and avocados to lessen dependence upon the banana industry, but bananas still make up about one-third of export earnings.

In July 2003, parliament amended the constitution to replace the oath of allegiance to the British monarch with a pledge of loyalty to St. Lucians.

### 13 GOVERNMENT

St. Lucia became independent in 1979. Under its constitution, the British monarch continues to be the titular head of government, appointing, upon recommendation of the local leaders, a governor-general to represent the crown. Executive power is effectively exercised by the prime minister and cabinet. There is a bicameral parliament consisting of a Senate with 11 members and a House of Assembly with 17 representatives. The House of Assembly has the important legislative functions. The Senate is an appointed body with little political power. Six of the members of the Senate are appointed on the advice of the prime minister, three are appointed on the advice of the opposition leader, and two are appointed after consultation with religious, economic, and social groups.

Members of the lower house are elected for a maximum period of five years. Suffrage on St. Lucia has been universal for those 18 and older since 1951, before St. Lucia achieved independence.

Under the constitution, the government could call for elections at any time. Under the current schedule, elections are held by secret ballot and at least every five years.

### 14 POLITICAL PARTIES

After sweeping the 1997 parliamentary elections by gaining 16 out of 17 seats, the left-of-center St. Lucia Labour Party (SLP), led by Kenny Anthony, became the majority party, ending 15 years of dominance by the United Workers' Party (UWP). The SLP re-



LOCATION: 13°53' N; 60°58' W. TOTAL COASTLINE: 158 kilometers (98 miles).  
TERRITORIAL SEA LIMIT: 12 miles.

gained control of the Assembly in the 2001 election, with more than 54% of the vote. Following the UWP's electoral defeat in 1997, its leader, Vaughan Lewis, resigned, and former leader and Prime Minister John Compton, resumed leadership of the party in its new role of opposition party. As of 2005, the leader of the UWP was Dr. Morella Joseph. The UWP was the party in power at the time of independence, lost power in 1979, and regained it in 1982. It is by reputation the more conservative party. The next elections

were scheduled for December 2006.

The National Alliance (NA), under the leadership of Jon Odum, has no representation. It is an offshoot of the SLP. The St. Lucia Freedom Party (SFP) is led by Martinus François. Sou Tout Apwe Fete Fini (STAFF) is led by Christopher Hunte.

## 15 LOCAL GOVERNMENT

St. Lucia is divided into 11 administrative regions. Local governments are elected by popular vote.

## 16 JUDICIAL SYSTEM

The legal system is based on English common law and “Code Napoleon.” The highest judicial body was the Privy Council of the United Kingdom. Both common law and statute law govern St. Lucia. The lowest court is the district or magistrate’s court, above which is the Court of Summary Jurisdiction. Seated in Castries, the Eastern Caribbean Supreme Court (known as the West Indies Associated States Supreme Court upon its founding in 1967, and as the Supreme Court of Grenada and the West Indies Associated States from 1974 until 1979) has jurisdiction in St. Lucia, Anguilla, Antigua and Barbuda, the British Virgin Islands, Dominica, Grenada, Montserrat, St. Kitts and Nevis, and St. Vincent and the Grenadines. It consists of the High Court and the Court of Appeal. Prior to 2003, in exceptional cases, appeals were carried to the UK Privy Council. On 9 June 2003, Caribbean leaders met in Kingston, Jamaica, to ratify a treaty to establish the Caribbean Court of Justice (CCJ). Eight nations—Barbados, Belize, Dominica, Guyana, Jamaica, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago—officially approved the CCJ, although 14 nations were planning to use the court for appeals. Haiti had agreed to use the CCJ for resolution of trade disputes. The court was officially inaugurated in April 2005. As of 2005, however, the court’s jurisdiction was limited to the CARICOM states of Barbados and Guyana. The CCJ heard its first case in August 2005.

The constitution guarantees a public trial before an independent and impartial court. Legal counsel is afforded to indigent defendants in cases involving capital punishment.

## 17 ARMED FORCES

As of 2000 there were no armed forces other than those of the police force and coast guard. The Eastern Caribbean Regional Security System, formed in 1985, includes Antigua and Barbuda, Barbados, Dominica, Grenada, Jamaica, St. Kitts and Nevis, and St. Vincent and the Grenadines, as well as St. Lucia, and provides for joint coast-guard operations, military exercises, and disaster contingency plans.

## 18 INTERNATIONAL COOPERATION

St. Lucia became a member of the United Nations on 12 September 1979; it is a member of ECLAC and several nonregional specialized agencies, such as the FAO, the World Bank, ILO, IFC, UNESCO, UNIDO, UNCTAD, and the WHO. St. Lucia is a member of the WTO, the ACP Group, the Commonwealth of Nations, CARICOM, the Caribbean Development Bank, G-77, the OAS, the Alliance of Small Island States (AOSIS), the Association of Caribbean States (ACS), and OECS. St. Lucia is a member of the

Nonaligned Movement, the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL), and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, the country is part of the Basel Convention, Conventions on Biological Diversity and Whaling, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

As did many Caribbean producers, St. Lucia’s agricultural products benefited from preferred access to European markets; the country was the leading producer of bananas in the Windward Islands group. The industry is now in a terminal decline, due to competition from lower-cost Latin American banana producers and reduced European Union trade preferences. The country is encouraging farmers to plant crops such as cocoa, mangos, and avocados to diversify its agricultural production and to provide jobs for displaced banana workers. Tourism, with direct flights from Europe and North America, has recently become an important economic activity. St. Lucia’s manufacturing sector has grown steadily, with the construction of many light manufacturing and assembly plants that produce for local or export markets.

Though foreign investment in manufacturing and information processing in recent years has increased St. Lucia’s industrial base, the economy remains vulnerable due to its heavy dependence on banana production, which is subject to periodic droughts and tropical storms. Indeed, the destructive effect of Tropical Storm Iris in mid-1995 caused the loss of 20% of the year’s banana crop, and the agriculture sector recorded its sixth year of decline in 1998. In 2001, GDP growth at current prices was 2%, but in 2002 contracted 4% due to a combination of adverse factors: the global economic slowdown, declining export demand, and a sharp fall-off of tourism after the 11 September 2001 terrorist attacks in the United States. Inflation remained subdued at 2.3% for both years.

Tourism was booming in 2004, showing a solid recovery from recession that followed the 11 September 2001 terrorist attacks on the United States. The latest estimates from the World Bank show that the annual growth rate recorded in 2004 was 3.6%, with agriculture accounting for 4.5% of GDP, manufacturing 5.4% of GDP, and tourism 48% of GDP (direct and indirect impact).

However, it is estimated that up to 40% of the banana crop was destroyed when Hurricane Ivan made its way through the Eastern Caribbean in September 2004. The economy is highly susceptible to external macroeconomic shocks, magnified by an undiversified production and export base and exacerbated by natural disasters that have a serious economic impact on banana and cocoa crops.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 St. Lucia’s gross domestic product (GDP) was estimated at \$866.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$5,400. The annual growth rate of GDP was estimated at 3.3%. The average inflation



rate in 2001 was 3%. It was estimated that agriculture accounted for 7% of GDP, industry 20%, and services 73%.

Approximately 40% of household consumption was spent on food, 11% on fuel, 4% on health care, and 17% on education.

## 21 LABOR

In 2001 (the latest year for which data was available), the labor force was estimated at 43,800. In 2002 (the latest year for which data was available), an estimated 21.7% of the workforce was engaged in agriculture, with 53.6% in services, and the remaining 24.7% in commerce, manufacturing and industry. Unemployment in 2003 was estimated at 20%.

As of 2001, unions in St. Lucia represented about 20% of the workforce. The largest trade union grouping, the Industrial Solidarity Pact, includes the National Workers' Union, the St. Lucia Civil Service Association, the Prison Officers' Association, and the St. Lucia Teachers' Union. The law protects the right to unionize, strike, and bargain collectively.

The law provides for a minimum working age of 14. Occupational safety and health regulations are regularly enforced. There is no national legislated workweek, although the common practice is to work 40 hours a week spread over five days. Special legislation covers hours which shop assistants, agricultural workers, domestics, and young industrial employees work. There is a minimum wage for office clerks only, which was us\$300 per month in 2001.

## 22 AGRICULTURE

Agriculture accounts for about 8% of GDP. The production of bananas, St. Lucia's most important crop, fluctuates as a result of climatic conditions and plant disease; it has gone from a low of 32,000 tons in 1975 to 160,000 tons in 1990 (48% of the Windward Islands' banana production that year) to 120,000 tons in 2004. Almost the entire production is exported. The second most important crop is coconuts, exported as oil and copra; about 14,000 tons of coconuts were produced in 2004. The production of vegetables and fruits for local consumption increased steadily since 1979, as the government sought to achieve self-sufficiency in tomatoes, onions, carrots, cabbages, and breadfruit. In 2004, the value of exported agricultural products amounted to us\$34.6 million, down from us\$85.7 million in 1990.

## 23 ANIMAL HUSBANDRY

Production in almost every category of animal husbandry is insufficient to satisfy local demand. There are only 12,400 head of cattle on the island, mostly grazing in the middle altitudes of the central mountain region; milk production covers only about 25% of local demand. There were also an estimated 12,500 sheep, 10,000 pigs, and 9,800 goats on the island in 2005. St. Lucia has attained self-sufficiency in pork and egg production. Egg production was about 482 tons in 2005.

## 24 FISHING

The establishment of the St. Lucia Fish Market Corp. in 1985, with a us\$2.5-million grant from Canada, provided local fishermen with processing, storage, and marketing facilities, enabling St. Lucia to become self-sufficient in fresh fish production. In 2003, the

total catch was 1,466 tons. Dolphinfish, wahoo, and blackfin tuna accounted for 286, 169, and 169 tons, respectively, in 2003.

## 25 FORESTRY

A small timber industry processes mahogany, pine, and blue mahoe; expansion of cultivation is planned at the rate of 40 hectares (100 acres) annually. About 15% of total available land consists of forest and woodlands. Legislation is in force to protect against deforestation; during 1990–2000 deforestation continued at an annual average of 4.9%. Imports of forest products amounted to us\$11.7 million in 2004.

## 26 MINING

Mining played a minor role in St. Lucia's economy. Gravel and sand pits and pumice quarries supplied the island's construction sector.

## 27 ENERGY AND POWER

St. Lucia Electricity Services is responsible for the generation and supply of electricity throughout the island. In 2002, total capacity was 66,000 kW. Electrical production in 2002 was 269 million kWh, produced entirely from conventional thermal sources. Consumption of electricity in 2002 was 250 million kWh. St. Lucia's requirements are met through an island-wide grid serviced by two main diesel generation centers, which utilize oil imported from Venezuela and Trinidad and Tobago. The Sulfur Springs in Soufrière on the west coast have been confirmed as a source of geothermal energy, with a potential generating capacity of 10 MW.

With no reserves of oil, natural gas, or coal, nor any refining capacity, St. Lucia must import all the petroleum products it consumes. In 2002, imports and consumption of refined oil products each averaged 2,500 barrels per day; of that amount, distillates and gasoline accounted for the bulk of the imports at 1,270 barrels per day and 1,050 barrels per day, respectively.

## 28 INDUSTRY

St. Lucia's manufacturing sector is the largest and most diversified in the Windward Islands, with many light manufacturing or assembly plants producing apparel, electronic components, plastic products, and paper and cardboard boxes. Agricultural manufacturing includes lime and coconut processing.

Recently, the government has devoted its efforts to the improvement of economic activity as well as development of the major export markets. With the formation of the Eastern Caribbean Stated Export Development Agency (ECSEDA) in 1990, the performance of local manufacturers was expected to be significantly enhanced in the future. Several industrial estates and free trade zones were established during the 1990s, including a free zone for goods distribution that opened in 2000. The site included 11 factory-style warehouses and one administration center. Many large-scale industrial projects were funded by foreign investors in 2000, including port reconstruction, housing construction, a national stadium, banana trade subsidies, and a fisheries industry upgrade. In addition to private investors, the government has focused on capital projects that have increased growth in the construction sector.

St. Lucia's tourism industry has grown steadily in the last 20 years and has increasing appeal as an eco-destination due to de-

lightly unspoiled natural resources, which bode well for the future. Several investors have planned new tourism projects for the island, including a large hotel and resort in the southern part of the island.

## 29 SCIENCE AND TECHNOLOGY

The government of St. Lucia has established a Science and Technology Division within the government's Central Planning Unit (CPU). As of 1987, three scientists were employed with the CPU. The Windward Islands Banana Growers' Association (WINBAN) maintains a research laboratory in St. Lucia serving the needs of banana growers in the region. The St. Lucia National Trust, headquartered in Castries, is responsible for the wildlife, seabirds, rare plants, and geology on Pigeon, Fregate, and Maria islands. In 1984, total expenditures on research and development amounted to US\$12 million. As of 1999 (the latest year for which data is available) there were 237 technicians and 74 scientists and engineers engaged in research and development.

## 30 DOMESTIC TRADE

Castries is the economic center of the island. Local produce markets, selling domestically produced goods, are found in all the small villages and towns. They are usually most active in the early morning hours to avoid the midday heat and the afternoon tropical showers. As of 2002, about 73% of the GDP was attributed to service industries.

The Caribbean Development Bank Poverty Assessment Report mentions that 30% of the labor force participants from the poorest strata of St. Lucia were engaged in informal sector activity, mostly due to the high unemployment rate.

## 31 FOREIGN TRADE

The economy of St. Lucia is highly dependent on foreign trade. Agriculture is the major export earner. Duty exemption and tax credits are implemented for trade inducements, nevertheless, some traders complain of the country's protectionist attitude towards selected goods.

St. Lucia benefits from duty free access for manufactured goods to the EU market and preferential arrangements for bananas. The

### Principal Trading Partners – St. Lucia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	61.8	392.8	-331.0
United Kingdom	18.8	31.6	-12.8
United States	12.2	182.0	-169.8
Trinidad and Tobago	10.1	51.4	-41.3
Barbados	5.2	8.9	-3.7
Dominica	3.6	1.4	2.2
St. Vincent and the Grenadines	2.9	4.2	-1.3
Grenada	2.4	...	2.4
Germany	1.0	4.4	-3.4
France-Monaco	0.8	7.3	-6.5
St. Kitts and Nevis	0.8	...	0.8

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

### Balance of Payments – Saint Lucia (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>-103.9</b>
Balance on goods		-207.0
Imports	-277.0	
Exports	70.0	
Balance on services		133.6
Balance on income		-43.5
Current transfers		13.0
<b>Capital Account</b>		<b>21.4</b>
<b>Financial Account</b>		<b>68.4</b>
Direct investment abroad		...
Direct investment in Saint Lucia		48.1
Portfolio investment assets		-16.5
Portfolio investment liabilities		35.2
Financial derivatives		...
Other investment assets		-16.4
Other investment liabilities		18.1
<b>Net Errors and Omissions</b>		<b>19.2</b>
<b>Reserves and Related Items</b>		<b>-5.2</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

European Union (EU) accounts for approximately 50% of exports and 17% of imports. In 2003, St. Lucia's imports from the EU amounted to €44 million, while exports from St. Lucia to the EU Member States reached €24 million.

In 2004 St. Lucia exported \$81 million in bananas, cocoa, vegetables, fruits, other agricultural products, oils and fats, and manufactured goods. Major export markets were the United Kingdom (27%), United States (13%), Trinidad and Tobago (12%), and Barbados (8%), while imports rose to \$383 million for food, fuel, manufactured goods, machinery, and transport equipment; major suppliers are the United States (40%), Trinidad and Tobago (16%), the United Kingdom (9%), and Japan (4%).

## 32 BALANCE OF PAYMENTS

St. Lucia has had a negative balance of trade every year since independence; this annual deficit has been counterbalanced in part by inflows from tourism and direct investment. However, the 11 September 2001 terrorist attacks on the United States negatively impacted St. Lucia's tourism industry.

The external current account deficit, which had declined in 2001 to 5.75% of GDP as imports fell sharply, is estimated to have increased to 8.5% in 2002 mainly due to a decline in proceeds from services. These deficits have been more than covered by capital inflows including public sector borrowing and private capital. Reflecting the government borrowing, public and publicly guaranteed external debt rose rapidly in recent years (from an average of 23.5% of GDP in 1998–99 to about 31% at the end of 2001), and is estimated to have increased to 38.5% of GDP at the end of 2002. It is not surprising then that World Bank estimates for 2004 report that St. Lucia's trade deficit is more than \$300 million.

## 33 BANKING AND SECURITIES

In early 1981, the government-owned St. Lucia National Bank and the St. Lucia Development Bank were opened. There were eight

commercial banks as of 2000, including the St. Lucia Cooperative Bank, the Bank of Nova Scotia, Barclays, CIBC Caribbean, Caribbean Banking Corporation, the Republic Bank, and the Royal Bank of Canada. St. Lucia is a member of the Eastern Caribbean Central Bank, which is responsible for the administration of the country's monetary policies, the regulation of exchange control, and supervision of commercial banks and other financial institutions for the islands belonging to the Organization of Eastern Caribbean States. The Central Bank has special arrangements for discounting loans made by commercial banks to productive sectors, such as tourism, agriculture, and manufacturing. The interest rates are normally below the commercial banks' lending rates. In 1999, the St. Lucia National Commercial Bank offered public shares for the first time, receiving investment of over us\$11 million. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$115.4 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$502.9 million.

### 34 INSURANCE

As of 1997, there were at least 18 companies registered to transact insurance business in St. Lucia.

### 35 PUBLIC FINANCE

The US Central Intelligence Agency (CIA) estimated that in 2000 St. Lucia's central government took in revenues of approximately \$141.2 million and had expenditures of \$146.7 million. Revenues minus expenditures totaled approximately -\$5.5 million. Total external debt was \$214 million.

### 36 TAXATION

Individual income tax rates in St. Lucia range from 10–30%. There are no local taxes on income. Resident corporations and branches of foreign companies are taxed at the same flat rate of 33.33%. There are no other corporate taxes. Hotel companies and other industries receive a tax holiday of up to 15 years in St. Lucia.

### 37 CUSTOMS AND DUTIES

Duties on imported goods such as alcoholic beverages, motor vehicles, cigarettes, and gasoline and oil continue to be major sources of government income. Most imports except those from CARICOM nations are subject to import duties, which consist of a customs duty, a consumption tax, and a service charge. The CARICOM common external tariff ranges up to a maximum of 20%. To facilitate industrial development, the government has in specific cases negotiated the complete elimination of both import and export duties. In 2000, the government implemented a consumption tax retooling that involved a rebate of 20% for electronics producers, 40% for most other small manufactures, and 60% on the production of food and beverages.

### 38 FOREIGN INVESTMENT

Firms based in Canada, the United States, the United Kingdom and other EC members, Venezuela, Hong Kong, and the Republic of Korea are the principal investors in St. Lucia. Two free-trade

zones operate on the island, and a free zone for goods distribution was opened in 2000.

The government, through the St. Lucia National Development Corporation, set up five industrial zones in order to attract foreign investment in manufacturing and assembly operations. A Data Entry Park was built to attract information processing operations. Development incentives are available in the form of tax concessions of up to 15 years in industries prescribed as beneficial to St. Lucia, namely in the manufacturing and tourism industries.

In 1996, St. Lucia was granted a us\$955 thousand loan from the Caribbean Development Bank (CDB). The money was used to partly finance a project to help poor households in rural districts diversify agricultural production in order to decrease dependence on the banana industry. The banana industry was highly subsidized during 1999 and 2000 by the EU through the Banana Industry Trust Company, despite the need for diversification. Other investment in 2000 came from the Japanese government to encourage growth of the fishing industry, and from the Chinese government in construction and manufacturing.

In 1990 FDI was 5.85% of GDP, rose to 8.04% in 2000, but slowed in 2003 to 4.63% of GDP. Annual foreign direct investment (FDI) inflow was approximately \$50 million in 1997, but rose to an average of about \$83 million in 1998 and 1999. In 2000 and 2001, average annual FDI inflow was about \$50 million. All sectors of the economy have benefited from infrastructure improvements in roads, communications, water supply, sewerage, and port facilities. These improvements, combined with a stable political environment and educated work force, have attracted foreign investors in several different sectors. Although St. Lucia enjoys a steady flow of investment in tourism, the single most significant foreign investment is Hess Oil's large petroleum storage and transshipment terminal. In addition, the Caribbean Development Bank funded an extensive airport expansion project.

### 39 ECONOMIC DEVELOPMENT

Historically, the major thrust of foreign affairs for St. Lucia has been economic development. Since the establishment the National Development Corp. in 1971, St. Lucia has succeeded in diversifying its economy. St. Lucia has the most highly developed infrastructure of all the Windward Islands, with an international airport, a highway system that connects the important coastal and agricultural areas with the political and commercial centers, and a fully automated telephone system with direct dialing to most parts of the world.

At the end of 1996, the Lewis government unveiled a job-creating budget aimed at boosting his party's flagging fortunes. A us\$242 million package devoted us\$136 million to current expenditure and us\$104 million to capital items. With the unemployment rate standing at 25%, the prime minister pledged to create 10,000 jobs by the end of the 1997–98 fiscal year. The 2.9% gross domestic product growth of 1998 was a marked improvement from previous years, which averaged below 2%. Unemployment was down to about 15% in 1999, and the government had plans to spend half of its budget on capital projects to foster the growing economy.

In view of the European Union's announced phase-out of preferred access to its markets of Windward Island bananas by 2006, an attempt is being made to diversify production by encourag-

ing the establishment of tree crops such as mangos and avocados. With the banana production's considerable fall in recent years, tourism now sustains the economy—St. Lucia is the number one tourist destination among Eastern Caribbean Currency Union (ECCU) members. The government in 2003 was focusing public investment on projects aimed at growth led by the private sector and at reducing poverty. Furthermore, recently St. Lucia added small computer-driven information technology and financial services as development objectives.

The government is seeking balanced international relations with emphasis on mutual economic cooperation and trade and investment. It seeks to conduct its foreign policy chiefly through its membership in the OECS. For example, St. Lucia participated, along with 14 other Caribbean nations, in a summit with President Clinton in Bridgetown, Barbados in May 1997. The summit, which was the first-ever meeting in the region between US and Caribbean heads of government, strengthened the basis for regional cooperation. US assistance is primarily channeled through multilateral agencies such as the World Bank and the USAID satellite office in Bridgetown, Barbados.

#### 40 SOCIAL DEVELOPMENT

The National Insurance program provides all workers from age 16 to 60 with old age, disability, survivor, sickness, and maternity coverage, as well as workers' compensation. The program is financed by 5% contributions from employers and employees, with the government financing the program for civil servants. Retirement pensions begin at age 60, provided that 10 years of contributions have been made. Maternity benefits are 65% of average salary for the preceding seven months, plus a cash grant.

There are no legal restrictions on the rights of women, but social discrimination is not uncommon. The Minister for Women's Affairs promotes and protects the rights of women, and addresses employment discrimination complaints. Violence against women remains a serious problem but is addressed by the government with programs and training. The St. Lucia Crisis Center in Castries and a second facility in Vieux Fort monitor abuse and act as advisors and advocates for women on a number of issues.

Human rights are generally well respected in St. Lucia, although there were reports of mistreatment of prisoners and generally poor prison conditions.

#### 41 HEALTH

There were two general hospitals, one psychiatric hospital, and two district hospitals on St. Lucia. The main hospital, with over 200 beds, is located in Castries. In addition, there are 34 health centers scattered throughout the island. In 2004, there were an estimated 518 doctors and 229 nurses per 100,000 people. Total health care expenditure was estimated at 4.3% of GDP.

Malnutrition and intestinal difficulties are the main health problems. Tuberculosis, once widespread, has been brought under control. The total fertility rate was 3.1 children born to a woman during her childbearing years. The average life expectancy was 73.61 years in 2005. That year the infant mortality rate was 13.53 per 1,000 live births.

#### 42 HOUSING

According to the 2001 census, there were 52,664 dwelling units nationwide. About 80% of these were private, single-family detached homes. About 41% of all dwellings were built of concrete block; 39% were built of wood. That year, 47.2% of all households were linked to a septic system; 35.3% still made use of pit latrines. About 86% had access to electricity for lighting and 58.4% were linked to a public water system. Nearly 75% of all dwellings were owner occupied. About 34% of the housing stock was built in the period 1980–95; about 14.8% was built before 1970. The average household had 3.3 members.

#### 43 EDUCATION

Elementary schooling lasts for seven years, followed by three years of lower secondary education and another two years of upper secondary education. About 65% of children between the ages of three and four attend some type of preschool program. Primary school enrollment in 2003 was estimated at about 99% of age-eligible students. The same year, secondary school enrollment was about 76% of age-eligible students; 68% for boys and 85% for girls. It is estimated that nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 22:1 in 2003; the ratio for secondary school was about 16:1.

An education complex in Castries maintains a teacher-training center, a technical school, a secretarial training center, and a branch of the University of the West Indies. The Sir Arthur Lewis Community College is to be upgraded into a full-fledged campus of the University of the West Indies. In 1996, institutions of higher learning had 157 teaching staff and 2,760 students. The adult literacy rate for 2004 was estimated at about 90%.

As of 2003, public expenditure on education was estimated at 7.7% of GDP, or 21.3% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The government provides free library service. The Central Library of St. Lucia with 106,000 volumes is located in Castries; at least 17 smaller public libraries are located in villages throughout the island. St. Lucia has a historical and natural history museum on Pigeon Island, founded in 1994. Le Pavillon Royal Museum in Castries contains artifacts and displays on the history of the government.

#### 45 MEDIA

The telephone system is fully automatic. In 2002, there were 51,100 mainline phones and 14,300 mobile phones in use nationwide. In 2004, there were three radio stations and three television stations; one of each were owned by the government. In 1997 there were 668 radios and 167 TV sets in use per 1,000 population. Television programs consist of some local programming, videotapes, and live broadcasts originating in Barbados; television transmissions from Martinique are also received.

In 2005, there were six main newspapers in the country. *The Voice of St. Lucia* and the *St. Lucia Star* (10,000 circulation in 2002) appear three times a week. The *Crusader* (2002 circulation, 4,000) is published on Saturday. *The Mirror*, *The Vanguard*, and *One Caribbean* are also published once a week.

The government is said to generally respect constitutionally provided free speech and free press, though occasionally it has shown open hostility toward both the print media and radio. Newspapers, radio, and television carry a wide spectrum of opinion, including that which is directly critical of the government.

#### 46 ORGANIZATIONS

The St. Lucia Chamber of Commerce, Industry, and Agriculture meets in Castries. Other business organizations include the St. Lucia Hotel and Tourism Association, the Saint Lucia Industrial and Small Business Association, and the St. Lucia Manufacturing Association. Professional associations, such as the St. Lucia Teachers Union, are also active.

The St. Lucia Historical Society and the Folk Research Center promote the study and development of national culture. National youth organizations include the Boy Scouts and Girl Guides of St. Lucia, Caribbean Youth Conference, Progressive Labor Party Youth, and United Workers Party Youth. Sports associations promote amateur competition for athletes of all ages. Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. There are also national chapters of the Red Cross and Planned Parenthood.

#### 47 TOURISM, TRAVEL, AND RECREATION

Dramatic tropical scenery, beautiful beaches, and excellent water-sports facilities are St. Lucia's principal tourist attractions. Of special interest are the Piton Mountains and the Sulphur Springs (the world's only drive-in volcano). Popular sports include football (soccer), volleyball, tennis, and cricket. All foreign nationals must carry a passport. Visas are required for all but visitors from the United States, Commonwealth countries, or where there is

an agreement between St. Lucia and the home country. Tourists come by air directly from Europe, Canada, and the United States, and on cruise ships sailing through the West Indies out of North American and European ports.

There were 276,948 tourist arrivals in St. Lucia in 2003. In that year there were 3,749 rooms available and 6,748 beds. The hotel occupancy rate was 62%. The average length of stay was 10 days.

#### 48 FAMOUS SAINT LUCIANS

John G. M. Compton (b.1926), trained as a barrister and one of the founders of the United Workers' Party, was prime minister from 1982–96. Dr. Kenny Davis Anthony, (b.1951) became prime minister in 1997. The writer Derek Walcott (b.1930) is best known for his epic autobiographical poem *Another Life*.

#### 49 DEPENDENCIES

St. Lucia has no territories or colonies.

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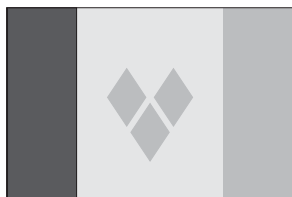
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# ST. VINCENT AND THE GRENADINES



**CAPITAL:** Kingstown

**FLAG:** Three vertical bands of blue, yellow, and green; centered on the yellow band are three green diamonds arranged in a v-pattern.

**ANTHEM:** *National Anthem*, beginning “St. Vincent! Land so beautiful.”

**MONETARY UNIT:** The East Caribbean dollar (EC\$) of 100 cents is the national currency. There are coins of 1, 2, 5, 10, and 25 cents and 1 dollar, and notes of 5, 10, 20, and 100 East Caribbean dollars. EC\$1 = US\$0.37037 (or US\$1 = EC\$2.7) as of 2004.

**WEIGHTS AND MEASURES:** The imperial measures are used.

**HOLIDAYS:** New Year’s Day, 1 January; Labor Day, 1 May; CARICOM Day, 5 July; Carnival, 6 July; Bank Holiday, 1st Monday in August; Independence Day, 27 October; Christmas Day, 25 December; Boxing Day, 26 December. Movable religious holidays include Good Friday, Easter Monday, and Whitmonday.

**TIME:** 8 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Located in the Windward Islands group of the Lesser Antilles, St. Vincent and the Grenadines is 34 km (21 mi) sw of St. Lucia and about 160 km (100 mi) w of Barbados. Scattered between St. Vincent and Grenada to the sw are more than 100 small islands called the Grenadines, half of which belong to St. Vincent and the other half to Grenada. The Grenadines belonging to St. Vincent include Union Island, Mayreau, Canouan, Mustique, Bequia, and many other uninhabited cays, rocks, and reefs. The land area of St. Vincent island is 344 sq km (133 sq mi). Bequia, the largest of the Grenadines belonging to St. Vincent, has an area of 18 sq km (7 sq mi). The total land area of the country is 389 sq km (150 sq mi). Comparatively, the area occupied by St. Vincent and the Grenadines is slightly less than twice the size of Washington, DC.

The capital city, Kingstown, is located on the southeast coast of the island of St. Vincent.

## <sup>2</sup> TOPOGRAPHY

St. Vincent is a rugged island of volcanic formation, and the Grenadines are formed by a volcanic ridge running north–south between St. Vincent and Grenada. The highest peak on St. Vincent is Soufrière, an active volcano with an altitude of 1,234 m (4,048 ft); it has a crater lake 1.6 km (1 mi) wide. In the center of the island, Richmond Peak rises to a height of 1,079 m (3,539 ft). Only 5% of the island’s surface has slopes of less than 5°. The low-lying Grenadines have wide beaches and shallow bays and harbors, but most have no source of freshwater except rainfall. The highest point in

the Grenadines is Mt. Tobai on Union Island, with an altitude of 308 m (1,010 ft).

## <sup>3</sup> CLIMATE

The islands enjoy a pleasant tropical climate all year round, with a yearly average temperature of 26°C (79°F). The warmest month is September, with an average temperature of 27°C (81°F); the coolest is January, with an average temperature of 25°C (77°F). The average yearly rainfall on St. Vincent is 231 cm (91 in), but in the mountainous areas the average rainfall is more than 380 cm (150 in) a year. May or June through December is the rainy season.

## <sup>4</sup> FLORA AND FAUNA

The shallow waters of the Grenadines abound with marine life. Lobsters, conch, fish of all varieties, and turtles can be found in such areas as the Tobago Cays, which lie north of Prune (Palm) Island. Whales are frequently sighted off Petit Nevis, and large iguanas can be found on some of the waterless rocks and cays.

In Kingstown, on St. Vincent, there is a famous botanical garden where the breadfruit tree was introduced to the West Indies from South Pacific islands in 1793. Some of the many birds found in St. Vincent are the Caribbean eleania, the trembler, the bananaquit, and the Antillean crested hummingbird.

## <sup>5</sup> ENVIRONMENT

The principal recurrent threat to the environment comes from the Soufrière volcano, which erupted violently on 7 May 1902, destroying much of northern St. Vincent and claiming 1,565 lives. After another eruption, on 13 April 1979, the volcano remained active for weeks, spewing over much of the island a pall of volca-

nic ash, which covered mountains, forests, and plantation fields. Forests are threatened by farming development and use of wood for commercial purposes.

Pollution from pleasure yachts and other sources has seriously affected the eastern shorelines of all the major islands of the Grenadines. In Bequia's Admiralty Bay, the pollution is so severe that swimming is dangerous. The main contributing factors are toxic chemicals used in farming and sewage. Fresh water resources are also limited. The nation's tourist trade increases the need for water even more. The nation's coast is particularly vulnerable to pollution from industrial sources.

The central highlands of St. Vincent have been set aside as a natural preservation area for nesting of the St. Vincent parrot, the St. Vincent wren, and the St. Vincent solitaire, all endangered or rare species. In the Grenadines, the hawksbill, green sea, and leatherback turtles have been declared endangered. The Tobago Cays have been proposed as a nature preserve, but aside from a few sites on Union Island there are no protected areas in the Grenadines belonging to St. Vincent. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 2 types of mammals, 2 species of birds, 4 types of reptiles, 1 species of amphibian, 11 species of fish, and 4 species of plants. Threatened species included the guaiac tree, the great white shark, the St. Vincent black snake, and several species of whales and dolphins.

## <sup>6</sup>POPULATION

The population of St. Vincent and the Grenadines in 2005 was estimated by the United Nations (UN) at 111,000, which placed it at number 176 in population among the 193 nations of the world. In 2005, approximately 6% of the population was over 65 years of age, with another 30% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.1%, a rate the government viewed as too high. The projected population for the year 2025 was 117,000. The overall population density was 285 per sq km (737 per sq mi), with the majority of the population living on St. Vincent, which is the main island. The Grenadines are sparsely populated; many of the islands are uninhabited.

The UN estimated that 55% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.97%. The capital city, Kingstown, had a population of 29,000 in that year.

## <sup>7</sup>MIGRATION

Although no reliable statistics are available, emigration is known to take place to Trinidad, Guyana, Guadeloupe, and Martinique. In the past, the United Kingdom and the United States also accepted substantial numbers of migrants, and Canada is still receiving arrivals from the islands. The number of migrants was estimated to be 8,000 in 2001. In 2005, the net migration rate was -7.61 per 1,000 population. The government views the migration levels as satisfactory.

## <sup>8</sup>ETHNIC GROUPS

About 66% of the islanders are descendants of African slaves. About 19% of the population is of mixed origin. Of the mixed

group, about 1,000 persons, identified as Black Caribs, descend from the intermingling of Amerindians and Africans that occurred before European colonization. In the second half of the 19th century, about 2,472 indentured laborers were brought to St. Vincent from Asia; their descendants, making up about 6% of the current population, are known as East Indians. About 2% of the people are Carib Amerindians.

## <sup>9</sup>LANGUAGES

English is the official language of St. Vincent and the Grenadines. Some islanders speak a French patois, representing a mixture of African and French grammar, with a vocabulary drawing mostly upon French, along with some English and a few Spanish words. A few islanders speak French as their first language.

## <sup>10</sup>RELIGIONS

Christianity is the dominant religion of the islands. The largest denomination is the Anglican Church, with about 24,000 members. The Methodist Church has about 4,500 registered members, but up to 12,000 people have claimed some affiliation with this denomination. About 11,000 citizens are Roman Catholic and another 11,000 are Seventh-Day Adventist. The Pentecostal Assembly of the West Indies has about 20 congregations in the country; other Pentecostal denominations are present. There are small communities of Baha'is, Hindus, and Muslims. There is also a group of Rastafarians, some of whom claim discrimination by local police because their religion endorses the use of marijuana, which is illegal in the country. Religious freedom is guaranteed by the constitution. The Christian Council of Churches promotes interfaith understanding and maintains a close relationship with the government.

## <sup>11</sup>TRANSPORTATION

St. Vincent is on the main air routes of the Caribbean, with direct flights to Trinidad and Barbados as well as the other islands to the north. In 2004 there were an estimated six airports and airfields, five of which had paved runways (as of 2005). The international airport is located on the southern tip of the island, near Kingstown; one of the much smaller airports is located on the east coast, north of Georgetown. Small airports are also located on Union, Canouan, and Mustique islands. In 1991, the construction industry and the infrastructure were given a minor boost with the government's announcement of an us\$18.5 million airport improvement and road construction and upgrading program.

All of the Grenadines have excellent harbors served by a ferry service operating out of Kingstown. Wharf facilities were enlarged in the early 1980s, with financial support from the United States, to include a deepwater pier. In 2005, the merchant fleet comprised 657 ships of 1,000 GRT or more, totaling 7,967,418 GRT. Although the main road of St. Vincent, going down the east coast and up the west coast, does not encircle the island, it does connect all the main towns with the capital. As of 2002, the islands had about 829 km (516 mi) of roads, of which 580 km (361 mi) were paved. About 8,110 vehicles were registered in 1995, including 4,935 passenger cars. There is approximately one vehicle for every 15 residents.

## 12 HISTORY

The Arawak Amerindians, who migrated from South America, are the earliest known inhabitants of St. Vincent and the Grenadines. Subsequently, the Caribs took control of the islands and were there when Christopher Columbus reached St. Vincent on 22 January 1498.

St. Vincent was one of the last of the West Indies to be settled. Left to the Carib Amerindians by British and French agreement in 1660, the island continued to have a sizable Amerindian population until the first quarter of the 18th century. One of the results of this isolation from European influence was the evolution of the Black Caribs, who descend from the intermarriage of runaway or shipwrecked slaves with the Amerindians. The island was taken formally by the British in 1763, who ruled thereafter, except from 1779 to 1783 when it was in the hands of the French.

The island changed its ethnic character during the next century. When the Black Caribs and the remaining Amerindians rebelled against the British in 1795 at French instigation, most of the defeated insurgents were removed to the Bay of Honduras. Those who remained were decimated by an eruption of Soufrière in 1812. They were supplanted by African slaves, who were freed in 1834, Madeiran Portuguese, who immigrated in 1848 because of a labor shortage, and Asian indentured laborers who arrived in the latter half of the 19th century.

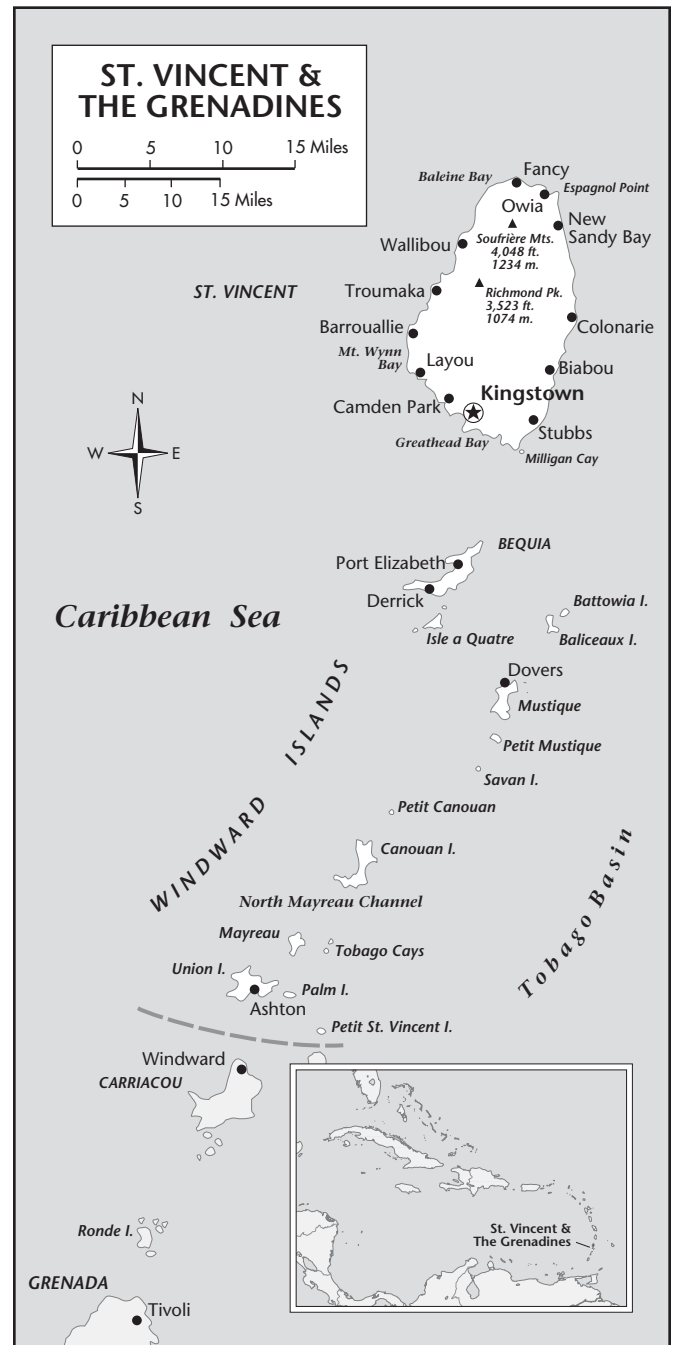
St. Vincent was administered as a crown colony within the Windward Islands group from 1833 until 1960, when it became a separate administrative unit linked with the Federation of the West Indies. The federation fell apart in 1962, and after lengthy discussion, St. Vincent became a self-governing state in association with the United Kingdom seven years later. On 27 October 1979, St. Vincent and the Grenadines achieved full independence as a member of the Commonwealth.

During the first months of independence, the young nation faced a rebellion on Union Island, its southernmost constituent, by a group of Rastafarians attempting to secede. The revolt was put down with military support from neighboring Barbados. In the end, 1 person was killed and 40 arrested. Otherwise, the political system has had few disruptions. The government at independence under the St. Vincent Labor Party gave way to the New Democratic Party (NDP) in 1984, with the NDP renewing its government in 1989.

In 1990, leaders of St. Vincent and the Grenadines, Dominica, Grenada, and St. Lucia formed the Regional Constituent Assembly to plan for a limited union. However, these talks were halted after 1995 because the parties in power changed in several of the countries. In the February 1994 election, the NDP won its third consecutive term in office. The NDP captured 12 seats in the House of Assembly and the Unity Labor Party (ULP) won three seats.

The NDP retained its parliamentary majority by only one vote in early elections held in June 1998, winning 8 seats as opposed to 7 won by the opposition ULP led by Vincent Beache. But in 2001, the ULP led by Ralph Gonsalves won the election with 56.7% of the vote and secured 12 of the 15 elected seats in the 21-member Assembly.

In spite of efforts at diversification, bananas remained the most important sector of the country's economy. However, the banana industry, like those of other Caribbean island nations, suffered serious blows in past years.



LOCATION: St. Vincent—13°6' to 14°35' N; 61°6' to 61°20' W. TOTAL COASTLINE: 84 kilometers (52 miles). TERRITORIAL SEA LIMIT: 12 miles.

In 2003, St. Vincent and the Grenadines was admitted to the Non-Aligned Movement of developing nations. That year, the country was also removed from the Paris-based Financial Action Task Force's list of nations deemed uncooperative in the fight against money laundering.

## 13 GOVERNMENT

When the nation became independent in 1979, it kept the then British monarch as the nominal head of government, represented by a governor-general. The governor-general appoints the leader



of the majority party to be prime minister. The cabinet is appointed by the governor-general on the advice of the prime minister. Executive power is in the hands of the prime minister and cabinet, who are members of the majority party in the legislature. The legislature is unicameral, a 21-seat House of Assembly. The House of Assembly consists of representatives elected from each of 15 constituencies for a maximum of five years, plus 6 senators appointed by the governor-general.

#### 14 POLITICAL PARTIES

There are two major parties and four minor parties on the islands. The majority party is the New Democratic Party (NDP). Founded in 1975, the party had, after 1984, held a parliamentary majority. In the elections of June 1998, the NDP's majority slipped from 12 to 8 out of 15 seats, giving it only a one-seat margin over the opposition SVLP.

The St. Vincent Unity Labour Party (ULP) was founded in 1955 and was in power at independence and governed the nation, under Robert Milton Cato, until the July 1984 elections. Under the leadership of party leader, Ralph Gonsalves, the ULP won the 2001 parliamentary election with 12 out of 15 seats. The ULP also won the 2005 election, winning 55.26% of the vote (12 seats) to the NDP's 44.68% (3 seats). The next elections were to be held in 2010.

#### 15 LOCAL GOVERNMENT

In an attempt to decentralize the government, this small nation has been subdivided into six parishes.

#### 16 JUDICIAL SYSTEM

The islands are divided into three judicial districts; there are 11 courts within the three districts. Appeals may be carried to the East Caribbean Supreme Court, based in St. Lucia, and made up of the Court of Appeal and the High Court. Prior to 2003, in exceptional cases, appeals were carried to the Judicial Committee of the Privy Council in the United Kingdom. On 9 June 2003, Caribbean leaders met in Kingston, Jamaica, to ratify a treaty to establish the Caribbean Court of Justice (CCJ). Eight nations—Barbados, Belize, Dominica, Guyana, Jamaica, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago—officially approved the CCJ, although 14 nations were planning to use the court for appeals. Haiti had agreed to use the CCJ for resolution of trade disputes. The court was officially inaugurated in April 2005. As of 2005, however, the court's jurisdiction was limited to the CARICOM states of Barbados and Guyana. The CCJ heard its first case in August 2005.

The constitution guarantees a public trial before an independent and impartial court. Legal counsel is afforded to indigent defendants in cases involving capital punishment. There are no separate security or military courts.

#### 17 ARMED FORCES

There are no armed forces except those of the police force and coast guard. The Eastern Caribbean Regional Security System, which includes Antigua and Barbuda, Barbados, Dominica, Grenada, Jamaica, St. Kitts and Nevis, and St. Lucia, as well as St. Vin-

cent and the Grenadines, provides for joint coast guard operations, military exercises, and disaster contingency plans.

#### 18 INTERNATIONAL COOPERATION

St. Vincent and the Grenadines became a member of the United Nations on 16 September 1980 and belongs to the ECLAC and several nonregional specialized agencies, such as the FAO, ILO, UNCTAD, UNSECSO, the World Bank, and the WHO. The nation is a member of the WTO, the ACP Group, CARICOM, the Caribbean Development Bank, G-77, the OAS, the Alliance of Small Island States (AOSIS), the Association of Caribbean States (ACS), and the OECS. It is also part of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL) and the Organization for the Prohibition of Chemical Weapons.

In environmental cooperation, St. Vincent and the Grenadines is part of the Basel Convention, Conventions on Biological Diversity and Whaling, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

#### 19 ECONOMY

Agriculture is the mainstay of the economy of St. Vincent and the Grenadines, with bananas as the primary cash crop. Vegetable production for export grew significantly in the mid-1980s, as the market for arrowroot declined. Revenues from banana exports fell after 1990, but EU support after 1998 helped the industry. Tourism is particularly important in the Grenadines, where yachting is a principal pastime. Some of the smaller cays have been wholly acquired by private interests and developed into resorts for European and North American visitors. Some industrial development has begun in St. Vincent, but the government has been relatively unsuccessful at introducing new industries, and high unemployment rates continued. The continuing dependence on a single crop represents the biggest obstacle to economic development; tropical storms frequently disturb agricultural production. Dependence upon the tourism industry is also risky, as witnessed by the low numbers of arrivals following the 11 September 2001 terrorist attacks on the United States. About 160,000 tourists arrived in the country in 2004.

Although private sector activity was weak in the mid-2000s, growth was supported by a rebound in agricultural production and expansionary fiscal policies, including large public sector investments. Following stagnation in 2001, a moderate recovery began in 2002–03. The GDP growth rate reached 5.4% in 2004.

#### 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 St. Vincent and the Grenadines's gross domestic product (GDP) was estimated at \$342.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,900. The annual growth rate of GDP was estimated at 0.7%. The average inflation rate in 2001 was -0.4%. It was estimated that

agriculture accounted for 10% of GDP, industry 26%, and services 64%.

Approximately 27% of household consumption was spent on food, 8% on fuel, 2% on health care, and 13% on education. It was estimated that for the same period private consumption grew at an annual rate of 7%.

## 21 LABOR

As of 1991, the labor force totaled an estimated 41,680 persons. As of 2001, the services sector accounted for 60.7% of those employed, with 15.4% in agriculture, 19.7% engaged in industry, and 4.2% in undefined occupations. In 2001 the unemployment rate was estimated at 15%.

One of the first authentic labor unions in the West Indies was formed in St. Vincent in 1935, during the Great Depression. From this initial Workingman's Association, the labor movement in St. Vincent has developed unions for agricultural workers, dockworkers, civil servants, and teachers. There is some poaching of members among competing trade unions, and the labor movement is gradually losing support. While workers have the right to form unions and strike, employers are not compelled to recognize a union or bargain collectively with them. Many employers do try to maintain good relations with their workers though, and strikes are rare. St. Vincent and the Grenadines joined the International Labor Organization in 1999.

The minimum working age is 16 and this is enforced by the government and respected by employers. Some children under 16 do work on family-owned banana plantations. There is no statutory workweek, but most workweeks are 40 hours long in practice. The minimum wage varies by economic sector and level of employee skill. As of 2002, the minimum wage for agricultural workers was us\$6.74 per day (not including shelter) and us\$7.49 per day for industrial workers.

## 22 AGRICULTURE

About half of St. Vincent is devoted to crop growing. Agricultural products accounted for 60% of exports in 2004. Real growth in agriculture was averaging 6.7% annually. Bananas constitute the main crop; vegetables, coconut, spices, and sugar are also important. Banana production was adversely affected by the eruption of Soufrière, which reduced exports from 30,414 tons in 1978 to 22,692 tons in 1979. Further damage was done by two hurricanes in 1979 and 1980; in the latter year, some 95% of the crop was destroyed. Production rebounded during 1981, and 83,000 tons were produced in 1982; in 2004, 45,000 tons were produced. Other crops in 2004 included coconuts, 21,500 tons; sugarcane, 18,000 tons; sweet potatoes, 1,200 tons; and plantains, 3,500 tons. Most of the agricultural products are grown on small farms; quality control is sometimes a problem, particularly in the production of bananas. There are approximately 5,000 banana growers on the island.

## 23 ANIMAL HUSBANDRY

Estimates of the livestock population in 2005 include 12,000 sheep, 9,150 hogs, 5,000 head of cattle, 7,200 goats, and 125,000 poultry

of all types. The island of St. Vincent does not produce enough meat, poultry, eggs, and milk to satisfy local demand.

## 24 FISHING

At one time, St. Vincent and Bequia were the centers for a thriving whaling industry, but only 21 humpback whales were captured from 1970 to 2003. Since the New Kingston Fish Market opened in the late 1980s, the fish catch rapidly increased. In 2003, the total catch amounted to 4,782 tons, up from 921 tons in 1996. However, fisheries exports declined from us\$1,960,300 in 1990 to us\$551,000 in 2003. Technical assistance and training to fisherman and fisheries staff was being sponsored by the Canadian Fisheries Development Project.

## 25 FORESTRY

There is virtually no commercial forestry, although 36% of the land consists of forests and woodlands. Some local timber is used for residential and boat construction. Imports of forest products amounted to almost us\$18.5 million in 2004.

## 26 MINING

Mining played a minor role in the economy of St. Vincent and the Grenadines. Some sand was extracted for local construction projects, and on some of the smaller and drier Grenadines, salt was produced on a small scale for local consumption.

## 27 ENERGY AND POWER

The electric power facilities of St. Vincent and the Grenadines were being expanded and improved to meet the growing industrial demand. In 2002, total power generation amounted to 91 million kWh, of which 72.5% was from fossil fuels and 27.5% from hydropower. Consumption of electricity in the same year was 85 million kWh. Total installed capacity in 2002 was 23,000 kW.

St. Vincent and the Grenadines had no reserves of natural gas, oil, or coal, nor any refining capacity. All fossil fuel needs are met by imports of refined oil products. In 2002, imports and consumption of refined oil products each averaged 1,300 barrels per day. Of that amount, distillates and gasoline accounted for the majority. Distillate imports averaged 690 barrels per day, while gasoline accounted for 440 barrels per day.

## 28 INDUSTRY

A substantial amount of industrial activity centers on the processing of agricultural products. Because of depression in the sugar industry, sugar-processing facilities established in 1981–82 were shut down in 1985; in the same year, a beer factory began production. Nonagricultural industries include several garment factories, a furniture factory, an electronics plant, and a corrugated cardboard box plant. Manufacturing accounted for 6.1% of GDP in 2001, and industrial activity as a whole contributed 26% to GDP in 2001.

The tourism industry lagged in the 1990s because of difficult transportation access and the lack of white sand beaches on the main islands. However, the government put more emphasis than ever on the promotion of the country as an upscale tourist destination. A new airport on Union Island was opened in 1993. A year earlier, a new airport, financed by a grant from the EC (now EU),

opened on the island of Bequia. In 1996, a new cruise ship and berths came on line.

The 2003 budget called for the establishment of two business parks at Diamond and Campden Park; 178,000 sq ft of factory space had been created at Campden Park Estate by 2006, and plans were ongoing for the development of the Diamond Industrial Estate. The government also announced the reintroduction of a new product development and processing facility.

## 29 SCIENCE AND TECHNOLOGY

St. Vincent seeks scientific expertise to deal with problems associated with its main agricultural products, especially bananas. The computer industry in the United States and Europe has opened up a new demand for paper; with proper processing, arrowroot might be able to compete in this new market, but so far the technology is lacking. Experimentation on arrowroot waste as a source of biogas has also been undertaken. A National Council for Science and Technology was created late in 1981. St. Vincent also has an Appropriate Technology Center, established in 1982. In 2002, there were 21 researchers and 110 technicians actively engaged in research and development.

## 30 DOMESTIC TRADE

Kingstown is the main commercial distribution center. Agriculture has traditionally formed the basis of the local economy, but tourism has become much more important as a sector of the economy. Local produce markets exist in all the Grenadines and in the small villages on St. Vincent. Government offices on St. Vincent are open on weekdays from 8 AM to noon and from 1 to 4:15 PM. On Saturday afternoons, most shops are closed. Supermarkets and shopping centers, however, are generally open from 8 AM to 8 PM.

## 31 FOREIGN TRADE

St. Vincent and the Grenadines is highly dependent on foreign trade. From the agricultural sector, bananas (50%) and vegetables are major foreign exchange earners. Other exports include yachts, eddoes and dasheen (taro), arrowroot starch, and tennis racquets.

In 2000 the country's imports were distributed among the following categories: consumer goods, 18.0%; food, 25.8%; fuels, 9.6%; industrial supplies, 28.8%; machinery, 10.3%; and transportation, 7.5%.

About half of exports go to other Caribbean islands, and over one-third of imports come from the United States. The principal export partners in 2004 were: the United Kingdom (33.5%), Barbados (13.1%), St. Lucia (11.5%), Trinidad and Tobago (9.9%), Antigua and Barbuda (8.3%), the United States (5.3%), Grenada (5.3%), and Dominica (4.1%). The principal import partners were: the United States (37.5%), Trinidad and Tobago (21.3%), and the United Kingdom (10.5%).

## 32 BALANCE OF PAYMENTS

St. Vincent and the Grenadines has had an unfavorable balance of trade since the 1950s. Income from tourism, investments, and development assistance makes up the balance. However, the tourism industry suffered as a result of the 11 September 2001 terrorist at-

### Principal Trading Partners – St. Vincent and the Grenadines (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	38.1	201.1	-163.0
United Kingdom	11.2	14.5	-3.3
United States	5.1	82.9	-77.8
Barbados	4.3	7.6	-3.3
Trinidad and Tobago	4.2	41.6	-37.4
Saint Lucia	3.9	2.3	1.6
Antigua and Barbuda	2.7	...	2.7
Dominica	1.4	0.5	0.9
Grenada	1.3	0.7	0.6
Saint Kitts and Nevis	1.0	...	1.0
Jamaica	1.0	1.8	-0.8

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

### Balance of Payments – Saint Vincent and the Grenadines (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>-42.3</b>
Balance on goods		-116.8
Imports	-157.2	
Exports	40.5	
Balance on services		76.4
Balance on income		-14.0
Current transfers		12.1
<b>Capital Account</b>		<b>10.6</b>
<b>Financial Account</b>		<b>12.7</b>
Direct investment abroad		...
Direct investment in Saint Vincent and the Grenadines	32.5	
Portfolio investment assets		-5.4
Portfolio investment liabilities		6.4
Financial derivatives		...
Other investment assets		-7.7
Other investment liabilities		-13.0
<b>Net Errors and Omissions</b>		<b>13.0</b>
<b>Reserves and Related Items</b>		<b>6.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

tacks on the United States, but began to rebound in 2002–03, with tourism arrivals reaching 160,000 in 2004.

In 2004, the value of exports was estimated at us\$37 million, and imports were valued at us\$225 million.

## 33 BANKING AND SECURITIES

In the late 1980s, the nation's largest financial institution was the state-run National Commercial Bank, and various branches of Canadian banks were prominent in Kingstown. Commercial banks include Bank of Nova Scotia, Barclays, CIBC, Development Corp., First St. Vincent Bank, New Bank, Owens Bank, St. Vincent Cooperative Bank, and Republic Bank. The government has established arrangements for offshore banking corporations, with direct connections to Swiss banking facilities. The International Monetary Fund reports that in 2001, currency and demand deposits—an ag-

gregate commonly known as M1—were equal to \$95.9 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$278.0 million.

There is no securities exchange, except for the common CARICOM exchange.

### 34 INSURANCE

Local insurance companies are limited in scope and importance. Representatives of insurance corporations based in the United Kingdom, Canada, and the United States operate on St. Vincent.

### 35 PUBLIC FINANCE

Most of the government's income comes from customs duties and taxes. The leading categories of expenditures are education, public works, and health.

The US Central Intelligence Agency (CIA) estimated that in 2000 St. Vincent and the Grenadines's central government took in revenues of approximately us\$94.6 million and had expenditures of us\$85.8 million. Revenues minus expenditures totaled approximately us\$8.8 million. Total external debt was us\$167.2 million.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, general government revenues in millions of East Caribbean dollars were 377.7 and expenditures were 327.6. The value of revenues in millions of US dollars was \$140 and expenditures \$120, based on an official exchange rate for 2003 of 2.7000 as reported by the IMF. Government outlays by function were as follows: general public services, 36.8%; public order and safety, 8.6%; economic affairs, 11.1%; environmental protection, 1.3%; housing and community amenities, 1.6%; health, 12.7%; recreation, culture, and religion, 0.2%; education, 17.5%; and social protection, 10.1%.

### 36 TAXATION

The government of St. Vincent and the Grenadines levies a progressive personal income tax (ranging from 10–55%), a corporate tax of 45% of net income, inheritance taxes, and a social security contribution of 2.5% of gross salary up to a maximum of us\$41.75 per month.

### 37 CUSTOMS AND DUTIES

By far the most important customs revenues are from import duties. There is a duty on exported goods, but the revenue earned is relatively small. By agreement with certain private corporations, the government waives customs duties on specific items in order to stimulate industrial development. Under an October 1992 CARICOM agreement, St. Vincent and the Grenadines has eliminated import licensing. St. Vincent has adopted CARICOM's common external tariff (CET), which ranges from 0–20%.

### 38 FOREIGN INVESTMENT

The government has encouraged foreign investment by establishing industrial estates, including both factories and homes for laborers, as well as by offering favorable tax conditions for the investors. Investment benefits include tax holidays, repatriation of profits, duty free concessions, and consumption tax exemptions. Tax holidays vary between 10 and 15 years (the nominal corpora-

#### Public Finance – Saint Vincent and the Grenadines (2003)

(In millions of East Caribbean dollars, general government figures)

<b>Revenue and Grants</b>	<b>377.7</b>	<b>100.0%</b>
Tax revenue	270.4	71.6%
Social contributions	20.2	5.3%
Grants	33.8	8.9%
Other revenue	53.3	14.1%
<b>Expenditures</b>	<b>327.6</b>	<b>100.0%</b>
General public services	120.6	36.8%
Defense	...	...
Public order and safety	28.2	8.6%
Economic affairs	36.2	11.1%
Environmental protection	4.3	1.3%
Housing and community amenities	5.4	1.6%
Health	41.7	12.7%
Recreational, culture, and religion	0.8	0.2%
Education	57.2	17.5%
Social protection	33.2	10.1%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

tion tax rate is 40%). In 2004, the NIPI (National Investment Promotion Inc.) was created to act as a catalyst to stimulate local and foreign direct investment in all productive sectors, and to facilitate the expansion of the export sector with a view toward stimulating job growth and wider economic development. At its inauguration, the NIPI placed special emphasis on agroprocessing, light manufacturing, and hotel development.

A large multinational company handles the marketing of most banana production, and a US firm has established a children's garment factory. The government has allowed the sale of some small islands in the Grenadines, notably Mustique, owned by a Scotsman, and Prune, bought by a US family and now called Palm Island by its entrepreneur owner. Petit St. Vincent and much of Canouan are being developed by the government for tourism.

St. Vincent is still eager to receive foreign investment, while providing special incentives and credit tailored to the needs of the investors. St. Vincent is eligible for trade benefits under Caribbean (Canada), the Caribbean Basin Initiative (CBI), and the Lomé Convention (Europe—although these have been challenged by the WTO).

The government is targeting offshore services as a means of diversification away from bananas and tourism. The Offshore Finance Authority was set up in 1996 to regulate bank and company registration, and the island is to be marketed in Puerto Rico, London, Hong Kong, New York, and Miami.

Annual foreign direct investment (FDI) inflow peaked at \$92.5 million and \$89 million in 1997 and 1998, respectively, but has since declined. FDI inflow was \$56 million in 1999; \$28 billion in 2000; and \$35.7 million in 2001. In 2003, FDI reached 10.14% of GDP, below the level of 1995 (11.48%), but above the rate in 2000 (8.67%).

As of 2006, St. Vincent and the Grenadines was attracting investment in the following sectors: tourism, construction, international financial services, banking and insurance, telecommunications, and manufacturing.

### 39 ECONOMIC DEVELOPMENT

A 1982 loan from the Caribbean Development Bank was designed to stimulate and redirect agricultural production, support the tourist industry, and contribute to the creation of the infrastructure necessary for industrial development. Loans and government incentives have since focused on supporting the banana trade, improving infrastructure, and stimulating tourism.

A severe drought in 2001 and the effects of the downturn in the global economy and the 11 September 2001 terrorist attacks on the United States adversely affected the economy. Construction later rebounded as public sector projects were implemented. Public sector debt rose to 80% of gross domestic product (GDP) in 2004, up from 72% in 2002, and 67% in 2001. Reducing poverty remained a central priority of the government, as was reform of the tax system. The government was also taking steps to combat money laundering and drug trafficking—St. Vincent is a large producer of marijuana, and has been used as a transshipment point for illegal narcotics from South America.

### 40 SOCIAL DEVELOPMENT

In 1986, legislation established a social security system, replacing the provident fund that had been in existence since 1970. Workers contribute 2.5% of earnings, while employers pay 3.5% of payroll distributions. Benefits are provided for old age, disability, death, sickness, and maternity, and have been expanded to cover the self-employed. Employers fund a compulsory workers' compensation program. The worker is eligible for a pension at age 60, or earlier if incapacitated. Maternity benefits are provided at a rate of 65% of average earnings for a period of 13 weeks. Workers' medical benefits include medical, surgical, and hospital treatments, as well as medicine, appliances, and transportation.

St. Vincent also has an extensive program of community development, which stimulates the formation of cooperatives and self-help programs in the rural communities. A national family planning program has been introduced as part of the government's maternal and child welfare services.

The minimum wage law mandates that women receive equal pay for equal work. Violence against women remains a serious problem, although the government is increasing attention to the issue. A domestic violence law establishes a family court to handle cases of spousal abuse, and consequently more women are coming forward with complaints. The penalty for rape is usually 10 or more years in prison.

Human rights are generally respected. Problems include the use of physical force to extract confessions and inadequate prison conditions.

### 41 HEALTH

Kingstown's general hospital, with 209 beds, was the country's only government-run acute care hospital. There were five rural hospitals, including one located on the east coast of St. Vincent, the second on the west coast, and the third on Bequia. There are also hospitals for the aged and a 120-bed Mental Health Center. Approximately 38 outpatient clinics provide medical care to 9 health

districts throughout the nation. In 2004, there were an estimated 88 physicians, 239 nurses, and 5 dentists per 100,000 people.

The fertility rate was 2.4 children per woman. Gastrointestinal diseases continued to be a problem, although they are less so than in the past. Circulatory system diseases accounted for about 42% of all deaths, cancer for 16%, and external causes for 6.7%. The immunization rates for a child under one were as follows: diphtheria, pertussis and tetanus, 99%, measles, 99%, polio, 99%, and tuberculosis, 98%.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 17.5 and 6.1 per 1,000 people. Infant mortality in 2005 was estimated at 14.78 per 1,000 live births. Life expectancy at birth was 73.62 years.

### 42 HOUSING

Among other efforts to eliminate substandard housing conditions, the government has undertaken housing renewal projects in both rural and urban areas and has sought to provide housing for workers on industrial estates. Another government program supplies building materials at low cost to working people. A majority of dwellings were detached houses; apartments accounted for less than 10%. In the same period, over half of all housing units were owner occupied, with smaller percentages either rented or occupied rent free. Dwellings were constructed primarily of either wood or concrete, with a smaller number constructed of both wood and concrete, or stone.

### 43 EDUCATION

Primary education lasts for seven years, followed by five years of secondary education. The government-assisted School for Children with Special Needs serves handicapped students. Primary school enrollment in 2003 was estimated at about 90% of age-eligible students. The same year, secondary school enrollment was about 58% of age-eligible students; 56% for boys and 61% for girls. It is estimated that about 77.5% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 18:1 in 2003; the ratio for secondary school was about 22:1. In 2003, private schools accounted for about 4.7% of primary school enrollment and 33.2% of secondary enrollment.

At the postsecondary level there is a teachers' training college, affiliated with the University of the West Indies, and a technical college. Adult education classes are offered by the Ministry of Education. Vocational training is available through the Department of Public Works, and agricultural training is offered by the Ministry of Agriculture. In 1989, students at the university and all higher-level institutions numbered 677 with 96 teaching staff. Nearly 68% of these higher-level students were women. The adult literacy rate has been estimated at about 96%.

As of 2003, public expenditure on education was estimated at 10% of GDP, or 20.3% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

The government maintains a free public library system with 260,000 volumes. The main public library system is Kingstown Library Services; the central library is located in Kingstown and there are about 18 public library branches located throughout the country. The National Archives of St. Vincent and the Grenadines was established in 1990 and is open to the public, as is the Nation-

al Documentation Centre (est. 1982); both are located in Kingstown. The small National Museum in Kingstown houses ancient Indian clay pottery. The Botanical Garden in Kingstown is open to the public.

#### 45 MEDIA

The internal telephone system of St. Vincent and the Grenadines, fully automatic, is operated by Cable and Wireless Ltd. (West Indies), which also provides telegraph, telex, and international telephone services. In 2002, there were 27,300 mainline phones and 10,000 mobile phones in use throughout the country.

In 2004, there were two privately owned radio stations and one partially government-funded radio station. There were also one government-operated television station and two private television stations. In 1997 there were 627 radios and 170 television sets per 1,000 population. In 2002, there were 7,000 Internet subscribers. In 2003, there were four Internet hosts.

In 2005, there were four major newspapers: *The Herald* (daily), *The News*, (weekly), *Searchlight* (weekly), and *The Vincentian* (weekly). These were all privately owned. There are also several small political publications. Constitutionally provided free speech and free press are respected by the government, with no reports of interference or censorship.

#### 46 ORGANIZATIONS

A chamber of commerce meets in Kingstown. Among the important commercial organizations is the St. Vincent Hotel Association. A civil liberties organization, Saint Vincent and the Grenadines Human Rights Association, was founded in 1986. National youth organizations include the Boy Scouts and Girl Scouts Association of Saint Vincent and the Grenadines, Caribbean Federation of Youth, Young Democrats of Saint Vincent and the Grenadines, and YMCA/YWCA. There are sports associations prompting amateur competition for athletes of all ages. There is a national chapter of the Red Cross Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourism is oriented toward yachting, with havens located on most of the Grenadines and also at Young Island, off the southern tip of

St. Vincent. Posh resorts have been created on many of the smaller Grenadines, with villas and cottages built alongside small private beaches. The many cathedrals, gardens, and forts also attract tourists. All foreign nationals must present a valid passport except those of the United Kingdom, the United States, and Canada who may instead use proof of citizenship. All visitors are required to have an onward/return ticket. Visas are required for nationals of Jordan, Syria, the Dominican Republic, Lebanon, Iraq, Iran, and Nigeria.

In 2003, there were a total of 1,680 hotel rooms with 3,360 beds. The number of tourist arrivals totaled 78,535 that year. According to US Department of State estimates, the daily cost of staying in St. Vincent was us\$213 between December and April, and us\$196 the rest of the year.

#### 48 FAMOUS SAINT VINCENTIANS

Robert Milton Cato (1915–97), prime minister from independence until 1984, was one of the founders of the SVLP. James Fitz-Allen Mitchell (b.1931), prime minister from 1984–2000, was one of the founders of the NDP. Sir Fred Albert Phillips (b.1918) is a specialist on constitutional and international law.

#### 49 DEPENDENCIES

St. Vincent and the Grenadines has no territories or colonies.

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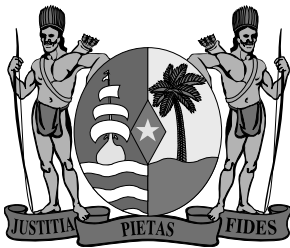
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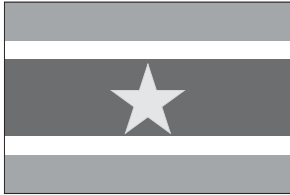
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# SURINAME

Republic of Suriname  
*Republiek Suriname*



**CAPITAL:** Paramaribo

**FLAG:** A yellow star is at the center of five stripes: a broad red band in the middle, two white bands, and a green stripe at the top and bottom.

**ANTHEM:** The *Surinaams Volkslied* (*National Anthem*) begins “God zij met ons Suriname” (“God be with our Suriname”).

**MONETARY UNIT:** The Suriname guilder (Sf) is a paper currency of 100 cents. There are coins of 1, 5, 10, and 25 cents, and notes of 5, 10, 25, 100, and 500 guilders. Sf1 = \$0.00037 (or \$1 = Sf2700) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year’s Day, 1 January; Revolution Day, 25 February; Labor Day, 1 May; National Union Day, 1 July; Independence Day, 25 November; Christmas, 25 December; Boxing Day, 26 December. Movable religious holidays include Holi Phagwah, Good Friday, Easter Monday, and ‘Id al-Fitr.

**TIME:** 8:30 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated on the northeast coast of South America, Suriname is the smallest independent country on the continent, with a total area of 163,270 sq km (63,039 sq mi). Comparatively, the area occupied by Suriname is slightly larger than the state of Georgia. The nation has an extension of 662 km (411 mi) NE–SW and 487 km (303 mi) SE–NW. Suriname is bordered on the N by the Atlantic Ocean, on the E by French Guiana, on the S by Brazil, and on the W by Guyana, with a total boundary length of 2,093 km (1,301 mi), of which 386 km (239 mi) is coastline. Suriname also claims about 15,000 sq km (5,800 sq mi) of southeastern Guyana and some 5,000 sq km (1,900 sq mi) of southwestern French Guiana.

Suriname’s capital city, Paramaribo, is located on the Atlantic coast.

## <sup>2</sup> TOPOGRAPHY

Suriname is composed of thick forests, unexplored mountains, and swampy plains. Several geologically old rivers, including the Maroni in the east and the Courantyne, flow northward to the Atlantic Ocean from the southern highlands near the Brazilian border; there, numerous rapids and waterfalls bar boat passage.

The coastal plain is flat and sometimes as much as 1.5 m (5 ft) below sea level, necessitating a system of sea defenses. The soils of the coastal plain are relatively fertile. A forest belt, 48–72 km (30–45 mi) wide, lies to the south, interspersed with grassy savannas. Farther south are dense forest and higher ground.

## <sup>3</sup> CLIMATE

The climate is tropical and moist. Daytime temperatures range from 28–32°C (82–90°F). At night the temperature drops as low as 21°C (70°F) because of the moderating influence of the northeast trade winds, which blow in from the sea all year. The annual rainfall in Paramaribo is about 230 cm (90 in). May to August is

the main rainy season, with a lesser rainy season from November to February.

## <sup>4</sup> FLORA AND FAUNA

Dominated by rain forest, Suriname contains many flowers but is most famous for water lilies and orchids. Tropical shrubs include hibiscus, bougainvillea, and oleander. There are at least 180 species of mammals. Among the reptiles are the tortoise, iguana, caiman, and numerous snakes. Tropical birds abound, especially the white egret.

## <sup>5</sup> ENVIRONMENT

In general, Suriname’s environment and wildlife are protected from the destructive influences that threaten the majority of the world’s nations. However, deforestation is becoming a concern, as foreign interests obtain timber concessions from the government. Pollutants from the country’s mining industry affect the purity of the water. Salinization of the water supply is becoming a problem for the coastal areas.

Suriname’s eight nature reserves are managed by the Foundation for Nature Preservation, founded in 1969. The Suriname Wildlife Rangers Club, consisting mainly of students 15–20 years old, assists in various nature preservation activities. National responsibility for environmental matters is vested in the Ministry of Health and Environment and the Ministry of Natural Resources and Energy. In the late 1990s, the Central Suriname Wilderness Nature reservation was created to set aside about 10% of the total land area as protected land; this site became a UNESCO World Heritage Site in 2000.

Due to the preservation of Suriname’s tropical rain forest, the nation’s wildlife flourishes. Even so, according to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 12 types

of mammals, 6 types of reptiles, 2 species of amphibians, 12 species of fish, and 27 species of plants. Threatened species in Suriname included the brazil nut tree, red cedar, the tundra peregrine falcon, five species of turtle (South American river, green sea, hawksbill, olive ridley, and leatherback), the Caribbean manatee, and the spectacled caiman.

## 6 POPULATION

The population of Suriname in 2005 was estimated by the United Nations (UN) at 447,000, which placed it at number 164 in population among the 193 nations of the world. In 2005, approximately 6% of the population was over 65 years of age, with another 29% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.4%, a rate the government viewed as satisfactory. The government incorporates population planning into its comprehensive development policies. The projected population for the year 2025 was 480,000. The population density was 3 per sq km (7 per sq mi).

The UN estimated that 74% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.32%. The capital city, Paramaribo, had a population of 253,000 in that year.

## 7 MIGRATION

About 90,000 Surinamese resided in the Netherlands by the mid-1970s, and the number had reached some 200,000 by 1985. Emigration was about 12,000 per year in the early 1970s, but it accelerated as the date of independence approached and again after the coup of February 1980. An estimated 8,000 Surinamese fled to neighboring French Guiana by 1987, seeking refuge from a guerrilla conflict raging in the northeast. Democracy was restored in 1987, and a repatriation movement began in 1988. In 1991, the refugees still living in French Guiana took part in that year's elections. Repatriation was completed with the return of most refugees by the end of 1993. In 2004 there were 100 refugees and no asylum seekers. In 2005, the net migration rate was an estimated -8.78 migrants per 1,000 population. The government views both the immigration and emigration levels as too high. Worker remittances were \$12.9 million in 2002.

## 8 ETHNIC GROUPS

Suriname has one of the most cosmopolitan populations in the world. The largest ethnic group is the Hindustani (also known locally as "East Indians"), whose ancestors emigrated from northern India in the latter part of the 19th century, with 37% of the total population. Ranking a close second is the Creole community (mixed white and black), with 31%. The Javanese constitute about 15%. "Maroons," whose African ancestors were brought to the country in the 17th and 18th centuries as slaves but escaped to the interior lands, make up 10%. Amerindians, Suriname's original inhabitants, form 2% of the population and include the Arawak, Carib, and Warrau groups along the riverbanks and coastal plains, and Trios, Akurios, and Wyanas along the upper reaches of

the rivers. Chinese account for 2% of the populace; whites for 1%; and other groups for the remaining 2%.

## 9 LANGUAGES

The official language is Dutch, but English is widely spoken, and the local people use a lingua franca known as Sranang-Tongo or Takki-Takki, a mixture of Dutch, African, and other languages. Hindustani (a dialect of Hindi), Javanese, and several Chinese, Amerindian, and African languages and dialects are also spoken.

## 10 RELIGIONS

Religious freedom is guaranteed by the constitution, and there is no state or dominant religion. According to government statistics, 40% of the population is Christian. Approximately 18% are Roman Catholic, 15% are Moravian, and 7% are of other denominations, including Lutheran, Dutch Reformed, Methodist, Baptist, and the Evangelical churches. Hinduism is practiced by about 27% of the inhabitants and Islam by about 22%. Indigenous tribal religionists make up around 8% of the populace. About 3% claim no religious affiliation at all. There are about 150 Jews in the country and a small number of Baha'is and Buddhists.

Political parties are often dominated by a particular ethnic and religious affiliation. For instance, members of the Creole National Party of Suriname are primarily Moravian and members of the Javanese Pertjaja Party are primarily Muslim. Certain Christian, Muslim, and Hindu holidays are celebrated as national holidays. The constitution provides for religious freedom.

## 11 TRANSPORTATION

Suriname, as of 2003, had 1,200 km (746 mi) of navigable waterways, most of which can handle vessels with a draft of up to 7 m. A ferry service across the Corantijn River to Guyana began operating in 1990. As of 2005, the country had only one merchant ship of 1,000 GRT or more, a cargo vessel, totaling 1,078 GRT. There are 166 km (103 mi) of single-track railway, 86 km (53 mi) government owned and the rest industrial. Paramaribo can be reached from any town or village on the coastal plain by good all-weather roads. In 1999, the first of two new bridges connecting the country from East to West along the coast was opened. As of 2002, there were 4,492 km (2,794 mi) of roadways, of which 1,168 km (726 mi) were paved. State-owned and private companies operate regular bus services, both local and long distance. In 2003, there were 65,400 passenger cars and 27,000 commercial vehicles. Total number of airports stood at an estimated 46 in 2004, only 5 of which had paved runways as of 2005. Zanderij International Airport near Paramaribo can handle jet aircraft, and there are small airstrips throughout the interior. The government-owned Suriname Airways offers regularly scheduled service to the Netherlands and Curaçao. In 2001 (the latest year for which data was available) it carried 202,900 passengers.

Military operations involving the Jungle Commando and the national army badly damaged Albina and the road connecting Moengo to the eastern border. Overall lack of proper maintenance on roads, canals, and port facilities has resulted in a degraded infrastructure and higher local transportation costs.



## 12 HISTORY

Spaniards came to Suriname in the 16th century in search of gold, but did not stay when they found none. The first large-scale colonization took place under Lord Francis Willoughby, the English governor of Barbados, who sent an expedition to Suriname in 1650 under Anthony Rowse. In 1660, the British crown granted Willoughby official rights, and it became a flourishing agricultural colony. Settlers included English colonists, African slaves, and Jewish immigrants from the Netherlands, Italy, and Brazil. In the Peace of Breda between England and the United Netherlands in 1667, Suriname became a Dutch colony.

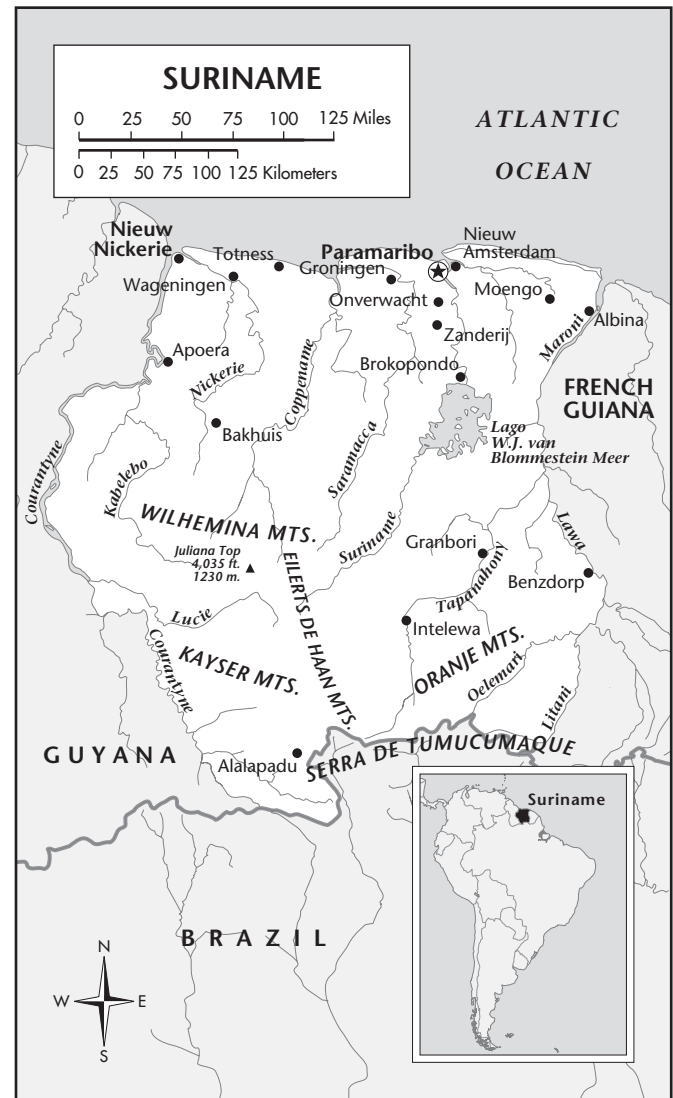
The English held Suriname again between 1799 and 1802 and from 1804 to 1816, when the Dutch resumed control over the colony under the Treaty of Paris. With the final abolition of slavery in 1863, workers were imported from India, Java, and China. In 1954, a new Dutch statute provided for full autonomy for Suriname, except in foreign affairs and defense. A commission was set up on 5 January 1972 to prepare alternatives to the existing legal framework. In May 1974, the terms for Suriname's independence were agreed on, and Suriname became an independent country on 25 November 1975.

For five years, Suriname was a parliamentary republic under Prime Minister Henk Arron. On 25 February 1980, the government was overthrown in a military coup led by Désiré Bouterse. Parliament was dissolved and the constitution suspended, and in 1981 the new government declared itself a Socialist republic. Relations with the United States became strained as the Bouterse government moved closer to Cuba. In December 1982, as a result of the government's execution of 15 political opponents, the Netherlands and the United States suspended all aid to Suriname.

The military and Bouterse continued to rule through a succession of nominally civilian governments. Still, pressure mounted for a return to genuine civilian rule. A separate challenge to the government came from a guerrilla movement under the leadership of Ronny Brunswijk. The Surinamese Liberation Army (SLA), also known as the Maroon or Bush Negro insurgency, began operating in the northeast in July 1986. It struck various economic targets, including the Suriname Aluminum Company. The government responded with repression, killing civilians suspected of supporting the insurgency.

The military allowed for elections on 25 November 1987. An anti-Bouterse coalition, the Front for Democracy, won 80% of the vote and 40 of the 51 seats in the newly constituted National Assembly, but a new appointive State Council, rather than the elective National Assembly, was given law-making authority. The new president, Ramsewak Shankar, remained in office from 25 January 1988 until 24 December 1990, when the military once again took over. International pressure mounted, and the military soon relented, allowing for elections on 25 May 1991. Again, an antimilitary coalition, called the New Front (NF), swept the election. The leader of the coalition, Ronald Venetiaan, was chosen president on 6 September 1991. Bouterse was forced to resign his post as army commander in 1992, but he retained his political influence by becoming president of the National Democratic Party (NDP).

Although Venetiaan managed to remain in office throughout his five-year term, severe economic difficulties leading to increased poverty for the majority of Suriname's citizens caused his popular support to decline. In the May 1996 elections, NDP can-



LOCATION: 2° to 6° N; 54° to 58° W. BOUNDARY LENGTHS: Atlantic coastline, 386 kilometers (228 miles); French Guiana, 510 kilometers (318 miles); Brazil, 597 kilometers (373 miles); Guyana, 600 kilometers (382 miles).

TERRITORIAL SEA LIMIT: 12 miles.

didate Jules Wijdenbosch was elected president, effectively returning Bouterse—as NDP president—to power. Nevertheless, these elections marked the first time in independent Suriname's history that power passed peacefully from one democratically elected government to another.

Wijdenbosch did not prove to be a popular president. His close association with Bouterse hurt him, both at home and abroad, as did the failure of his administration to improve Suriname's faltering economy, which continued to struggle with high inflation and unemployment, a major budget deficit, and the virtual collapse of its currency. A plan to privatize the oil and banana industries met with widespread protests culminating in a five-day general strike in the first part of June 1999. By the end of that month, popular discontent with the government had become so strong that Wijdenbosch called for early elections (which took months to arrange but still took place earlier than the normally scheduled date in 2001). In the meantime, Bouterse, sought by human rights

groups for abuses during his time in power, was tried in absentia in the Netherlands for cocaine trafficking and convicted in July 1999.

The opposition New Front coalition, supported by former president Venetiaan, swept the May 2000 elections, winning 32 of the 51 contested parliamentary seats, just short of the two-thirds majority needed to select a new president. The Democratic National Platform 2000 of President Wijdenbosch sustained a staggering loss, winning only three seats, while Millennium Combination, a separate party formed by Bouterse, won 10 seats.

General elections were held in May 2005, and the New Front coalition won 23 seats to the NDP's 15. The People's Alliance for Progress coalition (VVP) won 5 seats, the A-Combinatie coalition won 5, and the Alternative-1 coalition (A-1) took 3 seats in the National Assembly. The NDP contested the results of the election. Venetiaan was reelected president in August after months of political deadlock; the regional People's National Assembly had to choose the president. The next elections were scheduled for May 2010.

In June 2004, the UN set up a tribunal to try to resolve the long-standing maritime border dispute between Guyana and Suriname. In 2000, Suriname gunboats evicted an oil exploration rig from the area; Guyana had approved the exploration in the oil-rich disputed region.

### **13 GOVERNMENT**

Between 1954 and 1975, Suriname was administered by a governor appointed by and representing the Dutch crown, with a cabinet appointed by the governor and an elected parliament (Staten van Suriname). Under the constitution adopted on 21 November 1975 by parliament, Suriname is a republic. However, that constitution, which provided for a unicameral, 39-member parliament directly elected for a four-year term by universal suffrage, was suspended on 15 August 1980 and parliament was dissolved. Bouterse then ruled through a series of appointed governments, whose members represented the military, industry, trade unions, business, and political parties. In September 1987, a popular referendum approved a new constitution, which is still in effect.

The constitution provides for a unicameral 51-member National Assembly directly elected for a five-year term. The executive branch consists of the president, vice president, and prime minister, all selected by the legislature. There is also a cabinet and an appointed Council of State. The judicial system is ineffective and in need of reform.

### **14 POLITICAL PARTIES**

Suriname's political parties tend to represent particular ethnic groups. The National Party of Suriname (NPS), led by President Ronald Venetiaan, draws support from the Creole population. The Progressive Reform Party (VHP) is East Indian and the Party of National Unity and Solidarity, formerly the Indonesian Peasant's Party (KTPI) is more tied in name to its constituency. All three parties allied in the coalition National Front for Democracy in 1987 to defeat Bouterse's National Democratic Party (NDP). In 1991, these three parties and the Suriname Labor Party (SPA) formed the New Front (NF) and won a solid victory, gaining 30 of 51 Assembly seats, while Bouterse's NDP took 10 seats. Another coalition formed during the 1991 elections was called Democratic

Alternative '91. It included four nonethnic parties representing a variety of white-collar concerns. They took 9 of the remaining 11 seats in the Assembly, with the other 2 going to minor parties.

After four years as an opposition party, following the 1996 elections, the New Front regained its parliamentary majority in early elections called for May 2000, winning a total of 32 seats (Suriname National Party, 14; Progressive Reform Party, 9; the Javan Pertjajah Luhur party, 7; Suriname Labor Party, 2) to 10 for Bouterse's Millennium Combination and only 3 for President Wijdenbosch's Democratic National Platform 2000.

The New Front coalition suffered a significant setback in the May 2005 elections, due to widespread dissatisfaction with the state of the economy and a public perception that the NF had done little for the country. The NF won 23 seats to the NDP's 15. The People's Alliance for Progress coalition (VVP) won 5 seats, the A-Combinatie coalition won 5, and the Alternative-1 coalition (A-1) took 3 seats in the National Assembly. The NDP contested the results of the election. Ronald Venetiaan was reelected president in August 2005 after months of political deadlock; the regional People's National Assembly had to choose the president.

### **15 LOCAL GOVERNMENT**

The republic is divided into 10 districts, which include the urban district of Paramaribo. Administration is centralized and there are no recognized municipalities.

### **16 JUDICIAL SYSTEM**

The Constitution provides the right to a fair public trial before a single judge, the right to counsel, and the right to appeal. There is a Supreme Court (Court of Justice) whose members are nominated for life, and there are three Cantonal Courts. In 2003, Caribbean leaders met in Kingston, Jamaica, to ratify a treaty to establish the Caribbean Court of Justice (CCJ). Eight nations—Barbados, Belize, Dominica, Guyana, Jamaica, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago—officially approved the CCJ, although 14 nations were planning to use the court for appeals. The court was officially inaugurated in April 2005, in Port-of-Spain, Trinidad and Tobago. As of 2005, however, the court's jurisdiction was limited to the CARICOM states of Barbados and Guyana. The CCJ heard its first case in August 2005.

Military personnel fall under military jurisdiction and are generally not subject to civilian criminal law. Military courts follow the same procedural rules as do the civil courts with military trials held before a judge and two military personnel.

The 1987 constitution calls for the establishment of an independent constitutional court. However, as of 2005, this body had not yet been established by the government.

### **17 ARMED FORCES**

The Suriname National Army consists of army, air force, and naval components, with the strength of 1,840 in 2005 (Army 1,400, Navy 240, and Air Force 160). The Army included one infantry battalion, one mechanized cavalry squadron, and one military police battalion. The Navy mans 3 patrol craft, while the Air Force's

major units include 7 combat capable aircraft, 4 transports, and 3 utility helicopters. The defense budget was \$7.7 million in 2005.

## 18 INTERNATIONAL COOPERATION

Suriname was admitted to the United Nations on 4 December 1975; it is part of ECLAC and several nonregional specialized agencies, such as the FAO, UNCTAD, UNESCO, UNIDO, the World Bank, and the WHO. Suriname is also a member of the ACP Group, CARICOM, G-77, the South American Community of Nations (CSN), the Alliance of Small Island States (AOSIS), the Islamic Development Bank, the Association of Caribbean States (ACS), the Inter-American Development Bank, the Latin American Economic System (LAES), the Organization of the Islamic Conference (OIC), OAS, and the WTO.

Suriname is part of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL) and the Organization for the Prohibition of Chemical Weapons. The nation is also a member of the Nonaligned Movement. In environmental cooperation, Suriname is part of the Amazonian Pact, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The bauxite and alumina industries traditionally set the pace for Suriname's economy, accounting for about 15% of GDP and 70% of exports. Two companies, Suriname Aluminum Co. (Suralco), a wholly-owned Alcoa subsidiary, and Billiton, owned by Royal Dutch/Shell, account for about one-third of government revenue and employ nearly 4,000 workers. In 2002, Alcoa and BHP Billiton signed a letter of intent as the basis for new joint ventures between the companies, in which Alcoa will assume 55% of all bauxite mining in West Suriname. The government and the companies are looking into cost-effective ways to develop new mines, as the major mining sites at Moengo and Lelydorp are maturing. Other proven reserves exist in the country and are projected to last until 2045. The opening of the Gross Rosbel gold mine is expected to boost exports and GDP growth.

Although agriculture is the chief means of subsistence and second-largest employer after the government; plantation agriculture is the weakest sector of the economy, with the notable exception of rice growing. Suriname is self-sufficient in rice, and exports large amounts; however, Suriname is a net food importer. Imports account for more than 80% of consumption. Agricultural products accounted for only 13% of GDP in 2001, with rice, bananas, palm kernels, coconuts, plantains, and peanuts as the principal crops.

In February 1987, guerrilla destruction of electricity pylons to the bauxite mines closed the industry while repairs were made. The collapse of world prices for bauxite in 1987 was another severe blow for the economy. Despite high expectations, the civilian government inaugurated in early 1988 proved unable to address the country's considerable economic problems and was overthrown by the military on 24 December 1990. A year later, civilian government, under the leadership of President Ronald Venetiaan, came back to power. Next to bauxite, foreign aid is the mainstay of the country's economy. Suriname was once a colony of the Netherlands, and thus the Dutch government continues to provide eco-

nomie aid. When Suriname's economic and political problems escalated, the Netherlands suspended aid between 1982 and 1991, and in 1997. Aid was resumed, from both the Netherlands and the United States, once reforms were initiated.

The new government inherited a formidable array of economic problems. In 1992, real GDP fell by 5% and average inflation accelerated to 44%, compared to 26% in 1991. Foreign exchange reserves had reached a record low, unemployment was high, and the climate for foreign investment was bad. The government implemented a structural adjustment program (SAP), which included the legalization of the parallel foreign exchange market, reduced government spending, privatization of key sectors of the economy, and revision of the country's investment code. By 1994, the inflation rate had reached over 400%, but thereafter the SAP kicked in and reduced inflation to less than 1% in 1996. In 1997, relations with the Netherlands soured when Suriname ended the SAP and replaced it with an ambiguous National Reconstruction Plan, and the government failed to implement necessary austerity measures. Inflation reached almost 21% in 1999, and growth had slowed to 2%. By 2005, the GDP real growth rate was estimated at 4%. The inflation rate in 2004 stood at 9%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Suriname's gross domestic product (GDP) was estimated at \$2.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$4,700. The annual growth rate of GDP was estimated at 4%. The average inflation rate in 2005 was 9.5%. It was estimated that agriculture accounted for 13% of GDP, industry 22%, and services 65%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$21 million or about \$48 per capita and accounted for approximately 2.1% of GDP.

It was estimated that in 2002 about 70% of the population had incomes below the poverty line.

## 21 LABOR

In 2003, Suriname's workforce numbered 104,000. As of 1996 (the latest year for which data was available), about 70% were engaged in services, 8.3% in manufacturing, 17% in commerce, 5.9% in agriculture, and 7.8% in transport and communications. In 2000 the unemployment rate was 17%.

Suriname has numerous small unions, representing individual workplaces or enterprises, organized into six union federations. Among them are the General Confederation of Trade Unions, sometimes called the Moederbond (Mother Union); the Progressive Workers Organization, whose members are predominantly from the commercial and banking sectors; the Centrale 47, which includes bauxite and sugar unions; and the Central Organization for Civil Service Employees. Nearly 60% of the workforce is organized and about one-half are covered by collective bargaining agreements. Workers, with the exception of civil servants, are freely allowed to strike and do so often. Antiunion discrimination is illegal.

The minimum working age is 14 but this is not sufficiently enforced and many children work, especially in the informal sector. There is no set minimum wage. The lowest wage for civil servants was \$100 per month in 2002. The standard workweek is 45 hours and time worked in excess of that requires overtime pay.

## 22 AGRICULTURE

The chief crops are rice, sugar, plantains and bananas, citrus fruits, coffee, coconuts, and palm oil, in addition to staple food crops. With the exception of rice, the main export crop, plantation agriculture has suffered the consequences of absentee ownership. Rice production was 95,000 tons in 2004. Sugar production dropped so substantially in the 1980s that imports were required to meet local demand. Under union pressure, the government in early 1987 agreed to a national sugar plan to improve machinery and housing, and to create employment. Production of sugarcane in 2004 was 120,000 tons; of bananas, 43,000 tons; of plantains, 11,800 tons; of oranges, 13,000 tons; and of coconuts, 9,000 tons.

Since its creation in 1945, the Commission for the Application of Mechanized Techniques to Agriculture in Suriname has worked to reactivate several old plantations and bring new land under cultivation. The successful control of diseases and pests, introduction of water storage and irrigation schemes, and the development of new quick-growing varieties of rice have also increased total agricultural production.

## 23 ANIMAL HUSBANDRY

Livestock numbers are relatively small, since breeding is done primarily by small farmers who own only a few animals each. The government has tried to reduce the import of eggs, dairy products, and meat by undertaking projects to cross Dutch and local breeds of cattle and poultry. Estimated livestock numbers in 2005 included 137,000 head of cattle, 24,500 hogs, 7,100 goats, 7,700 sheep, and 3.8 million chickens.

## 24 FISHING

Fishing has become increasingly important, both on inland waterways and at sea. The chief commercial catch is shrimp, which is exported. In 2003, the freshwater catch was 250 tons, and marine landings amounted to 28,107 tons. Shrimp production totaled 1,650 tons that year. The Fisheries Service, founded in 1947, has worked to develop the fishing industry. Exports of fish and fish products in 2003 amounted to nearly \$4.6 million. Japan is the largest market for Surinamese shrimp.

## 25 FORESTRY

Approximately 90.5% of Suriname is covered by tropical rain forest, but existing forest resources have scarcely been touched. Initial exploitation has been confined to the more accessible strips along the riverbanks. The Suriname Forestry Service, under an FAO technical assistance program, has undertaken to survey and open up the forests for commercial use. Roundwood production was about 207,000 cu m (7.3 million cu ft) in 2004. In August 1992, a peace agreement between the central government and insurgent groups from the interior (where timber is found) was

signed. Since the fighting ended, logging has increased. The trade deficit in forest products was \$2 million for 2004.

## 26 MINING

Suriname was one of the world's largest producers of bauxite, and alumina. The bauxite industry in 2003, accounted for at least 15% of Suriname's gross domestic product (GDP) of an estimated \$2.5 billion and around 70% of foreign exchange earnings in that year. Mineral production by Suriname is centered on alumina, bauxite, gold, and oil. In 2003, 4.215 million metric tons (gross weight) of bauxite was mined, up from 4.002 million metric tons in 2002. Suriname's bauxite industry has suffered in recent years from a weak market, foreign competition, and the effects of the guerrilla war, but mines with higher-grade bauxite were replacing older depleted mines. The alumina industry, however, was threatened by the deterioration of the international alumina market. Suriname's privately owned multinational companies mined the bauxite and processed alumina and aluminum. The Suriname Aluminum Company (SURALCO) has estimated bauxite reserves at 575 million tons.

Official gold mine output has been put at 300 kg annually, from 1999 through 2003. Gold has been mined in south and east Suriname since the second half of the 19th century. In addition, the government estimated as much as 30,000 kg of unrecorded production in alluvial deposits, much of it by people from Brazil. Most of the nearly 40,000 Brazilians living in Suriname arrived during the past several years in search of gold. More than 15,000 people (Suriname's population was estimated at 435,449 in 2003) were employed in the gold industry. The government expressed concern about the damage to the environment caused by illegal miners' use of mercury. Gold was produced by numerous small operators and sold to the government. Gold concessions were negotiated with N.V. Grassalco, the state-owned gold company. The Gross Rosebel gold property, south of Paramaribo, was the most advanced gold development. In 2003, Suriname also produced hydraulic cement, common clays, gravel, common sand, and crushed and broken stone. Suriname also had resources of chromium, clay, copper, diamond, iron ore, manganese, nickel, platinum, and tin.

## 27 ENERGY AND POWER

Suriname, with only limited reserves of oil and no proven reserves of natural gas or coal is heavily reliant upon imports to meet its hydrocarbon needs.

Suriname in 2004 had proven oil reserves of only 99 million barrels, and no proven reserves of natural gas or coal. In that year, the production and consumption of oil was estimated to average 12,000 barrels per day and 14,000 barrels per day, respectively. Although imports in 2003 averaged 1,644 barrels per day, the country did manage to see oil exports of 1,370 barrels per day. There were no imports or demand for natural gas in 2004.

Suriname's electric power generating capacity in 2002 totaled 0.389 million kW, of which 0.200 million kW of capacity was dedicated to conventional thermal plants. Hydropower capacity accounted for 0.189 million kW. Electric power output in 2002 amounted to 1.984 billion kWh, of which 1.500 million kWh came from hydroelectric sources and 0.484 billion kWh came from fossil fuel-burning plants. Demand for electricity in 2002 totaled 1.845 billion kWh.

## 28 INDUSTRY

The major industries are bauxite and gold mining, alumina and aluminum production, lumber, and food processing. Industry accounted for 22% of GDP in 2001.

The bauxite industry, which accounts for about 15% of GDP and 70% of export revenue, has developed into a complex of factories, workshops, power stations, laboratories, hospitals, recreational facilities, residential areas, and sports grounds. Depressed world prices for bauxite and alumina in the recent past have reduced the industry's development. In 2005, Suriname Aluminum (Suralco), a wholly-owned Alcoa subsidiary, announced it had completed the 250,000-metric-ton-per-year expansion of its alumina refinery in Paranam. The facility now has a capacity of 2.2 million metric tons per year of alumina. Suralco and an affiliate of BHP Billiton own 55% and 45%, respectively, of the Paranam facility.

The long-term future of the mining industry depends on the companies' ability to keep production costs low and competitive, the availability of financing to exploit new reserves, and on the consolidation of peace in the country's interior. Because mineral rights are still vested in the state, exploration rights are granted by the government. The Canadian company Golden Star started mining for gold in Suriname in 1992. Proven and probable oil reserves in Suriname are estimated at 166 billion barrels. The State Oil Company of Suriname, or Staatsolie, produced 12,000 barrels per day in 2005. Staatsolie is actively seeking international joint venture partners. Suriname has one oil refinery.

## 29 SCIENCE AND TECHNOLOGY

Research centers and scientific societies in Suriname include the Center for Agricultural Research in Suriname (founded in 1965), Geological Mining Service (founded in 1943), and the Agricultural Experiment Station of the Ministry of Agriculture, Animal Husbandry, and Fisheries (founded in 1903), all in Paramaribo. The University of Suriname, founded in 1968 at Paramaribo, has faculties of medicine and technology.

## 30 DOMESTIC TRADE

There are a few supermarkets and department stores, but most urban trade is conducted in small shops. Most trade in rural areas is conducted in open markets. A few American fast-food franchises have opened in the country in recent years. Price controls are applied to a number of goods. Credit cards are not widely accepted.

The ITIFAS trade fair, held in October, serves as an annual showcase for Surinamese products. Suri-Flora, held every April, is a major exhibition for horticulture and agriculture.

Business hours are Monday through Friday, 7:30 AM to 4:30 PM and from 7:30 AM to 12:30 PM on Saturdays. Banks are open weekdays from 7:30 AM to 2 or 3 PM.

## 31 FOREIGN TRADE

In 2005, exports of alumina accounted for more than 70% of export earnings. Other exports include gold, rice, shrimp, wood products, and bananas. On the black market, Suriname is a large exporter of cocaine, especially to the Netherlands.

The US is Suriname's most important trading partner, although Norway is Suriname's largest export market. In 2004, Suriname's

### Principal Trading Partners – Suriname (2000)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	514.0	526.5	-12.5
Norway	116.9	...	116.9
United States	103.5	139.9	-36.4
Netherlands	72.4	120.5	-48.1
France-Monaco	47.6	2.9	44.7
Canada	40.4	9.0	31.4
United Kingdom	30.5	5.2	25.3
Japan	21.0	41.0	-20.0
Trinidad and Tobago	18.4	90.4	-72.0
Guyana	10.6	9.0	1.6
Areas nes	7.4	0.1	7.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

primary export partners were: Norway (29.4%), the United States (15.2%), Canada (12.5%), Belgium (10.3%), France (8.4%), and the United Arab Emirates (6.2%). That year, Suriname's principal import partners were: the United States (26.2%), the Netherlands (19.3%), Trinidad and Tobago (13.5%), Japan (6.6%), China (4.6%), and Brazil (4.2%).

## 32 BALANCE OF PAYMENTS

Suriname runs a persistent deficit on current accounts, which has generally been offset by development aid, mainly from the Netherlands, Belgium, and the EU. Remittances from some 200,000 Surinamese expatriates in the Netherlands are not apparent in the balance of payments because they are usually exchanged in the parallel market. In 1989, lower profitability in the bauxite sector led to a decline in remittances which was not offset by invest-

### Balance of Payments – Suriname (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-159.0</b>
Balance on goods		29.8	
Imports	-458.0		
Exports	487.8		
Balance on services		-135.6	
Balance on income		-48.5	
Current transfers		-4.7	
<b>Capital Account</b>			<b>9.0</b>
<b>Financial Account</b>			<b>-36.5</b>
Direct investment abroad		...	
Direct investment in Suriname		-76.1	
Portfolio investment assets		...	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		46.9	
Other investment liabilities		46.9	
<b>Net Errors and Omissions</b>			<b>193.7</b>
<b>Reserves and Related Items</b>			<b>-7.2</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ment inflows, resulting in the first capital account surplus in many years. Foreign exchange reserves grew by 110%; from \$10 million in 1989 to \$21 million in 1990. Unfortunately, these reserves were squandered by the interim government during its nine-month rule and had fallen close to zero by July 1993. Suriname had a surplus of \$66 million by 1996, but this figure declined to \$25 million in 1997 and a deficit in 1998 due to a lack of development aid. Alumina accounts for 70% of export earnings. Suriname's external debt stood at \$321 million in 2002. Brazil and China are the largest debt holders. In 2004, the value of Suriname's exports was estimated at \$881 million, and imports were valued at \$750 million.

### **33 BANKING AND SECURITIES**

Since 1 April 1957, the Central Bank of Suriname has acted as the bank of issue. Other banks include the ABN-Amro (Dutch), De Surinaamsche Bank (majority-owned by the ABN-Amro), and Hakrinbank.

In 1998, the exchange rate separated into multiple rates, leading to a 40% currency devaluation in January 1999. According to the government, cocaine sold by Surinamese shippers was confiscated by Dutch authorities, causing a currency flow problem. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$181.1 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$263.5 million.

### **34 INSURANCE**

Both Dutch and foreign insurance companies operate in Suriname.

### **35 PUBLIC FINANCE**

For years the Suriname budget operated with a deficit. Government revenues increased somewhat following the introduction of a new bauxite levy in 1974. During the 1980s, however, the military regime in power increased government intervention and participation in the economy, causing public employment and budget deficits to soar. The return to civilian government in 1991 enticed the Dutch government to resume its development aid program, which amounted to \$200 million by 1996. Reforms enacted included the reduction of deficit spending, the renunciation of monetary creation as a means of financing deficits, and the deregulation of trade and business licensing systems. The Netherlands halted development aid in 1997, but resumed it again 1998. As of 2005, the Netherlands' government agreed to continue providing aid to Suriname.

The US Central Intelligence Agency (CIA) estimated that in 2003 Suriname's central government took in revenues of approximately \$400 million and had expenditures of \$440 million. Revenues minus expenditures totaled approximately -\$40 million. Total external debt was \$321 million.

### **36 TAXATION**

Direct taxes provide only a small portion of governmental revenues and payments have been in arrears for years. By far the greatest tax sources are the bauxite-related industries. Companies are taxed on the sum of all net profits. The standard corporate income tax rate is 36%. Capital gains are taxed at the corporate rate, while dividends are subject to a withholding tax of 25%. There is no tax

on interest or royalty income. All the operating costs of a company are tax deductible, at set rates for certain equipment. The main indirect tax is Suriname's value-added tax (VAT). As of 1 December 2002, the basic rate for goods was raised from 8% to 10%, and the basic rate for services, from 7% to 8%. Staple foods are exempt from VAT.

### **37 CUSTOMS AND DUTIES**

Suriname became a full member of CARICOM in 1995, and as of 2005, its tariffs were in accordance with the CARICOM Common External Tariff duties. Imported goods are subject to a turnover tax of 10%, with an 8% rate for services. Pharmaceutical products used to treat infectious diseases are admitted duty and tax free. Other pharmaceutical products are subject to a tax of 15%. Luxury goods such as weapons and ammunition, dishwashers, and motorcycles are subject to a 25% luxury tax. Cigarettes and tobacco are subject to an excise tax of 100%. Spirits are taxed at 45%, while beer and other alcoholic beverages are subject to a tax of 30% and 10%, respectively. Excise taxes are based upon the CIF (cost, insurance, freight) value plus the duty, excluding the turnover tax. There are no free trade zones.

### **38 FOREIGN INVESTMENT**

By 2006, Suriname had updated its investment code, and slow progress was being made on eliminating disincentives to foreign investment. Bureaucratic delays are rife, however. Economic and business relations with the United States are very important to this nation. US firms operating in Suriname include Suralco, the bauxite company, Exxon, Texaco, IBM, and the insurance firm, Alico. In addition, Suriname is highly dependent on relations with the Dutch government.

Foreign investment during the 1990s included gold mining by the Canadian company Golden Star, and Japanese shrimp farming by the company Sujafi.

In terms of its success in attracting foreign direct investment (FDI), Suriname was at the bottom of the list of 140 countries surveyed by UNCTAD for 1988–90 and 1998–2000. During the five years from 1997 to 2001, reverse divestment exceeded the inflow of new FDI every year except 1998, when net FDI inflow amounted to \$9.1 million. Divestment was -\$9.2 million in 1997, and reached -\$61.5 million in 1999 and -\$148 million in 2000. In 2001, net divestment of FDI in Suriname was -\$66.9 million. The investment climate improved over the 2003–04 period.

As of 2006, the government was planning to privatize the state-owned banana company, and to liberalize the telecommunications sector. The top corporate tax rate is 36%.

### **39 ECONOMIC DEVELOPMENT**

In wholesale, retail, and foreign trade, the government has been highly interventionist. Quota restrictions or outright bans on many imported items considered nonessential or in competition with local products have been announced. The government forced price rollbacks on domestic items and imposed price controls on essential imports, resulting in some shortages.

Although the government has been Socialist in principle since 1981, it refrained from nationalizing key industries, although it did increase its participation in them. The Action Program announced by the government in 1982 called for the encouragement of small-scale industry, establishment of industrial parks, devel-

opment of rural electrification and water supply projects, liberalization of land distribution, and worker participation in management of government enterprises.

In 1975, the Netherlands promised Suriname \$110 million annually in grants and loans, for a period of 10–15 years. This aid program and \$1.5 million in aid authorized by the United States in September 1982 were suspended following the killings of prominent Surinamese in December 1982. In 1983, Brazil and Suriname reached agreement on a trade and aid package, reportedly underwritten by the United States. By 1986, Suriname had signed trade agreements with several countries, among them the Netherlands.

As of 1994, Suriname was undergoing a comprehensive structural adjustment program (SAP). This program, recommended by the EC (now EU), was designed to establish the conditions for sustained growth of output and employment with relative stability of prices, a viable balance of payments, and protection of the low-income population. However, only minimal progress toward restructuring was initially accomplished. Enacting the full SAP in its proper sequence was hoped to improve the prospects for the Surinamese economy and living conditions into the new millennium. However, the SAP was abandoned in 1996 in favor of a National Reconstruction Plan.

In 2000, the Netherlands announced their aid package would be disbursed by sectoral priorities, as opposed to individual projects. The government was not in favor of this approach, but began to cooperate. Suriname's economic situation deteriorated from 1996 to 2001. Inflation grew from 0.5% at the end of 1996 to 113% at the end of 1999, in part due to loose governmental fiscal policies, and a soaring parallel market for foreign exchange. This, along with an unstable exchange rate, and falling real incomes, led to a political crisis. The new government elected in 2000 devalued the official exchange rate by 88%, raised tariffs on water and electricity, and eliminated the subsidy on gasoline. The inflation rate had fallen to 22% in 2002, and a new law was enacted, placing a 60% ceiling on the ratio of total government debt to gross domestic product (GDP). The large fiscal deficit had been eliminated, the exchange rate was stabilized, and investor and donor confidence was reviving.

As of 2006, the economic situation and investment climate had improved. Suriname is faced with the decision to follow responsible monetary and fiscal policies and to introduce structural reforms to liberalize markets and promote competition. The 2005 presidential elections were won once again by Ronald Venetiaan, who raised taxes and attempted to control spending. The Dutch government in 2005 agreed to restart the flow of aid, which will allow Suriname to access international development financing, but the Dutch planned to phase out financing over the following five years. The government is open to plans to further develop the bauxite and gold mining sectors. The opening of the Gross Rosbel gold mine is expected to boost exports and GDP growth. An on-shore oil drilling program is underway, and prospects look good. In 2004, offshore oil drilling was aided by an exploration agreement signed by the state oil company (Staatsolie) with Repsol and Mearsk. In 2004, the government introduced a new currency, the Surinamese dollar, to replace the guilder.

#### 40 SOCIAL DEVELOPMENT

Organized welfare programs are conducted largely by private initiative, through ethnic or religious associations. However, the gov-

ernment has begun to establish a social welfare system designed eventually to include a free national health service.

Women have full legal rights under the law, but discrimination in hiring and salary practices persists. Opportunities for women remain limited as a result of traditional attitudes that encourage women to stay at home. This attitude is especially prevalent in rural areas. As of 2004, the government has not made specific efforts to combat economic inequality. Spousal abuse and other forms of violence against women are widespread social problems, and the government has not addressed these issues.

Amerindians in Suriname have traditionally played only a limited role in decisions affecting their land and culture. Although Suriname's human rights record has improved, some abuses continue to be committed. These include the mistreatment of detainees, the abuse of prisoners, and overcrowding of jails. Pretrial detainees still constitute a large percentage of all prisoners. Non-governmental organizations are permitted to monitor the conditions of prisons.

#### 41 HEALTH

Suriname's largest hospital is the Academic Hospital, which had 402 beds and has the country's only emergency unit. Other hospitals included the 227-bed Diakonessen Hospital, 75-bed Nickerie Hospital, and the Military Hospital. The 280-bed Psychiatric Hospital provided mental health care. In 2004, there were an estimated 45 doctors per 100,000 people. Safe water was available to 89% of the population. Health care expenditures totaled 5% of GDP.

In 2002, Suriname's estimated birth rate was 20 per 1,000 people. The infant mortality rate was estimated at 23.57 per 1,000 live births in 2005. Average life expectancy was estimated at 68.96 years and the total fertility rate at 2.4 children per woman. The mortality rate for children under five years of age was 8.7 per 1,000. Overall mortality was 5.7 per 1,000 in 2002. The immunization rates for a child under one were as follows: diphtheria, pertussis, and tetanus, 85%; polio, 81%; and measles, 81%.

Tuberculosis, malaria, and syphilis, once the chief causes of death, have been controlled. The HIV/AIDS prevalence was 1.70 per 100 adults in 2003. As of 2004, there were approximately 5,200 people living with HIV/AIDS in the country. There were an estimated 500 deaths from AIDS in 2003.

#### 42 HOUSING

Housing programs are supervised by the Department of Social Affairs. As of 1 July 1980 there were 68,141 inhabited houses in Suriname and 8,208 huts; 82.3% of living quarters had electricity. Between 1988 and 1990, 82% of the urban and 94% of the rural population had access to a public water supply, while 64% of urban dwellers and 36% of rural dwellers had sanitation services. As of late 2005, the results of the 2004 population and housing census had not yet been published. However, a Habitat for Humanity report indicated that the housing deficit stood at about 20,000 units. The country has about 90,000 households.

#### 43 EDUCATION

Education is compulsory for all children ages 6 through 16. While primary education lasts for six years, secondary education has two phases—four years followed by three years. Free primary educa-

tion is offered by the government and by Roman Catholic and Protestant mission schools. The official school language is Dutch.

In 2001, about 96% of children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 97% of age-eligible students. The same year, secondary school enrollment was about 64% of age-eligible students; 54% for boys and 74% for girls. It is estimated that about 74% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 20:1 in 2003; the ratio for secondary school was about 15:1. In 2003, private schools accounted for about 47.8% of primary school enrollment and 21.3% of secondary enrollment.

Higher education is provided by five teacher-training colleges, five technical schools, the Academy for Higher Art and Culture, and the University of Suriname, with its Law School and a Medical Science Institute. The Polytechnic College of Suriname was established in 1994. There is also a dental school and a nursing school. Higher education is free of charge to citizens. The adult literacy rate for 2004 was estimated at about 88%, with 92.3% for men and 84.1% for women.

#### 44 LIBRARIES AND MUSEUMS

The main public library is at the Stichting Cultureel Centrum in Paramaribo, with 850,000 volumes, seven branches, and two bookmobiles. The Anton de Kom University in Paramaribo has 51,000 volumes and serves as a depository library for the United Nations. The library of parliament is also in Paramaribo. The Suriname Museum and the Natural History Museum are in Paramaribo. There is an open-air museum in Nieuw Amsterdam, with historical exhibits based at an 18th century fort.

#### 45 MEDIA

Nearly all the towns and villages have telephone connections. In 2003, there were 79,800 mainline phones and 168,100 mobile phones in use throughout the country. In 2004, there were 14 television stations and 25 radio stations. Two television stations and two radio stations were publicly owned. Broadcasts are available in Dutch, English, Hindi, Portuguese, Spanish, and some local languages. In 1997, 668 radios and 137 television receivers were in use for every 1,000 people. In 2002, there were 20,000 Internet users. There were 18 Internet hosts in 2003.

There were two privately owned daily newspapers in 2005: the Dutch-language *De Ware Tijd* (circulation 10,000 in 2002) and *De West* (circulation 15,000 in 2002). The constitution provides for freedom of speech and of the press, and the government is said to generally respect these rights.

#### 46 ORGANIZATIONS

The Chamber of Commerce and Industry is located in Paramaribo.

Youth organizations in Suriname include the YWCA/YWCA, Girl Scouts, and Boy Scouts. The Bouterse government established the National Women's Organization and the Suriname Youth Union. There are several sports associations in the country representing such pastimes as tennis, tae kwon do, weightlifting, bad-

minton, and football (soccer); many sports associations are affiliated with international counterparts.

Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. The Father Ahlbrinck Foundation promotes development programs for the Amerindian and Bush Negro communities in central Suriname. The National Forum of Nongovernmental Organizations Against Poverty and for Sustainable Development was formed in 1992. There are national chapters of the Red Cross Society and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourism is a growing industry in Suriname. The government is the main support encouraging ecotourism and increasing tourism facilities. Sports are the primary source of recreation, with football (soccer), basketball, and cricket being the most popular. Visitors also fish in the Suriname and Saramacca Rivers. The brilliant flora and fauna are shown off on dugout canoe jungle trips, and Paramaribo is becoming more popular with its wooden architecture and market.

A vaccination certificate against yellow fever is required if traveling from an infected country. All visitors must have a valid passport and onward/return ticket. Visas are required for all foreign nationals except citizens of Brazil, Chile, Costa Rica, Gambia, Israel, Japan, Malaysia, Netherlands Antilles, Philippines, Singapore, South Korea, Switzerland, Venezuela, and citizens of the Caribbean Community (CARICOM)

In 2004, the US Department of State estimated the daily cost of staying in Suriname at \$183.

#### 48 FAMOUS SURINAMESE

Lt. Col. Désiré ("Dési") Bouterse (b.1945) led the coup of February 1980, and is perhaps the most controversial figure in the history of independent Suriname.

#### 49 DEPENDENCIES

Suriname has no territories or colonies.

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# TRINIDAD AND TOBAGO

Republic of Trinidad and Tobago



**CAPITAL:** Port-of-Spain

**FLAG:** On a red field, a black diagonal stripe with a narrow white border on either side extends from top left to bottom right.

**ANTHEM:** Begins, "Forged from the love of liberty, in the fires of hope and prayer."

**MONETARY UNIT:** The Trinidad and Tobago dollar (TT\$) is a paper currency of 100 cents. There are coins of 1, 5, 10, 25, and 50 cents, and 1 dollar, and notes of 1, 5, 10, 20, and 100 dollars. TT\$1 = US\$0.15949 (US\$1 = TT\$6.27) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is official, but some imperial weights and measures are still used.

**HOLIDAYS:** New Year's Day, 1 January; Carnival, 14–15 February; Emancipation Day, 1st Monday in August; Independence Day, 31 August; Republic Day, 24 September; Christmas, 25 December; Boxing Day, 26 December. Movable holidays include Carnival, Good Friday, Easter Monday, Whitmonday, Corpus Christi, 'Id al-Fitr, and Dewali.

**TIME:** 8 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated off the northeast coast of South America at the extreme southern end of the Lesser Antilles, the islands of Trinidad and Tobago cover an area of 5,128 sq km (1,981 sq mi). Comparatively, the area occupied by Trinidad and Tobago is slightly smaller than the state of Delaware. Trinidad, the main island, rectangular in shape, has an area of 4,828 sq km (1,863 sq mi), extending 143 km (89 mi) N–S and 61 km (38 mi) E–W. Cigar-shaped Tobago, 31 km (19 mi) northeast of Trinidad, has an area of 300 sq km (116 sq mi), a length of 42 km (26 mi) NE–SW, and an average width of 12 km (7.5 mi) NW–SE. Sixteen small islands are found off the coasts. The Atlantic Ocean is to the E and the Caribbean Sea to the W. Venezuela lies only 11 km (7 mi) SW across the shallow Gulf of Paria.

Trinidad and Tobago have a coastline length of 362 km (225 mi). The capital city of Trinidad and Tobago, Port-of-Spain, is located on Trinidad's Gulf of Paria coast.

## <sup>2</sup> TOPOGRAPHY

Trinidad is geologically part of South America and its topography is similar to that of the adjoining Orinoco section of Venezuela. Three hill ranges, trending east–west, cross the island roughly through the northern, central, and southern parts, respectively. The Northern Range, a continuation of the mountains of the Paria Peninsula of Venezuela, is the most extensive and rugged of the three and has peaks rising above 900 m (3,000 ft). The highest peaks on Trinidad are El Cerro del Aripo (940 m/3,084 ft) and El Tucuche (936 m/3,071 ft). Hills in the Central Range rise just over 300 m (1,000 ft). Those in the Southern Range are somewhat lower. In between these hill ranges is level or gently rolling flatland, dissected by small streams flowing from the hills. Extensive swamp areas, some of them mangrove, are found along the east,

south, and west coasts. Trinidad has the world's largest natural asphalt bog, the 46-hectare (114-acre) Pitch Lake, on the southwestern coast.

Tobago is geologically part of the Lesser Antilles, and its topography, generally more irregular and rugged than Trinidad's, resembles that of Grenada, St. Vincent, and other volcanic islands to the north. A central volcanic hill core rising to over 550 m (1,800 ft) fills most of the island and reaches the sea in many places. Patches of a narrow coastal plain are scattered here and there; much of the island's limited level land is concentrated in its southwestern tip.

## <sup>3</sup> CLIMATE

There is little variation in temperature conditions through the year. The mean annual temperature for the entire nation is 21°C (70°F). In Port-of-Spain the annual average is 25°C (77°F), with an average minimum of 20°C (68°F) and an average maximum of 30°C (86°F) in January; the July range is 23–31°C (73–88°F). Increasing elevation in Trinidad's Northern Range causes a corresponding decrease in temperature. Nights are generally cool.

In the northern and central hill areas and on Tobago, annual rainfall exceeds 250 cm (98.4 in) and probably exceeds 380 cm (150 in) in specific areas. Most hilly sections receive 200 cm (80 in) or more, while in the lowlands the average drops below 165 cm (65 in) and in certain sections below 125 cm (50 in). There is a relatively dry season from about January to May and a wet season from June to December. The dry period is not, however, a season of drought, for rain still falls every few days in most areas.

## <sup>4</sup> FLORA AND FAUNA

The plant and animal life of Trinidad, like the geology of the island, resembles that of neighboring Venezuela. Tobago, by contrast, shows in its flora and fauna its connection with the volcanic Lesser Antillean arc. There are distinct altitudinal variations

in indigenous plant life on both islands. The natural vegetation includes wild flowers, many flowering shrubs and trees, palms, giant aroids, and large broad-leaved varieties. Natural animal life includes a few species of mammals, monkeys among them, and many reptiles and birds. As of 2002, there were at least 100 species of mammals, 131 species of birds, and over 2,250 species of plants throughout the country.

## 5 ENVIRONMENT

Among environmental problems, pollution from oil spills is the most serious. Water pollution is also caused by mining by-products, pesticides, fertilizers, sewage, and saltwater. Soil erosion has occurred, in part, because of the clearing of land for farming. Environmental responsibility is vested in the Ministry of Energy and Natural Resources. In 1989, the Ministry of the Environment and National Service was formed to regulate the nation's treatment of its natural environment.

On the west coast of Trinidad is the Caroni Bird Sanctuary, famed for its marshland and mangroves, where flocks of scarlet ibis roost. Little Tobago is reputed to be the only place aside from New Guinea where the bird of paradise lives in the wild. The nation has three Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 1 type of mammal, 2 species of birds, 5 types of reptiles, 9 species of amphibians, 15 species of fish, and 1 species of plant. Endangered species on Trinidad include the Trinidad piping guan, tundra peregrine falcon, loggerhead turtle, and red siskin.

## 6 POPULATION

The population of Trinidad and Tobago in 2005 was estimated by the United Nations (UN) at 1,305,000, which placed it at number 148 in population among the 193 nations of the world. In 2005, approximately 7% of the population was over 65 years of age, with another 21% of the population under 15 years of age. There were 97 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.7%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 1,343,000. The overall population density was 254 per sq km (659 per sq mi), but the majority of the population resides on the island of Trinidad.

An almost continuous urban area extends from Port-of-Spain eastward to Tunapuna, westward, and northward into the Northern Range. About one-third of the population lives in Port-of-Spain or its suburbs or within 16 km (10 mi) of them. The UN estimated that 74% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.77%. The capital city, Port-of-Spain, had a population of 55,000 in that year. The second most important town is San Fernando, with a population of 55,419. The remainder of Trinidad and virtually all of Tobago are sparsely settled. Scarborough, the main town of Tobago, has a population of approximately 4,500.

## 7 MIGRATION

Lack of opportunity has encouraged the migration of numbers of people to the United Kingdom, the United States, and occasionally to other places abroad. In 1990 there were 119,000 people in the United States who had been born in Trinidad and Tobago, up

from 66,000 in 1980. This movement, however, has been counterbalanced by immigration from other islands in the Lesser Antilles, mainly from Grenada and St. Vincent, where lack of opportunity is far more critical. Some of this immigration has been legal, some not. Migration from Tobago to Trinidad is common. The number of migrants in 2000 was 41,000. Worker remittances in 2001 were \$40.9 million.

As of 2004 Trinidad and Tobago did not host any refugees or asylum seekers. However, the lack of a national refugee law is a cause for concern as Trinidad and Tobago are likely to experience increased numbers of asylum seekers due to increased extra-regional migration and migrant trafficking through the Caribbean. In 2005, the net migration rate was estimated as -10.87 migrants per 1,000 population.

## 8 ETHNIC GROUPS

The population is mainly comprised of Afro Trinidadians (the descendants of former black slaves), Indo Trinidadians (East Indians originally brought to the island as contract laborers from northern India), whites, and Chinese, many of whom are racially and culturally intermixed. The total population according to the 2000 census is about 40% Indo Trinidadian, 37.5% Afro Trinidadian, 20.5% mixed, 1.2% other, and about 0.8% unspecified.

While African and East Indians on Trinidad are economically interdependent, each community retains its cultural individuality: this is a life that has been called coexistence without assimilation. Inter-marriage is rare, and facial and other bodily characteristics still separate the two groups, as do occupation, diet, religion, residence, agricultural landscape, sometimes dress, and often politics. Africans are dominant in the urban areas, in the oil fields, in the poorer agricultural areas of the north, east, and southeast, and on Tobago. East Indians are dominant in the best agricultural regions. Although outnumbered in Port-of-Spain and San Fernando, urban East Indians are apt to be economically better off than the urban Africans and tend to be highly involved in commerce, industry, and the professions.

## 9 LANGUAGES

English is the official language; an English patois, characterized by numerous foreign words and the special pronunciations of the islands, is understood everywhere. Here and there, a French patois and Spanish are used. In rural village areas, notably in the southern part of Trinidad, East Indians, especially of the older generation, use Hindi and, less frequently, Urdu, Tamil, and Telegu.

## 10 RELIGIONS

Christian churches are found on both islands; Hindu temples and Muslim mosques in the recognizable architectural styles of southern Asia are found on Trinidad. According to official statistics last taken in 2000, the population was roughly 26% Roman Catholic, 24.6% Protestant, 22.5% Hindu, and 5.8% Muslim. Primary Protestant denominations include Anglican, Pentecostal, Seventh-Day Adventist, Presbyterian, Baptist, and Methodist. Other Christian groups, such as Jehovah's Witnesses and Mormons, are also represented. A small number of people are believed to practice traditional Caribbean religions in conjunction with other faiths, including the Shouter Baptists and the Orisha. About 1.9% of the

population were atheists. There are small groups who practice other faiths, including Baha'is, Rastafarians, Buddhists, and Jews.

Complete freedom and equality are enjoyed by all religious groups. Certain Christian, Hindu, and Muslim holidays are celebrated as national holidays. The Inter-Religious Organization is a nongovernmental group that promotes interfaith dialogue and understanding and sponsors activities of public outreach. The government maintains a good relationship with this organization and supports many of its activities.

## 11 TRANSPORTATION

In 2002, there were 8,320 km (5,170 mi) of roads, of which 4,252 km (2,642 mi) were paved. The more densely settled sections of both islands are served by reasonably adequate roads, but large sections of Tobago either have no motorable roads or are connected by narrow, tortuous, and poorly surfaced ones. In 2003, registered motor vehicles included 297,020 passenger cars and 38,275 commercial vehicles. The Public Service Transport Corp. is responsible for road transport. Trinidad's lone remaining railway, from Port-of-Spain to San Juan, was closed down in 1968.

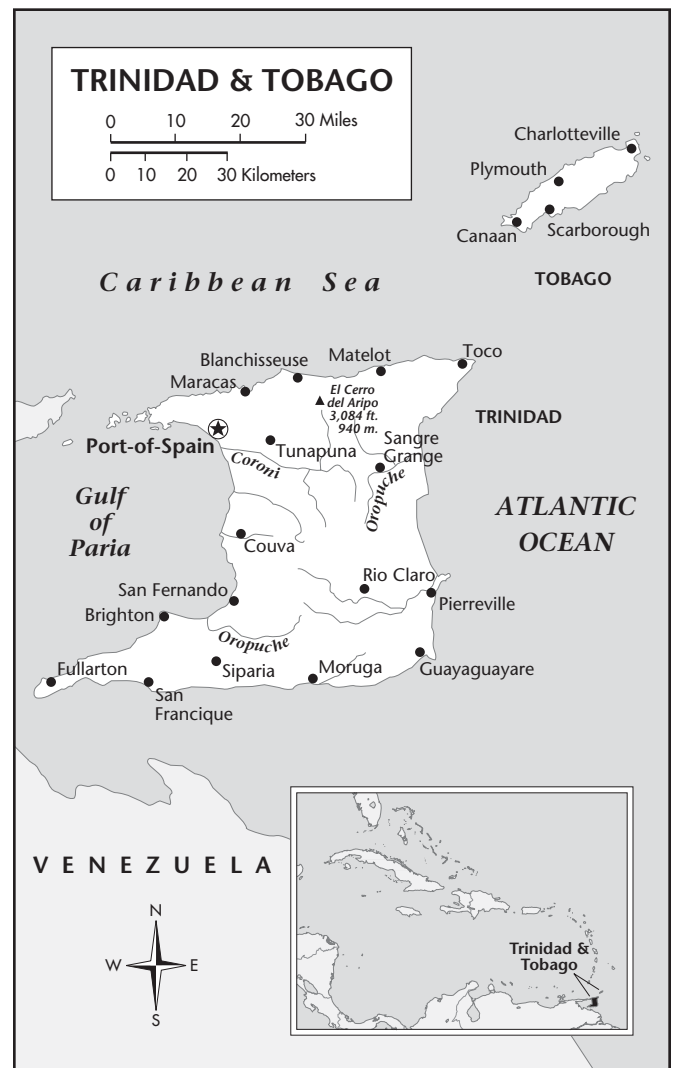
The largest port installation for passengers and cargo is at Port-of-Spain. Brighton is an important port for oil and asphalt loading, and there are also oil terminals at Chaguaramas, Pointe-à-Pierre, and Point Fortin. A deep-water port at Point Lisas accommodates energy-based industries at the Point Lisas industrial estate. Numerous steamship lines regularly schedule freight and passenger services from Europe and the Americas. Regularly scheduled coastal vessels connect Port-of-Spain with Scarborough. The main shipping line is the West Indies Shipping Service. In 2005, Trinidad and Tobago had six merchant ships of 1,000 GRT or more, with a total of 7,178 GRT.

Air facilities are concentrated at Piarco International Airport, about 26 km (16 mi) southeast of Port-of-Spain. There is a secondary main airport at Crown Point, on the western tip of Tobago. In 2004, there were six airports and airfields, three of which had paved runways as of 2005. Trinidad and Tobago Airways—owned by the government and formed by the merger of British West Indian Airways (BWIA) International and Trinidad and Tobago Air Services in 1980—operates domestic, regional, and international services. In 2003, about 1.084 million passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Arawak Indians inhabited what they knew as the "Land of the Hummingbird" before the arrival on 31 July 1498 of Christopher Columbus, who called the island La Trinidad, or "The Trinity." The Spanish took little interest in the island and did not appoint a governor until 1532. Thereafter, Spanish colonists gradually came, but skirmishes with local Amerindians and raids by other Europeans, including Sir Walter Raleigh, made it difficult for the Spanish to obtain a foothold there. During the early European period, the island acted as a supply and transshipment center for Spanish traders and fortune seekers in South America. In time, colonists established plantations and imported slave labor from West Africa.

In 1797, a British expedition from Martinique captured Trinidad, which Spain ceded formally to Great Britain in 1802 by the Treaty of Amiens, and Trinidad became a crown colony. During the late Spanish period and through most of the 19th century, sug-



LOCATION: 10°2' to 11°21' N; 60°30' to 61°56' W. TOTAL COASTLINE: 470 kilometers (292 miles). TERRITORIAL SEA LIMIT: 12 miles.

ar dominated as the island's main agricultural product. The emancipation of slaves in 1834 brought severe labor shortages, and between 1845 and 1917, the colonial government brought in more than 150,000 contract workers, mostly Hindus and some Muslims from India, to replace the slaves. With added labor supplies and new techniques, the cocoa industry thrived, and by the late 19th century cocoa had joined sugar as a major export crop. The discovery of petroleum in south Trinidad in 1910 led to its addition as an important export, and since then it has assumed central economic importance, complemented beginning in the late 1990s by increasing natural gas exports.

Columbus also discovered Tobago in 1498 and it too received little attention from Europeans for many years. British from Barbados first colonized the island in 1616, but the local Carib Indians soon drove this group out. Other colonists followed shortly, however, and during the next 200 years the island changed hands many times among the Dutch, French, and British. Finally, in 1814, the British crown gained possession, which it maintained for a century and a half. The British first ruled Tobago as a sepa-

rate colony, but during much of the 19th century administered the island from the Windward Islands government. It became a crown colony in 1877 and in 1888 was amalgamated with Trinidad under the name of Trinidad and Tobago.

In 1958, Jamaica, Barbados, and the British Windward and Leeward Islands formed the Federation of the West Indies. Arguments over distributive issues soon undermined the federal idea: Jamaica withdrew in 1961, followed closely by Trinidad and Tobago. On 31 August 1962, Trinidad and Tobago became independent but retained membership in the (British) Commonwealth. Eric Williams, the founder of the People's National Movement (PNM), became prime minister in 1961 and was regularly reelected until his death in 1981. Williams survived an attempted coup by "Black Power" elements as well as army supporters in 1970. In 1976, Trinidad and Tobago declared itself a republic, and a president replaced the British monarch as chief of state. In 1980, Tobago attained a degree of self-government when it was granted its own House of Assembly.

Trinidad and Tobago's politics has been marked by intense competition between the main ethnic groups—African and East Indian. Each group represents about 40% of the population (persons of mixed, European, Chinese, and Syrian-Lebanese origin comprise the other 20 percent). The PNM held on to power after the death of Eric Williams, but was ousted in 1986 by an alliance of African, Indian, and mixed groups melded into the National Alliance for Reconstruction (NAR). A.N.R. Robinson, leader of the NAR, became prime minister. However, the alliance soon fell apart, and the Indian faction went on to form the United National Congress (UNC). As the economy entered into a difficult period of structural adjustment, dissatisfaction with the government grew. In July 1990, a black Muslim group, the Jamaat-al-Muslimeen, laid siege to the parliament in a failed coup that killed 25 and destroyed a large swath of the capital Port-of-Spain. In 1991, a reconstructed PNM returned to power under younger leadership. In 1995 Prime Minister Patrick Manning called early elections, hoping to increase his parliamentary majority. Instead, the PNM was replaced by the country's first Indian government led by Basdeo Panday. In turn, this government's tenure was plagued by rising corruption and crime. Although the UNC was reelected in 2000, intraparty divisions reduced its parliamentary majority and led to the calling of fresh elections in 2001. That election resulted in a stalemate. The president then selected the PNM's Manning as prime minister. Elections held in 2002 confirmed the PNM's majority.

Economically, the country emerged from structural adjustment in the 1990s and both the UNC and PNM governments moved firmly ahead in courting foreign investment, dismantling trade barriers, and privatizing the economy. Highly industrialized Trinidad ranks in the top 50 countries in terms of oil reserves and the top third in terms of proven natural gas reserves. The country's external linkages are broad, but focused particularly on the United States and the regional Caribbean Community, as well as deepening linkages with Latin America.

### 13 GOVERNMENT

Historically, active participation in government by the nonwhite (black and East Indian) population began in 1925, when for the first time elected representatives were included in the otherwise

appointed Legislative Council that ruled the colony. Over the years the proportion of elected members increased and a fully electoral self-government came in December 1961. In 1976, Trinidad and Tobago amended its 1961 constitution. The 1976 draft preserved the bicameral legislature but replaced the crown-appointed governor-general with a ceremonial president chosen by parliament. In 1976 as well, suffrage was lowered to the age of 18.

The House of Representatives is the more important of the two houses. Its 36 members are elected for five-year terms, but new elections can be called by the prime minister or by the House itself in a vote of "no confidence" in the cabinet. The party with a majority of seats in the House forms the government. The Senate consists of 31 members, all appointed by the president, 16 on the advice of the prime minister, 6 on the advice of the leader of the opposition, and 9 discretionary, based on consultation with various religious, economic, and social groups.

The head of the government is the prime minister, who is leader of the majority party. Cabinet ministers are appointed primarily from the House of Representatives by the president, acting on the prime minister's recommendations. George Maxwell Richards was elected president in 2003 with 43% of the votes and Patrick Manning was appointed prime minister in 2001. The next presidential elections were to be held in 2008.

Calls for constitutional reform have intensified over the years. One of the issues that calls out for attention was the authoritarian control exercised by prime ministers under the current system, which is based on Britain's Westminster model. Moreover, the winner-take-all system does not allow for representation of groups that may be large in number but concentrated geographically. Finally, with a few exceptions, minor parties have been unable to play an effective role.

### 14 POLITICAL PARTIES

The People's National Movement (PNM), formed in 1956 by Eric Williams, brought order to an individual-based political system that had hitherto operated in Trinidad and Tobago. Given the party's strong support among the black masses, the opposition coalesced around an Indian-based party, the Democratic Labor Party (DLP). However, the DLP had no success in elections. In fact, as a result of a split in both the ruling and opposition parties and the ensuing boycott by the opposition of the elections, the PNM won all 36 seats in the House of Representatives in an election in 1970. Two members of the PNM who defected in 1972 eventually formed a token opposition.

In the 1976 elections, the PNM won with 24 seats. However, the DLP's successor, the United Labour Front (ULF), a trade union-based party with an East Indian base in the sugar belt, won 10 seats, enough to become an effective opposition. The Democratic Action Congress (DAC), formed by the Tobago-based breakaway PNM faction, won the remaining two seats representing Tobago.

In the election of 1981, despite the loss of its leader, the PNM continued its dominance with 26 seats. The opposition ULF, the DAC, and the small Tapia House Movement formed a coalition party, the Trinidad and Tobago National Alliance (TTNA), and won 10 seats. A separate party, the Organization for National Reconstruction (ONR), founded in 1980, drew enough support from the business elite and Creole groups to win 22.3% of the vote but

no seats. This election was also contested, albeit unsuccessfully, by the National Joint Action Committee (NJAC), a Black Power group entering conventional politics for the first time.

In 1986, the opposition ONR-TTNA unified to form the National Alliance for Reconstruction (NAR). The NAR swept to power with 33 seats to the PNM's three. Two years later, factionalization and racial antagonisms led to the dismissal of the leader of the ULF and two of his supporters. These went on to form the United National Congress (UNC). In 1991, the PNM returned to office, winning 21 of 36 seats. The NAR received 2 (Tobago) seats, and the UNC 13. In 1995, the UNC and PNM won 17 seats each, allowing the UNC to come to power in a coalition with the NAR which had again won its 2 Tobago seats. A new era in the country's electoral politics had clearly arrived, with no ethnic group expected to gain strong majorities. Basdeo Panday then appointed former prime minister and NAR leader A.N.R. Robinson to the presidency. During this time, the UNC also benefited from the defection of two PNM members. The party went on to win 19 seats in 2000 (and the PNM 16, NAR 1), but not long after, tensions increased between the prime minister and his formerly close ally the attorney general. The latter and two UNC members left the government, forcing fresh elections in 2001. As many had predicted, a stalemate resulted when the UNC and PNM each won 18 seats. In this case, however, in a controversial move, the president selected the PNM's Manning as prime minister. A year later, in 2002, the PNM consolidated its power by winning 20 seats to the UNC's 16 seats. The next legislative elections were to be held October 2007.

A large number of small parties have been established over the years, but none has been successful in gaining power. The NAR began life as a broader unit but became a small party that held no seats in parliament as of 2005. The Tobago-based DAC whose support was crucial for the NAR, left its partner in 2004. The DAC continued to have a fairly strong support base in Tobago. Overall the fate of third parties is linked to the outcome of the debate on constitutional reform that was ongoing as of 2006.

## **15 LOCAL GOVERNMENT**

Elections are held every four years (usually about two years after a general election) for representatives to nine regional corporations, two city corporations (the main cities of Port-of-Spain and San Fernando), and three boroughs. The city and boroughs elect a mayor and city council. In addition, elections are held every four years for the House of Assembly in Tobago, which was established in 1980. Contention has historically existed between Tobago and Trinidad on issues such as the division of financial responsibilities, taxes and spending. The unpopularity of the central government's policies were reflected in the strong showing of the Tobago-based DAC party in elections to the House of Assembly between 1980 and 2004. The DAC and its successor the NAR went from controlling 8 out of 12 seats in the Assembly in 1980 to winning 11 in every other until 1996. (The PNM won the remaining seat(s) but an independent also won a seat in 1996.) It was only in 2004, with the PNM solidly back in control in Trinidad and a popular Tobagonian leading the party's efforts in the Assembly election, that the PNM won 8 seats to the NAR's 4. The new PNM hold was consolidated in 2005 when it gained 11 out of the 12 seats, with

the re-formed DAC confined to only one. Governmental relations between the two islands have improved.

## **16 JUDICIAL SYSTEM**

The judicial system follows common law and is modeled after the United Kingdom, with some local variations. The Supreme Court of Judicature consists of the High Court of Justice and the Court of Appeal. The former includes a chief justice and 10 puisne judges. Its jurisdiction and its practices and procedures follow closely those of the High Court of Justice in England. Civil actions and proceedings are usually heard by only one High Court judge but may be tried by a jury of nine members. A High Court judge with a jury of 9–12 members tries criminal offences. The Court of Appeal consists of the chief justice and three other justices. Minor offenses are handled by district courts, including traffic courts. The judicial system also includes the Industrial Court and Tax Appeal Board, and a system of magistrate courts. All criminal cases are first sent to a magistrate's court. Appeals may be made to the Court of Appeal and until recently, up to the Judicial Committee of the Privy Council in the United Kingdom. Since 1970, however, the Caribbean countries had been considering the establishment of a regional court that would replace the Privy Council. In 2003, this Court of Justice (CCJ) was officially ratified, and in April 2005, the court was finally launched in Trinidad and Tobago where it is headquartered. Trinidad and Tobago was still completing arrangements to allow recourse to the court. The court will have both appeal jurisdiction and original jurisdiction (in which it will apply international law).

The judiciary is independent of the other branches and free from outside interference. Criminal defendants are presumed innocent and are afforded the right to representation by counsel. In practice, the civil and criminal dockets are badly backlogged due to inadequate resources and inefficiency.

In an ongoing dispute about using the death penalty, the government of Trinidad and Tobago withdrew as a party to the American Convention on Human Rights but remained obligated until May 1999 to the Organization of American States to afford all of the rights set out within the American Declaration. In June 1999 the government carried out nine executions, the first to take place in the country in five years. Trinidad and Tobago also withdrew from the UN Optional Protocol of the International Convention on Civil and Political Rights, tried to rejoin with an appropriate reservation in place concerning the death penalty, but was forced after widespread criticism to withdraw again in 2000.

## **17 ARMED FORCES**

The Trinidad and Tobago Defense Force numbered an estimated 2,700 in 2005. The Army, which numbered 2,000 members, consisted of two infantry battalions, one special forces unit and one support battalion. The coast guard of 700 operated 12 patrol and coastal combatants, and had an air wing of 50 personnel. Under lend-lease agreements with the United Kingdom signed early in 1941, the United States acquired several Caribbean bases, including one on Trinidad, on a 99-year lease. After local agitation over a number of years, Trinidad reclaimed the last remaining for-

eign base in June 1967. The defense budget in 2005 totaled \$32 million.

## 18 INTERNATIONAL COOPERATION

Trinidad and Tobago became a member of the United Nations on 18 September 1962; it belongs to ECLAC and several nonregional specialized agencies, such as the FAO, UNESCO, UNIDO, the World Bank, ILO, and the WHO. The country is also a member of the ACP Group, the Commonwealth of Nations, CARICOM, the Caribbean Development Bank, G-24, G-77, the Inter-American Development Bank, the Latin American Economic System (LAES), the WTO, the Alliance of Small Island States (AOSIS), the Association of Caribbean States (ACS), and the OAS. Trinidad and Tobago is part of the Nonaligned Movement and serves as part of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL).

In the area of environmental protection and cooperation, Trinidad and Tobago is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Trinidad and Tobago is a twin island state with an economy oriented toward trade and tourism. The larger island, Trinidad, is more heavily industrialized and is dominated by the oil and gas sector, although agriculture, tourism, manufacturing and construction also make significant contributions. Tobago is dominated by tourism and agriculture. The country cannot feed itself and must look abroad not only for its food staples, but also for the bulk of the manufactured goods. Import payments are met by the export of petroleum and products, invisible exports, tourism, and the transshipment trade. Specialized tropical crops are produced for export, but exploitation of petroleum reserves and refining of local and imported oils and their subsequent export are the dominant factors of the country's economy.

Although by far the most prosperous of Caribbean nations, the country's high degree of dependence on oil revenues has made it exceedingly vulnerable to falling oil prices. Over the past three decades, its economic fortunes have followed the world price of oil closely. Oil revenue windfall after 1973 brought unprecedented prosperity. However, this prosperity was not sustained when oil prices began to fall in 1982. Only after a further steep decline in the price of oil in 1986 did the government face the challenge of a fundamental adjustment in economic policy and initiate a program supported by the World Bank and the IMF. The country began the difficult transition from an oil dependent, public sector dominated economy, to a more diversified, market-oriented, private sector-led one.

After a decade of almost uninterrupted economic decline, growth returned in 1995, when real GDP increased 2.4%. Growth accelerated from 3–5% in the middle of the decade to an average of 5.17% by 1998 to 2000. Trinidad and Tobago continues to experience real GDP growth as a result of economic reforms, tight monetary policy, fiscal responsibility, and high oil prices. In 2003 the country experienced a real GDP growth rate of 13.2%, followed by 6.2% growth in 2004. The economy's performance is at-

tributable to energy-related investments, growth in the nonenergy sector (manufactured exports, domestic construction, offshore financial services) and sound macroeconomic policies. The government's stabilization policies yielded results with a fall in the annual inflation rate from double digits—13.3% in 1993—to a range of between 3.5% and 5.6% by 1996 to 2002. A surge in imports related to a boom in the hydrocarbons sector helped raise the current account deficit to an average of 10.25% of GDP in 1997 and 1998, but by 2000, this had been transformed into a current account surplus equal to almost 5% of GDP.

The global slowdown in 2001 and the world-wide declines in tourism and foreign investment after the 11 September 2001 terrorist attacks in the United States did not seriously impact economic growth in Trinidad and Tobago, as it did in the rest of the English-speaking Caribbean nations.

Long-term growth looks promising as Trinidad and Tobago further develops its oil and gas resources and the industries dependent on natural gas, including petrochemicals, fertilizers, iron/steel, and aluminum. Additional growth potential also exists in financial services, telecommunications, and transport. Strong growth in Trinidad and Tobago over the past few years has led to trade surpluses, even with high import levels due to industrial expansion and increased consumer demand. Unemployment, which was 12.1% in 2001, had fallen to 8.4% by 2004. Inflation, however, has begun to worsen with prices rising at an annualized rate of 7.34% in March 2005, as opposed to 5.6% in December 2004.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Trinidad and Tobago's gross domestic product (GDP) was estimated at \$13.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$12,700. The annual growth rate of GDP was estimated at 6.5%. The average inflation rate in 2005 was 6.8%. It was estimated that agriculture accounted for 0.7% of GDP, industry 57%, and services 42.3%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$79 million or about \$60 per capita and accounted for approximately 0.8% of GDP. Foreign aid receipts amounted to -\$2 million or about -\$2 per capita and accounted for approximately 0.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Trinidad and Tobago totaled \$6.49 billion or about \$4,945 per capita based on a GDP of \$10.5 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.9%. In 2001 it was estimated that approximately 20% of household consumption was spent on food, 23% on fuel, 5% on health care, and 13% on education. It was estimated that in 1992 about 21% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Trinidad and Tobago's workforce was estimated at 620,000 persons. As of 2002 (the latest year for which data was available), agriculture accounted for 6.9% of the nation's labor force, with 64.4% engaged in services, 28.4% in industry, and 0.2% in undefined occupations. Unemployment in 2005 was estimated at 8%.

The principal national labor federation is the Trinidad and Tobago Labor Congress. Of nonaffiliated unions, the largest is the National Union of Government and Federated Workers. As of 2002, an estimated 25–30% of the workforce was organized into 19 labor unions. The right to strike is provided by law with the exception of those employed in essential services. There is little protective labor legislation; work rules are subject to labor-management negotiation.

A minimum wage of us\$1.10 per hour was established in 1998, but it is considered insufficient to support a family. Children between the ages of 12 and 14 may work in family businesses. The normal workday is eight to nine hours, five days a week. Vacation periods vary from two to five weeks a year, depending on length of service. There is no organized exploitation of children, but they do occasionally serve in the informal economy such as working as street vendors.

## 22 AGRICULTURE

About 24% of the total land area was arable in 2003, most of it on Trinidad. There are two distinct types of agricultural operations—the large estate or plantation that is managed by a specialist and employs large numbers of laborers, and the small farm cultivated by the owner (or tenant) and family. The small farms grow mainly for the home market. Crops include corn, rice, peas, beans, potatoes, other vegetables, and a wide variety of fruits. Lowland rice is grown almost entirely by Indian farmers. The large estates are interested mainly in commercial export crops, although the small farmers also grow some export crops. Agriculture accounted for only 1% of GDP in 2003. During the 1970s and early 1980s, agriculture's traditional labor force was lured away by the booming energy sector, with foreign exchange plentiful enough to import food. By the late 1980s, however, this trend was being reversed.

The value of crops grown for the domestic market is believed to be considerably greater than that of the export crops. Sugar, the main commercial crop, is grown on a few large company-owned estates and by thousands of small farmers; modern methods allow the estates to produce about two-thirds of the sugar crop. Normally, 80% or more of the islands' production is exported. In 2004, sugarcane production was 680,000 tons. The second major export crop, cocoa, is cultivated in the hill sections of both Trinidad and Tobago. Estates produce considerably more cocoa than smallholdings, owing to better agricultural practices and to the fact that small farmers intercrop bananas, coffee, and other crops with cocoa. Cocoa production has been in decline since 1970; the output in 2004 was 1,300 tons. Coffee is grown in much the same hill areas as cocoa, and there is about the same proportion of estate-grown to small-farmer-grown coffee. Both cocoa and coffee have been described as sick industries because of inefficiency, crop disease, and uncertain world market conditions. In 2004, coffee production was 540 tons, down from 2,361 tons in 1985.

Some 90 acres (36 hectares) of ornamental flowers are also cultivated for export. Rice, citrus, corn, cassava, peanuts, and pigeon peas are now being grown to diversify agricultural output.

## 23 ANIMAL HUSBANDRY

Livestock plays only an incidental role in the agricultural pattern. The water buffalo, adept at turning heavy, water-laden soils, has been brought from India by Indian farmers and is the major draft animal in rice cultivation and probably the most productive animal in the country. Cattle are kept by some small farmers, but the best stock is that on estates and government farms or in large dairies. Poor animals and poor breeding and feeding methods keep meat and milk quantity and quality low and prices high. Trinidad and Tobago relies heavily on dairy imports from Europe to satisfy domestic demand.

In 2005, the livestock population included an estimated 28,200,000 poultry, 29,000 head of cattle, 59,300 goats, 43,000 hogs, 3,400 sheep, and 5,700 water buffalo. Animals slaughtered at abattoirs run by the government and by municipalities yielded an estimated 57,600 tons of poultry meat, and 2,900 tons of pork in 2005.

## 24 FISHING

The fishing industry has great potential, but current production does not begin to meet local demands, and large quantities of fish must be imported. Shrimp and mackerel make up one-third of the total annual catch, with shrimp the leading fisheries export. In 2003, Trinidad and Tobago exported \$10 million in fish and fish products, up from \$2.4 million in 1990. In 1986, the Archipelagic Waters and Exclusive Economic Zone Act defined the sovereign fishing jurisdiction around the nation, which has created new opportunities for marine fishing off the east coast of Trinidad. The harvest in 2003 was about 9,747 tons, up from 3,730 tons in 1986.

## 25 FORESTRY

Approximately 50.5%, or 259,000 hectares (640,000 acres), of the land was forested in 2000. Roughly four-fifths of the forestland is government owned or administered; however, much of the state forestland is in hill areas, inaccessible for exploitation. Several dozen small sawmills are in operation. Roundwood production in 2004 was about 94,800 cu m (3.3 million cu ft), 36% used for fuel.

## 26 MINING

Trinidad and Tobago had the largest supply of natural asphalt, and became the second-largest exporter of ammonia, behind Russia. The island's famous Pitch Lake, a 46-hectare deposit of oozing black asphalt, has been mined commercially since the 19th century. The annual yield has declined, from an average of 200,000 metric tons in the 1960s, to 18,100 metric tons in 1996 and 9,900 metric tons in 2000. Since 2001, natural asphalt output has hovered around 16,200 metric tons. In 2003, natural asphalt output was estimated at 16,200 metric tons. In 2003, the country produced 3.529 million metric tons of anhydrous ammonia, up from 3,258,619 metric tons in 2002. Iron ore deposits of commercial value were reported to have been discovered in Trinidad's Northern Range. Quarrying operations on the islands in 2003 produced 850,000 tons of limestone, down from 851,000 tons in 2002, and

765,000 metric tons of hydraulic cement, up from 743,700 metric tons in 2002.

## 27 ENERGY AND POWER

Trinidad and Tobago is among only three countries in the Caribbean region (Cuba and the Barbados are the others) to have significant oil and natural gas reserves, with Trinidad and Tobago accounting for the bulk.

According to the Oil and Gas Journal, these three countries had combined proven crude oil reserves of 1.74 billion barrels and 28.4 trillion cu ft of natural gas in 2005. Of the three, Trinidad and Tobago had proven crude oil and natural gas reserves of 990 million barrels and 25,887 million cu ft, respectively. Total oil production in 2004 for Trinidad and Tobago averaged 165,000 barrels per day, of which 131,000 barrels per day consisted of crude oil. In 2002, total oil product output averaged 137,480 barrels per day, with demand averaging 28,320 barrels per day. Although output exceeded demand, Trinidad and Tobago averaged imports of 95,180 barrels per day, with crude oil imports accounting for an average of 91,280 barrels per day. Much of these imports that year were re-exported. Exports in that year averaged 204,410 barrels per day. Refined oil output in 2002 averaged 147,540 barrels per day.

In 2003, Trinidad and Tobago produced an estimated 25 billion cu m of natural gas. Domestic demand that year came to an estimated 13.76 billion cu m, with exports totaling an estimated 11.79 billion cu m. All the natural gas produced is used domestically. Trinidad and Tobago is the largest supplier of liquefied natural gas (LNG) to the United States, and one of the world's largest exporters of LNG in the world.

Electric power generating capacity in 2002 for Trinidad and Tobago totaled 1.417 million kW, all of it dedicated to conventional thermal fuels. In that same year, electric power output totaled 5.747 billion kWh, with 99.5% generated by fossil fuel burning plants. The remainder comes from other alternative sources. A submarine cable provides Tobago with electricity from Trinidad.

## 28 INDUSTRY

The industrial sector of the economy is dominated by the capital-intensive petroleum industry. Industry accounted for approximately 57% of the GDP, agriculture 0.7%, and services for 42.3% in 2004. Trinidad and Tobago had essentially an agricultural economy up to the beginning of the twentieth century when sugar production played a dominant role and the cultivation of cocoa, coconuts, and coffee played lesser parts. The socioeconomic characteristics of Caribbean agriculture are well defined and include an aging farming population, excessive dependence on export markets, absence of marketing and processing capability, and both tariff and nontariff barriers. These influence the incomes generated by agriculture and hence the investment in agricultural development. Long-established industries are those processing raw materials of the farm, forest and sea; foremost are sugar, molasses, and rum, followed by fish, lumber, fats and oils, and stock feed. Manufacturing products include matches, angostura bitters, soap, confectionery, and clay products. Newer industries include petroleum refining, petrochemicals, concrete products, canned citrus,

bottled drinks, glass, drugs, chemicals, clothing, building materials, and metal goods.

The most important industrial center is found at the port at Point Lisas. Many new industrial plants have been established under the benefits of the country's New Companies Act (1997). The manufacturing sector has contributed a substantial share of the GDP since the 1970s. After the establishment of the free zone program in 1993, manufacturing investment soared. Caroni Inc., the government-owned sugar company and the largest employer on Trinidad, undertook a major revitalization project in 1998.

The petroleum sector, which more than doubled its growth rate to 1.8% in 1996, fell to 1.1% in 1997 due to a continuation of declining oil production. Rising prices in the early 2000s caused the petroleum sector to remain stable, however. Diversification of the petrochemicals industry and investments in other heavy industry and manufacturing may broaden the export base; but hydrocarbons will continue to provide at least 25% of foreign exchange earnings. Trinidad and Tobago's sole oil refinery had a production capacity of 160,000 barrels per day in 2002. As of 2002, the natural gas sector was expanding, with huge discoveries adding to the country's 80 trillion cubic feet (Tcf) gas base. The Atlantic LNG plant was due to expand over a four-year period, creating the largest single and sustained increment in growth in the country. The LNG plant began operations in the 1990s as the government attempted to increase oil exploration and production by giving contracts to US companies. It was one of the most ambitious projects, with British Gas (26% ownership) and Spain's Repsol (10%) joining two US companies—Amoco, with the largest stake (34%) and Cabot (10%).

Trinidad and Tobago has made a transition from an oil-based economy to one based on natural gas. In 2004, natural gas production averaged 2.9 trillion cubic feet per day (tcf/d), an increase of 12.9% from 2003. The petrochemical sector, including plants producing methanol, ammonia, urea, and natural gas liquids, has continued to grow in line with natural gas production, which continues to expand and should meet the needs of new industrial plants coming on line in the next few years.

The nonenergy sector grew at a slower pace in 2004. Output in this sector increased by a modest 3.8% in 2003 and 2.9% in 2004 with the impetus coming from the manufacturing and services sectors. The rate of growth in the manufacturing sector was 6.6% in 2004, thanks to the food, beverages and tobacco, and assembly-type industries. The service sector grew by 2.9%, led by construction. The construction sector growth was due mainly to government investment in housing and infrastructure, and ongoing projects in the energy sector. Performance in the agriculture sector has been weak and declined by 20.2% in 2004. The decline in output resulted largely from the shrinking and restructuring of the sugar industry.

## 29 SCIENCE AND TECHNOLOGY

Among the research centers and learned societies of Trinidad and Tobago are the Commonwealth Institute of Biological Control, the Agricultural Society of Trinidad and Tobago, the Tobago District Agricultural Society, the Pharmaceutical Society of Trinidad and Tobago, and the Sugar Manufacture Association of Trinidad and Tobago. The University of the West Indies has a campus in St. Augustine (founded in 1948) with faculties of agriculture, engi-



neering, medical sciences, and natural sciences. In 1987–97, science and engineering students accounted for 58% of college and university enrollments. Research and development (R&D) expenditures in 2001 totaled \$11.806 million, or 0.10% of GDP. In 1997 (the latest year for which the following data was available), government sources accounted for the largest portion of R&D spending at 48.2%, followed by business at 34.5%, and higher education at 17.3%. In that year total R&D spending came to \$12.549 million, or 0.14% of GDP. In 2001, there were 393 researchers engaged in research and development per million people. High technology exports in 2002 were valued at \$75 million, or 3% of the country's manufactured exports.

### 30 DOMESTIC TRADE

Trinidad and Tobago's wholesale trade is highly organized and highly competitive; much of it is controlled by a few managing agencies located in Port-of-Spain. These agencies are direct importers in bulk and have exclusive wholesale rights for sales in the islands, and often in other Caribbean nations and territories. Imports are of extreme importance, for example, the food service companies in Trinidad and Tobago buy 80% of their food and beverage products from local importers and only 15% from local manufacturers; they import the remaining 5% directly from US suppliers.

In small communities, rural areas, on Tobago, and in less developed parts of Port-of-Spain and San Fernando, a general retail store carries a wide variety of commodities. Many of these stores are family enterprises and most are small. Local and foreign franchises are fairly common, particularly in the fast-food industry. Price controls have been placed on sugar, schoolbooks, and pharmaceuticals. A value-added tax of 15% applies to most goods and services.

### 31 FOREIGN TRADE

Trinidad and Tobago is highly import-dependent, with the United States supplying about 50% of total imports since 1997. The foreign trade of Trinidad and Tobago is very large for a country of its size, a fact attributable mainly to its petroleum processing industry. The economy's prosperity is thus tied closely to trade, which,

in turn, is closely linked to the price and demand structure of the world petroleum market.

Trinidad and Tobago is the fifth-largest exporter of liquefied natural gas in the world. Trinidad and Tobago's main sources of commodity export income are refined petroleum products (39%), crude petroleum (27%), and natural and manufactured gas (26%). Other exports include ammonia (8.4%) and iron and steel (5.7%).

Up to 1992, the government prohibited the importation of some manufactured products without a license. The government replaced this list with supplemental tariffs, which coupled with the CARICOM Common External Tariff (CET), reached nearly 100%. These supplemental tariffs were reduced to CET levels by 1995, alleviating high prices on foreign goods. By 1996, quantitative restrictions were eliminated, as were surcharges and stamp duties on nonagricultural goods. As the most industrialized and second-largest country in the English-speaking Caribbean, Trinidad and Tobago has taken a leading role in the Caribbean Community and Common Market (CARICOM), and strongly supports CARICOM economic integration efforts. CARICOM members are working to establish a Single Market and Economy (CSME). Trinidad and Tobago and two other CARICOM members have made strides with the scheduled launching of the first phases of CSME by 2006.

The Free Zones Act of 1988 (last amended in 1997) established the Trinidad & Tobago Free Zones Company to promote export development and foreign investment projects in a bureaucracy-free, duty-free, and tax-free environment. One multiple user and ten single user zones are currently in operation. Free Zone enterprises may be established in any part of the country. Free Zone activities that qualify for approval include manufacturing for export, international trading in products, services for export and development, and management of free zones.

### 32 BALANCE OF PAYMENTS

The debt service ratio, 15.4% in 1997, fell to as low as 3.7% in 2001 and was a moderate 4.7% in 2004. Between 1974 and 1981, largely because of the huge increase in the value of petroleum exports, Trinidad and Tobago's payments balance was favorable. With the weakening of the market for the country's petroleum and oil refinery products in 1982, however, a deficit was recorded for the first time since the early 1970s. Foreign exchange reserves, which had reached \$3.3 billion in 1981, were depleted rapidly through the 1980s, as expenditures reduced revenues (caused by lower oil prices). By 1988, foreign exchange reserves had plummeted to -\$5.7 million, forcing the government to reschedule its commercial and official debt. During the 1990s, Trinidad ran a balance of payments surplus from 1992 until 1997 due to a rise in foreign direct investment, but ran a deficit after 1997 because of low oil prices, and high industrial imports. The country's balance of payments subsequently improved, in part spurred by increases in world oil prices. Trinidad's balance of payments surplus stood at \$441 million in 2000.

In the second quarter of 1998, Trinidad and Tobago completed repayment of a us\$335 million International Monetary Fund loan and enjoys excellent relations with the international financial institutions. Its major lender is the Inter-American Development Bank (IDB). Since 1997, Trinidad's external debt has declined each year as has its debt service ratio. There has, however, been

#### Principal Trading Partners – Trinidad and Tobago (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	3,853.3	3,661.0	192.3
United States	1,941.9	1,242.6	699.3
Jamaica	292.6	17.4	275.2
Barbados	178.6	30.6	148.0
France-Monaco	175.9	38.1	137.8
Spain	92.1	21.5	70.6
Canada	91.9	103.6	-11.7
Guyana	82.5	15.7	66.8
Dominican Republic	78.4	...	78.4
Netherlands	58.5	45.2	13.3
United Kingdom	56.7	45.2	11.5

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Trinidad and Tobago (2002)**

(In millions of US dollars)

<b>Current Account</b>		<b>76.4</b>
Balance on goods	237.7	
Imports	-3,682.3	
Exports	3,920.0	
Balance on services	264.0	
Balance on income	-479.8	
Current transfers	54.5	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>397.3</b>
Direct investment abroad	106.4	
Direct investment in Trinidad and Tobago	790.7	
Portfolio investment assets	...	
Portfolio investment liabilities	-70.1	
Financial derivatives	...	
Other investment assets	275.2	
Other investment liabilities	-492.1	
<b>Net Errors and Omissions</b>		<b>-358.0</b>
<b>Reserves and Related Items</b>		<b>-115.7</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

a slight increase in domestic debt as the government has increasingly looked internally for financing. Public sector debt declined by about 4%, to 56% of GDP as of the end of 2003; and the public sector external debt declined by 3%, to about 15% of GDP at the end of 2003; most of the external debt was long-term and from commercial creditors. The lower total debt burden has allowed the government more flexibility in lowering import duties and trade barriers, benefiting especially US exports.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Trinidad and Tobago's exports was \$4.1 billion, while imports totaled \$3.5 billion, resulting in a trade surplus of \$600 million. In 2004, World Bank data showed a positive balance of payments of approximately \$1 billion.

**3<sup>3</sup> BANKING AND SECURITIES**

The Central Bank of Trinidad and Tobago (established 1964) is the central regulatory institution and the sole bank of issue. The commercial banking business is well established and is operated chiefly by Canadian, British, and American interests. Monetary and fiscal developments have been closely linked with the fortunes of the oil industry.

There are six commercial banks operating in Trinidad and Tobago, with assets of over \$25 billion. In 1997, bank CEOs formed a Banking Association. The largest is Republic Bank, formerly Barclays. Other commercial banks include the Bank of Nova Scotia, Citibank, First Citizens Bank, Intercommercial Bank, and Royal Bank of Trinidad and Tobago. The Bank of Baroda, India's second-largest bank, and the Bank of India, the third-largest, have both expressed interest in entering the Trinidadian market. Offshore banking services were begun in the late 1990s by Republic Bank.

Workers and farmers make use of the Government Savings Bank offices. There are numerous agricultural credit societies, most of which are financed by the government's Agricultural Credit Bank. Credit unions are also common. The Trinidad and Tobago Devel-

opment Finance Co., jointly owned by the government and the private sector, offers medium- and long-term financing to industry. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.1 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$4.0 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 13%.

Since about 1948, limited liability companies with publicly issued share capital have become increasingly important. The West Indies Stock Exchange (succeeded by West Indies Stock Brokers, Ltd.) opened a branch in Port-of-Spain in 1964. The brokerage organization became a member of the Jamaica Stock Exchange in December 1970. The Trinidad and Tobago Stock Exchange began operating in 1981. In 2001, it listed 31 companies, had a trading value of \$174 million, and a total market capitalization of \$5 billion. As of 2004, a total of 37 companies were listed on the Trinidad and Tobago Stock Exchange, which had a market capitalization of \$17.051 billion. In that same year, the TTSE Index rose 54.8% from the previous year to 1,074.6.

**3<sup>4</sup> INSURANCE**

Insurance firms include branches of UK and US companies and a few local companies. Their operations are highly competitive. A government-owned reinsurance company has been in operation since 1979. The Colonial Life Insurance Co. is the largest life insurance company in Trinidad, with gross written life insurance premiums of \$469.9 million in 2003. In that same year, CHIC was the largest nonlife insurer, with gross written nonlife premiums of \$42 million. The value of all direct insurance premiums written in 2003 totaled \$510 million, of which life insurance premiums accounted for \$548 million. The National Insurance Board of Trinidad, which operates like Social Security, was established in 1972 by the government.

**3<sup>5</sup> PUBLIC FINANCE**

The budget deficit were first registered in the early 1980, and continued until 1990. In 1988, the government began an adjustment program, which included currency devaluation, debt reschedulings, and the adoption of an austere budget that included public service wage reductions and decreased transfers to state enterprises. These reforms resulted in an improved budget by 1994 which lasted until 1998, when expanded infrastructure and industrial projects drained revenues.

The US Central Intelligence Agency (CIA) estimated that in 2005 Trinidad and Tobago's central government took in revenues of approximately \$4.5 billion and had expenditures of \$4 billion. Revenues minus expenditures totaled approximately \$440 million. Public debt in 2005 amounted to 41.4% of GDP. Total external debt was \$2.986 billion.

**3<sup>6</sup> TAXATION**

Important sources of taxation are income taxes, a motor vehicle tax (25–30%), license duties, property and building taxes, customs

and excise duties (including purchase taxes), and petroleum royalties and concessions.

The individual income tax is calculated on net chargeable income, from 28% up to \$50,000; and 35% thereafter. A value-added tax (VAT), with a standard rate of 15% in 2005, is levied on most goods and services. Services performed outside Trinidad and Tobago are zero-rated, and medicines are exempted for VAT.

The basic corporate tax rate is 30%. This rate is increased to 35% for petroleum companies, with a supplemental petroleum tax. Capital gains derived from assets held for more than 12 months are generally not taxed. However, gains derived from the sale of assets held less than 12 months are subject to the corporate tax rate. Dividends paid to nonresident companies and individuals are subject to a 15% withholding tax. However, a lower 10% rate is applied if the distributing company is 50% or more held by a resident corporation. Dividends paid by a resident company to another resident company are exempt from the tax. Interest and royalty payments are each subject to a 20% withholding tax.

### 37 CUSTOMS AND DUTIES

Customs and duties are a significant source of government revenue. Most imported articles are subject to import duties, as well as a stamp tax, an import surcharge, a 15% VAT, and excise taxes on petroleum products, tobacco, and alcoholic beverages that are sold locally. Trinidad and Tobago applies the CARICOM common external tariff to most goods. The rates are 0–20%. Banned items include animals that have died in transit, used or second-hand animal blankets, saddle cloths, felting or pads, firearms, explosives, and seditious publications.

Free trade zones (FTZs) were authorized by law in 1988; the first FTZ was established in the Point Lisas Industrial Estate. Trinidad and Tobago is a member of CARICOM, a signatory to the Lomé Convention, and has special trade agreements with Venezuela, the United Kingdom, Ireland, France, and the United States. The country benefits from the Caribbean Basin Initiative (CBI), which allows duty-free entry of many products into the United States.

### 38 FOREIGN INVESTMENT

The Government of Trinidad and Tobago (GOTT) actively encourages foreign direct investment in almost all sectors. In 2004, the US-based Heritage Foundation's economic freedom index rated Trinidad and Tobago fifth in Latin America and the Caribbean and 36th out of 155 countries. Foreign investment in Trinidad and Tobago, particularly from British, Canadian, US, and Dutch sources, has played a major role in the development of all major manufacturing and processing industries, as well as most large agricultural enterprises. Several private banking institutions have provided development loans through the Industrial Development Corporation, established by the government in 1959 to act as a liaison between investors and various government departments.

Starting in 1970, the government required foreign investment in Trinidad and Tobago to be conducted in a joint venture basis, with majority domestic participation most often in a 60:40 ratio. In the 1980s the economy became mired in stagflation. The government launched a campaign of reforms emphasizing fiscal and monetary discipline, export-led growth, and encouragement of private sector and foreign investment. Under the current investment regime there are for the most part no restrictions or disincentives

to investment. The Free Zones (FTZs) Act of 1988, as amended in 1997, established the framework of duty-free, tax-free, and bureaucracy-free investment environments. In 2002, there were three multiple-user and eleven single-user FTZs in operation or under construction. In May 2001, the government passed new telecommunications legislation establishing a new telecommunications authority, opening the way for liberalization of the sector. As of 2003, however, the telecommunications sector remained the only one closed to new foreign investment in key areas.

Oil and gas exploration continues to attract inflows of foreign capital, boosting economic growth and strengthening public finances. The United States is the major investor, followed by the United Kingdom, Canada, Germany, India, and Norway. Inflows of almost \$4 billion in foreign investment between 1997 and 2000 strengthened the balance of payments and permitted the relaxation of policies. US investments have been mainly in hydrocarbons and petrochemicals, while Canada has investments in ammonia/urea, Germany in methanol and iron, India in iron and steel, and Norway in ammonia. A boom in natural gas investment, including pipelines for the delivery of liquefied natural gas (LNG), was under way in 2002 and 2003.

The investment climate is good. Since 1992, almost all investment barriers have been eliminated. Investment is screened only for eligibility for government incentives and assessment of its environmental impact. Both tax and nontax incentives may be negotiated. The government has a double taxation agreement, a bilateral investment treaty, and an intellectual property rights agreement with the United States. (The bilateral investment treaty granted national treatment and other benefits to US investors; it came into force on 26 December 1996.) US investment in Trinidad and Tobago exceeds \$1 billion. Total foreign direct investment has averaged \$700 million annually over the last decade. Among recent and ongoing investment projects are several involving US firms, like ISG and ALCOA, and resorts built by Marriott and Hyatt.

### 39 ECONOMIC DEVELOPMENT

To diversify the economy and raise the national standard of living, foreign capital and technical assistance are actively solicited. Major incentives are duty-free imports of equipment and raw materials, income tax holidays, accelerated depreciation allowances, unlimited carryover of losses, and repatriation of capital and profits. To encourage diversification toward non-oil/gas sectors, the government has undertaken comprehensive reforms in the trade and exchange rate regimes, and the investment environment. A major downsizing and refocusing of the public sector with an extensive program of divestment and reduction of public employment has occurred.

Nonetheless, the country remains largely an oil economy even though oil reserves are being depleted. While the natural gas sector will benefit the economy in the future, it will not solve the country's most crucial economic problems. Only by diversifying into more labor intensive export industries and services will Trinidad and Tobago generate employment and growth and minimize its external vulnerability. The key ingredients for development are a buildup of reserves consistent with the maintenance of a competitive exchange rate; the use of monetary policy to contain inflation and sterilize reserve accumulation; and the strengthening of fiscal balances to reduce government debt and lower interest rates.

Trinidad and Tobago experienced strong growth in the early 2000s, after eight years of economic decline in the 1990s. The debt service ratio fell, as did unemployment. The government invested heavily in public sector physical and educational infrastructure projects in the early 2000s. Improvements in water and electricity supply were being undertaken.

Recognizing the role that energy plays in the economic life of Trinidad and Tobago, where it was the source of 37% of governmental revenues in 2004, the government is seeking to diversify the economy to reduce dependence on the energy sector and to achieve self-sustaining growth. The diversification strategy focuses on six main sectors: traditional manufacturing; new technology-based industrial sector; tourism; financial services; agriculture; and small business. Corruption has traditionally appeared to be moderate, and has not seriously undermined government or business operations.

#### 40 SOCIAL DEVELOPMENT

All employees aged 16 through 64 are required to become members of the National Insurance System. Employers contribute 5.6% of payroll, according to 12 wage classes, and employees normally contribute 2.8% of earnings. The program covers employed persons, including agricultural and domestic workers. In addition, a social insurance scheme is funded by the government and extends benefits to those with limited means. The system provides old age, retirement, and disability pensions; maternity, sickness, and survivors' benefits; and funeral grants. Retirement is between the ages of 60 and 65. Maternity benefits are at 60% of average earnings for a maximum of 13 weeks, and there is also a maternity grant. A compulsory system of workers' compensation for injury is also in place.

The constitution mandates human rights and freedoms to all citizens regardless of sex. Women are active in the labor force, but few rise to senior management positions. There is no law that mandates equal pay for equal work. The law does not address sexual harassment and it remains a problem. Violence against women and domestic abuse continue to be major issues for women although the government and media are addressing the problem. The law has been strengthened to protect women and assist victims of abuse.

Human rights organizations operate freely. Poor prison conditions and lengthy pretrial detention remain a problem.

#### 41 HEALTH

Government health facilities include general hospitals in Port-of-Spain and San Fernando, small district hospitals, several major health centers, dental service centers, a mental hospital, and a nurses' training school. As of 2004, there were an estimated 79 physicians, 287 nurses, and 8 dentists per 100,000 people.

The general health of the population has been improving; substantial decreases have been recorded in the death rates for malaria, tuberculosis, typhoid, and syphilis. Immunization rates for children up to one year old were diphtheria, pertussis, and tetanus, 90%; polio, 81%; and measles, 88%. Improvements in sanitation have reaped impressive health benefits. Approximately 86% of the population had access to safe drinking water and 88% had adequate sanitation. As a result, reported cases of dysentery and hookworm have declined dramatically.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 13.7 and 8.8 per 1,000 people. Average life expectancy was 66.73 years in 2005 and infant mortality was 25.81 per 1,000 live births. Maternal mortality was 75 per 1,000 live births.

As of 2004, there were approximately 29,000 people living with HIV/AIDS in the country. There were an estimated 19,000 deaths from AIDS in 2003. The HIV/AIDS prevalence was 3.20 per 100 adults in 2003.

#### 42 HOUSING

A typical rural home for a large family consists of one to three rooms plus an outside kitchen. Slums and tenements are typical of urban life since there is an acute shortage of adequate housing. At the 2000 census, the housing stock was counted at 300,844. About 77.5% of all dwellings were single-family detached homes, 13% were flats or apartments, and 3% were two-family detached homes. About 76% of all housing was owner occupied. At least 18,200 dwellings were listed as squatter homes. A little over 60% of all households had access to indoor piped water; another 8.8% had access to piped water within a yard.

The Ministry of Housing and Settlements has developed a five-year plan for 2001–06 to promote housing construction, land development, and the upgrade of squatter sites. One goal of the plan is to build 30,000 new housing units within the five years. The Ministry also hopes to upgrade 2,000 squatter dwellings per year.

#### 43 EDUCATION

Many schools are run jointly by the state and religious bodies. Education is free at primary and secondary levels and compulsory for six years. Elementary education lasts for seven years, followed by five years of secondary education. There are two types of secondary school systems. The traditional system offers a general five-year secondary program followed by two years of preparatory studies (sixth form). The new system offers a program that consists of three years of junior high, two years of senior high, and two years of sixth form, with more diverse course options available to students. Technical and vocational programs are also available at the secondary level. The academic year runs from August to May.

In 2001, about 63% of children between the ages of three and four were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 91% of age-eligible students. The same year, secondary school enrollment was about 72% of age-eligible students. It is estimated that about 91% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 19:1 in 2003; the ratio for secondary school was also about 19:1. In 2003, private schools accounted for about 28.5% of primary school enrollment and 28% of secondary enrollment.

At the postsecondary level, government technical vocational schools and teachers colleges are free for qualified students. There are four small, government-run technical colleges, five teachers colleges, and two polytechnic institutes. The University of the West Indies has a faculty of engineering, arts, and agriculture at its Trinidad campus. John F. Kennedy College, a liberal arts school outside Port-of-Spain built with a US\$30-million grant from the Agency for International Development (AID), has teaching facilities.

ties for about 600 students. The Trinidad and Tobago Hotel School offers courses for the hotel, catering, and travel industries. The Eastern Caribbean Institute of Agriculture and Forestry is located in St. Augustine. In 2003, it was estimated that about 9% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 98.5%.

As of 2003, public expenditure on education was estimated at 4.3% of GDP, or 13.4% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library, opened in 2003 in Port-of-Spain, houses 442,000 volumes, with special sections for young adults and children. The National Library and Information System Authority is also responsible for the management of the nation's public libraries, with 21 locations on Trinidad and 3 locations on Tobago. There are mobile services on each island. The Port-of-Spain Public Library has 70,000 volumes. In San Fernando, the Carnegie Free Library functions as regional headquarters for rural library services to the south. The University of the West Indies main library in St. Augustine has more than 395,000 volumes. There are over 600 school libraries that are supported by the national system.

The National Museum and Art Gallery is located in Port-of-Spain, as is the Royal Victoria Institute Museum (1892), a general museum featuring local flora and fauna, crafts of the indigenous people, and a sampling of moon dust. The Trinidad childhood home of Nobel-winning author V.S. Naipaul was scheduled to become a museum.

#### 45 MEDIA

Postal and internal telegraph services throughout the islands are operated by the government. In 2003, there were an estimated 250 mainline telephones for every 1,000 people. The same year, there were approximately 278 mobile phones in use for every 1,000 people. Commercial cable communication and radiotelephone services are maintained between Trinidad and all major countries of the world.

There were 4 AM and 18 FM radio stations, and 4 television stations in 2004. The public National Broadcasting Service closed in 2005, ending service of two television stations and four radio stations. There were, however, plans to launch a new public broadcaster in the form of the state-owned Caribbean News Media Network. In 2003, there were an estimated 534 radios and 345 television sets for every 1,000 people. The same year, there were 79.5 personal computers for every 1,000 people and 106 of every 1,000 people had access to the Internet. There were 15 secure Internet servers in the country in 2004.

There were four daily newspapers in 2002. The *Trinidad Guardian*, a morning and Sunday paper, had an average daily circulation of 46,760. The *Trinidad Express*, published daily and Sunday, had a daily circulation of 51,000. *Newsday*, also published daily and Sunday, had a daily circulation of 25,000. *Trinidad Evening News*, published daily, had a circulation of 33,770.

Freedom of the press is both constitutionally guaranteed and respected in practice.

#### 46 ORGANIZATIONS

Producers of agricultural crops for export are organized into associations for solving common problems, as well as for social

purposes. Among these are the Cocoa Planters Association, Co-operative Citrus Growers Association, and Sugar Manufacturers Association. Professional and trade associations are many and varied and include the Law Society, Medical Board, Petroleum Association, Shipping Association, and Trinidad Chamber of Commerce. The multinational Caribbean Association of Industry and Commerce and the Caribbean Employers Confederation are located in Trinidad and Tobago. The Caribbean office of the International Labour Organization is located in Port-of-Spain, as is the base office of the Association of Caribbean States.

Cultural and educational organizations include the Festival Center for the Creative Arts and the Caribbean Academy of Sciences. Scouting and YMCA/YWCA programs are available for youth. Sports associations are popular for amateur athletes of all ages; several sports clubs are associated with the national Olympic Committee.

Social action groups include the Network of NGOs of Trinidad and Tobago for the Advancement of Women and the Caribbean Women's Association. There are national chapters of the Red Cross Society and the Society of St. Vincent de Paul.

#### 47 TOURISM, TRAVEL, AND RECREATION

Outstanding tourist attractions include the mountainous areas, beaches, and reefs on both islands. Entertainment includes calypso and steel band music, both of which originated in Trinidad. Festive events include Carnival, held annually on the two days before Ash Wednesday; the Muslim festival of Hosay, which begins 10 days after the new moon in the month of Muharram; and the Hindu festival of lights, Divali, which occurs in October or November. Cricket and football (soccer) are the most popular sports.

The government offers fiscal and other incentives for the development of hotels and other tourist facilities. In 2003, there were 409,069 visitors who arrived in Trinidad and Tobago, of whom 80% came from the Americas. Hotel rooms numbered 5,378, and tourism expenditure receipts totaled \$402 million in 2002. Passports are required, and must be valid for at least six months after leaving Trinidad and Tobago. All nationals must have an entry visa except those of the Commonwealth Countries, the European Economic Community countries (EEC), the United States, Finland, Iceland, Venezuela, Norway, Sweden, and holders of Organization of American States (OAS) passports.

In 2005, the US Department of State estimated the daily cost of staying in Port-of-Spain at us\$215; in Tobago daily costs were seasonal and averaged between us\$440 from April through December to us\$215 the rest of the year.

#### 48 FAMOUS TRINIDADIANS AND TOBAGONIANS

Eric Eustace Williams (1911–81), the main political figure of his time and the leader of Trinidad and Tobago's major political party, was instrumental in his country's achievement of independence in 1962; he was prime minister from 1961 until his death. His successor was George Michael Chambers (1928–1997). A.N.R. Robinson (b.1926) served as prime minister from 1986–1991, and as president from 1997–2003. Patrick Manning (b.1946) served as prime minister between 1991 and 1995 and since 2001. George Maxwell Richards (b.1931) became president in 2003. Notable

writers include Samuel Selvon (1923–1994) and V.S. (Vidiadhar Surajprasad) Naipaul (b.1932).

#### **49 DEPENDENCIES**

Trinidad and Tobago has no territories or colonies.

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# UNITED KINGDOM AMERICAN DEPENDENCIES

## BERMUDA

Bermuda is a colony consisting of some 300 coral islands (20 of them inhabited), situated in the Atlantic Ocean, 933 km (580 mi) east of Cape Hatteras (US) at 32°19' N and 64°35' W. Their total area is about 54 sq km (21 sq mi). The United States leases a 5.8-sq-km (2.2-sq-mi) area of land reclaimed from the sea for military purposes. The largest island, Bermuda (sometimes called Main) Island, is about 23 km (14 mi) long and has an average width of 1.6 km (1 mi). The islands are mostly flat and rocky, with luxuriant semitropical vegetation. Because Bermuda lies in the Gulf Stream, the climate is generally mild and humid, with a mean annual temperature of 21°C (70°F) and average rainfall of 147 cm (48 in). The resident civilian population in mid-2005 was 65,365 of which about 55% was black and 34% white (mainly of English or Portuguese descent), and 11% other.

Almost all of the 450 km (281 mi) of roads are surfaced. Public transportation is largely by bus. Hamilton, the capital, has a deep-water harbor. Kindley Field, near St. George, the former capital, is Bermuda's international airport.

The oldest British colony, the islands were uninhabited when discovered in 1503 by the Spaniard Juan de Bermúdez. Bermuda was first settled by a group of British colonists under Sir George Somers, who were wrecked there while en route to Virginia in 1609. Bermuda was acquired from a chartered company by the crown in 1684. Under the 1968 constitution, the governor, representing the sovereign, is advised by a cabinet of legislators appointed at the recommendation of the prime minister. The bicameral legislature consists of an appointed Senate of 11 members and a 36-member House of Assembly (elected by universal suffrage). The Bermuda dollar of 100 cents is pegged to the US dollar, which circulates freely.

Tourism is the islands' largest employer, providing about half the total national income and two-thirds of foreign exchange. Bermuda does not impose income or corporate taxes which has led to a substantial offshore financial sector. A failed referendum on independence in late 1995 was partially attributed to concerns that independence would drive away foreign firms. Also important to the economy are goods and services supplied to the UK and US armed forces stationed in Bermuda. Light industries produce pharmaceuticals and essences, brass electrical contacts, and cut flowers for export. Per capita GDP in 2003 was \$36,000, among the highest in the world. In August 1995, Hurricane Felix inflicted \$2.5 million in damages to Bermuda.

The chief imports are food, textiles, furniture, motor vehicles, and fuel. The United States is Bermuda's primary supplier; the major export partner is the EU. Visible trade balances are unfavorable, although trade in invisibles, primarily tourism and international business, more than offsets the commodity trade deficit. Exports in 2004 were estimated at \$1.469 billion; imports, \$8.078 million. There is a free port at Ireland Island.

Medical services are private. King Edward VII Hospital receives government support. Education is compulsory between the ages of 5 and 16. Bermuda College provides post-secondary vocational courses and an associate degree program.

In 2002 there were 56,000 main telephone lines and in 2003 there were 37,873 mobile cellular phones in use on the island. There are four commercial television stations. There were five AM and three FM radio stations in 2004. There were 34,500 Internet users in 2003. There is one daily newspaper, the *Royal Gazette*.

## BRITISH ANTARCTIC TERRITORY

Created on 3 March 1962 from former Falkland Islands dependencies, the British Antarctic Territory (BAT) lies south of 60° S and between 20° and 80° W, and consists of the South Shetlands, 4,662 sq km (1,800 sq mi); the South Orkneys, 622 sq km (240 sq mi); and Graham Land on the Antarctic continent. The territory is governed by a UK-appointed high commissioner, who also serves as governor of the Falklands. Three British Antarctic Survey stations are inhabited year-round: Signy on the South Orkneys, Rothera on Adelaide Island, and Halley V on moving ice along the Caird coast. Their personnel varies from 50 in the winter to 150 during the summer. The territory overlaps other claims on Antarctica by Argentina and Chile.

## BRITISH VIRGIN ISLANDS

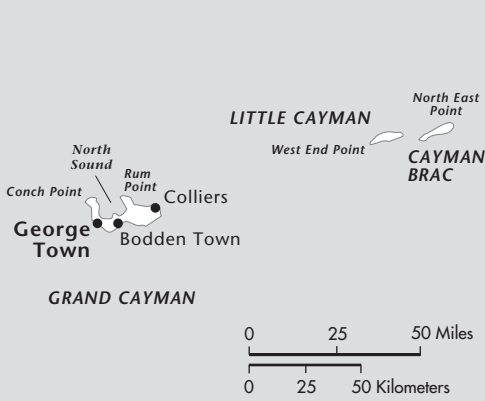
The British Virgin Islands consist of some 50 Caribbean islands and islets, totaling 153 sq km (59 sq mi), at about 18°25' N and 64°30' W. Until 1 July 1956, they were administered as part of the Leeward Islands. The mid-2005 population was estimated at 22,643, with 83% of African descent, and the remainder of white, Indian, Asian, or mixed descent. About 40% of the population consists of immigrants from St. Kitts and Nevis or from St. Vincent and the Grenadines. Road Town (metropolitan population estimated at 19,000 in 2005) on the island of Tortola is the capital. The climate is pleasantly subtropical. At least 177 km (110 mi) of roads were paved as of 2002. There are several airstrips on the islands.

Under the constitution of 1968, as revised in 1977, the government is headed by a British-appointed administrator, who is assisted by an Executive Council and a Legislative Council of 13 members.

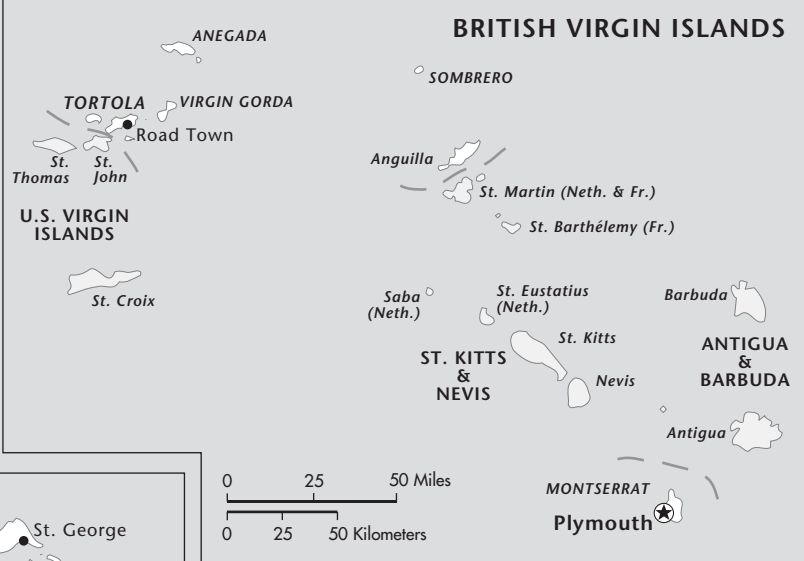
The economy is interdependent with that of the US Virgin Islands, which lie to the west. The US dollar is the legal currency. Livestock raising, farming, and fishing are the principal economic activities. Light industries include distilleries for alcoholic beverages, a concrete block factory, boat building, and handicrafts. Offshore financial services have also become a prominent part of the economy. Imports come predominantly from the US Virgin Islands, Puerto Rico, or the United States, and include building materials, automobiles, foodstuffs, and machinery. The over-

UNITED KINGDOM AMERICAN DEPENDENCIES

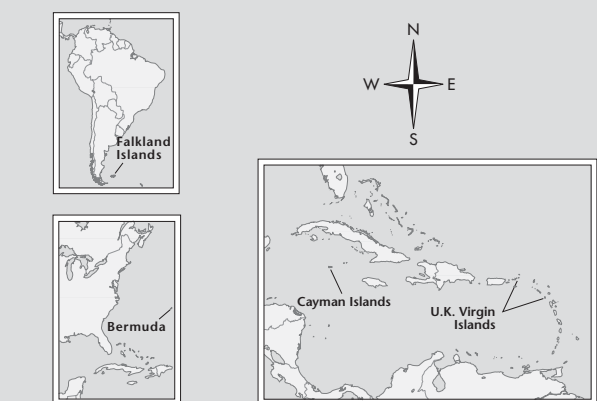
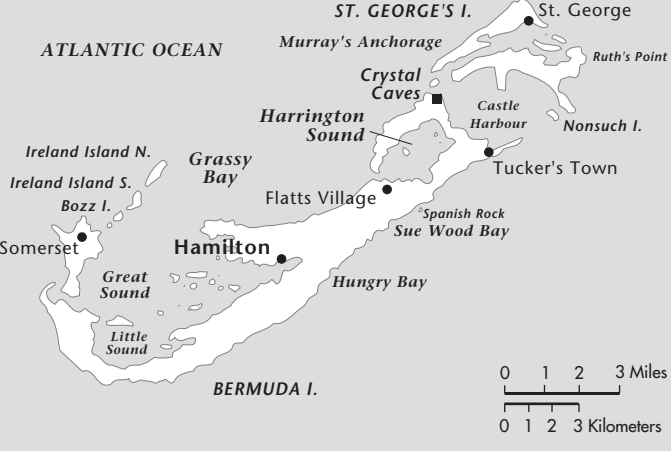
CAYMAN ISLANDS



BRITISH VIRGIN ISLANDS



BERMUDA



FALKLAND ISLANDS



BRITISH ANTARCTIC TERRITORY





whelmingly adverse balance of trade is offset by remittances from migrant workers and an expanding tourist industry. Tourism accounts for about 45% of the islands' annual income; in 1998 there were an estimated 350,000 visitors, mainly from the United States. The tourism industry suffered in 2002 as a result of the sluggish US economy. Principal export partners include the Virgin Islands (US), Puerto Rico, and the United States. Per capita GDP was \$38,500 in 2004.

The infant mortality rate—18.05 per 1,000 live births in 2005—has been reduced from 78.9 per 1,000 live births in 1960.

Primary education is provided by the state and is compulsory from the age of 5 up to the age of 17. Scholarships are available for students to attend a university in the Caribbean, the United States, or the United Kingdom. The sole newspaper, the *Island Sun*, is published weekly.

## CAYMAN ISLANDS

The three low-lying Cayman Islands—Grand Cayman, Little Cayman, and Cayman Brac, with a total area of 262 sq km (101 sq mi)—are situated between 79°44' and 81°27' W and 19°15' and 19°45' N, about 290 km (180 mi) WNW of Jamaica, of which they were formerly a dependency. Grand Cayman, flat, rockbound, and protected by coral reefs, is about 32 km (20 mi) long and 6–11 km (4–7 mi) broad; George Town, on Grand Cayman, is the capital and chief town. The other two islands are about 145 km (90 mi) to the NE. The mid-2005 population was estimated at 44,270, about 90% of whom resided on Grand Cayman. Cayman Airways is the main air carrier; the principal international airport is on Grand Cayman.

The islands were discovered in 1503 by Columbus, who named them Las Tortugas, from the turtles with which the surrounding seas abound. They were never occupied by Spaniards and were colonized from Jamaica by the British. They were a dependency of Jamaica until 1959, but severed all constitutional links with Jamaica when the latter became independent in 1962.

The 1972 constitution empowers the crown-appointed governor to make laws with the advice and consent of the Legislative Assembly. The Executive Council consists of 4 members chosen by the Assembly from among its 15 elected members, and 3 Assembly members appointed to the Council by the governor. The Legislative Assembly includes 3 ex officio members, 15 elected members, and the governor. Elections, in which all adult British residents may vote, are held every four years. Local administration is in the hands of justices of the peace and vestrymen.

The Cayman Islands dollar (CI\$) is linked to the US dollar at the rate of CI\$1 = US\$1.227 (or US\$1 = CI\$0.828). Customs, duties, license and company fees, and postage and stamp taxes are the principal source of government revenue. The absence of taxes on income, capital gains, real estate, and inheritances attracts overseas investors to the region; international financial services and tourism have become principal sectors of the economy. As of 1998, 40,000 companies were registered in the Caymans, including 600 bank and trust companies. Tourism has grown rapidly: in 1997, 1.2 million people visited the islands, about half of whom were from the United States. Tourism accounts for about 70% of GDP and 75% of foreign exchange earnings. Although the soil is fertile and there is some farming, the agricultural sector re-

mains small; the catching of turtles, sharks, and sponges also provides some employment. In 1999, total exports were valued at \$1.2 million, while imports amounted to \$457.4 million. Remittances from Caymanian seamen serving on foreign ships contribute to the economy as well. The government-owned Cayman Turtle Farm, unique in the world, produces turtle meat for local consumption; exports have waned in recent years due to restrictions by the Convention on International Trade of Endangered Species of Wild Fauna and Flora.

The islands have 2 hospitals with a total 142 beds. Education is compulsory between the ages of 4 and 16, and provided cost-free for Caymanians. The population is 98% literate.

## FALKLAND ISLANDS

The Falkland Islands (Islas Malvinas), a British crown colony in the South Atlantic, lie some 772 km (480 mi) northeast of Cape Horn, between 51° and 53° S and 57° and 62° W, and have an area of 12,173 sq km (4,700 sq mi). The two main islands, East Falkland and West Falkland, consist chiefly of hilly moorlands. The population (estimated at 2,967 in mid-2005) is almost exclusively of British origin. Stanley, on East Falkland, the capital and only town, has about 1,000 inhabitants. There are no railways and few surfaced roads beyond the vicinity of Stanley. Shipping service to and from the islands is slight. There is internal air service but no international service.

The Falklands were sighted in 1592 by John Davis, an English navigator. The French founded the first colony on East Falkland, in 1764, transferring it two years later to Spain, which renamed it Soledad. The British took possession of West Falkland in 1765. Both islands were eventually abandoned. In 1820, Argentina (then the United Provinces of La Plata) colonized East Falkland. British troops occupied the islands in 1832–33, but Argentina has continued to dispute Britain's claim to the Falklands. On 2 April 1982, Argentine troops invaded the islands, precipitating a conflict with the British that cost over 1,000 lives. The United Kingdom recaptured the islands on 14 June, and as of 2006, 1,177 British soldiers remained in the Falklands.

Under a new constitution which came into effect in October 1985, the colony is administered by an appointed governor, with an Executive Council of 5 members: 3 chosen by the 10-member Legislative Council, and 2 ex officio members, the chief executive and the financial secretary. The currency unit is the Falkland pound (£), which is equal to the pound sterling.

There is no commercial agriculture. Most households in Stanley and the outlying areas grow their own vegetables. Sheep farming, the traditional industry, is directed primarily to the production of wool, hides, and skins, and the manufacture of tallow. Most commodities needed by the territory and its dependencies are imported. In 1987, the government began selling fishing licenses, which generate about \$40 million per year, with squid representing about 75% of the catch. Trade is principally with the United Kingdom. Tourism is growing, with 30,000 tourists visiting the islands in 2001.

All medical services are public. The 28-bed King Edward VII Memorial Hospital is run by four physicians and a military field surgical team (one surgeon and an anesthetist). Education is free and compulsory for children from 5 to 16 years of age. Students

unable to attend the schools in Stanley are taught by traveling teachers and by radio and correspondence.

Dependencies include South Georgia and the South Sandwich Islands, some 1,300 km (800 mi) E of the Falklands, with an area of 4,092 sq km (1,580 sq mi). Whaling and sealing are the main industries.

## LEEWARD ISLANDS

The Leeward Islands, part of the Lesser Antilles island chain, lie east and south of Puerto Rico and north of the Windward group. Of the four territorial units that constitute the Leeward Islands, two—Antigua and Barbuda, and St. Kitts and Nevis—are independent nations covered elsewhere in this volume. The other two—Anguilla and Montserrat—retained the status of UK dependencies as of 2006.

## ANGUILLA

Anguilla, the most northerly of the Leeward chain, lies at approximately 18° N and 63° W, and has an area of 90 sq km (35 sq mi). The island is long, flat, dry, and covered with scrub; its rolling hills reach a peak elevation of 65 m (213 ft) above sea level. The average annual temperature is 27°C (81°F), with July–October being the hottest period and December–February the coolest. Rainfall averages 89 cm (35 in) a year, but there is considerable variation both from season to season and from year to year. The hurricane season, marked by occasional thunderstorms and sudden squalls, lasts from July to October.

The population was estimated at 13,254 in mid-2005. Most Anguillians are of African descent, with an admixture of European (especially Irish) ancestry. The population is overwhelmingly Christian: Anglicans (29%) and Methodists (23.9%) predominate, but there are also Seventh-Day Adventist, Baptist, Roman Catholic, and other congregations. English is the official language, spoken in a distinctive island patois. Anguilla has no official capital, but The Valley serves as an administrative center. Anguilla had about 105 km (65 mi) of roads, 65 km (41 mi) of them paved as of 2002. Road Bay is the main harbor, and there is daily ferry service between Blowing Point and the French-Dutch island of St. Martin (Sint Maarten), about 8 km (5 mi) away. Air service to and from Wallblake Airport is provided by the privately owned Air Anguilla and two other interisland airways.

Although sighted by Columbus in 1496, Anguilla was not settled by Europeans until 1650, when British colonists arrived from St. Kitts. From 1671, Anguilla was governed as part of the Leeward Islands, and between 1871 and 1956 the island formed (with St. Kitts and, from 1882, Nevis) part of the Leeward Islands Federation. All the Leeward Islands were consolidated into a single territory in 1956 and, as such, were incorporated into the Federation of the West Indies two years later. With the breakup of the West Indies Federation in 1962, St. Kitts–Nevis–Anguilla reverted to colonial status. On 17 February 1967, St. Kitts–Nevis–Anguilla acquired self-government within the newly formed West Indies Associated States. After Anguilla declared its independence of the Associated States in 1969, some 300 British paratroopers temporarily took command of the island. On 10 February 1976, the United Kingdom recognized Anguilla's status as a dependency distinct from St. Kitts and Nevis, which achieved independence in 1983.

Under the Anguilla Constitution Order of 1982, the crown is represented by a governor, who presides over an appointed Executive Council and an elected 11-member House of Assembly. The Executive Council consists of the chief minister, three other ministers selected by the governor from among the members of the House of Assembly, and the attorney general and permanent secretary for finance, who serve *ex officio* both on the council and in the legislature. The governor also appoints two members of the House of Assembly, the remaining seven being elected to five-year terms by universal adult suffrage. In the election of February 2005, the Anguilla United Front (a coalition of the Anguilla Democratic Party and the Anguilla National Alliance) won 4 seats, the Anguilla Strategic Alternative won 2, and the Anguilla United Movement won 1. Justice is administered by a magistrate's court, a Court of Appeal, and a High Court, whose sitting judge is provided by the Eastern Caribbean Supreme Court on St. Lucia.

The mainstays of the economy are luxury tourism, offshore banking, lobster fishing, and remittances from abroad. Salt is extracted by evaporation from two briny ponds, and live lobsters are exported to neighboring islands. Tourism, construction, and a developing offshore banking sector have become the most prominent economic sectors in recent years. The East Caribbean dollar (EC\$) is the official currency. The GDP was estimated at \$112 million in 2002, or \$7,500 per capita. The economy, especially tourism, suffered damage from Hurricane Luis in 1995.

Education is provided by the state and is compulsory between the ages of 5 and 17 years. The government maintains six primary schools and one secondary school; total school enrollment exceeds 2,200. Princess Alexandra Hospital offers limited services. International telephone, telegraph, and telex services are available. Various radio stations are available, including the government-run Radio Anguilla. Caribbean Beacon Radio, NBR (New Beginning Radio), and VOC (Voice of Creation) are religious stations; Kool FM and HBR (Heartbeat Radio) offer music and news.

Dependencies of Anguilla include numerous offshore islets and cays, as well as Sombrero Island (5 sq km/2 sq mi), about 56 km (35 mi) to the northwest.

## MONTSERRAT

Situated at 16°45' N and 62°10' W, Montserrat has an area of 103 sq km (40 sq mi). The island, which lies between Nevis and Guadeloupe, about 43 km (27 mi) southeast of Antigua, has a mountainous terrain, with two peaks rising higher than 900 m (3,000 ft). Montserrat is wholly volcanic in origin, and there are seven active volcanoes. Mean temperatures range from a minimum of 23°C (73°F) to a maximum of 31°C (88°F); June–November, the hurricane season, is the warmest time of the year, and December–March is the coolest. There is no clearly defined rainy season, although rainfall tends to be more abundant during the second half of the year; the annual average is 157 cm (62 in).

In mid-2005, an estimated 9,341 people lived on the island, down from 12,853 in 1998. After the island's volcano became active in 1995, an estimated 8,000 refugees left the island. Since then, the British government has developed three contingency plans concerning the population, depending on the amount of the volcano's destruction: moving the southern population to the north; total evacuation to neighboring islands (Antigua and Barbuda and

Guadeloupe); and permanent settlement elsewhere should the island become uninhabitable. When destructive pyroclastic lava flows came in mid-1997, much of Montserrat's population was evacuated to the northern tip of the island, and about half of the population left the island.

Most residents of Montserrat are of African ancestry. Anglicans, Methodists, Roman Catholics, and Pentecostals make up the great majority of the population. English, the official language, is spoken in an island patois. Montserrat has about 269 km (168 mi) of highways, about 203 km (127 mi) of which are paved. Blackburne Airport, about 15 km (9 mi) from the capital, opened to traffic in 1967 but was covered by pyroclastic material from the volcano and became impossible to use. In 2005, an airport at Gerald's opened. Montserrat Aviation Services, in cooperation with WinAir, maintains regular flights to and from Antigua, Nevis, and St. Kitts.

Christopher Columbus, who sighted the island in November 1493, gave it the name Montserrat because its rugged terrain reminded him of the site of the Abbey of Montserrat in the Spanish highlands near Barcelona. English and Irish colonists from St. Kitts settled on the island in 1632, and the first African slaves arrived 32 years later. Throughout the 18th century, the British and French warred for possession of Montserrat, which was finally confirmed as a British possession by the Treaty of Versailles (1783). By the early 19th century, Montserrat had a plantation economy, but the abolition of slavery in 1834, the elimination of the apprentice system, the declining market for sugar, and a series of natural disasters brought the downfall of the sugar estates. In the mid-19th century, Joseph Sturge of Birmingham, England, organized a company that bought up the abandoned estates, planted them with limes (a product for which Montserrat is still famous), and sold plots of land to small farmers. From 1871 to 1956, Montserrat formed part of the Federation of the Leeward Islands, and after two years as a separate colony it became part of the Federation of the West Indies (1958–62). Since the breakup of the Federation, Montserrat has been separately administered, under a constitution effective 1 January 1960.

The crown is represented by an appointed governor, who presides over an Executive Council structured like that of Anguilla. There is also a Legislative Council which, like Anguilla's, includes two appointed members. In 2001, the number of elected members of the legislature was expanded from seven to nine; the attorney general and financial secretary serve as ex-officio members. Suffrage is universal at age 18. The legislators serve terms of up to five years. In elections held in April 2001, the New People's Liberation Movement, led by John A. Osborne, won seven seats and the National Progressive Democratic Party led by Reuben T. Meade won two seats. Montserrat's judicial system consists of a magistrate's court and a Court of Summary Jurisdiction; appeals are to the Eastern Caribbean Supreme Court on St. Lucia.

Prior to the resumption of volcanic activity in the mid-1990s, tourism accounted for about one-fourth of the annual GDP; the island had some 17,000 visitors in 1992. Important crops include cabbages, carrots, cucumbers, tomatoes, onions, and peppers. Exports include electronic components, plastic bags, apparel, hot peppers, live plants, and cattle. Montserrat uses the East Caribbean dollar. In 2002, GDP was us\$29 million. Exports in 2001 were us\$700,000; imports, chiefly of machinery and transporta-

tion equipment, foodstuffs, manufactured goods, fuels, lubricants, and related materials totaled some us\$17 million.

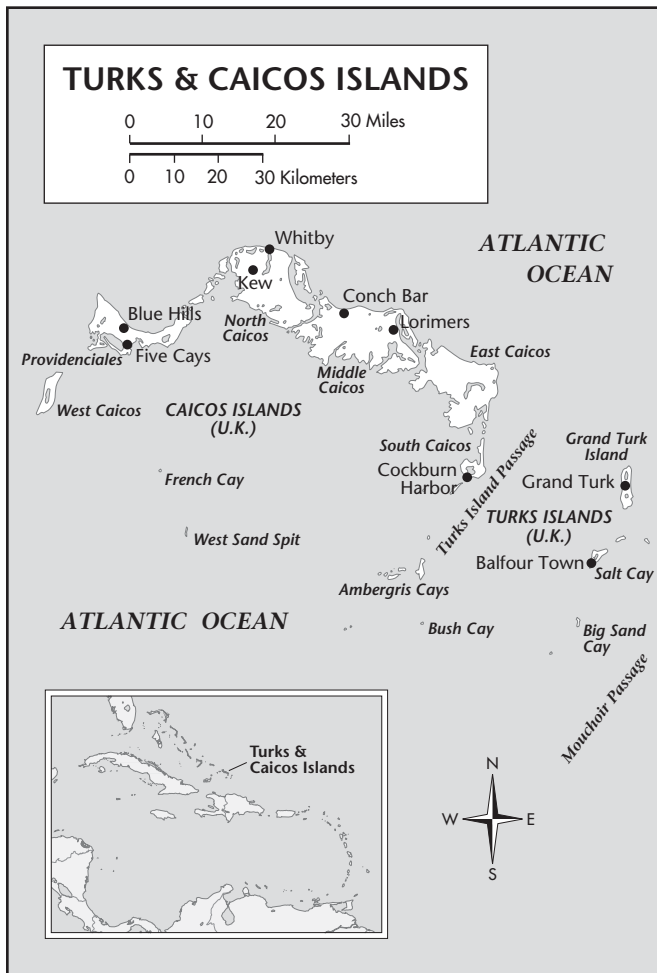
The principal health facility was Plymouth's 65-bed Glendon Hospital, maintained by the government; it was destroyed by the volcano activity of the mid-1990s, and hospital services were relocated to St. John's in the north, which has a bed capacity of 30. Provisions for social welfare include a family planning association and an old people's welfare association. Free dental care is provided by the government for all schoolchildren, elderly persons, and expectant or nursing mothers. Education is free and compulsory up to age 14. As of 2006, radio service was provided by the public station Radio Montserrat, which broadcasts on FM, having lost its AM transmitter to volcanic activity. There is a cable TV provider. There are two weekly newspapers, the *Montserrat Times* and the *Montserrat Reporter*.

## TURKS AND CAICOS ISLANDS

Archaeological expeditions have found Arawak implements and utensils on Turks and Caicos Islands. When Juan Ponce de León arrived in 1512, Lucayan Indians had come to inhabit the islands. There is some speculation that Columbus may have made his landfall on Grand Turk or East Caicos on his first voyage of discovery in 1492. The first settlements were by Bermudians, who established solar salt pans in the 1670s. Bahamian, Bermudan, Spanish, French, and British rivalry over the prospering salt trade resulted in numerous invasions and evictions through the first half of the 18th century. In 1787, Loyalists fleeing the American Revolution established settlements and cotton and sisal plantations on several of the larger Caicos Islands. Ten years later, the islands came under the jurisdiction of the Bahamas colonial government. Slavery was abolished in 1834. In 1848, the Turks and Caicos islanders were granted a charter of separation from the Bahamas after they complained of Bahamian taxes on their salt industry.

From 1848 to 1873, the islands were largely self-governing, under the supervision of the governor of Jamaica. Following the decline of the salt industry, the islands became a Jamaican dependency until 1958, when they joined the Federation of the West Indies. When the federation dissolved and Jamaica achieved independence in 1962, Turks and Caicos became a crown colony administered by the British Colonial Office and a local council of elected and appointed members. In 1965, the governor of the Bahamas was also appointed governor of Turks and Caicos, but with the advent of Bahamian independence in 1973, a separate governor was appointed. A new constitution maintaining the status of crown colony and providing for ministerial government was introduced in September 1976. Although independence for Turks and Caicos in 1982 had been agreed upon in principle in 1979, a change in government brought a reversal in policy. The islands are still a crown colony.

The islands were shaken by scandals in the mid-1980s. In March 1985, Chief Minister Norman B. Saunders and two other ministers were arrested in Florida on drug charges and later convicted and sentenced to prison. In July 1986, a commission of inquiry found that Chief Minister Nathaniel Francis and two other ministers had been guilty of "unconstitutional behavior, political discrimination, and administrative malpractice." The governor thereupon ended ministerial government in July 1986 and, with four



members of the former Executive Council, formed an Advisory Council to govern until new elections. The islands have returned to their previous form of government, and remain a dependent territory of the United Kingdom.

Situated in the Atlantic Ocean *se* of the Bahamas, *e* of Cuba, and *n* of Hispaniola, the Turks and Caicos Islands consist of two island groups separated by the Turks Island Passage, 35 km (22 mi) across and about 2,100 m (7,000 ft) deep. The Turks group comprises two inhabited islands, Grand Turk and Salt Cay, six uninhabited cays, and numerous rocks surrounded by a roughly triangular reef bank. The Caicos group encompasses six principal islands (North Caicos, Middle Caicos, East Caicos, South Caicos, West Caicos, and Providenciales), plus numerous rocky islets, all surrounded by the Caicos Bank, a triangular shoal. The total land area of the Turks and Caicos Islands is 430 sq km (166 sq mi), with extensions of about 120 km (75 mi) *e-w* and 80 km (50 mi) *n-s*. Comparatively, the area occupied by the Turks and Caicos Islands is slightly less than 2.5 times the size of Washington, DC. The Turks and Caicos Islands have a coastline length of 389 km (242 mi). The capital city, Grand Turk, is in the Turks Islands.

The Turks Islands are low and flat, and surrounded by reefs, sunken coral heads, and boilers. The land mass is limestone, well weathered with pockets of soil; the coastlines are indented with shallow creeks and mangrove swamps. The Caicos Bank is a triangular shoal about 93 km (58 mi) long on its northern side and 90

km (56 mi) long on its eastern and western sides. The highest elevation is only 50 m (163 ft) above sea level on Providenciales. On the north coast of Middle Caicos (which is also known as Grand Caicos) are limestone cave formations.

Days are sunny and dry and nights are cool and clear throughout the year. Temperatures on the islands range from a low of 16°C (61°F) to a high of 32°C (90°F), with the hottest period generally occurring between April and November. There are almost constant tradewinds from the east. Rainfall averages 53 cm (21 in) per year, and hurricanes are a frequent occurrence. Major hurricanes struck the islands in 1866, 1873, 1888, 1908, 1926, 1928, 1945, 1960, and 1985.

The ground cover is scrubby and stunted tropical vegetation, with sea oats, mangrove, casuarina, and palmetto. There is little natural wildlife other than birds and butterflies. West Caicos island is especially noted as a sanctuary for birds, and Penniston, Gibb, and Round cays are known for their extensive varieties of butterflies. Spiny lobster, conch, clams, bonefish, snapper, grouper, and turtle are plentiful.

Fresh water is a scarce commodity, and most islanders rely on private cisterns. Underground water is present on North and Middle Caicos, but surface water collected in ponds after rainfall becomes brackish. There have been some complaints of actual or potential ecological damage resulting from the expansion of tourist facilities on Providenciales. The government has identified the absence of environmental education as a potential problem for the preservation of the nation's natural heritage in the future. By 1992, the government had developed legislation that would create 12 national parks, 8 nature reserves, 5 sanctuaries, and 9 historic sites.

The population of the Turks and Caicos Islands in 2005 was estimated at 20,556. In the 1990s, most people were living on Grand Turk, South Caicos, and North Caicos islands. The birthrate in 2005 was 22.23 per 1,000 population and a death rate of 4.28.

It was estimated that 72% of the population lived in urban areas in 2000. The capital, Grand Turk, has an estimated population of 4,000. Cockburn Harbour is the major town on South Caicos.

About 90% of the population is of black African descent, the remainder being of mixed, European, or North American origin. The official and universal language of the Turks and Caicos Islands is English, interspersed with a number of local colloquialisms. Most islanders are Christian; the main denominations are Baptist (40%), Methodist (16%), Anglican (18%), and Church of God (12%). Other Protestant groups and the Roman Catholic Church are also represented.

There are about 121 km (75 mi) of roads on the islands. The main roads on Grand Turk and South Caicos are paved. Some secondary roads are surfaced with scale from the salinas (salt ponds); otherwise, the roads are merely dirt and sand tracks.

The main seaports are at Grand Turk, Cockburn Harbour on South Caicos, Providenciales, and Salt Cay. An offshore registry program with the United Kingdom enables British merchant ships to register with the Turks and Caicos Islands in order to cut crew costs while enabling the vessels to fly the Red Ensign of the United Kingdom. There are eight airports, six with paved runways, and two with small unpaved landing strips.

Tourism and lobster fishing have replaced salt raking as the main economic activity of the islands, which are very poor. Fishing and subsistence farming are the principal occupations; under-

employment and unemployment are estimated at over 40%. Important sources of income include tourism and offshore financial services. The closing of the last US military base in 1983 resulted in the loss of rental payments that accounted for 10% of government revenue. Most of the retail trade on the islands consist of imported goods. Tourism has been boosted by the advent of service by American Airlines, US Airways, British Airways, Delta Airlines, and Air Canada, and new hotel, resort and casino openings. Visitors are attracted by the beautiful beaches and by opportunities for snorkeling, diving, and sport fishing. The windmills and salinas on Salt Cay and the 19th-century architecture on Grand Turk, along with horse carriages, provide a quaint setting.

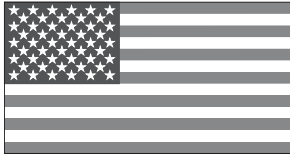
Most food for domestic consumption is imported; there is some subsistence farming—mainly corn, cassava, citrus, and beans—on the Caicos Islands. Major sources of government revenue include fees from offshore financial activities and customs receipts as the Islands rely on imports for nearly all consumption and capital goods.

A modern cottage hospital (36 beds) and an outpatient and dental clinic are located on Grand Turk, and there are health clinics on all of the islands. Extensive medical services are also available on Providenciales. The infant mortality rate was 15.67 deaths per 1,000 live births in 2005, down from 21.11 deaths per live births in 1999 and from 25 per 1,000 live births in 1993.



# UNITED STATES

United States of America



**CAPITAL:** Washington, DC (District of Columbia)

**FLAG:** The flag consists of 13 alternate stripes, 7 red and 6 white; these represent the 13 original colonies. Fifty 5-pointed white stars, representing the present number of states in the Union, are placed in 9 horizontal rows alternately of 6 and 5 against a blue field in the upper left corner of the flag.

**ANTHEM:** *The Star-Spangled Banner.*

**MONETARY UNIT:** The dollar (\$) of 100 cents is a paper currency with a floating rate. There are coins of 1, 5, 10, 25, and 50 cents and 1 dollar, and notes of 1, 2, 5, 10, 20, 50, and 100 dollars. Although issuance of higher notes ceased in 1969, a limited number of notes of 500, 1,000, 5,000, and 10,000 dollars remain in circulation.

**WEIGHTS AND MEASURES:** The imperial system is in common use; however, the use of metrics in industry is increasing, and the metric system is taught in public schools throughout the United States. Common avoirdupois units in use are the avoirdupois pound of 16 ounces or 454 grams; the long ton of 2,240 pounds or 35,840 ounces; and the short ton, more commonly used, of 2,000 pounds or 32,000 ounces. (Unless otherwise indicated, all measures given in tons are in short tons.) Liquid measures: 1 gallon = 231 cubic inches = 4 quarts = 8 pints. Dry measures: 1 bushel = 4 pecks = 32 dry quarts = 64 dry pints. Linear measures: 1 foot = 12 inches; 1 statute mile = 1,760 yards = 5,280 feet. Metric equivalent: 1 meter = 39.37 inches.

**HOLIDAYS:** New Year's Day, 1 January; Birthday of Martin Luther King Jr., 3rd Monday in January; Presidents' Day, 3rd Monday in February; Memorial or Decoration Day, last Monday in May; Independence Day, 4 July; Labor Day, 1st Monday in September; Columbus Day, 2nd Monday in October; Election Day, 1st Tuesday after the 1st Monday in November; Veterans or Armistice Day, 11 November; Thanksgiving Day, 4th Thursday in November; Christmas, 25 December.

**TIME:** Eastern, 7 AM = noon GMT; Central, 6 AM = noon GMT; Mountain, 5 AM = noon GMT; Pacific (includes the Alaska panhandle), 4 AM = noon GMT; Yukon, 3 AM = noon GMT; Alaska and Hawaii, 2 AM = noon GMT; western Alaska, 1 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Located in the Western Hemisphere on the continent of North America, the United States is the fourth-largest country in the world. Its total area, including Alaska and Hawaii, is 9,629,091 sq km (3,717,813 sq mi). The conterminous United States extends 4,662 km (2,897 mi) ENE–WSW and 4,583 km (2,848 mi) SSE–NNW. It is bordered on the N by Canada, on the E by the Atlantic Ocean, on the S by the Gulf of Mexico and Mexico, and on the W by the Pacific Ocean, with a total boundary length of 17,563 km (10,913 mi). Alaska, the 49th state, extends 3,639 km (2,261 mi) E–W and 2,185 km (1,358 mi) N–S. It is bounded on the N by the Arctic Ocean and Beaufort Sea, on the E by Canada, on the S by the Gulf of Alaska, Pacific Ocean and Bering Sea, and on the W by the Bering Sea, Bering Strait, Chukchi Sea, and Arctic Ocean, with a total land boundary of 12,034 km (7,593 mi) and a coastline of 19,924 km (12,380 mi). The 50th state, Hawaii, consists of islands in the Pacific Ocean extending 2,536 km (1,576 mi) N–S and 2,293 km (1,425 mi) E–W, with a general coastline of 1,207 km (750 mi).

The nation's capital, Washington, DC, is located on the mid-Atlantic coast.

## <sup>2</sup>TOPOGRAPHY

Although the northern New England coast is rocky, along the rest of the eastern seaboard the Atlantic Coastal Plain rises gradually from the shoreline. Narrow in the north, the plain widens to about 320 km (200 mi) in the south and in Georgia merges with the Gulf Coastal Plain that borders the Gulf of Mexico and extends through Mexico as far as the Yucatán. West of the Atlantic Coastal Plain is the Piedmont Plateau, bounded by the Appalachian Mountains. The Appalachians, which extend from southwest Maine into central Alabama—with special names in some areas—are old mountains, largely eroded away, with rounded contours and forested, as a rule, to the top. Few of their summits rise much above 1,100 m (3,500 ft), although the highest, Mt. Mitchell in North Carolina, reaches 2,037 m (6,684 ft).

Between the Appalachians and the Rocky Mountains, more than 1,600 km (1,000 mi) to the west, lies the vast interior plain of the United States. Running south through the center of this plain and draining almost two-thirds of the area of the continental United States is the Mississippi River. Waters starting from the source of the Missouri, the longest of its tributaries, travel almost 6,450 km (4,000 mi) to the Gulf of Mexico.

The eastern reaches of the great interior plain are bounded on the north by the Great Lakes, which are thought to contain about half the world's total supply of fresh water. Under US jurisdiction are 57,441 sq km (22,178 sq mi) of Lake Michigan, 54,696 sq km (21,118 sq mi) of Lake Superior, 23,245 sq km (8,975 sq mi) of Lake Huron, 12,955 sq km (5,002 sq mi) of Lake Erie, and 7,855 sq km (3,033 sq mi) of Lake Ontario. The five lakes are accessible to oceangoing vessels from the Atlantic via the St. Lawrence Seaway. The basins of the Great Lakes were formed by the glacial ice cap that moved down over large parts of North America some 25,000 years ago. The glaciers also determined the direction of flow of the Missouri River and, it is believed, were responsible for carrying soil from what is now Canada down into the central agricultural basin of the United States.

The great interior plain consists of two major subregions: the fertile Central Plains, extending from the Appalachian highlands to a line drawn approximately 480 km (300 mi) west of the Mississippi, broken by the Ozark Plateau; and the more arid Great Plains, extending from that line to the foothills of the Rocky Mountains. Although they appear flat, the Great Plains rise gradually from about 460 m (1,500 ft) to more than 1,500 m (5,000 ft) at their western extremity.

The Continental Divide, the Atlantic-Pacific watershed, runs along the crest of the Rocky Mountains. The Rockies and the ranges to the west are parts of the great system of young, rugged mountains, shaped like a gigantic spinal column, that runs along western North, Central, and South America from Alaska to Tierra del Fuego, Chile. In the continental United States, the series of western ranges, most of them paralleling the Pacific coast, are the Sierra Nevada, the Coast Ranges, the Cascade Range, and the Tehachapi and San Bernardino mountains. Between the Rockies and the Sierra Nevada-Cascade mountain barrier to the west lies the Great Basin, a group of vast arid plateaus containing most of the desert areas of the United States, in the south eroded by deep canyons.

The coastal plains along the Pacific are narrow, and in many places the mountains plunge directly into the sea. The most extensive lowland near the west coast is the Great Valley of California, lying between the Sierra Nevada and the Coast Ranges. There are 71 peaks in these western ranges of the continental United States that rise to an altitude of 4,267 m (14,000 ft) or more, Mt. Whitney in California at 4,418 m (14,494 ft) being the highest. The greatest rivers of the Far West are the Colorado in the south, flowing into the Gulf of California, and the Columbia in the northwest, flowing to the Pacific. Each is more than 1,900 km (1,200 mi) long; both have been intensively developed to generate electric power, and both are important sources of irrigation.

Separated from the continental United States by Canadian territory, the state of Alaska occupies the extreme northwest portion of the North American continent. A series of precipitous mountain ranges separates the heavily indented Pacific coast on the south from Alaska's broad central basin, through which the Yukon River flows from Canada in the east to the Bering Sea in the west. The central basin is bounded on the north by the Brooks Range, which slopes down gradually to the Arctic Ocean. The Alaskan Peninsula and the Aleutian Islands, sweeping west far out to sea, consist of a chain of volcanoes, many still active.

The state of Hawaii consists of a group of Pacific islands formed by volcanoes rising sharply from the ocean floor. The highest of these volcanoes, Mauna Loa, at 4,168 m (13,675 ft), is located on the largest of the islands, Hawaii, and is still active.

The lowest point in the United States is Death Valley in California, 86 m (282 ft) below sea level. At 6,194 m (20,320 ft), Mt. McKinley in Alaska is the highest peak in North America. These topographic extremes suggest the geological instability of the Pacific Coast region, which is part of the "Ring of Fire," a seismically active band surrounding the Pacific Ocean. Major earthquakes destroyed San Francisco in 1906 and Anchorage, Alaska, in 1964, and the San Andreas Fault in California still causes frequent earth tremors. In 2004, there were 3,550 earthquakes documented by the US Geological Survey National Earthquake Information Center. Washington State's Mt. St. Helens erupted in 1980, spewing volcanic ash over much of the Northwest.

### 3 CLIMATE

The eastern continental region is well watered, with annual rainfall generally in excess of 100 cm (40 in). It includes all of the Atlantic seaboard and southeastern states and extends west to cover Indiana, southern Illinois, most of Missouri, Arkansas, Louisiana, and easternmost Texas. The eastern seaboard is affected primarily by the masses of air moving from west to east across the continent rather than by air moving in from the Atlantic. Hence its climate is basically continental rather than maritime. The Midwestern and Atlantic seaboard states experience hot summers and cold winters; spring and autumn are clearly defined periods of climatic transition. Only Florida, with the Gulf of Mexico lying to its west, experiences moderate differences between summer and winter temperatures. Mean annual temperatures vary considerably between north and south: Boston, MA, 11°C (51°F); New York City, NY, 13°C (55°F); Charlotte, NC, 16°C (61°F); Miami, FL, 24°C (76°F).

The Gulf and South Atlantic states are often hit by severe tropical storms originating in the Caribbean in late summer and early autumn. In the past few years, the number of hurricanes and their severity have measurably increased. From 1970-94, there were about three hurricanes per year. From 1995 to 2003, there were a total of 32 major hurricanes with sustained winds of 111 miles per hour or greater.

In 2005 there were a record-breaking 23 named Atlantic hurricanes, three of which caused severe damage to the Gulf Coast region. On 25 August 2005, Hurricane Katrina hit Florida as a category 1 hurricane. By 29 August, the storm developed into a category 4 hurricane that made landfall in southern Louisiana. Several levees protecting the low-lying city of New Orleans broke, flooding the entire region under waters that rose over the rooftops of homes. Over 1,000 were killed by the storm. Over 500,000 people were left homeless and without jobs.

One month later, Hurricane Rita swept first into Florida and continued to make landfall between Sabine Pass, Texas, and Johnson's Bayou, Louisiana, on 24 September 2005 as a category 3 hurricane. Before reaching land, however, the storm had peaked as a category 5 hurricane that was placed on record as the strongest measured hurricane to ever have entered the Gulf of Mexico and the fourth most intense hurricane ever in the Atlantic Basin. Over 100 people were killed.

Hurricane Wilma followed on 24 October when it made landfall north of Everglades City in Florida as a category 3 hurricane. There were about 22 deaths in the United States from Wilma; however, the storm also hit Cuba, Haiti, Jamaica, and Mexico, reaching a death toll of at least 25 people from those countries combined.

The prairie lands lying to the west constitute a subhumid region. Precipitation usually exceeds evaporation by only a small amount; hence the region experiences drought more often than excessive rainfall. Dryness generally increases from east to west. The average midwinter temperature in the extreme north—Minnesota and North Dakota—is about  $-13^{\circ}\text{C}$  ( $9^{\circ}\text{F}$ ) or less, while the average July temperature is  $18^{\circ}\text{C}$  ( $65^{\circ}\text{F}$ ). In the Texas prairie region to the south, January temperatures average  $10\text{--}13^{\circ}\text{C}$  ( $50\text{--}55^{\circ}\text{F}$ ) and July temperatures  $27\text{--}29^{\circ}\text{C}$  ( $80\text{--}85^{\circ}\text{F}$ ). Rainfall along the western border of the prairie region is as low as 46 cm (18 in) per year in the north and 64 cm (25 in) in the south. Precipitation is greatest in the early summer—a matter of great importance to agriculture, particularly in the growing of grain crops. In dry years, the prevailing winds may carry the topsoil eastward (particularly from the southern region) for hundreds of miles in clouds that obscure the sun.

The Great Plains constitute a semiarid climatic region. Rainfall in the southern plains averages about 50 cm (20 in) per year and in the northern plains about 25 cm (10 in), but extreme year-to-year variations are common. The tropical air masses that move northward across the plains originate on the fairly high plateaus of Mexico and contain little water vapor. Periods as long as 120 days without rain have been experienced in this region. The rains that do occur are often violent, and a third of the total annual rainfall may be recorded in a single day at certain weather stations. The contrast between summer and winter temperatures is extreme throughout the Great Plains. Maximum summer temperatures of over  $43^{\circ}\text{C}$  ( $110^{\circ}\text{F}$ ) have been recorded in the northern as well as in the southern plains. From the Texas panhandle north, blizzards are common in the winter, and tornadoes at other seasons. The average minimum temperature for January in Duluth, Minnesota, is  $-19^{\circ}\text{C}$  ( $-3^{\circ}\text{F}$ ).

The higher reaches of the Rockies and the mountains paralleling the Pacific coast to the west are characterized by a typical alpine climate. Precipitation as a rule is heavier on the western slopes of the ranges. The great intermontane arid region of the West shows considerable climatic variation between its northern and southern portions. In New Mexico, Arizona, and southeastern California, the greatest precipitation occurs in July, August, and September, mean annual rainfall ranging from 8 cm (3 in) in Yuma, Ariz., to 76 cm (30 in) in the mountains of northern Arizona and New Mexico. Phoenix has a mean annual temperature of  $22^{\circ}\text{C}$  ( $71^{\circ}\text{F}$ ), rising to  $33^{\circ}\text{C}$  ( $92^{\circ}\text{F}$ ) in July and falling to  $11^{\circ}\text{C}$  ( $52^{\circ}\text{F}$ ) in January. North of the Utah-Arizona line, the summer months usually are very dry; maximum precipitation occurs in the winter and early spring. In the desert valleys west of Great Salt Lake, mean annual precipitation adds up to only 10 cm (4 in). Although the northern plateaus are generally arid, some of the mountainous areas of central Washington and Idaho receive at least 152 cm (60 in) of rain per year. Throughout the intermontane region, the uneven availability of water is the principal factor shaping the habitat.

The Pacific coast, separated by tall mountain barriers from the severe continental climate to the east, is a region of mild winters

and moderately warm, dry summers. Its climate is basically maritime, the westerly winds from the Pacific Ocean moderating the extremes of both winter and summer temperatures. Los Angeles in the south has an average temperature of  $13^{\circ}\text{C}$  ( $56^{\circ}\text{F}$ ) in January and  $21^{\circ}\text{C}$  ( $69^{\circ}\text{F}$ ) in July; Seattle in the north has an average temperature of  $4^{\circ}\text{C}$  ( $39^{\circ}\text{F}$ ) in January and  $18^{\circ}\text{C}$  ( $65^{\circ}\text{F}$ ) in July. Precipitation in general increases along the coast from south to north, extremes ranging from an annual average of 4.52 cm (1.78 in) at Death Valley in California (the lowest in the United States) to more than 356 cm (140 in) in Washington's Olympic Mountains.

Climatic conditions vary considerably in the vastness of Alaska. In the fogbound Aleutians and in the coastal panhandle strip that extends southeastward along the Gulf of Alaska and includes the capital, Juneau, a relatively moderate maritime climate prevails. The interior is characterized by short, hot summers and long, bitterly cold winters, and in the region bordering the Arctic Ocean a polar climate prevails, the soil hundreds of feet below the surface remaining frozen the year round. Although snowy in winter, continental Alaska is relatively dry.

Hawaii has a remarkably mild and stable climate with only slight seasonal variations in temperature, as a result of northeast ocean winds. The mean January temperature in Honolulu is  $23^{\circ}\text{C}$  ( $73^{\circ}\text{F}$ ); the mean July temperature  $27^{\circ}\text{C}$  ( $80^{\circ}\text{F}$ ). Rainfall is moderate—about 71 cm (28 in) per year—but much greater in the mountains; Mt. Waialeale on Kauai has a mean annual rainfall of 1,168 cm (460 in), highest in the world.

The lowest temperature recorded in the United States was  $-62^{\circ}\text{C}$  ( $-79.8^{\circ}\text{F}$ ) at Prospect Creek Camp, Alaska, on 23 January 1971; the highest,  $57^{\circ}\text{C}$  ( $134^{\circ}\text{F}$ ) at Greenland Ranch, in Death Valley, California, on 10 July 1913. The record annual rainfall is 1,878 cm (739 in) recorded at Kukui, Maui in 1982; the previous record for a one-year period was 1,468 cm (578 in) recorded at Fuu Kukui, Maui, in 1950.

#### **4 FLORA AND FAUNA**

At least 7,000 species and subspecies of indigenous US flora have been categorized. The eastern forests contain a mixture of softwoods and hardwoods that includes pine, oak, maple, spruce, beech, birch, hemlock, walnut, gum, and hickory. The central hardwood forest, which originally stretched unbroken from Cape Cod to Texas and northwest to Minnesota—still an important timber source—supports oak, hickory, ash, maple, and walnut. Pine, hickory, tupelo, pecan, gum, birch, and sycamore are found in the southern forest that stretches along the Gulf coast into the eastern half of Texas. The Pacific forest is the most spectacular of all because of its enormous redwoods and Douglas firs. In the southwest are saguaro (giant cactus), yucca, candlewood, and the Joshua tree.

The central grasslands lie in the interior of the continent, where the moisture is not sufficient to support the growth of large forests. The tall grassland or prairie (now almost entirely under cultivation) lies to the east of the 100th meridian. To the west of this line, where rainfall is frequently less than 50 cm (20 in) per year, is the short grassland. Mesquite grass covers parts of west Texas, southern New Mexico, and Arizona. Short grass may be found in the highlands of the latter two states, while tall grass covers large portions of the coastal regions of Texas and Louisiana and occurs in some parts of Mississippi, Alabama, and Florida. The Pacific



grassland includes northern Idaho, the higher plateaus of eastern Washington and Oregon, and the mountain valleys of California.

The intermontane region of the Western Cordillera is for the most part covered with desert shrubs. Sagebrush predominates in the northern part of this area, creosote in the southern, with saltbrush near the Great Salt Lake and in Death Valley.

The lower slopes of the mountains running up to the coastline of Alaska are covered with coniferous forests as far north as the Seward Peninsula. The central part of the Yukon Basin is also a region of softwood forests. The rest of Alaska is heath or tundra. Hawaii has extensive forests of bamboo and ferns. Sugarcane and pineapple, although not native to the islands, now cover a large portion of the cultivated land.

Small trees and shrubs common to most of the United States include hackberry, hawthorn, serviceberry, blackberry, wild cherry, dogwood, and snowberry. Wildflowers bloom in all areas, from the seldom-seen blossoms of rare desert cacti to the hardiest alpine species. Wildflowers include forget-me-not, fringed and closed gentians, jack-in-the-pulpit, black-eyed Susan, columbine, and common dandelion, along with numerous varieties of aster, orchid, lady's slipper, and wild rose.

An estimated 428 species of mammals characterize the animal life of the continental United States. Among the larger game animals are the white-tailed deer, moose, pronghorn antelope, bighorn sheep, mountain goat, black bear, and grizzly bear. The Alaskan brown bear often reaches a weight of 1,200–1,400 lbs. Some 25 important furbearers are common, including the muskrat, red and gray foxes, mink, raccoon, beaver, opossum, striped skunk, woodchuck, common cottontail, snowshoe hare, and various squirrels. Human encroachment has transformed the mammalian habitat over the last two centuries. The American buffalo (bison), millions of which once roamed the plains, is now found only on select reserves. Other mammals, such as the elk and gray wolf, have been restricted to much smaller ranges.

Year-round and migratory birds abound. Loons, wild ducks, and wild geese are found in lake country; terns, gulls, sandpipers, herons, and other seabirds live along the coasts. Wrens, thrushes, owls, hummingbirds, sparrows, woodpeckers, swallows, chickadees, vireos, warblers, and finches appear in profusion, along with the robin, common crow, cardinal, Baltimore oriole, eastern and western meadowlarks, and various blackbirds. Wild turkey, ruffed grouse, and ring-necked pheasant (introduced from Europe) are popular game birds. There are at least 508 species of birds found throughout the country.

Lakes, rivers, and streams teem with trout, bass, perch, muskellunge, carp, catfish, and pike; sea bass, cod, snapper, and flounder are abundant along the coasts, along with such shellfish as lobster, shrimp, clams, oysters, and mussels. Garter, pine, and milk snakes are found in most regions. Four poisonous snakes survive, of which the rattlesnake is the most common. Alligators appear in southern waterways and the Gila monster makes its home in the Southwest.

Laws and lists designed to protect threatened and endangered flora and fauna have been adopted throughout the United States. Generally, each species listed as protected by the federal government is also protected by the states, but some states may list species not included on federal lists or on the lists of neighboring states. Conversely, a species threatened throughout most of the

United States may be abundant in one or two states. As of November 2005, the US Fish and Wildlife Service listed 997 endangered US species (up from 751 listed in 1996), including 68 species of mammals, 77 birds, 74 fish, and 599 plants; and 275 threatened species (209 in 1996), including 11 species of mammals, 13 birds, 42 fish, and 146 plants. The agency listed another 520 endangered and 46 threatened foreign species by international agreement.

Threatened species, likely to become endangered if trends continued, included such plants as Lee pincushion cactus. Among the endangered floral species (in imminent danger of extinction in the wild) are the Virginia round-leaf birch, San Clemente Island broom, Texas wild-rice, Furbish lousewort, Truckee barberberry, Sneed pincushion cactus, spineless hedgehog cactus, Knowlton cactus, persistent trillium, dwarf bear-poppy, and small whorled pogonia.

Endangered mammals included the red wolf, black-footed ferret, jaguar, key deer, northern swift fox, San Joaquin kit fox, jaguar, jaguarundi, Florida manatee, ocelot, Florida panther, Utah prairie dog, Sonoran pronghorn, and numerous whale species. Endangered species of rodents included the Delmarva Peninsula fox squirrel, beach mouse, salt-marsh harvest mouse, 7 species of bat (Virginia and Ozark big-eared Sanborn's and Mexican long-nosed, Hawaiian hoary, Indiana, and gray), and the Morro Ba, Fresno, Stephens', and Tipton Kangaroo rats and rice rat.

Endangered species of birds included the California condor, bald eagle, three species of falcon (American peregrine, tundra peregrine, and northern aplomado), Eskimo curlew, two species of crane (whooping and Mississippi sandhill), three species of warbler (Kirtland's, Bachman's, and golden-cheeked), dusky seaside sparrow, light-footed clapper rail, least tern, San Clemente loggerhead shrike, bald eagle (endangered in most states, but only threatened in the Northwest and the Great Lakes region), Hawaii creeper, Everglade kite, California clapper rail, and red-cockaded woodpecker. Endangered amphibians included four species of salamander (Santa Cruz long-toed, Shenandoah, desert slender, and Texas blind), Houston and Wyoming toad, and six species of turtle (green sea, hawksbill, Kemp's ridley, Plymouth and Alabama red-bellied, and leatherback). Endangered reptiles included the American crocodile, (blunt nosed leopard and island night), and San Francisco garter snake.

Aquatic species included the shortnose sturgeon, Gila trout, 8 species of chub (humpback, Pahranaagat, Yaqui, Mohave tui, Owens tui, bonytail, Virgin River, and Borax lake), Colorado River squawfish, five species of dace (Kendall Warm Springs, and Clover Valley, Independence Valley, Moapa and Ash Meadows speckled), Modoc sucker, cui-ui, Smoky and Scioto madtom, 7 species of pupfish (Leon Springs, Gila Desert, Ash Meadows Amargosa, Warm Springs, Owens, Devil's Hole, and Comanche Springs), Pahrump killifish, 4 species of gambusia (San Marcos, Pecos, Amistad, Big Bend, and Clear Creek), 6 species of darter (fountain, watercress, Okaloosa, boulder, Maryland, and amber), totoaba, and 32 species of mussel and pearly mussel. Also classified as endangered were 2 species of earthworm (Washington giant and Oregon giant), the Socorro isopod, San Francisco forktail damselfly, Ohio emerald dragonfly, 3 species of beetle (Kretschmarr Cave, Tooth Cave, and giant carrion), Belkin's dune tabanid fly, and 10 species of butterfly (Schaus' swallowtail, lotis, mission, El Segundo, and Palos Verde



LOCATION: Conterminous US: 66°57' to 124°44' w; 24°33' to 49°23' n. Alaska: 130° w to 172°28' e; 51° to 71°23' n. Hawaii: 154°48' to 178°22' w 18°55' to 28°25' n. BOUNDARY LENGTHS: Conterminous US: Canada, 6,416 kilometers (3,987 miles); Atlantic Ocean, 3,330 kilometers (2,069 miles); Gulf of Mexico coastline, 2,625 kilometers (1,631 miles); Mexico, 3,111 kilometers (1,933 miles); Pacific coastline, 2,081 kilometers (1,293 miles). Alaska: Arctic Ocean coastline, 1,706 kilometers (1,060 miles); Canada, 2,475 kilometers (1,538 miles); Pacific coastline, including the Bering Sea and Strait and Chukchi coastlines, 8,980 kilometers (5,580 miles). Hawaii: coastline, 1,207 kilometers (750 miles).

blue, Mitchell's satyr, Uncompahgre fritillary, Lange's metalmark, San Bruno elfin, and Smith's blue).

Endangered plants in the United States included: aster, cactus, pea, mustard, mint, mallow, bellflower and pink family, snapdrag-

on, and buckwheat. Several species on the federal list of endangered and threatened wildlife and plants are found only in Hawaii. Endangered bird species in Hawaii included the Hawaiian dark-rumped petrel, Hawaiian gallinule, Hawaiian crow, three

species of thrush (Kauai, Molokai, and puaiuhi), Kauai 'o'o, Kauai nukupu'u, Kauai 'alialoa, 'akiapola'au, Maui'akepa, Molokai creeper, Oahu creeper, palila, and 'o'u.

Species formerly listed as threatened or endangered that have been removed from the list included (with delisting year and reason) American alligator (1987, recovered); coastal cutthroat trout (2000, taxonomic revision); Bahama swallowtail butterfly (1984, amendment); gray whale (1994, recovered); brown pelican (1984, recovered); Rydberg milk-vetch (1987, new information); Lloyd's hedgehog cactus (1999, taxonomic revision), and Columbian white-tailed Douglas County Deer (2003, recovered).

There are at least 250 species of plants and animals that have become extinct, including the Wyoming toad, the Central Valley grasshopper, Labrador duck, Carolina parakeet, Hawaiian crow, chestnut moth, and the Franklin tree.

## 5 ENVIRONMENT

The Council on Environmental Quality, an advisory body contained within the Executive Office of the President, was established by the National Environmental Policy Act of 1969, which mandated an assessment of environmental impact for every federally funded project. The Environmental Protection Agency (EPA), created in 1970, is an independent body with primary regulatory responsibility in the fields of air and noise pollution, water and waste management, and control of toxic substances. Other federal agencies with environmental responsibilities are the Forest Service and Soil Conservation Service within the Department of Agriculture, the Fish and Wildlife Service and the National Park Service within the Department of the Interior, the Department of Energy, and the Nuclear Regulatory Commission. In addition to the 1969 legislation, landmark federal laws protecting the environment include the Clean Air Act Amendments of 1970 and 1990, controlling automobile and electric utility emissions; the Water Pollution Act of 1972, setting clean-water criteria for fishing and swimming; and the Endangered Species Act of 1973, protecting wildlife near extinction.

A measure enacted in December 1980 established a \$1.6-billion "Superfund," financed largely by excise taxes on chemical companies, to clean up toxic waste dumps such as the one in the Love Canal district of Niagara Falls, NY. In 2005, there were 1,238 hazardous waste sites on the Superfund's national priority list.

The most influential environmental lobbies include the Sierra Club (founded in 1892; 700,000 members in 2003) and its legal arm, the Sierra Club Legal Defense Fund. Large conservation groups include the National Wildlife Federation (1936; over 4,000,000), the National Audubon Society (1905; 600,000), and the Nature Conservancy (1917; 1,000,000). Greenpeace USA (founded in 1979) has gained international attention by seeking to disrupt hunts for whales and seals.

Among the environmental movement's most notable successes have been the inauguration (and mandating in some states) of recycling programs; the banning in the United States of the insecticide dichlorodiphenyltrichloroethane (DDT); the successful fight against construction of a supersonic transport (SST); and the protection of more than 40 million hectares (100 million acres) of Alaska lands (after a fruitless fight to halt construction of the trans-Alaska pipeline); and the gradual elimination of chlorofluorocarbon (CFC) production by 2000. In March 2003, the US Sen-

ate narrowly voted to reject a Bush administration plan to begin oil exploration in the 19 million acre (7.7 million hectare) Arctic National Wildlife Refuge (ANWR). In 2003, about 25.9% of the total land area was protected. The United States has 12 natural UNESCO World Heritage Sites and 22 Ramsar wetland sites. Yellowstone National Park, founded in 1872, was the first national park established worldwide.

Outstanding problems include acid rain (precipitation contaminated by fossil fuel wastes); inadequate facilities for solid waste disposal; air pollution from industrial emissions (the United States leads the world in carbon dioxide emissions from the burning of fossil fuels); the contamination of homes by radon, a radioactive gas that is produced by the decay of underground deposits of radium and can cause cancer; runoffs of agricultural pesticides, pollutants deadly to fishing streams and very difficult to regulate; continued dumping of raw or partially treated sewage from major cities into US waterways; falling water tables in many western states; the decrease in arable land because of depletion, erosion, and urbanization; the need for reclamation of strip-mined lands and for regulation of present and future strip mining; and the expansion of the US nuclear industry in the absence of a fully satisfactory technique for the handling and permanent disposal of radioactive wastes.

## 6 POPULATION

The population of United States in 2005 was estimated by the United Nations (UN) at 296,483,000, which placed it at number 3 in population among the 193 nations of the world. In 2005, approximately 12% of the population was over 65 years of age, with another 21% of the population under 15 years of age. There were 97 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.6%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 349,419,000. The population density was 31 per sq km (80 per sq mi), with major population concentrations are along the northeast Atlantic coast and the southwest Pacific coast. The population is most dense between New York City and Washington, DC.

At the time of the first federal census, in 1790, the population of the United States was 3,929,214. Between 1800 and 1850, the population almost quadrupled; between 1850 and 1900, it tripled; and between 1900 and 1950, it almost doubled. During the 1960s and 1970s, however, the growth rate slowed steadily, declining from 2.9% annually in 1960 to 2% in 1969 and to less than 1% from the 1980s through 2000. The population has aged: the median age of the population increased from 16.7 years in 1820 to 22.9 years in 1900 and to 36.5 years in 2006.

Suburbs have absorbed most of the shift in population distribution since 1950. The UN estimated that 79% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.33%. The capital city, Washington, DC (District of Columbia), had a population of 4,098,000 in that year. Other major metropolitan areas and their estimated populations include: New York, 18,498,000; Los Angeles, 12,146,000; Chicago, 8,711,000; Dallas, 4,612,000; Houston, 4,283,000; Philadelphia, 5,325,000; San Diego, 2,818,000; and Phoenix, 3,393,000. Major cities can be found throughout the United States.

## 7 MIGRATION

Between 1840 and 1930, some 37 million immigrants, the overwhelming majority of them Europeans, arrived in the United States. Immigration reached its peak in the first decade of the 20th century, when nearly 9 million came. Following the end of World War I, the tradition of almost unlimited immigration was abandoned, and through the National Origins Act of 1924, a quota system was established as the basis of a carefully restricted policy of immigration. Under the McCarran Act of 1952, one-sixth of 1% of the number of inhabitants from each European nation residing in the continental United States as of 1920 could be admitted annually. In practice, this system favored nations of northern and western Europe, with the United Kingdom, Germany, and Ireland being the chief beneficiaries. The quota system was radically reformed in 1965, under a new law that established an annual ceiling of 170,000 for Eastern Hemisphere immigrants and 120,000 for entrants from the Western Hemisphere; in October 1978, these limits were replaced by a worldwide limit of 290,000, which was lowered to 270,000 by 1981. A major 1990 overhaul set a total annual ceiling of 700,000 (675,000 beginning in fiscal 1995), of which 480,000 would be family sponsored and 140,000 employment based. The 1996 Immigration Reform Law addressed concerns about illegal immigration and border enforcement. The 1996 Welfare Reform Law revised legal and illegal immigrants' access to different forms of public assistance, and raised the standards for US residents who sponsor immigrants. The 2000 H-1B Visa Legislation increased temporary immigration visas for high-tech workers. In 2004, President Bush proposed a fair and secure immigration reform with a new temporary worker program.

In 2002, 1,063,732 immigrants entered the United States, of whom 416,860 were subject to the numerical limits. Some 342,099 immigrants in 2002 were from Asia, 404,437 were from North America, 74,506 were from South America, 174,209 from Europe, 60,269 from Africa, and 5,557 from Oceania. A direct result of the immigration law revisions has been a sharp rise in the influx of Asians (primarily Chinese, Filipinos, Indians, Japanese, and Koreans), of whom 2,738,157 entered the country during 1981–90, as compared with 153,249 during the entire decade of the 1950s. Most immigrants in 2002 came from Mexico (219,380).

Since 1961, the federal government supported and financed the Cuban Refugee Program; in 1995, new accords were agreed to by the two countries. More than 500,000 Cubans were living in southern Florida by 1980, when another 125,000 Cuban refugees arrived; by 1990, 4% of Florida's population was of Cuban descent. Some 169,322 Cubans arrived from 1991–2000, and 27,520 arrived in 2002. Between 1975 and 1978, following the defeat of the US-backed Saigon (Vietnam) government, several hundred thousand Vietnamese refugees came to the United States. Under the Refugee Act of 1980, a ceiling for the number of admissible refugees is set annually; in fiscal 2002, the ceiling for refugees was 70,000. Since Puerto Ricans are American citizens, no special authorization is required for their admission to the continental United States. The population of refugees, resettled refugees, and asylum seekers with pending claims was estimated at 5,250,954 in June 2003, a 34% increase over June 2002. During the same year, the newly-formed Bureau of Citizenship and Immigration Services (BCIS—formerly the Immigration and Naturalization Service or INS) received 66,577 applications for asylum, a decline of 36%

from 2002. In 2004, the United States hosted 684,564 persons of concern to the United Nations High Commissioner for Refugees (UNHCR), 420,854 refugees, and 263,710 asylum seekers. For that year, the United States was the fifth-largest asylum country. UNHCR reports the United States as the leading destination of refugees, accounting for 63% of all resettlement worldwide.

Large numbers of aliens—mainly from Latin America, especially Mexico—have illegally established residence in the United States after entering the country as tourists, students, or temporary visitors engaged in work or business. In November 1986, Congress passed a bill allowing illegal aliens who had lived and worked in the United States since 1982 the opportunity to become permanent residents. By the end of fiscal year 1992, 2,650,000 of a potential 2,760,000 eligible for permanent residence under this bill had attained that status. In 1996 the number of illegal alien residents was estimated at five million, of which two million were believed to be in California. As of 2002, an estimated 33.1 million immigrants (legal and illegal) lived in the United States. Of this total, the Census Bureau estimated in 2000 that 8–9 million of them were illegal alien residents. In 2004, there were 36 million foreign-born US residents, almost 30% were unauthorized, or some 10.3 million foreigners. Of these, 57% are unauthorized Mexicans. Foreign-born persons are 11% of the US population, and 14% of US workers.

As of 2006, there were three major immigration-related agencies in the United States: the Department of Homeland Security; the US Customs and Border Protection (CBP) agency, which apprehends foreigners; and Immigration and Customs Enforcement (ICE), which is responsible for enforcement of immigration laws within the United States, together with identifying and removing unauthorized foreigners, and those ordered removed.

The major migratory trends within the United States have been a general westward movement during the 19th century; a long-term movement from farms and other rural settlements to metropolitan areas, which showed signs of reversing in some states during the 1970s; an exodus of southern blacks to the cities of the North and Midwest, especially after World War I; a shift of whites from central cities to surrounding suburbs since World War II; and, also during the post-World War II period, a massive shift from the North and East to the Sunbelt region of the South and Southwest.

In 2005, the net migration rate was estimated as 3.31 migrants per 1,000 population.

## 8 ETHNIC GROUPS

The majority of the population of the United States is of European origin, with the largest groups having primary ancestry traceable to the United Kingdom, Germany, and Ireland; many Americans report multiple ancestries. According to 2004 American Community Survey estimates, about 75.6% of the total population are white, 12.1% are blacks and African Americans, and 4.2% are Asian. Native Americans (including Alaskan Natives) account for about 0.8% of the total population. About 1.8% of the population claim a mixed ancestry of two or more races. About 11.9% of all US citizens are foreign-born, with the largest numbers of people coming from Latin America (17,973,287) and Asia (9,254,705).

Some Native American societies survived the initial warfare with land-hungry white settlers and retained their tribal cultures.

Their survival, however, has been on the fringes of North American society, especially as a result of the implementation of a national policy of resettling Native American tribes on reservations. In 2004, estimates place the number of Native Americans (including Alaska Natives) at 2,151,322. The number of those who claim mixed Native American and white racial backgrounds is estimated at 1,370,675; the 2004 estimate for mixed Native American and African American ancestry was 204,832. The largest single tribal grouping is the Cherokee, with about 331,491 people. The Navajo account for about 230,401 people, the Chippewa for 92,041 people, and the Sioux for 67,666 people. Groups of Native Americans are found most numerous in the southwestern states of Oklahoma, Arizona, New Mexico, and California. The 1960s and 1970s saw successful court fights by Native Americans in Alaska, Maine, South Dakota, and other states to regain tribal lands or to receive cash settlements for lands taken from them in violation of treaties during the 1800s.

The black and African American population in 2004 was estimated at 34,772,381, with the majority still residing in the South, the region that absorbed most of the slaves brought from Africa in the 18th and 19th centuries. About 1,141,232 people claimed mixed black and white ethnicity. Two important regional migrations of blacks have taken place: (1) a "Great Migration" to the North, commencing in 1915, and (2) a small but then unprecedented westward movement beginning about 1940. Both migrations were fostered by wartime demands for labor and by postwar job opportunities in northern and western urban centers. More than three out of four black Americans live in metropolitan areas, notably in Washington, DC, Atlanta, Chicago, Detroit, New Orleans, Newark, Baltimore, and New York City, which had the largest number of black residents. Large-scale federal programs to ensure equality for African Americans in voting rights, public education, employment, and housing were initiated after the historic 1954 Supreme Court ruling that barred racial segregation in public schools. By 1966, however, in the midst of growing and increasingly violent expressions of dissatisfaction by black residents of northern cities and southern rural areas, the federal Civil Rights Commission reported that integration programs were lagging. Throughout the 1960s, 1970s, and 1980s, the unemployment rate among nonwhites in the United States was at least double that for whites, and school integration proceeded slowly, especially outside the South.

Also included in the US population are a substantial number of persons whose lineage can be traced to Asian and Pacific nationalities, chiefly Chinese, Filipino, Japanese, Indian, Korean, and Vietnamese. The Chinese population is highly urbanized and concentrated particularly in cities of over 100,000 population, mostly on the West Coast and in New York City. According to 2004 estimates, there are over 2.8 million Chinese in the United States. Asian Indians are the next largest group of Asians with over 2.2 million people in 2004. About 2.1 million people are Filipino. The Japanese population has risen steadily from a level of 72,157 in 1910 to about 832,039 in 2004. Hawaii has been the most popular magnet of Japanese emigration. Most Japanese in California were farmers until the outbreak of World War II, when they were interned and deprived of their landholdings; after the war, most entered the professions and other urban occupations.

Hispanics or Latinos make up about 14% of the population according to 2004 estimates. It is important to note, however, that the designation of Hispanic or Latino applies to those who are of Latin American descent; these individuals may also belong to white, Asian, or black racial groups. Although Mexicans in the 21st century were still concentrated in the Southwest, they have settled throughout the United States; there are over 25 million Mexicans in the country. Spanish-speaking Puerto Ricans, who often represent an amalgam of racial strains, have largely settled in the New York metropolitan area, where they partake in considerable measure of the hardships and problems experienced by other immigrant groups in the process of settling in the United States; there are about 3.8 million Puerto Ricans in the country. Since 1959, many Cubans have settled in Florida and other eastern states. As of 2004, there are about 1.4 million Cubans in the United States.

## <sup>9</sup>LANGUAGES

The primary language of the United States is English, enriched by words borrowed from the languages of Indians and immigrants, predominantly European. Very early English borrowed from neighboring French speakers such words as *shivaree*, *butte*, *levee*, and *prairie*; from German, *sauerkraut*, *smearcase*, and *cranberry*; from Dutch, *stoop*, *spook*, and *cookie*; and from Spanish, *tornado*, *corral*, *ranch*, and *canyon*. From various West African languages, blacks have given English *jazz*, *voodoo*, and *okra*. According to 2004 estimates of primary languages spoken at home, about 81% of the population speak English only.

When European settlement began, Native Americans living north of Mexico spoke about 300 different languages now held to belong to 58 different language families. Only two such families have contributed noticeably to the American vocabulary: Algonkian in the Northeast and Aztec-Tanoan in the Southwest. From Algonkian languages, directly or sometimes through Canadian French, English has taken such words as *moose*, *skunk*, *caribou*, *opossum*, *woodchuck*, and *raccoon* for New World animals; *hickory*, *squash*, and *tamarack* for New World flora; and *succotash*, *hominny*, *mackinaw*, *moccasin*, *tomahawk*, *toboggan*, and *totem* for various cultural items. From Nahuatl, the language of the Aztecs, terms such as *tomato*, *mesquite*, *coyote*, *chili*, *tamale*, *chocolate*, and *ocelot* have entered English, largely by way of Spanish. A bare handful of words come from other Native American language groups, such as *tepee* from Dakota Siouan, *catalpa* from Creek, *sequoia* from Cherokee, *hogan* from Navaho, and *sockeye* from Salish, as well as *cayuse* from Chinook.

Professional dialect research, initiated in Germany in 1878 and in France in 1902, did not begin in the United States until 1931, in connection with the *Linguistic Atlas of New England* (1939–43). This kind of research, requiring trained field-workers to interview representative informants in their homes, subsequently was extended to the entire Atlantic Coast, the north-central states, the upper Midwest, the Pacific Coast, the Gulf states, and Oklahoma. The New England atlas, the *Linguistic Atlas of the Upper Midwest* (1973–76), and the first two fascicles of the *Linguistic Atlas of the Middle and South Atlantic States* (1980) have been published, along with three volumes based on Atlantic Coast field materials. Also published are atlases of the north-central states, the Gulf states, and Oklahoma. In other areas, individual dialect researchers have

produced more specialized studies. The definitive work on dialect speech, the American Dialect Society's monumental *Dictionary of American Regional English*, began publication in 1985.

Dialect studies confirm that standard English is not uniform throughout the country. Major regional variations reflect patterns of colonial settlement, dialect features from England having dominated particular areas along the Atlantic Coast and then spread westward along the three main migration routes through the Appalachian system. Dialectologists recognize three main dialects—Northern, Midland, and Southern—each with subdivisions related to the effect of mountain ranges and rivers and railroads on population movement.

The Northern dialect is that of New England and its derivative settlements in New York; the northern parts of Ohio, Indiana, Illinois, and Iowa; and Michigan, Wisconsin, northeastern South Dakota, and North Dakota. A major subdivision is that of New England east of the Connecticut River, an area noted typically by the loss of /r/ after a vowel, and by the pronunciation of *can't*, *dance*, *half*, and *bath* with a vowel more like that in *father* than that in *fat*. Generally, however, Northern speech has a strong /r/ after a vowel, the same vowel in *can't* and *cat*, a conspicuous contrast between *cot* and *caught*, the /s/ sound in *greasy*, *creek* rhyming with *pick*, and *with* ending with the same consonant sound as at the end of *breath*.

Midland speech extends in a wide band across the United States: there are two main subdivisions, North Midland and South Midland. North Midland speech extends westward from New Jersey, Delaware, and Pennsylvania into Ohio, Illinois, southern Iowa, and northern Missouri. Its speakers generally end *with* with the consonant sound that begins the word *thin*, pronounce *cot* and *caught* alike, and say *cow* and *down* as /caow/ and /daown/. South Midland speech was carried by the Scotch-Irish from Pennsylvania down the Shenandoah Valley into the southern Appalachians, where it acquired many Southern speech features before it spread westward into Kentucky, Tennessee, southern Missouri, Arkansas, and northeast Texas. Its speakers are likely to say *plum peach* rather than *clingstone peach* and *snake doctor* rather than *dragonfly*.

Southern speech typically, though not always, lacks the consonant /r/ after a vowel, lengthens the first part of the diphthong in *write* so that to Northern ears it sounds almost like *rat*, and diphthongizes the vowels in *bed* and *hit* so that they sound like /beuhd/ and /hiuht/. *Horse* and *hoarse* do not sound alike, and *creek* rhymes with *mee*k. *Corn bread* is *corn pone*, and *you-all* is standard for the plural.

In the western part of the United States, migration routes so crossed and intermingled that no neat dialect boundaries can be drawn, although there are a few rather clear population pockets.

Spanish is spoken by a sizable minority in the United States; according to 2004 estimates, about 11.4% of the population speak Spanish as the primary language of their household. The majority of Spanish speakers live in the Southwest, Florida, and eastern urban centers. Refugee immigration since the 1950s has greatly increased the number of foreign-language speakers from Latin America and Asia.

Educational problems raised by the presence of large blocs of non-English speakers led to the passage in 1976 of the Bilingual Educational Act, enabling children to study basic courses in their first language while they learn English. A related school problem

is that of black English, a Southern dialect variant that is the vernacular of many black students now in northern schools.

## 10 RELIGIONS

US religious traditions are predominantly Judeo-Christian and most Americans identify themselves as Protestants (of various denominations), Roman Catholics, or Jews. As of 2000, over 141 million Americans reported affiliation with a religious group. The single largest Christian denomination is the Roman Catholic Church, with membership in 2004 estimated at 66.4 million. Immigration from Ireland, Italy, Eastern Europe, French Canada, and the Caribbean accounts for the predominance of Roman Catholicism in the Northeast, Northwest, and some parts of the Great Lakes region, while Hispanic traditions and more recent immigration from Mexico and other Latin American countries account for the historical importance of Roman Catholicism in California and throughout most of the sunbelt. More than any other US religious body, the Roman Catholic Church maintains an extensive network of parochial schools.

Jewish immigrants settled first in the Northeast, where the largest Jewish population remains; at last estimates, about 6.1 million Jews lived in the United States. According to data from 1995, there were about 3.7 million Muslims in the country. About 1.8 million people were Buddhist and 795,000 were Hindu. Approximately 874,000 people were proclaimed atheists.

Over 94 million persons in the United States report affiliation with a Protestant denomination. Baptists predominate below the Mason-Dixon line and west to Texas. By far the nation's largest Protestant group is the Southern Baptist Convention, which has about 16.2 million members; the American Baptist Churches in the USA claim some 1.4 million members. A concentration of Methodist groups extends westward in a band from Delaware to eastern Colorado; the largest of these groups, the United Methodist Church has about 8.2 million members. A related group, the African Methodist Episcopal Church, has about 2.5 million members. Lutheran denominations, reflecting in part the patterns of German and Scandinavian settlement, are most highly concentrated in the north-central states, especially Minnesota and the Dakotas. Two Lutheran synods, the Lutheran Church in America and the American Lutheran Church, merged in 1987 to form the Evangelical Lutheran Church in America, with more than 5 million adherents in 2004. In June 1983, the two major Presbyterian churches, the northern-based United Presbyterian Church in the USA and the southern-based Presbyterian Church in the United States, formally merged as the Presbyterian Church (USA), ending a division that began with the Civil War. This group claimed 3.4 million adherents in 2004. Other prominent Protestant denominations and their estimated adherents (2004) include the Episcopal Church, 2,334,000, and the United Church of Christ, 1,331,000.

A number of Orthodox Christian denominations are represented in the United States, established by immigrants hoping to maintain their language and culture in a new world. The largest group of Orthodox belongs to the Greek Orthodox Archdiocese of America, which has about 1.5 million members.

A number of religious groups, which now have a worldwide presence, originated in the United States. One such group, the Church of Jesus Christ of Latter-Day Saints (Mormons), was or-

ganized in New York in 1830 by Joseph Smith, Jr., who claimed to receive a revelation concerning an ancient American prophet named Mormon. The group migrated westward, in part to escape persecution, and has played a leading role in the political, economic, and religious life of Utah; Salt Lake City is the headquarters for the church. As of 2004, there are about 5.4 million members of the Church of Jesus Christ of Latter-Day Saints. The Jehovah's Witnesses were established by Charles Taze Russell in Pittsburgh, Pennsylvania, in 1872. They believe that Biblical prophecies are being fulfilled through world events and that the kingdom of God will be established on earth at the end of the great war described in the Bible. In 2004, there were about one million members in the United States.

The Church of Christ Scientist was established by Mary Baker Eddy (1821–1910) through her book *Science and Health with Key to the Scriptures*. A primary belief of the group is that physical injury and illness might be healed through the power of prayer and the correction of false beliefs. The Mother Church is located in Boston, Massachusetts. Christian Scientists have over 1,000 congregations in the nation. The Seventh-Day Adventists were also established in the United States by William Miller, a preacher who believed that the second coming of Christ would occur between 1843 and 1844. Though his prediction did not come true, many of his followers continued to embrace other practices such as worship on Saturday, vegetarianism, and a focus on preparation for the second coming. In 2004, the Seventh-Day Adventist Church had 919,000 members in the United States.

## 11 TRANSPORTATION

Railroads have lost not only the largest share of intercity freight traffic, their chief source of revenue, but passenger traffic as well. Despite an attempt to revive passenger transport through the development of a national network (Amtrak) in the 1970s, the rail sector has continued to experience heavy losses and declining revenues. In 1998 there were nine Class I rail companies in the United States, down from 13 in 1994, with a total of 178,222 employees and operating revenues of \$32.2 billion. In 2003 there were 227,736 km (141,424 mi) of railway, all standard gauge. In 2000, Amtrak carried 84.1 million passengers.

The most conspicuous form of transportation is the automobile, and the extent and quality of the United States road-transport system are without parallel in the world. Over 226.06 million vehicles—a record number—were registered in 2003, including more than 130.8 million passenger cars and over 95.3 million commercial vehicles. In 2000, there were some 4,346,068 motorcycles registered.

The United States has a vast network of public roads, whose total length as of 2003 was 6,393,603 km (3,976,821 mi), of which, 4,180,053 km (2,599,993 mi) were paved, including 74,406 km (46,281 mi) of expressways. The United States also has 41,009 km (25,483 mi) of navigable inland channels, exclusive of the Great Lakes. Of that total, 19,312 km (12,012 mi) are still in commercial use, as of 2004.

Major ocean ports or port areas are New York, the Delaware River areas (Philadelphia), the Chesapeake Bay area (Baltimore, Norfolk, Newport News), New Orleans, Houston, and the San Francisco Bay area. The inland port of Duluth on Lake Superior handles more freight than all but the top-ranking ocean ports. The importance of this port, along with those of Chicago and Detroit,

was enhanced with the opening in 1959 of the St. Lawrence Seaway. Waterborne freight consists primarily of bulk commodities such as petroleum and its products, coal and coke, iron ore and steel, sand, gravel and stone, grains, and lumber. The US merchant marine industry has been decreasing gradually since the 1950s. In 2005, the United States had a merchant shipping fleet of 486 vessels of 1,000 GRT or more, with a combined GRT of 12,436,658.

In 2004, the United States had an estimated 14,857 airports. In 2005 a total of 5,120 had paved runways, and there were also 153 heliports. Principal airports include Hartsfield at Atlanta; Logan International at Boston; O'Hare International at Chicago; Dallas-Fort Worth at Dallas; Detroit Metropolitan; Honolulu International; Houston Intercontinental; Los Angeles International; John F. Kennedy, La Guardia, and Newark International at or near New York; Philadelphia International; Orlando International; Miami International; San Francisco International; L. Munoz Marin at San Juan; Seattle-Tacoma at Seattle; and Dulles International at Virginia. Revenue passengers carried by the airlines in 1940 totaled 2.7 million. By 2003, the figure was estimated at 588.997 million for US domestic and international carriers, along with freight traffic estimated at 34,206 million freight ton-km.

## 12 HISTORY

The first Americans—distant ancestors of the Native Americans—probably crossed the Bering Strait from Asia at least 12,000 years ago. By the time Christopher Columbus came to the New World in 1492 there were probably no more than two million Native Americans living in the land that was to become the United States.

Following exploration of the American coasts by English, Portuguese, Spanish, Dutch, and French sea captains from the late 15th century onward, European settlements sprang up in the latter part of the 16th century. The Spanish established the first permanent settlement at St. Augustine in the future state of Florida in 1565, and another in New Mexico in 1599. During the early 17th century, the English founded Jamestown in Virginia Colony (1607) and Plymouth Colony in present-day Massachusetts (1620). The Dutch established settlements at Ft. Orange (now Albany, N.Y.) in 1624, New Amsterdam (now New York City) in 1626, and at Bergen (now part of Jersey City, N.J.) in 1660; they conquered New Sweden—the Swedish colony in Delaware and New Jersey—in 1655. Nine years later, however, the English seized this New Netherland Colony and subsequently monopolized settlement of the East Coast except for Florida, where Spanish rule prevailed until 1821. In the Southwest, California, Arizona, New Mexico, and Texas also were part of the Spanish empire until the 19th century. Meanwhile, in the Great Lakes area south of present-day Canada, France set up a few trading posts and settlements but never established effective control; New Orleans was one of the few areas of the United States where France pursued an active colonial policy.

From the founding of Jamestown to the outbreak of the American Revolution more than 150 years later, the British government administered its American colonies within the context of mercantilism: the colonies existed primarily for the economic benefit of the empire. Great Britain valued its American colonies especially for their tobacco, lumber, indigo, rice, furs, fish, grain, and naval stores, relying particularly in the southern colonies on black slave labor.

The colonies enjoyed a large measure of internal self-government until the end of the French and Indian War (1745–63), which resulted in the loss of French Canada to the British. To prevent further troubles with the Native Americans, the British government in 1763 prohibited the American colonists from settling beyond the Appalachian Mountains. Heavy debts forced London to decree that the colonists should assume the costs of their own defense, and the British government enacted a series of revenue measures to provide funds for that purpose. But soon, the colonists began to insist that they could be taxed only with their consent and the struggle grew to become one of local versus imperial authority.

Widening cultural and intellectual differences also served to divide the colonies and the mother country. Life on the edge of the civilized world had brought about changes in the colonists' attitudes and outlook, emphasizing their remoteness from English life. In view of the long tradition of virtual self-government in the colonies, strict enforcement of imperial regulations and British efforts to curtail the power of colonial legislatures presaged inevitable conflict between the colonies and the mother country. When citizens of Massachusetts, protesting the tax on tea, dumped a shipload of tea belonging to the East India Company into Boston harbor in 1773, the British felt compelled to act in defense of their authority as well as in defense of private property. Punitive measures—referred to as the Intolerable Acts by the colonists—struck at the foundations of self-government.

In response, the First Continental Congress, composed of delegates from 12 of the 13 colonies—Georgia was not represented—met in Philadelphia in September 1774, and proposed a general boycott of English goods, together with the organizing of a militia. British troops marched to Concord, Massachusetts, on 19 April 1775 and destroyed the supplies that the colonists had assembled there. American “minutemen” assembled on the nearby Lexington green and fired “the shot heard round the world,” although no one knows who actually fired the first shot that morning. The British soldiers withdrew and fought their way back to Boston.

Voices in favor of conciliation were raised in the Second Continental Congress that assembled in Philadelphia on 10 May 1775, this time including Georgia; but with news of the Restraining Act (30 March 1775), which denied the colonies the right to trade with countries outside the British Empire, all hopes for peace vanished. George Washington was appointed commander in chief of the new American army, and on 4 July 1776, the 13 American colonies adopted the Declaration of Independence, justifying the right of revolution by the theory of natural rights.

British and American forces met in their first organized encounter near Boston on 17 June 1775. Numerous battles up and down the coast followed. The British seized and held the principal cities but were unable to inflict a decisive defeat on Washington's troops. The entry of France into the war on the American side eventually tipped the balance. On 19 October 1781, the British commander, Cornwallis, cut off from reinforcements by the French fleet on one side and besieged by French and American forces on the other, surrendered his army at Yorktown, Virginia. American independence was acknowledged by the British in a treaty of peace signed in Paris on 3 September 1783.

The first constitution uniting the 13 original states—the Articles of Confederation—reflected all the suspicions that Americans en-

tertained about a strong central government. Congress was denied power to raise taxes or regulate commerce, and many of the powers it was authorized to exercise required the approval of a minimum of nine states. Dissatisfaction with the Articles of Confederation was aggravated by the hardships of a postwar depression, and in 1787—the same year that Congress passed the Northwest Ordinance, providing for the organization of new territories and states on the frontier—a convention assembled in Philadelphia to revise the articles. The convention adopted an altogether new constitution, the present Constitution of the United States, which greatly increased the powers of the central government at the expense of the states. This document was ratified by the states with the understanding that it would be amended to include a bill of rights guaranteeing certain fundamental freedoms. These freedoms—including the rights of free speech, press, and assembly, freedom from unreasonable search and seizure, and the right to a speedy and public trial by an impartial jury—are assured by the first 10 amendments to the constitution, adopted on 5 December 1791; the constitution did, however, recognize slavery, and did not provide for universal suffrage. On 30 April 1789, George Washington was inaugurated as the first president of the United States.

During Washington's administration, the credit of the new nation was bolstered by acts providing for a revenue tariff and an excise tax; opposition to the excise on whiskey sparked the Whiskey Rebellion, suppressed on Washington's orders in 1794. Alexander Hamilton's proposals for funding the domestic and foreign debt and permitting the national government to assume the debts of the states were also implemented. Hamilton, the secretary of the treasury, also created the first national bank, and was the founder of the Federalist Party. Opposition to the bank as well as to the rest of the Hamiltonian program, which tended to favor north-eastern commercial and business interests, led to the formation of an anti-Federalist party, the Democratic-Republicans, led by Thomas Jefferson.

The Federalist Party, to which Washington belonged, regarded the French Revolution as a threat to security and property; the Democratic-Republicans, while condemning the violence of the revolutionists, hailed the overthrow of the French monarchy as a blow to tyranny. The split of the nation's leadership into rival camps was the first manifestation of the two-party system, which has since been the dominant characteristic of the US political scene (Jefferson's party should not be confused with the modern Republican Party, formed in 1854).

The 1800 election brought the defeat of Federalist president John Adams, Washington's successor, by Jefferson; a key factor in Adam's loss was the unpopularity of the Alien and Sedition Acts (1798), Federalist-sponsored measures that had abridged certain freedoms guaranteed in the Bill of Rights. In 1803, Jefferson achieved the purchase from France of the Louisiana Territory, including all the present territory of the United States west of the Mississippi drained by that river and its tributaries; exploration and mapping of the new territory, notably through the expeditions of Meriwether Lewis and William Clark, began almost immediately. Under Chief Justice John Marshall, the US Supreme Court, in the landmark case of *Marbury v. Madison*, established the principle of federal supremacy in conflicts with the states and enunciated the doctrine of judicial review.



During Jefferson's second term in office, the United States became involved in a protracted struggle between Britain and Napoleonic France. Seizures of US ships and the impressment of US seamen by the British navy led the administration to pass the Embargo Act of 1807, under which no US ships were to put out to sea. After the act was repealed in 1809, ship seizures and impressment of seamen by the British continued, and were the ostensible reasons for the declaration of war on Britain in 1812 during the administration of James Madison. An underlying cause of the War of 1812, however, was land-hungry Westerners' coveting of southern Canada as potential US territory.

The war was largely a standoff. A few surprising US naval victories countered British successes on land. The Treaty of Ghent (24 December 1814), which ended the war, made no mention of impressment and provided for no territorial changes. The occasion for further maritime conflict with Britain, however, disappeared with the defeat of Napoleon in 1815.

Now the nation became occupied primarily with domestic problems and westward expansion. Because the United States had been cut off from its normal sources of manufactured goods in Great Britain during the war, textiles and other industries developed and prospered in New England. To protect these infant industries, Congress adopted a high-tariff policy in 1816.

Three events of the late 1810s and the 1820s were of considerable importance for the future of the country. The federal government in 1817 began a policy of forcibly resettling the Native Americans (Indians), already decimated by war and disease, in what later became known as Indian Territory (now Oklahoma); those Native Americans not forced to move were restricted to reservations. The Missouri Compromise (1820) was an attempt to find a nationally acceptable solution to the volatile dispute over the extension of black slavery to new territories. It provided for admission of Missouri into the Union as a slave state but banned slavery in territories to the west that lay north of 36°30'. As a result of the establishment of independent Latin American republics and threats by France and Spain to reestablish colonial rule, President James Monroe in 1823 asserted that the Western Hemisphere was closed to further colonization by European powers. The Monroe Doctrine declared that any effort by such powers to recover territories whose independence the United States had recognized would be regarded as an unfriendly act.

From the 1820s to the outbreak of the Civil War, the growth of manufacturing continued, mainly in the North, and was accelerated by inventions and technological advances. Farming expanded with westward migration. The South discovered that its future lay in the cultivation of cotton. The cotton gin, invented by Eli Whitney in 1793, greatly simplified the problems of production; the growth of the textile industry in New England and Great Britain assured a firm market for cotton. Hence, during the first half of the 19th century, the South remained a fundamentally agrarian society based increasingly on a one-crop economy. Large numbers of field hands were required for cotton cultivation, and black slavery became solidly entrenched in the southern economy.

The construction of roads and canals paralleled the country's growth and economic expansion. The successful completion of the Erie Canal (1825), linking the Great Lakes with the Atlantic, ushered in a canal-building boom. Railroad building began in earnest in the 1830s, and by 1840, about 5,300 km (3,300 mi) of track

had been laid. The development of the telegraph a few years later gave the nation the beginnings of a modern telecommunications network. As a result of the establishment of the factory system, a laboring class appeared in the North by the 1830s, bringing with it the earliest unionization efforts.

Western states admitted into the Union following the War of 1812 provided for free white male suffrage without property qualifications and helped spark a democratic revolution. As eastern states began to broaden the franchise, mass appeal became an important requisite for political candidates. The election to the presidency in 1928 of Andrew Jackson, a military hero and Indian fighter from Tennessee, was no doubt a result of this widening of the democratic process. By this time, the United States consisted of 24 states and had a population of nearly 13 million.

The relentless westward thrust of the United States population ultimately involved the United States in foreign conflict. In 1836, US settlers in Texas revolted against Mexican rule and established an independent republic. Texas was admitted to the Union as a state in 1845, and relations between Mexico and the United States steadily worsened. A dispute arose over the southern boundary of Texas, and a Mexican attack on a US patrol in May 1846 gave President James K. Polk a pretext to declare war. After a rapid advance, US forces captured Mexico City, and on 2 February 1848, Mexico formally gave up the unequal fight by signing the Treaty of Guadalupe Hidalgo, providing for the cession of California and the territory of New Mexico to the United States. With the Gadsden Purchase of 1853, the United States acquired from Mexico for \$10 million large strips of land forming the balance of southern Arizona and New Mexico. A dispute with Britain over the Oregon Territory was settled in 1846 by a treaty that established the 49th parallel as the boundary with Canada. Thenceforth the United States was to be a Pacific as well as an Atlantic power.

Westward expansion exacerbated the issue of slavery in the territories. By 1840, abolition of slavery constituted a fundamental aspect of a movement for moral reform, which also encompassed women's rights, universal education, alleviation of working class hardships, and temperance. In 1849, a year after the discovery of gold had precipitated a rush of new settlers to California, that territory (whose constitution prohibited slavery) demanded admission to the Union. A compromise engineered in Congress by Senator Henry Clay in 1850 provided for California's admission as a free state in return for various concessions to the South. But enmities dividing North and South could not be silenced. The issue of slavery in the territories came to a head with the Kansas-Nebraska Act of 1854, which repealed the Missouri Compromise and left the question of slavery in those territories to be decided by the settlers themselves. The ensuing conflicts in Kansas between northern and southern settlers earned the territory the name "bleeding Kansas."

In 1860, the Democratic Party, split along northern and southern lines, offered two presidential candidates. The new Republican Party, organized in 1854 and opposed to the expansion of slavery, nominated Abraham Lincoln. Owing to the defection in Democratic ranks, Lincoln was able to carry the election in the electoral college, although he did not obtain a majority of the popular vote. To ardent supporters of slavery, Lincoln's election provided a reason for immediate secession. Between December 1860 and February 1861, the seven states of the Deep South—South Caro-

lina, Mississippi, Florida, Alabama, Georgia, Louisiana, and Texas—withdrew from the Union and formed a separate government, known as the Confederate States of America, under the presidency of Jefferson Davis. The secessionists soon began to confiscate federal property in the South. On 12 April 1861, the Confederates opened fire on Ft. Sumter in the harbor of Charleston, South Carolina, and thus precipitated the US Civil War. Following the outbreak of hostilities, Arkansas, North Carolina, Virginia, and Tennessee joined the Confederacy.

For the next four years, war raged between the Confederate and Union forces, largely in southern territories. An estimated 360,000 men in the Union forces died of various causes, including 110,000 killed in battle. Confederate dead were estimated at 250,000, including 94,000 killed in battle. The North, with great superiority in manpower and resources, finally prevailed. A Confederate invasion of the North was repulsed at the battle of Gettysburg, Pennsylvania, in July 1863; a Union army took Atlanta, Georgia in September 1864; and Confederate forces evacuated Richmond, Virginia the Confederate capital, in early April 1865. With much of the South in Union hands, Confederate Gen. Robert E. Lee surrendered to Gen. Ulysses S. Grant at Appomattox Courthouse in Virginia on 9 April.

The outcome of the war brought great changes in US life. Lincoln's Emancipation Proclamation of 1863 was the initial step in freeing some four million black slaves; their liberation was completed soon after the war's end by amendments to the Constitution. Lincoln's plan for the reconstruction of the rebellious states was compassionate, but only five days after Lee's surrender, Lincoln was assassinated by John Wilkes Booth as part of a conspiracy in which US Secretary of State William H. Seward was seriously wounded.

During the Reconstruction era (1865–77), the defeated South was governed by Union Army commanders, and the resultant bitterness of southerners toward northern Republican rule, which enfranchised blacks, persisted for years afterward. Vice President Andrew Johnson, who succeeded Lincoln as president, tried to carry out Lincoln's conciliatory policies but was opposed by radical Republican leaders in Congress who demanded harsher treatment of the South. On the pretext that he had failed to carry out an act of Congress, the House of Representatives voted to impeach Johnson in 1868, but the Senate failed by one vote to convict him and remove him from office. It was during Johnson's presidency that Secretary of State Seward negotiated the purchase of Alaska (which attained statehood in 1959) from Russia for \$7.2 million.

The efforts of southern whites to regain political control of their states led to the formation of terrorist organizations like the Ku Klux Klan, which employed violence to prevent blacks from voting. By the end of the Reconstruction era, whites had reestablished their political domination over blacks in the southern states and had begun to enforce patterns of segregation in education and social organization that were to last for nearly a century.

In many southern states, the decades following the Civil War were ones of economic devastation, in which rural whites as well as blacks were reduced to sharecropper status. Outside the South, however, a great period of economic expansion began. Transcontinental railroads were constructed, corporate enterprise spurred ahead, and the remaining western frontier lands were rapidly occupied and settled. The age of big business tycoons dawned. As

heavy manufacturing developed, Pittsburgh, Chicago, and New York emerged as the nation's great industrial centers. The Knights of Labor, founded in 1869, engaged in numerous strikes, and violent conflicts between strikers and strikebreakers were common. The American Federation of Labor, founded in 1886, established a nationwide system of craft unionism that remained dominant for many decades. During this period, too, the woman's rights movement organized actively to secure the vote (although woman's suffrage was not enacted nationally until 1920), and groups outraged by the depletion of forests and wildlife in the West pressed for the conservation of natural resources.

During the latter half of the 19th century, the acceleration of westward expansion made room for millions of immigrants from Europe. The country's population grew to more than 76 million by 1900. As homesteaders, prospectors, and other settlers tamed the frontier, the federal government forced Indians west of the Mississippi to cede vast tracts of land to the whites, precipitating a series of wars with various tribes. By 1890, only 250,000 Indians remained in the United States, virtually all of them residing on reservations.

The 1890s marked the closing of the United States frontier for settlement and the beginning of US overseas expansion. By 1892, Hawaiian sugar planters of US origin had become strong enough to bring about the downfall of the native queen and to establish a republic, which in 1898, at its own request, was annexed as a territory by the United States. The sympathies of the United States with the Cuban nationalists who were battling for independence from Spain were aroused by a lurid press and by expansionist elements. A series of events climaxed by the sinking of the USS *Maine* in Havana harbor finally forced a reluctant President William McKinley to declare war on Spain on 25 April 1898. US forces overwhelmed those of Spain in Cuba, and as a result of the Spanish-American War, the United States added to its territories the Philippines, Guam, and Puerto Rico. A newly independent Cuba was drawn into the United States orbit as a virtual protectorate through the 1950s. Many eminent citizens saw these new departures into imperialism as a betrayal of the time-honored US doctrine of government by the consent of the governed.

With the marked expansion of big business came increasing protests against the oppressive policies of large corporations and their dominant role in the public life of the nation. A demand emerged for strict control of monopolistic business practice through the enforcement of antitrust laws. Two US presidents, Theodore Roosevelt (1901–09), a Republican and Woodrow Wilson (1913–21), a Democrat, approved of the general movement for reform, which came to be called progressivism. Roosevelt developed a considerable reputation as a trustbuster, while Wilson's program, known as the New Freedom, called for reform of tariffs, business procedures, and banking. During Roosevelt's first term, the United States leased the Panama Canal Zone and started construction of a 68-km (42-mi) canal, completed in 1914.

US involvement in World War I marked the country's active emergence as one of the great powers of the world. When war broke out in 1914 between Germany, Austria-Hungary, and Turkey on one side and Britain, France, and Russia on the other, sentiment in the United States was strongly opposed to participation in the conflict, although a large segment of the American people sympathized with the British and the French. While both sides

violated US maritime rights on the high seas, the Germans, enmeshed in a British blockade, resorted to unrestricted submarine warfare. On 6 April 1917, Congress declared war on Germany. Through a national draft of all able-bodied men between the ages of 18 and 45, some four million US soldiers were trained, of whom more than two million were sent overseas to France. By late 1917, when US troops began to take part in the fighting on the western front, the European armies were approaching exhaustion, and US intervention may well have been decisive in ensuring the eventual victory of the Allies. In a series of great battles in which US soldiers took an increasingly major part, the German forces were rolled back in the west, and in the autumn of 1918 were compelled to sue for peace. Fighting ended with the armistice of 11 November 1918. President Wilson played an active role in drawing up the 1919 Versailles peace treaty, which embodied his dream of establishing a League of Nations to preserve the peace, but the isolationist bloc in the Senate was able to prevent US ratification of the treaty.

In the 1920s, the United States had little enthusiasm left for crusades, either for democracy abroad or for reform at home; a rare instance of idealism in action was the Kellogg-Briand Pact (1928), an antiwar accord negotiated on behalf of the United States by Secretary of State Frank B. Kellogg. In general, however, the philosophy of the Republican administrations from 1921 to 1933 was expressed in the aphorism “the business of America is business,” and the 1920s saw a great business boom. The years 1923–24 also witnessed the unraveling of the Teapot Dome scandal: the revelation that President Warren G. Harding’s secretary of the interior, Albert B. Fall, had secretly leased federal oil reserves in California and Wyoming to private oil companies in return for gifts and loans.

The great stock market crash of October 1929 ushered in the most serious and most prolonged economic depression the country had ever known. By 1933, an estimated 12 million men and women were out of work; personal savings were wiped out on a vast scale through a disastrous series of corporate bankruptcies and bank failures. Relief for the unemployed was left to private charities and local governments, which were incapable of handling the enormous task.

The inauguration of the successful Democratic presidential candidate, Franklin D. Roosevelt, in March 1933 ushered in a new era of US history, in which the federal government was to assume a much more prominent role in the nation’s economic affairs. Proposing to give the country a “New Deal,” Roosevelt accepted national responsibility for alleviating the hardships of unemployment; relief measures were instituted, work projects were established, the deficit spending was accepted in preference to ignoring public distress. The federal Social Security program was inaugurated, as were various measures designed to stimulate and develop the economy through federal intervention. Unions were strengthened through the National Labor Relations Act, which established the right of employees’ organizations to bargain collectively with employers. Union membership increased rapidly, and the dominance of the American Federation of Labor was challenged by the newly formed Congress of Industrial Organizations, which organized workers along industrial lines.

The depression of the 1930s was worldwide, and certain nations attempted to counter economic stagnation by building large

military establishments and embarking on foreign adventures. Following German, Italian, and Japanese aggression, World War II broke out in Europe during September 1939. In 1940, Roosevelt, disregarding a tradition dating back to Washington that no president should serve more than two terms, ran again for reelection. He easily defeated his Republican opponent, Wendell Willkie, who, along with Roosevelt, advocated increased rearmament and all possible aid to victims of aggression. The United States was brought actively into the war by the Japanese attack on the Pearl Harbor naval base in Hawaii on 7 December 1941. The forces of Germany, Italy, and Japan were now arrayed over a vast theater of war against those of the United States and the British Commonwealth; in Europe, Germany was locked in a bloody struggle with the Soviet Union. US forces waged war across the vast expanses of the Pacific, in Africa, in Asia, and in Europe. Italy surrendered in 1943; Germany was successfully invaded in 1944 and conquered in May 1945; and after the United States dropped the world’s first atomic bombs on Hiroshima and Nagasaki, the Japanese capitulated in August. The Philippines became an independent republic soon after the war, but the United States retained most of its other Pacific possessions, with Hawaii becoming the 50th state in 1959.

Roosevelt, who had been elected to a fourth term in 1944, died in April 1945 and was succeeded by Harry S Truman, his vice president. Under the Truman administration, the United States became an active member of the new world organization, the United Nations. The Truman administration embarked on large-scale programs of military aid and economic support to check the expansion of communism. Aid to Greece and Turkey in 1948 and the Marshall Plan, a program designed to accelerate the economic recovery of Western Europe, were outstanding features of US postwar foreign policy. The North Atlantic Treaty (1949) established a defensive alliance among a number of West European nations and the United States. Truman’s Point Four program gave technical and scientific aid to developing nations. When, following the North Korean attack on South Korea on 25 June 1950, the UN Security Council resolved that members of the UN should proceed to the aid of South Korea, US naval, air, and ground forces were immediately dispatched by President Truman. An undeclared war ensued, which eventually was brought to a halt by an armistice signed on 27 June 1953.

In 1952, Dwight D. Eisenhower, supreme commander of Allied forces in Europe during World War II, was elected president on the Republican ticket, thereby bringing to an end 20 years of Democratic presidential leadership. In foreign affairs, the Eisenhower administration continued the Truman policy of containing the USSR and threatened “massive retaliation” in the event of Soviet aggression, thus heightening the Cold War between the world’s two great nuclear powers. Although Republican domestic policies were more conservative than those of the Democrats, the Eisenhower administration extended certain major social and economic programs of the Roosevelt and Truman administrations, notably Social Security and public housing. The early years of the Eisenhower administration were marked by agitation (arising in 1950) over charges of Communist and other allegedly subversive activities in the United States—a phenomenon known as McCarthyism, after Republican Senator Joseph R. McCarthy of Wisconsin, who aroused much controversy with unsubstantiated allegations that Communists had penetrated the US government,

especially the Army and the Department of State. Even those who personally opposed McCarthy lent their support to the imposition of loyalty oaths and the blacklisting of persons with left-wing backgrounds.

A major event of the Eisenhower years was the US Supreme Court's decision in *Brown v. Board of Education of Topeka* (1954) outlawing segregation of whites and blacks in public schools. In the aftermath of this ruling, desegregation proceeded slowly and painfully. In the early 1960s, sit-ins, "freedom rides," and similar expressions of nonviolent resistance by blacks and their sympathizers led to a lessening of segregation practices in public facilities. Under Chief Justice Earl Warren, the high court in 1962 mandated the reapportionment of state and federal legislative districts according to a "one person, one vote" formula. It also broadly extended the rights of defendants in criminal trials to include the provision of a defense lawyer at public expense for an accused person unable to afford one, and established the duty of police to advise an accused person of his or her legal rights immediately upon arrest.

In the early 1960s, during the administration of Eisenhower's Democratic successor, John F. Kennedy, the Cold War heated up as Cuba, under the regime of Fidel Castro, aligned itself with the Soviet Union. Attempts by anti-Communist Cuban exiles to invade their homeland in the spring of 1961 failed despite US aid. In October 1962, President Kennedy successfully forced a showdown with the Soviet Union over Cuba in demanding the withdrawal of Soviet-supplied "offensive weapons"—missiles—from the nearby island. On 22 November 1963, President Kennedy was assassinated while riding in a motorcade through Dallas, Texas; hours later, Vice President Lyndon B. Johnson was inaugurated president. In the November 1964 elections, Johnson overwhelmingly defeated his Republican opponent, Barry M. Goldwater, and embarked on a vigorous program of social legislation unprecedented since Roosevelt's New Deal. His "Great Society" program sought to ensure black Americans' rights in voting and public housing, to give the underprivileged job training, and to provide persons 65 and over with hospitalization and other medical benefits (Medicare). Measures ensuring equal opportunity for minority groups may have contributed to the growth of the woman's rights movement in the late 1960s. This same period also saw the growth of a powerful environmental protection movement.

US military and economic aid to anti-Communist forces in Vietnam, which had its beginnings during the Truman administration (while Vietnam was still part of French Indochina) and was increased gradually by presidents Eisenhower and Kennedy, escalated in 1965. In that year, President Johnson sent US combat troops to South Vietnam and ordered US bombing raids on North Vietnam, after Congress (in the Gulf of Tonkin Resolution of 1964) had given him practically carte blanche authority to wage war in that region. By the end of 1968, American forces in Vietnam numbered 536,100 men, but US military might was unable to defeat the Vietnamese guerrillas, and the American people were badly split over continuing the undeclared (and, some thought, ill-advised or even immoral) war, with its high price in casualties and materiel. Reacting to widespread dissatisfaction with his Vietnam policies, Johnson withdrew in March 1968 from the upcoming presidential race, and in November, Republican Richard M. Nixon, who had been the vice president under Eisenhower,

was elected president. Thus, the Johnson years—which had begun with the new hopes of a Great Society but had soured with a rising tide of racial violence in US cities and the assassinations of civil rights leader Martin Luther King, Jr., and US senator Robert F. Kennedy, among others—drew to a close.

President Nixon gradually withdrew US ground troops from Vietnam but expanded aerial bombardment throughout Indochina, and the increasingly unpopular and costly war continued for four more years before a cease-fire—negotiated by Nixon's national security adviser, Henry Kissinger—was finally signed on 27 January 1973 and the last US soldiers were withdrawn. The most protracted conflict in American history had resulted in 46,163 US combat deaths and 303,654 wounded soldiers, and had cost the US government \$112 billion in military allocations. Two years later, the South Vietnamese army collapsed, and the North Vietnamese Communist regime united the country.

In 1972, during the last year of his first administration, Nixon initiated the normalization of relations—ruptured in 1949—with the People's Republic of China and signed a strategic arms limitation agreement with the Soviet Union as part of a Nixon-Kissinger policy of pursuing détente with both major Communist powers. (Earlier, in July 1969, American technology had achieved a national triumph by landing the first astronaut on the moon.) The Nixon administration sought to muster a "silent majority" in support of its Indochina policies and its conservative social outlook in domestic affairs. The most momentous domestic development, however, was the Watergate scandal, which began on 17 June 1972 with the arrest of five men associated with Nixon's reelection campaign, during a break-in at Democratic Party headquarters in the Watergate office building in Washington, DC. Although Nixon was reelected in 1972, subsequent disclosures by the press and by a Senate investigating committee revealed a complex pattern of political "dirty tricks" and illegal domestic surveillance throughout his first term. The president's apparent attempts to obstruct justice by helping his aides cover up the scandal were confirmed by tape recordings (made by Nixon himself) of his private conversations, which the Supreme Court ordered him to release for use as evidence in criminal proceedings. The House voted to begin impeachment proceedings, and in late July 1974, its Judiciary Committee approved three articles of impeachment. On 9 August, Nixon became the first president to resign the office. The following year, Nixon's top aides and former attorney general, John N. Mitchell, were convicted of obstruction and were subsequently sentenced to prison.

Nixon's successor was Gerald R. Ford, who in October 1973 had been appointed to succeed Vice President Spiro T. Agnew when Agnew resigned following his plea of *nolo contendere* to charges that he had evaded paying income tax on moneys he had received from contractors while governor of Maryland. Less than a month after taking office, President Ford granted a full pardon to Nixon for any crimes he may have committed as president. In August 1974, Ford nominated Nelson A. Rockefeller as vice president (he was not confirmed until December), thus giving the country the first instance of a nonelected president and an appointed vice president serving simultaneously. Ford's pardon of Nixon, as well as continued inflation and unemployment, probably contributed to his narrow defeat by a Georgia Democrat, Jimmy Carter, in 1976.

President Carter's forthright championing of human rights—though consistent with the Helsinki accords, the “final act” of the Conference on Security and Cooperation in Europe, signed by the United States and 34 other nations in July 1974—contributed to strained relations with the USSR and with some US allies. During 1978–79, the president concluded and secured Senate passage of treaties ending US sovereignty over the Panama Canal Zone. His major accomplishment in foreign affairs, however, was his role in mediating a peace agreement between Israel and Egypt, signed at the camp David, Md., retreat in September 1978. Domestically, the Carter administration initiated a national energy program to reduce US dependence on foreign oil by cutting gasoline and oil consumption and by encouraging the development of alternative energy resources. But the continuing decline of the economy because of double-digit inflation and high unemployment caused his popularity to wane, and confusing shifts in economic policy (coupled with a lack of clear goals in foreign affairs) characterized his administration during 1979 and 1980; a prolonged quarrel with Iran over more than 50 US hostages seized in Tehrān on 4 November 1979 contributed to public doubts about his presidency. Exactly a year after the hostages were taken, former California Governor Ronald Reagan defeated Carter in an election that saw the Republican Party score major gains throughout the United States. The hostages were released on 20 January 1981, the day of Reagan's inauguration.

Reagan, who survived a chest wound from an assassination attempt in Washington, DC, in 1981, used his popularity to push through significant policy changes. He succeeded in enacting income tax cuts of 25%, reducing the maximum tax rate on unearned income from 70% to 50%, and accelerating depreciation allowances for businesses. At the same time, he more than doubled the military budget, in constant 1985 dollars, between 1980 and 1989. Vowing to reduce domestic spending, Reagan cut benefits for the working poor, reduced allocations for food stamps and Aid to Families With Dependent Children by 13%, and decreased grants for the education of disadvantaged children. He slashed the budget of the Environmental Protection Agency and instituted a flat rate reimbursement system for the treatment of Medicare patients with particular illnesses, replacing a more flexible arrangement in which hospitals had been reimbursed for “reasonable charges.”

Reagan's appointment of Sandra Day O'Connor as the first woman justice of the Supreme Court was widely praised and won unanimous confirmation from the Senate. However, some of his other high-level choices were extremely controversial—none more so than that of his secretary of the interior, James G. Watt, who finally resigned on October 1983. To direct foreign affairs, Reagan named Alexander M. Haig, Jr., former NATO supreme commander for Europe, to the post of secretary of state; Haig, who clashed frequently with other administration officials, resigned in June 1982 and was replaced by George P. Shultz. In framing his foreign and defense policy, Reagan insisted on a military buildup as a precondition for arms-control talks with the USSR. His administration sent money and advisers to help the government of El Salvador in its war against leftist rebels, and US advisers were also sent to Honduras, reportedly to aid groups of Nicaraguans trying to overthrow the Sandinista government in their country. Troops were also dispatched to Lebanon in September 1982, as part of

a multinational peacekeeping force in Beirut, and to Grenada in October 1983 to oust a leftist government there.

Reelected in 1984, President Reagan embarked on his second term with a legislative agenda that included reduction of federal budget deficits (which had mounted rapidly during his first term in office), further cuts in domestic spending, and reform of the federal tax code. In military affairs, Reagan persuaded Congress to fund on a modest scale his Strategic Defense Initiative, commonly known as Star Wars, a highly complex and extremely costly space-based antimissile system. In 1987, the downing of an aircraft carrying arms to Nicaragua led to the disclosure that a group of National Security Council members had secretly diverted \$48 million that the federal government had received in payment from Iran for American arms to rebel forces in Nicaragua. The disclosure prompted the resignation of two of the leaders of the group, Vice Admiral John Poindexter and Lieutenant Colonel Oliver North, as well as investigations by House and Senate committees and a special prosecutor, Lawrence Walsh. The congressional investigations found no conclusive evidence that Reagan had authorized or known of the diversion. Yet they noted that because Reagan had approved of the sale of arms to Iran and had encouraged his staff to assist Nicaraguan rebels despite the prohibition of such assistance by Congress, “the President created or at least tolerated an environment where those who did know of the diversion believed with certainty that they were carrying out the President's policies.”

Reagan was succeeded in 1988 by his vice president, George H.W. Bush. Benefiting from a prolonged economic expansion, Bush handily defeated Michael Dukakis, governor of Massachusetts and a liberal Democrat. On domestic issues, Bush sought to maintain policies introduced by the Reagan administration. His few legislative initiatives included the passage of legislation establishing strict regulations of air pollution, providing subsidies for child care, and protecting the rights of the disabled. Abroad, Bush showed more confidence and energy. While he responded cautiously to revolutions in Eastern Europe and the Soviet Union, he used his personal relationships with foreign leaders to bring about comprehensive peace talks between Israel and its Arab neighbors, to encourage a peaceful unification of Germany, and to negotiate broad and substantial arms cuts with the Russians. Bush reacted to Iraq's invasion of Kuwait in 1990 by sending 400,000 soldiers to form the basis of a multinational coalition, which he assembled and which destroyed Iraq's main force within seven months. This conflict became known as the Gulf War.

One of the biggest crises that the Bush administration encountered was the collapse of the savings and loan industry in the late eighties. Thrift institutions were required by law to pay low interest rates for deposits and long-term loans. The creation of money market funds for the small investor in the eighties which paid higher rates of return than savings accounts prompted depositors to withdraw their money from banks and invest it in the higher yielding mutual funds. To finance the withdrawals, banks began selling assets at a loss. The deregulation of the savings and loan industry, combined with the increase in federal deposit insurance from \$40,000 to \$100,000 per account, encouraged many desperate savings institutions to invest in high-risk real-estate ventures, for which no state supervision or regulation existed. When the majority of such ventures predictably failed, the federal govern-

ment found itself compelled by law to rescue the thrifts. It is estimated that this will cost to taxpayers \$345 billion, in settlements that will continue through 2029.

In his bid for reelection in 1992, Bush faced not only Democratic nominee Bill Clinton, governor of Arkansas, but also third-party candidate Ross Perot, a Dallas billionaire who had made his fortune in the computer industry. In contrast to Bush's first run for the presidency, when the nation had enjoyed an unusually long period of economic expansion, the economy in 1992 was just beginning to recover from a recession. Although data released the following year indicated that a healthy rebound had already begun in 1992, the public perceived the economy during election year as weak. Clinton took advantage of this perception in his campaign, focusing on the financial concerns of what he called "the forgotten middle class." He also took a more centrist position on many issues than more traditional Democrats, promising fiscal responsibility and economic growth. Clinton defeated Bush, winning 43% of the vote to Bush's 38%. Perot garnered 18% of the vote.

At its outset, Clinton's presidency was plagued by numerous setbacks, most notably the failure of his controversial health care reform plan, drawn up under the leadership of first lady Hillary Rodham Clinton. Major accomplishments included the passage, by a narrow margin, of a deficit-reduction bill calling for tax increases and spending cuts and Congressional approval of the North American Free Trade Agreement, which removed or reduced tariffs on most goods moving across the borders of the United States, Canada, and Mexico. Although supporters and critics agreed that the treaty would create or eliminate relatively few jobs—two hundred thousand—the accord prompted heated debate. Labor strenuously opposed the agreement, seeing it as accelerating the flight of factory jobs to countries with low labor costs such as Mexico, the third-largest trading partner of the United States. Business, on the other hand, lobbied heavily for the treaty, arguing that it would create new markets for American goods and insisting that competition from Mexico would benefit the American economy.

By the fall of 1994, many American workers, still confronting stagnating wages, benefits, and living standards, had yet to feel the effects of the nation's recovery from the recession of 1990–91. The resulting disillusionment with the actions of the Clinton administration and the Democrat-controlled Congress, combined with the widespread climate of social conservatism resulting from a perceived erosion of traditional moral values led to an overwhelming upset by the Republican party in the 1994 midterm elections. The GOP gained control of both houses of Congress for the first time in over 40 years, also winning 11 gubernatorial races, for control of a total of 30 governorships nationwide. The Republican agenda—increased defense spending and cuts in taxes, social programs, and farm subsidies—had been popularized under the label "Contract with America," the title of a manifesto circulated during the campaign.

The ensuing confrontation between the nation's Democratic president and Republican-controlled Congress came to a head at the end of 1995, when Congress responded to presidential vetoes of appropriations and budget bills by refusing to pass stop gap spending measures, resulting in major shutdowns of the federal government in November and December. The following summer, however, the president and Congress joined forces to reform the welfare system through a bill replacing Aid to Families with De-

pendent Children with block grants through which welfare funding would largely become the province of the states.

The nation's economic recovery gained strength as the decade advanced, with healthy growth, falling unemployment, and moderate interest and inflation levels. Public confidence in the economy was reflected in a bull market on the stock exchange, which gained 60% between 1995 and 1997. Bolstered by a favorable economy at home and peace abroad, Clinton's faltering popularity rebounded and in 1996 he became the first Democratic president elected to a second term since Franklin D. Roosevelt in 1936, defeating the Republican candidate, former Senate majority leader Robert Dole, and Independent Ross Perot, whose electoral support was greatly reduced from its 1992 level. The Republicans retained control of both houses of Congress. In 1997, President Clinton signed into law a bipartisan budget plan designed to balance the federal budget by 2002 for the first time since 1969, through a combination of tax and spending cuts. In 1998–99, the federal government experienced two straight years of budget surpluses.

In 1998, special prosecutor Kenneth Starr submitted a report to Congress that resulted in the House of Representatives passing four articles of impeachment against President Clinton. In the subsequent trial in the Senate, the articles were defeated.

Regulation of the three large financial industries underwent significant change in late 1999. The Gramm-Leach-Bliley Act (also known as the Financial Modernization Act) was passed by Congress in November 1999. It cleared the way for banks, insurance companies, and securities companies to sell each other's services and to engage in merger and acquisition activity. Prior to the Act's passage, activities of the banking, insurance and securities industries were strictly limited by the Glass Steagall Act of 1933, which Gramm-Leach-Bliley repealed.

Health care issues received significant attention in 2000. On 23 November 1998, 46 states and the District of Columbia together reached a settlement with the large US tobacco companies over compensation for smoking-related healthcare costs incurred by the states. Payments to the states, totaling \$206 billion, were scheduled to be made over 25 years beginning in 1999. Most states passed Patients' Rights legislation, and all 50 states and the District of Columbia passed Children's Health Insurance Programs (CHIP) legislation to provide health care to children in low-income families.

The ongoing strong economy continued through the late 1990s and into 2000. Economic expansion set a record for longevity, and—except for higher gasoline prices during summer 2000, stemming from higher crude oil prices—inflation continued to be relatively low. By 2000, there was additional evidence that productivity growth had improved substantially since the mid-1990s, boosting living standards while helping to hold down increases in costs and prices despite very tight labor markets.

In 2000, Hispanics replaced African Americans as the largest minority group in the United States. (Hispanics numbered 35.3 million in 2000, or 12.5% of the population, compared with 34.7 million blacks, or 12.3% of the population.)

The 2000 presidential election was one of the closest in US history, pitting Democratic vice president Al Gore against Republican Party candidate George W. Bush, son of former president George H. W. Bush. The vote count in Florida became the determining factor in the 7 November election, as each candidate need-

ed to obtain the state's 25 electoral college votes in order to capture the 270 needed to win the presidency. When in the early hours of 8 November Bush appeared to have won the state's 25 votes, Gore called Bush to concede the election. He soon retracted the concession, however, after the extremely thin margin of victory triggered an automatic recount of the vote in Florida. The Democrats subsequently mounted a series of legal challenges to the vote count in Florida, which favored Bush. Eventually, the US Supreme Court, in *Bush v. Gore*, was summoned to rule on the election. On 12 December 2000, the Court, divided 5–4, reversed the Florida state supreme court decision that had ordered new recounts called for by Al Gore. George W. Bush was declared president. Gore had won the popular vote, however, capturing 48.4% of votes cast to Bush's 47.9%.

Once inaugurated, Bush called education his top priority, stating that “no child should be left behind” in America. He affirmed support for Medicare and Social Security, and called for pay and benefit increases for the military. He called upon charities and faith-based community groups to aid the disadvantaged. Bush announced a \$1.6 trillion tax cut plan (subsequently reduced to \$1.35 trillion) in his first State of the Union Address as an economic stimulus package designed to respond to an economy that had begun to falter. He called for research and development of a missile-defense program, and warned of the threat of international terrorism.

The threat of international terrorism was made all too real on 11 September 2001, when 19 hijackers crashed 4 passenger aircraft into the North and South towers of the World Trade Center, the Pentagon, and a field in Stony Creek Township in Pennsylvania. The World Trade Center towers were destroyed. Approximately 3,000 people were confirmed or reported dead as a result of all four 11 September 2001 attacks. The terrorist organization al-Qaeda, led by Saudi-born Osama bin Laden, was believed to be responsible for the attacks, and a manhunt for bin Laden began.

On 7 October 2001, the United States and Britain launched air strikes against known terrorist training camps and military installations within Afghanistan, ruled by the Taliban regime that supported the al-Qaeda organization. The air strikes were supported by leaders of the European Union and Russia, as well as other nations. By December 2001, the Taliban were defeated, and Afghan leader Hamid Karzai was chosen to lead an interim administration for the country. Remnants of al-Qaeda still remained in Afghanistan and the surrounding region, and a year after the 2001 offensive more than 10,000 US soldiers remained in Afghanistan to suppress efforts by either the Taliban or al-Qaeda to regroup. As of 2005, Allied soldiers continued to come under periodic attack in Afghanistan.

As a response to the 11 September 2001 terrorist attacks, the US Congress that October approved the USA Patriot Act, proposed by the Bush administration. The act gave the government greater powers to detain suspected terrorists (or also immigrants), to counter money-laundering, and increase surveillance by domestic law enforcement and international intelligence agencies. Critics claimed the law did not provide for the system of checks and balances that safeguard civil liberties in the United States.

Beginning in late 2001, corporate America suffered a crisis of confidence. In December 2001, the energy giant Enron Corporation declared bankruptcy after massive false accounting practices

came to light. Eclipsing the Enron scandal, telecommunications giant WorldCom in June 2002 disclosed that it had hid \$3.8 billion in expenses over 15 months. The fraud led to WorldCom's bankruptcy, the largest in US history (the company had \$107 billion in assets).

In his January 2002 State of the Union Address, President Bush announced that Iran, Iraq, and North Korea constituted an “axis of evil,” sponsoring terrorism and threatening the United States and its allies with weapons of mass destruction. Throughout 2002, the United States pressed its case against Iraq, stating that the Iraqi regime had to disarm itself of weapons of mass destruction. In November 2002, the UN Security Council passed Resolution 1441, calling upon Iraq to disarm itself of any chemical, biological, or nuclear weapons it might possess and to allow for the immediate return of weapons inspectors (they had been expelled in 1998). UN and IAEA (International Atomic Energy Agency) weapons inspectors returned to Iraq, but the United States and the United Kingdom expressed dissatisfaction with their progress, and indicated military force might be necessary to remove the Iraqi regime, led by Saddam Hussein. France and Russia, permanent members of the UN Security Council, and Germany, a nonpermanent member, in particular, opposed the use of military force. The disagreement caused a diplomatic rift in the West that was slow to repair.

After diplomatic efforts at conflict resolution failed by March 2003, the United States, on 19 March, launched air strikes against targets in Baghdad and war began. On 9 April, Baghdad fell to US forces, and work began on restoring basic services to the Iraqi population, including providing safe drinking water, electricity, and sanitation. On 1 May, President Bush declared major combat operations had been completed. Iraqi dictator Saddam Hussein was captured by US forces on 13 December 2003 and placed in custody.

In May 2004, the Abu Ghraib scandal erupted. Photographs of US soldiers engaged in acts of abuse—including physical, sexual, and psychological—against Iraqi prisoners being held at the Abu Ghraib military prison outside Baghdad were made public. The fact that the prison had been a place of torture and execution under Saddam Hussein's rule made the abuse seem even more degrading. Seven US suspects were named for carrying out the abuse; most were given prison sentences on charges ranging from conspiracy to assault, but some thought higher-ranking officials, including Secretary of Defense Donald Rumsfeld, should resign as well.

US forces increasingly became the targets of attacks in Iraq as an insurgency against the US military presence began. By late 2005, nearly 1,900 US soldiers had been killed since major combat operations were declared over on 1 May 2003. Some 138,000 US troops remained in Iraq in late 2005, and that number was expected to increase as a referendum on a new Iraqi constitution in October 2005 and national elections in December 2005 were to be held.

The 2004 presidential election was held on 2 November. President George W. Bush and Vice President Dick Cheney defeated Democratic challengers John F. Kerry and John R. Edwards. Bush received approximately 3 million more popular votes than Kerry, and won the electoral vote 286 to 251. (One electoral vote went to John Edwards when an elector pledged to Kerry voted for “John Edwards” instead.) The vote in Ohio was the deciding factor, and

upon conceding Ohio, Kerry conceded the election. The campaign was run on such issues as terrorism, the War in Iraq, the economy, and to a lesser extent issues of morality and values—antigay marriage measures were on the ballots in 11 states, and all passed.

In August 2005, Hurricane Katrina landed on the Gulf Coast of the United States, in what was one of the worst natural disasters in US history. The city of New Orleans, Louisiana, was evacuated, but some 150,000 people were unable to leave before the storm hit. A day after the storm appeared to have bypassed the city's center, levees were breached by the storm surge and water submerged the metropolis. Rescuers initially ignored the bodies of the dead in the search to find the living. Those unable to leave the city were sheltered in the Louisiana Superdome and New Orleans Convention Center; air conditioning, electricity, and running water failed, making for unsanitary and uncomfortable conditions. They were later transferred to other shelters, including the Houston Astrodome. Looting, shootings, and carjackings exacerbated already devastating conditions. The costs of the hurricane and flooding were exceedingly high in terms of both loss of life and economic damage: more than 1,000 people died and damages were estimated to reach \$200 billion. Katrina had global economic consequences, as imports, exports, and oil supplies—including production, importation, and refining—were disrupted. The Federal Emergency Management Agency (FEMA) of the Department of Homeland Security, and President Bush were criticized in varying degrees for their lack of adequate response to the disaster. FEMA director Michael D. Brown resigned his position amid the furor. Race and class issues also came to the fore, as the majority of New Orleans residents unable to evacuate the city and affected by the catastrophe were poor and African American.

### 13 GOVERNMENT

The Constitution of the United States, signed in 1787, is the nation's governing document. In the first 10 amendments to the Constitution, ratified in 1791 and known as the Bill of Rights, the federal government is denied the power to infringe on rights generally regarded as fundamental to the civil liberties of the people. These amendments prohibit the establishment of a state religion and the abridgment of freedom of speech, press, and the right to assemble. They protect all persons against unreasonable searches and seizures, guarantee trial by jury, and prohibit excessive bail and cruel and unusual punishments. No person may be required to testify against himself, nor may he be deprived of life, liberty, or property without due process of law. The 13th Amendment (1865) banned slavery; the 15th (1870) protected the freed slaves' right to vote; and the 19th (1920) guaranteed the franchise to women. In all, there have been 27 amendments, the last of which, proposed in 1789 but ratified in 1992, denied the variation of the compensation of Senators and Representatives until an election intervened. The Equal Rights Amendment (ERA), approved by Congress in 1972, would have mandated equality between the sexes; only 35 of the required 38 states had ratified the ERA by the time the ratification deadline expired on 30 June 1982.

The United States has a federal form of government, with the distribution of powers between the federal government and the states constitutionally defined. The legislative powers of the federal government are vested in Congress, which consists of the House of Representatives and the Senate. There are 435 members

of the House of Representatives. Each state is allotted a number of representatives in proportion to its population as determined by the decennial census. Representatives are elected for two-year terms in every even-numbered year. A representative must be at least 25 years old, must be a resident of the state represented, and must have been a citizen of the United States for at least seven years. The Senate consists of two senators from each state, elected for six-year terms. Senators must be at least 30 years old, must be residents of the states from which they are elected, and must have been citizens of the United States for at least nine years. One-third of the Senate is elected in every even-numbered year.

Congress legislates on matters of taxation, borrowing, regulation of international and interstate commerce, formulation of rules of naturalization, bankruptcy, coinage, weights and measures, post offices and post roads, courts inferior to the Supreme Court, provision for the armed forces, among many other matters. A broad interpretation of the "necessary and proper" clause of the Constitution has widened considerably the scope of congressional legislation based on the enumerated powers.

A bill that is passed by both houses of Congress in the same form is submitted to the president, who may sign it or veto it. If the president chooses to veto the bill, it is returned to the house in which it originated with the reasons for the veto. The bill may become law despite the president's veto if it is passed again by a two-thirds vote in both houses. A bill becomes law without the president's signature if retained for 10 days while Congress is in session. After Congress adjourns, if the president does not sign a bill within 10 days, an automatic veto ensues.

The president must be "a natural born citizen" at least 35 years old, and must have been a resident of the United States for 14 years. Under the 22nd Amendment to the Constitution, adopted in 1951, a president may not be elected more than twice. Each state is allotted a number of electors based on its combined total of US senators and representatives, and, technically, it is these electors who, constituted as the electoral college, cast their vote for president, with all of the state's electoral votes customarily going to the candidate who won the largest share of the popular vote of the state (the District of Columbia also has three electors, making a total of 538 votes). Thus, the candidate who wins the greatest share of the popular vote throughout the United States may, in rare cases, fail to win a majority of the electoral vote. If no candidate gains a majority in the electoral college, the choice passes to the House of Representatives.

The vice president, elected at the same time and on the same ballot as the president, serves as ex officio president of the Senate. The vice president assumes the power and duties of the presidency on the president's removal from office or as a result of the president's death, resignation, or inability to perform his duties. In the case of a vacancy in the vice presidency, the president nominates a successor, who must be approved by a majority in both houses of Congress. The Congress has the power to determine the line of presidential succession in case of the death or disability of both the president and vice president.

Under the Constitution, the president is enjoined to "take care that the laws be faithfully executed." In reality, the president has a considerable amount of leeway in determining to what extent a law is or is not enforced. Congress's only recourse is impeachment, to which it has resorted only three times, in proceedings



against presidents Andrew Johnson, Richard Nixon, and Bill Clinton. Both the president and the vice president are removable from office after impeachment by the House and conviction at a Senate trial for “treason, bribery, or other high crimes and misdemeanors.” The president has the power to grant reprieves and pardons for offenses against the United States except in cases of impeachment.

The president nominates and “by and with the advice and consent of the Senate” appoints ambassadors, public ministers, consuls, and all federal judges, including the justices of the Supreme Court. As commander in chief, the president is ultimately responsible for the disposition of the land, naval, and air forces, but the power to declare war belongs to Congress. The president conducts foreign relations and makes treaties with the advice and consent of the Senate. No treaty is binding unless it wins the approval of two-thirds of the Senate. The president’s independence is also limited by the House of Representatives, where all money bills originate.

The president also appoints as his cabinet, subject to Senate confirmation, the secretaries who head the departments of the executive branch. As of 2005, the executive branch included the following cabinet departments: Agriculture (created in 1862), Commerce (1913), Defense (1947), Education (1980), Energy (1977), Health and Human Services (1980), Housing and Urban Development (1965), Interior (1849), Justice (1870), Labor (1913), State (1789), Transportation (1966), Treasury (1789), Veterans’ Affairs (1989), and Homeland Security (2002). The Department of Defense—headquartered in the Pentagon, the world’s largest office building—also administers the various branches of the military: Air Force, Army, Navy, defense agencies, and joint-service schools. The Department of Justice administers the Federal Bureau of Investigation, which originated in 1908; the Central Intelligence Agency (1947) is under the aegis of the executive office. Among the several hundred quasi-independent agencies are the Federal Reserve System (1913), serving as the nation’s central bank, and the major regulatory bodies, notably the Environmental Protection Agency (1970), Federal Communications Commission (1934), Federal Power Commission (1920), Federal Trade Commission (1914), and Interstate Commerce Commission (1887).

Regulations for voting are determined by the individual states for federal as well as for local offices, and requirements vary from state to state. In the past, various southern states used literacy tests, poll taxes, “grandfather” clauses, and other methods to disfranchise black voters, but Supreme Court decisions and congressional measures, including the Voting Rights Act of 1965, more than doubled the number of black registrants in Deep South states between 1964 and 1992. In 1960, only 29.1% of the black voting-age population was registered to vote; by the mid-1990s, that percentage had risen to over 65%.

As of the November 2004 presidential election, there were over 16 million registered African American voters (64.4% of those African Americans eligible to vote). The number of registered Hispanic voters increased from 2.5 million in 1972 to 9 million in 2004 (34.3% of eligible Hispanic voters). Sixty-four percent of eligible voters cast ballots in the 2004 presidential election, up from 60% in 2000. Voter registration was reported to be 72% nationwide. The next presidential election was to be held November 2008.

## <sup>14</sup>POLITICAL PARTIES

Two major parties, Democratic and Republican, have dominated national, state, and local politics since 1860. These parties are made up of clusters of small autonomous local groups primarily concerned with local politics and the election of local candidates to office. Within each party, such groups frequently differ drastically in policies and beliefs on many issues, but once every four years, they successfully bury their differences and rally around a candidate for the presidency. Minority parties have been formed at various periods in US political history, but most have generally allied with one of the two major parties, and none has achieved sustained national prominence. The most successful minority party in recent decades—that of Texas billionaire Ross Perot in 1992—was little more than a protest vote. Various extreme groups on the right and left, including a small US Communist Party, have had little political significance on a national scale; in 1980, the Libertarian Party became the first minor party since 1916 to appear on the ballot in all 50 states. The Green Party increased its showing in the 2000 election, with presidential candidate Ralph Nader winning 2.7% of the vote. Independent candidates have won state and local office, but no candidate has won the presidency without major party backing.

Traditionally, the Republican Party is more solicitous of business interests and gets greater support from business than does the Democratic Party. A majority of blue-collar workers, by contrast, have generally supported the Democratic Party, which favors more lenient labor laws, particularly as they affect labor unions; the Republican Party often (though not always) supports legislation that restricts the power of labor unions. Republicans favor the enhancement of the private sector of the economy, while Democrats generally urge the cause of greater government participation and regulatory authority, especially at the federal level.

Within both parties there are sharp differences on a great many issues; for example, northeastern Democrats in the past almost uniformly favored strong federal civil rights legislation, which was anathema to the Deep South; eastern Republicans in foreign policy are internationalist-minded, while Midwesterners of the same party constituted from 1910 through 1940 the hard core of isolationist sentiment in the country. More recently, “conservative” headings have been adopted by members of both parties who emphasize decentralized government power, strengthened private enterprise, and a strong US military posture overseas, while the designation “liberal” has been applied to those favoring an increased federal government role in economic and social affairs, disengagement from foreign military commitments, and safeguards for civil liberties.

President Nixon’s resignation and the accompanying scandal surrounding the Republican Party hierarchy had a telling, if predictable, effect on party morale, as indicated by Republican losses in the 1974 and 1976 elections. The latent consequences of the Vietnam and Watergate years appeared to take their toll on both parties, however, in growing apathy toward politics and mistrust of politicians among the electorate. Ronald Reagan’s successful 1980 presidential bid cut into traditional Democratic strongholds throughout the United States, as Republicans won control of the US Senate and eroded state and local Democratic majorities. On the strength of an economic recovery, President Reagan won reelection in November 1984, carrying 49 of 50 states (with a com-

bined total of 525 electoral votes) and 58.8% of the popular vote; the Republicans retained control of the Senate, but the Democrats held on to the House. Benefiting from a six-year expansion of the economy, Republican George H.W. Bush won 54% of the vote in 1988. As Reagan had, Bush successfully penetrated traditionally Democratic regions. He carried every state in the South as well as the industrial states of the North.

Bush's approval rating reached a high of 91% in March of 1991 in the wake of the Persian Gulf War. By July of 1992, however, that rating had plummeted to 25%, in part because Bush appeared to be disengaged from domestic issues, particularly the 1991 recession. Bill Clinton, governor of Arkansas and twenty years younger than Bush, presented himself to the electorate as a "New Democrat." He took more moderate positions than traditional New Deal Democrats, including calling for a middle-class tax cut, welfare reform, national service, and such traditionally Republican goals as getting tough on crime. The presidential race took on an unpredictable dimension with the entrance of Independent Ross Perot, a Texas billionaire. Perot, who attacked the budget deficit and called for shared sacrifice, withdrew from the race in July and then re-entered it in October. Clinton won the election with 43% of the vote, Bush received 38%, and Perot captured 18%, more than any third-party presidential candidate since Theodore Roosevelt in 1912. As of 1992, Democrats enjoyed a large advantage over Republicans in voter registration, held both houses of congress, had a majority of state governorships, and controlled most state legislative bodies. In 1996 Bill Clinton became the first Democratic president since Franklin Roosevelt to be elected to a second term, with 49% of the popular vote to 41% for Republican Bob Dole, and 8% for Ross Perot, who ran as a Reform Party candidate. Republicans retained control of the House and Senate.

Aided by a growing climate of conservatism on moral issues and popular discontent with the pace of economic recovery from the recent recession, the Republicans accomplished an historic upset in the 1994 midterm elections, gaining control of both houses of Congress for the first time since 1952. They gained 52 seats in the House, for a majority of 230–204, and 8 seats in the Senate, for a majority that came to 53–47 once Democrat Richard Shelby of Alabama changed parties shortly after the election. The Republicans also increased their power at the state level, winning 11 governorships, for a national total of 30. The number of state legislatures under Republican control increased from 8 to 19, with 18 controlled by the Democrats and 12 under split control. After the 1998 election, the Republican majority had eroded slightly in the House, with the 106th Congress including 223 Republicans, 210 Democrats, and 2 Independents; the Senate included 55 Republicans and 45 Democrats.

The major candidates in the 2000 presidential election were Republican George W. Bush, son of former president George H.W. Bush; his vice presidential running mate was Dick Cheney. The Democratic candidate was Vice President Al Gore, Jr. (Clinton administration 1992–2000). Gore chose Joseph Lieberman, senator from Connecticut, as his running mate. Lieberman, an Orthodox Jew, became the first Jew to run for national office. Following the contested presidential election of 2000, George W. Bush emerged as president following a ruling by the US Supreme Court. Gore won the popular vote, with 48.4%, to 47.9% for Bush, but Bush won the electoral college vote, 271–266, with one blank vote in the

electoral college cast. Sectional and demographic differences were evident in the 2000 election, with the Northeast, parts of the Midwest, the Pacific states, and most urban areas voting Democratic, and the South, West, and rural communities voting Republican.

Following the November 2002 mid-term elections, Republicans held 229 of 435 seats in the House of Representatives, and there were 205 Democrats and 1 independent in the House. The Republicans held an extremely thin margin in the Senate, of 51 seats, to the Democrats' 48. There was one independent in the Senate, former Republican Jim Jeffords. Following the election, Nancy Pelosi became the Democratic majority leader in the House of Representatives, the first woman to head either party in Congress. As a result of the 2002 election, there were 60 women, 37 African Americans, and 22 Hispanics in the House of Representatives, and 14 women in the Senate. There were no African American or Hispanic senators following the 2002 election.

The 2004 presidential election was won by incumbent George W. Bush and his running mate Dick Cheney. They defeated Democrats John F. Kerry and John Edwards. Bush received 286 electoral votes, Kerry 251, and Edwards 1 when an elector wrote the name "John Edwards" in on the electoral ballot. Bush received a majority of the popular vote—50.73%, to Kerry's 48.27%—or three million more votes than Kerry. Voter turnout was the highest since 1968, at 64%. The composition of the 109th Congress after the 2004 election was as follows: 55 Republicans, 44 Democrats, and 1 Independent in the Senate, and 232 Republicans, 202 Democrats, and 1 independent in the House of Representatives. The next elections for the Senate and House of Representatives were to be held November 2006.

The 1984 election marked a turning point for women in national politics. Geraldine A. Ferraro, a Democrat, became the first female vice presidential nominee of a major US political party; no woman has ever captured a major-party presidential nomination. In the 109th Congress (2005–06), 14 women served in the US Senate, and 68 women held seats in the US House of Representatives (including delegates).

The 1984 presidential candidacy of Jesse L. Jackson, election, the first African American ever to win a plurality in a statewide presidential preference primary, likewise marked the emergence of African Americans as a political force, especially within the Democratic Party. In 1992 an African American woman, Democrat Carol Moseley Braun of Illinois, won election to the Senate, becoming the first black senator; Moseley Braun lost her reelection bid in 1998. She was a candidate for president in 2004.

There were 42 African Americans in the House of Representatives and one in the Senate in the 109th Congress. Twenty-six Hispanics were serving in the House and two in the Senate, a record number. Eight members of Congress were of Asian/Hawaiian/or other Pacific Islander ethnicity, six in the House of Representatives and two in the Senate. There was one Native American in the House. (These numbers include delegates.)

## 15 LOCAL GOVERNMENT

Governmental units within each state comprise counties, municipalities, and such special districts as those for water, sanitation, highways, and parks and recreation. There are more than 3,000 counties in the United States; more than 19,000 municipalities, including cities, villages, towns, and boroughs; nearly 15,000 school

districts; and at least 31,000 special districts. Additional townships, authorities, commissions, and boards make up the rest of the nearly 85,000 local governmental units.

The 50 states are autonomous within their own spheres of government, and their autonomy is defined in broad terms by the 10th Amendment to the US Constitution, which reserves to the states such powers as are not granted to the federal government and not denied to the states. The states may not, among other restrictions, issue paper money, conduct foreign relations, impair the obligations of contracts, or establish a government that is not republican in form. Subsequent amendments to the Constitution and many Supreme Court decisions added to the restrictions placed on the states. The 13th Amendment prohibited the states from legalizing the ownership of one person by another (slavery); the 14th Amendment deprived the states of their power to determine qualifications for citizenship; the 15th Amendment prohibited the states from denying the right to vote because of race, color, or previous condition of servitude; and the 19th, from denying the vote to women.

Since the Civil War, the functions of the state have expanded. Local business—that is, business not involved in foreign or interstate commerce—is regulated by the state. The states create subordinate governmental bodies such as counties, cities, towns, villages, and boroughs, whose charters they either issue or, where home rule is permitted, approve. States regulate employment of children and women in industry, and enact safety laws to prevent industrial accidents. Unemployment insurance is a state function, as are education, public health, highway construction and safety, operation of a state highway patrol, and various kinds of personal relief. The state and local governments still are primarily responsible for providing public assistance, despite the large part the federal government plays in financing welfare.

Each state is headed by an elected governor. State legislatures are bicameral except Nebraska's, which has been unicameral since 1934. Generally, the upper house is called the senate, and the lower house the house of representatives or the assembly. Bills must be passed by both houses, and the governor has a suspensive veto, which usually may be overridden by a two-thirds vote.

The number, population, and geographic extent of the more than 3,000 counties in the United States—including the analogous units called boroughs in Alaska and parishes in Louisiana—show no uniformity from state to state. The county is the most conspicuous unit of rural local government and has a variety of powers, including location and repair of highways, county poor relief, determination of voting precincts and of polling places, and organization of school and road districts. City governments, usually headed by a mayor or city manager, have the power to levy taxes; to borrow; to pass, amend, and repeal local ordinances; and to grant franchises for public service corporations. Township government through an annual town meeting is an important New England tradition.

From the 1960s into the 21st century, a number of large cities began to suffer severe fiscal crises brought on by a combination of factors. Loss of tax revenues stemmed from the migration of middle-class residents to the suburbs and the flight of many small and large firms seeking to avoid the usually higher costs of doing business in urban areas. Low-income groups, many of them unskilled blacks and Hispanic migrants, came to constitute large segments

of city populations, placing added burdens on locally funded welfare, medical, housing, and other services without providing the commensurate tax base for additional revenues.

## <sup>16</sup>JUDICIAL SYSTEM

The Supreme Court, established by the US Constitution, is the nation's highest judicial body, consisting of the chief justice of the United States and eight associate justices. All justices are appointed by the president with the advice and consent of the Senate. Appointments are for life "during good behavior," otherwise terminating only by resignation or impeachment and conviction.

The original jurisdiction of the Supreme Court is relatively narrow; as an appellate court, it is open to appeal from decisions of federal district courts, circuit courts of appeals, and the highest courts in the states, although it may dismiss an appeal if it sees fit to do so. The Supreme Court, by means of a writ of certiorari, may call up a case from a district court for review. Regardless of how cases reach it, the Court enforces a kind of unity on the decisions of the lower courts. It also exercises the power of judicial review, determining the constitutionality of state laws, state constitutions, congressional statutes, and federal regulations, but only when these are specifically challenged.

The Constitution empowers Congress to establish all federal courts inferior to the Supreme Court. On the lowest level and handling the greatest proportion of federal cases are the district courts—including one each in Puerto Rico, Guam, the Virgin Islands, the Northern Mariana Islands, and the District of Columbia—where all offenses against the laws of the United States are tried. Civil actions that involve cases arising under treaties and laws of the United States and under the Constitution, where the amount in dispute is greater than \$5,000, also fall within the jurisdiction of the district courts. District courts have no appellate jurisdiction; their decisions may be carried to the courts of appeals, organized into 13 circuits. These courts also hear appeals from decisions made by administrative commissions. For most cases, this is usually the last stage of appeal, except where the court rules that a statute of a state conflicts with the Constitution of the United States, with federal law, or with a treaty. Special federal courts include the Court of Claims, Court of Customs and Patent Appeals, and Tax Court.

State courts operate independently of the federal judiciary. Most states adhere to a court system that begins on the lowest level with a justice of the peace and includes courts of general trial jurisdiction, appellate courts, and, at the apex of the system, a state supreme court. The court of trial jurisdiction, sometimes called the county or superior court, has both original and appellate jurisdiction; all criminal cases (except those of a petty kind) and some civil cases are tried in this court. The state's highest court, like the Supreme Court of the United States, interprets the constitution and the laws of the state.

The grand jury is a body of from 13 to 24 persons that brings indictments against individuals suspected of having violated the law. Initially, evidence is presented to it by either a justice of the peace or a prosecuting county or district attorney. The trial or petit jury of 12 persons is used in trials of common law, both criminal and civil, except where the right to a jury trial is waived by consent of all parties at law. It judges the facts of the case, while the court is concerned exclusively with questions of law. The US accepts the

compulsory jurisdiction of the International Court of Justice with reservations.

## 17 ARMED FORCES

The armed forces of the United States of America in 2005 numbered 1.473 million on active duty and 1.29 million in the Ready Reserve, a category of participation that allows regular training with pay and extended active duty periods for training. Membership in all US armed forces is voluntary and has been since 1973 when conscription expired as the Vietnam war was winding down. The active duty force includes 196,100 women, who serve in all grades and all occupational specialties except direct ground combat units and some aviation billets.

In the 1990s, the armed forces reduced their personnel numbers and force structure because of the diminished threat of a nuclear war with the former Soviet Union or a major conflict in central Europe. Despite the interlude of the Gulf War, 1990–91, the force reductions continued throughout the decade, forcing some restructuring of the active duty forces, with emphasis on rapid deployment to deter or fight major regional conflicts much like the Gulf War, in Korea, elsewhere in the Middle East, or Latin America (e.g. Cuba). The conventional force debate centered on whether the United States could or should maintain forces to fight two regional conflicts simultaneously. In the spring of 1999, the United States took part in the NATO air campaign in response to the crisis in Kosovo, and the ensuing US participation in peacekeeping operations in the region brought with it the prospect of another long-term overseas deployment.

For the purposes of administration, personnel management, logistics, and training, the traditional four military services in the Department of Defense remain central to strategic planning. The US Army numbers 502,000 soldiers on active duty, and are deployed into 10 divisions (two armored, four mechanized infantry, two light infantry, one air assault and one airborne), as well as into various armored cavalry, aviation, artillery, signals, psychological operations, ranger, Special Forces, civil affairs and air defense units. Army missions involving special operations are given to Special Forces groups, an airborne ranger regiment, an aviation group, and a psychological warfare group, with civil affairs and communications support units. The Army had 7,620 main battle tanks, 6,719 infantry fighting vehicles, 14,900 armored personnel carriers, 6,530 towed or self-propelled artillery pieces, some 268 fixed wing aircraft, and 4,431 armed and transport helicopters. The Army National Guard (355,900) emphasizes the preparation of combat units up to division size for major regional conflicts, while the Army Reserve (351,350) prepares individuals to fill active units or provide combat support or service support/technical/medical units upon mobilization. In addition, the National Guard retains a residual state role in suppressing civil disturbances and providing disaster relief.

The US Navy had 376,750 active personnel. The service has seen its role shift from nuclear strategic deterrence and control of sea routes to Europe and Asia, to the projection of naval power from the sea. Naval task forces normally combine three combat elements: air, surface, and subsurface. The Navy had up to 80 nuclear-powered submarines, that consisted of 16 strategic ballistic missile (SSBN) and 64 tactical/attack (SSGN and SSN) submarines. The latter ships can launch cruise missiles at land targets.

As of 2005, naval aviation was centered on 12 carriers (nine nuclear-powered) and 11 carrier aircraft wings, which included armed ASW helicopters and armed long-range ASW patrol aircraft, as well as a large fleet of communications and support aircraft. The Navy controlled 983 combat capable fixed wing aircraft and 608 helicopters of all types. Naval aviation reserves provided additional wings for carrier deployment. The surface force included 27 cruisers (22 with advanced anti-air suites), 49 destroyers, 30 frigates, 38 amphibious ships, 26 mine warfare ships, and 21 patrol and coastal combatants. More ships are kept in ready reserve or were manned by surface line reserve units. The fleet support force also included specialized ships for global logistics that are not base-dependent.

The Marine Corps, a separate branch of the Navy, was organized into three active divisions and three aircraft wings of the Fleet Marine Force, which also included three Force Service Support groups and special operations and antiterrorism units. The Marine Corps (173,350; 11,311 reservists) emphasized amphibious landings but trained for a wide-range of contingency employments. The Marines had 344 combat capable fixed wing aircraft, 304 helicopters of all types, 403 main battle tanks, 1,311 amphibious armored vehicles, and about 1,511 artillery pieces (926 towed).

As of 2005, the US Air Force had 379,500 active personnel, and was focused on becoming rapidly deployable rather than US-based. Almost all its aircraft are now dedicated to nonstrategic roles in support of forward deployed ground and naval forces. The Air Force stressed the missions of air superiority and interdiction with complementary operations in electronic warfare and reconnaissance, but it also included 29 transport squadrons. Air Force personnel manage the US radar and satellite early-warning and intelligence effort. The Air Force Reserve and Air National Guard (roughly 183,200 active reserves) provided a wide range of flying and support units, and its flying squadrons had demonstrated exceptional readiness and combat skills on contingency missions. Air Force reserves, for example, were the backbone of the air refueling and transport fleets.

The armed forces were deployed among a range of functional unified or specified commands for actual missions. Strategic forces were under the US Strategic Command, which was a combined service command that controlled the United States' strategic nuclear deterrence forces, which as of 2005, was made up of 550 land-based ICBMs, 16 Navy fleet ballistic missile submarines (SSBNs), and 85 operational long-range bombers (B-52s and B-1As). Land-based ICBMs are under the Air Force Space Command, while the long-range bomber force was under the Air Force Air Combat Command. The Strategic Command was also responsible for strategic reconnaissance and intelligence collection, and the strategic early warning and air defense forces. In 2002 the Treaty of Moscow was signed between the United States and Russia to reduce deployed nuclear weapons by two-thirds by the year 2012. As of 2002, the United States had more than 10,000 operational nuclear warheads.

The conventional forces were deployed to a mix of geographic and organizational commands, including the Atlantic, European, Central, Southern, Northern and Pacific commands, as well as to specific organizational commands such as the Transportation Command, Special Operations Command and Air Mobility Command. Major operational units are deployed to Germany, Korea,

and Japan as part of collective security alliances, in addition to forces stationed throughout other countries in the Middle East, Africa, Southeast Asia, Western and Eastern Europe, and Latin America. Approximately 19,000 US troops are stationed in Afghanistan with Operation Enduring Freedom.

Patterns of defense spending reflected the movement away from Cold War assumptions and confrontation with the former Soviet Union and the People's Republic of China. During the 1980s when defense spending hovered around \$300 billion a year and increased roughly 30% over the decade, defense spending absorbed roughly 6% of the gross domestic spending, 25% of federal spending, and 16% of net public spending. In the early 1990s, when the defense budget slipped back to the \$250–\$260 billion level, the respective percentages were 4.5, 18, and 11, the lowest levels of support for defense since the Korean War (1950). In 1999, the defense budget was \$276.7 billion or 3.2% of GDP. In 2005, US defense budget outlays totaled \$465 billion.

## 18 INTERNATIONAL COOPERATION

The United States is a charter member of the United Nations, having joined on 24 October 1945. The United States participates in ECE, ECLAC, ESCAP, and all the nonregional specialized agencies. The United States is a permanent member of the UN Security Council. The United States participates in numerous intergovernmental organizations, including the Asian Development Bank, the African Development Bank, OECD, APEC, the Colombo Plan, the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, G-5, G-7, G-8, the Paris Club (G-10), OSCE, and the WTO. Hemispheric agencies include the Inter-American Development Bank and the OAS. The country is an observer in the Council of Europe and a dialogue partner with ASEAN.

In 1992, the United States, Canada, and Mexico signed the North American Free Trade Agreement (NAFTA), creating a free-trade zone among the three countries. It was ratified by all three governments in 1993 and took effect the following year.

NATO is the principal military alliance to which the United States belongs. The ANZUS alliance was a mutual defense pact between Australia, New Zealand, and the United States; in 1986, following New Zealand's decision to ban US nuclear-armed or nuclear-powered ships from its ports, the United States renounced its ANZUS treaty security commitments to New Zealand. The country is a signatory of the 1947 Río Treaty, an inter-American security agreement. The United States has supported UN missions and operations in Kosovo (est. 1999), Liberia (est. 2003), Georgia (est. 1993), and Haiti (est. 2004). The United States belongs to the Nuclear Suppliers Group (London Group), the Zangger Committee, the Nuclear Energy Agency, and the Organization for the Prohibition of Chemical Weapons. It holds observer status in the European Organization for Nuclear Research (CERN).

In environmental cooperation, the United States is part of the Central American–US Joint Declaration (CONCAUSA), the Antarctic Treaty, Conventions on Air Pollution and Whaling, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

The US economy is the world's largest. In variety and quantity, the natural resources of the United States probably exceed those of any other nation, with the possible exception of the former Soviet Union. The United States is among the world's leading exporters of coal, wheat, corn, and soybeans. However, because of its vast economic growth, the United States depends increasingly on foreign sources for a long list of raw materials, including oil.

By the middle of the 20th century, the United States was a leading consumer of nearly every important industrial raw material. The industry of the United States produced about 40% of the world's total output of goods, despite the fact that the country's population comprised about 6% of the world total and its land area about 7% of the earth's surface.

In absolute terms the United States far exceeds every other nation in the size of its gross domestic product (GDP), which more than tripled between 1970 and 1983. In 1998 the nation's GDP in purchasing power parity terms (PPP) reached a record \$8.5 trillion in current dollars, with per capita GDP reaching \$31,500. Per capita GDP (PPP) stood at \$40,100 in 2004, and the nation's GDP (PPP) was \$11.75 trillion.

Inflation was not as significant a factor in the US economy in the 1990s and early 2000s as it was in the 1970s and 1980s. The US inflation rate tends to be lower than that of the majority of industrialized nations. For the period 1970–78, for example, consumer prices increased by an annual average of 6.7%, less than in every other Western country except Austria, Luxembourg, Switzerland, and West Germany, and well below the price increase in Japan. The double-digit inflation of 1979–81 came as a rude shock to most Americans, with economists and politicians variously blaming international oil price rises, federal monetary policies, and US government spending.

The United States entered the post–World War II era with the world's largest, and strongest, economy. Public confidence in both business and government was strong, the nation enjoyed the largest peacetime trade surplus in its history, and the gross national product grew to a record \$482.7 billion by the end of the 1950s. In the sixties the country enjoyed the most sustained period of economic expansion it had known, accompanied by rising productivity and low unemployment. Real income rose 50% during the decade, and US investment in foreign countries reached \$49 billion in 1965, up from \$11.8 billion in 1950. Big business and big government were both powerful forces in the economy during this period, when large industrial corporations accounted for vast portions of the national income, and the federal government expanded its role in such areas as social welfare, scientific research, space technology, and development of the nation's highway system.

After two decades of prosperity, Americans experienced an economic downturn in the 1970s, a period known for the unprecedented combination of lagging economic growth and inflation that gave birth to the term *stagflation*. Foreign competitors in Japan and Europe challenged the global dominance of American manufacturers, and oil crises in 1973–74 and 1979 shook public confidence in the institutions of both government and business. The forced bailouts of Chrysler and Lockheed were symbolic of the difficult transition to a new economic era, marked by the growing importance of the service sector and the ascendancy of small businesses.

During Ronald Reagan's first presidential term, from 1980 to 1984, the nation endured two years of severe recession followed by two years of robust recovery. The inflation rate was brought down, and millions of new jobs were created. The economic boom of the early and mid-eighties, however, coincided with a number of alarming developments. Federal budget deficits, caused by dramatic increases in the military budget and by rising costs of entitlement programs such as Medicaid and Medicare, averaged more than \$150 billion annually. By 1992, the total deficit reached \$290 billion, or \$1,150 for every American. In addition, corporate debt rose dramatically, and household borrowing grew twice as fast as personal income. The eighties also witnessed a crisis in the banking industry, caused by a combination of factors, including high inflation and interest rates, problem loans to developing countries, and speculative real estate ventures that caused thousands of banks to fail when the real estate boom of the early eighties collapsed.

The disparity between the affluent and the poor widened at the end of the 20th century. The share of the nation's income received by the richest 5% of American families rose from 18.6% in 1977 to 24.5% in 1990, while the share of the poorest 20% fell from 5.7% to 4.3%. Externally, the nation's trade position deteriorated, as a high level of foreign investment combined with an uncompetitive US dollar to create a ballooning trade deficit. In 1990, the American economy plunged into a recession. Factors contributing to the slump included rising oil prices following Iraq's invasion of Kuwait, a sharp increase in interest rates, and declining availability of credit. Output fell 1.6% and 1.7 million jobs were cut. Unemployment rose from 5.2% in 1989 to 7.5% in 1991, but had fallen to 4.5% by 1998.

The recovery that began in March 1991 inaugurated a sustained period of expansion that, as of mid-2000, was the third longest since World War II, characterized by moderation in the key areas of growth, inflation, unemployment, and interest rates. Real GDP growth, which fluctuated between 2% and 3.5% throughout the period, was 3.9% for 1998. After peaking at 7.5%, unemployment declined steadily throughout the early and mid-1990s, falling to 5.6% in 1995, 5.3% at the end of 1996, and in 1998, remaining below 5%. After 1993/94, inflation mostly remained under 3%. One exception to the generally moderate character of the economy was the stock market, which rose 60% between 1995 and 1997, buoyed by the combination of low unemployment and low inflation, as well as strong corporate earnings. Further cause for optimism was the bipartisan balanced-budget legislation enacted and signed into law in 1997. The plan, combining tax and spending cuts over a five-year period, was aimed at balancing the federal budget by 2002 for the first time since 1969. In early 2001, the government projected a budget surplus of \$275 billion for the fiscal year ending that September. That surplus would soon be reversed.

At the beginning of the 21st century, significant economic concerns—aside from the inevitable worry over how long the boom could last without an eventual downturn—included the nation's sizable trade deficit, the increasing medical costs of an aging population, and the failure of the strong economy to improve conditions for the poor. Since 1975, gains in household income were experienced almost exclusively by the top 20% of households. However, in the late 1990s and early 2000s, productivity was con-

tinuing to grow, inflation was relatively low, and the labor market was tight.

Economic growth came to a standstill in the middle of 2001, largely due to the end of the long investment boom, especially in the information technology sector. The economy was in recession in the second half of 2001, and the service sector was affected as well as manufacturing. The 11 September 2001 terrorist attacks on the United States exacerbated the poor economic situation. Average real GDP growth rose by only 0.3% in 2001. The US economy, which had driven global economic growth during the 1990s, became the cause of a worldwide economic downturn, including in the rest of North America, Europe, Japan, and in the developing economies of Latin America and Southeast Asia strongly influenced by trends in the US economy.

The economy began to recover, slowly, in 2002, with GDP growth estimated at 2.45%. Analysts attributed the modest recovery to the ability of business decision-makers to respond to economic imbalances based on real-time information, on deregulation, and on innovation in financial and product markets. Nevertheless, domestic confidence in the economy remained low, and coupled with major corporate failures (including Enron and WorldCom) and additional stock market declines, growth remained sluggish and uneven. Economic growth slowed at the end of 2002 and into 2003, and the unemployment rate rose to 6.3% in July 2003. The CPI inflation rate fell to under 1.5% at the beginning of 2003, which raised concerns over the risk of deflation. As well, there was a substantial rise in military spending as a result of the war in Iraq which began in March 2003.

Following the start of the war in Iraq, consumer spending rebounded, as did stock prices; the housing market remained strong; inflation was low; the dollar depreciated on world markets; additional tax cuts were passed; there was an easing of oil prices; and productivity growth was strong. Nevertheless, in 2003, the federal budget deficit was projected to reach \$455 billion, the largest shortfall on record.

The American economy grew at the rate of 4.3% in the third quarter of 2005, despite the ravages of Hurricane Katrina, which destroyed the port city of New Orleans and closed down a large portion of the energy industry. Unemployment hovered around 5% in 2005. Productivity had grown by 4.7%. But the nation's fast-growing economy had shaky underpinnings. Oil prices were at their highest level in real terms since the early 1980s, at \$53.27/barrel. The inflation rate, which ran above 4% in late 2005, was at its highest level since 1991 (although core inflation, which excludes volatile energy and food prices, was still relatively modest). Wage growth was sluggish, and the jobs market was lagging the recovery. The current account deficit ballooned to record levels, and consumer spending was increasingly tied to prices in the overinflated housing market. The government ran a deficit of \$412 billion in 2004, or 3.6% of GDP, but the deficit was forecast to narrow to \$331 billion in 2006. Analysts projected that US deficits would average about 3.5% of GDP until about 2015.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 the United States's gross domestic product (GDP) was estimated at \$12.4 trillion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and com-

puted on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$41,800. The annual growth rate of GDP was estimated at 3.5%. The average inflation rate in 2005 was 3.2%. It was estimated that agriculture accounted for 1% of GDP, industry 20.7%, and services 78.3%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$3.031 billion or about \$10 per capita.

The World Bank reports that in 2003 household consumption in United States totaled \$7.385 trillion or about \$25,379 per capita based on a GDP of \$10.9 trillion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.7%. In 2001 it was estimated that approximately 13% of household consumption was spent on food, 9% on fuel, 4% on health care, and 6% on education. It was estimated that in 2004 about 12% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

The US labor force, including those who were unemployed, totaled 149.3 million in 2005. Of that total in that same year, farming, fishing and forestry accounted for 0.7% of the workforce, with manufacturing, extraction, transportation and crafts at 22.9%, managerial, professional and technical at 34.7%, sales and office at 25.4% and other services at 16.3%. Also that year, the unemployment rate was put at 5.1%. Earnings of workers vary considerably with type of work and section of country. In the first quarter of 2003, the national average wage was \$15.27 per hour for nonagricultural workers, with an average workweek of 33.8 hours. Workers in manufacturing had a national average wage of \$15.64, (including overtime), with the longest average workweek of all categories of workers at 40.4 hours in the first quarter of 2003.

In 2002, 13.2% of wage and salary workers were union members—16.1 million US citizens belonged to a union that year. In 1983, union membership was 20.1%. In 2002, there were 34 national labor unions with over 100,000 members, the largest being the National Educational Association with 2.7 million members as of 2003. The most important federation of organized workers in the United States is the American Federation of Labor–Congress of Industrial Organizations (AFL–CIO), whose affiliated unions had 13 million members as of 2003, down from 14.1 million members in 1992. The major independent industrial and labor unions and their estimated 2002 memberships are the International Brotherhood of Teamsters, 1,398,412, and the United Automobile Workers, some 710,000 (the majority of whom work for General Motors, Ford, and Daimler-Chrysler). Most of the other unaffiliated unions are confined to a single establishment or locality. US labor unions exercise economic and political influence not only through the power of strikes and slowdowns but also through the human and financial resources they allocate to political campaigns (usually on behalf of Democratic candidates) and through the selective investment of multibillion-dollar pension funds.

The National Labor Relations Act of 1935 (the Wagner Act), the basic labor law of the United States, was considerably modified by the Labor-Management Relations Act of 1947 (the Taft-Hart-

ley Act) and the Labor-Management Reporting and Disclosure Act of 1959 (the Landrum-Griffin Act). Closed-shop agreements, which require employers to hire only union members, are banned. The union shop agreement, however, is permitted, if it allows the hiring of nonunion members on the condition that they join the union within a given period of time.

As of 2003, 23 states had right-to-work laws, forbidding the imposition of union membership as a condition of employment. Under the Taft-Hartley Act, the president of the United States may postpone a strike for 90 days in the national interest. The act of 1959 requires all labor organizations to file constitutions, bylaws, and detailed financial reports with the Secretary of Labor, and stipulates methods of union elections. The National Labor Relations Board seeks to remedy or prevent unfair labor practices and supervises union elections, while the Equal Employment Opportunity Commission seeks to prevent discrimination in hiring, firing, and apprenticeship programs.

The number of work stoppages and of workers involved reached a peak in the late 1960s and early 1970s, declining steadily thereafter. In 2002, there were 19 major stoppages involving 46,000 workers resulting in 660,000 workdays idle, compared with 1995, when there were 31 major stoppages involving 191,500 workers resulting in 5,771,000 days idle; a major stoppage was defined as one involving 1,000 workers or more for a minimum of one day or shift.

## 2<sup>2</sup> AGRICULTURE

In 2004, the United States produced a substantial share of the world's agricultural commodities. Agricultural exports reached almost \$63.9 billion in 2004. The United States had an agricultural trade surplus of \$4 billion in 2004, 14th highest among the nations.

Between 1930 and 2004, the number of farms in the United States declined from 6,546,000 to an estimated 2,110,000. The total amount of farmland increased from 399 million hectares (986 million acres) in 1930 to 479 million hectares (1.18 billion acres) in 1959 but declined to 380 million hectares (938 million acres) in 2002. From 1930 to 2004, the size of the average farm tripled from 61 to 179 hectares (from 151 to 443 acres), a result of the consolidation effected by large-scale mechanized production. The farm population, which comprised 35% of the total US population in 1910, declined to 25% during the Great Depression of the 1930s, and dwindled to less than 2% by 2004.

A remarkable increase in the application of machinery to farms took place during and after World War II (1939–45). Tractors, trucks, milking machines, grain combines, corn pickers, and pick-up balers became virtual necessities in farming. In 1920 there was less than one tractor in use for every 400 hectares (1,000 acres) of cropland harvested; by 2003 there were five tractors per 400 hectares. Two other elements essential to US farm productivity are chemical fertilizers and irrigation. Fertilizers and lime represent more than 6% of farm operating expenses. Arable land under irrigation amounted to 12% of the total in 2003.

Substantial quantities of corn, the most valuable crop produced in the United States, are grown in almost every state; its yield and price are important factors in the economies of the regions where it is grown. Production of selected US crops in 2004 (in 1,000 metric tons), and their percent of world production were wheat,

58,737 (9.3%); corn, 299,917 (33.2%); rice, 10,469 (1.7%); soybeans, 85,013 (41.6%); cotton, 5,062 (20.5%); and tobacco, 398.8 (6.1%).

### 23 ANIMAL HUSBANDRY

The livestock population in 2005 included an estimated 95.8 million head of cattle, 60.6 million hogs, and 6.1 million sheep and lambs. That year, there were 1.9 billion chickens, and 88 million turkeys. Milk production totaled 80.1 million metric tons in that year, with Wisconsin, California, and New York together accounting for much of the total. Wisconsin, Minnesota, and California account for more than half of all US butter production, which totaled 608,900 metric tons in 2005; in that year, the United States was the world's largest producer of cheese, with almost 4.5 million metric tons (24% of the world's total). The United States produced an estimated 15% of the world's meat supply in 2005. In 2005, meat animals accounted for \$4.97 billion in exports; dairy and eggs, \$1.17 billion.

### 24 FISHING

The 2003 commercial catch was 5.48 million tons. Food fish make up 80% of the catch, and nonfood fish, processed for fertilizer and oil, 20%. Aquaculture accounts for about 10% of total production.

Alaska pollock, with landings of 1,524,904 tons, was the most important species in quantity among the commercial fishery landings in the United States in 2003. Other leading species by volume included Gulf menhaden, 522,195 tons; Atlantic menhaden, 203,263 tons; Pacific cod, 257,436 tons; North Pacific hake, 140,327 tons; and American cupped oyster, 183,940 tons. In 2003, exports of fish products totaled \$3,398 million (fourth after China, Thailand, and Norway).

Aquacultural production consists mostly of catfish, oysters, trout, and crayfish. In 2004, there were 1,147 catfish and 601 trout farms in the United States, with sales of \$425 million and \$64 million, respectively.

Pollution is a problem of increasing concern to the US fishing industry; dumping of raw sewage, industrial wastes, spillage from oil tankers, and blowouts of offshore wells are the main threats to the fishing grounds. Overfishing is also a threat to the viability of the industry in some areas, especially Alaska.

### 25 FORESTRY

US forestland covers about 226 million hectares (558.4 million acres), or 25% of the land area. Major forest regions include the eastern, central hardwood, southern, Rocky Mountain, and Pacific coast areas. The National Forest Service lands account for approximately 19% of the nation's forestland. Extensive tracts of land (4 million acres or more) are under ownership of private lumber companies in Alabama, Arkansas, Florida, Georgia, Maine, Oregon, and Washington. During 1990–2000, forested area increased by an annual average of 38,000 hectares (93,900 acres) per year.

Domestic production of roundwood during 2004 amounted to 458.3 million cu m (16.2 billion cu ft), or 1.7% of world production, of which softwoods accounted for roughly 60%. Other forest products in 2004 included 54.3 million metric tons of wood pulp, 83.6 million metric tons of paper and paperboard (excluding newsprint), and 44.2 million cu m (1.56 billion cu ft) of wood-

based panels. Rising petroleum prices in the late 1970s sparked a revival in the use of wood as home heating fuel, especially in the Northeast. Fuelwood and charcoal production amounted to 43.6 million cu m (1.5 billion cu ft) in 2004.

Throughout the 19th century, the federal government distributed forestlands lavishly as a means of subsidizing railroads and education. By the turn of the century, the realization that the forests were not inexhaustible led to the growth of a vigorous conservation movement, which was given increased impetus during the 1930s and again in the late 1960s. Federal timberlands are no longer open for private acquisition, although the lands can be leased for timber cutting and for grazing. In recent decades, the states also have moved in the direction of retaining forestlands and adding to their holdings when possible.

### 26 MINING

Rich in a variety of mineral resources, the United States was a world leader in the production of many important mineral commodities, such as aluminum, cement, copper, pig iron, lead, molybdenum, phosphates, potash, salt, sulfur, uranium, and zinc. The leading mineral-producing states were Arizona (copper, sand and gravel, portland cement, molybdenum); California (portland cement, sand and gravel, gold, boron); Michigan (iron ore, portland cement, sand and gravel, magnesium compounds); Georgia (clays, crushed and broken stone, portland and masonry cement, sand and gravel); Florida (phosphate rock, crushed and broken stone, portland cement, sand and gravel); Utah (copper, gold, magnesium metal, sand and gravel); Texas (portland cement, crushed and broken stone, magnesium metal, sand and gravel); and Minnesota (iron ore, construction and industrial sand and gravel, crushed and broken stone). Oklahoma and New Mexico were important for petroleum and natural gas, and Kentucky, West Virginia, and Pennsylvania, for coal. Iron ore supported the nation's most basic nonagricultural industry, iron and steel manufacture; the major domestic sources were in the Lake Superior area, with Minnesota and Michigan leading all other states in iron ore yields.

### 27 ENERGY AND POWER

The United States is the world's leading energy producer and consumer.

According to British Petroleum (BP), as of the end of 2003, the United States had proven oil reserves of 29.4 billion barrels. Oil production that year averaged 7.4 million barrels per day, with domestic demand averaging 20 million barrels per day. As a result, the United States in 2003 was a net oil importer. In 2003, imports of all oil products averaged 12.3 million barrels per day, of which crude oil accounted for an average of 9.7 million barrels per day. Refined oil production in 2003 averaged 17.8 million barrels per day.

At year-end in 2003, the United States had proven reserves of natural gas totaling 5.29 trillion cu m (186.9 trillion cu ft), according to BP. Gross production that year, according to the Energy Information Administration (EIA), totaled 24,056.00 billion cu ft. Of that amount in 2003, some 98 billion cu ft was vented or flared, and 3,548 billion cu ft was re-injected. Marketed production totaled 19,912 billion cu ft, with dry production at 19,036 billion cu ft. Demand in that same year for dry production totaled 22,375 billion cu ft. As with oil, the United States was a net importer of



natural gas. Imports of dry natural gas in 2003 totaled 3,996 billion cu ft, while dry exports totaled 692 billion cu ft, according to the EIA.

The United States had recoverable coal reserves of 246.6 billion metric tons at the end of 2004, according to BP. Of that amount, anthracite and bituminous coal reserves totaled 111.3 billion metric tons, with sub-bituminous and lignite reserves totaling 135.3 billion metric tons, according to BP. In 2003 according to the EIA, coal production by the United States totaled 1.1 billion short tons, of which 988 million short tons consisted of bituminous coal, with anthracite output totaling 1.3 million short tons. Lignite or brown coal output that year totaled 80.6 million short tons, according to the EIA.

In 2003, US electric power generation capacity by public and private generating plants totaled 932.832 million kW, of which 736.728 million kW of capacity belonged to conventional thermal fuel plants, followed by nuclear plant at 98.794 million kW. Hydroelectric capacity that year totaled 79.366 million kW, with geothermal/other capacity at 17.944 million kW. Electric power output in 2003 totaled 3,891.720 billion kWh, of which conventional thermal plants generated 2.76 billion kWh, followed by nuclear plants at 763.733 billion kWh, hydroelectric facilities at 275.806 billion kWh and geothermal/other facilities at 93.531 billion kWh.

During the 1980s, increasing attention was focused on the development of solar power, synthetic fuels, geothermal resources, and other energy technologies. Such energy conservation measures as mandatory automobile fuel-efficiency standards and tax incentives for home insulation were promoted by the federal government, which also decontrolled oil and gas prices in the expectation that a rise in domestic costs to world-market levels would provide a powerful economic incentive for consumers to conserve fuel. In 2001 the United States had 1,694 MW of installed wind power.

## 28 INDUSTRY

Although the United States remains one of the world's preeminent industrial powers, manufacturing no longer plays as dominant a role in the economy as it once did.

Between 1979 and 1998, manufacturing employment fell from 20.9 million to 18.7 million, or from 21.8% to 14.8% of national employment. Throughout the 1960s, manufacturing accounted for about 29% of total national income; by 1987, the proportion was down to about 19%. In 2002, manufacturing was experiencing a decline due to the recession that began in March 2001. In 2004, industry accounted for 19.7% of GDP. That year, 22.7% of the labor force was engaged in manufacturing, extraction, transportation, and crafts.

Industrial activity within the United States has been expanding southward and westward for much of the 20th century, most rapidly since World War II. Louisiana, Oklahoma, and especially Texas are centers of industrial expansion based on petroleum refining; aerospace and other high technology industries are the basis of the new wealth of Texas and California, the nation's leading manufacturing state. The industrial heartland of the United States is the east-north-central region, comprising Ohio, Indiana, Illinois, Michigan, and Wisconsin, with steelmaking and automobile manufacturing among the leading industries. The Middle At-

lantic states (New Jersey, New York, and Pennsylvania) and the Northeast are also highly industrialized; but of the major industrial states in these two regions, Massachusetts has taken the lead in reorienting itself toward such high-technology industries as electronics and information processing.

Large corporations are dominant especially in sectors such as steel, automobiles, pharmaceuticals, aircraft, petroleum refining, computers, soaps and detergents, tires, and communications equipment. The growth of multinational activities of US corporations has been rapid in recent decades.

The history of US industry has been marked by the introduction of increasingly sophisticated technology in the manufacturing process. Advances in chemistry and electronics have revolutionized many industries through new products and methods: examples include the impact of plastics on petrochemicals, the use of lasers and electronic sensors as measuring and controlling devices, and the application of microprocessors to computing machines, home entertainment products, and a variety of other industries. Science has vastly expanded the number of metals available for industrial purposes, notably such light metals as aluminum, magnesium, and titanium. Integrated machines now perform a complex number of successive operations that formerly were done on the assembly line at separate stations. Those industries have prospered that have been best able to make use of the new technology, and the economies of some states have been largely based on it.

In the 1980s and 1990s, the United States was the world leader in computer manufacturing. At the beginning of the 21st century, however, the high-tech manufacturing industry registered a decline. Semiconductor manufacturing had been migrating out of the United States to East Asian countries, especially China, Taiwan, and Singapore, and research and development in that sector declined from 1999–2003. Certain long-established industries—especially clothing and steelmaking—have suffered from outmoded facilities that (coupled with high US labor costs) have forced the price of their products above the world market level. In 2005, the United States was the world's third-leading steel producer (after China and Japan). Employment in the steel-producing industry fell from 521,000 in 1974 to 187,500 in 2002. Automobile manufacturing was an ailing industry in the 1980s, but rebounded in the 1990s. The "Big Three" US automakers—General Motors (GM), Ford, and Daimler-Chrysler—manufactured over 60% of the passenger cars sold in the United States in 1995. In 2005, however, General Motors (GM) announced it was cutting 30,000 North American manufacturing jobs, the deepest cuts since 1991, when GM eliminated 74,000 jobs over four years. Passenger car production, which had fallen from 7.1 million units in 1987 to 5.4 million in 1991, rose to 6.3 million by 1995 and to 8.3 million in 1999. In 2003, over 12 million motor vehicles were produced in the United States.

The United States had a total of 148 oil refineries as of January 2005, with a production capacity as of September 2004 of 17.1 million barrels per day. Crude oil and refined petroleum products are crucial imports, however.

## 29 SCIENCE AND TECHNOLOGY

In 2003, an estimated \$284.6 billion was spent on research and development (R&D). Since 1980, industry's share of funding for R&D has grown to exceed the share provided by the federal gov-

ernment. In 2003, the proportions were 63.1% from industry and 31.2% from the federal government, followed by 5.7% from higher education. As of 2002, national spending on R&D amounted to 2.67% of GDP. In that same year, high technology exports were valued at \$162.345 billion, or 32% of the country's manufactured exports. There were an estimated 4,099 scientists and engineers engaged in research and development per million people for the period 1990–2001.

In 1998 NASA's budget was \$9.9 billion. In 1960 NASA spent only \$1.1 billion. Launching of the space shuttle orbiter *Columbia* began in 1981; a fleet of four reusable shuttles, which would replace all other launch vehicles was planned. However, the January 1986 *Challenger* disaster, in which seven crew members died, cast doubt on the program. The three remaining shuttles were grounded, and the shuttles were redesigned for increased safety. A new shuttle, *Endeavour*, was built to take the place of *Challenger*. President Reagan, following the *Challenger* disaster, banned the shuttle from commercial use for nine years. The shuttle's return to space began with the launch of the shuttle *Atlantis* in September 1988. Following the catastrophic breakup of the space shuttle *Columbia* in February 2003, NASA suspended the launch schedule until the cause of the accident was determined.

The National Science Foundation (founded in 1950) is one of the chief government agencies funding scientific research. The American Association for the Advancement of Science (founded in 1848) promotes public understanding of science and technology. The National Academy of Sciences (founded in 1863) and the National Academy of Engineering (founded in 1964) are both headquartered in Washington, DC. In 1996, more than 95,000 students in the United States earned master's degrees in science and engineering. In 2002, of all bachelor's degrees awarded, 17.1% were in the sciences (natural, mathematics and computers, engineering).

### 30 DOMESTIC TRADE

Total retail sales for 2004 were \$3.5 trillion. Total e-commerce sales were estimated at \$69.2 billion, an increase of 23.5% over 2003. The growth of great chains of retail stores, particularly in the form of the supermarket, was one of the most conspicuous developments in retail trade following the end of World War II. Nearly

#### Principal Trading Partners – United States (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	723,608.6	1,305,091.6	-581,483.0
Canada	169,451.6	227,600.1	-58,148.5
Mexico	97,452.4	139,700.4	-42,248.0
Japan	52,061.6	121,232.3	-69,170.7
United Kingdom	33,893.8	43,741.6	-9,847.8
Germany	28,845.9	69,613.2	-40,767.3
China	28,416.6	163,250.1	-134,833.5
Korea, Republic of	24,097.3	38,344.9	-14,247.6
Netherlands	20,694.8	11,435.3	9,259.5
Other Asia nes	17,487.6	33,017.7	-15,530.1
France-Monaco	17,340.1	29,897.5	-12,557.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

100,000 single-unit grocery stores went out of business between 1948 and 1958; the independent grocer's share of the food market dropped from 50% to 30% of the total in the same period. With the great suburban expansion of the 1960s emerged the planned shopping center, usually designed by a single development organization and intended to provide different kinds of stores in order to meet all the shopping needs of the particular area. Between 1974 and 2000, the square footage occupied by shopping centers in the United States grew at a far greater rate than the nation's population.

Installment credit is a major support for consumer purchases in the United States. Most US families own and use credit cards, and their frequency of use has grown significantly in the 1990s and 2000s with aggressive marketing by credit card companies which have made cards available to households that didn't qualify in the past. The number of credit cards per household in 2004 was 8. The number of credit cards in circulation in 2004 was 641 million. The average household credit card debt in the United States in 2004 was approximately \$8,650, and the total credit card debt in the United States in 2004 was some \$800 billion. The use of debit cards was expected to exceed the use of credit cards in 2005.

The US advertising industry is the world's most highly developed. Particularly with the expansion of television audiences, spending for advertising has increased almost annually to successive record levels. Advertising expenditures in 2003 reached an estimated \$249 billion, up from \$66.58 billion in 1982 and \$11.96 billion in 1960. Of the 2003 total, \$87.8 billion was spent in radio, broadcast television, and cable television; \$57.2 billion was spent on print media (newspapers and magazines); and internet advertising amounted to \$5.6 billion.

In 2003 merchant wholesalers had combined total sales of \$2.88 trillion.

### 31 FOREIGN TRADE

The volume of the US exports and imports exceeds that of any country. However, the value of US external sector as a percentage of GDP is comparatively low. The foreign trade position of the United States deteriorated in the 1980s as the United States became a debtor nation with a trade deficit that ballooned from \$24 billion to over \$100 billion by the end of the 1980s; by 2004, the trade deficit had reached an estimated \$618 billion, a 24% increase over 2003. Exports of goods and services totaled \$1.14 trillion in 2004, while imports totaled \$1.76 trillion. The gap in merchandise trade with China jumped some 31% to nearly \$162 billion in 2004, by far the largest gap than with any other trading partner. The United States' largest trading partners were Canada, Mexico, Japan, the United Kingdom, China, and Germany.

The United States' major exports include transistors, aircraft, motor vehicle parts, automobiles, computers, telecommunications equipment, medicines, chemicals, and soybeans, fruit, and corn. Major imports include computers, motor vehicle parts, automobiles, telecommunications equipment, office machines, electric power machinery, clothing medicines, furniture, toys, crude oil, and agricultural products.

### 32 BALANCE OF PAYMENTS

Since 1950, the United States has generally recorded deficits in its overall payments with the rest of the world, despite the fact that

**United States—2005 Exports, Imports, and Trade Balance by Country and Area**

In millions of dollars. Details may not equal totals due to rounding. (X) Not applicable. (-) Represents zero or less than one-half of value shown. January–December, Cumulative.

COUNTRY	TRADE BALANCE	RANK	EXPORTS F.A.S.	RANK	IMPORTS CUSTOMS	RANK
Total, BOP Basis	-782,740.2	(X)	894,630.8	(X)	1,677,371.0	(X)
Net Adjustments	-15,263.3	(X)	-11,346.8	(X)	3,916.5	(X)
Total, Census Basis	-767,476.9	(X)	905,977.6	(X)	1,673,454.5	(X)
Afghanistan	194.8	205	262.2	93	67.3	132
Albania	-18.7	102	18.5	179	37.2	146
Algeria	-9,279.0	20	1,167.4	60	10,446.4	27
Andorra	9.9	152	10.5	187	0.7	203
Angola	-7,555.3	24	929.0	66	8,484.4	33
Anguilla	28.4	168	32.2	160	3.8	180
Antigua and Barbuda	186.0	204	190.4	105	4.4	177
Argentina	-461.8	67	4,121.9	32	4,583.6	46
Armenia	19.3	160	65.5	142	46.2	143
Aruba	-2,360.8	36	558.9	76	2,919.7	54
Australia	8,486.0	229	15,828.2	14	7,342.2	35
Austria	-3,509.7	30	2,593.3	42	6,102.9	39
Azerbaijan	87.1	193	132.5	116	45.4	144
Bahamas	1,086.8	222	1,786.7	51	699.9	80
Bahrain	-80.8	92	350.8	88	431.6	89
Bangladesh	-2,373.3	35	319.8	90	2,693.0	56
Barbados	363.0	212	394.9	84	31.9	150
Belarus	-310.2	71	34.9	158	345.2	97
Belgium	5,667.7	226	18,690.6	12	13,022.9	24
Belize	119.3	199	217.6	101	98.3	124
Benin	71.8	187	72.3	138	0.5	205
Bermuda	403.2	216	490.5	82	87.3	128
Bhutan	2.4	135	3.1	208	0.6	204
Bolivia	-73.7	94	219.5	99	293.2	102
Bosnia-Herzegovina	-52.9	96	17.6	181	70.5	131
Botswana	-110.9	88	67.3	141	178.2	112
Brazil	-9,063.8	21	15,371.7	15	24,435.5	15
British Indian Ocean Territories	0.4	125	0.8	219	0.4	208
British Virgin Islands	91.3	194	124.9	117	33.6	148
Brunei	-513.1	64	49.6	150	562.7	82
Bulgaria	-186.3	81	267.9	92	454.3	85
Burkina Faso	23.0	163	25.1	174	2.1	188
Burma (Myanmar)	5.4	142	5.5	201	0.1	220
Burundi	3.7	137	8.1	198	4.4	176
Cambodia	-1,697.3	45	69.7	139	1,767.0	64
Cameroon	-40.8	98	117.3	119	158.2	117
Canada	-78,485.6	3	211,898.7	1	290,384.3	1
Cape Verde	7.2	148	9.9	190	2.6	185
Cayman Islands	627.2	219	680.7	70	53.5	138
Central African Republic	9.1	151	14.8	183	5.7	171
Chad	-1,444.3	49	53.8	149	1,498.1	67
Chile	-1,441.7	50	5,222.6	29	6,664.3	37
China	-201,544.8	1	41,925.3	4	243,470.1	2
Christmas Island	1.6	132	2.0	214	0.4	210
Cocos (Keeling) Island	0.6	128	1.0	217	0.5	207
Colombia	-3,387.0	31	5,462.4	28	8,849.4	31
Comoros	-1.2	113	0.3	224	1.4	192
Congo (DROC)	-198.6	78	65.0	143	263.6	107
Congo (ROC)	-1,518.8	47	104.1	123	1,622.9	65
Cook Islands	-0.4	116	1.4	216	1.7	189
Costa Rica	183.3	203	3,598.6	36	3,415.3	50
Côte d'Ivoire	-1,073.7	55	124.2	118	1,198.0	72
Croatia	-205.7	77	158.6	109	364.3	94
Cuba	369.0	213	369.0	86	(-)	226
Cyprus	53.6	181	84.2	131	30.5	152
Czech Republic	-1,139.3	54	1,053.6	63	2,192.9	59
Denmark	-3,225.8	32	1,918.4	49	5,144.2	43
Djibouti	46.5	177	47.6	151	1.1	198
Dominica	58.2	183	61.5	146	3.3	183
Dominican Republic	115.0	198	4,718.7	30	4,603.7	45
East Timor	8.6	150	8.7	197	0.1	219
Ecuador	-3,794.9	29	1,963.8	47	5,758.7	41
Egypt	1,068.0	221	3,159.3	38	2,091.2	60
El Salvador	-134.5	86	1,854.3	50	1,988.8	62

## United States—2005 Exports, Imports, and Trade Balance by Country and Area (cont.)

COUNTRY	TRADE BALANCE	RANK	EXPORTS F.A.S.	RANK	IMPORTS CUSTOMS	RANK
Equatorial Guinea	-1,279.7	51	281.5	91	1,561.1	66
Eritrea	29.8	172	31.1	163	1.3	196
Estonia	-366.0	70	145.4	113	511.4	84
Ethiopia	448.3	217	510.1	81	61.8	134
Falkland Islands	-0.2	117	9.0	195	9.3	164
Faroe Islands	-1.7	111	2.5	210	4.3	178
Federal Republic of Germany	-50,567.2	4	34,183.7	6	84,750.9	5
Federated States of Micronesia	23.8	164	25.3	173	1.6	191
Fiji	-141.3	85	28.2	169	169.5	114
Finland	-2,087.6	40	2,254.1	44	4,341.7	47
France	-11,431.7	16	22,410.4	9	33,842.1	10
French Guiana	26.9	167	27.0	172	0.1	217
French Polynesia	51.7	179	111.8	121	60.1	135
French Southern and Antarctic Lands	0.2	124	0.3	225	0.1	222
Gabon	-2,716.5	34	99.1	125	2,815.6	55
Gambia	30.2	173	30.6	165	0.4	209
Gaza Strip Administered by Israel	-1.2	112	0.2	226	1.4	193
Georgia	19.5	161	213.9	102	194.4	111
Ghana	179.0	202	337.4	89	158.4	116
Gibraltar	158.6	201	163.3	108	4.6	174
Greece	308.5	211	1,192.2	59	883.7	78
Greenland	-12.2	105	5.1	202	17.3	156
Grenada	76.6	188	82.4	133	5.9	169
Guadeloupe	52.4	180	54.5	148	2.1	187
Guatemala	-302.0	72	2,835.4	40	3,137.4	53
Guinea	18.9	159	93.6	129	74.7	130
Guinea-Bissau	2.0	133	2.1	213	0.1	218
Guyana	56.8	182	176.7	107	119.9	121
Haiti	262.4	209	709.6	69	447.2	87
Heard and McDonald Islands	0.1	122	0.2	227	(-)	225
Honduras	-495.4	66	3,253.8	37	3,749.2	49
Hong Kong	7,459.3	228	16,351.0	13	8,891.7	30
Hungary	-1,537.9	46	1,023.3	64	2,561.2	57
Iceland	243.0	208	512.0	80	269.0	105
India	-10,814.8	18	7,989.4	22	18,804.2	18
Indonesia	-8,960.4	22	3,053.9	39	12,014.3	26
Iran	-78.7	93	95.8	127	174.5	113
Iraq	-7,679.7	23	1,374.0	55	9,053.7	29
Ireland	-19,397.4	11	9,335.7	20	28,733.1	13
Israel	-7,093.1	25	9,737.3	19	16,830.5	19
Italy	-19,484.9	10	11,524.3	16	31,009.3	12
Jamaica	1,325.2	223	1,700.8	52	375.6	93
Japan	-82,519.2	2	55,484.5	3	138,003.7	4
Jordan	-622.7	59	644.2	71	1,266.8	69
Kazakhstan	-562.9	62	538.3	77	1,101.1	74
Kenya	284.5	210	632.5	72	348.0	96
Kiribati	1.3	130	2.4	211	1.1	197
Korea, North	5.8	145	5.8	199	(-)	227
Korea, South	-16,016.5	12	27,765.0	7	43,781.4	7
Kuwait	-2,359.9	37	1,974.9	46	4,334.8	48
Kyrgyzstan	26.5	166	31.1	162	4.6	175
Laos	5.6	144	9.8	191	4.2	179
Latvia	-184.6	82	177.5	106	362.2	95
Lebanon	379.3	214	465.7	83	86.4	129
Lesotho	-399.6	68	4.0	205	403.6	91
Liberia	-21.5	100	69.3	140	90.8	127
Libya	-1,506.5	48	83.8	132	1,590.3	(X)
Liechtenstein	-276.0	74	19.7	178	295.7	101
Lithuania	-243.9	75	390.0	85	633.9	81
Luxembourg	393.6	215	782.4	68	388.8	92
Macao	-1,147.4	53	101.6	124	1,249.0	70
Macedonia (Skopje)	-16.6	104	31.6	161	48.1	142
Madagascar	-295.4	73	28.2	168	323.6	99
Malawi	-87.5	90	28.0	170	115.5	122
Malaysia	-23,224.3	7	10,460.8	18	33,685.2	11
Maldives	3.8	138	9.3	193	5.5	172
Mali	28.8	170	32.4	159	3.6	182
Malta	-88.9	89	193.7	104	282.7	103
Marshall Islands	58.3	184	75.5	136	17.2	157

## United States—2005 Exports, Imports, and Trade Balance by Country and Area (cont.)

COUNTRY	TRADE BALANCE	RANK	EXPORTS F.A.S.	RANK	IMPORTS CUSTOMS	RANK
Martinique	12.7	157	35.0	157	22.2	155
Mauritania	85.3	192	86.1	130	0.8	202
Mauritius	-191.0	79	30.9	164	221.9	109
Mayotte	(-)	120	(-)	230	(-)	228
Mexico	-49,743.8	5	120,364.8	2	170,108.6	3
Moldova	-10.2	106	40.1	154	50.2	140
Monaco	-20.7	101	16.8	182	37.5	145
Mongolia	-121.8	87	21.9	177	143.6	118
Montserrat	3.9	139	4.8	203	1.0	201
Morocco	79.2	190	525.0	79	445.8	88
Mozambique	50.9	178	62.8	144	11.9	160
Namibia	-17.3	103	112.2	120	129.6	120
Nauru	1.5	131	1.6	215	0.1	215
Nepal	-86.5	91	24.7	175	111.2	123
Netherlands	11,622.6	230	26,484.6	8	14,862.0	22
Netherlands Antilles	215.2	206	1,137.6	61	922.4	77
New Caledonia	11.2	154	38.4	155	27.2	153
New Zealand	-503.4	65	2,651.8	41	3,155.2	52
Nicaragua	-555.3	63	625.5	73	1,180.8	73
Niger	13.0	158	78.5	135	65.5	133
Nigeria	-22,618.2	8	1,621.2	53	24,239.4	16
Niue	0.5	127	0.6	220	0.1	216
Norfolk Island	0.2	123	0.4	223	0.2	214
Norway	-4,834.4	28	1,941.9	48	6,776.3	36
Oman	39.9	175	594.9	75	555.0	83
Pakistan	-2,001.6	41	1,251.6	57	3,253.2	51
Palau	11.7	155	12.2	185	0.5	206
Panama	1,835.0	224	2,162.0	45	327.1	98
Papua New Guinea	-3.1	107	55.3	147	58.5	136
Paraguay	844.2	220	895.8	67	51.6	139
Peru	-2,809.7	33	2,309.4	43	5,119.2	44
Philippines	-2,355.0	38	6,895.4	25	9,250.4	28
Pitcairn Island	-0.6	114	0.5	221	1.0	200
Poland	-680.8	58	1,267.7	56	1,948.6	63
Portugal	-1,196.8	52	1,131.9	62	2,328.7	58
Qatar	538.8	218	986.6	65	447.9	86
Republic of Yemen	-59.6	95	219.0	100	278.6	104
Reunion	-2.0	110	3.8	206	5.8	170
Romania	-598.7	60	608.9	74	1,207.6	71
Russia	-11,344.3	17	3,962.4	33	15,306.7	20
Rwanda	4.2	140	10.5	188	6.3	167
San Marino	3.3	136	4.7	204	1.4	194
São Tomé and Príncipe	9.9	153	10.2	189	0.2	213
Saudi Arabia	-20,379.8	9	6,812.8	26	27,192.6	14
Senegal	154.8	200	158.5	110	3.7	181
Serbia and Montenegro	77.9	189	132.5	115	54.6	137
Seychelles	12.0	156	17.9	180	5.9	168
Sierra Leone	28.5	169	37.8	156	9.3	163
Singapore	5,532.2	225	20,642.2	11	15,110.1	21
Slovakia	-810.9	57	149.8	112	960.7	76
Slovenia	-179.2	83	233.8	98	413.0	90
Solomon Islands	0.9	129	2.3	212	1.4	195
Somalia	8.5	149	8.8	196	0.3	211
South Africa	-1,978.7	42	3,906.9	34	5,885.6	40
Spain	-1,701.0	44	6,913.6	24	8,614.6	32
Sri Lanka	-1,885.3	43	197.6	103	2,082.9	61
St. Helena	-0.5	115	2.7	209	3.3	184
St. Kitts and Nevis	44.4	176	94.1	128	49.7	141
St. Lucia	103.0	197	135.4	114	32.4	149
St. Pierre and Miquelon	-0.1	118	1.0	218	1.1	199
St. Vincent and the Grenadines	29.8	171	45.4	153	15.7	158
Sudan	94.5	195	108.1	122	13.6	159
Suriname	80.4	191	245.7	95	165.3	115
Svalbard, Jan Mayen Island	5.6	143	5.7	200	(-)	223
Swaziland	-187.0	80	11.9	186	198.9	110
Sweden	-10,105.6	19	3,715.4	35	13,821.0	23
Switzerland	-2,280.0	39	10,719.8	17	12,999.9	25
Syria	-168.5	84	155.0	111	323.6	100
Taiwan	-12,756.6	13	22,069.2	10	34,825.8	8

## United States—2005 Exports, Imports, and Trade Balance by Country and Area (cont.)

COUNTRY	TRADE BALANCE	RANK	EXPORTS F.A.S.	RANK	IMPORTS CUSTOMS	RANK
Tajikistan	-212.2	76	28.8	167	241.0	108
Tanzania	62.7	185	96.4	126	33.7	147
Thailand	-12,633.1	14	7,256.6	23	19,889.8	17
Togo	21.5	162	27.9	171	6.4	166
Tokelau	69.0	186	79.8	134	10.8	161
Tonga	4.3	141	9.7	192	5.4	173
Trinidad and Tobago	-6,474.1	26	1,416.7	54	7,890.9	34
Tunisia	-2.6	108	261.2	94	263.8	106
Turkey	-913.1	56	4,269.0	31	5,182.1	42
Turkmenistan	101.8	196	237.1	97	135.3	119
Turks and Caicos Islands	228.3	207	237.8	96	9.4	162
Tuvalu	(-)	119	(-)	228	0.1	221
Uganda	36.8	174	62.6	145	25.8	154
Ukraine	-565.1	61	533.0	78	1,098.0	75
United Arab Emirates	7,014.1	227	8,482.4	21	1,468.3	68
United Kingdom	-12,444.8	15	38,587.8	5	51,032.6	6
Uruguay	-375.6	69	356.7	87	732.3	79
Uzbekistan	-21.8	99	73.8	137	95.6	125
Vanuatu	6.6	147	9.1	194	2.5	186
Vatican City	23.9	165	24.2	176	0.3	212
Venezuela	-27,557.2	6	6,420.9	27	33,978.1	9
Vietnam	-5,438.0	27	1,193.2	58	6,631.2	38
Wallis and Futuna	0.4	126	0.4	222	(-)	224
West Bank Administered by Israel	2.1	134	3.7	207	1.6	190
Western Sahara	(-)	121	(-)	229	(-)	229
Western Samoa	6.6	146	14.5	184	7.9	165
Zambia	-2.6	109	29.1	166	31.7	151
Zimbabwe	-48.8	97	45.5	152	94.3	126
Unidentified	216.3	(X)	216.3	(X)	(-)	(X)
North America	-128,229.4	(X)	332,263.5	(X)	460,492.9	(X)
Western Europe	-125,453.7	(X)	200,260.3	(X)	325,714.0	(X)
Euro Area	-91,384.0	(X)	137,496.7	(X)	228,880.7	(X)
European Union (25)	-122,338.2	(X)	186,437.3	(X)	308,775.5	(X)
European Union (15)	-117,160.3	(X)	181,718.3	(X)	298,878.5	(X)
European Free Trade Association	-7,147.4	(X)	13,193.5	(X)	20,340.9	(X)
Eastern Europe	-18,539.6	(X)	10,994.0	(X)	29,533.6	(X)
Former Soviet Republics	-13,566.9	(X)	6,604.3	(X)	20,171.2	(X)
Organization for Economic Cooperation & Develop- ment (OECD) in Europe	-125,232.5	(X)	199,207.8	(X)	324,440.4	(X)
Pacific Rim Countries	-328,066.4	(X)	223,334.0	(X)	551,400.4	(X)
Asia—Near East	-30,550.8	(X)	31,893.6	(X)	62,444.3	(X)
Asia—(NICS)	-15,781.6	(X)	86,827.5	(X)	102,609.1	(X)
Asia—South	-16,966.6	(X)	10,045.2	(X)	27,011.8	(X)
Assoc. of South East Asia Nations (ASEAN)	-49,278.2	(X)	49,636.7	(X)	98,914.9	(X)
APEC	-488,815.3	(X)	575,440.1	(X)	1,064,255.4	(X)
South/Central America	-50,460.1	(X)	72,413.0	(X)	122,873.0	(X)
Twenty Latin American Republics	-96,587.6	(X)	182,836.4	(X)	279,424.0	(X)
Central American Common Market	-1,304.0	(X)	12,167.5	(X)	13,471.5	(X)
Latin American Free Trade Association	-97,865.1	(X)	162,709.5	(X)	260,574.6	(X)
North Atlantic Treaty Organization (NATO) Allies	-198,120.9	(X)	406,259.2	(X)	604,380.0	(X)
Organization of Petroleum Exporting Countries (OPEC)	-92,866.6	(X)	32,073.8	(X)	124,940.4	(X)
Unidentified	216.3	(X)	216.3	(X)	(-)	(X)

(1) Detailed data are presented on a Census basis. The information needed to convert to a BOP basis is not available.

(2) Countries included in Euro Area are also included in European Union. See Page 27 of the FT-900 release for a list of countries.

(3) Selected countries are included in more than one area grouping. Indonesia is included in both OPEC and Pacific Rim;

Venezuela is included in both OPEC and Other South/Central America.

(4) The export totals reflect shipments of certain grains, oilseeds, and satellites that are not included in the country/area totals.

NOTE: For information on data sources, nonsampling errors and definitions, see the information section on page 27 of the FT-900 release, or at [www.census.gov/ft900](http://www.census.gov/ft900) or [www.bea.gov/bea/di/home/trade.htm](http://www.bea.gov/bea/di/home/trade.htm).

**Balance of Payments – United States (2003)**

(In billions of US dollars)

<b>Current Account</b>		<b>-530.7</b>
Balance on goods	-544.3	
Imports	-1,260.7	
Exports	716.4	
Balance on services	47.8	
Balance on income	33.3	
Current transfers	-67.4	
<b>Capital Account</b>		<b>-3.1</b>
<b>Financial Account</b>		<b>544.2</b>
Direct investment abroad	-173.8	
Direct investment in United States	39.9	
Portfolio investment assets	-72.3	
Portfolio investment liabilities	544.5	
Financial derivatives	...	
Other investment assets	-38.8	
Other investment liabilities	244.8	
<b>Net Errors and Omissions</b>		<b>-12.0</b>
<b>Reserves and Related Items</b>		<b>1.5</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

it had an unbroken record of annual surpluses up to 1970 on current-account goods, services, and remittances transactions. The balance of trade, in the red since 1975, reached a record deficit of \$618 billion in 2004. The current account deficit in 2004 was 5.5% of GDP, or an estimated \$635 billion.

The nation's stock of gold declined from a value of \$22.9 billion at the start of 1958 to \$10.5 billion as of 31 July 1971, only two weeks before President Nixon announced that the United States would no longer exchange dollars for gold. From 1990–2004, the value of the gold stock was stable at \$11 billion. The US holds 8,140 metric tons of gold, and in December 2005, gold was trading at nearly \$500 an ounce.

### 33 BANKING AND SECURITIES

The Federal Reserve Act of 1913 provided the United States with a central banking system. The Federal Reserve System dominates US banking, is a strong influence in the affairs of commercial banks, and exercises virtually unlimited control over the money supply. The Federal Reserve Bank system is an independent government organization, with important posts appointed by the president and approved by the Senate.

Each of the 12 federal reserve districts contains a federal reserve bank. A board of nine directors presides over each reserve bank. Six are elected by the member banks in the district. Of this group, three may be bankers; the other three represent business, industry, or agriculture. The Board of Governors of the Federal Reserve System (usually known as the Federal Reserve Board) appoints the remaining three, who may not be officers, directors, stockholders, or employees of any bank and who are presumed therefore to represent the public.

The Federal Reserve Board regulates the money supply and the amount of credit available to the public by asserting its power to alter the rediscount rate, by buying and selling securities in the open market, by setting margin requirements for securities pur-

chases, by altering reserve requirements of member banks in the system, and by resorting to a specific number of selective controls at its disposal. The Federal Reserve Board's role in regulating the money supply is held by economists of the monetarist school to be the single most important factor in determining the nation's inflation rate.

Member banks increase their reserves or cash holdings by rediscounting commercial notes at the federal reserve bank at a rate of interest ultimately determined by the Board of Governors. A change in the discount rate, therefore, directly affects the capacity of the member banks to accommodate their customers with loans. Similarly, the purchase or sale of securities in the open market, as determined by the Federal Open Market Committee, is the most commonly used device whereby the amount of credit available to the public is expanded or contracted. The same effect is achieved in some measure by the power of the Board of Governors to raise or lower the reserves that member banks must keep against demand deposits. Credit tightening by federal authorities in early 1980 pushed the prime rate—the rate that commercial banks charge their most creditworthy customers—above 20% for the first time since the financial panics of 1837 and 1839, when rates reached 36%. As federal monetary policies eased, the prime rate dropped below 12% in late 1984; as of 2000 it was below 10%. In mid-2003 the federal funds rate was reduced to 1%, a 45-year low.

The financial sector is dominated by commercial banks, insurance companies, and mutual funds. There was little change in the nature of the sector between the 1930s, when it was rescued through the creation of regulatory bodies and deposit insurance, and the 1980s, when the market was deregulated. In the 1980s, the capital markets underwent extensive reforms. The markets became increasingly internationalized, as deregulation allowed foreign-owned banks to extend their operations. There was also extensive restructuring of domestic financial markets—interest-rate ceilings were abolished and competition between different financial institution intensified, facilitated by greater diversification.

Commercial and investment banking activities are separated in the United States by the Glass Steagall Act, which was passed in 1933 during the Great Depression. Fears that investment banking activities put deposits at risk led to a situation where commercial banks were unable to deal in nonbank financial instruments. This put them at severe commercial disadvantage, and the pressure for reform became so strong that the Federal Reserve Board has allowed the affiliates of commercial banks to enter a wide range of securities activities since 1986. Attempts to repeal the act were unsuccessful until November 1999, when the Gramm-Leach-Bliley Act (also known as the Financial Modernization Act) was passed by Congress. The Gramm-Leach-Bliley Act repealed Glass-Steagall and allows banks, insurance companies, and stock brokers and mutual fund companies to sell each other's products and services. These companies are also now free to merge or acquire one another.

The expansion and diversification in financial services was facilitated by information technology. Financial deregulation led to the collapse of many commercial banks and savings and loan associations in the second half of the 1980s. In the 1990s, change has continued in the form of a proliferation of bank mergers; with the passage in 1999 of Gramm-Leach-Bliley, further consolidation of the industry was predicted.

Prior to 1994 the banking system was highly fragmented; national banks were not allowed to establish branches at will, as they were subject to the banking laws of each state. Within states, local banks faced similar restraints on their branching activities. In 1988, only 22 states permitted statewide banking of national banks, while 18 allowed limited banking and ten permitted no branches. Consequently in 1988 over 60% of US commercial banks had assets of less than \$150 million, while only 3% had assets valued at \$500 million or more.

Such regulation rendered US banks vulnerable to merger and acquisition. Acquisitions have generally taken place through bank holding companies, which then fall under the jurisdiction of the Federal Reserve System. This has allowed banks to extend their business into nonbank activities such as insurance, financial planning, and mortgages, as well as opening up geographical markets. The number of such holding companies is estimated at 6,500. These companies are believed to control over 90% of total bank assets.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 removed most of the barriers to interstate bank acquisitions and interstate banking. The new act allowed banks to merge with banks in other states although they must operate them as separate banks. In addition, banks are allowed to establish branches in neighboring states. Restrictions on branching activity were lifted as of June 1997. The legislation allowed banks to lessen their exposure to regional economic downturns. It also ensured a continuing stream of bank mergers. Liberalization has encouraged a proliferation of in-store banking at supermarkets. International Banking Technologies, Inc., reported that the number of supermarket bank branches rose to 7,100 in 1998, up from 2,191 in 1994. In the mid-1990s, the number of supermarket branch banks grew at an annual rate of around 30%, but growth from 1997 to 1998 slowed to just over 10%.

Under the provisions of the Banking Act of 1935, all members of the Federal Reserve System (and other banks that wish to do so) participate in a plan of deposit insurance (up to \$100,000 for each individual account as of 2003) administered by the Federal Deposit Insurance Corporation (FDIC).

Savings and loan associations are insured by the Federal Savings and Loan Insurance Corporation (FSLIC). Individual accounts were insured up to a limit of \$100,000. Savings and loans failed at an alarming rate in the 1980s. In 1989 the government signed legislation that created the Resolution Trust Corporation. The RTC's job is to handle the savings and loans bailout, expected to cost taxpayers \$345 billion through 2029. Approximately 30 million members participated in thousands of credit unions chartered by a federal agency; state-chartered credit unions had over 20 million members.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1,595.5 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$6,961.2 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 3.89%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 1.25%.

When the New York Stock Exchange (NYSE) opened in 1817, its trading volume was 100 shares a day. On 17 December 1999, 1.35 billion shares were traded, a record high for shares traded in a single day. Record-setting trading volume occurred for 1999 as a whole, with 203.9 billion shares traded (a 20% increase over 1998) for a total value of \$8.9 trillion, up from \$7.3 trillion in 1998. In 1996, 51 million individuals and 10,000 institutional investors owned stocks or shares in mutual funds traded on the NYSE. The two other major stock markets in the United States are the American Stock Exchange (AMEX) and the NASDAQ (National Association of Securities Dealers). The NASD (National Association of Securities Dealers) is regulated by the SEC (Securities and Exchange Commission). As of 2004, the New York Stock Exchange, the NASDAQ, and the American Stock Exchange had a combined total of 5,231 companies listed. Total market capitalization that same year came to \$16.3 trillion.

### 3<sup>4</sup> INSURANCE

The number of life insurance companies has shrunk in recent years. Between 1985 and 1995 the number fell from 2,261 to 1,840. In 1998, there were 51 life insurance mergers and acquisitions. Competition between financial institutions has been healthy and premium income has risen steadily. The overwhelming majority of US families have some life insurance with a legal reserve company, the Veterans Administration, or fraternal, assessment, burial, or savings bank organization. The passage in 1999 of the Gramm-Leach-Bliley Act allowed insurance companies, banks, and securities firms to sell each other's products and services; restrictions were also lifted on cross-industry mergers and acquisitions. In 2003, the value of all direct insurance premiums written totaled \$1.1 trillion, of which nonlife premiums accounted for \$574.6 billion. In that same year, State Farm Mutual Group was the top nonlife insurer, with direct written nonlife premiums of \$47.2 billion, while Metropolitan Life & Affiliated was the nation's leading life insurer, with direct written life insurance premiums of \$27.6 billion.

Hundreds of varieties of insurance may be purchased. Besides life, the more important coverages include accident, fire, hospital and medical expense, group accident and health, automobile liability, automobile damage, workers' compensation, ocean marine, and inland marine. Americans buy more life and health insurance than any other group except Canadians and Japanese. During the 1970s, many states enacted a "no fault" form of automobile insurance, under which damages may be awarded automatically, without recourse to a lawsuit.

### 3<sup>5</sup> PUBLIC FINANCE

Under the Budget and Accounting Act of 1921, the president is responsible for preparing the federal government budget. In fact, the budget is prepared by the Office of Management and Budget (established in 1970), based on requests from the heads of all federal departments and agencies and advice from the Board of Governors of the Federal Reserve System, the Council of Economic Advisers, and the Treasury Department. The president submits a budget message to Congress in January. Under the Congressional Budget Act of 1974, the Congress establishes, by concurrent resolution, targets for overall expenditures and broad functional categories, as well as targets for revenues, the budget deficit, and



**Public Finance – United States (2003)**

(In billions of US dollars, central government figures)

<b>Revenue and Grants</b>	<b>1,902.4</b>	<b>100.0%</b>
Tax revenue	1,086.5	57.1%
Social contributions	758.3	39.9%
Grants	...	...
Other revenue	57.6	3.0%
<b>Expenditures</b>	<b>2,311.9</b>	<b>100.0%</b>
General public services	281.9	12.2%
Defense	442.5	19.1%
Public order and safety	31.9	1.4%
Economic affairs	161.9	7.0%
Environmental protection	...	...
Housing and community amenities	45.8	2.0%
Health	541.9	23.4%
Recreational, culture, and religion	4.5	0.2%
Education	61	2.6%
Social protection	740.5	32.0%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

the public debt. The Congressional Budget Office monitors the actions of Congress on individual appropriations bills with reference to those targets. The president exercises fiscal control over executive agencies, which issue periodic reports subject to presidential perusal. Congress exercises control through the comptroller general, head of the General Accounting Office, who sees to it that all funds have been spent and accounted for according to legislative intent. The fiscal year runs from 1 October to 30 September. The public debt, subject to a statutory debt limit, has been raised by Congress 70 times since 1950. The debt rose from \$43 billion in 1939/40 to more than \$3.3 trillion in 1993 to more than \$8.2 trillion in early 2006. In 1993, pressured by Congressional Republicans, President Bill Clinton introduced a taxing and spending plan to reduce the rate of growth of the federal deficit. The Clinton administration calculated the package of tax increases and spending cuts would pare down the deficit by \$500 billion over a four-year period; in fiscal year 1997/98, the budget experienced an estimated surplus of \$69 billion. However, the tax cuts and extensive military spending of President George W. Bush in the first term of the new millennium erased the surplus and pushed the economy to a record \$455 billion deficit for the 2003 fiscal year, followed by \$412 billion for 2004.

The US Central Intelligence Agency (CIA) estimated that in 2005 the central government took in revenues of approximately \$2.1 trillion and had expenditures of \$2.4 trillion. Revenues minus expenditures totaled approximately -\$347 billion. Public debt in 2005 amounted to 64.7% of GDP. Total external debt in 2006 was \$8.837 trillion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues in \$1,902.4 billion and expenditures were \$2,311.9 billion. The value of revenues was \$1.9 billion and expenditures \$2.3 billion. Government outlays by function were as follows: general public services, 12.2%; defense, 19.1%; public order and safety, 1.4%; economic affairs, 7.0%; housing and community amenities,

2.0%; health, 23.4%; recreation, culture, and religion, 0.2%; education, 2.6%; and social protection, 32.0%.

**3<sup>6</sup>TAXATION**

Measured as a proportion of the GDP, the total US tax burden is less than that in most industrialized countries. Federal, state, and local taxes are levied in a variety of forms. The greatest source of revenue for the federal government is the personal income tax, which is paid by citizens and resident aliens on their worldwide income. The main state-level taxes are sales and income taxes. The main local taxes are property and local income taxes.

Generally, corporations are expected to prepay, through four installments, 100% of estimated tax liability. US corporate taxes are famous for their complexity, and it is estimated that amount spent trying to comply with, minimize and/or avoid business taxes is equal to half the tax yield. As of 2004, the United States had a top corporate federal tax rate of 35%, although the effective rate is actually 39.5%. Generally, corporations having taxable income in excess of \$75,000 but not over \$10 million are taxed at a 34% rate, with the first \$75,000 taxed at graduated rates of 15–25%. However those whose income falls between \$335,000 and \$10 million are taxed at the full 34% which includes the initial \$75,000. Corporations with income of over \$15 million but not over \$18,333,333 are subject to an additional 3% tax, while those corporations whose taxable income is over \$18,333,333 are taxed at the 35% rate. The federal government also imposes an Alternative Minimum Tax (AMT). The purpose of the AMT is to prevent what is considered an overuse of tax deductions. As a result, the AMT is effectively a separate tax system with its own credit limitations and allowable deductions. Under the AMT, a 20% flat rate is applied to alternative minimum taxable income (AMTI), which the corporation must pay if the calculated AMT is greater than the regular tax. Conversely, if the calculated regular tax is more than the calculated AMT, then the regular tax must be paid. State and local governments may also impose their own corporate income taxes. Generally, these taxes use the federal definitions of taxable income as the starting point when applying their income taxes. Capital gains from assets held as investments are taxed at the same rates as ordinary income. Dividends, interest and royalties paid to nonresidents are subject to a withholding tax of 30%.

The United States has a progressive personal income tax structure that as of 2004, had a top rate of 35%. As with corporations, individuals can be subject to an AMT. With rates of 26% and 28%, the AMT, as it applies to individuals, is similar to the AMT charged to corporations in that the individual must pay whichever is highest, the regular tax or the AMT. Individuals may also be subject to inheritance and gift taxes, as well as state and local income taxes, all of which vary from state-to-state and locality-to-locality. Capital gains from assets held for under a year (short term) are taxed at higher rates than gains derived from assets held for more than a year (long term). Long term capital gains for individuals are taxed at a 15% rate, while those individuals who fall into lower-income tax brackets would be subject to a 5% rate. Certain capital gains derived from real estate are subject to a 25% tax rate.

The United States has not adopted a national value-added tax (VAT) system. The main indirect taxes are state sales taxes. There is an importation duty of 0.7% on imported goods. Excise taxes are levied on certain motor vehicles, personal air transporta-

tion, some motor fuels (excluding gasohol), alcoholic beverages, tobacco products, tires and tubes, telephone charges, and gifts and estates.

### 37 CUSTOMS AND DUTIES

Under the Trade Agreements Extension Act of 1951, the president is required to inform the US International Trade Commission (known until 1974 as the US Tariff Commission) of contemplated concessions in the tariff schedules. The commission then determines what the “peril point” is; that is, it informs the president how far the tariff may be lowered without injuring a domestic producer, or it indicates the amount of increase necessary to enable a domestic producer to avoid injury by foreign competition. Similarly, the act provides an “escape clause,”—in effect, a method for rescinding a tariff concession granted on a specific commodity if the effect of the concession, once granted, has caused or threatens to cause “serious injury” to a domestic producer. The Trade Expansion Act of 1962 grants the president the power to negotiate tariff reductions of up to 50% under the terms of GATT.

In 1974, The US Congress authorized the president to reduce tariffs still further, especially on goods from developing countries. As the cost of imported oil rose in the mid-1970s, however, Congress became increasingly concerned with reducing the trade imbalance by discouraging “dumping” of foreign goods on the US market. The International Trade Commission is required to impose a special duty on foreign goods offered for sale at what the commission determines is less than fair market value.

Most products are dutiable under most-favored nation (MFN) rates or general duty rates. The import tariff schedules contain over 10,000 classifications, most of which are subject to interpretation. Besides duties, the United States imposes a 17% “user fee” on all imports. Excise taxes and harsher maintenance fees are also imposed on certain imports. Under the terms of the North American Free Trade Agreement (NAFTA), which was approved by Congress in 1993, tariffs on goods qualifying as North American under the rules of origin will be phased out over a 15-year period.

### 38 FOREIGN INVESTMENT

From the end of World War II through 1952, US government transfers of capital abroad averaged about \$5,470 million annually, while private investments averaged roughly \$730 million. Portfolio investment represented less than \$150 million a year, or only 2.5% of the annual aggregate.

After 1952, however, direct private investment began to increase and portfolio investment rose markedly. In the late 1950s, new private direct investment was increasing yearly by \$2 billion or more, while private portfolio investment and official US government loans were climbing by a minimum annual amount of \$1 billion each. During the 1960–73 period, the value of US-held assets abroad increased by nearly 12% annually. From the mid-1970s through the early 1980s, it rose most years by at least 15%, and doubled between 1980 and 1990. Direct investments abroad had a book value of \$711.6 billion in 1995, over half of which was invested in Europe, with the single greatest concentration (\$119.9 billion) in the United Kingdom. Asia and the Pacific Islands had the second-largest regional total (\$126 billion), with Japan (\$39 billion) the leading country.

Foreign direct investment in the United States has risen rapidly, from \$6.9 billion in 1960 to \$27.7 billion in 1975 and \$183 billion at the end of 1985. As of 1995 foreign direct investment in the United States was valued at \$560 billion, of which \$363.5 billion originated in Europe (\$119.9 billion in the United Kingdom). Asia and the Pacific was the other major source of foreign direct investment, of which close to 90% (\$108.6 billion) came from Japan. Total foreign assets in 1994 (current cost) were over \$3.16 trillion. Over one-third of the investment volume was in manufacturing. In 1998 foreign direct investment reached \$174.4 billion, up from \$103.4 billion in 1997, and then increased to \$283 billion in 1999. Foreign direct investment inflow into the United States peaked at a world record of \$301 billion in 2000. In the global economic slowdown of 2001, foreign direct investment inflows dropped to \$124.4 billion. The worldwide decline in foreign investment after the 11 September 2001 terrorist attacks was most dramatic in the United States. In 2002, estimated foreign direct investment inflow dropped more than 64% to an estimated \$52.6 billion. Foreign direct investment inflow rose to \$78.8 billion in 2004, up 26% from 2003. In 2004, the major investors in the United States were Canada, the United Kingdom, Germany, France, Switzerland, and Australia.

US outward foreign direct investment in 2004 totaled \$83.5 billion, with Canada, the United Kingdom, Switzerland, Japan, Ireland, and Mexico the largest recipients of US FDI.

### 39 ECONOMIC DEVELOPMENT

By the end of the 19th century, regulation rather than subsidy had become the characteristic form of government intervention in US economic life. The abuses of the railroads with respect to rates and services gave rise to the Interstate Commerce Commission in 1887, which was subsequently strengthened by numerous acts that now stringently regulate all aspects of US railroad operations.

The growth of large-scale corporate enterprises, capable of exercising monopolistic or near-monopolistic control of given segments of the economy, resulted in federal legislation designed to control trusts. The Sherman Antitrust Act of 1890, reinforced by the Clayton Act of 1914 and subsequent acts, established the federal government as regulator of large-scale business. This tradition of government intervention in the economy was reinforced during the Great Depression of the 1930s, when the Securities and Exchange Commission and the National Labor Relations Board were established. The expansion of regulatory programs accelerated during the 1960s and early 1970s with the creation of the federal Environmental Protection Agency, Equal Employment Opportunity Commission, Occupational Safety and Health Administration, and Consumer Product Safety Commission, among other bodies. Subsidy programs were not entirely abandoned, however. Federal price supports and production subsidies remained a major force in stabilizing US agriculture. Moreover, the federal government stepped in to arrange for guaranteed loans for two large private firms—Lockheed in 1971 and Chrysler in 1980—where thousands of jobs would have been lost in the event of bankruptcy.

During this period, a general consensus emerged that, at least in some areas, government regulation was contributing to inefficiency and higher prices. The Carter administration moved to deregulate the airline, trucking, and communications industries;

subsequently, the Reagan administration relaxed government regulation of bank savings accounts and automobile manufacture as it decontrolled oil and gas prices. The Reagan administration also sought to slow the growth of social-welfare spending and attempted, with only partial success, to transfer control over certain federal social programs to the states and to reduce or eliminate some programs entirely. Ironically, it was a Democrat, Bill Clinton, who, in 1996, signed legislation that replaced Aid to Families with Dependent Children with a system of block grants that would enable the states to design and run their own welfare programs.

Some areas of federal involvement in social welfare, however, seem safely entrenched. Old age and survivors' insurance, unemployment insurance, and other aspects of the Social Security program have been accepted areas of governmental responsibility for decades. With the start of the 21st century, the government faced the challenge of keeping the Medicare program solvent as the postwar baby-boomer generation reached retirement age. Federal responsibility has also been extended to insurance of bank deposits, to mortgage insurance, and to regulation of stock transactions. The government fulfills a supervisory and regulatory role in labor-management relations. Labor and management customarily disagree on what the role should be, but neither side advocates total removal of government from this field.

Since the Reciprocal Trade Agreement Act of 1934, government regulation of foreign trade has tended toward decreased levels of protection, a trend maintained by the 1945 Trade Agreements Extension Act, the 1962 Trade Expansion Act, and the 1974 Trade Act. The goals of free trade have also been furthered since World War II by US participation in the International Monetary Fund (IMF), the World Bank, and the General Agreement on Tariffs and Trade (GATT). With the formation in 1995 of the World Trade Organization (WTO), most-favored-nation policies were expanded to trade in services and other areas.

In 1993, Congress approved the North American Free Trade Agreement, which extended the Free Trade Agreement between Canada and the United States to include Mexico. NAFTA, by eliminating tariffs and other trade barriers, created a free trade zone with a combined market size of \$6.5 trillion and 370 million consumers. The effect on employment was uncertain—estimates varied from a loss of 150,000 jobs over the ensuing ten years to a net gain of 200,000. Labor intensive goods-producing industries, such as apparel and textiles, were expected to suffer, while it was predicted that capital goods industries would benefit. It was anticipated that US automakers would benefit in the short run by taking advantage of the low wages in Mexico and that US grain farmers and the US banking, financial, and telecommunications sectors would gain enormous new markets. As of 2005, the pros and cons of NAFTA were still being hotly debated. Spokespersons for organized labor claimed in 2000 that the agreement had resulted in a net loss of 420,000 jobs, while advocates of free trade insisted that 311,000 new jobs had been created to support record US exports to Canada and Mexico, with only 116,000 workers displaced—a net gain of 195,000 jobs.

In 2003, President George W. Bush introduced, and Congress passed a tax cut of \$350 billion designed to stimulate the economy, which was in a period of slow growth. This came on the heels of a \$1.35 trillion tax cut passed in 2001 and a \$96 billion stimulus package in 2002. Democrats cited the loss of 2.7 million private

sector jobs during the first three years of the Bush administration as evidence that the president did not have control over the economy. In 1998, for the first time since 1969, the federal budget closed the fiscal year with a surplus. In 2000, the government was running a surplus of \$236 billion, or a projected \$5.6 trillion over 10 years. By mid-2003, the federal budget had fallen into deficit; the deficit stood at \$455 billion, which was 4.2% of gross domestic product (GDP). The budget deficit stood at \$412 billion in 2004, or 3.6% of GDP, and was forecast to decline to \$331 billion in 2006.

US businesses are at or near the forefront of technological advances, but the onrush of technology has created a "two-tier" labor market, in which those at the bottom lack the education and professional and technical skills of those at the top, and, increasingly, fail to receive comparable pay raises, health insurance coverage, and other benefits. Since 1975, practically all the gains in household income have gone to the top 20% of households. Other long-term problems facing the US economy are inadequate investment in economic infrastructure, the rapidly rising medical and pension costs of an aging population, significant trade, current account, and budget deficits, and the stagnation of family income in the lower economic groups. Congress in 2003 passed an overhaul of the Medicare program to provide prescription drug coverage for the elderly and disabled; the provisions went into effect in January 2006.

#### 40 SOCIAL DEVELOPMENT

Social welfare programs in the United States depend on both the federal government and the state governments for resources and administration. Old age, survivors', disability, and the Medicare (health) programs are administered by the federal government; unemployment insurance, dependent child care, and a variety of other public assistance programs are state administered, although the federal government contributes to all of them through grants to the states.

The Food and Nutrition Service of the US Department of Agriculture oversees several food assistance programs. Eligible Americans take part in the food stamp program, and eligible pupils participate in the school lunch program. The federal government also expends money for school breakfasts, nutrition programs for the elderly, and in commodity aid for the needy. The present Social Security program differs greatly from that created by the Social Security Act of 1935, which provided that retirement benefits be paid to retired workers aged 65 or older. Since 1939, Congress has attached a series of amendments to the program, including provisions for workers who retire at age 62, for widows, for dependent children under 18 years of age, and for children who are disabled prior to age 18. Disabled workers between 50 and 65 years of age are also entitled to monthly benefits. Other measures increased the number of years a person may work; among these reforms was a 1977 law banning mandatory retirement in private industry before age 70. The actuarial basis for the Social Security system has also changed. In 1935 there were about nine US wage earners for each American aged 65 or more; by the mid-1990s, however, the ratio was closer to three to one.

In 1940, the first year benefits were payable, \$35 million was paid out. By 1983, Social Security benefits totaled \$268.1 billion, paid to more than 40.6 million beneficiaries. The average monthly

benefit for a retired worker with no dependents in 1960 was \$74; in 1983, the average benefit was \$629.30. Under legislation enacted in the early 1970s, increases in monthly benefits were pegged to the inflation rate, as expressed through the Consumer Price Index. Employers, employees, and the self-employed are legally required to make contributions to the Social Security fund. Currently, 6.2% of employee earnings (12.4% of self-employed earnings) went toward old-age, disability, and survivor benefits. Wage and salary earners pay Social Security taxes under the Federal Insurance Contributions Act (FICA). As the amount of benefits and the number of beneficiaries have increased, so has the maximum FICA payment. As of 2004 the maximum annual earnings for contribution and benefit purposes was \$87,000.

Workers compensation laws vary according to states. Most laws were enacted before 1920; the program covering federal employees was instituted in 1908. Insurance is compulsory through public or private carriers. In most states the employer fund the total cost. There is a special federal program for miners with black lung disease (pneumoconiosis). The laws governing unemployment compensation originate in the states as well, and therefore benefits vary from state to state in duration and amount. Generally unemployment benefits amount to 50% of earnings, and federal law provides an additional 13 weeks of payments in states with high unemployment. Federal and state systems provide aid in the form of cash payments, social services, and job training to assist needy families.

Private philanthropy plays a major role in the support of relief and health services. The private sector plays an especially important role in pension management.

## 41 HEALTH

The US health care system is among the most advanced in the world. Escalating health care costs resulted in several proposals for a national health care program in the 1970s, early 1980s, and early 1990s. Most reform measures relied either on market-oriented approaches designed to widen insurance coverage through tax subsidies on a federally controlled single-payer plan, or on mandatory employer payments for insurance coverage. The health care industry continues to struggle with continued rising costs, as well as the financial burden of providing care to over 40 million people who were uninsured. The percentage among the nation's poor was much higher.

In response to rising costs, the popularity of managed care grew rapidly in the latter half of the 1990s. By 2000, 59% of the population was insured by either an HMO (health maintenance organization) or PPO (preferred provider organization). In such organizations, medical treatment, laboratory tests, and other health services for each patient are subject to the approval of the insurer before they can be covered. From 1987 to 1996, enrollment in health maintenance organizations (HMOs) doubled. By the end of the decade, however, the quality of treatment under managed care organizations was coming under increased scrutiny.

Life expectancy for someone born in 2005 was 77.71 years. Infant mortality has fallen from 38.3 per 1,000 live births in 1945 to 6.50 per 1,000 live births in 2005. The birth rate in 2002 was 14.1 per 1,000 people. In 1999, 56.5% of US adults were overweight and 21.1% were obese. Although health indicators continued to im-

prove overall 2004, pronounced disparities between different segments of the population remained.

Leading causes of death were: heart disease, cancer, cerebrovascular diseases, chronic lower respiratory diseases, accidents, diabetes mellitus, pneumonia and influenza, Alzheimer's disease, suicide, and homicide.

Cigarette smoking has been linked to heart and lung disease; about 20% of all deaths in the United States were attributed to cigarette smoking. Smoking has decreased overall since the late 1980s. The overall trend in smoking mortality suggests a decrease in smoking among males since the 1960s, but an increase in mortality for female smokers. On 23 November 1998, the Master Settlement Agreement was signed, the result of a lawsuit brought by 46 states and the District of Columbia against tobacco companies for damages related to smoking. Payments from the settlement, totaling \$206 billion, began in 1999.

The rate of HIV infection (resulting in acquired immune deficiency syndrome—AIDS), has risen since first being identified in 1981. There were a cumulative total of 750,000 AIDS cases in the 1980s and 1990s, with 450,000 deaths from the disease. In the latter 1990s, both incidence and mortality decreased with the introduction of new drug combinations to combat the disease. The number of AIDS cases declined by 30% between 1996 and 1998 and deaths were cut in half. In 2004, the number of people living with HIV/AIDS was estimated at 950,000, with the number of deaths from AIDS that year estimated at 14,000. AIDS continued to affect racial and ethnic minorities disproportionately. HIV prevalence was 0.60 per 100 adults in 1999.

Medical facilities in the United States included 5,810 hospitals in 2000, with 984,000 beds (down from 6,965 hospitals and 1,365,000 beds in 1980). As of 2004, there were an estimated 549 physicians, 773 nurses, 59 dentists, and 69 pharmacists per 100,000 people. Of the total number of active classified physicians, the largest areas of activity were internal medicine, followed by general and family practice and pediatrics.

Per capita health care expenditures rose from \$247 in 1967 to about \$3,380 in 1993. National health care spending reached \$1 trillion in 1996 and was projected to reach \$1.9 trillion by 2006. Hospital costs, amounting to over \$371 billion in 1997, represented 34% of national health care spending in that year. In the late 1990s, total health care expenditures stabilized at around 13% of GDP, with most expenditures being made by the private sector.

Medicare payments have lagged behind escalating hospital costs; payments in 2000 totaled \$215.9 billion. Meanwhile, the elderly population in the United States is projected to increase to 18% of the total population by 2020, thus exacerbating the conundrum of health care finance.

## 42 HOUSING

The housing resources of the United States far exceed those of any other country, with 122,671,734 housing units serving about 109,902,090 households, according to 2004 American Community Survey estimates. About 67% of all occupied units were owner-occupied, with about 10% of the total housing stock standing vacant. The average household had 2.6 people. The median home value was estimated at \$151,366. The median payment for rent and utilities of rental properties was \$694 per month. California had the highest number of housing units at over 12 million (in

2000); the state also had the highest estimated median housing value of owner-occupied units, at \$391,102 in 2004. Wyoming had the lowest number of housing stock with an estimated 223,854 in 2000. The lowest estimated median housing value of owner-occupied units was found in Arkansas at \$79,006 in 2004.

The vast majority of housing units are single-unit structures; 61% are single-family detached homes. Over 9.5 million dwellings are found in buildings of 20 units or more. Over 8.7 million dwellings are mobile homes. About 14.9% of the total housing stock was built in 1939 or before. The decade of 1970–79 had the most homes built, with 21,462,868 units, 17.6% of the existing stock. During the period 1990–99, there were 19,007,934 units built, about 15% of the existing stock. Houses being built in the 1990s were significantly larger than those built in the 1970s. The average area of single-family housing built in 1993 was 180.88 sq m (1,947 sq ft), compared to 139.35 sq m (1,500 sq ft) in 1970. The median number of rooms per dwelling was estimated at 5.4 in 2004.

### 43 EDUCATION

Education is the responsibility of state and the local governments. However, federal funds are available to meet special needs at primary, secondary, or higher levels. Each state specifies the age and circumstances for compulsory attendance. The most common program of compulsory education requires attendance for ages 6 to 16; however, most school programs continue through twelve years of study, with students graduating at age 17 or 18. The high school diploma is only granted to students who complete this course of study, no certificates of completion are granted at previous intervals. Those who leave school before completion of grade 12 may choose to take a General Educational Development Test (GED) that is generally considered to be the equivalent to a state-approved diploma.

Regular schools, which educate a person toward a diploma or degree, include both public and private schools. Public schools are controlled and supported by the local authorities, as well as state or federal governmental agencies. Private schools are controlled and supported by religious or private organizations. Elementary schooling generally extends from grade one through grade five or six. Junior high or middle school programs may cover grades six through eight, depending on the structure of the particular school district. High schools generally cover grades 9 through 12. At the secondary level, many schools offer choices of general studies or college preparatory studies. Vocational and technical programs are also available. Some schools offer advanced placement programs through which students (after appropriate exams) may earn college credits while still in high school. The school year begins in September and ends in June.

In 2003, about 58% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 92% of age-eligible students. The student-to-teacher ratio for primary school was at about 14:1 in 2003; the ratio for secondary school was about 15:1. In 2003, private schools accounted for about 10.8% of primary school enrollment and 9.2% of secondary enrollment. As of 2003, about 87% of the population ages 25–29 had received a high school diploma or equivalency certificate.

In 2003, about 1.1 million students were home schooled. In a home schooling program, students are taught at home by their parents or tutors using state-approved curriculum resources. Most of these students (about 82%) receive their entire education at home. Others may attend some classes at local schools or choose to attend public high school after completing preliminary grades through home schooling.

Colleges include junior or community colleges, offering two-year associate degrees; regular four-year colleges and universities; and graduate or professional schools. Both public and private institutions are plentiful. Eight of the most prestigious institutions in the country are collectively known as the Ivy League. These schools are some of the oldest in the country and are known for high academic standards and an extremely selective admissions process. Though they are all now independent, nonsectarian organizations, most of them were founded or influenced by religious groups. They include: Yale University (1701, Puritans), University of Pennsylvania (1740, Quaker influence), Princeton University (1746, Presbyterian), Harvard University (1638, Puritan), Dartmouth College (1769, Puritan), Cornell University (1865), Columbia University (1754, Anglican), and Brown University (1764, Baptist).

The cost of college education varies considerably depending on the institution. There are county and state universities that receive government funding and offer reduced tuition for residents of the region. Students attending both public and private institutions may be eligible for federal aid in the form of grants or loans. Institutions generally offer their own scholarship and grant programs as well.

There are over 4,000 nondegree institutions of higher learning, including educational centers offering continuing education credits for professionals as well as general skill-based learning programs. Certificate programs are available in a number of professions and trades. Technical and vocational schools are also available for adults. In 2003, it was estimated that about 83% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate has been estimated at about 97%.

Beyond this, there are numerous public and private community organizations that offer educational programming in the form of workshops, lectures, seminars, and classes for adults interested in expanding their educational horizons.

As of 2003, public expenditure on education was estimated at 5.7% of GDP, or 17.1% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

The American Library Association has reported that, as of 2004, there were an estimated 117,664 libraries in the country, including 9,211 public libraries (with over 16,500 buildings), 3,527 academic libraries, 93,861 school libraries, 9,526 special libraries, 314 armed forces libraries, and 1,225 government libraries.

The largest library in the country and the world is the Library of Congress, with holdings of over 130 million items, including 29 million books and other printed materials, 2.7 million recordings, 12 million photographs, 4.8 million maps, and 58 million manuscripts. The Library of Congress serves as the national library and the site of the US Copyright Office. The government maintains a system of presidential libraries and museums, which serve as ar-

chive and research centers that preserve documents and other materials of historical value related to the presidency. Starting with Herbert Hoover, the 31st president of the United States, there has been a library and museum established for each president. State governments maintain their own libraries as well.

The country's vast public library system is administered primarily by municipalities. The largest of these is the New York Public Library system with 89 branch locations and over 42.7 million items, including 14.9 million bound volumes. Other major public library systems include the Cleveland Public Library (over 9.7 million items), Los Angeles County Public Library (over 9.6 million items, 8.7 million books), the Chicago Public Library (6.5 million), the Boston Public Library system (6.1 million books, including 1.2 million rare books and manuscripts), and the Free Library of Philadelphia (6 million items).

Noted special collections are those of the Pierpont Morgan Library in New York; the Huntington Library in San Marino, Calif.; the Folger Shakespeare Library in Washington, DC; the Hoover Library at Stanford University; and the rare book divisions of Harvard, Yale, Indiana, Texas, and Virginia universities.

Among the leading university libraries are those of Harvard (with about 15 million volumes in 90 libraries), Yale, Illinois (Urbana-Champaign), Michigan (Ann Arbor), California (Berkeley), Columbia, Stanford, Cornell, California (Los Angeles), Chicago, Wisconsin (Madison), and Washington (Seattle).

There are over 5,000 nonprofit museums in the United States. The most numerous type is the historic building, followed in descending order by college and university museums, museums of science, public museums of history, and public museums of art. The Smithsonian Institute in Washington, DC, sponsors 18 national museums and the National Zoo. Sixteen of the Smithsonian national museums are located in the Smithsonian complex of Washington, DC; these include the Natural History Museum, the American History Museum, the Air and Space Museum, American Art Museum, and the American Indian Museum. The American Indian Museum, Heye Center, and the Cooper-Hewitt, National Design Museum are Smithsonian-sponsored museums located in New York.

Other eminent US museums include the American Museum of Natural History, the Metropolitan Museum of Art, the Museum of Modern Art, the Guggenheim Museum, the Whitney Collection of American Art, the Frick Collection, and the Brooklyn Museum, all in New York City; the Boston Museum of Fine Arts; the Art Institute of Chicago and the Chicago Museum of Natural History; the Franklin Institute and Philadelphia Museum of Art, both in Philadelphia; and the M. H. de Young Memorial Museum in San Francisco. Also of prominence are the Cleveland Museum of Art, the St. Louis Museum of Art, and the Baltimore Museum of Art.

## 45 MEDIA

All major electric communications systems are privately owned but regulated by the Federal Communications Commission. The United States uses wire and radio services for communications more extensively than any other country in the world. In 2003, there were an estimated 621 mainline telephones for every 1,000 people. The same year, there were approximately 543 mobile phones in use for every 1,000 people. The Post Office Department

of the United States was replaced on 1 July 1971 by the US Postal Service, a financially autonomous federal agency. In addition to mail delivery, the Postal Service provides registered, certified, insured, express and COD mail service, issues money orders, and operates a postal savings system. Since the 1970s, numerous privately owned overnight mail and package delivery services have been established.

Radio serves a variety of purposes other than broadcasting. It is widely used by ships and aircraft for safety; it has become an important tool in the movement of buses, trucks, and taxicabs. Forest conservators, fire departments, and the police operate with radio as a necessary aid; it is used in logging operations, surveying, construction work, and dispatching of repair crews. In 2004, broadcasting stations on the air comprised over 12,000 radio stations (both AM and FM) and more than 1,500 television stations. Nearly 1,000 stations were affiliated with five major networks: NBC, ABC, CBS, FOX (all commercial), and PBS (Public Broadcasting System). As of 1997 the United States had some 9,000 cable television systems. In 2003, there were an estimated 2,109 radios and 938 television sets for every 1,000 people. About 255 of every 1,000 people were cable subscribers. Also in 2003, there were 658.9 personal computers for every 1,000 people and 551 of every 1,000 people had access to the Internet. There were 198,098 secure Internet servers in the country in 2004.

In 2005 there were over 1,500 daily newspapers in the United States. It has been estimated that about 20 large newspaper chains account for almost 60% of the total daily circulation. The US daily newspapers with the largest circulations as of 2004 were: *USA Today* (national), 2,220,863; *Wall Street Journal* (national), 2,106,774; *New York Times*, 1,121,057; *Los Angeles Times* (CA), 902,164; *New York Daily News*, 715,052; *Washington Post* (DC), 707,690; *New York Post*, 686,207; *Chicago Tribune* (IL), 600,988; *Houston Chronicle* (TX), 554,783; *Dallas Morning News* (TX), 519,014; *San Francisco Chronicle* (CA), 505,022; *Chicago Sun-Times* (IL), 481,980; *Long Island/New York Newsday*, 481,816; *Boston Globe* (MA), 451,471; *Arizona Republic*, 413,268; *Star-Ledger* (Newark, NJ), 400,042; *Journal-Constitution* (Atlanta, GA), 386,015; *Star Tribune* (Minneapolis, MN), 381,094; *Philadelphia Inquirer* (PA), 368,883; and *Cleveland Plain Dealer* (OH), 354,309. *The Christian Science Monitor* is published for daily national circulation by the Christian Science Church based in Massachusetts; circulation in 2004 was about 60,723. *Investor's Business Daily*, based in Los Angeles, California, also has a national circulation, reaching about 191,846 in 2004.

In 2004, the most popular consumer magazine in the country was *AARP the Magazine*, published bimonthly by the American Association of Retired Persons (AARP) with a circulation of over 22.6 million. *The AARP Bulletin* came in second with a circulation of about 22.1 million. The two general circulation magazines that appealed to the largest audiences were *Reader's Digest* (about 10 million) and *TV Guide* (about 9 million). *Time* and *Newsweek* were the leading news magazines, with 2004 weekly circulations of 4,034,272 and 3,135,476 respectively.

The US book-publishing industry consists of the major book companies (mainly in the New York metro area), nonprofit university presses distributed throughout the United States, and nu-

merous small publishing firms. In 1994, 51,863 book titles were published in the United States.

The US Constitution provides for freedom of speech and of the press in its Bill of Rights, and the government supports these rights. Citizens enjoy a wide range of opinions in all media, where debate, editorial opinion, and government opposition viewpoints are represented in some form or another. Nearly all media are privately owned.

#### **46 ORGANIZATIONS**

A number of industrial and commercial organizations exercise considerable influence on economic policy. The National Association of Manufacturers and the US Chamber of Commerce, with numerous local branches, are the two central bodies of business and commerce. Various industries have their own associations, concerned with cooperative research and questions of policy alike.

Practically every profession in the United States is represented by one or more professional organizations. Among the most powerful of these are the American Medical Association, comprising regional, state, and local medical societies; the American Bar Association, also comprising state and local associations; the American Hospital Association; and the National Education Association. The most prestigious scientific and technical institutions are the National Academy of Sciences (founded 1863) and the National Academy of Engineering (1964).

Many private organizations are dedicated to programs of political and social action. Prominent in this realm are the National Association for the Advancement of Colored People (NAACP), the Urban League, the American Civil Liberties Union (ACLU), Common Cause, and the Anti-Defamation League. The League of Women Voters, which provides the public with nonpartisan information about candidates and election issues, began sponsoring televised debates between the major presidential candidates in 1976. The National Organization for Women and the National Rifle Association have each mounted nationwide lobbying campaigns on issues affecting their members. There are thousands of political action committees (PACs) that disburse funds to candidates for the House and Senate and other elected offices.

The great privately endowed philanthropic foundations and trusts play an important part in encouraging the development of education, art, science, and social progress in the United States. Prominent foundations include the Carnegie Corporation and the Carnegie Endowment for International Peace, the Ford Foundation, the Guggenheim Foundation, the Mayo Association for the Advancement of Medical Research and Education, and the Rockefeller Foundation.

Private philanthropy was responsible for the establishment of many of the nation's most eminent libraries, concert halls, museums, and university and medical facilities; private bequests were also responsible for the establishment of the Pulitzer Prizes. Merit awards offered by industry and professional groups include the "Oscars" of the Academy of Motion Picture Arts and Sciences, the "Emmys" of the National Academy of Television Arts and Sciences, and the "Grammys" of the National Academy of Recording Arts and Sciences.

Funds for a variety of community health and welfare services are funneled through United Way campaigns, which raise funds

annually. The American Red Cross has over 3,000 chapters, which pay for services and activities ranging from disaster relief to blood donor programs. The Salvation Army is also a prominent national organization supporting programs of social welfare and advancement. There are several national associations dedicated to research and education for specific fields of medicine and particular diseases and conditions, such as the American Cancer Society, the American Heart Association, and the March of Dimes.

There are numerous youth clubs and associations across the country. The Boy Scouts of America, the Girl Scouts of the USA, rural 4-H Clubs, and the Young Men's and the Young Women's Christian Associations are among the organizations devoted to recreation, sports, camping, and education. There are youth organizations for political parties, such as the Young Republicans and Young Democrats, and Junior ROTC (Reserve Officers' Training Corps) for the Army, Navy, Air Force, and Marines. Most national religious and service associations have youth chapters.

The largest religious organization in the United States is the National Council of the Churches of Christ in the USA, which embraces 32 Protestant and Orthodox denominations, whose adherents total more than 42 million. Many organizations, such as the American Philosophical Society, the American Association for the Advancement of Science, and the National Geographic Society, are dedicated to the enlargement of various branches of human knowledge. National, state, and local historical societies abound, and there are numerous educational, sports, and hobbyist groups.

The larger veterans' organizations are the American Legion, the Veterans of Foreign Wars of the United States, the Catholic War Veterans, and the Jewish War Veterans. Fraternal organizations, in addition to such international organizations as the Masons, include indigenous groups such as the Benevolent and Protective Order of Elks, the Loyal Order of Moose, and the Woodmen of the World. Many, such as the Ancient Order of Hibernians in America, commemorate the national origin of their members. One of the largest fraternal organizations is the Roman Catholic Knights of Columbus.

#### **47 TOURISM, TRAVEL, AND RECREATION**

Among the most striking scenic attractions in the United States are: the Grand Canyon in Arizona; Carlsbad Caverns in New Mexico; Yosemite National Park in California; Yellowstone National Park in Idaho, Montana, and Wyoming; Niagara Falls, partly in New York; and the Everglades in Florida. The United States has a total of 49 national parks. Popular coastal resorts include those of Florida, California, and Cape Cod in Massachusetts. Historical attractions include the Liberty Bell and Constitution Hall in Philadelphia; the Statue of Liberty in New York City; the White House, the Capitol, and the monuments to Washington, Jefferson, and Lincoln in the District of Columbia; the Williamsburg historical restoration in Virginia; various Revolutionary and Civil War battlefields and monuments in the East and South; the Alamo in San Antonio; and Mt. Rushmore in South Dakota. Among many other popular tourist attractions are the movie and television studios in Los Angeles; the cable cars in San Francisco; casino gambling in Las Vegas and in Atlantic City, New Jersey; thoroughbred horse racing in Kentucky; the Grand Ole Opry in Nashville, Tennessee; and such amusement parks as Disneyland (Anaheim, California) and Walt Disney World (near Orlando, Florida). For abundance

and diversity of entertainment— theater, movies, music, dance, and sports—New York City has few rivals. In April 1993, Amtrak began the country's first regularly scheduled transcontinental passenger service, from Los Angeles to Miami.

Americans' recreational activities range from the major spectator sports—professional baseball, football, basketball, ice hockey, soccer; and horse racing; and collegiate football and basketball—to home gardening. Participant sports are a favorite form of recreation, including jogging, aerobics, tennis, and golf. Skiing is a popular recreation in New England and the western mountain ranges, while sailing, power boating, rafting, and canoeing are popular water sports.

Foreign visitors to the United States numbered 41.2 million in 2003, down from 51 million in 2000. Of these visitors, 31% came from Canada and 25% from Mexico. Hotel rooms numbered 4.4 million with an occupancy rate of 61%. With a few exceptions, such as Canadians entering from the Western Hemisphere, all visitors to the United States are required to have passports and visas.

The cost of traveling in the United States varies from city to city. According to 2005 US government estimates, daily expenses were approximately \$187 in Chicago, \$272 in New York, \$230 in Washington, DC, and \$174 in Miami. Costs are lower in smaller cities and rural areas.

#### 48 FAMOUS AMERICANS

Printer, publisher, inventor, scientist, statesman, and diplomat, Benjamin Franklin (1706–90) was America's outstanding figure of the colonial period. George Washington (1732–99), leader of the colonial army in the American Revolution, became first president of the United States and is known as the "father of his country." Chief author of the Declaration of Independence, founder of the US political party system, and third president was Thomas Jefferson (1743–1826). His leading political opponents were John Adams (1735–1826), second president, and Alexander Hamilton (b. West Indies, 1755–1804), first secretary of the treasury, who secured the new nation's credit. James Madison (1751–1836), a leading figure in drawing up the US Constitution, served as fourth president. John Quincy Adams (1767–1848), sixth president, was an outstanding diplomat and secretary of state.

Andrew Jackson (1767–1845), seventh president, was an ardent champion of the common people and opponent of vested interests. Outstanding senators during the Jackson era were John Caldwell Calhoun (1782–1850), spokesman of the southern planter aristocracy and leading exponent of the supremacy of states' rights over federal powers; Henry Clay (1777–1852), the great compromiser, who sought to reconcile the conflicting views of the North and the South; and Daniel Webster (1782–1852), statesman and orator, who championed the preservation of the Union against sectional interests and division. Abraham Lincoln (1809–65) led the United States through its most difficult period, the Civil War, in the course of which he issued the Emancipation Proclamation. Jefferson Davis (1808–89) served as the only president of the short-lived Confederacy. Stephen Grover Cleveland (1837–1908), a conservative reformer, was the strongest president in the latter part of the 19th century. Among the foremost presidents of the 20th century have been Nobel Peace Prize winner Theodore Roosevelt (1858–1919); Woodrow Wilson (1856–1924), who led the nation during World War I and helped establish the League of Nations;

and Franklin Delano Roosevelt (1882–1945), elected to four terms spanning the Great Depression and World War II. The presidents during the 1961–2000 period have been John Fitzgerald Kennedy (1917–63), Lyndon Baines Johnson (1908–73), Richard Milhous Nixon (1913–94), Gerald Rudolph Ford (Leslie Lynch King, Jr., b.1913), Jimmy Carter (James Earl Carter, Jr., b.1924), Ronald Wilson Reagan (1911–2004), George Herbert Walker Bush (b.1924), and Bill Clinton (William Jefferson Blythe III, b.1946). George Walker Bush (b.1946) became the 43rd president and first president of the 21st century.

Of the outstanding US military leaders, four were produced by the Civil War: Union generals Ulysses Simpson Grant (1822–85), who later served as the eighteenth president, and William Tecumseh Sherman (1820–91); and Confederate generals Robert Edward Lee (1807–70) and Thomas Jonathan "Stonewall" Jackson (1824–63). George Catlett Marshall (1880–1959), army chief of staff during World War II, in his later capacity as secretary of state under President Harry S. Truman (1884–1972), formulated the Marshall Plan, which did much to revitalize Western Europe. George Smith Patton, Jr. (1885–1945) was a leading general who commanded major units in North Africa, Sicily, and Europe in World War II. Douglas MacArthur (1880–1964) commanded the US forces in Asia during World War II, oversaw the postwar occupation and reorganization of Japan, and directed UN forces in the first year of the Korean conflict. Dwight D. Eisenhower (1890–1969) served as supreme Allied commander during World War II, later becoming the thirty-fourth president. William Childs Westmoreland (1914–2005) commanded US military operations in the Vietnam War from 1964 to 1968 and served as US Army Chief of Staff from 1968 to 1972. H. Norman Schwarzkopf (b.1934) commanded the successful allied invasion of Iraq in the Persian Gulf War. General Colin Luther Powell (b.1937), former Secretary of State (2001–2005) and highest ranking African American government official in the history of the United States (a position assumed by Condoleezza Rice in 2005), was a general in the army who also served as National Security Advisor (1987–1989) and Chairman of the Joint Chiefs of Staff (1989–1993).

John Marshall (1755–1835), chief justice of the United States from 1801 to 1835, established the power of the Supreme Court through the principle of judicial review. Other important chief justices were Edward Douglass White (1845–1921), former president William Howard Taft (1857–1930), and Earl Warren (1891–1974), whose tenure as chief justice from 1953 to 1969 saw important decisions on desegregation, reapportionment, and civil liberties. The justice who enjoyed the longest tenure on the court was William O. Douglas (1898–1980), who served from 1939 to 1975; other prominent associate justices were Oliver Wendell Holmes (1841–1935), Louis Dembitz Brandeis (1856–1941), and Hugo Lafayette Black (1886–1971).

Indian chiefs renowned for their resistance to white encroachment were Pontiac (1729?–69), Black Hawk (1767–1838), Tecumseh (1768–1813), Osceola (1804?–38), Cochise (1812?–74), Geronimo (1829?–1909), Sitting Bull (1831?–90), Chief Joseph (1840?–1904), and Crazy Horse (1849?–77). Other significant Indian chiefs were Hiawatha (fl. 1500), Squanto (d.1622), and Sequoyia (1770?–1843). Historical figures who have become part of American folklore include pioneer Daniel Boone (1734–1820); silversmith, engraver, and patriot Paul Revere (1735–1818); fron-



tiersman David “Davy” Crockett (1786–1836); scout and Indian agent Christopher “Kit” Carson (1809–68); James Butler “Wild Bill” Hickok (1837–76); William Frederick “Buffalo Bill” Cody (1846–1917); and the outlaws Jesse Woodson James (1847–82) and Billy the Kid (William H. Bonney, 1859–81).

### Inventors and Scientists

Outstanding inventors were Robert Fulton (1765–1815), who developed the steamboat; Eli Whitney (1765–1825), inventor of the cotton gin and mass production techniques; Samuel Finley Breese Morse (1791–1872), who invented the telegraph; and Elias Howe (1819–67), who invented the sewing machine. Alexander Graham Bell (b.Scotland, 1847–1922) gave the world the telephone. Thomas Alva Edison (1847–1931) was responsible for hundreds of inventions, among them the long-burning incandescent electric lamp, the phonograph, automatic telegraph devices, a motion picture camera and projector, the microphone, and the mimeograph. Lee De Forest (1873–1961), the “father of the radio,” developed the vacuum tube and many other inventions. Vladimir Kosma Zworykin (b.Russia, 1889–1982) was principally responsible for the invention of television. Two brothers, Wilbur Wright (1867–1912) and Orville Wright (1871–1948), designed, built, and flew the first successful motor-powered airplane. Amelia Earhart (1898–1937) and Charles Lindbergh (1902–74) were aviation pioneers. Pioneers in the space program include John Glenn (b.1921), the first US astronaut to orbit the earth, and Neil Armstrong (b.1930), the first man to set foot on the moon.

Benjamin Thompson, Count Rumford (1753–1814), developed devices for measuring light and heat, and the physicist Joseph Henry (1797–1878) did important work in magnetism and electricity. Outstanding botanists and naturalists were John Bartram (1699–1777); his son William Bartram (1739–1832); Louis Agassiz (b.Switzerland, 1807–73); Asa Gray (1810–88); Luther Burbank (1849–1926), developer of a vast number of new and improved varieties of fruits, vegetables, and flowers; and George Washington Carver (1864–1943), known especially for his work on industrial applications for peanuts. John James Audubon (1785–1851) won fame as an ornithologist and artist.

Distinguished physical scientists include Samuel Pierpont Langley (1834–1906), astronomer and aviation pioneer; Josiah Willard Gibbs (1839–1903), mathematical physicist, whose work laid the basis for physical chemistry; Henry Augustus Rowland (1848–1901), who did important research in magnetism and optics; and Albert Abraham Michelson (b.Germany, 1852–1931), who measured the speed of light and became the first of a long line of US Nobel Prize winners. The chemists Gilbert Newton Lewis (1875–1946) and Irving Langmuir (1881–1957) developed a theory of atomic structure.

The theory of relativity was conceived by Albert Einstein (b.Germany, 1879–1955), generally considered the greatest mind in the physical sciences since Newton. Percy Williams Bridgman (1882–1961) was the father of operationalism and studied the effect of high pressures on materials. Arthur Holly Compton (1892–1962) made discoveries in the field of X rays and cosmic rays. The physical chemist Harold Clayton Urey (1893–1981) discovered heavy hydrogen. Isidor Isaac Rabi (b.Austria, 1898–1988), nuclear

physicist, did important work in magnetism, quantum mechanics, and radiation. Enrico Fermi (b.Italy, 1901–54) created the first nuclear chain reaction, in Chicago in 1942, and contributed to the development of the atomic and hydrogen bombs. Also prominent in the splitting of the atom were Leo Szilard (b.Hungary, 1898–1964), J. Robert Oppenheimer (1904–67), and Edward Teller (b.Hungary, 1908–2003). Ernest Orlando Lawrence (1901–58) developed the cyclotron. Carl David Anderson (1905–91) discovered the positron. Mathematician Norbert Wiener (1894–1964) developed the science of cybernetics.

Outstanding figures in the biological sciences include Theobald Smith (1859–1934), who developed immunization theory and practical immunization techniques for animals; the geneticist Thomas Hunt Morgan (1866–1945), who discovered the heredity functions of chromosomes; and neurosurgeon Harvey William Cushing (1869–1939). Selman Abraham Waksman (b.Russia, 1888–1973), a microbiologist specializing in antibiotics, was co-discoverer of streptomycin. Edwin Joseph Cohn (1892–1953) is noted for his work in the protein fractionalization of blood, particularly the isolation of serum albumin. Philip Showalter Hench (1896–1965) isolated and synthesized cortisone. Wendell Meredith Stanley (1904–71) was the first to isolate and crystallize a virus. Jonas Edward Salk (1914–95) developed an effective killed-virus poliomyelitis vaccine, and Albert Bruce Sabin (1906–93) contributed oral, attenuated live-virus polio vaccines.

Adolf Meyer (b.Switzerland, 1866–1950) developed the concepts of mental hygiene and dementia praecox and the theory of psychobiology; Harry Stack Sullivan (1892–1949) created the interpersonal theory of psychiatry. Social psychologist George Herbert Mead (1863–1931) and behaviorist Burrhus Frederic Skinner (1904–90) were influential in the 20th century. Psychiatrist Aaron Temkin Beck (b.1921) is regarded as the founder of cognitive therapy, and Albert Ellis (b.1913) developed rational-emotive therapy.

A pioneer in psychology who was also an influential philosopher was William James (1842–1910). Other leading US philosophers are Charles Sanders Peirce (1839–1914); Josiah Royce (1855–1916); John Dewey (1859–1952), also famous for his theories of education; George Santayana (b.Spain, 1863–1952); Rudolf Carnap (b.Germany, 1891–1970); Willard Van Orman Quine (1908–2000), Richard Rorty (b.1931), Hilary Putnam (b.1926), John Rawls (1921–2002), Robert Nozick (1938–2002), and linguist and political philosopher Noam Chomsky (b.1928). Educators of note include Horace Mann (1796–1859), Henry Barnard (1811–1900), and Charles William Eliot (1834–1926). Noah Webster (1758–1843) was the outstanding US lexicographer, and Melvil Dewey (1851–1931) was a leader in the development of library science. Thorstein Bunde Veblen (1857–1929) wrote books that have strongly influenced economic and social thinking. Also important in the social sciences have been sociologists Talcott Parsons (1902–79) and William Graham Sumner (1840–1910) and anthropologist Margaret Mead (1901–78).

### Social Reformers

Social reformers of note include Dorothea Lynde Dix (1802–87), who led movements for the reform of prisons and insane asylums;

William Lloyd Garrison (1805–79) and Frederick Douglass (Frederick Augustus Washington Bailey, 1817–95), prominent abolitionists; Elizabeth Cady Stanton (1815–1902) and Susan Brownell Anthony (1820–1906), leaders in the women's suffrage movement; Clara Barton (1821–1912), founder of the American Red Cross; economist Henry George (1839–97), advocate of the single-tax theory; Eugene Victor Debs (1855–1926), labor leader and an outstanding organizer of the Socialist movement in the United States; Jane Addams (1860–1935), who pioneered in settlement house work; Robert Marion La Follette (1855–1925), a leader for progressive political reform in Wisconsin and in the US Senate; Margaret Higgins Sanger (1883–1966), pioneer in birth control; Norman Thomas (1884–1968), Socialist Party leader; and Martin Luther King, Jr. (1929–68), a central figure in the black civil rights movement and winner of the Nobel Peace Prize in 1964. Betty Friedan (1921–2006), Gloria Steinem (b.1934), and bell hooks (b.Gloria Jean Watkins, 1952) are contemporary feminists.

Religious leaders include Roger Williams (1603–83), an early advocate of religious tolerance in the United States; Jonathan Edwards (1703–58), New England preacher and theologian; Elizabeth Ann Seton (1774–1821), the first American canonized in the Roman Catholic Church; William Ellery Channing (1780–1842), a founder of American Unitarianism; Joseph Smith (1805–44), founder of the Church of Jesus Christ of Latter-day Saints (Mormon) and his chief associate, Brigham Young (1801–77); and Mary Baker Eddy (1821–1910), founder of the Christian Science Church. Paul Tillich (b.Germany, 1886–1965) and Reinhold Niebuhr (1892–1971) were outstanding Protestant theologians of international influence. Pat Robertson (b.1930), televangelist and leader of the Christian Coalition organization, and Jerry Falwell (b.1933), a fundamentalist Baptist pastor, televangelist, and founder of the Moral Majority movement and Liberty University, are contemporary leaders of the Christian religious right.

Famous US businessmen include Éléuthère Irénée du Pont de Nemours (b.France, 1771–1834), John Jacob Astor (Johann Jakob Ashdour, b.Germany, 1763–1848), Cornelius Vanderbilt (1794–1877), Andrew Carnegie (b.Scotland, 1835–1919), John Pierpont Morgan (1837–1913), John Davison Rockefeller (1839–1937), Andrew William Mellon (1855–1937), Henry Ford (1863–1947), and Thomas John Watson (1874–1956). William Henry “Bill” Gates III (b.1955), co-founder of the Microsoft Corp., was the richest person in the world as of 2006. Other corporate leaders in the 21st century include: Warren Edward Buffett (b.1930), Louis V. Gerstner, Jr., (b.1942), H. Wayne Huizenga (b.1937), Steve Jobs (b.1955), Sam Walton (1918–1992), John Francis “Jack” Welch Jr. (b.1935), and Sanford I. Weill (b.1933).

### Literary Figures

The first US author to be widely read outside the United States was Washington Irving (1783–1859). James Fenimore Cooper (1789–1851) was the first popular US novelist. Three noted historians were William Hickling Prescott (1796–1859), John Lothrop Motley (1814–77), and Francis Parkman (1823–93). The writings of two men of Concord, Mass.—Ralph Waldo Emerson (1803–82) and Henry David Thoreau (1817–62)—influenced philosophers, political leaders, and ordinary men and women in many parts of

the world. The novels and short stories of Nathaniel Hawthorne (1804–64) explore New England's Puritan heritage. Herman Melville (1819–91) wrote the powerful novel *Moby-Dick*, a symbolic work about a whale hunt that has become an American classic. Mark Twain (Samuel Langhorne Clemens, 1835–1910) is the best-known US humorist. Other leading novelists of the later 19th and early 20th centuries were William Dean Howells (1837–1920), Henry James (1843–1916), Edith Wharton (1862–1937), Stephen Crane (1871–1900), Theodore Dreiser (1871–1945), Willa Cather (1873–1947), and Sinclair Lewis (1885–1951), first US winner of the Nobel Prize for literature (1930). Later Nobel Prize-winning US novelists include Pearl Sydenstricker Buck (1892–1973), in 1938; William Faulkner (1897–1962), in 1949; Ernest Hemingway (1899–1961), in 1954; John Steinbeck (1902–68), in 1962; Saul Bellow (b.Canada, 1915–2005), in 1976; Isaac Bashevis Singer (b.Poland, 1904–91), in 1978; and Toni Morrison (b.1931), in 1993. Among other noteworthy writers are Zora Neale Hurston (1891–1960), Henry Miller (1891–1980), James Thurber (1894–1961), Francis Scott Key Fitzgerald (1896–1940), Vladimir Nabokov (b.Russia, 1899–1977), Thomas Wolfe (1900–1938), Richard Wright (1908–60), Eudora Welty (1909–2001), John Cheever (1912–82), Bernard Malamud (1914–1986), Carson McCullers (1917–1967), Norman Mailer (b.1923), James Baldwin (1924–87), Jack Kerouac (1922–1969), John Updike (b.1932), Philip Roth (b.1933), Paul Auster (b.1947), John Barth (b.1930), Donald Barthelme (1931–1989), T. Coraghessan Boyle (b.1948), Sandra Cisneros (b.1954), Joan Didion (b.1934), Stephen Dixon (b.1936), E.L. Doctorow (b.1931), Louise Erdrich (b.1954), William Gaddis (1922–1998), Carl Hiaasen (b.1953), Oscar Hijuelos (b.1951), John Irving (b.1942), Jamaica Kincaid (b.Elaine Cynthia Potter Richardson, 1949), Jhumpa Lahiri (b.Nilanjana Sudeshna, 1967), Jonathan Lethem (b.1964), Cormac McCarthy (b.1933), Larry McMurtry (b.1936), Bharati Mukherjee (b.1940), Joyce Carol Oates (b.1938), Marge Piercy (b.1936), E. Annie Proulx (b.1935), Thomas Pynchon (b.1937), J.D. Salinger (b.1919), Wallace Stegner (1909–93), Gore Vidal (b.1925), Kurt Vonnegut Jr. (b.1922), Alice Walker (b.1944), Tom Wolfe (b.1931), and Tobias Wolff (b.1945).

Noted US poets include Henry Wadsworth Longfellow (1807–82), Edgar Allan Poe (1809–49), Walt Whitman (1819–92), Emily Dickinson (1830–86), Edwin Arlington Robinson (1869–1935), Robert Frost (1874–1963), Wallace Stevens (1879–1955), William Carlos Williams (1883–1963), Marianne Moore (1887–1972), Edward Estlin Cummings (1894–1962), Hart Crane (1899–1932), Langston Hughes (1902–67), and Rita Dove (b.1952). Ezra Pound (1885–1972) and Nobel laureate Thomas Stearns Eliot (1888–1965) lived and worked abroad for most of their careers. Wystan Hugh Auden (b.England, 1907–73), who became an American citizen in 1946, published poetry and criticism. Elizabeth Bishop (1911–79), Robert Lowell (1917–77), Allen Ginsberg (1926–97), and Sylvia Plath (1932–63) are among the best-known poets since World War II. Robert Penn Warren (1905–89) won the Pulitzer Prize for both fiction and poetry and became the first US poet laureate. Carl Sandburg (1878–1967) was a noted poet, historian, novelist, and folklorist. The foremost US dramatists are Eugene (Gladstone) O'Neill (1888–1953), who won the Nobel Prize for literature in 1936; Tennessee Williams (Thomas Lanier Wil-

liams, 1911–83); Arthur Miller (1915–2005); and Edward Albee (b.1928). Neil Simon (b.1927) is among the nation's most popular playwrights and screenwriters. August Wilson (1945–2005) won the Pulitzer Prize twice, for *Fences* (1985) and *The Piano Lesson* (1990), both of which depicted the African American experience.

### Artists

Two renowned painters of the early period were John Singleton Copley (1738–1815) and Gilbert Stuart (1755–1828). Outstanding 19th-century painters were James Abbott McNeill Whistler (1834–1903), Winslow Homer (1836–1910), Thomas Eakins (1844–1916), Mary Cassatt (1845–1926), Albert Pinkham Ryder (1847–1917), John Singer Sargent (b.Italy, 1856–1925), and Frederic Remington (1861–1909). More recently, Edward Hopper (1882–1967), Georgia O'Keeffe (1887–1986), Thomas Hart Benton (1889–1975), Charles Burchfield (1893–1967), Norman Rockwell (1894–1978), Ben Shahn (1898–1969), Mark Rothko (b.Russia, 1903–70), Jackson Pollock (1912–56), Andrew Wyeth (b.1917), Robert Rauschenberg (b.1925), and Jasper Johns (b.1930) have achieved international recognition.

Sculptors of note include Augustus Saint-Gaudens (1848–1907), Gaston Lachaise (1882–1935), Jo Davidson (1883–1952), Daniel Chester French (1850–1931), Alexander Calder (1898–1976), Louise Nevelson (b.Russia, 1899–1988), and Isamu Noguchi (1904–88). Henry Hobson Richardson (1838–86), Louis Henry Sullivan (1856–1924), Frank Lloyd Wright (1869–1959), Louis I. Kahn (b.Estonia, 1901–74), and Eero Saarinen (1910–61) were outstanding architects. Contemporary architects of note include Richard Buckminster Fuller (1895–1983), Edward Durrell Stone (1902–78), Philip Cortelyou Johnson (1906–2005), Ieoh Ming Pei (b.China, 1917), and Frank Gehry (b.1929). The United States has produced many fine photographers, notably Mathew B. Brady (1823?–96), Alfred Stieglitz (1864–1946), Edward Steichen (1879–1973), Edward Weston (1886–1958), Ansel Adams (1902–84), and Margaret Bourke-White (1904–71).

### Entertainment Figures

Outstanding figures in the motion picture industry are D. W. (David Lewelyn Wark) Griffith (1875–1948), Sir Charles Spencer “Charlie” Chaplin (b.England, 1889–1978), Walter Elias “Walt” Disney (1906–66), and George Orson Welles (1915–85). John Ford (1895–1973), Howard Winchester Hawks (1896–1977), Frank Capra (b.Italy, 1897–1991), Sir Alfred Hitchcock (b.England, 1899–1980), and John Huston (1906–87) were influential motion picture directors; Mel Brooks (Kaminsky, b.1926), George Lucas (b.1944), and Steven Spielberg (b.1947) have achieved remarkable popular success. Woody Allen (Allen Konigsberg, b.1935) has written, directed, and starred in comedies on stage and screen. World-famous American actors and actresses include the Barrymores, Ethel (1879–1959) and her brothers Lionel (1878–1954) and John (1882–1942); Humphrey Bogart (1899–1957); James Cagney (1899–1986); Spencer Tracy (1900–1967); Helen Hayes Brown (1900–93); Clark Gable (1901–60); Joan Crawford (Lucille Fay LeSueur, 1904–77); Cary Grant (Alexander Archibald Leach, b.England, 1904–86); Greta Garbo (Greta Louisa Gustafsson, b.Sweden, 1905–90); Henry Fonda (1905–82) and his daughter, Jane (b.1937); John Wayne (Marion Michael Morrison, 1907–

79); Bette (Ruth Elizabeth) Davis (1908–89); Katharine Hepburn (1909–2003); Judy Garland (Frances Gumm, 1922–69); Marlon Brando (1924–2004); Marilyn Monroe (Norma Jean Mortenson, 1926–62); and Dustin Hoffman (b.1937). Among other great entertainers are W. C. Fields (William Claude Dukenfield, 1880–1946), Al Jolson (Asa Yoelson, b.Russia, 1886–1950), Jack Benny (Benjamin Kubelsky, 1894–1974), Fred Astaire (Fred Austerlitz, 1899–1987), Bob (Leslie Townes) Hope (b.England, 1903–2003), Bing (Harry Lillis) Crosby (1904–78), Frank (Francis Albert) Sinatra (1915–98), Elvis Aaron Presley (1935–77), and Barbra (Barbara Joan) Streisand (b.1942). The first great US “showman” was Phineas Taylor Barnum (1810–91).

### Composers and Musicians

The foremost composers are Edward MacDowell (1861–1908), Charles Ives (1874–1954), Ernest Bloch (b.Switzerland, 1880–1959), Virgil Thomson (1896–89), Roger Sessions (1896–1985), Roy Harris (1898–1979), Aaron Copland (1900–90), Elliott Carter (b.1908), Samuel Barber (1910–81), John Cage (1912–92), and Leonard Bernstein (1918–90). George Rochberg (1918–2005), George Crumb (b.1929), Steve Reich (b.1936), and Philip Glass (b.1937) have won more recent followings. The songs of Stephen Collins Foster (1826–64) have achieved folk-song status. Leading composers of popular music are John Philip Sousa (1854–1932), George Michael Cohan (1878–1942), Jerome Kern (1885–1945), Irving Berlin (Israel Baline, b.Russia, 1888–1989), Cole Porter (1893–1964), George Gershwin (1898–1937), Richard Rodgers (1902–79), Woody Guthrie (1912–67), Stephen Joshua Sondheim (b.1930), Paul Simon (b.1941), and Bob Dylan (Robert Zimmerman, b.1941). Preeminent in the blues traditions are Leadbelly (Huddie Ledbetter, 1888–1949), Bessie Smith (1898?–1937), and Muddy Waters (McKinley Morganfield, 1915–83). Leading jazz figures include the composers Scott Joplin (1868–1917), James Hubert “Eubie” Blake (1883–1983), Edward Kennedy “Duke” Ellington (1899–1974), and William “Count” Basie (1904–84), and performers Louis Armstrong (1900–1971), Billie Holiday (Eleanora Fagan, 1915–59), John Birks “Dizzy” Gillespie (1917–93), Charlie “Bird” Parker (1920–55), John Coltrane (1926–67), and Miles Davis (1926–91).

Many foreign-born musicians have enjoyed personal and professional freedom in the United States; principal among them were pianists Artur Schnabel (b.Austria, 1882–1951), Arthur Rubinstein (b.Poland, 1887–1982), Rudolf Serkin (b.Bohemia, 1903–91), Vladimir Horowitz (b.Russia, 1904–89), and violinists Jascha Heifetz (b.Russia, 1901–87) and Isaac Stern (b.USSR, 1920). Among distinguished instrumentalists born in the United States are Benny Goodman (1909–86), a classical as well as jazz clarinetist, and concert pianist Van Cliburn (Harvey Lavan, Jr., b.1934). Singers Paul Robeson (1898–1976), Marian Anderson (1897–1993), Maria Callas (Maria Kalogeropoulos, 1923–77), Leontyne Price (b.1927), and Beverly Sills (Belle Silverman, b.1929) have achieved international acclaim. Isadora Duncan (1878–1927) was one of the first US dancers to win fame abroad. Martha Graham (1893–91) pioneered in modern dance. George Balanchine (b.Russia, 1904–83), Agnes De Mille (1905–93), Jerome Robbins (1918–98), Paul Taylor (b.1930), and Twyla Tharp (b.1941) are

leading choreographers; Martha Graham (1893–1991) pioneered in modern dance.

**Sports Figures**

Among the many noteworthy sports stars are baseball’s Tyrus Raymond “Ty” Cobb (1886–1961) and George Herman “Babe” Ruth (1895–1948); football’s Samuel Adrian “Sammy” Baugh (b.1914), Jim Brown (b.1936), Francis A. “Fran” Tarkenton (b.1940), and Orenthal James Simpson (b.1947); and golf’s Robert Tyre “Bobby” Jones (1902–71) and Mildred “Babe” Didrikson Zaharias (1914–56). William Tatum “Bill” Tilden (1893–1953), Billie Jean (Moffitt) King (b.1943), Chris Evert (b.1954), Martina Navratilova (b.Czechoslovakia, 1956), Andre Agassi (b.1970), Peter (“Pete”) Sampras (b.1971), and sisters Venus (b.1980) and Serena (b.1981) Williams have starred in tennis; Joe Louis (Joseph Louis Barrow, 1914–81) and Muhammad Ali (Cassius Marcellus Clay, b.1942) in boxing; William Felton “Bill” Russell (b.1934) Wilton Norman “Wilt” Chamberlain (1936–99), and Michael Jordan (b.1963) in basketball; Mark Spitz (b.1950) and Michael Phelps (b.1985) in swimming; Eric Heiden (b.1958) in speed skating; and Jesse Owens (1913–80) in track and field.

**49 DEPENDENCIES**

As of January 1988, US dependencies, in addition to those listed below, included American Samoa, Guam, Midway, Wake Island, and the Northern Mariana Islands; see the *Asia* volume. Sovereignty over the Panama Canal Zone was transferred to Panama on 1 October 1979; the canal itself reverted to Panamanian control until 31 December 1999.

**Navassa**

Navassa, a 5-sq-km (2-sq-mi) island between Jamaica and Haiti, was claimed by the United States under the Guano Act of 1856. The island, located at 18°24' N and 75°1' W, is uninhabited except for a lighthouse station under the administration of the coast guard.

**Puerto Rico**

Puerto Rico—total area 9,104 sq km (3,515 sq mi)—is the smallest and most easterly of the Greater Antilles, which screen the Caribbean Sea from the Atlantic proper. It lies between 17°51' and 18°31' N and 65°13' and 67°56' W, being separated from the Dominican Republic on the island of Hispaniola to the W by the Mona Passage, 121 km (75 mi) wide, and from the Virgin Islands on the E by Vieques Sound and the Virgin Passage. Roughly rectangular, the main island of Puerto Rico extends 179 km (111 mi) E–W and 58 km (36 mi) N–S. It is crossed from east to west by mountain ranges, the most prominent being the Cordillera Central, rising to nearly 1,338 m (4,390 ft). The coastal plain is about 24 km (15 mi) wide at its broadest point, and approximately one-third of the island’s land is arable. About 50 short rivers flow rapidly to the sea. Islands off the coast include Mona and Desecheo to the W and Vieques and Culebra to the E. The mildly tropical climate is moderated by the surrounding sea, and seasonal variations are slight. The prevailing winds are the northeast trades. In San Juan on the northern coast, mean temperatures range from 24°C (75 °F) for January to 27°C (81 °F) for July. Mean annual rainfall varies from 91 cm (36 in) on the south coast to 152 cm (60 in) in San Juan and



may total more than 457 cm (180 in) on the northern mountain slopes in the interior. Tropical fruits and other vegetation abound. As of 1991, endangered species on the island included the Puerto Rican plain pigeon, Puerto Rican parrot, Puerto Rican boa, giant anole, and hawksbill, leatherback, olive ridley, and green sea turtles.

The population was estimated at 3,927,188 in 2006. San Juan, the capital, had an estimated population of 422,000, with a metropolitan area of more than one million. The population has more than doubled since 1930, despite extensive migration to the US mainland. Improved economic conditions on the island and diminishing opportunities in the United States had slowed the trend by 1970; net out-migration was -2.12 migrants per 1000 population in 2001. Thousands of Puerto Ricans commute annually between Puerto Rico and the United States.

Puerto Ricans are of Spanish descent (80%), black (8%), or mixed ancestry (10%). Nearly all of the Amerindian inhabitants (about 0.4% of the population in 2002) were exterminated in the 16th century. Spanish is the official language, but many Puerto Ricans also speak English, which is required as a second language in the schools. The Roman Catholic religion is predominant (85%), but evangelical Protestant sects also have wide followings.

San Juan is the busiest commercial air center in the Caribbean and there is excellent air service to New York, Miami, other points in the Caribbean, and Latin America. More than 40 steamship companies provide overseas freight and passenger service; San Juan, Ponce, and Mayagüez are the principal ports. In 1998 there were 14,400 km (9,020 mi) of paved highway; trucks carry the bulk of overland freight.

Archaeological finds indicate that at least three Amerindian cultures settled on the island now known as Puerto Rico, long before its European discovery by Christopher Columbus on 19 November 1493. The first group, belonging to the Archaic Culture, are believed to have come from Florida. Having no knowledge of agriculture or pottery, they relied on the products of the sea; their remains have been found mostly in caves. The second group, the Igneri, came from northern South America. Descended from South American Arawak stock, the Igneri brought agriculture and pottery to the island; their remains are found mostly in the coastal areas. The third culture, the Taíno, also of Arawak origin, combined fishing with agriculture. A peaceful, sedentary tribe, the Taíno were adept at stonework and lived in many parts of the island; to these Amerindians, the island was known as Borinquén.

Columbus, accompanied by a young nobleman named Juan Ponce de León, landed at the western end of the island—which he called San Juan Bautista (St. John the Baptist)—and claimed it for Spain. Not until colonization was well under way would the island acquire the name Puerto Rico (“rich port”), with the name San Juan Bautista applied to the capital city. The first settlers arrived on 12 August 1508, under the able leadership of Ponce de León, who sought to transplant and adapt Spanish civilization to Puerto Rico’s tropical habitat. The small contingent of Spaniards compelled the Taíno, numbering perhaps 30,000, to mine for gold; the rigors of forced labor and the losses from rebellion reduced the Taíno population to about 4,000 by 1514, by which time the mines were nearly depleted. With the introduction of slaves from Africa, sugarcane growing became the leading economic activity.

Puerto Rico was briefly held by the English in 1598 and San Juan was besieged by the Dutch in 1625; otherwise, Spanish rule continued until the latter part of the 19th century. The island was captured by US forces during the Spanish-American War, and under the Treaty of Paris (December 1898) Puerto Rico was ceded outright to the United States. It remained under direct military rule until 1900, when the US Congress established an administration with a governor and an executive council, appointed by the US president, and a popularly elected House of Delegates. In 1917, Puerto Ricans were granted US citizenship.

In 1947, Congress provided for popular election of the governor, and in 1948, Luis Muñoz Marín was elected to that office. A congressional act of 1950, affirmed by popular vote in the island on 4 June 1951, granted Puerto Rico the right to draft its own constitution. The constitution was ratified by popular referendum on 3 March 1952. Puerto Rico’s new status as a free commonwealth voluntarily associated with the United States became effective on 25 July. The commonwealth status was upheld in a plebiscite in 1967, with 60.5% voting for continuation of the commonwealth and 38.9% for Puerto Rican statehood. In 1993 the plebiscite vote drew nearly 1.7 million voters or 73.6% of those eligible. The voters choose to keep the commonwealth status 48.4% to 46.2% for statehood, and 4.4% for independence.

The Commonwealth of Puerto Rico enjoys almost complete internal autonomy. The chief executive is the governor, elected by popular vote to a four-year term. The legislature consists of a 28-member Senate and 51-member House of Representatives elected by popular vote to four-year terms. The Supreme Court and lower courts are tied in with the US federal judiciary, and appeals from Puerto Rican courts may be carried as far as the US Supreme Court.

The Popular Democratic Party (PDP) was the dominant political party until 1968, when Luis A. Ferré, a New Progressive Party (NPP) candidate, who had supported the statehood position in the 1967 plebiscite, won the governorship. The NPP also won control of the House, while the PDP retained the Senate. The PDP returned to power in 1972 but lost to the NPP in 1976 and again, by a very narrow margin, in 1980; in 1984, it took roughly two-to-one majorities in both houses. The pro-commonwealth PDP remained in control of the government in every election from 1984–92, when Pedro Rosselló, a New Progressive and supporter of statehood, was elected governor; Rosselló was reelected in 1996. In the November 2000 election, Sila M. Calderon of the PDP was elected governor. There is a small but vocal independence movement, divided into two wings: the moderates, favoring social democracy, and the radicals, supporting close ties with the Fidel Castro regime in Cuba. Puerto Rico elects a commissioner to serve a four-year term as a nonvoting member of the US House of Representatives. In November 2000, PPD candidate Anibal Acevedo-Vila was elected commissioner from Puerto Rico.

For more than 400 years, the island’s economy was based almost exclusively on sugar. Since 1947, agriculture has been diversified, and a thriving manufacturing industry has been established; since 1956 there has been increasing emphasis on hotel building to encourage the expansion of the tourist industry. By 2000, the gross domestic product (GDP) reached \$43.9 billion, up from \$15.8 billion in 1986. The leading industrial products were pharmaceuticals, electronics, apparel, food products, and tourism. Sugar pro-

cessing, once the dominant industry, now plays a lesser role. In 1952, there were only 82 labor-intensive plants on the island. By 1990 there were 2,000 plants—most capital intensive—in Puerto Rico.

US taxes do not apply in Puerto Rico, since the commonwealth is not represented in Congress. New or expanding manufacturing and hotel enterprises are granted exemptions of varying lengths and degrees from income taxes and municipal levies. In 1940, when annual income per capita was \$118, agricultural workers made as little as 6 cents an hour, and the illiteracy rate was 70%. By 2005, per capita GDP was \$18,600, and illiteracy had declined to just 6% (estimated to be slightly higher for females).

In 2001, Puerto Rico's exports totaled \$46.9 billion, imports totaled \$29.1 billion. Each year, an estimated 5 million tourists visit Puerto Rico.

In 1995/96, 621,370 pupils were enrolled in public schools. Enrollment in the 14 institutions of higher education was 156,439 in 1994/95; the main state-supported university is the University of Puerto Rico, with its main campus at Rico Piedras. Other institutions of higher learning are the Catholic University of Puerto Rico in Ponce, and the Inter-American University with campuses at Hato Rey, San Germán, and elsewhere.

In 2004, there were 1.1 million main telephone lines on the island; that year there were an estimated 2.7 million mobile cellular telephone lines, up from 169,265 in 1996. As of 2004, 127 radio stations (74 AM, 53 FM) were operation. In 2006, there were 32 broadcast television stations. The two largest Spanish-language daily newspapers, both from San Juan, are *El Vocero de Puerto Rico* (259,000 daily circulation in 2002), and *El Nuevo Día* (227,000). Publishing in English is *The San Juan Star* (daily circulation 76,873).

### Virgin Islands of the United States

The Virgin Islands of the United States lie about 64 km (40 mi) n of Puerto Rico and 1,600 km (1,000 mi) sse of Miami, between 17°40' and 18°25' N and 64°34' and 65°3' N. The island group extends 82 km (51 mi) N-s and 80 km (50 mi) E-w with a total area of at least 353 sq km (136 sq mi). Only 3 of the more than 50 islands and cays are of significant size: St. Croix, 218 sq km (84 sq mi) in area; St. Thomas, 83 sq km (32 sq mi); and St. John, 52 sq km (20 sq mi). The territorial capital, Charlotte Amalie, on St. Thomas, has one of the finest harbors in the Caribbean.

St. Croix is relatively flat, with a terrain suitable for sugarcane cultivation. St. Thomas is mountainous and little cultivated, but it has many snug harbors. St. John, also mountainous, has fine beaches and lush vegetation; about two-thirds of St. John's area has been declared a national park. The subtropical climate, with temperatures ranging from 21–32°C (70–90 °F) and an average temperature of 25°C (77°F), is moderated by northeast trade winds. Rainfall, the main source of fresh water, varies widely, and severe droughts are frequent. The average yearly rainfall is 114 cm (45 in), mostly during the summer months.

The population of the US Virgin Islands was estimated at 123,498 in 2002, up from 96,569 at the time of the 1980 census. St. Croix has two principal towns: Christiansted and Frederiksted. Economic development has brought an influx of new residents, mainly from Puerto Rico, other Caribbean islands, and the US mainland. Most of the permanent inhabitants are descendants of

slaves who were brought from Africa in the early days of Danish rule, and about 80% of the population is black. English is the official and most widely spoken language.

Some of the oldest religious congregations in the Western Hemisphere are located in the Virgin Islands. A Jewish synagogue there is the second-oldest in the New World, and the Lutheran Congregation of St. Thomas, founded in 1666, is one of the three oldest congregations in the United States. As of 1999, Baptists made up an estimated 42% of the population, Roman Catholics 34%, and Episcopalians 17%.

In 2000 there were 856 km (531.6 mi) of roads in the US Virgin Islands; the US Virgin Islands has the only US roads where driving is done on the left side of the road. Cargo-shipping services operate from Baltimore, Jacksonville, and Miami via Puerto Rico. In addition, weekly shipping service is available from Miami. Both St. Croix and St. Thomas have airports, with St. Croix's facility handling the larger number of jet flights from the continental United States and Europe.

Excavations at St. Croix in the 1970s uncovered evidence of a civilization perhaps as ancient as AD 100. Christopher Columbus, who reached the islands in 1493, named them for the martyred virgin St. Ursula. At this time, St. Croix was inhabited by Carib Indians, who were eventually driven from the island by Spanish soldiers in 1555. During the 17th century, the archipelago was divided into two territorial units, one controlled by the British, the other (now the US Virgin Islands) controlled by Denmark. The separate history of the latter unit began with the settlement of St. Thomas by the Danish West India Company in 1672. St. John was claimed by the company in 1683 and St. Croix was purchased from France in 1733. The holdings of the company were taken over as a Danish crown colony in 1754. Sugarcane, cultivated by slave labor, was the backbone of the islands' prosperity in the 18th and early 19th centuries. After brutally suppressing several slave revolts, Denmark abolished slavery in the colony in 1848. A long period of economic decline followed, until Denmark sold the islands to the United States in 1917 for \$25 million. Congress granted US citizenship to the Virgin Islanders in 1927. In 1931, administration of the islands was transferred from the Department of the Navy to the Department of the Interior, and the first civilian governor was appointed. In the late 1970s, the Virgin Islands government began to consider ways to expand self-rule. A UN delegation in 1977 found little interest in independence, however, and a locally drafted constitution was voted down by the electorate in 1979.

The chief executive of the Virgin Islands is the territorial governor, elected by direct popular vote (prior to 1970, territorial governors were appointed by the US president). Constitutionally, the US Congress has plenary authority to legislate for the territory. Enactment of the Revised Organic Act of the Virgin Islands on 22 July 1954 vested local legislative power—subject to veto by the governor—in a unicameral legislature. Since 1972, the islands have sent one nonvoting representative to the US House of Representatives. Courts are under the US federal judiciary; the two federal district court judges are appointed by the US president. Territorial court judges, who preside over misdemeanor and traffic cases, are appointed by the governor and confirmed by the legislature. The district court has appellate jurisdiction over the territorial court.

Tourism, which accounts for approximately 70% of both GDP and employment is the islands' principal economic activity. The

number of tourists rose dramatically throughout the late 1960s and early 1970s, from 448,165 in 1964 to over 2 million per year in the 1990s, continuing into the early 2000s. Rum remains an important manufacture, with petroleum refining (on St. Croix) a major addition in the late 1960s. Economic development is promoted by the US-government-owned Virgin Islands Corp. In 2002 the gross domestic product per capita was \$14,500. The unemployment rate was 6.2% in 2003. Exports for 1992 totaled \$1.8 billion while imports totaled \$2.2 billion. The island's primary export is refined petroleum products. Raw crude oil constitutes the Virgin Island's principal import. In 1990, median family income was \$24,036.

The territorial Department of Health provides hospital and medical services, public health services, and veterinary medicine. Education is compulsory. The College of the Virgin Islands is the territory's first institution of higher learning. There were about 70,900 main line telephones in 2004, and 41,000 mobile cellular phones. The Virgin Islands had 22 radio stations (6 AM, 16 FM) and 5 broadcast television stations in 2004.

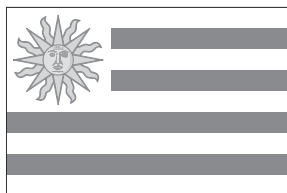
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# URUGUAY

Oriental Republic of Uruguay  
*República Oriental del Uruguay*



**CAPITAL:** Montevideo

**FLAG:** The flag, approved in 1830, has four azure blue horizontal stripes on a white background; on a white canton is a golden sun, alternately straight and wavy. This “Sun of May” symbolizes Uruguay’s independence.

**ANTHEM:** *Himno Nacional*, which begins “Orientales, la patria o la tumba” (“Easterners [Uruguayans], our country or death”).

**MONETARY UNIT:** The Uruguayan peso (UP), of 100 centésimos replaced the new peso in 1993 at the rate of UP1 = 1,000 new pesos. There are coins of 10, 20, and 50 centésimos and 1, 2, 5, and 10 new pesos, and notes of 1, 5, 10, 20, and 50 Uruguayan pesos. UP1 = \$0.04023 (\$1 = UP24.86) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some traditional measures also are used.

**HOLIDAYS:** New Year’s Day, 1 January; Epiphany, 6 January; Landing of the 33, 19 April; Labor Day, 1 May; Battle of Las Piedras, 18 May; Birthday of Artigas, 19 June; Constitution Day, 18 July; Independence Day, 25 August; Columbus Day, 12 October; All Souls’ Day, 2 November; Blessing of the Waters, 8 December; Christmas Day, 25 December.

**TIME:** 9 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The second-smallest South American country, Uruguay is situated in the southeastern part of the continent. It has an area of 176,220 sq km (68,039 sq mi), extending 555 km (345 mi) NNW–SSE and 504 km (313 mi) ENE–WSW. Comparatively, the area occupied by Uruguay is slightly smaller than the state of Washington. Bounded on the N and NE by Brazil, on the SE and S by the Atlantic Ocean, and on the W by Argentina, Uruguay has a total land boundary length of 1,564 km (972 mi) and a coastline of 660 km (410 mi). The Uruguay River and the Río de la Plata separate Uruguay from Argentina. The Cuareim and Yaguarón rivers and the Laguna Merín separate it from Brazil.

Uruguay’s capital city, Montevideo, is located in the southern part of the country on the Atlantic coast.

## <sup>2</sup> TOPOGRAPHY

The general character of the land is undulating hills, with a few forest areas along the banks of the numerous streams. Southern Uruguay consists mostly of rolling plains and is an eastward extension of the Argentine pampas. The Atlantic coastline is fringed with tidal lakes and sand dunes. Low, unbroken stretches of level land line the banks of the two border rivers, the Uruguay and the Plata. The northern section is broken by occasional ridges and low ranges (cuchillas), alternating with broad valleys, and is a southern extension of Brazil. The highest point in the country, Catedral, is 514 m (1,686 ft) above sea level. The most noteworthy feature of the northwest landscape is the Cuchilla de Haedo. The Cuchilla Grande runs northeastward from the southern region to the Brazilian border. The Negro, which rises in Brazil, crosses Uruguayan

territory and flows into the Uruguay River, which separates Uruguay from Argentina.

## <sup>3</sup> CLIMATE

The climate is temperate; the average temperature in June, the coolest month, is about 15°C (59°F), and the average for January, the warmest month, is 25°C (77°F). The weather is transitional between the weather of the humid Argentine pampas and that of southern Brazil. Rainfall is evenly distributed throughout the year; it averages about 105 cm (41 in), varying from 97 cm (38 in) in Montevideo to nearly 127 cm (50 in) farther north. There are from 120 to 180 sunny days a year. Frost is virtually unknown.

## <sup>4</sup> FLORA AND FAUNA

Uruguay is primarily a grass-growing land, with vegetation that is essentially a continuation of the Argentine pampas. Forest areas are relatively small. The most useful hardwoods are algarrobo, guayabo, quebracho, and urunday; other hardwoods include arazá, coronilla, espinillo, lapacho, lignum vitae, and nandubay. The acacia, alder, aloe, eucalyptus (imported from Australia), ombú, poplar, and willow are common softwoods. Palms are indigenous to the valleys. Rosemary, myrtle, scarlet-flowered ceibo, and mimosa are common. Most of the valleys are covered with aromatic shrubs while the rolling hills are blanketed with white and scarlet verbena.

Large animals have virtually disappeared from the eastern regions. The carpincho (water hog), fox, deer, nutria, otter, and small armadillo roam the northern foothills. On the pampas are the hornero (ovenbird), quail, partridge, and crow. The avestruz



(a small ostrich similar to the Argentine rhea), swan, and royal duck are found at lagoons. Fish include pompano, salmon, and corvina. The principal reptiles are cross vipers and tortoises. Seals are found on Lobos Island, near Punta del Este.

As of 2002, there were at least 81 species of mammals, 115 species of birds, and over 2,200 species of plants throughout the country.

## 5 ENVIRONMENT

Air and water pollution are environmental concerns in Uruguay. Air pollution, which is worse in the larger population centers, is caused primarily by Uruguay's own industries and by an energy plant in neighboring Brazil. Water pollution from mining and industrial sources threatens the nation's water supply, especially pollution from the meat packing and tannery industry. Uruguay has 59 cu km of renewable water resources with 91% of annual withdrawals used for farming activity and 3% for industrial purposes. About 98% of the population has access to safe drinking water. Natural hazards to the environment include drought, flooding, and fires.

Erosion of the soil affects the nation's agricultural productivity. The nation's cities produce about 0.5 million tons of solid waste per year. Government agencies with environmental responsibilities include the Division of Environmental Health, within the Ministry of Public Health; the Ministry of Agriculture; and the Interior Ministry.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), 6 types of mammals, 24 species of birds, 3 types of reptiles, 4 species of amphibians, 11 species of fish, 1 species of invertebrate, and 1 species of plant were threatened. Endangered species included the tundra peregrine falcon, two species of turtle (green sea and leatherback), and two species of crocodile (spectacled caiman and broad-nosed caiman). The glaucous macaw has become extinct.

## 6 POPULATION

The population of Uruguay in 2005 was estimated by the United Nations (UN) at 3,419,000, which placed it at number 127 in population among the 193 nations of the world. In 2005, approximately 13% of the population was over 65 years of age, with another 24% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.6%, a rate the government viewed as too low, presenting challenges for economic development. The projected population for the year 2025 was 3,831,000. The population density was 19 per sq km (50 per sq mi), about double that of South America as a whole.

The UN estimated that 93% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.82%. The capital city, Montevideo, had a population of 1,341,000 in that year.

## 7 MIGRATION

The basic sources of immigration to Uruguay were Spain and Italy. English, French, German, Slavic, and Swiss immigrants also settled in various departments (provinces). In the 1930s, restrictions were placed on immigration, and the importation of seasonal farm workers was stopped. There were 103,002 foreign-born

people in 1985. Substantial emigration by Uruguayans for political or economic reasons occurred during the mid-1970s and early 1980s. Official figures suggest that about 180,000 Uruguayans left between 1963–75 and an estimated 500,000 between 1975–95. Argentina and Brazil were the main destinations. Nearly 93% live in urban centers, with 42% concentrated around the capital city.

As of 2000, Uruguay had 89,000 migrants, including less than 100 refugees. In 2004, there were 97 refugees and 10 asylum seekers. The net migration rate in 2005 was an estimated -0.28 migrants per 1,000 population. The government views the immigration level as too low and the emigration level as too high. In 2003 worker remittances were \$35.3 million.

## 8 ETHNIC GROUPS

About 88% of the inhabitants of Uruguay are white and of European origin, mostly Spanish and Italian; a small percentage is descended from Portuguese, English, and other Europeans. Mestizos (those of mixed white and Amerindian lineage) represent 8% of the population and mulattoes and blacks about 4%. The indigenous Charrúa Amerindians were virtually wiped out early in the colonial era.

## 9 LANGUAGES

Spanish is the official language. Uruguayan Spanish, like Argentine Spanish, has been somewhat modified by the Italians who migrated in large numbers to both countries. In general, the language of Uruguay is softer than that of Castile and some words are different from those commonly used in Spain. The gauchos have influenced the language, particularly in words dealing with their way of life. Brazileiro (Portunol), a Portuguese-Spanish mix, is spoken on the Brazilian frontier.

## 10 RELIGIONS

About 58% of Uruguayans identify themselves as Roman Catholic. Approximately 9% of the population are Protestant or other Christian. The primary mainline Protestant denominations include Anglicans, Methodists, Lutherans, and Baptists. Others include Pentecostals, Mennonites, Eastern Orthodox, Mormons, and Jehovah's Witnesses. The Unification Church has a somewhat strong presence within the country. There are small communities of Muslims and Baha'is. About 30,000 Jews reside in the country.

## 11 TRANSPORTATION

After World War II, the Uruguayan government purchased the British-owned railroads and nationalized the entire system. The railroads are run by the State Railway Administration. Four main lines connect the western and northern areas with Montevideo. In 2004, there were 2,073 km (1,287 mi) of track, all of it standard gauge and government-owned.

Highways have surpassed railroads as the principal means of conveyance of passengers and freight. In 2002, there were an estimated 8,764 km (5,446 mi) of roads, of which 7,800 km (4,847 mi) were paved. The Investment and Economic Development Commission's 10-year plan (1965-74) provided about \$87 million for highway construction and improvement. A five-year plan for transport and public works, covering the years 1983-87 and partly financed by the IBRD and IDB, provided for construction of 10,000 km (6,200 mi) of new roads. In 1986, the IDB approved a

loan of \$36 million to help finance a highway development project. Two sections of highway (Routes 1 and 5) in addition to a main artery funneling traffic into Montevideo were scheduled for improvement. In 2003, there were 669,700 motor vehicles, of which 547,800 were passenger cars and 121,900 commercial vehicles.

Montevideo is the major Uruguayan port. Colonia and Nueva Palmira are free ports. There are some 1,600 km (994 mi) of inland waterways, of which the most important are the Plata and the Uruguay, the latter having a depth of 4.3 m (14 ft) as far as Paysandú. Uruguay's merchant fleet in 2005, consisted of 11 vessels of 1,000 GRT or more, totaling 10,918 GRT.

There were an estimated 64 airports in 2004, of which 9 had paved runways as of 2005. Carrasco, an airport 19 km (12 mi) from the center of Montevideo, is used by most international carriers between Europe, Brazil, and Argentina. Frequent air service links Buenos Aires with Montevideo. The state-owned Primeras Líneas Uruguayas de Navegación Aérea (PLUNA) offers service to the principal departmental capitals as well as international flights. In 2003, about 464,000 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

During the 16th century, only a few Spanish expeditions landed on the Banda Oriental, or east bank of the Uruguay River. Most of them were driven off by the native Charrúa Amerindians. Jesuit and Franciscan missionaries landed in 1624, and formed permanent settlements. By 1680, Portuguese from Brazil had founded Colonia do Sacramento as a rival to Buenos Aires, on the opposite bank of the estuary. Thereafter, the area was a focal point for Spanish-Portuguese rivalry.

Montevideo was founded in 1726, and Uruguay became part of the viceroyalty of La Plata, which the Spaniards established in Buenos Aires in 1776. During the Napoleonic Wars, the British invaded the region of La Plata and captured Buenos Aires and Montevideo (1806–07), but they were forced out in 1807. After Buenos Aires refused to give Uruguay autonomy, the Uruguayan national hero, José Gervasio Artigas, declared Uruguay independent in 1815. A year later, Brazilians attacked Montevideo from the north, but Artigas led a revolutionary movement against them. The struggle continued from 1816 to 1820, when the Portuguese captured Montevideo and Artigas had to flee to Paraguay. Uruguay was annexed to Brazil in 1821 and was known as the Cisplatine Province.

On 25 August 1825, Juan Antonio Lavalleja, at the head of a group of patriots called the "treinta y tres orientales" ("33 Easterners"), issued a declaration of independence. After a three-year fight, a peace treaty signed on 28 August 1828 guaranteed Uruguay's independence. Disappointed in his hopes for the presidency, Lavalleja launched a series of rebellions. During this period of political turmoil and civil war, the two political parties around which Uruguayan history has traditionally revolved, the Colorados (reds) and the Blancos (whites), were founded. Uruguay's first president, Gen. José Fructuoso Rivera, an ally of Artigas, founded the Colorados. The second president, Brig. Gen. Manuel Oribe, a friend of Lavalleja, founded the Blancos.

The 19th century was largely a struggle between the two factions. Some measure of national unity was achieved in the 1860s. In 1865, Uruguay allied with Brazil and Argentina to defeat Para-



LOCATION: 30°06' to 35°02' s; 53°05' to 59°29' w. BOUNDARY LENGTHS: Brazil, 1,003 kilometers (623 miles); Atlantic coastline, 565 kilometers (351 miles); Argentina, 495 kilometers (308 miles). TERRITORIAL SEA LIMIT: 200 miles.

guay in the Paraguayan War (1865–70), also known as the War of the Triple Alliance and the Trigarantine War. However, it was not until the election of José Batlle y Ordóñez as president in 1903 that Uruguay matured as a nation.

The Batlle administrations (1903–07, 1911–15) marked the period of greatest progress. A distinguished statesman, Batlle initiated the social welfare system codified in the Uruguayan constitution. From then on, Uruguay's social programs, funded primarily by earnings of beef and wool in foreign markets, gave Uruguay the sobriquet "Switzerland of South America."

After World War II, the Colorados ruled, except for an eight-year period from 1958–66. It was during the administration of President Jorge Pacheco Areco (1967–72) that Uruguay entered a political and social crisis. As wool declined in world markets, export earnings no longer kept pace with the need for greater social expenditures. Political instability resulted, most dramatical-

ly in the emergence of Uruguay's National Liberation Movement, popularly known as the Tupamaros. This well-organized urban guerrilla movement mounted a campaign of kidnapping, assassination, and bank robbery while espousing Marxist and nationalist ideals.

In November 1971, Colorado candidate Juan María Bordaberry Arocena was elected president, and the Colorados retained control of the Senate and Chamber of Deputies. After Bordaberry assumed office in March 1972, the Tupamaros ended a temporary truce and returned to the offensive. Their activities, coupled with the worsening economic situation, exacerbated Uruguay's political uncertainty. Gradually, the military assumed a greater role in government, and by 1973 was in control of the system. By the end of 1973, the Tupamaros had been crushed.

Military officers were named in 1974 to head all state-run enterprises, including the Central Bank. The 1966 constitution was suspended and political activity was banned. Military leaders ousted Bordaberry from the presidency in 1976, because of his refusal to restore constitutional rule, and they named a new president, Aparicio Méndez Manfredini. The OAS and other international organizations denounced Uruguay for human rights violations. In 1979, Amnesty International estimated the number of political prisoners at 6,000. In mid-1981, the military government began to negotiate with leaders of the traditional parties, and in September 1981, a "transitional" president, Georgio Álvarez Armellino, was installed.

Intraparty elections took place in November 1982, followed by legislative and presidential voting in November 1984. The moderate government of Colorado candidate Julio María Sanguinetti Cairolo took office in March 1985. Lacking a majority in Congress, Sanguinetti worked closely with other political leaders to reach a consensus on major issues.

One of the first acts of the new government was to release all political prisoners. Another was to declare amnesty for former military and police leaders accused of human rights violations. In an attempt to reconcile warring factions, the government initiated a "social dialogue" with employers and union leaders to reduce social tension. However, slow progress on the economic front led to the 1989 election of the Blanco candidate, Luis Alberto Lacalle.

Lacalle engaged in an ambitious attempt to liberalize the Uruguayan economy. He emphasized deficit reduction, reforms in education, labor, and the civil service, as well as the privatization of state enterprises. However, these plans were dealt a serious blow in 1993, when a plebiscite failed to ratify a set of proposals for liberalization. In November 1994, Sanguinetti was returned to office in the closest elections ever recorded in Uruguay's history. The three-way race between the Colorado, Blanco, and Broad Front (a leftist coalition) parties ended in just a slight majority for Sanguinetti and the Colorados. Both the Blanco and Broad Front candidates were only a few votes behind. It was the first time the Broad Front party had come within reach of the presidency. The Broad Front also gained the municipal government of Montevideo, Uruguay's capital, in 1989 and again in 1994. In the 1990s, the left had discarded revolutionary rhetoric and become more moderate and more appealing to centrist voters. At the same time, many Uruguayans had grown more critical of the traditional parties.

Sanguinetti himself immediately embarked on a program of economic reforms, including a long-range plan for cutting back

on Uruguay's historically generous social programs and benefits, including 20 days of vacation after a year of work, paid maternity leave, and a generous retirement package. As a member of Mercosur (Mercado Común del Sur—Southern Cone Common Market), Uruguay faced growing pressure to liberalize its economy during the 1990s, as economic giants, and Mercosur partners Brazil and Argentina had done. Yet voters had twice rejected privatization of state-owned companies, some of which were profitable and often even competitive. The economy also had done well, with the GDP averaging 4.2% growth between 1992–98.

By 1999, the country's economic picture had changed. The troubled Argentinean and Brazilian economies affected Uruguay, where the economy contracted by 2%. Instead of panicking and clamoring for a cut in social benefits and privatization of state industries, presidential candidates from the right and left called for a cautious approach to economic reforms as they neared the October 1999 elections. Tabaré Ramón Vázquez, the former socialist mayor of Montevideo and candidate representing the Broad Front, finished first in the presidential election, with 39% of the vote. He had appealed for caution, gaining the largest number of votes for a leftist coalition in the country's history. But Vázquez failed to gain a 51% majority, forcing a presidential runoff. The Colorado candidate, Jorge Batlle Ibáñez, had unsuccessfully run for the presidency four times and finished second with 31% in the October election. The Blanco candidate, Luis Lacalle, had finished third with 21.5%.

The 72-year-old Batlle, whose great-uncle had built the country's social programs, was not about to dismantle them. He positioned his party as a moderate alternative to Vázquez's leftist coalition. But ultimately, he persevered at the polls by aligning the Colorados with their historic foes: the Blancos. The Blancos aligned themselves with Batlle in exchange for political concessions and ministerial posts. In the November runoff election, Batlle gained 54.1% of the vote to Vázquez's 45.9%. Batlle was inaugurated in March 2000 and named five Blancos to his cabinet. The Blancos and the Colorados also held a slim majority in the Senate, with 17 of 31 seats, and a majority in the lower house, with 54 of 99 seats.

Faced with a shrinking economy and having inherited a country in an economic recession, Batlle faced the economic and political crisis in Argentina, Uruguay's closest and most important ally. The economy remained in a recession in 2000 and 2001, but things got even worse in 2002, when the economy shrunk by 11%. During Batlle's term, the economy shrunk altogether by almost 20%. Though unemployment remained high in recent years, less than 10% of the population lived in poverty by the end of Batlle's term. Yet, Batlle was unsuccessful in adopting a strategy that could generate sustained economic growth and restore dynamism to his country's economy.

In the 2004 elections, the Broad Front capitalized on the discontent with the established traditional Colorado and Blanco parties. Tabaré Vázquez won the presidential election in the first round, with 50.4%. Blanco Party candidate Jorge Larrañaga obtained 34.3% and Guillermo Stirling from the ruling Colorado party won 10.4%. The Broad Front also did extremely well in the parliamentary elections, winning an outright majority of votes and securing control of the Senate (17 of 31 seats) and of the Chamber of Deputies (52 of 99 seats). For the first time in several decades, Uruguay was to be ruled by a party other than the Colorado or Blan-

co. Vázquez's Broad Front could safely adopt all necessary reforms and implement much needed policies to bring about economic growth and make up for the years of recession and stagnation. The next elections were to be held in October 2009.

Although the economy was a healthy 12.3% in 2004, when Vázquez took office in March of 2005, Uruguay was poorer than in 1998. With a solid 6% growth in his first year, driven by a recovery in Argentina and Brazil, Vázquez was able to increase social spending and help boost employment. Yet, Uruguay's long-term structural deficiencies remained and opportunities for the private sector remained scant. In spite of being a committed leftist, President Vázquez adopted a pragmatic approach to government. He sought to attract foreign investors and made significant efforts to liberalize the economy. Tensions with Argentina, over the construction of a cellulose plant on a river both countries share, underlined President Vázquez's intention to make his country more competitive. Because Uruguay enjoys one of the most stable democracies in the region and boasts one of the lowest levels of inequality and the best-educated workforce in Latin America, the potential for economic growth associated with economic liberalization seemed promising. Yet, the government will need to work hard to liberalize the economy and protect its wide and comprehensive social spending safety net that has helped make Uruguay one of the countries with the lowest levels of poverty in the region. Although he was inaugurated in early 2005, Vázquez showed strong leadership and an ability to bring together Uruguayans in a way that made observers optimistic about the future of the country.

### 13 GOVERNMENT

The constitution of 1830 underwent numerous revisions, notably in 1917, 1934, 1952, and 1966. This constitution provided for a republican government, divided into three branches: executive, legislative, and judicial. From 1951 to 1966, the executive consisted of a *colegiado*, or council, of nine ministers, six from the majority party and three from the minority. In the 1966 elections, however, the electorate reinstated the positions of president and a vice president, popularly elected for a five-year term, together with a council of ministers.

According to the constitutional revision of 1966, the congress (or General Assembly) consisted of the Senate and the Chamber of Deputies. The Senate had 30 popularly elected senators, plus the vice president of the republic as the thirty-first voting member. The Chamber of Deputies had 99 deputies, popularly elected by departments (provinces). The right to vote was extended to all citizens 18 years of age or older, with female suffrage in local elections as early as 1919 and in national elections in 1934.

From June 1973, when President Bordaberry dissolved the Assembly and suspended the constitution, until March 1985, Uruguay was ruled by executive decree, subject to veto by the military, with legislative functions carried out by the 25-member Council of State, appointed by the executive. A new constitution, providing for the permanent participation of the armed forces in government by means of a National Security Council, was drafted by the Council of State but rejected by 57.2% of the voters in a referendum on 30 November 1980.

In March 1985, democracy was restored under President Sanguinetti; in July, the government set up a National Constituent

Assembly to devise constitutional reforms that would be submitted to the electorate for ratification. In the elections of November 1994, the proposed reform of 14 articles of the constitution was again rejected, this time by 63% of Uruguayan voters.

Direct democracy provisions, in the form of referendums and legislative proposals initiated by citizens, are widely practiced in Uruguay. Although electoral participation has fallen in recent years, Uruguay remained as one of the most democratically participatory countries in the western hemisphere.

### 14 POLITICAL PARTIES

Uruguay has Latin America's oldest two-party system. The *Colorados* (reds) and *Blancos* (whites), formed during the conflicts of the 1830s and 1840s, persisted into the 1990s. The *Colorados* are traditional Latin American liberals, representing urban business interests, and favoring limitation on the power of the Catholic Church. The *Blancos* (officially called the National Party) are conservatives, defenders of large landowners and the Church.

For more than 90 years, until the 1958 elections, the executive power was controlled by the *Colorados*. Under such leaders as Batlle, the party promulgated a progressive program advocating public education, advanced labor laws, government ownership of public utilities, and separation of church and state. After eight years of *Blanco* government, the *Colorado* party regained power in the 1966 election.

The results of the November 1971 balloting were so close that the final tabulation took more than two months to ascertain; the *Colorados* won 36.3% of the vote; the *Blancos*, 35.7%; and the Broad Front (*Frente Amplio*, a left-wing coalition that included the *Tupamaros*), 16.6%. These three groups, plus the Christian Democratic Party (*Partido Democrático Cristiano—PDC*), formed in 1962 from the former Catholic Civic Union, made up the Uruguayan party system at the time of the military takeover.

Political activities were suspended following the constitutional crisis of June 1973, and in December 1973 the Communist and Socialist parties were outlawed. In June 1980, the military began to liberalize, as they permitted political meetings of nonleftist groups. In November 1982, they allowed for intraparty elections in each of three parties: the *Colorados*, the National Party (*Blancos*), and the small Civic Union (an outgrowth of the Christian Democrats). In the voting, party candidates who had campaigned against the military's proposed constitution in 1980 took more than 60% of the vote.

Neither *Blanco* leader Wilson Ferreira Aldunate nor Broad Front leader Liber Seregni Mosquera was allowed to participate in the elections, but both retained their party posts. In the November 1984 elections, *Colorado* candidate Julio María Sanguinetti Cairolo won the presidency with 38.6% of the vote. The *Colorados* also won pluralities in the Chamber of Deputies and the Senate. Aldunate and Seregni frequently consulted with President Sanguinetti, and previously outlawed parties were legalized. In 1985, the *PDC* and *FIDEL* belonged to the Broad Front, and the National Liberation Movement (*Movimiento de Liberación Nacional—MLN*), also known as the *Tupamaros*, reconstituted years after their destruction in 1973, announced their intention to give up violence and join the Broad Front as a legal party.

In 1989, *Blanco* candidate Lacalle took 37% of the vote. Jorge Batlle, of the *Colorado* party, unable to capitalize on name recog-

dition, received 29%, while *Liber Seregni Mosquera* of the Broad Front received 20%. The Blancos also carried a plurality in each house of the legislature, followed respectively by the Colorados, the Broad Front, and the “New Space (or Sector)” Coalition, which consists of the PDC and the Civic Union.

As more people grow disenchanted with market reforms in Latin America, leftist coalitions have become more palatable to voters. In Uruguay, the Broad Coalition candidate *Tabaré Vázquez* made an impressive show at the polls, finishing first with 39% of the vote in the October 1999 presidential election. His success forced historic foes Blancos and Colorados to back *Jorge Batlle* in the November runoff election. While *Batlle* persevered, the leftist coalition managed to increase its total vote behind *Vázquez* (45.9%). The *Batlle* presidency was characterized by a further weakening of the traditional parties. Faced by the opposition of the Broad Front, *Batlle* was forced to rely on the 22 deputies and 7 senators from the National Party that, together with the 33 deputies and 10 senators from the Colorado party, comprised a majority in the 99-seat Chamber of Deputies and 31-seat Senate.

After the 2004 presidential and legislative election, the strength of the Colorado and National (Blanco) party was further diminished. The leftist Broad Front commands a majority control of both chambers. Although the Colorado and National parties have remained formally separated, they have constituted a center-right allied opposition against the *Vázquez* Broad Front government. The Broad Front, as of 2005, was the largest and most powerful party in Uruguay.

## 15 LOCAL GOVERNMENT

Uruguay territorially is divided into 19 departments (provinces). Under the 1966 constitutional revision, each department had a unicameral legislature, but all 19 legislatures were dissolved by President *Bordaberry* on 28 June 1973. Following the installation of the democratic government in 1985, the departments returned to their pre-1973 status of limited autonomy under the central government.

## 16 JUDICIAL SYSTEM

Most of the nation's legal system was suspended in 1973, but in 1981, the military government restored the independence of the civilian judiciary. In that year, a Supreme Judicial Council was empowered to name Supreme Court justices and supervise the judiciary. Below the Supreme Court are appellate courts and lower civil and criminal courts, justices of the peace, electoral and administrative courts, and an accounts court. A parallel military court system operates under its own procedure. When the Supreme Court hears cases involving the military, two military justices join the court. Civilians are tried in the military court only in time of war or insurrection. The judiciary is structurally independent of the executive and this separation of powers is respected in practice.

The constitution prohibits the arbitrary interference with privacy, family, home, or correspondence, and the government authorities respect these provisions in practice.

The legal system is based on Spanish civil law. Uruguay accepts the compulsory jurisdiction of the international court of justice.

## 17 ARMED FORCES

The armed forces of Uruguay had 24,000 active personnel in 2005. The Army numbered 15,200, organized into four regional divisions. Equipment included 15 main battle tanks and 68 light tanks. The Navy (including the naval aviation arm and a naval infantry force) numbered 5,700 members. Major naval units included three frigates and nine patrol/coastal vessels. The Air Force had 3,100 personnel and 31 combat capable aircraft, including 18 fighter ground attack aircraft. There was a 920-member paramilitary guard in two units. The defense budget in 2005 totaled \$163 million. Uruguay participated in UN peacekeeping and had troops and observers stationed in 12 countries or regions.

## 18 INTERNATIONAL COOPERATION

Uruguay is a charter member of the United Nations, having joined 18 December 1945, and belongs to ECLAC and several nonregional specialized agencies, such as the FAO, the World Bank, ILO, UNCTAD, UNESCO, UNIDO, IAEA, and the WHO. Uruguay is also a member of the South American Community of Nations (CSN), the Inter-American Development Bank, G-77, the Latin American Economic System (LAES), the Latin American Integration Association (LAIA), the WTO, the OAS, and the Río Group. In 1995, Uruguay became a founding member (with Brazil, Argentina, and Paraguay) of the Southern Cone Common Market, known as Mercosur (*Mercado Común del Sur*).

Uruguay is a guest in the Nonaligned Movement and a member of the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL). The country has supported UN missions and operations in India and Pakistan (est. 1949), Western Sahara (est. 1991), Ethiopia and Eritrea (est. 2000), Sierra Leone (est. 1999), Burundi (est. 2004), Cyprus (est. 1964), and Georgia (est. 1993), among others. The country is a signatory of the 1947 Río Treaty, an inter-American security agreement.

In environmental cooperation, Uruguay is part of the Antarctic Treaty, the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Uruguay's economy remains dependent on agriculture. Agricultural production, combined with the industrial sector based on the transformation of agricultural products, makes up more than half of the country's exports. However, the service sector, especially tourism and financial services, was growing quickly in the early 2000s. In 2005 the service sector was estimated to be over 65% of GDP and employed about 70% of the labor force. Agriculture, however, was still important, particularly livestock production for export and consumption, as well as for inputs for other sectors of the economy. Agriculture accounts for 7% of GDP but employs 14% of the labor force. Industry (agro-industry, chemicals, and consumer goods for local consumption) declined in recent years as the service sector expanded, particularly in terms of employment. Industry employs 16% of the work force, but accounts for 28% of GDP. There is a mixture of private and state en-

terprises with the economy generally open to foreign trade and investment.

Due partly to the demand generated by World War II and the Korean War for industrial products and also to government efforts to attain a fair degree of economic self-sufficiency and to improve foreign trade, the value of Uruguay's industrial output doubled between 1936 and 1960. Between 1960 and 1970, the industrial growth rate leveled off as the limitations of an import-substitution strategy became apparent. Encouragement of nontraditional manufactured exports led to industrial production increases averaging 6% annually during 1973–79. The lack of natural resources obliged Uruguay to import most raw materials needed by its industries.

In the early 1980s, in the wake of the second oil shock, the economic situation was characterized by an uninterrupted fall in real output, low levels of investment, high unemployment, mounting inflation, a severe imbalance in public finance, and a massive accumulation of arrears in private-sector debt to the domestic banking system, which in turn caused a potentially critical situation in the country's financial institutions. In mid-1985, the government negotiated agreements with the IMF and creditor banks that produced a standby credit from the Fund, a renegotiation of debt with foreign banks, and an economic-financial program with the IMF intended to reduce the public-sector deficit, inflation and the money supply, and to remedy the balance-of-payments disequilibrium.

Since 1990, the government has pursued a program of economic liberalization, which has included lowering of tariffs, Southern Common Market (Mercosur) integration, reducing deficit spending, controlling inflation, and downsizing government. Growth in GDP averaged 3.7% between 1988 and 1998, with an average 4.75% between 1997 and 1998. However, from 1999 to 2003 the economy experienced an uninterrupted series of contractions. Real GDP contracted 3.2% mainly due to the Brazilian currency devaluation of January 1999, which hurt both Uruguay's exports and its tourist receipts. The government entered into a precautionary standby arrangement with the IMF, but in 2000, the recession eased to 1% of GDP as the government pursued neo-liberal reforms supported by one-year standby agreements with the IMF.

In 2001, a local outbreak of hoof-and-mouth disease that hurt meat exports and the Argentine financial crisis combined with the global economic slowdown and the after-effects of the terrorist attacks on 11 September 2001 to produce a contraction of 2.5%. In 2002, the real decline in GDP reached 10.8%. Attempts were made to prevent the spread of the Argentinean meltdown to Uruguay through extended and enhanced standby agreements. These set a target of 1.7% contraction for 2002, one-tenth of what actually took place. In August 2002, the US government announced it was providing \$1.5 billion in short-term loans to Uruguay. That year unemployment reached a high of 19.4%, up from 10.3% in 1997; by 2005, unemployment was up slightly, to 12%.

Contributing to the improved economy were increased exports to North America, especially of meat. Foreign investment has also been encouraged, and new economic sectors have developed, notably a software industry. Furthermore, a successful debt swap helped restore confidence and significantly reduced risk. Uruguay's economy resumed growth in 2003, with a 2.5% rise in GDP. GDP grew about 12% in 2004 and 6.2% in 2005.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Uruguay's gross domestic product (GDP) was estimated at \$32.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$10,000. The annual growth rate of GDP was estimated at 6.2%. The average inflation rate in 2005 was 4.9%. It was estimated that agriculture accounted for 7.1% of GDP, industry 27.7%, and services 65.2%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$32 million or about \$9 per capita and accounted for approximately 0.3% of GDP. Foreign aid receipts amounted to \$17 million or about \$5 per capita and accounted for approximately 0.2% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Uruguay totaled \$8.15 billion or about \$2,411 per capita based on a GDP of \$11.2 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.4%. In 2001 it was estimated that approximately 22% of household consumption was spent on food, 14% on fuel, 11% on health care, and 30% on education. It was estimated that in 2003 about 21% of the population had incomes below the poverty line.

## 21 LABOR

Uruguay's labor force in 2005 was estimated at 1.52 million. In 2003, the services sector accounted for 73.9% of the workforce, with industry at 21.5%, agriculture at 4.5%, with the remainder in undefined occupations. The unemployment rate in 2005 was estimated at 12%.

In 1943, industrial wage boards with seven members (three for the government, two for the employers, and two for the employees) were established to fix minimum wages and settle wage disputes. Because the wage boards (*consejos de salarios*) were slow in reaching decisions, the Uruguayan labor force tended to use the strike as a first resort to force the initiation of negotiations. Since 1968, wages and prices have been controlled by the Price and Wage Commission. In July 1973, the National Workers' Convention, which claimed 400,000 members, was declared illegal. Laws enacted in August 1974 restricted trade-union membership to "free and nonpolitical" trade unions. Political activity by union officials was banned, as were strikes in the public sector, health, and commerce. Labor conditions returned to pre-1973 conditions with the 1985 government changeover. The sudden release of years of frustration triggered some 250 strikes in the ensuing year. Uruguay's sole labor confederation is the Inter-Union Workers Assembly-National Federation of Workers (PIT-CNT). In 2002, over 80% of the public sector workforce was unionized, with the number of union members in private industry at around 5%.

The eight-hour day and 48-hour week were instituted in 1915 and remained the standard in 2002. The law provides for one day of rest after every six days of work and grants holidays with pay,

plus an annual vacation bonus. The minimum wage was \$80 per month in 2002, but it functions in practice as an index for calculating wage rates rather than a measure of a minimum subsistence wage. Most workers earn more than this minimum. The minimum working age is 15, and it is generally enforced although the number of children working in the informal economy is increasing.

## 22 AGRICULTURE

Uruguay has a primarily agricultural and pastoral economy, but the importance of these sectors has been declining. The formation of the Mercosur common market in 1995 had a significant effect on Uruguayan agriculture by providing preferential access to neighboring countries, particularly Brazil. Agriculture and animal husbandry together contributed 13% of the GDP in 2003. About 40% of the agriculture's contribution to GDP comes from crops and the rest is from animal husbandry. About 77% of Uruguay's land area is devoted to stock raising and 7.4% to the cultivation of crops. In pasturage, large farms predominate, with farms of more than 1,000 hectares (2,500 acres) accounting for two-thirds of all farmland. Crops are grown mainly on small farms of less than 100 hectares (250 acres).

The principal crops harvested (in thousands of tons) in 2004 were rice, 1,262; wheat, 532; barley, 406; corn, 223; sorghum, 70; soybeans, 377; sunflower seeds, 177; oats, 26; apples, 72; and peaches, 14.

## 23 ANIMAL HUSBANDRY

Livestock is the basis of the economy. The production costs of stock raising are low, and the quality of the product is generally high. Hereford, Shorthorn, and Aberdeen Angus breeds account for 90% of all beef cattle, with Hereford the most numerous. Corriedale represents about 70% of the sheep stock, followed by Ideal (11%).

Uruguay is especially suited to the raising of sheep and cattle. In 2005, Uruguay had 9,712,000 sheep, second in South America after Brazil. There were also 11,700,000 head of cattle, 380,000 horses, 240,000 pigs, 16,000 goats, and 13,300,300 chickens in 2005. Milk production has expanded, reaching 1.5 million tons in 2005. The preferential duties provided under Mercosur have given Uruguay a great advantage in selling its dairy products to Brazil. The main products exported are cheese, whole and nonfat dry milk, and butter. Meat production in 2005 included 496,000 tons of beef and 26,500 tons of mutton. Beef consumption in Uruguay was about 60 kg per person in 1998, one of highest rates in the world. Leading exports of animals and animal products by value (in millions of dollars) in 2004 were: meat products, \$670.9 million; dairy and eggs, \$174.9 million; and wool, \$17.5 million.

The Ministry of Agriculture and Fisheries is responsible for stock raising and breeding, control of animal diseases, and improvement of existing grassland and arable resources. The National Meat Board acts as consultant to the government. The meat-packing industry, taken over by the government in 1958, has been restored to the private sector. The government encourages local production through a system of special licenses or customs documents for imported meat and livestock. Furthermore, imports of bull semen and embryos are numerically restricted and must comply with animal health requirements.

## 24 FISHING

Fishing underwent rapid growth in the 1970s. The government-promoted fishing industry made an average annual catch of about 6,000 tons in the 1960s; the catch increased to 20,600 tons in 1972 and, despite temporary setbacks, to 143,170 tons by 1991. In 2003, the total catch was 116,935 tons. Fish exports in 2003 amounted to \$108 million.

There are three fishing zones on the southern coast: the low zone, from Colonia to Piriápolis; the middle zone, from Piriápolis to Punta del Este, which is considered one of the finest fishing areas in the world; and the high zone, from Punta del Este to the Brazilian border. Principal commercial species include Argentine hake, whitemouth croaker, and striped weakfish. Other important sea fish are corvina negra (a kind of bass), mullet, sole, anchovy, mackerel, whiting, and shark. The finest freshwater fish is the dorado, a type of salmon.

## 25 FORESTRY

Uruguay has some 1,292,000 hectares (3,193,000 acres) of forestland. About 50,000 hectares (124,000 acres) were reforested annually from 1990 to 2000. The principal species cultivated are eucalyptus and pine; domestic woods are used primarily for windbreaks, fence posts, and firewood. Lumber suitable for building and construction is imported. Roundwood removals totaled 6,399,000 cu m (225.9 million cu ft) in 2004, with 67% used as fuel wood.

## 26 MINING

Uruguay's mining sector has traditionally been based on the economically significant exploitation of nonmetallic minerals for the construction, glass, and ceramics industries. The most important commodities were clays, bentonite, dolomite, feldspar, granite, gravel, gypsum, limestone, pebbles, quartz, sand, and talc. There was also minor production of semiprecious stones and ornamental rocks. Various types of clay were mined for producing brick, pipe, tile, and whiteware. Talc was mined for use in the paper industry and in ceramics, cosmetics, insecticides, and pharmaceuticals. Feldspar was mined for the ceramics industry and glass. Estimated production in tons (except where noted) for 2003 included: common sand, 2.7 million tons; limestone, 1.3 million tons; clays, 24,900 metric tons; gypsum, 1.130 million tons; agate, 420 metric tons; and amethyst, 170 metric tons. Also produced in 2003 were barite, bentonite, hydraulic cement, dolomite, feldspar, flagstone, gold, granite, gravel, iron ore, lime, marble, marl, onyx, quartz, stone (including ballast), sulfur, pryophyllite soapstone talc, travertine, and tufa tuff. Sand, common stone, and talcum were exported, although no minerals ranked among leading export commodities. Limestone had significant potential for export growth.

All products of the subsoil belonged to the state. There were more than 350 ongoing extraction projects; most were small scale. The past few years have seen a revival of minerals prospecting and exploitation, which had been idle for many years. Changes in national legislation have improved the business environment and opened the country to foreign investment, resulting in mining output growth of almost 4% per year in 1997–2001 and the implementation of gold and cement projects. There were deposits

of manganese, iron, lead, and copper, and commercial gold mining was begun in 1997 at the San Gregorio mine, Rivera Department, and at the Santa Teresa deposit in 2001. Agates, opals, and onyx were found in Salto and Artigas. In 2001, diamond exploration was begun, although there was no recorded diamond output in 2003 or 2002. Drilling began in 2001 on the Paso del Lugo nickel project.

## 27 ENERGY AND POWER

Uruguay, with no proven hydrocarbon resources, is heavily dependent upon hydropower and imports of oil, natural gas, and coal to meet its energy requirements.

In 2004, Uruguay's demand for oil averaged an estimated 31,000 barrels per day, all of it imported. The country however, does possess a crude oil refining capacity represented by the single La Teja facility, which as of 1 January 2004 had an estimated capacity of 50,000 barrels per day. As with oil, Uruguay imported all the natural gas it consumed. In 2002, Uruguay's demand for natural gas totaled an estimated 0.7 billion cu ft. Although Argentina has been Uruguay's chief supplier of natural gas, an energy crisis has forced Argentina to limit its exports of natural gas. To make up the shortfall, Uruguay, in September 2004, signed a natural gas supply contract with Bolivia. In 2002, Uruguay's demand for coal was met entirely by imports. In 2002, coal imports totaled an estimated 2,600 short tons.

Uruguay's electric power is provided by hydroelectric and diesel generating plants. In 2002, Uruguay's electric power generating capacity was estimated at 2.1 GW, of which conventional thermal plants accounted for 29% of capacity, and hydroelectric 71%. In that year, electric power output totaled 9.508 billion kWh, of which 9.442 billion kWh came from hydroelectric sources, followed by geothermal/other at 0.034 billion kWh and conventional thermal fueled plants at 0.032 billion kWh. Uruguay has one of Latin America's highest rates of electrification (95% as of 2002).

## 28 INDUSTRY

Although foreign trade depends mainly on agriculture, the production of industrial goods for domestic consumption is increasing, primarily in the fields of textiles, tires, shoes, leather apparel, cement, petroleum refining, and wine. World War II spurred the industrial growth of Uruguay, and now local industry supplies most of the manufactured products used. Most industry is concentrated in and around Montevideo.

Manufacturing output declined by an average of 1.3% annually between 1977 and 1987, and declined by an average of 0.10% per year during 1988–98. In 1998, manufacturing improved with 2.3% growth, accounting for 18% of GDP. Growth was led by oil refining, car production, and food production. However, in the first half of 1999 the manufacturing sector suffered a setback, declining by 6.1%. Reduction of domestic demand and a decrease in exports to Brazil and Argentina contributed to the overall decline. A recession that began in 1999 and continued into 2002 further hampered industrial growth. Sectors showing overall production decreases included textiles, vehicles, machinery, chemicals, paper, processed meat, and sugar. By 2004, industry as a whole accounted for 31.7% of GDP, a small increase over 2001 (29%).

The manufacturing sector still has severe structural problems as a legacy of the protectionist policies that stressed import substitu-

tion during the 1970s. With the Mercosur trade bloc, the domestic market for manufactured goods has opened to strong competition from Argentina and Brazil. The automotive, electronic, and machinery sectors will probably continue to decline because of competition among Mercosur partners. Uruguay produced 10,530 automobiles in 2001, down 27% from the 14,404 units produced in 2000; however, the government has prioritized the recovery of the automobile industry, considering it to be one of the possible pillars for the country's creation of new jobs.

With no proven hydrocarbon resources, Uruguay is wholly dependent on imports for oil, natural gas, and coal. The country's sole refinery is the 50,000-bbl/d La Teja facility. The state-owned oil company, Administración Nacional de Combustibles Alcohol y Portland (ANCAP), controls Uruguay's entire oil sector. Relying on imported oil and natural gas, as well as on domestic hydropower, has, at times, jeopardized Uruguay's energy supply. Since spring 2004, for instance, Uruguay dealt with a number of energy supply challenges—higher global oil prices, lower water levels in domestic hydropower facilities, and decreased power imports (including both electricity and natural gas) from Argentina. Hydropower remains Uruguay's main energy source, but a drought has left Uruguay's hydropower plants operating well below capacity in 2004–06, forcing the government to resort to running more expensive oil-fired power plants. Meanwhile, reduced imports of electricity and natural gas from Argentina, which has been experiencing its own energy crisis, have prompted the Uruguayan government to sign power supply contracts with Brazil (electricity) and Bolivia (natural gas) to make up for shortfalls.

## 29 SCIENCE AND TECHNOLOGY

The UNESCO Regional Office for Science and Technology in Latin America and the Caribbean is located in Montevideo. Learned societies include the Pediatrics Society, the Association of Uruguayan Engineers, the Chemical and Pharmaceutical Association, the Odontological Association, and the Surgical Society, all headquartered in Montevideo. The University of the Republic, founded in 1849 at Montevideo, has faculties of agronomy, sciences, engineering, medicine, dentistry, chemistry, and veterinary medicine. The Institute of Higher Studies, founded in 1928 at Montevideo, offers courses in biological climatology, geomorphology, paleontology, and mathematics. The Higher Institute of Electrical Engineering, Electronics, and Computing was founded in 1922 at Montevideo.

In 1987–97, science and engineering students accounted for 32% of college and university enrollments. In 2002, spending on research and development (R&D) totaled \$69.232 million, or 0.26% of GDP. Of that amount, the business sector accounted for the largest portion, 46.7%, followed by higher education at 31.4%. Government R&D spending accounted for 17.1%, with 4.7% coming from foreign sources. In that same year, there were 370 scientists and engineers, and 51 technicians per million people, engaged in R&D. High technology exports in 2002 totaled \$19 million, or 3% of all the country's manufactured exports.

## 30 DOMESTIC TRADE

Although the Uruguayan population is small, it has a relatively high purchasing power. Wholesale and retail trade accounted for 12.4% of GDP in 1996. The reasonably good transportation sys-



tem allows easy shipment of agricultural products to the capital. Chambers of commerce and other trade associations play an active role in interpreting local market demands. Overland trade has increased markedly since the Mercosur (Southern Common Market) pact was formed in the 1990s.

The labor market improved in 2004 with the average unemployment rate dropping from 17.1% in 2003 to 13.4%, and real average wages were starting to stabilize.

### 3<sup>1</sup> FOREIGN TRADE

Uruguay traditionally relied on foreign sales of wool, hides, and meat products for its export revenues, which increased steadily until 1998, and then dropped off slightly. Export revenues from goods and services annually increased by an average of 3.3% during 1977–87, and by 8.2% between 1988 and 1998. The value of imports fell by an average 1.7% per year during the 1980s, but has increased by an average of 17.1% annually during 1990–95. In 2000, exports increased by 2.6% and imports rose 3.3%.

Imports have been stimulated by falling tariffs, the ongoing implementation of Mercosur agreements, revaluation of the Uruguayan peso, and gradual liberalization of the economy. Rising imports of consumer goods reflect pent-up demand, while increased imports of capital goods reflect the need to upgrade industrial facilities to meet foreign competition. In the first half of 1999, Uruguay's exports declined by 25%. The nation's trade deficit nearly doubled between 1998 and 1999 as a result of the international financial recession.

Uruguay is a member of the Río Group, an association of Latin American states that deals with multilateral security issues (under the Inter-American Treaty of Reciprocal Assistance). Uruguay's location between Argentina and Brazil makes close relations with these two larger neighbors and Mercosur associate members Chile and Bolivia particularly important. Uruguay is a member of the Latin American Integration Association (ALADI), a trade association based in Montevideo that includes 10 South American countries plus Mexico and Cuba.

In 2004, Uruguay exported \$2.9 billion, mainly meat, wool, hides, leather, wool products, fish, rice, and furs. The major export markets are the United States (19.8%), Brazil (16.3%), Argen-

tina (7.6%), Germany (5.1%), Mexico (4.0%), and China (3.9%). Imports reached \$3.1 billion, mainly machinery, chemicals, fuel, and vehicles. The major suppliers are Brazil and Argentina (25.7% each), United States (9.0%), China (7.1%), and Germany (3.4%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Balance of payments deficits are common in Uruguay, owing to fluctuating world markets for agricultural exports and a high dependency on imports for raw materials and fuels. Traditionally, multilateral assistance, income from tourism, and inflow of capital from other Latin American countries has tended to offset the negative trade picture. The balance of payments in the 1980s and 1990s was affected by the continued weakening of international prices of Uruguay's exports, which are concentrated in a few products—meat, rice, wool, dairy products, and leather account for about half of the country's exports. The Batlle administration in the early 2000s was looking to expand trade with the United States and the rest of NAFTA. The country's trade with Mercosur has declined in recent years, in part due to a decline in Brazil's importance as a source for Uruguayan imports. Trade with Argentina subsequently increased.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Uruguay's exports was \$2.24 billion while imports totaled \$2.9 billion resulting in a trade deficit of \$660 million. The International Monetary Fund (IMF) reported that in 2001 Uruguay had exports of goods totaling \$2.15 billion and imports totaling \$2.92 billion. The services credit totaled \$1.13 billion and debit \$803 million.

Currently, the balance of payments is under control, although the account shows a modest deficit, reflecting the strong pickup in imports that, in part, is being financed by foreign direct investment. Gross international reserves are expected to increase, raising the coverage of dollar liabilities in the banking system by official reserves and bank foreign assets to about 62%. Several measures

#### Principal Trading Partners – Uruguay (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	2,198.0	2,190.4	7.6
Brazil	470.8	459.8	11.0
United States	250.7	167.5	83.2
Argentina	154.9	571.7	-416.8
Germany	145.1	61.7	83.4
China	95.2	86.0	9.2
Mexico	90.8	20.5	70.3
Italy-San Marino-Holy See	88.9	50.2	38.7
Canada	86.8	10.5	76.3
United Kingdom	78.4	25.0	53.4
Spain	75.5	42.8	32.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Uruguay (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>52.1</b>
Balance on goods		181.8
Imports	-2,091.5	
Exports	2,273.3	
Balance on services		162.6
Balance on income		-363.9
Current transfers		71.6
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-342.6</b>
Direct investment abroad		-3.7
Direct investment in Uruguay		274.6
Portfolio investment assets		-521.7
Portfolio investment liabilities		22.9
Financial derivatives		...
Other investment assets		-1,252.8
Other investment liabilities		1,138.1
<b>Net Errors and Omissions</b>		<b>1,248.5</b>
<b>Reserves and Related Items</b>		<b>-957.9</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

have been undertaken to maintain its stability. The fiscal program is well on track, and is attempting to exceed the primary surplus target of 3.4% of GDP in 2004. Expenditure restraint will be maintained, and public tariffs will continue to be adjusted in line with operational costs. No further tax reductions will be granted.

### 3<sup>3</sup> BANKING AND SECURITIES

The Bank of the Republic (Banco de la República Oriental del Uruguay—BRDU), established in 1896, is a state bank with a government-appointed director. It operates as both a public and a private bank. It is the financial agent of the government; it also acts as an autonomous agency and, as a commercial bank, makes loans and receives deposits. It participates in determining financial policies and the allocation of foreign exchange for imports. One of its main functions is to provide rural credit.

The 1966 constitutional revision created a Central Bank (Banco Central del Uruguay—BCU), which is responsible for currency circulation, thus permitting the Bank of the Republic to concentrate on public and private credit. The third state bank is the Mortgage Bank (Banco Hipotecario del Uruguay—BHU). There are 21 private banks operating in Uruguay, the 3 public banks, 8 financial institutions, 12 offshore banks, and 6 savings and loans organizations.

In the early 1980s, economic recession produced a flood of bad debts, prompting the BCU to introduce a refinancing scheme in 1983, under which it took over the nonperforming loans of some financial institutions. This improved the liquidity of the financial system, but shifted the burden onto public finances. In 1999, the IMF criticized Uruguay's two large public banks as being less efficient and profitable than private banks, calling for banking reforms.

A policy of regular minidevaluations was introduced in mid-1975; currency stability was established in the late 1970s, but in November 1982, the peso, regarded as overvalued, was allowed to float freely. The peso has fallen against the dollar since that time. As of 1999, about 90% of the private sector's deposits in the banking system were dollar-denominated, and 75% of the overall credit to the private sector was in dollars. Most purchases were made in dollars. Net foreign reserves equaled \$2.43 billion at the end of 1998.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.0 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$11.1 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 22.1%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 71.66%.

The Montevideo Stock Exchange is supplemented by its Internet based partner, the Bolsa Electrónica de Valores (BEVSA). The number of firms raising risk capital through the stock exchange is very small, and only 19 companies are quoted on it. In 1999, practically no shares were traded in the stock market.

### 3<sup>4</sup> INSURANCE

The State Insurance Bank (Banco de Seguros del Estado—BSE), launched early in 1912 by a bond issue, was granted a monopoly

on all insurance in 1919; however, private insurance companies were allowed to continue issuing life, fire, and marine insurance if they had been in business prior to creation of the state bank. An October 1993 law demonopolized the insurance industry, allowing an individual to purchase insurance with the company of his or her choice, as well as allowing Brazilian, UK, and Spanish companies among others to participate in the market. The Banco de Seguros del Estado remains, however, the only company permitted to insure occupational and health hazard. In 2003, the value of all direct insurance premiums written totaled \$238 million, of which nonlife premiums accounted for \$185 million. For that same year, the top nonlife and life insurer was Banco de Seguros del Estado, which had gross written nonlife and life insurance premiums of \$122.9 million and \$24.1 million, respectively.

### 3<sup>5</sup> PUBLIC FINANCE

Under the inflationary pressures of the 1990s, budgetary expenditures generally exceeded revenues, although greater fiscal austerity caused a decrease in the budget deficit. In 1998, the number of government offices was reduced by one-third. The 1998 budget deficit was 0.9% of GDP, mostly financed by external loans (\$685 million). Because of falling tax revenues and increased spending, the deficit rose in 1999.

The US Central Intelligence Agency (CIA) estimated that in 2005 Uruguay's central government took in revenues of approximately \$4.4 billion and had expenditures of \$4.8 billion. Revenues minus expenditures totaled approximately -\$377 million. Public debt in 2005 amounted to 82.1% of GDP. Total external debt was \$9.931 billion.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, central government revenues in millions of pesos were 65,592 and expenditures were 77,487. The value of revenues in millions of US dollars was \$4,925 and expenditures \$5,956, based on a market exchange rate for 2001 of 13.3191 as reported by the IMF. Government outlays by function were as follows: general public services, 14.9%; defense, 4.2%; public order and safety, 4.7%; economic affairs, 5.8%; housing and community amenities, 1.6%; health, 6.6%; recreation, culture, and religion, 0.6%; education, 7.6%; and social protection, 56.5%.

### 3<sup>6</sup> TAXATION

As of 2005, corporate tax is imposed on industrial and commercial income at a flat rate of 30%. Capital gains incurred by companies are taxed as ordinary income at the corporate rate. Individuals are not subject to a capital gains tax. A 30% withholding tax is also imposed on dividends and royalties paid to nonresidents. Other taxes include a commissions tax of 9% and a capital tax of 15%. Personal income and inheritance taxes were repealed in 1974. Other taxes include a net worth tax, a 2.8% tax on banking activities, a bank assets tax, farming and property taxes, consumption taxes, and insurance taxes.

The most important indirect tax is Uruguay's value-added tax (VAT) instituted in January 1968. The standard rate is 23% and there is a reduced rate of 14% on necessities such as foodstuffs, as well as on fruit, flowers, road passenger transport, and hotel accommodation services. Exempt are imports of crude oil, the transfer and rental of immovable property, agricultural goods and

raw materials, certain types of machinery, certain banking activities, and medical services.

### 37 CUSTOMS AND DUTIES

Uruguay is a member of the Southern Common Market (Mercosur) along with Argentina, Brazil and Paraguay. As of July 2003, the Mercosur common external tariff (CET) ranged from 0–20% on most goods, although there is a 21.5% rate. A general 23% VAT rate is applied, although a lower 10% rate is assessed on certain products, while a 14% rate is applied to medicines, certain basic foodstuffs, and certain primary products. Excise taxes ranged from 10–30% on soft drinks, cosmetics, and motor vehicles, to 70% on tobacco, 80% on alcohol, and 133% for gasoline. Almost all goods can be imported into Uruguay without restrictions or licenses.

Tariff preferences are also given to members of the LAFA. Uruguay also has a large number of bilateral investment agreements, mostly with EU countries.

Free trade zones operate in Colonia, Florida, Nueva Helvecia, Nueva Palmira, Río Negro, Rivera, San José, and Montevideo.

### 38 FOREIGN INVESTMENT

Historically, Uruguay maintained a number of state monopolies in which direct foreign equity participation was prohibited. Uruguay's Foreign Investment Law of 28 March 1974 closed certain industries to foreign investors: public water and drainage services, railroads, alcohol and petroleum refineries, electric, telephone, local telegraph, mail, port services, insurance, and issuance of mortgage bonds. Private investment in other sectors was generally welcomed.

From 1992 to 1998, foreign direct investment (FDI) amounted to about \$150 million annually, which reflected a relatively low pace of privatization, even though the government promoted investment in the mining, tourism, hydrocarbons, forestry, printing, and media sectors.

The 1998 Investment Promotion and Protection Law declared that promotion and protection of national and foreign investment was in the national interest. Foreign and national investments would be treated the same, and investment would be allowed without prior authorization or registration. Complete foreign ownership is allowed in most sectors except for oil and telecommunications. Privatization is often popularly opposed, and the state seeks to foster efficiency through de-monopolization and deregulation. State sectors that have been partially liberalized include insurance, mortgages, road building and repair, water sanitation and distribution, energy generation, piped gas distribution, and cellular phones.

From 1999 to 2001 FDI inflow increased steadily, from \$239 million to \$285 million, to \$320 million. Under the impact of the worldwide decline in outward FDI, flows to Uruguay in 2002 are estimated to have fallen about one-third, but rebounded in 2003. Main investors included Canada and the EU.

A law in February 2001 de-monopolized the telecommunications industry, which was controlled by ANTEL. The state-owned oil company ANCAP was the only importer and refiner of petroleum products in Uruguay, and was scheduled to remain a monopoly until 2006. There are nine free trade zones (FTZs), in the country, some state-owned and operated, others state-owned but

privately operated, and others privately owned and operated. FTZs offer tax and duty exemptions.

FDI was virtually insignificant at the beginning of the 1990s but increased quite steadily afterwards, accounting for 1.36% of GDP in 2000 and 2.46% of GDP in 2003. FDI in Uruguay has been historically low because of the country's small market, the lack of major privatizations, and the small number of firms that base their Mercosur-wide operations locally. Uruguay's FDI/GDP ratio of 1% is well below the Latin American/Caribbean average of about 3%, and that of its Southern Cone neighbors Argentina and Brazil, with 2.6% each, and Chile with 5.6%.

According to Uruguay's Central Bank, FDI stock declined from \$2.4 billion in 2001 to \$1.4 billion in 2002, mostly due to decreased asset values following the sharp 2002 economic contraction and devaluation. Economic recovery led the stock of FDI to increase to \$1.8 billion in 2003.

### 39 ECONOMIC DEVELOPMENT

Monopolies have traditionally been permitted in the fields of banking and insurance, postal services, ports, water, light and power, telephone services, and fuels. Industrial and commercial activities of the state must be organized as "autonomous entities." Other public services may be organized as autonomous entities, like decentralized services, or divisions under a ministry. Exceptions to this policy are state-operated postal and telephone services, customs houses, port administration, and public health.

The Committee on Investment and Economic Development, established in 1960, published a 10-year plan for 1965–75 for production, investment, and consumption. The plan, stressing industrial development and external financing, was superseded in April 1973 by the National Development Plan for 1973–77, prepared by the Planning and Budget Office. This plan projected an annual growth rate of 3.8% in real gross domestic product (GDP), or 2.5% per capita; increases in exports and imports were projected at 10.1% and 14.9%, respectively. Domestic investment was to rise at an annual rate of 15.1%—a projection quite remote from the actual average annual increase of 3.2% realized during 1966–72.

After the severe slump of the early 1980s, the decisive actions by the new government injected life into the economy. In particular, restructuring the heavy domestic debt burden of the industrial and agricultural sectors increased confidence in the economy. Domestic investment rose sharply, with some industries at full capacity.

The Lacalle administration continued the fiscal adjustment program in 1990 to reduce the budget deficit. A state-enterprises reforms law passed in September 1991 permitted partial privatization of certain state-owned enterprises. Uruguay also became an important trade partner and provider of services to Mercosur countries. The flip side of this relationship was Uruguay's dependency on and vulnerability to economic developments in its neighboring countries. A slowdown in Brazilian growth and a recession in Argentina caused Uruguay's economy to slip into recession in 1995 and in 1998.

The government instituted a three-stage stabilization program in 1994. The plan increased consumption and payroll taxes, instituted a program designed to downsize government, and planned for long-term social security reform. This plan continued into the late 1990s with moderate success, but a recession hit in 1999 that

exacerbated the problems of a state-monopolized economy dependent upon exports to Argentina and Brazil, and dependent on US dollars for the currency.

The financial crisis in Argentina in late 2001 and subsequent recession hurt exports and tourism in Uruguay, and Uruguay's banking crisis in 2002 was exacerbated by the situation in Argentina. In all, the Argentine economic crisis and its aftereffects caused a 10% contraction in Uruguay's economy. An outbreak of hoof-and-mouth disease among its cattle and an energy crisis in Brazil also adversely affected the economy. By 2002, the total debt stood at around \$13.5 billion, some 65% of GDP, and the fiscal deficit stood at around 3% of GDP. Uruguay is diversifying its export base, has a well-run offshore financial center, and has significantly improved the structure of the economy. Foreign direct investment reached \$248 million in 2001. Many formerly state-owned sectors had been liberalized by 2003, including insurance, mortgages, road construction and repair, piped-gas distribution, energy generation, water sanitation and distribution, cellular telephones, and airline transportation. In June 2005, the International Monetary Fund (IMF) approved a three-year \$1.13 billion Stand-By Arrangement for Uruguay. Oil refining was de-monopolized, but oil imports were to remain a monopoly until 2006.

Uruguay is characterized by an export-oriented agricultural sector, a well-educated workforce, and high levels of social spending. The economy grew about 10% in 2004 as a result of high commodity prices for Uruguayan exports, the weakness of the dollar against the euro, growth in the region, low international interest rates, and greater export competitiveness. By 2005, it had slowed to 6.2%.

#### 40 SOCIAL DEVELOPMENT

Uruguay has frequently been referred to as South America's first welfare state. Some legislation dates back to 1829. Social legislation now provides for a day of rest in every week (plus Saturday afternoon), holidays with pay, minimum wages, annual cash and vacation bonuses, family allowances, compensation for unemployment or dismissal, workers' accident compensation, retirement pensions for rural and domestic workers, old age and disability pensions, and special consideration for working women and minors. The state also provides care for children and mothers, as well as for the blind, deaf, and mute. Free medical attention is available to the poor, as are low-cost living quarters for workers.

A dual social insurance program and private insurance system is in place. There is a separate system for bank employees, notaries, university graduates, members of the armed forces, and the police. All other employees and the self-employed are within the program. For pension coverage, employers withhold 15% of each employee's gross earnings and contribute 12.5% of payroll to the appropriate fund. Retirement is set at 60. Maternity and sickness benefits are also provided and are funded by contributions of 3% of earnings by the employee and 5% of payroll from the employer. Maternity benefits are paid at 100% of earnings for up to 12 weeks. Work injury and unemployment insurance are available to all employees.

Women account for nearly half of the work force but tend to be concentrated in lower paying jobs. Nevertheless, many attend the national university and pursue professional careers. Although the law prohibits sexual harassment in the workplace, few claims are

filed because it is not viewed as a problem. Spousal abuse is a serious social problem which is receiving greater attention by non-governmental organizations. The number of reported cases has increased dramatically, reflecting a greater willingness by women to confront the problem.

Black minorities, accounting for 6% of the population, are severely underrepresented in politics and in the professions. They face considerable discrimination in education and employment. Occasional reports of the use of excessive force by police are reported each year, and judicial delays can result in lengthy pretrial detention. Human rights organizations operate freely in Uruguay.

#### 41 HEALTH

The government traditionally has placed great emphasis on preventive medicine and on the sociological approach to public health problems. The US Institute of Inter-American Affairs and the Uruguayan Ministry of Public Health created the Inter-American Cooperative Public Health Service, which built four health centers and clinics. For the region, life expectancy is high (76.13 years in 2005); infant mortality is low (11.95 per 1,000 live births in 2005); and the ratios of doctors and beds to the population are exceptionally good. Approximately 98% of the population had access to safe drinking water and 95% had adequate sanitation. As of 2004, there were an estimated 365 physicians, 86 nurses, and 116 dentists per 100,000 people. Total health care expenditure was estimated at 9.1% of GDP.

The Commission for the Fight against Tuberculosis is under the jurisdiction of the Ministry of Health; as a result of its efforts, tuberculosis is almost unknown in Uruguay today. The commission also deals with the social and economic effects of various diseases.

The major causes of death are heart diseases, cancer, and digestive disorders. Degenerative diseases rank higher as a cause of death in Uruguay than in most other Latin American countries.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 17.3 and 9 per 1,000 people. Maternal mortality was 26 per 1,000 live births. Contraceptive use was high, with nearly 85% of married women in Uruguay using some method of birth control. Immunization rates for children up to one year old were tuberculosis, 99%; diphtheria, pertussis, and tetanus, 88%; polio, 88%; and measles, 80%.

The HIV/AIDS prevalence was 0.30 per 100 adults in 2003. As of 2004, there were approximately 6,000 people living with HIV/AIDS in the country. There were an estimated 500 deaths from AIDS in 2003.

#### 42 HOUSING

The housing situation is more favorable in Uruguay than in most Latin American countries. Housing construction, dominated by the public sector, is financed in large part by the Mortgage Bank. The National Institute of Low-Cost Housing builds low-cost dwellings for low-income workers and pensioners.

At last estimate, 98% of all housing units were made of durable materials including stone masonry, wood, zinc, or concrete. Owners occupied more than 55% of all dwellings; nearly 25% were rented; less than 20% were occupied by *usufructus* (households legally inhabiting someone else's living quarters); and about 1% were occupied by members of housing cooperatives. Of all hous-

ing units, more than 90% had private toilet facilities, and nearly 75% had water piped indoors. The preliminary results of the 2004 census indicated that there were about 1,274,052 housing units nationwide.

### 4<sup>3</sup> EDUCATION

Education in elementary, secondary, and technical schools and at the University of the Republic in Montevideo is free. Elementary education, which lasts six years, is compulsory. Secondary education is in two stages of three years. Students may choose to attend a three or four year technical school at the upper secondary level. The academic year runs from March to December.

In 2001, about 62% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 90% of age-eligible students. The same year, secondary school enrollment was about 73% of age-eligible students. It is estimated that about 91.8% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 21:1 in 2003; the ratio for secondary school was about 18:1. In 2003, private schools accounted for about 12.9% of primary school enrollment and 11.2% of secondary enrollment.

There are five major universities: the University of the Republic, the Catholic University, the University ORT Uruguay, Universidad de la Empresa, and the University of Montevideo. The University of Trabajo is a state-operated technical school. In 2003, it was estimated that about 37% of the tertiary age population were enrolled in tertiary education programs. The overall adult literacy rate for 2004 was estimated at about 97.7%.

As of 2003, public expenditure on education was estimated at 2.6% of GDP, or 9.6% of total government expenditures.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library, founded in 1816, contains over 900,000 volumes, primarily modern but including a sizable historical collection. Other major collections are found in the special libraries of the Council of Secondary, Basic, and Higher Education (110,000 volumes), the Museum of Natural History (200,000), and at the Pedagogic Library (118,000). The University of the Republic in Montevideo (1849) holds nearly one million volumes.

The National Historical Museum exhibits artifacts of local Amerindian cultures and of Uruguayan historical development. The National Museum of Fine Arts has paintings by prominent Uruguayan artists, including Juan Manuel Blanes and Joaquín Torres García. Both are in Montevideo, as are the Museum of Industrial Arts, the Pedagogical Museum, and the Museum of the Discovery, a unique public affairs institution chronicling the impact of the European encounter with the new world. There are regional museums in Mercedes, Salto, San José de Mayo, and Tacuarembó.

### 4<sup>5</sup> MEDIA

The state owns the telegraph and telephone services. In 2003, there were an estimated 280 mainline telephones for every 1,000 people. The same year, there were approximately 193 mobile phones in use for every 1,000 people.

Private broadcasting companies share the airwaves with the state-run public broadcasting company, SODRE. As of 2001, Uruguay had 91 AM and 149 FM radio stations and 20 television sta-

tions; color television broadcasting was introduced in 1981. In 2003 there were 603 radios and about 530 television sets for every 1,000 people. In 2003, there were 110.1 personal computers for every 1,000 people and 119 of every 1,000 people had access to the Internet. There were 79 secure Internet servers in the country in 2004.

In 2004 there were at least four major daily newspapers in Montevideo, including *El Diario*, 170,000, *El País*, 110,000; *El Diario Espanol*, 20,000; and *Últimas Noticias*, 19,500. The first newspaper in the Banda Oriental was the *Southern Star*, published by the British in 1807 during their brief occupation of Montevideo. *El Día*, founded by José Batlle y Ordóñez in 1886, helped lay the foundation for the social reforms of the first two decades of the 20th century.

The constitution provides for freedom of speech and the press and these rights are generally respected by the government. The government does retain the right to impose regulations or restrictions on speech and press if a person is inciting violence or insulting the state.

### 4<sup>6</sup> ORGANIZATIONS

The two most important organizations of livestock farmers are the Rural Association and the Rural Federation, both founded by large landowners. Other employers' organizations include the Importers' and Wholesalers' Association and the Uruguayan Exporters' Union. The Chamber of Industries is a powerful organization, with a representative on the Export and Import Control Commission. There are several professional societies, including the National Council for Scientific and Technological Research, which serves also as a primary educational and research organization.

There are student-youth organizations associated with universities and political parties. Scouting and YMCA/YWCA programs are also active. International organizations with national chapters include Amnesty International, Defence for Children International, and the Red Cross.

### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Tourism, one of Uruguay's major enterprises, enjoys government support. The state owns many hotels along the coast, especially in the area of Punta del Este, 145 km (90 mi) east of Montevideo and one of the more sophisticated resorts in South America. Montevideo has been promoted as the "city of parks" because of its many parks and gardens.

The most popular sport in Uruguay is football (soccer); there is an intense rivalry between supporters of the two major teams, the Peñarol and the Nacional. Other popular sports include basketball, cycling, tennis, pelota, golf, and water sports. Uruguayan soccer teams won the World Cup in 1930 and 1950; the first World Cup competition was hosted by Uruguay in 1930.

All visitors must have a valid passport. Visas are required of all foreign visitors except for the citizens of 63 nations, including Australia, Canada, and the United States. Visas are valid for up to three months. Tourist arrivals numbered 1,508,055 in 2003. There were 18,160 hotel rooms with 41,759 beds. Tourism expenditure receipts totaled \$406 million that same year.

In 2004, the US Department of State estimated the cost of staying in Montevideo at \$133 per day; elsewhere costs ranged between \$133 and \$369 per day.

#### 48 FAMOUS URUGUAYANS

The national hero of Uruguay is José Gervasio Artigas (1764–1850), who led the fight for independence against Brazil and Portugal. Juan Antonio Lavalleja (1786?–1853) directed the uprising that established Uruguay's independence in 1828. The nation's first two presidents were Gen. José Fructuoso Rivera (1790?–1854) and Brig. Gen. Manuel Oribe (1796?–1857), the founders of the Colorados and Blancos, respectively. One of Uruguay's greatest citizens was José Batlle y Ordóñez (1856–1929), who served twice as president of the country. José Pedro Varela (1845–79) was Uruguay's chief educational reformer.

One of the most respected defenders of Latin America's cultural tradition was José Enrique Rodó (1872–1917), whose *Ariel* and *Motivos de Proteo* fostered the idea of the superiority of Latin American culture. Juan Zorrilla de San Martín (1855–1933) was a 19th-century romantic poet whose finest work, *Tabaré*, describes Uruguay at the time of the Spanish conquest. Eduardo Acevedo Díaz (1851–1924) won fame as the writer of a gaucho novel, *Solidad* (1894). Other significant novelists are Carlos Reyles (1868–1938) and Javier de Viana (1872–1925). Horacio Quiroga (1878–1937) is regarded as one of Latin America's foremost short-story writers. The poets Julio Herrera y Reissig (1875–1910) and Juana de Ibarbourou (1895–1979) have attained a devoted audience beyond the borders of Uruguay. Emir Rodríguez Monegal (1921–85) is considered a leading writer and literary scholar.

The painter Juan Manuel Blanes (1830–1901) is best known for his *Episode of the Yellow Fever*. Pedro Figari (1861–1938) paint-

ed vivid scenes of early 19th-century Uruguay. Joaquín Torres García (1874–1949) founded his painting style on the principles of universalism and constructivism. Eduardo Fabini (1883–1951) is Uruguay's best-known composer. Francisco Curt Lange (b. Germany, 1903–1997), Latin America's foremost musicologist, founded various inter-American institutions and publications for the promotion of music of the Americas.

#### 49 DEPENDENCIES

Uruguay has no territories or colonies.

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# VENEZUELA

Republic of Venezuela  
*República de Venezuela*

**CAPITAL:** Caracas

**FLAG:** The national flag consists of three equal horizontal bands of yellow (top), blue, and red with the coat of arms on the hoist side of the yellow band and an arc of eight white five-pointed stars centered in the blue band.

**ANTHEM:** *Himno Nacional*, beginning “Gloria al bravo pueblo” (“Glory to the brave people”).

**MONETARY UNIT:** The bolívar (B) is a paper currency of 100 céntimos. There are coins of 5, 25, and 50 céntimos and 1, 2, and 5 bolívares, and notes of 5, 10, 20, 50, 100, 500, and 1,000 bolívares. B1 = \$0.00048 (or \$1 = B2,090.75) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year’s Day, 1 January; Declaration of Independence and Day of the Indian, 19 April; Labor Day, 1 May; Army Day and Anniversary of the Battle of Carabobo, 24 June; Independence Day, 5 July; Bolívar’s Birthday, 24 July; Civil Servants Day, 4 September; Columbus Day, 12 October; Christmas, 25 December; New Year’s Eve, 31 December. Movable holidays are Carnival (Monday and Tuesday before Ash Wednesday), Holy Thursday, Good Friday, and Holy Saturday. Numerous other bank holidays and local festivals are observed.

**TIME:** 8 AM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Venezuela, located on the northern coast of South America, covers an area of 912,050 sq km (352,144 sq mi), extending 1,487 km (924 mi) WNW–ESE and 1,175 km (730 mi) NNE–SSW. Comparatively, the area occupied by Venezuela is slightly more than twice the size of the state of California. It is bordered on the N by the Caribbean Sea and the Atlantic Ocean, on the E by Guyana, on the S by Brazil, and on the W by Colombia, with a total land boundary of 4,993 km (3,103 mi) and a coastline of 2,800 km (1,740 mi). There are 72 offshore islands.

Venezuela claims more than 130,000 sq km (50,000 sq mi) of territory west of the Essequibo River in Guyana, an area which constitutes about three-fifths of Guyana. In 1985, UN mediation was requested by both countries but the matter has not been resolved. Conflicting maritime claims with Colombia in the Gulf of Venezuela remain unresolved as well, despite negotiations since 1970. Demarcation of the land boundary between the two nations began in February 1982.

Venezuela’s capital city, Caracas, is located in the northern part of the country on the Caribbean Sea coast.

## <sup>2</sup> TOPOGRAPHY

Venezuela has four principal geographical divisions. In the north emerges a low extension of the Andes chain; to the west lies the hot basin of Lake Maracaibo; to the southeast spread the great plains (llanos) and forests; and south of the Orinoco River lie the unoccupied and largely unexplored Guiana Highlands, accounting for about half the country’s total area. The Orinoco at about 2,574 km (1,600 mi) long drains four-fifths of Venezuela. There are more

than 1,000 other rivers. About 90% of the nation’s population is concentrated between the northeastern plateau of the Andes, on which is located the capital, Caracas, and another Andean extension to the west along the Venezuela-Colombia border, covering approximately one-fourth of the total national area.

Outstanding geographical features include Angel Falls (979 m or 3,212 ft high) in the Guiana Highlands of southeastern Venezuela, the highest waterfall in the world; the navigable Lake Maracaibo in the west, which is about 80 km (50 mi) wide and 210 km (130 mi) long and is accessible to ocean shipping; and Pico Bolívar in the Sierra Nevada de Mérida, the highest peak in Venezuela (5,007 m/16,427 ft).

There are a number of fault lines running through the north central region of the country. The major fault is the San Sebastian, which serves as the border between the South American and Caribbean Tectonic Plates along the northern coast of the country; frequent earthquakes and landslides occur along this region.

## <sup>3</sup> CLIMATE

Although Venezuela lies entirely within the torrid zone, generally there are four climatic regions, based mainly on altitude: tropical, up to 760 m (2,500 ft) in elevation; subtropical, from 760–1,830 m (2,500–6,000 ft); temperate, from 1,830–2,740 m (6,000–9,000 ft); and cold, above 2,740 m (9,000 ft). In the tropical region, including the cities of Maracaibo and Ciudad Bolívar, mean annual temperatures range from 24° to 35°C (75° to 95°F). In the subtropical region, where Caracas is situated, the means range from 10° to 25°C (50° to 77°F). In January, in Caracas, the average minimum and maximum temperatures are 15°C (59° F) and 26°C (79° F), respectively; the range in July is 17–26°C (63–79°F). During the wet

season (May to October), the llanos and forest areas are swampy, green, and lush. Upon the advent of the dry season, the same areas become dry, brown, and parched. There is perpetual snow on several peaks of the Cordillera de Mérida.

#### 4 FLORA AND FAUNA

The natural vegetation of the tropical zone varies from the rain forest regions of the lower Maracaibo Basin to the grasslands of the llanos. In the areas of insufficient rainfall are found xerophytic plants, as well as mimosa. The subtropical zone, tierra templada, was originally almost covered by a luxuriant forest, but it is now the nation's principal agricultural region. In the temperate region, only a small portion of the total land area, wild vegetation is sparse and scrubby. In the páramo region, from about 2,740–4,880 m (9,000–16,000 ft) in elevation, vegetation becomes even thinner and barely affords an existence for the few sheep and cattle raised by the local Amerindian population. Above 3,050 m (10,000 ft), the only vegetation seen is the espeletia, similar to the century plant, which grows to a height of about 1.8–2.1 m (6–7 ft).

The wild animals of Venezuela are abundant because of their relative isolation from human disturbance. The forests are populated with tapirs, sloths, anteaters, and a variety of monkeys. In the mountains are puma, margay, vampire bats, and deer. Semiwild horses, donkeys, and cattle are found in the plains. The forests are rich in tropical birds such as the cacique, crested coquette, heron, umbrella bird, manakin, cock-of-the-rock, parrot, macaw, and egret. Aquatic fowl include the pelican, heron, flamingo, and a muscovy duck weighing up to 9.1 kg (20 lb). More than 32 species of eagles are found in Venezuela. There are numerous reptiles, including the rattlesnake, coral snake, bushmaster, anaconda, and boa. Crocodiles are found in the lowland rivers. Fish, shellfish, tortoises, and sand tortoises are also plentiful.

As of 2002, there were at least 323 species of mammals, 547 species of birds, and over 21,000 species of plants throughout the country.

#### 5 ENVIRONMENT

Pressing environmental problems—urbanization, the unrestricted use of pesticides, the pollution of waterways with untreated industrial wastes, increasing air pollution and gasoline consumption by automobiles, and the uncontrolled exploitation of soil and forest resources—led the government in 1976 to establish the Ministry of Environment and Renewable Natural Resources. The basic legislative instrument is the Organic Law of the Environment; other laws govern the protection of soils, forests, and water supplies, regulate public sanitation, and seek to prevent the contamination of waterways by oil. Incentives are offered to industry to avoid environmental damage.

Air pollution results from the activity of power plants and from industrial and vehicle exhaust emissions. In 2000, the total of carbon dioxide emissions was at 157.7 million metric tons. Water pollution is caused by contaminants from the oil industry, mining activity, and industrial chemicals. The nation's cities also produce about 3.6 million tons of solid waste per year. Venezuela has 722 cu km of renewable water resources with 46% of the annual withdrawal is used for farming activity and 10% for industrial purposes. As of 2002, 85% of urban dwellers and 70% of the rural population had access to improved water sources.

Between 1990–95, deforestation occurred at an average annual rate of 1.1%. Measures designed to prevent forest depletion include suspension of logging permits and a large-scale afforestation program. In 2000, about 56% of the total land area was forested and deforestation had slowed to an annual rate of about 0.4%. In 2003, over 60% of the total land area was protected, including five Ramsar wetland sites and one natural UNESCO World Heritage Site (Canaima National Park). In the Andes area, Venezuela loses up to 300 tons of soil per hectare due to land erosion by rivers.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), 26 types of mammals, 25 species of birds, 13 types of reptiles, 68 species of amphibians, 19 species of fish, 1 species of invertebrate, and 67 species of plants were threatened. Endangered species in Venezuela included the tundra peregrine falcon, red siskin, giant otter, five species of turtle (green sea, hawksbill, olive ridley, leatherback, and South American river), and three species of crocodile (spectacled caiman, American, and Orinoco).

#### 6 POPULATION

The population of Venezuela in 2005 was estimated by the United Nations (UN) at 26,749,000, which placed it at number 42 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 31% of the population under 15 years of age. There were 101 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.8%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 35,406,000.

The overall population density was 29 per sq km (76 per sq mi), but in the relatively populous northwest, the density was more than twice the national average. Nevertheless, Venezuela remained one of the least densely populated countries in the Western Hemisphere. The Amazon River area (nearly 20% of the total) averages only about 0.8 population per sq km (0.3 per sq mi).

The UN estimated that 87% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.90%. The capital city, Caracas, had a population of 3,226,000 in that year. Other large cities and their estimated populations include Valencia, 2,330,000; Maracaibo, 2,182,000; Maracay, 1,138,000; and Barquisimeto, 1,009,000.

#### 7 MIGRATION

For a time, Venezuela encouraged large-scale immigration in the hope that the newcomers would help increase the nation's food production. Although the yearly totals of foreigners entering Venezuela were high, a large portion of these immigrants remained only briefly. In the decades immediately before and after World War II, nearly 500,000 Europeans—mostly from Italy, Spain, and Portugal—came to Venezuela. By 1990, however, only 5.7% of the resident population was of foreign birth. In 1989 there were 18,893 immigrants and 9,643 emigrants. An estimated 300,000 illegal immigrants, most of them Colombians, were living in Venezuela in 1985. Internal migration in the 1980s was chiefly from the federal district to adjoining areas and eastward from the state of Zulia, in the far northwest. During the period 1990–97, 1,630 persons were given refugee status by the United Nations High Commissioner for Refugees (UNHCR) in Venezuela. As of 1999, government



sources reported at least 1,500,000 Colombians in Venezuela, of whom only 500,000 were legal residents. In June 1999 alone, some 3,500 Colombians entered the country following a paramilitary offensive in the Colombian area of La Guajira. The total number of migrants was 1,006,000 in 2000, including the small number of remaining refugees. In 2004, there were 244 refugees in Venezuela, 3,904 asylum seekers, and 26,350, originally from Colombia, who were of concern to UNHCR.

The net migration movement in 2005 was estimated as zero per 1,000 population. The government views the migration levels as satisfactory.

## **8 ETHNIC GROUPS**

The original inhabitants of Venezuela were Amerindians, predominantly Caribs and Arawaks. The majority (about 68%) of the present population is mestizo (mixed race). Approximately 21% are European, primarily Spanish, Italian, Portuguese, and German. Blacks account for an estimated 8–10%, and Amerindians for about 2%. The Amerindians represent approximately 27 different groups. Arab peoples are also represented in the overall populace.

## **9 LANGUAGES**

The official language is Spanish. It is fairly standardized throughout the country among the educated population, but there are marked regional variations. Numerous indigenous dialects are also spoken.

## **10 RELIGIONS**

According to government estimates, about 70% of the population are Roman Catholic. Protestants constitute 29% of the population and the remaining 1% profess other religions or are atheists. Of the other religions, there are small but influential Muslim and Jewish communities. Caracas, the capital city, has a large mosque. Maria Lionza is a religious movement that blends Christian, African, and indigenous beliefs.

Venezuelans are constitutionally guaranteed freedom of religion provided that a faith is not contrary to public order or good custom. The state signed a concordat with the Vatican in 1964, which serves as the basis for government financial support of the Roman Catholic Church. While all registered religious groups can apply for government funds, the Catholic Church has been guaranteed a fixed amount from a limited government budget. Despite such financial support, government officials have often been politically at odds with local Catholic Church authorities.

## **11 TRANSPORTATION**

The most important mode of domestic cargo and passenger transport is shipping over the country's more than 16,000 km (9,900 mi) of navigable inland waterways, of which 7,100 km (4,410 mi) are navigable to oceangoing vessels. A large percentage of Venezuelan tonnage is carried by ships of the government-owned Venezuelan Navigation Co. In 2005, the merchant fleet had 56 vessels of 1,000 GRT or more, totaling 740,919 GRT. Shallow-draught ships are able to reach Colombian river ports in the wet season. Shallow-draught river steamers are the principal means of transportation from the eastern llanos to Puerto Ordaz, which, thanks to constant dredging, is also reached by deep-draught oceangoing

vessels. Dredging operations also are maintained in Lake Maracaibo to allow the entry of oceangoing tankers. The government has invested substantially in the port of La Guaira, hoping to make it one of the most modern in the Caribbean area. Puerto Cabello handles the most cargo, and Maracaibo is the main port for oil shipments.

Highway and railroad construction is both costly and dangerous because of the rough mountainous terrain in the areas of dense population. Nevertheless, the government has undertaken massive highway construction projects throughout the country. Major ventures include the completion of the Caracas-La Guaira Autopista, which links the capital with its airport at Maiquetía and its seaport at La Guaira, and a section of the Pan-American Highway connecting Carora with the Colombian border. The General Rafael Urdañeta Bridge crosses the narrow neck of water connecting Lake Maracaibo with the Gulf of Venezuela and provides a direct surface link between Maracaibo and the east. By 2002, Venezuela had 96,155 km (59,751 mi) of highway, of which 32,308 km (20,076 mi) were paved. In 2003 there were 1,480,000 passenger cars and 1,157,138 commercial vehicles in Venezuela.

Venezuela's two railroads carry mostly freight. Rail transportation is concentrated in the northern states of Lara, Miranda, Carabobo, Aragua, and Yaracuy, with branches connecting the principal seaports with the important cities of the central highlands. As of 2004, the country's railway system totaled 682 km (424 mi), all of it standard gauge. The first 7.2-km (4.5-mi) section of a government-financed metro line in Caracas was opened in 1983.

Cities and towns of the remote regions are linked principally by air transportation. In 2004, there were an estimated 369 airports. As of 2005 a total of 128 had paved runways, and there was also one heliport. Venezuela has three main airlines, the government-owned Aerovías Venezolanas S.A. (AVENSA), Línea Aeropostal Venezolana (LAV), and Venezolana Internacional de Aviación, S.A. (VIASA); VIASA, an overseas service, is jointly run by AVENSA and LAV. A new airline, Aeronaves del Centro, began domestic flights in 1980. The government expanded Simón Bolívar International Airport at Maiquetía, near Caracas, to accommodate heavy jet traffic. In 2003, about 3.824 million passengers were carried on scheduled domestic and international airline flights.

## **12 HISTORY**

As many as 400,000 Amerindians were living in the land now known as Venezuela when Christopher Columbus landed at the mouth of the Orinoco in August 1498, on his third voyage of discovery. The nation received its name, meaning "Little Venice," from Alonso de Ojeda, who sailed into the Gulf of Venezuela in August 1499 and was reminded of the Italian city by the native huts built on stilts over the water.

The first Europeans to settle Venezuela were Germans. Holy Roman Emperor Charles V granted the Welsers, a German banking firm, the right to colonize and develop Venezuela in exchange for the cancellation of a debt. Lasting a little less than 20 years, the administration of the Welsers was characterized by extensive exploration and organization of the territory but also by brutality toward the native population. In 1546, the grant was rescinded, and Venezuela was returned to the Spanish crown.

Under the Spanish, Eastern Venezuela was governed under the *audiencia* (region under a royal court) of Santo Domingo, and the

western and southern regions became a captaincy-general under the viceroyalty of Peru. Settlement of the colony was hampered by constant wars with the Amerindians, which did not stop until after a smallpox epidemic in 1580. Meanwhile, the province was carved into *encomiendas* (hereditary grants), which were given to the conquistadores as rewards. By the end of the century, however, the *encomienda* system was abandoned, and existing grants were declared illegal. The *cabildos*, or town councils, won more authority, and a national consciousness began to develop. In 1717, the western and southern provinces were incorporated into the viceroyalty of New Granada, and in 1783, the area of present-day Venezuela became a captaincy-general of Caracas.

The war for independence against Spain began in 1810. Francisco de Miranda (“El Precursor”), a military adventurer, was named leader of the Congress of Cabildos, which declared the independence of Venezuela on 5 July 1811. Royalist factions rallied to overthrow the new republic, which was weakened when an earthquake destroyed revolutionary strongholds and left royalist centers virtually untouched. Miranda was captured and sent to die in a dungeon in Cádiz, but Simón Bolívar, a native of Caracas who had served under Miranda, was able to flee to Colombia. He then led an army across the Andes into Venezuela, declaring “War to the death and no quarter to Spaniards.” In August 1812, he entered Caracas and assumed the title of Liberator (“El Libertador”). He was defeated and forced to flee to Jamaica, as the royalists again took control of the capital.

In December 1816, Bolívar, after landing in eastern Venezuela, established his headquarters in Angostura, now Ciudad Bolívar. He was aided by Gen. José Antonio Páez. The Congress of Angostura convened in October 1818 and in February 1819 elected Bolívar president of the Venezuelan republic. In the spring, he crossed the Andes, and in July, he entered Tunja, Colombia, with about 3,000 men and, after defeating the Spaniards at Boyacá, entered Bogotá. Under Bolívar’s leadership, Gran Colombia (Greater Colombia) was formed from Colombia, Ecuador, and Venezuela, with Bolívar as its president and military autocrat. The end of the Venezuelan war of independence came with Bolívar’s victory at Carabobo in June 1821.

In 1830, Venezuela seceded from Gran Colombia. A period of civil wars lasted from 1846 to 1870, when the caudillo Antonio Guzmán Blanco assumed power, attracted foreign investment and modernized the country. Guzmán was overthrown in 1888, and a few years later, Joaquín Crespo, a former puppet president of Guzmán, seized power. The next dictator, Cipriano Castro (1899–1908), was a colorful, if controversial, figure. A drunkard and a libertine, Castro also put Venezuela deeply into debt. When Castro refused to repay its outstanding loans, Germany, Great Britain, and Italy sent gunboats to blockade the Venezuelan coast. After mediation by the United States and a decision favorable to the European creditors by the Permanent Court of Arbitration at The Hague, Venezuela met its obligations by 1907. The next year, Castro sought medical care in Paris, leaving Venezuela in the hands of Juan Vicente Gómez. Gómez (1908–35) promptly seized power and ruled as dictator until his death. Although uneducated and practically illiterate, Gómez had a mind for business and proved a capable administrator. During his dictatorship, agriculture was developed and oil was discovered, making Venezuela the largest exporter of oil and thus one of the richest countries in Latin

America. Oil concessions attracted US, British, and Dutch companies, initiating an era of oil wealth that continues today.

After the death of Gómez, Venezuela began to move toward democracy. During two military governments, opposition parties were permitted, allowing the Democratic Action (Acción Democrática—AD) to organize. In 1945, the military scheduled an election, but many feared a fraudulent outcome. The AD deposed the military, and a junta named AD leader Rómulo Betancourt provisional president. Betancourt set elections for 1947, and conducted the first free election for president in Venezuelan history. The AD candidate Rómulo Gallegos, a distinguished novelist, was elected overwhelmingly, but within eight months, the military intervened in November 1948. A bloodless army coup backed by the armed forces and the United States replaced Gallegos with a military junta that ruled for four years. In December 1952, during the scheduled presidential election Marcos Pérez Jiménez seized power and became an absolute dictator. Venezuela took its last steps toward full democracy after January 1958, when a popular revolt with military backing drove Pérez Jiménez from power. An interim government consisting of a military junta held elections in December 1958, and leftist Romulo Betancourt was chosen president.

The Betancourt government (1959–64) instituted modest programs for fiscal and agrarian reform, school construction, the elimination of illiteracy, and diversification of the economy. However, a depression beginning in 1960 trammled these efforts and aggravated dissatisfaction with the regime. Betancourt was challenged by political instability coming from several fronts. The military, looking for a chance to return to power, engaged in several attempts to overthrow the government. Betancourt also opposed Fidel Castro, and allied with the United States against him. Castroites in Venezuela responded with a guerrilla campaign under the FALN (Armed Forces for National Liberation). Betancourt charged the Castro government with attempting to subvert his government by supporting the FALN. In February 1964, the OAS formally charged Cuba with an act of aggression against Venezuela as a result of the discovery of an arms shipment to guerrillas in November 1963.

The AD was reelected in December 1964, when Raúl Leoni won the presidency over five other candidates. In 1966, supporters of Pérez Jiménez staged an unsuccessful military uprising. In the same year, in a drive against continued Castro-supported terrorism, President Leoni suspended constitutional guarantees and empowered the police to make arrests without warrants, to hold suspects without bail for an indefinite period, and to enter the quarters of suspected terrorists without judicial permission.

In 1968, Venezuela passed another test of democracy by transferring power peacefully from AD to the opposition Social Christian Party. The victor, Rafael Caldera Rodríguez, governed along the same lines as his AD predecessors, maintained a set of social programs and benefited from increasing oil revenues. At this point, Venezuela’s future seemed assured, and public expenditures increased. The AD returned in 1973 with the victory of Carlos Andrés Pérez. By 1976, Pérez had brought about complete nationalization of the oil and iron industries. In the December 1978 elections, Luis Herrera Campíns, leader of the Social Christian Party, won the presidency.



LOCATION: 0°35' to 12°11' N; 60°10' to 73°25' W. BOUNDARY LENGTHS: Total coastline, 2,816 kilometers (1,750 miles); Guyana, 743 kilometers (462 miles); Brazil, 2,000 kilometers (1,243 miles); Colombia, 2,050 kilometers (1,274 miles). TERRITORIAL SEA LIMIT: 12 miles.

The next year, Venezuela received its first rude awakening, when the oil market dropped, thus threatening the foundations of the Venezuelan economic and political systems. There was soon a financial crisis as Venezuela struggled to make payments on its overextended debt. The crisis culminated in the devaluation of the national currency, the bolívar, which dropped to one-third of its previous value against the dollar. Venezuelan consumers responded angrily, and the early 1980s were years of unrest. In the elections of December 1983, the AD returned to power behind presidential candidate Jaime Lusinchi.

Lusinchi's tenure was marred by scandal and trouble in the midst of the world petroleum crisis. While the economy floundered through the 1980s, the government maintained public confidence by stressing a "social pact" with guarantees of housing, education, and public health. Some progress was made in boosting

non-oil exports, particularly in agriculture and mining, and the government promoted import substitution, particularly in food and manufacturing.

The 1988 elections brought back Carlos Andrés Pérez, who had been elected president 15 years earlier. Pérez immediately imposed austerity measures, removing government subsidies on a number of consumer goods, including gasoline. Prices rose and Caracas was rocked by rioting on a scale not seen since the uprising of 1958. The military was called in to quell the disturbances, but when the trouble finally died down, thousands had been killed or injured. The situation continued to deteriorate, and in 1992 Venezuela was shocked by two military coup attempts. The leader of the coup was an obscure and young military leader named Hugo Rafael Chávez Friaz. Venezuelans could not have guessed that Chávez, within a short few years, would be leading the nation.

Pérez seemed unmoved by the coup attempts, and his administration continued business as usual. A major scandal, with allegations of embezzlement and theft in office, brought him down. Pérez was suspended from office and later sentenced to 28 months in prison, and Ramón José Velásquez was named interim president until the regularly scheduled elections in December 1993.

In that election, Venezuelans chose Rafael Caldera, who ran under a coalition of four parties. The election of Caldera, who had been president during the brighter years of 1968–73, was an example of the level of impasse in the Venezuelan system. Unable to produce new leadership, former presidents were being returned to office. Even though Venezuela remained one of the wealthiest countries in Latin America, instability was rapidly increasing. The Venezuelan economy fell into a recession in 1993, which continued to worsen over the next four years. In order to enforce emergency economic measures, President Caldera suspended a number of civil rights in 1994–95.

The Venezuelan middle class plunged into poverty as inflation soared to 103% by 1995. Doctors, university professors, and national telephone company workers all went on strike during 1997, and several other groups threatened to strike as well. Within this fragile political atmosphere, Chávez reappeared on the political scene. Backed by the new party, Movement for the Fifth Republic, Chávez quickly established himself as a major contender in the 1998 presidential election. A charismatic populist, Chávez appealed to the nation's poor. The traditional parties that had ruled the country for some 40 years had impoverished the nation and pillaged its resources, he said, and promised to end the avarice and poverty. In December 1998, he won 57% of the votes to become president.

During his inauguration speech in February 1999, Chávez unveiled his intentions to dramatically change the political and social fabric of the nation. He promised a “peaceful democratic revolution.” To some Venezuelans and international observers, Chávez's leftist rhetoric was alarming. Some saw a caudillo in the making, a man who reminded them too much of Cuba's Fidel Castro. But Castro, a close friend, said he and Chávez did not share the same political ideology, even though Chávez had become a vocal opponent of free-market economics. Chávez called for a new constitution, and in April, voters approved a 131-member National Constitutional Assembly (ANC) to rewrite the document. Backers of Chávez won 121 of the 131 seats in July elections. In December, 46% of the country's 11 million eligible voters went to the polls to decide the fate of the proposed constitution. Approved by 71% of those who voted, the new document, the country's 26th constitution, came into effect on 30 December 1999.

The new constitution eliminated the Senate and replaced it with a unicameral National Assembly. It gave the nation a new name to honor Bolívar: República Bolivariana de Venezuela (Bolivarian Republic of Venezuela). It consolidated power in the executive branch, extended the presidential term from four to six years, and eliminated a restriction that prevented the president from serving two consecutive terms. It banned the privatization of social security, health care, the oil industry, and other key state-owned enterprises. In January 2000, the ANC concluded its work and selected a 21-member National Commission to help rule the country until elections for the new National Assembly were held on 30 July 2000. Nearly all national, regional, and local offices were up for

grabs in the July “mega-elections,” including the presidential office. Chávez easily won with 59.5% of the vote, securing the presidential post for 6 more years. Chávez's political party, the Fifth Republic Movement, captured 76 of the 165 seats of the unicameral assembly. But Chávez has enjoyed the support of other allied parties that give him control of the 108 seats in the legislature.

Chávez has remained a controversial figure. After pursuing land and oil reforms in 2001, he worked to strengthen his political power to the point of appointing a new board of directors to the state monopoly *Petroleos de Venezuela*. Trade unions and *Fedecamaras* business association declared a general strike to support *Petroleos de Venezuela* dissidents. The discontent with the economic and political situation led this group of business opposition leaders to back a military coup in April 2002; which caused a further distancing between the United States and Venezuela, the latter accusing the former of supporting the coup. The coup replaced Chávez with the head of the Chamber of Commerce, dissolved the National Assembly, Supreme Court and the constitution, but the interim government collapsed and two days later Chávez returned to office.

By the end of the year, the opposition's strikes crippled the oil industry. Organizers demanded the resignation of Chávez by creating a nine-week fuel stoppage, which caused fuel shortages and a precipitous economic decline; the economy shrunk 9% in 2003. Under the new constitution, which allows for a referendum to take place to remove the president before his accorded term in office, the opposition delivered three million signatures demanding that the referendum be held. The electoral body rejected the petition saying it failed to meet technical requirements, but, in the midst of social unrest, the opposition made the petition again by the end of the year. Finally, the referendum was held in August 2004 and president Chávez won, solidifying his confidence, which he demonstrated with sweeping economic changes.

In January 2005 President Chávez signed a decree on land reform that aimed to eliminate Venezuela's large states. Suspected organizers of the 2002 coup and oil industry shutdown such as Carlos Ortega were jailed, sentenced for 16 years for civil rebellion, treason, inciting illegal acts and possession of false documents. Chávez further demanded foreign oil companies in Venezuela to enter a state backed venture, a partnership with the state-run *Petroleos de Venezuela*. Furthermore, Chávez sought to diversify the sale of oil to other countries in the continent as well as to China.

Internationally Chávez has had as many critics as success stories. In June 2005 in the Summit of Caribbean Nations, *Petrocaribe* was launched. This agreement provides crude and refined products to the signing countries, giving them a two year grace period to pay for the shipments at a preferential 2% interest rate. If the market price exceeds certain levels Venezuela would finance a percentage of the cost over 25 years at 1% interest. Also, a part of the cost could be repaid in kind such as with rice, bananas or sugar. Similarly, Venezuela bought 4% of the first Ecuadorian bonds issued since the country's 1999 default, and agreed to buy \$2.4 billion of Argentine debt in 2006 to help it become independent of its IMF loans. Venezuela was also in the process of becoming a full voting member of MERCOSUR, strengthening the possibility for a united Latin American front, Chávez's outspoken desire. He even suggested the creation of an alternative to the IMF, called the

Bank of the South, for countries to be able to borrow money and free themselves from policies mandated by Washington. Chávez's confrontational style against the United States became even more blatant with the beginning of a pilot program at the end of 2005 to deliver discounted heating oil to nonprofit housing in poor areas of New York and Boston.

Chávez created a genuine fear of left wing governments in the region; however, his programs (free health care, subsidized food, and land reform) have been buoyed by windfall incomes from oil. Chávez himself has embittered relations with Chile, Mexico, and Colombia. But amidst the criticism, Chávez said he would run for another six-year term in the December 2006 elections.

The national flag, originally adopted in 1930, was modified in 2006. The new flag still features a tricolor of yellow, blue, and red horizontal stripes. An eighth star, honoring the province Guyana, was added to the arc of white stars on the blue stripe. The national coat of arms, also modified to include a bow and arrow, a machete, and the white horse running to the left (instead of turning its head to the right), appears on the hoist side of the yellow band.

### 13 GOVERNMENT

Of the 26 Venezuelan constitutions since its independence in 1811, the constitution of 1961 had been the longest in force until President Chávez called for a new constitution, approved by referendum and adopted in late 1999. One of the largest constitutional documents in Latin America, the charter calls for five branches of government; the legislative branch (a unicameral National Assembly), the judiciary, the electoral branch, the citizen's branch (to represent and defend the citizen's in their dealings with the State) and a strengthened and recallable presidency. The constitution also allows the state to play a greater role in the economy, reducing the autonomy of the Central Bank.

A novelty in Venezuela's constitution is a provision for midterm presidential plebiscites. If enough support exists, a plebiscite can be held three years after a presidential election. If the sitting president loses the plebiscite, she or he must resign from office. Other novel provisions regarding accountability instruments are also included in the constitution, but the social and political crises that emerged in 2001 prevented many constitutional features from being fully implemented.

The president is elected by direct popular vote for a six-year term and the president can seek consecutive terms. In the previous constitution, a president could not run for reelection until 10 years after the completion of a term, but immediate reelection is now allowed. The president must be a native citizen, at least 30 years of age, and a "layman." Presidential duties include the selection and removal of cabinet ministers and all other administrative officers and employees of the national government, as well as the appointment of state governors. The president is commander-in-chief of the armed forces, directs foreign affairs, and may make and ratify international treaties, conventions, and agreements. In the former document, there was no vice president, but the new constitution created the vice presidential office.

### 14 POLITICAL PARTIES

Before the formation of the existing political parties, political conflict in Venezuela was confined to the traditionally Latin American centralist-federalist debate, with few actual differences between

governments. Since the late 1950s, however, a stable party system evolved. Each political group had its own ballot with its own distinctive color and symbol, so that illiteracy was not a barrier to political participation. Constitutional provisions barring the military from political involvement further ensured the stability of the party system and the continuity of elected civilian leadership. Chávez came into office promising to dismantle the party system that dominated Venezuelan politics for more than four decades, however all parties were allowed to compete for national, regional, and municipal posts in the 2000 elections. The main problem remained the constant battle of the opposition against Chávez, even pulling out of the congressional poll and thus giving a sure majority of parliamentary seats to Chávez's supporters.

Since 1958, the dominant force in Venezuelan politics was the Democratic Action Party (Acción Democrática—AD). It grew out of the socialist movement, which unified under the National Democratic Party (PDN). That party splintered, with a Moscow-oriented group forming the Communist Party of Venezuela (PCV) and the nationalist and democratic-socialist faction creating the AD.

The left has been fragmented throughout modern Venezuelan politics. After the split between AD and the PCV, the advent of Fidel Castro in Cuba caused further fragmentation. A group of AD members left the party to form the Movement of the Revolutionary Left (Movimiento de Izquierda Revolucionaria—MIR). The Armed Liberation Forces (Fuerzas Armadas de Liberación Nacional—FALN) took to the field and attempted a guerrilla uprising. The PCV remained loyal to Moscow and at times battled the FALN openly. All of these movements were denounced by the AD, and in 1962 the MIR and PCV were barred from political activity. The FALN, which never bothered with legal political action, was subdued, and with it, hopes of a Castroite takeover died. One development from the left has been the emergence of the Movement for Socialism (Movimiento al Socialismo—MAS), which took 10% of the vote for the Chamber of Deputies in 1988. MAS is an attempt to rejuvenate the left by a faction of the old PCV.

The right has been characterized by small parties without much chance of electoral success alone. Some have been able to form coalitions with larger parties to achieve some success within the system. One such party, the Democratic Republican Union (Unión Republicana Democrática—URD), has been a governing partner with the AD during the Leoni government (1963–68). The Committee for Free Elections (Comité de Organización Política Electoral Independiente—COPEI), also known as the Social Christian Party (Partido Social-Cristiano), is a Christian Democratic party, with the center-right implications of that movement. It has succeeded as an opposition party to the AD, occasionally taking advantage of splits in the AD's governing coalition or within the AD itself.

In 1947, the AD won the first free elections ever held in Venezuela. The PCV also fielded a candidate, as did COPEI. These three parties were outlawed during the dictatorship of Pérez Jiménez, and carried on their activities clandestinely. In December 1958, after Pérez Jiménez had been driven from power, free elections were held. The presidential victor, Rómulo Betancourt, formed a coalition government of the AD, COPEI, and URD.

The AD and COPEI reached several agreements over the years to cooperate with each other and to exclude the more leftist par-

ties from the Venezuelan system. After the COPEI victory in 1968, Venezuela became a more competitive two-party system, with AD and COPEI competing for power. Agreements between AD and COPEI in 1970 and 1973 called for cooperation in appointive posts, so the competition has been controlled. AD and COPEI have dominated the system since, although the 1994 election of Caldera as the candidate of a four-party coalition, the National Convergence (Convergencia), suggested a movement away from the two-party arrangement.

Since 1998, Chávez, who came to power backed by the leftist Patriotic Pole, a coalition of parties that includes the Communist Party of Venezuela, has dramatically changed the power structure in the country. Chávez's Fifth Republic Movement is the largest party in Venezuela but is a highly personalist party. The two traditional parties, AD and COPEI, have not recovered from the 1998 election and despite having a few seats in parliament, have been unsuccessful in mounting an organized democratic opposition against Chávez. In the 2005 National Assembly elections the Fifth Republic Movement won 114 seats, PODEMOS, 15; PPT, 11; indigenous, 2; and other, 25. The next elections were to be held in 2010.

## 15 LOCAL GOVERNMENT

Venezuela is divided into 23 states, the Federal District, and 72 offshore islands grouped under a federal dependency.

State government has been traditionally weak, with the state governor being the agent of the federal government directed to enforce national laws and decrees, as well as state legislation. Governors (including the governor of the Federal District) are appointed by the president and may be removed by him. According to the constitution, the states are autonomous and are guaranteed the right to regulate their own affairs and they are given all powers not reserved to the nation or the municipalities. In reality, these powers are very few, since control of elections, education, health, agriculture, and labor are all delegated to the national government. The state legislatures are unicameral.

Municipalities are autonomous in the election of their officials, in all matters within their competence, and in action regarding the collection, creation, and expenditure of their revenues. City councils vary from 5 to 22 members according to population size. The council is popularly elected and, in turn, selects the mayor. According to the constitution, elections for state and municipal offices may not be held more often than once every two years or less often than once every five years.

## 16 JUDICIAL SYSTEM

In August 1999, the National Constitutional Assembly (ANC) declared a judicial emergency to reform the highly discredited judiciary. The ANC immediately dismissed 16 judges. By the end of the year, 200 judges had been fired, mostly for corruption.

While the judicial system was independent, it was corrupt and inefficient. Most crimes in Venezuela went unpunished and citizens often have taken the law into their own hands. In the prisons, more than 70% of inmates have never been formally charged with a crime and they languish behind bars for years before their cases are heard. Prisons have been criticized for inhumane conditions.

The ANC approved the new Organic Code of Criminal Procedures in 1999, replacing the inquisitorial system with an open

court system. For the first time, trials were open to the public, with oral proceedings and verdicts by juries or panels of judges. The new system introduced presumption of innocence and prevented police from arbitrarily detaining persons for more than eight days without charges. Judges no longer act as investigators. Now they are arbiters of law, presiding over court sessions where prosecutors and defense attorneys argue cases in open court. Police investigators now work under the supervision of prosecutors. While judicial reforms were applauded by human rights organizations, it was uncertain how they would affect the judicial system in the long run. Intensive training will be required for judges, attorneys, and police.

The Supreme Court of Justice remains the nation's highest tribunal and court of final appeal. The prosecutor general provides opinions to the courts, and investigates the violations of constitutional rights of prisoners and the criminal conduct of public employees. The Ministry of Justice oversees the lower court system, and selects and trains judges. The lower courts are made up of district and municipal courts, and trial and appeal courts that hear civil and criminal cases.

## 17 ARMED FORCES

Venezuela in 2005, had 82,300 active personnel in its armed forces, in addition to 23,000 members of the *Fuerzas Armadas de Cooperación*, an internal security force. The Army had 34,000 regulars, including 6 infantry divisions and 12 specialized brigades. Equipment included 81 main battle tanks and 116 light tanks. The Navy had an estimated 18,300 members, including an estimated 7,800 Marines, 1,000 Coast Guard members, and 500 naval aviation personnel. Major naval units included two tactical submarines and six frigates. The Air Force had 7,000 personnel, 125 combat capable aircraft, including 38 fighters and 16 fighter ground attack aircraft, and 25 support and 49 utility helicopters. The defense budget in 2004 (the latest year for which data was available) totaled \$953 million.

## 18 INTERNATIONAL COOPERATION

Venezuela is a charter member of the United Nations, having joined on 15 November 1945; it participates in ECLAC and several nonregional specialized agencies, such as UNCTAD, UNHCR, UNESCO, the World Bank, ILO, IAEA, and the WHO. Venezuela is a member of the Andean Community of Nations (CAN), the Caribbean Development Bank, the South American Community of Nations (CSN), G-3, G-15, G-19, G-24, G-77, the Inter-American Development Bank, the Association of Caribbean States (ACS), the Latin American Economic System (LAES), the Latin American Integration Association (LAIA), OPEC, OAS, the Río Group, and the WTO. The nation is an associate in Mercosur.

Venezuela is part of the Nonaligned Movement, the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL), and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, Venezuela is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

During the colonial era and until the development of petroleum resources, the export of coffee and cocoa and the raising of cattle and goats provided the main supports for the economy. However, agriculture now accounts for only about 5% of the GDP. For over 40 years the economy has been completely dominated by the petroleum industry; in the mid-1980s, oil exports accounted for 90% of all export value, and in 2002 petroleum accounted for over one-third of the GDP, three-fourths of export revenues and half of government revenues. The Venezuelan economy is therefore greatly influenced by petroleum market conditions and Venezuela through its membership in OPEC has exercised influence on the rest of the world. The Venezuelan oil minister is reputed to be one of the principle architects of the first oil shock in 1973, and in 1999, Venezuela's decision to cut production to halt the continuing slide in oil prices led the way to their recovery in 2000 and after. The second most important mineral product is iron, and Venezuela's mineral wealth is augmented by frequent discoveries of additional reserves. Industrial development is fostered by government policy.

The average annual GDP growth during 1970–80 was 5%, with a peak of 7.2% during 1974–77, the years following the first oil shock and OPEC's quadrupling of oil prices. In the late 1970s, the economy began to stagnate as inflation ate up the real value of the oil price increases. Venezuela's GDP growth rate declined from 3.2% in 1978 to zero in 1979, with a negative rate of 1.5% recorded in 1980. In 1980 oil prices reached all-time highs, but the speculation was that they would continue to rise. Instead, recession and reduced demand in the main industrial markets brought oil prices sharply down, eventually collapsing in 1986 to levels prevailing, in real terms, before the first oil shock. Venezuela and many other Third World countries were left holding large amounts of high-interest short-term obligations with no way to earn the money in the stagnating world economy to pay them off. Venezuela's state-owned enterprises had accumulated short-term loans in the petrodollar market when high inflation had reduced real interests to near zero. The Reagan administration's tight money stance wrung inflation out of the system, and by 1982 soft markets for oil, iron ore, and aluminum were aggravating Venezuela's financial problems; GDP declined during 1983–85. During 1980–90, average annual GDP growth was only 1.1%.

After severe adjustments experienced during 1989 and 1990, the main economic indicators improved considerably in 1991 and 1992. Real GDP growth rose to 10.4% and 7.3%, respectively. Growth was led by expansion of the petroleum sector due mainly to the Persian Gulf War. Growth was also a result of the liberalization of the economy, including a privatization program initiated in 1990 and the restructuring of the public sector enterprises. However, growth slowed down and real GDP contracted by 1.0% in 1993. In April 1996, President Caldera announced a shift towards a more free market orientation coupled with fiscal austerity to revitalize the economy. The government devalued the currency, eliminated exchange controls, and raised domestic gasoline prices 369–862%. From 1988–98, real GDP growth averaged 2.5%. Inflation remained stubbornly high; between 1990 and 1996, consumer prices rose by an average of about 50% per year. The inflation rate was at 30% in 1998. A recession during 1998 due to low oil prices triggered a steep rise in the cost of living and halted eco-

nomical growth. GDP contracted 6.1% in 1999 as inflation rose to 20%, triggering the government's decision to restrict oil production to bring prices up from near-record lows. With the recovery of oil prices in 2000, the economy grew 3.2% in 2000, and inflation fell to 13.2%. In the context of the global economic slowdown of 2001, however, real growth declined to 2.1% as inflation fell to a relatively low 12%.

In 2002, however, politics overtook the economy. Populist President Hugo Chávez had been elected in 1998, with a term to run to 2006, a prospect seemingly all but intolerable to the opposition which saw in his "Bolivarian democratic revolution" ruination for the economy. Though the present constitution provides for a referendum on the continuance of the president in office midway through his term, that is, in August 2003, this also appeared too long to wait, particularly since it was quite likely Chávez would win such a referendum. In January 2002 and in December 2002 strikes were called against the government with the intention of forcing Chávez's resignation. From 12–14 April 2002, in fact, Chávez was briefly ousted with apparent close cooperation from the Bush administration, but then returned to power on a wave of popular and military support. After his return, however, no more oil was delivered to Cuba, allegedly for lack of payment, under a 2000 agreement that allowed Cuba to buy 53,000 barrels a day with 15 years to pay at low interest rates. Chávez had been accused of giving the nation's oil wealth away. A new wave of strikes began in December 2002 demanding an early referendum. The strike by oil workers lasted longest, over two months, costing the economy an estimated \$6 billion. By March 2003, oil production had returned to normal levels. The interruptions in production in 2002 contributed to an estimated 8.9% decline in GDP in 2002, with an increase in inflation to 15.5%. Further contraction is expected in 2003. Negotiations between the government and the opposition have been assisted by a "Group of Friends" that includes the OAS, the Carter Center, the United States, Brazil, Mexico, Chile, Portugal, and Spain.

The economy expanded by 17.9% in 2004, up from -7.7% in 2003. This was more the result of the market returning to normal output levels, rather than a miraculous boom. In 2005, the GDP growth rate was estimated at 6.5%, which is closer to what Venezuela would grow by in a "normal" year. In addition to higher oil prices, the economy was also aided by an increase in consumption. The inflation rate, although on a downward trend (it decreased from 21.7% in 2004, to 17.0% in 2005), continued to be a problem for the economy. Unemployment, in the same year, was estimated at 12.3%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Venezuela's gross domestic product (GDP) was estimated at \$161.7 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$6,400. The annual growth rate of GDP was estimated at 8.3%. The average

inflation rate in 2005 was 15.7%. It was estimated that agriculture accounted for 4.6% of GDP, industry 48.2%, and services 47.2%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$21 million or about \$1 per capita. Foreign aid receipts amounted to \$82 million or about \$3 per capita and accounted for approximately 0.1% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Venezuela totaled \$5.79 billion or about \$2,252 per capita based on a GDP of \$83.4 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 0.1%. In 2001 it was estimated that approximately 30% of household consumption was spent on food, 17% on fuel, 16% on health care, and 13% on education. It was estimated that in 1998 about 47% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

Venezuela's labor force in 2005 was estimated at 12.31 million. As of 2003, the distribution of employment among major economic sectors was as follows: services 69.1%; industry 19.8%; agriculture 10.7%; and undefined occupations 0.4%. The unemployment rate was estimated at 12.3% in of 2005.

The Venezuelan labor movement, for all practical purposes, had its inception in 1928 with the formation of the Syndicalist Labor Federation of Venezuela. The movement, stunted by the Gómez dictatorship, grew rapidly after his death. After the election of Betancourt, the Confederation of Venezuelan Workers (Confederación de Trabajadores de Venezuela—CTV), which had been founded between 1945 and 1948 but outlawed by Pérez Jiménez, was reconstituted. Another major labor federation, the National Movement of Workers for Liberation (Movimiento Nacional de Trabajadores para la Liberación—MONTRAL), was formed in 1974. CTV has remained Venezuela's major labor confederation. The comprehensive labor code enacted in 1990 provides all public sector and private sector employees (except members of the armed forces) the right to form and join unions. Strikes are permitted but may not be called before a conciliation attempt is made. Voluntary arbitration is encouraged, but arbitration may be ordered by the Ministry of Labor; awards are binding on all parties for a period of not less than six months. If no agreement is reached, a strike may be called 120 hours after the government labor inspector has been notified. Approximately 10% of the labor force was unionized as of 2002.

The labor code sets the maximum workweek at 44 hours. Labor laws include provisions for an eight-hour day and a paid vacation of at least 15 workdays a year. In 2002 the monthly minimum wage was \$220 in the private sector for urban workers and \$198 for rural workers. Minimum wage workers in the private sector received mandatory food and transport bonuses. Until the age of 16, minors may work only with restrictions as to hours and working conditions. The labor ministry effectively enforces these provisions in the formal economic sector but more than one million children were believed to be working in the informal economy in 2002.

## 2<sup>2</sup> AGRICULTURE

In 2003, agriculture accounted for 4% of the GDP, engaging 8% of the economically active population. Venezuela continued to rely heavily on food and agricultural imports. Despite abundant resources favorable to agricultural production, 70% of cereals, and nearly all oilseeds consumed in Venezuela are imported.

Venezuela does not have the rich soil of many other Latin American countries. In 2003, 3,400,000 hectares (8,401,000 acres), or 3.9% of the total land area, were used for temporary or permanent crops. The most highly developed agricultural region is the basin of Lake Valencia, west of Caracas and inland from Puerto Cabello. The principal crop of this area is coffee. Before oil came to dominate the economy, coffee accounted for 40–60% of all income from exports.

The main field crops are sugarcane, rice, corn, and sorghum, and the chief fruits are bananas, plantains, oranges, coconuts, and mangoes. The most important agricultural items for industrial use are cotton, tobacco, and sisal. Two varieties of tobacco grow in Venezuela, black and Virginia blond; the latter is used for the most part to make certain popular brands of US cigarettes under license. Sisal is grown and widely used to make cordage and bags for sacking grains and coffee. Thin strings of the fiber are also employed in hammocks, household bags, doormats, hats, and sandals. Agricultural production in 2004 (in tons) included sugarcane, 9,832,000; bananas, 1,549,600; corn, 2,068,000; rice, 989,000; sorghum, 612,000; plantains, 428,500; oranges, 384,200; potatoes, 336,900; cotton, 7,800; tobacco, 6,000; sisal, 5,600; and tomatoes, 183,700.

Under an agrarian reform law of 1960, three kinds of land are subject to expropriation by the government: uncultivated lands; lands worked indirectly through renters, sharecroppers, and other intermediaries; and lands suitable for cultivation that are being devoted to livestock raising. Compensation is paid for expropriated lands. Between 1960 and 1980, 8,467,000 hectares (20,922,295 acres) of land were distributed to 155,200 farming families who had never previously owned property. However, the land reform was adversely affected by mass migration of rural people to the cities.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Since colonial days, cattle raising has been the dominant livestock industry in Venezuela. Chiefly criollos, or Spanish longhorns, the cattle are raised on the unfenced ranges of the llanos. Crossbreeding with shorthorns has been going on since the last half of the 19th century and with zebu since 1915. The government has made considerable progress in eradicating tick and other infestations and hoof and mouth disease. It buys breeding stock from the United States, and finances programs to improve cattle production, processing, and distribution. The government also offers a subsidy for pasteurized milk, thereby helping to expand and improve the dairy industry.

Venezuela's livestock population in 2005 included 16,300,000 head of cattle, 13,200,000 goats, 3,100,000 hogs, 530,000 sheep, 500,000 horses, 440,000 burros, and 72,000 mules. Beef production increased from 147,000 tons in 1963 to 405,000 tons in 2005. In 2005, pork production was 118,000 tons; goat meat, 5,400 tons; mutton, 2,100 tons; and poultry, 686,000 tons. One of the few ar-



eas in which Venezuela is self-sufficient is beef, which is largely grass fed. Although significant amounts of pork and poultry are produced, they rely on imported feeds and other imported inputs. Fluid milk production reached 1,268,000 tons in 2005. Around 50% of the total fluid milk production is processed into cheese, 36% into powdered milk, 12% into pasteurized milk, and 2% into other dairy products. Venezuela relies on imports for 50% of its milk consumption.

## 24 FISHING

With its 2,816 km (1,750 mi) of open coast, Venezuela has vast fishing potential. Fish and fish products currently play a relatively minor role in Venezuela's international trade, but fish are extremely important domestically. Venezuela has the highest per capita fish consumption in Latin America, about three times that of the United States. The principal fishing areas are La Guaira, the Paraguaná peninsula, and the Cariaco-Margarita-Carúpano area. The total catch in 2003 was 540,161 tons, up from 284,235 tons in 1986.

The fish-canning industry, begun in the 1940s, has had difficulty finding a market, since there has long been a preference for imported canned fish of higher quality. In recent years, however, exports to the United States, the Netherlands Antilles, and other countries have increased. Tariff protection and improvements in quality have helped the industry.

## 25 FORESTRY

Forests covered about 56.1% of the land area in 2000. Partly because of the inaccessibility of forest areas, Venezuela's high-quality wood is very much underdeveloped. It is also misused by small farmers, who clear land for farming by burning trees without replacing them. The greatest concentration of forests lies south of the Orinoco, but the areas currently utilized are in the states of Portuguesa and Barinas. Cedar and mahogany are the principal trees cut; rubber, dividivi, mangrove bark, tonka beans, oil-bearing palm nuts, and medicinal plants are also produced. Roundwood output was 5.082 million cu m (179 billion cu ft) in 2004, with 75% used as fuel wood. Sawn wood production was 504,000 cu m (17,600,000 cu ft) that year. Virtually all sectors of the forest products industry rely on domestic output to meet domestic demand.

## 26 MINING

Venezuela is a leading producer of direct-reduced iron, and ranked among the top ten in the production of bauxite, alumina, and primary aluminum. In Latin America, Venezuela ranked second in iron ore and aluminum, behind Brazil, third in bauxite, alumina, and phosphate rock, and fourth in cement and steel. Other principal commodities were diamonds, ferroalloys, and gold. The top industry in 2003 was petroleum, which contributed 25% of Venezuela's gross domestic product (GDP). Iron ore mining, construction materials, steel and aluminum manufacturing were among the country's leading industries in that same year. The top export commodity in 2003 was petroleum, which accounted for \$22.2 billion out of total exports valued at \$27.7 billion. Other important exports were bauxite, aluminum, steel, and chemicals.

Output of iron ore and concentrate (gross weight), from the Cerro San Isidro (Los Barrancos) and Las Pailas (Bolívar) depos-

its, was 17.954 million metric tons in 2003. Direct-reduced iron output was 6.645 million metric tons in 2003. Iron ore production peaked in 1974, at 26.4 million tons, and bottomed out in 1983, at 9.4 million tons. In 1987-91, production averaged 19.34 million tons per year, ranking Venezuela tenth in the world. Iron mining was developed mainly by the Orinoco Mining Co., a subsidiary of US Steel, and by Iron Mines of Venezuela, a subsidiary of Bethlehem Steel. The industry was nationalized in 1975, and was controlled by the state enterprise C.V.G. Ferrominera Orinoco C.A. Bauxite production, from Los Pijiguajos mine (Bolívar), was 5.446 million metric tons in 2003. The mine's capacity was 6 million tons per year, and deposits of high-grade bauxite totaled 300 million tons. Alumina output was 1.882 million metric tons in 2003.

Gold mine output (metal content) in 2003 was 8,190 kg, down from 9,465 kg in 2002. Gold, the first metal found in Venezuela, reached its production peak in 1890, and was exported until 1950.

Gem diamond output was 11,080 carats in 2003, down from 45,707 carats in 2002. In that same year, industrial diamond output totaled 23,710 carats, down from 61,060 carats in 2002. The main diamond producing areas were: Aza karon, Guaniamo, Icabaru, Santa Elena and San Salvador de Gray. Production of hydraulic cement was 7 million metric tons in 2003, unchanged from 2002. Other minerals extracted were nickel, clays (including kaolin), feldspar, gypsum, lime, nitrogen, phosphate rock, salt (a government monopoly), sand and gravel, silica sand, stone (dolomite, granite, and limestone), and sulfur. Construction of the Minera Loma de Níquel, C.A., open-pit mine and ferronickel plant (on the boundary of Aragua and Miranda) was completed in 2000; it produced 2,472 tons of contained nickel the rest of the year, and was expected to produce 17,500 tons per year of contained nickel in ferronickel for 30 years, from reserves of 42.4 million tons (1.48% nickel). A total of 3,520,000 metric tons of amphibolite was produced in 2003, down from 18,610,000 metric tons in 2002. Minerals known to exist but not exploited were manganese (with deposits of several million tons), mercury, magnesite, cobalt, mica, cyanite, and radioactive materials.

The mining law of 1999, replacing that of 1945, established the rules for all mines and minerals (except hydrocarbons and some industrial minerals not found in government lands). The country's mineral resources belonged to the nation, and mining was permitted only through direct participation of government, concessions, and production authorization to the small mining sector, mining cooperatives, and artisanal miners. The private sector participated in the production of nonfuel minerals. However, government companies controlled a great portion of the production of bauxite, alumina, aluminum, diamond, gold, and iron ore.

## 27 ENERGY AND POWER

Venezuela has some of the world's largest reserves of natural gas and oil and is one of the main suppliers of oil to the United States. The country is also a founding member of the Organization of Petroleum Exporting Countries (OPEC).

As of 1 January 2005, Venezuela had proven oil reserves estimated at 77.2 billion barrels, according to the Oil and Gas Journal. However, that estimate does not include the country's significant deposits of extra heavy and bitumen oil, which could total as much as 270 billion barrels. In 2004, Venezuela's oil production

averaged an estimated 2,855,700 barrels per day, of which crude oil accounted for 88%. Domestic consumption in 2004 was estimated at 544,100 barrels per day. Oil exports, according to Petroleos de Venezuela SA (PdVSA) averaged 2.03 million barrels per day, in 2003. Of that amount, according to the PdVSA and the Energy Information Administration (EIA), 68% was sent to the United States (US). In 2004, exports of refined and crude oil averaged 1.53 million barrels per day to the United States, which accounted for 11.8% of all oil imports by the United States.

Venezuela, as of 1 January 2005, had proven reserves of natural gas estimated at 151 trillion cu ft, according to the Oil and Gas Journal. In 2003, the production and domestic consumption of natural gas in Venezuela each totaled an estimated 1,048.9 billion cu ft. According to Venezuela's government agency responsible for regulating the country's natural gas sector, Enagas, more than 70% of the nation's output of natural gas was consumed by its petroleum industry, which re-injects the gas to aid in the extraction of crude oil.

Venezuela's recoverable coal reserves were estimated at 528 million tons in 2003. Most of the country's coal is bituminous. In 2003, coal production totaled an estimated 7.8 million short tons, of which most was exported. In 2003, domestic coal consumption was estimated at 0.1 million short tons.

Venezuela, as of January 2003, had an installed electric power generating capacity estimated at 21.3 GW. Of that total, 62% came was hydroelectric, with the remainder made up of conventional fossil fuel plants. Total electrical output in 2003 was estimated at 87.4 billion kWh, of which consumption that year totaled an estimated 81.3 billion kWh. Venezuela's electric power sector however, continues to face power failures and disruptions. In the first seven months of 2005, the country suffered 46 major power disruptions, an increase of 70% from the same period in 2004, according to the Oficina de Operacion de Sistema Interconectados (OPSIS), the government agency responsible for regulating the country's electric system. Lowered hydropower output due to below average rainfall was one immediate reason. In addition, electricity theft/illegal hookups accounts for an estimated 25% of Venezuela's total demand.

## 28 INDUSTRY

Since the economy was largely dependent on oil (in 2003 it accounted for approximately 80% of exports and nearly 50% of fiscal revenues), Venezuela neglected other domestic industries for decades in favor of importing goods to satisfy Venezuelan consumer needs. The government has recently encouraged industrial diversification and development through protective tariffs and tax exemptions for reinvestment. Industrial output grew by 1.6% on average during the 1980s and by 3.8% annually during the 1990s. Manufacturing industries grew by an average of 4.3% annually during the 1980s and 1.7% per year between 1988 and 1998. In 1998, manufacturing accounted for an estimated 15% of GDP. Industry as a whole accounted for 40% of GDP in 2001.

Although much of Venezuela's petroleum is exported in crude form, petroleum refining is a major industry. Venezuela's five refineries had a total capacity of 1,282,000 barrels per day in 2002, and reserves were estimated at 74 billion barrels. The country is the world's fifth-largest producer of oil. A two-month general strike in 2002–03 severely affected oil production, but it began to

recover in March 2003. The steel industry operates at about 48% of capacity. The Venezuelan metal engineering industry produces auto body parts, valves, boilers, piping, wire mesh, and many other cast products. By 1983, Venezuela had the largest aluminum-smelting capacity in Latin America, with a total of 400,000 tons a year. Bauxite is processed in plants owned by the three state companies—Bauxalum, Venalum, and Alcasa. Other industries include shipbuilding, automobile assembly, and fertilizer manufacture. Venezuela produced 13,170 automobiles in 2001, down 38% from the 21,190 units produced in 2000.

The government is involved in a massive decentralization project to relocate industries in the peripheral cities and the interior. Valencia, the capital of Carabobo State, is a major new industrial center. A second major industrial development scheme has made Ciudad Guayana the hub of a vast industrial area with a 160-km (100-mi) radius. Puerto Ordaz was founded on the basis of the Cerro Bolívar iron ore deposits. West of Puerto Ordaz are the Matanzas steel mill, with a yearly capacity of 750,000 tons, and the Bauxalum bauxite-processing installation.

Venezuela has large and underexploited reserves of natural gas. In 2003, oil and natural gas production, water, whiskey, and the chemicals sector showed potential for growth. Further political unrest could undermine those sectors and the rest of the Venezuelan economy, however.

The industrial production growth rate in 2005 was 3.4%, lower than the overall GDP growth rate and an indicator that industry was not an economic growth engine. In 2005, industry accounted for 48.2% of the GDP and it employed less than 25% of the labor force. Services were the second-largest sector, with a 47.2% share of the economy, while agriculture came in last with only a 4.6% share.

## 29 SCIENCE AND TECHNOLOGY

The National Council of Scientific and Technological Research (founded in 1967) and the State Ministry for Science and Technology direct and coordinate research activities. Among the principal research institutes, academies, and learned societies are the National Academy of Medicine (1904), the Academy of Physical, Mathematical, and Natural Sciences (1917), and the Venezuelan Association for the Advancement of Science (1950). Major research institutes include the Institute of Experimental Medicine (1940), the Venezuelan Scientific Research Institute (1959), and the Center for Investigation of Petroleum Technology (1979). All of these societies and institutes are located in Caracas. Venezuela has 20 universities and colleges that offer courses in basic and applied sciences. In 1987–97, science and engineering students accounted for 26% of college and university enrollments. In 2002, research and development (R&D) expenditures amounted \$518.300 million, or 0.38% of GDP. Of that amount, government provided the largest portion at 60.6%, followed by the business sector at 20.9% and higher education 18.5%. In that same year, there were 222 scientists and engineers per million people, that were engaged in R&D. High technology exports in 2002 totaled \$94 million, or 3% of all manufactured exports.

## 30 DOMESTIC TRADE

The three primary distribution centers for import trade are the Caracas area, the Maracaibo area, and an area that centers on Ciu-

dad Bolívar and serves the vast inland llanos region and the Guiana Highlands. Located in Caracas are the main offices of the national and foreign banks, many of the important industries, and the largest commercial houses. Wholesale importers and distributors in Caracas cover the entire country by means of branch offices, stores, and traveling salespeople.

The most common and widespread form of retail selling used to be door-to-door, but the number of large shopping centers and supermarkets has risen in past years. Supermarkets handle over half of all retail food sales, with the rest mostly from *bodegas* (delicatessens) and *abastos* (small family-operated shops). There are also numerous farmers' markets throughout Caracas and the rest of Venezuela. Franchising has grown steadily throughout the past few years.

Stores are usually open from 9 AM to 12:30 PM and from 3 to 7 PM, Monday through Saturday. Normal banking hours are from 8:30 to 11:30 AM and from 2 to 4:30 PM on weekdays only. Business office hours are usually from 8:30 AM to 12:30 PM and 2:30 to 6 PM, Monday through Friday. Factories generally operate from 7:30 AM to 4:30 PM, Monday through Friday.

### 31 FOREIGN TRADE

Since 1950, Venezuelan foreign trade has gone through a number of bust and boom phases linked with oil prices. The first, between 1950 and 1957, was marked by the maturation of the new oil industry and high demand. The second, from the late 1950s through the 1960s, was characterized by a decline in world petroleum prices and a general drop in investment; during this period, exports of iron ore became increasingly important. The third phase, beginning in the early 1970s, featured a fivefold rise in petroleum prices and a staggering increase in the value of Venezuela's petroleum exports, despite declining output. The 1986 plunge in world oil prices was followed by a sustained period of growth in the sector, that lost momentum in 1998.

Crude petroleum (59%) and refined petroleum products (27%) are the main commodity exports of Venezuela, with refined petroleum products accounting for 4.5% of the world's total exports. Other exports include iron and steel (2.7%) and aluminum (2.5%).

#### Principal Trading Partners – Venezuela (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	24,974.3	8,357.7	16,616.6
United States	11,074.9	2,754.0	8,320.9
Netherlands Antilles	4,140.9	22.4	4,118.5
Netherlands	2,058.9	83.7	1,975.2
Aruba	1,756.1	...	1,756.1
Colombia	650.8	713.0	-62.2
Cuba	642.0	...	642.0
United Kingdom	396.6	235.0	161.6
Trinidad and Tobago	384.3	24.5	359.8
Mexico	376.4	416.3	-39.9
Canada	294.7	219.7	75.0

(...) data not available or not significant.

SOURCE: 2003 International Trade Statistics Yearbook, New York: United Nations, 2004.

In 2005, exports reached \$52.7 billion (FOB—Free on Board), while imports grew to \$24.7 billion (FOB). In 2004, the bulk of exports went to the United States (55.6%), the Netherlands Antilles (4.7%), and the Dominican Republic (2.8%). Imports were dominated by non-oil goods, and mainly came from the United States (28.8%), Colombia (9.9%), Brazil (7%), and Mexico (4.1%).

### 32 BALANCE OF PAYMENTS

Venezuela has enjoyed an enviable balance-of-payments position for many years. Although the country was forced to import goods to satisfy the demand for many industrial, construction, and household items, its income from exports has more than equaled its expenditures for imports. Venezuela experienced foreign exchange problems throughout the 1990s, largely because of the fluctuation of world oil prices. Venezuela's balance of payments position deteriorated from its strong performance in 1991. In 1992, the merchandise trade surplus fell to \$1.6 billion, a drop of 66% from 1991, primarily due to the economic recovery program and a decline in exports. The current account balance rose from -3.7% of GDP in 1993 to an estimated 11.5% in 1996, but fell by 2.8% in 1998.

As of 2003, private consumption as a share of GDP had risen, and the shares of gross fixed investment and exports of goods and services fell. Venezuela's dependence upon oil exports continued to make it vulnerable to the vagaries of the international economy.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Venezuela's exports was \$29.5 billion while imports totaled \$18.4 billion resulting in a trade surplus of \$11.1 billion.

The International Monetary Fund (IMF) reported that in 2001 Venezuela had exports of goods totaling \$26.7 billion and imports totaling \$17.4 billion. The services credit totaled \$1.28 billion and debit \$4.61 billion.

#### Balance of Payments – Venezuela (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>11,524.0</b>
Balance on goods	16,520.0	
Imports	-10,341.0	
Exports	26,861.0	
Balance on services	-2,616.0	
Balance on income	-2,387.0	
Current transfers	7.0	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-5,124.0</b>
Direct investment abroad	-1,182.0	
Direct investment in Venezuela	2,520.0	
Portfolio investment assets	-573.0	
Portfolio investment liabilities	-775.0	
Financial derivatives	...	
Other investment assets	-3,756.0	
Other investment liabilities	-1,358.0	
<b>Net Errors and Omissions</b>		<b>-946.0</b>
<b>Reserves and Related Items</b>		<b>-5,454.0</b>

(...) data not available or not significant.

SOURCE: Balance of Payment Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

Exports of goods and services reached \$22.8 billion in 2004, up from \$20.5 billion in 2003. Imports increased from \$10.3 billion in 2003, to \$17.2 billion in 2004. The resource balance was consequently positive in both years, deteriorating however from \$10.1 billion in 2003, to \$5.6 billion in 2004. The current account balance followed a similar path, decreasing from \$6.5 billion in 2003, to \$2.9 billion in 2004. Foreign exchange reserves (including gold) decreased to \$15 billion in 2005, covering more than ten months of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

The Central Bank of Venezuela (Banco Central de Venezuela-BCV, founded in 1939) is the fiscal agent of the government, responsible for fixing the rediscount rates, holding the country's gold and foreign exchange reserves, making collections and payments on behalf of the Treasury, and buying foreign exchange acquired from the oil companies and from exporters and reselling it to the government or to commercial banks. It also cooperates with government departments and other institutions in the work of special commissions, and is the sole note-issuing agency.

The state banking system consists of the Central Bank, the Industrial Bank of Venezuela, the Workers' Bank, seven regional and development banks controlled by the Venezuelan Development Corp., and the Agricultural Bank. In the private sector there are commercial banks, investment banks, mortgage banks, and savings and loan associations. The country's first mortgage bank, the Mortgage Bank of Urban Credit, initiated operations in Caracas in 1958.

The government has traditionally played a key role in the financial system, not so much because of budget financing needs (which until recently were modest by Latin American standards) but because of its involvement in medium- and long-term credit institutions which were set up to meet deficiencies in the system of financial intermediation, and also to channel the high oil revenues into productive sectors. The commercial banking system is, however, almost entirely privately owned. In 2002 there were 38 commercial banks, 16 mortgage banks providing long-term loans for construction, land acquisition, or real estate development, and 29 financiers.

Until 1972, Caracas was the only city in Latin America with two stock exchanges: the Commercial Exchange of Caracas (founded in 1947, although informal trading in stocks has taken place in Caracas since 1805), controlled by the Caracas Chamber of Commerce, and the Commercial Exchange of Miranda State (founded in July 1958). The two exchanges were merged under the terms of the 1972 Capital Markets Law, which regulates the trading of securities and the activities of brokerage houses. There is also an exchange in Valencia. The National Securities Commission, established in 1973, oversees public securities transactions. Not all the securities of Venezuelan corporations are listed on the exchanges, and new securities are constantly added.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$12.8 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$22.9 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 13.33%. The discount rate, the interest

rate at which the central bank lends to financial institutions in the short term, was 37%.

Venezuela's stock market was among the best performing in the world in 1996 because of restored confidence in economic policy and currency stability, but the Latin American financial crisis of the mid-90s put a damper on its success. The index of the Caracas stock exchange closed the year at 6,690.06, a 135% increase in dollar terms from the low base at the start of the year. In 2001, the index closed at 6,570.3, a drop of 3.7 % from 2000, although in 1998 it had dropped well below 5,000. The total market capitalization, at \$6.2 billion in 2001, had decreased by 24% from 2000, due to continued problems in the financial sector. As of 2004, a total of 59 companies were listed on the Caracas Stock Exchange, which had a market capitalization of \$6.117 billion. In that same year, the *Indioce de Capitalizacion* rose 34.9% from the previous year to 29,952.2.

### 3<sup>4</sup> INSURANCE

All insurance companies operating in Venezuela are under the direction of the Ministry of Development. The insurance industry is an important source of investment capital. It is regulated by the Superintendent of Insurance. Third-party automobile liability and workers' compensation, which is covered under the Social Security scheme, are considered compulsory in Venezuela. In 2003, the value of all direct insurance premiums written totaled \$2.158 billion, of which nonlife premiums accounted for \$2.093 billion. For that same year, the top nonlife insurer was Caracas de Liberty Mutual, which had gross written nonlife premiums of \$203 million, while the leading life insurer, Mapfre had gross written life insurance premiums of \$117.1 million.

### 3<sup>5</sup> PUBLIC FINANCE

Petroleum provided about 67% of total revenues in 1992, while personal and corporate income taxes represented only 29% of total current revenues that year. Although revenues increased greatly

#### Public Finance – Venezuela (2003)

(In billions of bolivares, central government figures)

<b>Revenue and Grants</b>	<b>32,252.9</b>	<b>100.0%</b>
Tax revenue	15,482.0	48.0%
Social contributions	796.8	2.5%
Grants	...	...
Other revenue	15,974.1	49.5%
<b>Expenditures</b>	<b>37,786</b>	<b>100.0%</b>
General public services	18,008.4	47.7%
Defense	1,665.8	4.4%
Public order and safety	1,120.6	3.0%
Economic affairs	1,892.3	5.0%
Environmental protection	...	...
Housing and community amenities	1,307.8	3.5%
Health	2,852.9	7.6%
Recreational, culture, and religion	583.4	1.5%
Education	6,993.6	18.5%
Social protection	3,361.3	8.9%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

in the 1980s, expenditures grew at an even faster rate, mainly because of heavy spending to combat the nation's pressing social and industrial problems. Falling oil prices in the mid-1980s caused a severe deterioration in the deficit. In 2002–03 a brief national oil strike triggered an economic depression. By 2004–05 oil prices had recovered, with petroleum revenues accounting for about half of the government budget in 2005.

The US Central Intelligence Agency (CIA) estimated that in 2005 Venezuela's central government took in revenues of approximately \$39.6 billion and had expenditures of \$41.2 billion. Revenues minus expenditures totaled approximately -\$1.6 billion. Public debt in 2005 amounted to 32% of GDP. Total external debt was \$39.79 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues in billions of bolivares were 32,252.9 and expenditures were 37,786. The value of revenues in millions of US dollars was \$20 and expenditures \$24, based on a official exchange rate for 2003 of 1,606.962 as reported by the IMF. Government outlays by function were as follows: general public services, 47.7%; defense, 4.4%; public order and safety, 3.0%; economic affairs, 5.0%; housing and community amenities, 3.5%; health, 7.6%; recreation, culture, and religion, 1.5%; education, 18.5%; and social protection, 8.9%.

### 3<sup>6</sup> TAXATION

Almost all forms of taxation are the responsibility of the federal government; it apportions federal tax revenue to the states, which, in turn, allocate a portion to the municipalities. Cities may levy taxes on such items as water and other municipal services and the exploitation of community lands.

As of 2005, corporate income was progressively taxed with a top rate of 34%. There are three brackets—15%, 22% and 34%, except for that derived from the petroleum industry, which is taxed at 50%. Royalties derived from mining and their transfer are subject to a 60% rate. There are also municipal business taxes ranging from 0.5–10% depending on location and business activity involved. Capital gains are considered as part of corporate income. Dividends for oil companies are taxed at 50% and for mining companies at 60%. Dividends from other companies are taxed at 34%. There are also corporate registration fees and a 1% business assets tax.

The basic personal income tax schedule is progressive with a top tax rate of 34% for resident individuals. Nonresident persons are taxed at a flat rate of 34%. On payments due to nonresidents, technical aid is taxed at 10.2%, technical services at 17% and professional services at 30.6%. Salaries, premiums, and other sources of income for nonresidents are taxed at 34%. There are also inheritance and gift taxes, and a real estate tax.

A value-added tax (VAT) became effective in 1993 and as of 1 September 2005, has been levied at a standard rate of 14%, with a lower rate of 8%. The standard rate applies to most transactions, but those involving the sale of animal feed, domestic air passenger transport, meat, animals and professional services provided to the government are taxed at the lower rate. Services provided by banks, leasing companies, basic foodstuffs, farming machinery, ships, health and educational services, and the sale of bonds and shares are exempt. Luxury goods, including high value jewel-

ry and vehicles are subject to an additional 10% charge. There are also entertainment and advertising taxes (in the Federal District), and minor excise taxes on liquor, tobacco, cigarettes, and petroleum products.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Venezuela's customs duties are based on the Andean Pact's common external tariff (CET). Generally, there are four rates: 5%, 10%, 15%, or 20%, which are levied ad valorem, and are based on the products' CIF (cost, insurance, freight) value and on its gross weight, including the packaging. The average tariff rate is 10% except for automobiles, which carry a duty of 35%. Transit duties are required on certain goods, including hides, cocoa, coffee, and cotton. The government may also increase duties on items coming in from certain countries; in addition, it may establish import quotas or subject imports to licensing to protect domestic industry. Imports are also subject to Venezuela VAT. A 10% VAT is also applied to certain products including vehicles that hold less than nine people and which have a customs value or factory price of more than us\$44,000, certain motorcycles, coin or token operated game machines, and recreational or sport aircraft.

Venezuela has three free trade zones: the Isla de Margarita, the Paraguaná Peninsula Industrial Zone, and the Port of La Guaira.

After several years of negotiations, the Group of Three (Colombia, Mexico, and Venezuela) signed a free trade agreement in Cartagena. The agreement went into effect at the beginning of 1995 and commits the countries to lifting most trade restrictions by 2007. In 1995, Venezuela also implemented the Andean Pact with Colombia and Ecuador that established common external tariffs. Venezuela also has a preferential agreement with the Caribbean Common Market (CARICOM), which started tariff reductions in 1998. Venezuela also has a free trade accord with the Southern Cone Common Market (MERCOSUR).

### 3<sup>8</sup> FOREIGN INVESTMENT

Before the 1970s, over 97% of the total foreign investment in Venezuela was made by firms representing the United States and the United Kingdom. In 1972, total foreign investment in Venezuela was \$5.5 billion, of which 85% was in oil. Of the total, 68% came from US sources, 9% from the Netherlands, and 7% from the United Kingdom. Until the mid-1970s, Venezuela imposed few restrictions on foreign investment. Beginning in 1974, however, new foreign investors were required to obtain advance authorization from the Superintendency of Foreign Investment (Superintendencia de Inversiones Extranjeras—SIEX). After the nationalization of petroleum companies on 1 January 1976, the total foreign investment in Venezuela declined sharply; by the end of 1984, registered US direct investment was \$1.7 billion, or approximately 55% of all foreign holdings in Venezuela.

The economic reforms started in 1989 stripped away many barriers to trade and investment. The government has been opening up production activities of the petroleum sector to foreign participation on a contract basis. In 1995, Venezuela's oil sector was opened to limited foreign participation in exploration and production, and political support has grown for a limited privatization of PdVSA, the state-owned oil company. Foreigners may now buy shares in national or mixed companies, but repatriation of dividends and their reinvestment of profits is restricted. Begin-

ning in 2000, a 34% tax on dividends was levied on foreign companies that had not sufficiently reinvested in the country.

Foreign direct investment (FDI) inflow totaled approximately \$4.5 billion in 1998, down from over \$5.5 billion in 1997. The fall in oil prices helped reduce FDI inflow further to \$3.3 billion in 1999, and their recovery (led by a Venezuelan decision to cut production) helped FDI increase to \$4.46 billion in 2000. However, with increasing political uncertainty in Venezuela and external economic slowdown, FDI inflow fell to \$3.4 billion in 2001 and collapsed to \$1.2 billion in 2002.

In 2000, official figures show the United States as the biggest source of FDI, with 14.6%, followed closely by the Netherlands, with 14.2%. However, US-based investment was also probably involved in flows from a number of offshore sites, such as the Bermudas (11.4% of inflow and the third-largest source in 2000) and the Cayman Islands (5.9%). Spain (10.3%), Colombia (8.8%), Japan (8.6%), and Switzerland (7.3%) were also significant sources. Total FDI stock as of 2000 was \$12.2 billion, of which the United States accounted for 34%; the Cayman Islands, 15.7%; the Netherlands, 7.9%; and Spain, 6%.

The US, as the largest investor in Venezuela, is estimated to have held a total FDI stock of \$10.8 billion, in 2003. In 2004, the total stock of investment was pegged at \$21 billion. A significant source of new investments was considered to be China—with a large chunk of its capital flows being directed through the Cayman Islands.

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

The Venezuelan economy has been directed by government policy since the 1970s. The iron and petroleum industries were nationalized in 1974–75, and the electrical generating industry was also a state enterprise. The government operated the salt and match industries; set the prices of pharmaceuticals, petroleum products, milk, meat, and other consumer goods and services; and controlled rents. The terms of Andean Pact membership also obligated the government to keep a tight rein on foreign trade and foreign investment.

Development policy from the 1950s through the late 1970s stressed import substitution, industrialization, and foreign investment. A new policy, inaugurated in 1979 and formulated in detail in the sixth national development plan (1981–85), was intended to eliminate price controls and reduce protectionism. The government also sought to reduce Venezuela's dependence on oil by industrial diversification, to pay more attention to agriculture, and to devote greater resources to social development, particularly housing, education, public services, and health. The economic crisis of the early 1980s led to a partial abandonment of the new policy. An economic adjustment program aimed at decreasing inflation, limiting imports, and cutting government spending was announced in 1983, and further austerity measures were imposed in 1984. In late 1986, the Lusinchi government announced a three-year plan to stimulate the economy through government spending.

Venezuela's economic reform program, initiated in 1989, focused on transforming the country from a traditionally state-dominated, oil-driven economy, toward a more market-oriented, diversified, and export-oriented economy. However, the financial crisis persisted and the administration assumed direct control over the banking system. Much of the liquidity created by the sup-

port for the financial sector was soaked up by the Central Bank. The government confirmed its commitment to selling off state enterprises. The bolivar was in free-fall before the government announced exchanged controls.

In 1996, the Caldera administration adopted an economic stabilization program with the backing of the International Monetary Fund (IMF). The fundamental goal of the plan was to reduce inflation by maintaining a surplus in consolidated public sector finances. The program also encouraged real growth in the non-oil economy. Deficit reduction through fiscal policy was also defined as a goal. The government increased general sales taxes, improved tax administration, and increased fuel prices. The program also called for the elimination of price controls on most goods and services.

The 1999–2000 economic plan called for reduced inflation, increased privatization, and higher taxes on foreign operations in Venezuela. An increase of the public budget was supposed to reduce inflation, as in the 1996 plan, but the traditional overspending of the government (one report claimed \$24,000 per month for pension plans in the state-run oil company) might undermine this plan. The dividends tax on foreign investment in Venezuela offsets any privatization plans by reducing the flow of capital from other countries. The country remains dependent upon oil revenues.

In April 2002, Hugo Chávez was temporarily ousted from power as president by the military; he returned to office two days later. Popular demonstrations against his presidency mounted throughout 2002 and into 2003. Beginning in December 2002, the opposition led a general strike in an attempt to force Chávez to resign. The strike shut down the oil industry for two months, but by mid-2003, oil output was almost back to normal. Nevertheless, the economy contracted by 29% in the first quarter of 2003, largely due to the effects of the strike, and it was forecast to decline by 12% over the course of the year. In February 2003, Chávez imposed foreign-exchange controls, and the country became short of dollars. Political opponents claimed the move was taken to curtail the private sector, and some say it continued the country's deindustrialization (six out of ten of the manufacturing businesses in existence when Chávez took power in 1998 had shut down by 2003). Inflation in the first five months of 2003 stood at 13.8%, and it was forecast to increase.

The recovery of the economy in 2004 and 2005 is expected to put the country back on a consistent growth pattern in the coming years. The economic expansion will be fueled by public-sector consumption and higher investment levels. By 2007, GDP growth rates will likely taper off, due to an uncertain policy environment and due to withdrawal of fiscal stimuli.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

The social security system was originally implemented in 1940, and was revised and amended by law in 1966, 1991, and 2001. The system covers medical care, maternity benefits, incapacity and invalidity, retirement and survivors' pensions, burial costs, and a marriage grant. These programs exclude temporary and casual workers; self-employed; and domestic workers. The employer is assessed about 5% on average of each employee's salary, with the worker paying about 2%. Old age pensions are provided at age 60 for men and age 55 for women, with early retirement permitted for those in arduous occupations. Medical coverage is financed by

an additional contribution of about 2% from employees and about 3.5% by employers. Unemployment benefits are paid for a period of 26 weeks. Maternity coverage is for 67% of earnings for up to six months.

Domestic abuse and violence against women has been aggravated by the nation's economic difficulties. Police are hesitant to intervene in domestic situations, and rape remains difficult to prove under current law. Consequently, domestic violence and rape are not often reported. In 2004, women made up approximately half of university students in Venezuela, and often pursue professions traditionally dominated by men. The constitution provides for sexual equality but women are still underrepresented in political and economic life. Women are protected by legislation that prohibits discrimination in pay or working conditions, but these are not always observed in practice. The National Institute for Women provides assistance in the economic advancement for women.

Approximately 25 indigenous ethnic groups exist in Venezuela. They have limited decision-making power on issues that directly affect their land. Few have been granted legal title to their lands. The human rights situation is poor, with reports of extrajudicial killings, arbitrary detentions, and the abuse of detainees. Human rights organizations operate openly. Prison conditions are extremely harsh.

#### 41 HEALTH

Despite strenuous government efforts in the field of public health, Venezuela lacks a sufficient number of physicians for its booming population. As of 2004, there were an estimated 193 physicians, 64 nurses, and 52 dentists per 100,000 people. Total health care expenditure was estimated at 4.2% of GDP.

Commonly reported diseases included malaria and tuberculosis. Leading causes of death were: communicable diseases, neoplasms, injuries, and diseases of the circulatory system. Venezuela is virtually free of typhoid and yellow fever. To maintain this status, the Department of Health and Social Welfare continues its drainage and mosquito control programs. It also builds aqueducts and sewers in towns of fewer than 5,000 persons. Approximately 84% of the population had access to safe drinking water and 74% had adequate sanitation.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 20.2 and 4.1 per 1,000 people. The infant mortality rate, 50.2 per 1,000 live births in 1971, fell to 22.20 in 2005. In the same year life expectancy rose to an average of 74.31 years. About 13% of children under five years old were considered malnourished. Venezuela currently fortifies maize flour with iron and vitamin A. Immunization rates for children up to one year old were tuberculosis, 98%; diphtheria, pertussis, and tetanus, 60%; polio, 76%; and measles, 68%.

The HIV/AIDS prevalence was 0.70 per 100 adults in 2003. As of 2004, there were approximately 110,000 people living with HIV/AIDS in the country. There were an estimated 4,100 deaths from AIDS in 2003.

#### 42 HOUSING

In 1928, the Workers' Bank was founded as a public housing agency of the federal government. Between 1959 and mid-1966, 23,881 low-cost units (houses and apartments) were constructed by the Workers' Bank throughout the country. By spending 75% of hous-

ing funds in rural areas and 25% in the cities, reversing the earlier ratio, the government hoped to cut down the exodus of peasants to Caracas and to maintain the nation's essential agricultural labor force. By 1969, the government had built 104,598 cheap and comfortable homes for lower-income groups, 57,675 in cities and 46,923 in rural areas.

Construction of low-cost housing units during the early 1970s proceeded at a rate of about 100,000 a year. During 1977-81, the public sector built 167,325 housing units, and the private sector 71,922. In 1981, the government introduced new low-interest housing loans, but that policy did not prevent a housing slump that persisted from 1982 through 1986 as a result of the general recession; housing units built by the public sector in 1986 totaled 91,666. The total number of housing units in the mid-1990s exceeded three million.

At the 2001 census, there were 6,242,621 housing units nationwide; about 83.5% were occupied. About 67% of all dwellings were detached single family homes. The average household had 4.4 members. Nearly 97% of all households had access to electricity, 90.7% had access to potable water, and 68% had access to appropriate sanitation systems.

#### 43 EDUCATION

Public education from kindergarten through university is free, and education is compulsory for children ages 5 through 17. This includes one year of preschool, followed by nine years of elementary school. Children then undergo two to three years of secondary school, which comes in two stages: the first is designed to provide a general education in the sciences and the humanities; the second prepares students for the university and offers specialization in philosophy and literature, physical science and mathematics, or biological science. Technical and vocational schools provide secondary instruction in industry and commerce, the trades, nursing, and social welfare. The academic year runs from September to July.

In 2001, about 51% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 91% of age-eligible students. The same year, secondary school enrollment was about 59% of age-eligible students. It is estimated that about 89.7% of all students complete their primary education. In 2003, private schools accounted for about 14.3% of primary school enrollment and 25% of secondary enrollment.

There are 14 universities, both national and private, including the University of Venezuela (founded in 1725), Los Andes University (1785), Simón Bolívar University (1970), and the Open University (1977). Leading private institutions were the Andrés Bello Catholic University (1953), Santa María University (1953), and the Metropolitan University of Caracas (1970). Over 47 institutes of higher learning, colleges, and polytechnic institutes exist where students pursue at least 180 different fields or professions. In 2003, it was estimated that about 40% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 93%.

Approximately 20% of the national budget is assigned to education. As of 1995, public expenditure on education was estimated at 5% of GDP.

#### 44 LIBRARIES AND MUSEUMS

Venezuela's largest library is the National Library, which was founded in 1883 and has over two million volumes. Both the National Library and National Archives are in Caracas, as are many of the largest libraries in the country. Other libraries include the Library of the Venezuelan Institute for Scientific Research (500,000 volumes), the National Academy of History (100,000), the Central University of Venezuela (280,000), Los Andes University in Mérida (500,000), the Andrés Bello Catholic University in Caracas (116,000), and public libraries and reading rooms in most state capitals.

Bolívar Museum, founded in 1911, has about 1,500 exhibits dealing with the life of Simón Bolívar and his fellow patriots in the independence movement. The National Pantheon, located in the restored Church of the Holy Trinity (dating from 1744), contains the ashes of Bolívar and the remains of other national heroes. The Birthplace of Bolívar (Bolívar's house) is also a national museum. The Fine Arts Museum, founded in 1938, contains paintings and sculpture by Venezuelan and foreign artists. The Natural Science Museum contains about 30,000 scientific exhibits. Other notable institutions include the Phelps Ornithological Collection, containing exhibits of thousands of Venezuelan birds, the Museum of Colonial Art, and the National Gallery of Art. All these museums are located in Caracas, as are the Fine Arts Museum of Caracas, the Museum of Folklore, and the Pedagogical Museum of Art History. In Ciudad Bolívar are the Talavera Museum, with pre-Columbian and colonial exhibits, and the Jesus Soto Museum of Modern Art, founded in 1971; in Maracaibo are the Natural Science Museum and Urdañeta Museum of Military History; and in Trujillo is the Cristóbal Mendoza Museum.

#### 45 MEDIA

Venezuela is covered by a network of telephone, telegraph, and radiotelephone services and is also served by international cable and radiotelephone systems. In 1991, the government sold 40% of the state-owned CANTV to a consortium led by GTE. In 2003, there were an estimated 111 mainline telephones for every 1,000 people. The same year, there were approximately 273 mobile phones in use for every 1,000 people.

In 2004, there were 344 commercial radio stations and over 150 FM and AM community radio stations, as well as 31 television channels. In 2003, there were an estimated 192 radios and 186 television sets for every 1,000 people. About 32.4 of every 1,000 people were cable subscribers. Also in 2003, there were 60.9 personal computers for every 1,000 people and 60 of every 1,000 people had access to the Internet. There were 114 secure Internet servers in the country in 2004.

In 2004, there were 15 national newspapers, 77 regional newspapers, and 89 magazines and weekly journals. Leading daily Venezuelan newspapers published in Caracas, with their 2004 circulations, are: *Ultimas Noticias*, 200,000; *El Universal*, 120,000; *El Nacional*, 100,000 (down from 200,000 in 2002); and *Diario 2001*, 100,000. *Panorama*, published in Maracaibo, had a 2004 circulation rate of 120,000. *El Carabobeno* in Valencia had a 2004 circulation of 97,000.

Though the constitution provides for freedom of speech and of the press, there have been reports of government approved harassment and violence against media owners and reporters.

#### 46 ORGANIZATIONS

Organization membership for the vast majority of Venezuelans is confined to labor unions and professional societies. Industrial, commercial, and agricultural management associations—including the National Association of Merchants and Industrialists, the Industrial Chamber of Caracas, the National Confederation of Associations of Agricultural Producers, and the National Association of Metallurgical Industries and Mining—are represented nationally by the Federation of Chambers, which is influential in shaping foreign and domestic trade policy. There are also professional associations representing a wide variety of occupations.

Educational and research organizations include the Academy of Mathematics, Physical, and Natural Sciences; the National Academy of Medicine, and the multinational Latin American Academy of Sciences. The Center for OPEC Studies, which focuses on cultural and socioeconomic issues uniting the OPEC member countries, is located in Caracas.

The Scout Association of Venezuela is one of the most active national youth organizations. Others include the Communist Youth of Venezuela, Junior Chamber, Youth for the New Alternative, Revolutionary Youth Copeyana, Youth for Democratic Action, and YMCA/YWCA.

There are national chapters of the Red Cross and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

Since the early 1970s, Venezuela has sought foreign investors for the construction, rehabilitation, and management of top-ranking hotels. As Venezuela's economic restructuring progresses, the tourism sector is expected to undergo privatization. Tourist attractions include Angel Falls, the many remembrances of Bolívar, numerous beach resorts, and the duty-free shopping and superb water sports facilities of the Isla de Margarita.

The most popular sports are baseball, football (soccer), bullfighting, cockfighting, horse racing, and water-related activities. Cultural life in the national capital offers, among other attractions, the Ballet Nuevo Mundo de Caracas. A valid passport is required for all visitors. Travelers from many countries, including the United States, are required to file a tourist card instead of a visa. All other nationals must have a visa.

In 2003, there were about 337,000 foreign visitors. Tourism receipts totaled \$368 million. That year there were 82,366 hotel rooms with 180,556 beds.

In 2005, the US Department of State estimated the cost of staying in Caracas at \$267 per day.

#### 48 FAMOUS VENEZUELAN

No participant in the drama of Venezuelan history is as well known, both nationally and internationally, as the great Liberator of the South American revolution, Simón Bolívar (1783–1830). Renowned for his military genius and his ability to lead and to inspire, Bolívar also wrote brilliantly and prophetically on government and international politics. Among the greatest Venezuelan literary figures was Andrés Bello (1781–1864), outstanding in



journalism, history, law, literary criticism, philology, and philosophy. Francisco de Miranda (1750–1816) is credited with bringing the first printing press to Venezuela and publishing the first newspaper, *La Gaceta de Caracas*; he was also an adventurer who, for a three-month period in 1812, held dictatorial powers in Venezuela. For most of the period since independence was achieved, a series of dictators held power, including Antonio Guzmán Blanco (1829–99), Cipriano Castro (1858?–1924), Juan Vicente Gómez (1857?–1935), and Marcos Pérez Jiménez (1914–2001). Rómulo Betancourt (1908–81) was a leading political leader in the decades after World War II. President Hugo Chávez (b.1954) is the leader of the socialist “Bolivarian Revolution.”

Simón Rodríguez (1771–1854), called the “American Rousseau,” was the leading liberal scholar of the prerevolutionary period. Other writers of note were Rafael María Baralt (1810–60) and Juan Vicente González (1811–66), known as the father of Venezuelan national literature. Fermín Toro (1807–74) introduced the Indianist movement into Venezuelan romantic poetry. José Antonio Calcaño (1827–97) was referred to as “the Nightingale” for the flowing beauty of his verse. A noted poet and educator was Cecilio Acosta (1831–81), who was also Venezuela’s first corresponding member of the Spanish Royal Academy and the author of the Venezuelan penal code. Juan Antonio Pérez Bonalde (1846–92) is considered Venezuela’s greatest romantic novelist of the 19th century. The outstanding writers of the later 19th century were Manuel Díaz Rodríguez (1868–1927) and Manuel Fombona Palacio (1857–1903). The most famous contemporary writer, Rómulo Gallegos (1884–1969), gained world renown almost overnight with the publication of his *Doña Bárbara* in 1929. Other prominent contemporary writers include the poet, novelist, and playwright Mariano Picón Salas (1901–65); the novelist Ramón Díaz Sánchez (1903–68); the economist, historian, and novelist Arturo Uslar-Pietri (1906–2001); and the poet Juan Liscano (1915–2001).

Father Pedro Palacios y Sojo (fl.18th cent.) founded the Chacao Conservatory. Among his students were José Cayetano Carreño (1774–1836), José Angel Lamas (1775–1814), and Juan José Landaeeta (1780–1812). Teresa Carreño (1853–1917) won world fame as a concert pianist. Leading contemporary composers are Vicente Emilio Sojo (1887–1974), Juan Bautista Plaza (1898–1965), Juan Lecuna (1898–1954), and María Luisa Escobar (1903–1987).

The first painter of note in Venezuela was Juan Llovera (1785–1840). His son Pedro Llovera (fl.19th cent.) became the teacher of the first generation of 19th-century Venezuelan painters. Important Venezuelan painters of the 19th century were Martín Tovar y Tovar (1828–1902) and Arturo Michelena (1863–98). The best-known 20th-century painter was Tito Salas (1887–1974).

The outstanding pioneer of Venezuelan science was José María Vargas (1786–1854). The first university courses in mathematics and physics were introduced by Vargas’s contemporary Juan Manuel Cajigal (1802–56). Modern scientists include Gaspar Marcano

(1850–1910), famous for his investigations of blood; Luis Razetti (1862–1932), biologist and physician; and Arnoldo Gabaldón (b.1909), director of an antimalaria campaign from 1945 to 1948.

## 49 DEPENDENCIES

The 72 small, sparsely inhabited Caribbean islands, organized in 11 island groups off the Venezuelan coast are federal dependencies, with a total area of 120 sq km (46 sq mi). The chief economic activity in the region is fishing and pearl diving.

Venezuela has two territories, Delta Amacuro and Amazonas. Delta Amacuro, with an area of 40,200 sq km (15,521 sq mi), is located in the northeastern corner of Venezuela, bordering Guyana, and had an estimated population of 93,000 as of the mid-1990s. The capital city of Tucupita is situated on Caño Mánamo, one of the principal channels of the Orinoco Delta. It is a commercial center for the petroleum-producing area to the west and is also a loading port for cocoa exports. The remote Amazonas territory, located in the southern corner of Venezuela and bordered by Colombia and Brazil, is larger in area, with 175,750 sq km (67,857 sq mi). Its population was estimated at 80,000 in the mid-1990s, and its capital, Puerto Ayacucho, is scarcely more than a trading post.

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# INDEX TO COUNTRIES AND TERRITORIES

This alphabetical list includes countries and dependencies (colonies, protectorates, and other territories) described in the encyclopedia. Countries and territories described in their own articles are followed by the continental volume (printed in *italics*) in which each appears. Country articles are arranged alphabetically in each volume. For example, Argentina, which appears in *Americas*, is listed this way: Argentina—*Americas*. Dependencies are listed here with the title of the volume in which they are treated, followed by the name of the article in which they are dealt with. In a few cases, an alternative name for the same place is given in parentheses at the end of the entry. The name of the volume *Asia and Oceania* is abbreviated in this list to *Asia*.

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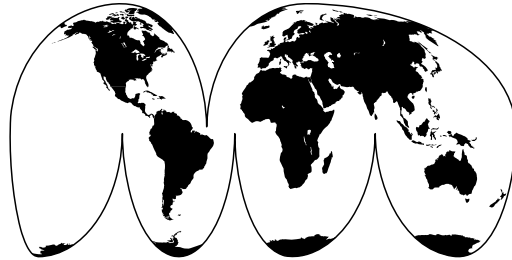
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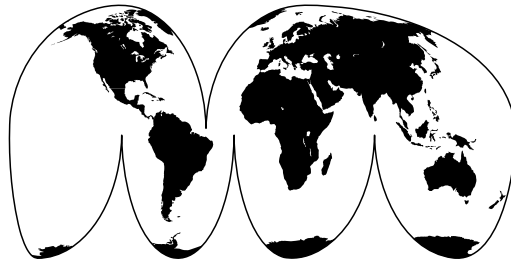
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# READER'S GUIDE

**GENERAL NOTE:** The Twelfth Edition of *Worldmark Encyclopedia of the Nations* (WEN) is comprised of five volumes. Volume 1 is dedicated to the United Nations and its related agencies. Volumes 2 through 5, “Africa,” “Americas,” “Asia and Oceania,” and “Europe,” contain entries on the countries of the world.

Reflecting the ever-changing status of the world geopolitical situation, the Twelfth Edition includes entries for 194 countries, one more than the previous edition. This reflects the 2006 decision of Montenegro to dissolve its relationship with Serbia to become an independent nation in its own right. Seven entries describe dependencies. This edition no longer includes volume 6, which was entitled *World Leaders*.

Some notable changes in previous editions include the Eleventh Edition's inclusion of an entry on East Timor, coverage of the aftermath of the terrorist attacks of 11 September 2001, and the expansion of the European Union and the North Atlantic Treaty Organization (NATO). Changes in the Tenth Edition included recording of the change in status for Macau; as of December 1999 Macau came under Chinese authority, and thus Macau was incorporated into the China entry (previously it was described under Portuguese Asian Dependency). Similarly, the entry for United Kingdom Asian Dependency (Hong Kong) was eliminated with the Ninth Edition; as of 1997 Hong Kong came under Chinese authority and, like Macau, is described in that country's entry. Also with the Tenth Edition, the introduction of the euro as currency in the nations of the European Union was noted. The Eighth Edition of this encyclopedia (1995) reported on the dramatic changes in the world in the early 1990s, including the dissolution of the USSR, Czechoslovakia, and Yugoslavia; the unification of Germany; the unification of Yemen; and the independence of Eritrea. These changes resulted in twenty-five new country articles. Whereas the First Edition of the *Worldmark Encyclopedia of the Nations*, in one volume, contained 119 articles, the present Twelfth Edition now contains 201.

In compiling data for incorporation into the *Worldmark Encyclopedia of the Nations*, substantial efforts were made to enlist the assistance of the government of every nation in the world, as well as of all pertinent UN agencies, who cooperated by supplying data and by revising and updating materials relevant to their sphere of interest. Material received from official sources was reviewed and critically assessed by the editors as part of the process of incorporation. Materials and publications of the UN family and of intergovernmental and nongovernmental organizations throughout the world provided a major fund of geographic, demographic, economic, and social data.

In compiling historical, economic, and political data, primary materials generated by governments and international agencies were supplemented by data gathered from numerous other sources including newspapers (most notably *The European*, the *Financial Times*, the *New York Times*, and the *Wall Street Journal*); periodicals (most notably *Current History*, *Elections Today*, *The Economist*, the *Far Eastern Economic Review*, *Foreign Affairs*, and *World Press Review*); and thousands of World Wide Web sites hosted by government agencies and embassies.

The reader's attention is directed to the Glossary of Special Terms for explanations of key terms and concepts essential to a fuller understanding of the text.

**COUNTRY NAMES:** Country names are reported (as appropriate) in three forms: the short-form name (generally conformed to the U.S. Central Intelligence Agency's *World Factbook 2006*), as commonly used in the text; the English version of the official name (generally conformed to the United Nations list of country names); and the official name in the national language(s). When necessary, textual usages of some short-form names have been rectified, usually through the substitution of an acronym for the official name, in order to strike a better balance between official usages and universal terminology. Thus the following short-form names have been adopted throughout (except in historical context to preserve accuracy): DROC (Democratic Republic of the Congo—known as Zaire prior to the Ninth Edition); ROC (Republic of the Congo); FRG (Federal Republic of Germany); North Korea: DPRK (Democratic People's Republic of Korea); and South Korea: ROK (Republic of Korea). In addition, Vietnam has replaced Viet Nam to reflect common usage.

**MAPS:** Spellings on the individual country maps reflect national usages and recognized transliteration practice. To clarify national boundaries and landforms, dark shading has been applied to waters, and lighter shading to lands not within that nation's jurisdiction. Cross-hatching has been used to designate certain disputed areas. Rivers that run dry during certain times of the year are indicated by dashed instead of solid lines.

**FLAGS AND NATIONAL EMBLEMS:** All depictions of flags, flag designations, and national emblems have been reviewed and, where necessary, corrected or changed to reflect their official usage as of 2006. In general, the term “national flag” denotes the civil flag of the nation.

**CURRENCY:** In most cases, currency conversion factors cited in the Twelfth Edition are as of the first quarter of 2006.

**WEIGHTS AND MEASURES:** The general world trend toward adoption of the metric system is acknowledged through the use of metric units and their nonmetric (customary or imperial) equivalents throughout the text. The two exceptions to this practice involve territorial sea limits, which are reported in nautical miles, and various production data, for which (unless otherwise stated) units of measure reflect the system in use by the country in question. All tons are metric tons (again, unless otherwise indicated), reflecting the practice of the UN in its statistical reporting.

**HOLIDAYS:** Except where noted, all holidays listed are official public holidays, on which government offices are closed that would normally be open. Transliterations of names of Muslim holidays have been standardized. For a fuller discussion on these points, and for a description of religious holidays and their origins and meanings, see the Glossary of Religious Holidays in this volume.

**GEOGRAPHIC INFORMATION:** To update the sections on Location, Size, and Extent; Topography, Climate, Flora and Fauna, and Environment, the following print publications (and their publishers) were used: *Geo-Data: The World Geographical Encyclopedia* (Gale Group), *World Development Indicators 2005* (The World Bank), and *World Resources* (Oxford University Press). Additional data was acquired from these websites: Library of Congress, *Country Studies: Country Profiles* (<http://lcweb2.loc.gov/frd/cs/profiles.html>); *Ramsar Convention on Wetlands* (<http://www.ramsar.org>); *UNESCO World Heritage Centre* (<http://www.whc.unesco.org>); *United Nations Environment Programme* (<http://www.unep.org>); *Weather Channel: Averages and Records* (<http://www.weather.com/common/home/climatology.html>); *World Conservation Union: Species Survival Commission* (<http://www.iucn.org/themes/ssc>); *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>).

**POPULATION DATA:** Data for the four rubrics describing population (Population, Migration, Ethnic Groups, Languages) were compiled from numerous publications of the U.S. Department of State, the World Bank, the United Nations, and the Organization for Economic Co-Operation and Development (OECD), specifically its publication *Trends in International Migration*. Also consulted were *The State of the World's Refugees* (Oxford University Press) and *International Committee of the Red Cross Annual Report* (International Committee of the Red Cross)

**RELIGIONS:** Data for this section were compiled in large part from the *2005 International Religious Freedom Report* released by the Bureau of Democracy, Human Rights, and Labor, U.S. Department of State. This is an annual report to Congress compiled in compliance with Section 102(b) of the International Religious Freedom Act (IRFA) of 1998. The *2005 Report* covers the period from 1 July 2004 to 30 June 2005 and includes the work of hundreds of State Department, Foreign Service, and other U.S. government employees. The authors gathered information throughout this period from a variety of sources, including government and religious officials, nongovernmental organizations, journalists, human rights monitors, religious groups, and academics.

**TRANSPORTATION:** Sources consulted for updated information on transportation include publications of the American Automobile Manufacturers Association, the International Road Transport Union, specifically its publication *World Transport Data*, and the *World Factbook 2006*.

**HISTORY:** In writing the History rubric, a variety of news and background information sources on each country were used. Full country profiles—including information on the history, economy, political institutions, and foreign relations on most nations of the world—are provided by the U.S. Library of Congress and by the U.S. Department of State; similar formats are published by the *BBC News International* version and *The Economist's* Country Briefings feature. In consulting news sources for up-to-date information on events, only reported facts (not editorials) were used. The *New York Times* and the *Washington Post* are more comprehensive than the *Wall Street Journal*, whose focus is placed on financial and business news. While the website of the United Nations was used extensively in compiling Volume 1 “United Nations,” of the *Worldmark Encyclopedia of the Nations*, its coverage of such problems as politics in the Middle East and global terrorism pertained to and supported the updating of history rubrics of a number of countries. Other organizations that publish journals or studies on global current events, foreign policy, international relations, and human rights include Amnesty International; Human Rights Watch; *Foreign Affairs*, published by the Council on Foreign Relations; and *Great Decisions*, published by the Foreign Policy Association. In addition, the

official websites of each nation were consulted critically for information that could be gleaned from a state's view of its own history and place in the world.

**GOVERNMENT:** The Government rubric is constructed by outlining the institutions of government as they were formed throughout a nation's modern history, up to those existing under the present constitution. *Countries of the World and Their Leaders Yearbook 2006* (Thomson Gale) outlines the form of government and provides information on political conditions.

The U.S. Library of Congress and the U.S. Department of State chronicle constitutional changes and also provide information on the form of government. Electionworld and the *World Factbook 2006* provide information on officeholders in place at the time of publication. The *BBC News International* "Country Profiles" cover current leaders and their political parties, and *The Economist* is comprehensive in its coverage of political structures and political forces in place and at work in the nations it profiles. The official government websites of individual nations were also consulted.

**POLITICAL PARTIES:** *Countries of the World and Their Leaders Yearbook 2006* not only lists the political parties present in each nation, but provides additional information on the political parties in its "History" and "Government and Political Conditions" sections. *The Economist* also has sections in its country briefings labeled "political structure" and "political forces," which describe the political climate of each nation the magazine profiles. In addition, *The Economist* provides a brief history of the nation, which often includes the history of political parties. Editors reviewed the profiles of selected nations prepared by the U.S. Library of Congress, which include comprehensive coverage of politics and political parties. The *World Factbook 2006* was consulted for a list of political parties, and often, their leaders. The website, Electionworld.org, describes the major political parties and their leaders, and also lists minor and defunct parties. Political Resources on the Net, a website, compiles links to a variety of sites useful to the researcher with a critical eye.

**LOCAL GOVERNMENT:** *Countries of the World and Their Leaders Yearbook 2006* lists the administrative subdivisions in each nation of the world; as does the U.S. State Department in its *Background Notes*, and the U.S. Central Intelligence Agency in its *World Factbook 2006*. *The Economist* was consulted for a description of regional legislatures. The U.S. Library of Congress "Country Profiles" briefings describe administrative divisions and provincial and local government.

**JUDICIAL SYSTEM:** *Countries of the World and Their Leaders Yearbook 2006*, *Background Notes*, and the *World Factbook 2006* all provided basic information on each nation's judicial system. *The Economist* was consulted for a description of the legal systems of each nation it profiles. The U.S. Library of Congress "Country Profiles" briefings provided more in-depth detail about judicial power and structure in the nations it profiles. Jurist, a web-based legal news and real-time legal research service based out of the University of Pittsburgh School of Law in Pittsburgh, Pennsylvania, was consulted as well for concise information on each nation it profiles.

**ARMED FORCES:** Statistical data on armed forces was compiled from the *World Factbook 2006*, *The Military Balance* (The International Institute for Strategic Studies), the *SIPRI Yearbook* (Stockholm International Peace Research Institute), and other print and online sources including *Current World Nuclear Arsenals* maintained by the Center for Defense Information.

**INTERNATIONAL COOPERATION:** This section was updated using data provided by news agencies and the following websites: *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>) and *Background Notes* (<http://www.state.gov/r/pa/ei/bgn>).

**ECONOMY:** In addition to numerous official online sources, data on the economies of the world were compiled from the most recent editions of the following U.S. government publications: *National Trade Estimate on Foreign Trade Barriers*, *Country Commercial Guides*, and *Economic Policy and Trade Practices*. *The Economist* was consulted for detailed information on economic structures and select indicators in its "Country Profiles" archive; it also included economic and political forecasts for the nations it profiled. The U.S. Library of Congress "Country Profiles" provided a brief historical overview of the economies of the countries it profiled, in addition to detailing the current state of various sectors of those economies. *The Index of Economic Freedom* (Heritage Foundation) was also consulted for its measurement of independent variables into broad factors of economic freedom.

**INCOME:** Statistics on national income were obtained from sources published by the United Nations, The World Bank, and the U.S. Central Intelligence Agency (CIA). CIA figures are for gross domestic product (GDP), defined as the value of all final goods and services produced within a nation in a given year. In most cases, CIA figures are given in purchasing power parity terms.

**LABOR:** Labor statistics were compiled from *World Employment* and *Yearbook of Labour Statistics* (International Labour Office—ILO) and the ILO’s website *Child Labor Statistics by Country* (<http://www.ilo.org/public/english/standards/ipecc/simpoc/countries.htm>); the World Bank publication *World Development Indicators 2004*; and the U.S. State Department’s *Human Rights Reports 2005*.

**AGRICULTURE, FISHING AND FORESTRY:** In addition to government sources, statistical data for these sections was compiled from the following yearbooks published by the Food and Agriculture Organization of the United Nations: *Trade; Fishery Statistics: Commodities; Fisheries; Production; Agriculture; and Forest Products*.

**MINING:** Data on mining and minerals production came from various online sources and from statistics compiled by the Minerals Information office of the U.S. Geological Survey, U.S. Department of the Interior, including Volume III of the *Minerals Yearbook*. This volume of the *Minerals Yearbook* is published both electronically on the Internet and in various print formats available from the U.S. Government Printing Office Superintendent of Documents. The *Yearbook* provides an annual review of mineral production and trade and of mineral-related government and industry developments in more than 175 countries.

**ENERGY AND POWER:** Key sources consulted include *Country Analysis Briefs* (U.S. Energy Information Administration, U.S. Department of Energy), *Key World Energy Statistics* (International Energy Agency), and *World Development Indicators* (The World Bank).

**INDUSTRY :** The primary source material for the Industry rubric was the U.S. State Department’s *Country Commercial Guides*, which provide a comprehensive look at countries’ commercial environments, using economic, political, and market analysis. *Background Notes* were consulted for the information on the industrial history and climate of each country profiled. Also useful was information contained in the “Country Profiles” published by the U.S. Library of Congress. The *World Factbook 2006* provides a list of key economic indicators. *The Economist* and, to a lesser extent, *BBC News* were useful in providing background material for the Industry rubric.

**SCIENCE AND TECHNOLOGY:** The following print sources were consulted: *The Nature Yearbook of Science and Technology* (Palgrave Macmillan Publishers Ltd.); *NIRA’s World Directory of Think Tanks* (National Institute for Research Advancement); in addition, the following websites were accessed: *International Science and Technology Activity* (maintained by Industry Canada, Government of Canada); *Economics Departments, Institutes, and Research Centers in the World* (maintained by the Department of Economics, University of Connecticut); *Science and Technology Statistics* (maintained by UNESCO Institute for Statistics); *World Development Indicators* (maintained by The World Bank); and *Annual Statistics* (patent and trademark information, maintained by the World Intellectual Property Organization).

**DOMESTIC TRADE:** Source material for the Domestic Trade rubric came from the U.S. State Department’s *Country Commercial Guides*, *Background Notes*, and the United Nations publication, *International Trade Statistics Yearbook*. Also used was information contained in the “Country Profiles” published by the U.S. Library of Congress. *The Economist* and, to a lesser extent, the *BBC* were consulted in providing background material for the Domestic Trade rubric. The World Bank’s service “Doing Business” database and the U.S. Commercial Service’s “Buy USA” website were consulted for information on conducting business in a nation, which included business hours and business regulations. Finally, most nations’ government websites provided information on domestic trade.

**FOREIGN TRADE:** Sources consulted included *2005 International Trade Statistics Yearbook* (Department of Economic and Social Affairs, Statistics Division, United Nations) and *Direction of Trade Statistics* (Real Sector Division, IMF Statistics Department, International Monetary Fund). The U.S. Department of State’s *Country Commercial Guides* and *Background Notes* were also used. *The Economist* and the *World Factbook 2006* were consulted in listing import and export partners and key products traded. Various UN bodies—such as UNCTAD and UNESCO—provided up-to-date trade statistics.

**BALANCE OF PAYMENTS:** Balance of payments tables were computed from the International Monetary Fund’s *Balance of Payments Statistics Yearbook*. In some cases, totals are provided even though not all components of those totals have been reported by the government of the country. Accordingly, in some instances numbers in the columns may not add to the total. Supplementing the IMF’s *Balance of Payments Statistics Yearbook* were *The Economist*’s “Country Briefings,” the *World Factbook 2006*, and information taken from the U.S. State Department, in particular, the *Country Commercial Guides*. “Country Profiles” from the U.S. Library of Congress were also used. Also consulted was the United Nations publication *National Accounts Statistics: Main Aggregates and Detailed Tables*.

**BANKING AND SECURITIES:** Statistical data on securities listings and market activity was compiled in part from *Emerging Stock Markets Factbook, 2005* (Standard and Poor’s) as well as from the websites *Country*

*Forecasts* (www.countrywatch.com) and *International Banking Statistics* (www.bis.org/statistics/bankstats.htm). Various websites specific to the individual countries of the world were also consulted.

**INSURANCE:** Primary sources for information on insurance include the online resources of the Insurance Information Institute, Rowbotham and Co. LLP, PricewaterhouseCoopers, the Swiss Reinsurance Company, and J. Zakhour & Co., as well as numerous national websites dealing with insurance.

**PUBLIC FINANCE:** In addition to official government websites, analytical reports from the U.S. Department of Commerce, and news reports, the following publications were consulted for standardized statistical data: *World Factbook 2006*, *International Financial Statistics Yearbook, 2002* (International Monetary Fund), and *Government Finance Statistics Yearbook, 2002* (International Monetary Fund).

**TAXATION:** Information on Taxation was compiled from country data sheets published by international accounting firms (Deloitte and Ernst & Young). Additional information was obtained from the U.S. Commerce Department and the government websites of the countries of the world.

**CUSTOMS AND DUTIES:** Information on Customs and Duties was compiled from country data sheets published by the accounting firms of Deloitte and Ernst & Young. Additional information was obtained from the U.S. Commerce Department, the World Trade Organization and the government website of the countries of the world.

**FOREIGN INVESTMENT:** Source material for the Foreign Investment rubric included the U.S. State Department's *Country Commercial Guides*, which provided a comprehensive analysis of the foreign direct investment environments of the countries of the world, as did the World Bank publication, *A Better Investment Climate for Everyone*. The International Monetary Fund's publications *International Financial Statistics Yearbook* and *Balance of Payments Statistics Yearbook*, and the U.S. State Department's *Background Notes* were consulted for the information on foreign direct investment. Also used was information contained in the "Country Profiles" published by the U.S. Library of Congress. *The Economist* was consulted in providing basic FDI figures and other relevant data.

**ECONOMIC DEVELOPMENT:** Source material for the Economic Development rubric included the U.S. State Department's *Country Commercial Guides* and *Background Notes*. *The Economist* was consulted for economic and political forecasts for selected nations. The U.S. Library of Congress "Country Profiles" provided a brief historical overview of the economies of the countries profiled, in addition to detailing the current state of various sectors of those economies. The *Index of Economic Freedom* was also consulted for its broad description of economic freedom and development. Information on foreign aid was taken from the print publications and websites of the International Monetary Fund, World Bank, and the United States Agency for International Development (USAID).

**SOCIAL DEVELOPMENT:** Publications consulted in the preparation of this rubric include *2005 Country Reports on Human Rights Practice* (<http://www.state.gov/g/drl/rls/hrrpt/2005/index.htm>), *International Save the Children Alliance Annual Report 2004* (Cambridge House), *The State of the World's Children* (Oxford University Press), and the *World Development Report* (Oxford University Press). Additional information was obtained from country-specific websites and general news publications.

**HEALTH:** Statistical sources consulted include *Country Health Briefing Papers* (a series of reports produced by IHSD Limited and DFID Health Systems Resource Centre for the United Kingdom Department for International Development); *Health Care Systems in Transition* (European Observatory on Health Care Systems, World Health Organization Regional Office for Europe); *Health in the Americas*, Volume II (Pan American Health Organization, World Health Organization) as well as numerous websites on the individual nations of the world. In addition, country-specific health profiles published by the World Health Organization and the World Bank were consulted.

**HOUSING:** The latest government population and housing census information available was used for each country through access of official government websites. Also of use was the World Bank publication *World Development Indicators 2005*. Topics accessed on the World Bank's website included *Countries and Regions*, *Urban Development*, and *Housing and Land*. Other websites consulted included Habitat for Humanity (<http://www.habitat.org>), United Nations Human Settlements Programme (<http://unhabitat.org>) and the U.S. Agency for International Development (USAID—<http://www.usaid.gov>). USAID topics accessed included *Locations* and *Urban Programs*.

**EDUCATION:** Data on Education was obtained from various UNESCO publications including *World Education Report*, *Global Education Digest*, *Education for All Global Monitoring Report 2005*, and the UNESCO *Statistical Yearbook*. Also consulted was *EdStats* compiled by the World Bank (<http://devdata.worldbank.org/edstats/>), the *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>), the UNESCO

website's *Country and Regional Profiles* (<http://www.uis.unesco.org/profiles/>), and *World Data on Education* (International Bureau of Education).

**LIBRARIES AND MUSEUMS:** Some information concerning libraries and museums was accessed through official government websites of various countries when links were available to tourism, education, and/or cultural ministries or departments. In addition, the following websites were consulted: American Library Association (<http://www.ala.org>); International Federation of Library Associations and Institutions (<http://www.ifla.org>); Museums of the World (<http://www.museum.com>); and United Nations Educational, Scientific, and Cultural Organization (<http://www.unesco.org>).

**MEDIA:** Primary sources for this section include the annual *Editor & Publisher* publication *International Year Book*, online data provided by UNESCO, and the media sections of the "Country Profiles" featured on the website of *BBC News*. The UNESCO profiles provide key statistics and indicators on education, science and technology, and culture and communication. In addition, government and other websites related to the countries of the world were consulted. Additional sources consulted include the publications *World Development Indicators 2005* (World Bank), *World Media Handbook* (United Nations), *World Factbook 2006*, and *2005 Country Reports on Human Rights Practices*.

**ORGANIZATIONS:** Lists of member countries were obtained through the official websites of a variety of prominent international organizations and associations, such as the International Federation of Red Cross and Red Crescent Societies, Amnesty International, Kiwanis International, the World Alliance of YMCAs, the World Organization of the Scout Movement, etc. *Associations Unlimited* (Thomson Gale) was also consulted.

**TOURISM, TRAVEL, AND RECREATION:** Statistical sources consulted include *Yearbook of Tourism Statistics* and *Compendium of Tourism Statistics*, both published by the World Tourism Organization. Tourism websites of the individual countries were also consulted, as well as the United Nations publication *Schedule of Daily Subsistence Allowance Rates* and the U.S. Department of State per diem travel allowances published online at [www.state.gov/r/pa/ei/bgn](http://www.state.gov/r/pa/ei/bgn).

**FAMOUS PERSONS:** Entries are based on information available through March 2006. Where a person noted in one country is known to have been born in another, the country (or, in some cases, city) of birth follows the personal name in parentheses.

**DEPENDENCIES:** Source material for the Dependencies rubric was taken from *Background Notes* and from the website of the United Nations. The Library of Congress's "Country Profiles" archive provided up-to-date information on dependencies. *The Economist* and the website of *BBC News* were also consulted, as was *Countries of the World and Their Leaders Yearbook 2006*.

**BIBLIOGRAPHY:** Bibliographical listings at the end of country articles are provided as a guide to further reading on the country in question and are not intended as a comprehensive listing of references used in research for the article. Effort was made to provide a broad sampling of works on major subjects and topics as covered by the article; the bibliographies provide, wherever possible, introductory and general works for use by students and general readers, as well as classical studies, recent contributions, and other works regarded as seminal by area specialists. The country article bibliographies were supplemented with information obtained from a search conducted in July 2006. An extensive bibliography listing key references related to the facts in this encyclopedia follows. However, it is not a complete listing since many fact sheets, brochures, World Wide Websites, and other informational materials were not included due to space limitations.

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# GUIDE TO COUNTRY ARTICLES

All information contained within a country article is uniformly keyed by means of small superior numerals to the left of the subject headings. A heading such as "Population," for example, carries the same key numeral (6) in every article. Thus, to find information about the population of Albania, consult the table of contents for the page number where the Albania article begins and look for section 6 thereunder. Introductory matter for each nation includes coat of arms, capital, flag (descriptions given from hoist to fly or from top to bottom), anthem, monetary unit, weights and measures, holidays, and time zone.

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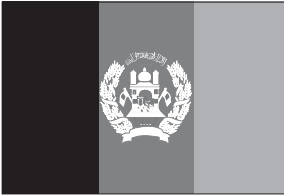
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## FREQUENTLY USED ABBREVIATIONS AND ACRONYMS

AD—Anno Domini	fl.—flourished	m <sup>3</sup> —cubic meter(s)	rev. ed.—revised edition
AM—before noon	FRG—Federal Republic of Germany	mi—mile(s)	s—south
b.—born	ft—foot, feet	Mt.—mount	sq—square
BC—Before Christ	ft <sup>3</sup> —cubic foot, feet	Mw—megawatt(s)	St.—saint
c—Celsius	GATT—General Agreement on Tariffs and Trade	N—north	UK—United Kingdom
c.—circa (about)	GDP—gross domestic products	n.d.—no date	UN—United Nations
cm—centimeter(s)	gm—gram	NA—not available	US—United States
Co.—company	GMT—Greenwich Mean Time	oz—ounce(s)	USSR—Union of Soviet Socialist Republics
Corp.—corporation	GNP—gross national product	PM—after noon	w—west
cu ft—cubic foot, feet	GRT—gross registered tons	r.—reigned	
cu m—cubic meter(s)	ha—hectares		
d.—died	i.e.—id est (that is)		
E—east	in—inch(es)		
e—evening	kg—kilogram(s)		
e.g.—exempli gratia (for example)	km—kilometer(s)		
ed.—edition, editor	kw—kilowatt(s)		
est.—estimated	kwh—kilowatt-hour(s)		
et al.—et alii (and others)	lb—pound(s)		
etc.—et cetera (and so on)	m—meter(s); morning		
F—Fahrenheit			

A fiscal split year is indicated by a stroke (e.g. 1998/99).  
For acronyms of UN agencies and their intergovernmental organizations, as well as other abbreviations used in text, see the United Nations volume.  
A dollar sign (\$) stands for US\$ unless otherwise indicated.  
Note that 1 billion = 1,000 million.



# AFGHANISTAN

Islamic State of Afghanistan  
*Dowlat-e Eslami-ye Afghanistan*

**CAPITAL:** Kabul

**FLAG:** The national flag has three equal vertical bands of black, red, and green, with a gold emblem centered on the red band; the emblem features a temple-like structure encircled by a wreath on the left and right and by a bold Islamic inscription above.

**ANTHEM:** *Eslah-te Arzi (Land Reform)*, beginning "So long as there is the earth and the heavens."

**MONETARY UNIT:** The afghani (AF) is a paper currency of 100 pul. There are coins of 25 and 50 pul and 1, 2, and 5 afghanis, and notes of 10, 20, 50, 100, 500, and 1,000 afghanis. AF1 = \$0.02000 (or \$1 = AF50) as of 2004.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, although some local units are still in use.

**HOLIDAYS:** Now Rooz (New Year's Day), 21 March; May Day, 1 May; Independence Day, 18 August. Movable religious holidays include First Day of Ramadan, 'Id al-Fitr, 'Id al-'Adha, 'Ashura, and Milad an-Nabi. The Afghan calendar year begins on 21 March; the Afghan year 1376 began on 21 March 1997.

**TIME:** 4:30 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Afghanistan is a landlocked country in South Asia with a long, narrow strip in the northeast (the Wakhan corridor). Afghanistan is slightly smaller than the state of Texas, with a total area of 647,500 sq km (250,001 sq mi), extending 1,240 km (770 mi) NE–SW and 560 km (350 mi) SE–NW. Afghanistan is bounded on the N by Turkmenistan, Uzbekistan, and Tajikistan, on the extreme NE by China, on the E and S by Pakistan, and on the W by Iran, with a total boundary length of 5,529 km (3,436 mi). Afghanistan's capital city, Kabul, is located in the east central part of the country.

## <sup>2</sup> TOPOGRAPHY

Although the average altitude of Afghanistan is about 1,200 m (4,000 ft), the Hindu Kush mountain range rises to more than 6,100 m (20,000 ft) in the northern corner of the Wakhan panchhandle in the northeast and continues in a southwesterly direction for about 970 km (600 mi), dividing the northern provinces from the rest of the country. Central Afghanistan, a plateau with an average elevation of 1,800 m (6,000 ft), contains many small fertile valleys and provides excellent grazing for sheep, goats, and camels. To the north of the Hindu Kush and the central mountain range, the altitude drops to about 460 m (1,500 ft), permitting the growth of cotton, fruits, grains, ground nuts, and other crops. Southwestern Afghanistan is a desert, hot in summer and cold in winter. The four major river systems are the Amu Darya (Oxus) in the north, flowing into the Aral Sea; the Harirūd and Morghāb in the west; the Helmand in the southwest; and the Kabul in the east, flowing into the Indus. There are few lakes.

Afghanistan has recorded more than 10 earthquakes since 2000. In March 2002, the most disastrous struck Baghlān near the Hindu Kush. The earthquake left nearly 2,000 dead and 7,000

homeless. On 8 October 2005, Afghanistan was impacted by an earthquake centered in Kashmir, the Himalayan region divided by India and Pakistan. The earthquake measured 7.6 on the Richter scale, and recorded more than 140 aftershocks, one of which measured at a magnitude of 5.9. Over 50,000 people were killed in India, Pakistan, and Afghanistan. Another earthquake struck the Shinkai district of Zabul province on 23 October 2005. There were five Afghan deaths and six injuries.

## <sup>3</sup> CLIMATE

The ranges in altitude produce a climate with both temperate and semitropical characteristics, and the seasons are clearly marked throughout the country. Wide temperature variations are usual from season to season and from day to night. Summer temperatures in Kabul may range from 16°C (61°F) at sunrise to 38°C (100°F) by noon. The mean January temperature in Kabul is 0°C (32°F); the maximum summer temperature in Jalālābād is about 46°C (115°F). There is much sunshine, and the air is usually clear and dry. Rainfall averages about 25 to 30 cm (10 to 12 in); precipitation occurs in winter and spring, most of it in the form of snow. Wind velocity is high, especially in the west.

## <sup>4</sup> FLORA AND FAUNA

There are over 4,000 plant species, including hundreds of varieties of trees, shrubs, vines, flowers, and fungi. The country is particularly rich in such medicinal plants as rue, wormwood, and asa-fetida; fruit and nut trees are found in many areas. Native fauna include the fox, lynx, wild dog, bear, mongoose, shrew, hedgehog, hyena, jerboa, hare, and wild varieties of cats, asses, mountain goats, and mountain sheep. Trout is the most common fish.

## 5 ENVIRONMENT

Afghanistan's most significant ecological problems are deforestation, drought, soil degradation, and overgrazing. Neglect, scorched earth tactics, and the damage caused by extensive bombardments have destroyed previously productive agricultural areas, and more are threatened by tons of unexploded ordnance. Afghanistan has responded to the fuel needs of its growing population by cutting down many of its already sparse forests. Consequently, by late 2002, between 1 and 2% of Afghanistan's land area was forest land. That represented a 33% decrease from 1979. Only about 0.3% of the total land area is nationally protected.

Another environmental threat is posed by returning refugees to Afghanistan, of which there were over 4 million in Pakistan, Iran, and other countries in 2002, who have migrated to Kabul and other larger cities instead of returning to destroyed villages and fields. This migration has placed stress on the infrastructure of those cities, causing increased pollution and worsening sanitation conditions.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), 12 species of mammals, 17 species of birds, 1 species of reptile, and 1 plant species were threatened. Endangered species in Afghanistan included the snow leopard, long-billed curlew, Argali sheep, musk deer, tiger, white-headed duck, Afghani brook salamander, Kabul markhor, and the Siberian white crane. There were thought to be fewer than 100 snow leopards by 2002. The country's Caspian tigers have virtually disappeared.

## 6 POPULATION

The population of Afghanistan in 2005 was estimated by the United Nations (UN) at 29,929,000, which placed it at number 38 in population among the 193 nations of the world. In 2005, approximately 2% of the population was over 65 years of age, with another 45% of the population under 15 years of age. There were 107 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.6%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 50,252,000. The population density was 46 per sq km (119 per sq mi).

The UN estimated that 22% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 5.92%. The capital city, Kabul, had a population of 2,956,000 in that year. Other major population centers and their estimated populations include Qandahār, 349,300; Mazār-e Sharif, 246,900; and Herāt, 171,500. These figures are unreliable, however, because many city dwellers have left their urban homes for refuge in rural areas. Approximately 20% of the population is nomadic.

Two decades of near-constant warfare make Afghanistan's population—never certain in any case—even more difficult to assess. As many as three million Afghans are estimated to have died, and an additional six million sought refuge in Pakistan, Iran, and elsewhere in the world. The last official census was taken in 1988. As of 2006, the Afghanistan Central Statistical Office was preparing to undertake a new full census of the population.

## 7 MIGRATION

Due to the US-led bombing campaign in 2001–02 carried out against the Taliban regime, a large Afghan refugee population was created in surrounding countries. The Afghan refugee population in Pakistan in 2002 was approximately 3.7 million, and, in Iran and the west, an additional 1.6 million. Since early 2002, there were many spontaneous returnees, but the UN High Commissioner for Refugees (UNHCR) began assisting refugees to repatriate in February 2002. As of October, more than 1.5 million had returned to their homes. In 2003, there were an estimated 184,000–300,000 internally displaced persons (IDP) within the country.

In mid-2002, there was a daily influx of homeless migrants into Kabul, numbering approximately 300–400 families a day. Seventy percent of Kabul's population was living in illegal structures.

In the summer of 2001, the majority of the over one million internally displaced persons (IDPs) in Afghanistan had been driven off their land and into refugee camps by ongoing conflict and four years of drought. After 11 September 2001, the International Organization for Migration (IOM) began to deliver shelter and nonfood supplies to help the IDPs survive the Afghan winter. It dispatched road convoys from Iran, Tajikistan, and Turkmenistan to destinations in Afghanistan, carrying blankets, winter clothing, tents, and other essential items. Following the winter, with the defeat of the Taliban and the beginning of the spring planting season, the IOM worked to return the IDPs to their villages from the refugee camps. The IDP families were offered wheat, seeds, blankets, soap, agricultural tools, and other items. In addition to the IOM and the UNHCR, the International Committee of the Red Cross and UNICEF were heavily involved in repatriating refugees. Despite their efforts, by the end of 2004 the number of repatriated Afghan refugees dropped by only 2% during the year. The Return of Qualified Afghans program, designed to bring back Afghan professionals living abroad, facilitated the return of 150 Afghans (14 female and 136 male) to take up assignments in Afghanistan consistent with their professional backgrounds by June 2005.

By the end of 2004, some 2.1 million Afghan refugees were reported by 78 asylum countries. Of the world's total refugee population in 2004, Afghans constituted 23%, continuing to be the largest country of origin of refugees under UNHCR care. Tajikistan closed its border with Afghanistan in 2004.

According to Human Rights Watch, as of September 2005 one million Afghans were displaced within their own country, and 3.7 million refugees were in neighboring countries—1.5 million in Iran and more than 2 million in Pakistan. All neighboring countries closed their borders with Afghanistan by September 2005. By mid-September 2005, the Pakistani government ordered the forcible expulsion of millions of Afghan refugees living in Pakistan's tribal areas. In the rush to meet the forced expulsion deadline dozens of children died. In 2005, the net migration rate was an estimated 21.43 migrants per 1,000 population.

## 8 ETHNIC GROUPS

About the middle of the second millennium BC, Indo-Aryans began to move into and through the present area of Afghanistan. Much later came other tribal groups from Central Asia—Pactyes (from whom the present-day name “Pashtuns” derives), Sakas, Kushans, Hephthalites, and others—and a procession of Irani-



LOCATION: 29°28' to 38°30' N; 60°30' to 74°53' E. BOUNDARY LENGTHS: China, 76 kilometers (47 miles); Iran, 936 kilometers (582 miles); Pakistan, 2,430 kilometers (1,511 miles); Tajikistan, 1,206 kilometers (750 miles); Turkmenistan, 744 kilometers (463 miles); Uzbekistan, 137 kilometers (85 miles).

ans and Greeks. In the 7th century AD, Arabs arrived from the south, spreading the new faith of Islam. In the same century, Turks moved in from the north, followed in the 13th century by Mongols, and, finally, in the 15th century by Turko-Mongols. This multiplicity of movements made Afghanistan a loose conglomeration of racial and linguistic groups.

All citizens are called Afghans, but the Pashtuns (the name may also be written as “Pashtoon”, “Pushtun”, or “Pukhtun,” and in Pakistan as “Pathan”) are often referred to as the “true Afghans.” Numbering about 42% of the population in 2005, they are known to have centered in the Sulaiman range to the east; it is only in recent centuries that they moved into eastern and southern Afghanistan, where they now predominate. They have long been divided

into two major divisions, the Durranis and the Ghilzais, each with its own tribes and subtribes.

The Tajiks, of Iranian stock, comprise nearly 27% of the population and are mainly concentrated in the north and northeast. In the central ranges are found the Hazaras (about 9%), who are said to have descended from the Mongols. To the north of the Hindu Kush, Turkic and Turko-Mongol groups were in the majority until 1940. Each of these groups is related to groups north of the Amu Darya; among them are the Uzbeks, who number about 9% of the population. Other groups include the Aimaks, Turkmen, Baloch, Farsiwans (Persians), and Brahiu. In the northeast are the Kafirs, or infidels. After their conversion to Islam at the end of the 19th century, they were given the name of Nuristanis, or people of the light.



## <sup>9</sup> LANGUAGES

Both Pashtu (or Pushtu) and Dari (Afghan Persian) are the official languages of the country. Pashtu is spoken by about 35% of the population while approximately 50% speak Dari. Although Pashtu has a literature of its own, Dari, the language spoken in Kabul, has been the principal language of cultural expression, of the government, and of business. Both Pashtu and Dari are written primarily with the Arabic alphabet, however, there are some modifications. The Hazaras speak their own dialect of Dari. The Turkic languages, spoken by 11% of the population, include Uzbek and Turkmen, and the Nuristanis speak some seven different dialects belonging to the Dardic linguistic group. There are about 30 minor languages, primarily Balochi and Pashai, spoken by some 4% of the population. Bilingualism is common.

## <sup>10</sup> RELIGIONS

Almost all Afghans are Muslims. Approximately 84% are Sunnis; 15% are Shias; others comprise only 1%. The Pashtuns, most of the Tajiks, the Uzbeks, and the Turkmen are Sunnis, while the Hazaras are Shias. Most of the Sunnis adhere to Hanafi Sunnism, but a fairly sizable minority of Sunnis adhere to a more mystical version known as Sufism. The country's small Hindu and Sikh population is estimated at less than 3,000.

In 1994 the Islamic militants who called themselves the Taliban—literally “the Seekers,” a term used to describe religious students—began to impose their strict form of Islam observance in the areas that they controlled. The Taliban, composed mostly of Pashtuns, were puritanical zealots. Women were ordered to dress in strict Islamic garb and were banned from working or from going out of their houses unless accompanied by a male relative. Some men were forced to pray five times a day and grow full beards as a condition of employment in the government. Under the Taliban, repression of the Hazara ethnic group, who were predominantly Shias, was severe.

With the fall of the Taliban and the adoption of a new constitution in January 2004, Islam remains the state religion; however, the new constitution does allow for religious freedom. The constitution does not indicate a preference for Sunnism and there are no references made in the document to the use of Shariah law in the legal code. The document does state that both the president and vice president must be Muslim. The Shia minority still faces some discrimination from the Sunni majority.

## <sup>11</sup> TRANSPORTATION

Many roads were built in the years prior to 1979 to connect the principal cities and to open up formerly isolated areas. As of 2003, Afghanistan had an estimated 34,789 km (21,604 mi) of roads, of which 8,231 km (5,111 mi) were paved. Roads connect Kabul with most provincial capitals and with Peshāwar in Pakistan through the Khyber Pass. The road from Herāt to Mashhad in Iran was completed in 1971. The Salang Tunnel through the Hindu Kush, completed with Soviet assistance in 1964, considerably shortened the travel time between Kabul and northern Afghanistan. The tunnel was modernized in the mid-1980s. However, in May 1997 the Tajik leader, Ahmad Shah Masud, blew up the southern entrance of the tunnel in an effort to trap the invading Taliban forces. It was reopened in January 2002. The Qandahār-Torghundi highway in

the south was completed in 1965. In 2003 there were 29,300 passenger cars and 22,500 commercial vehicles in use.

The Khyber Pass in Pakistan is the best known of the passes providing land access to Afghanistan. Transit arrangements with Iran provide an alternative route for its commercial traffic. However, the great bulk of the country's trade moves through the former USSR. At the same time, Afghanistan's highways are badly damaged from years of warfare and neglect. Land mines are buried on the sides of many roads. Over \$1.2 billion in international aid was pledged to rebuilding Afghanistan's highways in 2002.

The only railways in the country in 2001 were a 9.6-km (6-mi) spur from Gushgy, Turkmenistan, to Towrghondi; a 15-km (9.3-mi) line from Termez, Uzbekistan, to the Kheyabad transshipment point on the south bank of the Amu Darya; and a short span into Spin Baldak in the southeast. There are no navigable rivers except for the Amu Darya, on Turkmenistan's border, which can carry steamers up to about 500 tons. In 2004, there were an estimated 47 airports, 10 of which had paved runways, and 9 heliports (as of 2005). Ariana Afghan Airlines is the national carrier. Most of Ariana Airlines planes were destroyed during the civil war in Afghanistan. Ariana lost six of its eight planes in US-led air strikes against the Taliban. Kabul's international airport reopened to international humanitarian and military flights in late January 2002 after the UN's Security Council lifted the ban early that month, and it began international flight service to Delhi, India, soon after.

## <sup>12</sup> HISTORY

Afghanistan has existed as a distinct polity for less than three centuries. Previously, the area was made up of various principalities, usually hostile to each other and occasionally ruled by one or another conqueror from Persia and the area to the west or from central Asia to the north, usually on his way to India. These included the Persian Darius I in the 6th century BC, and 300 years later, Alexander the Great. As the power of his Seleucid successors waned, an independent Greek kingdom of Bactria arose with its capital at Balkh west of Mazār-e Sharif, but after about a century it fell to invading tribes (notably the Sakas, who gave their name to Sakastan, or Sistan). Toward the middle of the 3rd century BC, Buddhism spread to Afghanistan from India, and for centuries prior to the beginning of the 9th century BC, at least half the population of eastern Afghanistan was Buddhist.

Beginning in the 7th century, Muslim invaders brought Islam to the region, and it eventually became the dominant cultural influence. For almost 200 years, Ghaznī was the capital of a powerful Islamic kingdom, the greatest of whose rulers, Mahmud of Ghaznī (r.997–1030), conquered most of the area from the Caspian to the Ganges. The Ghaznavids were displaced by the Seljuk Turks, who mastered Persia and Anatolia (eastern Turkey), and by the Ghorids, who, rising from Ghor, southeast of Herāt, established an empire stretching from Herāt to Ajmir in India. They were displaced in turn by the Turko-Persian rulers of the Khiva oasis in Transoxiana, who, by 1217, had created a state that included the whole of Afghanistan until it disintegrated under attack by Genghis Khan in 1219. His grandson Timur, also called “Timur the Lame” or Tamerlane, occupied all of what is now Afghanistan from 1365 to 1384, establishing a court of intellectual and artistic brilliance at Herāt. The Timurids came under challenge from the Uzbeks, who finally drove them out of Herāt in 1507. The great

Babur, one of the Uzbek princes, occupied Kabul in 1504 and Delhi in 1526, establishing the Mughal Empire in which eastern Afghanistan was ruled from Delhi, Agra, Lahore, or Srinagar, while Herāt and Sistan were governed as provinces of Persia.

In the 18th century, Persians under Nadir Shah conquered the area, and after his death in 1747, one of his military commanders, Ahmad Shah Abdali, was elected emir of Afghanistan. The formation of a unified Afghanistan under his emirate marks Afghanistan's beginning as a political entity. Among his descendants was Dost Muhammad who established himself in Kabul in 1826 and gained the emirate in 1835. Although the British defeated Dost in the first Afghan War (1838–42), they restored him to power, but his attempts and those of his successors to play off Czarist Russian interests against the British concerns about the security of their Indian Empire led to more conflict. In the second Afghan War (1877–79), the forces of Sher Ali, Dost's son, were defeated by the British, and his entire party, ousted. Abdur Rahman Khan, recognized as emir by the British in 1880, established a central administration, and supported the British interest in a neutral Afghanistan as a buffer against the expansion of Russian influence.

Intermittent fighting between the British and Pushtun tribes from eastern Afghanistan continued even after the establishment, in 1893, of a boundary (the Durand line) between Afghanistan and British India. An Anglo-Russian agreement concluded in 1907 guaranteed the independence of Afghanistan (and Tibet) under British influence, and Afghanistan remained neutral in both World Wars. Afghan forces under Amanullah Khan, who had become emir in 1919, briefly intruded across the Durand Line in 1919. At the end of brief fighting—the third Afghan War—the Treaty of Rāwalpindi (1919) accorded the government of Afghanistan the freedom to conduct its own foreign affairs.

Internally, Amanullah's Westernization program was strongly opposed, forcing him to abdicate in 1929. After a brief civil war, a tribal assembly chose Muhammad Nadir Shah as king. In his brief four years in power, he restored peace while continuing Amanullah's modernization efforts at a more moderate pace. Assassinated in 1933, he was succeeded by his son, Muhammad Zahir Shah, who continued his modernization efforts, governing for 40 years, even though sharing effective power with his uncles and a first cousin, who served as his prime ministers.

In the 1960s, there was considerable tension between Pakistan and Afghanistan as a result of Afghanistan's effort to assert influence among, and ultimately responsibility for, Pashtu-speaking Pathan tribes living on both sides of the Durand Line under a policy calling for the establishment of an entity to be called "Pashtunistan." The border was closed several times during the following years, and relations with Pakistan remained generally poor until 1977.

In 1964, a new constitution was introduced, converting Afghanistan into a constitutional monarchy, and a year later the country's first general election was held. In July 1973, Muhammad Daoud Khan, the king's first cousin and brother-in-law, who had served as prime minister from 1953 until early 1963, seized power in a near-bloodless coup, establishing a republic and appointing himself president, and prime minister of the Republic of Afghanistan. He exiled Zahir Shah and his immediate family, abolished the monarchy, dissolved the legislature, and suspended the constitution. Daoud ruled as a dictator until 1977, when a re-

publican constitution calling for a one-party state was adopted by the newly convened Loya Jirga (Grand National Assembly), which then elected Daoud president for a six-year term.

#### Afghanistan Under Communist Rule

On 27 April 1978, Daoud was deposed and executed in a bloody coup (the "Saur Revolution" because it took place during the Afghan month of Saur), and the Democratic Republic of Afghanistan emerged. Heading the new Revolutionary Council was Nur Muhammad Taraki, secretary-general of the communist People's Democratic Party of Afghanistan (PDPA), assisted by Babrak Karmal and Hafizullah Amin, both named deputy prime ministers. The Soviet Union (which later broke apart in 1991) immediately established ties with the new regime, and in December 1978, the two nations concluded a treaty of friendship and cooperation. Soon after the coup, rural Afghan groups took up arms against the regime, which increasingly relied on Soviet arms for support against what came to be known as *mujahedeen*, or holy warriors.

Meanwhile, the Khalq (masses) and Parcham (flag) factions of the PDPA, which had united for the April takeover, became embroiled in a bitter power struggle within the party and the government. In September 1979, Taraki was ousted and executed by Amin, who had beat out Karmal to become prime minister the previous March and who now assumed Taraki's posts as president and party leader. Amin was himself replaced on 27 December by Karmal, the Parcham faction leader. This last change was announced not by Radio Kabul but by Radio Moscow and was preceded by the airlift of 4,000 to 5,000 Soviet troops into Kabul on 25–26 December, purportedly at the request of an Afghan government whose president, Hafizullah Amin, was killed during the takeover.

The Soviet presence increased to about 85,000 troops in late January 1980, and by spring, the first clashes between Soviet troops and the mujahedeen had occurred. Throughout the early and mid-1980s, the mujahedeen resistance continued to build, aided by Afghan army deserters and arms from the United States, Pakistan, and the nations of the Islamic Conference Organization (ICO). Much of the countryside remained under mujahedeen control as the insurgency waged on year by year, while in Kabul, Soviet advisers assumed control of most Afghan government agencies.

By late 1987, more than a million Afghans had lost their lives in the struggle, while the United Nations High Commission for Refugees (UNHCR) estimated that some 5 million others had sought refuge in Pakistan, Iran, and elsewhere. Soviet sources at the time acknowledged Soviet losses of 12,000–30,000 dead and 76,000 wounded. Soviet troop strength in Afghanistan at the end of 1987 was about 120,000, while according to Western sources, Afghan resistance forces numbered nearly 130,000.

In early 1987, Babrak Karmal fled to Moscow after being replaced as the head of the PDPA in May 1986 by Najibullah, former head of the Afghan secret police. Najibullah offered the mujahedeen a cease-fire and introduced a much-publicized national reconciliation policy; he also released some political prisoners, offered to deal with the resistance leaders, and promised new land reform. The mujahedeen rejected these overtures, declining to negotiate for anything short of Soviet withdrawal and Najibullah's removal.

International efforts to bring about a political solution to the war—including nearly unanimous UN General Assembly condemnations of the Soviet presence in Afghanistan—were pursued within the UN framework from 1982 onward. Among these efforts were “proximity talks” between Afghanistan and Pakistan conducted by Under Secretary-General Diego Cordovez, a special representative of the UN Secretary General. After a desultory beginning, these talks began to look promising in late 1987 and early 1988, when Soviet policymakers repeatedly stated, in a major policy shift, that the removal of Soviet troops from Afghanistan was not contingent on the creation of a transitional regime acceptable to the former USSR. On 14 April 1988, documents were signed and exchanged in which the USSR agreed to pull its troops out of Afghanistan within nine months, the United States reserved the right to continue military aid to Afghan guerrillas as long as the USSR continued to aid the government in Kabul, and Pakistan and Afghanistan pledged not to interfere in each other’s internal affairs.

The Russians completed the evacuation of their forces on schedule 15 February 1989, but in spite of continuing pressure by the well-armed mujahedeen, the Najibullah government remained in power until April 1992, when Najibullah sought refuge at the UN office in Kabul as mujahedeen forces closed in on the city.

#### **Afghanistan after the Soviet Withdrawal**

With the fall of the Najibullah government, the Seven-Party Alliance (SPA) of the Islamic groups based in Pakistan moved to consolidate its “victory” by announcing plans to set up an Interim Afghan Government (AIG) charged with preparing the way for elections. Meanwhile, they moved to assert their control of Afghanistan, but their efforts to establish the AIG in Kabul failed when within ten days of Najibullah’s departure from office, well-armed forces of the Hezb-e Islami and Jamiat-i-Islami—two of the seven SPA parties—clashed in fighting for the control of the capital. In July, Jamiat leader Burhanuddin Rabbani replaced Sibghatullah Mojaddedi as president of the AIG, as previously agreed by all the SPA parties but the Hezb-e Islami.

Continued fighting between Jamiat and Hezb-e Islami militias halted further progress. Rabbani’s forces, under Commander Ahmad Shah Masoud, dug in to block those under the control of interim “Prime Minister” Gulbuddin Hekmatyar’s Hezb-e Islami and his ally, General Rashid Dostum (a former PDPA militia leader turned warlord from northern Afghanistan) from taking control of Kabul. In a 24-hour rocket exchange in August 1992 in Kabul, an estimated 3,000 Afghans died; before the end of the year, upwards of 700,000 Afghans had fled the city. Deep differences among the SPA/AIG leadership, embittered by decades of bad blood, ethnic distrust, and personal enmity, prevented any further progress toward creating a genuine interim government capable of honoring the 1992 SPA pledge to write a constitution, organize elections, and create a new Afghan polity. Despite UN attempts to broker a peace and bring the warring groups into a coalition government, Afghanistan remained at war.

#### **Rise of the Taliban**

By the summer of 1994 Rabbani and his defense minister, Ahmed Shah Masoud, were in control of the government in Kabul, but internal turmoil caused by the warring factions had brought the economy to a standstill. It was reported that on the road north of

Qandahār a convoy owned by influential Pakistani businessmen was stopped by bandits demanding money. The businessmen appealed to the Pakistani government, which responded by encouraging Afghan students from the fundamentalist religious schools on the Pakistan-Afghan boarder to intervene. The students freed the convoy and went on to capture Qandahār, Afghanistan’s second-largest city. Pakistan’s leaders supported the Taliban with ammunition, fuel, and food. The students, ultra-fundamentalist Sunni Muslims who called themselves the Taliban (the Arabic word for religious students, literally “the Seekers”) shared Pashtoon ancestry with their Pakistani neighbors to the south. The Taliban also found widespread support among Afghan Pashtoons hostile to local warlords and tired of war and economic instability. By late 1996, the Taliban had captured Kabul, the capital, and were in control of 21 of Afghanistan’s 32 provinces. When Rabbani fled the capital, Pakistan and Saudi Arabia officially recognized the Taliban government in Kabul. In areas under Taliban control, order was restored, roads opened, and trade resumed. However, the Taliban’s reactionary social practices, justified as being Islamic, did not appeal to Afghanistan’s non-Pashtun minorities in the north and west of the country, nor to the educated population generally. The opposition, dominated by the Uzbek, Tajik, Hazara, and Turkoman ethnic groups, retreated to the northeastern provinces.

In May 1997 the Taliban entered Mazār-e Sharif, Afghanistan’s largest town north of the Hindu Kush and stronghold of Uzbek warlord Rashid Dostum. In the political intrigue that followed, Dostum was ousted by his second in command, Malik Pahlawan, who initially supported the Taliban. Dostum reportedly fled to Turkey. Once the Taliban were in the city, however, Pahlawan abruptly switched sides. In the subsequent fighting, the Taliban were forced to retreat with heavy casualties. The forces of Ahmad Shah Masoud, Tajik warlord and former defense minister in ousted President Rabbani’s government, were also instrumental in the defeat of the Taliban in Mazār. Masoud controlled the high passes of the Panjshir Valley in the east of the country. The opposition alliance was supported by Iran, Russia, and the Central Asian republics, who feared that the Taliban might destabilize the region.

By early 1998, the Taliban militia controlled about two-thirds of Afghanistan. Opposition forces under Ahmad Shah Masoud controlled the northeast of the country. Taliban forces mounted another offensive against their opponents in August–September 1998 and nearly sparked a war with neighboring Iran after a series of Shiite villages were pillaged and Iranian diplomats killed. Iran, which supplied Masoud’s forces, countered by massing troops along its border with Afghanistan. Although the crisis subsided, tensions between the Taliban and Iran remained high. Masoud’s opposition forces became known as the United Front or Northern Alliance in late 1999.

Despite attempts to broker a peace settlement, fighting between the Taliban and opposition factions continued through 1999 and into 2000 with the Taliban controlling 90% of the country. In March 1999, the warring factions agreed to enter a coalition government, but by July these UN-sponsored peace talks broke down and the Taliban renewed its offensive against opposition forces. By October, the Taliban captured the key northern city of Taloqan and a series of northeastern towns, advancing to the border with

Tajikistan. Fighting between the Taliban and Northern Alliance forces was fierce in early 2001.

In April 2001, Masoud stated that he did not rule out a peace dialogue with the Taliban, or even of setting up a provisional government jointly with the Taliban, but that Pakistan would have to stop interfering in the conflict first. He stated that elections would have to be held under the aegis of the UN and the “six plus two” countries, including Iran, China, Pakistan, Tajikistan, Turkmenistan, as well as Russia and the United States. The Northern Alliance was receiving financial and military assistance from its old enemy Russia as well as from Iran. In addition to Pakistan, the Taliban was recognized as the legitimate government of Afghanistan by Saudi Arabia and the United Arab Emirates. Masoud was assassinated on 9 September 2001 by two men claiming to be Moroccan journalists. His killers were thought to have been agents of the al-Qaeda terrorist group acting in concert with the plotters of the 11 September 2001 attacks on the United States.

#### Post-11 September 2001

The 11 September 2001 attacks carried out against the United States by members of al-Qaeda marked the beginning of a war on terrorism first directed against the Taliban for harboring Osama bin Laden and his forces. On 7 October 2001, US-led forces launched the bombing campaign Operation Enduring Freedom against the Taliban and al-Qaeda in Afghanistan. On 13 November the Taliban were removed from power in Kabul, and an interim government under the leadership of Hamid Karzai, a Pash-tun leader from Qandahār, was installed on 22 December. In June 2002, a Loya Jirga—Grand Assembly of tribal leaders—was held, and Karzai was elected head of state of a transitional government that would be in place for 18 months until elections could be held. More than 60% of the cabinet posts in the government went to Ahmed Shah Masoud’s Northern Alliance. Masoud was officially proclaimed the national hero of Afghanistan on 25 April 2002, and he was mentioned as a candidate for the Nobel Peace Prize. On 5 September 2002, Karzai survived an assassination attempt, and another plot against him was thwarted on 22 November. In September 2004, a rocket fired at a helicopter carrying Karzai narrowly missed its target: it was the most serious attack on his life since 2002.

In December 2002, Karzai and Pakistani and Turkmen leaders signed an agreement paving the way for the construction of a gas pipeline through Afghanistan, which would carry Turkmen gas to Pakistan.

In January 2004, a Loya Jirga adopted a new constitution providing for a strong presidency and defining Afghanistan as an Islamic republic where men and women enjoy equal status before the law. In October and November 2004, the first direct presidential election was held; Karzai was the winner with 55.4% of the vote. He was sworn in as president in December, amid tight security.

On 18 September 2005, Afghans went to the polls to elect a lower house of parliament and councils in each of the country’s 34 provinces. The elections, which had been twice postponed, were part of the process of establishing a fully representative government. Some 12 million of an estimated 25–28 million Afghans were registered to vote. There were about 5,800 candidates standing for the 249-seat Wolesi Jirga (House of Assembly) and for seats in the provincial councils. There were more than 26,000 men-only

or women-only polling stations in 5,000 locations. There were 69 different types of ballot papers, all including the names, pictures, and symbols of the candidates, to enable voters who could not read to vote. Several candidates and election workers were killed in Taliban attacks. In advance of the elections, the North Atlantic Treaty Organization (NATO) sent an extra 2,000 troops and a number of fighter jets to boost the 8,000-strong International Security Assistance Force (ISAF) protecting the country. Nearly 3,000 observers and media representatives registered to monitor the election. Final results for the elections were delayed due to accusations of fraud, and were announced in November.

The results of the elections showed that women, who were guaranteed 25% of seats in parliament, won 28%. Most of the candidates for parliament ran as independents, and a clear majority was predicted to support Karzai. However, many of the winners were former warlords, mujahedeen fighters, ex-Taliban figures, and opium dealers. Centrist, reformist figures did less well, making the parliament predominantly socially conservative and religious.

In 2005–06, several thousand troops from the US-led coalition in Afghanistan (most of them American) were engaged in battles with Taliban fighters in the eastern regions of the country bordering on Pakistani tribal areas. The coalition forces also targeted members of the Hezb-e Islami group, whose leader, Gulbuddin Hekmatyar, has similar aims as the Taliban—to fight a *jihad* (holy war) to remove the Americans from Afghanistan and unseat Hamid Karzai’s government.

### 13 GOVERNMENT

Between 1964 and 1973, Afghanistan was a constitutional monarchy for the first and only time in its history. The head of government was the prime minister, appointed by the king and responsible to the bicameral legislature. This system gave way to a more traditional authoritarian system on 17 July 1973, when Afghanistan became a republic, headed by Muhammad Daoud Khan, who became both president and prime minister. A new constitution in 1977 created a one-party state with a strong executive and a weak bicameral legislature. The communist People’s Democratic Party of Afghanistan (PDPA) abrogated this constitution after they seized power in April 1978.

Between 1978 and 1980, a communist-style 167-member Revolutionary Council exercised legislative powers. The chief of state (president) headed the presidium of that council, to which the 20-member cabinet was formally responsible. A provisional constitution, introduced in April 1980, guaranteed respect for Islam and national traditions; condemned colonialism, imperialism, Zionism, and fascism; and proclaimed the PDPA as “the guiding and mobilizing force of society and state.” Seven years later, a new constitution providing for a very strong presidency was introduced as part of the PDPA’s propaganda campaign of “national reconciliation.” Najibullah remained as president until April 1992 when he sought refuge at the UN office in Kabul as mujahedeen forces closed in on the city.

With the fall of the Najibullah government a Seven Party Alliance (SPA) of the Islamic groups announced plans to set up an Interim Afghan Government (AIG) charged with preparing the way for elections. However, Professor Burhanuddin Rabbani co-opted the process by forming a leadership council that elected him president. Subsequent fighting among warring factions plunged

the country into anarchy and set the stage for the emergence of the ultra-conservative Islamic movement, Taliban, which ousted the Rabbani government and controlled all but the northern most provinces of the country.

The Taliban, led by Mullah Mohammed Omar, formed a six-member ruling council in Kabul which ruled by edict. Ultimate authority for Taliban rule rested in the Taliban's inner Shura (Assembly) located in the southern city of Qandahār, and in Mullah Omar.

With the fall of the Taliban in December 2001, an interim government was created under the leadership of Hamid Karzai by an agreement held in Bonn, Germany. In June 2002 Karzai was elected head of state of the Islamic Transitional Government of Afghanistan (ITGA) by the Loya Jirga convened that month. He named an executive cabinet, dividing key ministries between ethnic Tajiks and Pashtuns. He also appointed three deputy presidents and a chief justice to the country's highest court.

In January 2004, a Loya Jirga adopted a new constitution providing for a strong presidency and defining Afghanistan as an Islamic republic where men and women enjoy equal status before the law. Former King Zahir Shah held the honorific Father of the Country, and presided symbolically over certain occasions, lacking any governing authority. The honorific is not hereditary. The president is both chief of state and head of government. The president's cabinet is made up of 27 ministers, appointed by the president and approved by the national assembly. The president and two vice presidents are elected by a direct vote for a five-year term; a president can only be elected for two terms.

The legislative branch is composed of a bicameral national assembly. The lower house is the 249-seat Wolesi Jirga, directly elected by each of Afghanistan's 34 provinces according to its population. Members serve a five-year term. Kabul province has the most seats with 33. Women have 68 seats guaranteed in the Wolesi Jirga, and two on each provincial council. The 102-member House of Elders (Meshrano Jirga) is indirectly elected; one-third elected by the 34 provincial councils for a four-year term, one-third appointed by the president for a five-year term, and one-third elected by local district councils for a three-year term.

On rare occasions the government may convene the Loya Jirga on issues of independence, national sovereignty, and territorial integrity; it can also amend the provisions of the constitution and prosecute the president. It is made up of members of the national assembly and chairpersons of the provincial and district councils.

In October and November 2004, the first direct presidential elections were held; Hamid Karzai was the winner with 55.4% of the vote. In September 2005, elections for the Wolesi Jirga and provincial councils were held; although a majority of the members of parliament who won would support Karzai, many warlords, former mujahedeen fighters, ex-Taliban figures, and opium dealers also won.

## 14 POLITICAL PARTIES

The 1964 constitution provided for the formation of political parties. However, since the framers of the constitution decided that political parties should be permitted only after the first elections, and since the parliament never adopted a law governing the parties' operation, all candidates for the parliamentary elections of August and September 1965 stood as independents. Because a law

on political parties was not on the books four years later, the 1969 elections were also contested on a nonparty basis. Throughout the 1964–1973 period, however, the de facto existence of parties was widely recognized. Subsequently, the framers reversed their plan to allow political parties. Under the 1977 constitution, only the National Revolutionary Party (NRP), the ruler's chosen instrument, was allowed.

The 1978 coup was engineered by the illegal People's Democratic Party of Afghanistan (PDPA), which had been founded in 1965. During its brief history, this Marxist party had been riven by a bloody struggle between its pro-Soviet Parcham (flag) faction and its larger Khalq (masses) faction. Babrak Karmal was the leader of the Parcham group, while the Khalq faction was headed until 1979 by Nur Muhammad Taraki and Hafizullah Amin. The factional struggle continued after the 1978 coup, prompting the Soviet intervention of 1979. Factional bloodletting continued thereafter also, with repeated purges and assassinations of Khalq adherents as well as bitter infighting within Parcham, this last leading to Babrak Karmal's replacement as PDPA secretary-general in May 1986 by Najibullah.

The Islamic resistance forces opposing the PDPA government and its Soviet backers in Afghanistan represented conservative, ethnically based Islamic groups which themselves have had a long history of partisan infighting (and repression by successive Kabul governments). They came together in the early 1980s to fight the common enemy, the communist PDPA and the Soviet invaders and, in 1985, under pressure from Pakistan and the United States, they were loosely united into a Seven Party Alliance (SPA), headquartered in Peshāwar, Pakistan. By 1987, commando groups affiliated with one or more of these seven parties controlled more than 80% of the land area of Afghanistan.

With arms flowing in from outside the country—a flow not halted until the end of 1991—the fighting continued, but with the final withdrawal of Soviet troops in February 1989, the SPA stepped up its military and political pressure on the communist PDPA government. However, President Najibullah proved to have more staying power than previously estimated, using Soviet arms supplies, which continued until the end of 1991 to buttress his position, while playing upon divisions among the resistance, embracing nationalism and renouncing communism, and even changing the name of the PDPA to the Wattan (Homeland) Party. It was only in April 1992, after the break-up of the Soviet Union, his army defecting from beneath him, and the mujahedeen closing on Kabul, that he sought refuge at the UN office in the capital, leaving the city in the hands of the rival ethnic and regional mujahedeen militias.

The leaders of the mujahedeen groups agreed to establish a leadership council. This council quickly came under the control of a professor, Burhanuddin Rabbani, who was subsequently elected president by the council. Fighting broke out in August 1992 in Kabul between forces loyal to President Rabbani and rival factions. A new war for the control of Afghanistan had begun.

On 26–27 September 1996, the Pashtun-dominated ultraconservative Islamic Taliban movement captured the capital of Kabul and expanded its control to over 90% of the country by 2000. The Taliban was led by Mullah Mohammed Omar. Ousted President Rabbani, a Tajik, and his defense minister, Ahmad Shah Masoud, relocated to Takhar in the north. Rabbani claimed that

he remained the head of the government. His delegation retained Afghanistan's UN seat after the General Assembly deferred a decision on Afghanistan's credentials. Meanwhile, the Taliban removed the ousted PDPA leader Najibullah from the UN office in Kabul, tortured and shot him, and hung his body prominently in the city. General Rashid Dostum, an ethnic Uzbek, controlled several north-central provinces until he was ousted on 25 May 1997 by his second in command Malik Pahlawan. Dostum fled to Turkey, but he returned that October. The Shia Hazara community, led by Abdul Karim Khalili, retained control of a small portion of the center of the country.

After the fall of the Taliban, various warlords, leaders, and political factions emerged in Afghanistan. Dostum, as head of Jumbish-e Melli Islami (National Islamic Movement), consolidated his power in Mazār-e Sharif. He was named interim deputy defense minister for the transitional government in 2002. Rabbani, as nominal head of the Northern Alliance, was also the leader of Jamiat-e-Islami, the largest political party in the alliance. Ismail Khan, a Shiite warlord of Tajik origin, earned a power base in the western city of Herāt by liberating it from Soviet control, and for a time in the 1990s kept it from Taliban control. Khan was thought to be receiving backing from Iran. Abdul Karim Khalili was the leader of the Hezb-e-Wahdat (Unity Party) and the top figure in the Shia Hazara minority. Hezb-e-Wahdat was the main benefactor of Iranian support, and the second most-powerful opposition military party. Gulbuddin Hekmatyar, the most notorious of the warlords who emerged from the fight against Soviet occupation, led the party Hezb-e-Islami. Pir Syed Ahmed Gailani was a moderate Pashtun leader and wealthy businessman who was also the spiritual leader of a minority Sufi Muslim group. Gailani was supported by pro-royalist Pashtuns and Western-educated elites of the old regime. Former King Zahir Shah, a Pashtun, said he had no intention of returning to power, but volunteered to help build a power-sharing administration for the country. Younis Qanooni, an ethnic Tajik who was named interior minister for the interim government, had also been the interior minister in the country's previous interim administration in 1996, before the Taliban came to power; he opposed the presence of UN peacekeepers in Afghanistan. Abdullah Abdullah, of the Northern Alliance, was a close friend of Ahmad Shah Masoud.

The 18 September 2005 elections for the National Assembly were contested by candidates representing scores of political parties, pressure groups, and small monarchist, communist, and democratic groups. However, most of the candidates ran as independents.

## 15 LOCAL GOVERNMENT

Afghanistan was traditionally divided into provinces governed by centrally appointed governors with considerable autonomy in local affairs. As of 2006, there were 34 provinces. During the Soviet occupation and the development of country-wide resistance, local areas came increasingly under the control of mujahedeen groups that were largely independent of any higher authority; local commanders, in some instances, asserted a measure of independence also from the mujahedeen leadership in Pakistan, establishing their own systems of local government, collecting revenues, running educational and other facilities, and even engaging in local negotiations. Mujahedeen groups retained links with the Peshāwar

parties to ensure access to weapons that were doled out to the parties by the government of Pakistan for distribution to fighters inside Afghanistan.

The Taliban set up a *shura* (assembly), made up of senior Taliban members and important tribal figures from the area. Each *shura* made laws and collected taxes locally. The Taliban set up a provisional government for the whole of Afghanistan, but it did not exercise central control over the local *shuras*.

The process of setting up the transitional government in June 2002 by the Loya Jirga took many steps involving local government. First, at the district and municipal level, traditional *shura* councils met to pick electors—persons who cast ballots for Loya Jirga delegates. Each district or municipality chose a predetermined number of electors, based on the size of its population. The electors then traveled to regional centers and cast ballots, choosing from among themselves a smaller number of Loya Jirga delegates, according to allotted numbers assigned to each district. The delegates then took part in the Loya Jirga.

The transitional government attempted to integrate local governing authorities with the central government, but it lacked the loyalty of warlords necessary to its governing authority. More traditional elements of political authority—such as Sufi networks, royal lineage, clan strength, age-based wisdom, and the like—still exist and play a role in Afghan society. Karzai relied on these traditional sources of authority in his challenge to the warlords and older Islamist leaders. The deep ethnic, linguistic, sectarian, tribal, racial, and regional cleavages present in the country create what is called *Qawm* identity, which emphasizes the local over higher-order formations. *Qawm* refers to the group to which the individual considers himself to belong, whether a subtribe, village, valley, or neighborhood. Local governing authority relies upon these forms of identity and loyalty.

The constitution established in 2004 provided for directly elected provincial councils, which have 9–29 members depending on population. District and village councils are directly elected for a period of three years. Municipalities administer city affairs.

## 16 JUDICIAL SYSTEM

Under the Taliban, there was no rule of law or independent judiciary. Ad hoc rudimentary judicial systems were established based on Taliban interpretation of Islamic law. Murderers were subjected to public executions and thieves had a limb or two (one hand, one foot) severed. Adulterers were stoned to death in public. Taliban courts were said to have heard cases in sessions that lasted only a few minutes. Prison conditions were poor and prisoners were not given food. Normally, this was the responsibility of the prisoners' relatives, who were allowed to visit to provide food once or twice a week. Those who had no relatives had to petition the local council or rely on other inmates.

In non-Taliban controlled areas, many municipal and provincial authorities relied on some form of Islamic law and traditional tribal codes of justice. The administration and implementation of justice varied from area to area and depended on the whims of local commanders or other authorities, who could summarily execute, torture, and mete out punishments without reference to any other authority.

After the fall of the Taliban, Afghanistan's judicial system was fragmented, with conflicts between such core institutions as the

Ministry of Justice, Supreme Court, and attorney general's office. In addition, the judicial system's infrastructure was destroyed; the absence of adequate court or ministry facilities, basic office furniture, and minimal supplies made substantive progress difficult. There were also tensions between religious and secular legal training with regard to appointments of new judicial personnel. Until Afghanistan's new constitution was adopted in 2004, the country's basic legal framework consisted of its 1964 constitution and existing laws and regulations to the extent that they were in accordance with the Bonn Agreement of 2001 and with international treaties to which Afghanistan was a party. The Ministry of Justice was charged with compiling Afghan laws and assessing their compatibility with international standards, but even it did not have texts of Afghan laws, which were largely unavailable, even among attorneys, judges, law faculty, and government agencies. While in power, the Taliban burned law books. There was no adequate law library in the country as of 2002.

The 2004 constitution established an independent judiciary under the Islamic state. The judicial branch consists of a Supreme Court (Stera Mahkama), High Courts, Appeals Courts, and local and district courts. The Supreme Court is composed of nine members who are appointed by the president for a period of ten years (nonrenewable) with the approval of the Wolesi Jirga. The Supreme Court has the power of judicial review. Lower courts apply Shia law in cases dealing with personal matters for Shia followers.

## 17 ARMED FORCES

As of 2005, the national army/security services had an estimated 27,000 active personnel. Headquartered in Kabul, the force is intended to encompass all of the country's tribal and ethnic groups. However progress by the new Afghan National Army (ANA) had been hindered by high desertion levels and low enlistment rates, thought in part to be caused by the growing intensity of combat missions. Another factor was the growth of private security companies, which may offer a less stressful and more lucrative alternative to the ANA. In terms of equipment, most of the army's infrastructure, barracks, and depots were destroyed along with the Taliban. What equipment that has managed to survive years of war and the overthrow of the Taliban, was entirely of Soviet design and likely to be in a poor state of repair. In 2002, Afghanistan requested \$235 million from the UN, for a 60,000-troop land army, an 8,000-member airforce, and a 12,000-guard border force. US foreign military assistance to Afghanistan in 2005 totaled \$396 million.

## 18 INTERNATIONAL COOPERATION

Afghanistan has been a member of the United Nations since 19 November 1946. Within the United Nations, Afghanistan is part of several specialized agencies, such as UNESCO, FAO, and IAEA. The country also participates in WHO, IFAD, UNIDO, the International Monetary Fund (IMF), the World Bank and IFC, and the ILO. Afghanistan is an observer in the WTO. Afghanistan is part of the Asian Development Bank, the Colombo Plan, the Economic and Social Commission for Asia and the Pacific (ESCAP), G-77, the Islamic Development Bank (IDB), the Economic Cooperation Organization, the Council for Mutual Economic Assistance (CEMA), and the Organization of the Islamic Conference (OIC).

Other groups include WFTU and Interpol. Afghanistan is also a part of the Nonaligned Movement, the Organization for the Prohibition of Chemical Weapons, and the Nuclear Test Ban. In cooperation on environmental issues, the country is part of the Convention on the International Trade in Endangered Species of Wild Flora and Fauna (CITES), the London Convention, and the UN Conventions on Desertification and Climate Change.

## 19 ECONOMY

Afghanistan's economy has been devastated by over over three decades of war. Hampered by an unintegrated economy until relatively late in the post-World War II period, only in the 1950s did the building of new roads begin to link the country's commercial centers with the wool-and fruit-producing areas. Largely agricultural and pastoral, the country is highly dependent on farming and livestock raising (sheep and goats). Approximately 85% of the people are engaged in agriculture. Industrial activity includes small-scale production of textiles, soap, furniture, shoes, fertilizer, cement, and hand-woven carpets. The country has valuable mineral resources, including large reserves of iron ore at Hajigak discovered before the 30-year-old war, but only coal, salt, lapis lazuli, barite, and chrome are available to be exploited. The discovery of large quantities of natural gas in the north, for which a pipeline to the USSR was completed in 1967, increased the country's export earnings, at least until escalation of civil strife in the late 1970s and 1980s.

Since the outbreak of war in the late 1970s, economic data have been contradictory and of doubtful reliability. In September 1987, the Afghan foreign minister asserted that 350 bridges and 258 factories had been destroyed since the fighting began in 1979. By the early 1990s, two-thirds of all paved roads were unusable, and the countryside appeared severely depopulated, with more than 25% of the population—twice the prewar level—residing in urban areas. What little is left of the country's infrastructure has been largely destroyed due first to the war, and then to the US-led bombing campaign. Severe drought added to the nation's difficulties in 1998–2001. The majority of the population continued to suffer from insufficient food, clothing, housing, and medical care as of 2006; these problems were exacerbated by military operations and political uncertainties. The presence of an estimated 10 million land mines also hinders the ability of Afghans to engage in agriculture or other forms of economic activity. Inflation, at 16% in 2005, remained a serious problem.

Opium poppy cultivation is the mainstay of the economy. Major political factions in the country profit from the drug trade. In 1999, encouraged by good weather and high prices, poppy producers increased the area under cultivation by 43% and harvested a bumper crop—a record 4,600 tons—compared with 2,100 tons the year before. A ban on poppy production cut cultivation in 2001 by 97% to 1695 hectares (4188 acres), with a potential production of 74 tons of opium. Afghanistan is a major source of hashish, and there are many heroin-processing laboratories throughout the country.

International efforts to rebuild Afghanistan were addressed at the Tokyo Donors Conference for Afghan Reconstruction in January 2002, when \$4.5 billion was collected for a trust fund to be administered by the World Bank. Priority areas for reconstruction included the construction of education, health, and sanitation facilities, enhancement of administrative capacity, the development

of the agricultural sector, and the rebuilding of road, energy, and telecommunication links.

The Afghan economic base is so disjointed that it was almost futile for the government to undertake economic development. Nonetheless, the country's GDP grew from a meager \$2.7 billion in 2000, to almost \$6 billion in 2004; and, it was expected to grow further, to \$7.1 billion, in 2005. Consequently, the GDP growth rates appear spectacular: 28.6% in 2002, 15.7% in 2003, and a more modest 7.5% in 2004. Apart from outside aid, the recent economic expansion was also helped by a good agricultural year in 2003.

The unemployment rate was estimated at 40% in 2005. Inflation dropped from 52.3% in 2002 to 10.2% in 2003, but rose again to 16.3% in 2004. In 2005, the inflation rate was expected to be around 10%. Despite the progress it registered in previous years, Afghanistan remains a very poor country, landlocked, dependent on foreign aid, and with a heterogeneous economic base (mostly agriculture).

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Afghanistan's gross domestic product (GDP) was estimated at \$21.5 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$800. The annual growth rate of GDP was estimated at 8%. The average inflation rate in 2005 was 16.3%. It was estimated that agriculture accounted for 38% of GDP, industry 24%, and services 38%. Foreign aid receipts amounted to \$1,533 million.

The World Bank reports that in 2003 household consumption in Afghanistan totaled \$4.31 billion based on a GDP of \$4.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that in 2003 about 53% of the population had incomes below the poverty line.

## 21 LABOR

As of 2004, Afghanistan's labor force was estimated at 15 million, with an estimated 80% of the labor force engaged in agriculture, followed by industry and services at 10%, each. However, it was estimated that 40% of the country's work force was unemployed, as of 2005. The textile industry is the largest employer of industrial labor; weaving of cloth and carpets is the most important home industry.

As of 2005, Afghan law offered wide protection to workers, but little is known about the enforcement of labor statutes. Workers are unaware of their rights and there is no central authority to enforce those rights. There is no legal right to strike, nor does the country have a history of real labor-management bargaining. There are no courts or mechanisms for settling labor disputes. Wages are entirely subject to market forces, except for government employees, whose wages are set by the government. Although child and forced or compulsory labor are prohibited, little is known about enforcement. By law, children under the age of 15 cannot work more than

30 hours per week, but there is no evidence this is enforced. According to UNICEF, it is estimated that there are one million children under the age of 14 in the workforce. Children as young as six years old are reportedly working to help sustain their families. The vast majority of Afghan workers are in the informal economy.

## 22 AGRICULTURE

About 12% of the land is arable and less than 6% currently is cultivated. During periods when external forces are not influencing the ability of farmers to grow crops, Afghan farmers grow enough rice, potatoes, pulses, nuts, and seeds to meet the country's needs; Afghanistan depends on imports for some wheat, sugar, and edible fats and oils. Fruit, both fresh and preserved (with bread), is a staple food for many Afghans. Agricultural production is a fraction of its potential. Agricultural production is constrained by dependence on erratic winter snows and spring rains for water; irrigation is primitive. Relatively little use is made of machines, chemical fertilizer, or pesticides.

The variety of the country's crops corresponds to its topography. The areas around Qandahār, Herāt, and the broad Kabul plain yield fruits of many kinds. The northern regions from Takhar to Badghis and Herāt and Helmand provinces produce cotton. Corn is grown extensively in Paktia and Nangarhar provinces, and rice mainly in Kunduz, Baghlān, and Laghman provinces. Wheat is common to several regions, and makes up 70% of all grain production. Aggregate wheat production in 2005 was estimated at 4 million tons, up from 1.6 million tons in 2001. Following wheat, the most important crops in 2004 were barley (400,000 tons), corn (250,000 tons), rice (145,000 tons), and cotton (18,507 tons). Nuts and fruit, including pistachios, almonds, grapes, melons, apricots, cherries, figs, mulberries, and pomegranates, are among Afghanistan's most important horticultural crops. By-products of orchard fruits, such as pomegranate rind and walnut husks, were traditionally used to dye carpets, as was the madder root, valued for the deep red hue it produces.

In some regions, agricultural production had all but ceased due to destruction caused by the war and the migration of Afghans out of those areas. The average farm size is 1–2 hectares (2.5–5 acres). Absentee landlords are common and sharecropping is expanding in most provinces. Opium and hashish are also widely grown for the drug trade. Opium is easy to cultivate and transport and offers a quick source of income for impoverished Afghans. Afghanistan was the world's largest producer of raw opium in 2003. In 2001, following the ban by the Taliban regime, an abrupt decline of poppy cultivation interrupted a 20-year increase. In 2003, there were 80,000 hectares (198,000 acres) of opium poppies under cultivation, with potential opium production amounting to 3,600 tons, the second-highest amount achieved in Afghanistan and accounting for over two-thirds of world production that year. Much of Afghanistan's opium production is refined into heroin and is either consumed by a growing South Asian addict population or exported, primarily to Europe. Replacing the poppy industry was a goal of the Karzai administration.

## 23 ANIMAL HUSBANDRY

The availability of land suitable for grazing has made animal husbandry an important part of the economy. There are two main types of animal husbandry: sedentary, practiced by farmers who



raise both animals and crops; and nomadic, practiced by animal herders known as Kuchis. Natural pastures cover some 3 million hectares (7.4 million acres) but are being overgrazed. The northern regions around Mazār-e Sharif and Maymanah were the home range for about six million karakul sheep in the late 1990s. Most flocks move to the highlands in the summer to pastures in the north. Oxen are the primary draft power and farmers often share animals for plowing. Poultry are traditionally kept in most households.

Much of Afghanistan's livestock was removed from the country by early waves of refugees who fled to Pakistan and Iran. In 2001, the livestock population in Afghanistan had declined by about 40% since 1998. In 2002, this figure was estimated to have declined further to 60%. An FAO survey done in the northern regions in spring 2002 showed that in four provinces (Balkh, Juzjan, Sar-e Pol, and Faryab), there was a loss of about 84% of cattle from 1997 to 2002 (1997: 224,296 head; 2002: 36,471 head) and around 80% of sheep and goats (1997: 1,721,021 head; 2002: 359,953 head).

## 24 FISHING

Some fishing takes place in the lakes and rivers, but fish does not constitute a significant part of the Afghan diet. Using explosives for fishing, called dynamite fishing, became popular in the 1980s and is common practice. The annual catch was about 900 tons in 2003.

## 25 FORESTRY

Afghanistan's timber has been greatly depleted, and since the mid-1980s, only about 3% of the land area has been forested, mainly in the east. Significant stands of trees have been destroyed by the ravages of the war. Exploitation has been hampered by lack of power and access roads. Moreover, the distribution of the forest is uneven, and most of the remaining woodland is presently found only in mountainous regions in the southeast and south. The natural forests in Afghanistan are mainly of two types: (1) dense forests of oak, walnut, and other species of nuts that grow in the southeast, and on the northern and northeastern slopes of the Sulaiman ranges; and (2) sparsely distributed short trees and shrubs on all other slopes of the Hindu Kush. The dense forests of the southeast cover only 2.7% of the country. Roundwood production in 2003 was 3,148,000 cu m, with 44% used for fuel. The destruction of the forests to create agricultural land, logging, forest fires, plant diseases, and insect pests are all causes of the reduction in forest coverage. Illegal logging and clear-cutting by timber smugglers have exacerbated this destructive process.

## 26 MINING

Afghanistan has valuable deposits of barite, beryl, chrome, coal, copper, iron, lapis lazuli, lead, mica, natural gas, petroleum, salt, silver, sulfur, and zinc. Reserves of high-grade iron ore, discovered years ago at the Hajigak hills in Bamyan Province, are estimated to total 2 billion tons.

On average, some 114,000 tons of coal were mined each year during 1978–84. It is estimated that the country has 73 million tons of coal reserves, most of which are located in the region between Herāt and Badashkan in the northern part of the country. Production in 2003 amounted to 185,000 metric tons. In 2003, Afghani-

stan produced 13,000 metric tons of rock salt, 3,000 metric tons of gypsum, 5,000 metric tons of mined copper, and 120,000 metric tons of cement. Deposits of lapis lazuli in Badakhshan are mined in small quantities. Like other aspects of Afghanistan's economy, exploitation of natural resources has been disrupted by war. The remote and rugged terrain, and an inadequate transportation network usually have made mining these resources difficult.

## 27 ENERGY AND POWER

Two decades of warfare have left Afghanistan's power grid badly damaged. As of June 2004, less than 10% of the population had access to electricity. In 2002, electricity generation was 0.745 billion kWh, of which 25.5% came from fossil fuel, 74.5% from hydro-power, and none from other sources. Imports of electricity totaled 0.150 kWh in 2002. In the same year, consumption of electricity totaled 0.843 billion kWh. Total electrical generating capacity in 2002 stood at 0.385 million kW. Three hydroelectric plants were opened between 1965 and 1970, at Jalālābād, Naghlu, and Mahipar, near Kabul; another, at Kajaki, in the upper Helmand River Valley, was opened in the mid-1970s. In addition to the Naghlu, Mahi Par, and Kajaki plants, other hydroelectric facilities that were operational as of 2002 included plants at Sarobi, west of Kabul; Pol-e Khomri; Darunta, in Nangarhar province; Dahla, in Qandahār province (restored to operation in 2001); and Mazār-e Sharif. In 1991, a new 72-collector solar installation was completed in Kabul at a cost of \$364 million. The installation heated 40,000 liters (10,400 gallons) of water to an average temperature of 60°C (140°F) around the clock. Construction of two more power stations, with a combined capacity of 600 kW, was planned in Charikar City.

The drought of 1998–2001 negatively affected Afghanistan's hydroelectric power production, which resulted in blackouts in Kabul and other cities. Another generating turbine is being added to the Kajaki Dam in Helmand province near Qandahār, with the assistance of the Chinese Dongfeng Agricultural Machinery Company. This will add 16.5 MW to its generating capacity when completed. Also in operation was the Breshna-Kot Dam in Nangarhar province, which had a generating capacity of 11.5 MW.

Natural gas was Afghanistan's only economically significant export in 1995, going mainly to Uzbekistan via pipeline. Natural gas reserves were once estimated at 140 billion cu m. Production started in 1967 with 342 million cu m but had risen to 2.6 billion cu m by 1995. In 1991, a new gas field was discovered in Chekhcha, Jowzjan province. Natural gas was also produced at Sheberghān and Sar-e Pol. As of 2002, other operational gas fields were located at Djarquduk, Khowaja Gogerdak, and Yatimtaq, all in Jowzjan province. In 2002, natural gas production was 1.77 billion cu ft.

In August 1996, a multinational consortium agreed to construct a 1,430 km (890 mi) pipeline through Afghanistan to carry natural gas from Turkmenistan to Pakistan, at a cost of about \$2 billion. However US air strikes led to cancellation of the project in 1998, and financing of such a project has remained an issue because of high political risk and security concerns. As of 2002 the leaders of the three countries had signed an agreement to build the pipeline, but as of 2006, construction had not begun.

A very small amount of crude oil is produced at the Angot field in the northern Sar-e Pol province. Another small oilfield at

Zomrad Sai near Sheberghān was reportedly undergoing repairs in mid-2001. Petroleum products such as diesel, gasoline, and jet fuel are imported, mainly from Pakistan and Turkmenistan. A small storage and distribution facility exists in Jalālābād on the highway between Kabul and Peshāwar, Pakistan. Afghanistan is also reported to have oil reserves totaling 95 million barrels and coal reserves totaling 73 million tons.

## 28 INDUSTRY

As with other sectors of the economy, Afghanistan's already-beleaguered industries have been devastated by civil strife and war that began in the 1970s and left most of the country's factories and even much of the cottage industry sector inoperative. Still in an early stage of growth before the outbreak of war, industry's development has been stunted since; those few industries that have continued production remain limited to processing of local materials. The principal modern industry is cotton textile production, with factories at Pol e Khomri, Golbahar, Begram, Balkh, and Jabal as Saraj, just north of Charikar. Important industries in 2000 included textiles, soap, furniture, shoes, fertilizer, cement, hand-woven carpets, natural gas, coal, and copper.

Carpet-making is the most important handicraft industry, but it has suffered with the flight of rug makers during the civil war and since the 2001 US-led bombing campaign. Carpet-making is centered around the north and northwest regions of the country. Afghan carpets are made of pure wool and are hand-knotted, and women do much of the work. Production has fluctuated widely from year to year, increasing somewhat during the early 1990s with the establishment of selected "zones of tranquility" targeted for UN reconstruction assistance. Other handicrafts include felt-making and the weaving of cotton, woolen, and silk cloth. Wood and stone carving have been concentrated in the northeastern provinces, while jewelrymaking has been done in the Kabul area. The making of leather goods has also been a handicraft industry.

In 2004, industry was estimated to contribute 24.4% to the overall GDP (up from 20% in 1990) and to employ 10% of the working population; agriculture was considered to make up 37.2% of the GDP, and occupy 80% of the labor force; services provided work for 10% of the working population, and was represented with 38.3% in the GDP.

## 29 SCIENCE AND TECHNOLOGY

The Afghanistan Academy of Sciences, founded in 1979, is the principal scientific institution. As of 2002, it had about 180 members. Prospective members of the Academy must take a written exam, present samples of their work, and pass a proficiency exam in one of the official languages of the UN. Many Afghan scientists migrated to Europe, the United States, and Pakistan during 1970–2006. Under the Taliban, professors who did not teach Islamic studies were relieved of their duties.

The Department of Geology and Mineral Survey within the Ministry of Mines and Industries conducts geological and mineralogical research, mapping, prospecting and exploration.

The Institute of Public Health, founded in 1962, conducts public health training and research and study of indigenous diseases, has a Government reference laboratory, and compiles statistical data.

Kabul University, founded in 1932, has faculties of science, pharmacy, veterinary medicine, and geo-sciences. Its faculty numbers close to 200. The University of Balkh has about 100 faculty members. Bayazid Roshan University of Nangarhar, founded in 1962, has faculties of medicine and engineering, its faculty numbers close to 100. The Institute of Agriculture, founded in 1924, offers courses in veterinary medicine. Kabul Polytechnic College, founded in 1951, offers postgraduate engineering courses. Kabul Polytechnic was the site of the June 2002 Loya Jirga, and the international community spent over \$7 million to refurbish part of the campus for the assembly. Buildings on campus had suffered heavy bomb damage. During the 1990s, the campus was shelled and looted by *mujahedeen* groups, who fought amongst themselves for control of the capital. Boarding students studying under the rule of the Taliban lived in makeshift dormitories.

## 30 DOMESTIC TRADE

Kabul, Qandahār, Mazā-e-Sharif, and Herāt are the principal commercial cities of eastern, southern, northern, and western Afghanistan, respectively. The first two are the main distribution centers for imports arriving from the direction of Pakistan; the latter two, for materials arriving from Iran, Turkmenistan, Uzbekistan, and Tajikistan. Hours of business vary. The destruction of paved roads has severely constrained normal domestic trade in most rural parts of the country. Heavy fighting in Kabul completely destroyed the city's infrastructure.

## 31 FOREIGN TRADE

Although the Taliban had brought a repressive order to the 90% of the country under its rule, it was unable to gain international recognition nor did it attract foreign investment. Hyperinflation had increased the number of Afghani (the country's currency) needed to equal one US dollar, from 50 in the early 1990s to a virtually worthless 42,000 in 1999. On 7 October 2002, the first anniversary of the start of the US-led bombing campaign in Afghanistan, a new Afghan currency came into use. Also called the Afghani, the new notes were worth 1000 of the old notes, which

### Principal Trading Partners – Afghanistan (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	68.2	1,695.8	-1,627.6
Pakistan	45.6	35.3	10.3
Finland	7.1	...	7.1
Germany	5.7	7.2	-1.5
Saudi Arabia	4.3	14.4	-10.1
Belgium	2.1	0.5	1.6
Russian Federation	0.9	103.3	-102.4
United Arab Emirates	0.6	44.4	-43.8
India	0.5	25.4	-24.9
Yemen	0.5	...	0.5
Denmark	0.5	...	0.5

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

were phased out. The government will exchange the dostumi currency, which is used in northern Afghanistan and named after the region's warlord Abdul Rashid Dostum, into new Afghani at half the value of old Afghani. Around 1,800 tons of old Afghani were due to be burned or recycled.

The value of exports, including fruits and nuts, carpets, wool, cotton, hides and pelts, and gems totaled an estimated \$471 million in 2005 (not including illegal exports). Imports, including food, petroleum products, and most commodity items totaled an estimated \$3.87 billion in 2005.

In 2004, exports (not including illicit exports or re-exports) amounted to \$446 million; by 2005, the number had increased slightly, to \$471 million. Imports almost tripled in the period 2001–05, to \$3.87 billion. Carpets (47.5%), dried fruits (40.6%), fresh fruit (5.6%), medicinal plants (2.6%), and animal skins (1.2%) represented the bulk of exports, and they mainly went to Pakistan (which received 24% of the total), India (21.3%), the United States (12.4%), and Germany (5.5%). Imports primarily came from Pakistan (25.5%), the United States (8.7%), India (8.5%), Germany (6.5%), Turkmenistan (5.3%), Kenya (4.7%), South Korea (4.2%), and Russia (4.2%). Imports were machinery and equipment; household requisites and medicine; fabrics, clothing and footwear; food; and, chemical materials.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Between 1951 and 1973, Afghanistan's year-end international reserves were never lower than \$38 million nor higher than \$65 million. Development of the natural gas industry and favorable prices for some of the country's agricultural exports led to increases in international reserves, to \$67.5 million in 1974 and to \$115.4 million as of 31 December 1975. Exploitation of natural gas also freed Afghanistan from extreme dependence on petroleum imports and from the rapid increases in import costs that most countries experienced in 1973 and 1974. Increased trade in the late 1970s and 1980s resulted in a reduction of foreign exchange earnings, since trade surpluses are counted as a credit against future imports. Foreign exchange reserves declined from \$411.1 million at the close of 1979 to \$262 million as of 30 May 1987. Foreign exchange reserves were estimated at \$1.3 billion in 2004, up from \$426 million in 2002, and \$815 million in 2003. The public foreign debt in 1997 stood at \$5.49 billion. Reliable statistics are not available for the ensuing years. However, the current account balance was estimated to have gone from -\$2.3 billion in 2003, to -\$2.7 billion in 2004.

### 3<sup>3</sup> BANKING AND SECURITIES

The government central bank, the Bank of Afghanistan, was founded in 1939. In 1999, the UN Security Council passed a resolution placing the Bank of Afghanistan on a consolidated list of persons and entities whose funds and financial resources should be frozen, due to the fact that the bank was controlled by the Taliban regime. The Security Council agreed to remove the bank from the list upon a request from the Interim Administration of Afghanistan in January 2002.

All banks in Afghanistan were nationalized in 1975. In the early 1980s there were seven banks in the country, including the Agricultural Development Bank, the Export Promotion Bank, the In-

dustrial Development Bank, and the Mortgage and Construction Bank. There is no organized domestic securities market.

### 3<sup>4</sup> INSURANCE

The fate of the Afghan National Insurance Co., which covered fire, transport, and accident insurance, is unknown as of 2006.

### 3<sup>5</sup> PUBLIC FINANCE

The fiscal year ends 20 March. Budget breakdowns have not been available since 1979/80, when revenues totaled Af15,788 million and expenditures Af16,782 million. In 2002, the Interim and Transitional governing authorities were working with donor aid agencies to finance the rebuilding of Afghanistan's infrastructure and society. The Interim Administration was supported by the Asian Development Bank, the Islamic Development Bank, UNDP, and the World Bank. An Implementation Group was established to operate an Operational Costs Trust Fund for Afghanistan, to be effective when the UNDP Start-up Fund ceased, to cover expenditures normally financed by domestic revenue. The Operational Costs Trust Fund was scheduled to cease to operate when the situation in Afghanistan reached fiscal normality, when the government would be able to finance most or all of its own costs.

The US Central Intelligence Agency (CIA) estimated that in the fiscal year 2004/05 Afghanistan's central government took in revenues of approximately \$269 million and had expenditures of \$561 million. Revenues minus expenditures totaled approximately -\$292 million. Total external debt was \$8 billion.

### 3<sup>6</sup> TAXATION

In the early 1980s, direct taxes accounted for about 15% of government revenues. The share provided by indirect taxes declined from 42% to 30%, as revenues from natural gas and state enterprises played an increasing role in government finance. Tax collection, never an effective source of revenue in rural areas, was essentially disabled by the disruption caused by fighting and mass flight. Under the Taliban, arbitrary taxes, including those on humanitarian goods, were imposed.

In 2005 the government introduced an income (or wage) tax. Employers with two or more employees were required to pay 10% on annual income over about \$3,500 and 20% on income over about \$27,000.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Before the turmoil of the late 1970s, customs duties, levied as a source of revenue rather than as a protective measure, constituted more than one-fourth of total government revenue. Both specific and ad valorem duties of 20–35% were levied on imports. Other costs included service and Red Crescent charges; monopoly and luxury taxes; authorization and privilege charges, and a commission-type duty.

After the fall of the Taliban, Afghanistan's warlords collected customs duties for themselves rather than transferring the funds to the Interim and Transitional authorities in Kabul. In May 2002, it was estimated that \$6–7 million in customs duties were paid each month at Afghanistan's borders with Pakistan, Iran, and Uzbekistan, very little of which went into the government treasury.

### 38 FOREIGN INVESTMENT

A 1967 law encouraged investment of private foreign capital in Afghanistan, but under the PDPA government, Western investment virtually ceased. Between 1979 and 1987, the USSR provided technical and financial assistance on more than 200 projects, including various industrial plants, irrigation dams, agricultural stations, and a new terminal at the Kabul airport. After 1990, reconstruction investments from Russia, Japan, and the United States were channeled through the United Nations. The Taliban called for Western support to help reconstruct Afghanistan, but Western donors—already reluctant to support UN programs in the country—did not respond. After the fall of the Taliban, head-of-state Hamid Karzai invited foreign direct investment (FDI) in Afghanistan, first to reach the people in the provinces who required salaries and owed taxes, and then to invest in businesses that would lead to industrial and technological development.

One of the main policies of the government as of 2006 was to create a business-friendly environment and to attract foreign, as well as domestic, investments. Both national and international observers realized that the economy of Afghanistan could not be sustained long-term on the benefits of donor-led reconstruction, and the trickle down effects of the opium economy. At the opening of the Hyatt Hotel in Kabul in April 2004, President Hamid Karzai declared that “Afghanistan is open for business.”

The Afghan ministry of commerce calculated that between November 2003 and November 2004, \$351 million in FDI made its way into the country. The investment amount was relatively small, but was a positive sign that the economy was orienting itself in the right direction. Most of the investments came from Pakistan, Iran, China, the UAE, EU countries, and the United States.

### 39 ECONOMIC DEVELOPMENT

As of 2002, the World Bank was managing an Afghan Reconstruction Trust Fund (ARTF) to assist the Interim Administration in funding physical reconstruction projects, including in the health sector, as well as managing expenses such as salaries for state employees. The ARTF began in May 2002, as a joint proposal of the World Bank, the UN Development Program (UNDP), the Asian Development Bank, and the Islamic Development Bank. It was set up to streamline international support to Afghanistan by organizing aid pledges within a single mechanism. Contributions to the ARTF totaled more than \$60 million in the first year and were expected to exceed \$380 million over the four subsequent years. As of November 2002, pledges of funding for Afghanistan reached more than \$4.5 billion for the first 30 months.

The main growth engines of the Afghan economy are donor-led reconstruction, the opium business, agriculture, and carpeting. The first two cannot sustain the economy long-term, and Afghan policymakers faced a challenge to develop a strategy to grow other sectors of the economy. As of 2006, the country remained poor, landlocked, and dependent on farming, foreign aid, and trade with neighboring countries. Much of the population continued to live in abject conditions (without access to housing, clean water, energy, or medical care), and the labor market was far from dynamic. Its attractive 28-million person market was offset by the lack of good infrastructure, and by security problems that

still loom outside Kabul. Policymakers were hopeful however, that political stability would enable the economy thrive and grow.

### 40 SOCIAL DEVELOPMENT

Social welfare in Afghanistan has traditionally relied on family and tribal organization. In the villages and small towns, a tax to benefit the poor is levied on each man. Social welfare centers in the provincial capitals exist to care for disabled people, but these are able to assist only a small number of those in need. Most other welfare activities are still unorganized and in private hands. In the early 1990s, a social insurance system provided old age, disability, and survivors' pensions; sickness and maternity benefits; and workers' compensation.

Traditionally, women had few rights in Afghanistan, with their role limited largely to the home and the fields. Advances in women's rights were made from 1920 onward, and by the 1970s, women were attending school in large numbers, were voting, and held government jobs—including posts as cabinet ministers, and were active in the professions. The victory of the extremely conservative Taliban in 1996 reversed this trend. Strict limits on the freedoms of women were put in place. Under the constitution of 2004, the government provided for freedom of speech, the press, assembly, association, religion, and movement; however, serious problems remained in the area of human rights. Although the rule of law applied throughout the country, in practice its recognition was limited.

Violence, including rape and kidnapping, and societal discrimination against women and minorities persisted. Terrorist attacks and extreme violence continued. Extrajudicial and unlawful killings by the government or its agents and police still occurred. Civilians were killed as rebel forces battled. Torture and excessive use of force were reported. Detention conditions were inadequate.

With the end of the Taliban, women and girls were permitted to attend schools and universities, and the enforced wearing of the burka was ended. Men were allowed to shave, music and television were permitted, and a host of Taliban-imposed restrictions on society ended. Many women continued to wear the burka, or chadri, out of tradition, but also due to fear of harassment or violence. Reports claimed that trafficking in women and children for forced labor, prostitution, and sexual exploitation was increasing. The country was both a source and transit point for trafficking. Trafficking victims faced societal discrimination, especially with regard to sexual exploitation. There are no child labor laws or other legislation to protect child abuse victims. The law criminalizes homosexual activity.

Women in urban areas regained some measure of rights to public life, however lack of education under Taliban rule restricted employment possibilities. On the other hand, in 2004 regulations changed to allow married women to attend high school classes. Certain other restrictions on women were lifted in 1998. Women were allowed to work as doctors and nurses (as long as they treated only women) and were able to attend medical schools. Yet, women were denied adequate medical care due to the societal barriers discouraging them from seeking care from male health workers. Widows with no means of support were allowed to seek employment.

## 41 HEALTH

Starvation, disease, death, war, and migration had devastating effects on Afghanistan's health infrastructure in the 1990s. According to the World Health Organization, medication was scarce. Even before the war disrupted medical services, health conditions in Afghanistan were inadequate by western standards.

In 2004, there were an estimated 18 physicians per 100,000 people. In addition, there were fewer than 3 pharmacists, 3 dentists, and 22 nurses per 100,000 population that year. Approximately only 29% of the population had access to health services. Few people had access to safe water and adequate sanitation.

In 2005, estimated life expectancy was 42.9 years—one of the lowest in the world—and infant mortality was estimated at 163.07 per 1,000 live births, which gives the country the world's second-highest mortality rate for infants. The maternal mortality rate in 2002 was one of the highest in Central Asia, with 1,600 maternal deaths per 100,000 live births. The death rate in 2002 was 17 per 1,000 people. In 2002, some 80,000 children a year were dying of diarrheal disease. From 1978 to 1991, there were over 1.5 million war-related deaths. It is estimated that 3,767 civilians died because of US bombs in Afghanistan in the period 7 October–7 December 2001. Approximately 300–400 civilians were killed in the period October 2001–July 2002.

As of 2002, Afghanistan had an average of four hospital beds for every 10,000 people. Most of the country's facilities are in Kabul, and those needing treatment must traverse the countryside to get there. Health care was being provided primarily by the international community. Some military field hospitals were set up as a result of the US-led coalition war. There are some medical facilities supported by the Red Cross operating in the country. In 24 of 31 provinces there are no hospitals or medical staff.

## 42 HOUSING

According to an official report, there were 200,000 dwellings in Kabul in the mid-1980s. The latest available figures for 1980–88 show a total housing stock of 3,500,000 with 4.4 people per dwelling. However, years of conflict have caused severe damage to the housing stock. In 2003, UN-Habitat reported that about 26% of all housing had been destroyed or seriously damaged. About 20–25% of the population did not have access to piped supplies of safe water and about 84% of the population had no sanitary toilets.

The UN High Commissioner for Refugees (UNHCR) has been the leader in providing homes and shelter for returning Afghan refugees, internally displaced persons, and the extremely poor. From 2002–04, over 100,000 rural homes were built through the collaboration of UNHCR and the Afghan Ministry of Refugees and Repatriation. Others funding housing development included the UN Development Program, the International Organization for Migration, and CARE International, while the agencies implementing the programs are the Ministry for Rural Rehabilitation and Development (MRRD) in Afghanistan, the United Nations Human Settlement Program (HABITAT), the International Rescue Committee (IRC), and an assortment of international and local nongovernmental organizations (NGOs).

Houses in farming communities are built largely of mud brick and frequently grouped within a fortified enclosure, to provide protection from marauders. The roofs are flat, with a coating of

mixed straw and mud rolled hard above a ceiling of horizontal poles, although in areas where timber is scarce, separate mud brick domes crown each room. Cement and other modern building materials are widely used in cities and towns. Every town has at least one wide thoroughfare, but other streets are narrow lanes between houses of mud brick, taller than those in the villages and featuring decorative wooden balconies.

## 43 EDUCATION

At the last estimates, the adult literacy rate was about 36% for the total population—51% for males and 21% for females. Education is free at all levels. The primary education program covers six years. The secondary education (middle school and high school) includes another six-year program. About 29% of school-aged children are enrolled at the primary level. About 14% of all appropriately aged children are enrolled in secondary programs. Vocational training is provided in secondary schools and senior high schools, and approximately 6% of students are enrolled in the vocational system. Theoretically, education is compulsory for six years. The new constitution proposed to change the standard to nine years of compulsory education.

Boys and girls are schooled separately. In 2003, the average pupil to teacher ratio for primary school was 61:1. Children are taught in their mother tongue, Dari (Persian) or Pashtu (Pashto), during the first three grades; the second official language is introduced in the fourth grade. Children are also taught Arabic so that they may be able to read the Koran (Quran). The school year extends from early March to November in the cold areas and from September to June in the warmer regions.

In addition to the secular public education system, the traditional Islamic madrassa school system is functioning. At the madrassas, children study the Koran, the Hadith (Sayings of the Prophet Muhammad), and popular religious texts.

All teachers have civil service status. The educational system is totally centralized by the state.

The University of Kabul, which is now coeducational, was founded in 1932. In 1962, a faculty of medicine was established at Jalālābād in Nangarhar Province; this faculty subsequently became the University of Nangarhar. In January 2006, there were at least eight universities and three other institutes of higher education. An estimated 1,000 women throughout Afghanistan participated in university entrance examinations in 2002.

## 44 LIBRARIES AND MUSEUMS

For centuries, manuscript collections were in the hands of the rulers, local feudal lords, and renowned religious families. Printing came fairly late to Afghanistan, but with the shift from the handwritten manuscript to the printed book, various collections were formed. Kabul Central Library is a public library (1920) with 60,000 volumes. The Khairkhona Library is the only other public library in Kabul. The library of the University of Kabul has about 250,000 volumes. There is a library at Kabul Polytechnic University with 6,000 volumes. A government library, at the ministry of education also in Kabul, houses 30,000 volumes. As of 2005, there were six provincial libraries, but in various stages of repair and reconstruction.

Prior to the devastating civil war, the Kabul Museum (founded in 1922) possessed an unrivaled collection of stone heads, bas-re-

iefs, ivory plaques and statuettes, bronzes, mural paintings, and Buddhist material from excavations at Hadda, Bamian, Bagram, and other sites. It also contained an extensive collection of coins and a unique collection of Islamic bronzes, marble reliefs, Kushan art, and ceramics from Ghaznī. During several decades of warfare, however, the museum was plundered by various armed bands, with much of its collection sold on the black market or systematically destroyed. In March 2001, the Taliban dynamited the Bamiyan Buddhas and sold the debris and the remains of the original sculpture. Small statues of the Buddhas in Foladi and Kakrak were destroyed. Most of the statues and other non-Islamic art works in the collections of the Kabul Museum were destroyed, including those stored for security reasons in the ministry of information and culture.

UNESCO has undertaken a plan to conserve the archaeological remains and the minaret at Jam, and to make it a World Heritage site. The minaret was built at the end of the 12th century and, at 65 m (215 ft) is the second-tallest in the world after the Qutub Minaret in New Delhi, India.

The National Archives of Afghanistan in Kabul was established in 1973. Holdings include government documents and ancient books, the most important being a 500-year-old Koran. Also in Kabul is the Kabul University Science Museum, with an extensive zoological collection and a museum of pathology. There are provincial museums at Bamyan, Ghaznī, Herāt, Mazār-e Sharif, Maimana, and Qandahār. Major religious shrines have collections of valuable objects.

#### 45 MEDIA

Limited telephone service to principal cities and some smaller towns and villages is provided by the government. In 2003, there were an estimated 2 mainline telephones for every 1,000 people. The same year, there were approximately 10 mobile phones in use for every 1,000 people. In 2004, the CIA reported that there were 50,000 main phone lines and 600,000 cellular mobile phone lines in use (about 3 out of every 10 Afghans had a cellular phone). In 2005, four wireless telephone service providers were licensed.

The media in Afghanistan was severely restricted by the Taliban. Since the fall of that regime, freedom of expression has been provided for in the constitution. However, a 2002 press law contained an injunction against information that would be considered insulting to Islam and, while an independent media is beginning to grow, as of 2004, the state owned at least 35 publications and a majority of the electronic media.

The first television broadcast took place in 1978. There are at least 10 television stations, with the main central station in Kabul being operated by the government. In 2004, there were at least 40 radio broadcast stations (approximately equal numbers of AM and FM), with programming available in Pashtu, Afghan Persian (Dari), Urdu, and English. In 2003, there were an estimated 114 radios and 14 television sets for every 1,000 people. On 12 September 2004 the first independent radio station established entirely by private sector funds was inaugurated in Ghaznī province.

In 2004, there were approximately 300 publications in the country. Mazār-e Sharif alone had an estimated 50 publications. Major newspapers, all headquartered in Kabul, (with estimated 1999 circulations) are *Anis* (25,000), published in Dari and Pashto; *Hewad* (12,200), and *New Kabul Times* (5,000), in English. In January

2002, the independent newspaper *Kabul Weekly* began publishing again, after having disappeared during the period when the Taliban was in power. The first issue carried news in Dari, Pashto, English, and French.

News agencies include the state-operated Bakhtar News Agency and the privately owned Pajhwok Afghan News, Hindokosh, and Afghan Islamic Press.

In 2005, there were 25,000 people with Internet access.

#### 46 ORGANIZATIONS

Afghanistan has over 2,300 registered nongovernmental organizations and approximately 300 registered social organizations. Organizations to advance public aims and goals are of recent origin and most are sponsored and directed by the government.

The National Fatherland Front, consisting of tribal and political groups that support the government, was founded in June 1981 to bolster the People's Democratic Party of Afghanistan (PDPA) regime and to promote full and equal participation of Afghan nationals in state affairs. The Revolutionary Association of the Women of Afghanistan (RAWA), established in Kabul in 1977, is an independent political organization of Afghan women focusing on human rights and social justice.

With political changes in the country throughout the past decade, a number of new women's groups have developed. The Women's Welfare Society carries on educational enterprises, provides training in handicrafts, and dispenses charitable aid, while the Maristun, a social service center, looks after children, men, and women while teaching them crafts and trades. These include the Afghan Women Social and Cultural Organization (AWSCO, est. 1994), the Afghan Women's Educational Center (AWEC, est. 1991), the Afghan Women's Network (AWN, est. 1995), the Educational Training Center for Poor Women and Girls of Afghanistan (ECW, est. 1997), the New Afghanistan Women Association (est. 2002 as a merger of the Afghan Women Journalist Association and the Afghan Feminine Association), and the World Organization for Mutual Afghan Network (WOMAN, est. 2002).

The Union of Afghanistan Youth is a national nongovernment organization representing the concerns of the nation's youth and young adults in the midst of transition and reconstruction. The organization serves as a multiparty offshoot of the Democratic Youth Organization of Afghanistan (DYOA), which has worked closely with the People's Democratic Party of Afghanistan. Though the Scouting Movement of Afghanistan was disbanded in 1978, the World Organization of the Scout Movement (WOSM) began conducting seminars in July 2003 to encourage and support the rebirth of scouting programs. There are a number of sports organizations throughout the country, including those for football (soccer), tennis, cricket, and track and field; many of these are linked to international organizations.

The Red Crescent, the equivalent of the Red Cross, is active in every province, with a national chapter of Red Crescent Youth also active. Afghanistan also hosts chapters of Habitat for Humanity and HOPE Worldwide.

An institute, the Pashto Tolanah, promotes knowledge of Pashto literature, and the Historical Society (Anjuman-i-Tarikh) amasses information on Afghan history. The Afghan Carpet Exporters' Guild, founded in 1987, promotes foreign trade of Afghan carpets and works for the improvement of the carpet industry.

#### 47 TOURISM, TRAVEL, AND RECREATION

The tourism industry, developed with government help in the early 1970s, has been negligible since 1979 due to internal political instability. A passport and visa are required for entrance into Afghanistan. In 1999, the UN estimated the daily cost of staying in Kabul at \$70. Approximately 61% of these costs were estimated to be the price of a room in a guesthouse. Travel was highly restricted in the country due to the US-led campaign against the Taliban and al-Qaeda.

#### 48 FAMOUS AFGHANS

The most renowned ruler of medieval Afghanistan, Mahmud of Ghazni (971?–1030), was the Turkish creator of an empire stretching from Ray and Isfahan in Iran to Lahore in India (now in Pakistan) and from the Amu Darya (Oxus) River to the Arabian Sea. Zahir ud-Din Babur (1483–1530), a Timurid prince of Ferghana (now in the former USSR), established his base at Kabul and from there waged campaigns leading to the expulsion of an Afghan ruling dynasty, the Lodis, from Delhi and the foundation of the Mughal Empire in India.

Many eminent figures of Arab and Persian intellectual history were born or spent their careers in what is now Afghanistan. Al-Biruni (973–1048), the great Arab encyclopedist, was born in Khiva but settled in Ghazni, where he died. Abdul Majid Majdud Sana'i (1070–1140), the first major Persian poet to employ verse for mystical and philosophical expression, was a native of Ghazni. Jalal ud-Din Rumi (1207–73), who stands at the summit of Persian poetry, was born in Balkh but migrated to Konya (Iconium) in Turkey. The last of the celebrated Persian classical poets, Abdur Rahman Jami (1414–92), was born in Khorasan but spent most of his life in Herat. So did Behzad (1450?–1520), the greatest master of Persian painting.

The founder of the state of Afghanistan was Ahmad Shah Abdali (1724–73), who changed his dynastic name to Durrani. He conquered Kashmir and Delhi and, with his capital at Qandahar, ruled over an empire that also stretched from the Amu Darya to the Arabian Sea. Dost Muhammad (1789–1863) was the founder of the Muhammadzai (Barakzai) dynasty. In a turbulent career, he both fought and made peace with the British in India, and unified the country. His grandson, Abdur Rahman Khan (1844–1901), established order after protracted civil strife. Amanullah Khan (1892–1960), who reigned from 1919 to 1929, tried social reforms aimed at Westernizing the country but was forced to abdicate. Muhammad Nadir Shah (d.1933), who was elected king

by a tribal assembly in 1929, continued Amanullah's Westernization program. His son, Muhammad Zahir Shah (b.1914), was king until he was deposed by a coup in July 1973. Lieut. Gen. Sardar Muhammad Daoud Khan (1909–78), cousin and brother-in-law of King Zahir, was the leader of the coup and the founder and first president of the Republic of Afghanistan. Leaders in the violent years after the 1978 "Saur Revolution" were Nur Muhammad Taraki (1917–79), founder of the People's Democratic Party of Afghanistan (PDPA); Hafizullah Amin (1929–79), Taraki's successor as president of the Revolutionary Council and secretary-general of the PDPA; Babrak Karmal (1929–96), leader of the pro-Soviet Parcham group of the PDPA and chief of state from December 1979 until May 1986; and Dr. Mohammad Najibullah (1947–96), former head of the Afghan secret police who was brutally executed by the Taliban militia after they seized control of Kabul. Ahmed Shah Massoud (1953?–2001) played a leading role in driving the Soviet Union out of Afghanistan; after the rise of the Taliban, he became the military leader of the Northern Alliance. Massoud was the victim of a suicide attack two days before the 11 September 2001 terrorist attacks on the United States; some speculate Osama bin Laden had a hand in his assassination, to ensure the protection and cooperation of the Taliban. Hamid Karzai (b.1957) is the first democratically elected president of Afghanistan. Karzai worked to overthrow the Taliban. After the regime's demise in 2001, Karzai became the chairman of the transnational administration and interim president until his election in the first direct election in the country, held in 2004.

#### 49 DEPENDENCIES

Afghanistan has no territories or colonies.

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# AUSTRALIA

Commonwealth of Australia



**CAPITAL:** Canberra

**FLAG:** The flag has three main features: the red, white, and blue Union Jack in the upper left quarter, indicating Australia's membership in the Commonwealth of Nations; the white five-star Southern Cross in the right half; and the white seven-pointed federal star below the Union Jack. The flag has a blue ground. Of the five stars of the Southern Cross, four have seven points and one has five points.

**ANTHEM:** *God Save the Queen* is reserved for regal and state occasions and whenever singing is appropriate; the national tune is *Advance Australia Fair*.

**MONETARY UNIT:** The Australian dollar (A\$) is a paper currency of 100 cents. There are coins of 5, 10, 20, and 50 cents and 1 and 2 dollars, and notes of 5, 10, 20, 50 and 100 dollars. A\$1 = US\$0.76336 (US\$1 = A\$1.31) as of 2005.

**WEIGHTS AND MEASURES:** Metric weights and measures are used. The Australian proof gallon equals 1.37 US proof gallons.

**HOLIDAYS:** New Year's Day, 1 January; Australia Day, last Monday in January; Anzac Day, 25 April; Queen's Birthday, second Monday in June; Christmas, 25 December; Boxing Day, 26 December. Numerous state holidays also are observed. Movable religious holidays include Good Friday, Easter Saturday, and Easter Monday.

**TIME:** Western Australia, 8 PM = noon GMT; South Australia and Northern Territory, 9:30 PM; Victoria, New South Wales, Queensland, and Tasmania, 10 PM. Summer time is 1 hour later in all states except Western Australia, Queensland, and the Northern Territory.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Lying southeast of Asia, between the Pacific and Indian oceans, Australia, the world's smallest continent, is almost completely surrounded by ocean expanses. Australia is slightly smaller than the United States, with a total area of 7,686,850 sq km (2,967,909 sq mi). The five mainland states are New South Wales, 801,600 sq km (309,500 sq mi); Queensland, 1,727,200 sq km (666,900 sq mi); South Australia, 984,000 sq km (379,900 sq mi); Victoria, 227,600 sq km (87,900 sq mi); and Western Australia, 2,525,500 sq km (975,100 sq mi). The island state of Tasmania has an area of 67,800 sq km (26,200 sq mi); the Northern Territory, 1,346,200 sq km (519,800 sq mi); and the Australian Capital Territory, 2,400 sq km (900 sq mi). The country, including Tasmania, extends about 4,000 km (2,500 mi) E–W and 3,180 km (1,980 mi) N–S.

Australia is bounded on the N by the Timor and Arafura seas, on the NE by the Coral Sea, on the E by the Pacific Ocean, on the SE by the Tasman Sea, and on the S and W by the Indian Ocean, with a total coastline of 25,760 km (16,007 mi). Neighboring areas include Irian Jaya (part of Indonesia) and Papua New Guinea to the north, New Zealand to the southeast, and Indonesia to the northwest.

Australia's capital city, Canberra, is located in the southeastern part of the country.

## <sup>2</sup>TOPOGRAPHY

The continent of Australia is divided into four general topographic regions: (1) a low, sandy eastern coastal plain; (2) the eastern highlands, ranging from 300 to more than 2,100 m (1,000–7,000 ft) in altitude and extending from Cape York Pen-

insula in northern Queensland southward to Tasmania; (3) the central plains, consisting largely of a north-south series of drainage basins, including the Great Artesian Basin, which underlies about 1,751,480 sq km (676,250 sq mi) of territory and is the most extensive area of internal drainage in the world; and (4) the western plateau, covered with great deserts and "bigger plains" (regularly spaced sand ridges and rocky wastes), rising 300 to 600 m (1,000–2,000 ft) high and constituting most of the western half of the continent.

Australian mountains have eroded over recent geological periods, and only about 6% of the continent is above 600 m (2,000 ft); the average elevation is less than 300 m (1,000 ft). The highest point is Mt. Kosciuszko, 2,228 m (7,310 ft), in the Australian Alps of the southeastern corner of New South Wales; the lowest point is Lake Eyre in South Australia, 15 m (49 ft) below sea level. In 1983, grains of rock from Western Australia were dated at 4.1–4.2 billion years old, making them the oldest ever found on earth.

The most important river system, and the only one with a permanent, year-round flow, is formed by the Murray, Darling, and Murrumbidgee rivers in the southeast. The Murray River, Australia's largest, rises in the Australian Alps of New South Wales and flows some 2,600 km (1,600 mi) west and southwest to empty into the sea below Adelaide, South Australia. Several other rivers are important, but for the most part they carry great amounts of water in the wet season and are dry for the rest of the year. The largest lakes have no outlet and are usually dry. The coastline is smooth, with few bays or capes. The two largest sea inlets are the Gulf of Carpentaria in the north, between Arnhem Land and the Cape York Peninsula, and



the Great Australian Bight in the south. The Great Barrier Reef, the longest coral reef in the world, extends for about 2,000 km (1,243 mi) off the east coast of Queensland.

### 3 CLIMATE

Although it has a wide diversity of climatic conditions, Australia is generally warm and dry, with no extreme cold and little frost, its temperatures ranging from comfortably mild in the south to hot in the central interior and north. July mean temperatures average 9°C (48°F) in Melbourne in the southeast and 25°C (77°F) in Darwin in the north. January mean temperatures average 20°C (68°F) in Melbourne and 30°C (86°F) in Darwin. Summer readings often reach 38°C (100°F) or more in almost any area of the continent and may exceed 46°C (115°F) in interior regions. Winds are light to moderate, except along the coasts, where severe cyclones have occurred. On 25 December 1974, a cyclone and flood devastated most of Darwin; at least 49 people were killed, and some 20,000 were left homeless.

The continent is subject to great variations in rainfall, but except for a few areas rainfall is insufficient, and the rate of evaporation is high. Mean annual rainfall is 42 cm (17 in), much less than the world mean of 66 cm (26 in). About 18% of the land area is desert. Only about 20% has more than 76 cm (30 in) of rain annually, but these areas suffer from a long dry season, while others have too much rain. Only Tasmania, Victoria, and parts of New South Wales have enough rainfall all year round. Droughts and floods occur irregularly but frequently over large areas. Drought conditions became very severe in the early 1980s, leading to dust storms, fires, and multibillion-dollar crop losses. Again in 1994–95, a severe drought devastated eastern agricultural regions.

### 4 FLORA AND FAUNA

Many distinctive forms of plant and animal life are found, especially in the coastal and tropical areas. There are some 500 species of eucalyptus and 600 species of acacia (wattle). Other outstanding trees are the baobab, blackwood, red cedar, coachwood, jarrah, Queensland maple, silky oak, and walnut. Native trees shed bark instead of leaves. Numerous types of wild flowers grow in the bush country, including boronia, Christmas bush, desert pea, flanner flower, Geraldton wax plant, kangaroo paw, pomaderris, and waratah. There are 470 varieties of orchids. About 200 kinds of mammals, 200 kinds of lizards, and 350 kinds of birds are indigenous. Apart from marsupials (bandicoots, kangaroos, koalas, possums, Tasmanian devils, tree kangaroos, and wallabies), the most unusual animals are the dingo, echidna, flying fox (fruit bat), platypus, and wombat. Birds include the aninga, bellbird, bowerbird, cassowary, emu, galah, kookaburra (laughing jackass), lyrebird, fairy penguin, rosella, and many types of cockatoos, parrots, hawks, and eagles.

Many species of trees, plants, and domestic animals have been imported, often thriving at the expense of indigenous types. Herds of wild buffalo, camels, donkeys, horses, and pigs, descendants of stock that strayed from herds imported by pioneers, roam the sparsely settled areas. The proliferation of rabbits resulted in a menace to sheep, and in 1907, a thousand-mile-long fence was built to keep rabbits out of Western Australia. Subsequently, a similar fence was erected in the east to prevent the incursion of dingos.

### 5 ENVIRONMENT

The principal government institutions responsible for environmental matters are the Department of Home Affairs and Environment, the Australian Environment Council, and the Council of Nature Conservation Ministers. A national conservation strategy, developed by the states, the Northern Territory, and the federal government, in cooperation with the International Union for the Conservation of Nature and Natural Resources, the World Wildlife Fund, and the UNEP, became national policy in 1980.

The Environment Protection (Impact of Proposals) Act of 1974 establishes procedures for ensuring that environmental impact is considered in governmental decision making. The Whale Protection Act of 1981 prohibits killing, capturing, injuring, or interfering with a whale, dolphin, or porpoise within Australia's 200 mi economic zone or, beyond the zone, by Australian vessels and aircraft and their crews. The Environment Protection (Nuclear Codes) Act of 1978 mandates the development of uniform safety standards for uranium mining and milling and for the transport of radioactive materials. The Protection of the Sea (Discharge of Oil from Ships) Act of 1981 and the Protection of the Sea (Prevention of Pollution from Ships) Act of 1983 prevent or limit pollution from oil or noxious substances.

Water being a scarce resource in Australia, problems of water quality and availability are a constant concern. As of 2001, the country had only 352 cu km of renewable water resources, although safe drinking water was available to all urban and rural dwellers. A cause for concern has been the increased salinity in the Murray Valley, caused by diverting water inland from the coast for irrigation, as well as the rise in saline water tables in Western Australia, due to excessive land clearing for dry-land farming. Another significant environmental problem is inland damage due to soil erosion. The quality of the soil is also affected by salinization. In the mid-1990s Australia was among the top 20 world producers of carbon dioxide emissions from industry, which totaled 267.9 million tons per year, or 15.24 tons per capita. In 2000, the country produced 344.8 million metric tons of carbon dioxide emissions.

As of 2000, about 20% of the total land area of Australia was forested. The country has the third most extensive mangrove area in the world, covering over one million ha. In 2003, about 13% of the total land area was protected, including 11 natural UNESCO World Heritage Sites and 64 Ramsar wetland sites.

In 2002, there were about 252 species of mammals, 497 species of birds, and over 15,500 species of higher plants. According to the 2004 IUCN Red List Report, the number of threatened species included 63 types of mammals, 60 species of birds, 38 types of reptiles, 47 species of amphibian, 74 species of fish, 176 types of mollusks, 107 other invertebrates, and 56 species of plants. Endangered species include the banded anteater, greater rabbit-eared bandicoot, Leadbeater's opossum, northern hairy-nosed wombat, woylie, bridled nail-tail wallaby, five species of turtle (western swamp, green sea, hawksbill, leatherback, and olive ridley), Tasmanian freshwater limpet, granulated Tasmanian snail, African wild ass, western ground parrot, paradise parakeet, helmeted honey eater, noisy scrub-bird, western rufous bristlebird, Lord Howe wood rail, Lord Howe currawong, small hemiphysalis damselfly, Otway stonefly, giant torrent midge, and Tasmanian torrent midge. Lord Howe stick insect, Gray's marble toadlet, the dusky



LOCATION: (including Tasmania) 113°09' to 153°39' E; 10°41' to 43°39' S. TERRITORIAL SEA LIMIT: 3 miles.

NOTE: Dotted outlines indicate lake beds that are dry except during rainy seasons.

flying fox, the Tasmanian wolf, and the banded hare wallaby are among the country's 42 extinct species.

## 6 POPULATION

The population of Australia in 2005 was estimated by the United Nations (UN) at 20,351,000, which placed it at number 52 in population among the 193 nations of the world. In 2005, approximately 13% of the population was over 65 years of age, with an

other 20% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–2010 was expected to be 0.6%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 24,233,000. The population density was 3 per sq km (7 per sq mi).

The UN estimated that 91% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate

of 1.11%. The capital city, Canberra, had a population of 373,000 in that year.

The 2005 population totals of the six state capitals were estimated as follows: Sydney, New South Wales, 4,388,000; Melbourne, Victoria, 3,663,000; Brisbane, Queensland, 1,769,000; Perth, Western Australia, 1,484,000; Adelaide, South Australia, 1,137,000; and Hobart, Tasmania, 202,138. Four other large cities are Newcastle, New South Wales, 494,400; Gold Coast, Queensland, 469,214; Wollongong, New South Wales, 274,072; and Geelong, Victoria, 190,000.

One-third of Australia is virtually uninhabited; another third is sparsely populated. The total population is quite small compared to the large land mass. Most of the cities are located in the east and southeast, with many inhabitants living on the coast.

## **7** MIGRATION

After World War II, the government promoted immigration of the maximum number of persons Australia could absorb without economic disequilibrium. In 1979, however, with the unemployment rate rising, the government tightened immigration requirements so that Australians would not lose jobs to the newcomers. Under the new system, assessments of applications are based on such factors as age, skills, and family ties, with priority given to reunion of families sponsored by Australian residents. In 2001, the Migration Program allowed 80,610 entry visas, most granted under the family and skill based categories.

Most of the 4.2 million immigrants to Australia between 1945 and 1985 were from the United Kingdom, Italy, and Greece. The government encouraged immigrants of working age to settle in rural areas, but many immigrants preferred to work in the cities. The record high for new settlers was 185,099, in 1969–70. The number of permanent settlers arriving in 1991 was 116,650, up from a postwar low of 52,748 in 1975–76. From World War II to 1991, over 460,000 refugees settled in Australia. These included more than 130,000 Indochinese. In 2003–2004 citizenship was granted to 788 onshore applications, the largest numbers granted to Iranians, Chinese, and Iranians, respectively. In 2003, the foreign labor force was 24.9% of the total labor force.

As of the end of 2004, Australia had 63,476 refugees and 5,022 asylum-seekers, primarily from Afghanistan, Iraq, China, and Serbia and Montenegro. The majority of illegal immigrants are those who entered the country legally but remained beyond the expiration of their visas. From mid-year 2003 to mid-year 2004 there were 50,900 overstayers. The government is undertaking more stringent measures to identify and remove illegal aliens. Australia has also set up programs to assist the integration of migrants and refugees by providing services and education.

As of 2005 the estimated net migration rate was 3.91 per thousand. The government views the migration levels as satisfactory.

## **8** ETHNIC GROUPS

Most Australians are of British or Irish ancestry. In 2005, approximately 92% of the population was Caucasian. The Asian-born population tally stood at 7% while aboriginal and other groups comprised only 1% of the population.

After the coming of the Europeans, the aboriginal population declined drastically, from about 300,000–1,000,000 to some 60,000 by the early 1920s. By the 1950s, however, the decline was reversed.

In the 1991 census 265,492 people identified themselves as being of aboriginal or Torres Strait Islander origin, or 1.5% of the population. (Of these, the latter numbered 26,902.) Many of them live in tribal conditions on government reservations in the north and northwest; some 39,918 were in the Northern Territory in the 1991 census and 41,792 in Western Australia. Queensland had 70,130, and New South Wales, 70,020. Their social organization is among the most complex known to anthropologists. They do not cultivate the soil but are nomadic hunters and food gatherers, without settled communities. Anthropologists believe the aboriginals, also known as Australoids, are relatively homogeneous, although they display a wide range of physical types. Their serological, or blood-group, pattern is unique, except for a faint affinity with the Paniyan of southern India and the Veddas of Sri Lanka. The aboriginals probably originated from a small isolated group subject to chance mutation but not to hybridization. There seems to be a sprinkling of Australoid groups in India, Sri Lanka, Sumatra, Timor, and New Guinea. In 1963, aboriginals were given full citizenship rights, although as a group they continued to suffer from discrimination and a lower living standard than European Australians generally.

Beginning in the 1960s, the government abandoned its previous policy of “assimilation” of the aboriginals, recognizing the uniqueness of aboriginal culture and the right of the aboriginals to determine their own patterns of development. From the passage of the Aboriginal Land Rights (Northern Territory) Act in 1976 to mid-1990, aboriginals in the Northern Territory were given ownership of about 34% of territorial lands (461,486 sq km or 178,180 sq mi). The South Australia state government and its aboriginals also signed a land-rights agreement, and similar legislation was developed in other states during the 1980s. In all, aboriginals held 647,772 sq km (250,104 sq mi) of land under freehold in mid-1989 and another 181,800 sq km (70,193 sq mi) under leasehold. A reservation in Western Australia consisted of 202,223 sq km (78,078 sq mi). By the mid-1990s, however, more than two-thirds of the aboriginals had left rural lands to settle in urban areas.

## **9** LANGUAGES

According to a 2001 census, about 79% of the population speaks English. Chinese is spoken by about 2% of the population and Italian is spoken by another 2%. About 11% listed other languages and nearly 6% of respondents were unspecified.

Many languages or dialects are spoken by the aboriginal tribes, but phonetically they are markedly uniform. There is no written aboriginal language, but the markings on “letter sticks,” sometimes carried by messengers from one tribe to another, are readily understood by tribal headmen. Aboriginal languages are in use in certain schools in the Northern Territories and, to a lesser extent, in schools of other states.

## **10** RELIGIONS

According to the 2001 census, 67% of citizens were nominally Christians, including 26% Roman Catholic and 20% Anglican. About 15% of Australians consider themselves to have no religion, an increase of over 35% from 1991. About 2% of the population were Buddhist, 1.5% Muslim, and less than 1% were Hindu and Jewish. A 1996 census indicated that almost 72% of Aborigines

practiced some form of Christianity with indigenous beliefs. The 2001 census did not provide comparable updated information.

Constitutionally, there can be no state religion or state aid to any religion; the exercise of any religion cannot be prohibited, and a religious test as qualification for public office is forbidden. However, in a 1998 report on freedom of religion in Australia by the federally funded but independent Human Rights and Equal Opportunity Commission (HREOC), the Commission reported that many Australians have complained that the dominance of Christianity has marginalized large numbers of citizens in public life. Since then the HREOC and a Parliamentary Committee have been working on antidiscrimination measures and legislation. Though the HREOC recommended that the government enact a specific federal religious freedom act, the government refused to do so in 2002.

Organizations promoting tolerance and mutual understanding between faiths include the Columbian Center for Christian-Muslim Relations, the National Council of Churches in Australia, and the Australian Council of Christians and Jews.

## <sup>11</sup>TRANSPORTATION

As of 2004, Australia's total railway trackage (both government and private) totaled 54,439 km (33,861 mi) of which 33,819 km (21,015 mi) was government owned as of 2002. Private railways are primarily used by the iron ore industry in Western Australia. Australia's railway systems do not interconnect well because the system is made up of three track gauges: standard (1.435-m); broad (1.600-m); and narrow (1.067-m). Of the three, the majority is standard gauge with 34,110 km (21,216 mi) of track, followed by narrow gauge track at 14,895 km (9,265 mi), and by broad gauge at 5,434 km (3,380 mi). As a result, rail travel between principal cities can involve changing trains. Modern equipment is gradually replacing older stock. As of August 1991, all interstate freight movements by rail were brought under the control of the National Rail Corporation (NRC).

Inland water transport is limited to about 2,000 km (1,241 mi) of navigable waterways, mainly on the Murray and Murray-Darling river systems, and is mostly used for recreational purposes. However, ocean shipping is important for domestic and overseas transport. Most overseas trade is carried in non-Australian ships, while most coastwise vessels are of Australian registry. Although the fine natural harbors of Sydney and Hobart can readily accommodate ships of 11 m (36 ft) draft, many other harbors have been artificially developed. Other international shipping ports include Adelaide, Brisbane, Cairns, Darwin, Devonport, Fremantle, Geelong, Launceston, Mackay, Melbourne, and Townsville. All main ports have ample wharfage, modern cargo-handling equipment, and storage facilities. There are some 70 commercially significant ports. The nation's merchant marine in 2005 included 55 vessels of 1,000 GRT or over, with a combined GRT of 1,531,461. Highways provide access to many districts not served by railroads. As of 2002, there were 811,601 km (504,816 mi) of roads, of which some 316,524 km (196,877 mi) were paved. Motor vehicles in 2003 totaled about 12,305,000, including 10,100,000 passenger cars and 2,205,000 commercial vehicles.

In 2004, Australia had an estimated 448 airports. As of 2005, a total of 308 had paved runways, and there was also a single heli-

port. Principal airports include Adelaide, Brisbane, Cairns, Darwin, Melbourne International at Melbourne, Perth International at Perth, and Kingsford International at Sydney. In 1997, the government began privatizing many of the country's airports. The first round of such sales early in 1997 included the Melbourne, Brisbane, and Perth airports, which raised A\$3.34 billion (us\$2.5 billion)—far exceeding government projections. The main Sydney airport was explicitly excluded from the privatization plan. Domestic air services are operated primarily by the privately owned Ansett Airlines. The Australian overseas airline, Qantas, carries more than three million passengers per year to and from Australia, nearly 40% of the total carried by all airlines serving Australia. The Commonwealth government owned the airline until it was privatized in 1995. In 2003 Australian air carriers had 41.386 million passengers and carried 1.355 million freight ton km.

## <sup>12</sup>HISTORY

Stone objects that were found in 1978 but are still only tentatively dated suggest that human beings may have inhabited what is now Australia as long as 100,000 years ago. The Aboriginals migrated to Australia from Southeast Asia at least 40,000 years before the first Europeans arrived on the island continent. In 1999, scientists estimated a male skeleton found at Mungo Lake in 1974 to be between 56,000 and 68,000 years old. Covered in red ochre, this skeleton presents the first known use of pigments for religious or artistic purposes. Living as hunters and gatherers, roaming in separate family groups or bands, the Aboriginals developed a rich, complex culture, with many languages. They numbered approximately 300,000 by the 18th century; however, with the onset of European settlement, conflict and disease reduced their numbers.

Although maps of the 16th century indicate European awareness of the location of Australia, the first recorded explorations of the continent by Europeans took place early in the 17th century, when Dutch, Portuguese, and Spanish explorers sailed along the coast and discovered what is now Tasmania. None took formal possession of the land, and not until 1770, when Capt. James Cook charted the east coast and claimed possession in the name of Great Britain, was any major exploration undertaken. Up to the early 19th century, the area was known as New Holland, New South Wales, or Botany Bay.

The first settlement—a British penal colony at Port Jackson (now Sydney) in 1788—was soon enlarged by additional shipments of prisoners, which continued through the mid-1800s, until approximately 161,000 convicts had been transported. With the increase of free settlers, the country developed, the interior was penetrated, and six colonies were created: New South Wales in 1786, Van Diemen's Land in 1825 (renamed Tasmania in 1856), Western Australia in 1829, South Australia in 1834, Victoria in 1851, and Queensland in 1859.

Sheep raising and wheat growing were introduced and soon became the backbone of the economy. The wool industry made rapid progress during the period of squatting migration, which began on a large scale about 1820. The grazers followed in the wake of explorers, reaching new pastures, or "runs," where they squatted and built their homes. Exports of wool increased from 111 kg (245 lb) in 1807 to 1.1 million kg (2.4 million lb) in 1831. With the increased flow of immigrants following the Ripon Land Regula-

tions of 1831, the population grew from about 34,000 in 1820 to some 405,000 in 1850. The discovery of gold in Victoria (1851) attracted thousands, and in a few years the population had quadrupled. Under the stimulus of gold production, the first railway line—Melbourne to Port Melbourne—was completed in 1854. Representative government spread throughout the continent, and the colonies acquired their own parliaments.

Until the end of the 19th century, Australia's six self-governing colonies remained separate. However, the obvious advantages of common defense and irrigation led to the federation of the states into the Commonwealth of Australia in 1901. (The British Parliament had approved a constitution in the previous year.) The Northern Territory, which belonged to South Australia, became a separate part of the Commonwealth in 1911. In the same year, territory was acquired from New South Wales for a new capital at Canberra, and in 1927, the Australian Parliament began meeting there. Liberal legislation provided for free and compulsory education, industrial conciliation and arbitration, the secret ballot, female suffrage, old age pensions, invalid pensions, and maternity allowances (all before World War I). Child subsidies and unemployment and disability benefits were introduced during World War II.

Australian forces fought along with the British in Europe during World War I. In World War II, the Australian forces supported the UK in the Middle East between 1940 and 1942, and played a major role in the Pacific theater after the Japanese attack on Pearl Harbor. After the war, a period of intense immigration began. The Labour government was voted out of office in 1949, beginning 23 years of continuous rule by a Liberal-Country Party (now known as the National Party) coalition. During that period, Australian foreign policy stressed collective security and support for the US presence in Asia. Australian troops served in Vietnam between 1965 and 1971.

When Labour returned to power in December 1972, it began the process of disassociating Australia from US and UK policies and strengthening ties with non-Communist Asian nations; in addition, it established diplomatic relations with the People's Republic of China. In 1975 a constitutional crisis resulted when Senate opposition successfully blocked the Labour Party's budgetary measures, thereby threatening the government with bankruptcy. The governor-general dismissed the Labour prime minister, Gough Whitlam, and called for new elections. The Liberal-National Party coalition swept back into power, where it remained until 1983. The Australian Labour Party (ALP) returned to power in 1983, following a campaign in which such economic issues as unemployment and inflation predominated.

In 1993, the Mabo Ruling on Native Title recognized the land rights of the indigenous people (Aborigines) inhabiting Australia prior to the arrival of the Europeans. The Mabo Ruling did not void existing leases, but could allow the Aborigines to reclaim land when the leases granted by the national or state governments expired. The Mabo Ruling applied only to non-pastoral leases, but the Wik Judgment of 1996 extended the land rights of indigenous people to include their use of pastoral land for religious purposes.

In the March 1996 elections, the ALP was unseated by a coalition of the Liberal Party and the National Party, who chose Liberal MP John Howard to be prime minister. The newcomer Howard pledged to change the government, to make it more "rational." To that end, he cut ministries and cabinet posts, made budget cuts af-

fecting higher education, Aborigine affairs, and jobs, and instituted an A\$15 billion privatization program. Many government employees opposed these changes; violent demonstrations took place when the budget was made public. While the revised budget was less radical, social unrest continued through 1997–1998, and the October 1998 election found Howard's coalition party's majority greatly reduced, while the ALP gained in influence, winning 18 more seats than it did in the 1996 election.

In July 1998, after twice being rejected by the Senate, the government passed amendments to the 1993 Native Title Act. The amendments removed the time limit for lodging native claims, but weakened the right of Aboriginal groups to negotiate with non-Aboriginal leaseholders concerning land use. In 1999 the government issued an official expression of regret for past mistreatment of Aborigines, but has opposed issuing the formal national apology sought by Aborigine leaders, fearing that would encourage claims for compensation.

In September 1999, Australian troops led the United Nations-sanctioned peacekeeping forces into East Timor, to protect civilians and control the militia violence following East Timor's referendum decision to seek full independence from Indonesia. Australian civilian and military personnel form part of the United Nations Mission of Support in East Timor (UNMISSET), which was established to ensure the security and stability of East Timor after it became an independent nation-state on 20 May 2002. After 2002, unresolved maritime boundary disputes between Australia and East Timor, over unexploited petroleum resources in the Timor Sea, hampered revised maritime boundary disputes with Indonesia. Regional concerns were incorporated into these disputes when Australia declared a 1,000-nautical mile-wide maritime identification zone, and asserted land and maritime claims to Antarctica in 2004.

Parliamentary elections held on 10 November 2001 saw Howard's coalition increase its strength by over 3%. The ALP recorded its lowest primary vote since 1934. The Australian Greens recorded a substantial increase in strength. Two events stood out in the election campaign that swung the vote to the Liberal Party-National Party coalition. The first was the controversy over refugees and asylum-seekers. In August 2001, a Norwegian freighter that had rescued a boatload of asylum-seekers was denied permission to land the human cargo in Australia. The Howard government also tightened its border protection laws since then, making it nearly impossible for any asylum-seeker landing in the remote island outposts of Australia to claim refugee status. Instead, the would-be refugees are either turned back to Indonesian waters or transported to detention centers on Pacific nations such as Nauru or Papua New Guinea. John Howard declared, "We will decide who comes to this country and under what circumstances." The ALP criticized the government for this policy, which remained a major campaign issue. The terrorist attacks on the United States on 11 September 2001, and the subsequent US-led bombing campaign on the Taliban and al-Qaeda forces in Afghanistan, also were issues that dominated the Australian election campaign.

Asylum and detention issues continued to make headlines, as in December 2002 a Sydney center had an attempted mass breakout and riot, another had an armed standoff, and fires burned at two other centers. In November 2003, an Indonesian fishing boat, the *Minasa Bone*, with 14 Kurds aboard sought asylum on Melville Is-

land, but was forced to return to Indonesia. However, between July and October 2003, in "Operation Helpem Fren" an Australian-led peacekeeping force headed on a mission to restore law and order in the Solomon Island.

In August 2002, Australia instituted a regional alliance with Malaysia to work together to fight suspected Islamic militants. On 12 October 2002, two popular nightclubs in Kuta on the Indonesian island of Bali were bombed, killing 202 people, 88 of them Australians. The bombings have been linked to the terrorist organization Jamaah Islamiah. They have been referred to as "Australia's September 11th." Australia added four more Islamic groups to its list of banned "terrorist" organizations, groups that would be targeted by police and security forces. In November 2002, in this same climate of terror some 1,000 Australian protesters demonstrated against globalization and a possible war with Iraq. By January 2003, Australia deployed troops to the Gulf ahead of a possible war. Public protest was immediate and in the first-ever vote of no-confidence against a serving leader, the Senate passed the motion against Prime Minister John Howard over his handling of Iraq crisis. In early 2003, possible involvement in the war with Iraq spawned massive protests. Some were unprecedented, like the protest of 750 women in Byron Bay who formed a heart around the words "No War." A senior intelligence analyst resigned in protest over the government's uncompromising policy on Iraq. Although claiming respect for the views of the protesters, Howard said his government would commit 2,000 military personnel to any US-led strike aimed at disarming Iraq. In October 2003, US president George W. Bush was heckled at his appearance in Australia's Parliament. Anti-Iraq war protests continued in 2004. However, in an online message in July 2004, a group representing itself as al-Qaeda's European branch threatened to turn Australia into "pools of blood" if troops were not withdrawn from Iraq. In September 2004, a car bomb exploded outside the gates of the Australian Embassy in Jakarta, Indonesia, killing 8 people and wounding more than 160. Australia continued to bolster its security with a US cruise missile program that provided the "most lethal" air combat capacity in the region.

In October 2004, Prime Minister John Howard achieved a strong victory in Australia's federal election, winning a historic fourth term. Results of the Senate elections of 9 October 2004 were: Liberal Party-National Party coalition, 39; Australian Labor Party, 28; Democrats, 4; Australian Greens, 4; and Family First Party, 1. The next Senate elections were scheduled for no later than June 2008. Results of the House of Representatives election held 9 October 2004 were: Liberal Party-National Party coalition, 87; Australian Labor Party, 60; and independents, 3. The next House of Representatives election was scheduled for no later than November 2007.

In January 2005, Australia's free-trade agreement with the United States that had been in the making for over a year became effective. In February 2005, Howard continued the government's support of the war in Iraq promising 450 extra troops to help reinforce Iraq's transition to democracy. By July 2005, 150 special forces troops were sent back into Afghanistan to resist rebel attacks. In 2005 Australia further bolstered regional security with a NATO agreement to cooperate in the fight against international terrorism, weapons proliferation and other global military threats, and with a security pact with Indonesia.

In the mid-2000s various natural disasters struck Australia. In 2003, after a 10-year drought in New South Wales, the lower reaches of the Great Anabranch of the Darling River ran dry. Between 2002 and 2005, brush fires devastated acreage, destroyed more than 380 homes, and killed 13 people. In 2004, locusts devastated crops as they swarmed through the Outback. In 2004, an earthquake measuring 8.1 on the Richter scale struck off the coast of the island state of Tasmania. This, the world's biggest earthquake in almost four years, caused no injury or damage. In 2005, tropical cyclone Ingrid ruined a tourist resort built to show off the beauty of northern Australia. Also between 2002 and 2005, massive accidental and purposeful animal kills occurred. About 60 beached, false killer whales died or were euthanized. The Australian military killed nearly 15,000 kangaroos to prevent overgrazing of an army base. To reduce their numbers, thousands of wild camels in the Outback were shot from helicopters. In 2002, Matilda, Australia's first cloned sheep died unexpectedly of unknown causes.

In 2004, Australia's Great Barrier Reef became the most protected reef on earth when Parliament passed a law putting a new zoning plan, banning commercial and recreational fishing, into effect. Increasing protection of the reef system, from 4.6 % to 33 % of the existing Marine Park and World Heritage area, adding more than 109,000 sq km (42,000 sq mi) to the current setting, the park became the world's largest marine protected area.

Australian authorities seized several major drug shipments. In 2003, an Australian navy vessel captured a us\$48 million heroin shipment transported on a North Korean ship. In 2005, authorities made a world-record haul of the party drug, ecstasy, with the seizure of 5 million tablets worth us\$14 million. In that same year a shipment of heroin packed in containers of plastic chairs from China was seized worth us\$46 million and weighing 253 pounds.

In 2003-04 gay and lesbian issues were politicized. In May 2003, the resignation of Governor-General Peter Hollingworth followed his revelation that, as an Anglican archbishop in the 1990s, he permitted a known pedophile to remain a priest. In July of that same year, a congregation protested an Australian Christian church vote to allow homosexuals to become priests. In May 2004, the government introduced legislation to prohibit same-sex marriages and sought immigration rules to prevent gays and lesbians from adopting foreign children. The government also announced that same-sex partners would be recognized for the first time by federal authorities as dependents.

### 13 GOVERNMENT

The Commonwealth of Australia, an independent, self-governing nation within the Commonwealth of Nations, has a federal parliamentary government. The federation was formed on 1 January 1901 from six former British colonies, which thereupon became states. The constitution combines the traditions of British parliamentary practice with important elements of the US federal system. Powers of the federal government are enumerated and limited.

The government consists of the British sovereign, represented by a governor-general, and the Australian Parliament. Major General (Retired) Michael Jeffery became the new governor-general in August 2003, succeeding The Reverend Dr. Peter John Hollingworth, who had held the post since 2001. Nominally, executive power is vested in the governor-general and an executive council, which gives legal form to cabinet decisions; in practice, however,

it is normally exercised by a cabinet chosen and presided over by a prime minister, representing the political party or coalition with a majority in the House of Representatives. The number of cabinet ministers is variable.

Legislative power is vested in the Parliament, which is composed of a 76-member Senate, representing the states and territories, and a 150-member House of Representatives, representing electoral districts. Members must be Australian citizens of full age, possess electoral qualification, and have resided for three years in Australia. Twelve senators are elected by proportional representation from each state voting as a single electorate, and two senators each from the Northern Territory and Capital Territory. They are elected for six years, with half the members retiring at the end of every third year. House membership is not quite double that of the Senate, with a minimum of five representatives for each state. House members are elected according to population by preferential voting in specific electoral districts; they serve for three years, unless the House is dissolved sooner. There are two members each from the Australian Capital Territory and the Northern Territory; they have been able to vote on all questions since 1968. Parliament must meet at least once a year. Taxation and appropriation measures must be introduced in the lower house; the Senate has the power to propose amendments, except to money bills, and to defeat any measure it may choose.

The parties in the House elect their leaders in caucus. The party or coalition with a majority of seats forms the government. The leader of the majority party becomes prime minister and selects his cabinet from members of his party who are members of Parliament, while the leader of the principal minority party becomes leader of the official opposition. The party in power holds office as long as it retains its majority or until the governor-general decides that new elections are necessary; he exercised this inherent constitutional power during the 1975 crisis when he dismissed Prime Minister Whitlam and called for new elections.

In the 1990s, the Labour Government, under the leadership of Prime Minister Paul Keating, proposed a referendum to change Australia to a republican form of government. The idea gained wide support. After the 1996 federal elections, the coalition majority decided to host a constitutional convention to decide the issue. The constitutional convention met in February 1998, and voted in favor of replacing the British monarch as the head of Australia's government (73 voted in favor, 57 against), and Australia becoming a republic by the year 2001 (89 voted in favor, 52 against). But in November 1999's popular referendum, the proposal to convert Australia to a republic failed to carry even a single state.

Suffrage is universal for all persons 18 years of age and older, subject to citizenship and certain residence requirements. Voting is compulsory in national and state parliamentary elections.

## 14 POLITICAL PARTIES

Since most Australians have been shaped by the same language and by a similar cultural and religious heritage, their internal differences are largely based on economic issues. Attachments to the United Kingdom are compounded of sentiment, tradition, and economic advantage. Australian nationalism has been associated more closely with the Australian Labour Party (ALP) than with its rivals, who tend to regard Australian interests as almost identical with those of the United Kingdom. Because of Australia's geo-

graphical position as a "European people on an Asian limb," the economic element in its nationalism has been mixed with the fear of external conquest or domination.

Except in 1929–31, when a Labour government was in office, interwar governments were dominated by non-Labour groupings. When war seemed certain in 1939, the government was resolutely imperial, considering Australia to be at war automatically when the UK went to war. The Laborites challenged this view. While they did not oppose a declaration of war on Germany, they wanted the step to be taken so as to show Australia's independence.

Labour was in office from 1941 to 1949. The Liberal and Country Parties were in office as a coalition for a long period afterward, from 1949 to 1972, and again beginning in December 1975 (by that time, the Country Party had become the National Country Party, and it later became the National Party).

In the general elections of 13 December 1975, a caretaker government, formed the preceding month by the Liberal-National Country Party coalition after the dismissal of the Labour government of Prime Minister Gough Whitlam, obtained large majorities in both houses of the legislature. Although its majorities were eroded in the elections of December 1977 and October 1980, the coalition remained in power until March 1983, when Labour won 75 out of 147 seats in the House of Representatives. Robert Hawke, leader of the Labour Party, took office as prime minister; he was reelected in 1984, 1987, and 1990. Paul Keating replaced Hawke as Labour's leader, and as prime minister, in December 1991. This was the first time an Australian prime minister had been ousted by his own party. Keating led the ALP to an unprecedented fifth consecutive election victory in the 1993 general election, increasing both its percentage share of the vote and its number of seats in the legislature. In 1996, a Liberal-National Party coalition headed by John Howard ousted the ALP from the majority, with the Liberal-National coalition winning 94 seats compared to the ALP's 49 seats. John Howard was reelected prime minister in 1998, 2001, and 2004.

A direct descendant of the governments of the 1920s and 1930s, the Liberal-National coalition is principally linked with business (Liberal) and farming (National) and is officially anti-socialist. In economic and foreign affairs, its outlook is still involved with the Commonwealth of Nations, but it supports the United Nations, as well as the alliance with the United States in the ANZUS pact. It is sympathetic toward the new Asian countries and values the link with these countries afforded by the Colombo Plan. The Labour Party is a trade-union party, officially socialist in policy and outlook. It initially maintained an isolationist posture, but since the early 1940s, its policy has been a mixture of nationalism and internationalism.

Smaller parties include the Democratic Labour Party, the Communist Party, the Australian Democrats Party, the Green Party, and the One Nation Party. Since its formation in 1997, the One Nation Party's platform has featured racial issues. In the 1998 Queensland state elections, it won 11 of 89 seats. In the federal elections of that same year, the One Nation Party called for an end to Asian immigration and a restriction to Aboriginal welfare programs, but failed to win any seats. The Green Party increased its strength by 2.3% in the 2001 elections, while the One Nation Party lost 4.1% of its strength.

## 15 LOCAL GOVERNMENT

Powers not specifically granted to the federal government in the constitution are reserved to the states, although some powers (such as health, labor, and social services) are held concurrently. Each state has an appointed governor who serves as the representative of the sovereign. Except for Queensland, which has a unicameral legislature, the parliament in each state is composed of two houses. The lower houses—the dominant legislative bodies—are popularly elected; the upper houses are elected by franchise limited to property holders and to those with certain academic or professional qualifications. The state prime minister achieves office and selects his cabinet in the same fashion as does the Commonwealth prime minister. The Australian Capital Territory and the Northern Territory have unicameral legislative assemblies.

Local communities (variously designated as boroughs, cities, district councils, municipalities, road districts, shires, and towns) have limited powers of government, but they are responsible for some health, sanitation, light, gas, and highway undertakings. Even the largest cities do not provide their own police protection, nor do they conduct or support education; these are state functions. Local aldermen or councilors ordinarily are elected on a property franchise, and mayors are elected annually or biennially by the aldermen from among their own number or by taxpayers. State departments of local government regulate the organization of local government. State governments directly control some large interior areas.

## 16 JUDICIAL SYSTEM

The constitution vests federal jurisdiction in a High Court of Australia which consists of a chief justice and six associate justices appointed by the governor general. The High Court has the authority to conduct constitutional review of state and federal legislation and is the supreme authority on constitutional interpretation. The High Court also has original jurisdiction over interstate and international matters.

Until 1985, in certain cases involving state law, appeals from courts below the High Court could be taken to the Privy Council in the United Kingdom, the final court of the Commonwealth of Nations. Special cases may be referred to a 25-member federal court that deals with commercial law, copyright law, taxation, and trade practices. There is also a family court.

States and territories have their own court systems. Cases in the first instance are tried in local or circuit courts of general and petty sessions, magistrates' courts, children's courts, or higher state courts. Capital crimes are tried before state supreme courts.

The state and federal courts are fully independent. The High Court ruled that indigent defendants have a right to counsel at state expense. Criminal defendants are presumed innocent, and a plethora of due process rights include the right to confront witnesses and the right to appeal. In 2002 the High Court ruled on various Aboriginal cases. Aborigines were denied rights to oil or minerals found under tribal land now being used by mining companies. Two long running land claim cases were settled: in the northwest a remote area slightly larger than Greece was granted to an Aboriginal tribe; however, a claim in eastern Australia in the Murray River area, land now occupied by farmers, was denied.

The law provides for the right to a fair trial. In local courts, the magistrates sit alone. In the higher courts, trials are usually conducted by judge and jury. The law prohibits arbitrary interference with privacy, family, home, or correspondence.

## 17 ARMED FORCES

The Australian armed forces numbered 52,872 active personnel in 2005. The Army consisted of 26,035 active members, whose weaponry included 101 main battle tanks (30 are in storage), 619 armored personnel carriers, 566 artillery pieces, and 22 attack helicopters. The Navy had 13,167 active personnel, including 990 naval aviation personnel. Major naval units included six tactical submarines, 10 frigates, 15 patrol/coastal vessels, two amphibious land ships (with a helicopter landing platform), and 27 amphibious landing craft of various types. The Navy's aviation arm operated 23 anti-submarine warfare helicopters. The Air Force in 2005 had 13,670 active personnel. The service operated 140 combat capable aircraft, that included 22 bombers and 104 fighter ground attack aircraft. Reserve forces numbered 20,800 for all three services. Australia contributed to peacekeeping missions in East Timor, Ethiopia/Eritrea, Egypt, and the Middle East.

Australia's defense budget in 2005 was us\$13.2 billion.

## 18 INTERNATIONAL COOPERATION

Australia is a charter member of the United Nations, to which it gained admission on 1 November 1945. It belongs to ESCAP and all the nonregional UN specialized agencies, such as the FAO, IFC, ILO, UNESCO, WHO, and the World Bank. Australia became a member of the WTO on 1 January 1995. The country participates in the Commonwealth of Nations and ANZUS (Australia, New Zealand, United States Treaty). Other regional memberships include the Asian Development Bank, the European Bank for Reconstruction and Development, APEC, the ASEAN Regional Forum, Colombo Plan, OECD, South Pacific Commission, the Pacific Community, the South Pacific Regional Trade and Economic Cooperation Agreement, the Pacific Island Forum, and the Paris Club (G-10). Australia also has a position on the Permanent Court of Arbitration.

The country belongs to the Australia Group, the Nuclear Energy Agency (of the OECD), the Nuclear Suppliers Group (London Group), the Zangger Committee, and the Organization for the Prohibition of Chemical Weapons. Australia sent troops as part of the coalition forces in the Persian Gulf War (1991), in Afghanistan (2002), and in Iraq (2003). The country has also supported UN efforts in Ethiopia and Eritrea (est. 2000) and East Timor (est. 2002).

In environmental cooperation, Australia is part of the Antarctic Treaty; the Basel Convention; conventions on Biological Diversity, Whaling, and Marine Life Conservation; Ramsar; CITES; the London Convention; the International Tropical Timber Agreement; the Kyoto Protocol; the Montréal Protocol; MARPOL; the Nuclear Test Ban Treaty; and UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Australia has a prosperous Western-style capitalist economy with a high per capita gross domestic product (GDP), on par with the four dominant Western European nations of Germany, France, the United Kingdom, and Italy. Economic activity is



focused on the country's eastern seaboard, where most of the population lives. New South Wales generates about 35% of Australia's GDP, while Victoria generates 26% and Queensland 17%. There is a clear divide in economic performance between the states: typically, growth in South Australia and Tasmania is considerably below the overall national rate, and Western Australia is heavily dependent upon the volatile mining industry.

Since the late 1980s, the government has been engaged in a program to transform the economy's orientation from import substitution industrialization (ISI) to export-driven, high-tech globalization. This helped introduce an economic expansion from 1991 that as of 2005 had continued uninterrupted—the longest economic expansion in Australia since 1945—despite slowdowns occasioned by the 1997 Asian financial crisis, the 2001–02 global economic downturn, and one of Australia's worst-ever droughts in 2003. Strong consumption growth provided the momentum for Australia to withstand the Asian financial crisis, as the buoyant domestic economy offset the deterioration in regional demand for Australian exports. Together with a large increase in spending on private housing, consumption growth also served to cushion the economy against the effects of the 2001–02 economic downturn and the 2003 drought.

As in most developed countries, the service sector accounts for the largest portion of GDP, at nearly 70% in 2004. The largest service industry is finance, property, and business services. Other major service industries include retail and wholesale trade, transportation and communications, and construction. The most rapidly growing service industry from 2000–05 was communications (with an average annual growth rate of 6.4%), while the construction sector showed great volatility. The largest segment of the manufacturing sector is production of machinery and equipment. Mining and agriculture account for most exports.

Australia's flexible exchange rate regime has helped the economy rapidly adjust to the vicissitudes of international commodity markets. It is the world's largest wool-producing country. The country is one of the great wheat exporters, and also exports large quantities of dairy and meat products. In minerals, Australia is a major world supplier of iron ore, bauxite, lead, zinc, and copper; coal, beach sand minerals, and nickel have become major industries as well. Since the 1960s manufactured goods have provided an ever-increasing share of the country's exports, with elaborately transformed manufactures (ETMs), like automobiles, high-speed ferries, and telecommunications equipment, making up a significant percentage of exports (approximately 20%).

Australia's last economic recession was in 1990, from which it began to recover in mid-1991. Economic growth, supported by rising consumption and higher export demand, reached 4% in the fourth quarter of 1993. However, the unemployment rate of about 11% was near a postwar record. From this high point, unemployment has been on a steady decline in Australia—to 8.5% unemployment in 1995, 7.5% in 1999, and 6.3% in 2000, albeit with an increase in 2001 to 6.7%. The unemployment rate fell, from 6.3% in 2002 and 5.9% in 2003, to an estimated 5.1% in 2004. Real GDP growth fell to 3.7% in 1997, but recovered in 1998 and 1999 to an average of 5%, helped by reforms that included currency depreciation and a redirection of exports to non-Asian countries. Real GDP growth fell to 3.1% in 2000 and 2.6% in 2001. It climbed to 3.6% in 2002, before falling to 2.7%

in 2003. GDP was expected to increase by a healthy 3.8% in 2005 and by 3.6% in 2006. The inflation estimate for 2005 was 2.8%—up from 2.3% in 2004—which reflected the increased price of petroleum that year. Inflation was forecast to average 2.7% in 2006 and 2.6% in 2007.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Australia's gross domestic product (GDP) was estimated at us\$642.7 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at us\$32,000. It was estimated that agriculture accounted for 4% of GDP, industry 26.4%, and services 69.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled us\$2.259 billion or about us\$114 per capita and accounted for approximately 0.4% of GDP.

The World Bank reports that in 2003 household consumption in Australia totaled us\$245.91 billion or about us\$12,357 per capita based on a GDP of us\$522.4 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.6%.

## 21 LABOR

As of 2005, the Australian workforce numbered an estimated 10.42 million people. In 2004, the occupational pattern was estimated as follows: services 70%, industry 26.4%, and agriculture 3.7%. The unemployment rate stood at an estimated 5.2% in 2005.

As in many other highly developed industrial nations, union membership has declined significantly: from around 53% of the workforce in 1980 to 22.7% as of 2005. The drop has resulted in a consolidation of labor unions: there were 300 unions in 1989, but only 188 in 1993. The traditionally de facto right to strike was legalized in 1994. The Federal Workplace Relations Act (WRA) puts limits on strikes and unfair dismissal.

Although there is a standard minimum wage (us\$362.35 per week as of 2005), 80% of workers have their pay determined by minimums that apply to their particular industry or profession. All of these wages are sufficient to support a family. The standard workweek is under 40 hours, generally from Monday through Friday. Nearly all Australian workers receive four weeks of annual vacation, many at rates of pay 17.5% above regular pay. There is no nationally mandated minimum age for employment, but state-imposed compulsory education effectively precludes children under 16 years old from full-time work.

## 22 AGRICULTURE

Australia is an important producer and exporter of agricultural products and a major world supplier of cereals, sugar, and fruit. Arable land in 2002 comprised about 48.6 million ha (120 million acres), representing about 6.3% of total land area. However, approximately 90% of the utilized land area is in its natural state or capable of only limited improvement and is used largely for

rough grazing. Droughts, fires, and floods are common hazards. The area actively cultivated for crops is 6.9% of all land area. Lack of water is the principal limiting factor, but unsuitable soil and topography are also important determinants. As of 2002, some 4.9% of cropland was irrigated. Agriculture has declined from 20% of GDP in the 1950s to about 4% in 2002. Agricultural exports, which accounted for 60% of Australia's exports in the 1960s, now account for 25%. Gross farm product in 2003 was A\$32.9 billion. New South Wales and Queensland account for half of the total crop value.

Grain crops have been cultivated since the first year of European settlement. In November 1790, plantings around Sydney of wheat, barley, and corn totaled 34 ha (84 acres). Today, winter cereals are cultivated in all states. Three cereals are often grown on one farm for grain, green fodder, and hay for livestock. Most wheat, barley and about half the oats are grown for grain. The estimated wheat area sown for grain increased from 11,135,000 ha (27,515,000 acres) in 1986/87 to 13,800,000 ha (34,000,000 acres) in 2004/05. Production of wheat in 2004/05 was an estimated 22.6 million tons. Western Australia and New South Wales are the chief wheat-producing states. In 2004/05, Australia produced 7.7 million tons of barley, 1.3 million tons of oats, and 2.2 million tons of sorghum. In 2003, 1.2 million tons of potatoes were produced.

Sugarcane is grown along a 2,000 km (1,200 mi) stretch of coastal land in New South Wales and Queensland. About 95% of sugar production comes from Queensland. A normal crushing season is from June to December. The estimated 2005 harvest from 441,000 ha (1,090,000 acres) yielded about 38.6 million tons of sugar cane. The industry faces problems of excessive supply and price elasticity; sugar is sold primarily to Japan, the United States, Canada, South Korea, Malaysia, China, and Singapore. In 2005, some 1,350 ha (3,340 acres) were planted with canola (rapeseed), and about 1,500 tons were produced.

Cotton has been grown in the coastal river valleys of Queensland for more than a century but on a limited scale, and it has provided only a small percentage of Australia's lint requirements. In the 1980s, however, successful development of cotton-growing areas in New South Wales and Western Australia resulted in spectacular production increases. In 1985/86, 685,000 tons of cotton were produced (almost triple the amount in 1979/80); in 2004, production amounted to 490,000 tons.

Australia's wide climate differences permit the cultivation of a range of fruits, from pineapples in the tropical zone to berry fruits in the cooler areas of temperate zones. Orchard fruit trees included orange, 7.1 million; apple, 8.4 million; pear, 1.3 million; and mango, 1.0 million. About 11 million ha (27 million acres) are cultivated for bananas. Production of fruit in 2004 included (in thousands of tons): oranges, 407; bananas, 265; pineapples, 105; pears, 150; peaches, 115; tangerines, 97; lemons and limes, 31; apricots, 20; grapefruit, 13; mangoes, 39; and plums, 30. Australia's wine industry is also growing; viticulture engaged 143,000 ha (353,400 acres) and produced 1,497,000 tons of grapes for winemaking, drying, and other uses in 2003.

## 2<sup>3</sup> ANIMAL HUSBANDRY

About 52% of Australia's land is used in stock raising. Animal husbandry is concentrated in the eastern highlands, but it spreads across the wide interior spaces and even to low-rainfall areas, in

which up to 12 ha (30 acres) are required to support one sheep and from which cattle must be taken overland hundreds of miles to coastal meat-packing plants.

Sheep raising has been a mainstay of the economy since the 1820s, when mechanization of the British textile industry created a huge demand for wool. In 1800, there were 6,124 sheep in Australia; by 1850 there were 17.5 million; by 1894, some 100 million; and in 1970, a record high of some 180 million. Sheep numbers fell to 120 million in 1994/95 (the lowest since 1953/54) due to severe drought. Australia's flocks, some 102.7 million in 2005, now constitute approximately 10% of the world's sheep but produce about 25% of the world's wool supply. That year, New South Wales and Western Australia accounted for 35% and 25% of the nation's sheep, respectively. Wool production, the largest in the world, was an estimated 528,000 tons in 2004. About 95% is exported (mostly to China); nevertheless, wool, which represented 50% of Australia's merchandise exports (by value) in 1957/58, constituted only 6% by the mid-1990s. Since 1990, wool production has fallen by 35%, due in part to declining world demand. Australia accounts for 75% of the world's exports of wool apparel. During periods of great drought, such as the early 1980s, the number of sheep has diminished by 40 million or more. (A drop of 60 million occurred in the droughts of 1993/94.) In the better lands, however, animal husbandry ranks high on a world scale. Large, scientifically managed stations have produced some of the world's finest stock. Sheep of the Merino breed, noted for its heavy wool yield, make up about three-quarters of Australian flocks.

In 2005 there were an estimated 2.5 million hogs and 24.7 million head of beef cattle and 3 million head of milk cattle. In 2004, meat production totaled an estimated 3,750,000 tons. Of these, beef and veal constituted 2,033,000 tons; poultry, 681,000 tons; mutton and lamb, 561,000 tons; and ham, pork, and bacon, 406,000 tons. Butter production in 2004 (in factories) amounted to an estimated 130,000 tons; whole milk was estimated 10.4 million tons; and cheese (factory production) was about 364,000 tons. In 2000, the government implemented a dairy deregulation plan removing price supports. Egg production is around 155,000 tons per year, predominantly for domestic consumption. Australia produces some 25,000 to 30,000 tons of honey per year, half of which is exported. Beef exports in 2003 were A\$3.9 billion. Nearly 60% of total beef production is exported annually, most of it going to the United States, South Korea, and Taiwan.

## 2<sup>4</sup> FISHING

Fishing is relatively unimportant, even though the Australian Fishing Zone is the third-largest in the world. Even with a low per capita fish consumption, Australia must import about half its normal requirements. Pearl and other shell fishing are relatively significant. The 2003 catch of fish, crustaceans, and mollusks totaled 258,032 tons, 99% from marine waters. Exports of fishery products in 2003 were valued at US\$894.6 million.

## 2<sup>5</sup> FORESTRY

Forests and woodlands cover 162.7 million ha (402 million acres), or about 21% of the total land area; most timberland is neither exploited nor potentially exploitable. Native forests cover 50.2 million ha (124 million acres), 31% of the forested area, of which 23% is privately owned and 77% is state forest, crown land, and

permanent national parks or reserves. National parks and wildlife preserves occupy about 3.8 million ha (9.4 million acres), or 9% of the total forestlands. About 60% of the state forest areas are available for sustainable logging; crown lands are mostly leased for cattle grazing with limited timber production. Native forests consist principally of hardwood and other fine cabinet and veneer timbers; eucalyptus dominates about 35 million ha (86.5 million acres). Limited softwood resources had become seriously depleted, but new plantations were established in the 1980s at a rate of 33,000 ha (81,500 acres) annually. Plantation forests cover 1,666,000 ha (4,117,000 acres), of which 59% is softwood. Softwood plantations supply more than half the timber harvested annually. Since 1990, plantings have shifted from primarily softwood to mostly hardwood. About 90% of the standing hardwood plantations have been planted since 1990. Although Australia is a net importer of forest products, the forest and wood products industries contribute 2% to GDP.

Roundwood production in 2003 totaled about 29.9 million cu m (1.06 billion cu ft), with exports of 1,374,000 cu m (48.5 million cu ft). Softwood log production in 2004/05 was estimated at 16.5 million cu m (582 million cu ft). Softwood log production grew over 5% during 1995–2005, as a response to historically high levels of building activity driven by strong economic growth and low interest rates. Australia's leading forest products are softwood logs and chips. Whereas all of the softwood log production is consumed at home, all commercial woodchip production is exported.

## 26 MINING

Australia is one of the world's leading producers of minerals, ranking among the world's top nations in terms of economic demonstrated resources (EDR) for lead, mineral sands, nickel, silver, tantalum, uranium, and zinc. In addition, its EDR ranked the country among the top six for bauxite, black coal, brown coal, cobalt, copper, gem and near-gem diamonds, gold, iron ore, lithium, manganese ore, and rare-earth oxides. The country is virtually self-sufficient in mineral commodities, commercially producing more than 60 minerals and metals. In 2003, Australia was the world's leading exporter of alumina, bauxite, coal, diamond, ilmenite, iron ore (the country's fourth-largest minerals earner), refined lead, rutile, and zircon.

Gold production in 2003 was 282,000 kg, down from 296,410 kg in 2000. Western Australia was the largest gold producer. Australia has around 8% of the world's gold resources, and in terms of output ranks third in the world, behind the Republic of South Africa and the United States, respectively.

In 2002, Australia produced 16,382,000 tons of alumina and 54,135,000 tons of bauxite (for the 30th consecutive year). Bauxite deposits in northern Queensland were among the world's largest; those in the Northern Territory were also in production.

Australia also ranked second in iron ore (with 15% of world production), mined cobalt, and mined zinc; ranked third in mined gold (with 10% of the world's output) and mined nickel; and was fourth in mined copper. Australia produced 2,077 metric tons of mined silver in 2002.

In 2002, Australia produced 15,136,000 carats of gem diamond (14,656,000 carats in 1998), and 18,500,000 carats of industrial diamond (11,992,000 carats in 1998). Reserves were estimated at

82.4 million carats of gem and near-gem diamond, and 85.5 million of industrial diamond. Argyle's principal diamond ore body, the AK-1 lamproite pipe, near Kununurra, Western Australia, produced nearly twice the amount of diamond as any other in the world, able to supply 42 million carats a year, including some of the highest diamond grades—about 5% was of gem quality, including a small number of very rare pink diamonds; 40% was of near gem quality; and 55% was of industrial quality.

The value of opal produced in 2002 was A\$62 million. Lightning Ridge, in New South Wales, was the world's major source of black opal. Australia also produced 30% of the world's rough sapphire, valued at A\$1 million in 2002; commercial production came from alluvial deposits. Jade was discovered in the form of nephrite, at the world's largest identified resource, in the Eyre Peninsula. Australia produced most of the world's chrysoprase, known as Australian jade. Other gemstones produced in the country include agate, amethyst, chiastolite, emerald (aquamarine), garnet (25,000 metric tons annually, from 1999 through 2002), rhodonite, topaz, tourmaline, turquoise, and zircon.

Iron ore production in 2002 was 187,219,000 tons, 97% percent of iron ore came from the Pilbara region. Reserves were estimated to be 15,500 million tons.

The country produced 883,000 tons of contained copper in 2002, up from 560,000 in 1997. Reserves were estimated to be 22.2 million tons. WMC's Olympic Dam underground mine, in South Australia, was the country's largest copper mine, and a US\$1.1 billion expansion program was expected to increase production from 200,000 tons per year to 245,000 tons. Production of gold and silver at the mine in 1999 was 2,426 kg and 26,438 kg, respectively.

Zinc output in 2002 was 1,469,000 tons, 16% of world output, with reserves of 32 million tons. The McArthur River base-metal mine, in the Northern Territory, had record-setting tonnages of bulk concentrate.

In 2002, the country produced 2,187,000 tons of manganese ore (48% manganese content), with reserves of 134 million tons. Groote Eylandt Mining Co. mined about 10% of the world's manganese at its 2.4-million-ton capacity Eylandt open cut operations, in the Gulf of Carpentaria. Lead output, 683,000 tons (reserves of 14.6 million tons); nickel, 208,000 tons, all from Western Australia, with reserves of 10.6 million tons; and tin, 6,268,000 tons, all by Australia's only producer, Renison Bell Mine, in Tasmania, with reserves of 100,900 tons.

Australia had a substantial portion of the world's mineral sand resources—about 29% for ilmenite, 31% for rutile, and 46% for zircon—and in 2002 produced 28% of the world's ilmenite (1,917,000 tons, with reserves of 180.9 million), 55% of the world's rutile (218,000 tons, with reserves of 19.8 million), and 42% of the world's zircon, with reserves of 26.3 million tons. The dominant producer of zircon was Iluka Resources, with a capacity of 300 tons per year. Australia was also one of the world's leading producers of titanium and zirconium (373,000 tons in 2000). Gwalia Consolidated was the world's largest producer of lithium minerals (spodumene) and of tantalum in the form of concentrates, supplying a quarter of the world's annual tantalum requirements. Reserves were estimated at 156,000 tons lithium and 24,700 tons of tantalum. In 2000, the Greenbushes Mine, south of Perth, was the world's largest and highest-grade resource for spodumene,

64,983 tons of which was produced in the country, down from 117,094 in 1996. Gwalia controlled the world's largest stock of tantalum resources and produced 415 tons from two operations in Western Australia.

Other industrial minerals produced in Australia in 2002 included clays, diatomite, gypsum (3.8 million tons), limestone (20 million tons), magnesite (484,314 metric tons, with reserves of 246 million tons), phosphate rock (2,024,580,000 tons), salt, sand and gravel, silica (4.5 million tons), and dimension stone (120,000 tons).

## 27 ENERGY AND POWER

Between 1982/83 and 1993/94, energy consumption increased 36% for industrial, commercial, and residential use, according to the Australian Bureau of Statistics. Because of its relatively scant hydroelectric resources and only recently discovered oil, Australia has had to rely on coal-burning steam plants for about three-quarters of its public power requirements. The remainder has been supplied by hydroelectricity, gas turbines, and internal combustion generators. In 2002, electricity generation totaled 209.616 billion kWh, of which 91.2% came from fossil fuels, almost 7.1% from hydropower, none from nuclear energy, and 1.2% from other sources. In the same year, consumption of electricity totaled 194.943 million kWh. Total capacity in 2002 was 45.267 million kW.

Major electric power undertakings, originally privately owned and operated, were by 1952 under the control of state organizations. In the early 1990s however, many of the Australian state governments began privatizing sections of their energy utilities. Manufacturing has been developed most extensively in or near coal areas, and distribution of electricity to principal users is therefore relatively simple. All major cities except Perth use 240-volt, 50-cycle, three-phase alternating current; Perth has 250-volt, 40-cycle, single-phase alternating current.

The Snowy Mountains hydroelectric scheme in southeast New South Wales, Australia's most ambitious public works project, comprises 7 power stations, a pumping station, 16 large and many smaller dams, and 145 km (90 mi) of tunnels and 80 km (50 mi) of aqueducts. It provides electricity to the Australian Capital Territory, New South Wales, and Victoria. The project took 25 years to complete and has a generating capacity of 3,740 MW (about 10% of Australia's total generating capacity). The Snowy Mountains scheme and other large power projects in New South Wales, Victoria, and Tasmania have greatly increased the nation's aggregate installed capacity. The only state with water resources sufficient for continuous operation of large hydroelectric power stations is Tasmania, which possesses about 50% of Australia's hydroelectric energy potential. Production and use of such power is on the increase throughout the country, however.

As of 2002 Australia was the world's fourth-largest coal producer. Since 1986, it has been the world's largest exporter of coal. In that time exports have doubled, reaching 162 million tons by 1997. Exports of black coal alone totaled about 85 million tons in 2001. In that year exports account for more than half of total coal production. The major market is Japan, which imports about 50% of Australia's coal exports. At home, coal supplied 44% of the country's energy as of 2002. Production in 2002 amounted to 376.8 million tons; around 80% of Australia's coal was bituminous and 20% was lignite. New South Wales and Queensland account for more than

95% of Australia's black coal production and virtually all its exports. Australia has over 55 billion tons of recoverable reserves of bituminous coal, an amount that could satisfy production levels for about 260 years at current levels of demand.

In early 1983, Alcoa Australia signed a contract with the Western Australian State Energy Commission, at an estimated cost of A\$11.2 billion, to supply natural gas from the Northwest Shelf (the North West Gas Shelf Project—NWGSP). In 1985, eight Japanese companies agreed to buy 5.84 million tons of liquefied natural gas (LNG) a year from 1989 to 2009. Capacity has continued to increase thanks to completion of additional offshore platforms and onshore facilities. The A\$4 billion expansion of the North West Shelf LNG Project added seven million tons to LNG production when it began operation in 2003. Proven natural gas reserves totaled 2.46 trillion cu m (86.9 trillion cu ft) as of end 2004. In early 1992, petroleum exploration began in the Timor Sea; the area had been off limits for over a decade in order to establish a zone of cooperation with Indonesia. In 2001 Australia, Phillips Petroleum, and the newly independent state of East Timor renegotiated arrangements for development of the Bayu Undan oil field in the Timor Sea, with 90% of the royalties going to East Timor.

Oil production, which began in 1964, totaled 541,000 barrels per day in 2004; proven reserves at the end of 2004 totaled 4 billion barrels. Commercially exploitable uranium reserves are estimated at 474,000 tons. Rapid increases in demand for oil have outpaced supply, leaving Australia with a growing oil deficit. It is estimated that self-sufficiency in oil could plummet to only 40%.

## 28 INDUSTRY

In proportion to its total population, Australia is one of the world's most highly industrialized countries. The manufacturing sector has undergone significant expansion in recent years and turns out goods ranging from traditional textiles and processed foodstuffs to automobiles, chemicals, specialty steels and plastics, to elaborately transformed manufactures (ETMs), such as high speed ferries, telecommunications equipment and motor vehicles. The leading manufacturing industries are food and beverage processing; machinery and equipment manufacturing; metal product manufacturing; and petroleum, coal, chemical and associated product manufacturing. In 1995, manufacturing accounted for us\$48.8 billion, or about 15% of GDP. By 2000, the value of manufactures had fallen in absolute and relative terms, to us\$45.5 billion, or about 13% of GDP, continuing 20 years of post-industrial transformation to a services-dominated economy. In 2000, however, manufacturing grew by 4%, above the overall economy's rate of 3.2%. In 2004, industry accounted for 26.4% of GDP, and the industrial growth rate was 1.9%.

Australia is self-sufficient in beverages, most foods, building materials, many common chemicals, some domestic electrical appliances, radios, plastics, textiles, and clothing; in addition, most of its needed communications equipment, farm machinery (except tractors), furniture, leather goods, and metal manufactures are domestically produced. Recent years have seen the rapid growth of high-tech industries including aircraft, communications and other electronic equipment, electrical appliances and machinery, pharmaceuticals, and scientific equipment, and the government has supported the growth of these new sectors. High-tech

industry contributes a substantial amount to the economy, with an annual growth rate of 20% expected until 2010. Many manufacturing companies are closely connected—financially and technically—with manufacturers in the European Union, the United States, or Asia.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Two organizations support most of Australian government research and development. The Commonwealth Scientific and Industrial Research Organization (CSIRO), headquartered in Melbourne and founded in 1926, is an independent government agency that supports research and development in all fields of the physical and biological sciences except defense science, nuclear energy, and clinical medicine. The Defense Science and Technology Organization (DSTO), headquartered in Canberra, supports military research and development by providing scientific and technological assistance to the Australian Defence Force and Department of Defence.

Several issues dominate current Australian science and technology policy: the concentration of research and development (R&D) in national research centers; tensions among and between university researchers over allocation of R&D funding resources; effective communication between industry, government, and university researchers; the growing role which industry is playing in support of national R&D development; and the role which Australia is playing in international science and technology collaboration. High-technology exports totaled us\$2.945 billion in 2002 or 16% of manufactured exports.

In 2000, R&D spending totaled us\$7,759.748 million, or 1.55% of GDP, of which the government funded 45.7% of all R&D and industry about 46.3%. Higher education accounted for 4.8%, with 3.3% coming from foreign sources. In 1996, there were 73 agricultural, medical, scientific, and technical professional associations and societies, the foremost of which is the Australian Academy of Science, founded in 1954 by royal charter. The Australian Academy of Technological Sciences and Engineering was founded in 1976. The Australian Science and Technology Council (ASTEC) provides an independent source of counsel for the Australian Prime Minister; its role was augmented in 1986 by the creation of a post for a Minister Assisting the Prime Minister with portfolio for science and technology.

In 1996, Australia had 36 universities offering courses in basic and applied science. In 1987–97, science and engineering students accounted for 24% of college and university enrollments. In 2001, 23.1% of all bachelor's degrees awarded were in science (natural sciences, mathematics and computers, and engineering). The Powerhouse Museum in Sydney, the largest museum complex in Australia, has 25 exhibitions in the areas of science, technology, social history, and decorative arts.

## 3<sup>0</sup> DOMESTIC TRADE

There are many small specialty shops, but in the larger cities department stores sell all kinds of items. Supermarkets have been widely established and telephone shopping and delivery services are becoming popular. The number of franchise companies is growing. Reports indicate that in 1988, there were 184 business-format franchised companies in the country. By 2004, there were about 850 business franchise systems, a 21% increase over 2002.

In 2004, there were approximately 54,000 franchise units, 14% more than in 2002. Ninety-two percent of franchisee systems are of Australian origin. These franchised businesses are about 2.5 times more successful than non-franchised businesses. Installment selling, called hire purchase, is used in the sale of many products. In the past few years, direct marketing has grown at an annual rate of about 7%. Reliable commercial credit agencies cover all the main cities and many smaller towns.

The usual business hours are from 9 AM to 5 PM, Monday–Friday, with some businesses also open from 9 AM to noon on Saturday. Retail shops generally stay open later, usually with evening hours at least one day a week. Restaurants and convenience stores are open to later hours. Many retail establishments are open on Saturday and Sunday. Banks are generally open from 9 AM to 4 PM, Monday to Friday. Travelers checks and credit cards are widely accepted. A 10% goods and services tax (GST) replaced wholesale and state sales taxes as of 1 July 2000. The GST applies to most goods and services with a few exceptions, including basic foods, education, and health care.

Most advertising is done through the press, radio, and television. Principal advertising agencies are in Sydney and Melbourne.

## 3<sup>1</sup> FOREIGN TRADE

Measured by foreign trade volume per capita, Australia is one of the great trading nations, and it continues to show a steady rise in trade volume. Throughout the 1970s, exports regularly exceeded imports. In the early 1980s, however, there was a trade deficit, which continued into the 1990s and 2000s.

Australia is mainly an exporter of primary products and an importer of manufactured and semi-finished goods, although the export of manufactured goods increased by 10% per year during the 1990s. Transport or re-export trade is negligible. In recent years, Australia's foreign trade has tended to shift from European markets to developing Asian nations, which now account for nearly 60% of Australia's exports, compared with about 10% in 1975.

### Principal Trading Partners – Australia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	70,246.0	84,492.2	-14,246.2
Japan	12,807.6	10,583.1	2,224.5
United States	6,154.6	13,561.6	-7,407.0
China	5,914.7	9,298.7	-3,384.0
New Zealand	5,308.2	3,265.2	2,043.0
Korea, Republic of	5,267.1	3,089.9	2,177.2
United Kingdom	4,821.6	3,558.3	1,263.3
Other Asia nes	2,421.7	2,169.9	251.8
Singapore	2,283.4	2,901.5	-618.1
India	2,170.4	637.8	1,532.6
China, Hong Kong SAR	1,870.0	749.4	1,120.6

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

Although mining and agriculture are small in terms of GDP (under 5% each), they account for a large share of exports. Rural and mineral exports (including processed goods) account for about two-thirds of total merchandise exports. Australia's commodity exports are dominated by fossil, mineral, and plant fuels, including coal, lignite, and peat (11%). Wool may only amount to a small percentage (2.5%) of Australia's exports, but Australia supplies the world with almost half of its imported wool. Food products such as wheat, sugar, and meat exports tie with fuel exports as one of the top commodities leaving the country.

In percentage terms, Australia's main exports in 2004 were: metal ores, minerals, and metals (20%); coal, coke, and petroleum (19%); machinery (12%); and gold (6%). Its major imports in 2004 were machinery (23%); consumer goods (23%); transportation equipment (20%); and fuels and lubricants (8%). Australia's leading markets in 2004 were Japan (18.9% of total exports); ASEAN (11.7%); the European Union (EU) (11.2%); China (9.3%); and the United States (8.1%). Leading suppliers in 2004 were the EU (23.7% of all imports); ASEAN (16.4%); the United States (14.5%); China (12.6%); and Japan (11.8%).

### 32 BALANCE OF PAYMENTS

In 2004, merchandise exports rose to us\$87.1 billion (balance-of-payments basis), but imports of goods grew much faster, to us\$105.3 billion, widening the trade deficit to us\$18.2 billion, from us\$15.3 billion in 2003. This led to an increase in the current account deficit from us\$30.4 billion (6% of GDP) in 2003 to us\$40 billion (6.5% of GDP) in 2004. The current account balance over the period 2001–05 averaged –5% of GDP. The current account deficit was expected to narrow to around 5.4% of GDP by 2007, from 6.5% of GDP in 2004.

Australia's exports in the early 2000s reflected the increasingly value-added direction of Australian industry. From 1993 to 2000,

manufactured exports grew at an average rate of around 8% per year. Primary products remain the dominant export sector in value terms, however. Nearly half of services credits are accounted for by tourism, while services debits are dominated by transportation services and outbound tourism.

### 33 BANKING AND SECURITIES

The Reserve Bank of Australia, the central bank reconstituted in 1960, functions as a banker's bank and financial agent of the federal and some state governments, issuing notes, controlling interest and discount rates, mobilizing Australia's international reserves, and administering exchange controls and government loans. It was formerly connected with the Commonwealth Trading Bank—a general bank, the Commonwealth Savings Bank, and the Commonwealth Development Bank. The banking system has undergone progressive privatization and foreign investment since the deregulation of financial markets in the 1980s under the Wallis Inquiry into the Australian financial system of 1981. In 1996, the government privatized the Commonwealth Banks in the Reserve Bank Act, separating the Commonwealth Banks from the Reserve Bank. Rural credits, mortgage banking, and industrial financing are now administered wholly by private-owned banks. Fifty banks operate in Australia, 35 of which are foreign-owned; the largest banks include National Australia Bank, ANZ, Commonwealth Bank, and Westpac. The Australian Prudential Regulation Authority (APRA) regulates the banks and other financial institutions.

The Australian currency has floated freely since 1983, and was allowed to fall dramatically from 1984 to 1987. The Reserve Bank pointed to an expected upturn in economic activity in 1997 and anticipated a continuation of low inflation. It also indicated that firming economic growth, together with the uncertainties surrounding wage outcomes, made changes to monetary policy settings unlikely. Interest rate cuts were not on the bank's policy agenda, as it waited to see the impact of reductions made in late 1996. From 1996 to 2000, the Australian dollar fell by almost 30% against the US dollar, losing 12% in the first half of 2000 alone. The Reserve Bank increased interest rates a number of times in order to stave off inflation, but the introduction of the 10% GST in July threatened to raise inflation despite monetary policies. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to us\$85.3 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was us\$258.7 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 5.06%.

The Australian stock market is where equity (shares), units in listed trusts, options, government bonds, and other fixed-interest securities are traded. It is operated on a national basis by the Australian Stock Exchange (ASX), which is responsible for the day-to-day running and surveillance of stock market trading. The ASX was established on 1 April 1987, with the passage of the Australian National Guarantee Fund Act through the Commonwealth Parliament. This Act converted the six former capital city Stock Exchanges into state subsidiaries of the ASX. As of 2004 there were 1,515 companies listed on the ASX. Market capitalization as of December 2004 stood at us\$776.403 billion, with the ASX up 22.8% from the previous year at 4,050.6.

#### Balance of Payments – Australia (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-30,205.0</b>
Balance on goods		-15,256.0
Imports	-85,852.0	
Exports	70,596.0	
Balance on services		-319.0
Balance on income		-14,552.0
Current transfers		-78.0
<b>Capital Account</b>		<b>767.0</b>
<b>Financial Account</b>		<b>36,719.0</b>
Direct investment abroad		-14,707.0
Direct investment in Australia		7,240.0
Portfolio investment assets		-8,455.0
Portfolio investment liabilities		48,755.0
Financial derivatives		738.0
Other investment assets		-6,343.0
Other investment liabilities		9,491.0
<b>Net Errors and Omissions</b>		<b>-404.0</b>
<b>Reserves and Related Items</b>		<b>-6,877.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 3<sup>4</sup> INSURANCE

Australia has one of the most competitive insurance markets in the world, with a large number of insurers competing for business from a small population base. Established in 1987, the Insurance and Superannuation Commission (ISC) was the ultimate regulatory authority for the insurance industry in Australia. It was replaced by the Australian Prudential Regulation Authority. Life insurance firms, through premiums on policies and interest earned on accumulated funds, account for substantial annual savings. The companies invest in government securities, in company securities (including shares and fixed-interest obligations), and in mortgage loans and loans against policies in force. Most loans (to individuals and building societies) are for housing.

Motor-vehicle third-party liability, workers' compensation, professional indemnity for certain professions, and Medicare coverage are compulsory. As of 2003, the value of direct premiums written totaled us\$40.385 billion, with life premiums accounting for the largest portion at us\$22.341 billion. The country's top non-life insurer that same year was QBE Group, with earned premium income from domestic business, including reinsurance (excluding public sector insurers) of us\$3.919 billion, while the top life insurer that year was AMP, with gross life written premiums of us\$4,908.7 million.

### 3<sup>5</sup> PUBLIC FINANCE

The fiscal year begins 1 July and ends 30 June. After World War II, the Commonwealth government assumed greater responsibility for maintaining full employment and a balanced economy, as well as for providing a wide range of social services. Social security and welfare payments are the largest category of government expenditure. The central government has financed almost all its defense and capital works programs from revenue and has made available to the states money raised by public loans for public works pro-

grams. Deficits are common. In the latter half of the 1980s, however, five consecutive years of significant surpluses occurred as a result of expenditure restraints. The late 1990s also saw consistent surpluses. In 2000, the government implemented a 10% goods and services tax (GST) on all items, while income tax and corporate tax rates were cut.

The US Central Intelligence Agency (CIA) estimated that in 2005 Australia's central government took in revenues of approximately us\$249.8 billion and had expenditures of us\$240.2 billion. Revenues minus expenditures totaled approximately us\$9.6 billion. Public debt in 2005 amounted to 16.2% of GDP. Total external debt was us\$509.6 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues in millions of Australian dollars were A\$213,386 and expenditures were A\$206,858. The value of revenues in millions of US dollars was us\$32,733 and expenditures us\$31,656, based on a market exchange rate for 2003 of 6.519 as reported by the IMF. Government outlays by function were as follows: general public services, 26.6%; defense, 6.5%; public order and safety, 0.9%; economic affairs, 6.2%; environmental protection, 0.2%; housing and community amenities, 0.7%; health, 14.2%; recreation, culture, and religion, 0.9%; education, 9.3%; and social protection, 34.5%.

### 3<sup>6</sup> TAXATION

The main taxes (personal and corporate income, payroll, and goods and services tax (GST) are levied by the federal government, but the states and municipalities impose other levies. Federal rates are determined in legislation that is foreshadowed in the budget, presented each August; rates apply to the fiscal year beginning in July, except for company tax rates, which apply to the previous year's income.

In July 2000, the Australian government implemented a complete tax system overhaul with the introduction of a 10% GST on most goods and services, with the exception of basic foods, education, health and some other sectors. The GST replaced most sales taxes and was followed in 2001 by a cut in the corporate tax rate to 30% for both public and private firms. Undistributed profits of private firms are taxed at a higher rate. Nonresident companies pay an additional tax of 5%. Both the federal government and states can levy land taxes, and states levy both stamp duties on various documents and payroll taxes. Excise taxes are levied on alcoholic beverages, tobacco products, luxury cars, coal, kerosene, liquefied petroleum gas, and indigenous crude oil.

As part of the new tax system, federal, state, and territorial governments agreed to fund a First Home Owners Scheme (FHOS) to offset the impact of the new GST on first-time home buyers. A grant of A\$7000 was made available for first-time purchases of new and existing housing. On 9 March 2001 the grant was extended to contracts entered into before 1 January 2002. In December 2001 the additional grant was extended to June 2002 but reduced to A\$3000, but in July 2002, the grant reverted to its original amount of A\$7000 as it was again extended.

Personal taxation is levied by the Commonwealth on a sharply progressive basis. The pay-as-you-earn system (called PAYE) is used. As of 2000, individual tax rates ranged from zero on income up to A\$6,000 to 47% on income over A\$60,001. Social security taxes are included as part of income taxes. Deductions are allowed

#### Public Finance – Australia (2003)

(In millions of Australian dollars, central government figures)

<b>Revenue and Grants</b>	<b>213,386</b>	<b>100.0%</b>
Tax revenue	194,313	91.1%
Social contributions	...	0.0%
Grants	201	0.1%
Other revenue	18,872	8.8%
<b>Expenditures</b>	<b>206,858</b>	<b>100.0%</b>
General public services	55,023	26.6%
Defense	13,448	6.5%
Public order and safety	1,939	0.9%
Economic affairs	12,776	6.2%
Environmental protection	495	0.2%
Housing and community amenities	1,413	0.7%
Health	29,425	14.2%
Recreational, culture, and religion	1,859	0.9%
Education	19,211	9.3%
Social protection	71,269	34.5%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

for dependents, donations, medical expenses, and children's educational expenses, and for payment of life insurance or pension premiums. There is also a pensioner rebate that varies depending on income. There is also a 1.5% levy on residents to fund the nation's healthcare program, plus a 1% surcharge for those in high income brackets.

In early 1990, the Australian Taxation Office and the US Internal Revenue Service (IRS) formalized a simultaneous audits agreement to investigate suspected noncompliance with tax laws in both countries.

### 37 CUSTOMS AND DUTIES

Before the 1980s, federal policy was to use the tariff to protect local industries (especially the automobile industry), but a three-decade long program of tariff reduction led to tariff rates of 5% or below in 2000. Textiles and clothes (25%), shoes (15%), and automobile products (15%) had higher duties, but those were reduced to 17.5%, 10%, and 10%, respectively, in 2005. The GST of 10% applies for most imports and exports in addition to the duty. Tariffs on industrial machinery and capital equipment ordinarily are low where they do not compete with Australian enterprise and machinery and equipment required by new industries may be imported duty-free or at concessional rates under the Project-By-Law Scheme (PBS).

As a contracting party to GATT, Australia consented to a number of tariff reductions after 1947. Under the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), which went into effect on 1 January 1981, Australia and New Zealand offered the other South Pacific Forum members duty-free or concessional access to their markets. The Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA, abbreviated to CER) opened bilateral trade between the two countries in 1983. Australia is also a member of the Asia Pacific Economic Cooperation (APEC) forum.

The only free-trade zone is the Darwin Trade Development Zone (TDZ), located in the Northern Territory. In 1997, the government introduced a Manufacturing-in-Bond (MIB) zone, allowing firms to import goods duty-free to a warehouse for further manufacturing and ultimate export. The first MIB site approved was the Steel River Facility in Newcastle.

### 38 FOREIGN INVESTMENT

The United States accounts for the biggest share of total foreign investment; in 2004, total US investment in Australia (direct and portfolio) amounted to us\$227 billion, which accounted for nearly 30% of total investment in Australia that year. The United Kingdom is second, followed by Japan, the Netherlands, Germany, and Canada. Other substantial foreign investors include France, Switzerland, Singapore, and New Zealand. In 2003, the level of foreign direct investment (FDI) in Australia was us\$158.8 billion, or 31% of GDP. Over the period 2001–05, FDI inflows averaged 3.5% of GDP. In 2003, the level of Australian investment abroad was us\$110.5 billion. Most Australian investment abroad goes to the United States, New Zealand, the United Kingdom, Singapore, Canada, Germany, and Switzerland.

Almost half of total foreign investment, has been in finance and insurance, with investments in manufacturing, other industries, and mining making up another third. The most recent focus of for-

eign investment has been the booming tourist industry, and commercial and residential property development. Hotels and resorts on the north New South Wales and Queensland coasts are attracting capital from abroad, as are large office block and hotel projects in the capital cities.

Australia prefers the inflow of long-term development capital to that of short-term speculative capital. It also welcomes the technical competence usually accompanying foreign investment. Investment incentives include tariff protection, and bounties for the manufacture of certain products. Total foreign ownership is permitted, but ownership in certain sectors is subject to restrictions. The Federal Department of the Treasury regulates foreign investment with the assistance of the Foreign Investment Review Board (FIRB), which screens for conformity with Australian law and policy. The major legislation governing foreign investment is the Foreign Acquisitions and Takeovers Act of 1975, as amended in 1989, and administered according to regulations issued in 1991, as the country was embarking on its program of economic liberalization.

### 39 ECONOMIC DEVELOPMENT

Commonwealth and state governments devoted special attention to the production and marketing of main primary products, and after 1920, legislation provided subsidies or other marketing aids to certain commodities. Federal and state aid was given to industries established in approved fields of manufacture during the 1970s. The Export Market Development Grant Acts of 1974 provided government assistance in the development of export markets. Recipients were eligible for up to 50% reimbursement for expenses incurred establishing foreign markets for domestic goods. In 1975, the government set up the Export Finance and Insurance Corp. (replacing the Export Payments Insurance Corp.) to provide Australian exporters with insurance and other financial services not readily available commercially, to provide insurance against political risk.

The government endeavors to prevent undue fluctuation in the economy. Price controls were in effect during World War II and part of the postwar period and are now imposed on a few essential household items. As an alternative to price controls, the Commonwealth government, in mid-1975, introduced a policy of wage indexing, allowing wages to rise as fast as, but no faster than, consumer prices. Major labor unions, however, opposed this restraint, which was ended in 1981, in the wake of the second oil shock and the on-set of global recession. Monetary policy supported recovery from the recession of the early 1980s by holding to a low inflation rate. From the mid-1980s, Australia's government embarked on a basic re-orientation of the economy from inward-looking import substitution industrialization (ISI) to outward-looking export-led growth and liberalization. Key reforms have been unilateral reduction of high tariffs and other protective barriers; letting the Australian dollar float; deregulating the financial services sector; rationalizing and reducing the number of trade unions; privatizing many government-owned services and public utilities, including establishing a fully competitive electricity market, one of only two (with the United Kingdom) among economically developed countries. The transformation and opening of the economy is credited with helping produce, as of 2006, 15 years of uninterrupted expansion exceeding in duration the expansions of the 1960s, 1970s, and 1980s. After August 1993, the



focus of fiscal policy shifted towards deficit reduction. During this period, the national debt declined from a peak of 19% of GDP in 1995–96, to less than 7% of GDP in 2000–01. However, by 2004, the public debt was estimated at 17.4% of GDP.

The government has been particularly aggressive in promoting Australia as an “information economy.” It is second in the world after the United States in PC use. Australia has been ranked as second (only to the United States) among 60 countries surveyed in terms of providing an environment conducive to the development of e-business opportunities. In 2000, the new tax system aimed at increasing the government budget while stimulating economic growth in such sectors as tourism/services and high technology.

Although the Australian economy as of 2006 enjoyed healthy growth, low inflation, the lowest unemployment rate it had had for almost 30 years, negligible government debt, and regular budget surpluses, improvements to the economy may still be made. They include: more labor-market reform, tax reform, investment in people and infrastructure, and better relations between the federal government and Australia’s six states and two territories. A growing current account deficit must be managed. Reform of the public health, higher-education, and welfare systems, and funded pension programs are also assuming greater importance.

#### 40 SOCIAL DEVELOPMENT

Social Security measures have been in effect since 1908 and cover all residents. Old age pensions are payable to men 65 years of age and over, and to women 62.5 years of age and over, who have lived in Australia continuously for at least 10 years at some stage in their lives. The continuous-residence requirement may be waived for those who have been residents for numerous shorter periods. Disability pensions are payable to persons 16 years of age and older who have lived at least five years in Australia and have become totally incapacitated or permanently blind. The family allowance legislation provides for weekly payments to children under 16 years of age. Widows’ pensions are also provided. Employed persons are covered by workers’ compensation, and unemployment assistance is provided for those aged 21 to 65. Youths aged between 16 and 20 are eligible for the youth training allowance, administered by the Department of Employment, Education and Training. Work-related sickness and maternity benefits are provided, as well as medical benefits for all residents. There are numerous programs in place for families of limited means, including child care and rent assistance.

The Sex Discrimination Act bars discrimination on the basis of sex, marital status or pregnancy. The Office for Women was created to monitor the position of women in society. Sexual harassment is specifically prohibited by law, and is aggressively addressed by the government. Sex discrimination complaints were down in 2004 by seven percent. Domestic violence remains a problem, particularly in Aboriginal communities. The government has a strong commitment to the welfare of children.

Discrimination on the basis of race, color, descent or national or ethnic origin was prohibited in the Racial Discrimination Act of 1975. Despite these measures, aboriginal Australians have poorer standards of living, are imprisoned more often, and die younger than white Australians.

#### 41 HEALTH

Australia is one of the healthiest countries in the world. The common cold and other respiratory infections are the most prevalent forms of illness; arteriosclerosis is the most common cause of death. Water in most cities is good and safe for household purposes and garbage and trash are collected in cities and towns.

All levels of government are concerned with public health, with the municipalities functioning largely as agents for the administration of state policies. State health departments are responsible for infant welfare, school medical and dental services (provided free of charge), treatment and eradication of infectious and contagious diseases and tuberculosis, industrial hygiene programs, maintenance of food and drug standards, public and mental hospitals, and the regulation of private hospitals. The Commonwealth government makes grants for medical research, coordinates state health programs, and maintains specialist medical research institutions and laboratories.

Public sector funding accounts for over two-thirds of health care expenditure in Australia; some is allocated via the central government and some via local authorities. Since the introduction of Medicare (the national health insurance program) in 1984, the share of funding provided by the federal government has risen. Under the Medicare system, all Australians have access to free care at public hospitals. The plan also meets three-fourths of the bill for private hospital treatment, while patients pay the remainder (and can take out private health insurance to cover this, although comprehensive private medical insurance was abolished in the 1984 act). Total health care expenditure was estimated at 8.6% of GDP as of 1999.

Since 1950, certain drugs have been provided free of charge when prescribed by a medical practitioner. All patients other than pensioners must pay a set amount for every prescription supplied under the scheme; the remainder is met by the government. For those not eligible for free public health care and who have basic medical insurance, the government pays 30% of the scheduled benefit fee for each medical service. Such insurance, including the government contribution, covers 85% of scheduled fees. The federal government provides grants to the states and aboriginal organizations for the development of special health services for aboriginals. As of 1992, aboriginals and Torres Strait Islanders had unacceptably low levels of health. Though, they have access to the same health care system as any other Australian, they are often reluctant to take full advantage of it. Unemployed persons, recent immigrants and refugees, and certain low-income persons are entitled to health care cards that entitle the bearer and dependents to free medical and hospital treatment.

Health services are efficient. Hospitals are generally modern and well equipped, but space often is at a premium. In 1998, there were more than 1,015 acute-care hospitals, of which 734 were public hospitals. As of 1999, there were an estimated 8.5 hospital beds per 1,000 people. Most private hospitals tend to be fairly small and there are a large number of private hospitals run by religious groups. Hospital facilities are concentrated in the states of New South Wales and Queensland, which together account for about half the country’s hospitals and hospital beds.

As of 2004, there were an estimated 249 physicians per 100,000 people in Australia. Additionally, there were approximately 42 dentists, 60 midwives, and 775 nurses per 100,000 people. Com-

petent general physicians and specialists are available in most cities and the Royal Flying Doctor Service provides medical care and treatment to people living in remote areas.

Infant mortality in 2005 was 4.69 per 1,000 live births, one of the lowest in the world. The under-five mortality rate has steadily decreased from 24 in 1960 to 7 in 2000. Approximately 67% of married women (ages 15–49) used contraception. The 1999 birth rate was 13.2 per 1,000 inhabitants, and the fertility rate in 2000 was 1.8 per woman. The estimated life expectancy in 2005 was 80.39 years, the eighth-highest in the world. Estimated immunization of one-year-old children was as follows: diphtheria, pertussis, and tetanus, 88%; and measles, 89%. In 1999, the incidence of tuberculosis was 6.2 per 1,000 people.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 14,000 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

## 4<sup>2</sup> HOUSING

According to 2001 national census figures, there were about 7,072,200 dwellings in the nation, representing over 7.3 million households. In Tasmania, there were about 208,704 dwellings. Nationwide, about 78% of all dwellings are separate, single-family houses (about 5.3 million houses). About 22% are classified as higher density housing, including row or terrace housing, townhouses, and apartment buildings. About 70% of all units are owner occupied. Central heating, formerly available only in the most modern and expensive homes and apartments, is now generally available in the coldest areas of the country. Most apartments and houses are equipped with hot-water service, refrigeration, and indoor bath and toilet facilities.

## 4<sup>3</sup> EDUCATION

Education is compulsory for children from the age of 6 to 15 (16 in Tasmania). Most children attend pre-school or kindergarten programs. Primary education generally begins at six years of age and lasts for six or seven years, depending on the state. Secondary schools have programs of four to six years. Free education is provided in municipal kindergartens and in state primary, secondary, and technical schools. There are also state-regulated private schools, which are attended by approximately one-third of Australian children. Correspondence courses and educational broadcasts are given for children living in the remote “outback” areas and unable to attend school because of distance or physical handicap. One-teacher schools also satisfy these needs. Although most aboriginal and Torres Strait Islander students use the regular school system, there are special programs to help them continue on to higher education.

Primary school enrollment in 2003 was estimated at about 97% of age-eligible students; 96% for boys and 97% for girls. The same year, secondary school enrollment was about 88% of age-eligible students; 87% for boys and 89% for girls. The pupil to teacher ratio for primary school was at about 18:1 in 2003. Also in 2003, private schools accounted for about 28% of primary school enrollment and 30.5% of secondary enrollment.

Although each state controls its own system, education is fairly uniform throughout Australia. As of 2003, public expenditure on

education was estimated at 4.9% of GDP. Education is the joint responsibility of the federal government and each state government and territory. The federal government directly controls schools in the Northern Territory and in the Australian Capital Territory.

Australia has approximately 20 universities in addition to more than 200 technical institutes. There is a state university in each capital city and each provincial area; a national postgraduate research institute in Canberra and a university of technology in Sydney with a branch at Newcastle. There are also a number of privately funded higher-education institutions including theological and teacher training colleges. Adult education includes both vocational and non-vocational courses. Most universities offer education programs for interested persons. In 2003, it was estimated that about 74% of the tertiary age population were enrolled in higher education programs; 67% men and 82% women.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library of Australia traces its origins back to 1902, but it was not until 1961 that it was legislatively separated from the Commonwealth Parliamentary Library and made a distinct entity. The National Library is now housed in modern facilities in Canberra and has over 4.7 million volumes. Three other libraries in Australia of comparable size are the library of the University of Sydney (over three million volumes), founded in 1852; the State Library of New South Wales (over 1.9 million volumes), founded in 1826; the State Library of Victoria (over 1.5 million), founded in 1854, and the Library Information Service of Western Australia (2.7 million). The Australian Capital Territory (ACT) Library Service oversees nine public library branches and the ACT Government and Assembly Library. The state capital cities have large noncirculating reference libraries, as well as municipal public circulating libraries. The university libraries of Adelaide, Brisbane, Canberra, Melbourne, Monash, New South Wales, and Queensland all have sizable collections. Recent years have seen programs with increased cooperation between libraries, which has resulted in increased service. The Australian Institute of Aboriginal Studies in Acton has a specialized collection of 15,000 volumes, and dozens of museums and cultural centers house other specialized collections.

There are about 2,000 museums in Australia, of which over 200 are art museums. A national art collection has been assembled in the Australian National Gallery at Canberra, which was opened to the public in October 1982. The National Museum of Australia, founded 1980 in Canberra, exhibits Australian history and social history. In 2001 the museum opened new facilities in a stunning architectural structure on the shores of Lake Burley Griffin. There are eight other major museums, two each in Sydney and Melbourne and one in each of the other state capitals. Of note in Melbourne are a Performing Arts Museum (1978); the Ancient Times House (1954); and the Jewish Museum of Australia. The Melbourne Museum, completed in 2000, became the largest museum in the southern hemisphere. Sydney houses the Australian National Maritime Museum (1985), the Museum of Contemporary Art (1979) and the Nicholson Museum of Antiquities (1860). Some of the smaller cities also have museums. The National Gallery of Victoria in Melbourne has a fine collection of paintings and other artworks, and the South Australian Museum in Adelaide has excellent collections relating to Australian ento-

mology, zoology, and ethnology. Botanical gardens are found in every capital city.

#### 45 MEDIA

Responsibility for the nation's postal service is vested in the Australian Postal Commission and with the Australian Telecommunications Commission. Local and long-distance telephone services are rated highly. In 2003, there were an estimated 542 mainline telephones for every 1,000 people. The same year, there were approximately 719 mobile phones in use for every 1,000 people.

The government administers and supervises broadcasting through the Australian Broadcasting Commission, which operates a nationwide noncommercial radio and television service; the Australian Broadcasting Tribunal, which licenses and regulates commercial broadcasters; and the Special Broadcasting Service, which prepares and broadcasts multilingual radio and television programs. Federal government stations are financed from budget revenues, and the private commercial stations derive their income from business advertising. The primary news services are the Australian Associated Press and ABC Newsline. As of 1999 there were 262 AM and 345 FM radio stations and 104 television stations. In 2003, there were an estimated 1,996 radios and 722 television sets for every 1,000 people. About 76 of every 1,000 people were cable subscribers. Also in 2003, there were 565.1 personal computers for every 1,000 people and 567 of every 1,000 people had access to the Internet. In 2004, there were 8,224 secure servers in the country.

In general, news is presented straightforwardly, and political criticism is considered fair and responsible. The *Australian*, one of only two national newspapers, was established in 1964 and is published in all state capitals. It is independent and had an estimated daily circulation in 1999 of 153,000. The other national daily, the *Australian Financial Review*, had a Monday–Friday average circulation of 78,000 in the same year. The *Age* is published in Melbourne with a daily circulation of 197,000 in 2004. The *Sydney Morning Herald*, a conservative daily, had a daily circulation of 225,861 in 2004. Major Sunday newspapers include the *Sun-Herald* (613,000) and the *Sunday Telegraph* in Sydney, and the *Sunday Mail* in Brisbane (598,070). The major news agency is the Australian Associated Press, founded in 1935; it has been associated with Reuters since 1946. Many international news services have bureaus in Sydney.

Though the Australian constitution does not have specific guarantees of freedom of expression, the High Court has, in two decisions, declared that freedom of political discourse is implied. The government is said to respect all such rights in practice.

#### 46 ORGANIZATIONS

Chambers of commerce and chambers of manufacture are active throughout Australia, especially in the state capital cities; the Australian Chamber of Commerce (1091) coordinates their activities. The Australian Consumers' Association is active. There are also trade unions and business associations in a wide variety of fields. Agricultural producers and industry workers are represented through the Australian Dairy Corporation, the Aus-Meat, the

Australian Food and Grocery Council, and the Australian Chamber of Fruit and Vegetable Industries, to name a few.

There are professional associations or scholarly societies in the fields of architecture, art, international affairs, economics, political and social science, engineering, geography, history, law, literature, medicine, philosophy, and the natural sciences. Many publish scholarly journals. Notable societies include the Australian Academy of Science.

The Australia Council (founded in 1943) encourages amateur activities in the arts and sponsors traveling exhibitions of ballet, music, and drama. Theatrical, musical, and dance organizations are present in the larger cities and towns. Other notable art and cultural groups are the Australia Council for the Arts, the Australian Academy of the Humanities, the Australian Film Institute, and the National Trust of Australia.

Health and welfare organizations include the National Health and Medical Research Council, the Australian Council on Healthcare Standards, the Australian Dental Association, the Australian Medical Association, and the Australian Medical Council, among others. There are numerous associations for specialized fields of medicine and science.

Several sports organizations are present. Skiing and tobogganing clubs function in the mountainous areas. Sydney, Melbourne, Hobart, and several other cities have large yacht clubs. Every state capital city has swimming and surfing clubs.

There are numerous youth organizations. One of the most prominent is the National Union of Students of Australia (NUSA), which was founded in 1987 by uniting the existing student unions in the Australian states. It now represents the concerns and interests of over 250,000 students. The President of NUSA has a position on the Higher Education Council, which advises the Australian Minister for Employment, Education, and Training. Other youth groups include the Australian Youth Hostel Association, Student Services of Australia, Tertiary Catholic Federation of Australia, the YMCA and YWCA, Young Liberal Movement, Young National Party, and Young Socialist League. Scouting organizations are also active throughout the country.

There are national chapters of the Red Cross Society, Caritas, Habitat for Humanity, the Christian Children's Fund, Doctor's Without Borders, World Vision, Amnesty International, and UNICEF.

#### 47 TOURISM, TRAVEL, AND RECREATION

Among Australia's natural tourist attractions are the Great Barrier Reef, a mecca for scuba divers; the varied and unusual flora and fauna; and the sparsely inhabited outback regions, which in some areas may be toured by camel. Other attractions include Ballarat and other historic gold-rush towns near Melbourne; wineries, particularly in the Barossa Valley, 55 km (34 mi) northeast of Adelaide; Old Sydney Town, a recreation of the Sydney Cove Settlement north of Sydney as it was in the early 19th century; and the arts festivals held in Perth every year and in Adelaide every two years, featuring foreign as well as Australian artists.

The sports that lure tourists are surfing, sailing, fishing, golf, tennis, cricket, and rugby. Melbourne is famous for its horse racing (Australia's most celebrated race is the Melbourne Cup) and for its 120,000-capacity cricket ground, reputedly the biggest in the world.

Except for nationals of New Zealand, visitors must have a valid visa. Immunizations are required only of tourists coming from an infected area.

The government actively promotes tourism. In 2003, Australia attracted 4,745,855 foreign visitors. Typically, most visitors come from East Asia and the Pacific region. That year there were 204,461 hotel rooms with 580,252 beds and an occupancy rate of 60%. The average length of stay was two nights. Tourist receipts totaled over us\$15 billion.

In 2005, the US Department of State estimated the daily cost of staying in Melbourne at us\$288 and in Sydney, at us\$248.

#### 48 FAMOUS AUSTRALIANS

The most highly regarded contemporary Australian writer is Patrick White (1912–90), author of *The Eye of the Storm* and other works of fiction and winner of the 1973 Nobel Prize for literature. Other well-known novelists are Henry Handel Richardson (Henrietta Richardson Robertson, 1870–1946), Miles Franklin (1879–1954), Christina Stead (1902–83), and Thomas Michael Keneally (b.1935). Henry Lawson (1867–1922) was a leading short-story writer and creator of popular ballads. Germaine Greer (b.1939) is a writer on feminism. A prominent Australian-born publisher of newspapers and magazines, in the United Kingdom and the United States as well as Australia, is Keith Rupert Murdoch (b.1931).

Three renowned scholars of Australian origin are Sir Gilbert Murray, O.M. (1866–1957), classicist and translator of ancient Greek plays; Samuel Alexander, O.M. (1859–1938), influential scientific philosopher; and Eric Partridge (1894–1979), authority on English slang. Sir Howard Walter Florey (1898–1968) shared the 1945 Nobel Prize in physiology or medicine for the discovery of penicillin. An outstanding bacteriologist was Sir Frank Macfarlane Burnet, O.M. (1899–1985), director of the Melbourne Hospital and co-winner of the 1960 Nobel Prize for medicine. Elizabeth Kenny (1886–1952) made important contributions to the care and treatment of infantile paralysis victims. Sir John Carew Eccles (1903–1997) shared the 1963 Nobel Prize for medicine for his work on ionic mechanisms of the nerve cell membrane. John Warcup Cornforth (b.1917) shared the 1975 Nobel Prize for chemistry for his work on organic molecules. Peter C. Doherty (b.1940) shared the 1994 Nobel Prize in physiology or medicine for his work in immunology. Barry J. Marshall (b.1951) and J. Robin Warren (b.1937), both Australians, shared the 2005 Nobel Prize in physiology or medicine for their discovery of the *Helicobacter pylori* bacterium, which causes stomach ulcers and gastritis.

Among Australia's most prominent film directors are Fred Schepisi (b.1939), Bruce Beresford (b.1940), George Miller (b.1943), Peter Weir (b.1944), and Gillian Armstrong (b.1950); film stars have included Australian-born Errol Flynn (1909–59), Paul Hogan (b.1940), and US-born Mel Gibson (b.1956). Leading Australian-born figures of the theater include the actors Dame Judith Anderson (1898–1992) and Cyril Ritchard (1898–1977) and the ballet dancer, choreographer, and stage actor and director Sir Robert Murray Helpmann (1909–86). Musicians of Australian birth include the operatic singers Dame Nellie Melba (1861–1931), John Brownlee (1901–69), Marjorie Lawrence (1907–79), and Dame Joan Sutherland (b.1926) and the composers Percy Grainger (1882–1961), Arthur Benjamin (1893–1960),

Peggy Glanville-Hicks (1912–1990), and Peter Joshua Sculthorpe (b.1929). Popular singers include Helen Reddy (b.1941) and Olivia Newton-John (b.UK, 1948). Alfred Hill (1870–1960) is regarded as the founder of the art of musical composition in Australia. Albert Namatjira (1902–59), an Aranda aboriginal, achieved renown as a painter, as did Sir Sidney Robert Nolan (1917–92) and Arthur Boyd (1920–99), who was a sculptor as well as a painter. The aviator Sir Charles Edward Kingsford-Smith (1897–1935) pioneered flights across the Pacific Ocean. A popular figure of folklore was the outlaw Ned (Edward) Kelly (1855?–80).

From about 1970 to 1990, the tennis world was dominated by such Australian players as Frank Sedgman (b.1927), Lewis Hoad (1934–94), Kenneth Rosewall (b.1934), Rod (George) Laver (b.1938), John David Newcombe (b.1944), and Evonne Goolagong Cawley (b.1951). Sir Donald George Bradman (1908–2001) was one of the outstanding cricket players of modern times. Record-breaking long-distance runners include John Landy (b.1930) and Herb Elliott (b.1938). Jon Konrads (b.1942) and his sister Ilsa (b.1944) have held many world swimming records, as did Dawn Fraser (b.1937), the first woman to swim 100 meters in less than a minute, and Murray Rose (b.1939).

A notable modern Australian statesman is Sir Robert Gordon Menzies (1894–1978), who served as prime minister from 1939 to 1941 and again from 1949 to 1966. Subsequent prime ministers have included Edward Gough Whitlam (b.1916), who held office from 1972 to 1975; John Malcolm Fraser (b.1930), who succeeded Whitlam late in 1975; Robert James Lee Hawke (b.1929), who served from 1983–91, Paul John Keating (b.1944), who succeeded Bob Hawke in 1991; and John Winston Howard (b.1939), who began his term as Australia's 25th prime minister in 1996; he has been the most electorally successful prime minister since Menzies.

#### 49 DEPENDENCIES

Since 1936, Australia has claimed all territory in Antarctica (other than Adélie Land) situated south of 60°s and between 45° and 160°e, an area of some 6.1 million sq km (2.4 million sq mi), or nearly 40% of the continent. Three scientific and exploratory bases are now in operation: Mawson (established February 1954), Davis (established January 1957), and Casey (established February 1969).

##### Ashmore and Cartier Islands

The uninhabited, reef-surrounded Ashmore Islands, three in number, and Cartier Island, situated in the Indian Ocean about 480 km (300 mi) north of Broome, Western Australia, have been under Australian authority since May 1934. In July 1938, they were annexed as part of the Northern Territory. Cartier Island is now a marine reserve.

##### Christmas Island

Situated at 10°30's and 105°40'e in the Indian Ocean, directly south of the western tip of Java, Christmas Island is 2,623 km (1,630 mi) northwest of Perth and has an area of about 135 sq km (52 sq mi). Until its annexation by the UK in 1888, following the discovery of phosphate rock, the island was uninhabited. The total estimated population in 2002 was 474, of whom 70% were Chinese and 10% were Malay. The only industry was phosphate extraction. The governments of Australia and New Zealand decided to close the mine in December 1987. Christmas Island was

transferred from the UK to Australia on 1 October 1958. Abbott's booby is an endangered species on the island.

#### Cocos (Keeling) Islands

The Territory of Cocos (Keeling) Islands is a group of coral atolls consisting of 27 islands with a total land area of 14 sq km (5 sq mi) in the Indian Ocean, at 12°5's and 96°53'E, about 2,770 km (1,720 mi) northwest of Perth. The estimated population of the two inhabited islands was 632 in 2002. A British possession since 1857, the islands were transferred to Australia in 1955 and are administered by the minister for territories. In 1978, the Australian government bought out the remaining interests (except for personal residences) of the Clunies-Ross heirs on the islands. The climate is pleasant, with moderate rainfall. Principal crops are copra, coconut oil, and coconuts. The airport is a link in a fortnightly service between Australia and South Africa.

#### Coral Sea Islands

The Coral Sea Islands were declared a territory of Australia in legislation enacted during 1969 and amended slightly in 1973. Spread over a wide ocean area between 10° and 23°30's and 154° and 158°E, the tiny islands are administered by the minister for the Capital Territory and have no permanent inhabitants—although there is a manned meteorology station on Willis Island.

#### Territory of Heard and McDonald Islands

Heard Island, at 53°6's and 72°31' E, about 480 km (300 mi) southeast of the Kerguelen Islands and about 4,000 km (2,500 mi) southwest of Perth, is about 910 sq km (350 sq mi) in size. Bleak and mountainous, it is dominated by a dormant volcano, Big Ben, about 2,740 m (8,990 ft) high. There was a station at Atlas Cove from 1947 to 1955, but the island is now uninhabited and is visited occasionally by scientists. Just north is Shag Island, and 42 km (26 mi) to the west are the small, rocky McDonald Islands. The largest island of the group was visited for the first time, it is believed, on 27 January 1971, by members of the Australian National Antarctic Expedition. The territory was transferred from the UK to Australia at the end of 1947.

#### Macquarie Island

Macquarie Island, at 54°30's and 158°40'E, is about 1,600 km (1,000 mi) southeast of Hobart. The rocky, glacial island, 34 km (21 mi) long and about 3 to 5 km (2 to 3 mi) wide, is uninhabited except for a base maintained at the northern end since February 1948. Macquarie Island has been a dependency of Tasmania since the early 19th century. At the most southerly point, the island has what is believed to be the biggest penguin rookery in the world. Two small island groupings are off Macquarie Island: Bishop and Clerk, and Judge and Clerk.

#### Norfolk Island

Norfolk Island, with an area of 36 sq km (14 sq mi), is situated at 29°3's and 167°57'E, 1,676 km (1,041 mi) east-northeast of Sydney. Discovered in 1774 by Capt. James Cook, it was the site of a British penal colony during 1788–1814 and 1825–55. In 1856, it was settled by descendants of the *Bounty* mutineers. As of 2002, the estimated permanent population was 1,866. Transport is almost exclusively by motor vehicle. The soil is fertile and the climate conducive to the growing of fruits and bean seed, as well as the famed Norfolk Island pine. Tourism is also important. As of 2003, endangered species on Norfolk Island included the gray-headed blackbird, Norfolk Island parakeet, the white-breasted silver-eye, the green parrot, the Morepork (Boobook owl), and the Bird of Providence (Providence Petrel). In 1996, Phillip Island was added to the Norfolk Island National Park.

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# AZERBAIJAN

Azerbaijan Republic  
*Azarbaichan Respublikasy*

**CAPITAL:** Baku

**FLAG:** Three equal horizontal bands of blue (top), red, and green; a crescent and eight-pointed star in white are centered in the red band.

**ANTHEM:** *Azerbaijan National Anthem*, composed by Uzeyir Hajibeyov.

**MONETARY UNIT:** The manat, consisting of 100 gopik, was introduced in 1992 and remains tied to the Russian ruble with widely fluctuating exchange rates. 1 manat = \$0.00021 (or \$1 = 4,794.15 manat) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** New Year's Day, 1 January; International Women's Day, 8 March; Novruz Bayrom (Holiday of Spring), 22 March; Day of the Republic, 28 May; Day of Armed Forces, 9 October; Day of State Sovereignty, 18 October; Day of National Revival, 17 November; Universal Azeri Solidarity Day, 31 December.

**TIME:** 4 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Azerbaijan is located in southeastern Europe/southwestern Asia between Armenia and the Caspian Sea. Comparatively, Azerbaijan is slightly smaller than the state of Maine with a total area of 86,600 sq km (33,436 sq mi). This area includes the Nakhichevan Autonomous Republic and the Nagorno-Karabakh Autonomous Oblast. Azerbaijan shares boundaries with Russia on the n, the Caspian Sea on the e, Iran on the s, Armenia on the w, and Georgia on the nw. Azerbaijan's boundary length totals 2,013 km (1,251 mi). Azerbaijan's capital city, Baku, is located on the Apsheron Peninsula that juts into the Caspian Sea.

## <sup>2</sup> TOPOGRAPHY

The topography of Azerbaijan features the large, flat Kura-Aras Lowland (much of it below sea level) surrounded on three sides by mountains. The Great Caucasus Mountains are to the north, the Lesser Caucasus Mountains are to the southwest, and the Talish Mountains are in the south along the border with Iran. The Karabakh Upland lies in the west. About 19% of Azerbaijan's land is arable with approximately 16% under irrigation.

The Nakhichevan exclave lies to the west, separated from the rest of Azerbaijan by Armenia. Nakhichevan also shares borders with Turkey and Iran.

## <sup>3</sup> CLIMATE

The country's climate is subtropical in the eastern and central parts. In the mountainous regions the climate is alpine-like. The southeastern section of the country has a humid subtropical climate. The average temperature in the capital, Baku, in July is 25°C (77°F). In January the average temperature is 4°C (39°F). Rainfall varies according to climate zones. The average rainfall for most of the country is only about 15 to 25 cm (6 to 10 in). However, at the

highest elevations of the Caucasus and in the Lankaran lowlands, annual rainfall can exceed 100 cm (39 in).

## <sup>4</sup> FLORA AND FAUNA

The country's flora and fauna is rich and varied. There are 16 nature reserves and more than 28 forest reserves and hunting farms.

## <sup>5</sup> ENVIRONMENT

Azerbaijan's current environmental problems result in part from the effects of the economic priorities and practices of the former Soviet Union. General mismanagement of the country's resources has resulted in a serious threat to several areas of the environment. UN agencies have reported severe air and water pollution in Azerbaijan, which ranks among the 50 nations with the world's highest level of carbon dioxide emissions. The combination of industrial, agricultural, and oil-drilling pollution has created an environmental crisis in the Caspian Sea. These sources of pollution have contaminated 100% of the coastal waters in some areas and 45.3% of Azerbaijan's rivers. In 2001, only 78% of the total population had access to safe drinking water. The pollution of the land through the indiscriminate use of agricultural chemicals such as the pesticide DDT is also a serious problem.

Azerbaijan's war with Armenia has hampered the government's ability to improve the situation. Due to the severity of pollution on all levels, the country's wildlife and vegetation are also seriously affected. From the mid-1980s to mid-1990s, the amount of forest and woodland declined by 12.5%. As of 2000, about 13% of the total land area was forested. In 2003, about 6.1% of the total land area was protected, including two Ramsar wetland sites: Agh-Ghol and Ghizil-Agaj.

As of 2002, there were at least 99 species of mammals, 229 species of birds, and 4,300 species of higher plants. According to a

2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 11 types of mammals, 11 species of birds, 5 types of reptiles, 5 species of fish, and 6 other invertebrates. Endangered species include the Barbel sturgeon, beluga, the Azov-Black Sea sturgeon, the Apollo butterfly, and the Armenian birch mouse.

## **6** POPULATION

The population of Azerbaijan in 2005 was estimated by the United Nations (UN) at 8,388,000, which placed it at number 90 in population among the 193 nations of the world. In 2005, approximately 7% of the population was over 65 years of age, with another 26% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.0%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 9,700,000. The population density was 97 per sq km (251 per sq mi).

The UN estimated that 51% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.15%. The capital city, Baku, had a population of 1,816,000 in that year. Other urban centers include Gyanja (formerly Kirovabad) with a population of about 300,000 people, and Sumgait with about 289,700. There has been an additional influx of foreign refugees to the urban centers in recent years.

## **7** MIGRATION

As a result of the war with Armenia, which started in 1988, more than one million people were forced to leave the region. The Law on Citizenship allows for the automatic acquisition of Azerbaijani citizenship by refugees from Armenia. Also, there are some 48,000 Meshketians, also known as Meskhis, who were forcibly resettled from Central Asia after bloody Soviet pogroms in 1989. The Meshketians, descendants of rural Muslim populations, were originally deported from Georgia to Central Asia under the Stalin era. Most Azerbaijani were displaced between 1993 and 1994. Since May 1994, when the cease-fire was enacted, only 60,000 persons were able to return to their homes along the front line. According to United Nations High Commissioner for Refugees (UNHCR) data, as of the end of 2004 there were 578,545 (around 7% of the total population) internally displaced persons (IDP) in Azerbaijan.

Between 1989 and 1995, there was an emigration of Slavic peoples from Azerbaijan. These included 169,000 Russians, 15,000 Ukrainians, and 3,000 Belarusians as they emigrated back to their homelands. By the end of 2004, several thousand Azerbaijan citizens sought asylum in Western Europe, mainly in Sweden and Germany.

As of 2001 there were 148,000 migrants living in Azerbaijan, with less than 1% of these being refugees. However, as of 2004, Azerbaijan hosted 40,267 other refugees and asylum seekers. Most are Azeri refugees from Armenia.

In 2005 the net migration rate was estimated as -4.64 migrants per 1000. The government views this migration level as satisfactory.

## **8** ETHNIC GROUPS

At the 1999 census, 90.6% of the population was Azeri; about 2.2% were Dagestani, 1.8% were Russian, another 1.5% were Armenian, and 3.9% were of other ethnic origins. Almost all Armenians live in the separatist Nagorno-Karabakh region.

## **9** LANGUAGES

Azerbaijani (or Azeri) is a language related to Turkish and is also spoken in northwestern Iran. It is traditionally written in Arabic script. In 1995, an estimated 89% of the population spoke Azeri; 3% spoke Russian; 2% spoke Armenian; and 6% other. In 1939, the Soviets introduced a Cyrillic alphabet, with eight special characters.

## **10** RELIGIONS

For most of the 20th century, from 1920–1991, the Azerbaijan Soviet Socialist Republic observed the restrictions in religious belief and practice common throughout the former Soviet Union. According to official figures available in 2004, the population was 96% Muslim (70% of whom were Shias, and 30% were Sunnis). However, the percentage of those who are active practitioners of the faith is believed to be much lower. Religious identity within the country tends to be primarily based on culture and ethnicity. Because of the Persian influence on Azerbaijan, most Azerbaijanis are Shiites, even though all of the other Turkic groups of the former Soviet Union are Sunni Muslims.

Islam (both Shia and Sunni), Russian Orthodox, and Judaism are considered to be traditional religions of the country. A majority of Christians live in the Baku and Sumgait urban areas. There are two main groups of Jews: the Mountain Jews, who are believed to be descendants of those who first came to the northern part of the country over 2,000 years ago, and the Ashkenazi Jews, who are the descendant of European immigrants. There are small communities of Evangelical Lutherans, Roman Catholics, Baptists, Molokans (an older branch of Russian Orthodox), Seventh-Day Adventists, Baha'is, Wahhabist Muslims, Jehovah's Witnesses, and Hare Krishnas.

The constitution specifically provides that persons of all faiths may choose and practice their religion without restrictions. There are legal provisions which allow the government to regulate religious groups. All religious groups must be registered with the government through the State Committee for Work with Religious Associations, a department of the Ministry of Justice. Proselytizing by foreigners is against the law. Muslims who convert to non-Muslim faiths often face social discrimination, and even hostilities.

## **11** TRANSPORTATION

Azerbaijan's railway system, as of 2004, was made up of 2,957 km (1,839 mi) of broad gauge (1.520-m) track, with Baku as the hub. Of that total, 1,278 km (795 mi) was electrified. In 2003, the highway system totaled 27,016 km (16,803 mi), of which 12,698 km (7,898 mi) were paved. In that same year, there were 128 km (80 mi) of expressways. As of 2003, there were 350,559 passenger cars and 124,482 commercial vehicles registered. Azerbaijan's major port is at Baku. In 2005 the merchant marine had 81 ships (1,000

GRT or over), totaling 253,004 GRT. Ships from the Caspian fleet have called at some 125 ports in over 30 countries. In 2004 there were an estimated 50 airports. As of 2005, a total of 27 had paved runways, and there were also two heliports. There are flights from Baku's Bina Airport to more than 70 cities of the former Soviet Union. In 2003, a total of 684,000 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

The territory of present-day Azerbaijan has been continuously inhabited since the Paleolithic era. The first evidence of tribal alliances date to the first millennium BC, when such peoples as the Mannaian, the Medes, the Cadusi, the Albanoi, and the Caspians appeared. In the 7th century BC, the state of Media appeared in what now is southern Azerbaijan, growing to cover large portions of the Near East. The Medians were displaced by the Persian dynasty of Achaemenids, who in turn were defeated by Alexander the Great. In the 4th century BC, another state arose which Greek sources called Atropatena, or "Land of the Fire Keepers"; it is this name, reflecting the predominance of Zoroastrianism, which may have given the present state its name. Around the beginning of the common era Atropatena was succeeded by a state called Albania, which the Romans attempted to conquer.

In the 3rd and 4th centuries AD, Azerbaijan existed with fluid boundaries between the Sassanid state in Persia and the Romans, whose battles inflicted great damage, leaving Azerbaijan open to raids by Turkic nomadic tribes from the north, including Khazars and Huns. Outside influence reappeared in the 7th and 8th centuries, when Arabs conquered much of Transcaucasia. As their influence receded, a number of small local states were established, the best known of which was the Shirvanshahs.

In the 11th century Azerbaijan was invaded by Oguz Turks, of the Seljuk dynasty. By the 13th century the gradual displacement of pre-Turkic local languages was complete, although many traces of non-Turkic predecessors remain in the Azerbaijani language. Persian, however, remained the language of art, science, and education.

In the 1230s Azerbaijan was conquered by Genghis Khan, whose power remained in the Il-Khanid state, which at the end of the 14th century was displaced by the armies of Tamerlane. In the 16th century, the Safawid state emerged, coming to control most of the land between the Syr Darya and the Euphrates, and reestablishing agriculture and commerce destroyed under the Mongols. In the 17th century, the Safawids became Persianized, which made present-day Azerbaijan decline in importance.

In the 18th century Azerbaijan became the intersection of the Turkish, Persian, and Russian empires, as well as the focus of British and French attempts to block Russian expansion. The northern part of the territory was incorporated into Russia in the first third of the 19th century, but the area did not become important until the 1880s, when the area's abundant oil gained commercial importance. The southern portion of what was originally Azerbaijan has remained in Iran, except for the period 1941–46, when it was occupied by Soviet troops.

When the 1917 Russian revolution came, Ottoman Turkish troops moved into Azerbaijan, and later British forces controlled the capital, Baku. The Azerbaijani Musavat, or Equality Party, es-



LOCATION: 40°30' N; 47°0' E BOUNDARY LENGTHS: Total boundary lengths, 2,013 kilometers (1,251 miles); Armenia (west), 566 kilometers (352 miles); Armenia (south), 221 kilometers (137 miles); Georgia, 322 kilometers (200 miles); Iran (south), 432 kilometers (268 miles); Iran (southeast), 179 kilometers (111 miles); Russia, 284 kilometers (177 miles); Turkey, 9 kilometers (6 miles).

tablished a government, declared Azerbaijan's independence, and received diplomatic recognition from several states. Azerbaijan was invaded by the Russian Bolsheviks' Red Army in April 1920, and Azerbaijan was declared a Soviet state. In 1922 it was made part of the Transcaucasian Federated Socialist Republic, along with Georgia and Armenia. That was dissolved in 1936, when the three states were each made into separate Soviet Socialist Republics.

In 1988, calls by ethnic Armenians living in Azerbaijan's Nagorno-Karabakh (NK) region to be incorporated into the Armenian republic led to open conflict, which lasted until 1994. This predominantly Armenian area had been unsuccessfully claimed by the Armenians in the 1920s, at the time of the creation of Soviet Azerbaijan. Inability to solve the NK conflict was one of the problems that ultimately brought down Mikhail Gorbachev and broke apart the USSR. Ethnic and civil violence in January 1990 prompted the occupation of Baku by Soviet armed forces and Moscow's replacement of Abdulrahman Vezirov with Ayaz Mutalibov as



republic head. During this period of martial law, the legislature elected Mutalibov as president in May 1990. Independence was declared on 30 August 1991, and Mutalibov was reaffirmed as president in a popular, uncontested election in September 1991.

In December 1991, NK's Armenians held a referendum (boycotted by local Azerbaijanis) that approved NK's independence and elected a Supreme Soviet, which on 6 January 1992, declared NK's independence and futilely appealed for world recognition. Following a late February 1992 massacre of Azerbaijani civilians in the town of Khojaly in NK, Mutalibov was accused of failing to protect Azeri citizens and forced by the nationalist oppositionist Azerbaijani Popular Front (APF) and others to resign as president. His replacement, legislative head Yakub Mamedov, was also forced to resign in May 1992, in the face of further Azerbaijani military defeats in NK. Mutalibov was then reinstated by loyalists in the Supreme Soviet, but he had to flee two days later, when the APF seized power. Former Soviet dissident and APF leader Abulfaz Elchibey, was elected president in a popular contest in June 1992.

The nationalist government took several moves to cut its ties to Russia, including demanding the withdrawal of Russian troops, refusing to participate as a member of the Commonwealth of Independent States, negotiating with Western firms to develop its oil resources, and improving relations with Turkey. However, military losses in NK increased. In 1993, Heydar Aliyev, who had been the Communist Party leader of the republic from 1971–85 but then was ousted and disgraced by Soviet leader Mikhail Gorbachev, began to press for Elchibey's dismissal.

An abortive attempt by the Elchibey government in June 1993 to disarm paramilitary forces in the town of Ganja precipitated the fall of the government and provided the opportunity for Aliyev to regain power. These forces were led by Suret Huseynov, formerly in charge of troops in NK, who had been fired by Elchibey. Huseynov's forces, supplied with Russian equipment, defeated an Azerbaijani Army attack and began to march on Baku. His government in chaos, Elchibey invited Aliyev to come to Baku, and on 15 June, he endorsed Aliyev's election by the legislature as its new speaker. Elchibey fled to the Nakhchiveni Autonomous Republic (NAR) on 17 June. On 24 June 1993, a bare quorum of legislators met and formally stripped Elchibey of presidential powers, transferring them to Aliyev. Huseynov demanded and was given the post of prime minister.

On 3 October 1993, Aliyev was elected president with 98.8% of the vote. The referendum and election were viewed as not "free and fair" by many international observers because of suppression of APF and other opposition participation. In late September 1994, police and others in Baku launched a purported coup attempt. Aliyev darkly hinted at Russian involvement. After defeating the coup attempt, Aliyev also accused Prime Minister Huseynov of major involvement, and Huseynov fled the country. Other coup attempts were reported in 1995 and 1999. All of the alleged coup attempts triggered mass arrests of Aliyev's opponents.

On 11 October 1998, incumbent President Aliyev defeated five other candidates and was elected to a second five-year term, receiving over 76% of 4.3 million votes cast. The major "constructive opposition" candidate running was Etibar Mamedov of the National Independence Party (NIP), who received 11.6% of the vote. Most international observers judged the vote not "free and fair,"

citing myriad irregularities, though also noting that the election marked some improvement in political pluralism.

The conflict with Armenian separatists over its Nagorno-Karabakh region continues to plague Azerbaijan. Azerbaijan asserts that NK forces occupy over 20% of Azerbaijan's territory both in and around NK. The conflict has resulted in about 30,000 casualties on both sides and over 840,000 Azerbaijani refugees and displaced persons (and over 300,000 Armenians). The Organization for Security and Cooperation in Europe (OSCE) began the "Minsk Group" peace talks in June 1992. A Russian-mediated cease-fire was agreed to in May 1994 and was formalized by an armistice signed by the ministers of defense of Armenia and Azerbaijan and the commander of the NK army on 27 July 1994 (and reaffirmed a month later). Moscow talks were held by the sides, with token representation by the OSCE, along with Minsk Group talks. With strong US backing, the OSCE at its Budapest meeting agreed in December 1994 to send OSCE peacekeepers to the region under UN aegis if a political settlement could be reached. Russia and the OSCE assented to merge their mediation efforts. France was nominated as a cochair in 1996. This elicited criticism from Azerbaijan that the French had appeared pro-Armenian, leading to the seating of US, French, and Russian cochairs. (Many Azerbaijanis also have voiced reservations about Russia's objectivity as a mediator, citing its defense ties to Armenia.) Direct Armenian-Azerbaijani contacts by the presidents and advisors have also occurred.

Prospects for a negotiated settlement remain elusive because the sides remain far apart on most substantive issues such as the placement and composition of a peacekeeping force and NK's ultimate political status. Personal meetings by the two presidents raised hopes that a statement of intention could be issued at the November 1999 OSCE Summit, but events such as resignations of some Azerbaijani officials apparently opposed to NK proposals, Aliyev's infirmity, and October 1999 assassinations in Armenia appeared to set back progress.

Peace talks between Armenia and Azerbaijan were held in Paris and Florida in 2001, but by December 2002, Lieutenant General Seyran Ohanian, commander-in-chief of the armed forces of NK, warned Azerbaijan that the enclave's army was "better prepared than ever before" and "ready to repulse the enemy" and carry out a successful counteroffensive should conflict begin. President Aliyev in September 2002 told representatives of the Minsk Group that "the people's mood is changing. They are starting to lose hope in a peaceful solution and are coming to the view that we have to recover our land ourselves by whatever means necessary...It has been...nearly ten years since the Minsk Group was created. How much longer can we go on talking about a peace settlement?"

In 2001, the United States lifted a ban on aid imposed during the NK conflict after Azerbaijan provided airspace and intelligence to the United States following the 11 September 2001 terrorist attacks.

In September 2002, construction began on a multibillion-dollar pipeline to carry Caspian oil from Azerbaijan to Turkey via Georgia (the Baku-Tbilisi-Ceyhan pipeline, otherwise known as the BTC).

The government held a referendum on 24 August 2002 to approve 39 changes to the constitution. Some of the major articles at issue were the abolishment of the proportional system of election of deputies to the national parliament; making the prime minister,

not the speaker of the parliament, a caretaker president in case the president is not able to carry out his duties; and giving lower level courts the right to ban political parties. Opposition leaders argued that abolishment of the proportional system would damage the multiparty system in the country and further strengthen the ruling elite. In addition to this, the opposition claimed that President Aliyev intended to appoint his son Ilham prime minister and then retire, thus paving the way for his son to become the next president. President Aliyev also approved adding a provision to the Law on State Secrets, which would make editors and journalists of local mass media accountable for disseminating state secrets. The government claimed that there was nearly 100% support for the constitutional changes with 88% voter turnout, while opposition groups stated turnout was closer to 15%, which would render the vote invalid. Demonstrators called for the resignation of President Aliyev and for holding free and fair elections. Supporters of more than 30 opposition parties, including the major parties Musavat, the Popular Front, the Azerbaijan Democratic Party, and the Azerbaijan National Independence Party, held marches on 14 September 2002 urging the authorities to cancel the results of the referendum. On 27 October and again on 24 November of that year, the opposition parties marched again under the banner of the United Opposition Movement, claiming that over 50,000 people participated in the marches.

In August 2003, Aliyev appointed his son Ilham prime minister. In October, Ilham Aliyev won a presidential vote by a landslide in a poll outside observers declared not meeting international standards, which sparked opposition protests. These were met by police violence; hundreds were arrested. In December, Heydar Aliyev died in a hospital in Cleveland, Ohio, in the United States; he had been suffering from heart and kidney problems.

In March 2005, outspoken opposition journalist Elmar Huseynov was shot and killed in Baku; thousands of Azerbaijanis mourned his death. After months of preelection tension and the suppression of riots, voters cast their ballots for parliament on 6 November 2005. The ruling Yeni Azerbaijan Party declared victory, while leaders of Azadliq (“Freedom”), a three-party opposition bloc, said the official results were a sham, and the races were tainted by fraud, falsification, and police action. During the campaign, beatings of demonstrators, arrests of opposition figures, and the continued use of government resources for its candidates took place. After the elections, thousands of opposition members protested the fraudulent elections, and the Azeri government was forced—in part by intense diplomatic pressure—to undo some of the most obviously falsified results, by firing two regional governors for interfering with vote counts, annulling the results for five parliamentary seats, and dismissing several election officials and opening criminal cases against them, in addition to carrying out investigations of complaints. The official results showed the Yeni Azerbaijan Party winning 58 parliamentary seats and the Azadliq bloc only 11. The rest were scattered among small parties and independents. Tens of thousands of citizens staged peaceful protests on 26 November 2005, calling on President Ilham Aliyev to resign, and chanting “freedom”; the protests were broken up by the police, who beat many of the participants.

### 13 GOVERNMENT

Azerbaijan is a republic with a presidential form of government. Heydar Aliyev assumed presidential powers after the overthrow of his popularly elected predecessor and was elected president in 1993. Aliyev and his supporters from his home region of Nakhichevan and elsewhere dominated the government and the legislature. Aliyev’s son Ilham was elected president in October 2003; Heydar Aliyev died in December 2003.

The Azerbaijani constitution was approved by 91.9% of voters in a referendum held in November 1995. It establishes a strong presidency, sets up a new 125-member legislature (the Milli Mejlis), declares Azerbaijani the state language, proclaims freedom of religion and a secular state, stipulates ownership over part of the Caspian Sea, and gives Nakhchiveni Autonomous Republic (NAR) quasi-federal rights. The president appoints and removes cabinet ministers (the Milli Mejlis consents to his choice of prime minister), submits budgetary and other legislation that cannot be amended but only approved or rejected within 56 days, and appoints local officials. It is extremely difficult for the Milli Mejlis to impeach the president. The transition to democracy has been impeded by government efforts to hinder the opposition. In NK, political turmoil and war damage have slowed development, and ethnic Azerbaijanis are prevented from returning to the region and surrounding areas by the lack of a peace settlement.

In June 2002, the Constitutional Court ruled that changes to the constitution proposed by President Heydar Aliyev did not conflict with the principles of Azerbaijan’s basic law. One major change in the constitution concerned what happens if the president retires or becomes incapacitated. Prior to the 24 August 2002 referendum, under the constitution’s Article 105, the speaker of parliament assumed the president’s duties. Under the new rule, the prime minister, who is appointed by the president and is responsible to him, not the legislature, assumes presidential powers. An amendment to Article 101 changed the threshold for a candidate to be elected president in the first round of voting, from two-thirds to a simple majority. Members of the Milli Mejlis were previously elected on the basis of majority and proportional election systems under Article 83 of the constitution. Under the new provisions, proportional party lists were eliminated and deputies are elected only through winning majorities in districts. Changes to Article 3 forbid holding a referendum on issues that fall under the scope of executive institutions, such as taxes, the state budget, amnesties, elections and appointments to executive positions.

In the November 1995 election, 25 of the seats were allocated through a proportional party list vote and 100 through single-member district balloting. Eight parties were allowed to take part in the party list voting in the legislative elections, but only the Azerbaijani Popular Front (APF) was clearly an anti-Aliyev party. These were the Yeni (New) Azerbaijan (YAP), APF, Azerbaijan Democratic Independence (ADIP), National Independence (NIP), Azerbaijan Democratic Proprietors (ADPP), Motherland, Azerbaijan National Statehood (NSPA), and Alliance for Azerbaijan parties. Aliyev’s YAP won most seats in the legislative races. The elections were marred by the harassment and exclusion of most opposition parties and candidates from participation and by rampant irregularities such as the open stuffing of ballot boxes, according to international observers. Some observers stressed that the elections marked some progress in holding a multiparty vote.

Heydar Aliyev's YAP candidates ran unopposed in many electoral districts because of the exclusion of opposition candidates. Campaign advertising by most parties was severely restricted on state-owned television, while Heydar Aliyev received extensive positive coverage. Legislative elections held in November 2000 saw the NAP and its allies win 108 out of 125 seats in the Milli Mejlis in elections that were criticized by international observers. The APF took the next highest number of seats with 6.

The next legislative elections were held in November 2005. Due to the 2002 changes in the constitution approved by referendum, all 125 members of parliament were elected from single mandate constituencies. Amid accusations of fraud and public demonstrations, the government's official results showed the YAP winning 58 seats; the Azadliq ("Freedom") bloc won only 11 seats, and the rest were awarded to independents and split among the smaller parties.

#### 14 POLITICAL PARTIES

Some three dozen parties are registered, but some opposition parties have been arbitrarily refused registration. Some parties that are deemed explicitly ethnic or religiously based also have been refused registration. Under election legislation passed after Heydar Aliyev's accession, a party must have at least 1,000 members to be legally registered. Party membership is forbidden to government officials in agencies of the judiciary, law enforcement, security, border defense, customs, taxation, finance, and the state-run media. Six pro-Aliyev parties participated in the 1995 legislative party list vote, including Yeni Azerbaijan (YAP; formed in November 1992), Azerbaijan Democratic Independence (ADIP; broke off from NIP in late 1993), Motherland (formed in 1990), and the Democratic Entrepreneurs' Party (formed in 1994). Only the YAP gained enough votes to win seats in the party list vote (though these other parties won seats in constituency balloting). Two centrist or opposition parties participated and won seats in the party-list voting: the Azerbaijan Popular Front (APF—formed in 1988) and National Independence Party (NIP; broke off from APF in early 1992). Opposition parties excluded from the party list ballot included Musavat (formed in 1912). All parties are small; YAP is the largest. YAP, formed by Aliyev, encompasses many of his former Azerbaijani Communist Party (ACP) supporters. The APF was at the forefront of the nationalist and anticommunist movement and its chair, Abulfaz Elchibey, was elected president in 1992. With Heydar Aliyev's return to power, APF members and officials were arrested and harassed. NIP views itself as a moderate nationalist party in "constructive opposition" to Aliyev. Musavat has supported close ties with Turkey and has cooperated on some issues with the APF. The pro-Iranian Islamic Party was stripped of its registration in 1995. Preparing for the 1998 presidential race, in March 1998, 46 pro-government political parties and groups formed the Center for Democratic Elections (CDE). Five prominent opposition political leaders and others formed the Movement for Democratic Elections and Electoral Reform (MDEER) in May 1998: Elchibey (the AFP), Isa Gambar (Musavat), Lala Shovkat Hijyeva (Azerbaijan Liberal Party or ALP), former speaker Rasul Guliyev, and Ilyas Ismayilov (Democratic Party of Azerbaijan). The Dem-

ocratic Party finally achieved registration in early 2000, but co-leader Guliyev remained in forced exile.

Other political parties include the Civil Solidarity Party (CSP), Civic Union Party, Compatriot Party, Justice Party, Liberal Party of Azerbaijan, and the Social Democratic Party of Azerbaijan (SDP). Opposition parties regularly factionalize and form new parties. The opposition bloc that fielded candidates in the November 2005 parliamentary election was called Azadliq ("Freedom").

Heydar Aliyev died in December 2003. Prior to his death he had appointed his son Ilham prime minister. In October 2003 Ilham Aliyev was elected president to succeed his father.

#### 15 LOCAL GOVERNMENT

Soviet-era Azerbaijan was subdivided administratively into one autonomous republic, Nakhichevan, an area separated from the rest of Azerbaijan by a thin strip of Armenian territory, which had its own parliament of 110 members; and an autonomous region, Nagorno-Karabakh (NK). Azerbaijan dissolved NK's status as an autonomous region in November 1991 in an attempt to reassert central control. NK has claimed an independent existence since December 1991, and a swath of territory around it has been occupied by NK Armenian forces. Azerbaijan has 59 districts (*rayons*) and 11 cities, whose executive heads or mayors are appointed and dismissed by the president. Although the constitution called for the local election of legislative assemblies (councils) by the end of 1997, these elections did not take place until December 1999 (with runoffs in some municipalities in March 2000). In these races, nearly 2,700 municipal and district assemblies were formed. Some 36,000 candidates contested for 22,087 seats in these assemblies. Of these candidates, 18,000 were sponsored by 26 political parties, while others run as independents. The election was not viewed by many international monitors as "free and fair" because of government interference in the electoral process, including the stacking of territorial and precinct electoral commissions with members of the ruling party and other local government supporters, the harassment or disqualification of opposition candidates, and ballot box stuffing. Many of the local assemblies found it difficult to begin work because their roles were somewhat unclear and local executive heads, appointed by Heydar Aliyev, proved somewhat reluctant to share power.

Local elections were held once again in December 2004. In all, 38,041 candidates competed to contest 21,622 seats on 2,731 municipal councils. More than 22,000 of the candidates were registered Yeni Azerbaijan Party (YAP) members. Thirty other parties registered only 2,347 candidates. The major opposition parties, with the exception of the NIP, boycotted the vote. Voting irregularities were reported by outside observers. The YAP maintained its political monopoly in the municipal councils.

#### 16 JUDICIAL SYSTEM

The old Soviet court system has been essentially retained, consisting of district courts and municipal courts of first instance and a Supreme Court which usually performs the function of appellate review. However, the Supreme Court also performs the function of court of first instance for some serious cases. District courts consist of one judge and two lay assessors and hear criminal, civil, and juvenile cases. Criminal defendants have the right to an at-

torney and to appointed counsel, the right to be present at trial, to confront witnesses, and to a public trial.

The 1995 constitution provides for public trials in most cases, the presumption of innocence in criminal cases, and a defendant's right to legal counsel. Both defendants and prosecutors have the right of appeal. In practice, however, the courts are politically oriented, seeming to overlook the government's human rights violations. In July 1993, Heydar Aliyev ousted the Supreme Court chief justice because of alleged political loyalties to the opposition. The president directly appoints lower level judges. The president also appoints the Constitutional Court and Supreme Court judges with confirmation by the legislature.

Prosecutors (procurators) are appointed by the president with confirmation by the legislature. The minister of justice organizes prosecutors into offices at the district, municipal, and republic levels. The constitution provides equal status for prosecutors and defense attorneys before the courts, but in practice the arrest and investigatory powers of the prosecutors have dominant influence before the courts. Judges will often remand a case for further prosecutory investigation rather than render an innocent verdict. Investigations often rely on obtaining confessions rather than on gathering evidence.

The Azerbaijan government's human rights record is poor, although some public policy debate is allowed and human rights organizations operate. The government restricts freedom of assembly, religion, and association. Numerous cases of arbitrary arrest, beatings (some resulting in deaths), unwarranted searches and seizures, and other human rights abuses are reported. Political oppositionists are harassed and arrested, and there are dozens of political prisoners in Azerbaijan. The conflict between NK Armenians and Azerbaijanis contributed to widespread human rights violations by both sides. Some opposition newspapers are allowed to exist. Ethnic Lezgins and Talysh have complained of human rights abuses such as restricted educational opportunities in their native languages.

## 17 ARMED FORCES

Azerbaijan had 66,490 active personnel in its armed forces in 2005. Reserves included 300,000 members who had been in the military within the past 15 years. The Navy numbered 1,750 active personnel, which operated 6 patrol/coastal craft, 5 mine warfare vessels, 4 amphibious landing craft, and 2 logistics/support vessels. The Army consisted of 56,840 personnel with equipment that included 220 main battle tanks, 127 armored infantry fighting vehicles, 468 armored personnel carriers, and 270 artillery pieces. The Air Force and Air Defense services had a combined 7,900 active personnel with 47 combat capable aircraft, including 37 fighters, 15 fighter ground attack aircraft, and 15 attack helicopters.

Azerbaijan also had an estimated 15,000 people serving in two separate paramilitary units: a 10,000 plus militia; and a border guard with an estimated strength of 5,000. The defense budget for 2005 was \$310 million.

## 18 INTERNATIONAL COOPERATION

Azerbaijan was admitted to the UN on 2 March 1992 and serves on several specialized agencies, such as the FAO, IAEA, IFC, ILO, IMF, UNESCO, and the World Bank. The country is also a mem-

ber of the Black Sea Cooperation Group (BSEC), the Asian Development Bank, Council of Europe, OSCE (1992), EBRD, Economic Cooperation Organization (Turkey, Iran, Pakistan, Russia, the Central Asian states, and Afghanistan), the Islamic Development Bank, the Organization of the Islamic Conference, and the European-Atlantic Partnership Council. The country is also a member of the CIS and has observer status in the WTO. Azerbaijan is part of the group known as GUUAM (Georgia, Uzbekistan, Ukraine, Azerbaijan, Moldova). The group was formed in 2001; Uzbekistan withdrew in 2005.

The OSCE continues to mediate in the struggle between the Azerbaijani government and the ethnic Armenians of the Nagorno-Karabakh region. While Azerbaijan claims sovereignty over the region, the predominantly ethnic Armenian inhabitants are fighting for secession into Armenia.

In environmental cooperation, Azerbaijan is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, the Kyoto Protocol, and the Montréal Protocol.

## 19 ECONOMY

Azerbaijan is one of the oldest oil-producing regions of the world. Here in ancient times the Zoroastrians, for whom fire was a sacred symbol, built temples around the "eternal fires" of burning gas vents. At the beginning of the 20th century, as international competition increased in the first great era of economic globalization, Azerbaijan was supplying almost half of the world's oil. As a constituent republic of the USSR it was a leading supplier to the rest of the Union until the focus of Soviet oil development efforts shifted to the Ural mountains and western Siberia during the 1970s and 1980s. Remaining oil reserves are estimated in the BP statistical review of world energy for 2002 to be about 7 billion barrels. For oil, its reserve to production ratio (R/P ratio) of 64.3 is topped only by Saudi Arabia and Iran. Proven reserves of natural gas are estimated at 440 billion cu m (15.5 trillion cu ft). In addition, the country is endowed with ample deposits of iron, aluminum, zinc, copper, arsenic, molybdenum, marble, and fire clay.

Azerbaijan boasts a diversified industrial sector that accounts for approximately a third of GDP (2000 est.) up from less than a fifth in 1998, and 15% of employment (including construction), a figure that has remained unchanged. Agriculture, which employs about 40% of the labor force and accounts for 20% of GDP (including forestry), also rests on a relatively diversified base, producing cotton, tobacco, grapes, and a variety of foodstuffs. The transport sector is well developed, integrating the country's various regions and facilitating both domestic and external trade.

Despite its economic potential, Azerbaijan has been slow in making the transition from a command to a market economy. Large state companies continue to dominate the economy and below-market price controls still cover many key commodities. The war with Armenia has also slowed economic growth by disrupting trade ties and draining government revenues. In 1992, Azerbaijan implemented an economic blockade against both Armenia and the enclave of Nagorno-Karabakh, which is still in effect despite the cease-fire reached in 1994. In 1992 the United States passed Section 907 of the Freedom Support Act, restricting assistance to

Azerbaijan until “demonstrable steps” were taken to lift the embargo and cease offensive actions. In January 2002, however, US president George W. Bush waived Section 907 purportedly due to Azerbaijan’s support of the US-proclaimed War on Terror. In August 2002, CCC, a Greek-based construction and project management firm, won the tender for laying pipes for the Baku-Tbilisi-Ceyhan (BTC) oil pipeline officially approved September 2002 and scheduled to go into operation in 2005. Trade has traditionally been with Russia and the former Soviet republics and the economy is still greatly affected by events in those countries.

In 1994, Russia, citing its own conflict in Chechnya, closed all rail and road borders with Azerbaijan. Cut off from its major source of production inputs and main outlet for manufactured projects, Azerbaijan’s industrial production fell by more than 20% in 1995. Overall, it is estimated that from 1991 through 1995 the economy declined by about 60%. Recently, Azerbaijan has begun to shift trade to Iran and Turkey and away from Russia and Ukraine. The BTC pipeline is designed to avoid Russia. Foreign investment, the majority in hydrocarbons, began a period of steady growth in the late 1990s, and in 2001 the economy registered its fifth straight year of real GDP growth. For 1999 to 2001, based on data supplied by the government of Azerbaijan, growth rates were 7.2%, 11.1% and 8.5%, respectively, with a forecast of about 9% (US State Department estimate) for 2002. Nevertheless, the country’s GDP is not expected to reach its 1991 level until 2007.

Localized fighting with Armenia broke out in the spring of 1997 and in the summer of 1999, and efforts to reach a peace agreement have failed to date. The prospects for long-term economic growth have been significantly enhanced in 2002, however, by the cutting of one Gordian knot: the official sanctioning in September 2002 of the BTC pipeline from Baku to the Turkish Mediterranean, which has been pending since the country’s first production sharing contract (PSC) was agreed to in 1994 with the Azerbaijan International Operating Company (AOIC). The AOIC is an international consortium of companies headed by British Petroleum (BP) as operator with a plurality share of 34.1% share. Actual construction on the BTC pipeline began in 2002. Azerbaijan’s second PSC, signed and ratified in 1996, for the Shah Deniz gas pipeline involving another consortia headed by BP (with 25.5% and also designated operator) and Norway (Statoil with 25.5%) more typically failed to be sanctioned in October 2002 as planned due to problems sorting out finance. Azerbaijan’s economic development will ultimately depend on the diversification of its production for export, but in the near future the prospect is for the increasing dominance of the hydrocarbon sector as a percent of GDP and as a percent of exports.

In 2004, the GDP was \$30 billion, an improvement of 10.2% over the previous year. Estimates of the Economist Intelligence Unit show that the GDP growth rate will reach 21% in 2005, and a whopping 25% in 2006, as a result of increased oil and gas exports. Official unemployment has remained fairly stable at around 1.2%, but it is believed that part of the working population is “technically” unemployed or working for the gray market. Inflation has been fluctuating, but at 6.7% in 2004 it is not a major source of concern.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Azerbaijan’s gross domestic product (GDP) was estimated at \$36.5 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$4,600. The annual growth rate of GDP was estimated at 18.3%. The average inflation rate in 2005 was 12%. It was estimated that agriculture accounted for 14.1% of GDP, industry 45.7%, and services 40.2%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$171 million or about \$21 per capita and accounted for approximately 2.4% of GDP. Foreign aid receipts amounted to \$297 million or about \$36 per capita and accounted for approximately 4.4% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Azerbaijan totaled \$4.51 billion or about \$548 per capita based on a GDP of \$7.1 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 5.4%. In 2001 it was estimated that approximately 51% of household consumption was spent on food, 16% on fuel, 9% on health care, and 2% on education. It was estimated that in 2002 about 49% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, there were an estimated 5.45 million workers in the labor force. As of 2001 (the latest year for which data was available), agriculture and forestry accounted for 41% of employment, industry 7%, and the services sector 52%. As of 2005, the nation’s unemployment rate was officially put at 1.2%.

The constitution provides for the right to form labor unions, but in practice this right is limited and unions are generally not effective in wage negotiations. Collective bargaining is at a rudimentary level. Wages are still set by government ministries for organizations within the budget. Most major industries are state-owned and the government runs the largest industrial and white-collar unions. Uniformed police, military, and customs personnel are prohibited from forming unions, and trade unions may not participate in political activity. The use of compulsory labor is limited to certain circumstances.

The minimum wage as of 2005, was \$25 per month. However, the minimum wage is below the level needed to support a worker and family, nor is it effectively enforced. As a result, many rely upon outside income sources and the structure of extended families generally, to ensure a decent living. In addition, most workers earn in excess of the minimum wage. The legal workweek is 40 hours, although workers in dangerous occupations are limited to 36 hours per week. The maximum daily work shift is 12 hours, and lunch and rest periods are also required. There is a minimum working age of 16 with exceptions for children as young as 14 to work during vacations.

Although health and safety standards have been set by law, these rules are mostly ignored and inspections by the government were ineffective and weak. Workers who leave their jobs due to health and safety hazards, do so at the risk of losing their jobs.

## 22 AGRICULTURE

Some 24% of Azerbaijan's area was cultivated or considered arable in 2002. There are currently 59 agricultural regions in 10 geographic zones; the principal crops are grapes, cotton, and tobacco. Agriculture accounted for 21% of GDP in 2002.

Wheat production in Azerbaijan suffers from a number of problems common in the former Soviet Union, including inadequate production credit and lack of inputs. Most wheat is still produced on state farms, as privatization is only beginning. Production in 2004 amounted to 1,600,000 tons from 620,000 hectares (1,530,000 acres). Seed cotton production amounted to 135,685 tons in 2004, from a harvested area of 77,700 hectares (192,000 acres). Cotton production has been stagnant due to low producer prices, lack of incentives, and a shortage of both inputs and operating capital. Tobacco was grown on about 2,100 hectares (5,200 acres) in 2004; production totaled 6,518 tons.

During the Soviet period, some 1,200 state and cooperative farms existed. Since independence, former state-owned farms have become more productive, and private fruit and vegetable farming is increasing. Of the total crop production of 2004, grapes totaled 55,000 tons; cotton (lint), 40,000 tons; tomatoes, 420,000 tons; watermelons, 280,000 tons; sugar beets, 60,000 tons; hazelnuts, 20,000 tons; garlic, 20,000 tons; sunflower seeds, 18,000 tons; walnuts, 9,700 tons; and tea, 1,048 tons.

Grapes were grown across 10,000 hectares (25,000 acres) in 2004; wine production amounted to 52,800 tons that year. Azerbaijan has an expanding wine-producing industry whose wines have frequently won awards at international exhibitions.

## 23 ANIMAL HUSBANDRY

Azerbaijan has some 2.7 million hectares (6.7 million acres) of permanent pasture. The livestock population in 2004 included 16,878,000 chickens, 6,676,000 sheep, 1,934,000 cattle, 604,000 goats, 20,000 pigs, and 68,000 horses. Meat production in 2004 amounted to 145,500 tons, almost three-fourths of which was beef and mutton. In 2004, about 1,190,000 tons of cow's milk, 46,500 tons of eggs, and 12,100 tons of greasy wool were produced.

## 24 FISHING

The Caspian Sea is Azerbaijan's principal fishing resource. Commercial fishing traditionally centered on caviar and sturgeon. The total catch was 6,937 tons in 2003, primarily Azov sea sprat.

## 25 FORESTRY

About 13% of the land area consists of forests and woodlands. Soviet-era policies gave priority to high production and rapid growth at the expense of the environment. The State Committee for Ecology and Use of Natural Resources has introduced new regulations to protect forest resources. Roundwood production in 2003 totaled 14,000 cu m (494,000 cu ft), with 23% used for fuel wood.

## 26 MINING

Besides significant reserves of natural gas and petroleum, Azerbaijan has iron ore reserves near the disputed Nagorno-Karabakh region, and lead-zinc and copper-molybdenum deposits in the Nakhichevan area. Production of metallic and industrial minerals in 2002 included alunite (no figure was available for 2002, but 23,000 tons were produced in 2000. There is no recorded production in 2001), alumina (217,000 tons in 2000 and 91,000 tons in 2002), bromine, clays, gypsum (1,039 metric tons), iodine (300,000 kg), limestone, marble, sand and gravel, decorative building stone, and precious and semiprecious stones.

## 27 ENERGY AND POWER

At the turn of the 20th century, Azerbaijan accounted for half of the world's oil production. Oil wells have been operating in Baku since the 1840s. As of the early 21st century, almost all production came from offshore in the Caspian Sea. Azerbaijan was one of only four former Soviet republics (along with Russian, Kazakhstan, and Turkmenistan) to be self-sufficient in petroleum. However, production declined following the 1991 breakup of the Soviet Union until foreign investment provided the capital for new development, turning this trend around in 1998. Production rose from 194,000 barrels per day in 1998 to an average of 318,000 barrels per day in 2004.

According to industry journals and government sources, proven oil reserves as of 2004 totaled between 7 billion and 13 billion barrels. The State Oil Company of Azerbaijan (SOCAR) has planned for joint development of the offshore fields (which are now largely untapped) and has entered into several agreements to build oil pipelines. For instance, a project with the Caspian Pipeline Consortium would carry oil from the Caspian Sea to the Russian Black Sea port of Novorossiysk. Another deal with Turkey involved the construction of a 1,760-km (1,090-mi) pipeline, the symbolic first length of which was installed in September 2002, to carry crude oil from Baku to Ceyhan, Turkey. In 1995 Azerbaijan had 17 offshore oil fields in production. Guneshli, about 60 mi (96 km) off the Azeri coast, currently accounts for more than half the annual production. By the end of 2002, 33 companies in 15 foreign countries had signed agreements to develop 21 major oil fields in Azerbaijan. As of 2003 disputes over offshore oil rights in the Caspian Sea continued to hinder development of those reserves.

Natural gas production has become more important in recent years, especially in Baku, where some of the oil wells have been exhausted. Proven reserves as of late 2004 totaled 1.37 trillion cu m (48.4 trillion cu ft). Production of natural gas in 2004 totaled 4.6 billion cu m. Ukraine and Iran are interested in running a natural gas pipeline through Azerbaijan en route to Eastern Europe.

In 2003, net electricity generation was estimated at 19.5 billion kWh. In 2003, consumption of electricity was estimated at 19.8 million kWh. Total installed capacity at the beginning of 2001 was 5.1 million kW. Eight thermal plants supply more than 80% of capacity, and the rest comes from hydroelectric plants. The main power plants (both thermal) were near Ali-Bayramy (1,100 MW) and Mingechaar (2,100 MW).

Petroleum and natural gas resources are the basis for an extensive system of refineries, which produce gasoline, herbicides, fertilizers, kerosene, synthetic rubber, and plastics.

## 28 INDUSTRY

The oil and gas industry has traditionally been pivotal to the economy; in 1891, Azerbaijan produced more than half of the world's total oil production. In 2001 refinery production accounted for over 14.9% of total industrial production, second only to the 58.6% accounted for by the extraction of crude oil and natural gas, according to the Azeri government statistics. Oil refining is concentrated in the Azerineftyag (Baku) refinery, with a capacity of 230,000 bpd, and the Azerneftyanajag (New Baku) refinery, with a capacity of 212,000 bpd.

The total domestic production of oil in 2001 was 311,200 bpd of which an estimated 175,200 bpd (56%) was exported, which left the two refineries operating well below capacity, with overall utilization rates as low as 40%. Both refineries are in need of modernization, which the government estimates will cost \$600 million to \$700 million. The US Trade and Development Agency financed a \$600,000 feasibility study, awarded to ABB Lumas in January 2002, on upgrading the refineries and the specialized oil port of Dubendi.

Failure to replace worn and outdated technology as well as falling demand in the rest of the former USSR resulted in a steady decline in the production of oil products since the early 1980s. Total output averaged 185,000 bpd in 1995, as compared to 285,000 bpd in 1987, and has declined further since. Output of refined products in 2001 included heating oil (approximately 50%), diesel fuel (28%), gasoline (10%), motor oil (7%), kerosene (3%), and other products (3%). Petroleum production is situated in 40 deposits on land and 12 offshore deposits in the Caspian Sea.

The offshore Gunashli petroleum mining operation supplies half of the country's petroleum. As of June 2002, Azerbaijan had entered into 23 production-sharing agreements (PSAs) involving about 30 companies from about 15 countries involving 13 offshore fields, and 10 onshore fields. Only six—the offshore Azeri, Chirag, and deepwater Gunashli (ACG) field being developed by the AIOC consortium for connection to the Baku-Tbilisi-Ceyan (BTC) pipeline, and five relatively small onshore fields—were actually producing measurable daily output in 2002.

In line with the historic importance of the oil sector for the Azeri economy, the fabrication of equipment related to petroleum production had been one of the country's major industries. As a source of 70% of the former Soviet Union's oilfield equipment, it also held great importance for other oil-producing post-Soviet republics in the early years of the transition from Communism. Azerbaijan's petroleum equipment manufacturing industry comprised the second-largest concentration of such industries in the world (behind that of the United States). Like most other of the country's economic sectors, however, the industry was plagued by plant obsolescence. Industrial production and export statistics for 2001 indicate no manufacturing or export of oilfield equipment. On the contrary, the US Commercial Service has issued bulletins pointing to upwards of \$10 billion in procurement opportunities in Azerbaijan for foreign suppliers of oil field equipment in the period 2002–05. In August 2002, CCC, a Greece-based construction and project management firm, won the contract for laying the pipeline for the Azeri portion of the BTC pipeline.

Other important industrial sectors in the Azeri economy include electrical power production (12.1% of total industrial production in 2001), chemicals (3.4%), food processing (3.2%), cars

and other transport equipment (2.9%), and tobacco goods (1.6%), as well as various kinds of light manufacturing. As with fuel and oilfield equipment production, however, output in almost all of these sectors declined or stagnated in the 1990s due to the conflict with Armenia.

In aggregate terms, the real value of total industrial production in Azerbaijan dropped 21% in 1995, following already steep declines of 31% in 1992, 8% in 1991, and 17% in 1990. In 1998 total industrial production index registered its first year-on-year increase in the decade, moving from 28% of the 1990 level to 29%. By 2001 the index stood at 34% of the 1990 level, and it is estimated that pre-transition levels industrial output will not be achieved until 2007. Manufacturing, the main component in the industrial production index, is lagging the most. In 2001 it stood at only 24% of the 1990 level, whereas other components, namely, the extraction industry and utilities (electric, gas, and water), had reached 83% and 69%, respectively, of 1990 levels of output. A structural change is evidenced in the relative weights of production and refining activities in industrial production between 1997 and 2001. Refining declined from 34% to 14.9% of the total, while extraction increased from 31.2% to 58.6% in 2001. In 2001 total industrial production rose 5.1% over 2000.

In 2004, the industrial production growth rate was 4%, and industry accounted for more than 45% of the GDP, while employing only 7% of the working population; agriculture contributed 14.1% to the GDP, and employed 41% of the labor force; services came in second in terms of contribution to the economy (40.2%), but first in terms of employed labor force (52%).

## 29 SCIENCE AND TECHNOLOGY

The Azerbaijan Academy of Sciences in Baku has departments of physical engineering and mathematical sciences, chemistry, earth sciences, and biology; as of 1997, 19 science and technology-related research institutes were attached to it. The country has numerous other institutes conducting research in agriculture, medicine, and technology.

The Azerbaijan Technical University in Baku, founded in 1920, has faculties in automation and computing technology, electrical engineering, machine-building, automechanics, metallurgy, radio-engineering, robotics, and transport. Baku State University, founded in 1919, has faculties of mathematics, physics, chemistry, biology, geology, and geography. Azerbaijan also has five higher institutes offering courses in agriculture, medicine, petroleum engineering, engineering, and technology. In 1987–97, science and engineering students accounted for 37% of college and university enrollments. The Azerbaijan Scientific and Technical Library is located in Baku.

As of 2002, there were 1,248 researchers and 197 technicians actively engaged in research and development (R&D). R&D spending in that year totaled \$81.045 million, of which 54% was by the government, 24.5% by higher education, and 21.1% by business. In 2002, high technology exports totaled \$10 million or 8% of manufactured exports.

## 30 DOMESTIC TRADE

Despite the government's claims that it is moving towards a free market economy, government ownership is still common among large industries. Since independence, there has been an informal

privatization of the trading sector as many small shops have sprung up throughout Azerbaijan. Private traders now handle most retail sales. Private business people see trade as relatively low risk in an environment where private ownership rights do not exist. Business and retail hours can vary according to the owner's preference; however, most businesses are open from 9 AM to 6 PM, Monday through Friday. Many businesses and offices also have Saturday hours. Private transactions are primarily in cash. Credit cards are not generally accepted, except in major hotels and restaurants. An 18% value added tax applies to all goods and services.

### 31 FOREIGN TRADE

Like other post-Soviet economies, Azerbaijan is highly trade-dependent; however, it is endowed with a more diversified export

#### Principal Trading Partners – Azerbaijan (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	2,591.7	2,626.4	-34.7
Italy-San Marino-Holy See	1,345.9	74.0	1,271.9
France-Monaco	209.7	156.0	53.7
Russia	147.8	383.9	-236.1
Israel	138.1	...	138.1
Georgia	111.5	10.2	101.3
Turkey	107.0	195.1	-88.1
Greece	71.4	...	71.4
United States	63.9	132.6	-68.7
Croatia	61.1	...	61.1
Iran	49.1	50.6	-1.5

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Azerbaijan (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-2,020.9</b>
Balance on goods		-98.5	
Imports	-2,723.1		
Exports	2,624.6		
Balance on services		-1,614.5	
Balance on income		-442.1	
Current transfers		134.2	
<b>Capital Account</b>			<b>-23.1</b>
<b>Financial Account</b>			<b>2,279.7</b>
Direct investment abroad		-933.3	
Direct investment in Azerbaijan		3,285.0	
Portfolio investment assets		...	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		-169.2	
Other investment liabilities		97.2	
<b>Net Errors and Omissions</b>			<b>-111.8</b>
<b>Reserves and Related Items</b>			<b>-123.8</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

structure than many other former USSR countries, especially in neighboring Central Asia. While the centrally planned state ordering system is steadily losing its place as the basis for trade in the former Soviet Union, the Azeri Ministry of Foreign Economic Relations still controls the export of all products considered to be of strategic importance to the national economy.

Key to Azerbaijan's trade future will be the development and operations of a major oil pipeline out of the Caspian Sea. Currently, the construction of a major export pipeline to the Mediterranean is under way and scheduled for completion in 2005. Exports include oil and gas (84%), chemicals, oilfield equipment, textiles, and cotton. Imports include machinery and parts (32%), consumer goods, food, and textiles.

In 2004, exports totaled \$3.2 billion (FOB—Free on Board) and mainly went to Italy (26.6%), the Czech Republic (11.9%), Germany (8.1%), Indonesia (6.4%), Romania (6.2%), and Georgia (6%). Imports were slightly higher at \$3.6 billion, and they chiefly came from Russia (16.1%), the United Kingdom (12.5%), Turkey (10.5%), Germany (7.8%), and the Ukraine (5.6%).

### 32 BALANCE OF PAYMENTS

The war with Armenia in and around Nagorno-Karabakh had facilitated Azerbaijan's trade deterioration, which was further exacerbated by the collapse of the local currency. Reviving ruble-related trade links with Russia was a key reason for Azerbaijan's entry into the Commonwealth of Independent States in September 1992. In 1995 inflation fell and the currency was stable until it was devalued in 1999, causing inflation of 10% to 15%. The current account deficit was over one-third of GDP in 1998.

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Azerbaijan's exports was \$2 billion while imports totaled \$1.8 billion resulting in a trade surplus of \$200 million.

The International Monetary Fund (IMF) reported that in 2001 Azerbaijan had exports of goods totaling \$2.08 billion and imports totaling \$1.47 billion. The services credit totaled \$290 million and debit \$665 million.

Exports of goods and services totaled \$3.7 billion in 2004, slightly higher than the imports (\$3.6 billion). Estimates of the Economist Intelligence Unit see the exports almost tripling by 2007, with the imports stabilizing around \$4.7 billion. Obviously, the increased oil production will be the main engine of this growth. The current account balance was -\$2.6 billion, but is expected to go into the positive by 2006. Reserves of foreign exchange and gold reached \$875 million in 2004, covering almost three months of imports.

### 33 BANKING AND SECURITIES

The National Bank of Azerbaijan is the central bank of Azerbaijan. The central bank is charged with regulating the money supply, circulating currency, and regulating the commercial banks of the country. However, the banking system in Azerbaijan is minimal and ineffective. An estimated \$1 billion is held in cash or outside the banking sector, a considerable amount in comparison with the scope of the country's entire economy.

There are approximately 70 foreign and local banks in Azerbaijan. Of the four state-owned banks, only the International Bank of



**Public Finance – Azerbaijan (1999f)**

(In billions of manat, central government figures)

<b>Revenue and Grants</b>	<b>3,380.2</b>	<b>100.0%</b>
Tax revenue	2,403.5	71.1%
Social contributions	733	21.7%
Grants	63.2	1.9%
Other revenue	180.5	5.3%
<b>Expenditures</b>	<b>4,260.9</b>	<b>100.0%</b>
General public services	1,377.3	32.3%
Defense	472.1	11.1%
Public order and safety	482.9	11.3%
Economic affairs	362.4	8.5%
Environmental protection	...	...
Housing and community amenities	1.5	<1.0%
Health	34.7	0.8%
Recreational, culture, and religion	54.7	1.3%
Education	136.6	3.2%
Social protection	1,412.1	33.1%

(...) data not available or not significant. f = forecasted or projected data.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Azerbaijan (IBA) was solvent in 1999. The IBA was in the process of being privatized in that year. Major commercial banks include the Promtekhbank, Azakbank, Azerdemiryolbank, Bacobank, Gunay International Bank, Halgbank, ILKBANK, and the Universal Bank. Most businesses use the IBA, or the British Bank of the Middle East, Baku.

The central bank increased the minimum bank capital to \$1.5 million in 1999, and expected to increase the figure to \$3 million in 2001 (the latest year for which data was available), effectively consolidating the sector. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$363.6 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$738.5 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 10%.

The Baku Stock Exchange, known as the BSE, opened in 2001 trading short-term treasury bonds and the common stock of recently privatized state-owned enterprises. Trading volume in the first six months was just under \$1 million. A regulatory framework for the new exchange is under development and is expected to conform to international transparency standards.

**3<sup>4</sup> INSURANCE**

As of 1995, at least 14 insurance companies were doing business in Azerbaijan.

**3<sup>5</sup> PUBLIC FINANCE**

Since 1996, the Azerbaijani government has emphasized privatization as a means towards consolidation of the public debt and revitalization of the economy. Over 70% of all parastatals are set to be privatized; more than 20,600 companies were privatized during 1997 and 1998. Foreign investment was encouraged, especially in the oil sector, however the diversification needed for long-term

growth is lacking. The budget deficit in 2001 was a mere 0.5% of GDP.

The US Central Intelligence Agency (CIA) estimated that in 2005 Azerbaijan's central government took in revenues of approximately \$31.8 billion and had expenditures of \$29.8 billion. Revenues minus expenditures totaled approximately \$28.8 billion. Public debt in 2005 amounted to 13.9% of GDP. Total external debt was \$2.253 billion.

The International Monetary Fund (IMF) reported that in 1999, the most recent year for which it had data, central government revenues in billions of manat were 3,380.2 and expenditures were 4,260.9. The value of revenues in millions of US dollars was \$1 and expenditures \$1, based on an official exchange rate for 1999 of 4,120.17 as reported by the IMF. Government outlays by function were as follows: general public services, 32.3%; defense, 11.1%; public order and safety, 11.3%; economic affairs, 8.5%; health, 0.8%; recreation, culture, and religion, 1.3%; education, 3.2%; and social protection, 33.1%.

**3<sup>6</sup> TAXATION**

On 1 January 2001, a new tax code went into effect. Personal income rates remained the same, at rates ranging from 12–35%, as did the corporate tax rate, at 27%. However, as of 2005, the corporate rate was set at 24%. The revised depreciation schedule for corporate assets favors investments in high-tech equipment and oil and gas exploration. Depreciation rates are 10% a year for buildings, 25% a year for equipment and computers, 25% for geological and exploratory costs, and 20% a year for all other assets. However, accelerated depreciation is allowed for capital spending allocated for production purposes at twice the standard rates. Included in this are expenditures on the building of those facilities that are to be used in the actual manufacture of goods. The value-added tax (VAT) was reduced from 20% to 18%, while the property tax was raised from .5% to 1% of assessed value. A .05% Road Fund Tax on turnover was abolished, but there is a highway tax imposed on foreign-registered vehicles collected by customs authorities. There are payroll taxes paid by the employer amounting to 32%, 30% going to the Social Protection Fund, and 2% going to the Employment Fund. There are excise taxes, but excise paid for goods used in production can be offset against excise charged for the finished product. In 2001, total government revenue came to an estimated 21.4% of GDP, while total expenditures, including net lending, amounted to only 20% of GDP, producing a positive fiscal balance equal to 1.4% of GDP.

**3<sup>7</sup> CUSTOMS AND DUTIES**

Tariffs are set at 15%, 5%, 3%, or 0.5%. Most goods carry the 15% import customs duty. Capital goods and some primary goods are exempt. There is also a 20% value-added tax on certain imports. A dividend withholding tax of 15% is applicable to monies sent abroad.

In 1992, Azerbaijan signed trade agreements with all the republics of the former USSR except Armenia and Russia. Azerbaijan joined the Commonwealth of Independent States (CIS) in September 1993 and acceded to the CIS economic union treaty the same year. Azerbaijan is a member of the Economic Cooperation Organization. In 1999, Azerbaijan entered into a Partnership and Cooperation Agreement with the European Union and was seek-

ing membership in the World Trade Organization, but as of 2003 has not yet received it.

### 38 FOREIGN INVESTMENT

Foreign investment plays a major role in financing the development of much of Azerbaijan's industrial sector, especially the oil and gas-related industries. The 1992 Law on Foreign Investment provided many basic guarantees to foreign investors, including nondiscriminatory treatment, the repatriation of profits, guarantees against expropriation, and dispute settlement. The Privatization Law passed in 1995 allowed foreign investors to acquire shares in state companies and purchase real estate jointly. Starting in 1997, foreign tax privileges were revoked. As of 1999, foreign investors were required to obtain a license and pay a fee in order to open business in Azerbaijan.

Only about 100 joint venture projects were registered by mid-1992; these were dominated by Turkish firms and involved primarily in trade and textiles. In the oil sector, preliminary agreements were signed with US, Scottish, British, and other foreign companies for the exploration and development of several major oil fields in the Caspian Sea. In 1992, Azerbaijan joined a consortium with Oman, Kazakhstan, and Russia aimed at constructing a pipeline through Armenia, Iran and Turkey, or Georgia. Little action was taken on these agreements, due to heightened political tensions. The Azerbaijan International Operating Company (AIOC), led by BP Amoco, signed an \$8 billion contract in 1994 to exploit oil reserves at Azeri, Chirag, and Guneshli (ACG). Foreign direct investment leapt from only \$30 million in 1994 to over \$1 billion in 2002 (about 17% of GDP), with approximately 90% of FDI concentrated in the hydrocarbons sector.

Although the US government had banned public aid to Azerbaijan in 1992, US investors played a large role in exploiting Azerbaijani oil reserves, increasingly so since January 2002 when the Bush administration waived the ban on public assistance (due to Azerbaijan's trade embargo against Armenia and Nagorno-Karabakh) because of Azerbaijan's support in the War on Terror. In the energy sector, by June 2002, the government had concluded Production Sharing Agreements (PSAs) with over 30 companies representing 15 countries.

Over 90 US energy-related companies are currently resident in Baku pursuing investment opportunities. Significant foreign investors in the energy sector included British Petroleum (BP)—the designated operator for both the ACG oil field and the Shah Deniz natural gas field—Unocal, ExxonMobil, Devon Energy (Pennzoil), Chevron, Conoco, Moncrief Oil, TPAO (Turkish Oil Company), Statoil (Norway), Lukoil (Russia), Itochu (Japan), Agip (Italy), and TotalfinaELF (France).

The US State Department projects that as work on the BTC pipeline proceeds and development of Azerbaijan's oil and gas resources intensifies, foreign investment should increase from levels of 15–25% of GDP to 50% of GDP. The US State Department also noted that data from Azerbaijan is not reliable, and only rough estimates can be made. On this basis, it reported that foreign investments in 2000 amounted to about \$927 million, of which \$546.1 million (58.9%) was in the energy sector.

Investments came in at a faster pace in subsequent years, reaching \$1.4 billion in 2002, \$3.3 billion in 2003, and \$3.0 billion in 2004. Most of the capital inflows went to the energy sector, but

there were also some investments in the transport and communications sectors.

### 39 ECONOMIC DEVELOPMENT

Rapid development of the Azeri economy in the former USSR was based on the expansion of both its industrial sector, led by oil-related industries, and its agricultural sector, led by grape, tobacco, and cotton production. With grape and wine production weakened by the effects of Gorbachev's anti-alcoholism campaign in the 1980s, and much of the country's industrial sector afflicted by technological obsolescence, overall economic growth in the republic had already begun to decline by 1989, when NMP dropped 6%. Real gross domestic product (GDP) contracted by almost 60% from 1990 to 1995. However, in the late 1990s, foreign investment in the country's oil and natural gas sectors opened a period of steady growth. Key strategies of the Azeri government to bring about economic revitalization have included both an economic restructuring program as well as efforts to expand its economic ties to countries beyond the former Soviet Union. To the latter end, Azerbaijan joined the Economic Cooperation Organization set up by Iran, Pakistan, and Turkey to promote trade among Muslim countries. It was also the first of the former Soviet republics to become a member of the Islamic Development Bank, which provides potential access to financing for programs related to agriculture, construction, training, and food aid. In 2002, economic prospects brightened considerably with progress made on its two major pipeline projects designed to connect the Caspian Sea to the Turkish Mediterranean to provide oil and gas for the European and North American markets, the Baku-Tbilisi-Ceyhan Export Oil Pipeline (BTC) and the Baku-Tbilisi-Erzrum Gas Pipeline. The BTC particularly received an important impetus when the Azeri government came out as a strong ally of the United States in its War on Terror.

The restructuring program in Azerbaijan has been similar to those of other countries in the former USSR. Its main points include stabilization measures (price liberalization, introduction of national currency, and establishment of an exchange rate stabilization fund); introduction of new legislation regarding privatization, foreign investment, and employment; fiscal and monetary reform (including introduction of a VAT and controls on government expenditures); civil service reform; and development of the banking sector. Four committees on antitrust, support for enterprises, state property, and land reform have been established to oversee the implementation of reform legislation. Privatization of the state enterprise sector is moving at a slow pace. Particular attention is being directed at modernizing those strategic sectors of the economy with the greatest potential for export growth, particularly the oil industry and, to a lesser extent, textile production; the role of foreign investment is seen as pivotal in these areas.

Since 1994, the Azerbaijan parliament has ratified 22 other PSCs, 19 of which were still operative in the early 2000s. Virtually every major oil company in the world is a player in Azerbaijan, including over 90 American companies resident in Baku in 2002. The US State Department estimates that for the period 2002–05 opportunities for sales of upwards of \$10 billion will be available in association with the expansion of AIOC's offshore oil and gas production. Macroeconomic stability has also been a clear achievement with the government's tight fiscal and monetary pol-

icies producing low consumer price inflation rates in 2000 and 2001 of 1.8% and 1.5%, respectively, according to IMF staff reports, after two years of actual declines in the price level in 1998 and 1999, of -0.8% and -8.5%, respectively.

Economic reforms in Azerbaijan have come increasingly under the conservative supervision of the IMF and the World Bank, which have also taken aim at the problem of pervasive corruption in the administration of taxes and custom duties. In 2002, Azerbaijan was under a three-year Poverty Reduction and Growth Facility (PRGF) program with the IMF, the objectives of which include establishing financial discipline in the energy sector, and increasing efficiency and transparency in the operations of the Ministry of Taxation and the State Customs Committee, and developing a comprehensive anticorruption program.

In March 2002, Azerbaijan reached agreement with the World Bank for a second Structural Adjustment Credit (SAC-II) program, funded at \$60 million. If implemented, the IMF and World Bank programs would greatly improve the investment climate in Azerbaijan. Azerbaijan's two privatization programs since its transition to a free market economy have faltered on the lack security and market transparency. The first, from 1996 to 1998, focused on small and medium-sized enterprises was hindered by lack of resources to properly prepare assets for privatization and insufficient information about these enterprises. A presidential decree of August 2000 opened up case-by-case sales of some of the country's largest enterprises, and in March 2001 additional decrees were issued identifying about 450 enterprises to be privatized during the second privatization program. Progress continues to be slow, however. Attempts to privatize large state enterprises, such as the Azerboru pipe facility, failed for lack of qualified bidders, although by January 2002 the government had succeeded in placing the Baku electrical distribution network under the long-term private management of a Turkish firm, Barmek Holdings. There has been no substantial progress in privatizing the important telecommunications sector. The private sector's contribution to the economy does continue to grow due to both the first privatization program and to land reform. Official statistics placed the private sector's contribution to GDP at over 70% for 2002, although independent economic observers estimate this share at closer to 50–60%, according to the US State Department.

The pursuit of development plans remains hampered by ongoing political conflicts in the country. Border disputes limit vital trade with Turkey, not to mention the overall economic benefits of a lasting peace between the Azerbaijan and Armenia. Azerbaijan's potential for economic development based on both its natural and human resources remains high, but the challenges posed by both external and internal politics which have eaten at the supporting infrastructure, tangible and intangible, remain quite formidable.

#### 40 SOCIAL DEVELOPMENT

Old age, disability, and survivor benefits have been provided since 1956. Pensions are provided for men at age 62 with 25 years of employment, and at age 57 for women with 20 years of employment. Social insurance, instituted in 1997, covers all employed residents. Workers' compensation provides both short-term disability benefits and pensions. Unemployment benefits were introduced in 1991. To obtain benefits there must be at least 26 weeks of covered employment in the 12 months prior to unemployment. These

benefits are suspended if the applicant refuses two acceptable job offers. Benefits amount to 70% of average gross monthly earnings but are not to exceed the national average monthly wage.

Women nominally enjoy the same legal status as men and are underrepresented in government and higher levels of the work force. Although women receive opportunities for education, work, and political activity, social traditions tend to keep them in subordinate positions. Violence against women is a serious problem especially in rural areas. As of 2004 there are no laws on spousal abuse or rape, and there are no government-sponsored programs for victims of sexual abuse. The government is committed to protecting the rights of children, however economic hardship limits the ability to safeguard children.

Ethnic tensions and anti-Armenian sentiment are still strong. Many Armenians have either been expelled or emigrated. It was estimated that approximately 20,000 Armenians, almost all of mixed marriages or mixed parentage, continue to reside in Azerbaijan in 2004. Other minorities, such as the Kurds and the Turks, also report problems of discrimination. The constitution provides for freedom of assembly, religion, and speech, but these rights are often restricted by the government. Azerbaijan's human rights record remains poor. Excessive force is used by police, and the judicial system continues to be inefficient and corrupt. Torture remains a problem, and harsh prison conditions continue.

#### 41 HEALTH

As part of the former Soviet Union, Azerbaijan has had to develop and maintain its own health care system and standards. As of 2004, there were an estimated 354 doctors and 728 nurses per 100,000 people practicing in the country. Additionally, there were an estimated 26 dentists and 122 midwives per 100,000 residents. The total expenditure on health was estimated at 1.8% of GDP.

Azerbaijan's infant mortality rate for 2005 was 81.74 per 1,000 live births, which represents an enormous increase in the previous five years. Life expectancy in 2005 was 63.35 years. As of 1999, the country immunized an estimated 99% of one-year-old children against diphtheria, pertussis, and tetanus and 99% against polio.

The overall death rate in 2002 was estimated at 10 per 1,000 inhabitants. Thousands of lives were lost between 1989 and 1992 when the country was at war with Armenia. Diphtheria, tuberculosis, hepatitis A, and diarrheal and acute respiratory infections have been serious public health problems. There have also been outbreaks of anthrax, botulism, cholera, tetanus, and malaria. Measles and tuberculosis still remain in this country despite a high incidence of vaccination for one-year-old children. The incidence of tuberculosis was 62 per 100,000 people. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 1,400 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

#### 42 HOUSING

As of 1996, over 1.3 million people were living in houses that were considered to be structurally dilapidated and dangerous. About 67% of current dwellings were built within the period 1981–96. In the period 1991–95, construction of new housing fell by nearly 50% due to poor economic conditions and the government esti-

mated that a total of about 107,000 homes had been lost due to the conflict over Nagorno-Karabakh.

The government keeps statistics on the square meters of living space available. In 2003, the total dwelling stock was estimated at about 1,000,400 square meters of available living space. About 94% of the population has access to piped water (cold), but only 19.2% have access to hot piped water. About 92% have access to appropriate sewage systems and 76% have central heating systems. About 21% of the population are living in apartment buildings and about 14% live in private houses. Most private homes are located in rural areas.

### 43 EDUCATION

Education is compulsory for students between the ages of 6 and 15. In 2001, about 23% of children ages three to five attended some type of preschool program. Primary school covers a program of four years, followed by a five-year basic program and a two-year secondary program. Secondary students might choose to attend a three-year technical program instead. The usual language of instruction is Azerbaijani, although Russian, Armenian, Georgian, and English are also offered by some schools. The academic year runs from September through May. The Ministry of Education and the Council of University Presidents are the primary national administrative bodies. As of 2003, public expenditure on education was estimated at 3.2% of GDP.

Primary school enrollment in 2003 was estimated at about 80% of age-eligible students; 81% for boys and 79% for girls. The same year, secondary school enrollment was about 76%; 77% for boys and 75% for girls. The student-to-teacher ratio for primary school was at about 15:1 in 2003. The ratio for secondary school was about 9:1.

Azerbaijan's most important institutes of higher learning are the Azerbaijan Polytechnic Institute, located in Baku, with seven departments and an enrollment of 12,000 students; and the State University, also located at Baku and founded in 1919. It has an enrollment of over 15,000 students in 11 departments. Other institutions include the Medical University, Technological University, the Economic Institute, and the Oil and Chemistry Academy. Russian is more commonly used as the language of instruction at higher-level institutions, but this is slowly changing with a growing demand for the use of Azerbaijani. In 2003, about 16% of the tertiary age population were enrolled in some type of higher education program; 19% men and 14% women. The adult literacy rate is at about 97%.

Baku is sometimes referred to as an "oil academy" because of its ongoing research in the areas of turbine drilling, cementation of oil wells, and the development of synthetic rubber from natural gas.

### 44 LIBRARIES AND MUSEUMS

The Mirza Fatali Akhundov National Library of Azerbaijan is in Baku and contains about 4.4 million volumes. Other public libraries in Baku include City Central Library, the Kocharli Azerbaijan State Children's Library, and Jafar Jabbarly Republican Youth Library. The country has about 4,000 public libraries that are administered by the Ministry of Culture. Academic libraries include a library of Russian language and literature at the Azerbaijan Pedagogical University and a scientific library at Baku State University.

The Azerbaijan Library Development Association was founded in 1999.

There are 115 recognized museums in the country, 27 of which are art museums, and there are 20 theaters. The country also has 6,571 monuments and historic sights. The Ichari Shahar, or Old Town, in Baku has the Shirvanshah Palace, an architectural monument from the 15th and 16th centuries which has been restored and is now a museum. Other museums are the Museum of History of Azerbaijan (1920), which exhibits archeological, ethnographic, and other relics; the Rustam Mustfayev Azerbaijan State Arts Museum, displaying works of Azerbaijani, Russian and West European artists from the 15th–19th centuries along with the works of modern Azerbaijani artists; the State Museum of Azerbaijani Carpets and Folk and Applied Art; and the Nizami State Museum of Azerbaijani Literature, depicting the stages of literary development. The Gobustan Museum features prehistoric dwellings and cave paintings over 10,000 years old. Baku, the capital, remains an important cultural and intellectual center in Transcaucasia.

### 45 MEDIA

Azerbaijan is connected to other former Soviet republics by landline or microwave and to other countries through Moscow. Phone service is said to be of poor quality and inadequate. Most telephones are in Baku and other industrial centers. There are about 700 villages still without public telephone service. In 2003, there were an estimated 114 mainline telephones for every 1,000 people; about 55,400 people were on a waiting list for telephone service installation. The same year, there were approximately 128 mobile phones in use for every 1,000 people.

In 2004, there were over 40 independent newspapers and magazines. There were 10 state newspapers and 80 newspapers funded by city or district-level officials. Most newspapers and magazines are printed in government publishing houses or on private printing presses owned by individuals close to the government.

Major newspapers include *Azarbaycan*, a government daily, and *Ekho. Zerkalo* is published in Russian and English and the *Baku Sun* is a popular English paper. Weeklies include *Ekspress* and *525 Qazet. Ganjlari (Youth of Azerbaijan)* had a circulation of 161,000 in 2002. Over 100 other periodicals are published, more than half in Azerbaijani.

A majority of radio and television broadcasting sources are controlled by the government, but some private stations have begun to flourish. In 2004 there were 15 television stations and 9 radio stations in operation. The public broadcasting station ITV was launched in 2005. Domestic and Russian television programs are received locally, while Iranian television is received from an Intelsat satellite through a receive-only earth station. In 2003, there were an estimated 22 radios and 334 television sets for every 1,000 people. In 2003, 37 of every 1,000 people had access to the Internet. There were three secure servers in the country in 2004.

The constitution of Azerbaijan specifically outlaws press censorship; however, it is said that the government does not always respect freedom of the press in practice.

### 46 ORGANIZATIONS

The Azerbaijan Republic Chamber of Commerce and Industry is based in Baku. Azad Istehlakchilar Birliyi is an independent con-

sumers' union. Important political associations in the Republic of Azerbaijan include the Helsinki Group, a human rights group, the National Democratic Movement, and Musavat (Equality). The Committee of Democracy and Human Rights in Azerbaijan, founded in 1993, is made up of both individuals and organizations focusing on promoting respect for human rights. The group publicizes human rights abuses and offers legal assistance to victims.

The Azerbaijan Medical Association promotes the rights of both physicians and patients and serves as a networking organization for a number of associations in specialized fields of medicine.

A number of groups promote and protect civil rights and humanitarian and development needs for women and children. These include: the Association for the Defense of Rights of Azerbaijan Women, the Azerbaijan Women's Association, Azerbaijan Women and Development Center, Azerbaijan Women's Intelligence Organization, Azerbaijani League for the Defense of the Rights of Children, and the Mothers Outcry Society.

There are over 20 youth organizations united and coordinated in part by the National Assembly of Youth Organizations of Azerbaijan (NAYORA), which was established in 1995. The Azerbaijan Union of the Democratic Youth (AUDY), established in 1994, is an independent group seeking to unite youth of all languages, religions, and nationalities into a single cause of patriotism for an independent and democratic Azerbaijan society. A scouting organization is also present. There are several athletic associations representing particular sports, including skating, weightlifting, handball, and track and field. There is a National Olympic Committee, a Paralympic Committee, and a chapter of the Special Olympics.

There are national chapters of the Red Crescent Society, UNICEF, World Vision, and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

The capital city of Baku is one of the prime tourist destinations of the Caucasus region. Its Old Town, with the Shirvanshah Palace dating back to the 15–16th centuries, is especially popular with sightseers. Other attractions include the Museum of History and the State Arts Museum, as well as museums of folk art and literature. Elsewhere in Azerbaijan, the Gobustan Museum displays prehistoric dwellings and cave paintings, and the village of Surakhani attracts visitors to the Atashgah Fire-Worshipper's Temple. Visitors are also welcome at the carpet-weaving factory in the village of Nardaran, the Wine-making State Farm in the Shamakhi area, the Fruit and Vegetable State Farm around the town of Guba, and the Mashtagha Subtropical Fruit State Farm.

There were 1,013,811 tourist arrivals in Azerbaijan in 2003, with about 73% of visitors coming from Europe. Tourism receipts that year reached about \$70 million. Hotel rooms numbered 5,034 with 10,068 beds.

In 2004, the US Department of State estimated the cost of staying in Baku at \$328 per day.

#### 48 FAMOUS AZERBAIJANIS

Heydar Aliyev (1923?–2003) was president from 1993 until 2003, when he was succeeded by his son Ilham Aliyev (b.1961). The poet Nizami Ganjavi (1141–1204) is celebrated for his *Khamsa*, a collection of five epic poems. Muhammed Fizuli (1438–1556) based his poems on traditional folktales, and his poetic versions provide the basis for many 20th century plays and operas. Satirical poet Sabir (1862–1911) was openly critical of the clergy at a time when their influence controlled much of society. Abul Hasan Bakhmanyar, an 11th century scientist, wrote respected books on mathematics and philosophy. Hasan Shirvani wrote a book on astronomy.

The composer Uzeyir Hajibeyov (1885–1948) wrote the first Azerbaijani opera, and also founded the Azerbaijani Symphonic Orchestra and composed Azerbaijan's National Anthem. Other famous composers from Azerbaijan include Gara Garayev (1918–82), Haji Khanmammadov (b.1918), Fikrat Amirov (1922–84), and Vasif Adigozal (b.1936). Vagif Mustafa Zadeh (1940–79) is considered the founder of the Azerbaijani music movement of the 1960s that mixed jazz with the traditional style known as *mugam*. His daughter, Aziza Mustafa Zadeh (b.1969), is a noted jazz pianist.

Prominent modern Azerbaijani scientists include Lotfi Zadeh (b.1921), pioneer of the “fuzzy logic” concept, and Ali Javan (b.Iran, 1928), inventor of the gas laser.

#### 49 DEPENDENCIES

Azerbaijan has no territories or colonies.

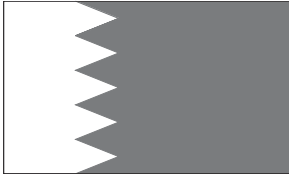
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# BAHRAIN

State of Bahrain  
*Dawlat al-Bahrayn*



**CAPITAL:** Manama (Al-Manamah)

**FLAG:** Red with a white vertical stripe on the hoist, the edge between them being saw-toothed.

**ANTHEM:** Music without words.

**MONETARY UNIT:** The Bahrain dinar (BD) is divided into 1,000 fils. There are coins of 5, 10, 25, 50, and 100 fils and notes of 500 fils and 1, 5, 10, and 20 dinars. BD1 = \$2.63158 (or \$1 = BD0.38) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used; local measures also are used.

**HOLIDAYS:** New Year's Day, 1 January; National Day, 16 December. Movable Muslim religious holidays include Hijra (Muslim New Year), 'Ashura, Prophet's Birthday, 'Id al-Fitr, and 'Id al-'Adha'.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in the western Persian Gulf, 29 km (18 mi) NW of Qatar, the State of Bahrain consists of a group of 33 islands (6 inhabited) with a total area of 620 sq km (239 sq mi), extending 48 km (30 mi) N-S and 19 km (12 mi) E-W. Comparatively, Bahrain occupies slightly less than 3.5 times the area of Washington, DC. Bahrain, the main island, is linked by causeways and bridges to Muharraq and Sitra islands and to Saudi Arabia; other islands include the Hawar group, Nabih Salih, Umm an Nasān, and Jiddah. The total coastline is 161 km (100 mi). Bahrain's capital city, Manama, is located on the northeastern coast.

## <sup>2</sup> TOPOGRAPHY

A narrow strip of land along the north coast of Bahrain is irrigated by natural springs and artesian wells. South of the cultivable area, the land is barren. The landscape consists of low rolling hills with numerous rocky cliffs and wadis. From the shoreline the surface rises gradually toward the center, where it drops into a basin surrounded by steep cliffs. Toward the center of the basin is Jabal ad-Dukhan, a rocky, steep-sided hill that rises to 122 m (400 ft). Most of the lesser islands are flat and sandy, while Nabih Salih is covered with date groves.

## <sup>3</sup> CLIMATE

Summers in Bahrain are hot and humid, and winters are relatively cool. Daily average temperatures in July range from a minimum of 29°C (84°F) to a maximum of 37°C (99°F); the January minimum is 14°C (57°F), the maximum 20°C (68°F). Rainfall averages less than 10 cm (4 in) annually and occurs mostly from December to March. Prevailing southeast winds occasionally raise dust storms.

## <sup>4</sup> FLORA AND FAUNA

Outside the cultivated areas, numerous wild desert flowers appear, most noticeably after rain. Desert shrubs, grasses, and wild date

palms are also found. Mammalian life is limited to the jerboa (desert rat), gazelle, mongoose, and hare; some 14 species of lizard and 4 types of land snake are also found. Bird life is especially varied. Larks, song thrushes, swallows, and terns are frequent visitors, and residents include the bulbul, hoopoe, parakeet, and warbler.

## <sup>5</sup> ENVIRONMENT

Bahrain's principal environmental problems are scarcity of fresh water, desertification, and pollution from oil production. Population growth and industrial development have reduced the amount of agricultural land and lowered the water table, leaving aquifers vulnerable to saline contamination. In recent years, the government has attempted to limit extraction of groundwater (in part by expansion of seawater desalinization facilities) and to protect vegetation from further erosion.

Bahrain has developed its oil resources at the expense of its agricultural lands. As a result, lands that might otherwise be productive are gradually claimed by the expansion of the desert. Pollution from oil production was accelerated by the Persian Gulf War and the resulting damage to oil-producing facilities in the Gulf area, which threatened the purity of both coastal and ground water, damaging coastlines, coral reefs, and marine vegetation through oil spills and other discharges.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 1 type of mammal, 7 species of birds, 4 types of reptiles, and 6 species of fish. A wildlife sanctuary established in 1980 was home to threatened and at-risk Gulf species, including the Arabian oryx, gazelle, zebra, giraffe, Defassa water-buck, addax, and lesser kudu. Bahrain has also established captive breeding centers for falcons and for the rare Houbara bustard. The goitered gazelle, the greater spotted eagle, and the green sea turtle are considered endangered species. There are two Ramsar international wetland sites in the country: the Hawar Islands and Tubli Bay.

## 6 POPULATION

The population of Bahrain in 2005 was estimated by the United Nations (UN) at 731,000, which placed it at number 158 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 28% of the population under 15 years of age. There were 132 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.8%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 965,000. The population density was 1,059 per sq km (2,744 per sq mi).

The UN estimated that 87% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.01%. The capital city, Manama (Al-Manamah), had a population of 139,000 in that year. Manama is connected by causeway with the other major city, Al Muharraq, population 91,939.

The vast majority of the population lives on the main island of Bahrain. Approximately 40% of the population is made up of immigrants who come for work in the country. Although the percentage of the population infected with HIV/AIDS is small (0.2%), the number of women ages 15–49 with HIV/AIDS doubled between 2001 and 2003.

## 7 MIGRATION

The proportion of aliens increased from 20% of the total population in 1975 to an estimated 40% in 2000, and the expatriate labor force comprised nearly 69% of the labor force that year. Most are temporary workers from Iran, Pakistan, India, the Republic of Korea, and other Arab countries. Many skilled workers are Europeans. In 2005, the net migration rate was estimated as 1.04 migrants per 1,000 population. The government views these migration levels as satisfactory requiring no intervention.

A population of stateless inhabitants in Bahrain is the *Bidun*, a name derived from the Arabic expression meaning “without nationality.” The *Bidun* have no proof of citizenship for their home country. In 2001, Bahrain granted the majority of 9,000–15,000 *Bidun* citizenship status, giving them the right to own land, start a business, or get government loans. Most Bahraini *Bidun* are of Iranian origin, and are mostly Shiite, with some Christians.

## 8 ETHNIC GROUPS

According to a 2005 report, about 63% of the population consisted of indigenous Bahrainis, the vast majority of whom were of northern Arab (Adnani) stock, infused with black racial traits. Asians accounted for 19% of the population; other Arab groups (principally Omanis) 10%; Iranians 8%; and other ethnic groups 6%.

## 9 LANGUAGES

Arabic is the universal language; the Gulf dialect is spoken. English is widely understood. Farsi and Urdu are spoken by small groups of people.

## 10 RELIGIONS

In 2005, an estimated 98% of the country's citizens were Muslim, with about two-thirds practicing the Shia branch and the others Sunni. Foreigners make up 38% of the total population; roughly half are non-Muslim, including Christians, Jews, Hindus, Bud-

dhists, Sikhs, and Baha'is. All are free to practice their own religions, keep their own places of worship, and display the symbols for their religions. Islam, however, is the official religion. Religious groups are required to obtain a license from the government through the Ministry of Islamic Affairs, but small unlicensed groups have operated without government interference. Sunni Muslims, though a minority, seem to enjoy a favored status, as Shias face discrimination and disadvantage in social and economic realms.

## 11 TRANSPORTATION

The outline of the present road network was traced in the early 1930s, soon after the discovery of oil. The four main islands and all the towns and villages are linked by excellent roads. There were 3,498 km (2,176 mi) of roadways in 2003, of which 2,768 km (1,722 mi) were paved. A four-lane, 2.8-km (1.7-mi) causeway and bridge connect Manama with Al Muharraq, and another bridge joins Sitra to the main island. A four-lane highway atop a 24-km (15-mi) causeway, linking Bahrain with the Saudi Arabian mainland via Umm an Nasān, was completed in December 1986 and financed by Saudi Arabia. In 2003, there were 290,600 passenger vehicles and 124,500 commercial vehicles.

Bahrain's port of Mina Sulman can accommodate 16 oceangoing vessels drawing up to 11 m (36 ft). In 2005, Bahrain had a merchant fleet of eight ships of 1,000 GRT or over, totaling 219,083 GRT. Also in 2004, there were four airports. As of 2005, a total of three had paved runways, and there was a single heliport. The international airport near Al Muharraq can handle large jet aircraft and serves more than two dozen international airlines. In 1997, the airport was in the midst of a major expansion. Gulf Air, headquartered in Bahrain and owned equally by the governments of Bahrain, Oman, Qatar, and the United Arab Emirates (UAE), flies to other Gulf countries, India, and Europe. In 2001, 1,250,100 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

The history of Bahrain has been traced back 5,000 years to Sumerian times. Known as Dilmun, Bahrain was a thriving trade center around 2000 BC; the islands were visited by the ships of Alexander the Great in the third century BC. Bahrain accepted Islam in the 7th century AD, after which it was ruled alternately by its own princes and by the caliphs' governors. The Portuguese occupied Bahrain from 1522 to 1602. The present ruling family, the Khalifa, who are related to the Sabah family of Kuwait and the Saudi royal family, captured Bahrain in 1782. Following an initial contact in 1805, the ruler of Bahrain signed the first treaty with Britain in 1820. A binding treaty of protection, similar to those with other Persian Gulf principalities, was concluded in 1861 and revised in 1892 and 1951. After World War II, Britain maintained at Bahrain its headquarters for treaty affairs in the lower Gulf. Claims to Bahrain pressed by Iran were abandoned in 1971 after a UN mission ascertained that the Bahrainis wished to remain independent of that nation.

Between 1968 and 1971, Bahrain participated in discussions aimed at forming a federation of the nine sheikhdoms of the southern Gulf. On 14 August 1971, Sheikh 'Isa bin Salman al-Khalifa declared that, in view of the failure of the larger federation

to materialize, Bahrain would declare its independence. Its treaties with the United Kingdom were replaced by a treaty of friendship and cooperation, and on 15 August, the country became the sovereign State of Bahrain. Bahrain promulgated its first constitution in 1973, which occasioned the convening of an elective National Assembly; the legislature was dissolved in August 1975 amid charges of communist influence. The emir continued to set state policy, and his brother, Crown Prince Hamad bin 'Isa al-Khalifa, directed government administration. In 1993, Bahrain established an appointive Consultative Assembly (Majlis al-Shura). On 14 February 2001, a referendum was held that endorsed a return to constitutional rule. Under the constitution amended 14 February 2002, the country is no longer an emirate, but a constitutional monarchy. The emir was replaced by a king. A two-house National Assembly was established, along with an independent judiciary.

Owing to its small size, Bahrain generally takes its lead in foreign affairs from its Arab neighbors on the Gulf. A founding member of the Gulf Cooperation Council, it shares with the other five members a long-standing concern with pressures from Iran and Iraq. During the Iran-Iraq War, Bahrain joined most other Arab states in supporting Iraq. Subsequently, it has carefully tried to foster better relations with Iran through trade. When Iraq invaded Kuwait, Bahrain stood with the allies, contributing military support and facilities to the defeat of Iraq.

Bahrain has long assisted the American naval presence in the Persian Gulf. In 1977, a formal agreement for home-porting US naval ships was replaced by arrangements to continue ship visits and other security cooperation. Since the Gulf War, this cooperation has expanded with arms sales, plans for joint exercises, and US pre-positioning of military material for future contingencies. In 1991, the United States signed an agreement giving the Department of Defense access to facilities on the island. The country is home to the US Navy's Fifth Fleet.

Since 1994, Bahrain, like several traditional emirates of the Gulf, experienced sometimes severe civil disturbances from a Shi'ite-led resistance opposed to the ruling family and supportive of establishing an Islamic democracy. In 1996, a band of 44 Bahraini Islamists were arrested for allegedly planning a coup to overthrow the ruling family. The emirate broke relations with Iran, which the former accused of fomenting its civil disturbances which between 1994 and 1996 had resulted in 25 deaths. In 1997, the United States disclosed that it had uncovered a plot to attack its military forces stationed in the country.

On 6 March 1999, Sheikh 'Isa bin Salman al-Khalifa, who had ruled his country since its independence in 1971, died of a heart attack. He was succeeded on the throne by his son, Sheikh Hamad bin 'Isa al-Khalifa. Over the following year, there were signs that while the new ruler would continue his father's pro-Western foreign-policy orientation, domestically he would take a more liberal approach to government. In April, Sheikh Hamad released high-profile Shi'ite dissident, Sheikh Abdul Amir al-Jamri, from jail together with hundreds of other political prisoners. Another broad pardon of dissidents took place in November. By February 2001, the emir had pardoned and released all political prisoners, detainees, and exiles.

On 16 March 2001, the International Court of Justice (ICJ) resolved a territorial dispute between Bahrain and Qatar over the potential oil- and gas-rich Hawar Islands. The islands were con-



LOCATION: 25°47' to 26°17' N; 50°22' to 50°40' E. TOTAL COASTLINE: 161 kilometers (100 miles). TERRITORIAL SEA LIMIT: 3 miles.

trolled by Bahrain since the 1930s but were claimed by Qatar. Bahrain also claimed the town of Zubarah, which is on the mainland of Qatar. The dispute has lasted for decades and almost brought the two nations to the brink of war in 1986. In its judgment, the ICJ drew a single maritime boundary in the Gulf of Bahrain, delineating Bahrain and Qatar's territorial waters and sovereignty over the disputed islands within. The ICJ awarded Bahrain the largest disputed islands, the Hawar Islands, and Qit'at Jaradah Is-



land. Qatar was given sovereignty over Janan Island and the low-tide elevation of Fasht ad Dibal. The Court reaffirmed Qatari sovereignty over the Zubarah Strip.

In August 2002, Hamad (now king) made the first state visit to Iran since the Islamic revolution in 1979. The two countries voiced their support for solidarity with the Iraqi people. Iraq was at that time under the threat of a military attack led by the United States for its possession of weapons of mass destruction. Bahrain and Iran urged Iraq to implement all UN resolutions then pending, so that Iraq's territorial integrity and sovereignty could be honored. President Mohammed Khatami of Iran and King Hamad also noted the importance of preserving security and stability in the region, and thus pledged to strengthen ties with one another. Several trade, taxation, and naval agreements were signed at the conclusion of the state visit. As well, both countries agreed to "open a new page" in their bilateral relations, previously strained due to Iran's support for Bahraini opposition movements, and Iran's criticism of the American military presence in Bahrain.

In January and March 2003, demonstrations took place in Bahrain in opposition to a potential US-led war with Iraq. By 13 January, there were approximately 150,000 US troops in the Gulf region, many of which were stationed in Bahrain, in addition to Kuwait, Qatar, Saudi Arabia, and Oman. US naval operations were headquartered in Bahrain with 4,000 US troops stationed aboard Fifth Fleet ships. As anti-American sentiment in the Gulf increased, the government arrested five men plotting attacks against Americans in February 2003; and by July 2004 Americans were warned to leave. In May 2003 the king was petitioned by thousands of victims of alleged torture to cancel the law which prevented them from suing suspected torturers. Bahrain signed a free trade pact with the United States in September 2004. Under the terms of the agreement 100% of bilateral trade in consumer and industrial products became duty-free. In addition, Bahrain and the United States provided immediate duty-free access on virtually all products in their tariff schedules and planned to phase out tariffs on the remaining handful of products within 10 years. Between March and June 2005, thousands attended protest marches led by Shiite opposition demanding a fully elected parliament. In Iraq, gunmen ambushed a senior Bahraini diplomat in July 2005. In this same month Bahrainis staged a demonstration about unemployment, estimated by economists to be at 20%.

### 13 GOVERNMENT

Under its constitution, amended 14 February 2002, Bahrain is no longer an emirate but a constitutional hereditary monarchy. As a result of the change, the State of Bahrain became the Kingdom of Bahrain, and Sheikh Hamad bin 'Isa al-Khalifa became King Hamad, by his own decree. A referendum held on 14 February 2001 endorsed a return to constitutional rule by 98.4%.

The new legislature is called the National Assembly (Al-Majlis al-Watani). It consists of two houses, an appointed Consultative Council (Majlis al-Shura) and an elected Chamber of Deputies (Majlis al-Nawab). The Chamber of Deputies consists of 40 members, elected for a four-year term. The Chamber of Deputies elects a president and two vice presidents. The Consultative Council consists of 40 members appointed by the king for a four-year period. The king also appoints the Council speaker and the Shura Council elects two vice presidents. Both chambers must concur to

pass legislation, which is then sent to the king for ratification. The king has the power to dissolve the Chamber of Deputies, but new elections are to be held within four months from the date of the dissolution; if they are not, the dissolved Chamber reassumes its constitutional powers and is reconvened. In April 2004 a woman was made health minister, the first woman to be appointed head of a government ministry.

The constitution specifies that Shariah (Islamic law) is a principal source of legislation but also pledges freedom of conscience. It guarantees equality of women with men "in political, social, cultural and economic spheres, without breaching the provisions of Shariah." The constitution states that every citizen is entitled to health care. It protects private property, but states that "all natural wealth and resources are state property." Discrimination is banned on the basis of sex, national origin, language, religion, or creed.

In the first parliamentary elections since 1973, 190 candidates ran for 40 seats in the Chamber of Deputies on 24 October 2002. In nearly half the races, runoff elections were held between the top two vote getters due to close election results. Under the new constitution, women have the right to vote and run for public office. Of the eight women seeking election in the October parliamentary elections, two forced runoff elections by being among the top two vote getters. As in municipal elections held in May 2002, women constituted over half of those voting. Leaders of Bahrain's Shia population and labor-oriented groups called for a boycott of the elections, claiming dissatisfaction with the structure of parliament. Voter turnout was 53.2%. Moderate Sunni Islamists and independents won 16 of 40 seats on 24 October. In a second round held on 31 October, the independents won 12 seats and the Islamists 9. In total, secular representatives or independents secured a total of 21 of the 40 seats, and Islamists 19.

### 14 POLITICAL PARTIES

Political parties are illegal in Bahrain. Groups known as political societies, or blocs, remnants of the former Communist left and the Islamist right, hold some seats in parliament: National Islamic Society, Islamic Action Party, National Democratic Action, Democratic Bloc, Al Meethaq, National Action Charter Society, Progressive Democratic Front, Nationalist Democratic Rally Society. Several underground groups, including branches of Hizbollah and other pro-Iranian militant Islamic groups, have been active. Anti-regime dissidents have frequently been jailed or exiled. However, Sheikh Hamad bin 'Isa al-Khalifa in 1999 issued an amnesty for most political prisoners, ended the house arrest of Shiite opposition leader Sheikh Abdul Amir al-Jamri, and granted permission for the return of 108 people in exile. By February 2001, the emir had pardoned and released all political prisoners, detainees, and exiles. In addition, the reinstatement of dissidents fired from public sector jobs, the lifting of travel bans on political activists, and the abrogation of state security laws have all created a more open atmosphere for political expression.

Beginning with municipal elections in May 2002, candidates from a wide variety of political groups formed a more pluralistic political culture in Bahrain. These groups were not officially designated as political parties, but they had the attributes of democratic parties in the West: they fielded candidates in elections, organized activities, and campaigned freely. There are seven main political groups: the Arab-Islamic Wasat (Center) Society (AIWS); the

Democratic Progressive Forum (DPF); the Islamic National Accord (INA); the National Action Charter Society (NACS); the National Democratic Action Society (NDAS); the National Democratic Gathering Society (NDGS); and the National Islamic Forum (NIF).

In addition, numerous other nongovernmental organizations were set up after the constitution was endorsed in February 2001, among them the Bahrain Human Rights Society, the Supreme Council for Bahraini Women, and the Organization Against Normalization with Israel. These organizations campaign on single-issue platforms, hold public discussions and meetings, consult with the government, and are members of Bahraini delegations to international forums.

The partially elected bicameral parliament that was approved in a referendum in 2001 held its first session in December 2002 after elections were held that October. In the 40-member directly-elected House of Deputies, independents took 21 seats, Sunni Islamists won 9 seats, and other groupings held 10 seats.

## 15 LOCAL GOVERNMENT

Under the new constitution, there are five municipal councils in Bahrain, each with 10 elected members and an appointed chairman. The first local elections since 1957 were held on 9 May 2002. In the five new municipal councils, 30 of the 50 seats contested were decided in the first round of voting, with the remaining 20 seats—where no candidate received an absolute majority—being decided in a second round of voting on 16 May. Candidates with links to Islamist groups won the majority of seats. There were 31 women among 306 candidates in the first round of voting, but none won. After the elections, some political figures suggested that a quota system should be set up to assure that some women would obtain seats in the municipal councils. Out of the 50 municipal seats, 38 were won by candidates affiliated with Islamist parties. Voter turnout in the first round of voting was 51.3%.

The democratic municipalities are responsible for the provision of local goods and services, including transportation, waste disposal, street cleaning and beautification, and enforcing health and safety standards.

## 16 JUDICIAL SYSTEM

The law of Bahrain represents a mixture of Islamic religious law (Shariah), tribal law, and other civil codes and regulations. The new constitution promises an independent judiciary. A Higher Judicial Council supervises the courts. Courts have been granted the power of judicial review.

The new reforms establish a constitutional court, consisting of a president and six members, appointed by the king for a specified period. Members are not liable to dismissal. The government, or either house of the National Assembly, may challenge the constitutionality of any measure before the court. The king may refer to the court draft laws prior to their adoption, to determine their constitutionality.

Military courts are confined to military offenses only, and cannot be extended to others without the declaration of martial laws.

Shariah governs the personal legal rights of women, although the new constitution provides for women's political rights. Specific rights vary according to Shia or Sunni interpretations of Islamic law, as determined by the individual's faith, or by the courts

in which various contracts, including marriage, have been made. While both Shia and Sunni women have the right to initiate a divorce, religious courts may refuse the request. Women of either branch of Islam may own and inherit property and may represent themselves in all public and legal matters. A Muslim woman legally may marry a non-Muslim man if the man converts to Islam. In such marriages, the children automatically are considered to be Muslim.

## 17 ARMED FORCES

In 2005 Bahrain's armed forces had 11,200 active members. The Army consisted of 8,500 personnel, equipped with 180 main battle tanks, 46 reconnaissance vehicles, 25 armored infantry fighting vehicles, more than 235 armored personnel carriers, and 69 artillery pieces. The Navy had 1,200 active personnel. Major naval units included one frigate, two corvettes, and eight patrol/coastal vessels. The Air Force had 1,500 active members and 33 combat capable aircraft including 12 fighters, 21 fighter ground attack aircraft, and 24 attack helicopters. Paramilitary troops consisted of an estimated 10,160 personnel, including the police, national guard, and coast guard. The defense budget in 2005 totaled \$526 million.

## 18 INTERNATIONAL COOPERATION

Bahrain joined the UN on 21 September 1971 and is a member of ESCWA, all major regional organizations, and several nonregional specialized agencies. It also belongs to the Arab League, the Arab Monetary Fund, the Islamic Development Bank, OAPEC, the Organization of Islamic Conference (OIC), the Gulf Cooperation Council, and G-77. The country joined the WTO 1 January 1995. Bahrain was a founding member of the Gulf Cooperation Council, inaugurated in 1981. The country is also a part of the Nonaligned Movement and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, the country is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

For centuries, Bahrain depended almost exclusively on trade (or piracy), pearl diving, and agriculture. The discovery of oil on 1 June 1932 changed that. Although its economy has been based on oil for the last six decades, Bahrain's development has been tempered by relatively limited reserves. Proven reserves are 125 million barrels, all from one diminishing oil field, the Awali field. At current production levels, the field has a life of less than 10 years. Oil revenue accounted for 24.4% of GDP in 2003. Oil and petroleum products also made up 74.4% of export earnings in 2003.

Significant progress has been made in enhancing Bahrain as an *entrepôt* (trade center) and as a service and commercial center for the Gulf region. Bahrain provides ample warehousing for goods in transit and dry dock facilities for marine engine and ship repairs. Bahrain also acts as a major banking, telecommunications, and air transportation center. Bahrain also began diversifying its economy to rely on services to a higher degree after the Lebanese civil war in the late 1970s and early 1980s essentially ended that country's status as a safe, regulation-free banking environment.

Services accounted for 56.9% of all economic activity in the country in 2005.

Although the Bahrain economy slowed considerably in the mid-1990s, foreign investment in the earlier part of that decade helped enable GDP to grow at an annualized rate of 4% between 1988 and 1998. Low world oil prices created a negative growth situation in 1998, but real growth has been steady since then. The International Monetary Fund (IMF) reported that real GDP grew 4.3% in 1999, 5.3% in 2000, 4.5% in 2001, 5.1% in 2002, and 5.7% in 2003. The US Central Intelligence Agency (CIA) estimates 2005 GDP at \$14.08 billion, and growth of 5.9%.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Bahrain's gross domestic product (GDP) was estimated at \$14.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$20,500. The annual growth rate of GDP was estimated at 5.9%. The average inflation rate in 2005 was 2.7%. It was estimated that agriculture accounted for 0.6% of GDP, industry 42.5%, and services 56.9%.

Approximately 32% of household consumption was spent on food, 8% on fuel, 1% on health care, and 6% on education.

## 2<sup>1</sup> LABOR

The Bahraini labor force in 2005 was estimated at 380,000. In 1997 (the latest year for which data was available), employment by sector was estimated as follows: industry, commerce, and services accounted for 79%; government 20%; and agriculture 1%. In 1998, (the latest year for which data was available), unemployment was estimated at 15%. Nonnationals in 2005 made up an estimated 44% of the country's population between the ages of 15 and 64.

Although the constitution permits workers to organize, the government bans trade unions. With this absence of legitimate trade unions, no collective bargaining entities or collective agreements exist. Workers may express grievances through joint labor-management committees (JLCs). JLCs are generally created at each major company and have an equal number of labor and management representatives. As of 2000, there were a total of 20 JLCs. There are no internationally affiliated trade unions, and foreign workers are underrepresented in the General Committee of Bahrain workers which coordinates the JLCs.

The government set minimum wage scales for public sector employees and this generally provides a decent standard of living for workers and their families. The minimum wage for public-sector wages were specified on a contract basis. All foreign workers must be sponsored by Bahrainis or Bahrain-based companies, which can revoke the residence permit of anyone under their sponsorship. Migrant workers from developing countries are often unwilling to report health and safety abuses for fear of forced repatriation. Nor do labor laws apply to foreign workers, who often work far in excess of official maximum hour laws. The minimum age for working is 14 years and until age 16, special work conditions and hour limits apply to workers. There is general compliance with this in the industrial sector, but there is rampant abuse outside it, especially in family-owned businesses.

## 2<sup>2</sup> AGRICULTURE

Only 2.9% of the land is arable. Agriculture accounts for only about 1% of the GDP. Ninety farms and small holdings produce fruit and vegetables, as well as alfalfa for fodder. The date palm industry has declined sharply in recent years due to heavy demands on the limited water supply, and dates have become a luxury item. In 2004, 7,667 tons of vegetables and 19,000 tons of fruit crops were produced. The government's goal is for output to meet 16% of demand, compared with the current 6%.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Most domestic meat consumption is supplied through imports of live cattle, goats, and sheep. About 9,000 head of cattle, 39,000 sheep, and 25,000 goats were kept for milk and meat production in 2004. A thriving poultry industry provided 13,500 tons of meat and 5,000 tons of eggs in 2004. A national dairy pasteurization plant has been established in order to centralize all milk processing and distribution. In 2004, milk production totaled 11,000 tons. An abattoir that opened in 1984 slaughters imported sheep and cattle.

## 2<sup>4</sup> FISHING

Although the more than 300 species of fish found in Bahraini waters constitute an important food source for much of the population, local fishing and pearl diving have declined because of industrial pollution. The catch totaled 13,641 tons in 2003. The government operates a fleet of seven trawlers. By encouraging traditional angling, giving incentives to fishermen, improving fishing and freezing equipment, and establishing cooperatives, the government is attempting to increase the annual catch. There is a modern fishing harbor at Al Muharraq, which provides docking and landing facilities, storage areas, an ice plant, and a water supply.

## 2<sup>5</sup> FORESTRY

There are no forests in Bahrain. Bahrain's imports of forest products amounted to \$60.5 million in 2003. That year, Bahrain re-exported about \$1.9 million of forest products, including about 1,000 tons of industrial roundwood.

## 2<sup>6</sup> MINING

Bahrain's oil-based economy produced few minerals other than crude oil and natural gas. In 2004, crude oil and refined petroleum products accounted for around \$5.5 billion of the nation's \$7.5 billion in exports. Cement production in 2004 was reported at 153,483 metric tons, up from 88,806 metric tons in 2000. Sulfur production totaled 71,258 metric tons in 2004.

## 2<sup>7</sup> ENERGY AND POWER

The Arabian Peninsula's first oil well was drilled in Bahrain in 1932, and production began in 1934. From the 1930s to the mid-1970s, oil development was a monopoly of the Bahrain Petroleum Co. (BAPCO), which in 1936 came under the ownership of Caltex, a corporation registered in Canada and jointly owned by Texaco and Standard Oil of California. In 1975, the Bahrain government acquired a 60% holding in BAPCO, and it later formed the Bahrain National Oil Co. (BANOCO) to take over full ownership.

In 1980, BANOCO announced its acquisition of a 60% interest in Bahrain's main refinery, which had been wholly owned by Caltex.

Total daily crude petroleum production, after reaching a peak in 1970, has declined gradually. Crude oil production was estimated at 35,000 barrels per day in 2003, with proven oil reserves in Bahrain estimated at 125 million barrels as of 1 January 2004. From 1972 until 1996, Bahrain shared revenues from the Abu Safa oil field, which lies halfway within Saudi Arabian territorial waters, with Saudi Arabia. In 1996, the Saudi government ceded the remainder of its share of the field to Bahrain, increasing the government's revenue by about \$200 million.

Bahrain gained the right to offer concessions in offshore oil fields in the Gulf of Bahrain after a territorial dispute with Qatar was settled by the International Court of Justice in March 2001 and Bahrain won control of the Hawar Islands. In November 2001 drilling rights were awarded to Petronas and Chevron Texaco, and oil exploration began in late 2002. As of early 2003 a \$900 million modernization was planned for Bahrain's only refinery, Sitra, which had a capacity of 248,900 barrels per day. Plans to build a second refinery, approved in 1999, had been delayed due to financing problems.

Bahrain's natural gas resources were estimated at 90 billion cu m (3.2 trillion cu ft) as of end 2004. Production of gas was 9.8 billion cu m in 2004, most of which was associated with drilling in the Awali oil field.

The Directorate of Electricity operates plants at Manama, Sitra, and Rifaa. In 2002, electricity generation was 6.841 billion kWh, of which 100% came from fossil fuels. In the same year, consumption of electricity totaled 6.362 billion kWh. Total capacity at the beginning of 2002 was estimated at 1.4 gigawatts (GW). Power is principally derived from a municipal power station at Jufair, from the Sitra power and water station, from two gas turbines at Al Muharraq, and from the power station at East Rifaa, which was completed in 1985 and is the largest and most modern. BANOCO produces its own electricity from a 60 MW plant. Phase One of the Hidd power project, completed in 1999, created an additional 280 MW of gas-fired generating capacity. Completion of Phase Two would add another 630 MW.

## 28 INDUSTRY

Bahrain was the first Gulf state to discover oil and built the region's first refinery in 1935. Known as the Bahrain Oil Company, it has been 60% owned by the Bahrain National Oil Company and 40% owned by the US company Caltex since 1980. The Bahrain National Oil Company also maintains holdings in the Bahrain Petroleum Company, which was formed in 2002 through a merger with a government-owned petroleum enterprise. Most of the crude oil processed in Bahrain's refinery comes from Saudi Arabia. Because Bahrain's own oil reserves are relatively limited, an agreement with Saudi Arabia allows the country to receive revenues from Saudi Arabia's Abu Saafa offshore oilfield. Bahrain's oil production had stabilized at about 40,000 barrels per day in early 2006, and its reserves were expected to last 10 to 15 years.

Bahrain also has a gas liquefaction plant, operated by the Bahrain National Gas Company. Gas reserves are expected to last about 50 years.

Other petroleum enterprises include the Gulf Petrochemical Industries Company, a joint venture of the petrochemical industries of Kuwait, the Saudi Basic Industries Corporation, and the

Government of Bahrain, which produces ammonia and methanol for export. Bahrain also has awarded exploration rights to two multinational companies—Petronas from Malaysia and Chevron Texaco from the United States.

A government-controlled aluminum industry, Aluminum Bahrain BSC (ALBA), was launched in 1971 with an original smelter capacity of 120,000 tons annually; the successful completion of a 1997 expansion project increased production to more than 500,000 metric tons in 1998 and to 720,000 metric tons in 2005. It is the world's second-largest aluminum smelter, and is 77% owned by the government. Other aluminum factories include the Aluminum Extrusion Company and the Gulf Aluminum Rolling Mill. Bahrain also has an iron ore palletizing plant, and a shipbuilding and repair yard.

Overall industrial production accounts for 42.5% of GDP.

## 29 SCIENCE AND TECHNOLOGY

The economy depends heavily on advanced petrochemical technologies, and many Bahrainis have had or are receiving technical training. The University of Bahrain, at Isa Town, has a college of engineering and science. The Arabian Gulf University, founded in 1980 by the seven Gulf states, has colleges of medicine and applied sciences. The Bahrain Society of Engineers and the Bahrain Computer Society, in Manama, and the Bahrain Medical Society in Adliya, are leading professional groups. The College of Health Sciences, founded in 1976, had 528 students in 1996. The Bahrain Centre for Studies and Research, founded in 1981, conducts scientific study and research.

## 30 DOMESTIC TRADE

Bahraini shops have become increasingly modernized and specialized. American-style supermarkets are open in Manama and most supplies and services are available in shops throughout the country. Business hours for most shops are from 8:30 AM to 12:30 and from 4 to 8 PM, Saturday through Wednesday, with a half day on Thursday. Government offices and banks are generally open Saturday through Thursday. Of all the Gulf states, Bahrain offers the most scope for consumer advertising through its publications, cinemas, direct mail facilities, and radio and television stations.

### Principal Trading Partners – Bahrain (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	6,609.8	5,401.7	1,208.1
Area nes	4,681.6	2,066.8	2,614.8
Saudi Arabia	454.9	315.5	139.4
United States	282.8	189.0	93.8
Other Asia nes	199.3	24.2	175.1
India	113.2	132.0	-18.8
United Arab Emirates	106.5	156.9	-50.4
Qatar	76.4	...	76.4
Japan	63.8	415.0	-351.2
Kuwait	60.1	35.9	24.2
Malaysia	58.1	47.2	10.9

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

### 3<sup>1</sup> FOREIGN TRADE

Petroleum products drive Bahrain's economy and export market (70%). Aluminum, which is manufactured in government-controlled enterprises, ranks as the country's second-largest export commodity (14%). Other exports include apparel (4.6%), iron (3.5%), and chemicals (2.5%).

Bahrain exports its products widely throughout the world. As a result, no one country commands a significant share of Bahrain's exports: its largest trading partners in 2004 were India (4.3%), Saudi Arabia (3%), the United States (2.9%), and the United Arab Emirates (2.2%). Imports come from Saudi Arabia (32.4%), Japan (7.3%), Germany (6.1%), the United States (5.6%), the United Kingdom (5.4%), and France (4.8%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Traditionally, Bahrain relied on a substantial influx of funds from Saudi Arabia, Kuwait, Abu Dhabi, and Iran to finance capital outlays. In recent years, however, increased income from tourism and financial services, have placed Bahrain in a favorable payments position.

The US Central Intelligence Agency (CIA) reported that in 2005 the purchasing power parity of Bahrain's exports was \$11.17 billion while imports totaled \$7.83 billion. The country's current account balance was \$1.569 billion in 2005. Bahrain's foreign reserves totaled \$2.433 billion in 2005. Since 1992, Bahrain has received \$150 million annually from Saudi Arabia, the United Arab Emirates, and Kuwait.

The International Monetary Fund (IMF) reported that in 2003 Bahrain had exports of \$6.6 billion, of which \$4.9 billion were petroleum products. Imports in 2003 totaled \$5.5 billion.

### 3<sup>3</sup> BANKING AND SECURITIES

Bahrain is considered the preeminent financial services center in the Middle East. The Bahrain Monetary Agency (BMA), Bahrain's equivalent of a central bank, issues and redeems bank notes, regulates the value of the Bahrain dinar, supervises interest rates, and licenses and monitors the activities of money changers. One factor contributing to Bahrain's growth as a Middle Eastern financial services center is that unlike some of its larger, richer neighbors, there is no serious religious opposition to western banking practices—especially the accrual of interest—which some Islamic scholars consider to be contrary to Muslim teachings. There are, however, several large banks in Bahrain classified as Islamic; they don't pay or charge interest, don't finance or otherwise support "un-Islamic" enterprises, and make a conscious effort to invest in socially productive enterprises. Another important factor influencing the growth of the financial sector is the tax-free environment.

The value of assets and liabilities held by Bahrain's commercial banks rose by 43%, and offshore banking units (DBUs) rose by 20% between 1991 and 1995. The consolidated assets and liabilities of commercial and offshore banks in Bahrain reached over \$82 million in 1997. In 2000, Bahrain was home to 20 full commercial banks, 2 specialized banks, 52 offshore banks, 37 representative offices, 33 investment banks, 6 foreign exchange and money brokers, 8 investment and financial advisory services, and 18 money-changing companies. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate

<b>Balance of Payments – Bahrain (2003)</b>		
<b>(In millions of US dollars)</b>		
<b>Current Account</b>		<b>-68.4</b>
Balance on goods	1,610.5	
Imports	-5,079.3	
Exports	6,689.8	
Balance on services	197.0	
Balance on income	-536.0	
Current transfers	-1,340.0	
<b>Capital Account</b>		<b>50.0</b>
<b>Financial Account</b>		<b>-252.9</b>
Direct investment abroad	-741.4	
Direct investment in Bahrain	516.7	
Portfolio investment assets	-3,064.4	
Portfolio investment liabilities	688.4	
Financial derivatives	...	
Other investment assets	-20,786.6	
Other investment liabilities	23,134.3	
<b>Net Errors and Omissions</b>		<b>314.9</b>
<b>Reserves and Related Items</b>		<b>-43.7</b>
(...) data not available or not significant.		
SOURCE: <i>Balance of Payment Statistics Yearbook 2004</i> , Washington, DC: International Monetary Fund, 2004.		

gate commonly known as M1—were equal to \$1.5 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$6.3 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 3.9%.

The Bahrain Stock Exchange (BSE) was planned in 1987 after the unofficial Kuwait Stock Exchange collapsed. The BSE has become an important Gulf center of share trading; volume or shares increased from its inception from 62 million in 1989 to almost 400 million in 1993. Beginning in 1995, the BSE listed foreign companies, bonds, and investment funds. Trading in foreign investment vehicles was made open to all Bahrainis, and resident and non-resident foreigners in late 1996. As of 2004, there were 42 companies listed on the BSE. Market capitalization as of December 2004 stood at \$13.513 billion, with the BSE up 30.2% from the previous year.

### 3<sup>4</sup> INSURANCE

The total value of direct premiums underwritten in 2003 in Bahrain was \$159 million, of which nonlife premiums accounted for the largest portion at \$124 million. The country's top nonlife insurer that year had gross nonlife written premiums of \$46 million, with Zürich the top life insurer, with gross life written premiums totaling \$23.8 million in 2003.

### 3<sup>5</sup> PUBLIC FINANCE

The budget is presented biennially and regularly updated, and represents a large section of economic activity. More than half of government revenues come from oil production and refining; the oil industry is completely controlled by the government. The public deficit is covered by internal borrowing, loans from Arab funds, and the IDB; although privatization has become increasingly important to controlling the budget. The oil and aluminum industries are still controlled by the government, although utili-

ties, banks, financial services, and telecommunications have started to fall into private hands.

The US Central Intelligence Agency (CIA) estimated that in 2005 Bahrain's central government took in revenues of approximately \$4.6 billion and had expenditures of \$3.4 billion. Revenues minus expenditures totaled approximately \$1.2 billion. Public debt in 2005 amounted to 51.5% of GDP. Total external debt was \$6.831 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues in millions of dinars were 1,144.8 and expenditures were 1,055.5. The value of revenues in millions of US dollars was \$4,304 and expenditures \$3,969, based on an official exchange rate for 2003 of .26596 as reported by the IMF. Government outlays by function were as follows: general public services, 33.1%; defense, 16.5%; public order and safety, 10.6%; economic affairs, 1.9%; housing and community amenities, 9.9%; health, 7.6%; recreation, culture, and religion, 0.5%; education, 15.4%; and social protection, 4.4%.

### 36 TAXATION

The only taxes in Bahrain are an income tax on oil production and a municipal tax of 10% on residential rents. The rate is 7.5% on furnished rentals, office, and commercial rents. As an offshore tax haven, Bahrain allows foreign firms to remit accumulated profits and capital without taxation.

### 37 CUSTOMS AND DUTIES

Import licenses for items sold in Bahrain are issued only to local companies that are at least 51% Bahraini-owned. Principal prohibited items are arms, ammunition, liquor (except by authorized importers), and cultured pearls. Customs duties are 20% on corn and palm oil; 5% on foodstuffs and nonluxuries; 7.5% on consumer goods; 20% on cars and boats; 70% on tobacco and cigarettes; and 125% on authorized imports of liquor. A free transit zone operates at the port of Mina Sulman. Free trade is available with Gulf

Cooperation Council (GCC) countries if products have at least 40% local value-added content.

### 38 FOREIGN INVESTMENT

Bahrain has well-established communication and transport facilities. The strength of its infrastructure, along with the generous incentives it offers to foreign investors, have made the country home to many multinational companies doing business in the Persian Gulf. In recent years, the government has sought to control more of the country's key businesses. Bahrain, however, continues to court international investment; the country does not tax corporate or individual earnings. Only petroleum royalties are subject to taxation.

The United Nations Conference on Trade and Development reported foreign direct investment (FDI) in Bahrain of \$865 million in 2004. FDI stocks totaled \$7.585 billion in 2004, about 70.5% of GDP.

### 39 ECONOMIC DEVELOPMENT

Since the late 1960s, the government has concentrated on policies and projects that will provide sufficient diversification in industrial, commercial, and financial activities to sustain growth in income, employment, and exports into the post-oil era. To this end, Bahrain in September 2004 became the first Gulf state to sign a Free Trade Agreement with the United States. The pact was ratified by the Bahraini parliament in July 2005 and by the US Congress in December 2005. US President George W. Bush signed the agreement into law in January 2006, and implementing legislation to allow full enactment was pending.

Despite diversification efforts, the oil and gas sectors remain the cornerstone of the economy. The reliance on oil poses one of Bahrain's biggest long-term economic challenges. Unemployment and a shortage of long-range water resources also are issues. Much of Bahrain's labor force, estimated in 2005 at 380,000, consists of non-Bahrainis. In hopes of encouraging more employment among its citizenry, the country has adopted a policy of matching job seekers with potential employers. It also is promoting training programs that would give young adults marketable skills. The country also is considering a labor law that would stress the value of vocational training and require that benefits for public and private sector employees be equal. It also is considering introduction of a minimum wage law.

The strongest possibility for growth in Bahrain lies in its financial sector. Bahrain leads an effort to develop Islamic financial services, and has 28 Islamic banks based in the country. More than 100 offshore banks also operate in Bahrain, helping to boost financial services activity to 24.2% of GDP in 2005. In hopes of keeping the sector both vibrant and efficient, it has consolidated regulation of banks, insurance companies, and capital markets under one umbrella.

### 40 SOCIAL DEVELOPMENT

Impoverished families receive subsistence allowances from the Ministry of Labor and Social Affairs. Beginning in 2005 all establishments with one or more employees are covered by the social insurance system. A social security fund provides old age, disability, survivor, and accident insurance. Contributions amount to 5% of earnings by workers and 7% by employers. Work injury insur-

#### Public Finance – Bahrain (2003)

(In millions of dinars, central government figures)

<b>Revenue and Grants</b>	<b>1,144.8</b>	<b>100.0%</b>
Tax revenue	137.7	12.0%
Social contributions	55	4.8%
Grants	18.8	1.6%
Other revenue	933.3	81.5%
<b>Expenditures</b>	<b>1,055.5</b>	<b>100.0%</b>
General public services	349.5	33.1%
Defense	174.5	16.5%
Public order and safety	111.4	10.6%
Economic affairs	19.9	1.9%
Environmental protection	...	...
Housing and community amenities	105	9.9%
Health	80.6	7.6%
Recreational, culture, and religion	5.6	0.5%
Education	162.8	15.4%
Social protection	46.2	4.4%

(...) data not available or not significant.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

ance exempts domestic servants, self-employed and agricultural workers.

Islamic law, either Shia or Sunni, dictates the legal rights of Bahraini women. Women may initiate divorce proceedings, although religious courts often refuse the request. Men retain legal rights over children, even in case of divorce. Custody of young children is granted to women, but fathers automatically regain custody when the children reach the age of nine (for daughters) and seven (for sons). Women make up approximately 17% of the labor force. The majority of working women are young and single, and most women cease working outside the home after marriage. Bahrain's labor law does not recognize the concept of equal pay for equal work, and women are often paid less than men. Sexual harassment is a common problem. As of 2004 spousal abuse remained widespread, especially in economically deprived areas. It is estimated that 30% of married women are victims of spousal abuse though few women seek assistance.

Bahrain's government regularly violates citizens' human rights. There was a continuation of torture, arbitrary arrest, denial of the right to a fair trial, and restrictions on freedom of speech, press, assembly, association, and workers' rights. The treatment of foreign workers, especially women employed as domestic help, is especially abusive.

#### 41 HEALTH

In 1960, Bahrain inaugurated a free national health service, available to both foreign and indigenous segments of the population through a system of primary care health centers and modern hospital facilities. Bahraini patients who require sophisticated surgery or treatment are sent abroad at government expense.

Medical services are provided by the government and a small private sector. Health care centers are accessible to the population free of charge. In 1990, there were 4 government-operated hospitals (including a psychiatric hospital and a geriatric hospital), 5 maternity hospitals, 19 health centers, 6 environment health centers, and 16 maternity and child welfare centers. In 2004, there were an estimated 160 physicians, 413 nurses, 21 dentists, and 22 pharmacists per 100,000 people.

Infant mortality was estimated at 17.27 per 1,000 live births in 2005. In 1994, 93% of the country's one-year-old children were vaccinated against measles. In 1990, 100% of the population had access to health care services and 93% had access to safe drinking water. Life expectancy in 2005 was 74.23 years. Malaria was reported in 258 people while polio, measles, and neonatal tetanus were nonexistent. The HIV/AIDS prevalence was 3.00 per 100 adults in 2003. As of 2004, there were approximately 600 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

#### 42 HOUSING

According to the 2001 government census, there were 105,686 housing units within the country. About 18% were private villas (single family, independent structure homes). There were 8,076 apartment buildings containing a total of about 36,320 flats. About 72% of all units were connected to the public water system. About 14.8% of homes relied on bottled water. About 63,374 units

were occupied by single (nuclear) families. The greatest number of housing units (32,538) was available in Manama.

#### 43 EDUCATION

Education is compulsory for students between the ages of 6 and 15. Primary education lasts for six years followed by an intermediate program of three years. Students may then choose from three options for their secondary education: general (science or literary tracks), technical, or commercial. Each secondary program is a three-year course of study. The academic year runs from October to August. The primary languages of instruction are Arabic and English. The Ministry of Education is the primary administrative body. As of 1995, public expenditure on education was estimated at 3.6% of GDP.

Primary school enrollment in 2003 was estimated at about 89.9% of age-eligible students; The same year, secondary school enrollment was about 87% of age-eligible students. Less than 1% of children ages three to five attend preschool programs. It is estimated that 99% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 16:1 in 2003; the ratio for secondary school was about 12:1.

Bahrain's principal university is the University of Bahrain, established in 1986 after a merger between the University College and Gulf Polytechnic. It is comprised of five colleges and an English language center: colleges of arts, sciences, engineering, education, and business administration. The Arabian Gulf University (founded in 1980) has faculties in science, engineering and medicine, and is in fact a joint venture project among the six Gulf Cooperation Council members and Iraq. Each nation is allocated 10% of the seats (total 70%) and the remaining 30% are given to other countries. Also important is the Bahrain Training Institute, which currently has over 50% female students.

There are also 67 adult education centers in Bahrain, which have helped to reduce the illiteracy rate of the country. For promoting technical education, a "10,000 Training Plan" was launched in 1980. Nearly 6,500 students have participated in this program since its inception and scholarships are given to students to pursue higher studies at Bahrain or abroad. In 1994 all institutions of higher learning had 655 teachers and enrolled 7,147 students. The adult literacy rate in 2003 was estimated about 89.1%; 91.9% for men and 85% for women.

#### 44 LIBRARIES AND MUSEUMS

Manama Public Library was the first to open in the country in 1946; it contains the collection of United Nations related publications. The Bahrain National Bank Public Library in Muharraq (opened in 1969 as the Muharraq Public Library) includes the Mohammed Hassan Al-Hassan Collection of over 400 books on national and international law (with volumes in Arabic and English), a library for the blind, a children's library, and a special section on travel and tourism. The Central Public Library in Isa Town has 124,000 volumes. In 2005, there were nine public libraries nationwide under supervision of the Directorate of Public Libraries at the Ministry of Education. The University of Bahrain in Manama (1978) holds 140,000 volumes, while the Manama Central Library holds 155,000 volumes. In 2003, the first specialized law library opened at the University's Sakhir campus. The Educational Documentation Library in Manama holds the largest collection of

educational research materials with about 22,000 books and nearly 200 periodicals; publications are available in Arabic and English. The Bahrain National Commission for Education, Science and Culture Library, also in Manama, was established in 1967, serving primarily as a research library; holdings include materials from four main international organizations: United Nations Educational, Scientific and Cultural Organization (UNESCO), Arab League Educational, Cultural and Scientific Organization (ALECSO), Arab Bureau of Education for the Gulf States (ABEGS), and Islamic Educational, Scientific and Cultural Organization (ISESCO).

The Bahrain National Museum in Manama holds art, archaeological, and historical exhibits, chronicling the rise of the Dilmun civilization. Muharraq Island hosts a few of traditional homes that are open to visitors. The Royal Tombs in Aali are popular archaeological sites.

#### 45 MEDIA

Modern telephone, cable, and telex systems are available. In 2003, there were about 185,800 mainline telephones in use, along with 443,100 mobile phones. Basic service is provided by the National Telephone Company (BATELCO).

In 1998, there were two AM and three FM stations and four broadcast television stations, all of which were owned and operated by the government. In 1997 there were 499 radios and 420 television sets in use per 1,000 population. Internet service is provided through the national phone company, with 195,700 subscribers counted in 2003. Government control restricts access to some Internet sites considered with content that is considered anti-Islamic or antigovernment. Many districts of Manama have cyber cafes. It is estimated that about 22% of the population owns personal computers.

Bahrain's first daily newspaper in Arabic, *Akhbar al-Khalij* (circulation 17,000 in 2002), began publication in 1976, and the first English daily, the *Gulf Daily News* (50,000), was established in 1991. *Al Ayam*, an Arabic daily founded in 1989, had a 2002 circulation of 37,000.

Though the Bahraini constitution has provisions for freedom of expression, press criticism of the ruling family or government policy is strictly prohibited.

#### 46 ORGANIZATIONS

In addition to the national Chamber of Commerce and Industry, Bahrain is a committee member of the International Chamber of Commerce. There are numerous Bahraini and multinational groups, including the Bahrain Red Crescent Society and the Children's and Mothers' Welfare Society. Health and welfare organiza-

tions include the Bahrain Family Planning Association and the Bahrain Diabetic Association. Youth organizations include those representing the Youth Hostel Federation, Red Crescent Youth, the Boy Scouts of Bahrain and the Girl Guides, and Arab Student Aid International (ASAI). The Bahrain Olympic Committee coordinates activities for about 12 national youth sports federations.

#### 47 TOURISM, TRAVEL, AND RECREATION

Bahrain has been a fast growing destination in the Middle East since the early 1990s. Tourist attractions include archeological sites, notably Qal-at Al-Bahrain (The Portuguese Fort), the National Museum, and the Heritage Center. Recreational riding and horse racing are both popular in Bahrain. Pearl diving is also part of Bahrain's heritage. In 2002, there were 4,830,943 tourist arrivals, almost 4,000,000 of whom were from other Middle Eastern countries, and tourism receipts totaled \$985 million. Hotel rooms numbered 7,880 in 2002 with 10,759 beds and an occupancy rate of 53%. Most visitors need a visa and a valid passport.

#### 48 FAMOUS BAHRAINIS

Sheikh 'Isa bin Salman al-Khalifa (1933–99) ruled from 1961 until his death in 1999. He was succeeded by his son, Sheikh Hamad bin 'Isa al-Khalifa (b.1950).

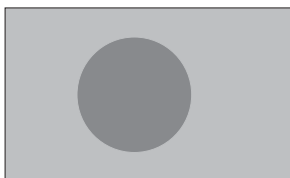
#### 49 DEPENDENCIES

Bahrain has no territories or colonies.

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# BANGLADESH

People's Republic of Bangladesh

*Gana-Prajatantri Bangladesh*

**CAPITAL:** Dhaka (formerly Dacca)

**FLAG:** The national flag is a red circle against a dark-green background.

**ANTHEM:** *Amar Sonar Bangla (My Golden Bengal)*.

**MONETARY UNIT:** The taka (₳) of 100 poisha is a paper currency set on a par with the Indian rupee. There are coins of 1, 2, 5, 10, 25, and 50 poisha, and notes of 1, 5, 10, 20, 50, and 100 taka. ₳1 = \$0.01556 (or \$1 = ₳64.26) as of 2005.

**WEIGHTS AND MEASURES:** Bangladesh adopted the metric system as of 1 July 1982. Customary numerical units include the lakh (equal to 100,000) and the crore (equal to 10 million).

**HOLIDAYS:** New Year's Day, 1 January; National Mourning Day (Shaheed Day), 21 February; Independence Day, 26 March; May Day, 1 May; Victory Day, 16 December; Christmas, 25 December; Boxing Day, 26 December. Movable religious holidays include Good Friday, Jamat Wida, Shab-i-Bharat, 'Id al-Fitr, 'Id al-'Adha, and Durga Puja.

**TIME:** 6 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated in South Asia, Bangladesh, before it became an independent state, was the eastern province of Pakistan, known as East Bengal and, later, as East Pakistan. Bangladesh is slightly smaller than the state of Iowa with a total area of 144,000 sq km (55,598 sq mi), extending 767 km (477 mi) SSE–NNW and 429 km (267 mi) ENE–WSW. Bangladesh is bordered in the W, N, and E by India, on the SE by Myanmar (Burma), and on the S by the Bay of Bengal, with a total boundary length of 4,246 km (2,638 mi). A border demarcation agreement was signed with Myanmar in May 1979. Demarcation of the marine boundary with India remained unresolved as of 2006. Bangladesh's capital city, Dhaka, is located near the center of the country.

## <sup>2</sup>TOPOGRAPHY

Bangladesh is a tropical country, situated mainly on the deltas of large rivers flowing from the Himalayas. The Brahmaputra River, known locally as the Jamuna, unites with part of the Ganges to form the Padma, which, after its juncture with a third large river, the Meghna, flows into the Bay of Bengal. Offshoots of the Ganges-Padma, including the Burishwar, Garai, Kobadak, and Madhumati, also flow south to the Bay of Bengal. No part of the delta area is more than 150 m (500 ft) above sea level, and most of it is but a meter or two (a few feet) above sea level. Its soil consists mostly of fertile alluvium, which is intensively farmed; mineral deposits are negligible. During the rainy season floodwater covers most of the land surface, damaging crops and injuring the economy. The northwestern section of the country, drained by the Tista (Teesta) River, is somewhat higher and less flat, but the only really hilly regions are in the east, notably in the Chittagong Hill Tracts

to the southeast and the Sylhet District to the northeast. Near the Myanmar border in the extreme southeast is the Keokradong, which, at 1,230 m (4,034 ft), is the highest peak in Bangladesh.

## <sup>3</sup>CLIMATE

Bangladesh has a tropical monsoon climate. Annual rainfall is high, averaging from about 119 cm (47 in) up to 145 cm (57 in). There are three distinct seasons. The winter, which lasts from October through early March, is cool and dry, with temperature ranges from 5°C to 22°C (41°F to 72°F); total winter rainfall averages about 18 cm (7 in) in the east and less than 8 cm (3 in) in the northwest. Temperatures rise rapidly in March, and during the summer season—March through May—average about 32°C (90°F). Rainfall also increases during this period. However, nearly 80% of the annual rainfall falls from May to September, the monsoon season, when moisture-laden winds blow from the south and southeast. Temperatures drop somewhat, seldom exceeding 31°C (88°F), but humidity remains high.

In April through June and from October through November, tropical cyclones, accompanied by high seas and heavy flooding, are common. There were cyclones in May 1963, May and December 1965, October 1966, and most notably during the night of 12–13 November 1970, when a storm and resultant flooding killed more than 200,000 persons. A cyclone on 30 April 1991 left over 131,000 people dead and nine million homeless. Monsoon floods in 1974, 1980, and 1983 also devastated the country and caused many deaths, and a cyclonic storm on 24–25 May 1985 took more than 11,000 lives. The monsoon in August and September 1988 left three-fourths of the country flooded, 1,300 persons dead, and

over three million people homeless, with damage to the country's infrastructure estimated at \$1 billion.

#### 4 FLORA AND FAUNA

Bangladesh has the plant and animal life typical of a tropical and riverine swamp. The landscape, which for most of the year is lush green, is dotted with palms and flowering trees. The large forest area of the Sunderbans in the southwest is the home of the endangered Bengal tiger; there are also cheetahs, leopards, crocodiles, elephants, spotted deer, monkeys, boars, bears, pheasants, and many varieties of birds and waterfowl.

#### 5 ENVIRONMENT

Overpopulation has severely strained Bangladesh's limited natural resources. Nearly all arable land is already cultivated and forestland has been greatly reduced by agricultural expansion and by timber and firewood cutting. Between 1983 and 1993, forest and woodland declined by 12.5% to 1.9 million ha (4.7 million acres). As of 2000, about 10% of the total land area was forested.

Bangladesh's environmental problems have been complicated by natural disasters that add to the strain on an agricultural system which supports one of the world's most populous countries. Water supply is also a major problem because of population size, lack of purification procedures, and the spread of untreated contaminants into the usable water supply by flood waters. To ease these problems, the government has established drainage, irrigation, and flood protection systems, and has drilled thousands of tube wells to supply safe drinking water in villages. As of 2001, safe water was available to 100% of the population.

Despite passage of the Wildlife Preservation Act of 1973, wildlife continued to suffer from human encroachment. Only 0.8% of the country's total land area is protected. The Sunderbans is a natural UNESCO World Heritage Site and a Ramsar international wetland site. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 22 types of mammals, 23 species of birds, 20 types of reptiles, 8 species of fish, and 12 species of plants. Threatened species included the Asian elephant, pygmy hog, Sumatran rhinoceros, Bengal tiger, estuarine crocodile, gaviel, and river terrapin.

#### 6 POPULATION

The population of Bangladesh in 2005 was estimated by the United Nations (UN) at 144,233,000, which placed it at number 7 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 35% of the population under 15 years of age. There were 104 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.9%, a rate the government viewed as too high. In 2004–06, the government carried out a program aimed at reducing population growth. The projected population for the year 2025 was 189,971,000. The population density was 1,002 per sq km (2,594 per sq mi).

The UN estimated that 23% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.45%. The capital city, Dhaka (formerly Dacca), had a population of 11,560,000 in that year. Other major towns are Hometown, Speightstown, and Oistins.

#### 7 MIGRATION

Since 1947 there has been a regular interchange of population between India and what is now Bangladesh, with Hindus migrating to India and Muslims emigrating from India. There was also substantial migration between Bangladesh (then East Pakistan) and West Pakistan until the 1971 war. Before and during the war, an estimated 8 to 10 million Bengalis fled to India; most of these refugees returned after the independence of Bangladesh was firmly established.

In 1993, repatriation began of an estimated 56,000 Chakma refugees from the Indian state of Tripura to the Chittagong Hill Tracts of Bangladesh. They had fled unrest in this area. As of May 1997, 47,000 Chakma refugees still lived in northeastern India. In 1991–92 about 265,000 Rohingyas—Muslims from Myanmar—fled to Bangladesh to escape repression. Beginning in 1994, over 200,000 of these refugees returned home to Myanmar (Burma). However, as of 1999, around 22,000 Myanmar refugees still resided in southern Bangladesh in two camps. The United Nations urged the governments of both Bangladesh and Myanmar to accelerate the process. In 2004 the refugee population numbered around 5,500.

Bangladeshi long-term migration to industrialized countries in the West began in the 1950s to the United Kingdom, and in the 1960s to the United States. Labor migration to the Middle East and Southeast Asia began in the 1970s on short term bases. As of 2004, the preferred Middle Eastern countries for labor migration were Saudi Arabia, the UAE, and Kuwait. The flow of remittances to Bangladesh has increased dramatically. In 1976, us\$24 million entered the country through official channels, by the first nine months of 2004, this sum had increased to us\$2.35 billion. However, Bangladeshis sought asylum in fourteen countries, mainly South Africa, Cyprus, and France in 2004.

As of 2000, there were approximately 988,000 migrants living in Bangladesh. In 2003, there were 150,000 to 520,000 internally displaced persons (IDP) within the country. Estimated for 2005 the net migration rate was -0.69 per 1,000 population. The government viewed the emigration level as too low, and the immigration level as satisfactory.

#### 8 ETHNIC GROUPS

Residents of Bangladesh are called Bangladeshis. About 98% of the people are of the ethnic group called Bengalis (or Banglas). About 12 tribes inhabiting the Chittagong Hill Tracts, collectively totaling less than one million people, are ethnically distinct from the Bengalis; their facial features and language are closer to the Burmese. The government's policy of resettling Bengalis in the region, which is much less densely populated than Bangladesh as a whole, led to racial and religious disturbances and a small-scale tribal insurgency in the early 1980s. About 250,000 of the national population consists of Biharis, non-Bengali Muslims who migrated from India to what was then East Pakistan after the partition of the subcontinent in 1947. In the coastal areas of Bangladesh, Arab,

Portuguese, and Dutch settlers have gradually come to adopt the Bengali life-style.

## 9 LANGUAGES

Bengali (Bangla), part of the Indo-European language family, is the official language of Bangladesh and is spoken by about 98% of the population. The successful move to make Bengali coequal with Urdu as an official language was a hallmark of Bengali nationalism in the early 1950s. Non-Bengali migrants from India still speak Urdu (and Hindi) today, and this language is widely understood in urban areas. A few tribal groups, notably the tribal peoples of the Chittagong Hill Tracts, also speak distinct Tibeto-Burmese languages, akin to Burmese and Assamese. Among those speaking Bangla there are differences of dialect according to region. The people of Chittagong, Noakhali, and Sylhet are known for their distinctive dialects. Although today Bangla is the official language, English is also used for official and legal purposes and widely used in business.

## 10 RELIGIONS

Nearly 88% of the people are Sunni Muslims, making Bangladesh one of the world's largest Muslim countries. About 10% of the population are Hindu; the remaining are mainly Buddhist or Christian, the latter being mostly Roman Catholics. There are small numbers of Shia Muslims, Sikhs, Baha'is, Ahmadis, and animists.

Islam was established as the state religion in 1988. Freedom of worship is provided for in the constitution; however, in practice there have been reports of social, political, and economic discrimination against non-Muslims.

## 11 TRANSPORTATION

The large number of rivers and the annual flooding hazard make it difficult to build and maintain adequate transportation facilities in Bangladesh. Railways and waterways are the chief means of transportation. The railways are managed by the government and reach most districts of the country. The Bangladesh Railway operated 2,706 km (1,683 mi) of narrow and broad gauge track in 2004. Of that total, narrow (1,000-m) gauge is the most prevalent at 1,822 km (1,133 mi), followed by broad gauge (1,676-m) at 884 km (550 mi). The quality of service has declined because of the expense of importing new equipment. Enlarging and improving the railway system is also costly, partly because of the number of bridges needed.

The country has two deepwater ports: Chittagong, serving the eastern sector, and Chalna, serving the west. There are five main river ports—Dhaka, Nārāyanganj, Chandpur, Barisal, and Khulna—and more than 1,500 smaller ports. The inland water system has 8,372 km (5,023 mi) of navigable waterways, including 2,575 km (1,600 mi) of main cargo routes. The oceangoing merchant fleet in 2005 consisted of 41 ships of 1,000 GRT or over, with a combined capacity of 319,897 GRT.

Road connections are inadequate, but conditions have improved significantly in recent years. There were 239,226 km (148,799 mi) of roadways in 2003, of which 22,726 km (14,135 mi) were paved. A large part of the highway system becomes submerged in the rainy season; bridges, ferries, embankments, and dikes are therefore necessary to the inland transportation system. Because of the difficulties of land travel, the number of motor vehicles remains



LOCATION: 20°34' to 26°38' N; 88°1' to 92°41' E. BOUNDARY LENGTHS: India, 4,053 kilometers (2,553 miles); Myanmar, 193 kilometers (122 miles); Bay of Bengal coastline, 580 kilometers (324 miles). TERRITORIAL SEA LIMIT: 12 miles.

relatively small. As of 2003, there were 31,700 passenger cars and 60,200 commercial vehicles that were registered.

Bangladesh had an estimated 16 airports in 2004. As of 2005, a total of 15 had paved runways. Zia International is the principal airport, located at Dhaka. Bangladesh Biman is the national airline. It has an extended network connecting major cities and operates international flights from Dhaka. In 2003, airlines carried 1.579 million domestic and international passengers.

## 12 HISTORY

In ancient times, the area now known as Bangladesh was the eastern portion of a huge river delta region called Bang, where the

Ganges and Brahmaputra River systems empty into the Bay of Bengal and Indian Ocean. The region became known as Bengal in more modern times, but recorded history of the region can be traced to the 4th century BC when it was home to an apparently flourishing riverain civilization. The oldest surviving remains of this civilization are the ruins of the city of Mahasthan, the ancient Pundranagar, which continued to flourish for more than 1,500 years, even though the region was conquered by the Hindu Maurya empire that reached its height under Emperor Asoka around 207 BC. From this time onward, the history of Bengal was part of the wider historical experience of the Indian subcontinent, and during most of India's classical Hindu period—AD 320 to AD 1000—Bengal was a loosely incorporated outpost of empires centered in the Gangetic plain.

Islam came to South Asia in the years following AD 800 but did not reach Bengal until Muslim invaders from the west secured a foothold there around AD 1200. In the 13th and 14th centuries, after successive waves of Turkish, Persian, and Afghan invaders, Islam began to take a firm hold in the area that is now Bangladesh. The region was annexed by the Mughal Empire in 1576 under Emperor Akbar and ruled by his successors into the 17th century. The fealty lesser Nawabs (or Nabobs) of the Bengal area paid to the Mughals ensured the political stability and economic prosperity of the region, which became known for its industries based on the weaving of silk and cotton cloth.

The arrival of the French and British East India Companies in the early 18th century coincided with Mughal decline, the death of Emperor Aurangzeb, and an intense period of competition and conflict between Britain and France. By the middle of the 18th century, the British emerged supreme in what they created as the Bengal Presidency, establishing themselves in Calcutta and expanding with alacrity into all of what is now Bangladesh, as well as the Indian states of West Bengal, Bihar, Assam and Orissa. From Calcutta, British traders and administrators successfully played off rivalries among the satraps of the late Mughal empire to gain control of most of the subcontinent in the years between the Battle of Plassey in 1756 and the assumption of the company's domain by the British Crown in 1859. Calcutta remained the seat of British power in the subcontinent and the center of British control over the Indian Empire until 1931 when the capital was moved to the new city of New Delhi, adjacent to the traditional seat of Mughal power in old Delhi.

Well-to-do Hindus in Bengal generally prospered under the British, apparently taking more easily to British ways and British law than the numerically dominant Muslims. The Muslim aristocracy of eastern Bengal—feudal barons under the Mughals—resisted British rule. By the turn of the 20th century, both communities had begun to develop a political-cum-cultural consciousness of their own in reaction to the Western culture brought by the British. They took offense at British efforts to impose western educational systems on local universities, reducing their independence. Hindus were further enraged by the British decision in 1905, in an effort to improve administration and to placate Muslims, to divide the overly large Bengal Presidency in two, with the Muslim-dominant area of eastern Bengal and Assam to be a separate province. The 1905 partition was the first acknowledgment of a sense of separateness among Muslims by the British and foreshadowed events

of 42 years later when Bengal was divided between Muslim-majority and Hindu-majority districts to create East Pakistan.

The 1905 action resulted in increasing acts of violence. This lasted until it was undone six years later in favor of reuniting Bengal and instead separating out what would become the provinces of Orissa and Bihar. But the agitation provoked by the 1905 partition and the Hindu-Muslim enmities it left behind continued to provoke terrorist actions against British rule until nonviolence emerged as a mode of political struggle, under the leadership of Mohandas (Mahatma) Gandhi of the Indian National Congress.

British reforms in 1909 and 1919 expanded local self-rule in their Indian domains, but the pace fell short of the pace of demands put forth by the rising tide of nationalists espoused by the Indian National Congress, which in 1929 committed itself to the goal of complete independence. As the struggle gained momentum, differences between Hindus and Muslims widened. While the majority Hindu community saw a single Indian polity committed to secularism and diversity as the goal of the independence movement, Muslims came to fear that their community would be a permanent electoral minority, an anxiety they saw borne out in the 1937 elections held under British auspices. To look after their unique cultural interests, they formed the All-India Muslim League, and under the Muslim League leadership, sentiment began to coalesce around the “two nation” theory propounded earlier by the poet Iqbal, a belief that South Asian Muslims and Hindus were and should be two separate nations, i.e. that Muslims required the creation of an independent nation of their own—Pakistan—in which they would predominate. In 1940, the Muslim League adopted this as its goal, under the leadership of Mohammad Ali Jinnah, a Mumbai (formerly Bombay) attorney who resisted all efforts at compromise through all the difficult days leading up to the grant of independence in 1947.

In language, culture, ethnic background, population density, political experience, and economic potential, East and West Pakistan were totally disparate. The primary bond was Islam. Pakistan's early years as a nation were dominated by unsuccessful attempts—punctuated by bouts of authoritarian rule—to create a national polity that would somehow bridge these differences. Larger in population and in economic importance than the west wing, the Bengali east wing chafed under national policies effectively dominated by the leadership residing in the west wing. When its influence was further reduced under repeated bouts of martial law and by the reconstruction of West Pakistan as a single province, demands for autonomy in the east began to mount. This demand proved more than the fragile sense of Islamic nationhood could sustain. The new state of Pakistan, made up of Muslim-majority districts in both eastern and western reaches of formerly British India, was at best an unwieldy creation. It cut across long-established lines of trade and communication, divided families, provoked a mass movement of millions of refugees caught on the “wrong” side of the partition markers, and forced the creation of a new but divided polity. Pakistan consisted of two distinct territories, separated by 1,600 km (1,000 mi) of secular but predominantly Hindu India. West Pakistan, with a population of 34 million, consisted mainly of the former provinces of Baluchistan, Sindh, the Northwest Frontier, and (partially) Punjab (which, like Bengal, was also partitioned). East Pakistan, its 42 million people including nearly 9

million Hindus, encompassed the eastern half of Bengal province as shaped in 1912, plus the Sylhet District of Assam.

### Nationhood

After a round of martial law in Pakistan in 1969, national elections were scheduled for 1970. But when the popular verdict in those elections—even in the national assembly—supported greater autonomy for East Pakistan than the West Pakistan-dominated national leadership was prepared to accord, the results were set aside.

Subsequent civil unrest escalated quickly to civil war in East Pakistan. Swamped with a million refugees from the fighting, India intervened militarily in December 1971, tipping the scales in favor of the rebels and facilitating the creation of Bangladesh in 1972. Sheikh Mujibur (Mujib) Rahman, leader of the Awami League and of the fight for autonomy, was released from prison in West Pakistan (which became the Islamic Republic of Pakistan) and became prime minister of the new nation of Bangladesh.

The 1971 civil war undid much of the limited progress East Pakistan had made in recovering from the 1947 partition. Mujib faced a task for which his administrative and political experience was lacking. He fought and won a massive victory at the polls in 1973, but two years later, he suspended the political process and took power into his own hands. Bangla opinion turned against Mujib, coalescing two main opposition groups that otherwise shared little in common besides their opposition to Mujib and to Indian influence: they were the ultra conservative Islamic groups, led by the Jamaat-i-Islami, and the radical left, led by Maoists, who opposed both Indian and Soviet influence.

On 15 August 1975, a group of young military officers seized power, killing Mujib and many of his family members and imposing martial law. A counter-coup three months later produced a new military government with Gen. Zia-ur Rahman at its head. In 1978, with limited political activity permitted, he was elected president and lifted martial law. In February 1979, he restored parliamentary government after elections gave his new party, the Bangladesh National Party (BNP) a two-thirds majority in the National Assembly.

Zia's assassination during an abortive military coup in May 1981 set back the progress he had made. He was succeeded in power by his vice president, Abdus Sattar, who was deposed the following March by his army chief, Gen. Hussain Mohammad Ershad. Declaring martial law, Ershad became Chief Martial Law Administrator (CMLA), suspended the 1972 constitution, and banned political parties.

Ershad gained support by cracking down on corruption and opening up the economy to foreign collaboration. In 1983, he assumed the presidency, and by January 1986, he had restored full political activity in which his own party, the Jatiya (People's) Party took a prominent part. He retired from the army and was elected president without opposition in October 1986, but in July 1987, mounting opposition to his often dictatorial rule among the united opposition parties led him again to declare a state of emergency, dissolve the assembly, and schedule new elections for March 1988. His Jatiya Party triumphed in those elections, due mainly to the refusal of the opposition parties to participate. At the end of 1990, in the face of widespread demonstrations and some Hindu-Muslim violence, his opposition had grown so strong that Ershad

was forced to resign the presidency, turning the government over to Supreme Court Chief Justice Shahabuddin Ahmed, the unanimous choice of the opposition parties.

An interim government scheduled elections for February 1991, and the result—in what has been described as the fairest polling ever held in the country—was the election of an assembly in which the BNP, headed by Begum Khaleda Zia-ur Rahman, Zia's widow, held a plurality. However, the BNP lost popular support by March 1994, when opposition parties walked out of Parliament and boycotted the government, claiming the BNP had rigged a regional election. The main opposition groups—the Awami League (AL), Jatiya Party, and the Jamaat-e-Islami—continued the protest for two years, boycotting February 1996 elections swept by the BNP. Amid further charges of vote-rigging, Khaleda Zia resigned, the BNP dissolved Parliament, and a caretaker government conducted new elections in June 1996. The Awami League, led by Sheikh Hasina Wajed, daughter of the Sheikh Mujib, gained control of Parliament in the elections, contested by all parties and monitored by international observers. Although initially dependent on the support of the Jatiya Party to form a government, by late September the Awami League held an absolute majority of seats in the legislature.

Prime Minister Sheikh Hasina had no easier time ruling Bangladesh than her predecessor. Her government faced continuing protests, strikes, and often violent demonstrations organized by the BNP and other opposition parties. Targets for such actions included the government's historic agreement with India in December 1996 over sharing the waters of the River Ganges, higher taxes imposed by the government in July 1997, and problems of law and order in the country. During September 1997, Islamic militants took to the streets demanding the arrest and execution of controversial Bangladeshi author Taslima Nasreen. November 1998 saw a general strike organized by the BNP over alleged government repression and clashes between police and protesters over alleged electoral fraud. Tensions were heightened by the conviction and death sentences passed on several people involved in the assassination of Sheikh Hasina's father, Sheikh Mujib.

In August 1998, Bangladesh also saw some of the worst flooding in the country's history. Over 1,000 people died and flood waters covered some 60% of the country. Loss of crops raised the specter of widespread famine, and the total damage to the country's economy and infrastructure was estimated at over US\$2 billion.

Among the AL government's achievements, however, were the Ganges water-sharing treaty, the December 1997 accord that ended the tribal insurgency in the Chittagong Hill Tracts (CHT) in southeastern Bangladesh, and a restructuring of local government to increase grassroots involvement in politics. On the international stage, Bangladesh was elected to serve a two-year term on the Security Council of the United Nations, effective 1 January 2000.

In December 2000, Bangladesh expelled a Pakistani diplomat for stating that the number of dead in the 1971 war was 26,000, whereas Bangladesh holds that nearly three million were killed. Bangladesh wanted Pakistan to apologize for the alleged genocide it says Pakistani forces were guilty of during the 1971 war. In July 2002, Pakistan's president Gen. Pervez Musharraf visited Dhaka, and made an apology for excesses committed in Bangladesh's war for independence.

A series of bombings beset Bangladesh during 2001, in April, June, and September. In total, 155 people were killed and more than 2,500 were injured in violence leading up to the October 2001 parliamentary elections. In July, Prime Minister Hasina stepped down, handing power over to a caretaker authority that supervised the upcoming elections; she became the first prime minister in the country's history to complete a full five-year term. Former prime minister Khaleda Zia won a landslide victory on 1 October 2001, campaigning against lawlessness and corruption, in an election in which 75% of the registered voters went to the polls. The Awami League boycotted Parliament, protesting alleged rigging of elections and the persecution of religious minorities.

In March 2002, the government enacted tough laws to combat the use of corrosive acid to disfigure and sometimes kill individuals, mostly women. The death penalty was set as the maximum sentence in some cases. In 2001, 338 acid attacks were carried out in Bangladesh, 90% of them against women. Most of the acid victims have had sulphuric or hydrochloric acid splashed on their faces.

In June 2002, the Awami League ended its boycott of Parliament, and attended for the first time since losing in the October 2001 elections. Also in June 2002, President Badruddoza Chowdhury resigned, after being criticized for not visiting the grave of the BNP's founder, Zia-ur Rahman. That October, Prime Minister Zia called out the army to contain terrorist attacks throughout the country in the absence of adequate logistic support from the police. The army was also directed to curb crime and corruption. As many as 44 people died in custody in the drive lasting from 16 October 2002 to 9 January 2003. Zia granted immunity to the armed forces for their actions during that period, a decision that was highly criticized by the opposition Awami League.

Bangladesh's history of political violence continued through 2004. In 2002, bomb explosions in four cinemas killed 17 people and injured 300 among families celebrating the end of Ramadan. The government arrested 39 members of the Awami League in connection with the explosions. Two years later, in August 2004, a bomb exploded at a rally being held in the capital city of Dhaka by the Awami League. The blast, believed to be an assassination attempt against Hasina, killed 12 people and wounded more than 100 others.

The majority of Bangladesh's 141 million people are Muslim, and the country like many other Muslim-majority countries in Asia saw an increase in Islamic militant activity following the attacks on the World Trade Center in the United States on 11 September 2001. Although the nation remains officially secular, calls to adopt Islamic law have grown since 2001. In 2002 and 2003, editions of the newsmagazine *Newsweek* were banned in Bangladesh because they contained articles that the government deemed offensive to Muslims. The threat of militant violence continued to grow throughout 2005. On 17 August of that year, about 100 small bombs exploded across the country, mainly at government offices, bus and train stations, and in public markets. Two people were killed and at least 125 others were wounded in the blasts. Leaflets from the Islamic group, Jamaat-ul-Mujahideen, were found at many of the bomb sites, calling for Islamic rule in Bangladesh.

### 13 GOVERNMENT

Bangladesh inherited the provincial government under which first the Dominion, then Republic, of Pakistan was governed, a parliamentary system based on the Westminster model with a unicameral legislature. Following this model, the constitution of December 1972 established a unitary, democratic republic, with an indirectly elected president as nominal head of state and a prime minister as head of government and chief executive. The prime minister and his government are responsible to a unicameral legislature—the *Tatija Sangsad*—elected no less frequently than every five years and composed of 300 members. (A constitutional amendment reserving 30 additional parliamentary seats for indirect election of women expired in May 2001.) The constitution incorporated four basic principles of state policy: nationalism, secularism, socialism, and democracy. With considerable controversy, because of its impact on the nearly 17% of the population which is non-Muslim, Islam replaced secularism as a state principle by constitutional amendment in 1977.

The constitution was amended in 1975, at the initiative of Prime Minister Mujibur Rahman, to abrogate most guarantees of civil liberties, to establish a one-party polity, and to make the presidency, rather than the prime ministership, the chief executive of the government. Mujib's assassination later that year, and the counter-coup that occurred three months later resulted in a four-year suspension of the constitution by Bangladesh's martial law ruler, Gen. Zia-ur Rahman.

Rahman himself was assassinated in 1981, and in the turmoil that ensued, Gen. H. M. Ershad seized power. Ershad declared himself president in 1982, and held office until 1990, when increasing antigovernment protests and violence resulted in his resignation. He was later jailed on corruption charges. The interim government then conducted what most observers regard as the most free and fair elections ever held in Bangladesh, in 1991.

Begum Khaleda Zia-ir Rahman, widow of General Rahman and the head of his Bangladesh Nationalist Party, became the first woman to hold the position of prime minister in Bangladesh following the elections in 1991. Among her first acts, she reversed from her former position in favor of retaining a strong presidential system to restore the parliamentary system of 1972 and to return to the prime ministership the powers removed by Mujib in 1975. She led the campaign with strong Awami League support, which resulted in overwhelming parliamentary approval of a constitutional amendment. Khaleda Zia was forced to step down in March 1996, after two years of political turmoil following an opposition boycott of Parliament and elections. The opposition AL, which claimed the BNP had rigged two elections, was swept into power in the internationally monitored elections of June 1996. Sheikh Hasina Wajed then formed a coalition majority in Parliament with the Jatiya Party. By September 1996, with several victories in by-elections, the Awami League controlled an absolute majority of seats in Parliament. The government was thus unaffected by the Jatiya Party's withdrawal from the coalition in March 1997.

Parliamentary elections held 1 October 2001 resulted in a return of Khaleda Zia to power. The BNP took 201 seats, the AL held 62, Jamaat-e-Islami held 18, and the Ershad faction of the Jatiya Party took 14 seats. The majority BNP government aligned with three of the smaller parties, Jamaat-e-Islami, Islami Oikya Jote, and the Naziur faction of the Jatiya Party. Elections were scheduled to be

held in 2007. The Jamaat-e-Islami party is sympathetic to Osama bin Laden, a position that was controversial, especially after the 11 September 2001 terrorist attacks on the United States attributed to him. Zia attempted to quell domestic and international unease resulting from this position, asserting that Bangladesh would not become a fundamentalist Islamic state. However, her three coalition partners advocated replacing Bangladesh's secular laws with Islamic law, or Shariah.

## 14 POLITICAL PARTIES

From 1947 through the end of 1971, East Pakistan—now Bangladesh—was governed as a single province, one of the two wings of Pakistan. In all, there were more than 30 political parties operating in the east wing, most of them small, fractious, and with few elected members. The major parties at that time operated on the all-Pakistan level as well, and included the moderate Pakistan Muslim League (PML), a national movement that became the party of independence and the ruling party of Pakistan; the moderate socialist Awami (Freedom) League (AL), a spin-off from the Muslim League and the advocate of Bengali autonomy, with the bulk of its support in the east wing; the ultraconservative Islamic Jamaat-e-Islami (JI), grounded in Sunni Islamic orthodoxy (in Pakistan as in India) and initially opposed to the 1947 partition; and the leftist peasants and workers party, the Krishak Sramik Party (KSP) of Fazlul Haq. The Communist Party of Pakistan (CPP) was banned in 1952 and remained illegal until its east wing component became the Bangladesh Communist Party (BCP) after 1971.

The PML governed East Pakistan from 1947, but in elections in 1954, the Awami League and the Krishak Sramik, supported in a United Front by the Jamaat, ousted the Muslim League from office. After four years of political instability, however, the two parties were displaced by the central government under “Governor’s Rule,” and the emergency provisions of the 1935 Government of India Act, then Pakistan’s constitution. When the East Pakistan government was restored in August 1955, the KSP ruled in its own right until displaced by an AL government headed by Maulana Bhashani in 1956. Loss of Hindu support in 1958 cost the AL its majority in 1958, but “Governor’s Rule” was again imposed, the provision having been carried over into the 1956 Pakistan Constitution. Martial law was imposed in Pakistan in 1965 and in elections held thereafter, under a limited political franchise, the Muslim League, now a shadow of its former self and the vehicle for General Ayub Khan’s entry into elective politics, came to power briefly. Imposition of martial law in 1969 suspended political activity again until the scheduling of elections in 1970 restored political activity.

By 1970, the moderate-to-left populist Pakistan People’s Party (PPP) of Zulfikar Bhutto, and the Awami League of Sheikh Mujibur Rahman, now advocating far-reaching autonomy for East Bengal, had become the dominant political forces, respectively, in West and East Pakistan. Elections confirmed this position, with the AL winning 167 of East Pakistan’s 169 seats in the National Assembly and absolute control in East Pakistan. The AL was the only constituent in the Bangla Government-in-Exile in 1971, with leftist parties in support and Islamic parties in opposition. After independence, the Islamic party leaders were jailed, their parties having been banned, and in 1973, Mujib’s Awami League elected 293 members of the 300-elective seats in the Assembly.

In January 1975, with his power slipping, President Mujib amended the constitution to create a one-party state, renaming his party the Bangladesh Krishak Sramik Awami League (BKSAL). After the coup later in 1975, the BKSAL was disbanded and disappeared. When Zia-ur Rahman lifted the ban on political parties in 1978, his presidential bid was supported by a newly formed Nationalist Front, dominated by his Bangladesh National Party (BNP), which won 207 of the assembly’s 300 elective seats. All political activity was banned anew in March 1982 when Gen. Ershad seized power, but as he settled into power, Ershad supported the formation of the Jatiya (People’s) Party, which became his vehicle for ending martial law and transforming his regime into a parliamentary government. In elections marked by violence and discredited by extensive fraud, Ershad’s Jatiya Party won more than 200 of the 300 elective seats at stake. The Awami League, now under the leadership of Mujib’s daughter, Sheikh Hasina Wajed, took 76 seats as the leading opposition party. Begum Khaleda Zia’s BNP, heading an alliance of seven parties, boycotted the elections and gained considerable respect by this action. The BNP, the AL, and all other parties boycotted Ershad’s 1988 election as well, discrediting the result that gave the Jatiya a two-thirds majority and fueling the fires of discontent that led to Ershad’s resignation on 4 December 1990. Ershad was arrested on corruption charges eight days later by the interim government, convicted, and imprisoned on corruption charges.

A BNP plurality in the elections on 27 February 1991 enabled Begum Khaleda Zia to form a government with the support of 28 of the appointive members of the assembly and of the JI, which won 18 seats. The leader of the opposition is Sheikh Hasina Wajed of the Awami League (AL), which won 88 seats to claim the second ranking position in the assembly. However, Khaleda Zia resigned and Parliament was dissolved in March 1996 amid vote-rigging charges and a two-year government boycott by opposition parties. June 1996 elections brought Sheikh Hasina and the AL to a majority role in the new Parliament. The AL won 140 seats to the BNP’s 116. New Prime Minister Hasina formed a cooperative government with the Jatiya Party, which won 32 seats. Although the Jatiya Party withdrew from the coalition in March 1997, the Awami League had by then acquired an absolute majority in the legislature and continued as the party in power.

From 1997 to 2001, the main opposition party, the BNP, hindered the work of the Jatiya Sangsad (Parliament) by repeatedly boycotting its proceedings. One such boycott—over issues ranging from restoration of a floating footbridge to Zia-ur Rahman’s tomb to the dropping of criminal charges against BNP members of parliament—lasted for six months (August 1997–March 1998). Outside Parliament, the BNP continued to support public anti-government demonstrations, and organized a three-day general strike (*hartal*) in November 1998 to protest alleged government repression. A month later, the opposition strengthened its position when the BNP and the Jamaat-e-Islami decided to accept Ershad and his Jatiya Party into the antigovernment movement.

After October 2001 parliamentary elections swept Khaleda Zia’s BNP to power, ousting the Awami League of Hasina Wajed, concern was raised over the political stance of one of Zia’s coalition partners, the Jamaat-e-Islami party, which voices support for Osama bin Laden. Zia’s three coalition partners in the government formed in 2001, Jamaat-e-Islami, Islami Oikya Jote, and the Na-

ziur faction of the Jatiya Party, are all Islamic parties advocating a return to Islamic law, or Shariah. Zia, however, granted the US-led military coalition the use of Bangladesh air space and other help for its attacks on bin Laden and his al-Qaeda training camps in Afghanistan in 2001–02, approving of the US-led war on terrorism. Hasina's Awami League supports secularism. Khaleda Zia's term extended through 2007.

## 15 LOCAL GOVERNMENT

As a unitary state, the key administrative unit in Bangladesh is the region (also popularly referred to as the district), of which there are 21 in all. For administrative convenience, regions are grouped into (and report through) six divisions (Barisal, Chittagong, Dhaka, Khulna, Rajshahi, and Sylhet), under a senior civil servant with the title of division commander (formerly commissioner).

As of 1985, regions or districts were subdivided into *zilas*; in urban areas, these were further broken down into municipalities, wards, mohallas, and thanas, while in rural areas, the breakdown was into *upazilas* (subdistricts), unions, *mouzas*, and villages. Under that system, each region or district was under the charge of a senior civil servant with the title of deputy commissioner; they are appointed by the national government and are vested with broad powers to collect revenues and taxes, assist in development activities, and maintain law and order.

In 1997, Bangladesh reorganized its local government structure in rural areas. New legislation created a four-tier local government system: *gram* (village), *union* (collection of villages), *upazila* (subdistrict), and *zila* (district) councils. The purpose of this reorganization was to democratize government at the grassroots level in a process that, in theory at least, is nonpartisan. Elections for *union parishads* (councils) held in December 1997 created widespread interest, with particularly high levels of participation from women, both as candidates as well as voters. Other legislation made the *upazila* level the most important tier in local government, giving the *upazila* council power to collect revenue, prepare its own budget and hire its own employees. The restructuring of local government in Bangladesh is an ongoing process aimed at increasing popular participation in the governmental process.

## 16 JUDICIAL SYSTEM

The judicial system, modeled after the British system, is similar to that of neighboring countries. Besides the 1972 constitution, the fundamental law of the land, there are codes of civil and criminal laws. The civil law incorporates certain Islamic and Hindu religious principles relating to marriage, inheritance, and other social matters.

The constitution provides for an impartial and independent judiciary. After the 1982 coup, the constitution was suspended, martial law courts were established throughout the country, and Lieut. Gen Ershad assumed the power to appoint judges. The constitution was reinstated in November 1986.

The judicial system consists of a Low Court and a Supreme Court, both of which hear civil and criminal cases. The Low Court consists of administrative courts (magistrate courts) and session judges. The Supreme Court also has two divisions, a High Court which hears original cases and reviews decisions of the Low Court, and an Appellate Court which hears appeals from the High Court. The upper-level courts have exercised independent judgment, re-

cently ruling against the government on a number of occasions in criminal, civil, and even political trials. The trials are public. There is a right to counsel and right to appeal. There is also a system of bail. An overwhelming backlog of cases remained the major problem of the court system.

The government, with the help of the World Bank, has undertaken an ambitious project to reform the judicial system. Changes include the creation of "Legal Aid Committees" to provide assistance to the poor, as well as the establishing of Metropolitan Courts of Sessions in Dhaka and Chittagong. In March 2001, the World Bank announced the approval of a us\$30.6 million credit to assist Bangladesh in making its judicial system more efficient and accountable. A permanent Law Commission has been created to reform and update existing laws, and the government is committed to establishing a Human Rights Commission as well as an Office of the Ombudsman.

## 17 ARMED FORCES

In 2005, Bangladesh had 125,500 active military personnel, of which the Army had 110,000, the Navy 9,000, and the Air Force 6,500. Paramilitary forces of border guards, armed police, and security guards totaled 126,200. The Army's primary weapons systems included 180 main battle tanks, more than 40 light tanks, over 180 armored personnel carriers, and over 190 artillery pieces. Major naval units included 5 frigates, 33 patrol/coastal vessels, and 4 mine warfare ships. The Air Force's main weapons include 29 fighters and 34 fighter ground attack aircraft. Bangladesh was attempting to improve naval command primarily to combat piracy. The military budget in 2005 was \$785 million.

Bangladesh participated in 11 UN peacekeeping missions.

## 18 INTERNATIONAL COOPERATION

Bangladesh joined the United Nations on 17 September 1974; it belongs to ESCAP and several nonregional specialized agencies. The country holds membership in the Asian Development Bank, the Colombo Plan, the Commonwealth of Nations, the Organization of the Islamic Conference (OIC), and G-77. The nation became a member of the WTO on 1 January 1995. In 1985, Bangladesh became one of seven constituent members of the SAARC, under which it is a signatory to the South Asia Preferential Trade Agreement.

Soon after independence, Bangladesh signed a friendship treaty with India, but relations between the two nations are often strained. In 1997, Bangladesh signed an agreement with India on sharing water from the Ganges River. Pakistan recognized Bangladesh in February 1974, and the two have developed good relations, their past differences notwithstanding.

Generally, Bangladesh follows a nonaligned foreign policy but the late 1990s was seeking closer relations with other Islamic states, ASEAN, and China. Bangladesh has offered assistance to UN efforts in Kosovo (est. 1999), the Western Sahara (est. 1991), Ethiopia and Eritrea (est. 2000), Sierra Leone (est. 1999), East Timor (est. 2002), Georgia (est. 1993), Côte d'Ivoire (est. 2004), and DROC (est. 1999). Bangladesh also continued a healthy relationship with the United States, with which it had bilateral trade agreements. In 1995, the country's trade exporters association signed an agreement with the United Nations Children's Fund



(UNICEF) and the International Labor Organization (ILO) under which industry's rampant use of child labor would be eliminated.

In environmental cooperation, Bangladesh is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Bangladesh lies along a river delta and has gained interest from foreign investors in recent years because of its large potential natural gas reserves. However, with the highest population density of any country except city-states like Singapore, its cultivated land is overcrowded, undercapitalized, and dominated by subsistence farmers. Over 60% of the country's total land area is cultivated. Although half of the nation's gross domestic product comes from the services sector, about 63% of the economically active population subsists on agriculture. Growth rates have not been high enough to eliminate substantial poverty; it is estimated that 45% of the population lived below the poverty line in 2004. Nevertheless, signs of modest improvement in the economy have been evident during the past decade, with growth occurring at a steady 5.2% rate over the past several years. Despite this improvement, Bangladesh's reliance on agriculture makes its economy extremely vulnerable to cyclones, floods, and droughts. Changes in world commodity prices also have a strong effect on the country's economic condition. Agriculture accounts for 20.5% of the country's GDP, with services comprising 52.8% and industry 26.7%.

The prospect of return to elected government in 1990 helped produce an upsurge in growth in 1989/90 of 6.6%, but in 1990/91 the combined effects of the Gulf War, domestic political disturbances, and a devastating cyclone resulted in a drop in the GDP's growth rate to 3.4%. Pursuit of further stabilization and structural adjustment measures by the government in 1991 allowed Bangladesh to weather these crises, strengthen its revenue base, bring inflation to a record low of 1.4% in 1993, and maintain a good balance of payments position. However, political instability and a lack of continued economic reforms pushed inflation to 5.2% in 1995. Sluggish development investments, limited growth in manufacturing, and bureaucratic inefficiency persisted. The election of the Awami League government helped calm the political situation, and the economy responded. GDP grew 4.7% in 1996, while inflation eased to 5.04%.

In 1997, the government's delay in instituting reforms threatened to slow economic advances. Inflation rose to 7%, while GDP slowed to 4%. Although the Awami League promoted the exploration, distribution and manufacture of oil and gas in Bangladesh in the late 1990s, exploration has been delayed by political squabbles over how foreign companies would participate. The economy grew strongly during 1998, with real growth reaching 5.4%. Growth slowed to 4.9% in 1999, and to 3.4% in 2000. The global economic slowdown, and the after-effects of the 11 September 2001 terrorist attacks on the United States, combined with continuing internal political turmoil initially brought economic growth almost to a halt in Bangladesh, with an estimated growth rate of 1.6%. Although Bangladesh's growth rate improved to 5.2% in the early 2000s, severe flooding in 2004 damaged crops and infrastructure, illustrating once again the country's vulnerability to

natural disasters. As of 2005, Bangladesh experienced an inflation rate of 6%, and its public debt comprised 46.1% of its GDP. Although the country received \$30 billion in foreign aid and loans since 1971, nearly half of its people continue to live below the poverty line. Both the IMF and World Bank predicted that Bangladesh would not be able to ease poverty significantly until annual growth reached 7–8%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Bangladesh's gross domestic product (GDP) was estimated at \$299.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,100. The annual growth rate of GDP was estimated at 5.2%. The average inflation rate in 2005 was 6.7%. It was estimated that agriculture accounted for 20.5% of GDP, industry 26.7%, and services 52.8%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$3.191 billion or about \$23 per capita and accounted for approximately 6.1% of GDP. Foreign aid receipts amounted to \$1,393 million or about \$10 per capita and accounted for approximately 2.5% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Bangladesh totaled \$39.68 billion or about \$288 per capita based on a GDP of \$51.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.9%. In 2001 it was estimated that approximately 49% of household consumption was spent on food, 18% on fuel, 8% on health care, and 9% on education. It was estimated that in 2004 about 45% of the population had incomes below the poverty line.

## 21 LABOR

The labor force in 2005 was estimated at 66.6 million workers. In the Fiscal Year 1995/96 (the latest year for which data was available), 11% of the civilian labor force was employed in the industrial sector, with agriculture accounting for 63%, and service employees 26%. Statistics are unreliable because of a large, informal, unreported market. The unemployment rate in 2005 was estimated at 2.5%, and included those who would be considered "underemployed." Also, Bangladesh is an extensive exporter of labor to Saudi Arabia, Malaysia, Qatar, and Oman.

Although 1.8 million out of the 5 million workers in the formal sector of the economy were unionized, most of which were tied to political parties and represented only a small fraction of the economically active population. Strikes are a common form of workers protest. There are industrial tribunals to settle labor disputes. The government can impose labor settlements through arbitration, as well as by declaring a strike illegal. Unions have become progressively more aggressive in asserting themselves, especially on the political scene. Civil service and security forces personnel are banned from joining unions. In addition, teachers in

both the private and public sectors are prohibited from forming a trade union.

Bangladesh has no national minimum wage. Instead, wages are set by the National Pay and Wages Commission and may not be disputed. In the private sector, wages are set by industry, and collective bargaining rarely occurs due to high unemployment and workers' concerns over job security. By law, government employees, as well as workers in nongovernmental organizations (NGOs), banks and other office workers are subject to a 40 hour work week, with Fridays and Saturdays off. However, the legal workweek for factory workers is 48 hours, with up to 12 hours of overtime and one day off mandated. This law is rarely enforced, especially in the garment industry. Children under the age of 14 are prohibited by law to work in factories but may work (under restricted hours) in other industries. But such restrictions are rarely enforced and children work in every sector of the economy. In 2003, the government estimated that 3.2 million children between the ages 5–14 were engaged in all types of employment activities, many that were harmful to their well-being. By law, every child is required to attend school up to the age of 10 or through the fifth grade. However, there is no effective way of enforcing this regulation.

## 22 AGRICULTURE

Agriculture accounted for 23% of GDP and engaged 53% of the economically active population in 2003. Most of the farmers own no more than a few acres of land, and their holdings are badly fragmented. The land is fertile, but yields are low because of a lack of capital for input.

Rice dominates the production of about 60% of all cropped land in Bangladesh. Of the varieties grown, aman rice, which can be raised in inundated land and saline soil, occupies nearly 60% of the total land under rice. Aus rice, which cannot be grown in flooded fields, is raised mostly in higher areas of Bangladesh. Boro rice is grown in the winter, mainly in the swamps and marshy areas, but government-supported irrigation projects have encouraged its extension to other areas. To meet the challenge of the food shortages, the government of Bangladesh and international aid programs introduced a high-yielding variety of rice called IRRI with considerable success. Total rice production in 2004 was 37,910,000 tons. Before November 1992, the government artificially inflated rice prices by buying over one million tons per harvest. With subsidies gone, the subsequent fall in rice prices reflected an adjustment of the market after 20 years of prices propped up by government sales and purchases.

Jute is the main cash crop of Bangladesh, which produces about one-quarter of the total jute supply of the world. Grown in most parts of the country, jute is harvested from July to September. Its strong fibers are used to produce carpets, burlap bags, mats, upholstery, and other products. Jute is also used to manufacture textiles for clothes. The combined total export of jute and jute products represents about 13–15% of Bangladesh's annual export earnings. Although Bangladesh is the world leader in exports of jute, its prominence in the economy has slipped since the 1970s. The diminished role is due to mismanagement of the nationalized jute industry, labor strikes, and a drop in the worldwide use of jute for packing. In 2004, 800,000 tons of jute were produced (28% of world production).

Although tea is the second most important agricultural export, it accounted for only 11% of agricultural export earnings in 2004. Most tea plantations are in the Sylhet Region and the Chittagong Hill Tracts. Much of the tea is consumed domestically; total production in 2004 was 55,600 tons.

The agricultural economy, though disrupted by the 1971 war, largely recovered and grew by an average 2.7% annually during the 1980s and by an annual average of 2.9% during 1990–2000. However, in 2003 agricultural production was down 2.1% from 1999–2001. Agricultural exports accounted for 1.7% of total exports in 2004. Frequent monsoons and cyclones keep the economy vulnerable. Crop output (in tons) in 2004 included sugarcane, 6,484,000; wheat, 1,253,000; potatoes, 3,908,000; sweet potatoes, 320,000; tobacco, 40,000; and barley, 1,000. Fruit production in 2004 included 700,000 tons of bananas, 243,000 tons of mangoes, and 155,000 tons of pineapples. Coconut productions totaled 89,000 tons that year; lentils, 122,000 tons.

## 23 ANIMAL HUSBANDRY

The livestock sector has made significant progress during the 1990s, rising from 1% to 10% of GDP. Livestock provide most of Bangladesh's draft power, rural transportation, manure, and fuel, in addition to meat, milk, eggs, hides, and skins. Buffalo milk is an important item of consumption, especially in the form of clarified butterfat. Small dairy farms (with 5–20 crossbred cows) have been growing fast in recent years. Entrepreneurs are encouraged by high liquid milk prices as well as government incentives under which the farmers receive cash to purchase dairy cows. There are over 20,000 small dairies; total milk production in 2004 was 2.17 million tons. There were about 24.5 million head of cattle, 850,000 buffaloes, 34.5 million goats, 1.26 million sheep, and 140 million chickens in 2004.

Much of the cattle stock is smuggled from India because of the reduced local availability of cows and bulls, especially during the midyear Muslim holiday of Eid Ul Azha, when cattle are sacrificed throughout the country. The cattle brought in from India may account for up to 30% of beef production. The scarcity of cattle in recent years is the result of lack of vaccines and fodder, natural disasters, and an absence of farmer incentives.

## 24 FISHING

Fish is a staple food of Bangladesh and the main source of protein. There are hundreds of varieties, including carp, salmon, pomfret, shrimp, catfish, and many local varieties. Dried fish is considered a delicacy in many parts of the country. About 999,000 tons of fish (76% from inland waters) were produced in 2003. While much of the fish is consumed domestically, Bangladesh exports a sizable quantity of freshwater fish to India and other neighboring countries, and freshwater shrimp and lobster are exported to a number of countries. Exports of fish products in 2003 amounted to \$322.9 million. It is also a major source of frogs' legs, which are "farmed" commercially. Fishermen's cooperatives foster the use of modern fish-catching trawlers in the Bay of Bengal, and the government has established a fisheries corporation to stimulate production of freshwater fish for export.

## 25 FORESTRY

Bangladesh has an estimated 1,300,000 hectares (3,200,000 acres) of forests, covering some 10.2% of land area. In recent years, the pressure of population has led to enormous deforestation. The government-controlled Forest Industries Development Corp. supervises the development and exploitation of forest resources. Roundwood production in 2003 came to 28 million cu m (1 billion cu ft). Over 98% of timber cut is used for firewood.

The main forest zone is the Sunderbans area in the southwest, consisting mostly of mangrove forests. Two principal species dominate the Sunderban forests: sundari trees, which grow about 15–18 m (50–60 ft) high and are of tough timber, and gewa trees, a softer wood used for making newsprint. Teak and bamboo are grown in the central forests.

## 26 MINING

Aside from its large identified natural gas reserves, Bangladesh had few mineral resources. The Bay of Bengal area was being explored for oil, and in some offshore areas, drilling was being conducted by international companies. Bangladesh had reserves of good-quality coal in the northern districts, but extraction has been difficult since many deposits were located at a depth of more than 900 m. Production estimates of mineral commodities in Bangladesh in 2004 included hydraulic cement, 5,000,000 metric tons; marine salt, 350,000 metric tons; and limestone (mined in the Sylhet and Chittagong regions), 36,000 metric tons.

## 27 ENERGY AND POWER

A substantial portion of Bangladesh's electrical supply is met by the country's only hydroelectric plant, at Kaptai, which has a capacity of 230 MW; the rest of the country's power is produced by burning coal, gas, and oil. Except for a few private installations on the tea plantations and a few other industries, the power and energy sector is controlled by a government-managed corporation. In 2003, electricity generation was estimated at 17.4 billion kWh, of which 94% came from fossil fuels and 6% from hydropower. In 2002, consumption of electricity totaled 15.353 billion kWh. Total capacity in 2003 is estimated at 3.6 gigawatts (GW). As of August 2005, it was reported that only about 20% of the population had access to electricity (25% urban and 10% rural). In addition, the power supply is erratic, and blackouts are a chronic problem, as are delays in new plant construction.

In July 1997, Bangladesh contracted with four international power and refining companies for four new power plants with a combined capacity of 1,600 MW. The new plants were expected to double the country's electricity to 4,000 MW over five years. A large-capacity, gas-fired 360 MW plant at Haripur became operational in April 2001, and a second, similar plant was scheduled for completion at Meghnaghat in late 2002. In 2000 the United States agreed to provide technical assistance for construction of the planned Rooppur nuclear plant.

Bangladesh's major energy resource is natural gas. However, there is some question as to how large the nation's natural gas reserves are. According to British Petroleum (BP), proven reserves at the end of 2004 stood at 0.44 trillion cu m (15.4 trillion cu ft), but estimates from the Oil and Gas Journal, place those reserves at 10.6 trillion cu ft as of 1 January 2005. According to estimates by

the US Geological Survey, Bangladesh's "undiscovered reserves" have been placed at 32.1 trillion cu ft. Natural gas production in 2004 has been put at 13.2 billion cu m, according to BP. With 20 natural gas fields throughout the country, the government controls the gas industry but began accepting private exploration bids in 1991. Foreign companies active in the country's natural gas sector include Shell and Unocal. More than four-fifths of Bangladesh's natural gas is used to produce power and fertilizer.

Bangladesh's proven oil reserves are reported to be modest and, as of 1 January 2005, were estimated at 56 million barrels. In 2004, production of oil was estimated at 6,725 barrels per day, of which crude oil accounted for 6,000 barrels per day. The country has one oil refinery, located at Chittagong, with a capacity of 33,000 barrels per day. In 1991 Chinese consultants confirmed the existence of 300 million tons of good quality coal at the Boropukuria coal field in northern Diajpur District.

## 28 INDUSTRY

Bangladesh came into existence after a violent fight for independence in 1971 from Pakistan, following initial partition from India when British colonial rulers pulled out of the subcontinent in 1947. Efforts to develop an industrial base faltered in the country's early years of independence when Bangladesh attempted to stimulate economic growth by nationalizing most of its industries. That statist model led to much inefficiency and stagnation, and beginning in the mid-1970s, Bangladesh started to shift its strategy toward one of encouraging a move toward a market economy. The country remained committed to developing such an economy, and has made steps in that direction. However, many of its key industries—including banking and jute production—were still government controlled. Public control of industry, coupled with the country's persistent population growth and limited capital, has led to inefficiency and a resistance to developing its richest resources.

Bangladesh developed policies to encourage private enterprise and investment through the mid-1980s. However, many stated objectives were not carried out partly because political problems preoccupied governmental leaders. As a result, Bangladesh has had difficulty achieving its major industrial goals. Privatization of industry has occurred at a slow pace, partly because of worker unrest as well as a dysfunctional banking system. However, some progress was seen on 30 June 2002 when the government succeeded in closing down its Adamjee Jute Mill, one of its largest and most expensive public enterprises. In the meantime, a global economic crisis that followed the 11 September 2001 terrorist attacks on the United States hit Bangladesh's garment industry particularly hard. Readymade garments comprise Bangladesh's primary export. The growth of these exports, 18% annually before September 2001, slowed to 8%.

The garment industry, however, remained one with strong potential for Bangladesh. About 1.8 million jobs—mostly for women—have been created in the industry since the 1990s. The country also has drawn praise for its efforts to end child labor in its garment factories, eliminating such exploitative work by 2001.

Bangladesh has seen growth in steel, sugar, tea, leather goods, newsprint, pharmaceutical, and fertilizer production. A challenge is diversifying its export base. Garments accounted for about 75% of the country's exports in 2005, though it also exports leather, shrimp, pharmaceuticals, ceramics and its historic cash crop, jute.

With a goal of expanding exports in mind, the country has made strides in its effort to establish export processing zones and was encouraging entrepreneurs to set up similar establishments.

Continued efforts to privatize industry are likely to determine whether Bangladesh will be able to compete in a global economy in the 21st century. Although progress has been made, the public sector still employed about one-third of the formal labor force and made up about 40% of the country's hard industrial assets. A lack of a privately run industrial base meant that Bangladesh was likely to continue to rely on weaker sectors such as agriculture; as of August 2005, manufacturing accounted for only 16% of the GDP.

A new potential source of industrial growth lies in Bangladesh's oil and natural gas reserves. Bangladesh produces about 6,725 barrels of oil per day and its proven reserves are estimated at 56 million. Although Bangladesh has encouraged foreign oil companies to do business in the country, exploration has proven to be difficult and disagreements over the licensing of foreign oil holdings has stalled growth in this sector. In terms of natural gas, proven reserves are estimated between 10 trillion and 15 trillion cubic feet. Bangladesh is seen as having potential to become a major gas producer and the commodity could become a valuable export. However, many in Bangladesh feel that the reserves should be used to meet domestic needs first, and leaders within its major political parties have agreed only to consider exporting natural gas if the reserves can satisfy 50 years of domestic demand.

## 29 SCIENCE AND TECHNOLOGY

Bangladesh lacks the trained personnel necessary for intensive technological development. The Bangladesh University of Engineering and Technology (founded in 1962) does, however, train some technicians. Other institutions offering scientific and technical education include the Bangladesh Agricultural University in Mymensingh, the University of Chittagong, the University of Dhaka, Jahangirnagar University in Dhaka, Khulna University, and the University of Rajshahi. In the period 1990–01, there were only 51 scientists and 32 technicians engaged in research and development per million people. In 2002, high technology exports totaled \$10 million.

The Bangladesh Council for Scientific and Industrial Research and headquartered in Dhaka, operates seven research institutes, and the Bangladesh Atomic Energy commission, founded in 1973, and also in Dhaka, operates two others. The Geological Society of Bangladesh, founded in 1972 at Dhaka, is a government organization under the Ministry of Energy and Natural resources. Leading professional groups are the Bangladesh Academy of Sciences, the Bangladesh Medical Association, and the Zoological Society of Bangladesh, all headquartered in Dhaka.

## 30 DOMESTIC TRADE

Most commodities produced in Bangladesh are consumed inside the country. Normally, the farmers or fishermen sell to wholesalers and they in turn sell to distributors and retailers. Industrial commodities for domestic consumption are distributed through the same procedure. The middlemen in the distribution process have often benefited from excessive profits, creating hardships for farmers and consumers. To meet this situation, the government has introduced mechanisms by means of which farmers can sell

directly to cooperative agencies acting on behalf of buyers. The government has also set up fair-price shops for consumers. Much domestic trade in rural areas is conducted in the marketplaces, where farmers sell directly to consumers. Bangladesh's government promotes foreign investment into the country's infrastructure, and about 60% of the domestic development budget comes from foreign aid.

Foreign products are imported by large commercial concerns located in the capital city of Dhaka or in the ports, and are then distributed through wholesalers and retailers. Normal business hours are between 9 AM and 5 PM, Sunday through Thursday, but most retail stores are open until 8 PM. Many private businesses are open on Saturday as well. Limited advertising is done through the newspapers, movie houses, handbills, and television.

Most Bangladeshis earn their living from agriculture so many of the domestic commodities that are traded are farm products. The nation's 2004 budget contained a \$100 million subsidy for the agriculture sector, in recognition of the importance of farming for its people. Rice and jute are the primary crops, with wheat and vegetables gaining more importance. Tea is grown in the northeast. Because of Bangladesh's fertile soil and ample water, rice can be grown and harvested three times a year in many areas.

## 31 FOREIGN TRADE

Since independence, Bangladesh has had a negative trade balance. Imports steadily ran more than double the value of exports between 1971 and 1991. With a surge in export growth since 1991, the trade deficit has improved; imports exceeded exports by about 56% in 1996, and by 62% in 1997 as opposed to more than 120% in 1989/90. Trade relations with the United States remained excellent. As a result of successful export promotion measures undertaken by the government during the 1980s, exports of ready-made-garments and knitwear are now Bangladesh's leading earner of foreign exchange.

The garment and textile industry garners the highest percentage of Bangladesh's export commodities, including undergarments, women's and men's outerwear, leather, hats, and yarn (85%). At the mouth of the Ganges, fish and crustaceans are also harvested and exported (5.6%).

### Principal Trading Partners – Bangladesh (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	4,787.8	7,069.5	-2,281.7
United States	1,523.5	188.0	1,335.5
Germany	649.5	152.3	497.2
United Kingdom	558.6	168.3	390.3
France-Monaco	320.6	92.3	228.3
Netherlands	215.2	78.0	137.2
Belgium	213.3	...	213.3
Italy-San Marino-Holy See	210.9	88.3	122.6
Spain	120.8	...	120.8
Canada	102.8	56.9	45.9
Sweden	94.5	49.2	45.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

Bangladesh belongs to the South Asian Association for Regional Cooperation (SAARC). It joined the other SAARC members—Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka—in agreeing in 2004 to create a South Asian Free Trade Area by 2006.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Like many poorer countries, Bangladesh has encouraged its growing cadre of workers in the Middle East and elsewhere overseas to remit earnings back to the country. As a result of these private transfers, the country has been able to offset its trade deficit to some degree. Since the end of the 1990s, the level of worker remittances has increased at an average rate of 12.6%. As of November 2004, such remittances totaled \$3 billion a year.

However, large amounts of foreign aid and heavy short-term borrowing are needed to handle the balance-of-payments problem. In FY 1991/92, the infusion of \$1.59 billion in foreign aid and transfers helped lessen a negative balance of payments. In 1995, the trade deficit widened and there was a stagnation in the growth of remittances from overseas workers. The rising trade deficit, coupled with a decline in international aid disbursements due to political turmoil, caused foreign exchange reserves to drop from a peak of \$3.4 billion in April 1995 to \$2.1 billion by the end of 1996, and \$1.7 billion by 1999. The reserves stabilized at between \$2.2 billion and \$2.5 billion after 2002, and were reported at \$3.24 billion as of May 2005.

During the 1990s, the manufacturing sector revived, due to export growth led by garments and knitwear. Although the garment industry suffered the effects of a post-9/11 economic slowdown, it remained a solid contributor to Bangladesh's export base. Bilateral quota systems with developed country markets, whose quota regimes limited the exports of many competing Asian suppliers, were a factor in the growth of garment exports starting from 1994. Other factors contributing to the success of the garment industry

in Bangladesh include few governmental regulations, the provision of customs-bonded warehouses for imported cloth, and financial arrangements allowing foreign banks to finance raw materials inventories. Nevertheless, Bangladesh must diversify its export base in order to remain competitive globally.

The US Central Intelligence Agency (CIA) reported that in 2005 the purchasing power parity of Bangladesh's exports was \$9.372 billion while imports totaled \$12.97 billion resulting in a trade deficit of \$3.6 billion. Despite the lingering deficit, the International Monetary Fund's Executive Board in 2005 praised Bangladesh's efforts to moderate inflation and increase its foreign reserves. The board recommends that the nation continue with economic reforms, diversification of exports and efforts to fight poverty.

### 3<sup>3</sup> BANKING AND SECURITIES

Central banking is conducted by the Bangladesh Bank, which has its head office in Dhaka. It is responsible for the circulation of money, supervision of commercial banks, and control of credit and foreign exchange. There are 4 commercial government-owned banks, 6 development financial institutions, 27 domestic private banks, and 12 foreign bank branches operating in Bangladesh. The four major banks are all state-owned: Sonali Bank, Janata Bank, Agrani Bank, and Rupali Bank. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$4.3 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$16.9 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6%.

Trade on the Dhaka Stock Exchange (DSE) was dormant until 1993. The fourth quarter of 1996 was marked by feverish activity on the DSE, and on the smaller Chittagong Stock Exchange (CSE). In September, October, and the first two weeks of November, records were broken daily as share prices soared. Prices soon bore little relation to the current profitability or future prospects of the companies concerned. Up to 300,000 first-time buyers joined in the bonanza, driving the limited number of stocks traded-210-to a peak on 16 November, 1996, when the all-share index reached 3,627, up from around 1,000 in June. By 4 November, market capitalization had reached an unsustainable \$6 billion, equivalent to some 20% of the country's GDP. The government began to cool down the market by selling off state-owned enterprises. In late December, the central bank announced that T2 billion (\$47 million) would be available to the state-run Investment Corporation of Bangladesh to buy shares and give some support to the market, but the market crashed despite these preventative measures. In 1997, 37 stock brokers were charged with market manipulation in the DSE boom and crash of 1996. As of 2004, there were 250 companies listed on the DSE. Market capitalization as of December 2004 stood at \$3.317 billion, with the DSE up 103.7% from the previous year at 1,971.3.

### 3<sup>4</sup> INSURANCE

The Ministry of Finance and Planning is the insurance regulatory body. Premiums are mainly in commercial or industrial fields. Life insurance remained limited to city dwellers and middle-class professionals. In 2003, direct life insurance premiums written totaled \$194 million. All direct premiums written that same year

#### Balance of Payments – Bangladesh (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>182.5</b>
Balance on goods	-2,421.1	
Imports	-9,349.3	
Exports	6,928.2	
Balance on services	-731.6	
Balance on income	-223.1	
Current transfers	3,558.3	
<b>Capital Account</b>		<b>298.1</b>
<b>Financial Account</b>		<b>210.5</b>
Direct investment abroad	-5.9	
Direct investment in Bangladesh	102.5	
Portfolio investment assets	...	
Portfolio investment liabilities	1.6	
Financial derivatives	...	
Other investment assets	-557.9	
Other investment liabilities	670.3	
<b>Net Errors and Omissions</b>		<b>196.0</b>
<b>Reserves and Related Items</b>		<b>-887.1</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

totaled \$297 million. The country's top life insurer that same year was American Life with gross life premiums written of \$60.6 million. The top nonlife insurer had gross nonlife premiums written of \$14.1 million in 2003.

### 35 PUBLIC FINANCE

The fiscal year runs from June to July. In 1993, Bangladesh successfully completed a three-year IMF structural adjustment program. This program resulted in growth in the money supply of 11% in 1993, 15% in 1994, and 16% in 1995. In addition, government spending was curbed by a decline in subsidies to money-losing parastatals and the value added tax (VAT) continued to generate higher than predicted revenues for the government, with collections up 18% over 1994. In 1996, the government reported that exports were up, GDP grew by 4.4%, and tax revenues climbed 9% to \$3.1 billion. Encouraged by the good news, the government proposed a 1997 budget that would reduce domestic taxes, further cut import duties, and provide special incentives for foreign investors. The government stressed, however, a continuing need for foreign aid. International aid disbursements in 1996 totaled \$1.5 billion, down from \$1.7 billion in 1995. Almost half of government revenues come from foreign aid. In 1999, primarily because of flooding, foreign aid increased by 19% from \$1.3 billion in 1998. The global economic downturn of the first few years of the new millennium has had devastating effects on Bangladesh's economy. Exports had been growing 18% a year prior to the recession; they are now growing only 8% a year. The World Bank and the IMF predicted that GDP growth would fall well short of the 7–8% they believed would be necessary for the country to lift itself out of poverty.

The US Central Intelligence Agency (CIA) estimated that in 2005 Bangladesh's central government took in revenues of approximately \$5.9 billion and had expenditures of \$8.5 billion. Revenues minus expenditures totaled approximately -\$2.6 billion. Public

debt in 2005 amounted to 46.1% of GDP. Total external debt was \$21.25 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were ₳336,680 million and expenditures were ₳340,329 million. The value of revenues was us\$5,790 million and expenditures us\$5,846 million, based on an official exchange rate for 2003 of us\$1 = ₳58.150 as reported by the IMF. Government outlays by function were as follows: general public services, 28.3%; defense, 10.1%; public order and safety, 5.7%; economic affairs, 18.5%; environmental protection, 0.1%; housing and community amenities, 7.7%; health, 6.7%; recreation, culture, and religion, 1.4%; education, 17.9%; and social protection, 3.5%.

### 36 TAXATION

The principal direct taxes are personal income taxes and corporate income taxes, and a value-added tax (VAT) of 15% levied on all-important consumer goods. The top income tax rate for individuals is 25%. For the 2004/05 tax year (1 July 2004–30 June 2005) the top corporate rate was 45%. However, publicly traded companies registered in Bangladesh are charged a lower rate of 30%. Banks, financial institutions and insurance companies are charged the 45% rate. All other companies are taxed at the 37.5% rate. Effective 1 July 2002, the VAT rate on computer hardware and software was reduced to 7.5%, and certain agricultural equipment and electricity supplied to the agricultural sector was exempted from VAT altogether. VAT on the transfer of land is also to be abolished. Essential agricultural implements and irrigation pumps had previously been excluded from certain taxes.

### 37 CUSTOMS AND DUTIES

Although it has made significant reforms in the past few years, Bangladesh remains one of the most restrictive trade regimes in Asia and gets a major portion of its current revenue from import duties and excise taxes. As of 2005, customs duties on imports ranged from 7.5–30%, although supplementary duties can push import duties much higher. There is also a 2.5% infrastructure development surcharge on nearly all imports. Customs procedures are lengthy and burdensome and Bangladesh's list of prohibited imports is lengthy.

There are three export processing zones: one in Chittagong; one in Dakha; and one in Gazipur; three more are under construction in Comilla, Issardi, and Mongla. Bangladesh is a member of the South Asia Preferential Trade Agreement (SAPTA).

### 38 FOREIGN INVESTMENT

Bangladesh nationalized most industries in 1972 and set up nine corporations to oversee them. That statist policy proved inefficient and in the mid-1980s, the Bangladesh government began relaxing its policy toward foreign investment and announced a program granting tax holidays to new foreign investors. More recently, government industrial policies have liberalized conditions for foreign investment much further—100% foreign equity is now allowed on investments anywhere in the country, and many regulations discriminating between foreign and domestic investors have been abolished. Foreign direct investment (FDI) began flowing into the

#### Public Finance – Bangladesh (2003)

(In millions of taka, central government figures)

	336,680	100.0%
<b>Revenue and Grants</b>	<b>336,680</b>	<b>100.0%</b>
Tax revenue	242,612	72.1%
Social contributions	...	...
Grants	33,092	9.8%
Other revenue	60,976	18.1%
<b>Expenditures</b>	<b>340,329</b>	<b>100.0%</b>
General public services	96,293	28.3%
Defense	34,354	10.1%
Public order and safety	19,511	5.7%
Economic affairs	62,874	18.5%
Environmental protection	413	0.1%
Housing and community amenities	26,307	7.7%
Health	22,959	6.7%
Recreational, culture, and religion	4,685	1.4%
Education	61,059	17.9%
Social protection	11,874	3.5%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

country, though it was curtailed sharply in 2000 and 2001 when Bangladesh failed to carry out structural economic reforms.

The US State Department reported that total foreign direct investment in Bangladesh totaled \$712 million in the period 1999–2003. Foreign investment averaged about \$7 million annually in 1990–96 before rising sharply in 1997–2000 to \$196.8 million annually. Most of the increase was due to investments in Bangladesh's oil and natural gas reserves and other aspects of its energy sector. Annual investment dropped to \$78 million in 2001 and to \$52 million in 2002. However, foreign investment rebounded, with a total of \$120.7 million invested in 2003. The largest foreign investors in Bangladesh are the United States, Norway, Malaysia, Japan, and the United Kingdom.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

The major objectives of planned development have been increased national income, rural development, self-sufficiency in food, and increased industrial production. However, political turmoil and constant natural disasters have consistently derailed Bangladesh's economic goals. Bangladesh's first five-year plan (1973–78) aimed to increase economic growth by 5.5% annually, but actual growth averaged only 4% per year. A special two-year plan (1978–80), stressing rural development, also fell short of its projected growth target, as did the second five-year plan (1980–85), which targeted 7.2% annual growth. The third five-year plan (1985–90) had a 5.4% annual growth target though only 3.8% was actually achieved.

In 1991, a new economic program was initiated that included financial sector reform and liberalization measures to encourage investment. This structural adjustment program was developed through the International Monetary Fund, which mandated a series of economic reforms. However, political turmoil from 1994 to 1996 preoccupied the government and hobbled the program. Growth slowed during this period but was renewed in the late 1990s until the global economic crisis that followed the 11 September 2001 attacks on the United States all but halted new economic growth.

The post-9/11 economic slowdown exacerbated a serious drop in foreign direct investment in 2000 and 2001 that had resulted from Bangladesh's failure to implement the IMF-mandated reforms. A new government, led by Khaleda Zia, came into power in 2001 on a pledge of returning to the earlier economic liberalization policies. The IMF approved a \$490 million plan in June 2003 to support economic reforms through the end of 2006. At about the same time, the World Bank approved \$536 million in interest-free loans.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

A system of pensions exists for public employees only, and there is a limited work injury and unemployment insurance system. These programs are financed entirely by employer contributions and cover only small percentage of the population. Sickness and maternity benefits are offered on a very limited basis.

Although the constitution prohibits discrimination, women and minority groups are confronted with social and economic disadvantages. Violence against women remained widespread. In 2004 reports continued of women being tortured and killed over dowry disputes. Rapes are seriously underreported due to the social disgrace to the victims. Acid attacks to women remained a problem.

Because of widespread poverty, children are forced to work at a very young age, and are frequently abused and subjected to dangerous working conditions. More than half of all children suffer from malnutrition. There is a huge problem of trafficking of both women and children. Some estimates place the number of child laborers as high as 10 million, including an estimated 29,000 child prostitutes. There are an estimated 400,000 homeless children, of which approximately 150,000 have no knowledge of their parents.

Although the government is secular, discrimination against minority religions leads to conflict and violence. The government's human rights record is poor, with many fundamental human rights restricted. As of 2004, disappearance, kidnapping, torture, and violent suppression of demonstrators were carried out regularly. Prison conditions are inhumane.

### 4<sup>1</sup> HEALTH

Malaria, tuberculosis, and other serious diseases remain endemic and public health problems are aggravated by widespread malnutrition and periodic natural disasters. Between 1995 and 2000, the prevalence of malnutrition in children under five years old decreased from 84% to 55%. In 2000, 97% of the population had access to safe drinking water and 53 % had adequate sanitation, up from 78% and 35%, respectively, in 1980. Because the lack of vitamin A plays a role in blindness and malnutrition, in 1993 the government of Bangladesh introduced a national system to distribute vitamin A capsules to children.

In the mid-1990s, only 45% of the population had access to health services. In 2004, there were estimated 23 physicians, 13 nurses, and 11 midwives per 100,000 people.

The average life expectancy in 2005 was 62.08 years. The government pays the majority of vaccination costs, which has helped increase participation. As of 1999, estimated immunization rates for children under one year of age were 71% for measles and 72% for diphtheria, tetanus, and pertussis. The infant mortality rate was 62.6 per 1,000 live births in 2005. It was estimated that 54% of married women (ages 15–49) used contraception. Maternal deaths were estimated at 440 per 100,000 live births in 200, down from 850 in 1990.

A new strain of cholera was reported late in 1992. The HIV/AIDS prevalence was 0.20 per 100 adults in 2003. As of 2004, there were approximately 13,000 people living with HIV/AIDS in the country. There were an estimated 650 deaths from AIDS in 2003.

### 4<sup>2</sup> HOUSING

Housing has long been a vital concern in Bangladesh. The government maintains an urban housing program but does not have any housing development program for villages. The House Building Finance Corp. lends money for private as well as public housing. Dhaka and Chittagong urban development is conducted under the guidance of town planning authorities, which develops land and allocates it for private dwelling and commercial purposes.

As of the 2001 census, there were about 25.36 million households with the average household contained 4.8 persons, down from 5.5 people in 1991. Over 76% of the population live in rural areas. Bamboo is still an important building material, used often for interior dividing walls, pillars, or crossbars on roofs. In rural areas, cane, jute, wood, mud bricks, and corrugated iron sheets

are primary building materials for homes. Some rural villages still feature thatched huts. Traditional dwellings are typically separate homes, with some styles featuring an inner courtyard and/or rooms on elevated platforms. Row houses have been built in urban areas.

Since 1996, the government has launched a number of programs focusing on poverty and homelessness. The Asrayon ("shelter") program provided group housing and agricultural plots on government land for about 50,000 families according to a 2002 estimate. The Gahrey Phera ("return home") program helped displaced rural families return to their villages. The Grihayan Tahabil (Housing Fund) was established through the Bangladesh Bank as a way to provide loans to nongovernment organization that endeavor to build shelters for the urban poor.

### 43 EDUCATION

Education is compulsory for students between the ages of 6 and 11, although rural girls are exempted from this law. Primary education covers five years. Secondary education is divided into three two-year cycles of junior (three years), upper (two years), and higher (two years) secondary programs. After their junior level, students may choose to attend a vocational training school for two years, followed by a higher technical course of two years, instead of following the general education track. There is also a Madrasah system (Islamic education) which is required to support national curricula. Most educational institutions are supported by the government either fully or partially. The language of instruction is Bangla.

Primary school enrollment in 2003 was estimated at about 84% of age-eligible students; 82% for boys and 86% for girls. The same year, secondary school enrollment was about 44% of age-eligible students; 42% for boys and 47% for girls. It was estimated that about 73.3% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 56:1 in 2003; the ratio for secondary school was about 34:1.

The principal administrative bodies for education are the Ministry of Education, the Ministry of Science and Technology, and the Association of Universities of Bangladesh. As of 2003, public expenditure on education was estimated at 2.4% of GDP.

There are 17 public universities and 10 medical colleges, and 10 teacher-training colleges. There are several polytechnical schools offering three-year courses in a variety of technical and engineering fields. Technical Training Centers offer certificate and diploma course. The Bangladesh Open University offers degree and non-degree continuing education programs. Research institutions include the Bangla Academy (which sponsors translations of scientific and literary works into Bangla), the Asiatic Society, and the National Institute of Public Administration's Institute of Law and International Affairs. In 2003, about 6% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 41.1%, with 50.3% for males and 31.4% for females.

### 44 LIBRARIES AND MUSEUMS

The largest library in Bangladesh is Dhaka University Library (1921; with 5.5 million volumes). It houses the university's collection and that of the former Public Library of East Pakistan. The National Library of Bangladesh, also in Dhaka, holds 200,000

books and 200,000 serials available in Bengali, English, Persian, and Arabic. The National Library also holds the National Archives collection. The Bangladesh Central Public Library System (1958) has over one million volumes; besides the main branch in Dhaka, there are four regional branches and eight district branches. The Bangla Academy maintains an excellent research collection, as does the Bangladesh Institute of Development studies in Dhaka (100,000 volumes).

The Dhaka Museum contains a variety of sculptures and paintings from the Buddhist, Hindu, and Muslim periods. Both it and the Balda Museum have outstanding collections of Bengali art and ancient artifacts. Also in Dhaka are a science and technology museum and the National Museum of Bangladesh. The Ram Mala Museum at Comilla houses 7th-century archaeological finds, and the museum in Rajshahi contains many artifacts from the ruins of an 8th-century Buddhist monastery excavated nearby, as well as significant relics from the Kushon, Gupta, Pala, and Sena periods of Bengali history. There is a gallery of contemporary paintings as well as an ethnological museum in Chittagong.

### 45 MEDIA

All postal and telecommunications services are controlled by the government. In 2003, there were an estimated five mainline telephones for every 1,000 people; about 153,100 people were on a waiting list for telephone service installation. The same year, there were approximately 10 mobile phones in use for every 1,000 people.

Color television was introduced in 1980. The primary radio and television broadcast stations are owned and operated by the government. In 2004, there was only one private radio station and three private television stations. In 2003, there were an estimated 49 radios and 59 television sets for every 1,000 people. While cable television service is available, only about 27 of every 1,000 people are subscribers. Also in 2003, there were 7.8 personal computers for every 1,000 people and 2 of every 1,000 people had access to the Internet. There were three secure Internet servers in the country in 2004.

The major Bengali daily newspapers (with 2002 circulations), all in Dhaka, are *Ittefaq* (200,000), *Dainik Inqilab* (180,000), *Sangbad* (71,050), *Dainik Bangla* (65,000), and *Dainik Sangram* (45,000). The largest English dailies, also in Dhaka, are the *Bangladesh Observer* (43,000), *Bangladesh Times* (35,000), and *Daily Star* (30,000). Bangladesh Sangbad Sangstha (BSS) and United News of Bangladesh (UNB) are the two main news agencies.

The government is said, with some exceptions, to generally respect freedom of speech and press. On occasion, the government has censored criticism of Islam.

### 46 ORGANIZATIONS

The Federation of Bangladesh Chambers of Commerce and Industry and the Foreign Investors' Chamber of Commerce and Industry are based in Dhaka. There are also many workers' associations, including the Bangladesh Teachers' Federation, Bangladesh Garment Manufacturers and Exporters Association, the Bangladesh Tea Board, and the Bangladesh Jute Mills Association. The Association for Social Advancement serves as a developmental organization assisting the poor. The Bangladesh Rural Advancement Committee (BRAC) also serves as a welfare and development or-



ganization. Maulik Chahida Karmashuchi promotes economic and social development of rural citizens through educational, vocational, and economic programs. Parbatya Bouddha Mission particularly serves the needs of the indigenous tribal people of the Chittagong Hill Tracts.

The Bangladesh Medical Studies and Research Institute and the Bangladesh Academy of Sciences promote research and education in a number of medical and scientific fields. Other medical associations include the Bangladesh Dental Society and the Bangladesh Society for Study of Pain.

Various associations for the Muslim, Hindu, Christian, and Buddhist communities have long been active in organizing religious festivals and social activities. Every town also has several cultural groups. The Bangladesh Women's Association is active in social life.

There are about 39 national youth organizations and about two hundred regional and local youth organizations. These generally hold membership in one of two coordinating bodies: the Bangladesh Youth Council (BYC) and the National Federation of Youth Organizations in Bangladesh. There are about seven major student unions including the Bangladesh federation of University Women. Particular youth groups include the Bangladesh Girl Guides, the Bangladesh Scout, Junior Chamber Bangladesh, and the YMCA/YWCA. There are several sports associations, including groups for badminton, track and field, tae kwan do, tennis, and weightlifting.

The Red Crescent Society, Amnesty International, Habitat for Humanity, Caritas, UNICEF, Society of Saint Vincent de Paul, and Greenpeace have chapters within the country.

#### 47 TOURISM, TRAVEL, AND RECREATION

The main tourist attractions include the old Mughal capital at Dhaka, nearby Sonargaon with its ancient architecture, the Buddhist cultural center of Mainamati, and the beach resort of Cox's Bazar. At the end of the 1980s tourism declined due to political unrest. Throughout the 1990s, however, figures began to increase. In 1997, about 172,000 foreign visitors arrived. In 2003, about 244,500 tourists visited the country. There were 4,565 hotel rooms with 10,165 beds and a 38% occupancy rate. Tourism revenues totaled \$59 million. A valid passport and visa are required as well as a return or onward ticket.

In 2004, the US Department of State estimated the daily cost of staying in Dhaka at \$191. Expenses in other areas can be much lower.

#### 48 FAMOUS BANGLADESHIS

Many Bengalis distinguished themselves in political life before the creation of Bangladesh. A. K. Fazlul Huq (d.1962), the former premier of Bengal Province, moved the Lahore Resolution of 1940, calling for an independent Pakistan, and dominated Bengali politics for half a century. H. S. Suhrawardy (1895–1964), another former premier of Bengal, served for a time as premier of Pakistan and was a mentor to the next generation of Bengali leaders. Sheikh Mujibur Rahman (1920–75), a leader of the Awami League, led the successful fight for the independence of East Pakistan and was the first premier of Bangladesh (1972–75). Maj. Gen. Zia-ur Rahman (1936–81) was military ruler of the country from 1976 until his assassination.

#### 49 DEPENDENCIES

Bangladesh has no territories or colonies.

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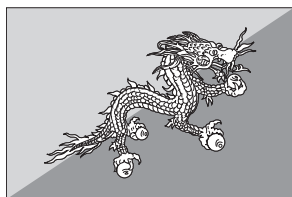
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# BHUTAN

Kingdom of Bhutan

*Druk-Yul*



**CAPITAL:** Thimphu (Tashi Chho Dzong)

**FLAG:** The flag is divided diagonally into an orange-yellow field above and a crimson field below. In the center is a wingless white Chinese dragon.

**ANTHEM:** *Gyelpo Tenjur*, beginning “In the Thunder Dragon Kingdom, adorned with sandalwood.”

**MONETARY UNIT:** The ngultrum (₱) is a paper currency of 100 chetrum. There are coins of 5, 10, 25, and 50 chetrum and 1 ngultrum, and notes of 1, 5, 10, and 100 ngultrum. The ngultrum is at par with the Indian rupee (₹), which also circulates freely. ₱1 = \$0.02207 (or \$1 = ₱45.317) as of 2004.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some traditional units are still in common use.

**HOLIDAYS:** King’s Birthday, 11–13 November; National Day, 17 December. Movable Buddhist holidays and festivals are observed.

**TIME:** 5:30 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Bhutan, a landlocked country in the Himalayan mountain range, has an area of 47,000 sq km (18,147 sq mi), extending 306 km (190 mi) E–W and 145 km (90 mi) N–S. Comparatively, the area occupied by Bhutan is slightly more than half the size of the state of Indiana. It is bordered on the E, S, and W by India and on the N and NW by China, with a total boundary length of 1,075 km (668 mi). The capital city of Bhutan, Thimphu, is located in the west central part of the country.

## <sup>2</sup>TOPOGRAPHY

Bhutan is a mountainous country of extremely high altitudes and irregular, often precipitous terrain, which may vary in elevation by several thousand feet within a short distance. Elevation generally increases from south to north. The mountains are a series of parallel north–south ranges. The loftiest peaks, found in the Himalayan chain that stretches along the northern border, include Kula Kangri (7,554 m/24,783 ft) and Chomo Lhari (7,314 m/23,997 ft). Great spurs extend south from the main chain along the eastern and western borders. In the rest of the country are mainly ranges of steep hills separated by narrow valleys. Bhutan is drained by many rivers flowing south between these ranges and for the most part ultimately emptying into the Brahmaputra River in India.

## <sup>3</sup>CLIMATE

Because of the irregular terrain, the climate varies greatly from place to place. In the outer foothills adjoining the Indian plains, rainfall ranges from about 150–300 cm (60–120 in) a year; the forests are hot and steaming in the rainy season, while the higher hills are cold, wet, and misty. Violent Himalayan thunderstorms gave rise to Bhutan’s Dzongkha name, Druk-Yul, which translates as “Land of the Thunder Dragon.” Rainfall is moderate in the central belt of flat valleys (which have an elevation of 1,100–3,000 m/3,500–10,000 ft). The uplands and high valleys (above 3,700

m/12,000 ft) are relatively dry. There is less rainfall in eastern Bhutan. In general, the mountainous areas are cold most of the year. Temperatures there average 4°C (39°F) in January and 17°C (63°F) in July.

## <sup>4</sup>FLORA AND FAUNA

Dense jungle growth is characteristic at altitudes below 1,500 m (5,000 ft). Above that height the mountain slopes are covered with forest, including beech, ash, birch, maple, cypress, and yew. At 2,400–2,700 m (8,000–9,000 ft) are forests of oak and rhododendron. Above this level, firs and pines grow to the timber line. Primulas, poppies (including the rare blue variety), magnolias, and orchids abound.

The relative abundance of wild animals is attributed to the Buddhist reluctance to take life. In the lower parts of southern Bhutan, mammals include the cheetah, goral, sambar, bear, and rhinoceros; in the higher regions are snow deer, musk deer, and barking deer. Game birds include pheasants, partridges, pigeons, and quail.

## <sup>5</sup>ENVIRONMENT

The most significant environmental problems in Bhutan were soil erosion and water pollution. The erosion of the soil occurs because 50% of the land in Bhutan is situated on mountainous slopes which are subject to landslides during the monsoon season. Other contributing factors are overcutting of timber, road construction, and the building of irrigation channels. The nation has about 95 cu km of renewable water resources, but only 86% of all city dwellers and 60% of people in rural areas have pure drinking water.

The Manas Game Sanctuary is located along the banks of the Manas River in southeastern Bhutan. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 21 types of mammals, 18 species of birds, 1 species of amphibian, and 7

species of plants. Threatened species included the tiger, snow leopard, Asian elephant, and wild yak.

## 6 POPULATION

The population of Bhutan in 2005 was estimated by the United Nations (UN) at 970,000, which placed it at number 151 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 40% of the population under 15 years of age. There were 103 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.5%, a rate the government viewed as too high. The government launched a campaign with the slogan “Small Family, Happy Family” to encourage broader use of contraception and lower the fertility rate, especially among adolescents. The projected population for the year 2025 was 1,432,000. The population density was 20 per sq km (53 per sq mi).

The UN estimated that 21% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 5.83%. The capital city, Thimphu (Tashi Chho Dzong), had a population of 35,000 in that year, and Phuntsholing had an estimated population of more than 18,000.

Some 93% of the population was rural in 2001. The laboring population is not gathered into towns but lives in the countryside in the vicinity of fortresses called dzongs. A dzong, the official center of a region or district, often houses substantial numbers of Buddhist monks. Many place names incorporate the word dzong, which means “castle-monastery.”

## 7 MIGRATION

Bhutan opposes immigration and forbids the entry of new settlers from Nepal. Since 1959, when about 4,000 Tibetan refugees entered Bhutan, the border with Tibet has been closed to immigration. By 1980, most of the refugees had become citizens of Bhutan; the rest migrated to India. The border between Bhutan and India is open, and citizens of Bhutan are free to live and work in India. The net migration rate for 2005 was estimated as zero. The total number of migrants residing in Bhutan in 2000 was 10,000.

## 8 ETHNIC GROUPS

The Bhutanese are mainly of Tibetan stock, and are also known as Buotias; they account for approximately 50% of the population. The Ngalop (also called Bhote) are people of Tibetan origin who live in northern and western Bhutan; the Sharchop inhabit the eastern regions and also have ethnic affinities with the people of China's Tibetan region. Aboriginal or indigenous tribal peoples live in villages scattered throughout Bhutan and account for approximately 15% of the population. The Ngalops, Sharchops, and the indigenous tribal people are collectively known as Drukpas. The remaining peoples are Nepalese settlers (about 35% of the population), living mostly in the south. These include a group known as the Lhotsampas. Some 85,000 were expelled to Nepal in 1992–93, and about 5,000–15,000 more moved to India.

## 9 LANGUAGES

Four main languages are spoken in Bhutan. The official language is Dzongkha, a Tibetan dialect spoken mainly by Ngalop in the northern and western parts of the country. Bumthangkha, an ab-

original language, is spoken in central Bhutan, while Sharchopkha is spoken in eastern Bhutan. Both of these are used in primary schools in areas where their speakers predominate. The Nepalese largely retain their own language, Nepali.

## 10 RELIGIONS

About 75% of the Bhutanese practice Buddhism and about 25% practice Indian- and Nepalese-influenced Hinduism. While the law provides for religious freedom, Drukpa Kagyup, a branch of Mahayana Buddhism, is the state religion, and the law prohibits religious conversions. The Drukpa (people of the dragon), introduced from Tibet in the 12th century, dominates the collective life of the Bhutanese through a large clerical body estimated at more than 6,000 lamas or monks, centered in 8 major monasteries (*dzongs*) and 200 smaller shrines (*gompas*) scattered throughout the land. This sect incorporates both the ideology of the classical Buddhist scriptures and the indigenous pre-Buddhist animistic beliefs called Bon. The Ningmapa school of Mahayana Buddhism is also practiced, primarily in the eastern regions. The royal family practices a combination of Drukpa Kagyup and Ningmapa Buddhism. Most Ngalops are of the Drukpa Kagyup school; they hold a majority of positions in the government. The Sharchops are primarily of the Ningmapa school.

Among Hindus, the Shaivite, Vaishnavite, Shakta, Ghanapath, Pauranic, and Vedic schools are all represented. There are still a few Bon priests and followers in the country and there are small numbers of Christians, with worship practices generally limited to the family home.

The law provides for freedom of religion, but this right is somewhat limited in practice. Proselytizing is prohibited and all religious organizations must have a license from the government in order to build a new place of worship. There have been reports of government discrimination against the Hindu Nepalese.

## 11 TRANSPORTATION

Traditionally, Bhutan's communications have been mostly with Tibet, through several strategic mountain passes. Most travelers continue to journey on foot or mounted on hardy ponies bred to withstand great altitudes and steep slopes. Goods are transported by porters or on pack animals. Many of the rivers are still crossed by native cantilever bridges of excellent construction.

Prior to the 1961–66 development plan, there were no surfaced roads in Bhutan. Since then, a network of roads and suspension bridges has been built by India. In 2002, there were about 3,285 km (2,041 mi) of roads, including about 1,994 km (1,239 mi) of surfaced roads. Of the 186 suspension bridges projected in the 1981–87 economic plan, 102 were completed by 1985. There is bus service linking Paro Dzong and Tashi Gang Dzong with Indian border towns. In 2004 there were two airports, only one of which (as of 2005), had a paved runway. The national air carrier, Druk Airlines, began operations in 1983 with regular flights between Calcutta and Paro Dzong, the site of Bhutan's main airfield. In 2001, 35,100 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

Little is known of the history of Bhutan before the 17th century. Buddhism was originally introduced from India in the 8th centu-

ry, although the Buddhism of today's Bhutan is very much Tibetan in character. The forebears of the Bhotes (or Bhotias) came from Tibet, probably in the 9th century, when Tibetans invaded the area and met little resistance from the indigenous Tephu tribe. In the middle of the fifteenth century, Shabdung Ngawang Nangyal, a Tibetan lama exercising temporal as well as spiritual power, united the country and built most of the fortified villages (*dzongs*). His successors in power established a dual system, separating the temporal ruler (Desi or *deb raja*) and the spiritual ruler (Je Khempo or *dharma raja*).

The first recorded contact with the West occurred in 1772, when the British East India Company repelled a Bhutanese invasion of the princely state of Cooch Behar in India; they concluded a peace treaty two years later. During the 18th century and most of the 19th, British efforts to open trade with Bhutan proved futile, with the Bhutanese frequently attacking the relatively level areas of Assam and Bengal along their southern border. In 1865, the British finally defeated the Bhutanese, and Bhutan formally accepted a British subsidy of ₹50,000 a year, which was dependent upon their keeping the peace.

With British approval, Ugyen Dorji Wangchuk became the first hereditary king in 1907, replacing the temporal ruler. In 1910, the Punakha Treaty was concluded between the British Indian Government and Bhutan, under which British India agreed explicitly not to interfere in Bhutanese internal affairs, while Bhutan accepted British "guidance" in handling external matters—a role independent India assumed after 1947. A formal Indo-Bhutanese accord concluded in 1949 reaffirmed and amplified the earlier Punakha Treaty. Besides increasing Bhutan's annual subsidy to ₹500,000 and returning to Bhutan 83 sq km (32 sq mi) of territory around Dewangiri (wrested by the British in 1865), it made India responsible for Bhutan's defense and strategic communications, committing India to avoid interfering in Bhutan's affairs and affirming Bhutan's agreement to be "guided by the advice of" India in foreign affairs.

In 1959, China published maps of the Himalayan frontier with South Asia that showed as Chinese part of the territory claimed by Bhutan; Chinese representatives also asserted that Bhutan belonged to a greater Tibet. In response, Indian prime minister Jawaharlal Nehru warned that an attack on Bhutan would be deemed an act of war against India. Fighting between India and China in neighboring border regions in the fall of 1962 did not violate Bhutan's borders, although survivors from Indian army units decimated east of Bhutan straggled back to India through Bhutan.

In April 1964, the long-time prime minister, Jigme Dorji, was assassinated, revealing fissures among the ruling elite. The plotters who were caught were executed, including the deputy commander of the army; others fled to Nepal. In the 1960s, Bhutan's advance toward modernization and the end of its insularity were accelerated by economic plans prepared and underwritten by India.

Relations with Nepal have grown difficult since the late 1980s, due to a dispute with Nepal concerning Bhutanese refugees of Nepalese descent. The mostly Hindu "Nepali Bhutanese," comprising approximately a third of Bhutan's population, were granted citizenship in 1958. However, Bhutan changed its citizenship laws in the late 1980s, making the Nepali Bhutanese illegal immigrants. In 1990, the Bhutanese government expelled 100,000 Nepali Bhutanese, who fled to refugee camps in eastern Nepal. In 1993, Bhu-



LOCATION: 26°42' to 28°21' N; 88°45' to 92°8' E. BOUNDARY LENGTHS: India, 605 kilometers (378 miles); China, 470 kilometers (290 miles).

tan and Nepal established a Joint Ministerial Level Committee (JMLC) to address the issue of ethnic Nepalese refugees.

Nepalese activism, spearheaded by the Bhutan People's Party based in Nepal, continued through the early 1990s. It resulted in violence from both sides, and brought charges of violations of human rights against Bhutan's security forces. In 1996, "peace marches" of refugees from Nepal into Bhutan were met by force, and the marchers were deported by the Bhutanese police. The following year, the National Assembly adopted a resolution (later discarded) that prohibited family members of ethnic Nepalese refugees from holding jobs in the government or armed forces. The government also began resettling Buddhist Bhutanese from other regions of the country on land vacated by the refugees. In 1998, Foreign Minister Jigme Thinley took office with a mandate to settle the refugee issue. Although Bhutan and Nepal originally agreed in principle that the refugees be divided into four categories (1) bonafide Bhutanese; (2) Bhutanese émigrés; (3) non-Bhutanese; and (4) Bhutanese who have committed crimes in Bhutan, the question of what to do with the more than 100,000 refugees living in the camps in Nepal remained unresolved.

At the 10th JMLC round of talks held in December 2000, negotiators created a Joint Verification Team (JVT) to interview and verify the status of the Bhutanese refugees, but by the 11th round of JMLC talks held in August 2001, the verification process was moving at a rate of only 10 families per day. In addition to the JMLC talks, Foreign Secretary Level talks (FSLT) were held in November

2001, at which differences between the Nepali and Bhutanese positions on the issue of categorization of the refugees were clarified: Nepal proposed to reduce the four categories to two (Bhutanese and non-Bhutanese), a plan that was rejected by Bhutan.

In October 2003, the Nepalese and Bhutanese governments agreed to repatriate approximately 70% of the refugees from the first of the seven camps to undergo the verification procedure. However, following an incident where refugees at one of the camps injured three Bhutanese inspectors, progress came to a halt in December 2004.

There have also been tensions between Bhutan and India's northeastern state of Assam. Two separatist groups from Assam—the United Liberation Front of Asom (ULFA) and the National Democratic Front of Bodoland (NDFB)—maintain well-entrenched bases in Bhutan. The separatist Kamatapur Liberation Organization (KLO) from West Bengal state is there as well. Bhutan refrained from taking direct action against the Indian separatists for fear of retaliatory attacks on its nationals, but in late December 2002, the Bhutanese government announced it would use military might to remove the separatists from bases within its borders. The Assam government has blamed Bhutan for the rise in militancy in the region, and welcomed the government's decision to launch a military response.

Reforms introduced by King Jigme Singye Wangchuck in June 1998 mark a milestone in Bhutan's political and constitutional history. Continuing his efforts toward modernization, the king issued a royal edict relinquishing some of the monarch's traditional prerogatives and giving a greater role in Bhutan's administration to elected government officials.

On 3 December 2002, the king of Bhutan issued a first draft of a constitution for Bhutan including the option of impeachment of the king by a two-thirds majority of the National Assembly. The draft was scheduled to be discussed in the country's 20 districts before presented for ratification; the final document was released in March 2005. A referendum, which had not been scheduled as of 2006, would allow the citizens final approval.

Bhutan in June 1999 took major steps toward modernization, legalizing television and the Internet. The first Internet cafe opened in Thimphu in 2000 and the country's first university opened in 2003. A January 2005 agreement with India provided Bhutan the opportunity to link to Indian railways to Southern Bhutan. There is no internal rail system in Bhutan and foreigners are not permitted to travel to many of its areas in an attempt to minimize the effects of tourism on the local culture.

### 13 GOVERNMENT

Bhutan is an absolute monarchy, ruled by a hereditary king, the "Druk Gyalpo," who governs with the aid of a Royal Cabinet and a National Assembly (the Tshogdu). As of 2006, the king was Jigme Singye Wangchuck, who has ruled since 1972. In the past, the king appointed members to a Royal Advisory Council and to a Council of Ministers. Following the political reforms of 1998, however, these two councils were combined to form the cabinet. This body consists of six ministers elected by the National Assembly, six advisors also elected by the National Assembly, a member nominated by the king, and two representatives of the clergy.

The unicameral National Assembly (established in 1953), known as the Tshogdu, consists of 154 members. Of these, 37 are

appointed by the king to represent government and other secular interests; 105 are elected to three-year terms by groups of village headmen, who are, in turn, elected by a one-family, one-vote system; and the remaining 12 are chosen by the lamas acting in concert. The Tshogdu meets twice a year at Thimphu, the capital (previously known as Punakha). Candidates file their own nominations. The assembly is charged with addressing the king on matters of national importance. It also enacts laws and approves senior government appointments. A simple majority is needed to pass a measure and is conducted by secret ballot. While the king may not veto legislation, he may return bills for further consideration; the king generally has enough influence to persuade the assembly to approve legislation he considers important or to withdraw proposals which he opposes. Since 1969, it has become a more active, overruling influence on government policy through its power to overrule bills proposed by the king or his advisors.

During the 1960s, King Jigme Dorji Wangchuk (r.1952–72) was a prime mover behind political and administrative changes that took the country in the direction of constitutional monarchy. When Crown Prince Jigme Singye Wangchuk assumed the throne upon his father's death in July 1972 and was crowned in June 1974, he continued his father's policy of sharing authority with the Council of Ministers and the National Assembly. In 1998, the king announced ambitious political changes that moved Bhutan further down the road towards a true constitutional monarchy. He relinquished his role as Head of Government and assigned full executive powers to a cabinet consisting of ministers and advisors to be elected by the National Assembly (in reality, the National Assembly chooses from a list of nominees proposed by the king, who also retains authority relating to security issues). The Council of Ministers, a subgroup of the cabinet, elects one of its members on a rotational basis to serve a one-year term as chairman. It is this official who is the Head of Government. As part of his reforms, King Jigme Singye Wangchuck also introduced legislation by which any monarch would have to abdicate in favor of his hereditary successor if the National Assembly supported a vote of no-confidence against him by a two-thirds majority. And in December 2002, the king issued a draft for a first constitution for Bhutan; it was debated in the country's 20 districts before being officially presented in March 2005. As of 2006, no ratification referendum had been scheduled.

### 14 POLITICAL PARTIES

The government discourages political parties and none operate legally. Freedom of speech, the press, assembly, association and workers' rights are restricted by the government, and judicial processes are based on tradition rather than written criminal or civil procedure codes.

An opposition group known as the Bhutan State Congress (BSC) composed mainly of ethnic Nepalese has long maintained its headquarters in nearby India; other such groups, all very small and headquartered in either India or in Nepal, include the People's Forum for Democratic Rights and the Students' Union of Bhutan. A militant opposition group, operating under the banner of the Bhutan People's Party (BPP) and affiliated with the Bhutan National Democratic Party (BNDP) in Nepal, was founded in 1990 in Siliguri, India. It claims to represent the interests of the thousands of ethnic Nepalese who have migrated (or been forced to

flee) from farming areas of southern Bhutan. Allegedly supported by the Communist Parties of India (CPI) and Nepal (CPN), the BPP was responsible for demonstrations in September 1990 in Bhutan; it has charged the Bhutan government with human rights violations and “ethnic cleansing” in the area.

BPP tactics in 1991 and 1992 included hit-and-run terrorist raids into Bhutan, burning schools, census and land records, and health facilities and attacking ethnic Bhutanese (as well as loyal Nepalese) in national dress; BPP activists also organized camps for the tens of thousands of refugees in southern Nepal. In 1992, Bhutan government policy toward the terrorist attacks stiffened, with arrests and long prison sentences meted out to captured BPP activists. The conflict continued throughout the 1990s. On 9 September 2001, BPP leader R. K. Budhathoki was assassinated, weakening the BPP. The BPP in October 2002 requested that Bhutanese authorities dispense justice in the case.

## 15 LOCAL GOVERNMENT

The country is divided into four regions—East, Central, West, and South—each administered by a governor appointed by the king. As of 2002 there were 20 districts (*dzongkhas*) under the supervision of district commissioners (*dzongdas*), who are appointed by the Royal Civil Service Commission and are responsible for law and order. Districts are further subdivided into blocks (*gewog*), of which there are 202 in the country. As part of the king’s efforts to encourage decentralization in decision-making, in 1991 the government began a program to establish Block Development Committees. This project allowed people to plan and implement development projects within their respective blocks (in the 1980s, a development plan was organized for the districts). The success of the district and block development programs encouraged citizens to form other types of associations, such as school management boards, village health development committees, and associations for different agricultural products, such as apples and potatoes, for example.

## 16 JUDICIAL SYSTEM

The legal system is based on English common law and Indian law. Local headmen and magistrates (*thrimpon*) hear cases in the first instance. Appeals may be made to a six-member High Court (also known as the Royal Court of Justice), established in 1968. From the High Court, a final appeal may be made to the king. Judges are appointed for life by the king. Criminal matters and most civil matters are resolved by application of the 17th century legal code as revised in 1957. Precedence is not used in the delivery of justice. Questions of family law are governed by traditional Buddhist or Hindu law. Minor offenses are adjudicated by village headmen. Criminal defendants have no right to court appointment of an attorney and no right to a jury trial. Under the 1979 Police Act, police need a warrant to arrest a person and must bring the detainees before a court within 24 hours of arrest. Bhutan does not accept the compulsory jurisdiction of the International Court of Justice.

In keeping with the policies of modernization being pursued in Bhutan, the government formed a special committee in 1998 to review the country’s laws and propose changes in the legal system. One of these changes saw the creation, in April 2000, of a Department of Legal Affairs to investigate and prosecute criminal and civil cases against civil servants. This department was predicted

to be the likely forerunner of a fully fledged Attorney General’s Office or a Department of Justice. In 2001, a Civil and Criminal Procedure Code was enacted by the National Assembly, as a way of strengthening and reforming the legal system.

In addition, in 2003, the king approved the establishment of a five-member National Judicial Commission to oversee the appointment of judges and other judicial staff. The government prohibits collective bargaining, unions, and strikes. Capital punishment was abolished in 2004 and a new penal code was established in August of that same year.

Bhutan is a member of many international organizations including the United Nations.

## 17 ARMED FORCES

The armed forces consist of the Royal Bhutan Army, the National Militia, the Royal Bhutan Police, body guards, and a paramilitary force. The army is trained and equipped by India. In 2001 military expenditures were \$9.3 million, or 1.9% GDP.

## 18 INTERNATIONAL COOPERATION

Bhutan became a UN member on 21 September 1971; it participates in several specialized agencies of the UN, such as the FAO, ICAO, IDA, IFAD, IMF, ITU, UNESCO, the World Bank, UNIDO, and WHO. Bhutan is an observer in the WTO. The country also belongs to the Colombo Plan, the Asian Development Bank, the SACEP, and G-77. In addition, Bhutan is a member of the Nonaligned Movement and was a founding member of the South Asian Association for Regional Cooperation (SAARC). Bhutan is part of the South Asian Free Trade Agreement (SAFTA). In February 2004, Bhutan joined the Bangladesh, Indian, Myanmar, Singapore, and Thailand Economic Cooperation Forum (BIMSTEC). In environmental cooperation, Bhutan is part of the Convention on Biological Diversity, the Kyoto Protocol, the Nuclear Test Ban Treaty, and the UN Convention on Climate Change.

## 19 ECONOMY

Bhutan, a tiny Himalayan kingdom with a geographic size that is about half that of the state of Indiana, has one of the smallest and poorest economies in the world. Nevertheless, international lending authorities such as the International Monetary Fund (IMF) were optimistic about the country’s growth potential for the first decade of the 21st century. The IMF projected that GDP would grow as much as 20% in 2006/07 and that growth rates for the rest of the decade would remain at a healthy 9–10%.

About 90% of its labor force subsists by farming or forestry. Much of the country consists of rugged, mountainous terrain, which has made development of roads, utilities and other infrastructure difficult. Bhutan depends heavily on neighboring India for migrant labor, foreign aid, and trade.

Until the early 21st century, Bhutan was largely sealed off from the rest of the world. The kingdom banned television and kept foreign travel to a minimum. This situation changed after 1998, when King Jigme Singye Wangchuck, who has ruled Bhutan since 1972, began taking steps to devolve power and shift the country’s governance toward one of constitutional monarchy. A new constitution was unveiled in March 2005. Although it had not been approved by referendum as of 2006, it calls for universal suffrage, a two-party electoral system, and a mandatory retirement age of

65 for the king. Many observers praise the steps as measures that will pave the way for more contact with outsiders and economic development.

As of the early 2000s, Bhutan was becoming less isolated. Foreign travelers, who are environmentally conscientious and capable of spending as much as \$200 a day, can visit the country. Cable television and the Internet are permitted, and the country shows potential in hydropower and further tourism development. However, Bhutan continues to keep a tight grip on development. Any economic program is only allowed to proceed if it is in keeping with the country's environmental and social traditions.

Agriculture and forestry together make up 45% of the country's GDP. Although the government has relaxed the emphasis on maintaining food self-sufficiency that characterized its most isolationist decade, 1988 to 1998, the country supplies most of its food needs through the production of grains, fruits, some meat, and yak butter. Services, with tourist-related business comprising a major share, account for a further 35% of GDP. By the mid-1970s, tourism had surpassed the sale of postage stamps as the chief source of Bhutan's limited foreign exchange revenue. In turn, since the completion of the first mega hydroelectric project in 1988, power exports have become the leading source of a more comfortable hard currency position. Industrial production makes up about 10% of the country's GDP.

A series of five-year plans, initiated in 1961 and financed primarily by India, have begun to improve transportation, modernize agriculture, and develop hydroelectric power. Realization of several hydroelectric and industrial projects during the 1980s helped increase industry's share of the GDP, and helped overall GDP grow 7.3% annually during 1985–90. A slowdown in government project investment in the early 1990s caused GDP growth to stabilize at an average of 3%, although an upturn in economic activity brought the rate back up to 6% by 1995 and to 7.3% by 1998. In 1999, real GDP growth dropped to 5.5%, but recovered to around the long-term average of 6% in 2000 and 2001. GDP was at 5.3% in 2003, according to the US Central Intelligence Agency (CIA), but the rate was projected to climb to more than 7% in 2004 and 2005 by the International Monetary Fund (IMF).

Bhutan's extensive forests, mineral resources, and swift-running rivers offer great potential for future development, although preservation of the country's environment continued to rank high among the government's priorities. Concern over the environment has also led the government to impose a strict set of regulations on tourists, although they are no longer subject to strict quotas that in the past held tourists to 2,500 to 4,000 a year, and banned individual tourism altogether. In 2002, tourism had climbed to about 7,000 visitors a year.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Bhutan's gross domestic product (GDP) was estimated at \$2.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,400. The annual growth rate of GDP was estimated at 5.3%. The average inflation

rate in 2002 was 3%. It was estimated that agriculture accounted for 45% of GDP, industry 10%, and services 45%.

## 21 LABOR

About 93% of the economically active population consisted of agricultural workers in 2002, with 5% employed in services and the remaining 2% in industry and commerce. There is a severe shortage of skilled labor. The salaried labor market is predominantly in government service. Most of the industrial sector consists of home-based handicrafts and privately owned small or medium-scale factories producing consumer goods.

As of 2002, Bhutan had a government-set minimum wage of approximately \$2.50 per day, which provided a decent standard of living for a family. The workday was set at eight hours per day, with one hour for lunch. In addition regular leisure days are required and overtime work is paid at a time-and-a-half rate. Although there is no minimum age for employment, the age of 18 was established "in all matters of the state." However, minors under the age of 18 frequently work in agriculture, perform chores on family farms and in shops during holidays and after school. While unions are not illegal, collective bargaining or the right to strike are not authorized by the law. Labor regulations do not provide a worker with the right to remove themselves from hazardous conditions without jeopardizing their employment. The government provides free medical care to workers and compensation in the event of partial or total disability, or in the case of death.

## 22 AGRICULTURE

Only about 3.5% of the land area, comprising 165,000 hectares (408,000 acres), was used for seasonal and permanent crop production in 2002. In 2003, agriculture contributed about 33% to GDP, and engaged 94% of the economically active population. Nonetheless, Bhutan's near self-sufficiency in food permitted quantities of some crops to be exported to India, in exchange for cereals. Since there is little level space available for cultivation, fields are generally terraced. Stone aqueducts carry irrigation water. The low-lying areas raise a surplus of rice; in 2004, output of paddy rice was estimated at 45,000 tons. Other crops include wheat, maize, millet, buckwheat, barley, potatoes, sugarcane, cardamom, walnuts, and oranges. Part of the crop yield is used in making beer and chong, a potent liquor distilled from rice, barley, and millet. Paper is made from the daphne plant, which grows wild. Walnuts, citrus fruits, apples, and apricots are grown in government orchards.

Agricultural holdings are restricted to 12 hectares (30 acres) per family; almost all farm families own their own land. Since the mid-1960s, the government has established demonstration farms, distributed fruit plants, and implemented irrigation schemes. High-yielding varieties of rice, wheat, and corn seeds have been introduced.

## 23 ANIMAL HUSBANDRY

Yaks, cattle, and some sheep graze in the lowland forests and, during the summer, in the uplands and high valleys. In 2004 there were an estimated 372,000 head of cattle, 41,000 hogs, 20,000 sheep, and 30,000 goats. Draft animals that year included 28,000 horses, 18,200 donkeys, and 9,900 mules. Meat production in 2004 was estimated at 6,900 tons, 74% of it beef. Wool has been in short supply since its importation from Tibet was stopped by the

government in 1960; sheep breeding is therefore encouraged. In 2004, 1,080 tons of cattle hides were produced.

## 24 FISHING

The government has established a hatchery and started a program of stocking Bhutan's rivers and lakes with brown trout. Freshwater fish are found in most waterways. The total catch was 300 tons in 2003.

## 25 FORESTRY

About 64% of Bhutan's land area was covered with forests in 2002. Although lack of transportation facilities has hampered forest development, timber has become a major export. Roundwood production in 2003 totaled 4.5 million cu m (160 million cu ft), about 99% of which was used for fuel.

## 26 MINING

The mineral industry of Bhutan was small and dominated by the production of cement, coal, dolomite, and limestone, and was insignificant to its economy. Estimated production totals, in metric tons, for 2004 were: limestone, 288,000; dolomite, 275,000; cement, 170,000; gypsum, 56,000; quartzite, 55,000; ferrosilicon, 20,000; and talc, 3,900. Marble and slate were quarried for use as a dimensional stone; production totals in 2004 were estimated at 4,000 and 9,000 sq m, respectively. Dolomite has constituted an important export to India since 1960, and almost all the ferrosilicon output is exported to India. For centuries, silver and iron have been mined in Bhutan for handicrafts. Deposits of beryl, copper, graphite, lead, mica, pyrite, tin, tungsten, and zinc have also been found. A graphite-processing plant was established at Paro Dzong.

## 27 ENERGY AND POWER

Electric power was introduced in Bhutan in 1962. By the mid-1980s, six hydroelectric and six diesel power stations were in operation. The 336-MW Chukha hydroelectric project, in southwestern Bhutan, was completed in early 1987 and is connected to the Indian power grid; the project was funded by India, which is to receive all the electrical output not used by Bhutan. As of 2002 the major hydroelectric project under construction was the 1,020 MW Tala plant, slated for completion in 2004/05. In 2002, Bhutan's electric power generating capacity totaled 0.442 million kW, of which 0.430 million kW was hydroelectric and 0.012 million kW thermal. In that same year, Bhutan produced a total of 1.880 billion kWh of electricity from hydroelectric sources and only 0.001 billion kWh from thermal sources. In 2002, electric power consumption totaled 0.277 billion kWh. Bhutan suffers frequent power outages and shortages.

## 28 INDUSTRY

The US Central Intelligence Agency (CIA) describes Bhutan's industrial sector as "technologically backward." However, great strides have been made in the country's hydroelectricity sector in the early 21st century. Most industrial production is craft-based, with homespun textiles—woven and embroidered cottons, wools, and silks—being the most important products. Other Bhutanese handicrafts include daphne paper; swords; wooden bowls; leather

objects; copper, iron, brass, bronze, and silver work; wood carvings; and split-cane basketry.

Larger development projects such as road building and hydroelectricity projects rely on financing from Indian investors, as well as Indian migrant laborers. The building of new power projects, however, also has led to growth in the transport and construction sectors, including a number of local cement operations. The country's first cement plant was completed in 1982 in Penden, a border town, by India, to which the bulk of its output is exported. Bhutan's first mega power plant, the 336-MW Chukha hydroelectricity project (CHEP), came on line in early 1987, having been first agreed to as a turn-key operation with India in 1961, on what has become a standard arrangement of 60% grant and 40% concessional loan. 70% of the power generated by the CHEP is exported to India, and by 1996 export receipts were sufficient to produce a trade surplus with India. It is estimated that only about 3% of Bhutan's hydroelectric potential has yet tapped, and even less of its industrializing potential.

The decade following the opening of the Chukha facility (1988–98) saw government resistance to industrialization. However, in 1988, in conjunction with the country's sixth economic plan (1987–1992), the Bhutan Development Finance Corporation was established to promote small- and medium-scale businesses. A second cement plant was established in Nanglam by the late 1980s, and another, in 1995, in the same town, by an Indian investor, along with several manufacturing plants producing carbide, particle board and other products destined for the Indian market.

A major project funded by India known as the 1020 MW Tala Hydroelectric Project was begun in 1998. It was expected to become fully operational in 2006, and with it, growth rates in GDP of 20% were anticipated. Plans for the even more ambitious Sunkosh Multipurpose Project (SMP), with installed capacity envisioned at 4,060 MW, were developed by the India's Central Water Commission in 1997. It is expected to take 10 years to complete. Two other projects that have been submitted to government of India for consideration are a 360 MW plant at Mangdue Chu and a 870 MW plant at Puna Tsangchhu.

There are a large number of small, privately owned sawmills throughout Bhutan since most of its domestic energy actually comes from firewood, not electricity. A sawmill with a furniture-making unit has been established in Thimphu. Industrial estates have been set up at Phuntsholing and Geylegphug, and the ninth five-year plan (2002–06) called for five to be located around the country.

Besides cement, there is a narrow range of other manufactures exported—ferro-alloys, calcium carbide, processed foods, and particleboard—which tend to rely on energy- and capital-intensive methods and expatriate labor. Bhutan Ferro Alloys Ltd., which makes ferrosilicon and exports to India and Japan, began operations at a new plant at Pasakha in April 1995. Calcium carbide is produced at several private dolomite-mining operations, as well a private and joint public-private limestone mining operations. It is likely that with the emphases in the ninth five-year plan on commercial and private sector development as means of achieving economic self-sufficiency and generating employment, manufacturing will continue to grow.



## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Royal Bhutan Polytechnic College, founded in 1974 in Deothang, offers courses in civil, mechanical and electrical engineering. The Royal Technical Institute in Phuntsholing offers courses in electronics, mechanics, and motor mechanics. Sherubtse Degree College, founded in 1983 in Tashigang, offers science courses.

## 3<sup>0</sup> DOMESTIC TRADE

About 90% of the population is employed in agriculture. Home-made handicrafts, cement, and food processing are the primary industries. Retail sales are carried out mainly in small, local bazaars. Bartering is common at the local level, with grains, butter, and cloth being the principal commodities of exchange, although Indian and Bhutanese currencies are increasingly being employed.

Indian traders sell imported articles and buy a number of handicraft items for export to India. The ninth five-year plan (2002–06) for the first time envisions plans for each of Bhutan's 201 localities or *geogs*. Through this approach, the government hoped to enhance rural connectivity and economic activity while putting a check on rural to urban movement.

## 3<sup>1</sup> FOREIGN TRADE

Bhutan's external sector has been almost exclusively oriented toward trade with India. With the completion in 2002 of the second hydroelectric power project financed by India—built largely with Indian migrant labor and designed to deliver the majority of its power outputs to India—India's dominance in terms of exports was about 85.6% in 2004. Import sources, however, have become increasingly diversified. In 2000, for instance, the main export destinations were India (94%) and Bangladesh, and the main import sources were India (77%), Japan, United Kingdom, Germany, and the United States. By 2004, the statistics on exports destinations revealed shifts, to India (85.6%), Bangladesh (6.7%), and Japan (4.3%). Imports that year came from Germany (41.8%), India (35.5%), Japan (9.2%), and Austria (4.3%).

Bhutan's merchandise trade balance has been persistently negative, although for three years, 1996, 1997, and 1998, the country registered a surplus in its trade with India due to the combination of power exports and the lack, until 1998, of major construction projects. With the start of construction on the Tala Hydroelectric

Project (THEP) in 1998, scheduled to be online with a 1020 MW capacity in 2006, Bhutan has incurred large and increasing trade deficits. As a percent of GDP, Bhutan's trade deficit increased from a low of 4.3% in 1996 to 40% by mid-2000 and 90% in 2004. The 2004 trade deficit was estimated at \$188 million for 2004/05 by the IMF, with \$123 million project for 2005/06.

Bhutan's principal exports include electric power (to India), cement, cardamom, timber, gypsum, dolomite, coal, handicrafts, fruit, vegetables, precious stones, spices, ferrosilicon, calcium carbide, particle board, some preserved food, alcoholic beverages, yak tails for fly whisks, and yak hair. The country's principal imports are fuel and lubricants, grain, machinery and parts, vehicles, fabrics, and rice.

The government has been trying to increase Bhutan's presence on the international trade scene in recent years. To this end, Bhutan joined the IFC in December 2003, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMST-EC) in February 2004 and held its first WTO working party meeting in November 2004. The IMF also noted that the financial sector was being upgraded through a series of measures in mid-2005.

## 3<sup>2</sup> BALANCE OF PAYMENTS

The IMF reported in 2005 that while steady inflows of aid helped Bhutan maintain a surplus in balance of payments. Although a trade deficit persists, the IMF calls the country's fiscal position "sustainable."

Foreign reserves grew in 2004 and 2005, and covered more than 18 months of import costs as of mid-2005.

The IMF reported that in 2003/04, Bhutan's exports totaled \$158 million, while imports totaled \$245 million, resulting in a trade deficit of \$73 million. Imports were projected to outpace exports in 2004/05 and 2005/06, as Bhutan brought in equipment and additional supplies in efforts to bring the Tala power plant on line by 2006.

## 3<sup>3</sup> BANKING AND SECURITIES

Bhutan's central bank is the Royal Monetary Authority, established in 1982 to manage currency and foreign exchange. There are in addition four other major financial institutions. The Bank of Bhutan was founded in 1968 as a joint venture with India. A second commercial bank, the Bhutan National Bank (BNB), was established in 1997 as a public corporation, though the government retains 51%. The BNB's operations are computerized and it is connected with major foreign banks, unlike the Bank of Bhutan, which still uses hand-written ledgers. The Bhutan Development Finance Corporation (BDFC) was set up in 1988 to finance small and medium enterprises. The small Royal Bhutan Stock Exchange (RBSE) currently trades about 13 companies.

In 2001 there was a reduction of interest rates in all lending categories and on large deposits. There are no ATMs, and banking hours are mostly restricted to 9 AM to 1 PM Monday to Friday, and 9 AM to 11 AM on Saturday, but there are some "evening banks" in Thimphu and Phuentsholing with hours between 1 to 5 PM Wednesday and Sunday, 1 to 3 PM on Monday, and closed on Tuesday. Gross foreign currency reserves reached \$300 million in 2001. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known

### Principal Trading Partners – Bhutan (1999)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	116.0	182.1	-66.1
India	109.5	136.0	-26.5
Bangladesh	4.9	0.7	4.2
Nepal	0.6	0.6	...
United States	0.6	0.5	0.1
Japan	0.1	6.1	-6.0
Netherlands	0.1	0.2	-0.1
Other Asia nes	0.1	0.7	-0.6

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

as M1—were equal to \$107.2 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$227.1 million.

### 34 INSURANCE

The Royal Insurance Corporation of Bhutan (RICB), founded by royal charter in January 1975, is the only insurance company in the kingdom and covers all classes of insurance. The government owns 39.25% while private and public shareholders own 60.25%. The RICB's 2000 shareholder are comprised primarily of civil servants and members of the business community. The Royal Insurance Corporation of Bhutan has reinsurance arrangements with ten companies in India, Japan, Thailand, Hong Kong, Nepal, Bangladesh, and Germany.

The use of insurance, however, is limited. In 2001, there were 15,259 policy holders of general insurance, and only 4,650 holders of life insurance, the latter figure up from 114 in 1975. Within the terms of its own business, the RICB has had a steady growth in profit and assets over its 27 years of operation, but it also manages, under a Memorandum of Understanding (MOU) with the government, the rural house insurance scheme which it operates as a social welfare program in accordance with the terms of the MOU. In 2001, the rural house insurance scheme covered 31,172 permanent rural houses and 21,407 semipermanent houses for fire, earthquake, flood, landslide, and storm, all of which are common events in Bhutan. The scheme was revised in January 2000 to give compensation of ₦100,000 (about us\$2,150) for a permanent house with an annual premium of ₦150 (about us\$3.23), and ₦40,000 (about us\$860) for a semipermanent house with an annual premium of ₦60 (about us\$1.30). Claims have increased considerably since the revision. In 1999, under the previously less generous scheme, claims were ₦2.425 million (about us\$52,000) against premiums of ₦1.77 million (about us\$25,312), where as by 2001 claims had risen to ₦11.292 million (about us\$243,000) against premiums of ₦5.98 million (about us\$128,000). The ratio of claims to premiums improved somewhat, from 2:1 in 1999 to 1.89:1 in 2001.

### 35 PUBLIC FINANCE

The largest category of annual current expenditure is public works, which presumably includes the maintenance of monasteries. Most of the annual budget deficit is covered by grants from India and from the UN and other international agencies. By 1996, Bhutan had achieved self-sufficiency in current expenses, thanks primarily to revenues from the Chhukha power project, Bhutan's largest hydro-electric plant.

The US Central Intelligence Agency (CIA) estimated that in FY95/96 Bhutan's central government took in revenues of approximately \$146 million and had expenditures of \$152 million. Revenues minus expenditures totaled approximately -\$6 million. Total external debt was \$245 million.

The International Monetary Fund (IMF) reported that in 2004, the most recent year for which it had data, central government revenues were ₦10,158.3 million and expenditures were ₦11,274.8 million. The value of revenues was us\$224 million and expenditures us\$249 million, based on an official exchange rate for 2004 of us\$1 = ₦45.317 as reported by the IMF. Government outlays by function were as follows: general public services, 25.2%; public

### Public Finance – Bhutan (2004f)

(In millions of ngultrum, central government figures)

<b>Revenue and Grants</b>	<b>10,158.3</b>	<b>100.0%</b>
Tax revenue	3,092.5	30.4%
Social contributions	...	...
Grants	4,973.6	49.0%
Other revenue	2,092.2	20.6%
<b>Expenditures</b>	<b>11,274.8</b>	<b>100.0%</b>
General public services	2,839.6	25.2%
Defense	...	...
Public order and safety	538.3	4.8%
Economic affairs	3,807.9	33.8%
Environmental protection	...	...
Housing and community amenities	771.7	6.8%
Health	1,220.7	10.8%
Recreational, culture, and religion	183.2	1.6%
Education	1,913.4	17.0%
Social protection	...	0.0%

(...) data not available or not significant. f = forecasted or projected data.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

order and safety, 4.8%; economic affairs, 33.8%; housing and community amenities, 6.8%; health, 10.8%; recreation, culture, and religion, 1.6%; and education, 17.0%.

### 36 TAXATION

The corporate income tax (CIT), excises taxes, taxes on real estate income, and nontax revenues (particularly power tariffs on the export of electricity to India) were the main sources of domestic revenue in 2001. The power tariff, at Bhutan's insistence, was doubled to ₦1 (about \$0.028) per unit on 1 April 1997, and then raised 50% to ₦1.5 (about \$0.034) per unit 1 July 1999. The business income tax (BIT) accounted for only about 5% of revenue in 2001 because of the weakness of the private sector. In January 2003, the government introduced a personal income tax (PIT) for individuals with taxable incomes above ₦100,000. The PIT is expected to raise only ₦110 million (or about 1%) of the 2001–03 budget of ₦11,184.6, but at this stage the government considers the social benefits of the PIT—reducing income disparities and instilling a sense of responsibility—to be more important than its revenue contribution. In July 2002, the government launched the Pension and Provident Fund Plan, a scheme converting the social security system to a pension plan to provide retirement benefits for civil servants, corporate employees, and the armed forces.

External assistance continued to provide the bulk of Bhutan's development budget, but since 1996 domestic revenues have covered current expenses. In 2001, domestic revenues also covered a portion of the capital budget. A major goal of the ninth five-year plan (2002–06) is the increase of domestic revenue through taxes. In 2002–03, it is projected that for the first time tax revenues will exceed nontax revenues. Tax revenues are expected to come to 12% of GDP and nontax revenues to 8% of GDP.

### 37 CUSTOMS AND DUTIES

Under the Indo-Bhutanese Treaty of 1949, goods pass from one country to another without payment of customs duties. Bhutan

currently has observer status with the World Trade Organization (WTO). In 1999, the WTO accepted Bhutan's application for accession. However, as of December 2002, Bhutan had not provided the WTO with the required memorandum on its foreign trade regime, the next step in the process of negotiating an accession. In 2002, the government identified a site in Phuentsholing for the construction of a dry port to expedite export and import formalities and revised some of its more restrictive import rules.

### 38 FOREIGN INVESTMENT

The CIA notes that Bhutan's isolationism hampers foreign investment. The kingdom's policies on industrial licensing, trade, labor, and finance are often overly detailed and subject to change.

Foreign investment comes primarily from India, and is carried out within the context of Bhutan's special relationship with India. Bhutan's first two five-year plans in the 1960s were 100% financed by India. Since then, Bhutan has relied on an increasingly diverse set of countries—Australia, Austria, Finland, Denmark, Japan, the Netherlands, Norway, Canada, Switzerland, Germany, Italy, New Zealand, Italy, New Zealand, Sweden, South Korea, South Korea, the United Kingdom, and the United States—and multilateral institutions—the United Nations (UN), the World Bank, and the Asian Development Bank (ADB)—to provide capital on a concessional basis, though India remains the dominant source.

On private foreign investment, the government's stance is that foreign direct investment (FDI) it is becoming increasingly necessary to meet the country's employment and self-sufficiency goals. FDI is now permitted in certain sectors, including tourism where joint ventures with international hotel and resort chains are being pursued.

### 39 ECONOMIC DEVELOPMENT

One of Bhutan's greatest challenges will be creating jobs for its growing population of youths. Much of the educated workforce has been employed traditionally by the public sector; however, the IMF encourages the nation to encourage more private-sector development to avoid the potential of unemployment. Progress in this respect, however, may be slow. Bhutan lacks railroads, helicopters, domestic airlines, and modern conveniences like automated teller machines. What hydroelectricity it produces is mainly for export. In addition, Bhutan embarked on its ninth five-year plan in 2002 with a goal of seeking "gross national happiness," not gross national income, and while this strategy is in keeping with the country's Buddhist traditions, it does risk an economic crisis down the road. Bhutan's leaders remain cautious about future development; they have emphasized a maintenance of culture and protection of environment over modernization.

Bhutan also faces a public debt that was nearly as large as its entire GDP in late 2004/5. Much of the debt resulted from investments in hydropower, and is expected to be paid off through revenue that will come from exporting electricity to India.

Despite Bhutan's growth in the early 21st century, poverty in the country remains high. The nation conducted its first Poverty Analysis Report in 2004, and found that 32% of its population was living below the poverty line, which the IMF has tagged as a concern. Many of those who fall below the poverty line are residents of Bhutan but, because they are not ethnic Bhutanese, are not recognized as citizens of the kingdom. More than two-thirds of the

population lacks electricity, though a rural electrification effort was scheduled to bring electricity to the full country by 2020.

Structural reforms since 1998 showed promise of further moving Bhutan into a more modernized economy. The ninth fiscal year plan (2002–06) promised a continuation of the same moderate progress, with more intensive rural development. The prospect was for Bhutan to continue to proceed at its own restrained pace.

## 40 SOCIAL DEVELOPMENT

There is no national social welfare system, although the government implemented a modest maternal and child welfare program in the early 1980s, including family planning. The sick, indigent, and aged are cared for within the traditional family structure.

Bhutan's culture does not isolate or disenfranchise women. Dowry is not practiced, and land is divided equally between sons and daughters. Girls receive nearly equal educational opportunities, and, while accorded a lower status than boys, they are cherished because they are the ones who care for parents in old age. As of 2004 women made up approximately 30% of the workforce. Polygamy is legal, but only with the consent of the first wife. The law clarifies the definition of sexual assault and imposes harsh penalties. There is no societal pattern of spousal or child abuse.

A pattern of discrimination against the minority Hindus of Nepalese origin exists. Nepali is no longer taught in schools, and national dress is required for official occasions. While this policy has led to the cultural repression of Hindus, it has also contributed to a growing number of Nepalese obtaining employment in the public sector and in government.

Although there were some improvements in 2004, human rights are restricted by the government. The king exercises control over the government, security forces, and the judiciary. Abuses include violence against Nepalese refugees and arbitrary arrest and detention.

## 41 HEALTH

Bhutan suffers from a shortage of medical personnel with only 65% of the population having access to any form of medical care. In 2004, there were an estimated 5 physicians, 23 nurses, and 56 midwives per 100,000 people.

The average life expectancy in 2005 was only 52.7 years. The infant mortality rate was 100 per 1,000 live births for that year. Approximately 38% of children under five were underweight. It was estimated that 2% of married women (15–49 years) were using contraception. The fertility rate was reported as 5.2 per woman in 1999.

Immunization rates for children up to one year old were: tuberculosis, 81%; diphtheria, pertussis, and tetanus, 79%; polio, 77%; and measles, 82%. Although smallpox has been wiped out, malaria, tuberculosis, and venereal disease remained widespread. Bhutanese refugees in the eastern Nepal region have high rates of measles, cholera, tuberculosis, malaria, diarrhea, beriberi, and scurvy. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 100 people living with HIV/AIDS in the country.

## 42 HOUSING

Though a small number of urban settlements have been developed over the past few years, most of the population (80%, 2001 est.)

lives in rural areas, many on small family farms. It is, however, expected that the urban population will grow by about 50% over the next two decades, an estimate that has the Beninese government taking a harder look at options for new and improved housing construction and utility services. As of 2002, the housing shortage has been most serious in urban areas, where most housing is rental property. It was estimated that in Thimphu alone, 600 new dwellings would need to be built each year in order to keep up with rapid population growth. In 2002, about 10% of the residents of Thimphu were living in hut villages and squatter settlements.

The Municipal Act of 1999 was established to decentralize control of housing and utilities, resulting in greater service and improved plans for the future. As part of the government's socio-economic development policy, all homeowners are eligible for assistance through subsidized timber purchases and group fire insurance. The government has also established the National Committee on Human Settlements to oversee projects for urban development.

Traditional houses are built of stone set in clay mixed with small stones and made into blocks or layers. Roofs are gently inclined and formed of pine shingles kept in place by heavy stones. As of 2000, 80% of urban and 60% of rural dwellers had access to improved water supplies, while 65% of urban and 70% of rural dwellers had access to sanitation services.

### 43 EDUCATION

A modern educational system was introduced in Bhutan in the 1960s. Prior to that, education was provided only by monasteries. In the interim, more than 340 schools and institutions of higher education have been established, including over 150 community schools to serve remote rural areas. However, many of these schools have no sanitation facilities, electricity, or drinking water, and students may have to walk several hours a day to get to them. A growing number of children are attending school, but over 50% still do not attend.

Primary schooling covers a seven-year course of study followed by two years of junior high. This is followed by either a general secondary program (four years of high school) or a technical course of study (three years at a technical center). In 2001, about 88,000 students were enrolled in primary schools and 26,000 were enrolled in secondary schools. The student-to-teacher ratio for primary school was at about 38:1 in 2003; the ratio for secondary school was about 34:1. Efforts have been made to improve the education of women, and girls account for 45% of primary school enrollment. However, the overall literacy rate for women is still very low and lags far behind that for men.

Bhutan's estimated rate of adult illiteracy for the year 2000 stood at 52.7% (males, 38.9%; females, 66.4%). The official language is Dzongkha (written in the Tibetan script). However, English is widely used.

In 1991, Bhutan had 209 schools altogether, including 22 monastic schools, schools for Tibetan refugees, and six technical schools. There was at the highest-level one junior college, two teacher training colleges, and one degree college which was affiliated to the university at Delhi in India. Many teachers from India are employed in Bhutan.

### 44 LIBRARIES AND MUSEUMS

The largest library in Bhutan is the National Library at Thimphu. This library boasts of having one of the largest collections of Mahayana Buddhist literature in the world and also features a collection of over 10,000 xylographic or wood block prints. Jigme Dorji Wangchuck Public Library in Thimphu was the only public library in the country in 2005. Most of this library's 15,000-book collection consists of donated books from countries such as the United States. The vast majority of the books are in English. Located in Konglung, Sherbutse College Library holds 22,000 volumes. The National Institute of Education in Samtse, founded in 1968, holds 12,000 volumes, and the Royal Institute of Management in Thimphu holds 5,000 volumes. The Center for Bhutan Studies Library in Langjophakha has about 2,470 books. The India House Library contains about 7,000 volumes.

The National Museum of Bhutan opened to the public in 1968 at Paro Dzong, in a seven-story 17th-century fortress, featuring religious art objects reflective of Bhutan's unique Northern Buddhist culture, as well as historical objects. Some monasteries have valuable collections of Buddhist manuscripts and art objects.

### 45 MEDIA

International postal service was inaugurated in 1963; there are direct postal, telex, and microwave links to India. Telephone service is said to be very poor. In 2003, there were 25,200 mainline phones in use throughout the country. In 2005, there were an estimated 22,000 mobile phones in use.

In 2005, there was only one radio station, operated by the government-owned Bhutan Broadcasting Service (BBS). It includes broadcasts in Dzongkha, Nepali, English, and Sharchop. From 1989 to 1999, the government had imposed a ban on private television reception. Television broadcasting was reintroduced to the country in 1999. The same year, the government allowed for the licensing of cable companies. In there were three main television stations, one sponsored by BBS and two cable stations. In 2004, there were about 15,000 cable subscribers. Druknet, the nation's first Internet service provider was also established in 1999. By the end of 2003, there were about 15,000 subscribers, including Internet cafés in three major cities. In 1997, the country had an estimated 11 radios per 1,000 population.

A weekly government-subsidized newspaper, *Kuensel*, publishes simultaneous editions in Dzongkha, English, and Nepali, with a total circulation of about 15,000 as of 2004. This is the nation's only regularly published newspaper. Indian and other foreign publications are also available.

There are no legal provisions for the right of free expression in Bhutan; the government is said to restrict criticism of the King and government policies of the National Assembly.

### 46 ORGANIZATIONS

The Bhutan Chamber of Commerce and Industry is in Thimphu.

There are about 125 youth organizations throughout the country, which are affiliated through the Bhutan Youth Welfare Association (BYWA), established in 1985. The objectives of the BYWA are to preserve and promote the cultural and religious heritage of Bhutan and its national integration through the representation of youth to governmental authorities. Youth groups include Youths

and Students Alliance for Human Rights and Democracy in Bhutan (YSAHRDB) and the Youth Organization of Bhutan, both of which focus on interests of peace and human rights. Scouting programs are available through Bhutan Scout Tshogpa. There are also sports associations representing several different pastimes, including tennis, tae kwon do, badminton, and track and field.

The National Women's Association of Bhutan is one of the few nongovernmental organizations officially registered in Bhutan. Other women's organizations, such as Bhutan Women and Children Organization and Refugee Women and Children Welfare Society have formed in exile. All of these are focused on the promotion human rights.

#### 47 TOURISM, TRAVEL, AND RECREATION

In 1974, Bhutan opened its door to tourists, but strict entry regulations, the remoteness of the country, and relatively limited transportation facilities have restricted the number of visitors. Tourists may only enter as a member of an established tour group. An approved visa along with a valid passport is required of all visitors to enter Bhutan. The beautiful Thimphu, Paro, and Punakha valleys, with their many monasteries, are accessible to tourists. Visitors may also enjoy the intricate weavings found in high eastern mountain regions; kayaking down the Mochhu; or the archery competitions held during festivals.

In 2003, there were 6,266 foreign visitors, including over 2,500 visitors from Europe. There were 1,239 hotel rooms with 2,366 beds, and an occupancy rate of 25%. Travelers stayed an average of eight nights.

In 2004, the US Department of State estimated the cost of staying in Bhutan at \$96.

#### 48 FAMOUS BHUTANESE

Jigme Dorji Wangchuk (1928–72) instituted numerous social reforms during his reign as king of Bhutan. He was succeeded by his son Jigme Singye Wangchuk (b.1955).

#### 49 DEPENDENCIES

Bhutan has no territories or colonies.

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# BRUNEI DARUSSALAM

Nation of Brunei, Abode of Peace  
*Negara Brunei Darussalam*



**CAPITAL:** Bandar Seri Begawan

**FLAG:** On a yellow field extend two diagonal stripes of white and black, with the state emblem centered in red.

**ANTHEM:** National Anthem, beginning *Ya Allah lanjutkan usia* ("God bless His Highness with a long life").

**MONETARY UNIT:** The Brunei dollar (B\$, or ringgit) of 100 cents is valued at par with, and is interchangeable with, the Singapore dollar. There are coins of 1, 5, 10, 20, and 50 cents, and notes of 1, 5, 10, 50, 100, 500, 1,000, and 10,000 Brunei dollars. B\$1 = US\$0.59165 (or US\$1 = B\$1.6902) as of 2004.

**WEIGHTS AND MEASURES:** Imperial weights and measures are in common use, as are certain local units, but a change to the metric system is slowly proceeding.

**HOLIDAYS:** New Year's Day, 1 January; National Day, 23 February; Anniversary of the Royal Brunei Armed Forces, 31 May; Sultan's Birthday, 15 July. Movable holidays include the Chinese New Year and various Muslim holy days.

**TIME:** 8 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Brunei occupies 5,770 sq km (2,228 sq mi) on the northwestern coast of the island of Borneo. Comparatively, the area occupied by Brunei is slightly smaller than the state of Delaware. It comprises two small enclaves separated by the Limbang River Valley, a salient of the Malaysian State of Sarawak, which surrounds Brunei on the e, s, and w. Brunei's total boundary length is 381 km (237 mi).

Brunei's capital city, Bandar Seri Begawan, is located in the northern part of the country.

## <sup>2</sup> TOPOGRAPHY

Brunei's western enclave contains most of the country's population, as well as the capital; the thinly populated eastern zone is mainly dense forest. The land generally consists of primary and secondary tropical rain forest, with a narrow coastal strip on the western enclave. The eastern enclave is more hilly, rising to 1,850 m (6,070 ft) in the nation's highest peak of Mt. Pagon in the extreme south. The longest river in the country is the Belait River which crosses through the western portion of the country; it has a length of 209 km (130 mi).

## <sup>3</sup> CLIMATE

The country has a tropical climate, with uniform temperatures ranging from 23–32°C (73–89°F). Humidity is high—about 80% all year round—and annual rainfall varies from about 275 cm (110 in) along the coast to more than 500 cm (200 in) in the interior. Rainfall is heaviest during the northeast monsoon season (landas), especially in November and December.

## <sup>4</sup> FLORA AND FAUNA

The country is largely covered by mangrove and peat swamp, heath, montane vegetation, and Dipterocarpaceae forest. The rain

forest and swampland are inhabited by a plethora of small mammals, tropical birds, reptiles, and amphibians. Mammals include both wild and domesticated buffalo, honey bear, deer, and monkeys. Insects are abundant and sometimes harmful, in particular the malarial mosquito and biting midge.

## <sup>5</sup> ENVIRONMENT

The nation has an extensive oil industry with reserves that are estimated to last 20 years. The forests, which account for about 79% of Brunei's land area, are strictly protected by the government. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 11 types of mammals, 25 species of birds, 4 types of reptiles, 3 species of amphibian, 6 species of fish, and 99 species of plants. Endangered species included the black-faced spoonbill, Sumatran rhinoceros, the Siamese crocodile, and the painted batagur. Brunei is a party to international agreements on ozone layer protection, endangered species, whaling, and ship pollution and has signed but not ratified the Law of the Sea.

## <sup>6</sup> POPULATION

The population of Brunei Darussalam in 2005 was estimated by the United Nations (UN) at 363,000, which placed it at number 166 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 32% of the population under 15 years of age. There were 108 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.9%, a rate the government viewed as satisfactory, although there was concern about the high percentage of immigrants (over 30% of the population is foreign-born). The projected

population for the year 2025 was 494,000. The population density was 63 per sq km (163 per sq mi).

The UN estimated that 74% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.78%. The capital city, Bandar Seri Begawan, had a population of 61,000 in that year. Other important towns are Seria, Kuala Belait, and Tutong.

## 7 MIGRATION

There is little emigration except among the Chinese minority. The government is battling considerable illegal immigration, especially from Indonesia and Sarawak. In 2005, the net migration rate was estimated as 3.45 migrants per 1,000 population. In 2000 there were 104,000 migrants residing in Brunei, which was almost one-third of the total population.

Under Brunei's immigration law children born to Brunei women in Brunei with foreign fathers are stateless. According to *Migration News*, in November 2000 there were about 5,000 such stateless children in Brunei.

## 8 ETHNIC GROUPS

Malays make up about 67% of the population. Minorities include an estimated 15% Chinese, 6% indigenous, and 12% designated as other. There is a small Caucasian minority, chiefly of English, Dutch, American, and Australian stock.

## 9 LANGUAGES

Malay is the official language. English is also widely spoken, as is Chinese. The principal Chinese dialect is Hokkien, with Hakka, Cantonese, and Mandarin dialects also in use. Many native dialects are spoken as well.

## 10 RELIGIONS

The Shafite sect of Islam, the official religion, dominates nearly every aspect of public and private life. According to unofficial estimates, 67% of the population are Muslim. About 13% practice Buddhism, 10% are Christian, and 10% are tribal folk-religionists and members of other religious groups. Primary Christian denominations include Anglicans, Catholics, and Methodists.

Religious practice is controlled by the influential Religious Affairs Department. The constitution allows for the peaceful practice of other faiths, but non-Muslims, as well as non-Shafite traditions, are restricted in practice. Religious groups are required to register even to have the right of assembly. Some zoning laws prohibit the use of private homes as places of worship. Proselytizing of non-Muslim faiths is prohibited. All students are required to study Islam in school, including students at private Christian mission schools, where Christian instruction is prohibited. The Melayu Islam Beraja concept, a national philosophy, discourages ecumenism and the general understanding of or openness to non-Muslim faiths.

## 11 TRANSPORTATION

Two seaports, at Muara and Kuala Belait, offer direct shipping services to Hong Kong, Singapore, and several other Asian ports. However, wharf facilities at the deepwater port of Muara, though expanded to about 550 m (1,800 ft) in the mid-1980s, remain inadequate. In 2005, Brunei had 8 liquefied gas tankers with a total

capacity of 465,937 GRT. The Brunei River, which flows by the capital, is a major thoroughfare. However, the country's 209 km (130 mi) of navigable waterways are useable only by craft with a draw of under 1.2 m (3.9 ft).

In 2002, there were 1,712 km (1,063 mi) of main roads, of which 1,284 km (798 mi) were paved. Links between the capital and the other western towns are good. Road connections between Brunei and Sarawak are being built. Buses are inexpensive but unreliable. River taxis and cars are for hire. In 2003, the sultanate had 73,500 passenger cars and 15,550 commercial vehicles registered.

A 13-km (8-mi) railway is operated by the Brunei Shell Petroleum Co. In addition, there were two airports in 2004. As of 2005, only one had a paved runway and there were also three heliports. The national carrier, Royal Brunei Airlines, operates regular flights to Singapore, Hong Kong, Manila, Bangkok, Jakarta, Kuala Lumpur, and other cities. Some foreign airlines serve Brunei International Airport at Barakas, outside the capital.

## 12 HISTORY

From the 14th to the 16th century, Brunei was the center of a powerful native sultanate occupying what are now Sabah and Sarawak and extending northward through the Philippines almost to Manila. By the 19th century, much of this empire had been whittled away by war, piracy, and the colonial expansion of European nations. In 1847, the sultan concluded a treaty with Great Britain for the suppression of piracy and furtherance of commercial relations. In 1888, Brunei became a British protectorate, and in 1906 a resident British commissioner was established. By a 1959 agreement (amended in 1971), Brunei was recognized as fully self-governing, with Britain retaining responsibility for defense and foreign affairs. Brunei's first elections, held in 1962, resulted in a victory for the Brunei People's Party, militant nationalists who denounced Brunei's entry into a proposed federation with Malaysia, which had attained independence in 1957. Prevented from taking office, the nationalists, with Indonesian backing, revolted against Sultan Omar Ali Saifuddin in December 1962; the revolt was quickly put down with British assistance, but the sultan decided against federation in any case. From that time on, the sultanate has ruled by decree under a national state of emergency. In 1967, Sultan Omar abdicated in favor of his son, Muda Hassanal Bolkiah. Sultan Omar, who after his abdication remained as defense minister and assumed the royal title of Seri Begawan, died in 1986.

During the 1970s, Brunei emerged as the richest state in Southeast Asia, profiting from its oil wealth and the steep increases in international oil prices. Much of this vast oil income was expended by the state on modernization and social services. Brunei renegotiated its treaty with the United Kingdom in mid-1978 and, on 7 January 1979, concluded a new treaty providing for independence within five years.

On 1 January 1984, the country attained full independence and was also proclaimed a member of the British Commonwealth. On 7 January 1984 Brunei joined the Association of South-East Asian Nations (ASEAN) and joined the United Nations in the same year. Brunei is also a member of the Organization of Islamic Conference.

In 1985 a new political party was formed, the Brunei National Democratic Party (BNDP), comprised predominantly of businessmen loyal to the Sultan. However, government employees

were forbidden by the Sultan to join. The Chinese community was also excluded from membership. In 1986 an offshoot of the BNDP was formed, the Brunei National United Party (BNUP), which emphasized greater cooperation with the government. The BNUP favored the establishment of an elected prime-ministerial system, however. The BNUP's membership was open to Muslims and non-Muslims, but still excluded Chinese. In 1986, Brunei was solicited by the US government to aid the Nicaraguan Contras, but the \$10 million donation was credited to the wrong bank account and never reached its intended destination. The donation was eventually traced and returned to Brunei with interest.

In 1988 the top two leaders of the BNDP, President Haji Abdul Latif bin Abdul Hamid and Secretary-General Haji Abdul Latif bin Chuchu, were arrested as they were about to fly to Australia. They were held under the Internal Security Act, which allows detention for up to two years without charges being filed, and were detained until 1990. In May of that year, Haji Abdul Latif bin Abdul Hamid died. In 1990 the government released six other political prisoners who had been detained since 1962.

Increasing emphasis on Melayu Islam Beraja (MIB) as a state ideology has resulted in the affirmation of traditional values due to increasing concern about an affluent and worldly younger generation. In 1991 the import of alcohol and the public celebration of Christmas were banned. His Majesty Sultan Haji Hassanal Bolkiyah Mu'izzaddin Waddaulah celebrated 25 years on the throne in October 1992. Once taken to be the richest man in the world, as of 2001, the Sultan was listed by *Forbes* magazine as one of the fifteen wealthiest individuals in the world, with US\$16 billion.

Brunei established diplomatic relations in 1993 with China, Vietnam, and Laos.

In 1998 Brunei's economy was hit simultaneously by falling oil prices, regional currency depreciation stemming from the region's economic crisis, and the collapse of the multibillion-dollar Amedeo conglomerate run by the Sultan's brother, Prince Jefri Bolkiyah, who was removed from his post as the country's finance minister. However, tensions persisted between the Sultan and his brother, who fled to London. Upon his return in early 2000, the government sued him and dozens of other persons for misuse of public funds.

As the new century began, Brunei was looking for ways to diversify its heavily petroleum-dependent economy as its oil and gas reserves waned.

In November 1999, Brunei and the nine other members of the Association of Southeast Asian Nations (ASEAN), agreed informally to create a free-trade zone by eliminating duties on most goods traded in the region by 2010. When ASEAN met in November 2002, the Southeast Asian leaders and China began concrete talks to create what would be the world's largest free trade area, encompassing 1.7 billion people and trade valued at US\$1.2 trillion. The free trade area is expected to take 10 years to implement but tariffs on some agricultural products could be cut by early 2003. Products covered by the early package include live animals, meat, fish, dairy produce, other animal products, live trees, vegetables, fruit, and nuts. Talks for trade in goods, services, and investments were due to be held in 2003.

On 16 December 2002, the Sultan met with US president George W. Bush, to strengthen trade between the two countries and to coordinate antiterror efforts in the wake of the 11 September 2001



LOCATION: 4°2' to 5°3' N; 114° to 115°22' E. BOUNDARY LENGTHS: Malaysia, 381 kilometers (237 miles); South China Sea and Brunei Bay coastlines, 161 kilometers (100 miles). TERRITORIAL SEA LIMIT: 12 miles.

attacks on the United States. The terrorist attack on a nightclub in Bali, Indonesia, on 12 October 2002 was also a warning that the Southeast Asian region was susceptible to, and perhaps a breeding ground for, the activities of international terrorist organizations.

Brunei, along with the People's Republic of China, Vietnam, Malaysia, Taiwan, and the Philippines, is engaged in a regional dispute over claims to the Spratly Islands, situated in the South China Seas, which are strategically important and may have large oil and gas reserves. In one incident of friction, in August 2002, Vietnamese troops based on one of the Spratly islets fired warning shots at Philippines military planes. On the eve of the ASEAN summit held in November 2002, ASEAN leaders and China signed a declaration of conduct, agreeing not to attempt to occupy the Spratlys. The pact was not binding, but it was hoped that it would help ensure regional security.

In September 2002 Brunei's second-largest newspaper, *News Express*, closed. Publisher, Peter Wong Lik Young, was arrested for tax evasion as he attempted to flee Brunei with his wife, leaving behind debts of more than three million euros. The remaining pa-



per, the government controlled *Borneo Bulletin*, was then Brunei's only daily paper.

In September 2004 two significant events occurred: Crown Prince, Al-Muhtadee Billah Bolkiah, age 30, married 17-year-old Sarah Salleh before 2,000 guests; and, Sultan Hassanal Bolkiah reopened Brunei's parliament with minimal powers, 20 years after it was suspended. The latter was considered a tentative step toward giving some political power to the citizenry.

### 13 GOVERNMENT

Brunei is an independent Islamic sultanate. The 1959 constitution (parts of which were suspended in 1962) confers supreme executive authority upon the sultan and provides for five Constitutional Councils: a Privy Council, Council of Cabinet Ministers, Legislative Council, Religious Council, and Council of Succession to assist him. The members of these bodies are appointed by the sultan. The chief minister (*mentri besar*) is also appointed by the sultan and is responsible to him for the exercise of executive authority.

The Legislative Council was from time to time re-constituted until a Cabinet-style Government was introduced for the first time in 1984. An elected Legislative Council was being considered as part of constitutional reform, but elections were considered unlikely for several years. In August 2000, the foreign minister confirmed that a review of the constitution had been submitted to the sultan for approval, and that "an element of an election" was in this report. On 25 September 2004, Sultan Hassanal Bolkiah reopened parliament, 20 years after it was disbanded. The new parliament had 21 members, all of them appointed. The Sultan later signed a constitutional amendment, allowing for a 45-seat council with the direct election of 15 members of the next parliament. Elections were last held in March 1962. Future election dates were not available.

At his 1992 Silver Jubilee celebration the sultan emphasized his commitment to preserving Brunei's political system based on the concept of Melayu Islam Beraja (MIB), or Malay Islam Monarchy, as the state ideology. MIB combines Islamic values and Malay culture within a monarchical political framework with the monarchy as defender of the faith.

### 14 POLITICAL PARTIES

Parties were organized shortly after self-government was achieved in 1959. However, when the Brunei People's Party won 98% of the legislative seats in the country's only election, held in 1962, the sultan barred its candidates from office and outlawed all political parties under a continuing state of emergency. Political parties re-emerged in the 1980s, but in 1988 they were banned and many of their leaders were arrested. At that time, the political parties were: the Brunei National Democratic Party (BNDP), founded in 1985, and the Brunei National United Party (BNUP), founded in 1986 by an offshoot of the BNDP. In contrast to the BNDP, membership in the BNUP was open not to Brunei Malays only, but to other indigenous people, whether Muslim or not. The Chinese were left with the option of forming their own party. (Under Brunei's restrictive naturalization policies only 6,000 Chinese had been granted citizenship.)

In 1995, the Brunei National Solidarity Party (PPKB in Malay), one of the initial parties that had been banned in 1962, formally requested authorization to hold a convention and elected Ab-

dul Latif Chuchu, the former secretary-general of the BNDP, as its president. As of 2002, its president was Mohd Hatta bin Haji Zainal Abidin.

### 15 LOCAL GOVERNMENT

There are four administrative districts: Brunei-Muara, Kuala Belait, and Tutong in the western enclave, and Temburong in the east. Government is centrally controlled, but allowance is made for local tribal customs. District officers responsible to the ministers of home affairs administer each district. As part of the MIB ideology, village consultative councils have been introduced, making direct elections unnecessary. Instead, popularly elected headmen would function as mediators between the people and the central government. In June 1993 the Sultan stated "Brunei will strictly adhere to the MIB concept without resorting to fruitless political culture."

### 16 JUDICIAL SYSTEM

Brunei's judicial system is based on Indian penal code and English common law. There are five levels of courts with final recourse available through the Privy Council in London. Beginning with the courts of first instance, there are courts of Kathis that handle family matters such as marriage and divorce by applying Islamic law (Shariah). Lower courts called sultan's courts, presided over by magistrates, hear other ordinary cases involving minor disputes. Such cases may be appealed to the High Court, a court of unlimited original jurisdiction in both civil and criminal matters. The High Court is presided over by a chief justice and justices appointed by the sultan. Decisions of the High Court can be taken to the Court of Appeal, presided over by the president and two commissioners appointed by the Sultan. The Supreme Court consists of the High Court and the Court of Appeal.

In 1995, the right to appeal to the Privy Council in London was terminated in criminal cases. This final recourse remained available only for civil cases. In May 2002, a State Judiciary Department was established in Brunei, which is responsible for the administration of Brunei's judicial matters.

Certain provisions of the 1959 constitution have been suspended under the state of emergency since 1962.

### 17 ARMED FORCES

The Royal Brunei Armed Forces in 2005 consisted of 7,000 active personnel. The Army had 4,900 active members, whose weaponry included 20 light tanks, 39 armored personnel carriers, and 24 artillery pieces. The Navy had 1,000 personnel, whose major units were over six patrol/coastal vessels and four amphibious landing craft. Air Force personnel totaled 1,100 and whose primary equipment included a single transport and six training aircraft, and five support and eighteen utility helicopters. Paramilitary forces included a Gurkha reserve unit estimated at over 2,000 and 1,750 members of the Brunei Royal Police. Brunei's defense budget in 2005 totaled \$357 million.

### 18 INTERNATIONAL COOPERATION

Brunei was admitted to UN membership on 21 September 1984, and is a member of ICAO, IMF, IMO, ITU, WHO, WIPO, the World Bank, and WMO. It is also a member of the Commonwealth of Nations, ASEAN, APEC, G-77, and the Organization of the Islamic Conference (OIC). Brunei became a member of the WTO 1

January 1995. The country is part of the Nonaligned Movement. In environmental cooperation, Brunei is part of CITES, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea and Climate Change.

## 19 ECONOMY

Discovery of extensive petroleum and natural gas fields in the 1920s brought economic stability and modernization to Brunei. Today its economy, a combination of domestic and foreign entrepreneurship, government regulation, welfare programs, and village tradition, remained dependent on the oil and gas sector. This sector accounts for about 40% of GDP, almost 90% of exports, and about 90% of government revenues. Brunei's per capita GDP is one of the highest in Asia, estimated at us\$15,000 in 2004.

Oil production peaked in 1980 at an estimated 270,000 barrels per day. Production was deliberately cut back since then to preserve the country's oil reserves, which were estimated to last through at least 2015.

Brunei, aware that its reserves will not last indefinitely, pours much of its oil revenue into international investments in order to provide for its future generations. The sultanate also uses the revenues to finance government spending. Free health care, education through the university level, and rice and housing subsidies are among the benefits that Brunei's people receive.

However, the practice of using oil money to finance investments and government spending—coupled with the sultanate's reliance on oil production and exports—ties Brunei's economic health closely to the health of the world economy itself. As a result, worldwide slowdowns tend to hit the sultanate hard. Brunei was still recovering from the effects of the Asian financial crisis of 1997–98 in 2005, as well as the 1998 collapse of the Amedeo Development Corporation (Brunei's largest construction company), both of which caused the country to slip into recession in the late 1990s. Fluctuations in oil prices also affect Brunei's economic strength. Brunei posted GDP growth in 2003 of 3%. Although GDP growth slowed to 1.75% in 2004, it was projected to return to 3% in 2005.

In early 2001, decrees designed to make investment in Brunei more attractive were put into effect by the Brunei government following a scandal in which key members of the Brunei sultan's family were accused of misusing public funds. A government-owned business, Global Evergreen Corporation, settled debts and took over public building projects tied to the scandal in 2002. The government was increasing efforts to promote Brunei as a destination for upscale tourism and ecotourism. Meanwhile, attempts to diversify the economy have moved slowly.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Brunei Darussalam's gross domestic product (GDP) was estimated at \$6.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at us\$23,600. The annual growth rate of GDP was estimated at 3.2%. The aver-

age inflation rate in 2004 was 0.9%. It was estimated that agriculture accounted for 5% of GDP, industry 45%, and services 50%.

## 21 LABOR

In 2002, Brunei had a workforce estimated at 158,000 members, of which up to 40% were temporary residents, made up of foreign workers and members of the military. In 1999, (the latest year for which data was available), the government employed 48% of the workers, with 42% of employees in the production of oil, natural gas, services, and construction. The remaining 10% of workers were employed in agriculture, fishing, or forestry. The estimated unemployment rate in 2002 was 3.2%.

Although all workers including government employees can join and form trade unions (excluding military personnel, police officers and prison guards) the government neither facilitates or encourages the establishment of unions. In addition, collective bargaining has no legal basis in the country and strikes are illegal. The country's oil sector accounted for all three of Brunei's registered unions, of which 5% of the industry's workforce was unionized. However, all three unions were inactive. Wages and benefits were set by market conditions.

Children under the age of 18 may only work with parental consent and the approval of the Labor Commission. The law prohibits employment of children under the age of 16. There are no reports of violations of these child labor laws. Although there is no minimum wage, most employees earn a generous living wage. The workweek is limited to 48 hours of work for five days, with two mandatory 24-hour rest days. The more than 100,000 foreign workers in Brunei do not receive the same conditions and wages.

## 22 AGRICULTURE

Temporary and permanent crops are actively cultivated on an estimated 6,000 hectares (14,800 acres), which represent 2.5% of total land area. Agriculture accounts for 3% of GDP and employs some 2% of the work force. Rice production is low (only about 1,000 tons per year), and Brunei imports more than 80% of its requirements. Urban migration and more profitable jobs in the oil industry have led to a shortage in farm labor. An agricultural training center, sponsored by Brunei Shell and the Department of Agriculture, was established in 1978 to encourage young people to return to the land. Crops for home consumption include bananas, sweet potatoes, cassava, coconuts, pineapples, and vegetables.

## 23 ANIMAL HUSBANDRY

Cattle, buffalo, hogs, goats, and fowl are raised. In 1978, McFarm (a Mitsubishi subsidiary) set up a cattle-breeding station in order to reduce meat imports. The government owns a cattle station in Australia that is larger in area than Brunei itself. Livestock within Brunei in 2004 included 4,675 head of buffalo, 2,353 goats, 6,800 pigs, 1,200 head of cattle, and 12.5 million chickens. Meat production that year was estimated at 20,600 tons, with poultry meat accounting for 77% of the total. The government also encourages livestock production through the Mitsubishi Cattle Breeding Project.

## 24 FISHING

Traditional fishing declined during the late 1990s and into the mid-2000s, with only 60% of home consumption provided by lo-

cal fishermen. The Fisheries Department supplied a small trawling fleet, and continuing efforts were being made to develop both freshwater and saltwater aquaculture. Fish hatcheries were in operation on a six-hectare (15-acre) site near Muara. The annual fish harvest in 2003 totaled 2,157 tons, down from 7,405 tons in 1996.

## 25 FORESTRY

Forests cover an estimated 82% of the land area. Forest reserves constitute about 41% of the land area. Exports of timber are restricted. There is a small sawmill and logging industry for local needs. In 2003, Brunei produced about 229,000 cu m (8 million cu ft) of roundwood.

## 26 MINING

Brunei's mining industry was engaged primarily in the production and processing of crude oil and natural gas. Principal nonfuel mineral resources in 2003 were cement carbonate rocks, coal, kaolin, sand, gravel, and other varieties of stone. In 2000 construction started on a silica-processing plant to produce silica plates from the country's reserves of high-quality silica sands in Tutong District. In 2003, cement production totaled 235,000 metric tons.

## 27 ENERGY AND POWER

Commercial oil production, which began in 1929, dominates the economy. Production of crude oil in 2003 amounted to 196,000 barrels per day, of which 170,000 barrels per day largely consisted of low-sulfur crude oil. Output of liquefied natural gas (LNG) was about 26,000 barrels per day for that same year. As of 2002, exports of crude oil and natural gas accounted for 80–90% of all exports and more than 50% of gross domestic product (GDP). Exploratory drilling for new reserves continued, and capital expenditure on petroleum development remains high. As of 1 January 2004, proven reserves of oil totaled 1.35 billion barrels. After peaking at 240,000 barrels per day in 1979, crude oil production was deliberately lowered in 1988, through a self-imposed conservation quota of 150,000 barrels of oil per day, to extend the life of Brunei's reserves. There are seven offshore fields belonging to Brunei, of which the largest is the Champion field, with about 40% of the country's total reserves. Brunei opened its first deepwater drilling areas in 2001 and accepted bids by two international consortia. There were plans to expand LNG production by 4 million metric tons by 2008. Brunei continued to be a major supplier of liquefied natural gas to Japan under 20-year contracts, the last renewed in 1993 by the then-newly established Brunei Oil and Gas Authority. The LNG plant at Lumut, Brunei is one of the largest in the world.

Electric power and natural gas supplies are readily available at low cost. Installed electric power generating capacity was estimated, as of 1 January 2002 to be at 0.483 million kW, all of which used natural gas. In 2002, net electricity generation was estimated at 2.5 billion kWh. In the same year, consumption of electricity totaled 2.361 billion kWh. According to British Petroleum (BP), production of natural gas by Brunei in 2004, totaled 12.1 billion cu m. BP places the country's proven natural gas reserves at 0.34 trillion cu m (12.1 trillion cu ft), as of end 2004.

## 28 INDUSTRY

Industry is almost entirely dependent on oil and natural gas production. Brunei is the third-largest oil producer in Southeast Asia, after Indonesia and Malaysia, and the fourth-largest producer of liquefied natural gas.

Brunei Shell Petroleum (BSP), a joint venture owned by the Brunei government and Royal Dutch/Shell, is the country's main oil and gas production company, and is the largest employer after the government. It also operates Brunei's refinery. The refinery has a distillation capacity of 10,000 barrels per day, and generally fulfills petroleum product needs within the country.

Natural gas is mostly liquefied at a Shell Liquefied Natural Gas (LNG) plant, which opened in Brunei in 1972 and is one of the largest LNG plants in the world. Brunei sells about 90% of its liquefied natural gas to Japan, under a long-term agreement. In addition, Mitsubishi, a Japanese company, is a joint venture partner with Shell and the Brunei government in three companies: Brunei LNG, Brunei Coldgas, and Brunei Shell Tankers. Brunei also supplies liquefied natural gas to the Korea Gas Corporation.

Oil and gas exploration also are important industrial activities in Brunei, although deep water exploration activities have been on hold since 2003 because of a dispute with Malaysia. The French oil company ELF Aquitaine, which began petroleum exploration activities in Brunei in the 1980s, operates in the country as Total E&P Borneo BV.

Lagging the oil and gas industry considerably is Brunei's second-largest industry, construction. Since the collapse of Amedeo, a government-owned enterprise, Global Evergreen Corporation has taken over a number of projects, the Empire Hotel and Country Club, the Berakus Power Station, the DST Corporate Tower, and the Jerudong Marina. The construction industry was also stimulated by \$1 billion made available by the government for projects in late 2001 and early 2002.

Brunei's small manufacturing sector includes production for the construction sector, sawmills, and brick and tile factories. Government support of small-scale projects in food and beverage processing, textiles, furniture making, and specialist optics has had limited results. Brunei also may establish a "cyber park" to encourage development of an information technology industry, and has announced plans to encourage the establishment of offshore financial institutions and Islamic banks.

## 29 SCIENCE AND TECHNOLOGY

Advanced science and technology have been imported in connection with development of the oil industry. Foreign technology expertise is employed in communications and other infrastructural programs. The Ministry of Industry and Primary Resources conducts agricultural research. The University of Brunei Darussalam, founded in 1985, has a faculty of science. The Technological Institute of Brunei, located in Bandar Seri Begawan, and the Jefri Bolkaiah College of Engineering in Kuala Belair, offer engineering courses. Brunei hosted the sixth ASEAN (Association of Southeast Asian Nations) Science and Technology week in Bandar Seri Begawan in September 2001.

As of 2002, Brunei had 282 researchers per million people actively engaged in research and development.

### 30 DOMESTIC TRADE

Most food products and other consumer goods come from Singapore, Japan, and Malaysia. Most of Brunei's beef is supplied by a government-owned cattle ranch in Australia, which is larger than Brunei itself.

Although oil and gas dominate Brunei's industrial activity, the country does have some activity in agriculture, forestry, fishing, and banking. Eggs and chickens are produced locally. Agriculture and fisheries are among the industrial sectors that the government has selected for highest priority in its efforts to diversify the economy.

### 31 FOREIGN TRADE

Brunei's reliance on oil and gas production require it to import a wide array of goods. Nevertheless, the dollar value of its exports are considerably greater than its imports, which has allowed the country to maintain strong foreign reserves. Exports totaled us\$5.057 billion in 2004 and were projected to reach us\$5.994 billion in 2005. Of the exports total, us\$4.624 billion were oil and gas products in 2004; oil and gas exports were projected to total us\$5.626 billion in 2005. Major trading partners for exports in 2004 were Japan (38.1%), South Korea (14%), Australia (11.2%), the United States (8.6%), Thailand (7.9%), Indonesia (5.9%), and China (4.5%).

Imports totaled us\$1.338 billion in 2004 and were projected to rise to us\$1.458 billion in 2005. Key trading partners for imports in 2004 were Singapore (32.7%), Malaysia (21.2%), the United Kingdom (8.3%), and Japan (7.2%). However, these figures include trans-shipments; most of Brunei's imports pass through Singapore en route to the company and thus fall under Singapore's total even if the products do not actually originate in the city-state. Japanese products dominate local markets for motor vehicles, construction equipment, electronic goods, and household appliances.

### 32 BALANCE OF PAYMENTS

Foreign reserves totaled us\$534 million in 2004 and were projected to rise to us\$590 million in 2005. Brunei had a trade surplus of us\$3.769 billion in 2004; that figure was projected to grow to us\$4.621 billion in 2005.

Brunei's account surplus was estimated by the International Monetary Fund (IMF) at us\$4 billion in 2004, approximately 70% of GDP.

### 33 BANKING AND SECURITIES

The banking industry is controlled by the Association of Banks, in liaison with the government. In 1999, there were nine banks operating in Brunei. Of these, three were locally incorporated and six were foreign, among them the Hongkong Bank, Malayan Banking, Berhard, and Citibank. The International Bank of Brunei, in which the sultan has a 51% stake, is the larger of the local banks. The other, the National Bank of Brunei, was seized in 1986 by the government, which charged the majority shareholders with irregularities, and later closed in the early 1990s. Other banks are the Bairduri Bank, Sime Bank, the Development Bank of Brunei, the

#### Principal Trading Partners – Brunei Darussalam (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	4,144.3	1,243.6	2,900.7
Japan	1,697.6	124.4	1,573.2
Korea, Republic of	463.7	29.3	434.4
Thailand	390.7	50.5	340.2
Australia	346.4	37.0	309.4
United States	321.2	143.1	178.1
China	276.3	60.5	215.8
Singapore	185.2	250.3	-65.1
Malaysia	152.8	251.8	-99.0
Indonesia	105.8	33.2	72.6
New Zealand	96.7	1.9	94.8

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

Overseas Union Bank, and the Standard Chartered Finance (Brunei) Berhad.

The managing director of the Brunei Investment Agency (BIA), Abdul Aziz Abdul Rahman, met France's Treasury director, Jean Lemierre, in mid-December, 1996 to discuss the possibility of opening a BIA office in Paris. BIA's French investments are currently managed from the agency's offices in London and Brussels. Approximately half of the country's revenue is now derived from the income from these investments.

The Brunei Investments and Commercial Bank, a subsidiary of the Brunei Investment Agency, acquired a 13.4% stake in the Australian Macquarie Bank in November 1996, making the BIA the largest single shareholder.

### 34 INSURANCE

In 2003, Brunei had four companies providing general and life insurance: American International Assurance Co. Ltd., BALGI Insurance, General Accident and Life Assurance, and Simi AXA Assurance Berhad.

### 35 PUBLIC FINANCE

The US Central Intelligence Agency (CIA) estimated that in 2003 Brunei Darussalam's central government took in revenues of approximately us\$4.9 billion and had expenditures of us\$4.2 billion. Revenues minus expenditures totaled approximately us\$700 million.

### 36 TAXATION

Citizens of Brunei pay no income taxes and are the beneficiaries of generous welfare subsidies. However, Chinese, who make up an estimated 16% of the population, are excluded from citizenship, and these benefits. They are either stateless or hold British protected persons passports. Only corporations are subject to taxation. Taxation on petroleum income is subject to a 55% rate, while the standard corporate tax rate is 30% on earnings. There is a double-taxation agreement between Brunei and the United Kingdom, and with Indonesia. Exemption from taxes can be granted by the Sultan in Council to industries deemed essential for the country's development. By Income Tax Order 2001, companies granted a

Pioneer Certificate, foreign or domestic, are exempted from the 30% tax for two to five years, depending on the size of their capital investment, specified in round dollar terms with an obvious eye to outside investors: for less than \$250,000 the exemption is for two years; for \$250,000 to \$500,000, three years; \$500,000 to \$1 billion, four years; and above \$1 billion, five years. Pioneer and export industries are exempt from customs duties on imports of raw materials and capital goods.

### **37 CUSTOMS AND DUTIES**

Brunei levies tariffs ranging from zero to 30% on selected items including perfume, and has a single-column tariff structure. The country joined ASEAN in 1984 and has reduced trade barriers with member nations.

### **38 FOREIGN INVESTMENT**

The Brunei Investment Agency (BIA), which is part of the Ministry of Finance, manages the country's foreign reserves. Established in 1983, its mission is to increase the real value of the reserves through a diverse investment strategy. BIA offices in London and Brussels manage French and other European investments. Brunei in 2005 had holdings in the United States, Japan, Western Europe, and the Association of Southeast Asian Nations (ASEAN) countries.

The Brunei government encourages more foreign investment by offering tax incentives, and through its already attractive climate of requiring not personal income or capital gains taxes. However, foreign investors are encouraged to maintain some level of local participation in whatever enterprises they set up. At least half of the directors of any company must be residents of Brunei.

In late 2001, the government added \$1 billion to funds available for investment. In 2002, earnings from Brunei's investments abroad for the first time exceeded its earnings from exports from its oil and gas sector. In 2002, the first exploration rights in deep-sea parcels in Brunei's Exclusive Economic Zone (EEZ) were awarded.

The UN Conference on Trade and Development reported foreign direct investment (FDI) of us\$103 million in 2004. Although this was down sharply from the us\$2 billion in FDI reported to have flowed into Brunei in 2003, the country's foreign reserves remain healthy. FDI stocks stood at us\$7.548 billion in 2004 compared with us\$7.445 billion in 2003, and in 2004 comprised 135% of GDP. About us\$481 million in FDI funds left the country in both 2003 and 2004 for investments elsewhere.

### **39 ECONOMIC DEVELOPMENT**

Two major themes shape Brunei's economic development plans: careful use of its oil and gas resources to prolong the capacity of the reserves, and gradual diversification beyond the petroleum sector.

While Brunei has successfully managed its reserves and invested much of its excess revenue abroad, efforts to diversify the economy have been sluggish, at best. Out of an interest in diversifying its economy, the Brunei's Economic Development Board announced plans in 2003 to use proven gas reserves to establish industrial projects. Two projects in 2005 were in the works: a 500-megawatt (MW) power plant to provide power for an aluminum

smelting operation and a container hub at Brunei's Muara Port. Both projects depend on foreign direct investors.

Another challenge Brunei faces is balancing both its labor force and ownership of its businesses between its residents and foreigners. About 40% of the country's work force consists of foreigners, despite stringent immigration regulations set up to maintain the social cohesion of Brunei's society. One of the country's long-term goals is to encourage Brunei Malays to participate more in business leadership while at the same time maintaining its numerous relationships with multinational investors.

### **40 SOCIAL DEVELOPMENT**

A provident fund and a universal old age and disability pension system are available to all employees who are citizens or permanent residents. Foreign workers are not eligible. The state provides free medical care, and remote regions are served by mobile clinics and a flying doctor service; there is also a school health service. There is an employer liability system for workers' compensation.

A major social change has been the increasing influence of Islam as a way of life. The extent of spousal abuse is not known. Women are denied equal status with men in many areas, including divorce, custody of children, and inheritance. However, the number of female students at universities has increased. Females are strongly encouraged to wear traditional head covering.

### **41 HEALTH**

The state provides free medical care and remote regions are served by mobile clinics and a flying doctor service; there is also a school health service. There were eight hospitals, four of which are run by the government. In 2004, there were an estimated 101 physicians, 267 nurses, 14 dentists, and 27 pharmacists per 100,000 people. In 2005, the infant mortality rate was 13 per 1,000 live births. Life expectancy for that year was estimated at 74.8 years. Approximately 96% of the population had access to health care services and 90% had access to safe drinking water. Malaria has been eradicated from Brunei (although it remained a problem in adjacent Sarawak) and cholera is close to nonexistent. There is, however, still some risk of filariasis, tuberculosis, typhoid fever, and intestinal flu. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 200 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

### **42 HOUSING**

Since the mid-1970s, the government has supported an ongoing housing program through the National Development Plan to encourage and support homeownership for all citizens. As of 2000, interest-free home loans were available to all citizens (there was no personal income tax within the country either), however, this may change as the government reconsiders the sustainability of its oil-based economy. Through the Landless Indigenous Citizens Housing Scheme (LICS), the government has constructed at least eight housing project sites to offer affordable, modern housing

to low-income residents. In the period 1972–97, over 4,000 new homes were built through the LICs.

### 4<sup>3</sup> EDUCATION

The state provides free education from kindergarten up, including university training abroad. Education is compulsory between the ages of 5 and 12. Six years of primary school are followed by seven years of secondary education, the latter being divided into three years of junior secondary, two years of senior secondary, and two years of university preparation studies. The official policy is to promote bilingual education, Malay and English, in all government-supported schools. The academic year runs from August to May.

In 2001, about 44% of children ages three to five were enrolled in some type of preschool program. The same year, about 44,000 students were enrolled in primary schools and about 37,000 students were enrolled in secondary schools. The pupil-teacher ratio at the primary level was 13 to 1 in 2003; the ratio for secondary school was 11 to 1. In 2003, private schools accounted for about 35% of primary school enrollment and 11% of secondary enrollment. Foreigners generally attend private mission schools, the International School, and the Chinese School. Brunei Shell also funds several schools, and there are numerous religious academies.

There are two teacher-training colleges and five vocational technical schools, including an agricultural training center. Brunei also has a university, established in 1985, and institutes of education and technology. The University of Brunei Darussalam (founded in 1985) has faculties for education, arts and social sciences, science, and management and administration. In 2003, about 13% of the tertiary age population were enrolled in some type of higher education program. Many students, however, continue their education in foreign universities at government expense. The adult literacy rate for 2004 was estimated at about 92.7%, with 95.2% for males and 90.2% for females.

As of 2003, public expenditure on education was estimated at 4.4% of GDP, or 9.1% of total government expenditures.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The University of Brunei at Gadon holds 29,000 volumes, while the Brunei Museum houses 60,000 volumes. The Dewan Bahasa dan Pustaka Library, established in 1963, is the primary public system. It sponsors four district branch locations in the country and a mobile library with 43 service points in 2002.

Notable museums include the Brunei Museum, which exhibits ethnology and the history of Borneo Island; the Malay Technology Museum; the Royal Regalia Gallery, a fine arts museum opened in 1992; and the Royal Brunei Armed Forces Museum, which features the world's fastest patrol boat.

### 4<sup>5</sup> MEDIA

In 2002, there were 90,000 mainline telephones and 137,000 mobile cellular phones in use throughout the country. Telephone service is generally considered to be of excellent quality. The government-operated Radio Television Brunei broadcasts radio programs in English, Malay, and Chinese, and television programs in Malay and English. While there are no other television stations in the country, three Malaysian television channels can be accessed by

some viewers. Two satellite television networks are also available, offering about 28 different channels, including the Cable News Network, the British Broadcasting Corporation World News, and several entertainment and sports channels. As of 1998 there were 3 AM and 10 FM channels.

The only commercial daily newspaper serving Brunei is the English *Borneo Bulletin*, with a circulation of 25,000 in 2002. The government publishes the Malay weekly *Peilta Brunei* (2002 circulation 45,000) and a monthly English newsletter, *Brunei Darussalam* (14,000). There is one other Malay language press, the *Media Permata*, which circulates approximately 5,000 newspapers. The *Straits Times* of Singapore circulates widely in Brunei, as do Chinese papers from Sarawak.

In 2001 legislation took effect that places several restrictions on press freedoms. Editions of foreign newspapers or magazines with articles that were found to be objectionable, embarrassing, or critical of the Sultan, the royal family, or the government may be banned from the country. Journalists deemed to have published or written "false and malicious" reports may be subjected to fines or prison sentences. Magazine articles with a Christian theme have been censored. The government also retains the right to close down any newspaper without prior notice.

### 4<sup>6</sup> ORGANIZATIONS

There are four chambers of commerce in the country, including the International Chamber of Commerce and Industry in Bandar Seri Begawan. The Consumers' Association of Brunei (est. 2002) has worked to promote improvements in living conditions and legal rights of workers as well as serving as a consumer advocate group. There are some professional organizations, such as the Brunei Malay Teachers Association and the Women Business Council. There are also organizations promoting education and research in several fields, such as the Brunei Association for Science Education and the Medical Association in Brunei.

The powerful Religious Affairs Department permeates daily life; its activities include sponsoring Islamic pilgrimages and establishing village mosque committees. The Council of Women of Negara Brunei Darussalam, founded in 1985, strives to improve the economic, cultural, and social status of women. Nongovernmental youth movements in Brunei include the Brunei Youth Council, Boy Scouts, and Girl Guides. Sports facilities tend to be privately maintained, with some athletic groups sponsored through the Brunei Amateur Athletic Association. The Brunei National Olympic Committee coordinates activities for national youth sports federations.

There is a national chapter of the Red Crescent Society.

### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Known for the abundance of flora and fauna in its rain forests and national parks, Brunei is growing as a unique tourism destination. Among Brunei's newest and most remarkable sights is the sultan's 1,788-room palace, built at a reported cost of us\$300 million and topped by two gold-leaf domes. Native longhouses and trips up the Brunei and Tutong rivers are also tourist attractions. Visas are

not required for stays of up to 90 days, but a valid passport and onward/return ticket are necessary.

In 2002, the US Department of State estimated the cost of staying in Brunei between us\$123 and us\$248 per day.

#### 4<sup>8</sup> FAMOUS BRUNEIANS

Omar Ali Saifuddin (1916–86) was sultan from 1950 to 1967 and minister of defense from 1984 to 1986. His son, Muda Hassanah Bolkiah (Bolkiah Mu'izzuddin Waddaulah, b.1946), one of the wealthiest men in the world, has been sultan since 1967.

#### 4<sup>9</sup> DEPENDENCIES

Brunei has no territories or colonies.

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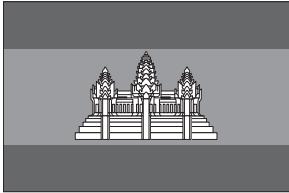
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# CAMBODIA

Kingdom of Cambodia

*Preahreacheanachakr Kampuchea*



**CAPITAL:** Phnom Penh

**FLAG:** The flag has a red center field with a white silhouette of the temple complex at Angkor Wat. The center field is bordered top and bottom by blue bands.

**ANTHEM:** *Nokoreach* (*Royal Kingdom*)

**MONETARY UNIT:** The new riel (CR) is a paper currency of 100 sen. CR1 = \$0.00024 (or \$1 = CR4,098) as of 2005.

**WEIGHTS AND MEASURES:** Both the metric system and traditional weights and measures are in general use.

**HOLIDAYS:** National Day, 9 January; New Year, April; Labor Day, 1 May; Feast of the Ancestors, 22 September; Independence Day, 9 November.

**TIME:** 7 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated in the southwest corner of the Indochina Peninsula, Cambodia has an area of 181,040 sq km (69,900 sq mi), extending 730 km (454 mi) NE-SW and 512 km (318 mi) SE-NW. It is bounded on the NE by Laos, on the E and SE by Vietnam, on the SW by the Gulf of Thailand, and on the W, NW, and N by Thailand, with a total boundary length of 2,572 km (1,598 mi). Comparatively, the area occupied by Cambodia is slightly smaller than the state of Oklahoma. In 1982, Cambodia signed an agreement with Vietnam on their mutual maritime frontier. A treaty delineating the land border was signed in December 1985.

Cambodia's capital city, Phnom Penh, is located in the south-central part of the country.

## <sup>2</sup>TOPOGRAPHY

Cambodia is a country of forested mountains and well-watered plains. The central part of the country forms a gigantic basin for the Tonle Sap, or Great Lake, and the Mekong River, which flows down from Laos to the southern border with Vietnam. Between the Tonle Sap and the Gulf of Thailand lie the Cardamom Mountains and the Elephant Range, which rise abruptly from the sea and from the eastern plains. In the north, the Dangrek Mountains, 320 km (200 mi) long and 300–750 m (1,000–2,500 ft) high, mark the Thailand frontier. The short coastline has an important natural harbor, Kompong Som Bay (Chhâk Kâmpóng Saôm), where the port of Kompong Som (Kâmpóng Saôm, formerly Sihanoukville) is located.

The Mekong and the Tonle Sap dominate the life and economy of Cambodia. The Mekong overflows during the rainy season, deposits vast quantities of alluvial soil, and, backing toward the Tonle Sap, causes that lake to increase in size from about 2,590 sq km (1000 sq mi) to almost 24,605 sq km (9,500 sq mi).

## <sup>3</sup>CLIMATE

The climate is tropical, with a wet season from May through November and a dry season from December to April. Temperatures range from 10–38°C (68–97°F), and humidity is consistently high. Rainfall averages 127–140 cm (50–55 in) in the central basin to about 508 cm (200 in) in the southwestern mountains.

## <sup>4</sup>FLORA AND FAUNA

Cambodia, covered in its mountainous areas with dense virgin forests, has a wide variety of plant and animal life. There are palm, rubber, coconut, kapok, mango, banana, and orange trees, as well as the high sharp grass of the savannas. Birds, including cranes, pheasants, and wild ducks, and mammals such as elephants, wild oxen, panthers, and bears abound throughout the country. Fish, snakes, and insects also are present in abundance. As of 2002, there were at least 123 species of mammals and 183 species of birds in the country.

## <sup>5</sup>ENVIRONMENT

Deforestation and the resulting soil erosion cause significant environmental problems in Cambodia. By 1985, logging activities, the clearing of the land for agricultural purposes, and the damage from the Vietnam war resulted in the destruction of 116 square miles of forest land. Between 1983 and 1993, the nation's forest and woodland were reduced by an additional 11.3% to 11.7 million ha. In 1995, there were only 9 million ha. The nation has 121.6 cubic km of renewable water resources with 94% used for farming activity and 1% used for industrial purposes. Most rural dwellers do not have access to pure water.

Three-fourths of Cambodia's wildlife areas have been lost through the destruction of its forests, and strip mining for gems in the western part of the country poses an additional threat to the nation's biodiversity and wildlife habitats. Natural fisheries have been endangered by the destruction of Cambodia's mangrove



swamps. In 2003, about 18.5% of the total land area was protected. There are three Ramsar wetlands sites.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 23 types of mammals, 24 species of birds, 10 types of reptiles, 3 species of amphibians, 12 species of fish, and 31 species of plants. Endangered species in Cambodia include three species of gibbon (pileated, crowned, and caped), several species of wild dog and wild cat, leopard, tiger, Asian elephant, Sumatran rhinoceros, Thailand brow-antlered deer, kouprey, giant catfish, Indian python, Siamese crocodile, and estuarine crocodile.

## 6 POPULATION

The population of Cambodia (Kampuchea) in 2005 was estimated by the United Nations (UN) at 13,329,000, which placed it at number 66 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 37% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual population growth rate for 2005–10 was expected to be 2.2%, a rate the government viewed as too high. In 2004, the government launched a National Population Policy, aimed at educating the population on the connections between high fertility, high population growth, and poverty. The government reported that 30% of women of reproductive age wanted to plan their pregnancies, but lacked the information and resources to do so. The projected population for the year 2025 was 18,939,000. The population density was 74 per sq km (191 per sq mi).

The UN estimated that 15% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 5.18%. The capital city, Phnom Penh, had a population of 1,157,000 in that year. Other cities include Băttămbăng, Kămpóng Cham, Kămpôt, Siêm réab, Kămpóng Saôm, and Krâchéh. A great majority of the people live in rural areas, with 90% of the rural population living in the plains of the central third of the country.

Estimates of Cambodia's population vary with the assessment of the impact of the 1970–75 war and the millions killed in its tumultuous aftermath. At the war's end, in April 1975, the population of the capital, Phnom Penh, had swollen to nearly 3 million because of a mass influx of refugees. The new government immediately embarked on a forced evacuation of all urban areas, and by March 1976, only 100,000–200,000 were thought to remain in Phnom Penh. After the installation of the PRK in 1979, the population of Phnom Penh began to increase. As of 2005, Cambodia had one of the highest rates of HIV/AIDS infection in Asia.

## 7 MIGRATION

The first migration of persons in independent Cambodia took place during the 1950s and 1960s, when ethnic Chinese were permitted to settle in the mountainous and wasteland areas and cultivate land that otherwise would have remained unproductive. After 1970, about 200,000 Vietnamese living in Cambodia were repatriated to the Vietnam ostensibly as a security measure. With the insurgent victory in April 1975, most of the country's remaining Vietnamese were reported to have emigrated to Vietnam. In addition, thousands of refugees, including many former officials

and military personnel, fled across the Thai border or were evacuated by US aircraft.

The new government launched a sweeping nationwide resettlement program under which some 2.5–3 million persons were moved from Phnom Penh and other cities into the countryside, where they were organized into work brigades. The food shortage in rural areas was only slightly less critical than in the cities, and widespread starvation led to the deaths of an estimated one million people during the transition. After the installation of the new government in January 1979, continued fighting and political instability resulted in a new exodus of refugees. About 630,000 Cambodians left the country between 1979 and 1981, of which about 208,000 were able to resettle in other countries, including 136,000 in the United States. Most of the rest remained in camps on the border with Thailand, but they were repatriated to Cambodia in May 1993.

Between 1979 and 1987 there was a new migration of ethnic Vietnamese into Cambodia. Official sources insisted that the total number was under 60,000, and was comprised, for the most part, of residents who had left in the early 1970s; opposition groups contended that the number totaled over 500,000 and was intended to consolidate Vietnamese control over the country.

In 1997, the conflicts between government forces and the National Army of Democratic Kampuchea (Khmer Rouge) drove rural populations from their homes. In 1997 and 1998, the United Nations High Commissioner for Refugees (UNHCR) assisted up to 60,000 Cambodian refugees who had fled the fighting in northwest Cambodia. Also in 1997, the UNHCR helped several thousand ethnic Vietnamese fisher families return to their Cambodian homes after having camped on the Vietnam border. Following the peace settlement between the government of Cambodia and resistance forces in December 1998, the repatriation of approximately 36,000 refugees remaining in camps in Thailand was rapidly implemented. By April 1999, all of the camps were closed, and by June 1999 some 47,000 refugees had returned home. In 2000 there were 211,000 noncitizen residents living in Cambodia.

In Cambodia as of 2004, 382 people were registered as refugees and another 316 were registered as asylum seekers. Also in 2004, over 14,00 Cambodians sought refuge in France. The net migration rate for Cambodia in 2005 was estimated as zero. The government continued to view the emigration level as too high.

## 8 ETHNIC GROUPS

Over 90% of the entire population are ethnic Khmers, descendants of the original population in the area. The largest minority groups are the Vietnamese, estimated at 5% of the population, and the Chinese, estimated at 1%. Groups designated as other comprise the remaining 4% of the population. National minorities are the Cham and a number of small tribal groups.

## 9 LANGUAGES

Khmer, the national language, is spoken by about 95% of all inhabitants. Unlike Thai or Vietnamese, Khmer is a nontonal language; most words are monosyllabic. French, the second language, is often used in commercial and official circles. The Vietnamese

and the Chinese use their own languages, as do other minorities. English is also spoken.

## 10 RELIGIONS

Buddhism has been the state religion since 1989. About 93% of all inhabitants practice either Hinayana or Theravada Buddhism. It is believed that most people also practice some forms of animism. The Chinese and most Vietnamese in Cambodia practice a traditional mixture of Mahayana Buddhism, Taoism, Confucianism, ancestor worship, and animism. In 2004, there were about 700,000 Muslims, representing the four branches: Shafi, Wahhabi, Iman-San, and Kadiani. The ethnic Chams are predominantly Muslim. Less than 1% of the population is Christian, with over 100 separate organizations represented. There are also small groups of the Vietnamese Cao Dai religion and Baha'is.

In 1975, the government virtually abolished Buddhism, defrocking some 70,000 monks and turning pagodas into warehouses. Islamic spokesmen have claimed that 90% of Cambodia Muslims were massacred after 1975. Of some 6,000 Roman Catholics left in Cambodia at the time of the revolution, only a few survived. All mosques and Catholic churches were razed. The PRK regime that came to power in 1979 permitted the return of religious practice, and hundreds of pagodas were reopened. In insurgent areas controlled by the Khmer Rouge, Buddhism was allowed after 1979, and in non-Communist resistance camps there reportedly was full freedom of religion.

The constitution provides for freedom of religion and the government reportedly respects this right in practice. All religious groups register through the Ministry of Cults and Religious Affairs in order to build places of worship and freely conduct religious activities.

## 11 TRANSPORTATION

Land transport facilities suffered wholesale destruction during the 1970–75 war. Cambodia's first railway, a 385-km (239-mi) single track from Phnom Penh to Paoy Pet, was badly damaged in the fighting; moreover, a just-completed 262-km (163-mi) line from Phnom Penh to Kampong Sam was also disabled. The line to Kampong Sam was restored in November 1979, and a Phnom Penh-Bättâmbâng railway was reopened in February 1980. Rail service has been periodically disrupted by guerrilla operations. In 2004, rail trackage totaled 602 km (374 mi) of 1,000-m narrow gauge track.

All major cities and towns are connected with Phnom Penh by highway, and from there roads connect to Vietnam, Laos, and Thailand. The US-built 214-km (133-mi) Khmer-America Friendship Highway links Phnom Penh with Kampong Sam. As of 2002, Cambodia had an estimated 35,769 km (22,226 mi) of main roads, of which only 4,165 km (2,588 mi) were paved; most are in poor condition.

The Mekong is the most important inland waterway. Total length of navigable waterways is 3,700 km (2,300 mi) for craft drawing 0.6 meters, but only 282 km (175 mi) for craft with a draft of 1.8 meters. The river port of Phnom Penh has been upgraded. Until 1975, Saigon was the major transshipment point for outgoing and incoming Cambodian goods; the opening of the deepwater port of Kompong Som made Cambodia largely independent of Vietnam for oceangoing shipping. In 2005, Cambodia's mer-

chant fleet totaled 479 ships (1,000 GRT or over) with a capacity of 1,913,910 GRT.

As of 2004, Cambodia had an estimated 20 airports, of which 6 had paved runways, and two heliports (as of 2005). The main airport is at Phnom Penh; there are regular flights between Phnom Penh, Hanoi, Vientiane, and Ho Chi Minh City. In 2003, airline passenger traffic totaled about 116,000 passengers.

## 12 HISTORY

Most Cambodians are descendants of the Khmers, who in the 6th century established the Indian-influenced Angkor Empire, and for the next 900 years ruled the area of present-day Cambodia. According to legend, the founder of the Khmer dynasty was Kampu Svayambhuva, from whose name "Kampuchea" derives. From the 10th to the 14th century, after years of military expansion, the Khmers reached their apogee. Their empire extended over most of Southeast Asia (from central Vietnam south-west into the Malay Peninsula, and from Thailand north to the border of Burma, now known as Myanmar). Angkor, the capital city, was a flourishing complex of great temples, palaces, and shrines. In the subsequent centuries, however, continuing attacks by the Thai (who captured Angkor in 1431) and the Vietnamese weakened the empire, and by the end of the 18th century much of Cambodia had become a Thai and Vietnamese condominium. In 1863, the king of Cambodia placed the country under French protection. The French, joining Cambodia to Laos and Vietnam to form French Indochina, ruled the protectorate until the end of World War II. Cambodian nationalism received its greatest impetus during the World War II period, while Japan controlled Indochina. King Norodom Sihanouk, who had ascended the throne in 1941 and had been held a virtual prisoner under the Japanese occupation, proclaimed Cambodia independent in 1945, but yielded before a temporary resumption of the French protectorate, enforced by Allied troops, which occupied Phnom Penh. Cambodia became a constitutional monarchy on 6 May 1947, and was granted nominal independence within the French Union on 9 November 1949. King Sihanouk, meanwhile, had assumed leadership of Cambodia's growing nationalist movement. On 17 October 1953, during the height of the Franco-Indochinese war, he was granted full military control of his country by France. Sihanouk, a skilled politician, abdicated in March 1955 in favor of his father and mother, King Suramarit and Queen Kossamak, and then emerged as prime minister with the unanimous support of the national legislature. King Suramarit died on 31 April 1960, but Prince Sihanouk, although retaining the title of chief of state, did not return to the throne. During the Franco-Indochinese war, Communist-controlled Viet-Minh troops from Vietnam operated in Cambodia (1954), and gave support to a small Khmer Communist movement.

The Geneva agreements of July 1954, which ended the Franco-Indochinese war, secured the withdrawal of French and Viet-Minh troops from Cambodia and the surrender of most of the Khmer rebels. During the next 15 years, Sihanouk sought to keep Cambodia neutral in the deepening Vietnam conflict. This proved increasingly difficult, however, as the National Liberation Front (also known as the Viet-Cong) used Cambodian border areas as bases from which to launch attacks on the Republic of Vietnam (RVN, or South Vietnam), and as the United States in 1969 launched an undeclared air war against the guerrilla sanc-

tuaries. On 18 March 1970, Marshal Lon Nol, prime minister and army chief, overthrew the chief of state, Prince Sihanouk, while the prince was on a visit to the USSR; the right-wing coup ended 1,168 years of rule by Khmer monarchs. Sihanouk thereupon took up residence in Beijing, where, on 5 May, he announced formation of the Royal Government of National Union of Kampuchea (GRUNK) under the political auspices of the National United Front of Kampuchea. In the interim, on 30 April, US president Richard M. Nixon announced an “incursion” into Cambodia of 30,000 US and 40,000 Vietnamese troops, with the object of destroying their opponents’ strongholds along the Vietnam border. The operation was terminated on 30 June with its military objectives apparently unfulfilled, and bombing of the region continued, to devastating effect on Cambodia’s economy.

Formal diplomatic relations with the United States, severed by Sihanouk in 1965, were resumed on 2 July 1970, and Sihanouk was condemned to death (in absentia) three days later. On 9 October, the Lon Nol government in Phnom Penh abolished the monarchy and changed Cambodia’s name to the Khmer Republic. In elections held during June 1972, Lon Nol was elected president of the republic. Pressures from GRUNK insurgents continued to mount, especially following the conclusion of a cease-fire in Vietnam in January 1973 and the withdrawal of the last US troops from that country in March. US aid to the Lon Nol government had been substantial, totaling \$1.18 billion in military supplies and \$503 million in economic assistance for the whole of the 1970–75 period, but with most of the aid concentrated in the early years of direct involvement. With the reversal of US policy in Vietnam, however, support for the Khmer Republic began to taper off, and by the start of 1975, the Lon Nol government was plunged into a struggle for survival. In January, GRUNK military forces, generally referred to as the Khmer Rouge, launched a major offensive aimed at gaining control of the Mekong River and isolating Phnom Penh. Fierce and costly fighting ensued over the next three months, with the United States undertaking a massive airlift to Phnom Penh in February to fend off starvation and military collapse. On 1 April, the strategic Mekong ferry crossing at Neak Luong fell to the insurgents, clearing the way to a direct, final assault on the capital. On that day, Lon Nol fled the country, to be followed by much of the ruling hierarchy. On 17 April, the Khmer Republic government officially capitulated to GRUNK forces, commanded by Khieu Samphan.

The GRUNK government reported in March 1976 that the war had resulted in one million casualties, including 800,000 killed. On 5 January 1976, the country was officially renamed Democratic Kampuchea (DK). On 20 March, the first general elections were held for a new 250-member People’s Assembly. The Assembly on 14 April named Khieu Samphan chairman of the State Presidium, replacing Prince Sihanouk, who had returned to the country in September 1975, as head of state. Pol Pot was named prime minister. Even before these political reforms were undertaken, the GRUNK government had undertaken a massive—and perhaps unprecedented—reorganization of the country’s economic and social life. As an initial step, the new government ordered the near-total evacuation of Phnom Penh, where food, shelter, and medical resources had been stretched to the limit by the press of some 2.5 million refugees. The country was thereupon plunged into almost complete isolation, even from its neighbors in Vientiane

and Hanoi. Currency was abolished, social relations completely overhauled, religion almost eradicated, education suspended, and families divided. From two million to three million people may have died from starvation, exhaustion, disease, or massacre under the Pol Pot (Cambodian Communist leader Saloth Sar) regime.

Meanwhile, tensions with Vietnam (traditional enemy of Cambodia until 1976 and again after 1989) were growing, and there were border clashes during 1977 and 1978. In December 1978, Vietnam invaded Cambodia with a force of more than 100,000 troops; by January 1979, they had installed a pro-Vietnamese government, the People’s Republic of Kampuchea (PRK), headed by Heng Samrin, a former division commander in the GRUNK army. The PRK had to contend with resistance from the very beginning, and the Khmer Rouge rebels, who had fled to the jungles in the west and south, continued to harass the government despite Vietnamese counteroffensives. In order to improve its international standing, the Khmer Rouge began in 1981 to pursue a united-front strategy; Pol Pot, branded with the 1975–79 atrocities, reportedly withdrew into the background, and Khieu Samphan, supposedly the most moderate of the Khmer Rouge leaders, emerged as chief spokesman. In 1982, the Khmer Rouge formed the Coalition Government of Democratic Kampuchea (CGDK), with two noncommunist factions led by Prince Sihanouk and a former politician, Son Sann. The fighting during 1982–83 reflected a pattern of PRK and Vietnamese dry-season offensives alternating with an upsurge of guerrilla operations during the wet season. Militarily, the PRK and Vietnam appeared firmly in control at the end of 1987; diplomatically, however, the PRK had won recognition only from Vietnam, the former USSR, and their allies, with most nations joining the United States and China in giving qualified support to the CGDK. In March 1986, an eight-point plan to settle the Cambodian conflict was issued by the leaders of the coalition.

Progress towards a peaceful settlement had an uneven course in 1988. Prince Sihanouk resigned, retracted his resignation, and resigned again as president of the Democratic Kampuchean Government-in-exile. Informal meetings in Indonesia, one in July shunned by Prince Sihanouk and the other in October ignored by the Khmer Rouge, made no progress on peace plans. However, a subsequent announcement supported the creation of an international peacekeeping force. A conciliatory statement made in August 1988 indicated the Khmer Rouge was ready to reduce its armed forces to the level of the other Cambodian factions. Vietnam announced the repatriation of 50,000 troops from Cambodia in 1988 and the complete withdrawal of troops by late 1989, or early 1990. In January of 1989 Heng Samrin pledged that, if a political settlement could be achieved, all Vietnamese troops would be repatriated by September. Further encouraging gestures were made by Vietnam, China, and Thailand: Thai and Vietnamese officials met in Hanoi; Vietnamese and Chinese ministers met in Beijing; and, Thailand abandoned its policy of isolating the Heng Samrin government and invited talks with them. In 1989 Prince Sihanouk resumed leadership of the Democratic Kampuchean Government-in-exile, later resigning from leadership of the National Front for an Independent, Neutral, Peaceful and Co-operative Cambodia (FUNCINPEC). In protest of Thailand’s contact with the Heng Samrin government, Sihanouk refused to attend a second “informal meeting” in Jakarta. This meeting still failed to resolve two outstanding major issues: the make-up of an in-



LOCATION: 102°31' to 108° E; 10° to 15° N. BOUNDARY LENGTHS: Laos, 541 kilometers (336 miles); Vietnam, 1,228 kilometers (763 miles); Gulf of Thailand coastline, 443 kilometers (275 miles); Thailand, 803 kilometers (499 miles). TERRITORIAL SEA LIMIT: 12 miles.

ternational force to oversee troop withdrawals and the composition of an interim government before elections. As a further sign of its commitment to change, in April 1989 an extraordinary session of Cambodia's National Assembly ratified amendments to the Constitution: the name of the country was changed to the State of Cambodia (SOC), a new national flag, emblem and anthem were introduced; Buddhism was reinstated as the state religion; and the death penalty abolished. Hun Sen met in Bangkok with the Thai prime minister who appealed for a cease-fire among the four Cambodian factions [The government of the Kampuchean People's Revolutionary Party (KPRP) installed by the Vietnamese (the Heng Samrin government), and three antigovernment groups that comprised the umbrella organization, the national Government of Cambodia (NGC): FUNCINPEC, the Khmer Rouge, and the Khmer People's National Liberation Front (KPNLF)]; the Khmer Rouge rejected this suggestion. In July 1989 Hun Sen and Prince

Sihanouk met in Paris prior to the Paris International Conference on Cambodia (PICC). In September 1989 Vietnam completed the timely withdrawal of its forces from Cambodia. Throughout 1988 and 1989 the Khmer Rouge forces continued to make military gains in Cambodia. The UN adopted a resolution supporting the formation of an interim government that included the Khmer Rouge, although past atrocities of the Khmer Rouge were alluded to indirectly.

In January 1990 the UN Security Council approved an Australian peace initiative—UN monitored cease-fire, the temporary assumption of executive powers by the UN secretary-general, formation of a national supreme council, and the holding of internationally supervised elections. Prince Sihanouk resigned as Supreme Commander of the High Council of National Defense and leader of the resistance coalition, but retained his position as President of Democratic Kampuchea. In February 1990 the Govern-

ment-in-exile of Democratic Kampuchea was formally renamed by Sihanouk as the National Government of Cambodia and restored the traditional flag and anthem. This change distanced the coalition from association with the Khmer Rouge's former regime, Democratic Kampuchea (DK). (The DK had been named the Khmer Rouge by Sihanouk.) In a third meeting held in Jakarta in February the four Cambodian factions as well as representatives of Vietnam, Laos, ASEAN, France, and Australia met and agreed to the main principles of the UN plan. Prince Sihanouk resumed the presidency of the resistance coalition in May and in June he and Hun Sen signed a conditional cease-fire in Bangkok. In June a meeting in Tokyo was attended by representatives of all four Cambodian factions including Hun Sen and Prince Sihanouk. The Khmer Rouge, however, refused to sign a cease-fire agreement and proposed that each faction should have equal representation on a supreme national council. Prince Sihanouk offered support for the Khmer Rouge proposal, despite his previous agreement with Hun Sen; the discussions collapsed. In June and July reformist political allies of Hun Sen were dismissed or arrested for alleged attempts to establish a new party. Supporters of conservative Chea Sim, Chairman of the National Assembly, replaced them. Also in July the United States withdrew its support for the National Government of Cambodia's occupation of Cambodia's seat at the UN and indicated willingness to provide humanitarian assistance for the Phnom Penh regime. The UN Security Council in late August endorsed a plan for a comprehensive settlement in Cambodia: UN supervision of an interim government, military arrangements for the transitional period, free elections, and guarantees for the future neutrality of Cambodia. In addition, a special representative of the UN secretary-general would oversee the proposed United Nations Transitional Authority in Cambodia (UNTAC). The UN would also assume control of government ministries. Both China and the former USSR subsequently pledged to cease providing supplies of military equipment to their respective allies, the Khmer Rouge and the Phnom Penh regime. In reversals of previous policy the United States announced it would hold talks with the Phnom Penh regime, and the USSR declared that it would hold talks with Prince Sihanouk. The four Cambodian factions accepted the UN proposals at an "informal meeting" in Jakarta in September 1990. In addition, they agreed to the formation of the Supreme National Council (SNC), with six representatives each from the National Government of Cambodia and Phnom Penh regime. The SNC was to occupy the Cambodian seat at the UN General Assembly. At its first meeting in September the SNC failed to elect a chairman. The Khmer Rouge heightened military action in the northern provinces. Even as the final draft of the peace plan was prepared by the UN Security Council the Phnom Penh regime continued to oppose the principal provisions of the plan. In December all 12 members of the SNC attended another meeting of the PICC and all factions endorsed most components of the UN plan.

The SOC replaced three of its six SNC members in February 1991. In May a temporary cease-fire was agreed upon by the four factions in order to facilitate discussions. In June the Khmer Rouge refused to discuss SNC leadership issues, requiring the Phnom Penh regime's prior acceptance of the full terms of the UN peace plan, and the Khmer Rouge refused to comply with a proposed extension of the temporary cease-fire. Prince Sihanouk

became an ordinary member of the SNC chairing a meeting in Thailand where all four factions resolved several issues: implementation of an indefinite cease-fire, pledges not to receive further foreign military aid, approval of a flag and anthem for the SNC, and establishment of Phnom Penh as the headquarters for the SNC. Prince Sihanouk was elected to the chairmanship of the SNC and resigned as leader of the resistance coalition and as president of the National Government of Cambodia. His replacement in both positions was Son Sann. From August through October the SNC worked out the details of the armed forces reduction and election procedures. Elections would be held to establish a constituent assembly comprised of 120 seats, which would subsequently become a legislative assembly. The electoral system would be proportional representation based on the 21 provinces. The constituent assembly would be empowered to adopt a new constitution. In October the SOC released hundreds of political prisoners including associates of Hun Sen arrested in 1990 for starting a political party. The Kampuchean (or Khmer) People's Revolutionary Party (KPRP), the communist party aligned with the Vietnamese communist movement, changed its name to the Cambodian People's Party (CPP), removed the hammer and sickle from the party emblem, and replaced Heng Samrin as Chairman of the Central Committee with the conservative Chea Sim. Reformist Hun Sen was elected vice-chairman of the CPP.

On 23 October 1991 what was hoped to be an end to 13 years of war in Cambodia was achieved with the signing of the Comprehensive Political Settlement for Cambodia by the 4 Cambodian factions and 19 participating countries. The agreement called for the creation of a United Nations Transitional Authority in Cambodia (UNTAC) to carry out the peacekeeping operations which included the demobilization of 70% of each faction's army and enforcement of a cease-fire; verifying the withdrawal of foreign forces; administering the country until an election in 1993 by taking over certain portfolios; assuring that human rights were maintained; and the repatriation of 600,000 refugees and internally displaced people. In November a threat to the tenuous peace process occurred when a mob attacked Khmer Rouge leaders Khieu Samphan and Son Sen in a Phnom Penh villa. The SNC government's response was slow, and it was alleged that Hun Sen sanctioned this incident and that Vietnamese officials were involved in it. In December violent student demonstrations protesting against high-level corruption and in support of human rights were suppressed by the armed forces and in later demonstrations several protesters were killed. Several high-level government officials were dismissed based on the corruption charges.

In January 1992 the four factions approved the formation of political associations and the promotion of freedom of expression. However, on 22 January, Tea Bun Long, minister for religious affairs and an outspoken critique of corruption, was killed. On 28 January, Oung Phan, organizer of a new political party emphasizing anticorruption, was shot but survived. These and other arrests, threats, and disappearances were viewed as intimidation by the secret police geared at undermining the peace process and free elections, and served to intimidate government critics. Yasushi Akashi, the Japanese UN Under Secretary-General for Disarmament Affairs, was appointed as the UN Special Representative to Cambodia in charge of UNTAC. The UN Security Council authorized mine clearing operations, the dispatch of a 22,000 member

peace keeping force to establish UNTAC, at an estimated cost of \$2 billion.

In September 1991 approximately 5% of the Cambodian population was in refugee camps along the Thai-Cambodian border, 340,000 refugees in border area camps, and another 190,000 refugees within Cambodia. The plan was to move refugees to transit camps in Thailand, then on to six reception centers in Cambodia, and finally to villages. In October the Khmer Rouge began to forcibly repatriate tens of thousands of civilians in UN refugee camps to areas under its control in Cambodia. International reaction prevented the Khmer Rouge from forcibly repatriating inhabitants of the Khmer Rouge controlled camp, Site 8, just one of the eight refugee camps. The UNTAC refugee repatriation program began in March, in spite of cease-fire violations between the Khmer Rouge and the State of Cambodia forces. Throughout 1992 the Khmer Rouge denied free access to the zones it controlled, refused to comply with the disarmament phase, violated the cease-fire agreement, played upon long-standing racial/ ethnic tensions by contending that Vietnamese soldiers were concealed in Cambodia, complained that the UN peacekeepers were not impartial to them, failed to attend meetings, and demanded the dismantling of the Phnom Penh regime as a precondition for the implementation of the peace accords, amongst other demands.

In May 1992 the Khmer People's National Liberation Front (KPNLF), the political and military party formed by Son Sann for the purpose of resisting the Vietnamese, was transformed into a political party called the Buddhist Liberal Democracy Party (BLDP) and still headed by Son Sann. FUNCINPEC also became a party, headed by Prince Ranariddh. At a Ministerial Conference on the Rehabilitation and Reconstruction of Cambodia held in Tokyo in June, the application of economic sanctions against the Khmer Rouge was considered and 33 donor nations and 12 nongovernmental organizations attending the conference pledged \$880 million to finance the peacekeeping operation. In August Akashi, the head of UNTAC, approved elections, and the registration of parties began. He also affirmed that the elections would proceed without the participation of the Khmer Rouge if it continued to refuse to co-operate. The demands of the Khmer Rouge were impossible to meet and were viewed as efforts to gain territory in order to increase its representation in the proposed national assembly, perhaps with as much as 35% of the population (a tactic laid down by Pol Pot in a 1988 speech). In September the Khmer Rouge made two new demands: the resignation of Akashi and a redrawn border between Cambodian and Vietnam. This latter demand referred to territory allegedly annexed by Vietnam that would make the elections incomplete if not returned to Cambodia. The Khmer Rouge protested an electoral law drafted by UNTAC that enfranchised citizens aged more than 18 years whose parents or grandparents were born in Cambodia, effectively permitting Vietnamese immigrants to take part in the election.

October 1992 UNTAC began voter registration. The Khmer Rouge boycotted voter registration and escalated destruction of bridges and roads, effectively cutting off its territory in the northeast from the rest of the country. The UN Security Council set a November deadline for the Khmer Rouge's compliance with the terms of the peace accord, but eventually extended the deadline to 31 January 1993 as the Khmer Rouge's last chance to participate in the elections. The Security Council also approved an em-

bargo on supplies of petroleum products to the Khmer Rouge and a ban on timber exports (a principal source of income for the Khmer Rouge). The Khmer Rouge announced the formation of the Cambodian National Unity Party to contest the elections on the day the UN resolution was adopted. Ethnic and racial tensions were increasing as the Khmer Rouge incited and escalated actions against the Vietnamese based on deep-rooted Cambodian sentiments towards the Vietnamese. In December the KPNLF joined the Khmer Rouge in the ethnic cleansing of the "Vietnamese germs." Six members of the UN peacekeeping forces were seized and held for a few days by the Khmer Rouge in December 1992.

In January 1993 Prince Sihanouk ceased cooperation with UNTAC and suggested that a presidential election be held prior to the legislative election, but in February he reversed his position. Voter registration was completed in February; registered voters numbered 4.5 million and 20 political parties were registered. The election was set for May 23-25, 1993. The CPP intimidated its political rivals with attacks and stopped the gradual expansion of the Khmer Rouge into Phnom Penh government territory. In a dry season offensive the SOC attacked three of four of the Khmer Rouge's most important zones.

In early 1993 the Khmer Rouge refused to disarm and attacked UN offices, cars, helicopters, and personnel. In addition to the Khmer Rouge's accusations of collusion between UNTAC and the SOC, the presence of the UN forces was a source of growing tension and dissatisfaction in Cambodia. Inflation, official corruption, and crime were increasing and UNTAC's presence and policies were blamed. The Khmer Rouge issued their own currency, thus emphasizing steps toward further partition. In a secret speech a year earlier (6 February 1992), Pol Pot had set out an incremental approach by which the Khmer Rouge could gain popular strength which he considered more important than land: develop local autonomy; set up a money economy with their own banks which would hold the surplus earnings of farmers (projected to be 30% of earnings); distribute land, sell land in order to support the army, and continue to fight the *yuon* (savage), or Vietnamese. As the Khmer Rouge again refused to disarm and take part in the elections, it appeared to follow this program as it also increased attacks on Vietnamese fishermen and their families, killing 34 and injuring 29 in March at the floating village of Chong Kneas. Furthermore, citing its allegations that UNTAC colluded with the Vietnamese aggressors and rubber stamped the Vietnamese occupation, the Khmer Rouge refused to cooperate with the peace process. The UN goal was to have all refugees back in Cambodia by mid-April for elections. By 19 March, some 330,000 refugees were repatriated. A cash inducement had been added as incentive (\$50 for adults and \$25 for children) and this rapidly accelerated the process. Roughly 87% had taken the cash option, nearly one-third going to Phnom Penh; 80-85% of the returnees chose areas under Phnom Penh government (Hun Sen) control, (about 85% of the country's) territory; 10% chose areas controlled by the Khmer People's National Liberation Front; 2% chose zones controlled by forces loyal to Prince Sihanouk; and 1% chose Khmer Rouge areas. In April the Khmer Rouge closed its office in Phnom Penh and slipped out of the city; it pledged to prevent the planned elections. A Japanese UN worker was killed and eventually 30 of the 460 volunteers for the election work resigned. In May the Khmer Rouge mounted its boldest offensives yet with targets defined for

maximum political impact including major cities; they took briefly the Siem Reap airport. Under these pressures UNTAC abandoned 400 of its 1800 polling places.

The election took place 23–28 May 1993; four million Cambodians or 85% of those registered voted. FUNCINPEC won the election with 45% of the vote, or 58 of 120 seats in the constituent assembly; the CPP took 38% of the votes, or 51 seats in the assembly; the BLDP had over 3% of the votes, which gave them 10 seats; and, MOULINAKA (Movement for the Liberation of Kampuchea, a pro-Sihanouk group formed in 1979 by Kong Sileah, considered an offshoot of FUNCINPEC) took one seat. The constituent assembly had three months within which to draft a constitution and form a new government. To the CPP its political defeat was an unacceptable surprise and it demanded a revote and threatened riots; the Khmer Rouge denounced the CPP for contesting the election. The CPP's 51 assemblymen were technocrats and education officials (people who never wielded power within the party); this supported the belief that the CPP paid only lip service to constitutional arrangements as it maintained its grip on power. The CPP's two leaders, hardliner Chea Sim and reformer Hun Sen, were foci of an internal struggle. In a move towards cooperation FUNCINPEC leader Prince Norodom Ranariddh and CPP Primer Minister Hun Sen served as co-chairmen of the government, and control of the major ministries was divided, with FUNCINPEC getting the finance and foreign affairs portfolios while the CPP retained the Information Ministry. The CPP had 200,000 armed forces and 40,000 national police; FUNCINPEC's armed forces numbered 5,000. In August for the first time the three government factions, royalist FUNCINPEC, former Phnom Penh ruling regime CPP, and the BLDP, agreed to joint military operations. The Khmer Rouge would not be allowed to enter the political mainstream until it agreed to unconditionally join the unified armed forces and open up areas under its control, estimated to be 20% of Cambodia.

Cambodia's new constitution was adopted on 21 September 1993. Prince Norodom Sihanouk was crowned king, resuming the title first bestowed on him in 1941. In an attempt to restore central control of the economy to the government on December 28 the National Assembly passed a national budget and financial laws. These new laws stripped individuals of the power to collect taxes independently and by law all revenue would be channeled to the national treasury. Minister of Economics and Finance, Sam Rainsy, set about to root out official corruption and centralize Cambodia's budget. The entrenched businesses protested, but Rainsy received the backing of Sihanouk and international lending institutions. The two co-prime ministers, First Premier Norodom Ranariddh and Second Premier Hun Sen, asked King Sihanouk for sanction to fire Rainsy, but instead received a statement praising Rainsy, who was becoming a popular hero. King Sihanouk also urged the government to grant total freedom to the domestic and foreign press.

Within the SOC there was significant difference of opinion on how to deal with the Khmer Rouge. FUNCINPEC's Ranariddh counted on diplomacy to isolate the Khmer Rouge while using development aid and investment for poverty reduction and infrastructure improvement. On the other hand, many of his counterparts in Hun Sen's CPP sought a military solution to the Khmer Rouge problem. There was consensus, however, that Cambodia

should look to Malaysia's experience with the Malayan Communist Party, which consisted of marginalizing the Malaysian communists. UNTAC's failure to disarm the Khmer Rouge was a burden for the new government. The Khmer Rouge was emerging with its prestige enhanced, territory expanded, and weaponry intact. Cambodia had been critical of the role Thailand played in supporting the Khmer Rouge, and renewed its appeals to Thai neutrality. The Khmer Rouge presence benefited Thailand by aiding in securing its border, and with lucrative trade in gems, timber, and armaments. The Khmer Rouge radio station was located inside Thai territory.

The government captured Pailin, official headquarters of the Khmer Rouge on 19 March 1994, but the Khmer Rouge retook it one month later. The dry season campaign by the government against the Khmer Rouge was a failure. Both sides were scheduled to resume peace negotiations during 2–7 May. The Khmer Rouge looked to its military successes as leverage for a power sharing compromise with the government; Sihanouk sought to make deals that gave the Khmer Rouge some key posts in return for laying down its arms and opening areas under its control. One year after the elections major problems were security, corruption, and the economy. Corruption included national assembly members keeping their seats while serving in other branches of government; parties swelling the number of senior officers and civil servants as they vied to match each other in number and in rank; and the National Assembly voting themselves a raise equal to 100 times that of a typical soldier. The economy was undermined by continuing military activity, and privatization was stalled by lack of capital and skilled workers, and political instability.

On 3 July 1994 there was a coup attempt. Less than 300 troops were involved and it was directed against FUNCINPEC, and possibly Hun Sen as well, by hard line figures at the highest levels of the CPP attempting to take over the government. After the coup attempt the National Assembly voted to outlaw the Khmer Rouge and seize its assets, a move that was partly directed at Thailand. The Khmer Rouge's response was to announce the formation of a parallel government, with its headquarters in northern Cambodia and Khieu Samphan as president.

In July 1994, it was estimated that 55,000 Cambodians were again fleeing Khmer Rouge attacks in the western provinces. For the first time since the 1970s, the United States provided military aid to Cambodia. The need to remove the land mines infesting the fields of Cambodia became a high priority. Mines may have inflicted more wounds than any other weapon, and Cambodia has the world's highest percentage of physically disabled persons. As foreign advisors sought to strengthen the country's human rights laws, ethnic considerations were raised. Cambodia's constitution fails to guarantee basic rights for racial groups other than ethnic Cambodians. The definition of Cambodians does include ethnic minority Chams and Chinese, but excludes ethnic Vietnamese.

The Khmer Rouge began to weaken in 1995, with mass defections of guerrilla fighters. The government remained worried by the hard core of dedicated Khmer Rouge rebels and their leaders, who remained at large in northern and western strongholds. Tensions continued within the fragile coalition government, with the CPP fighting off royalist political movements wherever they cropped up. There were also factional disputes within each of the coalition parties. Sam Rainsy's role as an opponent of foreign aid

to Cambodia's "undemocratic" government earned him the condemnation of FUNCINPEC and the CPP. The Khmer National Party, formed by Sam Rainsy, was officially unrecognized. Internal rivalries essentially disbanded the government's third partner, the Buddhist Liberal Democratic Party.

Marginalization of the Khmer Rouge continued in 1996, as the group split between the leadership of ailing Pol Pot and a breakaway faction headed by Ieng Sary. In late 1996, Ieng Sary received a royal pardon, and his force became the object of courtship by CPP and FUNCINPEC. The government parties sought the votes and arms of Ieng Sary's supporters, plotting against each other in the process. This jockeying for position, accompanied by political violence and rumors of coups, continued into 1997.

In February 1997, FUNCINPEC's Ranariddh began an alliance with Sam Rainsy in strong opposition to Hun Sen's CPP. Hun Sen announced in March that he would seek to amend the constitution to prevent members of the royal family from involvement in politics, a direct hit at Ranariddh, Prince Sihanouk's son. Hints of negotiations between Ranariddh and the Khmer Rouge fueled Hun Sen's fears about his government "partner." A demonstration on 30 March, by Sam Rainsy's supporters, was attacked with hand grenades, which killed several protesters and wounded scores. The violence and tensions came to a head on 2 July, with open fighting between forces loyal to FUNCINPEC and CPP. A brief coup d'état set up Hun Sen as the sole power in charge. Ranariddh fled Cambodia and Hun Sen's forces killed many of Ranariddh's party leaders and supporters in the days immediately following the coup.

Hun Sen moved to establish CPP legitimacy, with the party winning a flawed national election in July 1998 with 41.4% of the vote to FUNCINPEC's 31.7%. Ranariddh was able to return as an opposition leader, and he, along with Sam Rainsy, whose party gained 14.3% of the vote, condemned the election as rigged. Foreign aid, suspended due to the coup, resumed. Throughout 1998, the Khmer Rouge continued to disintegrate, as Pol Pot, the architect of their genocidal regime, died on 15 April and other leaders surrendered or were captured.

With the entire top echelon of living Khmer Rouge leaders in custody, Cambodian government concerns from 1999 through 2001 centered on how to bring them to justice. Hun Sen's preference was for a series of trials conducted within Cambodia's own legal system, while the UN, fearing mere "show trials," called for an international tribunal. Compromises involving foreign judges participating in the Cambodian trials were proposed.

In August 2001, King Sihanouk signed legislation creating a special tribunal to prosecute the Khmer Rouge members responsible for the deaths of an estimated 1.7 million people through execution, torture, starvation, and hard labor. The trials were to be presided over by three Cambodian judges and two foreign judges, but further negotiations with the UN were necessary to finalize the details of the court. The UN insists that international standards of justice are met for the Khmer Rouge leaders living freely in Cambodia. In February 2002, the UN concluded that the independence, impartiality, and objectivity of the proposed court could not be guaranteed, and pulled out of the negotiations. The Cambodian government indicated it would proceed with plans for the tribunal, with or without support from the UN. The issue of the trials was divisive in Cambodia, with some fearful that they would reopen old wounds and set the country back on the path

of civil war. In December 2002, the UN passed a resolution authorizing negotiations on the tribunal to begin again, and in 2004 an agreement between the UN and the Cambodian government on a tribunal system was formalized. UN members pledged \$38 million to fund the trials in August 2005.

### 13 GOVERNMENT

Cambodia was a constitutional monarchy from 6 May 1947 until 9 October 1970, when Marshal Lon Nol formally established the Khmer Republic. On 30 April 1972, a new constitution was passed by a national referendum. It provided for a directly elected president and a bicameral legislature consisting of an elective 126-member National Assembly and 40-member Senate. Upon the surrender of the Lon Nol government to insurgent forces on 17 April 1975, rule by the Royal Government of National Union of Kampuchea (Gouvernement Royal de l'Union Nationale de Kampuchea—GRUNK) was installed in Phnom Penh, with Prince Norodom Sihanouk as titular head of state. A new constitution, effective 5 January 1976, provided for a unicameral, 250-member People's Assembly, elected for a five-year term by universal suffrage of citizens over age 18. The PRK government, installed in January 1979, enacted a new constitution in June 1981. Under this constitution, an elected National Assembly was the supreme organ of state power; it was headed by a 7-member Council of State, which the Assembly elected from among its own members.

On 23 October 1991 the UN peace accord was signed by Cambodia's four factions. From 23–28 May 1993, a six-day election, the first multiparty election in more than 20 years, was held to determine the 120 members of the National Assembly. FUNCINPEC took 45.5% of the votes amounting to 58 seats in the assembly; the Cambodian People's Party (CPP), formerly the Kampuchean People's Revolutionary Party (KPRP), received 38.2% of the votes equaling 51 assembly seats; and Buddhist Liberal Democratic Party (BLDP) had 3% of the votes giving them 10 seats; and Moulinaka (Movement for the Liberation of Kampuchea, a pro-Sihanouk group formed in 1979 by Kong Sileah, considered an offshoot of FUNCINPEC) took one seat. This newly elected National Assembly was authorized to draft a constitution. In June 1993 FUNCINPEC and the Cambodian People's Party agreed to joint control of the defense and interior ministries, while FUNCINPEC controlled the foreign and finance ministries; Hun Sen and Prince Ranariddh served as co-chairmen of the interim government. The National Assembly ratified a new constitution on 21 September 1993. The monarchy was reestablished and commitments to liberal democracy, the rule of law, and women's rights were included. Prince Norodom Sihanouk ratified the constitution and again became King of Cambodia. The government of the State of Cambodia was an extremely fragile coalition after the elections, with enormous rivalries between Hun Sen's CPP, and Ranariddh's FUNCINPEC, as well as opposition from Sam Rainsy's unrecognized Khmer Nation Party. Much of the tension centered on attempts to win over factions of the Khmer Rouge, which were "coming out of the cold" en masse, their fighters and votes up for grabs by the rival political parties. In July 1997 Hun Sen's forces defeated FUNCINPEC in a brief but violent coup d'état. In 1998, the number of seats in the National Assembly was increased to 122 (as of 2003, it stood at 123). July 1998's national election legitimized Hun Sen's CPP dominance of the nation, but FUNCINPEC won a high percent-



age of seats as well, and Ranariddh became Speaker of the National Assembly. The CPP took 64 seats, FUNCINPEC held 43, and the Sam Rainsy Party (SRP) took 15 seats in the National Assembly.

In March 1999, amendments to Cambodia's 1993 constitution allowed the formation of an unelected 61-seat Senate. Two Senate seats are appointed by the king, two elected by the National Assembly, and 57 are elected by "functional constituencies." Members serve five-year terms.

## 14 POLITICAL PARTIES

Under Sihanouk, the People's Social Community Party (Sang Kam) was the most important political group. In the 1955, 1958, 1962, and 1966 elections, with a platform of nonalignment, economic aid, and development, it captured all seats in the National Assembly. Exiled in Beijing following his overthrow by Lon Nol in March 1970, Sihanouk allied himself with Cambodia's leftist insurgents under a group called the National United Front of Kampuchea (Front National Uni de Kampuchea—FNUK). Under the Khmer Republic government headed by Lon Nol, five political groups came to the fore. The Socio-Democratic Party (SDP), Lon Nol's own group, was quickly established as the most powerful political organization. Centrist opposition groups included the Republican Party and the Democratic Party. In the presidential elections held in June 1972, Lon Nol, the SDP's candidate, won by a relatively narrow margin of 55%.

With the victory of their forces in April 1975, leaders of the pro-communist FNUK became the dominant political power in Kampuchea. The leading element in FNUK was the Khmer Communist Party (KCP), founded in 1951 and now dominated by radicals Pol Pot (previously known as Saloth Sar) and Khieu Samphan. Khieu Samphan was named prime minister of the new regime, while Pol Pot remained party head. During the next few years the Pol Pot faction systematically purged all suspected pro-Vietnamese members of the party organization. In late 1978, opposition elements, headed by Heng Samrin, formed the Kampuchean National United Front for National Salvation (KNUFNS) in an effort to overthrow the Pol Pot regime. Following a Vietnamese invasion in December, Heng Samrin became the head of the pro-Vietnamese PRK government installed in January 1979. In 1981, the KNUFNS was renamed the Kampuchean United Front for National Construction and Defense, the primary mass organization in the PRK. Popularly known as the Khmer Rouge, the movement allied during the 1980s with two non-Communist factions, the Sihanoukists and Son Sann's KPNLF.

The Coalition Government of Democratic Kampuchea (CGDK), the tripartite, anti-Vietnamese resistance group formed in June 1982, changed its name to the National Government of Cambodia (NGC) in 1990. Autonomous coalition members were the Sihanoukist FUNCINPEC, the KPNLF, and the Khmer Rouge. Prince Sihanouk's main political organization, formed in 1981, was known as the National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia, or its French acronym, FUNCINPEC; he resigned as its head in 1989. In 1992 the Front was registered as a political party for the 1993 elections and Prince Norodom Ranariddh was elected president.

In 1992 the Khmer People's National Liberation Front (KPNLF), headed by Son Sann, formed the Buddhist Liberal Democratic Party (BLDP), also headed by Son Sann. The military wing of the

KPNLF was the KPNLAF, the Khmer People's National Liberation Army formed under Son Sann in 1979. Although it boycotted the elections and attempted to undermine the peace process, the Khmer Rouge had also formed a party to contest the elections, the Cambodian National Unity Party, headed by Kieu Samphan and Son Sen.

The Kampuchean People's Revolutionary Party (KPRP), the Communist Party originally installed by Vietnam in 1979 as the People's Republic of Kampuchea (PRK), was also known as the Heng Samrin Government in the late 1980s. In 1991 the KPRP dropped the word "Revolutionary" from the party name, becoming the Khmer People's Party or Cambodian People's Party (CPP). Hun Sen remained chairman of the Council of Ministers of the government of the State of Cambodia a position he had held since 1985. At an extraordinary party congress, 17–18 October 1991, Chea Sim was elected party president, replacing Heng Samrin, and Hun Sen was elected party vice president; these events signaled a shift from hardline communist ideology to a reformist position prior to the UN-supervised elections. Chea Sim remained president of the National Assembly.

In the coalition government following the 1993 election, Hun Sen was made second premier, and FUNCINPEC's Ranariddh became first premier. Hun Sen was able to push Ranariddh out of that position with 1997's brutal coup d'état, and the CPP won enough seats in the 1998 election to establish Hun Sen as sole prime minister.

Perennial opposition leader and anticorruption crusader Sam Rainsy transformed his unrecognized Khmer Nation Party into the eponymous Sam Rainsy Party, which won significant assembly seats in the 1998 election. Sam Rainsy has repeatedly stooped to race-baiting directed against Cambodia's Vietnamese population during his political career. At the same time, he is an eloquent spokesman for increased democratization and openness in Cambodia, and a persistent antiauthoritarian thorn in Hun Sen's side. When his parliamentary immunity was stripped by the National Assembly in February 2005, he fled the country in fear of arrest for defamation. Within months he had returned to Cambodia, assured by the CPP that he would not be arrested.

In May 2002, Prince Ranariddh's half-brother formed a new party, the Prince Norodom Chakrapong Khmer Soul party, to contest the national elections in July 2003, in which the CPP won the most votes and eventually formed a coalition government with FUNCINPEC. Hun Sen continued as prime minister. Violence again marred the election, with more than a dozen political killings during the campaign and voting.

In December 2002, Prime Minister Hun Sen declared that he wished to rule for another 10 years. He was the sole candidate for prime minister of the CPP following the 27 July 2003 general election. The next general election was scheduled to take place in 2008. FUNCINPEC and the CPP formed an alliance in September 2005 for mutual support in the 2008 general election, with CPP potentially backing Prince Ranariddh as prime minister. In October 2005, following controversy over a border pact with Vietnam, Hun Sen launched a sudden, severe crackdown on dissent, with arrests and arrest warrants targeting government critics, journalists, trade unionists, and opposition political figures.

King Sihanouk abdicated the throne in October 2004, after a 60-year reign. Prince Norodom Sihamoni (not previously in-

volved in politics) was chosen as the new monarch of Cambodia by a Throne Council, becoming King Norodom Sihamoni on 29 October 2004.

## 15 LOCAL GOVERNMENT

Under the Lon Nol government, Cambodia was divided into 20 provinces (*khet*), 7 sub-provinces (*anoukhet*), 147 districts (*srok*), and more than 1,200 townships (*sangkat* or *khum*) and villages (*phum*). Under the Pol Pot regime, administration was essentially decentralized into several major regions. Regions were divided into 41 districts, and the population as a whole was organized in massive rural communes. Under the PRK regime, the pre-1975 system of administration has been restored. Based on the People's Republic of Kampuchea's new constitution of June 1981 Local Assemblies, popularly elected by the respective localities—province, district, sub-district, ward—were instituted with the number of representatives fixed by law, and People's Revolutionary Committee's chosen by the respective assemblies. In 1987 Cambodia was divided into 18 provinces, two special municipalities (*krong*), and Phnom Penh and Kâmpóng Saôm, which were under direct central government control. The provinces were subdivided into about 122 districts, 1,324 communes, and 9,386 villages. Municipalities were subdivided into wards (*sangkat*). The same system of assemblies and committees remains in place. The new constitution of the State of Cambodia was adopted on 21 September 1993. People's Committees established in all provinces, municipalities, districts, communes, and wards were responsible for local administration, public security, and local order. Within this system provincial officials and the governor effectively controlled the armed forces and security services, tax collection, civil service—and through them 80% of the Cambodian population. The country's provinces remained under the sway of the Cambodian People's Party (CPP) and responded to the old political loyalties rather than the central authority of the State of Cambodia. To alter this system the National Assembly passed laws to secure central control of the economy. Effective 1 January 1994 a national budget and financial laws were enacted to try to ensure that all revenues came totally and directly to the national treasury. Provincial corruption and lawlessness remain severe problems, as communications and infrastructure are extremely underdeveloped within Cambodia and smuggling is rife.

In February 2002, Cambodia held its first local elections in 23 years. The CPP claimed victory in all but 23 of the 1,621 communes. FUNCINPEC won only seven of the village communes. At least 20 political activists, mostly from opposition parties, were killed in the run-up to the elections. The proportion of female candidates in the elections was 16%.

As of October 2005, there were 20 provinces (*khett*) and 4 municipalities (*krong*).

## 16 JUDICIAL SYSTEM

The 1993 constitution of the Kingdom of Cambodia provides due process protections such as presumption of innocence and also guarantees an independent judiciary. Efforts are still being made to train judicial personnel to implement these principles, and to ensure basic human rights for Cambodians.

Prior to 1989, the constitution of 1976 provided for a supreme judicial tribunal whose members were to be appointed by a Peo-

ple's Assembly. Because of the civil and military turmoil, however, this system was never fully implemented. The judicial system that was outlined in the constitution of 1989 provided for provincial court judges named by state officials. In practice, the judiciary was controlled by the government.

The legal system consists of lower courts, an appeals court and a Supreme Court. There is also a military court system. The 1993 constitution provides for a Constitutional Council, and a Supreme Council of Magistrates, which appoints and disciplines judges. With low revenues and high crime rates plaguing Cambodia, the justice system is burdened by substandard police procedures. Many serious crimes, notably political killings, go unsolved. Judicial and police corruption and abusive imprisonment conditions remain endemic.

## 17 ARMED FORCES

Cambodia in 2005, had 124,300 active personnel in the armed forces. The Army consisted of 75,000 personnel with over 150 main battle tanks, more than 20 light tanks, an undisclosed number of reconnaissance vehicles, 70 armored infantry fighting vehicles, over 190 armored personnel carriers, and more than 428 artillery pieces. The Navy numbered around 2,800, including 1,500 naval infantry personnel. Equipment included 10 patrol/coastal craft. Cambodia's Air Force in 2005 totaled 1,500 personnel with 24 combat capable aircraft that included 14 fighter aircraft. Provincial forces number some 45,000. There is a paramilitary of 67,000 police including gendarmerie. The defense budget in 2005 totaled \$73.8 million.

## 18 INTERNATIONAL COOPERATION

Cambodia has been a member of the United Nations since 14 December 1955 and participates in ESCAP and several nonregional specialized agencies. Cambodia was admitted to the WTO 13 October 2004. Cambodia is also a member of the Asian Development Bank, the World Federation of Trade Unions, and G-77. Cambodia was accepted as the tenth member of the Association of Southeast Asian Nations (ASEAN) in May 1998. The country is part of the Nonaligned Movement and a member of the Permanent Court of Arbitration. In environmental cooperation, Cambodia is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on Climate Change, and Desertification.

## 19 ECONOMY

Cambodia's economy has been based traditionally on agriculture. About 85% of the cultivated area is devoted to the production of rice, while rubber trees account for a major part of the remainder. Prior to the war years, Cambodia's rice crop was usually ample enough to permit exports. The Tonle Sap is one of the major fishing reservoirs in Asia, and its products have played a key role in the Cambodian economy and diet. Cattle breeding is another important source of income. During the 1970–75 period, Cambodia's economy came to rely critically on US assistance, as the expansion of the war caused widespread damage and limited economic activity. The Pol Pot regime, which came to power in April 1975, was determined to emphasize the growth of agriculture and restore

national self-sufficiency. The entire population was mobilized in a mass labor campaign to improve agricultural production through massive irrigation projects in the countryside. The cities were virtually emptied, and industrial production drastically declined. Private ownership of land was disallowed, and landholdings were transferred to the state or to state-organized cooperatives. All industrial enterprises were similarly transferred to state ownership. Sparse food supplies were distributed through a system of government food rationing and other forms of allotment.

When the PRK government took over in 1979, it was faced with a major challenge in restoring the national economy. The first problem was to end the threat of famine. A massive international campaign to feed the population took place during 1979–82. In the meantime, similar efforts were undertaken to stimulate the industrial sector and expand exports in order to obtain needed foreign exchange. Reliable sources note that the infrastructure was so severely degraded that it had only 40–50% of prewar capacity. By the mid-1980s, the economy had essentially returned to the level of the pre-1975 period, although the regime was still vitally dependent on foreign aid, chiefly from Vietnam and the former USSR. In July 1986, the PRK issued an emergency appeal to international organizations for rice.

Rule by the Khmer Rouge, 20 years of civil war, economic isolation, and a centrally planned economy imposed heavy burdens on Cambodia. Serious damage to basic infrastructure, industrial and agricultural production, and human resources required massive rehabilitation and reconstruction. Market-oriented reforms have been introduced which dismantle the centrally planned economy. Since 1989 Cambodia passed legislation to restore the right to own and inherit property, freed prices, passed a liberal foreign investment code, began to privatize state assets, and property, decontrolled the official exchange rate, and liberalized foreign trade. Reforms generated increased agricultural production and foreign investment. Phnom Penh and other urban areas received the greatest benefit from this economic activity.

In the 1990s Cambodia remained predominantly agricultural with more than 80% of workers employed in agriculture. Inflation rose steadily, the price of domestic commodities increased at least 140% in 1990, but by only 15% in 1998. In 1991 Cambodia halted the free trade of gold as part of an effort to stabilize the value of the currency, the riel. Triple-digit inflation made currency worthless in 1992 and it was pulled from circulation. In 1994 the riel was stabilized at 2,400–2,600 riel to one US dollar. In 1991–1993, the transition period from a command to a market-driven system, the presence of 22,000 UN personnel aided the Cambodian economy, although the growth was mainly urban, barely affecting rural areas. Western consumer goods such as motor vehicles, tinned food, alcohol, and cigarettes, were readily available in Phnom Penh and other cities. On 4 January 1992 President Bush announced the lifting of the US trade embargo against Cambodia shortly after the signing of the Paris Peace Agreement on Cambodia in 1991.

One outcome of the May 1993 elections was a division of government portfolios between the winning party, FUNCINPEC, and the surprised runner-up, the Cambodian People's Party (CPP). FUNCINPEC took over the financial and economic portfolios. An aggressive campaign was mounted to restructure tax, investment, banking and currency laws. As part of the battle against official corruption some contracts signed by the previous government

were revised or abrogated. The government moved to strengthen the currency and provide new banking legislation. Effective 1 January 1994 were Cambodia's national budget and financial structure laws aimed at establishing central control of the economy. In August 1994, the government adopted a new liberalized foreign investment law with protections against nationalization and guarantees of national treatment except in matter of land ownership. The economy propelled into a period of strong growth, with real GDP increasing at an average annual rate of 7.2% 1993–97. The peak was reached in 1995, when real growth reached 8.4%. Inflation was only 3% in 1995, falling from 17.9% in 1994. During the next year two years, real growth declined, to 3.5% and 3.7%, respectively, while inflation rose, to 9% for both years. A more serious slowdown occurred in 1998 the Asian financial crisis; drought, civil violence, and political squabbles all conspired to slow growth to a barely discernable 1%, while inflation surged to 13.5%.

Cambodia's admission into ASEAN (Association of Southeast Asian Nations), scheduled for 1998, ended up being delayed until April 1999 due to a breakdown into factional violence in July 1997. The after-effects of the Asian financial crisis were also felt, reducing GDP growth to 1% in 1998, and spiking inflation to 12.6%. Recovery in 2000 was propelled by a 29% growth in industrial production, but moderated by a contraction in agricultural output of -2.7% due to the worst flooding in 70 years. Services grew 3.1% in 2000, producing an overall GDP growth rate of 5.4%. Inflation was completely eliminated as prices showed a slight decline of -0.8%. Flooding continued to be a problem in 2001, keeping agricultural growth to 4.4%, while growth in services slumped to 2.4% primarily due to a decline in tourism. Industrial growth was again the main propellant, growing 12.5%, producing an overall GDP growth of 5.3% in 2001. Estimates for 2002 were a 3% growth in GDP with 3% inflation, up from a -0.6% rate in 2001. In November 2001, Cambodia was removed for the US list of Major Drug-Transit Countries by executive action of President George W. Bush because of lack of evidence in recent years of any heroin transiting Cambodia coming to the United States.

Economic growth has been steady in previous years, the GDP registering growth rates of 5.4% in 2002 and 2003, and 4.8% in 2004; in 2005, the economy was expected to experience a slight recession, with a growth rate of only 1.9%. Inflation and unemployment remained at unthreatening levels. The economy environment remained fragile, Cambodia still being dependent on donor aid and having more than 75% of its population engaged in subsistence farming. Another problem for the country was its skewed demographics—more than 50% of its population is 20 year old or younger, for which proper jobs have to be created.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Cambodia's gross domestic product (GDP) was estimated at \$28.7 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,200. The annual growth rate of GDP was estimated at 4%. The average inflation

rate in 2005 was 4.3%. It was estimated that agriculture accounted for 32.9% of GDP, industry 29.2%, and services 37.9%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$138 million or about \$10 per capita and accounted for approximately 3.3% of GDP. Foreign aid receipts amounted to \$508 million or about \$38 per capita and accounted for approximately 12.5% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Cambodia (Kampuchea) totaled \$3.41 billion or about \$254 per capita based on a GDP of \$4.1 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.4%. It was estimated that in 2004 about 40% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2003, Cambodia's workforce was estimated at seven million, of which 75% were estimated in 2004 to be in the agricultural sector. The estimated unemployment rate in 2000 was 2.5%.

Although Cambodia's labor law provides the right for workers to form unions and bargain collectively, civil servants such as military personnel, judges and teachers are excluded, along with household servants. In addition aviation and maritime transport industry personnel are limited as to coverage, but can form unions. Enforcement of labor laws is spotty and with the exception of government employees, wages are set by the market place. Forced or compulsory labor is also prohibited, but again, enforcement is inadequate and involuntary overtime is widespread. It is estimated that unions account for less than 1% of the country's labor force and are concentrated in the footwear and garment industries.

By law, the minimum legal working age was 15 years, with 18 as the minimum age for hazardous work. Minors between 12 and 15 can participate in light work that is not dangerous to their health and does not affect school attendance. However, enforcement once again remains inconsistent. Of all minors between the ages of 5 and 17, more than half (53%) were employed, of which one-third were over 14. About 71% were employed in the agricultural or forestry sectors, 21% in services or sales and 7% in production.

A 48-hour workweek and minimum safety and health standards are provided by law. However, these rules are not effectively enforced. Separate minimum wages are established for each sector of the economy but average wages are so low that second jobs and subsistence agriculture are usually necessary. The minimum wage in the garment industry is \$45.00 per month. Many children are engaged in work activity, generally within the agricultural sector.

## 2<sup>2</sup> AGRICULTURE

Because of the lack of natural resources and the primitive industrial base in Cambodia, agriculture is the key sector in the economy. Arable land amounted to 3,807,000 hectares (9,007,000 acres) in 2002, or 22% of the total land area. In 2004, agriculture accounted for 36% of GDP and engaged 69% of the economically active population.

Rice provides the staple diet and prior to 1970 was Cambodia's major export, along with rubber. Production peaked at 3,200,000

tons in 1968; it began falling because of the expansion of the war and by 1974 had declined to 635,000 tons, but had risen back to 2,155,000 tons in 1990. Production in 2004 totaled 4,170,000 tons from 2,094,000 hectares (5,174,000 acres).

Upon coming to power in April 1975, the Pol Pot regime embarked on a major rice production program, but the highest output achieved was only 1,800,000 tons in 1976 and in 1977; civil war, holocaust, and the Vietnamese invasion lowered the rice harvest in 1979 to one million tons. During the 1980s, rice production gradually increased, from about 1,564,000 tons in 1980–81 to an estimated 1,680,000 tons in 1985/86. During the mid-1980s the Khmer Rouge government attempted to stimulate production by delaying its plans for collectivization of the countryside. In 1989, the new government returned agricultural land to the tiller, which significantly boosted food production; average annual production in 1989–91 was 2,524,000 tons.

Rubber has traditionally been the second most important agricultural crop. However, rubber plantings, which covered 48,000 hectares (119,000 acres) in 1969, were almost completely destroyed by the end of 1971. Production, up to 51,100 tons in 1969, declined to virtually nil in 1971, recovering to about 16,000 tons in 1974. The Pol Pot and Khmer Rouge governments continued efforts to revive the rubber industry, the latter with aid from the former USSR and GDR. Recovery has been uneven and slow, however, and reached 46,000 tons in 2004. Other crops, with 2004 production levels, were coconuts (71,000 tons), corn (256,000 tons), soybeans (39,000 tons), sweet potatoes (34,000 tons), beans (24,000 tons), cassava (140,000 tons), tobacco (7,400 tons), and peanuts (10,000 tons).

## 2<sup>3</sup> ANIMAL HUSBANDRY

Livestock, raised primarily by private households, traditionally supplied an important supplement to the Cambodian diet. The Pol Pot regime placed heavy stress on cattle and poultry breeding, but thousands died during the chaotic years of the late 1970s. Estimated livestock levels in 2004 were cattle, 3,000,000 (as compared with 700,000 in 1979), and pigs, 2,180,000 (as compared with 100,000 in 1979). Cambodia also had 625,000 head of buffalo, 14.5 million chickens, and 7 million ducks in 2004. In 2004, Cambodia produced an estimated 193,550 tons of meat, with pork accounting for 53%; poultry, 8% beef, 28%; and other meats, 11%.

## 2<sup>4</sup> FISHING

Production of freshwater fish, the main protein element in the Cambodia diet, traditionally ranked next to rice and rubber in the national economy. About half of Cambodia's freshwater catch came from the Tonle Sap. Offshore fishing grounds present a potential resource not yet fully exploited.

Marine fishing developed significantly during the 1980s; the saltwater catch totaled 3,015 tons in 1982 and 64,021 tons in 2003. In 2003, inland fishing amounted to 326,636 tons, up from 72,640 tons in 1994.

## 2<sup>5</sup> FORESTRY

About 53% of the country was forested in 2000. Forestry has been limited because of transportation difficulties and damage from war. The main products of the forest industry are timber, resins,

wood oil, fuel, and charcoal. Production of roundwood, averaging about 4 million cu m (141 million cu ft) in the late 1960s, fell off sharply during the 1970–75 war, but increased to almost 9.7 million cu m (342 million cu ft) in 2003. Exports of sawn wood were valued at \$14 million. Fuel wood production was 9.6 million cu m (337 million cu ft) in 2003.

## 26 MINING

Cambodia's mineral resources, though limited, had not been extensively explored and developed in the past two decades because of war, internal conflict, and the lack of appropriate legislation and policy to attract foreign investors. The mining sector, the smallest in the economy, contributed 0.3% to the country's GDP in 2004 and employed about 11,000 people in that year. In 2004, the country produced aggregates, laterite blocks (estimated at 230,000 metric tons), phosphate rock, quartz sand (1,000 metric tons in 2003), salt (estimated at 40,000 metric tons), sand (estimated at 500,000 metric tons), gravel (estimated at 10,000 metric tons), and stones (estimated at 600,000 metric tons). Other metallic minerals identified in the country were antimony, bauxite, chromium, copper, lead, manganese, molybdenum, silver, tin, tungsten, and zinc. In addition, Cambodia had resources of such industrial minerals as carbonate rocks, fluorite, quartz, silica sand, and sulfur. Iron deposits and traces of gold, coal, copper, and manganese have been reported in the Kampong Thum area. Substantial deposits of bauxite, discovered in the early 1960s north of Băttămbăng and southeast of Phnom Penh, have yet to be worked. Potter's clay was common, and deposits of phosphates, used for fertilizer, existed in southern Kămpăt province and near Phnom Sampou. Precious gems were mined in the Pailin area and smuggled to Thailand. High-quality cornflower-blue sapphires are highly valued gemstones and high-quality rubies also have been found. It was unlikely that exploitation of the nation's mineral resources could be undertaken without continued removal of landmines.

## 27 ENERGY AND POWER

Several new power-generating facilities were installed in the mid-1960s, but total capacity was reduced by about one-third in the course of the 1970s war, reaching 41,000 kW by 1973/74; in that period, production stood at 150 million kWh. Total generating capacity was 35,000 kW in 2002, with output for that same year at 0.108 billion kWh, of which 67.5% was from fossil fuels and 32.5% from hydropower. Electricity consumption was 0.101 billion kWh in 2002.

Offshore oil was reportedly discovered by a French firm in August 1974 in the vicinity of the Wai Islands. In 1995 a total of 17 foreign companies submitted bids to explore for oil and gas both onshore and offshore; the offshore areas are near Sihanoukville on the Gulf of Thailand.

## 28 INDUSTRY

Industrial activity has traditionally centered on the processing of agricultural and forestry products and on the small-scale manufacture of consumer goods. Rice milling has been the main food-processing industry. Industrial expansion came to a virtual halt in 1970 with the outbreak of war. A few sectors (such as textiles and beverages) enjoyed a short wartime boom due to military orders, but losses in territory and transport disruptions had caused a rapid

decline in activity by 1973. The Pol Pot government placed all industries under state control in 1975. In the course of the next four years, some 100 industries were abolished or destroyed. When the PRK took over in 1979, industrial plants began to reopen. By late 1985 there were a reported 60 factories in the state sector producing household goods, textiles, soft drinks, pharmaceutical products, and other light consumer goods. Most plants operate below capacity because of poor management and shortages of electricity, raw materials, and spare parts. There is little information on the small Cambodian private sector. The overall value of local and handicrafts industries in 1984 was estimated at about 50% of the output value in state industry.

Efforts at recovery continued in the early 1990s, but were hampered by dilapidated equipment and shortages that continued to affect industrial production, principally textiles and rubber production. For instance, following the cutback of assistance from the former Soviet Union in 1990, Cambodia's primitive industrial sector suffered from raw material shortages; three of six government-owned textile mills shut down because of shortages of cotton. When major Soviet oil supplies were depleted local companies imported oil, but the cash-strapped state companies suffered electricity brownouts daily. Major industries include rice milling, fishing, wood and timber products, rubber (largely abandoned since 1975), cement, and gem mining. Cambodia has significant mineral deposits of gold, silver, iron, copper, marble, limestone and phosphate, and a gem industry. Construction in urban areas boomed with the signing of the Paris peace accords in 1991. After Cambodia opened oil fields to foreign investors in February 1991, sixteen companies expressed interest in oil exploration. In January 1994 it was reported that five oil companies were conducting offshore oil and gas exploration.

In 1996, clothing industry exports more than doubled. Some 36 factories employed around 20,000 people. The average annual industrial growth rate for 1988 through 1998 was 8.5%, but growth slumped to 7.7% in 1998 due to the effects of the Asian financial crisis, civil, drought, and political disruptions. However, recovery was rapid in the industrial sector as it posted growth output of 12%, 29%, and 12.5% for 1999 to 2001. The garment industry grew by 50% during this period. In 2000, industry constituted 20% of total GDP.

By 2002, the industrial production growth rate was 22%, well above the overall rate of growth of the economy. In 2004, industry made up 30% of the economy, but it employed only a fraction of the working population; agriculture was by far the biggest employer and an important contributor to the economy—35%.

## 29 SCIENCE AND TECHNOLOGY

Since 1979, foreign technicians have been helping to revive the economy. Aside from a School of Medicine and Pharmacy, there is virtually no opportunity within Cambodia to pursue scientific training or research. In 1987–97, science and engineering students accounted for 13% of college and university enrollments.

## 30 DOMESTIC TRADE

Phnom Penh has traditionally been Cambodia's principal commercial center. Formerly, most wholesale and retail business was in the hands of French, Chinese, and Vietnamese. In April 1975 all

private shops in the country were closed and virtually all domestic trade fell under the control of the state. Official currency was abolished in favor of barter. Following the installation of the PRK, currency was reestablished and some private trade resumed with official encouragement. After 1983, private shops resumed operation in Phnom Penh. Most of these shops are owned directly or subsidized by wholesalers. Goods are also sold from traveling vans or through newspaper advertisements.

In 1986, the government began collecting license fees, rents, and utility fees from private businesses and substantially increased their taxes. In the early 1990s the Heng Samrin government fell behind in its payments to government troops and bureaucrats, printing more money to meet these obligations. Without revenue this vicious cycle peaked in triple-digit inflation by 1992, when the currency was rendered worthless and pulled from circulation. Market prices rose as the currency value dropped meaning poorer Cambodians could not afford their staple food, rice. The United Nations Transitional Authority in Cambodia (UNTAC) introduced imported rice and sold it at a fixed price in an effort to halt the inflationary spiral.

Despite the economic benefits of the UN presence, political disruptions, and violence in 1997 and 1998 reversed economic growth. In Cambodia depressed economic output is supplemented by goods smuggled in from Thailand and Singapore. Economic reforms became in earnest in 1999, which marked the first full year of peace for the nation in about 30 years.

As of 2001, about 80% of the population was employed in agriculture; however, the service sector is beginning to grow as the nation attempts to expand tourism. The economy was still heavily reliant on international aid.

### 31 FOREIGN TRADE

Cambodia has traditionally been an exporter of primary products and an importer of finished goods. The country's normal trade patterns virtually disintegrated during the war as exports declined, and Cambodia was largely sustained by US-subsidized imports. Under the Pol Pot regime, foreign trade virtually ceased. According to Western estimates, total trade (excluding trade with China) was \$3 million in exports and \$22 million in imports in 1977. With the installation of the PRK government, foreign trade began to rise in volume. The value of total exports rose from an estimated \$3–4 million in 1982 to approximately \$10 million in 1985; imports in that year came to about \$120 million. The main import categories were food, vehicles, fuels, and raw materials. Cereal imports dropped from 223,000 tons in 1974 to 60,000 tons in 1985. Foreign trade is legally restricted to licensed private-sector firms and government agencies, although there is considerable smuggling between Cambodia and Thailand. In 1985, Cambodia and Vietnam signed an agreement to double their mutual trade in 1986.

In 1986 major export and import trading partners with Cambodia were Vietnam, the USSR, Eastern Europe, Japan, and India. Assistance to Cambodia from the USSR ceased in 1991, when that country broke apart. The US trade embargo against Cambodia was lifted in January 1992 by President George H. W. Bush. As of 1992 Cambodian exports were mostly agricultural, comprised of timber mainly and rubber. Logging is a ready source of badly needed export revenues for both the government and the other political

factions. The United Nations Development Program (UNDP) estimated that the forest cover had fallen to as little as 40% of the land area by 1992. Cambodia's own forestry department figured that in 1969 forests covered 73% of the country's land area. The UNDP concluded that deforestation was a major threat to Cambodia's development.

In 2000, major export commodities were timber, garments, rubber, rice, and fish. Major import commodities were cigarettes, gold, construction materials, petroleum products, machinery, and motor vehicles.

In 2004, exports reached \$2.3 billion (FOB—free on board), while imports grew to \$3.1 billion (FOB). The bulk of exports went to the United States (55.9%), Germany (11.7%), the United Kingdom (6.9%), Vietnam (4.4%), and Canada (4.2%). Imports included petroleum products, cigarettes, gold, construction materials, machinery, motor vehicles, and pharmaceutical products; these mainly came from Thailand (22.5%), Hong Kong (14.1%), China (13.6%), Vietnam (10.9%), Singapore (10.8%), and Taiwan (8.4%).

### 32 BALANCE OF PAYMENTS

Cambodia's balance-of-payments position showed a deficit every year during the period 1954–74. Payments transactions with other countries virtually ceased under the Pol Pot regime, when China conducted Kampuchea's external financial dealings. From 1979, Kampuchea continued to run a substantial trade deficit, much of which had been financed by grant aid and credits extended by the USSR and Vietnam. The current account deficit, which stood at 11.5% of GDP in 1999, was mainly financed by official development assistance grants and loans, and foreign direct investment. The country's official reserves at the end of 1999 were able to cover the equivalent of 3.5 months of imports.

In 2000, the country's foreign debt stood at approximately \$1.3 billion, the majority of which it owed to Russia; as of that date, it

#### Balance of Payments – Cambodia (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-155.2</b>
Balance on goods		-549.3
Imports	-2,595.6	
Exports	2,046.2	
Balance on services		132.1
Balance on income		-183.1
Current transfers		445.1
<b>Capital Account</b>		<b>-6.0</b>
<b>Financial Account</b>		<b>184.7</b>
Direct investment abroad		-9.7
Direct investment in Cambodia		87.0
Portfolio investment assets		-7.7
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		-184.5
Other investment liabilities		299.6
<b>Net Errors and Omissions</b>		<b>-10.7</b>
<b>Reserves and Related Items</b>		<b>-12.8</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

had yet to reach agreement with the Russia on repayment of the debt.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Cambodia's exports was \$1.05 billion while imports totaled \$1.4 billion resulting in a trade deficit of \$350 million.

The International Monetary Fund (IMF) reported that in 2001 Cambodia had exports of goods totaling \$1.38 billion and imports totaling \$1.73 billion. The services credit totaled \$257 million and debit \$244 million.

Exports of goods and services reached \$3.2 billion in 2004, up from \$2.6 billion in 2003. Imports grew from \$3.0 billion in 2003, to \$3.7 billion in 2004. The resource balance was consequently negative in both years, reaching -\$400 million in 2003, and -\$500 million in 2004. The current account balance was also negative, deteriorating from -\$105 million in 2003, to -\$262 million in 2004. Foreign exchange reserves (including gold) grew to \$890 million in 2004, covering less than three months of imports.

### **3<sup>3</sup> BANKING AND SECURITIES**

All banking institutions were nationalized by the Sihanouk government on 1 July 1964. The National Bank of Cambodia, a semi-autonomous government agency functioning as the sole currency authority, was charged with central banking responsibilities, including the control of credit. The decision by then Premier Lon Nol to permit foreign banks to do business in the country in early 1970 was a factor leading to his break with Prince Sihanouk and to the latter's overthrow in March 1970.

In April 1975, the Pol Pot government assumed control of the National Bank, and virtually all banking operations in Kampuchea were liquidated. The PRK government reintroduced a money economy, and by 1983 the National Bank of Cambodia (NBC) and a Foreign Trade Bank had been established. In 1991 the government created a state commercial bank to take over the commercial banking operations of the national bank. Banks in Cambodia include the Cambodian Commercial Bank, Cambodian Farmers Bank, and the Cambodian Public Bank. There were at least 50 commercial banks operating in 2001. The NBC has implemented new regulations for licensing banks, causing two banks to be closed. There is no securities trading in Cambodia.

The riel resumed its fall against the dollar in January and February of 1997 after briefly strengthening in December of 1996. It fell about 2% against the dollar in 2000 alone, trading at about 3,916.3 riels per dollar in 2001. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$155.7 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$562.7 million.

### **3<sup>4</sup> INSURANCE**

All insurance companies were "Cambodianized" in 1960; 16 companies were in operation prior to 1975. Under the Pol Pot govern-

ment, normal insurance operations were suspended. No current information is available concerning insurance in Cambodia.

### **3<sup>5</sup> PUBLIC FINANCE**

All government budgets of the two decades preceding 1975 were marked by an excess of expenditures over domestic revenues; foreign aid and treasury reserves made up the difference. There probably was no domestic public finance system during 1975–78; any public funds in that period came from China. During the 1980s, public expenditures were financed by the former USSR, either directly or through Vietnam. From 1989–91, the public deficit nearly tripled as a result of falling revenue collection. As assistance from the Soviet bloc ceased after 1990, monetary expansion soared to cover the deficit. By the middle of 1992, with hyperinflation imminent, the government began a series of stabilization efforts to halt the fiscal deterioration. With only limited international aid, however, public expenditures for the necessary reconstruction and development of Cambodia have been restricted.

The US Central Intelligence Agency (CIA) estimated that in 2005 Cambodia's central government took in revenues of approximately \$559.4 million and had expenditures of \$772 million. Revenues minus expenditures totaled approximately -\$212.6 million. Total external debt was \$800 million.

### **3<sup>6</sup> TAXATION**

Until 1975, indirect taxes were the most profitable source of domestic revenue, especially such monopoly excises as the sales tax on salt. Other indirect taxes included those on alcohol, tobacco, sugar, radios, and livestock. Taxes ceased to exist with the abolition of currency during the Pol Pot regime and were replaced by payments in-kind. In 1984, the PRK introduced an agricultural tax to soak up profits earned by private farmers. The tax reportedly amounted to about 10% of total output. In 1986, taxes on private business were increased, which forced some shopkeepers out of business. In 2002, there was a general corporate tax of 9%, except for in the fields of resource exploitation.

### **3<sup>7</sup> CUSTOMS AND DUTIES**

Cambodia has simplified its tariff system in recent years and eliminated most nontariff barriers to trade. Customs duties are now divided into four simple categories. Luxury goods, such as automobiles, alcohol, tobacco, and cosmetics have a rate of 70%. Finished products such as electronics, paint, and furniture carry a tariff of 35%. Machinery and capital equipment have a rate of 15%, and raw materials carry a tariff of 7%. A few products, such as agricultural equipment and pharmaceutical products, are exempt from import tariffs, but are still subject to the 10% value-added tax (VAT). The United States resumed diplomatic ties with Cambodia in September 1993. Cambodia joined ASEAN in 1998.

### **3<sup>8</sup> FOREIGN INVESTMENT**

There was little private foreign capital in pre-1975 Cambodia. French capital in rubber plantations represented more than half of the total investment. Foreign investment was prohibited under the Pol Pot regime and was not resumed under its successor, the People's Republic of Kampuchea (PRK). As part of Cambodia's

economic reforms the July 1989 Foreign Investment Law and the regulations implementing the law contained in the May 1991 sub-decree on foreign investment created a favorable foreign investment climate in Cambodia. From 1989 to 1991 there were over 200 investment applications, 20 being granted and 70 given tentative approval. Foreign investors from Thailand, Singapore, Taiwan, Hong Kong, France, and the United States accounted for over half these applications; overseas Khmers accounted for 30%, and 10% were from local investors. By 1993 it was reported that final contracts had been signed for 45 of these 200 applications. The value of these proposals is small, \$1–5 million, and the proposals are concentrated in services, tourism, and textiles. The most visible projects are the 380-room Cambodiana Hotel in Phnom Penh, a satellite earth station project that provides international direct dial service, and a cellular telephone system in Phnom Penh. The primary hindrance to foreign investment is the lack of infrastructure—roads are in dismal condition, bandits roam, power outages are common, and phone service is inadequate.

The new foreign investment law was adopted by the National Assembly on 4 August 1994. It guarantees that investors shall be treated in a nondiscriminatory manner, except for land ownership; that the government shall not undertake a nationalization policy which adversely affects private properties of investors; that the government shall not impose price controls on the products or services of an investor who has received prior approval from the government; and that the government shall permit investors to purchase foreign currencies through the banking system and to remit abroad those currencies as payments for imports, repayments on loans, payments of royalties and management fees, profit remittances, and repatriation of capital.

In October 1999, the government entered into a three-year IMF-monitored program that included as a priority goal, making the country more attractive for foreign direct investment. In February 2000 this program was complemented by a World Bank program aimed at revising Cambodia's 1994 Law on Investment (LOI). Foreign investment commitments averaged over \$800 million in the period 1996 to 1998, but fell to \$482 million in 1999. Actual foreign investment in 1999, the latest data available, was \$160 million. In 2002, over 100 US companies and companies representing US products and services were active in Cambodia. Inflows of foreign capital have receded in subsequent years, reaching \$77 million in 2003 and \$83 million in 2004.

### 39 ECONOMIC DEVELOPMENT

Until 1975, Cambodian governments sought aid from public and private foreign sources and attempted to improve the climate for private foreign capital investment, although the volume of investment was small. Both Sihanouk and Lon Nol also increased local control of economic activities within the country. Aliens were prohibited from engaging in 18 professions or occupations, including those of rice merchant and shipping agent. The Sihanouk government promoted economic development through two five-year plans designed to improve the nation's light industrial sector and its educational and technological infrastructure. Progress was mixed. Strained economic conditions were a factor leading to the overthrow of Sihanouk in 1970. The outbreak of war following his fall brought almost all major production to a halt. The economic objectives of the 1975–79 Pol Pot regime were centered

almost entirely on agriculture and the improvement of the irrigation network. Self-sufficiency was stressed, and foreign aid was almost nil except for an estimated \$1 billion from China. When the PRK government took over, it inherited a shattered economy and a depleted population. The 1986–90 five-year plan stressed growth in the agricultural sector, the restoration of light industry (which faces shortages of raw materials and electrical supply), gradual socialist transformation of ownership, dependence upon the former USSR and its allies for foreign assistance, and an increase of economic cooperation with its Indochinese neighbors. The PRK signed a number of aid, trade, and cooperation agreements with the former USSR and other Eastern European countries and was receiving substantial technological aid from neighboring Vietnam. Development assistance from the CMEA bloc totaled an estimated \$700 million between 1980 and 1984.

The PRK moved slowly on its plan to transform the Cambodian economy to full socialist ownership, in recognition of the relatively low socialist awareness of the population. A small private manufacturing and commercial sector was recognized by the constitution in 1981, and farmers were being introduced to collectivization through the formation of low-level "solidarity groups" which combined socialist and private ownership. PRK plans were to advance more rapidly toward socialist transformation during the 1990s. However, since the mid-1980s the emphasis has been placed on private sector economic activities. Newly introduced market-oriented reforms dismantled the old central planning regime. However, the structural underpinnings of a capitalist system—legal, financial, and institutional—exist only in rudimentary form.

Many of Cambodia's nationalized industries were allowed to operate with limited autonomy from the state planning system, but the lack of capital and management expertise, as well as institutionalized corruption and bureaucratic red tape have mired this recovery process. In 1991 at the Tokyo Conference on the Rehabilitation and Reconstruction of Cambodia, \$880 million in assistance was pledged to Cambodia by donor countries and multilateral institutions. An additional \$80 million in aid was pledged by the Asian Development Bank, and the World Bank planned a \$75-million assistance program. Under Sam Rainsy, Minister of Finance and Economy, the national assembly passed a budget and new Financial Structure Laws effective 1 January 1994. The government's aim was to establish central control of the economy and at the same time strike out at corrupt practices. About 48% of the budget was made up of international assistance; there was no land or income taxes with tax revenues providing only 6% of GDP, and customs duties provided 54% of total revenue.

In October 1999, after the disruptions caused by civil unrest and the Asian financial crisis, the government entered into a three-year arrangement with the IMF under its Poverty Reduction and Growth Facility (PRGF). The program focused on bank restructuring; reform of the Foreign Trade Bank; reform of forestry policy; and strengthening the public sector accounting and expenditure management. Concurrently, a Structural Adjustment Credit (SAC) loan program under the World Bank was approved in February 2000. The SAC program included conditionals related to the pilot military demobilization program, public expenditure management, forestry policy and revisions to the 1994 Law on In-



vestment (LOI). Development in Cambodia is inextricably linked to the government's ability to maintain peace.

The economy has expanded at impressive rates in the late 1990s and early 2000s. This growth was fueled by a strong manufacturing sector, especially the garment industry; a textiles factory opened in 1996. However, the fact that the economy seems to be pulled ahead by just one engine (the textiles industry, since agriculture suffered a recess due to droughts in 2004), it seemed unlikely that these growth rates would be sustained.

#### 40 SOCIAL DEVELOPMENT

The Sihanouk and Lon Nol governments enacted limited social legislation regulating hours of work, wages, and workers' compensation. During the Pol Pot period, the social fabric of the country was severely damaged. Although installation of the PRK government brought an end to the wide-ranging trauma of 1975–79, overall social conditions in Cambodia remained among the worst in Southeast Asia. Unstable conditions have also limited improvement in the standard of living, still one of the lowest in the region.

Cambodia's constitution provides equal rights for women in areas including work and marriage. Women have property rights equal to those of men and have equal access to education and certain jobs. However, traditional views of the roles of women act to prevent women from reaching senior posts in government and business. Domestic violence against women remained a widespread problem. Domestic abuse victims rarely issue formal complaints. Trafficking in women and children for prostitution continued both domestically and across the nation's borders.

Cambodia's human rights record includes a number of abuses, including extrajudicial killings, and other uses of excessive force by security forces. Impunity for such abuses remained a problem. Discrimination against the ethnic Vietnamese persists.

#### 41 HEALTH

One of the most impoverished countries in Southeast Asia, Cambodia is prey to the health problems that arise from malnutrition and inadequate sanitation, including diarrhea, respiratory infections, and dengue fever, as well as those that could be prevented by an adequate vaccination program, such as tuberculosis. The 1970–75 war and the 1975–79 upheaval exacerbated many of these problems. Malnutrition became widespread among the millions driven to Phnom Penh in the wake of the fighting and who were driven out of that city when the Khmer Rouge took over. Tens of thousands died from shortages of food and medical facilities and supplies. Cambodia had only 50 physicians in 1979.

In 1995 the government mapped out a new public health program, which was only partly implemented as of 2000. Total health care expenditure was estimated at 6.9% of GDP.

Life expectancy in Cambodia in 2000 was 54 years, and increased to 71 years by 2005. In that year the infant mortality rate was still high at an estimated 58 per 1,000 live births. Dysentery, malaria, tuberculosis (in 1999, 560 reported cases per 100,000 people), trachoma, and yaws are widespread. In 2000, 30% of the population had access to safe drinking water and only 18% had adequate sanitation. Prior to 1975 there were 3 hospitals, with 7,500 beds (about 1 bed for every 893 persons). During 1979–81, 7

large hospitals and 3 pharmaceutical factories opened. As of 2004, there were an estimated 16 physicians, 61 nurses, 2 dentists, and 4 pharmacists per 100,000 people.

AIDS spread rapidly in Cambodia during the latter half of the 1990s. The HIV/AIDS prevalence was 2.60 per 100 adults in 2003. As of 2004, there were approximately 170,000 people living with HIV/AIDS in the country. There were an estimated 15,000 deaths from AIDS in 2003. Eighty percent of the urban population and only 50% of the rural population had access to health services. As of 2000, an estimated 53% of children under five were malnourished. The immunization rates for children up to one year old were diphtheria, pertussis, and tetanus, 49%, and measles, 55%.

#### 42 HOUSING

Cambodia's housing traditionally compared favorably with that of other countries in Southeast Asia. The most common type of dwelling consists of one or more rooms raised on mangrove piles some 3 m (10 ft) above the ground; it is generally crowded. Some homes in more remote rural areas consist simply of a conical roof-like structure which reaches almost to the ground, leaving an entrance opening. Many houses in the cities are larger and of better quality.

Mass emigration from the cities during the period 1975–76 resulted in many dwellings being left vacant, in contrast to the dire overcrowding that occurred in the last years of the war. In the countryside, meanwhile, the waves of new migrants placed inordinate pressures on existing facilities, with much of the transplanted population forced to reside in improvised shelters. By the early 1980s, this pattern had been reversed somewhat and Phnom Penh was once again experiencing population growth.

In 1998, there were about 2,188,663 households with an average of 5.2 people per household. According to a 2004 intercensal survey, there were about 2.3 million dwellings in the country; 2.03 million of which were located in rural areas. Only 11% of all homes had access to all three of the basic amenities: safe drinking water, electricity, and an in-home toilet. Nationwide, only 44% of the population have access to safe drinking water, 17% have electricity in their home, and 5% have indoor toilets. Firewood and charcoal are the primary heating fuels. About 93% of all dwellings are owner occupied. Only 26.9% of the total population live in permanent structures; in urban areas, only 66% of the population have permanent housing.

#### 43 EDUCATION

Under the Pol Pot regime, education was virtually abolished, as all children were sent to work in the fields; education was limited to political instruction. Most of the educated class had been killed by 1979. According to PRK sources, only 50 of 725 university instructors and 307 of 2,300 secondary-school teachers survived the Pol Pot era.

Currently, the educational system is being rebuilt and is recovering. All schooling is public, and six years of primary education (ages 6–12) is compulsory. Following this, children may go through six years of secondary education, of which only the first three are compulsory. The academic year runs from October to July. The primary language of instruction is Cambodian.

In 2001, about 7.4% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 93% of age-eligible students; 96% for boys and 91% for girls. The same year, secondary school enrollment was about 24% of age-eligible students; 30% for boys and 19% for girls. It is estimated that about 80% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 56:1 in 2003; the ratio for secondary school was about 24:1.

Institutes of higher education include the University of Phnom Penh, the Institute of Technology of Cambodia, the Royal University of Agriculture, Royal University of Fine Arts, and Mahari-shi Vedic University. In 2003, about 3% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 73.6%, with 84.7% for males and 64.1% for females. Many students continue their higher education at foreign universities.

As of 2003, public expenditure on education was estimated at 1.8% of GDP, or 14.6% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library is located in Phnom Penh and holds about 103,635 volumes in a variety of languages, including Khmer, French, English, Russian, Vietnamese, and Thai. The national document collection comprise 8,327 documents. Also in the capital is the Buddhist Institute (25,000 volumes), which contains collections on religion, philosophy, literature, linguistics, history, and art. The École Française de l'Extrême-Orient, which previously had charge of all archaeological research in the country, also had its own research library in Phnom Penh. The Hun Sen Library of the Royal University of Phnom Penh (RUPP) opened in January 1997 and now houses a collection of at least 50,000 items in Khmer, English, and French. The Toshu Fukami Library of the University of Cambodia is open to the public, offering over 30,000 volumes.

Cambodia, in effect, is a museum of the cultural achievements of the Khmer Empire. Surviving stone monuments, steles, temples, and statuary attest to a formidable and unique artistic heritage. Particularly imposing are the world-famous temple of Angkor Wat and the Bayon of Angkor Thom. In the chaotic years of the 1980s and early 1990s, there were many press reports of pillaging of these historic sites. The PRK government established museums in what it portrayed as GRUNK death camps, with exhibits on atrocities committed during 1975–79. The National Museum of Phnom-Penh (1917), an excellent repository of national art, has an extensive collection of Khmer art from the 5th through 13th centuries.

#### 45 MEDIA

As of 2002, the telephone service was said to be adequate for government needs and for residents of Phnom Penh and other main provincial cities. Rural areas generally had very little access to land-line phone service. In 2003, there were an estimated three main-line telephones for every 1,000 people. The same year, there were approximately 35 mobile phones in use for every 1,000 people.

TV-Kampuchea began color transmission in 1986. In 2004, there were seven television stations, all of which were controlled

by the government. In 2003, there were 2 AM and 17 FM radio stations. Foreign radio broadcasts are received from neighboring countries. In 2003, there were an estimated 113 radios and 8 television sets for every 1,000 people. The same year, there were 2.3 personal computers for every 1,000 people and 2 of every 1,000 people had access to the Internet. There were two secure Internet servers in the country in 2004.

There are two daily newspapers, *Rasmei Kampuchea* (2002 circulation 15,000) and *The Cambodia Daily* (2,000). The *Phnom Penh Post* is a weekly publication. There are over 50 newspapers in all, including weeklies, bi-weeklies, and monthlies, mostly in the Khmer language. The official news agency is the Agence Khmer de Presse (AKP). Most newspapers are nominally independent, but many receive significant funding from political parties and the government. English language weeklies were launched in July 1997.

The constitution provides for freedom of speech and press, but the government is said to sometimes limit the press in practice. The intimidation of journalists is said to be declining. The government, political forces and the military dominate the broadcast media.

#### 46 ORGANIZATIONS

There is a Chamber of Commerce in Phnom Penh. The Cambodian Federation of Employers' and Business Associations was established in 2000. Other major worker organizations include the Free Trade Union of Workers of the Kingdom of Cambodia, Workers' Union for Economic Development, Cambodian Union Federation, Cambodian Federation of Independent Trade Unions, and the National Independent Federation Textile Union of Cambodia. There are professional organizations, including the Cambodia Medical Association.

The Khmer Youth Association, founded in 1992, has been very active in promoting education and job training, as well as the championing the rights of women and children. There is an organization of Girl Guides in the country and well as an independent national scouting groups that are partly affiliated with political parties. Several sports associations are present as well, representing such pastimes as tennis, badminton, weightlifting, and track and field.

The Cambodian Human Rights and Development Association, established in 1991, promotes respect for human rights and the rule of law by providing legal services and educational materials to the public.

There are national chapters of the Red Cross Society, Caritas, UNICEF, and Habitat for Humanity. Volunteer service organizations, such as the Lions Clubs International, are also present.

#### 47 TOURISM, TRAVEL, AND RECREATION

Until the encroachments of war in the late 1960s, Angkor Wat and other remains of the ancient Khmer Empire were the major attractions for visitors to Cambodia. Under the Pol Pot regime, tourism was nonexistent, and it was not substantially revived under Vietnamese occupation. However, since the 1992 UN peace plan, tourism rebounded, spurred by the opening of hundreds of new facilities and scores of new diplomatic missions. Tourists are attracted to the Independence Monument and National Museum

in Phnom Penh. The beaches of Sihanoukville and the temples of Preah Vihear and Banteay Chhmar are also popular. A valid passport and visa are required for visitors from all countries except Malaysia and the Philippines. Visa applications are distributed on the airplane and can be processed upon arrival at the Phnom Penh and Siem Reap International Airports. Visas are valid for one month after arrival in Cambodia.

In 2003, about 701,000 tourists visited Cambodia and tourist receipts totaled \$441 million. There are two government-run tourist agencies and a number of private tour groups. Dozens of hotels have opened in the capital. As of 2002, the country had 11,426 hotel rooms with 19,398 beds and an occupancy rate of 50%.

In 2005, the US Department of State estimated the cost of staying in Phnom Penh at \$162. Travel expenses in Sihanoukville were estimated at \$103 per day.

#### **48 FAMOUS CAMBODIANS**

Foremost among ancient heroes were Fan Shihman, greatest ruler of the Funan Empire (150–550), and Jayavarman II and Jayavarman VII, monarchs of the Khmer Empire who ruled between the 10th and 13th centuries. Prince Norodom Sihanouk (b.1922), who resigned the kingship and won Kampuchea's independence from France, is the best-known living Cambodian. In exile in China during 1970–75, he founded the GRUNK government, from which he resigned in April 1976. In July 1982, he became president of the CGDK. In 1993, he once again became king, until his abdication in 2004. Sihanouk was succeeded by his son Norodom Sihamoni (b.1953). Khieu Samphan (b.1931), a former Marxist publisher and leader of the insurgency in Kampuchea, was named chairman of the State Presidium in the GRUNK government in April 1976, replacing Sihanouk as chief of state. The de facto head of the GRUNK regime during 1975–79 was Pol Pot, the nom de guerre of Saloth Sar (1925–98), who presided over the drastic restructuring of Kampuchean society that left as many as 2–3 million dead in its wake. Heng Samrin (b.1934) became president of the Council of State of the PRK in 1979; he lost his position in 1992. Photographer Dith Pran (b.1943), whose ordeal with the Khmer Rouge was portrayed in the film *The Killing Fields*, helped chronicle the atrocities of the Pol Pot regime.

#### **49 DEPENDENCIES**

Cambodia has no territories or colonies.

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# CHINA

People's Republic of China  
*Zhonghua Renmin Gongheguo*

**CAPITAL:** Beijing (Peking)

**FLAG:** The flag is red with five gold stars in the upper left quadrant; one large star is near the hoist and four smaller ones are arranged in an arc to the right.

**ANTHEM:** *March of the Volunteers.*

**MONETARY UNIT:** The renminbi, or “people’s money,” denominated in yuan (¥), is equivalent to 10 jiao or 100 fen. There are coins of 1, 2, and 5 fen, 1, 2, and 5 jiao, and 1 yuan, and notes of 1, 2, and 5 fen, 1, 2, and 5 jiao, and 1, 2, 5, 10, 50, and 100 yuan. ¥1 = \$0.12210 (or \$1 = ¥8.19) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some Chinese units remain in common use.

**HOLIDAYS:** New Year’s Day, 1 January; Spring Festival (Chinese New Year), from the 1st to the 3d day of the first moon of the lunar calendar, usually in February; International Women’s Day, 8 March; May Day, 1 May; Army Day, 1 August; Teachers’ Day, 9 September; and National Day, 1–2 October.

**TIME:** 8 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The People’s Republic of China (PRC), the third-largest country in the world after the former USSR and Canada and the largest nation in Asia, claims an area of 9,596,960 sq km (3,705,406 sq mi), including Taiwan, which the PRC claims as a province; the major administrative divisions, excluding Taiwan and the offshore islands, cover 9,444,292 sq km (3,646,448 sq mi). Comparatively, the area occupied by China is slightly larger than the United States. If the area of Taiwan is excluded, China is the fourth-largest country in the world, after Russia, Canada, and the United States. The mainland has an extension of 4,845 km (3,011 mi) ENE–WSW and 3,350 km (2,082 mi) SSE–NNW. The mainland’s 5,774 km (3,588 mi) coastline, extending from the mouth of the Yalu River in the northeast to the Gulf of Tonkin in the south, forms a great arc, with the Liaodong and Shandong peninsulas in the north protruding into the Yellow Sea and the Leizhou Peninsula in the south protruding into the South China Sea. China’s territory includes several large islands, the most important of which is Hainan, off the south coast. Other islands include the reefs and islands of the South China Sea, extending as far as 4° N. These reefs and islands include Dongsha (Pratas), to which Taiwan has also laid claim. China’s claims to the Xisha (Paracel) and Nansha (Spratly) archipelagoes are also in dispute. In 1986, the United Kingdom agreed to transfer Hong Kong to the PRC in 1997; in March 1987, the PRC and Portugal reached an agreement for the return of Macau to the PRC on 20 December 1999.

China is bordered on the N by Mongolia (Mongolian People’s Republic–MPR) and Russia; on the NE by the Democratic People’s Republic of Korea (DPRK); on the E by the Yellow and the East China seas; along the southern border are Hong Kong, Macau, the South China Sea, the Gulf of Tonkin, Vietnam, and Laos; on the SW by Myanmar, India, Bhutan, and Nepal; on the W by India, Jammu and Kashmir (disputed areas), Pakistan (west of the

Karakoram Pass), and Afghanistan; and on the NW by Tajikistan, Kyrgyzstan, and Kazakhstan. China’s total boundary length, including the coastline (14,500 km/9,010 mi) is 36,647 km (22,771 mi). China’s capital city, Beijing, is located in the northeastern part of the country.

## <sup>2</sup> TOPOGRAPHY

China may be divided roughly into a lowland portion in the east, constituting about 20% of the total territory, and a larger section consisting of mountains and plateaus in the west. The principal lowlands are the Manchurian (Dongbei) Plain, drained by the Songhua (Sungari) River, a tributary of the Amur (Heilongjiang), and by the Liao River, which flows to the Yellow Sea; the North China Plain, traversed by the lower course of the Yellow (Huang He) River; the valley and delta of the Yangtze (Chang Jiang) River; and the delta of the Pearl (Zhu) River surrounding Guangzhou (Canton). West of these lowlands, the country’s topography rises to plateaus of 1,200–1,500 m (about 4,000–5,000 ft): the Shanxi and Shaanxi loess plateaus, in central China, and the Mongolian Plateau, in the north.

Beyond lie the high plateaus of Tibet, with an average elevation of 4,600 m (15,000 ft), and the great mountain ranges. The highest mountains are the Kunluns and the Himalayas. North of Tibet are two plateau basins of Central Asia, the Tarim and the Junggar, which are separated from each other by the Tian Mountains. The Chinese portion of the Tian range, which also extends into the former USSR, rises above 7,000 m (23,000 ft).

The great rivers of China flow eastward toward the Pacific. In the northeast, the Amur drains a great part of the Manchurian Basin as it winds along its 4,350 km (2,719 mi) course. Other northeastern rivers include the Liao, the Tumen, and the Yalu, the last two both rising in Mt. Paaktu, flowing respectively northeast and southwest, and forming the boundary between China and the

DPRK. The main river of north China, and the second-largest in the country, is the Yellow River (Huang He). From Gansu it winds about 4,671 km (2,903 mi) eastward to Shandong Province, where it empties into Bo Hai (Gulf of Zhili, or Chihli). The valley of the Yellow River covers an area of 1,554,000 sq km (600,000 mi).

Central China is drained mainly by the Yangtze and its tributaries. The largest river in China, the Yangtze travels 5,525 km (3,434 mi) and drains 1,808,500 sq km (698,300 sq mi) of land. As China's only long river with no natural outlet, the Huai River, flowing between the Yangtze and the Yellow (Huang He) and roughly parallel to them, is subject to frequent flooding. To the southwest are the upper courses of the Mekong (Lancang) and Brahmaputra (Yarlung Zangbo) rivers.

Northern China is in a major earthquake zone with some of the most destructive earthquakes on record. On 28 July 1976, a tremor measuring 7.5 on the Richter scale struck the city of Tangshan (145 km/90 mi east of Beijing), causing widespread devastation and the deaths of over 650,000 people. On 3 February 1996, a 6.6 magnitude quake occurred at Yunnan causing death for 322 people and injury to over 16,000. About 358,000 homes were completely destroyed and over 654,000 others were damaged. On 24 February 2003, a 6.4 magnitude quake in Southern Xinjiang killed at least 260 people and injured 4,000. It was recorded as the deadliest earthquake of the year worldwide.

### 3 CLIMATE

Although most of China lies within the temperate zone, climate varies greatly with topography. Minimum winter temperatures range from  $-27^{\circ}\text{C}$  ( $-17^{\circ}\text{F}$ ) in northern Manchuria to  $-1^{\circ}\text{C}$  ( $30^{\circ}\text{F}$ ) in the North China Plain and southern Manchuria,  $4^{\circ}\text{C}$  ( $39^{\circ}\text{F}$ ) along the middle and lower valleys of the Yangtze, and  $16^{\circ}\text{C}$  ( $61^{\circ}\text{F}$ ) farther south. Although summer temperatures are more nearly uniform in southern and central China, with a July mean of about  $27^{\circ}\text{C}$  ( $81^{\circ}\text{F}$ ), northern China has a shorter hot period and the nights are much cooler.

Rain falls mostly in summer. Precipitation is heaviest in the south and southeast, with Guangzhou receiving more than 200 cm (80 in), and diminishes to about 60 cm (25 in) in north and northeast China, and to less than 10 cm (4 in) in the northwest. Approximately 31% of the total land area is classified as arid, 22% as semiarid, 15% as subhumid, and 32% as humid.

### 4 FLORA AND FAUNA

Much of China's natural vegetation has been replaced or altered by thousands of years of human settlement, but isolated areas still support one of the world's richest and most varied collections of plants and animals. Nearly every major plant found in the tropical and temperate zones of the northern hemisphere can be found there. In all, more than 7,000 species of woody plants have been recorded, of which there are 2,800 timber trees and over 300 species of gymnosperms. The rare ginkgo tree, cathaya tree, and metasequoia, long extinct elsewhere, can still be found growing in China. Among flowering plants, 650 of the 800 known varieties of azalea occur in China, while 390 of the 450 known varieties of primrose and about 230 of the 400 known varieties of gentian are

also found there. The tree peony, which originated in Shandong Province, appears in 400 varieties.

The richest and most extensive needle-leaf forests occur in the Greater Hinggan Ling (Khingan) Mountains of the northeast, where stands of larch, Asian white birch, and Scotch pine flourish, and in the Lesser Hinggan Ling (Khingan) Mountains, with stands of Korean pine and Dahurian larch. In the Sichuan (Szechuan) Basin, vegetation changes with altitude to embrace a variety of conifers at high levels, deciduous trees and cypresses at middle elevations, and bamboo in lower elevations. Farther south, in subtropical Fujian and Zhejiang provinces, broadleaf evergreen forests predominate. Forests give way to natural grasslands and scrub in drier western and northwestern areas, especially in the semiarid regions of Shanxi and Shaanxi, in the steppes of Inner Mongolia, and along the desert margins of the Tarim and Junggar basins.

China's most celebrated wild animal is the giant panda, a rare mammal now found in the wild only in remote areas of Sichuan, Gansu, and Shanxi provinces; as of 1994, just over 500 wild pandas were still in their natural state. Other fauna unique to China include the golden-haired monkey, found in remote parts of Shaanxi, Gansu, Sichuan, Guizhou, and Yunnan; the northeast China tiger, found in the Lesser Hinggan Ling and Changbai mountains along the Korean border; the Chinese river dolphin and Chinese alligator, both found along the middle and lower Yangtze River; the rare David's deer and the white-lipped deer, the latter found mainly in Qinghai Province and Tibet; a rare kind of white bear found in Hubei Province; and the lancelet, an ancient species of fish representing a transitional stage between invertebrate and vertebrate development, now found only in Fujian Province. In addition, more than 1,000 species of birds have been recorded. Among the rarer kinds are the mandarin duck, the white-crowned long-tailed pheasant, golden pheasant, Derby's parakeet, yellow-backed sunbird, red-billed leiothrix, and red-crowned crane.

### 5 ENVIRONMENT

It is estimated that China has lost one-fifth of its agricultural land since 1957 due to economic development and soil erosion. Since 1973, China has taken significant steps to rectify some of the environmental damage caused by rampant use of wood for fuel, uncontrolled industrial pollution, and extensive conversion of forests, pastures, and grasslands to grain production during the Cultural Revolution. Reforestation, including construction of shelter belts, has emphasized restoration of the erosion-prone loesslands in the middle reaches of the Yellow River. In 1979, the Standing Committee of the Fifth National People's Congress adopted an Environmental Protection Law and a Forestry Law. In 1989, China began a nationwide program called the Great Green Wall of China which began to accelerate the rate of reforestation. In 2000, about 17.5% of the total land area was forested.

Water supplies are limited—per capita consumption in China's cities is about 34 gallons a day, less than half that in many developing countries—and conservation, reclamation, and redistribution of water constitute major national priorities. Safe drinking water is unavailable to much of the population (as much as one-third, according to some estimates). By 1989, 436 of 532 rivers were polluted. In 1994, the World Health Organization reported that Chinese cities pollute water supplies more than those of any other country in the world. Legislation provides for the protection of



LOCATION: (not including islands south of Hainan): 18°9' to 53°34' N; 78°38' to 135°5' E. BOUNDARY LENGTHS: Afghanistan, 76 kilometers (47 miles); Bhutan, 470 kilometers (292 miles); Myanmar, 2,185 kilometers (1,358 miles); Hong Kong, 30 kilometers (19 miles); India, 3,380 kilometers (2,100 miles); Kazakhstan, 1,533 kilometers (953 miles); North Korea, 1,416 kilometers (880 miles); Kyrgyzstan, 858 kilometers (533 miles); Laos, 423 kilometers (263 miles); Macau, 0.34 kilometers (0.21 miles); Mongolia, 4,673 kilometers (2,904 miles); Nepal, 1,236 kilometers (768 miles); Pakistan, 523 kilometers (325 miles); Russia (NE), 3,605 kilometers (2,240 miles); Russia (NW), 40 kilometers (25 miles); Tajikistan, 414 kilometers (257 miles); Vietnam, 1,281 kilometers (796 miles); total coastline, 14,500 kilometers (9,009 miles). TERRITORIAL SEA LIMIT: 12 miles.

aquatic resources, including water quality standards for farmland irrigation and fisheries.

To alleviate water shortages in the heavily populated Beijing-Tranjin region, a massive water transfer project began in 1994 by construction of the Three Gorges Dam on the Yangtze River. The project aroused considerable controversy. Project managers faced technological problems and higher-than-expected costs. Completion of the project (scheduled for 2009) will create a reservoir that will flood prime farm land and leave the ecology of the river area damaged. By early 2005, one million people had already been dis-

placed by construction. An additional 900,000 people were expected to be displaced by completion of the project.

The use of high-sulfur coal as a main energy source causes air pollution and contributes to acid rain. In the mid-1990s, China had the world's second-highest level of industrial carbon dioxide emissions, totaling 2.67 billion metric tons per year, a per capita level of 2.27 metric tons per year. In 2000, the total increased to 2.7 billion metric tons. Investment in pollution-reducing technology is required of all industrial enterprises. Penalties are imposed for noncompliance and incentives, in the form of tax reductions and higher allowable profits, are available for those enterpris-

es that meet environmental standards. Beijing has implemented programs for controlling discharges of effluents, smoke and soot emissions, and noise pollution. Special success has been claimed for the recovery of oil from effluents of the Daqing oil field in Heilongjiang, refineries, and other oil-processing establishments; use of electrostatic precipitators and bag collectors by the cement and building industries; recovery of caustic soda and waste pulp from effluents of the pulp and paper industries; introduction of non-polluting processes into the tanning and depilating of hides; use of nonmercuric batteries; recovery of fine ash from coal-burning power plants for use in the manufacture of bricks, tiles, cement, and road-surfacing materials; and development of new methodologies for recycling coal wastes and marine oil discharges.

To protect the nation's botanical and zoological resources, a program was adopted in 1980 to establish 300 new reserves, with a total area of 9.6 million ha (23.7 million acres). That goal was achieved by the end of 1985, one year ahead of schedule. In 2003, about 7.8% of the total land area of China was protected. The largest reserve, covering 800,000 ha (1,980,000 acres), is the Changbai Mountain Nature Reserve, in the northeast. Others include the Wolong reserve in Sichuan Province, covering 200,000 ha (494,000 acres) and famous for its research on the giant panda; the Dinghu Mountain reserve in Guangdong Province, where a subtropical evergreen broadleaf monsoon forest that has remained virtually untouched for four centuries provides opportunities for ecological studies; and the Nangun River area in Yunnan Province, where the principal focus of protection is the tropical rain forest. There are 30 Ramsar wetland sites and eight natural and mixed properties designated as UNESCO World Heritage Sites.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 80 types of mammals, 82 species of birds, 31 types of reptiles, 86 species of amphibians, 47 species of fish, 1 type of mollusk, 3 other invertebrates, and 443 species of plants. Endangered species in China include Elliot's pheasant, Cabot's tragopan, yarkand deer, Shansi sika deer, South China sika, North China sika, the Chinese alligator, the Amur leopard, Javan rhinoceros, Thailand brow-antlered deer, the white-lipped deer, Bactrian camel, the giant panda, and the Siberian white crane. There are about nine extinct species, including the Yunnan box turtle and the wild horse.

## 6 POPULATION

The population of China in 2005 was estimated by the United Nations (UN) at 1,303,701,000, which ranked first in population among the 193 nations of the world. In 2005, approximately 8% of the population was over 65 years of age, with another 22% of the population under 15 years of age. There were 106 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.6%, a rate the government viewed as satisfactory. The government has emphasized family planning since the 1970s, and has accomplished a significant reduction in population growth. The projected population for the year 2025 was 1,476,000,000. The population density was 136 per sq km (353 per sq mi), but the distribution of the population throughout China is extremely uneven. The most densely populated areas near the coast have a population density of more

than 154 people per sq km (400 per sq mi), while the western plateaus are sparsely populated.

China, as the most populous country in the world, accounts for 21% of the estimated world population. Until 2001, it was also the only country to have attained the status of demographic billionaire, but in March that year, India also reached a one billion population. The government policy, launched in the 1990s calling for an extensive family planning program to limit population growth, has been successful.

The UN estimated that 37% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.79%. Government policy has sought to limit the growth of the large eastern cities, especially the capital city, Beijing (Peking), Shanghai, and Tianjin, and to promote the growth of smaller cities away from the coast. China has over 60 metropolitan areas with populations greater than 750,000. As of 2005, the largest urban centers were Shanghai, 12,665,000; Beijing, 10,849,000; and Tianjin, 9,346,000. Other large metropolitan areas included Wuhan, 6,003,000; Chongqing, 4,975,000; Shenyang, 4,916,000; Guangzhou, 3,881,000; Chengdu, 3,478,000; Xi'an, 3,256,000; Changchun, 3,092,000; Harbin, 2,898,000; Dalian, 2,709,000; Jinan, 2,654,000; Hangzhou, 1,955,000; and Qingdao, 1,452,000.

## 7 MIGRATION

The overseas migration of millions of Chinese reached its peak in the 1920s when thousands of farmers and fishermen from the southeastern coastal provinces settled in other countries of Southeast Asia. Chinese constitute a majority in Singapore, are an important ethnic group in Malaysia, and make up a significant minority in the Americas. In 1949, after the Communist victory, some two million civilians and 700,000 military personnel were evacuated to Taiwan.

Since in many places abroad the Chinese population has been growing at a rate faster than that of the local non-Chinese population, most countries have been trying to curtail the entrance of new Chinese immigrants. Emigration from China under the PRC government was once limited to refugees who reached Hong Kong, but is now denied only to a few political dissidents, if the state is reimbursed for postsecondary education costs. Immigration is for the most part limited to the return of overseas Chinese. At the end of 1999, the United Nations High Commissioner for Refugees (UNHCR) reported 285,000 Vietnamese refugees in China, 91% of whom are of Chinese ancestry.

During the Cultural Revolution of the 1960s and 1970s, more than 60 million students, officials, peasant migrants, and unemployed were sent "down to the countryside" in a gigantic rustication movement. The goals of this program were to relocate industries and population away from vulnerable coastal areas, to provide human resources for agricultural production, to reclaim land in remote areas, to settle borderlands for economic and defense reasons, and, as has been the policy since the 1940s, to increase the proportion of Han Chinese in ethnic minority areas. Another purpose of this migration policy was to relieve urban shortages of food, housing, and services, and to reduce future urban population growth by removing large numbers of those 16–30 years of age. However, most relocated youths eventually returned to the cities.

Efforts to stimulate “decentralized urbanization” have characterized government policy since the late 1970s. Decentralized urbanization and the related relocation of industries away from established centers has also been promoted as a way for China to absorb the increasing surplus labor of rural areas, estimated at 100 million in 2000. However, China’s economic boom of the 2000s led to rapid growth of coastal provinces attracting inland rural males for construction and females to work in factories. This contrast extends to how children are perceived. Urban parents call their only child “little sun” (as in “center of the universe”), compared with rural parents, who call their child or children “left behind,” (with their grandparents, as parents travel distances for work). For rural areas another split has developed: migrant work for the young and farming for the old.

On 1 July 1997, the sovereignty of Hong Kong reverted back to China. As of 1999, some 1,562 refugees and screened-out nonrefugees still remained in the Hong Kong Special Administrative Region (SAR). In 2004, there were 299,305 refugees living in China, all but 135 in camps. In addition, 44 people sought asylum in China. The main countries to which Chinese emigrated in 2004 were the United States, Canada, South Africa, France, and the United Kingdom. Chinese sought asylum in India, the United States, Germany and Canada. In 2005, the net migration rate for China was estimated as -0.4 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

According to the latest estimates, the largest ethnic group, accounting for 91.9% of the total population, is the Han. The Han form a majority in most of the settled east and south but remain a minority, despite continuing immigration, in the west.

The remaining 8.1% of the population is comprised of minority groups. Because of their predominance in strategically sensitive border areas, they hold a political and economic importance disproportionate to their numbers. The largest minority, at last estimate was the Zhuang, a Buddhist people, related to the Thai, who are primarily concentrated in Guangxi, Yunnan, and Guangdong. Other large minorities were the Manchu, concentrated in Heilongjiang, Jilin, and Liaoning; the Hui, a Chinese-speaking Muslim people concentrated in Ningxia, Gansu, Henan, and Hebei; the Uygur, a Muslim Turkic people of Xinjiang; the Yi, formerly called Lolo, a Buddhist people related to the Tibetans and concentrated in Yunnan, Sichuan, and Guizhou; the Miao, in Guizhou, Hunan, Yunnan, and Guangxi; and the Tibetans, concentrated in Xizang (Tibet), Qinghai, and Sichuan. Other minority nationalities, with estimated populations of more than one million, included the Mongolians; Tujia; Buyi; Koreans; Dong; Yao; Bai; Hani; Li; and the Kazaks, concentrated in Xinjiang, Gansu, and Qinghai.

## 9 LANGUAGES

Chinese, a branch of the Sino-Tibetan linguistic family, is a monosyllabic tone language written by means of characters representing complete words. The Chinese script is not phonetic and remains constant throughout China, but the spoken language has regional phonetic differences. Spoken Chinese falls into two major groups, separated roughly by a northeast-southwest line running from the mouth of the Yangtze River to the border of Vietnam. North and west of this line are the so-called Mandarin dialects, based on the

Beijing dialect and known as *putonghua* (“common language”). The most important dialect south of the linguistic divide is that of Shanghai, the Wu dialect spoken in the Yangtze River Delta. Hakka and Hokkien are dialects of the southeastern coastal province. Cantonese, the Yue dialect spoken in southern China, is the language of the majority of Chinese emigrants. Others include the Minbei or Fuzhou dialect, the Xiang, and Gan dialects. Mandarin Chinese was adopted as the official language of China in 1955.

To communicate in written Chinese, thousands of Chinese characters must be memorized. Since the establishment of the PRC in 1949, reform of the written language has been a major priority. A simplified system of writing, reducing the number of strokes per character, has been adopted, and the language restructured so that anyone familiar with the basic 2,000–3,000 characters is functionally literate (defined as being able to read a newspaper).

A number of systems have been developed to transcribe Chinese characters into the Latin alphabet. The principal romanization scheme was the Wade-Giles system until 1979, when the PRC government adopted Pinyin, a system under development in China since the mid-1950s. Inside China, Pinyin is used in the schools to facilitate the learning of Chinese characters, in minority areas where other languages are spoken, and on commercial and street signs. Pinyin has replaced the Wade-Giles system in all of China’s English-language publications and for the spelling of place names. In general, pronunciation of Pinyin follows standard American English, except that among initial sounds, the sound of *q* is like the sound of *ch* as in *chart*, the sound of *x* like the sound of *sh* as in *ship*, and the sound of *zh* like the sound of *j* as in *judge*, and among final sounds, the sound of *e* is like the sound of *oo* as in *look*, the sound of *eng* like the sound of *ung* as in *lung*, the sound of *ui* like the sound of *ay* as in *way*, and the sound of *uai* like the sound of *wi* as in *wide*.

Of the 55 recognized minority peoples in China, only Hui and Manchus use Chinese as an everyday language. More than 20 minority nationalities have their own forms of writing for their own languages. Minority languages are used in all state institutions in minority areas and in all newspapers and books published there.

## 10 RELIGIONS

Three faiths—Confucianism, Buddhism, and Taoism—have long been established in China and the religious practice of the average Chinese traditionally has been an eclectic mixture of all three. Confucianism has no religious organization but consists of a code of ethics and philosophy; filial piety, benevolence, fidelity, and justice are among its principal virtues. Taoism, a native Chinese religion that evolved from a philosophy probably founded in the 6th century BC by Laotzu (Laozi), and Buddhism, imported from India during the Han dynasty, both have elaborate rituals. Tradition-minded Chinese base their philosophy of life on Confucianism, but such old habits of thought came under strong attack during the Cultural Revolution.

Suppression of religion and the introduction of programs of antireligious indoctrination began in 1949 and intensified, with the closure of temples, shrines, mosques, and churches, from the mid-1960s through the mid-1970s. Overt antireligious activity eased in 1976, and the government reactivated its Bureau of Religious Affairs. The constitution of 1982 provides for freedom of belief and worship; however, the government restricts religious practices and



maintains a great deal of control over the growth of various religious organizations. The State Administration for Religious Activities and the United Front Work Department monitor religious organizations and supervise the implementation of government regulations for religious groups and activities. All groups are required to register with the government in order to legally participate in worship. Many groups refuse to register, however, either out of protest for government policies and control over religion or from fear of providing the names of religious leaders to government authorities.

As of 2004, the country had five officially recognized religions, Buddhism, Taoism, Islam, Catholicism, and Protestantism. About 8% of the population were Buddhists, 1.4% were Muslims, 1.2% were Protestants, and less than 1% were Catholics. Nearly all of the nation's Muslims are members of the ethnic minority nationalities; most belong to the Sunni branch, but the Tajiks are Shias. The tiny Jewish minority has virtually disappeared through emigration and assimilation. A majority of the population does not claim official religious affiliation.

"House churches," a term that typically applies to unregistered Christian groups that meet in homes or businesses for prayer meetings and Bible studies, are somewhat common. Small groups of a dozen or so members are usually allowed to gather without registration as long as the meetings are small, private, and unobtrusive. As membership grows however, these house churches face difficulties in finding ways to continue conducting religious activities without attracting the notice and control of the government. Tensions between the Vatican and the Chinese government have caused difficulties for the nation's Catholics. The state forbids the official Catholic church from recognizing the authority of the Papacy and in matters where government policy and traditional Catholic faith differ, such as abortion, the state takes precedence. This has had a major impact on recruiting, appointing, and retaining the Catholic clergy within the country.

Falun Gong (also known as Falun Dafa) is a combination of Taoism, Buddhism, meditation techniques, and the physical exercises of quigong. Though spiritual in content, it is considered more of a general practice than a religion, since there are no clergy and no places of worship. The group has been considered a heretical cult by the Chinese government and reports indicate that thousands of adherents have been arrested and imprisoned since 1999. It is believed that several hundred have died while in detention.

## 11 TRANSPORTATION

Railways, roads, and inland waterways all play an important role in China's transportation system, which has undergone major growth since the 1940s. China's rail network forms the backbone of the transportation system. Chinese railways increased in length from 21,989 km (13,663 mi) in 1949, to 71,898 km (44,721 mi) in 2002, of which 18,115 km (11,267 mi) were electrified. In the rush to expand rail facilities during the "Great Leap Forward," the Chinese laid rails totaling 3,500 km (2,175 mi) in 1958, with some 4,600 km (2,900 mi) added in 1959. Many major projects had been completed by the 1970s, including double-tracking of major lines in the east; the electrification of lines in the west, including the 671 km (417 mi) Baoji-Chengdu link; and the addition of several new trunk lines and spurs, many providing service to the country's more remote areas. While the total rail network is more than

twice what it was in 1949, the movement of freight is more than 25 times that of 1949. Increased freight volumes have been achieved by loading freight cars up to 20% over their rated capacity and by containerization. Shortages of freight and tank cars continue to delay deliveries of coal and other industrial raw materials to their destinations. In 1991, China invested \$8 billion for infrastructure improvements, including the upgrade of 309 km (192 mi) of double-track railway and the electrification of 849 km (528 mi) of track.

Road transportation has become increasingly important. Motor roads grew from about 400,000 km (249,000 mi) in 1958 to 550,000 km (342,000 mi) in 1964 and to 1,809,829 km (1,125,714 mi) by 2003. About 1,447,682 km (900,458 mi) were paved, including at least 29,745 km (18,501 mi) of expressways. Major roads completed in the 1970s included the 2,413 km (1,499 mi) Sichuan-Tibet Highway, the 2,100 km (1,305 mi) Qinghai-Tibet Highway, and the 1,455 km (904 mi) Xinjiang-Tibet Highway. Between 1981 and 1985, 50,000 km (31,000 mi) of highways and more than 15,000 bridges were built. By 2003, an estimated 6,789,000 passenger automobiles used the highway system, up from 50,000 in 1949. In addition, there were some 17,222,000 commercial vehicles operating in the same year. Bicycles are the chief mode of transport in large cities. In Beijing, there are an estimated eight million bicycles, accounting for 83.5% of the city's road traffic.

As of 2002, China had 121,557 km (75,608 mi) of navigable inland waterways. About 25% of the waterways are navigable by modern vessels, while wooden junks are used on the remainder. The principal inland waterway is the Yangtze River. Much work was done in the early 1980s to dredge and deepen the river, to improve navigational markers and channels, and to eliminate the treacherous rapids of the Three Gorges section east of Yibin. Steamboats can now travel inland throughout the year from Shanghai, at the river's mouth, upstream as far as Yibin, and 10,000-ton oceangoing vessels can travel inland as far as Wuhan in the high-water season and Nanjing in the low-water season. Major ports on the river include: Chongqing, the principal transportation hub for the southwest; Wuhan, its freight dominated by shipments of coal, iron, and steel; Wuhu, a rice-exporting center; Yuxikou, across the river from Wuhu and the chief outlet for the region's coal fields; Nanjing; and Shanghai. The Pearl River is navigable via a tributary as far as Nanning. The ancient Grand Canal, rendered impassable by deposits of silt for more than 100 years, has been dredged and rebuilt; it is navigable for about 1,100 km (680 mi) in season and 400 km (250 mi) year-round.

China's merchant fleet expanded from 402,000 gross registered tonnage (GRT) in 1960 to over 10,278,000 GRT in 1986, and to 18,724,653 GRT in 2005. China's 1,649 merchant ships of 1,000 GRT or over can accommodate most of the country's foreign trade. The balance is divided among ships leased from Hong Kong owners and from other foreign sources. The principal ports are Tianjin, the port for Beijing, which consists of the three harbors of Neigang, Tanggu, and Xingang; Shanghai, with docks along the Huangpu River channel; Lüda, the chief outlet for the northeast and the Daqing oil field; and Huangpu, the port for Guangzhou, on the right bank of the Pearl River. Other important ports include Qinhuangdao; Qingdao; Ningbo, the port for Hangzhou; Fuzhou; Xiamen; and Zhanjiang.

The Civil Aviation Administration of China (CAAC) operates all domestic and international air services. Operations have grown significantly with the purchase, since the 1970s, of jet aircraft from the United States, United Kingdom, and other Western sources. In 2004, there were an estimated 472 airports. As of 2005, a total of 389 had paved runways and there were also 30 heliports. Principal airports include Capital at Beijing, Shuangliu at Chengdu, Hongqiao at Shanghai, Baiyun at Guangzhou, Wujiaaba at Kunming, and Gaoqi at Xiamen. From Beijing there are scheduled daily flights to Shanghai, Guangzhou, Kunming, Chengdu, Shenyang, Changchun, Changsha, Wuhan, Zengzhou, and Harbin. The total scheduled international and domestic service performed in 2003 included 5,651 million freight ton-km, as well as 86.041 million passengers carried.

## 12 HISTORY

Fossils attest to hominid habitation in China more than 500,000 years ago, and Paleolithic cultures appeared in the southwest by 30,000 BC. Neolithic peoples appeared before 7000 BC; by 3000 BC there were millet-growing settlements along the Yellow River (Huang He). The original home of the Chinese (Han) people is probably the area of the Wei, Luo (Lo), and middle Yellow rivers. According to tradition, the Xia (Hsia) dynasty (c.2200–c.1766 BC) constituted the first Chinese state. Its successor, the Shang, or Yin, dynasty (c.1766–c.1122 BC), which ruled over the valley of the Yellow River, left written records cast in bronze or inscribed on tortoiseshell and bone. The Shang was probably conquered by the Western Zhou (Chou) dynasty (c.1122–771 BC), which ruled a prosperous feudal agricultural society. Fleeing foreign attack in 771 BC, the Western Zhou abandoned its capital near the site of Xi'an and established a new capital farther east at Luoyang (Loyang). The new state, known as the Eastern Zhou dynasty (771–256 BC), produced the great Chinese philosophers including Confucius (K'ung Fu-tzu or Kong Fuzi) and the semi-historical figure, Lao Tzu (Lao Zi). Between 475 and 221 BC, the Qin (Ch'in) dynasty (221–207 BC) gradually emerged from among warring, regional states to unify China. Shi Huangdi (Shih Huang Ti, r.221–210 BC), the first Qin emperor (the outer edges of whose tomb, opened in the 1970s, were discovered to contain stunningly lifelike terra-cotta armies), ended the feudal states and organized China into a system of prefectures and counties under central control. For defense against nomadic proto-Mongolian tribes, Shi Huangdi connected walls of the feudal states to form what was later to become known as the Great Wall. By this time, the Yellow River had an irrigation system, and cultivation had begun in the Yangtze Valley; at the end of Shi Huangdi's reign, China probably had close to 40 million people. During the period of the Han dynasties (206 BC–AD 8, AD 25–220), China expanded westward, nomadic tribes from the Mongolian plateau were repelled, and contacts were made with Central Asia, the West, and even Rome. The Han saw the invention of paper. Under the later Han, Buddhism was introduced into China. After the Han period, the Three Kingdoms (Wei, Shu, and Wu) contended for power, and nomadic tribes from the north and west raided northern China. From the 4th century AD on, a series of northern dynasties was set up by the invaders, while several southern dynasties succeeded one another in the Yangtze Valley, with their capital at Nanjing (Nanking). Buddhism flourished during this period, and the arts and sciences were developed. The

empire was reunited by the Sui (589–618) dynasty, which built the Grand Canal, linking the militarily strategic north with the economic wealth of the south and laying the basis for the Tang (T'ang, 618–907) dynasty.

Under the early Tang, especially under Emperor Taizong (T'ai-tzung, r.627–49), China became powerful. The bureaucratic system, begun by the Han, was further developed, including the regular use of an examination system to recruit officials on the basis of merit. Handicrafts and commerce flourished, a system of roads radiated from the capital (at the site of Xi'an), successful wars were fought in Central Asia, and China became the cultural and economic center of Asia. Poetry and painting flourished, particularly under Emperor Xuan-Zong (Hsüan-tzung, r.712–56). Civil wars and rebellion in the late Tang led to a period of partition under the Five Dynasties (r.907–60) which was followed by the Northern and Southern Song (Sung) dynasties (960–1127, 1127–1279), distinguished for literature, philosophy, the invention of movable type (using clay and wood), the use of gunpowder in weapons, and the improvement of the magnetic compass. However, Mongol and Tatar tribes in the north forced the Song to abandon its capital at Kaifeng in 1126 and move it to Hangzhou (Hangchow). In 1279, Kublai Khan (r.1279–94) led the Mongols to bring all of China under their control and became the first ruler of the Mongols' Yuan dynasty (1279–1368). The Mongols encouraged commerce and increased the use of paper money. The Grand Canal was reconstructed, and a system of relay stations ensured safe travel. Many European missionaries and merchants, notably Marco Polo, came to the Mongol court.

After a long period of peasant rebellion, Mongol rule was succeeded by the native Chinese Ming dynasty (1368–1644). The famous Ming admiral, Zheng He (Cheng Ho, 1371–1433) led seven naval expeditions into the South China Sea and the Indian Ocean between 1405 and 1433, reaching as far as the east coast of Africa. The Portuguese reached China in 1516, the Spanish in 1557, the Dutch in 1606, and the English in 1637. The Ming dynasty was overthrown by the Manchus, invaders from the northeast, who established the last imperial dynasty, the Qing (Ch'ing or Manchu, 1644–1911). The first century and a half of Manchu rule was a period of stability and expansion of power, with outstanding reigns by Kang xi (K'ang-hsi, 1662–1722) and Qian long (Ch'ien-lung, 1736–96). Although the Manchus ruled as conquerors, they adopted indigenous Chinese culture, administrative machinery, and laws. Under Manchu rule, Chinese territories included Manchuria, Mongolia, Tibet, Taiwan, and the Central Asian regions of Turkestan. The population of over 300 million by 1750 grew to over 400 million a century later.

By the close of the 18th century, only one port, Guangzhou (Canton), was open to merchants from abroad, and trade was greatly restricted. Demands by the British for increased trade, coupled with Chinese prohibition of opium imports from British India, led to the Opium War (1839–42), which China lost. By the Treaty of Nanjing (1842), the ports of Guangzhou, Xiamen (Amoy), Fuzhou (Foochow), Ningbo, and Shanghai were opened, and Hong Kong Island was ceded to Britain. The T'aiiping Rebellion (1850–64), nearly overthrew the Manchus and cost 30 million lives. A second war (1856–60) with Britain, joined by France, resulted in the opening of Tianjin (Tientsin) to foreign trade. The West's interest then turned from trade to territory. Russia acquired

its Far Eastern territories from China in 1860. China's defeat in the Sino-French War (1884–85), in which it came to the defense of its tributary, Vietnam, resulted in the establishment of French Indo-China. In the First Sino-Japanese War (1894–95), Japan obtained Taiwan, the opening of additional ports, and the independence of Korea (which Japan subsequently annexed in 1910). This was a major turning point and led to the “scramble for concessions.” In 1898, Britain leased Weihai in Shandong and the New Territories (for 99 years) of Hong Kong, Germany leased part of Shandong, Russia leased Port Arthur at the tip of Liaodong Peninsula, and France leased land around Guangzhou Bay in the south. The Boxer Rebellion, an uprising in 1899–1901 by a secret society seeking to expel all foreigners and supported by the Manchu court, was crushed by the intervention of British, French, German, American, Russian, and Japanese troops.

A revolution that finally overthrew Manchu rule began in 1911 in the context of a protest against a government scheme that would have handed Chinese-owned railways to foreign interests. City after city repudiated the Manchus, and in February 1912, the dowager empress, Ci Xi (Tz'u Hsi), signed an abdication document for the infant emperor, Puyi (P'u-yi). The Chinese republic, ruled briefly by Sun Zhongshan (Sun Yat-sen), followed by Yuan Shikai (Yuān Shih-kai), entered upon a period of internal strife. Following Yuan's death in 1916, the Beijing regime passed into the hands of warlords. The Beijing regime joined World War I on the Allied side in 1917. In 1919, the Versailles Peace Conference gave Germany's possessions in Shandong to Japan, sparking the May Fourth Movement as student protests grew into nationwide demonstrations supported by merchants and workers. This marked a new politicization of many social groups, especially those intellectuals who had been emphasizing iconoclastic cultural change.

Meanwhile, civil war grew more intense. In the south, at Guangzhou, the Nationalists (Guomindang, Kuomintang) led by Sun Zhongshan in alliance with the Communists (whose party was founded in Shanghai in 1921) and supported by Russia, built a strong, disciplined party. After Sun Zhongshan's death in 1925, his successor, Chiang Kai-shek (Jiang Jieshi), unified the country under Nationalist rule in 1928 with the capital in Nanjing. In 1927, the Nationalists began a bloody purge of the Communists, who sought refuge in southern Jiangxi Province. Their ranks severely depleted by Nationalist attacks, the Communists embarked on their arduous and now historic Long March during 1934–35. The Communists eventually reached Shaanxi Province in northwestern China, where, under the leadership of Mao Zedong (Tse-tung), they set up headquarters at Yan'an (Yenan). Japan, taking advantage of Chinese dissension, occupied Manchuria (Dongbei) in 1931.

Increasing Japanese pressure against northern China led, in July 1937, to the second Sino-Japanese war, which continued into World War II and saw Japanese forces occupy most of China's major economic areas. Nationalist China, established in the southwestern hinterland with its capital at Chongqing, resisted with US and UK aid, while the Communists fought the Japanese in the northwest. Japan evacuated China in 1945 and both Communist and Nationalist forces moved into liberated areas. The rift between the two factions erupted into civil war. Although supported by the United States, whose mediation efforts had failed, the Nationalists

steadily lost ground through 1948 and 1949, were expelled from the mainland by early 1950, and took refuge on Taiwan.

### The People's Republic

The Communists, under the leadership of Mao, as chairman of the Chinese Communist Party (CCP), proclaimed the People's Republic of China (PRC) on 1 October 1949, with the capital at Beijing. A year later, China entered the Korean War (1950–53) on the side of the Democratic People's Republic of Korea (DPRK). In the fall of 1950, China entered Tibet, which had asserted its independence after the overthrow of the Manchu dynasty, despite formal claims to it by all subsequent Chinese governments. In 1959, the Dalai Lama fled to India during a Tibetan revolt against Chinese rule. Tibet became an autonomous region in 1965. The Nationalists held, in addition to Taiwan, islands in the Taiwan (Formosa) Strait: the Pescadores, Quemoy (near Xiamen), and the Matsu Islands (near Fuzhou).

In domestic affairs, a rapid program of industrialization and socialization up to 1957 was followed in 1958–59 by the Great Leap Forward, a crash program for drastic increases in output and the development of completely collectivized agricultural communes. The program ended in the “three bad years” of famine and economic crisis (1959–61), which produced 20 million deaths above the normal death rate, followed by a period of restoration and retrenchment in economics and politics. In the early 1960s, Chinese troops intermittently fought with Indian border patrols over conflicting territorial claims in Ladakh and the northeastern Indian state of Assam. Mediation attempts failed, but in 1963, the Chinese withdrew from the contested areas that they had occupied, and war prisoners were repatriated. Meanwhile, growing discord between China and the former Soviet Union had become more open, and in 1960, the USSR withdrew its scientific and technical advisers from China. Public polemics sharpened in intensity in the succeeding years, as the two powers competed for support in the world Communist movement.

After the Chinese economy recovered in 1965, Mao again steered the country onto the revolutionary path, and gradually built up momentum for the Great Proletarian Cultural Revolution, one of the most dramatic and convulsive periods in modern Chinese history. It continued until Mao's death in 1976, but the most tumultuous years were from 1966 to 1969, during which the cities witnessed a chaotic and violent pattern of factional fighting, accompanied by attacks on bureaucrats, intellectuals, scientists and technicians, and anyone known to have overseas connections.

Increasing confrontation between Mao and the party establishment, beginning in the fall of 1965, culminated in August 1966 with the CCP Central Committee's “16-Point Decision” endorsing Mao's Cultural Revolution policy of criticizing revisionism. In response to Mao's initiative, high levels of urban protest demonstrated widespread dissatisfaction with bureaucracies and privilege. In the latter half of 1966, the Red Guard movement of radical students attacked educational and state authorities and split into competing factions. Amid the rising conflict, the party institution collapsed in major cities. Liu Shaoqi, second to Mao in the political hierarchy and Chairperson of the People's Republic, was ousted from power as the chief target of the Cultural Revolution. In 1968, Liu was formally dismissed from all positions and expelled from

the party. He died at the end of 1969. From January 1967 through mid-1968, the discredited political establishment was replaced by Revolutionary Committees, comprised of the new radical organizations, the officials who remained in power, and representatives of the army. Finally, the army was told to restore order. In 1968 and 1969, students were sent out of the cities into the countryside. Colleges did not reopen until 1970. At the Ninth Party Congress in April 1969, the military's role was confirmed when Lin Biao, the Minister of Defense, was named Mao's successor.

Estimates place the number of dead as a direct result of the Cultural Revolution from 1966 to 1969 at 400,000. Much of the countryside, however, was unaffected and the economy, despite a setback in 1968, suffered little. The remaining years of the Cultural Revolution decade, up to 1976, were marked by a legacy of struggles over policies and over political succession to the aging Mao (83 at his death in 1976). In September 1971, Lin Biao died in a plane crash, allegedly while fleeing to the former USSR following an abortive coup. The decade from 1966 to 1976 left persistent factionalism in Chinese politics and a crisis of confidence, particularly among the young.

These years of domestic upheaval also brought profound changes in international alignments. In 1969, Chinese and Soviet forces clashed briefly along the Amur River frontier of eastern Heilongjiang Province. Throughout the late 1960s and early 1970s, China played a major role in supporting the Democratic Republic of Vietnam (North Vietnam) in the Vietnamese conflict. In November 1971, the PRC government replaced Taiwan's Nationalist government as China's representative at the UN and on the Security Council, following a General Assembly vote of 76–35, with 17 abstentions, on 25 October. Following two preliminary visits by US Secretary of State Henry Kissinger, President Richard M. Nixon journeyed to China on 21 February 1972 for an unprecedented state visit, and the two countries took major steps toward normalization of relations as the two nations sought common ground in their mutual distrust of Soviet intentions. In the period following the Nixon visit, US-China trade accelerated and cultural exchanges were arranged. In May 1973, the two countries established liaison offices in each other's capital and full diplomatic relations were established by 1979.

In 1975 at the Fourth National People's Congress, Zhou Enlai (Chou En-lai) announced a reordering of economic and social priorities to achieve the Four Modernizations (of agriculture, industry, national defense, and science and technology). Factional strife reminiscent of the late 1960s emerged between radical party elements led by Mao's wife, Jiang Qing (Chiang Ch'ing), and three associates (later collectively dubbed the Gang of Four), who opposed the modernization plans, and veteran party officials, such as Deng Xiaoping (previously associated with Liu Shaoqi and restored to power in 1973), who favored them. When Zhou died on 8 January 1976, the radicals moved to block the appointment of Deng (Zhou's heir apparent) as premier, with Mao resolving the impasse by appointing Hua Guofeng, a veteran party official and government administrator, as acting premier. Attacks on Deng continued until he was blamed for spontaneous disorders at a Beijing demonstration honoring Zhou on the Festival of the Dead, 5 April 1976, and, for the second time in his career, Deng was removed from all official positions.

### After Mao

When Mao Zedong died on 9 September 1976, Hua Guofeng was quickly confirmed as party chairman and premier. A month later, the Gang of Four was arrested, and in early 1977, the banished Deng Xiaoping was again "reinstated." By 1978, Deng Xiaoping had consolidated his political dominance, and a new era of economic reforms began. The Third Party Plenum and the Fifth National People's Congress in 1978 adopted a new constitution and confirmed the goals of the Four Modernizations. Another new constitution in 1982 again confirmed policies of economic reform and emphasized legal procedure. The Cultural Revolution was officially condemned and Mao's historical role reevaluated. After a show trial from November 1980 to January 1981, the Gang of Four, together with Mao's former secretary and five others associated with Lin Biao, were convicted of crimes of the Cultural Revolution. Jiang Qing, whose death sentence was commuted to life imprisonment, committed suicide in 1991 after being diagnosed with cancer.

In 1980, Zhao Ziyang, a protégé of Deng Xiaoping, replaced Hua Guofeng as premier, and Hu Yaobang, another Deng protégé, became general secretary of the CCP while Hua resigned as party chairperson (a position which was abolished) in 1981. The 1980s saw a gradual process of economic reforms, beginning in the countryside with the introduction of the household responsibility system to replace collective farming. As the rural standard of living rose, reforms of the more complex urban economy began in the mid-1980s in an attempt to use the economic levers of the market instead of a command system of central planning to guide the economy. These included, with varying degrees of success, reforms of the rationing and price system, wage reforms, devolution of controls of state enterprises, legalization of private enterprises, creation of a labor market and stock markets, the writing of a code of civil law, and banking and tax reforms. At the same time, the Chinese pursued a policy of opening toward the outside world, establishing Special Economic Zones, and encouraging joint ventures and foreign investment.

In the 1980s and 1990s, China attempted to settle its relations with neighboring states. After a border clash with Vietnam in 1979, there were agreements with Great Britain in 1984 for the return of Hong Kong to China in 1997, and with Portugal in 1987, for the return of Macau—a Portuguese colony since the 16th century—in 1999. In May 1989, Soviet President Mikhail Gorbachev visited Beijing in the first Sino-Soviet summit since 1959. Top Vietnamese leaders came to China in 1991, normalizing relations between the two countries after a gap of 11 years. In the early 1990s, China and South Korea established regular relations, with China also maintaining a relationship with North Korea.

Until 1989, economic reforms were accompanied by relatively greater openness in intellectual spheres. A series of social and political movements spanning the decade from 1979 to 1989 were critical of the reforms and reacted to their effects. In the Democracy Wall movement in Beijing in the winter of 1978–79, figures like Wei Jingsheng (imprisoned from 1979 to 1994 and subsequently reimprisoned) called for democracy as a necessary "fifth modernization." A student demonstration in Beijing in the fall of 1985 was followed in the winter of 1986–87 with a larger student movement with demonstrations of up to 50,000 in Shanghai, Beijing, and

Nanjing, in support of greater democracy and freedom. In June 1987, blamed for allowing the demonstrations, Hu Yaobang was dismissed as party General Secretary, and several important intellectuals, including the astrophysicist Fang Lizhi and the journalist Liu Binyan, were expelled from the party. At the 15th Party congress of November 1987, many hard-line radicals failed to retain their positions, but Zhao Ziyang, who was confirmed as General Secretary to replace Hu, had to give up his position as Premier to Li Peng. By the end of 1988, economic problems, including inflation of up to 35% in major cities, led to major disagreements within the government, resulting in a slowdown of reforms. In December 1988, student disaffection and nationalism were expressed in a demonstration against African students in Nanjing.

On 15 April 1989, Hu Yaobang died of a heart attack. Students in Beijing, who had been planning to commemorate the 70th anniversary of the May Fourth Movement, responded with a demonstration, ostensibly in mourning for Hu, demanding a more democratic government and a freer press. Student marches continued and spread to other major cities. The urban population, unhappy with high inflation and the extent of corruption, largely supported the students and, by 17 May, Beijing demonstrations reached the size of one million people, including journalists, other salaried workers, private entrepreneurs and a tiny independent workers' organization, as well as students. On 19 May, martial law was imposed to no effect, and the government attempted to send troops to clear Beijing's Tiananmen Square, where demonstrators were camped, on 19–20 May and 3 June. Finally, in the early hours of 4 June 1989, armed troops, armored personnel carriers, and tanks, firing on demonstrators and bystanders, managed to reach the Square. Firing continued in the city for several days and estimates of the total number killed range from 200 to 3,000. The events of 4 June sparked protests across the country, and thousands were arrested as the movement was suppressed. On 24 June, Zhao Ziyang was dismissed as General Secretary and Jiang Zemin, the mayor of Shanghai, was named in his place.

Following 4 June 1989, economic reforms were curtailed and some private enterprises closed down as the leadership launched an anticorruption drive. Ideological expression, higher education, and the news media were more tightly controlled in the ensuing years. The move toward a market-oriented economy began again, with increased speed, after Deng Xiaoping made a publicized visit in the spring of 1992 to the most developed areas in southern China. China's economy became one of the most rapidly growing in the world but continued to be plagued by inflation, corruption, and a growing disparity among the provinces. With a high rate of tax evasion, state revenues were shrinking and one-third went to subsidize state enterprises. Having been at the forefront of change in the early 1980s, peasants in the early 1990s were being left behind. In 1993 and 1994, there were peasant protests and riots over receiving IOUs for their produce and over local corruption. There were workers' disputes and strikes (250,000 between 1988 and 1993) in response to low pay and poor working conditions.

Labor unrest continued into 1997 as thousands of workers in several impoverished inland provinces rioted when promises of back pay went unfulfilled. A March 1997 labor protest involving 20,000 workers in Nanchong was the largest since the Communist revolution. China's uneven economic development also led to the growth of a migrant worker class. By 2005, it was estimated that

some 100–150 million peasants left their homes in northern and western provinces in search of menial work along the coast. The unemployment in urban areas was 9.8% for 2004 with an overall unemployment rate of 20%; the unemployment rate does not include underemployment which also is a serious problem.

Parallel to but separate from the student and labor movements were ongoing demonstrations by ethnic minorities; there are 56 officially recognized minority groups in China. The most visible were those of the Tibetans (Buddhists), due to their international connections, but there have also been protests by other minorities, such as the Uyghurs (Muslims) in Xinjiang province. Violent Tibetan demonstrations in the fall of 1987 and spring of 1988 were forcibly suppressed, and from March 1989 to April 1990, martial law was imposed in Lhasa, Tibet. A Uyghur uprising in Xinjiang was met with force by the Chinese military in February 1997, leaving an estimated 100 ethnic Uyghur and 25 Chinese dead. But the situation in Tibet posed the most difficulty for Beijing. China's efforts to control Tibet and dilute its culture led in 1995 to the indefinite detention of the six-year-old boy chosen by the exiled Dalai Lama as his reincarnation, or Panchen Lama. Beijing selected another six-year-old and forced Tibetan leaders to accept him. According to the CCP the Panchen Lama and his family are living in 'protective custody' however, no international organization has been able to visit the family to verify their whereabouts since he was taken in 1995.

In September 1997, the CCP's 15th National Congress elected a Central Committee, which selected the 22-member Politburo. Jiang Zemin became the General Secretary of the party in addition to his title of president. Li Peng was appointed prime minister, and Zhu Rongji, deputy prime minister. During this Congress, political power was consolidated in the triumvirate, with Jiang Zemin officially taking the deceased Deng Xiaoping's position.

As the government prepared for the 50th anniversary of the proclamation of the People's Republic of China, it witnessed the return of Hong Kong (1 July 1997) and Macau (20 December 1999). Both former colonies were designated Special Administrative Regions (SAR) and Jiang stated that each SAR would continue to operate with a considerable degree of economic autonomy.

Also in 1999, Chinese nationalism increased with the US bombings of the Chinese Embassy in Belgrade, Yugoslavia in May as an outpouring of government-sanctioned anti-American demonstrations took place in Beijing. Despite rising nationalism, the political leadership felt threatened by a small but rapidly growing religious sect, the Falun Gong. On 22 July 1999, Chinese authorities banned the sect and arrested its leaders despite international human rights watch groups' criticism. The country celebrated its 50th anniversary on 1 October 1999 with a 500,000-person military parade showcasing its new technological achievements in armaments.

In February and March 1996, China test-fired missiles near Taiwan's two main ports, which caused the United States to send two aircraft carrier groups to the Taiwan Strait. It was the largest US naval movement in the Asia-Pacific region since the Vietnam War. The missile firings and accompanying military exercises were considered to be responses to Taiwan's presidential elections of March 1996, which President Lee Teng-hui, whom China accused of supporting Taiwanese independence, won.

In the run-up to Taiwanese presidential elections in March 2000, Chen Shui-bian of the Democratic Progressive Party, the eventual winner, issued pro-independence campaign speeches advocating “one country on each side,” contradicting China’s “one-country, two systems” policy. In March 2000, Zhu Rongji, the deputy prime minister, warned Taiwan and the United States that Taiwanese independence could lead to armed conflict. A Chinese newspaper also quoted a government white paper stating that war with the United States is inevitable in the future and that if the United States intervened on behalf of Taiwan, the Chinese may use nuclear weapons. Meanwhile, China began construction of military bases on the mainland across the Taiwan Strait. In 1996, China had fewer than 50 short-range missiles within striking distance of Taiwan. In April 2002, it was estimated that China’s military forces had more than 350 missiles in the region and by 2005 the number had escalated to 700.

On 1 April 2001, a US Navy EP-3 reconnaissance aircraft survived a mid-air collision with a Chinese F-8 fighter jet over the South China Sea. The Chinese fighter pilot was lost. The EP-3 conducted an emergency landing on Hainan Island, and the 24-member crew was detained there for 11 days in a standoff between the two countries. The United States and China blamed each other’s aircraft for the crash. The EP-3 was later disassembled for transport back to the United States.

China expressed deep sympathy toward the United States following the 11 September 2001 terrorist attacks on the World Trade Center in New York and the Pentagon in Washington, DC. It has backed the American-led war on terrorism, and cited its own problems with what it considers to be terrorist activities led by ethnic Uyghurs fighting for an independent homeland in the northwest Xinjiang province. China has detained thousands of Uyghurs since 11 September 2001. China voted in favor of UN Security Council Resolution 1441 on 8 November 2002, which required Iraq to immediately disarm itself of weapons of mass destruction (chemical, biological, and nuclear weapons), to allow UN and International Atomic Energy Agency (IAEA) arms inspectors into the country, and to comply with previous UN resolutions regarding Iraq.

On 11 December 2001, China formally became a member of the World Trade Organization, representing international recognition of China’s growing economic power. Several nongovernmental organizations and individuals world-wide protested China’s accession to the body, due to its record on human rights violations. Another formidable problem for China, in regards to acceptance of WTO regulations, is the lack of adherence to intellectual property rights which involves industries as different as films to computer software. Most concerning is the availability of counterfeit medicine; thousands of Chinese are reported to have died from the ill effects of fake medicine. WTO regulations forbid counterfeiting although this has not yet affected China’s membership in the organization.

In November 2002, China and the ten members of ASEAN signed an accord to resolve any conflicts over the Spratly Islands without armed force. The Spratlys are claimed by China, Taiwan, Brunei, Malaysia, the Philippines and Vietnam, and are home to some of the world’s busiest shipping lanes; they are also believed to be rich in oil and natural gas. Signatories to the accord agreed to cease further occupation of the islands, to help anyone in distress

in the area, to exchange views with one another on defense issues, and to give advance warning of military exercises.

At the 16th Communist Party Congress held 8–14 November 2002, what is considered to be a “fourth generation” of Chinese leaders emerged, led by Hu Jintao, Jiang Zemin’s replacement as Communist Party General Secretary. In addition to Hu, the other eight members of the 9-member Politburo Standing Committee were new appointees. In 2005 Hu advised the CCP not to focus solely on economic growth and instead integrate social and environmental factors into decision making. Hu also took a number of high profile trips to the poorer areas of China as well as made the minutes of the Politburo Standing Committee meetings public.

### 13 GOVERNMENT

On 4 December 1982, China adopted its fourth constitution since 1949, succeeding those of 1954, 1975, and 1978. In theory, the highest organ of state power is the National People’s Congress (NPC), in which legislative power is vested. The constitution stipulates, however, that the congress is to function under the direction of the Chinese Communist Party, headed by the general secretary. The NPC meets annually for about two weeks to review major new policy directions, to adopt new laws, and to approve the national budget submitted to it by the state council. Each congress consists of more than 3,000 deputies elected indirectly for a term of five years. The NPC elects a standing committee as its permanent working organ between sessions. The state council, the executive organ of the NPC, consists of a premier (the head of government), five vice-premiers, ministers, and heads of other major government agencies. The state council issues administrative regulations and both formulates and executes economic policy and the state budget. The 1982 constitution restored the largely ceremonial post of state chairman, or president, a position abolished by Mao Zedong in 1968. The eighth National People’s Congress in March 1993 elected Jiang Zemin as president and reelected Li Peng, first elected in 1988, to a second five-year term as premier. At the ninth National People’s Congress in March 1998, Li Peng was elected chairman of the NPC standing committee, and Zhu Rongji became premier. Since the 1980s, the NPC has slowly increased its function as a locus for discussion of issues instead of merely being a rubber stamp. The 1992 debate on the Yangtze River (Chang Jiang) dam project is an example of this.

The death of Communist Party patriarch Deng Xiaoping in February 1997 brought to a head the infighting between Jiang Zemin, Li Peng, and Zhu Rongji. At the 15th National People’s Congress, Jiang was chosen to succeed Deng Xiaoping. The political leadership settled into one of shared leadership. At the 16th party congress held in November 2002, Jiang Zemin, Li Peng and Zhu Rongji resigned their posts in the Politburo standing committee, and the three gave up their positions as president and general secretary, chairman of the NPC standing committee, and premier, respectively, at the 10th NPC held in March 2003. Hu Jintao was named president (he had already been named general secretary of the Communist Party) and Wen Jiabao was named premier.

Democratic elections are held at the village level, but are forbidden above that level. The one lone opposition party, China Democratic Party, is acknowledged by the CCP, but it exists in theory only. Corruption, embezzlement, and bribery are all aspects of contemporary Chinese political life. The government owns all

forms of media, including television, radio stations, and most newspapers. However, access to the Internet is widespread, especially in large cities and Western news outlets can be reached.

## 14 POLITICAL PARTIES

The Chinese Communist Party (CCP) has been the ruling political organization in China since 1949. Eight other minor parties have existed since 1949 as members of a United Front, but their existence has been purely nominal. The party, with 55 million members (1999 estimate), plays a decisive role in formulating broad and detailed government policies and supervising their implementation at all levels of administration. Party supervision is maintained not only through placement of CCP members in key government posts, but also through specialized organs of the central committee of the CCP, which focus their attention on given subjects (e.g., propaganda or rural work). The CCP also forms branches within individual government units, as well as in factories, communes, schools, shops, neighborhoods, and military units.

Theoretically, the highest organ of party power is the National Party Congress, which usually meets once every five years. At each party congress a central committee is elected to oversee party affairs between sessions. The central committee (356 members—198 full members and 158 alternate members) meets annually in a plenary session to elect a political bureau, or Politburo (with 24 members as of 2006), and its standing committee, the party's most powerful organ (9 members in 2006). Directing day-to-day party affairs at the highest level is the secretariat, headed by Hu Jintao as general secretary since November 2002. In 1982, the post of party chairman, formerly the most powerful in the nation, was abolished; the title had been held by Mao Zedong until his death in 1976, by Hua Guofeng from 1976 until his ouster in 1981, and by Hu Yaobang thereafter.

Deng Xiaoping, China's acknowledged political leader since 1977, retired from the central committee in 1987, retired as chairperson of the party's central military commission in 1989, and retired as chairperson of the state's central military commission, his last formal position, in 1990. A new CCP charter adopted at the 12th Communist Party congress in September 1982 forbids "all forms of personality cult" and, in an implicit criticism of Mao, decrees that "no leaders are allowed to practice arbitrary individual rule or place themselves above the party organization." A major purge of party members in the early 1980s sought to exclude elements opposed to Deng's modernization policies. The 13th party congress, convened in October 1987, affirmed Deng's reform policies and the drive for a younger leadership.

In the wake of the June Fourth massacre in 1989, Deng Xiaoping declared that Jiang Zemin, former mayor of Shanghai, should be the "core" of collective leadership after Deng's death. The Politburo announced prohibitions, largely ineffectual, against some forms of party privileges and nepotism, the corruption that had sparked the 1989 protests. The 14th party congress in October 1992 removed Yang Shangkun, state president (1988–93), from the Politburo, weakening the power of his clique in the military. In 1993, the National People's Congress reelected Jiang Zemin, already party general secretary, as chairperson of the central military commission and elected him as state president. This was the first time since the late 1970s that top, formal positions in the par-

ty, government, and military were concentrated in one leader's hands.

After the 15th Communist Party congress, a highly publicized anticorruption drive resulted in the execution of several prominent cases. In addition, Jiang began to remove the Communist Party from state-owned enterprises through an aggressive privatization strategy. In 2000, Jiang introduced a theory revamping the image of the Communist Party. Called the "three represents," it was written into the party constitution at the 16th party congress in November 2002. Seen as a re-orientation of the party away from its sole mission to serve the proletariat, the theory of the "three represents" emphasizes the importance of the middle class, stating that the party will represent not only workers and peasants, but the "advanced productive forces, advanced culture, and the broad masses of the people." Jiang resigned as chairman of the Central Military Commission in September 2004, his last official post.

Hu, who became state president at the National People's Congress in March 2003, was a protégé of Deng Xiaoping, chosen as the "core" of the younger generation. Seen as moderate and cautious, he was expected to proceed with Jiang's slow but steady policy of economic liberalization, and perhaps to introduce some administrative and political reform. Soon into his tenure, the SARS (severe acute respiratory syndrome) crisis broke out and Hu was criticized for not taking action quickly enough. Hu also chose to move China away from a policy of favoring rapid economic growth and toward a more balanced view of growth, most notably by establishing a "green" GDP, taking into consideration the degradation of both natural resources and the environment.

## 15 LOCAL GOVERNMENT

The People's Republic of China (PRC) consists of 22 provinces (*sheng*—the PRC claims Taiwan as its 23rd province), five autonomous regions (*zizhiqu*), and four centrally administered municipalities (*zhixishi*). Provinces and autonomous regions, in turn, are divided into "special districts," counties (*xian*), and cities (*shi*) under provincial jurisdiction, as well as into autonomous minor regions (*zhou*) and autonomous counties (*zizhixian*), where non-Han Chinese minority groups reside. Counties, autonomous counties, and autonomous zhou are divided into townships (*xiang*), autonomous townships (for small minority groups), towns, and rural communes. Hong Kong and Macau are designated as Special Administrative Regions (SAR).

From 1958–82, local administrative authority formerly held by the *xiang* was transferred to the communes and their local people's councils. In 1988, Hainan Island, formerly part of Guangdong, was made China's newest province. The 1982 constitution returned local administrative control to the *xiangs* as the communes began to be disbanded. Local revolutionary committees, which replaced the local people's councils during the Cultural Revolution and under the 1975 constitution, were abolished in 1980. The restored local people's councils have the power to formulate local laws and regulations. The local people's governments are administrative organs of the state and report to the State Council.

In the 1980s an emphasis was placed on recruiting and promoting younger and better-educated officials in local party and government posts. Many provinces along the coastal regions have adopted more decentralized forms of administration while interior provinces remain highly beholden to the central party. Local elec-

tions involving multiple candidates have taken place, especially in the more urbanized coastal areas. Elections began on a trial basis in 1987, and in over 730,000 villages, peasants were scheduled to go to the polls every three years to elect local committees.

## **16 JUDICIAL SYSTEM**

China's legal system, instituted after the establishment of the PRC in 1949, is largely based on that of the former USSR. However, after 1957, Mao Zedong's government consistently circumvented the system in its campaign to purge the country of rightist elements and "counter-revolutionaries." The Ministry of Justice was closed down in 1959, not to reopen until 1979, and the excesses of the Cultural Revolution wrought havoc on legal institutions and procedures. Efforts to reestablish a credible legal system resumed in 1977 (when there were no lawyers in China), as party moderates came to power. These efforts were accelerated in the early 1980s as China sought to provide the legal protection required by foreign investors.

The highest judicial organ is the Supreme People's Court, which, with the Supreme People's Procuratorates, supervises the administration of justice in the basic people's courts and people's tribunals (courts of first instance), intermediate people's courts, and higher people's courts. The judiciary is independent but subject to the Communist Party's policy guidance. The legal profession was still in an incipient stage of development in the mid-1980s. Over 25 law departments at universities and four special schools for training legal officials were in operation in 1987, when China had 26,000 lawyers. By 2000, there were 112,000 lawyers with plans to increase this number to 200,000 by 2010.

A major anticrime campaign during the autumn of 1983 resulted in public executions at the rate of at least 200 a month; capital punishment may be meted out for 65 offenses, including embezzlement and theft. Under the Chinese criminal codes, as revised in 1979, local committees may sentence "hoodlums" to terms in labor camps of up to four years, in proceedings that grant the suspect no apparent opportunity for defense or appeal. Government records for 1990 indicated that nearly 870,000 persons were assigned to such camps during the 1980s. In 2003, there were 250,000 people reported to be incarcerated in these camps. China does not permit international observation of prisons or labor camps. Since 1990, sentences to labor camps may be judicially challenged under the Administrative Procedures Law. In practice the review of such a sentence is rarely sought.

Due process rights are afforded in the 1982 constitution, but they have limited practical import. The Criminal Procedural Law requires public trials, with an exception for cases involving state secrets, juveniles, or personal privacy. Cases are rapidly processed and conviction rates are about 99%. The 1976 Criminal Code contained 26 crimes punishable by death. A 1995 law raised this number to 65, including financial crimes such as passing fake negotiable notes and letters of credit, and illegal "pooling" of funds. Appeal is possible but with little chance of success. However in 1996, the National Peoples' Congress passed new legislation to reform criminal procedure and the legal profession. The new legislation recognized for the first time that lawyers represent their clients, not the state. Under the new system lawyers may establish private law firms. Defendants may also ask near relatives or guardians to provide additional defense.

Amendments to the criminal procedure became effective in January 1997. The amendments state that suspects may retain a lawyer after being first interrogated by an investigative organ. Attorneys may conduct limited investigation, call defense witnesses, and argue their client's cases in open court. According to the amendments, defendants will enjoy a presumption of innocence.

Beginning in 1998, the government began a comprehensive "internal shake-up" of the judiciary, resulting in the punishment or dismissal of over 4,200 judicial branch employees. In January 1999, the former head of the Anticorruption Bureau of the Supreme People's Procuratorate was dismissed for corruption.

China is party to many international organizations such as the UN, the ICC, ASEAN, and most recently the World Trade Organization. China's entry into the World Trade Organization (WTO) in December 2001 has caused China to undertake a full-scale revision of its laws and regulations in order to adhere to WTO rules. In opening its market up to sectors involving finance, insurance, telecommunications, commerce, transportation, construction, tourism, and other services, China will require its judicial system to perform in accordance with international standards. As of 2003, China's lawyers were adhering to a new policy to wear black suits in court, in an attempt to promote professionalism and as a step toward integration with international practices.

Independent trade unions are illegal. Striking is also illegal although there have been increased use of strikes as a method of bargaining with mixed results. Sometimes leaders are arrested but other times not.

The oft misunderstood "one-child policy" has been clarified in recent years. The Population and Family Planning Law requires couples to employ birth control measures and technically limits the couple to only one child. This is well enforced in the cities, but less so in more rural areas. However, there are many avenues through which couples may have a second child. Two examples are as follows: ethnic minorities and farming families are able to have more than one child and couples in urban areas that are both the product of a one child family are entitled to produce a second child.

In March 2005, the State Council passed the Regulation on Religious Affairs which human rights groups believe sharply curtailed both freedom of religious belief and freedom to express one's belief. However, Chinese officials claimed that the regulation safeguards "normal" religious activities, places of religious worship, and religious believers. At the same time religious believers are expected to abide by the government's laws. Religious activities that are banned if deemed "nonnormal" include publishing and distributing texts, selecting leaders, raising funds and managing finances, organizing training, inviting guests, independently scheduling meetings and choosing venues, and communicating freely with other organizations.

## **17 ARMED FORCES**

In 2005, China's active military forces totaled 2,255,000 personnel, with around 800,000 reservists. China has been modernizing its military at a rapid pace even as it reduces personnel. The Army had 1,600,000 personnel, whose major weaponry included more than 7,580 main battle tanks, 1,000 light tanks, 1,000 armored infantry fighting vehicles, over 3,500 armored personnel carriers, and over 17,700 artillery pieces (14,000 towed). The Army's air arm includ-



ed 31 attack helicopters and eight assault helicopters. The Army is deployed over seven regions. The Chinese Navy in 2005 consisted of an estimated 255,000 personnel, including an estimated 10,000 Marines and a naval aviation arm of 26,000 personnel. Major naval units include 68 tactical submarines including 5 nuclear-powered attack submarines (SSNs), 21 destroyers, 42 frigates, 331 patrol/coastal craft, 130 mine warfare vessels, and various types of amphibious craft and logistics/support vessels. The Navy's aviation arm had 436 combat capable aircraft including 68 bombers, 74 fighters, and 274 fighter ground attack aircraft. Chinese naval forces are deployed into three fleets. The airforce had a total of 400,000 personnel including 210,000 assigned to air defense and 40,000 assigned to China's strategic forces. The Air Force's arsenal had 2,643 combat capable aircraft, including up to 222 bombers, 1,252 fighters, and 1,169 fighter ground attack aircraft.

Chinese military strength also includes a nuclear capability. It is suspected that China possesses 410 strategic and nonstrategic nuclear weapons. There are more than 100,000 personnel assigned to the nation's Strategic Missile Forces.

China's paramilitary forces in 2005 had about 1.5 million active personnel, which made up the People's Armed Police; these forces are under the Ministry of Public Security. In addition, there are over 100,000 border defense and 69,000 communications personnel. There are also an estimated 800,000 Internal Security personnel. The Chinese are involved in UN peacekeeping missions in 10 countries or regions around the world.

China's defense budget for 2005 was reported to be \$29.5 billion. However, that figure may be misleading. In 2004, the defense budget totaled \$25 billion, but actual defense spending was estimated at \$62.5 billion.

## 1<sup>8</sup> INTERNATIONAL COOPERATION

China has held a seat in the United Nations since 24 October 1945. After the Communist victory in 1949, UN representation was exercised by the Republic of China (ROC) government on Taiwan until November 1971, when the PRC replaced the ROC in the world organization and its member agencies. As of January 1988, the PRC belonged to ESCAP and several nonregional specialized agencies. The PRC displaced the ROC in the World Bank and IMF in 1980. China acceded to WTO membership on 11 December 2001. China also participates in APEC, the African Development Bank, the Asian Development Bank, and G-77. The country is an observer in the OAS and the Latin American Integration Association (LAIA), a nonregional member of the Caribbean Development Bank, and a dialogue partner in ASEAN.

The United States extended recognition to China on 15 December 1978 and resumed full diplomatic relations as of 1 January 1979. Continued US links with Taiwan in the 1980s, however, remained an irritant in US-PRC relations. The future of Hong Kong, for which part of the lease (the New Territories) expired in 1997, dominated UK-Chinese discussions, and in 1984, an agreement to give Hong Kong back to China in 1997 was formally signed. Relations with the USSR, severed during the Sino-Soviet split in the 1960s, improved somewhat in the 1980s but remained strained over China's support of anti-Soviet forces in Cambodia and Afghanistan. By the end of 1985, more than 130 nations had extended full diplomatic recognition to the PRC, with a parallel drop to about 10 in the number recognizing Taiwan's government. By

the mid-1980s, the PRC had achieved normal relations with most of its Asian neighbors, including Japan, India, Pakistan, Malaysia, Thailand, and Singapore.

Relations with Vietnam, Cambodia, and Laos (all allies of the former USSR) were tense after the late 1970s, but improved in the 1990s. At the Eighth Summit of the Association of Southeast Asia Nations held in November 2002, China forgave the debts of Vietnam, Laos, Myanmar, and Cambodia. Following the collapse of the Soviet Union in late 1991, China established diplomatic relations with the republics of the former Soviet Union. China normalized relations with the Republic of Korea in 1992. At an "ASEAN+3" (China, Japan, and the Republic of Korea) summit meeting held in November 2000, the three countries agreed to promote human and cultural exchanges between them. As of January 2003, a proposed ASEAN-China Free Trade Area was being planned, to begin in 2010.

China is part of the Nuclear Suppliers Group (London Group), the Zangger Committee, and the Organization for the Prohibition of Chemical Weapons and participates as an observer in the Nonaligned Movement. In 2001, China joined with Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan to establish the Shanghai Cooperation Organization (SCO), a cooperative security partnership focused on combating terrorism, extremism, and separatism. China is also a member of the Permanent Court of Arbitration.

In environmental cooperation, China is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 1<sup>9</sup> ECONOMY

Traditional China was predominantly agricultural. Adhering to farming patterns developed over a score of centuries, China could sustain a harsh level of self-sufficiency, given surcease from natural calamities. For almost three decades prior to 1949, the incessant ravages of civil disorder, foreign (principally Japanese) invasion, and gross economic neglect virtually decimated China's frail abilities to sustain itself. The first task of the new PRC government thus was to restore the flow of natural resources to prewar levels. By the early 1950s, the government had succeeded in halting massive starvation. Almost all means of production and distribution were brought under state control, and vast parcels of land were redistributed to the peasantry. During 1953–57, China's first five-year plan stressed heavy industry. Economic development was aided by imports of machinery and other industrial equipment from the former USSR and East European countries. In return, China exported agricultural produce to them. A major geological prospecting drive resulted in the discovery of mineral deposits that provided a major thrust toward industrialization.

The Great Leap Forward of 1958–59 initially produced sharp gains in industry and agriculture, but the zeal for increased quotas quickly resulted in undue strain on resources and quality. The Great Leap was followed by "three bitter years" of economic crisis brought on by bad harvests and the economic dislocation of the previous period. By 1961, the GNP had fallen to an estimated \$81

billion, roughly the level reached in 1955. By 1965, however, a readjustment of expectations, coupled with a careful program of industrial investment, helped the economy to recover. China's trade patterns, meanwhile, had shifted radically away from the USSR and toward Japan and Western Europe.

During the late 1960s, in the Cultural Revolution period, long-range central economic planning was abandoned in favor of policies promoting local self-reliance. Self-sufficiency in grain production was particularly stressed. The negative impact of this emphasis on agricultural development, together with the turmoil of the Cultural Revolution, resulted in a drop in industrial production of 10–20%, while agricultural output, aided by good weather, improved only marginally.

Centralized planning resumed in 1970 with Zhou Enlai's announcement of key goals for the fourth five-year plan (1971–75), including an increase in grain output. The fifth five-year plan (1976–80), disrupted during the political upheaval that followed the deaths of Mao and Zhou in 1976, was restructured in 1978 to embody the Four Modernizations, with the use of Western technology as necessary. At the same time, a 10-year plan (1975–85) calling for the traditional expansion of agriculture and heavy industry was revamped to emphasize the growth of light industries and the accelerated development of industrial raw materials. Trade with the United States expanded after full diplomatic relations were restored in 1979, and four special economic zones were established as centers for foreign investment. The sixth five-year plan (1981–85), adopted in 1982, reflected this new pragmatic approach to economic development by emphasizing agriculture, light industry, energy, and improved transportation facilities. During the 1980s, the Chinese economy underwent a major restructuring under the leadership of Zhao Ziyang. Rural reforms launched in 1979, which linked remuneration to output and centered on household responsibility, had a profound and beneficial impact on the rural economy, and output and income rose to record levels for rural residents. The commune system was disbanded in 1983–84 and replaced by a system of townships, and the household or family became the main unit of rural production. In the wake of the success of these rural reforms, the CCP Central Committee published "A Decision on the Reform of the Economic Structure" in October 1984, with the goal of totally overhauling the national economy and bringing urban industrial organization in line with rural practice. The main points of the decision were that all urban enterprises would be responsible for their own profits and losses, managers would have greater decision-making authority, and national and local governments would relinquish direct control over enterprises and assume a regulatory and supervisory position. Remuneration would be based on productivity, subsidies would be abolished, wages and prices would find their own level, and private and collective enterprises would be encouraged.

The seventh five-year plan (1986–90) made reform its paramount concern. The reforms put forth in 1984 and firmly anchored in the 1988 Enterprise Law proved remarkably successful, leading to much higher rates of industrial and general economic growth than previously expected. Real GNP grew by an average of 9.6% annually between 1979–88, reaching 11% in 1988. By this time, however, indicators of a seriously overheated economy were also clearly emerging; inflation accelerated to 20.7% and shortages in raw material and energy supply, as well as transportation capac-

ity, rapidly worsened. Growth fell to only 4% in 1989 before austerity measures initiated by the government brought inflation to below 10% and eventually restored growth to double digit levels.

Infrastructure development was given special priority in the China's eighth plan covering 1991–95. During this period economic growth accelerated, averaging more than 10% annually, giving China one of the fastest growing economies in the world. With growth came rising inflation and infrastructural bottlenecks, which highlighted the need for further improvements in macroeconomic management. The 1996–2000 economic plan, which called for economic growth of 9–10% through 2000, reaffirmed the importance of the private sector and opening the economy to the outside world. To attract and maintain foreign investors China needed to reform its legal and financial institutions. Despite the government's endorsement of market reforms, the plan continued to affirm the role of state-owned enterprises, which still accounted for more than one-third of total industrial output. In 1996, China committed two-thirds of fixed-asset investment to state-owned enterprises even though most were heavily in debt. By propping up the state sector China risked continuing budget deficits and the higher debt service that came with the borrowing necessary to pay for those expenditures. Investment in the state sector accounted for nearly all of the new investment in 1998, in the form of a special infrastructure-spending package forwarded by the government, supporting a GDP growth rate of 7% in 1999. Economic growth, which slowed during the late 1990s, recovered after China gained entrance to the WTO in 2002.

International analysts warn that reports of the GDP issued by the government may be suspect, pointing to historical inconsistencies between government-reported GDP statistics and those reported by other economic analysts. Mid-way through 2005, the Economist Intelligence Unit's estimates of a GDP increase of 9.3% appeared to be accurate. Also in that year, draft proposals for the eleventh five-year plan specified several objectives, including the promotion of energy efficiency, doubling per-capita GDP, and encouraging "harmonious development."

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2002 China's gross domestic product (GDP) was estimated at \$6 trillion. The per capita GDP was estimated at \$4,600. The annual growth rate of GDP was estimated at 8%. The average inflation rate in 2005 was -0.8%. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange. It was estimated that agriculture accounted for 18% of GDP, industry 49%, and services 33%.

According to the United Nations, in 2000 remittances from citizens working abroad totaled \$556 million, accounting for approximately 0.1% of GDP. Worker remittances in 2001 totaled \$912 million. Foreign aid receipts amounted to about \$1 per capita.

The World Bank reports that in 2001 per capita household consumption (in constant 1995 US dollars) was \$399. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the same period private consumption grew at an annual rate of 5%. The rich-

est 10% of the population accounted for approximately 30.4% of household consumption and the poorest 10% approximately 2.4%. It was estimated that in 2001 about 10% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2005, China's labor force was estimated at 791.4 million. As of 2003, an estimated 49% of civilian employment was in agriculture, 22% in industry, and 29% in services. Although unemployment in urban areas was officially put at 4.2% in 2004, there was substantial unemployment and underemployment in rural areas. In 2003, it was estimated by an official Chinese journal that unemployment overall, which included the country's rural areas, was 20%.

Although workers in China are legally allowed the freedom of association, as of 2005, in reality they cannot organize or join a union of their own choosing. Instead, workers are represented by the All-China Federation of Trade Unions (ACFTU), which is controlled by the Chinese Communist Party (CCP) and is headed by a top party official. The ACFTU controls all union activities and organizations, including those at the enterprise level. Independent unions are illegal. As of the end of 2004, it was reported by the ACFTU that its membership totaled 136.9 million, or 53% of the country's 264 million workers in urban areas. A total of 38% of all corporate units and 25% of private firms in China are thought to be registered with the ACFTU. Union officials working outside the official confines of the ACFTU have reported being harassed and detained by authorities.

Unlike their urban counterparts, China's estimated 540 million rural labor force (including 300 million primary sector workers) were unorganized, with no similar organization to represent the nation's farmers. In addition, only a small number of the 130 million rural residents that work in village and township enterprises were unionized.

While collective bargaining for workers in all enterprise types is legal, in reality it falls way short of international standards.

Although forced and compulsory labor is prohibited by law, it was a serious problem in penal institutions. Those held in reeducation-through-labor facilities were frequently forced to work often with no or little remuneration. In some cases they were contracted to nonprison enterprises to the profit of the facilities and their respective managers.

There is a minimum working age of 16, but compliance with this is irregular, especially in the burgeoning and unregulated private economy. The huge surplus of adult labor reduces the incentive to employ children. Children are most often found working on farms in poorer, isolated areas. Those between the ages of 16 and 18 are considered "juvenile workers" and were prohibited from certain types of physical work, including laboring in mines. The minimum wage varies depending on the area of the country. There is no set national minimum wage rate. It generally provides a decent standard of living for a family. The Labor Law provides that the standard workweek is 40 hours, with a mandatory 24-hour rest period weekly.

## 2<sup>2</sup> AGRICULTURE

With some 50% of the economically active population engaged in farming, agriculture forms the foundation of China's economy. Limitations in topography, soil, and climate, however, have re-

stricted cultivation to only about 15% of the total land area. Despite recent advances—grain crops totaling an estimated 377 million tons were produced in 2003 (18.2% of the world's total)—the enormous pressures of feeding and clothing China's vast and growing population remain among the country's most compelling concerns. From 1980 to 1990, agricultural output grew at an average annual rate of 5.9%, above the population growth rate and the first sustained expansion of agriculture since 1966; output increased at an average annual rate of 4.1% from 1990 to 2000. By 2003, agricultural production was up another 9% from 1999–2001.

The PRC government expropriated large landholdings in a land reform carried out in 1951–52, redistributing the land among poor peasants. By the end of 1954, 11.5% of all peasant households had been collectivized; by 1955, 65%; and by 1965, 99%. The Chinese collective farms had virtually no mechanical equipment, but the peasants pooled their labor in various projects, such as water management, which were beyond the capacity of individual peasants. In 1958, the collective farms were merged into larger units as people's communes. The communes were concerned not only with agricultural output but also with subsidiary farm activities, such as light industry and handicrafts, usually produced for local consumption.

Far-reaching changes in the organization of communes took place during 1961–62. Formerly, the production brigade (the major division of a commune), of which there were about 719,438 in 1982, was regarded as the commune's "basic accounting unit." In 1962, however, the production team (the subdivision of a commune) became the commune's basic organizational element. The average production team consisted of 33 households and cultivated about eight hectares (20 acres). Production teams functioned almost autonomously, making basic decisions on production and distribution of income, while the commune mainly exercised the functions of a township government. Households, the final link in the system, were permitted the use of private plots, which made up about 5% of the arable land assigned to a team. In the early 1980s, these private holdings accounted for 19% of total agricultural output and the bulk of the country's production of vegetables, fruits, hogs, and poultry. Under the "responsibility system," which was introduced in 1978 and by 1983 was operating in 90% of rural China, all production in excess of assigned levels could be sold on the open market to yield a profit for individual production teams. In 1982, in addition to the rural communes, which provided most of China's agricultural output, there were 2,078 state farms working approximately 4.5% of all farmland. These farms, under the Ministry of State Farms and Reclamation, generally served as commodity production centers and as research units for the improvement of crop and livestock yields.

In 1983–84, a major reform of the agricultural system was launched. The 50,000 communes were disbanded and replaced by 92,000 townships, and the six million production brigades were broken up. Production decisions were now made by the household, which sets production targets in contracts with the government; households could sell their surpluses in the open market for cash. Crop diversification was encouraged. By the late 1980s, 60% of agricultural output was free of state controls, and most of China's peasants practiced the household responsibility system.

Grains are the chief crop, accounting for 70% of the total value of crop output and occupying 80% of all land under cultivation.

Shandong, Jiangsu, and Henan together account for about 25% of the total crop value.

The main food crops are rice, wheat, and corn, followed by kaoliang (a type of sorghum), millet, potatoes, and soybeans. China is the world's leading producer of rice, with production increasing from 106.6 million tons in 1970 to an estimated 177.4 million tons (29% of the world's total) in 2004. Over 90% of all rice is produced in southern China, with two (and in the far south, three) crops being grown each year where irrigation facilities permit. Early rice is planted in April and harvested in July; single-crop rice is planted in May and harvested in September; and late double-cropped rice is planted in June and harvested in October. The total wheat crop in 2004 amounted to 91.3 million tons, more than double the 1970 output. Wheat is cultivated throughout the country, often as a dry-season crop in the rice-growing south, with specialized production centered in the Yangtze Valley and North China Plain. Output of other coarse grains, including corn in the southwest and drought-tolerant millet and kaoliang in northern and northeastern China, exceeded 140.6 million tons in 2004. Production of roots and tubers, including sweet potatoes grown as a second crop in areas south of the Yellow River (Huang He) and white potatoes in cooler areas north of the Great Wall, totaled 181.4 million tons in 2004. In 2004, China's agricultural exports (including fish and forestry products) were valued at \$28 billion, with 24% shipped from the port of Qingdao, 13% from Dalian, and 13% from Shanghai.

Industrial crops occupy only 8–9% of the cultivated areas. Among the most important are cotton (the chief raw material for the important textile industry), various oil-bearing crops, sugar, tobacco, silk, tea, and rubber. Cotton output totaled 6.3 million tons in 2004, up from 5.6 million tons in 1991, with production concentrated along the middle and lower reaches of the Yangtze River and on the plains of the Yellow and Huai rivers. Oilseed output in 2004 was derived from a diverse assortment of widely grown industrial crops, including sunflower seeds (1,750,000 tons) and rapeseed (13,040,000 tons). Other oilseed products included 250,000 tons of castor beans, 650,000 tons of sesame seeds, and 460,000 tons of linseed in 2004. Sugar production reached 90.6 million tons in 2004; an estimated 84% of all sugar is derived from sugarcane grown in the south, and the remaining 16% from sugar beets grown in the north and northeast. Production of tea, also an important traditional export, increased from 120,000 tons in 1956 to 861,000 tons in 2004 (26% of world production), with most of the tea grown in hilly regions of the south and southeast. Most tobacco is produced as a sideline by commune householders working private plots; output was 2.4 million tons in 2004 (37% of world production). Most natural rubber is produced on specialized state farms; production totaled 600,000 tons in 2004.

The irrigated area is estimated to have increased from about 15.3 million hectares (37.8 million acres) in 1950 to 55 million hectares (137 million acres) in 1998, making China the world's leader in irrigated land. The expansion of fertilizer production is viewed as a key to major growth in the agricultural sector. Toward this end, China during 1972–74 contracted for the purchase of 13 large urea plants from Japan, the United States, and Western Europe. China's use of chemical fertilizers increased from 184 kg per hectares in 1984 to about 258 kg per hectares in 2002. Farm machinery in 2002 included 926,031 tractors and 197,000 combines.

## 23 ANIMAL HUSBANDRY

Except in outlying areas, nearly all of China's arable land is devoted to crops. Most agricultural units, however, also support the raising of large quantities of hogs and poultry. Natural grasslands for the grazing of sheep and cattle occupy 4 million sq km (1.5 million sq mi), or 43% of China's total area; the four major pasture areas are Xinjiang, Gansu, Qinghai, and Inner Mongolia. In an effort to improve these pastures, 303 million hectares (749 million acres) were planted with improved forage seed strains from 1976 to 1980. Nonetheless, animal husbandry continues to be the weak link in the agricultural economy.

China leads the world in swine production, the total number of hogs reaching about 472.9 million as of 2004 (55% of the world's total), as compared with 89.8 million in 1952. The provinces with the largest hog populations are Sichuan, Hunan, Henan, and Shandong. Pig raising, often pursued as a private sideline by peasants, is the fastest-growing sector of the livestock industry, and hogs and pork products are becoming valuable export earners.

The number of sheep expanded from 36.9 million in 1952 to nearly 155.7 million in 2004. Most sheep are raised by pastoral herders, mostly the ethnic minorities, in the semiarid lands of Xinjiang, Inner Mongolia, Gansu, and Sichuan (Szechuan). Goats, also raised primarily in semiarid areas but increasingly promoted throughout China as a profitable household sideline for milk and dairy production, increased in number from 24.9 million in 1952 to 183.4 million in 2004. Provinces with the greatest numbers of sheep and goats include Shandong, Inner Mongolia, Xinjiang, and Itenan. In 2004 there were also 128 million head of cattle and buffalo, up from 66.6 million in 1965; 7.9 million horses (792,000 in 1965); and 265,000 camels (448,000). Chickens and ducks are raised throughout China on private plots and constitute, together with fish and pork, China's chief sources of dietary protein. The provinces with the largest cattle populations are Itenan, Shandong, Sichuan, and Guangxi. China produced 306,000 tons of honey in 2004, more than any other nation. China also led the world in silk production in 2004, at some 95,000 tons (75% of world production).

In 2004, China produced 74.4 million tons of meat, ranking first in the world with 27% of the total. Some 14.7 million tons consisted of poultry, second only to the United States and accounting for 18% of world production. Pork production in 2005 amounted to 50 million tons (first in the world), equivalent to 49% of global production.

## 24 FISHING

With a coastline of some 6,500 km (4,000 mi) adjoining a broad continental shelf, China has excellent coastal fisheries. A vast number of inland lakes and ponds, covering a total area of about 300,000 sq km (116,000 sq mi), are also used for fish culture, and a 30 km (19 mi) section of the Yangtze below Gezhouba Dam at Yichang is a designated sturgeon preserve. The principal marine fisheries are located on the coast of southern and southeastern China, in the provinces of Guangdong, Fujian, and Zhejiang. The total catch in 2003 was 16,755,653 tons, the highest in the world and 18% of global production. China typically accounts for about 10% of the world's catch, but per capita Chinese consumption of fish amounts to only 9.3 kg (20.5 lb) per year (live weight equiva-

lent), one of the lowest amounts in Asia. China's leading aquacultural products are carp, kelp, oysters, and scallops. Chinese aquaculture produced 28,892,005 tons of fish products in 2003, valued at \$31.4 billion, 68% of world aquacultural production by weight and 52% by value.

Exports of fisheries products in 2003 accounted for 8.3% of the commodity's world exports, and were valued at over \$5.2 billion (second after Thailand). Regulations for the protection of aquatic resources were enacted in 1979.

## 25 FORESTRY

Forest cover has grown from 8.6% of the land base in 1949 to over 18.2% in 2005. Mature stands are decreasing, however, while the share of plantation and commercial forests continues to rise in response to government policies. Coniferous forest accounts for 47%; deciduous, 50%; and mixed, 3%. Most of the forests are in remote regions, however, and lack of transportation limits exploitation. China has three major forest areas: the northeast (Heilongjiang, Jilin, and Inner Mongolia); the southwest (Sichuan and Yunnan); and the southeast (Guangdong, Guangxi, Fujian, Jiangxi, and Hainan). Fujian, Zhejiang, Anhui, and Guangdong together account for about 30% of the total value of the forestry sector. Coniferous stands, which yield the most valuable commercial timber, are found mainly in the northeast and adjoining parts of Inner Mongolia. Deciduous trees are felled in Sichuan and Yunnan. Between 1990 and 1995, however, the northeast's share of production fell from 38% to 30%, as production shifted from state-owned forests in the north to plantation forests in the south. While China is a major producer of softwood logs and lumber, virtually all of its production is domestically consumed. Paper production, which has benefited from the substitution of rice-straw and other non-wood materials for wood pulp, nearly tripled during the 1980s. Special forestry products originating in southwestern China include tung oil, cassia oil, and aniseed oil. Wood imports can vary widely from year to year. China is the largest timber importer in the world—imports of timber and related products reached \$17 billion in 2003. China's domestic industrial roundwood production is divided into two parts—state quota production accounting for about 50 million cu m, and production from illegal over-quota logging, which contributes an additional 40 million cu m. About 60% of state quota timber production comes from plantations. Private mills dominate China's wood processing sector. There are more than 200,000 mills in China (located mostly in Hebei, Shandong, Jiangsu, Zhejiang, Guangdong, and Fujian), of which more than 90% are private.

Deforestation has been a persistent and serious problem in China, leading to massive erosion and desertification. The government has, from the start of its first five-year plan in 1953, given high priority to campaigns for afforestation. By 1980, 26 million hectares (64 million acres) of new forests had been planted, and during the 1980s, afforestation proceeded at the rate of 4.55 million hectares (11.24 million acres) per year. However, cutting of trees for fuel continued in rural areas, and many of the trees planted as part of afforestation efforts were lost because of neglect after planting. During 1990–2000, the forested area grew by an annual average of 1.2%. In its tenth five-year plan commencing in January 2001, the Ministry of Forestry set the annual allowable timber cut at 223.1 million cu m (7.88 billion cu ft), however illegal logging

remains a considerable problem, with annual logging exceeding the quota by 75.54 million cu m (2.67 billion cu ft), or 34%.

## 26 MINING

China produced more than 70% of the world's tungsten, was the largest producer and exporter of rare earths, the largest producer of cement, tin, and steel, and a world leader in the production of antimony. Intensive geologic exploration has yielded greatly expanded mineral reserves. This increase in known subsurface resources was reflected in production rises for China's most important mineral products—coal, petroleum, iron ore, copper, lead, zinc, tungsten, mercury, antimony, tin, molybdenum, barite, fluorospar, magnesite, and rare earths. In 2000, China produced a total of 7.51 million tons of 10 nonferrous metals, 14.6% more than in 1999; production in all 10 metals increased. The production of iron and steel was China's leading industry in 2002, coal production ranked second, and petroleum, cement, and chemical fertilizers were among the top eight. Mineral fuels ranked fifth among export commodities.

Iron ore production in 2004 (gross weight) was 310 million metric tons, up from 261 million metric tons in 2003. Virtually all iron mining was carried out north of the Yangtze River, and the country's total resources totaled 55,000 million tons, the largest reserves being in Liaoning, Hebei, and Sichuan. The largest producers—Anshan Mining Co. (in Liaoning, Anshan) and Shoudu (Capital) Mining Co. (Beijing)—had annual capacities of 30 million tons and 20 million tons, respectively. As domestic iron deposits were of a low ore grade (less than 35% on the average) and required concentration, China has imported more than 50 million tons of ore in the past several years, and steel enterprises continued to look for joint-venture possibilities for iron mines in other countries.

Tungsten output in 2004, mainly from Jiangxi, was 67,000 metric tons (metal content), up from a revised figure of 55,500 metric tons in 2003.

Copper output (metal content) was 610,000 metric tons in 2004, unchanged from 2003, but up from 568,000 metric tons in 2002.

Other metallic ore outputs in 2004 were: tin (chiefly in Yunnan), 110,000 metric tons, up from 102,000 metric tons in 2003; antimony (from Guangxi, Guizhou, and Hunan), 110,000 metric tons; bauxite (gross weight), 15 million metric tons, 13 million metric tons in 2003; lead (metal content), 950,000 metric tons, down from 955,000 metric tons in 2003; molybdenum, 29,000 metric tons; mercury, 425 metric tons, down from 610 metric tons in 2003; and zinc, 2.1 million metric tons, up from 2.03 million metric tons in 2003. China also mined alumina, bismuth, cobalt, gallium, germanium, gold, indium, manganese, nickel, platinum-group metals, silver, uranium, and vanadium. Henan geologists discovered a bauxite deposit in western Hunan Province that could contain reserves of 50 million tons and a significant amount of gallium. Another bauxite discovery, in Jingxi County, Guangxi Province, could contain reserves of 82 million tons (37 million tons of which could be economically developed), 100,00 tons of gallium, and a significant amount of niobium, scandium, and titanium.

The government since 2002 has eased restrictions on its gold market, allowing gold producers to sell their gold through the Shanghai Gold exchange, instead of to the Central Bank at a fixed price. However, imports and exports of gold ingot were still con-

trolled by the government. The establishment of gold mining companies that were wholly owned by foreign investors was not permitted. Shandong province was the leading gold-producing province in China, followed by Henan, Fujian, Shaanxi, Liaoning, and Hebei provinces.

The output of rare-earth oxide content—60% from Nei Mongol, 18% from Sichuan, and 17% from Jiangxi—was 98,000 metric tons in 2004, up from 92,000 metric tons in 2003. Major portions were exported to France, Japan, and the United States. In Nei Mongol, rare-earth concentrate, known as Baotou rare-earth concentrate, was the by-product of producing iron concentrates, and contained oxides of the light rare-earth group—lanthanum, cerium, praseodymium, neodymium, samarium, europium, and gadolinium. In Mianning and Dechang (Sichuan), rare earths were mainly bastnasite, and, in Ganzhou (Jiangxi), the rare earths were of the ionic absorption type. A joint venture in Jiangsu province was to produce vanillin. The largest producers—Gansu Rare Earths Co. (in Jiangxi, Nanchang) and Baotou Iron and Steel and Rare Earths Corp. (in Nei Mongol, Baotou)—had capacities of 32,000 and 25,000 metric tons, respectively. China's rare-earth processing capacity expanded from 50,000 metric tons per year in 1995 to 130,000 metric tons per year in 2000. Rare earths remained a highly controlled sector, and a rare-earth quota was introduced in 1999 to control exports.

Hydraulic cement production in 2004 was 970 million metric tons, up from 862 million metric tons in 2003. Other industrial mineral production in 2004 included: fluorspar, 2.7 million metric tons; barite, 3.9 million metric tons (2.39 million metric tons of barium sulfate was exported, worth \$77.8 million); magnesite, 4.65 million metric tons; gypsum, 7 million metric tons, up from 6.8 million metric tons in 2003; graphite, 700,000 metric tons, down from 710,000 in 2003 (451,735 metric tons exported, for \$67,041,000); talc and related materials, 3 million metric tons, unchanged from 2003 (640,000 metric tons exported, for \$65,954,000); mine boron (boron oxide equivalent), 135,000 metric tons, up from 130,000 metric tons in 2003; asbestos, 510,000 metric tons; and bromine, 4,300 metric tons, down from 42,000 metric tons in 2003. China also produced diamond, diatomite, dolomite, kyanite and related materials, lithium minerals, nitrogen, phosphate rock and apatite, potash, salt, sodium compounds, and sulfur.

The government in 2000 approved the opening of a diamond exchange market in Shanghai. China in 2000 became the world's eighth-largest consumer of precious stones (actual figures were difficult to ascertain because of smuggling and overseas purchases), and "Greater China," which included Hong Kong and Taiwan, was believed to be the world's third-largest diamond market, after the United States and Japan.

In 2000, the government issued several laws and regulations to improve the country's investment environment and foreign investors' confidence. The laws and regulations dealt with, among other things, mineral resource exploitation planning, land exploitation, mine ownership transfer, customs law, gold mining, Sino-foreign contractual joint ventures, foreign capital enterprises, and mineral-resource deposit size classification standards. The government continued its efforts to restructure the mining and metal sectors, abolishing nine bureaus, transferring responsibilities to industrial associations, dissolving three state-owned nonferrous enterprises,

and, to help the industry become more efficient, ceding management to provincial and city governments. The government also offered incentives to companies—exemption from income tax, tariffs, and import value-added tax (VAT)—to invest in the poorer western provinces. It also began to phase out the preferential taxes for foreign enterprises, prepared to draft a "zero tariff rate" policy for exports, issued guidelines to allow foreign enterprises to conduct mineral exploration in China, and agreed to eliminate import quotas and dismantle export subsidies. China planned to increase production of cement, copper, fertilizer, iron, lead, nickel, salt, soda ash, and zinc, and expected to retain its dominance in the world market for antimony, barite, fluorspar, magnesite, rare earths, and tungsten.

## 27 ENERGY AND POWER

China's petroleum resources are a key to its industrial development. In 2004, it became the world's second-largest consumer of petroleum products, surpassing Japan. Crude oil production increased from 102,000 barrels per day in 1960 to 3.3 million per day as of 2002, and to an estimated 3.62 million barrels per day in 2004. In 1998, China had proven reserves of 24 billion barrels. As of 1 January 2005, its proven reserves were estimated at 18.3 billion barrels. In 2004, consumption was estimated at 6.53 million barrels per day, with net oil imports estimated at 2.91 million barrels per day in 2004. The major producing centers are the Daqing field in Heilongjiang, which came into production in 1965 and the Liaohe field, located in northeastern China. Although nearly 85% of China's oil production capacity is onshore, and in addition to numerous other mainland finds, China has potential offshore reserves in the Bo Hai area (thought to have reserves of over 1.5 billion barrels) and the South China Sea, especially in the vicinity of Hainan Island.

By the mid-1970s, China no longer had to rely on oil imports; petroleum exports had, in fact, emerged as a major source of foreign exchange earnings. More than 9,740 km (6,050 mi) of long-distance pipelines transport the oil from fields to refineries and other points of consumption and export. China, however, became a net importer of oil in 1996, because rapid increases in oil demand from high economic growth rates outpaced the slower increases in oil production.

After rising dramatically in the early 1980s, owing largely to the discovery and exploitation of vast deposits in Sichuan Province during the late 1950s and early 1960s, natural gas output stagnated somewhat in the late 1980s. As of 2003, natural gas supplied only an estimated 2.6% of the country's energy. However, with proven reserves totaling an estimated 53.3 trillion cu ft, as of 1 January 2005, it was expected that consumption would double by 2010. In 2000, total national production reached 960 billion cu ft. By 2003, that figure had risen to an estimated 1.21 trillion cu ft. A pipeline to transport natural gas from the Xinjiang province in the west to Shanghai in the east was planned, with Shell chosen to lead a consortium of development companies.

Although China's rivers provide a vast hydroelectric potential (an estimated 378 million kW), only a small part has been developed. In the late 1990s, after economic growth slowed due to the Asian economic crisis, the government declared a two- to three-year moratorium on construction of new power plants due to an oversupply problem. The main hydroelectric projects include Er-

tan in Sichuan Province, Yantan in Guangxi Zhuang Autonomous Region, Manwan in Yunan Province, Geheyan in Hubei Province, Wuqiangxi in Hunan Province, Yamzho Yumco in Xizang Autonomous Region, and Lijia Xia in Qinghai Province. In April 1992, the government approved the construction of the largest hydro-power project in China—the Three Gorges Project on the middle reaches of the Chang Jiang. Construction began in 1996, and as of August 2005, was still underway with completion in 2009. The Three Gorges Project will include 26 hydropower generating units, at 700 MW each, producing a total of 18.2 GW of power. The Three Gorges Project will require the relocation of millions of people just in Sichuan Province alone. A second major hydroelectric project, consisting of a series of dams on the upper portion of the Yellow River, was also underway as of August 2005. Plans for this project call for 25 generating stations to be built, having a combined 15.8 GW of installed capacity.

China's electrical generating capacity was estimated as of 1 January 2003 to stand at 338.3 GW, up from 115.5 million kW in 1988. Total output of electricity increased during the 1988–98 period from 545 billion to 1,098 billion kWh. Output in 2000 was 1,288 billion kWh, of which 81.8% was from fossil fuels, 16.8% from hydropower, and 1.2% from nuclear power. In 2003, electrical power output was estimated at 1,807 billion kWh, of which 1,484 billion kWh hours are from thermal sources, 279 billion kWh from hydroelectric sources, and 42 billion kWh from nuclear sources. Electricity consumption in 2000 was 1,206 trillion kWh. In 2002, consumption rose to 1,452.048 billion kWh. Electric power consumption is forecast to increase at an annual rate of 4.3% through 2025.

Traditionally, coal has been China's major energy source, with auxiliary biomass fuels provided by brushwood, rice husks, dung, and other noncommercial materials. The abundance of coal continues to provide cheap thermal power for electric plants. In 2000, China was both the world's largest coal producer, at 1.27 billion short tons, and the leading consumer of coal, at 1.31 billion short tons. In 2003, China produced an estimated 1.63 billion short tons of coal and consumed an estimated 1.53 billion short tons for the same year. Coal comes from over two dozen sites in the north, northeast, and southwest; Shanxi Province is the leading producer. Recoverable reserves as of 2003, were estimated at over 126.2 billion short tons. In 1996, China accounted for 11.1% of the world's proven reserves of coal. Large thermal power plants are situated in the northeast and along the east coast of China, where industry is concentrated, as well as in new inland industrial centers, such as Chongqing, Taiyuan, Xi'an, and Lanzhou. As of August 2005, it was reported that coal accounted for 65% of primary energy consumption.

The development of nuclear power has become a major factor within China's electricity sector. The 279 MW Qinshan nuclear power plant near Shanghai began commercial operation in 1994. That same year, two 944 MW reactors at the Guangdong facility at Daya Bay also started commercial service. In 1995, Chinese authorities approved the construction of four more reactors. In May 2002, the 1 GW first unit of the Lingao nuclear power plant came online while a second 1 GW unit began operating in January 2003. An additional 600 MW generating unit also came online at Qinshan in February 2002. Net capacity for China's three nuclear reactors was estimated at 2,167,000 kW in 1996. At the start of 2002,

installed capacity for nuclear power was placed at 2 GW. By mid-2005, that capacity had risen to 15 GW and further construction is being planned. A 6 GW complex is being planned for Guangdong province at Yangjiang (slated to begin commercial operation in 2010), while a second facility is being planned for Daya Bay. By 2020, plans call for the completion of 27 GW of additional nuclear power generating capacity. Although China touts nuclear power as a way to cut its dependence upon fossil fuels and as a source of clean energy, by 2020 nuclear power will account for less than 5% of the nation's installed electric generating capacity.

## 28 INDUSTRY

China achieved a rapid increase in the gross value of industrial output (used before China switched to GNP accounting in 1986), which, according to official Chinese statistics, rose by 13.3% annually between 1950 and 1979. The greatest sustained surge in growth occurred during the first decade, with the rate averaging 22% annually during 1949–60. During 1961–74, the yearly growth rate fell to about 6%, partly as a result of the disruptions brought on by the collapse of the Great Leap Forward (which accompanied the withdrawal of Soviet technicians in mid-1960) and of work stoppages and transportation disruptions during the Cultural Revolution. Growth averaged 10% from 1970 to 1980 and 10.1% from 1979 to 1985. Major policy reforms of 1984 further accelerated the pace of industrial growth, which reached 20.8% by 1988. After a brief retrenchment period in 1989–90 as government policies prioritized inflation control over other concerns, expansion of the country's industrial sector resumed apace, exceeding 20% in 1992 and 18% in 1994. Industrial output was officially up 13.4% in 1995, with state enterprises contributing the majority.

While approximately 50% of total industrial output still derives from the state-owned factories, a notable feature of China's recent industrial history has been the dynamic growth of the collectively owned rural township and village enterprise as well as private and foreign joint-venture sectors. Also apparent has been the spatial unevenness of recent industrial development, with growth concentrated mainly in Shanghai, the traditional hub of China's industrial activity, and, increasingly, a number of new economic centers along the southern coast. The coastal provinces of Jiangsu, Guangdong, Shandong, Shanghai, and Zhejiang together account for close to 33% of the country's total industrial output and most of its merchandise exports. One key factor in this industrial geography has been the government's establishment of several Special Economic Zones in Guangdong, Fujian, and Hainan provinces, and its designation of over 14 "open coastal cities" where foreign investment in export-oriented industries was actively encouraged during the 1980s.

Before the first five-year plan (1953–57), China had only one major steel center—Anshan, in the northeast—and several minor ones. All these produced 1.93 million tons of pig iron and 1.35 million tons of steel in 1952. By 1995, China was producing 92,970 million tons of crude steel and 101,700 million tons of pig iron. Anshan continues to be the hub of the industry, but other huge steel complexes have been constructed at Baotou, Benxi (about 50 km/30 mi east of Anshan), Taiyuan, Wuhan, and Ma'anshan (near Nanjing).

China's cotton textile industry is the largest in the world, producing yarn, cloth, woolen piece goods, knitting wool, silk, jute

bags, and synthetic fibers. Labor-intensive light industries played a prominent role in the industrial boom of the late 1980s and early 1990s, accounting for 49% of total industrial output, but heavy industry and high technology took over in the late 1990s. In addition to garments and textiles, output from light industry includes footwear, toys, food processing, and consumer electronics. Heavy industries include iron and steel, coal, machine building, armaments, petroleum, cement, chemical fertilizers, and autos. High technology industries produce high-speed computers, 600 types of semiconductors, specialized electronic measuring instruments, and telecommunications equipment.

Since 1961, industry has been providing agriculture with farm machines, chemical fertilizers, insecticides, means of transportation, power, building materials, and other essential commodities. Handicraft cooperatives also have been busy making hand-operated or animal-drawn implements. Production of a variety of industrial goods has expanded, increasingly in order to supply the country's own expanding industrial base. In addition to fertilizers, the chemicals industry produces calcium carbide, ethylene, and plastics. Since 1963, great emphasis has been placed on the manufacture of transportation equipment, and China now produces varied lines of passenger cars, trucks, buses, and bicycles. In 1995, output included 1,452,697 motor vehicles (more than double the 1991 figure). Output for 1997 was over 1.6 million units. The industry underwent a major overhaul in the late 1990s in order to stimulate efficiency and production.

From 1993–2002, the growth in manufacturing was 11.4% each year. Contributing to this growth in the early 1990s was an increase in agriculture-related industry, as promoted by local governments in town and village enterprises (TVEs) in which agricultural surpluses were invested in low-tech and labor-intensive manufacturing processes. By the end of the 1990s, during an economic slowdown, TVEs began to employ fewer rural workers. Foreign and private enterprises (FIEs—foreign-invested enterprises) became increasingly important to industry, while the state-controlled sector declined.

At the end of the 1970s, 80% of manufacturing output was attributed to state-owned enterprises (SOEs); by 2004, SOEs contributed only 35% of gross industrial output. Whereas there were 118,000 recorded SOEs in 1995, the number had decreased to 31,750 in 2004; those that exist are plagued by outdated equipment and a lack of skilled workers.

High-tech manufacturing gained ground, supplanting the low-technology, assembly-line production of the early 1990s. Though textiles still contribute largely to China's production output, industrial growth is increasingly in sectors producing advanced electronic goods such as cell phones, integrated circuits, and cars.

## 29 SCIENCE AND TECHNOLOGY

Modern China is the heir to a remarkably inventive civilization that pioneered in the development of the abacus (the first mechanical calculating device), paper (and paper money), printing by movable type, gunpowder, the magnetic compass, and the rocket. Contact with the West during the 19th century however, revealed how technologically backward China had become, and it is only in recent decades that the nation has begun to catch up.

China detonated its first fission device in 1964 and its first hydrogen bomb in 1967; the nation now possesses a variety of nucle-

ar weapons mounted on missiles, bombers, submarines, and other delivery systems. Its first satellite was launched in 1970. By 1992, the PRC had launched an INTELSAT satellite on a Chinese launch vehicle. Other priorities have been the development of high-energy physics, laser research, powerful computer memory chips, color television broadcasting technology, and laser infrared devices, although the PRC still relies heavily on outside investment and technology transfer. Major advances have also been claimed in rice hybridization, insecticides, fertilizers, biogas digesters for rural electrification, and pollution control technology.

Two scientific exchange agreements between the United States and China were signed in January 1984 during Premier Zhao Ziyang's visit to Washington, D.C. China has proposed to several Western nations that it provide long-term storage facilities in remote provinces for radioactive waste—a proposal that Western observers believed would provide China not only with hard currency but also with nuclear materials for possible reprocessing.

China's principal technological handicap is lack of skilled personnel. Only 1% of the PRC's 127 million 22-year-olds receive a university degree. However, 37% of all Chinese degrees are in engineering, the highest ratio in Asia. Part of China's response to this shortage has been to send tens of thousands of students overseas for advanced study, especially in the United States. In 1987–97, science and engineering students accounted for 43% of college and university enrollments. China had 454 scientists and engineers and 200 technicians per million people engaged in research and development (R&D) during the same period. By 2002, the number of scientists and engineers per million people had risen to 633 (excluding Hong Kong). Scientific research is coordinated by the prestigious Chinese Academy of Sciences, founded in 1949 and headquartered in Beijing. China in 1996 had 90 specialized learned societies in the fields of agriculture, medicine, science, and technology. Most are affiliated members of the China Association for Science and Technology, founded in 1958. International science and technology cooperation is also increasing. However, concerns over human rights issues have had the effect of cooling US-PRC science and technology exchanges. In 1996, China had 105 universities and colleges offering courses in basic and applied science.

In 1998, high-technology exports were valued at \$23.3 billion and accounted for 15% of manufactured exports. By 2002, high technology exports (excluding Hong Kong) had risen to \$68.182 billion, accounting for 23% of manufactured exports. In 2002, R&D expenditures totaled \$72.014 billion, or 1.23% of GDP. In 2000, the biggest spender on R&D was business at 57.6%, followed by government at 33.4%, and foreign sources at 2.7%. The remainder was undistributed.

## 30 DOMESTIC TRADE

Three types of retail trade outlets—the periodic market, the peddler, and the urban shop—constituted the basis of the traditional commercial structure. In the early 1950s, however, a number of state trading companies were established for dealing in commodities such as food grains, cotton, textiles, coal, building materials, metals, machinery, and medicines. These companies, under the



control of the Ministry of Commerce, have established branch offices and retail stores throughout the country.

In the 1960s, the establishment of state-owned department stores and cooperative retail outlets virtually replaced private trade. There was a resurgence of periodic open markets and private traders when domestic trading regulations were relaxed in 1978. In addition, the government has progressively loosened or eliminated many of its former price controls; an estimated 90% of all retail sales are no longer controlled.

In 2003, about 50% of the work force was employed in agriculture, keeping the country basically self-sufficient in grain production, even though only about 15% of the land is arable. Farmlands and the agricultural industry, however, remain under state control.

The China Export Commodities Fair, usually held each spring and fall in Guangzhou, was for more than 20 years an important point of contact for Westerners doing business with China. Though still important as an initial introduction to the full range of China's potential suppliers, the decentralization of trading activities in recent years has greatly reduced the fair's role in mediating sustained contact between producers and buyers.

Local foreign trade commissions in various industrial centers of the country have taken on a much more active role in organizing many of the services associated with the commodities fair, while any domestic enterprise with foreign trading rights may now participate directly in all events related to trade promotion. Guangzhou still hosts two annual trade fairs, though on a reduced scale. In the major cities, Friendship Stores and other restaurants, hotels, service bureaus, and taxis cater exclusively to foreign visitors; payment is made in foreign exchange certificates.

By the mid-1980s, international credit cards could be used to obtain cash advances in selected outlets and for direct purchases in Friendship Stores. Internet commerce was initiated in China in the late 1990s, and by 2005, there were more than 100 million computer Internet users.

### 31 FOREIGN TRADE

Though China has only recently become a major trading nation, its enormous trading potential is attracting great attention by both

advanced and newly industrializing nations, shown by the world's interest in China's membership in the WTO. Trade has performed important functions within the economy, providing needed capital goods and modern technology to abet development, as well as primary commodities (such as grains) to supplement local supply in slack years. Foreign trade is under the direction of a single Ministry of Foreign Economic Relations and Trade, created in 1982 through the merger of the former ministries of Foreign Trade and Foreign Economic Relations with the Export-Import and Foreign Investment commissions. A major issue since the early 1980s, however, has been the decentralization of trade management and greater reliance on currency devaluation (major devaluations were implemented in 1989 and 1991) and market incentives rather than direct export and import controls to promote desired trade patterns. After the Asian financial crisis of 1997, officials were tempted to devalue the currency once more; instead the Ministry of Foreign Trade and Economics (MOFTEC) spent massive sums of money on state industry, while dismantling trade barriers in anticipation of WTO membership.

Prior to 1949, some three-fourths of China's exports were agricultural products. This proportion ebbed to a low of 13% during the agricultural crisis of 1961. Foodstuffs and other primary products including crude nonfood raw materials, minerals and fuels averaged about 43–50% of exports through 1985, after which the proportion declined steadily to reach only 6% in 1998, as manufactured exports expanded rapidly. Textiles (excluding garments) accounted for 10% of all exports in 1994 and clothing for about 19.7% (up from 7.5% in 1985). However, China's efforts to emulate the success of Japan, British Hong Kong, Taiwan, and the ROK in basing economic expansion on textile and clothing exports encountered protectionist resistance from major potential markets in the United States and European Union.

The textile and clothing industry created the large majority of China's commodity exports in 1998. China's special administrative region of Hong Kong also produces clothes, averaging 12.1% of the world's total clothes exports. Other exports include electrical parts (16%), watches and clocks (2.6%), telecommunications equipment (6.7%), and footwear (3.0%). Hong Kong produces 28% of the world's exports in watches and clocks.

Food imports, which made up only about 2% of the import volume in the 1950s, averaged 20% of the total in 1973 and 1974 but, as total imports rose, fell to less than 4% by 1985 and remained at 2.4% in 1994 and 5% in 1998.

The direction of China's trade has followed three major patterns since the 1930s. Prior to World War II, Japan, Hong Kong, the United States, and the United Kingdom together made up about three-fourths of the total trade volume. With the founding of the PRC in 1949, trade shifted in favor of the former USSR and Eastern Europe. During 1952–55, more than 50% of China's trade was with the former USSR; during 1956–60, the proportion averaged about 40%. As Sino-Soviet relations deteriorated during the 1960s, trade exchanges steadily declined, reaching a bare 1% of China's total volume in 1970 (3.6% in 1986). By the early 1980s, most of China's leading trade partners were industrialized non-Communist countries, and China's trade pattern overall reflected a high degree of multilateralism.

In recent years, as China has rapidly enlarged its role on the international market, the importance of Hong Kong as an entrepot

#### Principal Trading Partners – China (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	438,227.8	412,759.8	25,468.0
United States	92,626.3	33,944.2	58,682.1
China, Hong Kong SAR	76,274.4	11,118.7	65,155.7
Japan	59,408.7	74,148.1	-14,739.4
Korea, Republic of	20,094.8	43,128.1	-23,033.3
Germany	17,442.1	24,291.9	-6,849.8
Netherlands	13,501.2	1,933.1	11,568.1
United Kingdom	10,823.7	3,570.3	7,253.4
Other Asia nes	9,004.5	49,360.6	-40,356.1
Singapore	8,863.8	10,484.9	-1,621.1
France-Monaco	7,329.7	6,102.6	1,227.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

and major source of revenue has increased. In 1992, Hong Kong accounted for close to 35% of China's total trade (up from about 21% in 1986). Hong Kong reverted to Chinese rule in 1997, but because of its enormous trade activity, Hong Kong's trade is often measured separate from China. During the 1990s, Japan ranked as the second-largest trading partner, importing oil and other raw material and claiming 15% of China's total trade. The most dramatic change in the mid-1980s was the emergence of the United States as China's third-largest trading partner; by 2000 the United States was China's second-largest trading partner, and the largest importer of Chinese goods.

As of 2005, China exported \$752.2 billion in goods, 21.1% of which went to the United States, 17% to Hong Kong, 12.4% to Japan, 4.7% to South Korea, and 4% to Germany. That year, China imported an estimated \$631.8 billion in goods, 16.8% from Japan, 11.4% from Taiwan, 11.1% from South Korea, 8% from the United States, and 5.4% from Germany.

### 32 BALANCE OF PAYMENTS

Both foreign trade and international financing in China are state monopolies, with policies and transactions administered by the People's Bank of China (PBC). Among its various functions, the PBC sets exchange rates for foreign currencies. The PBC releases foreign exchange to the Bank of China, which plays a major payments role through its branches in Hong Kong, Singapore, and other overseas financial centers. The government has, overall, maintained a record of financial stability, linked to a policy of stringent controls over its international transactions. Adhering generally to a principle of self-reliance, it has resorted to the use of commercial credit at certain junctures but until the 1970s avoided falling into long-term indebtedness as a means of financing major development goals. In the period 1958–60, the Great Leap Forward and the succeeding years of economic crisis caused a sharp deterioration in China's international payments position. In 1960,

large negative clearing account balances with Communist countries (-\$625 million) were even more than the foreign exchange reserves of \$415 million. By the end of 1964, however, the negative balance with Socialist nations had been reduced to \$55 million, and China's net international financial resources stood at a surplus of \$345 million, owing to monetary gold holdings of \$215 million and foreign exchange balances from trade with non-Communist countries amounting to \$185 million. By 1965, the Chinese had completely cleared their long-term debt to the former USSR, and by 1968, China had redeemed all national bonds and was free of all long-term external and internal debts. Publication of official balance-of-payments statistics was discontinued during the Cultural Revolution and not resumed until September 1985.

According to Western analyses, the period 1978–81 saw a continuing surplus in current accounts, as rising levels of imports were generally matched or exceeded by increases in exports over the same period. In addition, transfers of an estimated \$1.1 billion in 1978 and \$1 billion in 1980, derived from increased earnings in tourism, shipping, and remittances from Hong Kong and other sources, resulted in overall current accounts surpluses of \$900 million and \$1.2 billion in 1978 and 1980, respectively. China's drive to industrialize under the Four Modernizations policy resulted in an unprecedented deficit on capital accounts of \$1.1 billion in 1978. The subsequent unilateral decisions to cancel \$2.6 billion in contracts with Japan (1979) and \$2 billion with Japan and Western nations (1981) were interpreted by some observers as an indication of acute cash-flow problems and a reordering of investment priorities at the highest levels. The trade account was helped by the slow but steady devaluation that occurred after China went to a managed float exchange rate system in January 1991. Tourism receipts and visitor figures also continued to grow, passing pre-Tiananmen levels.

Foreign investment boomed in the 1990s, with a total of nearly \$45 billion committed in 1998 alone. Approximately half of China's loans came from the Asian Development Bank, the World Bank, and Japan; external debt reached \$159 billion in 1998. A usually positive current account balance stockpiled China's reserves. In 1998, China had some \$147 billion in official reserves, but state industries had accumulated a huge amount of what was called triangular debt with the state banks and other lending agencies. Government infrastructure and industrial projects received funding for goods that could not be sold domestically in 1999 due to lower demand, losing money for each party involved. In effect, external trade plays a secondary role in China's economy because of normally high, unsatisfied domestic demand. Agreements with the WTO threaten to increase China's dependence on foreign trade. China's external debt stood at \$149.4 billion in 2002.

The Economist Intelligence Unit reported that China's total exports increased from \$249 million in 2000 to \$593 million in 2004, with an average annual increase of \$86 million. Total imports increased from \$214 million in 2000 to \$534 million in 2004 with an average annual increase of \$80 million.

### 33 BANKING AND SECURITIES

Economic reforms under the Four Modernizations program adopted in 1978 brought major changes in China's highly centralized and tightly controlled banking system. In 1982, the People's Bank of China (PBC) became the central bank and turned over

#### Balance of Payments – China (2001)

(In millions of US dollars)

<b>Current Account</b>		<b>17,401.0</b>
Balance on goods	34,017.0	
Imports	-232,058.0	
Exports	266,075.0	
Balance on services	-5,933.0	
Balance on income	-19,175.0	
Current transfers	8,492.0	
<b>Capital Account</b>		<b>-54.0</b>
<b>Financial Account</b>		<b>34,832.0</b>
Direct investment abroad	-6,884.0	
Direct investment in China	44,241.0	
Portfolio investment assets	-20,654.0	
Portfolio investment liabilities	1,249.0	
Financial derivatives	...	
Other investment assets	20,813.0	
Other investment liabilities	-3,933.0	
<b>Net Errors and Omissions</b>		<b>-4,732.0</b>
<b>Reserves and Related Items</b>		<b>-47,447.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

its commercial operations to the new Industrial and Commercial Bank. The State Administration of Foreign Exchange (SAFE) helps set foreign exchange policy. Other specialized agencies include the People's Construction Bank, the Agricultural Bank of China, the Bank of China, the Bank of Communications, the China Development Bank, and the Export-Import Bank of China. The China Construction Bank (CCB) makes payments for capital construction according to state plans and budgets. The Agricultural Bank of China finances agricultural expansion, grants rural loans, supervises agricultural credit cooperatives, and assists in the modernization of agriculture. The Bank of China (BOC) handles foreign exchange and international settlements for the PBC. It has branches throughout China as well as in Singapore, Hong Kong, Paris, London, Luxembourg, New York, and Tokyo. The BOC is charged with financing China's foreign trade and also acquiring and channeling into appropriate areas the foreign capital needed for imports of industrial equipment and other items for modernization.

The foreign-owned Standard Chartered Bank maintains long-established offices in China. Over 90 foreign banks, representing Japan, the United States, France, Italy, Pakistan, and the United Kingdom, received permission to establish offices in Beijing in the early 1980s. In 1985, for the first time, foreign banks were allowed to do business in the four special economic zones (established to attract foreign investment) in foreign currency. In mid-1997, 10 foreign banks were given permission to operate outside of the special zones; and in 1996, foreign banks were given limited authority to do business in rembi (the local currency at the time). The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$745.3 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$1,889.7 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 3.24%.

In 1987, stock exchanges opened in Shanghai and several other cities, and several stock and bond issues were floated domestically. Securities exchanges are controlled by the PBC, and trading in securities is very limited. In 1997, China accelerated stock-market listings of about 50 large and medium-sized state-owned enterprises (SOEs) and considered raising the number of enterprises piloting group holding structures from 57 to 100. In November 1996, the Shanghai Stock Exchange President, Yang Xianghai, predicted that China's two exchanges (Shanghai and Shenzhen) would number in excess of 1,000 companies by 2000. At the time he was speaking, there were 472 companies listed on the stock exchanges. By 2003, there were 746 listed companies and 871 listed securities being traded on the exchange. In 2004, the Shanghai and Shenzhen exchanges listed a combined total of 1,384 companies. Market capitalization of all exchanges in 2004 amounted to \$639.765 billion. In that same year, the Shanghai Stock Exchange stood at 1,266.5, down 15.4% from the previous year. China's stock market is split into two sections, the "A" share market and the "B" share market. Foreigners may only participate in the B-share market, denominated in foreign currencies and consisting predominantly of foreign private companies. The A-share market is reserved for domestic investors (who are not allowed to participate in the B-share market) and dominated by state enterprises.

### 3<sup>4</sup> INSURANCE

The People's Insurance Co. of China (PICC), formed in 1949, is authorized to handle all kinds of insurance, including the insurance of China's foreign trade and foreign insurance operations in China. In 2001, the People's Insurance Co. of China controlled 78% of China's property/casualty insurance industry, with 4,200 branches and a workforce of 110,000. Two newer domestic Insurance Companies, China Pacific and Ping An, have 11% and 8%, respectively, of the market. Two additional state enterprises, the China Insurance Co. and the Tai Ping Insurance Co., are in operation, and several foreign insurance companies have established representative offices in Beijing. Demand for insurance projects is predicted to grow as economic reforms limit the social security benefits provided by state enterprises. By 2001, life insurance premiums were growing at an average rate of nearly 70% per year, with nonlife premiums growing at around 15% per year. As of 2003, the value of direct premiums written totaled \$46.911 billion, of which life premiums accounted for the largest portion at \$32.442 billion. PICC was China's top nonlife insurer, with \$7,095.6 million in gross nonlife premiums written. China Life was the country's top life insurer, with \$19,583.3 million of gross life premiums written in 2003.

Motor-vehicle third-party liability for foreigners and for citizens in certain provinces, workers' compensation (in the Shenzhen Special Economic Zone), old age pension, unemployment insurance, and property (fire) in Shenzhen for commercial risks are compulsory.

### 3<sup>5</sup> PUBLIC FINANCE

The annual state budget is prepared by the Ministry of Finance and approved by the National People's Congress. A major reform in public finance, introduced in 1980, was a new system of allocating revenues and expenditures between local and national levels of government. Previous revenue-sharing procedures allowed the central government to fix maximum spending levels for each

#### Public Finance – China (2001)

(In billions of yuan, budgetary central government figures)

<b>Revenue and Grants</b>	<b>921.2</b>	<b>100.0%</b>
Tax revenue	811.7	88.1%
Social contributions	...	...
Grants	59.1	6.4%
Other revenue	50.4	5.5%
<b>Expenditures</b>	<b>1,381.6</b>	<b>100.0%</b>
General public services	945.4	68.4%
Defense	143	10.4%
Public order and safety	28.4	2.1%
Economic affairs	189.6	13.7%
Environmental protection	0.2	0.0%
Housing and community amenities	6.1	0.4%
Health	2.1	0.2%
Recreational, culture, and religion	5	0.4%
Education	20.9	1.5%
Social protection	40.8	3.0%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

province, autonomous region, and centrally administered municipality. The new system fixed for a five-year period the proportion of local income to be paid to the central government and (except for emergency appropriations for floods and other such disasters) the level of subsidies to be provided by the central government, as well as the proportion of local income to be retained by local governments. Autonomous regions receive proportionately greater state subsidies than the provinces and centrally administered municipalities, and they are entitled to keep all revenues from local industrial and commercial taxes. During the 1990s, the Chinese consolidated budget deficit grew at a rapidly increasing rate. According to the IMF, the 1998 budget deficit amounted to 4% of GDP, due to rising expenditures and tax evasion. Deficits are largely financed by domestic debt issuance rather than by money creation. In 1999, the central government performed an audit of embezzlement, finding that some \$2.4 billion in state funds had been diverted into private bank accounts, and that a total equaling one-fifth of the central government's tax revenues were misused. In all, the government's liabilities were equal to 100% of GDP in 2000, according to some sources. Annual tax revenues equal 13% of GDP, one-fifth of which goes annually to paying interest on government debts.

The US Central Intelligence Agency (CIA) estimated that in 2005 China's central government took in revenues of approximately \$392.1 billion and had expenditures of \$424.3 billion. Revenues minus expenditures totaled approximately -\$32.2 billion. Public debt in 2005 amounted to 28.8% of GDP. Total external debt was \$242 billion.

Government outlays by function in 2001 were as follows: general public services, 68.4%; defense, 10.4%; public order and safety, 2.1%; economic affairs, 13.7%; housing and community amenities, 0.4%; health, 0.2%; recreation, culture, and religion, 0.4%; education, 1.5%; and social protection, 3.0%.

### 36 TAXATION

China's standard corporate tax rate is 33%, and includes a 3% local corporate income tax. It is applicable to resident as well as those business operations that involve foreign investments, or so-called foreign investment enterprises (FIEs). In addition, local authorities are allowed to collect certain license and registration fees, as well as levy a surcharge. FIEs typically pay taxes at concessional rates, depending upon the type of business and location. Capital gains incurred by companies are generally considered income and are taxed as such.

On 1 January 1994, the PRC Individual Income Tax law came into effect in China. As of 2005, China's individual income tax was progressively rated up to 45% for residents and foreigners, although foreigners listed as nonresidents (those living in China for less than one year) are taxed only on income sourced from China. People resident in China for five or more years are considered residents and are taxed on world-wide income. Capital gains claimed by individuals are taxed at 20%. However, the sale of a private dwelling is exempt from the capital gains tax, if the seller lived in it for at least five years. Nonresidents are subject to a 10% withholding tax. The sale or importation of goods and services are subject to a value-added tax (VAT) at a standard rate of 17% or at a lower rate of 13%. The lower rate applies to water, grain, edible oils, certain agricultural products such as fertilizers, and books.

Small firms are subject to a 6% VAT. The VAT applies to a broad range of services including the sale of immovable property, construction, insurance and entertainment, the latter of which is subject to a 20% rate. Consumption/excise taxes also apply to goods, including cigarettes, motor vehicles, cosmetics, jewelry and alcoholic beverages.

### 37 CUSTOMS AND DUTIES

Although China is in the process of aligning its trade system with international standards, prohibitively high tariffs and quotas discourage many imports. It uses the Harmonized System for tariff classification. A minimum tariff rate is granted to countries that have special agreements with China, including the United States. Tariff rates range from 3–100% with the highest rates reserved for goods such as automobiles. Raw materials are exempt. In 1996, as a step toward WTO compliance, China reduced tariffs on more than 4,000 products by an average of 30%, and then reduced tariffs even further in 2001 in preparation for WTO accession. In 2000, the US-China Trade Relations Working Group successfully opened trade relations with China, with such agreements as: reducing the automobile tariff from a maximum of 100% to a maximum of 25%; reducing auto parts tariffs from 23.4% to 10%; and eliminating quotas by 2005. In addition, China agreed to a reduction in chemical tariffs from about 15% to 7% and a reduction in textile tariffs from 25% to 12% by 2005 (but a quota safeguard would be available in the event that the industry failed). Steel tariffs were to be reduced from 10% to 6% by 2003. These reductions would be implemented on a sliding yearly basis. Most other tariffs have been scheduled for reduction by more than 50%, to an average of 9.4% on industrial tariffs and an average of 17% on agricultural tariffs. China acceded to the World Trade Organization on 11 December 2001.

Official PRC policy is that direct trade with Taiwan is inter-regional, rather than international, since Taiwan is considered a province of China and, therefore, no customs duties are levied. There are free trade zones in Shanghai, Tianjin, Dalian, Haikou, the Hainan Island Special Economic Zone, and within the Shenzhen Special Economic Zone. Smuggling, reportedly well organized along the coasts of Guangdong, Fujian, and Zhejiang provinces and in the frontier regions of Tibet and Yunnan, is a major governmental concern.

### 38 FOREIGN INVESTMENT

China strongly emphasizes attracting foreign investment in projects that will enhance the nation's economic development. Beginning in the early 1970s, China contracted for the construction of a substantial number of complete plants, notably for iron and steel, automobile, fertilizer manufacture, and power generation, including nuclear power. Such agreements, often made with private firms from Japan, Germany, Italy, France, the United Kingdom, and Canada, as well as with agencies of the Communist states, all called for direct purchase of materials and services. Residual ownership by foreigners and remittance of profits from production were expressly disallowed. In 1979, China established the Foreign Investment Control Commission to attract and coordinate foreign investment, and the first four Special Economic Zones (SEZs) in southern China at Shenzhen, Xiamen, Shantou, and Zhuhai to at-

tract foreign investment (the fifth SEZ was established on Hainan Island in 1988).

In the 1980s, foreign investment was restricted to export-oriented businesses, and foreign investors were required to enter into joint ventures (JVs) with Chinese counterparts in order to enter the market. Under the Joint Ventures Law, enacted in 1979 and revised in 1982, the development of joint ventures for the production of exports has been particularly stressed as a means of securing for China the foreign exchange needed to pay for purchases of advanced technology. Foreign investment in products for the domestic market, other than those needed for modernization, was discouraged. In 1984, further foreign investment opportunities were created with the designation of 14 open coastal cities—Shanghai, Guangzhou, Tianjin, Fuzhou, Dalian, Qinhuangdao, Yantai, Qingdao, Lianyungan, Nantong, Ningbo, Wenzhou, Zhanjiang, and Beihai—where preferential incentives could also be offered. Since then, 52 state-approved economic and technology zones have come into existence, and most provinces, regions, and major municipalities have their own international and trust investment corporations, of which the one in Shanghai is the largest. Special corporations for the attraction of investment by overseas Chinese have been established in Fujian and Zhejiang provinces.

In the early 1990s, the government began allowing foreign investors to manufacture and sell an increasingly wide variety of goods in the domestic market. From the mid-1990s, wholly foreign-owned enterprises (WFOEs) have been allowed to operate. In 2000 and 2001, China revised its laws on JVs and WFOEs to eliminate requirements for foreign exchange balancing, to eliminate domestic sales ratio requirements, to eliminate or adjust advanced technology and export performance requirements, and to modify provisions on domestic procurement of raw materials. With China's accession to the WTO in December 2001, foreign investment opportunities were further expanded with the removal of financial and distribution services from the restricted list. Only the production of arms and the mining and processing of certain minerals are currently off-limits to foreign investment.

China attracts capital in four ways: (1) by soliciting loans and credits from foreign governments and international financial institutions; (2) by floating bonds and debentures on international capital markets; (3) by promoting direct foreign investment through joint ventures and other cooperative enterprises; and (4) by accumulating trade surpluses from export sales.

From 1979 to 2000, according to Chinese government figures, FDI totaled \$350 billion. This figure includes investment from the Special Administrative Regions (SARs) of Hong Kong and Macao as well as from Taiwan. On an annual basis, this not-very-foreign proportion of FDI has dropped from over two-thirds to an average of 45.5% for 1999 and 2000. (Analysts have also estimated that 10–30% of FDI from Hong Kong actually comes from Chinese mainland companies looking for a tax break.) From 1979 to 1990, double-digit annual growth rates in the early years (55% in 1984 and 38% in 1985) declined to a low of 2.7% in 1990, the year after the Tiananmen Square violence. However, in 1991, FDI increased 25% and then soared by triple digits in 1992 (152%) and 1993 (150%). By the end of 1995, over 258,000 foreign-invested enterprises had registered in China. In 1996 a World Bank study found that China attracted more than one-third of all investment in factories and other manufacturing plants in developing nations.

Growth rates, of course, moderated after their early surge, but it was not until the Asian financial crisis of 1997–98, precipitated by China's reabsorption of Hong Kong in July 1997, that annual FDI levels stagnated, with a 0.45% growth rate in 1998, and then declined, with an 11.1% fall in 1999 from \$45.46 billion to \$40.4 billion annual FDI. In 1999 foreign invested firms numbered 300,000 and accounted for almost 50% of exports. In 2000, FDI only grew 0.9%, to \$40.77 billion, but in 2001, a 14.6% increase sent annual FDI to a record \$46.8 billion.

China continues to have no mergers and acquisitions law that would permit the involuntary take-over of a company. A company can be bought outright but the sale requires specific government approval, as do all investments in China. Indirect foreign (or portfolio) investment (FII) is limited to those willing to invest in the mainland companies listed on the Chinese stock exchange. Mainland companies raised about \$22 billion in 2000. This fell to about \$12 billion in 2001, reflecting the near 50% drop in foreign investment worldwide following the 11 September 2001 terrorist attacks on the United States.

Until the early 1980s, the flow of Chinese funds abroad was confined to assistance to developing countries and to investment in Hong Kong real estate. In 1983, however, China began making direct investments overseas, in the United States, Canada, the Solomon Islands, and Sri Lanka. China has been a significant supplier of development aid to other countries. Recipients of Chinese military and economic assistance have included the DPRK, Vietnam, Egypt, Pakistan, and Tanzania.

### 39 ECONOMIC DEVELOPMENT

A profound restructuring of China's economy began in 1949 following the founding of the PRC. Adhering to orthodox models borrowed wholesale from the former USSR, the PRC brought all major industrial, infrastructure, and financial enterprises directly under state ownership. Agriculture was collectivized. Management of the economy was closely controlled by central authorities, whose powers extended to the allocation of basic commodities and the basic division of resources into investment, consumption, and defense channels. Centralized planning for economic development was introduced in the form of five-year economic plans.

The first five-year plan (1953–57), belatedly announced in 1957, pursued rapid industrialization along Soviet lines, with a special emphasis on increases in steel and other heavy industries. The plan reportedly achieved its goals of a 5% gain in gross value of agricultural output and a 4% gain in grain production, and exceeded the 19% growth target in gross value of industrial output.

The second five-year plan (1958–62) was voided at its start by the social and economic upheavals of the Great Leap Forward. At the heart of the Great Leap was the establishment of the self-sufficient rural commune; decentralization of industry was stressed, and the rural unemployed put to work in “backyard steel furnaces” and other industrial enterprises of dubious efficiency. Incomes were determined by need, and coercion and revolutionary enthusiasm replaced profit as the motivation for work. Publication of economic data ceased at this time, but Western observers estimated a 1% decline in agriculture for the 1958–60 period, an increase in GNP of only 1%, and no more than a 6% increase in industrial output. After the bad harvests of 1960 and 1961, an “agriculture first” policy was adopted under which large areas of semiarid

steppe and other marginal lands in the north and west were converted to agricultural use.

A third five-year plan (1966–70), formulated by governmental pragmatists and calling for rapid growth of all sectors, was aborted by the outbreak of the Cultural Revolution. In 1969, the government published a report calling for a more open approach to foreign assistance and trade. Domestically, it confirmed the use of the “mass line”—the system of calling upon workers and peasants to take responsibility and initiative, and to work without material incentives. It favored the simultaneous use of modern and traditional employment methods (the “walking on two legs” policy), and recommended expansion of industry through investment of profits derived from the sale of agricultural and light industrial products. At the heart of the 1969 policy was a reversion to the commune system of 1958—a program to make the countryside self-sufficient, with every commune not only growing its own food but also producing its own fertilizer and tools, generating its own electricity, and managing its own small handicrafts factories, health schemes, and primary schools. In contrast to the hastily organized communes of 1958–60, however, the new units frequently adhered to the traditional—and more manageable—structure of Chinese rural life.

Long-range economic planning resumed in 1970 with the announcement of a fourth five-year plan, for 1971–75. In late 1975, Premier Zhou Enlai proclaimed the plan successful. Agricultural output was reported to have grown by 51% during the 1964–74 period, while gross industrial output was said to have increased by 190%. Specifically, the following growth rates (1964–74) for mining and industry were reported: petroleum, 660%; coal, 92%; steel, 120%; cotton yarn, 86%; tractors, 540%; chemical fertilizers, 350%; and electric power, 200%.

A fifth five-year plan (1976–80), announced in 1975, gave priority to modernization of the economy and, for the first time, emphasized the development of light rather than heavy industry. Implementation of this new departure was, however, delayed by the deaths of Mao and Zhou in 1976 and did not occur until 1978, by which time the economic pragmatists, led by Deng Xiaoping, had emerged victorious from the subsequent political and ideological struggles.

The sixth five-year plan (1981–85) reemphasized China’s commitment to the pragmatic line and to the Four Modernizations. Approximately \$115 billion was allocated for capital construction, and another \$65 billion for renovation of existing infrastructure. GNP increased by an annual average of 10%, industrial output by 12%, and agricultural output by 8.1%.

The seventh five-year plan (1986–90), announced in March 1986 and called by Deng Xiaoping “The New Long March,” featured the following major goals: increasing industrial output 7.5% annually (to \$357 billion); increasing agricultural output 4% annually (to \$95.4 billion); increasing national income 6.7% annually (to \$252.7 billion); increasing foreign trade 40% (to \$83 billion); spending \$54 billion on 925 major development projects in energy, raw materials, transportation, and postal and telecommunications; and investing \$74.6 billion in technological transformation of state enterprises. The goal for rural per capita income was \$151 annually.

Concerns about the unevenness of China’s economic development progress, both in geographic and sectoral terms, shaped the

country’s eighth five-year plan (1991–95). To ameliorate potentially crippling bottlenecks in the supply of raw materials, energy, transportation, and communications capacity, the government prioritized the financing of infrastructure investments. Streamlining of inefficient state industrial enterprises was targeted as well, with the setting up of an unemployment security fund planned in order to assist laid-off workers make the transition to employment in nonstate industry and the services sector. Direct foreign investment in industry, services, and infrastructure (especially energy and communications development) were promoted. The plan also emphasized better distribution of the country’s development momentum. Inland cities, especially along the Russian, Mongolian, and North Korean borders were targeted for development as export-oriented special economic zones in addition to coastal areas. Particular emphasis was given to developing major infrastructure projects to link Hong Kong, Macao, and the Pearl River delta area of Guangdong province into an integrated economic area and major export base for the 21st century.

The ninth five-year plan (1996–2000) called for a shift from a centrally planned economy to a “socialist market economy.” It also stressed resource allocation to achieve higher efficiency. The goals included continuing progress toward quadrupling the 1980 GNP by the year 2000 (a goal that had already been met by 1996) and doubling the 2000 GNP by the year 2010, a goal carried over into tenth five-year plan (2001–05). By the end of 2002, the Chinese economy had come through two major external shocks (the Asian financial crisis of 1997–98 and the global economic slowdown of 2001–02) without seriously faltering, at least according to official government figures. Real GDP growth registered 8% in 2000 and dipped to 7.3% in 2001. Inflation has held near zero or below, with a slight deflation in consumer prices (-0.8% in 1998, -1.4% in 1999, and -0.4% in 2002). In 2000 and 2001 inflation was below 1%, at 0.4% and 0.7%, respectively.

The tenth five-year plan (2001–05) called for a continuance of these trends: average GDP growth rates of 7% with a goal of reaching a GDP of \$1.5 trillion by 2005 in the context of stable prices. The government estimated that the labor force would increase 40 million by 2005, and that there would also be 40 million surplus rural laborers to be transferred, as the proportion of the labor force in agriculture dropped from an estimated 50% in 2001 to a planned 44% by 2005. Under the tenth five-year plan the government sought to improve its “socialist market economy.” Priorities include establishing a “modern enterprise system” in the state-owned enterprises (SOEs), improving social security, and increasing the depth and breadth of participation in the international economy. Registered urban unemployment, at 3.6% in 2001 and below 4% in 2002, was to be controlled at about 5% under the tenth plan. The CIA estimated that total urban unemployment was about 10% in 2001, and that there was substantial underemployment in rural areas; Chinese sources put unemployment overall at 20% in 2003. The tenth five-year plan foresaw agriculture’s share in the GDP decreasing to 13% by 2005 from 17.7% in 2001, while industry’s share was expected to increase from 49.3% to 51%, and the share of services, from 33% to 36%, across the planning period. Educational goals include attaining gross enrollments of 90% at the junior high school level, 60% in high school, and 15% in higher education. Environmental targets included attaining 18.2%

forest coverage, 35% urban green rate, and an overall 10% reduction over 2000 levels in pollutants discharged.

In 2005, China's history of incrementalist economic restructuring for increased efficiency gains led to a GDP ten times higher than that recorded in the late 1970s. Such advances helped make China the second-largest economy in the world (in terms of purchasing power parity) after the United States. However, despite the country's economic advances as a whole, the low per capita income and millions of citizens living below the poverty line still placed China in a lower middle-income range. Economic development continued to be disproportionate, with more advances occurring in the eastern coastal provinces than in the rest of the country. Also, as state-owned enterprises (SOEs) have decreased, the government has been challenged to find work for the millions of former SOE employees who were unemployed as a result. Also challenging the government are charges to reduce corruption and economic crimes and to reduce environmental damage (air pollution, soil erosion, and the fall of the water table in the north) and social strife in the face of economic transformation. In July 2005, China revalued the yuan (¥) by 2.1%, and benefited from foreign investment and increased involvement in world trade and increasing employment in urban jobs, despite electricity shortages in the summer of 2005.

Also, in 2005, the draft of the eleventh five-year plan was approved. The plan included provisions to reduce energy consumption (per unit GDP) by 20% and increase GDP by 45% by 2010. It also included a resource conservation and environmental protection package supplementing the other policies and reforms.

#### 40 SOCIAL DEVELOPMENT

China does not yet have national social security legislation. Old age provisions in rural areas is tied to family support and community and state programs. According to the Labor Law, male workers and professional women are eligible to retire at age 60, female nonsalaried workers at 55, and other women at age 50. The amount of the pension is decided by the local or city government based on the standard of living in that area. The urban medical insurance program covers employees in urban enterprises. Local governments and employers adapt the guidelines and base rates according to local conditions. There are some local programs to provide for needy families.

Workers may receive six months' sick leave at 60–100% of salary. For work-related total disability, workers are entitled to lifetime compensation of 75–90% of the standard wage. Maternity leave at full pay is provided for up to 90 days. In addition, numerous health, day-care, and educational benefits are provided free of charge. In urban areas, housing rentals rarely exceed 5% of the monthly wage.

Despite constitutional provisions, women may face discrimination in the workplace. Women continue to report that unfair dismissal, sexual harassment, demotions, and wage disparity are significant problems. In addition, some enterprises are reluctant to hire women because of the additional costs of maternity leave. Sexual harassment was an ongoing problem and the first court cases were heard in 2003. Most women earn less than men, and are twice as likely to be illiterate. Violence against women remains a serious problem, and spousal abuse goes largely unreported. The suicide rate among women is three times the global average.

Women are subject to pressure and sometimes physical coercion to submit to abortion or sterilization. The trafficking of women for the sex trade is a pervasive problem.

A serious human rights problem is female infanticide by families wishing for sons. The imbalance of sex ratios in the country has led to a shortage of women of marriageable age and a dramatic increase in the abduction of women for this purpose.

China's human rights record continued to draw international censure. Ongoing human rights abuses include arbitrary and lengthy detention, forced confessions, torture, and the mistreatment of prisoners. Repression of political dissent continues. Prison conditions are poor and China does not allow any independent monitoring of its prisons. Widespread human rights abuses have also been reported in Chinese-occupied Tibet. The government does not tolerate any political dissent or pro-independence movements in Tibet.

#### 41 HEALTH

A revamping of China's health system was underway in the late 1990s to manage serious diseases. The Ministry of Public Health's ninth five-year plan on the control of serious diseases outlined major reforms to be reached by the year 2000. These include strengthening epidemic prevention management systems and facilities. National health practices, including the provision of both Western and traditional Chinese health services are under the supervision of the Ministry of Health. The ministry has emphasized preventive medicine and general improvement of sanitary conditions.

Since the early 1950s, mass campaigns have been mounted to deal with major public health problems. These have included nationwide cleanup campaigns and mass educational programs in the sanitary preparation of food, the treatment of drinking water, personal hygiene, and waste disposal. The entire population was mobilized to eradicate the four pests—rats, sparrows, flies, and mosquitoes—with mixed results. Epidemic prevention centers were established to carry out massive immunizations, while parasitic diseases, affecting hundreds of millions in China, were also attacked. As a result, schistosomiasis, malaria, kala-azar, and hookworm are thought to have been largely brought under control.

Approximately 90% of inhabitants had access to health care services. In 2000, 75% of the population had access to safe drinking water and 38% had adequate sanitation.

There were 62,000 hospitals and total beds numbered 2.6 million, a rate of 2.33 per 1,000. As of 2004, there were an estimated 164 physicians, 104 nurses, 29 pharmacists, and 4 midwives per 100,000 people.

During the Cultural Revolution in an effort to even out the disparity between rural and urban health services, medical personnel from hospitals (as much as 30–50% of a hospital's medical staff) were sent to the countryside and the number of locally trained paramedical personnel, called barefoot doctors, expanded. These paramedical personnel—young peasants or middle-school graduates—were trained on the job by township doctors or in two-month courses at township health clinics. "Barefoot doctors" and brigade health stations were still the major deliverers of health care in the countryside.

An estimated 83% of married women (ages 15–49) used contraception. The infant mortality rate was reduced from as high as 200 per 1,000 live births before 1949 to an estimated 24.18 per 1,000 in 2005. The maternal mortality rate was estimated at 55 per 100,000 live births. In the mid-1990s, China vaccinated a high percentage of its children up to one year of age: tuberculosis, 94%; diphtheria, pertussis, and tetanus, 93%; polio, 94%; and measles, 89%. Despite the high immunization rates, diseases still persist. China had the greatest number of tuberculosis cases of any UN member state. According to the World Health Organization, cholera was reported in 10,344 individuals in 1995. In China, which accounts for 20% of the world's tetanus cases, over 90,000 a year die from neonatal tetanus.

Average life expectancy in 2005 was 72.27 years, up from an average of 45 years in 1950. Major causes of death were recorded as: communicable diseases and maternal/perinatal causes, noncommunicable diseases, and injuries. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 840,000 people living with HIV/AIDS in the country. There were an estimated 44,000 deaths from AIDS in 2003.

## 4<sup>2</sup> HOUSING

China has an acute shortage of housing, attributable not only to the large annual increases in population (over 10 million a year), but also to the long-standing policy of directing investment funds into heavy industry rather than into housing and other social amenities. In the mid-1990s, the total number of housing units in China stood at 276,502,000. Approximately 400,000 new dwellings were completed per year and 90.6% of all homes had piped water. By the end of 2002, an additional 19.25 million sq m (207.21 million sq ft) of commercial housing had been completed, representing a 10.5% increase from the previous year. The government expects to build 486 million sq m (5,231.26 million sq ft) to 549 million sq m (5,909.39 million sq ft) of floor space each year for the first 20 years of the 21st century. In 2002, the annual investment for housing was at about us\$97 billion.

During the 1990s, the government began a program of transferring ownership of state-owned housing into private hands at fairly low costs and with subsidized mortgages. As a result, an estimated 73% of families own their own residence. In 2002, the average living space was at 23.5 sq m (252.95 sq ft). In rural areas, homes tend to be smaller. Some newer rural homes are at about 50 sq m (538.2 sq ft) in size with households of about three to six people. Though many rural homes are constructed with wood and earthen walls and tile or thatched roofs, some newer homes, such as those built by Habitat for Humanity, include red brick, stone, and compressed earth blocks.

## 4<sup>3</sup> EDUCATION

The Cultural Revolution affected education more than any other sector of society. Schools were shut down in mid-1966 to give the student Red Guards the opportunity to “make revolution” on and off campus. The Cultural Revolution touched off purges within the educational establishment. Upper- and middle-level bureaucrats throughout the system were removed from office, and virtually entire university faculties and staffs dispersed. Although many lower schools had begun to reopen during 1969, several universities remained closed through the early 1970s, as an estimated 10

million urban students were removed to the countryside to take part in labor campaigns. During this period and its aftermath, revolutionary ideology, and local conditions became the principal determinants of curriculum. A nine-year program of compulsory education (compressed from 12 years) was established for youths 7–15 years of age.

Education was reoriented in 1978 under the Four Modernizations policy, which restored the pre-1966 emphasis on competitive examinations and the development of special schools for the most promising students. The most striking changes were effected at the junior and senior high school levels, in which students were again streamed, according to ability, into an estimated 5,000 high-quality, well-equipped schools, or into lower-quality high schools, or into the technical and vocational schools, which were perceived as the least prestigious. In addition, 96 universities, 200 technical schools, and 7,000 primary schools were designated as “key” institutions. Universities were reopened, with a renewed emphasis given to science and technology. By 1998, there were 628,840 primary schools with 5,794,000 teachers and 139,954,000 students. At the secondary level, there were 4,437,000 teachers and 718,883,000 students.

As of 2006, the nine years of compulsory education was still in effect. This consists of a six-year primary education and a three-year junior secondary program. A senior secondary program continues for another three years. The academic year runs from September to July. The primary language of instruction is Chinese.

In 2001, about 27% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2001 was estimated at about 94.6% of age-eligible students. The same year, secondary school enrollment was about 67% of age-eligible students. It is estimated that about 98% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 21:1 in 2003; the ratio for secondary school was about 19:1.

There are over 1,000 colleges and universities in China. Among the largest and most prestigious institutions were Beijing University and Qinghua University, both in Beijing; Zhongshan University, in Guangzhou; Nanjing University and Nanjing Institute of Technology; Nankai University and Tianjin University, in Tianjin; and Fudan University, in Shanghai. In 2003, about 16% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 90.9%, with 95.1% for men and 86.5% for women.

Tuition has traditionally been free in vocational secondary schools, and in training schools for elementary teachers, as well as in colleges and universities; students in need of food, clothing, and textbooks receive state grants-in-aid. Primary and general secondary school students pay a nominal tuition fee. Part-time primary and secondary schools, evening universities, and correspondence schools exist for adult workers and peasants.

As of 2003, public expenditure on education was estimated at 2.1% of GDP, or 13% of total government expenditures.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library in Beijing (founded in 1909) is the largest in China, with over 22 million volumes, including more than 291,000 rare ancient Chinese books and manuscripts. The Chinese Academy of Sciences Central Library, in Beijing, has a collec-



tion of 6.2 million volumes, with branches in Shanghai, Lanzhou, Wuhan, and Chengdu. The Capital Library in Beijing (2.6 million volumes) is the city's public library and operates lending, reference, and children's services. The Shoudou Library, also in Beijing, has 2.35 million volumes. Shanghai Central Library System, established in 2001 with support from the municipal government, includes about 36 branch libraries.

Small lending libraries and reading rooms can be found in factories, offices, and rural townships. The library of Beijing University, with over four million volumes, is the largest university library. Other important university collections are at Nanjing University in Nanjing (3.2 million volumes), Fudan University in Shanghai (3.6 million volumes), and Qinghua University in Beijing (2.5 million volumes). The Central Institute of Nationalities in Beijing—one of dozens of private institutions with libraries—has a collection of 800,000 volumes, including 160 foreign-language journals. The Library Association of China was founded in Peiping (modern-day Beijing), China, in 1925 and reorganized in T'aipei in 1953. The Hong Kong Library Association was founded in 1958.

China has a wealth of about 1,000 museums, most of them cultural in nature. The Imperial Palace Museum in Beijing houses collections of art, sculpture, silk fabric, and furniture. The Museum of the Chinese Revolution on Tiananmen Square has exhibits of the revolutionary movement in China from the Opium War to the founding of the PRC. In Shanghai is the Museum of Art and History, with some of the country's outstanding archaeological and art collections. Many museums are memorials to Chinese artists and writers, and house collections of their work. China also has 500 historical sites with exhibitions. With the return of Hong Kong to China, the country gained the Hong Kong Museum of Art, the University Museum and Art Gallery, the Hong Kong Museum of History, and the Hong Kong Space Museum.

## 4<sup>5</sup> MEDIA

Postal service and telecommunications facilities fall under the authority of the Ministry of Posts and Telecommunications. In 2003, there were an estimated 209 mainline telephones for every 1,000 people.

The same year, there were approximately 215 mobile phones in use for every 1,000 people. Figures for Hong Kong alone were much higher, with 559 mainline telephones and 1,079 mobile phones for every 1,000 people.

Television broadcasting began in 1958, and color transmissions in 1973. As of 1998 China had 369 AM and 259 FM radio broadcasting stations. In 1997, China Central Television operated 209 government-owned television stations. There were also 31 provincial stations and almost 3,000 city stations. The most important station is Beijing's Central People's Broadcasting Station (CPBS); from there, programs are relayed by local stations. CPBS broadcasts daily on several channels using a variety of languages, including Mandarin (or standard Chinese), the Hokkien and Hakka dialects, Cantonese, Mongolian, Tibetan, Uigur, Kazakhi, and Korean. In 2005, there were about 2,100 television channels available through state-run Chinese Central TV, provincial, and municipal stations. Approximately 75 of every 1,000 people were cable subscribers. In 2003, there were an estimated 339 radios and 350 television sets for every 1,000 people. Many of the TV sets are installed in public meeting places and in government and economic

enterprises, although increasingly a television set has become a much-prized private acquisition. Since large segments of the rural population are as yet without radios and television sets, the government operates a massive wired broadcast network linked to over 100 million loudspeakers. Again, figures for Hong Kong alone were much higher, with 686 radios and 504 television sets for every 1,000 people.

Despite controls, a rapidly growing number of Chinese have access to satellite television and the Internet. The government regulates access of the Internet through the Ministry of Information Industry and the Ministries of Public and State Security. In 2003, there were 27.6 personal computers for every 1,000 people and 63 of every 1,000 people had access to the Internet. There were 293 secure Internet servers in the country in 2004.

The press is closely controlled by the government, the CCP, or the various political and mass organizations associated with the CCP. Minority newspapers are published in Mongolian, Uygur, Tibetan, Korean, and other languages. The main news agencies are the official New China (Xinhua) News Agency; the China News Service, which supplies information to overseas Chinese newspapers and journals; and China Feature, which supplies articles to magazines and newspapers worldwide.

The Cultural Revolution caused substantial upheaval in the Chinese press establishment. Many publications closed down, and others underwent purges of editorial staffs. Publication of *Hongqi (Red Flag)*, the most authoritative of the CCP publications, resumed in 1968.

The major newspapers, with their locations and circulations in 2002, are: *Gongren Ribao (Worker's Daily)*, Beijing, 2,500,000; *Renmin Ribao (People's Daily)*, Beijing, 2,150,000; *Xin Min Wanbao (Xin Min Evening News)*, Shanghai, 1,800,000; *Wenhui Bao (Wenhui Daily)*, Shanghai, 1,700,000; *Yangcheng Wanbao (Yangcheng Evening News)*, Guangzhou, 1,300,000; *Jiefang Ribao (Liberation Daily)*, Shanghai, 1,000,000; and *Jiefangjun Bao (Liberation Army Daily)*, Beijing, 800,000.

*Jiefangjun Bao*, the army news, played a leading role in the Cultural Revolution. China's first English-language newspaper, the *China Daily*, founded in 1981, is published in Beijing and had a circulation of 150,000 in 1999. The most authoritative publication for foreigners is the multilingual weekly *Beijing Review*, which distributed in China and abroad with a 1995 circulation of more than 100,000.

In 2002, Hong Kong had over 75 daily newspapers in circulation, some of which are English-language papers from other countries, such as the *Toronto Star*, the *Boston Globe*, and *The Australian*. Major Hong Kong dailies and their 2002 circulations were *Tin Tin Yat Pao*, 199,260; *Sing Tao Wan Pao*, 125,000; *Wah Ku Yat Po*, 125,000; *Ching Pao*, 120,000; *Hong Kong Commercial Daily*, 110,000; *South China Morning Post*, 104,000; and *Hong Kong Daily News*, 101,815.

The largest daily newspaper in Macau is *Ou Mun Iat Pou (Macau Daily News)*, 2002 circulation 100,000).

Government-approved publishing houses are the only legal book publishers.

Though China's constitution states that freedom of speech and of the press are fundamental rights, in practice the Communist Party and the government control all print and electronic media, which are compelled to propagate the current ideological line. All

media are under explicit, public orders to guide public opinion as directed by the authorities.

#### 46 ORGANIZATIONS

Prior to 1966, the leading mass organizations, all closely tied to the regime, were the Communist Youth League, the Women's Federation, the Federation of Literary and Art Circles, the Federation of Scientific Societies, and the Federation of Industry and Commerce. These bodies were to some extent eclipsed by the Cultural Revolution, which spawned a host of new groups. After the Cultural Revolution passed its peak, many of the new organizations lost ground, while local Communist Youth League organizations, including the Young Pioneers, gained prestige. By the mid-1980s, the pre-Cultural Revolution groups were once again ascendant.

There are professional and trade organizations representing a wide variety of professional fields. The All China Federation of Industry and Commerce promotes international trade. The All China Federation of Trade Unions serves as an advocate for worker's rights and benefits, particularly for women. The Asia Pacific Occupational Safety and Health Organization (APOSHO) is located in Hong Kong. Labor organizations in Hong Kong include the Employers' Federation of Hong Kong, the Hong Kong Confederation of Trade Unions, and the Hong Kong Federation of Trade Unions. The International Labour Organization has an office in Beijing.

Educational and cultural organizations include the China National Association of Literature and Fine Arts based in Taiwan. The Chinese Academy of Social Sciences promotes research in philosophy and the social sciences. The Hong Kong Arts Festival Society sponsors an international arts festival. The Royal Asiatic Society, dedicated to the history and culture of China, Hong Kong, and Asia, has a branch in Hong Kong. There are also several organizations dedicated to research and education in various fields of medicine and science. There are also many associations for hobbyists.

National women's organizations include the Association for the Advancement of Feminism (AAF), based in Hong Kong and the All China Women's Federation, based in Beijing. The largest youth association is the umbrella organization the All-China Youth Federation (ACYF), which is led by the Communist Party of China. Member organizations include the Rural Young Entrepreneurs Association, the Association for Young Journalists, the Communist Youth League (CYL) of China, the All-China Students Federation (ACSF), the YMCA and YWCA, and the Chinese Young Entrepreneurs Association (CYEA). Scouting groups exist in Hong Kong and Macau. A wide variety of sports organizations are active throughout the country, including the Chinese Table Tennis Association, which has gained international recognition.

The Asian Human Rights Commission (Hong Kong) is a multinational organization for human rights. There are national chapters of the Red Cross, Greenpeace, Habitat for Humanity, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Chinese restrictions on tourism were eased to allow access by foreigners on group tours in 1976 and further relaxed in 1983, when the ban on individual travel was lifted. By 1985, there were 244 Chinese cities and scenic spots open to foreign tourists and a number of resorts specifically designed for foreigners were in op-

eration. China was opened to tourists from Taiwan in 1987. All visitors to China must have a valid passport and visa; personal interviews may also be required upon entry.

The most famous tourist attraction in China is the Great Wall, the construction of which began in the 3rd century BC as a barrier against northern invaders. Other leading tourist attractions include the Forbidden City, or Imperial Palace, in Beijing; the nearby tombs of the Ming emperors; historic Hangzhou, with its famous West Lake and gardens; busy Shanghai, with its well-stocked stores and superb cuisine; Xi'an, the site of monumental Qin dynasty excavations; and Guangzhou, the center of Cantonese cooking, with an extensive Cultural Park.

Sports activities in China are coordinated by the State Physical Culture and Sports Commission and the All-China Sports Federation. Active sports, represented by national associations, include gymnastics, diving, basketball, football (soccer), tennis, cycling, swimming, volleyball, weight lifting, and mountain climbing. The 2008 Summer Olympics were scheduled to be held in Beijing, the first Olympic Games to be held in China.

Distinctively Chinese pastimes include wushu, a set of ancient exercises known abroad as gongfu (kung fu) or the "martial arts"; taijiquan, or shadow boxing, developed in the 17th century; and liangong shibafa, modern therapeutic exercises for easing neck, shoulder, back, and leg ailments. Qigong (literally "breathing exercises") is also widely practiced both as a sport and as physical therapy. A popular traditional spectator sport is Chinese wrestling. Traditional pastimes for the national minorities are horse racing, show jumping, and archery among the Mongolians; the sheep chase (in which the winner successfully locates and defends possession of a slaughtered sheep) among Uigurs and Kazaks; and yak and horse racing among Tibetans.

In 2003, about 11,403,000 tourists arrived in China. Total receipts from tourism that year were estimated at \$18.7 billion, a decrease of 15% from 2002. There were 992,804 hotel rooms with 1,887,740 beds and a 56% occupancy rate.

The costs of traveling in China vary from city to city. In 2005, the US Department of state estimated the daily cost of staying in Shanghai at \$320 and in Beijing at \$241.

#### 48 FAMOUS CHINESE

Confucius (K'ung Fu-tzu or Kong Fuzi, 551–479 BC) is generally regarded as the most important historical figure, as well as the greatest scholar, of ancient China. His philosophy and social ideas include observance of filial piety, the sanctity of the family, and social responsibility. Other early philosophers were Laotzu (Laozi; Li Erh, 604?–531 BC), the traditional founder of Taoism; Mencius (Meng-tzu or Mengzi, 385–289 BC), who stressed the essential goodness of human nature and the right of subjects to revolt against unjust rulers; and Mo Ti (Di, 465?–390? BC), who stressed the theme of universal love. Among the principal early poets was Chu (Chü) Yuan, (340–278 BC), whose *Li Sao*, a melancholy rhapsody, is among the world's great poems. Sima Qian (Ssu-ma Ch'ien, 145–87 BC) produced the monumental *Shiji* (*Shih-chi; Historical Records*), the first general history of China. Ban Gu (Pan Ku, AD 32–92) wrote *Qian Hanshu* (*Ch'ien-Han shu; History of the Former Han Dynasty*), a continuation of Sima Qian's work. Zhang (Chang) Heng (78–139), an astronomer, is credited with having invented the first seismograph. Zhang Zhongjing (Chang Chung-

ching, 152–219) was a celebrated physician, and Zu Zhongzhi (Tsu Chung-chih, 429–500) calculated the figure 3.14159265 as the exact value for pi. Three brilliant poets of the Tang dynasty were Li Bo (Po, 701–62), Du (Tu) Fu (712–70), and Bo Juyi (Po Chü-yi, 772–846). Li Shizhen (Shi-chen, 1518–93), an outstanding pharmacologist, wrote a monumental *Materia Medica*. Great authors of the Qing dynasty were Wu Jingzi (Ching-tzu, 1701–54), who wrote *Rulin Waishi* (*Ju-lin wai-shih; Unofficial History of the Scholars*), a superb satire on the civil service system, and Cao Xuequin (Ts'ao Hsüeh-ch'in, 1715?–63), who produced a remarkable novel, *Honglou meng* (*Hung-lou meng; The Dream of the Red Chamber*). Lu Xun or Lu Hsun (Zhou Shuren or Chou Shu-jen, 1881–1936) is generally regarded as China's greatest writer of the modern period. Mao Dun (Shen Yanbing, 1896–1981) and Ba Jin (Li Feigan, b.1904) are leading novelists. Lin Yutang (Yu-t'ang, 1895–1976) popularized Chinese culture in the West. Ha Jin (b.1956) is a contemporary Chinese-American novelist born in Liaoning, China. His novel *Waiting* (1999) won the US National Book Award and PEN/Faulkner Award, and *War Trash* (2004) was a finalist for the Pulitzer Prize. Maxine Hong Kingston (b.1940), born in California, is a Chinese-American writer whose *The Woman Warrior* (1976) won the National Book Critics Award for Nonfiction.

#### Political Figures

Sun Yat-sen (Zhongshan or Chung-shan, 1866–1925) planned the revolution against the Manchus and became the first president (1911–12) of the republic. Mao Zedong (Tse-tung, 1893–1976), the foremost figure of postrevolutionary China, served as chairman of the Central Committee of the CCP from 1956 to 1976. Other prominent Chinese Communist leaders include Zhu De (Chu Teh, 1886–1976), who became commander in chief of the Red Army in 1931 and chairman of the Standing Committee of the NPC; Zhou Enlai (Chou En-lai, 1898–1976), first premier of China's State Council; Liu Shaoqi (Shao-ch'i, 1898–1969), who became China's head of state in 1959 and was purged during the Cultural Revolution but posthumously rehabilitated in 1985; and Lin Biao (Piao, 1908–71), who became deputy premier and minister of defense in 1959 and who, prior to his death and subsequent political vilification, had been certified as Mao's successor in the constitution drawn up in 1969. Women in the political hierarchy have included Song Qingling (Soong Ch'ing-ling, 1892–1981), Sun Zhongshan's wife, and Jiang Qing (Chiang Ch'ing, 1913–91), Mao's fourth wife, who emerged as a radical leader during the Cultural Revolution. Jiang, with other prominent radicals, was purged in the wake of the ascension of Hua Guofeng (b.1920) as CCP chairman in 1976. Deng Xiaoping (1904–97), twice disgraced (1966–73 and 1976) by radical administrations, reemerged in 1977 to become China's most powerful political figure, albeit without major office, and a major figure in its modernization drive; he officially retired in 1987. A protégé, Hu Yaobang (1915–89), was party secretary until his ouster in 1987. Another protégé was Zhao Ziyang (1919–2005), who became general secretary of the CCP in 1987; he was purged in 1989 for his support of student demonstrators in the Tiananmen Square protests of 1989, and spent the last 15 years of his life under house arrest. Li Peng (b.1928) was chairman of the standing committee of the National People's Congress from 1998–2003. For his support of the violent suppression of the 1989 Tiananmen Square protests, he remains unpopular with a large

part of the Chinese population. Jiang Zemin (b.1926), is part of the “third generation” of Chinese leaders (after those surrounding Mao Zedong and Deng Xiaoping); he served as general secretary of the CCP from 1989–2002, as president from 1993–2003, and as chairman of the military from 1989–2004. Hu Jintao (b.1942) is the fourth president of the People's Republic of China, general secretary of the CCP, and chairman of the central military commission, succeeding Jiang Zemin in those posts. He ushers in a “fourth generation” of leaders.

## 49 DEPENDENCIES

### Hong Kong

Hong Kong consists of 237 small islands off the southeast coast of the mainland of China and a small peninsula adjoining Guangdong Province on the mainland between 22°29' and 22°37' N and 113°52' and 114°30' E. With a total area, including reclamation, of 1,068 sq km (412 sq mi), it comprises the island of Hong Kong and adjacent islands, 79 sq km (30 sq mi); the Kowloon Peninsula, 11 sq km (4 sq mi); and the New Territories (a leased section of the Chinese mainland) and the remaining islands, 978 sq km (377 sq mi). Most of Hong Kong territory is rocky, hilly, and deeply eroded. The climate is subtropical, with hot and humid summers. Rainfall is heavy and there are occasional typhoons.

Total population, which was under 600,000 in 1945, was approximately 7.3 million in 2002. Some 60% of Hong Kong's residents in 1996 were born there. The phenomenal increase since World War II (1939–45) resulted primarily from a large influx of mainland Chinese. During the late 1970s and early 1980s, hundreds of thousands of “boat people” arrived from Vietnam. Most have been resettled in other countries, and by mid-1987 only 8,500 remained in camps. In summer 1987, however, Hong Kong faced another influx of Vietnamese, most of them ethnic Chinese. These people—more than 6,000 of them—had fled to China after the Vietnam War but found it difficult to assimilate there.

The overall population density in 2002 was 5,800 per sq km (14,500 per sq mi). About 95% of the inhabitants are Chinese and about 95% of the people live in metropolitan areas. Chinese (Cantonese dialect) is the principal spoken language; both Chinese and English are official languages. Taoists, Confucianists, and Buddhists constitute a majority of the population. The Christian population (10%) is split about evenly between Roman Catholics and Protestants. There are also Muslim and Hindu communities (1%). The capital is Victoria, commonly known as Hong Kong.

Hong Kong has regular shipping, air, cable, and wireless services to every part of the world. Government-maintained roads span more than 1,830 km (1,135 mi). The mile-long Cross Harbour Road Tunnel connecting Hong Kong Island to Kowloon was opened in 1972, and the Lion Rock Tunnels link Kowloon with Sha Tin; the Aberdeen Tunnel beneath Hong Kong Island entered service in 1982. The government-owned Mass Transit Railway, a 38.6-km (24-mi) subway system, was begun in November 1975 and started operations in October 1979. The government also owns and operates a 56-km (35-mi) rail line, known as the Kowloon-Canton Railway. The railroad links up with the rail system of Guangdong Province and constitutes a major land-entry route to China; passenger service, suspended in 1949, was resumed in 1979. The Kowloon-Canton Railway operates a 34-km (21-mi)

light rail system for the New Territories; as of 2001, it connected to the China railway system.

Hong Kong has one of the finest natural harbors. There are deep-water berths in Kowloon Peninsula and in Hong Kong; a container terminal at Kwaichung in Kowloon handles some 60% of Hong Kong's exports. An extensive ferry service connects Hong Kong's islands; hydrofoils provide service to Macau. The Hong Kong airport, Kai Tak, is the world's fourth-largest in terms of passenger traffic; it can handle upwards of 27 million passengers a year. A new airport, Chep Lap Kok, a us\$20 billion project that included bridges, highways, tunnels, and a high-speed railway, opened in 1998. The first phase of the airport project, the West Kowloon expressway connecting the airport to Hong Kong Island, opened in February 1997. In April that year, another link—the Tsing Ma Bridge, the longest suspension bridge for road and rail travel in the world—opened with lavish ceremonies. Three days later, a tunnel with capacity for 180,000 cars a day opened to provide another link between Hong Kong Island and the West Kowloon expressway.

A bleak fisherman's island for most of its early history, Hong Kong was occupied in 1841 by the British. Formal cession by China was made in 1842 by the Treaty of Nanking. The Kowloon Peninsula and adjacent islands were added in 1860, and in 1898, the New Territories were leased from China for 99 years. Hong Kong fell under Japanese occupation from 25 December 1941 to 30 August 1945. Negotiations between the United Kingdom and China culminated in an agreement on 26 September 1984 under which sovereignty over the entire colony would be transferred to China as of 1 July 1997. For a 50-year period, Hong Kong would be a Special Administrative Region and would retain its capitalist economy, its political rights, and its general way of life. A Basic Law, forming a constitution for this period, took effect in 1990.

In the interim, the colony was ruled by a UK-appointed governor, with an advisory Executive Council headed by the local commander of UK forces, and an appointed Legislative Council presided over by the governor. Chris Patten, appointed governor in 1992, held the post until the transfer of control to China 1 July 1997. The Urban Council of 30 members (15 elected and 15 appointed by the governor) dealt primarily with municipal affairs, and the government secretariat was responsible for the work of some 40 executive departments. The public sector's share of GDP decreased steadily after 1973. Under a 1981 defense agreement, about three-fourths of the cost of the maintenance of a garrison of 8,945 troops (including four Gurkha battalions) in Hong Kong was borne by the Hong Kong government. The currency unit is the Hong Kong dollar; exchange rates as of 2005 were HK\$1 = us\$7.7773; us\$1 = HK\$0.1286).

Located at a major crossroads of world trade, Hong Kong has become a center of commerce, shipping, industry, and banking. Rapid industrialization, accelerated by the influx of new labor, skills, and capital, changed the pattern of the economy after World War II. While heavy industries, such as shipbuilding and ship repairing, iron, and steel, remain important, light industries—especially watches, clocks, toys, and electronics—have developed more rapidly in recent years. The service sector has also experienced growth; as of 2005, approximately 90% of Hong Kong's GDP derived from services. In 2005, the gross domestic product (GDP) stood at us\$172.6 billion, with annual growth that year of 7.3%.

Less than 10% of the total land area is used for farming, most of which is intensive vegetable cultivation. Agriculture does not represent a significant portion of Hong Kong's GDP and most of Hong Kong's agricultural produce is imported. Hong Kong is among the top export markets for US produce.

Electricity is supplied by two franchise companies. Water resources, for long a serious deficiency, have been increased by converting Plover Cove into a lake. About one-quarter of the water supply is purchased annually from China.

Imports in 2005 were estimated at us\$291.6 billion, and exports and reexports at us\$286.3 billion. As one of the world's largest banking centers, Hong Kong receives a continuous flow of outside capital. The Hong Kong Association of Banks was created in January 1981 to regulate charges and deposit interest rates and oversee banking standards. There is no central bank; currency is issued by two commercial banks. In addition to the licensed banks, many Chinese firms handle Chinese remittances from overseas.

Hong Kong is self-supportive except for external defense. Revenues in 2005 were estimated at us\$31.31 billion, derived mainly from internal taxation and import duties. Government expenditures, including us\$5.9 billion in capital expenditure, amounted to us\$32.3 billion in 2005.

Tourism was an important industry prior to 1997, and remained so after the transfer of Hong Kong to China. About one-fourth of the total number of tourists travel to Hong Kong from the United States, Canada, and Western Europe, with another one-fourth from Japan. Travel restrictions for tourists from mainland China were eased, resulting in growth in tourism in 2003–05.

Main line telephones numbered about 3.8 million in 2004; mobile cellular telephones numbered about 8.2 million that year. Broadcasting services are provided by a government station, Radio Television Hong Kong, and by commercial operators. Broadcasting services are in both Chinese and English. More than 90% of all households have one or more television sets. The Hong Kong press included 734 newspapers and periodicals. Almost all the newspapers are in Chinese; five are English-language dailies.

The infant mortality rate was 2.95 deaths per 1,000 live births in 2004, down from 5.73 deaths per 1,000 live births in 2002. The average life expectancy as of 2004 was 81.59 years (females, 84.5 years and males 78.9 years), up from 79.8 years in 2002. In 1995, there were 4.7 hospital beds per 1,000 population, and the daily cost of a hospital bed in a public hospital was \$60.

The Hong Kong Housing Authority plans, builds, and manages public housing developments. About 40% of the population lived in public and aided housing as of the late 1990s.

In September 1980, education until the age of 15 was made compulsory; six years of primary and three years of secondary schooling are provided by the government free of charge. Schools are of three types: Chinese, English, and Anglo-Chinese. Prevocational training was offered in more than a dozen government-run institutions. Student enrollment in primary and secondary school is about a quarter of the population. Higher education is provided primarily by the University of Hong Kong and the Chinese University of Hong Kong. Hong Kong Polytechnic and the City Polytechnic of Hong Kong also provides postsecondary education for the colony's residents. As of 2002, approximately 93.5% of the population was literate (96.9% for men and 89.6% for women).

## MACAU

Macau (Macao) is situated on the south coast of China, at the mouth of the Pearl (Zhu) River, almost directly opposite Hong Kong, which is about 65 km (40 mi) away. Located at 22°6' to 22°13' N and 113°33' to 113°37' E, Macau consists of a peninsula, about 5 km (3 mi) long and 1.6 km (1 mi) wide, and two small islands, Taipa and Coloane. The total area is about 16 sq km (6 sq mi), and the total coastline is 41 km (25 mi). The climate is subtropical, with high humidity from April to October, when Macau receives most of its rainfall. Daily maximum temperatures average 29°C (84°F) during the summer; normal daily temperatures are less than 20°C (68°F) during the winter months.

Macau's population was estimated at 453,125 in mid-2006, down from 496,837 in mid-1996. The population density of over 29,000 per sq km (79,000 per sq mi) was among the highest in the world. Chinese, many of them refugees from the People's Republic of China (PRC) before Macau reverted to the PRC in 1999, constitute 95% of the total; the remaining 5% are Portuguese or of mixed Chinese-Portuguese ancestry. Large-scale movement of Chinese in and out of Macau has inevitably affected the economic and social life of the territory. The common language is Chinese, usually spoken in the Cantonese (87.9%), Hokkien (4.4%), or Mandarin (1.6%) dialect. As of 1997, Buddhism (50%) and Roman Catholicism (15%) were the dominant religions.

In 2003 there were about 345 km (215 mi) of highways. A causeway links Taipa and Coloane islands, and a 2.7-km (1.7-mi) bridge connects Macau and Taipa. Macau's main asset is its harbor; ferries, hydrofoils, and jetfoils offer shuttle service between Macau and Hong Kong. In 1994, a 240-km (149-mi) road connecting Macau and Hong Kong opened, running through Guangdong Province in the PRC.

Macau is the oldest European settlement in the Far East. The first Portuguese attempts to establish relations with China were made in the early 16th century. In 1557, the Chinese authorities agreed to Portuguese settlement of Macau, with leaseholder rights. The Portuguese, however, treated Macau as their possession and established a municipal government in the form of a senate of the local inhabitants. Disputes concerning jurisdiction and administration developed. In 1833, Macau, together with Timor, became an overseas province of Portugal under the control of the governor-general of Goa, and in 1849, Portugal succeeded in having Macau declared a free port. On 26 March 1887, China confirmed perpetual occupation and governance of Macau and its dependencies by Portugal, but the question of the delimitation of the boundaries was left unsettled.

As the only neutral port on the South China Sea during World War II (1939–45), Macau enjoyed a modicum of prosperity. In 1949, the government of the PRC renounced the "unequal treaty" granting Portuguese suzerainty over Macau. Civil disturbances in late 1966 between Macau police and Chinese leftist groups resulted in concessions to the territory's pro-China elements. The 1974 military coup in Portugal led to a constitutional change in Macau's status from a Portuguese province to a "special territory." In January 1976, Portugal's remaining few hundred troops were withdrawn from Macau. China and Portugal established diplomatic ties in 1980. In March 1987, the PRC and Portugal reached an agreement for the return of Macau to the PRC on 20 December

1999. The PRC has guaranteed not to interfere in Macau's capitalist economy and way of life for a period of 50 years.

Until December 1999, Macau was ruled by a governor appointed by Portugal, although it was empowered to make its own laws, appoint and control its own civil service, and contract directly for foreign loans.

Prior to and immediately following Macau's transfer to PRC control, the unit of currency was the Macau pataca (P) of 100 avos; Hong Kong dollars also circulated freely. There are coins of 10, 20, and 50 avos and 1 and 5 patacas, and notes of 5, 10, 50, 100, and 500 patacas. The pataca is linked to the Hong Kong dollar at the rate of HK\$1 = P1.03; as of 2005, the rate of exchange with US dollars was US\$1 = P8.011 OR P1 = US\$0.1248. Corporate taxes and import duties are important sources of revenue; major expenditures are for finance, security, education, and health and welfare.

Macau's economy is consumer-oriented. There is little agriculture and the territory is heavily dependent on imports from China for food, fresh water, and electricity. Important economic sectors are commerce, tourism, gambling, fishing, and light industry. There are small- and medium-scale enterprises concerned especially with the finishing of imported semimanufactured goods, in particular the manufacture of clothing, ceramics, electronic equipment, toys, and fireworks, and the printing and dyeing of cloth and yarn.

Macau's historic role has been that of a gateway for southern China. It has close trade relations with neighboring Hong Kong, another free port. Gold trading, formerly a major facet in Macau's economy, virtually came to a halt in 1974–75 following Hong Kong's decision to lift its own restrictions on gold trading. The principal exports were clothing, textiles, footwear, toys, electronics, and machinery and parts. Principal export partners in 2004 were the United States, 48.7%; China, 13.9%; Germany, 8.3%, Hong Kong, 7.6%, and the United Kingdom, 4.4%. The principal imports were raw materials and semi-manufactured goods, consumer goods (foodstuffs, beverages, and tobacco), capital goods, and mineral fuels and oil. Total imports in 2004 were valued at \$3.478 billion, of which China provided 44.4%; Hong Kong, 10.6%; Japan, 9.6%; Taiwan, 4.9%; Singapore, 4.1%, and the United States, 4.1%.

Government schools are operated mainly for the children of civil servants and wealthier families, while poor Chinese students are educated in schools supported by China. Macau's University of East Asia opened in 1981. The Medical and Health Department, although critically understaffed, operates a 400-bed hospital. The 800-bed Kiang Vu Hospital has a largely China-trained staff.

There were 173,900 main telephone lines and 432,400 mobile cellular phone lines in use in 2004. Macau has two FM radio stations and has access to satellite communications. There are newspapers published in Chinese and Portuguese. Macau receives television broadcasts from Hong Kong.

With its varied gambling facilities, gambling provides about 70% of government revenue. Travelers must have a valid passport and a visa, which is generally purchased at the point of disembarkation. After the transfer of Macau to Chinese control in 1999, there was an increase in tourist arrivals from China.

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# CYPRUS

Republic of Cyprus  
*Kypriaki Dimokratia*

**CAPITAL:** Nicosia

**FLAG:** The national flag consists of the map of Cyprus in gold set above two green olive branches on a white field.

**ANTHEM:** *Ethnikos Hymnos (National Hymn)*, beginning “Se gnorizo apo tin kopsi” (“I recognize you by the keenness of your spade”).

**MONETARY UNIT:** The Cyprus pound (c£) is a paper currency of 100 cents. There are coins of 1, 2, 5, 10, 20, and 50 cents and 1 pound, and notes of 50 cents, and 1, 5, 10, and 20 pounds. c£1 = \$2.12766 (or \$1 = c£0.47) as of 2005. The Turkish lira (TL) of 100 kuruş is the currency in the Turkish Cypriot zone.

**WEIGHTS AND MEASURES:** The metric system is the legal standard. Imperial and local measures also are used.

**HOLIDAYS:** New Year’s Day, 1 January; Epiphany, 6 January; Late President Makarios’ Day, 19 January; Greek Independence Day, 25 March; Cyprus National Day, 1 April; Labor Day, 1 May; Cyprus Independence Day, 1 October; Greek Resistance Day, 28 October; Christmas, 25 December; Boxing Day, 26 December. Holidays observed by the Turkish Cypriot community include Founding of the Turkish Federated State of Cyprus, 13 February; Turkish National Sovereignty and Children’s Day, 23 April; Turkish Youth and Sports Day, 19 May; Turkish Victory Day, 30 August; Turkish Independence Day, 29 October. Movable Christian religious holidays include Green Monday, Good Friday, Holy Saturday, and Easter Monday. Movable Muslim religious holidays are observed in the Turkish Cypriot zone.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Cyprus is the largest Mediterranean island after Sicily and Sardinia. Including small island outposts of Cape Andreas known as the Klidhes, its area is 9,250 sq km (3,571 sq mi). Comparatively, the area occupied by Cyprus is about three-fifths the size of the state of Connecticut. Since 1974, the northern third of the island, or 3,367 sq km (1,300 sq mi), has been under the de facto control of the Turkish Cypriot Federated State (proclaimed in 1975), which on 15 November 1983 proclaimed its independence as the Turkish Republic of Northern Cyprus; the southern two-thirds (5,884 sq km/2,272 sq mi) are controlled by the government of the Republic of Cyprus. A narrow zone called the “green line,” patrolled by UN forces, separates the two regions and divides Nicosia, the national capital.

Cyprus is situated in the extreme northeast corner of the Mediterranean; it is 71 km (44 mi) s of Turkey, 105 km (65 mi) w of Syria, and some 800 km (500 mi) e of the Greek mainland. Cyprus extends 227 km (141 mi) ENE–WSW from Cape Andreas to Cape Drepanon and 97 km (60 mi) SSE–NNW. The average width is 56–72 km (35–45 mi); the narrow peninsula known as the Karpas, which is nowhere more than 16 km (10 mi) wide, extends 74 km (46 mi) northeastward to Cape Andreas. Cyprus has a total coastline of 648 km (403 mi).

The capital city of Cyprus, Nicosia, is located in the north central part of the country.

## <sup>2</sup>TOPOGRAPHY

Two dissimilar mountain systems, flanking a central plain, occupy the greater part of the island. The Troodos Massif, in the southwest, attaining its highest point in Mt. Olympus (1,953 m/6,406 ft), sends out numerous spurs to the northwestern, northern, and southern coasts. In the north, a geologically older range, the Kyrenia Mountains, extend more than 160 km (100 mi) along the coast in a series of rocky peaks, capped often by medieval castles. Between these principal formations lies the Mesaoria, a low plain extending from Famagusta Bay on the east to Morphou Bay on the west. Once forested, this now treeless region, varying in width from 16–32 km (10–20 mi), contains the bulk of the island’s cultivable and pastoral area. There are few lakes or rivers; rivers are little more than rocky channels that carry away torrents during the thaw of spring and early summer.

## <sup>3</sup>CLIMATE

Cyprus is for the most part dry and sunny. The warm currents of the Mediterranean ensure mild winters but bring humidity to the coastal area in the summer, when the central plain is hot and dry. On the hills, daily sunshine is interrupted only occasionally by a wet period rarely lasting more than a week. The mean annual temperature is about 20°C (68°F). A cool, rainy season lasts from November to March. In winter, snow covers the higher peaks of the Troodos; elsewhere the temperature seldom falls below freezing,

and conditions are mild and bracing. Rainfall is erratic and varies greatly in different parts of the island. The annual average precipitation ranges from below 30 cm (12 in) in the west-central lowlands to more than 114 cm (45 in) in the higher parts of the southern massif. The main agricultural areas receive rainfall of from 30–40 cm (12–16 in) annually. Earthquakes are not uncommon.

#### 4 FLORA AND FAUNA

Except for some small lowland areas in which eucalyptus has been planted, the forests are natural growths of great antiquity, from which the Phoenician shipbuilders drew much of their timber. Forests consist principally of Aleppo pine; other important conifers, locally dominant, are the stone pine, cedar (which is becoming rare), Mediterranean cypress, and juniper, the last growing chiefly on the lower slopes of the Kyrenia Mountains. Oriental plane and alder are plentiful in the valleys, while on the hills, Olympus dwarf oak mingles with pines of various species. Wild flowers grow in profusion, and herbs are numerous.

Cyprus has few wild animals, but birdlife is varied and includes partridge, quail, snipe, plover, and woodcock. Eagles are commonly seen in the mountains.

#### 5 ENVIRONMENT

Under the Town and Country Planning Law of 1972, the government has the power to issue “reservation orders” in order to protect historic buildings, trees, or other specific points. Other conservation laws seek to preserve forests, restrict the hunting of wildlife, and maintain environmental health.

The most significant environmental problems in Cyprus are water pollution, erosion, and wildlife preservation. The purity of the water supply is threatened by industrial pollutants, pesticides used in agricultural areas, and the lack of adequate sewage treatment. Other water resource problems include uneven rainfall levels at different times of the year and the absence of natural reservoir catchments. Cyprus has about 0.2 cu mi of fresh water, of which 91% is used for farming activity. One hundred percent of Cyprus’s urban and rural dwellers have access to safe water.

Another environmental concern is erosion, especially erosion of Cyprus’s coastline. In accordance with the Foreshore Protection Law, several coastal areas have been zoned to prevent undesirable development. The Ministry of Agriculture and Natural Resources has primary responsibility for environmental matters. The expansion of urban centers threatens the habitat of Cyprus’ wildlife.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 3 types of mammals, 11 species of birds, 3 types of reptiles, 7 species of fish, and 1 species of plant. Threatened species included the Cyprus spiny mouse, the black vulture, the Mediterranean killfish, the imperial eagle, and the wild goat. About 20 species of flora are protected. The Cyprus mouflon or wild sheep is protected in the Paphos Forest game reserve.

#### 6 POPULATION

The population of Cyprus (both north and south) in 2005 was estimated by the United Nations (UN) at 965,000, which placed it at number 152 in population among the 193 nations of the world. In 2005, approximately 11% of the population was over 65 years of age, with another 20% of the population under 15 years of age.

There were 95 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.4%, a rate the government viewed as too low. The fertility rate at 2 births per woman is not enough to sustain the population. The projected population for the year 2025 was 1,087,000. The population density was 104 per sq km (270 per sq mi), with the Turkish sector more sparsely populated than the Greek zone.

The UN estimated that 65% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.88%. The capital city, Nicosia, had a population of 205,000 in that year. Other chief towns—all seaports—are Limassol, Famagusta, Larnaca, Paphos, and Kyrenia.

#### 7 MIGRATION

Cyprus suffered massive population shifts following the Turkish military occupation of the northern third of the island in July 1974. Some 120,000 Greek Cypriots fled from the occupied area to the south, and about 60,000 Turkish Cypriots fled in the opposite direction.

In the 1990s, asylum seekers originated mainly from the Middle East and North Africa. Until 1998, a yearly average of 70 to 100 people applied for refugee status. This figure rose significantly in the second half of 1998 due to the arrival of approximately 150 asylum seekers who arrived by boat from Lebanon. In 2004 there were 531 refugees and 10,028 asylum seekers. Asylum seekers were from China, Russia, and other countries such as Bangladesh, Pakistan, Ukraine, Syria, Palestine, Iraq, and Iran.

Some asylum seekers are detained as illegal entrants or overstayers. While acknowledging the difficulties in dealing with the increased number of asylum seekers, the United Nations High Commissioner for Refugees (UNHCR) has encouraged the government to find alternatives to detention. Cyprus allows recognized refugees to remain with work permits while waiting for resettlement to a third country; however resettlement is a lengthy process and many refugees never obtain employment. Local integration was the preferred solution after adoption of the new refugee law. In 2004 there were 210,000 internally displaced persons in Cyprus. In 2002 an Amendment of the Citizenship Law allowed persons born after 16 August 1960 by a Cypriot mother and a foreign father to automatically acquire Cyprian citizenship. Previously, only children born of a Cypriot father were automatically permitted to attain citizenship.

In 2005, the net migration rate was estimated as .43 migrants per 1,000 population, down from 8.4, 15 years earlier.

#### 8 ETHNIC GROUPS

Following the 16th-century Turkish conquest, Cyprus received a substantial permanent influx of Ottoman Turks. Many soldiers became owners of feudal estates, and there was immigration from Anatolia and Rumelia. There was virtually no intermarriage; each community preserved its own religion, language, dress, and other national characteristics, and major cities and towns had their Greek and Turkish quarters. The 1974 war had the effect of almost completely segregating the two communities.

Estimates in 2001 indicated that about 77% of the population were Greek and about 18% were Turkish. The remainder of the



population included Lebanese Maronites, Armenians, British, and others.

## <sup>9</sup>LANGUAGES

After independence in 1960, Greek and Turkish became the official languages. Since 1974, Greek has been the language of the south and Turkish the language of the north. English is also used extensively.

## <sup>10</sup>RELIGIONS

According to a 2004 report, about 96% of the government-controlled area of Cyprus was Greek Orthodox. Nearly 99% of the Turkish Cypriots were Muslim. Other faiths included Maronite, Armenian Orthodox, Roman Catholic, and Protestants. Religion holds a significantly more prominent place in Greek Cypriot society than in Turkish Cypriot society, with correspondingly greater cultural and political influence. Under the Cyprus ethnarch Archbishop Makarios III, who was president of Cyprus from 1960 until his death in 1977, the church was the chief instrument of Greek Cypriot nationalism. Makarios' successor as ethnarch, Archbishop Chrysostomos, elected for life, also has played an active role in Greek Cypriot political affairs.

The constitution of the Republic of Cyprus provides for freedom of religion and this right is generally respected in practice. The constitution also specifies that the Greek Orthodox Church of Cyprus has a right to regulate and administer its own internal affairs. The Vakf, the Muslim institution that serves the Turkish Cypriots, is given the same right.

The independence of the Church of Cyprus was recognized by the Council of Ephesus in AD 431 and confirmed by Emperor Zeno in 478. The Church of Cyprus is one of the oldest constituent bodies of the Holy Orthodox Eastern Church, being senior by centuries to the Orthodox Church of Greece, and junior only to the four original patriarchates of Constantinople, Alexandria, Antioch, and Jerusalem. Virtually all Turkish Cypriots are Sunni Muslims of the Hanafi sect.

## <sup>11</sup>TRANSPORTATION

Internal transport is exclusively by road. In 2003, there were 11,760 km (7,315 mi) of roads in the Greek area and 2,350 km (1,460 mi) of roads in the Turkish area. In the Turkish area, 1,370 km (851 mi) of the roads were paved, compared with 7,403 km (4,605 mi) in the Greek area. In addition to numerous taxicabs, the chief towns are served by private buses, whose services are regulated by the Road Motor Transport Board. In 2003 there were 287,622 licensed private motor cars and 120,789 commercial vehicles.

Although off the main world shipping routes, Cyprus is served by passenger and cargo shipping lines. Famagusta on the east coast was the main port, but it and the ports of Kyrenia and Karavostasi were closed to national shipping after the Turkish invasion in 1974. (The port of Famagusta was reopened by the Turkish Cypriots in 1978.) The Limassol and Larnaca ports have been modernized and are now considered good deepwater harbors. Other ports include Moni, Vasiliko-Ziyyi, and Paphos. In 2005, there were 972 ships totaling 22,016,374 gross registered tonnage (GRT) comprised the merchant fleet, one of the world's leaders in terms of deadweight tonnage (DWT), at 35,760,004. About two-

thirds of the trade passed through Limassol. There are no inland waterways.

There were an estimated 17 airports in 2004. As of 2005 a total of 13 had paved runways, and there were 10 heliports. The civil airport at Nicosia was used by many international airlines until the 1974 war, after which nearly all flights were diverted to the new international airport built at Larnaca. In 1983, a new international airport opened in Paphos. In 2001, a total of 1,503,400 passengers were carried on scheduled domestic and international flights. Cyprus Airways has services to Middle Eastern countries, but there is no regular internal air service.

## <sup>12</sup>HISTORY

Numerous Stone Age settlements excavated in Cyprus indicate that as early as 4000 BC a distinctive civilization existed on the island. Living in circular huts, this Neolithic people produced decorated pottery of great individuality, and used vessels and tools ground from the close-grained rocks of the Troodos Mountains. Cyprus was famous in the ancient world for its copper, which, from about 2200 BC, was used throughout the Aegean in the making of bronze. The island is believed either to have derived its name from or to have given it to this mineral through the Greek word *kypros*—copper. Although celebrated also for its cult of Aphrodite (many temples devoted to the goddess were built in Paphos on the southwest coast), Cyprus was at first only a far outpost of the Hellenic world.

Greek colonizers came there in sizable numbers in 1400 BC, and were followed soon afterward by Phoenician settlers. About 560 BC, Cyprus was conquered by Egypt. Coveted by each rising civilization, it was taken in turn by Persia, Alexander the Great, Egypt again, Rome, and the Byzantine Empire. Its Christian history began with the visits of Paul, accompanied first (as described in the Acts of the Apostles) by Barnabas, and later by the apostle Mark. For several centuries after AD 632, Cyprus underwent a series of Arab invasions. The island was wrested from its Byzantine ruler Isaac Comnenus in 1191 by Richard I (the Lion-Hearted) during the Third Crusade. Sold by the English king to the Knights Templar, it was transferred by that order to settle debts. Guy de Lusignan, the ruler of Jerusalem, received control of Cyprus. It was under his dynasty that the island experienced a brilliant period in its history, lasting some 300 years. In the period from 1468 until 1489, Cyprus was linked to Venice through a marriage. Cyprus fell to the Turks in 1571, and was thus part of the Ottoman Empire until 1878.

The administration of Cyprus by the United Kingdom began in 1878 at a convention with Turkey initiated by the British prime minister, Benjamin Disraeli, at the Congress of Berlin. He sought to establish Cyprus as a defensive base against further Russian aggression in the Middle East. When Turkey entered World War I, Cyprus was annexed to the British crown. It was declared a crown colony and placed under a governor in 1925.

For centuries under Ottoman and British rule, Greek Cypriots had regarded Greece as their mother country and had sought union (*enosis*) with it as Greek nationals. In 1931, *enosis* agitation, long held in check, broke into violence. The government house was burned amid widespread disturbances, and the British colonial administration applied severe repressive measures, including the deportation of clerical leaders. While British occupation was

restrictive to many Cypriots, it also brought many benefits. The economy prospered, an efficient civil service was established, hospitals and roads were built, and investment in modernization was made.

Agitation for *enosis* was dormant until the close of World War II, when it recommenced, and demands that the United Kingdom cede the island to Greece were renewed. The National Organization of Cypriot Fighters (Ethniki Organosis Kyrprion—EOKA), led by retired Greek army officer Col. George Grivas and Michael Mouskous (who was Archbishop Makarios III), began a campaign of terrorism in 1955. The campaign was a series of carefully planned military attacks against British police, military, and other government institutions in Limassol, Larnaca, Famagusta, and Nicosia. The results of these riots were the resignation of many Greek Cypriots from the police force and the replacement of the force by Turkish Cypriots. Upward of 2,000 casualties were recorded.

Problems were escalating rapidly in the island, and in 1957, because of tensions between the Greeks and the Turks, the Turkish Cypriots formed the TMT (Turk Mukavemet Teskilati) to fight the EOKA. The TMT was formed to protect Turkish Cypriots' interest and identity, should *enosis* occur. The TMT felt the only solution was to divide the island, with the Greek Cypriots living on one side and the Turkish Cypriots on the other.

The unity of NATO was endangered by the opposing positions taken on the Cyprus question by Greece and Turkey, and efforts by NATO members to mediate the dispute proved unsuccessful. Against this background, the prime ministers of Greece and Turkey met in Zürich, Switzerland, early in 1959 in a further attempt to reach a settlement. Unexpectedly, the Greek Cypriots set aside their demands for *enosis* and accepted instead proposals for an independent republic, with representation of both the Greek and Turkish Cypriot communities (including a Greek Cypriot president and a Turkish Cypriot vice president) guaranteed. A formula for the island's future, approved by the governments of the United Kingdom, Greece, and Turkey, also received the blessing of the Cyprus ethnarch, Archbishop Makarios III, who returned in triumph to the island from which he had been deported by the British government on charges of complicity with terrorism.

Besides determining Cyprus's legislative institutions, the Zürich settlement provided for a number of instruments defining the island's future international status. Enclaves on Cyprus were set aside for the continuation of British military installations in an effort to restore constitutional order. The United Kingdom, Greece, and Turkey, the guarantor powers, had the right to act together or singly to prevent either *enosis* or partition. In addition, provision was made for Greek, Turkish, and Cypriot forces to be stationed together at a tripartite headquarters. By 1 July 1960, agreement was reached on all outstanding differences. Independence was officially declared and the constitution was made effective on 16 August 1960. The first general elections for the House of Representatives were held 31 July of that same year. A month later the island became a member of the United Nations (UN), in the spring a member of the Commonwealth on Nations. In December 1961, Cyprus became an official member of the International Monetary Fund and the World Bank.

No amount of independence, however, would ensure peace between the Turks and Greeks living in Cyprus. From the outset, the two Cypriot communities differed on how the Zürich settlement

would be implemented, and how much autonomy the Turkish minority would enjoy. In December 1963, Turkish Cypriots, protesting a proposed constitutional change that would have strengthened the political power of the Greek Cypriot majority, clashed with Greek Cypriots and police. When fighting continued, the Cyprus government appealed to the UN Security Council. On 4 March 1964, the Security Council voted to send in troops. Turkey and Cyprus agreed on 10 August 1964 to accept a UN Security Council call for a cease-fire, but on 22 December, fighting again erupted in Nicosia and spread to other parts of the island. The UN General Assembly passed a resolution in December 1965 calling on all states to "respect the sovereignty, unity, independence, and territorial integrity of the Republic of Cyprus, and to refrain from any intervention directed against it." The General Assembly requested the Security Council to continue UN mediation.

Violent clashes between Greek and Turkish Cypriots nearly precipitated war between Greece and Turkey in 1967, but the situation was stabilized by mutual reduction of their armed contingents on Cyprus. By January 1970, the UN peacekeeping force numbered some 3,500 troops; both Greek Cypriot National Guard and Turkish Cypriot militia also maintained sizable national guards of their own. Although talks continued between the two communities, no agreement was reached on the two basic points of dispute. Politically, the Turks wanted full autonomy, while the Greeks demanded continued unitary majority rule. Territorially, the Turks wanted Cyprus divided into Greek- and Turkish-controlled zones, a position that was likewise at odds with the Greek Cypriot concept of a unitary state.

Meanwhile, tensions had developed between Makarios, who continued to oppose *enosis*, and the remnants of the military junta that had ruled Greece since 1967. On 2 July 1974, Makarios accused the Greek government of seeking his overthrow and called for the immediate withdrawal of 650 Greek officers in the Cypriot National Guard. Less than two weeks later, the National Guard toppled the Makarios government, forcing the Archbishop into exile and installing Nikos Sampson as president. To counter the threat of Greek control over Cyprus, the Turks, supported by Turkish Cypriots, insisted on some form of geographical separation between the Greeks and the Turks living on the island. Turkish Cypriot leaders asked Turkey to intervene militarily. On 20 July 1974 Turkish troops landed on the island, and the resulting conflict ended in the deaths of thousands of Greek and Turkish Cypriots. Within two days the UN forces had been augmented and a UN Security Council cease-fire resolution took effect. This action eventually led to the establishment of a corridor, known as the UN Buffer Zone or the "green line," separating the two groups. Sampson resigned as president on 23 July and Glafkos Clerides became acting president in accordance with the Cyprus constitution.

However, Turkey did not withdraw its forces, and while peace talks were conducted in Geneva, Switzerland, the Turkish military buildup continued. When talks broke down, a full-scale Turkish offensive began, and by mid-August, when a second cease-fire was accepted, Turkish forces controlled about 38% of the island. Makarios returned to Cyprus and resumed the presidency in December. On 13 February 1975, in an action considered illegal by the Cyprus government, the Turkish-held area proclaimed itself the Turkish Cypriot Federated State; Rauf Denktash, a former vice president of Cyprus and the president of the interim Autonomous

Turkish Cypriot Administration (formed after the 1967 crisis), became president. A Security Council resolution on 12 March regretted the proclamation of the new state and called for the resumption of talks. The government of the Republic of Cyprus continued to be recognized as the legally constituted authority by the UN and by all countries except Turkey, although its effective power extended only to the area under Greek Cypriot control.

After the de facto partition, Greek and Turkish Cypriot leaders met several times under UN auspices to explore a possible solution to the Cyprus problem. President Makarios conferred with Denktash in Nicosia early in 1977. When Makarios died of a heart attack on 3 August, Spyros Kyprianou became president, and he also held talks with Denktash in May 1979. Further negotiations between leaders of the two communities were held in August 1980, but again no agreement was reached.

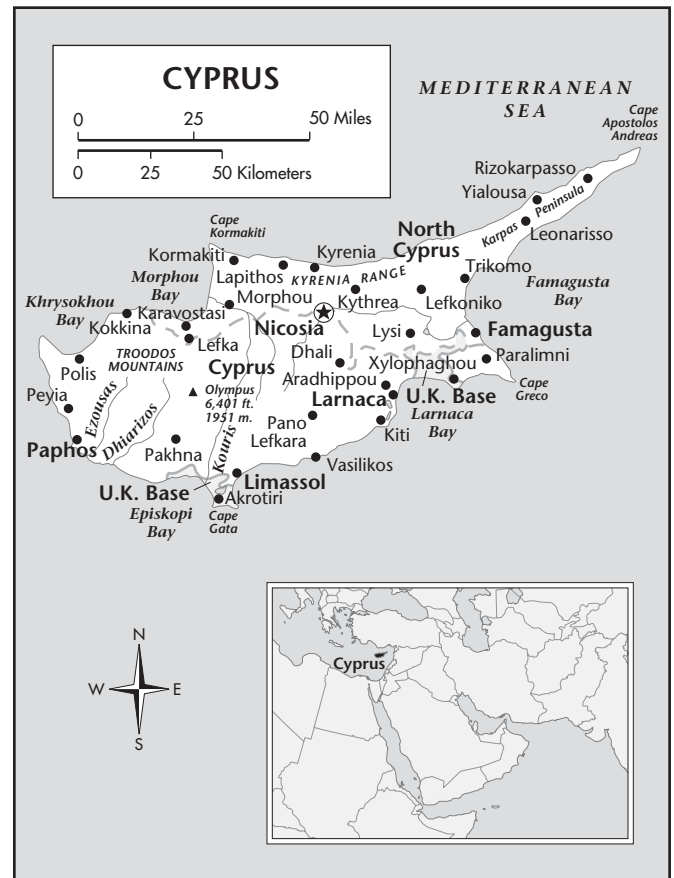
On 15 November 1983, the Turkish sector proclaimed itself an independent state, the Turkish Republic of Northern Cyprus (TRNC). Denktash was named president, but only Turkey recognizes the TRNC. The UN, which condemned the TRNC's declaration of independence, tried repeatedly to end the partition between north and south, but both parts rejected all proposals. The major stumbling block was the south's demand that the estimated 25,000 Turkish troops in the north be withdrawn before negotiations began and the north's refusal to remove the troops before a final solution was reached. In February 1988, George Vassiliou was elected president of Cyprus, and he stated that he would call for reunification talks with the Turkish Cypriots.

In 1991, the UN Security Council called on both sides to complete an overall framework agreement. Despite speculation in 1994 that UN peacekeeping forces might be withdrawn if some progress was not registered, the mandate was renewed. In 1993 voting, Glafcos Clerides, a conservative, replaced right-wing George Vassiliou as president. Clerides won reelection to a second five-year term in 1998.

August 1996 saw the most violent border clashes since the 1974 partition. In the space of one week, protestors broke through Greek-Cypriot security lines and clashed with Turkish-Cypriot and Turkish military forces in the buffer zone lying between the two divided parts of the island. Two Greek-Cypriots were killed and over 50 were injured by the Turkish military. The killing of the protestors, who were unarmed, brought general expressions of condemnation from the West but was supported by the Turkish government as acts of self-defense.

In November 2002, UN secretary general Kofi Annan presented a comprehensive peace plan for Cyprus, envisaging a Swiss-style confederation of two equal component states, presided over by a rotating presidency. To go into effect, the plan required a referendum on both sides of the island. In December 2002, the European Union (EU) issued a formal invitation to Cyprus to join, stipulating that by 28 February 2003, the two communities agree to the UN peace plan for reunification. Without reunification, only the Greek Cypriot part of the island would gain membership.

In late 2002 and early 2003, thousands of Turkish Cypriots held rallies to call for the island's reunification and Denktash's resignation. Denktash was accused of blocking progress on the November 2002 UN peace plan. Denktash threatened to stand down as leader rather than sign the UN plan. Contributing to the failed peace negotiations was the election of hard-line nationalist Tassos Pa-



LOCATION: 34°33' to 35°34' N; 32°16' to 34°37' E.  
TERRITORIAL SEA LIMIT: 12 miles.

padopoulos as president of Cyprus on 16 February 2003; he took office 1 March 2003. In a surprise first-round win, Papadopoulos soundly defeated Clerides, with 51.5% of the vote to 38.8%.

Talks on Annan's reunification plan broke down on 11 March 2003, and Annan declared the island's two communities might not get a similar chance for peace for years. The Republic of Cyprus, remaining divided, signed the Accession Treaty for the EU on 16 April 2003, and joined the EU in May 2004.

In April 2005 Rauf Denktash retired as president of the Turkish area. Mehmet Ali Talat—who favors reunification—was elected in his place.

### 13 GOVERNMENT

The 1960 constitution of the Republic of Cyprus respects the two existing ethnic communities, Greek and Turkish, by providing specifically for representation from each community in the government. The president must be Greek and the vice president Turkish. Under the constitution, these officers are elected for five years by universal suffrage by the Greek and Turkish communities, respectively; each has the right of veto over legislation and over certain decisions of the Council of Ministers. (The Council of Ministers is made up of seven Greek and three Turkish ministers, designated by the president and vice president jointly.) Legislative authority (as of 20 June 1985) is vested in the 80-member House of Representatives, elected by the two chief communities in the proportion of 56 Greek and 24 Turkish. In January 1964, following

the outbreak of fighting, Turkish representatives withdrew from the House, and temporary constitutional provisions for administering the country were put into effect.

Archbishop Makarios, who became president of Cyprus in 1960, was reelected in 1968 and 1973. Following his death in 1977, the leader of the House of Representatives, Spyros Kyprianou, became president; he was elected to two five-year terms in 1978 and 1983. (George Vassiliou, an independent, succeeded him in 1988; Glafcos Clerides was elected in 1993 and reelected in 1998. Tassos Papadopoulos was elected president in 2003.) Rauf Denktash was elected vice president in 1973, but the post has remained effectively vacant since the 1974 war, in the absence of Turkish participation. Denktash was president of the Turkish area from 1975–2005.

On 13 February 1975, subsequent to the Turkish invasion of Cyprus, the Turkish Cypriot Federated State (TCFS) was proclaimed in the northern part of the island, and Denktash became its president. A draft constitution, approved by the state's Constituent Assembly on 25 April, was ratified by the Turkish Cypriot community in a referendum on 8 June. Establishment of the TCFS was described by Denktash as “not a unilateral declaration of independence” but a preparation for the establishment of a federal system. Denktash was elected president of the TCFS in 1976 and again in 1981; elections to a unicameral legislature of 40 seats were held those same years. On 15 November 1983, the TCFS proclaimed itself the Turkish Republic of Northern Cyprus (TRNC), separate and independent from the Republic of Cyprus. In June 1985, TRNC voters approved a new constitution that embodied most of the old constitution's articles. The new constitution, however, increased the size of the Legislative Assembly to 50 seats. In elections held in June 1985, Rauf Denktash won reelection to a five-year term as president with more than 70% of the vote. Denktash was reelected in 1990, 1995, and 2000. In April 2005, Rauf Denktash retired, and Mehmet Ali Talat—who favors reunification—was elected president of the TRNC.

## 14 POLITICAL PARTIES

The four principal political parties of the Greek community in 2001 were the Progressive Party of the Working People (Anorthotikon Komma Ergazomenou Laou—AKEL), a pro-Communist group; the right-wing Democratic Rally (Demokratikos Synagermos—DISY); the center-right Democratic Party (Demokratiko Komma—DIKO); and the Socialist Party, or Social Democrats Movement (Kinima Sosialdimokraton—KISOS, formerly Eniea Demokratiki Enosi Kyprou or EDEK). The Orthodox Church of Cyprus also exercises some political power within the island.

Party representation in the House and percentages of the popular vote won by the parties in the elections of 27 May 2001 were AKEL, 20 seats (34.7%); DISY, 19 seats (34%); DIKO, 9 seats (14.8%); KISOS, 4 seats (6.5%); and other parties, 4 seats (9.9%).

The Turkish Republic of Northern Cyprus held elections for a 50-seat Legislative Assembly on 14 December 2003. The Republican Turkish Party (CTP) won 19 seats (35.8% of the vote); the National Unity Party (UBP), 18 seats (32.3%); Peace and Democratic Movement, 6 seats (13.4%), and the Democratic Party (DP), 7 seats (12.3%).

## 15 LOCAL GOVERNMENT

There are six administrative districts in the island: Kyrenia, Limassol, Nicosia, Paphos, and Famagusta. The Turkish areas include Kyrenia, and several small parts of Larnaca, Nicosia, and Famagusta. Elected municipal corporations manage chief towns and larger villages. The smaller villages are managed by commissions comprising a headman (*mukhtar*) and elders (*azas*).

The 1960 constitution provided for two communal chambers, these bodies having wide authority within the two main ethnic groups, including the power to draft laws, impose taxes, and determine all religious, educational, and cultural questions. The Greek Communal Chamber, however, was abolished in 1965, and its functions reverted to the Ministry of Education (later renamed the Ministry of Education and Culture). The Turkish Communal Chamber embraces municipalities that are exclusively Turkish. Originally the duties of the Turkish Communal Chamber were to supervise Turkish cooperatives, sports organizations, and charitable institutions. But since the late 1960s, the Turkish communities have maintained strict administrative control of their own areas and have insisted on civil autonomy.

## 16 JUDICIAL SYSTEM

In the Greek Cypriot area, the Supreme Court is the final appellate court and has final authority in constitutional and administrative cases. It deals with appeals from assize and district courts, as well as from decisions by its own judges, acting singly in certain matters. There are six district courts and six assize courts. The Supreme Council of Judicature appoints judges to the district and assize courts.

In the Turkish-held area, a Supreme Court acts as final appellate court, with powers similar to those of the Supreme Court in the Greek Cypriot area. In addition to district and assize courts, there are two Turkish communal courts as well as a communal appeals court.

The Cypriot legal system incorporates a number of elements of the British tradition including the presumption of innocence, due process protections, and the right to appeal. Both parts of Cyprus provide for fair public trials. Both in theory and in practice, the judiciary is independent of executive or military control.

## 17 ARMED FORCES

As of 2005, Cyprus' armed forces were divided between the Greek and Turkish dominated areas. The armed forces of the Greek side consisted of a 10,000 member national guard, that included maritime and aviation wings, and which was supported by 60,000 reservists and a 750 person paramilitary force. The National Guard was outfitted with 154 main battle tanks, 139 reconnaissance vehicles, 43 armored infantry fighting vehicles, 310 armored personnel carriers, and over 562 artillery pieces. The maritime wing operated 15 patrol/coastal vessels, while the aviation wing operated 16 attack helicopters, 2 trainers, and 1 transport aircraft. The paramilitary force consisted of more than 500 land-based armed police and a 250-person maritime police force. About 1,150 troops and advisors from Greece were stationed in the south in 2005 in addition to small contingents from eight other countries. Military spending in the Greek Cypriot region in 2005 amounted to \$280 million. In the Turkish region, there was an estimated army

of 5,000 active personnel, supported by a force of 26,000 reservists, a paramilitary force of around 150, and a Turkish Army force of about 36,000. With the exception of 73 120-mm mortars, operated by the local 5,000 man army, virtually all other equipment is operated by the Turkish Army force. This includes 8 main battle tanks, 441 training tanks, 627 armored personnel carriers, and 102 towed and 90 self-propelled artillery pieces.

## 18 INTERNATIONAL COOPERATION

Cyprus was admitted to the United Nations on 20 September 1960 and is a member of ECE and several nonregional specialized agencies. Cyprus became a member of the European Union in 2004. The nation is also a member of the Commonwealth of Nations, the Council of Europe, the European Bank for Reconstruction and Development, the Central European Initiative, and the WTO. Cyprus belongs to the Alliance of Small Island States (AOSIS) and the OSCE and is an observer in the OAS.

Cyprus is part of the Nonaligned Movement, the Australia Group, and the Organization for the Prohibition of Chemical Weapons. It also belongs to the Nuclear Suppliers Group. The United Nations Peacekeeping Force in Cyprus (UNFICYP) was established in 1964 to serve in peacekeeping efforts between the Greek Cypriots and the Turkish Cypriots; 10 nations are involved in the force. In environmental cooperation, Cyprus is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Historically an agricultural country with few natural resources, Cyprus has been shifting from subsistence farming to light manufacturing, and a service dominated economy. Farm mechanism has reached an advanced state, and a hopefully long-lasting solution to an erratic water supply has been achieved with the completion of a second desalination plant in 2001 that allowed the lifting of restrictions on water usage. Large trade deficits have been partially offset by tourism and remittances from Cypriots working abroad. The Greek Cypriot economy has established itself as a business and service center for enterprises engaged in shipping, banking, and commerce. Cyprus is now classified by the World Bank as a high-income country, and in 2004 it became a full member of the EU.

The 1974 coup and the Turkish armed intervention badly disrupted the economy. Physical destruction and the displacement of about a third of the population reduced the output of the manufacturing, agricultural, and service sectors. The lands occupied by Turkish forces accounted for about 70% of the country's prewar economic output. In general, the Greek Cypriot zone recovered much more quickly and successfully than the Turkish-held region, which was burdened with the weaknesses of Turkey's economy as well as its own. Scarcity of capital and skilled labor, the lack of trade and diplomatic ties to the outside world, and the consequent shortage of development aid have aggravated the problems of northern Cyprus. In the south, on the other hand, tourism has exceeded prewar levels, foreign assistance has been readily available, and the business community has benefited from the transfer

to Cyprus of the Middle Eastern operations of multinational firms driven from Beirut by the Lebanese civil war.

The Republic of Cyprus saw strong economic growth throughout the 1990s. In 1992, the economy grew by over 8%. In 1995 and 1996, growth was more modest, but still robust, registering 6.6% in 1996. Growth slumped in 1997 to 3%, which was followed by three years of recovery, with growth rates of 5%, 4.5%, and 5.1% in 1998 to 2000. The global slowdown of 2001 impacted Cyprus' vulnerable economy, which posted a 2.6% decline. Although growth returned in 2002, it was at an anemic 2% level due mainly to the sharp decline in tourism following the 11 September 2001 terrorist attacks on the United States. Inflation and unemployment continued at low levels. From 1992 to 2001, the weighted annual rate of inflation was 2.48%, and had fallen to 1.9% (consumer prices) in 2001, according to CIA estimates. The unemployment level was averaging below 2% before 1996, and since has averaged a little over 3%. Unemployment was at 3% in 2001, and was an estimated 3% for 2002, according to official government statistics.

In the North, however, the economy continued to grow more slowly, at less than 1% a year accompanied by persistently high inflation. In 1995, growth was estimated at 0.5% and inflation at 215%. In 2000, according to CIA estimates, growth was .8% and inflation, based on consumer prices, was 53.2%. Unemployment in the Turkish-held north, estimated at 1.5% in 1995, was at an estimated 5.6% in 1999, the latest available year. Nominal per capita income in the south is about three times that of the north, although in purchasing power parity (PPP) terms, as estimated by the CIA, the difference is somewhat narrower.

Economic growth was consistent, but not spectacular, hovering around 2% in 2002 and 2003, and climbing slightly, to 3.7%, in 2004. The main drivers of growth were the sectors of financial intermediation (12.4%), transport, storage and communication (8.9%), construction (5.2%), and wholesale and retail trade (4.8%). The tourist industry registered a setback despite a slight increase of incoming tourists. Inflation and unemployment are not a matter of concern for the country, floating around 2.5% and 3.5% respectively. These indicators vary however if the Republic of Cyprus and North Cyprus are analyzed separately. North Cyprus performed more poorly on all of the indicators presented above, and is to a large extent dependent on transfers from the Turkish government. Its main domestic sources of revenue were the tourist industry and the education sector.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 the Greek Cypriot area's gross domestic product (GDP) was estimated at \$16.82 billion and the Turkish Cypriot area's GDP was estimated at \$4.54 billion. The per capita GDP was estimated at \$21,600 in the Greek Cypriot area in 2005 and at \$7,135 in the Turkish Cypriot area in 2004. The annual growth rate of GDP was estimated at 3.8% in the Greek Cypriot area in 2005, and at 15.4% in the Turkish Cypriot area in 2004. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange. It was estimated that agriculture accounted for 3.8% of GDP, industry 20%, and services 76.2% in the Greek Cypriot area in 2005; agriculture accounted for 10.6% of GDP, industry 20.5%

and services 68.9% in the Turkish Cypriot area in 2003. Over the 2003–06 period, the Turkish region received some \$700 million in grants and loans from Turkey, which are usually forgiven.

## 2<sup>1</sup> LABOR

In 2005, the economically active population totaled an estimated 370,000 in the Greek Cypriot area and 95,025 in the northern Turkish Cypriot area. Of all employees in the Greek Cypriot area in 2004, an estimated 54.4% were employed in the services sector, 38.2% in industry, and 7.4% in agriculture. In the Turkish Cypriot area, an estimated 56.5% were in the services sector, 29% in industry, and 14.5% in agriculture. The unemployment rate in the Greek Cypriot area was estimated at 3.5% in 2005, while in the Turkish area it amounted to an estimated 5.6% in 2004.

In both the Greek and Turkish parts of Cyprus, all workers have the right to join or form unions without prior authorization, excluding the military and police forces. On the Greek side, more than 70% of the Greek Cypriot workforce belonged to independent unions in 2005. On the Turkish portion, about 60 to 70% of semipublic workers, nearly all public-sector workers and 1% of private sector workers are unionized. In both parts of Cyprus, collective bargaining is legal but the bargaining agreements are not legally enforceable.

There is a legislated minimum wage in the Greek Cypriot community; because of inflation this figure is adjusted twice yearly. In 2005 it was \$724 per month for practical nurses, shop and nursery assistants, clerks and hairdressers, rising to \$770 per month after six months employment. In the same year, the Turkish Cypriot minimum wage was \$447 per month. These wages are insufficient to support a wage earner and family, but most workers earn significantly more than this. The minimum working age in both communities is 16, with apprentice programs allowing 15 year olds to work in the Turkish Cypriot community. In the Greek controlled area, the legal workweek is 48 hours, including overtime. In the private sector, white-collar employees worked 39 hours, with 38 hours for blue-collar workers. Fewer hours were worked in the summer months. In the Turkish Cypriot community, the workweek is 38 hours in the winter and 36 hours in the summer. Health and safety standards in the workplace continued to improve.

## 2<sup>2</sup> AGRICULTURE

Agricultural methods are adapted to the island's hot and dry summers and generally limited water supply. Spring and early summer growth is dependent on moisture stored in the soil from the winter rains, but summer cultivation is dependent on irrigation. About 12.2% of the total land area is arable.

Most farmers raise a variety of subsistence crops, ranging from grains and vegetables to fruits. Since 1960 there has been increased production of citrus fruits and potatoes. These two commodities, along with grapes, kiwi, and avocados are grown both for the domestic market and as exports to EU nations. Principal crops in 2004 (in tons) included barley, 94,000; potatoes, 116,000; grapes, 80,860; grapefruit, 30,000; oranges, 35,000; lemons, 25,000, and wheat, 13,000. Tomatoes, carrots, olives, and other fruits and vegetables are also grown. The areas that have been Turkish-held since 1974 include much of Cyprus' most fertile land; citrus fruits are a major export.

The Agricultural Research Institute, through experiments with solar-heated greenhouses, soil fertility, water usage optimization, and introduction of new varieties of grain, attempts to improve the efficiency of Cypriot agriculture. Agricultural products accounted for 24% of exports in 2004.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Grazing land for livestock covers about 1,100 hectares (2,700 acres). Animal husbandry contributes about one-third of total agricultural production. Output of pork, poultry, and eggs meets domestic demand, but beef and mutton are imported. Sheep and goats, which feed upon rough grazing land unsuitable for cultivation, provide most of the milk products. In 2004, sheep numbered about 295,000; hogs, 491,800; and goats, 460,000.

Indigenous cattle, kept primarily as draft animals, are decreasing with the advance of farm mechanization. There is no indigenous breed of dairy cattle, but near main towns, dairy stock, mostly shorthorns, are kept under stall-fed conditions, and Friesian cattle have been imported from the Netherlands and the United Kingdom. Cattle numbered about 58,500 in 2004.

Livestock products in 2004 included 53,000 tons of pork, 35,000 tons of poultry meat, 108,248 tons of milk, and 12,300 tons of eggs.

## 2<sup>4</sup> FISHING

Year-round fishing is carried on mostly in coastal waters not more than 3.2 km (2 mi) from shore. The fish in Cyprus waters are small from the lack of nutrient salts, and the catches are meager. The 2003 catch was 3,612 tons. Fish exports in 2003 were valued at \$4.7 million, or 6.8% of agricultural exports. There is no deep-sea fishing. Sponges of good quality are taken, mostly by licensed fishermen, from the Greek Dodecanese Islands.

## 2<sup>5</sup> FORESTRY

About 172,000 hectares (425,000 acres) are forested; 137,800 hectares (340,500 acres) are reserves managed by the Forest Department, the remainder being natural growths of poor scrub used by village communities as fuel and as grazing grounds. Besides furnishing commercial timber, the forests provide protective cover for water catchment areas and prevent soil erosion. Their value is also scenic, numerous holiday resorts being situated in the forest reserves. Most numerous by far among forest trees is the Aleppo pine. The stone pine is found on the highest slopes of the Troodos Massif; the cedar, once a flourishing tree, has become a rarity. In the lowlands, eucalyptus and other exotic hardwoods have been introduced. Other important local species include cypress, plane, alder, and golden oak. The demand for timber during World War I resulted in some overcutting, and in 1956 large fires further reduced forests, particularly in Paphos, where 211,000 cu m (6 million cu ft) of standing timber were destroyed. To offset these losses, all felling of fresh trees for timber was stopped and systematic reforestation begun. The timber cut decreased from 152,415 cu m (5.4 million cu ft) in 1977 to 12,000 cu m (42.3 million cu ft) in 2003 (about 90% coniferous). Most of Cyprus' timber require-

ments must be met by imports. In 2003, imports of forestry products exceeded exports by \$93.3 million.

## 26 MINING

In 2004, the mineral industry of Cyprus was dominated by the production of bentonite, cement, sand and gravel, and stone. Mineral production however, accounts for only a small portion of the country's gross domestic product (GDP). In 2004, mineral production accounted for approximately 0.3% of GDP, estimated that year at \$14.5 billion. In addition, production of Cyprus's historically important export minerals—*asbestos, celestite, chromite, copper, and iron pyrite*—has stopped. Cyprus was also a source of the mineral pigment *umber*. In 2004 preliminary *umber* production was put at 5,205 metric tons. Ownership and control of minerals and quarry materials were vested in the government, which may grant prospecting permits, mining leases, and quarrying licenses. Royalties on extracted mineral commodities ranged from 1–5%.

Preliminary production totals of the following products in 2004 were: hydraulic cement, 1,689,000 metric tons; 155,717 metric tons of bentonite; 11.6 million metric tons of sand and gravel; 255,000 metric tons of crude gypsum; 2.29 million tons of marl (for cement production), and 1.2 million tons of crushed limestone (*Havara*). Other mine and quarry products for 2004 were common clays, hydrated lime, marble, building stone, and sulfur.

## 27 ENERGY AND POWER

Except where stated, the information that follows is for the Greek portion of the island. All of Cyprus' electricity is produced by conventional thermal means, namely through the burning of fossil fuels. Its production, transmission and distribution are controlled by a semigovernment corporation known as the Electricity Authority of Cyprus (EAC), which operates three generating stations: *Dhekelia-B; Moni; and Vasilikos*, a new facility that began operation in 2000. A fourth facility, *Dhekelia-A*, was decommissioned in January 1994 and was demolished in 2002. In 2002, total electric generating capacity stood at 0.998 million kW. 2001. In 2003, the southern half of Cyprus produced 4 billion kWh. However, it is not known how much power, if any, was produced by the northern portion or TRNC. Consumption of electricity by the southern and northern portions totaled 3.663 billion kWh and 0.602 billion kWh, respectively.

Cyprus must also import virtually all the oil products it consumes. In 2002, consumption of all petroleum products totaled 50,890 barrels per day, with imports totaling 50,880 barrels per day. The island does produce a miniscule amount of oil, estimated at 300 barrels per day for 2004. Cyprus has no known coal reserves and therefore must import whatever coal it uses. In 2002, imports of hard coal totaled 73,000 tons, of which 58,000 tons was consumed and 14,000 tons stockpiled.

## 28 INDUSTRY

Industries are numerous and small in scale, 95% of them employing fewer than 10 workers. Working owners make up a large part of the industrial labor force. Manufacturing, which accounts for about 10.6% of GDP, and employs 9.1% of the labor force, is dominated by small enterprises. The manufacturing sector of indus-

trial production has declined in absolute value over 10% from its peak in 1992, reflecting declines in the traditional leaders, textiles and food processing. Textiles, the leading manufacturing industry since 1974, has declined in output value about 50% since a peak reached in 1988, whereas food processing (food, beverages, and cigarettes) has declined about 15% from a peak reached in 1992. The manufacture of nonmetallic mineral products has also declined, about 7% from peak levels in 1994–95. Growth has occurred among nontraditional manufactures in the areas of chemicals, petroleum, rubber, and plastics, up over 25% in the decade.

Other industrial sectors have increased strongly: mining and quarrying is up nearly 60% since 1990 and the production of electricity, gas, and water treatment, increased nearly 80%. According to CIA estimates, overall industrial production grew 2.2% in 1999 in the Greek Cypriot area, but declined an estimated 0.3% in the Turkish area. The leading products are textiles, shoes, cement mosaic tiles, and cigarettes. Major plants include modern flour mills, tire-treading factories, knitting mills, preprocessing facilities, and a petroleum refinery. Furniture and carts are also manufactured. Nine industrial estates have been established. In both the Greek and Turkish areas of Cyprus, industry accounts for about 20% of GDP and employs about 22% of the labor force.

The contribution of the industry to the GDP was fairly the same in both parts of Cyprus—20% in the Republic of Cyprus (2005), and 20.5% in North Cyprus (2003). The make-up of the labor force showed some discrepancies however: in the Republic of Cyprus, 38.2% of the work force was employed by the industry, as opposed to 29% in North Cyprus in 2004. This is a clear indicator of the higher productivity levels achieved in the south.

## 29 SCIENCE AND TECHNOLOGY

The Cyprus Research Center promotes research principally in the social sciences and in history, ethnography, and philology. In addition, Cyprus has three universities and several colleges offering degrees in basic and applied sciences. In 2003, total expenditures for research and development (R&D) amounted to €22.1 million. The R&D spending breakdown for 2002 (the latest year for which this data was available; R&D spending that year totaled €19.441 million) saw government sources account for 61.7%. Business that year accounted for 17.4% of R&D spending, while educational, private nonprofit and foreign sources accounted for 3.8%, 2% and 15.1%, respectively. In 2002, there were 269 technicians and 569 researchers per million people engaged in R&D.

## 30 DOMESTIC TRADE

A flourishing cooperative movement provides facilities for marketing agricultural products. There are more than 500 Greek cooperative societies, with some 100,000 members. Many towns and villages have cooperative stores; the towns also have small independent shops, general stores, and bazaars. The nation is not self-sufficient and relies on imports for a number of food products and consumer goods. Since 1990, at least 12 US franchises have been established throughout the country.

Government price controls have been virtually eliminated as the nation has realigned its economic policies to be acceptable to the European Union. The result has been a more open market with greater competition.

Business hours are from 8 AM to 1 PM, and 2:30 to 5:30 PM in the winter and from 7:30 AM to 1 PM and 4 to 6:30 PM in the summer. Shops are open only in the morning on Wednesday and Saturday. Normal banking hours are from 8:30 AM to noon, Monday through Saturday. Advertising is mainly through newspapers and television. Direct marketing/telemarketing has also been used.

As a result of the island's division in 1974, there is no trade between the two communities across the UN buffer zone.

### 3<sup>1</sup> FOREIGN TRADE

With limited natural resources, Cyprus is dependent on other countries for many of its needs. Other than some agricultural commodities, it has few surpluses, and the balance of trade has steadily grown more unfavorable.

The tobacco industry in Cyprus provides the export market with the largest portion of revenues (30%), while medicinal and pharmaceutical products take care of another large proportion (11%). Other exports include passenger motor vehicles (6.3%), vegetables (5.7%), apparel (4.5%), and fruit (2.5%).

Lack of international recognition for the Turkish Cypriots severely hampers their foreign trade. Because of the Greek Cypriot economic boycott, all goods originating in northern Cyprus must transit through Turkey, thereby adding to shipping costs. Moreover, a 1994 ruling by the European Court of Justice declared that phyto-sanitary certificates issued by the "Turkish Republic of Northern Cyprus" were invalid due to the "illegality" of the entity.

In 2004, North Cyprus' total exports reached \$49.3 million (FOB—Free on Board), and were dwarfed by the south's performance—\$1.1 billion (FOB). Imports were almost ten times as high as the exports in the north, at \$415 million (FOB), and almost five times as high in the south, at \$5.3 billion. Main import commodities for the Republic of Cyprus were consumer goods, petroleum and lubricants, intermediate goods, machinery, transport equipment, while North Cyprus mostly imported vehicles, fuel, cigarettes, food, minerals, chemicals, and machinery. Turkey remains the most important trade partner for the latter, while the south largely relies on trade with Greece, the United Kingdom, Germany, and Italy.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Since Cyprus has persistently imported more than it exports, it consistently runs a trade imbalance which has grown steadily over the past two decades. Cyprus' trade deficit has been somewhat offset by tourist dollars, spending by foreign military forces, and remittances from workers abroad.

The US Central Intelligence Agency (CIA) reported that the purchasing power parity of Greek Cypriot exports was \$1.237 billion in 2005 (FOB), and Turkish Cypriot exports totaled \$49.3 million, while Greek Cypriot imports totaled \$5.552 billion in 2005, and Turkish Cypriot imports totaled \$415.2 million.

The current account balance for Greek Cyprus was negative, worsening from -\$442 million in 2003, to -\$915 million in 2004. External debt was on the rise (lending from international markets is one way of responding to the huge trade deficit), reaching \$7.6 billion in 2003, and \$9.9 billion in 2004. The reserves of foreign exchange and gold were high enough though to sustain a pro-

#### Principal Trading Partners – Cyprus (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	922.9	4,466.2	-3,543.3
United Kingdom	295.0	371.8	-76.8
Bunkers, ship stores	89.8	...	89.8
Greece	84.7	535.1	-450.4
Germany	36.1	336.0	-299.9
Lebanon	31.3	...	31.3
Jordan	24.7	...	24.7
Netherlands	23.8	109.2	-85.4
United Arab Emirates	23.3	...	23.3
Egypt	22.9	22.7	0.2
United States	17.8	186.6	-168.8

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

longed period of imports: \$3.4 billion in the Republic of Cyprus, and \$942 million in North Cyprus.

### 3<sup>3</sup> BANKING AND SECURITIES

In 1963, the Ottoman Bank (since renamed the Central Bank of Cyprus) was designated as the government's banking and currency clearing agent. The Banking law of 1997 provided for a properly-funded deposit insurance scheme and regulation were before the House of Representatives in late 1999. In general, banking services compare with the level experienced in European countries and the United States. There are six domestic banks. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$695.0 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mu-

#### Balance of Payments – Cyprus (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-441.8</b>
Balance on goods		-3,134.4	
Imports	-4,089.8		
Exports	955.4		
Balance on services		2,935.8	
Balance on income		-387.1	
Current transfers		144.0	
<b>Capital Account</b>			<b>20.3</b>
<b>Financial Account</b>			<b>188.6</b>
Direct investment abroad		-538.5	
Direct investment in Cyprus		1,025.1	
Portfolio investment assets		-482.5	
Portfolio investment liabilities		802.5	
Financial derivatives		16.6	
Other investment assets		-2,479.2	
Other investment liabilities		1,844.7	
<b>Net Errors and Omissions</b>			<b>45.2</b>
<b>Reserves and Related Items</b>			<b>187.6</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.



tual funds—was \$4.5 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.93%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 5.5%.

The Cyprus Stock Exchange, which opened in March 1996, ended 1996 with gains of just 0.2%, but experienced an extended bull run starting in late November of 1998. Since 1996, foreign investors are no longer required to obtain the Central Bank's permission to invest in the CSE, although there are limits on foreign participation. Legislation passed in 1999 prohibited insider trading and a new screen-based automated trading system helped enhance investor confidence. The CSE index reached 162.8 by June 1999, up from its initial starting point of 100 in 1996. By mid-2003, however, it had dropped to around 84. Market capitalization is \$5.4 billion.

### 34 INSURANCE

Insurance companies, mostly British, make available life, fire, marine, accident, burglary, and other types of insurance. Third party automobile liability and workers' compensation insurance are compulsory. All insurance companies in Cyprus must be members of the Insurance Association of Cyprus, and foreign ownership is subject to government approval. In 2003, the value of all direct premiums written totaled \$590 million, of which nonlife and life each accounted for 50%. The top nonlife insurer in 2003 was Laiki, with \$45 million in gross nonlife premiums written. The country's top life insurer was Laiki Cyprialife, with \$80.8 million on gross premiums written in that same year.

### 35 PUBLIC FINANCE

The fiscal year follows the calendar year. Import duties and income tax are the principal sources of government revenue. The principal ordinary expenditures are education, defense, and police and fire services. Due to the introduction of a value-added tax and a more efficient tax collection system, Cyprus made steady

progress in reducing its budget deficit in the early 1990s, which reached 1% of GDP in 1995. The deficit, however, due in part to a slowing economy, began to increase again. Turkish Cypriots use the Turkish lira for currency, and the Turkish government reportedly provides a large part of the TRNC annual budget. The International Monetary Fund (IMF) estimates that in 1997 Cyprus's central government took in revenues of approximately \$710.9 million and had expenditures of \$830.4 million including capital expenditures of \$83.2 million. Overall, the government registered a deficit of approximately \$120 million.

The US Central Intelligence Agency (CIA) estimated that in 2005 the Republic of Cyprus's central government took in revenues of approximately \$6.698 billion and had expenditures of \$7.122 billion. Public debt in 2005 amounted to 72% of GDP. Total external debt was \$7.803 billion. For the Turkish region, revenues amounted to \$231.3 million in 2003, and expenditures \$432.8 million.

### 36 TAXATION

Income taxes were first introduced in 1941, and a system of withholding in 1953. The first value-added tax (VAT) was enacted in 1992. With an eye to its hoped-for accession to the EU in 2004, the Greek Cypriot government enacted a series of new tax laws in July 2002, effective as of 1 January 2003, designed to be fully compliant with OECD tax criteria and the EU tax Code of Conduct.

The new corporate income tax rate, applied to both local and international business companies (IBC's), is 10%. Dividends paid to Cypriot tax residents are subject to a 15% withholding tax. A major feature of the new tax code is the integration of corporation and withholding taxes, with income tax on distributed profits. The combination of the income tax and the withholding tax, assuming that 70% of the after-tax profits are distributed, produces a final tax rate of 19.45%, which is below the highest income tax rate of 25% before the reforms. Provisions for "special contributions to defense of the Republic" are changed under the new tax laws. The defense tax on interest income was raised from 3% to 10% except for recipients whose total income is less than €7,000 (about \$13,100), and except on interest from government bonds, pension funds, and deposits with the Housing Finance Corporation (HFC), which are taxed at 3%. With some exceptions, the defense levy on dividends received was increased from 3% to 15%. Interest income is subject to a final 10% withholding tax. All interest earned by individuals and 50% of the interest earned by corporations is exempt from income tax.

Income taxation of companies will no longer depend on where they are registered but on where they are managed and controlled. Companies registered in Cyprus but managed and controlled from another country, will only be taxed in Cyprus on their Cyprus-source income. IBCs will not be entitled to benefits under double taxation treaties, but they will also not be subject to the exchange of information requirements of such treaties.

Cyprus has a progressive individual income tax with a top rate of 30%, with the initial 10,000 Cyprus pounds tax-free. Cyprus residents are subject to a 15% withholding tax on dividends and a 10% withholding tax on interest. The capital gains tax, its rate of 20% unchanged under the new laws, is imposed only on the disposal of property situated in the Republic. Indirect taxes include a value-added tax (VAT) of 15% and a lower 5% rate that applies

#### Public Finance – Cyprus (1998)

(In millions of Cyprus pounds, central government figures)

	1,473	100.0%
<b>Revenue and Grants</b>		
Tax revenue	955.8	64.9%
Social contributions	223.1	15.1%
Grants	0.7	<1.0%
Other revenue	293.3	19.9%
<b>Expenditures</b>	<b>1,731.7</b>	<b>100.0%</b>
General public services	387.5	22.4%
Defense	68.3	3.9%
Public order and safety	91.8	5.3%
Economic affairs	232.6	13.4%
Environmental protection	...	...
Housing and community amenities	68.2	3.9%
Health	109.4	6.3%
Recreational, culture, and religion	28.5	1.6%
Education	205	11.8%
Social protection	424.7	24.5%

(...) data not available or not significant.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

to new dwellings, hotel services, newspapers, catering, books and gas, and various excise taxes.

Duty free facilities for expatriates were withdrawn in April 2003.

### 37 CUSTOMS AND DUTIES

As of 1 January 1998, tariffs on many goods imported from the European Union (EU) fell to zero as Cyprus adopted the EU's common customs tariff on most products from third-party countries. In addition, Cyprus is a member of the World Trade Organization (WTO). The Republic of Cyprus also provides a 20% price preference on domestic goods and services for public tenders, although foreign pressure—the EU and WTO forbid such practices—may halt this practice. A 15% VAT is also levied, although food and agricultural products have a reduced rate of 5%.

### 38 FOREIGN INVESTMENT

Because Turkish Cyprus is recognized as a sovereign nation by no other nation besides Turkey, it has attracted little foreign investment. The majority of factories are owned by domestic companies but, in most of the major industrial concerns, there has been considerable British and Greek capital. The central government encourages foreign investment that results in the import of new technology or new production methods and improves the quality of the goods produced, especially for export. Any purchase of shares in a domestic company by nonresidents requires approval by the Central Bank of Cyprus.

As part of its accession to the EU, Cyprus endeavored to transform itself from an offshore tax haven, featuring a 4.25% corporate tax rate for ring-fence businesses (that is, those having no trade inside Cyprus) to a what it calls a tax incentive country, free from the suspicion usually associated with tax havens. Under the new tax code effective as of effect 1 January 2003, foreign companies already enjoying the tax haven 4.25% (in 1996, for instance, there were some 1,168 offshore companies operating out of Cyprus) could continue to do so until the end of 2005, provided they have not traded inside Cyprus.

Other companies will receive for the most part national treatment, which features a competitive corporate tax rate, (of 19.45% instead of the highest income rate of 25% through the way the income and withholding taxes are combined) but not an offshore rate. In the accession process (or *acquis*), Cyprus has been under intense scrutiny for money laundering. Its anti-money laundering law of 1996 was amended in 1999 to satisfy enforcement concerns. As of 2002, both the IMF and the OECD's Financial Action Task Force on Money Laundering (the TATF) have certified Cyprus as satisfactory on this count.

Cyprus has not been removed, however, from the Flags of Convenience (FOC) black list of the Paris Memorandum of Understanding on Port State Control, known as the Paris MOU, which is an agreement among 19 countries aimed at eliminating substandard shipping. Historically, Cyprus has operated the fourth- or fifth-largest maritime fleet through offering lax safety and inspection regimes on ships registered under its flag. From 1999 to 2001, there were signs of improvement, according to EU reports. The percent of Cyprus-flagged vessels detained by Port State control dropped from 9.97% in 1999 to 8.85% in 2001, compared to an EU average of 3.14% in 2001. In all, 397 of 4,100 Cypriot ships

were detained. To move up to the Paris MOU's "gray list," no more than 319 or 7.7% of Cypriot vessels should have been detained. Also as part of the accession process, Cyprus instituted a more liberalized investment regime, removing interest rate ceilings and capital controls.

The government first made changes in the investment code to encourage foreign investment in 1986, but many restrictions remained. In 1996, the investment code was liberalized to allow foreign participation of up to 49% in Cypriot companies. Certain services were allowed 100% foreign participation. Sector specific restrictions remain, however, in several important areas including electricity, tourism, air transport, and travel offices. The telecommunications sector, also, has not been privatized. To date the inflow of foreign direct investment (FDI) has remained small, averaging 1.3% of GDP 1997 to 2001. The trend, however, is toward an increase. FDI as a percent of GDP doubled during this period, from 9% of GDP in 1997 to 1.8% of GDP in 2001.

The inflow of FDI into Cyprus reached \$1.2 billion in 2004, up from \$1.0 billion in 2003. However, this data pertains solely to the Republic of Cyprus, as there are no official statistics available for North Cyprus (although it is known that most investments come from Turkey, and they mainly target the tourist resorts). Investments in the Republic of Cyprus primarily aimed at real estate and business (41.0%), financial intermediation (24.7%), trading (14.6%), and transport and communications (11.1%). The majority of these investments came from the EU (58.1%) and other European countries (31.1%).

### 39 ECONOMIC DEVELOPMENT

The first development plan (1962–66), designed to broaden the base of the economy and to raise the standard of living, resulted in an average annual real growth rate of 5.4%. The second development plan (1967–71) called for an annual growth rate of 7% in the GDP; actual growth during this period was nearly 8% annually. The third development plan (1972–76) envisaged an annual economic growth rate of 7.2%, but a drought in 1973 and the war in 1974 badly disrupted development programs. Physical destruction, a massive refugee problem, and a collapse of production, services, and exports made it impossible for Cyprus to reach the targets.

Since 1975, multi-year emergency economic action plans inaugurated by the Republic of Cyprus have provided for increased employment, incentives to reactivate the economy, more capital investment, and measures to maintain economic stability. The 1994–98 Strategic Development Plan emphasized a free-market, private-sector economic approach with a target GDP growth of 4% annually. The plan called for a domestic savings rate of 22.3% of GDP; an increase of labor productivity of 2.8% between 1994–96; an inflation rate of approximately 3%, and unemployment no greater than 2.8%. As of 1996, Cyprus had largely met these goals with the exception of less than target levels of savings and productivity.

While Cyprus used to receive substantial amounts of development aid, due in part to its own improving economy and a recession in the European donor countries, it now receives little direct financial assistance from other nations.

Since its military intervention in 1974, Turkey has provided substantial financial aid to the Turkish Cypriot area. In 1996, this

assistance was estimated to be approximately one-third of the area's GDP, or approximately \$175 million. From 2003–06, Turkey provided approximately \$700 million in grants and loans to the Turkish region, which are usually forgiven.

In 2004, Cyprus joined the EU, and hopes were up that this would contribute to both the political and economic stability of the country. The country boasts an educated work force, good infrastructure, a sound legal system, and relatively low taxes. Tourism drives the economy, and any economic development strategy will likely be engineered around this industry. In North Cyprus, construction and education (numerous students from Turkey, and other parts of the world study at one of the area's five universities) have established themselves as the main engines of growth. However, as long as the dispute between the north and the south areas continues, development figures will not reach the island's potential.

#### 40 SOCIAL DEVELOPMENT

A social insurance and social assistance system is in effect for all employed and self-employed persons. It provides unemployment and sickness benefits; old age, widows', and orphans' pensions; maternity benefits; missing persons' allowances; injury and disability benefits. There is a universal system for a family allowance and child benefits. The child benefit is available to all residents with four or more children.

Women generally have the same legal status as men. Laws require equal pay for equal work and this is enforced at the white collar level. Sexual harassment is prohibited by law, however incidents are usually not reported. Spousal abuse is a serious social problem and continued to receive attention. Women who are married to foreigners have the right to convey citizenship automatically to their children.

Although human rights are generally respected, police brutality continued to be a problem. There are also reports of the mistreatment of domestic servants, usually of East or South Asian origin. Freedom of movement between the Greek and Turkish zones is restricted.

#### 41 HEALTH

As of 2002, the birth rate was estimated at 12.9 per 1,000 people. In 2004 there were an estimated 298 physicians and 485 nurses per 100,000 people. There are both public and private medical facilities, including about 50 rural health centers. The island has a low incidence of infectious diseases, but hydatid disease (echinococcosis) is endemic. Malaria has been eradicated and thalassaemia, which affected 15% of the population in 1960, has been eliminated. As of 1999, the number of people living with HIV/AIDS was estimated at 400 and deaths from AIDS that year were estimated at 160. The fertility rate in 1999 was two children per mother. The infant mortality rate was estimated at 7.18 per 1,000 live births in 2005 and the average life expectancy was 77.65 years. In the same year, the general mortality rate was 7.4 per 1,000 inhabitants. In 1994, 83% of children were vaccinated against measles. Approximately 95% of the population had access to health care services and 100% had access to safe water.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 1,000 people living with HIV/AIDS in the country.

#### 42 HOUSING

A growing population resulted in a shortage of dwellings, especially in urban areas. This was further aggravated by the 1974 war, which resulted in the displacement of more than 200,000 people and the destruction of 36% of the housing stock. The government provided temporary accommodations for about 25,000 displaced people and embarked on a long-term plan to replace the lost housing units. Between 1974 and 1990, 50,227 families were housed in a total of 13,589 low-cost dwellings.

In 1982, the Cyprus Land Development Corporation was formed to address the housing needs of low- and middle-income families, including the replacement of old housing stock. By 1991, the corporation had disposed of 573 building plots and helped construct 391 housing units. Between 1975 and 1991, the private sector constructed 83,197 housing units.

According to a 2001 census, there were about 292,934 conventional dwellings across the country. Nearly 43% were single, detached houses; another 20% were apartment blocks. About 35,829 conventional dwellings were built in the period 1996–2001. Most dwellings have from four to seven rooms. The average household contained three people. About 68% of dwellings were owner-occupied. About 5.6% of dwellings are temporary housing sites for refugees. Village homes in Cyprus are generally constructed of stone, sun dried mud bricks, and other locally available materials; in the more prosperous rural centers, there are houses of burnt brick or concrete.

#### 43 EDUCATION

Since 1959, the Greek and Turkish communities have been responsible for their own school systems. In the Republic of Cyprus, education is compulsory for nine years, with children attending six years of primary school and six years of secondary. The secondary education is divided into two stages: Gymnasium and Lykeion. Each stage lasts three years. Students may choose vocational or technical schools for their secondary education as well. In 1995, a comprehensive Lyceum program was established for secondary education, which combines both general and technical or vocational education. In the Turkish region, preschool education is provided for children between the ages of four and six. Primary and secondary education is free and compulsory; primary education lasts for five years and secondary education lasts for three years.

In the Republic of Cyprus, in 2001, about 59% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 96% of age-eligible students. The same year, secondary school enrollment was about 93% of age-eligible students. It is estimated that about 87% of all students complete their primary education. The student-to-teacher ratio for primary school was about 19:1 in 2003; the ratio for secondary school was about 12:1.

The University of Cyprus (est. 1992) has five faculties: humanities and social sciences, pure and applied sciences, economics and management, letters, and engineering. There are a total of six universities in northern Cyprus, and one teacher training college. In 2003 in Greek Cyprus, about 32% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 96.8%.

As of 2003, public expenditure for the Republic of Cyprus on education was estimated at 6.3% of GDP.

#### 4<sup>4</sup> LIBRARIES AND MUSEUMS

Cyprus has numerous school, private, and public libraries. The National Library in Nicosia holds 105,000 volumes and serves as the central library for the Republic of Cyprus. There are also municipal libraries in Famagusta, Limassol, Ktima, Larnaca, and Paphos, and bookmobile services in the Nicosia environs. Among the most important specialized libraries are those of the Cyprus Museum (15,000 volumes), the Phaneromeni Library of the Eastern Orthodox Church (33,000), and the Cyprus Turkish National Library (56,000), all in Nicosia. The University of Cyprus holds 150,000 volumes in Nicosia.

The Department of Antiquities is responsible for a wide, continuing program of research at Neolithic and classical sites. On behalf of ecclesiastical authorities, it conserves the cathedrals, mosques, monasteries, and other monuments, and over a period of many years has cooperated with numerous scientific expeditions. The entire range of archaeological discoveries from prehistoric to medieval times is displayed in the Cyprus Museum at Nicosia. In addition to the Cyprus Historical Museum and Archives and the Folk Art Museum in Nicosia, there are important collections in museums at Paphos, Larnaca, and Limassol. In all, there are about 20 museums in Cyprus, the majority being archaeological and historical. There are over 1,000 monuments and historic sites nationwide.

#### 4<sup>5</sup> MEDIA

The Cyprus Telecommunications Authority (CTA) operates the internal communications system. The telephone network is nearly wholly automatic and the CTA connects Cyprus with more than 67 other countries. In 2002, there were about 427,400 mainline phones in use in the Greek Republic of Cyprus and 86,228 in use for the northern Turkish Republic. An additional 417,900 cell phones were in use among the Greek Cypriots and 143,178 among the Turkish Cypriots.

The Cyprus Broadcasting Corp. (CBC) maintains regular service. Commercial spot announcements and a few sponsored programs are permitted on both radio and television. Radio programming in both AM and FM is transmitted by the CBC on two channels in Greek, Turkish, Arabic, and English. Private radio stations have been allowed since 1990, and there were 30 licenses issued by the end of 1992. The CBC has two channels, and licenses have been granted to four private stations (one of them cable) since April 1993. The main television transmitting station is located on Mt. Olympus. Since 1980, the television service has been linked via satellite with the Eurovision network for live transmission of major events in Europe. As of 1998, the Greek sector had 7 AM and 60 FM radio stations; the Turkish sector had 3 AM and 11 FM stations. In 1995, each area had four television stations. In 1997, the Greek Cypriots had about 310,000 radios and 248,000 television sets in use throughout their area. Nationwide, there were about 210,000 Internet subscribers in 2002.

Nicosia has traditionally been the publishing center for the island and the editorial headquarters of nearly all the daily newspa-

pers and weeklies. There is no censorship in the south and newspapers are outspoken on political matters. The major Greek daily newspapers (with political affiliation and estimated 2002 circulations) include *O Phileleftheros* (independent liberal, 26,000), *Althia* (11,000), *Haravghi* (Communist, 9,000), *I Simerini* (conservative, 9,000), *Apogevmatini* (independent moderate, 8,000), and *Agon* (independent right-wing, 5,000). The leading Turkish newspapers (with political affiliation and estimated 2002 circulations) include *Kibris* (13,000) and *Halkin Sesi* (independent nationalist, 6,000). *Cyprus Mail* is a leading English-language paper with an independent-conservative affiliation and a 2002 circulation total of 4,000.

Freedom of speech and the press are mandated by law and are said to be in full support by the government. Private television and radio stations and university-run stations compete successfully with the government-controlled stations.

#### 4<sup>6</sup> ORGANIZATIONS

The government encourages cooperative societies in many ways, including exemption from certain forms of taxation. The Cyprus Chamber of Commerce and Industry is the main commercial organization. There is also a Turkish Cypriot Chamber of Commerce in Nicosia. The Famagusta Chamber of Commerce and Industry is concerned primarily with international trade. The Employers and Industrialists Federation is based in Nicosia. The Pancyprrian Federation of Labor serves as a general organization promoting the writes of employees. Professional and trade organizations cover a wide variety of careers, including those that also serve as forums for education and research, such as the Cyprus Medical Association. Some separate professional associations exist for Turkish Cypriot communities.

The Pancyprrian Federation of Students and Young Scientists (POFNE) serves as an umbrella organization for student movements. Some political parties have youth organizations, such as the Cyprus Socialist Youth, the Cyprus Workers Federation Youth Section, and the Democratic Party Youth. The Cyprus Scouts Association and Girl Guides are active in the country and there are branches of the YWCA. The Cyprus Sports Organization represents about 33 national sport federations and 500 athletic clubs throughout the country. There is an active organization of the Special Olympics and a Paralympic Committee.

Volunteer service organizations, such as the Lions Clubs International, are present in the country. There is an active national chapter of Caritas.

#### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Although Cyprus is located off the main routes of travel and has few luxury hotels, the island's salubrious climate, scenic beauties, extensive roads, and rich antiquarian sites have attracted numerous visitors. Water parks and cultural centers are also popular attractions. There were 2,303,246 tourists who arrived in Cyprus in 2003, of whom 95% came from Europe. In that same year there were 46,706 hotel rooms and 91,139 beds with an occupancy rate

of 57%. The average length of stay was six nights. Tourism expenditure receipts totaled \$2.2 billion.

All visitors must have a valid passport and an onward/return ticket. Visas are not required for stays of up to 90 days.

In 2005, the US Department of State estimated the daily cost of staying in Nicosia at \$289. In other areas, expenses averaged \$226 per day.

#### 48 FAMOUS CYPRIOTS

Most widely known of Cypriots in the pre-Christian world was the philosopher Zeno (335?–263? BC), who expounded his philosophy of Stoicism chiefly in the marketplace of Athens.

Makarios III (1913–77), archbishop and ethnarch from 1950 and a leader in the struggle for independence, was elected the first president of Cyprus in December 1959, and reelected in 1968 and 1973. His successor as president, Spyros Kyprianou (1932–2002), also was twice elected to the office, in 1978 and 1983. Tassos Nikolaou Papadopoulos (b.1934) was elected president in 2003. Rauf Denktaş (Denktaş b. 1924), the leader of the Turkish Cypriot community, was elected vice president of Cyprus in 1973, became president of the TCFS in 1975, and of the TRNC in 1983; he was reelected in 1985 and served until 2005. He was succeeded by Mehmet Ali Talat (b.1952).

#### 49 DEPENDENCIES

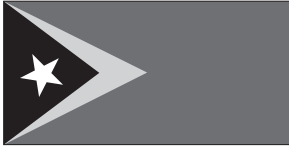
Cyprus has no territories or colonies.

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# EAST TIMOR



**CAPITAL:** Dili

**FLAG:** The national flag is rectangular. Two isosceles triangles, the bases of which form the left edge and overlap each other. One triangle is black and its height is equal to one-third of the length overlapped to the yellow triangle, whose height is equal to half the length of the flag. A white five-pointed star, signifying “the light that guides,” is centered on the black triangle. The remaining part of the flag is red.

**ANTHEM:** n/a

**MONETARY UNIT:** East Timor has adopted the US dollar (\$) of 100 cents. There are coins of 1, 5, 10, 25, and 50 cents and 1 dollar, and notes of 1, 5, 10, 20, 50, and 100 dollars.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year’s Day, 1 January; Labor Day, 1 May; Assumption Day, 15 August; Constitution Day, 30 August; All Saints Day, 1 November; Santa Cruz Day, 12 November; Independence Day, 28 November; Feast of the Immaculate Conception, 8 December; Christmas, 25 December. Movable holiday is Good Friday.

**TIME:** 9 pm = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The main land area of East Timor lies on the eastern half of Timor, an island roughly the size of the Netherlands (32,000 sq km/12,355 sq mi) that forms an arc between Asia and Australia and is situated within the Nusatenggara Archipelago. Opposite the well-traveled island of Bali, East Timor is surrounded by the Indian Ocean at the south and the Pacific Ocean at the north. Its size rivals New Jersey or Israel, and its 15,007-km (9,325-mi) territory extends beyond its mainland to include the enclave of Ocussi-Ambeno in West Timor, and the islands of Atauro in the N and Jaco in the E. Dili, a small port city on the northern coast, is the capital.

## <sup>2</sup> TOPOGRAPHY

The landscape offers a patchwork of rugged mountains, waterfalls, coastal lagoons, and diverse features that support variable vegetation, dry grasslands, savannah forests, gullies, and patches of dense rain forest. Gunung Tata Mai Lau, a mountain that forms the highest point on East Timor, reaches 2,963 m (9,721 ft) just south of the capital city of Dili, and the Laço river in the north stretches some 80 km (50 mi), forming the longest river.

## <sup>3</sup> CLIMATE

Temperatures in the dry season, from May to November, average 20–33°C (68–91°F). The weather during this season is pleasant and dry. Around October or November, oppressive humidity arrives and monsoon cloud activity builds up. The wet season, from December to April, sees average temperatures of 29–35°C (84–95°F), with heavy rains and flooding. In the mountains, daytime temperatures are warm to hot, but are cool to cold at night. Earthquakes, tsunamis, and tropical cyclones occur.

## <sup>4</sup> FLORA AND FAUNA

The primary forest area of East Timor has been reduced to around 88,000 hectares (220,000 acres), or 1% of the territory. Dense forests are found only on the south coast or in mountainous areas. The vegetation consists mostly of secondary forests, savannah, and grasslands. Flora includes ironwood, eucalyptus, black eucalyptus, redwood, sandalwood, cendana, and lontarwood. Fauna include deer, monkeys, cockatoos, horses, cows, and beo kakoaks.

## <sup>5</sup> ENVIRONMENT

The main environmental threats come from the widespread use of slash-and-burn agriculture, which has led to deforestation and soil erosion. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included seven species of birds, one type of reptile, and three species of fish. Threatened species include the albacore tuna, Everett’s tree frog, black kite, Timor sparrow, shirt-toed eagle, Japanese sparrow eagle, and red-cheeked parrot.

## <sup>6</sup> POPULATION

The population of East Timor in 2005 was estimated by the United Nations (UN) at 947,000, which placed it at number 153 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 41% of the population under 15 years of age. There were 108 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.7%, a rate the government viewed as satisfactory. The projected popula-

tion for the year 2025 was 1,938,000. The population density was 64 per sq km (165 per sq mi).

The UN estimated that 8% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.22%. The capital city, Dili, had a population of 49,000 in that year.

## 7 MIGRATION

“Timor” may be the Malay word for “Orient,” but East Timor’s people betray a long procession of migrations from the west, north, and east. The Portuguese arrived on the island in the early 16th century. At the end of 2002, there were approximately 30,000 East Timorese refugees living in settlements in the west Timorese countryside. By late 2004 there were 448 individuals who were of concern to the United Nations High Commissioner for Refugees (UNHCR); there were also 221 refugees in East Timor. There were zero migrants per 1,000 population in 2005.

## 8 ETHNIC GROUPS

Historically the ethnic population was largely defined by the Atoni and the more dominant Belu, which was a blend of Malay, Melanesian, and Austronesian peoples who were fluent in the Tetum language. At independence in 2002, the approximate ethnic divisions in the population were as follows: 78% Timorese, 20% Indonesian, and 2% Chinese.

## 9 LANGUAGES

In addition to Tetum, there are about 15 other indigenous languages spoken within East Timor. Tetum, Galoli, Mambai, and Tokodede are classified as Austronesian languages, while Bunak, Kemak, Makassai, Dagada, Idate, Kairui, Nidiki, and Baikenu are the non-Austronesian tongues. Tetum and Portuguese are official languages. Indonesian and English are also prominent.

## 10 RELIGIONS

The last available figures on religion were collected in 1992 (before independence), at which time the population was 90% Roman Catholic, 4% Muslim, 3% Protestant, 0.5% Hindu, and an undetermined number, Buddhist. As of 2004, the dominant religion still appeared to be Catholicism; however, it is believed that a number of registered Catholics actually practice traditional animism, a religious category that had not been officially recognized by the Indonesian government. The largest Protestant group was the Assembly of God.

The new government has generally respected the regulations for freedom of religion that were established by the United Nations Transitional Administration in East Timor (UNTAET). Though public opinion had leaned toward making Catholicism the national religion, the presiding bishop, Carlos Filipe Ximenes Belo (a Nobel Peace Prize laureate), encouraged members of the Constituent Assembly not to make such a designation. The 2002 constitution instead provides for the freedom of conscience, religion, and worship and this right is generally respected in practice. Religious organizations must register with the Ministry of Interior if most or all of their members are foreigners. Due to past associations with Indonesian occupation groups, some Muslim and Protestant minorities have reported social harassment.

## 11 TRANSPORTATION

Rebuilding the transportation infrastructure has been a key concern for the nation. As of 2002, there were no railways reported. Highways stretched across about 3,800 km (2,361 mi), but only about 428 km (266 mi) were paved, and these roads were poorly maintained. Driving accidents are frequent due to poor road conditions, lack of illumination, and the absence of required driving permits. Roads are widely shared by pedestrians and vendors, especially in city areas. Taxis, small buses, and minivans provide public transportation, but the system is generally overcrowded and not reliable.

There were eight airports operating in 2004, but only three had paved runways. There were also nine heliports (as of 2005).

## 12 HISTORY

Since the 1500s, the island of Timor and its lush offering of sandalwood lured both Portuguese and Dutch explorers, who contested for the territory until an official territorial division was determined through the *Sentenca Arbitral* in April 1913. Unlike the Dutch, Portugal’s sphere of influence was concentrated in the local leadership of the East Timorese *liurai rei*—rulers, chieftains, and biracial families known as the “Black Portuguese” who were of mixed Timorese and Portuguese descent. While Portugal’s colonial hold on East Timor failed to avail the local population of educational and general advancement opportunities, even leaving the island with barely 30 km (19 km) of paved asphalt road, its detachment enabled the East Timorese cultural identity to remain largely intact and unscathed by modernity.

Ironically, efforts to crush the East Timorese are not traced to the Portuguese, but to the Indonesian people and their brutal tactics for integration following Portugal’s exodus from the island. When the “Carnation Revolution” of April 1974 in Portugal prompted the demise of nearly 50 years of dictatorship, the decolonization of East Timor, among Portugal’s other colonies, seemed a favorable consequence. By the start of May 1974 three political parties surfaced within the island: the Apodeast Timori (Timorese Democratic People’s Union), largely a device of the Indonesian government that advocated that East Timor be integrated into Indonesia; the UDT (Democratic Union of Timor), advocating a progressive process of autonomy under Portugal; and the ASDT (Timorese Social Democratic Association), which later became the left-wing independence movement Fretilin (Revolutionary Front for an Independent East Timor), advocating the island’s total independence.

The subsequent union and mounting popularity of UDT and Fretilin by January 1975 proved threatening enough to the Indonesian government that President Suharto, whose integrationist stance was already endorsed by the United States, Australia, Japan, and other nations, justified his military intervention in East Timor through the “Operasi Komodo.” Authored by the president’s intelligence advisor Ali Moertopo (1924–84), Operasi Komodo essentially slandered Fretilin, asserting that the party was secretly Communist and serving to splinter its alliance with the UDT by May. Consequently, on 6 June 1975, Indonesia already occupied the Oecussi-Ambeno enclave under the guise of restoring order in East Timor, which had not endured any form of foreign occu-

pation, with the exception of a brief but brutal occupation by the Japanese during World War II (1939–34).

Despite Indonesian presence and pressure within East Timor, Fretilin still gained 55% of the popular vote in local elections on 29 July 1975. Thus again threatened, Indonesia manipulated the UDT to counter Portuguese authority and Fretilin's influence through a coup staged 11 August–24 September 1975. However, the coup against Fretilin failed; in fact, Fretilin instead gained control of the entire East Timorese territory and launched humanitarian advancements (in education, medical treatment, and local decision-making) that had been historically denied to the islanders. Still, reports generated by the US Central Intelligence Agency discerned Indonesian infiltration and fighting within East Timor and around its borders mid-September–October 1975. After capturing the violence on videotape, four foreign journalists were executed by Indonesian militia on 17 October 1975, and tension between pro- and anti-independence forces was heightened. On 28 November 1975, Fretilin's formal assertion of an independent state of East Timor was answered the very next day by Moertopo's "petition" for the integration of East Timor into Indonesia through the "Balibo" Declaration, which UDT leaders were forced to sign.

On 7 December 1975, only one day after a visit to Jakarta by President Gerald Ford and Secretary of State Henry Kissinger of the United States, Indonesia deployed 10,000 troops—by sea, air, and land—into Dili, after an already devastating naval and aerial bombardment led by General Benny Murdani. Within days of an invasion marked by public torture, rape, and the random killing of mass civilians, Portuguese governor Mario Lemos Pire and his remaining administration made a covert and final exodus during the night to the island of Atauro, marking the end of over 460 years of colonization, without decolonization achieved. On 17 July 1976, Indonesia claimed East Timor its 27th province, despite condemnation from the United Nations (UN). Indonesia kept up full-scale attacks through March 1979 through weaponry largely supplied by the United States under the administration of President Jimmy Carter. Within a year of the attack, an estimated 60,000 East Timorese had been killed, while tens of thousands sought refuge from the Armed Forces of the Republic of Indonesia (ABRI) in the rugged mountainous interior of East Timor, where Fretilin guerrilla forces remained; others were forced into Indonesian resettlement camps, where disease, malnutrition, and death were rampant. The island was relegated to a "closed colony" status by the military from December 1975 through 1 January 1989.

It has been estimated that some 250,000 were killed since 1975 when warfare seized the island. Mass terror and killings were widespread, including 1,000 in Aitana in July 1981, 400 in Lacluta in September 1981, and, finally securing international attention, some 270 during the Santa Cruz massacre of 12 November 1991, in which peaceful mourners and demonstrators were killed by Indonesian troops' open fire in a cemetery in Dili. While Indonesia experienced a shift in leadership with the forced resignation of President Suharto in 1997 and rise to power of his vice president, B. J. Habibie, East Timor endorsed Fretilin leader José Alexandre "Xanana" Gusmão, then the president of the National Council of Timorese Resistance (CNRT). Their continued resistance against military occupation and terror, coupled with heightened international scrutiny of the atrocities within the island, may



LOCATION: 8° 50' s, 125° 55' E. BOUNDARY LENGTHS: Indonesia, 228 km (142 mi). COASTLINE: 706 km (439 mi).

have prompted Habibie in January 1999 to extend the choice to East Timorese citizens: autonomy under Indonesian rule or outright independence. An overwhelming 99% of eligible voters were present during the 30 August 1999 referendum, which secured the vote for independence.

However, postelection violence and killings led by pro-Indonesian militias and the army killed more than 1,000 people and drove some 250,000 from East Timor. This was a dark reminder of East Timor's subjugation to the Indonesian military, which has long remained the source of ultimate government authority. Following a unanimous decision on 25 October 1999 by the UN Security Council, East Timor was governed by the UN Transitional Administration in East Timor (UNTAET) and the National Consultative Council (originally formed by 15 East Timorese whose representation was later increased to 33), with the mission to rebuild the island and establish a new government by the close of 2001. In September 2001, a Constituent Assembly was elected and given with the task of writing a constitution for East Timor. In April 2002, José Alexandre "Xanana" Gusmão defeated Xavier do Amaral for the presidency, and on 20 May 2002 East Timor became an independent nation. A successor mission to UNTAET, the United Nations Mission of Support in East Timor (UNMISSET) was established to provide assistance to East Timor over a period 12 months, especially in matters of law enforcement and security. East Timor became the 191st UN member state on 27 September 2002.

Indonesia's attempts to bring to justice those responsible for the 1999 violence in East Timor were heavily criticized. Under intense international pressure, Indonesia set up a special human rights court to try those responsible for the violence. The court's



record—in both investigating the involvement of Indonesia's most senior security officials and its apparent willingness to acquit others with what was considered to be overwhelming evidence—was condemned. The court indicted 18 suspects for atrocities in East Timor, but only one conviction stood. A "Truth and Friendship Commission" was also formed by East Timor and Indonesia as a way to promote fact-finding about the 1999 human rights violations, and to achieve reconciliation. But the commission had no power of prosecution and was considered a diversion from the need for actual accountability.

Bishop Carlos Ximenes Belo, who shared the Nobel Peace Prize with José Ramos Horta in 1996, announced his resignation in November 2002. He won the prize for his stand in defense of Timorese rights. In 1999, militia gangs attacked and burned his residence where hundreds of refugees were being sheltered. In December 2002, the Indonesian human rights court sentenced the first Indonesian military official convicted in the 1999 violence for failing to prevent pro-Indonesian militiamen from attacking Belo's home. The official, Lt. Col. Soedjarwo, was sentenced to five years in prison.

Disputes between Australia and Indonesia over parts of the oil and gas-rich seabed of the Timor Sea led to the signing of the 1989 Timor Gap Treaty, which specified a 50–50 split of the royalties from the shared zone of undersea exploration between Australia and Indonesia. In May 2002, the treaty was renegotiated, and newly independent East Timor was granted 90% of the royalties, with Australia receiving 10%. However, the terms of the agreement were conditional on East Timor foregoing its territorial claim to almost the entire oil and gas field. Foreign officials estimated a potential revenue flow of several tens of millions of dollars a year to East Timor. In 2005 the Timor Gap fields were considered to be a source of tension, with East Timor's government accusing Australia of cutting humanitarian aid as a way to pressure East Timor into acceding to its contract terms.

In spring and early summer 2006, violence spread across Dili, driving an estimated 100,000 residents to flee to villages in the countryside. The unrest, triggered when striking military were dismissed by the government in March 2006, was undermining peace in the young nation, whose economy and government were struggling to maintain order.

### **13 GOVERNMENT**

A parliamentary system of government with a largely ceremonial president was established in 2001. In the elections for the Constituent Assembly held 30 August 2001, Fretilin took 55 of the 88 seats. Twenty-three of the candidates, or 27% of the total, were women. The assembly was charged with drafting a constitution for East Timor. On 22 March 2002, the Constituent Assembly approved East Timor's constitution, which was modeled largely on that of Portugal, although the German and US constitutions were consulted as well. Key components of the constitution include a ban on the death penalty, and the provision for fundamental political rights and civil liberties, including due process rights.

The Constituent Assembly was transformed into the National Legislative Assembly, or National Parliament, in May 2002. The unicameral National Legislative Assembly is composed of a minimum of 52 and a maximum of 65 members, serving five-year terms. Thirteen of the members are district representatives, cor-

responding to East Timor's 13 districts. For its first term of office, the parliament was comprised of 88 members on an exceptional basis.

The first presidential elections were held on 14 April 2002. José Alexandre "Xanana" Gusmão defeated Xavier do Amaral for the presidency, winning with 82.7% of the votes cast. Mari Alkatiri was chosen as East Timor's first prime minister. The next presidential election was scheduled to be held in April 2007. A Council of State advises the president. It is composed of former presidents who were not removed from office, the prime minister, the speaker of parliament, five members elected from parliament, and five members appointed by the president. A Council of Ministers is comprised of the prime minister, any deputy prime ministers, and the ministers of state. East Timor's Catholic Church led prolonged demonstrations in Dili during 2005, resulting in the signing of an agreement on social issues by the government.

### **14 POLITICAL PARTIES**

There were 16 registered parties for the Constituent Assembly elections held in August 2001. Fretilin won 57.37% of the national votes and elected 12 of the 13 district representatives. The 12 parties represented in East Timor's first 88-member Parliament were: Fretilin (Revolutionary Front of Independent East Timor), 55 seats; the Democratic Party (PD), 7 seats; the Social Democratic Party (PSD) and the Social Democratic Association of Timor (ASDT), 6 seats each; the Democratic Union of Timor (UDT), the Christian Democratic Party (PDC), the People's Party of Timor (PPT), the Nationalist Party of Timor (PNT), and the Timorese Monarchist Association also called Sons of the Mountain Warriors (KOTA), 2 seats each; the Liberal Party (PL), the Christian Democratic Party of Timor (UDC/PDC), the Socialist Party of Timor (PST), and an independent candidate, 1 seat each. Other parties include the Maubere Democratic Party (PDM) and the Timor Labor Party (PTT). The Popular Council for the Defense of the Democratic Republic of East Timor (CPD-RDTL) and Kolimau 2000 are opposition organizations.

### **15 LOCAL GOVERNMENT**

East Timor is divided into 13 districts: Aileu, Ainaro, Baucau, Bobonaro, Covalima, Dili, Ermera, Lautem, Liquiçá, Manatuto, Manufahi, Oecussi, and Viqueque. The districts are further divided into 68 postos (sub-districts). A posto is further divided into sucos, or clusters of villages. There are approximately 500 sucos in the country. Sucos are divided into aldeias (villages); there are approximately 2,100 aldeias in East Timor. Local elections were held throughout East Timor in 2004 and 2005.

### **16 JUDICIAL SYSTEM**

A Ministry of Justice was established in East Timor to guarantee an independent and impartial judiciary. A department of judicial affairs is responsible for the recruitment, appointment, and training of judges, prosecutors and public defenders. The Supreme Court of Justice is the highest court in the nation, with the power of judicial review. Other courts include a High Administrative, Tax, and Audit Court; military courts; and maritime and arbitration courts.

In March 2000, the UN Transitional Administration in East Timor (UNTAET) created a civil law court system with 13 dis-

strict courts and one national Court of Appeal. The law later was amended to include a court system of only four district courts and one national Court of Appeal. The four district courts are located in Dili, Baucau, Suai, and the Oecussi enclave. The district courts have jurisdiction over criminal and noncriminal offenses referred to as “ordinary crimes,” whereas special panels within the Dili district court have exclusive jurisdiction over “serious criminal offenses.”

The judicial system was considered the weakest government function in East Timor after independence. A backlog of cases raised human rights concerns, as cases pending trial and appeal were unable to be heard within a reasonable amount of time. From 2004, civil laws based on Portuguese codes began to supplant the UNTAET legal framework. Portuguese and Tetum became the official languages of the court system.

## 17 ARMED FORCES

In January 2001, East Timor’s armed forces began training, with the goal of deploying 1,500 active military personnel and an additional 1,500 reservists into two infantry battalions. As of 2005, East Timor had an army of 1,250 personnel, including 30 women. There was also a 36-member naval element. Basic training for the first group of recruits was aided by Portugal, with special training programs aided by Australia. In April 2002, UN peacekeeping forces totaled about 6,200 members from 20 countries. The number of UN forces was expected to decline as the government and the UN continued to make arrangements for national security, although it appeared that UN troops would be needed again in May–June 2006 to quell factional violence. As of 2005, the number of UN troops had fallen to 181 personnel from 9 countries. The general military age is 18–21 years old. Both male and female recruits have been accepted. Military expenditures for 2003 were estimated to be at about \$4.4 million.

## 18 INTERNATIONAL COOPERATION

East Timor joined the United Nations in September 2002; it has participated in the FAO, the World Bank, IFAD, the IFC, ILO, IMF, UNESCO, UNIDO, and WHO. The nation is also a member of the ACP Group, the Asian Development Bank, and G-77. It became a member of the ASEAN Regional Forum (ARF) in July 2005 and is applying for observer status in ASEAN. The United Nations Mission of Support in East Timor (UNMISSET) was established in May 2002 to provide assistance in public security and law enforcement while the country establishes political stability following independence from Indonesia; 16 countries have offered support for the mission.

## 19 ECONOMY

As a result of the postindependence referendum violence in 1999 led by Indonesian troops and anti-independence militias, approximately 70% of the economic infrastructure was devastated and some 250,000 people moved into West Timor. Reconstruction efforts undertaken by the UN Transitional Administration in East Timor (UNTAET) improved both urban and rural areas. Agriculture remained the main source of income in most of the country’s villages, with only a small percentage of people selling a significant proportion of their rice or maize harvest. During 2000–01, the agriculture sector expanded, due to a rebuilding of seed stocks

and irrigation systems, improved access to fertilizer and transportation, a reduced threat of violence, and high demand resulting from the large international presence in the country. The services sector also registered strong growth in 2000–01 in order to meet the needs of the international staff and reconstruction efforts. After mid-2002, however, growth was held back as a result of the winding-down of the international presence and of a drought in 2003. As of 2004, however, GDP growth had recovered somewhat (1%). During the Indonesian occupation, tourism was not a large industry, but there is a great potential growth in this area. The East Timorese economy stands to benefit in the long term from the development of the oil- and gas-rich seabed of the Timor Sea.

## 20 INCOME

The US Central Intelligence Agency (CIA) reported that in 2005 East Timor’s gross domestic product (GDP) was estimated at \$370.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$400. The annual growth rate of GDP was estimated at 1%. The average inflation rate in 2004 was 1.8%. It was estimated that agriculture accounted for 25.4% of GDP, industry 17.2%, and services 57.4%.

It was estimated that in 2003 about 42% of the population had incomes below the poverty line.

## 21 LABOR

The labor force in 1998 was 397,131. Subsistence agriculture accounted for three-fourths of employment. The unemployment rate, including underemployment, stood at approximately 50% in 2002.

In 2004, official registration procedures for employer organizations and trade unions were established. As of 2005, workers were permitted to form and join labor organizations without getting prior approval; they were also allowed to engage in collective bargaining. However, inexperience and a lack of organizational and negotiating skills have hampered attempts at organizing workers and at making them aware of their rights.

Children under the age of 18 are generally prohibited from working, but there are exceptions for minors between the ages of 15 and 18, and even for those under 15.

Although there is no legal minimum wage rate, a monthly wage rate of \$85 was used by employers and employees as a minimum standard. The standard legal workweek was put at 40 hours per week, and included standard benefits such as days off, overtime, and health and safety standards.

## 22 AGRICULTURE

As of 2003, there are only about 190,000 hectares (469,000 acres) of arable land and permanent crops in East Timor, or about 12.8% of the land area. With generally poor and shallow soil, steep terrain, and an unreliable climate, most farming was at a subsistence level. The farming system was based on slash-and-burn. In the north and a few fertile areas of the south, maize, cassava, cowpeas, and sweet potatoes are primary crops. Rice is cultivated in lowlands with the help of irrigation systems. The main harvest for maize occurs from February through April. The main harvest for

rice occurs from May through September in the north and from August through November in the south. Other agricultural products include soybeans, cabbage, mangoes, bananas, vanilla, mung beans, taro (swamp and upland), onions, peanuts, sago, coconuts, and tobacco.

Coffee serves as an important cash crop, with over 60% of the country's organic coffee being produced in the Ermera district. Bobanaro, Oecussi, Viqueque, and Baucau are the most important food producing districts. In 2003, agriculture accounted for about 25% of the GDP.

### **2<sup>3</sup> ANIMAL HUSBANDRY**

Most livestock production is based on household farms, with larger animals kept primarily for household use and consumption, while pigs and smaller animals are sold for cash. Although there are some large herds of cattle, buffalo, sheep, and goats, most farms keep smaller numbers of a variety of animals. In 2005, the estimated livestock populations were: 80,000 goats, 25,000 sheep, 360,000 pigs, 2.2 million chickens, 171,000 cattle, 100,000 buffalo, and 48,000 horses.

### **2<sup>4</sup> FISHING**

Coastal communities have historically relied on fishing as a main source of food and income, with catches that include large tuna, flying fish, coral reef fish, and deepwater snapper. The violence following independence caused serious damage and destruction to nearly 90% of the boats and gear of these communities, as well as to the onshore processing infrastructure. The industry was slowly moving toward recovery through the work of the Department of Fisheries and the Marine Environment (DFME) in the Ministry of Agriculture and Fisheries and with the help of various international volunteers and agencies. In 2003 officials from the DFME met with Australia's minister for primary industry and fisheries in Australia's Northern Territory to discuss training opportunities in tropical fisheries management.

Besides working to recover maritime fishing activities, the DFME was exploring options for inland hatcheries and freshwater fish production. One such project included breeding fish in rice fields.

In 2002, the DFME estimated that of the 20,000 fishermen in East Timor, over 50% were involved in fishing as their primary source of food and income. In 2003, the total catch was estimated at 350 tons.

### **2<sup>5</sup> FORESTRY**

Data from the government of Indonesia has shown the alarming trends of deforestation on the once forest-rich lands of East Timor. In 1975, about 50% of East Timor's land was primary and secondary forest. By 1989, the figure dropped to about 41% and by 1999, only 1% of the land was forested. Most of the deforestation was conducted under logging operations for teak, redwood, sandalwood, and mahogany for export. The use of wood as a primary fuel source has added to the problem of diminishing forests.

In 2000, the UN Transitional Administration in East Timor (UNTAET) issued Regulation 2000-17 to prohibit any logging operations that would include the export of logs, lumber, and/or

furniture from East Timor. Burning and destruction of remaining forests for any reason was also prohibited. The UN Development Program (UNDP) launched several programs to counter deforestation as well as begin reforestation. These included a nationwide seed propagation program to establish community nurseries and encourage replanting of forestlands, particularly on hillsides and in areas where erosion is a problem. There were also subsidy programs proposed to provide low-cost kerosene and cookers to rural residents in an effort to reduce dependency on wood as fuel.

### **2<sup>6</sup> MINING**

There are small deposits of gold, manganese, and copper throughout the nation, but not enough to be considered for major commercial industries. Marble is present in significant quantities, but it seems uncertain as to whether or not the exploitation of such deposits would have a significant impact on the country's economy in the near future.

### **2<sup>7</sup> ENERGY AND POWER**

East Timor's ability to develop its oil and gas reserves in the Timor Sea will greatly affect the economy. By 2003, the government planned to introduce a petroleum fund, designed to enhance transparency and accountability in the management of oil and gas revenues. A \$1.8 billion gas recycling project in the Bayu Undan offshore gas field began in April 2004; a \$1.2 billion liquid natural gas production operation began at Bauy Undan in February 2006. Revenues from that and other projects began to flow in 2006. Fossil fuels account for 100% of electricity production.

### **2<sup>8</sup> INDUSTRY**

Before the Indonesian invasion in 1975, East Timor was self-sufficient in food and enjoyed revenue from the coffee industry. The US Agency for International Development (USAID) was one organization supporting East Timor's coffee industry in the early 2000s, especially through Cooperative Coffee Timor (CCT). East Timor at that time was heavily dependent upon food aid, however, and the agriculture industry was in need of development. Other industries include printing, soap manufacturing, handicrafts, and woven cloth. In 2004, industry accounted for 17.2% of GDP. The industrial production growth rate in 2005 was an estimated 8.5%.

As of 2006, the development of oil and gas resources had begun to raise government revenues ahead of schedule and above expectations, largely due to high petroleum prices, although factional violence threatened to undermine the progress that had been made.

### **2<sup>9</sup> SCIENCE AND TECHNOLOGY**

There was no university in East Timor under the Portuguese. The Universitas Timor Timur (UNTIM) was established in 1986 under Indonesian rule. By 1998/99, it had nearly 4,000 students in three main faculties—agriculture, social and political sciences, and education and teacher training. The Indonesian government closed the UNTIM following the April 1999 demonstrations demanding an independence referendum. The Polytechnic in East Timor had technical courses based in Becora and at a campus in Hera; it provided courses in electrical and mechanical engineering, civil construction, and accounting. The education system was

a target for destruction by the Indonesian military and their militias. The UNTIM and Polytechnic buildings in Dili and Hera were looted and burned. A new university was established by former UNTIM and Polytechnic staff and students, without funding from UNTAET. In September 2000, the government allotted \$1.3 million to the university from East Timor's education budget. The National University of East Timor (Universidade Nacional Timor Lorosae—UNTL) opened for classes on 27 November 2000. There are five faculties: agriculture, political science, economics, education and teacher training, and engineering.

### 30 DOMESTIC TRADE

Local businesses realized weak performance in the early 2000s, as they attempted to recover from violence that followed the referendum on independence. Traditional markets are filled by the local community, while foreign-owned businesses are largely patronized by the wealthy. In 2001, the World Bank launched a \$4.85 million small enterprises project, offering loans of \$500 to \$50,000 to East Timorese with viable business plans. The project also financed the delivery of business skills training to small and medium-sized enterprises.

### 31 FOREIGN TRADE

Trade in East Timor is dominated by foodstuffs, construction materials, electronics, and clothing. Some 97% of manufactured goods are imported, with coffee being the sole significant export. Indonesia, Australia and Portugal are East Timor's principal trade partners. East Timor in the mid-2000s was seeking trade partners to develop its oil and gas reserves, among them China and Malaysia. Coffee is exported to the United States, Australia, New Zealand, Italy, and the Netherlands, among other countries.

### 32 BALANCE OF PAYMENTS

The external current account was in large deficit by 2003 (-\$230 million), resulting in large measure from imports associated with donor-assisted reconstruction activities. The deficit was more than financed by official transfers, however, and, inclusive of these transfers, the external current account was in surplus (\$37 million). In 2005, the CIA estimated exports at \$10 million, excluding oil, and imports at \$202 million in 2004. Development assistance during the 1990s totaled \$81 million, increasing from \$1 million in 1989 to more than \$12 million in 1999. As of 2002, East Timor was receiving \$2.2 billion in economic aid.

### 33 BANKING AND SECURITIES

The finance sector is small, with a limited central bank role played by the Banking and Payments Authority (formerly the Central Payments Office). There are two operating branch offices of overseas banks (the ANZ Banking Group and the Banco Nacional Ultramarino) and informal lenders comprise the remainder of the finance sector.

### 34 INSURANCE

It is possible to obtain insurance for vehicles in East Timor, although virtually no one does so. Most individuals involved in traf-

fic accidents settle them informally. Third-party motor vehicle insurance is unavailable. Information on life or other forms of insurance was unavailable as of mid-2006.

### 35 PUBLIC FINANCE

The US Central Intelligence Agency (CIA) estimated that in 2004 central government took in revenues of approximately \$107.7 million and had expenditures of \$73 million. Revenues minus expenditures totaled approximately \$34.7 million.

### 36 TAXATION

In 2000, the UN Transitional Administration in East Timor (UNTAET) issued a Revenue System for East Timor, providing the basis for a tax regime. It largely adopted the Indonesian income tax law with some modifications. East Timor's tax system is designed to tax business profits and designated passive income. Business profits include capital gains. Passive income includes interest, royalties, and rental and dividend income. The standard income tax rates for resident companies and individuals are 10% on the first \$3,368; 15% on the next \$3,368; and 30% on income over \$6,737.

Employment-related income initially was not subject to income tax; however, a wage income tax (WIT) was levied for wages received on or after 1 January 2001. WIT applies to employment-related remuneration only, as opposed to general personal income. WIT is due as follows: the rate is 0% on monthly salaries of \$0 to \$100; 10% on monthly salaries of \$101 to \$650; and 30% on monthly salaries of \$651 or more.

### 37 CUSTOMS AND DUTIES

Excise taxes are imposed on the import or domestic production (but not both) of certain goods. Goods are exempt from excise taxes if they are exported from East Timor within 28 days of production and are exempt from import duty, or if they relate to the Timor Gap Agreement. Goods subject to excise taxes included (but are not restricted to) the following: confectionery, fruit juices, ice cream, soft drinks, tobacco, gasoline, diesel fuel, beer, wine, other alcohol, make-up, shampoos, toiletries, electrical goods, mobile phones, televisions, automobiles, motorcycles, and arms and ammunition.

As of 2001, all imported goods were subject to an import duty of 5% of the customs value (CIF value).

### 38 FOREIGN INVESTMENT

Most foreign investment was from Singapore and Australia, and was centered in the hotel and restaurant business, the importation of used cars, and construction. The government encouraged foreign investment in light industries such as textile, garment, and shoe factories. Fishing and ecotourism also have potential for foreign investment (East Timor has some of the best scuba diving in Asia). Rudimentary infrastructure and a lack of skilled labor hamper investment. Investors have few guarantees regarding property rights, insurance, or bankruptcy. The labor law also serves to inhibit foreign investment because it is difficult for employers to fire

East Timorese workers, and businesses are prohibited from hiring replacement employees during a strike.

### **39 ECONOMIC DEVELOPMENT**

Although East Timor was expected to rely upon significant amounts of foreign aid in the mid-2000s, it was on the path to greater self-reliance. In the context of a reduced international presence, the government was improving its administrative capacity and taking steps toward nation-building in accordance with its National Development Plan (NDP). The country stood to benefit from the development of oil and gas reserves in the Timor Sea, which were expected to sharply increase government revenues. The NDP covering the fiscal years 2002/03–06/07 set out certain objectives, including the attainment of 5% growth in GDP over the medium term and the alleviation of poverty. The government indicated the need to develop the private sector and build up local institutions in addition to maintaining a stable macroeconomic environment. Other NDP goals included promoting good governance and creating jobs. The high-technology oil and gas industry, while providing much-needed income, does little to create jobs for the unemployed. In 2005, the parliament approved the creation of a Petroleum Fund to serve as a repository for all petroleum revenues and preserve the value of the country's petroleum wealth for future generations. The eruption of violence in mid-2006, which observers hope would be temporary, halted economic progress.

### **40 SOCIAL DEVELOPMENT**

As of 2003, humanitarian concerns remained at the forefront of social development in East Timor. The rehabilitation of roads was providing access to rural areas that otherwise would have remained isolated. Electricity was being brought to rural areas, which would increase the potential for social benefits. Water-supply projects improved access to safe water, and freed women and children from the task of collecting water. Increased emphasis was being placed upon nutrition and health programs. Market vendor loans were being granted equally to men and women, but certain group loans were disproportionately awarded to women. These loans were geared to support employment on farms and in households and small trading businesses.

Some customary practices continue to discriminate against women, especially in remote villages. Domestic abuse and violence is a problem exacerbated by the failure of officials to investigate or prosecute. East Timorese women under Indonesian occupation were systematically raped, tortured, and imprisoned as sex slaves, and the process of recovery from that period was ongoing.

East Timor's constitution includes important human rights protections, including the right to a fair trial, criminal due process, freedom of expression, freedom of association, and freedom of religion. The constitution forbids the death penalty and life imprisonment, and includes the right to be free from torture, servitude, and cruel or degrading treatment. However, problems relating to the criminal justice system, including lengthy pretrial detentions and abuse of authority, remained unresolved as of 2006. In addition, the status of refugees wishing to return but fearful of reprisal remained unclear.

### **41 HEALTH**

A large number of health centers and hospitals were severely damaged or destroyed due to independence-related violence. The new nation also found itself lacking medical professionals, since the vast majority of health workers were Indonesian nationals who left the area. Postindependence, most health care has been provided by international nongovernmental organizations (NGOs) under the general direction of the Division of Health Services, which works in cooperation with the World Health Organization (WHO) to develop healthcare policies and coordinate services throughout the country.

Health care was provided by 15 international NGOs, 6 local NGOs, 23 religious organizations, 4 military groups, and 2 private/business agencies. There were two hospitals operating in Dili and one in Baucau. In 2001, a program of District Health Plans included 64 community health centers, 88 health posts, and 117 mobile clinics. There is a laboratory in Dili. There were an estimated 2,000 health workers in the country, including 28 East Timorese doctors.

Estimates suggest that the 2005 life expectancy rate was 65.90. The same year, infant mortality was estimated at 47.41 deaths per 1,000 live births. The fertility rate was estimated at 3.88 children born per woman. The birth rate was estimated at 28.07 births per 1,000 people. The most common causes of infant deaths have been infections, prematurity, and birth trauma. It was further estimated that 125 out of 1,000 children died before the age of five. In 2001, maternal mortality was estimated at 890 per 100,000 live births, with the most common cause of death being severe postpartum bleeding.

In 2000, the World Health Organization reported that 3–4% of all children ages six months to five years were acutely malnourished and 20% were chronically malnourished. Intestinal parasitic infections affect about 80% of all children. Other common childhood illnesses include acute respiratory diseases, diarrheal conditions, malaria, and dengue fever. An immunization program was reinstated in March 2000, which included a special campaign to immunize 45,000 children against measles. In November and December 2000, a nationwide polio immunization campaign reached about 84% of the population.

Endemic diseases include malaria, leprosy, and lymphatic filariasis. Tuberculosis is a major problem as well, affecting over 8,000 people as of 2000. Sexually transmitted diseases are prevalent. The major causes of death are communicable diseases (60%), noncommunicable diseases, chronic diseases, traffic accidents, and others.

### **42 HOUSING**

Housing has been a serious problem since independence. Nearly 85,000 houses (about 70% of the nation's entire housing stock) were destroyed by the Indonesian military in September 1999. Though the UN Transitional Administration in East Timor (UNTAET) and a number of international aid organizations responded quickly with temporary shelter kits, rebuilding of permanent housing has been slow and property ownership disputes have not been fully addressed.

Tens of thousands of residents fled the country during the violence and those who remained sought shelter in abandoned

homes. As property owners returned to their homes, many found occupants claiming ownership and unwilling to leave. Some occupants have demanded large payments from the owners for “house-sitting” or “improvements” made to the homes in the owner’s absence. Through a proposed Land and Property Commission, it has been generally recognized that the original owners or tenants of a property have the right to eventual restitution and reoccupancy, but administration and enforcement of such rights has been a low priority as the government struggled to rebuild an entire nation and care for the emergency needs of its people.

As of 2006, it was still difficult to estimate housing demand. Besides the vast number of those within the country who have been left homeless and/or with inadequate shelter and facilities, there were (as of the close of 2002) thousands of East Timorese refugees waiting to return from the West Timor territory and Australia.

In urban areas such as Dili, Bacau, and Alieu, homes have been typically built from concrete. A majority of the population lives in rural areas with homes made from bamboo, wood, and thatch.

### 43 EDUCATION

Over 90% of all school buildings were severely damaged or destroyed by the Indonesian military and in the exodus of Indonesians out of East Timor, the nation lost 20% of its primary school teachers and 80% of secondary teachers, most of whom are not expected to return. UNICEF and other international aid organizations responded fairly quickly, however, reestablishing classes for 420 of the country’s 800 primary schools by December 1999 plus an additional 273 schools by April 2000.

In 2001, East Timor appointed its first minister of education. At the beginning of the 2001 academic year, there were about 240,000 primary and secondary school students enrolled in classes with over 700 primary schools, 100 junior secondary schools, 40 pre-schools, and 10 technical colleges. About 6,000 teachers were employed.

The education system includes six years of primary education and six years of secondary education. In 2000, the language of instruction was Indonesian, but this has been a subject of debate. Many are encouraging a switch to the national language of Tetum as a primary language with Portuguese and English as secondary languages.

The National University of East Timor (Universidade Nacional Timor Lorosae—UNTL) opened for classes on 27 November 2000 and had about 5,000 students in attendance in 2003. There are five faculties at the university: agriculture, political science, economics, education and teacher training, and engineering. All new students follow a course including human rights, ethics, philosophy of science, and Timorese history.

The literacy rate as of 2002 was 58.6% of the population ages 15 and over.

### 44 LIBRARIES AND MUSEUMS

As of 2002, it was proposed that a new National Library of East Timor would be established in the old Vila-Verde building, along with a National Archive. As of 2006, a progress report toward this initiative was unavailable. The new university, the Universidade Nacional Timor Lorosae (UNTL), was established in 2000 as an amalgamation of the UNTIM and the Polytechnic. The new UNTL library, housed in a former gymnasium, opened for stu-

dent access on 21 January 2002. A variety of Australian organizations have been raising funds to support the reconstruction of an East Timor public library system.

With assistance from UNESCO and the World Bank, work on a National Museum and Culture Center of East Timor began in late 1999, but at the time there were no artifacts to display and no one to administer the museum. The Japan International Cooperation Agency (JICA) providing training for the establishment of the museum. Following the renovation of the first wing of the museum, an exhibition of Timorese textiles and artifacts from the former national museum were to be held.

### 45 MEDIA

Telecommunication services, which were cut off by the Indonesian government, are being restored through the help of Australian companies, one of which had established a cellular telephone network service. International communication authorities have approved an individual country code (670) for East Timor.

As of 2004, there were two daily newspapers, three weeklies, and several bulletin-type newspapers with sporadic publication and circulation. These include the *Suara Timor Lorosae* (daily), *Timor Post* (daily), and *Jornal Nacional Semanario* (weekly).

The government-operated Public Broadcast Service (PBS) has a radio station with nationwide reception and a television station that broadcasts only in Dili and Baucau. There were 16 community radio stations, with at least one in each district. The new constitution provides for the freedom of speech and press and the government generally respects these rights in practice. In 2005, there were an estimated 1,000 Internet users, with approximately 200 Internet service providers. In January 2005, the country’s domain name extension was officially changed from .tp to .tl.

### 46 ORGANIZATIONS

Student organizations in East Timor were influential in the nation’s independence campaign and have continued to speak out for civil rights. The National Student Resistance of East Timor (Resistencia Nacional Dos Estudantes De Timor Leste) began in 1988 as an underground organization of Indonesian university students. The East Timor Students Solidarity Council originated in 1998 at the National University of East Timor. It has since set up regional groups throughout the country to represent the views of university and high school students and faculty. Catholic youth organizations have formed. There are also youth scouting groups active in the new nation.

There are a number of women’s groups, covering political, health, and social issues, including Rede Feto Timor Lorosae, which serves as a network of about 15 individual groups.

The Cooperative Coffee Timor (CCT) is a federation of Timorese-owned organic coffee cooperatives that has received aid and developmental support from USAID. The Chamber of Commerce of East Timor and the National Association of East Timor Entrepreneurs are two major business associations in good standing.

There is a national chapter of the Red Cross Society.

### 47 TOURISM, TRAVEL, AND RECREATION

Tourism is limited due to a lack of infrastructure and tourist facilities. There are at least 25 hotels in Dili; one of Dili’s 2 luxury ho-

tels is an anchored cruise ship. Scuba diving and whale- and dolphin-watching are tourist attractions, in addition to the country's beaches. The northern coast features white sand beaches, while the southern coast is rocky with occasional black sand beaches. There are elaborate intact coral reefs, populated by over 1,000 aquatic species. East Timor's colonial towns and rugged mountains are also popular with visitors.

Passports are required. Visas may be obtained upon arrival for a fee, and are valid for 30 days. A certificate of vaccination against yellow fever is required if traveling from an infected area.

In 2005, the US Department of State estimated the daily cost of staying in East Timor at us\$165.

#### 48 FAMOUS EAST TIMORESE

Martinho da Costa Lopes (1918–1991) was a Timorese priest with close ties to the Portuguese colonial government and an early advocate for the Timorese people. In 1996, exiled pro-independence leader José Ramos-Horta (b.1949) and Bishop Carlos Filipe Ximenes Belo (b.1948) shared the Nobel Peace Prize. Bishop Belo was the highest representative of the Roman Catholic Church in predominantly Catholic East Timor, and was a strong advocate of nonviolent resistance. Ramos-Horta served as the UN representative for the East Timorese cause from 1976–89. José Alexandre “Xanana” Gusmão (b.1946) was a former Falintil (Armed Forces of National Liberation of East Timor) and Fretilin (Revolutionary Front for an Independent East Timor) guerrilla leader and East Timor's first president. He was imprisoned by the Indonesian army in 1992 and released in 1999. He was elected president in April 2002.

#### 49 DEPENDENCIES

East Timor has no territories or colonies.

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# FIJI

Republic of Fiji



**CAPITAL:** Suva

**FLAG:** The national flag of Fiji consists of the red, white, and blue Union Jack in the upper left corner of a light blue field, with the Fiji shield centered on the right side.

**ANTHEM:** *God Bless Fiji.*

**MONETARY UNIT:** The Fiji dollar (F\$) of 100 cents is the national currency. There are coins of 1, 2, 5, 10, 20, and 50 cents, and notes of 1, 2, 5, 10, and 20 Fiji dollars. F\$1 = US\$0.57700 (or US\$1 = F\$1.7331) as of 2004.

**WEIGHTS AND MEASURES:** The metric system is official, but some British weights and measures are still in use.

**HOLIDAYS:** New Year's Day, 1 January; Constitution Day, 24 July; Independence Day, 10 October; Christmas Day, 25 December; Boxing Day, 26 December. Movable religious holidays include Good Friday, Easter Monday, Dewali, and Milad an-Nabi.

**TIME:** 12 midnight = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Fiji, situated in the South Pacific about 4,450 km (2,765 mi) SW of Hawaii and 1,770 km (1,100 mi) N of New Zealand, comprises some 850 islands, of which only about 100 are inhabited. The island of Rotuma, added to Fiji in 1881, is geographically separate from the main archipelago and has an area of 44 sq km (17 sq mi). The total area (including Rotuma) is 18,270 sq km (7,054 sq mi). Comparatively, the area occupied by Fiji is slightly smaller than the state of New Jersey. Fiji (not including Rotuma) extends 595 km (370 mi) SE–NW and 454 km (282 mi) NE–SW. The largest islands are Viti Levu, with an area of 10,386 sq km (4,010 sq mi), and Vanua Levu, with 5,535 sq km (2,137 sq mi). Fiji's total coastline is 1,129 km (702 mi).

Fiji's capital city, Suva, is located on the island of Viti Levu.

## <sup>2</sup> TOPOGRAPHY

The larger Fiji islands are volcanic, with rugged peaks and flatland where rivers have built deltas. Coral reefs surround the islands. Viti Levu's highest point, Tomanivi, is 1,323 m (4,340 ft). About 28 other peaks are over 910 m (3,000 ft). The lowest point is at sea level (Pacific Ocean). The main river, the Rewa, is about 150 km (95 mi) long, but only navigable by small boats for 113 km (70 mi).

## <sup>3</sup> CLIMATE

Temperatures at sea level range from 20–29°C (68–85°F); easterly trade winds blow during the greater part of the year. Annual rainfall is well distributed and averages 305 cm (120 in) in Suva. At sea level on the leeward sides of the islands there are well-defined wet and dry seasons, with a mean annual average of 178 cm (70 in) of rain.

The cyclone season, from November to April, brings storms that generally cause extensive property damage and loss of crops as well as numerous deaths.

## <sup>4</sup> FLORA AND FAUNA

The larger islands have forests on the windward side and grassland on the leeward slopes. Mangroves and coconut plantations fringe the coasts. Among indigenous fauna are bats, rats, snakes, frogs, lizards, and many species of birds. A red and white flowering plant called the tagimaucia is found only on the banks of the Tagimaucia River in the mountains of Taveuni island.

## <sup>5</sup> ENVIRONMENT

The main challenges to the environment in Fiji are deforestation, soil erosion, and pollution. Approximately 30% of Fiji's forests have been eliminated by commercial interests. The rainfall pattern, the location of agricultural areas, and inadequate agricultural methods contribute to the loss of valuable soils. Fiji is also concerned about rising sea levels attributed to global warming caused by the burning of fossil fuels in the industrial world.

The land and water supply are polluted by pesticides and chemicals used in the sugar and fish processing industries. The nation has about 6.9 cu mi of water with roughly 60% used for farming purposes and 20% used for industrial activity.

Fiji's natural environment is protected by the National Trust, which under the 1981–85 development plan began to establish national parks to conserve the island's unspoiled landscape, reefs, and waters, as well as indigenous flora and fauna. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 5 types of mammals, 13 species of birds, 6 types of reptiles, 1 species of amphibian, 8 species of fish, 2 types of mollusks, and 66 species of plants. Threatened species included the Fiji banded iguana and crested iguana, the Fiji petrel, the insular flying-fox, and the Samoan flying-fox. The bar-winged rail has become extinct.



## <sup>6</sup>POPULATION

The population of Fiji in 2005 was estimated by the United Nations (UN) at 842,000, which placed it at number 154 in population among the 193 nations of the world, but ranked it second (after Papua New Guinea) among the Pacific Island nations. In 2005, approximately 4% of the population was over 65 years of age, with another 30% of the population under 15 years of age. There were 103 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.5%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 939,000. The population density was 46 per sq km (119 per sq mi), with about 70% of the population living on the island of Viti Levu.

The UN estimated that 46% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.11%. The capital city, Suva, had a population of 210,000 in that year.

## <sup>7</sup>MIGRATION

In the late 19th and early 20th centuries, about 50,000 Indian laborers arrived in the islands to work on sugar plantations. Recent immigrants have come from neighboring islands. There has been steady internal migration from rural to urban areas. There are no restrictions on emigration, and 40,000 have done so since 1987, following the coup. Most of these emigrants were professionals or Indo-Fijians. In 1996, it was estimated that Indians emigrated at a rate of between 4,000 and 5,000 a year. In 2002 Fiji received \$53 million in remittances.

In 2005 the net emigration rate was estimated as -3.04 migrants per 1,000 population.

## <sup>8</sup>ETHNIC GROUPS

The indigenous Fijian population is predominantly Melanesian, with a Polynesian admixture. The population was estimated to be 54% indigenous Fijian and 40% Indian. European, other Pacific Islanders, and overseas Chinese are the minorities.

## <sup>9</sup>LANGUAGES

English is the official language, but Fijian and Hindi are also used in Parliament. Fijian dialects belong to the Malayo-Polynesian language group; the Bau dialect is used throughout the archipelago except on Rotuma, where Rotuman is spoken. Hindustani (a local dialect of Hindi) is the lingua franca of the Indians of Fiji.

## <sup>10</sup>RELIGIONS

About 52% of Fijians are Christians, primarily Methodist (37%) and Roman Catholic (9%). About 33% of the people are Hindu and 7% are Muslim (Sunni). Religion tends to run along ethnic lines. Most of the indigenous Fijians are Christian while the Indians are Hindu or Muslim. Confucianism is practiced by a portion of the Chinese community.

The constitution provides for freedom of religion, and the government reportedly respects this right in practice. Though there is no state religion, the Methodist Church has been supported by a large number of the country's chiefs, leading to accusations that the government is leaning toward the establishment of a Chris-

tian state. Certain Christian, Muslim, and Hindu holidays are observed as national holidays.

## <sup>11</sup>TRANSPORTATION

During the late 1970s, Fiji completed a new highway between Suva and Nadi and constructed 885 km (550 mi) of rural roads. As of 2002, Fiji had 3,440 km (2,138 mi) of main roads, of which 1,692 km (1,051 mi) were paved. Registered vehicles numbered 128,350 in 2003, of which 76,000 were passenger cars and 52,350 commercial vehicles. A private rail system of about 597 km (371 mi) serves most of the sugar-producing areas. Major ports are Suva, Lautoka, and Levuka. In 2005, Fiji had seven merchant ships in service, of 1,000 GRT or over, with a capacity of 6,372 GRT. Inland waterways consist of 203 km (126 mi), of which 122 km (76 mi) are navigable by motorized craft and 200-ton barges. There were an estimated 28 airports in 2004, but only 3 had paved runways as of 2005. An international airport at Nadi serves regularly scheduled flights to neighboring Pacific islands, Australia, and New Zealand, via Air Pacific. Fiji Air provides domestic and charter service. In 2001 (the latest year for which data was available), 612,700 passengers were carried on scheduled domestic and international airline flights.

## <sup>12</sup>HISTORY

Voyagers from the east settled Fiji at least 2,500 years ago. Some of their descendants later moved on to settle the Polynesian islands to the west. The first known European contact came when the Dutch navigator Abel Tasman sighted the Fiji group in 1643. English Captain James Cook visited it in 1774, and Charles Wilkes headed a US expedition there for three months in 1840.

European sandalwood traders, army deserters, and shipwreck survivors also landed on the islands during the first half of the 19th century, a period in which the chiefs of Bau rose to a dominant position. Protestant missionaries from Tonga arrived in 1835, and French Catholic priests in 1844. After a few chiefs had been converted, more and more Fijians embraced Christianity, usually in the form of Wesleyan Methodism.

In the course of a civil war in the 1850s, Cakobau, the most powerful chief in Fiji, combined forces with the king of Tonga to become paramount chief of western Fiji. The growing presence of Europeans contributed to political and economic instability. In 1871, some 3,000 Europeans supported Cakobau's claim to rule as king of all Fiji, but unrest continued. Cakobau's government appealed to Britain for assistance and, on 10 October 1874, Fijian chiefs signed a Deed of Cession making Fiji a British Crown Colony.

From 1879 to 1916, more than 60,000 indentured laborers from India arrived to work on European-owned sugar plantations, and by 1920 they had settled as free farmers. European settlers were granted elective representation in the Legislative Council in 1904, and Indians were admitted in 1929. Ethnic Fijian representation was based on traditional hierarchies until 1963, when the council was reconstituted; the franchise was extended to women, and direct election of Fijian members was provided. In 1966, the council was enlarged and again reconstituted, and Fiji attained virtual internal self-government.

On 10 October 1970, Fiji became a sovereign and independent state within the Commonwealth of Nations, with Kamisese K. T.

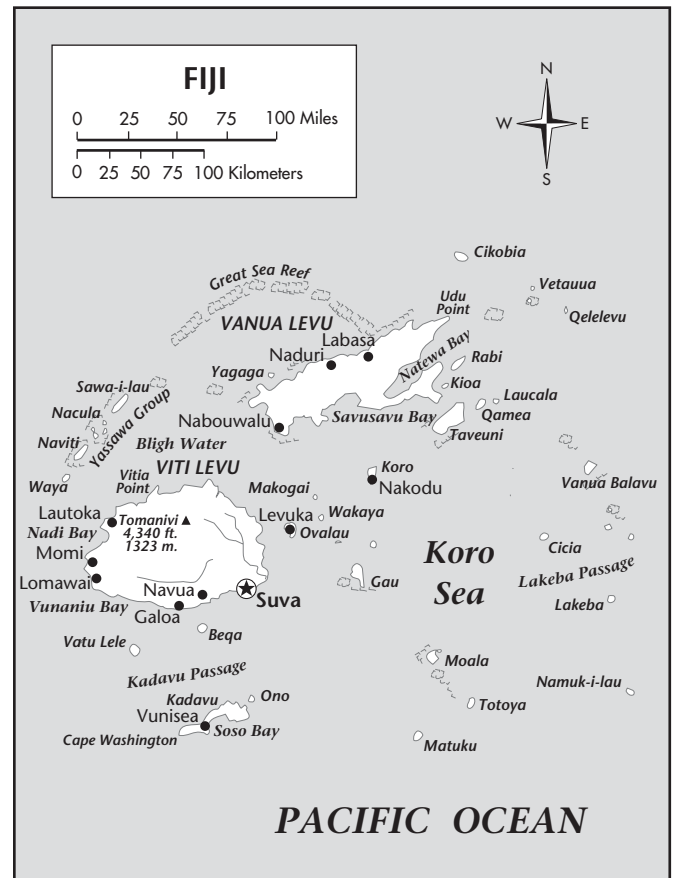
Mara, head of the Alliance Party, as prime minister. He and his majority party won elections in 1972, 1977, and 1982, but lost the April 1987 elections to a coalition of the Indian-based National Federation Party and the Labour Party. The new government was short-lived, however. Within a month, it was toppled by a military coup led by Lt. Col. Sitiveni Rabuka and aimed at restoring political leadership to ethnic Fijians. On 20 May thousands of rioting Fijians attacked Indians. Under a compromise reached the next day, the governor-general temporarily was to head the government, assisted by an 18-member advisory council, including the coup leader and former Prime Minister Mara. Elections were to be held within six months, and the council was to propose constitutional revisions that would safeguard the political dominance of indigenous Fijians.

On 25 September 1987, however, Rabuka led a second coup. He subsequently suspended the constitution, dissolved the parliament, and declared Fiji a republic. The governor-general, Ratu Sir Penaia Ganilau, was appointed president of the republic, and Mara was reappointed prime minister. Full civilian rule returned in January 1990 when Rabuka gave up his position as minister of home affairs and returned to barracks as head of the armed forces.

The second coup in 1987 and the adoption of the 1990 constitution, which favored ethnic Fijian control of the government, led to heavy Indian emigration, especially among those Indians with sufficient capital to move. This emigration caused serious economic difficulties for Fiji, but it also ensured that the native Fijian population became the majority. In May of 1992 the Soqosoqo ni Vakavulewa ni Taukei (SVT) or the Fijian Political Party, led by now Major-General Rabuka, won 30 of the 37 seats reserved for ethnic Fijians. Rabuka formed a coalition government with the General Voters Party (GVP) and with the informal support of the Fijian Labour Party (FLP), and became prime minister. After President Ganilau's death in December 1993, the Council of Chiefs elected Ratu Sir Kamisese Mara as the new president in January 1994. Rabuka's government fell in November 1993 when the legislature defeated the government's budget. New elections were held in February 1994. The SVT won 31 seats, and Rabuka was able to form a coalition government with the GVP. However, Rabuka's hold on power was tenuous as pressure mounted from within and outside the country for constitutional reform.

Beginning in 1995, a Constitutional Review Commission spent almost two years to develop a system that would avoid purely ethnic politics and, at the same time, take account of the concerns of the native Fijian community. Its recommendations were unanimously adopted by Parliament in July 1997. In 1999, parliamentary elections were held that resulted in a government led by Mahendra Chaudhry, leader of the Fiji Labour Party (FLP), who became the first Indian prime minister of Fiji.

On 19 May 2000, ethnic Fijian nationalist George Speight, a failed businessman and son of Sam Speight, an opposition member of Parliament, took Parliament by show of force and held Prime Minister Chaudhry and most of his multiracial cabinet hostage for 56 days. In exchange for the hostages' release, the military—which imposed martial law during the crisis—agreed to replace Chaudhry's government, grant an amnesty to the rebels taking part in the coup, and to abolish Fiji's multiracial constitution. One of Speight's demands was a new constitution that would permit only indigenous Fijians to hold the posts of prime minister



LOCATION: 15°43' to 21°2' s; 176°54' E to 178°28' w (not including Rotuma, which is at 12°30' s; 177°5' E). TERRITORIAL SEA LIMIT: 12 miles.

and president. The coup resulted in widespread civil unrest and attacks against ethnic Indians, and caused a drop of 41% in tourism. Speight and 369 of his supporters were arrested in July 2000, and the military installed ethnic Fijian Laisenia Qarase as prime minister in a caretaker government. He was charged with organizing Fiji's next general election and drawing up a new constitution. Fiji's Great Council of Chiefs appointed Ratu Josefa Iloilo—a former father-in-law of Speight's brother—president.

Eighteen political parties fielded 351 candidates for office in parliamentary elections held in August and September 2001. Qarase was elected prime minister as the head of his newly created party, the nationalist Soqoso Duavata ni Lewenivua Party (Fijian United Party or SDL), which took 32 out of 71 parliamentary seats. Qarase's campaign focused on indigenous Fijians' fears of political domination by ethnic Indians, who make up 44% of the population. Almost all ministers in Qarase's new government were indigenous Fijians. In February 2002, the Fijian Supreme Court ruled that Laisenia Qarase had to include ethnic-Indian members of the Fiji Labour Party in his cabinet.

Speight won a seat in Parliament while facing treason charges in court, but was later denied parliamentary status. He was originally sentenced to death for treason in February 2002, but the sentence was commuted to life imprisonment.

As of January 2003, more than 14,000 ethnic Indians had left the country since the May 2000 coup, mainly professionals and skilled workers. In May 2005 Prime Minister Qarase sought to

heal the wounds left by the coup with the release of the Promotion of Reconciliation, Tolerance, and Unity Bill 2005. This proposed legislation called for the creation of a Reconciliation and Unity Committee, which would undertake inquiries into human rights violations during the period from 19 May 2000 to 15 March 2001, and a National Council on Reconciliation, Tolerance, and Unity. The goals of this act were based upon restorative rather than retributive justice, and included granting both amnesty and reparations. The bill was met with controversy, particularly in regards to the offering of amnesty to those convicted of complicity in the 2000 coup. In October 2005 the bill was still under parliamentary review. Prime Minister Qarase pledged to modify the amnesty clause in response to the opposition it generated.

### 1<sup>3</sup> GOVERNMENT

Before December 1987, the head of state was the British monarch, as represented by a governor-general. The cabinet, responsible to the parliament of Fiji, consisted of a prime minister and ministers appointed by the governor-general on the former's advice. The electoral process was distinctive in establishing communal, or ethnic rolls, in which only members of a specified group might vote, versus national rolls in which anyone could vote. The senate consisted of 22 members: eight nominated by the council of chiefs, a traditional body that had veto power over bills passed by the house involving native Fijians' customs or land rights; seven by the prime minister; six by the leader of the opposition; and one by the Rotuman Council.

The new postcoup constitution went into effect in July 1990. It established Fiji as a sovereign, democratic republic with a bicameral legislature. Fiji's president was to be appointed to a five-year term by the Great Council of Chiefs, which would also nominate 24 Fijians to the 34-member Senate. Nine seats were guaranteed to Indians and other races, and one to Rotuma. The senate would have veto power over legislation affecting Fijians. The 71-member House of Representatives was to be elected every five years by universal suffrage under the communal system. In addition to stipulating that the office of the prime minister must be held by an ethnic Fijian, the 1990 constitution also guaranteed a majority of seats to the Fijian community. This constitution prohibited cross-race voting; that is, Fijians could only vote for Fijians and Indians only for Indians. It provided for an independent judiciary.

The 1997 constitution specifies that the president, who is head of state, must always be a native Fijian. It also gives considerable recognition to the Great Council of Chiefs, which not only nominates and participates in electing the president, but also maintains its responsibility for matters relating to native Fijians. Parliament consists of two houses. The lower, where all legislation must originate, has 71 members. Of these, 46 are communal: 23 for Fijians, 19 for Indians, 3 for general electors, and 1 for Rotumans. The remaining 25 are "open" seats contested on a common roll basis without any reference to ethnicity, either for the voters or for the candidates.

The president appoints as prime minister the member of parliament who commands majority support in the lower house, or House of Representatives. The constitution also provides for mandatory power sharing in cabinet. Any party holding more than eight lower house seats is invited to join the cabinet in proportion to the number of seats it holds. The upper house or Senate consists

of 32 appointed members: 14 nominated by the Great Council of Chiefs, 9 by the prime minister, 8 by the leader of the opposition, and 1 by the Council of Rotuma. Parliament serves for a maximum of four years after a general election, though the president on the advice of the prime minister can dissolve it.

In the May 1999 election, the first held under this constitution, the Fiji Labour Party won a stunning victory, gaining 37 seats and an absolute majority of the house of representatives. Rabuka's SVT took only eight seats, and the once powerful NFP won no seats at all. Mahendra Chaudhry, leader of the FLP, became the first Indian prime minister of Fiji. The 1999 election was the first test of the amended constitution and introduced open voting for the first time at the national level.

In the August 2001 election, Prime Minister Laisenia Qarase's nationalist Soqoso Duavata ni Lewenivua Party (Fijian United Party or SDL) took 32 seats in the house of representatives and the FLP took 27. In March 2002, Qarase was ordered by the supreme court to allow for 8 seats in the senate from the opposition FLP, as stipulated by the constitution, 4 more than he had originally awarded it.

In October 2005 the public service commission developed a plan to improve productivity and better manage the budget by consolidating the 16 departments of the Civil Service into 7 departments: education, finance and economic development, foreign affairs, government administration, health, law and order, and natural resources.

### 1<sup>4</sup> POLITICAL PARTIES

Fiji's political parties were in a state of flux after the FLP's unexpected victory in 1999. FLP is a multiethnic party, though some see it as Indian-dominated. After SVT's disappointing showing, Sitiveni Rabuka resigned as leader, and this Fijian-based party was headed by Ratu Inoke Kabuabola, leader of the opposition. As of 2005, it was headed by Felipe Bole. The Fijian Association Party, also focused on ethnic interests, was led by a woman, Adi Kuini Speed. It is not clear if the Indian-based National Federation Party will ever come back from its stunning defeat. After the August 2001 parliamentary elections, the NFP, for nearly 40 years the dominant Indian party, was entirely eliminated, as was the SVT. The FLP, led by Mahendra Chaudhry, has a support base of trade unions, workers and farmers, providing it with an efficient, grass-roots campaigning structure. The Soqoso Duavata ni Lewenivua Party (Fijian United Party or SDL) was created by caretaker Prime Minister Laisenia Qarase in an attempt to consolidate his support and unite the Fijian vote. The SDL has been accused of not broadening its appeal to Indian voters, and some have accused it of racism.

The next parliamentary election was due in 2006.

### 1<sup>5</sup> LOCAL GOVERNMENT

Local government is organized under provincial and urban councils. Fiji is divided into 4 administrative divisions, which are subdivided into 14 provinces, each with its own council. Some members are appointed, but each provincial council has an elected majority. The councils have powers to make bylaws and to draw up their own budgets, subject to central government approval. Within the provinces, districts and councils are organized around extended family networks, and have their own chiefs and councils. Cities

Suva and Lautoka have city councils, Nadi a town council, and certain other urban areas are administered by township boards. A few members of urban councils are appointed, but most members are elected on a common roll of taxpayers and residents.

## 16 JUDICIAL SYSTEM

The 1990 constitution reorganized the judicial system, but it retains elements of the British system. The courts include the Magistrate Courts, a High Court, the Court of Appeals, and the Supreme Court. There are no special courts, and the military courts try only members of the armed forces.

The Magistrate Courts are courts of first instance that try most cases. The High Court hears more serious cases in first instance and hears appeals from decisions in the Magistrate Courts. The appellate courts, including the High Court, may engage in constitutional review. The High Court has jurisdiction to review violations of individual rights provided by the constitution.

The 1990 constitution makes the judiciary independent of the other branches of government. Due process rights are similar to those in English common law.

Dependents have the right to a public trial and to counsel. A public legal adviser assists indigent persons in family law cases. Detainees must be brought before a court within 24 to 48 hours. Incommunicado and arbitrary detention are illegal. The criminal law permits corporal punishment as a penalty for certain criminal acts, but this provision is seldom invoked.

## 17 ARMED FORCES

Fiji's armed forces in 2005 numbered 3,500 active personnel, supported by some 6,000 reservists. The Army totaled 3,200 with 300 in the Navy. The Army's equipment consists of 16 artillery pieces, 1 support, and 1 utility helicopter. The Navy operates 9 patrol/coastal vessels and 2 logistics/support ships. Of Fiji's seven infantry battalions, one is deployed abroad in Egypt (MFO), while two observers were stationed in Sudan. There was also an infantry company in the Solomon Islands. Fiji's defense budget in 2005 totaled \$32.9 million.

## 18 INTERNATIONAL COOPERATION

Since joining the UN on 13 October 1970, Fiji has been a leading spokesman for Pacific island states and has contributed contingents to UN peacekeeping forces in Lebanon (1978) and the Sinai (1982). The country has also supported UN efforts in Kosovo (est. 1999) and East Timor (est. 2002). In September 2002, Prime Minister Laisenia Qarase reaffirmed Fiji's continued willingness to participate in UN peacekeeping operations. Fiji belongs to ESCAP and all UN nonregional specialized agencies except IAEA. A member of the WTO, Fiji also is a member of the Asian Development Bank, the Colombo Plan, the ACP Group, G-77, the Alliance of Small Island States (AOSIS), Spartecca, and the Pacific Island Forum (formally called the South Pacific Forum). Its membership in the Commonwealth of Nations was said to have "lapsed," according to a meeting of Commonwealth heads of government held shortly after the September 1987 coup. However, Fiji rejoined the Commonwealth in 1997.

On 10 December 1982, Fiji became the first nation to ratify the UN Convention on the Law of the Sea. Fiji's delegates had taken a prominent role in framing the document. Other efforts in

environmental cooperation include participation in the Convention on Biological Diversity, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Agriculture, mining and fishing have dominated the economy in the past, but manufacturing and tourism are becoming progressively more important in Fiji. The first five years after independence (1970–75) were years of high growth for Fiji, when growth averaged 5.9%, driven by primary commodities. In the next five years, growth continued but at a slower rate—about 3.5% per year. In 1980–86, Fiji suffered the effects of high inflation, especially in energy prices. It also endured three recessions. In 1986, growth rebounded, with GDP increasing 8.1%. This was immediately stopped by the 1987 coup. From 1987 to 1996 the economy grew at average annual rate of 2.5%; counting from independence to 1996, the average annual growth rate for GDP was 3.3%. In 1996, the economy grew 3%, but then, caught in the Asian financial crisis, it declined 3.9% in 1997 and grew at only 1.4% in 1998. Fiji saw a burst of recovery in 1999, as GDP shot up 9.7% (7.8% in real terms), only to be cut short, as happened in 1987, by a coup that sent the economy into recession, registering a 2.85% fall in GDP for 2000. Amid continued high political tensions the GDP increased in real terms only 1% in 2001, an improvement attributed mainly to some recovery in tourism.

The economy expanded by 3.8% in 2004, up from 3.0% in 2003, but down from 4.2% in 2002; in 2005, the GDP growth rate was estimated at 3.1%. The inflation rate was fairly stable, and at 3.3% in 2004 it did not pose a problem to the economy. Fiji is one of the most developed economies in the Pacific, but it continued to have a large subsistence sector, and more than a quarter of its population lives under the poverty line. Tourism and sugar processing are the major sources of foreign exchange, but while visitor numbers have recently increased, the sugar sector is threatened by a subsidy cut by the European Union—the main export market for this commodity.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Fiji's gross domestic product (GDP) was estimated at \$5.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$6,000. The annual growth rate of GDP was estimated at 2%. The average inflation rate in 2002 was 1.6%. It was estimated that agriculture accounted for 16.6% of GDP, industry 22.4%, and services 61%.

It was estimated that in 1991 about 25.5% of the population had incomes below the poverty line.

## 21 LABOR

In 1999, the latest year for which data was available, the entire labor force in Fiji totaled 137,000 workers. Subsistence agriculture

and farming accounted for an estimated 70% of the workforce in 2001. The unemployment rate was about 7.6% in 1999.

The law protects the right of workers to unionize with some restrictions. All unions must be registered, but they are not controlled by the government. Wages and conditions of employment are regulated by agreements between trade unions and employers. The only central labor organization is the Fiji Trade Union Congress (FTUC). Workers have the right to collective bargain and strike, although a union may not strike in connection with a union recognition dispute. About 36% of the paid workforce was unionized as of 2005.

The normal workweek ranges from 40 to 48 hours but there is no statutory regulated workweek for adult males. Adult females are prohibited from working in mines, but are free to work elsewhere. There is no national minimum wage and the enforcement of child labor regulations are ineffective. Minors under 12 years of age cannot be employed except in a family-owned business or agricultural enterprise. Children between 12 and 15 can be employed in nonindustrial work that does not involve machinery, and under the provision that every night, they return home to their parents or guardian. Minors between the ages of 15 and 17 cannot be employed in occupations where heavy machinery is used and they must also receive specified hours and rest breaks. Health and safety standards are not closely monitored.

## 22 AGRICULTURE

In 2004, agriculture comprised about 31% of Fiji's export earnings. More than three-quarters of all households engage in agriculture, livestock production, forestry, or fishing. A total of 285,000 hectares (704,000 acres), or over 15.6% of Fiji's area, was used for crop production in 2003. Sugarcane production was 3,000,000 tons in 2004. In 2004, sugar exports accounted for about 15% (\$103 million) of total exports and 48% of agricultural exports. Fijians retain legal ownership of the lands, but Indians farm it and produce about 90% of Fiji's sugar. In 1995, the average sugarcane farm was four hectares (9.9 acres), produced 183 tons of cane, and made F\$9,810. Cane is processed into raw sugar and molasses by the Fiji Sugar Corporation, which is 68% owned by the government. The sugar industry is vital to the national economy; as such, the government plays a leading role in all aspects of its production and sale.

Production of coconuts in 2004 was 140,000 tons; paddy rice output was 15,000 tons. Corn, tobacco, cocoa, ginger, pineapples, bananas, watermelons, and other fruits and vegetables are also grown.

## 23 ANIMAL HUSBANDRY

Beef production was some 8,400 tons in 2005; pork, 3,900 tons; and goat meat, 1,000 tons. A breed of sheep highly adapted to the tropics was introduced in 1980. Fiji's poultry production was 13,000 tons in 2005, and egg production was 2,700 tons that same year.

## 24 FISHING

The fishing industry has expanded in recent years, and a new cannery has increased tuna exports. The fish catch in 2003 was 35,963 tons, 30% of which was tuna. Barracuda, snapper, grouper, mackerel, and mullet are other principal species caught. In the early

1980s, several new fish farms began to produce carp, prawns, oysters, eels, and mussels. In 2003, prepared and preserved fish exports were valued at \$45 million.

## 25 FORESTRY

Some 45% of the land area is forested, and 253,000 hectares (625,000 acres) are suitable for commercial use. Large-scale planting of pines under the 1986–90 development plan involved reforestation of 50,000 hectares (120,000 acres). Output of logs in 2003 totaled 303,000 cu m (13,520,000 cu ft). Exports of sawn timber and other wood products were valued at \$20.6 million in 2003. The first exports of pine logs started in 1980.

## 26 MINING

Fiji's mining sector in 2003 is centered on gold, produced solely at the Vatukoula Mine by Australian-based, Emperor Mines Ltd., which is also the second-largest private employer, with more than 2,100 employees. Gold has been mined and exported continuously since 1933. The country was also richly endowed with deposits of copper, lead, and zinc. Gold production rose steadily in the mid-1990s, reaching 4,671 kg in 1997. It has since remained relatively static, with the 2003 total at 3,250 kg, down from 3,731 kg in 2002. Silver was also produced in 2003. Silver mine production that year totaled an estimated 1,500 kg. Hydraulic cement production was estimated at 100,000 metric tons in 2003. In addition to resources at existing sites, 930 million tons of copper (in Viti Levu) and gold reserves have been reported, and prospecting continued for oil and phosphates, and at base-metal sulfide deposits, disseminated porphyry copper deposits, epithermal precious-metal deposits, residual bauxite deposits, and manganese and heavy-mineral sand deposits that have previously been identified and evaluated. None has been shown to have sufficient tonnage to be economically viable. Ownership of minerals was vested in the state, which granted mining and prospecting rights.

## 27 ENERGY AND POWER

The Fiji Electricity Authority, set up in 1966, is responsible for the generation and distribution of electricity, which provides only about 10% of energy consumed. Sugar mills generate their own power, as do hotels and other establishments outside town limits. To lessen dependence on imported oil, the Monasavu hydroelectric project was completed in 1984, with a capacity of 80 MW. Total generating capacity in 2002 was 0.199 million kW, of which conventional thermal was 0.120 million kW and hydroelectric was 0.079 million kW. Electricity production in 2002 came to 0.750 billion kWh, of which 0.605 billion kWh and 0.145 billion kWh came from hydropower and conventional thermal sources, respectively. Consumption of electricity in 2002 was 0.698 million kWh. Exploration for oil and natural gas has taken place, but has been unsuccessful. In the 1990s, the government formed a state-owned petroleum company, Finapeco, to act as the exclusive petroleum importer to Fiji.

With no known reserves of oil, as of 2002, all refined petroleum products must be imported. In 2002 refined petroleum products came to 10,490 barrels per day, with consumption at 8,220 barrels per day. Finapeco is also a supplier of petroleum to smaller countries in the region (Kiribati, Tonga, and Tuvalu). Refined oil product exports in 2002 totaled 2,260 barrels per day.

## 28 INDUSTRY

Fiji's industry is based primarily on processing of agricultural products, mainly sugarcane and coconut, and on mining and processing of gold and silver. Other major product groups are processed foods, and garments. In 2001 sugar production fell 14% to 293,000 cubic tons, well short of previous norms of close to 350,000 cubic tons. The government ascribes problems with sugar production to expiring land leases, poor mill performance, high incidence of cane burning, and cane transportation problems. Years of underinvestment in farms, sugar mills and power, water, and transportation infrastructure have resulted in declining quality as well as quantity. In February 2003 the Japanese rejected a shipment of Fiji sugar because of poor quality.

The gold industry suffered due to low world market prices (below \$300 oz.) prevailing from late 1998 to mid-2002, but faces better prospects in the sharp rise to over \$370 oz. in early 2003. Gold production is concentrated in the 66-year-old Vatukoula mine operated by Emperor Mines, which calculates that the mine will last another 10 or 15 year.

The garment industry in Fiji began in 1988 and in 2002 produced a record value of about \$150 million. In 1996, there were at least 68 garment manufacturing factories operating in tax-free zones, earning \$141 million. About a dozen factories were closed in 2001, with a loss of 5000 to 6000 jobs, but other operations were expanding. Garment industry exports, at \$143 million for 2001, were down, however, due to disruptions in relations with customers from trade sanctions.

Overall, the value of merchandise trade declined about 9% in 2001, and is not expected to surpass the \$557 million of 1997 or even the \$532 million of 1999 until 2003. Tourism receipts were \$228.9 million in 2001, an improvement on 2000, but still constrained by post-coup political uncertainties. Expensive power, lack of trained labor, and the limited local market have also inhibited industrial production. Overall, the value of manufacturing in Fiji, which had declined 6.2% in 2000, increased an estimated 11.5% in 2001, but is projected, by the IMF, to have increased only 1.5% in 2002, with non-sugar manufacturing down .9% in value.

Most of the country's revenues come from the services sector, with industry taking the second spot, and sugar processing accounting for a third of all industrial activity. Agriculture is the smallest contributor to the GDP, but the largest employer in the country, with a considerable number of people being engaged in subsistence agriculture.

## 29 SCIENCE AND TECHNOLOGY

The University of the South Pacific at Suva, founded in 1968, has schools of agriculture and pure and applied science. Other institutions of higher education are the Fiji College of Agriculture at Nausori, and the Fiji Institute of Technology and the Fiji School of Medicine, both at Suva. The major learned societies are the Fiji Society, concerned with subjects of historic and scientific interest to Fiji and other Pacific islands, and the Fiji Medical Association, both in Suva.

## 30 DOMESTIC TRADE

Fiji has several large trading corporations and hundreds of small traders. The corporations own retail stores, interisland ships, plan-

tations, hotels, travel services, copra-crushing mills, and breweries. Small enterprises range from a single tailor or shopkeeper to larger family businesses, most of which are operated by Indians or Chinese.

Businesses are normally open from 8 AM to 1 PM and from 2 to 4:30 PM on weekdays, and from 8 or 8:30 AM to 1 PM on Saturdays. Retail outlets are generally open from Monday through Friday, with half a day on Saturday. Most nonessential services and retail establishments are closed on Sundays. Though most major businesses and retail enterprises accept credit cards and travelers' checks, a number of smaller, local businesses and shops operate on cash only.

## 31 FOREIGN TRADE

Like most developing countries that export primarily basic commodities—which are subject to wide market price fluctuations—and import high-valued manufactured products, Fiji has traditionally run a merchandise trade deficit. The years of 1995 and 1996 saw unprecedented trade surpluses while the 1998 merchandise trade deficit was \$263 million. In 2000, however, the country reversed again to a trade surplus, this time totaling \$227 million.

Clothing production dominates Fiji's export commodities, with over a third of export revenues tied to the apparel trade (33%). Sugar and honey are in second place in export sales (24%). Other exports include fish (7.2%) and gold (7.0%). Most of Fiji's exports go to Australia, the United Kingdom, and New Zealand.

In 2004, exports reached \$862 million (FOB—Free on Board), while imports grew to \$1.2 billion (FOB). The bulk of exports went to the United States (24%), Australia (19%), the United Kingdom (12.6%), Samoa (6.5%), and Japan (4.1%). Imports machinery and transport equipment, manufactured goods, food, and mineral fuels, and mainly came from Australia (25.9%), Singapore (23.1%), and New Zealand (21.1%).

## 32 BALANCE OF PAYMENTS

Fiji has traditionally had an annual trade deficit and an annual deficit on current accounts. Long-term capital inflows, both public and private, generally cover the deficits; however in 1991, the trade deficit was \$37 million, down from \$84 million in 1990.

### Principal Trading Partners – Fiji (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	503.0	1,087.1	-584.1
Australia	137.6	407.5	-269.9
United States	123.4	99.7	23.7
United Kingdom	98.2	7.3	90.9
New Zealand	28.1	204.1	-176.0
Japan	22.7	58.3	-35.6
US Miscellaneous Pacific Islands	16.7	...	16.7
Portugal	8.9	...	8.9
Samoa	8.3	...	8.3
China, Hong Kong SAR	7.9	32.5	-24.6
Tonga	6.0	...	6.0

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Fiji (1999)**

(In millions of US dollars)

<b>Current Account</b>		<b>12.7</b>
Balance on goods	-115.6	
Imports	-653.3	
Exports	537.7	
Balance on services	135.3	
Balance on income	-35.5	
Current transfers	28.5	
<b>Capital Account</b>		<b>14.0</b>
<b>Financial Account</b>		<b>-104.0</b>
Direct investment abroad	-53.0	
Direct investment in Fiji	-33.2	
Portfolio investment assets	...	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	-62.2	
Other investment liabilities	44.4	
<b>Net Errors and Omissions</b>		<b>32.5</b>
<b>Reserves and Related Items</b>		<b>44.9</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

By 1992, the current account balance registered a surplus (as in 1989), due to increased earnings from exported sugar cane and growing tourism. The next year, however, deficits returned, but by 1996, the government was again posting a surplus. In 1997, Fiji just about broke even, but the 1998 figure reported a current account deficit equal to 2.5% of the GDP. A banking collapse due to mismanagement and corruption in the National Bank of Fiji severely damaged the financial account that year.

In addition to sugar exports, strong garment exports and agricultural exports other than sugar were expected to improve the balance of payments situation in the early 2000s.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Fiji's exports was \$572 million while imports totaled \$833 million resulting in a trade deficit of \$261 million.

The International Monetary Fund (IMF) reported that in 1999 Fiji had exports of goods totaling \$538 million and imports totaling \$653 million. The services credit totaled \$525 million and debit \$390 million.

Exports of goods and services reached \$1.2 billion in 2003, while imports grew to \$1.5 billion. The resource balance was consequently negative, reaching -\$264 million. The current account balance was also negative, slightly improving from -\$249 million in 2003, to -\$152 million in 2004. Foreign exchange reserves (including gold) grew to \$478 million in 2004.

**3<sup>3</sup> BANKING AND SECURITIES**

The Reserve Bank of Fiji is the central bank, (formerly the Central Monetary Authority), created in 1983 to replace the currency board; the Fiji Development Bank is the main development finance agency. Commercial banking facilities consist of the National Bank of Fiji (NBF) and branches of several foreign banks. As of 2000, there were six commercial banks in Fiji. The NBF enjoys the status of a commercial bank, but it does little business.

The troubled NBF is undergoing a process of restructuring following revelations of a high level of nonperforming loans. The government had to spend upwards of \$105 million to keep the bank operating. Other banks include two Australian banks, one Indian bank, one Pakistani bank, and the Bank of Hawaii. The government-owned Fiji Development Bank provides financing for development projects.

Growth in money supply has fluctuated widely in response to trends in foreign trade, affecting the level of reserves. The government tends to follow a cautious monetary policy, which has concentrated on maintaining price stability and on managing high levels of liquidity in the commercial banking system resulting from low levels of private investment. Total assets of financial institutions in 1997 reached \$2.3 billion, an increase of only 0.7% from 1996. The government devalued the currency by 20% in January 1998 due to economic woes. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$272.7 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$644.4 million. The money market rate, the rate at which financial institutions lend to one another in the short term, was 0.79%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 1.75%.

The Suva Stock Exchange operates in Suva, Fiji.

**3<sup>4</sup> INSURANCE**

In 1986, there were 11 insurance companies, five of which were life insurance firms. Premiums were divided almost equally between life (49%) and nonlife (51%) insurance. Third-party motor liability coverage is compulsory. Some of the companies listed as doing business in Fiji in 1995 were Dominion Insurance, Fiji Reinsurance Corp., Guardian Royal Exchange Assurance, National Insurance Co., the New India Assurance Co., Panpacific Insurance Com., and Queensland Insurance.

**3<sup>5</sup> PUBLIC FINANCE**

From 1985–96, Fiji suffered a crisis in both private and public investment. Total investment—both public and private—stood at 21.3% of GDP in 1985 and had dropped to 15.8% in 1994. Investment in public enterprises rose for the same period, however, from 3.2% of GDP in 1985 to 6.5% in 1994. The fiscal position of the government also worsened after 1996 due to the collapse of the National Bank of Fiji. During that time, the public deficit increased to 6.5% of GDP, but fell to 2.4% of GDP in 1998.

The US Central Intelligence Agency (CIA) estimated that in 2000 Fiji's central government took in revenues of approximately \$427.9 million and had expenditures of \$531.4 million. Revenues minus expenditures totaled approximately -\$103.5 million. Total external debt was \$188.1 million.

**3<sup>6</sup> TAXATION**

Local councils levy taxes to meet their own expenses. National taxes include a nonresident dividend withholding tax (15%), an interest withholding tax (10%), and a 15% tax on royalties. Dividends from a resident company paid to other resident companies are tax exempt. The standard corporate tax rate in 2005 was 31% on resident companies. Other taxes include a land sales tax, an

excise tax, and a value-added tax (VAT) of 12.5%. Gambling and financial services however, are exempt from the VAT.

### 37 CUSTOMS AND DUTIES

About one-third of Fiji's revenues derive from customs duties. Tariffs range from 0–35% on most goods except motor vehicles, alcohol and tobacco, and chemical products, for which the tariffs imposed can be up to 60%, 60%, and 70%, respectively. Duties are levied on the cost, insurance, and freight (CIF) value of the goods.

There are several tax-free zones (TFZs) in Fiji, and 133 tax-free factories as of 1996. TFZs offer a 13-year tax holiday, duty exemptions on capital goods and raw materials, and free repatriation of profits.

### 38 FOREIGN INVESTMENT

The development of existing industries has been made possible largely by foreign investment. Fiji continued to promote overseas capital investment through the Fiji Trade and Investment Board because it requires foreign goods and services to meet many of its needs, including domestic employment. Tax and tariff concessions are offered to approved new industries, and special incentives apply to fuel-efficient or export-oriented enterprises. However, since the coup against the Chaudhry government in May 2000 political tensions have seriously hampered Fiji's prospects for attracting foreign investment in two major ways: through concerns over nationalist restrictions and labor problems and through concerns that trade sanction could be imposed on the defiantly unconstitutional government. Most of current foreign investments are focused on resort hotel constructions and the tourism industry in general.

### 39 ECONOMIC DEVELOPMENT

Under the development plan for 1986 to 1990, the government emphasized diversification of industries and expansion of tourism, and set the goal for real GDP growth at 5% annually. Four key areas that were supported for future economic growth were domestic and foreign development in the sugar sector; trade liberalization in major export markets; the resolution of industrial disputes; and the replacement of middle-level skills lost to emigration caused by political turmoil. During the 1990s, Fiji attempted to diversify its economy away from the sugarcane industry by focusing on the garment manufacturing and exporting trade. Bad weather conditions and political turmoil conspire to hinder economic development in the future.

The tourism sector is booming, with major investments being made in resort hotels, and with growing numbers of visitors—532,000 in 2005, up from 507,000 in 2004; by 2008, tourist numbers were expected to soar to 658,000. The sugar processing industry however suffers from technical obsolescence, and was under threat by EU subsidy cuts. Another source of hard currency are the remittances from Fijians working in Kuwait and Iraq.

### 40 SOCIAL DEVELOPMENT

Employed workers are eligible for retirement, disability, and survivor benefits, to which they contribute 8% of their wages, matched by their employers. Retirement is set at age 55, but is available at any age upon leaving the country permanently. Employers also pay for workmen's compensation, covering both temporary and

permanent disability benefits. Benefits include medical and hospital care, surgery, medicine, appliances, and transportation.

The constitution provides women with equal rights and includes affirmative action provisions for the disadvantaged. Fijian women primarily fulfill traditional roles, although some do attain leadership roles in the public and private sectors. Women are generally paid less than men for comparable work. Domestic abuse, incest, and rape remained pervasive problems. Women's rights groups continued to press for more effective prosecution and punishment for violence against women. Foreign governments provide funding for crisis centers.

The government overtly promotes the rights of ethnic Fijians over that of other ethnic groups. Ethnic Fijians predominate in senior government positions and in the ownership of land. Although Indo-Fijians may be found in senior positions in the private sector, few are in government. Indo-Fijians are sometimes subject to discrimination. Human rights abuses are occasionally reported.

### 41 HEALTH

Fiji's health standards are relatively high. Medical facilities included three main hospitals and three specialized hospitals; a total of 27 hospitals had 1,743 beds. In 2004, there were 34 physicians, 196 nurses, and 4 dentists per 100,000 people. Cardiovascular disease and cancer have become the top two causes of death in hospitals during the last few years. The increasing mortality has been attributed to hypertension and diabetes mellitus. Diabetes, once relatively unknown in the Fijian community, increased tenfold among Fijian urban dwellers between 1967 and 1980. A cancer survey conducted in 1989 showed extremely high dietary intakes of fat and cholesterol.

The fertility rate was an estimated 2.8 in 2002. In 2005, the infant mortality rate was estimated at 12.62 per 1,000 live births and estimated average life expectancy was 69.53 years. The estimated overall death was 5.7 per 1,000 people and the birth rate was 23.2 per 1,000. Between 1991 and 1994, 96% of children were immunized against measles. Venereal diseases have increased in recent years and infantile diarrhea persists. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 600 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

### 42 HOUSING

According to government estimates, Fiji requires more than 4,200 new houses each year to maintain adequate housing standards. Natural disasters such as cyclones and tropical storms have caused problems in creating and maintaining adequate housing stock.

The Fiji Housing Authority provides accommodations for urban workers and extends credit for houses it builds and sells. At last estimate, housing stock exceeded 126,000 units, of which about 30% were made of corrugated iron or tin; 30% were concrete; more than 25% were wood. At the last government census (1996), there were about 144,239 households. About 59.9% of all households had piped water; 13.4% used well or river water. Only 62% of all households had electricity. About 43.6% had flush toilets. The average number of people per household was about 5.3.



### 4<sup>3</sup> EDUCATION

There are government schools as well as private schools operated by individual groups or by missions under government supervision. Primary education lasts for eight years. This is followed by four years of junior secondary and two years of senior secondary school. Students may choose a final year of study known as seventh form, the completion of which is required for continuing in higher education. The academic year runs from February to November. The primary language of instruction is English.

Primary school enrollment in 2001 was estimated at about 99% of age-eligible students. The same year, secondary school enrollment was about 77% of age-eligible students; 73% for boys and 80% for girls. Most students complete their primary education. The student-to-teacher ratio for primary school was at about 28:1 in 2003; the ratio for secondary school was about 17:1.

The University of the South Pacific opened in Suva in 1968. Its students are drawn from several Pacific island states. In 2001, there were about 115,000 students enrolled in higher education programs. The adult literacy rate for 2004 was estimated at about 92.9%, with 94.5% for men and 91.4% for women.

As of 2003, public expenditure on education was estimated at 5.6% of GDP, or 19.4% of total government expenditures.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The Ministry of Education runs the Library Service of Fiji in Suva and provides public, special, and school services through 3 mobile libraries and 33 government libraries with a total collection of over 960,000 volumes. Suva maintains its own public library of 77,000 volumes, most of which is a children's collection. The library at the University of the South Pacific contains 750,000 volumes and serves as a depository library site for the United Nations. There are several libraries associated with theological institutions and colonial cultural centers. The Fiji Library Association was established in 1972. The Fiji Museum, established at Suva in 1906, has a collection of Fijian artifacts and documents Fijian oral traditions.

### 4<sup>5</sup> MEDIA

Suva and its surrounding area are served by an automatic telephone exchange that had 80,901 mainline telephones in 1999. Fiji is a link in the world Commonwealth cable system and has radio-telephone circuits to other Pacific territories. In 2003, there were about 102,000 mainline telephones in use nationwide, along with an additional 109,900 mobile phones.

The Fiji Broadcasting Commission offers programs in Fijian, English, and Hindustani over Radio Fiji on three channels. In 1998, there were 13 AM and 40 FM radio stations. As of 2001, there is one television broadcast station, Fiji One TV, which is owned by private and government interests. In 1999, Fiji had 541,476 radios and 88,100 television sets nationwide. In 2003, 493 Internet hosts were serving 55,000 subscribers.

The two daily newspapers, both published at Suva, are the English-language *Fiji Times* (with an estimated circulation of 34,000 in 2002) and *Fiji Daily Post* (9,000). The Fijian *Nai Lalakai* and the Hindi *Shanti Dut* (1995 circulations, respectively, 9,600 and 10,750) are two of the most widely read periodicals.

Freedom of speech and press are said to be generally respected by the government and political figures, and other citizens can speak out against the government freely.

### 4<sup>6</sup> ORGANIZATIONS

The main chamber of commerce is located in Suva. Two organizations representing the interests of employers and business owners are the Fiji Employers' Federation and the Fiji National Training Council. The Fiji Trades Union Congress serves as a larger advocate for worker's rights. At last estimate there were more than 1,200 registered cooperatives. The International Labour Organization has an office in Suva.

Unions and professional associations exist for several occupations, including manufacturing industries, sugar cane growers, teachers, and optometrists. The Fiji Medical Association promotes research and education on health issues and works to establish common policies and standards in healthcare. There are also several associations dedicated to research and education for specific fields of medicine and particular diseases and conditions. The Fiji Law Society promotes ethical standards and practices in the legal profession.

Youth organizations include the Fiji Youth and Student League, Junior Chamber, YMCA/YWCA, the Fiji Scout Association, and Fiji Girl Guides. There are several sports organizations promoting amateur competition in such pastimes as baseball, badminton, track and field, and tae kwon do. There is also a Fiji Islands Blind Sport Association. Oceania National Olympic Committees encourages regional participation in the Olympic Games. National women's organizations include The National Council of Women, Women's Action for Change, and the Fiji Women's Rights Movement.

The Fiji Council of Social Services serves as an umbrella organization to promote the work of social and community welfare and development groups. There is a national chapter of the Red Cross Society.

### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Popular tourist attractions are the beach resorts and traditional Fijian villages. Visitors must have a valid passport, proof of sufficient funds, and an onward/return ticket. A certificate of vaccinations against yellow fever is required if traveling from an infected area. Spectator sports include football (soccer), cricket, rugby, and basketball; Fiji has excellent golf facilities.

In 2000, there were 294,070 tourist arrivals, nearly 60% from East Asia and the Pacific region. In that same year, gross receipts from tourism amounted to us\$537 million. There were 6,142 rooms in hotels and other establishments with 14,292 beds and an occupancy rate of 56%.

In 2005, the US Department of State estimated the cost of staying in Suva at us\$208 per day. The cost of a stay in Nadi was estimated at us\$258 per day in 2004.

### 4<sup>8</sup> FAMOUS FIJIANS

The best-known Fijians are Ratu Sir Lala Sukuna (d.1958), the first speaker of the Legislative Council in 1954; Ratu Sir George Cakobau (1911–89), the first Fijian to be governor-general; and Ratu

Sir Kamisese K. T. Mara (1920–2004), considered the “founding father” of modern Fiji, who served as prime minister from 1970–92 and as president from 1993–2000. Ratu Josefa Iloilovatu Uluivuda (b.1920) has been president since 2000.

#### 49 DEPENDENCIES

Fiji has no territories or colonies.

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# FRENCH PACIFIC DEPENDENCIES

## FRENCH POLYNESIA

The overseas territory of French Polynesia (Polynésie Française) in the South Pacific Ocean includes five island groups. The Society Islands (Îles de la Société) were discovered by the British in 1767 and named after the Royal Society, are the most important. They include Tahiti (at 17° 40' s and about 149° 20' w), the largest French Polynesian island with an area of 1,042 sq km (402 sq mi); Moorea; and Raiatea. The French established a protectorate in 1844 and made the islands a colony in 1880. The Marquesas Islands (Îles Marquises, between 8° and 11° s and 138° and 141° w), about 1,500 km (930 mi) NE of Tahiti, were discovered by Spaniards in 1595 and annexed by France in 1842. The Tuamotu Islands, about 480 km (300 mi) s and sw of the Marquesas and consisting of 78 islands scattered over an area of 800 sq km (310 sq mi), were discovered by Spaniards in 1606 and annexed by France in 1881. The Gambier Islands, SE of the Tuamotus, were discovered by the British in 1797 and annexed by France in 1881. Three of the islands, Mangareva, Taravai, and Akamaru, are inhabited. The Tubuai or Austral Islands (Îles Australes), south of the Society Islands, were discovered in 1777 by James Cook and annexed by France in 1880. Clipperton Island (10° 18' N and 109° 12' W), an uninhabited atoll sw of Mexico and about 2,900 km (1,800 mi) west of Panama, was claimed by France in 1858 and given up by Mexico, which also had claimed it, in 1932. In 1979, it was placed under direct control of the French government. Total area of the territory is between 3,600 and 4,200 sq km (1,400 and 1,600 sq mi).

The estimated mid-2005 population was 270,485, of whom about 78% were Polynesian, 12% Chinese, and 10% European. About 55% of the population is Protestant and 30% is Roman Catholic; there are also small animist and Buddhist minorities. French and Polynesian are the official languages; English is also spoken. Marine life is abundant, both in the surrounding ocean and in rivers and streams; there are no indigenous mammals.

The territory is divided into five administrative areas (circonscriptions). A 57-member territorial assembly is elected every five years by universal suffrage. A council of ministers, headed by a president picked by the assembly, chooses a vice-president and other cabinet ministers. The president assists the French-appointed high commissioner, who is the administrator for the whole territory of French Polynesia. The Economic Social and Cultural Council, composed of representatives of industry and professional groups, is a consultative body. Two deputies and a senator represent the territory in the French parliament.

Tourism accounts for one-fourth of GDP and is a primary source of hard-currency earnings; visitor numbers exceeded 250,000 for the first time in 2000. A number of international airlines operate to and from French Polynesia. Tropical fruit, vanilla, coffee, and coconuts are the principal agricultural products. Fishing has intensified in especially for tuna and shark meat. Phosphate depos-

its, mined on Makatea in the Tuamotu Islands, were exhausted by 1966. The Pacific Nuclear Test Center, constructed on the atoll of Mururoa in the 1960s, the Office for Overseas Scientific and Technical Research, and the Oceanological Center of the Pacific (which experiments with shrimp and oyster breeding) operate in the region. A space telecommunications station is based at Tahiti. In 1996, France definitively halted all nuclear testing in French Polynesia, after it had resumed nuclear testing on the Mururoa atoll in 1995.

Currency is the Comptoirs Française du Pacifique franc, linked to the euro at a rate of €1=CFP Fr119.25. Exports in 2004 totaled us\$385 million (mostly cultured black pearls and coconut products); imports, us\$1.437 billion.

There are a number of hospitals and private clinics on the island, and one large government hospital on Tahiti. The educational system is well-developed, and the Université de la Polynésie Française (UPF) was created in 1999, out of the former Université Française du Pacifique. The UPF had 2,649 students preparing for a diploma during the 2004/05 academic year. Agricultural and technical schools also offer postsecondary education.

French Polynesia in 1998 had 2 AM stations, 14 FM radio stations, and 7 TV stations. There were 35,000 Internet users in 2002. That year, 90,000 mobile telephones were in use, more than the number of main line telephones in use (52,500).

## FRENCH SOUTHERN AND ANTARCTIC TERRITORIES

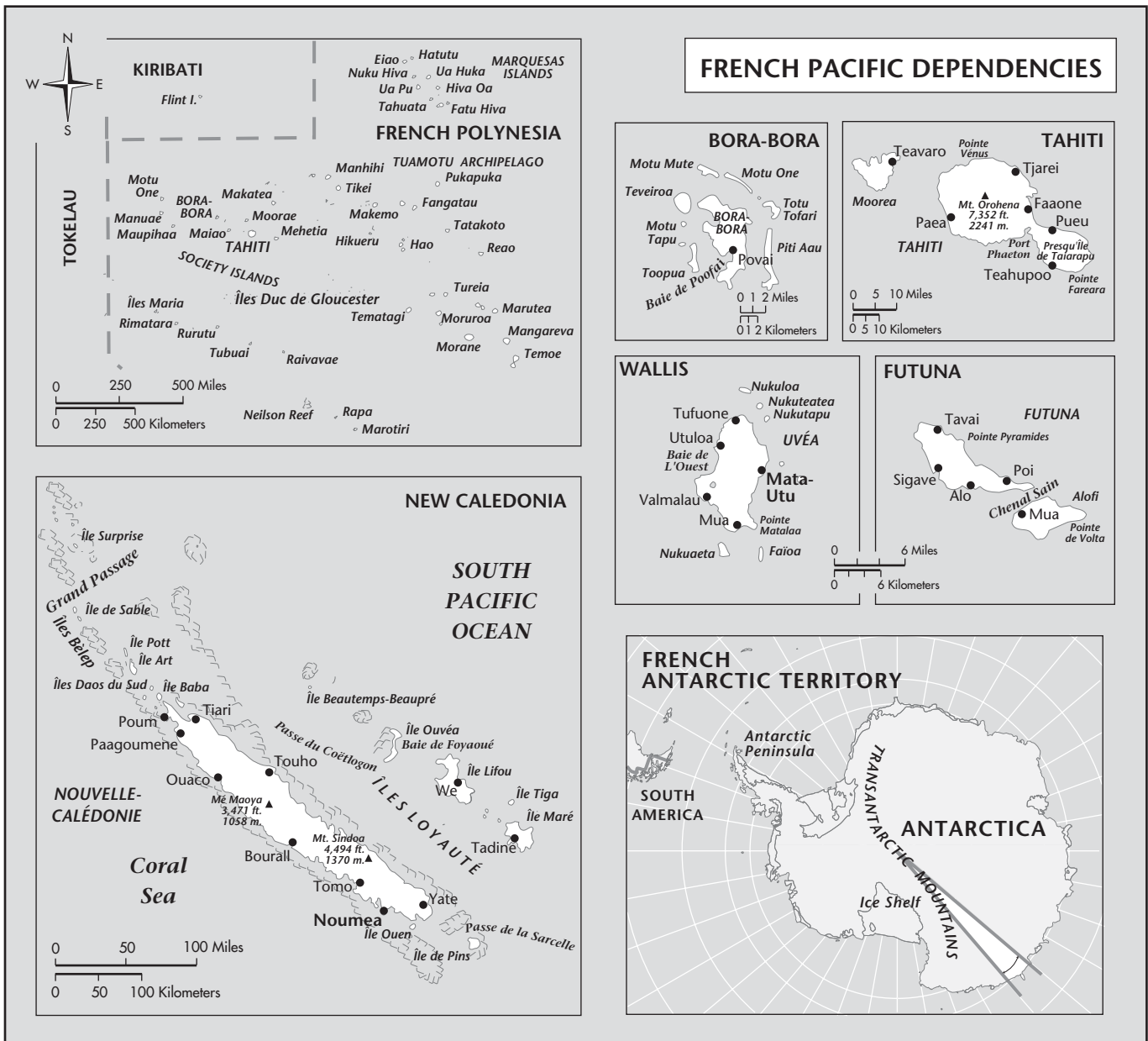
The French Southern and Antarctic Territories (Terres Australes et Antarctiques Françaises), an overseas territory of France, have a total area of 7,781 sq km (3,004 sq mi), not including Adélie Land, and are administered by an appointed administrator and consultative council from Paris. Most of the population (145 in 2005) in the territories were researchers.

The Kerguelen Archipelago, situated at 48° to 50° s and 68° to 70° E, about 5,300 km (3,300 mi) SE of the Cape of Good Hope, consists of one large and about 300 small islands with a total area of 7,215 sq km (2,786 sq mi). France maintains a captive register for French-owned merchant ships in the archipelago.

Crozet Archipelago, at 46° s and 50° to 52° E, consists of 5 main and 15 smaller uninhabited islands, with a total area of 505 sq km (195 sq mi).

St. Paul, at about 38° 25' s and 77° 32' E, is an uninhabited island with an area of about 7 sq km (2.7 sq mi). Some 80 km (50 mi) to the north, at about 37° 50' s and with an area of about 54 sq km (21 sq mi), is Amsterdam Island.

Adélie Land (Terre Adélie), comprising some 432,000 sq km (167,000 sq mi) of Antarctica between 136° and 142° E, s of 67° s, was discovered in 1840 by Dumont d'Urville and claimed by him for France.



**NEW CALEDONIA**

New Caledonia (Nouvelle-Calédonie), a French overseas territory ne of Australia in the South Pacific Ocean, lies between 18° and 23° s and 162° and 169° E. The main island is about 400 km (250 mi) long and 50 km (30 mi) wide, with a surface area of 16,192 sq km (6,252 sq mi). Mountainous and partly surrounded by coral reefs, the island is mostly forested or covered with low bush. With its dependencies and protectorates, it has an overall area of 18,576 sq km (7,172 sq mi). Native fauna is sparse, but plant life is abundant; among the plants unique to the territory is niaouli, a tree of the eucalyptus family whose leaves are processed for the pharmaceutical industry.

Total population in 2005 was estimated to be 216,494, of whom 42.5% were native Melanesians and 37% were Europeans. French and various Melanesian and other local languages are spoken. Roman Catholicism is the majority religion.

New Caledonia was discovered in 1768 by Louis Antoine de Bougainville and was named by James Cook, who landed there in 1774. Local chiefs recognized France's title in 1844, and New Caledonia became a French possession in 1853. In 1946, it became a French overseas territory, and in 1958, its assembly voted to maintain that status. Under 1976, 1984, and 1985 laws, New Caledonia is administered by an appointed high commissioner, an executive council, and a 54-seat territorial congress, consisting of the membership of the three provincial assemblies. New Caledonia has two representatives in the French national assembly and one in the senate. The territory is divided into three provinces (Îles Loyauté, Nord, and Sud); municipal communes play a role in primary education and social welfare.

The economy is based on agriculture and mining. Coffee, copra, potatoes, cassava, corn, wheat, and fruits are the main crops, but agricultural production does not meet the domestic demand.

In 2003, New Caledonia was the fifth-largest source of nickel in the world, after Russia, Australia, Canada, and Indonesia. Nickel mining and smelting accounted for an estimated 12% of GDP and 80% of export earnings in 2000. New Caledonia has approximately 25% of the world's known nickel reserves. Coffee, copra, and chromium make up most of the other exports. Trade is mainly with France, Australia, and Japan. In 2004, exports totaled us\$999 million, imports totaled us\$1.636 billion.

### **WALLIS AND FUTUNA**

Wallis Island and the Futuna, or Hoorn, Islands in the Southwest Pacific constitute a French overseas territory, with the capital at Mata-Utu, on Wallis (also called Uvéa). Lying about 400 km (250 mi) w of Pago Pago, American Samoa, at 13° 22' s and 176° 12' w, Wallis, 154 sq km (59 sq mi) in area, is surrounded by a coral reef with a single channel. The Futuna Islands are about 190 km (120 mi) to the sw at 14° 20' s and about 177° 30' w. They comprise two

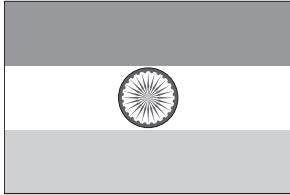
volcanic islands, Futuna and Alofi, which, together with a group of small islands, have a total area of about 116 sq km (45 sq mi).

The Futuna group was discovered by Dutch sailors in 1616; Wallis (at first called Uvéa) was discovered by the English explorer Samuel Wallis in 1767. A French missionary established a Catholic mission on Wallis in 1837, and missions soon followed on the other islands. In 1842, the French established a protectorate, which was officially confirmed in 1887 for Wallis and in 1888 for Futuna. As of mid-2005, Wallis and Futuna had an estimated 16,025 inhabitants. Most of the population is Polynesian; only 2.5% are European. French and Uvean are the principal languages spoken; 99% of the population is Roman Catholic. A high administrator, representing the French government, is assisted by a 20-seat territorial assembly. Principal commercial activities are the production of copra and fishing for trochus. The chief food crops are yams, taro, bananas, manioc, and arrowroot.



# INDIA

Republic of India  
*Bharat Ganarajya*



**CAPITAL:** New Delhi

**FLAG:** The national flag, adopted in 1947, is a tricolor of deep saffron, white, and green horizontal stripes. In the center of the white stripe is a blue wheel representing the wheel (chakra) that appears on the abacus of Asoka's lion capital (c.250 BC) at Sarnath, Uttar Pradesh.

**ANTHEM:** *Jana gana mana (Thou Art the Ruler of the Minds of All People)*. A national song of equal status is *Vande Mataram (I Bow to Thee, Mother)*.

**MONETARY UNIT:** The rupee (₹) is a paper currency of 100 paise. There are coins of 5, 10, 20, 25, and 50 paise, and 1, 2, and 5 rupees, and notes of 2, 5, 10, 20, 50, 100, and 500 rupees. ₹1 = 0.02294 (or \$1 = ₹43.6) as of 2005.

**WEIGHTS AND MEASURES:** Metric weights and measures, introduced in 1958, replaced the British and local systems. Indian numerical units still in use include the lakh (equal to 100,000) and the crore (equal to 10 million).

**HOLIDAYS:** Republic Day, 26 January; Independence Day, 15 August; Gandhi Jayanti, 2 October. Annual events—some national, others purely local, and each associated with one or more religious communities—number in the hundreds. The more important include Shivarati in February; and Raksha Bandhan in August. Movable religious holidays include Holi, Ganesh Chaturthi, Durga Puja, Dussehra, 'Id al-Fitr, Dewali; and Christmas, 25 December.

**TIME:** 5:30 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The Republic of India, Asia's second-largest country after China, fills the major part of the South Asian subcontinent (which it shares with Pakistan, Nepal, Bhutan, and Bangladesh) and includes the Andaman and Nicobar Islands in the Bay of Bengal and Lakshadweep (formerly the Laccadive, Minicoy, and Amindivi Islands) in the Arabian Sea. The total area is 3,287,590 sq km (1,269,345 sq mi), including 222,236 sq km (85,806 sq mi) belonging to Jammu and Kashmir; of this disputed region, 78,932 sq km (30,476 sq mi) are under the de facto control of Pakistan and 42,735 sq km (16,500 sq mi) are held by China. Comparatively, the area occupied by India is slightly more than one-third the size of the United States. China claims part of Arunachal Pradesh. Continental India extends 3,214 km (1,997 mi) N-S and 2,933 km (1,822 mi) E-W.

India is bordered on the N by the disputed area of Jammu and Kashmir (west of the Karakoram Pass), China, Nepal, and Bhutan; on the E by Myanmar, Bangladesh, and the Bay of Bengal; on the S by the Indian Ocean; on the W by the Arabian Sea; and on the NW by Pakistan. The total boundary length is 21,103 km (13,113 mi), of which 7,000 km (4,340 mi) is coastline.

India's capital city, New Delhi, is located in the north central part of the country.

## <sup>2</sup>TOPOGRAPHY

Three major features fill the Indian landscape: the Himalayas and associated ranges, a geologically young mountain belt, folded, faulted, and uplifted, that marks the nation's northern boundary and effectively seals India climatically from other Asian countries;

the Peninsula, a huge stable massif of ancient crystalline rock, severely weathered and eroded; and the Ganges-Brahmaputra Lowland, a structural trough between the two rivers, now an alluvial plain carrying some of India's major rivers from the Peninsula and the Himalayas to the sea. These three features, plus a narrow coastal plain along the Arabian Sea and a wider one along the Bay of Bengal, effectively establish five major physical-economic zones in India.

Some of the world's highest peaks are found in the northern mountains: Kanchenjunga (8,598 m/28,208 ft), the third-highest mountain in the world, is on the border between Sikkim and Nepal; Nanda Devi (7,817 m/25,645 ft), Badrinath (7,138 m/23,420 ft), and Dunagiri (7,065 m/23,179 ft) are wholly in India; and Kamet (7,756 m/25,447 ft) is on the border between India and Tibet.

The Peninsula consists of an abrupt 2,400-km (1,500-mi) escarpment, the Western Ghats, facing the Arabian Sea; interior low, rolling hills seldom rising above 610 m (2,000 ft); an interior plateau, the Deccan, a vast lava bed; and peripheral hills on the north, east, and south, which rise to 2,440 m (8,000 ft) in the Nilgiris and Cardamoms of Kerala and Tamil Nadu. The Peninsula holds the bulk of India's mineral wealth, and many of its great rivers—the Narbada, Tapti, Mahanadi, Godavari, Krishna, and Kaveri—flow through it to the sea. The great trench between the Peninsula and the Himalayas is the largest alluvial plain on earth, covering 1,088,000 sq km (420,000 sq mi) and extending without noticeable interruption 3,200 km (2,000 mi) from the Indus Delta (in Pakistan) to the Ganges-Brahmaputra Delta (shared by India and

Bangladesh), at an average width of about 320 km (200 mi). Along this plain flow the Ganges, Brahmaputra, Son, Jumna, Chambal, Gogra, and many other major rivers, which provide India with its richest agricultural land.

India is located in a seismically active region prone to destructive earthquakes. On 26 January 2001, a 7.7 magnitude earthquake hit northwest India with tremors felt through most of Pakistan as well. Over 20,000 people were killed and over 166,800 were injured. It was recorded as the deadliest earthquake of the year worldwide. The disastrous tsunami that struck Indonesia on 26 December 2004 also impacted India. The tsunami was caused by an underwater earthquake 324 km (180 mi) south of Indonesia's Sumatra island. More than 100,000 people were affected and there were more than 10,000 casualties. On 8 October 2005, an earthquake measuring 7.6 on the Richter scale, struck the Kashmir region. There were more than 140 aftershocks recorded; many measured 5 in magnitude. More than 1,300 were killed and at least 32,000 homes were destroyed.

### **3 CLIMATE**

The lower east (Coromandel) and west (Malabar) coasts of the Peninsula and the Ganges Delta are humid tropical; most of the Peninsula and the Ganges-Brahmaputra Lowland are moist subtropical to temperate; and the semiarid steppe and dry desert of the far west are subtropical to temperate. The northern mountains display a zonal stratification from moist subtropical to dry arctic, depending on altitude.

Extremes of weather are even more pronounced than the wide variety of climatic types would indicate. Thus, villages in western Rajasthan, in the Thar (Great Indian) Desert, may experience less than 13 cm (5 in) of rainfall yearly, while 2,400 km (1,500 mi) eastward, in the Khasi Hills of Assam, Cherrapunji averages about 1,143 cm (450 in) yearly. Sections of the Malabar Coast and hill stations in the Himalayas regularly receive 250–760 cm (100–300 in) yearly; many areas of the heavily populated Ganges-Brahmaputra Lowland and the Peninsula receive under 100 cm (40 in).

Winter snowfall is normal for the northern mountains and Kashmir Valley, but for most of India, scorching spring dust storms and severe hailstorms are more common. The northern half of the country is subject to frost from November through February, but by May a temperature as high as 49°C (120° F) in the shade may be recorded. High relative humidity is general from April through September. Extratropical cyclones (similar to hurricanes) often strike the coastal areas between April and June and between September and December.

The monsoon is the predominant feature of India's climate and helps to divide the year into four seasons: rainy, the southwest monsoon, June–September; moist, the retreating monsoon, October–November; dry cool, the northeast monsoon, December–March; hot, April–May. The southwest monsoon brings from the Indian Ocean the moisture on which Indian agriculture relies. Unfortunately, neither the exact times of its annual arrival and departure nor its duration and intensity can be predicted, and variations are great. In 1987, the failure of the southwest monsoon resulted in one of India's worst droughts of the century.

### **4 FLORA AND FAUNA**

Almost one-fourth of the land is forested. Valuable commercial forests, some of luxuriant tropical growth, are mainly restricted to the eastern Himalayas, the Western Ghats, and the Andaman Islands. Pine, oak, bamboo, juniper, deodar, and sal are important species of the Himalayas; sandalwood, teak, rosewood, mango, and Indian mahogany are found in the southern Peninsula. Some 15,000 varieties of midaltitude, subtropical, and tropical flowers abound in their appropriate climatic zones. The neem tree, a native tropical evergreen tree, has been called the "village pharmacy" because many parts of the tree have been used for a variety of medicines and lotions.

India has over 300 species of mammals, 900 species of breeding birds, and a great diversity of fish and reptiles. Wild mammals, including deer, Indian bison, monkeys, and bears, live in the Himalayan foothills and the hilly section of Assam and the plateau. In the populated areas, many dogs, cows, and monkeys wander as wild or semiwild scavengers.

### **5 ENVIRONMENT**

Among India's most pressing environmental problems are land damage, water shortages, and air and water pollution. During 1985, deforestation, which, especially in the Himalayan watershed areas, aggravates the danger of flooding, averaged 1,471 sq km (568 sq mi) per year. India also lost 50% of its mangrove area between 1963 and 1977. In 2000, about 21% of the total land area was forested.

Despite three decades of flood-control programs that had already cost an estimated \$10 billion, floods in 1980 alone claimed nearly 2,000 lives, killed tens of thousands of cattle, and affected 55 million people on 11.3 million hectares (28 million acres) of land. As of the mid-1990s, 60% of the land where crops could be grown had been damaged by the grazing of the nation's 406 million head of livestock, deforestation, misuse of agricultural chemicals, and salinization.

Due to uncontrolled dumping of chemical and industrial waste, fertilizers and pesticides, 70% of the surface water in India is polluted. The nation has 1,261 cu km of renewable water resources, of which 92% is used for farming. Safe drinking water is available to 96% of urban and 82% of rural dwellers.

Air pollution is most severe in urban centers, but even in rural areas, the burning of wood, charcoal, and dung for fuel, coupled with dust from wind erosion during the dry season, poses a significant problem. Industrial air pollution threatens some of India's architectural treasures, including the Taj Mahal in Agra, part of the exterior of which has been dulled and pitted by airborne acids. In what was probably the worst industrial disaster of all time, a noxious gas leak from a Union Carbide pesticide plant in Bhopal, the capital of Madhya Pradesh, killed more than 1,500 people and injured tens of thousands of others in December 1985. In 1992 India had the world's sixth-highest level of industrial carbon dioxide emissions, which totaled 769 million metric tons, a per capita level of 0.88 metric tons. In 2000, the total carbon dioxide emissions was reported at 1 billion metric tons.

The environmental effects of intensive urbanization are evident in all the major cities, although Calcutta—once a symbol of urban blight—has been freed of cholera, and most of the city now has



LOCATION: 8°4' to 37°6' N; 68°7' to 97°25' E. BOUNDARY LENGTHS: Nepal, 1,690 kilometers (1,050 miles); Bhutan, 605 kilometers (373 miles); Myanmar, 1,463 kilometers (910 miles); Bangladesh, 4,053 kilometers (2,520 miles); total coastline, 7,000 kilometers (4,360 miles); Pakistan, 2,912 kilometers (1,800 miles). TERRITORIAL SEA LIMIT: 12 miles.



water purification and sewer services. Analogous improvements have been made in other leading cities under the Central Scheme for Environmental Improvement in Slum Areas, launched in 1972, which provided funds for sewers, community baths and latrines, road paving, and other services.

The National Committee on Environmental Planning and Coordination was established in 1972 to investigate and propose solutions to environmental problems resulting from continued population growth and consequent economic development; in 1980, the Department of the Environment was created. The sixth development plan (1979–84), which for the first time included a section on environmental planning and coordination, gave the planning commission veto power over development projects that might damage the environment; this policy was sustained in the seventh development plan (1985–90). The National Environmental Engineering Research Institute has field center areas throughout the country.

The Wildlife Act of 1972 prohibits killing of and commerce in threatened animals. There are about 20 national parks and more than 200 wildlife sanctuaries, including 5 natural UNESCO World Heritage Sites and 19 Ramsar wetland sites. As of 2003, 5.2% of India's total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 85 types of mammals, 79 species of birds, 25 types of reptiles, 66 species of amphibians, 28 species of fish, 2 types of mollusks, 21 species of other invertebrates, and 246 species of plants. Endangered species in India include the lion-tailed macaque, five species of langur, the Indus dolphin, wolf, Asiatic wild dog, Malabar large-spotted civet, clouded leopard, Asiatic lion, Indian tiger, leopard, snow leopard, cheetah, Asian elephant, dugong, wild Asian ass, great Indian rhinoceros, Sumatran rhinoceros, pygmy hog, swamp deer, Himalayan musk deer, Kashmir stag or hangul, Asiatic buffalo, gaur, wild yak, white-winged wood duck, four species of pheasant, the crimson tragopan, Siberian white crane, great Indian bustard, river terrapin, marsh and estuarine crocodiles, gavial, and Indian python. There are at least ten extinct species. Although wardens are authorized to shoot poachers on game reserves, poaching continues, with the Indian rhinoceros (whose horn is renowned for its supposed aphrodisiac qualities) an especially valuable prize.

## 6 POPULATION

The population of India reached one billion in March 2001. In 2005 the population was estimated by the United Nations (UN) at 1,103,596,000, which placed it at number 2 (behind China) in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 36% of the population under 15 years of age. There were 105 males for every 100 females in the country. The projected population for the year 2025 was 1,363,000,000. The population density was 336 per sq km (869 per sq mi).

The US Census Bureau expected India's population to surpass China's by 2035. India's population grew rapidly from the 1920s until the 1970s, mostly due to a sharp decline in the death rate because of improvements in health care, nutrition, and sanitation. In 1921, when India's population stood at 251,321,213, the birth rate was 48.1 but the death rate was 47.2; by 1961, when the population reached 439,234,771, the birth rate was still high at 40.8, but

the death rate had dropped by more than half to 22.8. The birth rate dropped from 41.1 in 1971 to 30.2 in 1990–91, presumably attributable to an aggressive program of family planning, contraception, and sterilization, but had little immediate impact on the compounded population growth rate, which averaged 2.1% in the 1980s and 1.9% in 1990–95. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.7%. Despite the fact that the population growth rate had been steadily declining for several decades, the government in 2005 continued to seek ways to slow population growth. The government considers the rapid population growth a serious problem, particularly in relation to reducing poverty. The goal of the Indian government is to reach zero population growth by 2050 with a population of 1.3 billion.

The majority of people live in some 555,315 villages with fewer than 10,000 residents each. The UN estimated that just 28% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.38%. The capital city, New Delhi, had a population of 14,146,000 in that year. Other large urban areas and their estimated population were Mumbai (formerly Bombay) (18,336,000); Delhi (15,334,000); Calcutta (14,299,000); Chennai (Madras) (6,900,000); Bangalore (6,532,000); Hyderabad (6,145,000); Ahmadabad (5,897,000); Pune (4,485,000); Surat (3,671,000); Kānpur (3,040,000); Jaipur (2,796,000); Lucknow (2,589,000); and Nāgpur (2,359,000).

## 7 MIGRATION

The partitioning of the South Asian subcontinent to create India and Pakistan in 1947 produced one of the great mass migrations in human history, involving some 20 million people. Historically, major migratory movements have been to and from Sri Lanka, Malaysia, Myanmar, and Bangladesh. The influx of Muslim refugees (estimated at 280,000 in 1983) from Bangladesh to Assam state since the 1970s has sparked protests among Hindus. Persons of Indian origin domiciled abroad (excluding Pakistan) reside mainly in Sri Lanka, Malaysia, Nepal, Myanmar, South Africa, Mauritius, Trinidad and Tobago, Guyana, Fiji, the United States, and the United Kingdom. Indian minority groups in foreign countries generally do not become assimilated with the local population but live as separate groups, intermarry, and retain their own distinctive culture even after a residence of several generations.

There has been a steady migration within India from rural to urban areas. Linguistic differences limit the degree of interstate migration, as do efforts by some states to limit job opportunities for migrants and to give preference in public employment to long-time local residents. Sri Lankans began arriving in the early 1990s. Since 1992, 54,000 repatriated voluntarily. However, repatriation stopped in 1995 due to violence in Sri Lanka. Some 3,800 people arrived in 1998, and arrivals continued. In 1999 there were around 66,000 Sri Lankan refugees located in 133 camps in the southern state of Tamil Nadu. An estimated 40,000 Sri Lankans live outside the camps. Indian authorities have not requested international assistance for Sri Lankan refugees, and the repatriation of Sri Lankans to their country is voluntary.

In 2000 there were 6,271,000 migrants living in India, including 170,900 refugees. In 2004, India had 162,687 refugees from China, Sri Lanka, and Afghanistan, and 314 asylum seekers from Myanmar.

mar and Afghanistan. In 2004, there were also 650,000 internally displaced people in India.

India receives more remittances from migrant workers than any other country, \$23 billion in 2004, up from \$10 billion in 2001. Most Indian migrants are unskilled workers. However, increasingly skilled health care and information technology workers emigrate, some returning to participate in India's rapid economic growth. In 2004, some 14,341 Indians applied for asylum in 17 countries, nearly 3,000 to Slovakia and over 1,000 each to Austria, South Africa, the United Kingdom, Germany, and Canada. In that same year 5,659 Indians entered the United States as refugees.

In 2005 the net immigration rate was estimated as -0.07 migrants per 1,000 population. The government views the migration levels as satisfactory.

## <sup>8</sup>ETHNIC GROUPS

India's ethnic history is extremely complex, and distinct racial divisions between peoples generally cannot be drawn clearly. However, Negroid, Australoid, Mongoloid, and Caucasoid stocks are discernible. The first three are represented mainly by tribal peoples in the southern hills, the plateau, Assam, the Himalayas, and the Andaman Islands. The main Caucasoid elements are the Mediterranean, including groups dominant in much of the north, and the Nordic or Indo-Aryan, a taller, fairer-skinned strain dominant in the northwest. The dark-complexioned Dravidians of the south have a mixture of Mediterranean and Australoid features. In 2000, 72% of the population was Indo-Aryan, 25% Dravidian, and 3% Mongoloid and other.

## <sup>9</sup>LANGUAGES

The 1961 census recorded 1,652 different languages and dialects in India; one state alone, Madhya Pradesh, had 377. There are officially 211 separate, distinct languages, of which Hindi, English, and 15 regional languages are officially recognized by the constitution. There are 24 languages that are each spoken by a million or more persons.

The most important speech group, culturally and numerically, is the Indo-Aryan branch of the Indo-European family, consisting of languages that are derived from Sanskrit. Hindi, spoken as the mother tongue by about 240 million people (30% of the total population), is the principal language in this family. Urdu differs from Hindi in being written in the Arabic-Farsi script and containing a large mixture of Arabic and Farsi words. Western Hindi, Eastern Hindi, Bihari, and Pahari are recognized separate Hindi dialects. Other Indo-Aryan languages include Assamese, Bengali, Gujarati, Kashmiri, Marathi, Oriya, Punjabi, Rajasthani, and Sindhi. Languages of Dravidian stock are dominant in southern India and include Telugu, Tamil, Kannada, and Malayalam. A few tribal languages of eastern India, such as Ho and Santali, fit into the aboriginal Munda family, which predates the Dravidian family on the subcontinent. Smaller groups in Assam and the Himalayas speak languages of Mon-Khmer and Tibeto-Chinese origin.

English is spoken as the native tongue by an estimated 10–15 million Indians and is widely employed in government, education, science, communications, and industry; it is often a second or third language of the educated classes. Although Hindi in Devanagari script is the official language, English is also recognized for official purposes. According to government policy, Hin-

di is the national language; for that reason, Hindi instruction in non-Hindi areas is being rapidly increased, and large numbers of scientific and other modern words are being added to its vocabulary. However, there has been considerable resistance to the adoption of Hindi in the Dravidian-language areas of southern India, as well as in some of the Indo-Aryan-speaking areas, especially West Bengal.

The importance of regional languages was well demonstrated in 1956, when the states were reorganized along linguistic boundaries. Thus, multilingual Hyderābād state was abolished by giving its Marathi-speaking sections to Mumbai (formerly Bombay, now in Maharashtra), its Telugu sections to Andhra Pradesh, and its Kannada sections to Mysore (now Karnataka). The Malayalam-speaking areas of Madras were united with Travancore-Cochin to form a single Malayalam state, Kerala. Madhya Bharat, Bhopal, and Vindhya Pradesh, three small Hindi-speaking states, were given to Madhya Pradesh, a large Hindi state, which, at the same time, lost its southern Marathi areas to Mumbai (formerly Bombay) state. Many other boundary changes occurred in this reorganization. Mumbai state originally was to have been divided into Gujarati and Marathi linguistic sections but remained as one state largely because of disagreement over which group was to receive the city of Mumbai (formerly Bombay). In 1960, however, it, too, was split into two states, Gujarat and Maharashtra, on the basis of linguistic boundaries. In 1966, the government of India accepted the demand of the Punjabi-speaking people, mainly Sikhs, to divide the bilingual state of Punjab into two unilingual areas, with the Hindi-speaking area to be known as Haryana and the Punjabi-speaking area to retain the name of Punjab.

India has almost as many forms of script as it has languages. Thus, all of the Dravidian and some of the Indo-Aryan languages have their own distinctive alphabets, which differ greatly in form and appearance. Some languages, such as Hindi, may be written in either of two different scripts. Konkani, a dialect of the west coast, is written in three different scripts in different geographic areas.

## <sup>10</sup>RELIGIONS

India is the cradle of two of the world's great religions, Hinduism and Buddhism. The principal texts of Hinduism—the *Rig Veda* (*Verses of Spiritual Knowledge*), the *Upanishads* (*Ways of Worship*), and the *Bhagavad-Gita* (*Song of the Lord*)—were written between 1200 and 100 BC. The teachings of Buddha, who lived during the 6th–5th centuries BC, were first transmitted orally and then systematized for transmission throughout Asia. Jainism, a religion that developed contemporaneously with Buddhism, has largely been confined to India. The Sikh religion began in the 15th century as an attempt to reconcile Muslim and Hindu doctrine, but the Sikhs soon became a warrior sect bitterly opposed to Islam.

An estimated 82% of the population are Hindus. Hindus have an absolute majority in all areas except Nagaland, Jammu, and Kashmir, and the tribal areas of Assam. Sikhs account for about 2% of the population and are concentrated in the state of Punjab, which since 1980 has been the site of violent acts by Sikh activists demanding greater autonomy from the Hindu-dominated central government. Other religious groups include Muslims (12% of the population, mostly Sunni) and Christians (2.3%). Large Muslim populations are located in Utar Pradesh, Bihar, Maharashtra, West Bengal, Andhra Pradesh, Kerala, Jammu, and Kashmir. The

northeastern states of Nagaland, Mizoram, and Meghalaya have Christian majorities. Buddhists, Jains, Parsis (Zoroastrians), Jews, and Baha'is make up less than 2% of the total population.

The caste system is a distinct feature of Hinduism, wherein every person either is born into one of four groups—Brahmans (priests and scholars), Kshatriyas (warriors and rulers), Vaisyas (shopkeepers, artisans, and farmers), and Sudras (farm laborers and menial workers)—or is casteless and thus untouchable. The untouchables are commonly known as Dalits or as Harijan (from the term used by Mahatma Gandhi). Although the constitution outlaws caste distinctions and discrimination, especially those applying to untouchability, progress in changing customs has been slow. Many Dalits have converted to other faiths in order to escape widespread discrimination in some areas; but several states have anticonversion laws in place for Dalits.

Freedom of worship is theoretically assured under the constitution; however, the government has the right to religious organizations that are considered to provoke public disorder. There are also a number of laws in place on both the federal and state level that regulate the activities of religious groups and even the right to religious conversions. There is a great deal of animosity between Muslims and Hindus, as well as Christians and Hindus; violent outbursts between these groups are not uncommon.

## <sup>11</sup>TRANSPORTATION

India's railway system is highly developed and constitutes the country's primary means of long-distance domestic transport. In 2004, the Indian railway system consisted of 63,230 km (39,329 mi), of broad and narrow gauge rail lines, of which 16,693 km (10,383 mi) were electrified. Broad gauge lines were the most extensive at 45,718 km (28,437 mi), with three sizes of narrow gauge line accounting for the remainder. Virtually all of India's railways are state-owned, and are the nation's largest public enterprise. It is also the largest railroad system in Asia and the fourth-largest in the world. In October 1984, India's first subway began operation in Calcutta over 3 km (1.9 mi) of track.

The national and state road network in 2002 consisted of about 3,319,644 km (2,064,818 mi), of which 1,517,077 km (942,712 mi) were paved. In 2003, there were 10,694,000 motor vehicles, including 6,669,000 automobiles and 4,025,000 commercial vehicles.

As of 2004, India had about 14,500 km (9,019 mi) of inland waterways, with 5,200 km (3,234 mi) on major rivers and 485 km (302 mi) on canals accessible by motorized vessels. Most important are the Ganges, Brahmaputra, Godavari, and Krishna rivers and the coastal plain canals of Kerala, Chennai, Andhra Pradesh, and Orissa.

In 2005, India's merchant fleet totaled 299 vessels of 1,000 GRT or more, with a combined total of 6,555,507 GRT, sufficient to handle almost all of the country's coastal trade and much of its trade with adjacent countries. The rest of India's trade is handled by foreign ships. Eleven major ports handle the bulk of the import-export traffic; the leading ports are Mumbai (formerly Bombay) and Mormugao. There are 140 smaller ports along the Indian coastline.

In 2004, there were an estimated 333 airports. As of 2005, a total of 239 had paved runways and there were also 27 heliports. International airports are at Mumbai, formerly Bombay (Santa Cruz); Calcutta (Dum Dum); Delhi (Indira Gandhi); Chennai, formerly

Madras (Meenambakkam); and Trivandrum. The Indian Airlines Corp., a nationalized industry, operates all internal flights and services to neighboring countries with daily flights to 60 cities. Air India, also government-owned, operates long-distance services to foreign countries on five continents. A national airline, Vayudoot, was established in 1981 to provide service to otherwise inaccessible areas in the northeast. Private airlines are growing in importance as well. In 2003, about 19.456 million passengers were carried on scheduled domestic and international airline flights.

## <sup>12</sup>HISTORY

India is one of the oldest continuously inhabited regions in the world. In Harappa, an area in the Indus Valley (now in Pakistan), between 3000 and 2000 BC, scores of thriving municipalities developed a distinct urban culture. This riverain civilization fell into decay around 1500–1200 BC, probably owing to the arrival of Aryan (Indo-European-speaking) invaders, who began entering the northern part of the subcontinent via Afghanistan. There followed over a thousand years of instability, of petty states and larger kingdoms, as one invading group after another contended for power. During this period, Indian village and family patterns, along with Brahmanism—one form of Hinduism—and its caste system, became established. Among the distinguished oral literature surviving from this period are two anonymous Sanskrit epics, the *Ramayana* (traditionally attributed to the legendary poet Valmiki) and the *Mahabharata* (the longest poem in the world, containing over 100,000 verses, including one of Hinduism's more sacred texts, the *Bhagavad-Gita*).

The South Asian subcontinent already had a population of about 30 million, of whom approximately 20 million lived in the Ganges Basin, when Alexander the Great invaded the Indus Valley in 326 BC. His successors were absorbed by the new Maurya dynasty (c.321–c.184 BC); under Chandragupta (r. c.321–c.297 BC), from his capital at Pataliputra (now Patna), the Mauryans subdued most of northern India and what is now Bangladesh. His successor, Asoka (r.273–232 BC), put all of India under unified control for the first time; an early convert to Buddhism, his regime was remembered for its sectarian tolerance, as well as for remarkable administrative, legal, and cultural achievements. Many Buddhist monuments and elaborately carved cave temples found at Sarnath, Ajanta, Bodhgaya, and other places in India date from the reigns of Asoka and his Buddhist successors.

In the years following Asoka, India divided again into a patchwork of kingdoms, as other invaders arrived from central and western Asia. In the process, Hinduism prevailed over Buddhism, which found wide acceptance elsewhere in Asia but remained widely practiced in India, its birthplace. Hindu kingdoms began to appear in what is present-day southern India after the 4th century AD. The era of the Gupta dynasty rule (AD 320–c.535) was a golden age of art, literature, and science in India. Hindu princes of the Rajput sub-caste, ruling in the northwest, reached their peak of power from AD 700 to 1000, although their descendants retained much of their influence well into British days.

In the 8th century, the first of several Islamic invaders appeared in the northwest; between 1000 and 1030, Mahmud of Ghazni made 17 forays into the subcontinent. The first Muslim sultan of Delhi was Kutb-ud-din (r. c.1195–1210), and Islam gradually spread eastward and southward, reaching its greatest territorial

and cultural extent under the Mughal (or Mogul) dynasty. “Mughal” comes from the Farsi word for Mongol, and the earlier Mughals were descendants of the great 14th-century Mongol conqueror Timur (also known as “Timur the Lame” or Tamerlane), a descendant in turn of Genghis Khan. Much of the population of the subcontinent began converting to Islam during the Mughal period, however, which helped weave Islam into the social fabric of India.

One of the Timurid princes, Babur (r.1526–30), captured Kabul in 1504 and defeated the Sultan of Delhi in 1526, becoming the first of the Mughals to proclaim himself emperor of India. In 1560, Akbar (r.1556–1605), Babur’s grandson, extended the dynasty’s authority over all of northern India. Akbar also attempted to establish a national state in and it was Akbar who was the first of the Muslim emperors to attempt the establishment alliance with Hindu rajahs (kings). Though illiterate, he was a great patron of art and literature. Among his successors were Shah Jahan and his son Aurangzeb, who left their imprint in massive palaces and mosques, superb fortresses (like the Lahore fort), dazzling mausoleums (like the Taj Mahal at Agra), elaborate formal gardens (like those in Srinagar), and the abandoned city of Fatehpur Sikri (37 km/23 mi w of Agra). Under Aurangzeb (r.1658–1707), who seized his father’s throne, the Mughal Empire reached its greatest extent and then began its decline, largely the result of his repressive policies. The Hindu Marathas fought the Mughals and established their own empire in western India.

Vasco da Gama reached India’s southwest coast by sea in 1498, and for a century the Portuguese had a monopoly over the Indian sea. Although it continued to hold bits of Indian territory until 1961, Portugal lost its dominant position as early as 1612 when forces controlled by the British East India Company defeated the Portuguese and won concessions from the Mughals. The company, which had been established in 1600, had permanent trading settlements in Chennai (formerly Madras), Mumbai (formerly Bombay), and Calcutta by 1690. Threatened by the French East India Company, which was founded in 1664, the two companies fought each other as part of their nations’ struggle for supremacy in Europe and the western hemisphere in the 18th century. They both allied with rival Indian princes and recruited soldiers (*sepoys*) locally, but the French and their allies suffered disastrous defeats in 1756 and 1757, against the backdrop of the Seven Years’ War (1756–63) raging in Europe. By 1761, France was no longer a power in India. The architect of the British triumph, later known as the founder of British India, was Robert Clive, later Baron, who became governor of the Company’s Bengal Presidency in 1764, to be followed by Warren Hastings and Lord Cornwallis in the years before 1800. The Company’s rule spread up the Gangetic plain to Oudh and Delhi, and eventually, to western India where the Maratha Confederacy, the alliance of independent Indian states that had succeeded the Mughal Empire there, was reduced to a group of relatively weak principalities owing fealty to the British in 1818.

The British government took direct control of the East India Company’s Indian domain during the Sepoy Mutiny (1857–59), a widespread rebellion by Indian soldiers in the company’s service, and in 1859, Queen Victoria was proclaimed Empress of India. The succeeding decades were characterized by significant economic and political development, but also by a growing cultural

and political gap between Indians and the British. Indian troops were deployed elsewhere in the world by the Crown in defense of British interests but without any recourse of Indian views.

### Nationalism and Independence

While the British moved gradually to expand local self-rule along federal lines, British power was increasingly challenged by the rise of indigenous movements challenging its authority. A modern Indian nationalism began to grow as a result of the influence of Western culture and education among the elite, and the formation of such groups as the Arya Samaj and Indian National Congress. Founded as an Anglophile debating society in 1885, the congress grew into a movement leading agitation for greater self-rule in the first 30 years of this century. Under the leadership of Mohandas Karamchand Gandhi (called the Mahatma, or Great Soul) and other nationalist leaders, such as Motilal and Jawaharlal Nehru, congress began to attract mass support in the 1930s with the success of noncooperation campaigns spearheaded by Gandhi and its advocacy of education, cottage industries, self-help, an end to the caste system, and nonviolent struggle. Muslims had also been politicized, beginning with the abortive partition of Bengal during the period 1905–12. And despite the INC leadership’s commitment to secularism, as the movement evolved under Gandhi, its leadership style appeared—to Muslims—uniquely Hindu, leading Indian Muslims to look to the protection of their interests in the formation of their own organization, the All-India Muslim League.

National and provincial elections in the mid-1930s, coupled with growing unrest throughout India, persuaded many Muslims that the power the majority Hindu population could exercise at the ballot box could leave them as a permanent electoral minority in any single democratic polity that would follow British rule. Sentiment in the Muslim League began to coalesce around the “two nation” theory propounded by the poet Iqbal, who argued that Muslims and Hindus were separate nations and that Muslims required creation of an independent Islamic state for their protection and fulfillment. A prominent attorney, Muhammad Ali Jinnah, led the fight for a separate Muslim state to be known as Pakistan, a goal formally endorsed by the Muslim League in Lahore in 1940.

Mahatma Gandhi, meanwhile, had broadened his demand in 1929 from self-rule to independence in 1929; in the 1930s, his campaigns of nonviolent noncooperation and civil disobedience electrified the countryside. In 1942, with British fortunes at a new low and the Japanese successful everywhere in Asia, Gandhi rejected a British appeal to postpone further talks on Indian self-rule until the end of World War II. Declining to support the British (and Allied) war effort and demanding immediate British withdrawal from India, he launched a “Quit India” campaign. In retaliation, Gandhi and most of India’s nationalist leaders were jailed.

The end of World War II and the British Labor Party’s victory at the polls in 1945 led to renewed negotiations on independence between Britain and the Hindu and Muslim leaders. Jawaharlal Nehru and the Congress leadership pressed anew for a single, secular nation in which the rights of all would be guarded by constitutional guarantees and democratic practice. But Jinnah and the Muslim League persevered in their campaign for Pakistan. In mid-August 1947, with Hindu-Muslim tensions rising, British India was divided into the two self-governing dominions of India and Pakistan,

the latter created by combining contiguous, Muslim-majority districts in the western and eastern parts of British India, with the former, the new republic of India, consisting of the large remaining land mass in between. Partition resulted in one of the world's largest mass movements of people: Hindus, Muslims, and Sikhs who found themselves on the "wrong" side of new international boundaries sought to cross over. As many as 20 million people moved, and up to 3 million of these were killed as violence erupted along the borders. Gandhi, who opposed the partition and worked unceasingly for Hindu-Muslim amity, became himself a casualty of heightened communal feeling; he was assassinated by a Hindu extremist five months after Partition.

### Kashmiri Dispute

The Partition did not address the more than 500 princely states with which the British Crown had treaty ties. Most princely rulers chose one or the other dominion on grounds of geography, but the state of Jammu and Kashmir, bordering both new nations, had a real option. A Muslim-majority state with a Hindu maharaja, Kashmir opted first for neither but sought protection when invaded in 1948 by tribesmen from Pakistan. Quickly, Indian and Pakistani armed forces were engaged in fighting that cut to the heart of the "two-nation" theory and brought the dispute to the fledgling United Nations. A UN cease-fire in 1949 left the state divided, one-third with Pakistan and the rest, including the Vale of Kashmir, under Indian control. An agreement to hold an impartial plebiscite broke down when the antagonists could not agree on the terms under which it would be held. India and Pakistan went to war again in 1965, and relationships over Kashmir remained tense. A 1971 agreement formed an informal border, known as the Line of Control, which both nations agreed to honor. Both nations have stood by the agreement for the most part, although militant activity in Kashmir since the late 1980s has led to periodic clashes between Indian and Pakistani troops. Such clashes came close to war in 1999 when insurgents that India claimed were backed by Pakistan entered the Indian-held Kargil region in Kashmir. Heavy fighting between Indian and Pakistani troops ensued, until Pakistan withdrew from Kargil that year. On 24 December 1999, Kashmiri militants hijacked an Indian Airlines plane flying between Nepal and Delhi to Afghanistan, an incident India blamed on Pakistan. In July 2002, the United States announced that it did not support Pakistan's persistent demand for a plebiscite in Kashmir, a statement welcome to India.

An upsurge in violence marked the run-up to state elections held in Indian-administered Jammu-Kashmir in September–October 2002. More than 800 people were killed in the violence. The elections were fought among pro-India parties, with separatists boycotting the elections. The elections resulted in an upset for the National Conference; it was the first time the party had been voted out of office since independence. The NC won 28 seats out of 87 in the State Assembly. The People's Democratic Party, which firmly stood against human rights abuses in Kashmir, emerged as victor, along with the Congress Party. India had seven million troops amassed on the Line of Control in Kashmir.

Nearly 80,000 people had died in the India-controlled portion of Kashmir as of early 2006.

India and Pakistan declared a formal cease-fire in Kashmir in November 2003, and relations between the two countries were

slowly improving. A bus link between the India- and Pakistan-controlled portions was established in April 2005, and both countries cooperated to some degree with the distribution of humanitarian aid following a deadly earthquake that struck the region on 8 October 2005.

In a second border dispute, India and China have been at odds about their Himalayan border since the Chinese occupation of Tibet in 1959, leading to clashes between Indian and Chinese troops at a number of locations along the disputed Himalayan border, including remote areas of Ladakh. In 1962, Chinese troops invaded—then withdrew from—Chinese claimed areas along the border, defeating India's under-equipped and badly led forces. The border dispute with China remained unresolved, although tensions have been eased by a standstill accord signed by the two countries in September 1993. An "agree to disagree" stance persisted between the two population-heavy nations until 2005 when talks were initiated to resolve the long-standing dispute.

After Nehru's death on 27 May 1964, his successor, Lal Bahadur Shastri, led India in dealing with an unprecedented round of Hindu-Muslim violence occasioned by the theft of a holy Islamic relic in Kashmir. In August and September 1965, his government successfully resisted a new effort by Pakistan to resolve the Kashmir dispute by force of arms. India was victorious on the battlefield, and an agreement both nations signed at Tashkent in January 1966, essentially restored the status quo ante. Shastri died of a heart attack at Tashkent, while at the height of his power, and his successor, Indira Gandhi (Nehru's daughter), pledged to honor the accords. India again went to war with Pakistan in December 1971, this time to support East Pakistan in its civil war with West Pakistan; Indian forces tipped the balance in favor of the separatists and led to the creation of Bangladesh from the former East Pakistan; in Kashmir, there were minor territorial adjustments. International tensions were heightened again, however, in April 1974 when India became the first Third World country to conduct a successful test of an atomic bomb.

### Weakening of Congress

Domestically, Indira Gandhi consolidated her power. The party lost its accustomed majority in parliament in the 1967 elections, but she continued to govern with the support of other parties and independents, winning again in 1972. In June 1975, after her conviction on minor election law violations in the 1972 polls, which required her to resign, she continued in power by proclaiming a state of emergency. By decree, she imposed press censorship, arrested opposition political leaders, and sponsored legislation that retroactively cleared her of the election law violations. These actions, although later upheld by the Supreme Court, resulted in widespread public disapproval.

Two years later, she held parliamentary elections in which she was defeated, forcing the Congress Party into the parliamentary opposition for the first time. The state of emergency was lifted, and Morarji Desai, formerly Nehru's deputy prime minister and the compromise choice of the winning five-party Janata coalition, became prime minister. But Janata did not last. Formed solely to oppose Indira Gandhi, the Janata coalition had no unity or agreed program, and soon collapsed. Indira Gandhi's newly reorganized Congress Party/I ("I" for Indira) courted Hindu votes to win a huge election victory in January 1980, and she regained office.

### Rise of Communal Violence

Indira Gandhi's rule ended with her assassination by her Sikh bodyguards in October 1984. The assassination stemmed from her ordering of troops in 1983 to storm the Golden Temple in Amritsar, where Sikh militants agitating for an independent nation of Khalistan in the Sikh-dominant Punjab province were alleged to be storing arms. The Sikh factionalism occurred against a backdrop of communal violence that plagued India in 1983. Hindu mobs in the state of Assam attacked Muslims from Bangladesh and West Bengal, killing at least 3,000 persons. After widespread violence in Punjab, Indira Gandhi had imposed direct rule in the state.

Rajiv Gandhi immediately succeeded his mother as prime minister and, in parliamentary elections held in December 1984, led the CP/I to its largest victory. But during the next two years, Rajiv Gandhi's popularity declined precipitously as the public reacted to government-imposed price increases in basic commodities, his inability to stem escalating sectarian violence, and charges of military kickbacks and other scandals. In October 1987, Indian troops were sent to Sri Lanka to enforce an agreement he and the Sri Lankan president had signed in July, aimed at ending the conflict between the country's Sinhalese majority and Tamil minority.

In September 1989, Rajiv agreed with Sri Lanka's request to pull his 100,000 troops out of their bloody standoff with Tamil separatists by the end of the year. In elections later that fall, his Congress/I Party won only a plurality of seats in the Lok Sabha, and he resigned. Vishwanath Pratap Singh, formerly Rajiv's rival in the CP and leader of the second-largest party (Janata Dal) in the house, formed a government with the support of two other parliamentary groups. Despite an encouraging start, V.P. Singh's government lost first its momentum, then its ability to command a majority in the parliament. He resigned on losing a confidence vote 11 months later and was succeeded, with Congress/I support, by longtime Janata and Congress leader Chandra Shekhar, who resigned after four months.

During the election campaign that followed in the spring of 1991, Rajiv Gandhi was assassinated by a disgruntled Sri Lankan Tamil while in Tamil Nadu. Congress/I rallied around longtime party stalwart P. V. Narasimha Rao, a former minister under both Rajiv and Indira Gandhi, drawing on a sympathy vote, to finish close enough to a majority to form a minority government. As prime minister, Rao—who was also Congress Party president—faced one of the worst outbreaks of Hindu-Muslim violence since Partition. The violence was focused on a dispute over the Babri Masjid mosque in Ayodhya, Uttar Pradesh. Hindus had claimed that the mosque had been built on the site of a former temple, and a pro-Hindu political party, the Bharathiya Janata Party (BJP) exploited the long-simmering dispute into a carefully orchestrated grab for political power. Hindu militants succeeded in destroying the mosque on 6 December 1992, an act that led to widespread communal riots in Uttar Pradesh, Mumbai (formerly Bombay) and much of the rest of the country. Communal riots have flared up throughout India ever since, and remained a persistent threat to the country's long-term stability. The worst outbreak of communal violence following the 1992 rioting occurred in February and March 2002, a group of Muslims in the town of Godhra in the state of Gujarat attacked and set fire to two train cars carrying Hindu activists returning from Ayodhya. Fifty-eight Hindus

were killed in the 27 February attack. Starting the following day, Hindus attacked Muslims in Gujarat, leaving hundreds dead and tens of thousands displaced. In three months of violence, much of it sanctioned by India's Hindu nationalist-dominant federal and Gujarati state governments, approximately 2,000 individuals were killed, mostly Muslims.

In more positive developments, Rao initiated economic reforms that, beginning in the early 1990s, opened India to foreign investors and market economics. He lost his hold on power in 1996, and in May of that year, President Shankar Dayal Sharma appointed Hindu nationalist Atal Bihari Vajpayee as prime minister, beginning a whirlwind of power struggles and political instability during which India changed governments four times in 11 months, with power shifting between the BJP and a United Front/Congress coalition. In an effort to retain its traditional grasp of power, Rajiv Gandhi's widow, Sonia Gandhi, was named president of the Congress Party. Her magnetism did little, however, to boost Congress' fortunes, and the power struggles culminated with Vajpayee's BJP-led party forming a government in 1998 after emerging as the largest single party in India's Parliament. The BJP held power until general elections in 2004 dealt it a loss. Power was returned to the Congress Party for the first time in nearly a decade.

### Nuclear Politics and World Terrorism

In May 1998, Vajpayee's government surprised the world by exploding several underground nuclear devices. Pakistan responded by holding its own nuclear tests later in the month. The tests brought economic sanctions against both India and Pakistan from the United States and other countries. Tensions eased somewhat in February 1999, however, when Vajpayee inaugurated the first ever bus service between India and Pakistan by traveling to Lahore to meet Pakistan's prime minister. This resulted in the Lahore Declaration (signed 21 February 1999), by which India and Pakistan pledged to resolve their differences peacefully and work for nuclear security. Nevertheless, both countries continued to test medium-range missiles capable of delivering nuclear warheads on targets throughout the region.

Following the September 2001 terrorist attacks on the United States, the United States lifted sanctions imposed on India following its 1998 nuclear tests, citing India's support in the US-led war on terrorism. India began to insist that Pakistan play a larger role in curtailing "cross-border terrorism" in Kashmir and India itself. On 13 December 2001, the Indian Parliament was attacked by five suicide fighters. Fourteen people died in the raid, including the five attackers. India blamed the attacks on two Pakistan-based organizations, Lashkar-e-Taiba and Jaish-e-Muhammad, which the United States also listed as terrorist groups. Following the attacks on Parliament, diplomatic contacts were curtailed, rail, bus, and air links were severed, and close to one million troops amassed on India's and Pakistan's shared border, the largest military buildup since the 1971 war. In January 2002, India successfully test-fired the Agni, a nuclear-capable ballistic missile, off its eastern coast. In May, Pakistan test-fired three medium-range surface-to-surface Ghauri missiles, capable of carrying nuclear warheads. In June, the United States and the United Kingdom undertook a diplomatic offensive to avert war, and urged their citizens to leave India and Pakistan. In October, India announced its troops had

begun withdrawing from Pakistan's border, but Pakistan stated it wanted proof of the pullback before starting its own.

On 19 March 2003, the US-led coalition launched war in Iraq. The war was seen as setting a precedent for authorizing preemptive strikes on hostile states. The notion that India and Pakistan might adopt such a policy toward one another caused international concern. In April 2003, spokesmen from both India and Pakistan asserted that the grounds on which the US-led coalition attacked Iraq also existed in each other's country. The situation became more uncomfortable in March 2006 when US president George W. Bush, in a visit to India, signed a deal that allowed India to import nuclear fuel and technology, a privilege unlikely to be extended to Pakistan.

### 13 GOVERNMENT

India is a sovereign socialist secular democratic republic. Its constitution, which became effective 26 January 1950, provides for a parliamentary form of government, at the center and in the states. The constitution also contains an extensive set of directive principles akin to the US Bill of Rights. Legislative acts and amendments have weakened some of those guarantees, while a number of decisions by the supreme court have left some weakened and others—like the commitment to secularism and to representative government—strengthened. Suffrage is universal at age 18.

The parliament, or legislative branch, consists of the president, the Council of States (Rajya Sabha), and the House of the People (Lok Sabha). The Rajya Sabha has a membership of not more than 250 members, of whom 12 are appointed by the president and the remainder indirectly elected by the state legislatures and by the union territories for six-year terms, with one-third chosen every two years. The Lok Sabha has 543 directly elected members (530 from the states, 13 from the union territories) and two members appointed by the president to represent the Anglo-Indian community. More than 22% of the seats are reserved for so-called "backward classes," that is, schedule castes (formerly "Untouchables") and scheduled tribes. The Lok Sabha has a maximum life of five years but can be dissolved earlier by the president. The next elections were to take place before May 2009.

The president and vice president are elected for five-year terms by an electoral college made up of the members of both parliamentary houses and the legislative assemblies of the states. Legally, all executive authority, including supreme command of the armed forces, is vested in the president, as head of state, who, in turn, appoints a council of ministers headed by a prime minister. The prime minister serves as the head of government. That individual is chosen by legislators of the political party, or coalition of parties, that commands the confidence of the parliament. The prime minister forms—and the president then appoints—the council of ministers, consisting of cabinet ministers, ministers of state, and deputy ministers to formulate and execute the government program. The vice president serves as president of the Rajya Sabha and usually succeeds the president at the end of the latter's term.

By tradition, the presidency and vice presidency trade off between northerner and southerner, although a Muslim and a Sikh—nonregional identifications—have also held these positions. In July 2002, A.P.J. Abdul Kalam was elected India's 11th president, garnering 90% of the electoral college vote. He was the

scientist responsible for carrying out India's nuclear tests in 1998, and is a Muslim. His term was to last through 2007.

Elections at the state level are no longer timed to coincide with national elections, and their schedule has become erratic, as state governments have been more or less stable.

BJP party leader A.B. Vajpayee emerged from the May 1996 election as the new prime minister. In an 11-month period, he was succeeded by Deve Gowda, of the United Front and I.K. Gujral, a coalition candidate representing Congress and the United Front. Vajpayee returned to the prime minister's position in 1999 and, despite a brief loss of power, retained the position until May 2004 when Congress regained power and chose Manmohan Singh to lead the governing coalition. The next election for prime minister was scheduled for May 2009.

### 14 POLITICAL PARTIES

India began its independent existence with the Indian National Congress supreme at the center and in all state legislatures. In its various manifestations, it controlled the government for most of the years since independence in 1947 before losing its dominant position with the rise of the Bharathiya Janata Party (BJP) in 1980. Founded in 1885, the Indian National Congress, known after 1947 as the Congress Party, was the most powerful mass movement fighting for independence in British India. It became the ruling party of a free India by reason of its national popularity and because most leaders of the independence movement were among its members, including Indian first prime minister, Jawaharlal Nehru. In its progression from independence movement to ruling party, the CP spawned many offshoots and continued to do so, as often for personal reasons as for matters of party policy. The first to do so was the socialist wing that split off shortly after independence to form a party in its own right, dividing again several times thereafter.

Other major parties at the time of independence included the Communist Party of India (CPI), with its origins in the peasants and workers parties of the past, representing, like them, the communist left. The CPI began the independence period under a cloud because of its Moscow-directed cooperation with the British during World War II. On the right were parties like the Hindu Mahasabha (HMS), doomed to ignominy when one of its kind killed Mahatma Gandhi in 1948. Within the political system, the HMS, nonetheless, reflected a vital Hindu nationalist strain that has seen several party iterations in the years since. It became a force to contend with as the BJP began to gain popularity after bringing together various strains of the Hindu nationalist movement into an "all-India" coalition party in 1980. By the early 1990s, the BJP has emerged as India's largest opposition party, and led a ruling coalition from 1998 to 2004.

Parties on the left, right, and center have continued to divide or split off over the years, and the number of single state linguistic, sectarian, and regional parties capable of governing only at the state level but available for coalition building at the center has grown significantly.

As of 2006, 19 political parties held seats in the People's Assembly. Leading parties in 2006 were Congress with 145 seats, the BJP with 138 seats, and the Communist Party of India (Marxist) with 43 seats.

## 15 LOCAL GOVERNMENT

The Republic of India is a union of states. The specific powers and spheres of influence of these states are set forth in the constitution, with all residual or nonspecified powers in the hands of the central government (the reverse of the US Constitution). The central government has the power to set state boundaries and to create and abolish states. The state governments are similar to the central government in form, with a chief minister and a cabinet responsible to the state legislature, which may be unicameral or bicameral. State governors, usually retired civil servants or politicians, are appointed by the president for a five-year term and act only on the advice of the state cabinet.

The constitution gives the president the power—on the advice of the prime minister—to dissolve a state legislature and dismiss a state government if no party commands the support of a majority or if the state's constitutional machinery is incapable of maintaining order. The Lok Sabha, which must approve each six-month extension of direct rule, acts as the state legislature during its imposition, governing through the governor. Termed as “President's Rule” in the constitution, this power derives from a provision for “Governor's Rule” in the Government of India Act of 1935 and survives in the Pakistan constitution of 1973 in that form. It was invoked for the first time in 1959 by Prime Minister Nehru, and on the advice of Indira Gandhi, who was then Congress Party president; in power herself, she invoked the power repeatedly, often for partisan political purposes and, especially in the early 1980s, in the wake of ethnic/communal violence in Punjab, Assam, and Jammu and Kashmir. Limitations on its partisan use were imposed in a Supreme Court decision in spring 1994.

Under the States Reorganization Act of 1956, there were 14 states and five union territories, organized, where appropriate, on linguistic grounds. Through a gradual process of reorganization and division, two former union territories have become states while new union territories have been created (there were seven as of 2006), and the number of states has grown to 28.

Administratively, the states and union territories are divided into districts, under the control of senior civil servants who are responsible for collecting revenues, maintaining law and order, and setting development priorities. Districts are further divided into subdivisions, and subdivisions into *taluks* or *tehsils*. State government and lower levels of representative councils vary in organization and function, but all are based on universal adult suffrage. Large towns are each governed by a corporation headed by a mayor; health, safety, education, and the maintenance of normal city facilities are under its jurisdiction. Smaller towns have municipal boards and committees similar to the corporations but with more limited powers. District boards in rural areas provide for road construction and maintenance, education, and public health. The constitution provides for the organization of village councils (*panchayats*), and nearly all the villages have been so organized. The panchayats are elected from among the villagers by all the adult population and have administrative functions and a judicial wing that enables them to handle minor offenses.

In the mid-1990s, there were several campaigns to form new states in India, carving new borders along factional lines in existing states. A promise by former Prime Minister Deve Gowda to create a new state in Uttar Pradesh in 1996 renewed separatist sentiments in several other states.

The Hindu nationalist party (BJP) proposed five new states in 1996, hoping to control their assemblies rather than fight political foes in larger entities. Both proposals ignore potentially chaotic consequences in favor of political gain; existing state boundaries were drawn on language differences, while there appeared to be no motive other than politics for the boundaries suggested by the new proposals. On its return to power in 1998, the BJP government succeeded in drafting bills that created three new states (Chhattisgarh, Uttaranchal, and Jharkhand), but put on hold its plans for making Delhi, presently a Union Territory, a state. Chhattisgarh, Uttaranchal, and Jharkhand became India's three newest states in November 2000, raising the total from 25 to 28.

## 16 JUDICIAL SYSTEM

The laws and judicial system of British India were continued after independence with only slight modifications. The supreme court consists of a chief justice and 25 associate judges, appointed by the president, who hold office until age 65. The court's duties include interpreting the constitution, handling all disputes between the central government and a state or between states themselves, and judging appeals from lower courts.

There are 18 high courts, subordinate to but not under the control of, the supreme court. Three have jurisdiction over more than one state. Each state's judicial system is headed by a high court whose judges are appointed by the president and over whom state legislatures have no control. High court judges can serve up to the age of 62. Each state is divided into districts; within each district, a hierarchy of civil courts is responsible to the principal civil courts, presided over by a district judge. The 1973 Code of Criminal Procedure, effective 1 April 1974, provides for the appointment of separate sets of magistrates for the performance of executive and judicial functions within the criminal court system. Executive magistrates are responsible to the state government; judicial magistrates are under the control of the high court in each state.

Different personal laws are administered through the single civil court system. Islamic law (Shariah) governs many noncriminal matters involving Muslims, including family law, inheritance, and divorce. There are strong constitutional safeguards assuring the independence of the judiciary. In 1993–94, the supreme court rendered important judgments imposing limits on the use of the constitutional device known as “President's Rule” by the central government and reaffirming India's secular commitment.

## 17 ARMED FORCES

The Indian Armed Forces have a proud tradition, having provided one million soldiers during World War I and two million during World War II for combat in Asia, Africa, the Middle East, and Europe. The armed forces are entirely volunteer and consist of a Strategic Forces Command, the regular army, navy, and air force, a territorial (reserve) army, and 16 different full-time or reserve special purpose paramilitary units for border, transportation, and internal defense.

In 2005, active armed forces personnel totaled 1,325,000. The Army had 1,100,000 personnel, organized into 6 regional commands, a training command, and 11 corps headquarters, which included 3 armored divisions, 25 mechanized infantry battalions, 4 RAPID, 18 infantry divisions, 10 mountain divisions, 8 independent armored brigades, 8 independent infantry brigades, 2 ar-



tillery divisions, 4 air defense brigades, and 3 engineer brigades. The Army's equipment included 3,978 main battle tanks, 190 light tanks, 110 reconnaissance vehicles, over 1,700 armored infantry fighting vehicles, more than 817 armored personnel carriers, and more than 12,675 artillery pieces. The Indian Navy had 55,000 active personnel, including 7,000 personnel in its aviation arm and 1,200 Marines. Major naval units included 19 tactical submarines, 1 aircraft carrier, 8 destroyers, 17 frigates, and 28 corvettes. The naval aviation forces had 34 combat capable aircraft that included 15 fighter ground attack and 17 antisubmarine warfare aircraft. The Air Force had 170,000 personnel and 852 combat-capable aircraft, including 386 fighters and 380 fighter ground attack aircraft. The Air Force also had 60 attack helicopters. There is also a Coast Guard of over 8,000 personnel, with 41 aircraft and 50 patrol vessels.

India's Strategic Forces Command is responsible for the country's strategic missile force which consists of 24 IRBMs and 45 SRBMs. As of 2002, it was suspected that India possessed 60 nuclear weapons and had the capability for producing more.

India's paramilitary forces have 1,293,229 active personnel, which included a 208,422 person Border Security Force (BSF), a Central Industrial Security Force of 94,347, and a Central Reserve Police Force of 229,699, which were under the Ministry of Home Affairs. There was also a State Armed Police force of 450,000.

In 2005, the defense budget totaled \$22 billion. India in that same year, supplied personnel to six UN peacekeeping operations.

## 18 INTERNATIONAL COOPERATION

India became a charter member of the United Nations on 13 October 1945 and belongs to ESCAP and several nonregional specialized agencies. India is also part of the Asian Development Bank, the African Development Bank, the Colombo Plan, SAARC, G-6, G-15, G-19, G-24, and G-77. India became a founding member of the World Trade Organization (WTO) on 1 January 1995. It is a dialogue partner with the ASEAN and an observer in the OAS. India is a member of the Commonwealth of Nations.

India was a founder of the nonaligned movement and has pursued a formally neutralist foreign policy since independence. Relations with China, hostile during the early 1960s, have been normalized since 1976. India's primary ally among the superpowers had been the former USSR, with which a 20-year treaty of peace, friendship, and cooperation was signed in 1971. India also negotiated a settlement in Sri Lanka's civil unrest in July 1987, sending in troops to enforce the agreement.

Since independence, India has fought three wars with neighboring Pakistan, in 1947–48, 1965, and 1971. On 10 March 1983, India and Pakistan signed a five-year agreement for improving economic and cultural ties, which was viewed as a major step in the normalization of their relations. Tension between India and Pakistan increased again in 1986–87, when both countries conducted military exercises near their common border in the sensitive Punjab region. Indo-Pakistan relations worsened again in 1990 and in the years immediately following as a consequence of Pakistan's support of Islamic insurgents in Indian Kashmir. In 1998 both countries became nuclear powers, conducting a series of underground nuclear tests. Tensions between them worsened again after an attack on the Indian Lok Sabha in December 2001, and both countries amassed approximately one million troops

on their shared border. At the January 2004 SAARC summit in Islāmābād, India and Pakistan agreed to begin a Composite Dialogue addressing major issues, including control in Kashmir.

In environmental cooperation, India is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification. The nation is also part of the South Asia Cooperative Environment Program (SACEP).

## 19 ECONOMY

As of 2006, India was the world's twelfth-largest economy, and third-largest in Asia behind Japan and China, in nominal terms. Although in current dollars, India's GDP was estimated at \$758.9 billion in 2005, in purchasing power parity (PPP) terms—a calculation which takes into account the low price levels for goods and services in India compared to the United States—India's effective GDP equaled \$3.718 trillion. Annual per capita income, of course, remained very low—estimated at \$693 in nominal terms and \$3,395 in PPP terms in 2005—but its twelfth-place rank reflects the country's remarkable record of steady growth: an annual growth average of 6.8% since 1994 with a 10% reduction in the proportion of the population living in poverty. Severe impediments and future challenges remain, however. Nearly two-thirds of the labor force is still employed or underemployed in agriculture, which constitutes 22% of the GDP. Industry contributes about 27% to GDP and employs some 17% of the labor force. Services account for about 23% of the labor force, and for 51% of GDP, up from a 12.8% share in 1980. India's population growth dropped below 2% for the first time in four decades in 2001 (it averaged 1.5% over the 2001–05 period), but the growth rate for the working-age group 15 to 60 years olds continued to accelerate, presenting government policy makers with the need to accelerate job creation. Over 58% of the population is under the age of 20.

India is rich in mineral, forest, and power resources, and its ample reserves of iron ore and coal provide a substantial base for heavy industry. Coal is the principal source for generating electric power although hydroelectric and nuclear installations supply a rising proportion of India's power needs. As well, anticipating a rapid growth in oil consumption in the near future, the government actively promotes oil exploration and development. Since 1997, under its New Exploration and Licensing Policy (NELP), foreign companies have been permitted to participate in upstream oil exploration, long restricted to Indian-owned firms.

The Indian economy is a mixture of public and private enterprises. Under a planned development regime since independence, the public sector provided the impetus for industrialization and for absorption of sophisticated technology. Nevertheless, a large proportion of the total manufacturing output continued to be contributed by small, unorganized industries. In recent years, and especially since 1991, the government has placed greater emphasis on private enterprise to stimulate growth and modernization. Reflecting this policy shift, public enterprises accounted for only about 7% of the country's GDP in 1999, down from 23% in the mid-1980s. In December 1999, the government created the Ministry of Disinvestment and announced plans to disinvest in 247

companies owned by the central government down to a 26% share in most companies, excluding only three strategic sectors altogether: railways, defense, and nuclear energy. In all, about \$530 million was received from disinvestment in 2000/01. In 2002/03 total receipts from disinvestment were only about 28% (\$717 million) of the Ministry's projected target \$2.5 billion. Sales included a strategic stake of Videsh Sanchar Nigam Ltd. (VSNL), India's premier international communications and internet service provider (ISP) company to the Tata Group, India's largest conglomerate; a strategic stake in IBP, the national petroleum marketing company, to Indian Oil; a strategic stake in Indian Petrochemical Company Ltd. (IPCL) to the Indian company, Reliance Industries; and a strategic share of Maruti Udyog Ltd. (MUL), India's top car maker, to Suzuki Maintenance Corporation (SMC) of Japan.

Following the proclamation of a state of emergency in June 1975, a 20-point economic reform program was announced. Price regulations were toughened, and a moratorium on rural debts was declared. A new campaign was mounted against tax evaders, currency speculators, smugglers, and hoarders. This program, which lapsed when Indira Gandhi was out of power (1977–80), was revised and incorporated into the sixth five-year plan (1980–85). The reforms were buttressed by a 30-month arrangement under the IMF's Extended Fund Facility (EFF), from 9 November 1981 to 10 May 1984. After the collapse of world oil prices in 1986, India's average annual growth increased to 6.2% on the latter half of the decade. This expansion was accompanied, however, by numerous persistent weaknesses: slow growth in formal sector employment, inefficiency and technological lags in the public sector, and increasing fiscal and balance of payments deficits, which by 1990 had produced double digit inflation. The oil shock accompanying the Persian Gulf War catalyzed an acute balance of payments crisis in early 1991.

Swift stabilization measures taken by the newly elected government, including two stand-by arrangements with the IMF, proved highly successful. By mid-1992, foreign exchange reserves had recovered to a comfortable margin and inflation declined from 13.1% in 1991–92 to 8.6% in 1993–94. Further reforms focused on trade liberalization, privatization, and deregulation helped push GDP growth to an average of 6.5% for the five years 1995 to 1999. Accelerating growth sparked a return of double-digit inflation, reaching 13.1% in 1998/99, but a currency devaluation of almost 12% helped bring inflation down to 3.4% in 1999. Economic growth slowed significantly in 2000/01 to around 4% reflecting both the global economic slowdown and also weak agricultural growth in India. The 2000/01 budget included a 30% increase on defense spending because of conflict with Pakistan, increasing the public debt. The central government's fiscal deficit increased steadily from 1997/98 to 2001/02, from 4.9% of GDP to 6.1% of GDP. In 2001/02, however, growth recovered to around 5.5% largely due to a recovery in agriculture. In the more export-sensitive industrial sector, the growth rate was only 2.7%. In 2002/03 industrial growth recovered to an estimated 6.17%, while services increased 7.1%.

By mid-2005, India's economy was booming. Industrial production had grown at its fastest rate in nine years, by 11.7% over the same period in 2004, including an increase in manufacturing of 12.5%. Exports were up by 19% on 2004, and imports by 30%. Economic growth was averaging 6.5% over the 2001–05 period,

with inflation at 4%. The stock market in mid-2005 had risen by more than 50% in one year, and foreign exchange reserves were building. Real GDP growth was forecast at 7.8% in fiscal year 2005/06, but was predicted to fall to 7% in 2006/07 and to 6.5% again in 2007/08. High international oil prices and strong domestic demand were predicted to lead to a significant widening of the merchandise trade deficit over the 2006–08 period, but strong surpluses on services and transfers were forecast to limit the size of the current-account deficit.

Despite its shining economy in 2006, India was suffering a stalling of economic reforms that had laid the basis for its successes. These reforms were begun in 1991 under Finance Minister Manmohan Singh, who by May 2004 had become prime minister. The government, led by the Congress Party, by 2005 had proved unable to pursue additional liberalizing economic reforms, as it relied upon support from a group of Communist parties that opposed many such reforms. In June 2005, those parties forced the government to formally abandon plans to sell stakes in 13 state-owned companies to strategic investors. However, by implementing a large public-works project, the government insisted it was implementing plans to reduce rural poverty, help fix rural infrastructure, and give power and rights to the very poor. In addition to the lost revenue from potential privatizations, with such public-works plans being envisioned, and the money it would take to fund them, the government faced budgetary concerns.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 India's gross domestic product (GDP) was estimated at \$3.7 trillion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$3,400. The annual growth rate of GDP was estimated at 7.1%. The average inflation rate in 2005 was 4.4%. It was estimated that agriculture accounted for 20.6% of GDP, industry 28.1%, and services 51.4%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$17.406 billion or about \$16 per capita and accounted for approximately 2.9% of GDP. Foreign aid receipts amounted to \$942 million or about \$1 per capita and accounted for approximately 0.2% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in India totaled \$384.29 billion or about \$363 per capita based on a GDP of \$600.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.9%. It was estimated that in 2002 about 25% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, India's active labor force totaled an estimated 496.4 million. In 1999 (the latest year for which data was available), 60%

were employed in agriculture, 17% in industry, and 23% in services. The unemployment rate in 2005 was estimated at 9%.

In 2005, there were an estimated 13 to 15 million organized industrial workers, all belonging to the formal economy, which accounted for about 30 million workers, or less than 10% of the total labor force. Most trade unions are affiliated with political parties. The right to strike is often exercised, but public sector unions are required to give 14 days notice prior to an organized strike. Employers are prohibited from discriminating against union activity, and collective bargaining is practiced.

As of 2005, working hours are limited by law to 49 per week for adults with eight-hour days. Minimum wages are set according to industry and by the various states. By law, earned income also includes a cost-of-living allowance and an annual bonus. However, these regulations were only applicable to factories and all other establishments covered by the Factories Act. Most workers covered under that law earned more than the minimum, and were subject to bonuses and other benefits. Agricultural workers were subject to separate state mandated minimum wage rates. In addition, some industries, such as apparel and footwear, had no prescribed minimum wage rate. Although factory, mine, and other hazardous industry employment of children under 14 years of age was prohibited, India had no formal overall minimum age governing child labor. Estimates place the number of child laborers as ranging from 12.7 to 55 million, as of 2005. Many of them work in the hand-knotted carpet industry. Bonded labor was abolished in 1976, but was still prevalent. Estimates of the number of bonded laborers range as high as 40 million. Health and safety standards are not regularly enforced.

## 22 AGRICULTURE

In 2003, of the total land area of 297 million hectares (734 million acres), the net sown area was 169 million hectares (420 million acres), or about 57%. The irrigated area totaled 55.8 million hectares (137.9 million acres) in 2003. At least 10 million hectares (24.7 million acres) were redistributed under land reform programs during 1951–79. Agriculture employs about 60% of India's population and contributes about 22% to GDP.

Agricultural production increased at an average annual rate of 2.9% during the 1970s, 3.1% during the 1980s, and 3.8% during 1990–98, mainly as the result of the “green revolution,” which has made India basically self-sufficient in grain output through the use of improved hybrid seeds, irrigation, and fertilizers. During 2002–04, crop production was up 0.1% from 1999–2001. Cereal production averaged over 104 million tons per year from 1979 to 1981; in 2003, production totaled 232 million tons. Rice leads all crops and, except in the northwest, is generally grown wherever the conditions are suitable. In 2004, 129 million tons of rice were produced on 42.3 million hectares (104.5 million acres). The combined acreage and production of other cereals, all to a large extent grown for human consumption, considerably exceed those of rice. These include jowar, a rich grain sorghum grown especially in the Deccan; wheat, grown in the northwest; and bajra, another grain sorghum grown in the drier areas of western India and the far south. A wheat crop of 72 million tons was harvested on 26.6 million hectares (65.8 million acres) in 2004. Vegetables, pulses, and oilseeds are the other main food crops. Oilseed production in

2004 included 5.1 million tons of cottonseed and 6.8 million tons of rapeseed.

Nonfood crops are mainly linseed, cotton, jute, and tobacco. The cotton crop in 2004/05 was 19 million bales (170 kg each) and was large enough to both supply the increasing demands of the domestic textile sector and provide export receipts. For centuries, India has been famous for its spices and today is one of the world's largest producers, consumers, and exporters of a wide range of spices. Of the 63 spices grown in the country, black pepper, cardamom, ginger, turmeric, and chilies are the most economically important. Since World War II (1939–45), India has been the world's largest producer of black pepper (51,000 tons in 2004). Pepper production is concentrated in the southern states of Kerala (65%), Karnataka (20%), and Tamil Nadu (15%).

India was the world's second-leading producer (after Brazil) of sugarcane in 2004, with an output of 244.8 million tons. Production of raw sugar amounted to 14.2 million tons in 2004/05, enough to meet over 90% of domestic consumption. Tea, coffee, and rubber plantations contribute significantly to the economy, although they occupy less than 1% of the agricultural land (in hill areas generally unsuited to Indian indigenous agriculture), and are the largest agricultural enterprises in India. Tea, the most important plantation crop, is a large foreign exchange earner, with an export value of \$377.7 million in 2004, based on exports of 174,728 tons. Production in 2004 was 850,800 tons, 26% of global production. It is grown mostly in Assam and northern Bengal, but also in southern India. Coffee (275,000 tons in 2004) is produced in southern India, and rubber (762,000 tons in 2004) in Kerala. Leaf tobacco production totaled 598,000 tons in 2004.

Because of the ever-present danger of food shortages, the government tightly controls the grain trade, fixing minimum support and procurement prices and maintaining buffer stocks. The Food Corp. of India, a government enterprise, distributes 12 million tons of food grains annually and is increasing its storage capacity.

## 23 ANIMAL HUSBANDRY

The livestock population of India is huge and animals as a whole play an important role in the agricultural economy even though they often receive inadequate nourishment. Slaughter of cattle in India is prohibited in all but a few states since Hindus believe that cows and other animals may contain reincarnated human souls. The slaughter of buffaloes is not as offensive to the religious beliefs of Hindus, and buffaloes are slaughtered for meat.

In 2005 there were an estimated 185 million head of cattle, representing about 6% of the world's total and more than in any other country. There are eight breeds of buffalo, 26 cattle breeds, and numerous crossbreeds. The bovine inventory in 2005 also included 98 million buffalo. Other livestock in 2005 included 120 million goats, 62.5 million sheep, 14.3 million hogs, 635,000 camels, 750,000 asses, 800,000 horses, and 430 million chickens. Bulls (steers) and water buffalo are important draft animals. Dairy farming has made India self-sufficient in butter and powdered milk. Dairying in India is undertaken on millions of small farms, where one to three milk animals are raised on less than a hectare (2.5 acres), and yields consist of two to three liters of milk daily. To improve milk production, a dairy development program was begun in 1978 to build up the milch herd to 150 million cross-

bred cows. Milk output in 2005 from over 35 million dairy cows was estimated at 38.5 million tons, second in the world. India also produced 38.5 million tons of buffalo milk that year. Egg production in 2005 was 2,492,000 tons. The production of cattle and buffalo hides and goat- and sheepskins is a major industry. About 51,400 tons of wool were produced in 2005. Silk production that year amounted to 17,500 tons, second highest after China. Animal dung is also used for fuel and fertilizer.

## 24 FISHING

Fishing is an important secondary source of income to some farmers and a primary occupation in small fishing villages. Almost three-fifths of the catch consists of sea fish. The bulk is marketed fresh; of the remainder, more than half is sun-dried. Fish and fish products account for about 2.5–3% of the total export value. Deep-sea fishing is not done on a large scale. Inland fishing is most developed in the deltaic channels of Bengal, an area where fish is an important ingredient of the diet. In recent years, the government has been encouraging ocean fishing through the establishment of processing plants and the introduction of deep-sea craft. Fishing harbors have been built along the coasts of the Bay of Bengal and the Arabian Sea. Under the fifth national plan (1974–79), fish farming was encouraged through the creation of Fish Farmers' Development Agencies. Fish production achieved a new high of about 3.7 million tons at the end of the seventh national plan (1986–91).

The total fish catch in 2003 was 5,904,584 tons (sixth in the world), of which capture fishing accounted for 3,658,994 tons and aquacultural sources for 2,215,590 tons. Fish exports, still only a fraction of the potential, have shown a steady gain. In 2003, exports of fish products amounted to over \$1.3 billion.

## 25 FORESTRY

The major forestlands lie in the foothills of the Himalayas, the hills of Assam state, the northern highlands of the Deccan, the Western Ghats, and the Andaman Islands. Other forestlands are generally scrub and poor secondary growth of restricted commercial potential. India's forests are mostly broad-leaved; the most important commercial species are sal (10.9% of forest trees), mixed conifers (8.1%), teak (6.8%), fir (3.2%), chir-pine (2.4%), and upland hardwood (2.4%). In 2000 there were 64,113,000 hectares (158,423,000 acres) of forestland, according to a satellite survey. About 40% of the forest area is highly degraded and devoid of wood producing trees.

India's forests have historically suffered tremendous pressure from its large human and animal populations as a source of fuel wood, fodder, and timber. According to the government's national forest policy, 33% of the land area should be covered by forest, but actual forest coverage is just 21.6%. About 138,000 hectares (341,000 acres) were planted annually during the 1980s under afforestation programs. During 1990–2000, the forested area grew by an annual average of 38,000 hectares (94,000 acres). Most forests (98%) are owned by state governments and are reserved or protected for the maintenance of permanent timber and water supplies. The government has prohibited commercial harvesting of trees on public land, except for mature, fallen, or sick trees. In order to help meet the fuel needs of much of the population, harvesting dead and fallen branches is permitted in government for-

ests, but this policy is widely violated. About 94% of the total timber cut in 2004 was burned as fuel.

The total timber cut in 2004 was 322.7 million cu m (11.4 billion cu ft). Production that year included (in million of cubic meters): sawn wood, 11.9; paper and paperboard, 4.1; wood-based panels, 2.1; and wood pulp, 1.7. Other forestry products include bamboos, canes, fibers, flosses, gums and resins, medicinal herbs, tanning barks, and lac. Imports of forest products nearly totaled \$1,075 million in 2004, and mainly consisted of newsprint, printing and writing paper, and recovered paper products.

## 26 MINING

Well endowed with industrial minerals, India's leading industries in 2003 included steel, cement, mining, and petroleum. Gems and jewelry were leading export commodities to the United States. The minerals industry of India produced more than 80 mineral commodities in the form of ores, metals, industrial minerals, and mineral fuels and is among the world's leading producers of iron ore, bituminous coal, zinc, and bauxite. The country exploited 52 minerals—11 metallic, 38 nonmetallic, and 3 mineral fuels. In 2003, India also produced lead, monazite, selenium, silver, ilmenite, rutile, corundum, garnet, jasper, asbestos, barite (from the Cuddapah District mines, Andhra Pradesh), bromine, hydraulic cement, chalk, clays (including ball clay, diaspore, fireclay, and kaolin), feldspar, fluorspar, agate, zircon, graphite, kyanite, sillimanite, lime, magnesite, nitrogen, phosphate rock, apatite, ocher, mineral and natural pigments, pyrites, salt, soda ash, calcite, dolomite, limestone, quartz, quartzite, sand (including calcareous and silica), slate, talc, pyrophyllite, steatite (soapstone), vermiculite, and wollastonite.

Output of iron ore and concentrate totaled 85 million tons in 2003, up from 80 million tons in 2002. Iron ore reserves, estimated at 11,000 million tons of hematite ore containing at least 55% iron, were among the largest in the world. Principal iron ore output came from the rich fields along the Bihar-Orissa border, close to all major existing iron and steel works. Smaller amounts were mined in the Bababudan Hills of Karnataka and elsewhere. The joint venture Rio Tinto Orissa Mining Ltd. studied a new mining project, in the Gandhamardan/Malanjtoli areas of Orissa, that had ore reserves of 800 million tons and could start in 2006, produce 25 million tons per year by its fifth year, and have an eventual capacity of 50 million tons per year.

India's output of bauxite by gross weight was 10,002,000 million tons in 2003, up from 9,647,000 tons in 2002. Bauxite deposits were estimated at 2,300 million tons. The state-owned National Aluminium Co. Ltd. (Nalco), which doubled its mining capacity to 4.8 million tons per year, has been privatized by the government.

Production of zinc concentrates (zinc content) in 2003 was 162,000 metric tons, up from 234,300 metric tons in 2002.

Production of smelted gold in 2003 totaled 3,100 kg, while the output of mined and smelted silver totaled 53,600 kg in that same year. Gold and silver came largely from the Kolar fields of southeastern Karnataka, where the gold mines have reached a depth of more than 3.2 km and contained reserves of 55,000 kg of gold. The Geological Survey of India outlined three new gold resources—in the Dona block, Andhra Pradesh, 4.8 million tons averaging 1.9 grams per ton of gold; in the Banswar district, Rajasthan, 7.1 million tons averaging 2.96 grams per ton of gold; and in the Ghrhar

Pahar block, Sidhi district of Madhya Pradesh, 3.3 million tons averaging 1.04 grams per ton of gold. The import duty on gold was reduced to curtail smuggling.

In 2003 diamond production (gem and industrial) totaled 60,000 carats, down from 62,000 carats in 2002. Industrial diamond output in 2003 totaled 44,000 carats, down from 45,000 carats in 2002, while gem diamond output totaled 16,000 and 17,000 carats for 2003 and 2002, respectively.

Content of manganese in mined ore produced was 620,000 tons in 2003. Manganese deposits were estimated at 154 million tons. Manganese was mined in Andhra Pradesh, Karnataka, the Nāgpur section of Maharashtra, northward in Madhya Pradesh, along the Bihar-Orissa border adjoining the iron ore deposits, along the Maharashtra-Madhya Pradesh-Rajasthan border, and in central coastal Andhra Pradesh.

Mineral production in 2003 included: 28,400 metric tons of mined copper ore, down from 31,500 metric tons in 2002; 1.8 million tons of gross weight chromite, compared to 1.9 in 2002; 2.3 million metric tons of gypsum; and 1,600 metric tons of crude mica, up from 1,500 metric tons in 2002. The best-quality mica came from Bihar.

There were extensive workable reserves of fluorite, chromite, ilmenite (for titanium), monazite (for thorium), beach sands, magnesite, beryllium, copper, and a variety of other industrial and agricultural minerals. However, India lacked substantial reserves of some nonferrous metals and special steel ingredients.

## 27 ENERGY AND POWER

India's proven petroleum reserves and crude refining capacity were estimated at 5.4 billion barrels and at 2.1 million barrels per day, respectively, as of 1 January 2004. Oil production in 2003 was estimated at 819,000 barrels per day, of which crude oil accounted for 660,000 barrels per day. However, in that same year, demand for oil totaled an estimated 2.2 million barrels per day, requiring India to import an estimated net 1.4 million barrels per day, in 2003. While India's future oil consumption is anticipated to reach 2.8 million barrels per day by 2010, the country is looking to expand its domestic production to offset its need to rely upon imports. Oil exploration and production are undertaken in joint ventures between government and private foreign companies. As of October 2004, oil accounted for roughly 30% of India's energy consumption. India's natural gas reserves were estimated at 30.1 trillion cu ft, as of 1 January 2004. In 2002, natural gas production and consumption each totaled an estimated 883 billion cu ft.

India's recoverable coal reserves were estimated in 2001 at total 93 billion short tons. Production and consumption of coal in 2002, was estimated at 393 million short tons and 421 million short tons, respectively.

In 2002, India's electric generating capacity was placed at 122.074 million kW, which included: 91.447 million kW of conventional thermal; 26.260 million kW of hydro; 2.860 million kW of nuclear; and 1.507 million kW for geothermal/other sources. Electric power output in 2002 totaled an estimated 547 billion kWh, of which: 478.213 kWh were generated by conventional thermal sources; 26.260 kWh by hydroelectric sources; 17.760 kWh by nuclear plants; and 4.093 kWh by geothermal/other sources. In 2002, India consumed 525.427 billion kWh of electricity, of which 1.520 billion kWh were imported.

A 380 MW nuclear power station, India's first, was completed with US assistance in 1969 at Tarapur, near Mumbai (formerly Bombay). (The Tarapur plant has long been a center of controversy because of India's alleged failure to observe international safeguards to prevent the diversion of nuclear materials for military purposes.) Another nuclear station, in Rajasthan, began partial operations in the early 1970s, and two more plants were added by the end of the decade. In 1996, India had 10 operating reactors with a combined capacity of 1,695 MW, and four more under construction with a planned capacity of 808 MW. In 1999, the 740 MW initial phase of the Dabhol LNG-fired power plant began operation—LNG is liquefied natural gas.

## 28 INDUSTRY

Modern industry has advanced fairly rapidly since independence, and the industrial sector now contributes 27% of the GDP. Large modern steel mills and many fertilizer plants, heavy-machinery plants, oil refineries, locomotive and automotive works have been constructed; the metallurgical, chemical, cement, and oil-refining industries have also expanded. Moreover, India has established its role in the high value-added sectors of the "new economy" sectors of information technology (IT), computer hardware, computer software, media, and entertainment. Yet, though the total product is large, industry absorbs only about 17% of the labor force. Nine states—Maharashtra, West Bengal, Tamil Nadu, Gujarat, Uttar Pradesh, Bihar, Andhra Pradesh, Karnataka, and Madhya Pradesh—together account for most of Indian industry.

Industrial production expanded at an average annual rate of 5–6% between 1970 and 1990. Enforced austerity and demand management measures taken to stabilize rapidly worsening macroeconomic imbalances in 1991–92 slowed growth in the industry sector to 0% for that year. This was followed by a modest recovery to 1.9% growth in 1992–93, though declining to an estimated 1.6% in 1993–94, due to lingering effects of the earlier stabilization measures as well as poorer than expected demand in key export markets. In 1995–96, however, the industrial growth rate jumped 11.7%, led by a 13% increase in manufacturing output, the highest in 25 years. Growth in industrial production was 6.6% in 1997–98, but slowed to 4.1% in 1998/99 primarily due to the effects of the Asian financial crisis, but also in part to international sanctions imposed after its nuclear tests in 1998. A rebound evidenced in 6.6% growth in 1999–2000 was cut short by the global economic slowdown in 2001, and the aftermath of the 11 September 2001 terrorist attacks on the United States, including intensifying regional tensions with Pakistan. Growth in industrial production slowed, to 5.1% in 2000–01 and to 2.7% in 2001–02. As the economy improved by mid-decade, the industrial production growth rate stood at 7.4% in 2004, and had climbed to 11.7% by June 2005.

Under the planned development regime of past decades, government directives channeled much of the country's resources into public enterprises. Private investment was closely regulated for all industries, discouraging investors from formal entry into the sector. However, industrial policy has shifted towards privatization and deregulation. Since 1991 government licensing requirements have been abolished for all but a few "controlled areas": distillation and brewing of alcoholic drinks, cigars and cigarettes, defense equipment, industrial explosives, hazardous chemicals, and

drugs and pharmaceuticals. Under the government disinvestment program announced at the end of 1999, only three sectors remain completely closed to private investment: defense, atomic energy, and railway transport. The oil industry was opened to joint foreign investment in 1997 under the New Exploration and Licensing Policy (NELP). The Ministry of Disinvestment was established in December 1999 to oversee the reduction of government shares in 247 state-owned companies. The first sale, in 2000, was 51% of the Bharat Aluminum Company, Ltd. to Sterlite Ltd. of India. In 2002, managerial control of Maruti Udyog Ltd. (MUL), India's top carmaker, was transferred to Suzuki Maintenance Corporation (SMC) of Japan. Generally, the public sector units (PSUs) for which the government has found buyers in its disinvestment program have not been in the industrial or manufacturing sectors. Instead, the government has taken steps to make their operations more competitive. Credit and capital markets have also been greatly liberalized. Since 1992, all foreign companies have been on par with Indian companies in the area of foreign exchange solvency and on the stock market. With these reforms, private investment in industry is now proceeding at a steady pace, fostering increased competition in most of the mining and manufacturing sectors previously monopolized by parastatals.

Textile production dominates the industrial field, accounting for about 30% of export earnings while adding only 7–8% to imports. The textile industry employs approximately 35 million workers, making it the second-largest employer in India after agriculture. On a broad level, the textile sector can be divided between the natural fiber segment (cotton, silk, wool, jute, etc.) and the man-made fiber segment (polyester filament yarn, blended yarns, etc.). Cotton accounts for about 60% of both domestic consumption and exports. In terms of operations, since the 1980s decentralized powerlooms have produced an increasingly large share of production as centralized mills have declined. In 1986, there were about 638,000 decentralized powerlooms in operation, and by 2002 these had increased 260% to about 1,662,000. Anticipating the globalization of the textile market in 2004, India's National Textile Policy of 2000 pinpointed the weaving sector as the crucial link in the textile value chain (from fiber to fabric to garment to style) that needed to become more competitive. However, integrated mill operations, which perform spinning, weaving and processing in a central location, have stagnated and declined. Mumbai (formerly Bombay), Ahmadābad, and the provincial cities in southern India lead in cotton milling, which accounts for about 65% of the raw material consumed by the textile industry. Jute milling is localized at Calcutta, center of the jute agricultural area. India is the world's number one jute manufacturer. On average, textile production was growing at about 5% a year by 2000, although in 2001–02, with demand damped by a series of negative events—economic recession in the United States, a global economic slowdown, the 11 September 2001 terrorist attacks on the United States, the attack on India's Parliament on 13 December 2001, and sectarian violence in Gujarat—growth fell to 2.6%, while textile exports fell 9%. However, beginning at the end of 2002 and continuing into the next three years, strong growth was evidenced. Textile exports had increased to \$11.7 billion by 2004, an increase of some 5% over 2003. Estimates were that the textile sector would grow by 15–18% following the end of world textile quotas in 2005.

India is the world's ninth-largest steel producer. Crude steel production reached 32.6 million tons in 2004. India's steel production has more than doubled since 1990. In 2005, India's steel production increased by 16.6% over 2004; with China, India led the global increase in steel production in 2005. The industry consists of seven large integrated mills and about 180 mini steel plants. The metallurgical sector also produced 818,000 tons of aluminum products in 2002. Automobile production, fed by both the steel and aluminum industries, has grown at an annual rate of close to 20% since liberalization in 1993, propelled by low interest rates, the expansion of consumer finance, and strong export demand. About 90% of vehicles produced are economy cars, and 10% are luxury cars and SUVs.

In the field of computers and consumer electronics, production has been boosted by the liberalization of technology and component imports. In consumer durables, production in many cases grew at double-digit rates in 2001/02 (air conditioners, 25%; microwave ovens, over 20%; color TVs, over 15%; refrigerators, 12%; audio products and DVDs, 10%; washing machines, less than 5%), while computer production was up 36%. Computer software exports have grown as a compound growth rate of some 50% per year. The electronics market in India was worth \$11.5 billion in 2004, and was projected to be the fastest-growing electronics market in several succeeding years. Since 2004, the electronics industry growth rate was surging at close to 30%.

In the petrochemical sector, India has 18 refineries throughout the country with a total refinery capacity of more than two million barrels per day. Sixteen refineries are government-owned, one is jointly owned, and one, the Reliance Industries refinery at Jamnagar in Gujarat State, is privately owned. Almost half India's refinery capacity has been built since 1998, the government's goal being self-sufficiency in refined petroleum products. India's total refinery capacity should currently be enough to meet domestic demand, but because of operational problems it still has to import diesel fuel.

India's cement industry is the second-largest in the world, after China, with an installed capacity of some 135 million tons. Exports have been very limited and only to immediate neighbors. In the last decade, the government's portion of cement consumption decreased from 50% to 35% as the domestic housing market has grown. However, government financed infrastructure projects have also helped sparked a growth in construction. In 2001/02, 106.9 million tons of cement were produced, of which 5.14 million tons were exported. Cement production—at a 10% growth rate—was expected to grow to \$158.5 million tons by the end of 2006/07.

Like cement, India's food processing industry is oriented mainly toward the domestic market. It is India's fifth-largest industry, with output reaching more than \$30 billion. Structurally it consists of about 9000 operational units, accounts for about 6.3% of GDP, 13% of exports, and 18% of industrial employment (about 1.6 million workers).

India's fertilizer industry is the third-largest in the world and central to its efforts to increase agricultural productivity. Potassium-based nutrients must all be imported. Since 1992 the government has been gradually decontrolling the price of fertilizers.

## 29 SCIENCE AND TECHNOLOGY

In 2000 (the latest year for which data was available), India's total expenditures on research and development (R&D) amounted to \$20,782.676 million, or 0.85% of GDP. Allocations are divided among government and industry, with government providing the major share at 74.7%, as of 2000, followed by business at 23% and higher education at 2.4%. In 2002, the value of India's high technology exports totaled \$1.788 billion, accounting for 5% of the country's manufactured exports. There has been a marked growth in the training of engineers and technicians. For the period 1990-01, India had an estimated 157 researchers and 115 technicians per million people that were actively engaged in R&D. In 1987-97, science and engineering students accounted for 25% of college and university enrollments.

Among the technological higher schools are the Indian Institute of Science at Bangalore and the Indian Institutes of Technology at Mumbai (formerly Bombay), Delhi, Kānpur, Kharagpur, and Madras. In 1947, there were 620 colleges and universities; by 1996, that number was nearly 7,700. One of the primary science and technology issues facing India is a "brain drain." Over 13,000 Indian students annually seek science and engineering degrees in the United States. Such an exodus may greatly reduce the quality of science and engineering education in India.

There are more than 2,500 national research and development institutions connected with science and technology in India. Principal government agencies engaged in scientific research and technical development are the Ministry of Science and Technology, the Council of Scientific and Industrial Research, the Ministry of Atomic Energy, and the Ministry of Electronics. The Council for Scientific and Industrial Research (founded in 1942) has 39 national laboratories under its umbrella. In March 1981, a cabinet committee, headed by the prime minister, was established to review science and technology programs and to decide future policy.

An importer of nuclear technology since the 1960s, India tested its own underground nuclear device for the first time in 1974 at Pokhran, in Rajasthan. In May 1996, India once again performed nuclear tests, dropping three bombs into 700-foot-deep shafts in the desert at Pokhran, with an impact of 80 kilotons. Pakistan responded later the same month with tests of its own. The first Indian-built nuclear power plant, with two 235-MW heavy-water reactors, began operating in July 1983, and an experimental fast-breeder reactor was under construction.

The country's largest scientific establishment is the Bhabha Atomic Research Center at Trombay, near Mumbai (formerly Bombay), which has four nuclear research reactors and trains 150 nuclear scientists each year. In the area of space technology, India's first communications satellite, *Aryabhata*, was launched into orbit by the former USSR on 19 April 1975, and two additional satellites were orbited by Soviet rockets in 1979 and 1981. The Indian Space Research Organization constructed and launched India's first satellite-launching vehicle, the SLV-3, from its Vikram Sarabhai Space Center at Sriharikota on 18 July 1980; the four-stage, solid-fuel rocket put a 35 kg (77 lb) Rohini satellite into near-earth orbit. Indian-built telecommunications satellites have been launched into orbit from Cape Canaveral, Florida, by the US National Aeronautics and Space Administration, by the European Space Agency, and from French Guiana. India has established a

satellite-tracking station at Kavalur, in Tamil Nadu. In 1984, the first Indo-Soviet manned mission was completed successfully; in 1985, two Indians were selected for an Indo-US joint shuttle flight. An important international sciences program is the United States-India Fund (USIF), through which scientists and engineers participate in Indo-US joint research projects at 15 institutions in each country. Projects include earthquake, atmospheric, marine, energy, environment, medical, and life sciences.

Major learned societies in the country are the Indian Academy of Sciences (founded in 1934 in Bangalore), the Indian National Science Academy (founded in 1935 in New Delhi), and the National Academy of Sciences (founded in 1930 in Allahābād).

## 30 DOMESTIC TRADE

Under a nationwide scheme launched in 1979 for the distribution of essential commodities, goods are procured by the central government and then supplied to citizens. Each state has its own consumer cooperative federation; all of these groups are under the aegis of the National Cooperative Consumers Federation with the Minister of Consumer Affairs and Public Distribution. By 2000, more than 26,000 cooperatives and 680 wholesale stores shared in the distribution of sugar, edible oils, and grains in rural areas.

With the government's new emphasis on growth in private enterprise since the late 1980s, the expansion of privately-owned retail outlets have competed with the cooperative sector. Most private commercial enterprises are small establishments owned and operated by a single person or a single family; retail outlets are often highly specialized in product and usually very small in quarters and total stock. Often the Indian retail shop is large enough to hold only the proprietor and a small selection of stock; shutters fronting the store are opened to allow customers to negotiate from the street or sidewalk. There are no major national chains but foreign franchises do exist. In most retail shops, fixed prices are rare and bargaining is the accepted means of purchase. Some department stores and supermarkets have begun to appear in shopping centers in major cities. These shopping centers usually offer entertainment and leisure activities as well.

India's domestic trade is widely influenced by informal and unreported commerce and income, known as "black money."

### Principal Trading Partners – India (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	63,028.9	77,201.4	-14,172.5
United States	11,374.8	4,974.9	6,399.9
United Arab Emirates	5,038.7	2,035.1	3,003.6
China, Hong Kong SAR	3,221.4	1,474.8	1,746.6
United Kingdom	2,986.8	3,195.5	-208.7
China	2,918.5	4,004.5	-1,086.0
Germany	2,513.1	2,883.5	-370.4
Singapore	2,098.5	2,060.3	38.2
Belgium	1,783.4	3,928.1	-2,144.7
Bangladesh	1,719.2	...	1,719.2
Italy-San Marino-Holy See	1,708.0	1,058.2	649.8

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

Government and business hours are generally from 10 AM to 5 PM, Monday through Friday, with a lunch break from 1 to 2 PM. Larger shops in Delhi are open from 9:30 AM to 1:30 PM and from 3:30 to 7:30 PM. Normal banking hours are from 10 AM to 4 PM on weekdays and from 10 AM to noon on Saturdays.

### 3<sup>1</sup> FOREIGN TRADE

Initially, India's foreign trade followed a pattern common to all underdeveloped countries: exporting raw materials and food in exchange for manufactured goods. The only difference in India's case was that it also exported processed textiles, yarn, and jute goods. Until the late 1980s, the government's strongly import substitution-oriented industrial policy limited the significance of exports for the Indian economy, and while exports have become more important, they remain only about 8% of national income. With imports exceeding exports almost continuously in the 1970s and 1980s, India registers a chronic trade deficit. Stabilization and structural adjustment measures taken in 1991, including a 50% currency devaluation, have improved the country's balance of trade position by depressing imports and making exports more competitive in the world market. Given the country's relatively well-developed manufacturing base, items like textile goods, gems and jewelry, engineering goods, chemicals, and leather manufactures now comprise the country's leading exported items, replacing jute, tea, and other food products that dominated its export base in the 1960s and early 1970s. India's major imports include petroleum and petroleum products, gold and precious stones, machinery, chemicals, and fertilizers.

India's trade deficit rose to an estimated \$19.2 billion in 2004 in balance-of-payments terms, up from \$8.9 billion in 2003. Exports performed strongly, rising 31.3% to \$78 billion, but imports also soared by 42% to \$97 billion, owing largely to the higher price of oil and to the demand for industrial inputs and consumer goods. The United States remained India's largest trading partner, although China in recent years has become the second-largest market for Indian goods. In 2004, India's leading markets were: the United States (19.8% of all exports); China (8.3%); the United Arab Emirates (8%); the United Kingdom (5.1%); and Hong Kong (4.6%). Leading suppliers include: the United States (6.9% of all imports); China (6%); Belgium-Luxembourg (6%); Singapore (4.7%); and Australia (4.5%).

In percentage terms, India's primary exports in 2004/05 were: engineering goods (20.1% of all exports); gems and jewelry (17.5%); and textiles and garments (16.3%). Major imports were: petroleum and petroleum products (30.4% of all imports); capital goods (10%); and electronic goods (9.3%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

India has in the past had a chronic deficit on current accounts. What has bridged the gap between payments and receipts is mainly external aid (especially nonproject assistance), tourism earnings, and remittances from Indians working abroad. Heavy imports of food grains and armament purchases caused a decline in India's foreign exchange reserves in the mid-1960s. An economic recovery from 1968–69, however, eased the problem, and by September 1970, foreign exchange reserves amounted to \$616 million, as compared with \$383 million by December 1965. Reserves declined to \$566 million by the end of 1972 but increased to \$841

#### Balance of Payments – India (2002)

(In millions of US dollars)

<b>Current Account</b>		<b>5,815.0</b>
Balance on goods		-12,041.0
Imports	-62,742.0	
Exports	50,701.0	
Balance on services		6,790.0
Balance on income		-3,564.0
Current transfers		14,630.0
<b>Capital Account</b>		<b>2,563.0</b>
<b>Financial Account</b>		<b>11,054.0</b>
Direct investment abroad		-488.0
Direct investment in India		3,700.0
Portfolio investment assets		-42.0
Portfolio investment liabilities		1,064.0
Financial derivatives		...
Other investment assets		4,780.0
Other investment liabilities		2,040.0
<b>Net Errors and Omissions</b>		<b>-585.0</b>
<b>Reserves and Related Items</b>		<b>-18,848.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

million as of December 1975, despite massive deficits on current accounts, attributable to the quadrupling of oil import prices during 1973–74. Foreign exchange reserves declined from \$6,739 million at the end of 1979 to \$3,476 million as of November 1982 but subsequently rose to \$5,924 million by March 1987.

The Persian Gulf War crisis worsened the ratio of current account deficit to GDP. Foreign exchange reserves plummeted because of export losses in Kuwait, Iraq, and other nations. Remittances from Indian workers fell, and sudden price increases for oil imports caused an estimated loss to India of over \$2.8 billion in earnings. By November 1993, however, India's foreign exchange reserves had risen to \$8.1 billion, the highest level since 1951. A substantial reduction in the trade deficit, increased inflows from foreign institutional investors, a stable exchange rate, and improved remittances all contributed in the recovery of reserves. Although export growth remained strong, the current account deficit tripled from 1993–94 to 1995–96. The increase was attributed to a continuing surge in imports and higher debt service requirements. However, between 1995 and 1998 the current account deficit shrank to about 1% of GDP due to increased textile exports and a liberalizing trade regime. India's total external debt in 2001 was estimated at \$100.6 billion, and at \$117.2 billion in 2004. High international oil prices and strong domestic demand were forecast to lead to a significant widening of the merchandise trade deficit over the period 2006–08, but strong surpluses on services and transfers (remittances) were expected to counteract a deficit in the current-account. For the year ending in March 2005, India was expected to enjoy a current-account surplus of some \$5 billion, compared with \$8.7 billion in 2004. Thus, India would have had four consecutive current-account surpluses for the first time in 23 years. In the early 2000s, India's exports to East and Southeast Asia increased, including to Japan and South Korea. High growth rates were registered for textiles, chemicals and related products, engineering goods, and leather and manufactures.



### 3<sup>3</sup> BANKING AND SECURITIES

A well-established banking system exists in India as a result of British colonialism. The Reserve Bank of India, founded in 1935 and nationalized in 1949, is the central banking and note-issuing authority. The Reserve Bank funds the Deposit Insurance and Credit Guarantee Corporation, which provides deposit insurance coverage to the banking sector. The largest public-sector bank is the State Bank of India, which, at the end of 1996, accounted for one-third of income. Banks operating in the public sector account for 75% of commercial banking, while private banks take 15% of the market and foreign banks account for the remaining 10%. In 1997, 58% of commercial banks operated regionally, extending credit to small borrowers in rural areas. Scheduled banks maintain branches, mainly in the major commercial and industrial centers of Maharashtra, West Bengal, Uttar Pradesh, and Tamil Nadu states and the Delhi territory. Over 100 branches of Indian commercial banks operate overseas as well, primarily in the United Kingdom, United States, Fiji, Mauritius, Hong Kong, and Singapore. As of July 2000, there were 45 foreign banks in India with 180 branches, as well as 26 foreign representative offices. Total deposits in commercial banks reached \$206 billion in 2000-01.

The cost of borrowing remained very high, because of bad debts and nonperforming assets. Most Indian banks lend approximately 30–40% of their capital to the government of India, and over 80% of investment is in government securities. In an attempt to regulate lending practices and interest rates, the government encouraged the formation of cooperative credit societies. Long-term credit is provided by the cooperative land development banks. Nonagricultural credit societies and employees' credit societies supply urban credit. A process of gradual liberalization is being applied to government institutions that supply most medium- and long-term credit. These term-lending institutions also control about 30% of all share capital and act as a channel for most foreign borrowing by the private sector. The main bodies are the Industrial Development Bank of India (IDBI), the Industrial Finance Corporation of India (IFCI), the Industrial Credit and Investment Corp. of India (ICIC), and the Export-Import Bank of India (Eximbank). The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$81.6 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$283.4 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

The main stock exchanges are located in Calcutta, Mumbai (formerly Bombay), and Madras, and there are secondary exchanges in Ahmadabad, Delhi, Kānpur, Nāgpur, and other cities. The Securities and Exchange Board of India supplies regulation of the stock market. These regulations are not strict, and at times margin trading and other questionable practices have tended to produce wild speculation. Rules favor exchange members rather than public protection or benefit. Brokerage and jobbing are commonly combined. Of India's 21 stock exchanges, the Mumbai Stock Exchange (BSE) and National Stock Exchange (NSE) are the most important. There were 4,730 companies listed on the BSE as of 2004. Total market capitalization on the BSE's listed companies that year totaled was \$387.851 billion in that same year. The NSE, however, is perceived as more transparent, has faster trading cy-

cles, more timely settlements, and is in the process of setting up a share depository. Major efforts have been made to strengthen the stock market institutionally and make it less like a casino.

In 1996–97 negative market sentiment, particularly among foreign institutional investors, took the overall price earnings ratio down from 19.6 in June 1996 to 11.3 in November. In the two years ending October 1996, all but 436 of the 2,531 most-traded shares lost over half their value; more than 1,000 lost over 80% of their value. The market continued to lose ground in 1997 and 1998 due to the Asian financial crisis. In 1999–2000, though, both the BSE and the NSE gained approximately 40% in market share value due to the growth in information technology (IT) stocks. Between 1998 and 1999 alone, the local S&P CNX Index grew 97.8%, but then dropped about 23–24% in each of the next two years. The S&P IFCG and IFCI Indexes also dropped about 20–30% in 1999 and 2000. In 2004, the S&P CNX 500 rose 17.9% from the previous year to 1,804.9.

### 3<sup>4</sup> INSURANCE

The life insurance business was formally nationalized on 1 September 1956 by the establishment of the Life Insurance Corp. of India (LIC), which absorbed the life insurance business of 245 Indian and foreign companies. LIC also transacts business in certain African and Asian countries where there are large Indian populations. The general insurance business was nationalized as of 1 January 1973 and all nationalized general insurance companies were merged into the General Insurance Corp. (GIC) of India. GIC serves as the parent company for the four operating insurers, the New India Assurance Company, the Oriental Fire and General Insurance Company, the National Insurance Company, and the United India Insurance Company.

In 1997, despite repeated promises to allow private insurers into the industry, an announcement on privatization in the financial services sector was postponed in the face of institutional resistance. The unions and left-wing parties led a struggle to stop an opening up of the insurance sector. They were alarmed by government plans to introduce legislation that would set up an independent Insurance Regulatory and Development Authority (IRA). Under the Insurance Regulatory and Development Authority Act of 1999, the IRA finally gained the power to issue licenses to private insurance companies in 2000 to Indians and foreigners. In India, third-party auto liability, public liability for hazardous material handling, workers' compensation, and third-party liability for inland water vessels are all compulsory. In 2003, the value of direct premiums written totaled \$17.302 billion, of which life premiums accounted for \$13.590 billion. India's top nonlife insurer in 2003 was New India, with gross written nonlife premiums of \$806.7 million. The nation's leading life insurer that same year was LIC, with gross written life premiums totaling \$13,939.1 million.

### 3<sup>5</sup> PUBLIC FINANCE

The government's financial year extends from 1 April to 31 March, and the budget is presented to the parliament on the last day of February. The executive branch has considerable control over public finance. Thus, while parliament can oversee and investigate public expenditures and may reduce the budget, it cannot expand the budget, and checks exist that prevent it from delaying passage. Budgets in recent decades have reflected the needs of rapid

**Public Finance – India (2003)**

(In billions of rupees, central government figures)

<b>Revenue and Grants</b>	<b>3,222.3</b>	<b>100.0%</b>
Tax revenue	2,515.3	78.1%
Social contributions	11.7	0.4%
Grants	14.6	0.5%
Other revenue	680.7	21.1%
<b>Expenditures</b>	<b>4,560</b>	<b>100.0%</b>
General public services	2,768	60.7%
Defense	652	14.3%
Public order and safety	...	...
Economic affairs	771.6	16.9%
Environmental protection	...	...
Housing and community amenities	192.3	4.2%
Health	74.2	1.6%
Recreational, culture, and religion	...	...
Education	102	2.2%
Social protection	...	0.0%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

economic development under rising expenditures of the five-year plans. Insufficient government receipts for financing this development have led to yearly deficits and a resulting increase of new tax measures and deficit financing. The Gulf crisis, increased interest payments, subsidies, and relief in 1991 caused the central government's fiscal deficit to reach 9% of GDP. It fell to 5.7% in 1992–93 but rose to 7.3% of GDP in 1993–94. Principal sources of government revenue are customs and excise duties and individual and corporate income taxes. Major items of expenditure are defense, grants to states and territories, interest payments on the national debt, and economic, social, and community services. High interest rates, 8% inflation, slow industrial growth, and weak foreign investment prompted the government to recommend dramatic new initiatives in the 1997–98 budget, including cuts in taxes and duties. The proposed budget projected a 15% increase in expenditures to \$65 billion and a reduction in the deficit to 4.5% of GDP. While expenditures were cut, the budget deficit actually grew in 1997–98 to about 8.5% of the GDP due to currency devaluation and the Asian financial crisis. The budget for 2000 included a 30% increase on defense spending due to the Pakistani conflict. Although applauded by the business community as market-friendly, some observers were chagrined by the 2000 budget's failure to squarely tackle infrastructure reforms. India suffers from inadequate roads and ports, a substandard educational system, and unreliable power supplies.

The US Central Intelligence Agency (CIA) estimated that in 2005 India's central government took in revenues of approximately \$111.2 billion and had expenditures of \$135.8 billion. Revenues minus expenditures totaled approximately -\$24.6 billion. Public debt in 2005 amounted to 82% of GDP (federal and state debt combined). Total external debt was \$119.7 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were ₹3,222.3 billion and expenditures were ₹4,560 billion. The value of revenues was us\$69 million and expenditures

us\$98 million, based on a market exchange rate for 2003 of us\$1 = ₹46.583 as reported by the IMF. Government outlays by function were as follows: general public services, 60.7%; defense, 14.3%; economic affairs, 16.9%; housing and community amenities, 4.2%; health, 1.6%; and education, 2.2%.

**36 TAXATION**

Taxes are levied by the central government, the state governments, and the various municipal governments. The sources of central government tax revenue are union excise duties, the central value-added tax or CENVAT, corporate and personal income (nonagricultural) taxes, wealth taxes, and customs duties. The gift tax was abolished in January 1998. State government sources, in general order of importance, are land taxes, sales taxes, excise duties, and registration and stamp duties. The states also share in central government income tax revenues and union excise duties; and they receive all revenues from the wealth tax on agricultural property. Municipal governments levy land and other property taxes and license fees. Many also impose duties on goods entering the municipal limits. There is little uniformity in types or rates of state and municipal taxes.

Corporate income tax for domestic companies as of 2005 is 35% plus a 2.5% surcharge, and for foreign companies 40% plus a 2.5% surcharge.

The wealth tax is 1% of wealth exceeding ₹1,500,000 (\$31,000). Interest income is taxed at 20% to both foreign and resident companies; capital gains and rental income are taxed at 20% and winnings from lotteries and horse races at 30%. There is no tax on dividends.

The central government imposes a 12.5% value-added tax (VAT) called the CENVAT. However, lower rates of 4%, 1% and 0% are also levied on domestically manufactured goods.

For the 2003/04 Union Budget, the excise structure was rationalized into four tiers: exempt items many of which had carried 4% rates (like umbrellas, band-aids, toys, corrective glasses, CDs); 8% (like pressure cookers, buckets, dental chairs); 16% (the standard VAT rate applied to most items), and 24% reduced from 20% to 50% on polyester filament yarn, motor cars, utility vehicles, and replacement tires. Special Excise Duties of 32% are applied to aerated soft drinks and concentrates, pan masala, and chewing tobacco.

As of 1 April 2003, instead of being 100% tax free, profits and gains derived from Software Technology Parks of India (STPIs) and export oriented units (EOUs) will only be 90% tax-free.

**37 CUSTOMS AND DUTIES**

The majority of imports and some exports are subject to tariffs. There are both revenue and protective tariffs, although the former are more important and have long been a major source of central government income. The Indian government has been steadily reducing tariff rates in order to increase trade and investment. A 35% tariff ceiling was set in the 2001–02 budget. However, India's tariffs are still among the highest in the world. Additional, special duties can more than double the barriers to importing a product, including textiles and apparel. Gold is taxed at an added rate of 9% at the state level and at least an added 3% at the local level. Indians

spend more money on gold than anything but oil. India's 28 states also impose duties on products coming in from other states.

### **3<sup>8</sup> FOREIGN INVESTMENT**

Until recently, foreign investment remained closely regulated. Rules and incentives directed the flow of foreign capital mainly toward consumer industries and light engineering, with major capital-intensive projects reserved for the public sector. Under the Foreign Exchange Regulation Act of 1973, which went into effect on 1 January 1974, all branches of foreign companies in which nonresident interest exceeded 40% were required to reapply for permission to carry on business; most companies had reduced their holdings to no more than 40% by 1 January 1976. Certain key export-oriented or technology-intensive industries were permitted to maintain up to 100% nonresident ownership. Tea plantations were also exempted from the 40% requirement. Although the government officially welcomed private foreign investment, collaboration and royalty arrangements were tightly controlled. Due to the restrictiveness of these policies, foreign investment remained remarkably low during the 1980s, ranging between \$200 and \$400 million a year.

Government reform measures in mid-1991 changed this picture significantly. Under the New Industrial Policy, the amount of money invested in the country doubled annually from 1991 to 1995. In 1997 the New Exploration and Licensing Policy (NELP) was announced, permitting the participation of foreign oil companies in upstream exploration and development of oil and gas resources. Effective 1 April 2001, imports of crude oil and petroleum products were liberalized, with state-run enterprises losing their exclusive right to import certain petroleum products for domestic consumption. Also in 2001, India removed quantitative restrictions (QRs) from 715 items (147 agricultural products, 342 textile items, and 226 manufactured goods, including automobiles) in compliance with WTO standards. Under the New Industrial Policy as amended, most sectors have been opened for 100% foreign investment. Sectors such as banking, telecommunications, and print media are still restricted. In some restricted sectors, foreign investment up to 49% or 74% is allowed in the equity of an Indian joint venture company. In the early 2000s, the requirement prior approval by the Reserve Bank of India was removed from enterprises falling within categories allowing 100% foreign investment.

India has eight export processing zones (EPZs) designed to provide internationally competitive infrastructure and duty-free, low-cost facilities for exporters. Foreign investors in some industries can operate in EPZs, export oriented units (EOUs), special economic zones (SEZs) and Software Technology Parks of India (STPIs). SEZs are regarded as foreign territory for purposes of duties and taxes and sector caps that limit foreign direct investment (FDI) in different industries do not apply in the SEZs. In any case, the corporate tax rate on foreign companies has been reduced to 48% to 40%, and the peak customs rate was reduced from 35% to 30%. In November 1999 the government announced its intention to disinvest in 247 state-owned enterprise to the general level of 26% ownership, and established the Ministry of Disinvestment. Although the program has involved the transfer of significant amounts of equity and management control from the government to private sector, it has yet to generate appreciable foreign

investment. Despite the trend towards liberalization, India's foreign investment regime remains complex and relatively restricted. Although FDI has increased, average a net \$2.64 billion per year 1997/98 to 2001/02, the inflow is still small compared to China, the most relevant comparison, where FDI has run some \$30 billion to \$40 billion a year. The net flow dropped to \$1.8 billion in 2000/01, and then recovered to a net \$3.4 billion in 2001/02. FDI inflow amounted to \$3.33 billion in 2004. Investment was heaviest in the transportation sector.

Statistics on FDI for India show Mauritius as consistently one of the largest sources, averaging about \$700 million per year from 1995 to 2000, with the United States in second place, averaging about \$383 million a year. In 2004, the Netherlands was India's largest investor, at \$434 million, followed by Mauritius (\$420 million) and the United States (\$342 million). However, most of the investments credited to Mauritius are actually from American companies seeking to take advantage of its lower withholding taxes or exemptions on payments of royalties, dividends, technical service fees, interest on loans and capital gain by Indian joint venture companies under the terms of the Double Tax Agreement (DTA) between India and Mauritius. Foreign investment through the stock market is limited to 30–40%.

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

Under a series of five-year plans through 2000, the government became a participant in many industrial fields and increased its regulation of existing private commerce and industry. Long the owner-operator of most railway facilities, all radio broadcasting, post, and telegraph facilities, arms and ammunition factories, and river development programs, the government reserved for itself the right to nationalize any industries it deemed necessary. Yet the government's socialist approach was pragmatic, not doctrinaire; agriculture and large segments of trade, finance, and industry remained in private hands. Planning is supervised by an eight-member planning commission, established in 1950 and chaired by the prime minister.

India's first four five-year plans entailed a total public sector outlay of ₹314.1 billion. The first plan (1951–56) accorded top priority to agriculture, especially irrigation and power projects. The second plan (1956–61) was designed to implement the new industrial policy and to achieve a "socialist pattern of society." The plan stressed rapid industrialization, a 25% increase in national income (in fact, the achieved increase was only 20%), and reduction of inequalities in wealth and income. The focus of the third plan (1961–66) was industrialization, with 24.6% spent on transportation and communications and 20.1% on industry and minerals. Drought, inflation, and war with Pakistan made this plan a major disappointment; although considerable industrial diversification was achieved and national income rose, per capita income did not increase (because of population growth), and harvests were disastrously low. Because of the unsettled domestic situation, the fourth five-year plan did not take effect until 1969. The 1969–74 plan sought to control fluctuations in agricultural output and to promote equality and social justice. Agriculture and allied sectors received 16.9%, more than in any previous plan, while industry and minerals received 18.5%, transportation and communications 18.4%, and power development 17.8%, also more than in any previous plan.

The fifth plan (1974–79) aimed at the removal of poverty and the attainment of self-reliance. A total outlay of ₹393.2 billion was allocated (26% less than originally envisaged), and actual expenditures totaled ₹394.2 billion. Once again, the emphasis was on industry, with mining and manufacturing taking 22.5%, electric power 18.7%, transportation and communications 17.2%, and agriculture 12.1%. The fifth plan was cut short a year early, in 1978, and, with India enmeshed in recession and political turmoil, work began on the sixth development plan (1980–85). Its goal, like that of the fifth, was the removal of poverty, although the planners recognized that this gigantic task could not be accomplished within five years. The plan aimed to strengthen the agricultural and industrial infrastructure in order to accelerate the growth of investments and exports. Projected outlays totaled ₹975 billion, of which electric power received 27.1%, industry and mining 15.4%, transportation and communications 12.7%, and agriculture 12.2%. The main target was a GDP growth rate of 5.2% annually. The seventh development plan (1985–90) projected 5% overall GDP growth (which was largely achieved and even exceeded) based on increases of 4% and 8% in agricultural and industrial output, respectively. Outlays were to total ₹1,800 billion.

The eighth development plan (for 1992–97), drafted in response to the country's looming debt crisis in 1990–91, laid the groundwork for long-term structural adjustment. The plan's overall thrust was to stimulate industrial growth by the private sector, and thereby free government resources for greater investment in basic infrastructure and human resources development. In addition to liberalized conditions for private and foreign investment, the foreign exchange system was reformed, the currency devalued, the maximum tariff reduced from 350% to 85%, import barriers generally loosened, and those for key intermediate goods removed altogether. Reform of the tax system, reduction of subsidies, and restructuring of public enterprises were also targeted. While the eighth plan generally supported expansion of private enterprise, unlike structural adjustment programs in other developing countries, it did not stipulate a large-scale privatization of the public sector.

As the eighth plan came to an end in 1997 most analysts proclaimed it a success; economic growth averaged 6% a year, employment rose, poverty was reduced, exports increased, and inflation declined.

The ninth development plan (1997–2002) focused on the redistribution of wealth and alleviation of poverty, the further privatization of the economy and attraction of foreign investment, and the reduction of the deficit. Overall there were improvements in the reform era including an increase in the GDP growth rate from an average of about 5.7% to about 6.1% in the eighth and ninth plan periods, a reduction of the percent in poverty from a third of the population to a fourth, increased literacy from 52% in 1991 to 65% in 2001, and India's emergence as a competitor in state-of-the-art technologies of the new information age economy. However, persistent inefficiencies—unemployment and underemployment, and welfare deficiencies—remained. Moreover, after 1998 a series of domestic and international shocks brought a disturbing deceleration to India's economic growth.

In the tenth five-year plan, 2002–07, the government set the ambitious target of achieving an average 8% growth, above the level achieved during the ninth plan. Other monitorable economic tar-

gets include a reduction of the poverty rate by 5% by 2007, and by 15% by 2012; providing gainful and high-quality employment at least equal to the projected increases in the labor force; increase in forest and tree cover to 25%, in 2007 and to 33% by 2012; all villages provided with sustained access to potable water by 2007; and cleaning of all major polluted rivers by 2007. Agricultural development was viewed as the core element of the tenth plan with attention to sectors most likely to create employment opportunities. These include agriculture in its extended sense, construction, tourism, transport, small-scale industries (SSI), retailing, IT, and communications enabling services. Industrial policy includes continued emphasis on privatization and deregulation. The ambitious 8% annual growth of the tenth plan was considered achievable because of the inefficiencies that have traditionally plagued Indian agriculture and industry. Because the scope for improvement is so wide, both in the public sector and in the private sector, strong growth can be expected from efficiency enhancing policies. GDP growth was forecast to end at the more modest rate of 7.8% in 2005/06, 7% in 2006/07, and 6.5% in 2007/08, due in part to high international oil prices.

The government remained committed to stimulating the agricultural sector, but balancing this with the need to reduce the budget deficit proved difficult. As of 2006, it was politically difficult for the United Progressive Coalition (UPA) government, led by the Congress Party, to continue with the disinvestment process, although it was expected to attempt to reduce subsidies to state-owned companies. Further liberalization was expected to expand the role of domestic and foreign private-sector firms. India's population was forecast to exceed that of China's by 2035; the huge and growing population remained India's foremost economic, social, and environmental problem. In December 2004, a major tsunami took nearly 11,000 lives, left almost 6,000 missing, destroyed \$1.2 billion worth of property, and severely damaged the fishing fleet.

#### 40 SOCIAL DEVELOPMENT

An employees' provident fund was established in 1954. In 2004, a voluntary old age, disability, and survivor benefit scheme was implemented for some low income employees and self-employed persons. Contributions are income related and at a flat rate. Provident fund old age benefits are available at age 55, or at any age if the worker is leaving the country permanently. Workmen's compensation was first enacted in 1923. Currently it provides coverage to lower income employees working for establishment with more than 10 employees. State governments arrange for the provisions of medical care for workers. Labor laws require employers to provide severance pay in certain situations.

The program for old age, disability, and death benefits are covered by a provident fund with deposit linked insurance for industrial workers in 177 categories. The system is partially funded by insured persons and employers, with a small pension scheme subsidized by the government. There is a social insurance system covering sickness and maternity as well as work injury. The law requires employers to pay a severance indemnity of 15 days pay for each year of employment.

Domestic violence is commonplace; in 2004 more than half of women surveyed believed it was justifiable and a normal part of married life. Wife murder, usually referred to as "dowry deaths," are still evident. Although the law prohibits discrimination in the

workplace, women are paid less than men in both rural and urban areas. Discrimination exists in access to employment, credit, and in family and property law. Laws aimed at preventing employment discrimination, female bondage and prostitution, and the sati (widow burning), are not always enforced. India is a significant source and destination for thousands of trafficked women. Not only does the male population exceed that of females, but India is also one of the few countries where men, on the average, live longer than women. To explain this anomaly, it has been suggested that daughters are more likely to be malnourished and to be provided with fewer health care services. Female infanticide and feticide is a growing problem in a society that values sons over daughters. It is estimated there are nearly 500,000 children living and working on the streets. Child prostitution is widespread. Children are subject to beatings in school and abuse during religious ceremonies.

Human rights abuses, including incommunicado detention, are particularly acute in Kashmir, where separatist violence has flared. Although constitutional and statutory safeguards are in place, serious abuses still occur including extrajudicial killings, abuse of detainees, and poor prison conditions. Despite efforts to eliminate discrimination based on the longstanding caste system, the practice remains unchanged. Prison conditions are harsh, and the judicial system is severely overloaded.

#### 4<sup>1</sup> HEALTH

Great improvements have taken place in public health since independence, but the general health picture remained far from satisfactory. The government has paid increasing attention to integrated health, maternity, and child care in rural areas. An increasing number of community health workers and doctors are being sent to rural health centers. Primary health care is provided to the rural population through a network of over 150,000 primary health centers and sub-centers that are staffed by trained midwives and health guides.

As of 2004, there were an estimated 51 physicians and 62 nurses per 100,000 people. In the mid-1990s, there were nearly 40,000 hospitals and dispensaries. In addition, the rural population was served by more than 130,000 subcenters, over 20,350 primary health centers, and nearly 2,000 community health centers. There are also numerous herb compounders, along with thousands of registered practitioners following the Ayurvedic (ancient Hindu) and Unani systems.

India has modern medical colleges, dental colleges, colleges of nursing, and nursing schools. More than 100 colleges and schools teach the indigenous Ayurvedic and Unani systems of medicine and 74 teach homeopathy. New drugs and pharmaceutical plants, some assisted by the UN and some established by European and American firms, manufacture antibiotics, vaccines, germicides, and fungicides. However, patent medicines and other reputed curatives of dubious value are still widely marketed; medical advisors of the indigenous systems and their curatives probably are more widely followed than Western doctors, drugs, and medical practices.

Total health care expenditure was estimated at 5.4% of GDP. Average life expectancy increased from 48 years in 1971 to 64.35 years in 2005. Infant mortality declined from 135 per 1,000 live births in the mid-1970s to 56.29 in 2005. The high mortality rate among infants and children is directly linked to size of family,

which is being reduced through the small family norm (National Family Planning Program). The overall mortality rate in 2002 was an estimated 8.6 per 1,000 people.

The government of India took stringent measures to prevent plague following outbreaks during 1994. Mandatory screenings at airports and inspections of passengers were instituted. A short-term multi-drug therapy launched in India in 1995 led to a dramatic fall in the leprosy prevalence. The incidence of malaria was reduced by 98% between 1953 and 1965, but the number of reported cases increased from 14.8 million in 1966 to 64.7 million in 1976 because DDT-resistant strains of mosquitoes had developed. The incidence of malaria in 1995 was 295 cases per 100,000 people. The death toll from smallpox was reduced to zero by 1977 through a massive vaccination program and plague had not been reported since 1967. Between 1948 and 1980, 254 million people were tested for tuberculosis and 252 million received BCG, an antituberculosis vaccine. In 1999, there were 185 reported cases of tuberculosis per 100,000 people. In 1994, there was a serious outbreak of pneumonic plague in western India, which spread to others parts of the country, killing thousands. Many diseases remained, especially deficiency diseases such as goiter, kwashiorkor, rickets, and beriberi. However, India's immunization rates for children up to one year old were high. Data from 1997 shows vaccinations against tuberculosis, 96%; diphtheria, pertussis, and tetanus, 90%; polio, 91%; and measles, 81%. There is also a national system to distribute vitamin A capsules to children because a lack of this vitamin contributes to blindness and malnutrition. As of the mid-1990s, nearly 25% of the country's children had been reached. Hypertension is a major health problem in India. Between 3.5% and 6.5% of adults have high blood pressure.

India is currently the nation with the second most HIV-infected people. As of 2004, there were approximately 5,100,000 people living with HIV/AIDS in the country. The HIV/AIDS prevalence was 0.90 per 100 adults in 2003. There were an estimated 310,000 deaths from AIDS in 2003.

#### 4<sup>2</sup> HOUSING

Though progress has been made toward improving the generally primitive housing in which most Indians live, there are still some deficits in housing supply and access to basic utilities. A number of subsidized, low-cost housing schemes have been launched by the government, but the goal of providing a house for every homeless family cannot be met because of the prohibitive cost. The sixth five-year plan envisaged an expenditure of ₹94 billion for rural housing and ₹35 billion for urban housing during the period 1980–85, including ₹11.9 billion to provide shelter for homeless people. The eighth five-year plan (1990–95) called for an investment of \$40 billion in housing, with 90% of this sum earmarked for the private sector. The government's goal is to provide eight million new housing units between 1990 and 2000, two million to fill the existing backlog and six million to meet the needs that would be created by population growth.

According to the 2001 national census, there were about 187,063,733 residential dwelling units nationwide. About 50% were considered to be in "good" condition and 44% were described as "livable." Many rural dwellings are constructed of mud brick or burnt brick walls with mud floors and a thatched or tiled roof. Urban dwellings are made from concrete or burnt brick. In 2001, only about 51.6% of all residential dwellings were considered to

be permanent structures. Only about 38.9% of all households had drinking water within their premises. About 55% of dwellings had access to electricity. Only about 36% of all dwellings had bathroom facilities within the house.

### 4<sup>3</sup> EDUCATION

In 1986, the National Education Policy (NPE) was adopted in order to bring about major reforms in the system, primarily universalization of primary education. In 1988, a national literacy mission was launched, following which states, like Kerala and Pondicherry, achieved 100% literacy. In 1992, the second program of action on education was introduced to reaffirm the 1986 policy with plans to achieve total literacy and free education for all children up to grade eight.

The main goal has been primary education for children in the 6–11 age group. An emphasis on “basic education”—learning in the context of the physical and cultural environment, including domestic and commercial productive activities—has met with some success. In addition to expansion of primary education, there has been marked increase in educational facilities in secondary schools, colleges, universities, and technical institutes. An intensive development of adult education is under way in both urban and rural areas.

Free and compulsory elementary education is a directive principle of the constitution. Eight years of basic education are divided into three stages of lower primary school (five years), middle school (three years) and secondary school (two years). Following this, students may choose to attend a two-year senior secondary school or a three-year vocational school. The academic year runs from July to April.

In 2001, about 30% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 88% of age-eligible students; 90% for boys and 85% for girls. It is estimated that about 81% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 40:1 in 2000; the ratio for secondary school was about 33:1. In 2000, private schools accounted for about 16.5% of primary school enrollment and 43% of secondary enrollment.

India's system of higher education is still basically British in structure and approach. The university system is second in size only to that of the United States' with 150 universities and over 5,000 colleges and higher-level institutions. Educational standards are constantly improving and especially in the area of science and mathematics in which standards are as high as those found anywhere in the world. The older universities are in Calcutta, Mumbai (formerly Bombay), and Chennai (formerly Madras), all established in 1857; Allahābād, 1877; Banāres Hindu (in Varanasi) and Mysore (now Karnataka), both in 1916; Hyderābād (Osmania University), in 1918; and Aligarh and Lucknow, both in 1921. Most universities have attached and affiliated undergraduate colleges, some of which are in distant towns.

Christian missions in India have organized more than three dozen college-rank institutions and hundreds of primary, secondary, and vocational schools. In addition to universities there are some 3,500 arts and sciences colleges (excluding research institutes) and commercial colleges, as well as 1,500 other training schools and colleges. The autonomous University Grants Commission promotes university education and maintains standards

in teaching and research. Many college students receive scholarships and stipends. In 2003, about 12% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 61%, with 73.4% for men and 47.8% for women.

As of 2003, public expenditure on education was estimated at 4.1% of GDP, or 12.7% of total government expenditures.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library in Calcutta, with over 22 million books and numerous other items, is by far the largest in the country. Some of the other leading libraries are the New Delhi Public Library (1.4 million volumes), the Central Secretariat Library in New Delhi (700,000 volumes), and the libraries of some of the larger universities. The Khuda Baksh Oriental Library in Patna, with a collection of rare manuscripts in Arabic, Urdu, and Farsi, is one of 10 libraries declared “institutions of national importance” by an act of parliament. The National Archives of India, in New Delhi, is the largest repository of documents in Asia, with 25 km (16 mi) of shelf space. There is an extensive public library system as well as cultural and religious institutions and libraries throughout the country.

Noted botanical gardens are located in Calcutta, Mumbai (formerly Bombay), Lucknow, Ootacamund, Bangalore, Chennai (formerly Madras), and Darjeeling, and well-stocked zoological gardens are found in Calcutta, Mumbai, Chennai, Trivandrum, Hyderābād, Karnataka, and Jodhpur. Most of India's hundreds of museums specialize in one or several aspects of Indian or South Asian culture; these include 25 archaeological museums at ancient sites, such as Konarak, Amravati, and Sarnath. Some of the more important museums are the Indian Museum in Calcutta, the Prince of Wales Museum of Western India in Mumbai (formerly Bombay), and the National Museum and the National Gallery of Modern Art, both in New Delhi.

There are also municipal museums throughout the country and dozens of museums and galleries devoted to prominent South Asian artists. There are science museums in Bhopāl, Calcutta, Mumbai (formerly Bombay), and New Delhi. Bhavongor houses the Gandhi Museum, one of several sites devoted to the history of the national hero. In 2001 the Broadcasting Museum was founded in Delhi. There also are thousands of architectural masterpieces of antiquity—the palaces, temples, mausoleums, fortresses, mosques, formal gardens, deserted cities, and rock-hewn monasteries—found in every section of the subcontinent.

### 4<sup>5</sup> MEDIA

All postal and telegraph and most telephone services are owned and operated by the government. International telephone services, both radio and cable, are available between India and all major countries of the world. In 2003, there were an estimated 46 main-line telephones for every 1,000 people; over one million people were on a waiting list for telephone service installation. The same year, there were approximately 25 mobile phones in use for every 1,000 people.

All-India Radio (AIR), government-owned, operates short- and medium-wave transmission through over 100 stations and broadcasts in all major languages and dialects for home consumption. AIR also operates external services in 24 foreign and 36 Indian languages. There are privately licensed radio stations, but they are

only permitted to broadcast educational or entertainment programming. News broadcasting by independent radio stations is prohibited. In 1959, India's first television station was inaugurated in Delhi, and color television broadcasting was inaugurated in 1982. The public television service, Doordarshan, operates 21 national, regional, and local services. The School Television Section broadcasts regular in-school instruction programs on selected subjects. Cable and satellite stations have fairly large audiences. As of 1999, there were, altogether, 153 AM and 92 FM radio stations and 562 television stations. In 2003, there were an estimated 120 radios and 83 television sets for every 1,000 people. About 398.9 of every 1,000 people were cable subscribers. Also in 2003, there were 7.2 personal computers for every 1,000 people and 17 of every 1,000 people had access to the Internet. There were 462 secure Internet servers in the country in 2004.

India has a thriving film industry, centered at Mumbai (formerly Bombay), Chennai (formerly Madras), Calcutta, and Bangalore. Indians are avid film-goers and users of videocassettes.

The first newspaper in India, an English-language weekly issued in Calcutta in 1780, was followed by English-language papers in other cities. The first Indian-language newspaper (in Hindi) appeared in Varanasi (Benares) in 1845. There are hundreds of newspapers in circulation throughout the country, published in some 85 languages, primarily Hindi, English, Bengali, Urdu, and Marathi. The majority of Indian newspapers are under individual ownership and have small circulations. About 30% are published in Delhi, Mumbai (formerly Bombay), Calcutta, and Madras.

The principal national English-language newspapers are the *Indian Express*, with editions published in Mumbai (formerly Bombay) and 10 other cities, and the *Times of India*, published in Ahmadabad, Mumbai, Delhi, and three other cities. The largest Hindi daily is the *Navbharat Times*, published in Mumbai with a 2002 circulation of 418,500. Other major Hindi dailies (with estimated 2002 circulation) are: *Punjab Kesari* (173,390), *Hindustan* (98,900), and *Dainik Jagran* (409,480). Leading English-language dailies (with estimated 2002 circulation) include: *Indian Express* (576,200), *Times of India* (536,166), *The Economic Times* (336,060), *The Telegraph* (234,500), and *The Hindu* (300,320). In 2002, there were two major Bengali dailies, *Jugantar* (circulation 302,000) and *Aajkaal* (157,713). The same year there were two major Marathi dailies, *Lokasatta* (258,090) and *Maharashtra Times*; two Tamil dailies, *Thanthi* (297,797) and *Dinamani* (178,230); and two major Malayalam dailies, *Mathirubhumi* (454,351) and *Malayala Manorama* (1,013,590).

In 1976, the four leading Indian news agencies—the Press Trust of India (English), United News of India (English), Hindustan Samachar (Hindi), and Samachar Bharati (Hindi)—merged to form Samachar, which means “news” in Hindi. The merger followed the cancellation by AIR of subscriptions to all four services. Samachar was dissolved in 1978, and as of 1991 there were three separate agencies: Indian News and Features Alliance, Press Trust of India, and United News of India.

Freedom of the press has been nominally ensured by liberal court interpretations of the constitution, but the government has long held the right to impose “reasonable restrictions” in the interest of “public order, state security, decency, and morality.” On a day-to-day basis, the press is essentially unfettered, and news magazines abound in addition to the newspapers.

## 46 ORGANIZATIONS

There are many political, commercial, industrial, and labor organizations, and rural cooperatives. Almost all commercial and industrial centers have chambers of commerce. The Center of Indian Trade Unions and All India Trade Union Congress are umbrella organizations representing the rights of worker's. Other labor and industry organizations include the All India Association of Industries and the All India Manufacturers Organization. There are unions for more specialized trades and fields as well, such as the Silk Association of India. There are a number of scholarly and professional societies and associations focused on education and research in various scientific and medical fields, including the national Indian Medical Association. There are also several associations dedicated to research and education for specific fields of medicine and particular diseases and conditions. The Indian Academy of Sciences was established in 1934 to promote research and education in a variety of branches of pure and applied sciences. The Indian National Science Academy similarly promotes public interest in science.

Cultural activities, especially traditional arts and crafts, are promoted throughout India by the National Academy of Fine Arts; the National Academy of Music, Dance, and Drama; the National Center for the Performing Arts; and the National Academy of Letters. Other state organizations for the furthering of cultural activities include the Ministry of Information and Broadcasting, the Indian Council for Cultural Relations, and the National Book Trust. There are a great many private cultural and institutional organizations based on religion and philosophy, language (including Sanskrit and Pali), drama, music and dancing, modern writing, the classics, and painting and sculpture.

Notable national youth organizations include the All India Students Federation, Girl Guides and Scouts of India, Indian National Youth Organization, National Council of YMCA's of India, Service Civil-Youth Volunteers of India, Student Christian Movement of India, Junior Chamber, Student Federation of India, the Bharat Scouts and Guides, Tibetan Youth Congress, United Nations Youth Organization of India, and Young Catholic Students of India. National women's organizations include All India Women's Conference, Women's Equal Rights Group, and Women's Protection League.

There are several national and local organizations and associations dedicated to providing assistance and services to the poor, disadvantaged, and marginalized, such as the Karnataka Welfare Society and Andhra Mahila Sabha. There are a wide variety of international organizations with chapters in India, including Christian Children's Fund, CARE, Caritas, Defence for Children International, Habitat for Humanity, the Red Cross, Amnesty International, Kiwanis, and Lion's Clubs. The International Health Organization has an office in New Delhi.

## 47 TOURISM, TRAVEL, AND RECREATION

The national Department of Tourism maintains tourist information offices at home and abroad. It has constructed many facilities for viewing wildlife in forest regions, by minibus, boat, or elephant; and operates tourist lodges in wildlife sanctuaries. The principal tourist attractions are India's distinctive music, dance, theater, festivals, and cuisines; the great cities of Calcutta, Mumbai (formerly Bombay), and Chennai (formerly Madras); and such monuments as the Red Fort and Jama Masjid mosque in Delhi, the Taj Mahal

at Agra, and the Amber Palace in Jaipur. Tourists and pilgrims also flock to the sacred Ganges River, the Ajanta temple caves, the temple at Bodhgaya where the Buddha is said to have achieved enlightenment, and many other ancient temples and tombs throughout the country. All visitors must have a valid passport and an entry, transit, or tourist visa. The visa must be acquired before arrival. Vaccination against typhoid is recommended.

The big-game hunting for which India was once famous is now banned, but excellent fishing is available. There are also many golf courses. Cricket, field hockey, polo, football (soccer), volleyball, and basketball are all popular, as are pony-trekking in the hill stations and skiing in northern India.

All major cities have comfortable Western-style hotels that cater to tourists. In 2003, there were 2,726,214 tourist arrivals, almost 34% of whom came from Europe. Tourist receipts totaled \$3.5 billion. The 91,720 hotel rooms with 183,440 beds had an occupancy rate of 60%.

In 2005, the US Department of State estimated the cost of staying in New Delhi at \$245 per day. Daily expenses were estimated at \$254 in Calcutta, \$266 in Mumbai (formerly Bombay), and \$353 in Bangalore.

#### 48 FAMOUS INDIANS

Siddhartha Gautama was (624–544 BC according to Sinhalese tradition; 563?–483? BC according to most modern scholars) later known as the Buddha (“the enlightened one”). Born in what is now Nepal, he spent much of his life in eastern Uttar Pradesh and Bihar, propounding the philosophical doctrines that were later to become Buddhism. Contemporary with the Buddha was Vardhamana (599?–527 BC), also known as Mahavira (“great hero”), a saintly thinker of Bihar from whose teachings evolved Jainism. Some of the noteworthy religious and political leaders were Chandragupta (r.321?–297? BC), founder of the Maurya Dynasty; Asoka (r.273–232 BC), who made Buddhism the religion of his empire; Chandragupta II (r. AD 375?–413), whose era marked a high point of Hindu art and literature; Shivaji (1627?–80), a hero of much Hindu folklore; Nanak (1469–1539), whose teachings are the basis of Sikhism; and Govind Singh (1666–1708), the guru who gave Sikhism its definitive form. Akbar (1542–1605) greatly expanded the Mughal Empire, which reached its height under Shah Jahan (1592–1666), builder of the Taj Mahal, and his son, the fanatical emperor Aurangzeb (1618–1707).

Sanskrit grammarian Panini (5th?–4th? centuries BC), wrote the first book on scientific linguistics. The Bengali educator and reformer Rammohan Roy (1772–1833) has been called “the father of modern India.” Swami Vivekananda (1863–1902), founder of the nonsectarian Ramakrishna Mission and a great traveler both in India and abroad, did much to explain the Hindu philosophy to the world and to India as well. Sarvepalli Radhakrishnan (1888–1975), a leading 20th-century Hindu scholar and philosopher, also served as president of India from 1962 to 1967. Another revered religious philosopher was Meher Baba (1894–1969). The rising position of India in science and industry is well exemplified by Jamshedji Nusserwanji Tata (1822–1904), founder of the nation’s first modern iron and steel works as well as many other key industries; the physicist Jagadis Chandra Bose (1858–1937), noted for his research in plant life; Srinivasa Ramanujan (1887–1919), an amazingly original, although largely self-taught, mathematician; Chandrasekhara Venkata Raman (1888–1970), who was awarded

the 1930 Nobel Prize for research in physics; Chandrasekhara Subramanyan (1910–95), also a Nobel Prize laureate in physics, and Vikram A. Sarabhai (1919–71), the founder of the Indian space program. Mother Teresa (Agnes Gonxha Bojaxhiu, 1910–97, in what is now Serbia and Montenegro) won the Nobel Peace Prize in 1979 for her 30 years of work among Calcutta’s poor.

In modern times no Indian so completely captured the Indian masses and had such a deep spiritual effect on so many throughout the world as Mohandas Karamchand Gandhi (1869–1948). Reverently referred to by millions of Indians as the Mahatma (“the great-souled one”), Gandhi is considered the greatest Indian since the Buddha. His unifying ability and his unusual methods of non-violent resistance contributed materially to the liberation of India in 1947. A leading disciple of the Mahatma, Vinayak (“Vino-ba”) Narahari Bhawe (1895–1982), was an agrarian reformer who persuaded wealthy landowners to give about 600,000 hectares (1,500,000 acres) of tillable land to India’s poor.

Gandhi’s political heir, Jawaharlal Nehru (1889–1964), had a hold on the Indian people almost equal to that of the Mahatma. Affectionately known as Chacha (Uncle) Nehru, he steered India through its first 17 years of independence and played a key role in the independence struggle. Indira Gandhi (1917–84), the daughter of Nehru and prime minister from 1966 to 1977 and again from 1980 to 1984, continued her father’s work in modernizing India and played an important role among the leaders of non-aligned nations. Her son Rajiv (1944–91) succeeded her as prime minister and, in the 1985 election, achieved for himself and his party the largest parliamentary victory since India became independent. Subsequent prime ministers have been: P.V. Narasimha Rao (1921–2004, served 1991–96), Atal Behari Vajpayee (b.1924, served 1996 and 1998–2004), and Dr. Manmohan Singh (b.1932), who began his term in 2004.

A classical Sanskrit writer in Indian history was the poet and playwright Kalidasa (fl. 5th cent. AD), whose best-known work is *Shakuntala*. In modern times, Rabindranath Tagore (1861–1941), the great Bengali humanist, influenced Indian thought in his many songs and poems. Tagore received the Nobel Prize in literature in 1913 and through his lifetime wrote more than 50 dramas and about 150 books of verse, fiction, and philosophy. Another Bengali writer highly esteemed was the novelist Bankim Chandra Chatterjee (1838–94). Tagore and Chatterjee are the authors, respectively, of India’s national anthem and national song. The novel in English is a thriving genre; notable modern practitioners include Rasipuram Krishnaswamy Narayan (1906–2001), Bhambani Bhattacharya (1906–88), Raja Rao (b.1908) and Khushwant Singh (b.1915). Other contemporary Indian-born novelists writing in English include: Anita Desai (b.1937), Bharati Mukherjee (b.1940), Salman Rushdie (b.1947), and Arundhati Roy (b.1961); Jhumpa Lahiri (b.1967) is an American author of Indian descent. Influential poets of the last two centuries include the Bengalis Iswar Chandra Gupta (1812–59) and Sarojini Naidu (1879–1949), known as “the nightingale of India,” a close associate of Gandhi and a political leader in her own right.

Modern interpreters of the rich Indian musical tradition include the composer and performer Ravi Shankar (b.1920) and the performer and educator Ali Akbar Khan (b.1922). Zubin Mehta (b.1936) is an orchestral conductor of international renown. Uday Shankar (1900?–1977), a dancer and scholar, did much to stimulate Western interest in Indian dance. Tanjore Balasaraswati



(1919?–84) won renown as a classical dancer and teacher. Preeminent in the Indian cinema is the director Satyajit Ray (1921–92).

## 4<sup>9</sup> DEPENDENCIES

### Andaman and Nicobar Islands

The Andaman and Nicobar Islands are two groups of islands in the Indian Ocean, extending approximately 970 km (600 mi) N–S and lying about 640 km (400 mi) W of both the Tenasserim coast of Myanmar and peninsular Thailand. Their total area is 8,293 sq km (3,202 sq mi); their population was estimated to exceed 188,000 in the mid-1990s. These islands together form a union territory with its capital at Port Blair. The legal system is under the jurisdiction of the high court of Calcutta.

The Andaman Islands extend more than 354 km (220 mi) between 10 and 14°N and 92°12' and 94°17' E. Of the 204 islands in the group, the three largest are North, Middle, and South Andaman; since these are separated only by narrow inlets, they are often referred to together as Great Andaman. Little Andaman lies to the south.

The Nicobars extend south from the Andamans between 10 and 6°N and 92°43' and 93°57'E. Of the 19 islands, Car Nicobar, 121 km (75 mi) S of Little Andaman, holds more than half the total population; the largest, Great Nicobar, 146 km (91 mi) NW of Sumatra, is sparsely populated.

The Andamans were occupied by the British in 1858, the Nicobars in 1869; sporadic settlements by British, Danish, and other groups were known previously. During World War II (1939–45), the islands were occupied by Japanese forces. They became a union territory in 1956. That same year, the Andaman and Nicobar Islands (Protection of Aboriginal Tribes) Act came into force; this act, designed to protect the primitive tribes that live in the islands, prohibited outsiders from carrying on trade or industry in the islands without a special license. Six different tribes live in the Andaman and Nicobar Islands, the largest being the Nicobarese. There are lesser numbers of Andamanese, Onges, Jarawas, Sentinalese, and Shompens in the dependency. Access to tribal areas is prohibited.

Agriculture is the mainstay of the economy. The principal crops are rice and coconuts; some sugarcane, fruits, and vegetables are also grown. There is little industry other than a sawmill and plywood and match factories, but the government is making plans to promote tourism in the islands. These plans include the construction of a 1,000-bed hotel, a casino, and duty-free shopping facilities in Port Blair.

### Lakshadweep

The union territory of Lakshadweep consists of the Laccadive, Minicoy, and Amindivi Islands, a scattered group of small coral atolls and reefs in the Arabian Sea between 10° and 13°N and 71°43' and 73°43'E and about 320 km (200 mi) W of Kerala state. Their total area is about 32 sq km (12 sq mi). Minicoy, southernmost of the islands, is the largest.

In the mid-1990s, the population of Lakshadweep was estimated to exceed 40,000. The inhabitants of the Laccadives and Amindivis are Malayalam-speaking Muslims; those on Minicoy are also

Muslim, but speak a language similar to Sinhalese. The islanders are skilled fishermen and trade their marine products and island-processed coir in the Malabar ports of Kerala. The main cottage industry is coir spinning. Politically, these islands were under the control of the state of Madras until 1956. The present territorial capital is at Kavaratti. Judicial affairs are under the jurisdiction of the high court of Kerala.

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# INDONESIA

Republic of Indonesia  
*Republik Indonesia*

**CAPITAL:** Jakarta

**FLAG:** The national flag, adopted in 1949, consists of a red horizontal stripe above a white stripe.

**ANTHEM:** *Indonesia Raya* (*Great Indonesia*).

**MONETARY UNIT:** The rupiah (Rp) consists of 100 sen. There are coins of 1, 2, 5, 10, 25, 50, and 100 rupiahs, and notes of 100, 500, 1,000, 5,000, and 10,000 rupiahs. Rp1 = \$0.00010 (or \$1 = Rp9,739.35) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is standard.

**HOLIDAYS:** New Year's Day, 1 January; Independence Day, 17 August; Christmas, 25 December. Movable religious holidays include the Prophet's Birthday, Ascension of Muhammad, Good Friday, Ascension Day of Jesus Christ, the end of Ramadan, 'Id al-Fitr, 'Id al-'Adha', and the 1st of Muharram (Muslim New Year).

**TIME:** Western, 7 PM = noon GMT; Central, 8 PM = noon GMT; Eastern, 9 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The Republic of Indonesia consists of five large islands and 13,677 smaller islands (about 6,000 of which are inhabited) forming an arc between Asia and Australia. With a total area of 1,919,440 sq km (741,100 sq mi), Indonesia is the fourth-largest Asian country, after China, India, and Saudi Arabia. Comparatively, the area occupied by Indonesia is slightly less than three times the size of the state of Texas. It extends 5,271 km (3,275 mi) E–W and 2,210 km (1,373 mi) N–S. The five principal islands are Sumatra; Java; Borneo, of which the 72% belonging to Indonesia is known as Kalimantan; Sulawesi, formerly called Celebes; and Irian Jaya (West Irian), the western portion of the island of New Guinea. Indonesia has land boundaries with Malaysia (on Borneo), Papua New Guinea (on New Guinea), and East Timor (on Timor). It is bounded on the N by the South China Sea, on the N and E by the Pacific Ocean, and on the S and W by the Indian Ocean. Indonesia's total land boundary length is 2,830 km (1,758 mi). Its coastline is 54,716 km (33,999 mi).

Indonesia's capital city, Jakarta, is located on the island of Java.

## <sup>2</sup>TOPOGRAPHY

The Indonesian archipelago consists of three main regions. One of the regions consists of Sumatra, Java, Kalimantan, and the islands that lie between them, which stand on the Sunda shelf, where the ocean depths are never more than 210 m (700 ft). Another region consists of Irian Jaya and the Aru Isles, which stand on the Sahul shelf, projecting northward from the north coast of Australia at similar depths. Between these two shelves are the Lesser Sunda Islands, the Maluku Islands (Moluccas), and Sulawesi, which are surrounded by seas with depths that reach 4,570 m (15,000 ft). The large islands have central mountain ranges rising from more or less extensive lowlands and coastal plains. Many inactive and scores of active volcanoes dot the islands, accounting for the predominantly rich volcanic soil that is carried down by the rivers to the plains and lowlands; there are over 100 volcanoes. Peaks rise

to 3,650 m (12,000 ft) in Java and Sumatra. Java, Bali, and Lombok have extensive lowland plains and gently sloping cultivable mountainsides. Extensive swamp forests and not very fertile hill country are found in Kalimantan. Sumatra's eastern coastline is bordered by morasses, floodplains, and alluvial terraces suitable for cultivation farther inland. Mountainous areas predominate in Sulawesi.

Earthquakes and tsunamis often devastate Indonesia. In 1992, an earthquake off the island of Flores caused more than 2,500 deaths. More than 200 people died in 1994 from an earthquake and tsunami in eastern Java. An earthquake in Sumatra with a magnitude of 7.9 on the Richter Scale killed more than 100 people in 2000.

A disastrous tsunami struck Indonesia and its neighboring Asian countries on 26 December 2004. Stemming from an underwater earthquake about 324 km (180 mi) south off the coast of Sumatra, the city of Banda Aceh witnessed a 10-minute earthquake, the longest ever recorded as of 2005. The tsunami rolled waves onto the mainland at an estimated 800 km/h (500 mi/h), leaving about 131,000 dead and another 38,000 missing. The devastation of the disaster crushed entire villages and most of the country's coastal region.

On 19 February 2005, an earthquake measuring a 6.5 magnitude on the Richter Scale occurred at Sulawesi. Simeulue experienced a 6.8 magnitude tremor on 26 February 2005. On 28 March 2005, an earthquake measuring 8.7 struck both of the small islands of Nias and Simeulue. One of the most powerful in a century, the disaster caused hundreds of deaths and severe damage to many homes. Nias felt additional quakes on 14 May (at 6.8 magnitude) and 5 July (6.7 magnitude). Simeulue felt another quake of 6.7 magnitude on 19 May.

## <sup>3</sup>CLIMATE

Straddling the equator, Indonesia has a tropical climate characterized by heavy rainfall, high humidity, high temperature, and low winds. The wet season is from November to March, the dry season from April to October. Rainfall in lowland areas averages 180–320

cm (70–125 in) annually, increasing with elevation to an average of 610 cm (240 in) in some mountain areas. In the lowlands of Sumatra and Kalimantan, the rainfall range is 305–370 cm (120–145 in); the amount diminishes southward, closer to the northwest Australian desert. Average humidity is 82%.

Altitude rather than season affects the temperature in Indonesia. At sea level, the mean annual temperature is about 25–27° C (77–81°F). There is slight daily variation in temperature, with the greatest variation at inland points and at higher levels. The mean annual temperature at Jakarta is 26°C (79°F); average annual rainfall is about 200 cm (79 in).

#### 4 FLORA AND FAUNA

The plant life of the archipelago reflects a mingling of Asiatic and Australian forms with endemic ones. Vegetation ranges from that of the tropical rain forest of the northern lowlands and the seasonal forests of the southern lowlands, through vegetation of the less luxuriant hill forests and mountain forests, to subalpine shrub vegetation.

The bridge between Asia and Australia formed by the archipelago is reflected in the varieties of animal life. The fauna of Sumatra, Kalimantan, and Java is similar to that of peninsular Malaysia, but each island has its peculiar types. The orangutan is found in Sumatra and Kalimantan but not in Java, the siamang only in Sumatra, the proboscis monkey only in Kalimantan, the elephant and tapir only in Sumatra, and the wild ox in Java and Kalimantan but not in Sumatra. In Sulawesi, the Maluku Islands, and Timor, Australian types begin to occur—the bandicoot, a marsupial, is found in Timor. All the islands, especially the Malukus, abound in great varieties of bird life, reptiles, and amphibians. The abundant marine life of Indonesia's extensive territorial waters includes a rich variety of corals.

As of 2002, there were at least 515 species of mammals, 929 species of birds, and over 29,300 species of plants throughout the country.

#### 5 ENVIRONMENT

An extensive "regreening" and reforestation of barren land, initiated under the 1975–79 national economic development plan, was greatly expanded and integrated with flood control and irrigation programs under the national plans for 1979–84 and 1984–89. From the mid-1980s to the mid-1990s, Indonesia's forests and woodland areas increased by 1.4%. However, in 1990–2000, the deforestation rate was about 1.2% per year. Indonesia also has the world's most extensive mangrove area, which covered over 4 million hectares (9.9 million acres) in 1994. In 2000, about 58% of the total land area was forested.

Flood-control programs involve river dredging, dike strengthening, construction of new dams, and sandbagging of river banks at critical points. The burning of oil and coal along with the abuse of fertilizers and pesticides results in significant damage to the environment. The nation used 3.1 million tons of fertilizer per year at last estimate. Indonesia has 2,838 cu km of renewable water resources with 93% used in farming activity and 1% used for industrial purposes. About 89% of all city dwellers and 69% of rural dwellers have access to pure drinking water. Legislation introduced in 1982 endorsed the establishment of penalties for environmental pollution.

Protection of indigenous wildlife is entrusted to the Directorate of Nature Conservation and Wildlife Management. In 1984/85, the government set up three new national parks (of nineteen included in the 1984–89 plan) and four new natural reserves. By 2001 the government's goal to allocate 10% of the nation's land area to reserves had been met—protected lands totaled 10.1% of Indonesia's total land area. In 2003, about 20.6% of the total land area was protected, including five natural UNESCO World Heritage Sites and two Ramsar wetland sites.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 146 types of mammals, 121 species of birds, 28 types of reptiles, 33 species of amphibians, 91 species of fish, 3 types of mollusks, 28 species of other invertebrates, and 383 species of plants. Endangered species in Indonesia include the pig-tailed langur, Javan gibbon, orangutan, tiger, Asian elephant, Malayan tapir, Javan rhinoceros, Sumatran rhinoceros, Sumatran serow, Rothschild's starling, lowland anoa, mountain anoa, Siamese crocodile, false gavia, river terrapin, and four species of turtle (green sea, hawksbill, olive ridley, and leatherback). The Kalimantan mango, Buhler's rat, and the Javanese lapwing have become extinct.

#### 6 POPULATION

The population of Indonesia in 2005 was estimated by the United Nations (UN) at 221,932,000, which placed it at number 4 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 30% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.6%, a rate the government viewed as too high. The government was continuing efforts to curb population growth by reducing the fertility rate, which stood at 2.7 births per woman in 2005, half of what it was in the 1970s. The government's goal was to reach a fertility rate of 2.2 births per woman by 2010. The projected population for the year 2025 was 275,406,000. The population density was 117 per sq km (302 per sq mi); population distribution is uneven, with 60% of the population living in just 7% of the nation's land. Some urban areas have density equivalent to 44,030 per sq km (17,000 per sq mi).

The UN estimated that 42% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.22%. The capital city, Jakarta, had a population of 12,296,000 in that year. Other large cities and their estimated populations include Bandung, 4,020,000; Surabaya, 2,735,000; Medan, 2,109,000; Palembang, 1,675,000; Ujungpandang, 1,205,000; and Semarang, 816,000.

#### 7 MIGRATION

Historically, there has been considerable migration from and to China. Following a decree banning foreigners from participating in retail trade in rural Indonesia, some 120,000 Chinese left Indonesia in 1960–61. After the attempted coup of 1965 and the resultant deterioration in relations with China, many more Chinese left Indonesia. Migration between the Netherlands and Indonesia has been greatly reduced since independence; at the time of indepen-

dence, 250,000 Netherlands nationals—nearly all of whom have since returned home—lived in Indonesia.

Resettlement of people from crowded areas to the less populous outer islands is official government policy. The 1979–84 National Economic Plan had as a target the “transmigration” of 500,000 families from Java, Bali, and Madura to Sumatra, Kalimantan, Sulawesi, Maluku Province, and Irian Jaya. Participation was voluntary, and the actual number of families that resettled was about 366,000, containing about 1.5 million people. Since the annual population increase of Java is more than two million, the costly transmigration scheme did little to relieve that island’s human congestion, but it had a considerable impact in developing sparsely settled areas. Each family was entitled to two ha (five acres) and was provided with housing, food, seedlings, fertilizers, pesticides, and other supplies that it could use to become productive. Under the 1987–91 plan, 338,433 families were resettled.

First asylum was granted to over 145,000 Indochinese refugees between 1975 and 1993. Of these refugees, 121,708 were from Vietnam. Of the Vietnam asylum seekers, 112,000 had left for resettlement in the West by 1996, with the remaining group of Vietnamese expected to return home eventually. In 2004 there were 535,000 internally displaced persons in Indonesia.

In 2004 Indonesia had 169 refugees and 59 asylum seekers, with 16,390 persons of concern to the United Nations High Commissioner for Refugees (UNHCR). Populations of concern to UNHCR in 2004 were some 16,000 from East Timor and Afghanistan. In that same year over 7,000 Indonesians applied for asylum in Malaysia, the United States, and Australia. Another 15,181 were refugees in Malaysia, and 7,626 in Papua New Guinea.

In 2005 the net migration rate for Indonesia was zero.

## 8 ETHNIC GROUPS

The indigenous peoples, ethnologically referred to as Malays or Indonesians, also are found on the neighboring islands of the Philippines, in peninsular Malaysia, and even as far away as Taiwan and Madagascar. Indonesians are characterized by smallness of stature, light to dark-brown pigmentation, thick, sleek black hair, broad formation of the head, a wide nose, and thick lips. The inhabitants of eastern Indonesia have Negroid features, the result of intermarriage with the Papuans of New Guinea.

The population is officially classified into four main ethnic groups: Melanesians, who constitute the majority; Proto-Australians, including the Wajaks and the Irianese on Irian Jaya; Polynesians, including the Ambonese on the Maluku Islands; and Micronesians, found on the tiny islets of Indonesia’s eastern borders. The Melanesians are subdivided into the Acehnese of north Sumatra; the Bataks of northeastern Sumatra; the Minangkabaus of west Sumatra; the Sundanese of west Java; the Javanese in central and east Java; the Madurese on the island of Madura; the Balinese on Bali; the Sasaks on the island of Lombok; the Timorese on Timor; the Dayaks in Kalimantan; and the Minahasa, Torajas, Makassarese, and Buginese on Sulawesi. About 45% of the population is Javanese, 14% Sundanese, 7.5% Madurese, 7.5% coastal Malays, and 26% other.

Ethnic Chinese, the principal minority, were the target of riots in 1974, 1980, and 1998. Active mainly in business in the major cities, they are relatively prosperous and widely resented by ethnic Indonesians.

## 9 LANGUAGES

Bahasa Indonesia, a product of the nationalist movement, is the official language, serving as a common vehicle of communication for the various language groups. Based primarily on Malay and similar to the official language of Malaysia, it also contains many words from other Indonesian languages and dialects, as well as from Dutch, English, Arabic, Sanskrit, and other languages. In 1973, Indonesia and Malaysia adopted similar systems of spelling. Outside of Jakarta, only 10–15% of the population speaks the language in the home, but more than half the population uses it as a secondary language. Use of some 669 local languages persists, including Sundanese, Malay, and the most widely used, Javanese. English and Dutch are widely used in industry and commerce.

## 10 RELIGIONS

According to a 2000 census, about 88.22% of the inhabitants were adherents of Islam, 5.87% were Protestant, 3.05% were Roman Catholic, 1.81% were Hindu, 0.84% were Buddhist, and 0.2% followed tribal and other religions.

Most Muslims are Sunni, but the Shia, Amadhiyah, and Sufi branches are also represented. There are also small groups of messianic Islam groups including Darul Argam, Jamaah Salamulla, and Negara Islam Indonesia. The mainstream Muslim community is divided into modernists (who embrace modern learning but adhere to scriptural orthodox theology) and traditionalists (who are generally followers of charismatic religious scholars). Many modernists belong to a social organization known as Muhammadiyah; traditionalists belong to Nahdlatul. The Muslim majorities are found in Java, Sumatra, Kalimantan, West Nusa Tenggara, Sulawesi, and North Maluku.

Hinduism was the religion of Java for several centuries, but when Islam swept over Indonesia in the 15th century, Hinduism retreated somewhat to Bali. Hindu authorities estimate that there are about 18 million Hindus in the country; government estimates, however, indicate that there are only about 3.6 million. The Naurus on Seram Island practice a combination of Hindu and animist beliefs. Of the Buddhists, about 60% ascribe to the Mahayana school and 30% adhere to the Theravada school. Tantrayana, Tridharma, Kasogatan, Nichiren, and Maitreya schools are all represented as well. The religious faith of the Chinese in Indonesia may be characterized as Christian, Buddhist-Confucians, or even a combination of the two. The chief Christian communities are found in the eastern part of the country. In central Kalimantan and Irian Jaya, as well as a few other areas, substantial numbers of Indonesians follow animist tribal religions.

The constitution provides for freedom of worship but there have been some restrictions on religious practice. Only five religions are officially recognized by the Ministry of Religious Affairs: Islam, Catholicism, Protestantism, Buddhism, and Hinduism. Other religious groups may register as social organizations, but this status comes with certain restrictions. Proselytizing is prohibited. The government actively supports Islamic religious schools and pays for a number of annual pilgrimages to Mecca. Certain Hindu, Muslim, Christian, and Buddhist holidays are observed as national holidays.

## <sup>11</sup>TRANSPORTATION

Indonesia is politically and economically dependent upon good communications and transportation among the islands. Transportation facilities suffered greatly from destruction and neglect during World War II and immediately thereafter. The revitalized and partially modernized system suffered an additional setback during 1957–58 as a result of the withdrawal of Dutch equipment and personnel.

Of the 368,360 km (229,119 mi) of roadways in 2002, a total of 213,648 km (132,889 mi) were paved. Indonesia had 3,556,000 passenger cars and 2,720,000 commercial vehicles as of 2003. Railways connect the main cities in Java and parts of Sumatra. As of 2004, the state owned all of the 6,458 km (4,013 mi) of railroad track in service, all of which was narrow gauge. Of that total, 125 km (78 mi) have been electrified. Air-conditioned cars and express service have been introduced in parts of Java, but no new lines have been built in recent years.

As of 2004, about 21,579 km (13,409 mi) of inland waterways form the most important means of transportation in Kalimantan and in parts of Sumatra. The principal ports of international trade are Tanjungpriok (for Jakarta) and Tanjungperak (for Surabaya) in Java, and Belawan (near Medan) and Padang in Sumatra. Ports with less traffic but capable of handling sizable ships are Cirebon and Semarang in Java; Palembang in Sumatra; Banjarmasin, Balikpapan, and Pontianak in Kalimantan; Tanjungpinang in Bintan; and Ujung Padang in Sulawesi. In 2005, Indonesia's merchant fleet included 728 vessels of 1,000 GRT or more, totaling 3,192,847 GRT. Regulations were imposed in 1982 requiring that all government imports and exports be shipped in Indonesian vessels, and port charges were substantially altered to benefit Indonesia's national carriers. In 1984, a policy of scrapping old vessels was implemented.

Indonesia had an estimated 667 airports in 2004. As of 2005, a total of 161 had paved runways, and there were also 23 heliports. The center of international air traffic is Jakarta's Sukarno-Hatta International Airport. Other principal airports include Halim Perdanak at Jakarta and Polonia at Medan. In 2003, about 12.221 million passengers were carried on scheduled domestic and international flights.

## <sup>12</sup>HISTORY

Evidence for the ancient habitation of Indonesia was discovered by the Dutch paleontologist Eugène Dubois in 1891; these fossil remains of so-called Java man (*Pithecanthropus erectus*) date from the Pleistocene period, when Indonesia was linked with the Asian mainland. Indonesia's characteristic racial mixture resulted from at least two waves of invasions from South China by way of the Malay Peninsula and from intermarriage of these Indonesians with later immigrants, especially from India. The important population groups of today trace their descent from the immigrants of the second wave, which occurred around the 2nd or 3rd century BC. They subjugated and absorbed most of the other inhabitants. Indian influences permeated Java and Sumatra from the 1st to the 7th century AD. During this period and extending into the 15th century, local Buddhist and Hindu rulers established a number of powerful kingdoms. Among the most powerful of these was the Buddhist kingdom of Srivijaya, established on Sumatra in the

7th century; it prospered by gaining control of trade through the Strait of Malacca. To the east, in central Java, the Sailendra dynasty established its Buddhist kingdom in the 8th century. Relics of Sailendra rule include the great temple of Borobudur, Asia's largest Buddhist monument, with hundreds of bas-reliefs depicting the life of Buddha. Succeeding the Sailendra dynasty in 856 were followers of the Hindu god Shiva; these Shivaites built the great temple at Prambanan, east of Yogyakarta. Other Hindu kingdoms subsequently extended Indian influence eastward into east Java and Bali. The last of these was the Hindu kingdom of Majapahit, which was at the height of its power during the 13th century, when Marco Polo visited Java and northern Sumatra. When Majapahit collapsed around 1520, many of its leaders, according to tradition, fled to Bali, the only island in Indonesia that retains Hinduism as the chief religion. Even before Majapahit disintegrated, Muslim missionaries, probably Persian merchants, had begun to win much of the archipelago for Islam. About this time, also, the first Europeans arrived, and the first Chinese settlements were made. The Portuguese captured Malacca (Melaka), on the west coast of the Malay Peninsula, in 1511 and established control over the archipelago.

Dutch ships visited Java in 1596. The Dutch came in increasing numbers and soon drove the Portuguese out of the archipelago (except for the eastern half of the island of Timor), beginning nearly 350 years of colonial rule. The States-General of the Dutch Republic in 1602 incorporated the East Indian spice traders as the United East India Company and granted it a monopoly on shipping and trade and the power to make alliances and contracts with the rulers of the East. By force and diplomacy, the company thus became the supreme ruler of what became known as the Dutch East Indies. However, maladministration and corruption weakened the company after its early years of prosperity, and the Dutch government nullified its charter in 1799 and took over its affairs in 1800. The British East India Company ruled the Indies during the Napoleonic wars, from 1811 to 1816. During this period, Sir Thomas Stamford Raffles became governor of Java. When Dutch rule was restored, the Netherlands government instituted the "culture system" on Java, under which the Javanese, instead of paying a certain proportion of their crops as tax, were required to put at the disposal of the government a share of their land and labor and to grow crops for export under government direction. From a fiscal point of view the system was very successful, yielding millions of guilders for the Netherlands treasury, but this "net profit" or "favorable balance" policy fell under increasing moral attack in the Netherlands and was brought to an end about 1877.

Thereafter, private Dutch capital moved into the Indies, but the augmentation of Dutch prosperity at the expense of Indonesian living standards was increasingly resented. With the adoption of what colonial administrators called the "ethical policy" at the beginning of the 20th century, the first steps were taken to give Indonesians participation in government. A central representative body, the Volksraad, was instituted in 1918. At first it had only advisory powers, but in 1927 it was given co-legislative powers. An Indonesian nationalist movement began to develop during those years and steadily gained strength. Although retarded in the 1930s by the world economic depression, which was strongly felt in Indonesia, the movement revived during the Japanese occupation (1942–45) in World War II. A nationalist group under the leader-



LOCATION: 95°1' to 141°2' E; 6°5' N to 11° S. BOUNDARY LENGTHS: Malaysia, 1,782 kilometers (1,110 miles); Papua New Guinea, 820 kilometers (510 miles); total coastline, 54,716 kilometers (33,996 miles). TERRITORIAL SEA LIMIT: 12 miles.

ship of Sukarno and Mohammad Hatta proclaimed an independent republic on 17 August 1945, adopted a provisional constitution providing for a strong presidential form of government, formed a revolutionary government, and resisted Dutch reoccupation. After four years of intermittent negotiations, frequent hostilities, and intervention by the United Nations (UN), the Netherlands agreed to Indonesian demands.

On 27 December 1949, the Dutch recognized the independence of all the former Dutch East Indies except West New Guinea (Irian Jaya) as the Republic of the United States of Indonesia. A few months later, on 17 August 1950, the federal system was rejected and a unitary state, the Republic of Indonesia, was established under a new constitution. West New Guinea remained under Dutch control until October 1962, when the Netherlands transferred the territory to the UN Temporary Executive Administration (UNTEA). On 1 May 1963, Indonesia took complete possession of the disputed territory as the province of Irian Barat (West Irian); the province was renamed Irian Jaya in 1973. Indonesia, which aimed to acquire Sarawak and Sabah (which are on the island of Borneo with Kalimantan), opposed the formation of the Federation

of Malaysia in September 1963 and announced a "crush Malaysia" policy. This policy was implemented by guerrilla raids into Malaysian territory that continued until August 1966, when a formal treaty was concluded between the two countries.

Sukarno became the first president of the new nation in 1949, and Hatta the vice president. Internal difficulties, fostered by a multiplicity of political parties inherited from Dutch colonial days, soon developed, and regional rivalries also threatened the unity of the new nation. Then as now, Java had some two-thirds of the country's population, but the great sources of wealth were found on the other, much less densely settled islands. Those living in the so-called Outer Islands believed too much governmental revenue was being spent in Java and too little elsewhere. After Vice President Hatta, a Sumatran, resigned in December 1956, many in the Outer Islands felt they had lost their chief and most effective spokesman in Jakarta. Territorial army commanders in Sumatra staged coups and defied the central government; other rebel movements developed in Sulawesi. The government took measures providing for greater fiscal and administrative decentralization, but discontent remained, and the rebellions were put down

by force. Thereafter, Sukarno bypassed parliamentary procedures and pursued an increasingly authoritarian, anti-Western policy of “guided democracy.” In 1959, he decreed a return to the 1945 constitution, providing for a centralized form of government, and consolidated his control.

Communist agitation within the country and secessionist uprisings in central and eastern Java came to a head in the 30th of September Movement under the direction of Lt. Col. Untung. Sukarno, whose foreign policy had turned increasingly toward the Communist Chinese, may have had advance knowledge of the Communist-led coup attempt on 30 September 1965, which was directed against Indonesia’s top military men; the coup was crushed immediately by the army, however, and in the ensuing anti-Communist purges more than 100,000 persons (mostly Indonesian Chinese) lost their lives and another 700,000 were arrested. By mid-October, the army, under the command of Gen. Suharto, was in virtual control of the country. On 12 March 1966, following nearly three weeks of student riots, President Sukarno transferred to Suharto the authority to take, in the president’s name, “all measures required for the safekeeping and stability of the government administration.” In March 1967, the People’s Consultative Assembly (Majelis Permusyawaratan Rakyat—MPR) voted unanimously to withdraw all Sukarno’s governmental power and appointed Gen. Suharto acting president. One year later, it conferred full presidential powers on Suharto, and he was sworn in as president for a five-year term. The congress also agreed to postpone the general elections due in 1968 until 1971. Sukarno died in June 1970. On 3 July 1971, national and regional elections were held for the majority of seats in all legislative bodies. The Joint Secretariat of Functional Groups (Sekber Golongan Karya—Golkar), a mass political front backed by Suharto, gained 60% of the popular vote and emerged in control of both the House of Representatives (DPR) and the MPR.

### Suharto Gains Control

In March 1973, the MPR elected Suharto to a second five-year term. Thus Suharto, with key backing from the military, began a long period of dominance over Indonesian politics. Under Suharto’s “New Order,” Indonesia turned to the West and began following a conservative economic course stressing capital development and foreign investment. In foreign affairs, Suharto’s government achieved vastly improved ties with the United States, Japan, and Western Europe while maintaining links with the USSR.

On 7 December 1975, following Portugal’s withdrawal from East Timor, a power struggle developed among various political groups, including the Revolutionary Front for an Independent East Timor (Frente Revolucionário de Este Timor Independente—Fretilin). The left-wing independence movement achieved military dominance forcing the Indonesian government to send troops into the former Portuguese colony and assume full control of the territory. On 17 July 1976, the Suharto government incorporated the territory as an Indonesian province. This action was neither recognized by the UN, which called on Indonesia to withdraw and allow the Timorese the right to self-determination, nor accepted by Fretilin. Discontent with the Suharto regime mounted after the elections of 1977, in which Suharto’s Golkar Party gained an overwhelming majority. The government acknowledged holding 31,000 political prisoners; according to Amnesty International,

the total was closer to 100,000. Student riots and criticism of government repression resulted in further government measures: political activity was suspended, and leading newspapers were temporarily closed. Suharto was elected by the MPR to a third five-year term in 1978; during late 1977 and 1978, some 16,000 political prisoners were released, and the remainder of those detained in 1965 were released by the end of 1979. Golkar made further gains in the 1982 elections, and Suharto was elected for a fourth five-year term in March 1983.

To strengthen the government in the face of rising Muslim militancy, Suharto began to reestablish Sukarno as a national hero eight years after his death. Suharto called for greater loyalty by all political groups to the Pancasila (“five principles”) framed by Sukarno in 1945. The credo encompassed belief in the one supreme being, humanitarianism, national unity, consensus democracy, and social justice. Muslim groups strongly objected to the new government program and organized demonstrations that took place in 1984 and 1985. The war against Fretilin continued into the 1980s, with reports of massacres by government troops and severe economic hardship among the Timorese. Negotiations with Portugal, still considered responsible for decolonization by the UN, began in July 1983. In Irian Jaya, the Organization for a Free Papua (Organisasi Papua Merdeka—OPM), which desires unification with Papua New Guinea and has been active since the early 1960s, increased its militant activities in 1986. The Indonesian Army (ABRI) continued to play a dual military and socioeconomic function, and this role was supported by legislation in 1988. Golkar made further gains in the 1987 elections, and Suharto was again reelected for a fifth five-year term in March 1988. During disagreements over nomination procedures for the vice presidency, ABRI’s influence was eroded.

Golkar sought to create national unity through its resettlement policies. From 1969–92, the Transmigration Program, a policy aimed at redistributing population in Indonesia for political purposes and demographic reasons, resulted in almost 1,488,000 families moving from the Inner Islands to the Outer Islands. The Transmigration Program suffered from land disputes with local residents and environmental concerns over deforestation. The program alienated local populations and fueled ethnic conflict throughout the country. In Irian Jaya, OPM attempted to sabotage the government’s program, which was turning the indigenous Melanesian majority into a minority. Indonesian troops attempting to capture Melanesian separatists would cross the border into Papua New Guinea. Indonesia and Papua New Guinea agreed to provide greater cooperation on security and trade issues and the leader of OPM, Melkianus Salossa, was eventually arrested in Papua New Guinea and deported to Indonesia and sentenced to life in prison in 1991. In 1989, tension from land disputes in Java and the Outer Islands produced social unrest that resulted in clashes between villagers and the armed forces. In 1990 an armed rebellion in northern Sumatra at Aceh arose over hostility toward government exploitation of mineral resources and its transmigration program. The government squashed the rebellion with a massive display of force.

Political openness was increasingly espoused during 1990–91 by political and labor organizations. In 1990 a group of prominent Indonesians publicly demanded that Suharto retire from the presidency at the end of his current term; in 1991 labor unrest

increased with a rash of strikes, which the army was called in to quell. Government efforts to raise funds through a state lottery were opposed and finally forbidden on religious grounds when the country's highest Islamic authority declared the lottery *haram* (forbidden).

On 12 November 1991, during a funeral for a young Timorese killed in demonstrations against Indonesia's rule of East Timor, soldiers opened fire on the defenseless mourners, provoking worldwide condemnation. Although the government took unprecedented steps to punish those involved, Western governments threatened to suspend aid, and demands were made linking aid to human rights issues. The Netherlands' demand linking its aid to improvements in human rights was rejected when Suharto refused Dutch economic aid on 25 March 1992. In the aftermath of these events, Suharto spoke at the Nonaligned Movement summit in Jakarta and to the UN General Assembly, suggesting that developing nations needed to take a more prominent role in opposing North-South economic inequality. Suharto's challenge received a cool reception from Western nations, but it clearly signaled a reassessment of Indonesia's future international presence. In early December 1992 government forces captured Jose Alexandre (Xanana) Gusmao, leader of the Fretilin, who was hiding in Dili, East Timor. On 21 May 1993 he was sentenced to life imprisonment. In late 1992, tensions between Muslims and Christians increased to the point of violence and vandalism of churches and mosques. Suharto requested that religious tolerance be practiced. By 1993 US policy toward Indonesia shifted, toward criticism of Indonesia's rule in East Timor and a threat to revoke trade privileges pursuant to Indonesia's treatment of the largest independent trade union, the Indonesian Prosperous Labor Union (SBSI). Adding further scrutiny to Indonesia's tarnished international image was a UN resolution on Indonesia's human rights violations placing the country on a rights "watch" list in 1993.

Although its total share of votes declined, Golkar won the 1992 elections, securing 282 of the 400 elective seats. In March 1993, Suharto was elected to a sixth term as president. Try Sutrisno, the commander in chief of ABRI, was chosen as vice president. Despite Golkar's victory, the country continued to experience economic and political difficulties. A major scandal occurred in March 1993 with the sale of \$5 million in fake shares on the Jakarta Stock Exchange (JSE). In January 1994 President Suharto inaugurated 12 electric power plants with combined installed capacity of more than 2,000 MW. Violent labor unrest broke out in Medan in April 1994 with the mysterious death of a union activist. Ethnic Chinese, who are only about 3% of the population of Indonesia, were the target of demonstrators; one Chinese factory manager was killed. The success of the Chinese is widely envied and they are accused of exploiting the workers. On 21 June 1994 the government closed *Tempo* and two other publications by revoking publishing licenses. *Tempo* was accused of violating the journalistic code of ethics and pitting one person against another to the point where it affected national security based on its coverage of a controversial purchase of 39 warships from the former East German navy. Other publications were accused of more technical infractions, including the failure to comply with registration procedures and publishing political and general news in spite of license restrictions limiting a popular tabloid's coverage to detective stories and crime stories.

Violent outbreaks, clashes, and riots increased in Indonesia from 1995–97. Riots between Catholics and Muslims broke out in East Timor in September 1995, leaving Dili's central marketplace in ashes. This was before Timor's Roman Catholic bishop, Carlos Filipe Ximenes Belo, and pro-independence advocate José Ramos-Horta, shared the Nobel Peace Prize in 1996. Many incidents of rural unrest, including land disputes and ethnic strife, continued in 1995–96. The campaign for the 29 May 1997 elections was an unusually violent one, dubbed the "festival of democracy," as voters and demonstrators brought rocks, bricks, knives, machetes, and even snakes to the campaign. There was a ban on parades of trucks, cars, and motorcycles. This followed the uproar resulting from the ouster of Megawati Sukarnoputri as the Indonesian Democratic Party (PDI) chairperson in June 1996. Her political involvement was seen as a rallying point for democratic change. Golkar took 74% of the vote in elections that were seen to be marked by fraud; over 200 people were killed during the campaign. The Muslim-oriented United Development Party (PPP) obtained 22% and the PDI, 3%.

In other violence, hundreds of lives were lost in a full-scale ethnic war in Kalimantan, as clashes between the Dayaks, the indigenous people of the area, and Muslim settlers from the island of Madura, broke out in December 1996. The fighting led to Malaysia closing part of its border with Indonesia in February 1997. In 1997, the country experienced the dual effect of increased ethnic conflict and economic decline. These twin forces were the harbinger for the decline of Golkar and the departure of Suharto from Indonesian politics. In the May 1997 legislative elections, Golkar allegedly secured 74.3% of the popular vote, amid massive violence that killed over 100 political activists. Violence continued after the elections and was worsened by the Asian economic crisis. After severe devaluation of the rupiah in August and October of 1997, Suharto accepted an International Monetary Fund (IMF) loan package but failed to carry out IMF-imposed conditions for economic reform. By December, news of Suharto's declining health furthered doubt on his ability to see Indonesia through a worsening economic and political situation.

After Suharto won an unopposed presidential election in March 1998, student protests swept Jakarta and ethnic tensions also swelled as Chinese merchants were attacked. In East Timor, José Ramos-Horta urged the government to agree to a cease-fire and cooperation with the UN to determine the ultimate governance structure for the country. On 21 May 1998, Suharto resigned as president, after hundreds of people were killed, looting swept through the capital, and thousands of foreigners living or working in Indonesia were evacuated in months of unrest. B. J. Habibie, the former vice president, was sworn in as president. Upon assuming the presidency, he adopted a conciliatory posture toward defusing the East Timor crisis by stating that East Timor may be given "special status" with increased autonomy within Indonesia. In August 1998, Portugal and Indonesia met to discuss the future of the province. After significant pressure from the United Nations, Australia, and Portugal, Habibie agreed on 27 January 1999 to hold a referendum for the province. Despite widespread violence instigated by the pro-Indonesia armed militia, 98% of voters cast their ballots on 30 August, with 78.5% in favor of independence. This was followed by a rampage by pro-Indonesia forces who looted and burned the entire province creating a major humanitarian sit-



uation and refugee crisis. With the aid of Australian troops, the UN intervened with approximately 8,000 troops to restore order and establish humanitarian programs. Meanwhile, in Irian Jaya and Aceh, the military forces and the national police continued to commit extra-judicial killings in 2000.

B. J. Habibie's political fortunes waned in the aftermath of the UN-sponsored referendum in East Timor. His state of the nation address to the People's Consultative Assembly in October 1999 did not allay the perception that he had not exercised the appropriate leadership in handling domestic and international matters. Pressure on Habibie mounted and he subsequently resigned as a result of a no-confidence vote. In 20 October elections in the People's Consultative Assembly, the first free elections in 44 years, Abdurrahman Wahid, the leader of the National Awakening Party and a near-blind Muslim cleric, was pitted against Megawati Sukarnoputri, Sukarno's daughter. Megawati's party won the most votes, but rather than negotiate with other politicians to form a coalition, Megawati allowed the more experienced Wahid to become president. Despite protest from her supporters, Megawati asked backers to refrain from violent protest. She became vice president. Wahid worked to curb the influence of the military and promised major reforms in the government.

In July 2001, after months of opposition from legislators over the competence of his administration, Wahid declared a state of emergency and ordered parliament dissolved. On 23 July 2001, legislators in the People's Consultative Assembly voted 591–0 to remove Wahid from the presidency. He had been charged with corruption and incompetence, being accused of embezzling US\$4.1 million in state funds and illegally accepting US\$2 million from the Sultan of Brunei. He was cleared of all charges that May, but the parliament continued to insist upon impeachment proceedings based on dissatisfaction with his administration. Megawati was sworn in as president immediately after Wahid's removal.

Megawati, a Muslim who was identified with nationalist-secular policies, faced demonstrations upon assuming office from strict Islamic fundamentalists calling for the establishment of Shariah law. She also had to face the Aceh independence movement, as more than 1,000 people were killed in the province in 2001, adding to the thousands more that had been killed in the past decade. Megawati expressed support for the US-led war on terrorism following the 11 September 2001 terrorist attacks, and she visited the United States the following week.

Following the fall of Suharto, Indonesia experienced a resurgence of Islamic activity. The main extremist Islamist organizations in Indonesia are Darul Islam, the Islamic Defender's Front, and Laskar Jihad. Laskar Jihad is the most prominent and organized of Indonesia's radical Islamist organizations, and between 300–400 new members joined within the first month following the 11 September attacks. On 12 October 2002, Indonesia experienced its own major terrorist attack. Two nightclubs in the resort town of Kuta on the island of Bali were bombed, killing 202 people, the majority being young Western tourists, many from Australia. On 18 October, President Megawati issued an emergency decree to give the government expanded powers to fight terrorism. This act came after international criticism directed at her government for not taking the necessary steps to address the problem of terrorism. Megawati permitted the arrest of Abubakar Bashir, a Muslim cleric who is the spiritual leader of Jemaah Islamiyah. Je-

maah Islamiyah, accused of staging the Bali bombings, has links to the al-Qaeda organization. Bashir in 2003 was cleared of treason charges but jailed for subversion and immigration offenses. The subversion charge was later overturned, but in 2005 he was found guilty of conspiracy over the 2002 Bali bombings, and sentenced to 2½ years in prison. Later bombing attacks took place in August 2003 outside the Marriott Hotel in Jakarta, killing 14 people; in September 2004 outside the Australian embassy in Jakarta, which killed 9 and injured more than 180 people; and in October 2005 on the island of Bali, when 3 suicide bombings killed 22 people, including the bombers.

Following its independence referendum held in August 1999, East Timor was governed by UNTAET (the United Nations Transitional Administration in East Timor) and a National Consultative Council. A constituent assembly was elected in September 2001 with the task of writing a constitution for the country. In April 2002 José Alexandre "Xanana" Gusmão was elected president, and on 20 May 2002 East Timor became an independent nation.

In June 2000, 2,500 activists representing 250 tribal groups in Irian Jaya declared the region—which they call West Papua—a sovereign state. The region was granted limited autonomy by parliament in October 2001, but many inhabitants, including independence rebels, rejected the measure and called for full independence. On 9 December 2002, the government and the separatist Free Aceh Movement (GAM) signed a peace deal aimed at ending over three decades of violence. The accord provided for autonomy and free elections in Aceh; in return the GAM was to disarm. In May 2003, peace talks between the government and GAM broke down; the government mounted a military offensive against GAM separatists in Aceh and imposed martial law. In August 2005, the government and GAM separatists once again signed a peace agreement providing for the disarmament of rebels and the withdrawal of government soldiers from Aceh. In September, rebels began handing in their weapons.

Demonstrators protested price increases on basic necessities such as fuel and electricity commodities that have been rooted in corruption, in January 2003. Megawati, originally seen as a friend of the poor, was urged to resign by some for failing to eliminate corruption. In April 2004, parliamentary and local elections were held: the Golkar party of former President Suharto took the greatest share of the vote, with Megawati's PDI-P (Indonesia Democracy Party–Struggle) party coming in second. In July 2004, the country's first direct presidential election was held. In the runoff held on 20 September 2004, Megawati was defeated by Susilo Bambang Yudhoyono, who received 60.6% of the vote. The election was hailed as the first peaceful transition of power in Indonesian history.

On 26 December 2004, a powerful undersea earthquake off the coast of Sumatra generated massive tidal waves. The tsunami devastated Indian Ocean communities as far away as Thailand, India, Sri Lanka, and Somalia. More than 160,000 people were dead or missing in Indonesia alone. In March 2005, another earthquake off the coast of Sumatra killed at least 1,000 people, most of them on the island of Nias.

### 13 GOVERNMENT

The provisional constitution of 17 August 1950 provided for a unitary republic. The president and vice president, “elected in accordance with rules to be laid down by law,” were to be inviolable, but cabinet ministers were jointly and individually responsible. The House of Representatives was to be a unicameral parliament. Its members were elected by a system of proportional representation for a four-year term, but it might be dissolved earlier by presidential decree. Sukarno and Hatta, the first president and vice president, were elected by parliament; no term of office was stipulated by the constitution. In practice, the government was not truly parliamentary, since President Sukarno played a role far greater than is usual for the head of state in a parliamentary system. He was the great national revolutionary hero, and his popularity with the masses enabled him to exert great influence on government policy. Parliament was not strong enough to hold the president to the role prescribed by the constitution. In 1957, Sukarno adopted a more authoritarian policy of “guided democracy.” He further strengthened his powers in 1959 by decreeing a return to the provisional 1945 constitution, which called for a strong president and stressed the philosophy of Pancasila as a national ideology. On 5 March 1960, Sukarno suspended parliament and began to rule by decree. In June, he appointed a new 283-member parliament drawn from 9 political parties and 14 “functional groups.” In mid-August, Sukarno named another 326 legislators who, with the 283 members of parliament, were to constitute the Provisional People’s Congress. This congress was to meet at least once every five years and to be responsible for drawing up the outlines of national policy and electing the president and vice president. In 1963, the congress elected Sukarno president for life. Following the political upheavals of 1965–66, the army, led by Gen. Suharto, moved to establish a “New Order.” In 1967, Sukarno formally relinquished power to Suharto, who had become Indonesia’s effective ruler in March 1966. Suharto reorganized the cabinet, making all of its 12 ministers responsible to him. In February 1968, he dismissed 123 members of the People’s Consultative Assembly (Majelis Permusyawaratan Rakyat or MPR), an outgrowth of the Provisional People’s Congress, and replaced them with his own nominees. In June of that year, following his appointment to a five-year term as president, Suharto formed a new cabinet, with himself as prime minister and defense minister.

On 3 July 1971, general elections—the first since 1955—were held for portions of two reconstituted national bodies, a 460-seat House of Representatives (Dewan Perwakilan Rakyat or DPR) and a 920-seat People’s Consultative Assembly or MPR. In 1987, the memberships were increased to 500 and 1,000, respectively. The number of seats in the MPR was later reduced to 700. The People’s Consultative Assembly included the DPR plus 200 indirectly selected members; it met every five years to elect the president and vice president and to approve broad outlines of national policy and also had yearly meetings to consider constitutional and legislative changes. Legislative responsibility was vested in the DPR, which consisted of 462 elected members and 38 members appointed by the president from the military (Armed Forces of People’s Republic of Indonesia, Angkatan Bersenjata Republik Indonesia or ABRI). Under the Suharto government, the MPR acted as a consultative body, setting guidelines for national policy; its principal legislative task was to approve the broad outlines of state

policy. In March 1973, the MPR elected President Suharto to a second five-year term; he was reelected to a third term in 1978, a fourth in 1983, a fifth in 1988, a sixth in 1993, and a seventh in 1998. However, Suharto was forced to step down in May 1998 in favor of his vice president, B. J. Habibie. Habibie sought to decrease the role of the military in Indonesian politics and promised major political and economic reforms. He too was forced to resign after the People’s Consultative Assembly questioned his leadership. In a surprise move, the body chose Abdurrahman Wahid as president in October 1999. Wahid, a well respected Muslim cleric, promised democratization and an end to corruption. Ironically, Wahid was eventually removed from office in July 2001, for corruption and political incompetence. Megawati Sukarnoputri, the daughter of Sukarno, became president. She also took on the perennial problem of corruption, but had to face the issue of international terrorism as well.

In August 2002, the People’s Consultative Assembly (MPR) approved constitutional amendments to take effect in time for the presidential elections held in 2004. Seats in the 550-member DPR were no longer reserved for the armed forces; in return, members of the military were allowed to vote. Members of the DPR are elected for five-year terms. The MPR rejected the imposition of Shariah for Muslims. A second standing body, the Regional Representative Council (Dewan Perwakilan Daerah–DPD), now functions as a senate in Indonesia. Parliament no longer elects the president; instead, he or she is now directly elected.

In 2004, Megawati was defeated in the second round of the first direct presidential elections held in Indonesia. Susilo Bambang Yudhoyono became president with 60.6% of the votes.

### 14 POLITICAL PARTIES

Until the autumn of 1955, when the first national elections were held, members of the House of Representatives were appointed by the president in consultation with party leaders. Of the 37,785,299 votes cast in the 1955 general election, six parties received more than one million votes each: the Indonesian Nationalist Party (Partai Nasional Indonesia—PNI), 22.3% of the total; the Council of Muslim Organizations (Masjumi), 20.9%; the Orthodox Muslim Scholars (Nahdlatul Ulama—NU), 18.4%; the Indonesian Communist Party (Partai Komunis Indonesia—PKI), 16.4%; the United Muslim Party, 2.9%; and the Christian Party, 2.6%. In all, 28 parties won representation in the 273-member parliament. Almost all the political parties had socialist aims or tendencies. The PNI, many of whose prominent members were leaders in the pre-war nationalist movement, represented a combination of nationalism and socialism. Government officials and employees had originally constituted its backbone, but subsequently it grew powerful among labor and farmer groups as well. The Masjumi was more evenly distributed throughout Indonesia than any other party. Although it contained a large percentage of the small middle class, its principles were markedly socialist, owing to the influence in the party of a religious socialist group. The NU, which broke away from the Masjumi largely because of differences in religious outlook, represented the orthodox but not strictly conservative views of the rural people and religious teachers. The Christian Party was founded by Protestants; a smaller Roman Catholic Party was also formed. On 17 August 1960, Sukarno ordered the dissolution of the Masjumi and socialist parties on the grounds of disloyalty. A

month later, on 13 September, political action by all parties was barred.

Early in 1961, notice was given that all political parties were required to apply for permission to function. On 15 April, parties certified to continue in existence included the PKI, PNI, NU, Catholic, Islamic Association, Indonesian Protestant Christian, Indonesian Islam Sarekat, and the League for Upholding Indonesian Independence. The PKI, which at the height of its power in 1965 had an estimated three million members and was especially strong on Java, was banned by Gen. Suharto in March 1966, by which time more than 100,000 PKI members were estimated to have been killed in riots, assassinations, and purges; many more PKI members were arrested. Since then, the party has operated underground. The Masjumi dissolved in 1960. Under the Suharto government, political opposition in Indonesia had become increasingly quiescent. Prior to the 1971 elections, the government formed a mass organization, known as Golkar (Golongan Karya), as the political vanguard for its "New Order" program. Golkar drew upon elements outside traditional party ranks—the civil service, labor, youth, cooperatives, and other groups—and succeeded in effectively circumventing the parties' ability to play a national role. Prior to the 1971 voting, a government-appointed election committee screened all prospective candidates, eliminating 735 from the initial list of 3,840; only 11 of those eliminated were from Golkar. Candidates were forbidden to criticize the government or to discuss religious issues. In the elections, held on 3 July 1971, Golkar candidates received 63% of the vote, while winning 227 of the 351 contested seats in the House of Representatives. Besides Golkar—which is not formally considered a political party—9 parties took part in the elections, as compared with 28 in 1955. The Orthodox Muslim NU placed second in the balloting, with 58 seats; the moderate Indonesian Muslim Party (Parmusi), an offshoot of the banned Masjumi Party, won 24 seats; and the PNI, Sukarno's former base, won only 20 seats. Four smaller groups—the Muslim Political Federation, the Protestant Christian Party, the Catholic Party, and the Islamic Party—divided the remaining 22 seats. The government subsequently announced that 57 million persons, or over 95% of the electorate, had taken part in the voting. An act of 1975 provided for the fusion of the major political organizations into two parties—the United Development Party (Partai Persatuan Pembangunan—PPP) and the Indonesian Democratic Party (Partai Demokrasi Indonesia—PDI)—and Golkar. The PPP, then Golkar's chief opposition, is a fusion of the NU, Parmusi and other Muslim groups, while the PDI represents the merger of the PNI, the Christian Party, the Roman Catholic Party, and smaller groups. In the third general election, held on 2 May 1977, Golkar won 232 seats in the House of Representatives, against 99 seats for the PPP and 29 seats for the PDI. Golkar made further gains in the elections of 4 May 1982, winning 246 of the 364 contested seats, against 94 for the PPP and 24 for the PDI. Both opposition parties charged that the government had falsified the vote totals. Rioting marred the campaign period, and 35,000 army troops were stationed in Jakarta on election day. In the election of 23 April 1987, Golkar won 292 of the 400 elected seats (73.2%), against 64 for the PPP (16%) and 44 for the PDI (10.8%).

For the 1992 election the campaign rules banned automobile rallies and picture posters of political leaders; large outdoor rallies were discouraged, radio and televised appeals had to be approved

in advance by the elections commission, and no campaigning took place in the five days before the elections. In 1992 there were 17 million first-time voters in a population of 108 million registered voters. More than 97 million Indonesians voted, 90% of the registered voters. Golkar won 68% of the popular vote, down by 5% from 1987. The PPP took 17% of the vote. The PDI took 15% of the vote compared to 10.9% in 1987. These results in terms of DPR seats were: Golkar, 281 (down 18 seats from 1987); PPP, 63 (down 2 seats from 1987); and PDI, 56 seats (an increase of 16 seats).

The most violent election campaign in recent years was in 1997 as the ruling Golkar party took 74% of the vote. The 29 May 1997 elections were marked by fraud. More than 200 people were killed in the campaign, which banned motorcades. The PPP took 22% of the vote and the PDI, 3%. The 7 June 1999 elections resulted in a victory for Megawati Sukarnoputri's PDI-P (Indonesia Democracy Party–Struggle); however, she relinquished the presidency in favor of Abdurrahman Wahid. The PDI-P took 37.4% of the vote, Golkar took 20.9% of the vote, Wahid's National Awakening Party (PKB) took 17.4% of the vote, and the PPP took 10.7%. Megawati became president on the removal of Wahid in July 2001.

The next parliamentary elections were held in April 2004. Golkar took 21.6% of the vote (128 seats), followed by the PDI-P, with 18.5% (109 seats). The PPP won 8.2% of the vote (58 seats). The National Awakening Party (PKB) won 10.6% of the vote (52 seats); the Democratic Party won 7.5% of the vote (55 seats); the National Mandate Party (PAN), 6.4% (53 seats); the Prosperous Justice Party (PKS), 7.3% (45 seats). Other parties won a collective 19.9% of the vote and held 50 seats. Due to election rules, the number of seats won does not always follow the number of votes received by the parties.

## 15 LOCAL GOVERNMENT

The structure and organization of local governments follow the pattern of national government. Indonesia is divided into 30 provinces. There are three special territories, namely the capital city of Jakarta, the special territory of Yogyakarta, and the special territory of Aceh. Each province is administered by a governor chosen by the central government from candidates proposed by the provincial assembly. Governors must be approved by the president. Provinces are divided into districts (*kabupatens*), administered by bupati appointed in the same manner as governors. Both provincial and district governments are granted autonomy. There are also municipalities (*kotamadyas*) headed by a mayor (*walikota*), subdistricts (*kecamatan*) headed by a *camat*, and villages. *Desa* are rural villages and *kelurahans* are urban villages. The head of a *desa* is elected by the village community. The head of a *kelurahan*, a *lurah*, is a civil servant appointed by a *camat* on behalf of the governor. A unique feature of village life is the village council of elders, composed of 9 to 15 prominent village leaders. With the implementation of decentralization on 1 January 2001, the 357 districts became the key administrative units responsible for providing most government services.

## 16 JUDICIAL SYSTEM

Since 1951, the administration of justice has been unified. Government courts, each with a single judge, have jurisdiction in the first instance in civil and criminal cases. In December 1989, the Islamic Judicature Law gave wider powers to Shariah courts. The new

law gave Muslim courts jurisdiction over civil matters, including marriage. Muslims and non-Muslims can decide to appear before secular courts. The Supreme Court has as its primary function the review of decisions by lower courts. The high court hears appeals in civil cases and reviews criminal cases. Judges are appointed by the president from a list of candidates chosen by the legislature. On 16 August 2003, a separate Constitutional Court was invested by the president. In March 2004, the Supreme Court assumed administrative and financial responsibility for the lower court system from the Ministry of Justice and Human Rights. In the villages, customary law (*adat*) procedures continue unchanged.

Islamic law (Shariah) governs many noncriminal matters involving Muslims, including family law, inheritance and divorce; however, the People's Consultative Assembly (MPR) rejected the imposition of Shariah for Muslims in 2002. A civil code based on Roman law is applied to Europeans; a combination of codes is applied to other groups such as ethnic Chinese and Indians. Military and administrative courts also exist below the Supreme Court level.

## 17 ARMED FORCES

The Indonesian armed forces in 2005 consisted of 302,000 active personnel and 400,000 reserves. The Army, estimated at 233,000, included provincial and special forces. The Army's weapons included 350 light tanks, 142 reconnaissance vehicles, 11 armored infantry fighting vehicles, 356 armored personnel carriers, and 1,060 artillery pieces. The Army's aviation arm had 2 attack and 37 utility helicopters. The Air Force had 24,000 personnel, with 94 combat capable aircraft, including 26 fighters and 18 fighter ground attack aircraft. The Navy had an estimated 29,000 personnel (including an estimated 1,000 naval aviation personnel and 15,000 Marines). The Navy's major units consisted of 2 tactical submarines, 13 frigates, 16 corvettes, and 23 patrol/coastal craft. Paramilitary forces consisted of a 280,000-member police force and 3 other armed security forces. Indonesia's defense budget for 2005 totaled \$2.53 billion. Indonesia provided support to UN peacekeeping missions in five countries.

## 18 INTERNATIONAL COOPERATION

Indonesia was admitted to the United Nations on 28 September 1950 and is a member of ESCAP and several nonregional specialized agencies. Following the seating of Malaysia in the Security Council, Indonesia withdrew from the United Nations on 7 January 1965; it resumed its seat on 28 September 1966. Indonesia is also a member of the WTO, the Asian Development Bank, Colombo Plan, G-15, G-77, APEC, the WTO, the Organization of the Islamic Conference (OIC), APEC, and OPEC. Indonesia became one of the founding members of ASEAN in 1967. Indonesia was a founding member of the Nonaligned Movement.

In March 1970, a treaty of friendship was signed between Indonesia and Malaysia; the treaty also established the boundary between the two countries in the Strait of Malacca. Relations between Indonesia and much of the international community were strained following the 1999 East Timorese referendum through which that nation voted for its independence from Indonesia. Indonesian military forces supported violent upheavals in East Timor immediately following the referendum, but these were

calmed by the arrival of the Australian-led peacekeeping mission of the International Force for East Timor (INTERFET).

In environmental cooperation, Indonesia is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

In colonial times Indonesia depended upon the export of a relatively small range of primary commodities. In the 17th and 18th centuries, the basis of the export-oriented economy was spices. In the 19th century, it shifted to sugar and coffee; in the 20th century, production of oil, tin, timber, and rubber became fundamental. Despite export gains, however, subsistence agriculture, with rice as the chief crop, remains the principal occupation of a large proportion of Indonesians, and standards of living are low. In 1991, the share of manufacturing in GDP exceeded that of the agricultural sector for the first time. In the early 2000s, the services sector expanded with a determined effort to promote tourism, and in 2005 it accounted for 40.4% of GDP and employed more than one-third of the workforce. Indonesia's record of economic growth and diversification was among the most successful in the developing world; but the onset of the Asian financial crisis in 1997 with Indonesia at the epicenter, followed by the 1998 political unrest and drought, contributed to a recession that hit the country hard, severely depressing the economy and halting economic growth. The economy slowly recovered in the beginning of the 21st century, however, with a 5.1% GDP growth rate in 2004, the fastest rate since the Asian financial crisis. The 26 December 2004 Indian Ocean tsunami resulted in the deaths of an estimated 131,000 Indonesians and left another 38,000 missing, with 570,000 displaced persons and \$4.5 billion in damages and losses. Nevertheless, the overall impact of the tsunami on the economy was small: the large amount of donor aid and assistance and the beginning of reconstruction was projected to contribute to a further increase in GDP growth. A recovery in investment demand was projected to enable GDP growth to average 5.2% a year in 2006–07.

Indonesia is exceptionally rich in coal, oil, and other industrial raw materials, but industrial development has lagged in relation to the size of the population and the national income. In part, this was a consequence of expropriation policies carried out by Sukarno and of chronic inefficiency and corruption among government officials. After the 1964–66 political crisis, the government of President Suharto took steps to stabilize the economy. Exporters were allowed to keep a larger proportion of their foreign exchange earnings. The government also imposed strict controls on imports, encouraged foreign investment, returned many nationalized assets, ended nonproductive projects, and reduced government control of the economy. The inflation rate, which had been 635% in 1966 and 120% in 1967, fell to 85% in 1968 and further declined to 10% in 1971. National economic planning was used to guide economic growth. Under the 1969–74 plan, the government successfully introduced fiscal and credit restraints, rescheduled internal debts, returned expropriated properties, liberalized foreign investment laws, and actively sought assistance from overseas. Economic growth was set back by the near-collapse in

1975 of Pertamina, the giant government-backed oil conglomerate; growth was restored as rising oil prices increased revenues in the late 1970s. The economy was again severely strained in the early 1980s as falling oil prices forced the government to cut back on spending plans. Legislation requiring majority participation of ethnic Indonesians (*pribumi*) in all enterprises formed since 1974 also slowed foreign investment. Indonesia's obligation to reduce production of oil, then its chief export, in line with OPEC agreements, together with the decline in non-oil export earnings, severely strained the government's resources. In an effort to meet the nation's developmental needs, Suharto was forced to end subsidies on food and to reduce subsidies on kerosene and other fuels. He also announced new trade policies to spur exports in an effort to reverse the nation's worsening economic condition.

Restrictive monetary policy and a conservative fiscal stance held inflation to below 10%. Real growth climbed to 7.3% and 7.5% in 1994 and 1995, respectively, before peaking in 1996 at 7.8%. Inflation was held to single digits. The official unemployment rate was 3%, although underemployment was estimated at 4%. Economic catastrophe struck in mid-1997, when the collapse of currencies began in Thailand and spread swiftly to Indonesia. Within a year, 75–80% of all businesses in Indonesia were technically bankrupt as the rupiah went from about 2,600 to one US dollar in June 1997 to a low of 17,000 to one US dollar in June 1998. GDP growth, which had been 8% in the first quarter of 1997, and 7% in the second quarter, fell to 3% in the third quarter and 2% in the fourth. In November 1997 an international bail-out package was arranged that included a stand-by agreement with the IMF with a \$11.5 billion line of credit, an \$8 billion loan from the World Bank and the Asian Development Bank (ADB), \$5 billion loan from its own reserves, and \$3 billion in US loan guarantees. The extended impact of the crisis can be seen in the figures for 1998, when real GDP fell by over 13%, industrial production was down by 18.24%, and the net outflow of invested capital reached of about \$13.8 billion.

Economic distress erupted in bloody pogroms against resident Chinese in which over 1,000 people were killed, dozens of women raped, over 2,500 shops were looted or destroyed, and the streets were left strewn with more than 1,000 vandalized vehicles. On 19 May, students took over the parliament building, and two days later President Suharto resigned, ending 32 years of autocratic rule. His designated successor was B. J. Habibie, the architect of Indonesia's ambitious shipping and aircraft manufacturing industry. Habibie promised elections, which were held in 1999.

The government's official debt situation was being radically altered. Before the crisis of 1997, the government had incurred virtually no domestic debt, borrowing all capital primarily from the World Bank and the Asian Development Bank (ADB). External debt was 25–27% of GDP. In 1998, total debt rose to 78% of GDP, but with no domestic borrowing. In 1999, however, domestic borrowing went from \$0 to \$68.7 million, and combined with a record \$75.8 million in foreign loans, government debt reached a peak of 102% of GDP. In 1999 real growth returned, but only at an anemic 0.2% level, as there was a net outflow of investment funds of almost \$10 billion—a net loss of \$2.7 billion in FDI and a net loss of \$7.2 billion in portfolio investment. The outflow continued, as did rising violence throughout the country around the parliamentary election, and, of particular international concern, before and after the referendum on the independence of East Timor. Eco-

nomnic frustrations doubtless aggravated the conflicts. In February 1999 the government estimated that 27% of the population was living in poverty, with inflation at 20%.

In 2000, however, the economy showed signs of recovery with a real GDP growth rate of 4.8%, a budget deficit of 3.2% of GDP, and an inflation rate of 3.75%. In February 2000, the government entered into an extended agreement with the IMF that included a \$5 billion line of credit. In April 2000, a second agreement was reached with the Paris Club members for the rescheduling another \$5.8 billion of principal owed on official debt.

Unfortunately, both internal and external factors soon contrived to slow the momentum of the recovery. In December 2000, Indonesia's agreement with the IMF was suspended, and President Wahid, through a combination of neglect and defiance, was failing to implement the requirements of the IMF programs. Tensions were increased as thousands of Wahid's Islamic followers vowed to fight to the death his removal from office. It was not until August 2001, after Wahid's removal in July and the installation of Vice President Megawati Sukarnoputri as president, that discussions with the IMF could be reopened. Megawati's economic team promised a favorable response in the international economy, but this was cut short, first by the global economic slowdown of 2001, and then the aftershocks of the 11 September 2001 terrorist attacks on the United States. GDP growth averaged 3.3% for the year. Inflation returned to double digits, at 11.5%, and the government reported that poverty had increased, to 14.5% of the population. The net outflow of capital continued, reaching \$9 billion for 2001.

In 2002, the economy began to look up. The total debt-to-GDP ratio for the government fell from 90% for 2001 to 70% in 2002, and the annual budget deficit was estimated to have fallen to below 2% of GDP. Hopes that Indonesia might be safely on its way out of its postcrisis stagflation were shattered by the terrorist bombs in Bali on 12 October 2002. Beyond the death toll of nearly 200 was the message that Indonesia was no longer safe for foreign visitors and foreign investors. After the Bali bombings, the rupiah depreciated to more than 9,000 to one US dollar and the Jakarta Stock Exchange Index fell back below 400. (By 2003 both indicators of investor confidence had returned to near their pre-bombing levels.)

Real GDP growth climbed to 4.1% in 2003, and to 5.1% in 2004, its fastest rate since the 1997 crisis. The budget deficit registered 1.3% of GDP in 2004, and was projected to be lower in 2005, when GDP growth was projected to be 5.3%. President Yudhoyono, elected in 2004, claimed he wanted the economy to grow by 7% or more, in part to generate enough jobs for Indonesia's large unemployed population. Yudhoyono, in March 2005, reduced subsidies on various fuels, raising gas prices by some 30%. The government had been spending more on fuel subsidies than it was on health and education combined. Economists welcomed the move for Southeast Asia's largest economy, although the reduction in subsidies resulted in a decline in popularity for Yudhoyono. In August 2005, a run on the currency took place, and prompted the government to enact an average 126% fuel price increase in October. The resulting inflation and interest-rate hikes were projected to temper growth prospects in 2006, although the government planned to spend more money on promoting infrastructure development. Nevertheless, a recovery in investment demand was forecast to lead to annual GDP growth rates of 5.2% in 2006–07. Average an-

nual inflation was projected to rise in 2006, owing to the increase in fuel prices, but inflation was projected to fall significantly in 2007 as global oil prices eased. Indonesia became a net oil importer in 2004, due to declining production and a lack of new exploration investment.

## 20 INCOME

The US Central Intelligence Agency (CIA) reported that in 2005 Indonesia's gross domestic product (GDP) was estimated at \$899.0 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$3,700. The annual growth rate of GDP was estimated at 5.3%. The average inflation rate in 2005 was 9.3%. It was estimated that agriculture accounted for 15.1% of GDP, industry 44.5%, and services 40.4%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.489 billion or about \$7 per capita and accounted for approximately 0.6% of GDP. Foreign aid receipts amounted to \$1,743 million or about \$8 per capita and accounted for approximately 0.9% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Indonesia totaled \$136.60 billion or about \$635 per capita based on a GDP of \$238.5 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 5.4%. In 2001 it was estimated that approximately 47% of household consumption was spent on food, 6% on fuel, 5% on health care, and 14% on education. It was estimated that in 2004 about 15.2% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Indonesia's labor force numbered an estimated 110.4 million people. In 2002, agriculture accounted for 44.3% of the workforce, with 18.8% in industry, and 36.9% in services. Unemployment figures for 2005 were estimated at 10%.

The law protects the right to form and join unions to all workers regardless of political affiliation. Ten or more workers can unionize, and thousands of unions have been registered. However, a union can be banned by the government if its foundation goes against the constitution. Sometimes there are clashes between different unions within one workplace. With the exception of civil servants, workers have the right to strike after mandatory mediation. Collective bargaining is utilized, but most contracts do not provide workers with more than the government minimum standards. The reported size of Indonesia's unionized labor force varies, depending upon how it is measured. According to a survey of union membership conducted in 2005 by the Ministry of Manpower, when compared to the total workforce, unionized workers accounted for under 4%. However, when compared to the number of employees in the nation's formal workplace, the unionized workforce totaled 14%.

Although children under age 18 were prohibited from working as of 2005, the nation's laws recognized that some children must

work to supplement family income. As a result, there is an exception for 13–15 year olds, who can work but are limited to working no more than three hours per day. In addition, they must have parental consent, cannot work during school hours, and must be paid legal wages. The law however was silent on exceptions for 16–17 year olds. In addition, children are not legally permitted to work in hazardous occupations, but child labor laws are not enforced.

There is no national minimum wage. Wages are set by area wage councils who estimate the amount a worker needs to earn to provide for his or her basic needs. In 2005, the minimum wage in Jakarta was \$71 per month. However, many employers do not pay this minimum wage. The 40-hour workweek and a 7- to 8-hour day are established by law throughout Indonesia, although these standards are not regularly enforced.

## 22 AGRICULTURE

About 48% of Indonesian workers are engaged in agriculture, which accounted for 17% of GDP in 2003. Some 34.4 million hectares (78.5 million acres) were under cultivation, with 35–40% of the cultivated land devoted to the production of export crops. Some 60% of the country's cultivated land is in Java.

There are three main types of farming: smallholder farming (mostly rice), smallholder cash cropping, and about 1,800 large foreign-owned or privately owned estates, the latter two producing export crops. Small-scale farming is usually carried out on modest plots—those in Java average about 0.8–1 hectares (2–2.5 acres)—often without benefit of modern tools and methods, good seed, or fertilizer. Although rice, vegetables, and fruit constitute the bulk of the small farmer's crops, about 20% of output is in cash crops for export, the chief of which is rubber. Of the estate-grown crops, rubber, tobacco, sugar, palm oil, hard fiber, coffee, tea, cocoa, and cinchona are the most important. Dutch, United Kingdom, United States, French, and Belgian capital financed estate agriculture in colonial times, with the Dutch share being the largest. Management of Dutch interests was taken over by the Indonesian government in December 1957; in 1964, the 104 UK-operated plantations were confiscated without any compensation, and Indonesian managers were appointed. The following year, the US-operated plantations were expropriated, and all foreign plantations were placed under the control and supervision of the Indonesian government. In 1967, some of the estates seized in 1965, including the US-leased rubber plantations, were returned, but the majority were retained by the government.

Because the population is rapidly increasing, the government seeks to achieve food self-sufficiency through expansion of arable acreage, improved farm techniques (especially the use of fertilizers and improved seeds), extension of irrigation facilities, and expanded training for farmers. Production of rice, the staple food, has been gradually increasing, and production comes close to meeting domestic requirements. This increase has resulted less from extension of cultivated area through the government's resettlement policy than from expanded use of irrigation, fertilizers, and pesticides and cultivation of high-yielding hybrid rice, especially insect-resistant hybrids. It also reflects the success of the government's "mass guidance" program, which provides technical assistance, easy credit terms, and marketing support through a system of village cooperatives. Additional support was provided

by the National Logistics Board, which is responsible for price regulation and the national rice-rationing programs.

Rice is the primary staple crop; production in 2004 totaled 54,000,000 tons. Other staple crops in 2004 included cassava (19,264,000 tons), corn (11,355,000 tons), and sweet potato (1,876,000 tons). Vegetable and melon production in 2004 totaled 6,729,410 tons. Sugar is the largest commercial crop, with production reaching 24,600,000 tons in 2004. About 2,767,000 tons of rubber were produced in 2004, as compared with about 648,400 in 1964. Faced with the prospect of declining yields, the government began an extensive replanting and rehabilitation program in 1981. In 2004, Indonesia was the world's third-largest producer of coffee (after Brazil and Vietnam); some 702,000 tons of coffee were grown that year, as compared with 188,900 tons in 1972 and an annual average of 120,400 tons during 1960–65. Indonesia is the world's second-largest producer of palm oil (after Malaysia); 15.2 million tons were produced in 2004/05. Palm kernels (3.63 million tons in 2004/05) and copra (1.4 million tons in 2004/05) are also important export crops.

### 2<sup>3</sup> ANIMAL HUSBANDRY

In 2005, the livestock population was 11,500,000 head of cattle, 13,182,000 goats, 8,306,000 sheep, 6,267,000 hogs, and 405,000 horses. There are also about 2,248,000 buffalo in the country. The production of meat (about 2,477,000 tons in 2005) and cows' milk (341,990 tons) is secondary to the raising of draft animals for agricultural purposes and transportation. The government has established cattle-breeding stations and artificial-insemination centers to improve the stock and has been carrying on research to improve pastures. Technical and other assistance is also offered to chicken and duck farmers in an effort to increase protein supplies. There were an estimated 1.25 billion chickens and 34.3 million ducks in 2005, when some 1.1 million tons of eggs were produced. Local demand for animal products is constrained by low purchasing power, but increases in consumer income will raise demand for animal protein. Dairy and egg exports exceeded \$69 million in 2005.

### 2<sup>4</sup> FISHING

As Indonesia is the world's largest archipelago (13,667 islands), fish is a readily-available source of animal protein for domestic consumption. In 2003, the total catch was 5,960,930 tons (81% from marine fishing), ranking Indonesia sixth in aquaculture and fourth in capture fishing in the world. Fishing is more important than statistics indicate, because the catch of many part-time fishermen never enters trade channels. Commercial fishing is confined to a narrow band of inshore waters, especially off northern Java, but other fishing also takes place along the coast and in the rivers, lakes, coastal swamps, artificial ponds, and flooded rice fields. The government has stocked the inland waters, encouraged cooperatives to provide credit facilities, introduced improved fishing methods, provided for the use of motorized fishing boats and improved tackle, and built or rehabilitated piers. Fish and fish

product exports had a value of \$1.55 billion in 2003, 12th-highest in the world.

### 2<sup>5</sup> FORESTRY

Forests represent a potentially vast source of wealth in Indonesia. Of the 146.3 million hectares (361.5 million acres) of forests, nearly three-fourths are in Kalimantan and eastern Indonesia, and 68% are commercial forests. The more accessible forest areas of Sumatra and Kalimantan furnish the commercially cut timber for domestic consumption and export. Indonesia has over 4,000 species of trees, including 120 types of hardwood suitable for commercial use. Timber estates produce fast growth species such as pine, eucalyptus, albizia, and acacia for the pulp and paper industry. Practically all forestlands belong to the state. In Java, excessive cutting has caused soil erosion, aggravated floods, created water shortages, and damaged some irrigation facilities. Replanting and rehabilitation of the Javanese forests and reforestation in the Outer Islands are promoted as part of the nation's "regreening program." Meranti, kruing, kapur, and bakau are the leading types of logs produced. Teak and other tropical hardwoods are the most valuable species, but there is hope of obtaining wood pulp from pine and bamboo and commercial timber from new plantings of fir and pine.

Indonesia is the largest producer of tropical hardwood plywood in the world. Export sales of processed wood in 2004 amounted to \$4.57 billion, representing 6.4% of all Indonesian exports. Production of sawn wood in 2004 totaled 6.25 million cu m (220 million cu ft); plywood, 6.4 million cu m (226 million cu ft); and particleboard, 427,000 cu m (15.1 million cu ft). About two-thirds of the timber output is exported. French, Japanese, US, and Philippine interests have large investments in the timber industry. Indonesia is the world's second-largest producer of tropical hardwood logs and lumber, after Malaysia. Due to a hardwood log export ban enacted in 1985 to protect rapidly diminishing forests, Indonesia has exported no logs since then. Prohibitive export taxes imposed in 1990 have all but eliminated tropical hardwood exports, in order to conserve declining forest resources for production and export of higher value items such as plywood. The annual allowable cut of logs is set at 5.74 million cu m. However, up to 68 million cu m of logs are cut illegally, with some 10 million cu m of logs illegally shipped out of the country. With plummeting annual allowable cuts of logs, industries are using conversion forests, community forests, and timber estates.

### 2<sup>6</sup> MINING

Indonesia's principal mineral resources (excluding oil, natural gas, and coal) are copper, gold, nickel, and tin. Indonesia was also a major world supplier of tin, nickel, copper and gold, with large reserves of each. In addition, Indonesia was a leading regional producer of cement, bauxite, and nitrogen fertilizer. Indonesia also produced hydraulic cement, dolomite, feldspar, granite, gypsum, marble, nitrogen, salt, quartz sand, silica stone, sulfur, and zeolite.

Mined copper output (content in ore) in 2003 was 1,005,837 metric tons, down from 1,171,726 metric tons in 2002. Bauxite production in 2003 (wet basis, gross weight) was 1.263 million tons, and 1.283 million tons in 2002. Indonesia possessed large deposits of high-grade bauxite, from mines in Kijang (Bintan Island) and Su-

matra. Most of the output was exported to Japan, the remainder to the United States.

Tin mine output in 2003 was 71,694 metric tons. The chief deposits of tin were in Bangka, Belitung, and Singkep, islands off the east coast of Sumatra. Indonesia is the world's second-largest producer of tin (after China). The industry in Indonesia is dominated by PT Koba Tin and PT Tambang Timah. However, the industry has, for several years, faced depleting resources, community conflicts in several mining sites, and illegal mining and smuggling, the latter resulting in increased compensation to company contractors and high tin output from offshore mining.

Gold mine output in 2003 was 141,010 kg, down from 142,238 kg in 2002. Illegal mining activity and associated mercury contamination was an ongoing problem for the Indonesian government and legal gold mining operators.

Nickel mine output in 2003 totaled 143,000 metric tons, up from 123,000 metric tons in 2002. Nickel was produced in Soroko (North Sulawesi), Pomalaa (South Sulawesi), and the Maluku and Gebe islands, with some of the largest reserves in the world.

Iron ore was found in sizable quantities, but was commercially exploited only in central Java. There were fair-to-good reserves of gold, silver, iodine, diamond (industrial and gem quality), and phosphate rock, and considerable supplies of limestone, asphalt, bentonite, fireclay, and kaolin powder. Herald Resources Ltd. of Australia announced the discovery of significant lead and zinc resources in the Dairi area, Bukit Barisan Highland; the exploration concentrated in the Anjing Hitam area; it was estimated that the deposit contained an indicated resource of 7.5 million tons of lead and zinc at 10.3% lead, 16.7% zinc, and 14 grams per ton of silver and an inferred resource of 2.5 million tons at 6.8% lead and 11.3% zinc.

Indonesia's constitution places all natural resources in the soil and waters under the jurisdiction of the state. In 1999, the government increased taxes and royalties that created a less competitive investment environment. Restructuring and privatization of state-owned industries has been very slow, and new investment was still low. As the world's fourth-most-populous country, Indonesia could become one of the largest steel-consuming countries. However, its volatile political situation and uncertain economic climate hampered development. The state-owned general mining company, PT Aneka Tambang, was privatized, with its stock trading on the Jakarta Stock Exchange.

## 27 ENERGY AND POWER

Indonesia ranks among the world's leading petroleum-producing countries. Proven reserves in 2004 were estimated at 4.9 billion barrels. However, resources may be much larger. Sumatra, the richest oil area, produces about 70% of Indonesian oil. Kalimantan is the second-leading producer; Java and Madura have a scattering of smaller producing wells. Lesser amounts are also produced in Irian Jaya. Indonesia's production and consumption of oil in 2003 was estimated at 971,000 barrels per day, and at 1.183 million barrels per day respectively. Exports in 2003 averaged 518,100 barrels per day, with oil imports placed at 370,500 barrels per day for that year.

Indonesia also has significant reserves of natural gas. Proven reserves of natural gas in 2004 were put at 2.549 trillion cu m. For 2003, it was estimated that natural gas exports were placed at 39.7

billion cu m; consumption at 55.3 billion cu m; and production at 77.6 billion cu m, respectively. Indonesia is the world's largest exporter of LNG; its major customers are Japan, South Korea, and Taiwan.

Power facilities are overtaxed, despite heavy government investment in electrical installations. Total electric power generating capacity in 2002 was placed at 24.706 million kW, as compared with 10,830,000 kW in 1988. Production in 2003 totaled 110.2 billion kWh, up from 102.273 billion kWh in 2002. In 2002, about 85% was generated by fossil fuels, 9.6% from hydropower, and the remainder from other sources. Electricity consumption in 2003 was 92.35 billion kWh. The nation's first geothermal electric power station was inaugurated in 1974 in West Java, and a 750 MW hydroelectric plant was completed there in 1985. In 1995, P.T. Perusahaan Listrik Negara (PLN), the state-owned electric company, projected that electricity demand would rise 14% annually, with a generating capacity at 25,000–30,000 million kW needed by 2010.

## 28 INDUSTRY

The leading industries by value are petroleum and natural gas; textiles, apparel and footwear; mining; cement; chemical fertilizers; plywood; rubber; food; and tourism.

Industrial expansion is given a high priority in development plans. Labor-intensive industries are stressed, together with industries producing consumer items for domestic consumption and export and products accelerating agricultural development. The government encourages industrial investors, particularly those who plan to export, to locate in one of its eight bonded zones (BZs), the Batam Industrial Park or free trade zone (FTZ) or in an export-processing zone (EPZ). The Batam Industrial Park, located on Batam Island in the Malacca Strait 20 km (12.5 mi) south of Jakarta, was designed to attract investment away from crowded Singapore.

Industries that process Indonesia's abundance of natural resources include those based on petroleum, wood, sugar, rubber, tea, coconuts, palm kernels, sisal, kapok, rice, and cassava. Manufactured products include consumer goods such as tires and tubes, rubber shoes, radios, batteries, soap, margarine, cigarettes, light bulbs, textiles, glass, paper, tractors, and trucks. Other industries include the Krakatau Steel Industrial Estate at Cilegon (in north-west Java), plywood factories, cement works, spinning mills, knitting plants, iron works, copper and other foundries, a ceramics plant, a leather-goods plant, and a glass factory. Petrochemicals and urea fertilizers are manufactured, and there are facilities for automobile assembly, shipbuilding, and aircraft manufacture.

From World War II until the 1990s, overall industrial growth was small, with agriculture the dominant sector of the Indonesian economy. However, in the 1990s, industry and services took over as the dominant sectors, respectively contributing about 41% and 42% of the GDP, with agriculture falling to 17%. Although the government has put an emphasis on developing labor-intensive industries, industry accounts for only for 16% of employment, compared to a 45% share for agriculture and 39% for services. In 1991, textiles were the key industrial export, accounting for 47% of the total. In 2001 textiles and garments were technically still the leading industrial export, but only accounted for 13.6% of total export earnings. The textile sector remains characterized by small



producers, with more than 1,200 registered textile companies in Indonesia, employing more than a million workers. In January 2005, the WTO abolished world textile quotas, and Chinese exports to the United States and European Union (EU) soared. Both the United States and EU responded during the course of 2005, reimposing certain quotas to protect their textile industries, thus putting a slight curb on the flow of Chinese goods. This policy bode well for Indonesia and other Southeast Asian textile exporters, as competition with China was eased. Indonesia and other developing countries in the long term, however, must pursue strategies to save their clothing industries from being obliterated in a quota-free world.

The petroleum refining industry has declined over the last decade. In 2004, Indonesia had seven refineries, all operated by Pertamina, the state oil company. (Pertamina was slated to be fully privatized in 2006.) The combined capacity of Indonesia's seven refineries was nearly 993,000 barrels per day in 2004. Statistics on refined petroleum products consumption are questionable because of considerable smuggling out of Indonesia to escape its price controls. In 2004, Indonesia became a net importer of petroleum, due to declining production and a lack of new exploration investment. Natural gas production has steadily increased; Indonesia in 2005 was the world's leading exporter of liquid natural gas (LNG). Coal production reached 70 million metric tons per year by 1999, and in 2003 production was 114 million metric tons, up 11% from 2002. The regulation and licensing of the coal industry in Indonesia was decentralized in legislation that went into effect in 2001.

The steel industry in Indonesia basically consists of one large integrated mill—the PT Krakatau Steel complex—plus numerous mini mills that use scrap steel as their raw material input. In 1992 steel billet production was 560,000 tons. In 2000, total steel billet capacity was 2.34 million tons across 11 companies, but the plants were only running at 60% capacity. In the Asian financial crisis, Indonesia's total steel production dropped from 7.3 million tons in 1997 to 2.7 million tons in 1998 as domestic demand collapsed. The industry was able to survive through exports. What recovery had been achieved in 2000, however, was cut off abruptly in 2001 when the United States, its biggest customer, placed dumping duties on Indonesian steel. These were lifted in 2003. In 2004, Indonesia produced a total of 2.8 million metric tons of crude steel and was ranked 37th in the world in terms of crude steel production.

Indonesia produces nitrogen, phosphate, and potash fertilizers, but the strongest prospects are for the urea industry because of Indonesia's natural gas deposits. Prospects are good for an export market in urea, but most fertilizer output in the early 2000s was for domestic consumption and fertilizer formed less than 1% of exports.

Wood and wood products have traditionally been Indonesia's second-largest industrial export group, accounting for 11% or 12% of total export value, though electronics sometimes claims a larger share. The robust growth in the output of wood and wood products, from 4 million cu m in 1967 to an estimated 60 to 70 million cu m in the early 2000s, is the cause of international controversy because of the rapid deforestation involved. Global Forest Watch estimates that forest cover declined from 162 million hectares to 98 million hectares (39.5%) from 1995 to 2000. Laws are in place to curb the rate of exploitation, but it is estimated that

over half of the logging done is illegal. Wood products, pulp, paper, and paper products, are Indonesia's second-largest sector of industrial exports.

The chemical industry experienced an annual growth rate of 13% prior to 1993; after 1997, the depreciation of the currency encouraged chemical production for the export market. In the consumer goods manufacturing sector, activities are run primarily by private enterprise. All oil and natural gas processing have historically been controlled by government enterprises, as have been other major heavy industries, such as basic metals, cement, paper products, fertilizer, and transport equipment. After the recession in 1998, the government proposed liberalizing heavy industry. Of the 168 parastatals, 140 were scheduled for privatization. As of 2004, however, the government controlled 158 state-owned enterprises.

In July 1992 nontariff barriers were reduced and key industries were deregulated to allow free importation of essential manufacturing inputs. There is a shortage of skilled technical personnel to support high-tech industries; most technology has been imported through joint ventures. The agency for strategic industries, a state-owned holding company including aircraft, telecommunications, and high-technology industries, formed a joint venture with a major foreign multinational technology corporation to promote technology transfer to Indonesia. Most industrial enterprises were negatively affected by the 1998 recession, with an overall decline of at least 15%. The Indonesian Bank Restructuring Agency (IBRA) took over the majority of Indonesia's nonperforming industrial assets in 2000 with plans to sell, including: cement factories, mining facilities, manufacturing plants, food processing firms, plywood production plants, vehicle assembly lines, chemical plants, property, and agribusinesses.

## 29 SCIENCE AND TECHNOLOGY

Like many developing nations, Indonesia has a shortage of scientific personnel and engineers. The Indonesian Institute of Sciences, a government agency established in 1967, has centers for research and development in biology, oceanology, geotechnology, applied physics and applied chemistry, metallurgy, limnology, biotechnology, electricity and electrical engineering, information and computer sciences, telecommunications, strategic electronics, component and material sciences, and calibration, instrumentation, and metrology. The country has 45 other research institutes concerned with agriculture and veterinary science, medicine, the natural sciences, and technology. Courses in basic and applied sciences are offered at 53 state and private universities. At a more basic level, Agricultural Training Center programs provide workshops throughout Indonesia to acquaint rural workers with the use of plumbing and automotive equipment, small engines, electric tools, and chain saws, and to familiarize farmers with the use of modern hybrid seeds, pesticides, and fertilizers.

In 1987–97, total expenditures for research and development amounted to 0.07% of GDP. There were also 182 scientists and engineers per million population actively engaged in research and development. During the same period, science and engineering students accounted for 39% of all college and university students. In 2002, high-tech exports were valued at \$5.070 billion and accounted for 16% of manufactured exports.

### 30 DOMESTIC TRADE

Jakarta, the capital and chief commercial city, is Indonesia's main distribution center. The principal business houses, shipping and transportation firms, and service agencies have their main offices there and branches in other cities. After the end of World War II, the government sought to channel trade and business activities into Indonesian hands by a policy of granting special privileges to Indonesian firms—including export license monopolies, sole agency rights, and exclusive licenses to import and sell specific goods—and of making government purchases through Indonesians. In 1998, however, most of these restrictions of foreign retail investment were removed. Foreign investment is also allowed in wholesale and distribution activities; however, in many cases, the company must be represented locally by an Indonesian firm or national. Most trade is conducted through small and medium-sized importers who specialize in specific product lines. Direct marketing has become popular for a variety of goods and services.

Commercial business hours vary, but are usually 8 AM to 5 PM, Monday through Friday, and from 8 AM to 1 PM on Saturday, although some Indonesians take Saturday off. Many shops are open from 9 AM to 10 PM, Monday through Saturday. Muslims are released for prayers every Friday from 12 to 1 PM. Local banks transact business from 9 AM to 3 PM, Monday through Friday. Newspapers, magazines, television, radio, posters, and billboards are the most popular advertising media. English is widely used in business and government.

### 31 FOREIGN TRADE

Trade balances since World War II have invariably been favorable. Trade liberalization began in 1982 as an effort to increase non-oil exports. By 1987, non-oil exports matched revenue from oil and gas exports for the first time. Imports, which are closely regulated in government efforts to restrain growth of merchandise imports, consist mainly of machinery and raw materials, indicating a reliance on imports to support industry. The late 1990s revealed shrinking exports of plywood, and slow growth in exports of garments and textiles. Emerging exports such as footwear and consumer electronics also showed weak growth. However, rising world prices for oil, rubber, and other commodities kept these ex-

#### Principal Trading Partners – Indonesia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	61,058.2	32,550.7	28,507.5
Japan	13,603.5	4,228.3	9,375.2
United States	7,386.4	2,702.4	4,684.0
Singapore	5,399.7	4,155.1	1,244.6
Korea, Republic of	4,323.8	1,527.9	2,795.9
China	3,802.5	2,957.5	845.0
Malaysia	2,363.9	1,138.2	1,225.7
Other Asia nes	2,233.2	877.1	1,356.1
Australia	1,791.6	1,648.4	143.2
India	1,742.5	665.6	1,076.9
Germany	1,416.8	1,181.2	235.6

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

ports high. Economic, political, and social crisis was accompanied by a small leap in exports due to currency depreciation, but earnings in the non-oil sector remained low nonetheless.

In the 1970s, Japan became Indonesia's dominant trade partner, taking over 41% of Indonesia's exports (mainly petroleum) and supplying over 25% of its imports. Although Japan remains the dominant trade partner, other trade partners—including the United States, Singapore, South Korea, and China—have become important to the economy. Trade with the Netherlands, which was of primary importance in colonial times when Indonesia was known as the Dutch East Indies, has decreased since 1957. With the creation in 1992 of the ASEAN Free Trade Area (AFTA), trade within the region increased.

Indonesia puts out a large amount of gas and crude petroleum into its commodities export market. Other major exports include apparel, textiles, paper products, plywood, footwear, and copper ore. In percentage terms, the major exports in 2004 were crude petroleum and petroleum products (11.5% of total exports); textiles and apparel (11.4%); liquefied natural gas (10.4%); and wood and wood products (5.2%). The major imports in 2004 were machinery and transportation equipment (26.3% of all imports); flues and lubricants (23.5%); chemicals (16.3%); and manufactures (12.8%).

Indonesia's leading markets in 2004 were Japan (24.3% of all exports), the United States (15.2%), Singapore (10.2%), and South Korea (8.8%). Leading suppliers included Japan (21.6% of all imports), Singapore (12.6%), China (11.7%), and South Korea (7.6%).

### 32 BALANCE OF PAYMENTS

Indonesia had persistent balance-of-payments difficulties from the time of its independence. Indonesia's payments position brightened considerably in the late 1970s as a result of a rapid increase in oil prices mandated by OPEC. However, expansion of the non-oil export industries failed to keep pace with burgeoning import re-

#### Balance of Payments – Indonesia (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>7,534.0</b>
Balance on goods		23,990.0
Imports	-39,262.0	
Exports	63,252.0	
Balance on services		-12,107.0
Balance on income		-6,218.0
Current transfers		1,869.0
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-949.0</b>
Direct investment abroad		...
Direct investment in Indonesia		-597.0
Portfolio investment assets		...
Portfolio investment liabilities		2,251.0
Financial derivatives		...
Other investment assets		-5.0
Other investment liabilities		-2,599.0
<b>Net Errors and Omissions</b>		<b>-2,937.0</b>
<b>Reserves and Related Items</b>		<b>-3,647.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

quirements for some consumer goods and machinery, equipment, and spare parts for development programs. The current account deficit averaged -2% of GDP between 1992 and 1997, but accrued a surplus of over 4% of GDP in 1998 due to currency devaluation and a one-third cut in imports.

In 2004, merchandise exports rose by 12.6% to \$72.4 billion, and imports rose by 21.9% to \$50.6 billion, resulting in a trade surplus of \$21.8 billion. At the same time, the deficit rose slightly to \$18.5 billion, up from \$12.1 billion in 2003, leaving a current-account surplus of \$3.3 billion. The current account balance averaged 3.9% of GDP over the 2001–05 period.

### 33 BANKING AND SECURITIES

The government's Bank Negara Indonesia (BNI) was established in 1953 as the successor to the Java Bank. In 1965, all state banks with the exception of State Trading Bank were incorporated into the BNI as separate units. In 1969, this policy was reversed, and the state banks were again reorganized as individual banks. In 1967, as part of the new regime's policy of encouraging foreign investment, foreign banks were permitted to operate in Indonesia, on condition that they invested at least \$1 million, of which at least \$500,000 had to be brought into the country. The law also provided that foreign banks were to appoint Indonesian banks as their correspondents for any dealings outside Jakarta. The Indonesian banking system transformed after 1980, through a process of gradual but steady reform that culminated in the 1992 banking law. Joint ventures were allowed with Indonesian partners. The partial liberalization of the banking industry had a dramatic impact. A precipitous growth in bank credits threatened to undermine economic stability by stimulating a sharp increase in import demand and inflationary pressures. Responding to this threat, the government initiated an abrupt tightening of monetary policy during the 1990s. From 1992 until 1997, the rupiah was managed in relation to the dollar, but in 1997, the currency was allowed to float because of Asian currency depreciation. Political and social unrest resulted in a highly volatile currency. The 1998 economic failure brought about a major restructuring of the banking system, which was literally bankrupted. State-owned banks held \$80 billion in corporate debt and more than two-thirds of their loans were nonperforming in 1999. Bank Indonesia alone faced a deficit of over \$4.1 billion in 2000.

Bank Indonesia, as the central bank, is responsible for the administration and regulation of the four state banks and other banking operations. Among the state banks, Bank Rakjat Indonesia specializes in credits to agricultural cooperative societies but also provides fishing and rural credit in general. Bank Tabungan Negara promotes savings among the general public. Bank Negara Indonesia (BNI) provides funding for industry. After the financial crash in 1999, four of the state banks were merged into the new Bank Mandiri; including the Bank Bumi Daya, Bank Dagang Negara, Bank Ekspor Impor, and BAPINDO. Bank Bumi Daya provided credits to estates and forestry operations; Bank Dagang Negara provided credits to the mining sector; and Bank Ekspor Impor Indonesia specialized in credits for the production, processing, and marketing of export products; and the Development Bank of Indonesia (Bank Pembangunan Indonesia-or BAPINDO) provided financial assistance to government enterprises and approved new industries. There were 128 private domestic commercial banks in

1998; 38 of them were liquidated in 1999, 8 were taken over by the government, 8 were able to function with government aid, and 71 private banks were able to continue without assistance. Foreign investment in the banking system is now allowed up to 99%.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$16.6 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$81.6 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 15.03%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 17.62%.

Indonesia's first stock exchange was established in December 1912 in Jakarta, although both this and two subsequent exchanges established in Surabaya and Semarang in 1925 were shut down during the Japanese occupation. An attempt to revive the capital markets in the early 1950s proved futile. It was not until August 1977 that the Jakarta Stock Exchange (JSE) was successfully relaunched amid a comprehensive set of institutional reforms that resulted in the establishment of the Capital Market Executive Agency (Badan Pelaksana Pasar Modal-BAPEPAM) to manage the market, as well as a state-owned securities firm, Danareksa, to facilitate the flotation of shares. After sinking to 276 in the fall of 1998, the JSI rose to just below 500 in early 1999 to above 700 in mid-1999. It was back down to 508 in mid-2000 and below 400 by 2001. As of 2004, a total of 331 companies were listed on the JSE, which had a market capitalization of \$73.251 billion that year. In 2004, the JSE Composite Index rose 44.6% from the previous year to 1,000.2.

### 34 INSURANCE

The insurance and reinsurance industry is governed by an insurance law issued in February 1992 that allows foreign ownership of insurance companies. The industry is regulated by the Ministry of Finance as well as the Insurance Council of Indonesia. The growth of the industry over the past decade is reflected in an impressive increase in many of the industry's financial variables, including assets, gross premiums, and investments. Third-party motor liability insurance, workers' compensation, and passenger accident insurance are compulsory. Workers' compensation must be insured with the government company, ASTEK, and employees have no right to sue. A 1998 Financial Services Agreement with the WTO equalized capital requirements for both domestic and foreign insurance firms. In 2003, the value of direct premiums written totaled \$3.107 billion, with nonlife premiums accounting for the largest portion at \$1.733 billion. Tugu Pratama was Indonesia's largest nonlife insurer in 2003, with gross written nonlife premiums totaling \$175.5 million. Bumiputera was the largest life insurer that same year, with gross written life premiums of \$294.2 million.

### 35 PUBLIC FINANCE

Government expenditures (including capital expenditures) have outrun public income by a considerable margin each year since 1952, and this cash deficit has been met by foreign aid receipts. Since 1985, however, Indonesia has discouraged public sector and monetary growth. The East Asian financial crisis of 1998 hit In-

**Public Finance – Indonesia (2001)**

(In billions of rupiah, central government figures)

<b>Revenue and Grants</b>	<b>307,892</b>	<b>100.0%</b>
Tax revenue	190,614	61.9%
Social contributions	6,106	2.0%
Grants	52	0.0%
Other revenue	111,121	36.1%
<b>Expenditures</b>	<b>359,038</b>	<b>100.0%</b>
General public services	272,493	75.9%
Defense	10,673	3.0%
Public order and safety	7,400	2.1%
Economic affairs	12,747	3.6%
Environmental protection	...	...
Housing and community amenities	4,726	1.3%
Health	4,542	1.3%
Recreational, culture, and religion	2,257	0.6%
Education	13,433	3.7%
Social protection	30,766	8.6%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Indonesia hard. In 1998, the government deficit reached over 3% of GDP, partially because of subsidized rice imports and investment in the failing banking sector. As of 2002, the economy was just beginning to recover to pre-1997 levels, and the growth rate was not considered high enough to achieve full employment anytime soon. At the end of 2001, Indonesia's external debt was the equivalent of 20% of total GDP.

The US Central Intelligence Agency (CIA) estimated that in 2005 Indonesia's central government took in revenues of approximately \$56.1 billion and had expenditures of \$58.7 billion. Revenues minus expenditures totaled approximately -\$2.5 billion. Public debt in 2005 amounted to 52.6% of GDP. Total external debt was \$140.6 billion.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, central government revenues were Rp307,892 billion and expenditures were Rp359,038 billion. The value of revenues in millions of US dollars was us\$30 million and expenditures us\$36 million, based on a market exchange rate for 2001 of us\$1 = Rp10,260.9 as reported by the IMF. Government outlays by function were as follows: general public services, 75.9%; defense, 3.0%; public order and safety, 2.1%; economic affairs, 3.6%; housing and community amenities, 1.3%; health, 1.3%; recreation, culture, and religion, 0.6%; education, 3.7%; and social protection, 8.6%.

**36 TAXATION**

Taxes on oil companies are the largest single source of central government income. Indonesia's corporate tax is progressive, with a top rate of 30% on income exceeding Rp100 million. A 30% withholding tax is payable on branch profits after corporate tax. However, concessional rates are available for tax treaty countries. Special corporation taxes, with generous depreciation and other deductions from taxable income, cover petroleum, mining, shipping, airline, and insurance companies. Individual incomes are taxed at the same rate as those of corporations. An eight-year car-

ried-forward loss for investment in eastern Indonesia is allowed. Indirect taxes include a 10% value-added tax (VAT) that applies to most transactions. However, the building services are subject to a 4% VAT, while services provided by travel agents and couriers are taxed at 1%. Indonesia also imposes a 10% luxury tax on luxury homes, soft drinks, radios, and cosmetics. Higher rates are applied to certain vehicles, carpets and television sets. Dividend, interest and royalty payments to nonresidents are subject to a 20% withholding rate.

Indonesia has a progressive individual income tax that has a top rate of 35% on incomes over Rp200 million.

**37 CUSTOMS AND DUTIES**

Indonesia has attempted to liberalize its foreign trade, but unanticipated problems have prevented substantial progress. Most tariffs are designed to stimulate exports and to protect infant domestic industries. However, the tariff system is burdensome and time consuming and evasion is widespread. Exempt from import duties are raw materials and manufactured items imported for use in government-backed or approved labor-intensive enterprises. Duties on imports from ASEAN member countries were lowered to 20% in 1978. Two years later, duties on 384 products—including cement, sarongs, engine pistons, cameras, and telecommunications equipment—were reduced or abandoned, regardless of origin. Many items may only be imported by government-approved importers and there are quotas for certain nondurable goods. A three-tiered tariff structure, with rates of 0%, 5%, of 10 % applied to various commodities, has been implemented to satisfy Indonesia's IMF commitments. An import sales tax is imposed on imports at point of entry (except for those goods considered essential by the government) at rates of 5–30%. Distilled spirits have a duty rate of 170% and vehicle taxes range from 5% for trucks up to 75% for some sedans. Indonesia has also committed to the ASEAN Free Trade Agreement and its Common Effective Preferential Tariff (CEPT), and is further liberalizing its trade in order to meet the provisions of that compact. There is a free trade zone on Batam Island that is exempt from all import and export taxes; a free trade facility near Tanjung Priok, the country's main port; a bonded warehouse in Cakung, near Jakarta; and a number of other export processing zones.

**38 FOREIGN INVESTMENT**

Foreign investments have played a key role in the Indonesian economy since the turn of the 20th century. The Dutch were for decades the principal foreign investors in Indonesia, involving themselves heavily in the production of sugar, cinchona, coffee, tobacco, rubber, and oil. UK investments were in oil, rubber, and manufacturing. Rubber estates, particularly those in northern Sumatra, were operated by Belgian, UK, Danish, French, Norwegian, Swiss, and US individuals and companies. In the dispute with the Netherlands over Irian Jaya, the Indonesian government took over Dutch enterprises in the country and seized Dutch assets. Although Indonesians recognized that foreign capital was needed to develop their economy, government policies were ambiguous and hesitant throughout the 1950s and early 1960s. The foreign investment law of 1958 attempted to provide certain guarantees to foreign investors and to establish safeguards for Indonesian interests. At the same time, the government guaranteed some foreign-

owned industrial enterprises that they would not be expropriated by the state or nationalized for a maximum period of 20 or, in the case of large agricultural enterprises, 30 years. In November 1964, the government began to reverse this policy by nationalizing all British-owned commercial enterprises and placing them under direct Indonesian management and control. A decree of 25 February 1965 nationalized all US-owned rubber plantations in northern Sumatra, and another decree of 19 March placed three oil companies—two of them US companies—under the supervision and control of the government. Finally, on 24 April 1965, President Sukarno ordered the seizure of all remaining foreign property in Indonesia. This policy was again reversed after the ouster of Sukarno.

During 1967–70, the confiscated estates were gradually returned to their former owners (except in cases where the owner opted to accept compensation). The Foreign Capital Investment Law of 1967 governed foreign direct investment. The overall flow of private investments from overseas sources increased during the early 1970s, in response both to liberal terms offered under the Suharto government and to favorable world markets for Indonesian oil and other primary products. The annual flow of foreign investment funds approved by the government increased from \$333 million in 1972 to \$1,050 million in 1974. Some 65 US firms invested more than \$1 billion in petroleum enterprises during 1967–74, accounting for about 90% of the country's total production; in 1975 alone, an additional \$1.2 billion was spent in the oil sector by US interests.

During 1967–85, Japanese investments led all others in non-oil sectors, totaling \$3.9 billion; US investors were second, supplying \$1.4 billion. In all, between 1967 and 1980, a total of \$8 billion was invested by foreign companies, of which \$6.6 billion was in the petroleum sector. Between 1982 and 1985, foreign direct investment averaged \$242.3 million annually. Since 1973, all foreign investment has been channeled through the Investment Coordinating Board (BKPM), and Indonesian partners were mandated for all foreign concerns established after 1974. Among the incentives for investment approved in 1986 were regulations allowing foreign investment in more industries (arms production is still prohibited) and granting foreign partners in joint ventures the right to distribute the products themselves. The Negative Investment List of 1989 (amended in 2000) specifies the business areas that are closed to, or impose limitations on, foreign investors.

Between 1967 and 1992, more than 1,590 manufacturing projects involving \$59 billion in foreign investment were approved by the BKPM. Japan was a major investor accounting for 21% of the total, along with Hong Kong (9%) and Taiwan (7%). In 1993 the 1967 Foreign Capital Investment Law was amended to set new regulations for share ownership, to streamline the investment approval process, and to reduce import tariffs on various goods. A new deregulation package approved in 1994 further increased incentives for foreign investment by allowing 5–51% foreign ownership in infrastructure (harbors, electricity, telecommunications, shipping airlines, railways, and water supply). New foreign investment approvals for 1992–98 were estimated at a total of \$160 billion. From 1967 to 1998, Japan received approval for investments in Indonesia totaling approximately \$35 billion; the United Kingdom, \$24 billion; Singapore, \$18 billion; and Hong Kong, \$14 billion.

In 1998 and 1999, new regulations paved the way for increased foreign investment; including concessions to foreign interests in distribution and the financial sector, tax concessions, and simplification of the licensing process. Sectors that remain closed to foreign investment include freshwater fishing, forestry, public transport, broadcasting and film, and medical clinics. More than one-third of the investment since 1967 has been in the chemicals industry, followed by mining and natural gas.

By 2004, improved political and economic stability had encouraged investor confidence and improved growth in the economy. Despite economic success, however, overall investment remained about 20% of GDP, below the pre-1997 Asian financial crisis levels of 30%. Indonesia remains relatively open to foreign investment, although such challenges as corruption, security, judicial reform, taxation, and labor issues face investors. Indonesia tracks only investment approvals, which, if they occur at all, may take years to realize. In the first five months of 2004, the overall value of investment approvals fell 41%, to \$2.5 billion from \$4.2 billion over the same period in 2003. Declining sales of state-owned assets and extremely low levels of new investment in 2004 were responsible for the decline in investment approvals.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

From the late 1960s through the mid-1980s, the Suharto government focused its efforts on financial stabilization, relying heavily on advice and assistance from multilateral aid donors. The results were mixed. The fiscal crisis threatened by the accumulated debts of the Sukarno years was averted through debt rescheduling and improved economic management; nevertheless, the depth of Indonesia's continuing reliance on foreign aid remained apparent through the mid-1980s. Public expenditures on the first five-year plan (1956–60) included 25% for mining and manufacturing, 25% for transport and communications, 15% for power projects, and 35% for all other categories. A subsequent plan (1969–74) placed emphasis on the development of agriculture. The 1975–79 plan placed considerable focus on the rural economy, stressing labor-intensive industries along with improved provision of housing and education. Labor unions were encouraged to help improve the lot of plantation and industrial workers.

Efforts to restructure the economy in the 1980s resulted in an expansion of real GDP 6% annually on average. The 1979–84 development plan, called Repelita III, emphasized the “development trilogy” of economic growth, equity, and national stability. Top priorities were tourism and communication (15%), agriculture and irrigation (14%), mining and energy (13%), education (10%), and regional and local development (10%). The 1984–89 five-year plan, called Repelita IV, emphasized industry (9.5% growth rate), agriculture (3%), petroleum and mining (2.5%), transportation and communications (5.2%), and construction (5%). However, low oil prices caused the government to reduce its goals and to promote private and foreign investment. Repelita V, 1989–94 emphasized industry (8.5% growth rate), agriculture (3.6%), petroleum and mining (4.2%), trade (6%), transportation and communications (6.4%), and construction (6%). The development of mining and energy were prioritized, as well as certain areas of manufacturing, forestry, agriculture, transportation, communications, and tourism. The sixth five-year development plan (1994–99), Repelita VI, forecast an annual average GDP growth rate of

6.2% and focused on the privatization of industry and the gradual opening up of foreign investment. These goals were met by 1997, but the 1998 breakdown of the economy prompted international aid agencies to step in.

The 1988 Guidelines of State Policy introduced transmigration development, a policy aimed at overcoming uneven population distribution in Indonesia. The policy had multiple objectives: to ease the burden of densely populated regions, to upgrade regional development, to expand job opportunities, to support national unity, and to strengthen national defense. Transmigration in densely populated areas such as Java, Bali and West Tenggara aimed to increase population productivity and decrease environmental hazards. Transmigration in sparsely populated regions such as Sumatra, Kalimantan, Sulawesi, Maluku, Irian Jaya, and East Timor, aimed to increase productivity of natural resources, as well as increase employment and job opportunities. Agriculture was an important sector for development in the transmigration policy. Some 64,211 families (91.7%) were resettled, consisting of 25,720 families of public transmigration and 38,491 families of self-initiated transmigration.

Bilateral and multinational assistance has played a major role in Indonesia's development. Before 1965, Indonesia received substantial aid from the USSR and other communist states. After 1966, the foreign-aid pattern turned dramatically toward the West. A group of nations (including the United States, Netherlands, Japan, Belgium, France, Germany, Italy, United Kingdom, Switzerland, Canada, and New Zealand) and organizations (including the IBRD and Asian Development Bank) joined to form the Inter-Governmental Group on Indonesia (IGGI) as a major funnel for aid.

In November 1991—in reaction to the Indonesian army's shootings of demonstrators in Dili, East Timor—the Netherlands, Denmark, and Canada suspended aid to Indonesia. In a blanket refusal to link foreign assistance to human rights issues, the government announced it would decline all future aid from the Netherlands. The government also requested that the IGGI be disbanded and replaced by the Consultative Group of Indonesia (CGI) formed by the World Bank and comprised of 18 donor countries (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, New Zealand, Norway, South Korea, Spain, Sweden, Switzerland, the United Kingdom, and the United States) and 12 multilateral agencies.

When President Susilo Bambang Yudhoyono took office in October 2004, the government launched an aggressive program of economic reforms aimed at improving the business and investment climate. The government began a "100 Day" program of legal reform and energy initiatives. In January 2005, transportation, water and sanitation, power, and other projects were announced. The government launched a vigorous anticorruption campaign, and Yudhoyono stressed the need for economic transparency and efficiency. Revisions of the tax, investment, and labor laws were in the works in 2005. Yudhoyono's initiatives were also geared toward helping poor Indonesians, first by directing government spending toward targeted development programs, especially in rural areas; and second by creating jobs, which would be accomplished through the reduction in corruption and increase in investment. The earthquake and tsunami disasters that struck Sumatra on 26 December 2004 resulted in the deaths of an estimated 131,000 In-

donesians (exact figures by 2006 had not been calculated), with 37,000 missing and another 570,000 displaced. An estimated \$4.5 billion in damages and losses was calculated. Nevertheless, the impact on the Indonesian economy by 2006 was decidedly less dire than expected: aid and assistance from international donors and the need for infrastructure rebuilding contributed to GDP growth rates of more than 5%.

## 40 SOCIAL DEVELOPMENT

The constitution enjoins the government to protect the family and to provide for the needs of the "poor and the waifs," but implementation of these principles has proceeded slowly because of the cost and the lack of professional personnel to put into effect a broad welfare program. Some social security provisions exist. Firms with 10 or more employees or a payroll of Rp1 million or more a month paid 3.7% of their payroll (and employees paid 2% of earnings) for retirement, disability, and survivor benefits, and coverage is gradually being extended to smaller companies and casual workers. Employers pay 6% of payroll for married employees (3% for single employees) to provide sickness and maternity benefits, and both employers and employees fund a workers' compensation program. In addition, many orphanages, homes for the aged, youth activities, and private volunteer organizations meet special needs, in some cases receiving government subsidies.

Women enjoy a more favorable position in Indonesia than is customary in Muslim societies. This situation is largely the result of the work of Princess Raden Ajeng Kartini at the turn of the century in promoting the development of Javanese women. The movement for the emancipation of women preceded the nationalist movement by at least 10 years. Improvement of the status of women was specifically included in the guidelines for the 1979–84 national economic plan. A Ministry of Women's Affairs was created to promote the economic and social welfare of women.

A Domestic Violence Act was passed in 2004 that criminalizes domestic violence. Nationwide figures on sexual assault are not available, but local papers reported an increase in violence against women. In spite of women's official equality, in practice they often find it hard to exercise their legal rights. Although they constitute roughly one-quarter of the civil service, they occupy very few of its top posts. Marriage laws define the husband as the head of the family, and divorce procedures are much more difficult for a woman. Citizenship for a child is derived solely from the father. Female workers generally receive lower pay than that for men. Although maternity leave is mandated by law, many women lose their jobs as a result of pregnancy. Trafficking in women and children remain a problem.

Gross violations of human rights occurred in East Timor before the province became an independent state in 2002, especially following the referendum on autonomy held in 1999. With the liberalization of Indonesia's government, human rights abuses decreased overall, although serious problems remained as of 2006.

## 41 HEALTH

The Ministry of Health places emphasis on preventive medicine. Only 1% of the GDP goes to public health expenditures. National health programs, of which family planning is an important part, stress the building of small and healthy families. Eradication of contagious diseases focuses on malaria, rabies, elephantiasis, tu-

berculosis, cholera, and leprosy. Filariasis, a tropical disease that is endemic in remote rural areas, was still widespread as of 2006. The World Health Organization reported cholera active in Indonesia. Malaria is also endemic to the country. The incidence of the disease was more than 700 per 100,000 population in 2000. In that year there were an estimated 282 cases of tuberculosis per 100,000 people. Overcrowded cities, poor sanitation, impure water supplies, substandard urban housing, and dietary deficiencies are contributing factors to health problems. Approximately 76% of the population had access to safe drinking water and 56% had adequate sanitation.

Average life expectancy in 2005 was 69.57 years. The 2005 infant mortality rate was 35.6 per 1,000 live births. The overall death rate was estimated at 6.3 per 1,000 in 2002. The maternal mortality rate was 450 deaths per 100,000 live births in 1998. Malnutrition was present in 42% of all children under five years of age as of 2000. As of September 1995, the World Health Organization (WHO) reported 130,988 deaths of children under five from diarrheal diseases. The estimated goiter rate was 27.7 per 100 school-age children in 1996.

Indonesia has received much help from the UN, particularly through WHO and UNICEF, in solving health problems. The Ministry of Health is seeking to build up a health service, starting at the village level with a hygiene officer, who is an official of the village, and working up through groups of villages, with more facilities and better trained personnel, to the regional doctor, who directs the curative and preventive work.

In 2004, there were an estimated 16 physicians, 44 nurses, and 5 midwives per 100,000 people. More than one-third of the country's doctors practice in Jakarta and other big cities. Approximately 80% of the population had access to health care services. Total health care expenditure was estimated at 1.6% of GDP.

Tobacco consumption increased from 1.4 kg (3.1 lbs) in 1984–86 to 1.6 kg (3.5 lbs) a year per adult in 1995. A survey in 2004 indicated that 22.8% of school-age students used tobacco products regularly, with the rate significantly higher for boys (40.5%) than girls (8.1%).

Indonesia's birth rate was an estimated 21.9 per 1,000 people as of 2002. About 57% of married women (ages 15 to 49) were using contraception. A total of 40% of all Indonesian children under five were underweight. Immunization rates for children up to one year of age were as follows: tuberculosis, 100%; diphtheria, pertussis, and tetanus, 91%; polio, 90%; and measles, 92%. In 1995 the government paid 100% of the entire vaccine bill.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 110,000 people living with HIV/AIDS in the country. There were an estimated 2,400 deaths from AIDS in 2003.

## 42 HOUSING

Housing is an acute problem in both urban and rural areas. In the rural areas, housing generally falls below even the most modest standards. National statistics from 1998 indicate that only about 20% of all residences had access to piped water. In 2000, only about 66% of the population had access to improved sanitation systems. The total number of dwellings stood at 44,855,000 in the mid-1990s. It has been estimated that there are 735,000 new households per year in need of housing. Housing construction

has not been able to keep pace with this number, so that a substantial backlog has accumulated, translating into overcrowding and substandard living conditions for many. Floods, earthquakes, drought, forest fires, and local communal conflicts continue to result in shelter problems for over one million displaced and homeless residents.

Since 1974, the government has sponsored a series of four major programs to build new housing and provide repair and maintenance for the large number of low-income housing units and slum areas. From 1974–93, the government adopted the Kampong Improvement Program, which was designed to upgrade slum settlements and thus provide more adequate housing for more than 36 million people. As of 2006, the program was part of the Urban Environment Upgrading Program, which relied on community initiatives rather than government intervention. In 1990, an estimated 210,000 new housing units were completed. In 2003, the government announced the One Million Houses Development Program (Satu Juta Rumah) as a plan to inspire local governments, private businesses, and community initiatives to finance and build new housing. The government has also made up several plans to improve substandard housing and slum areas. For the period of 2005–09, the government planned to build 1.367 million subsidized housing units.

## 43 EDUCATION

Vigorous efforts have been made to advance education and reduce illiteracy. In 1971, overall literacy was estimated to be about 58%, ranging from 77% in the cities to only 52% in rural areas. The adult literacy rate for 2004 was estimated at about 87.9%, with 92.5% for men and 83.4% for women.

Under the constitution, education must be nondiscriminatory, and nine years of basic education are free and compulsory (ages 7–15). In practice, however, the supply of schools and teachers is inadequate to meet the needs of the fast-growing under-15 age group. Primary school covers six years of study, followed by three years of junior secondary school. Students may then choose to continue in three years of secondary studies in general studies (natural sciences, social sciences, and languages), Islamic studies, or vocational studies. Schools are coeducational, except for certain vocational and religious schools. Private (mostly Islamic religious) schools receive government subsidies if they maintain government standards. Bahasa Indonesia is the language of instruction, but local dialects may be used until the third level.

In 2001, about 20% of children between the ages of five and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 92% of age-eligible students. The same year, secondary school enrollment was about 54% of age-eligible students. It is estimated that about 94% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 20:1 in 2003; the ratio for secondary school was about 14:1. In 2003, private schools accounted for about 16% of primary school enrollment and 42.9% of secondary enrollment.

There are 51 universities, the largest of which are the University of Indonesia (in Jakarta) and the University of Gajah Mada (in Yogyakarta). Most of the universities are new, having been established since the mid-1950s. There are also several polytechnical and vocational schools offering diploma or certificate programs.

In 2003, about 16% of the tertiary age population were enrolled in some type of higher education program.

As of 2003, public expenditure on education was estimated at 1.2% of GDP, or 9% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

Indonesia's largest library, Perbustakaan National Library of Indonesia, was created in 1980 with the merger of four libraries. Located in Jakarta, it has a collection of over 1.15 million volumes. This library includes the large National Museum collection, which was established in 1778. Another well-established library is the Bibliotheca Bogoriensis, also called the Central Library for Biological Sciences and Agriculture; founded in 1814 as a library associated with the botanical gardens in Bogor, on Java, it holds more than 400,000 volumes. Another national library is the National Scientific and Technical Documentation Center, founded in 1965 in Jakarta, with a collection of more than 150,000 volumes. The Library of the Indonesian Parliament, also in Jakarta, has 150,000 volumes. There is little coordination of public libraries, but there are state libraries and local reading rooms in almost every province. University libraries tend to be autonomous faculty or departmental libraries lacking central coordination. The University of Indonesia in Jakarta has just over 200,000 volumes.

Two outstanding museums in Indonesia are the National Museum in Jakarta, which is a general museum of Indonesian history and culture, and the Zoological Museum in Bogor, on Java. There is also a Bali Museum at Denpasar, and there are several regional historical museums throughout the provinces. Jakarta also houses a museum of crime, a large military museum, a museum chronicling the country's fight for independence, and several decorative arts museums. The Agung Rai Museum of Art in Bali holds a notable private collection of works by Balinese, Javanese, and foreign artists.

#### 45 MEDIA

The government owns and operates postal services and telecommunications facilities through Perumtel, a state enterprise. The Indonesian-owned telecommunications satellite Palapa B was launched in 1983. In 2003, there were an estimated 39 mainline telephones for every 1,000 people. The same year, there were approximately 87 mobile phones in use for every 1,000 people.

As of 1998, there were 678 AM and 43 FM radio stations and 41 television stations (18 government-owned and 23 commercial). Programs originating in Jakarta are in Bahasa Indonesia; programs from regional stations are usually in local languages or dialects. The overseas service (Voice of Indonesia) broadcasts 11 hours daily in Arabic, Chinese, English, French, German, Japanese, Malay, and Thai. Television service was inaugurated in 1962. Televisi Republik Indonesia (TVRI) is the public television network. There are an additional 10 commercial TV networks. In 2003, there were an estimated 159 radios and 153 television sets for every 1,000 people. The same year, there were 11.9 personal computers for every 1,000 people and 38 of every 1,000 people had access to the Internet. There were 85 secure Internet servers in the country in 2004.

Most newspapers are published in Bahasa Indonesia, with a small number appearing in local dialects, English, and Chinese. The leading dailies published in Bahasa Indonesia (with their es-

timated 2002 circulations) include: *Kompas* (523,450), *Pos Kota* (500,000), *Suara Pembaruan* (250,000), *Berita Buana* (150,000), *Merdeka* (130,000), *Pikiran Rakyat* (in Bandung 150,000), *Suara Merdeka* (in Semarang, 200,000), *Jawa Pos* (in Surabaya, 120,000), *Surabaya Post* (in Surabaya, 115,000), *Harian Pagi Memorandum* (in Surabaya, 190,000), and *Analisa* (in Medan, 75,000). The *Jakarta Post* is a leading English-language daily that had a circulation of 50,000 in 2002.

The constitution declares that everyone has the "right to freedom of opinion and expression." Journalistic activities of foreigners, however, are limited in accordance with the policy that "freedom of expression" does not permit interference in domestic affairs or dissemination of "foreign ideologies" detrimental to the Indonesian system of government. The government has also arrested individuals for insulting the president or the government. The government censors foreign films and publications, and Indonesian newspapers have been temporarily closed down for violating news guidelines.

#### 46 ORGANIZATIONS

Village unit cooperatives were established to meet the small farmer's need for credit and aid in marketing cash crops. The cooperatives have also been instrumental in distributing improved rice, fertilizers, pesticides, and superior cattle breeds, and also in instructing farmers in their handling. Village unit cooperatives also exist for such cottage industries as batik (a method of hand-painting textiles), textiles, and garment production, which are important forms of employment in rural areas.

Many trade and business promotional organizations are concerned with individual sectors of the business world—exporters' organizations, sugar traders' associations, and so on. An Indonesian chamber of commerce and industries has connections with leading business organizations in the country. United Kingdom, Chinese, Indian, and Pakistani business people have national associations. The Indonesian Consumers Association is active. ASEAN Council on Petroleum, ASEAN Occupational Safety and Health Network, and ASEAN Regional Forum all have offices in Jakarta. The International Labour Organization also has an office in Jakarta.

Among social welfare and women's organizations are the Indonesian Women's Congress, a federation founded in 1928; the National Council on Social Welfare; the Indonesian Planned Parenthood Association; the Council of Muslim Women's Organizations; GOPTKI, a federation of organizations that run kindergartens; Association of Women of the Republic of Indonesia; and the Indonesian National Commission on the Status of Women. International organizations with chapters in Indonesia include Habitat for Humanity, the Red Cross, Caritas, and the Kiwanis and Lion's clubs.

National youth organizations include the Indonesian Hindu Youth Association, Indonesian Muslim Youth, Islamic Association of University Students, National Board of IMKA/YMCA Indonesia, Students Solidarity for Democracy in India, Junior Chamber, and Young Generation of Islam of Indonesia. There is also a national association for Boy Scouts and Girl Scouts (Indonesia Gerakan Pramuka). There are many sports associations promoting both youth and adult participation in amateur competitions.



There are a number of organizations promoting education and research into various arts and sciences, including the Indonesian Institute of Sciences and the Indonesian Medical Association.

#### 47 TOURISM, TRAVEL, AND RECREATION

Among the most popular tourist destinations are Bali, the restored Borobudur Buddhist temple in Java, and historic Yogyakarta. Cultural attractions include traditional Balinese dancing, the percussive sounds of the Indonesian orchestra (*gamelan*), the shadow puppet (*wayang kulit*) theater, and the famous Indonesian rijst-tafel, a banquet of rice and savories. Tourism, as a means of affording wider employment, is strongly promoted by the government, which has supported the development of resorts in Sumatra, Kalimantan, Nusa Tenggara, Maluku Province, and Irian Jaya, as well as surfing, scindiving, and other marine sports in the reefs and tropical seas of the archipelago. Gambling has been prohibited since 1981. Popular sports are badminton, football (soccer), and Sepak Takraw, a game where players volley a woven ball over a net using any part of their body except their hands or arms. A devastating tsunami, triggered by an underwater earthquake, struck tourism facilities in the northwest Aceh province in December 2004. Terrorist bombings of nightclubs frequented by tourists on Bali in 2002 and 2005 also had a negative impact on tourism.

A passport, valid for at least six months from the date of arrival, and an entry visa are required of most foreigners entering Indonesia, along with an onward/return ticket. Precautions against malaria, hepatitis, typhoid, and rabies are recommended.

Approximately 4,467,021 tourists visited Indonesia in 2003, almost 78% of whom came from East Asia. There were 263,014 hotel rooms with 428,813 beds and an occupancy rate of 45%. Tourism expenditures totaled \$4.4 billion.

The cost of traveling in Indonesia varies from city to city. According to 2004 US Department of State estimates, the cost of staying in Jakarta was approximately \$216 per day. Daily expenses were an estimated \$140 for Surabaya and \$234 for Bali. Elsewhere the estimated daily cost was \$113.

#### 48 FAMOUS INDONESIANS

Gajah Mada, prime minister under King Hayam Wuruk (r.1350–89), brought many of the islands under one rule, the Majapahit Empire. Princess Raden Ajeng Kartini (1879–1904), founder of a school for girls, led the movement for the emancipation of women. Her posthumously published letters, *Door duisternis tot licht*, occasioned considerable interest in the Western world. Many creative and performing artists have attained local prominence, but Indonesia's only internationally known artist is the painter Affandi (1910–90). Contemporary novelists of considerable local importance include Mochtar Lubis (b.1922). H. B. Jassin (1917–2000) was an influential literary critic and translator known locally as

“the Pope of Indonesian literature.” Sukarno (1901–70), a founder and leader of the nationalist movement, is the best-known figure of modern Indonesia; Mohammad Hatta (1902–80), one of the architects of Indonesian independence, served as Sukarno's vice president and concurrently as prime minister. President Suharto (b.1921), leader of Indonesia after Sukarno's overthrow, dominated Indonesia's political and economic life for three decades (1968–98). Adam Malik (1917–84) established an international reputation as a negotiator in restoring and improving relations with Malaysia, the Philippines, the United States, the United Kingdom, and the UN; formerly a foreign minister (1966–77), he became vice president (1978–83). Umar Wirahadikusumah (1924–2003), a retired army general, became vice president in 1983. He was succeeded by Sudharmono (1927–2006) and Try Sutrisno (b.1935). B. J. Habibie (b.1936) became president in 1998, followed by Abdurrahman Wahid (b.1940), Megawati Sukarnoputri (b.1947, the country's first female president), and Susilo Bambang Yudhoyono (b.1949), who began his term in 2004.

#### 49 DEPENDENCIES

Indonesia has no territories or colonies.

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# IRAN

Islamic Republic of Iran  
*Jomhuri-ye Eslami-ye Iran*



**CAPITAL:** Tehrān

**FLAG:** The national flag is a tricolor of green, white, and red horizontal stripes, the top and bottom stripes having the Arabic inscription *Allah Akbar* (“God Is Great”) written along the edge nearest the white stripe. In the center, in red, is the coat of arms, consisting of a stylized representation of the word *Allah*.

**ANTHEM:** n/a

**MONETARY UNIT:** The rial (R) is a paper currency of 100 dinars. There are coins of 1, 5, 10, 20, and 50 ri-als, and notes of 100, 200, 500, 1,000, 2,000, 5,000, and 10,000 rials. R1 = \$0.00011 (or \$1 = R9,040.26) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but local units are widely used.

**HOLIDAYS:** National Day, 11 February; Oil Nationalization Day, 20 March; No Ruz (New Year), 21–24 March; Islamic Republic Day, 1 April; 13th Day of No Ruz (Revolution Day), 2 April. Religious holidays (ac-  
cording to the lunar calendar) include Birthday of Imam Husayn; Birthday of the Twelfth Imam; Martyrdom of Imam ‘Ali; Death of Imam Ja‘afar Sadiq; ‘Id al-Fitr; Birthday of Imam Reza; ‘Id-i-Qurban; ‘Id-i-Qadir; Shab-i-Miraj; Martyrdom of Imam Husayn; 40th Day after the Death of Imam Husayn; Birthday of the Prophet; Birthday of Imam ‘Ali.

**TIME:** 3:30 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated in southwestern Asia, Iran covers an area of 1,648,000 sq km (636,296 sq mi) and extends about 2,250 km (1,398 mi) SE–NW and 1,400 km (870 mi) NE–SW. Comparatively, the area occupied by Iran is slightly larger than the state of Alaska. Iran is bounded on the N by Armenia, Azerbaijan, Turkmenistan, and the Caspian Sea, on the E by Afghanistan and Pakistan, on the S by the Gulf of Oman and the Persian Gulf, on the W by Iraq, and on the NW by Turkey, with a total land boundary length of 5,440 km (3,380 mi). The coastline is 2,440 km (1,516 mi). The shoreline on the Caspian Sea is 740 km (460 mi). Iran’s territory includes several islands in the Persian Gulf.

Iran’s capital city, Tehrān, is located in the northwestern part of the country.

## <sup>2</sup>TOPOGRAPHY

Most of the land area consists of a plateau some 1,200 m (4,000 ft) above sea level and strewn with mountains. The Zagros and Elburz ranges stamp a “V” upon the plateau; the apex is in the northwest, and within the lower area between the arms are to be found salt flats and barren deserts. Most of the drainage is from these two great ranges into the interior deserts, with limited drainage into the Caspian Sea and the Persian Gulf. The ranges run in parallel files, enclosing long valleys that provide most of the agricultural land. Qolleh-ye Damāvand (Mt. Damavand), northeast of Tehrān, rises to 5,671 m (18,605 ft), while the Caspian littoral is below sea level and has a semitropical climate. Only the Kārūn River, emptying into the Persian Gulf, is navigable for any distance, but the riv-

ers that rush down from high altitudes offer fine sources of power. Harbors of limited depth are found along the Persian Gulf, and the Caspian Sea has similar facilities for coastal fishing and trade.

Iran is geologically unstable with some of the most severe and deadliest earthquakes on record. On 20 June 1990, a 7.4 magnitude quake caused the death of about 50,000 people, many of whom were caught in resulting landslides. On 10 May 1997, a 7.3 magnitude quake occurred in northern Iran causing the deaths of at least 1,567 people; another 2,300 were injured and 50,000 were left homeless. A 6.6 magnitude quake on 26 December 2003 left about 31,000 people dead. On 22 February 2005, a 6.4 magnitude quake in Kerman province in central Iran left at least 602 people dead and 991 injured.

## <sup>3</sup>CLIMATE

Iran has a continental type of climate, with cold winters and hot summers prevalent across the plateau. The annual rainfall does not exceed 30 cm (12 in), with the deserts and the Persian Gulf littoral receiving less than 13 cm (5 in). Snow falls heavily on the mountain peaks and is the principal source of water for irrigation in spring and early summer. The Caspian littoral is warm and humid throughout the year, and the annual rainfall is about 100–150 cm (40–60 in). Clear days are the rule, for the skies are cloudless more than half the days of each year. The seasons change abruptly. By the Persian New Year (the first day of spring), orchards are in bloom and wild flowers abound. In January, the Tehrān temperature ranges from an average low of -3°C (27°F), to an average

high of 7°C (45°F); and in July, from an average minimum of 22°C (72°F) to an average maximum of 37°C (99°F).

#### 4 FLORA AND FAUNA

More than one-tenth of the country is forested. The most extensive growth is found on the mountain slopes rising from the Caspian Sea, with stands of oak, ash, elm, cypress, and other valuable trees. On the plateau proper, areas of scrub oak appear on the best-watered mountain slopes, and villagers cultivate orchards and grow the plane tree, poplar, willow, walnut, beech, maple, and mulberry. Wild plants and shrubs spring from the barren land in the spring and afford pasturage, but the summer sun burns them away. Bears, wild sheep and goats, gazelles, wild asses, wild pigs, panthers, and foxes abound. Domestic animals include sheep, goats, cattle, horses, water buffalo, donkeys, and camels. The pheasant, partridge, stork, and falcon are native to Iran.

As of 2002, there were at least 140 species of mammals, 293 species of birds, and over 8,000 species of plants throughout the country.

#### 5 ENVIRONMENT

Iran's high grasslands have been eroded for centuries by the encroachment of nomads who overgrazed their livestock. Desertification resulting from erosion and deforestation of the high plateau pose additional dangers to Iran's environment. United Nations (UN) sources have estimated that 1–1.5 million hectares (2.5–3.7 million acres) per year become desert land. The basic law controlling the use of forests dates from 1943. In 1962, the forests and pastures in Iran were nationalized in an effort to stop trespassing deforestation.

In early 1983, blown-out oil wells in the Persian Gulf war zone between Iran and Iraq caused a huge oil slick that threatened ocean and shore life along the southwestern Iranian coast. Air and water pollution continued to be significant problems in Iran in the aftermath of the 1991 Persian Gulf War. The water in the Persian Gulf is polluted with oil and black rain, and the burning of Kuwaiti oil wells caused significant air pollution as well. Iran also has the 19th-highest level of industrial carbon emissions in the world. Iran has 129 cu km of renewable water resources with 92% used for farming activity and 2% used for industrial purposes. The country has a large network of underground water canals called qanats. This network, once used as an irrigation source, covers an estimated 400,000 km (248,548 mi). Some analysts are encouraging a return to this source of irrigation waters as an answer to regional water shortages. Only 83% of the rural people have pure drinking water.

Iran's Department of Environment was established under the Environment Protection and Enhancement Act of 1974; no information is available on how well the legislation has been implemented. In 2003, about 4.8% of the total land area was protected.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 21 types of mammals, 18 species of birds, 8 types of reptiles, 4 species of amphibians, 14 species of fish, 3 species of invertebrates, and 1 species of plant. Endangered species in Iran include the Baluchistan bear, Asiatic cheetah, Persian fallow deer, Siberian white crane, hawksbill turtle, green turtle, Oxus co-

bra, Latifi's viper, dugong, and dolphins. The Syrian wild ass has been listed as extinct.

#### 6 POPULATION

The population of Iran in 2005 was estimated by the United Nations (UN) at 69,515,000, which placed it at number 18 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 30% of the population under 15 years of age. There were 103 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.2%, a rate the government viewed as too high. Since 1990, the government has had some success in reducing fertility rates; in 1990, there were 5 births per woman and by 2003, the number had declined to 3.5 births per woman. The projected population for the year 2025 was 89,042,000. The population density was 42 per sq km (110 per sq mi).

The UN estimated that 67% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.23%. The capital city, Tehrān, had a population of 7,190,000 in that year. The populations of other major metropolitan areas were Mashhad, 2,147,000; Esfahān, 1,547,000; Tabriz, 1,396,000; Shirāz, 1,230,000; Ahvāz, 967,000; and Kermānshāh, 949,000.

#### 7 MIGRATION

Until the late 20th century, there was little immigration to Iran, with the exception of Shia Muslims coming from Iraq. There has been some emigration to Europe and the United States, particularly by Iranians who were studying overseas at the time of the revolution of 1979. About 100,000 Kurds were repatriated from Iran to Iraq during the mid-1970s after the suppression of a Kurdish rebellion in the latter country. Between 1980 and 1990, however, an increased number of Shia Muslims fled Iraq because of the Iran-Iraq and Gulf wars; at the end of 1992, some 1.2 million were refugees in Iran. Perhaps 2.8 million Afghan refugees moved to Iran after the Soviet invasion of Afghanistan in December 1979. About 200,000 returned in 1992, and about 2.1 million remained in mid-1993. At least 50,000 refugees from Azerbaijan had fled to Iran by late 1993 to escape Armenian occupation. In the fall of 1996, some 65,000 Iraqi Kurds entered Iran due to ethnic fighting.

According to 1999 statistics, Iran had the largest refugee population in the world, hosting some two million refugees, mainly Afghans and Iraqis. An increase in unemployment and faltering economic conditions resulted in increased pressure for refugees to return to their homelands. However, due to conditions in Iraq and Afghanistan, chances for significant repatriation remained poor. The Iranian government felt a heavy economic and social burden and sought help from the international community. The total number of migrants in the country was 2,321,000 in 2000, down from 3,809,000 ten years earlier. In 2003 Iran had a million refugees. The number increased to 1,045,976 in 2004, with 698 returned refugees. Afghanistan and Iraq were the source of refugees—952,802 and 93,103, respectively. Nearly a million Iranians were refugees in seven countries in that same year, primarily in Germany and the United States. In 2004 nearly 14,000 Iranians sought asylum in 16 countries, primarily in Turkey, Germany, and the United Kingdom. In 2004, Iran was the main asylum country,



LOCATION: 25° to 40° N; 44° to 63° E. BOUNDARY LENGTHS: Afghanistan, 936 kilometers (582 miles); Armenia 35 kilometers (22 miles); Azerbaijan (N) 432 kilometers (268 miles); Azerbaijan (NW) 179 kilometers (111 miles); Caspian Sea coastline, 740 kilometers (460 miles); Gulf of Oman and Persian Gulf coastlines, 2,440 kilometers (1,516 miles); Iraq, 1,458 kilometers (906 miles); Pakistan, 909 kilometers (565 miles); Turkey, 499 kilometers (310 miles); Turkmenistan, 992 kilometers (616 miles).

TERRITORIAL SEA LIMIT: 12 miles.

accounting for 11% of all refugees under the mandate of the United Nations High Commissioner for Refugees (UNHCR).

In 2005 the net migration rate was estimated as -2.64 migrants per 1,000 population. The government views the immigration level as too high, but the emigration level as satisfactory.

## 8 ETHNIC GROUPS

Present-day Iranians, or Persians, are considered to be direct descendants of the Aryans who moved into the plateau in the second millennium BC. They speak Persian, or Farsi, and number more than half the total population. In the Zagros range and its extensions are to be found the Kurds, Lurs, Bakhtiari, Qashqa'i, and Qajars; the first three are said to be of stock similar to the Iranian element, and they speak languages that stem from ancient Indo-

European languages. At various times after the 10th century AD, Turkish tribes settled in the region, and Turkish-speaking groups are still found in several parts of the country. One-eighth of the total population dwells in East and West Azerbaijan, and there are sizable groups of Azerbaijanis in major cities elsewhere, including Tehrān. Arab groups arrived during and after the 7th century AD; their descendants live in the south and southwest and in scattered colonies elsewhere.

In general, non-Iranian elements are to be found along the perimeter of the country. Of these, certain nomadic groups move back and forth across the frontiers. Tribal groups have been a conspicuous element in Iran for many centuries, migrating vertically in spring and fall between high mountain valleys and hot, lowland plains. The important migratory groups include the Qashqa'i, Qa-

jars, Bakhtiari, Balochi, and Turkmen. A large proportion of these people are now settled, however. The nomadic way of life is on the decline, and official policy has sought to resettle these groups on farmlands.

According to the latest estimates, Persians account for 51% of the population, Azeri 24%, Gilaki and Mazandarani 8%, Kurds 7%, Arab 3%, Lur 2%, Balochi 2%, and Turkmen 2%.

## <sup>9</sup>LANGUAGES

Farsi, commonly called Persian in the West, is the official language of Iran. An Indo-European language of the Indo-Iranian group, Farsi derives from ancient Persian, with an admixture of many Arabic words. Arabic characters and script are used in writing modern Persian. Dialects of Turkish, or Turki—especially Azeri, the language of the Azerbaijanis—are spoken throughout northwestern Iran, by the Qashqā'i tribe in the southwest, and in parts of the northeast by Turkmen tribes and others. The Lurs, Kurds, and Bakhtiari have languages and dialects of their own that descend from earlier Indo-European languages, and the Balochi language spoken in southeastern Iran also is of Indo-European origin. A small number of Brahui in the southeast speak a Dravidian language. About 58% of the population speaks Persian or Persian dialects, 26% Turkic or Turkic dialects, 9% Kurdish, 2% Luri, 1% Balochi, 1% Arabic, 1% Turkish, and 2% other.

## <sup>10</sup>RELIGIONS

Iran is the only Islamic country where Shia Muslims hold the reins of power. Shia Islam is the official religion of the country and the president, prime minister, and cabinet ministers must be Muslims. As of 2004, about 99% of the population were Muslim, with 89% of the people being Shia Muslims and 10% Sunni Muslims. The largest non-Muslim group was the Baha'i faith, with between 300,000 and 350,000 members. Their faith, which sprang from the teachings of a 19th-century Muslim in Iran, has been denounced as heresy to Islam. The Baha'is have been severely persecuted by the Shia government since the 1979 revolution, and many of their religious leaders have been executed. The Jewish community has between 20,000 and 30,000 members. There are about 300,000 Christians, including Nestorian Christians (Assyrians). About 35,000 people adhere to the tenets of Zoroastrianism. The Mandaeans (between 5,000 and 10,000 people) practice a pre-Christian form of gnosticism.

The government openly restricts the freedom of religion. The constitution declares Shia Islam as the official religion and guarantees some freedom to Zoroastrians, Jews, and Christians; however, other religious groups have been persecuted for their beliefs.

## <sup>11</sup>TRANSPORTATION

Iran had 178,152 km (110,811 mi) of roads in 2002, of which 118,115 km (73,468 mi) were paved, including 751 km (467 mi) of expressways. A1, a major paved highway, runs from Bazargan on the Turkish border to the border with Afghanistan. Another major highway, A2, runs from the Iraqi border to the Pakistani border. Much of the revolutionary government's road-building activity centered on improving roads in rural areas. In 2003 there were over 2,578,850 passenger cars and 666,550 commercial vehicles.

The state-owned Iranian State Railway has 7,203 km (4,480 mi) of broad and standard gauge track, as of 2004. Standard gauge

accounts for nearly all—or 7,109 km (4,422 mi)—of all railroad right-of-way. The main line runs south for 1,392 km (865 mi) from Bandar Turkoman on the Caspian Sea, through Tehrān, to Bandar-e Khomeini on the Persian Gulf. Rail construction from Bafq to Sirjan has been completed and is operational.

Iran's main ports at Khorramshahr and Ābādān on the Persian Gulf were largely destroyed in fighting during the 1980–88 war with Iraq. Khorramshahr was restored to operation by November 1992. Other ports on the Gulf are Bandar-e Khomeini, Bandar-e 'Abbās, and Bandar-e Būshehr. Both Bandar-e Khomeini and Bandar-e Būshehr were damaged because of the war. The government was continuing the program to modernize the port at Bandar-e 'Abbās. On the Caspian Sea, there are the ports of Bandar Anzeli (formerly Bandar Pahlavi) and Naushahr. In addition, there are the oil shipment ports of Kharg Island (a principal target in the war with Iraq) and Ābādān. As of 2004, there were 850 km (529 mi) of inland waterways on Daryācheh-ye Orūmiyeh (Lake Orūmiyeh) and the Kārūn River. In addition, the Shatt al Arab is usually navigable by maritime traffic for about 130 km (81 mi). In 2005, the Iranian merchant marine included 144 vessels of at least 1,000 gross registered tonnage (GRT), with a total capacity of 4,715,242 GRT.

Iran had an estimated 305 airports in 2004, 129 of which had paved runways as of 2005; there were 15 heliports. Principal airports include Bandar-e 'Abbās, Mehrabad International at Tehrān, and Shirāz International at Shirāz. The state-owned Iran Air maintains frequent service to 15 cities in Iran and is an international carrier. In 2003, about 9.554 million passengers were carried on scheduled domestic and international flights.

## <sup>12</sup>HISTORY

As early as 6000 BC, communities on the Iranian plateau were carrying on agriculture, raising domestic animals, and producing pottery and polished stone implements. Sites datable to later than 3000 BC are numerous and offer quantities of bronze instruments and painted pottery of the finest types. About 1500 BC, masses of Indo-Europeans, or Aryans, began to cross the plateau of Iran. The Iranian group included Medes, Persians, Parthians, Bactrians, and others. The Medes settled in western Iran (Media) about 900 BC and established their capital at Ecbatana (modern Hamadān); the Persians settled to the south of them (Parsis) around 700 BC. The Median king Cyaxares (625–585 BC), along with the Chaldeans, destroyed the power of neighboring Assyria. In the area of Parsis, the Achaemenid clan became overlords, and in 550 BC, their leader, Cyrus the Great, revolted against the Medes; forming a union of Medes and Persians, he then drove with armies both into Asia Minor and to the east of the Iranian plateau and established the Achaemenid Empire. Cambyses, Darius, Xerxes I, and Artaxerxes I were notable rulers of this line who penetrated Greece, Egypt, and beyond the Oxus. The Achaemenid power was centered at Susa and Persepolis; the ruined site of the latter is impressive even today. Zoroastrianism was the religion of the rulers.

In his eastward sweep (334–330 BC), Alexander the Great defeated vast Achaemenid forces and went on to capture Susa and to burn Persepolis. In the 3rd century BC, the Parthians moved into the area east of the Caspian and then into the Achaemenid Empire, establishing the new Parthian kingdom; later rulers moved west to come in contact with and then to fight the Roman Empire.

The Parthians considered themselves spiritual heirs of the Achae-menids and adopted Zoroastrianism as the official religion. Weakened by long wars with Rome, the Parthians were followed by a local dynasty, the Sassanian, which arose in the area of Fars in southwestern Iran. Wars with Rome continued and were followed by a struggle with the Byzantine Empire. The Sassanian period (AD 226–641) was one of cultural consolidation and was marked by economic prosperity and by a series of enlightened rulers.

During the first half of the 7th century AD, Arab warriors burst out of the Arabian Peninsula to overwhelm the Sassanian Empire and to spread the teachings of the prophet Muhammad, embodied in Islam. By the opening of the ninth century, Islamic doctrine and precepts had spread over the plateau, and local dynasties faithful to the Muslim creed emerged. Early in the 11th century, the Turkish Ghaznavid dynasty held power from western Iran to the Indus River. Their greatest ruler was Mahmud of Ghazni, a renowned conqueror and a patron of the arts. The Ghaznavids were replaced by the Seljuks, descended from Turkish nomad warriors enlisted in their service.

The Seljuk kingdom had its capital at Ray, just south of Tehrān, and stretched from the Bosphorus to Chinese Turkestan. Of rude origins, such rulers as Tughril Beg, Alp Arslan, and Malik Shah did much to promote cultural pursuits and enhance the character of Persian civilization.

In 1219, Mongol hordes under Genghis Khan (Temujin) began to move into Iran; successive waves subdued and devastated the country. Hulagu, a grandson of Genghis, settled in Maragheh in Azerbaijan and as Il-khan, or chief of the tribe, gave this title to the Il-khanid dynasty. His successors, such as Ghazan Khan and Oljaitu, ruled from Tabriz and Sultaniya, and once again untutored invaders became converts to Islam and patrons of Persian science, learning, and arts. Rivalries within the military leadership brought about the breakdown of Il-khanid power in the second half of the 14th century.

In 1380, Timur (“Timur the Lame,” or, in the West, Tamerlane) began to move into the Iranian plateau from the east. Within a decade, the entire area was in his power, bringing a renaissance of culture at Herāt (in modern Afghanistan) and other towns, but later rulers lacked the force and ability to hold the empire together. Early in the 16th century a number of smaller, local dynasties emerged throughout Iran. The most powerful was the Safavid dynasty, whose leaders, descendants of a spiritual head of the Shia sect, imposed this form of Islam on their subjects. The fourth and greatest of this line, Shah Abbas (r.1587–1628), moved the capital to Esfahān, where he had many splendid buildings constructed. The Safavid period, marked by the emergence of a truly native Iranian dynasty after the lapse of many centuries, was a period of military power and general prosperity. However, decline set in, and in 1722, Esfahān fell to invading forces from Afghanistan. Nadir Shah, an Afshar tribesman from the north, drove off the Afghans and in 1736 established the Afshar dynasty. By the end of the 18th century, Zand rulers, dominant in the south, were replaced by the Qajars, a Turkish tribe.

Qajar power began to fade at the turn of the 19th century. In the 1890s, Shia clerics led a national boycott that made the shah rescind a decree awarding a tobacco monopoly to a foreign agent. In 1906, a coalition of bazaar merchants, clerics, intellectuals, and tribal leaders forced the shah to accept a constitution. This liberal

initiative was frustrated, however, by the power of the British and Russians, who controlled spheres of influence in the south and north of Iran.

After a period of chaos, the British arranged for a Persian cosack officer, Reza Khan, to come to power, first (in 1921) as minister of war in 1921, then as prime minister, and finally (in 1925) as Reza Shah, the first sovereign of the Pahlavi dynasty. With ruthless authority, he sought to modernize Iran along the lines of Atatürk in Turkey. In 1941, suspecting him of pro-German sympathies, the British forced Reza Shah to abdicate in favor of his 21-year-old son, Muhammad Reza. British and Russian forces set up a supply line across Iran to the USSR. In April 1946, the British left, but the USSR refused to withdraw its forces. Under pressure from the United Nations (UN) and the United States, Soviet troops withdrew in December 1946.

Oil, the source of nearly all Iran’s national wealth, quickly came to dominate politics after World War II. Muhammad Mossadeq, who, as leader of the National Front in the national assembly (Majlis), led the fight in 1947 to deny the USSR oil concessions in northern Iran, became chairman of the oil committee of the Majlis. On 15 March 1951, the Majlis voted to nationalize the oil industry, which was dominated by the Anglo-Iranian Oil Co. (AIOC), a prewar concession to the United Kingdom. When the government of Prime Minister Hosein Ala took no immediate action against the AIOC, the Majlis demanded his resignation and the appointment of Mossadeq, who became prime minister in April. The AIOC was nationalized, but its output rapidly declined when the United Kingdom imposed an embargo on Iranian oil, as well as other economic sanctions. As Iran’s economic situation worsened, Mossadeq sought to rally the people through fervent nationalistic appeals. An attempt by the shah to replace him failed in the summer of 1952, but by August 1953, Mossadeq had lost his parliamentary majority, but not his popular support. With the backing of a referendum, Mossadeq dissolved the Majlis and then refused to resign when the shah again tried to oust him. The shah fled Iran for four days, but returned on 22 August with backing from the military, the United States, and the United Kingdom. A new conservative government issued an appeal for aid; in September, the United States granted Iran \$45 million. Mossadeq was convicted of treason in December.

After 1953, the shah began to consolidate his power. New arrangements between the National Iranian Oil Co. and a consortium of US, UK, and Dutch oil companies were negotiated during April–September 1954 and ratified by the Majlis in October. The left-wing Tudeh (Masses) Party, which had been banned in 1949 but had resurfaced during the Mossadeq regime, was suppressed after a Tudeh organization was exposed in the armed forces. In 1957, two new pseudo-parties (both government-sponsored) arose; both contested parliamentary elections in 1960 and 1961. Meanwhile, Iran became affiliated with the Western alliance through the Baghdad Pact (later the Central Treaty Organization) in 1955. (CENTO was dissolved after Iran pulled out in 1979.) Frontier demarcation agreements were signed with the USSR in April 1957.

US assistance and goodwill were essential for the shah. In 1961, President John F. Kennedy urged him to undertake a more liberal program. Under the “white revolution” of 1962–63, the shah initiated land reform, electoral changes (including, for the first time,

the right of women to hold and vote for public office), and broad economic development. Opposition to the reform program, the dictatorial regime, and the growing American influence was suppressed. Political dissent was not tolerated.

The shah's autocratic methods, his repressive use of the secret police (known as SAVAK), his program of rapid Westernization (at the expense of Islamic tradition), his emphasis on lavish display and costly arms imports, and his perceived tolerance of corruption and of US domination fed opposition in the late 1970s. The economic boom of the previous 15 years also came to an end. Islamic militants, radical students, and the middle class all joined in the revolt, until virtually the entire population turned against the shah. Following nine months of demonstrations and violent army reactions, martial law was declared in Iran's major cities in September 1978, but antigovernment strikes and massive marches could not be stopped. On 16 January 1979, the shah left Iran, appointing an old-line nationalist, Shahpur Bakhtiar, as prime minister. However, the leader of the Islamic opposition, Ayatollah Ruhollah Khomeini (the term *ayatollah* is the highest rank of the Shia clergy), who had spent 15 years in exile, first in Iraq and briefly in France, refused to deal with the Bakhtiar regime. Demonstrations continued, and on 1 February the *ayatollah* returned to a tumultuous welcome in Tehrān. He quickly asserted control and appointed a provisional government, which took power after a military rebellion and the final collapse of the shah's regime on 11 February.

After a referendum, Khomeini on 1 April declared Iran an Islamic republic. However, the provisional government, led by Mehdi Bazargan and other liberal civilians, was unable to exercise control; revolutionary groups made indiscriminate arrests and summary executions of political opponents. Increasingly, radical clerics sought to take power for themselves. The crisis atmosphere was intensified by the seizure, on 4 November 1979, of more than 60 US hostages (50 of them in the US embassy compound in Tehrān) by militant Iranian students who demanded the return of the shah from the United States (where he was receiving medical treatment) to stand trial in Iran. Despite vigorous protests by the US government, which froze Iranian assets in the United States, and by the UN over this violation of diplomatic immunity, 52 of the hostages were held for 444 days; in the intervening period, a US attempt to free the hostages by military force failed, and the shah died in Egypt on 27 July 1980. The crisis was finally resolved on 20 January 1981, in an agreement providing for release of the prisoners and the unfreezing of Iranian assets. A new constitution providing for an Islamic theocracy was ratified by popular referendum in December 1979. In presidential elections in January 1980, 'Abolhassan Bani-Sadr, a moderate who supported the revolution, was elected president. Later elections to the Majlis resulted in victory for the hard-line clerical Islamic Republican Party (IRP).

In June 1981, President Bani-Sadr was ousted by Khomeini; later that month, a bomb explosion at IRP headquarters in Tehrān killed Ayatollah Beheshti, who had been serving as chief justice, as well as 4 cabinet ministers, 20 paramilitary deputies, and dozens of others. Another bombing, on 30 August, killed the new president, Muhammad 'Ali Rajai, and his prime minister, Muhammad Javad Bahonar. The bombings were ascribed by the government to leftist guerrillas. By 1982, at least 4,500 people had been killed in political violence, and some estimates placed the total much high-

er. In September 1982, Sadegh Ghotbzadeh, who had been foreign minister during the hostage crisis, was executed on charges of plotting to kill Khomeini and establish a secular government.

Iraq, meanwhile, had taken advantage of Iran's political chaos and economic disorder to revive a border dispute that had been settled in 1975 when Iranian and Iraqi representatives reached agreement on the demarcation of their frontiers. Full-scale war erupted in September 1980, when Iraq demanded sovereignty over the entire Shatt al Arab waterway. Iraqi forces invaded Khuzistan in the southwest, and captured the town of Khorramshahr and the oil refinery center of Ābādān. The Iranian army, decimated by the revolution, was slow to mobilize, but by June 1982 it had driven Iraqi soldiers out of Ābādān and Khorramshahr and from all undisputed Iranian territory. Iran then launched its own offensive, invading Iraq and thrusting toward Al Baṣrah (Basra), but failed to make significant gains. At this point the land war became stalemated, with Iranian and Iraqi troops setting up an elaborate system of trenches. In 1983, Iraq broadened the war zone to include oil-tanker traffic in the northern Persian Gulf.

The Iraqis first attacked Iranian oil installations, disrupting, but not stopping, oil exports from the main oil terminal at Kharg Island. In mid-1983, Iraq took delivery of French jets bearing Exocet missiles. Iran responded that it would close the Strait of Hormuz if Iraq used the missiles. The United States declared the strait a vital interest and said it would use military force to keep the strait open because of the large volume of oil that passed through it on the way to the West. During 1983, the Iraqis also began to attack civilian targets in Iran with long-range missiles. The attacks caused heavy casualties, and Iran responded by shelling Iraqi border cities. In 1984, Iran began to attack Arab shipping in the Persian Gulf.

Iranian forces staged a surprisingly effective attack on Iraqi forces in the Fao Peninsula in February 1986. The Iranians now controlled Iraq's entire border on the Persian Gulf and were in reach of the major Iraqi city of Al Baṣrah. In April, Khomeini renewed his demands for an end to the war: Iraqi president Saddam Hussein must step down and Iraq must admit responsibility and pay war reparations. Iran rejected all demands for a cease-fire and negotiations until these demands were met.

In November 1986, it was revealed that US national security adviser Robert McFarlane had secretly traveled to Iran to meet with government leaders. The United States supplied Iran with an estimated \$30 million in spare parts and antiaircraft missiles in hopes that Iran would exert pressure on terrorist groups in Lebanon to release American hostages. In the wake of this affair, Iran in 1987 attacked Kuwaiti oil tankers reregistered as American tankers and laid mines in the Persian Gulf to disrupt oil tanker shipping. The United States responded by stationing a naval task force in the region and attacking Iranian patrol boats and oil-loading platforms; in the process, the United States accidentally shot down a civilian passenger jet.

As the war continued to take a heavy toll in casualties and destruction and economic hardships persisted on the home front, the clerics maintained firm control through repression and Khomeini's charismatic hold over the people. In 1988, Iran finally yielded to terms for a cease-fire in the war. On 3 June 1989, a few months after calling for the death of novelist Salman Rushdie for blasphemy, Khomeini died of a heart attack. Over three million

people attended his funeral. He was succeeded as the country's spiritual guide by Ali Khamenei. On 28 July 1989, speaker of the parliament Ali Akbar Rafsanjani, a moderate, was elected president with 95% of the vote. Iran remained neutral during the Gulf War, receiving (and retaining) Iraqi planes that were flown across the border for safekeeping. Iran also accepted thousands of Kurdish refugees from Iraq to add to its heavy burden of Afghan refugees from the civil strife in that country. Inflation, shortages, and unemployment—the products of revolution, war, and mismanagement—continued to generate widespread popular discontent, fueled also by dissatisfaction with the closed and repressive political system.

President Rafsanjani was reelected by a significantly smaller margin in 1993 but continued to press for free-market economic reforms. Rising prices in the wake of decreased government economic subsidies led to civil unrest in 1994 and 1995. Clerical conservatives led by Khamenei continued to battle the political moderates for dominance in the 1996 parliamentary elections, without a decisive victory for either side. Then, in the presidential election of May 1997, a moderate cleric, Mohammad Khatami, who favored economic reform, a more conciliatory foreign-policy stance, and less rigid clerical control of the government, won over two-thirds of the vote. In spite of continued opposition by Islamic conservatives, Khatami established a more tolerant climate in the country and expanded civil liberties. His policies received a decisive endorsement by the Iranian electorate when a political coalition led by the reformist president won 141 out of 290 parliamentary seats in the February 2000 elections and 189 seats in the May runoff elections, despite the shutdown of over a dozen liberal newspapers by conservative elements in the government in the weeks preceding the May polling. On 8 June 2001, Khatami won a landslide reelection victory, securing nearly 80% of the popular vote.

US president George W. Bush, in his 29 January 2002 State of the Union address, labeled Iran—along with Iraq and North Korea—an “axis of evil,” responsible for seeking out weapons of mass destruction and supporting terrorists. Khatami, who long advocated a more pro-Western stance, urged anti-US demonstrators to turn out in large numbers to protest the speech, as the speech had come as a surprise. Although Iran did not support the US-led military campaign in Afghanistan to oust the Taliban regime in late 2001, it had expressed sympathy toward US citizens after the 11 September 2001 attacks on the United States, and stated that it would aid any US service personnel in need on Iranian territory during the war in Afghanistan. Iran supported a greater role for the UN in Afghanistan, and pledged resources to help train an Afghan army. Iran was concerned with securing its border with Afghanistan to prevent further destabilization of the region.

In January 2003, in an effort to avoid war Iran urged Iraq to cooperate with UN resolutions requiring it to disarm itself of weapons of mass destruction. Iran took the position that the United States must not take unilateral military action in the dispute, and said that it would not participate or allow its territory to be used in any military action against Iraq. The Iraq War began on 19 March 2003.

While Khatami was in office, a youth movement formed representing people who rejected the rule of Iran's hardline clerics and the “Islamic democracy” of the reformers. Many sought to live in a state based on the rule of law where the clergy's rule is

abolished. In November 2002, Hashem Aghajari, a history professor, was sentenced to death on charges of insulting Islam. He had given a speech in which he stated that each generation should reinterpret aspects of Islam rather than simply following religious leaders. Thousands of students protested against the ruling—the largest in three years.

Parliamentary elections, which marked the end of the campaign for political and social reform, were held on 20 February 2004. The conservative Guardian Council disqualified 43% of the 8,000 candidates who had entered the election, including most reformist incumbents who ran. There were calls for a boycott of the election. Reformists who chose to contest the election took only about 20% of the seats decided in the first round of voting. The conservative win was consolidated in the second round of voting in May. Another victory for conservatives came with the 2005 presidential election, when the ultraconservative former mayor of Tehrān, Mahmoud Ahmadinejad, beat former president Akbar Hashemi Rafsanjani with more than 61% of the vote in the second round. Ahmadinejad appealed to the poor in securing his win.

On 26 December 2003 more than 31,000 people were killed in an earthquake in the Kerman province of southeast Iran. The city of Bām—including its famous Citadel and 85% of all buildings—was largely destroyed. On 22 February 2005 more than 600 people were killed in an earthquake near the city of Zarand, Kerman province.

The European nations of France, Germany, and the United Kingdom led efforts to persuade Iran to give up its nuclear research program. By 2005, Iran resumed what it claimed was a civilian nuclear research program, but which Western nations fear could be used to develop nuclear arms.

### 13 GOVERNMENT

Before the 1979 revolution, Iran was an absolute monarchy, with the constitution of 1906 modified in 1907 and amended in 1925, 1949, and 1957. The shah was the chief of state, with sweeping powers. He commanded the armed forces, named the prime minister and all senior officials, and was empowered to dissolve either or both legislative houses. The legislative branch comprised the national assembly (Majlis) and the senate. Members of the Majlis were elected for four-year terms from 268 constituencies by adults 20 years of age and older. Half of the 60 senators were named by the shah, and half were elected. Members of the Majlis ostensibly represented all classes of the nation, while the somewhat more conservative Senate consisted of former cabinet ministers, former high officials, and retired generals.

The constitution of December 1979, which was approved in a public referendum and revised in 1989, established an Islamic republic in conformity with the principles of the Shia faith. Guidance of the republic is entrusted to the country's spiritual leader (*faqih*) or to a council of religious leaders. An appointed Council of Guardians consists of six religious leaders, who consider all legislation for conformity to Islamic principles, and six Muslim lawyers appointed by the supreme judicial council, who rule on limited questions of constitutionality. In accordance with the constitution, an 86-member Assembly of Experts chooses the country's spiritual leader and may nullify laws that do not conform to Islamic tenets. In 1998, seats on the council (which have eight-year terms) were opened for the first time to nonclerics.



The executive branch consists of a president and council of ministers. The president is elected by popular vote to a maximum of two consecutive four-year terms and supervises government administration. Candidates for the presidency and parliament must have the approval of Iran's spiritual leaders. The Majlis consists of 290 members elected directly to four-year terms. Iran has the lowest voting age in the world: suffrage is universal for those ages 15 and over.

There were more than 800 candidates for president in 2001, and the Council of Guardians narrowed them to 10. Mohammad Khatami was the sole moderate, with all of the other candidates having ties to conservative or hard-line parties. On 8 June 2001, Khatami secured 77% of the popular vote, with four-fifths of 43 million eligible voters turning out. In 2005, more than 1,000 candidates initially put forth their names for president, but the Council of Guardians disqualified all but seven. In the run-off election held on 24 June 2005, former president Akbar Hashemi Rafsanjani faced Tehrān mayor Mahmoud Ahmadinejad. In a surprise victory, Ahmadinejad beat Rafsanjani with more than 61% of the vote. Almost 60% of all eligible voters turned out to cast their ballots. The next presidential election was scheduled for 2009.

## 14 POLITICAL PARTIES

During the reign of Reza Shah (1925–41), political parties were not permitted to function. After 1941, parties sprang up, but most of them were of an ephemeral nature. The Communist-oriented Tudeh (Masses) Party was better organized than the others and benefited from the services of devoted followers and foreign funds. In 1949, an unsuccessful attempt to assassinate the shah was traced to the Tudeh, and it was banned. It continued to work through front groups, and its views were reflected in some periodicals, but the organization was extinguished in the shah's post-1953 crackdown.

In 1957, the government created facade political parties, the Nationalist (Mellioun) Party, headed by Manochehr Eqbal, then prime minister, and the People's (Mardom) Party, headed by former prime minister Asadullah Alam. Neither of these parties ever attracted any popular following. In 1975, the shah ordered the formation of a single political organization, the Iran Resurgence (Rastakhiz) Party, into which were merged all existing legal parties. Three cardinal principles were cited for membership in the party: faith in Iran's constitution, loyalty to the monarchical regime, and fidelity to the "white revolution." This party, like others before it, lacked a popular base.

After the overthrow of the shah's regime in February 1979, new political parties were formed, the most powerful being the Islamic Republic Party (IRP), which took control of the Majlis. However, power was wielded primarily by the military, the president, the clerical elite, and the heads of the bonyads (autonomous financial organizations that have considerable power and were formed from the confiscated wealth of the former royal family and its cronies).

As of 2006 Iran's parliament, or Majlis, is made up of various groups representing a spectrum of views ranging from hard-line radical Islam to moderates and liberals. Moderates generally hold less hostile views about the West while still believing in an Islamic republic. In 1997, a moderate politician, Mohammad Khatami, was elected president of Iran. The moderates scored a further triumph in the parliamentary elections of February and May 2000. A

moderate reformist coalition headed by Khatami won 189 out of 290 seats in the Majlis, with radical Islamists winning 54, independents 42, and religious minority parties 5. The following organizations had success at the 2000 parliamentary elections: Assembly of the Followers of the Imam's Line, Freethinkers' Front, Islamic Iran Participation Front, Moderation and Development Party, Servants of Construction Party, and the Society of Self-sacrificing Devotees. Khatami was reelected president in 2001 after receiving just under 77% of the vote.

In 2004, the hard-line Guardian Council banned 3,605 reformist candidates out of a total 8,157 candidates running for parliament. About 80 of the candidates were sitting members of parliament. The first round of elections was held on 20 February 2004. Reformists who chose to contest the election took only about 20% of the seats decided in the first round. The conservative win was consolidated in the second round of voting in May. Conservatives held 190 seats, reformers took 50, independents, 43; religious minorities, 5; and 2 seats were vacant as of 2005. The next legislative election was scheduled for February 2008.

## 15 LOCAL GOVERNMENT

Iran is divided into 28 *ostans* (provinces), each headed by a governor-general; the governor-general and district officials of each province are appointed by the central government. The *ostans* are subdivided into *sharestans* (counties), which are in turn divided into *bakhsh* (districts). Each *bakhsh* consists of two or more *dehstans*, which are composed of groups of villages or hamlets. Each of the municipalities (*shahrdarys*) is headed by a mayor. Some *sharestan* officials are elected; others are appointed by Tehrān.

## 16 JUDICIAL SYSTEM

The overthrow of the shah and the approval in 1980 of a constitution making Iran an Islamic state have radically changed Iran's judicial system. The 1980 constitution was revised in 1989.

In August 1982, the supreme court invalidated all previous laws that did not conform with the dictates of Islam, and all courts set up before the 1979 revolution were abolished in October 1982. An Islamic system of punishment, introduced in 1983, included flogging, stoning, and amputation for various crimes. There are two different court systems: civil courts and revolutionary courts.

The judicial system is under the authority of the religious leader (*faqih*). A supreme judicial council responsible to the *faqih* oversees the State Supreme Court, which has 33 branches. The chief justice of the Supreme Court is appointed by the *faqih* to a five-year term and must be a Muslim cleric and judicial expert. The Ministry of Justice oversees law courts in the provinces.

The revolutionary courts try cases involving national security, political offenses, narcotics trafficking, and "crimes against God." Although the constitution guarantees a fair trial, the revolutionary courts provide almost no procedural safeguards. The trials in revolutionary courts are rarely held in public and there is no guarantee of access to an attorney.

A Special Clerical Court deals with crimes committed by members of the clergy, including what can be termed ideological offenses, such as issues like interpretations of religious dogma deemed not acceptable to the establishment clergy.

Elements of the prerevolutionary judicial system continue to be applied in common criminal and civil cases. In these cases the

right to a public trial and the benefit of counsel are generally respected. In 1995 the government began implementing a law authorizing judges to act as prosecutor and judge in the same case.

The constitution states that “reputation, life, property, (and) dwelling(s)” are protected from trespass except as “provided by law.” However, in practice, security forces do not respect these provisions.

## 17 ARMED FORCES

In 2005, the total active armed forces of Iran numbered 420,000 with 350,000 reservists. The Iranian Army had 350,000 active personnel. Their equipment included 1,613 main battle tanks, 80 light tanks, 35 reconnaissance vehicles, 610 armored infantry fighting vehicles, 640 armored personnel carriers, and more than 8,196 artillery pieces, which included over 876 multiple rocket launchers. The Air Force had active personnel numbering an estimated 52,000, including 15,000 air defense personnel. The Air Force had 281 combat capable aircraft, including 153 fighters and 102 fighter ground attack aircraft. Iran's Navy had 18,000 active personnel in 2005. Major naval units included three tactical submarines, three frigates, two corvettes, five mine warfare vessels, and more than 254 patrol/coastal craft. Iran's Islamic Revolutionary Guard Corp (Pasdaran) was estimated at over 125,000 active personnel. The land-based element was estimated at more than 100,000 active members, while the naval element had 20,000 active personnel, including a 5,000-member Marine force. In addition, there was also an Air Force element. Although there was no data as to how many active personnel comprised that force, it was responsible for controlling Iran's strategic missile force, which consisted of one brigade and one battalion. Iran's paramilitary forces had 40,000 active members, which included security troops and border guards. There was also a reserve of the Popular Mobilization Army (Basij Resistance Force), which upon mobilization, could reach up to one million combat capable personnel. As of 2006, it was widely believed that Iran was developing the capability to produce nuclear weapons. The official military budget in 2000 (the latest year for which data was available) was \$9.7 billion or 3.1% of GDP.

## 18 INTERNATIONAL COOPERATION

Iran is a charter member of the United Nations, having joined on 24 October 1945, and belongs to ESCAP and several nonregional specialized agencies, such as the FAO, UNESCO, UNIDO, the World Bank, and WHO. Iran is also a member of the Organization of the Islamic Conference (OIC), G-24, G-77 and the Colombo Plan. It is a founding member of OPEC and a leading supporter of higher petroleum prices. Iran is one of ten members in the Economic Cooperation Organization (ECO).

Iran's revolutionary government has aligned itself with the radical Arab states of Libya and Syria, which were the only Arab countries to support Iran in its war with Iraq (1980–88). Since before 1979, Iranian foreign policy has been to curtail superpower influence in the Persian Gulf area. It also encourages the Islamization of the governments throughout the Middle East, in such countries as Sudan, Algeria, Bahrain, and Saudi Arabia. This policy of Islamization includes strong anti-US and anti-Israeli sentiments. Despite past troubles with Iraq, Iran remained neutral during the 2003 US-led coalition invasion of Iraq, which resulted in the oust-

ing of the Hussein government. Iran is considered to be a state sponsor of terrorism by the United States. Iran is part of the Non-aligned Movement.

In environmental cooperation, Iran is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

A country with a substantial economic potential, Iran witnessed rapid economic growth during the reign of Shah Muhammad Reza Pahlavi. Development of its extensive agricultural, mineral, and power resources was financed through oil revenues. The traditional land tenure system, under which farmers were sharecroppers, was replaced through a land reform program inaugurated in 1962. In addition to carpets, Iran produced a variety of consumer goods and building materials. Oil, however, became the lifeblood of the economy. With the astonishing growth of its oil revenues, Iran became a major world economic power, whose investments helped several industrialized countries pay for their oil needs during the 1970s.

The economy changed drastically after 1979. The war with Iraq, which curtailed oil exports, coupled with the decrease in the price of oil, especially in 1986, sent oil revenues spiraling downward from \$20.5 billion in 1979 to an estimated \$5.3 billion in 1986. This forced annual GDP growth down from 15.2% in 1982 to 0.2% in 1984; GDP was estimated to have fallen by 8% in 1986. The war's drain on the state budget, the drop in oil prices, poor economic management, declining agricultural output, an estimated 1987 inflation rate of 30–50%, and large budget deficits combined to put enormous strains on the economy.

After Iran accepted a UN cease-fire resolution in 1988, it began reforming the economy with the implementation of the Islamic republic's first five-year social and economic development plan for 1989–94. The plan emphasized revitalizing market mechanisms, deregulating the economy, and rebuilding basic infrastructure. These reforms led to economic growth and lowered budget deficits. GDP grew an average 7% a year in real terms over 1989–92. The general government deficit was reduced from 9% of GDP in 1988 to an estimated 2% in 1992. The inflation rate decreased from 29% in 1988 to around 10% in 1990, but had redoubled to 20% in 1991–92.

Other impacts of the first plan included a growth in agricultural production of 5.6%; industrial production of 15%; water, gas and electricity of 18.9%; and transport of 11.9%. In 1991, the government adopted a structural adjustment program similar in nature to the kind the IMF imposes on developing nations in exchange for aid. Iran, however, did not need aid, but rather imposed the adjustments on itself in an effort to liberalize its economy, making it more market-oriented while still retaining an authoritarian regime. The structural adjustments advocated by then-president Rafsanjani included privatizations of state-owned enterprises, deregulation, cutting government subsidies, and encouraging foreign investment. While marginally well-intentioned, the Rafsanjani reforms led to little economic improvement. Privatization was especially ineffective. Political corruption and rampant cronyism led to many enterprises ending up in the hands of a small

clique of well-connected elites. By 1997, 86% of Iran's GDP came from state-owned businesses. Deregulation also hit considerable snags. In 1996 alone, more than 250 regulations on imports and exports were issued by 24 ministries—many of them repetitive or contradictory.

In April 1995, the United States imposed trade and investment sanctions against Iran, in reprisal for what the United States believed was Iran's continued support of international terrorism. This move, unduplicated even by the strongest allies of the United States, had some economic impact—most notably a precipitous drop in the value of the rial, which the government was forced to prop up.

The GDP growth rate stood at 5.28% in 2000, 5.82% in 2001, 7.64% in 2002, and 6.1% in 2003. For 2005 and 2006, real GDP growth was expected to average 5.6% and 4.8%, respectively. GDP on average grew at a rate of 5.6% over the 2001–05 period. Inflation averaged 14.6% from 2001–05. The unemployment rate stood at 11.2% in 2004, but it is significantly higher among young people. The Iranian economy in the mid-2000s remained determined by its reliance upon oil, and continued to pass through periods of boom and bust as oil prices rose and fell on the volatile international markets. The state remained the dominant economic actor, as it was the recipient of crude oil revenue. The oil sector's share of GDP declined from 30–40% in the 1970s to 10–20%, particularly as a result of war damage to production facilities and OPEC output ceilings. Nevertheless, oil revenue provides about 80% of export earnings and some 40–50% of government revenue; therefore, the hydrocarbons sector receives the vast majority of domestic and foreign investment flows. The services sector has grown, but bureaucracy, the uncertainty of long-term economic planning, and currency-exchange restrictions have made services a volatile sector. The agricultural sector has been aided by state investment, with the improvement of packaging and marketing helping to develop new export markets. Export-based agricultural products—such as dates, flowers, and pistachios—have seen substantial growth, aided by large-scale irrigation projects, although successive years of serious drought in 1999–2001 put a damper on growth in the agricultural sector. In 2005, agriculture accounted for 11.8% of GDP, with industry contributing 43.3% and services 44.9%. As of 2001, 30% of the labor force was engaged in agriculture, with 25% in industry and 45% in services.

## 20 INCOME

The US Central Intelligence Agency (CIA) reported that in 2001 Iran's gross domestic product (GDP) was estimated at \$456 billion. The per capita GDP was estimated at \$7,000. The annual growth rate of GDP was estimated at 5%. The average inflation rate in 2005 was 17.3%. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange. It was estimated that agriculture accounted for 19% of GDP, industry 26%, and services 55%.

According to the United Nations, in 2000 remittances from citizens working abroad totaled \$320 million. Worker remittances in 2001 totaled \$326.4 million. Foreign aid receipts amounted to about \$2 per capita.

The World Bank reported that in 2001 per capita household consumption (in constant 1995 US dollars) was \$964. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the same period private consumption grew at an annual rate of 5%. Approximately 20% of household consumption was spent on food, 32% on fuel, 12% on health care, and 8% on education. It was estimated that in 1996 about 53% of the population had incomes below the poverty line.

## 21 LABOR

Iran's labor force was estimated at 23.7 million in 2005. In 2001 (the latest year for which data was available), an estimated 30% of the employed workforce was in agriculture, 25% was in industry, and 45% was in the service industry. As of 2004, unemployment was estimated at 11.2%.

The labor code grants workers the right to form and join their own organizations, however, the government-controlled Workers' House is the only authorized national labor organization. The Workers' House controls all workers according to government objectives. Strikes are not permitted. Islamic principles and dress are strictly observed at work with transgressions subjecting the worker to penalties. Workers cannot bargain collectively.

The Labor Law forbids employment of minors under 15 years of age, but these regulations are not enforced. Forced and bonded labor by children remains a serious problem. In 1997, the minimum wage was \$2.80 per day. Many middle class citizens work several jobs to support their families. The Labor Code stipulates a 6-day, 48-hour workweek, with one rest day.

## 22 AGRICULTURE

Of Iran's total area, 11% is cultivated, 27% consists of permanent pastures, and 7% is forest and woodland. The remaining 55% consists of wasteland, lakes, mountains, desert, and urban areas. About one-third of the labor force is employed in agriculture. In 2003, the total land area under cultivation was estimated at 18.2 million hectares (44.9 million acres).

Progress in Iranian agriculture was greatly stimulated by the land reform of 1962–63, under which 4,025,680 farmers and their family members had taken title to their land by 1975, after the old land tenure system was abolished. However, with a rapidly increasing population and a sharply rising standard of living, Iran is no longer self-sufficient in its agricultural production, and food imports have risen steadily.

In 2004, Iranian agricultural production (in thousands of tons) included wheat, 14,000; sugar beets, 6,050; barley, 2,700; rice, 3,400; grapes, 2,800; apples, 2,400; oranges, 1,900; dates, 880; cotton, 105; tea, 52; and tobacco, 21. Almonds and pistachios are grown primarily for export. In 2004, Iran was the largest producer of pistachios in the world (275,000 tons, or 50% of global production), and the fifth-largest producer of almonds (after the United States, Syria, Spain, and Italy), at 80,000 tons.

As of 2003, some 7.65 million hectares (18.9 million acres) were under irrigation. The fifth development plan (1973–78) envisaged an overall increase of 5.5% in agricultural production, but the revised plan raised the target to 8% annually, rescheduled allocations over six years instead of five, and slowed down the projects.

Under the revolutionary government's first five-year plan (1983–88), agriculture was to receive 15.5% of total allocations, with food self-sufficiency the primary objective. However, because of the war with Iraq, planned expenditures were never attained. Moreover, food self-sufficiency still remains only a goal: imports of agricultural products exceeded exports by nearly \$1.3 billion in 2004.

### 23 ANIMAL HUSBANDRY

Not only is animal husbandry the major occupation of nomadic and seminomadic tribes scattered over Iran, but each farming village also keeps flocks that graze on the less productive areas. In 2005 there were 54,000,000 sheep, 26,500,000 goats, 8,800,000 head of cattle, 550,000 water buffalo, 146,000 camels, and 280,000,000 chickens. Cattle are raised as draft animals and for milk and are not fattened for beef. Sheep produce many staple items: milk and butter, animal fat for cooking, meat, wool for carpet making, and skins and hides. During 2002–04, livestock production was up 2.1% from 1999–2001, and up 32% from 1992–94.

### 24 FISHING

The Caspian Sea provides a seemingly inexhaustible source of sturgeon, salmon, and other species of fish, some of which spawn in the chilly streams that flow into this sea from the high Elburz Mountains. In 2003, the total fish catch was 440,835 tons. Caviar of unrivaled quality is produced by the Iranian Fisheries Co., formerly a joint Russo-Iranian venture but now wholly owned by the government of Iran. About 200,000 kg (440,000 lbs) of caviar are sold per year, most of which is exported, providing a substantial share of the world's supply. Exports of fish products in 2003 amounted to nearly \$80.5 million. The fishing grounds of the Persian Gulf were long neglected, but during the 1970s new fishing fleets and packing and conserving facilities were established. The Iran-Iraq war and consequent environmental damage retarded the development of fisheries in this region. Total marine catch has more than doubled from 1982–84 levels.

### 25 FORESTRY

About 7.3 million hectares (18 million acres) were covered by forest in 2000. An estimated 844,000 cu m (30 million cu ft) of roundwood were produced in 2003; about 29% was used for fuel. Along the northern slopes of the Elburz Mountains from near sea level to an altitude of about 2,100 m (7,000 ft) are dense stands of oak, ash, elm, beech, ironwood, cypress, walnut, and a number of other varieties. The high plateau forests of Fars, Kurdistan, Luristan, and Khorasan comprise sparse stands of scrub oak, ash, maple, cedar, wild almond, and pistachio. Date palms, acacias, and tamarisks grow in the Persian Gulf area. The deciduous forests on the Caspian littoral are among the best in the world. The timber industry is controlled by the government; its potential annual capacity is 3 million cu m (106 million cu ft). In 2000, forest plantations covered 2,284,000 hectares (5,643,000 acres). Imports of forest products totaled \$615.7 million in 2004.

A forest ranger school was started in 1957 as an extension of the government's forest service. In 1963, a forestry college was established at Karaj, west of Tehrān, to train forestry engineers.

### 26 MINING

Iran possessed extensive and varied mineral resources and was the world's third-largest producer of gypsum. Of Iran's 2,700 mines, most were privately owned and 2,000 were active, producing 42 minerals; some 65% of the mines produced building and construction materials and 20% were stone quarries. The mining sector accounted for 24% of Iran's industrial output of \$15.4 billion, and mineral and metal exports amounted to \$645 million. Mineral exports included chromite, refined sulfur, lead, zinc, copper, and decorative stone. Iron, steel, and chemicals were leading export commodities. While the petroleum and petrochemicals industries were Iran's top industries in 2002, the production of cement and other construction materials ranked fourth.

Production of gypsum in 2003 (from the Semnan region, east of Tehrān) was an estimated 10.5 million tons, up from 10.38 million tons in 2002. Estimated production of iron ore and concentrate (by gross weight) in 2003 and 2002 totaled 16.1 million tons and 11.3 million tons, respectively. Copper concentrate (29–35% Cu) output by gross weight in 2003 totaled 389,790 metric tons. Bauxite production (gross weight) totaled an estimated 450,000 metric tons in 2003, while output of mined chromite concentrate (by gross weight) in that same year was estimated at 500,000 metric tons. Lead concentrate production by gross weight in 2003 was estimated at 16,000 metric tons. Output of mined zinc concentrate by gross weight in 2003 was estimated at 240,000 metric tons, while manganese mine production by gross weight that same year was estimated at 4,300 metric tons. Mined molybdenum concentrate output by gross weight was estimated at 125,000 metric tons in 2003. Total sulfur output in 2003 was estimated at 1,360,000 metric tons. Marble production (blocks, crushed, and slabs) was estimated at 7.7 million tons in 2003.

Iran also produced orpiment and realgar arsenic concentrates, gold, silver, asbestos, barite, borax, hydraulic cement, clays (bentonite, industrial, and kaolin), diatomite, feldspar, fluorspar, turquoise, industrial or glass sand (quartzite and silica), lime, magnesite, nitrogen (of ammonia and urea), perlite, natural ochre and iron oxide mineral pigments, pumice and related volcanic materials, salt, caustic soda, stone (including granite, marble, travertine, dolomite, and limestone), celestite strontium, natural sulfates (aluminum potassium sulfate and sodium sulfate), and talc. Iran also may have produced ferromanganese, ferromolybdenum, nepheline syenite, phosphate rock, selenium, shell, vermiculite, and zeolite, and had the capacity to mine onyx.

In 2000, the government merged the Ministry of Mines and Metals and the Ministry of Industry to form the Ministry of Industry and Mines. For its third five-year economic development plan (2000–05), the government proposed to privatize 40 mineral industry companies affiliated with the Ministry of Industry and Mines, having already divested itself of numerous smaller mineral enterprises. Since 1998, the government has allowed foreign investment in solid mineral exploration joint ventures, and, in 1999, showcased 102 mining and mineral-processing projects at the First International Mines and Metals Investment Forum. The Iranian constitution prohibited foreign control over natural resources. To diversify and expand the economy in the wake of declining oil prices in the late 1990s, the government sought to increase metal production.

## 27 ENERGY AND POWER

Iran's proven oil reserves as of 1 January 2005 were estimated by the Oil and Gas Journal at 125.8 billion barrels, up from 89.7 billion barrels as of 1 January 2003; these constituted 10% of the world's known reserves, and were exceeded only by those of Saudi Arabia, Iraq, the United Arab Emirates, and Kuwait. However, in July 2004, Iran's oil minister placed the country's proven oil reserves at 132 billion barrels after discoveries in Khuzestan province's Hosseineih and Kushk fields. In 2004, Iran produced around 4.1 million barrels of oil per day, of which crude oil accounted for 3.9 million barrels per day. Domestic oil demand in 2002 was placed at an estimated 1.4 million barrels per day, with oil exports estimated for 2004 at 2.5 million barrels per day.

More than half of Iran's 40 producing fields contain over 1 billion barrels of oil. Most of the reserves are located in onshore fields in the Khuzestan region. The onshore Ahwaz, Marun, Gachsaran, Agha Jari, Bibi Hakimeh, and Pars fields alone account for half of annual oil production. In 1999 Iran announced its largest oil discovery in 30 years, at the Azadegan field in Khuzestan. It is thought to have reserves totaling as much as 24 billion barrels. Oil revenues rose from \$5.1 billion in 1986 to an estimated \$16.4 billion in 2002, when they accounted for about 90% of total export revenues.

In 2004, Iran's natural gas reserves were estimated at 26.7 trillion cu m, and are exceeded only by those in Russia. However, approximately 62% of Iran's natural gas reserves are situated in nonassociated fields and have yet to be developed. Iran's output in 2003 was estimated at 79 billion cu m, up from 59,400 million cu m in 2000. More than one-quarter of Iran's natural gas reserves have been discovered since 1992. Domestic demand for natural gas was estimated for 2003 at 72.4 billion cu m, with exports and imports for that year estimated at 3.4 billion cu m and 4.92 billion cu m, respectively. Exploitation of natural gas is controlled by the National Iranian Gas Co. In the mid-1990s, Iran began developing extensive gas export plans. Inside Iran, a network of pipelines connects Tehrān, Qazvin, Esfahān, Ābādān, Shirāz, and Mashhad to Ahvāz and the gas fields. In 1995, Iran played an important role in regional talks concerning the construction of a 3,200 km (2,000 mi) pipeline that would carry gas from Turkmenistan to European markets via Iran, Turkey, and possibly Ukraine. Also in 1995, Iran and Pakistan signed an agreement to ship up to 450 million cu m per day via a 1,600 km (1,000 mi) overland pipeline to Pakistan. At the end of 2001, Iran signed an agreement to build a pipeline to transmit natural gas to Azerbaijan from Khoi in the northwestern part of the country.

Although Iran is one of the world's leading oil-producing countries, Iranian industry formerly depended on other energy sources, such as electricity, coal, and charcoal. Recently, however, oil and especially gas have been used increasingly in manufacturing. In 2002, Iran's electric power generating capacity was placed at 34,222 million kW, with 31,419 million kW dedicated to conventional thermal fuel plants. Hydropower accounts for 2,803 million kW of capacity for that year. Electric power output in 2002 came to 129 billion kWh, with consumption that year at 119.9 billion kWh. Iran plans to construct ten nuclear power plants by 2015 in order to provide about 20% of the country's power needs. As of 2000, there were five small nuclear reactors in operation.

## 28 INDUSTRY

Principal industries are oil refining, petrochemicals, steel, and copper. In 1987, there were six primary refineries—at Ābādān, Bakhtaran, Tehrān, Shirāz, Esfahān, and Tabriz—with a potential capacity of 950,000 barrels per day. In late 1980, Iraqi bombing forced the closure of the Ābādān refinery, which had a total capacity of 600,000 barrels per day and was one of the world's largest refineries. Several other refineries suffered lesser damage during the war. The Kharg Island oil terminal also was severely damaged by bombing in 1985. Construction by a Japanese consortium of a \$4-billion petrochemical complex at Bandar-e Khomeini, near the Iraqi border, was halted by the war; by mid-1983, the installation, which was 85% complete, had already been attacked six times. In September 1984, the Japanese withdrew their technicians from the site because of renewed Iraqi bombing. Iran took on much of the financial responsibility for the plant, and the ending of all payments of Japanese credits and loans in February 1986 meant that the plant would never be completed according to the original plans. After the cease-fire in 1988, Iran began to rebuild its damaged oil export facilities, concentrating mainly on the rehabilitation of Kharg Island. A 500,000-barrel reservoir terminal at Uhang Island was put into operation in March 1993. The oil complex on the southern island of Lavan was reopened after reconstruction at the end of April 1993. The Ābādān refinery became operational again at 200,000 barrels per day in May 1993. Esfahān's oil production unit became operational in 1992/93, while the construction of a new refinery at Bandar-e 'Abbās was underway. Major refinery products are motor fuel, distillate fuel oil, and residual fuel oil. Oil refining manufacturers had a combined capacity of 1.47 million barrels per day in 2000.

In 2005, Iran had proven oil reserves of 125.8 billion barrels. Oil production that year was 4.3 million barrels per day, of which 93% was crude oil. In 2005, Iran had estimated net exports of 2.7 million barrels of oil per day, the second-largest exporter in the Persian Gulf region. The Doroud 1 & 2, Salman, Abuzar, Foroozan, and Sirri fields comprise the bulk of Iran's offshore output, all of which is exported. Iran planned extensive development of existing offshore fields, and hoped to raise its offshore production capacity to 1.1 million barrels per day, from 675,000 barrels per day in 2004. Iran's major refineries in 2005 were at Ābādān, Esfahān, Bandar Abbas, Tehrān, Arāk, Tabriz, Shirāz, Kermānshāh, and Lavan Island.

The natural gas industry has boomed in Iran, with the second-largest proven reserves in the world (940 trillion cubic feet in 2005). In 2005, Iran produced 2.8 trillion cubic feet of natural gas. In October 2004, Iran and China announced the signing of a deal for Chinese investment in Iran's oil fields and the long-term sale of Iranian natural gas to China, which could eventually be worth \$100 billion. The gas agreement entailed the annual export of some 10 million tons of Iranian liquefied natural gas (LNG) for a 25-year period. The agreement could eventually reach 15–20 million tons a year, taking the total value to as much as \$200 billion. Iran must first build the plants to liquefy the natural gas. This agreement was seen as a blow to US sanctions on Iran. The Iran-Libya Sanctions Act (ILSA), first enacted in 1995, penalizes companies investing more than \$20 million in Iran's oil and gas sector; it was renewed in 2001 for five years. Iran hoped the gas deal with China would encourage other countries (such as Japan,

India, Russia, and European countries) to reconsider doing business with Iran.

A plant in Ābādān for the production of plastics, detergents, and caustic soda was completed in the 1960s. Since then, the petrochemical industry has expanded considerably: by the mid-2000s, Iran's attempt to diversify its economy resulted in its investing some of its oil revenue in the petrochemicals sector and other areas. Petrochemicals has been the main element of the postwar industrialization program. The heavy metals industry began in 1972 with the start of steel production at Esfahān National Steel Mill in Esfahān. Manufactured goods include diesel engines, motor vehicles, television sets, refrigerators, washing machines, and other consumer items.

The textile industry has prospered in recent years with increased production of cotton, woolen, and synthetic fabrics. The making of handwoven carpets is a traditional industry in Iran that flourishes despite acute competition from machine-made products. However, carpet exports declined throughout the war years. To promote self-sufficiency, Iran has encouraged development of the food-processing, shoemaking, paper and paper products, rubber, pharmaceutical, aircraft, and shipbuilding industries. Other industrial products include cement, nitrogenous fertilizer, phosphate fertilizers, and refined sugar.

Iran's industrialization program was set back by political turmoil and labor disruptions of the late 1970s and by the revolutionary government's nationalization of industries in the summer of 1979, causing a flight of capital and trained managers. However, the sector recovered somewhat by 1983/84, when the government reported a 23% gain in industrial production.

The development plan of 1989–94 increased funding to develop heavy industry. A privatization decree in June 1991 led to the identification of 390 public manufacturing and trading firms for divestiture; of these, 185 were already been divested. Industrial production grew at a rate of 5.3% during 1988–98, as opposed to a –3.4% rate during the 1970s. The industrial production growth rate stood at 3% in 2005 (excluding oil). Market reforms were set to continue after 2000, but were placed in question when a conservative parliament was elected in May 2004 and a conservative president, Mahmoud Ahmadinejad, in June 2005.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

The “white revolution” of the 1960s, which emphasized industrialization, involved the importation of petroleum technology and the training of Iranian technicians abroad, but it did not improve Iran's indigenous technology. The principal scientific institution in Tehrān is the International Scientific Research Institute, founded in 1955. Specialized learning societies include the Iranian Mathematical Society and the Iranian Society of Microbiology, both headquartered in Tehrān. Also in the city are the Animal Husbandry Research Institute and the Institut Pasteur. Iran has 37 universities offering degrees in basic and applied sciences. Following the removal of the shah and the formation of an Islamic revolutionary government, Iran suffered a “brain drain” as foreign-trained scientists and engineers either fled the country or refused to return after their education. In 1987–97, science and engineering students accounted for 37% of college and university enrollments. As of 2001, there were 484 researchers and 390 technicians

per million people. High technology exports in 2002 were valued at \$64 million, or 3% of GDP.

## 3<sup>0</sup> DOMESTIC TRADE

Outside the major cities, most goods are sold in small shops or open-air markets. Most large enterprises are controlled by the state. Privately owned shops for trade and services are typically small. Textile industries are located in Esfahān and Shirāz. Kermān is known for production and distribution of fine carpets. Hamadān is an important trade center for agricultural products from the surrounding areas.

Business hours are from 8 AM to 2 PM, Saturdays through Wednesdays. Since Friday is the official Muslim holy day, many establishments close early on Thursday afternoons or are completely closed on Thursdays. Banking hours are 7:30 AM to 2 PM on weekdays and 7:30 AM to 12 PM on Thursdays. Shops are open from 10 AM to 9 PM, Saturdays through Thursdays, and department stores are open until 9:30 PM.

## 3<sup>1</sup> FOREIGN TRADE

In 2005, major imports included machinery, military supplies, metal works, food, pharmaceuticals, technical services, and refined oil products.

Iran's most expensive export is crude petroleum, which accounts for the majority of its commodity exports revenues (80%). Petrochemicals made up 4.1% of merchandise exports in 2004. Other exports included floor coverings and fruits and nuts, with pistachios accounting for 2.4% of merchandise exports in 2004. Iran accounts for 10% of the world's carpet exports.

Iran's leading markets in 2004 were Japan (18.5% of total exports); China (9.6%); and Italy (6%). Iran's leading suppliers in 2004 were Germany (12.3% of total imports); France (8.4%); and China (7.5%).

## 3<sup>2</sup> BALANCE OF PAYMENTS

Throughout the 1960s and 1970s, Iran had a favorable trade balance, but substantial imports of services resulted in an annual deficit on current accounts. Long-term capital inflows from private sources reached a peak in 1965; between 1968 and 1973, capital

### Principal Trading Partners – Iran (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	33,788.0	25,638.1	8,149.9
Areas nes	28,179.2	748.7	27,430.5
United Arab Emirates	910.2	3,079.8	-2,169.6
Iraq	437.6	...	437.6
Germany	349.8	2,816.0	-2,466.2
Japan	348.7	959.9	-611.2
Azerbaijan	291.0	...	291.0
India	258.3	949.5	-691.2
Afghanistan	227.4	...	227.4
China	220.9	1,410.2	-1,189.3
Italy-San Marino-Holy See	160.2	1,620.9	-1,460.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Iran (2000)**

(In millions of US dollars)

<b>Current Account</b>			<b>12,645.0</b>
Balance on goods		13,138.0	
Imports	-15,207.0		
Exports	28,345.0		
Balance on services		-914.0	
Balance on income		-200.0	
Current transfers		621.0	
<b>Capital Account</b>			<b>...</b>
<b>Financial Account</b>			<b>-10,189.0</b>
Direct investment abroad		...	
Direct investment in Iran		39.0	
Portfolio investment assets		...	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		-8,257.0	
Other investment liabilities		-1,971.0	
<b>Net Errors and Omissions</b>			<b>-1,373.0</b>
<b>Reserves and Related Items</b>			<b>-1,083.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

from foreign governments played a prime role in Iranian development. By 1974, with a net trade surplus of \$17.7 billion and a current account surplus of \$10.9 billion, Iran was one of the world's major exporters of capital. The current accounts balance remained in surplus annually until the massive economic and civic turbulence caused by the revolution of 1979 and the long, devastating war with Iraq (1980–88). By the time the war had ended, Iran's position as a net foreign creditor was badly eroded due to a substantial drop in the world price for oil and a sharp increase in dependence on imports—largely machinery and basic commodities to rebuild infrastructure. By 1993, Iran owed foreign creditors nearly \$30 billion. In following years, the government, still plagued by lessening oil revenues and a quota of production imposed on it by OPEC, was forced to reschedule the debt—with payments coming due in 1996, when foreign debt went down to approximately \$22 billion. Foreign debt stood at approximately \$8.2 billion in 2002.

High oil prices during 2000–04 allowed Iran to record substantial trade surpluses, even though import spending also rose quickly as strong foreign-exchange earnings and the easing of the country's debt-repayment schedule allowed the central bank to relax its import compression program. In 2005, Iran had exports of \$55.42 billion, and imports of \$42.5 billion. The current-account surplus was \$8.179 billion. Foreign debt stood at \$16.94 billion. Iran had \$40.06 billion in foreign exchange reserves and gold.

**3<sup>3</sup> BANKING AND SECURITIES**

The Iranian fiscal year begins on 21 March and runs through 20 March of the following calendar year. Before the modern era in Iranian banking, which dates to the opening of a branch of a British bank in 1888, credit was available only at high rates from noninstitutional lenders such as relatives, friends, wealthy landowners, and bazaar money lenders. As recently as 1988 these noninstitutional sources of credit were still available, particularly in the more isolated rural communities. The Central Bank of Iran-

Bank Markazi, established by the Monetary and Banking Law of 1960, issues notes, controls foreign exchange, and supervises the banking sector.

The revolutionary government nationalized all commercial banks shortly after taking office in 1979 and announced that banking practices would be brought in line with Islamic principles, which include a ban on interest payments. By 1993 there were five Islamic banks, which had incorporated the previous banks. Instead of paying interest, the new banks give “guaranteed returns” or commissions on loans. The commissions, which equal 4% of the loan's total, were introduced in 1984, and were known as “profit sharing.” In Islamic terms, this meant that profit (interest) was acceptable only if a lender's money was “not at risk.”

In 1991 measures to promote competition between banks, and to loosen Bank Markazi's control in order to encourage savings within the official banking sector were introduced. In 1994 Bank Markazi introduced reforms allowing private banking operations to register officially and offer most services in competition with the public sector. However, the raft of new currency and export regulations that followed the collapse of the rial in April 1995 put the recently legalized private sector under huge pressure because, for many of the bazaar traders, currency dealings represented a significant share of their total business. There is a basic lack of confidence in the banking system. Many informal banking operations are run from the bazaars. In addition, Iranians who are able to do so operate bank accounts outside the country, importing funds as needed rather than using the domestic system.

Bank Melli, which has acted for the central bank, handles most Iranian banking operations outside the country. The requirements to abide by Islamic principles were never imposed on Bank Melli. The International Monetary Fund reported that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$71.7 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$153.6 billion.

The Tehrān Stock Exchange, locally known as the Bourse, was created in 1968. Three years later, the National Bank of Iran and the Industrial and Mining Development Bank of Iran joined with the US firm of Merrill Lynch, Pierce, Fenner and Smith to begin international brokerage activities in Iran. The exchange has stayed open since the revolution but did not play a significant role in the nation's business until the 1990s. Since 1989, the stock exchange has expanded continuously. A total of 344 companies were being traded and the capitalization of the exchange was reported to be nearly \$26 billion in mid-2003.

**3<sup>4</sup> INSURANCE**

The insurance industry had a negligible role in the accumulation of funds to finance development, largely because insurance was not used by most of the population; the insurance industry in Iran had barely started in 1960. On 25 June 1979, the revolutionary government announced the nationalization of all insurance companies. Under a 1971 Act of parliament, all companies operating in Iran were required to cede 25% of total acquired nonlife business and 50% of life business to Bimeh Markazi Iran, the central insurance company of Iran. The company writes all classes of insurance and reinsurance. In 2003, the value of all direct premiums written totaled \$1.484 billion, of which nonlife premiums accounted for

\$1.368 billion. As of 2005, there was no further published data on premium income in Iran.

### 3<sup>5</sup> PUBLIC FINANCE

Iran's fiscal year coincides with its calendar year, beginning on 21 March. The budget is prepared by the Finance Ministry and submitted to parliament. Trade reforms implemented since 1991 have boosted economic growth and reduced budget deficits. The general government deficit fell from 9% of GDP in 1988 to 2% in 1992, but was up to almost 7% again in 1998. By 2002, however, external debt was equivalent to less than 2% of GDP as a result of market reforms.

The US Central Intelligence Agency (CIA) estimated that in 2005 Iran's central government took in revenues of approximately \$48.8 billion and had expenditures of \$60.4 billion. Revenues minus expenditures totaled approximately -\$11.5 billion. Public debt in 2005 amounted to 27.5% of GDP. Total external debt was \$16.94 billion.

The International Monetary Fund (IMF) reported that in 2004, the most recent year for which it had data, central government revenues were R408,094 billion and expenditures were R383,011 billion. The value of revenues in US dollars was us\$47 million and expenditures us\$44 million, based on a official exchange rate for 2004 of us\$1 = R8,614 as reported by the IMF. Government outlays by function were as follows: general public services, 11.1%; defense, 9.3%; public order and safety, 3.7%; economic affairs, 25.8%; environmental protection, 0.6%; housing and community amenities, 7.5%; health, 6.2%; recreation, culture, and religion, 5.0%; education, 8.2%; and social protection, 22.6%.

### 3<sup>6</sup> TAXATION

Under tax laws written in May of 1992, individual income is taxed at rates varying from 12–54%. Capital gains and investment income are also taxable and employees pay a 7% social security contribution. As of 2005, corporate profits were taxed at 25%, although

companies listed on the Tehrān Stock Exchange were taxed at a 22.5% rate. Income derived from outbound international transport was taxed at 5%. Capital gains resulting from the transfer of real property were taxed at 5% of the value of the property according to regional value tables. Capital gains resulting from the sale of securities listed on the Tehrān Stock Exchange were taxed on 0.5% of the sales value. Also levied are real estate taxes, municipal taxes, and a levy on expatriate salaries. A value-added tax (VAT) or sales tax of 3% is applied to products considered final. Another tax is a public education cost levy to be paid by manufacturing and service companies.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Most goods entering Iran are subject to customs duties, the majority of which are on the CIF (cost, insurance, and freight) value. A number of government organizations and charitable institutions are permitted to import goods free of duty. The average tariff was 4% in 2005, down from 18.9% in 2000.

### 3<sup>8</sup> FOREIGN INVESTMENT

Until the early 1970s, Iran rarely participated in foreign businesses. The National Iranian Oil Company (NIOC) invested in the construction of oil refineries in Madras, India, and other places and participated in several ventures with foreign oil firms that held concessions for Iranian oil. With the vast increase in oil revenues, Iran became one of the world's leading creditor nations; in 1974 alone, bilateral agreements worth hundreds of billions of rials were signed with France, Germany, Italy, and the United Kingdom. In July 1974, Iran agreed to purchase a 25% interest in the German steel-making firm of Krupp Hüttenwerke, an investment believed to be the largest single stake purchased by any oil-producing nation in a major European firm up to that time. In 1975, Iran began negotiating investments through the United Nations Development Programme (UNDP) in developing nations.

Prior to World War II, foreign companies had important investments in Iranian banks, insurance companies, transport, and the oil industry. In 1955, the legislature enacted a law providing for withdrawal of invested capital in the currency that was brought into Iran, for the export of annual profits, and for adequate compensation in the event of nationalization of the industry or business. In 1957, the United States and Iran exchanged notes recognizing that the United States would guarantee its private investments in Iran against loss through actions by Iran, and the following year the Majlis enacted a law protecting foreign capital investments. Foreign companies moved into Iran to exploit mineral resources, to establish banks in partnership with Iranian capital, to build factories, and to carry out segments of the shah's vast economic development program.

Since 1979, the instability of the revolutionary government and the catastrophic war with Iraq have had a chilling effect on Western investment in Iran. In 1995, the United States imposed trade and investment sanctions on Iran for its support of international terrorism; the Iran-Libya Sanctions Act (ILSA) penalizes companies investing more than \$20 million in Iran's oil and gas sector; the ILSA was renewed in 2001 for five more years. The country emerged from the war with Iraq in terrible economic shape. In 1995, desperate for Western assistance in rebuilding its oil sector, Iran contracted with the French Oil Company, Total, to develop its

#### Public Finance – Iran (2004f)

(In billions of rials, central government figures)

	2004	%
<b>Revenue and Grants</b>	<b>408,094</b>	<b>100.0%</b>
Tax revenue	88,878	21.8%
Social contributions	51,907	12.7%
Grants	...	...
Other revenue	267,310	65.5%
<b>Expenditures</b>	<b>383,011</b>	<b>100.0%</b>
General public services	42,691	11.1%
Defense	35,469	9.3%
Public order and safety	14,020	3.7%
Economic affairs	98,853	25.8%
Environmental protection	2,398	0.6%
Housing and community amenities	28,881	7.5%
Health	23,703	6.2%
Recreational, culture, and religion	19,009	5.0%
Education	31,518	8.2%
Social protection	86,470	22.6%

(...) data not available or not significant. f = forecasted or projected data.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.



Sirri oil field. It was the first instance of foreign investment in the vital petroleum sector since the 1979 revolution. In 1995, Iran had negative direct foreign investment of about \$50 million, reflecting repatriation of profits greater than inflows of new investment.

Inward foreign investment outside the oil and gas sectors in the fiscal year ending in March 2005 was a mere \$1 billion. Some large investment deals have made their way through the system, however, and the oil minister in 2005 called for \$150 billion of new investment to double petroleum production. Foreigners observe investment in Iran warily, although Iran hopes to attract billions of dollars worth of foreign investment by creating a favorable investment climate (by reducing restrictions and duties on imports and creating free trade zones). Additionally, disagreements between reformers and conservatives make foreign investors wary of doing business in Iran, as does the international standoff over the country's nuclear program. In September 2005, Iran threatened to impose investment limits on countries opposing its right to access nuclear fuel cycle technology.

### **39 ECONOMIC DEVELOPMENT**

Iran's first development plan (1949–56) foundered because of the lack of oil revenues during the nationalization dispute and also because the IBRD refused to lend the hoped-for one-third of the projected development expenditures. The second plan (1956–63) also ran into financial difficulties when the domestic budget consumed a larger proportion of the oil revenues than expected. An austerity program from 1960, however, facilitated economic recovery. The third plan (1963–68) was successful, and the period witnessed rapid economic growth. This plan placed emphasis not only on the building of an infrastructure but also on projects making use of local resources. The private sector exceeded the target planned for investment. Substantial foreign aid, varied in its sources, was also forthcoming, and foreign investment in Iran totaled more than \$2.7 billion. The fourth plan (1968–73) was far more successful than the previous ones, with most of its objectives realized beyond expectation. The mean annual GNP growth was 11.2%, as compared with the projected figure of 9%. Similarly, per capita GNP rose to about \$560 (\$300 had been the goal).

In its revised form, the fifth plan (1973–78) provided for infrastructural development and other expenditures. However, a lag in oil revenues led to rescheduling of the plan for six years instead of five and the postponement or slowdown of individual projects. Because of political opposition and social unrest during the last year of the shah's reign, the plan was abandoned in 1978. The Islamic government that came to power in 1979 cut economic development funds because of a shortage of revenues, but in 1983 it proposed its own five-year development plan for 1983–88, with allocations totaling \$166 billion and emphasis given to agriculture and service industries. However, the government's cutbacks on oil production (and, consequently, of the oil revenues that were to finance the plan), coupled with the diversion of resources to the war with Iraq, made it impossible to fulfill the plan's goals.

The five-year plan (1989–94) authorized up to \$27 billion in foreign borrowing. It aimed to increase productivity in key industrial and economic sectors and to promote the non-oil export sector. The 1994–99 plan aimed at investing money in transport, particularly in the railroad system and in the construction of a public underground for Tehrān. Other projects were aimed at revitalizing

the petroleum sector and developing the natural gas sector. The five-year plan implemented from 2000–04 was to privatize at least six major state-owned enterprises (such as communications and tobacco), and at least 2,000 smaller state-owned firms. The conservative parliament that took office in May 2004 ruled against key reforms planned for the 2005–09 economic plan. Nevertheless, Iran's five-year plans have envisaged a gradual move towards a market-oriented economy, but political and social concerns and external debt problems have hampered progress. Upon being elected president in June 2005, conservative populist Mahmoud Ahmadinejad pledged to fight poverty and corruption while creating new jobs in the public sector. He proposed sharing the nation's oil wealth more broadly and reducing the country's income gap between rich and poor. Ahmadinejad also favored the promotion, where possible, of local firms over foreign enterprises.

### **40 SOCIAL DEVELOPMENT**

Traditionally, the family and the tribe were supplemented by Islamic waqf (obligatory charity) institutions for the care of the infirm and the indigent. Social welfare programs include workers' compensation, disability benefits, maternity allowances, retirement benefits, death benefits, and family and marriage allowances. These programs cover all employed persons between the ages of 18 and 65 who reside in the country. There is a special pension system in force for public employees. Old age benefits are available at age 65 for men and age 60 for women. Seasonal workers are covered for medical services during the working season. Employed persons in urban areas are covered by workers' compensation. Family allowances are available for working families with limited means.

Statistics on violence against women including spousal abuse are unavailable. Provisions in the Islamic Penal and Civil code discriminate against women, especially in property rights. The testimony of a woman in court is worth half of a man's statement. Women receive more harsh punishments for criminal offenses. A woman can only divorce a man for limited reasons, but a man may divorce his wife without cause. Gender segregation is enforced in most public places.

The Jewish, Christian, and Baha'i minorities face government discrimination in education, employment, and public accommodations. They also suffer harassment and abuse. Serious human rights abuses persist, including summary execution, disappearance, torture, rape, stoning, flogging, arbitrary arrest and detention, and harsh prison conditions. The Iranian government continues to restrict freedoms of speech, assembly, religion, association, and the press.

### **41 HEALTH**

Beginning in the 1960s, national campaigns against such major diseases as malaria and smallpox were undertaken. Other major health problems included high infant mortality, smallpox outbreaks, venereal disease, trachoma, typhoid fever, amoebic dysentery, malaria, tuberculosis, and the debilitating effects of smoking opium. The creation in 1964 of a health corps, consisting of physicians and high school graduates who agreed to spend the period of their military service serving in semimobile medical units in rural areas, helped to reduce the death rate. Roving health corps teams, comprising a doctor, a dentist, a pathologist, and (when

possible) a nurse, served the villages, offering medical services to 10,000–15,000 rural inhabitants annually.

As of 2002, the death rate was estimated at 5.4 per 1,000 people. The infant mortality rate in 2005 was 41.58 per 1,000 live births.

The Islamic republic has continued to provide health care programs to rural areas. As of 2004, there were an estimated 105 physicians, 246 nurses, and 19 dentists per 100,000 people in Iran. Many physicians left the country after the 1979 revolution and health conditions were reportedly deteriorating; however, by the mid-1980s, many doctors who had been in exile during the shah's reign had returned. Approximately 80% of the population had access to health care services. Total health care expenditure was estimated at 4.2% of GDP. Average life expectancy in 2005 was estimated at 69.96. In 2000, 95% of the population had access to safe drinking water and 81% had adequate sanitation. Some form of contraceptive was used by 73% of married women ages 15–49 as of 2000. Iran's estimated birth rate in 2002 was 17.5 per 1,000 people. Children up to one year old were immunized against tuberculosis, 100%; diphtheria, pertussis, and tetanus, 95%; polio, 95%; and measles, 95%.

The prevalence of low birth weight babies has risen from 4% of all births in 1980 to 10% in 1999. As of 2000, 16% of all children were malnourished. Cholera was reported in 2,177 individuals. Malaria cases are high. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 31,000 people living with HIV/AIDS in the country. There were an estimated 800 deaths from AIDS in 2003.

## 42 HOUSING

Rapid urbanization and migration of refugees into the country have made housing one of the country's most acute social problems. Although housing has always been given top priority in development plans, the gap between supply and demand for dwellings has grown increasingly wide. During the fourth plan (1968–73), nearly 300,000 housing units were built, but because some 120,000 new families were added to the urban population during that period, the average density rose from 7.7 to 8.5 persons per dwelling. During the same period, the national urban housing deficit rose from 721,000 to 1.1 million units. However, housing starts fell sharply after the 1979 revolution, as construction declined precipitously because of lack of funding (construction of all buildings dropped by 21% in 1981/82 and 24% in 1982/83). In 1995–2000, the government presented programs focused on attracting private sector investment and approving legal and economic measures.

In 1986 (the latest year for which such statistics are available), 43% of all housing units were constructed of brick with iron beams, 19% were adobe and wood, 16% were brick with wooden beams, 10% were adobe and mud, 5% were cement block, and 3% were iron with a cement skeleton. Electricity was available in 84% of all housing units, 95% had a water toilet, 75% had piped water, 54% had a kitchen, and 47% had a bath. According to 1996 national statistics, there were about 12,349,003 private households in permanent dwellings. About 38,940 households were listed as “unsettled,” meaning that they were either homeless or nomadic.

## 43 EDUCATION

Education is virtually free in Iran at all levels, from elementary school through university. At the university level, however, every student is required to commit to serve the government for a number of years equivalent to those spent at the university.

During the early 1970s, efforts were made to improve the educational system by updating school curricula, introducing modern textbooks, and training more efficient teachers. The 1979 revolution continued the country's emphasis on education, but Khomeini's regime put its own stamp on the process. The most important change was the Islamization of the education system. All students were segregated by sex. In 1980, the Cultural Revolution Committee was formed to oversee the institution of Islamic values in education. An arm of the committee, the Center for Textbooks (composed mainly of clerics), produced 3,000 new college-level textbooks reflecting Islamic views by 1983. Teaching materials based on Islam were introduced into the primary grades within six months of the revolution.

Education is compulsory for five years of primary school. A middle school program covers three years of study. After this stage, students may choose to continue in general academic studies or vocational studies for three years. Students interested in continuing on to university studies complete an additional year. The academic year runs from September to June.

Primary school enrollment in 2003 was estimated at about 86% of age-eligible students. Nearly all students complete their primary education. In 2001, secondary school enrollment was about 76% of age-eligible students. The student-to-teacher ratio for primary school was at about 24:1 in 2003; the ratio for secondary school was about 28:1.

The tradition of university education in Iran goes back to the early centuries of Islam. By the 20th century, however, the system had become antiquated and was remodeled along French lines. The country's 16 universities were closed after the 1979 revolution and were then reopened gradually between 1982 and 1983 under Islamic supervision. While the universities were closed, the Cultural Revolution Committee investigated professors and teachers and dismissed those who were believers in Marxism, liberalism, and other “imperialistic” ideologies. The universities reopened with Islamic curriculums.

The University of Tehrān (founded in 1934) has 10 faculties, including a department of Islamic theology. Other major universities are at Tabriz, Mashhad, Ahvāz, Shirāz, Esfahān, Kermān, Babol Sar, Rasht, and Orūmiyeh. There are about 50 colleges and 40 technological institutes. In 2003, about 21% of the tertiary age population were enrolled in some type of higher education program.

A literacy corps was established in 1963 to send educated conscripts to villages. During its first 10 years, the corps helped 2.2 million urban children and 600,000 adults become literate. The adult literacy rate for 2004 was estimated at about 77%, with 83.5% for men and 70.4% for women. As of 2003, public expenditure on education was estimated at 4.9% of GDP or 17.7% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

Public libraries and museums are fairly new in Iran. The National Library at Tehrān had a good general collection of about 590,000 volumes as of 2002. The Library of Parliament, with 170,000 volumes, has an extensive collection of manuscripts and an unrivaled collection of documentary material in Farsi, including files of all important newspapers since the inception of the press in Iran. The Central Library of the University of Tehrān holds some 650,000 volumes. In 2005, there were over 1,000 public library branches throughout the country.

Tehrān has the Archaeological Museum, overflowing with fabulous treasures from the long cultural and artistic history of Iran, and the Ethnological Museum. Iran's crown treasures—manuscripts, jeweled thrones, and a vast variety of other objects—may be seen at the Golestan Palace. Museums at Esfahān, Mashhad, Qom, and Shirāz feature antique carpets, painted pottery, illuminated manuscripts, and fine craftsmanship in wood and metal; most of these objects date from the 12th to the 18th centuries.

#### 45 MEDIA

Telegraph, telephone, and radio broadcasting services are state-owned. In 1996, 25 regional telecommunications authorities were formed to oversee paging services and cellular systems. In 2003, there were an estimated 220 mainline telephones for every 1,000 people; over one million people were on a waiting list for telephone service installation. The same year, there were approximately 51 mobile phones in use for every 1,000 people.

Both radio and television were nationalized in 1980. Principal stations are located in Tehrān, and other major stations broadcast from Ahvāz, Zahedan, Tabriz, Rasht, Kermānshāh, and Bandar-e Lengeh. As of 1999 there were 72 AM and 6 FM radio stations and 28 television broadcast stations. Television of Iran, a privately owned station, began broadcasting in 1956 in Tehrān and Ābādān. The national radio organization and the government television network were merged in 1971 to form National Iranian Radio and Television (NIRT). After 1979, it became the Islamic Republic of Iran Broadcasting Company. Though there is an official ban on owning a satellite dishes, many still do, particularly wealthier citizens. In 2003, there were an estimated 281 radios and 173 television sets for every 1,000 people. The same year, there were 90.5 personal computers for every 1,000 people and 72 of every 1,000 people had access to the Internet. There were 13 secure Internet servers in the country in 2004.

Among Iran's most widely read newspapers are *Ettela'at* (2002 circulation 500,000) and *Kayhan* (350,000). *Alik* (3,400) is an Armenian daily, *Journal de Teheran* (8,000) is published in French, and *Teheran Times* (7,700) is published in English. There are also several weeklies and special interest magazines. Most print media originate in Tehrān.

The constitution does not mention freedom of speech and limits freedom of the press; a press law requires publications to be licensed, and their editors are subject to imprisonment for printing reports the religious authorities deem insulting. As of 2004, there were many reports of continuing government infringement on freedom of the press.

#### 46 ORGANIZATIONS

Long renowned for their individualism, Iranians now actively associate with modern public and private organizations. Under the shah, the government greatly encouraged the growth of the cooperative movement; the first Workers' Consumers Society was established in 1948. Many villages have founded producers' cooperatives with official advice and support, and consumers' cooperatives exist among governmental employees and members of the larger industrial and service organizations. Rural cooperative societies are wide spread. The Chamber of Commerce, Industries, and Mines has its headquarters in Tehrān.

Private charitable organizations date from as early as 1923, when the Iranian Red Lion and Sun Society was established; this organization has since joined the corresponding international organization of the Red Crescent Society. Other charitable institutions include the Organization for Social Services and the Mother and Infant Protection Institute. The Islamic Women's institute is active. The Society to Combat the Use of Opium has waged a campaign against use of the drug. Human Rights Monitor is a multinational organization based in Tehrān.

For youth, the Boy Scout movement in Iran began before World War II. There are several sports associations active within the country, representing such pastimes as badminton, tennis, baseball, and track and field. There are active organizations of the Special Olympics.

#### 47 TOURISM, TRAVEL, AND RECREATION

Political and civil unrest has kept many tourists from visiting Iran in recent years. Principal tourist attractions include historic and beautifully decorated mosques, mausoleums, and minarets. There are many sports and physical culture societies in Tehrān and the provinces, where the emphasis is on skiing and weight lifting. Other popular sports include football (soccer), wrestling, and volleyball.

A valid passport and visa are required to enter Iran. All travelers are required to have a certificate of inoculations against meningitis.

#### 48 FAMOUS IRANIANS

The long history of Iran has witnessed many conquerors, wise rulers and statesmen, artists, poets, historians, and philosophers. In religion, there have been diverse figures. Zoroaster (Zarathushtra), who probably lived in the 6th century BC, founded the religion known as Zoroastrianism or Mazdaism, with Ahura-Mazda as the god of good. In the 3rd century AD, Mani attempted a fusion of the tenets of Mazdaism, Judaism, and Christianity. The Bab (Sayyid 'Ali Muhammad of Shirāz, 1819–50) was the precursor of Baha'ism, founded by Baha' Allah (Mirza Husayn 'Ali Nuri, 1817–92).

Persian rulers of the pre-Christian era include Cyrus ("the Great"; Kurush, r.550–529 BC), Cambyses II (Kambuiya, r.529–522 BC), Darius I ("the Great"; Darayavaush, r.521–486 BC), Xerxes I ("the Great"; Khshayarsha, r.486–465 BC), and Artaxerxes I (Artakhshathra, r.464–424 BC). Shah 'Abbas (r.1587–1628) expanded Persian territory and conquered Baghdād. Prominent political figures of modern times are Reza Shah Pahlavi (1877–1944), who

reigned from 1925 to his abdication in 1941; and his son, Muhammad Reza Pahlavi (1919–80), who was shah from 1941 until his abdication in 1979. Until his death in 1989, Iran was under the leadership of Ayatollah Ruhollah Khomeini (1900–89). Ayatollah Ali Khamenei (b.1939) took over the position of Supreme Leader upon Khomeini's death.

The great epic poet Firdawsi (Abdul Qasim Hassan ibn-i-Ishaq ibn-i Sharafshah, 940–1020), writing about AD 1000, produced the *Shahnama* (*Book of Kings*) dealing with four ancient dynasties and full of romantic and heroic tales that retain their popularity today. Omar Khayyam (d.1123?), astronomer and poet, is known in the Western world for his *Rubáiyât*, a collection of quatrains freely translated by Edward Fitzgerald. Important figures of the Seljuk period (11th and 12th centuries) include Muhammad bin Muhammad al-Ghazali (1058–1111), philosopher and mystic theologian, who exerted an enormous influence upon all later speculative thought in Islam; Farid ad-Din 'Attar (Muhammad bin Ibrahim, 1119–1229?), one of the greatest of mystic poets; and Nizami (Nizam ad-Din Abu Muhammad, 1141–1202), noted for four romantic epic poems that were copied and recopied by hand and illuminated with splendid miniatures. In the 13th century, Jalal ad-Din Rumi (1207–73) compiled his celebrated long mystic poem, the *Mathnavi*, in rhyming couplets; and Sa'di (Muslih ud-Din, 1184?–1291), possibly the most renowned Iranian poet within or outside of Iran, composed his *Gulistan* (*Rose Garden*) and *Bustan* (*Orchard*). About a hundred years later, in 1389, another poet of Shiráz died, Hafiz (Shams ud-Din Muhammad); his collected works comprise nearly 700 poems, all of them ghazals or lyrical odes.

Poets of the modern period include Iraj Mirza (1880–1926), Mirzadeh Eshqi (d.1924), Parveen Ettasami (d.1941), and the poet laureate Behar (Malik ash-Shuara Bahar, d.1951). Preeminent among prose writers was Sadeq Hedayat (1903–51), author of the novel *Bu fi kur* (*The Blind Owl*) and numerous other works, including films. Azar Nafisi (b.1955) is an Iranian-born professor and writer residing in the United States whose book *Reading Lolita in Tehran* gained international acclaim and was translated into 32 languages.

Miniature painting came to full flower in the second half of the 15th century. The greatest figure in this field was Bihzad, whose limited surviving work is highly prized. The School of Herát was composed of his followers.

Abbas Kiarostami (b.1940) is an influential and controversial postrevolutionary filmmaker who is highly respected in the international film community.

#### 49 DEPENDENCIES

Iran has no territories or colonies.

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# IRAQ

Republic of Iraq  
*Al-Jumhuriyah al-'Iraqiyah*



**CAPITAL:** Baghdād

**FLAG:** The national flag is a tricolor of red, white, and black horizontal stripes, with three five-pointed stars in green in the center of the white stripe. In 1991 the phrase *Allahu Akbar* (“God is Great”) was added in green Arabic script—*Allahu* to the right of the middle star and *Akbar* to the left of the middle star.

**ANTHEM:** *Al-Salaam al-Jumhuri* (*Salute of the Republic*).

**MONETARY UNIT:** The Iraqi dinar (ID) is a paper currency of 1,000 fils. There are coins of 1, 5, 10, 25, 50, 100, and 250 fils, and notes of 250 and 500 fils and 1, 5, 10, 50, and 100 dinars. 1ID = \$0.00068 (or \$1 = 1D1,475) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but weights and measures in general use vary, especially in domestic transactions. The unit of land is the dunam, which is equivalent to approximately 0.25 hectare (0.62 acre).

**HOLIDAYS:** New Year’s Day, 1 January; Army Day, 6 January; 14th Ramadan Revolution Day, 8 February; Declaration of the Republic, 14 July; and Peaceful Revolution Day, 17 July. Muslim religious holidays include ‘Id al-Fitr, ‘Id al-‘Adha, Milad an-Nabi, and Islamic New Year.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Present-day Iraq, comprising an area of 437,072 sq km (168,754 sq mi), corresponds roughly to the former Turkish provinces of Baghdād, Al Mawşil (Mosul), and Al Başrah (Basra). Comparatively, the area occupied by Iraq is slightly more than twice the size of the state of Idaho. It extends 984 km (611 mi) SSE–NNW and 730 km (454 mi) ENE–WSW. Iraq is bordered on the N by Turkey, on the E by Iran, on the SE by the Persian Gulf and Kuwait, on the S by Saudi Arabia, on the W by Jordan, and on the NW by Syria, with a total land boundary length of 3,650 km (2,268 mi) and a coastline of 58 km (36 mi).

Iraq’s capital city, Baghdād, is located in the east central part of the country.

## <sup>2</sup> TOPOGRAPHY

Iraq is divided into three distinct zones: the desert in the west and southwest; the plains; and the highlands in the northeast, which rise to 3,000 m (10,000 ft) or more. The desert is an upland region with altitudes of 600 to 900 m (2,000–3,000 ft) between Damascus in Syria and Ar-Rutbah in Iraq, but declines gently toward the Euphrates (Al-Furāt) River. The water supply comes from wells and wadis that at times carry torrential floods and that retain the winter rains.

Dominated by the river systems of the Tigris (Dijlah) and Euphrates (Al-Furāt), the plains area is composed of two regions divided by a ridge, some 75 m (250 ft) above the flood plain, between Ar Ramādi and a point south of Baghdād that marks the prehistoric coastline of the Persian Gulf. The lower valley, built up by the silt the two rivers carry, consists of marshland, crisscrossed by drainage channels. At Qarmat ‘Ali, just above Al Başrah, the two rivers combine and form the Shatt al Arab, a broad waterway

separating Iraq and Iran. The sources of the Euphrates and Tigris are in the Armenian Plateau. The Euphrates receives its main tributaries before entering Iraq, while the Tigris receives several streams on the eastern bank within the country.

## <sup>3</sup> CLIMATE

Under the influence of the monsoons, Iraq in summer has a constant northwesterly wind (shamal), while in winter a strong southeasterly air current (sharqi) develops. The intensely hot and dry summers last from May to October, and during the hottest time of the day—often reaching 49°C (120°F) in the shade—people take refuge in underground shelters. Winters, lasting from December to March, are damp and comparatively cold, with temperatures averaging about 10°C (50°F). Spring and autumn are brief transition periods. Normally, no rain falls from the end of May to the end of September. With annual rainfall of less than 38 cm (15 in), agriculture is dependent on irrigation.

## <sup>4</sup> FLORA AND FAUNA

In the lower regions of the Tigris (Dijlah) and Euphrates (Al-Furāt) and in the alluvial plains, papyrus, lotus, and tall reeds form a thick underbrush; willow, poplar, and alder trees abound. On the upper and middle Euphrates (Al-Furāt), the licorice bush yields a juice that is extracted for commercial purposes; another bush growing wild in the semiarid steppe or desert yields gum tragacanth for pharmaceutical use. In the higher Zagros Mountains grows the valonia oak, the bark of which is used for tanning leather. About 30 million date palms produce one of Iraq’s most important exports.

Wild animals include the hyena, jackal, fox, gazelle, antelope, jerboa, mole, porcupine, desert hare, and bat. Beaver, wild ass, and ostrich are rare. Wild ducks, geese, and partridge are the game

birds. Vultures, owls, and ravens live near the Euphrates. Falcons are trained for hunting. As of 2002, there were at least 81 species of mammals and 140 species of birds throughout the country.

## 5 ENVIRONMENT

Three major armed conflicts since 1980 have had a significant negative effect on the nation's environment. Chemical weapons deployed at various locations along the Iran-Iraq border during the 1980–88 war killed thousands of people. During the 1991 Gulf War, coalition forces initiated a massive air campaign that destroyed nuclear, biological, and chemical facilities, causing toxic agents to seep into the air, soil, and waterways. Electrical plants, oil facilities, and water and sewage treatment plants were heavily damaged in both the 1991 and 2003 conflicts, contributing increased levels of air, water, and soil pollution to an already distressed environment. Plus, the Iraqi government's tactic of setting oil fires to ward off coalition forces set a broad range of toxic chemicals into the air and threatened many of the marshland ecosystems of the Tigris (Dijlah)–Euphrates (Al-Furāt) river basin. Although the full environmental impact of the conflicts had not been assessed as of 2006, it was clear that the new Iraqi government was facing several challenges in restoring basic services of power, water, and sanitation to the population, as well as in addressing issues of environmental renewal.

In 2000, only about 1.8% of the total land area was forested. Desertification has long been a problem in the hot, dry climate. Salinization and soil erosion caused by river basin flooding has affected otherwise fertile agricultural lands. In 2003, there were no protected lands in the country. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 9 types of mammals, 18 species of birds, 2 types of reptiles, 1 species of amphibian, 3 species of fish, and 2 species of invertebrates. Threatened species include the black vulture, the imperial eagle, the wild goat, the striped hyena, and the sand cat. The Saudi gazelle has become extinct.

## 6 POPULATION

The population of Iraq in 2005 was estimated by the United Nations (UN) at 28,807,000, which placed it at number 39 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 42% of the population under 15 years of age. There were 103 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.7%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 44,664,000. The population density was 66 per sq km (170 per sq mi), with Mesopotamia the most densely populated region.

The UN estimated that 68% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.52%. The capital city, Baghdad, had a population of 5,620,000 in that year. Other major cities and their estimated populations included Arbil, 2,368,000, and Al Mawṣil, 1,236,000.

## 7 MIGRATION

Immigration into Iraq was limited until the beginning of the 1970s. However, the rise in oil prices and the increase of oil ex-

ports, as well as extensive public and private spending in the mid-1970s, created a market for foreign labor. The result was a stream of foreign (mainly Egyptian) workers, whose number may have risen as high as 1,600,000 before the Gulf War. During the Iran–Iraq war, many Egyptians worked in the public sector, filling a gap left by civil servants, farmers, and other workers who were fighting at the front. A number of Iraqis, mainly from southern Iraq and influenced by family ties and higher wages, migrated to Saudi Arabia and Kuwait. To weaken local support in the north for Kurdish rebels, the government forced tens of thousands of Kurds to resettle in the south; in September 1987, a Western diplomat in Baghdad claimed that at least 500 Kurdish villages had been razed and 100,000 to 500,000 Kurds relocated.

In 1991 some 1.5 million Iraqis fled the country for Turkey or Iran to escape Saddam Hussein's increasingly repressive rule, but fewer than 100,000 remained abroad as of 2005. Most of the refugees were Kurds who later resettled in areas in Iraq not controlled by the government. In September and October of 1996, around 65,000 Iraqi Kurds fled to Iran due to internal fighting between the Iraqi Kurds.

As of 1999, the United Nations High Commissioner for Refugees (UNHCR) assisted 31,400 refugees in Iraq. Of these, some 19,000 were Iranian Kurds and 11,300 were Turkish Kurds. In 2004, Iraq had 241,403 refugees, 1,353 of these were asylum seekers and 193,990 returned refugees. Some 22,000 refugees were from the Occupied Palestinian Territory, 13,353 from Turkey, and 10,230 from Iran. Nearly 350,000 Iraqis were refugees themselves in 11 countries: 150,196 in Iran, 73,489 in Germany, and more than 23,000 each in Sweden and the United Kingdom. Iraq's asylum seekers in 2004 were from Iran. However, some 22,000 Iraqis sought asylum in 24 countries: 6,510 in Jordan, 5,351 in Sweden, 4,496 in Syria, some 2,000 each in Germany and the Netherlands, and over 1,000 each in Greece and Switzerland. Also in 2004, Iraq had 900,000 internally displaced persons.

In 2005, the net migration rate was estimated as zero migrants per 1,000 population.

## 8 ETHNIC GROUPS

Arabs constitute about 75–80% of the total population. The Kurds, an Islamic non-Arab people, are the largest and most important minority group, constituting about 15–20%. A seminomadic pastoral people, the Kurds live in the northeastern Zagros Mountains, mostly in isolated villages in the mountain valleys near Turkey and Iran. Kurdish opposition to Iraqi political dominance has occasioned violent clashes with government forces. Other minorities (5%) include Turkomans, living in the northeast; Yazidis, mostly in the Sinjar Mountains; Assyrians, mainly in the cities and north-eastern rural areas; and Armenians.

## 9 LANGUAGES

Arabic is the national language and is the mother tongue of an estimated 79% of the population. Kurdish—the official language in Kurdish regions—or a dialect of it, is spoken by the Kurds and Yazidis. Aramaic, the ancient Syriac dialect, is retained by the As-

syrians. The Turkomans speak a Turkic dialect. Armenian is also spoken.

## 10 RELIGIONS

Islam is the national religion of Iraq, adhered to by some 97% of the population. Though the interim constitution provided for freedom of religion, that right is restricted by the government. About 60–65% of Muslims belong to the Shia sect and 32–37% to the Sunni sect. Traditionally, the Shia majority has been governed and generally oppressed by members of the Sunni minority. There are also some syncretic Muslim groups, such as the Yazidis, who consider Satan a fallen angel who will one day be reconciled with God. They propitiate him in their rites and regard the Old and New Testaments, as well as the Koran (Quran), as sacred.

About 3% of the population are adherents to Christianity and other religions. The Assyrians (who are not descended from the ancient Assyrians) are Nestorians. In the 19th century, under the influence of Roman Catholic missions, Christian Chaldeans joined the Uniate churches, which are in communion with Rome; their patriarch has his seat in Al Mawşil. The Sabaeans, or Mandaeans, are often called Christians of St. John, but their religious belief and their liturgy contain elements of many creeds, including some of pre-Christian Oriental origin. Since baptism is their main ritual, they always dwell near water and are concentrated on the riverbanks south of Baghdād. There are a small number of Jews.

## 11 TRANSPORTATION

Major cities, towns, and villages are connected by a modern network of highways and roads, which have made old caravan routes extinct. The city of Baghdād has been reshaped by the development of expressways through the city and by passes built since the 1970s. By 2002, Iraq had 45,550 km (28,304 mi) of roads, of which 38,400 km (23,861 mi) were paved. There were some 747,530 cars and 130,275 commercial vehicles in use as of 2003.

Railroads are owned and operated by the Iraqi State Railways Administration. A standard-gauge railroad connects Iraq with Jordan and Syria, and nearly all the old meter-gauge line connecting Arbil in the north with Al Başrah, by way of Kirkūk and Baghdād, has been replaced. In 2004, there were about 2,200 km (1,368 mi) of railway lines, all of it standard gauge.

Iraq had an estimated 111 airports in 2004, down from 150 in 2002. As of 2005, a total of 78 had paved runways, and there were 8 heliports. However, an unknown number of runways were damaged during the March–April 2003 war. Baghdād, Al Başrah, and Al Mawşil have international airports. Iraq Airways is the state-owned carrier; in the 1980s, its international flights landed only at night because of the Iraq-Iran war. The war also virtually closed Iraq's main port of Al Başrah and the new port of Umm Qasr on the Persian Gulf. Although Iraq had 5,275 km (3,281 mi) of inland waterways as of 2004, not all were navigable. Of those that were navigable, the Euphrates River (Al Furāt—2,815 km or 1,864 mi), the Tigris River (Dijlah—1,895 km or 1,178 mi) and the Third River (565 km or 351 mi) were the main waterways. In addition, the Shatt al Arab is usually navigable by maritime traffic for 130 km (81 mi). The Tigris and Euphrates have navigable sections for shallow-draft boats, and the Shatt al Al Başrah canal was navigable by shallow-draft craft before closing in 1991 because of the Gulf War. Expansion of Iraq's merchant marine, which totaled

1,470,000 gross registered tonnage (GRT) in 1980, was halted by the war with Iran and again by the Persian Gulf War. By 2005, the merchant marine totaled only 14 ships with 1,000 GRT or more, for a total capacity of 83,221 GRT.

## 12 HISTORY

Some of the earliest known human settlements have been found in present-day Iraq. Habitations, shrines, implements, and pottery found on various sites can be dated as early as the 5th millennium BC. Some sites bear names that are familiar from the Bible, which describes the region of the Tigris (Dijlah) and Euphrates (Al Furāt) rivers as the location of the Garden of Eden and the city of Ur as the birthplace of the patriarch Abraham. Scientific exploration and archaeological research have amplified the biblical accounts.

Recorded history in Mesopotamia (the ancient name of Iraq, particularly the area between the Tigris and Euphrates) begins with the Sumerians, who by the 4th millennium BC had established city-states. Records and accounts on clay tablets prove that they had a complex economic organization before 3200 BC. The reign of Sumer was challenged by King Sargon of Akkad (r.c.2350 BC); a Sumero-Akkadian culture continued in Erech (Tall al-Warka') and Ur (Tall al-Muqayyar) until it was superseded by the Amorites or Babylonians (about 1900 BC), with their capital at Babylon. The cultural height of Babylonian history is represented by Hammurabi (r.c.1792–c.1750 BC), who compiled a celebrated code of laws. After Babylon was destroyed by the Hittites about 1550 BC, the Hurrians established the Mitanni kingdom in the north for about 200 years, and the Kassites ruled for about 400 years in the south.

From Assur, their stronghold in the north, the Assyrians overran Mesopotamia about 1350 BC and established their capital at Nineveh (Ninawa). Assyrian supremacy was interrupted during the 11th and 10th centuries BC by the Aramaeans, whose language, Aramaic, became a common language in the eastern Mediterranean area in later times. Assyrian power was finally crushed by the Chaldeans or Neo-Babylonians, who, in alliance with the Medes in Persia, destroyed Nineveh in 612 BC. Nebuchadnezzar II (r.c.605–c.560 BC) rebuilt the city-state of Babylon, but it fell to the Persians, under Cyrus of the Achaemenid dynasty, in 539 BC. Under his son Cambyses II, the Persian Empire extended from the Oxus (Amu Darya) River to the Mediterranean, with its center in Mesopotamia. Its might, in turn, was challenged by the Greeks. Led by the Macedonian conqueror Alexander the Great, they defeated the Persians by 327 BC and penetrated deep into Persian lands. The Seleucids, Alexander's successors in Syria, Mesopotamia, and Persia, built their capital, Seleucia, on the Tigris, just south of Baghdād. They had to yield power to the Parthians, who conquered Mesopotamia in 138 BC.

The Arabs conquered Iraq in AD 637. For a century, under the "Orthodox" and the Umayyad caliphs, Iraq remained a province of the Islamic Empire, but the 'Abbasids (750–1258) made it the focus of their power. In their new capital, Baghdād, their most illustrious member, Harun al-Rashid (ar-Rashid, r.786–809), became, through the Arabian Nights, a legend for all time. Under Harun and his son Al-Ma'mun, Baghdād was the center of brilliant intellectual and cultural life. Two centuries later, the Seljuk vizier Nizam al-Mulk established the famous Nizamiyah Universi-

ty, one of whose professors was the philosopher Al-Ghazali (Ghazel, d.1111). A Mongol invasion in the early 13th century ended Iraq's flourishing economy and culture. In 1258, Genghis Khan's grandson Hulagu sacked Baghdad and destroyed the canal system on which the productivity of the region had depended. Timur, also known as Timur Lenk ("Timur the Lame") or Tamerlane, conquered Baghdad and Iraq in 1393. Meanwhile, the Ottoman Turks had established themselves in Asia Minor and, by capturing Cairo (1517), their sultans claimed legitimate succession to the caliphate. In 1534, Süleyman the Magnificent conquered Baghdad and, except for a short period of Persian control in the 17th century, Iraq remained an Ottoman province until World War I.

Late in 1914, the Ottoman Empire sided with the Central Powers, and a British expeditionary force landed in Iraq and occupied Al Başrah. The long campaign that followed ended in 1918, when the whole of Iraq fell under British military occupation. The collapse of the Ottoman Empire stimulated Iraqi hopes for freedom and independence, but in 1920, Iraq was declared a League of Nations mandate under UK administration. Riots and revolts led to the establishment of an Iraqi provisional government in October 1920. On 23 August 1921, Faisal I (Faysal), the son of Sharif Hussein (Husayn ibn-'Ali) of Mecca, became king of Iraq. In successive stages, the last of which was a treaty of preferential alliance with the United Kingdom (June 1930), Iraq gained independence in 1932 and was admitted to membership in the League of Nations.

Faisal died in 1933, and his son and successor, Ghazi, was killed in an accident in 1939. Until the accession to the throne of Faisal II, on attaining his majority in 1953, his uncle 'Abdul Ilah, Ghazi's cousin, acted as regent. On 14 July 1958, the army rebelled under the leadership of Gen. 'Abd al- Karim al-Qasim (Kassim). Faisal II, Crown Prince 'Abdul Ilah, and Prime Minister Nuri al-Sa'id (as-Sa'id) were killed. The monarchy was abolished, and a republic established. Iraq left the anticommunist Baghdad Pact, which the monarchy had joined in 1955. An agrarian reform law broke up the great landholdings of feudal leaders, and a new economic development program emphasized industrialization. In spite of some opposition from original supporters and political opponents, tribal uprisings, and several attempts at assassination, Qasim managed to remain the head of Iraq for four and a half years. On 9 February 1963, however, a military *junta*, led by Col. 'Abd as-Salam Muhammad 'Arif, overthrew his regime and executed Qasim.

Since 1961, Iraq's Kurdish minority has frequently opposed with violence attempts by Baghdad to impose authority over its regions. In an attempt to cope with this opposition, the Bakr government passed a constitutional amendment in July 1970 granting limited political, economic, and cultural autonomy to the Kurdish regions. But in March 1974, Kurdish insurgents, known as the Pesh Merga, again mounted a revolt, with Iranian military support. The Iraqi army countered with a major offensive. On 6 March 1975, Iraq and Iran concluded an agreement by which Iran renounced support for the Kurds and Iraq agreed to share sovereignty over the Shatt al Arab estuary. The new regime followed a policy based on neutralism and aimed to cooperate with Syria and Egypt and to improve relations with Turkey and Iran. These policies were continued after 'Arif was killed in an airplane crash in 1966 and was succeeded by his brother, 'Abd ar-Rahman 'Arif. This regime, however, was overthrown in July 1968, when Gen. (later Marshal) Ah-

mad Hasan al-Bakr, heading a section of the Ba'ath Party, staged a coup and established a new government with himself as president. In the 1970s, the Ba'ath regime focused increasingly on economic problems, nationalizing the petroleum industry in 1972-73 and allocating large sums for capital development. Bakr resigned in July 1979 and was followed as president by his chosen successor, Saddam Hussein (Husayn) al-Takriti.

Tensions between Iraq and Iran rose after the Iranian revolution of 1979 and the accession to power of Saddam Hussein. In September 1980, Iraq sought to take advantage of the turmoil in Iran by suddenly canceling the 1975 agreement and mounting a full-scale invasion. Iraqi soldiers seized key points in the Khuzistan region of southwestern Iran, captured the major southern city of Khorramshahr, and besieged Abadan, destroying its large oil refinery. The Iraqi army then took up defensive positions, a tactic that gave the demoralized Iranian forces time to regroup and launch a slow but successful counterattack that retook Khuzistan by May 1982. Iraq then sought peace and in June withdrew from Iranian areas it had occupied. Iran's response was to launch major offensives aimed at the oil port of Al Başrah. Entrenched in well-prepared positions on their own territory, Iraqi soldiers repelled the attacks, inflicting heavy losses, and the war ground to a stalemate, with tens of thousands of casualties on each side.

Attempts by the UN and by other Arab states to mediate the conflict were unsuccessful; in the later stages of the war, Iraq accepted but Iran regularly rejected proposals for a compromise peace. Although most Arab states supported Iraq, and the Gulf oil states helped finance Iraqi military equipment, the war had a destabilizing effect both on the national economy and on the ruling Ba'ath Party. France also aided Iraq with credits to buy advanced weapons (notably, Super Étendard fighters and Exocet missiles), and it provided the technology for Iraq to construct the Osirak nuclear reactor near Baghdad. (In June 1981, this installation was destroyed in a bombing raid by Israel, which claimed that the facility would be used to produce nuclear weapons, a charge Iraq denied.) Other Western countries provided supplies, financing, and intelligence to Iraq but denied the same to Iran.

In February 1986, the Iranians made their biggest gain in the war, crossing the Shatt al Arab and capturing Fao (Al-Faw) on the southernmost tip of land in Iraq. In early 1987, they seized several islands in the Shatt al Arab opposite Al Başrah. The war soon spread to Persian Gulf shipping, as both sides attacked oil tankers and ships transporting oil, goods, and arms to the belligerents or their supporters.

The war ended on 20 August 1988 after Iran accepted a UN cease-fire proposal on 18 July. Having suffered enormous casualties and physical damage plus a massive debt burden, Baghdad began the postwar process of reconstruction. Before and after the war, there were scores to settle, primarily against the Kurds, some of whom had helped Iran and were the victims of Iraqi poison gas attacks. Many border villages were demolished and their Kurdish populations relocated.

When Iraq's wartime allies seemed unwilling to ease financial terms or keep oil prices high and questioned Iraq's rearmament efforts, Saddam Hussein turned bitterly against them. Kuwait was the principal target. After threats and troop movements, Iraq reasserted its claim (which dated from the days of the monarchy) to that country and on 2 August 1990, invaded and occupied it. Sad-





LOCATION: 29° to 37°30' N; 39° to 48° E. BOUNDARY LENGTHS: Turkey, 305 kilometers (190 miles); Iran, 1,458 kilometers (906 miles); Persian Gulf coastline, 19 kilometers (12 miles); Kuwait, 254 kilometers (158 miles); Saudi Arabia, 895 kilometers (556 miles); Jordan, 147 kilometers (91 miles); Syria, 603 kilometers (375 miles). TERRITORIAL SEA LIMIT: 12 miles.

dam Hussein was unflinching in the face of various peace proposals, economic sanctions, and the threatening buildup of coalition forces led by the United States.

A devastating air war led by the United States began on 17 January 1991 followed by ground attack on 24 February. Iraq was

defeated, but not occupied. Despite vast destruction and several hundred thousand casualties, Saddam's regime remained firmly in control. It moved to crush uprisings from the Shia in the south and Kurds in the north. To protect those minorities, the United States and its allies imposed no-fly zones that gave the Kurds vir-

tually an independent state, but afforded much less defense for the rebellious Arabs in the south whose protecting marshes were being drained by Baghdad. There were several clashes between allied and Iraqi forces in both areas.

In 1996, in an effort to boost morale in Iraq and bolster its image abroad, Iraq conducted its first parliamentary elections since 1989. However, only candidates loyal to Saddam Hussein were allowed to run. A government screening committee reviewed and approved all 689 candidates, who either belonged to Hussein's Ba'ath Party or were independents that supported the 1968 coup that brought the party to power.

The Iraqi economy continued to decline throughout the 1990s, with the continuation of the UN sanctions, imposed in 1990, which prohibited Iraq from selling oil on the global market in major transactions and froze Iraqi assets overseas. The deteriorating living conditions imposed on the Iraqi population prompted consideration of emergency measures. In 1996 talks were held between Iraq and the United Nations on a proposed "oil for food" humanitarian program that would permit Iraq to sell a limited quantity of oil in order to purchase food and basic supplies for Iraqi citizens. The United States and Britain wanted money earmarked for Iraq's Kurdish provinces funneled through the existing United Nations assistance program there. They also raised the issue of equity with respect to Iraq's existing rationing system. In December 1996, the UN agreed to allow Iraq to export \$2 billion in oil to buy food and medical supplies. Iraq began receiving 400,000 tons of wheat in the spring of 1997.

Since the end of the Gulf War, Iraq had demonstrated cooperation with UNSCOM, the special UN commission charged with monitoring weapons of mass destruction. However, Saddam Hussein refused to dismantle his country's biological weapons and had stopped cooperating with UNSCOM by August 1997, leading to increasing tension and a US military buildup in the region by early 1998. Personal intervention by UN Secretary General Kofi Annan helped diffuse the situation temporarily. However, renewed disagreements arose in the latter half of the year, ultimately leading to a December bombing campaign (Operation Desert Fox) by US and UK forces, with the goal of crippling Iraq's weapons capabilities. In late 1998 the US Congress also approved funding for Iraqi opposition groups, in hopes of toppling Saddam Hussein politically from within.

In 1999 the oil for food program was expanded to allow for the sale of \$5.25 billion in oil by Iraq over a six-month period to buy goods and medicine. By 2000, most observers agreed that the decade-long UN sanctions, while impoverishing Iraq and threatening its population with a major humanitarian crisis, had failed in their goal of weakening Saddam's hold on power.

The situation in Iraq intensified in 2002. In his January 2002 State of the Union Address, US president George W. Bush labeled Iraq, along with Iran and North Korea, part of an "axis of evil"—states that threatened the world with weapons of mass destruction and sponsored terrorism. Throughout 2002, the United States, in partnership with the United Kingdom, brought the issue of the need to disarm the Iraqi regime of weapons of mass destruction (WMD) to the forefront of international attention. On 8 November 2002, the UN Security Council unanimously approved Resolution 1441, calling upon Iraq to disarm itself of all biological, chemical, and nuclear weapons and weapons capabilities, to allow

for the immediate return of UN and International Atomic Energy Agency (IAEA) weapons inspectors (they had been expelled from the country in 1998), and to comply with all previous UN resolutions regarding the country since the end of the Gulf War in 1991. UN and IAEA weapons inspectors returned to Iraq, but the United States and the United Kingdom were neither satisfied with their progress nor with Iraq's compliance with the inspectors. The United States and the United Kingdom began a military buildup in the Persian Gulf region (eventually 250,000 US and 45,000 British troops would be stationed there), and pressed the UN Security Council to issue another resolution authorizing the use of force to disarm the Iraqi regime. This move was met by stiff opposition from France, Germany, and Russia (all members of the Security Council at the time, with France and Russia being permanent members with veto power); the diplomatic impasse ended on 17 March 2003, when the United States, the United Kingdom, and Spain withdrew from the Security Council the resolution they had submitted that February that would have authorized the use of military force. War began on 19 March 2003, and by early April, the Iraqi regime had fallen.

The postwar period proved to be a difficult one for the United States and the United Kingdom, as their troops attempted to prevent looting and violence, to disarm Iraqis, and to begin the process of reconstruction. Especially contentious was the issue of the formation of a new Iraqi government: Iraqi exiles returned to the country, attempting to take up positions of power; Kurds demanded representation in a new political structure; and Shias (who make up some 60% of the Iraqi population) agitated for recognition and power. The United States initially installed retired US Army Lt. Gen. Jay Garner as head of the Office of Reconstruction and Humanitarian Assistance to oversee Iraq's civil administration while a new government was to be installed. Garner was replaced by former US State Department official L. Paul Bremer III in May 2003 in what some called an effort to put a civilian face on the reconstruction effort. Many Iraqi political figures in June labeled the allied campaign to remove the Saddam Hussein regime more like an "occupation" than a "liberation," and called for elections to a national assembly that would produce a new constitution for the country.

On 13 December 2003, Saddam Hussein was found alive hiding in a hole 2.5-m (8-ft) deep near his hometown of Tikrit. He was taken into custody, and beginning in October 2005, was put on trial for the killing of 143 Shias from Dujail, in retaliation for a failed assassination attempt in 1982.

In June 2004, the United States disbanded the Coalition Provisional Authority led by Bremer and transferred sovereignty back to Iraq in the form of an interim government, headed by Prime Minister Iyad Allawi. On 30 January 2005, Iraqi voters elected a 275-member Transitional National Assembly. The Assembly was given the tasks of serving as Iraq's national legislature and forming a constitution. In April 2005, the National Assembly appointed Jalal Talabani, a prominent Kurdish leader, president. Ibrahim al-Jaafari, a Shia, whose United Iraq Alliance Party won the most votes in the January elections, was named prime minister. A constitution was written and presented to the people in a national referendum held on 15 October 2005: more than 63% of eligible voters turned out to vote. The constitution passed with a 78% majority, although three provinces voted against it, two of them by a two-

thirds majority. Under election rules, had two-thirds of voters in each of the three provinces voted against the constitution, it would have failed. The vote was sharply divided along ethnic and sectarian lines: Shias and Kurds generally supported the document. As it was, the constitution was largely drafted by Shias and Kurds, who together make up some 80% of the population. The Iraqi insurgency is largely composed of Sunni Arabs.

On 15 December 2005, the country turned out in new parliamentary elections to elect a permanent government. Turnout was high; 10.9 million out of 15.6 million registered voters cast ballots across the country. Some fraud was detected, but in general the elections were held in a free and democratic manner. Official results were announced in January 2006, showing that the Shia and Kurdish coalitions once again dominated the voting, although they came up short of the two-thirds majority needed to form a government of their own. Sunni Arab parties won 58 of the 275 seats, which was the second-largest bloc of seats, giving them a much larger voice than they had in the January 2005 elections. In all, four main coalitions won 250 of the 275 seats in the parliament, which was elected for a term lasting until 2009. Of the remaining 25 seats, most were won by smaller groups with ideological or geographic links to the winning coalitions. The United Iraqi Alliance, the alliance of the main Shia parties, took 128 seats. The Kurdistan Alliance, an alliance of the primary Kurdish parties, won 53 seats. The Iraqi Consensus Front, an alliance of predominantly Sunni parties, took 44 seats, and the Iraqi List, an alliance of the main secular parties, won 25 seats.

Although the election held the fragile promise of a stable government, by the end of February 2006, sectarian violence had reached new levels. On 22 February 2006, Sunni insurgents bombed the important Shia Askariya Shrine in Sunni-dominated Sāmarrā; the shrine's gold dome was reduced to rubble by explosives. Thousands of Shias took to the streets in both peaceful demonstrations and retaliatory attacks: the sectarian violence that ensued left at least 138 people dead in two days, and political negotiations over the new government in ruins. Civil war was not an unthinkable future for Iraq as of mid-2006.

### 13 GOVERNMENT

The coup d'état of 14 July 1958 established an autocratic regime headed by the military. Until his execution in February 1963, 'Abd al-Karim al-Qasim ruled Iraq, with a council of state and a cabinet. On 27 July 1958, a fortnight after taking over, Qasim's regime issued a provisional constitution, which has been repeatedly amended to accommodate changes in the status of the Kurdish regions. Since the 1968 coup, the Ba'ath Party ruled Iraq by means of the Revolutionary Command Council, "the supreme governing body of the state," which selected the president and a cabinet composed of military and civilian leaders. The president (Saddam Hussein from 1979–2003) served as chairman of the Revolutionary Command Council, which exercised both executive and legislative powers by decree. He was also prime minister, commander-in-chief of the armed forces, and secretary-general of the Ba'ath Party. A national assembly of 250 members that was elected by universal suffrage in 1980, 1984, 1989, 1996, and 2000, had little

real power. Most senior officials were relatives or close associates of Saddam Hussein; nevertheless, their job security was not great.

The precarious nature of working in the regime of Saddam Hussein, even for relatives, was made evident in 1995 when two of his sons-in-law defected to Jordan along with President Hussein's daughters. The defection was widely reported in the international media and considered a great embarrassment to the regime as well as a strong indicator of how brutal and repressive its machinations were. After a promise of amnesty was delivered to the defectors by Iraq, the men returned and were executed shortly after crossing the border into Iraq.

In the aftermath of the Iraq war which began in March 2003, Iraq was effectively ruled by the US-installed Office of Reconstruction and Humanitarian Assistance, and then by a Coalition Provisional Authority. In December 2003, Saddam Hussein was captured and brought into US custody; beginning in October 2005, he went on trial for the killing of 143 Shias from Dujail. In June 2004, sovereignty was transferred back to Iraq and an interim Iraqi government was installed, led by Prime Minister Iyad Allawi. On 30 January 2005, Iraqi voters elected a 275-member Transnational National Assembly. In April 2005, the National Assembly appointed Jalal Talabani, a prominent Kurdish leader, president. Ibrahim al-Jaafari, a Shia, was named prime minister. A constitution was written and presented to the people in a national referendum held on 15 October 2005: more than 63% of eligible voters turned out to vote. The constitution passed with a 78% majority.

Under the 2005 constitution, the government is broken down into four branches: legislative, executive, judicial, and independent associations. In the legislative branch, two councils were created: a Council of Representatives, the main law-making body, and the Council of Union, whose primary task is to examine bills related to regions and provinces. The executive branch is composed of a president, who is not directly elected and whose powers are primarily ceremonial; a deputy president; a prime minister, who as head of government is appointed by the president from the leader of the majority party in the Council of Representatives; and a cabinet chosen by the prime minister. The judiciary is independent and composed of the following: a Supreme Judiciary Council; a Supreme Federal Court; a Federal Cassation Court; a Prosecutor's Office; a Judiciary Inspection Dept.; and other federal courts organized by law. The "fourth branch" is that of independent associations whose actions are subject to legislation and supervision by the other branches. They include: a Supreme Commission for Human Rights; a Supreme Independent Commission for Elections; an Integrity Agency; an Iraqi Central Bank; a Financial Inspection Office; a Media and Communications Agency; Offices of (religious) Endowments; Institution of the Martyrs; and the Federal Public Service Council.

On 15 December 2005, new parliamentary elections were held to elect a permanent government. Sunni Arab parties won 58 of the 275 seats in the Council of Representatives, which was the second-largest bloc of seats. In all, four main coalitions won 250 of the 275 seats in the parliament, which will lead the country until 2009. Of the remaining 25 seats, most were won by smaller groups with ideological or geographic links to the winning coalitions. The United Iraqi Alliance, the alliance of the main Shia parties, took 128 seats. The Kurdistan Alliance, an alliance of the primary Kurdish parties, won 53 seats. The Iraqi Consensus Front, an alli-

ance of predominantly Sunni parties, took 44 seats, and the Iraqi List, an alliance of the main secular parties, won 25 seats.

#### **<sup>14</sup>POLITICAL PARTIES**

Until 1945, political parties existed but were ineffective as political factors. In 1946, five new parties were founded, including one that was Socialist (Al-Hizb al-Watani al-Dimuqrati, or the National Democratic Party), one avowedly close to communism (Ash-Sha'b, or the People's Party), and one purely reformist (Al-Ittihad al-Watani, or the National Union Party).

The response to these parties alarmed the conservative politicians. The Palestine War (1948) provided the pretext for suppression of the Sha'b and Ittihad parties. Only the National Democratic Party functioned uninterruptedly; in 1950, with the lifting of martial law, the others resumed work. In 1949, Nuri as-Sa'id founded the Constitutional Union Party (Al-Ittihad ad-Dusturi), with a pro-Western, liberal reform program to attract both the old and the young generations. In opposition, Salih Jabr, a former partisan of Nuri's turned rival, founded the Nation's Socialist Party (Al-Ummah al-Ishtiraki), which advocated a democratic and nationalistic, pro-Western and pan-Arab policy. In 1954, however, Sa'id dissolved all parties, including his own Constitutional Union Party, on the ground that they had resorted to violence during the elections of that year.

After the coup of 1958, parties "voluntarily" discontinued their activities. In January 1960, Premier Qasim issued a new law allowing political parties to operate again. Meanwhile, the Ba'athists, who first gained strength in Syria in the 1950s as a pan-Arab movement with strong nationalist and socialist leanings, had attracted a following among elements of the Syrian military. In February 1963, Qasim was overthrown and executed by officers affiliated with a conservative wing of Iraq's Ba'ath movement. In November, a second coup was attempted by Ba'athist extremists from the left, who acted with complicity of the ruling Syrian wing of the party. With the 1968 coup, rightist elements of the Ba'ath Party were installed in prominent positions by Gen. Bakr. Since then, the Ba'athists, organized as the Arab Ba'ath Socialist Party, were the ruling political group in Iraq. In the national assembly elections of 1980, the Ba'athists won more than 75% of the seats at stake; in the 1984 elections, they won 73% of the seats. Elections were again held in March 1996, with only Ba'athists or independent supporters of Saddam Hussein allowed to run for seats in the Assembly. Altogether, 220 seats were contested by 689 candidates. Only Ba'ath Party members and supporters of the Saddam Hussein regime were allowed to run in the March 2000 elections as well. In the 1990s and into the mid-2000s, most real party activity in Iraq involved the country's Kurdish minority, which had established a number of political groups, most of them in opposition to the central government.

In 1991, the regime issued a decree theoretically allowing the formation of other political parties, but which in fact prohibited parties not supportive of the regime. Under the 1991 edict, all political parties had to be based in Baghdad and all were prohibited from having ethnic or religious affiliations.

Outside of Iraq, ethnic, religious and political opposition groups came together to organize a common front against Saddam Hussein, but they achieved very little until 2003. The Shia al Dawa Party was brutally suppressed by Saddam before the Iran-Iraq war.

In the aftermath of the 2003 war, certain Shia clerics, including Grand Ayatollah Ali al-Sistani and Ayatollah Muhammad Bakr al-Hakim, emerged as political and religious leaders for the Shia community. In August 2003, al-Hakim was killed in a car bomb attack along with dozens of followers in the holy city of Najaf.

The two main Kurdish political parties as of 2003 were the Kurdistan Democratic Party (KDP), led by Massoud Barzani, and the Patriotic Union of Kurdistan (PUK), led by Jalal Talabani. Long rivals, the two parties were called upon to reconcile differences so as to provide for a viable future for Iraq's Kurds. The Iraqi National Congress, based in Salahuddin in northern Iraq and in London, was led by Ahmad Chalabi.

In the parliamentary elections for a permanent government that were held on 15 December 2005, four main coalitions won 250 of the 275 seats in the parliament. The United Iraqi Alliance, the alliance of the main Shia parties, took 128 seats. The Kurdistan Alliance, an alliance of the primary Kurdish parties, won 53 seats. The Iraqi Consensus Front, an alliance of predominantly Sunni parties, took 44 seats, and the Iraqi List, an alliance of the main secular parties, won 25 seats. The remaining 25 seats were held by smaller groups with ideological or geographic links to the winning coalitions.

#### **<sup>15</sup>LOCAL GOVERNMENT**

Iraq until 2003 was divided into 18 provinces (three of which formed an autonomous Kurdish region), each headed by an appointed governor. Provinces were subdivided into districts, each under a deputy governor; a district consists of counties, the smallest units, each under a director. Towns and cities were administered by municipal councils led by mayors. Baghdad's municipality, the "governorate of the capital," under its mayor, or "guardian of the capital," served as a model municipality. A settlement reached with the Kurds in 1970 provided for Kurdish autonomy on the local level. In 1974, the provisional constitution was further amended to provide the Kurdistan region with an elected 80-member legislative council; elections were held in 1980 and 1986, but, in fact, the Iraqi army controlled Kurdistan until the imposition of a UN-approved protected zone in the north at the end of the Gulf War. In May 1992, Kurds held elections there for a new 100-member parliament for the quasi-independent region. This marked the only relatively free elections held in Iraq in several decades.

Local governing authority broke down following the fall of the Iraqi regime in April 2003. US and British troops were responsible for policing the country, and for restoring electricity, running water, sanitation, and other essential services. By 2006, however, sectarian violence was worsening, and the country looked as if it might be on the path to civil war.

Under the 2005 constitution, Iraq's federal system is made up of the capital of Baghdad, regions, decentralized provinces, and local administrations. The country's future regions are to be established from its current 18 governorates (provinces). Any single province, or group of provinces, is entitled to request that it be recognized as a region, with such a request being made by either two-thirds of the members of the provincial councils in the provinces involved or by one-tenth of the registered voters in the province(s) in question. Provinces that are unwilling or unable to join a region still enjoy enough autonomy and resources to enable them to manage their own internal affairs according to the principle of admin-

istrative decentralization. With the two parties' approval, federal government responsibilities may be delegated to the provinces, or vice versa. These decentralized provinces are headed by Provincial Governors, elected by Provincial Councils. The administrative levels within a province are defined, in descending order, as districts, counties and villages.

## 16 JUDICIAL SYSTEM

The court system until 2003 was made up of two distinct branches: a security component and a more conventional court system to handle other charges. There was no independence in the operation of the judiciary; the president could override any court decision.

The security courts had jurisdiction in all cases involving espionage, treason, political dissent, smuggling and currency exchange violations, and drug trafficking. The ordinary civil courts had jurisdiction over civil, commercial, and criminal cases except for those that fell under the jurisdiction of the religious courts. Courts of general jurisdiction were established at governorate headquarters and in the principal districts.

Magistrates' courts tried criminal cases in the first instance, but they could not try cases involving punishment of more than seven years in prison. Such cases were tried in courts of sessions that were also appellate instances for magistrates' courts. Each judicial district had courts of sessions presided over by a bench of three judges. There were no jury trials. Special courts to try national security cases were set up in 1965; verdicts of these courts could be appealed to the military supreme court. In other cases, the highest court of appeal was the court of cassation in Baghdad, with civil and criminal divisions. It was composed of at least 15 judges, including a president and two vice presidents.

For every court of first instance, there was a Shariah (Islamic) court that ruled on questions involving religious matters and personal status. Trials were public and defendants were entitled to free counsel in the case of indigents. The government protected certain groups from prosecution. A 1992 decree granted immunity from prosecution to members of the Ba'ath Party. A 1990 decree granted immunity to men who killed their mothers, daughters, and other female family members who had committed "immoral deeds" such as adultery and fornication.

Under the constitution ratified in 2005, the judiciary is independent and composed of the following: a Supreme Judiciary Council; a Supreme Federal Court; a Federal Cassation Court; a Prosecutor's Office; a Judiciary Inspection Dept.; and other federal courts organized by law. The Supreme Judiciary Council administers the judicial branch, nominates members of the courts and departments, and presents the judicial budget to the legislature. The Supreme Federal Court is the highest court in Iraq, oversees election results, and rules in the case of accusations against the president or prime minister. Private courts are banned.

## 17 ARMED FORCES

The Iraqi security forces in 2005 had 179,800 active personnel. The Army, including the National Guard, had an estimated 79,000 active personnel, followed by the Navy with an estimated 700 personnel and the Air Wing, which had an estimated 200 active members. In addition to the military forces, Iraq's security forces included an estimated 32,900 Ministry of Interior Forces and

67,000 active members of the Iraqi Police Service. Major naval units consisted of 10 patrol/coastal vessels operated by the Iraqi Coastal Defense Force. The Iraqi Air Wing was under the Department of Border Enforcement, and was equipped with 16 reconnaissance and six transport fixed wing aircraft, plus 36 support and 20 utility helicopters. As of 2005, there was no data available on defense spending by Iraq.

## 18 INTERNATIONAL COOPERATION

Iraq is a charter member of the United Nations, having joined on 21 December 1945, and participates in ESCWA and several non-regional specialized agencies. A founding member of the Arab League, Iraq also participates in the Arab fund for Economic and Social Development, the Arab Bank for Economic Development in Africa, the Arab Monetary Fund, the Council of Arab Economic Unity, Organization of the Islamic Conference (OIC), G-19, G-77, OAUPEC, and OPEC. Iraq holds observer status in the WTO.

Iraq has given both military and economic support to Arab parties in the conflict with Israel. The war with Iran preoccupied Iraq during the 1980s, and Iraq's relations with other countries in the Arab world have varied. During the 1980s, Iraq maintained friendly relations with some Western countries, notably France, a major arms supplier to Iraq.

In November 1984, diplomatic relations between Iraq and the United States were renewed after a break of 17 years, but were broken off again when Iraq invaded Kuwait in August of 1990. The United States and its allies launched an air war against Iraq after diplomatic efforts and economic sanctions failed to convince Iraq to leave Kuwait. Iraq's international standing deteriorated badly and the nation was placed under an international trade embargo. Iraq was attacked by US and British forces beginning on 19 March 2003, and the regime led by Saddam Hussein was defeated by those forces that April. In the postwar period, the country is undergoing reconstruction and the government is in transition. A Transitional National Assembly (TNA) was formed by direct democratic elections held on 30 January 2005. On 15 December 2005, a permanent 275-seat Council of Representatives was elected.

Iraq is a member of the Nonaligned Movement. In environmental cooperation, Iraq is part of the Nuclear Test Ban Treaty and the UN Convention on the Law of the Sea.

## 19 ECONOMY

In 1973, Iraqi oil revenue was \$1.8 billion. By 1978, oil revenues peaked at \$23.6 billion. In 2002, oil revenues were estimated at about \$15 billion. Oil production growth was forecast to be constrained by security problems and long-standing underinvestment over the period 2006–07, but modest increases in output were expected to improve real GDP growth.

GDP growth was in double digits from 1973 to 1980 with the exception of 1974, when it was 7.2%. It was from these lofty heights that the regime of Saddam Hussein launched two wars whose effects on the Iraqi economy, even aside from the tragic human costs, proved devastating. The Iraq-Iran War (1980–88) began with Iraq's attempt to seize control of the economically and strategically important Shatt al Arab from Iran, which the countries had agreed to divide in a treaty in 1975. Saddam miscalculated that Iran could be easily dismembered during its revolutionary upheavals, and when the war ended eight bloody years later,

the Shatt al Arab and all other border issues returned to the status quo antebellum, leaving Iraq with no material gain and a debt of over \$100 billion, much of it owed to Kuwait. Annual oil revenues for Iraq and Kuwait were roughly even—averaging about \$16 billion a year—but Kuwait, instead of spending on armaments, had invested sizeable amounts in the West, essentially doubling its returns. Kuwait refused to see the debts owed it by Iraq as money spent for its own defense, and insisted on being repaid, providing the economic trigger for Iraq's second disastrous foray—the invasion of Kuwait on 2 August 1990. For the first time the UN Security Council agreed to support collective action against an aggressive power and Iraqi forces were driven out of Kuwait in the first Gulf War in February 1991. The UN imposed comprehensive economic, financial, and military sanctions, placing the Iraqi economy under siege. Acting on its own, the United States also froze all Iraqi assets in the United States and barred all economic transactions between US citizens and Iraq. Many other countries imposed similar sanctions on top of the UN-imposed embargo. UN Security Council resolutions authorized the export of Iraqi crude oil worth up to \$1.6 billion over a limited time to finance humanitarian imports for the Iraqi people.

The effect of war in Kuwait and continuing economic sanctions reduced real GDP by at least 75% in 1991, on the basis of an 85% decline in oil production, and the destruction of the industrial and service sectors of the economy. Living standards deteriorated and the inflation rate reached 8,000% in 1992. Estimates for 1993 indicated that unemployment hovered around 50% and that inflation was as high as 1,000%. Because UN costs and reparations for Kuwait were taken out of permitted oil sales before being handed over to the Iraqi regime, the government's revenues were lower than total oil sales. The Organization of Arab Petroleum Exporting Countries (OAPEC) reported that Iraqi oil revenues at current prices were \$365 million in 1994, \$370 million in 1995 and \$680 million in 1996. After the first Gulf War Iraq refused to provide economic data to the UN or any other international organization, and all estimates therefore were subject to wide variability and questions of reliability. Uncertainty was increased by a flourishing black market that was responsible for an increasing share of domestic commerce. There were widespread expectations that the Hussein regime would soon fall from the weight of its disastrous political and economic miscalculations, but this did not happen, and by 1995 it had become apparent that the tight restrictions on oil sales were resulting in serious harm to the Iraqi people. The UN passed its first oil-for-food program (which the Iraqi regime refused to accept until 1996) allowing oil worth \$5.26 billion to be sold every six months, with strict controls over how the money was spent. OAPEC reported that Iraqi oil revenues were about \$4.6 billion in 1997 and \$6.8 billion in 1998. In December 1999 the UN Security Council lifted the limits on Iraq's oil production, which then rose from 550,000 billion barrels per day (bbl/d) in November 1996 to an average of about 2.6 million bbl/d during 2000. Real GDP growth fell by 5.7% in 2001 due to the slowdown in the world economy and lower oil prices.

By 2002, crude exports from Iraq had fallen below normal capacity (about 2 million bbl/d) to an average of 630,000 bbl/d. According to UN assessments, this low export level created a \$2.64 billion shortfall in the oil-for-food program. Low exports were blamed on illegal surcharges of about 15–45 cents per barrel being levied by Iraq from about December 2000, and the tactic of “retro-

active pricing” adopted by the United States and the United Kingdom in January 2001 to combat these surcharges. Both the surcharges and the retroactive pricing—whereby the price charged for Iraqi oil was revealed only after the sale, and then set at a level too high for a surcharge to be paid and still make a profit—raised the price and reduced demand for Iraqi oil. The concerns by the United States and the United Kingdom were that the surcharges were being used to fund a secret military build-up by Iraq. UN estimates are that from 1996 to 2002 the “oil-for-food” program generated about \$60 billion. The US government estimates that through smuggling and illegal surcharges the Iraqi government secured about \$6.6 billion from 1997 to 2001. On 14 May 2002, after Iraq had resumed oil exports, the UN Security Council approved a change in the oil-for-food program to add an extensive list of “dual-use” goods (goods that could be used for military as well as nonmilitary purposes) that Iraq could not purchase with its oil revenues.

On 16 October 2002, US president George W. Bush signed a resolution passed by the US Congress authorizing the use of force in Iraq. On 8 November 2002 the UN Security Council unanimously adopted Resolution 1441 demanding UN arms inspectors be given unconditional access to search anywhere in Iraq for banned weapons, and requiring a “accurate, full and complete” accounting of all of its weapons of mass destruction within 30 days. After failure to secure a second resolution from the UN Security Council in February 2003 explicitly supporting a military invasion of Iraq—all members of the Council were opposed except the United Kingdom—the United States and United Kingdom held to their intention to act without the UN. The US-led attack on Iraq was launched on 19 March 2003. Baghdad fell on 9 April 2003, and President Bush announced the end of major combat operations on 1 May 2003.

Sanctions against Iraq were lifted in May 2003, allowing reconstruction efforts to begin, but serious security problems arising from an Iraqi insurgency hampered the rebuilding effort. In 2003, real GDP growth stood at –21.8%, and the inflation rate was 29.3%. The “oil-for-food” program was phased out that May. A transitional government was elected in January 2005, and constitution-writing began. A referendum on the constitution was held in October 2005, with the constitution being approved overwhelmingly. Elections for a permanent government were held in December 2005. Iraq's unemployment rate in 2005–06 remained high (27–40%), but the overall Iraqi economy appeared to be improving somewhat. The continued sabotage of oil installations put a drag on the economy, however, but real GDP was forecast to grow at a rate of around 6% in 2006. In October 2003, a new Iraqi currency, the “new Iraqi dinar” was introduced, and by 2006 it had appreciated sharply. As of that date, Iraq had requested formal membership in the WTO. In November 2005, the World Bank approved a \$100 million loan (for education purposes) to Iraq. Iraq assumed a heavy debt burden during the Saddam Hussein years of some \$100–\$250 billion, if debts to Gulf states, Russia, and reparations payment claims stemming from the 1990 invasion of Kuwait are included. Iraq's oil export earnings were immune from legal proceedings, including debt collection, until the end of 2007. In 2004, the Paris Club of 19 creditor nations agreed to forgive up to 80% on \$42 billion worth of loans, but the relief was contingent upon Iraq reaching an economic stabilization program with the IMF.

The country's oil exports in 2005 were below 2004 levels. Oil production by 2006 had not returned to its prewar levels: it remained below 2 million barrels per day compared with a level of some 2.5 million barrels per day before the 2003 invasion. Persistent fuel shortages forced the government to raise the heavily subsidized price of gasoline in 2005. This sparked protests and rioting throughout Iraq. Oil exports for 2005 were 1.39 million barrels per day, down from 1.5 million barrels per day in 2004. The poor oil production figures were largely due to attacks on pumping and distribution facilities; death threats were also made to tanker drivers, which led to the closing of a refinery in northern Iraq. More than 75% of the country's GDP comes from oil. The high price of oil (more than \$63 per barrel in the first week of January 2006) mitigated the economic damage from lower production, and oil prices were forecast to remain high over the long term.

## 20 INCOME

The US Central Intelligence Agency (CIA) reported that in 2005 Iraq's gross domestic product (GDP) was estimated at \$94.1 billion. The per capita GDP was estimated at \$3,400. The annual growth rate of GDP was estimated at 2.4%. The average inflation rate in 2005 was 40%. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange. In 2004, it was estimated that agriculture accounted for 7.3% of GDP, industry 66.6%, and services 26.1%. More than \$33 billion in foreign aid was pledged for 2004–07.

## 21 LABOR

In 2004, Iraq's labor force was estimated at 7.4 million; however, there was no data available as to its occupational breakdown. Unemployment in 2005 was estimated to fall within the 25–30% range. The Trade Union Organization Law of 1987 established a centralized trade union structure of committees linked to trade unions, which in turn are part of provincial trade union federations under the control of the Iraqi General Federation of Trade Unions, and ultimately are controlled by the ruling Ba'ath Party. Although workers are legally allowed to strike upon informing the Labor Ministry, no strike has been reported in over 20 years.

Child labor is strictly controlled and in many cases prohibited. The minimum working age is 14, although economic necessity and lack of government enforcement have increased the number of children of all ages that are employed. There is a 6-day, 48-hour workweek, although this does not apply to agricultural workers. Historically, working women have been accepted in Iraq, but the number of women in the workforce dramatically increased because of the prolonged war with Iran as well as the Persian Gulf War, as women replaced men in the labor market.

In many cases, rural labor and farmers employed in government projects get reasonable salaries and good housing, but small, independent farmers receive fewer benefits. Since 1958, the Iraqi government has passed a number of agrarian reform laws. As a general rule, however, the quality of life differs greatly between rural areas and the cities, especially that in Baghdad. This differential has resulted in massive rural to urban migration.

## 22 AGRICULTURE

The rich alluvial soil of the lowlands and an elaborate system of irrigation canals made Iraq a granary in ancient times and in the Middle Ages. After the irrigation works were destroyed in the Mongol invasion, agriculture decayed. Today, about 13% of the land is considered arable. Unlike the rain-fed north, southern Iraq depends entirely on irrigation, which is in turn heavily reliant on electricity and fuel supply to run the pumping networks. There are similar difficulties with the spring crop of vegetables in the south, also entirely dependent on irrigation. Over half the irrigated area in southern Iraq is affected by water-logging and salinity, diminishing crop production and farm incomes. Agriculture is Iraq's largest employer and the second-largest sector in value.

Under various agrarian reform laws—including a 1970 law that limited permissible landholdings to 4–202 hectares (10–500 acres), depending on location, fertility, and available irrigation facilities—about 400,000 previously landless peasants received land. Agrarian reform was accompanied by irrigation and drainage works, and by the establishment of cooperative societies for the provision of implements and machinery, irrigation facilities, and other services.

Agricultural production in Iraq declined progressively because of the war with Iran and the Persian Gulf War. In 1992, wheat production was estimated at 600,000 tons compared with 965,000 tons in 1982, but by 1999 was only 800,000 tons. During the 2003 conflict, most farmers in Iraq's three northern provinces were not displaced. The northern region produces some 30–35% of the grain crop. FAO estimates for 2004 included the following (in tons): wheat, 2,200,000; barley, 1,315,000; tomatoes, 1,000,000; dates, 910,000; potatoes, 625,000; eggplants, 442,000; cucumbers, 350,000; oranges, 310,000; and grapes, 300,000. Other crops grown for domestic consumption include millet, lentils, beans, melons, figs, corn, sugarcane, tobacco, and mulberries.

Iraq currently imports almost \$3 billion in food commodities annually. Aid programs are helping expand production of wheat to minimize food imports. Efforts on select Iraqi farms doubled wheat production in 2004. Since 2003, the USAID's agriculture program has been working to restore veterinary clinics, introduce improved cereal grain varieties, repair agricultural equipment, and train farmers and Iraqi government staff. The US government has estimated that the Iraqi Ministry of Agriculture would require over \$1 billion of agricultural inputs annually for Iraq's agricultural producers to boost production. Iraq will need to rely on imports to meet a large portion of its food and fiber needs, even with substantial gains in production.

## 23 ANIMAL HUSBANDRY

Animal husbandry is widespread. Sheep raising is most important, with wool used domestically for weaving carpets and cloaks. In 2001, Iraq had an estimated 6.1 million sheep; 1.6 million goats; 1.4 million head of cattle, and numerous donkeys, camels, mules, buffaloes, and poultry. FAO production estimates for 2004 included: cow's milk, 450,000 tons; sheep's milk, 157,500 tons; and chicken meat, 98,906 tons.

## 24 FISHING

Centuries of overfishing without restocking reduced the formerly plentiful supply of river fish, but the fishing industry has rebounded.

ed since the early 1970s. The 2003 fish catch—including salmon and, especially in the Tigris (Al Furāt), carp—was 23,100 tons.

## 2<sup>5</sup> FORESTRY

Forests of oak and Aleppo pine in the north cover less than 2% of Iraq's entire area and have been depleted by excessive cutting for fuel or by fires and overgrazing. Since 1954, indiscriminate cutting has been prohibited, and charcoal production from wood has ceased. The forestry research center at Arbil has established tree nurseries and conducted reforestation programs. Output of roundwood was estimated at 114,000 cu m (4,024,000 cu ft) in 2004.

## 2<sup>6</sup> MINING

Iraq's mineral resources (excluding hydrocarbons) are limited. Crude oil was Iraq's sole export commodity in 2002, and construction materials comprised another leading industry. In 2004, Iraq produced hydraulic cement, nitrogen, phosphate rock (from the Akashat open-pit mine), salt, and native Frasch sulfur from underground deposits at Mishraq, on the Tigris (Al Furāt) River, south of Al Mawşil. In 2001, the State Organization for Minerals reported the discovery of sulfur deposits in the Western Desert, near Akashat. Production figures for 2004, were: phosphate rock 30,000 metric tons, down from 532,000 metric tons in 2002; sulfur, 20,000 metric tons (as a by product only); and salt, 50,000 metric tons. Without exception, production of all mineral commodities (excluding hydrocarbon minerals) has fallen since 2003. However, the output of Portland cement, while down from the 6,834,000 metric tons produced in 2002, had risen in 2004 to 2,500,000 metric tons from 1,901,000 metric tons in 2003, possibly as a result of the fighting and car bomb attacks in urban areas. Geological surveys have indicated usable deposits of iron ore, copper, gypsum, bitumen, dolomite, and marble; these resources have remained largely unexploited, because of inadequate transport facilities and lack of coal for processing the ores.

## 2<sup>7</sup> ENERGY AND POWER

Iraq's petroleum reserves are among the largest in the world. As of 1 January 2005, Iraq's proven oil reserves were estimated by the Oil and Gas Journal at 115 billion barrels, of which, about 75 billion barrels had yet to be developed. However, the country's reserves may be significantly higher. Only about 10% of the country has been explored for oil and it is believed by some analysts that in Iraq's Western Desert region, deep oil-bearing formations may contain another 100 billion or more barrels of oil. Others are less optimistic, estimating that only another 45 billion barrels may lie undiscovered.

In spite of its huge oil reserves, Iraq's oil production has been deeply affected by the nation's wars, resulting in major drops in crude oil production. During Iraq's war with Iran, output dropped from 3,476,900 barrels per day in 1979 to 897,400 barrels daily in 1981, and from 2,897,000 barrels per day in 1989 to 305,000 barrels daily in 1991, following an embargo on Iraqi oil exports for Iraq's invasion of Kuwait in 1990. Iraq's oil production slowly increased to 600,000 barrels per day by 1996, and with the country's acceptance of United Nations Resolution 986, allowing limited oil exports for humanitarian reasons ("oil-for-food program"), production rose to about 2.58 million barrels per day in January 2003, just before the US-led invasion of Iraq in March of that year. As of

May 2005, maximum sustainable oil production by Iraqi was estimated at 1.9 million barrels per day. Oil production in 2004 was estimated at two million barrels per day. Domestic demand for oil was estimated in 2004 at 550,000 barrels per day, and forecast to reach 650,000 barrels per day in 2005.

According to the Oil and Gas Journal, crude oil refining capacity was estimated as of 1 January 2005 at 597,500 barrels per day.

Iraq's natural gas reserves were estimated, as of 1 January 2005, at 110 trillion cu ft, with production and domestic consumption estimated at 53 billion cu ft in 2003.

Iraq's electric power sector has also been affected by the country's wars. During the 1990–91 Persian Gulf War, about 85–90% of the national power grid was destroyed or damaged. However, 75% of the national grid had been restarted by early 1992. Total electricity production in 2000 was 31,700 million kWh, of which 98% was from fossil fuels and 2% from hydropower. The country's generating capacity was about 9,500 MW in 2001. As of late May 2005, Iraq's available and operating generating capacity was placed at about 4,000 to 5,000 MW. Peak summer demand however, was forecast to be at 8,000 MW. In 2004, electric output came to 32.6 billion kWh, with demand at 33.7 billion kWh and imports at 1.1 billion kWh.

## 2<sup>8</sup> INDUSTRY

Main industries are oil refining, food processing, chemicals, textiles, leather goods, cement and other building materials, tobacco, paper, and sulfur extraction. In 1964, the government took over all establishments producing asbestos, cement, cigarettes, textiles, paper, tanned leather, and flour. Iraq has eight major oil refineries, at Baiji, Al Başrah, Daura, Khānaqin, Haditha, Muftiah, Qaiyarah, Al Mawşil, and Kirkūk. The Iraq-Iran War, Persian Gulf War, and Iraq War of 2003 seriously affected Iraqi refining. Iraq had a total refinery capacity of 597,500 barrels per day in 2005. The bulk of Iraq's refinery capacity is concentrated in the Baiji complex.

Industrial establishments before the 2003 war included a sulfur plant at Kirkūk, a fertilizer plant at Al Başrah, an antibiotics factory at Sāmarrā, an agricultural implements factory at Iskandariyah, and an electrical equipment factory near Baghdad. In the 1970s, Iraq put strong emphasis on the development of heavy industry and diversification of its industry, a policy aimed at decreasing dependence on oil. During the 1980s, the industrial sector showed a steady increase, reflecting the importance given to military industries during the Iran–Iraq war. By early 1992 it was officially claimed that industrial output had been restored to 60% of pre-Persian Gulf War capacity. Beginning in 1996, Iraq was permitted to export limited amounts of oil in exchange for food, medicine, and some infrastructure spare parts (the UN "oil-for-food" program). By 1999, the UN Security Council allowed Iraq to export as much oil as required to meet humanitarian needs. The program was phased out in May 2003 following the defeat of the Saddam Hussein regime. In 2004, industry accounted for 66.6% of GDP.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Iraq has imported Western technology for its petrochemical industry. The Scientific Research Council was established in 1963 and includes nine scientific research centers. The Nuclear Research Center (founded in 1967) has conducted nuclear physics experiments and produced radioisotopes with equipment supplied by France. In 1982, the French government agreed to help



rebuild the institute's Osirak reactor, knocked out by an Israeli air attack the previous year. Eight universities offer degrees in basic and applied sciences. In addition, the Ministry of Higher Education has 18 incorporated technical institutes. The Agriculture and Water Resources Research Center (founded in 1980) and the Iraq Natural History Research Center and Museum (founded in 1946) are both located in Baghdād. The Iraqi Medical Society (founded in 1920) is headquartered there.

### 30 DOMESTIC TRADE

Modern shops and department stores have spread throughout the country, replacing traditional bazaars. Baghdād, Al Mawşil, and Al Başrah, as well as other large and medium-size cities, all have modern supermarkets. Baghdād leads in wholesale trade and in the number of retail shops.

The previously state-owned economy has been suffering since the 1980–88 Iran-Iraq War. The 1990 Kuwait invasion and the subsequent international military intervention caused even greater damage to the infrastructure and resulted in international sanctions that crippled the economy. With the 2003 ousting of Saddam Hussein by international coalition forces, the way was paved to reopen the Iraqi economy to international trade. However, the nation was expected to be highly dependent on foreign aid and investment for the foreseeable future.

### 31 FOREIGN TRADE

Iraq's most valuable export is oil, which has historically accounted for almost all of its total export value. Rising oil prices during the 1970s created increases in export revenues. However, the drop in world oil prices and Iraq's exporting problems due to international sanctions essentially put an end to Iraqi oil exports. The United Nations (UN) imposed trade restrictions on non-oil exports in August 1990. Non-oil exports (often illegal) were estimated at \$2 billion for the 12 months following the March 1991 cease-fire. Iraq was traditionally the world's largest exporter of dates, with its better varieties going to Western Europe, Australia, and North America.

Until 1994, the UN committee charged with supervising what little international trade Iraq was permitted to engage in—food and medicine, essentially—kept records on the amount of goods it approved for import in exchange for oil. In the first half of 1994, the committee recorded \$2 billion in food imports, \$175 million in medicine, and an additional \$2 billion in “essential civilian needs,” a term that at that time referred to agricultural machinery, seeds, and goods for sanitation.

In 1995, the Iraqi government rationed its people only one-half of the minimum daily requirement in calories. In 1997, the UN permitted Iraq to expand its oil sales to increase its purchasing power of food and other sources of humanitarian relief. In the spring of that year the country received 400,000 tons of wheat to help feed its suffering population, who had been living under strict food rations for four years. Limited exports were organized by the UN, and the oil-for-food program brought in revenues during 1999 equaling \$5.3 billion.

In 2005, Iraq's exports were crude petroleum (83.9%), crude materials excluding fuels (8%), and food and live animals (5%). Imports were food, medicines, and manufactures. Iraq's export partners in 2005 were: the United States (51.9%), Spain (7.3%), Japan (6.6%), Italy (5.7%), and Canada (5.2%). Iraq's import part-

ners were: Syria (22.9%), Turkey (19.5%), the United States (9.2%), Jordan (6.7%), and Germany (4.9%).

### 32 BALANCE OF PAYMENTS

In 2005, merchandise exports totaled \$25.2 billion, and merchandise imports totaled \$36.5 billion. The current account balance in 2005 was \$1.2 billion. External debt was estimated at \$82.1 billion.

### 33 BANKING AND SECURITIES

When Iraq was part of the Ottoman Empire, a number of European currencies circulated alongside the Turkish pound. With the establishment of the British mandate after World War I, Iraq was incorporated into the Indian monetary system, which was operated by the British, and the rupee became the principal currency in circulation. In 1931, the Iraq Currency Board was established in London for note issue and maintenance of reserves for the new Iraqi dinar. The currency board pursued a conservative monetary policy, maintaining very high reserves behind the dinar. The dinar was further strengthened by its link to the British pound. In 1947 the government-owned National Bank of Iraq was founded, and in 1949 the London-based currency board was abolished as the new bank assumed responsibility for the issuing of notes and the maintenance of reserves.

In the 1940s, a series of government-owned banks was established: the Agricultural Bank and the Industrial Bank, the Real Estate Bank, the Mortgage Bank, and the Cooperative Bank. In 1956 the National Bank of Iraq became the Central Bank of Iraq. In 1964, banking was fully nationalized. The banking system comprised the Central Bank of Iraq, the Rafidain Bank (the main commercial bank), and three others: the Agricultural Cooperative Bank, the Industrial Bank, and the Real Estate Bank. In 1991 the government decided to end its monopoly on banking. After 1991, six new banks were established—the Socialist Bank, Iraqi Commercial Bank, Baghdād Bank, Dijla Bank, Al-Itimad Bank, and the Private Bank—as a result of liberalizing legislation and the opportunity for large-scale profits from currency speculation.

Preference for investing savings in rural or urban real estate is common. Major private investments in industrial enterprises can be secured only by assurance of financial assistance from the government. The establishment of a stock exchange in Baghdād was delayed by practical considerations (such as a lack of computers), but it was eventually inaugurated in March 1992.

During the 2003 US-led war and subsequent occupation of Iraq, the financial sector essentially disappeared. The banking district of Baghdād was wrecked by the bombing campaign, and until the provisional government becomes stable, it appeared that financial activity would remain at a standstill. Rejuvenation of Iraq's banking system was seen as a high priority. With the passage of the 2005 constitution, a central bank was established, which has the power to issue new currency and set interest rates in the hopes of managing the country's massive debts. USAID gave loans of up to \$250,000 to small businesses and entrepreneurs in order to jumpstart the economy. Iraq's banking system had been one of the region's most advanced prior to the war, so the foundations were already in place for a sound financial sector.

### **3<sup>4</sup>INSURANCE**

The insurance industry was nationalized in 1964. The State Insurance Organization supervises and maintains three companies: the National Life Insurance Co., the Iraqi Life Insurance Co., and the Iraqi Reinsurance Co. Third-party motor vehicle liability insurance is compulsory. In 1999, Iraqis spent \$42 million on insurance.

### **3<sup>5</sup>PUBLIC FINANCE**

There are several budgets: the ordinary budget, under which the regular activities of the government are financed; separate budgets for the Iraqi State Railways, the Port of Al Başrah Authority, the Al-Faw Dredging Scheme, and the tobacco monopoly; municipal budgets requiring government approval; and allocations for semi-independent government agencies. In addition, there is a separate development budget, as well as an undeclared budget for the military believed to have absorbed over half of state funds during the war with Iran. Since 1980, the decline in oil exports and huge war expenditures forced Iraq to borrow and to raise funds from abroad. Iraq's invasion of Kuwait in 1990, with the consequent infrastructural damage, UN sanctions, and oil embargo, severely diminished revenues. The future of the Iraqi economy is highly uncertain. Until a stable government is in place, it will be very difficult for any commercial activity to take place.

The US Central Intelligence Agency (CIA) estimated that in 2005 Iraq's central government took in revenues of approximately \$19.3 billion and had expenditures of \$24 billion. Revenues minus expenditures totaled approximately -\$4.7 billion. Total external debt was \$82.1 billion.

### **3<sup>6</sup>TAXATION**

Direct taxes are levied on income and on property. The rental value of dwellings, commercial buildings, and nonagricultural land is taxed, with a certain tax-free minimum. In 1939, graduated income tax rates were established on income from all sources except agriculture. Most agricultural income is not taxed.

Indirect taxation predominates. The land tax must be paid by all who farm government lands with or without a lease. Owners of freehold (*lazimah*) land pay no tax or rent. Much farm produce consumed on the farm or in the village is not taxed at all, but when marketed, farm products are taxed.

### **3<sup>7</sup>CUSTOMS AND DUTIES**

As of 1 March 2004, a 5% reconstruction levy based on the customs value of the product was imposed upon all imports. However, food, clothing, medicines, humanitarian goods, and books are exempt. In 1989, Iraq joined the newly formed Arab Cooperation Council (ACC) with Egypt, Jordan, and Yemen. The ACC's goals included formation of a common market and economic integration in other areas. The international embargo levied against the nation after it invaded Kuwait essentially ended Iraq's participation in the ACC. Egypt, one of its partners in the Council, was a leader in the military coalition that liberated Kuwait.

### **3<sup>8</sup>FOREIGN INVESTMENT**

UN sanctions effectively froze all of Iraq's foreign transactions in the 1990s. In October 1992, the UN Security Council permitted these frozen assets, including Iraqi oil in storage in Turkey and Saudi Arabia, to be sold without the permission of the Iraqi gov-

ernment. About \$1 billion of frozen assets were to pay for compensation to Kuwaiti victims of the invasion and to cover UN operations inside Iraq.

In September 2003, the American-appointed Coalition Provisional Authority announced it was opening up all sectors of the economy to foreign investment in an attempt to deliver much-needed reconstruction in the war-torn country. The Iraqi Governing Council announced it would allow total foreign ownership without the need for prior approval. The program applied to all sectors of the economy, from industry to health and water, except for natural resources (including oil). The deal also included full, immediate remittance to the host country of profits, dividends, interest, and royalties. Income and business taxes for foreign investors were capped at 15% beginning in 2004. More than \$33 billion in foreign aid was pledged to Iraq for 2004–07.

### **3<sup>9</sup>ECONOMIC DEVELOPMENT**

Until the 2003 Iraq War, the government both controlled and participated in petroleum, agriculture, commerce, banking, and industry. In the late 1960s, it made efforts to diversify Iraq's economic relations and to conserve foreign exchange. As an example, it was announced in 1970 that contracts for all planned projects would be awarded to companies willing to receive compensation in crude oil or petroleum products. The government also undertook to build an Iraqi tanker fleet to break the monopoly of foreign oil-transport companies.

The imposition of sanctions against Iraq in the 1990s destroyed all attempts to stabilize Iraq's payments on its foreign debt. Iraq also faced reparation claims. Iran separately pursued its claim for massive reparation payments arising from the 1980–88 war. Iraq was also obligated by UN resolutions to pay for various UN agency activities.

Iraq had an estimated foreign debt in 2005 of \$82.1 billion. However, a large portion of Iraq's debt had been forgiven by that time, and the IMF provided new funds as part of an effort to get Iraq back into capital markets, where it could secure the financing it needs to invest in the critical oil sector. The insurgency against coalition forces, in addition to underinvestment, prevented the oil industry from getting back on its feet. Work was being carried out to rebuild infrastructure, but by 2006, insurgents were destroying much of what was being built.

### **4<sup>0</sup>SOCIAL DEVELOPMENT**

A social security law passed in 1971 provides benefits or payments for disability, maternity, old age, unemployment, sickness, and funerals. This law applies to all establishments employing five or more people, but excludes agricultural employees, temporary employees, and domestic servants. This social insurance system is funded by employee contributions of 5% of their wages, and employer contributions of 12% of payroll. Oil companies are required to pay 25% of payroll. Men may retire at age 60 and women at 55 after they have worked for 20 years. Maternity benefits for employed women include 100% of salary for a period of 10 weeks. Work injury is covered and unemployment assistance is available.

Little is known about the extent of domestic violence in Iraq. Domestic abuse is addressed within the family structure, therefore there are no statistics available or agencies to assist victims. In 2004 there were reports of honor killings. Women who do not wear traditional clothing are subject to harassment.

Human rights are being addressed as the government undergoes significant transformation. The regime of Saddam Hussein was notorious for extensive human rights abuses.

#### 41 HEALTH

There are many well-trained Iraqi physicians; however, their effectiveness is limited by a lack of trained nursing and paramedical staff. In the period 1985–95, some 93% of the population had access to health care services. Private hospitals are allowed to operate in Baghdad and other major cities. Considerable effort was made to expand medical facilities to small towns and more remote areas of the country, but these efforts have been hampered by a lack of transportation and a desire of medical personnel to live and work in Baghdad and the major cities. In 2000, 85% of the population had access to safe drinking water and 79% had adequate sanitation. Dentists and other specialists are almost unknown in rural districts. Child nutrition has been negatively affected by years of conflict. The UN Children's Fund documented that 4,500 children under five die every month from hunger and disease.

In 2004, Iraq had 54 physicians, 308 nurses, 8 pharmacists, and 11 dentists per 100,000 people. Iraq's 2002 birth rate was estimated at 34 per 1,000 people. Of married women (ages 15 to 49), 14% used contraception in 1989. Life expectancy in 2005 averaged 68.7 years. The fertility rate decreased from 7.2 in 1960 to 4.3 children in 2000 for each woman during childbearing years. Immunization rates for children up to one year old were: tuberculosis, 90%; diphtheria, pertussis, and tetanus, 92%; and measles, 98%. In 1999, there were 156 reported cases of tuberculosis per 100,000 people. The infant mortality rate in 2005 was 50.23 per 1,000 live births. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 500 people living with HIV/AIDS in the country.

#### 42 HOUSING

In the 20 years leading up to the 2003 Iraq War, living conditions for the vast majority of the population improved greatly. Electricity and running water were normal features of all Iraqi villages in rural areas. Mud huts in remote places were rapidly being replaced by brick dwellings. Major cities like Al Mawşil, Al Başrah, and especially Baghdad had most of the amenities of modern living. Traditionally, Iraqis have lived in single family dwellings, but in the last 15 years, the government had built a number of high-rise apartments, especially in Baghdad. It had done so to control urban sprawl and to cut down on suburban service expenditures.

The 2003 invasion of Iraq by international coalition forces caused destruction and damage to a large portion of the housing sector, particularly in and around Baghdad. The UN responded to the crisis by providing construction materials through the oil-for-food program. The housing sector had been part of this program since 2000. Through the program, about 64,932 housing units were built to accommodate about 551,922 people.

#### 43 EDUCATION

Under the regime of Saddam Hussein, public education was forcibly secular and militarized, with most textbooks and other curriculum strongly based on promoting the causes of the government. The US-led invasion of Iraq beginning in 2003 and the overthrow of Hussein's regime continue to have damaging effects on the country's infrastructure. Many schools have been severely damaged or destroyed; but reconstruction efforts are being funded by a variety

of international groups and governments. New developments in the post-Hussein system include the reprinting of textbooks and a greater freedom for teachers in designing and implementing curriculums. Some schools are beginning to adopt fundamental Islamic studies as a large part of their curriculum. This has caused some concern for new government officials and analysts, who fear that too much of a fundamentalist approach might lead to a new set of restrictions in academic freedom.

In general, six years of compulsory primary education has been in effect since 1978. Primary schools have provided the six-year course, at the end of which the student passes an examination to be admitted to secondary school. An intermediate secondary school program covers a three-year course of study. After this stage, students choose to attend a preparatory school or a vocational school, both of which offer three-year programs.

Education at all levels from primary to higher education has been free. Private schools are now permitted to operate. There are 20 state universities in Iraq and 47 technical colleges and institutes. The University of Baghdad is the most important higher education institution in the country. Other universities include Al Mawşil, al-Mustansiriya, Al Başrah, and As Sulaymāniyah. In 2003, the adult literacy rate was estimated at about 40.4%, with 55.9% for men and 24.4% for women.

#### 44 LIBRARIES AND MUSEUMS

Following the war in 2003, arsonists and looters ransacked the libraries and museums of Iraq, causing extensive destruction and damage and nearly eliminating some valuable historic and cultural collections of books, documents, and artwork. Various international groups have stepped forward to offer assistance in rebuilding and restocking the sites of what were Iraq's most prominent museums and libraries, but it is uncertain as to how many rare and valuable items can be recovered. The National Library and Archives in Baghdad was founded in 1961. Two noteworthy academic libraries are the Central Library of the University of Baghdad and the Central Library of the University of Al Mawşil. One of the country's outstanding libraries has been the Iraqi Museum Library (founded 1934), with modern research facilities. The Directorate of Antiquities in Baghdad houses a library as well. There are public library branches in many provincial capitals.

With the exception of the National History Research Center and Museum and the National Museum of Modern Art, museums have been under the control of the Department of the Directorate-General of Antiquities in Baghdad. One of the most outstanding collections were kept at the Iraqi Museum in Baghdad, which contained antiquities dating from the early Stone Age; however, this was one of the sites looted and damaged after the war. The Abbasid Palace Museum and the Museum of Arab Antiquities, both located in Baghdad, are housed in restored buildings from the 13th and 14th centuries, respectively.

#### 45 MEDIA

In 2003, there were an estimated 28 mainline telephones for every 1,000 people. The same year, there were approximately three mobile phones in use for every 1,000 people.

As of 2005, television and radio stations that were initially launched by the Coalition Provisional Authority were being incorporated into the new publicly-funded Iraqi Public Broadcasting Service. A number of foreign broadcasters are being accessed through satellite. In 2004, there were about 80 radio stations and

21 television stations in operation inside the country. In 2003, there were an estimated 222 radios for every 1,000 people. The number of televisions was not available through the same survey. Also in 2003, there were 8.3 personal computers for every 1,000 people and one of every 1,000 people had access to the Internet. Access is made primarily through Internet cafés.

In 2004, there were over 130 daily and weekly publications nationwide. Prominent daily papers in 2005 included *Al-Sabah*, *Al-Mada*, *Al-Zaman*, *Al-Mashriq*, and *Al-Dustur*. *Iraq Today* is a popular English-language weekly.

The 2005 constitution guarantees freedom of speech, press, and assembly.

## 46 ORGANIZATIONS

Chambers of commerce are active in Baghdād, Al Baṣrah, and Al Mawṣil. Cooperatives, first established in 1944, have played an increasingly important social role, especially under the post-1968 Ba'ath government. There are many youth centers and sports clubs. Scouting programs are active. The General Federation of Iraqi Youth and the General Federation of Iraqi Women are government-sponsored mass organizations. The Women's Union of Kurdistan (WUK), established in 1989, works toward improving the lifestyle and social development of women by publishing educational magazines and presenting educational seminars on health, education, and legal issues. Red Crescent societies provide social services in many cities and towns.

## 47 TOURISM, TRAVEL, AND RECREATION

Tourism declined sharply in the 1980s during Iraq's occupation of Kuwait and the Gulf War, and has not recovered. The March 2003 attack on Iraq by US and UK forces and the subsequent fall of the government led to almost no tourist activity as of 2006. Prior to the political and military challenges of the 1980s, many visitors from other Arab states were pilgrims to Islamic shrines. The other principal tourist attraction is visiting the varied archeological sites. Popular forms of recreation include tennis, cricket, swimming, and squash.

According to the US Department of State in 2004, the estimated daily cost of staying in Baghdād was \$11.

## 48 FAMOUS IRAQIS

The most famous kings in ancient times were Sargon (Sharrukin) of Akkad (fl.c.2350 BC), Hammurabi of Babylon (r.1792?–1750? BC), and Nebuchadnezzar II (Nabu-kadurri-utsur, r.605?–560? BC) of Babylon.

Under the caliphs Harun al-Rashid (ar-Rashid ibn Muhammad al-Mahdi ibn al-Mansur al-'Abbasi, r.786–809) and al-Mamun (abu al-'Abbas 'Abdullah al-Mamun, r.813–33), Baghdād was the center of the Arab scholarship that translated and modified Greek philosophy. A leading figure in this movement was Hunain ibn Ishaq (d.873), called Johannitius by Western scholastics. His contemporary was the great Arab philosopher Yaquub al-Kindi, whose catholicity assimilated both Greek philosophy and Indian mathematics. The founder of one of the four orthodox schools of Islamic law, which claims the largest number of adherents in the Muslim

world, Abu Hanifa (d.767) was also a native Iraqi. Another celebrated figure in theology, 'Abd al-Hasan al-Ash'ari (c.913), who combated the rationalist Mu'tazila school, also lived in Baghdād; his influence still prevails in Islam. Al-Ghazali (Ghazel, d.1111), though Persian by birth, taught at the Nizamiyah University in Baghdād; he is one of the best-known Islamic philosopher-theologians. Iraq also produced famous mystics like Hasan al-Basri (642–728) and 'Abd al-Qadir al-Jilani (1077–1166); the latter's followers are numerous among Asian Muslims, and his tomb in Baghdād draws many pilgrims. Modern Iraq has produced no artist or writer famous outside the Arabic-speaking world.

Gen. Saddam Hussein (Husayn) al-Takriti (b.1937), served as chairman of the Revolutionary Command Council and president of the country from 1979 until his ousting in 2003.

## 49 DEPENDENCIES

Iraq has no territories or colonies.

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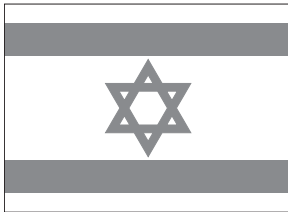


# ISRAEL

State of Israel

[Arabic] *Dawlat Israel*

[Hebrew] *Medinat Yisrael*



**CAPITAL:** Jerusalem (Yerushalayim, Al-Quds)

**FLAG:** The flag, which was adopted at the First Zionist Congress in 1897, consists of a blue six-pointed Shield of David (Magen David) centered between two blue horizontal stripes on a white field.

**ANTHEM:** *Hatikvah (The Hope)*.

**MONETARY UNIT:** The new Israeli shekel (NIS), a paper currency of 100 new agorot, replaced the shekel (IS) at a rate of 1,000 to 1 in 1985; the shekel replaced the Israeli pound (IL) in 1980 at the rate of 10 pounds per shekel. There are coins of 5, 10, and 50 agora, 1 and 5 shekels and notes of 10, 50, 100, and 200 shekels. NIS1 = \$0.22422 (or \$1 = NIS4.46) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some local units are used, notably the dunam (equivalent to 1,000 square meters, or about 0.25 acre).

**HOLIDAYS:** Israel officially uses both the Gregorian and the complex Jewish lunisolar calendars, but the latter determines the occurrence of national holidays: Rosh Hashanah (New Year), September or October; Yom Kippur (Day of Atonement), September or October; Sukkot (Tabernacles), September or October; Simhat Torah (Rejoicing in the Law), September or October; Pesach (Passover), March or April; Independence Day, April or May; and Shavuot (Pentecost), May or June. All Jewish holidays, as well as the Jewish Sabbath (Friday/Saturday), begin just before sundown and end at nightfall 24 hours later. Muslim, Christian, and Druze holidays are observed by the respective minorities.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated in southwestern Asia along the eastern end of the Mediterranean Sea, Israel claims an area of 20,770 sq km (8,019 sq mi), extending about 320 km (200 mi) N–S and 110 km (70 mi) E–W; at its narrowest, just north of Tel Aviv–Yafo, it is 19 km (12 mi) across. This total includes the Golan Heights area (1,176 sq km/454 sq mi), captured from Syria during the Six-Day War in 1967 and annexed on 14 December 1981; the annexation (technically described as the extension of Israeli “law, jurisdiction, and administration” to the region) was condemned by Syria and by unanimous resolution of the UN Security Council. The Labor Government in 1984 indicated that some (possibly all) of the Golan could be returned to Syria in a peace agreement. Other territories captured in 1967 and classified as administered territories were the West Bank (Judea and Samaria), 5,878 sq km (2,270 sq mi), and the Gaza Strip, 362 sq km (140 sq mi). (The Gaza Strip and Jericho area were transferred in 1994 to Palestinian administration, and six more West Bank cities were included in Palestinian control in 1997. All seven West Bank cities were reoccupied by Israel in 2002, but Jericho was returned to the Palestinians in 2005.) East Jerusalem, captured in 1967, was annexed shortly thereafter.

Israel is bordered on the N by Lebanon, on the E by Syria and Jordan, on the S by the Gulf of Aqaba (Gulf of Elat), on the SW by Egypt, and on the W by the Mediterranean Sea. Comparatively, the area occupied by Israel is slightly smaller than the state of New Jersey. The total land boundary length is 1,017 km (632 mi) and the coastline is 273 km (170 mi).

Israel’s capital city, Jerusalem, is located near the center of the country (including the West Bank).

## <sup>2</sup>TOPOGRAPHY

The country is divided into three major longitudinal strips: the coastal plain, which follows the Mediterranean shoreline in a southward widening band; the hill region, embracing the hills of Galilee in the north, Samaria and Judea in the center, and the Negev in the south; and the Jordan Valley. Except for the Bay of Acre, the sandy coastline is not indented for its entire length. The hill region, averaging 610 m (2,000 ft) in elevation, reaches its highest point at Mt. Meron (1,208 m/3,963 ft). South of the Judean hills, the Negev desert, marked by cliffs and craters and covering about half the total area of Israel proper, extends down to the Gulf of Aqaba on the Red Sea. The Jordan River, forming the border between Israel (including the West Bank) and Jordan, links the only bodies of water in the country: the Sea of Galilee (Yam Kinneret) and the heavily saline Dead Sea (Yam ha-Melah), which, at 408 m (1,339 ft) below sea level, is the lowest point on the earth’s surface.

## <sup>3</sup>CLIMATE

Although climatic conditions are varied across the country, the climate is generally temperate. The coldest month is January; the hottest, August. In winter, snow occasionally falls in the hills, where January temperatures normally fluctuate between 4–10°C (40–50°F), and August temperatures between 18–29°C (65–85°F). On the coastal plain, sea breezes temper the weather all year

round, temperature variations ranging from 8–18°C (47–65°F) in January and 21–29°C (70–85°F) in August. In the south, at Elat, January temperatures range between 10–21°C (50–70°F) and may reach 49°C (120°F) in August. The rainy season lasts from October until April, with rainfall averaging 118 cm (44 in) annually in the Upper Galilee and only 2 cm (0.8 in) at Elat, although dewfall gives the south another several inches of water every year.

#### **4 FLORA AND FAUNA**

The Bible (Deuteronomy 8:8) describes the country as “a land of wheat and barley, of vines and fig trees and pomegranates, a land of olive trees and honey.” The original forests, evergreen and maquis, have largely been destroyed, but some 200 million new trees have been planted during this century, in a major reforestation program. Vegetation cover is thin except in the coastal plain, where conditions are favorable to the cultivation of citrus fruit, and in the Jordan Valley with its plantations of tropical fruit. Among surviving animals, jackals and hyenas remain fairly numerous. There are wild boars in the Lake Hula region. With the growth of vegetation and water supplies, bird life and deer have increased.

As of 2002, there were at least 116 species of mammals, 162 species of birds, and over 2,300 species of plants throughout the country.

#### **5 ENVIRONMENT**

Water pollution and adequate water supply are major environmental issues in Israel. Industrial and agricultural chemicals threaten the nation's already depleted water supply. Israel has only 1 cu km of renewable water resources with 54% used for farming activity and 7% used for industrial purposes. Air pollution from industrial sources, oil facilities, and vehicles is another significant environmental problem. In 1996, Israel's industrial carbon dioxide emissions totaled 52.3 million metric tons; in 2000, the total of carbon dioxide emissions was 63.1 million metric tons.

Reforestation efforts, especially since 1948, have helped to conserve the country's water resources and prevent soil erosion. Israel has reclaimed much of the Negev for agricultural purposes by means of large irrigation projects, thereby stopping the desertification process that had been depleting the land for nearly 2,000 years. Principal environmental responsibility is vested in the Environmental Protection Service of the Ministry of the Interior.

In 2000, about 6.1% of the total land area was forested. In 2003, about 15.8% of the total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 13 types of mammals, 18 species of birds, 4 types of reptiles, 12 species of fish, 5 types of mollusks, and 5 species of other invertebrates. Endangered species included the northern bald ibis, South Arabian leopard, Saudi Arabian dorcas gazelle, and three species of sea turtles. The Mediterranean monk seal, cheetah, Barbary sheep, and Persian fallow deer became extinct in the 1980s. The Israel painted frog and Syrian wild ass have also become extinct.

#### **6 POPULATION**

The population of Israel in 2005 was estimated by the United Nations (UN) at 7,105,000, which placed it at number 97 in population among the 193 nations of the world. In 2005, approximately 10% of the population was over 65 years of age, with another 28%

of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.6%, a rate the government viewed as too low. The projected population for the year 2025 was 9,262,000. The population density was 337 per sq km (874 per sq mi).

The UN estimated that 92% of the population lived in urban areas in 2005 and that urban areas were growing at an annual rate of 1.73%. The capital city, Jerusalem (Yerushalayim, Al-Quds), had a population of 686,000 in that year. Other large cities and their estimated populations are Tel Aviv-Yafo, 3,025,000; Haifa, 948,800; Rishon LeZiyyon, 217,400; Holon, 200,000; Beérshebá, 184,500; Petah Tiqwa, 176,200; Netanya, 163,700; and Yam, 145,300.

#### **7 MIGRATION**

In 1948, 65% of Israel's Jewish population consisted of immigrants; many of these 463,000 immigrant Jews had fled from persecution in Russia and, especially during the Nazi period, Central and Eastern Europe. Israel's declaration of independence publicly opened the state “to the immigration of Jews from all countries of their dispersion,” and the 1950 Law of Return granted every returning Jew the right to automatic citizenship. The Nationality Law specifies other ways—including birth, residence, and naturalization—that Israeli citizenship may be acquired. In the years 1948–92, Israel took in 2,242,500 Jewish immigrants; during 1948–51, the flow was at its heaviest, averaging 171,685 per year, about evenly divided between Eastern European Jews, who were war refugees, and Jews from ancient centers of the Arab world. In the years 1952–56, most immigrants came from French North Africa; in 1957–58 there was a renewed inflow from Eastern Europe. After a lull in 1959–60, the flow of immigrants was renewed, reaching substantial proportions by 1963, when 64,364 Jews arrived. Immigration fell to an annual average of 20,561 persons for 1965–68, rose to an average of 43,258 per year for 1969–74, then declined to an average of 24,965 for 1975–79. The number declined further to an average of 15,383 for 1980–89. As of March 1995, around 525,000 immigrants had arrived in Israel since 1990. Most of these immigrants came from the former Soviet Union; this was the largest wave of immigration since the independence of Israel. In 1991, 14,000 Ethiopian Jews immigrated due to the Operation Solomon airlift. The proportion of Jewish immigrants from Europe and North America (as opposed to those from Asia and Africa) varied during the 1960s, but it rose from 40.4% in 1968 to 97.3% in 1990. (For this purpose the Asiatic republics of the Soviet Union were counted as part of Europe). In 1984–85, some 10,000 Ethiopian Jews, victims of famine, were airlifted to Israel via Sudan. In 1992, the Jewish immigrant population was 39.4% of all Israeli Jews and 31.8% of all Israelis.

A certain amount of emigration has always taken place, but the pace increased after 1975. In a typical year after 1980, about 10,000 Israelis were added to the number who had been away continuously for more than four years. From 1967 to 1992, Israel established 142 settlements in the occupied territories; about 130,000 Jews were living there by 1995. The number of migrants living in Israel in 2000 was 2,256,000.

Considerable Arab migration has also taken place, including an apparent wave of Arab immigration into Palestine between World War I and World War II. During the 1948 war there was a massive

flight of an estimated 800,000 Palestinians. As of 1997 there were 3.2 million Palestinian refugees living in the West Bank, the Gaza Strip, Jordan, Syria, and Lebanon under the mandate of the Gaza-based United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

Immigration to Israel dropped from 43,000 in 2001 to 33,000 in 2002 and 23,226 in 2003. According to Israel's Central Bureau of Statistics the number of immigrants arriving in Israel continues to drop, by 5% in 2005 compared to the first six months of 2004. In addition, according to *Migration News*, in 2005 the number of immigrants from the former Soviet Union fell by 18%, to 3,649 compared to 4,400 in 2004. In 2002 there were about 300,000 foreign migrants in Israel with an estimated 100,000 unauthorized foreigners. After a special unit of Immigration Police was created in 2003 an estimated 100,000 left by July 2004.

In 2004 there were 150,000–300,000 internally displaced persons. In that same year there were 574 asylum seekers from Ethiopia and Nigeria in Israel, and 619 Israelis seeking asylum in Canada. In 2005, the net migration rate for Israel was zero migrants per 1,000 population. This is a significant drop from 18.7 per 1,000 in 1990.

### 8 ETHNIC GROUPS

About 80.1% of the total population is Jewish, with European and American-born Jews accounting for 32.1% and Israeli-born Jews for 20.8%. African-born Jews make up 14.6% and Asian-born 12.6%. About 19.9% of the population is non-Jewish, mostly Arab.

The traditional division of the Jews into Ashkenazim (Central and East Europeans) and Sephardim (Iberian Jews and their descendants) is still given formal recognition in the choice of two chief rabbis, one for each community. A more meaningful division, however, would be that between Occidentals and Orientals (now also called Sephardim). Oriental Jews, who are in the majority, generally believe themselves to be educationally, economically, and socially disadvantaged by comparison with the Occidentals.

The minority non-Jewish population is overwhelmingly Arabic-speaking, but Israel's minorities are divided into a number of religious groups and include several small non-Arab national groups, such as Armenians and Circassians. The government of Israel has declared its intention to strive for equality between the Arab and Jewish sectors of the population. Israel's Arab citizens do not share fully in rights granted to, and levies imposed on, Jewish citizens. The rights of citizenship do not extend to Arabs in the administered territories. The living standards of Arabs in Israel compare favorably with those of Arabs in non-oil-producing Arab countries, but they are considerably below those of the Jewish majority, especially the Ashkenazim. As a consequence of repeated wars between Israel and its Arab neighbors and the development of Palestinian Arab nationalism and terrorism, tensions between Jews and Arabs are a fact of Israeli daily life, especially in the West Bank and Gaza Strip.

### 9 LANGUAGES

The official languages are Hebrew and Arabic, the former being dominant. Hebrew is the language of most of the Old Testament; modern Hebrew is the biblical language as modified by absorption of elements from all historical forms of Hebrew and by de-



LOCATION: 29°29' to 33°17' N; 34°16' to 35°41' E. TERRITORIAL SEA LIMIT: 6 miles.

velopment over the years. Arabic is used by Arabs in parliamentary deliberations, in pleadings before the courts, and in dealings with governmental departments, and is the language of instruction in schools for Arab children. English is taught in all secondary schools and, along with Hebrew, is commonly used in foreign business correspondence and in advertising and labeling. Coins, postage stamps, and bank notes bear inscriptions in Hebrew, Arabic, and Latin characters.

## 10 RELIGIONS

The land that is now Israel (which the Romans called Judea and then Palestine) is the cradle of two of the world's great religions, Judaism and Christianity. In the Hebrew Scriptures, Jewish history begins with Abraham's journey from Mesopotamia to Canaan, to which the descendants of Abraham would later return after their deliverance by Moses from bondage in Egypt. Jerusalem is the historical site of the First Temple, built by Solomon in the 10th century BC and destroyed by the Babylonians in 586 BC, and the Second Temple, built about 70 years later and sacked by the Romans in AD 70. Belief in the life, teachings, crucifixion, and resurrection of Jesus of Nazareth (who, according to the Christian Scriptures, actually preached in the Second Temple) is the basis of the Christian religion. Spread by the immediate followers of Jesus and others, Christianity developed within three centuries from a messianic Jewish sect to the established religion of the Roman Empire. Jerusalem is also holy to Islam; the Dome of the Rock marks the site where, in Muslim tradition, Muhammad rose into heaven.

Present-day Israel is the only country where Judaism is the majority religion, which is professed by 80% of the population; over one-fourth of all the world's Jews live there. About 300,000 of these citizens, however, do not qualify as a Jew under government and/or Orthodox definitions. Most in the Jewish population describe themselves as secular or traditional Jews. About 4.5% are Haredi (ultra-Orthodox) and about 13% are Orthodox. There are also a number of adherents who claim affiliation with Conservative, Reform, and Reconstructionist branches of Judaism, but these are not officially recognized.

Of the 20% non-Jewish population, 80% are Muslims, 10% are Christians, and 10% are Druze. Most of the Muslims are Arabs. The Druzes, who split away from Islam in the 11th century, have the status of a separate religious community. The Baha'i world faith is centered in Haifa. The Christians are largely Greek Catholic or Greek Orthodox, but there are also Roman Catholics, Armenians, and Protestants.

Freedom of religion is guaranteed. The Ministry of Religious Affairs assists institutions of every affiliation and contributes to the preservation and repair of their holy shrines, which are protected by the government and made accessible to pilgrims. Supreme religious authority in the Jewish community is vested in the chief rabbinate, with Ashkenazim and Sephardim each having a chief rabbi.

## 11 TRANSPORTATION

In 2002, Israel's highway system totaled 17,237 km (10,721 mi) all of which were paved, and included 126 km (78 mi) of expressways. With the building in 1957 of a highway extension from Beéršebá to Eilat, the Red Sea was linked to the Mediterranean. Trackage of the state-owned railway totaled 640 km (398 mi), all

standard gauge, in 2004. Railways, buses, and taxis formerly constituted the principal means of passenger transportation; however, private car ownership nearly tripled during the 1970s. In 2003 there were 1,881,092 motor vehicles, including 1,522,112 private cars and 358,980 commercial vehicles.

As of 2005, Israel had 17 merchant vessels of 1,000 gross registered tonnage (GRT) or more, with a total capacity of 752,873 GRT. Haifa can berth large passenger liners and has a 10,000-ton floating dock, but Ashdod (south of Tel Aviv) has outstripped Haifa in cargo handled since the early 1980s. Eilat (Eilat) is also a seaport with full freight services.

Israel had an estimated 51 airports in 2004. As of 2005, a total of 28 had paved runways, and there were also three heliports. Israel Inland Airlines (Arkia) provides domestic service. Israel Airlines (El Al) was founded shortly after Israel became a nation in 1948 and is almost entirely owned by the government. Ben-Gurion International Airport between Tel Aviv and Jerusalem is the center of passenger and cargo operations; Israel is building a new Ben-Gurion International Airport Terminal. Another principal airport is J. Hozman at Eilat. In 2003 about 3.672 million passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Archaeologists have established that the world's earliest known city was Jericho, on the present-day West Bank, built about 7000 BC. The formative period of Israel began in approximately 1800 BC, when the Hebrews entered Canaan, and resumed in approximately 1200 BC, when the Israelite tribes returned to Canaan after a period of residence in Egypt. At various times, the people were led by patriarchs, judges, kings, prophets, and scribes, and the land was conquered by Assyrians, Babylonians (or Chaldeans), Persians, Greeks, and Romans. The ancient period neared its end in AD 70, when the Roman legions conquered Jerusalem after an unsuccessful revolt and destroyed the Temple, and it ended in AD 135, when the Roman Empire exiled most Jews after another unsuccessful revolt, led by Simon Bar-Kokhba, and renamed the region Syria Palaestina, which eventually became Palestine. During the next two millennia there were successive waves of foreign conquerors—Byzantines, Persians, Arabs, Crusaders, Mongols, Turks, and Britons. Most Jews remained in dispersion, where many nourished messianic hopes for an eventual return to Zion; however, Jews in varying numbers continued to live in Palestine through the years. It is estimated that by 1900, only about 78,000 Jews were living in Palestine (less than 1% of the world Jewish population), compared with some 650,000 non-Jews, mostly Arabs.

Modern Zionism, the movement for the reestablishment of a Jewish nation, dates from the late 19th century, with small-scale settlements by Russian and Romanian Jews on lands purchased by funds from Western European and US donors. The movement received impetus from the founding of the World Zionist Organization in Basel, Switzerland, in 1897, under the leadership of Theodor Herzl. Zionist hopes for a Jewish national homeland in Palestine were greatly bolstered when the British government pledged its support for this goal in 1917, in the Balfour Declaration, which was subsequently incorporated into the mandate over Palestine (originally including Transjordan) awarded to the United Kingdom by the League of Nations in 1922. Under the mandate, the Jewish community grew from 85,000 to 650,000, largely through



immigration, on lands purchased from Arab owners. This growth was attended by rising hostility from the Arab community, which felt its majority status threatened by the Jewish influx. In 1939, shortly before the outbreak of World War II, the British mandatory authorities issued a White Paper that decreed severe restrictions on Jewish immigration and a virtual freezing of land purchase and settlement. Armed Jewish resistance to this policy, as well as growing international backing for the establishment of a Jewish state as a haven for the survivors of the Nazi Holocaust, finally persuaded the British government to relinquish the mandate.

On 29 November 1947, the UN General Assembly adopted a plan for the partition of Palestine into two economically united but politically sovereign states, one Jewish and the other Arab, with Jerusalem as an international city. The Arabs of Palestine, aided by brethren across the frontiers, at once rose up in arms to thwart partition. The Jews accepted the plan; on 14 May 1948, the last day of the mandate, they proclaimed the formation of the State of Israel. The next day, the Arab League states—Egypt, Iraq, Jordan, Lebanon, Saudi Arabia, and Syria—launched a concerted armed attack. There followed a mass flight of hundreds of thousands of Palestinian Arabs abroad. The war left Israel in possession of a much larger territory than that awarded the Jews under the UN partition plan; the planned Arab state failed to materialize, as Jordan annexed the West Bank. Meanwhile, the Palestinian refugees were resettled in camps on both banks of the Jordan River, in the Gaza Strip (then under Egyptian administration), in southern Lebanon, and in Syria.

Armistice agreements concluded in 1949 failed to provide the contemplated transition to peace, and sporadic Arab incursions along the borders were answered by Israeli reprisals. Tensions were exacerbated by Arab economic boycotts and by Egypt's nationalization of the Suez Canal on 26 July 1956. On 29 October 1956, Israel (with British and French support) invaded Egypt and soon gained control of the Gaza Strip and the Sinai Peninsula. Fighting ended on 4 November; Israel, under US pressure, withdrew from the occupied areas in March 1957 and recognized borders consistent with its military position at the end of the 1948 war. A UN Emergency Force (UNEF) patrolled the armistice line.

Violations by both sides of the armistice lines persisted, and in May 1967, Egypt, fearing an Israeli attack on Syria, moved armaments and troops into the Sinai, ordering withdrawal of UNEF personnel from the armistice line, and closed the Strait of Tiran to Israeli shipping. On 5 June, Israel attacked Egypt and its allies, Syria and Jordan. By 11 June, Israel had scored a decisive victory in the conflict, since termed the Six-Day War, and had taken control of the Sinai Peninsula, the Gaza Strip, the Golan Heights, and the West Bank (including Jordanian-ruled East Jerusalem). The Security Council on 22 November unanimously adopted UK-sponsored Resolution 242, calling for establishment of a just and lasting peace in the Middle East, withdrawal of Israeli armed forces from territories occupied during the war, and acknowledgment of the "sovereignty, territorial integrity, and political independence of every State in the area and their right to live in peace within secure and recognized boundaries free from threats or acts of force." Israel indicated that return of the captured territories would have to be part of a general settlement guaranteeing peace; in 1967, the Israeli government began Jewish settlement in these areas; due in good part to the later encouragement of the Likud

governments, by 1997 there were some 160,000 settlers in the occupied territories.

Serious shooting incidents between Egypt and Israel resumed in June 1969, following Egypt's declaration of a war of attrition against Israel. In response to a US peace initiative, a cease-fire took effect in August 1970, but tensions continued, and Palestinian Arab guerrillas mounted an international campaign of terrorism, highlighted in September 1972 by the kidnap and murder of Israeli athletes at the Olympic Games in Munich.

On 6 October 1973, during Yom Kippur, Egypt and Syria simultaneously attacked Israeli-held territory in the Sinai Peninsula and the Golan Heights. The Arabs won initial victories, but by 24 October, when a UN cease-fire took effect, the Israelis had crossed the Suez Canal and were 101 km (63 mi) from Cairo and about 27 km (17 mi) from Damascus. Under the impetus of the "shuttle diplomacy" exercised by US Secretary of State Henry Kissinger, formal first-stage disengagement agreements were signed with Egypt on 18 January 1974 and with Syria on 31 May 1974. On 4 September 1975, a second-stage disengagement pact was signed in Geneva, under which Israel relinquished some territory in the Sinai (including two oil fields) in return for Egyptian declarations of peaceful intent, free passage of nonmilitary cargoes to and from Israel through the Suez Canal, and the stationing of US civilians to monitor an early warning system.

The 30-year cycle of Egyptian-Israeli hostilities was broken in November 1977, when Egyptian President Anwar al-Sadat (as-Sadat) paid a visit to Jerusalem on 19–21 November 1977, during which, in an address to parliament, he affirmed Israel's right to exist as a nation, thereby laying the basis for a negotiated peace. In September 1978, at a summit conference mediated by US president, Jimmy Carter at Camp David, Maryland, Israeli prime minister Menachem Begin and Sadat agreed on the general framework for a peace treaty which, after further negotiations, they signed in Washington, DC, on 26 March 1979. The treaty provided for the withdrawal of Israeli forces from the Sinai over a three-year period and for further negotiations concerning autonomy and future status of Arab residents of the West Bank and the Gaza Strip, territories still under Israeli occupation. Israel withdrew from the Sinai oil fields within a year, and from the remainder of Sinai by 25 April 1982. However, the two countries failed to reach agreement on Palestinian autonomy in the West Bank and Gaza, and Israel continued to establish Jewish settlements in the West Bank despite Egyptian protests. Sadat was assassinated by Muslim fundamentalists on 6 October 1981.

Israel's relations remained tense with other Arab countries, which ostracized Egypt for signing the peace accord. In March 1978, Israel (which had long been supporting Lebanese Christian militias against the Palestine Liberation Organization—PLO—and its Muslim backers) sent troops into southern Lebanon to destroy PLO bases in retaliation for a Palestinian terrorist attack; Israel withdrew under US pressure. In April 1981, Israeli and Syrian forces directly confronted each other in Lebanon; Israeli jet aircraft shot down two Syrian helicopters in Lebanese territory, and Syria responded by deploying Soviet-made antiaircraft missiles in the Bekaa (Biq'a) Valley, which Syria had been occupying since 1976. On 7 June 1981, Israeli warplanes struck at and disabled an Iraqi nuclear reactor under construction near Baghdad; the Israeli

government claimed that the reactor could be employed to produce nuclear bombs for use against Israel.

Hostilities between Israel and the PLO and Syria reached a climax in early June 1982, when Israel launched a full-scale invasion of southern Lebanon, citing continued PLO shelling of the north and terrorist acts elsewhere. An estimated 90,000 troops rapidly destroyed PLO bases within a 40 km (25 mi) zone north of the Israeli border, captured the coastal towns of Tyre (Sur) and Sidon (Sayda), and then moved on to bomb and encircle Beirut by 14 June, trapping the main force of PLO fighters in the Lebanese capital and causing massive casualties and destruction. Meanwhile, Israeli warplanes destroyed Syria's Soviet-built missile batteries in the Bekaa Valley—the announced objective of the invasion. A negotiated cease-fire was arranged by US envoy Philip Habib on 25 June, and more than 14,000 Palestinian and Syrian fighters were allowed to evacuate Beirut in late August. A multinational peace-keeping force of British, French, Italian, and US military personnel was stationed in the Beirut area.

Within Israel, the Lebanese war was divisive, and there were protest rallies against the Begin government. The protests increased when, after Israeli troops moved into West Beirut in the wake of the assassination of Lebanese President Bashir Gemayel, Christian militiamen were allowed to “mop up” remaining resistance in the Palestinian camps. The ensuing massacres, for which an Israeli government investigating commission determined that some of Israel's civilian and military leaders were indirectly responsible, led to the resignation of Ariel Sharon as defense minister. Subsequent Israeli attempts to extricate its occupying forces from Lebanon by negotiating an agreement for the withdrawal of all foreign forces were rejected by Syria. In September, Israel pulled back its forces from the Shuf Mountains, east of Beirut, to south of the Litani River. In 1985, withdrawal from southern Lebanon took place in stages over six months, punctuated by terrorist acts of Shia Muslim militants against departing Israeli troops, resulting in retaliatory arrests and detention of hundreds of Lebanese. Negotiations over a Trans World Airlines (TWA) jetliner hijacked en route from Athens to Rome by Shia militants in June 1985 led to gradual release by Israel of its Shia prisoners. In 1986, troubles continued despite the occupation of a swath of southern Lebanon, which Israel continued to term a “security zone,” as Shia militants and infiltrating Palestinian guerrillas continued to launch attacks. The war was a drain on the economy, already suffering from hyperinflation and huge foreign-exchange deficits. Prime Minister Begin resigned because of failing health in the autumn of 1983 and was replaced by Yitzhak Shamir, who, after inconclusive elections in 1984, was replaced on a rotational basis by Labor Party leader Shimon Peres. In 1986, a ground-breaking summit meeting took place when Prime Minister Peres traveled to Morocco for two days of secret talks with King Hassan II. In that year, Israel also improved relations with Egypt when Prime Minister Peres conferred with Egypt's President Hosni Mubarak in the first meeting of the two nations since 1981. Shamir replaced Peres as prime minister in October 1986. Elections were again held with equally inconclusive results in November 1988, leading to a coalition government of the Labor and Likud parties. Four years later, Labor edged Likud in elections and was able to form a government supported by left wing and religious parties. Yitzhak Rabin became

prime minister with Shimon Peres as Foreign Minister; both were committed to reaching peace agreements with Arab antagonists.

In December 1987, unarmed Palestinians in Gaza began what became a multi-year series of stone-throwing riots against Israeli troops in the occupied territories. In this uprising (or *intifada* in Arabic), well over 1,000 Palestinians were killed and—by Palestinians—several hundred Israelis and Palestinian collaborators. Israeli use of lethal force, curfews, deportations, destruction of houses, and ten thousand detentions failed to stop the demonstrations while producing criticism abroad and anxiety at home. Waves of Jewish immigrants from the collapsing Soviet Union further provoked Palestinians.

During the Gulf War of 1991, Israel was hit by Iraqi missile attacks, demonstrating for some the state's vulnerability and need to move toward peace with the Arabs. Prime Minister Shamir, who opposed the return of occupied territory, reluctantly accepted a United States and Russian invitation to direct peace talks in Madrid in October 1991. These and subsequent negotiations produced few results until, under a Labor government, Israeli and Palestinian representatives met secretly in Oslo to work out a peace agreement involving mutual recognition and transfer of authority in Gaza and Jericho to interim Palestinian rule with the final status of a Palestinian entity to be resolved in five years. The Oslo Accords were signed at the White House in Washington on 13 September 1993. Promises of international aid for the new Palestinian units poured in but the agreement was opposed by extremists on both sides and further set back by a massacre of 30 Muslims at prayer in the Hebron mosque on 25 February 1994 by a militant Israeli settler. Finally, delayed by several months, the withdrawal of Israeli forces from certain sectors and establishment of Palestinian self-rule took place on 18 May 1994. By 1997, six West Bank cities had been turned over to the Palestinian Authority. Israel balked at turning over control of Hebron even though it agreed to do so. A 1997 Hebron Protocol split the city between Palestinian rule in one part of it and Israeli rule in the remaining 20%, to guarantee the security of settlers living in Jewish enclaves. All seven of the major cities controlled by the Palestinian Authority were reoccupied by Israel in 2002.

In November 1995, the greatest setback to the peace process occurred when a militant Israeli assassinated Prime Minister Yitzhak Rabin in retaliation for slowing Jewish settlement in the occupied territories and for his generally dovish policy toward the PLO. The nation then entered into a tumultuous period as Shimon Peres, Rabin's co-prime minister, took control of the government. Peres was not as popular as Rabin had been and in response to civil protest he called for early elections, which were held in May 1996. For the first time in these elections, Israelis were given the opportunity to directly elect their prime minister, and Peres, Likud, and Benjamin Netanyahu fought a bitter campaign, focusing mainly on the status of the occupied territories and the threat of terrorism from radical Palestinians. The prime minister race was very close and some news reports early on suggested, based on exit polling, that Peres had won. By morning of the next day, however, Netanyahu had emerged as Israel's first directly elected prime minister and Likud emerged with a slight majority (in coalition with a range of right wing parties) in the Knesset. Netanyahu immediately took a tough stance on the occupied territories, increasing the construc-

tion of Jewish settlements and enraging the Palestinians and the international community.

As expected, progress in the Middle East peace process slowed under Netanyahu. Hostilities between Palestinians and Israeli soldiers in the fall of 1996, following the opening of a tunnel in the Old City of Jerusalem, were the worst to occur since the days of the *intifada*. In 1997 and 1998 peace talks stalled over the terms of Israeli withdrawal from the West Bank. A new agreement, the Wye Memorandum, was reached at an October 1998 meeting in the United States between Netanyahu, Yasser Arafat, and President Bill Clinton. It set up a timetable for Israeli withdrawal from the West Bank. However, Netanyahu faced stiff opposition to the plan at home, and by the end of 1998, his governing coalition had collapsed, and implementation of the Wye plan was suspended until a new government could be formed following national elections the following May.

Labor candidate Ehud Barak triumphed in the May 1999 elections and formed a coalition government in July. In September, Barak and Arafat signed an agreement reviving the Wye accord (the Sharm el-Sheikh Memorandum), and in December peace talks between Israel and Syria—broken off in 1996—were resumed. In May 2000, Israel unilaterally withdrew from the nine-mile-wide security zone in southern Lebanon.

At the end of 1999 and into early 2000, three-way negotiations took place between Israel, the Palestinians, and the United States as mediator. In July 2000, President Clinton invited Barak and Arafat to Camp David, Maryland, for peace talks. The summit began on 11 July and ended on 25 July without an agreement being reached. President Clinton was determined to achieve a peace agreement before he left office, however, and he hosted talks with Israeli and Palestinian teams in Washington in December 2000. Negotiations between Israeli and Palestinian delegations were also held in Taba, Egypt, in late January 2001. By then President Clinton was out of office and incoming President George W. Bush took a position of nonengagement in the conflict.

On 28 September 2000, Likud leader Ariel Sharon visited the Temple Mount (Haram al-Sharif) in Jerusalem in what was seen as a provocative move, setting off large-scale Palestinian demonstrations, beginning the al-Aqsa *intifada*. By the end of 2000, Barak was presiding over an extremely violent situation. On 9 December 2000 Barak resigned, making a special prime ministerial election necessary, in which he stated he would seek a new mandate to pursue peace with the Palestinians. On 6 February 2001, Sharon was elected prime minister in a landslide victory over Barak. Barak announced he would resign his seat in the Knesset, step down as head of the Labor Party as soon as a new government was formed, and retire from politics.

The *intifada* intensified, with Israel assassinating Palestinian militants and conducting air strikes and incursions into Palestinian self-rule areas; Palestinian militants increased suicide bomb attacks in Israeli cities. In spring 2002 Israel launched its largest military offensive in 20 years, since the invasion of Lebanon. In December 2001 Israeli forces besieged Yasser Arafat's headquarters in Ramallah, and until being flown to Paris for an undisclosed illness on 29 October 2004, Arafat remained confined in his compound. Arafat died on 11 November 2004.

On 28 January 2003, Ariel Sharon's Likud Party won a strong victory in parliamentary elections, defeating the Labor Party and

its chairman Amram Mitzna. The Shinui or "Change" Party, which campaigned on a platform of curtailing privileges and benefits the state offers to highly observant Orthodox Jews, also registered a clear win.

In 2002 Israel began erecting a security barrier around the West Bank, intended to separate Israelis and Palestinians. The barrier, part wall, part fence, is up to 30 ft (9 m) high in some areas. When completed it will stretch some 375 mi (603.5 km) through the West Bank to Jerusalem. In July 2004 the International Court of Justice (ICJ) ruled that the security barrier violates international law and must be torn down. Israel said it would ignore the ruling, but it later made changes in the barrier route according to a ruling of the Israeli Supreme Court.

On 22 March 2004 Hamas founder and spiritual leader Sheikh Ahmed Yassin was assassinated in a targeted Israeli airstrike as he was leaving a Gaza City mosque. In another targeted killing, Abdel Aziz al-Rantissi—who took over the Hamas leadership after Yassin's death—was assassinated on 17 April 2004. These killings provoked widespread outrage among Palestinians. Palestinian attacks on Israeli soldiers in Gaza followed.

In January 2005 Prime Minister Sharon formed a unity government with Likud, Labor, and the United Torah Judaism parties to implement the planned withdrawal of Israeli settlements in the Gaza Strip. On 8 February 2005, a summit conference in Sharm el-Sheikh, Egypt, was held; attending were Sharon, Palestinian Authority President Mahmoud Abbas, Egyptian President Hosni Mubarak, and King Abdullah II of Jordan. Abbas and Sharon declared an end to violence. Israel announced it would release some 900 Palestinian prisoners and withdraw from Palestinian cities in the West Bank. Jordan and Egypt agreed to return ambassadors to Israel. The *intifada* that began in 2000 was declared over. However, after a Palestinian suicide bombing, Israel froze the return of Palestinian cities to Palestinian control.

The evacuation of Israeli settlements from Gaza began on 15 August 2005 and continued until 24 August. Ultra-Orthodox Jews and ultra-nationalists sympathetic to the settlers' cause traveled to the settlements, held protests, and clashed with Israeli armed forces and police trying to remove them. The "disengagement plan" was marked by high emotions. That month, former Prime Minister Benjamin Netanyahu made a bid to challenge Sharon's leadership, threatening to split the Likud Party. Netanyahu accused Sharon of betraying the core values of Likud in withdrawing from occupied territory and of moving to the left. On 21 November, Sharon resigned as head of Likud and dissolved parliament. He formed a new center-right party, Kadima ("Forward"), to participate in elections on 28 March 2006. On 20 December 2005, Netanyahu was named Sharon's successor as head of Likud.

On 4 January 2006, Sharon suffered a massive stroke and cerebral hemorrhaging. He underwent brain surgery. He was declared "temporarily incapable of discharging his powers," and Ehud Olmert, the deputy prime minister, was named acting prime minister of Israel.

Palestinian legislative elections were held on 25 January 2006. The radical Islamic party Hamas won an overwhelming victory, taking 76 out of 132 seats in parliament, deposing the former governing Fatah party, which won only 43 seats. This ended more than 40 years of domination by Fatah, which along with the Palestinian Authority was looked upon by Palestinians as corrupt and

ineffective. Hamas is regarded as a terrorist organization by Israel, the United States, and the European Union (EU). Israel declared it would not negotiate with a Palestinian administration led by Hamas, and refused to continue transferring about \$50 million in monthly tax and customs receipts to the Palestinian Authority, collected on behalf of the Palestinians. The “Quartet”—composed of the United States, Russia, the EU, and the UN—was looking for a way to continue financial support for the Palestinian Authority without providing direct assistance to a Hamas-led government. Palestinians receive approximately \$1 billion of their \$1.9 billion annual budget from overseas donors. Hamas indicated it would turn to the Arab world to supplant the monthly tax and customs revenue being withheld by Israel. A Hamas leader, Ismail Haniya, was named the new Palestinian prime minister in February 2006.

### 13 GOVERNMENT

Israel is a democratic republic, with no written constitution. Legislative power is vested in the unicameral Knesset (parliament), whose 120 members are elected for four-year terms by universal secret vote of all citizens 18 years of age and over, under a system of proportional representation. New elections may be called ahead of schedule, and must be held when the government loses the confidence of a majority of parliament.

The head of state is the president, elected by the Knesset for a seven-year term. The president performs largely ceremonial duties and traditionally chooses the prime minister from the ruling political party. In 1996, however, a new law went into effect whereby the prime minister would be directly elected by the people. In May of that year, Benjamin Netanyahu became Israel's first directly elected prime minister. Three years later he was succeeded in that post by Ehud Barak. In March 2001, the Knesset voted to change the system of direct elections and restore the one-vote parliamentary system of government that operated until 1996. The law went into effect with the January 2003 elections, won by Likud. The cabinet, headed by the prime minister, is collectively responsible to the Knesset, whose confidence it must enjoy.

### 14 POLITICAL PARTIES

Israel's multiparty system reflects the diverse origins of the people and their long practice of party politics in Zionist organizations. The first five Knessets were controlled by coalitions led by the Mapai (Israel Workers Party), under Israel's first prime minister (1949–63), David Ben-Gurion, and then under Levi Eshkol (1963–69). The Mapai formed the nucleus of the present Israel Labor Party, a socialist party, which in coalition with other groups controlled Israel's governments under prime ministers Golda Meir (1969–74) and Yitzhak Rabin (1974–77 and 1992–95).

In September 1973, four right wing nationalist parties combined to form the Likud, which thus became the major opposition bloc in the Knesset. Unlike the Israel Labor Party, the core of support of which lies with the Ashkenazim and older Israelis generally, the Likud has drawn much of its strength from Oriental Jewry, as well as from among the young and the less well-educated. Besides the State List and the Free Center, the Likud consists of the Herut (Freedom) Movement, founded in 1948 to support territorial integrity within Israel's biblical boundaries and a greater economic role for private enterprise, and the Liberal Party, formed in 1961 to support private enterprise, a liberal welfare state, and elec-

toral reform. The Likud originally advocated retention of all territories captured in the 1967 war, as a safeguard to national security. It won 39 seats in the 1973 elections and then became the largest party in the Knesset by winning 43 seats in the May 1977 elections, to 32 seats for the Israel Labor Party–United Workers (Mapam) alignment. Likud leader Menachem Begin became prime minister of a coalition government formed by Likud with the National Religious Party and the ultraorthodox Agudat Israel.

In elections on 30 June 1981, Likud again won a plurality, by taking 37.1% of the popular vote and 48 seats in the Knesset, compared with the Labor coalition's 36.6% and 47 seats. Begin succeeded in forming a new government with the support of smaller parties. The elections of July 1984 again left both Labor (with 44 seats) and Likud (with 41) short of a Knesset majority; under a power-sharing agreement, each party held an equal number of cabinet positions in a unity government, and each party leader served as premier for 25 months. Labor's Shimon Peres became prime minister in 1984, handing over the office to Likud's Yitzhak Shamir in late 1986. Elections in 1988 produced a similar power-sharing arrangement. In 1989, rotation was ended as Likud and Labor joined in a coalition. After a vote of no confidence, Likud formed a coalition of religious and right wing parties which held power for two years until 1992. Elections in June gave Labor 44 seats (32 for Likud) and enabled it to form a coalition with Meretz (a grouping of three left wing parties) and Shas (a religious party) and the support of two Arab parties.

In 1995, Prime Minister Yitzhak Rabin was assassinated by an extremist Jew. Shimon Peres became prime minister and called for early elections, which were held in May 1996. The main issue of the election was Israel's response to terrorist attacks and the disposition of the occupied territories. Labor favored continued and increased negotiations with the PLO and the Palestinian Authority (PA), while Likud favored a tougher stance, increased settlement on occupied lands, and a rethinking of the Oslo accords—at the very least a slowing of the process of land-turnover. The elections were extremely close with the Likud-Geshe-Tsamet coalition winning a slim majority, or 62 seats. In a separate election, Benjamin Netanyahu was directly elected prime minister, the first such election in Israeli history after the passage of a 1996 law.

After Netanyahu's governing coalition collapsed at the end of 1998, new elections were called for May of 1999. In the election for a new prime minister, Ehud Barak, heading a Labor-led center-left coalition (One Israel), defeated Netanyahu 56% to 44%. In the legislative elections, Barak's One Israel/Israeli Labor Party coalition won a plurality of 26 seats, followed by 19 for the Likud. After Barak resigned in December 2000, Ariel Sharon won a special prime ministerial election in February 2001 with the largest vote margin ever in Israeli politics. He took 62.4% of the vote to Barak's 37.6%.

In March 2001, the Knesset voted to replace the system of direct election for the prime minister established in 1996 back to the parliamentary system. In parliamentary elections held in January 2003, Likud won 29.4% of the vote to Labor's 14.5%. The Shinui, or “Change” Party, came in third with 12.3% of the vote. Overall, the distribution of seats in the Knesset after the election was as follows: right wing parties held 45 seats (Likud 38, National Unity 7); center-left parties held 34 (Labor-Meimad 19, Shinui 15); left wing parties held 17 (Meretz 6, Hadash 3, Am Ehad 3, Balad 3,

United Arab List 2); religious parties accounted for 22 seats (Shas 11, National Religious Party 6, United Torah Judaism 5); and the immigrant party Israel Ba-Aliya held 2.

Due to friction within his ruling coalition over the planned evacuation of Israeli settlements in the Gaza Strip, Ariel Sharon in January 2005 formed a new unity government with Likud (40 seats in the Knesset), Labor (19 seats), and the United Torah Judaism (5 seats) parties. In November 2005, in response to friction within Likud, Sharon dissolved parliament and formed a new party, Kadima ("Forward"). Netanyahu took over the helm as leader of Likud. After Sharon suffered a massive hemorrhagic stroke in January 2006, Ehud Olmert took over as leader of Kadima.

## 15 LOCAL GOVERNMENT

Israel is divided into six administrative districts: Jerusalem, Tel Aviv, Hefa, Northern (Tiberias), Central (Ramla), and Southern (Be'er Sheva'). The occupied Golan Heights is a subdistrict of the Northern District. Each district is governed by a commissioner appointed by the central government. At the local level, government is by elected regional and local councils, which govern according to bylaws approved by the Ministry of the Interior. Local officials are elected for four-year terms. Until 1994, Israel governed all of the occupied territories through the Civil Administration, which is responsible to the Ministry of Defense. Palestinian towns have Israeli-appointed mayors. Israeli settlers were removed from the Gaza Strip in 2005; settlers in the West Bank are subject to Israeli law. In 1994 a Palestinian National Authority (PNA) was established; control over Gaza and some Palestinian towns on the West Bank were turned over to the PNA. The West Bank towns were reoccupied in 2002, but Jericho was handed back over to the Palestinians in March 2005.

## 16 JUDICIAL SYSTEM

The law of Israel contains some features of Ottoman law, English common law, and other foreign law, but it is shaped largely by the provisions of the Knesset. Judges are appointed by the president on recommendation of independent committees. There are 29 magistrates' courts, which deal with most cases in the first instance, petty property claims, and lesser criminal charges. Five district courts, serving mainly as courts of appeal, have jurisdiction over all other actions except marriage and divorce cases, which are adjudicated, along with other personal and religious matters, in the religious courts of the Jewish (rabbinical), Muslim (Shariah), Druze, and Christian communities. Aside from its function as the court of last appeal, the Supreme Court also hears cases in the first instance brought by citizens against arbitrary government actions. The number of Supreme Court justices is determined by a resolution of the Knesset. Usually, twelve justices serve on the Supreme Court. There is no jury system. Capital punishment applies only for crimes of wartime treason or for collaboration with the Nazis, and has been employed only once in Israel's modern history, in the case of Adolf Eichmann, who was executed in 1962. In the occupied territories, security cases are tried in military courts; verdicts may not be appealed, and the rules of habeas corpus do not apply. There are also labor relations and administrative courts.

There is no constitution, but a series of "basic laws" provide for fundamental rights. The judiciary is independent. The trials are fair and public. Legislation enacted in 1997 limits detention

without charge to 24 hours. Defendants have the right to be presumed innocent and to writs of habeas corpus and other procedural safeguards.

## 17 ARMED FORCES

The defense forces of Israel began with the voluntary defense forces (principally the Haganah) created by the Jewish community in Palestine during the British mandate. Today Jewish and Druze men between the ages of 18 and 26 are conscripted for 36 and 24 months, respectively. Drafted Jewish women are trained for non-combat duties. Christians and Muslims may serve on a voluntary basis, but Muslims are rarely allowed to bear arms. All men and unmarried women serve in the reserves until the ages of 54 and 24, respectively. Men receive annual combat training until age 45.

In 2005, the Israeli Army had 125,000 active duty soldiers and could mobilize as many as 500,000 more. Armament included 3,657 main battle tanks, 408 reconnaissance vehicles, over 10,419 armored personnel carriers, and 5,432 artillery pieces. The Navy had an estimated 5,500 active personnel that upon mobilization could reach 11,500. Major naval units included 3 tactical submarines, 3 corvettes, and 51 patrol/coastal vessels. The Air Force had 35,000 regulars and 24,500 reservists. There were 402 combat capable aircraft, including 199 fighters and more than 177 fighter ground attack aircraft, along with more than 95 attack helicopters. It is believed that Israel maintained a nuclear arsenal of up to 200 nuclear warheads. The reserve forces can be effectively mobilized in 48–72 hours. In addition, there are an estimated 8,000 paramilitary border police and an estimated 50 Coast Guard personnel. In 2005, the Israeli defense budget totaled \$7.87 billion. Foreign Military Assistance from the United States totaled \$2.2 billion that same year.

## 18 INTERNATIONAL COOPERATION

Israel was admitted as the 59th United Nations member on 11 May 1949 and subsequently joined several nonregional specialized agencies, such as the FAO, UNESCO, UNIDO, UNCHR, IAEA, IFC, the World Bank, and WHO. It is also a member of the WTO. Israel holds observer status with the Council of Europe, the OAS, and the Black Sea Economic Cooperation Zone. The country is a partner in the OSCE.

During the 1970s and early 1980s, Arab governments sought through the "oil weapon" to isolate Israel diplomatically and economically, but Israel's 1979 peace treaty with Egypt helped ease some of the pressure. The United States is Israel's major political, economic, and military ally. A number of African countries reestablished diplomatic relations with Israel in the 1980s; these ties had been broken in 1973, following the Arab-Israeli war. After signing peace accords with the Palestinians in 1993 and 1994, Israel opened liaison and trade missions in certain Arab countries, including Qatar and Oman. Israel also signed a peace agreement with Jordan in 1994, and the two nations exchanged ambassadors in 1995.

Violence between Israel and the Palestinians resulting from the intifada that began in September 2000 increased tensions with the Arab world. In November 2002, 18 of the 22 members of the Arab League agreed to reactivate a half-century-old ban on trade with Israel. In August 2005, Israeli prime minister Ariel Sharon called for the evacuation of Israelis from the West Bank and Gaza Strip

settlements, a move that was meant to improve security inside of the main Israel borders. Though the withdrawal was praised by many international groups and several other nations, many Israelis were opposed to the plan. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established in 1949 to provide assistance to the Palestinian Refugees of the ongoing Arab–Israeli conflicts. This mission, which was meant to be temporary, has been continually renewed, with the latest mandate extended to 30 June 2008. Ten nations serve on the advisory commission for UNRWA.

In environmental cooperation, Israel is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Since independence, Israel's economy has been faced with serious problems. The government makes large outlays for social welfare purposes, but is obliged to divert a considerable portion of its income to defense. In addition, traditional Middle Eastern sources of supply (e.g., of oil and wheat) and nearby markets for goods and services have been closed off. Israel must export on a large scale to maintain its relatively high standard of living; hence, it remains dependent on a continuing flow of investment capital and of private and public assistance from abroad.

The economy is a mixture of private, state, and cooperative ownership and holdings of the labor movement. In the first 35 years of Israel's existence, the number of industrial enterprises more than doubled; over 700 agricultural settlements were established; and there were notable advances in housing, transportation, and exploitation of natural resources. From 1975 to 1980, GNP grew at an annual rate of 3.1% (at constant prices). Between 1980 and 1985, real GNP growth was 10%. In the period 1990–96, real GDP growth averaged 2.6%. It was below this average in the period after 1989 when the country had to absorb more than half a million new immigrants. Most of these immigrants were relatively well educated, however, adding to Israel's already considerable base of technologically aware workforce and population. Real growth in per capita income was 2% in 1990 and 1991, and increased to 3% in 1992, but then fell back to 0.9% in 1993.

The Oslo Peace Accords were signed on 13 September 1993 between Israel and the PLO, ending the first *intifada* (uprising) that had begun in 1987. The Peace Treaty with Jordan followed quickly, signed on 26 October 1994. The Oslo Accords granted the Palestinian Authority (PA) limited sovereignty over areas in the West Bank and Gaza within the context of a timetable of confidence-building expansions. From the inception of the Oslo process, the Israeli economy has wavered between hopeful spurts of growth and cooperation, as openings and investor confidence increase, and recession, as extremists on both sides have sought to shut the process down. The accords brought to a formal end the Arab Boycott of Israel (BOI), in place since 1951, with the shutdown of the Central Boycott Office (CBO) in Damascus. From 1992–95, Israeli exports to Asia grew by 86% and by 1999 accounted for 20% of Israel's total exports. In October 2000, however, following the eruption of the second *intifada* in September, the Arab League passed a resolution calling for the reinstatement of the BOI. This time,

however, agreement was not unanimous among the 22 members, and international pressure was strong against it. In May 2002 in a meeting in Damascus, 19 Arab states drew up a list of firms to be blacklisted, but did not publish it. Tourism also benefited from the Peace Accords. Tourism grew to be Israel's second- or third-largest industry, reaching \$4.3 billion in 2000. In October 2000, however, the month following the eruption of the renewed *intifada*, the number of tourists declined 43%. An estimated 50,000 workers in the tourist industry were laid off, helping push unemployment from 8.8% in 2000 to 9.3% in 2001 and an estimated 10.5% in 2002. In 2002, the Israeli Ministry of Tourism estimated that revenues from tourism had fallen by over half, to \$2.1 billion. Foreign investment, once very hard to obtain, also grew substantially in years following the signing of the Oslo Accords.

The Oslo Accords were both a political agreement and an economic program that explicitly acknowledged that peace could not be attained or sustained without the establishment of mutually beneficial economic relationships. Two annexes to the Oslo Accords laid out protocols for joint economic cooperation and regional development, listing specific projects to be pursued, including a Gaza seaport, a Gaza airport, a Mediterranean-Dead Sea Canal (MDSC) project, (that would also provide water desalinization and farm irrigation), and a Red Sea-Dead Sea Canal (RSDSC) project (similarly aimed at providing desalinization and crop irrigation), as well general provisions for the establishment of border and local industrial estates to encourage economic cooperation and investment. International donors pledged more than \$2.4 billion over the years 1994–99, much of which was to be used on the infrastructural projects identified in Oslo protocols. While the canal projects, which had been under consideration for many years, remained tied up in political and economic controversies, construction proceeded on the sea port and airport for Gaza, and the Kami Industrial Estate on the Gaza-Israeli border, funded primarily by aid from the United States and the European Union (EU). In the years immediately following the Peace Accords, 1994 to 1996, real per capita GDP growth in Israel was propelled to a relatively high sustained average of 4.1% despite the continued heavy influx of immigrants from ex-Soviet countries. In 1995, the political process moved a step forward with an interim agreement, Oslo II, providing for elections under the PA. However, in November of that year, Israeli Prime Minister Yitzhak Rabin, who had received the Nobel Peace Prize in 1994 for his work on the Oslo Accords, was assassinated by an Orthodox Jew.

The process became increasingly hobbled by rising violence and distrust on both sides, and required the constant vigilance of both its external supporters, primarily the United States and the EU, as well as its domestic supporters, to keep it from being derailed. In May 1996, Likud leader Benjamin Netanyahu defeated Israel's other Nobel Prize recipient for the Oslo Accords, Shimon Peres, by less than 1% under revised election laws that provided for the direct election of the prime minister. For the next three years, real GDP growth moderated to an annual average of 2.87% in part because of the conservative government's greater wariness about moves to greater economic openness and cooperation. Also important, however, was the government's determined adherence to tight monetary and fiscal policies aimed at subduing Israel's chronically high inflation rate and tax burden. In the early 1980s, after the second oil shock, Israeli inflation had soared

to triple digits, reaching a peak of 373.8% in 1985, the year before world oil prices collapsed. In 1986, inflation fell abruptly to 48%, and then, from 1987 to 1996, yearly inflation ranged from 10–20%. In 1997, Israel experienced its first single-digit level of inflation (9%) since 1970. Inflation rates continued to fall in 1998 and 1999, to 5.4% and 5.2%, respectively. Strict monetary policies were not reversed by the return of a Labor-led government in 1999, as inflation fell to a record low of 1.1% in 2000 despite a spurt of real GDP growth of 6.4%. In the recession that accompanied the emergence of the 2000 *intifada*, inflation remained low to moderate, at 1.1% for 2001 and an estimated 3.5% for 2002. The moderate real GDP growth 1997 to 1999 was not sufficient to prevent per capita income from declining during this period because of continued immigration from Russia and other Eastern European countries. Although down from earlier peaks, Israel reported 64,164 immigrants in 1998 and 77,000 in 1999. Per capita GDP, at \$17,720 in 1997, declined 2.5% to \$17,068 in 1998, and a further 1.8% to \$16,756 in 1999.

In 2000, increased investments, foreign and domestic, as well as decreased immigration, helped produce a 6.9% increase in per capita income, which reached a record \$17,913. In the political unrest that ensued, however, per capita income fell back, first moderately, to \$17,158 in 2001 and then sharply, to \$15,895 in 2002. Israel's privatization program, begun in 1986, was given a strong impetus after the election of the Likud-led government in 1996, highlighted by the 1997 divestment of Bank Hapoalim, the country's largest bank. Privatization continued in 1998 and 1999 and the election of a Labor-led coalition in 1999 did not result in a reversal of the privatization initiatives.

Between 1986 and 2000 the total extent of privatization amounted to \$7.7 billion, with 60% raised from 1998 to 2000. A total of 77 companies ceased to be state-owned during this period. In 1999, elections by a margin of over 12% replaced Netanyahu with Ehud Barak of the Labour Party, who reopened peace negotiations on virtually all fronts, seeking a final status agreement. Barak and Arafat signed the Sharm El-Sheikh Agreement on 5 September 1999 finalizing border adjustments in the peace accord with Jordan and setting the Oslo Accords' seventh anniversary, 13 September 2000, as the target for reaching a final status agreement.

For the first nine months of 2000, both Israel and the areas under PA control experienced strong growth spurts. Per capita income growth in Israel was in double digits and there was aggressive investment in new businesses, stimulated by Israel's unilateral withdrawal from southern Lebanon in May 2000. Exports surged ahead 23% on top of increases of 11.6% in 1999 and 6.6% in 1998. In the same nine months, in the areas under PA control, GDP grew 7% and unemployment dropped to an estimated 10%, down from highs of 30% in the West Bank and almost 40% in Gaza in 1996. In July 2000, however, Palestinian negotiators broke off US-sponsored negotiations at Camp David over the status of Jerusalem, scuttling progress toward final agreement. On 28 September 2000, opposition leader Ariel Sharon, and some other Knesset members, paid a visit to the Temple Mount/Haram al-Sharif (the Noble Sanctuary, Arab name for the 35-acre complex that includes the remains of the Jewish temple), to symbolically assert their position that these holy places should remain under Israeli sovereignty. The day after Sharon's visit, on 29 September 2000, the second *intifada* erupted bringing with it an abrupt reversal of the eco-

nomical progress that had marked the first part of the year. Urgently renewed US-sponsored status negotiations failed to produce an agreement and were in any case allowed to lapse by the incoming George W. Bush administration.

On 6 February 2001 Ariel Sharon was elected prime minister, and on 4 March, three days before he assumed office, the violence of the *intifada* was ratcheted up to a new level. The proliferation of suicide bomb attacks and Israel's retaliatory incursions into the Palestinian areas brought economic decline on both sides, particularly after the conflict was effectively globalized in the 11 September 2001 attacks on the World Trade Center in New York and on the Pentagon in Washington, DC. Official statistics estimate that Israel's economy declined 0.6% in 2001 as foreign investment fell by 7% and exports fell 16.7% from \$45 billion in 2000 to \$37.65 billion in 2001.

In 2002, the economy continued to stagnate at an estimated real GDP growth rate of 0.7%, and a decline in per capita income of over 11% from the peak reached in 2000. However, if the Israeli economy stagnated under the impact of the renewed *intifada* and the closely related global slowdown following the 11 September 2001 terrorist attacks, the economy under PA control all but collapsed. A World Bank report on Palestine in 2002 estimated that unemployment had risen from 10% in 2000 to 26% by December 2001, and that the average income had fallen 40%, from \$1,716 to \$1,030, well below the \$1,400 that had been reached five years before in 1996. Tourism, which is Israel's second- or third-leading industry, is the leading industry in PA areas, and it doubly suffered from the loss of security and the destruction of infrastructure in Israeli retaliatory incursions. Virtually all of the projects built under the protocols of the Oslo Accords, including the Gaza seaport, Gaza airport, and Kami Industrial Estate, were significantly damaged or destroyed in the fighting.

In 2005, rising consumer confidence, tourism, and foreign investment in Israel, as well as a high demand for Israeli exports, contributed to GDP growth of 4.3%. Slower global economic growth was expected to be offset by strong domestic performance in 2006, and real GDP expansion therefore was forecast to ease only modestly in 2006–07. Due to improved fiscal management, over the long term the budget deficit was projected to decrease. Per capita GDP in 2005 was \$22,200 in purchasing power parity terms (PPP). Agriculture accounted for 2.8% of GDP in 2003, with industry contributing 37.7% and services 59.5%. The unemployment rate in 2005 was 8.9%, and the inflation rate was 1.3%. Unemployment in the Gaza Strip and the West Bank stood at half the labor force, and more than 80% of the population lives below the poverty line. Per capita GDP in Gaza in 2003 was \$600 and \$1,100 in the West Bank (PPP). International aid in the amount of \$2 billion to the West Bank and Gaza in 2004 prevented the complete collapse of the economy and allowed some reforms in the government's financial operations.

An agreement reached between Israel and the PA in Sharm al-Sheikh, Egypt, in February 2005 significantly reduced violence between the two sides. The election in January 2005 of Mahmoud Abbas as leader of the PA following the November 2004 death of Yasser Arafat, and the Israeli disengagement from the Gaza Strip in August and September 2005 presented an opportunity for renewed peace. However, in January 2006 Israeli Prime Minister Ariel Sharon suffered a massive stroke and went into a coma, se-

riously shaking up the Israeli political establishment. Palestinian elections were held on 25 January 2006, with Hamas routing Abbas's Fatah faction, taking 76 of 132 seats in parliament to Fatah's 43. In response, Israel was predicted to take unilateral actions, speed up the construction of a separation barrier along the West Bank, and establish its future on its own, as talks with Hamas were out of the question.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Israel's gross domestic product (GDP) was estimated at \$139.2 billion. The per capita GDP was estimated at \$22,200. The annual growth rate of GDP was estimated at 4.3%. The average inflation rate in 2005 was 1.3%. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange. It was estimated that in 2003 agriculture accounted for 3% of GDP, industry 37%, and services 60%. Foreign aid receipts amount to about \$27 per capita.

The World Bank reports that in 2000 per capita household consumption (in constant 1995 US dollars) was \$10,684. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the same period private consumption grew at an annual rate of 4%. Approximately 23% of household consumption was spent on food, 11% on fuel, 2% on health care, and 6% on education. The richest 10% of the population accounted for approximately 28.3% of household consumption and the poorest 10% approximately 2.4%.

The West Bank and Gaza Strip have experienced a general decline in economic growth and degradation of economic conditions since the beginning of the second *intifada* in 2000. In the West Bank, GDP (PPP) was estimated at \$1.8 billion in 2003, and per capita GDP (PPP) amounted to \$1,100. The GDP growth rate in 2004 in the West Bank was 6.2%. In 2003, GDP (PPP) in the Gaza Strip was estimated at \$768 million and per capita GDP (PPP) amounted to \$600. The GDP growth rate in 2003 in Gaza was 4.5%.

In 2002, in the West Bank and Gaza, agriculture accounted for 9% of GDP, industry for 28%, and services for 63%. The average inflation rate for the West Bank and Gaza in 2001 was 2.2%. Unemployment continues at half the labor force. In 2004, the West Bank and Gaza were the recipients of \$2 billion in foreign aid, which prevented the collapse of the economy. With the election of a Hamas government in 2006, Israel froze its monthly transfer of some \$50 million in tax and customs revenue to the Palestinian Authority. The United States and the European Union, which, along with Israel, consider Hamas to be a terrorist organization, indicated they would cut off foreign aid to Hamas, but continue to provide assistance to the Palestinian civilian population via nongovernmental organizations.

## 21 LABOR

In 2005 Israel's estimated workforce was 2.42 million people. As of 2003, agriculture accounted for 1.8% of the nation's labor force, with industry accounting for 22.6%, the services sector 74.8%, and

undefined occupations 0.7%. The unemployment rate in 2005 was an estimated 8.9%.

The majority of Israeli workers, including those in agriculture, are union members belonging to the General Federation of Labor (*Histadrut*, founded by Jewish farm workers in 1920), which has a membership of 650,000. *Histadrut's* collective bargaining agreements are also available to nonmembers. The right to strike is exercised; 15 days notice must be provided to the employer. Palestinians in the occupied territories are permitted to organize their own unions and have the right to strike.

Children under 15 are not permitted to work except for school holidays. Employment for those between the ages of 16 to 18 is restricted, and these laws are regularly enforced. The law provides for a maximum eight-hour day and 47-hour week, and establishes a compulsory weekly rest period of 36 hours. By collective agreement the private sector has a maximum workweek of 45 hours, and the public sector went to a 42-hour week. The minimum wage is adjusted periodically for cost of living increases. As of 2002, the minimum wage was about \$760 per month and was supplemented by allowances to provide a family with a decent standard of living.

## 22 AGRICULTURE

Between 1948 and 2003, the cultivated area was expanded from 165,000 to 428,000 hectares (from 408,000 to 1,057,000 acres). Principal crops and 2004 production totals (in tons) were wheat, 165,000; cotton, 20,000; peanuts, 24,600; sunflowers, 12,700; and potatoes, 571,000.

Owing to the uniquely favorable soil and climatic conditions, Israel's citrus fruit has qualities of flavor and appearance commanding high prices on the world market. Total citrus production in 2004 was 540,000 tons, with grapefruit accounting for 44%. Exports of citrus in 2004 generated \$29.5 million. Other fruits, and their 2004 production amounts (in thousands of tons) included: apples, 125; bananas, 95; avocados, 65; table grapes, 95; peaches, 61; olives, 50; plums, 22; pears, 27; and mangoes, 30.

The main forms of agricultural settlement are the *kibbutz*, *moshav*, *moshav shitufi*, and *moshava* (pl. *moshavot*). In the *kibbutz* all property is owned jointly by the settlement on land leased from the Jewish National Fund, and work assignments, services, and social activities are determined by elected officers. Although predominantly agricultural, many *kibbutzim* have taken on a variety of industries, including food processing and the production of building materials. Devoted entirely to agriculture, the *moshavim* (workers' smallholder cooperatives) market produce and own heavy equipment, but their land is divided into separate units and worked by the members individually. This form of settlement has had special appeal to new immigrants. The *moshavim shitufiyim* are 47 collective villages that are similar in economic organization to the *kibbutzim* but whose living arrangements are more like those of the *moshav*. The *moshavot* are rural colonies, based on private enterprise. They were the principal form of 19th century settlement, and many have grown into urban communities.

New immigrants settling on the land are given wide-ranging assistance. The Jewish Agency, the executive arm of the World Zionist Organization, absorbs many of the initial costs; agricultural credits are extended on a preferential basis, and equipment, seeds, livestock, and work animals are supplied at low cost.



Israeli agriculture emphasizes maximum utilization of irrigation and the use of modern techniques to increase yields. A national irrigation system distributed water to 194,000 hectares (479,000 acres) in 2003, down from 219,000 hectares (541,100 acres) in 1986 but still far exceeding the 30,000 hectares (74,000 acres) served in 1948. Water is transported via pipeline from the Sea of Galilee to the northern Negev. More than 90% of Israel's subterranean water supply is being exploited. Agriculture accounts for over 60% of Israel's water consumption.

### 2<sup>3</sup> ANIMAL HUSBANDRY

There is little natural pasturage in most areas and livestock is fed mainly on imported feeds and farm-grown forage. Domestic beef production only satisfies between 33% and 40% of demand. Livestock farmers are aided by subsidies. There are 2,500 sheep and goat farms raising 455,000 head, 42% by the Bedu population, 36% by the Jewish sector, and 22% by the Arab and Druze populations. In 2005 there were 30,000,000 chickens, 5,000,000 turkeys, 400,000 head of cattle, 195,000 pigs, 11,000 equines, and 5,300 camels. About 90,700 tons of eggs, 325,000 tons of poultry meat, and 82,000 tons of beef were produced in 2005. That year, milk and honey production were 1,240,000 and 3,200 tons, respectively.

### 2<sup>4</sup> FISHING

Jewish settlers introduced the breeding of fish (mostly carp) into Palestine. The total marine catch was 6,350 tons in 2003. In addition to carp, important freshwater fish include catfish, barbel, and trout. The marine catch consists mainly of gray and red mullet, rainbow trout, grouper, sardines, and bogue. Total fish production in 2003 was 24,831 tons, with aquaculture from 2,000 fish ponds accounting for 84%, mostly carp and tilapia. Total production in 2003 was valued at \$94.4 million, or 26% of total agricultural value.

### 2<sup>5</sup> FORESTRY

Natural forests and woodlands cover about 132,000 hectares (326,000 acres), mostly in the north. About 180 million trees were planted between 1902 and 1986. Roundwood production in 2004 was 27,000 cu m (953,000 cu ft). Forestry production in 2004 included 181,000 cu m (6.4 million cu ft) of wood-based panels, and 275,000 cu m (9.7 million cu ft) of paper and paperboard.

### 2<sup>6</sup> MINING

Israel was the second-largest producer of bromine, ranked fifth in potash production, and eighth in phosphate rock output in 2004. Israel also produces flint clay, kaolin, silica sand gypsum, magnesia and sulfur, as well as metals such as steel, lead, and magnesium. Diamond cutting (from imported rough diamonds) was also performed. In 2003, the value of nonmetallic mineral products fell by 5.2%, and the value of production in the mining and quarrying industry fell by 3%.

Mineral production in 2004 included: beneficiated phosphate rock, 2.947 million metric tons, down from 3.208 million metric tons in 2003; potash, 2.060 million metric tons, up from 1.960 million metric tons in 2003; elemental bromine, 202,000 metric tons; caustic soda, 64,000 metric tons (estimated), up from 57,000 metric tons in 2003; and silica sand, 196,330 metric tons, down from 210,815 metric tons in 2003. Israel also produced in 2004, primar-

ily for the construction sector, crude steel, refined secondary lead, magnesium metal, hydraulic cement, brick and Fuller's clays, gypsum, lime, magnesia, marble, phosphatic fertilizers, phosphoric acid, salt (mainly marine), sand, crushed stone, sulfur, sulfuric acid, and crude construction materials. Dead Sea Works in 2004 produced 2.06 million metric tons of potash. Although Israel did not mine diamonds in 2004, an estimated 770,000 carats of imported diamonds were cut, down from 771,000 carats in 2003.

The Negev Desert contained deposits of phosphate, copper (low grade), glass sand, ceramic clays, gypsum, and granite. Most of the phosphate deposits, located in the northeastern Negev, were, at best, medium grade, and were extracted by open-pit mining. The government was the principal owner of most mineral-related industries. Privately held industries included the diamond cutting and polishing industry, and cement and potassium nitrate manufacturing.

### 2<sup>7</sup> ENERGY AND POWER

Israel's energy sector is largely nationalized and state-regulated, ostensibly for national security reasons. With extremely modest reserves of oil and natural gas, and no coal reserves, Israel must rely almost entirely upon imports to meet its fossil fuel needs.

Israel has produced oil in the Negev desert since 1955; exploration there continued. The country's proven oil reserves were placed at two million barrels as of 1 January 2005. In 2004, domestic consumption and imports of oil averaged an estimated 274,000 barrels per day. There was no domestic oil production that year.

As of 1 January 2005, Israel's proven reserves of natural gas totaled 1.4 trillion cu ft (40 billion cu m). Natural gas production and demand in 2003 was each estimated at 7 billion cu ft (200 million cu m).

Domestic refinery output in 2002 averaged 229,610 barrels per day. Demand for refined oil products in that year averaged 270,460 barrels per day.

Nearly all electricity is supplied by the Israel Electric Corp. (IEC), a government owned monopoly. Electricity is generated principally by thermal power stations. As of 31 December 2004, the IEC reported that installed electric power generating capacity totaled 10,083 MW, of which 79.1% of capacity was generated by coal, followed by fuel oil at 16.8%, and by gas oil at 4.1%. In 2003, total electric power output was estimated at 44.2 billion kWh, with demand that year estimated at 39.6 billion kWh.

### 2<sup>8</sup> INDUSTRY

More than half of the industrial establishments are in the Tel Aviv-Yafo area, but a great deal of heavy industry is concentrated around Haifa. Most plants are privately owned. State enterprises are mainly devoted to exploitation of natural resources in the Negev; some other enterprises are controlled by the Histadrut. Israel is research and development-oriented. Hundreds of foreign companies invested in Israel during the 1990s, the bulk in strategic high-technology projects in such fields as aviation, communications, computer-aided design and manufacturing (CAD/CAM), medical electronics, fine chemicals, pharmaceuticals, solar energy, and sophisticated irrigation. There was an 88% increase in exports in the 1990s.

Major expansion took place in textiles, machinery and transport equipment, metallurgy, mineral processing, electrical prod-

ucts, precision instruments, and chemicals in the 1990s. However, industry remains handicapped by reliance on imported raw materials, relatively high wage costs, low productivity, and inflation. Incentive schemes and productivity councils, representing workers and management, have been set up in an attempt to increase work output. Whereas in the past Israel's industry concentrated on consumer goods, by the 1980s it was stressing the manufacture of capital goods.

In the early- and mid-2000s, manufacturing activity successfully branched out into such industries as electronics, albeit at the expense of traditional industries such as textiles and footwear. Textile and clothing firms have gone through structural changes and have outsourced labor-intensive activities to neighboring countries such as Jordan, Egypt, and Turkey, where wages are substantially lower than in Israel. This allows Israeli manufacturers to concentrate on their relative advantage in product design and trade agreements with the United States and EU as part of a free-trade zone. Despite the economic recession period that began in 2000, these and other medium- and low-technology export-oriented firms fared relatively well, largely due to greater levels of efficiency. The electronics, communications, and other high-tech industries have gone through high and low cycles in the early- and mid-2000s. The expansion of Israel's high-tech industries and start-up companies soared in 2000, reflecting strong global demand and intense financial market interest in this field. This sector became a focal point of foreign investment. However, the collapse of the US financial markets, especially the NASDAQ, hurt Israel's technology sectors. Nevertheless, as a result of efficiency measures, lower labor costs, and a depreciation of the shekel, many high-tech sub-sectors, particularly electronic component production and exports, recorded growth after 2002.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Israel manufactures and exports an expanding array of high-technology goods, especially for military purposes. In 2002, Israel spent \$6,547,743, or 5.11% of GDP on research and development (R&D) in science, engineering, agriculture, and medicine. In 2000 (the latest year for which the following data was available) business accounted for 69.9% of R&D spending, followed by the government at 24.7%, with foreign sources and higher education each accounting for 2.8%. National and local governments and industry shared equally in the funding. A privatization program, begun by the government, has resulted in the creation of many science and technology parks and high technology towns, like Migdal He'Emck. Israel has an advanced nuclear research program, and it is widely believed that Israel has the capacity to make nuclear weapons.

Among scientific research institutes are seven institutes administered by the Agricultural Research Organization; the Rogoff-Wellcome Medical Research Institute; institutes for petroleum research, geological mapping, and oceanographic and limnological research directed by the Earth Sciences Research Administration; institutes of ceramic and silicate, fiber, metals, plastics, wine, and rubber research directed by the Office of the Chief Scientist, Ministry of Industry and Trade; the Institutes of Applied Research at the Ben-Gurion University of the Negev; the Israel Institute for Biological Research; the Israel Institute for Psychobiology; the National Research Laboratory; and the Soreg and Negev nuclear re-

search centers attached to the Israel Atomic Energy Commission. The country has eight universities and colleges offering courses in basic and applied sciences; among them are the Weizmann Institute in Rehovot and the Technion-Israel Institute of Technology in Haifa. In 1987-97, science and engineering students accounted for 49% of all college and university students.

Immigration into Israel may be its best science and technology policy. Some consider this a "brain drain" in reverse and claim that it will help Israeli high technology competitiveness in the future. In 2002, high technology exports were valued at \$5.414 billion and accounted for 20% of all manufactured exports.

## 3<sup>0</sup> DOMESTIC TRADE

Banks, commercial institutions, and the Histadrut labor federation have their headquarters in Tel Aviv-Yafo, the business capital. Supermarkets and department stores are on the increase; installment sales are widespread. Packaged goods are becoming more common, but many sales are still made in bulk. Cooperative societies market the agricultural produce of their affiliated settlements and farms. Tnuva, the Histadrut agricultural marketing society, sells most of Israel's farm products. Advertising media include newspapers, periodicals, posters, billboards, television and radio broadcasts, and motion picture theaters.

Larger shopping centers and malls are becoming more popular in the country. There are about 200 malls nationwide and construction plans for many others. At least half of all food sales are through supermarket and retail chains, but small, open-air produce markets are still common. Foreign franchises have been well established since the mid-1980s, primarily in the fast-food and hardware industries.

Business hours vary widely, depending on the religion of the proprietor. Saturday closing is the custom for all Jewish shops, offices, banks, public institutions, and transport services. Office hours are generally Sunday to Thursday, 8 AM to 5 PM. Retail hours run from 9 AM to 7 PM Sunday through Thursday and 9 AM to 2 PM on Fridays. Shops in malls usually stay open until 10 PM. On days preceding holidays, shops shut down about 2 PM, offices at 1 PM. Banks are open 8:30 AM to 12:30 PM and 4 to 5:30 PM; they close at noon on Fridays and days before holidays and have no

### Principal Trading Partners – Israel (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	31,782.7	34,210.9	-2,428.2
United States	12,089.1	5,331.7	6,757.4
Belgium	2,320.8	3,179.7	-858.9
Areas nes	1,523.7	3,863.6	-2,339.9
China, Hong Kong SAR	1,495.6	892.7	602.9
United Kingdom	1,224.5	2,283.2	-1,058.7
Germany	1,123.4	2,730.9	-1,607.5
Netherlands	1,085.1	1,196.3	-111.2
Italy-San Marino-Holy See	772.5	1,398.2	-625.7
India	717.9	888.8	-170.9
France-Monaco	687.8	1,182.5	-494.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

afternoon hours on Wednesdays. Many Islamic-owned establishments are closed all day Friday, while Christian ones are closed on Sunday.

### 3<sup>1</sup> FOREIGN TRADE

Israel is a relatively small country with limited natural resources and an affluent, bourgeois citizenry; as such, it is highly dependent on international trade, both to supply its industry with natural resources, and to purchase its value-added products. The vast majority (66%) of Israeli exports are manufactured goods and their primary destinations are the United States and the European Union, which together buy 65% of Israel's exports. Imports are primarily industrial resources (63%)—other large sectors are capital goods (19%) and consumer products (11%).

Cut diamonds top the list of Israel's export commodities. In 2005, Israel's polished and rough diamond exports broke the \$10 billion level for the first time, maintaining Israel's position as a major trading and manufacturing center for polished and rough diamonds. Net polished diamond exports were \$6.7 billion, and rough diamond exports reached \$3.5 billion. Net imports of rough diamonds totaled \$5.3 billion, and Israel's imports of polished diamonds rose 9.3% in 2005 to reach \$3.9 billion. The US is the major export market for Israel's polished diamonds, although its export share dropped from 67% in 2004 to 61% in 2005, with exports to Europe and Asia increasing.

The list of major exports in 2004 included: polished diamonds (gross) (31.4% of all exports); electronic communication, medical, and scientific equipment (17%); chemicals and chemical products (excluding refining) (16.9%); and machinery and equipment (4%). Israel's major imports in 2004 were: diamonds (gross) (22.7% of all imports); machinery and equipment (12.1%); fuel (11.1%); consumer nondurable goods (7%); and chemicals and chemical products (excluding refining) (6.7%).

Israel's leading markets in 2003 were: the United States (42.2% of all exports); Belgium (6.1%); the United Kingdom (4.7%); Germany (4.4%); and the Netherlands (3.7%). Leading suppliers included: the United States (22.4% of all imports); Germany (8.9%); Belgium (8.4%); the United Kingdom (7.3%); and Switzerland (7.2%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Israel's foreign trade has consistently shown an adverse balance, owing mainly to the rapid rise in population and the expansion of the industrialized economy, requiring heavy imports of machinery and raw materials. The imbalance on current accounts has been offset to a large extent by the inflow of funds from abroad. Deficits are often offset by massive US aid and American Jewish philanthropy. Even with these funds, however, Israel still runs significant trade deficits. Financing this deficit is easier on Israel than on many nations primarily because of its relationship with the United States.

After falling sharply in 2001–02, merchandise exports recovered in 2003 to \$30.1 billion, and increased to \$36.2 billion in 2004. Imports also increased in 2003, to \$32.3 billion, before rising even more strongly to \$38.6 billion. Overall, the trade deficit fell sharply in 2003 before stabilizing at \$2.4 billion in 2004, which kept the current account in surplus at \$504 million. In 2005, ex-

ports were estimated at \$40.14 billion, and imports at \$43.19 billion. The current account remained stable at \$500 million.

### 3<sup>3</sup> BANKING AND SECURITIES

The Bank of Israel, with headquarters in Jerusalem, began operations as the central state bank in December 1954. Total banking assets at year-end 2001 were NIS435 billion. The bank issues currency, accepts deposits from banking institutions in Israel, extends temporary advances to the government, acts as the government's sole banking and fiscal agent, and manages the public debt. Among the largest commercial banks are the Bank Leumi, the Israel Discount Bank, and the Histadrut-controlled Bank Hapoalim. There were 24 licensed commercial banks in 1997; one investment bank; and nine mortgage banks. There are also numerous credit cooperatives and other financial institutions. Among the subsidiaries of commercial banks are mortgage banks (some of which were also directly established by the government). The largest of these specialized institutions, the Tefahot Israel Mortgage Bank, provides many loans to home builders.

Industrial development banks specialize in financing new manufacturing enterprises. The Industrial Bank of Israel, formed in 1957 by major commercial banks, the government, the Manufacturers' Association, and foreign investors, has received aid from the IBRD and has played a major role in the industrial development of the Negev area. The government-owned Bank of Agriculture is the largest lending institution in that sector. The Post Office Bank, similar to France's La Poste, is concerned mainly with clearing operations, savings, sale of savings certificates, and postal orders.

The structure of the banking industry is based on the central European model of "universal banking," whereby the banks operate as retail, wholesale, and investment banks, as well as being active in all main areas of capital market activity, brokerage, underwriting, and mutual and provident fund management. Howev-

#### Balance of Payments – Israel (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>154.0</b>
Balance on goods		-2,177.0
Imports	-32,333.0	
Exports	30,155.0	
Balance on services		312.0
Balance on income		-4,359.0
Current transfers		6,377.0
<b>Capital Account</b>		<b>458.0</b>
<b>Financial Account</b>		<b>-2,527.0</b>
Direct investment abroad		-1,773.0
Direct investment in Israel		3,672.0
Portfolio investment assets		-3,078.0
Portfolio investment liabilities		384.0
Financial derivatives		339.0
Other investment assets		-1,634.0
Other investment liabilities		-438.0
<b>Net Errors and Omissions</b>		<b>1,398.0</b>
<b>Reserves and Related Items</b>		<b>516.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

er, the banks are barred from insurance operations, other than as owners of insurance agents, and have only recently been allowed to enter the pension market.

The Bank of Israel's power to fix the liquidity ratio that banks must maintain against deposits has been an important instrument in governing both volume and types of loans. Legal interest rate ceilings formerly were 10% on loans to industry and agriculture and 11% for commercial loans, but in the early 1980s, rampant inflation caused the large commercial banks to raise the interest rate to 136%. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$9.0 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$114.2 billion. In the financial sector, the banks have benefited from a very slow program of financial deregulation and the absence of foreign competition; until 2000, the only foreign bank licensed to operate in Israel was the Polish PKO Bank, more of a historical curiosity than a serious commercial consideration. However, as deregulation progressed, the prospect of foreign ownership of Israeli banks, in part or whole, grew more real. In 2000, Citibank set up a full branch in Israel, the first major international bank to do so; HSBC followed soon afterward, and Bank of America has also set up a branch office there.

Growing activity on the Israeli securities market made it necessary to convert the rather loosely organized Tel Aviv Securities Clearing House into the formally constituted Tel Aviv Stock Exchange (TASE) in 1953. A further expansion took place in 1955, when debentures linked either to the US dollar or to the cost-of-living index—with special tax privileges—made their first appearance on the market. The market is largely devoted to loans of public and semipublic bodies, with provident funds and banks acquiring most of the securities placed. There is only one quotation daily for each security. As of 2004, there was a combined total of 571 companies listed on the TASE and the S&P EMDB Israel indices, which in that year had a market capitalization of \$95.505 billion. In 2004, the Tel Aviv 100 index rose 19% from the previous year to 636.

By 1983 the price of bank shares was steadily becoming more detached from their true value. When it became obvious in 1983 that the government would have to devalue its currency, many people began to liquidate their holdings of shekel-denominated assets in favor of foreign currency. The assets most widely held and most easily liquidated were bank shares. The selling wave began in the summer of 1983 and peaked in October, forcing the government to intervene. The closing of the TASE, on 6 October 1983, became known as the “economic day of atonement” and represented the end of the speculators' paradise created and supported by leading Israeli banks.

By the mid-1990s, as Israel moved to liberalize its economy, the banking sector underwent significant reconstruction. In two sell-offs in 1997 and 1998, the government divested itself of a majority of Bank Hapoalim. It also sold sizeable shares of United Mizrahi Bank, Israeli Discount Bank, and Bank Leumi, in the hopes of shedding all remnants of ownership in these banks. In addition to bank privatization, the Israeli government moved to reduce capital markets regulations.

### Occupied Territories

In 1994 the Palestinian Authority (PA) began to take over the management of an economy with a limited capacity to support its expanding population. The PA has acted within the constraints of the economic protocol to revive the financial sector. The reconstruction effort requires the creation of financial markets and institutions that perform the key functions of supplying liquidity, encouraging savings and investments, and facilitating the management of risk.

In expectation of a boom in the financial sector, a number of Jordanian and Palestinian banks opened, or reopened, branches in the West Bank and Gaza. The banks have mainly limited themselves to establishing checking accounts and accepting deposits, specifically noninterest bearing accounts. Despite their success in attracting deposits from Palestinians, the banks have maintained a limited role in lending. The reluctance to invest locally stems from doubts over the political environment and it is widely believed that banks are investing abroad, particularly in Central Bank of Jordan treasury bills. The Commercial Bank of Palestine, one of the first banks to open after the return of the Palestinian Authority, was capitalized at \$14 million and raised its capital to \$20 million by end-2003.

A key factor in the success of the banks will be the supervisory activities of the Palestinian Monetary Authority (PMA), set up as a result of the Paris protocol. The PMA has most of the functions of a central bank. It is empowered to act as the PA's adviser and sole financial agent; to hold its foreign currency reserves; to regulate foreign-exchange dealers; and to supervise the banking sector, as the self-rule areas come under PA jurisdiction. However, in the absence of a Palestinian currency, the PMA's ability to be a lender of last resort is questionable.

The Arab Palestine Investment Bank (APIB) held its first annual general meeting in Ramallah on 15 September 1996 and its first board meeting in 'Ammān the next day. The bank, with paid-up capital of some \$15 million, has four principal shareholders, Jordan's Arab Bank (55%), the International Finance Corp. (25%), the German Investment and Development Co. (15%), and the Palestinian private-sector Enterprise Investment Co. (5%). Total deposits of the Palestinian banking system expanded by over 125% during the year ended June 1996, reaching \$2.06 trillion. However, it was estimated that over half the local deposits were invested abroad, while only \$300 million were loaned internally to the Palestinians.

On 25 February 2004, Israel raided certain banks in the West Bank, seizing some \$8.5 million from bank vaults. However, this move did not significantly affect public confidence in banks, as private sector deposits increased by almost 4% in the first three quarters of 2004. Bank credit to the private sector grew strongly by some 13% in the first three quarters of 2004, after being stagnant in 2001–03. This was partly due to greater demand for loans by creditworthy businesses and an increase in bankable projects, and partly due to the PMA's pressures on banks to increase their financial intermediation role, since only 29% of deposits are invested in the West Bank and Gaza.

Due to the election of a Hamas government in January 2006, and Israel's subsequent decision to cease transferring some \$50 million in monthly tax and customs receipts to the PA (collected on behalf of the Palestinians), Palestinians realized they would

have to take significant steps to court new investment and development funds to support the economy, improve infrastructure, reduce poverty, and secure the living standards of the people. In January 2006, the Palestinian Minister for the National Economy pledged to provide a number of political and financial guarantees to those wishing to invest in Palestine: first on the list was a plan to establish a \$250 million Investment Security Fund as insurance against further political action. The fund was to be established by various entities, including OPEC, the World Bank, the Islamic Investment Bank, German Investment Bank, European Investment Bank, and the Palestinian Investment Fund.

### 34 INSURANCE

The State Insurance Controller's Office may grant or withhold insurance licenses and determine the valuation of assets, the form of balance sheets, computations of reserves, and investment composition. Automobile liability insurance, workers' compensation, and aviation liability are compulsory. War-damage insurance is compulsory on buildings and also on some personal property.

The insurance sector is dominated by a few large firms, of which Migdal and Clal Insurance are the most prominent. However, the easy, cartel-like conditions that have characterized the sector for many years are beginning to crumble and new direct insurance companies are gaining market share. In 1997, the US-based AIG group entered the fray, via a direct insurance joint venture with an Israeli communications company, Aurec, which signaled the opening up of the industry to much greater competition from both domestic and foreign entities. In 2003, the value of direct premiums written totaled \$6.892 billion, of which nonlife premiums accounted for \$3.840 billion. Clal was Israel's top nonlife insurer in 2002, with gross written nonlife premiums of \$479.3 million. Migdal, that same year was the country's leading life insurer, with gross written life premiums totaling \$839.9 million.

### 35 PUBLIC FINANCE

Israel has the most advanced economy in the Middle East, although the country has been plagued with political and social woes for much of its independence. The onset of the intifada in September 2000 threatened to reverse much of the economic progress that had been made in the prior few decades. The violence has left several industries, especially the tourism sector, in critical states. Also, Israel's sizeable external debt, which was equivalent to about 38% of GDP in 2000, has put a damper on the economy's expansion.

The US Central Intelligence Agency (CIA) estimated that in 2005 Israel's central government took in revenues of approximately \$43.8 billion and had expenditures of \$58 billion. Revenues minus expenditures totaled approximately -\$14.2 billion. Public debt in 2005 amounted to 101% of GDP. Total external debt was \$73.87 billion.

In 2002, government outlays by function were as follows: general public services, 14.5%; defense, 20.2%; public order and safety, 3.5%; economic affairs, 4.7%; environmental protection, 0.2%; housing and community amenities, 1.3%; health, 12.8%; recreation, culture, and religion, 1.7%; education, 15.0%; and social protection, 25.6%.

In the West Bank and Gaza in 2004, revenues amounted to \$964 million and expenditures amounted to \$1.34 billion. The occupied territories held no external debt.

### 36 TAXATION

Israel's population is heavily taxed. The personal income tax is progressive, with a top rate of 50%. In addition, there are personal income taxes on gross income from employment, trade, business, dividends, and other sources, with limited deductions. However, special tax concessions are granted to residents in border settlements, new settlements, and the Negev. Taxes of salaried persons are deducted at the source; self-employed persons make advance payments in 10 installments, subject to assessment. Also levied are a value-added tax (VAT) of 25%, a purchase tax, various land taxes, and a national health insurance premium tax on a rising scale to 4.8%.

The main corporate income tax rate is 34%, although tax reliefs are available to "approved enterprises" and international trading companies. Municipalities and local and regional councils levy several taxes. There is an annual business tax on every enterprise, based on net worth, annual sales volume, number of employees, and other factors. General rates, a real estate tax (commonly based on the number of rooms and the location of the building), and water rates are paid by the tenants or occupants rather than the owners.

### 37 CUSTOMS AND DUTIES

Israel has a single-column import tariff based on the Brussels nomenclature classification. Ad valorem rates predominate, although specific and compound rates are also used. Most basic food commodities, raw materials, and machinery for agricultural or industrial purposes are exempt from customs duties. The highest rates are applied to nonessential foodstuffs, luxury items, and manufactured goods that are of a type produced in Israel. There are also an 18% value-added tax (VAT), which is levied on virtually all com-

#### Public Finance – Israel (2002)

(In millions of new sheqalim, central government figures)

<b>Revenue and Grants</b>	<b>239,548</b>	<b>100.0%</b>
Tax revenue	147,479	61.6%
Social contributions	38,233	16.0%
Grants	20,340	8.5%
Other revenue	33,496	14.0%
<b>Expenditures</b>	<b>259,670</b>	<b>100.0%</b>
General public services	37,625	14.5%
Defense	52,564	20.2%
Public order and safety	9,000	3.5%
Economic affairs	12,205	4.7%
Environmental protection	621	0.2%
Housing and community amenities	3,394	1.3%
Health	33,327	12.8%
Recreational, culture, and religion	4,458	1.7%
Education	38,983	15.0%
Social protection	66,396	25.6%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

modities except fresh fruits and vegetables, and a purchase tax ranging from 5–90% on most consumer goods.

A free-trade agreement between Israel and the then-European Community (today, the European Union) took effect on 1 July 1975. Under this agreement, EC tariffs on Israel's industrial exports were immediately reduced by 60% and were subsequently eliminated. Preferential treatment has also been extended to Israel's agricultural exports. In return, Israel has granted concessions to the European Union on many categories of industrial and agricultural imports and agreed to gradually abolish its customs duties on imports from the European Union.

Israel also belongs to the World Trade Organization (WTO) and operates its trade regime according to WTO guidelines. Most significantly, the WTO calls for the elimination of nontariff barriers. Israel also signed a free trade agreement with the United States in 1985, which called for the elimination of all remaining duties on US-made products by 1 January 1995. However, Israel and the United States differ on the interpretation of the treaty and it has yet to be fully implemented.

### **38 FOREIGN INVESTMENT**

Israel is open to foreign investment, and the government encourages and supports the inflow of capital. There are few restrictions on foreign investment, excepting parts of the defense industry, which are closed to outside investors on national security grounds.

Apart from reparations, capital imports mainly consist of long-term loans and grants designed for investment by the government or the Jewish Agency.

A 1951 law was designed to encourage foreign investment in those industries and services most urgently required to reduce Israel's dependence on imports and to increase its export potential. Applying mainly to investments in industry and agriculture, the law offers such inducements as relief from property taxes during the first five years, special allowances for depreciation, exemption from customs and purchase tax on essential materials, and reductions in income tax rates. In a further effort to attract foreign investment, the government approved the "Nissim Plan" in 1990. This plan gives the investor the option of state loan guarantees for up to two-thirds of a project or the bundle of benefits offered under the "Encouragement of Capital Investments Law." A 1985 US-Israeli Free Trade Area (FTA) agreement reduces tariffs and most nontariff barriers for US firms. Israel also has an FTA agreement with the European Union (EU) under which tariffs on industrial products and certain agricultural products fell to zero on 1 January 1989. In 1995, Israel attracted \$2.5 billion in foreign investment. This figure came on the heels of several years of economic growth and fiscal austerity.

New direct foreign investment amounted to \$3.7 billion in 2003, about 3.4% of GDP. Portfolio investment stood at \$2.4 billion. The estimated stock of foreign direct investment in Israel was \$31.8 billion at the end of 2003, just under 29% of GDP. Net direct investment by Israelis abroad in 2003 amounted to approximately \$1.8 billion.

### **39 ECONOMIC DEVELOPMENT**

Economic policy is dictated by goals of national security, full utilization of resources, integration of immigrants, and institution of a broad welfare program. The urgency of these goals imposes

responsibilities on the government for planning, financing, and directly participating in productive activities. And, in fact, government infrastructure development since 1990 has played a large part in Israel's powerful economic performance in recent years. Major government projects include an expansion of the Ben-Gurion Airport, a subway for Tel-Aviv, a tunnel through Mt. Carmel, and a major new north-south highway.

In the years immediately following independence, the government influenced the setting in which private capital functions, through differential taxation, import and export licensing, subsidies, and high protective tariffs. The 1962 revaluation of the Israeli pound was accompanied by a new economic policy aimed at reduction of protective tariffs, continued support of development, planning and implementation of long-range development, and maximization of efficiency. Subsequently, the government has periodically decreed further monetary devaluations, new taxes, and other austerity measures designed to curb consumption and stimulate exports. By the mid-1990s, the Israeli government was actively engaged in an economic liberalization program that is a stark contrast from the largely state regulated economy of Israel's first few decades.

By the mid-2000s, security issues remained Israel's top political priority, which impact the economy. The government has made progress stabilizing the economy, widening fiscal reforms, and accelerating privatization and market deregulation.

### **40 SOCIAL DEVELOPMENT**

Israel has a universal social insurance system that covers all residents aged 18 and over, including housewives. Benefits are extensive and include old age pensions, disability, medical care, and family allowances. Employee-based programs include maternity benefits, worker's compensation for injuries, and unemployment benefits. These programs are funded by contributions by employees, employers, and the government. Beginning in 2004, the age for retirement is being increased until it reaches 67 for both men and women. All residents are covered for medical care.

The Equality of Women Law provides equal rights for women in the military, workplace, health, education, housing, and social welfare. It also entitles women to protection from sexual harassment, exploitation, and violence. There were still many reports of spousal abuse in 2004, and some harassment in the military. Although the law mandates equal pay for equal work, a wage gap remains. Jewish women are subject to military draft, and can volunteer to serve in combat units. Jewish and Muslim women are subject to limitations in their respective faiths. Children's rights are protected and education is free and compulsory.

The use of limited physical force during interrogations has been legal, but a high court ruling banned a variety of specific abuses, including sleep deprivation and violent shaking. Administrative detention without trial remains legal, but it is rarely used. Prison conditions for Palestinians have improved but still do not meet all international standards. The government generally protects the human rights of its citizens.

### **41 HEALTH**

The Ministry of Health supervises all health matters and functions directly in the field of medical care. Total health care expenditure was estimated at 9.5 % of GDP. The Arab Department of the

Ministry of Health recruits public health personnel from among the Arab population and its mobile clinics extend medical aid to Bedouin tribes in the Negev. As of 2004, there were an estimated 391 physicians, 616 nurses, 68 pharmacists, and 18 midwives per 100,000 people. In addition, Israel had the third most dentists per capita at an estimated 120 per 100,000 population. The Ministry of Health also operates infant welfare clinics, nursing schools, and laboratories. The largest medical organization in the country, the Workers' Sick Fund (Kupat Holim, the health insurance association of Histadrut), administers hospitals, clinics, convalescent homes, and mother-and-child welfare stations.

The infant mortality rate was 7.03 per 1,000 live births in 2005. The maternal death rate is the lowest in the Middle East and North Africa. As of 2002, Israel's birth and death rates were estimated respectively at 18.9 and 6.2 per 1,000 people. Life expectancy was 79.32 years in 2005. The fertility rate has decreased steadily over the years from 3.9 in 1960 to 2.8 children in 2000 for each woman during childbearing years. Immunization rates for children up to one year old were: diphtheria, pertussis, and tetanus, 92%; polio, 93%; and measles, 95%.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 3,000 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

## 4<sup>2</sup> HOUSING

Israel suffered from a severe housing shortage at its creation. Despite an extensive national building program and the initial allocation of some abandoned Arab dwellings to newcomers, in early 1958, nearly 100,000 immigrants were still housed in transit camps. By the mid-1960s, however, the extreme housing shortage had been overcome and newcomers were immediately moved into permanent residences. From 1960 to 1985, a total of 943,350 housing units were constructed. In 1986, 94% of all housing units had piped water, 58.2% had flush toilets, and 99% had electric lighting. The period 1990–2001, a surge of immigration from the former Soviet Union and Ethiopia resulted in a dramatic increase in housing demand. The government responded with mortgage packages making it possible for new immigrants to afford housing.

As of the 1995 census, there were about 1,639,410 residential dwellings throughout the nation. The average building rate seems to be at over 30,000 new dwellings per year. About 38,000 new dwellings were added in 1996; 32,482 were added in 2004. In 2003, about 70% of all households lived in dwellings owned by a resident. Homelessness and overcrowding are serious problems in the West Bank and Gaza.

## 4<sup>3</sup> EDUCATION

In Israel, Education is compulsory for 11 years and free for all children between 5 and 15 years of age. Primary education is for six years followed by three years of lower secondary and three more years of upper secondary education. A state education law of 1953 put an end to the separate elementary school systems affiliated with labor and religious groupings, and established a unified state-administered system, within which provision was made for state religious schools. Four types of schools exist: public religious (Jewish) and public secular schools (the largest group); schools of the orthodox Agudat Israel (which operated outside the public

school system but were assisted with government funds); public schools for Arabs; and private schools, mainly operated by Catholic and Protestant organizations. The language of instruction in Jewish schools is Hebrew; in Arab schools it is Arabic. Arabic is taught as an optional language in Jewish schools, while Hebrew is taught in Arab schools from the fourth grade. The school year runs from October to June.

Most children between the ages of three and five are enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 99% of age-eligible students. The same year, secondary school enrollment was about 89% of age-eligible students. The student-to-teacher ratio for primary school was at about 15:1 in 2003.

Israel has eight main institutions of higher learning. The two most outstanding are the Hebrew University (founded in 1918) in Jerusalem and the Israel Institute of Technology (Technion, founded in 1912) in Haifa, both of which receive government subsidies of about 50% of their total budgets; the remaining funds are largely collected abroad. The Tel Aviv University was formed in 1956. Other institutions include the Bar-Ilan University in Ramat-Gan, opened in 1955 under religious auspices; the Weizmann Institute of Science at Rehovot, notable for its research into specific technical, industrial, and scientific problems; Haifa University; and Ben-Gurion University of the Negev in Beersheva. An Open University, promoting adult education largely through home study, was established and patterned on the British model. In 2003, about 57% of the tertiary age population were enrolled in some type of higher education program; with 49% for men and 66% for women. The adult literacy rate for 2004 was estimated at about 96.9%, with 98.3% for men and 95.6% for women.

As of 2003, public expenditure on education was estimated at 7.5% of GDP, or 13.7% of total government expenditures.

In the Palestinian school system, basic education covers 10 years of study followed by two years of secondary school or two years of vocational school. The final two years of general secondary school, students are placed in either arts or science courses depending on their performance in their basic education. Primary school enrollment in 2003 was estimated at about 91% of age-eligible students. The same year, secondary school enrollment was about 84% of age-eligible students.

Universities and community colleges offer higher education programs for adults. Schools include Bethlehem University, Islamic University, and Palestine Polytechnic Institute. In 2003, about 35% of the tertiary age population were enrolled in some type of higher education program.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

Israel's largest library, founded in 1924, is the privately endowed Jewish National and University Library at the Hebrew University in Jerusalem, with three million volumes. Important collections are housed in the Central Zionist Archives and the Central Archives for the History of the Jewish People, both also in Jerusalem. There are more than 950 other libraries, and the Ministry of Education and Culture has provided basic libraries to hundreds of rural settlements. The Ben Gurion University of the Negev (1966)

holds 720,000 volumes. Tel Aviv University holds two million volumes, including a Holocaust Studies collection.

The country's most important museum is the Israel Museum, opened in 1965 in Jerusalem. Found in the museum are the Bezalel Art Museum, with its large collection of Jewish folk art; a Jewish antiquities exhibit; the Billy Rose Art Garden of modern sculpture; the Samuel Bronfman Biblical and Archaeological Museum; and the Shrine of the Book, containing the Dead Sea Scrolls and other valuable manuscripts. The Rockefeller Archaeological Museum (formerly the Palestine Museum), built in 1938, contains a rich collection of archaeological material illustrating the prehistory and early history of Palestine and Transjordan. There is also in Jerusalem the Central Archives for the History of the Jewish People, containing documents from Jewish communities and organizations around the globe. The Tel Aviv Museum of Art, founded in 1926, has more than 30,000 paintings, drawings, and sculptures. Among Israel's newer cultural institutions are the Museum of the Diaspora in Tel Aviv-Yafo, founded in 1978; the Bible Lands Museum in Jerusalem, founded in 1992; the Museum of Israeli Art in Ramat Gan, founded in 1987; and the Tower of David Museum of the History of Jerusalem at the Jaffa Gate in Jerusalem, founded in 1989.

#### 4<sup>5</sup> MEDIA

The state owns and operates the major telephone communications services, although radio and television are increasingly privately owned. In 2003, there were an estimated 458 mainline telephones for every 1,000 people. The same year, there were approximately 961 mobile phones in use for every 1,000 people.

The state radio stations include the government's Israel Broadcasting Authority (*Shidurei Israel*), the army's Defense Forces Waves (*Galei Zahal*), and the Jewish Agency's Zion's Voice to the Diaspora (*Kol Zion la-Gola*), aimed mostly at Jewish communities in Europe and the United States. The Second Television and Radio Authority is a public organization that operates 2 privately owned television channels and 14 privately owned radio stations. There are one satellite and three cable and television companies. In 2003, there were an estimated 526 radios and 330 television sets for every 1,000 people. Cable subscriptions are common. Also in 2003, there were 242.6 personal computers for every 1,000 people and 301 of every 1,000 people had access to the Internet. There were 869 secure Internet servers in the country in 2004.

All Israeli newspapers are privately owned and managed. Most newspapers have 4–16 pages, but there are weekly supplements on subjects such as politics, economics, and the arts. In 2004, there were 12 daily newspapers, 90 weekly newspapers, and more than 250 periodical publications. The largest national daily Hebrew newspapers (with their average 2002 circulations) are *Yediot Achronot* (*Latest News*, 300,000), *Maariv Evening* (*Evening Prayer*, 160,000), *Hadashot* (*The News*, 55,000), and *Ha'aretz* (*The Land*, 65,000), all published in Tel Aviv. Also out of Tel Aviv are two Russian papers, *Nasha Strana* (*Our Country*, 35,000) and *Tribuna* (*Tribune*); the Polish *Nowiny Kurier* (12,000); the German *Hadashot Israel*; the Hungarian *Uj Kelet* (20,000); and the Romanian *Viata-Noastra* (30,000). The English-language *Jerusalem Post* (30,000) is published in Jerusalem.

Although there is no political censorship within Israel, restrictions are placed on coverage of national security matters. Indi-

viduals, organizations, the press, and the electronic media freely debate public issues and often criticize public policy and government officials.

#### 4<sup>6</sup> ORGANIZATIONS

The World Zionist Organization (WZO) was founded by Theodor Herzl in 1897 for the purpose of creating "for the Jewish people a home in Palestine, secured by public law." The organization is composed of various international groupings represented in its supreme organ, the World Zionist Congress. The Jewish Agency, originally founded under the League of Nations mandate to promote Jewish interests in Palestine, comprises the executive arm of the WZO; since 1948, it has been responsible for the organization, training, and transportation to Israel of all Jews who wish to settle there. The United Israel Appeal (*Keren Hayesod*) is the financial instrument of the Jewish Agency; it recruits donations from world Jewry. The Jewish National Fund (*Keren Kayemet le'Israel*) is devoted to land acquisition, soil reclamation, and reforestation. Hadassah, the Women's Zionist Organization of America, is also active in Israel; it sponsors the Hadassah Medical Organization, which provides hospital and medical training facilities.

The main labor organization is the General Federation of Labor (*Histadrut*), a large economic complex whose interests include some of the largest factories in the country, an agricultural marketing society (*Tnuva*), a cooperative wholesale association (*Hamashbir Hamerkazi*), and a workers' bank. Trade and industry unions are fairly active, including such groups as the Manufacturers Association of Israel, Israel Association of Craft and Industry, and the Citrus Marketing Board of Israel. There are professional associations representing a wide variety of fields. The Israel Medical Organization promotes research and education on health issues and works to establish common policies and standards in healthcare. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions, such as the Israel Heart Society and the Israel Cancer Association.

There are numerous cultural and religious societies and organizations. The Israel Academy of Sciences and Humanities promotes public interest in science and cooperates with foreign academies in research and dissemination of information. The Hebrew Writers Association in Israel represents Hebrew writers worldwide.

An important youth organization is Youth Aliyah, founded in 1934, which has helped to rehabilitate and educate children from all countries of the world. Other national youth organizations include the Israeli Boy and Girl Scouts Federation, National Working Youth Movement of Israel, Orthodox Youth Movement of Israel (*Ezra*), Socialist Youth Movement of Israel, Sons of Akiva Youth Movement of Israel, Tel Aviv University Students' Association, Trumpeldor Covenant Youth Movement of Israel, United Kibbutz Youth Movement of Israel, Young Herut, Zionist Youth Movement, and chapters of the YMCA/YWCA. The Association for Arab Youth was founded in 2000 to be a bipartisan organization promoting pluralism and tolerance through educational and recreational youth activities. Sports associations are also active, including such pastimes as baseball, badminton, ice skating, cricket, and frisbee.

The Council of Women's Organizations in Israel is an umbrella organization promoting legal and social rights for women.



The Arab Association for Human Rights is in Nazareth and the Association for Civil Rights in Israel is in Jerusalem. The Democracy and Workers Rights Center represents those working to create a civil society within the Palestinian-administered territories of the West Bank and the Gaza Strip. Disaster relief and aid services in Israel are organized by the Red Shield of David (Magen David Adom), which cooperates with the International Red Cross. Other international organizations include Defence for Children International and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Principal tourist attractions are the many holy and historic places, which include sites sacred to three religions: Judaism, Islam, and Christianity. In particular, the Old City of Jerusalem contains the Western (“Wailing”) Wall, the Dome of the Rock, and the Church of the Holy Sepulchre; nearby are the Mount of Olives and Garden of Gethsemane. Another holy place is Bethlehem, the birthplace of both King David and Jesus. Also of great interest are the ruins of Jericho, the world’s oldest city; the caves of Qumran, near the Dead Sea; and the rock fortress of Masada, on the edge of the Dead Sea Valley and the Judean Desert. Tourists are also drawn to Israel’s rich variety of natural scenery, ranging from hills and greenery in the north to rugged deserts in the south, and including the Dead Sea, the lowest spot on Earth. The most popular team sports are football (soccer) and basketball; popular recreations include swimming, sailing, and fishing.

A valid passport, proof of sufficient funds, and onward/return ticket are required for tourists; a three-month visa may be issued upon arrival. The Tourist Industry Development Corporation fosters tourism by granting loans for hotel expansion and improvement. A total of 1,063,381 tourists visited Israel in 2003, a 23% increase from 2002. There were 46,368 hotel rooms with 114,041 beds and an occupancy rate of 45%. The average length of stay was two nights.

In 2004, the US Department of State estimated the daily average of staying in Tel Aviv at \$336. Estimated daily expenses in Jerusalem were \$312 per day in 2002.

#### 48 FAMOUS ISRAELITES AND ISRAELIS

The State of Israel traces its ancestry to the settlement of the Hebrews in Canaan under Abraham (b.Babylonia, fl.18th cent. BC), the return of the Israelite tribes to Canaan under Moses (b.Egypt, fl.13th cent. BC) and Joshua (b.Egypt, fl.13th cent. BC), and the ancient kingdom of Israel, which was united by David (r.1000?–960? BC) and became a major Near Eastern power under Solomon (r.960?–922 BC). A prophetic tradition that includes such commanding figures as Isaiah (fl.8th cent. BC), Jeremiah (650?–585? BC), and Ezekiel (fl.6th cent. BC) spans the period of conquest by Assyria and Babylonia; the scribe Ezra (b.Babylonia, fl.5th cent. BC) and the governor Nehemiah (b.Babylonia, fl.5th cent. BC) spurred the reconstruction of the Judean state under Persian hegemony. Judas (Judah) Maccabaeus (“the Hammerer”; fl.165–160 BC) was the most prominent member of a family who instituted a period of political and religious independence from Greek rule. During the period of Roman rule, important roles in Jewish life and learning were played by the sages Hillel (b.Babylonia, fl.30 BC–AD 9), Johanan ben Zakkai (fl.1st cent.), Akiba ben Joseph (50?–

135?), and Judah ha-Nasi (135?–220), the compiler of the Mishnah, a Jewish law code; by the military commander and historian Flavius Josephus (Joseph ben Mattathias, AD 37–100?); and Simon Bar-Kokhba (bar Kosiba, d.135), leader of an unsuccessful revolt against Roman rule. Unquestionably, the most famous Jew born in Roman Judea was Jesus (Jeshua) of Nazareth (4? BC–AD 29?), the Christ, or Messiah (“anointed one”), of Christian belief. Peter (Simon, d.AD 67?) was the first leader of the Christian Church and, in Roman Catholic tradition, the first pope. Paul (Saul, b.Asia Minor, d.AD 67?) was principally responsible for spreading Christianity and making it a religion distinct from Judaism.

The emergence of Israel as a modern Jewish state is attributed in large part to Chaim Weizmann (b.Russia, 1874–1952), the leader of the Zionist movement for 25 years, as well as a distinguished chemist who discovered methods for synthesizing acetone and rubber. Theodor Herzl (b.Budapest, 1860–1904), the founder of political Zionism, is buried in Jerusalem. Achad Ha’am (Asher Hirsch Ginsberg; b. Russia, 1856–1927) was an influential Zionist and social critic. Vladimir Jabotinsky (1880–1940) was a dedicated advocate of Jewish self-defense, both in his native Russia and in Palestine. David Ben-Gurion (Gruen; b.Poland, 1886–1973), also a leading Zionist and an eloquent spokesman on labor and national affairs, served as Israel’s first prime minister. Golda Meir (Meyerson; b.Russia, 1898–1978), like Ben-Gurion a former secretary-general of Histadrut, became well known as Israel’s prime minister from 1970 to 1974. Other prominent contemporary figures include Pinhas Sapir (b.Poland, 1907–75), labor leader and minister of finance; Abba Eban (Aubrey Eban; b. South Africa, 1915–2002), former foreign affairs minister and representative to the UN; and Moshe Dayan (1915–81), military leader and cabinet minister. Menachem Begin (b.Russia, 1913–92), the former leader of guerrilla operations against the British, was prime minister from 1977 to 1983 and received the Nobel Peace Prize in 1978. He was succeeded by Yitzhak Shamir (b.Poland, 1915) in 1983, who gave way to Shimon Peres (b.Poland, 1923) in 1984. Shamir succeeded Peres in 1986. Yitzhak Rabin (1922–1995) was instrumental in the peace accords with the PLO signed in 1993 in Washington. Benjamin Netanyahu (b.1949) succeeded Peres, who had succeeded the assassinated Rabin. Ehud Barak (b.1942) followed Netanyahu as prime minister; Barak was succeeded by Ariel Sharon (b.1928). Sharon suffered a hemorrhagic stroke in January 2006; because he was incapacitated, his deputy prime minister, Ehud Olmert (b.1945), took over the duties of prime minister.

Israel’s foremost philosopher was Martin Buber (b.Vienna, 1878–1965), author of *I and Thou*. Outstanding scholars include the literary historian Joseph Klausner (1874–1958); the Bible researcher Yehezkel (Ezekiel) Kaufmann (b.Ukraine, 1889–1963); the philologists Eliezer Ben-Yehuda (b.Lithuania, 1858–1922) and Naphtali Hertz Tur-Sinai (Torczynyer; b. Poland, 1886–1973); the archaeologist Eliezer Sukenik (1889–1953); and the Kabbalah authority Gershom Gerhard Scholem (b.Germany, 1897–1982).

The foremost poets are Haim Nahman Bialik (b.Russia, 1873–1934), Saul Tchernichowsky (b.Russia, 1875–1943), Uri Zvi Greenberg (b.Galicia, 1896–1981), Avraham Shlonsky (b.Russia, 1900–1973), Nathan Alterman (b.Warsaw, 1910–70), Yehuda Amichai (b.Germany, 1924), and Natan Zach (b.Berlin, 1930); and the leading novelists are Shmuel Yosef Halevi Agnon (b.Galicia, 1888–1970), a Nobel Prize winner in 1966, and Hayim Hazaz

(b.Russia, 1898–1973). Contemporary Israeli writers include Amos Oz (b.1939), Aharon Appelfeld (b.1932), and David Grossman (b.1954). Painters of note include Reuven Rubin (b.Romania, 1893–1975) and Mane Katz (b.Russia, 1894–1962). Paul Ben-Haim (Frankenburger; b. Munich, 1897–1984) and Ödön Partos (b.Budapest, 1907–77) are well-known composers. Famous musicians include Daniel Barenboim (b.Argentina, 1942), Itzhak Perlman (b.1945), and Pinchas Zukerman (b.1948).

Significant contributions in other fields have been made by mathematician Abraham Halevi Fraenkel (b.Munich, 1891–1965); botanist Hugo Boyko (b.Vienna, 1892–1970); zoologist Shimon (Fritz) Bodenheimer (b.Cologne, 1897–1959); parasitologist Saul Aaron Adler (b.Russia, 1895–1966); physicist Giulio Raccah (b.Florence, 1909–65); rheologist Markus Reiner (b.Czernowitz, 1886–1976); gynecologist Bernard Zondek (b.Germany, 1891–1966); and psychoanalyst Heinrich Winnik (b.Austria-Hungary, 1902–82).

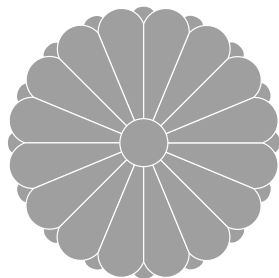
#### 49 DEPENDENCIES

Beginning at the end of the 1967 war until the 1990s, Israel administered the West Bank and the Gaza Strip. The Golan Heights, captured from Syria during the same war, was annexed in 1981; the Sinai Peninsula, taken from Egypt, was restored to Egyptian sovereignty in 1983, in accordance with a 1979 peace treaty. In 1994 Israel returned small pockets of some of the land captured in the war, to be administered in a less than totally sovereign fashion, by the Palestinian Authority. The move was in accord with a peace agreement (the Israel-PLO Declaration of Principles on Interim Self-Government Arrangements or DOP) signed in Washington, DC, on 13 September 1993 by representatives of Israel and the Palestine Liberation Organization (PLO). In January 1996, a Palestinian Legislative Council was elected to form the foundation for the interim self-government for the West Bank and Gaza Strip. In May 1994, a new agreement (the Israel-PLO 4 May 1994 Cairo Agreement on the Gaza Strip and the Jericho Area) transferred responsibility for the Gaza Strip and Jericho to the Palestinians. Over the next several years, agreements between Israel and the PLO transferred responsibility for West Bank territory from Israel to Palestinian control. According to the terms of the DOP, Israel was to continue to provide security for the territories transferred to Palestinian control during the period of transition. In 1999, negotiations to set the terms for permanent status for the West Bank and Gaza began, but a number of factors—continuing expansion of Israeli settlements in territory transferred to Pal-

stinian control, outbreaks of violence and terrorism beginning in 2000 and continuing for the next two years, instability in the Palestinian Authority, and severe reaction on the part of the Israeli military—combined to undermine further progress. The estimated population of the West Bank in 2002 was 2,163,667, not including an estimated 187,000 Israeli settlers; the estimated population of the Gaza Strip that year was 1,225,911, not including an estimated 5,000 Israeli settlers.

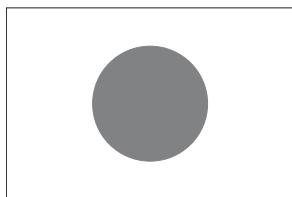
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# JAPAN

Nippon



**CAPITAL:** Tokyo

**FLAG:** The Sun-flag (Hi-no-Maru) consists of a red circle on a white background.

**ANTHEM:** (de facto) *Kimigayo* (*The Reign of Our Emperor*), with words dating back to the ninth century.

**MONETARY UNIT:** The yen (¥) of 100 sen is issued in coins of 1, 5, 10, 50, 100, and 500 yen, and notes of 500, 1,000, 5,000, and 10,000 yen. ¥1 = \$0.00917 (or \$1 = ¥109) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Adults' Day, 15 January; Commemoration of the Founding of the Nation, 11 February; Vernal Equinox Day, 20 or 21 March; Greenery Day, 29 April; Constitution Day, 3 May; Children's Day, 5 May; Respect for the Aged Day, 15 September; Autumnal Equinox Day, 23 or 24 September; Health-Sports Day, 10 October; Culture Day, 3 November; Labor-Thanksgiving Day, 23 November; Emperor's Birthday, 23 December.

**TIME:** 9 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated off the eastern edge of the Asian continent, the Japanese archipelago is bounded on the N by the Sea of Okhotsk, on the E and S by the Pacific Ocean, on the SW by the East China Sea, and on the W by the Sea of Japan. The total area of Japan is 377,835 sq km (145,883 sq mi). Comparatively, the area occupied by Japan is slightly smaller than the state of California. It extends 3,008 km (1,869 mi) NE-SW and 1,645 km (1,022 mi) SE-NW and has a total coastline of 29,751 km (18,486 mi).

The five districts are Honshū, Hokkaidō, Kyūshū, Shikoku, and Okinawa. Each of the five districts consists of a main island of the same name and hundreds of surrounding islands.

Of the thousands of lesser islands, four are of significance: Tsushima, in the straits between Korea and Japan; Amami Oshima, of the northern Ryukyu Islands at the southern end of the Japanese archipelago; Sado Island in the Sea of Japan off central Honshū; and Awaji Island, lying between Shikoku and Honshū. Two groups of islands returned to Japan by the United States in 1968 are located some 1,300 km (800 mi) due east of the Ryukyus: the Ogasawara (Bonin) Islands, about 885 km (550 mi) south of Tokyo, and the Kazan (Volcano) Islands, directly south of the Ogasawara group.

Japan's principal island is Honshū, on which are located the capital city of Tokyo, the principal cities and plains, and the major industrial areas. This island is divided into five regions: Tohoku, from north of Kanto to Tsugaru Strait; Kanto, embracing seven prefectures in the Tokyo-Yokohama region; the Chubu, or central, region, from west of Tokyo to the Nagoya area; Kinki, including the important cities of Kyoto, Osaka, Kobe, and Nara; and Chugoku, a narrow peninsula thrusting westward from Kinki between the Sea of Japan and the Inland Sea, which lies between southern Honshū and the island of Shikoku.

The Japanese government maintains that the Habomai island group and Shikotan, lying just off Hokkaidō and constituting fringe areas of the Kurils, belong to Japan and should be returned to Japanese administration. These islands and the Kuril Islands are occupied by Russia, whose claims are not formally recognized by Japan.

Japan's capital city, Tokyo, is located on the east coast of the island of Honshū.

## <sup>2</sup> TOPOGRAPHY

The Japanese islands are the upper portions of vast mountains belonging to what is sometimes called the Circum-Pacific Ring of Fire, which stretches from Southeast Asia to the Aleutian Islands. Mountains cover over 75% of the land's surface. Landforms are steep and rugged, indicating that, geologically, Japan is still a young area. Through the central part of Honshū, running in a north-south direction, are the two principal mountain ranges: the Hida (or Japan Alps) and the Akaishi mountains. There are 25 mountains with peaks of over 3,000 m (9,800 ft). The highest is the beautiful Mt. Fuji (Fuji-san), at 3,776 m (12,388 ft). Japan has 265 volcanoes (including the dormant Mt. Fuji), of which about 20 remain active.

The plains of Japan are few and small and cover only about 29% of the total land area. Most plains are located along the seacoast and are composed of alluvial lowlands, diluvial uplands, and low hills. The largest is the Kanto Plain (Tokyo Bay region), about 6,500 sq km (2,500 sq mi). Others include the Kinai Plain (Osaka-Kyoto), Nobi (Nagoya), Echigo (north-central Honshū), and Sendai (northeastern Honshū). There are four small plains in Hokkaidō. The population is heavily concentrated in these limited flat areas.

Rivers tend to be short and swift. The longest is the Shinano (367 km/228 mi) in north-central Honshū, flowing into the Sea

of Japan. The largest lake is Lake Biwa, near Kyoto, with an area of 672 sq km (259 sq mi). Lake Kussharo, in the Akan National Park of Hokkaidō, is considered the clearest lake in the world, having a transparency of 41 m (135 ft). Good harbors are limited because in most areas the land rises steeply out of the sea. Yokohama, Nagoya, and Kobe are Japan's most prominent harbors.

The Ryukyu Islands, among which Okinawa predominates, are the peaks of submerged mountain ranges. They are generally hilly or mountainous, with small alluvial plains.

Japan is considered to be one of the most seismically active areas in the world; about 20% of all magnitude of six or higher earthquakes in the world take place in this region. The country experiences an average of 1,500 minor shocks per year. One of the world's greatest recorded natural disasters was the Kanto earthquake of 1923, when the Tokyo-Yokohama area was devastated and upward of 99,000 persons died. In 1995, a 7.2 magnitude quake shook Kobe and left over 6,400 people dead. On October 23, 2004, a series of seven earthquakes in two hours caused severe damage in northern Japan; at least 16 people were killed and over 900 were injured. In the days that followed, at least 450 lesser tremors were felt.

### 3 CLIMATE

Japan is located at the northeastern edge of the Asian monsoon climate belt, which brings much rain to the country. The weather is under the dual influence of the Siberian weather system and the patterns of the southern Pacific; it is affected by the Japan Current (Kuroshio), a warm stream that flows from the southern Pacific along much of Japan's Pacific coast, producing a milder and more temperate climate than is found at comparable latitudes elsewhere. Northern Japan is affected by the Kuril Current (Oyashio), a cold stream flowing along the eastern coasts of Hokkaidō and northern Honshū. The junction of the two currents is a bountiful fishing area. The Tsushima Current, an offshoot of the Japan Current, transports warm water northward into the Sea of Japan.

Throughout the year, there is fairly high humidity, with average rainfall ranging by area from 100 cm to over 250 cm (39–98 in). Autumn weather is usually clear and bright. Winters tend to be warmer than in similar latitudes except in the north and west, where snowfalls are frequent and heavy. Spring is usually pleasant, and the summer hot and humid. There is a rainy season that moves from south to north during June and July.

Average temperature ranges from 17°C (63° F) in the southern portions to 9°C (48° F) in the extreme north. Hokkaidō has long and severe winters with extensive snow, while the remainder of the country enjoys milder weather down to the southern regions, which are almost subtropical. The Ryukyus, although located in the temperate zone, are warmed by the Japan Current, giving them a subtropical climate.

The typhoon season runs from May through October, and each year several storms usually sweep through the islands, often accompanied by high winds and heavy rains. In September 2005, Typhoon Nabi hit southern Japan causing the deaths of at least 77 people and temporarily displacing more than 300,000.

### 4 FLORA AND FAUNA

Hokkaidō flora is characterized by montane conifers (fir, spruce, and larch) at high elevations and mixed northern hardwoods

(oak, maple, linden, birch, ash, elm, and walnut) at lower altitudes. The ground flora includes plants common to Eurasia and North America. Honshū supports a panoply of temperate flora. Common conifers are cypress, umbrella pine, hemlock, yew, and white pine. On the lowlands, there are live oak and camphor trees, and a great mixture of bamboo with the hardwoods. Black pine and red pine form the typical growth on the sandy lowlands and coastal areas. Shikoku and Kyūshū are noted for their evergreen vegetation. Sugarcane and citrus fruits are found throughout the limited lowland areas, with broadleaf trees in the lower elevations and a mixture of evergreen and deciduous trees higher up. Throughout these islands are luxuriant growths of bamboo.

About 140 species of fauna have been identified. The only indigenous primate is the Japanese macaque, a small monkey found in the north. There are 32 carnivores, including the brown bear, ermine, mink, raccoon dog, fox, wolf, walrus, and seal. There are 250 breeding bird species and 8 species of reptiles. Japan's waters abound with crabs and shrimp; great migrations of fish are brought in by the Japan and Kuril currents. There are large numbers and varieties of insects. The Japanese beetle is not very destructive in its homeland because of its many natural enemies.

### 5 ENVIRONMENT

Rapid industrialization has imposed severe pressures on the environment. Japan's Basic Law for Environmental Pollution Control was enacted in 1967 and the Environment Agency was established four years later.

Air pollution is a serious environmental problem in Japan, particularly in urban centers. Toxic pollutants from power plant emissions have led to the appearance of acid rain throughout the country. In the mid-1990s, Japan had the world's fourth-highest level of industrial carbon dioxide emissions, which totaled 1.09 billion metric tons per year, a per capita level of 8.79 metric tons per year. In 2000, the total of carbon dioxide emissions was at 1.18 billion metric tons. Air quality is regulated under the Air Pollution Control Law of 1968; by 1984, compensation had been provided to 91,118 air-pollution victims suffering from bronchitis, bronchial asthma, and related conditions. However, the "polluter pays" principle was significantly weakened in 1987 as a result of years of business opposition. Nationwide smog alerts, issued when oxidant density levels reach or exceed 0.12 parts per million, peaked at 328 in 1973 but had declined to 85 (85% of which took place in the Tokyo and Osaka areas) by 1986, following imposition of stringent automobile emissions standards.

Water pollution is another area of concern in Japan. The nation has 430 cu km of renewable water resources with 64% used in farming activity and 17% used for industrial purposes. Increase in acid levels due to industrial pollutants has affected lakes, rivers, and the waters surrounding Japan. Other sources of pollution include DDT, BMC, and mercury. Environmental damage by industrial effluents has slowed since the promulgation of the Water Pollution Control Law of 1971, but there is still widespread pollution of lakes and rivers from household sources, especially by untreated sewage and phosphate-rich detergents. Factory noise levels are regulated under a 1968 law. Airplanes may not take off or land after 10 PM and the Shinkansen trains must reduce speed while traveling through large cities and their suburbs.



LOCATION: 122°56' to 153°59' E; 20°25' to 45°33' N. TOTAL COASTLINE: 29,751 kilometers (18,486 miles). TERRITORIAL SEA LIMIT: 12 miles.

Most of the nation's forests, which play a critical role in retarding runoff and soil erosion in the many mountainous areas, are protected under the Nature Conservation Law of 1972, and large areas have been reforested. Parks and wildlife are covered by the National Parks Law of 1967. In 2003, 6.8% of Japan's total land area was protected. One of the world's chief whaling nations, Japan vigorously opposed the 1982 resolution of the IWC calling for a phaseout of commercial whaling by 1986/87. However, since

most of its trading partners, including the United States, supported the measure and threatened retaliatory measures if whaling continued, Japan finally agreed to comply with the ban.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 37 types of mammals, 53 species of birds, 11 types of reptiles, 20 species of amphibians, 27 species of fish, 25 types of mollusks, 20 species of other invertebrates, and 12 spe-

cies of plants. Endangered species in Japan included the Ryukyu sika, Ryukyu rabbit, Iriomote cat, Southern Ryukyu robin, Okinawa woodpecker, Oriental white stork, short-tailed albatross, green sea turtle, and tailless blue butterfly. The Ryukyu pigeon, Bonin thrush, Japanese sea lion, and Okinawa flying fox have become extinct.

## 6 POPULATION

The population of Japan in 2005 was estimated by the United Nations (UN) at 127,728,000, which placed it at number 10 in population among the 193 nations of the world. In 2005, approximately 20% of the population was over 65 years of age, with another 14% of the population under 15 years of age. There were 96 males for every 100 females in the country. The projected population for the year 2025 was 121,136,000. The population density was 338 per sq km (876 per sq mi).

Japan is the only Asian country thus far with a birthrate that has declined to the level of industrial areas in other parts of the world. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.1%, a rate the government viewed as too low. The estimated 10 births per 1,000 population in 2000 compares with about 343 births per 1,000 population in 1947. The steep drop since 1950 has been attributed to legalization of abortion, increased availability of contraceptives, and the desire to raise living standards.

Even with the low birth rate, Japan is one of the most densely populated countries in the world. Urban density rates were 14,245 per sq mi (5,500 per sq mi). The UN estimated that 79% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.27%. The capital city, Tokyo, had a population of 34,997,000 in that year. Other major metropolitan areas and their estimated populations include Osaka, 11,286,000; Nagoya, 3,189,000; Kitakyushu, 2,815,000; Sapporo, 1,828,000; Kyoto, 1,805,000; Hiroshima, 1,005,000; and Sendai, 940,000.

## 7 MIGRATION

Japanese nationals living in other countries totaled more than 600,000 in the 1990s, including some 250,000 in the United States and over 100,000 in Brazil. More than one million Japanese have emigrated since 1880; about 70% of them arrived on the US mainland and in Hawaii during the decades prior to World War II. Emigration continued after the war, encouraged by government policy as a way of relieving population pressure. By the mid-1960s, emigration had considerably decreased, as economic opportunities and living standards in Japan improved. From the 1970s–1990s, however, the number of emigrants rose, from 12,445 in 1975 to 34,492 in 1985 to 82,619 in 1992.

Immigration to Japan is generally small-scale, although the illegal entry of workers from neighboring countries has come to be regarded as a problem. Since 1975, 10,000 Indo-Chinese refugees have settled in Japan. The total number of legal migrants who entered or departed Japan in 2002 was 44,651,272, an increase of 3.4% from 2001. The total number of migrants into Japan was 22,311,491, and the total number of people who left Japan was 22,339,781. The number of Japanese migrants increased by 1.9%, and the number of foreigners also increased by 9.8% from 2001. In the mid-2000s, there were 1.9 million foreign residents in Japan, half ethnic Koreans and Chinese who were mostly born in Japan,

followed by 350,000 ethnic Japanese from Latin America, often the descendants of Japanese who emigrated.

Because citizenship is based on nationality of parent rather than place of birth, registered aliens may have spent their entire lives in Japan. According to *Migration News*, Japan continued to struggle with Zainichi, a term that literally means “to stay in Japan,” but is used as a shorthand for Koreans who came to Japan during Japan’s colonial rule, and their descendants. Zainichi are often considered outsiders in both Japan and Korea. Their numbers are reduced as more become naturalized Japanese. In 2003 there were 470,000 Zainichi in Japan. In 2005, the net migration rate was zero migrants per 1,000 population.

Internal migration, providing a steady exodus of people from farm and mountain communities to the cities and suburbs, has been accelerating since 1952. Most such migrants flocked to the three major population centers—the Tokyo, Osaka, and Nagoya metropolitan areas. As pollution and congestion in these areas increased, the government instituted programs to decentralize industry by directing new growth to smaller cities of the north and west, and also began efforts to improve rural living conditions and employment opportunities. Japan’s Ministry of Internal Affairs and Communications reported that the number of inter-prefectural migrants had decreased steadily from 1996–2004; in 2004 inter-prefectural migration was 2.6 million persons, decreased by 2.6% in comparison with the previous year.

According to *Migration News*, Japan began to allow temporary workers in 1986, and by 2004 lifted almost all remaining restrictions on the categories of jobs where temporary workers were permitted. In 2005 about 20% of Japanese manufacturers hired part-time workers. In 2003, Japan had an estimated 760,000 foreign workers, 1.5% of the work force. Foreigners in Japan remitted \$2.8 billion officially in 2003 and an estimated \$5.5 billion unofficially, to China, Korea, the Philippines, Brazil, and Peru.

Since the 1980s some 497 Myanmar have sought asylum in Japan, usually on the grounds of religious persecution as Christians in a Buddhist nation. In 2004 Japan had 1,960 refugees and 496 seeking asylum, mainly from Turkey and Myanmar.

## 8 ETHNIC GROUPS

In 2004, 99% of the population was Japanese while only 1% belonged to other ethnic groups (mostly Korean, Chinese, Brazilian, and Filipino). Although it is known that the Japanese are descended from many varied peoples of Asia, there is no agreement as to origins or specific ethnic strains. In physical characteristics, the Japanese belong to the Mongoloid group, with faint admixtures of Malayan and Caucasoid strains. Waves of migration from the continental hinterland reached Japan during the end of the Paleolithic period, blending into a complicated and diverse ethnic, linguistic, and cultural system. It is believed that the Japanese have their roots in the Old Stone Age race of at least 30,000 BC. A major migration appears to have taken place in the 2nd and 3rd centuries AD, and by the 4th century this group, called the Yamato clan, established a monarchy in the present Nara prefecture. Other ethnic strains may have come from Indonesia and China in the south, Korea in the west, and Siberia and Alaska in the north.

The one remaining distinct ethnic group in Japan is the Ainu. These people, living on the northern island of Hokkaidō, are physically distinct from the contemporary Japanese, having Nordic-

like features, including more pervasive facial and body hair. There is no agreement as to their origins; their current population is less than 20,000.

## <sup>9</sup>LANGUAGES

Japanese is the official language. Most linguists agree that Japanese is in a language class by itself, although there is some inconclusive evidence that traces it to the Malayo-Polynesian language family. In vocabulary, Japanese is rich in words denoting abstract ideas, natural phenomena, human emotions, ethics, and aesthetics, but poor in words for technical and scientific expression. For these latter purposes, foreign words are directly imported and written in a phonetic system (*katakana*). A distinct characteristic is the use of honorifics to show proper respect to the listener and his social status.

Written Japanese owes its origin almost entirely to Chinese forms. Having no indigenous script, the Japanese since the 5th century have used Chinese characters, giving them both an approximate Chinese pronunciation and a Japanese pronunciation. In addition, the Japanese invented phonetic symbols (*kana*) in the 9th century to represent grammatical devices unknown to the Chinese.

Attempts have been made to reduce the complexity of the written language by limiting the number of Chinese characters used. The government has published a list of 1,850 characters for use in official communications. Newspapers adhere to this list.

## <sup>10</sup>RELIGIONS

According to a 2002 report by the Agency for Cultural Affairs, about 49.9% of the population practice Shintoism and 44.2% practice Buddhism. Religious identities are not mutually exclusive, however, and many Japanese maintain affiliations with both a Buddhist temple and a Shinto shrine.

Shinto, originally concerned with the worship of spirits of nature, grew under the influence of Chinese Confucianism to include worship of family and imperial ancestors, and thus provided the foundation of Japanese social structure. Shinto became an instrument of nationalism after 1868, as the government officially sponsored and subsidized it, requiring that it be taught in the schools and that all Japanese belong to a state Shinto shrine. After World War II, Shinto was abolished as a state religion, and the emperor issued an imperial prescript denying divine origin. Today, Shinto exists as a private religious organization.

Buddhism is considered by some the most important religion in Japan. Introduced through China and Korea around AD 552, Buddhism spread rapidly throughout Japan and has had considerable influence on the nation's arts and its social institutions. There are 13 sects (*shu*) and 56 denominations, the principal *shu* being Tendai, Shingon, Jodo, Zen, Soto, Obaku, and Nichiren. Japanese Buddhism was founded on the Mahayana school, which emphasizes the attainment of Buddhahood, whereas the Hinayana Buddhism of India emphasizes obedience to commandments and personal perfection. The great temples and gardens of Japan, the famous Japanese tea ceremony (*chanoyu*), and Japanese flower-arranging arts (*ikebana*) owe their development to the influence of Buddhism.

Religions designated as other are practiced by about 6% of the population (including 0.9% practicing Christianity). "Other"

faiths that were founded in Japan include Tenrikyo, Seichounoie, Sekai Kyusei Kyo, Perfect Liberty, and Rissho Koseikai. Christianity, introduced to Japan by the Jesuit St. Francis Xavier in 1549, was first encouraged by feudal lords but then banned in 1613, often under penalty of death. After that time, a unique sect known as "hidden Christians" developed, with no tradition of churches or public displays of faith and a syncretic doctrine that incorporated local ideas and history. The prohibition against Christianity was in force until 1873, following the reopening of Japan to international relations in 1854. Following World War II, when the emperor lost his claim to divinity, some Japanese gave up Shinto and converted to Christianity or Judaism.

After World War II, a considerable number of new religious groups sprouted up. One of these, the Soka-Gakkai, a Buddhist offshoot, controlled a political party (*Komeito*), the third-strongest political group in Japan, until politics and religion were officially separated in 1970. In addition to the established and new religions, Confucianism, an ethical system originating in China, has strongly influenced Japanese society since the earliest periods, providing underpinnings for some characteristically Japanese attitudes.

## <sup>11</sup>TRANSPORTATION

Despite its rugged terrain, Japan has a highly developed transportation system. In 2004, Japan had 23,577 km (14,664 mi) of railways, of which about 86% was 1.067-m narrow gauge. Of that total, 13,277 km (8,258 mi) were electrified. Standard gauge lines totaled 3,204 km (1,993 mi), all of which are electrified. The government-owned Japan National Railways (JNR) was privatized in April 1987 and divided into six railway companies. Feeding into these six lines were 144 other private railroads. Like their counterparts elsewhere, Japan's rail lines face increasing competition from automotive, sea, and air transport, as well as rising operating costs. High-speed lines, however, have been successful in partially meeting these problems; the most famous of these is the Shinkansen, which opened to traffic in October 1964 between Tokyo and Osaka and was extended in March 1975 to Fukuoka in northern Kyūshū. In 1984, the Shinkansen superexpress trains covered the 1,069 km (664 mi) between Tokyo and Fukuoka in less than seven hours, with maximum speeds of 210 km/hr (130 mph). In 1982, the first section of the northern Shinkansen line, between Tokyo and Omiya, began operations. This line was extended in 1983 to Niigata and to Morioka, in northern Honshū. By far the longest railway tunnel in the world, the 54.2 km (33.7 mi) Seikan tube linking Honshū with Hokkaidō, was opened in 1983 and completed in 1985. The tunnel, lying beneath the Tsugaru Strait, cost well over \$2 billion. A bridge links Honshū and Shikoku. Subway lines serve nine cities—Tokyo, Osaka, Nagoya, Kobe, Yokohama, Sapporo, Kyoto, Fukuoka, and Sendai. There are 410 km (255 mi) of track, with 196 km (122 mi) in Tokyo's 11 lines. Since 1964, downtown Tokyo has also been linked with that city's Haneda Airport by a monorail transport system, and several other monorails have been put into operation. In addition, a 7 km (4.3 mi) monorail serves the city of Yokohama.

Roads have become the most important means of domestic transport. Motor vehicles in 2003 numbered 55,212,593 passenger cars and 17,312,192 commercial vehicles, up from 25,848,000 and 8,306,000, respectively, in 1985. To speed traffic flow, a total of

6,946 km (4,320 mi) of expressways were open to traffic in 2002. In total, there were 1,177,278 million km (732,267 mi) of roadways, of which about 914,745 km (568,971 mi) were paved.

Japan is one of the world's great maritime nations. The chief ports are Yokohama (for Tokyo), Nagoya, and Kobe. In 2005, Japan's merchant fleet included 702 ships of 1,000 GRT or more, totaling 10,149,196 GRT. Since 1959, Japan has emerged as the world's leading shipbuilder, but output declined in the late 1970s and 1980s in the face of a worldwide recession and increased competition from the Republic of Korea (ROK). Although Japan had 1,770 km (1,101 mi) of navigable inland waterways, as of 2004, they are not used by ocean-going vessels, which prefer to use the country's inland seas.

Japan had an estimated 174 airports in 2004. As of 2005 a total of 142 had paved runways, and there were also 15 heliports. Principal domestic airports include Haneda in Tokyo, Itami in Osaka, Itazuke in Fukuoka, and Chitose in Hokkaidō. Principal international facilities include Kansai International at Osaka and New Tokyo International at Tokyo. Japan Air Lines (JAL), the nation's major domestic and international airline, began operations in 1952 and inaugurated international flights in 1954. All Nippon Airways, established in 1957, began as a domestic system serving smaller areas of the country and acting as a feeder line to JAL but now serves overseas routes; it began to carry freight in 1987. In 2003, Japan's airlines performed 7,985 million freight ton-km. In that same year, about 103.606 million passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Archaeological discoveries revealed the existence of Paleolithic humans in Japan when the islands were connected to the Asian continental landmass. Little is known about the origins of the earliest Japanese beyond the fact that they migrated from the continent. The first distinctive Neolithic culture, the Jōmon, existed in Japan from 11,000 BC to 300 BC. The Jōmon was displaced by the Yayoi culture, which introduced new agricultural and metallurgical skills from the continent. Tradition places the beginning of the Japanese nation in 660 BC with the ascendance to the throne of the legendary Emperor Jimmu. It is generally agreed, however, that as the Yayoi developed, the Yamato clan attained hegemony over southern Japan during the first three or four centuries of the Christian era and established the imperial family line. Earlier contacts with Korea were expanded in the 5th century to mainland China, and the great period of cultural borrowing began: industrial arts were imported; Chinese script was introduced (thereby permitting the study of medical texts), the Chinese calendar and Buddhism also arrived from China. Japanese leaders adapted the Chinese governmental organization but based power upon hereditary position rather than merit. The first imperial capital was established at Nara in 710. In 794, the imperial capital was moved to Heian (Kyoto), where it remained until 1868, when Tokyo became the nation's capital.

Chinese influence waned as native institutions took on peculiarly Japanese forms. Outside court circles, local clans gained strength, giving rise to military clan influence over a weakening imperial system. The Minamoto clan gained national hegemony as it defeated the rival Taira clan in 1185, and its leader, the newly appointed Yoritomo, established a military form of government at

Kamakura in 1192, a feudal system that lasted for nearly 700 years. Under the shogunate system, all political power was in the hands of the dominant military clan, with the emperors ruling in name only. The Kamakura period was followed by the Ashikaga shogunate (1336–1600) which saw economic growth and the development of a more complex feudalism. For over 100 years, until the end of the 16th century, continuous civil war among rival feudal lords (*daimyo*) ensued. During this time, the first contact with the Western world took place with the arrival in 1543 of Portuguese traders, and with that, the first guns were imported. Six years later, St. Francis Xavier arrived, introducing Christianity to Japan.

By 1590, the country was pacified and unified by Toyotomi Hideyoshi, a peasant who had risen to a top military position. Hideyoshi also invaded Korea unsuccessfully, in 1592–93 and in 1598, dying during the second invasion. Ieyasu Tokugawa consolidated Hideyoshi's program of centralization. Appointed shogun in 1603, Tokugawa established the Tokugawa shogunate (military dictatorship), which was to rule Japan until the imperial restoration in 1868. Tokugawa made Edo (modern Tokyo) the capital, closed Japan to foreigners except Chinese and Dutch traders (who were restricted to Nagasaki) and occasional Korean diplomats, and banned Christianity. For the next 250 years, Japan enjoyed stability and a flowering of indigenous culture, although from the end of the 18th century onward, Japan came under increasing pressure from Western nations to end its isolationist policy.

The arrival of Commodore Matthew C. Perry from the United States in 1853—with his famous “black ships”—started a process that soon ended Japanese feudalism. The following year, Perry obtained a treaty of peace and friendship between the United States and Japan, and similar pacts were signed with Russia, Britain, and the Netherlands based on the principle of extraterritoriality. A decade of turmoil and confusion followed over the question of opening Japan to foreigners. A coalition of southern clans led by ambitious young samurai of the Satsuma and Choshu clans forced the abdication of the Tokugawa shogun and reestablished the emperor as head of the nation. In 1868, Emperor Mutsuhito took over full sovereignty. This Meiji Restoration, as it is known, signaled the entry of Japan into the modern era.

Intensive modernization and industrialization commenced under the leadership of the restoration leaders. A modern navy and army with universal military conscription and a modern civil service based on merit formed the foundation of the new nation-state. The government undertook the establishment of industry, by importing technological assistance. In 1889, a new constitution established a bicameral legislature (Diet) with a civil cabinet headed by a prime minister responsible to the emperor.

By the end of the 19th century, irreconcilable territorial ambitions brought Japan into open conflict with its much larger western neighbors. The Sino-Japanese War (1894–95) was fought over the question of control of Korea, and the Russo-Japanese War (1904–05) over the question of Russian expansion in Manchuria and influence in Korean affairs. Japan emerged victorious in both conflicts, its victory over the Russians marking the first triumph of an Asian country over a Western power in modern times. Japan received the territories of Taiwan and the southern half of Sakhalin Island, as well as certain railway rights and concessions in Manchuria and recognition of paramount influence in Korea. The



latter became a Japanese protectorate in 1905 and was annexed by Japan in 1910.

During the Taisho era (1912–26), Japan participated in a limited way in World War I, in accordance with the Anglo-Japanese Alliance of 1902. Japan was one of the Big Five powers at the Versailles Peace Conference and in 1922 was recognized as the world's third-leading naval power at the Washington Naval Conference. The domestic economy developed rapidly, and Japan was transformed from an agricultural to an industrial nation. Economic power tended to be held by the industrial combines (*zaibatsu*), controlled by descendants of those families that had instituted the modernization of the country decades earlier. In 1925, universal manhood suffrage was enacted, and political leaders found it necessary to take into consideration the growing influence of parties.

In 1926, Emperor Hirohito ascended the throne beginning the Showa era. By the 1930s, democratic institutions atrophied and the military-industrial complex became dominant. With severe social distress caused by the great depression, an ultranationalist ideology emerged, particularly among young army officers. Acting independently of the central government, the military launched an invasion of Manchuria in 1931, eventually establishing the puppet state of Manchukuo. In 1932, a patriotic society assassinated the prime minister, bringing an end to cabinets formed by the majority party in the Diet. Japan withdrew from the League of Nations (which had protested the Manchurian takeover) in 1933, started a full-scale invasion of China (the Second Sino-Japanese War, 1937–45), and signed the Anti-Comintern pact with Germany in 1936 and a triple alliance with Germany and Italy in 1940. The military leadership, viewing the former USSR and the United States as chief barriers to Japanese expansion, negotiated a nonaggression pact with the USSR in April 1941, thus setting the stage for the attack on Pearl Harbor and other Pacific targets on 7 December of that year. Thereafter, Japanese military actions took place in the context of World War II.

With its capture of the Philippines on 2 January 1942, Japan gained control of most of East Asia, including major portions of China, Indochina, and the southwest Pacific. Japanese forces, however, could not resist the continued mobilization of the US military. A series of costly naval campaigns—including battles at Midway, Guadalcanal, and Leyte Gulf—brought an end to Japanese domination in the Pacific. By 1945, the Philippines had been recaptured, and the stage was set for a direct assault on Japan. After the US troops captured Okinawa in a blood battle, US president Harry S. Truman argued that a full invasion of Japan would prove too costly and decided on aerial attacks to force Japan into surrendering. After four months of intense bombardment with conventional weapons, the United States dropped an atomic bomb on Hiroshima on 6 August 1945 and a second bomb on Nagasaki on 9 August. An estimated 340,000 persons died from the two attacks and the subsequent effects of radiation. In addition, all major cities, with the exception of Kyoto, were destroyed during the war and food and supply shortages continued for several years after the surrender.

On 14 August, Japan accepted the Potsdam Declaration for unconditional surrender with formal surrender documents signed aboard the USS *Missouri* on 2 September. After the surrender over 500 Japanese military officials committed suicide and hundreds more faced war crimes prosecution. Emperor Hirohito was not de-

clared a war criminal and although he lost all military and political power he retained his royal title and became a symbol of the state until his death in 1989. The subsequent occupation (1945–52), under the direction of General Douglas MacArthur, Supreme Commander for the Allied Powers, began a series of ambitious reforms. Political reforms included the adoption of a parliamentary system of government based on democratic principles and universal suffrage, a symbolic role for the emperor as titular head of state, the establishment of an independent trade union, and the disarmament of the military. Economic reforms consisted of land reform, the dissolution of the *zaibatsu*, and economic and political rights for women. A new constitution was promulgated on 3 November 1946 and put into force on 3 May 1947.

### The Postwar Period

Heavy economic aid from the United States and a procurement boom produced by the Korean War, coupled with a conservative fiscal and monetary policy allowed the Japanese to rebuild their country. The Japanese economy rapidly recovered, and the standard of living quickly surpassed the prewar level by a substantial margin. The state of war between the Western powers and Japan was formally ended by the San Francisco Peace Treaty, signed in September 1951 by 56 nations. The allied occupation ended officially when the treaty went into effect in April 1952. Japan renounced claims to many of its former overseas territories, including such major areas as Taiwan and Korea. The Amami island group, comprising the northern portion of the Ryukyu Islands, nearest to Kyūshū Island, was returned to direct Japanese control by the United States in December 1953; the remainder of the group, including Okinawa, was returned to full Japanese sovereignty in May 1972. The Ogasawara (Bonin) Islands and Kazan (Volcano) Islands were returned to Japanese sovereignty in June 1968. The former USSR never signed the San Francisco Peace Treaty, and Japan and Russia have continued to dispute sovereignty over the Kurile Islands, to the northeast of Hokkaidō, which the USSR occupied in 1945. In 1956, Japan and the former USSR agreed to establish diplomatic relations.

In 1956 Japan was elected to UN membership. A revision of the 1952 defense treaty with the United States, under which a limited number of troops were to remain in Japan for defense purposes, was signed amid growing controversy in 1960. On 22 June 1965, Japan signed a treaty with South Korea normalizing relations between the two countries. The US-Japanese Security Treaty was renewed in 1970, despite vigorous protest by the opposition parties and militant student organizations. In 1972, Japan moved to establish full diplomatic relations with the People's Republic of China. Formal diplomatic links with the Nationalist Chinese government on Taiwan were terminated by this move, but Japan's economic and cultural links with Taiwan nonetheless have survived virtually intact.

While Japan defined its new role in East Asian affairs, its remarkable economic expansion raised it to the level of a major trading power. Based on strong government support of export industries, political stability under the Liberal-Democratic Party (LDP), and public policy guidance from a powerful bureaucracy, Japan experienced a dramatic rise from the ruins of World War II. From 1955 to 1965, Japan experienced a nominal growth rate of 10–20% annually and real growth rates (adjusted for inflation) of 5–12%.

In 1968, it surpassed the Federal Republic of Germany (FRG) to stand second after the United States among non-Communist nations in total value of GNP. The oil crisis of 1973—a combination of shortages and rising prices—revealed the crack in Japan's economic armor, the lack of domestic petroleum resources. A second oil crisis during the late 1970s was met by a reappraisal of Japan's dependence on foreign fuels and the institution of long-range programs for energy conservation and diversification. These oil crises led to a shift in the economy and to the creation of high-technology industries, most notably electric and electronic appliances.

The yen declined in value in the early 1980s, causing Japanese exports to become cheaper in overseas markets and leading to huge trade surpluses with the United States and other leading trading partners, who began to demand that Japan voluntarily limit certain exports and remove the barriers to Japan's domestic market. During 1985–87, the yen appreciated in value against the dollar and, by 1994, the dollar had hit a post-World War II low, but Japan continued to register substantial trade surpluses.

Political stability, maintained since the 1950s by the majority LDP, began to unravel in the 1970s, following the retirement from politics of Prime Minister Eisaku Sato in 1972. Sato's successor, Kakuei Tanaka, was forced to resign in December 1974 amid charges of using his office for personal gain in the Lockheed Corporation bribery scandal. Takeo Miki succeeded Tanaka and Takeo Fukuda became prime minister when Miki resigned in December 1976. Fukuda was defeated in intraparty elections by Masayoshi Ohira in 1978. When Ohira died in June 1980, he was succeeded by Zenko Suzuki. Suzuki stepped down as prime minister in November 1982 and was replaced by controversial and outspoken Yasuhiro Nakasone. Noboru Takeshita became prime minister in November 1987.

Policy regarding military force has been a major political issue in the postwar years. According to Article Nine of the 1947 constitution, Japan renounced the belligerency of the state but soon developed a Self-Defense Force with US encouragement. In 1986, breaking a long-standing policy, the government increased military spending to over 1% of the GNP. The Diet (parliament) approved a bill allowing the deployment of troops abroad for international peacekeeping in 1992 with troops participating with the United Nations in Cambodia, Israel, Iraq, Sudan, Indonesia, and other states.

Emperor Hirohito died of cancer on 7 January 1989, at the age of 87. He was succeeded by the Crown Prince Akihito, who was enthroned as the Heisei emperor in a formal ceremony in November 1990. The sense of entering a new era brought increased controversy over the assessment of Japan's role in the earlier part of the century, particularly during World War II. Some denied that Japan had committed atrocities during the war and there were attempts to further soften the wording of school textbooks. In March 1989, Prime Minister Takeshita apologized to North Korea (DPRK) for the suffering Japan caused over the 36 years of occupation of Korea (1910–45) and Emperor Akihito expressed similar regrets to President Roh Tae Woo of South Korea (ROK) in May 1990. In the same month, the government removed the requirement for fingerprinting of people of Korean descent living in Japan. In 1992, Prime Minister Kiichi Miyazawa apologized for the forced prostitution of Korean, Chinese, and Japanese women in Japanese military brothels during World War II. However,

many minorities in Japan, Chinese and Koreans included, claimed that they still experienced social and economic discrimination in Japan well after the war.

The 1980s ended with a major scandal involving illegal stock trading and influence peddling by the Recruit Cosmos Company. Between the summer of 1988 and the closing of the case in May 1989, the scandal led to the implication and resignations of prominent business people and politicians in top government positions, among them then-finance minister Kiichi Miyazawa, and the former prime minister, Yasuhiro Nakasone. Scandals continued into the 1990s with stock rebates for politicians in 1991 and then in 1992, contributions to politicians from a trucking company linked to organized crime became public knowledge.

The economy entered a period of major stagnation and distress in the early 1990s. In 1990, the stock market declined more than 25% from January to April. Then, during the spring of 1992, the stock index fell rapidly again, until by the summer, the index was at its lowest point in six years at 62% below the record high of 1989. By the end of 1993, Japan was in the midst of its worst economic downturn in at least 20 years. This also led to a debt crisis that resulted in many banks becoming unsustainable causing a massive consolidation. Although the long-term economic prospects for Japan were good, it was further retarded by the impact of the Asian financial crisis of 1997–98. In 1998, the Japanese economy witnessed its most serious recession with a negative growth rate of 1.9%. As of 2005 there were only four national banks in Japan.

Against the background of scandals and an economic recession, the political landscape began a major change. Taking responsibility for political problems caused by the Recruit scandal, Noboru Takeshita resigned as prime minister in April 1989, to be succeeded in May by Sosuke Uno, who abruptly resigned when a sex scandal became public amidst the LDP loss of its majority in the upper house of the Diet. The next prime minister, Toshiki Kaifu, served his term from August 1989 to October 1991, but the LDP did not support him for a second term. Instead, Kiichi Miyazawa became prime minister in November 1991. When the lower house gave Miyazawa a vote of no confidence in June 1993 for abandoning electoral reform bills, Miyazawa dissolved the lower house and called for elections.

In the election for the 511 seats of the House of Representatives on 18 July 1993, the LDP, for the first time since its own formation in 1955, failed to secure the 256 seats needed for a majority. Without a majority, the LDP was unable to form a government and the new prime minister, Morihiro Hosokawa (JNP), was chosen on 29 July 1993, by a seven-party coalition of LDP defectors, socialists, and conservatives. Hosokawa, too, was tainted by questions regarding personal finances and stepped down as prime minister to be replaced by Tsutomu Hata (Shinseitō) in April 1994. Just as Hata took office, the Socialist Party left the governing coalition, leaving the prime minister as the head of a minority government for the first time in four decades. Hata soon resigned and, in a surprise move, the LDP and the Socialist Party, traditionally opponents, allied to form a new coalition, which also included the Sakigake. The coalition selected as prime minister, Tomiichi Murayama, the head of the Socialist Party and the first Socialist prime minister since 1948. Within the coalition the LDP was the dominant factor but the decades of LDP rule appeared to be over and the nature of the LDP itself changed. The dissolution of the House of Repre-

sentatives and the ensuing election on 18 July 1993 marked a major turning point for Japanese politics as the LDP lost its political dominance as new parties formed. One new party, the Japan New Party (JNP), was formed by Morihiro Hosokawa, a former LDP member, in May 1992. On 21 June 1993, 10 more members of the LDP, led by Masayoshi Takemura, left to form the Sakigake (Harbinger Party) and another 44 LDP members quit two days later to create the Shinseito (Renewal Party) with Tsutomu Hata as its head. By 28 June, one-fifth (57 members) of the LDP bloc of the dissolved lower house left the party.

In June 1994, Tomiichi Murayama became prime minister in a coalition consisting of the LDP, the Social Democratic Party of Japan (SDPJ), and Sakigake. In an unprecedented move, Murayama recognized the legal right for the existence of the Japanese Self-Defense force, much to the disapproval of left-leaning party members. The tumultuous reign of Murayama included the Kobe earthquake and political scandals which led to the resignation of the Justice Minister and the director of the Management and Coordination Agency. Elections in October 1996 resulted in a victory for the LDP, but the party still failed to obtain a majority of seats, only capturing 239 of 500. The Sakigake and Democratic Party of Japan agreed to support Prime Minister Ryutaro Hashimoto. In July 1998, Hashimoto resigned after a poor performance of the LDP in the House of Councilors election and was replaced by Keizo Obuchi. During the Obuchi regime, the Japanese economy showed signs of recovering with major fiscal stimuli including a massive public works program.

In April 2000, Obuchi suffered a stroke, entered into a coma, and was replaced by Yoshiro Mori who called summarily for elections. On 25 June parliamentary elections were held for the House of Representatives. Mori was reelected prime minister, with a ruling coalition of the LDP, the Buddhist-backed New Komeito, and the New Conservative Party (NCP). In early 2001, the Nikkei stock average fell to its lowest level since 1985 and unemployment rates reached 4.9%, the highest since the end of World War II. Plagued by scandal and the depressed economy, Mori resigned in April 2001. Junichiro Koizumi won control of the LDP and became prime minister on 26 April, promising to reinvigorate Japanese politics and radically reform the economy. He appointed members of his cabinet without seeking nominations from major factions of the LDP, as had been the practice in the past.

Koizumi immediately raised controversy by making a visit to the Yasukuni Shrine. Dedicated to Japan's war dead, it served as a symbol of nationalism during World War II and has been a lightning rod for anger among Asian nations that suffered under Japan's military aggression. He continued to visit the shrine annually. Japan was also the target of international criticism over its Education Ministry's approval of junior high-school textbooks that allegedly glossed over Japan's aggression in China, particularly the Nanjing Massacre and its annexation of the Korean Peninsula.

Koizumi's coalition dominated the July 2001 elections for the House of Councilors, with the LDP taking 65 of the 121 contested seats, its best performance in the House of Councilors since 1992. The victory was seen as a mandate for Koizumi. However, the economy remained in recession throughout 2002, which reduced his popularity.

In 2002, Japan began a diplomatic initiative to improve relations with North Korea. In September 2002, North Korean President

Kim Jong Il apologized to Koizumi for North Korea's kidnapping of Japanese citizens during the 1970s and 1980s. Japan pledged a generous aid package to North Korea in return. In 2005 relations with South Korea and China soured over Japanese continued use of junior high-school textbooks which downplayed the aggressive nature of Japan's role in WWII. In addition, South Korea objected to the reassertion of the Japanese claim to the Liancourt Rocks, which Korea occupies. China objected to the Japanese proposal for a permanent seat on the United Nations Security Council, while both countries objected to Japan's use of the East China Sea.

Elections in 2003 resulted in large gains for the opposition Democratic Party, but the LDP coalition retained a majority within the parliament. On 27 September 2004, Koizumi carried out a major cabinet reorganization dubbing his new ministerial lineup the "Reform Implementation Cabinet", in order to combat corruption and inefficiency. April 2005 public opinion polls showed Koizumi support ratings in the 40–50% range, which was very high by Japanese standards, and his tenure in office was one of the longest on record.

Koizumi called for early elections in September 2005 after he dissolved the lower House due to the defeat in the upper House of his landmark proposals to reform the country's postal system. The upper House cannot be dissolved in Japan, and so a two-thirds majority was needed in the lower House to be able to pass new legislation without the consent of the upper House. The result was the second-largest landslide in a general election in the LDP's history. In combination with allied parties, the LDP coalition held over two-thirds of the seats, 296 out of 480. The results were a devastating setback for the Democratic Party, the main opposition, whose gains in 2001 and 2003 led some to believe that Japanese Democracy was evolving into a two-party system. Due to LDP term limits, Koizumi was expected to retire in 2006, although the possibility of his remaining in office still existed.

### 13 GOVERNMENT

Japan follows the parliamentary system in accordance with the constitution of 1947. The most significant change from the previous constitution of 1889 was the transfer of sovereign power from the emperor to the people. The emperor is now defined as "the symbol of the state and of the unity of the people." The constitution provides for the supremacy of the National Diet as the legislative branch of the government, upholds the separation of legislative, executive, and judicial powers, and guarantees civil liberties. It is officially termed a constitutional monarchy with a parliamentary government.

The executive branch is headed by a prime minister selected from the Diet by its membership. The cabinet consists of the prime minister and 17 state ministers (as of February 2003) whom are elected by the prime minister, each heading a government ministry or agency. At least half the ministers must be selected from the Diet, to which the cabinet is collectively responsible. Upon a vote of no confidence by the House of Representatives, the cabinet must resign en masse.

The National Diet is bicameral. The 2005 House of Representatives (the lower House) has a membership of 480, with terms of office for four years, except that all terms end upon dissolution of the house (a law promulgated in February 2000 reduced the composition of the House from 500 to 480 members). Of the 480 seats,

180 are elected from 11 multi-member constituencies by proportional representation, and 300 are elected from single-member constituencies. The House of Councilors (the upper House) has 242 members, 144 members in multi-seat constituencies and 98 by proportional representation. The term of office is six years, with one-half elected every three years. This means that of the 121 members subject to election each time, 73 are elected from the 47 prefectural districts and 48 are elected from a nationwide list by proportional representation. The lower house holds primary power. In case of disagreement between the two houses, or if the upper house fails to take action within 60 days of receipt of legislation from the lower house, a bill becomes law if passed again by a two-thirds majority of the lower house.

Suffrage is universal, the voting age being 20 years, with a three-month residence requirement. The 1947 constitution granted suffrage to women. In January 1994, the Diet passed an electoral reform bill. In addition to new laws on campaign financing, the legislation abolished the multiple-member districts and replaced them with 300 single-member districts and 200 multimember districts. The number of multimember districts stood at 180. The 1996 elections resulted in the weakening of minor parties, in particular the SDPJ and Sakigake. Elections for the House of Representatives took place in 2005, two years before the official end of the term taken from the election in 2003 due to Koizumi's decision to dissolve the lower House. The next elections for the House of Councilors were scheduled to take place in 2007.

#### **14 POLITICAL PARTIES**

Most political parties in Japan are small local or regional parties, with the total number of parties exceeding 10,000. Japan's most popular party, the Liberal-Democratic Party (LDP) represents a wide spectrum of Japanese society, but especially the conservative elements. Formed in 1955 by the merger of the two leading conservative parties, this party held the reins of government since its formation until July 1993. The LDP supports an alliance with the United States and the various security pacts enacted by the two countries.

The Japan Socialist Party (JSP) is Japan's principal opposition party, drawing its support mainly from the working class, but it suffers from personality as well as ideological problems within its ranks. The JSP split into right and left wings over the ratification of the US-Japan Security Treaty of 1952. In October 1955, however, the two factions reunited, preceding the unification of the conservative parties and actually forcing the conservative groups into a unified front, thus creating a formal two-party system in Japan.

Beginning in the late 1960s, a shift took place toward a multiple-party system, with the gradual increase of opposition parties other than the JSP. The Democratic Socialist Party (DSP) represented moderate elements of the working class. The Komeito (Clean Government Party), professing middle-of-the-road politics, was the political wing of the Soka-Gakkai, a Buddhist sect. The Japanese Communist Party, founded as an underground group in 1922 and legalized after World War II, experienced major shifts in platform. The party had traditionally sided with China in the Sino-Soviet ideological dispute, although in recent years the Japanese Communists have focused instead on social conditions at home.

The LDP continued to hold its majority in both houses until 1993. Traditionally, the LDP has functioned as a coalition of sev-

eral factions, each tightly organized and bound by personal loyalty to a factional leader. In the mid-1970s, policy differences among the factions and their leaders became acute, with the resignation under pressure of Prime Minister Tanaka in December 1974.

In the summer of 1993, after five years of scandals involving corruption, sex, organized crime, and in the midst of economic recession, the old political order disintegrated as dozens of younger LDP members defected to form new parties. Chief among these was the Japan New Party (JNP), formed in May 1992, and the Sakigake (Harbinger Party) and the Shinseito (Renewal Party), both formed in June 1993. A watershed election in July 1993 for the House of Representatives, the lower house of the parliament, resulted in the loss by the LDP, for the first time since 1955, of its majority. Of the 511 seats, the LDP won 223 seats (as compared with 275 in the 1990 election), the JSP won 70 seats (a loss of half of its previous seats), the Komeito won 51 seats, the Shinseito took 55 seats, the JNP won 35 seats, and the Sakigake won 13. A seven-party coalition, including new parties of LDP defectors, the JSP, and other conservative parties, formed the new cabinet, which governed for a year until the prime minister (Morihiro Hosokawa, JNP) resigned over a financial scandal. The coalition formed a new government, led by Tsutomu Hata of the Shinseito, in April 1993. However, the JSP, finding itself maneuvered out of any voice in the coalition, broke away and Hata, then with a minority in the House of Representatives, resigned after one month in office.

The next government was formed by a new, unorthodox coalition of the traditional opponents, the LDP and the JSP, as well as the Sakigake. Tomiichi Murayama, head of the JSP, was chosen prime minister in June 1994, the first Socialist to head a government since 1948, although the LDP appeared to be dominant in the coalition. This unusual partnership caused strains, leading to further defections, within the LDP and within the JSP. The Shinseito emerged as a serious focus of opposition, standing for an internationally more active Japan, including use of the military overseas, for a revision of the constitution, and for removing protective regulations to open the domestic economy to competition. The left wing of the JSP, unhappy with the alliance with the LDP, held that the Self-Defense Forces were unconstitutional, and that the North Korean government (DPRK) was the legitimate government of all of Korea, and advocated abolition of the security treaty with the United States.

The parliamentary election that took place on 20 October 1996 combined the 300 single seat constituencies with the proportional representation for the remaining 200 seats. After the dissolution of Shinshintō, a highly fractionalized party system emerged. Going into the 2000 election, the LDP had 266 seats, with the largest opponents being the Democratic Party of Japan (DPJ) with 94 seats, the Komeito with 52, the Liberal Party with 39, and the Communists with 23. The LDP worked closely with the Komei party and the Liberal Party, effectively making the DPJ the only significant opposition.

The 2000 House of Representatives election produced the following distribution of seats: LDP, 233; DPJ, 127; Komeito, 31; Liberal Party, 22; Japan Communist Party (JCP), 20; Social Democratic Party (SDP), 19; New Conservative Party (formed in 2000), 7; and 21 other seats. In the 2001 House of Councilors vote, the seats fell as follows: LDP, 110; DPJ, 59; Komeito, 23; JCP, 20; SDP, 8; Liberal Party, 8; New Conservative Party, 5; and independents

took 14 seats. A new party emerged in Japanese politics, the New Conservative Party, formed in March 2000 by members who split off from the Liberal Party.

In November 2003, an election for the House of Representatives was held, and Prime Minister Junichiro Koizumi, leading the LDP, emerged victorious, although with a reduced majority. The election was seen as a victory for the DPJ, which won 180 seats, its largest share ever. In 2005 the six largest parties represented in the national Diet were the Liberal Democratic Party (LDP), the Democratic Party of Japan (DPJ), the New Clean Party Government (Komeito), the Japan Communist Party (JCP), the Socialist Democratic Party (SDP), and the Conservative New Party (CNP). The early election called by Koizumi in September of 2005, however, resulted in a firm majority for the LDP.

## 15 LOCAL GOVERNMENT

Local government throughout Japan was strengthened by the Local Autonomy Law of 1947. Administratively, Japan is divided into 47 prefectures. Within these prefectures there are 670 cities and 2,562 towns and villages. The local chief executives, mayors, and village heads, together with prefectural assembly members, are directly elected. Governors and assembly members are elected by popular vote every four years. The 47 prefectures are divided as follows: 1 metropolitan district (*to*—Tokyo), 2 urban prefectures (*fu*—Kyoto and Osaka), 43 rural prefectures (*ken*), and 1 district (*d*—Hokkaidō). Large cities are subdivided into wards (*ku*), and further split into towns, or precincts (*machi* or *cho*), or subdistricts (*shicho*) and counties (*gun*). The city of Tokyo has 23 wards.

Local public bodies have the right to administer their own affairs as well as to enact their own regulations within the law. The National Diet cannot enact legislation for a specific public entity without the consent of the voters of that district. Local governments control school affairs, levy taxes, and carry out administrative functions in the fields of land preservation and development, pollution control, disaster prevention, public health, and social welfare. However, the Ministry of Home Affairs has had enormous control over the designs the systems of local administration, local finance and taxation, and co-ordinates between the central government and local governments although its purpose is to support and develop local and regional autonomy. The result of this power is a high level of organizational and policy standardization among the different local governments. Because Japan does not have a federal system, and its 47 prefectures are not sovereign entities in the sense that the United States are, most depend on the central government for subsidies. Mainly through the actions of the Ministry of Home Affairs, the Japanese government was seeking to decentralize power, through a process termed “controlled decentralization,” away from Tokyo by allowing prefectures to exercise greater fiscal and budgetary autonomy.

## 16 JUDICIAL SYSTEM

The 1947 constitution provides for the complete independence of the judiciary. All judicial power is vested in the courts. There are five types of courts in Japan: the Supreme Court, High Courts (8 regional courts), District Courts (in each of the prefectures), Family Courts, and 438 Summary Courts. Family Courts, on the same level as the District Courts, adjudicate family conflicts and com-

plaints such as partitions of estates, marriage annulments, and juvenile protection cases.

The Summary Courts handle, in principle, civil cases involving claims which do not exceed 900,000 yen; and criminal cases relating to offenses punishable by fines or lighter penalties; and civil conciliations. They are situated in 438 locations nationwide. The cases are handled by a single summary court judge. The District Courts handle the first instance of most types of civil and criminal cases. They are situated in 50 locations nationwide (one in each of the 47 prefectures and one in the 3 cities of Hakodate, Asahikawa, and Kushiro) with branch offices in 203 locations. Most cases are disposed by a single judge, aside from those cases in which it has been decided that hearing and judgment shall be made by a collegiate court or cases where the crimes are punishable by imprisonment with or without labor for a minimum period of not less than one year. The High Courts handle appeals filed against judgments rendered by the district courts, family courts or summary courts. The cases are handled by a collegiate body consisting of three judges.

The Supreme Court is the highest and final court that handles appeals filed against judgments rendered by the High Courts. It is composed of the Chief Justice and 14 Justices with a Grand Bench made up of all 15 Justices. The Supreme Court is divided into three Petty Benches each made up of 5 Justices to which cases are first assigned. Those cases that involve constitutional questions are transferred to the Grand Bench for its inquiry and adjudication. The chief justice is appointed by the emperor on designation by the cabinet; the other justices, by cabinet appointment. Judges of the lesser courts also are appointed by the cabinet from lists of persons nominated by the Supreme Court. Their term of office is limited to 10 years, with the privilege of reappointment.

The Supreme Court is the court of last resort for determining the constitutionality of any law, order, regulation, or official act that is challenged during the regular hearing of a lawsuit. Abstract questioning of a law is prohibited and thus there is no judicial review. The constitution affords criminal defendants a right to a speedy and public trial by an impartial tribunal. There is no right to a trial by jury. The constitution requires a judicial warrant issued by a judge for each search or seizure. Japan accepts compulsory jurisdiction of the International Court of Justice with reservation.

Japan has the death penalty and it can be enforced for the crimes of murder, arson, or crimes against humanity, although only 2–3 prisoners are executed a year. Japan has been widely criticized for giving lenient punishments for certain crimes, especially rape which carries a typical sentence of 2–5 years in prison. On 18 May 2005, the Diet enacted a new law to improve the treatment of inmates and to help prevent recidivism.

## 17 ARMED FORCES

The reestablishment of Japanese defense forces has been a subject of heated debate in the period since World War II. Article 9 of the constitution renounces war as a sovereign right and the maintenance of “land, sea, and air forces, as well as other war potential.” During the Korean War, General MacArthur recommended the establishment of a national police reserve. Following the signing of the San Francisco Peace Treaty, the reserve force was reorganized into a National Safety Agency (1 August 1952). Laws estab-

lishing a Defense Agency and a Self-Defense Force became effective on 1 July 1954, both under firm civilian control.

The strength of Japan's armed forces in 2005 was 239,900 active personnel, supported by a reserve force of 44,395. The Japan Ground Self-Defense Force (JGSDF) had 148,200 personnel, organized into one armored and nine infantry divisions. The JGSDF's weaponry included 980 main battle tanks, 100 reconnaissance vehicles, 70 armored infantry fighting vehicles, 730 armored personnel carriers, 1,980 artillery pieces, and 90 attack helicopters. The Japan Maritime Self-Defense Force (JMSDF) had an estimated 44,400 personnel, with 16 tactical submarines, 44 destroyers, 9 frigates, 31 mine warfare vessels, and 9 patrol/coastal craft. The JMSDF's naval aviation arm had an estimated 9,800 members with 80 combat capable aircraft that was made up of 80 fixed-wing maritime patrol aircraft. The service also had 10 mine countermeasures and 88 antisubmarine warfare helicopters. Japan Air Self-Defense Force (JASDF) personnel numbered up to 45,600, with 300 combat capable aircraft, including 150 fighters, and 130 fighter ground attack aircraft. Japan has a paramilitary coast guard of 12,250 operating 419 patrol vessels.

Although Japan's defense budgets rank high by world standards, they are modest in relation to gross domestic product (about 1%). In 2005, Japan's defense budget totaled \$44.7 billion. The United States maintains extensive military facilities and several thousand troops in Japan. Japan participated in peacekeeping missions in the Middle East.

## 18 INTERNATIONAL COOPERATION

Japan was admitted to the United Nations on 18 December 1956, and it holds membership in ESCAP and all the nonregional specialized agencies. It is a member of the WTO, participates in the Colombo Plan, and has permanent observer status with the OAS. In 1963, Japan became a member of IMF and the OECD. It is also a charter member of the Asian Development Bank, which came into operation in 1966; Japan furnished \$200 million, a share equal to that of the United States. Japan is also a member of APEC, G-5, G-7, G-8, the Paris Club (G-10), the Inter-American Development Bank, and the Latin American Integration Association (LAIA). Japan is a dialogue partner in ASEAN, and observe to the Council of Europe, and a partner in the OSCE.

Japan has been actively developing peaceful uses for nuclear energy, and in 1970 it signed the Geneva Protocol, which prohibits the use of poisonous and bacteriological weapons. In June 1976, Japan—the only nation to have suffered a nuclear attack—became the 96th signatory to the international Nuclear Nonproliferation Treaty. Japan also participates in the Australia Group, the Zangger Committee, the Nuclear Energy Agency, the Nuclear Suppliers Group (London Group), the Organization for the Prohibition of Chemical Weapons, and as an observer in the European Organization for Nuclear Research (CERN).

Japan has been extending technical and financial aid to many countries, and in 1974 it established the Japan International Cooperation Agency to provide technical assistance to developing nations. Japan also was instrumental in establishing the Asian Productivity Organization, the objective of which is to organize national productivity movements in various Asian countries into a more effective movement on a regional scale. Japan has entered into cultural agreements with many European and Asian nations

and maintains an educational exchange program with the United States. Through the Japan Overseas Cooperation Volunteers, Japan sends youths to work in developing countries.

In environmental cooperation, Japan is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Japan's economy is the most technologically-advanced in Asia and the second most technologically-advanced in the world, behind the United States. Total GDP at market exchange rates in 2005, estimated at \$4.617 trillion, was second only to the United States, but in purchasing power parity (PPP) terms, given the high price level in Japan and the low price level in China, Japan's estimated GDP of \$4.008 trillion (PPP) put it third behind the United States and China. In per capita GDP at market exchange rates, Japan was among the leading nations of the world, at an estimated \$36,236 in 2005. GDP per capita in PPP terms was \$31,457 that year. Japan was the first Asian country to develop a large urban middle-class industrial society. It was also the first Asian country where a sharp reduction in the birthrate set the stage for notable further increases in per capita income.

Since 1952, the number of farmers has fallen sharply, while expansion has been concentrated in industry and trade. The agriculture sector in 2004 accounted for only 1.3% of the GDP, although it remained highly subsidized, employing a relatively high 5% of the labor force. Domestic raw materials are far too limited to provide for the nation's many needs, and imports must be relied on for such basics as raw cotton, raw wool, bauxite, and crude rubber, with fuels and foodstuffs heading the list of materials. The primary engine of Japan's modern growth has been the need to pay for these basic imports with manufactured exports. The exchange of high value-added finished products for low value-added commodities and raw materials has been the basis for both its high level of industrialization and its persistently high trade surpluses. Up until the mid-1980s, economic development depended on continued expansion in exports. With the steady appreciation of the yen in real terms after 1985, however, the country's economic structure underwent some adjustment. Business investment became the second major engine of growth. Facilitated by growing wage rates, favorable credit conditions, cuts in personal and corporate income tax rates and other stimulus measures by the government, domestic demand as well as direct foreign investment have played an increasingly important role as a source of growth in recent years.

After a period of recovery following World War II (from 1947 to 1960), Japan entered into about 15 years of rapid growth (1961 to 1975) that was arrested by the world oil crisis, signaled by the first oil shock in 1973. In 1974, for the first time since World War II, the GNP fell (by 1.8%). The recession was cushioned, however, by the nation's ability to improve its trade balance (by \$11 billion) by increasing exports while reducing imports. The recovery of the mid-1970s was slowed by the second oil shock, in 1978–79, and although the Japanese economy continued to outperform those

of most other industrial countries, growth in GNP slowed to an estimated 4.1% yearly in real terms for 1979–82, compared with 8.9% for 1969–72.

Meanwhile, the continued stimulation of exports, especially of automobiles and video equipment, combined with Japan's restrictive tariffs and other barriers against imports, led to increasingly strident criticism of the nation's trade practices in the United States and Western Europe. As early as 1971, Japan agreed to limit textile exports to the United States, and in the 1980s it also imposed limits on exports of steel, automobiles, and television sets. Similar limits were adopted for exports to Canada, France (where criticism focused on videocassette recorders), and West Germany. Nevertheless, Japan's trade surpluses with the United States and other countries continued to swell through the mid-1980s, helped by a number of factors, most notably the misalignment of major currencies, particularly between the dollar and the yen.

During the late 1980s, a 70% appreciation of the yen's value against the US dollar helped narrow Japan's trade surplus by 19% for two consecutive years in 1988/89 and 1989/90. This was accompanied by low rates of unemployment as well as strong growth in consumer spending and private investment, in turn contributing to a healthy 5% annual growth rate in the GNP between 1987 and 1990. The end of the period of high growth, 1975 to 1990, coincided with the collapse of the Cold War confrontation. The period that followed, after 1991 and until about 2003, had been characterized by very low to stagnant growth, and three dips into recession. The investment boom of the late 1980s, known retrospectively as the bubble economy, had its corresponding bust from 1991 to 1994, leaving mountains of debts that still constitute a drag on the economy. GDP growth rates fell to 1.0%, 0.3%, 0.6%, and 1.5% in the period 1992 to 1995. A spurt of recovery to 5% in 1996 was cut short by the Asian financial crisis of 1997, and Japan saw its first recession year since 1974 when GDP declined 1% in 1998.

Recovery from the Asian financial crisis was itself cut short in 2001, with the onset of a global slowdown and the aftershocks of the 11 September 2001 terrorist attacks on the United States: real GDP growth dropped from 2.2% in 2000 to -0.5% in 2001. The depth of recessions have been minimized by massive stimulus packages and tax cuts across the period of stagnant growth. Recently, major tax cuts were made in 1999 and 2003, and in 2001, the government implemented its ninth massive stimulus package since 1992, this one for ¥11 trillion (about \$960 billion). Total national debt, at 164.3% of GDP in 2004, is proportionately the highest among developed countries.

As of 2006, however—despite a currency that rose more than 20% from 2002–05—Japan's economy was beginning to show signs of improvement. GDP was forecast to grow by 2.3% in 2005 and by 2% in 2006. Japan remained set to end persistent deflation in 2006, although fiscal tightening could slow GDP growth. Consumer prices were forecast to fall by 0.1% in 2005 and to rise by 0.3% in 2006. The unemployment rate was forecast to fall from 3.9% in 2006, to 3.8% in 2007, to just 3.5% in 2008.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Japan's gross domestic product (GDP) was estimated at \$3.9 trillion. The CIA defines GDP as the value of all final goods and services

produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$30,400. The annual growth rate of GDP was estimated at 2.1%. The average inflation rate in 2005 was -0.2%. It was estimated that agriculture accounted for 1.3% of GDP, industry 25.3%, and services 73.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.078 billion.

The World Bank reports that in 2003 household consumption in Japan totaled \$2.448 trillion or about \$19,123 per capita based on a GDP of \$4.3 trillion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 1.4%. In 2001 it was estimated that approximately 12% of household consumption was spent on food, 7% on fuel, 2% on health care, and 22% on education.

## 21 LABOR

Japan's labor force in 2005 numbered an estimated 66.4 million persons. The distribution of employed workers in 2004 was as follows: services, 67.7%; industry, 27.8%; and agriculture, 4.6%. The unemployment rate in 2005 was estimated at 4.3%. Employers tend toward traditional, paternalistic, often authoritarian, control over their workers, but in turn, most regular workers have traditionally enjoyed permanent status.

Union membership in 2005 was about 10.3 million or 19.2% of the workforce. Union strength is greatest in local government employees, automobile workers, and electrical machinery workers. Most members are organized in units called enterprise unions, which comprise the employees of a single firm. Virtually all organized workers are affiliated with national organizations, of which the largest is the Japanese Trade Union Confederation (Shin-Rengo), established in 1987 following the dissolution of the Japanese Confederation of Labor (Domei), and incorporating the General Council of Trade Unions (Soyho) as of 1989. Collective bargaining is widely utilized, and the right to strike is available to most workers.

Strict enforcement of child labor laws as well as societal values protects children from exploitation in the workplace. Children under age 15 are not permitted to work, and those under 18 are restricted. As of 2005, the minimum wage ranged from \$5.77 to \$6.76 per hour, depending on region. Labor legislation mandated a standard workweek of 40 hours, with premium pay rates for overtime.

## 22 AGRICULTURE

Crop production is vital to Japan despite limited arable land (13% of the total area) and the highest degree of industrialization in Asia. Steep land (more than 20°) has been terraced for rice and other crops, carrying cultivation in tiny patches far up mountainsides. With the aid of a temperate climate, adequate rainfall, soil fertility built up and maintained over centuries, and such a large farm population that the average farm has an area of only 1.2 hectares (3 acres), Japan has been able to develop intensive cultivation. Agriculture exists in every part of Japan, but is especially impor-

tant on the northern island of Hokkaidō, which accounts for 10% of national production. Since World War II (1939–45), modern methods, including commercial fertilizers, insecticides, hybrid seeds, and machinery, have been used so effectively that harvests increased substantially through the 1970s. Japan is the third-largest agricultural product importer in the world (after the United States and Germany), with total agricultural product imports of \$41.5 billion in 2004. At \$39.6 billion, Japan had the largest agricultural trade deficit in the world that year.

Almost all soybeans, feedstuffs, and most of the nation's wheat are imported. In 2004, Japan produced 10.9 million tons of rice, the chief crop. In that year, rice accounted for about 90% of all cereal production. About 39% of all arable land is devoted to rice cultivation. Overproduction of rice, as a result of overplanting and a shift to other foods by the Japanese people, led the government in 1987 to adopt a policy of decreasing rice planting and increasing the acreage of other farm products. For many years the government restricted imports of cheaper foreign rice, but in 1995 the rice market was opened to imports, as the government implemented the Uruguay Round agreement on agriculture. Other important crops and their annual production in 2004 (in thousands of tons) included potatoes, 2,839; sugar beets, 4,656; mandarin oranges, 1,200; cabbage, 2,400; wheat, 860; barley, 240; soybeans, 163; tobacco, 53; and tea, 95. In 2003, the government estimated that Japan's self-sufficiency rate for cereals was 60%; for fruits, 44%; and for vegetables, 82%.

As a result of the US-occupation land reform, which began in late 1946, nearly two-thirds of all farmland was purchased by the Japanese government at low prewar prices and resold to cultivators on easy terms. By the 1980s, nearly all farms were owner-operated, as compared with 23% before reform. A more telling trend in recent years has been the sharp growth in part-time farm households. Farmers are aging, and 84% of farm income is derived from other sources, such as industrial jobs. Although agriculture accounts for only 1% of GDP, about 10% of the population lives on farms. Despite increasing urbanization, 59% of all farms still cultivated less than one hectare (2.7 acres) in 2004. As a result, Japanese agriculture intensively utilizes both labor and machinery for production. In 2003, Japan had 2,028,000 tractors and 1,042,000 combines.

### 2<sup>3</sup> ANIMAL HUSBANDRY

Livestock production has been the fastest-growing sector in Japanese agriculture, with meat production increasing from 1.7 million tons in 1970 to 3 million tons in 2005. In 2004, Japan imported \$8.8 billion in beef, pork, and poultry meat. In 2005 there were 9,600,000 hogs, 4,401,000 head of beef cattle, and 283,000,000 chickens. That year, pork production reached 1,250,000 tons (up from 147,318 tons in 1960); beef, 500,000 tons (142,450 tons in 1960); milk, 8,255,000 tons (1,886,997 tons in 1960); and eggs, 2,465,000 tons. Japan is the single largest recipient of US agricultural exports; over a third of Japan's meat imports come from the United States. In 2003, the government estimated that Japan's self-

sufficiency rate for meat was 45%; for eggs, 96%; and for dairy products, 69%.

### 2<sup>4</sup> FISHING

Japan is one of the world's foremost fishing nations, accounting on average for about 8% of the world's catch. In 2004, the total catch was 5.73 million tons, with marine fishing accounting for 78%. The waters off Japan include cold and warm currents in which fish abound. In 2003, there were 335,938 registered fishing boats which sailed both on nearby waters and in other fishing grounds in the Pacific Ocean, the South China Sea, and the Indian and Atlantic Oceans, with a total capacity of 320,010 gross tons. Annual per capita fish and shellfish consumption from 1999 to 2001 averaged 66 kg (145 lb). In 2003, despite domestic fish production, about \$12.4 billion in fish and shellfish was imported in order to satisfy domestic demand.

Whales have been prized in Japan as a source of both food and a variety of by-products, and Japanese whalers caught 2,769 whales in 1986. Japan ended commercial whaling in 1987, following the imposition of a worldwide ban on the hunting of endangered species of whales by the International Whaling Commission, but announced that it would catch 875 whales for "research" purposes. The 2003 Japanese whale catch of 820 blue and fin whales represented about 42% of the world's whale catch.

Competition for overseas fishing privileges has at various times brought Japan into conflict with Canada over salmon, with Russia over fishing in the Sea of Okhotsk (between 1905 and 1945 Japan had special treaty privileges in these waters), with the ROK and China over their limitations on Japanese fishing operations, with Australia over pearl fishing in the Arafura Sea, with Indonesia over fishing in what Indonesia regards as inland waters, and with the United States, especially over fishing in north Pacific and Alaskan waters. Japan has been adversely affected by the adoption of the 200 mi fishing zone by the United States and more than 80 other world nations. Fishing in waters claimed by the United States (where about 70% of the Japanese catch originates) or by many other nations now requires payment of fees and special intergovernmental or private agreements.

Fish culture in freshwater pools, as well as in rice paddies, has long been practiced in Japan. Aquaculture provides an additional 1.2 million tons of fish annually. The leading species cultivated are laver (*nori*), yesso scallops, Pacific cupped oysters, and Japanese amberjack. Seaweed culture provides winter season activity for many fishermen. Pearl culture has for more than half a century been the foundation of a valuable export industry.

### 2<sup>5</sup> FORESTRY

Forests cover nearly 64% of the total land area of Japan and in 2000 supplied about half the domestic demand for lumber and wood pulp. Of 24 million hectares (59.5 million acres) of forest, the Japanese government owns 30%, which it maintains under strict regulations limiting overcutting. On private forest lands, cutting is less controlled. About 6.6 million hectares (16.3 million acres) are reforested with trees less than 20 years old. Forest management and erosion control are urgent necessities in a land where gradients are very steep and flooding is frequent. Japan was the



world's third leading producer of paper and paperboard in 2004 (after the United States and China), at over 30.5 million tons.

About 45% of the forest area consists of plantations. The Japanese cedar (*sugi*), which grows in most of Japan, is the most exploited species, followed by Japanese cypress (*hinoki*), and Japanese red pine (*akamatsu*). These three species grow on 10 million hectares (24.7 million acres) of plantation forest and were first planted in the 1950s and 1960s. In 2004, roundwood production totaled 15.2 million cu m (537 million cu ft), as compared with 49.1 million cu m (1.7 billion cu ft) in 1965. Domestic roundwood production met 51% of Japan's total wood fiber demand that year (up from 48% in 2003); the rest was supplied by imports. In 2004, Japan's 9,420 sawmills processed 13.6 million tons of logs.

During the 1980s and 1990s, Japan became more reliant on imported wood to satisfy domestic demand. In 2004, Japan imported \$11.1 billion in forest products, second only to the United States. Japan is the world's dominant importer of softwood and tropical hardwood logs, and has become one of the largest importers of softwood lumber, which is mainly used for housing construction.

In the early 1960s, 42 public corporations were formed to help private landowners with harvesting and replanting Japan's forests. Since timber prices have fallen 75% since the 1980s, many of these public corporations are now unable to pay back loans and are accruing large debts. As of 2004, the failure of these corporations left several prefectures with a great deal of unpaid loans.

## 26 MINING

The mining sector was the smallest of Japan's industrial-based economy, accounting for 0.2% of GDP in 2003. The mineral-processing industry, however, was among the world's largest and most technologically advanced, accounting for 6.3% of Japan's GDP, in 2003 and it played a key role in supplying steel, nonferrous metals, and chemicals for the country's world-class manufacturing sector, as well as to those of the region. Japan is among the largest producers and consumers of cadmium, and a leading producer of selenium metal, electrolytic manganese dioxide, titanium sponge metal iodine, pig iron, nickel metal, crude steel, copper metal, diatomite, zinc metal, and cement. Japan also produced and had considerable resources of limestone, carbonate rocks (construction aggregates and dolomite), clays (bentonite and fire clay), pyrophyllite, and silica. Since the beginning of the 20th century, most mineral production has undergone a steady decline, and Japan has become a net importer of minerals, relying heavily on imports for petroleum, iron ore, chromium, cobalt, copper concentrate copper metal, primary aluminum, ilmenite, rutile, natural gas, gallium, uranium, manganese (for all its requirements), indium, nickel and coal, although coal accounted for slightly more than half of all mineral production by value. With the exception of gold and zinc, Japan's ore reserves for other minerals, especially oil, gas, and metallic minerals, were very small.

Of Japan's \$470.7 billion in total exports in 2003, minerals, mineral-related chemicals, and processed minerals products were valued at \$38.5 billion; iron and steel products, and nonferrous, rare, and other base metals totaled \$27.3 billion; processed mineral products of asbestos, cement, ceramics, glass, mica, and stone, \$4.7 billion; mineral-related chemicals and fertilizer, \$2.4 billion; precious and semiprecious stones, and precious metals, \$2.1 bil-

lion; salt, sulfur, earths, stone, plastering materials, lime, and cement, \$2.0 billion.

Among metal minerals, preliminary data for 2003 shows that Japan produced 8,143 kg of mine gold (metal content), and 78,862 kg of mine silver. In addition, Japan produced the metal minerals alumina, antimony oxide, high-purity arsenic, bismuth, mine copper, germanium oxide, iron ore, iron sand concentrate, mine lead, manganese oxide, rare-earth oxide (including oxide of cerium, europium, gadolinium, lanthanum, neodymium, praseodymium, samarium, terbium, and yttrium), elemental selenium, high-purity silicon, elemental tellurium, titanium dioxide, mine zinc, and zirconium oxide. Gold ore reserves totaled 178,762 kg (metal content); and zinc ore (metal content), 3.25 million tons.

Among industrial minerals, preliminary output totals for 2003 were: hydraulic cement, 68.766 million tons; iodine, 6,524 metric tons; diatomite, 1850,000 metric tons; limestone (crushed), 163.565 million tons; dolomite (crushed), 3.579 million tons; bentonite, 425,945 tons (estimated); crude fire clay, 460,000 metric tons (estimated); pyrophyllite (from Nagasaki, Okayama, and Hiroshima prefectures), 600,000 metric tons (estimated); silica sand, 4.699 million tons; and silica stone (quartzite), 12.838 million tons. In addition, Japan produced asbestos, elemental bromine, kaolin clay, feldspar, aplite, gypsum, quicklime, nitrogen, perlite, salt, sodium compounds (soda ash and sulfate), sulfur, talc, and vermiculite. Reserves of iodine totaled 4.9 million tons; limestone, 57.9 billion tons; dolomite, 1.19 billion tons; pyrophyllite, 160.4 million tons; silica sand, 200.95 million tons; white silica stone, 880.7 million tons; and kaolin, 36.03 million tons.

Japan's mineral industry consisted of a small mining sector of coal and nonferrous metals, a large mining sector of industrial minerals, and a large minerals-processing sector of ferrous and nonferrous metals and industrial minerals. Mining and mineral-processing businesses were owned and operated by private companies. There were two major nonferrous metal mines and around 40 major industrial mineral mines in 2003. About 50,000 people were employed by Japan's mining sector in 2003. The mineral-processing industry produced, among other things, inorganic chemicals and compounds, ferrous metals, industrial minerals, nonferrous metals, petrochemicals, and refined petroleum products—for domestic consumption and for exports.

The government, through its Metal Mining Agency of Japan (MMAJ), collaborating with the Japan International Cooperation Agency, continued to promote overseas mineral exploration by providing loans and technical assistance, and by carrying out basic exploration. In line with its mineral policy to secure and diversify its long-term supply of raw materials, Japan was expected to continue its active search for direct investment in joint exploration and development of minerals in developed and developing countries. The targeted minerals were antimony, chromium, coal, columbium (niobium), copper, gold, iron ore, lead, lithium, manganese, molybdenum, natural gas, nickel, crude petroleum, rare earths, silver, strontium, tantalum, titanium, tungsten, vanadium, and zinc.

## 27 ENERGY AND POWER

As of August 2004, Japan was the fourth-largest energy consumer in the world, and the second-biggest importer of energy topped only by the United States. Japan's primary energy needs in 2002

were supplied by oil (49.7%), coal (18.9%), nuclear power (13.7%), natural gas (12.7%), hydropower (3.7%), and other renewable sources (1.1%).

Japan's proven oil reserves are miniscule. As of 1 January 2004, these reserves were estimated at 59 million barrels. In 2003, oil production averaged an estimated 120,000 barrels per day, of which 5,000 barrels per day consisted of crude oil. However, oil demand by Japan in 2003 was estimated at 5.57 million barrels per day. Thus imports for that year made up the difference, at an estimated average of 5.45 million barrels per day. However, Japan has been involved in exploration for petroleum and its production overseas. However, in 2000, Japan lost its drilling rights in Saudi Arabia. To make up for this loss, Japan began making investments in Iran, and has sought equity stakes in the Caspian Sea region. Japan is also looking at the Russian Far East.

As of 1 January 2004, Japan's crude oil refining capacity was estimated at 4.7 million barrels per day, spread among 32 refineries.

As of 1 January 2004, Japan's proven natural gas reserves were estimated at 1.4 trillion cu ft. However, additional deposits may lie under the seabed around Japan. Domestic natural gas output is small. In 2002, Japan's production of natural gas came to an estimated 0.10 trillion cu ft. As a result, Japan must import the vast majority of the natural gas it consumes. Demand for natural gas in 2002 was estimated at 2.67 trillion cu ft, with imports for that same year estimated at 2.57 trillion cu ft. Almost all of Japan's natural gas imports are in the form of liquefied natural gas (LNG).

Although Japan has coal reserves estimated in 2002 at 852 million short tons, Japan ceased all coal production in January 2002, when it closed its last operating mine at Kushiro, on the island of Hokkaidō. With demand for coal at an estimated 179.1 million short tons in 2002, imports of coal that year came to an estimated 175.8 million short tons. In 2002, the last year of domestic production, output came to 3.3 million short tons.

In 2002, Japan's electric power generating capacity stood at 236.995 million kW, of which conventional thermal plants accounted for 168.728 million kW, nuclear generating plants 45.907 million kW, hydropower facilities 45.907 million kW, and geothermal/other 0.709 million kW. Electric power output in 2002 came to 1036.208 billion kWh, of which 646.457 billion kWh came from conventional thermal plants, 280.339 billion kWh from nuclear plants, 81.554 billion kWh from hydropower facilities and 27.858 from geothermal/other sources. Electricity is provided by several private companies, with the public Electric Power Development Co. and the Japan Atomic Power Co. playing supplementary roles in distribution.

To reduce its reliance on oil and its carbon dioxide emissions, Japan has aggressively pursued the development of nuclear power since the 1980s. In 2002, nuclear generated electric power accounted for 27% of all power produced. According to Japan's 10-year energy plan, which was approved in March 2002, nuclear generation is to be increased by about 30% by 2011. It is anticipated that between 9 and 12 new nuclear plants would be needed. As of 2002, Japan had 51 reactors in operation, with a total capacity of 45 GW. These included the world's first Advanced Boiling Water Reactor, which came online in 1997.

## 28 INDUSTRY

Manufacturing has been a key element in Japan's economic expansion during three periods of phenomenal growth. First, during the 50-year rise of Japan from a feudal society in 1868 to a major world power in 1918, output in manufacturing rose more rapidly than that of other sectors. Second, during the 1930s, when Japan recovered from the world depression earlier and faster than any other country and embarked on an aggressive course in Asia, manufacturing, especially heavy industries, again had the highest rate of growth. Third, in the remarkable recovery since World War II, manufacturing, which had suffered severely during the latter stages of the war, was again a leader, although commerce and finance expanded even more rapidly.

Japanese industry is characterized by a complex system of exclusive buyer-supplier networks and alliances, commonly maintained by companies belonging to the same business grouping, or *keiretsu*. Such a system utilizes a web of vertical, horizontal, and even diagonal integration within the framework of a few large conglomerations. Keiretsu firms inhibit the foreign acquisition of Japanese firms through nontransparent accounting and financial practices, cross-holding of shares among keiretsu member firms (even between competitors), and by keeping a low proportion of publicly traded stock relative to total capital.

During the 1970s and early 1980s, the rate of Japan's industrial growth surpassed that of any other non-Communist industrialized country. Of the 26 largest industrial companies in the world in the mid-1980s—those with sales of \$20 billion or more—four were Japanese: Toyota Motor, Matsushita Electric, Hitachi, and Nissan Motor. In addition to spectacular expansion in the volume of output, Japanese industry has also achieved impressive diversity, with maximal application of efficiency standards and technological input. In 1997, industry accounted for about 38% of GDP and 33% of the total labor force. However, the Asian financial crisis that beset the region impacted Japan's industrial production growth, which went from 9.6% in 1997 to -6.9% in 1998. Growth was still negative in 1999, but only by -0.1%, and in 2000 positive growth had returned as industrial production rose 5.3%. The recovery was short lived. The global slowdown of 2001 compounded by the economic aftershocks of the 11 September 2001 terrorist attacks on the United States contributed to a massive 8.3% decline in industrial production in Japan in 2001. The percentage of Japan's labor force in industry had dropped from 40% in 1997 to 30% in 2001. However, by 2003, industrial production had improved, and by 2004 was growing by 6.6%, even though the percentage of Japan's labor force in industry had dropped further, to 25%.

A brief recession forced production cutbacks in 1965; a deeper recession in 1974, related to rising world oil costs and diminished supplies, slowed Japan's economy in 1973-75 and again in 1978-80. At the same time, wage rates rose substantially, thereby reducing Japan's competitive advantage vis-à-vis other industrialized nations and prompting a major government effort to promote high-technology industries capable of making the most efficient use of the high educational level and technical competence of the Japanese labor force. Japan's industrial strategy, which involves close cooperation between business, government, and labor, was coordinated by the Ministry of International Trade and Industry (MITI). Particular emphasis was given by MITI and other govern-

ment agencies to encouraging and assisting research and development of new products and technologies.

Facing increasingly stiff competition from overseas trading partners in the 1980s, Japanese firms responded with several strategies, including product diversification, increased investment in overseas plants, as well as a greater focus on production for the domestic market. Despite declining profits with the economic downturn of the early 1990s, Japanese companies continued to make large investments in new plants and equipment; in 1992, these outlays amounted to over 20% of the GDP, well outstripping the level of private investment in the United States. Since 1992, the government has implemented nine massive stimulus packages, including large investments in public projects like roads, bridges, and airports, in its efforts to spark renewed growth, or, at least, prevent a deeper recession.

Manufacture of electrical machinery ranks first in value added. Nonelectrical machinery ranks second, followed by transportation equipment and chemicals. The electronics industry grew with extraordinary rapidity in the 1980s and now leads the world. Radio and television sets and household appliances have been exported in large quantities since World War II; in addition to generators, motors, transformers, and other heavy equipment, the industry now produces automatic devices, electronic computers, videocassette recorders, tape recorders, calculators, and communications and broadcasting equipment. Japan plays an increasingly important role in the computer industry. By 1987, Japan was fiercely competing with the United States in developing high-tech products, such as superconducting materials.

Japan is the world's leading shipbuilder; more than half the ships built are exported, including some of the world's largest oil tankers. Rapid increases in shipbuilding capacity by Brazil and South Korea reduced demand for Japanese-built ships from a peak of 38 million gross tons of new orders in 1973 to 7.0 million gross tons in 1991. The decline prompted direct government intervention in the ailing industry and the closing of close to 37% of dockyard facilities in 1980. As of 2001, Japan had 33% market share in new orders of ships, followed by South Korea with 30%, and China with 11%.

Passenger car production expanded rapidly in the 1970s, as Japan moved to fill rising demand for fuel-efficient cars in the United States and Europe. In the early 1980s, Japan emerged as the world's leading automobile producer, topping the United States for the first time in the history of the industry. Dominant industry giants are Nissan and Toyota, which together produced about three-fifths of all passenger cars in the mid-1980s. Restrictions imposed on Japanese automobile exports have promoted a marked increase in Japanese investment in automobile manufacturing facilities (engine manufacture, assembly as well as research and development) in the United States, Western Europe, and other overseas markets. Japanese manufactures have also sustained growth through greater focus on producing for the booming domestic motor vehicle market. Japan's superior technology in the design of bicycles, motorcycles, buses, and high-speed trains has been another major factor in the growth of the transport industry. In 2004, Japan produced 10,511,518 cars, trucks, and buses, of which 4,957,663 were exported. Leading car makers included Daihatsu, Fuji, Hino, Mitsubishi, Nissan, Honda, Isuzu, Mazda, Suzuki, and Toyota.

The chemical and petrochemicals industry has been another of the economy's key growth sectors since the late 1960s, in part due to rising domestic demand. Products include industrial chemicals such as sulfuric acid, caustic soda and fertilizers, as well as plastics, dyestuffs, paints, and other items for domestic use. Japan must import much of the iron ore and coking coal used in its steel industry, which ranked second only to the former USSR's in the mid-1980s. Output of crude steel peaked at 119.32 million tons in 1973 but declined to 101.6 million tons in 1995. In 2004, crude steel production totaled 112.72 million tons.

Textiles and apparel, Japan's main exports during the years immediately following World War II, have steadily declined in importance. Output of cotton and woolen fabrics, yarns, and rayon and acetate remains substantially below 1965 levels. The Japanese textile industry has been especially hard hit by rising wage rates and competition from developing nations, especially the other industrializing countries of East Asia.

Japan's semiconductor business has grown in size and profit due to the trade pact between Japan and the United States. While some argue that this pact had a negative effect on Japan's domestic chip market, it now appears, that these chip companies have become more efficient and therefore more profitable. Both the United States and Japan have become so intertwined in the semiconductor area that neither could afford to terminate the relationship.

## 29 SCIENCE AND TECHNOLOGY

The Japanese rank second only to the United States in spending on scientific research and technology development. However, in Japan, 80% of all research and development (R&D) is carried out by industry, in contrast to the United States, where industry undertakes about half of all R&D (the US government supports the rest). This is important because industry is more likely to support the type of research that will result in new technologies and products. For many people, this breakdown of R&D funding explains why Japan has become such an economic powerhouse. Much more of the total R&D budget is focused on near-term and commercial science and technology. Some of the more successful applications of the fruits of Japanese R&D include high-speed trains, robotics, semiconductor chips, telecommunications, cancer research, and environmental technologies.

In 1987–97, science and engineering students accounted for 21% of college and university enrollments. In 2002, of all bachelor's degrees awarded, 18.6% were in the sciences (natural, mathematics and computers, and engineering) In that same year, there were 5,085 scientists and engineers per million population actively engaged in R&D. In 2000 (the latest year for which the following data was available) R&D spending in Japan totaled \$98,242.931 million, or 2.98% of GDP, for which business accounted for 72.4%, and government 19.6%. Higher education, that same year, accounted for 7.6%, while foreign sources provided 0.4%. Despite Japan's economic downturn in the 1990s, it was likely that investments in both equipment and personnel would grow. In 2002, high-tech exports were valued at \$94.730 billion and accounted for 24% of manufactured exports.

In terms of the Japanese government's role in national science and technology, three ministries are important. The Ministry of Education, or Monbusho, provides most of the support and funding for scientific education and training at the university level in

Japan. In the 1990s, Monbusho led a national effort to improve science and technology education at universities, particularly in “basic” research (areas where research does not necessarily have to pay off in commercial products). Another organization, the Science and Technology Agency (STA) promotes science and technology policies, and acts as the prime minister’s leading policy and budgetary agency. It performs this function through annual “white papers” which describe the current state—and future goals—of Japanese science and technology. The Ministry of International Trade and Industry (MITI) is probably the ministry best known by Americans. MITI promotes and protects Japanese industry by sending them signals and giving guidance to those firms which undertake research and development. MITI has been instrumental in providing close government-industry cooperation in many high technology fields, including computers, electronics, and biotechnology.

Regional research institutions such as Tskuba Science City and Kansai Science Park also play a role in fostering Japanese research and development. Their growth since the 1970s has begun to shift some of the focus and power of the national government and industry in Tokyo to the regional prefectures. International cooperation with the United States in areas like global warming and space launches may create new opportunities for greater scientific research at local, regional, and national levels in Japan.

Japan has numerous universities and colleges that offer courses in basic and applied sciences. The country’s National Science Museum, founded in 1877, is located in Tokyo. The University of Tokyo has botanical gardens that were established in 1684.

### <sup>30</sup> DOMESTIC TRADE

At least half of all consumer goods are purchased through small, privately owned and operated shops. Street hawkers and peddlers provide certain foods and small consumer items; street stalls offer food, clothing, and household and other goods. Specialty shops exist in great profusion, and about 100 associations of such shops represent common interests. There are chain stores owned and operated by a single management and there are voluntary chains of independent stores operating in association. Japan also has numerous cooperatives, principally consumer, agricultural, and fishing. Recent revisions in the large-scale retail store law have loosened government regulation of the distribution system, allowing the establishment of large foreign discounters and mega-stores, which are likely to offer growing competition to smaller retailers in the future. As of 2005, Japan’s franchise industry was the second-largest in the world in total sales with over 1,000 chains. The number of outlets in Japan exceeds 218,000.

A key characteristic of the country’s distribution system has been the long term and carefully cultivated nature of the supplier and wholesaler or retail store relationship, necessitating considerable commitment of time and outreach effort by foreign companies wishing to enter the Japanese market.

In retail trade, cash transactions have been traditional, but various forms of installment selling are increasingly being used, especially in the sale of durable goods. The use of charge accounts is growing rapidly. Promotion by displays, advertising, and other methods used in Western countries is increasing rapidly in Japan. Advertising appears in the daily press, in the numerous weekly and monthly magazines, and in special publications of many

kinds. Radio and television also carry extensive advertising, excepting those channels run by the government’s Japan Broadcasting Corporation.

Normal shop hours are 10 AM to 8 PM, seven days a week, although department stores shut their doors at 7:30 PM and are closed two or three weekdays a month; government offices are open 9 AM to 5 PM, Monday through Friday. Banks are open from 9 AM to 3 PM Monday through Friday, and are closed on Saturdays and Sundays.

### <sup>31</sup> FOREIGN TRADE

Despite the fact that Japan’s currency rose more than 20% from 2002–05, and 13% in 2005 alone, it remained the world’s second-largest exporting nation, behind Germany. However, Japan exhibits a low degree of openness to foreign trade, and therefore maintains a significant trade surplus. For example, as a percentage of current-price GDP, the value of Japan’s two-way foreign trade in 2003 was just above 18%, compared with 54% for Germany. The closed nature of Japan’s economy is also comparable to other countries in Asia, such as China, which in 2003 saw foreign trade reach nearly 60% of current-price GDP. This phenomenon is due to official and unofficial restrictions on merchandise imports, which remain in place—despite pressure from the United States and other important trading partners—to protect the less efficient sectors of Japanese industry, such as textiles, food, and pulp and paper. This lack of openness to foreign trade has been named as one of the reasons for the poor productivity of companies in the nontradable sectors of the economy, for example, and for other structural economic problems.

Imports consist mostly of fuel, foodstuffs, industrial raw materials, and industrial machinery. Exports are varied, but manufactures now account for nearly all of the total. Cars represent a leading export product, with the United States, Canada, Australia, Germany, and the United Kingdom as the main markets. The export of office machinery, scientific and optical equipment is also important. South Korea, China, and Taiwan are among the main buyers of Japan’s iron and steel, while plastic materials and fertilizers are shipped primarily to South Korea and the Southeast Asian countries, and woven fabrics are supplied to China, the United

#### Principal Trading Partners – Japan (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	471,996.0	383,452.0	88,544.0
United States	117,539.5	59,994.8	57,544.7
China	57,415.5	75,469.3	-18,053.8
Korea, Republic of	34,805.6	17,902.7	16,902.9
Other Asia nes	31,235.7	14,311.4	16,924.3
China, Hong Kong SAR	29,896.9	...	29,896.9
Germany	16,422.2	14,207.5	2,214.7
Thailand	16,040.1	11,892.9	4,147.2
Singapore	14,846.6	5,435.1	9,411.5
United Kingdom	13,226.2	5,846.3	7,379.9
Netherlands	11,772.3	...	11,772.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

States, and Saudi Arabia. Only a small fraction of Japan's total exports consists of food items, mainly fish.

In light of growing overseas concern about Japan's continuing large trade surplus, the US and Japanese governments collaborated on the Structural Impediments Initiative of 1989. Steps taken in the wake of the initial report included a variety of import and direct foreign investment promotion measures, including deregulation, accelerated government spending on public infrastructure, and support services for foreign businesses. The Initiative as a framework for US-Japanese relations was ended in 1993.

Manufactured products make up most of Japan's commodity exports. Japan is the world's largest maker of machine tools, and is one of the world's most important iron and steel makers. The automobile is the country's most important industry, along with computers and electronic equipment. Japan makes more than 25% of the world's exported ships.

In percentage terms, Japan's main exports in 2004 were: electrical machinery (23.5% of all exports); transportation equipment (23.1%); nonelectrical machinery (20.6%); chemicals (8.5%); and metals (6.6%). Japan's main imports in 2004 were: machinery and equipment (31.3% of all imports); mineral fuels (21.7%); food (10.8%); chemicals (7.8%); and raw materials (6.2%). Japan's leading markets that year were: the United States (22.4% of total exports); China (13.1%); South Korea (7.8%); Taiwan (7.4%); and Hong Kong (6.3%). Leading suppliers in 2004 were: China (20.7% of all imports); the United States (13.7%); South Korea (4.8%); Indonesia (4.1%); and Taiwan (3.7%). Bilateral trade between China and Japan now exceeds trade between Japan and the United States.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Beginning in 1981, surpluses in Japan's current accounts increased rapidly, reaching \$49 billion in 1985 and \$86 billion in 1986, the latter being 18 times the level of 1981. These huge surpluses re-

sulted largely from the high value of the dollar relative to the yen; price declines of primary goods, such as petroleum, also enhanced Japan's favorable trade position. Japan's mounting surpluses and the rising deficits of the United States forced the United States and other leading industrial nations to attempt to realign their currencies, especially the dollar and the yen, in September 1985. Within two years the yen rose 70% against the dollar. The yen's appreciation increased the competitiveness of American products and contributed to the reduction of Japan's external imbalances through 1990, when the current account surplus fell by 37.4%, due to higher expenses for imported oil and rising expenditures by Japanese traveling abroad. Whereas long-term capital outflows exceeded Japan's current account surplus from 1984 through 1990, by 1991 the outflow shifted predominantly to short-term capital, and overseas direct investment slowed.

In 2004, Japan's merchandise trade surplus, on a balance-of-payments basis, stood at \$132.1 billion, with exports totaling \$539 billion and imports totaling \$406.9 billion. The current account recorded a surplus of \$172.1 billion, or 3.7% of GDP in 2004. Japan's current account balance averaged 3% of GDP over the period 2001–05. Japan had the highest trade and current account surpluses in the world in the early 2000s; however, Japan is less open to trade than other highly developed economies. As a percentage of current-price GDP, the value of Japan's two-way foreign trade in 2003 was just 18%, compared with Germany's 54% and China's nearly 60%. This was due in part to restrictions on merchandise imports to protect the country's less efficient industry sectors. Due to this lack of openness to trade, companies in the nontradable sectors have not been productive.

### 3<sup>3</sup> BANKING AND SECURITIES

Japan's highly sophisticated banking system continued to play a dominant role in financing the country's and the world's economic development, despite Japan's decade long recession. In the mid-1980s, while the United States was becoming a debtor nation, Japan became the world's largest creditor. Banks provide not only short-term but also long-term credit, which often in effect becomes fixed capital in industry. In terms of sheer size, Japanese banks occupy some of the top spots in worldwide bank ratings.

The controlling national monetary institutions are the Bank of Japan (founded in 1882) and the Ministry of Finance. The Bank of Japan, as central bank, has power over note issue and audits financial institutions to provide guidance for improving banking and management practices. Ceilings for interest rates are set by the bank, while actual rates, commissions, and discounts are arranged by unofficial agreements among bankers and other financial institutions, including the National Bankers' Association. A new banking law, replacing the National Banking Law of 1928, was adopted in 1982. Its objectives were to increase competition in the financial world by enabling banks to sell bonds and by authorizing both banks and securities firms to sell commercial paper and certificates of deposit.

Eleven important city banks, with branches throughout the country, account for about two-thirds of all commercial bank assets, the rest accruing to 131 regional banks, 7 trust banks, and 83 foreign banks. In addition, 112 foreign banks have representative offices in Japan. Of special interest are the postal savings facili-

#### Balance of Payments – Japan (2003)

(In billions of US dollars)

<b>Current Account</b>		<b>136.2</b>
Balance on goods	106.4	
Imports	-342.7	
Exports	449.1	
Balance on services	-33.9	
Balance on income	71.2	
Current transfers	-7.5	
<b>Capital Account</b>		<b>-4.0</b>
<b>Financial Account</b>		<b>71.9</b>
Direct investment abroad	-28.8	
Direct investment in Japan	6.2	
Portfolio investment assets	-176.3	
Portfolio investment liabilities	81.2	
Financial derivatives	5.6	
Other investment assets	149.9	
Other investment liabilities	34.1	
<b>Net Errors and Omissions</b>		<b>-17.0</b>
<b>Reserves and Related Items</b>		<b>-187.2</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ties, which are used by many Japanese families and have assumed many of the aspects of a huge state-owned banking business.

The Foreign Exchange Law was changed to totally liberalize cross-border transactions in 1998. Important foreign exchange banks include the city banks, long-term credit banks, trust banks, major local banks, major mutual loan and savings banks, and the Japanese branches of foreign banks. Such governmental financial institutions as the Japan Export-Import Bank, the Central Bank for Commercial and Industrial Associations, and the Central Bank for Agriculture and Forestry also participate in foreign exchange markets.

The rapid expansion of bank lending and the importance of land and stocks as assets in Japan's financial sector have exposed its financial institutions to the risks stemming from falling asset prices. Thus one of the root problems of Japan's difficulty in returning to a trend rate of GDP growth lies in the fragility of the financial sector. Banks and other financial institutions have been rocked by the huge sums of nonperforming debt, stemming from an earlier lending spree based on inflated land values as collateral. In the aftermath of the collapse of the "bubble economy," many of the generous loans extended, especially to land and property developers, cannot be repaid or even serviced. Japan's 21 major banks, including the 11 city banks, wrote off about ¥11 trillion (\$102 billion) of bad debts at the end of March 1996.

The bad debt held by the seven failed *jusen* (housing loan companies established by banks and agricultural financiers), which were liquidated partly at public expense, led to huge secondary losses in other areas of the financial sector. The liquidated *jusen* moved their assets to the newly established Housing Loan Administration Corp., which had the responsibility, from the beginning of its operations in October 1996, of recovering loans from the seven companies. This was unlikely, however, since not only would many property companies go bankrupt, but also much of the bad debt was extended illegally or to companies associated with *yakuza* (gangsters). Consequently, several *jusen* executives were arrested in 1996 on charges of alleged aggravated breach of trust.

The most dramatic merger was that between the Bank of Tokyo and Mitsubishi Bank in April 1996. This "mega-merger" created the world's largest bank, which became highly competitive in global financial markets. In 1999, three Japanese banks: Dai-ichi Kangyo Bank, Fuji Bank, and IBI, announced a merger worth more than \$1.3 trillion, surpassing all other large financial institutions. The other premier Japanese banks in 1999 were Sumitomo Bank, Sanwa Bank, and Sakura Bank. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$2,318.7 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$5,293.5 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 0.06%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 0.1%.

Major securities exchanges are in Tokyo, Hiroshima, Fukuoka, Nagoya, and Osaka. Small regional exchanges are in Kyoto, Niigata, and Sapporo. Although prior to World War II most stocks were held by large business firms (*zaibatsu*), stocks are now available for public subscription. The Tokyo Stock Exchange, the largest in the world, is the most important in Japan.

In the late 1980s, there were three categories of securities companies in Japan, the first consisting of the "Big Four" securities houses (among the six largest such firms in the world): Nomura, Daiwa, Nikko, and Yamaichi. The Big Four played a key role in international financial transactions and were members of the New York Stock Exchange. Nomura was the world's largest single securities firm; its net capital, in excess of us\$10 billion in 1986, exceeded that of Merrill Lynch, Salomon Brothers, and Shearson Lehman combined. In 1986 Nomura became the first Japanese member of the London Stock Exchange. Nomura and Daiwa were primary dealers in the US Treasury bond market. The second tier of securities firms were affiliates of the Big Four, while some were affiliated with banks. In 1986, 83 of the smaller firms were members of the Tokyo Securities and Stock Exchange. Japan's securities firms derived most of their incomes from brokerage fees, equity and bond trading, underwriting, and dealing. Other services included the administration of trusts. In the late 1980s a number of foreign securities firms, including Salomon Brothers and Merrill Lynch, became players in Japan's financial world.

The Tokyo Securities and Stock Exchange became the largest in the world in 1988, in terms of combined market value of outstanding shares and capitalization, while the Osaka Stock Exchange ranked third after Tokyo and New York. As of 2004, there was a combined total of 3,220 companies listed on the Tokyo Stock Exchange and the JASDAQ, which had a combined market capitalization of \$3,678.262 billion. In 2004, the TOPIX index rose 10.2% from the previous year to 1,149.6.

### 34 INSURANCE

After 56 years, the Japanese Insurance Business Law was revised in 1997. The purpose of the newly revised law is competition, to protect policy holders, and to promote greater management efficiency. The law allowed, for the first time, cross entries of life and nonlife companies into each other's sector through the establishment of subsidiary companies. In response to this development, 6 life and 11 nonlife insurance companies set up subsidiaries. Firms may not engage in life and nonlife insurance at the same time. In 2003, leading Japanese nonlife insurance firms included Tokio, Mitsui Sumitomo, Aioi, and Nippon Koa. Leading life insurance companies included Nippon, Dai-ichi, Sumitomo, Meiji Yasuda, and ALICO Japan. Direct premiums written in 2003 totaled us\$478.865 billion.

Life insurance is by far the most extensive of all classes of insurance. Premium income is more than three times that of all nonlife premium income. In 2003, direct life insurance premiums written totaled us\$381.335 billion, while nonlife insurance premiums totaled us\$97.530 billion. Japan is the world's largest holder of life and health insurance. More than 90% of the population owns life insurance, and the amount held per person is at least 50% greater than in the United States. Nippon Life Insurance Co., the world's largest insurance firm, had us\$44,356.7 million in gross premiums written in 2003.

In the nonlife field, automobile insurance is the largest sector. (Automobile liability insurance is compulsory.) Personal accident insurance was next in importance, followed by fire, marine cargo, and marine hull insurance. Worker's compensation, nuclear liability and health insurance are also compulsory. In 2003, Tokio was the nation's leading nonlife insurer, with direct premium income

(net cancellations and returns, but including savings in maturity funded policies) of \$14,861.1 million.

In the mid-1990s the combined Japanese life and nonlife insurance market had the world's largest share with 30.8% of the world total premium. The life insurance market was 42.6% of the world market, and the nonlife market with 15.2%, the second-largest in the world after the United States. The Japanese nonlife insurance market consisted of 29 domestic companies and the life insurance market consisted of 36 domestic companies in 1997.

### 35 PUBLIC FINANCE

Plans for the national budget usually begin in August, when various agencies submit their budget requests to the Ministry of Finance. On the basis of such requests, the ministry, other government agencies, and the ruling party start negotiations. The government budget plan usually is approved by the Diet without difficulty, and the budget goes into effect in April. Deficits, financed by public bond sales, have steadily increased in size since the 1973 oil crisis. As a result, the ratio of gross debt to GNP has risen from 8% in 1970 to 60% by 1987. By 1990, debt servicing was absorbing over 20% of budgeted expenditures. Since 1982, Japan has pursued tight fiscal policies and has attempted to constrain government debt. In June 1987, however, as a response to appeals from other nations to reduce international imbalances, Japan initiated a \$35 billion public works spending package, followed up by \$10 billion in tax cuts. In recent years, however, fiscal stimulus policies have contributed to an increasing budget deficit. Japan's government deficit was 3% of GDP in 1994 and reached 4.3% of GDP in 1995, due to ongoing high levels of public sector borrowing. The government's focus on fiscal policy to compensate for a tight monetary policy has restricted spending on infrastructure, yet by 2002, the deficit had reached 7.8% of GDP.

The US Central Intelligence Agency (CIA) estimated that in 2005 Japan's central government took in revenues of approximately \$1.4 trillion and had expenditures of \$1.7 trillion. Revenues minus expenditures totaled approximately -\$346 billion. Public debt in 2005 amounted to 170% of GDP. Total external debt was \$1.545 trillion.

### 36 TAXATION

After World War II, Japan adopted a tax system relying mainly on direct taxes, like those in the United States and the United Kingdom. The most important of these are the income tax and corporation tax.

Japan's standard corporate tax rate is 30%, but local enterprise and inhabitant taxes can push that rate to 41%. Corporations capitalized at ¥100 million or less are taxed at a 22% rate that is applied to the first ¥8 million of taxable income. Capital gains received by companies are taxed as income at normal tax rates. In the past, capital gains received from the sale of land had been subject to a special surplus tax. As of 2005, that tax was suspended until 31 December 2008. Dividends are generally subject to a withholding tax of 20%. However, dividends paid on listed shares from 1 April 2003 through 31 March 2008 are taxed at a lower 10% rate. Interest paid to residents and nonresidents is also subject to a 20% withholding rate, although interest received by nonresidents from debentures, bank deposits, and bonds are subject to a lower rate of 15%.

Japan has a progressive individual income tax that has a top rate of 37%. However, local taxes can push the effective rate to 50%. Local taxes can include municipal and prefectural inhabitant and per capita taxes. There is also a 5% consumption tax that is applied to most services and goods. However, a number of items are zero-rated. These include: exports; foreign cargo handling, carriage, and storage; certain services to nonresidents; and patent, trademark and copyright loans or transfers to nonresidents. Exemptions include land transfers, medical services, residential rents, and financial services.

Additional national taxes include customs duties; a stamp tax; inheritance and gift taxes; a monopoly profits tax; a sugar excise tax; taxes on liquor, gasoline, and other commodities; and travel, admissions, and local road taxes.

### 37 CUSTOMS AND DUTIES

The Japanese tariff system is administered by the Customs Bureau of the Ministry of Finance. As of 1997, Japan imposed a general tariff rate of 2%. However, import duties remained relatively high for certain agricultural and manufactured goods. In addition, quantity quotas and tariff quotas are still applied to some goods. There is also a 5% consumption tax on imports based on cost, insurance, freight plus the duty. In August 2005, Japan imposed a 15% retaliatory duty on 15 products manufactured in the United States. These included ball bearings, steel products, navigational instruments, machinery accessories, printing machines, forklift trucks and industrial belts. There is a free trade zone at Naha, on Okinawa; no free trade zones function on the main islands.

### 38 FOREIGN INVESTMENT

Japanese investments abroad have expanded steadily since the 1970s, the result both of liberalization on the outflow of capital and of the prosperity of the Japanese economy. It has also been due in part to increased investment in the United States and European Union (EU) as a conciliatory move to lessen the trade gap between Japan and the two industrial regions. Net annual direct investment outflows remained near \$5 billion in the late 1970s but climbed steadily between 1985 and 1991 when they reached \$48 billion, declining somewhat to \$30.7 billion in 1992. Overseas direct investments made by Japan totaled \$41 billion in 1993/94 and \$51.4 billion in 1994/95. In 1996, Japan reportedly invested \$50 billion overseas and attracted only about \$7 billion in inward direct investment. In 2003, inward FDI was \$6.3 billion, and outward FDI amounted to \$28.8 billion.

Foreign investment in Japan has historically been less than in other G-7 countries. One reason for this is that in the past, the Japanese government discouraged foreign investment. A second but perhaps more significant reason is the high cost of doing business in Japan, which, in turn, reduces profits. Some of the barriers became less significant with the signing of the US-Japan Investment Accord signed in 1995. As of 2005, Japan's government imposed few formal restrictions on FDI in Japan, and had removed or liberalized most legal restrictions that applied to specific economic sectors. In 2005, President Koizumi promised to double the amount of FDI in Japan by 2010.

During the early 1990s, there was a significant imbalance in Japan's investment in other countries compared to other countries investing in Japan—the former was far greater than the latter. As

an example, Japan invested \$17,331 million in the United States in 1994 and \$22,649 million in 1995. During those same two years, the United States invested \$1,915 million and \$1,837 million, respectively, in Japan. Since the mid-1990s, however, investment in Japan soared. FDI stock in Japan had more than tripled (on a yen basis) from 1998–2003. Reforms in the financial, communications, and distribution sectors have encouraged foreign investment in these sectors.

In 2003, inward FDI to Japan slowed to \$6.3 billion, from \$9.2 billion in 2002, but this followed continued strong increases in FDI in the preceding several years. In 2003, Japan's overseas investments also shrank, to \$28.8 billion, from \$32.3 billion in 2002. In 2003, China attracted 90% of Japan's FDI in the Asia region alone. The primary foreign investors in Japan in 2003 were (in order): the United States, the Netherlands, France, Germany, and the Cayman Islands. Japanese direct investment abroad went to (in order): the United States, the Netherlands, the United Kingdom, China, and the Cayman Islands.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Japan's phenomenal economic growth since the 1950s has been based on an efficient blend of two economic tendencies. First is government activism in national planning and implementation, with guidance of the largely free economy via sophisticated and powerful monetary and fiscal policies. Second is the distinctively Japanese way of coupling largely private ownership of assets with conservative, public-spirited management. Especially significant was the role of the Ministry of International Trade and Industry (MITI), which coordinated national industrial policies consistent with economic and social growth. In a unique government-industry collaboration sometimes referred to overseas as "Japan, Inc.," MITI selected and nurtured industries targeted as important to Japan's future economic growth. Industries so targeted have included chemicals, iron and steel, shipbuilding, and transistor radios in the 1960s; automobiles and electronics in the 1970s; and computers, computer chips, and other high-technology industries for the 1980s. In addition to stimulating new industries, MITI also smoothed the way for plant closings and worker retraining in industries targeted for de-emphasis, such as textiles in the 1970s and the ailing coal-mining and shipbuilding industries in the 1980s. MITI also assumed an active role in lessening Japan's positive trade imbalances through a variety of import promotion measures, in collaboration with both domestic companies and foreign firms. Close ties between government and industry are illustrated by the ministries' issuance of informal "administrative guidance" to Japanese companies, the frequent placement of retired bureaucrats in Japanese companies and trade associations, and the delegation of quasi-regulatory authority to trade associations (which are often allowed to devise and regulate their own insider rules). In 2001, MITI was reorganized as the Ministry of Economy, Trade, and Industry (METI).

The objectives of maintaining rapid GNP growth, controlling inflation, and developing Japan's social and industrial infrastructure have been the concern of the Economic Planning Agency, which produced the successful Ikeda plan (to double the national income between 1961 and 1970) and released projections of key indicators at frequent intervals. (In 2001, the offices and functions of the Economic Planning Agency were reassigned to the newly-

formed Cabinet Office, where they function as a secretariat to the Council on Economic and Fiscal Policy.) In the main, the Ikeda plan consisted of a series of projections of growth in a free market economy, with the basic assumption—the continued growth of Japan's overseas trade—largely outside of government control. During the plan's 10-year span, an annual growth of 11% in GNP was realized, as against the forecast rate of 7.2%. An economic and social development plan (1967–75) accomplished a GNP growth rate of 10.6%, as against 8.2% projected.

A second economic and social plan (1970–75) projected a continued annual growth rate of 10.6%. The 1973 world oil crisis and its aftermath severely shook Japan's trade-dependent economy, however; in 1974, the GNP actually shrank by 1.8%, the first such negative growth in three decades. In 1975, the cabinet approved a new economic and social plan for 1979–85 calling for an average annual growth rate of 5.7%. However, the impact of the second oil crisis in 1978 necessitated downward revisions of projected growth targets. Plans to stimulate the economy by increasing public-works spending and cutting taxes were approved in October 1983 and in May 1987. Also enacted in 1989 was a value-added tax to strengthen the government's revenue base while allowing reductions in personal and corporate income tax.

In 1988, a five-year plan was adopted to sustain real GNP growth at 3.8% per year, maintain low unemployment (2.5% per year), contain inflation, reduce the country's trade surplus, and improve the quality of life through a shorter work week and stabilized property prices. Many of these objectives were achieved or surpassed in the closing years of the decade. After 1992, however, the economy's downturn was likened by some analysts to the 1974 recession in its severity and length. Economic indicators included steep declines and sluggish recovery in the stock market index after 1989, falling real estate prices, as well as a shrunken rate of GNP growth, despite surging exports. To prompt a recovery, the Ministry of Finance approved large stimulus packages for 1992 and 1993, totaling \$85.6 billion and \$119 billion in expenditures, respectively. Under the Structural Impediments Initiative, the government sought to sustain growth while also reducing the country's external trade imbalances. Among the main steps taken under the Initiative was a 10-year program targeting the expenditure of up to \$8 trillion for the construction or renovation of airports, bridges, roads, ports, telecommunications systems, resorts, retirement communities, medical facilities, and other forms of public infrastructure development. Real growth during the 1990s hovered around 1% a year, however. The Asian Tigers, such as Singapore, Taiwan, and Hong Kong, saw their economies grow at a much higher rate than Japan's, and China's economic growth rate of 10% a year during the 1990s. In 1999, Japan began a tentative recovery from its longest and most severe recession since the end of World War II. By 2005, the economy was growing by a rate of approximately 2.3%.

Japan's financial assistance to developing countries and international agencies has grown significantly, making it one of the world's leading donor countries. The government has committed itself to large increases in official development assistance to developing countries and multilateral agencies since the late 1980s. Among the top recipients of bilateral ODA from Japan have been Indonesia, China, the Philippines, Thailand, Bangladesh, and Malaysia. Japan's increasing financial assistance to developing coun-



tries like China and Indonesia is an indication that the Japanese government is willing to sacrifice short term gain for longer term prosperity and stability. In essence, Japan is helping to create viable trading partners; and since Japan is a trading state, this strategy will enhance Japan's economic development over the long term. From 1992–2001, Japan was the largest donor of ODA, in terms of raw dollars. That was until 2001, when the United States reclaimed that position, and Japan's amount of aid dropped by nearly \$4 billion. A key factor accounting for this was the 12.7% depreciation of the yen. In 2004, Japan donated \$8.859 billion in ODA, or 0.19% of GNP, down from \$9.678 billion in 2001 (0.23% of GNP).

#### 40 SOCIAL DEVELOPMENT

Living standards reflect Japan's rapid economic development since the mid-1960s. Greatly contributing to the social stability of the nation is the strong sense of family solidarity among the Japanese; virtually every home has its *butsudan*, or altar of the ancestors, and most elderly people are cared for in the homes of their grown children. A further source of social stability has been Japan's employment system, noted for its "lifetime employment" of workers from the time they enter the company after completing their education to the time they retire. Traditionally, layoffs and dismissals of employees were rare, even during times of recession.

The present social insurance system includes national health insurance, welfare annuity insurance, maternity coverage, unemployment insurance, workers' accident compensation insurance, seamen's insurance, a national government employees' mutual aid association, and day workers' health insurance. It also provides pension plans designed to maintain living standards for the elderly, based on years of employment, and for families of deceased workers. Per capita expenditure on social security programs remained low, however, in relation to expenditure in many other industrial nations. There is a family allowance for low income residents with children under the age of nine.

Nearly the entire population receives benefits in one form or another from the health insurance system. Health insurance is compulsory for those employed at enterprises with five or more workers and premiums are shared equally by the insured and their employers. Those not covered at work are insured through the National Health Insurance program. Other sickness and health insurance is in force among farmers, fishermen, and their dependents. Unemployment coverage is obligatory for all enterprises regardless of size; workers' compensation must also be provided by employers.

The Daily Life Security Law laid the groundwork for an ever-growing livelihood assistance program. Out of this have come laws pertaining to child welfare, physically handicapped persons' welfare, social welfare service, welfare fund loans to mothers and children, aid to the war-wounded and ill, and aid to families of deceased soldiers. The system provides direct aid for livelihood, education, housing, medical, maternity, occupational disability, and funerals. More than a thousand welfare offices throughout the nation are staffed by full-time, salaried welfare secretaries and assisted by voluntary help. Institutions have been established to care for the aged, those on relief, and those needing rehabilitation. Numerous private organizations assist government agencies. There are special pension programs for public employees, private school

teachers and employees, and employees of agricultural, forestry, and fishery cooperatives.

Women make up over 40% of the labor force. Although the law prohibits wage discrimination, there remained a significant gap between earnings for men and women in 2004. Women also retain the responsibility of child care and household chores. Domestic abuse and other violence against women are often unreported due to societal concerns about shame in the family. The government is taking some action in providing shelter facilities and passing laws to protect victims. There is also an increase in the molestation of women on the railways while commuting. Sexual harassment in the workplace is prevalent.

Discrimination against ethnic Koreans and other non-Japanese minorities also continued. Human rights are generally respected by the government, but there have been some reports of abuse of detainees and prisoners.

#### 41 HEALTH

The Ministry of Health and Welfare has become the central administrative agency responsible for maintaining and promoting public health, welfare, and sanitation. All hospitals and clinics are subject to government control with respect to their standards and spheres of responsibility. In 2004, there were 201 physicians, 820 nurses, 72 dentists, and 171 pharmacists per 100,000 people. Every practitioner in the field of medicine or dentistry must receive a license from the Ministry of Health and Welfare. In addition, the ministry recognizes and authorizes certain quasi-medical practices, including massage, acupuncture, moxa-cautery, and judo-orthopedics, all based upon traditional Japanese health professions.

Expanded examination and treatment have brought about a dramatic decrease in the death rate from tuberculosis, the major cause of death in the 1940s. Death rates from cancer and heart disease have risen considerably and now rank among the leading causes of death, trailing cerebrovascular diseases. Japanese medical researchers have been working on research for a new cure for breast cancer.

Infant mortality dropped to 3.26 per 1,000 live births in 2005, one of the lowest in the world. Only 3% of children under age five were malnourished. The total fertility rate was 1.4 as of 2000. Immunization rates for children up to one year old are nearly 100%. Average life expectancy was 81.15 years in 2005, among the highest rates in the world. In the mid-1990s there were nearly 300,000 deaths per year strictly from cardiovascular diseases. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 12,000 people living with HIV/AIDS in the country. There were an estimated 500 deaths from AIDS in 2003.

#### 42 HOUSING

A severe housing shortage plagued Japan after World War II. It was estimated that in 1947, two years after the war's end, the housing deficit amounted to more than four million units. A construction program resulted in 9.7 million new units by the end of 1965. The following year, the government undertook a five-year plan for the construction of 7.6 million houses by mid-1971; the plan was designed to fulfill the goal of "one house for each family."

Housing construction peaked at 1.9 million units in 1973; despite efforts to promote construction as a means of stimulating the domestic economy, construction lagged in later years, falling

to between 1.1 million and 1.5 million units in the 1980s. The decline reflected not so much a saturation of demand—many Japanese regard their housing as inadequate—as a rapid rise in land and construction costs, especially in the Tokyo, Nagoya, and Osaka metropolitan areas, which put new housing out of the reach of potential buyers.

In the mid-1990s, the average salaried worker in Tokyo could only afford a house 40 km outside the Tokyo metropolitan area. Condominiums and prefabricated homes provided much of the nation's new housing in the 1980s. In fiscal 1987, low interest rates pushed new housing starts to 1.729 million units; they declined in 1988 to 1.6 million, and fell to 1.343 million in 1991 with the start of the recession. However, in 1998, there was a total of 50.25 million dwellings, representing 13% more than the number of households. In 2000, about 58.5% of all households were living in detached houses. About 61% of all households lived in owner-occupied dwellings.

### 43 EDUCATION

Japan's entire educational system was reorganized along US lines after World War II, adhering to a six-three-three-four plan (six years of primary school, three years of lower secondary school, three years of upper secondary school—full-time, part-time or correspondence—and four years of college). Education is compulsory and provided free of charge for the first nine years, from age 6 through 14. Entrance into high schools, the stage following the compulsory level, is by examination only, and most of these schools charge tuition. Coeducation has become an accepted principle.

In 2001, about 84% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was also estimated at about 100% of age-eligible students. The student-to-teacher ratio for primary school was at about 20:1 in 2003.

Would-be national and local public university students must pass entrance examinations in Japanese, English, mathematics, science, and social studies. There are three types of institutions for higher education—universities, junior colleges and technical colleges, all of which receive prefectural and national support or annual subsidies. There are 95 national universities, with each prefectural capital having one school; the remainder are in the principal cities. The largest religious bodies, both Christian and Buddhist, maintain important universities and other educational institutions. There are many special schools for the handicapped. In 2003, about 51% of the tertiary age population were enrolled in some type of higher education program; with 54% for men and 47% for women. The adult literacy rate for 2002 was estimated at about 99%.

Educational activities for adults and youths are organized both by government and private bodies. There is a board of education in each of the 47 prefectures and 3,000 municipalities and these serve as the local education authority. The central education authority is the Ministry of Education, which provides guidance and financial assistance to the local bodies. As of 2003, public expenditure on education was estimated at 3.6% of GDP, or 10.5% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

In 1948, the National Diet Library Law established the National Diet Library to provide reference service to the Diet, other libraries, and the general public. In 1949, this library absorbed the Ueno Library (the former national library) as one of its branches. The National Diet Library acts as a legal depository for Japanese publications and is also a depository library for the United Nations. There are over 7.3 million volumes in the library's collection. The University of Tokyo (Tokyo Daigaku) has 7.6 million volumes, and Keio University, also in Tokyo has libraries with holdings of over 1 million volumes.

Public libraries are beginning to find their place in Japanese life. Prior to the enactment of the Library Law of 1950, 70% of those who utilized libraries were students and scholars. Today, libraries are information centers, and increasing numbers of citizens are patronizing them. The Tokyo Metropolitan Library consists of three main branches with ties to about 360 town and village libraries throughout the metropolitan region.

Except in large cities, typical Japanese museums take the form of the treasure halls of shrines or temples, botanical gardens, and aquariums. Important museums include the National Science Museum, Museum of Contemporary Art, Calligraphy Museum, and the Tokyo Metropolitan Art Museum, all located in Tokyo. Also in Tokyo are the Baseball Hall of Fame and Museum, a criminal museum, and a clock museum. In 2002 the Hyogo Prefectural Museum of Art opened in Kobe. Osaka houses a museum of natural history and the National Museum of Ethnography, and Kyoto, the former capital, has many historical sights and monuments. Yokohama is home to an equine museum and Kanazawa Bunko, a general museum dating back to 1275 and featuring Zen Buddhist documents. There is a Peace Memorial and Museum in Hiroshima.

### 45 MEDIA

Telephone and telegraph services are offered by Nippon Telephone and Telegraph, which was privatized in 1986, and by Japan Telecom and other companies that entered the market after Nippon Telegraph and Telephone's monopoly ended in 1985. Telex, fax, and international telegram services are provided by Kokusai Den-shin-Denwa (KDD). In 2003, there were an estimated 472 main-line telephones for every 1,000 people. The same year, there were approximately 679 mobile phones in use for every 1,000 people.

A semigovernmental enterprise, the Japan Broadcasting Corp. (Nihon Hoso Kyokai—NHK), plays a large role in Japan's radio and television communications. Started in 1935, Radio Japan is also beamed by NHK throughout the world. There are four other national commercial networks. Some commercial stations are connected with large newspaper companies. Color television broadcasting began in 1960; multiplex broadcasting, for stereophonic or multiple-language programming, was made available in Tokyo and other metropolitan areas in 1978. As of 2001 there were 215 AM and 89 FM radio stations. In 2003, there were an estimated 956 radios and 785 television sets for every 1,000 people. About 193.4 of every 1,000 people were cable subscribers. Also in 2003, there were 382.2 personal computers for every 1,000 people and 483 of every 1,000 people had access to the Internet.

The Japanese press is among the world's largest in terms of newspaper circulation and is also a leader in ratio of copies to population. The leading Japanese dailies, with their 2002 morning (and evening) circulations, are: *Yomiuri Shimbun*, 10,224,70 (4,183,130 evening); *Asahi Shimbun*, 8,322,050 (4,070,610); *Mainichi Shimbun*, 3,976,360 (1,708,910); *Nihon Keizai Shimbun*, 1,796,310 (959,730); *Sankei Shimbun*, 1,997,700 (907,370); *Tokyo Shimbun*, 653,120 (348,750); *Hochi Shimbun*, 438,420; *Osaka Nichi-Nichi Shimbun*, 225,000; *Chunichi Shimbun* (in Nagoya), 3,075,320 (1,247,820); *Nishi-Nippon Shimbun* (in Fukuoka), 841,460 (187,530); *Hokkaidō Shimbun* (in Sapporo), 677,550 (387,520); *Kyoto Shimbun* (in Kyoto), 504,600 (319,730); *Kobe Shimbun* (in Kobe), 546,080 (269,640); and *Chugoku Shimbun* (in Hiroshima), 732,730 (89,310).

There are two domestic news agencies: the Kyodo News Service, with 50 domestic bureaus and with foreign bureaus in every major overseas news center; and the Jiji Press, serving commercial and government circles.

The constitution of Japan provides for free speech and a free press and the government is said to respect these rights in practice. The Japanese press enjoys the reputation of having the most vigorous and outspoken in the world. It operates under the constitutional provision of absolute prohibition of censorship.

#### 46 ORGANIZATIONS

The Japan Chamber of Commerce includes several regional and local branches. Workers and employers are represented by a number of trade organizations, including the umbrella organizations of the General Council of Trade Unions, the Congress of Labor Unions, and Federation of Employers Associations. Specialized business and industry organizations include the Japan Silk Association, the Japan Whaling Association, and the Japan Pearl Exporters' Association.

The Japan Industrial Safety and Health Association serves an important role in regulating workplace safety standards. The Japan Medical Association promotes research and education on health issues and works to establish common policies and standards in healthcare. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions. There are numerous professional associations representing a wide variety of careers.

There are numerous youth organizations, including the Scout Association of Japan, Girl Guides, YMCA/YWCA, and the Japan Youth Association. Numerous sports associations and clubs promote amateur competition in such pastimes as taekwondo, horse racing, squash, table tennis, track and field, and cricket.

The Institute of Art Research and the National Institute of Japanese Literature are important in the cultural field. The Society for International Cultural Relations, established in 1934, is active in the publishing field and in cultural exchange. The Motion Picture Association of Japan is a prominent entertainment organization. There are many associations and clubs available for hobbyists.

There are national chapters of the Red Cross Society, CARE, Greenpeace, Habitat for Humanity, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourism in Japan is regarded as a major industry, since many foreign visitors as well as the Japanese themselves tour the country

extensively. In 2003, Japan had about 5.2 million visitors. There were 1,562,867 hotel rooms with an occupancy rate of 70%. Tourism expenditure receipts totaled \$11.4 billion. A valid passport along with an onward/return ticket is required. A visa is not necessary for stays of up to 90 days.

Japan's chief sightseeing attractions are in the ancient former capital of Kyoto: Nijo Castle, Heian Jingu Shrine, the 13th-century Sanjusangendo temple, and the Kinkaku-ji (Temple of the Golden Pavilion); the Ryōan-ji (Temple of the Peaceful Dragon), famed for its garden of stones and raked sand, and numerous other ancient Buddhist temples and Shinto shrines. Nearby sights in the vicinity of Nara include the Great Buddha, a huge bronze statue originally cast in the eighth century; the Kofuku-ji pagoda; and Horyu-ji, the seventh century temple from which Buddhism spread throughout Japan. There are few historic sites in the capital—Tokyo was devastated by an earthquake in 1923 and virtually destroyed in World War II—but nearby attractions include Mt. Fuji and the hot springs of Fuji-Hakone-Izu National Park; Nikko National Park, site of the Toshogu Shrine, where the first Tokugawa shogun is entombed; and the summer and winter sports facilities in the mountains of central Japan—the so-called Japan Alps. The Hiroshima Peace Park and Peace Memorial Museum commemorate the destruction of the city by an atomic bomb in 1945.

Baseball is Japan's national pastime; there are two professional leagues, each with six teams. Sumo, a Japanese form of wrestling, is also popular, with tournaments held six times a year. Golf, an expensive sport because of the lack of open space, is used mainly as a means of entertaining business clients. Other pastimes include judo, karate, table tennis, fishing, and volleyball. Gardening is the most popular hobby among men and women alike. Nagano hosted the 1998 Olympic Winter Games.

The costs of traveling in Japan, among the highest in the world, were reduced slightly when a 3% tourism tax, in effect since 1960, was abolished on 1 April 2000.

In 2005, the US Department of State estimated daily expenses for staying in Tokyo at \$257. Okinawa was estimated at \$354 from May through September and \$238 the rest of the year. To stay in Osaka-Kobe the daily expenses were \$260 and in Kanazawa, \$195.

#### 48 FAMOUS JAPANESE

Murasaki Shikibu (late 10th–early 11th cent.) was the author of *The Tale of Genji*, probably the best-known Japanese literary classic in English since it was first translated in the 1920s. Zeami (Motokiyo, 1363–1443) was an actor who established Noh theater and wrote a number of plays that have been part of the Noh repertoire ever since. Monzaemon Chikamatsu (1653–1724) wrote plays for the Bunraku theater, many of which later became part of the repertoire of Kabuki. Basho (Matsuo Munefusa, 1644–94) perfected the writing of the poetic form now known as haiku. In this genre, three other poets are also known: Buson Yosa (1716–83), Issa Kobayashi (1763–1827), and the modern reformer Shiki Masaoka (1867–1902). Ryunosuke Akutagawa (1892–1927) is best known for his story "Rashomon." Prominent modern novelists include Jun'ichiro Tanizaki (1886–1965); Yasunari Kawabata (1899–1972), winner of the 1968 Nobel Prize for literature; Kobo Abe (1924–93); Yukio Mishima (1925–70); Shusako Endo (1923–96); Haruki Murakami (b.1949); and Kenzaburo Oe (b.1935) who won

the 1994 Nobel Prize in literature. A leading modern writer and Zen Buddhist scholar was Daisetz Teitaro Suzuki (1870–1966).

In art, Sesshu (1420–1506) was the most famous landscape artist of his day. Ogata Korin (1658–1716) was a master painter of plants, animals, and people. The leader of the naturalist school was Maruyama Okyo (1733–95). The best-known painters and wood-block artists of the “*ukiyo-e*” style were Kitagawa Utamaro (1754–1806), Katsushika Hokusai (1760–1849), Saito Sharaku (fl.1794–95), and Ando Hiroshige (1797–1858). Four 20th-century Japanese architects whose work has had a marked influence on international style are Mayekawa Kunio (1905–86), Hideo Kosaka (1912–2000), Kenzo Tange (1913–2005), and Yoshinobu Ashihara (1918–2003).

Noted Japanese film directors include Kenji Mizoguchi (1898–1956), Yasujiro Ozu (1903–63), and Akira Kurosawa (1910–92). Toshiro Mifune (1920–97) was the best-known film star abroad. Important composers include Toshiro Mayuzumi (1929–97) and Toru Takemitsu (1930–96). Seiji Ozawa (b.1935) is a conductor of world renown. The leading home-run hitter in baseball history is Sadaharu Oh (b.1940), manager of the Yomiuri Giants, who retired as a player for the same team in 1980 after hitting 868 home runs.

Hideyo Noguchi (1876–1928), noted bacteriologist, is credited with the discovery of the cause of yellow fever and is famed for his studies on viruses, snake poisons, and toxins. Hideki Yukawa (1907–81), Japan’s most noted physicist, received the 1949 Nobel Prize for research on the meson. In 1965, Shinichiro Tomonaga (1906–79), a professor at Tokyo University of Education, became one of the year’s three recipients of the Nobel Prize for physics for work in the field of quantum electrodynamics. Leo Esaki (b.1925) won the Nobel Prize for physics in 1973; Kenichi Fukui (1918–1998) shared the 1981 chemistry award; and Susumu Tonegawa (b.1939) won the 1987 medicine award. Hideki Shirakawa (b.1936) shared the 2000 Nobel Prize in chemistry; Ryoji Noyori (b.1938) shared the chemistry prize in 2001; and Koichi Tanaka (b.1959) shared the 2002 chemistry prize. Masatoshi Koshiba (b.1926) shared the Nobel Prize in physics in 2002.

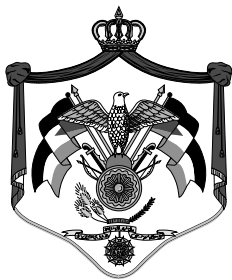
Hirohito (1901–89) became emperor of Japan in 1926. His eldest son, Akihito (b.1933), succeeded him in 1990. The leading statesman after World War II was Eisaku Sato (1901–75), prime minister from 1964 to 1972 and winner of the Nobel Peace Prize in 1974.

## 49 DEPENDENCIES

Japan has no territories or colonies.

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# JORDAN

The Hashemite Kingdom of Jordan  
*Al-Mamlaka al-Urdunniyya al-Hashimiyya*



**CAPITAL:** ‘Ammān

**FLAG:** The national flag is a tricolor of black, white, and green horizontal stripes with a seven-pointed white star on a red triangle at the hoist.

**ANTHEM:** *As-Salam al-Maliki (Long Live the King).*

**MONETARY UNIT:** The Jordanian dinar (JD) is a paper currency of 1,000 fils. There are coins of 1, 5, 10, 20, 25, 50, 100, and 250 fils and notes of ½, 1, 5, 10, and 20 dinars. JD1 = \$1.40845 (or \$1 = JD0.71) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some local and Syrian units are still widely used, especially in the villages.

**HOLIDAYS:** Arbor Day, 15 January; Independence Day, 25 May; Accession of King Hussein, 11 August; King Hussein’s Birthday, 14 November. Muslim religious holidays include the 1st of Muharram (Islamic New Year), ‘Id al-Fitr, ‘Id al-‘Adha, and Milad an-Nabi. Christmas and Easter are observed by sizable Christian minorities.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in southwest Asia, Jordan has an area of 92,300 sq km (35,637 sq mi). Jordan extends 562 km (349 mi) NE–SW and 349 km (217 mi) SE–NW. Comparatively, the area occupied by Jordan is slightly smaller than the state of Indiana. It is bounded on the N by Syria, on the NE by Iraq, on the E and S by Saudi Arabia, on the SW by the Gulf of Aqaba, and on the W by Israel, with a total land boundary length of 1,635 km (1,016 mi) and a coastline of 26 km (16 mi).

Jordan’s capital city, ‘Ammān, is located in the northwestern part of the country.

## <sup>2</sup> TOPOGRAPHY

The Jordan Valley has a maximum depression of 392 m (1,286 ft) below sea level at the Dead Sea; south of the Dead Sea the depression, called Wadi‘Araba, slowly rises to reach sea level about halfway to the Gulf of Aqaba. To the east of the Jordan River, the Transjordanian plateaus have an average altitude of 910 m (3,000 ft), with hills rising to more than 1,650 m (5,400 ft) in the south. Farther eastward, the highlands slope down gently toward the desert, which constitutes 88% of the East Bank. The Jordan River enters the country from Israel to the north and flows into the Dead Sea; its main tributary is the Yarmuk, which near its juncture forms the border between Jordan and Syria. The Dead Sea is the lowest point on the earth’s surface, at 408 m (1,339 ft) below the level of the Mediterranean. The Dead Sea has a mineral content of about 30%.

## <sup>3</sup> CLIMATE

The Jordan Valley has little rainfall, intense summer heat, and mild, pleasant winters. The hill country of the East Bank—ancient Moab, Edom, and Gilead—has a modified Mediterranean climate,

with less rainfall and hot, dry summers. The desert regions are subject to great extremes of temperature and receive rainfall of less than 20 cm (8 in) annually, while the rest of the country has an average rainfall of up to 58 cm (23 in) a year. Temperatures at ‘Ammān range from about 4°C (39°F) in winter to more than 32°C (90°F) in summer.

## <sup>4</sup> FLORA AND FAUNA

Plants and animals are those common to the eastern Mediterranean and the Syrian Desert. The vegetation ranges from semi-tropical flora in the Jordan Valley and other regions to shrubs and drought-resistant bushes in the desert. About 1% of the land is forested. The wild fauna includes the jackal, hyena, fox, wildcat, gazelle, ibex, antelope, and rabbit; the vulture, sand grouse, skylark, partridge, quail, woodcock, and goldfinch; and the viper, dived water snake, and Syrian black snake. As of 2002, there were at least 71 species of mammals, 117 species of birds, and over 2,100 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

Jordan’s principal environmental problems are insufficient water resources, soil erosion caused by overgrazing of goats and sheep, and deforestation. Water pollution is an important issue in Jordan. Jordan has 1 cu km of renewable water resources with 75% used for farming activity and 3% used for industrial purposes. About 91% of the total population have access to pure water. It is expected that the rate of population growth will place more demands on an already inadequate water supply. Current sources of pollution are sewage, herbicides, and pesticides.

Jordan’s wildlife was reduced drastically by livestock overgrazing and uncontrolled hunting between 1930 and 1960; larger wild animals, such as the Arabian oryx, onager, and Asiatic lion, have

completely disappeared. Under a law of 1973, the government has prohibited unlicensed hunting of birds or wild animals and unlicensed sport fishing, as well as the cutting of trees, shrubs, and plants. As of 2003, 3.4% of Jordan's total land area is protected.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 7 types of mammals, 14 species of birds, 1 type of reptile, 5 species of fish, and 3 species of invertebrates. Endangered species in Jordan include the South Arabian leopard, the sand cat, the cheetah, and the goitered gazelle.

## 6 POPULATION

The population of Jordan in 2005 was estimated by the United Nations (UN) at 5,795,000, which placed it at number 104 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 37% of the population under 15 years of age. There were 108 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.4%, a rate the government viewed as too high. The government has allocated funds to improve education about reproductive health. The projected population for the year 2025 was 8,265,000. The population density was 65 per sq km (168 per sq mi), with the highest density in the northern Jordan River Valley. A portion of the population is nomadic.

The UN estimated that 79% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.30%. The capital city, 'Ammān, had a population of 1,237,000 in that year.

## 7 MIGRATION

In 2000 there were 1,945,000 migrants living in Jordan, accounting for approximately 40% of the total population. Of those migrants, 83%, or about 1,610,100 were refugees. In 2004 Jordan hosted 1,740,170 refugees and 12,453 asylum seekers. Also, in 2004, 243 Jordanians sought asylum in Canada and Sweden. The net migration rate estimated for 2005 was 6.42 migrants per thousand population. The government views the immigration level as too high, and the emigration level as too low.

There were 350,000 Jordanians in Kuwait before the 1990 Iraqi attack on Kuwait. Jordan sided with Iraq in the Gulf War, as a result most Jordanians were expelled from Kuwait. However, by 2001, there were 30,000 Jordanians in Kuwait, counting 9,000 as employed. In 2003, there were an estimated 400,000 Jordanian expatriates working outside the country, most in oil-rich Arab Gulf countries. Worker remittances in 2003 amounted to \$2.2 billion, up 2.2% from 2002.

## 8 ETHNIC GROUPS

Ethnically, the Jordanians represent a mixed stock. Most of the population is Arab (approximately 98%), but, except for the Bedouin nomads and seminomads of the desert and steppe areas, this element is overlain by the numerous peoples that have been present in Jordan for millennia, including Greek, Egyptian, Persian, European, and Negroid strains. The Palestinian Arabs now resident in Jordan tend to be sedentary and urban. Perhaps 1% of the

population is Armenian, and another 1% is Circassian. There are also small Kurd, Druze, and Chechen minorities.

## 9 LANGUAGES

Arabic is the official language of the country and is spoken even by the ethnic minorities who maintain their own languages in their everyday lives. The spoken Arabic of the country is essentially a vernacular of literary Arabic; it is common to neighboring countries as well but is quite different from the spoken language in Egypt. There also are differences between the languages of the towns and of the countryside, and between those of the East and West banks. English is widely understood by the upper and middle classes. About 1.7 million people are registered as Palestinian refugees and displaced persons; most of these are citizens.

## 10 RELIGIONS

Islam is the state religion, although all are guaranteed religious freedom. Most Jordanians (about 95%) are Sunni Muslims. Of the racial minorities, the Turkomans and Circassians are Sunni Muslims, but the Druzes are a heterodox Muslim sect. Christians constitute about 4% of the population and live mainly in 'Ammān or the Jordan Valley; most are Greek Orthodox or Roman Catholic. Other officially recognized denominations include Melkite, Armenian Orthodox, Maronite, Assyrian, Anglican, Lutheran, Seventh-Day Adventist, United Pentecostal, and Presbyterian. Groups registered as religious societies by the government include Baptists, Free Evangelicals, Nazarenes, the Christian Missionary Alliance, and Assemblies of God. There are some members of the Coptic church; these are primarily Egyptian immigrants. The Baha'is are mainly of Persian stock. Chaldean and Syriac Christians are also represented. A tiny community of Samaritans maintains the faith of its ancestors, a heterodox form of the ancient Jewish religion. There are numerous missionary groups within the country.

The constitution provides for religious freedom with the stipulation the all religious practices are within the semblance of "public order and morality." Non-Muslims are not permitted to proselytize to Muslims. Conversion from Islam to other faiths is not expressly prohibited, but converts face a great deal of legal and social discrimination. Certain Muslim and Christian holidays are celebrated as national holidays. The Royal Institute for Interfaith Studies and the Royal Academy for Islamic Civilization research are government-sponsored organizations that promote tolerance and understanding between Muslims and Christians.

## 11 TRANSPORTATION

Jordan's transportation facilities are underdeveloped, but improvements have been made in recent years. The third development plan (1986–90) allotted JD445 million for transportation. A good road network links the principal towns and connects with Syria, Iraq, and Saudi Arabia. In 2003 Jordan's road system totaled 7,364 km (4,580 mi), all of which were paved. In 2003, there were 315,250 passenger cars and 107,920 commercial vehicles.

The rail system, as of 2004, consisted of some 505 km (314 mi) of narrow-gauge single track, and is a section of the old Hijaz railway (Damascus to Medina) for Muslim pilgrims. It runs from the Syrian border through 'Ammān to Ma'an, where it connects with a spur line to the port of Al-'Aqabah. Reconstruction of the section from Ma'an to Medina in Saudi Arabia, which had been destroyed



LOCATION: (1949): 29°17' to 33°20' N; 34°53' to 39°12' E. BOUNDARY LENGTHS: Syria, 375 kilometers (233 miles); Iraq, 181 kilometers (112 miles); Saudi Arabia, 728 kilometers (452 miles); Gulf of Aqaba, 26 kilometers (16 miles); Israel, 238 kilometers (148 miles); West Bank, 97 kilometers (60 miles). TERRITORIAL SEA LIMIT: 3 miles.

in World War I, was undertaken in the early 1970s as a joint venture by Jordan, Saudi Arabia, and Syria.

Al-'Aqabah, Jordan's only outlet to the sea, is situated at the head of the Gulf of Aqaba, an arm of the Red Sea. The port was initially developed after the 1948 Arab-Israeli war, which cut off Arab Palestine and Transjordan from Mediterranean ports; substantial development did not begin until the 1960s. The port has been enlarged for general use, including terminals for loading potash and fertilizers. In 2005 Jordan had 20 merchant ships of 1,000 GRT or more, totaling 78,814 GRT.

Jordan had an estimated 17 airports in 2004. As of 2005 a total of 15 were paved, and there was also one heliport. The major airport is the Queen Alia International Airport, about 30 km (19 mi)

south of 'Ammān, which was opened in the early 1980s. Aqaba Airport is the other international airport. The government-owned Alia-Royal Jordanian Airline operates domestic and international flights. In 2003, about 1.313 million passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

As part of the Fertile Crescent connecting Africa and Asia, the area now known as Jordan has long been a major transit zone and often an object of contention among rival powers. It has a relatively well known prehistory and history. Neolithic remains from about 7000 BC have been found in Jericho, the oldest known city in the world. City-states were well developed in the Bronze Age

(c.3200–2100 BC). In the 16th century BC, the Egyptians first conquered Palestine, and in the 13th century BC, Semitic-speaking peoples established kingdoms on both banks of the Jordan. In the 10th century BC, the western part of the area of Jordan (on both banks of the Jordan River) formed part of the domain of the Hebrew kings David and Solomon, while subsequently the West Bank became part of the Kingdom of Judah. A succession of outside conquerors held sway in the area until, in the 4th century BC, Palestine and Syria were conquered by Alexander the Great, beginning about 1,000 years of intermittent European rule. After the death of Alexander, the whole area was disputed among the Seleucids of Syria, the Ptolemies of Egypt, and native dynasties, such as the Hasmonians (Maccabees); in the 1st century BC, it came under the domination of Rome. In Hellenistic and Roman times, a flourishing civilization developed on the East Bank; meanwhile, in southern Jordan, the Nabataean kingdom, a native Arab state in alliance with Rome, developed a distinctive culture, blending Arab and Greco-Roman elements, and built its capital at Petra, a city whose structures hewn from red sandstone cliffs survive today. With the annexation of Nabataea by Trajan in the 2nd century AD, Palestine and areas east of the Jordan came under direct Roman rule. Christianity spread rapidly in Jordan and for 300 years was the dominant religion.

The Byzantine phase of Jordan's history, from the establishment of Constantinople as the capital of the empire to the Arab conquest, was one of gradual decline. When the Muslim invaders appeared, little resistance was offered, and in 636, Arab rule was firmly established. Soon thereafter, the area became thoroughly Arabized and Islamized, remaining so to this day despite a century-long domination by the Crusaders (12th century). Under the Ottoman Turks (1517–1917), the lands east of the Jordan were part of the Damascus vilayet (an administrative division of the empire), while the West Bank formed part of the sanjak (a further subdivision) of Jerusalem within the vilayet of Beirut.

During World War I, Sharif Hussein ibn-'Ali (Husayn bin 'Ali), the Hashemite (or Hashimite) ruler of Mecca and the Hijaz, aided and incited by the United Kingdom (which somewhat hazily promised him an independent Arab state), touched off an Arab revolt against the Turks. After the defeat of the Turks, Palestine and Transjordan were placed under British mandate; in 1921, Hussein's son 'Abdallah was installed by the British as emir of Transjordan. In 1923, the independence of Transjordan was proclaimed under British supervision, which was partially relaxed by a 1928 treaty, and in 1939, a local cabinet government (Council of Ministers) was formed. In 1946, Transjordan attained full independence, and on 25 May, 'Abdallah was proclaimed king of the Hashemite Kingdom of Transjordan. After the Arab-Israeli War of 1948, King 'Abdallah annexed a butterfly shaped area of Palestine bordering the Jordan (thereafter called the West Bank), which was controlled by his army and which he contended was included in the area that had been promised to Sharif Hussein. On 24 April 1950, after general elections had been held in the East and West banks, an act of union joined Jordanian-occupied Palestine and the Kingdom of Transjordan to form the Hashemite Kingdom of Jordan. This action was condemned by some Arab states as evidence of inordinate Hashemite ambitions. Meanwhile, Jordan, since the 1948 war, had absorbed about 500,000 of some 1,000,000 Palestinian Arab refugees, mostly sheltered in UN-administered camps, and

another 500,000 nonrefugee Palestinians. Despite what was now a Palestinian majority, power remained with the Jordanian elite loyal to the throne. On 20 July 1951, 'Abdallah was assassinated in Jerusalem by a Palestinian Arab, and his eldest son, Talal, was proclaimed king. Because of mental illness, however, King Talal was declared unfit to rule, and succession passed to his son Hussein I (Husayn ibn-Talal), who, after a brief period of regency until he reached 18 years of age, was formally enthroned on 2 May 1953.

Between the accession of King Hussein and the war with Israel in 1967, Jordan was beset not only with problems of economic development, internal security, and Arab-Israeli tensions but also with difficulties stemming from its relations with the Western powers and the Arab world. Following the overthrow of Egypt's King Faruk in July 1952, the Arab countries were strongly influenced by "Arab socialism" and aspirations to Arab unity (both for its own sake and as a precondition for defeating Israel). Early in Hussein's reign, extreme nationalists stepped up their attempts to weaken the regime and its ties with the United Kingdom. Notwithstanding the opposition of most Arabs, including many Jordanians, Jordan maintained a close association with the United Kingdom in an effort to preserve the kingdom as a separate, sovereign entity. However, the invasion of Egypt by Israel in October 1956, and the subsequent Anglo-French intervention at Suez, made it politically impossible to maintain cordial relations with the United Kingdom. Negotiations were begun to end the treaty with Britain, and thus the large military subsidies for which it provided; the end of the treaty also meant the end of British bases and of British troops in Jordan. The Jordanian army remained loyal, and the king's position was bolstered when the United States and Saudi Arabia indicated their intention to preserve Jordan against any attempt by Syria to occupy the country. After the formation of the United Arab Republic by Egypt and Syria and the assassination of his cousin, King Faisal II (Faysal) of Iraq, in a July 1958 coup, Hussein turned again to the West for support, and British troops were flown to Jordan from Cyprus.

When the crisis was over, a period of relative calm ensued. Hussein, while retaining Jordan's Western ties, gradually steadied his relations with other Arab states (except Syria), established relations with the USSR, and initiated several important economic development measures. But even in years of comparative peace, relations with Israel remained the focus of Jordanian and Arab attention. Terrorist raids launched from within Jordan drew strong Israeli reprisals, and the activities of the Palestine Liberation Organization (PLO) often impinged on Jordanian sovereignty, leading Hussein in July 1966, and again in early 1967, to suspend support for the PLO, thus drawing Arab enmity upon himself. On 5 June 1967, an outbreak of hostilities occurred between Israel and the combined forces of Jordan, Syria, and Egypt. These hostilities lasted only six days, during which Israel occupied the Golan Heights in Syria, Egypt's Sinai Peninsula, and the Jordanian West Bank, including all of Jerusalem. Jordan suffered heavy casualties, and a large-scale exodus of Palestinians (over 300,000) across the Jordan River to the East Bank swelled Jordan's refugee population (700,000 in 1966), adding to the war's severe economic disruption.

After Hussein's acceptance of a cease-fire with Israel in August 1970, he tried to suppress various Palestinian guerrilla organizations whose operations had brought retaliation upon Jordan. The



imposition of military rule in September led to a 10-day civil war between the army and the Palestinian forces (supported briefly by Syria which was blocked by Israel), ended by the mediation of other Arab governments. Subsequently, however, Hussein launched an offensive against Palestinian guerrillas in Jordan, driving them out in July 1971. In the following September, Premier Wasfi al-Tal was assassinated by guerrilla commandos, and coup attempts, in which Libya was said to have been involved, were thwarted in November 1972 and February 1973.

Jordan did not open a third front against Israel in the October 1973 war but sent an armored brigade of about 2,500 men to assist Syria. After the war, relations between Jordan and Syria improved. Hussein reluctantly endorsed the resolution passed by Arab nations on 28 October 1974 in Rabat, Morocco, recognizing the PLO as "sole legitimate representative of the Palestinian people on any liberated Palestinian territory," including, implicitly, the Israeli-held West Bank. After the Egyptian-Israeli Peace Treaty of 1979, Jordan joined other Arab states in trying to isolate Egypt diplomatically, and Hussein refused to join further Egyptian-Israeli talks on the future of the West Bank.

After the Israeli invasion of Lebanon in 1982 and the resulting expulsion of Palestinian guerrillas, Jordan began to coordinate peace initiatives with the PLO. These efforts culminated in a February 1985 accord between Jordan and the PLO, in which both parties agreed to work together toward "a peaceful and just settlement to the Palestinian question." In February 1986, however, Hussein announced that Jordan was unable to continue to coordinate politically with the PLO, which scrapped the agreement in April 1987. The following year the King renounced Jordan's claim to the West Bank and subsequently patched up relations with the PLO, Syria, and Egypt. In 1990, owing largely to popular support for Saddam Hussein, Jordan was critical of coalition efforts to use force to expel Iraqi forces from Kuwait. Relations with the United States and the Gulf states were impaired; Jordan lost its subsidies from the latter while having to support hundreds of thousands of refugees from the war and the aftermath. Jordan's willingness to participate in peace talks with Israel in late 1991 helped repair relations with Western countries. In June 1994, Jordan and Israel began meetings to work out practical steps on water, borders, and energy which would lead to normal relations. And, later that year, Jordan and Israel signed a peace treaty, ending the state of war that had existed between the two neighbors for decades. Relations with the major players in the Gulf War also improved in the years after the war. In 1996, Jordan and Saudi Arabia, the UAE and Kuwait were well on the way toward establishing normal relations.

Internally in the 1980s, Hussein followed policies of gradual political liberalization which were given new impetus by serious rioting over high prices in 1989. In that year, for the first time since 1956, Jordan held relatively free parliamentary elections in which Islamists gained more than one-third of the 80 seats. Martial law was ended in 1991 and new parliamentary elections were held in 1993. The King's supporters won 54 seats with the Muslim Brotherhood and its allies taking 18 places, the largest bloc of any party. However, the 1997 elections were boycotted by a number of opposition groups, who complained of unfair election laws, and the new upper house of parliament appointed by King Hussein did not include any members of Islamist groups.

In 1998 Hussein underwent treatment for cancer in the United States and delegated some of his powers to his brother, crown prince Hassan, who was next in the line of succession to the throne. The following winter, however, Hussein named his son Abdallah heir apparent. On 8 February 1999 King Hussein died, ending a 46-year reign; his funeral was attended by dignitaries from countries throughout the world. King Abdallah II pledged his support for the Middle East peace process, a more open government, and economic reforms requested by the IMF. However, there was widespread uncertainty about how the untested 37-year-old heir would meet the challenges thrust upon him.

His first year in power reassured many observers, both at home and abroad. Domestically, he pushed through a series of trade bills that helped pave the way of the country's admission to the WTO, which came in April 2000, and declared his intention of implementing wide-ranging administrative and educational reforms. On the international front, Abdallah played a role in the resumption of talks between Israel and Syria and also took a firm stance against the presence of Islamic extremists in his own country, driving the radical Hamas organization out of Jordan.

Abdallah dissolved parliament in June 2001, elections were postponed twice, and were held in June 2003. Independent candidates loyal to the king won two-thirds of the seats. In October 2003, a new cabinet was appointed following the resignation of Prime Minister Ali Abu al-Ragheb. Faisal al-Fayez was appointed prime minister. The king also appointed three female ministers. In April 2005, a new cabinet was sworn in, led by Prime Minister Adnan Badran, after the previous government resigned amid reports of the king's unhappiness over the pace of reforms.

Following the 11 September 2001 terrorist attacks on the United States, Jordan enacted a series of temporary laws imposing sharp restrictions on the right to public assembly and protest. A law broadened the definition of "terrorism," and allowed for the freezing of suspects' bank accounts. The number of offenses carrying the death penalty was increased, and journalists who publish articles which the government deems harmful to national unity or to be incitement to protests were subject to three years' imprisonment.

In October 2002, senior US diplomat Laurence Foley was assassinated outside his home in 'Ammān. In April 2004, eight Islamic militants were sentenced to death for their role in the assassination.

In March 2005, Jordan returned its ambassador to Israel after a four-year absence. Jordan had recalled its envoy after the start of the al-Aqsa intifada in 2000.

### 13 GOVERNMENT

Jordan is a constitutional monarchy based on the constitution of 8 January 1952. The king has wide powers over all branches of government. The constitution vests legislative power in the bicameral national assembly, composed of a 55-member senate and a 110-member lower house of representatives (chamber of deputies). Senators are appointed by the king for renewable four-year terms; the chamber of deputies is elected by secret ballot for a four-year term, but the king may dissolve the chamber and order new elections. Six seats in the chamber of deputies are reserved for women. There is universal suffrage at age 18, women having received the right to vote in April 1973; general elections were held

in 1989, 1993, 1997, and 2003. In February 1999, King Abdallah II succeeded to the throne following the death of his father, King Hussein.

The national assembly is convened and may be prorogued by the king, who also has veto power over legislation. The executive power of the king is administered by a cabinet, or council of ministers. The king appoints the prime minister, who then selects the other ministers, subject to royal approval. The ministers need not be members of the chamber of deputies. In the prolonged emergency created by the wars with Israel and by internal disorders, especially after 1968, King Hussein exercised nearly absolute power. The national assembly, adjourned by the king in 1974, met briefly in 1976 to amend the constitution; parliamentary elections were postponed indefinitely because of the West Bank situation, and the Assembly was then dissolved. In 1978, King Hussein established a national consultative council of 60 appointed members. The national assembly was reconvened in 1984, as King Hussein sought to strengthen his hand in future maneuvering on the Palestinian problem. Political parties were legalized in 1992. The freely elected parliaments of 1989 and 1993 played an increasingly active and independent role in governance, with open debate and criticism of government personalities and policies. However, new press restrictions were imposed by 1997, and a majority of opposition groups boycotted the elections that year. King Abdallah dissolved parliament in June 2001 and postponed elections until summer 2002; they were once again postponed and finally held in June 2003.

#### 14 POLITICAL PARTIES

Political parties were abolished on 25 April 1957, following an alleged attempted coup by pan-Arab militants. In the elections of 1962, 1963, and 1967, candidates qualified in a screening procedure by the Interior Ministry ran for office, in effect, as independents. The Jordanian National Union, formed in September 1971 as the official political organization of Jordan and renamed the Arab National Union in March 1972, became inactive by the mid-1970s. In 1990, the election law was amended to ban bloc voting or by party lists, substituting instead a "one person, one vote" system. In 1992, political parties were again permitted and 22 were authorized to take part in elections. The principal opposition group has been the Islamic Action Front, the political arm of the Muslim Brotherhood.

In the parliamentary elections of 8 November 1993, 22 political parties fielded candidates, representing a wide range of political views. Seats were widely dispersed among a range of largely centrist parties supportive of King Hussein's IMF-modeled reforms and his pro-Western stance. The largest bloc of seats, however, was won by the Islamic Action Front, an arm of the Muslim Brotherhood. In 1997, nine pro-government parties, hoping to gain leverage against the large Islamist bloc in upcoming elections, banded together to form the National Constitutional Party. However, the grouping won only a total of three seats, and the Islamic opposition boycotted the elections altogether. Only six parties fielded candidates. Independent pro-government candidates representing local tribal interests won 62 out of the 80 contested seats; 10 seats were won by nationalist and leftist candidates; and 8 by independent Islamists.

In the 2003 elections for the chamber of deputies, independents won 89.6% of the vote, or 92 seats; the Islamic Action Front won 10.4% of the vote or 18 seats. One of the six seats reserved for women was awarded to an IAF candidate. The turnout was 57%.

#### 15 LOCAL GOVERNMENT

Eastern Jordan is divided into 12 governorates—Ajlun, Al' Aqabah, 'Ammān, Irbid, Balga, Jarash, Al Karak, Ma'an, Ma'dabā, Az Zarqā, Al Mafraq, and Aṭ Tafilah—each under a governor appointed by the king on the recommendation of the interior minister. The towns and larger villages are administered by municipal councils. A new municipal elections law provides for the election of half the council members, while the other half are government appointees. Mayors and council presidents are appointed by the council of ministers. Smaller villages are headed by a headman (*mukhtar*), who in most cases is elected informally.

#### 16 JUDICIAL SYSTEM

There are six jurisdictions in the judiciary: four levels of civil and criminal jurisdiction, religious jurisdiction, and tribal courts. The civil code of 1977 regulates civil legal procedures. The Supreme Court, acting as a court of cassation, deals with appeals from lower courts. In some instances, as in actions against the government, it sits as a high court of justice. The courts of appeal hear appeals from all lower courts. Courts of first instance hear major civil and criminal cases. Magistrates' courts deal with cases not coming within the jurisdiction of courts of first instance. Religious courts have jurisdiction in matters concerning personal status (marriage, divorce, wills and testaments, orphans, etc.), where the laws of the different religious sects vary. The Shariah courts deal with the Muslim community, following the procedure laid down by the Ottoman Law of 1913. The Council of Religious Communities has jurisdiction over analogous cases among non-Muslims. Tribal courts, which have jurisdiction in most matters concerning tribe members, are losing their importance as more people take their cases to the government courts instead.

In 1991, the state security court, which hears security cases in panels of at least three judges, replaced the martial law court. Under 1993 amendments to the state security court law, all security court decisions may be appealed to the court of cassation on issues of law and weight of evidence. Prior to 1993, the court of cassation reviewed only cases involving death or imprisonment for over 10 years, and review was limited to errors of law.

Although the judiciary is independent, it is subject to political pressure and interference by the executive branch. The constitution prohibits arbitrary interference with privacy, family, and home. Police must obtain a judicial warrant before conducting searches.

Jordan drew up a comprehensive plan to modernize its judicial system. The 11-point 2002–06 judicial reform plan sought to enhance the efficiency of the court system and to strengthen judicial independence, among other initiatives.

#### 17 ARMED FORCES

In 2005, the Jordanian armed forces had 100,500 active personnel with 35,000 reservists. The Army numbered 85,000 personnel and was equipped with 1,120 main battle tanks, 19 light tanks, more than 226 armored infantry fighting vehicles, 1,350 armored

personnel carriers, and 1,233 artillery pieces. The Air Force had 15,000 active personnel, including 3,400 air defense personnel. Equipment included 100 combat capable aircraft, including 85 fighters and another 15 used for training. The Air Force also had over 40 attack helicopters. The Jordanian Navy had an estimated 500 active members. The service's major naval units consisted of 20 patrol/coastal vessels. Paramilitary forces consisted of the Public Security Directorate with an estimated 10,000 members. The Jordanian defense budget in 2005 totaled \$956 million. Jordan had peacekeepers stationed in 11 regions or countries around the world.

## 18 INTERNATIONAL COOPERATION

Jordan became a member of the United Nations on 14 December 1955 and belongs to ESCWA and several nonregional specialized agencies, such as the FAO, UNESCO, UNIDO, WHO, IFC, IMF, and the World Bank. Jordan became a member of the WTO in 2000. It is one of the founding members of the Arab League and also participates in the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Arab Monetary Fund, the Council of Arab Economic Unity, the Organization of the Islamic Conference (OIC), and G-77. It is a partner in the OSCE.

Jordan has greatly benefited from the work of UNICEF and of UNRWA, which helps the Palestinian refugees. Jordan and Israel signed a peace treaty in 1994 and exchanged ambassadors the following year. The country has supported UN missions and operations in Kosovo (est. 1999), Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Sierra Leone (est. 1999), East Timor (est. 2002), Georgia (est. 1993), and Haiti (est. 2004), among others. Jordan is a member of the Nonaligned Movement.

In environmental cooperation, Jordan is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Jordan's economy has been profoundly affected by the Arab-Israeli conflict. The incorporation of the West Bank after the war of 1948 and the first exodus of Palestinians from the territory that became Israel tripled the population, causing grave economic and social problems. The loss of the West Bank in 1967 resulted not only in a second exodus of Palestinians but also in the loss of most of Jordan's richest agricultural land and a decline in the growing tourist industry. The 1970–71 civil war and the October 1973 war also brought setbacks to development plans. The steady influence has been foreign funds. An estimated 80% of annual national income in the early 1980s came from direct grants from and exports to oil-rich Arab countries and from remittances by Jordanians working there. Also important to the economy has been Western economic aid, notably from the United States, the United Kingdom, and Germany. The economy expanded rapidly during 1975–80, growing in real terms by an average of 9% a year, but the growth rate slowed to 5% in 1985, primarily from reductions in aid from other Arab states because of their declining oil receipts. The onset of the recession in Jordan in the mid-1980s followed by the economic collapse of 1988–89 and the Gulf conflict in 1990

left the country with an unemployment rate of approximately 30–35%, high inflation, and about 25–30% of the population living below the poverty line.

When in 1989 Jordan was unable to service its external debt due to 100 repayment commitments, the Jordanian government concluded an agreement with the IMF to pursue a series of economic reforms across a five year period (that is, by 1993) in exchange for bridge finance: the budget deficit was to be reduced from 24% of GDP to 10% of GDP; the current account balance was to improve from a deficit equivalent to 6% of GDP to a balanced position; export earnings were to grow from \$1.1 billion in 1989 to \$1.7 in 1993; and the rate of inflation was to drop from 14% in 1989 to 7% in 1993. The Gulf War interrupted this program, as the Jordanian government came out on the side of Iraq, and presumably in favor of a completely different way of solving its economic vulnerability; that is, through association with an enlarged and empowered Arab state. The international economic embargo against Iraq during the Gulf War meant that Jordan lost a lucrative export and re-export market. The loss of Iraq's oil supplies resulted in Jordan having to pay the market price for oil imports from Syria and Yemen. The balance of annual aid transfers, some \$200 billion, promised by the Arab oil states in 1990, failed to take into consideration the influx of some 230,000 Jordanian nationals from Kuwait that resulted from the Iraqi invasion. They imposed a strain on government services and added to the pool of unemployment.

In 1994 Jordan entered into another three-year structural adjustment program financed by IMF's Extended Fund Facility (EFF). On 26 October 1994 Jordan signed a peace treaty with Israel that contained protocols for economic reform and regional integration. The fiscal year 1994/95 saw real GDP growth of about 6% and inflation of only about 3–3.5%. In order to build on these gains, and to incorporate the opportunities offered by the peace accord, a new three-year program was negotiated under the EFF, which ran officially from 6 February 1996 to 8 February 1999. In this case, the program fell well short of its targets, as real GDP growth slowed to an annual average of 1%, and budget deficits as a percent of GDP increased to 10% instead of decreasing as envisioned.

In April 1999 another three-year structural adjustment program was embarked upon, this time with finance from both the EFF and the Compensatory and Contingency Financing Facility (CCFF) of the IMF. The program called for privatization, tax reform, trade liberalization, and increased foreign investment. Advances were made in all these areas. The government divested itself of shares in over 50 corporations, among the most important being the sale of a 10.5% share in the Jordan Telecommunications (JT) in an initial public offering (IPO) on the 'Ammān Stock Exchange (ASE) in October 1999, and a further sale of 40% to a France Telecom/Arab Bank Consortium in January 2001. All or portions of the subsidiaries of the national airline, the Royal Jordanian, were privatized, including the sale of 80% of Aircraft Catering Center to the Alpha British Company. By November 2002, the ASE had attained a capitalization of over \$7 billion. Tax reforms included the lowering of top rates on personal and business income taxes, the elimination or reduction of a number of subsidies and exemptions, phased introduction of a value-added tax (VAT) regime, and, in connection with trade liberalization reforms, the reduction of many customs and tariffs.

In 2000, Jordan acceded to the WTO, a condition of which was the elimination of most laws limiting foreign investment. On 28 September 2001 the US Congress passed a separate Free Trade Agreement (FTA) with Jordan. In the period 1999 to 2002, the biggest single stimulus to the Jordanian economy came from the Qualifying Industrial Zones (QIZs), a type of industrial estate authorized in a 1998 agreement among Jordan, Israel, and the United States, whereby manufactured exports from a QIZ could enter the US market duty free provided it contained at least 35% local content. QIZs particularly have nurtured a fast growing textile export industry. The targets set by the IMF-monitored program for 1999–2002—including annual growth of 3–4%, inflation held to 2–3%, a budget deficit reduced to 4% of GDP by 2001, and a strengthening of the country's foreign reserve position—were all substantially met despite the eruption of the second Palestinian *intifada* in late 2000 and the global economic slowdown from 2001 forward. Real GDP growth rose steadily from 3.1% to 4% to a projected 5.2% from 1999 to 2002.

Inflation, as measured by consumer prices, was negligible, falling from 3.1% in 1998 to 0.6%, 0.7%, and 1.8% for the period 1999–2001. An increase in inflation in 2002 to 3.5% is attributable mainly to administered price increases, particularly for electricity and petroleum products, as subsidies were removed. The government's annual deficit as a percent of GDP was at 3.7% in 2001, better than the program's 4% target, but in this case progress was not uninterrupted: the deficit rose to 4.7% of GDP in 2000 and was projected at 4.1% for 2002. There was, however, uninterrupted progress in terms of net public debt as a percent of GDP, which fell from 105.1% of GDP in 1999 to a projected 88.2% in 2002. Part of this improvement stemmed from some debt forgiveness by the United States and the European Union. As of the end of 2002, five Paris Club reschedulings of Jordan's sovereign debt—from February 1992, June 1994, May 1997, May 1999, and July 2002, respectively—were being paid down. On its foreign reserve position, according to the IMF, Jordan's net usable international reserves in the period 1999 to 2002 were on average sufficient to cover a little over seven months of imports, up from only a four-month coverage in 1998. In May 2002, Jordan's international reserves were close to \$3 billion.

In November 2001, the government introduced its Plan for Social and Economic Transformation (PSET), a program of health and education spending and transfer payments to the poor amounting to 4% of GDP and to be financed in such a way from grants and revenues so as not to add to the country's debt. PSET particularly aims at dealing with Jordan's chronic unemployment problem, which due in part to Malthusian population growth dynamics, worsened slightly—from 12.7% in 1998 to 14.7% in 2001—during the latest period of economic growth. Population growth is such that the 8.6% growth in nominal GDP between 1999 and 2001 produced only a 2.4% increase in per capita income. In July 2002 the IMF announced a two-year standby agreement with Jordan for SDR85.28 million (about \$113 million) to support both the PSET and the continuing program of economic reforms. The Jordanian economy has managed to continue to improve in 2002, with the second Palestinian *intifada* unfolding next door.

The economy expanded by 6.2% in 2004, up from 3.6% in 2003; in 2005, the GDP growth rate was estimated at 6.5%. The inflation rate was fairly stable, and at 3.4% in 2004 it did not pose a major

problem to the economy. The unemployment rate was tagged at 15%, although unofficial numbers show it to be as high as 30%. The war in Iraq, started in 2003, has significantly influenced the economy of Jordan—the former was an important trade partner and the main provider of oil.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Jordan's gross domestic product (GDP) was estimated at \$27.7 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$4,800. The annual growth rate of GDP was estimated at 5.5%. The average inflation rate in 2005 was 3.9%. It was estimated that agriculture accounted for 3.5% of GDP, industry 29.9%, and services 66.7%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$2.201 billion or about \$415 per capita and accounted for approximately 22.1% of GDP. Foreign aid receipts amounted to \$1,234 million or about \$233 per capita and accounted for approximately 12.6% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Jordan totaled \$7.65 billion or about \$1,441 per capita based on a GDP of \$9.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 5.1%. In 2001 it was estimated that approximately 32% of household consumption was spent on food, 17% on fuel, 5% on health care, and 8% on education. It was estimated that in 2001 about 30% of the population had incomes below the poverty line.

## 21 LABOR

The Jordanian labor force numbered an estimated 1.46 million people in 2005, with an additional 300,000 workers employed abroad. As of 2001 (the latest year for which data was available), the service industry accounted for an estimated 82.5% of the nation's workforce, with industry at 12.5%, and agriculture at 5%. The official unemployment rate was reported at 15% in 2004. However, it is estimated that the unofficial rate may be as high as 30%.

Workers have the right to form unions and must register to be legal. The General Federation of Jordanian Trade Unions, formed in 1954, was comprised of 17 trade unions in 2002. Approximately 30% of the labor force is unionized. Unions are allowed to collectively bargain but they are not allowed to strike or demonstrate without a permit. Labor disputes are mediated by the Ministry of Labor. The government does not adequately protect employees from antiunion discrimination.

The national minimum wage was \$114 per month in 2002 for all sectors except agriculture and domestic labor. This amount does not provide the average family with a living wage. The minimum working age is 16 and this is effectively enforced by the Ministry of Labor except for children working in family businesses or on fam-

ily farms. The standard workweek is 48 hours, with up to 54 hours per week for hotel, restaurant, and cinema employees.

## 22 AGRICULTURE

Agriculture still plays a role in the economy, although 40% of the usable land consists of the West Bank, lost to Jordan since 1967. As of 2003, only 4.5% of all land in Jordan was utilized for crop sown feed production. Rain-fed lands make up 75% of the arable land, while the remaining 25% is partially or entirely irrigated and lies mostly in the Jordan Valley and highlands. While the system of small owner-operated farms, peculiar to Jordan among the Arab countries and originating in the Land Settlement Law of 1933, limits the number of large landowners and shared tenancy, the minuscule holdings have inhibited development. Agriculture accounted for 2% of GDP in 2003.

Production of principal field crops in 2004 included wheat, 50,000 tons; barley, 30,000 tons; and tobacco, 2,000 tons. Prominent vegetables and fruits produced in 2004 included tomatoes, 415,000 tons; eggplant, 52,000 tons; cucumbers, 100,000 tons; and cabbages, 28,000 tons. Over 16 million fruit trees that year produced 147,000 tons of citrus, 160,700 tons of olives, 51,000 tons of bananas, and 28,000 tons of grapes. The output of fruits and vegetables has been encouraging, in part because of increased use of fertilizers, herbicides, and plastic greenhouses by the nation's farmers in the Jordan Valley.

Irrigation schemes and soil and water conservation programs have received emphasis in Jordan's economic development. The 77-km (48-mi) East Ghor Canal, substantially completed in 1966 and reconstructed in the early 1970s after heavy war damage, siphons water from the Yarmuk River and provides irrigation for about 13,000 hectares (32,000 acres). Water conservation in other areas has been undertaken with the rehabilitation of old water systems and the digging of wells. As of 2003, an estimated 75,000 hectares (185,000 acres) were irrigated.

The cooperative movement has made progress in the agricultural sector; the Central Cooperative Union, established in 1959, provides seasonal loans and advice to local cooperatives. The Agricultural Credit Corporation, founded in 1960, provides low-cost loans to finance agricultural investments.

## 23 ANIMAL HUSBANDRY

Raising livestock for both meat and dairy products is an important part of Jordanian agriculture. Animal husbandry is usually on a small scale and is often of the nomadic or seminomadic type indigenous to the area. The large nomadic tribes take their camels into the desert every winter, returning nearer to the cultivated area in summer. The camels provide transportation, food (milk and meat), shelter, and clothing (hair); the sale of surplus camels is a source of cash. Sheep and goat nomads make similar use of their animals. Imported milk and meat are sold at subsidized prices.

Animal products account for about one-third of agricultural output. Sheep and goats account for 90% of the livestock and are raised for both meat and milk. The Awasi is the major breed of sheep used, and the goat is the Baladi. In 2005, the number of sheep was estimated at 1,671,000, goats at 444,000, and cattle at 69,000 head. Jordan had an estimated 25 million chickens in 2005; poultry meat production was 121,000 tons that year. Meat production from cattle and sheep reached 8,700 tons in 2005. Produc-

tion of fresh milk from cattle, sheep, and goats was 252,700 tons in 2005. Jordan produces about 30% of its needs in red meat and 50% of milk.

## 24 FISHING

Fishing is unimportant as a source of food. The rivers are relatively poor in fish; there are no fish in the Dead Sea, and the short Gulf of Aqaba shoreline has only recently been developed for fishing. The total fish catch was only 1,131 tons in 2003.

## 25 FORESTRY

Jordan formerly supported fairly widespread forests of oak and Aleppo pine in the uplands of southern Jordan, both west and east of the Jordan River, but forestland now covers less than 1% of the total area. Scrub forests and maquis growths are the most common; the olive, characteristic of the Mediterranean basin, is widely cultivated. The important forests are around Ajlun in the north and near Ma'an. By 1976, some 3,800 hectares (9,400 acres) had been newly planted as part of a government afforestation program. From 1976 to 1991, an additional 10,000 hectares (24,700 acres) also was reforested. Roundwood production was 257,000 tons in 2004. Imports of forestry products totaled \$167 million in 2004.

## 26 MINING

Jordan in 2004 was the world's fifth-largest producer of phosphate, and ranked sixth in the world in the output of potash. Jordanian exports in 2004 totaled \$3.26 billion, of which minerals and associated products accounted for 21%. Among Jordan's exports in 2004, potash accounted for \$231 million, followed by: fertilizers (made from phosphate rock and potash), \$175 million; phosphate rock at \$166 million; phosphoric acid at \$90.5 million; and cement at \$30 million. Jordan also produced common clay, feldspar, natural gas and petroleum (for domestic consumption), gravel, gypsum, kaolin, lime, limestone, marble, crushed rock, salt, silica sand, steel, dimension stone, sulfuric acid, and zeolite tuff. In 2004, Jordan mined no metals, although it had deposits of copper, gold, iron, sulfur, titanium, and, in the Dead Sea, bromine and manganese.

Phosphate mine output (gross weight) in 2004 was 6.223 million metric tons. Phosphate reserves totaled 1 billion tons.

Production of potash crude salts—from Dead Sea potassium—was a record 1.929 million metric tons in 2004, down from 1.961 million metric tons in 2003. The World Bank has estimated that of the dissolved solids contained in the Dead Sea, 33 billion tons were sodium chloride and magnesium chloride and about 2 billion tons were potassium chloride.

Copper deposits between the Dead Sea and the Gulf of Aqaba remained undeveloped. Other potential for progress lay in the availability of bromine, dolomite, glass sands, iron, lead, oil shale, tin, travertine, and tripoli.

## 27 ENERGY AND POWER

Jordan, with minuscule deposits of petroleum, and natural gas, must rely upon imports to meet its petroleum and natural gas needs.

Jordan had proven oil reserves of only 445,000 barrels as of 1 January 2002. Production in 2004 averaged 40 barrels per day,

while consumption in that same year averaged 103,000 barrels per day. As a result, oil imports in that year came to an estimated 100,000 barrels per day. Refinery output in 2002 averaged 80,780 barrels per day.

Jordan has proven natural gas reserves of 3.256 billion cu m as of 1 January 2002. Production and consumption in 2002 each came to 10.95 billion cu ft. All output was marketed.

Almost all of Jordan's electrical power generating capacity is based on the use of fossil fuels. In that year, generating capacity totaled 1.661 million kW, with conventional thermal capacity accounting for 1.650 million kW. Hydropower accounted for 0.010 million kW of capacity, and geothermal/other capacity accounted for 0.001 million kW. Electric power production in 2002 totaled 7.642 billion kWh, with conventional thermal sources producing 7.587 billion kWh. Hydropower sources produced 0.052 billion kWh and geothermal/other produced 0.003 billion kWh.

## 28 INDUSTRY

With government encouragement, industry plays an increasingly important part in Jordan's economy. In 1990, the manufacturing sector contributed 15% to GDP at factor cost. Manufacturing output fell by 2.9% in 1991 due to the adverse impact of the Gulf War. In 1992, the sector grew by 6.2%. In 2001, industry as a whole accounted for 26% of GDP, while manufacturing contributed 17%. The sector grew at an annual rate averaging 6.7% between 1988 and 1998. Most industrial income comes from four industries: cement, oil refining, phosphates, and potash. Cement production has been rising since the 1980s.

In 1998, the government sold 33% of the Jordan Cement Factories Company (JCFC) to La Farge of France as part of its program of privatization begun in 1996. The 60-year old Jordan Phosphates Mine Company (JPMC) has a monopoly on phosphate mining in Jordan. In 2002 the government negotiated the sale of a 40% stake in JPMC to the Potash Company of Saskatchewan. The Arab Potash Company, a pan-Arab company, was granted a 100-year monopoly for potash mining in Jordan when it was founded in 1956. As of 2003, the government holds 52% and is seeking to sell 26%.

Jordan's one oil refinery is in Az-Zarqa, which has a capacity of 90,4000 barrels per day. Oil is supplied to it from Iraq by a fleet of 1,500 trucks traveling across 600 miles of desert highway. Iraq sells oil to Jordan on terms of one-half free and one-half with a 40% discount of the price above \$20/barrel. Since 1998 Jordan and Iraq have been agreed in principle to replace the oil trucks with a pipeline, estimated to cost \$350 million. In 2002, Jordan was formally receiving bids for the first stage of the projects. The government holds 52% in a 100-year monopoly. The trade between Jordan and Iraq suffered once the US offensive against Iraq started in 2003.

In 2005, industry accounted for 29.9% of the GDP, and it employed 12.5% of the workforce; agriculture had only a 3.5% share in the economy, and it employed 5% of the workforce; services came in first, with a 66.7% share in the economy, and a 82.5% share in the labor force. The industrial production growth rate was 7.5%, higher than the GDP growth rate in the same year.

## 29 SCIENCE AND TECHNOLOGY

Expenditures for research and development (R&D) for the period 1996-2002 (the latest period for which data was available) to-

taled 6.33% of GDP. High technology exports in 2002, totaled \$48 million, or 3% of manufactured exports. A dozen institutes offer scientific training. The Islamic Academy of Sciences, founded in 1986, is an international organization that promotes science, technology, and development in the Islamic and developing worlds. The Jordan Research Council, founded in 1964, coordinates scientific research in the country. The Royal Scientific Society, founded in 1970, is an independent industrial research and development center. All three institutions are in 'Ammān. In 1996 Jordan had 13 universities and colleges offering courses in basic and applied science. In 1987-97, science and engineering students accounted for 26% of college and university enrollments. In 1998, Jordan had 1,977 researchers actively engaged in R&D per million people.

## 30 DOMESTIC TRADE

Lack of proper storage facilities, inadequate transportation service, and a lack of quality controls and product grading have been chronic handicaps to Jordanian trade. However, these deficiencies have been alleviated, directly and indirectly, under progressive development plans. Traditional Arab forms of trade remain in evidence, particularly in villages, and farm products generally pass through a long chain of middlemen before reaching the consumer. In 'Ammān, however, Westernized modes of distribution have developed and there are supermarkets and department stores as well as small shops. Some local investors are beginning to take an interest in the potential for foreign franchises.

Business hours are from 8 AM to 1 PM and from 3:30 to 6:30 PM, six days a week. Shops close either on Friday for Muslims or on Sunday for Christians. Banks stay open from 8:30 AM to 12:30 PM and from 3:30 to 5:30 PM, Saturday through Thursday.

## 31 FOREIGN TRADE

Jordan has traditionally run a trade deficit with imports at least doubling exports. During the 1990s, fertilizers accounted for about a quarter of Jordan's commodity exports and amounted to almost a quarter of the world's total exports of crude fertilizers (23%). However, in 2000, Jordan's fertilizer exports plummeted, accounting for a mere 7.6% of exports. No particular commodity now dominates Jordan's export market, but key exports include

### Principal Trading Partners – Jordan (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	3,081.6	5,653.2	-2,571.6
United States	663.0	361.0	302.0
Iraq	542.5	374.6	167.9
Free zones	279.4	...	279.4
Switzerland-Liechtenstein	201.4	75.0	126.4
India	199.0	85.0	114.0
Saudi Arabia	161.7	647.9	-486.2
United Arab Emirates	117.3	144.0	-26.7
Israel	108.0	133.9	-25.9
Syria	97.1	153.2	-56.1
Algeria	57.5	...	57.5

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

apparel (8.9%), medical and pharmaceutical products (8.6%), and paper products (4.7%). Other important exports are industrial machinery (4.8%) and vegetables (6.4%).

In 2004, exports reached \$4.2 billion (FOB—Free on Board), while imports grew to \$8.7 billion (FOB). The bulk of exports went to the United States (28.9%), Iraq (17.6%), India (7.1%), and Saudi Arabia (5.6%). Imports included manufactured goods, machinery and transport equipment, crude oil and petroleum products, food and live animals, and mainly came from Saudi Arabia (19.8%), China (8.4%), Germany (6.8%), and the United States (6.8%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Jordan's chronically adverse trade balance has long been offset by payments from foreign governments and agencies, especially from Jordan's oil-rich Arab allies, and by remittances from Jordanians working abroad, chiefly in Saudi Arabia. During the Gulf War, expatriate remittances and aid from Arab countries dropped sharply, causing the improvement of the trade deficit to halt. This trend continued into the mid-1990s despite an increasing surplus in the services sector. Although Jordan enjoyed a balance of payments surplus in 2000 of around 11% of GDP, the country suffers from a chronic trade deficit, largely due to its reliance on foreign oil. Annual imports usually amount to more than double the exports.

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Jordan's exports was \$2.5 billion while imports totaled \$4.4 billion, resulting in a trade deficit of \$1.9 billion.

The International Monetary Fund (IMF) reported that in 2001 Jordan had exports of goods totaling \$2.3 billion and imports totaling \$4.3 billion. The services credit totaled \$1.48 billion and debit \$1.73 billion.

Exports of goods and services reached \$4.7 billion in 2004, up from \$4.4 billion in 2003. Imports increased from \$6.9 billion in 2003 to \$7.2 billion in 2004. The resource balance was consequent-

ly negative in both years, slightly improving from -\$2.515 billion in 2003, to -\$2.482 billion in 2004. The current account balance was positive, decreasing from \$429 million in 2003 to \$182 million in 2004. Foreign exchange reserves (including gold) decreased to \$3.9 billion, covering more than six month of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

The Central Bank of Jordan, founded in 1964 with a capital of JD2 million and reorganized in 1971, is in charge of note issue, foreign exchange control, and supervision of commercial banks, in cooperation with the Economic Security Council. In 1995, the Central Bank established the dinar as a fully convertible currency for non-capital remittances. In November of that year the bank announced a fixed dollar-dinar rate for current payments. Because of Jordan's IMF-led structural adjustments and trade and investment liberalizations, it became the first Arab country to receive credit ratings from both Standard and Poor and Moody's.

The banking system includes, besides the Central Bank, thirteen commercial banks (five of which are branches of foreign banks), five investment banks, two Islamic banks, one Industrial Development Bank, and several other institutions. Commercial banks have a tradition of being both small, with a low capital base, and highly conservative. The Arab Bank, by far the largest "high street" bank, and the Housing Bank are the largest banks in Jordan. Jordanian banks have acted rapidly to fill the banking void in the Occupied Territories, since the agreement between the PLO and Israel transferred administrative authority to the Palestinians. State banks include the Arab Bank, The Bank of Jordan, Cairo 'Ammān Bank, Jordan-Kuwait Bank, and the Jordan National Bank. Commercial banks included those of Jordan, other Arab countries, the United Kingdom, and the United States. Foreign commercial banks in Jordan include the British Bank of the Middle East, Citibank (US), the Arab Land Bank, and the Arab Banking Corporation (Jordan). The late 1970s and 1980s saw an expansion of niche institutions, such as four investment banks, six specialized credit institutions (three of which are under public ownership), four nonbanking financial institutions, and one Islamic bank. Unfortunately, many of these have been either too small to have had a strong impact on the provision of credit, or have replicated the approach of the commercial banks. Since 1992, moneychangers have been able to operate legally, having been closed down in February 1989, but their area of operation has been heavily circumscribed.

Loans are extended by the Jordan Industrial Bank, Agricultural Credit Corp., Jordan Co-operative Organization, and other credit institutions.

The 'Ammān Financial Market (AFM) has been in existence since the late 1970s. Like most of the equity markets in the Middle East, the AFM is small and lacking in the dynamism that has seen markets in Latin America and Asia take off over the past ten years. A total of 115 companies were listed in 1997, making the AFM second in the Arab world only to Egypt, which quoted some 700 stocks. The capitalization of the AFM stood at around \$5 billion, putting it level with Bahrain, but ahead of Oman and Tunisia. In 1996, the government instituted a law allowing foreigners to invest in the AFM. In 1999, the 'Ammān Stock Exchange (ASE) was established as a privately managed institution. There were 149 listed public-shareholding companies at that time, with a market capitalization of approximately \$6 billion. As of 2004, a total of

#### Balance of Payments – Jordan (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>962.9</b>
Balance on goods		-1,996.3
Imports	-5,077.9	
Exports	3,081.6	
Balance on services		-270.0
Balance on income		122.5
Current transfers		3,106.7
<b>Capital Account</b>		<b>93.5</b>
<b>Financial Account</b>		<b>-247.4</b>
Direct investment abroad		...
Direct investment in Jordan		376.2
Portfolio investment assets		-118.9
Portfolio investment liabilities		-349.1
Financial derivatives		...
Other investment assets		283.1
Other investment liabilities		-438.6
<b>Net Errors and Omissions</b>		<b>539.2</b>
<b>Reserves and Related Items</b>		<b>-1,348.2</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

192 companies were listed on the ASE, which had a market capitalization of \$18.383 billion that year. In 2004, the ASE General Index rose 62.4% from the previous year to 4,245.6.

### 3<sup>4</sup> INSURANCE

The Al Ahlia Insurance Co. and the Jordan Insurance Co. offer commercial insurance. Several US and British insurance companies have branches or agents in Jordan. A new insurance law in 1998 brought about stricter regulation of the industry. In 1999, there were 26 national insurance companies operating in Jordan and one foreign insurance company. In 2003, the value of all direct premiums written totaled \$220 million, of which nonlife premiums accounted for \$192 million. In that same year, Middle East was Jordan's top nonlife insurer with gross written nonlife premiums of \$15.2 million. The country's top life insurer that same year was American Life Insurance (Alico), with gross written life premiums of \$18.4 million.

### 3<sup>5</sup> PUBLIC FINANCE

Jordan has had to rely on foreign assistance for support of its budget, which has increased rapidly since the 1967 war. During the late 1980s, Jordan incurred large fiscal deficits, which led to a heavy burden of external debt. Efforts at cutting public expenditures reduced the budget deficit from 21% of GDP in 1989 to 18% in 1991. The Persian Gulf War, however, forced Jordan to delay the IMF deficit reduction program begun in 1989.

The US Central Intelligence Agency (CIA) estimated that in 2005 Jordan's central government took in revenues of approximately \$3.6 billion and had expenditures of \$4.6 billion. Revenues minus expenditures totaled approximately -\$1 billion. Public debt in 2005 amounted to 77.7% of GDP. Total external debt was \$8.459 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, budgetary central government revenues were JD2,364.2 million and expenditures were

JD2,387.6 million. The value of revenues were us\$16,763 million and expenditures us\$16,310 million, based on a official exchange rate for 2003 of us\$1 = JD1.4104 as reported by the IMF. Government outlays by function were as follows: general public services, 30.6%; defense, 21.7%; public order and safety, 8.9%; economic affairs, 3.2%; environmental protection, 3.7%; housing and community amenities, 2.5%; health, 10.3%; recreation, culture, and religion, 1.9%; education, 14.9%; and social protection, 2.4%.

### 3<sup>6</sup> TAXATION

A new income tax law went into effect in 2002 that reduced the top income tax rate to 25% from 30%. The new law also equalized the level of tax exempt income for men and women, at JD1,000 for both sexes. Income tax rates range from 5–25%, with the average tax payer paying a marginal rate of 5%.

As of 2005, Jordan's corporate tax structure was divided into three tax rates, each targeted to the type of business operated. Hospitals, hotels, industrial, mining, construction, and transportation companies are subject to a 15% rate. Banks and financial institutions are subject to a 35% rate, while foreign exchange dealers, insurance, telecommunications, trade, and other companies are subject to a 25% rate. Capital gains on shares and depreciable assets are subject to a tax rate of 35%. For financial companies and banks, 75% of capital gains stemming from the sale of shares are subject to the tax, while other companies are exempt. In January 2001 Jordan entered the second phase of its transformation to a value-added tax (VAT) regime, a reform begun in 1996. The VAT rate is 13%, and in 2001 about 25 new commodities were added to its coverage, including some food products, tobacco, coffee, soft drinks, new cars, heavy-duty vehicles, and paper products. Businesses with sales less than JD250,000 a year are exempt from registering for the VAT. There are no capital gains or net worth taxes on individuals and social security taxes are paid jointly by employers and employees.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Customs and excise duties used to provide a large portion of all tax revenues, but following accession to the World Trade Organization, they are no longer so high. All imports and exports are subject to licenses. Import duties are levied by CIF (cost, insurance, and freight) value, with a 0–30% rate. There is also a 13% value-added tax (VAT) that is applied to both imported and domestically produced goods. Jordan grants preferential treatment to imports from Arab League countries, under bilateral trade agreements that exempt certain items from duty and under multilateral trade and transit agreements with Arab League countries. Jordan also signed a bilateral free trade agreement (FTA) with the United States in October 2000.

### 3<sup>8</sup> FOREIGN INVESTMENT

In the past there was little foreign investment in Jordan apart from the oil pipelines, but in the early 1970s, the government began offering liberal tax inducements, including a six-year corporate tax holiday for firms established in 'Ammān and a tax holiday of up to 10 years for those outside the capital. 100% foreign ownership of local enterprises is permitted in some cases. In 1980, the government formed the Jordanian Industrial Estates Corp. near 'Ammān to attract new industries to planned industrial complexes; invest-

#### Public Finance – Jordan (2003)

(In millions of dinar, budgetary central government figures)

	2,364.2	100.0%
<b>Revenue and Grants</b>	<b>2,364.2</b>	<b>100.0%</b>
Tax revenue	1,316.9	55.7%
Social contributions	19	0.8%
Grants	683.9	28.9%
Other revenue	344.4	14.6%
<b>Expenditures</b>	<b>2,387.6</b>	<b>100.0%</b>
General public services	730.6	30.6%
Defense	517.6	21.7%
Public order and safety	211.6	8.9%
Economic affairs	77	3.2%
Environmental protection	87.2	3.7%
Housing and community amenities	58.9	2.5%
Health	246.3	10.3%
Recreational, culture, and religion	45.8	1.9%
Education	355.4	14.9%
Social protection	57.2	2.4%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.



tors were granted two-year income tax exemptions. Jordan also has established four free-trade zones, at Al-'Aqabah, Az-Zarqa', the Queen Alia International Airport, and along the Syrian frontier, near the Jordan-Syria rail link.

In 1995, Jordan hosted an international conference on investment in the kingdom as part of its recent opening to international investment. It also announced intentions to begin selling off government shares in major enterprises, including telecommunications and the Royal Jordanian Airlines. In 1997, the country had \$1.2 billion in foreign exchange reserves.

In 1999, with the succession of King Abdullah II to the throne, significant steps have been taken towards encouraging further foreign investments in the country. Official FDI numbers are not available, but UNCTAD estimates show that total FDI inflows rose to \$787 million in 2003. In 2004, the Jordan Investment Board approved investment projects for around \$134 million, while the total FDI stock was estimated at around \$11 billion.

### 39 ECONOMIC DEVELOPMENT

Before the upheavals caused by the war of 1967, the government had begun to design its first comprehensive development plans. The Jordan Development Board, established in 1952, adopted a five-year program for 1961–65 and a seven-year program for 1964–70, which was interrupted by war. In 1971, a newly created National Planning Council, with wide responsibility for national planning, prepared the 1973–75 plan for the East Bank, with a planned total outlay of JD179 million. The main objectives were to reduce the trade deficit, increase the GNP, expand employment, and reduce dependence on foreign aid. At least 60% of the planned projects were completed, and a new five-year plan was instituted on 1 January 1976.

The 1976–80 plan entailed outlays of JD844 million (at 1975 constant prices) and achieved an annual GDP growth rate of 9.6%, below the goal of 11.9%. Notable development projects included port expansion at Al 'Aqabah and construction of Queen Alia International Airport. The 1981–85 development plan allocated funds totaling JD3,300 million and projected an economic growth rate of 10.4% annually (17% for industry and mining, 7% for agriculture). The plan envisaged completion of large potash and fertilizer installations, as well as the first stage of construction of the 150 m (492 ft) Maqarin Dam project on the Yarmuk River, which would store water for irrigation. This project also was to extend the East Ghor Canal 14 km (9 mi) from Karama to the Dead Sea. The Maqarin Dam project was shelved indefinitely, however.

The 1986–90 development plan allocated JD3,115.5 million, to be shared between the public sector (52%) and the private and mixed sector (48%). The goals of the plan were the following: realization of a 5.1% annual growth rate in the GDP; creation of 97,000 new employment opportunities; a decrease in imports and an increase in exports to achieve a more favorable balance of trade; expansion of investment opportunities to attract more Arab and foreign capital; development of technological expertise and qualified personnel; attainment of a balanced distribution of economic gains nationally through regional development; and expansion and upgrading of health, education, housing, and other social services.

Between 1953 and 1986, Jordan received development assistance from the IBRD and other international agencies, other Arab

countries, the United Kingdom, Germany, and the United States. The United States provided nearly \$1.7 billion in nonmilitary assistance and more than \$1.4 billion in military aid. Aid from Arab oil-producing countries totaled \$322 million in 1984. The April 1989 riots in Jordan led to a new surge of aid transfers. Arab grants to Jordan in 1989 fell between \$360 million and \$430 million. Political dissatisfaction in Kuwait and Saudi Arabia at Jordan's policy during the Gulf crisis resulted, however, in the Gulf states denying further direct grant assistance.

In 1988, Jordan began working with the IMF on restructuring its economy. These plans were thrown into considerable disarray by political events in the Gulf (most notably Jordan's ill-conceived support of Iraq in the face of global opposition to that country's 1990 invasion of Kuwait), but new agreements were concluded in 1991, as Jordan began to institute democratic reforms. Foremost in the IMF plan are reductions in government spending, taming of inflation, increasing foreign exchange, and decreasing government ownership of economic enterprises. In the economic plan of 1996–98, Jordan was expected to decrease its ownership of enterprises from 1994's level of 64% to 55% by 1998.

The economy expanded by 6.5% in 2005, and was expected to continue to grow in subsequent years at an average rate of about 5%. Private consumption, helped by remittances from abroad, will be the main growth engines. Other sectors that will push the economy upward are construction and real estate, power generation, and telecommunications.

### 40 SOCIAL DEVELOPMENT

The social insurance system provides old-age, disability, and survivor benefits, as well as workers' compensation. Public employees and workers over the age of 16 working in private companies with five or more employees are covered. Workers contribute 5.5% of their wages, employers pay 9% of payroll, and the government covers any deficit. The retirement age is 60 for men and 55 for women if coverage requirements are met. A funeral grant of 150 dinars is also provided.

Women's rights are often dictated by Islam. Under Shariah law, men may obtain a divorce more easily than women, a female heir's inheritance is half that of a male, and in court, a woman's testimony has only half the value of a man's. Married women are required by law to obtain their husband's permission to apply for a passport. Women are discouraged from pursuing careers. The Criminal Code provides for lenient sentences for men accused of murdering female relatives they believed to be "immodest" in order to "cleanse the honor" of their families, and a number of these "honor killings" were reported in 2004. Violence against women and spousal abuse is common. The rights of children are generally well respected in Jordan, and the government makes an effort to enforce child labor laws.

Bedouins are entitled to full citizenship, but nonetheless experience professional and social discrimination. Freedom of speech and of the press are restricted by the government. Human rights violations by the government included police brutality, arbitrary arrest and detention, and there were also allegations of torture.

### 41 HEALTH

In 2004, Jordan had 205 physicians, 96 pharmacists, 55 dentists, and 275 nurses per 100,000 people. Medical services are concen-

trated in the main towns, but in recent decades the government has attempted to bring at least a minimum of modern medical care to rural areas. Village clinics are staffed by trained nurses, with regular visits by government physicians. As modern medicine has spread to the more remote areas, traditional methods have been dying out. The Ministry of Health, created in 1950, in cooperation with UNICEF, the World Health Organization, and the UNRWA, has greatly reduced the incidence of malaria and tuberculosis. In 1996, there were only 11 reported cases of tuberculosis per 100,000 people. Trachoma, hepatitis, typhoid fever, intestinal parasites, acute skin inflammations, and other endemic conditions remain common, however. In 2000, 96% of the population had access to safe drinking water and 99% had adequate sanitation. Health care expenditure was estimated at 8% of GDP.

In 2005, average life expectancy was 78.24 years. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 24.6 and 2.6 per 1,000 people. About 50% of married women (ages 15 to 49) used contraception as of 2000. The infant mortality rate was 17.35 per 1,000 live births in 2005. Under age five mortality has been reduced dramatically from 149 in 1960 to 30 in 2000 for every 1,000 live births. Immunization rates for children up to one year old were: tuberculosis, 93%; diphtheria, pertussis, and tetanus, 87%; polio, 94%; and measles, 69%. As of 1999, rates for DPT and measles, respectively, were 97% and 94%. Only four cases of polio were reported in 1994; none were seen in 1996. As of 2000, an estimated 8% of all children under five were malnourished.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 600 people living with HIV/AIDS in the country. There were an estimated 500 deaths from AIDS in 2003.

## 4<sup>2</sup> HOUSING

A general housing shortage in the mid-1960s was aggravated by the influx of West Bank refugees after the 1967 war, and Jordan still lacked adequate housing in the early 1980s. During 1981–86, some 42,300 new residential building permits were issued. According to 1994 national statistics, there were 831,799 housing units nationwide, including 467,715 apartments, 335,423 *dar* (traditional, detached structures of one or more rooms), 2,877 barracks, and 6,907 tents. About 80% of all dwelling units were owner occupied. Most residential units were made of cement bricks or concrete blocks. About 3% of all dwellings were described as mud brick and rubble constructions. The preliminary results of the 2004 census indicated a 44.7% increase in housing units from 1994; for a total of about 1,204,000 housing units nationwide. The average number of members per household was estimated at about 5.3.

## 4<sup>3</sup> EDUCATION

Education is compulsory between the ages of 6 and 16. Ten years are devoted to primary education, followed by two years at the secondary stage. Vocational studies are offered as an option for secondary students. The United National Relief and Works Agency (UNRWA) operates schools in refugee camps. The academic year runs from September to June. The primary languages of instruction are Arabic and English.

In 2001, about 31% of children between the ages of four and five were enrolled in some type of preschool program. Primary school

enrollment in 2003 was estimated at about 92% of age-eligible students. The same year, secondary school enrollment was about 80% of age-eligible students. It is estimated that about 98% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 20:1 in 2003.

Jordan has five universities: the University of Jordan (founded in 1962), at 'Ammān; Yarmuk University at Irbid; Mu'tah University, in Karak governorate in southern Jordan; the University of Jordan for Science and Technology; and the Zaqa University established in 1993. In addition there are 53 community colleges; two of these are UNRWA schools on the East Bank for Palestinian students. In 2003, about 35% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 89.9%, with 95.1% for men and 84.7% for women.

As of 2003, public expenditure on education was estimated at 5% of GDP, or 20.6% of total government expenditures.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The library at the University of Jordan has 670,000 volumes. In 1977, the department of Libraries, Documentation, and Archives was founded to establish the national library, which had 70,000 volumes in 2002. The University of Jordan for Women, founded in 1991, holds 17,000 volumes. The Library of the Jordan University of Science and Technology holds 100,000 books and 30,000 back issues of periodicals, subscribing to 518 titles. The Philadelphia University Library ('Ammān) holds about 78,642 volumes and 370 subscriptions to periodicals while Amman University Library has 77,500 books (in Arabic and in English) and over 340 titles of periodicals.

More than half of Jordan's museums are archaeological and historical. 'Ammān has four major museums: the Jordan Archaeological Museum, the Folklore Museum, the Popular Life Museum, and the Mosaic Gallery. The Department of Antiquities Museum is located in Salt. The Museum of Jordanian Heritage, one of the finest archeological museums in the country, is in Irbid, as is the Natural History Museum.

## 4<sup>5</sup> MEDIA

Public communications and broadcasting facilities are government controlled. Telephone and telegraph facilities were introduced soon after World War II. In 2003, there were an estimated 114 mainline telephones for every 1,000 people; about 1,100 people were on a waiting list for telephone service installation. The same year, there were approximately 242 mobile phones in use for every 1,000 people.

All radio and television broadcasts are controlled by the government. Radio Jordan transmits AM and FM broadcasts in English, and the television stations broadcast programs in English, Arabic, French, and Hebrew on two channels. A few private radio stations have been permitted to operate as entertainment programming. As of 1999, there were six AM and five FM radio stations. In 2003, there were an estimated 372 radios and 177 television sets for every 1,000 people. The same year, there were 44.7 personal computers for every 1,000 people and 81 of every 1,000 people had access to the Internet. There were 21 secure Internet servers in the country in 2004.

Jordan's four major daily newspapers (with 2002 estimated daily circulations) are *Al-Dustour* (*Constitution*, 100,000), *Al-Rai* (*Opinion*, 90,000), *Sawt Ash-Shaab* (*Voice of the People*, 30,000), and *Jordan Times* (15,000). All except the English-language *Jordan Times* are in Arabic; all are published in 'Ammān and are owned and operated by the private sector. *Al-Rai* is a government-controlled paper, founded after the 1970–71 civil war; *Al-Dustour* is 25% government owned. There are also weeklies and less frequent publications published in Arabic in 'Ammān. One weekly, *The Star*, is published in English. The press code, enacted in 1955, requires all newspapers to be licensed and prohibits the publishing of certain information, mainly relating to Jordan's national security, unless taken directly from material released by the government.

The constitution provides for freedom of speech and the press; however, in practice there are some significant restrictions on these rights. Private citizens can be prosecuted for slandering the Royal Family, and the Press and Publication Law of 1993 restricts the media coverage of 10 subjects, including the military, the royal family, and economic policy.

#### 46 ORGANIZATIONS

Religious organizations still are of major importance, and membership in the hamula, the kinship group or lineage comprising several related families, also is of great significance as a framework for social organization. Literary and theatrical clubs have become popular, especially since World War II, but political organizations died out after the 1957 ban on political parties. Jordan serves as the home base for a number of multinational cultural and educational organizations, including the Islamic Academy of Sciences and the Arab Music Academy.

There are chambers of commerce in 'Ammān and other large towns. The Jordan Trade Association supports business owners with domestic and international holdings. Other labor and business organizations include the Jordan Exporters and Producers Association of Fruits and Vegetables and the Association of Banks in Jordan. There are several professional associations, particular those dedicated to research and education in medical and scientific fields.

National youth organizations include the Jordanian Association for Boy Scouts and Girl Guides, YMCA/YWCA, Junior Chamber, National Union of Jordanian Students, and the Orthodox Youth Education Society. There are a variety of sports associations and clubs, representing such pastimes as tennis, track and field, and badminton. The Alliance for Arab Women and the Jordanian National Committee for Women are based in 'Ammān.

The Noor Al-Hussein Foundation, founded in 1985, is a major national social welfare organization. The Red Crescent Society, Habitat for Humanity, and Caritas have national chapters.

#### 47 TOURISM, TRAVEL, AND RECREATION

The East Bank is an area of immense historical interest, with some 800 archaeological sites, including 224 in the Jordan Valley. Jordan's notable tourist attractions include the Greco-Roman remains at Jerash (ancient Garasi), which was one of the major cities of the Decapolis (the capital, 'Ammān, was another, under the name of Philadelphia) and is one of the best-preserved cities of its time in the Middle East. Petra (Batra), the ancient capital of Nabataea in southern Jordan, carved out of the red rock by the Nabataeans, is

probably the East Bank's most famous historical site. Natural attractions include the Jordan Valley and the Dead Sea, which—at 392 m (1290 ft) below sea level—is the lowest spot on Earth. Biblical attractions include Bethany Beyond the Jordan, where Jesus was baptized by John the Baptist; and Mount Nebo, where Moses saw the Promised Land.

The beaches on the Gulf of Aqaba offer holiday relaxation for Jordanians, as well as tourists. Sports facilities include swimming pools, tennis and squash courts, and bowling alleys. Eastern Jordan has modern hotel facilities in 'Ammān and Al-Aqabah, and there are government-built rest houses at some of the remote points of interest. A valid passport and visa are required. Visitors may obtain a visa, for a fee, at most international points of entry.

About 1.6 million tourists arrived in Jordan in 2003. Of these visitors, 64% came from the Middle East. There were 19,698 hotel rooms with 37,859 beds and an occupancy rate of 33%. The average length of stay in 2003 was two nights. Tourism expenditure receipts totaled \$1 billion that year.

In 2004, the US Department of State estimated the daily cost of staying in 'Ammān and the Dead Sea/Jordan Valley at \$204. Other areas were estimated at \$135 per day.

#### 48 FAMOUS JORDANIANS

The founder of Jordan's Hashemite dynasty—the term stems from the Hashemite (or Hashimite) branch of the tribe of the Prophet Muhammad—was Hussein ibn-'Ali (Husayn bin 'Ali, 1856–1931), sharif of Mecca and king of the Hijaz.

As a separate Arab country, Jordan has had a relatively short history, during which only two men have become internationally known. The first of these was the founder of the kingdom, 'Abdallah ibn-Husayn (1882–1951). Although he was born in Hijaz and was a son of the sharif of Mecca, he made 'Ammān his headquarters. He was recognized as emir in 1921 and king in 1946. The second was his grandson, King Hussein I (Husayn ibn-Talal, 1935–99), who ruled from 1953 until his death. In June 1978, 16 months after the death by helicopter crash of Queen Alia (1948–77), Hussein married his fourth wife, the Queen Noor al-Hussein (Elizabeth Halaby, b.US, 1951). King Abdullah II (b.1962) has reigned since the death of his father in 1999.

#### 49 DEPENDENCIES

Jordan has no territories or colonies.

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# KAZAKHSTAN

Republic of Kazakhstan  
*Kazakstan Respublikasy*

**CAPITAL:** Astana (formerly Akmola, Tselinograd)

**FLAG:** Light blue with a yellow sun and soaring eagle in the center and a yellow vertical ornamentation in the hoist.

**ANTHEM:** *National Anthem of Kazakhstan.*

**MONETARY UNIT:** The tenge (₸), issued in 15 November 1993, is the national currency, replacing the ruble (₹). There is a coin, the tyin. One hundred tyin equal one tenge. ₸1 = \$0.00749 (or \$1 = ₸133.44; as of 2005), but exchange rates fluctuate widely.

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** New Year, 31 December–1 January; International Women's Day, 8 March; Nauryz (Kazak New Year), 28 March; Solidarity Day, 1 May; Victory Day, 9 May; Independence Day, 25 October.

**TIME:** 5 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Kazakhstan is located in southern Asia between Russia and Uzbekistan, bordering on the Caspian Sea and the Aral Sea, with a total area of 2,717,300 sq km (1,049,155 sq mi). Kazakhstan shares boundaries with Russia on the N and W, China on the E, Kyrgyzstan, Uzbekistan, and Turkmenistan on the S, and the Caspian Sea on the W. Kazakhstan's boundary length totals 12,012 km (7,464 mi). Its capital city, Astana, is located in the north-central part of the country.

## <sup>2</sup>TOPOGRAPHY

The topography of Kazakhstan is varied. There are three mountain regions, the Altay Shan in the northeast, the Tian Shan in the southeast, and the Ural Mountains in the northwest. In the center of the country are vast stretches of desert and steppe (arid grassy plains). Most of the country is desert, semidesert, or steppe.

The highest point in the country is Khan Tangiri Shyngy, a peak at 6,398 m (20,991 ft) in the Tian Shan. The lowest point is Vpadina Kaundy, which is located in the southwest region known as the Karagiye Depression and dips to 132 m (433 ft) below sea level. Severe earthquakes are periodically experienced in the seismically active region along the Tian Shan.

The Irtysh River, near the northeast border, is the longest river to pass through Kazakhstan. It has a length of 4,441 km (2,760 m). Two of the world's largest lakes are shared by Kazakhstan: The Caspian Sea (the world's largest lake) and the Aral Sea (the fourth-largest in the world). The largest inland lake completely within the borders of the country is Lake Balkhash, with an area of 18,200 sq km (7,300 sq mi). It is the fifteenth-largest in the world.

## <sup>3</sup>CLIMATE

The country has an arid continental climate. In January, the mean temperature is  $-5^{\circ}\text{C}$  ( $23^{\circ}\text{F}$ ). Rainfall averages between 25 cm (9.8

in) and 38 cm (15 in). Because of the wide ranges in elevation in the country, there are wide variations in temperature and rainfall.

## <sup>4</sup>FLORA AND FAUNA

The sparse plant covering in the desert consists of saltworts, wormwoods, alhagi, and a haloxylon typical of the southern desert. Forests, particularly in the mountain regions, include cedar, larch, spruce, and juniper. Animals native to the country include the antelope, snow leopard, ibex, sand cat, and jerboa. As of 2002, there were at least 178 species of mammals, 379 species of birds, and over 6,000 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Kazakhstan faces several important environmental issues. As the site of the former Soviet Union's nuclear testing programs, areas of the nation have been exposed to high levels of nuclear radiation, and there is significant radioactive pollution. The nation also has 30 uranium mines, which add to the problem of uncontrolled release of radioactivity. Kazakhstan has sought international support to convince China to stop testing atomic bombs near its territory, because of the dangerous fallout.

Mismanagement of irrigation projects has caused the level of the Aral Sea to drop by 13 m, decreasing its size by 50%. The change in size has changed the climate in the area and revealed three million hectares of land that are now subject to erosion.

Air pollution in Kazakhstan is another significant environmental problem. Acid rain damages the environment within the country and also affects neighboring countries. In 1992 Kazakhstan had the world's 14th highest level of industrial carbon dioxide emissions, which totaled 297.9 million metric tons, a per capita level of 17.48 metric tons. In 1996, the total had dropped to 173.8 million metric tons. In 2000, the total of carbon dioxide emissions was at 121.3 million metric tons. Pollution from industrial and

agricultural sources has also damaged the nation's water supply. United Nations (UN) sources have reported that, in some cases, contamination of rivers by industrial metals was 160 to 800 times beyond acceptable levels. Pollution of the Caspian Sea is also a problem.

Kazakhstan's wildlife is in danger of extinction due to the overall level of pollution. According to current estimates, some areas of the nation will not be able to sustain any form of wildlife by the year 2015. In the areas where pollution is the most severe, 11 species of mammals and 19 species of birds and insects are already extinct. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 15 types of mammals, 23 species of birds, 2 types of reptiles, 1 species of amphibian, 7 species of fish, 4 species of invertebrates, and 1 species of plants. Threatened species included the cheetah, the black vulture, the swan goose, the spotted eagle, the asp, the Siberian crane, and the great snipe.

## 6 POPULATION

The population of Kazakhstan in 2005 was estimated by the United Nations (UN) at 15,079,000, which placed it at number 62 in population among the 193 nations of the world. In 2005, approximately 8% of the population was over 65 years of age, with another 27% of the population under 15 years of age. There were 92 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.6%, a rate the government viewed as too low. The population began declining in the 1990s due to emigration, declining fertility rates, and lower life expectancy, especially among men. The projected population for the year 2025 was 15,927,000. The population density was 5 per sq km (14 per sq mi), with most people living in the east and north.

The UN estimated that 57% of the population lived in urban areas in 2005, but that the population in urban areas was declining at an annual rate of -0.03%. The capital city, Astana (formerly Akmola, Tselinograd), had a population of 332,000 in that year. The former capital, Almaty, is the largest city, with a population of 1,103,000. Other major metropolitan areas and their estimated populations include Karaganda, 437,000; Semey, 400,000; Chimkent, 360,000; Pavlodar, 349,000; and Oskemen, 334,000.

## 7 MIGRATION

Kazakhs abroad (in China, Mongolia, and other newly independent republics of the former USSR) are encouraged to return. Those who fled in Stalin's time automatically received citizenship; others must apply.

In 1996, there was an organized return of 70,000 Kazakhs from Mongolia, Iran, and Turkey. During 1991–95, some 82,000 Ukrainians and 16,000 Belarussians repatriated. Between 1991–96, 614,000 Russians repatriated and 70,000 Kazakhs repatriated. During 1992–96, 480,000 ethnic Germans returned to Germany. These Germans were forcibly deported to Central Asia during World War II as from the Volga region.

As of 1996, 42,000 Kazakhs had been displaced internally or had left for other Commonwealth of Independent States (CIS) countries as a result of the ecological problems of the Aral Sea, which had lost three-fourths its volume of water. There were also

160,000 displaced persons as a result of Semey, an above-ground nuclear testing site in northern Kazakhstan.

As of 2004, there were 74,144 refugees and asylum seekers in Kazakhstan. Of these, 13,684 were from Russia. In addition, there were 58,291 persons of concern to the United Nations High Commissioner for Refugees (UNHCR), all ethnic Kazakh who are stateless persons. The majority of the refugee population is located in the former capital Almaty and the southern part of the country.

In 2000 the net migration rate was -12.2 migrants per 1,000 population, amounting to a loss of 200,000 people. By 2005, the net migration rate had declined to an estimated -3.34 migrants per 1,000 population. The government viewed the emigration level as too high.

## 8 ETHNIC GROUPS

About 54% of the population are Kazakhs, 30% are Russians, and 3.7% are Ukrainians. The remaining population consists of Uzbeks (2.5%), Germans (2.4%), Tartars (1.7%), Uighurs (1.4%), and other groups.

## 9 LANGUAGES

The constitution declares Kazakh to be the state language and requires the president to be a Kazakh speaker. Kazakh is a Turkic language written in Cyrillic script with many special letters (but in Roman script in China since 1960). Modern Kazakh utilizes many words of foreign origin from Russian, Arabic, Persian, Mongol, Chinese, Tatar, and Uzbek. Only about 64% of all Kazakhs can speak the language effectively. Almost everyone can speak Russian (95%), which has special status as the "language of interethnic communication" and is widely used in the realm of official business.

## 10 RELIGIONS

About 47% of the population are Muslim. The Kazakhs, a distinct ethnic group originating with Turkic and Mongol settlers who arrived there in late antiquity (first century BC), are the dominant group in the population and are primarily Sunni Muslims of the Hanafi school. Islam had been adopted by the Kazakhs as early as 1043, but many of its popular religious practices did not become common until the late 18th century. The Uzbeks, Uighurs, and Tartars (which together make up less than 10% of the population) are also primarily Sunni Muslim. Other schools represented are Shafit Sunni, Shiite, Sufi, and Akhmadi.

About 33% of the population are Eastern Orthodox. There are several Protestant congregations, including Lutherans, Jehovah's Witnesses, Pentecostals, and Seventh-Day Adventists. There is also a small Jewish community. About 2% of the population are Roman Catholic.

The constitution provides for freedom of religion, but there are some restrictions placed on nontraditional religious groups. All groups must register with the government to obtain legal status and conduct business transactions. Some groups, such as the Jehovah's Witnesses, have been denied this legal status.

## 11 TRANSPORTATION

About 13,700 km (8,521 mi) of broad gauge railroad tracks traversed Kazakhstan, as of 2004. Highways totaled 82,980 km (51,614 mi) in 2002, of which about 77,918 km (48,465 mi) were



LOCATION: 48° N; 60° E. BOUNDARY LENGTHS: China, 1,533 kilometers (954 miles); Kyrgyzstan, 1,051 kilometers (653 miles); Russia, 6,846 kilometers (4,254 miles); Turkmenistan, 379 kilometers (236 miles); Uzbekistan, 2,203 kilometers (1,369 miles).

paved. In 1994, General Motors Corp. signed an agreement to distribute North American-built vehicles in Kazakhstan. The primary port is Guryev (Atyrau), on the Caspian Sea. There are 3,900 km (2,423 mi) of inland waterways on the Syrdariya and Ertis Irtysh rivers. Much of the infrastructure connects Kazakhstan with Russia rather than points within Kazakhstan. Although landlocked in the center of Eurasia and dependent on its transport connections through neighboring countries to deliver its goods to world markets, Kazakhstan as of 2005, had three merchant ships of 1,000 GRT or more. In 2004 there were an estimated 314 airports. As of 2005, a total of 66 had paved runways, and there were also 4 heliports. In 2003, about 1.010 million passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

There is evidence of human habitation in present-day Kazakhstan from the earliest Stone Age, more than 300,000 years ago. The

steppe characteristics of most of the region are best suited for nomadic pastoralism, which an ever-shifting pattern of peoples have pursued in this territory. Achaemenid documents give the name Sacae to the first such group to be historically recorded. In the 3rd and 2nd centuries BC they were displaced by the Usun in the east, the Kangiui in the south central region, and the Alani in the west.

The first well-established state was that of the Turkic Kaganate, in the 6th century AD, replaced in the early 8th century by the Turgesh state. In 766, the Karluks established dominance in what now is eastern Kazakhstan. Some of the southern portions of the region fell under Arab influence in the 8th–9th centuries, and Islam was introduced. Western Kazakhstan was under Oghuz control in 9th to the 11th centuries; at roughly the same time the Kimak and Kipchak tribes, of Turkic origin, controlled the east. The large central desert of Kazakhstan is still called “Dashti-Kipchak,” or the Kipchak Steppe.

The Karluk state was destroyed by invading Iagmas in the late 9th and early 10th centuries. They formed the Karakhanid state, which controlled extensive lands into what is now China. The Karakhanids were in a constant state of war with the Seljuks, to the south, and control of parts of what is now Kazakhstan passed back and forth between them. The Karakhanids collapsed in the 1130s when they were invaded by Khitans, who established the Karakitai state. In the mid-12th century, Khwarazm split off from the weakening Karakitais, but the bulk of the state survived until the invasion of Genghiz Khan from 1219–1221.

Kazakhstan was part of Batu's Golden Horde, which in the 14th century broke up into the White Horde and Mogulistan. By the early 15th century, the White Horde had split into several large khanates, including the Nogai Horde and the Uzbek Khanate.

The present-day Kazakhs formed in the mid-15th century when clan leaders Janibek and Girei broke away from Abul Khair, leader of the Uzbeks, to seek their own territory in Semirechie, between the Chu and Talas rivers. First to unite the Kazakhs into one people was Khan Kasyim (1511–23). When the Nogai Horde and Siberian Khanates broke up in the mid 16th century, tribes from both joined the Kazakhs. The clans separated into three Hordes: the Great Horde, which controlled Semirechie; the Middle Horde, which had central Kazakhstan, and the Lesser Horde, which had western Kazakhstan.

Russian traders and soldiers began to appear on the northwestern edge of Kazakh territory in the 17th century, when Cossacks founded the forts which became the cities of Uralsk and Gurev. The Kazakh khanate was in disarray at the time, badly pressed by Kalmyk invaders who had begun to move in from the east. Pushed west in what the Kazakhs call their "Great Retreat," the Kazakh position deteriorated until, in 1726, Lesser Horde khan Abul'khair requested Russian assistance. From that point on the Lesser Horde was under Russian control. The Middle Horde was conquered by 1798. The Great Horde remained independent until the 1820s, when pressure from both the Kokand Khanate and Russia forced them to choose what they regarded as the lesser of evils, the Russians.

There was, however, considerable resistance, led by Khan Kenen (Kenisary Kasimov), of the Middle Horde, whose followers fought the Russians 1836–47. Khan Kenen is now regarded as a Kazakh national hero. Russian attempts to quell this resistance led to establishment of a number of forts and settlements in Kazakh territory, which made Kazakh nomadism impossible and destroyed the Kazakh economy.

In 1863, Russia promulgated a policy in the Gorchakov Circular which asserted the right to annex "troublesome" border areas. It was on this basis that Russian troops began the conquest of Central Asia. Most of Kazakhstan was made part of the Steppe district of the Russian empire; the rest was in Turkestan.

Beginning in the 1890s, Russian settlers were aggressively moved into fertile lands in northern and eastern Kazakhstan, further displacing the nomadic Kazakhs. Between 1906 and 1912 more than a half-million Russian farms were started as part of the Stolypin reforms. By the time of the 1916 uprising the Kazakhs were broken and starving. Despite a strong effort against the Russians, they were savagely repressed.

At the time of the revolution a group of secular nationalists called the Alash Orda attempted to create a Kazakh government,

but it lasted less than two years (1918–20) before surrendering to the Bolsheviks.

The Kazakh Autonomous Soviet Socialist Republic was declared in 1920 and elevated to full republic status in 1936. In the period 1929–34, when Stalin was abolishing private agriculture and establishing huge collective farms, Kazakhstan suffered repeated famines which killed at least 1.5 million Kazakhs, as well as destroying 80% of the republic's livestock.

In World War II much Russian industry was evacuated to Kazakhstan; this was followed in 1953–65 by the so-called Virgin Lands campaign, which converted huge tracts of Kazakh grazing land to wheat and other cereal production. This campaign brought thousands more Russians and other non-Kazakhs to Kazakhstan; as a result Kazakhstan became the only Soviet republic in which the eponymous people were not a majority of the population. Because Russians and other Europeans nearly equal the number of Kazakhs in the republic, virtually every public act requires a delicate balancing of differing interests.

On 16 December 1986, Mikhail Gorbachev replaced Kazakhstan's longtime leader Dinmukhamed Kunayev, a Kazakh, with a Russian from outside the republic. This set off three days of rioting, the first public nationalist protest in the Soviet Union. In June 1989, more civil disturbances hastened the appointment of Nursultan Nazarbayev as republic leader. A metallurgist and a Kazakh, Nazarbayev became prominent in the last Soviet years as a spokesman both for greater republic sovereignty and for the formation of a confederation of former Soviet republics. He was elected president by the Kazakhstan parliament in 1990, which was reaffirmed by public vote in an uncontested election in December 1991. Not a party to the dissolution of the Soviet Union announced in early December 1991, Nazarbayev prevailed in arguments that Kazakhstan and other Central Asian states must join the new Commonwealth of Independent States.

Nazarbayev arranged a call by an extra-constitutional quasi-legislative 327-member People's Assembly composed of various cultural and ethnic leaders for an 29 April 1995 referendum on extending his rule until the year 2000. The extension was approved by over 93% of voters.

In October 1998, the Kazakh legislature approved constitutional amendments that enabled Nazarbayev to call for an early presidential race for 10 January 1999. The US State Department in November 1998 criticized a decision of the Kazakh Central Electoral Commission (CEC) and the Supreme Court that major opposition figure Akezhen Kazhegeldin was ineligible to run in the presidential race because of his participation in an "unauthorized" democracy meeting. Three candidates were registered besides Nazarbayev, but only one ran as a true opposition candidate. Onerous registration requirements included a \$30,000 deposit (forfeited by the losers) and 170,000 signatures gathered in at least 11 of 16 regions. Nazarbayev's candidacy was extensively covered by state-owned media. The Kazakh Central Electoral Commission reported that Nazarbayev had won with 79.8% of about seven million votes cast. The Organization for Security and Cooperation in Europe (OSCE) sent only token monitors, and declared on 11 January 1999, that "the electoral process...was far removed" from OSCE standards which Kazakhstan had pledged to follow. At his 20 January inauguration, Nazarbayev pledged to work to create a "democratic society with a market economy," to raise the standard



of living, and to uphold existing foreign and ethnic policies. In December 1998 the government moved from Almaty to Astana.

Nazarbayev stated that the geographic location of Kazakhstan and its ethnic makeup dictate its “multipolar orientation toward both West and East.” He pursued close ties with Turkey, trade ties with Iran, and better relations with China, which many Kazakhs traditionally viewed with concern as a security threat. Kazakhstan has extensive trade ties with China’s Xinjiang Province, where many ethnic Kazakhs and Uighurs reside.

While seeking to protect Kazakh independence, Nazarbayev also pursued close relations with Russia and other Commonwealth of Independent States (CIS) members for economic and security reasons. During Nazarbayev’s July 1998 visit to Moscow, he and Yeltsin signed a Declaration of Eternal Friendship and Alliance Cooperation, in which both sides pledged to assist each other in the case of threats against each other, including by providing military support. In early 1999, Kazakhstan reaffirmed a CIS collective security agreement pledging the parties to provide military assistance in case of aggression against any one of them. In 1995, Kazakhstan joined the customs union formed by Russia and Belarus, which was reaffirmed in an accord on “deeper integration” signed in 1996 (Kyrgyzstan also signed and Tajikistan joined in 1998). Nazarbayev has been highly critical of the feeble union. Another customs union, formed in 1994 between Kazakhstan, Kyrgyzstan, and Uzbekistan (joined by Tajikistan in 1998), was set back by the repercussions of the 1998 Russian and Asian financial crises.

Kazakhstan is the most economically developed of the former Soviet Central Asian republics. Kazakhstan’s economic prospects are promising because of its vast energy and mineral resources, low foreign debts, and well-trained work force. There is more Western private investment in Kazakhstan than elsewhere in Central Asia because of Kazakhstan’s oil resources and efforts to attract investment. Second to Russia, Kazakhstan has the largest oil and gas reserves of the Caspian Sea regional states, holding promise of large export revenues. On 18 November 1999, Azerbaijan, Georgia, Turkey, and Kazakhstan signed the “Istanbul Protocol” on constructing a trans-Caucasus oil pipeline from Azerbaijan to Turkey. Russia’s pipelines, the major means for exporting Kazakh oil, were supplemented in 2001 with the opening of a 1,580-km (930-mi) oil pipeline from Kazakhstan to Russia’s Black Sea port of Novorossiisk. Kazakhstan has also been involved in an oil swap arrangement with Iran, whereby Kazakhstan sends oil by tanker to northern Iran, and Iran in exchange exports some oil from its Persian Gulf ports. The GDP averaged over 9% 2000–05 and the unemployment rate for 2005 was a fairly low 8%. The country’s economy heavily depends on oil exports, however, the government slowly diversified the economy to include light industry in 2005.

Following the 11 September 2001 terrorist attacks on the United States, Kazakhstan offered the use of its military bases, as well as air space for military and humanitarian purposes during the US-led military campaign in Afghanistan to oust the Taliban regime and al-Qaeda forces. Since 11 September, all radical Islamic groups in the Central Asian nations have been linked with international terrorism. Both the Hizb-ut-Tahrir (“Freedom Party”) and the Islamic Movement of Uzbekistan (IMU), two radical Islamic organizations looking to establish an Islamic state in Central

Asia, have operations in the country, but the major units of the IMU have been destroyed by the US-led coalition.

On 18 November 2001, a new political movement, the Democratic Choice of Kazakhstan (DCK) was established, however, Nazarbayev cracked down increasingly on the group throughout 2002 into 2005. In what appeared to be politically motivated cases, two of the DCK’s cofounders, Mukhtar Abliyazov and Galymzhan Zhakiyanov, were arrested, convicted of abuse of power and corruption during their tenure in government, and sentenced to prison. Abliyazov was freed from prison in 2003 after receiving an amnesty from Nazarbayev. Zhakiyanov was transferred from prison to a minimum security settlement colony in August 2004.

Of international interest was the scandal dubbed “Kazakhgate” in which Western oil companies allegedly paid millions of dollars to top Kazakh officials, including Nazarbayev, in exchange for lucrative contracts. The media within Kazakhstan was strongly encouraged not to report on the scandal.

### 13 GOVERNMENT

In March 1995, the Kazakh Constitutional Court ruled that the March 1994 legislative election was invalid because it violated the principle of “one person, one vote.” Constituencies had not been drawn up representing approximately equal populations, and confused voting procedures resulted in electors voting for several candidates, it declared. On 11 March, Nazarbayev announced that the decision was in accordance with the constitution and dissolved the legislature. Some of the dismissed deputies tried to set up an alternative parliament, but the rebel movement soon fell apart. Nazarbayev announced that he would rule by decree pending new elections and called for a new constitution to be drafted, using France’s parliamentary system as a model. On 30 August 1995, a referendum on a new constitution that widened presidential powers was passed with 89% of the vote. According to the US State Department, proposals by democracy and human rights advocates during the discussion phase were not incorporated into the final constitutional draft submitted to the referendum, and the turnout and results were “exaggerated.”

Compared to an earlier 1993 constitution, the 1995 constitution increases the president’s powers and reduces those of the legislature, and places less emphasis on protecting human rights. As fleshed out by a presidential edict, the legislature does not control the budget or its agenda, cannot initiate changes to the constitution, or exercise oversight over the executive branch. The president’s nominees for premier and state bank head are ratified by the Majlis, the lower house of parliament, but he appoints the rest of the cabinet. If the legislature fails within 30 days to pass an “urgent” bill brought by the president, he may issue it by decree. About 10% or less of bills are initiated by deputies, but they debate and have forced minor changes in bills initiated by the presidency. While the president has broad powers to dissolve the legislature, it may only remove him for disability or high treason.

In October 1998, without any public debate, the legislature quickly rubber-stamped 19 constitutional amendments and announced an early presidential election. The changes included increasing the presidential term from five to seven years, lifting the 65-year age limit on governmental service, creating party list representation in the Majlis, extending the term of office from four to five years for the lower legislative chamber (the Majlis) and

from four to six years for the upper legislative chamber (the Senate). The Majlis consists of 77 seats, 10 of which are elected from the winning party's lists. The Senate has 39 seats (previously 47). Seven senators are appointed by the president; other members are popularly elected, 2 from each of the 14 oblasts, the capital of Astana, and the city of Almaty.

On 10 January 1999, Nazarbayev won reelection as president for a seven-year term in an election that fell far short of international standards. He won 81.7% of the votes cast; three other contenders shared the rest. Nazarbayev's most serious challenger, former prime minister Akezhan Kazhegeldin, was excluded from running on a technicality. In the December 2005 election, Nazarbayev was reelected once again, winning over 90% of the votes. The next election was scheduled for 2012.

Kazakhstan held indirect elections 17 September 1999; regional legislatures elected 32 members of a 39-seat upper legislative chamber, the Senate (On 29 November 1999, the remaining seven Senators were constitutionally appointed by Nazarbayev). The Organization for Security and Cooperation in Europe (OSCE) reported that Kazakh Central Electoral Commission (CEC) officials had improperly blocked some monitoring, and cited reports that other officials had threatened local legislators not to vote for oppositionists.

Elections to Kazakhstan's lower legislative chamber, the Majlis, took place on 10 October 1999, with 595 candidates and nine parties competing for 77 seats. Ten seats were reserved for a party list vote. Runoffs on 24 October were required for over two-thirds of constituency seats where no one candidate received over 50%. Ten seats were elected by party lists based on the percentage of votes parties received nationally (with a minimum vote threshold for representation of 7%), and the other 67 by single constituency voting. The Kazakh Communist Party (KPK), Otan, the Civic Party, and the Agrarian Party won seats under party list voting. No candidate nominated by a noncommunist opposition party gained a party list or single constituency seat. About one-half of the winning deputies ran as independents, though many of them were former government officials who were presumably pro-government. OSCE monitors concluded that the race was "a tentative step" in democratization, but decried interference in the race by officials, biased local electoral commissions, manipulation of results, unfair campaign practices by pro-government parties, and harassment of opposition candidates. Members of the KPK, Republican Party, and Azamat joined in a "Forum of Democratic Forces" that on 27 October stated that the Senate and Majlis elections were rigged by the government and were invalid.

The DCK, which was formally registered as a political party in May 2004, formed an electoral bloc with the Communist Party in July 2004 in hopes of gaining more seats in the Majlis. The 2004 Majlis election resulted in Otan capturing 42 of 77 total seats, while independent candidates, The Agrarian Party-Civic Party Bloc (AIST) secured 11 seats, followed by Asar with 4 seats, and the DCK with 1 seat. The only opposition candidate to win a seat, Alikhan Baymenov, announced that he refused to take up his seat in protest over what he considered electoral inconsistencies and fraud.

The Organization for Security and Cooperation in Europe (OSCE) again criticized the election for failing to meet international standards for democratic elections. Among the problems

noted were electoral ballot stuffing, media bias in favor of pro-presidential candidates and the exclusion of certain candidates for politically motivated reasons among others. None of the opposition parties recognized the outcome of the elections.

## <sup>14</sup>POLITICAL PARTIES

The constitution permits the formation of registered political parties, but in practice it is difficult to get the necessary legal permissions. Most parties are small, ephemeral, based on personalities, and lack detailed programs. Nine parties and groups participated in the party list part of the October 1999 lower-chamber legislative races, and four passed a 7% vote hurdle to win seats (the Republican People's Party withdrew from the party list vote after its leader, Akezhen Kazhegeldin, was not registered as a candidate). The nine were Otan (Fatherland), Azamat (Citizen), Alash (Patriot), the People's Congress, the Civic Party, the Communist Party, the Agrarian Party, the Labor Party, and the Revival Party. The pro-government Otan party bloc won the most seats in the party vote. Others included the Civic Party, Agrarian Party, and the Communist Party (KPK). Otan was formed in early 1999 from several prominent pro-Nazarbayev parties. The Civic Party, formed in 1998, represents state-industrial interests and hails Nazarbayev as its "spiritual father." Azamat was formed in 1999. Deputy Chair of the party Petr Svoik has called it the "constructive opposition." The Kazakh Communist Party (KPK), reregistered in July 1994, has advocated some economic recentralization and anti-Western policies. The People's Congress, or Social-Democratic Party, has both Kazakh and Russian members and is headed by the Kazakh poet Olzhas Suleymenov. Originally pro-Nazarbayev, the party became increasingly critical of the government after 1993. The nationalist Alash Party has refused to register because of legal requirements that it submit personal information about members to the government. Members of unregistered parties may run for elected office as individuals, but not as party members.

Twelve parties were registered and participated in the 2004 elections. The most important addition was the the DCK, formally registered as a political party in May 2004, which formed an electoral bloc with the Communist Party in July 2004. The 12 were Otan (Fatherland), Azamat (Citizen), AIST (Agrarian Party-Civic Party Bloc), Ak Zhol Party (Bright Path), ASAR (All Together), AUL (Village), Civic Party, Communist Party (KPK), Communist People's Party of Kazakhstan, Democratic Choice Party of Kazakhstan, Democratic Party of Kazakhstan and Alash (Patriots' Party).

A 2002 law raised from 3,000 to 50,000 the number of members that a party must have to register, making it more difficult for political pressure groups to form actual opposition parties.

In Uralsk (Western Kazakhstan) and Petropavlovsk (Northern Kazakhstan) there are Cossack obshchinas, or communities, agitating for autonomous status. Denied registry by Kazakhstan, many are active in Cossack obshchinas across the border in Russia, where Cossacks have the right to maintain military organizations and carry weapons.

## <sup>15</sup>LOCAL GOVERNMENT

Kazakhstan is divided into 14 *oblasts* (provinces); the cities of Almaty, Astana, and Bayqongyr have special administrative status equivalent to that of *oblasts*. The 14 *oblasts* are in turn divided into *rayons* (districts). As of 1999, there were 84 cities, 159 *rayons*, 241

settlements, and 2,049 *auls* (villages). Each *oblast*, *rayon*, and settlement has its own elective assembly, charged with drawing up a budget and supervising local taxation. Cities have local assemblies as well; if large enough, cities are also divided into *rayons*, each with its own assembly. These assemblies are also elected for five-year terms. The number of *oblasts* was reduced from 19 to 14 in 1997 under the government's consolidation program.

The *oblast* and *rayon* assemblies do not choose the local executives. According to the 1995 constitution, the local executives, known as *glavs* or *akims*, are appointed by the president, upon recommendation by the prime minister. The *akims* serve at the pleasure of the president, and he has the power to annul their decisions. The *akim* appoints the members of his staff, who become the local department heads. There is some discussion of shifting to local election of the regional *akims*.

## 16 JUDICIAL SYSTEM

A new constitution was adopted by referendum in 1995, placing the judiciary under the control of the president and the executive branch. There are local and *oblast* (regional) level courts, and a national-level Supreme Court and Constitutional Council. A special arbitration court hears disputes between state enterprises. There is also a military court system. Local level courts serve as courts of first instance for less serious crimes such as theft and vandalism. *Oblast* level courts hear more serious criminal cases and also hear cases in rural areas where no local courts have been established. A judgment by a local court may be appealed to the *oblast* level. The Supreme Court hears appeals from the *oblast* courts. The constitution establishes a seven member Constitutional Council to determine the constitutionality of laws adopted by the legislature. It also rules on challenges to elections and referendums and interprets the constitution. The president appoints three of its members, including the chair.

Under constitutional amendments of 1998, the president appoints a chairperson of a Supreme Judicial Council, which nominates judges for the Supreme Court. The Council consists of the chairperson of the Constitutional Council, the chairperson of the Supreme Court, the Prosecutor General, the Minister of Justice, senators, judges, and other persons appointed by the president. The president recommends and the senate (upper legislative chamber) approves these nominees for the Supreme Court. *Oblast* judges (nominated by the Supreme Judicial Council) are appointed by the president. Lower level judges are appointed by the president from a list presented by the Ministry of Justice. The Ministry receives the list from a Qualification Collegium of Justice, composed of deputies from the Majlis (lower legislative chamber), judges, prosecutors, and others appointed by the president). Under legislation approved in 1996, judges serve for life.

The constitution calls for public trials where the defendant has the right to be present, the right to counsel, and the right to call witnesses. There is the presumption of innocence of the accused, and the defendant has the right of appeal. In practice, trials of political oppositionists have been closed, and there is widespread corruption among poorly paid judicial personnel. It is a criminal offense to offend the honor and dignity of the president.

Nazarbayev has stated that "the path from totalitarianism to democracy lies through enlightened authoritarianism" but has nonetheless allowed some degree of pluralism. The US State De-

partment concluded in its *Country Reports on Human Rights Practices for 2001* that the Kazakh government respected the human rights of its citizens in some areas, but serious problems remained in others. The government infringed on citizens' right to change their government. Members of the security forces often beat or otherwise abuse detainees, and there were allegations of arbitrary arrest and detention of political opponents. The government infringed on citizens' rights to privacy by conducting unlawful monitoring of correspondence and searches of premises. The government increasingly moved against independent media, harassing and monitoring them, and as a consequence, many journalists practiced self-censorship.

Despite constitutional guarantees, freedom of assembly and association is limited although it is legal to form and join trade unions, and unions are able to engage in strikes. In December 2003, Nazarbayev introduced a moratorium on the death penalty and introduced life imprisonment as an alternative. Prison conditions remained harsh and life-threatening; the government agreed to improve conditions in 2005.

Traditional customs limit the opportunities available to women, and women's rights organizations claim that the penalties regarding domestic violence and sexual harassment are extraordinarily lenient. Trafficking of women and children is another serious problem which has not seemed to lessen. Amnesty International reports that Kazakhstan is both the origin and transfer point for women being trafficked from South and Southeast Asia to the Middle East and Europe.

Kazakhstan is a member of many international organizations including the United Nations and is an observer at the World Trade organization.

## 17 ARMED FORCES

As of 2005, Kazakhstan's armed forces had 65,800 active personnel, of which the Army accounted for 46,800 personnel. Its equipment included 930 main battle tanks, 140 reconnaissance vehicles, 573 armored infantry fighting vehicles, 770 armored personnel carriers, and 986 artillery pieces. The Air Force had 19,000 active personnel (including air defense). Air Force equipment included 164 combat capable aircraft, of which there were 124 fighters and 40 fighter ground attack aircraft. The service's air defense arm operated more than 147 surface-to-air missile batteries. Kazakhstan has no navy. Paramilitary forces included 2,000 presidential guards, an estimated 20,000 internal security troops, and an estimated 12,000 border guards. The defense budget in 2005 was \$419 million.

## 18 INTERNATIONAL COOPERATION

Kazakhstan was admitted to the United Nations (UN) on 2 March 1992; it is a member of ESCAP and several nonregional specialized agencies, including the FAO, IAEA, IFC, IMF, the World Bank, UNCTAD, UNESCO, UNIDO, and the WHO. Kazakhstan is a member of the Asian Development Bank, the Commonwealth of Independent Nations, the Organization of the Islamic Conference (OIC), and the OSCE.

The country has observer status in the WTO and the OAS. In 2000, Kazakhstan, Russia, Belarus, Kyrgyzstan, and Tajikistan established the Eurasian Economic Community. In June 2001, leaders of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and

Uzbekistan met in China to launch the Shanghai Cooperation Organization (SCO) and signed an agreement to fight terrorism and ethnic and religious militancy while promoting trade.

Kazakhstan is part of the Nuclear Suppliers Group (London Group) and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, Kazakhstan is part of Conventions on Biological Diversity and Air Pollution, CITES, the Montréal Protocol, MARPOL, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

The Kazakhstan economy is extremely well-endowed with large tracts of arable land and rich reserves of coal, oil, and rare metals. Animal herding was the mainstay of the nomadic Kazakh population before their incorporation into the Soviet Union; wool production remained an important agricultural product, along with grains and meat.

Like other countries of the former USSR, Kazakhstan faced serious economic dislocation after 1991, resulting from the disruption of trade with other post-Soviet republics, an end to the flow of official revenues from the Soviet central government, the decline in state production orders, and the need for sudden currency adjustments. Estimated GDP fell by 8.5% in 1991, 14% in 1992, 15.3% in 1993, and 25% in 1994. Overall output was estimated to have shrunk by one-third between 1990–93. Positive if weak growth returned in 1996, when real GDP increased 1.1%, followed by an increase of 1.7% in 1997. Recovery was then arrested briefly by the effects of the Russian financial crisis, as real GDP declined 1.9% in 1998, but growth resumed in 1999 with a rise in real GDP of 2.7%. Economic and fiscal reforms in 1999 and a rise in world energy prices helped spur growth to 9.6% in 2000, and to an estimated 12.6% in 2001. Meanwhile significant progress was made in bringing inflation under control. After independence, inflation reached a staggering 2,000% in 1993, declining to 35% in 1994 and 1995, and to 28.6% in 1996. In 1998, in the recession accompanying the Russian financial crisis, inflation fell to 1.9%. With growth in 1999, inflation grew to 8.3% and 13.2% in 2000. However, prudent monetary policies instituted in 1999 helped reduce inflation to an estimated 6.6% in 2001. Fiscal reforms helped to transform a general government deficit equal to 5% of GDP in 1999 to a surplus equal to 2.9% of GDP in 2001. Registered unemployment was only 3.3% in 2001, although according to US State Department and CIA estimates, actual unemployment ranged between 10% and 30%.

A revitalized energy sector supported by substantial foreign investment has been the main factor in the economy's strong performance, but economic reforms and good harvests have also been important elements. Privatization legislation adopted since 1992 has promoted the rapid transfer of small shops and services to the private sector, although large-scale privatization has gone much slower. In 1996, the government concluded an agreement for the 1,580-km (990-mi) Caspian Pipeline Consortium (CPC) pipeline to run from the western Tengiz oil field to the Black Sea. The CPC was officially opened on 27 November 2001. Foreign investment in Kazakhstan's oil industry has helped boost production, with prospects of the country becoming one the world's largest producers at 3.5 million barrels per day by 2015. Such optimistic predictions rest largely on three major oil and gas fields—Tengiz, Karachaga-

nak, and Kashagan—the last of which was hailed by analysts as the world's largest oil discovery in 30 years. An oil pipeline between Kazakhstan and China was being built in the mid-2000s, with the second of three segments completed in December 2004. The pipeline was expected to reach from the Caspian oilfields to the Chinese border, and was expected to be completed around 2010. In January 2001, the president decreed the establishment of the National Fund for the purpose of protecting the economy from the effects of swings in the price of oil and other commodities. In February 2002, the president decreed the formation of a new national energy company, KazMunaiGaz, formed through the merger of Kazakoil, the state oil company, and TransNefteGaz, the state oil and gas transport company. The main purposes of KazMunaiGaz are to ensure a single state policy on energy issues, and to better compete with foreign energy companies.

Kazakhstan enjoyed strong economic growth in 2005, benefiting from record export prices for its energy, minerals, and agricultural exports. The real GDP growth rate stood at 9% in 2005, following a 9.2% expansion in 2004 and 9.5% growth in 2003, but continued growth in imports in 2006–07 was forecast to lessen the rate of economic expansion. Nevertheless, the growth rate was expected to average just over 8% in 2006, potentially rising to 8.4% in 2007. High producer price inflation and sustained inflows of hard currency were expected to keep annual average consumer price inflation close to 7% in 2006, although it was projected to ease in 2007 as producer costs rose less steeply following lower energy prices. In 2005, agriculture accounted for 7.8% of GDP, with industry contributing 40.4% and services 51.8%. Oil now accounts for more than half of industrial output. The agricultural sector is inefficient and labor-intensive: it is the largest single employer in the country but an increasingly irrelevant exporter. In 2002, agriculture provided 35% of total employment. Due to the growth of the oil sector and the likely real appreciation of the currency, in the long term the agricultural sector will need to be subsidized if it is to survive.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Kazakhstan's gross domestic product (GDP) was estimated at \$132.7 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$8,700. The annual growth rate of GDP was estimated at 9%. The average inflation rate in 2005 was 7.4%. It was estimated that agriculture accounted for 7.8% of GDP; industry, 40.4%; and services, 51.8%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$147 million or about \$10 per capita and accounted for approximately 0.5% of GDP. Foreign aid receipts amounted to \$268 million or about \$18 per capita and accounted for approximately 1.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Kazakhstan totaled \$16.83 billion or about \$1,129 per capita based on a GDP of \$30.8 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was es-

timated that for the period 1990 to 2003 household consumption grew at an average annual rate of -4.3%. In 2001 it was estimated that approximately 37% of household consumption was spent on food, 20% on fuel, 9% on health care, and 6% on education. It was estimated that in 2004 about 19% of the population had incomes below the poverty line.

## 21 LABOR

Kazakhstan's labor force in 2005 was estimated at 7.85 million persons. In 2002 it was estimated that the services sector engaged 50% of the workforce, while agriculture accounted for 20%, and industry the remaining 30%. The unemployment rate in 2005 was estimated at 7.6%.

Although workers are entitled to join or form unions, registration generally is a lengthy and difficult process. The Confederation of Free Trade Unions claimed about 300,000 members in 2002, but that number is considered to be high. Some workers who have joined independent unions are subjected to various forms of harassment, indicating hostility by local authorities and state-sponsored trade unions. Workers are entitled to strike after all conciliation procedures have been exhausted. Employers must be notified 15 days prior to a strike.

The minimum age for employment is 14 but only for part-time work. Children under 18 have legal protections from hazardous work, and those between 14 and 16 years of age may only work with parental permission. As of 2002, the minimum wage was about \$24 per month, which falls below the minimum subsistence amount. The legal maximum workweek is 48 hours, although most enterprises maintain a 40-hour workweek.

## 22 AGRICULTURE

In 2003, Kazakhstan had an estimated 22.7 million hectares (56 million acres) of arable land, representing 8.4% of the total land area. Most cropland is found in the northern steppes, where the failed Virgin and Idle Land Project of the 1950s occurred. Small-scale privatization resulted in the formation of 31,055 private farms by 1995, up from 3,333 in 1991. By 2003, there were 149,986 private farms, accounting for 94% of agricultural holdings. The average farm size in 2003 was about 110 hectares (270 acres). Between 1990 and 2000, annual agricultural output fell an average of 7.9%. However, during 2002–04, output was up almost 15% from 1999–2001.

Potatoes, fruits, and vegetables are other significant food crops. Less than 2% of agricultural land is used to cultivate commercial crops such as cotton, sugar beets, sunflowers, and flax. Kazakhstan is the only former Soviet republic that exports grain. Wheat accounts for about one-third of all sown acreage. Wheat production declined from 18,285,000 tons in 1992 to 9,900,000 tons in 2004. Similarly, barley production fell from 8,511,000 tons to 1,534,000 tons during that time. Rice is produced in irrigated stretches along the Syrdar'ya near Qyzlorda and around Taldyqorgha in the east. Production amounted to 277,000 tons in 2004.

During the Soviet period, groundwater resources and chemical fertilizers were overused, resulting in depleted soils, decreasing yields, and environmental pollution.

## 23 ANIMAL HUSBANDRY

About 70% of Kazakhstan's total land area is permanent pastureland. In 2005, the livestock population included 25.4 million chickens, 11.3 million sheep, 1.3 million pigs, 1.1 million horses, and about 2.1 million goats. Total meat production in 2005 amounted to 762,000 tons, of which 45% was beef, 14% mutton and lamb, 27% pork, 6% chicken, and 8% other meat.

Wool and skins are important animal products; in 2005, 27,000 tons of greasy wool and 41,800 tons of cattle hides were produced. That year, cow milk production totaled 4,695,800 tons, and 139,100 tons of eggs were laid.

## 24 FISHING

Fisheries are concentrated around the Caspian Sea, and are of some importance to the local economy. The total catch in 2003 was 23,885 tons, all from inland fishing. Freshwater bream and Azov sea sprat were the principal species.

## 25 FORESTRY

Only 4.5% of Kazakhstan is covered by forests and woodlands; forestry is of little commercial importance. Imports of forestry products amounted to nearly \$158.8 million in 2004.

## 26 MINING

The leading industries in Kazakhstan in 2002 were, in order, oil, coal, iron ore, manganese, chromite, lead, zinc, copper, titanium, bauxite, gold, silver, phosphates, and sulfur. In 2000, Kazakhstan was the eighth-largest producer of manganese ore in gross weight and ninth in manganese content of ore. Kazakhstan was the CIS's leading producer in chromite, lead, and zinc. The country was also a major producer of beryllium, bismuth, cadmium, chromium, ferroalloys, magnesium, rhenium, titanium, and uranium, and produced significant amounts of arsenic, barite (75% of the former Soviet Union's output), molybdenum, natural gas, phosphate rock, and tungsten. Among other minerals, Kazakhstan produced cobalt, magnesium, nickel, vanadium, and all grades of asbestos, as well as the industrial minerals boron, cement, and kaolin. Kazakhstan had commercial reserves of 3 ferrous metals, 29 nonferrous metals, 2 precious metals, 84 types of industrial minerals, and coal, natural gas, and petroleum. The eastern region of Kazakhstan was rich in alumina, arsenic, bauxite, beryllium, bismuth, cadmium, chrome, copper, gold, iron ore, lead-zinc, manganese, molybdenum, rhenium, silver, titanium, and tungsten.

In 2002, Kazakhstan's exports totaled nearly \$10 billion, with 89% of that total accounted for by mineral and other mineral-related products. Crude oil alone accounted for more than 50% of the nation's exports in that year.

Output of metals in 2002 included: marketable iron ore (gross weight), 15.423 million metric tons, up from 14.14 million metric tons in 2001; manganese ore (gross weight), 1,792,200 metric tons, up from 1,386,500 metric tons in 2001; chromite, 2,369,400 metric tons, up from 1.19 in 1996; lead, 39,300; mined zinc, 322,100, up from 159,400 in 1996; mined copper, 430,200, up from 2,045,700 metric tons in 2001; bauxite, 4,376,600 metric tons; mined gold, 22,404 kg, down from 25,010 kg in 2001; silver, 892,100 kg down from 981,900 kg in 2001; and alumina, 1.386 million tons.

Copper mining began to recover after foreign companies acquired management rights to the nation's copper producers, most notably the Zhezqazgan complex, which also included concentration, smelting, and refining facilities. Kazakhstan had supplied more than 95% of chromite production for the former USSR through the Donskoy mining and beneficiation complex at Khromtau. Iron ore found near Rudnyy supplied the iron and steel plants in the Russian Urals region as well as plants at Karaganda and Temirtau.

## 27 ENERGY AND POWER

Kazakhstan has significant reserves of oil and natural gas, and is thus, important to the world's energy market. Specifically, the country possesses the largest recoverable crude oil reserves in the Caspian Sea region. Kazakhstan also has significant recoverable reserves of coal.

As of 1 January 2005, Kazakhstan had proven oil reserves estimated at 9 to 29 billion barrels. In 2004, oil production was estimated at 1,221.3 million barrels per day, of which crude oil accounted for 83% of output. Domestic demand in that same year came to an estimated 156,700s barrels per day. Kazakhstan's fields include: the Tengiz, with estimated recoverable crude oil reserves of 6 to 9 billion barrels; the Karachaganak field, with recoverable reserves of 2.4 billion barrels of oil; the Kashagan field with recoverable reserves estimated at 7 to 9 billion barrels; and the Kurman-gazy with reserves of 7.33 billion barrels.

Kazakhstan also has sizeable reserves of natural gas. As of 1 January 2005, the country's proven natural gas reserves were put at 65 to 70 trillion cu ft. In 2003, natural gas output was estimated at 500 billion cu ft and at 560 billion cu ft in 2004. In 2003, domestic demand for natural gas totaled an estimated 558 billion cu ft and an estimated 550 billion cu ft in 2004.

Kazakhstan also has the largest recoverable reserves of coal in Central Asia. These reserves in 2003 were estimated at 34,479.2 million short tons, most of which was hard coal (anthracite and bituminous). In 2003, production of coal was estimated at 86.45 million short tons, with consumption that year placed at an estimated 58.5 million short tons.

Coal-fired plants make up the bulk of Kazakhstan's electric power capacity. Of the nation's 71 power plants, 80% are coal fired, while hydropower facilities account for 12% of capacity. Installed capacity, was estimated in 2003 to be 17.2 GW. In 2003, electric power output was estimated at 60.4 billion kWh, of which 85% came from coal-fired plants. In that same year, demand for electricity was estimated at 52.6 billion kWh.

## 28 INDUSTRY

Before its independence, Kazakhstan's designated manufactures included phosphate fertilizer, rolled metal, radio cables, aircraft wires, train bearings, tractors, and bulldozers. The country also had a well-developed network of factories that produced about 11% of the Soviet Union's military goods. Overwhelmingly dominated by state-owned enterprises under the centrally planned economy, independent Kazakhstan's economy has been substantially, if incompletely, privatized and reoriented to the market economy. Government plans originally called for an almost complete privatization by 2000 through a combination of auctions, the distribution of investment coupons to the public, and case-

by-case negotiations for larger enterprises. As of 2001, 71% of the total number of organizations with state participation had been privatized, including 23,170 state-owned enterprises and state stock holdings and state shares in 3,495 organizations.

The process of restructuring its industry has been wrenching, however. Industrial production declined by 13.8% in 1992, by 14.8% in 1993 and by 28.5% in 1994. Decline continued in 1995, but at the single digit rate of 8%. The first positive growth in industrial production after independence was a weak 0.3% improvement in 1996. Privatization moved ahead quickly in that year and into the summer of 1997, a year in which real GDP increased 4%. However, industrial production declined again in 1998—by 2%—due primarily to the combined effects of the Russian financial crisis and a fall in world oil prices. The president, citing the low fuel prices, decreed a halt to further privatization in the country's vital oil and gas sector, and slowed the negotiations on privatization of the remaining large state enterprises called the "Blue Chips." Subsequently, industrial growth resumed at a moderate 3% in 1999, but then at robust double-digit rates of 16% in 2000 and 14% in 2001. For 2002, the estimated growth rate was 9.8%, slightly ahead of overall GDP performance. The share of industrial production fell from 25.9% of GDP in 1994 to 21.8% of GDP in 1995, but had risen to 30% by 2001. In 2005, industry accounted for 40.4% of GDP, and the industrial production growth rate stood at 10.7%.

To stimulate recovery, increasingly liberal foreign investment incentives were offered 1991–97. In 1995 Kazakhstan's largest pre-independence operation, the Karaganda Steel Mill (Karmet) was acquired by a London-based company. Pre-independence, Karmet was one of the largest integrated metallurgical complexes in the world, producing coke and chemical products in addition to pig iron, steel, and a wide variety of steel products. In 1995, it was operating at less than half its capacity, workers' wages were often months in arrears, and its installations were being degraded for lack of maintenance. By 2002, about \$800 million had been invested in the renamed Ispat Karmet, and output had risen from 2.1 million tons of rolled steel in 1995 to 3.63 million tons in 2001 (still nearly 40% below pre-independence levels).

Most of Kazakhstan's manufacturing, refining, and metallurgy plants are concentrated in the north and northeast, in Semey, Petropavl, and Aktobe. In south-central Kazakhstan, Shymkent is an important center for chemicals, light manufactures, metallurgy, and food processing; Almaty is important for light industry, machine building, and food processing.

The mining industry accounts for over a third of industrial production, three-fourths of which by value is the production of crude oil and associated gas. Fuel production's share in industrial value-added rose from 11% in 1995 to more than 25% in 2000. By contrast, coal and lignite, 96% of which is produced in Pavlodar and Karaganda oblasts, and iron ore mining, have experienced steady declines since 1991, and each currently accounts for less than 2% of industrial production.

By value the biggest manufacturing category is the processing of agricultural products, accounting for almost 17% of industrial production. Second is the production of nonferrous metals, at about 13% of the total. Textiles and leather manufacturing is served by inputs of wool and other material from the country's own livestock as well as imports of cotton from other parts of the

former USSR. Textiles and related products make up an estimated 8% of total industrial output.

Almost 7% of industrial output (14% of manufactures) is accounted for by ferrous metallurgy. Production includes bulldozers, excavators, and metal-cutting equipment.

Kazakhstan has the Caspian Sea region's largest recoverable crude oil reserves—from between 9 and 29 billion barrels. The petroleum industry accounts for roughly 30% of government revenue and about half of export revenue, which has driven economic growth in the early- and mid-2000s. Kazakhstan's total oil refining capacity in 2002, was about 427,000 barrels per day. There are three refineries: one in the north (at Pavlodar), one in the west (at Atyrau), and one in the south (at Shymkent). In 2006, the refineries were working at about 51% capacity, averaging about 345,093 barrels per day.

### 29 SCIENCE AND TECHNOLOGY

The Kazakhstan Academy of Sciences, founded in 1946 in Almaty, has departments of physical and mathematical sciences, earth sciences, chemical-technological sciences, and biological sciences. Kazakhstan in 1996 had 47 research institutes concerned with agriculture and veterinary science, medicine, natural sciences, and technology. There is a botanical garden in Almaty. Scientific training is available at 2 universities and 25 higher educational institutes.

In 1987–97, science and engineering students accounted for 20% of college and university enrollments. In 2002, Kazakhstan had 630 researchers and 92 technicians actively engaged in research and development (R&D) per million people. In 2001, (the latest year for which the following data was available) R&D spending totaled \$174.890 million or 0.22% of GDP. Of that amount, business spending accounted for the majority at 58.1%, with government at 38.3%. Foreign sources accounted for 2.8%, and private nonprofit institutions accounted for 0.9%. High technology exports in 2002 totaled \$157 million, or 10% of manufactured exports.

### 30 DOMESTIC TRADE

The wholesale and retail sector, previously dominated by state-controlled distribution channels, has seen the dynamic growth of independent small shops and traders. Price controls have been lifted for 90% of consumer and 80% of wholesale prices, although basic goods and services such as bread, flour, baby food, medicines, fodder, housing rents, utilities, and public transportation have been excluded from liberalization. A 15% value added tax applies to most goods and services; it was lowered from 16% in 2004.

The country sponsors a number of trade exhibitions through the year, including the Kazakhstan Oil and Gas Exhibition, held in Almaty every October, and a Consumer Expo in April.

### 31 FOREIGN TRADE

In 1990, about 89% of Kazakhstan's exports and 88% of its imports represented trade with other former Soviet republics (at foreign trade prices). A serious disruption in the country's trading patterns occurred as the input procurement system within the Soviet centrally planned economy disintegrated, the uses of hard currency and world market-determined transaction prices were adopted by former USSR republics, and export demand from Eastern Eu-

#### Principal Trading Partners – Kazakhstan (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	12,926.7	8,408.7	4,518.0
Bermuda	2,192.6	...	2,192.6
Russia	1,967.3	3,277.6	-1,310.3
Switzerland-Liechtenstein	1,679.9	62.1	1,617.8
China	1,652.6	523.7	1,128.9
Italy-San Marino-Holy See	1,013.1	249.7	763.4
British Virgin Islands	602.0	...	602.0
Ukraine	426.2	323.7	102.5
Iran	411.1	...	411.1
France-Monaco	278.1	196.9	81.2
United Arab Emirates	215.1	25.2	189.9

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

ropean countries shrank in the early 1990s. To facilitate adjustment to these hard new realities, the government decreed key trade liberalization measures in early 1992, ending export license requirements. With liberalization, exports and imports increased substantially throughout the 1990s.

Exports are dominated by petroleum products, followed by nonferrous and ferrous metals—a pattern that was likely to continue. Kazakhstan's largest imports are machinery and oil and gas products. In percentage terms, in 2004 Kazakhstan's major exports were: oil and gas condensate (56.8% of total exports); base metals (5.2%); refined copper (5%); and ferroalloys (4.1%). The primary imports in 2004 were: machinery and equipment (26.8% of total imports); light vehicles (4.3%); oil products (4%); and base metal pipes (3.8%).

Kazakhstan's leading markets in 2004 were: Switzerland (18.7% of all exports); Italy (15.5%); Russia (14.1%); and China (9.8%). The leading suppliers were: Russia (37.7% of all imports); Germany (8.2%); China (5.9%); and Ukraine (5.7%).

### 32 BALANCE OF PAYMENTS

Strong exports of oil and minerals created trade surpluses in the early 2000s. Large amounts of foreign direct investment have also aided the country's balance of payments situation. Kazakhstan floated its currency, the tenge, in 1999, resulting in a devaluation. Subsequently, exports recovered and there was a fall in imports, and the currency stabilized against the dollar.

In 2004, total exports on a customs basis were worth \$20 billion, and imports were worth \$12.8 billion. In 2005, the current account had a balance of \$3.343 billion, and was forecast to remain in surplus over the 2006–07 period, although it was predicted to narrow as oil prices were projected to fall over that period.

### 33 BANKING AND SECURITIES

In December 1990, the Almaty branch of Gosbank (the former Soviet State Bank) was made into the Independent Kazakh (National Bank of Kazakhstan-NBK). In the next year the existence of private and public financial institutions were legalized. In 1993, the parliament approved a new banking law that separated the National Bank of Kazakhstan from the government, and gave the

**Balance of Payments – Kazakhstan (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-182.5</b>
Balance on goods	4,088.2	
Imports	-9,144.5	
Exports	13,232.6	
Balance on services	-2,365.2	
Balance on income	-1,740.9	
Current transfers	-164.7	
<b>Capital Account</b>		<b>-28.8</b>
<b>Financial Account</b>		<b>2,728.9</b>
Direct investment abroad	119.6	
Direct investment in Kazakhstan	2,068.5	
Portfolio investment assets	-2,073.3	
Portfolio investment liabilities	212.3	
Financial derivatives	15.9	
Other investment assets	-873.5	
Other investment liabilities	3,259.4	
<b>Net Errors and Omissions</b>		<b>-984.1</b>
<b>Reserves and Related Items</b>		<b>-1,533.5</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

central bank the power to conduct monetary and credit policies and regulate the commercial banking sector. Before November 1993, monetary and credit policy was under the control of two central banks, the Russian Central Bank (RCB), which also acted as the ruble zone's central bank, and the NBK. Until November 1993, the currency unit in the country was the ruble. On 15 November 1993, Kazakhstan established its own currency, the tenge.

In 1995 the NBK continued the tight monetary stance it adopted in 1994, becoming increasingly sophisticated in its monetary operations.

The NBK admits that corporate governance and management in banks is weak. Kazakhstan's banks tend to be very small, concentrated in Almaty, and more interested in dealing in treasury bills than in providing long-term credits to lenders. As of 2003, there was no deposit insurance scheme in operation. Organized crime is also a problem for many banks, with security therefore assuming a considerable cost.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.8 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$3.8 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 9%. The reform of the banking sector was initially set up according to a two-tier system, with the central bank occupying the top tier and specialized, sector-oriented banks occupying the second tier. Among these specialized banks are Narodny Bank (for savings); Kazakhstan Bank (for industry and agriculture); Turan Bank (for the construction sector); Kredsotsbank (for housing and municipal services); and Agroprombank (for agriculture).

In 2002, there were 47 commercial banks, including 1 state bank (3% of total financial sector assets), 1 intergovernmental bank, 16

banks with foreign participation, and 12 foreign representative offices. In 2001, total bank assets reached \$3.82 billion.

The Kazakhstan Stock Exchange and the Central Asian Stock Exchange both operate in Kazakhstan.

**3<sup>4</sup> INSURANCE**

Approximately 73 insurance companies were registered in 1999.

**3<sup>5</sup> PUBLIC FINANCE**

Kazakhstan has one of the fastest growing economies in the world, thanks almost entirely to high world oil prices. GDP grew 9.6% in 2000, 13.2% in 2001, and 9.5% in 2002. The surge has been extremely helpful in ridding the government deficit. In 1999, the deficit was equivalent to 3.5% of GDP; by 2001 the government ran a primary surplus of 1.9% of GDP.

The US Central Intelligence Agency (CIA) estimated that in 2005 Kazakhstan's central government took in revenues of approximately \$1.2 billion and had expenditures of \$1.2 billion. Revenues minus expenditures totaled approximately -\$11.2 billion. Public debt in 2005 amounted to 9.8% of GDP. Total external debt was \$32.7 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were ₸700.37 billion and expenditures were ₸734.81 billion. The value of revenues was us\$5 million and expenditures us\$5 million, based on an official exchange rate for 2003 of us\$1 = ₸149.58 as reported by the IMF. Government outlays by function were as follows: general public services, 32.7%; defense, 5.5%; public order and safety, 10.0%; economic affairs, 15.0%; environmental protection, 0.4%; housing and community amenities, 1.4%; health, 2.6%; recreation, culture, and religion, 1.8%; education, 3.2%; and social protection, 27.5%.

**3<sup>6</sup> TAXATION**

In January 2002 a new Tax Code went into effect. The new code, seen by tax experts as a model of equity, economic neutrality and simplicity (on its face, if not in its implementation), replaced the 1995 Tax Code that had been criticized for leaving too much discretion in the hands of the Tax Police and other government officials. The new code also reduced a number of tax rates. Under it, the personal income tax (PIT) ranges from 5% to a top rate of 30%, down from 40%, while the corporate income tax (CIT) rate remains set at 30%. Social taxes (payroll taxes) were reduced to 11% from 21% and the rate for the value-added tax (VAT), introduced 1 January 1992, was reduced to 16% from 20%.

Dividends and interest are subject to a 15% withholding tax, while royalties are subject to a 20% rate.

In January 2003, a new investment law was introduced that generally eliminates tax incentives for foreign investors.

**3<sup>7</sup> CUSTOMS AND DUTIES**

In Kazakhstan, licenses are required to import certain products and the importation of others is prohibited. An import tariff schedule eliminated duties for most consumer goods in April 1994. There are no longer any export tariffs on most goods. However, animal skins, nonferrous and scrap ferrous metals are subject to an export duty. Tariffs have increased on certain products, including alcoholic beverages, leather, and carpets. The average



tariff is 9%. There is also a 16% value-added tax (VAT) on destination principal. Kazakhstan, Belarus, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan have formed a customs union. In May 1992, the Republic of Kazakhstan and the United States signed a most-favored nation agreement for reciprocal tariff treatment.

### 38 FOREIGN INVESTMENT

Even before its formal independence, the government adopted the Foreign Investment Law of 1991 that allowed investment by foreign companies in any economic activity except the manufacture of military goods. The law contained provisions for duty-free imports as well as tax breaks for firms with foreign investment, especially those involved in producing consumer goods, agricultural goods, and electronic and medical equipment. Further, the law also laid out provisions for the operation of Special Economic Zones (SEZs) where imports of intermediate products and exports of finished goods would be allowed without customs duties.

The regime was subsequently revised in a new Foreign Investment Law in 1994 (amended in 1997) to provide stronger guarantees against changes in Kazakhstan's legislation, greater clarity on investment requirements and on the credit facilities available to foreign investors, some additional customs exemptions, and a guarantee of the right to recourse to international arbitration to settle disputes.

From August to November 1996, the government pursued a vigorous privatization program. In 1997, a new law enabled investors to qualify for up to 100% tax relief for five years, and for up to 50% tax relief for the second five years. Priority areas were infrastructure, manufactures, housing, construction in Astana (designated the new capital as of December 1997), and agriculture. Following the recession in 1998, in 1999 the government began to change its stance on foreign investment from favorable treatment to national treatment. In January 2001, the government passed laws to control the transfer of capital out of the country. Foreign investors expressed concern over the increased authority given customs officials to regulate export and import transactions.

In 2001 the government moved to enact a new investment law to replace the 1994 and 1997 regulations. Because of strong opposition from foreign investors, the president did not sign the new law until January 2003. The new code, unlike the previous law, offers fewer protections to foreign investors and limits exemptions from customs fees to one year, with extensions limited to no more than five years. Particularly contentious was the removal of the right to international arbitration to settle disputes.

In 1996, foreign direct investment (FDI) was estimated at \$1.22 billion, and at \$1.3 billion in 1997. FDI flows fell slightly to \$1.2 billion in 1998, or from 9.4% of GDP to 5.7% of GDP. In 1999, FDI flow rose to almost \$1.8 billion, and then soared to \$2.75 billion in 2000, or from 11.4% of GDP to 15% of GDP. From 1993 to 2001, total gross inflow of FDI amounted to about \$17 billion. Over a third (34% or \$5.2 billion) of the FDI flow came from the United States, with United Kingdom (including the British Virgin Islands) the second-largest source at \$2.3 billion or more than 15%. Other major sources of FDI are South Korea, China, Italy, Turkey, Japan, and Germany.

Since 1995, FDI in the development of the country's immense oil and gas deposits has averaged more than \$1 billion, and was close to \$2 billion in 2001. As of October 2001, there were 3,606

joint ventures and 2,030 foreign companies operating in Kazakhstan according to its Ministry of Economy and Trade. Important non-oil sector projects include the expansion of gold production in partnership with foreign concerns promoted as a means of quickly boosting the inflow of foreign exchange.

As of 2006, foreign investors were increasing their focus on Kazakhstan's energy infrastructure, including oil transportation routes such as the completed Baku-Ceyhan-Tbilisi (BTC) pipeline, and a pipeline between Kazakhstan and China, projected to be finished around 2010. Kazakhstan's efforts to create a favorable investment regime, especially in the energy sector, through economic liberalization and privatization, contributed to a cumulative \$38.4 billion in foreign investment by September 2005, primarily in the oil and gas sector, but increasingly in other areas, such as mining and agricultural equipment. Foreign investors are also active in the banking sector, as well as in consumer goods and telecommunications. The United States was the largest investing country in Kazakhstan in 2005 (\$11.5 billion), followed by the Netherlands (\$4.5 billion), the United Kingdom (\$4.3 billion), and Italy (\$2.4 billion). TengizChevrOil (TCO) is the largest single investment in Kazakhstan. It is a joint venture consortium between Chevron Overseas Petroleum Inc., Exxon Mobil, Kazakhstan's national oil and gas company (KazMunaiGaz), and LUKArco. It is part of a 40-year, \$20 billion agreement signed in 1993 to extract an estimated 6 to 9 billion barrels of recoverable oil. Through 2004, TCO had received more than \$7 billion in direct investment, and its output had reached an estimated 280,000 barrels of oil per day.

In 2005, FDI amounted to 12% of GDP, down from 20.3% in 2004 and 15.2% in 2003. Net gold and hard currency reserves of the National Bank totaled an estimated \$7.1 billion by year-end 2005.

### 39 ECONOMIC DEVELOPMENT

While still a republic of the USSR (prior to independence in 1991), Kazakhstan underwent rapid development of its agricultural and industrial sectors. Vast tracts of land were brought into cultivation with the expansion of irrigation under the USSR's "Virgin Lands" program, while within the industrial sector, development of its metallurgical, mining, and machinery industries were prioritized. Growth in these various economic sectors was fueled by a high labor-force-participation rate in the local population, especially among women, as well as the import of some skilled labor from Russia. By the 1980s, growing problems of inefficiency and inadequate technological development in the overwhelmingly dominant state sector resulted in a flagging rate of growth overall.

The region's industrial and agricultural development had, moreover, come at some high environmental costs. The structure of Kazakhstan's transportation and energy sectors clearly highlight the overall orientation of the economic base fostered under the Soviet regime; railroads and paved roads are clustered mainly in the north and the south, serving more to link Kazakhstan with Russia, Uzbekistan, and Kyrgyzstan than to integrate the republic itself. Similarly, electricity transmission networks facilitate the exchange of energy with different republics in the former USSR rather than between different parts of Kazakhstan.

Since sovereignty was declared in December 1991, Kazakhstan has been embarked on a process of economic restructuring aimed

at establishing a market economy. In 2002, President Nazarbayev reported that Kazakhstan was recognized by both the EU and the United States as a market economy, and that 75% of the country's GDP was derived from the private sector. This transformation, substantial if incomplete, involved reform on many fronts: privatization; lifting of price, capital, and profitability controls; the elimination of subsidies; debt restructuring; tax, customs, and banking reform; creation of a securities and exchange commission; and trade and investment liberalization. The government made several policy changes in the late 1990s and early 2000s that left outside investors and auditors uncertain about the direction and stability of the economic regime.

Independent Kazakhstan appealed to numerous international agencies for assistance in restructuring its economy. The World Bank's aid program comprised both policy-based adjustment loans and investment projects in areas that included agriculture, energy, environment, finance, health, legal reform, roads, social protection, taxation, urban transport, and water supply and sanitation. The European Bank of Reconstruction and Development (EBRD) supported both private sector development and public sector projects such as ports, power, railways, and telecommunications. Technical assistance for enterprise and civil service reforms, food production and distribution, and human development have been provided by other UN agencies and the EU. The Islamic Development Bank (IDB) was active in the areas of health, transport, postal service, and water supply. Japan, the largest bilateral donor, provided significant balance-of-payments support and extended loans for the Astrana airport and the transport infrastructure. The United States provided assistance for privatization, tax and pension reforms, and social services. Other bilateral donors are Germany, Saudi Arabia, and Turkey. By 2006, Kazakhstan had become the first country in the former USSR to have repaid—in advance—its IMF debt.

In 1993, the government negotiated a far-reaching major contract to explore and develop the Tengiz oil field. Through mergers, acquisitions and sales, the shareholders in this venture as of 2006 were ChevronTexaco, Exxon Mobil, KazMunaiGas, and LukArco.

In 2000, the Philip Morris Co. completed a \$200 million green-field cigarette factory in the Almaty region.

In seeking to achieve monetary stability, Kazakhstan in 1995 and 1996 entered into credit agreements with the IMF. In 1996 the president established a secret National Fund, into which he deposited the proceeds from the sale of shares in the Tengiz oil field. The existence of the National Fund was not revealed until 2001, and by 2002 most of the original \$1 billion had reportedly been used in two major withdrawals—\$480 million had been used in 1997 to pay off pension funds threatened with bankruptcy, and \$400 million had been used in 1998 to cover budget deficits stemming from the collapse of the Russian ruble. While the secret fund seems to have cushioned the economy from external shocks, its existence raised serious questions about the transparency of the government's finances.

The government emerged from the financial crises of the late 1990s less committed to privatization and ready to dismantle some of its incentives for foreign investment. In 1999, the government halted or slowed privatization programs. There was also a shift in monetary policy. In February 2002 the government took another major step away from privatizing the oil and gas sector

by announcing the establishment of a national energy conglomerate, KazMunaiGaz, combining the national oil company with the national oil and gas transport company for the stated purpose of being able to compete with the international oil companies. In 2002, agreement was reached among Azerbaijan, Georgia, Turkey, Turkmenistan, and Kazakhstan on the route for the Baku-Tbilisi-Ceyhan (BTC) pipeline, and construction began in May 2003. The first stage of the pipeline was officially inaugurated in May 2005.

As of 2006, the economic policy program was focused on maintaining fiscal prudence, achieving economic diversification away from the oil industry, and managing the exchange rate in the face of large hard-currency inflows. Of these goals, that of diversifying the production base will be the hardest to attain. However, the free functioning of market mechanisms was forecast to be hampered by the government's pursuit of interventionist policies for the promotion of favored enterprises. President Nursultan Nazarbaev, upon reelection in December 2005, announced political reforms should follow economic reforms.

#### 40 SOCIAL DEVELOPMENT

Social security programs were first introduced in 1956, and were revised in 1991 and 1996 following independence. All employed persons, including noncitizens, qualify for old age, disability, and survivorship pensions. Employers contribute 30% of payroll, while employees contribute 1% of earnings. Residents of ecological disaster areas are entitled to early retirement. Workers' compensation is offered under a dual social insurance and universal system. The government funds a family assistance program for needy citizens, refugees, and stateless persons residing in the country.

Women have equal rights under the law, although discrimination persists. Women generally have access to higher education but are still channeled into mostly low-level, low-paid jobs. Traditional attitudes towards women are a barrier to achieving an active role in politics or business. Sexual harassment in the workplace is common, and as of 2004, the government took no steps to address the issue. Violence against women and domestic abuse remained problems and are vastly underreported. Trafficking in women remained a serious issue. The constitution provides for the upkeep and education of orphans, although limited financial resources result in many children receiving inadequate education and medical care.

Ethnic tensions between Kazakhs and Russians continued to exist. Ethnic Kazakhs receive preferential treatment in housing, education, and employment. Although the Russian language still predominates, the 1995 constitution specifies that Kazakh is the official state language. The government is responsible for numerous violations of democratic freedoms and human rights. Prisoners are beaten and tortured, and killings are committed by security forces.

#### 41 HEALTH

Under restructuring of the health care system, roughly half of Kazakhstan's hospitals, mainly facilities in rural areas, were closed between 1990 and 1997 and the number of acute-care hospital beds was decreased by 44%. As of 1999, the rural health care network, which had deteriorated due to lack of funds, was in the midst of reorganization. As of 2004, there were an estimated 330

physicians, 567 nurses, and 28 dentists per 100,000 people. Total health care expenditure was estimated at 5.5% of GDP.

The average life expectancy in 2005 was 66.55 years. The infant mortality rate for that year was 29.21 per 1,000 live births. For every 100,000 live births, 70 women died during pregnancy or in childbirth. More than half of married women ages 15–49 (66%) used some form of contraceptive. The crude birth rate as of 2002 was estimated at 17.8 per 1,000 inhabitants. Major causes of death were communicable diseases and maternal/perinatal causes, non-communicable diseases, and injuries. There were 130 reported cases of tuberculosis per 100,000 people in 1999. In 1990–94, immunization rates for children up to one year old were: tuberculosis, 87%; diphtheria, pertussis, and tetanus, 80%; polio, 75%; and measles, 72%. As of 1999, figures for DPT and measles were, respectively, 98% and 99%. A majority (67%) of children under five suffered from some form of anemia (1995).

The HIV/AIDS prevalence was 0.20 per 100 adults in 2003. As of 2004, there were approximately 16,500 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

Major environmental health concerns include industrial pollution in the east, the former nuclear facilities in the Semey region, and ecological threats in the Aral Sea region.

## 4<sup>2</sup> HOUSING

As of 1 January 1994, 458,700 households were on waiting lists for housing in urban areas. Though specific data was not available concerning the actual number of dwelling units, it was estimated that about 79% of all housing was in private ownership and about 17% was owned by the state; indicating a dramatic shift from figures in 1990 which placed private ownership at 32% and state ownership at 64%. In 2000, there were about 10,500 new housing units built. About 91% of the population had access to improved water sources and 99% had access to improved sanitation systems.

## 4<sup>3</sup> EDUCATION

Both at the primary and secondary level, education is free and state funded. Although Russian is the most commonly taught language, Kazakh, which is the official state language, is now gaining popularity and is being extended to all areas. A small percentage of students are also taught Uzbek, Uighur, and Tajik. Most children are enrolled in a kindergarten program at age six. This is followed by four years of primary school and five years of basic secondary studies. Students may then choose to continue in a two-year academic school, a two-year vocational school, or a four-year professional school. The academic year runs from September to June.

In 2001, about 12.8% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 91% of age-eligible students. The same year, secondary school enrollment was about 87% of age-eligible students. Most students complete their primary education. The student-to-teacher ratio for primary school was at about 19:1 in 2003.

There are about 55 institutions of higher education and three universities. Third level educational institutes had a total of 260,043 pupils in 1996. The University of Kazak Al-Farabi State University was founded in 1934 and offers history, philosophy, economics, sociology, journalism, mathematics, physics, chemis-

try, biology, and geography. The Karaganda State University was founded in 1972 and teaches philosophy, economics, law, history, mathematics, physics, chemistry, and biology. The Technical University at Karaganda Metallurgical Combine was founded in 1964 and has faculties of metallurgy, mechanics and technology, and chemical technology. In 2003, about 45% of the tertiary age population were enrolled in some type of higher education program; 39% men and 51% women. The adult literacy rate for 2004 was estimated at about 99.5%.

As of 2003, public expenditure on education was estimated at 3% of GDP.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

Three outstanding libraries are the National Library of the Republic of Kazakhstan in Almaty (5.5 million volumes), the Scientific and Technical Library of Kazakhstan also in Almaty (22.3 million volumes), and the Central Library of the Kazak Academy of Science (6.2 million volumes). The Al-Farabi Kazak State University Library in Almaty has 1.5 million volumes. Kazakhstan has an extensive public library system. The Pushkin Regional Public Library in East Kazakhstan is regarded as the oldest public library in the nation, with over 700,000 items, and a major cultural center for the region. The Karaganda Regional Public Library contains about 440,369 items.

Kazakhstan has dozens of museums. The Central State Museum of Kazakhstan in Almaty features 90,000 exhibits exploring the history and physical conditions of the region. The A. Kasteyer Kazak State Art Museum (formerly the Kazak T.G. Shevchenko State Art Gallery) in Almaty primarily contains works of Russian and Kazak artists from the 15th to 20th centuries. There are regional and general interest museums throughout the country.

## 4<sup>5</sup> MEDIA

Kazakhstan is connected to the other former Soviet republics by land line or microwave and to other countries through Moscow. In 2003, there were an estimated 130 mainline telephones for every 1,000 people; about 168,000 people were on a waiting list for telephone service installation. The same year, there were approximately 64 mobile phones in use for every 1,000 people.

Nearly all broadcasting facilities are owned by the government, so that even independent companies must rely on some government support. Kazak Radio broadcasts in Kazak, Russian, Uighur, German, and Korean. Kazak Television, established in 1959, broadcasts in the same languages except for Korean. In 2004, there were about 116 independent television and 35 radio stations. Only three stations had nationwide coverage; only one of these was nominally independent. In 2003, there were an estimated 411 radios and 338 television sets for every 1,000 people. The same year, 16 of every 1,000 people had access to the Internet. There were six secure Internet servers in the country in 2004.

In 2004, the government reported that there were about 990 privately owned newspapers and 418 privately owned magazines nationwide. Nearly every major city has its own paper. The government operates one of the two national Russian-language newspapers and the only national Kazakh language newspaper that appears daily. Leading newspapers in 2002 included *Kazakhstanskaya Pravda* (*Kazakhstan Truth*), *Didar Kazakhstan*, *Khalyk Kenesi* (Councils of People), *Leninshil Zhas* (Leninist Youth), *Len-*

*inskaya Smena (Leninist Rising Generation)*, and *Yegemen Kazakhstan (Sovereign Kazakhstan)*.

The constitution and 1991 Press Law provide for a free press, although in practice the media is said to perform self-censorship in key subject areas, especially criticism of the president and other government officials.

#### 46 ORGANIZATIONS

The major economic organizations in Kazakhstan are the Union of the Chambers of Commerce Industry of the Republic of Kazakhstan and the Union of Cooperative Entrepreneurs. The Zhardem International Charitable Fund promotes public interest in science and culture and operates cultural and educational centers for children and teenagers. There are many professional associations dedicated to research and education in the fields of medicine and other sciences. The Republican Council of Women's Organizations, established in 1985, promotes economic and social equality for women. National youth organizations include the Association of Young Leaders, Kazakhstan Youth Forum, and the Union of Youth of Kazakhstan. There are several sports associations and clubs for both youth and adult amateur athletes. There are national chapters of the Red Crescent Society and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

Kazakhstan offers a wide variety of natural landscapes to the hardier traveler, ranging from forests and mountain ranges to the vast steppes where Kazakh nomads live in tents called yurts and race thoroughbred horses and camels. The old capital, Almaty (Kazakh for "mountain of apples"), has no historic attractions but is an attractive city where tree-lined streets, parks, fountains, and canals give it a European flavor. In the winter, ice skating is popular on its waterways. Air service to Kazakhstan has direct flights to Almaty from Ankara, Frankfurt, Hamburg, and other cities, as well as frequent daily flights from Moscow. Kazakhstan is open to both business travelers and tourists.

In 2003, about 3.2 million tourists visited Kazakhstan. There were 11,104 hotel rooms with 22,172 beds. Tourist expenditures totaled \$638 million. A passport, visa, and onward/return ticket are required for all visitors wishing to enter Kazakhstan. Visitors staying more than 30 days must have proof of a negative HIV test.

The US Department of State estimated the 2005 daily expenses to stay in Astana at \$268, and in Almaty at \$265.

#### 48 FAMOUS KAZAKHS

Nursultan A. Nazarbayev (b.1940) was elected president of Kazakhstan in December 1991. Sergey Tereshchenko, Akezhan Kazhegeldin, Imangali Tasmagambetov, and Daniyal Akhmetov have each served as prime minister since independence in 1991. Abay Ibragin Kunanbayev (1845–1904) is internationally known as a 19th century humanist and poet, and is considered the founder of modern Kazakh literature. Writer Mukhtar Auezov (1897–1961) wrote *Abay*, a novel about steppe life that was translated into English. The novelist Kaltay Muhamedjanov is from Kazakhstan.

#### 49 DEPENDENCIES

Kazakhstan has no territories or colonies.

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# KIRIBATI

Republic of Kiribati

**CAPITAL:** Tarawa

**FLAG:** Above a blue and white heraldic representation of Pacific waters, a golden sun rises against a red background, with a golden frigate bird at the top.

**ANTHEM:** *Troika kain Kiribati (Stand Kiribati).*

**MONETARY UNIT:** The Australian dollar is the national currency. A\$1 = us\$0.76336 (or us\$1 = A\$1.31) as of 2005.

**WEIGHTS AND MEASURES:** Kiribati is in transition from imperial to metric standards.

**HOLIDAYS:** New Year's Day, 1 January; Independence Day, 12 July; Youth Day, 4 August; Christmas Day, 25 December; Boxing Day, 26 December. Movable holidays include Good Friday, Easter Monday, Queen's Birthday (June), Bank Holiday (August), and Prince of Wales's Birthday (November).

**TIME:** Midnight = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Kiribati (pronounced "Kiribass") consists of 33 islands in the central Pacific, situated around the point where the International Date Line intersects the equator. Scattered over more than 5 million sq km (2 million sq mi) of ocean are the 17 islands of the Gilberts group (including Banaba, formerly Ocean Island); the 8 Line Islands (including Christmas Island); and the 8 Phoenix Islands. The distance between Christmas Island in the east and Banaba in the west is more than 3,200 km (2,000 mi). Kiribati's total land area is 811 sq km (313 sq mi), and its total coastline is 1,143 km (710 mi). Comparatively, the area occupied by Kiribati is about four times the size of Washington, DC.

Kiribati's capital city, Tarawa, is located on the island of Tarawa.

## <sup>2</sup> TOPOGRAPHY

Kiribati is made up of three island groups: the Gilbert Islands (on the equator), the Phoenix Islands (to the east), and the Line Islands (north of the equator). Most of the islands are coral atolls built on a submerged volcanic chain. Christmas Island is the largest atoll in the world, with an area of 606 sq km (234 sq mi). The highest point of the country is an unnamed point on the island of Banaba, which reaches a peak of 81 m (266 ft). The lowest point is at sea level (Pacific Ocean).

## <sup>3</sup> CLIMATE

Tempered by prevailing easterly trade winds, the islands have a maritime equatorial climate, with high humidity during the November–April rainy season. Although the islands lie outside the tropical hurricane belt, there are occasional gales and even tornadoes. Rainfall varies from an average of 102 cm (40 in) near the equator to 305 cm (120 in) in the extreme north and south.

Severe droughts can also occur. On average, there is less than 1% variation between the cool and hot months, but daily temperatures range from 25°C (77°F) to 32°C (90°F), with an annual mean temperature of 27°C (81°F).

## <sup>4</sup> FLORA AND FAUNA

The extreme poverty of the soil and the variability of the rainfall make cultivation of most crops impossible. Only babai (a kind of taro root), coconut palms, and pandanus trees grow easily on most islands. Pigs and poultry were probably introduced by Europeans. Sea life abounds.

## <sup>5</sup> ENVIRONMENT

According to the United Nations (UN) Report for Pacific Island Developing Countries (1992), the most significant environmental problems facing the nations in this area of the world are global warming and the rise of sea levels. Variations in the level of the sea may damage forests and agricultural areas and contaminate fresh water supplies with salt water. A rise in sea level by even 2 feet (60 cm) would leave Kiribati uninhabitable; in 1996, such a rise was forecast as a possibility by 2100. Kiribati, along with the other nations in the area, is vulnerable to earthquakes and volcanic activity. The nation also has inadequate facilities for handling solid waste, which has been a major environmental concern, particularly in the larger population centers.

The environment in Kiribati has also been adversely affected by metals and chemicals from mining activities, and agricultural chemicals have polluted coastal waters. Phosphate mining was especially devastating, rendering the island of Banaba almost uninhabitable. The Banabans, who were forced to move to the Fijian island of Rabi, sued the owners of the mines and won special compensation. A fund was set up to compensate the people of Kiribati.

Called the Phosphate Revenue Equalization Fund (PREF), in 1996 it amounted to A\$200 million.

The lagoon of the southern Tarawa atoll has been heavily polluted by solid waste disposal. Like other Pacific islands, Kiribati is sensitive to the dangers of pollution and radiation from weapons tests and nuclear waste disposal. The UN report describes the wildlife in these areas as “among the most critically threatened in the world.” According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 5 species of birds, 1 type of reptile, 4 species of fish, and 1 type of mollusk. Endangered species included the green sea turtle, the coconut crab, the giant grouper, the tiger shark, the pygmy killer whale, and the mukojima bonin honeyeater.

## 6 POPULATION

The population of Kiribati in 2005 was estimated by the United Nations (UN) at 92,000, which placed it at number 180 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 40% of the population under 15 years of age. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.8%, a rate the government viewed as too high. Population growth in the capital, Tarawa, was seen as a serious problem by the government. The projected population for the year 2025 was 141,000. The population density was 126 per sq km (326 per sq mi). The population is unevenly distributed; some islands of the Phoenix and Line groups are uninhabited.

The UN estimated that 43% of the population lived in urban areas in 2005 and that urban areas were growing at an annual rate of 3.67%. The capital city, Tarawa, had a population of 42,000 in that year, with an annual growth rate of about 5.2%.

## 7 MIGRATION

For the islanders, migration has been a perennial form of escape from drought and starvation. In the 19th century, recruiting ships forcibly took Gilbert Islanders for plantation work in Hawaii, Australia, Fiji, and Peru; some voluntarily reenlisted after the great drought of 1870. Although the majority eventually returned home, it is reckoned that between 1860 and 1890, some 10,000 islanders (of a total population of 30,000) were living overseas. In the 20th century, Fiji and the Solomon Islands continued to be popular places for Gilbert Islanders in search of work. Internal migration until 1979 was mainly to Banaba Island for work in the phosphate industry; since then, migration has been primarily to Nauru or to copra plantations in the Line Islands. During 1988–93, some 4,700 people were resettled on the Teraira and Tabuaeran atolls of the Line Islands because of overcrowding on the main island group. The total number of migrants in 2000 was 2,000. In 2001 Australia refused entry to all boat people, many of them Iraqis setting out from Indonesia. Kiribati and other Pacific islands agreed to accept migrants headed to Australia from Indonesia in boats in exchange for aid from Australia. In 2005, the net migration rate was estimat-

ed as zero migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

About 98.8% of the people are Gilbertese of Micronesian extraction. Polynesians (mainly from Tuvalu) make up 0.5% of the total; Europeans and people of mixed races make up 0.7%.

## 9 LANGUAGES

The principal languages spoken are Gilbertese (also called I-Kiribati or Kiribatese) and English. The official language is English, but it is seldom used on the outer islands. Gilbertese is an Austronesian language related to many other Pacific tongues.

## 10 RELIGIONS

Christian missionaries first arrived in 1857, when Dr. Hiram Bingham, of the American Board of Foreign Missionaries, began to spread Protestantism in the northern Gilberts with the help of Hawaiian pastors. In 1888, Catholicism was introduced to the islands by the Sacred Heart Mission. The American Board withdrew from the territory in 1917 and was succeeded by the London Missionary Society, which had placed Samoan pastors on the islands as early as 1870.

Virtually the entire population is Christian. According to 2002 government statistics, 55% of the population were Roman Catholics and 37% belonged to the Kiribati Protestant Church (formerly called the Congregational Church). Religious minorities included the Church of Jesus Christ of Latter-Day Saints (3%), the Seventh-Day Adventists (2%), and Baha'is (2%). About 5% of the population claimed no religious preference.

The constitution provides for freedom of religion, and this right is generally respected in practice. Christmas, Easter, and National Gospel Day are celebrated as national holidays.

## 11 TRANSPORTATION

The remoteness of the scattered islands has severely hampered transport and communications. There are only about 670 km (416 mi) of roads, mostly on Tarawa. The Nippon Causeway, completed in 1987 with Japanese assistance, replaced ferry service between Betio and Bariki. A series of similar causeways links north and south Tarawa. In 1995, there were about 2,000 vehicles in Kiribati, almost three-quarters of which were motorcycles.

There is no rail, river, or lake transport, although canoes travel freely on the lagoons. However, as of 2003, there were some 5 km of canals on the Line Islands. The main ports are located on Betio islet, near Tarawa, and on Tabuaeran and Christmas islands. Betio is equipped for handling containers, and Banaba has a cantilever for phosphate loading. In 2005 Kiribati had one passenger cargo ship of 1,000 GRT or more at 1,291 GRT. A number of shipping lines call at the islands, and government boats provide interisland service. There were an estimated 20 airports in 2004, of which 3 had paved runways as of 2005. All the major islands have airstrips; the airports on Christmas Island and at Bonriki (Tarawa) are used for scheduled overseas flights. Air Tungaru, the national airline, operates regularly scheduled flights to Honolulu and Tuvalu. In 1997 (the latest year for which data was available), 28,000 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

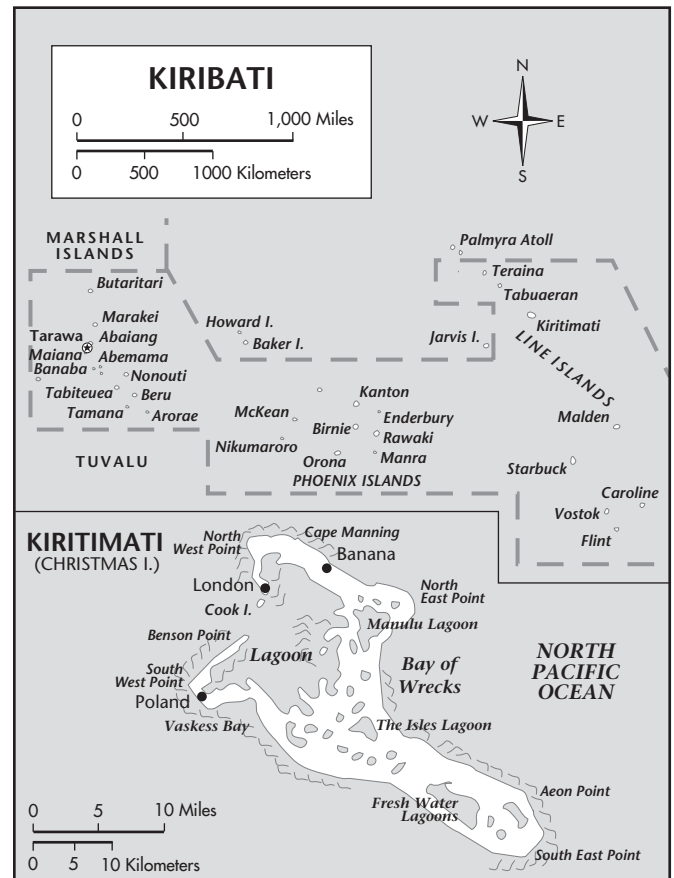
The main wave of Micronesian settlement is thought to have come from Samoa in the 13th century, but Gilbertese tradition suggests that the Samoans were not the first settlers. European discovery dates from 1537, when Christmas Island was sighted by Spanish explorers. The English sea captain James Cook encountered the islands in 1777, and commercial activities in the region began early in the 19th century. The Gilbert Islands were a favorite whaling ground, and deserting crews began to settle on the islands in the 1830s. Trading ships were calling there regularly by the 1850s, and a flourishing copra and coconut trade was established by the 1860s, as well as an illicit human traffic. The Office of British High Commissioner to the Western Pacific was created in 1877 to help suppress abuses by recruiting ships seeking labor for overseas service. In 1888, Christmas, Fanning (now Tabuaeran), and Washington (now Teraina) islands were annexed by the British, and Phoenix Island was placed under their protection. A declaration of British protectorate over the Gilbert and Ellice groups followed in 1892. A handful of administrators established local native governments, and a period of stability ensued.

Ocean Island was annexed by Britain in 1900 following Sir Albert Ellis's discovery of its valuable phosphate deposits. The Gilbert and Ellice groups (including Ocean, Fanning, and Washington islands) were declared a British colony in 1916. British control was extended to Christmas Island in 1919 and to the uninhabited Phoenix group in 1937, but after the United States laid claim to Canton and Enderbury, a joint British-American administration over these islands was established. During World War II, the Gilberts were occupied by Japanese forces until 1943, when the invaders were driven out by US forces after heavy casualties on both sides. Ocean Island was liberated by the Australians in 1945.

In a 1974 referendum, the Ellice Islands voted for separation, subsequently becoming the independent nation of Tuvalu. Internal self-government for the Gilberts was established as of 1 January 1977, and the islands became the independent Republic of Kiribati on 12 July 1979. In September, the new nation signed a treaty of friendship with the United States (ratified by the US Senate in 1983), by which the United States relinquished its claim to the Line and Phoenix groups (including Canton, Enderbury, and Malden).

Jeremia Tabai, chief minister at the time of independence, became president of the new republic in 1979 and was reelected in May 1982 and February 1983. Although the constitution limits a president to three terms, Tabai argued that he had not completed three full terms and was reelected in May 1987. In 1991, Tabai stepped down and was replaced by Teatao Teannaki, head of the National Progressive Party. Teannaki served until 1994, when Teburoro Tito, head of the nation's first real political party, the Maneaban Te Mauri Party (MTM), was elected. The MTM won 19 of 39 seats in the House.

A special problem was posed by the Banabans, who were resettled in 1946 on Rabi (Fiji)—bought for them by means of phosphate royalties—so that strip mining on their native island could continue unimpeded. In 1975, the Banabans sued, petitioning the British courts for damages. After a lengthy legal battle, representatives of the Banabans (most of whom still reside on Rabi) agreed in 1981 to the creation of a trust fund of nearly A\$15 million for



LOCATION: 4° N to 3° S; 168° to 176° E. TOTAL COASTLINE: 1,143 kilometers (710 miles). TERRITORIAL SEA LIMIT: 12 miles.

Banaban development. Recognition of Banaban minority rights is enshrined in Kiribati's constitution.

Kiribati opposes French nuclear testing in the Pacific and signed the 1985 Raratonga Agreement declaring the South Pacific a nuclear-free zone. In 1985, Kiribati signed a one-year fishing agreement with the former Soviet Union that aroused controversy at home and abroad. The agreement was not renewed after talks for its renegotiation broke off in September 1986.

Kiribati began resettling more than 4,700 people on outlying atolls in August 1988 in an attempt to relieve overcrowded conditions on the Tarawa atolls. Overcrowding was still a concern in 2004, when Kiribati planned to launch a program for the development of up to four new urban centers on the outer islands. The program had the backing of the Asian Development Bank and the United Nations Development Program, and was aimed at reducing the flow of population to Tarawa.

In September 1988 Kiribati ratified the South Pacific Regional Fisheries Treaty, which permits US tuna ships to operate within its 200-mi exclusive zone. In early 1992, the Parliament of Kiribati instructed the government (against its wishes) to seek compensation from the United States for damage done to the country during the Pacific War (1941–45).

In 1994, the government of Kiribati underwent a constitutional crisis when President Teatao Teannaki was forced to resign following a no-confidence vote by the opposition in parliament, who had charged him with misusing travel funds. As specified in the

constitution, executive authority was then transferred to a Council of State until new parliamentary and presidential elections could be held, but one member of the council refused to resign when his term expired and had to be forcibly removed, prompting calls for constitutional reform to prevent a similar situation from occurring in the future. Teburoro Tito was elected president in September, and elected to a second term in November 1998.

Together with Nauru and Tonga, Kiribati was admitted to the United Nations in 1999. In March of that year, the government declared a state of emergency as water shortages reached crisis levels due to an extended drought and pollution of the available water supply. Long-term elevation of the surrounding sea level due to global greenhouse emissions remains a serious concern for Kiribati, which reportedly has already lost two uninhabited islands and has been forced to move segments of its population inland, away from coastal regions.

The 2002 presidential election process began with a general election for parliament on 29 November, but several rounds of voting took place before the election of a president on 25 February 2003. In January 2003, opposition parliamentarians named Tabernang Timeon to stand against Tito in the February election, instead of Harry Tong, after Tong stepped aside in order not to split the opposition vote against Tito. Bakeua Bakeua Tekita stood as a third candidate. Tito narrowly won the 25 February election, defeating Timeon by only 547 votes, but after serving only one day of his third term as president, Tito's government was toppled by a vote of no-confidence in the opposition-controlled parliament. In July 2003, Anote Tong was elected president.

Kiribati established diplomatic relations with the former Soviet Union in 1979 and with the People's Republic of China in 1980. In November 2003, Kiribati was the fifth Pacific nation to recognize Taiwan. Kiribati hoped to maintain ties with both Taiwan and mainland China, but by the end of the month, China had cut diplomatic ties and removed the Chinese space tracking station located on Tarawa atoll, but continued to maintain an embassy staffed by three diplomats.

### 13 GOVERNMENT

Under the independence constitution of 1979, Kiribati is a democratic republic within the Commonwealth of Nations. It has a 42-member unicameral legislature, the House of Assembly (*Maneaba ni Maungatabu*). Forty members are elected for four-year terms, one appointed seat is reserved for a representative of the Banaban community, and the attorney general sits (*ex-officio*) as a nonelected member of parliament. The Speaker is elected to office by members of parliament but is not a member of parliament. He has neither an original nor casting vote in parliamentary decisions. The president (*beretitenti*), who is both head of state and head of government, is elected directly by popular vote from among members of the House of Assembly, to a term of up to four years; candidates are selected by the House from among its own members. When the president no longer enjoys the confidence of the legislature, the House is dissolved and new parliamentary and presidential elections are held, with a Council of State (consisting of the head of the Civil Service Commission, the chief justice, and the Speaker of the House) governing in the interim. The cabinet

consists of the president, vice president, attorney general, and no more than 10 other ministers selected from parliament.

Teatao Teannaki, head of the National Progressive Party, was elected the nation's second president in July 1991. He was obliged to resign following a no-confidence vote in 1994, and Teburoro Tito, head of the Maneaban Te Mauri Party (MTM), was elected president. Tito was reelected in 1998 and 2003. Following a vote of no-confidence, another presidential election was held in July 2003. Anote Tong was elected president, with Teima Onorio serving as his vice president.

### 14 POLITICAL PARTIES

Traditionally, Kiribati had no formally organized parties. Instead, ad hoc opposition groups tended to coalesce around specific issues. There were no formally constituted political parties until 1985, when opponents of the Soviet fishing agreement founded the Christian Democratic party, headed by Dr. Harry Tong.

Other parties that formed after 1991 include the Boutokaan te Koaua Party; the Liberal Party; the New Movement Party; and the Health Peace and Honour Party. Today, the only recognizable parties are the Maneaban te Mauri Party (formerly known as the Christian Democratic Party) and the Boutokaan te Koaua Party.

### 15 LOCAL GOVERNMENT

There are fully elected local councils on all the islands, in accordance with the local government ordinance of 1966. For administrative purposes the islands are divided into six districts: Tarawa (including the Phoenix group); North, South, and Central Gilberts; Banaba; and the Line Islands. This structure has been further divided into 21 island councils, one for each of the inhabited islands. The geographic dispersion of the islands leaves considerable freedom for the districts; their councils have wide taxing powers, including land taxes, and draw up their own estimates of revenues and expenditures.

### 16 JUDICIAL SYSTEM

The 1979 constitution provides for a High Court with a chief justice and other judges, acting as the supreme court. There is also a Court of Appeal and magistrates' courts. Island courts were established in 1965 to deal with civil and criminal offenses. Native land courts have jurisdiction over property claims. High Court and Court of Appeal judges are appointed by the president.

The judiciary is independent and free from government influence. Civil rights and civil liberties are guaranteed in the constitution and respected in practice. Procedural due process safeguards are based on English common law. Trials are fair and public. The law prohibits arbitrary interference with privacy, family, home, and correspondence. The government authorities respect these provisions.

### 17 ARMED FORCES

Legislation providing for the establishment of a defense force of 170 men was repealed in 1978. There is a small police force. Australia and New Zealand provide defense assistance.

### 18 INTERNATIONAL COOPERATION

Kiribati was admitted to the United Nations (UN) on 14 September 1999 and is a member of several nonregional specialized agen-



cies, including the FAO, ICAO, the World Bank, IMF, IFC, ILO, UNESCO, and WHO.

Kiribati participates in the Asian Development Bank, the ACP Group, the Pacific Island Forum, and the Alliance of Small Island States (AOSIS). The nation is also part of the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, Kiribati is part of the Basel Convention, the Convention on Biological Diversity, the London Convention, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Kiribati's economy was supported by revenues from phosphate mining on Banaba until the deposits were exhausted in 1979. Since then, the nation has relied on fishing, subsistence agriculture, and exports of copra, recently 80–95% of exports, and fish, 4–20% of exports. The country is heavily dependent on aid from the United Kingdom, Japan, Australia, New Zealand, and China. Aid equals 25–50% of GDP, while tourism provides about 20%. In the 1990s, GDP increased steadily, peaking at A\$80.3 million in 1999, and then fell by 2.7% and 1.2% in 2000 and 2001, respectively, to A\$78.1 million and A\$77.2 million, respectively. GNP runs between 1.5 to 2 times the size of GDP. In 2001, GNP was A\$136.9 million, 177% of GDP. Per capita GDP in 2000 was A\$843 and per capita GNP was A\$1,495. Inflation, at 0.4% in 2000 as measured by consumer prices, increased to 9.4% in 2001. Unemployment was officially 2%, but underemployment was estimated by the government to be about 70% by a 1992 estimate.

In 2004, the GDP growth rate was 1.8%, down from 2.5% in 2003. The inflation rate increased slightly, from 1.4% to 2.3%, but is not expected to pose any problems to the economy. The country is still heavily dependent on foreign aid and on remittances from workers abroad.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005, Kiribati's gross domestic product (GDP) was estimated at \$79.0 million, supplemented by a nearly equal amount from external sources. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$800. The annual growth rate of GDP was estimated at 1.5%. The average inflation rate in 2001 was 2.5%. It was estimated that agriculture accounted for 30% of GDP, industry 7%, and services 63%.

## 21 LABOR

In 2001 (the latest year for which data was available), there were an estimated 7,870 economically active people in Kiribati, excluding subsistence farmers. Overall, about 90% of the labor force is engaged in agriculture or fishing. Overseas workers remitted a large percentage of their wages to Kiribati.

In urban areas there is a small but strong trade union movement. Affiliates of the Kiribati Trades Union Congress (KTUC), founded in 1982 with Australian assistance, include the Fishermen's Union, the Cooperative Workers' Union, the Seamen's Union, the Teachers' Union, and the Public Employees' Association; in 2002, the

KTUC had about 2,500 members. Workers have the right to strike but rarely exercise this option. The government does not interfere with union activity.

There is no statutory minimum wage; however, the government sets wage levels in the large public sector, which is the major employer in the cash economy. The standard workweek for those in the public sector was 36.25 hours, with overtime pay for any additional hours. Children may not work under the age of 14. This is effectively enforced by the government in the modern, industrial sector of the economy, but many children do perform light labor in the traditional fishing economy.

## 22 AGRICULTURE

Agriculture is limited chiefly to coconut and pandanus production. About 37,000 hectares (91,400 acres) of land is considered arable, representing 5.1% of the total land area. Overseas technical aid has allowed some islands to cultivate bananas and papaws for the Tarawa market. An estimated 103,000 tons of coconuts, 5,000 tons of bananas, and 5,900 tons of vegetables and melons were produced in 2004. Agricultural trade in 2004 consisted of us\$1.8 million in exports and us\$14.3 million in imports. Agriculture contributes 30% to GDP.

## 23 ANIMAL HUSBANDRY

There were 12,400 pigs in Kiribati in 2005; pork production was 876 tons. The Agricultural Division has introduced improved breeds of livestock.

## 24 FISHING

Sea fishing is excellent, particularly for skipjack tuna around the Phoenix Islands. Kiribati has one of the world's longest maritime zones, covering approximately three million sq km. Commercial fishing has expanded dramatically since 1979 as a result of projects funded by Japan, the United Kingdom, and the EU. The total sea catch in 2003 was 35,947 tons. Kiribati also receives revenue from the sales of licenses permitting foreign vessels to fish its offshore waters. Seaweed is also exported. Exports of fish products were valued at us\$4.26 million in 2003.

## 25 FORESTRY

The forested area was estimated to cover 38.4% of the islands in 2000, but there is little useful timber on the islands.

## 26 MINING

There has been no mining in Kiribati since the closing of the Banaba phosphate industry, in 1979. In its last year of operation, 445,700 tons of phosphates worth us\$18 million were exported.

## 27 ENERGY AND POWER

Kiribati has no known reserves of oil, natural gas, or coal. Thus imports are relied upon to meet any fossil fuel needs.

In 2002, imports and consumption of refined petroleum products each averaged 210 barrels per day. There were no imports of coal or natural gas in 2002.

The government maintains electricity-generating plants on Tarawa and Christmas Island, and there are private generators on Banaba and several other islands. In 2002, electric power generat-

ing capacity was 0.003 million kW, with production at 0.012 billion kWh. Consumption in that year came to 0.011 billion kWh. All electric power was generated from fossil fuels.

## 2<sup>8</sup> INDUSTRY

Several small industries have been established, including a soft drink plant, a biscuit factory, boat-building shops, construction companies, furniture plants, repair garages, bakeries, and laundries. The government also promotes local handicrafts. A pilot project on Kiritimati for producing solar-evaporated salt began operations in 1985. In 2000, this had declined to 0.7%, down from 1.2% in 1999. Construction was 2.7% of GDP in 2000, down from 4.6% in 1999.

There is not a lot of data pertaining to the country's industry, but in 1998 this sector was estimated to have a 7% share in the GDP—as compared to the services sector which amounted to 63%. In 2001, the economically active population of Kiribati (excluding subsistence farmers) was 7,870.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

The Foundation for the Peoples of the South Pacific, founded in 1982 and located at Bairiki, Tarawa, provides technical assistance for agriculture and nutrition programs.

## 3<sup>0</sup> DOMESTIC TRADE

The domestic economy operates on a subsistence and barter basis. With very few local production or agricultural facilities, the nation relies heavily on imported goods of all types. Revenues from fishing licenses, worker remittances, and foreign assistance form the basis of the economy. Retail sales are handled by cooperative societies, which distribute the bulk of consumer goods and perform all merchandising functions not dealt with by the government. Although private trade is growing, cooperatives are preferred as a matter of public policy because they are closer to the local tradition than individual enterprises. Tourism is slowly growing as the main domestic economic activity.

## 3<sup>1</sup> FOREIGN TRADE

The loss of the phosphate industry, copra price fluctuations, and the islands' remoteness have hindered overseas trade, but an upward trend in foreign trade was perceptible in the 1980s. Copra—the only commodity exported by Kiribati—accounted for 64% of total domestic exports in 1996. Fish and seaweed are also exported, accounting for 14% and 8% of total exports, respectively. Kiribati's main export partners are the United States, Australia, and New Zealand. Australia provides 44% of imports; Fiji, 19%; Japan, 15%; New Zealand, 4%; and the United States and China, 5% each.

In 2002, Kiribati's exports amounted to \$35 million (FOB—Free on Board), while the imports rose to \$83 million (CIF—Cost and Freight). In 2004, the bulk of exports went to France (45.7%), Japan (29.2%), the United States (9.1%), and Thailand (5.4%). Imports included foodstuffs, machinery and equipment, miscellaneous manufactured goods, and fuel, and mainly came from Australia (33.6%), Fiji (29.8%), Japan (10.3%), New Zealand (6.9%), and France (4.1%).

### Principal Trading Partners – Kiribati (1999)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	9.1	41.0	-31.9
Bangladesh	4.7	...	4.7
United States	1.5	1.9	-0.4
Marshall Islands	1.1	...	1.1
Denmark	0.7	...	0.7
China, Hong Kong SAR	0.3	0.3	...
Australia	0.2	18.2	-18.0
Japan	0.1	6.1	-6.0

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

### Balance of Payments – Kiribati (1994)

(In millions of US dollars)

<b>Current Account</b>		<b>1.4</b>
Balance on goods		-21.1
Imports	-27.3	
Exports	6.1	
Balance on services		0.3
Balance on income		14.8
Current transfers		7.3
<b>Capital Account</b>		<b>2.5</b>
<b>Financial Account</b>		<b>-4.8</b>
Direct investment abroad		-0.0
Direct investment in Kiribati		0.4
Portfolio investment assets		-6.6
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		...
Other investment liabilities		1.4
<b>Net Errors and Omissions</b>		<b>-5.1</b>
<b>Reserves and Related Items</b>		<b>6.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

## 3<sup>2</sup> BALANCE OF PAYMENTS

Continued deficits in the trade balance are often met by grants from the United Kingdom to the government's current and capital accounts. Foreign aid, in fact, accounts for between 25% and 50% of GDP.

The US Central Intelligence Agency (CIA) reported that in 1998, the purchasing power parity of Kiribati's exports was us\$6 million, while imports totaled us\$44 million, resulting in a trade deficit of us\$38 million.

The International Monetary Fund (IMF) reported that in 1994 Kiribati had exports of goods totaling us\$6 million and imports totaling us\$27 million. The services credit totaled us\$18 million and debit us\$17 million.

There was no data available on the exports and imports of goods and services, but the World Bank estimated that in 2003, Kiribati's

resource balance reached -\$77 million. The current account balance was also negative, at -\$13 million, and the country had virtually no foreign exchange reserves.

### 33 BANKING AND SECURITIES

The Bank of Kiribati in Tarawa is jointly owned by the Westpac Banking Corp. (Australia) and the government of Kiribati (49%). The Kiribati Development Bank, opened in 1987, was to take over the assets of the National Loans Board when it became fully operational.

### 34 INSURANCE

Individual coverage is available in Tarawa through private and government agencies.

### 35 PUBLIC FINANCE

Local revenues are derived mainly from import duties, fishing fees, and investment income from the phosphate fund. The country has been running a capital account deficit since independence. Overall, budgetary deficits have appeared in recent years, growing substantially in the 1990s.

The US Central Intelligence Agency (CIA) estimated that in 2000 Kiribati's central government took in revenues of approximately \$28.4 million and had expenditures of \$37.2 million. Revenues minus expenditures totaled approximately -\$8.8 million. Total external debt was \$10 million.

### 36 TAXATION

The main source of tax revenue, the phosphate industry, ended in 1979. Other taxes have brought meager returns, except for a copra export tax, with producers protected by a government stabilization fund. The Revenue Equalization Reserve Fund decreased from A\$658 million at the end of 2000 to A\$635 million at the end of 2001. This is equivalent to 10 years of imports or 8.2 times GDP.

A progressive income tax, introduced in 1975, is set at 25% of gross income above us\$1,233 and increases in two steps to 35% on gross incomes over us\$34,393. Companies are taxed 25% of net profits of the first us\$34,393 and 35% on any net profits over this amount. The hotel tax is a flat rate of 10% of turnover. Withholding tax on dividends paid to overseas investors (except Australians) is 30%; withholding tax on dividends paid to Australians is 15%. Island councils levy local rates; a landowners' tax is based on land area and fertility.

### 37 CUSTOMS AND DUTIES

Since a single-line tariff was introduced on 1 January 1975, trade preferences are no longer granted to imports from Commonwealth countries. Tariffs, applying mostly to private imports, are imposed as a service of revenue at rates up to 75%. Most duties are levied ad valorem, with specific duties on alcoholic beverages, tobacco, certain chemicals, petroleum, cinematographer's film, and

some other goods. Goods from all sources are subject to an additional freight levy charge.

### 38 FOREIGN INVESTMENT

Foreign investment legislation was passed in 1986. The Foreign Investment Commission (FIC) grants licenses on a case-by-case basis. Investments over us\$171,790 must also be approved by the cabinet. Performance criteria regarding employment, training, and production are often set. Certain local industries are closed to foreign investment, including pig farming, poultry farming, millionaire salad exportation, domestic interisland shipping, and wholesaling. Endangered species are protected. Fisheries and the agricultural sector are not closed, but are subject to restrictions.

There has been little appreciable investment in recent years. Government statistics show a total of 21 approved foreign investments from 1995 to September 1997, whereas there were only five approved foreign investments the previous three years. In 2001, foreign direct investment (FDI) was a -us\$426,000 and portfolio investment was a -us\$5.7 million. Portfolio investment flows have been persistently negative, reaching a peak outflow of us\$17.7 million in 1992. The main sectors for investment have been tourist-related activities, shipping, fishing ventures, and the processing and export of fish. The main sources of investments have been the United States, Japan, the United Kingdom, Australia, and New Zealand.

### 39 ECONOMIC DEVELOPMENT

The economic development plans for 1979–82 and 1983–86 were financed chiefly by the United Kingdom and supplemented by Australia, New Zealand, and Japan, with loans from the Asian Development Bank. Canada, Germany, and the Republic of Korea also have started small aid programs. The government lays out National Development Plans at four-year intervals, the most recent plan covered 2000–04. The goals are set with expertise assistance from Australia, the United Kingdom, New Zealand, and international financial organizations, the country's primary sources of aid. The current National Development Plan sets priority on the development of fisheries and air transportation, including a proposal for a government airline. Other sectors emphasized are communications, agriculture, and tourism. Policies are aimed at improving education and training, increasing government revenues, increasing employment opportunities, and narrowing the trade deficit. It has been made illegal to sell land in Kiribati, but it may be leased. Concern about preserving traditional culture and the environment, and preventing the formation of a landless class, are as strong as aspirations for economic growth and participation in the cash economy. Of particular concern in this group of low-lying atolls is the effects of global warming, as a significant rise in the sea level could literally make much of the country disappear.

Economic development continued to be hampered by the fragmented structure of the country, a weak infrastructure, an uneducated workforce, and the remoteness from foreign markets. The main growth sector is tourism. Kiribati is dependent on foreign aid (which represents around 50% of the GDP), and on remittances sent back by people working abroad.

#### 40 SOCIAL DEVELOPMENT

A provident fund system provides old age, disability, and survivor benefits for all employees over 14 years old, with the exception of domestic workers. It is funded by employee contributions of 7.5%; employers pay an equal percentage of payroll. Retirement is allowed at ages 45–50 and benefits are paid as a lump sum. Workers' compensation is available for some employed persons and the cost is covered by the employer. A funeral grant is provided if there are no eligible survivors.

Women are accorded the same legal rights as men, but have traditionally been relegated to a subordinate role in society. However, they are gradually breaking out of their traditional role and entering both skilled and unskilled occupations. There have also been signs of affirmative action in government hiring and promotions. Domestic violence is a significant problem, and alcohol abuse is often a factor in violence against women. Child abuse appears to be a growing problem, although the government is committed to the welfare of children.

There were no reports of human rights abuses or of the systematic discrimination of minorities. Corporal punishment remains legal for some crimes.

#### 41 HEALTH

All health services are free. A nurses' training school is maintained at the 160-bed Central Hospital in Tarawa. There are four medical districts, each with its own medical officer and staff. Each inhabited island has a dispensary, and there is a medical radio network linking all the islands. In 2004, there were an estimated 30 physicians, 235 nurses, and 5 dentists per 100,000 people. The population of Kiribati had increased access to safe water and sanitation.

Tuberculosis remains the most serious public health problem (about 200 cases per 100,000 people in 1990); other endemic diseases are leprosy, filariasis, and dysentery. There was a cholera outbreak in 1977, after which projects to construct water and sewage pipes were sped up. Vitamin A deficiency, frequently causing night blindness and xerophthalmia, is a common occurrence among children in Kiribati.

Infant mortality was estimated at 48.52 per 1,000 live births in 2002 and average life expectancy was 61.71 years. The immunization rates for a child under one year of age were as follows in 1995: diphtheria, tetanus, and whooping cough, 60%; polio, 100%; measles, 100%; and tuberculosis, 60%. As of 2002, the crude birth rate and overall mortality rate were estimated at 31.6 and 8.8 per 1,000 people respectively. The total fertility rate was estimated at 4.3 births per woman.

#### 42 HOUSING

Most Kiribatians live in small villages of 10 to 150 houses and construct their own dwellings from local materials. The use of more permanent building materials, such as concrete with corrugated aluminum roofing, is becoming common in urban areas. Loans to prospective homeowners are provided by the National Loans

Board. Dwellings range from traditional houses with thatched roofs to nontraditional houses with metal roofs.

#### 43 EDUCATION

The government has gradually taken over control of primary education from the missions. Education has been made compulsory by the government for children between the ages of 6 and 15. They go through seven years of primary education and five years of secondary education. In 1997, there were 17,594 students attending 86 primary schools, with 727 teachers. The student-to-teacher ratio stood at 24:1. In secondary schools, there were 215 staff and 4,403 students in that same year. Secondary school pupils take the New Zealand school certificate. The estimated adult literacy rate is 93%.

Higher education courses are available at the Kiribati Extension Center of the University of the South Pacific (Fiji) in Tarawa. Other postsecondary education is provided by scholarships for study abroad. The Tarawa Technical Institute offers instruction in technical and vocational skills. The Marine Training Center offers 18-month instruction in deck, engine room, and catering work on foreign shipping lines; there are approximately 200 students enrolled in these programs.

#### 44 LIBRARIES AND MUSEUMS

The National Library and Archives in Tarawa is the largest library in the country with a collection of 50,000 volumes, including those in small units throughout the islands. The University of the South Pacific has a campus in Tarawa with a small library of 5,700 volumes. The Kiribati Library and Information Network was formed in 2001 to promote libraries and the study and profession of library science in the nation. The Kiribati Cultural Centre in Bikenibeu houses the National Museum of Kiribati.

#### 45 MEDIA

In 2002, there were 4,500 mainline telephones and 500 mobile phones in use across the country. Radio Kiribati, operated by the Broadcasting and Publications Authority (BPA), transmits daily in I-Kiribati and English and broadcasts a few imported Australian programs. As of 2004, there were three radio stations, two of which were owned by the government. There were no national television stations in operation. Kiribati is on the Peacesat network, which provides educational transmissions from Suva. A satellite link with Australia was established in 1985. As of 1997, there were 17,000 radios and 1,000 televisions in use nationwide. In 2002, there were 2,000 Internet subscribers.

The BPA publishes a fortnightly bilingual newspaper, *Te Uekera*. There is no commercial press; all publications are government- or church-sponsored. The Information Department at Tarawa publishes *Atoll Pioneer*, a weekly newspaper. *Te Itoi ni Kiribati*, a weekly newsletter, is published by the Roman Catholic Church. *Te Kaotan te Ota* is a newspaper published monthly by Protestant Church. The constitution provides for legally guaranteed freedom of speech and press.

#### 46 ORGANIZATIONS

The most important organization is the *mronron* (meaning "sharing"), a cooperative society based on kinship or locality. There is a national Credit Union League and a teachers' union. National

youth organizations include the Kiribati Students' Association, the Kiribati Scouts Association, and the Kiribati Girl Guides Associations. Sports clubs and associations represent amateur athletes in a variety of pastimes, including tennis, weightlifting, and track and field. There is a national chapter of the Red Cross Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourism, although important to the economy of Kiribati, is very limited. There is a visitors' bureau at Tarawa, and there are hotels in Betio and on Abemama and Christmas islands. The bureau makes available fishing, swimming, and boating facilities on Tarawa and arranges trips by sea or air to other islands. Ecotourism and World War II battle sites are also attractions.

Popular sports in Kiribati are football (soccer) and weightlifting. Kiribati first competed in the Olympic Games in Athens, Greece, in 2004. Traditional dancing and singing styles have survived.

In 2001, a total of 4,555 tourists visited Kiribati. Over 50% of these visitors came from East Asia. There were 162 hotel rooms in 2002. A valid passport, visa, onward/return ticket, and proof of sufficient funds are required to travel in Kiribati.

#### 48 FAMOUS KIRIBATIANS

Jeremia Tabai (b.1950) was president from independence until 1991. Teburoro Tito (b.1953) was president and foreign minis-

ter from 1994 to 2003. Aote Tong (b.1952) became president in 2003.

#### 49 DEPENDENCIES

Kiribati has no territories or colonies.

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# KOREA, DEMOCRATIC PEOPLE'S REPUBLIC OF (DPRK)

Democratic People's Republic of Korea  
*Choson Minjujuui Inmin Konghwa-guk*

**CAPITAL:** P'yŏngyang

**FLAG:** A wide horizontal red stripe is bordered on top and bottom by narrow blue stripes, separated from the red by thin white stripes. The left half of the red stripe contains a red five-pointed star on a circular white field.

**ANTHEM:** *The Song of General Kim Il Sung.*

**MONETARY UNIT:** The won (w) of 100 chŏn (or jeon) is the national currency. There are coins of 1, 5, 10, and 50 chŏn, and 1 won, and notes of 1, 5, 10, 50, and 100 won. w1 = \$0.00588 (or \$1 = w170) as of 2004.

**WEIGHTS AND MEASURES:** The metric system and native Korean units of measurement are used.

**HOLIDAYS:** New Year's Day, 1 January; Kim Jong Il's Birthday, 16 February; International Women's Day, 8 March; Kim Il Sung's Birthday, 15 April; May Day, 1 May; Liberation Day, 15 August; National Foundation Day, 9 September; Founding of the Korean Workers' Party, 10 October; Anniversary of the Constitution, 27 December.

**TIME:** 9 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The Democratic People's Republic of Korea (DPRK), often called North Korea, occupies the northern 55% of the Korean Peninsula in East Asia. It has an area of 120,540 sq km (46,541 sq mi), extending 719 km (447 mi) NNE–SSW and 371 km (231 mi) ESE–WNW. Comparatively, the area occupied by the DPRK is slightly smaller than the state of Mississippi. It is bordered on the N by China; on the NE by the Russia; on the E by the Sea of Japan (including East Korea Bay), known in Korea as the East Sea; on the S by the Republic of Korea (ROK); and on the S and W by the Yellow Sea and Korea Bay, with a total land boundary length of 1,673 km (1,040 mi) and a coastline of 2,495 km (1,550 mi). A demilitarized zone (DMZ), 4,000 m (13,100 ft) wide, covering 1,262 sq km (487 sq mi), and located north and south of the 38th parallel, separates the DPRK from the ROK, which occupies the southern part of the Korean Peninsula.

The DPRK's capital city, P'yŏngyang, is located in the southwestern part of the country.

## <sup>2</sup>TOPOGRAPHY

The Democratic People's Republic of Korea (DPRK) is mostly mountainous. Mt. Paektu (2,744 m/9,003 ft), an extinct volcano with a scenic crater lake, is the highest point; it is located on the border with China and forms part of the Machŏl Range. Other peaks of note include Mt. Kwanmo (2,541 m/8,337 ft), in the Hamgyong Range; Mt. Myohyang (1,909 m/6,263 ft), in the Myohyang Range, north of P'yŏngyang; and Mt. Kumgang ("Diamond Mountain," 1,638 m/5,374 ft), in the Taebaek Range in the

southeast. Only about 20% of the country consists of lowlands and plains, but it is in these areas that the population is concentrated. The principal lowlands are the Unjon, P'yŏngyang, Chaeryong, Anju, and Yonbaek plains, extending from north to south along the west coast; and the Susong, Yongchon, Kilchu, Hamhung, and Yonghung plains, along the eastern shore.

The principal rivers are the Tumen and Yalu along the northern border of the peninsula, both of which rise in Mt. Paektu, and the Taedong, which flows past P'yŏngyang. The Imjin rises in the DPRK near the 38th parallel in the west and crosses into the ROK before entering the Yellow Sea. Yellow Sea tides on the west coast rise to over 9 m (30 ft) in some places; Sea of Japan tides on the east rise to only about 1 m (3 ft).

## <sup>3</sup>CLIMATE

The climatic range is greater than the limited size of the peninsula would suggest. The average January temperature is -17°C (1°F) at Chunggang on the north-central border and -8°C (18°F) at P'yŏngyang. In the hottest part of the summer, however, the variation is not nearly so marked, average temperatures ranging from 24°C (75°F) in P'yŏngyang to 21°C (70°F) along the relatively cool northeast coast. Spring and fall are unusually pleasant, but winters are colder than average for the latitude, and summers are hot and humid.

Precipitation is around 50 cm (20 in) along the upper reaches of the Tumen, but more than half of the peninsula receives 75–100 cm (30–40 in) per year. Nearly all the rainfall occurs in the April–September period, especially during the rainy season, from late June to early August. Typhoons occur occasionally in the early fall.

Days without frost number about 180 in the northern part of the peninsula and increase toward the south.

#### 4 FLORA AND FAUNA

Cold temperate vegetation, including firs, spruces, and other needled evergreens, predominate in mountainous areas of the Democratic People's Republic of Korea (DPRK), with alpine varieties flourishing at the higher altitudes. There are over 2,800 species of plants. The hilly terrain of Mt. Paektu is believed to be the peninsula's last remaining habitat for Siberian tigers and is also, along with other alpine areas, the home of bears, wild boar, deer, snow leopards, and lynx. Common at lower elevations are the roe deer, Amur goral, wolf, water shrew, and muskrat. The more than 150 birds species seen in the DPRK include the black Manchurian ring-necked pheasant, black grouse, and three-toed woodpecker; the hawk owl, lesser-spotted woodpecker, and willow tit are indigenous to Mt. Paektu.

#### 5 ENVIRONMENT

The Democratic People's Republic of Korea (DPRK) has environmental problems in the area of water pollution from agricultural and industrial sources. The nation has 67 cu km of renewable water resources, with 73% used for farming activity and 16% used for industrial purposes. In 1992, the DPRK was among the 20 countries with the world's highest levels of industrial carbon dioxide emissions, which totaled 253.7 million metric tons, a per capita level of 11.21 metric tons. In 1996, the total rose to 254.3 million metric tons. In 2000, the total of carbon dioxide emissions dropped to 188.9 million metric tons.

The Korean government has established 220 facilities to regulate environmental conditions, industrial areas, protected land, and water reserves. The government also created the Law of Environmental Protection. In 2003, about 2.6% of the total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 12 types of mammals, 22 species of birds, 1 species of amphibian, 5 species of fish, 1 species of invertebrate, and 3 species of plants. Endangered species in the DPRK included the tiger (particularly the Siberian tiger), Amur leopard, Oriental white stork, Japanese crested ibis, and Tristram's woodpecker. The Japanese sea lion has become extinct.

#### 6 POPULATION

The population of North Korea in 2005 was estimated by the United Nations (UN) at 22,912,000, which placed it at number 47 in population among the 193 nations of the world. In 2005, approximately 8% of the population was over 65 years of age, with another 27% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.9%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 25,755,000. The population density was 190 per sq km (492 per sq mi), with the majority of the population residing in the southern regions and the mountainous northern border being the most sparsely populated.

The UN estimated that 60% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.93%. The capital city, P'yöngyang, had a population of 3,228,000

in that year. Other large cities and their estimated populations include Hamhung, with 848,000 inhabitants; Ch'öngjin, 600,000; Sinüiju, 349,500; and Kaesöng, 334,433.

#### 7 MIGRATION

During the generation of Japanese occupation (1910–45), some 3 million Koreans, mainly from the northern provinces, emigrated to Manchuria and parts of China, 700,000 to Siberia, some 3 million to Japan, and about 7,000 to the United States (mostly to Hawaii). From the end of World War II in 1945 through 1950, at least 1.2 million Koreans crossed the 38th parallel into the South Korea (Republic of Korea—ROK), refugees either from Communism or from the Korean War. Repatriation of overseas Koreans is actively encouraged in an attempt to ameliorate the nation's chronic labor shortages. Between 1945 and 1950, an estimated 300,000 Koreans were repatriated from Manchuria and Siberia; over 93,000 of about 600,000 Koreans in Japan were repatriated to the Democratic People's Republic of Korea (DPRK) between December 1959 and the end of 1974. The General Association of Korean Residents in Japan actively promotes DPRK cause, and the P'yöngyang government subsidizes some Korean schools on Japanese soil. Some 250,000 people of Korean origin in Japan have links to the DPRK, providing \$600–\$1,800 million in annual remittances to relatives.

Under a 1986 treaty with China, North Koreans apprehended as illegal immigrants in China are quickly returned to the DPRK and executed. Between 1992 and 1996, about 1,000 North Koreans fled to China, where refugees can avoid detection within large ethnic Korean communities. Both China and South Korea have begun to construct refugee camps in anticipation of a mass exodus of the population should the North Korean government collapse. According to *Migration News*, in 2003 an estimated 150,000 North Koreans living in northern China's Primorye region bordering North Korea and China were made an offer allowing them to settle there. About 2,500 North Koreans worked in Primorye in 2003; the number was estimated at 5,000 in 2004; some 40,000 ethnic Korean Russians live in Primorye and another 40,000 on the neighboring island of Sakhalin. In 2005, the net migration rate was zero migrants per 1,000 population.

#### 8 ETHNIC GROUPS

The Koreans are believed to be descended primarily from Tungusic peoples of the Mongoloid race, who originated in the cold northern regions of Central Asia. There is scant evidence of non-Mongoloid admixture. There is a small Chinese community and a few ethnic Japanese; however, the Democratic People's Republic of Korea (DPRK) has no sizable ethnic minority.

#### 9 LANGUAGES

The Korean language is usually acknowledged as a member of the Altaic family and is clearly related to other agglutinative tongues such as Turkish, Mongolian, and Japanese. Linguistic unification of the Korean Peninsula apparently followed political unification in the 7th century AD, and today the dialect differences are comparatively slight.

Korean is written with a largely phonetic alphabet called Han'gul. Created in 1443 under the great King Sejong, the Korean alphabet originally consisted of 14 consonants and 10 vowels; since then, 5 consonants and 11 vowels have been added. Han'gul let-

ters are combined into syllables by clustering, in imitation of Chinese characters. Before the invention of Han'gul, Koreans wrote in Chinese, which continued to be both the official language and the language of most literature until the beginning of the 20th century. With the beginning of the Japanese colonial administration in 1910, Japanese became the official language, and the use of Korean was restricted.

Since 1949, the Democratic People's Republic of Korea (DPRK) has used only Han'gul (calling it Choson Muntcha) for writing. North Korean linguists have studied Han'gul extensively, publishing comprehensive dictionaries in 1963 and 1969. In 1964, Kim Il Sung called for purification of Korean by replacing borrowings from English and Japanese with native Korean or familiar Chinese terms. The traditional honorifics of polite language remain in use, though in simplified forms, and have been sanctioned by the government.

Some Chinese (Mandarin dialect) and Russian are spoken in border areas.

## 10 RELIGIONS

The constitution provides for freedom of religious belief, but in practice the government discourages all organized religious activity except that which serves the interests of the state. Real religious freedom does not exist. The constitution also states that "no one can use religion as a means to drag in foreign powers" or to disrupt the social order.

According to current government estimates, a majority of the population professed no religion or were avowed atheists. However, foreign observers indicate that religious activity within the country is much greater than the government suggests. Indigenous shamanism, notable for its emphasis on exorcising evil spirits, is practiced by a small percentage of the population, mostly in rural areas. The government reports that about 40,000 people are followers of the Ch'ondogyo Young Friends Party, a government-approved group based on the earlier religious movement that was forced underground in 1948. Ch'ondogyo offers an eclectic blend of both Christian and Buddhist elements. The government also estimates that 10,000 Buddhists remain active despite the conversion of many Buddhist temples to secular uses.

Up to the mid-1940s, P'yongyang was an important center of Korean Christianity. Most of the nation's Christians, predominantly Protestants, fled to the Republic of Korea—ROK (South Korea) to escape persecution between 1945 and 1953. Christians make up less than 1% of the population, or about 14,000 people, according to the government. A number of Christian churches are overseen by lay leaders, since there are very few ordained priests and ministers. House churches may be more common among Christians; however, since these meetings are generally kept secret, there was no exact data concerning membership or participation. Those caught proselytizing may be arrested and are subject to harsh penalties.

The constitution provides for freedom of religious beliefs, but in practice the government strongly discourages any religious activities that are not under official control. The principles of *Juche*, the government ideology of self-reliance, and the personality cult surrounding the "Dear Leader" Kim Jong-Il, have taken on the form of civil religion used by the government for the basis of its rule.



LOCATION: 37°38' to 43°1' N; 124°13' to 130°39' E. BOUNDARY LENGTHS: China, 1,025 kilometers (637 miles); Russia, 16 kilometers (10 miles); South Korea, 240 kilometers (149 miles); total coastline, 1,028 kilometers (639 miles).

TERRITORIAL SEA LIMIT: 12 miles.

## 11 TRANSPORTATION

The rail network, which has been rebuilt and extended following its almost complete destruction during the Korean War, is the principal means of transportation, carrying nearly all of the nation's freight and most of its passenger traffic. In 2004, railways in use comprised 5,214 km (3,243 mi) of standard gauge track, of which 3,500 km (2,177 mi) have been electrified. The principal lines run along the west coast from P'yongyang to Sinuiju and across the peninsula from P'yongyang to Wonsan, Hamhung, and Ch'ongjin. A northern line, completed in the early 1980s, links P'yongyang to Hyesan and Musan. The major trunk routes are electrified. A subway system opened in P'yongyang in 1973 and was expanded under the 1978–84 development plan. There are also train services to Moscow and Beijing.

Road transportation is of secondary importance. In 2002, highways totaled an estimated 31,200 km (19,388 mi), of which only 1,997 km (1,241 mi) were paved. The exceptions are a superhigh-



way connecting P'yongyang with Kaesong and two multilane highways, which link the national capital with the ports of Wonsan and Namp'o.

Most of the nation's 2,253 km (1,400 mi) of navigable waterways are suitable for small craft only. Rivers utilized for freight transportation are the Yalu, Taedong, and Chaeryong. The principal ports are Namp'o on the west coast, and Ch'ongjin and H'ungnam (Hamhung) on the east coast. In 2005, there were 238 ships in the merchant fleet of 1,000 gross registered tonnage (GRT) or more, with a total capacity of 985,108 GRT. In 2004, there were an estimated 78 airports. As of 2005, a total of 35 had paved runways, and there were also 20 heliports. Limited air services connect P'yongyang with other cities within the Democratic People's Republic of Korea (DPRK) and in China and the former USSR. In 2003, about 75,000 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

The history of the Korean people begins with the migration into the Korean Peninsula of Tungusic tribes from northern China and Manchuria about 3,000 BC. The archaeological evidence indicates that these tribes possessed a Neolithic culture. It was not until about the 8th century BC that the art of metalworking came to Korea from China. The recorded history of Korea begins around 194 BC, when the ancient kingdom of Choson ("Land of Morning Calm") in northwestern Korea was seized by Wiman, a military figure from China of either Chinese or Korean origin. He usurped the throne from a king who, according to legend, was a descendant of Kija, a historical Chinese nobleman who emigrated from China at the end of the Shang dynasty (c.1122 BC). A popular Korean legend of much later origin asserts that Kija was preceded in his rule over the Korean Peninsula by a dynasty started in 2333 BC by the semidivine figure Tan-gun, an offspring of the son of the divine creator and a "bear woman" (possibly a woman from a bear-totem tribe). Both Tan-gun and Kija are still widely revered.

The primitive state controlled by Wiman's successors fell victim to expanding Chinese power in 108 BC, and more than four centuries of Chinese colonial rule followed. During this period, the advanced Chinese culture slowly spread into nearly every corner of Korea, giving impetus to the coalescence of the loosely knit Korean tribes into statelike formations. By AD 313, when the Chinese power was destroyed, three Korean kingdoms had emerged: Paekche, in the southwest; Silla, in the southeast; and Koguryo, in the northwest. The three kingdoms had advanced cultures for the time, each compiling a written history during the 4th–6th centuries. During the same period, Buddhism was introduced into Korea, from which it was later taken to Japan. Ultimately, the Silla kingdom crushed the other two and united all but the northernmost portion of the peninsula, ushering in the age of the Silla Unification (668–900). After rebellions broke out, Korea again suffered a threefold division until reunification was achieved in 936 under the leadership of Wang Kon, who proclaimed a new dynasty in the kingdom of Koryo (founded in 918), which derived its name from Koguryo; the name Korea is derived from Koryo.

Chinese influence on political and social institutions and on Korean thought went on at an accelerated pace during the Koryo period, and there were some notable cultural achievements,

including the traditional invention of the use of movable metal type in printing in 1234. Beginning in 1231, however, the Mongols invaded Koryo, devastating the land and, from 1259 on, making puppets of the Korean kings. Following a revolt against the Mongol Empire in 1356 and a subsequent period of disorder, Gen. Yi Song-gye assumed the throne as King T'aejo in 1392, adopting the name Choson for Korea, moving the capital from Kaesong (the capital of Koryo since 918) to Seoul, and ushering in the long-lived Yi (or Li) Dynasty (1392–1910).

The first hundred years of Yi rule witnessed truly brilliant cultural achievements, especially during the reign of King Sejong (1418–50). The world's first authenticated casting of movable metal type was made in 1403. The Korean alphabet, Han'gul, was developed. A rain gauge was invented and put into use throughout the peninsula. A spate of basic texts—including histories, geographies, administrative codes, and works on music—were compiled and issued under state auspices. Scholars competed for government posts through the civil service examination system. By about 1500, however, factionalism divided the kingdom, and the Yi rulers were ill prepared to meet foreign invasion. In 1592, in the course of an attempt to conquer China, the Japanese, under Hideyoshi Toyotomi, invaded Korea and were repulsed by an allied Chinese army and the Korean navy under Yi Sun-sin; in 1597, there was another invasion, which ended with Hideyoshi's death in 1598. After being invaded by the Manchus in 1636, Korea became a vassal state, eventually falling under the official but loose control of the Qing (Ch'ing), or Manchu, dynasty in China. During the 18th century, two energetic kings, Yongjo (r.1724–76) and Chongjo (r.1776–1800), were able to arrest the process of dynastic decline. The intellectual and cultural revival that they engendered, known as the Practical Learning Movement (Sirhak), was short-lived, however, and the Yi kingdom's bitterest century followed.

The first six decades of the 19th century were marked by a succession of natural disasters, by mounting peasant unrest and insurrection, and by administrative relapse into hopeless corruption and inefficiency. Eventually, a Korean figure came forward to attempt to rescue the dynasty from impending collapse. This was Yi Ha-leng, known as the Taewon'gun (prince regent), who was the father of the king, Kojong, and held the actual power during the decade 1864–73. While his domestic reforms were generally enlightened and beneficial, he adopted an isolationist policy, including persecution of the growing Roman Catholic community in Korea. Such a policy was doomed to failure. Soon after the Taewon'gun's downfall, the Kanghai Treaty of 1876 with Japan opened Korea by force both to Japan and to the clamoring Western nations. During the last quarter of the 19th century, Korea was the prize in a complex rivalry for mastery of the peninsula among Japan, China, Western imperialist powers, and domestic political forces. Japan seized upon the pretext of peasant uprisings in Korea's southern provinces (the Tonghak Rebellion, led by followers of what later came to be called the Ch'ondogyo religion) during 1894–95 to destroy the waning Chinese power in Korea in the First Sino-Japanese War. A decade later, Japan turned back a Russian bid for supremacy in the Russo-Japanese War (1904–5). In 1910, with the tacit approval of the United States and the European powers, the Yi Dynasty came to an end with the formal annexation of Korea by Japan.

### The Democratic People's Republic

For 35 years, Korea (renamed Choson) remained under the Japanese yoke, until liberated by US and Soviet troops at the end of World War II. Although Japanese colonial rule brought Korea considerable economic development along modern Western lines, the benefits went primarily to the Japanese, and the process was accompanied by ever harsher political and cultural oppression. The Korean people staged a nationwide passive resistance movement beginning on 1 March 1919 (the Samil or "March 1" Movement), only to have it swiftly and brutally crushed by their Japanese overlords. In the 1920s and 1930s, nationalist and Communist movements developed both within Korea and among Korean exiles in the former USSR, Manchuria (which was occupied by Japan in 1931), and the rest of China. After the onset of the Second Sino-Japanese War in 1937, the Japanese aimed to eradicate Korean national identity; even the use of the Korean language was banned.

After Japan accepted the Potsdam Declaration for unconditional surrender on 14 August 1945, the 38th parallel was chosen, as a result of US initiative, as a line of demarcation between Soviet occupation forces (who had entered the north on 8 August) and US occupation forces (who were introduced on 8 September). While the Americans set up a full military government allied with conservative Korean political forces, the Soviets allied their government with leftist and Communist Korean forces led by Kim Il Sung, who had been an anti-Japanese guerrilla leader in Manchuria. After a joint commission set up by the United States and the USSR failed to agree on plans for the reunification of Korea, the problem was placed on the United Nations (UN) agenda in September 1947. In accordance with a UN resolution, elections were held on 10 May 1948 in South Korea alone; North Korea did not recognize UN competency to sponsor the elections. The newly elected National Assembly formulated a democratic constitution and chose Syngman Rhee, who had been the leader of an independence movement in exile, to be the first president of the Republic of Korea (ROK), proclaimed on 15 August 1948. On 9 September, the Democratic People's Republic of Korea (DPRK) was established in the north, with Kim Il Sung at the helm. Like its southern counterpart, the DPRK claimed to be the legitimate government of all Korea. In December, however, the ROK was acknowledged by the UN General Assembly as the only government in Korea to have been formed according to the original UN mandate. The next year and a half brought sporadic border clashes between the two Koreas, coupled with increasing guerrilla activity in the south.

On 25 June 1950, the People's Army of the DPRK struck across the 38th parallel at dawn in a move to unify the peninsula under Communist control. The DPRK forces advanced rapidly; Seoul, the ROK capital, fell within three days, and the destruction of the ROK seemed imminent. At US urging, the UN Security Council branded the DPRK an aggressor and called for the withdrawal of the attacking forces. President Harry S. Truman ordered US air and naval forces into battle on 27 June and ground forces three days later. A multinational UN Command was then created to join with and lead the South Koreans. An amphibious landing at Inch'on (15 September) in the ROK under General Douglas MacArthur brought about the complete disintegration of the DPRK's military position.

MacArthur then made a fateful decision to drive into the north. As the UN forces approached the Yalu River, China warned that it would not tolerate a unification of the peninsula under US/UN auspices. After several weeks of threats and feints, "volunteers" from the Chinese People's Liberation Army entered the fighting en masse, forcing MacArthur into a costly pell-mell retreat back down the peninsula. The battle line stabilized nearly along the 38th parallel, where it remained for two years. On 27 July 1953, an armistice agreement was finally signed by the North Korean People's Army, the Chinese volunteers, and the UN Command at P'anmunjom in the DPRK, ending a conflict that had cost the lives of an estimated 415,000 South Koreans, 23,300 Americans (combat dead), and 3,100 UN allies; casualties among Communist forces were officially estimated by the DPRK at 50,000 but may have been as high as two million. A military demarcation line, which neither side regarded as a permanent border, was established, surrounded by the DMZ. After the armistice agreement, all but a token force of UN Command troops withdrew, except those of the United States, which in 1954 guaranteed the security of the ROK under a mutual defense treaty. A postwar international conference held in 1954 to resolve the problem of Korea's political division was unable to find a satisfactory formula for reunification. Meanwhile, the DPRK, with the aid of China and the former USSR, began to restore its war-damaged economy. A series of purges consolidated political power in the hands of Kim Il Sung and his supporters. By the end of the 1950s, Kim had emerged as the unchallenged leader of the DPRK and the focus of a personality cult that developed around him and his family.

In 1972, the government replaced the original 1948 constitution with a new document (which would be further revised in 1992), and reunification talks, stalled since 1954, resumed under Red Cross auspices, though without lasting effect. Throughout the 1970s and 1980s, as part of its cold war with the ROK, the DPRK extended its diplomatic relations to over 100 countries. The ROK continued to charge the DPRK with attempts at sabotage and subversion, including infiltration by tunnels under the DMZ. In the 1980s, Korea's basic divisions remained unresolved. In 1980, President Kim proposed that both North and South Korea be reunited as a confederal state, with each part retaining regional autonomy and its own ideological and social system, but the ROK has rejected the concept; the DPRK has likewise rejected the ROK's repeated proposals for the resumption of North-South talks on reunification unless the United States is a third party in the negotiations, but neither the ROK nor the United States has accepted that condition. Kim was unanimously reelected president in May 1990, and his son, Kim Jong Il (1942- ), groomed since the 1960s as his designated successor, appeared to be running the nation's day-to-day affairs, though without the benefit of any formal administrative post. Indications of an improvement in relations between the North and South included material relief provided by the DPRK to the ROK after a flood in 1984, talks under Red Cross auspices that led to a brief reunion of separated families in 1985, economic discussions, and interparliamentary contacts. The DPRK did not participate in the 1988 summer Olympic Games, officially hosted by the ROK, since it was not named as cohost.

During the 1990s, the DPRK was less able to rely on its allies, the large communist states of the former Soviet Union and China.

In 1990, the Soviet Union and the ROK opened formal diplomatic relations however, by 1991, the collapse of the Soviet Union cut off an important source of economic and political support for the DPRK. After a break of 12 years since the DPRK sided with the former Soviet Union in the Sino-Soviet clash of 1969, China and the DPRK reestablished ties in 1982. In 1990, China and the ROK began to encourage mutual trade and in 1992 established formal diplomatic relations. Beginning in 1993, China demanded that all its exports to the DPRK be paid for with cash instead of through barter. The DPRK found itself increasingly isolated and in severe economic difficulty. Reunification talks and the DPRK's relations with the United States took on added urgency as the DPRK sought international recognition and economic aid.

In the first half of the 1990s, the DPRK's foreign relations revolved around issues of joint US–ROK military exercises and of nuclear capabilities. Repeatedly, since 1986, the DPRK canceled negotiations with the ROK during the annual “Team Spirit” exercises of US and ROK militaries. In 1991, the United States withdrew its nuclear weapons from the ROK and the two Koreas signed a bilateral agreement to create a nuclear-free peninsula. Yet it was suspected that the DPRK was developing the capability to reprocess nuclear fuels and build nuclear weapons. (Both the ROK and Japan had stockpiles of plutonium.) Conflicts over the access of an International Atomic Energy Agency (IAEA) inspection team, which the DPRK allowed into North Korea in May 1994, to a reprocessing plant led to new tensions. These tensions were defused with an agreement for high-level talks between the United States and the DPRK, previously refused by the United States, to be held on 8 July 1994, followed on 25 July by a summit in P'yongyang between the presidents of the two Koreas, the first such summit since Korea was divided in 1945.

On 8 July 1994, just as the US–DPRK talks were beginning, President Kim Il Sung died, and the talks were suspended. Kim Jong Il replaced his father as leader of the country, without assuming Kim Il Sung's previous titles of state president and general secretary of the Korean Workers Party. The official mourning period for Kim Il Sung was extended to three years.

On 10 September 1995, Russia advised the DPRK that it would not extend the 1961 treaty on friendship, cooperation, and mutual assistance. The DPRK closed the Neutral Nations Supervisory Committee offices in the northern half of the joint security area at Panmunjom in an effort to dismantle the Military Armistice Agreement in May 1994, following the expulsion of the Czech and Polish representatives and the withdrawal of China, one of the three original signatories to the agreement. This post-Cold War framework was designed to pressure the United States into guaranteeing the DPRK's survival by means of a bilateral peace treaty. Marshall O Jin U, the armed forces supreme commander and second in the hierarchy behind Kim Il Sung, died 25 February 1995. He had been a prominent symbol of military acceptance of the younger Kim.

After he had served as North Korea's de facto leader for four years without formally being named as president, Kim Jong Il's position was made official. On 5 September 1998, the Supreme People's Assembly paid tribute to his father, Kim Il Sung, by permanently abolishing the post of president, which left Kim Jong Il, in his capacity as Chairman of the National Defense Commission, the nation's top political official. At the same session, the assembly approved a number of other changes to the nation's constitution.

Later in 1998, tensions over North Korea's nuclear capabilities were revived when it reportedly fired a three-stage ballistic missile into the Pacific; claims that the vehicle was a satellite launcher were initially greeted with skepticism on the part of the United States and Japan, over which it had been fired.

Widespread flooding, due in part to North Korea's efforts to expand the land under collectivization by massive deforestation, has led to a national famine. Relief efforts have not been able to raise nearly enough food to feed North Korea's starving population. The policies of North Korea's government have led to reticence on the part of those nations that normally would have contributed to the UN-sponsored World Food Program (WFP). Nevertheless, in 1998, the WFP mounted the largest aid effort on record in an attempt to save millions of North Koreans from starvation. That year, the DPRK accepted nearly \$1 billion in food aid. Famine conditions continued into 2005, although it appeared the worst of the famine had receded. The UN estimated that between one and two million North Koreans have died as a result of famine, economic mismanagement, and restrictions on the flow of information; approximately half of the population suffers from malnutrition. Another factor contributing to the economy's poor performance, before and after the natural disasters of the 1990s, was the disproportionately large percentage of monies that were allocated to the military; some reports claim more than 25% of the GNP was spent for both offensive and defensive purposes. In 2005, North Korea had the fourth-largest army in the world. It had an estimated 1.2 million armed personnel, compared to about 650,000 in the South; 20% of men ages 17–54 are in the regular armed forces.

Due to economic reforms in 2002, a rudimentary free-market system in North Korea came into existence, mainly in the countryside, which allowed farmers to sell their products as their main source of income. However, the North Korean economy is absolutely centrally planned and a large informal or black market exists for items such as food, clothes, appliances, and even cosmetics. The government assigns all jobs and prohibits private property. The government retains a high level of discrimination by giving all citizens security ratings of “core,” “wavering,” or “hostile.” The lower the rating the harder it is to find employment, educational opportunities, residence and access to medical facilities. An increasing problem for North Korea is illegal migration of North Koreans into China to escape these harsh political and economic conditions.

As part of an effort to bring North Korea out of its self-imposed isolation, its government renewed diplomatic initiatives toward the South that had been interrupted by the death of Kim Il Sung in 1994. What became known as South Korean president Kim Dae Jung's “sunshine policy” of rapprochement toward the North resulted in the signing of a joint agreement at a summit in P'yongyang between Kim Dae Jung and Kim Jong Il in June 2000. In 2003, incoming South Korean president Roh Moo Hyun pledged to continue the “sunshine policy,” but by then relations with North Korea had deteriorated due to revelations in October 2002 that North Korea was undertaking a program to enrich uranium for use in nuclear weapons. This revelation came on the heels of US president George W. Bush's January 2002 State of the Union Address, in which he labeled North Korea (along with Iran and Iraq) a state that endangers the peace of the world by supporting terrorism and pursuing weapons of mass destruction (chemical, biological, and nuclear weapons). In late 2002, North Korea

accused the United States of not adhering to the Agreed Framework between the two countries, established in 1994, in that the United States' construction of two light-water reactors in North Korea was far behind schedule. The North demanded the IAEA remove seals and surveillance equipment from its Yongbyon power plant, which the IAEA said was in danger of reprocessing spent fuel rods for plutonium.

In January 2003, North Korea announced it would withdraw from the Nuclear Nonproliferation Treaty. In March, four armed North Korean fighter jets intercepted a US reconnaissance plane in international air space over the Sea of Japan about 150 miles off North Korea's coast, and shadowed it for 22 minutes. The US plane broke off its mission and returned to its base in Japan, unharmed. On 1 April, the United States announced that stealth fighters sent to South Korea for a training exercise were to remain there once the exercises ended. Later that month, talks were held between US and North Korean officials in Beijing; the talks ended in mutual recrimination, when US officials indicated the North had admitted it possessed nuclear weapons. The US announced on 6 June 2003 that it would redeploy some of its 37,000 troops from the demilitarized zone (DMZ) between North and South Korea, in an attempt to enhance security and create a more agile and mobile force in the region. On 9 June, North Korea stated it would be necessary to develop a "nuclear deterrent" to reduce conventional weapons and funnel resources to programs that benefit its citizens, and to respond to the hostile stance taken by the United States with regard to North Korea.

In September 2004 there was an immense explosion in the country, which North Korea claimed was the demolition of a mountain, but which political analysts believe may have been nuclear bomb testing. In February 2005, American officials claimed North Korea had admitted to having at least one nuclear weapon, although it had been not proven and was refuted by North Korea. However, the greatest fear is not that North Korea would create nuclear bombs for their own use but that they would sell plutonium or enriched uranium to rogue states or terrorists. In 2005, China proposed, through the UN, that North Korea be allowed to retain a peaceful nuclear program after abandoning its weapons—a proposal that North Korea rejected. North Korea demanded concessions, most notably a nuclear reactor for generating electricity, before disarming. The United States, however, would not acquiesce to this demand, citing North Korea's history of pursuing atomic bombs. In late 2005, after two years of six-nation talks, North Korea agreed to dismantle its nuclear program in exchange for energy aid, economic cooperation and security assurances, although implementation of the program was not expected to begin for several more years.

### 13 GOVERNMENT

In theory, the highest organ of state power is the unicameral Supreme People's Assembly (SPA), with 687 members in 2005. In practice, however, governmental control rests with the leadership of the Korean Workers' (Communist) Party and the military. SPA members are elected every five years and meet for only a few days each year to ratify decisions made by other governmental and party organs. As part of a series of constitutional changes made by the SPA in its 1998 session, a Presidium was created to operate as the top governmental body between sessions of the SPA, performing

functions that formerly belonged to a 19-member Standing Committee and the 24-member Central People's Committee.

Under the constitution (first adopted in 1948, completely revised in 1972, and again in 1992 and 1998), the SPA also elected the president of the Democratic People's Republic of Korea (DPRK); however, as of 1998, following the death of Kim Il Sung four years earlier, the post of president was abolished. In addition, the responsibilities of the cabinet (formerly called the Administrative Council) were expanded.

The state ideology is self-reliance (*Chuch'e* or *Juche*), the Korean version of Marxism-Leninism that was formulated in 1930 and adopted by the party in 1955. Under the new constitution (which created the post of president), Kim Il Sung, who had previously held state power as premier (1948–72), was elected to the presidency in 1972 and reelected in 1977, 1982, 1986, and 1990. Kim Il Sung died 8 July 1994. Kim Jong Il assumed his father's responsibilities and was formally acknowledged as the nation's leader at the 1998 session of the SPA. Hong Song Nam has been premier since September 1998.

Suffrage extends to all men and women 17 years of age or older. Elections are on a single slate of Communist-approved candidates, on a yes or no basis. Following elections, it is usually asserted that nearly all those eligible voted and that their votes were unanimously in favor of the candidates.

### 14 POLITICAL PARTIES

The Korean Workers' (Communist) Party, the ruling party of the Democratic People's Republic of Korea (DPRK), was formed on 10 October 1945 through a merger of the Communist Party and the New Democratic Party. By the mid-1980s, party membership was estimated to have risen to over three million, or about 16% of the population, the largest percentage of any Communist country. The principal party organ is the National Party Congress. The congress adopts the party program and approves the political line set by its Central People's Committee. The party constitution states that a congress is to be convened every four years; however, as of 2003, no party congress had been convened since 1980.

To guide the party between sessions of the National Party Congress, the congress elects a Central People's Committee and a Central Auditing Commission, which looks after the party's financial affairs. The Central People's Committee elects the 10 members of the Politburo (Political Bureau). At the top of the party hierarchy is the Presidium of the Politburo, of which the only remaining member is Kim Jong Il. The other members either died or were dismissed, but a new Politburo could not be appointed because the party congress has not met. In October 1997, Kim Jong Il was named to succeed his father as general secretary of the party.

A "united front" policy confers nominal status on two ostensibly non-Communist political parties: the Korean Social Democratic Party, founded in 1945 and known as the Korean Democratic Party until 1981, and the Friends Party, founded in 1946 for adherents of the Ch'ondogyo faith.

### 15 LOCAL GOVERNMENT

Of Korea's 13 historic provinces (*do*), 6 were wholly or partly within the Democratic People's Republic of Korea (DPRK) after 1945. The Communist regime subsequently established two new provinces and divided another into two sections, thus raising the number

of provinces to nine: North P'yongan, South P'yongan, Chagang, North Hwanghae, South Hwanghae, Kangwon, North Hamgyong, South Hamgyong, and Yanggang. In addition, there are four provincial-level cities under the central government (P'yongyang, the capital, and Kaesong, Najin Sonbong, and Namp'o). The provinces are divided into cities (*si*), counties (*kun*), or districts (*kuyok*) and villages (*eup*), towns (*ri*), blocks (*dong*), or workers' districts. There are currently 24 ordinary cities, 146 counties, 31 districts, 2 subdistricts, 3,255 villages, 146 towns, 1,137 blocks, and 255 workers' districts.

There are people's assemblies and people's committees at all levels of administration. Members of the people's assemblies are elected for four-year terms at the provincial level and for two-year terms at the county, township, and village levels. The assemblies supervise public, economic, and cultural activities. They also elect and recall people's committees, which are the permanent executive and administrative organs of the state at the local level.

## 16 JUDICIAL SYSTEM

The judicial system consists of the Central Court, formerly called the Supreme Court; the courts of provinces, cities, and counties; and special courts (courts-martial and transport courts). Most cases are tried in the first instance by people's courts at the city or county level. Provincial courts try important cases and examine appeals from lower-court judgments. Members of the Central Court are named by the Standing Committee of the Supreme People's Assembly (SPA); lower courts are appointed by the people's assemblies at the corresponding level. A prosecutor-general, who is also appointed by the SPA, is the country's chief law enforcement officer. He appoints prosecutors at the provincial, city, and county levels. The Central Court is the final court of appeal for criminal and civil cases and has initial jurisdiction over grievous crimes against the state. The Central Court supervises all lower courts and the training of judges. It is staffed by a chief judge or president, two associate chief judges or vice presidents, and an unknown number of regular judges.

The People's Courts are the lowest level of the judicial system. They are organized at the county (*kun*) level, even though they may have jurisdiction over more than one county or smaller city. Unlike the high courts, they are staffed with a single judge, who is assisted by two "people's assessors," laymen who are temporarily selected for the judiciary. An initial trial is typically presided over by one judge and two people's assessors. If the case is appealed, three judges preside, and a decision is made by consultation.

Judges at the city and county levels serve two-year terms and are usually Korea Workers' Party members. The law bans all independent civic groups, social welfare groups, and labor unions. Strikes, collective bargaining, or other types of organized activity are also illegal. The penal code (8 chapters, 161 articles) was adopted by the SPA on 5 February 1987. Punishment for criminal behavior is determined by both the type of crime, political or nonpolitical, and the status of the individual. Penalties for various types of crimes range from imprisonment, forced labor, banishment to remote areas, fines, loss of privileges or work status, and reeducation to death. Due to the revision of the penal code in 1998, there are only 5 offences that merit the death penalty, decreased from 20: plots against national sovereignty, terrorism, treason against the motherland by citizens, treason against the people, and murder.

Although a penal code and a judicial system exist, prosecution of alleged crimes against the state is conducted outside the judicial system and in secret. There are no known recidivism statistics.

There are several types of detention camps for convicted prisoners. Political criminals are sent to separate concentration camps managed by the State Security Department. Reports from defectors in 2005 were that 150,000–200,000 political prisoners and family members were being detained in security camps in remote areas. Refugees have also reported the occurrence of medical and scientific experiments on political prisoners. The government prohibits live births in prison and there are reports of forced abortion and infanticide. Emigration and defection are illegal.

North Korea is not party to the International Court of Justice, but is a member of the United Nations.

## 17 ARMED FORCES

Out of an estimated 1,106,000 personnel on active duty in 2005, an estimated 950,000 were in the Army, an estimated 46,000 in the Navy, and 110,000 in the Air Force. An additional 4.7 million were in the reserves, and there was a civilian Worker/Peasant Red Guard militia of 3.5 million. The Army's equipment roster included more than 3,500 main battle tanks, over 560 light tanks, an undisclosed number of armored infantry fighting vehicles, more than 2,500 armored personnel carriers, and over 17,900 artillery pieces. Major naval units included 88 tactical submarines, 3 frigates, 6 corvettes, 301 patrol/coastal vessels, and 23 mine warfare ships. The Air Force had 590 combat capable aircraft, including 299 fighters and 211 fighter ground attack aircraft. The service also had 24 attack helicopters. The Democratic People's Republic of Korea (DPRK) has admitted to developing a nuclear weapons program. North Korea has provided advisors to 12 African countries. The Ministry of Public Security controls 189,000 internal security force personnel. The defense budget in 2005 was estimated at \$1.9 billion. Because of the secrecy inherent in the DPRK, reliability of the figures provided is uncertain, as is information on the combat readiness of its forces.

## 18 INTERNATIONAL COOPERATION

During the mid-1970s, the Democratic People's Republic of Korea (DPRK) came out of its relative isolation to pursue a vigorous international diplomacy. By 1986, it had diplomatic relations with 103 countries, including 67 that also had relations with the Republic of Korea (ROK). The DPRK became a member of the United Nations on 17 September 1991 and belongs to several nonregional specialized UN agencies, including the FAO, ICAO, IFAD, IMO, ITU, UNCTAD, UNESCO, UNIDO, UPU, WHO, WIPO, and WMO. The county is also a part of the ASEAN Regional Forum, G-77, and the Nonaligned Movement.

The DPRK retains treaties of friendship, cooperation, and mutual defense concluded with China and the republics of the former USSR in 1961. The DPRK was the only Asian Communist country to remain neutral in the Sino-Soviet dispute. The demilitarized zone that separates North and South Korea has been in place since 1953, though both governments claim a desire for reunification. The DPRK withdrew from the Nuclear Nonproliferation Treaty in 2003.

In environmental cooperation, the DPRK is part of the Antarctic Treaty, the Convention on Biological Diversity, the Mon-

tréal Protocol, MARPOL, and the UN Convention on Climate Change.

## 19 ECONOMY

The Korean War devastated much of the Democratic People's Republic of Korea's (DPRK) economy, but growth after postwar reconstruction was rapid. The Communist regime used its rich mineral resources to promote industry, especially heavy industry. A generally accepted figure put annual industrial growth from 1956 to 1963 at about 25%. By 1965, industry accounted for 78% of the total output, and agriculture 22%, an exact reversal of their respective contributions in 1946. Until the oil crisis of the 1970s, the DPRK ranked as one of the most prosperous states in Asia, but the government's pursuit of self-reliance (*Juche*) had, by the end of the 1960s, also transformed it into one of the most isolated and strictly regulated economies in the world. After 1965, greater emphasis was placed on agriculture and light industry, the latter stressing increasing demands for consumer goods. The industrial growth rate slowed in the late 1960s to around 14% and averaged about 16% during the 1970s. In the meantime, the military government in South Korea—the Republic of Korea (ROK)—began a series of five-year plans in 1962 that set it on the trajectory of export-led growth that, by 2001, would produce a per capita income 19 times greater than that in the DPRK. Efforts in the DPRK to accelerate the growth rate during the mid-1970s, requiring substantial imports of heavy industrial equipment from Japan and Western Europe, led to a payments crisis, and the DPRK was repeatedly compelled to reschedule its foreign debt.

The seven-year plan for 1978–84 called for an annual increase in industrial output of 12%. Reliable data on the economy became increasingly difficult to obtain as Kim Il Sung's regime became more obsessed with passing power and his particular vision on to his son, Kim Jong Il. In the 1980s, the government also became seriously involved in the clandestine supply of missiles and nuclear technology to Pakistan and Middle East countries, particularly Iran. Estimates are that growth fell to no more than 2% or 3% in the early 1980s as about one-fourth of output went into the country's outsized military.

After a three-year "period of adjustment," the government announced its third seven-year plan for 1987 to 1993, which targeted an annual increase in industrial growth of 10%. The plan also called for increased allocations to agricultural production, fueling speculation that there were food shortages. In any case, the plan period spanned three watershed events that helped set the economy on its downward course. First was the ROK's successful hosting of the 1988 Olympics, which left the DPRK increasingly isolated due to its own refusal to co-host any events and instead to boycott the games. Second was the breakup of the Soviet Union in 1991, cutting off the DPRK's main source of trade and aid. Third was the admission of the ROK and the DPRK to the UN in 1991 as separate states, unblocked by a veto from either Russia or China. On 8 July 1994, Kim Il Sung died, throwing the society into mourning, but also, it was hoped, opening up opportunities for economic reform. In October 1994, the so-called Agreed-Framework was put together, whereby a consortium of the United States, the ROK, and Japan, organized as the Korean Peninsula Energy Development Organization (KEDO), would undertake the finance and construction of light-water nuclear reactors (LWRs)

to supply 2000 MW of power in 2003, plus an interim supply of 500,000 metric tons of fuel oil a year in exchange for the DPRK's freezing and eventually dismantling its heavy-water nuclear facilities that were readily convertible to weapons use.

In January 1995, the United States sent a first installment of 50,000 tons of fuel, but in 1995 and 1996, the North Korean population became victims of widespread malnutrition and famine, worsened by the government's rejection of outside observers and reluctance to admit the seriousness of the situation, despite its unprecedented appeal for foreign aid in 1995. Lacking money to fuel and repair tractors and to pay for fertilizer, the government called for, or allowed the cultivation of marginal land with a professed target of doubling food production. The counterproductive result was crop-destroying flooding in 1995 and 1996 when the country was hit by heavy rains and a typhoon; the removal of tree cover from hillsides through the cultivation of marginal land made flooding worse. Drought conditions that followed worsened not only the food shortage but also the energy shortage by reducing the output from hydroelectric facilities. By 1997, most North Koreans had come to depend on government rations, which were reduced to 3.5 to 5.3 oz per person a day. In 1997 construction began on what were to be two 1,000 MW LWRs, delayed many months by North Korean objections to the use of a South Korean firm for the job. Estimates are that in real terms, the DPRK economy contracted 6.8% in 1997 and another 1.1% in 1998. In 1999, there were signs of positive growth, though small and from a low base, and due mainly to government construction projects.

The Bank of Korea, the most reliable source of economic data on the DPRK, estimates that the economy expanded 1.3% in 2000 and 3.7% in 2001. In 2002, a series of unannounced market-oriented reforms were undertaken. Refugees reported wage increases of 10% to 20% that partly reflected the higher prices in the unofficial "farmer's markets" and black markets, and that state rationing was being phased out. Three new special economic zones (SEZs) were announced, making a total of four (the first one was established in 1991), designed to attract foreign investment, particularly from China and South Korea. A defector reported a significant reduction in the party personnel attached to two major state corporations, the Musan Consolidated Mine Corp. and the Kimchalk Consolidated Steel Corp. Whether such reforms were meant to appease the more confrontational Bush administration, which, in US president George W. Bush's State of the Union address in January 2002, had branded North Korea as part of an "axis of evil." In November 2002, the United States announced that it was suspending oil shipments and that the work on the LWRs was going to be deliberately slowed. In December 2002, the DPRK expelled the last IAEA inspectors and removed their monitoring devices. In February 2003, the IAEA referred the matter of the DPRK's nuclear program to the UN Security Council. The program of economic inducements has been transformed into a zero-sum confrontation.

In 2004, the GDP growth rate was 2.2%, up from 1.8% in 2003. There was no data available to highlight the inflation or unemployment rates, but it is expected the country is suffering from high levels of technical unemployment. Food shortages continue to be a problem, with large-scale military spending eating up much of the resources that could solve this problem. The government tried to respond by allowing private markets to sell a wider

range of goods, and by permitting private farming on an experimental basis. In 2005 however, some of these policies were restricted, and plans were made to expel all nongovernmental organizations by year's end.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005, North Korea's gross domestic product (GDP) was estimated at \$40 billion. The per capita GDP was estimated at \$1,800. The annual growth rate of GDP was estimated at 1%. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange. It was estimated that in 2002, agriculture accounted for 30% of GDP, industry 34%, and services 36%. Foreign aid receipts amounted to about \$5 per capita.

## 2<sup>1</sup> LABOR

The labor force was estimated at 9.6 million in 2001 (the latest year for which data was available). Approximately 36% of the labor force was engaged in agriculture, with the remainder in non-agricultural occupations. Unemployment data was unavailable.

There are no free trade unions in North Korea; instead, there is one labor organization controlled by the government, the General Federation of Trade Unions of Korea, of which virtually all industrial and office workers are members. There is no minimum wage; salaries in joint-venture and foreign-owned businesses were estimated at \$110 per month in 2002. The average salary in the public sector is not known. Labor conditions are governed by a national labor law of 1978. The eight-hour workday is standard but most laborers work 12–16 hours daily during production campaigns. Although children under the age of 16 are prohibited by law from working, school children work in factories or on farms to meet production goals. Office and shop workers spend Fridays in public works and urban maintenance projects. In addition, some work time is spent on mandatory study of the writings of Kim Il Sung and Kim Jong Il.

## 2<sup>2</sup> AGRICULTURE

About 2.9 million hectares (7.2 million acres), or 24% of all land, can be classified as arable. Most of the agricultural land is concentrated in the west coast provinces of North and South P'yongan and North and South Hwanghae. Irrigation, land reclamation, and flood-control projects have been carried out, especially in rice-growing areas; about one-half of the arable land is irrigated.

Rice is the principal crop, occupying 20% of all farmland in 2003. Total rice production was 2,370,000 tons in 2004, compared to 5,600,000 tons in 1985. Improved rice yields have been achieved through the use of "miracle" rice strains, intensive application of fertilizer, and mechanization. In 2003 there were some 211,576 tractors in use, or about one for every 14 hectares (34 acres) of cultivated land. Double-cropping of rice is not possible because of the climate, but double-cropping of other grains has been maximized through the use of cold-bed seeding and new seed varieties, so that an estimated half of all cultivated land yields two harvests. The leading grains after rice are corn, wheat, millet, and barley. Other important crops include soybeans, potatoes, sweet potatoes, pulses, oats, sorghum, rye, tobacco, and cotton. The Democratic Peo-

ple's Republic of Korea (DPRK) long claimed to be self-sufficient in grain products, with total production (including rice) increasing from seven million tons in 1974 to 13.6 million tons in 1985, but falling to 4.3 million tons in 2003. Heavy rains in 1995 caused severe flooding in the DPRK, affecting over 5.2 million people and damaging crop production. Since 1996, there have been reports of widespread food shortages and famine in the DPRK.

The country's farms were collectivized after the Korean War. The movement began late in 1953, and the process was completed by August 1958, when all of the DPRK's 1,055,000 farm families became members of over 16,000 cooperatives. In order to establish larger and more efficient operating units, the cooperatives were merged in the autumn of 1958 into approximately 3,800 units with about 300 families each. Produce is delivered to the government, which controls distribution through state stores. Most farm workers retain small private plots (less than 100 sq m/1,100 sq ft) and can sell produce from them to the state or in peasant markets.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Since the 1950s, a major effort has been made to increase corn and fodder supplies, to improve breeding practices, and to raise sharply the numbers of livestock in all categories. In 2005, livestock totals were estimated as follows: cattle, 578,000 head; hogs, 3,200,000; sheep, 172,000; goats, 2,750,000; and horses, 48,000. Livestock raising is generally associated with the state farms. Meat produced in 2005 totaled 250,000 tons; milk, 94,000; and eggs, 136,000.

## 2<sup>4</sup> FISHING

The catch from the sea and from freshwater aquaculture includes mackerel, anchovy, tuna, mullet, rainbow trout, squid, kelp, sea urchin eggs, pollack eggs, and shrimp. The FAO estimated production for 2003 was 712,995 tons. Over 98% of fishing activity is marine, concentrated in the Sea of Japan. Much of the annual catch is now used for export.

The fishing industry is entirely socialized, with some 230 maritime cooperatives and more than 30 state-run fishery stations. The main fishing ports are on the east coast.

## 2<sup>5</sup> FORESTRY

Forests and woodland comprised about 8,210,000 hectares (20,287,000 acres) in 2000. There are rich stands of coniferous forests in the northern provinces. Predominant trees include oak, alder, larch, pine, spruce, and fir. Timber production was estimated at 7.2 million cu m (255 million cu ft) in 2004. About 80% of the timber cut was used for fuel. Sawn wood production in 2004 was 280,000 cu m (9.9 million cu ft); wood pulp, 56,000 tons; and paper and paperboard, 80,000 tons. The Ministry of Forestry, created in 1980, promotes development of forest industries.

## 2<sup>6</sup> MINING

The Democratic People's Republic of Korea (DPRK) has known deposits of coal, copper, fluorspar, gold, graphite, iron ore, lead, limestone, magnesite (magnesium carbonate), pyrite, salt, silver, tungsten, and zinc. Of these, the country has large reserves of coal, iron ore, limestone, and magnesite.

Gross weight of marketable iron ore and concentrate produced in 2004 was 4.58 million tons. High-grade iron ore deposits lay

off the coast of Unryul County, South Hwanghae Province. Outputs of other minerals included: crude magnesite, 1.2 million tons, up from 1 million tons in 2003; graphite, 25,000 metric tons, unchanged since 2001; mine copper (metal content), 12,000 metric tons; mined zinc, 62,000 metric tons; mined lead, 20,000 metric tons; mined gold, 6,000 kg; mined silver, 20 metric tons, unchanged since 2001; sulfur, 42,000 tons; phosphate rock, 300,000 metric tons, unchanged since 2002; and mined tungsten, 600 metric tons, unchanged since 2002. North Korea also produced barite, hydraulic cement, fluorspar, nitrogen, salt, and pyrophyllite soapstone, and presumably produced varieties of stone, sand, and gravel. As North Korea began emerging from its isolation, mineral trade with the Republic of Korea increased, with the DPRK exporting coal, gold, steel, and zinc to the South. Since the collapse of the Soviet Union, North Korea has faced shortages of raw materials, in addition to shortages of fuel, food, and electricity. Molopo Australia NL had four gold projects in North Korea—Big Boy, Changjin, Danchon, and Hambung—and successfully processed 625 g of gold from a gravity separation plant in Changjin.

## 27 ENERGY AND POWER

North Korea has no known reserves of petroleum or natural gas but does have recoverable reserves of coal.

Imports of crude oil and refined petroleum products in 2002 averaged 24,070 barrels per day, of which demand averaged 24,530 barrels per day in that same year. Refinery output that same year averaged 12,080 barrels per day. There were no known imports or output of natural gas in 2002.

Coal is by far the most important component of energy production. The major coal-producing center is in South Pyongan Province, where the Anju, Sunchon, Tokchon, Pukchang, and Kaecheon coal-producing complexes are located. In 2000, coal accounted for 86% of primary energy consumption. Estimated coal production in 2002 was 31,912,000 million short tons. Domestic consumption that year came to 31,986,000 short tons.

North Korea's electric power capacity in 2002 came to 9.500 million kW, of which conventional thermal plants accounted for 4.500 million kW of capacity and hydroelectric accounted for 5.000 million kW. Electric power output in 2002 totaled 19.122 billion kWh, of which Hydropower accounted for 10.514 billion kWh and conventional thermal power 8.608 billion kWh. Consumption of electricity in 2002 was 17.783 billion kWh. Although engineers and technical advisers from the United States assisted with the installation of windmills in coastal villages in the P'yŏngyang region, in 1998; there is no recorded output of wind-generated electricity for 2002.

Although North Korea has a nuclear energy program, it is not directed toward the production of electric power, but to build nuclear weapons. In 1994, the United States and North Korea negotiated an Agreed Framework, by which North Korea agreed to give up its nuclear ambitions in exchange for the construction of two safer light water nuclear reactors and shipments of oil from the United States. In 2002, it was revealed that North Korea was engaged in pursuing a program of enriching uranium—enriched uranium is used for the production of nuclear weapons. In January 2003, North Korea pulled out of the Nuclear Nonproliferation Treaty, and later admitted it was pursuing the reprocessing of plutonium, which also can be used in the building of nuclear weap-

ons. In April 2003, North Korea stated it possessed nuclear weapons. In August 2003, six-nation talks—between the United States, China, South Korea, Japan, Russia, and North Korea—began to address the nuclear situation. As of early 2006, the issue of North Korea's nuclear program had yet to be resolved.

## 28 INDUSTRY

Under Japanese rule, northern Korea was regarded mainly as a supplier of war materials, while manufacturing and processing branches were neglected. The Communist regime, however, emphasized the development of manufacturing. By 1963, the metal-fabricating, textile, and food-processing industries accounted for 33%, 18.6%, and 13.7% of industrial output, respectively. By the late 1980s, heavy industry (including metal fabricating and textile production) accounted for 50% of total industrial production. Private enterprise in industry declined from 27.6% of total output in 1946 to only 2% in 1956, and the private sector was said to have disappeared by 1959. About 90% of all industry is state-owned, and 10% is owned by cooperatives.

Under the second seven-year plan (1978–84), industrial output was scheduled to grow at an average annual rate of 12.2%; however, Western estimates put annual growth at 2% or 3% by the early 1980s. In the mid-1980s, the government became involved in clandestine missile production and supply. The Democratic People's Republic of Korea (DPRK) had obtained the technology for producing HY-2 Silkworm and Scud (short-range) missiles in the 1970s and early 1980s. In 1985, the DPRK reached a bilateral accord with Iran, then in the midst of its war with Iraq, whereby North Korea would supply production technology and missiles in exchange for payments to finance engineering of the Scud-B missiles (a more accurate version of the original Scuds) and help in covert procurement of other necessary technologies. Ironically, because it became a matter of international security concern, the missile program is better documented than other aspects of the DPRK's secretive economy.

In 1987, Scud-B production facilities were established near P'yŏngyang. In June 1987, North Korea delivered 90 to 100 Scud-B missiles, 12 launchers, and an undetermined number of HY-2 Silkworm missiles to Iran as part of the two countries' \$500 million military assistance agreement. In the meantime, the DPRK established its own Scud-B regiment and began work on an upgraded model, the Scud-C, with double the range (595 km/372 mi). Iran was being supplied "knock-down kits" for assembly at its ballistic missile plant in Isfahan. Iran continued, in exchange, to finance the DPRK's weapons program as it began work on an intermediate-range ballistic missile (IRBM) at Nodong that would give it its name.

In June 1990, the DPRK conducted the first successful test of the Scud-C, and in November concluded a second series of agreements with Iran believed to have covered the purchase of DPRK Scud-Cs and the conversion of an Iranian missile-maintenance facility into a production facility. In December 1990, during the run-up to the Persian Gulf War, the DPRK also agreed to sell Scud-B and Scud-C missiles to Iraq, but in February 1991, despite a personal visit from Iraq's deputy foreign minister, the DPRK backed out of the deal because of Iraq's inability to pay cash. Syria, having received \$2 billion for participating on the side of the coalition, used some of it to purchase more than 150 North Korean Scud-C



missiles for an estimated \$500 million. In March 1991, in a third agreement with Iran, the DPRK signed a five-year contract for the supply of 20,000 barrels of oil per day.

Pakistan, which North Korea had been supplying with conventional arms since the war over East Pakistan in 1971, helped with the secret deliveries of Scud-Cs to Iran. During the two tenures of Pakistani prime minister Benazir Bhutto (1988–90 and 1993–96), the cooperation with the DRPK was extended to include the training of Pakistani scientists and engineers in North Korea, the training of North Korean scientists and engineers at the Pakistan uranium enrichment plant at Kahuta, and the supply of Nodong missiles to Pakistan.

On 27 March 1992, the United States announced the imposition of sanctions on the DPRK and Iran for missile technology proliferation. In the mid-1990s, the DPRK recruited an estimated 160 Russian strategic weapons specialists to help with the DPRK's missile and nuclear programs. On 12 March 1993 North Korea announced its withdrawal from the Nuclear Nonproliferation Treaty (NPT) because of the International Atomic Energy Association's (IAEA's) efforts to conduct a special inspection of its nuclear facilities. During the spring of 1993, the successful launch of four missiles, one of which hit a target at 500 km (300 mi), raised international alarm to a new level. All the while, the DPRK representative to the UN denied that the government had ever supplied missiles to Iran.

In August 1993, a defector reported that two additional long-range missile bases had been built in the DPRK, one at Chunggang and the other at Wonsan. In a report issued in 1996, the South Korean Unification Ministry estimated that arms exports constituted about 30% of DPRK exports from 1980 to 1993, that annual Scud missile sales totaled about \$500 million, and that the DPRK had a production capacity of about 100 Scud-B and Scud-C missiles a year.

The consequence of the DPRK's role as arms supplier to the Middle East was increasing isolation elsewhere. Japan banned the export of missile-related technology to the DPRK in 1988. In 1991, when the Soviet Union collapsed, North Korea lost its main source of fuel and fertilizer, as well as its main markets. As a result, the DPRK's nonmilitary industries atrophied while the government continued to build its military industry, developing nuclear ambitions.

At the end of its third seven-year plan, the government, admitting for the first time that targets had not been met, announced another three-year period of adjustment including a promised attention to light industry, as well as agriculture and foreign trade. In March 1994, however, it was confirmed that the government was building two new medium-range missiles—the Taepodong-I, with a range of more than 1,600 km (1,000 mi) and the Taepodong-II, with a range of more than 3,200 km (2,000 mi).

Manufacturing output fell an estimated 17.8% in 1992 and continued to fall by 1.9% in 1993, 3.8% in 1994, and 5.3% in 1995. In 1995, manufacturing accounted for an estimated 26.9% of GDP, of which heavy industry accounted for 20.5% and light industry 6.4%.

Only rough production estimates are available for a few key industries. These include the iron and steel manufactures, which reportedly amounted to 6.6 million tons of pig and conversion pig iron and 8.1 million tons of steel (including rolled steel) in 1995.

Major iron and steel works are located at Ch'ŏngjin, Kimch'aek, Kangso, Namp'o, and Kaes'ŏng. Industrial plants produce sophisticated machinery, including generators, bulldozers, high-speed engines, and diesel locomotives. Other plants produce cement (17 million tons in 1995), refined lead (80,000 tons), and zinc (200,000 tons), metal cutting lathes, tractors, and trucks. The chemical industry produced an estimated 1.2 million tons of chemical fertilizers and 56,000 tons of synthetic fibers in 1994. The petrochemical industry is centered in the H'ungnam area. Oil refining capacity was recorded at approximately 71,000 barrels per day in 2000. Textiles production increased rapidly in the 1970s; North Korea also produces clothing, jackets, and shoes.

After a series of negotiations in 1994, the so-called Agreed Framework was signed in October. It was essentially an attempt to use economic incentives to induce the DPRK to give up its nuclear weapons ambitions. In exchange for a freeze on its graphite-moderated reactors, the United States undertook to arrange for the provision of a 2,000 MW light water reactor (LWR). In the contract, concluded in 1996 with the Korea Electric Power Company (KEPCO), the DPRK was to acquire two 1,000 MW LWRs. The Korea Peninsula Energy Development Organization (KEDO) was established to carry out the arrangements. Ground was broken for the construction of the LWRs in August 1997. While the DPRK's nuclear program apparently remained frozen, the government continued to develop its delivery systems and to export weapons and weapons technology.

In April 1998 the US government reported that Korea had helped develop Pakistan's 1,500-km (940-mi) Ghauri intermediate-range ballistic missile (IRBM). Exports of Scuds continued to Iran, Syria, Pakistan, Egypt, and Libya. On 31 August 1998, North Korea test-launched a Taepodong-I missile with a range of up to 2,000 km (1,243 mi) over Japan, claiming it was a satellite launch. In February 1999, US CIA director George Tenet warned that the DPRK was developing a new generation of missiles capable of delivering payloads to the United States. In March 1999, the Republic of Korea (ROK) reported that the DPRK had as many as 8 missile factories and 12 missile bases, with production capacity of about 100 Scud-like missiles a year. In mid-July, intense pressure from the United States, the ROK, and Japan dissuaded the DPRK from test-launching a Taepodong-II missile, believed to have a range of more than 6,000 km (3,728 mi). In September 1999, the United States and the DPRK reached an agreement on a moratorium on additional long-range missile testing, but an agreement on a wider freeze on its indigenous missile program and weapons exports was not completed as of early 2003.

In 2002, industry made up 34% of the economy, with services accounting for 36%, and agriculture for 30%; 36% of 9.6 million workers were engaged in agriculture, while 64% were employed by nonagricultural sectors. By 2004, the industry's share in the GDP rose to 41%. However, the country's industrial stock is suffering from underinvestment and spare part shortages, and is considered to be beyond repair.

## 29 SCIENCE AND TECHNOLOGY

In 1970, the Fifth Party Congress called for the education of one million new technicians and specialists to aid economic modernization and development. By the mid-1990s, the government claimed that there were agricultural specialists on most rural co-

operatives, although severe economic deprivation has curtailed the Democratic People's Republic of Korea (DPRK) agricultural output. Throughout this period, Russian and Chinese technicians helped train DPRK workers, and the DPRK actively sought to acquire advanced foreign technology through the importation of entire petrochemical and other manufacturing plants from Japan, France, Sweden, and other developed nations. In the 1990s, its nuclear energy program—with both peaceful and military applications—gained international attention.

The principal scientific and technical institutions are the Academy of Sciences (founded in 1952), the Academy of Agricultural Science (founded in 1948), the Academy of Fisheries (founded in 1969), the Academy of Forestry (founded in 1948), the Academy of Medical Sciences, the Academy of Light Industry Science (founded in 1954), and the Academy of Railway Sciences. All of these academies are located in P'yongyang, and each has numerous attached research institutes.

By 1994, Kim Il Sung University in P'yongyang (founded in 1946) included faculties of computer science, chemistry, biology, atomic energy, geology, mathematics, and physics. Also in P'yongyang are the Kim Chaek University of Technology, the P'yongyang University of Agriculture, and the P'yongyang University of Medicine.

### **30 DOMESTIC TRADE**

Wholesale and retail trade is almost entirely in state and cooperative hands. In 1946, private trade accounted for 96.5% of total business volume. By 1960, private merchants had been entirely eliminated, and 78.8% of trade was conducted by the state, 20.4% by cooperatives, and 0.8% by farmers' markets. In 2000, 90% of the economy was in the state's hands.

Wholesale distribution is administered by the state ministries and enterprises under the general jurisdiction of the Ministry of Material Supply. Most retail shops are run by the People's Service Committee, established in 1972. There are several state-run department stores in P'yongyang, and there is at least one in each provincial capital. All-purpose stores, cooperatives, factory outlets, and special stores for the military and for railroad workers also play an important part in retailing.

Normal business hours are from 9 AM to noon and 1 to 6 PM, Monday through Friday. Saturday is a "study" day.

Since the mid-1990s, the domestic economy has remained stifled as the government refuses to give up state control of industry. Though agriculture accounted for 30% of the GDP and 36% of the workforce in 2001, there were frequent food shortages. Improvements in industry and infrastructure have been slow, as the government continued to dedicate a large portion of funds to military, rather than social or domestic concerns. With the decay of the formal economy, black market activity has rapidly grown throughout the country, with the underground economy replacing formal domestic trade throughout much of the DPRK.

### **31 FOREIGN TRADE**

The Democratic People's Republic of Korea's (DPRK) principal exports include rice, pig iron, rolled steel, cement, machinery of various types, chemicals, magnetite, textiles, armaments, and gold. Imports include petroleum, coking coal, wheat, cotton, and machinery. A steep drop in the DPRK's trade earnings in the early

1990s was primarily a result of a policy shift by Russia and the CIS countries requiring trade to be denominated in hard currency at world prices, ending a previous goods exchange arrangement much more favorable to the DPRK.

With the change in Russian–North Korean trade relations, China took the lead as the DPRK's largest trading partner in 1992, followed by Japan and Russia. Inter-Korean trade expanded particularly rapidly after 1988. By 1992, the Republic of Korea (ROK) became the DPRK's fourth-largest trading partner, behind China, Japan, and Russia. Total trade between the two countries was reported to have reached \$199 million, 90% of which consisted of exports from north to south. However, after tensions flared in the late 1990s, inter-Korean trade slowed.

As the DPRK economy has deteriorated, smuggling activity across the Chinese border has increased. An estimated 100,000 people are involved in illegal trade across the border, which may be worth as much as \$30 to \$300 million per year.

In 2004, exports reached \$1.3 billion (FOB—Free on Board), while imports grew to \$2.8 billion (CIF—Cost and Freight). The bulk of exports went to China (45.6%), South Korea (20.2%), and Japan (12.9%). Imports included minerals, machinery and electronic goods, textiles, and chemicals, and mainly came from China (32.9%), Thailand (10.7%), and Japan (4.8%).

### **32 BALANCE OF PAYMENTS**

During the late 1970s, the Democratic People's Republic of Korea (DPRK) enjoyed consistent trade surpluses, due in part to increasing shipments of agricultural products, gold and silver, and armaments in exchange for hard currencies. Despite the improving trade picture, the DPRK had still not emerged from the shadow of foreign debt left over from the mid-1970s. Declining prices for precious metals in the early 1980s made it difficult for the nation to meet its debt obligations, even after repeated rescheduling. In 1987, a new rescheduling agreement was reached after Western banks threatened to freeze the DPRK's bank assets if it failed to service bank loans. External debt was estimated at \$12 billion in 1996. In the early 2000s, the government focused on attracting foreign aid and earning hard currency without introducing market reforms. Desperately needed food and fuel aid from donor countries declined in 2002/03, due in part to the government's threats of nuclear weapons capabilities.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of North Korea's exports was \$826 million while imports totaled \$1.874 billion resulting in a trade deficit of \$1.048 billion.

Exports of goods and services totaled \$1.278 billion in 2004, up from \$1.066 billion in 2003. Imports grew from \$2.049 billion in 2003, to \$2.279 billion in 2004. The resource balance was consequently negative, and on a downward path—from -\$983 million in 2003 to -\$1 billion in 2004.

### **33 BANKING AND SECURITIES**

The Central Bank, established in 1946, is the sole recipient of national revenues and the repository for all precious metals. It supplies basic operating funds to various sectors of the economy and is subordinate to the Ministry of Finance. The Central Bank is also an administrative organ that executes the fiscal policies of the State Planning Commission. It supervises the Foreign Trade Bank,

established in 1959, and the Industrial Bank, established in 1964. The latter provides loans and credits to farm and fishing cooperatives and has an extensive system of branches that help to manage the financial operations of all cooperatives.

The Kumgang Bank is a specialized bank that handles transactions of foreign trade organizations dealing with exports and imports of machinery, metals, mineral products, and chemical products. The Daesong Bank handles transactions of the Daesong Trading Co. and other trading organizations. There were also three joint-venture banks, as of 1994. As of 1997, the Central Bank had a network of 227 local branches. Another state bank is the Changgwang Credit Bank, founded in 1983. A consortium of 60 Western countries (including Russia) filed suit in 1996 in a US district court against the Democratic People's Republic of Korea's (DPRK) Foreign Trade Bank for a total of \$1.4 billion in principal and accumulated interest.

There are savings facilities at all post offices, in industrial enterprises, and in the "trust" sections in the agricultural cooperatives. Through the latter, large farm and fishing cooperatives perform local banking functions, especially the raising and allocation of capital for local needs.

There are no securities exchanges in the DPRK.

### 34 INSURANCE

The State Insurance Bureau and the Korea Foreign Insurance Co. carry fire and natural disaster insurance and, as appropriate, livestock, marine, and passenger insurance on a compulsory basis. Individuals may take out various types of property, life, and travel insurance, all provided by the government.

### 35 PUBLIC FINANCE

The annual state budget is approved at regular sessions of the Supreme People's Assembly (SPA). In April 1995, the government failed to announce its 1995/96 budget at the annual meeting of the SPA, which exacerbated the economic stagnation. Foreign aid, important after the Korean War, has not appeared as budgetary income since 1961.

The US Central Intelligence Agency (CIA) estimated that North Korea's total external debt was \$12 billion in 1996.

### 36 TAXATION

All direct taxes were abolished in 1974; the Democratic People's Republic of Korea (DPRK) thus became the first country in the world to abolish income taxes collected from its citizens. As a result, the population is dependent on the government for many services. The government collects a percentage (turnover tax) on all transactions between producers and state marketing agencies. Fees are charged to farmers for seeds, fertilizer, irrigation water, and equipment. Consumers pay a tax for the use of water and certain other household amenities. The tax on collective farms is 15% of the harvest, paid in kind. Refugees from North Korea report that a similar in-kind tax was being assessed on the private plots that proliferated during the 1990s, but there is no official confirmation of this assessment.

All foreign-invested enterprises are subject to income, property, turnover, and local taxes. In the four special economic zones established by the government, one in 1991 and three in 2002, the tax on profits for most enterprises is set at 14%; for enterprises

involving high technology, infrastructure construction, or light industry, the tax rate is 10%. Resident aliens in the DPRK must pay personal income taxes; the rate varies from 4% to a top rate of 20%.

### 37 CUSTOMS AND DUTIES

No information is available.

### 38 FOREIGN INVESTMENT

In 1984, the Joint Venture Act permitted foreign direct investment (FDI) for the first time. Investment mainly came from Soviet-bloc countries, however, as both the United States and South Korea were closed to products from the Democratic People's Republic of Korea (DPRK). Companies found it difficult to do business in North Korea because of limits on equity ownership and a suffocating bureaucracy. In any case, the law was abruptly withdrawn in 1985, reinforcing perceptions of an unstable atmosphere for business.

In 1991, faced with the collapse of the Soviet bloc, the president announced plans to establish a multinational special economic zone (FETZ) in the Tuman River estuary region. On 11 December 1992, the Supreme People's Assembly passed three laws relating to foreign investment—the Foreign Investment Law, the Foreign Enterprise Law, and the Joint Venture Law. The laws allowed 10% foreign ownership and loosened government control over employee layoffs. Three types of enterprises were distinguished: contractual joint ventures, equity joint ventures, and "foreign enterprises." Citizens of the Republic of Korea (ROK) are treated as foreigners under the investment laws. Foreigners are prohibited from establishing a "technologically backward" enterprise, or one that threatens DPRK national security. In practice, the most suspect categories are those involved in publishing, the press, broadcasting, and telecommunications. Also not permitted are businesses that do not conform with the "ideological emotions of the people."

Most trade with ROK enterprises is conducted in the contractual joint-venture mode in which, typically, the DPRK partner takes responsibility for production and management while the ROK partner supplies both advanced technology and access to export markets. Most meetings between North and South Korean partners are held outside both countries. Applications for investment have remained limited; most have come from Japan-based Korean investors. As of 2002, the FETZ could not be rated very successful. The investment attracted a total of about \$140 million. The main investors included the Emperor Group with a \$60 million hotel project, and Loxley Pacific, with a \$29 million investment telecommunications infrastructure.

In 2002 the DPRK formally established three more special economic zones: a mainly tourist zone at Mt. Kumgang, an industrial zone near Kaesong, and a special autonomous region (SAR) modeled on Hong Kong in the northwest city of Sinuiji on the Chinese border. In all three, free enterprise was officially guaranteed with a land lease period of 50 years with the possibility of extension. The Mt. Kumgang and Kaesong zones were mainly aimed at attracting South Korean investment, whereas Sinuiji is designed to attract Chinese participation.

The Mt. Kumgang zone is a direct descendant of a money-losing tourism enterprise initiated by the ROK conglomerate Hyundai Group in 1999. Tours peaked at about 212,000 in 2000, the year

of the historic 13 June handshake between the leaders of the two Koreas, but had fallen to 56,680 by 2001. As of 2002, the Hyundai Group had lost about \$400 million on the operation.

The Kaesŏng industrial zone also got its main impetus from firms connected with the Hyundai Group. Though the official decree establishing a 66-sq-km (25-sq-mi) "international industrial, trade, commercial, financial and tourist" zone was made law on 28 November 2002, its roots are in an agreement between the Hyundai Group and the DPRK government in August 2000 to open an expanded industrial zone. Kaesŏng is connected to P'yŏngyang by railway and expressway. To make it a viable investment venue, the rail and highway connections to South Korea must be restored. In late December 2002, however, the third session of talks on the restorations of connections was called off, with no further discussions scheduled.

Much more devastating to hopes for increased foreign investment, however, has been the rapid escalation of tensions after October 2002, when a US State Department envoy asserted that the North Koreans had admitted to conducting a secret nuclear program. In November 2002, the United States announced that there would be no more oil supplied through the Korea Peninsula Energy Development Organization (KEDO). The United States also achieved an agreement to slow down the construction of the light water reactors (LWRs), which were already years behind schedule. In apparent retaliation, a letter from a North Korean bank was circulated to foreign missions and businesses stating that as of 1 December 2002, US dollars would not be accepted at North Korean shops and hotels.

### 39 ECONOMIC DEVELOPMENT

Until the 1990s, the economy operated on a planned basis, with priority given to the development of industry, particularly heavy industry. Planning began in 1947, when the economy operated first under two consecutive one-year plans (1947 and 1948), followed by a two-year plan (1949–50), which was interrupted by the Korean War in June 1950. After the war, economic reconstruction followed the terms of a three-year plan (1954–56) and a five-year plan (1957–61). The industrial goals of the five-year plan were fulfilled in just half the allotted time, so 1960 was set aside as a year of adjustment. An ambitious seven-year plan was then launched in 1961, with the general objectives of a 220% increase in industrial output and a 150% rise in grain production. This plan had to be extended until 1970, however, before its targets were fulfilled. In 1975, the Democratic People's Republic of Korea (DPRK) announced completion of its six-year plan (1971–76) one year ahead of schedule, although certain outputs fell somewhat short of projected levels. Industrial growth slowed in 1976. A second seven-year plan (1978–84) called for a 12% annual industrial growth rate. Although the government claimed that its goals had been met or exceeded, neither the actual results nor a new plan was announced during the following three years. During this period the DPRK experienced the double trauma of ballooning international debt (to more than \$5 billion, nearly \$2 billion owed to Communist creditors), and watching South Korea's per capita income soar past its own. By 1980, per capita income in the DPRK was about a third of that in the Republic of Korea (ROK). (By 2002 the gap

had widened such that the ROK's per capita income was 20 times greater in nominal terms.)

In 1982, the president announced a new economic policy giving priority to increased agricultural production through land reclamation (taken as a sign that food shortages had appeared), development of the country's infrastructure, a greater reliance on indigenously produced capital equipment, and an emphasis on light industry. In 1984, the government issued the Joint Investment Law in its first opening to foreign direct investment (FDI), designed to secure technology and outside capital. The law was abruptly withdrawn the next year, however, having attracted little investment.

There was a three-year hiatus, before the government set forth the third seven-year plan (1987–93), which would turn out to be the last multiyear plan issued by the government as of 2003. (The death of President Kim Il Sung on 8 July 1994 marked the end of multiyear planning.) Annual growth of 10% was targeted under the third seven-year plan, part of which would be derived from missile production and export. Its stated targets were a 90% increase in industrial output, 40% in agricultural production, and 70% in national income. The DPRK government publishes no official economic data, but estimates by the ROK Bank of Korea, the most reliable source of information on the North Korean economy, suggest that actual performance fell far short of these targets, in some areas by as much as 50%, and that overall industrial output decreased. The plan period spanned the breakup and economic liberalization of the Soviet bloc in 1991. President Kim Il Sung made a gesture at keeping up with the trends, decreeing the establishment of the Rajin-Sonborg Free Economic and Trade Zone (FETZ). However, the lack of infrastructure and low investor confidence in the regime made the FETZ ineffective in attracting investments.

In late 1993, statements released by the Korean Workers' Party Central Committee for the first time admitted to the overall failure in achieving the goals of the economic plan. Another three-year period of adjustment was announced during which, again, agricultural production, light industry, and infrastructure projects were to be prioritized.

A serious problem the DPRK had in meeting its public goals, however, was that the international trade it had actually been fostering was clandestine. In the mid-1980s North Korea had become a prime source of missiles, missile technology, and nuclear technology for countries of the Middle East and Pakistan. The most fully developed relationships were with Iran's missile program and Pakistan's missile and nuclear programs. The weapons trade was estimated to have been worth roughly \$500 million a year, a figure equal to between 30% and 100% of estimated exports.

When Kim Il Sung died in July 1994, this was not one of the aspects of the economy that was radically affected since his son and successor, Kim Jong Il, had been in charge of the military.

As of 1994, total development assistance outside the Soviet bloc amounted to \$6 million. Famine struck the country in 1995 and 1996, and output contracted from 1995 to 1998 an estimated 46.8% (from \$23.5 billion GDP to \$12.5 billion GDP). No economic plan was issued by the government in the 1990s, a decade that was dominated from 1994 by an international effort to stop the regime's apparent nuclear ambitions with positive economic incentives.

The so-called Agreed Framework of October 1994 embodied the offer to replace the DPRK's heavy-water nuclear facilities (suitable for producing weapons-grade fuel) with light-water reactors (LWRs, not as suitable), with construction and financing arranged by the United States. An annual supply of 500,000 metric tons of heavy oil would be donated by a consortium of 17 countries. In exchange the DPRK committed to freeze and eventually dismantle its heavy-water facilities. The Korea Peninsula Energy Development Corporation (KEDO) was created to administer the agreement. Besides maintaining the freeze, the DPRK was also dissuaded in 1999 from test-firing its most advanced missile, the Taepodong-II, which has a range of over 6,000 km (3,728 mi).

The Agreed Framework began to unravel in early 2002, after US president George W. Bush, in his State of the Union address, branded North Korea as part of an "axis of evil." In July 2002, the DPRK introduced a number of market-based economic reforms. Three special economic zones were officially established in 2002, including a special autonomous region (SAR) in Sinuiji to attract Chinese investment, and zones at Mt. Kumgang and near Kaesŏng to attract South Korean investment. The government also announced it would be presenting a formal economic plan in 2003. These gestures were overwhelmed by increased tensions following the October 2002 announcement from the US State Department that the DPRK regime had admitted it was pursuing a secret nuclear weapons program. Oil shipments through KEDO were stopped after November 2002, and by the end of December, North Korea had expelled all IAEA inspectors and removed their monitoring devices. In February, the IAEA referred North Korea's nuclear program to the UN Security Council. In April 2003, Kim Jong Il asked for a nonaggression pact with the United States, arguing that the United States was planning to overthrow his regime. No economic plan had been issued.

The way North Korea guards the access to indicators that might highlight its level of economic health prevents any solid analysis of economic growth perspectives. It is believed however that the country still suffers from food shortages, and it lacks a coherent future development strategy. In June 2005, the United States committed to sending 50,000 metric tons of food aid.

#### 40 SOCIAL DEVELOPMENT

All men and women of working age are required to work, and all economic activity is run by the state. The government provides any medical, pension, or other welfare program to the workers. The country relies heavily on international aid for basic subsistence.

Although the constitution grants equal rights for women, few women have reached high levels in the government. The state provides nurseries and day-care centers, and large families are encouraged. Like men, women are obligated by law to work, although few occupy high official positions. Women with large families are entitled to shorter work hours. Female workers are legally guaranteed five weeks of maternity leave. A UNICEF official reported that some 20% North Korean children were suffering from malnutrition and about 80,000 were in danger of dying from hunger and disease.

The government rejects international human rights standards, and human rights organizations are not permitted to operate. Dissent is not tolerated, and capital punishment is meted out for a wide variety of offenses, including attempted defection.

The government classifies all citizens into three groups: core, wavering and hostile. These security ratings reflect the perceived degree of loyalty exhibited by citizens. These ratings may be taken into account in the allocation of housing, employment, medical care, and other benefits. All citizens are subjected to extensive indoctrination. Listening to foreign broadcasts or possession of banned reading materials are punishable by death. Travel within the country is also strictly controlled. Travel passes must be requested for intervillage travel.

#### 41 HEALTH

The Ministry of Public Health is responsible for all national health services, including disease prevention and sanitation. All of the population has access to health care. Estimated immunization rates for children up to one year old were as follows: diphtheria, pertussis, and tetanus, 37%, and measles, 34%. Polio has been nearly eradicated. In 2004, there were an estimated 297 physicians and 180 nurses per 100,000 people. Western medicine is used alongside traditional Eastern medicine (*tonguihak*). In 1997, there were 176 cases of tuberculosis per 100,000 people. Cancer is now the leading cause of death, followed by heart disease and hypertension.

The total fertility rate has decreased from 5.8 in 1960 to 2.1 children per woman in her childbearing years, as of 2000. Average life expectancy in 2005 was 71.37 years. The infant mortality rate was 24.04 per 1,000 for that year. The HIV/AIDS prevalence rate was estimated at less than 0.10 per 100 adults.

#### 42 HOUSING

A serious housing shortage resulted from the government's early stress on industrial rather than residential construction. The housing deficit was aggravated by the Korean War, which demolished about one-third of the country's housing. Since then, residential housing has received serious attention. About 886,000 new units were completed under the 1971–76 economic plan. Construction levels of 200,000–300,000 units a year were targeted for 1978–84, and 150,000–200,000 units a year were projected for 1987–93. Available figures for 1980–88 show a total housing stock of 4,566,000 with 4.5 people per dwelling. The government reported that the catastrophic floods in August 1995 caused 500,000 residents to become homeless.

#### 43 EDUCATION

Both primary and secondary education are free and compulsory for 10 years, beginning at age five. Children ages one through five are cared for in nursery schools, followed by one year of kindergarten, four years of primary school, and six years of secondary school.

According to UNESCO's EFA 2000 Assessment Report, North Korea has 14,167 two-year kindergartens (with 748,416 pupils), 4,886 four-year primary schools (with 1,609,865 pupils), 4,772 six-year senior middle schools (with 2,181,524 pupils), and over 300 colleges and universities. In the 1990s, the school curriculum was balanced between academic and political subject matter. Subjects such as the Korean language, mathematics, and physical education accounted for most of the instructional time in the classroom; however, more than 8% of instructional time was spent on the "Great Kim Il Sung" and "Communist Morality."

Kim Il Sung University (founded in 1946) in P'yongyang had about 16,000 full-time and part-time students and about 3,000 faculty, including teachers and research staff, as of the early 1990s. Admission to the university is gained by intensely competitive examination. Song Kyun University of Koryo was founded in 1992, along with three medical schools. Other institutions of higher learning include the Kimchaek Polytechnic Institute, P'yongyang Agricultural College, and P'yongyang Medical School. In 1987 there were 220,000 students attending two- or three-year higher specialized schools and 301,000 students attending four- to six-year colleges and university courses. A system of adult schools, correspondence courses, and workplace schools makes higher education widely available. There are over 100 schools offering specialized workers' training.

The adult literacy rate was reported to be 99% in 2002.

#### 44 LIBRARIES AND MUSEUMS

The Democratic People's Republic of Korea (DPRK) has more than 200 public libraries, the largest being the Grand People's Study House in P'yongyang (also serving as the national library), with 20 million volumes. Also in Pyongyang, there is a fairly new German library holding 4,000 scientific books in natural and social sciences, plus leading German newspapers and magazines. This is the first public institution to allow citizens to freely read foreign books. In addition, there are research libraries at the academies of sciences and social sciences and at Kim Il Sung University.

Museums include the Korean Central Historical Museum, the Memorial Museum of the War of Liberation, the Korean Art Gallery, the Ethnographic Museum, and the Korean Revolutionary Museum, all in P'yongyang. There is a large museum at Mangyongdae, Kim Il Sung's birthplace, near the capital.

#### 45 MEDIA

Postal, telephone, and telegraph services are operated by the government. Telephones are believed to be used primarily for government business. Private lines are for local calling only; international phone lines are available only under very restricted circumstances. In 2003, there were an estimated 41 mainline telephones for every 1,000 people.

The Korean Central Broadcasting Station in P'yongyang has a 1,500-kW transmitter. Broadcasts reach to every corner of the country through a system of more than one million loudspeakers, as well as through private radios. In addition, news is broadcast to other countries in English, Russian, French, and Spanish. There are two radio networks (Korean Central Radio and Radio P'yongyang) and two television networks (Korean Central TV and Mansudae TV). Radios and televisions are pretuned to respond to these government stations. In 2003, there were an estimated 154 radios and 160 television sets for every 1,000 people. Internet access is only permitted to foreign visitors and high-ranking government officials.

All newspapers and periodicals in the Democratic People's Republic of Korea (DPRK) are published by government, party, or front organizations; each edition is subjected to prepublication review and censorship. As of 2002, there were four daily newspapers in publication. The leading national newspapers and their publishers are: *Rodong Sinmun* (Central Committee of the Korean Workers' Party, circulation 1,500,000); *Minju Choson* (Presidium of the

Supreme People's Assembly and the cabinet, circulation 200,000); *Joseon Immingun* (Korean People's Army Daily); and *Rodong Chongnyon* (Kim Il Sung Socialist Youth League). Each province has a newspaper, and other mass organizations have their own publications. A state news service, the Korean Central News Agency, is the sole organ for the gathering and dissemination of news.

Though there are articles of the constitution that provide for freedom of speech and the press, in practice the government prohibits the exercise of these rights, controlling all information. The receiving of foreign broadcasts is illegal, as is any criticism of the government in any media.

#### 46 ORGANIZATIONS

Mass organizations established for specialized political, economic, or cultural purposes include the powerful Democratic Front for the Reunification of the Fatherland, commonly known as the Fatherland Front. Among its constituent members are the Kim Il Sung Socialist Youth League (formerly known as the Socialist Working Youth League), under the direct guidance of the Korean Workers' Party Central People's Committee; the Young Pioneer Corps, open to children ages 9–15; and the Korean Democratic Women's League. Also important is the Korean Agricultural Workers' Union. There are a number of sports associations and clubs throughout the country. There is a national chapter of the Red Cross Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

Most sightseeing takes place in the capital city of P'yongyang. Travel outside P'yongyang is closed to individual tourists but available to groups. Nampo, the port city for P'yongyang, has a beach resort area. The two most outstanding tourist sites outside the capital are the Kumgang (Diamond) Mountains in the southwest and Packdu Mountain on the Chinese border. Wrestling, tug-of-war, chess (with pieces different from the European form), and kite fighting are traditional sports. All visitors need valid passports and visas secured in advance. Tourists from the United States and the Republic of Korea may need an invitation to travel to the Democratic People's Republic of Korea.

In 2003, the US Department of State estimated the daily cost of travel in P'yongyang and other areas was \$271.

#### 48 FAMOUS KOREANS

Among the many historical figures of united Korea are Ulchi Mundok, a Koguryo general of the early 7th century AD; Kim Yusin (595–673), a warrior and folk hero in Silla's struggle to unify the peninsula; Wang Kon (877–943), the founder and first ruler of the Koryo Dynasty; Yun Kwan (d.1111), a Koryo general who repulsed Chinese invaders; Kim Pu-sik (1075–1151), a scholar-official who wrote the great *History of the Three Kingdoms*; Yi Song-gye (1335–1408), a general and founder of the Yi (or Li) Dynasty; King Sejong (1397–1450), who called for the invention of Hangul and was Korea's greatest monarch; Yi Hwang (1501–70) and Yi I (1536–84), Neo-Confucianist philosophers and officials; Yi Sun-sin (1545–98), an admiral who invented the "turtleboat," the first ironclad ship, and defeated the Japanese in every naval engagement of the Hideyoshi invasions, dying in the climactic battle; Chong Yag-yong (1762–1836), a pragmatic scholar-official and prolific writer; and Yi Ha-ung (1820–98), known as the

Taewon'gun (Prince Regent), the regent for his son, Kojong, and the central political figure of the late 19th century.

The preeminent political figure of the Democratic People's Republic of Korea (DPRK) is Kim Il Sung (1912–94), the leader of the nation from 1948 until his death. Other influential figures have included Kim Il (1910–84), a prominent officeholder since 1954; Kim Jong Il (b.1941), the son of Kim Il Sung, who succeeded him; Nam Il (1914–76), a chief of staff who became well known as an armistice negotiator at P'anmunjom (1951–53), and Marshal O Jin U (1918–95), head of the army from 1976 until 1993.

#### 49 DEPENDENCIES

The DPRK has no territories or colonies.

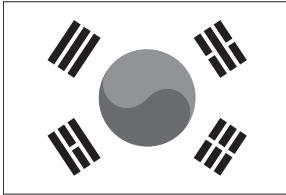
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# KOREA, REPUBLIC OF (ROK)

Republic of Korea  
*Taehan Min-guk*



**CAPITAL:** Seoul

**FLAG:** The flag, called the Taegeukgi, shows, on a white field, a central circle divided into two parts, red on top and deep blue below, in the shape of Chinese yin and yang symbols. Broken and unbroken black bars in each of the four corners are variously arranged in sets of three, representing divination diagrams.

**ANTHEM:** *Aegukka (The Song of Patriotism)*, officially adopted on 15 August 1948.

**MONETARY UNIT:** The won (w) is the national currency. There are notes of 500, 1,000, 5,000, and 10,000 won. w1 = \$0.00099 (or \$1 = w1,015) as of 2005.

**WEIGHTS AND MEASURES:** Both the metric system and ancient Korean units of measurement are used.

**HOLIDAYS:** New Year's Days, 1–3 January; Independence Movement Day, 1 March; Labor Day, 10 March; Arbor Day, 5 April; Children's Day, 5 May; Memorial Day, 6 June; Constitution Day, 17 July; Liberation Day, 15 August; Armed Forces Day, 1 October; National Foundation Day, 3 October; Han'gul (Korean Alphabet) Day, 9 October; Christmas, 25 December.

**TIME:** 9 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Occupying the southern 45% of the Korean Peninsula in East Asia, the Republic of Korea (ROK), also known as South Korea, has an area of 98,480 sq km (38,023 sq mi), extending 642 km (399 mi) NNE–SSW and 436 km (271 mi) ESE–WNW. Comparatively, the area occupied by South Korea is slightly larger than the state of Indiana. Bounded on the N by the Democratic People's Republic of Korea (DPRK), on the E by the Sea of Japan (known in Korea as the East Sea), on the S by the Korea Strait, and on the W by the Yellow Sea, the ROK has a total land boundary length of 238 km (148 mi) and a coastline of 2,413 km (1,508 mi). A demilitarized zone (DMZ), 4,000 m (13,100 ft) wide, covering 1,262 sq km (487 sq mi) and located north and south of the 38th parallel, separates the ROK from the DPRK, which comprises the northern part of the Korean Peninsula.

Over 3,000 islands, most of them off the southern and western coasts and belonging to the ROK, add another 8,600 km (5,350 mi) of coastline.

The ROK's capital city, Seoul, is located in the northwestern part of the country.

## <sup>2</sup>TOPOGRAPHY

Elevations in the southern part of the Korean Peninsula are generally lower than those in the north. Only about 30% of the Republic of Korea (ROK) consists of lowlands and plains. The principal lowlands, all bordering the Yellow Sea along the west coast, include the Han River Plain, near Seoul; the Pyongtaek and Honam plains, south of the capital; and the Yongsan Plain in the southwest. Mt. Halla (1,950 m/6,398 ft), on volcanic Cheju Island, is the

nation's highest point, while Mt. Chiri, or Chii (1,915 m/6,283 ft), is the highest point on the mainland.

Principal rivers of the ROK include the Han (514 km/319 mi), with Seoul near its mouth; the Kum (401 km/249 mi) and Yongsan (116 km/72 mi), which water the fertile plains of the southwest; and the Somjin (212 km/132 mi), in the south. The longest river in the ROK is the Naktong (521 km/324 mi), which waters the southeast. Yellow Sea tides on the west coast rise to over 9 m (30 ft) in some places, while Japan Sea tides on the east coast rise only about 1 m (3 ft).

## <sup>3</sup>CLIMATE

The average January temperature ranges from -5°C (23°F) at Seoul to -2°C (28°F) at Pusan and 4°C (39°F) on Cheju Island. In the hottest part of the summer, however, the regional variation in temperature is not nearly so marked, with average temperatures ranging from 25°C to 27°C (77–81°F) in most lowland areas. Average rainfall is 100 to 150 cm (40 to 50 in). Nearly all the rainfall occurs in the April–September period, especially during the rainy season, late June to early August. From one to three mild typhoons normally strike the south in the early fall, with a severe one occurring every two or three years. Days free of frost number about 240 in the southern regions.

## <sup>4</sup>FLORA AND FAUNA

The Korean Peninsula is rich in varieties of plant life typical of temperate regions. More than 3,000 species, some 500 of them unique to Korea, have been noted by botanists. Warm temperate vegetation, including camellias and other broad-leaved evergreens, predominate in the south and on Cheju Island. Zoologists have identified more than 130 freshwater fishes, 112 breeding birds, 49 mammals, and 14 reptiles and amphibians on the pen-



insula. Bear, wild boar, deer, and lynx still are found in the highlands, but the shrinking of the forested area has reduced the animal population in recent years. Migratory water fowl, cranes, herons, and other birds are visible on the plains. Noxious insects and household pests infest the warmer regions, and aquatic life is generally infected with parasites.

## 5 ENVIRONMENT

Efforts to control the detrimental effects of rapid industrialization, urbanization, and population growth focus on the Office of Environment, established in 1980 to control air, water, and land pollution and manage solid wastes. The Environmental Preservation Law, revised in 1979, covers air, water, and noise pollution, soil preservation, and disposal of solid wastes.

The nation has 65 cu km of renewable water resources with 63% used for agriculture and 11% used for industrial purposes. The purity of the nation's water is threatened by agricultural chemicals. Air pollution, associated mainly with the use of coal briquettes for home heating and the increase in automobile traffic, is also severe, with smog a common problem in Seoul. In the mid-1990s, South Korea had among the world's highest level of industrial carbon dioxide emissions, which totaled 289.8 million metric tons per year, a per capita level of 6.56 metric tons per year. In 1996, the total rose to 408 million metric tons. In 2000, the total of carbon dioxide emissions was at 427 million metric tons.

In 2003, about 6.9% of the total land area was protected by the state. There are three Ramsar wetland sites in the country. Although 28 species of birds and 8 species of mammals—chipmunk, wild boar, squirrel, raccoon dog, badger, hare, river deer, and roe deer—are still classified as game species, hunting was banned by the government from August 1972 through December 1981, except in such game preserves as that of Cheju Island. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species include 12 types of mammals, 34 species of birds, 1 species of amphibian, 7 species of fish, and 1 species of invertebrate. Endangered species in the Republic of Korea (ROK) include the Amur leopard, Oriental white stork, Japanese crested ibis, and Tristram's woodpecker. The Japanese sea lion has become extinct.

## 6 POPULATION

The population of South Korea in 2005 was estimated by the United Nations (UN) at 48,294,000, which placed it at number 25 in population among the 193 nations of the world. In 2005, approximately 9% of the population was over 65 years of age, with another 19% of the population under 15 years of age. There were 101 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.5%, a rate the government viewed as too low. The projected population for the year 2025 was 49,836,000. The population density was 486 per sq km (1,260 per sq mi).

The UN estimated that 80% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.65%. The capital city, Seoul, had a population of 9,714,000 in that year. Other large urban areas and their estimated populations were Pusan, 3,527,000; Inch'on, 2,642,000; Taegu, 2,510,000; Taejon, 1,464,000; Kwangju, 1,448,000; Suwŏn, 1,168,000; Ulsan, 1,060,000; and Pun'ch'on, 745,000.

## 7 MIGRATION

During the Japanese occupation (1910–45), some three million Koreans emigrated to Manchuria and other parts of China, 700,000 to Siberia, approximately three million to Japan, and about 7,000 to the United States (mostly to Hawaii). The great majority of those who went to Japan were from the populous southern provinces, and large numbers (1.5–2 million) of them returned home following the end of hostilities in 1945. In addition, from 1945 through 1949, at least 1.2 million Koreans crossed the 38th parallel into the Republic of Korea (ROK), refugees from Communism or from the Korean War. Under the Emigration Law of 1962, the ROK government encouraged emigration to South America (especially Brazil), Germany, the Middle East, and elsewhere. Most of the emigrants are workers who remit earnings back home. A total of 409,922 Koreans emigrated during the 1962–80 period; emigration peaked at 48,270 in 1976 but had declined to 27,163 by 1990. In addition, Koreans have emigrated permanently to the United States in large numbers since 1971; the population in the United States of Korean origin was 798,849 as of 1990 (72.7% foreign born). Migration within South Korea, mainly from the rural areas to the cities, remains substantial despite government efforts to improve village living conditions. Remittances in 2002 were \$25.8 million.

In 1993, South Korea developed two programs allowing employers to hire migrant workers: the industrial trainee system and the work permit program. The training program was undercut by the fact that as unauthorized workers, trainees could earn a higher wage, even with expenses. According to *Migration News*, in 2004, industrial trainees numbering 50,357 ran away from their assigned employers. In November 2004, a total of 186,000 of the 422,000 foreigners in Korea were illegal. Employers realize fines of up to 20 million won (\$19,080) and up to three years in prison for hiring illegal foreigners. Since August 2004, foreigners can enter Korea as workers under the Employment Permit System. This system benefits the employers as the workers are not quitting their jobs.

As of March 1997, 1,400 boat people who had been granted temporary refugee status were resettled to third countries. In 2004, South Korea hosted 44 refugees and 247 asylum seekers. In 2005, the net migration rate was estimated as zero per 1,000 population.

## 8 ETHNIC GROUPS

The Koreans are believed to be descended primarily from Tungusic peoples of the Mongoloid race, who originated in the cold northern regions of Central Asia. There is scant evidence of non-Mongoloid admixture. There are about 20,000 Chinese; however, the Republic of Korea (ROK) has no sizable ethnic minority.

## 9 LANGUAGES

The Korean language is usually held to be a member of the Altaic family; there are only slight differences among the various dialects. Korean is written in a largely phonetic alphabet called *Han'gul*, created in 1443. The Korean alphabet originally consisted of 14 consonants and 10 vowels; since then, 5 consonants and 11 vowels have been added. Han'gul letters are combined into syllables by clustering, in imitation of Chinese characters. Republic of

Korea (ROK) governments have launched several “language beautification” drives designed to purge Korean of borrowings from Japanese and other languages, but more than half of the vocabulary consists of words derived from Chinese.

English is widely taught in junior high and high school.

## 10 RELIGIONS

Most South Koreans are quite eclectic in their religious beliefs, the majority subscribing to varying mixtures of Taoism, Confucianism, Buddhism, Christianity, Ch'ondogyo (Religion of the Heavenly Way, an indigenous sect originating in 1860), and local animism. Shamanism, especially its aspect of exorcism of evil spirits, survives in some rural areas of the Republic of Korea (ROK). Geomancy is also used in matters such as the selection of auspicious building and tomb sites.

About 49% of the population practice Christianity (including 8,760,336 Protestants and 2,950,730 Roman Catholics); 47% practice Buddhism; 3% Confucianism; and 1% folk religion (shamanism), Ch'ondogyo (Religion of the Heavenly Way), and other faiths. Over 21 million people claimed that they did not practice any religion. Of those who claimed a specific religious affiliation, about 41.7% reported that they are active weekly participants in religious services; 26.9% reported attendance of only once a year.

Protestant denominations include Methodist, Lutheran, Baptist, Presbyterian, and Anglican, and the Korean Gospel Church Assembly. Other religions with significant popular followings include Taejongyo, based on the worship of a trinity of ancient deities, and Soka Gakkai, a Buddhist sect of Japanese origin. There are also practicing Muslims, members of the Unification Church, Mormons, and Jehovah's Witnesses.

The constitution provides for freedom of religion, and this right is generally respected in practice. The Religious Affairs Bureau of the Ministry of Culture and Tourism sponsors such groups as the Korea Religious Council and the Council for Peaceful Religions in an effort to promote interfaith understanding.

## 11 TRANSPORTATION

The Republic of Korea's (ROK) railway system in 2004 totaled 3,472 km (2,159 mi) of standard gauge track, most of which was government controlled. The Seoul subway system opened in 1991. Construction of Pusan's first subway line was completed in 1985.

The ROK road system carries 90% of the country's transportation. In 2003, the ROK had 97,252 km (60,491 mi) of roadway, of which 74,641 km (46,426 mi) were paved, including 2,778 km (1,728 mi) of expressways. There were 10,278,900 passenger automobiles, and 4,308,400 commercial vehicles in 2003. Bus transportation networks of varying quality serve most of the rural towns.

Maritime shipping expanded rapidly during the 1970s. By 2005, the ROK had a merchant fleet of 601 vessels of 1,000 gross registered tonnage (GRT) or more, accounting for a total of 6,992,656 GRT. Pusan is the country's chief port. Other major ports include Inch'ön (the port for Seoul), Kunsan, and Mokp'o. As of 2004, South Korea had 1,608 km (1000 mi) of navigable waterways, most of which were accessible only by small craft.

There were an estimated 179 airports in 2004. As of 2005, a total of 70 had paved runways, and there were 537 heliports. Major airports include Cheju International at Cheju, Kimhae International at Pusan, and Gimpo International at Seoul. Civil aviation in the



LOCATION: 33°7' to 38°38' N; 124°36' to 130°56' E. BOUNDARY LENGTHS: North Korea, 240 kilometers (149 miles); total coastline, 1,318 kilometers (819 miles). TERRITORIAL SEA LIMIT: 12 miles.

ROK in 2003 amounted to 8,312 million freight ton-km of service and about 33.334 million passengers were carried on scheduled domestic and international flights. Korean Air Lines (KAL), privately owned since 1969, grew rapidly during the 1970s and now ranks as a major world carrier. On the morning of 1 September 1983, a KAL jetliner en route from New York to Seoul via Anchorage, Alaska, strayed over airspace of the former USSR and was shot down by Soviet interceptors, reportedly because they thought it was a military aircraft engaged in espionage; all 269 persons on board were killed, and worldwide protest followed. In November 1983, 115 people were killed when a bomb was detonated aboard a KAL jet en route to Seoul.

## 1<sup>2</sup> HISTORY

[For Korean history before 1948, see Korea, Democratic People's Republic of.]

The Republic of Korea (ROK), headed by President Syngman Rhee (Rhee Syngman), was proclaimed on 15 August 1948 in the southern portion of the Korean Peninsula, which had been under US military administration since 8 September 1945. Like the Democratic People's Republic of Korea (DPRK), established in the north on 9 September 1948 with Soviet backing, the ROK claimed to be the legitimate government of all Korea. The ROK was recognized as the legitimate government by the United Nations (UN) General Assembly.

At dawn on 25 June 1950, following a year and a half of sporadic fighting, the well-equipped People's Army of the DPRK struck across the 38th parallel. Proclaiming that the war was for national liberation and unification of the peninsula, the DPRK forces advanced rapidly; Seoul fell within three days, and the destruction of the ROK seemed imminent. At US urging, the UN Security Council (with the Soviet delegate absent) branded the DPRK an aggressor and called for the withdrawal of the attacking forces. On 27 June, US president Harry S. Truman ordered US air and naval units into combat, and three days later, US ground forces were sent into battle. The United Kingdom took similar action, and a multinational UN Command was created to join with and lead the ROK in its struggle against the invasion. Meanwhile, DPRK troops had pushed into the southeast corner of the peninsula. At that juncture, however, UN lines held firm, and an amphibious landing at Inchon (15 September 1950) in the ROK under General Douglas MacArthur brought about the complete disintegration of the DPRK army.

MacArthur, commanding the UN forces, made a fateful decision to drive northward. As the UN forces approached the Yalu River, however, China warned that it would not tolerate a unification of the peninsula under US/UN auspices. After several weeks of threats and feints, "volunteers" from the Chinese People's Liberation Army entered the fighting en masse, forcing MacArthur into a costly pell-mell retreat down the peninsula. Seoul was lost again (4 January 1951) and then regained before the battle line became stabilized very nearly along the 38th parallel. There it remained for two weary years, with bitter fighting but little change, while a cease-fire agreement was negotiated.

On 27 July 1953, an armistice agreement finally was signed at P'anmunjom in the DPRK. The Korean War was ended, but it had brought incalculable destruction and human suffering to all of Korea (some 1,300,000 military casualties, including 415,000 combat deaths, for the ROK alone), and it left the peninsula still more implacably divided. A military demarcation line, which neither side regarded as a permanent border, was established, surrounded by the DMZ. The international conference envisioned in the armistice agreement was not held until mid-1954. This conference and subsequent efforts failed to reach an agreement on unification of the North and South, and the armistice agreement, supervised by a token UN Command in Seoul and by the Military Armistice Commission and the Neutral Nations Supervisory Commission, both in P'anmunjom, remains in effect.

In 1954, the United States and ROK signed a mutual defense treaty, under which US troops remained in the country. Financial assistance throughout the 1950s was provided by the United

States, averaging \$270 million annually between 1953 and 1958, and by other nations under UN auspices. Syngman Rhee ran the government until 1960, when his authoritarian rule provoked the "April Revolution," the culmination of a series of increasingly violent student demonstrations that finally brought about his ouster. The Second Korean Republic, which followed Rhee, adopted a parliamentary system to replace the previous presidential system. The new government, however, was short-lived. Premier Chang Myon and his supporters were ousted after only 10 months by a military coup in May 1961 headed by Maj. Gen. Park Chung-hee. The military junta dissolved the National Assembly, placed the nation under martial law, established the Korean Central Intelligence Agency (KCIA) as a means of detecting and suppressing potential enemies, and ruled by decree until late 1963 through the Supreme Council for National Reconstruction. General Park created a well-organized political party—the Democratic-Republican Party (DRP)—designed to serve as a vehicle for the transition from military to civilian rule, and in October 1963, under a new constitution, he easily won election as president of the Third Republic.

During the summer of 1965, riots erupted all over the ROK in protest against the ROK-Japan Normalization Treaty, which established diplomatic relations and replaced Korean war-reparation claims with Japanese promises to extend economic aid. The riots were met with harsh countermeasures, including another period of martial law and widespread arrests of demonstrators. Further demonstrations erupted in 1966, when the ROK's decision to send 45,000 combat troops to Vietnam became known. Park was elected to a second term in May 1967, defeating his chief opponent, Yun Po-sun, and the DRP won a large majority in the National Assembly. In 1969, Park pushed through the National Assembly a constitutional amendment permitting him to run for a third term. He defeated Kim Dae Jung, leader of the opposition New Democratic Party (NDP), in the elections of April 1971, but Kim's NDP made significant gains in the National Assembly elections that May.

Student demonstrations against the government in the fall of 1971 prompted Park to declare a state of national emergency on 6 December. Three weeks later, in a predawn session held without the knowledge of the opposition, the National Assembly granted Park extraordinary governmental powers. These failed to quell mounting opposition and unrest, and in October 1972 martial law was declared. A new constitution, promulgated at the end of the month and ratified by national referendum in November 1972, vastly increased the powers of the presidency in economic as well as political affairs. Under this new document, which inaugurated the Fourth Republic, Park was elected for a six-year term that December, with a decisive legislative majority for his DRP. Soon the economy began to expand at a rapid rate. But Park's regime became increasingly repressive. Typical of its heavy-handed rule was the abduction by KCIA agents of Kim Dae Jung from a Japanese hotel room back to Seoul, an incident that provoked considerable friction between Japanese and Korean officials. On 15 August 1974, a Korean gunman carrying a Japanese passport and sympathetic to the DPRK attempted to assassinate the president but killed Park's wife instead. Park responded by drafting a series of emergency measures; the harshest of these, Emergency Measure No. 9, issued in May 1975, provided for the arrest of anyone

criticizing the constitution and banned all political activities by students.

Park was reelected for another six-year term in July 1978, but the NDP, now led by Kim Young Sam, made major gains in the National Assembly. In October 1979, Kim was expelled from the legislature after calling for governmental reform. Riots protesting Kim's ouster were reported in several major cities. On 26 October 1979, in what may have been an attempted coup, Park was assassinated by KCIA director Kim Jae-gyu, who was later executed. Martial law was again imposed, and a period of relative calm followed as some of the more restrictive emergency decrees were lifted by Park's constitutional successor, the prime minister, Choi Kyu-hah, who promised a new constitution and presidential elections.

In December 1979, Maj. Gen. Chun Doo Hwan led a coup in which he and his military colleagues removed the army chief of staff and took effective control of the government. Demonstrations led by university students spread during the spring of 1980, and by mid-May, the government had once more declared martial law (in effect until January 1981), banned demonstrations, and arrested political leaders. In the city of Kwangju, more than 200 civilians were killed in what became known as the Kwangju massacre (these numbers may be conservative). Choi Kyu-hah was pressured to resign and Chun Doo Hwan, now retired from the military, was named president in September 1980. Chun Doo Hwan came to power under a new constitution inaugurating the Fifth Republic. A total of 567 political leaders, including Kim Dae Jung and Kim Young Sam, were banned from political activity. Kim Dae Jung, arrested several times after his 1973 kidnapping, was originally sentenced to death but allowed to go to the United States in 1982. All existing political parties were dissolved and all political activity banned until three months before the 1981 elections.

Twelve new parties (reduced to eight) were formed to enter the 1981 elections, in which Chun Doo Hwan was elected to a seven-year presidential term by a new electoral college and his Democratic Justice Party (DJP) secured a majority in the reconstituted National Assembly. Despite harsh controls, opposition to Chun continued. In 1982, 1,200 political prisoners were released, and in early 1983, the ban on political activity was lifted for 250 of the banned politicians. On 9 October 1983, Chun escaped an apparent assassination attempt in Yangon (Rangoon), Burma, when an explosion took the lives of 17 in his entourage, including four ROK cabinet ministers. Chun subsequently blamed the DPRK for the bombing. In 1984, under increasing pressure for political reforms prior to the 1985 parliamentary elections, the government lifted its ban on all but 15 of the 567 politicians banned in 1980. In 1985, the ban was lifted on 14 of the remaining 15. Kim Dae Jung was allowed to return from exile in the United States in 1984 but was rearrested. He remained banned from all political activity because of his conviction for sedition in 1980.

Opposition groups quickly formed the New Korea Democratic Party (NKDP) to challenge the DJP in the 1985 election; the new party became a strong minority voice in the National Assembly. The issue of constitutional reforms, particularly changes in the way in which presidents are elected and the way in which "bonus" seats in the legislature are distributed, became prominent, especially after Chun reaffirmed a commitment to step down in February 1988 and, in April 1986, dropped his long-standing opposition to any

constitutional changes prior to that date. Demonstrations against Chun continued and became violent at Inch'on in May 1986 and at Konkuk University that fall. Opposition groups began collecting signatures on a petition demanding direct (instead of indirect) election of the president. In April 1987, as demonstrations became increasingly violent, Chun banned all further discussion of constitutional reform until after the 1988 Olympic Games in Seoul. The ban, which could have guaranteed the election of a hand-picked DJP successor, set off violent antigovernment demonstrations throughout the nation. In June 1987, the DJP nominated its chairman, Roh Tae Woo, a former general and a close friend of Chun, as its candidate for his successor. When Roh accepted opposition demands for political reforms, Chun announced in July that the upcoming election would be held by direct popular vote. On 8 July, 100,000 people demonstrated in Seoul in the largest protest since 1960 and, on the same day, the government restored political rights to 2,000 people, including the longtime opposition leader, Kim Dae Jung.

In the elections, held on 16 December 1987, Roh Tae Woo, as the DJP candidate, won a plurality of 37%, defeating the two major opposition candidates, Kim Young Sam and Kim Dae Jung, who had been unable to agree on a single opposition candidacy and split 55% of the total vote. Two minor candidates divided the remainder. A reported 89% of all eligible voters participated. The two leading opposition candidates charged massive fraud, and a series of demonstrations were held to protest the results. However, no evidence of extensive fraud was produced, and the demonstrations did not attract wide support. Roh Tae Woo was inaugurated as president in February 1988 when Chun Doo Hwan's term expired.

In the elections for the National Assembly, held on 26 April 1988, President Roh Tae Woo's party, the DJP, won only 34% of the vote. This gave the DJP 125 seats in the assembly, while Kim Dae Jung's Peace and Democracy Party (PDP) gained 70 seats, Kim Young Sam's Reunification Democratic Party (RDP) won 59 seats, 35 seats went to the new Democratic Republican Party (NDRP), and 10 to independent candidates. Thus, for the first time in 36 years, the government did not have a controlling vote in the National Assembly, which quickly challenged President Roh's choice for head of the Supreme Court and by year's end forced the president to work with the assembly to pass the budget.

In the fall of 1988, the National Assembly audited the government and held public hearings on former President Chun's abuses of power. In November, Chun apologized to the nation in a televised address, gave his personal wealth to the nation, and retired into a Buddhist temple. Following the revision of the constitution in 1987, South Koreans enjoyed greater freedoms of expression and assembly and freedom of the press, and in 1988, several hundred political dissidents were released from prison.

Unrest among students, workers, and farmers continued, however, and beginning in April 1989, the government repressed opposition. In October 1989, the government acknowledged making 1,315 political arrests so far that year. The National Assembly became less of a check on President Roh after two opposition parties (RDP, NDRP), including that of Kim Young Sam, merged with Roh's DJP, forming a new majority party, the Democratic Liberal Party (DLP) in January 1990. Kim Dae Jung was then left as the leader of the main opposition party (PDP).

There were continuing demonstrations into 1990 and 1991, calling for the resignation of President Roh and the withdrawal of US troops. In May 1990, 50,000 demonstrators in Kwangju commemorated the 10th anniversary of the massacre, resulting in clashes with police which lasted several days. The United States agreed to withdraw its nuclear weapons from the ROK in November 1991. And, on the last day of the year, the ROK and the DPRK signed an agreement to ban nuclear weapons from the entire peninsula.

In the presidential election on 19 December 1992, Kim Young Sam, now leader of the majority DLP, won with 41.9% of the vote, while Kim Dae Jung (DP) took 33.8%. Inaugurated in February 1993, Kim Young Sam began a new era as the first president in 30 years who was a civilian, without a power base in the military. President Kim granted amnesty to 41,000 prisoners and instituted a series of purges of high-ranking military officials, including four generals who had roles in the 1979 coup. Among political and economic reforms was a broad anticorruption campaign, resulting in arrests, dismissals, or reprimands for several thousands of government officials and business people. In March 1994, a former official of the National Security Planning Agency made public President Roh Tae Woo's authorization of a covert program to develop nuclear weapons at the Daeduk Science Town through 1991.

South and North Korea continued to have a rocky relationship. On three successive days in April 1996, North Korean troops violated the 1954 armistice that had ended the Korean War by entering P'anmunjom. The soldiers, who were apparently conducting training exercises, withdrew after a few hours on all three occasions. In September of the same year, a small North Korean submarine was grounded off the eastern coast of South Korea and 26 crew members fled into the interior of South Korea. The ship appeared to be carrying a team of North Korean spies who intended to infiltrate South Korea to carry out what remain unknown missions against South Korean targets. Twenty-four of the crewmen were killed, one escaped, and one remains at large. In a surprise move, the North Korean government apologized in February of 1997 for the incursion.

Meanwhile, domestic events inside South Korea were equally tumultuous. In August of 1996, former President Chun Doo Hwan and his successor, Roh Tae Woo, were tried and found guilty of treason and mutiny for the 1980 coup that brought them to power, and the subsequent Kwangju massacre, in which troops killed more than 200 prodemocracy demonstrators (those numbers may be conservative). The court gave Chun a death sentence (extremely rare in Korea) and sentenced Roh to 22.5 years in prison. An appellate court later reduced Chun's sentence to life imprisonment and Roh's sentence to 17 years. When Kim Dae Jung was inaugurated as president in 1998, both leaders were released from prison under Kim's grant of amnesty.

On 11 April 1996, legislative elections took place amid allegations of corruption that reached the inner circle of President Kim Young Sam and his New Korea Party (NKP). During the preelection campaign, Kim promised to launch an anticorruption effort if his party gained power; in a major upset, the NKP captured 139 of the 299 seats, while the main opposition party (National Congress for New Politics—NCNP) of Kim Dae Jung won only 79 seats. Kim Dae Jung lost his own seat in the legislature. Several important New Korea Party officials and even Kim Young Sam's son were implicated on charges of taking or giving millions of dol-

lars in bribes to arrange loans to Hanbo Steel Industry Co., which eventually went bankrupt under \$6 billion of debt. Some of those officials were indicted in February of 1997, but Mr. Kim's son, Kim Hyun Chul, was cleared. However, in May of the same year, Kim Hyun Chul was arrested on bribery and tax-evasion charges unrelated to the Hanbo scandal.

By 1997, many of the large *chaebols* (business conglomerates) were reporting serious problems with debt. A portion of the Kia Group, a major manufacturer of automobiles, was nationalized to prevent bankruptcy. Increased domestic economic instability coupled with economic crisis swept through Asia, leading to a severe decline in the value of the currency. The ensuing financial panic coincided with presidential elections on 18 December 1997, the month that negotiations with the International Monetary Fund (IMF) began. In the 1997 presidential elections, South Koreans elected former political exile Kim Dae Jung, who became the country's first opposition candidate to win a presidential election. In the election, Kim Dae Jung narrowly defeated the ruling party's candidate, Lee Hoe Chang, by 40.3% to 38.7%. Kim Dae Jung pledged to adhere to IMF conditionality and reform government-business relations in South Korea by increasing transparency. In 1998 and 1999, the government reduced the role of government intervention in the domestic economy despite numerous strikes by workers protesting layoffs.

By mid-2000, Kim Dae Jung had managed to steer Korea's economy out of the worst of the crisis. The economy started to grow in 1999 and topped 10% in 2000, although economic growth stabilized at 4.4% by 2004. South Korea faced a steady unemployment rate of 3.6% between 2000 and 2005. In April 2000, the legislative elections improved the position of Kim's party, renamed the New Millennium Party (NMP), to 115 seats. However, the Grand National Party (GNP), successor to the NKP, obtained 133 seats and the United Liberal Democrats, allied with the GNP, won 17. Thus, Kim's objective to continue economic reform was imperiled.

In June 2000, Kim Dae Jung traveled to P'yongyang, the capital of the Democratic People's Republic of Korea (North Korea) for a historic meeting with his counterpart, Kim Jong Il. The two agreed to pursue further cooperation in the future. This summit marked the high point of what became known as Kim Dae Jung's "sunshine policy" of rapprochement toward the North. He was awarded the Nobel Peace Prize in 2000 for his commitment to democracy and human rights in Asia.

Roh Moo Hyun was elected president in the December 2002 election, taking 49% of the vote; he was inaugurated in February 2003. While campaigning, Roh stated he would continue Kim Dae Jung's "sunshine policy" toward the North, but prior to his election, it was revealed that North Korea was secretly developing a program to enrich uranium for use in nuclear weapons. Relations between North Korea and the United States were tense in 2002 and 2003, as the United States maintained North Korea should not be allowed to develop nuclear weapons, and the North asserted it had the right to do so to provide for its defense and security. Roh took the position that North Korea's move to develop nuclear weapons and export missiles could only be countered by dialogue. This put him at odds with some in the Bush administration, who held that the United States would not be "blackmailed" into negotiating with the North. In June 2003, the United States announced it would redeploy some of its 37,000 troops in South Ko-

rea to positions south of the DMZ, in an effort to create more agile and mobile forces. South Korea is also an integral part of the six-state team that meets periodically to assess North Korean nuclear ambitions. Roh's attempts to engage North Korea came under increasing attack since North Korea admitted to having a uranium-enrichment program as well as nuclear reactors.

Relations between the two countries warmed slightly in 2005 due to an increase in joint sports matches. Growing cultural contacts helped improve P'yongyang's image in the South. The younger generation in South Korea does not hold as stringent anticommunist ideals as the older generation and there is growing public support to provide economic aid to North Korea.

A major fund-raising scandal that implicated both major parties in 2003 delayed Roh's ability to advance several bills through parliament as the majority of parliament was concerned with investigating the scandal. This was particularly embarrassing to Roh, who, during his campaign, had pledged to end corruption within the government.

Roh faced a major crisis in 2004 when opposition parties brought about a parliamentary vote to impeach him. However, South Koreans supported Roh and his party, the Uri Dang Party, and voted a majority into parliament in 2004. Roh was allowed to resume the presidency after a parliamentary vote to overturn the impeachment but Roh's aggressive political style and staunch alliance with the United States continued to divide the populace.

Of major importance to contemporary South Korea is the stance of Japan regarding their military activities during World War II. South Korea often criticizes the Japanese educational system for overlooking Japan's military aggression in Asia during World War II, and is in continual negotiations with Japan over this topic. Of immense intensity is South Korean animosity concerning South Korean women taken as sex slaves by the Japanese Imperial Army during World War II. Although the Japanese government admitted deception, coercion, and official involvement in the recruitment and kidnapping of South Korean women in 1995, there has been no official apology and there is much tension in South Korean-Japanese relations. Japanese prime minister Junichiro Koizumi further inflames this animosity by making a yearly visit to the Yasukuni Shrine, which is dedicated to the Japanese war dead; Japan regards all World War II compensation claims to be settled per treaties signed in 1964. South Korea also contests Japanese claims to Liancourt Rocks (Tok-do/Take-shima), occupied by South Korea since 1954.

### 13 GOVERNMENT

The Republic of Korea's (ROK) first constitution was adopted on 17 July 1948. Through repeated revisions, power remained concentrated in the hands of the president until the most recent revision, adopted by 93.1% of the vote in a popular referendum on 28 October 1987. Under the new constitution, which took effect in February 1988, the president is elected by direct popular vote, rather than indirectly as before, for a single term of five years. There are also a prime minister and two deputy prime ministers, who head the State Council (the cabinet). In an extremely tight presidential race, Roh Moo Hyun was elected president on 19 December 2002 with 49% of the vote over Lee Hoi Chang, with 47%, for a five-year term beginning on 25 February 2003. In the elec-

tions of 2004, the Uri Dang, or "Our Party," won a narrow victory in parliament with 38.3% of the vote.

The ROK legislature is the unicameral National Assembly (Kuk Hoe); its next election was scheduled to be held in 2008. It has 299 seats: 243 in single-seat constituencies, 56 by proportional representation. During the first four decades of the ROK, the National Assembly had little authority. The 1987 constitution strengthened the National Assembly, giving it power to audit government activities and removing the president's power to dissolve the Assembly. Suffrage is universal at age 20.

### 14 POLITICAL PARTIES

From 1948 to 1988, politics in the Republic of Korea were dominated by the executive arm of the government with military backing. Despite this, there were active opposition parties and, with the implementation of the revised 1987 constitution, political parties have had a greater governmental role. In the presidential election of December 1987, the governing Democratic Justice Party (DJP), with Roh Tae Woo as its candidate, won 37% of the vote; the Reunification Democratic Party (RDP), with Kim Young Sam, won 28%; the Peace and Democracy Party (PDP), with Kim Dae Jung, won 27%; and the New Democratic-Republic Party (NDRP), with Kim Jong Pil, won 10%. In a crucial election for the National Assembly in April 1988, the DJP gained only 34% of the popular vote, allowing the opposition parties to control the assembly. This was the first time since 1952 that the government party did not have a majority in, and hence control of, the National Assembly.

In a surprise move in January 1990, the DJP merged with two of the opposition parties, the RDP and the NDRP, to form a new majority party, the Democratic Liberal Party (DLP). In July of that year, two opposition parties, the PDP and the Democratic Party (DP) merged, retaining the latter's name. In September 1991, the DP agreed to merge with another opposition party, the New Democratic Party (NDP), then led by the veteran oppositionist, Kim Dae Jung, forming a new DP.

The National Assembly election on 24 March 1992 saw 38.5% of the vote go to the DLP; 29.2% to the DP; 17.3% to the Unification National Party, which later changed its name to the United People's Party (UPP); and 15% to other parties. The actual distribution of seats in the National Assembly shifts as members frequently switch among parties. In the presidential election on 18 December 1992, 41.5% of the vote went to Kim Young Sam of the DLP; 33.8% to Kim Dae Jung of the DP; 16.3% to Chung Ju Yung of the UPP; and 8% to candidates of various smaller parties.

Following the 1992 elections, Korea's largest political parties began a period of reorganization. The DLP transformed into the New Korea Party (NKP), while Kim Dae Jung formed a new opposition party, the National Congress for New Politics (NCNP). In the National Assembly election on 11 April 1996, the NKP won 139 seats; the NCNP, 79 seats; the ULD, 50 seats; and the DP, 15 seats. The remaining 16 seats were won by independents. The surprise of the election was the success of the ULD, a conservative party led by former premier Kim Jong Pil.

In the presidential election of 18 December 1997, Kim Dae Jung won 40.3% and Yi Hoe Chang of the Grand National Party (GNP) won 38.7%. In January 2000, Kim reorganized his cabinet; his party, the National Congress for New Politics, assumed a new name, the Millennium Democratic Party (MDP).

The 13 April 2000 election involved Kim Dae Jung's MDP, which captured 115 seats; the former governing party, Grand National Party (formerly the New Korea Party), obtained 133 seats; and a minor party, the United Democratic Liberal Party captured 17 seats. Two seats were held by the Democratic People's Party, one seat was held by the New Korea Party of Hope, and five seats went to independents. The 15 April 2004 election showed a surprise outcome of the Uri Dang party, a liberal party, overtaking the Grand National Party with 152 seats; the Grand National Party retained 121 seats and the MDP came in fourth place with only 9 seats.

## 15 LOCAL GOVERNMENT

The Republic of Korea (ROK) is divided into is divided into one special city (*teukbyeolsi*), six metropolitan cities (*gwangyeoksi*), and nine provinces (*do*). These are further subdivided into a variety of smaller entities, including cities (*si*), counties (*gun*), wards (*gu*), towns (*eup*), districts (*myeon*), neighborhoods (*dong*), and villages (*ri*). Between 1961 and March 1990, there were no local elections.

In late April 2005, the governing Uri Dang Party and leading opposition parties agreed to a sweeping change in the country's local administration. This reform, tentatively slated to take place in 2010, would replace the three-tier system with a two-tier system. The existing provinces and metropolitan cities would be eliminated. The current *gu*, *si*, and *gun* units would be reorganized into about 60 "metropolitan cities" with a population of roughly one million each. Beyond this, the details of the reform were not decided at that time.

## 16 JUDICIAL SYSTEM

The highest judicial court is the Supreme Court, under which are five intermediate appellate courts. Lower tribunals include district courts, of which there are 15, and a family and administrative court. There are 103 municipal courts in South Korea. Since 1988, constitutional challenges go to the Constitutional Court.

The president, with the consent of the National Assembly, appoints the chief justice, the other 13 justices of the Supreme Court, and the Constitutional Court. The chief justice, in consultation with the other justices of the court, appoints lower court justices.

The constitution provides for a presumption of innocence, protection from self-incrimination, the right to a speedy trial, protection from double jeopardy, and other procedural due process safeguards.

The constitution provides for an independent judiciary. There are no jury trials. The legal system combines some elements of European civil law systems, Anglo-American law, and classical Chinese philosophies. Laws concerning detention are often vague—in particular, the National Security Law, which authorizes the detention of South Koreans who may be engaged in espionage or otherwise supportive of North Korea. Because South Korean citizenship is based on parentage instead of birthplace, there are many nonethnic Koreans who face extreme difficulties in procuring employment and are banned from civil service work. Rape, domestic violence, and sexual harassment are also punished leniently and many grassroots organizations have been formed to promote the legitimacy of these issues. As of 2005, there was a growing move-

ment against the mandatory military conscription for South Korean males.

## 17 ARMED FORCES

The Republic of Korea (ROK) in 2005 had 687,700 personnel on active duty in its armed forces. Of that total, 560,000 were in the Army, 63,000 in the Navy and Marines, and 64,700 in the Air Force. An additional 4.5 million were in the reserves. Paramilitary forces included 3.5 million in the Civilian Defense Corps and an estimated 4,500 personnel in the Maritime Police. The Army's equipment roster included 2,330 main battle tanks, 40 armored infantry fighting vehicles, 2,480 armored personnel carriers, over 10,774 artillery pieces, and 60 attack helicopters. Major naval units included 20 tactical submarines, 6 destroyers, nine frigates, 28 corvettes, 80 patrol/coastal vessels, and 15 mine warfare ships. The Air Force had 540 combat-capable aircraft, including 210 fighters and 283 fighter ground attack aircraft. The ROK in 2005 provided support for peacekeeping and UN missions in seven countries or regions. The United States maintained a military presence of over 40,000 personnel in the ROK. The defense budget in 2005 totaled \$20.7 billion.

## 18 INTERNATIONAL COOPERATION

The Republic of Korea (ROK) became a member of the United Nations on 17 September 1991 and participates in ESCAP and several nonregional specialized agencies, such as the FAO, UN-SECO, IFC, IMF, the World Bank, ILO, UNIDO, and the WHO. The ROK participates in the African Development Bank, Asian Development Bank, APEC, the ASEAN Regional Forum, the Colombo Plan, the European Bank for Reconstruction and Development, the Latin American Integration Association (LAIA), and OECD. The country is a dialogue partner in ASEAN, a partner in the OSCE, and an observer in the OAS.

The UN Commission on the Unification and Rehabilitation of Korea was dissolved in 1973, but the UN Command originating from the Korean War continues to supervise implementation of the 1953 armistice agreement. The ROK pursues a vigorous international diplomacy, and in recent years has modified both its militant anticommunist stance and its close alliance with the United States. By 1986, the ROK was recognized by 122 nations, 67 of which also had diplomatic relations with the Democratic People's Republic of Korea (DPRK). The demilitarized zone that separates North and South Korea has been in place since 1953, though both governments claim a desire for reunification. The nation is a guest in the Nonaligned Movement.

The ROK is part of the Australia Group, the Zangger Committee, the Nuclear Energy Agency, the Nuclear Suppliers Group (London Group), and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, the nation is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Under a centralized planning system initiated in 1962, the Republic of Korea (ROK) was one of the fastest-growing developing countries in the postwar period, shifting from an agrarian to an industrial economy to a high-tech “new economy” in the course of only a few decades. In 1996, the ROK was officially admitted to the 30-member Organization for Economic Cooperation and Development (OECD) of advanced industrialized countries. In 2005, industry contributed 41.4% of gross domestic product (GDP) compared to 16.2% in 1965, while agriculture, forestry, and fishing accounted for 3.8%, down from 46.5%. Much of this industrialization was fueled by the government’s stimulation of heavy industry, notably steel, construction, shipbuilding, and automobile manufacture, as well as its support of technological advances in communications and information technology (CIT). To finance industrial expansion, the ROK borrowed heavily up until the mid-1980s. By the end of 1986, its foreign debt equaled about 52% of gross national product (GNP), making the country one of the world’s four most deeply indebted developing economies. Steady current account surpluses allowed the ROK to reduce this figure, but in 1998, in the wake of the Asian financial crisis, the external debt/GDP ratio again ballooned, reaching an average 46.9% in 1998. Financial and corporate structural reforms helped bring this ratio down to 26.1% at the end of 2004.

The average annual rate of GDP growth declined from an average of 9.5% between 1965–80 and 9.7% between 1980–90 to 6.57% 1991–2000 as export growth slowed, labor costs rose, and the won steadily appreciated against the US dollar. However, Korea’s economy started to grow once again at the phenomenal rate that it saw in the 1970s and 1980s in the later 1990s. The economy grew by 9.1% in 1995 and 9.1% in 1996. However, after June 1997, when Hong Kong reverted to Chinese rule, South Korea became engulfed in the Asian financial crisis. GDP growth averaged only 5% in 1997, and then turned negative (-6.6%) in 1998, in the country’s first economic contraction since the Korean war. Export value fell 25% in 1998 despite a 19.6% increase in volume, due to depreciating currencies. Before the end of 1997, a \$58 billion international support program had been arranged, anchored in a three-year standby arrangement with the International Monetary Fund (IMF) running from 4 December 1997 to 3 December 2000, and a one-year arrangement under the IMF’s Supplemental Reserve Facility (SRF) with an additional \$14 billion line of credit. South Korea’s economy made a strong recovery in 1999 and 2000, with GDP growth rates of 10.9% and 9.3%, respectively, while inflation, which had reached 4% in 1998, was held to 1.9% in 1999 and 2.8% in 2000. The recovery was sharply interrupted, however, by the collapse of the dot.com boom in early 2001, the decline in international investment in the aftermath of the 11 September 2001 terrorist attacks on the United States, and the slowdown in the global economy.

One problem South Korea faces is that it has not yet developed a strong and diverse local economy, despite its skilled workforce and large middle class. It has relied upon increasing exports, which benefit a few huge conglomerates (*chaebol*), in ways that stifle domestic demand. Real GDP growth dropped to 3.23% in 2001, stood at 6.27% in 2002, and fell again to 2.7% in 2003. In 2005, the real GDP growth rate was estimated at 3.7%, and was forecast to pick up in 2006 to 4.8%, reflecting a strengthening of

domestic demand, before easing back to 4.1% in 2007. However, further rises in global oil prices in 2006–07 could slow the economic recovery.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 South Korea’s gross domestic product (GDP) was estimated at \$983.3 billion. The per capita GDP was estimated at \$20,300. The annual growth rate of GDP was estimated at 3.7%. The average inflation rate in 2005 was 2.8%. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange. It was estimated that agriculture accounted for 3.8% of GDP, industry 41.4%, and services 54.8%.

According to the United Nations, in 2000, remittances from citizens working abroad totaled \$63 million or about \$1 per capita. Worker remittances in 2001 totaled \$49.20 million. Foreign aid receipts amounted to about \$2 per capita.

The World Bank reports that in 2001, per capita household consumption (in constant 1995 US dollars) was \$6,907. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the same period, private consumption grew at an annual rate of 4%. Approximately 18% of household consumption was spent on food, 7% on fuel, 5% on health care, and 14% on education. The richest 10% of the population accounted for approximately 24.3% of household consumption and the poorest 10% approximately 2.9%. It was estimated that in 2001, about 4% of the population had incomes below the poverty line.

## 21 LABOR

The South Korean labor force in 2005 was estimated at 23.65 million. In 2004, it was estimated that 8% were engaged in agriculture, 19% in industry, and 73% in the services sector. The unemployment rate in 2005 was estimated at 3.7%.

Before 1987, the labor movement was heavily controlled by the government, but since 1991, democratic reform has brought some changes. With the exception of public-sector employees, workers enjoy the right to join unions, even with as few as two members. All unions must register with the Labor Ministry, although unions not formally recognized by the ministry have generally not been interfered with by the government. In 2005, about 11% of the workforce belonged to a union. Unions often exercise the right to strike, and collective bargaining is prevalent.

Children under the age of 15 are generally prohibited from working, and those under 18 must obtain written approval from their parents. In July of 2004, the five-day, 40-hour workweek was adopted, applicable to certain types of companies with 1,000 or more employees. In other areas, employees can work up to 44 hours per week, during certain weeks, so long as the average over two weeks is 40 hours per week. Overtime pay is mandatory for extended hours. In 2005, the minimum wage was \$2.92 per hour. Health and safety standards are regulated by the government, although they are not stringently enforced due to lack of inspectors.



## 2<sup>2</sup> AGRICULTURE

Some 18.7% of the Republic of Korea's (ROK) land area is arable, with about 70% of it sown in grain, rice being the chief crop. In 1965, agriculture (including forestry and fishing) contributed nearly 50% to gross national product (GNP), but by 2005 only accounted for 3.8%. Double-cropping is common in the southern provinces. Rice production in 2004–05 was 5,000,000 tons. Barley production in 2004 stood at 260,000 tons; potatoes, 550,000 tons; and soybeans, 139,000 tons. Despite increased yields due to mechanization, the use of hybrid seeds, and increased employment of fertilizers, the ROK runs a net deficit in food grains every year. In 2004, imports of cereals, mostly from the United States, amounted to \$2.2 billion, consisting almost entirely of wheat and corn. Virtual self-sufficiency has been attained in rice production, but at a cost of nearly \$2 billion per year in direct producer subsidies. In 2004, the ROK's agricultural trade deficit was \$8.4 billion, fifth highest in the world.

Hemp, hops, and tobacco are the leading industrial crops. The ROK was the world's second-leading producer (after China) of chestnuts in 2004. The orchards in the Taegu area are renowned for their apples, the prime fruit crop; output in 2004 was 60,000 tons. Pears, peaches, persimmons, and melons also are grown in abundance. About two-thirds of vegetable production is made up of the *mu* (a large white radish) and Chinese cabbage, the main ingredients of the year-round staple kimchi, or Korean pickle.

Until the Korean War, tenant farming was widespread in the ROK. The Land Reform Act of June 1949, interrupted by the war, was implemented in 1953; it limited arable land ownership to three hectares (7.4 acres) per household, with all lands in excess of this limit to be purchased by the government for distribution among farmers who had little or no land. By the late 1980s, farms averaged 0.5–1 hectare (1.2–2.5 acres). The New Village (Saemaul) Movement, initiated in 1972, plays a major role in raising productivity and modernizing villages and farming practices.

The ROK has one of the most protected agricultural economies of the world, with high production costs supported by government purchases, and high tariffs protecting domestic producers from import competition. In 2004, a free trade agreement with Chile became effective, whereby trade duties were lifted on many of Chile's agricultural goods. The agreement was strongly opposed by the ROK's agricultural sector. The government has agreed to a farm support program worth \$100 billion during 2004–11, whereby farmers will receive compensation for the anticipated losses caused by Chilean imports.

## 2<sup>3</sup> ANIMAL HUSBANDRY

The raising of livestock, traditionally a supplementary occupation among Republic of Korea (ROK) farmers, expanded rapidly during the 1970s and 1980s. In 2005, 2.3 million head of cattle were raised; pigs totaled 9 million and chickens, 110 million. Production in 2005 included (in thousands of tons): beef, 229; pork, 1,050; chicken, 402; eggs, 598; milk, 2,237; and butter, 5.3. The silkworm industry has declined radically since the mid-1970s. Although the dairy industry has been protected by import restric-

tions, an incremental lifting of such trade constraints is under way, which will eventually include livestock imports.

## 2<sup>4</sup> FISHING

Korean waters are some of the best fishing grounds in the world. The Sea of Japan off the east coast provides deep-sea fishing, with an average water depth of 1,700 m (5,600 ft). Warm and cold water alternate each season; the area is known for its Alaskan pollock, cod, squid, king crab, hairy crab, turban shell, and abalone. Off the west coast, the Yellow Sea has an average depth of 44 m (144 ft); major species include corker, hairtail, mackerel, surf clam, large clam abalone, lobster, Japanese paste shrimp, and blue crab. Off the south coast, the warm Pacific Ocean currents move toward the northeast, bringing diverse species such as anchovy, mackerel, oyster, mussels, shellfish, octopus, beka squid, laver, and sea mustard.

Industrialization and urbanization have led to a dramatic reduction in the number of families directly involved in fishing; from 1980 to 2000, the number of fishing families declined from 157,000 to 82,000. The fishing fleet consisted of 91,608 vessels in 2004, with a capacity of 724,979 gross tons. The size of the fleet has decreased by 4% in vessels and 22% in capacity since 2001. The depletion of fish resources in adjacent waters and the enforcement of the Exclusive Economic Zone has caused the ROK's domestic fishery production to decline since 2001.

According to the government, the total catch in 2004 was 2.52 million tons. Mackerel and anchovies account for about half the coastal fish landings; oysters are the principal aquacultural species; Alaskan pollack and tuna provide 80% of the deep-sea fish catch. Korean fishing bases have been established in Western Samoa and Las Palmas, and cuttlefish caught in waters off the Falkland Islands are now available. Since the declaration of 200 mi economic sea zones by many nations in the 1970s, the ROK has negotiated fishing agreements with several coastal nations to secure fishing rights in their waters. Seaweed is another important aquacultural product, with 560,642 tons harvested in 2004. Production of processed fishery products in 2004 totaled 1,528,795 tons, with frozen seafood accounting for 69%; canned seafood, 10%; ground fish meat, 6%; and other products, 25%.

The ROK exports seafood to about 65 countries throughout the world. Fishery exports typically include tuna, shellfish, frozen/canned products, and seaweed. Japan is the largest destination for exports, annually accounting for about 75% of ROK seafood exports by value. In 2004, fisheries exports were valued at \$1,278,638,000. In 2004, China, Russia, and Japan were the origin for 60% of the ROK's fishery imports; Japan, China, and the European Union were the destination for 80% of the ROK's fishery exports. The rate of fish consumption in the ROK was 45.5 kg (100 lb) per person in 2002. Although domestic consumption is still largely tied to local production, the ROK imported \$2,261,356,000 of fish products in 2004.

## 2<sup>5</sup> FORESTRY

Forests cover 6.2 million hectares (15.4 million acres), or about 63% of the Republic of Korea's (ROK) total area, but wood supplies are grossly inadequate to meet the needs of the fast-growing plywood and paper industries. The total commercial forest area covers 4,930,000 hectares (12,182,000 acres). Most of the origi-

nal forests were destroyed during the Korean War and have been transformed into pine forests under a massive government reforestation program. Conifers now account for 45% of the forest; broad-leaved species (such as oak), 28%; and mixed forests, 27%. About 21% of all forested land is nationally owned and is the focus of extensive reforestation efforts. The government supported local efforts to invest in forest development projects abroad. According to the Food and Agriculture Organization, estimated production of roundwood in 2004 was 4,136,000 cu m (146 million cu ft); sawnwood, 4,380,000 cu m (154 million cu ft); and wood-based panels, 3,720,000 cu m (131.8 million cu ft). Softwoods (mostly red pine and larch) accounted for about 80% of production; hardwoods (mainly oak), 20%. Because of low quality, domestic roundwood is mainly used for chopsticks, crates, match wood, and wood chips. Whereas plywood and wood pulp were once traditional export items, the role of forestry products in generating export earnings is now shrinking. The ROK now imports about 95% of its forest products. Imports of forest products amounted to nearly \$3.7 billion in 2004 (primarily from Indonesia, Malaysia, and the United States). Imports have been boosted by a growing demand for single and multifamily wood frame houses.

## 26 MINING

The Republic of Korea (ROK) does not have significant natural resources, and its limited supplies of iron ore, coal, copper, lead, and zinc have to be supplemented by imports. In 2004, 496,000 metric tons of iron ore and concentrate (gross weight) were produced, up from 289,000 metric tons in 2003. Output of mined zinc in 2004 was 14 metric tons. There was no recorded mined zinc output in 2003. Lead mine output was 40 metric tons in 2004. As with zinc, there was no recorded mined lead output in 2003. No mined copper was produced in 2004. The ROK also produced the metals bismuth, cadmium, gold, nickel, and silver. Among industrial minerals, the ROK produced barite, hydraulic cement, diatomaceous earth, feldspar, graphite, kaolin, limestone, mica, nitrogen, quartzite, salt, sand (including glass sand), soda ash (manufactured), sulfur, and talc and pyrophyllite. No barite was produced in 1997–2000 or in 2004, and no fluorspar was produced in 1998–2000 or 2004. The production of chemicals and steel ranked third and fifth, respectively, among the country's leading industries in 2002. Steel ranked fourth among export commodities.

After four years of prospecting, Ivanhoe Mines Ltd. of Canada announced the discovery of two epithermal gold-silver veins near Haenam, Cholla Province, with potentially high-grade gold-silver mineralization. The government continued to support state-owned or privately owned enterprises that invested in such mineral-rich countries as Australia, Brazil, Canada, and Chile. The Korea Development Bank sold off the government's equity in Pohang Iron and Steel Co. Ltd. (POSCO), which had diversified interests and holdings, including a high-grade iron ore deposit in the Pibara region of Western Australia with proven reserves of 200 million tons. Two-way trade with North Korea continued to grow.

## 27 ENERGY AND POWER

South Korea has no known reserves of oil or natural gas, and must rely on imports to meet all its oil and natural gas needs. The country does have recoverable coal deposits, which are the country's primary source of domestic fossil fuel output, but the deposits

are small and South Korea must import the bulk of the coal it consumes.

South Korea produced 3,657,000 short tons of coal in 2002, all of it anthracite. However, with recoverable coal reserves estimated at only 86 million short tons as of 2000, demand for coal far exceeded output in 2002 at 79,710,000 short tons. Thus, imports made up the difference. In 2002, South Korea's coal imports came to 75,529,000 short tons. Most of the domestic coal is low-quality anthracite and is used mainly for home cooking and heating; imports of higher-grade coal are required for industry.

In 2004, petroleum product imports averaged an estimated 2.263 million barrels per day, while consumption that same year averaged an estimated 2.07 million barrels per day. Because domestic demand was less than the volume imported, South Korea was able to export an estimated average of 630,100 barrels per day in 2004.

Demand for natural gas in 2003 was estimated at 20.92 billion cu m, with imports that same year estimated at 21.11 billion cu m.

South Korea's electric power generating capacity came to 54.463 million kW in 2002. Of that total, conventional thermal fueled capacity accounted for 38.581 million kW, followed by nuclear power at 13.716 million kW, hydroelectric at 1.614 kW, and geothermal/other at 0.552 million kW. Electric power output in 2002 totaled 287.994 billion kWh, with conventional thermal fuel and nuclear plants producing 170.873 billion kWh and 113.148 billion kWh, respectively. Hydroelectric power output that same year came to 3.201 billion kWh, with 0.772 billion kWh produced by geothermal/other sources. Electric power consumption for 2002 came to 267.834 billion kWh. In 2003, electric power output rose to 322.5 billion kWh, while consumption rose to 293.6 billion kWh. Electricity demand is projected to rise 3.4% per year on average through 2015.

## 28 INDUSTRY

Until the 1960s, manufacturing was chiefly confined to production for domestic consumption, and a substantial proportion of the output was produced by handicraft methods in homes and small factories. While textiles, apparel, and footwear were the first modern industries to be developed, heavy industry grew rapidly over the next four decades, promoted by a series of development plans. In the 1980s, the manufacture of metals, machinery, and electronic and other equipment overtook textile production as the country's leading industries in terms of value, employment, and export earnings. In turn, in the 1990s, high-tech electronics became the leading sector as South Korea became the world's leading semiconductor manufacturer as well as the leading shipbuilder. Prosperity brought higher labor costs, and in the past decade, South Koreans have begun outsourcing production—particularly textiles and footwear but also more recently “commoditized” consumer electronics. During the past decade, increasing domestic production costs have encouraged the relocation of production plants in some industries—particularly textiles and footwear but more recently also consumer electronics—to overseas locations in Southeast Asia, Eastern Europe, China, Mexico, and Turkey. The Republic of Korea (ROK) now ranks as a major Asian producer of electronics, automobiles, chemicals, ships, steel, textiles, clothing, shoes, and processed food. In 2002, industrial production grew

7.3% (although excluding the 21.4% growth in semiconductors, it grew only 5.8%). Other high-value-added sectors showed above-average growth: Automobile production rose 8.1%; machinery equipment, 7.9%; and wearing apparel and fur articles, 7.4%. The lower-value-added sectors of textiles and basic metals showed the strains of global overcapacity and low-cost competition. Textiles declined 6.6% and basic metals increased a weak 4.6%. Long-term plans for the textiles and clothing sectors include a shift from the current mix of 5% clothing to 30% clothing by 2010 as part of the goal of doubling export value from the 2002 level of \$15.7 billion. In 2005, the industrial production growth rate stood at 3.9%.

Manufacturing in the ROK has been dominated by a few dozen vertically integrated industrial conglomerates, known as *chaebol*, which have privileged access to financing and set the standards for contracting and procurement throughout the country. In 1995, the 30 largest *chaebol* accounted for 16.2% of GNP (up from 13.5% in 1992). In 1999, the debts of the four biggest *chaebol* stood at approximately \$140 billion. However, many of the country's *chaebol* have racked up huge debts in order to finance industrial expansion, some more than five times their annual intake. Asset sell-offs by the four biggest *chaebol*, including Hyundai, Samsung, LG, and SK, amounted to \$15 billion in 1999. By 2005, the government had instituted a program of corporate restructuring designed to make the business activities of Korean companies, including the *chaebol*, more transparent and more accountable to shareholders, but this was still a work in progress. Due to reform measures and market realities, the sell-off of some *chaebol* constituent companies has weakened *chaebol* dominance in the economy at large. By 2005, approximately 12 of South Korea's top 30 *chaebol* prior to 1998 had ceased to exist as coherent entities.

Joint-venture production with major US and Japanese car companies, growing domestic demand, and successful penetration of overseas markets by Korean-owned corporations have fueled steady growth in automobile output. The production of passenger cars more than doubled from 1990 to 1995. Total vehicle production in 1995 was 2,526,400, or 5% of world output. Vehicle production in 1998 was about two million, or one-eighth of all Organisation for Economic Co-operation and Development countries. South Korea's automotive industry is dominated by Hyundai, which accounted for 48% of all passenger cars, trucks, and buses domestically produced in 1995. Kia accounted for 25% of production that year; Daewoo, 18%; and others, 9%. In 2004, South Korea manufactured 3.4 million automotive vehicles, making it the sixth-largest automobile manufacturer in the world, after the United States, Japan, Germany, China, and France. The total size of the automotive market in 2004 was \$32 billion, a 7.6% increase over 2003.

In 1998, the ROK was the second-largest world producer of new ships; in 2002, it was the world leader. In 2002, Korean shipbuilders got orders for 230 ships (2.6 million CGT), delivered 210 ships (6.8 million CGT), and had a backlog of 496 ships (17.1 million CGT).

Production of electronics has shifted from assembly of imported parts to the manufacture of competitive high-technology products, such as office automation systems, for both the international and domestic markets. Daewoo Electronics (the second-largest *chaebol*, with substantial debts), LG, and Samsung Electronics dominate the production of consumer electronics; the

televisions, videocassette recorders, stereos, refrigerators, washing machines, and microwave ovens produced by these companies are sold across the world. Daewoo Electronics also operates 36 overseas factories and planned to capture 10% of the world's market in consumer electronics by 2000. Samsung Electronics was the world's largest producer of computer memory chips by 1996. By 2005, South Korea's electronics industry accounted for 4% of world output. Components, and in particular semiconductors, accounted for 41% of the total. South Korea is also a major producer of radio communications, including cell phones; the sector accounting for 25% of domestic output. In 2005, South Korea was the world's leader in the production of thin film transistor liquid crystal displays (LCDs). Korean companies had a 46% share of the global LCD market in 2004, followed by Taiwan.

By 2002, the ROK had become the world's fifth-largest steel producer, up from 10th in 1989, accounting for 4.8% of the world total. Pohang Iron and Steel Co. (POSCO) produces about half of the nation's total steel output and is the world's second-largest steel mill, producing 27.4 million tons in 2002. There are about 200 steel companies in South Korea. From January to November 2005, South Korea's steel output was 43.6 million metric tons, up 0.4% from 2004.

## 29 SCIENCE AND TECHNOLOGY

The Republic of Korea (ROK) has often been compared to its powerful neighbor, Japan, but is said to be about 10 years behind that nation in scientific and technological innovation. However, in areas such as semiconductor memory chips, cars, and steel, Korean industries provide innovation equal to that in the United States and Japan.

In 2002, high-technology exports were valued at \$46.438 billion and accounted for 32% of all manufactured exports. Research and development (R&D) spending in 2002 totaled \$23,452.761 million, or 2.91% of GDP, with business accounting for the largest portion at 72.2%, followed by the government at 25.4%, higher education at 2%, and foreign sources at 0.4%. In that same year, there were 2,979 researchers per million people actively engaged in R&D.

Two organizations provide most of the main support for Korean science and technology. The Korean Institute of Science and Technology (KIST) was started in 1965 with the help of the United States. The Korean Advanced Institute of Science and Technology (KAIST), the leading university in scientific research, attracts researchers from all over the world and is considered one of the top universities in the world for electrical and molecular engineering and computer science. In 1987–97, science and engineering students accounted for 32% of college and university enrollments. In 2002, of all bachelor's degrees awarded, 37.3% were in the sciences (natural, mathematics and computers, and engineering).

## 30 DOMESTIC TRADE

The small family store, traditional in Korea, is giving way to chain stores and supermarkets. Large, modern department stores now operate in Seoul, Pusan and other major urban centers, although some trade in rural areas is still carried on by itinerant peddlers, mobile sidewalk stands, and periodic market fairs. Black markets offering all manner of foreign goods are much in use; haggling over prices is common. Seoul is the nation's wholesaling center.

Franchising has a firm ground in the restaurant and retail markets. Direct marketing, in particular door-to-door sales, is still fairly popular as well.

Most private offices are open from 9 AM to 6 PM weekdays. Some businesses are open from 9 AM to 1 PM on Saturdays, but Korean companies are moving toward the five-day workweek. Korean government offices keep similar hours. Banking hours are 9 AM to 5 PM, Monday through Friday. Department stores are open from 10:30 AM to 8 PM seven days a week, although typically one day a month (usually a Monday) department stores are closed (closings vary according to each store).

### 31 FOREIGN TRADE

Electric and electronic products, automobiles, various types of machinery, and chemicals are the Republic of Korea's (ROK) most important commodity exports. The ROK's other major exports include woven fabrics and ships. In percentage terms, in 2004 the primary exports were electric and electronic products (34.6% of all exports); passenger cars (9.7%); machinery and equipment (8.9%); and chemicals (8.1%).

Oil and related products, machinery, semiconductors, electronic machinery, and raw materials are major imports, as most raw inputs for the country's industrial sector are imported. A lack of small companies and technological research compels the ROK to import components and production machines for the cars, video-cassette recorders, computer chips, and ships that it manufactures. In percentage terms, in 2004 South Korea's primary imports were electric and electronic machinery (22.3% of all imports); crude petroleum (13.3%); machinery and equipment (12.6%); and semiconductors (10.5%).

The United States, China, and Japan continued to be the ROK's chief trading partners by far, although potential new markets in Eastern Europe and the rest of Asia are being explored. Saudi Arabia and Indonesia have been major providers of oil and liquefied natural gas. Australia is a leading supplier of iron ore, coal, and grains. In percentage terms, the leading markets for South Korea's goods in 2004 were China (19.6% of all exports); the United States (16.9%); Japan (8.5%); and Hong Kong (7.1%). The leading suppliers in 2004 were Japan (20.6% of all imports); China (13.2%); the United States (12.8%); and Saudi Arabia (5.3%).

### 32 BALANCE OF PAYMENTS

Robust export performance turned the Republic of Korea's (ROK) overall balance-of-payments deficit into a \$1.7 billion surplus in 1986, which grew to \$12.1 billion in 1988. The balance-of-payments surplus later declined; in 1990, the balance of payments had a deficit of \$274 million because of declining exports, rising imports, and a current account deficit. The deficit grew to over 4% of GDP in 1996, before subsiding in 1997 due to a shrinking currency base.

At the end of 1998, South Korea had \$20.2 billion in net outstanding loans, but by the end of 1999, it had become a net creditor. By the end of April 2001, \$33.3 billion in outstanding loans were owed the country.

Merchandise export revenue in 2004 rose by 30.6% year-on-year to \$257.8 billion, and the value of merchandise imports increased by 25.2% to \$219.6 billion. The resulting merchandise trade surplus for 2004 was \$38.2 billion, an increase of \$16.2 bil-

lion compared with 2003. In 2005, the current account surplus was estimated at \$14.32 billion. The current account surplus was forecast to decline to an average of 1.3% of GDP in 2006–07 from an estimated 2.4% of GDP in 2005.

### 33 BANKING AND SECURITIES

In 2000, finance, insurance, real estate, and business services accounted for over half of GDP. The Bank of Korea serves as the central bank, the bank of issue, and the depository for government funds. It was established on 12 June 1950. The banking system is regulated by the Financial Supervisory Service. Other banking services are provided by the state-run Korea Development Bank, the Export-Import Bank of Korea, and nine state-run specialized banks. Commercial banking operations in 1999 were handled by 11 nationwide commercial banks, 10 provincial banks, and 42 for-

#### Principal Trading Partners – Korea, Republic of (ROK) (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	193,817.3	178,825.9	14,991.4
China	35,109.7	21,909.1	13,200.6
United States	34,368.7	24,934.8	9,433.9
Japan	17,276.1	36,313.0	-19,036.9
China, Hong Kong SAR	14,653.7	2,735.4	11,918.3
Other Asia nes	7,044.6	5,879.6	1,165.0
Germany	5,603.3	6,821.6	-1,218.3
Singapore	4,636.0	4,089.7	546.3
United Kingdom	4,094.2	2,703.2	1,391.0
Malaysia	3,851.8	4,249.1	-397.3
Indonesia	3,377.6	5,212.3	-1,834.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Korea, Republic of (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>12,321.0</b>
Balance on goods		22,161.0
Imports	-175,476.0	
Exports	197,637.0	
Balance on services		-7,611.0
Balance on income		596.0
Current transfers		-2,824.0
<b>Capital Account</b>		<b>-1,402.0</b>
<b>Financial Account</b>		<b>14,530.0</b>
Direct investment abroad		-3,429.0
Direct investment in Korea, Republic of		3,222.0
Portfolio investment assets		-4,333.0
Portfolio investment liabilities		22,653.0
Financial derivatives		-360.0
Other investment assets		-3,496.0
Other investment liabilities		274.0
<b>Net Errors and Omissions</b>		<b>342.0</b>
<b>Reserves and Related Items</b>		<b>-25,791.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

eign banks. Total assets of Korea's commercial banks at the end of 1998 were \$300 billion.

In 1986, as part of the government's economic stabilization program initiated in 1980, all of the five commercial banks previously under government control were denationalized. In 1993, the Korean government began a five-year financial-sector reform program, including the deregulation of interest rates and liberalization of foreign exchange. During the financial crisis of late 1997 and 1998, nonperforming loan levels skyrocketed. The credit hunger of South Korean corporations can be explained in part by the failure of the stock exchange to generate the equity capital they needed. On 25 June 1998, the Korean government ordered the takeover of five failing banks, and seven other banks were put on a warning list. Of the seven, five merged, and two continued operations. Banks directly affected by these measures included Shinhan Bank, the Housing and Commercial Bank, Kookmin Bank, KorAm Bank, Hana Bank, and Hanvit Bank, among others. In 1998, efforts continued to stabilize the banking sector by increasing the capital adequacy ratio to 8%, and the government encouraged lending to small and medium-sized companies as opposed to the large conglomerate *chaebol*. By 2003 the government had nationalized eight failing private banks, spending \$120 billion on bailouts. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$41.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$362.2 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.7%.

The Korean Stock Exchange (KSE), a share-issuing private corporation, functioned as the country's only stock exchange through 1998, when the Korea Securities Dealers Automated Quotations (KOSDAQ) began holding stock transactions for small and medium-sized firms. Direct access to the stock market by foreigners has been allowed since 1992, with Seoul implementing unrestricted foreign access in 1998 and international links established in 2000. As of 2004, a combined total of 1,573 companies were listed on the KSE and KOSDAQ, which had a combined market capitalization of \$428.649 billion that year. In that same year, the Korean Composite Stock Price Indexes (KOSPI) rose 10.5% from the previous year to 895.9.

### 34 INSURANCE

The insurance industry in the Republic of Korea is overseen by the Financial Supervisory Service. In 2003, there were us\$59.758 billion direct insurance premiums written, with us\$41.998 billion of the total life insurance and us\$17.760 billion nonlife insurance. In 2002, leading life insurance companies included Samsung Life, Korea Life, Kyobo Life, and Allianz. Leading nonlife insurance companies in 2003 included Samsung, Hyundai, Dongbu, LG, and Oriental. Workers' compensation, medical insurance, third-party automobile liability, nuclear and aviation liability, and unemployment insurance are all compulsory.

### 35 PUBLIC FINANCE

The US Central Intelligence Agency (CIA) estimated that in 2005, South Korea's central government took in revenues of approximately \$184.0 billion and had expenditures of \$187.4 billion. Rev-

### Public Finance – Korea, Republic of (2001)

(In billions of won, central government figures)

<b>Revenue and Grants</b>	<b>141,864</b>	<b>100.0%</b>
Tax revenue	95,793	67.5%
Social contributions	21,102	14.9%
Grants	...	...
Other revenue	24,969	17.6%
<b>Expenditures</b>	<b>125,406</b>	<b>100.0%</b>
General public services	31,635	25.2%
Defense	15,702	12.5%
Public order and safety	6,331	5.0%
Economic affairs	26,983	21.5%
Environmental protection	...	...
Housing and community amenities	2,740	2.2%
Health	555	0.4%
Recreational, culture, and religion	1,272	1.0%
Education	22,218	17.7%
Social protection	17,969	14.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

enues minus expenditures totaled approximately -\$3.4 billion. Public debt in 2005 amounted to 20.5% of GDP. Total external debt was \$188.4 billion.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, central government revenues were w141,864 billion and expenditures were w125,406 billion. The value of revenues was us\$110 million and expenditures us\$97 million, based on a market exchange rate for 2001 of us\$1 = w1,290.99 as reported by the IMF. Government outlays by function were as follows: general public services, 25.2%; defense, 12.5%; public order and safety, 5.0%; economic affairs, 21.5%; housing and community amenities, 2.2%; health, 0.4%; recreation, culture, and religion, 1.0%; education, 17.7%; and social protection, 14.3%.

### 36 TAXATION

The principal sources of tax revenue are customs duties, corporate taxes, a defense tax surcharge imposed on corporations, a value-added tax (VAT) of 10%, personal income taxes, and excise taxes ranging from 5–20%. As of 2005, the rates for corporate taxation ranged from 13% on taxable income up to w100 million to 25% on income over w100 million. In addition, there is a resident tax surcharge of 10% and a special agriculture and fishery tax imposed on corporations having taxable income over w500 million. There is a 15% withholding tax on interest. Dividends are not subject to a withholding tax. Dividends paid to a domestic corporation by another domestic corporation are deductible from taxable income. However, foreign companies without a domestic business operation are subject to a 25% withholding rate on their dividends. Royalty payments are treated the same as dividends. Capital gains are treated as income and taxed at the corporate rate. Tax relief for up to five years, with a 50% exemption in the ensuing two years, is offered to new industries and corporations that are foreign exchange earners. Those in electronics receive seven years of exemption, and three years at 50%.

The personal income tax is graduated, with a top rate of 38.5%. Capital gains accrued to individuals are treated as income and are taxed at the same rate, although special rates can apply to certain gains on listed shares. Nonresidents declaring capital gains from securities are taxed at 11% of the sale price or 27.5% of the difference between the sale price and the original cost, whichever is the least. The VAT applies to most transactions; however, exports, international transport, services performed outside the country, fertilizers and agricultural equipment and machinery are zero rated. The leasing of real estate, unprocessed foodstuffs, financial and insurance services, and agricultural and livestock products are exempt.

### 37 CUSTOMS AND DUTIES

As of 2000, South Korea had an average tariff of 7.9%. However, tariffs remain high on a number of agricultural and fishery products, at 30–100%. South Korea plans to further reduce tariffs in the future. Other import taxes include a value-added tax of 10% and excise taxes ranging from 15–100%. The special excise tax on consumer electronic goods and automobiles was cut by 30% in 1998. There were 57 items subject to quotas and 29 items subject to excise tariffs in 1999. The Information Technology Agreement (ITA) dropped most IT tariffs by 2000, with the remainder phased out by 2004.

### 38 FOREIGN INVESTMENT

The Foreign Investment Promotion Act (FIPA) and related regulations have governed foreign investment in the Republic of Korea since May 1998, when a five-year liberalization plan was announced covering a total of 11 sectors, including real estate, financial services, and petroleum. The policy emphasis shifted from “control and regulate” to “promote and support.” Tax benefits and incentives were provided for foreign investors in high-tech and services sectors. In December 2000, the ceiling on foreign ownership was raised from 33% to 49% when Korea Telecom—now simply KT—was offered for privatization. KT was fully privatized in May 2002, albeit with SK Telecom as its largest shareholder. The Japanese share of foreign investments fell from about 50% in 1987 to 5.7% in 1998, as Japanese investors have been increasingly attracted to new centers of economic growth in Southeast Asia.

As of 2002, European Union (EU) countries had the largest cumulative investment in South Korea (\$22.8 billion), followed by the United States with \$21.8 billion. To facilitate further technology transfer, the government offers particular incentives to foreign companies in more than 500 categories of high-technology industries. Four free export zones geared toward highly technical business activities have been established at Masan (near Pusan), Iri (near Kunsan), Daebul, and Iksan, to provide additional incentives for investment in favored industries. Six industrial parks exist, which are for the exclusive use of Korean firms with heavy foreign investment.

In 1998, net foreign direct investment (FDI) was \$0.7 billion, the balance of inflows was \$5.4 billion and outflows \$4.7 billion. Net portfolio equity investment was a positive \$3.9 billion. In 1999 and 2000, FDI inflow was \$9.3 billion in both years, and net FDI was \$5.1 billion and \$4.3 billion, respectively. Net portfolio investment was \$11.8 billion in 1999 and \$12.6 billion in 2000. After the 11 September 2001 terrorist attacks on the United States, FDI in-

flow dropped 62% to \$3.5 billion, producing a net inflow of only \$1.1 billion. For 2002, net FDI inflow turned negative (-\$0.7 billion) and net portfolio investment was a low \$1.5 billion.

FDI inflow to South Korea accelerated to \$12.8 billion in 2004, twice the amount in 2003. The United States had the largest single-country share of FDI in the country, at \$32.3 billion, or about 31.1% of Korea's total stock of FDI since the 1960s. The EU (25 countries) had invested \$30.7 billion (29.5% of the total) by 2004, followed by Japan with \$15.5 billion (14.9%). Total cumulative stock of inward FDI as of 2004 amounted to \$103.9 billion. Overall, FDI increased 97.4% year-on-year in 2004, to \$12.8 billion, the fastest pace of inward FDI seen since 1999, just following the 1997–98 financial crisis. Total FDI outflow amounted to \$4.3 billion in 2004, approximately \$1.6 billion going to China and \$1 billion to the United States. Total cumulative stock of FDI outflow by 2004 amounted to \$38.7 billion.

### 39 ECONOMIC DEVELOPMENT

The Republic of Korea (ROK) has a market economy in which both private enterprise and foreign investors play an important role. From 1962 to 1997, overall economic development was guided by the Economic Planning Board and a series of five-year plans. The Korean economy was devastated by the Korean War, even requiring foreign food aid. As late as 1965, per capita income was only \$88 a year. Since 1965, South Korea has been transformed from an underdeveloped agricultural economy to a leading newly industrialized country (NIC) to a leader in the new information technology (IT) economy. Nominal GDP was \$3 billion in 1965; in 2003, it was projected at \$514 billion, 171 times higher. In 2004, South Korea joined the trillion-dollar club of world economies.

The seventh five-year economic and social development plan for 1992–96 aimed at establishing the ROK as an advanced industrialized economy by the year 2000. More specific goals included improving social and economic equity, continued liberalization, improving industrial and export competitiveness, as well as strengthening the role of the private sector while reducing government intervention in economic management, especially in the financial sector. The plan targeted an annual GDP growth rate of 7% and a decline of consumer price inflation to 3%. The plan was overtaken by the Asian financial crisis. South Korea was assisted in weathering the crisis of confidence with a \$58 billion international support program mobilized through the IMF, the World Bank, and the Asia Development Bank (ADB). In May 1998, the government introduced a five-year liberalization program covering 11 economic sectors, including the previously closed petroleum, insurance and financial services sectors. The ROK's recovery from the Asian financial crisis was remarkably strong, aided by a show of international confidence and its government's embrace of trade and investment liberalization reforms. However, the collapse of the dot.com boom and the global economic slowdown that began in 2001, combined with the aftermath of the 11 September 2001 terrorist attacks on the United States, dealt serious blows to the economy's forward momentum. Progress in reducing the share of nonperforming loans (NPLs) in the financial sector and reducing dependency on foreign borrowing were brought to a halt. At the end of March 2001, total external liabilities were at a record \$137 billion. However, the ROK continued to maintain its net creditor position, as it has since September 1999. Foreign assets totaled

an estimated \$188 billion. Reserves of foreign exchange and gold amounted to \$220.1 billion in 2005. As of June 2005, external debt stood at \$188.4 billion.

The ROK government in 2003 announced that the four pillars of its development strategy were (1) consistently promoting technological innovation; (2) continued development of a fair and transparent market system; (3) social and cultural norms based on trust; and (4) peace and prosperity in East Asia. President Roh Moo Hyun, elected in 2003, campaigned on a proreform image and platform, but the *chaebol* (large conglomerates) have used their clout as exporters and investors to resist further reform. Major foreign acquisitions in the financial sector by 2006 prompted a backlash against further market opening, although this remains desirable, especially in the service sector. In order for the economy to grow at a faster rate in the long-term, South Korea, despite its skilled workforce and large middle class, must develop a strong and diverse local economy instead of relying disproportionately on exports for growth, which benefit the *chaebol* and stifles domestic demand.

#### 40 SOCIAL DEVELOPMENT

The devastation of the Korean War left 348,000 war widows, most of them with dependent children, and 100,000 war orphans. Some 595,260 homes were destroyed, 5,000 villages wiped out, and many large cities badly damaged. Military relief payments consist mainly of financial support to veterans and their families.

A social insurance system provides old-age, disability, and survivors' benefits to all residents ages 18–59. There is a separate system for public employees, school teachers, self-employed individuals, and military personnel. Workers and employers contribute 4.5% of earnings and payroll. Retirement is set at age 65 but is gradually increasing. Unemployment insurance covers all employees younger than 65 years of age.

Conservative Confucian tradition encourages married women to remain at home. Women continue to suffer legal and societal discrimination. Despite equal opportunity laws, very few women achieve high levels of professional success. The wage of the average female worker is roughly half that earned by a male counterpart. Violence against women, domestic abuse, and child abuse are prevalent. Prostitution is illegal but widespread. Divorce remains socially unacceptable in most sectors of Korean society, and this leads many women to remain in abusive marriages.

Korean citizenship is determined exclusively by genealogy, and as a result, many Chinese born and raised in Korea are deprived of citizenship rights. Human rights are generally respected by the government. Some abuses have been reported involving detainees, but these are declining.

#### 41 HEALTH

The substantial improvement in health care is directly related to improvement of diet, a rise in living standards, and the development of health and medical programs. Since the late 1970s, medical security, in the form of medical insurance and medical aid, has been expanded to cover a substantial portion of the population. The national medical insurance system was expanded in 1989, covering 94% of the population. About 5.4% of the GDP went to health expenditures. In the mid-1990s, there were 236 general hospitals, 351 hospitals, 6 dental hospitals, 12,629 clinics,

6,708 dental clinics, 269 maternity clinics, 53 herb doctor hospitals, and 4,062 herb doctor clinics. As of 2003, there were an estimated seven physicians per 100,000 people. Approximately 92% of the population had access to safe drinking water and 63% had adequate sanitation.

The fertility rate was 1.4 children per woman surviving her childbearing years. Approximately 4% of all births were of low birth weight. About 79% of married women (ages 15–49) used contraception. Immunization rates for children up to one year of age were tuberculosis, 72%; diphtheria, pertussis, and tetanus, 74%; polio, 79%; and measles, 93%. The 2005 infant mortality rate was 6.28 per 1,000 live births and the general mortality rate was 6 per 1,000 inhabitants.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 8,300 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

Leading causes of death were related to cardiovascular disease and deaths caused by traffic motor vehicle accidents. Life expectancy was 76.85 years in 2005.

#### 42 HOUSING

After liberation in 1945, southern Korea faced a housing shortage greatly compounded by high population growth rates. A housing shortage continues to plague the nation, especially in Seoul, Pusan, and other large cities, where shantytowns house many rural arrivals. The 1985 census counted 9,588,723 households but only 6,274,462 housing units, a deficit of 3,314,261. According to 2002 estimates, there were 11,892,000 housing units nationwide and 12,099,000 households. The same year, about 543,000 new housing units were built. Most new housing is in apartment buildings.

#### 43 EDUCATION

The Education Law of 1949 provided for a centralized system under the control of the Ministry of Education and made six-year elementary schools free and compulsory for children between 6 and 12 years of age. Children attend middle school for three years, and subsequently attend either general academic high school or vocational high school for the remaining three years. In 2001, about 80% of five-year-olds were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 87% of age-eligible students. It is estimated that about 97% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 31:1 in 2003.

The leading government university is Seoul National University. The principal private institutions, all of them in Seoul, are Korea, Sung Kyun Kwan, Yonsei, Hanyang, Chungang, and Ewha universities; the last named is one of the largest women's universities in the world. The country had a total of 121 colleges and universities in 1996, along with 335 graduate schools. In 2003, about 85% of the tertiary-age population were enrolled in some type of higher education program. It has been estimated that nearly all men attend some type of higher education program, while only about 64% of women enroll in a program. The adult literacy rate for 2002 was estimated at about 97.9%.

As of 2003, public expenditures on education were estimated at 4.2% of GDP, or 15.5% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

In 2002, the Central National Library, founded in 1923, had approximately 3.8 million volumes. Most other sizable libraries in the Republic of Korea (ROK) are found at universities. The largest academic collection is at the Seoul National University Library (2.2 million volumes).

The National Museum, with centers in Seoul, Kyongju, Kwangju, Puyo, Chinju, Chunju, Chongju, and Kongju, contains art objects reflecting more than 5,000 years of cultural history, including statuary pieces, ceramics, and painting. A major private museum is the Ho-Am Art Museum in Seoul. The National Museum of Modern Art in Seoul presents many special exhibits as well as a permanent collection. The National Science Museum of Korea, completed in 1990 in Daejeon, is one of the country's most recent cultural sites. The ROK also possesses collections of early printing, dynastic histories, and art in its palaces and Buddhist temples and in university, college, and public libraries.

#### 45 MEDIA

In 2003, there were an estimated 538 mainline telephones for every 1,000 people. The same year, there were approximately 701 mobile phones in use for every 1,000 people.

The Korea Broadcasting System operates two television and six radio networks. There are privately owned networks, including a few operated by religious organizations. As of 2004, there were 58 AM and 150 FM radio stations. Television broadcasting began in 1956. In 2004, there were 64 television stations, including the American Forces Network Korea, a station designed for US military but watched by many citizens. In 2003, there were an estimated 1,034 radios and 458 television sets for every 1,000 people. About 282.2 of every 1,000 people were cable subscribers. Also in 2003, there were 558 personal computers for every 1,000 people and 610 of every 1,000 people had access to the Internet. There were 894 secure Internet servers in the country in 2004.

Most of the leading newspapers are published in Seoul. The leading Korean-language newspapers, with their estimated daily circulations (in 2002), include *Dong-A Ilbo*, 2,150,000; *Joong-ang Ilbo*, 2,020,000; *Hankook Ilbo*, 2,000,000; *Choson Ilbo*, 1,960,000; *Kyung-hyang Shinmun*, 1,478,540; and *Seoul Shinmun*, 700,000.

Though most radio and television stations and newspapers are state supported, the government is said to have abandoned direct control over the news media, though some journalists report aggressive government lobbying to soften criticism.

#### 46 ORGANIZATIONS

Clan and county associations are a conspicuous aspect of Korean social life. A traditional type of organization with a primarily economic function is the key, a mutual loan association formed to provide funds for a specific and typically short-term purpose, such as to defray the expenses of a wedding or funeral. The National Agricultural Cooperative Federation comprises millions of farmers who work in cooperatives. The Korea Chamber of Commerce and Industry is based in Seoul. Other groups include the Agricultural and Fishery Marketing Corporation and the Federa-

tion of All Korean Trade Unions. The Consumers' Union of Korea is active.

There are a number of cultural and arts organizations, including the Academy of Korean Studies, the Korea Foundation, and the National Academy of the Arts. Organizations for advancement and research in science include the Korean Medical Association and National Academy of Sciences of the Republic of Korea.

National youth organizations include the Boy Scouts and Girls Scouts of Korea, Free Asian Youth Alliance, Korea Young Buddhists Federation, Korean 4-H, Junior Chamber, Korean Student Christian Federation, Korean World University Service, YMCA/YWCA, Seoul Association for Youth Service, and the Young Christian Workers of Korea. There are several sports associations throughout the country. Among the most notable are the base offices of the International Judo Federation and the World Tae Kwon Do Federation.

National organizations for women include the Korean Association of University Women, Korean Institute for Women and Politics, and the Korean Women's Institute.

The Korea Welfare Foundation works with children and youth, the handicapped, and the elderly. International organizations with active chapters within the country include Amnesty International, Habitat for Humanity, Caritas, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

Major tourist attractions include Seoul, the former royal capital of the Yi (or Li) Dynasty, and Kyongju, with its treasures from the ancient kingdom of Silla. Along the eastern coastline, from Hwajinpo to Busan, are popular resorts with skiing in the winter and swimming and water sports in the summer. Football (soccer) and baseball are the most popular modern sports. Traditional sports for men are wrestling, archery, kite fighting, and taekwon do (a martial art). Popular games include paduk, the Korean name for Japan's board game go; changgi, or Korean chess, with pieces different from the European form; and yut, or Korean dice, played with four wooden sticks. Seoul hosted the 1988 Summer Olympic Games.

There were 4,753,604 foreign visitors in 2003. The number of hotel rooms totaled 56,196 in 2003, with a 51% occupancy rate. Tourist receipts reached \$6.9 billion that year. Visitors to the Republic of Korea must carry a valid passport and an onward/return ticket. Visas are not required for citizens of nations that have visa exemption agreements with the Republic of Korea. Visitors from the United States, Australia, Canada, and 60 other nations also not need visas.

In 2005, the US Department of State estimated the daily cost of staying in Seoul at \$308, and in Chinae, \$81.

#### 48 FAMOUS KOREANS (ROK)

The dominant political figures of the contemporary period in the Republic of Korea (ROK) have been Syngman Rhee (1875–1965), president from 1948 to 1960, and Park Chung-hee (1917–79), president from 1963 until his assassination in 1979. Chun Doo Hwan (Chon Du-hwan, b.1931) became president in 1981. Other well-known modern figures include Kim Chong-p'il (b.1926), prime minister, 1971–75; Bishop Daniel Chi (Chi Hak-sun, b.1921); and Kim Dae Jung (Kim Tae-jung, b.1925) and Kim Young Sam (Kim Yong-sam, b.1927), prominent opposition leaders during the



1970s and 1980s who both went on to become president. Kim Dae Jung won the 2000 Nobel Peace Prize for his policy of engagement with North Korea. Roh Moo Hyun (b.1946) became president in 2003. The Rev. Sun Myung Moon (Mun Son-myong, b.1920), a controversial evangelist and founder of the Tong-il (Unification) Church, and Kyung Wha Chung (Chung Kyung-wha, b.1943), a violinist, are both well known internationally.

#### **49** DEPENDENCIES

The Republic of Korea has no territories or colonies.

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# KUWAIT

State of Kuwait  
*Dawlat al-Kuwayt*



**CAPITAL:** Kuwait (Al-Kuwayt)

**FLAG:** The flag, adopted in 1961, is a rectangle divided equally into green, white, and red horizontal stripes, with a black trapezoid whose longer base is against the staff and equal to the breadth of the flag, and whose shorter base is equal to the breadth of the white stripe.

**ANTHEM:** National Anthem, melody only; no words.

**MONETARY UNIT:** The Kuwaiti dinar (KD) has 1,000 fils. There are coins of 1, 5, 10, 20, 50, and 100 fils, and notes of 250 and 500 fils and of 1, 5, 10, and 20 Kuwaiti dinars. KD1 = \$3.44828 (or \$1 = KD0.29) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but imperial weights and measures also are in use, and some US measures are recognized.

**HOLIDAYS:** New Year's Day, 1 January; Emir's Accession Day, 25 February. Movable religious holidays include Muslim New Year (1st of Muharram); Laylat al-Miraj; Milad an-Nabi; 'Id al-Fitr; and 'Id al-'Adha.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Kuwait is situated at the western head of the Persian (or Arabian) Gulf. Its area is estimated at 17,820 sq km (6,880 sq mi). Comparatively, the area occupied by Kuwait is slightly smaller than the state of New Jersey. Kuwait extends 205 km (127 mi) SE–NW and 176 km (109 mi) NE–SW. Islands that form part of Kuwait include Faylakah (an archaeological site that is the only inhabited island), Bubiyan, Maskan, 'Auha, Al-Warbah, Al-Kubr, Umm al-Maradim, Umm al-Nami, and Qaruh. Bounded on the E by the Persian Gulf, on the S and W by Saudi Arabia, and on the NW and N by Iraq, Kuwait has a total land boundary length of 462 km (287 mi) and a coastline of 499 km (310 mi).

Kuwait's boundary with Iraq remains unsettled. Following Kuwait's declaration of independence in June 1961, the emir requested assistance from the United Kingdom to ward off an Iraqi invasion; the British forces were later replaced by troops from Arab League states. The United Nations upheld Kuwait's sovereignty, and in October 1963, Iraq formally recognized Kuwait's independence. In March 1973, there were armed clashes on the Iraq–Kuwait border, but a settlement was announced in June 1975; negotiations to demarcate the border have continued intermittently. Again in August 1990, Iraq invaded Kuwait, asserting their right to reclaim it as their territory. US-led international forces responded with a massive air attack in January 1991, and Iraq was defeated. Some Iraqi officials continued to assert their claim to Kuwait, and relations between the two countries remained tense. On 27 May 1993, the UN Security Council reaffirmed the established border between the two nations. In 1994, Iraq formally accepted the UN-demarcated border but continues to periodically challenge the rhetoric of the agreement.

Kuwait's capital, Kuwait City, is located on the Persian Gulf coast.

## <sup>2</sup>TOPOGRAPHY

Kuwait consists almost entirely of flat rolling desert and mud flats. There is a 1,137-m (450-ft) ridge at Mina' al-Ahmadi and a 290-m (951-ft) prominence in the southwest corner. There are no permanent rivers or lakes, but there are some desert wadis that collect water during the rains.

## <sup>3</sup>CLIMATE

During the summer, which lasts roughly from May to October, the air generally is dry, but southeasterly winds often raise daytime humidity to 90% for a few weeks in August or September. Between November and April, the climate is pleasant, with cool nights and warm sunny days. In December and January, night temperatures occasionally touch the freezing point. Summer temperatures range from 29°C (84°F) in the morning to more than 49°C (120°F) in the shade at noon. Frost, almost unknown on the coast, is common in the interior. Annual rainfall, which averages less than 25 cm (10 in), comes in the form of showers or storms between October and April. Cloudbursts have amounted to as much as 6.4 cm (2.5 in) of rain in one day, and can heavily damage roads and houses. The prevailing northwest wind (shamal) is a cooling breeze in summer.

## <sup>4</sup>FLORA AND FAUNA

Plants and animals are those common to the arid parts of Arabia. There is little vegetation except camel thorn in the desert and some shrubs along the coastal strip. Between October and March, however, when sufficient rain falls at intervals, the desert is trans-

formed: Grass and foliage are plentiful, flowers and plants appear in great variety, and in the spring truffles and mushrooms can be found.

The fox and jackal have decreased in numbers; other mammals found in Kuwait include gerbils, jerboas, and desert hares. Reptile species include various lizards, geckos, and snakes. Fish are plentiful. Among the species of migratory birds are swallows, wagtails, chiffchaff, skylarks, wrens, eagles, cormorants, hoopoes, and terns.

As of 2002, there were at least 21 species of mammals, 35 species of birds, and over 200 species of plants throughout the country.

## **5 ENVIRONMENT**

The Persian Gulf War of 1991 and its aftermath caused severe environmental problems for Kuwait, releasing large quantities of oil into the environment and threatening the water supply. Kuwait has no renewable water resources and must rely on wells and desalination of sea water. The nation has some of the largest and most advanced desalination plants in the world, which provide much of its water.

In 2003, only about 1.5% of the total land area was protected by the state. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species include 1 type of mammal, 12 species of birds, 1 type of reptile, and 6 species of fish. The slender-billed curlew and hawksbill turtle are on the endangered list. The Saudi gazelle has become extinct in the wild.

## **6 POPULATION**

The population of Kuwait in 2005 was estimated by the United Nations (UN) at 2,589,000, which placed it at number 136 in population among the 193 nations of the world. This number includes over one million nonnationals who live and work in the country. In 2005, approximately 2% of the population was over 65 years of age, with another 26% of the population under 15 years of age. There were 150 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.7%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 4,610,000. The population density was 145 per sq km (376 per sq mi). The vast majority of the population resides along the coast.

The UN estimated that 96% of the population lived in urban areas in 2005 and that urban areas were growing at an annual rate of 2.67%. The capital city, Kuwait (Al-Kuwayt), had a population of 1,222,000 in that year.

## **7 MIGRATION**

With the discovery of oil and the consequent rise in living standards, Kuwait acquired a large immigrant population, attracted by jobs, free education for their children, and free medical care. The number of foreign residents more than doubled during the 1970s, and in 1994 they accounted for an estimated 56.4% of the population. After the Persian Gulf war, Kuwait deported tens of thousands of foreign workers from countries whose leaders had backed Iraq in the conflict. Of the estimated 400,000 Palestinians living in Kuwait before the 1990–91 Gulf War, reportedly only about one-sixth were allowed to remain. Only about 120,000 of the 220,000 prewar Bedouins (mostly nomads from Syria, Jordan,

and Iraq) were allowed to stay. These stateless Arabs had remained in Kuwait under Iraqi occupation and were suspected of collaboration. Most other foreign workers were able to return to their home countries. By 1996, however, Egyptians, Pakistanis, Filipinos, and others had filled the void that the previous foreign workers had left behind. Kuwait carried out amnesty plans for illegal foreigners in 1988, 1996, and 2002.

In 2000, there were 1,108,000 migrants living in Kuwait. This accounted for 57.9% of the population. The number of refugees that year was 2,800. In 2004, there were 1,519 refugees and 157 asylum seekers. The number of persons of concern to the United Nations High Commissioner for Refugees (UNHCR) was 102,676, made up of 80,000 stateless Bedouins, 13,000 Iraqis, 6,000 Palestinians, and 2,000 Somalis. In 2005, the net migration rate was an estimated 14.96 migrants per 1,000 population. The government views the immigration level as too high.

## **8 ETHNIC GROUPS**

Ethnic Kuwaitis are mostly descendants of the tribes of Najd (central Arabia) but some descend from Iraqi Arabs. Still others are of Iranian origin. The number of non-Kuwaitis are divided roughly in half between Arabs and non-Arabs such as Iranians, Indians, Pakistanis, and Filipinos. According to the latest estimates, about 45% of the population are Kuwaiti, 35% are other Arab, 9% South Asian, 4% Iranian, and 7% other. It has also been estimated that over 100,000 people are considered to be bidoon residents, that is Arabs who have long-standing residency in the nation but no documented proof of nationality.

## **9 LANGUAGES**

Arabic is the official language. The Arabic spoken in Kuwait is closer to classical Arabic than to the colloquial Arabic spoken in many other parts of the Middle East. English is generally used by businesspeople, employees of oil companies, foreign residents, and students, and it is the second language taught in the schools.

## **10 RELIGIONS**

Islam is the state religion. According to 2004 figures, Muslims represented about 64% of the total population, with a majority believed to be Sunni Muslim. About 30–35% of Muslim citizens were of the Shia branch. The Christian population includes between 250,000 and 500,000 people. Catholic groups include Roman Catholic, Maronite, Coptic, Armenian, Greek, Malabar, and Malankara congregations. Orthodox groups include the Greek, Armenian, Coptic, and the Indian Orthodox Syrian Church. The National Evangelical Church (Protestant) has about 20,000 members. Other Protestant groups include the Anglicans, Seventh-Day Adventists, Mormons, and Marthoma. Other religious groups include Hindus, Baha'is, Sikhs, and Buddhists.

The constitution provides for freedom of religion, but this right is limited in some cases by the government, in that religious practices are not permitted to conflict with public policy or morals. Blasphemy, apostasy (of Muslims), and proselytizing are illegal, with the exception of the Islam Presentation Committee, which encourages the conversion of non-Muslims to Islam. Family law is administered through the Islamic court system. Religious affairs are overseen by the Ministry of Awqaf and Islamic Affairs. Only four non-Muslim groups have the full legal recognition in

the government: the Roman Catholic Church, the Coptic Orthodox Church, the Anglican Church, and the National Evangelical Church. While these groups are offered a certain amount of freedom, there are quotas in place that limit the number of clergy and staff each group can have. Other groups are generally allowed to worship freely in private homes. Certain Muslim holidays are celebrated as national holidays.

## 11 TRANSPORTATION

Kuwait has a modern network of roads, with all-weather highways running north to Iraq and south to Saudi Arabia. Roadways extended 4,450 km (2,777 mi) in 2002, including 3,590 km (2,230 mi) of paved roads. In 2003, there were some 770,375 passenger cars and 200,315 commercial vehicles in use. Land transport accounts for a significant share of Kuwait's imports and exports. There are no railways.

Kuwait has five ports, including a cargo port at Ash-Shuwaykh, on Kuwait Bay, and an oil port at Mina' al-Ahmadi that is equipped with a huge pier at which eight large tankers can be loaded simultaneously. In 2005, Kuwait had 39 merchant ships in service of 1,000 GRT or more, with a capacity of 2,319,082 GRT. Kuwait has regular calls from ocean shipping, and local sailing craft carry goods between Kuwait and the neighboring sheikhdoms, Iraq, and Saudi Arabia. Sea transport accounts for most of Kuwait's foreign trade.

In 2004, there were an estimated seven airports. As of 2005, a total of four had paved runways, and there were also four heliports. The principal airport, Kuwait International Airport, is located south of the city of Kuwait. Air transportation is highly advanced, with Kuwait Airways providing service to and from the major Middle Eastern and European cities. In 2003, the airline carried about 2.198 million passengers on domestic and international flights.

## 12 HISTORY

The historical records of the Arab coast of the Persian Gulf are meager. Archaeological discoveries on Faylakah Island reveal an ancient civilization about 2800 BC that had trade links with the Sumerians. By the 6th century BC, this part of the Gulf was a principal supply route for trade with India. There is evidence of early migrations to the East African coast by the seafaring inhabitants. The historical turning point for the entire Arabian Peninsula was the conversion of the people to Islam in the 7th century AD, during the lifetime of Muhammad.

Kuwait's recent history starts in 1716, when several clans of the tribe of Aniza migrated from the interior of the Arabian Desert to a tiny Gulf coastal locality, later to be called Kuwait (a diminutive of the word *kut*, meaning "fort"). In 1756, the settled tribesmen rallied around the As-Sabah family and chose as their ruler Sheikh Sabah 'Abd ar-Rahim, founder of the present ruling dynasty. During the latter part of the century, raids by land and by sea resulted in the decline of Kuwait, but after the British suppression of piracy in the region, trading and shipbuilding prospered.

During the period in which Sheikh 'Abdallah as-Sabah ruled Kuwait (1866–92), a dynastic battle raged in Arabia between the rival houses of Ar-Rashid and As-Sa'ud. The Ottoman Turks, supporting Ibn Rashid, sought to extend their control over the coastal area to the south of Kuwait. Fearing that his territory would be



LOCATION: 28°32' to 30°6' N; 46°33' to 48°27' E. BOUNDARY LENGTHS: Persian Gulf shoreline, 499 kilometers (312 miles); Saudi Arabia, 222 kilometers (139 miles); Iraq, 242 kilometers (151 miles). TERRITORIAL SEA LIMIT: 12 miles.

lost to the Turks who considered it part of their province of Basra, Sheikh Mubarak as-Sabah (r.1896–1915) asked to be taken under British protection. The British were concerned not only because of the Turkish claims but also because the Russians were seeking to set up a coaling station in Kuwait, and both the Germans and the Turks had planned to make it a terminus of the Berlin–Baghdād railroad. In 1899, Sheikh Mubarak agreed not to alienate any of his territory or to receive representatives of any foreign power without British consent. In return, the British offered their services as well as an annual subsidy to support the sheikh and his heirs.

On 19 June 1961, the protective treaty relations with the United Kingdom were terminated by mutual consent, and Kuwait declared itself fully sovereign and independent. By this time, the sheikhdom had already become a major oil producer and had acquired a controlling interest in the petroleum industry. Iraq refused to recognize Kuwait's independence, asserting it had inherited the Ottoman claim to the territory. Baghdad's threat of an invasion was foiled by the dispatch of British troops and later the support

of the Arab League for Kuwait. Iraq then appeared to acquiesce in Kuwait's sovereignty, although border issues were never definitely resolved. During the next two decades, Kuwait succeeded in establishing an open and prosperous economy, based in large part on foreign, especially Palestinian and Egyptian, labor.

During the Iran-Iraq War, Kuwait, albeit technically neutral, rendered important assistance to Baghdad, including the transshipment of goods and the provision of over \$6 billion in loans. As a response, members of Kuwait's large Shia minority and other radical dissidents waged a war of terrorism against the government. Throughout the 1980s, there were bombings, assassination attempts, hijackings, and sabotage against oil facilities.

In 1987, Iranian attacks on Persian Gulf shipping led Kuwait to request US protection for its supertankers. Washington agreed, and when a "reflagged" Kuwaiti vessel was attacked, American forces retaliated against an Iranian offshore oil rig.

With the end of the war, Iraq-Kuwait relations were stable until 1990, when Saddam Hussein accused his neighbor of waging economic warfare against Iraq by illegally drilling oil from the shared Rumailia field, overproducing oil to drive down prices and unfairly demanding repayment of wartime loans. Tensions could not be defused by negotiations or mediation and on 2 August 1990, Iraqi forces invaded Kuwait, asserting that they were rightfully reclaiming their territory. Kuwaiti defense forces offered little resistance and most senior officials fled the country.

The United States led an international coalition of Arab and other nations to demand the withdrawal of Iraqi forces. After a lengthy buildup of forces, Iraq was assaulted by massive air and land forces; after six weeks, its defenses collapsed and Kuwait was liberated in February 1991. Kuwait's leaders returned to find a disgruntled population that resented their abandonment and demanded greater political participation. Enormous physical damage had been inflicted on the country, including over 700 oil well fires that did serious ecological damage before being extinguished after almost nine months' effort.

The regime, and many Kuwaitis, turned harshly against those suspected of collaboration with Iraq. As a consequence, much of the large Palestinian community was ejected from the country. Relations with Iraq naturally remained tense, with some Baghdad officials continuing to assert their claim to Kuwait. On 27 May 1993, the United Nations Security Council reaffirmed the decision of a Boundary Demarcation Commission establishing the border between the two nations. Kuwait's vulnerability to possible attack from Iraq or Iran drew the nation closer to the United States, which has been willing to offer enhanced security collaboration.

In October 1994, Iraq began moving 60,000 troops to within 32 km (20 mi) of the Kuwaiti border. The UN Security Council voted unanimously to condemn Iraq's actions, and the United States, the United Kingdom, and other countries came to Kuwait's assistance. Kuwait agreed to allow the United States to station a squadron of 24 warplanes there as part of a broad effort to curb Iraqi military power. The plan kept reserves of American warplanes and a division's worth of tanks and armor stationed in the region. On 10 November 1994, Iraq agreed to recognize the independence and current borders of Kuwait, a major step apparently aimed at allowing at least some UN sanctions against Iraq to be lifted. However, in August 1995, Iraqi troop movements along the Kuwaiti border caused alarm again, and the United States began sending ships

carrying equipment and supplies to the Persian Gulf. In April 1996, an international military exercise (involving forces of the United States, the United Kingdom, Russia, China, Italy, and other Arab nations) was held in Kuwait. The UN also renewed its multinational force of border observers in April 1996 to oversee the 14-km (9-mi) demilitarized zone that separates Kuwait from Iraq.

Although some of its neighbors in the Persian Gulf began to pursue a rapprochement with Iraq over the following years, Kuwait maintained its vigilance against the regime of Saddam Hussein. Early in 1998, it granted expanded staging areas to the United States in anticipation of possible military action in response to Iraq's failure to cooperate with UN weapons inspections. At the end of 1998, it supported NATO air strikes against Iraq over the same issue. In January 1999, Kuwait placed its military on full alert in response to renewed threats from Iraq. As of 2000, a special UN commission had awarded \$15.7 billion in reparations for damages suffered in Iraq's 1990 invasion of Kuwait. In January 2003, Iraqi and Kuwaiti officials resumed talks on the fate of people who had gone missing during the Iraqi occupation of Kuwait in 1990-91. Kuwait claims Iraq must account for more than 600 Kuwaitis who disappeared during the occupation. Iraq insists it holds no such detainees, and accuses Kuwait of failing to account for more than 1,000 Iraqis.

On 8 November 2002, the UN Security Council passed Resolution 1441, calling on Iraq to disarm itself immediately of weapons of mass destruction (chemical, biological, and nuclear weapons), to abide by all former UN resolutions regarding the country since the end of the 1991 Gulf War, and to allow for the reintroduction of UN and IAEA weapons inspectors (they were expelled from the country in 1998). The United States adopted a firm position toward Iraq's disarmament, which it disputed, and by March 2003, was preparing for war. Since Kuwait's liberation from Iraq in 1991, it has become the world's largest per capita defense spender. As of 2003, Kuwait had purchased Patriot antimissile batteries, F/A-18 warplanes, and Apache attack helicopters for a military force estimated at 15,500, with 23,700 in reserves. However, Kuwait was not expected to take part in the expected US-led invasion of Iraq; instead, its forces were to defend the country from retaliation or other forms of attack by Iraq. By early March 2003, nearly 140,000 US and British military personnel had arrived in Kuwait.

On 21 January 2003, a civilian contractor for the US military was killed and another wounded when their car was fired upon outside Kuwait City. A Kuwaiti man was arrested and claimed responsibility for the shooting, expressing support for Osama bin-Laden's al-Qaeda organization. Kuwait is concerned about a rise in Islamic fundamentalism and anti-American sentiment.

On 19 March 2003, the United States launched air strikes on Baghdad, and the war in Iraq began. Iraq fired a number of missiles at Kuwait, and one struck a mall in Kuwait City but resulted in no deaths. Most of the missiles were destroyed by defensive Patriot missiles. The regime of Saddam Hussein was toppled on 9 April, and the military stage of the war ended soon after. Plans for the reconstruction of Iraq and for the establishment of a legitimate government were in the making in April, but it was acknowledged such progress could take years.

In May 1999, the emir of Kuwait dissolved the National Assembly in the wake of a long-standing political deadlock between government and opposition forces. However, the opposition gained

even more ground in national elections held in July, with both Islamists and liberals gaining additional seats. Among the matters awaiting parliamentary consideration was a controversial decree by the emir that would allow women to vote and run for office by the next election, scheduled for 2003. Parliament on 23 November 1999 voted against the emir's decree to grant full political rights to women.

Traditionally, the emir has appointed the crown prince as prime minister. In July 2003, he appointed Sheikh Sabah al-Ahmad al-Sabah prime minister, separating the post from the role of heir to the throne for first time since independence. In the legislative elections on 5 July 2003, 148 candidates ran for 50 places. Voter turnout was 81%, electing new candidates to half of the Assembly seats: pro-cabinet, 20 seats; Islamist, 16 seats; independents, 12 seats; and liberals, 2 seats. In May 2005, parliament approved constitutional amendments to give women full political rights. In June, the first woman cabinet minister was appointed. Women will be able to take part in parliamentary elections scheduled to take place in 2007 and local elections in 2009.

In January 2005, lethal gun battles erupted between suspected Islamist militants and police. In October 2005, the future leadership of Kuwait was brought into question as the aging leadership of the royal family, all in their late seventies, suffered from debilitating illnesses.

### 13 GOVERNMENT

According to the constitution of 16 November 1962, Kuwait is an independent sovereign Arab state under a constitutional monarch. Executive power is vested in the emir, who exercises it through a Council of Ministers. Succession is restricted to descendants of Mubarak as-Sabah; an heir apparent must be appointed within one year of the accession of a new ruler. The emir appoints a prime minister after traditional consultations and appoints ministers on the prime minister's recommendation. Emir Sabah as-Salim as-Sabah died in December 1977 after a reign of 12 years and was succeeded by Emir Jabir al-Ahmad al-Jabir as-Sabah. The as-Sabah family, advised by wealthy merchants and other community leaders, dominates the government.

The National Assembly (Majlis) consists of 50 elected representatives. Elections are held every four years among adult literate males who resided in Kuwait before 1920 and their descendants; candidates must be Kuwaiti males at least 21 years of age. As a result, the electorate only accounts for about 10% of Kuwait's total population. In 1996, naturalized citizens who did not meet the pre-1920 qualification but had been naturalized for 30 years became eligible to vote. The assembly may be dissolved at any time by the emir. It was dissolved in 1976, as part of a political crackdown that followed the government's announced support of Syrian intervention in Lebanon. Elections were held in February 1981 and a new assembly was convened after elections in 1985; it was dissolved once again in 1986 as a result of national tensions over the Iran-Iraq War. It remained suspended until elections in October 1992. In 1993, the new Assembly actively produced new legislation, including a national budget. The emir suspended the Assembly once again in 1999, but new elections were held within two months.

### 14 POLITICAL PARTIES

Political parties are prohibited, but opposition groups are active in the nation's political life. Several political groups act as de facto parties: Bedouins, merchants, Sunni and Shiite activists, and secular leftists and nationalists. Political opinions are freely expressed in informal gatherings in the homes of government officials and leading citizens.

Pro-government forces gained ground over Muslim fundamentalist candidates in the elections of 8 October 1996. Following the 1999 elections, the Assembly was split almost evenly among pro-government, liberal, and Islamic members. Pro-government forces held 13 seats, with the rest held by Islamic and liberal parties and unaffiliated independents.

The Islamists are divided between the Ikhwan, which traces its political antecedents to Egypt's Muslim Brotherhood, and two Salafi groups that draw inspiration from Saudi Arabia. Current political groupings include the Islamic Constitutional Movement (ICM) and the Islamic Popular Group (of the Salafi tendency), two Sunni organizations; the Islamic National Alliance, the main faction for Shia Muslims; the Kuwait Democratic Forum (KDF), a loose association of groups with Nassarist and pan-Arabist foundations; and the National Democratic Group, composed of generally secular progressives with liberal tendencies. The rest are independents or are tribal confederations.

### 15 LOCAL GOVERNMENT

There are five governorates (Ahmadi, Al-Jahrah, Al-Kuwayt, Hawalli, and Al-Farwaniyah), but political authority is highly centralized in the capital. A tradition of *diwaniyya*, or family or tribal gatherings, serves as a forum for debate in society, largely oriented around the proceedings of parliament.

### 16 JUDICIAL SYSTEM

The system of Muslim law (Shariah) was augmented by 1959 legislation that established courts of law, regulated the judicial system, and adopted modern legal codes. In each administrative district of Kuwait, there is a summary court composed of one or more divisions, each presided over by one judge. The summary courts deal with civil and commercial cases and leases. A tribunal of first instance has jurisdiction over matters involving personal status, civil and commercial cases, and criminal cases, except those of a religious nature and cases in which the amount involved exceeds KD1,000. The High Court of Appeals is divided into two chambers, one with jurisdiction over appeals involving personal status and civil cases, the other over appeals involving commercial and criminal cases. State security court decisions may be appealed to the Court of Cassation. Ordinary criminal cases may be appealed to the High Court of Appeals. The five-member Superior Constitutional Court is the highest level of the Kuwaiti judiciary. The Superior Constitutional Court interprets the constitution and deals with disputes related to the constitutionality of laws, statutes, and by-laws. A military court handles offenses committed by members of the security forces. Religious courts, Sunni and Shia, decide family law matters, but there is also a separate domestic court

for non-Muslims. There is no Shia appellate court. Shia cases are adjudicated by Sunni courts of appeals.

While the 1962 constitution guarantees an independent judiciary, the executive branch retains control over its administration and budget. The emir, after recommendation of the Justice Ministry, appoints judges in the regular courts. Kuwaiti nationals receive lifetime appointments; non-Kuwaiti judges receive renewable terms of one to three years.

The constitution gives the authority to pardon and commute sentences to the emir. The Special State Security Court was abolished in 1995.

## 17 ARMED FORCES

Kuwait's all-volunteer armed forces totaled 15,500 active personnel in 2005. The Army had 11,000 personnel and was equipped with 368 main battle tanks, up to 450 armored infantry fighting vehicles, 321 armored personnel carriers, and 218 artillery pieces. The Air Force numbered an estimated 2,500 and had 50 combat-capable aircraft, including 39 fighter ground attack aircraft, in addition to 16 attack helicopters. The Navy had an estimated 2,000 personnel, with major naval units including 40 patrol/coastal vessels. Paramilitary forces consisted of an estimated 6,600-member National Guard. The UN provided troops and observers in Kuwait. In addition, the United States maintained a military presence with 25,250 troops stationed in the country. The defense budget in 2005 was estimated at \$4.27 billion.

## 18 INTERNATIONAL COOPERATION

Kuwait was admitted to the United Nations (UN) on 14 May 1963 and is a member of ESCWA and several nonregional specialized agencies, such as UNESCO, UNIDO, IAEA, FAO, IFC, IMF, the World Bank, ILO, and WHO. It belongs to the Arab League, the Arab Bank for Economic Development in Africa, the African Development Bank, the Arab Monetary Union, the Council of Arab Economic Unity, the Central African States Development Bank (BDEAC), the Organization of the Islamic Conference (OIC), G-77, OPEC, WTO, and OAPEC; in 1981, it was a leader in forming the Gulf Cooperation Council with Saudi Arabia and four other Gulf states.

Kuwait played a key role in Operation Iraqi Freedom (2002–03) by offering land use and finances for the US-led coalition forces. The nation has also continued to support reconstruction efforts in Iraq. Kuwait is part of the Nonaligned Movement. In environmental cooperation, Kuwait is part of the Basel Convention, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

The discovery of oil in 1934 transformed the economy. Kuwait's enormous oil reserve of 94 billion barrels and huge quantities of natural gas have provided the base for an economic presence of worldwide significance. The Kuwaiti standard of living was among the highest in the Middle East and in the world by the early 1980s. Oil wealth has stimulated trade, fishery development, and service industries. The government has used its oil revenues to build ports, roads, an international airport, a seawater distillation plant, and modern government and office buildings. The public has also been served by the large-scale construction of public works, free

public services, and highly subsidized public utilities, transforming Kuwait into a fully developed welfare state. Prudent management of budgetary allocations and development priorities, as well as substantial interest from overseas investment, helped cushion the adverse impact of the collapse of the Souk al-Manakh—an unregulated curbside securities market—in 1982, the collapse in world oil prices during the mid-1980s, and the 1980–88 Iran-Iraq War. In addition, acquisition of 5,000 retail outlets in Western Europe (marketed under the name “Q-8”) and expansion into the manufacture and sale of refined oil products have bolstered the Kuwaiti economy.

Oil extraction and processing accounts for about 50% of GDP, 95% of export earnings, and 75% of government revenues. Kuwait's economy suffered enormously from the effects of the Gulf War and the Iraqi occupation, which ended in February 1991 with the destruction of much of Kuwait's oil production capacity and other economic infrastructure. The damage inflicted on the economy was estimated at \$20 billion. Real growth in GDP was estimated at 9% in 1994. Economic improvement from 1994 to 1997 came largely from growth in the industrial and financial sectors. The Difficult Debts Law, which aided investors with losses incurred during the Iraqi invasion and an informal stock crash in the early 1980s, significantly improved investor confidence. Reversing this trend, GDP shrank 16% due to a large decline in world oil prices. The loss was more than restored by the recovery of oil prices beginning in the second half of 1999. GDP rose 17.22% in 1999, and then an extraordinary 26.88% in 2000. Inflation rose to 4.7% in 1999, but declined to 2.7% in 2000. GDP growth in 2001 was 5.43% and inflation was down to 2%. From 1999 to 2001, per capita GDP rose from \$13,082 to \$17,880. Kuwait's portfolio investments have generally served to double the income it receives from its basic oil industry.

While the GDP growth rate slumped in the negatives in 2001 and 2002 (-1.0% and -0.4% respectively), it quickly recovered, jumping to 9.9% in 2003, and 7.2% in 2004; in 2005, the economy was expected to expand by 4.0%. As a result of this boom, income per capita has also improved, reaching \$20,088 in 2004, and an estimated \$23,347 in 2005. Inflation and unemployment have been kept under control (reaching 1.2% and 2.2%, respectively, in 2004) and do not pose a major problem to the economy. Although Kuwait is a country with a high standard of living, it is still dependent on food and water imports. In the future, it plans to open up oil exploitations in the northern part of the country.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005, Kuwait's gross domestic product (GDP) was estimated at \$51.6 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$22,100. The annual growth rate of GDP was estimated at 4.5%. The average inflation rate in 2005 was 3.5%. It was estimated that agriculture accounted for 0.5% of GDP, industry 52.1%, and services 47.4%.

Foreign aid receipts amounted to \$4 million or about \$2 per capita.

The World Bank reports that in 2003, household consumption in Kuwait totaled \$20.70 billion or about \$8,637 per capita based on a GDP of \$41.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1980 to 1990, household consumption grew at an average annual rate of -1.4%.

## 2<sup>1</sup> LABOR

In 2005, Kuwait's labor force was estimated at 1.67 million workers, approximately 80% of whom were not Kuwaiti nationals. Although there was no data available on the occupational breakdown of the country's workforce, as of 2002, Kuwaiti nationals accounted for 93% those employed in the public/government sector. The government-owned oil industry dominates the economy. The unemployment rate was estimated at 2.2% in 2004.

Although workers are legally permitted to join unions, less than 5% of the labor force are union members. Virtually all are affiliated with the Kuwait Trade Union Federation, the only trade federation allowed by law. The government performs a pervasive supervisory role of all unions, both subsidizing union expenses and carefully monitoring union activities. The right to strike is severely limited, and strikes rarely occur. About 10% of union members are foreign workers, but foreign workers must be in Kuwait for five years before they can join a union and then may not vote in elections or hold official positions. The right to strike is limited.

In general, all workers are entitled to a 48-hour workweek, compensation for overtime, sick leave, termination pay, and access to arbitration for settlement of disputes. However, many laborers from developing countries are willing to tolerate poor or unhealthy working conditions in order to earn a wage that is significantly higher than in their own countries. The minimum working age is 18, although children who are at least 16 may work limited hours in nonhazardous occupations. Foreign workers must be at least 18 to work in Kuwait. In 2002, the public-sector minimum wage was about \$742 per month for citizens and \$296 per month for noncitizens. Health and safety standards are lax in regard to foreign workers.

## 2<sup>2</sup> AGRICULTURE

Only 1% of the total land area is utilized for the cultivation of crops; permanent pasture land amounts to 7.6% of total land area. Despite the absence of rivers and streams and the paucity of rain, the development of agriculture has been actively pursued. The government apportions arable land at nominal prices on a long-term basis among farmers to stimulate production of vegetables and other crops. It also provides farmers with long-term loans and low-cost irrigation. The state has supplied extension services and demonstration centers for new farming techniques in an attempt to increase agricultural production. Nevertheless, farming contributes less than 1% of the non-oil GDP. Agricultural output in 2004 included 185,620 tons of vegetables and melons and 16,900 tons of fruit.

## 2<sup>3</sup> ANIMAL HUSBANDRY

When the desert is green (from the middle of March to the end of April), about one-fourth of Kuwait's meat supply is provided lo-

cally. The 2005 livestock population included: cattle, 28,000; sheep, 900,000; goats, 150,000; and chickens, 32,500,000. Kuwait's poultry production has recovered from damages inflicted during the 1990 invasion. Production in 2005 was estimated at 80,535 tons, exceeding the previous high of 21,000 tons in 1989. A small number of Bedouins raise camels, goats, and sheep for meat and milk.

## 2<sup>4</sup> FISHING

Small boats catch enough fish to satisfy local demand. Species caught include sardines, mackerel, tuna, shark (for the fins exported to China), barracuda, and mullet. Crabs, crayfish, and oysters are plentiful, and undik and zubaidi (butterfish) are both tasty and very popular. Shrimp are produced for a growing export market. The fish catch in 2003 totaled 6,095 tons, down from 8,466 in 1993 but up from the low of 2,034 in 1991, the year of the Iraqi invasion.

## 2<sup>5</sup> FORESTRY

There are no natural forests in Kuwait. The government's afforestation projects cover an area of about 5,000 hectares (12,300 acres). Imports of forest products totaled \$108 million in 2004.

## 2<sup>6</sup> MINING

In addition to petroleum and natural gas, the country's main commodities, Kuwait produced caustic soda, chlorine, cement, clays, clay products, fertilizer, lime, salt, and sand and gravel. The cement and fertilizer production plants were damaged by retreating Iraqi troops during the 1991 Gulf War. Cement production in 2004 was estimated at 1.6 million metric tons, unchanged from 2003. Ammonia production (nitrogen content) in 2004 was 413,400 metric tons, and output of urea (nitrogen content) was 320,000 tons metric tons.

## 2<sup>7</sup> ENERGY AND POWER

The Persian Gulf is geologically unique. Sedimentary deposits are combined with large, relatively unbroken folding that results in underground oil reservoirs 16 to 240 km (10–150 mi) long, containing billions of barrels of oil. Kuwait's known petroleum deposits are among the world's largest. As of 1 January 2005, Kuwait's proven oil reserves came to an estimated 99 billion barrels. However, another 2.5 billion barrels are held in the Saudi-Kuwaiti neutral zone or "divided zone," thus putting Kuwait's proven oil reserves at 101.5 billion barrels. The neutral zone covers an area of 6,200 sq mi and holds an estimated 5 billion barrels of oil and 1 trillion cu ft of natural gas. Kuwait possesses about 8% of the known global resources of petroleum.

Although Kuwait's crude oil production capacity in 2005 was estimated at 2.5 million barrels per day (includes half of the neutral zone), as a member of the Organization of Petroleum Exporting Countries (OPEC) Kuwait's crude oil output is limited by a production quota. As of March 16, 2005, that quota was set at 2.207 million barrels per day. However, for the period January through May 2005, oil output was estimated at an average of 2.6 billion barrels per day, of which 2.5 billion barrels per day was crude oil. Domestic demand for oil was estimated for 2005 at 293,000 barrels per day. Crude oil refining capacity, as of 1 January 2005, was estimated at 889,200 barrels per day. Kuwait's cost of production is perhaps the lowest in the world because its vast pools of oil lie



fairly close to the surface and conveniently near tidewater. The oil rises to the surface under its own pressure and, owing to a natural gradient, flows downhill to dockside without pumping. Kuwait exports more than 60% of its oil to Asian countries, although exports are also sent to Europe and the United States.

Kuwait also has large reserves of natural gas. As of 1 January 2005, Kuwait's natural gas reserves were estimated at 55.5 trillion cu ft, which included 0.5 trillion cu ft in the neutral zone. In spite of its large natural gas reserves, production and domestic consumption are relatively modest. In 2002, output and demand for natural gas by Kuwait came to an estimated 293 billion cu ft each. The vast amount of this gas is found and produced along with oil. However, Kuwait is looking to expand its production and consumption of natural gas so as to free up more oil for export. The country is also hoping to cut the flaring or burning-off of natural gas.

All electric power is produced thermally from oil or natural gas. Generating capacity has grown dramatically during the past two decades and is estimated to have reached 9.4 million kW in 2002. Electric power production increased from 30.6 billion kWh in 2000, to an estimated 32.4 billion kWh in 2002. All electric power is generated by burning fossil fuels. Most of the country is provided with electrical service; electric refrigeration and air conditioning are widely available. An extensive diesel power generating system serves outlying villages.

## 28 INDUSTRY

Although oil extraction continues to be the economic mainstay, Kuwait has diversified its industry. Small-scale manufacturing plants produce ammonia, fertilizer, paper products, processed foods, and other consumer goods. In 2002, the food processing industry was expanding, with growth sectors including vegetable oils, beverage bases, breakfast cereals, poultry parts, cheese, frozen vegetables, and snack foods. In 2002, Kuwait had three oil refineries with a total refining capacity of 828,000 barrels a day, including 773,000 barrels per day of crude oil distillation, 41,000 barrels per day of catalytic cracking capacity, and 14,000 barrels per day of reforming capacity. The major refinery products were fuel oil, gas oil, naphtha, kerosene, and diesel fuel. Industrial products include desalinated water, chemical detergents, chlorine, caustic soda, urea, concrete pipes, soap, flour, cleansers, asbestos, and bricks. The construction industry is highly developed.

Manufacturing all but stopped during the Iraqi invasion due to shortages of inputs and looting of equipment. After liberation, the sector was hard hit by the departure of Palestinian skilled labor. Low international oil prices have cut down on the value of industrial exports, but increases from the latter half of 1999 have produced windfall returns. In 2000, industry accounted for 60% of GDP.

The share of the industry in the GDP remained relatively stable in subsequent years (although the industrial production growth rate slumped at -5% in 2002), reaching 60.5% in 2004; agriculture is virtually nonexistent in Kuwait, accounting for only 0.4% of the economy in 2004; services came in second with a 39.1% share in the GDP. Around 80% of the 1.42 million working people are represented by non-Kuwaitis.

## 29 SCIENCE AND TECHNOLOGY

High technology in Kuwait has been largely confined to the oil industry and has been imported, along with the scientists and technicians needed to install and operate oil refineries and related facilities.

The Kuwait Institute for Scientific Research, founded in 1967 at Safat, promotes and conducts scientific research in the fields of food resources, water resources, oil-sector support, and environmental studies. The Agriculture Affairs and Fish Resources Authority has an experimental research station in Safat.

Kuwait University, founded in 1962 at Safat, has colleges of science, engineering and petroleum, medicine, and allied health sciences and nursing. The College of Technological Studies, in Shuwaikh, was founded in 1976. The Telecommunications and Navigation Institute, at Safat, was founded in 1966.

In 1987–97, science and engineering students accounted for 29% of college and university enrollments. In 2002, research and development spending totaled \$73.448 million, or 0.19% of GDP. Of that total, 80% came from government sources, with the rest from business. In that same year, there were 73 researchers and 180 technicians per million people.

## 30 DOMESTIC TRADE

Until the early 1960s, the traditional small shop or market stall dominated retail trade. In recent decades, however, modern business centers with hundreds of new shops and offices have opened, and some smaller villages have developed retail stores with impressive stocks of foreign goods. Franchising is also becoming well established, though most of the franchise market is currently held by American fast-food and restaurant firms. The city of Kuwait is the distribution center for the emirate and serves the transit trade of nearby states.

Usual business hours in summer (May to October) are from 6 AM to 12 noon and from 4 PM to 6 PM; and during the rest of the year, from 7 AM to 12 noon and from 3 PM to 6 PM. Stores are closed Fridays.

## 31 FOREIGN TRADE

For many years, Kuwait maintained a boycott of imports from Israel. However, after liberation from Iraqi occupation in 1991, Kuwait relaxed its trade policies so that Israeli companies previously subject to boycott were permitted to do business in Kuwait. Kuwait also announced a trade embargo against the countries it regarded as having supported Iraq during the occupation—Jordan, Yemen, Tunisia, Sudan, Algeria, and Mauritania. Major export partners in 1997 were Japan (24%), India (16%), the United States (13%), South Korea (11%), and Singapore (8%). Imports came primarily from the United States (22%), Japan (15%), the United Kingdom (13%), Germany (8%), and Italy (6%).

The export of fuels sustains Kuwait, accounting for the vast majority of commodity exports (91%). Kuwait is the source of 3.3% of the world's crude petroleum exports. Polymers are another important export (4.8% of Kuwait's exports).

In 2004, Kuwait's exports grew to \$27.4 billion (FOB—Free on Board), while its imports were more than half that, at \$11.1 billion (FOB). The bulk of exports went to Japan (20.5%), South Korea (13.7%), the United States (12.4%), Singapore (11.3%), Taiwan

**Principal Trading Partners – Kuwait (2001)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	16,164.5	7,869.0	8,295.5
Areas nes	7,358.6	...	7,358.6
Japan	3,275.6	752.2	2,523.4
United States	1,777.1	834.6	942.5
Netherlands	895.0	125.7	769.3
Other Asia nes	621.7	91.1	530.6
Singapore	351.7	64.7	287.0
Korea, Republic of	330.4	215.1	115.3
Sa'udi Arabia	163.9	508.7	-344.8
France-Monaco	159.1	282.8	-123.7
United Arab Emirates	129.6	282.1	-152.5

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

(9.9%), Pakistan (3.3%), and the Netherlands (3.3%). Imports included food, construction materials, vehicles and parts, and clothing and mainly came from the United States (12.9%), Germany (11.9%), Japan (7.9%), the United Kingdom (5.5%), Saudi Arabia (5.5%), Italy (5%), France (4.5%), and China (4.1%).

**32 BALANCE OF PAYMENTS**

Kuwait enjoys a highly favorable payments position because of its huge trade surpluses. The Kuwaiti dinar is completely covered by the country's reserve fund, 50% of which must be in gold.

The US Central Intelligence Agency (CIA) reported that in 2001, the purchasing power parity of Kuwait's exports was \$16.2 billion, while imports totaled \$7.4 billion, resulting in a trade surplus of \$8.8 billion.

**Balance of Payments – Kuwait (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>7,567.0</b>
Balance on goods		11,261.0
Imports	-9,698.0	
Exports	20,959.0	
Balance on services		-4,641.0
Balance on income		3,326.0
Current transfers		-2,379.0
<b>Capital Account</b>		<b>1,429.0</b>
<b>Financial Account</b>		<b>-11,332.0</b>
Direct investment abroad		4,990.0
Direct investment in Kuwait		-67.0
Portfolio investment assets		-13,379.0
Portfolio investment liabilities		336.0
Financial derivatives		...
Other investment assets		-2,812.0
Other investment liabilities		-399.0
<b>Net Errors and Omissions</b>		<b>511.0</b>
<b>Reserves and Related Items</b>		<b>1,824.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

The International Monetary Fund (IMF) reported that in 2001, Kuwait had exports of goods totaling \$16.2 billion and imports totaling \$6.93 billion. The services credit totaled \$1.79 billion and debit \$5.34 billion.

Exports of goods reached \$30.2 billion in 2004 and were expected to grow to \$43.4 billion in 2005. Imports were expected to reach \$11.8 billion in 2005, up from \$10.9 billion in 2004. Kuwait has thus managed to keep both a positive resource balance (\$19.3 billion, and \$31.6 billion, respectively), and a positive current account balance (\$18.8 billion in 2004, and an expected \$31.1 billion in 2005). Foreign exchange reserves (excluding gold) reached \$8.2 billion in 2004, covering almost 10 months of imports.

**33 BANKING AND SECURITIES**

The Central Bank of Kuwait, established in 1969, formulates and implements the nation's monetary policy, regulates the currency, and controls the banking system. There are seven commercial banks with 96 branches in Kuwait, of which one is a single-branch operation belonging to a joint-venture bank (the Bank of Bahrain and Kuwait). Apart from this special case, foreign banks are not permitted to operate within Kuwait or to own shares in Kuwaiti banks. Kuwaiti bank shares are typically closely held, either by the government and its agencies or by the merchant families who founded them. The preeminent bank is the National Bank of Kuwait, which at the end of 1999 accounted for one-third of all Kuwaiti bank branch assets.

The Central Bank of Kuwait only took on a serious regulatory role in 1984, after a debt crisis engulfed commercial banks, all of which had exposure to the collapsed informal stock market. However, the Central Bank's powers are limited, and, although it considers some of the banks to be too weak to be competitive, so far it has been unable to force mergers.

There are three specialized banks, one of which, Kuwait Finance House, operates as a commercial bank restricted to Islamic financial transactions. The other two, Industrial Bank of Kuwait and Kuwait Real Estate Bank, were created to provide long-term credit at a time when the supply of fresh capital from the public sector was not constrained. In the more austere environment since the war, they function like a US investment bank. The idea of establishing more Islamic banks has been welcomed. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$5.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$30.0 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.62%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 4.25%.

Kuwait's official securities exchange, the Kuwait Stock Exchange (KSE), first introduced in 1962, was founded in 1977 and handles only government bonds and securities of Kuwaiti companies. An unofficial and unregulated securities exchange, the Souk al-Manakh, listing the stocks of 45 Gulf companies outside Kuwait and considered highly speculative, collapsed suddenly in August 1982. At the time of the crash, some 6,000 investors and \$94 billion in postdated checks drawn in anticipation of future stock price increases were said to be involved. In order to limit the effect of the collapse on the Kuwaiti economy, the government created

a special rescue fund to pay compensation to small investors for validated claims. All trading operations of the KSE were suspended on the Iraqi invasion of Kuwait on 2 August 1990. The KSE recommenced trading on 28 September 1992. On the exchange, 1995 was a banner year. The combined effect of rapidly expanding credit and privatization resulted in a 36% increase in the stock price index and a 226% increase in trading volume. By the end of 2001, 88 companies were listed with a total capitalization of KD26.7 billion (\$86.9 billion) and a trading value of KD11.7 billion (\$38 billion). Only Gulf Cooperation Council (GCC) citizens are permitted to buy shares in Kuwaiti companies.

### 3<sup>4</sup> INSURANCE

The insurance sector is closed to foreign institutions. As of 2000, the insurance sector was dominated by three companies: Ahlia Insurance, Gulf Insurance, and Kuwait Insurance Co. Marine, fire, accident, and life insurance policies constitute the bulk of all policies issued. Third-party liability insurance for motor vehicles is compulsory. In 2003, the value of all direct premiums written totaled \$320 million, of which nonlife premiums accounted for \$240 million. In 2002, Al-Ahleia was the top nonlife insurer, with gross written nonlife premiums of \$45.9 million. In that same year, Gulf was the country's top life insurer, with gross written life premiums of \$35.6 million.

### 3<sup>5</sup> PUBLIC FINANCE

Much of the recent improvement in public finances has been the result of higher oil prices and production rather than government reforms. In 1994, the Kuwaiti government began to consider various austerity measures, which became a source of debate in parliament. Several plans called for reductions in government subsidies and welfare benefits, increases in taxes, privatization of state-owned businesses, and banking-sector reforms. Subsidies are one of the most contentious and politicized austerity measures; in 1995, the Ministry of Finance stated that the country annually spent \$1.8 billion on utility subsidies and free health care. The Kuwaiti cabinet passed a reform package in 1999, including a reduction in subsidies and increasing taxes on luxury goods. A government surplus of about 15% of GDP in 2000 was reduced to a deficit of over 2% in 2001 as a result of soft world oil prices.

The US Central Intelligence Agency (CIA) estimated that in 2005 Kuwait's central government took in revenues of approximately \$47.2 billion and had expenditures of \$20.7 billion. Revenues minus expenditures totaled approximately \$26.4 billion. Public debt in 2005 amounted to 17.6% of GDP. Total external debt was \$14.93 billion.

The International Monetary Fund (IMF) reported that in 1999, the most recent year for which it had data, central government revenues were KD3,063 million and expenditures were KD3,930 million. The value of revenues was us\$9,324 million and expenditures us\$11,963 million, based on an official exchange rate for 1999 of us\$1 = KD0.32850 as reported by the IMF. Government outlays by function were as follows: general public services, 13.2%; defense, 17.3%; public order and safety, 9.4%; economic affairs, 9.9%; housing and community amenities, 4.8%; health, 7.2%; recreation, culture, and religion, 3.1%; education, 14.8%; and social protection, 20.4%.

### Public Finance – Kuwait (1999)

(In millions of dinars, central government figures)

<b>Revenue and Grants</b>	<b>3,063</b>	<b>100.0%</b>
Tax revenue	116	3.8%
Social contributions	189	6.2%
Grants	...	...
Other revenue	2,758	90.0%
<b>Expenditures</b>	<b>3,930</b>	<b>100.0%</b>
General public services	518	13.2%
Defense	679	17.3%
Public order and safety	369	9.4%
Economic affairs	390	9.9%
Environmental protection	...	...
Housing and community amenities	187	4.8%
Health	281	7.2%
Recreational, culture, and religion	123	3.1%
Education	582	14.8%
Social protection	801	20.4%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 3<sup>6</sup> TAXATION

Companies that are registered in Kuwait or in countries that are members of the Gulf Cooperation Council (GCC) and are wholly owned by Kuwaiti and/or citizens of GCC countries are not subject to income tax. However, foreign companies carrying on trade or business in Kuwait are subject to varying corporate tax rates based on defined income levels and where the operations are located. Operations on the Kuwaiti mainland are subject to tax rates contained in the Amiri Decree No. 3 of 1955, which range from 0–55%, covering 11 income levels. Operations located on the islands of Kubr, Qaru, and Umm Al Maradim are subject to the tax rates contained in Law No. 23 of 1961, which has two income levels and rates of 20% and 57%. Foreign companies doing business in the portion of the offshore area of the partitioned neutral zone that is under Saudi Arabian administration are subject to a tax of 50% of what they would pay under Amiri Decree No. 3 of 1955. Capital gains derived from the sale of assets and shares are treated as normal business profits subject to the appropriate tax rate. Other taxes include social security levies of 10.5% on employers; a 1% levy on a shareholding company's profit, payable to the Kuwait Foundation for Scientific Research; and a 2.5% employment tax on net annual distributable profits. Kuwaiti citizens are exempt from paying taxes. The government passed a law to introduce limited taxation in 2000, in the form of sales taxes.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Customs duties are generally 5% ad valorem, but many goods are admitted duty free. The tariff on cigarettes was increased to 100% (from 70%) as of July 1997. Imports of liquor are prohibited by law. Protective tariffs may be levied at up to 25%.

### 3<sup>8</sup> FOREIGN INVESTMENT

Through tax concessions, Kuwait welcomes foreign investment in heavy and light industries but continues to resist foreign invest-

ment in the oil sector. In May 2000, the government passed the Indirect Foreign Investment Law, allowing the purchase of up to 100% of the stock of companies listed on the Kuwait Stock Exchange, except for banks. In March 2001 the government passed a liberalized Foreign Investment Law that, together with a five-year privatization plan announced July 2001, expected to substantially increase foreign investment in Kuwait. Previously, foreign investment was not permitted in certain sectors, such as banking or insurance, and was restricted to less than 49% of ownership shares in permitted areas. Foreign investors are no longer required to have a Kuwaiti sponsor but are subject to a 55% corporate tax that Kuwaiti companies do not pay. Major foreign investors in Kuwait as of 2001 included Japan's Arabian Oil Co. and US-owned Texaco. In July 1995, the Union Carbide Corp. and Kuwait's Petrochemical Industries Co. began construction of a \$2 billion petrochemical plant, the biggest joint venture involving a foreign company to date in Kuwait. Foreign investment totaled \$110 million in 1995. Foreign direct investment (FDI) has historically been low and not encouraged by a government concerned with the "Kuwaitization" of the economy. In 1997, FDI was reported at \$20 million, rising to \$59.1 million in 1998, and reaching \$72.3 million in 1999. However, FDI inflow fell to \$16.3 million in 2000, and then in 2001 turned into a net outflow of -\$39 million.

Low inward investment contrasts with remarkably high outward investment, though the government does not publish any statistics for these activities. Kuwaiti outward investment consists of portfolio investments held by the Kuwait Investment Authority (KIA), other direct investments by other government entities, and outward investments by private citizens. The KIA portfolio was estimated to have reached about \$60 billion in 2002. Entities like the Kuwait Petroleum Corp. have sizeable investments in production, refining and marketing activities abroad, but only the roughest estimates as to their value can be made. Investments by private citizens are thought to at least equal the government's holdings.

New estimates place outward public investments at around \$80 billion. At the same time, investments made outside Kuwait by the private sector are estimated to have grown to around \$100 billion.

### **39 ECONOMIC DEVELOPMENT**

Since the mid-1970s, Kuwait has restrained its spending on economic development and fostered a policy of controlled growth. From 1977 to 1982, allocations for development projects remained steady at \$1.7–2.5 billion annually, of which 76% was spent on public works, electric power plants, and desalination and irrigation projects. Development plans for the 1980s, stressing industrial diversification, included the expansion of local oil refineries and major projects in petrochemicals, electricity, water supply, highway construction, and telecommunications. Overseas, refining and marketing operations were stepped up.

Postwar economic planning was hampered by the expulsion of the mainly Palestinian middle-ranking civil servants in various government departments. The Industrial Bank of Kuwait played a major role in the industrial redevelopment of the emirate following the war. Diversification and privatization continue to be the strategic goals of the government to increase employment and counter the abrupt swings in the economy due to the heavy dependence on the oil sector. Increased foreign investment has come

to be seen as essential to these goals. In May 2000, the government passed the Foreign Investment Law, allowing foreign investors to buy up to 100% of companies listed on the Kuwait Stock Exchange (KSE), except for banks. The government, however, controls which companies are publicly traded. In March 2001, the Foreign Direct Investment Law was passed, allowing up to 100% ownership of a company operating in Kuwait, although with the disincentive that the profits of the foreign company would be subject to a 55% tax. In July 2001, the government announced a five-year privatization program.

Toward the end of 2005, plans were made to build one of the largest refineries in the region. The project, financed by state-owned Kuwait National Petroleum Co. (KNPC), will cost around \$6 billion and when completed will refine 615,000 barrels per day. The economy as a whole is expected to grow at steady rates in coming years (around 3.5% in 2006 and 2007), despite slumping government expenditures and possible constraints in the rate of expansion of the oil industry.

### **40 SOCIAL DEVELOPMENT**

Kuwait has a widespread system of social welfare that is operated on a paternalistic basis and financed by government oil revenues. Social insurance legislation provides for old-age, disability, and survivor pensions, for which the worker pays 5% of earnings, the employer pays 11% of payroll, and the government provides a subsidy. Retirement benefits ranged from 65–95% of earnings, depending upon the length of employment. The government pays for medical care in case of work injury.

Women are denied equal rights and legal protection under Kuwaiti law and do not have the right to vote. Women must first obtain their husband's permission before applying for a passport. Kuwaiti women married to foreign men suffer legal discrimination, are not entitled to government housing subsidies, and are required to pay a residency fee. Women (including foreign women) who wear Western clothing are often subject to harassment. Domestic abuse is common. Rape and abuse of foreign domestic workers is widespread. In 2004, it was still common for employers to confiscate and withhold the passports of domestic servants preventing them from leaving the country.

Bedouin minorities face considerable legal discrimination. They are not entitled to citizenship, but beginning in 2004, they were able to enroll their children in school, and health care became available in 2005.

### **41 HEALTH**

Kuwait has a highly advanced public health service that is extended to all Kuwaiti residents, regardless of citizenship. The entire population has access to health care services. Total health care expenditure was estimated at 3.3% of GDP. The urban population has access to safe water and adequate sanitation. As of 2004, there were an estimated 153 physicians, 391 nurses, 32 pharmacists, and 29 dentists per 100,000 people.

The incidence of typhoid fever and most infectious diseases is comparatively low; however, influenza is common and measles has resulted in a high fatality rate among children up to age five. Immunization rates for children up to one year of age were as follows: tuberculosis, 93%; diphtheria, pertussis, and tetanus, 98%; polio, 98%; and measles, 97%. The rates for DPT and measles were

94% and 95%, respectively. Common diseases were malaria and measles.

Life expectancy in 2005 was 77.03 years, and infant mortality was estimated at 9.95 per 1,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at, 21.8 and 2.5 per 1,000 people, respectively. The total fertility rate in 2000 was 2.7 children per woman during childbearing years. In 2001, the HIV prevalence was estimated at 0.12 per 100 adults.

## 42 HOUSING

For centuries, housing in Kuwait consisted primarily of small cottages, mud huts, and a few larger dwellings built of coral and plastered with cement and limestone. However, improved housing for the general population has been a main government objective since 1970, and many of the traditional Arab houses have been replaced with new government model housing.

The National Housing Authority built about 50,000 dwelling units in 1977–85. Between 1989 and 1994, 25,213 applications were presented for the housing distribution program. According to the 1995 census, there were 255,477 households in Kuwait. The total number of dwellings that year was 251,682, of which 234,153 were private and 17,529 were collective dwellings. Including vacant dwellings and those under construction, the total number was 287,574 in 1995. About 50% of all housing units were apartments, 19% were villas, 15% were traditional dwellings, 10% were annexes, and 4% were shacks and other marginal dwellings. In 2000–01 there were 8,875 government housing projects and 3,118 new dwellings constructed.

## 43 EDUCATION

Kuwait offers its citizens free education, including free food, clothing, books, stationery, and transportation from kindergarten through the fourth year of college. Schools below university level are segregated by sex. Four years of primary school are compulsory. Students may then move on to four years of intermediate school and four years of secondary school. For the last two years of schooling, students may choose a specialized curriculum in science, arts, or religious studies. The Ministry of Education oversees all aspects of secondary education, both public and private, for general and Islamic schools. The school year runs from September to June.

In 2001, about 73% of children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 83% of age-eligible students. In 2001, secondary school enrollment was about 79% of age-eligible students. It is estimated that about 96% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 13:1 in 2003.

Kuwait University (opened in 1966) is the only university in the country. There are several colleges offering programs, as well as a Cadet Academy sponsored by the military. Kuwaiti students who complete their secondary school science courses in the upper 80% of their class and arts courses in the upper 70% are eligible to study abroad at government expense. In 1999, about 21% of the tertiary-age population were enrolled in some type of higher education program: 12% men and 32% women. The adult literacy

rate for 2004 was estimated at about 82.9%, with 84.7% for men and 81% for women.

As of 1999, public expenditures on education were estimated at 6.5% of GDP.

## 44 LIBRARIES AND MUSEUMS

The National Library of Kuwait has over 150,000 volumes, 90% of them in Arabic; it has established 22 branches throughout the country. The Kuwait University Library system has over 294,000 volumes. The Arab Planning Institute in Safat has a library of about 48,000 volumes. Other schools and oil companies maintain special libraries.

The Kuwait National Museum in Kuwait City displays ancient Kuwaiti artifacts (recovered from excavations on Faylakah Island), as well as exhibits concerning Islamic art, and local plant, bird, and animal life. The Kuwait Museum of Islamic Art in Kuwait City was founded in 1983. The Educational Science in Safat Museum was established in 1972 and features sections on natural history, space, oil, health, and meteorology.

## 45 MEDIA

The government administers telephone, television, radio, postal, and telegraph services. In 2003, there were an estimated 198 main-line telephones for every 1,000 people. The same year, there were approximately 578 mobile phones in use for every 1,000 people.

Government-controlled Kuwait Television operates three networks and Radio Kuwait offers one station, with programs in English, Urdu, Persian, and Arabic. There are private stations for both radio and television, including a private satellite television channel launched in 2004. In 2003, there were an estimated 570 radios and 418 television sets for every 1,000 people. The same year, there were 162.8 personal computers for every 1,000 people and 228 of every 1,000 people had access to the Internet. There were 52 secure Internet servers in the country in 2004.

As of 2002, Kuwait had eight daily newspapers. Major Arabic dailies (with estimated 2002 circulation) include *Al-Anbaa* (*The News*, 106,830), *Al-Rai al-'Amm* (*Public Opinion*, 86,900), *Al Jameheer* (83,000), *Al-Qabas* (*Firebrand*, 79,700), *Al-Seyassa* (*Policy*, 70,000), and *Al-Watan* (*The Homeland*, 59,940). English-language dailies include the *Arab Times* (41,920), and *Kuwait Times* (28,000). The popular monthly magazine *Al-'Arabi* (350,000 in 1995), similar to the *Reader's Digest*, is widely read in Kuwait.

The constitution provides for freedom of speech and the press, and with a few exceptions, citizens are said to freely criticize the government in all media. A Press Law, revised in 2003, prohibits the publication of any materials that criticize the emir or is deemed an insult to God or Islam.

## 46 ORGANIZATIONS

There is a chamber of commerce and industry in the capital. Workers are represented through a number of associations, including the Kuwait Trade Union Federation. The Ministry of Social Affairs and Labor encourages and supports cultural and recreational organizations and sponsors theatrical activities for youth. The Kuwait National Commission for Education, Science, and Culture is the primary organization for the advancement of science, art, and culture. Organizations such as the Kuwait Medical Association

promote research and education in specialized fields. The multinational Islamic Organization for Medical Sciences and the Arab Center for Medical Literature are in Kuwait. National youth organizations include the National Union of Kuwaiti Students and the Boy Scouts and Girl Scouts Associations. There is a national chapter of the Red Crescent Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

By 1992, the second anniversary of the Iraqi invasion, many of the physical scars of war and occupation had already been erased. The government has restored many of the country's extensive prewar accommodations and amenities. Kuwait City offers gardens and parks, along with landmarks such as the Kuwait Towers; Seif Palace was built in 1896 and boasts original Islamic mosaic tilework. A valid passport and visa are required of all visitors.

In 2001, a total of 2,069,051 foreign visitors arrived in Kuwait. Tourist receipts totaled \$328 million in 2003. Hotel rooms numbered 1,988 with 2,857 beds.

According to the US Department of State, the estimated cost of staying in Kuwait in 2004 was \$344 per day.

#### 48 FAMOUS KUWAITIS

During the reign of Emir Sir 'Abdallah as-Salim as-Sabah (1870–1965), Kuwait attained a prominent position among the great oil-producing nations of the world, and the state adopted a social welfare program founded on a unique patriarchal system; the emir was revered as a man of simplicity, devotion, and deep concern for his people. He was succeeded as emir by Sabah as-Salim as-Sabah (1913–77), from 1965 to 1977; Jabir al-Ahmad al-Sabah (1926–2006), from 1977 to 2006; and Sabah IV Al-Ahmad Al-Jaber Al-Sabah (b.1929), who became emir in 2006.

#### 49 DEPENDENCIES

Kuwait has no territories or colonies.

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# KYRGYZSTAN

Kyrgyz Republic  
*Kyrgyz Respublikasy*

**CAPITAL:** Bishkek

**FLAG:** Red field with a yellow sun in the center; in the center of the sun is a red ring crossed by two sets of three lines, a stylized representation of the vent in a Kyrgyz yurt.

**ANTHEM:** *Kyrgyz National Anthem.*

**MONETARY UNIT:** The som was established in May 1993; som1 = \$0.02492 (or \$1 = som40.13) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** Constitution Day, 5 May; Independence Day, 31 August; National Day, 2 December.

**TIME:** 5 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Kyrgyzstan is located in southern Asia, between China and Kazakhstan. Comparatively, it is slightly smaller than the state of South Dakota, with a total area of 198,500 sq km (76,641 sq mi). Kyrgyzstan shares boundaries with Kazakhstan on the n, China on the e, Tajikistan on the s, and Uzbekistan on the w. The country's boundary length totals 3,878 km (2,410 mi), and its capital city, Bishkek, is located in the north central part of the country.

## <sup>2</sup>TOPOGRAPHY

The topography of Kyrgyzstan features the peaks of Tian Shan, which rise to over 7,000 m (23,000 ft), and associated valleys and basins which encompass the entire nation. About 90% of Kyrgyzstan has an elevation exceeding 1,500 m (4,900 ft). Slightly over 5% of Kyrgyzstan's land is under irrigation.

Seismic activity continues along the Tian Shan as these mountains continue to be uplifted. As a result, frequent and sometimes devastating earthquakes occur within the region. These also trigger massive mudslides and avalanches that have been known to destroy villages. In August 1992, a 7.3 magnitude earthquake occurred near Jala-Abad, killing 75 people and leaving several thousand homeless.

## <sup>3</sup>CLIMATE

The country's climate is continental to polar in the Tian Shan Mountains. In the Fergana Valley the average temperature in July is 27°C (81°F). In January, the coldest temperatures are in the mountain valleys, with recorded lows below -30°C (-22°F). The climate is temperate in the foothill regions of the north.

## <sup>4</sup>FLORA AND FAUNA

The country's flora and fauna is similar to Tajikistan. There are several types of wildflowers in the valleys. Yak, mountain goats, and snow leopards can be found in the mountains. The country claims to have the world's largest natural-growth walnut forest. Numerous flocks of migrating birds pass through the country each year.

As of 2002, there were at least 83 species of mammals, 168 species of birds, and over 4,500 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Among Kyrgyzstan's most significant environmental issues are water pollution and soil salinity resulting from improper irrigation methods. The pollution of the nation's water causes health problems for 25% of its people, many of whom draw water directly from contaminated wells and streams.

In 2003, about 15% of Kyrgyzstan's total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 6 types of mammals, 4 species of birds, 2 types of reptiles, 3 species of invertebrates, and 1 species of plant. Threatened animal species include the great bustard, European bison, snow leopard, field adder, and tiger.

## <sup>6</sup>POPULATION

The population of Kyrgyzstan in 2005 was estimated by the United Nations (UN) at 5,172,000, which placed it at number 112 in population among the 193 nations of the world. In 2005, approximately 6% of the population was over 65 years of age, with another 33% of the population under 15 years of age. There were 97 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.3%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 6,713,000. The population density was 26 per sq km (67 per sq mi).

The UN estimated that 57% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.45%. The capital city, Bishkek, had a population of 806,000 in that year. The second-largest city was Osh, with a population of 220,000.

## <sup>7</sup>MIGRATION

As of 1999, the total number of registered and unregistered refugees was estimated to be between 40,000 and 50,000 (1% of the

total population). There were about 13,000 officially registered refugees, mainly from Tajikistan, and about 700 from Afghanistan. The great majority of Tajik refugees were of ethnic Kyrgyz origin and desired to stay in Kyrgyzstan permanently. The government was working with the United Nations High Commissioner for Refugees (UNHCR) to implement an integration package to assist Tajik refugees in their transition to Kyrgyz citizenship. In the period 1989–95, some 296,000 Russians, 39,000 Ukrainians, and 3,000 Belarussians all departed from Kyrgyzstan. Also, 46,000 Germans (formerly deported under Stalin during World War II from Soviet and Volga regions) returned to Germany. In 2004, there were 3,753 refugees and 453 asylum seekers. Over 300 Kyrgyzstanis sought asylum in 2004 in Sweden and the Czech Republic. In 2005, the net migration rate was an estimated -2.47 migrants per 1,000 population, changed from -12.5 in 1990. The government viewed the immigration level as too high, but the emigration level as satisfactory. Remittances in 2003 were \$52.1 million.

## **8 ETHNIC GROUPS**

According to the latest estimates, about 66.3% of the total population are Kyrgyz, 11.2% are Russian, 14% are Uzbek, 1.1% are Dungan (ethnic Chinese Muslims), 1% are Uighurs, and 6.4% other. About 420,000 ethnic Kyrgyz reside elsewhere in the former Soviet Union and 170,000 in China. Kyrgyz speak a Turkic language and most are Sunni Muslims. There are major ethnic and clan-based cleavages, including north–south clan and regional tensions that threaten fragmentation.

According to some reports, 10% or more of Russians left Kyrgyzstan during 1991 because of ethnic tensions. Ethnic Germans, deported to Kyrgyzstan by Stalin during World War II, are also leaving Kyrgyzstan. In June 1990, in the Osh region on the eastern edge of the fertile Fergana Valley, a major ethnic conflict broke out between Kyrgyz and Uzbek inhabitants over land distribution. Approximately 250 people died in what has been termed “the most explosive region of Central Asia,” because of its mixed population of Uzbeks and Kyrgyz, poverty, and high unemployment. Periodic clashes also occur between Kyrgyz and Tajiks along the border with Tajikistan over water resources. Beefed-up Kyrgyz security forces were placed in the Osh and Alais regions in early 1993 to prevent spillover from fighting going on between Tajik ex-communists and oppositionists in the mountains of northern Tajikistan and to halt the inflow of Tajik refugees.

## **9 LANGUAGES**

A Turkic tongue, Kyrgyz is the official language. Until 1926, the Kyrgyz and Kazakh languages were not officially recognized as two distinct languages. Kyrgyz orthography was formally organized in 1923 and was modeled after the northern dialects using Arabic script. Afterward, Roman letters were used until 1940, when the Cyrillic alphabet was mandated by the Soviet government, with three special additional characters. Since independence, there has been discussion about switching back to the Roman alphabet.

Although the Kyrgyz language is the traditional language, most of Kyrgyzstan's population also speaks Russian, the language of business and commerce. In March 1996, the Kyrgyzstani legislature amended the constitution to make Russian an official language, along with Kyrgyz, in territories and workplaces where Russian-speaking citizens predominate.

## **10 RELIGIONS**

Some 80% of the population are Muslim, mostly Sunni of the Hanafi persuasion. An estimated 11% are Russian Orthodox. Together, Jews, Buddhists, and Roman Catholics make up about 3% of the population. There are about 249 registered Protestant places of worship in the country and 12 Baha'i congregations.

The constitution provides for freedom of religion, a secular state, and the separation of church and state. However, in practice some minority Muslim groups as well as non-Muslim groups have reported discrimination by the government and social groups. All groups must be registered with the State Commission on Religious Affairs in order to operate legally; this same commission serves as a government forum to promote interfaith understanding and tolerance.

## **11 TRANSPORTATION**

As of 2004, Kyrgyzstan's railway system consisted of 470 km (292 mi) of broad gauge railroad, the largest portion of which was a single east–west rail line of 370 km (230 mi) that went from Issyk-kul' across the Chuskaya region into Kazakhstan. There were some 18,500 km (11,507 mi) of highways, of which 16,854 km (10,483 mi) were paved in 2002. Irregular service with public transportation occurs frequently. As a landlocked nation, water transportation is of minor importance with only 600 km (372 mi) of waterways as of 2004. However, inland travel is possible on several east–west rivers. Kyrgyzstan has an estimated 52 airports and airfields as of 2004, of which 18 had paved runways as of 2005. The principal airport is Manas, located at Bishkek. In 2003, about 206,000 passengers were carried on scheduled domestic and international airline flights.

## **12 HISTORY**

The area of present-day Kyrgyzstan contains evidence of human habitation from the time of the Lower Paleolithic era on, approximately 300,000 years ago. Archeologists suggest that two types of economies developed in the territory—farming and pastoral nomadism. By the 7th century BC, nomadism had become predominant, and the area was controlled by various tribal alliances. In the north the Saki (7th–3rd centuries BC) were succeeded by the Usuni (2nd century BC–5th century AD); in the south, the Parkan state (2nd–1st centuries BC) was replaced by the Kushani kingdom (1st–4th century AD). The ethnic identity of those peoples is the subject of much debate, but they were not Turkic. From the 6th century on, various Turkic tribes began to push westward, eventually settling most of Central Asia, including Kyrgyzstan. Much of present Kyrgyzstan was united by the 7th century as part of the West Turkic Kaganate, and replaced in the 8th century by the Tur-gash, who in turn were conquered by the Karluk, who originated in the Altai region further north.

When the present-day Kyrgyz first came to this territory is the subject of much debate. References to tribes of that name living in the Altai occur in the 10th century, but another people with the same name who lived along the Enisei River are first mentioned in records from the 2nd century BC. The Enisei Kyrgyz formed the Kyrgyz Kaganate in about AD 650, which survived until defeat by Genghis Khan in 1209. Kyrgyz tradition prefers to see its origin





LOCATION: 41°30' N; 75°0' E. BOUNDARY LENGTHS: Total boundary lengths, 3,878 kilometers (2,410 miles); China, 858 kilometers (533.2 miles); Tajikistan, 870 kilometers (541 miles); Uzbekistan, 1,099 kilometers (683 miles); Kazakhstan, 1,051 kilometers (653 miles).

in that state, but ethnographers and archeologists view the claim with considerable skepticism.

Evidence suggests instead that the present-day Kyrgyz are an amalgamation of various peoples, as existing tribes incorporated themselves into fresh waves of conquerors. The territory was part of the Karakhanid state from about 950–1150, during which the urban population was actively involved in trade and manufacturing along the Silk Road. Conversion to Islam also began in this period.

Genghis Khan's Mongols conquered the area in the 13th century, destroying most of the Karakhanid culture and introducing large numbers of new peoples into the area, of Turkic, Mongol, and Tibetan stock. The resulting mix of tribes was almost certainly the basis for the present-day Kyrgyz people, who retain much of the memory of those origins in the orally preserved genealogies of their 40 clans and tribes. The present Kyrgyzstan flag includes the depiction of a sun with one ray for each tribe. The Kyrgyz follow the Mongol practice of dividing their people into left (*ong*) and right (*sol*) "wings," said to reflect either the deployment of troops in military formation, or the tribe's original place of habitation. There is also a third group, the *ichkilik*, which seems to include parts of the Kyrgyz identity.

From the 15th century until the 17th century, the Kyrgyz tribes were part of the larger delineation of Central Asian history, which distinguished agricultural sedents from pastoral nomads. The appearance of the same tribal names among Kazakhs, Kyrgyz, and

Uzbeks suggests how the people of this territory formed a series of tribal alliances, rather than a true state.

In the 18th century the Kyrgyz began to come under pressure from Mongol tribes farther east. This prompted some of the northern tribes to send delegations to the Russians, who had pushed into Siberia in the 17th century, and who were beginning to take what is now northern Kazakhstan under its control. The Russians made no distinction between the Kazakhs and Kyrgyz, calling both Kyrgyz. The southern Kyrgyz, however, were conquered by the Kokand Khanate, established in the late 18th century, separating them from the northern Kyrgyz. This split between south and north continues to the present day in Kyrgyz life.

Russian expansion into what it called the Steppe included Kyrgyzstan. Most of northern Kyrgyzstan was incorporated into the empire by 1863; the south followed in 1876, when Russia destroyed the Kokand Khanate. Administratively, present-day Kyrgyzstan was split among four *gubernii*s. Beginning in the 1890s Russia settled Russian and other European farmers into the fertile river valleys of the north, forcing Kyrgyz nomads higher into the mountains.

By 1916, Russia's policies of livestock requisition and land use had left the Kyrgyz badly impoverished. When Russia attempted to issue a draft call-up for Central Asian males, including the Kyrgyz, widespread fighting broke out all across the territory. The uprisings were suppressed, with great loss of life; population in the

northern part dropped as much as 40%. Since independence in 1991, the state has commemorated the 1916 uprising as genocide.

Hostility to the tsars meant that there was some support for the Bolsheviks, at least until it became clear that Lenin was not going to encourage the development of national states. Resistance to the Russians continued sporadically until the mid-1920s in what Russian historians have labeled the "Basmachi Rebellion."

As Bolshevik power was consolidated, Kyrgyzstan was first made an autonomous oblast (political unit) of the Russian Federation in 1924; it was upgraded in 1926 to an autonomous republic, but still within Russia. (At that time Russia was one of the Soviet Republics.) Kyrgyzstan did not become a full Soviet Republic until 1936.

The republic was regarded as one of the least developed of the Soviet states, politically and economically. Thus, it came as a great surprise when, on 28 October 1990, Kyrgyzstan became the first Soviet republic to select its own leader. The Kyrgyzstan legislature refused to ratify Communist Party leader Absamat Masaliyev's bid to become the republic's president and elected instead, Askar Akayev, president of the republic's Academy of Science. Akayev and his supporters began asserting Kyrgyz nationalism and wresting political and economic control over the republic from the Soviet Communist Party. These efforts were briefly interrupted by an attempted coup in Moscow by Communist Party hardliners in August 1991. Akayev bravely condemned the coup and, after it fizzled, on 30 August 1991, he severed ties with the Communist Party and Kyrgyzstan declared its independence. On 12 October 1991, Akayev's presidency was confirmed by direct popular election.

A constitution was adopted on 5 May 1993. An economic and political crisis led to the resignation of the first government in December 1993, but Akayev's presidency was reaffirmed by a popular referendum of support conducted on 30 January 1994. Over 95% of registered voters participated in the referendum; 97% of those who voted supported President Akayev.

In September 1995, Akayev's supporters submitted a petition signed by 1.2 million people (52% of the voting age population) urging the legislature to approve a referendum extending Akayev's term to the year 2001. After contentious debate, the legislature rejected holding a referendum, and Akayev instead announced that a presidential election would be held on 24 December 1995. Thirteen candidates were registered, but 10 were disqualified, leaving Akayev, Masaliyev, and former speaker Medetken Sherimkulov. Akayev won reelection to a five-year term, receiving 72% of about 1.9 million votes in a race deemed generally "free and fair" by international observers, though questions were raised about the disqualifications. In July 1998, Akayev hailed a Constitutional Court decision permitting him to run for a third term in the year 2000. He was reelected president on 29 October 2000, receiving 74% of the vote in an election marred by serious irregularities. Opposition activity prior to the election had been severely curtailed.

Severely shaking Kyrgyzstan's stability, several hundred Islamic extremists and other guerrillas entered Kyrgyzstan from Tajikistan in July–August 1999. The guerrillas seized hostages, including four Japanese geologists, and several Kyrgyz villages, stating that they would cease hostilities if Kyrgyzstan provided a safe haven for refugees and would release hostages if Uzbekistan released jailed extremists. The guerrillas were rumored to be seeking to

create an Islamic state in south Kyrgyzstan as a springboard for a jihad in Uzbekistan. A Kyrgyz Security Council member in October 1999 alleged that the guerrillas were trying to seize the major drug trafficking route in southern Kyrgyzstan. Kyrgyzstan called out reservists and admitted that its military was unprepared for combat. Kyrgyzstan received air support from Uzbekistan and Kazakhstan, but protested Uzbek bombing of a Kyrgyz village. The Kyrgyz defense minister on 18 October 1999 announced success in forcing virtually all guerrillas back into Tajikistan.

The United States established a major airbase near Bishkek in December 2001 for military and humanitarian uses during its campaign in Afghanistan to oust the Taliban regime and al-Qaeda forces there. Kyrgyzstan and the United States have established closer political and security ties since 11 September 2001. At US prompting, the IMF reached agreement with Kyrgyzstan on a \$93 million loan in December 2001. Since 11 September, all radical Islamic groups in the Central Asian nations have been linked with international terrorism. Both the Hizb-ut-Tahrir (Freedom Party) and the Islamic Movement of Uzbekistan (IMU), two radical Islamic organizations looking to establish an Islamic state in Central Asia, have a strong presence in the country. The IMU, expelled from its own country, collaborated with the Taliban and al-Qaeda and led armed incursions into Kyrgyzstan. Following the antiterrorist operations led by the United States after 11 September, all major units of the IMU were destroyed. In addition, in October 2002, Kyrgyzstan and China staged their first joint military exercises, aiming to coordinate their response to terrorism.

In January 2002, legislative assembly member and opposition leader Azimbek Beknazarov was detained on charges which supporters said were politically motivated. In February, Sherali Azarkulov, a prominent human rights activist, died while on a hunger strike to protest Beknazarov's detention. In March, five people were killed in the southern Aksy rayon in clashes with police during a protest demanding Beknazarov's release, and in May, the government resigned after a state commission ruled that senior officials were to blame for the deaths of the protestors. Beknazarov was subsequently freed, after being given a one-year suspended sentence for abuse of office. A rally in June called for Akayev's resignation, increasing fears of political instability and civil war. Large protests and arrests continued throughout the year. In January 2003, Akayev announced a referendum would be held on his presidency and on amendments to the constitution to "improve democracy." On 2 February, 76.6% of Kyrgyz citizens supported the amendments in the referendum, and 78.7% of voters determined Akayev should remain in office until his term expired in December 2005.

In January 2004, several opposition members in parliament announced they had found listening devices in their offices. The ensuing scandal prompted parliament to set up a commission to examine the case. The commission's conclusion was that the National Security Service (NSB) had planted the devices. As of 2005 no action had been taken against the NSB although the lower house of parliament adopted a resolution to hold the NSB responsible.

Starting with the parliamentary elections in February, 2005 was a year of massive unrest for Kyrgyzstan. Of the 75 seats in parliament only 6 were won by opposition parties. The belief that the election had been rigged by the government led to widespread protests, culminating in the March Revolution, or as it is other-

wise known, the “Tulip Revolution.” The revolution forced President Akayev, to flee the country and formally abandon his role as president on 11 April 2005. Elections were held on 10 July 2005 with Kurmanbek Bakiyev receiving 88.6% of the vote. Although the next presidential elections were scheduled to be held in 2010, there had been massive unrest in Kyrgyzstan since Bakiyev took office and his own tenure was in question. In September 2005 Azimbek Beknazarov was dismissed as prosecutor general and parliamentary member Bayaman Erkinbayev was assassinated. Many northerners associated the rise in crime and corruption with the March Revolution, which was led mainly by politicians with southern political roots, including Bakiyev.

### 13 GOVERNMENT

When Kyrgyzstan was still a Soviet republic, the legislature elected Askar Akayev president. Under his leadership, Kyrgyzstan declared independence and drafted a new constitution, ratified 5 May 1993. This constitution established a democratic presidential system with separation of powers and expansive human rights guarantees. In early September 1994, Akayev’s supporters in the legislature—a slim majority of 168 out of 323 sitting deputies, most of whom were local administrators—boycotted the last session of the legislature before the expiration of its mandate in February 1995. This boycott prevented formation of a quorum, causing the dissolution of the legislature. Oppositionists alleged that the timing of the dissolution was aimed to squelch a legislative investigation into corruption in the government and to open the way for Akayev to create a more malleable legislature. Akayev took over legislative powers, and decreed that legislative elections would be held by the end of the year. He also decreed that a referendum would be held in October 1995 to approve amendments to the constitution, including provisions revamping the legislative system to weaken it relative to the presidency. He argued that legislative and other provisions of the May 1993 constitution were too “idealistic” because the “people are not prepared for democracy,” and a “transitional period” was needed. Although the amendment process, like the dissolution of the legislature, contravened the constitution, the referendum questions were approved by over 80% of the voters.

Under the 1996 amendments, the president was given expanded powers to veto legislation, dissolve the legislature, and appoint all ministers (except the prime minister) without legislative confirmation, while making legislative impeachment more difficult. The legislature confirms the prime minister and high judges. Akayev spearheaded a referendum on 10 February 1996 to further alter the constitution. The amendments specify that Kyrgyzstan, or the Kyrgyz Republic, will be a secular, unitary state. It creates three branches of government: executive, legislative, and judicial. The Jogorku Kenesh (parliament or supreme council) has legislative responsibilities. The Jogorku Kenesh is made up of two houses—the 35-member legislative assembly and the 70-member assembly of people’s representatives. The legislative assembly is responsible for day-to-day operations of the legislature, such as interpreting laws and ratifying international treaties. The legislative assembly also has the power to impeach the president. The assembly of the people’s representatives meets periodically during the year to consider budget, tax, and appointment issues.

The executive branch is comprised of the cabinet of ministers, or ministries, appointed by the president and approved by the parliament. The head of the cabinet is the prime minister, also appointed by the president and confirmed by the parliament.

The president is to be elected once every five years, for no more than two terms, from among those citizens who are between 35 and 65 years of age, who have lived at least 15 years in the republic, and who are fluent in the state language, which is Kyrgyz.

There is no vice president. The usual functions of vice president, including the duty to replace the president in case of death or incapacity, are borne by the speaker of the parliament, who is elected from among the membership of the parliament.

Judges are chosen by the president, subject to parliamentary affirmation. Potential judges must be citizens between 35 and 65 years who have legal training and legal experience of at least ten years. The length of their service is unlimited, but can be terminated by the parliament.

In theory, the constitution provides a number of basic guarantees of human freedom, including freedom of religion, of the press and other forms of media, of movement about the republic and place of dwelling, of association, and unarmed assembly. It guarantees the privacy of post and other forms of communication, and guarantees private property. In terms of social benefits, the constitution guarantees pensions, unemployment compensation, legal representation, medical treatment, and free basic education.

Despite restrictions on its powers, in 1997–98, the legislature showed increasing signs of independence from executive power. Moving to further weaken it, Akayev spearheaded another referendum on 17 October 1998 to amend the constitution. Approved by 91.14% of voters, the amendments sharply restricted the legislature’s influence over bills involving the budget or other expenditures, limited a legislator’s immunity from removal and prosecution, increased the size of the legislative assembly to 60, and decreased the size of the assembly of people’s representatives to 45. It also provided for private land ownership and upheld freedom of the press. The legislature has acted in subordination to the executive branch, but has at times asserted itself by overriding presidential vetoes. In November 1999, the assembly of people’s representatives rejected the government’s budget for 2000, calling for added social and defense spending.

Kyrgyzstan’s 20 February 2000 legislative election (with a runoff on 12 March) reflected the erosion of Kyrgyzstan’s earlier signal progress in Central Asian democratization, according to the US State Department. Under new laws, 15 seats in the upper chamber were set aside for party list voting. The Central Electoral Commission ruled that 16 parties out of 27 legally registered were disqualified from fielding party list candidates, though it urged that such candidates could instead seek single-member seats. The major opposition Democratic Movement of Kyrgyzstan-Dignity Party bloc was initially registered but then decertified. The Organization for Security and Cooperation in Europe (OSCE) on 8 February criticized the decertification as a narrow interpretation of the law and as restricting popular choice in the election. In all, 545 candidates were finally permitted to run for 105 seats. Six parties received over 5% of the vote, giving them seats: the Party of Communists (5 seats), Union of Democratic Forces (4), Democratic Party of Women (2), Party of Veterans (2), My Country (1), and Ata-Meken (1). Only Ata-Meken and the Communist Party are clear op-

position parties. Only three constituency races were decided in the first round. In the second round on 12 March, 84 members were elected in a confusing vote. Prominent opposition politician Daniyar Usenov was disqualified after the first round, although he actually had won, according to the OSCE. Similarly, opposition Dignity Party head Feliks Kulov received more votes than his opponents in the first round, but was heavily defeated in the second through apparent legerdemain, according to the OSCE. After the second round, the opposition Democratic Movement, Dignity Party, and the People's Party protested the results.

About 120 OSCE observers and 2,000 local observers monitored the election. In the first round, OSCE monitors pointed to problems such as the disqualification of prominent opposition parties and the pro-government composition of electoral boards, and in the second round criticized continued government harassment of opposition candidates, politically motivated court decisions disqualifying some opposition candidates, and irregularities in vote-counting. US State Department spokesman James Foley on 14 March stressed that "the United States is disappointed in the conduct of the 2000 parliamentary election in Kyrgyzstan," which "amounted to a clear setback for the democratic process." On 23 March, he criticized Kyrgyz authorities for forcibly suppressing a peaceable demonstration and for arresting Kulov the day before on vague charges of committing crimes several years ago. Kulov was acquitted of charges of abuse of office in August, but was re-arrested in January 2001. That July, new charges of embezzlement were brought against him, and in May 2002, he was sentenced to 10 years' imprisonment.

On 29 October 2000, Akayev was reelected president with 74% of the vote in an election marred by serious irregularities. Throughout 2001, the government continued to harass the opposition, independent media, and human rights defenders. Police used force to disperse protesters and arrested them throughout 2001 and 2002.

On 13 January 2003, Akayev announced a referendum would be held on 2 February for amendments to the constitution, including the abolition of the two-chamber parliament in favor of a single chamber, the abolition of party-list voting for parliament, and immunity from prosecution of former presidents and their families. Voters could not vote on the changes individually, but were to approve or reject them wholesale. They also had to indicate whether or not they wanted Akayev to remain in office until his term expired in December 2005. 76.6% of Kyrgyz citizens supported the amendments in the referendum, and 78.7% of voters determined Akayev should remain in office. Turnout was over 86%. The opposition, which called for a boycott of the vote and sent observers to monitor the election, said that turnout had been less than 40%, failing to reach the 50% threshold for the referendum to be valid.

Elections for a new unicameral body (Jorgorku Kenesh) were held 27 February 2005, but the vast majority of positions remained undecided and protests over electoral irregularities culminated in the March Revolution which ousted Akayev from office. New legislative elections had not been rescheduled as of then. Kurmanbek Bakiyev was elected president in July 2005 with 88.6% of the vote, although the likelihood that he would remain in power throughout his term was thought unlikely.

## <sup>14</sup>POLITICAL PARTIES

There is no formal ruling party. Over two dozen parties are legally registered, though all are small and some are inactive. Fewer than one-half of legislators claim party affiliation. Pro-Akayev parties include the Birimdik (Unity) Party, and the Adilet (Justice) Party (formed by writer Chingiz Aitmatov in October 1999). The main "constructive opposition" party is the People's Party. Among other parties, the Party of Communists (PCK; headed by Masaliyev) calls for reunification with Russia. The Erkin (Free) Kyrgyzstan Progressive Democratic Party calls for elevating the rights of ethnic Kyrgyz. The Democratic Movement calls for democratic socialism. Erkin Kyrgyzstan, Asaba, the Social Democratic Party, Unity, Democratic Movement, My Country, and others decided in July 1999 to form a bloc to contest the legislative elections. The Dignity Party, headed by Felix Kulov (former vice president, security minister, and Bishkek mayor) was formed in August 1999. The electoral code forbade parties from taking part in the February 2000 legislative races unless they were more than one year old, eliminating eight new parties. The Central Electoral Commission in late 1999 also declared the People's, Citizens of Bishkek, Labor-Popular, and the People of Manas Parties disqualified on technicalities from taking part in the race. Religious parties are banned. Regional interests are important in the political process. The Kyrgyz leadership reportedly favors interests of the Chu region. Ten major opposition parties formed a broad coalition, the People's Patriotic Movement, in April 2001. After the March Revolution, political parties realigned several times and as of October 2005 the Kyrgyz political situation was in constant flux.

## <sup>15</sup>LOCAL GOVERNMENT

The republic is divided into seven administrative regions, plus the capital city of Bishkek. In addition, there are *rayons*, or districts. Each *oblast* and *rayon* has a local administration consisting of a governor and a local assembly. According to a presidential decree of March 1996, regional governors are appointed by the president to four-year terms, and are responsible for making sure that the local executive and legislative branches cooperate in carrying out state decisions, upholding law and order, ensuring citizens' rights and freedoms, obtaining funds to maintain local government and public property, adhering to state budget strictures, ensuring that taxes are collected, making sure that local pensions and state wages are paid, and generally ensuring the local welfare. Although in theory answering to the president, in practice some of the governors have become powerful spokesmen for regional interests, and run their districts with considerable autonomy. In October 1999, the first elections of municipal, *rayon* (district) and *oblast* (region) assemblies or *keneshs* took place. A new electoral law called for the candidate who gained a simple majority of votes to be declared the winner, introduced multi-seat constituencies, and dictated that only a Kyrgyz citizen who has lived in a constituency for no less than two years could become an assembly deputy.

## <sup>16</sup>JUDICIAL SYSTEM

The 1993 constitution declares the independence of the judiciary from the other branches of government. Thus far, however, the courts remain under the supervision of the Ministry of Justice and continue to operate mostly under Soviet-era laws and procedures.

Some judicial reforms are being introduced, such as a separate judicial budget and more judicial training. There are three levels of criminal courts: local courts, which handle petty crimes; provincial courts, which consider most categories of crime, and the appellate Supreme Court. Traditional elders' courts may also handle petty crimes in rural areas. Defendants in elders' courts may appeal to the local administrative court.

A state prosecutor, or procurator, remains responsible for criminal arrests, investigations, and presentations before a panel consisting of a judge and two people's assessors (pensioners or members of labor collectives). Since 1990 there has been a right to have legal counsel in criminal cases. In 1996, the Constitutional Court ruled that only the defense has the right of appeal. Counteracting these restrictions on prosecutorial power, the law continues to allow judges to remand a case to the procurator for further investigation, rather than to declare the defendant guilty or innocent.

Judges hold varying terms of office. Constitutional Court judges are appointed to 15-year terms, Supreme Court judges to 10-year terms, and first-term local court judges to 3-year terms by recommendation of the president and confirmation by the Jogorku Kenesh (legislature). The 1993 constitution instituted a Western concept of judicial review by a Constitutional Court which did not exist under the former Soviet regime. Formed in 1993, the Constitutional Court reviews legislation and administrative acts for consistency with the constitution. It also considers cases on appeal involving individual rights and liberties of citizens. Constitutional Court decisions are final. There is also a higher court of arbitration and a system of lower courts for economic cases.

Libel is a criminal offense and so there is much self-censorship among Kyrgyz journalists. Access to the internet is not controlled and there are no reports of government censorship of internet material. Freedom of assembly and association are generally respected, as seen by the massive protests of 2005. In March 2004, the president signed a law limiting the crimes that carry the death penalty to aggravated murder, rape of underage children, and genocide.

The trafficking of women and girls into forced prostitution abroad continued to be a serious problem and some victims have reported that Kyrgyz authorities are involved in trafficking. In response, the criminal code was amended in 2003 to punish trafficking with up to 20 years in prison, and the Ministry of Internal Affairs opened an anti-trafficking police unit in 2004. The tradition of bride kidnapping and forcing women into marriage persists despite being illegal, and few are prosecuted for the crime.

Kyrgyzstan is a member of many international organizations including the United Nations and the World Trade Organization.

## 17 ARMED FORCES

Active armed forces in 2005 totaled 12,500 personnel. The Army had 8,500 personnel. Major components included 215 main battle tanks, 30 reconnaissance vehicles, 387 armored infantry fighting vehicles, 63 armored personnel carriers, and 246 artillery pieces. The Air Force had 4,000 personnel for which key combat elements included 72 fighter aircraft, of which 24 were in storage, and 9 attack helicopters. There was also an estimated 5,000 member paramilitary border guard force. Kyrgyzstan provided the UN with a total of 14 observers in four African countries. The United States,

Denmark and Russia each have small contingents in Kyrgyzstan. The defense budget in 2005 totaled \$73.1 million.

## 18 INTERNATIONAL COOPERATION

Kyrgyzstan was admitted to the United Nations (UN) on 2 March 1992; it is part of several specialized organizations, such as the FAO, IFC, IMF, UNCTAD, UNESCO, and the World Bank. The country is a member of the CIS, the WTO, the Asian Development Bank, the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, the Organization of the Islamic Conference (OIC), the NATO Partnership for Peace, and the OSCE. In June 2001, leaders of Kazakhstan, China, Russia, Kyrgyzstan, Tajikistan, and Uzbekistan met in China to launch the Shanghai Cooperation Organization (SCO) and to sign an agreement to fight terrorism and ethnic and religious militancy while promoting trade. Kyrgyzstan, Kazakhstan, Russia, Belarus, and Tajikistan established the Eurasian Economic Community in 2000.

The United States and the European Union (EU) nations, along with many others, have diplomatic relations with the country. Kyrgyzstan has especially good relations with Germany, neighboring Central Asian states, and China. The country maintains close ties with other former USSR nations. In environmental cooperation, Kyrgyzstan is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Kyrgyzstan is among the poorest of the post-Soviet countries. The poverty rate was officially estimated at 40.8% in 2004, although Western estimates place it at around 84%. Although coal, gold, mercury, and uranium deposits are considerable, the country boasts few of the oil and gas reserves that promise a badly needed economic windfall to other Central Asian republics.

Kyrgyzstan's economy is primarily agricultural, with cotton, tobacco, wool, and meat being the primary agricultural products, although only cotton and tobacco are exported in any significant quantities. In 2005, 37.1% of GDP was in the agricultural sector; industry accounted for 21.9% and services for 41%. Over 50% of the labor force is engaged in agriculture.

Under the presidency of Askar Akayev, the process for economic restructuring toward a free market orientation outpaced that of most other post-Soviet republics, yet the transition has been an extremely difficult one. Dissolution of the state ordering system in Kyrgyzstan and its reduction in other post-Soviet republics have disrupted the traditional supply channels and effective markets for the country's industries, severely affecting overall economic performance. Akayev was ousted in spring 2005, and former Prime Minister Kurmanbek Bakiyev was elected president in July 2005. Under Bakiyev, concerns to be addressed include continuing privatizations, expansion of democracy and political freedoms, and reduction of corruption, among others.

As of 1995, 59.5% of enterprises had been privatized or converted to joint stock companies; privatized firms accounted for more than half the GDP that year. Some 50% of industrial firms, 75% of agriculture, and 90% of retail trade were privatized by 1995. By

1999, most of the state-owned enterprises had been sold. Kyrgyzstan was the first CIS country to become a member of the WTO.

The Kyrgyz government instituted tight monetary and fiscal policies in 1994 that reduced inflation from 23% per month in 1993 to 5.4% in 1994 and further, to 2.3% in 1995. Inflation was up again to 18% in 1998. Gross domestic product grew by an average annual rate of 7% from 1987 to 1998, with a 1998 growth rate of 1.8%.

A reform of the government structure in early 1992 consolidated 41 ministries into 13 ministries and 7 commissions. As part of this change, the Ministry of Economy and Finance was established to assume the fiscal and economic planning duties previously carried out separately by the Ministry of Finance and the State Planning Committee. In May 1993, Kyrgyzstan was the first country of the CIS countries to announce the introduction of its own currency, the som. Although taken in order to stabilize the national economy in face of continuing turmoil in the ruble zone, this step posed a large setback to previous negotiations for a single monetary union with other post-Soviet republics. The som has been remarkably stable since 1994, and is considered the most stable currency in Central Asia, although the government still faces excessive debt.

A decline in output from the Kumtor gold mine in 2002 resulted in an 0.5% decline in GDP, although GDP growth rebounded to some 6% over the 2003–05 period. The government reduced the fiscal deficit to 1% of GDP in 2005. The government in 2005–06 was embarking upon a poverty-reduction and economic-expansion program, and promised reforms in the tax system.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005, Kyrgyzstan's gross domestic product (GDP) was estimated at \$9.3 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,800. The annual growth rate of GDP was estimated at 2%. The average inflation rate in 2005 was 4.2%. It was estimated that agriculture accounted for 37.1% of GDP, industry 21.9%, and services 41%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$108 million or about \$21 per capita and accounted for approximately 5.6% of GDP. Foreign aid receipts amounted to \$198 million or about \$39 per capita and accounted for approximately 10.7% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Kyrgyzstan totaled \$1.36 billion or about \$269 per capita based on a GDP of \$1.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of -3.7%. In 2001 it was estimated that approximately 33% of household consumption was spent on food, 11% on fuel, 3% on health care, and 22% on education. It was estimated that in 2004 about 40% of the population had incomes below the poverty line.

## 21 LABOR

In 2000 (the latest year for which data was available), the labor force totaled an estimated 2.7 million persons. As of that year, agriculture engaged 55%, industry 15%, and services 30%. The estimated unemployment rate in 2004 was 18%.

A labor comprehensive law protects the right of all workers to form and belong to unions. The Federation of Independent Trade Unions of Kyrgyzstan (FITUK), successor to the former Soviet-era official unions, remains the single trade union umbrella organization. Nineteen of the 20 union organizations in Kyrgyzstan are affiliated with FITUK. The exception is the union of entrepreneurs and cooperative members, which essentially is an association of over 80,000 self-employed persons. Strikes are permitted. Collective bargaining is legally recognized and is used to negotiate workers conditions on a limited basis.

The standard workweek is 41 hours. Safety and health regulations in factories are generally not enforced. Child labor is widespread due to economic hardship. The government set the minimum wage at \$2.00 per month, which does not provide a decent standard of living.

## 22 AGRICULTURE

In 2003, Kyrgyzstan's crop-producing land amounted to 1,365,000 hectares (3,373,000 acres), or 7.1% of the total land area. About 50% of this area is used to cultivate fodder crops, 42% for winter wheat and barley, 5% for commercial crops (cotton, sugar beets, mulberry trees for silkworms, and tobacco), with the remaining 3% used for growing potatoes and other vegetables. Cultivation occurs primarily in the Shu, Talas, and Fergana valleys. About 39% of GDP was derived from agriculture in 2003. Since independence, about 75% of state farms have been privatized.

Wheat is Kyrgyzstan's main grain crop. Total wheat production was estimated at 998,000 tons in 2004. Individual farmers account for over half of production; state farms, about 40%; and the rest by private households. Production of barley in 2004 was estimated at 233,000 tons; corn, 453,000 tons; and rice, 18,000 tons.

Tobacco is an important cash crop in Kyrgyzstan. The areas around Osh and Jalalabād in the Fergana Valley and the Talas oblast to the north of Osh are the three major tobacco growing regions. The estimated total production was 13,000 tons in 2004.

## 23 ANIMAL HUSBANDRY

About 48% of the total land area is considered permanent pastureland. Because of the rugged topography, pasture-based stock breeding is the agricultural mainstay.

Livestock in 2005 included 4 million chickens, 2,964,900 sheep, 1,035,000 cattle, 361,100 horses, 808,400 goats, and 83,000 pigs. Yaks are also bred. Meat production in 2005 totaled 196,000 tons; cow's milk, 1,114,000 tons; wool (greasy), 10,000 tons; and eggs, 18,000 tons.

## 24 FISHING

The Naryn River is the primary site of fishing activity, but fishing is of little commercial significance. The Yssk Kol Lake is slightly saline and not conducive to the development of fresh water spe-

cies fishing. The total catch in 2003 was 26 tons, including 14 tons of carp.

## 25 FORESTRY

Forests and woodlands account for about 5.2% of the total land area. With 85% of the country covered by high-altitude mountain ranges, and coupled with an underdeveloped transportation system, the forestry sector is not commercially significant. Imports of forest products totaled \$13.3 million in 2004.

## 26 MINING

Kyrgyzstan's southwestern region contained most of the nation's mineral wealth, including, most importantly, antimony (often found with lead-zinc), mercury (often found with fluorspar), and gold. Principal deposits of these minerals were found in the Kad-amzhayskiy Rayon and Khaydarkan regions, in the Alay foothills. The Khaydarkan mercury mining and metallurgical complex, in the Osh region, was the major producer of metallic mercury in the former Soviet Union.

In 2002, Kyrgyzstan produced 537 metric tons of metallic mercury, a decline from 579 metric tons in 2001. Antimony metal and compounds production in 2002 totaled 1,504 metric tons. The mountains also contained deposits of gold, mercury, tungsten, molybdenum, rare earth metals, indium, sulfur, tin, and arsenic. Gold production in 2002 was estimated at 18,000 kg. Output figures in 2002 were: fluorspar concentrate, estimated at 2,750 metric tons, up from 1,175 metric tons in 2001; and cement 532,800 metric tons, up from 468,900 metric tons in 2001.

## 27 ENERGY AND POWER

Unlike its Central Asian neighbors, Kyrgyzstan has insignificant reserves of petroleum and natural gas. Kyrgyzstan's principal energy resources are its deposits of coal. Sub-bituminous coal deposits are found on the southern fringe of the Fergana Valley (at Suluktu and Kyzyl-Kyya), while hard coal comes from the west and northwest fringes of the valley (at Tash-Komur, Jalal-Abad, and Osh) and in the Tian Shan foothills east of Ysyk Kol Lake. In 2002, coal production amounted to 506,000 short tons, of which lignite or brown coal accounted for 387,000 short tons and bituminous coal 119,000 short tons. However, demand for coal in that year amounted to 1,369,000 short tons, necessitating the import of 978,000 short tons to make up the difference.

Several large hydroelectric projects are spread along the Naryn River and its headwater tributaries, and a series of dams built on irrigation canals, produce power for the manufacturing sector around Bishkek. The two major electric power plants are a 1,200 MW facility at Toktogul and a 760 MW generator at Bishkek. In 2002, electrical production totaled 13.046 billion kWh, of which nearly 91.8% came from hydropower and 8.2% from fossil fuels. Of the electric power produced, 27% was exported in 2002, mainly to Uzbekistan. Total installed capacity in 2002 was 3.779 million kW. Consumption of electricity in 2002 was 8.938 billion kWh.

Production of oil and natural gas in small quantities comes from fields at the northeastern edge of the Fergana Valley. In 2002, Kyrgyzstan produced an average of 2,000 barrels per day of oil. However, demand for oil averaged 10,090 barrels per day in that year, requiring Kyrgyzstan to import (including crude oil) an average of 8,320 barrels of oil per day. As with oil, domestic natural gas

production satisfies only a small percentage of domestic demand. In 2002, Kyrgyzstan's natural gas consumption came to 42.38 billion cu ft, while production was only at 350 million cu ft. Natural gas imports for that year came to 42.38 billion cu ft. A crude oil refinery was built in Dzhalal-ahad in 1997 by a Kyrgyz-Canadian joint venture. It produces heavy fuel oil, diesel fuel, and gasoline. In 2002, production of refined petroleum products averaged 2,350 barrels per day.

## 28 INDUSTRY

During the Soviet era, industry in Kyrgyzstan was totally dependent on the other republics for raw materials and other resources. Between 1985 and 1989, industrial output increased at a rate of over 5% annually. With the disruption of traditional supply and export arrangements within the former USSR, however, industrial output declined by 1% in 1990 and dropped by over 23% in 1992. Industrial production decreased by 24% in 1994 and by another 12.5% in 1995. By mid-1995, production began to recover and in 1997, Kyrgyzstan reported an industrial growth rate of 7%, and one of 14% for 1998. The high growth rate in 1998 was associated with a steep rise in gold production. Nearly all of Kyrgyzstan's industrial output derives from the capital of Bishkek and surrounding areas. Mechanical and electrical engineering (vehicle assembly, washing machines, electrical appliances, electronics), light industry (mainly textiles and wool processing), and food processing make up close to 75% of the country's industrial production and 80% of its industrial exports. Other important industries include chemicals, leather goods such as shoes, and construction materials (primarily cement). In 2004, the industrial production rate stood at 7.1%. In the early- and mid-2000s, the mining sector accounted for the majority of foreign investment. The high world price for gold also contributed to a rise in GDP and attracted foreign investment in the mid-2000s.

The government passed the Privatization and Denationalization Act in December 1991, authorizing the transfer of all small, medium, and large-scale industrial enterprises to the private sector. The Concept Law on Privatization, passed in 1994, was designed to correct early problems with the transition. By 1995, about 600 enterprises had been sold, with 250 fully privatized. The transition was also expected to involve the conversion of defense industries to civilian use under private ownership. One important conversion involved the participation of a South Korean firm in establishing electronics manufacture at a plant previously geared toward military-related production. The government is encouraging the purchase of substantial shares of individual enterprises by worker collectives, although more widespread and noncollective ownership is also being promoted. By 1999, much of the government's stock had been sold.

## 29 SCIENCE AND TECHNOLOGY

The Kyrgyz Academy of Sciences, founded in 1954 at Bishkek, has departments of physical engineering, mathematics, mining geological sciences, and chemical-technological, medical-technological, agricultural, and biological sciences. Attached to the academy are 24 specialized learned societies and research institutes concerned with agriculture, medicine, natural sciences, and technology. Kyrgyz State University has faculties of geography, physics, mathematics, information science and applied mathematics, bi-

ology, and chemistry. Agricultural and medical institutes and a technical university are located in Bishkek. The city also has a botanical garden and a scientific and technical library.

In 1987–97, science and engineering students accounted for 14% of college and university enrollments. In 2002, there were 413 researchers and 51 technicians actively engaged in research and development (R&D) per million people. For that same year, R&D expenditures totaled \$16.104 million, or 0.20% of GDP, with business and government accounting for 52.7% and 45.9%, respectively. Higher education accounted for only 0.1%, with foreign sources providing the remaining 1.2%. High technology exports in 2002 amounted to \$6 million, or 6% of manufactured exports.

### 3<sup>0</sup> DOMESTIC TRADE

As in other post-Soviet republics, structural reform appears to be proceeding most rapidly in the domestic retail sector. Small shops and traders predominate among the country's private retailing entities. However, expansion in the number of private wholesale distributors has been much less marked, placing small retailers in a disadvantaged position compared with large-scale and potentially monopolistic producers within the country's industrial sector. As of 2006, the government continued to work toward reforms, including greater privatization, that would strengthen a market economy. A 20% value-added tax applies to most goods and services.

Most businesses open around 9 AM and close at about 6 PM, with lunch taken sometime between noon and 2 PM. Some offices are open from 9 AM to 1 PM on Saturdays. Retail shops are usually open from 7 AM to 8 PM, with an afternoon lunch period. Department stores, bookstores, and other shops usually open according to state institution hours. Bazaars are open from 6 AM until 7 or 8 PM.

### 3<sup>1</sup> FOREIGN TRADE

Since 1992, Kyrgyzstan's trade balance has been negative, continuing the structural deficit caused by the costs of oil and gas, pharmaceuticals, and agricultural resources formerly supplied through internal trade with other Soviet republics. The primary export partners in 2004 were: the United Arab Emirates (28.2%); Russia (19.1%); China (12%); Kazakhstan (11.1%); and Switzerland (6.3%). Import partners included: China (26.3%); Russia (22.3%); Kazakhstan (17.1%); and Turkey (5.4%).

Kyrgyzstan exports metals, including gold, mercury, iron, steel and uranium; hydropower; tobacco; cotton; road vehicles; and inorganic chemicals.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Kyrgyzstan had traditionally maintained a trade deficit, derived mostly from dependence on imports from other former Soviet republics. Exports began to increase by 1995, however; the country registered relatively high growth rates in the early 2000s and had a trade surplus in 2001. Foreign exchange reserves are minimal (\$593.2 million in 2005). In 2001, the IMF awarded Kyrgyzstan \$93 million in aid over a three-year period. Total external debt as of January 2005 stood at \$2.428 billion.

In 2005, exports were valued at \$759 million, and imports at \$937.4 million. The current-account balance in 2005 was estimated at -\$77.02 million.

### 3<sup>3</sup> BANKING AND SECURITIES

The central bank of Kyrgyzstan is the National Bank of the Kyrgyz Republic (NBK). It heads all 20 banks in the system, the savings bank, three former specialized state banks that have been converted into joint-stock commercial banks, two foreign joint-venture banks, and commercial banks. The specialized banks still dominate the allocation of credit and the taking of deposits, although some smaller banks are starting to challenge the major banks. However, many of the country's commercial banks have only one office. The larger banks have large bad loan portfolios; Promstroybank (Construction Bank) had 80% of its loans overdue at the end of 1994. Bank failures and bank consolidation were common during the late 1990s.

The NBK, formerly the local branch of Gosbank (the State Bank of the former Soviet Union), began to operate independently in

#### Principal Trading Partners – Kyrgyzstan (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	581.7	717.0	-135.3
United Arab Emirates	144.3	7.8	136.5
Switzerland-Liechtenstein	117.9	2.5	115.4
Russia	97.0	176.1	-79.1
Kazakhstan	57.1	170.9	-113.8
Canada	31.0	8.3	22.7
China	23.3	77.7	-54.4
Tajikistan	18.9	3.1	15.8
Uzbekistan	16.3	39.2	-22.9
Turkey	11.0	26.0	-15.0
Latvia	9.4	...	9.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Kyrgyzstan (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-44.0</b>
Balance on goods		-82.7
Imports	-673.0	
Exports	590.3	
Balance on services		7.0
Balance on income		-61.7
Current transfers		93.4
<b>Capital Account</b>		<b>-0.9</b>
<b>Financial Account</b>		<b>-23.0</b>
Direct investment abroad	...	
Direct investment in Kyrgyzstan	45.5	
Portfolio investment assets	1.1	
Portfolio investment liabilities	5.0	
Financial derivatives	-20.0	
Other investment assets	-78.1	
Other investment liabilities	23.5	
<b>Net Errors and Omissions</b>		<b>71.6</b>
<b>Reserves and Related Items</b>		<b>-3.8</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.



December 1991 and is intended to perform all the functions of a central bank. The government has stuck with a tight monetary policy. The currency unit was initially the ruble following independence; however, with IMF support, the government introduced a new currency, the som, in May 1993 in order to stabilize the economy, avoid the inflation of the ruble, and attract foreign investment. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$114.9 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$170.2 million. The money market rate, the rate at which financial institutions lend to one another in the short term, was 11.9%.

The country has a small stock exchange, opened in May 1995. As of January 1996, 298 companies issued securities, with 7 trading on the stock exchange.

### 34 INSURANCE

No recent information is available.

### 35 PUBLIC FINANCE

During the early 1990s, economic output declined, while inflation escalated. As a result, the proportion of public revenues in GDP plummeted. Transfers from the former Soviet Union amounting to over 11% of GDP largely created an overall budget surplus equivalent to 4.1% of GDP in 1991. In 1992, parliament agreed to a further tightening of fiscal policy (including decreased expenditures and the elimination of transfers to inefficient state enterprises) due to the virtual termination of inflowing subsidies caused by the demise of the Soviet Union. The som, currency introduced by the government in May 1993, has proven fairly stable, and monthly inflation has slowed from 40% to about 10%.

The US Central Intelligence Agency (CIA) estimated that in 2005 Kyrgyzstan's central government took in revenues of approximately \$516.3 million and had expenditures of \$539.9 million.

#### Public Finance – Kyrgyzstan (2001)

(In millions of soms , budgetary central government figures)

<b>Revenue and Grants</b>	<b>12,482.1</b>	<b>100.0%</b>
Tax revenue	9,187.9	73.6%
Social contributions	...	...
Grants	622	5.0%
Other revenue	2,672.3	21.4%
<b>Expenditures</b>	<b>13,098.8</b>	<b>100.0%</b>
General public services	3,202.7	24.5%
Defense	980.6	7.5%
Public order and safety	752	5.7%
Economic affairs	1,423.1	10.9%
Environmental protection	...	...
Housing and community amenities	800.9	6.1%
Health	1,379	10.5%
Recreational, culture, and religion	295	2.3%
Education	2,847.6	21.7%
Social protection	1,417.9	10.8%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Revenues minus expenditures totaled approximately -\$23.6 million. Total external debt was \$2.428 billion.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, budgetary central government revenues were som12,482.1 million and expenditures were som13,098.8 million. The value of revenues was us\$258 million and expenditures us\$271 million, based on a official exchange rate for 2001 of us\$1 = som48.378 as reported by the IMF. Government outlays by function were as follows: general public services, 24.5%; defense, 7.5%; public order and safety, 5.7%; economic affairs, 10.9%; housing and community amenities, 6.1%; health, 10.5%; recreation, culture, and religion, 2.3%; education, 21.7%; and social protection, 10.8%.

### 36 TAXATION

The personal income tax varies up to a maximum rate of 40%; the corporate rate ranges from 15–55% with a standard rate of 35%. Also levied are a 20% value-added tax; a withholding tax ranging from zero to 5%; and a social security contribution of 37% by employers and 1% by employees.

### 37 CUSTOMS AND DUTIES

Imports are subject to customs duties at an average rate of 10%. The rate is 10–20% for certain products, including tobacco, alcoholic beverages, precious metals, and petroleum. Imported raw materials and imports from the former USSR are exempt. Also, a 20% value-added tax is levied on products from everywhere except Azerbaijan, Belarus, and Russia. Kazakhstan, Belarus, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan have formed a customs union. Kyrgyzstan and the United States signed a most-favored nation agreement in 1992.

### 38 FOREIGN INVESTMENT

In June 1991, the Kyrgyzstan parliament passed the Foreign Investment Law guiding the establishment of local enterprises with foreign shareholding as well as 100% foreign ownership. The law secures the right to repatriation of profits and allows foreign investment in all sectors of the economy except military production and certain forms of ownership in agriculture. Foreign buyers may acquire small enterprises being transferred from the state to the private sector directly on the open market; foreign participation in auctions or other forms of bidding for medium and large-scale enterprises requires special government permission. At present, the government is attempting to attract overseas investors, particularly to the minerals, electronics, and agro-processing sectors of the economy. In 1995, the Foreign Investment Law was amended to expand foreign investment opportunities, to clarify investors' rights, and to remove or extend some time limits on certain aspects of foreign investment. Foreign direct investment (FDI) that year amounted to about \$800 million, and was rising at a slow but steady rate. Investments from Canada represented 45% of the total; these were concentrated primarily in gold mining (the largest single project being the \$375 million development of the Kumtor gold field). Investments from Turkey comprised about 20% of the total; those from the United States, 12%; and China, 10%. In 1998,

foreign direct investment totaled \$102 million, up from \$83 million in 1997.

In 2004, the Kyrgyz government founded the National Council for Good Governance that was tasked with tackling corruption. The government is working with NGOs, international financial institutions, and international donors, to develop a plan to combat corruption. The government and members of the business and diplomatic communities have met to discuss reforms and a strategy to market the Kyrgyz Republic to foreign investors. Reforms are to be made in the banking sector, in addition to legal reforms and infrastructure improvement. Taxes are complex, with businesses paying anywhere from 12 to 19 different taxes; some of these are not financially burdensome, but require time-consuming accounting. There are currently four free economic zones (FEZs) in Kyrgyzstan: at Bishkek, Naryn, Karakol, and Maimak. FDI totaled \$116 million in 2002, an increase from \$90 million in 2001. In 2002, the countries providing the largest sources of FDI included: the United States (\$39.1 million); Germany (\$31.4 million); Turkey (\$30 million); Canada (\$25.7 million); South Korea (\$11.7 million); and China (\$10 million).

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Under the Soviet system, economic planning efforts in Kyrgyzstan focused on increasing agricultural production (particularly in the meat and dairy subsectors during the 1980s) and specialized development of industrial sectors in line with the wider Soviet economy. Transfer payments from the central government as well as capital inflows into state enterprises covered the republic's modest balance of trade deficit with its Soviet trading partners and countries beyond. With this support, GDP growth was sustained at moderately high levels in the late 1980s, averaging 5.1% in 1985–89.

Kyrgyzstan declared its independence in 1991. Since then, the Kyrgyzstan government faced the task of sustaining a viable national economy despite the sudden cessation of transfers from the central government, the country's critical dependence on oil and gas imports, and its landlocked geographic position that has hampered development of trading ties outside the economically troubled former Soviet Union. Reforms have aimed at making the transition to a market-oriented economy.

Kyrgyzstan experienced declines in gross domestic product (GDP) from 1991–94. Both per capita income and overall output fell to well below the 1990 level. Agricultural output fell by an estimated 20%, and industrial output, by 42%. By 1996, however, Kyrgyzstan had begun to show progress, especially when compared to the other former Soviet republics, in the areas of privatizing state enterprises, ending the state ordering system, lifting price controls, and converting military enterprises to civilian uses. Prime Minister Apas Jumagulov reported in 1995 that the economic crises had eased, and the rates of decline were slowing.

A value-added tax was introduced in 1992 to help strengthen the government revenue base. Expected state revenues, however, have fallen short of expectation due to steeply declining consumption and collection difficulties within the new tax system. With seriously declining revenues since 1991, the government's ability to make new development investments in either the productive sectors or physical and social infrastructure has been severely con-

strained. Capital expenditures as a percentage of total budgetary expenditures declined from 15% in 1990 to only 7% in 1992. Because of its commitment to democracy, Kyrgyzstan has received favorable treatment from international economic aid agencies. In 1992, the government signed a formal agreement with Russia transferring its share of the former Soviet Union's external debt to the latter in return for relinquishing most claims to the financial and other assets of the former USSR.

In May 1996, President Akayev negotiated an aid package from the Asian Development Bank that included \$60 million in loans to finance privatization of agriculture and to renovate power and heating facilities in Bishkek. In support of the government's efforts to evolve the country's agriculture from large communes to private farms, the Asian Development Bank also offered loans to small farmers. In July 1996, the International Finance Corporation promised \$40 million to finance a project to mine for gold near Issy-Kul, a large lake in the northeast. In November 1996, the World Bank moved to support programs to reform the Kyrgyzstan banking system and to modernize the electric power generating system. In 2001, the IMF awarded Kyrgyzstan \$93 million in aid over a three-year period, and that year Kyrgyzstan received \$50 million in aid from the United States.

In 2001, the government published its Comprehensive Development Framework (CDF) for 2001–10. The CDF contains the following goals for strengthening the economic stability of the country: modernization of the telecommunications, transportation, and tourism infrastructures; reduction and rationalization of the government's regulatory role in the economy; implementation of more sound fiscal, monetary, and taxation policies; reform of the judicial system to protect property rights; poverty reduction and employment creation, especially among Kyrgyz youth; and strengthening and reforming the banking sector. In addition to these goals, by 2006 other ingredients of future growth included progress fighting corruption, further restructuring of domestic industry, and success in attracting foreign investment.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

Old age, disability, and survivorship pensions are provided to all employed persons and members of cooperatives and collective farms. Contributions of 8% of earnings from employees, and 25% of payroll by employers finance the program. A universal medical care system exists for all residents. Maternity benefits for employed women include 100% of pay for 126 days of leave. Workers' compensation, unemployment benefits, and family allowances are also provided.

Women have equal status under the law, although discrimination persists. Women are well-represented in the workforce in urban areas, and participate in higher education and professional fields. However, they appear to be disproportionately affected by growing unemployment. A women's congress in Bishkek convenes periodically to consider women's issues. Opportunities for women are lacking in the rural areas. Domestic abuse and violence against women remain common. The lack of government funds impacts the programs aimed at assisting children. Child labor is increasingly common.

There is reported discrimination in hiring, promotion, and housing against citizens who are not ethnic Kyrgyz. Police bru-

tality has been reported, as well as arbitrary arrest and detention. The government violates basic civil rights, including the freedoms of speech, assembly, association, and the press. In 2004 the human rights record showed improvement. There were problems with freedom of speech and the press, due process for the accused, religious freedom, ethnic discrimination, and electoral irregularities. There are cases of police brutality and arbitrary arrest, but the number of incidents is declining. Citizens have only a limited ability to peaceably change their government. There are independent newspapers, magazines, and radio stations, and some independent television broadcasts, although the government takes measures to curtail the operations of independent media.

#### 41 HEALTH

Kyrgyzstan's health care system has remained state-run following the breakup of the Soviet Union. Primary health care is being restructured using a family group practice model. As of 2004, there were an estimated 268 physicians, 675 nurses, and 26 dentists per 100,000 people. Approximately 26% of the country's hospital beds were eliminated between 1990 and 1996, but hospital expenditures still account for more than 70% of health care spending. Total health care expenditure was estimated at 4.4% of GDP.

The infant mortality rate in 2005 was 35.64 per 1,000 live births and the maternal mortality rate was 65 per 100,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 26.1 and 9.1 per 1,000 people. Major causes of death were communicable diseases and maternal/perinatal causes and injuries. Immunization rates for children up to one year old were tuberculosis, 97%, and polio, 84%. As of 1999 the rates for DPT and measles immunizations were, 98% and 97%, respectively. Tuberculosis incidence and mortality rates are rising steeply, reflecting economic hardship and the deterioration of the health infrastructure. Controlled for 30 years, diphtheria has re-emerged since the breakup of the Soviet Union. Nearly 50% of these cases occurred in persons 15 or under. The cancer mortality rates in Kyrgyzstan were higher than the medium human development countries. In 2005, life expectancy was 68.16 years.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 3,900 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

#### 42 HOUSING

During the Soviet era, there was a severe lack of urban housing in Kyrgyzstan. In 1990, Kyrgyzstan had 12.1 sq m of housing space per capita and nearly 85,000 households (or 18.6%) were on waiting lists for housing in urban areas. At the first census in 1999, there were about 1,109,716 households in the country; the average number of members per household was 4.3. Overcrowding is a problem both in urban and rural areas; it is not unusual for two or three generations of family members to live in a single household. From 1996–2000, only about 14,800 new dwellings were built. The rate of housing constructions has not kept pace with the growth of population. But just as troubling is the slow rate of maintenance and improvement of the existing housing stock. In some apartment complexes, an entire floor may share one toilet. In 2000,

about 77% of the population had access to improved water sources; most residents had some access to improved sanitation.

#### 43 EDUCATION

The educational system was not developed until after the 1920s when the country came under Soviet control. Primary school covers four years of study and is compulsory. This is followed by five years of basic secondary studies. At this stage, students may continue for two years of complete secondary education (necessary for university studies) or opt for a three-year vocational program. There are also training programs available for over 200 trades. The academic year runs from September to July.

In 2001, about 14% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 89% of age-eligible students. It is estimated that about 93% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 24:1 in 2003.

The State University of Kyrgyzstan is the main institution of higher education. In 2003, about 42% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 98.7%.

The Ministry of Education, Science and Culture is the primary administrative body. As of 2003, public expenditure on education was estimated at 4.4% of GDP, or 18.6% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

Important libraries in Kyrgyzstan include the National Library of the Kyrgyz Republic, with over 3.6 million volumes, and the Scientific Technical Library of Kyrgyzstan, with over 5.8 million volumes. The Kyrgyzstan State University library contains over 931,000 volumes, the Kyrgyzstan Agricultural Institute holds 626,000, and the Kyrgyzstan Technical University holds 766,000 volumes.

The State Historical Museum of Kyrgyzstan has 20,000 items on display depicting the history of Kyrgyzstan. The Kyrgyzstan Museum of Fine Arts collects primarily modern work. There are several regional museums exhibiting primarily archaeological findings.

#### 45 MEDIA

Telephone links to other former Soviet republics are via land line or microwave, and to other countries through Moscow. The telephone network is underdeveloped, with some 41,000 residents waiting for telephone lines as of 2003. In 2003, there were an estimated 76 mainline telephones for every 1,000 people. The same year, there were approximately 27 mobile phones in use for every 1,000 people.

The state-owned Kyrgyz National TV and Radio Broadcasting Corp. has the widest broadcast range, but still could not reach the entire nation as of 2005. In 1998, there were 12 AM and 14 FM radio stations. In 2003, there were an estimated 110 radios and 49 television sets for every 1,000 people. The same year, there were 12.7 personal computers for every 1,000 people and 38 of every 1,000 people had access to the Internet. There were two secure Internet servers in the country in 2004.

In 2004, between 40 and 50 newspapers and magazines were published on a regular basis. The largest daily newspapers (with 2002 circulation figures) were *Sovetik Kyrzystan* (circulation 162,625), *Slovo Kyrgyzstan* (in Russian, circulation 111,000), *Vecherni Bishkek* (also in Russian, with a circulation of 51,500), and *Kyrgyz Tuusu*. The state-operated printing house, Uchkun, is the primary printing facility for the nation's major newspapers. An independent printing press was opened in 2003 by a group known as Media Support Center; by late 2004, this press was reportedly publishing about 50 commercial and political newspapers.

On 2 July 1992 the government passed a law on the press and mass media which supports freedom of the press but also provides guidelines proscribing publication of certain information. The law supports the right of journalists to work, obtain information, and publish without prior restraint. The law prohibits publication of state secrets, material which advocates the overthrow of, or changes to, the existing constitutional order in Kyrgyzstan or elsewhere. It also prohibits publication of material that advocates war, violence, or intolerance toward ethnic or religious groups. Desecration of national norms, ethics, and symbols like the national seal, anthem, or flag is prohibited. Publication of pornography is prohibited, as is propagation of untrue information.

#### 46 ORGANIZATIONS

Important economic organizations in Kyrgyzstan include the Chamber of Commerce and Industry and the Kyrgyzstan Council of Free Trade Unions. Active political organizations include the Committee for the Defense of Human Rights, the Slavic Fund, Free Kyrgyzstan, Agigat, and Ashar. The Kyrgyz Bar Association was formed in August 1995. The Congress of Women of the Kyrgyz Republic serves as an umbrella organization for women's development groups. There are a number of sports associations and clubs through the country. The Kyrgyzstan Medical Association is one of several professional associations dedicated to research and education in specialized fields. Kiwanis International and the Lions Clubs have programs in the country. The Red Crescent Society and Habitat for Humanity are also active.

#### 47 TOURISM, TRAVEL, AND RECREATION

The development in tourism has been a main priority of Kyrgyzstan since it gained its independence in 1991. Osh, Kyrgyzstan's second-largest city, is considered a holy city by Muslim pilgrims who visit it annually to pray at its Islamic shrines. The capital city of Bishkek is surrounded by some of the highest mountain ranges in the world. Bishkek is known for its large public parks and gar-

dens, shady avenues, and botanical gardens. Equestrian sports are very popular in Kyrgyzstan.

Passports and visas are required for entry to Kyrgyzstan and are not obtainable at land borders or other airports. The principal accommodations are hotels that formerly belonged to the Soviet Intourist system. However, foreign chains have developed a number of projects in Central Asia. In 2002 there were 139,589 visitors who arrived in Kyrgyzstan, of whom 63% came from Europe.

In 2004, the US Department of State estimated the daily expenses of staying in Kyrgyzstan at \$189.

#### 48 FAMOUS KYRGYZSTANIS

Askar A. Akayev was elected president of the republic of Kyrgyzstan, in October 1990, prior to the republic declaring its independence. He remained president until 2005, when he was deposed in the popular uprising known as the "Tulip Revolution." Kurmanbek Bakiyev (b.1949) became acting president in 2005. Chinghiz Aitmatov (b.1928), winner of two Lenin Prizes for literature, is a native Kyrgyzstani.

#### 49 DEPENDENCIES

Kyrgyzstan has no territories or colonies.

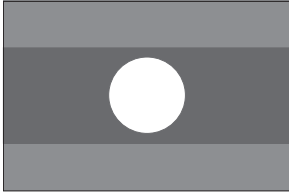
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# LAOS

Lao People's Democratic Republic  
*Sathalanalat Paxathipatai Paxaxon Lao*



**CAPITAL:** Vientiane (Viangchan)

**FLAG:** The national flag, officially adopted in 1975, is the former flag of the Pathet Lao, consisting of three horizontal stripes of red, dark blue, and red, with a white disk, representing the full moon, at the center.

**ANTHEM:** *Pheng Sat Lao (Hymn of the Lao People)*.

**MONETARY UNIT:** The new kip ( $\text{₭}$ ) is a paper currency of 100 at (cents). There are notes of 10, 20, 50, 200, and 500 new kip.  $\text{₭}1 = \$0.00009$  (or  $\$1 = \text{₭}10,751$ ) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but older local units also are used.

**HOLIDAYS:** Anniversary of the Founding of the Lao People's Democratic Republic, 2 December. To maintain production, the government generally reschedules on weekends such traditional festivals as the Lao New Year (April); Boun Bang-fai (Rocket Festival), the celebration of the birth, enlightenment, and death of the Buddha (May); Boun Khao Watsa, the beginning of a period of fasting and meditation lasting through the rainy season (July); Boun Ok Watsa (Water Holiday), a celebration of the end of the period of fasting and meditation (October); and That Luang, a pagoda pilgrimage holiday (November).

**TIME:** 7 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Laos is a landlocked country on the Indochina Peninsula near the eastern extremity of mainland Southeast Asia. Laos occupies an area of 236,800 sq km (91,429 sq mi), extending 1,162 km (722 mi) SSE–NNW and 478 km (297 mi) ENE–WSW. Comparatively, the area occupied by Laos is slightly larger than the state of Utah. It is bordered on the N by China, on the E and SE by Vietnam, on the S by Cambodia, on the W by Thailand, and on the NW by Myanmar, with a total boundary length of 5,083 km (3,158 mi).

The capital of Laos, Vientiane, is located along the country's southwestern boundary.

## <sup>2</sup>TOPOGRAPHY

The terrain is rugged and mountainous, especially in the north and in the Annam Range, along the border with Vietnam. The mountains reach heights of more than 2,700 m (8,860 ft), with Pou Bia, the highest point in Laos, rising to 2,817 m (9,242 ft) in the north-central part of the country. Only three passes cross the mountains to link Laos with Vietnam. The Tran Ninh Plateau, in the northeast, rises to between 1,020–1,370 m (3,350–4,500 ft), and the fertile Bolovens Plateau, in the south, reaches a height of about 1,070 m (3,500 ft). Broad alluvial plains, where much of the rice crop is grown, are found only in the south and west along the Mekong River and its tributaries. Of these, the Vientiane plain is the most extensive.

Except for a relatively small area east of the main divide, Laos is drained by the Mekong and its tributaries. The Mekong flows in a broad valley along the border with Thailand and through Laos for 1,805 km (1,122 mi). In its low-water phase, it is almost dry, but it rises more than 6 m (20 ft) during the monsoon period. The

river is wide, but except for a navigable stretch between Vientiane and Savannakhét, rapids are numerous. Below Savannakhét and at the extreme south there are large rapids and waterfalls. Floods are common in the rainy season.

## <sup>3</sup>CLIMATE

Laos has a tropical monsoon climate with three main seasons. The rainy season is from May through October, when rainfall averages 127–229 cm (50–90 in). November through February is a cool, dry season. March through April is a hot, dry season, during which temperatures can be as high as 40°C (104°F). Humidity is high throughout the year, even during the season of drought. Average daily temperatures in Vientiane range from 14–28°C (57–82°F) in January, the coolest month, and from 23–34°C (73–93°F) in April, the hottest.

## <sup>4</sup>FLORA AND FAUNA

About 54% of Laos is covered by forest. The forests of southernmost Laos are an extension of the Kampuchean type of vegetation, while the highland forests of the north, consisting of prairies interspersed with thickets, resemble central Vietnam. Bamboo, lianas, rattan, and palms are found throughout Laos.

Roaming the forests are panthers and a dwindling number of tigers, elephants, and leopards. The elephant, until 1975 depicted on the national flag as the traditional symbol of Lao royalty, has been used throughout history as a beast of burden. A local breed of water buffalo also is universally used as a draft animal. Reptiles include cobras, geckos, kraits, and Siamese crocodiles. There are many varieties of birds, fish, and insects. As of 2002, there were at least 172 species of mammals, 212 species of birds, and over 8,200 species of plants throughout the country.

## 5 ENVIRONMENT

Soil erosion, deforestation, and flood control are the principal environmental concerns in Laos. The government seeks to control erosion by discouraging the traditional slash-and-burn agriculture practiced by many mountain tribes, and by resettling the tribes in permanent villages. Reforestation projects have been promoted by the government as a means of increasing lumber exports and of restoring valuable hardwoods to logged-out forest areas. Each person was required to plant five trees in the course of the 1981–85 economic plan. In 1986, the government prohibited the cutting of 15 different varieties of trees. At that time, forests were reportedly being consumed at a rate of 300,000 hectares (741,000 acres) per year. Between 1983 and 1993, Laos suffered a further decline of 11.3% in its forest and woodland area. From 1990–2000, the rate of deforestation was about 0.4% per year. In 2003, about 3% of the total land area was protected.

Laos has about 190 cu km of renewable water resources with 82% used in farming activity and 10% used for industrial purposes. Only 66% of city dwellers and 38% of rural citizens have access to safe drinking water. The nation's water supply has begun to decrease due to a combination of factors, among them the loss of forest land, uncontrolled agricultural practices, flooding, and drought. Pollution from fires, dust, and cars is also becoming a national problem.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 30 types of mammals, 21 species of birds, 11 types of reptiles, 4 species of amphibians, 6 species of fish, and 19 species of plants. Endangered species in Laos included the douc langur, three species of gibbon (pileated, crowned, and capped), tiger, Asian elephant, Sumatran rhinoceros, Javan rhinoceros, Thailand brow-antlered deer, kouprey, and Siamese crocodile. The Vietnam warty pig has become extinct.

## 6 POPULATION

The population of Laos in 2005 was estimated by the United Nations (UN) at 5,924,000, which placed it at number 102 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 40% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.3%, a rate the government viewed as too high. The projected population for the year 2025 was 8,712,000. The population density was 25 per sq km (65 per sq mi), but the population is unevenly spread, with the greatest concentration in the Mekong Valley.

More than 70% of the population is rural, living in some 9,000 villages. The UN estimated that 19% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.50%. The capital city, Vientiane (Viangchan), had a population of 716,000 in that year. Other large towns, all on or near the Mekong and its tributaries, are Savannakhét, Pakxé, Luangphrabang (the former royal capital), Muang Xaignaboury, and Ban Houayxay.

## 7 MIGRATION

There has been only limited population movement into Laos in modern times. During the late 1960s and early 1970s, under pressure of combat operations, Black Tai tribesmen moved southward into the Mekong River valley. Between 1975–90, over 360,000 Laotians fled to Thailand and China. The majority resettled and were given new lives in Western nations. To date, more than 27,000 Laotians have repatriated. In 1996, some 6,000 Laotian refugees remained in Thailand, and several hundred remained on collective farms in China. As of 1999, about 1,100 of the small number of refugees still remaining in Ban Napho camp in Thailand were determined not to have valid refugee claims. The two governments agreed that they should return to Laos, with assistance from the United Nations High Commissioner for Refugees (UNHCR). In the mid-1990s, as Laos opened up to international investment and development, Vietnamese workers began migrating to Laos—although in relatively small numbers—primarily to work in the construction industry. In 2003 Thailand arrested 19,115 Laotian unauthorized workers, and 6,098 Laotians as illegal foreigners. However, in 2004 Thailand registered 173,000 Laotians as migrant workers.

In 2004 Laotians sought refuge, 7,864 in France and 6,214 in the United States. In that same year 569 applied for asylum in Thailand and 101 in the United States. The net migration rate for 2005 was an estimated zero migrants per 1,000 population. The government views the immigration level as satisfactory, but the emigration level as too high.

## 8 ETHNIC GROUPS

About 68% of all Laotians are Lao-Loum, or lowland Lao, a people related to the people of Thailand; thought to have migrated to Laos from southwestern China in the 8th century, the Lao-Loum are concentrated in the lowlands along the Mekong. On the hillsides live the Lao-Theung, or slope dwellers, a diverse group dominated by the Lao-Tai (with various subgroups, including the Black Tai), who are ethnically related to the Lao-Loum. They account for 22% of the population. At higher altitudes are the Lao-Soung, or mountain dwellers, a diverse group of ethnic minorities of mainly Malayo-Polynesian or proto-Malay backgrounds. They constitute 9% of the population.

Important among the Lao-Soung, and more prosperous than most Lao because of the opium poppies they grow, are the Hmong (Meo), a people of Tibeto-Burman origin who supported the American presence until 1975 and, because of their continuing insurgency, became the targets of harassment by government and Vietnamese troops. Other important upland tribes, all with customs and religions considerably different from those of the lowland Lao, are the Ho, Kha, Kho, and Yao (Mien). Ethnic Vietnamese and Chinese account for 1% of the population.

## 9 LANGUAGES

Lao, the official language and the language of the ethnic Lao, is closely related to the language of Thailand. It is monosyllabic and tonal and contains words borrowed from Sanskrit, Pali, and

Farsi. Pali, a Sanskritic language, is used among the Buddhist priesthood.

Other groups speak the Tibeto-Burman, Non-Khmer, or Miao-Yao languages. French, formerly the principal language of government and higher education, has been largely replaced by Lao. English and various ethnic languages are also spoken.

## 10 RELIGIONS

Theravada Buddhism is practiced by most of the Lao-Loum, whose daily life is shaped by its rituals and precepts. Buddhist temples, found in every village, town, and city, serve as intellectual as well as religious centers. Vientiane and Luangprabang have been called cities of thousands of temples. More than 70 pagodas were built in Vientiane alone in the 16th century, including the famous Wat Phra Keo and That Luang. Despite the major role that Buddhism, its temples, and its priests have played in Laotian life, the average lowland Lao regulates a large part of daily activities in accordance with animistic concepts. Certain spirits (*phi*) are believed to have great power over human destiny and to be present throughout the material world, as well as within nonmaterial realms. Thus, each of the four universal elements (earth, sky, fire, and water) has its special *phi*; every road, stream, village, house, and person has a particular *phi*; forests and jungles are inhabited by *phi*. Evil *phi* can cause disease and must be propitiated by sacrifices.

The Lao-Theung and the Lao-Soung, including the upland tribes, are almost exclusively animists, although influenced by Buddhism to some extent. About 2% of the population are Christians, with about 60,000 Protestants and 40,000 Roman Catholics. Most Protestants are members of the Lao Evangelical Church or Seventh-Day Adventists, which are the only two officially recognized Protestant groups. Other minority religions include the Bahaism, Islam, Mahayana Buddhism, Taoism, and Confucianism.

Though religious activity was discouraged by the state from 1976 to 1979, freedom of religion has been legally guaranteed since the constitution of 1991. However, the government reserves the right to serve as the final arbiter of permissible religious activities, which the government loosely defines as those practices which serve to promote national interests. Religious affairs are overseen by the Lao Front for National Construction (LFNC), an organization of the Lao People's Revolutionary Party.

## 11 TRANSPORTATION

Lack of adequate transportation facilities continued to be a major deterrent to economic progress. Of the approximately 14,000 km (8,700 mi) of roads, only about 3,360 km (2,088 mi) were paved in 2002. Many are impassable in the rainy season. Only a single major road connects the northern and southern regions. Most of the roads were damaged by US bombing in the Vietnam war, but the main links with Vietnam (notably Highway 9, from Savannakhét to the Vietnamese port of Da Nang, and Highways 7 and 13, from Vientiane and Savannakhét to the Vietnamese port of Vinh and Ho Chi Minh City, respectively) were rebuilt with Vietnamese aid. Under the 1981-85 economic plan, 844 km (524 mi) of roads were built or improved. There are no railroads in Laos, although in 1994, the government entered into an agreement with a Thai company to build a railroad from Nong Khai in Thailand to Vientiane. In 2006, French president Jacques Chirac reported that his gov-



LOCATION: 100° to 107°E; 13°40' to 22°40' N. BOUNDARY LENGTHS: China, 425 kilometers (264 miles); Vietnam, 1,555 kilometers (966 miles); Cambodia, 541 kilometers (336 miles); Thailand, 1,754 kilometers (1,090 miles); Myanmar, 238 kilometers (148 miles).

ernment would support Thai efforts to build this planned railway, which, as of that year, had not been constructed.

In 2004 there were an estimated 44 airports; only 9 of had paved runways as of 2005. Vientiane has the only international airport. Major cities in Laos are connected by air services operated by state-run Lao Aviation, founded with Soviet aid in 1976. In 1995, the government signed an agreement with China's Yunnan Airlines forming a joint venture projected to increase Yunnan's holdings of Lao Aviation to 60% while the former pays off the latter's debt. In 2003, about 219,000 passengers were carried on scheduled domestic and international airline flights.

Landlocked, Laos' only water-transport link with the outside world is via the Mekong River, which forms a large part of the border with Thailand and flows through Cambodia and Vietnam into the South China Sea. As of 2003, the Mekong is navigable for small transport craft and, with its tributaries in Laos, forms a 4,587-km (2,850-mi) inland waterway system, although rapids make necessary the transshipment of cargo. However, another 2,897 km (1,802 mi) are navigable by small craft that draw under 0.5 m. To lessen dependence on Thailand, Laos in 1977 signed an agreement with Vietnam whereby the Vietnamese port of Da

Nang would replace Bangkok as the chief outlet for Laos. In 2005, Laos had one merchant vessel of 1,000 GRT or more, a cargo ship, at 2,370 GRT.

## 12 HISTORY

Although archaeological evidence indicates that settlers along the Mekong had learned agriculture, metallurgy, and pottery making by 3000 BC, little is known about the early history of the land that today bears the name of Laos. The lowland Lao are believed to be the descendants of Thai tribes that were pushed southward in the 8th century. According to tradition, the kingdom called Lan Xang (“a million elephants”) was established in 756 by King Thao Khoun Lo. In 1353, it was reunified by Fa-Ngoum, who had been raised at the court of Angkor in Kampuchea and returned with a force of Khmer troops. He is also credited with the introduction of Hinayana Buddhism into Laos. Lan Xang waged intermittent wars with the Khmers, Burmese, Vietnamese, and Thai and developed an effective administrative system, an elaborate military organization, and an active commerce with neighboring countries. In 1707, internal dissensions brought about a split of Lan Xang into two kingdoms, Luangphrabang in the north (present-day upper Laos) and Vientiane in the south (lower Laos). Strong neighboring states took advantage of this split to invade the region. Vientiane was overrun and annexed by Siam (Thailand) in 1828, while Luangphrabang became a vassal of both the Chinese and the Vietnamese. In 1893, France, which had already established a protectorate over what is now central and northern Vietnam, extended its control to both Vientiane and Luangphrabang, and Laos was ruled by France as part of Indochina. Although French control over Luangphrabang took the nominal form of a protectorate, the French colonial administration directly ruled the rest of Laos, legal justification being ultimately provided in the Lao-French convention of 1917.

During World War II, Laos was occupied by Japan. After the Japanese proclaimed on 10 March 1945 that “the colonial status of Indochina has ended,” the king of Luangphrabang, Sisavang Vong, was compelled to issue a declaration of independence. The nationalist Free Lao (Lao Issarak) movement deposed the monarch soon after, but French forces reoccupied Laos, and on 27 August 1946, France concluded an agreement establishing him as king of Laos and reimposing French domination over the country. In May 1947, the king established a constitution providing for a democratic government. On 19 July 1949, Laos nominally became an independent sovereign state within the French Union. Additional conventions transferring full sovereignty to Laos were signed on 6 February 1950 and on 22 October 1953. All special economic ties with France and the other Indochinese states were abolished by the Paris pacts of 29 December 1954. In the meantime, Vietnamese Communist (Viet-Minh) forces had invaded Laos in the spring of 1953. A Laotian Communist movement, the Pathet Lao (Lao State), created on 13 August 1950 and led by Prince Souphanouvong, collaborated with the Viet-Minh during its Laotian offensive. Under the Geneva cease-fire of 21 July 1954, all Viet-Minh and most French troops were to withdraw, and the Pathet Lao was to pull back to two northern provinces, pending reunification talks with the national government under the leadership of Souvanna Phouma (Souphanouvong’s half-brother). The negotiations were completed on 2 November 1957, and the Pathet Lao transformed

itself into a legal political party called the National Political Front (Neo Lao Hak Xat). However, a political swing to the right that led to the ouster of Souvanna Phouma as prime minister, coupled with the refusal of the Pathet Lao forces to integrate into the Royal Lao Army, led to a renewal of fighting in May 1959.

A bloodless right-wing coup in January 1960 was answered in August by a coup led by paratroops, under the command of Capt. Kong Le; in the ensuing turmoil, Souvanna Phouma returned to power. After a three-day artillery battle that destroyed much of Vientiane, right-wing military elements under Gen. Phoumi Nosavan and Prince Boun Oum occupied the capital on 11 December. A new right-wing government under Prince Boun Oum was established, but further military reverses, despite a heavy influx of US aid and advisers, caused the government to ask for a cease-fire in May 1961. An international conference assembled in Geneva to guarantee the cease-fire. All three Laotian political factions agreed on 11 June 1962 to accept a coalition government, with Souvanna Phouma as prime minister. On 23 July, the powers assembled at Geneva signed an agreement on the independence and neutrality of Laos, which provided for the evacuation of all foreign forces by 7 October. The United States announced full compliance, under supervision of the International Control Commission (ICC), set up in 1954. Communist forces were not withdrawn. Fighting resumed in the spring of 1963, and Laos was steadily drawn into the role of a main theater in the escalating Vietnam War. The Laotian segment of the so-called Ho Chi Minh trail emerged as a vital route for troops and supplies moving south from the Democratic Republic of Vietnam (DRV), also known as North Vietnam, and was the target for heavy and persistent US bombing raids. While the Vientiane government was heavily bolstered by US military and economic support, the Pathet Lao received key support from the DRV, which was reported to have 20,000 troops stationed in Laos by 1974. Efforts to negotiate a settlement in Laos resumed with US backing in 1971, but a settlement was not concluded until February 1973, a month after a Vietnam peace agreement was signed in Paris. On 5 April 1974, a new coalition government was set up, with equal representation for Pathet Lao and non-Communist elements. Souvanna Phouma, 73 years old and in failing health, stayed on as prime minister, while Prince Souphanouvong was brought closer to the center of political authority as head of the newly created Joint National Political Council.

The Pathet Lao had by this time asserted its control over three-fourths of the national territory. Following the fall of the US-backed regimes in Vietnam and Cambodia in April 1975, the Laotian Communists embarked on a campaign to achieve complete military and political supremacy in Laos. On 23 August, Vientiane was declared “liberated” by the Pathet Lao, whose effective control of Laos was thereby secured. On 2 December 1975, the Lao People’s Democratic Republic (LPDR) was established, with Prince Souphanouvong as president and Kaysone Phomvihane as prime minister. King Savang Vatthana abdicated his throne, ending the monarchy that had survived in Laos for 622 years. Elections for a new National Assembly were called for April 1976; however, voting was put off indefinitely, amid reports of civil unrest and sabotage. A Supreme People’s Council was convened, meanwhile, with Prince Souphanouvong as chairman, and was charged with the task of drafting a new constitution.



During the late 1970s, the Communists moved to consolidate their control and socialize the economy. Private trade was banned, factories were nationalized, and forcible collectivization of agriculture was initiated. "Reeducation" camps for an estimated 40,000 former royalists and military leaders were established in remote areas; as of 1986, the government maintained that almost all the inmates had been released, but Amnesty International claimed that about 5,000 remained. A 25-year friendship treaty with Vietnam, signed in July 1977, led to closer relations with that country (already signaled by the continued presence in Laos of Vietnamese troops) and with the former USSR, and also to the subsequent dismissal from Laos of all Chinese technicians and advisers. China, for its part, began to give support and training to several small antigovernment guerrilla groups. With the economy in 1979 near collapse, in part because of severe drought in 1977 and flooding in 1978, the Laotian government slowed the process of socialization and announced a return to private enterprise and a readiness to accept aid from the non-Communist world. Throughout the 1980s armed opposition to the government persisted, particularly from the Hmong hill tribe rebels. At the Fourth Party Congress of the Lao People's Revolutionary Party (LPRP), in December 1986, a "new economic management mechanism" (NEM) was set up, aiming at granting increased autonomy in the management of formerly state-run enterprises to the private sector.

In 1988 the Lao national legislature, the Supreme People's Assembly (SPA), adopted new election laws and the first elections since the formation of the LPDR in 1975 were held. Local and provincial elections were held in 1988, and on 27 March 1989 national elections took place for an enlarged Supreme People's Assembly. In March 1991 the Fifth Party Congress of the LPRP changed Kaysone Phomvihans title from prime minister to president, elected a new 11-member politburo, pledged to continue economic reforms in line with free-market principles while denying the need for political pluralism, and changed the national motto by substituting the words "democracy and prosperity" for "socialism." The newly elected SPA drafted a constitution adopted on 14 August 1991. The constitution provided for a national assembly functioning on principles of "democratic centralism," established the LPRP as the political system's "leading organ," created a presidency with executive powers, and mandated a market-oriented economy with rights of private ownership.

President Kaysone Phomvihans, longtime LPRP leader, died on 21 November 1992. A special session of parliament on 24 November 1992 elected hard-line Communist Nouhak Phoumsavan as the next president. Gen. Khamtai Siphandon, who had been prime minister since 15 August 1991, remained in that post. National Assembly elections were held in December 1992. One day before these elections, three former officials who called for a multiparty democracy and had been detained in 1990 were sentenced to 14 years imprisonment. The National Assembly convened in February 1993 and approved government reorganization designed to improve public administration. On 9 January 1995, longtime leader Prince Souphanouvong died, unofficially marking an end to Laos' long dalliance with hard-line Marxism. Although the NEM had initiated an opening up to international investment and improved relations with the rest of the world, there remained elements of the old guard in positions of power. With the death of Souphanouvong, the only old-time hard-line Marxist still in

power as of 1996 was the country's president, Nouhak Phoumsavan. Khamtai Siphandon, prime minister and party chief, was more powerful than Nouhak and is largely credited with exerting a moderating influence on the hard-liner. Nonetheless, there remains a strongly conservative mindset among the politburo members that still pulls the government back from economic flexibility or any hint of political liberalization.

Laos has actively improved its already "special relations" with Vietnam and Cambodia, while always seeking to improve relations with Thailand, the People's Republic of China (PRC), and the United States. Periodic meetings are held to promote the cooperative development of the Mekong River region by Laos, Thailand, Vietnam, and Cambodia. Laos and the People's Republic of China restored full diplomatic relations in 1989 and are now full-fledged trading partners. Mutual suspicions, characterizing the relationship between Laos and Thailand, improved with agreements to withdraw troops and resolve border disputes, and agreements between the United Nations High Commissioner for Refugees (UNHCR) to repatriate or resettle nearly 60,000 Lao refugees in Thailand. Laos has cooperated with the United States in recovering the remains of US soldiers missing in action in Laos since the Vietnam War and in efforts to suppress drug-trafficking. The US Department of State objects to Laos' restrictions on free speech, freedom of assembly and religious freedom. US Assistant Secretary of State Stanley Roth commented in March 2000 that Laos was unlikely to gain Most Favored Nation trading status unless it accounted for the fate of two naturalized US citizens, Hmong activists who disappeared in Laos during 1999. The debate over whether to grant Laos normal trade relations status was ongoing as of early 2003.

On 26 February 1998, Khamtai Siphandon was elected president, and he was reelected in March 2001. Beginning in 2000, Vientiane was hit by a series of bomb blasts, attributed to antigovernment groups based abroad. Bombings targeted crowded markets and buses in the city during 2003. Triggered by Thailand's closing of refugee camps on its side of the Laos-Thai border, tens of thousands of exiles were forced to return home. Most were expected to be jailed or executed for their antigovernment activities, but instead, the government encouraged their peaceful settlement among the lowland population. Certain right-wing guerrilla factions among the Hmong, long fighting the Pathet Lao, subsequently reacted violently to the government's pacification efforts to integrate moderate Hmong villagers. On 6 February 2003 near Vang Vieng, a bus and two Western bicyclers were attacked by gunmen, who killed 12 people. Militant Hmong were blamed for the attack. The government launched a major military crackdown on Hmong insurgents during 2004. Hmong was accused of causing hundreds of civilians' deaths in rebel-held areas.

On 24 February 2002, parliamentary elections were held, but all but one of the 166 candidates were from the Lao People's Revolutionary Party (LPRP). The LPRP won 108 of 109 seats in the National Assembly. Laos hosted the annual ministerial summit of the Association of Southeast Asian Nations (ASEAN) in November 2004. Under heavy security, the ASEAN ministers met in Vientiane for two days and a significant free trade agreement was signed by ASEAN and China.

### **13 GOVERNMENT**

Under the constitution of 1947 (as subsequently amended), Laos was a parliamentary democracy with a king as the nominal chief executive. The monarch was assisted by a prime minister (or president of the Council of Ministers), who was the executive and legislative leader in fact. The prime minister and cabinet were responsible to the national assembly, the main repository of legislative authority, whose 59 members were elected every five years by universal adult suffrage. With the establishment of the Lao People's Democratic Republic in December 1975, governmental authority passed to a national congress made up of 264 delegates elected by newly appointed local authorities. The congress in turn appointed a 45-member Supreme People's Council to draw up a new constitution. Pending the completion of this task effective power rested with Kaysone Phomvihian, a longtime Pathet Lao leader who headed the government as chairman of the Council of Ministers and was also secretary-general of the Lao People's Revolutionary (Communist) Party.

Prince Souphanouvong, the head of state and president of the Supreme People's Council since 1975, left office in October 1986 because of poor health. He was replaced first by Phoumi Vongvichit, a former vice chairman of the Council of Ministers, and later by Sisomphon Lovansay, a former vice president of the Supreme People's Council. The Lao national legislature, the Supreme People's Assembly (SPA), adopted new election laws in 1988, and the first national elections under the new government took place in March 1989 (local elections were held in 1988). Kaysone Phomvihian was elected president and Khamtai Siphandon was named prime minister. The newly elected SPA set out to draft a constitution, which was finished in mid-1990, and adopted on 14 August 1991 by the SPA. Khamtai Siphandon was elected president in 1998, and reelected in 2001. The executive branch consists of the president, prime minister and two deputy prime ministers, and the Council of Ministers (cabinet) who are appointed by the president with the approval of the National Assembly. The legislative branch is the 109-member National Assembly which is elected by universal suffrage for a period of five years. The judicial branch is the Supreme People's Court Leaders. The constitution calls for a strong legislature elected by secret ballot, but most political power continues to rest with the party-dominated council of ministers, who are much aligned with the military. Laos held celebrations of the 30th year of Communist rule on 23 August 2005. The next national elections were scheduled for 2007.

### **14 POLITICAL PARTIES**

Elections to the National Assembly were first held in 1947. In the elections of 4 May 1958, the Pathet Lao's newly organized National Political Front (Neo Lao Hak Xat) won 9 of the 21 seats in contention; 4 were won by the Santiphab faction, a neutralist group allied with them, and 8 were obtained by the Nationalist and Independent parties. After the elections, the Nationalists and Independents combined to establish a new political party, the Rally of the Lao People (Lao Luam Lao), which held 36 of the 59 Assembly seats. The remaining 23 seats were divided among the National Political Front (9), the Santiphab grouping (7), the Democrats (3), the National Union (2), and unaffiliated deputies (2). The leaders of the Rally, upon formation of that party, announced its purpose

to be the defense of Laos against "an extremist ideology contrary to the customs and traditions of the Lao country" and the establishment of true unity and independence of the nation against "subversion from within and without." The Front then and later called for a reduction in the size of the armed forces and of US military aid. In December 1959, because of emergency conditions, election of new Assembly deputies was postponed until April 1960. When the balloting was finally held, the opposition Committee for the Defense of the National Interests won a landslide victory. The Committee leader, Phoumi Nosavan, then formed a new political party, the Social Democrats (Paxa Sangkhom).

In August 1960, a coup led by Kong Le brought down the government. After a period of struggle, Souvanna Phouma, who had earlier established the Neutralist Party (Lao Pen Kang) in order to build a broader popular following, became prime minister on 11 June 1962. In his 19-man cabinet, 4 posts were held by right-wing politicians, 11 by Neutralists, and 4 others by Pathet Lao adherents. The National Assembly came to the end of its five-year term in 1965. Political instability prevented the holding of national elections, and a provisional assembly was convened to amend the constitution so as to provide a means for maintaining the legislature. The result was a general election held on 18 July, with the franchise limited to civil servants, teachers, merchants, and village headmen. The new National Assembly was convened on 16 August, with the Neutralists retaining 13 seats, the Social Democrats 11, the Rally 8, and various independents 27. The endorsement gained in the limited polling of 1965 was not sufficient to sustain Prime Minister Souvanna Phouma for long, and new voting—the first real and effective election in a decade—took place on 1 January 1967. About 60% of 800,000 eligible voters went to the polls in 1967, despite the Pathet Lao charge that the balloting was illegal. Souvanna Phouma's United Front took 32 of 59 seats in the National Assembly voting.

In the last years of the constitutional monarchy, the gulf between the Pathet Lao and the enclave of rightists and neutralists that held governmental power widened appreciably. The pressures of war—both the civil strife within Laos and the larger conflict pressed by the external forces of the United States and the DRV—had thwarted the effectiveness of normal political processes. General elections held on 2 January 1972 were confined to government-controlled areas, with representatives for the Pathet Lao provinces elected by refugees from those regions. Despite the narrow range of political choices available to voters, only 20 of the 60 National Assembly deputies were reelected, reflecting a growing uneasiness both with the war and with the increasing evidence of corrupt practices among government officials. Despite right-wing pressures from within the National Assembly, Souvanna Phouma—whose neutralist policy was favored by both the United States and the DRV—retained the position of prime minister. The withdrawal of US military support for the Thieu regime in the Republic of Vietnam (South Vietnam) was followed, in April 1974, by the creation of a new coalition in Vientiane that gave equal political footing to the Pathet Lao. The National Assembly, which had become little more than a forum for disputes among right-wing factions, was dissolved by King Savang Vatthana on 13 April 1975, an act that signaled the end of domestic political opposition to the inexorable progress of the Pathet Lao.

The formation of the Lao People's Democratic Republic in December 1975 effectively established the Communist Lao People's Revolutionary Party (LPRP) (Phak Pasason Pativat Lao), the political incarnation of the Pathet Lao movement, as the sole political force in Laos. Kaysone Phomvihane, general secretary of the LPRP, was named head of government, and Prince Souphanouvong head of state. The LPRP plays the leading role in the Lao Front for National Reconstruction, which sought to promote socialism and national solidarity. The Third Party Congress of the PPPL, and the first since the party assumed control, was held in Vientiane in April 1982. The congress, whose 228 delegates represented a party membership of 35,000, elected an enlarged Central Committee with 49 full and 6 alternate members. The Central Committee reelected Kaysone as general secretary. The Fourth Party Congress, held in Vientiane in December 1986, established the "new economic management mechanism."

In 1988 the Supreme People's Assembly (SPA) adopted new elections laws and elections were held the next year—the first since 1975. In 1991, the Fifth Party Congress changed Prime Minister Phomvihane's title to president, a post he held until his death one year later. Elevated to the post of prime minister was Khamtai Suphandon, a generally pro-free market antidemocratic pragmatist of the Singaporean variety. Suphandon had for a time studied Marxism in Hanoi, but in his position as prime minister was considered essentially a transitional figure between the old guard and a new generation of leaders. After Phomvihane's death in 1992, a special session of the SPA elected an old-guard communist, Nouhak Phoumsavan, to the presidency.

Elections for the SPA were again held in 1992 but they were marred by the sentencing of three pro-democracy activists to 14 years in prison on the day before balloting. By 1996, Laos' leadership was made up primarily of party functionaries, regardless of the makeup of the SPA. Prime Minister Suphandon held considerable power as did Deputy Prime Minister Khamphoui Keoboualapha, who also served as the administrator of the State Committee for Planning and Cooperation (CPC), considered by many analysts to be a government within a government.

A 1998 election retrenched the hard-liners, as "technocrats" vanished from the preapproved slate, replaced with old style LPRP functionaries. This was viewed as a reaction to the social tensions (such as crime and corruption) arising with economic openness, as well as an attempt to reestablish centralized control over provincial matters.

The Seventh Party Congress, which took place in March 2001, reelected all eight surviving members of the nine-member politburo. The decision was a clear sign that the party had opted for continuity rather than change.

Several governments-in-exile have been set up by former ministers of pre-1975 regimes, and overseas Hmongs and other dissidents have formed opposition organizations. A young pretender to the throne, Prince Soulivong Savang, has rallied support in exile. Some Hmong groups and others have continued a low-level insurgency in rural Laos. Underground antigovernment sentiment may be on the rise among the urban intellectuals.

As of late 2005, parties other than the LPRP continued to be proscribed. A glimpse of popular discontent emerged with reports of an October 1999 demonstration in Vientiane, led by students and professors calling for democracy and human rights. The pro-

test was quickly suppressed, and Khamtai's government disavowed all knowledge of its occurrence.

## 15 LOCAL GOVERNMENT

Laos consists of 16 provinces (*khoueng*), one special zone, Xaisomboun, and the municipality of Vientiane. The provinces are subdivided into districts (*muong*), townships (*tasseng*), and villages (*ban*). The president appoints provincial governors and mayors of municipalities. The prime minister appoints deputy provincial governors and deputy mayors and district chiefs. Since 1975, local administration has been restructured, with elected people's committees in the villages functioning as basic units. Both suffrage and candidacy are open to citizens 18 and over. Village heads administer at the village level. Lack of control over local party members in the rural areas appears to be a source of worry for the politburo, with its implications of corruption and even potential unrest.

## 16 JUDICIAL SYSTEM

The 1991 constitution provides for freedom of speech, assembly, and religion, although, in practice, organized political speech and activities are severely restricted. The reality of religious freedom is equally illusory, with imprisonment of Christian activists in recent years. The constitution contains provisions designed to guarantee the independence of judges and prosecutors, but in practice the courts appear to be subject to influence of other government agencies. Provincial courts are at the next level as appellate courts. There is also a central Supreme Court in Vientiane. In 1993 the government began publishing an official gazette in which all laws and regulations are disseminated. A bar association was formed in 1996 to strengthen the legal profession and individual rights to counsel. Rising crime rates place a burden on Laos's underfunded and understaffed legal system. Amnesty International and other human rights groups have called attention to deaths in custody, torture, and substandard conditions in the Laotian prison system.

## 17 ARMED FORCES

In 2005 the number of active personnel in the armed forces of Laos totaled 29,100. Of that total, the Army accounted for 25,600, while the Air Force had 3,500 personnel. The Army's roster of equipment included 25 main battle tanks, 10 light tanks, 50 armored personnel carriers, and 82 artillery pieces (all towed). The Air Force had 22 combat capable aircraft, all of which were MiG-21 fighters. Although Laos did not have a formal navy, the Army did have an estimated 600-man marine section that operated 4 amphibious landing craft and 52 patrol/coastal boats. Laotian paramilitary forces consisted of a village home guard known as the Militia Self-Defense Forces, which numbered more than 100,000 members. The defense budget in 2003 (the latest year for which data was available) totaled \$37.8 million.

## 18 INTERNATIONAL COOPERATION

Laos, a UN member since 14 December 1955, belongs to ESCAP and several nonregional specialized agencies, such as FAO, UNESCO, UNIDO, ILO, WHO, IMF, and the World Bank. The nation participates in the Asian Development Bank, the Colombo

Plan, and G-77. It has observer status with the WTO. In 1997, Laos joined ASEAN and AFTA.

Since 1961, Laos has been a member of the Nonaligned Movement. Laos's main diplomatic, economic, and military allies have been Vietnam and the former USSR. In 1977, Laos signed a 20-year treaty of cooperation with Vietnam. In 2003, Laos and Thailand signed a cooperation agreement that addresses issues of labor and counternarcotics. In environmental cooperation, Laos is part of the Convention on Biological Diversity, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification. Laos is also a member of the Mekong River Commission with Cambodia, Thailand, and Vietnam.

## 19 ECONOMY

One of the world's poorest and least-developed nations, Laos is overwhelmingly agricultural, with 85% of the population still engaged in subsistence farming. Because industrialization is minimal, Laos imports nearly all the manufactured products it requires. Distribution of imports is limited almost entirely to Vientiane and a few other towns, and even there, consumption has been low. The hostilities of the 1960s and 1970s badly disrupted the economy, forcing the country to depend on imports from Thailand to supplement its daily rice requirements.

With the curtailment of hostilities in 1975, the development of a unified political structure offered an immediate advantage. The government began in late 1975 to pursue in earnest a variety of projects to repair and improve the infrastructure and make use of the country's ample mineral, lumber, and hydroelectric resources. During 1978–80, the government gave priority to postwar reconstruction, collectivization of agriculture, and improvements in rice production. In 1994 a liberalized Foreign Investment Law was promulgated as the government sought greater economic integration regionally and internationally.

By 1997, Laos had made modest improvements. In international investment, it had opened up its economy considerably. In April 1997, the government signed a trade and cooperation agreement with the EC. In July 1997, Laos became a full member of ASEAN and AFTA. In 1998 the government applied for membership in the WTO. More than \$5 billion in foreign investment had been made by more than 500 investors, mainly from other ASEAN countries. The government had also made considerable progress in the construction of a modern road network linking Laos to China and Vietnam. The country also announced plans for a second bridge into Thailand and the construction of its first railroad, linking Vientiane with Nong Khai in Thailand.

However, the Asian financial crisis dealt the economy a series of blows from which it has not yet recovered. Laos's economy was particularly dependent on Thailand, source of 42% of its foreign investment as well as 45% of imports and 37% of export purchases, which was severely affected by the financial crisis. From June 1997 to June 1999, the Laotian currency, the kip, lost 87% of its value. Growth, which averaged 7% for the six years 1992 to 1997, dropped to 4.8% in 1998, the lowest since 1991. Foreign investment dropped from \$179 million in 1996 to \$45.3 million in 1998. Growth increased in 1999, to 7.3%, propelled by growth of over 8% in both industry and agriculture, and continued at moderated rates of 5.7% and 6.4% in 2000 and 2001. However, high infla-

tion rates and low declining foreign investments have persisted. Inflation in 2000 was 25% and though it eased to 10% with lower growth in 2001, it was back to double digits, 12% in 2002 and a projected 15% in 2003. Foreign direct investment dropped to \$23.9 million in 2001. By late 2002, the kip had fallen to more than 10,000 to one dollar from its level of 1,171 to one dollar in June 1997. In February 2003, the administration of US president George W. Bush submitted legislation supporting the granting of normal trade relations (NTR) to Laos.

In 2004, the GDP growth rate was 5.1%, up from 5.8% in 2003; in 2005, the economy expanded at an estimated 7.2%. The inflation rate fluctuated, and at 10.5% in 2004, it did pose some problems to the economy. Despite encouraging growth rates, Laos remained a mainly subsistence agriculture economy, with a poor infrastructure and dependent on foreign aid. In late 2004, Laos gained Normal Trade Relations with the United States, which allows local producers to export at lower tariffs.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Laos's gross domestic product (GDP) was estimated at \$11.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,900. The annual growth rate of GDP was estimated at 7.2%. The average inflation rate in 2005 was 9.4%. It was estimated that agriculture accounted for 48.6% of GDP, industry 25.9%, and services 25.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1 million. Foreign aid receipts amounted to \$299 million or about \$53 per capita and accounted for approximately 14.3% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Laos totaled \$1.58 billion or about \$28 per capita based on a GDP of \$2.1 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings.

It was estimated that in 2002 about 40% of the population had incomes below the poverty line.

## 21 LABOR

The estimated labor force was 2.8 million in 2002. In the absence of additional data, it was estimated that 85% were subsistence farmers, with most of the remainder in the public sector as of 1997. In that year the unemployment rate was approximately 5.7%.

Labor is organized into a single Federation of Lao Trade Unions (FLTU) which is controlled by the Lao People's Revolutionary Party (LPRP), the authoritarian governmental body. In 2002, the vast majority of the 78,000 members of the FLTU were in the public sector. There is no right to organize, strike, or bargain collectively. Labor disputes have so far been infrequent and the desperate economic situation means that workers have little bargaining power.

Children under the age of 15 are forbidden by law from working, but many children work for their families in farms or in shops due to extreme economic hardship. The daily minimum wage was

\$0.53 in 2002. The labor code limits the workweek to 48 hours with at least one day of rest.

## 22 AGRICULTURE

In 2003, Laos's sown-field area was estimated at 1,031,000 hectares (2,548,000 acres), or 4.5% of the country's total area. Agriculture accounts for 51% of production and as much as 77% of employment. The main crop is rice, almost entirely of the glutinous variety. Except in northern Laos, where some farmers grow dry rice in forest clearings or on hillsides, most Lao are wet-rice farmers. The total area of rice plantings in 2004 was estimated at 770,000 hectares (1,903,000 acres), up from 554,000 hectares (1,369,000 acres) in 1996. Yields, which are relatively low, could be raised substantially through wider use of irrigation and fertilizers. Production, which averaged 609,000 tons annually during 1961–65, rose to 2,529,000 tons in 2004. Less important crops include corn (favored by some upland tribes and stressed by the government as a means of increasing livestock production), manioc, peanuts, and soybeans. The main commercial crops, emphasized by the government as part of its export drive, are coffee, cotton, and tobacco. Also grown are cardamom, tea, ramie, hemp, sugar, bananas, and pineapples. In 2004, the trade deficit for agricultural products was \$99.8 million. The mountain peoples have been known to grow large quantities of opium poppies, sold to dealers in the plains. In 2004, the UN estimated that 22,800 households in 846 villages were engaged in opium production, which was estimated at 846 tons that year.

## 23 ANIMAL HUSBANDRY

Cattle raising is important, especially in the southern plains and in the valleys of the Noy, Banghiang, and Don rivers. Much of the livestock population was killed in the final stages of the civil war that ended in 1975. As of 2005, livestock included an estimated 1,300,000 head of cattle, 1,130,000 buffalo, 1,750,000 hogs, and 21,000,000 chickens. Livestock products in 2005 included 28,000 tons of pork, 22,500 tons of beef and veal, 16,000 tons of poultry, and 12,800 tons of eggs.

## 24 FISHING

Edible fish, found in the Mekong and other rivers, constitutes the main source of protein in the Laotian diet. The prize catch is the pa beuk, weighing 205 kg (450 lb) or more. Despite the abundance of fish and their important contribution to the Laotian subsistence economy, there has been no systematic commercial fishery development. The total catch in 2003 was 94,700 tons, with aquaculture accounting for 69%.

## 25 FORESTRY

Timber is a major resource and one of Laos's most valuable exports. About 54% of the total area is forested, and about half of the forested area is commercially exploitable. The principal timber-producing areas are around Champasak, Savannakhét, Khammouan, and Vientiane. Muang Paklay, in western Laos, is noted for its teak. Exploitation is easiest in areas near the Mekong River, which facilitates transportation. Elephants and oxen are used in most forestry operations. Aside from timber, firewood, and charcoal, forestry products include benzoin and benzoin bark, bamboo, copra, kapok, palm oil, rattan, various resins, and sticklac.

Production of roundwood totaled an estimated 6.3 million cu m (223 million cu ft) in 2004; over 80% of the annual output is burned as fuel. Sawn wood output in 2004 was about 182,000 cu m (6.4 million cu ft); wood-based panels, 13,000 cu m (459,000 cu ft).

## 26 MINING

Laos' mining sector is dominated by tin, gypsum, gold, and limestone. However, mining is the country's smallest sector, contributing only 0.3% of the country's gross domestic product (GDP) in 2004. Although much of the country remained unprospected, the nature of the terrain has led to ardent speculation about the nation's mineral resources. Other mineral resources thought to possibly exist in Laos were magnesium, antimony, bismuth, copper, lead, manganese, potash, iron ore, silica sand, and tungsten. Also produced in 2004 were barite, cement, gemstones, rock salt, silver, bituminous coal, and zinc. Copper, gemstones, gold, iron ore, lead, potash, tin, and zinc were earmarked for further exploration. Undiscovered resources of iron ore, potash, and rock salt were believed to be substantial.

Tin mine output in 2004 was estimated at 340 metric tons, down from 360 metric tons in 2003. Gypsum production, by the State Gypsum Mining Operation from the Dong Hene Mine, in Savannakhét Province, was estimated at 102,000 metric tons for 2004, up from 101,727 metric tons in 2003. The mine's proven ore reserves were estimated to be 18 million tons. Although gold production ceased in 1998–2002, it was resumed in 2003, of which 5,368 kg was produced in 2003, with an estimated 4,000 kg produced in 2004. Important iron deposits, with reserves of 68% ore estimated at 11 billion tons, have been discovered on the Plain of Jars near Xiengkhoang. A substantial deposit of low-grade anthracite coal has been found at Saravan. Output of gemstones in 2004 was estimated at 800,000 carats, down from 2,302,973 carats in 2003. Tungsten and copper deposits and gold-bearing alluvials produced a limited income for the local population but have not been exploited by modern industrial methods.

## 27 ENERGY AND POWER

In 2002, Laos had an electrical generating capacity of 0.639 million kW. Production of electricity in 2002 totaled 3.562 billion kWh, of which almost 98% was hydropower and the remainder from conventional thermal sources. Consumption of electricity in 2002 was 3.013 billion kWh. The nation has an estimated hydroelectric potential of 12,500,000 kW, most of which is undeveloped. The largest power project is the Nam Ngum Dam, located on the Mekong 72 km (45 mi) from Vientiane. Construction began in 1969, with the first stage completed in 1971 and the second stage in 1978. Annual output at Nam Ngum is around 900 million kWh, with about 90% of the electricity produced being supplied to Thailand. An additional 3,000 kW of capacity comes from several smaller hydroelectric facilities. About 17,000 kW is provided by diesel-powered generators throughout Laos.

Laos has no known deposits of oil or natural gas, or refining capacity. In 2002, refined oil imports and demand averaged 2,850 barrels per day, each. There were no imports of natural gas in 2002. However, there was limited coal production for that year, totaling 298,000 short tons, of bituminous coal, with consumption equaling output.

## 28 INDUSTRY

Industrial development is rudimentary. There are some small mining operations, charcoal ovens, a cement plant, a few brick works, carpenter shops, a tobacco factory, rice mills, some furniture factories, and more than two dozen sawmills. Industrialization plans center on cotton spinning, garment manufacturing, hydroelectric power projects, brewing, coffee and tea processing, and plywood milling. New resource developments, including the Nam Ngum hydroelectric project and the Vientiane sylvite field, have aided industrial growth. Handicrafts account for an important part of the income of many Laotians. Some villages or areas specialize in certain types of products: silk fabrics, baskets, lacquerware, and gold and silver jewelry and ornaments. Bricks, pottery, iron products, and distilled beverages are made in individual villages. Manufacturing is largely confined to the processing of agricultural—food and natural fibers—and forestry products.

From 1998 to 2001, industry grew at an average annual rate of 8.7%. The growth is in large part attributable to government-sponsored construction projects, particularly hydroelectric power projects. By 2002, hydroelectric power had taken the place of garments as the country's leading industrial export, and its leading source of foreign exchange. Most manufactures, however, continued to be imported; exports regularly only amount to 60% of imports. At the end of 2002 the main industrial project under consideration was the construction of the \$1.3 billion hydroelectric dam on the Nam Theum River, the power from which would be exported to Thailand. The project was far from realization, lacking both a purchase agreement with the state agency in Thailand, and the World Bank guarantee for the investors.

Industry accounted for 25.9% of economic output in 2005, and was seconded by services with a 25.5% share. Agriculture continued to be the main economic sector, with a 48.6% share in the GDP, and with an 80% share in the labor force. The industrial production growth rate was 13% in 2005, almost double the GDP growth rate—an indicator that industry is, now, one of the country's main economic engines.

## 29 SCIENCE AND TECHNOLOGY

Like many developing nations, Laos depends primarily on external expertise in science and technology. Sisavangvong University, founded in 1958 at Vientiane, has faculties of agriculture, forestry, and irrigation, and of medicine, a technical college, and a polytechnic. Regional technical colleges are located in Luang Pradang, Savannakét, and Champasak. In 1987–97, science and engineering students accounted for 20% of college and university enrollments.

## 30 DOMESTIC TRADE

Before the Pathet Lao came to power, there was a growing market in Laos for capital and consumer goods. Vientiane was the wholesale distributing point for much of the country. In late 1975, private trade was banned and many small traders and businessmen—including Chinese, Japanese, Pakistani, Thai, and Vietnamese—fled the country. The new government subsequently made it clear that the trend toward consumerism would be reversed in favor of a production-oriented society. The Pathet Lao entered directly into the distribution and sale of essential commodities, such

as rice and sugar, and prices were brought under control. In 1979, however, the ban on private trade was lifted, and consumer items, which had all but disappeared from circulation, were once again available.

In the countryside, barter replaces money as the principal method of exchange. Markets are held at regular intervals, generally one day a week, at central villages or smaller towns. Once or twice a year, lowland farmers barter cloth and handicraft products with the mountain peoples for cereals, deer and rhinoceros horns, and ivory. Certain items recognized as media of exchange include tea, opium, tobacco, salt, silver, and gold. As of 1999, subsistence farming accounted for about 51% of the GDP, employing about 85% of the nation's workforce.

The New Economic Mechanism (NEM), a set of economic reforms instituted in 1986 across all sectors of the economy, has begun to demonstrate results in establishing a market-based economy. The government freed the market price of rice and other food staples in 1986, increasing agricultural output despite severe climatic conditions. Later reforms—floating the national currency, the kip, and freeing interest rates—stimulated a market-based economy and controlled inflation. Major land reforms in 1988 included the freedom to sell products at market-determined prices. Growth from these stimuli is demonstrated by the doubling of private shops in Vientiane and abundant fairly-priced goods in the markets. In a 1989 agreement with the World Bank and the International Monetary Fund, the government initiated reforms toward privatization and monetary reforms.

The usual hours of business are from 8 AM to 4 PM, Monday through Friday. Some factories and private companies extend the workday to 5 PM and factories are permitted to maintain a six day workweek if desired. Banking hours are 8 to 10:30 AM and 2 to 3:30 PM, Monday through Friday.

## 31 FOREIGN TRADE

The political reorganization of 1975 brought changes in Laos's foreign trade pattern, because regional alignments were shifting and because the aid needed to finance the nation's imports was no longer available from the United States. In the 1980s, much of the nation's trade was subsidized by the former USSR. The export of

### Principal Trading Partners – Laos (2000)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	186.1	610.9	-424.8
Thailand	72.1	419.0	-346.9
France-Monaco	27.1	27.5	-0.4
Germany	21.4	4.2	17.2
United Kingdom	14.6	11.6	3.0
Belgium	14.3	...	14.3
Japan	11.7	27.4	-15.7
Italy-San Marino-Holy See	9.2	...	9.2
United States	8.8	...	8.8
China	6.7	28.7	-22.0
Vietnam	0.2	33.9	-33.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

electricity, the sale of overflight rights to foreign airlines, wood products, green coffee, and tin are sources of foreign earnings. In 1991 Laos's largest export earner, logging, was banned pending steps to prevent further destruction of the forests. There are 11 million hectares of mature forests in Laos, and about 4.4 million are considered commercially exploitable. The ban on log exports was modified to allow the export of already cut logs and logs from stipulated cutting areas. Foreign aid grants exceeded export earnings in 1991. That year, export revenue decreased by 22% from 1990 because of a reduction of timber exports and a decline (caused by drought) in the production of electricity for export. At the same time the cost of imports increased by 62%, owing to the newly adopted free trade measures, which ended restrictions on imported goods.

In 2005, exports reached \$379 million (FOB—Free on Board), while imports grew to \$541 million (FOB). In 2004, principal exports included garments, electricity, timber and wood products, and coffee; the bulk of them went to the Thailand (19.3%), Vietnam (13.4%), France (8%), Germany (5.3%), and the United Kingdom (5%). Imports included consumption goods, construction and electrical equipment, materials for garment industry, machinery and equipment, and mainly came from Thailand (60.5%), China (10.3%), Vietnam (7.1%), and Singapore (4%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Laos has experienced severe trade deficits since independence. From 1963 through mid-1975, substantial deficit financing was provided through the Foreign Exchange Operations Fund (FEOF), an agency backed largely by the United States but also receiving funds from Japan, France, the United Kingdom, and Australia. In June 1975, the flight of gold and hard currencies from the country forced the government to ban exports of gold and silver bullion. A devaluation of the kip had the effect of further inflating its price, with the black market exchange rate soaring. In the 1980s, financ-

ing came mainly from the former USSR, with smaller amounts from multilateral agencies. Since the collapse of communism in Europe, Laos has lost this vital means of support. Even with its recent attraction of international investment (\$5 billion from 1988–94), it still relies heavily on aid. Primary sources are Scandinavia, the United States, and Japan. In 1995, the IMF announced a \$17 million loan to the country, its second in a series of structural adjustment loans. Laos received a total of \$290 million in economic aid in 1998. Total external debt stood at \$2.53 billion in 1999. In 2001, the IMF approved a \$40.2 million three-year arrangement with Laos, to reduce poverty and support the government's economic reform program. The Lao government is attempting to diversify its trading and investment partners, particularly among other Asian nations.

The International Monetary Fund (IMF) reported that in 2001 Laos had exports of goods totaling \$311 million and imports totaling \$528 million. The services credit totaled \$166 million and debit \$32 million. The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Laos's exports was \$325 million while imports totaled \$540 million resulting in a trade deficit of \$215 million.

Exports of goods and services totaled \$361 million in 2004, up from \$359 million in 2003. Imports grew from \$482 million in 2003, to \$506 million in 2004. The resource balance was consequently negative, and on a downward path—from -\$123 million in 2003 to -\$145 million in 2004. A different trend was registered for the current account balance, which improved from -\$93 million in 2003, to -\$45 million in 2004. Foreign exchange reserves (excluding gold) grew to \$223 million in 2004, covering more than five months of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

The central bank, the Bank of the Laotian People's Democratic Republic, regulates a rapidly expanding sector comprising 13 national and foreign-owned banks under the terms of the Commercial Bank and Financial Institutions Act of January 1992. Most of the wholly foreign-owned banks are Thai (such as the Thai Military Bank and Siam Commercial) and many of the joint-venture banks are backed by Thai financiers (such as the Joint Development Bank). The central bank continued to receive technical assistance from multilateral lending agencies, and was gradually strengthening the prudential framework. The banks were believed to be more efficient. The largest commercial bank, established in 1953, is the Bank of Indochina.

The large-scale flight of foreign currency that accompanied the Pathet Lao's ascendancy to power led the new government to shut down Vientiane's banks in September 1975. Officials subsequently announced the expropriation of most private accounts, claiming they were the property of former rightists and "traitors."

Banking reforms of the 1988–89 period opened Laos to foreign banks. Banks in Laos include: Banque Pour le Commerce Extérieur Lao, Joint Development Bank, Nakhonouang Bank, and the Vientiane Commercial Bank.

All banks now provide basic business services and offer a range of deposit and credit facilities. Interest rates are increasingly responsive to market conditions but tend to remain close to rates set by the central bank. Public confidence in the banking system as measured by the level of domestic capital mobilization is still low.

#### Balance of Payments – Laos (2001)

(In millions of US dollars)

<b>Current Account</b>			<b>-82.4</b>
Balance on goods		-216.8	
Imports	-527.9		
Exports	311.1		
Balance on services		134.5	
Balance on income		-33.8	
Current transfers		33.7	
<b>Capital Account</b>			<b>...</b>
<b>Financial Account</b>			<b>135.7</b>
Direct investment abroad		...	
Direct investment in Lao Democratic People's Republic		23.9	
Portfolio investment assets		...	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		25.2	
Other investment liabilities		86.6	
<b>Net Errors and Omissions</b>			<b>-57.2</b>
<b>Reserves and Related Items</b>			<b>3.9</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Until 1988 the wholly state-controlled system serviced the needs of the command economy, offering uncompetitive rates of interest to savers or producers in need of regular credit. Most families continued to save by investing in gold and jewelry. The system suffered severe liquidity problems in 1990–91 when the “privatization” of former state-owned enterprises was at its peak: old debts were not repaid and new capital arriving as a result of the opening of the economy to foreign investors was coming in too slowly. Laos was badly hit in 1997 by the Asian financial crisis, leading to further liquidity problems in 1998. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$41.5 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$286.4 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 35%.

There is no stock exchange.

### **34 INSURANCE**

There are no private insurance firms.

### **35 PUBLIC FINANCE**

The civil war rendered normal budgetary procedures impossible, the budget being covered largely by US aid and monetary inflation. Deficit financing continued in the 1970s and 1980s, covered mostly by foreign aid from communist nations. With the collapse of this support, however, Laos has increasingly looked to foreign investment capital and Western lending agencies for financial support. Beginning in 1994, the IMF initiated an annual program of loans to assist the country with a structural adjustment program. It lent Laos \$17 million in 1995. Still, 31% of the 1995 budget was international aid.

The US Central Intelligence Agency (CIA) estimated that in 2005 Laos’s central government took in revenues of approximately \$319.3 million and had expenditures of \$434.6 million. Revenues minus expenditures totaled approximately -\$115.3 million. Total external debt was \$2.49 billion.

### **36 TAXATION**

In 1977, the government introduced a progressive agricultural tax on production. The tax revenues were to be used to develop forestry and mining without the need for outside aid, but the tax had the unwanted side effect of discouraging production by some of the largest landowners and slowing the achievement of self-sufficiency in food. The 1992–93 budget included a new profits tax and a law requiring foreign firms engaged in construction projects to pay taxes. The agricultural tax was replaced by a land tax, and consumption taxes were raised on fuel oil, liquor, beer, and tobacco. The 1989 economic reforms included a new flat tax rate of 20% on profits for foreign-owned companies. The top personal income tax rate is 40% with the marginal rate for the average tax payer 10%. The top corporate tax rate is 35%.

### **37 CUSTOMS AND DUTIES**

Import duties are determined on a specific and ad valorem basis and range from 2–40%, mostly not exceeding 25%. Compensatory duties are imposed on imports of commodities in competition

with local goods. A general internal tax is collected on the CIF-plus-duties value of most imports. Certain commodities—including automobiles, radios, alcoholic beverages, tobacco, and sugar—are subject to special excise taxes of up to 104%. A duty-free unloading zone for Laotian imports is located in the Vietnamese port of Da Nang.

### **38 FOREIGN INVESTMENT**

Before 1975, Laotian foreign economic relations were conducted under the FEOF and the US Commodity Import Program, under which dollar exchange was provided; Laos in turn allocated dollars to local importers, who then made kip payments to the government for the purchase of foreign goods. There was little direct foreign investment, however. From 1975 until the mid-1980s, all foreign capital has come in the form of development assistance.

Reforms, as part of the New Economic Mechanism (NEM) initiated in 1986, included the introduction of a the Laos Foreign Investment Code and Decree in 1989, which established the Foreign Investment Management Cabinet (FIMC). The FIMC oversees the Committee for Investment and Foreign Cooperation (CIFC) with power to authorize and approve investment. All investment proposals, no matter how small, must be submitted to the CIFC of the FIMC, which passes it for screening by the relevant line ministries. The Code and Decree focus on three types of transactions: contractual business, joint ventures, and wholly foreign-owned enterprises. Investment is now allowed in the areas of agriculture, forestry, industry, communications, transport, service, and tourism, for projects using the indigenous raw materials and natural resources of Laos. The Decree details the permitted sectors of foreign investment and outlines restrictions and prohibitions. For instance, environmentally damaging investment, investors with overwhelming debt, long-term projects making great use of imported materials, and enterprises that would compete with local entrepreneurs are prohibited and/or discouraged. Hindrances to foreign investment are poor legal and physical infrastructure and a lack of skilled labor and capital. Additional disadvantages in the landlocked country are high transportation costs and limited domestic and foreign markets. In 1994 a new foreign investment law streamlined regulations and tax structures and included a flat corporate tax rate of 20%. The contractual business mode of foreign investment was eliminated. Although the law stipulated that the preapproval process for new investment was to take only 60 days, delays in fact have been a year or more.

Since 1986, foreign investment in Laos has totaled an estimated \$5.7 billion, about 75% in hydroelectric power projects. The Asian financial crisis, precipitated by Hong Kong’s return to Chinese rule in June 1997, dealt foreign investment flows a blow from which it had not recovered. FDI fell from \$170 million in 1996 to \$45.3 million in 1998. In 1999, the Thai company that had been granted the concession to build Laos’s first railroad in May 1997, backed out of the deal declaring it economically nonviable. A small uptick in FDI to \$51.5 million in 1999 was followed by sharp declines in \$33.9 million in 2000 and a negligible \$23.9 million in 2001 in the face of the continuing depreciation of the currency. The depreciation feeds into a vicious cycle, because with the government’s need to conserve its hard currency reserves, it has become increasingly difficult for foreign investors to convert their kip income into for-



eign exchange. The government in 2002 was rationing foreign exchange, with priorities given to fuel, food, and medicines.

Thailand has been Laos's biggest foreign investor, accounting for about 42% of total FDI. In 2001, Laos and Thailand signed an agreement for the construction of a second bridge across the Me Kong, a project abandoned by a Japanese company in 1998 after the concession had been granted in 1996. Two Thai companies are also shareholders in the proposed \$1.2 billion 650 MW Nam Theum River hydroelectric power project. The other partners are the Laotian government and the French company, Electricite de France, the largest shareholder. China's Yunnan Province contracted to develop sylvite deposits in the Vientiane Basin. Twelve sylvite-bearing zones have been identified, with an estimated total of 10 billion tons.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

The National Plan and Foreign Aid Council was established in June 1956 to prepare a general plan for the development of Laos and to set up a series of five-year plans. In view of its limited capital resources, the government sought increased private foreign investment, continued US governmental economic assistance, and help from international monetary bodies and the Colombo Plan organization. An economic plan drafted by the Laotian government in 1962 was never fully implemented, however, owing to internal instability. Little of the infrastructure for public works, industry, and mining that was abandoned in 1961 has been resumed. Although a major goal of the 1969–74 economic and social development plan, completion of the Nam Ngum Dam, was fulfilled, a host of other targets had to be abandoned because of disruption stemming from the war. US aid to Laos began in 1955 and continued until the United States' pullout in 1975. During this period, the Laotian economy became almost totally dependent on US aid, which amounted to over \$900 million in nonmilitary loans and grants and \$1.6 billion in military assistance.

Following the Pathet Lao takeover in 1975, efforts were made to restructure the Laotian economy along socialist lines. The source of most foreign assistance shifted to China between 1975 and 1979. By 1979, however, with the economy reduced to a virtual standstill because of poor harvests, rapid inflation, and the absence of private incentives, the government abandoned central planning for a mixed model of a centrally coordinated amalgam of state-run enterprises, cooperatives, and private ventures.

Laos's first five-year plan (1981–85) after the removal of the Pathet Lao government envisioned increases of 65–68% in the gross social product, 23–24% in agricultural production, and 100–120% in industrial production, as well as completion of repairs on major highways and waterways. During this period the source of aid again shifted, this time to the USSR, Vietnam, and their allies. Aid from Council for Mutual Economic Assistance (CMEA) countries totaled \$90 million in 1985. Among non-Communist nations, Japan, Australia, Sweden, and the Netherlands have also furnished assistance. In 1985, the US ban on aid was lifted, largely because of Laotian cooperation in accounting for US military personnel missing in action in Laos during the Vietnam War. Aid from international agencies totaled \$183.1 million between 1946 and 1986.

The targets for the first five-year plan were largely not met, as per capita income fell to \$100 and inflation rose to 30% in 1985.

Failure was ascribed to an overly rigid central planning approach and in August 1986, as a major part of the second five-year plan (1986–90), the New Economic Mechanism (NEM) was introduced. The New Economic Mechanism (NEM) approved in 1986 (based on *chin tanakan may* "new thinking") introduced free enterprise initiatives including decentralized decision making, deregulation of pricing and financial systems, and promotion of domestic and international trade and foreign investment. Reforms have been introduced in phases. In 1988 land use reforms and market determined prices were introduced. In 1989 the tax system was modified, the Foreign Investment Code and Decree was implemented, the banking system was restructured, and the privatization of state economic enterprises commenced. Creation of a national taxation system and a customs administration are aimed at increasing government revenue. The Ministry of Industry and Primary Resources, the Economic Planning Unit, which monitors existing and new businesses, and the Economic Development Board (EDB), which assists in the establishment of new industries, facilitate foreign investment in most sectors of the economy. Incentives offered to encourage the development of industrial and commercial enterprises include allowing 100% foreign ownership, emphasized exportation of food products, strengthening of economic management, rehabilitation of routes to seaports and rural feeder roads, reform of general education and training, and development of small- and medium-scale projects.

The third five-year plan (1991–95) continued previous policies of infrastructure improvement, export growth, and import substitution. Four sectors were considered priority areas for future income for Laos: mining and energy; agriculture and forestry; tourism; and service, as a way-station and service center between China, Vietnam, and Cambodia. Laos has untapped mineral resources and proven reserves of gold, gemstones and iron ore. Pulp and paper tree plantations would be substituted for the export of timber and agricultural products to serve the Thai market. Based on Thailand's experience, the government recognizes that mass tourism involves environmental degradation, yet the opening of the Mittaphap (Friendship) Bridge over the Mekong between Laos and Thailand (1994) seemed to open an opportunity for both trade and tourism. A second bridge was approved in 1996 but the Japanese company holding the concession backed out in 1998. In 2002 the second bridge project was revived with an agreement with a Thai company. In 1993 three western oil companies, Enterprise Oil and Monument Oil, both from the United Kingdom, and Hunt Oil of Dallas, engaged in exploration for oil and gas in Laos. These projects, handicapped by inadequate geological maps, unexploded ordnance, tough terrain, encounters with the remnants of the anticommunist insurgency movement, tropical and dietary illness, and the potential expense of drilling and pipeline construction for transport to the Vietnamese coast, had not produced any substantial discoveries. However, two major hydroelectric projects, the Nam Thuen Dam on a tributary of the Mekong in Khammouan province, and the Xeset dam in southern Laos were completed, and produce electricity sold to Thailand.

At the sixth party congress, held in March 1996, Laotian officials debated the country's slow pace of opening up to the international investment community. By that year, the country had allowed more than 500 foreign investors, in a variety of sectors, to either establish or buy (in whole or in part) Laotian businesses. The ma-

majority of \$5 billion (75%) was invested in hydroelectric power. In February 1997, Laos joined ASEAN, though some raised questions about its ability to afford even to attend all the organization's 200 or so annual meetings. Balance of payments problems had emerged almost as soon as the economy opened up to foreign trade and investments, with imports regularly running about 40% above exports. By 1997, Laos had entered into two standby arrangements with the IMF, a one year arrangement under the Structural Adjustment Facility (SAF), and a three year arrangement under the Extended Structural Adjustment Facility (ESAP). The credit line for the ESAP arrangement amounted to about \$49 million and ran until 7 May 1997. The next month Hong Kong returned to Chinese rule precipitating the Asian financial crisis that was to have devastating effects of Laos's economic development ambitions. From June 1997 to June 2002 the kip depreciated from 1,171 to more than 10,000 to one US dollar. Direct foreign investment (DFI) dropped from \$179 million in 1997 to \$23.9 million in 2001. In the first six months of 2002, investment flows from ASEAN countries, formally the source of the nearly 60% of FDI, fell to zero. A possibility of some relief from the downward spiral of inflation and dwindling investment was in the likelihood that Laos would be voted normal trade relations (NTR) status in 2003 by the US Congress in line with legislation submitted by the administration of US president George W. Bush in 2003. NTR would reduce US tariffs on Laotian imports from an average of over 40% to about 3%, and allow for the implementation of bilateral trade and investment agreement with the United States. In turn, this would open the way for the World Bank to issue guarantees for foreign investment projects in Laos.

The healthy growth rates from 2004 and 2005 were expected to remain stable throughout 2006 and 2007. The main growth engine continued to be the industrial sector, and mining and construction in particular. Agriculture remained vulnerable to finicky weather conditions, but the government has committed itself to offer help to farmers. Tourism is a sector with strong potential but its immediate future was negatively influenced by security concerns and a still weak infrastructure.

#### 40 SOCIAL DEVELOPMENT

By almost any measure, Laos is one of the world's most impoverished nations. Food intake does not meet basic requirements; there are virtually no sanitary facilities; and contamination of drinking water is widespread. Almost no families own cars, and bicycles and radios are considered luxuries. In general, the lowland Lao have the highest living standards, with lower standards prevailing among the upland tribes. The majority of the population engages in subsistence farming, and the country is heavily reliant on foreign aid. The first social insurance system was implemented in 2001. There is a special program for public employees. Employees in enterprises with ten or more employees are covered by work injury insurance.

Although the constitution establishes equal rights for women, they have traditionally been subservient to men and have generally been discouraged from obtaining an education. However, the government claims that it has encouraged women to assume a larger role in national life, and girls are increasingly attending school. It has been reported that in urban areas, working women have higher incomes than their male counterparts. Violence

against women, including domestic violence, is not widespread. The Family Code provides women with equal inheritance and marriage rights. Trafficking in women and girls for the sex trade persisted, but in 2004 legislation was passed to provide protection from these activities.

Minority highland tribes have limited ability to influence government decisions. The highland Hmong tribe, furthermore, reports instances of discrimination and harassment. The Law on Nationality grants greater citizenship rights to the Chinese and Vietnamese minorities.

Political dissent is not tolerated, and detention without due process is not uncommon. Prison conditions are harsh, and the government suppresses the freedoms of speech, assembly, and association and restricts freedom of religion.

#### 41 HEALTH

The use of Western medicine has improved health generally and reduced the incidence of malaria and smallpox specifically, but high infant mortality and a variety of health problems remained. Most urban areas, including Vientiane, lack pure water and sanitary disposal systems. In 2000, 90% of the population had access to safe drinking water and 46% had adequate sanitation. In parts of Laos, malaria—the most serious health threat—is known to affect the majority of children. In 1995, there were 1,365 new cases of cholera. Other health problems are acute upper respiratory infections (including pneumonia and influenza), diarrhea and dysentery, parasites, yaws, skin ailments, various childhood diseases, hepatitis, venereal disease, and tuberculosis. Common diseases have been malaria, measles, and leprosy. In 1999, there were 171 reported cases of tuberculosis per 100,000 inhabitants. In the mid-1990s, a UNICEF survey found iodine deficiencies and goiter to be common problems in rural areas of Laos. Programs to increase iodine levels via salt intake were being instituted. An estimated 25% of school-age children were reported to have goiter. Children up to one year of age were vaccinated against tuberculosis, 69%; diphtheria, pertussis, and tetanus, 48%; polio, 57%; and measles, 73%. Vaccination rates were 56% for DPT and 71% for measles. The prevalence of underweight children was 44%, greater than the average of developing countries in South East Asia.

As of 2004, there were an estimated 59 physicians, 103 nurses, and 5 dentists per 100,000 people. Health care expenditure was estimated at 2.5% of GDP. Average life expectancy in 2005 was estimated at 55.08 years and infant mortality was estimated at 85.22 per 1,000 live births. The total fertility rate has remained nearly constant over the last years. The fertility rate in 2000 was five children per woman during her childbearing years. The overall mortality rate in 2002 was estimated at 12.7 per 1,000 people; the maternal mortality rate in 1998 was 650 per 100,000 live births.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 1,700 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

#### 42 HOUSING

The typical house is rectangular, built entirely of wooden planks and bamboo, with a thatched roof, and is raised off the ground on wooden pilings 1–2 m (3–6 ft) high. There is a critical housing shortage in the towns, and many dwellings are substandard. As of

2000, 90% of the population had access to improved water sources and 46% had access to improved sanitation.

### 43 EDUCATION

Education in Laos is compulsory for five years of primary education. This is followed by three years of lower secondary and three years of upper secondary studies. At this stage, students may choose to continue to a three-year technical school or higher technical college. The academic year runs from September to July.

In 2001, about 7% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 85% of age-eligible students. The same year, secondary school enrollment was about 35% of age-eligible students. It is estimated that about 74% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 31:1 in 2003.

There are three universities in the country: the National University of Laos, Souphanouvong University, and Champasak University. There were also regional technical colleges and several teacher training colleges. In 2003, about 5% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 68.7%, with 77% for men and 60.9% for women.

As of 2003, public expenditure on education was estimated at 2.8% of GDP, or 11% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

The National Library (Vientiane), with volumes in French, Lao, and English, is the nation's largest library. In addition, a Buddhist institute owns a number of classical manuscripts. Many excellent traditional works of art and architecture may be seen in Vientiane and Luangphrabang. Of particular interest in the latter city is the former royal palace and the Prabang (Golden Buddha), which was brought to Laos from Cambodia in the days of Fa-Ngoum. Also in Vientiane is the Museum of Religious Art. The Luang Prabang National Museum opened in 1976.

### 45 MEDIA

Beginning in 1992 telephone owners were able to direct dial internationally, and private facsimile machines were permitted. In 2003, there were an estimated 12 mainline telephones for every 1,000 people. The same year, there were approximately 20 mobile phones in use for every 1,000 people.

All communications, including the radio network, are operated by the government. Regular radio broadcasts were begun from Vientiane in 1968 and are now carried by Lao National Radio. Most broadcasts are in Lao, but government news broadcasts are also in English, French, and other languages. Domestic television service from Lao National TV began in 1983; in addition, programs are available by satellite from the former USSR, and it is possible to pick up Thai broadcasts. As of 1999 there were 9 AM and 4 FM radio stations, and 4 television stations. In 2003, there were an estimated 148 radios and 52 television sets for every 1,000 people. The same year, there were 3.5 personal computers for every 1,000 people.

The press is government-controlled. The sole news agency is the Laos News Agency; the only foreign news bureaus are those of

the former USSR and Vietnam. As of 2002, there were two daily newspapers, *Vientiane Mai* (*New Vientiane*), with a circulation of 2,500; and *Khao San Pathet Lao* (*Laos Newsletter*, published in French and English as well as Lao), with a circulation of 1,200. *Pasason* (*The People*) is a monthly publication with a 2002 circulation of 28,000. The *Vientiane Times*, published in English is available twice a week.

Although there are constitutional provisions for freedom of speech and the press, the government is said to exert broad control over the exercise of these rights. All domestically produced newspapers, radio, and television are controlled by the Ministry of Information, which reacts harshly to expressions of political dissent.

### 46 ORGANIZATIONS

The National Chamber of Commerce and Industry is located in Vientiane. The Lao People's Revolutionary Party and its allied social and political groups in the Lao Front for National Reconstruction have dominated Laotian life. The cooperative movement has been intensively developed. There is also a Lao Unified Buddhists' Association. The Mekong River Commission serves an important role in working toward sustainable development in the region. The Lao Medical Association promotes research and education on health issues and works to establish common policies and standards in healthcare. There are several sports associations promoting amateur competition in such pastimes as tennis, badminton, taekwondo, and track and field. The Red Cross is active.

### 47 TOURISM, TRAVEL, AND RECREATION

The main tourist destinations are the capital, Vientiane, and Luang Prabang. Facilities are limited in other parts of the country. Vientiane is popular for its Buddhist pagodas, French colonial architecture, and landmarks. The city of Luang Prabang is located at the junction of the Nam Khan and Mekong Rivers in the North. Great views of temples and the land are seen from Mount Phousi in the center of the city.

In 2003, there were 636,361 visitors who arrived in Laos. Of these visitors, almost 60% came from Thailand. There were 12,289 hotel rooms with 18,877 beds that same year. Valid passports and visas are required for entry into Laos. Visas can be obtained upon arrival at most border crossings. If purchased upon arrival, the visa is valid for up to 15 days. Visas purchased through a Lao embassy are valid for up to 30 days.

In 2005, the US Department of State estimated the daily cost of staying in Laos at \$130.

### 48 FAMOUS LAOTIANS

One of the most cherished figures in Laotian history is Fa-Ngoum, who unified Lan Xang in the 14th century. Another dynastic personage still revered is the monarch Sethathirat, in whose reign (1534–71) the famous That Luang shrine was built. Chao Anou (r.1805–28) is remembered for having fought a war to recover Laotian independence from the Siamese (Thais) and for having restored Vientiane to a glory it had not known since the 16th century. Important 20th-century figures include Souvanna Phouma (1901–84), former prime minister; Prince Souphanouvong (1902–95), a half-brother of Souvanna Phouma, leader of the Pathet Lao

and president of Laos from 1975 to 1986; and Kaysone Phomvihan (1920–1992), former chairman of the Council of Ministers.

#### **49 DEPENDENCIES**

Laos has no territories or colonies.

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# LEBANON

Republic of Lebanon  
*Al-Jumhuriyah al-Lubnaniyah*

**CAPITAL:** Beirut (Bayrut)

**FLAG:** The national flag, introduced in 1943, consists of two horizontal red stripes separated by a white stripe which is twice as wide; at the center, in green, is a cedar tree.

**ANTHEM:** *Kulluna lil watan lil'ula lil'alam* (*All of Us for the Country, Glory, Flag*).

**MONETARY UNIT:** The Lebanese pound, or livre libanaise (LL), is a paper currency of 100 piasters. There are coins of 1, 2½, 5, 10, 25, and 50 piasters and 1 Lebanese pound, and notes of 1, 5, 10, 25, 50, 100, 250, 1,000 and 10,000 Lebanese pounds. LL1 = \$0.00066 (or \$1 = LL1,507.5) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but traditional weights and measures are still used.

**HOLIDAYS:** New Year's Day, 1 January; Arab League Day, 22 March; Independence Day, 22 November; Evacuation Day, 31 December. Christian religious holidays include Feast of St. Maron, 9 February; Good Friday; Easter Monday; Ascension; Assumption, 15 August; All Saints' Day, 1 November; and Christmas, 25 December. Muslim religious holidays include 'Id al-Fitr, 'Id al-'Adha, and Milad an-Nabi.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated on the eastern coast of the Mediterranean Sea, Lebanon has an area of 10,400 sq km (4,015 sq mi), extending 217 km (135 mi) NE–SW and 56 km (35 mi) SE–NW. It is bordered on the N and E by Syria, on the S by Israel, and on the W by the Mediterranean Sea, with a total boundary length of 679 km (422 mi), of which 225 km (140 mi) is coastline. Comparatively, the area occupied by Lebanon is about three-fourths the size of the state of Connecticut.

The Lebanon of today is the Greater Lebanon (Grand Liban) created by France in September 1920, which includes the traditional area of Mount Lebanon—the hinterland of the coastal strip from Şaydā (Sidon) to Tarābulus (Tripoli)—some coastal cities and districts such as Beirut and Tarābulus (Tripoli), and the Bekaa (Biqā') Valley in the east. Since January 1988, more than two-thirds of the territory was under foreign military occupation. In May 2000, Israeli troops withdrew from a 1,000 sq km (400 sq mi) strip along the Israeli border. Syrian forces, which had held northern Lebanon and the Bekaa Valley since 1976 and West Beirut and the Beirut-Şaydā coastal strip since February 1987, withdrew in April 2005.

Lebanon's capital city, Beirut, is located on the Mediterranean coast.

## <sup>2</sup> TOPOGRAPHY

The name of the country comes from the name Djebel Libnan, which is the Arabic name for the Mount Lebanon range stretching from northeast to southwest through the center of the country. This area is rugged; there is a rise from sea level to a parallel mountain range of about 2,000–3,000 m (6,600–9,800 ft) in less than 40 km (25 mi), and heavy downpour of winter rains has formed many deep clefts and valleys in the soft rock. The terrain has profoundly affected the country's history, in that virtually the

whole landscape is a series of superb natural fortresses from which guerrilla activities can render the maintenance of control by a centralized government an intermittent and costly affair.

East of the Mount Lebanon Range is the Bekaa Valley, an extremely fertile flatland about 16 km (10 mi) wide and 129 km (80 mi) long from north to south. At the eastern flank of the Bekaa rise the Anti-Lebanon Range and the Hermon extension, in which stands Mount Hermon straddling the border with Syria. Lebanon contains few rivers, and its harbors are mostly shallow and small. Abundant springs, found to a height of 1,500 m (4,900 ft) on the western slopes of the Lebanon Mountains, provide water for cultivation up to this height.

## <sup>3</sup> CLIMATE

Lebanon's extraordinarily varied climate is due mainly to the wide range of elevation and the westerly winds that make the Mediterranean coast much wetter than the eastern hills, mountainsides, and valleys. Within a 16-km (10-mi) radius of many villages, apples, olives, and bananas are grown; within 45 minutes' drive in winter, spring, and fall, both skiing and swimming are possible. Rainfall is abundant by Middle Eastern standards, with about 89 cm (35 in) yearly along the coast, about 127 cm (50 in) on the western slopes of the mountains, and less than 38 cm (15 in) in the Bekaa. About 80% of the rain falls from November to March, mostly in December, January, and February. Summer is a dry season, but it is humid along the coast. The average annual temperature in Beirut is 21°C (70°F), with a range from 13°C (55°F) in winter to 28°C (82°F) in summer.

## <sup>4</sup> FLORA AND FAUNA

Lebanon is rich in flora, with over 3,000 species. Olive and fig trees and grapevines are abundant on lower ground, while cedar, maple,

juniper, fir, cypress, valonia oak, and Aleppo pine trees occupy higher altitudes. Vegetation types range from subtropical and desert to alpine. Although hunting has killed off most wild mammals, jackals are still found in the wilder rural regions, and gazelles and rabbits are numerous in the south. Many varieties of rodents, including mice, squirrels, and gerbils, and many types of reptiles, including lizards and snakes (some of them poisonous), may be found. Thrushes, nightingales, and other songbirds are native to Lebanon; there are also partridges, pigeons, vultures, and eagles. As of 2002, there were at least 57 species of mammals and 116 species of birds.

## 5 ENVIRONMENT

Lebanon's forests and water supplies suffered significant damage in the 1975–76 war and subsequent fighting. Rapid urbanization has also left its mark on the environment. Coastal waters show the effects of untreated sewage disposal, particularly near Beirut, and of tanker oil discharges and oil spills. The water pollution problem in Lebanon is in part due to the lack of an internal system to consistently regulate water purification. The nation has about 5 cu km of renewable water resources.

Air pollution is a serious problem in Beirut because of vehicular exhaust and the burning of industrial wastes. In 2000, the total of carbon dioxide emissions was at 15.2 million metric tons. Control efforts have been nonexistent or ineffective because of political fragmentation and recurrent warfare since 1975.

The effects of war and the growth of the nation's cities have combined to threaten animal and plant life in Lebanon. In 1986, the National Preservation Park of Bte'nayel was created in the region of Byblos to preserve wooded areas and wildlife. In 2003, less than 1% of the total land area was protected, including four Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included five types of mammals, ten species of birds, one type of reptile, nine species of fish, and one species of invertebrate. The Mediterranean monk seal, African softshell turtle, and dogfish shark are on the endangered list. The Arabian gazelle and Anatolian leopard are extinct.

## 6 POPULATION

The population of Lebanon in 2005 was estimated by the United Nations (UN) at 3,779,000, which placed it at number 126 in population among the 193 nations of the world. In 2005, approximately 6% of the population was over 65 years of age, with another 28% of the population under 15 years of age. There were 96 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.6%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 4,581,000. The population density was 363 per sq km (941 per sq mi), with most of the population living on the coastal plains where the major cities are located.

The UN estimated that 87% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.49%. The capital city, Beirut (Bayrut), had a population of 1,792,000 in that year, and Tarābulus (Tripoli), the largest city, had an estimated population of 2,093,000.

## 7 MIGRATION

The economic roots of emigration may be traced to the increase of crop specialization during the 19th century and to the subsequent setbacks of the silk market toward the end of the century. Political incentives also existed, and many Lebanese left their country for Egypt (then under British rule) or the Americas at the turn of the century. After the mid-1960s, skilled Lebanese were attracted by economic opportunities in the Persian Gulf countries. Large numbers fled abroad, many of them to France, Syria, Jordan, Egypt, and the Gulf countries, during the civil war in 1975–76. In 1986, the Lebanese World Cultural Union estimated that some 13,300,000 persons of Lebanese extraction were living abroad, the largest numbers in Brazil, the United States, and Argentina. In 2003 remittances were \$977 million.

Since the outbreak of war in 1975, internal migration has largely followed the pattern of hostilities, peaking in 1975/76 and again after the Israeli invasion of 1982. In 1993, the number of refugees in various parts of the country was estimated at over 600,000.

In 2004 there were 2,434 persons of concern to UNHCR in Lebanon, 1,753 refugees and 681 asylum seekers. By year's end, 17,302 Lebanese sought refuge in Germany. In that same year Lebanese sought asylum in Germany, Sweden, Belgium, the United Kingdom, and the United States. In 2005, the net migration rate was an estimated zero per 1,000 population, down from 12.1 per thousand in 1990. The government views the migration levels as too high.

As of 2004 there were 300,000 internally displaced persons.

## 8 ETHNIC GROUPS

Ethnic mixtures dating back to various periods of immigration and invasion are represented, as are peoples of almost all Middle Eastern countries. A confusing factor is the religious basis of ethnic differentiation. Thus, while most Lebanese are Arabs, they are divided into Muslims and Christians, each in turn subdivided into a number of faiths or sects, most of them formed by historical development into separate ethnic groups. The Muslims are divided into Sunnis and Shias. The Druzes, whose religion derives from Islam, are a significant minority. The Christians are divided mainly among Maronites, Greek Orthodox, and Greek Catholics. All the major groups have their own political organizations, paramilitary units, and territorial strongholds. Other ethnic groups include Armenians (most of them Armenian Orthodox, with some Armenian Catholics) and small numbers of Jews, Syrians, Kurds, and others. The number of Palestinian refugees is estimated at 390,000. As of 2005, population estimates stood at 95% Arab, 4% Armenian, and 1% other.

## 9 LANGUAGES

Arabic is the official language and is spoken throughout the country. Much of the population is bilingual, with French as the main second language. There are also significant numbers of English, Armenian, and Turkish speakers. The distinctive Lebanese Arabic dialect contains various relics of pre-Arabic languages and also shows considerable European influence in vocabulary.

## 10 RELIGIONS

Religious communities in the Ottoman Empire were largely autonomous in matters of personal status law and were at times treated as corporations for tax and public security matters. Membership in a millet, as these religious communities were called in Ottoman law, gave the individual citizenship, and this position, although somewhat modified, has given Lebanese politics its confessional nature. Religion is closely connected with civic affairs, and the size and competing influence of the various religious groups are matters of overriding political importance. The imbalance of power between Christians and Muslims, aggravated by the presence of large numbers of Palestinians, was a major factor contributing to the bitter civil war in 1975–76.

As of 2004, it was estimated that about 70% of the population practice Islam; there were five legally recognized groups—Alawite or Nusayri, Druze, Isma'elite, Shia, and Sunni. Muslims have come to outnumber Christians as the result of long-term demographic trends and population displacements during and after the civil war. The main branches of Islam are Shia and Sunni. Christians made up 23% of the population; there were eleven legally recognized groups—four Orthodox Christian, six Catholic, and one Protestant). The Maronites are the largest Christian group, with Greek Orthodox being the second-largest. There were also small numbers practicing Judaism, Buddhism, Hinduism, or Baha'ism.

Under an unwritten agreement made at the time of the National Covenant of 1943, the president of Lebanon must be a Maronite Christian, the prime minister a Sunni Muslim, and the speaker of parliament a Shia Muslim, with a ratio of six Christians to every five Muslims in the legislature. But this arrangement has subsequently ceased to reflect the strength of competing religious groups in the population and is widely criticized. Religious groups must be officially recognized by the government in order for the group or its members to participate in certain activities. For instance, members of unrecognized faiths cannot run for parliament. Proselytizing is generally discouraged. Public blasphemy is prohibited under the law. Certain Christian and Muslim holidays are officially observed.

## 11 TRANSPORTATION

As of 2002, Lebanon had 7,300 km (4,536 mi) of roads, of which 6,198 km (3,855 mi) were paved. Construction of new roads has been frequently delayed by recurrent hostilities. Many roads were badly in need of repair; since 1982, fully one-third of the country's roads have been rehabilitated. Some new mileage was also added. In 2003 there were 406,920 registered passenger autos and 85,125 commercial vehicles.

In 2004, Lebanon had 401 km (249 mi) of standard and narrow gauge railroad lines, of which 319 km (198 mi) were standard gauge. However, due to the civil war in the 1980s, only short sections are operable due to damage.

Beirut, a major Mediterranean port, was closed during the 1975–76 war and intermittently thereafter, reopening by March 1991. When the Beirut port was closed, Şaydā (Sidon) became the principal port for Muslims and Jūniyah for Christians. Other ports include Tarābulus (Tripoli) and Tyre. The rehabilitation and modernization of Beirut port was underway as of 2005, and the rehabilitation and development of Tarābulus (Tripoli) port was



LOCATION: 35°6' to 36°36' E; 33°4' to 34°41' N. BOUNDARY LENGTHS: Syria, 359 kilometers (223 miles); Israel, 102 kilometers (63 miles); Mediterranean coastline, 195 kilometers (121 miles). TERRITORIAL SEA LIMIT: 12 miles.

completed in 2001. As of 2005, Lebanon had a merchant fleet of 44 ships of 1,000 GRT or more, with a capacity of 198,602 GRT.

There were an estimated eight airports in 2004, five of which had paved runways as of 2005. Beirut International, Lebanon's principal airport, remained generally open until bombing during the Israeli invasion forced its closure in June–October 1982. It had handled 1,660,000 passengers in 1980; by 1985, the number was down to 599,000. In 2003, about 935,000 passengers were carried on scheduled domestic and international flights. Lebanon's two airlines, Middle East Airlines (MEA) and Trans-Mediterranean Airways (TMA), suffered heavy losses during the 1975–76 war and the Israeli invasion.

## <sup>12</sup>HISTORY

The geographical features of Lebanon have had a major effect on its history. Its mountains enabled the minority communities to survive the despotisms that submerged the surrounding areas. The sea provided trade routes in ancient times for exports from Lebanese cedar and spruce forests, and for commerce in copper and iron during the time of the Ptolemies and the Romans. Both Lebanon and Syria were historically associated from early times as part of Phoenicia (c.1600–c.800 BC), and both were later swept up into the Roman Empire. In the 7th century AD, the Arabs conquered part of Lebanon. Maronite Christians had long been established there; Islam gradually spread by conversion and migration, although the country remained predominantly Christian. In the 11th century, the Druzes established themselves in the south of the Mount Lebanon area as well as in Syria. Parts of Lebanon fell temporarily to the Crusaders; invasions by Mongols and others followed, and trade declined until the reunification of the Middle East under the Ottoman Empire.

For the most part, Ottoman officials of the surrounding areas left the Mount Lebanon districts to their own emirs and sheikhs. Fakhr ad-Din (1586–1635) of the Ma'an family set out to create an autonomous Lebanon, opened the country to Western Europe through commercial and military pacts, and encouraged Christian missionary activity. In 1697, the Shihab family acquired dominance, and from 1788 to 1840, except for a few intervals, Mount Lebanon was ruled by Bashir II of the Shihab family, who extended his power and was partly successful in building a strong state. The Egyptian occupation of Syria (1832–40) opened the Levant to large-scale European penetration and tied Lebanese affairs to international politics. It also heightened the antipathy between Christians and Druzes, with the occupiers from time to time using armed groups of one against the other. The British invasion of 1840–41 served to deliver Lebanon from Egyptian rule and forced Bashir II into exile, but it also involved France and the United Kingdom in the problem of finding a *modus vivendi* for the religious factions. A partition of government did not work. Economic discontent was inflamed by religious antagonisms, and the Druzes, feeling their power dwindling, organized a major onslaught against the Christians in 1860. When the latter, fearing annihilation, requested European intervention, major powers sent fleets into Syrian waters and the French sent an army into Mount Lebanon. Under European pressure, the Ottoman government agreed to the establishment of an international commission to set up a new, pro-Christian government; an autonomous province of Mount Lebanon was created in 1864, with a Christian governor who, though the servant of the Ottoman state, relied upon European backing in disputes with his sovereign.

The entry of the Ottoman Empire into World War I led to an Allied blockade, widespread hunger, and the destruction of Lebanese prosperity. An Anglo-French force took the country in 1918, and in 1920, an Allied conference gave France a mandate over Syria, in which Mount Lebanon was included. The French separated from Syria the area they called Greater Lebanon (*Grand Liban*), which was four times as large as the traditional Mount Lebanon and included a Muslim population almost as large as the Christian. The mandate years were a time of material growth and little political development.

Lebanon came under Vichy control in 1940, but in 1941, Lebanon and Syria were taken by a combined Anglo-Free French force. The Free French proclaimed Lebanese independence in November 1941, but when a strongly nationalistic government was created in 1943, the French intervened and arrested the new president, Bishara al-Khuri. An insurrection followed, prompting UK intervention and the restoration of the government. In 1945 agreement was achieved for the withdrawal of both UK and French forces, and in 1946 Lebanon assumed complete independence.

The 1950s and 1960s were generally characterized by economic and political stability. Beginning in 1952, Lebanon received increased US aid and also benefited from an influx of Western commercial personnel and from growing oil royalties. It also seemed the calmest center of the Middle East, taking little part in the Arab-Israeli war of 1948 and no action in the wars of 1967 and 1973. In 1958, however, a reported attempt by President Camille Chamoun (Sha'mun) to seek a second term precipitated a civil war, and in July the United States sent forces to help quell the insurrection; this move was in keeping with the Eisenhower Doctrine, which pledged US military and economic aid to any country requesting it in order to counter a Communist threat. The crisis was settled when Gen. Fu'ad Shihab (Chehab), who was supported by both government and opposition groups, was elected president in July. By October US forces were withdrawn, and public security was reestablished.

In the late 1960s and early 1970s Lebanon's economy was disrupted by conflict in the Middle East, vividly brought home by the presence, near the border with Israel, of thousands of well-armed Palestinian guerrillas, many of whom had come from Jordan following the "Black September" fighting there in 1970–71. Serious clashes between them and the Lebanese army occurred in 1969. Fearing civil war, the government that year signed the so-called Cairo Accord with the Palestinian Liberation Organization (PLO), which virtually made it a state within the state. The PLO gained the right to establish military bases and launch cross-border raids into Israel. This inevitably led to Israeli reprisals, and PLO interference in Lebanese affairs accelerated a slide toward anarchy. In April and May 1974, a series of Palestinian attacks on Lebanese villages killed scores of persons and injured hundreds. Government efforts to deal with the problem were denounced as insufficient by Christian rightists, while Muslim leftists defended the Palestinians, and both factions formed private militias.

During the early months of 1975, sporadic violence between the two factions gradually erupted into a full-scale civil war that pitted Maronite Christians against Muslims and against other Christian sects, and rightist militants against Palestinian guerrillas and other leftist Arab forces. At least 100,000 people on all sides were killed and some 600,000 persons displaced during the 18 months of fighting. In April 1976 Syrian forces entered Lebanon in an apparent effort to prevent an all-out victory by left-wing Muslims and Palestinians; by the fall, some 20,000 Syrian troops controlled the Bekaa Valley. A cease-fire arranged through the mediation of Saudi Arabia and other Arab countries enabled a peacekeeping force (including Syrian troops) to separate the combatants and end the war in October. The conflict not only devastated Lebanon economically, but so weakened the central government that effective power lay with the Syrians, the Palestinians, and some 30 sectarian militias. In general, the Christian Phalangists held



sway over east-central Lebanon; fighters loyal to Maj. Sa'ad Had-dad, a right-wing Lebanese army officer, controlled the southern border area, in a security zone set up by Israel; and the PLO, other Muslim leftists, and Syrian forces occupied northern and eastern Lebanon.

Intermittent fighting between the armed factions continued, and raids by Palestinian guerrillas based in southern Lebanon drew Israel into the conflict. In March 1978 the Israeli army invaded southern Lebanon, destroyed PLO bases, and then withdrew when the UN Interim Force in Lebanon (UNIFIL) was established to keep the peace. Continuing PLO rocket attacks on northern Israel and Syria's installation of anti-aircraft missiles in the Bekaa Valley prompted Israel to launch a full-scale invasion of Lebanon in June 1982. Israeli forces quickly destroyed PLO bases in the south and in Tyre and Ṣaydā (Sidon), penetrated to the outskirts of Beirut, and disabled the Syrian missile bases. Several cease-fires arranged by US envoy Philip Habib broke down, but following a two-month Israeli siege of West Beirut, where the Palestinians were encamped, a truce was agreed to by Israel, the PLO, and Syria; by 1 September, more than 14,000 Palestinian and Syrian fighters had been evacuated. The Lebanese estimated their war casualties at more than 19,000 dead and 30,000 wounded (figures disputed by Israel). A multinational peacekeeping force, comprising British, French, and Italian soldiers and US marines, was stationed in the Beirut area in early September.

Despite the truce, the violence continued. On 14 September Bashir Gemayel, a Phalangist leader who in August had been elected president by the Lebanese parliament, was assassinated. Almost immediately, Israeli troops moved into West Beirut to wipe out pockets of Palestinian resistance causing tens of thousands of casualties. Phalangist forces were allowed into the Sabra and Shatila refugee camps, and at least 600 Palestinians, many of them civilians, were massacred; a subsequent Israeli government inquiry was critical of senior officials for indirect responsibility for the killings. In 1983 Israeli and Syrian troops still occupied large portions of Lebanon, and they became targets of attack by Muslim and Druze forces. In May 1983 Lebanon, Israel, and the United States signed an agreement by which Lebanon and Israel agreed to end their state of war. Israel agreed to withdraw all its forces, and both countries agreed to establish a security zone in southern Lebanon patrolled by Lebanese forces and joint Israeli-Lebanese teams. However, Syria opposed it and the agreement, never implemented, was repudiated by Lebanon in 1984.

The American embassy in Beirut was bombed in April 1983, and US marines were harassed by sniper fire. On 23 October, 241 American servicemen, including 220 marines, were killed by a truck-bomb explosion in their barracks at Beirut airport; on the same day, a similar bombing caused at least 58 deaths at a French paratroop barracks. Shortly before, Lebanon and Syria had agreed to a cease-fire pending a reconciliation conference, which began in Switzerland in November, with all major Lebanese political factions participating. Meanwhile, fighting broke out between a radical Syrian-supported PLO faction and guerrillas loyal to Yasser Arafat, chairman of the PLO; defeated at Tarābulus (Tripoli), Arafat withdrew from Lebanon in December.

As 1984 began, the position of the government headed by Amin Gemayel, who had been elected president to succeed his brother, was deteriorating. In February the United States, the United King-

dom, and Italy pulled their ground troops and nonessential personnel out of the Beirut area. In March, the Lebanese reconciliation conference dissolved without reaching substantial agreement. The following month a "national unity" government was formed, bringing together the leaders of all the major warring factions. But it almost never met and could not pacify the country; intermittent clashes between factions continued. Israel's withdrawal of its troops from Lebanon (except the south) in early 1985 left in its wake renewed fighting for the evacuated territory. In December a Syrian-sponsored cease-fire agreement that included constitutional reforms was signed by the Druze, Amal (Shia), and Christian factions, but its terms were never implemented. The general lawlessness encouraged terrorist groups of all kinds to promote their own ends by assassinations, kidnappings, and bombings. Among the most feared was the Hezbollah, or Party of God, which was aligned with fundamentalist Iranian Revolutionary Guards.

In 1985–86 there was sporadic fierce fighting between Palestinian and Shia Amal militia. Syria pushed for political reform and, when opposed by Gemayel and militant Christians, influenced Muslim ministers not to deal with the president, thus paralyzing the government. With the economy in serious decline, Prime Minister Rashid Karami was assassinated, to be succeeded by Salim al-Huss. The badly divided factions could not agree on a successor to Gemayel when his term expired in September 1988. Christian Army Commander Michel Aoun asserted himself as prime minister, giving Lebanon two governments—a Muslim one in West Beirut and a Christian one in East Beirut. Aoun was opposed by the Syrians and Muslims and by rival Christian factions.

In January 1989 the Arab League appointed a committee on Lebanon which, in September, arranged for a seven-point cease-fire and convened a meeting of Lebanese parliamentarians in Taif, Saudi Arabia. The Taif Accord that resulted in November led to the election of Elias Hrawi, a Maronite Christian, as president. He named al-Huss prime minister. When forces of General Aoun (who was technically deposed by Hrawi) attacked Christian and Syrian positions, they retaliated in strength and finally obliged him to take exile in France in 1991.

In 1991–92 the government gradually began to reassert its authority. Militias, except notably Hezbollah and the Israeli-backed army of South Lebanon, were dissolved in May 1991. Palestinian militants were repressed in Ṣaydā (Sidon) in July. In May 1992 the last Western hostages were released after years of confinement. Lebanon joined the Israeli-Arab peace talks in Madrid in October 1991. Internally, the poor economy aggravated political instability, but parliamentary elections, the first in 20 years, were scheduled for 1992. Poor preparations, widespread irregularities, and Christian abstention produced results that did not prepare Lebanon for an assured future. Yet, the appointment of Prime Minister Rafiq al-Hariri in November 1992 promised a serious effort at reconstruction.

Al-Hariri, a self-made billionaire who made his fortune in Saudi Arabia, was perceived by many to be a savior of sorts for the war-torn country. He had a long history of philanthropic giving, donating large sums to rebuild Beirut, for instance. As prime minister, he was frequently accused of corruption and of making sure government rebuilding efforts were directed toward companies under his control. Still most Lebanese approved of his efforts to stabilize the country and unite its many long-warring factions. In

1996, al-Hariri was reelected prime minister in a unanimous vote of parliament.

In 1996 Lebanon was still subject to political violence, especially in the Israeli-occupied south, where that year 255 people were killed (27 Israeli soldiers) in violence. Some 54 of the dead were members of Hezbollah, and 19 were militiamen in the Israeli-controlled South Lebanon Army (SLA). The violence continued into 1997.

President Ilyas Hrawi had been elected to the six-year post in 1989. In 1995 when his term was set to expire in accordance with the constitution, parliament extended his term for an additional three years. Hrawi proved to be a weak leader and his standing with the Maronites was low. Emile Lahoud, of a prominent Maronite family, had been promoted to major-general in 1985 and general and army commander in 1989. In 1998 his name surfaced as a potential successor to Hrawi. In October 1998 the assembly introduced an amendment to the constitutional clause requiring senior public officials to leave office before running for president. Within two days Lahoud was elected president of the National Assembly. Lahoud was sworn in on 24 November 1998 as Lebanon's 11th president. On 4 December 1998 Salim al-Huss began his fifth term as prime minister after Hariri's sudden resignation.

In early 1999 fighting in southern Lebanon escalated as the Hezbollah staged attacks on Israeli forces and the Israeli-backed SLA. Israel retaliated on Hezbollah strongholds, and by February, expanded air strikes beyond the "security zone" to southern and northern Lebanon. The al-Huss government's fiscal austerity aimed at reducing the deficit, which had grown to 15% of gross domestic product, met with resistance from the trade unions. On 24 June 1999 Israel destroyed bridges and power stations with its heaviest air raids in three years. In July 1999 the UN Security Council renewed for six months the mandate for UNIFIL, and restated its support of the territorial integrity and sovereignty of Lebanon.

At the end of 1999 in anticipation of elections in August 2000, the government passed a law creating 14 constituencies of suspiciously varying sizes, based on rewarding or punishing political foes or friends. A bill to curb the media—limiting all elections news, advertisements, and coverage to the state-run Tele-Liban and Radio Liban—and limiting campaign spending was also drafted. On 24 May 2000 Israel made a quick withdrawal from southern Lebanon. With the Israeli withdrawal the SLA disintegrated. The exact border between Lebanon and Israel remained unsettled as they disputed ownership of the Shabaa Farms. The Lebanese government sent police and intelligence officers to the newly liberated area, but refused to deploy troops until there was evidence of stability or a comprehensive peace treaty with Israel.

In March 2001, Lebanon began to divert waters from the Wazzani River to supply villages in southern Lebanon. The Wazzani feeds into the Hatzbani, which in turn flows into the Jordan River watershed and Lake Kinneret (Lake Tiberias or the Sea of Galilee), a major source of Israel's water supply. In September 2002, Israel's prime minister Ariel Sharon identified measures to divert water from Israel as a cause for war.

Syrian troops withdrew from Beirut in June 2001 to redeploy in other parts of Lebanon, in response to greater Lebanese criticism of Syria's presence there. In February 2003, the Syrian army completed its redeployment out of north Lebanon. The majority of the

Syrian army remaining in Lebanon was assembled in a stretch of the Bekaa Valley on the Syrian border. As of early 2003, there were approximately 350,000 Palestinian refugees in Lebanon. Hezbollah and Israeli forces continued to exchange fire over the Shabaa Farms.

Parliamentary elections held 27 August and 3 September 2000 resulted in the appointment on 23 October of Rafiq al-Hariri as prime minister once again. In October 2004, Hariri stood down as prime minister in protest over the continued presence of Syrian troops in Lebanon. On 14 February 2005, Hariri and 19 others were killed in a massive bomb blast in central Beirut. The UN Security Council unanimously authorized an international investigation into the assassination. In the wake of Hariri's murder, numerous public demonstrations took place, both for and against the presence of Syrian troops and security agents in Lebanon. The cabinet of then-prime minister Omar Karami resigned two weeks after the first wave of anti-Syrian rallies. After Karami resigned, a moderate pro-Syrian member of parliament, Najib Mikati, was named prime minister. Syria pulled all of its military forces (15,000 troops) out of Lebanon by the end of April 2005, in what was dubbed the "Cedar Revolution." In June, journalist Samir Qasir, another critic of Syrian influence in Lebanon, was killed in a car bomb attack.

Parliamentary elections were held in May and June 2005 (they had been postponed for one year). An anti-Syrian alliance led by Saad Hariri, son of the late Rafiq Hariri, won control of parliament, and parliament chose an ally of Rafiq Hariri, Fouad Siniora, to become prime minister. The anti-Syrian alliance won 72 of 128 seats in parliament. Also in June, George Hawi, anti-Syrian former leader of the Lebanese Communist Party, was killed when his car blew up. In September 2005, four pro-Syrian generals were charged in connection with Rafiq Hariri's assassination.

### 13 GOVERNMENT

As defined by the constitution of 1926 and subsequent amendments, Lebanon is an independent republic. Executive power is vested in a president (elected by the legislature for six years) and a prime minister and cabinet, chosen by the president but responsible to the legislature. On 3 September 2004, the National Assembly voted 96–29 to extend President Emile Lahoud's six-year term by three years. Under an agreement dating back to the French mandate, the president must be a Maronite Christian, the prime minister a Sunni Muslim, and the president of the National Assembly a Shia Muslim. Decisions by the president must be countersigned by the prime minister and concerned minister(s) after approval by the National Assembly.

Legislative power is exercised by a 128-member National Assembly (formerly the Chamber of Deputies), elected for a four-year term by universal adult suffrage (compulsory for males age 21 or over, permitted for women age 21 or over with elementary education). The electoral reform law of 1960 determined the denominational composition of the legislature as follows: 30 Maronites; 20 Sunni, 19 Shia; 11 Greek Orthodox; 6 Greek Catholics; 6 Druzes; 4 Armenian Orthodox; 1 Armenian Catholic; 1 Protestant; and 1 other. Deputies were elected to the legislature in 1972, but elections scheduled for 1976 were postponed because of the war, and the legislature extended its term every two years until 1992. The Taif Accord of 1989 set the Christian-Muslim balance

in parliament at 50-50, but the failure of Christians to participate in the elections of 1992 and 1996 gave Muslim groups the largest number of seats in the legislature. There has been no official census in the country since 1932, but most observers believe Muslims now form the majority with the Shia as the largest single group. The denominational composition of the legislature following the 1989 Taif Accord is: 34 Maronites, 27 Sunni, 27 Shia, 14 Greek Orthodox, 8 Greek Catholics, 8 Druzes, 5 Armenian Orthodox, 2 Alaouites, 1 Armenian Catholic, 1 Protestant, and 1 Christian Minorities.

## 14 POLITICAL PARTIES

Political life in Lebanon is affected by the diversity of religious sects and the religious basis of social organization. The mainly Christian groups, especially the Maronites, favor an independent course for Lebanon, stressing its ties to Europe and opposing the appeals of Islam and pan-Arabism. The Muslim groups favor closer ties with Arab states and are opposed to confessionalism (political division along religious lines). Principal political groups, with mainly Christian membership, have been the National Liberal Party and the Phalangist Party. There are various parties of the left, including the Progressive Socialist Party (of mostly Druze membership), the Ba'ath Party, and the Lebanese Communist Party. The various Palestinian groups, allied under the umbrella of the Palestine Liberation Organization, have played an important role in the political life of Lebanon from the late 1960s. Amal, a conservative group, and Hezbollah, more militant, represent the Shia community. The former gained 18 seats and the latter 12 seats in the elections of 1992. The Christian community, which was supposed to have half the seats, largely boycotted the elections and, as a result, won only 59 seats.

In 1996, parliamentary elections were again held, and again certain Christian sects called for a boycott. Still, turnout was much higher than in the 1992 elections, reflecting the country's increasing political stability (turnout was about 45%). International observers found the elections substantially fair, but noted some irregularities, including Syrian interference, vote buying and ballot stuffing. The government itself acknowledges these shortcomings and has instituted some reforms.

The 1996 elections took place in five stages between August and September. The balloting gave a strong majority to a coalition of pro-Syrian parties, notably the Hezbollah-Amal coalition. There were 49 newcomers elected—3 of whom were female—and 19 seats were contested on charges of voter fraud. Following the election, Prime Minister al-Hariri stepped down, as is tradition, so that President Hrawi and the new parliament could chose a new prime minister. In late October, the parliament, with presidential backing, nominated al-Hariri for his second term, as was expected. The vote in parliament was 121-0 with four abstentions.

Al-Hariri, a billionaire, was one of the richest men in the world: in 1996 there were 3 billionaires and 35 millionaires in parliament. Asked by Lahoud to be prime minister in 1998, Salim al-Huss became prime minister after al-Hariri abruptly resigned office. Al-Hariri was asked by President Lahoud to become prime minister once again in October 2000; he received 107 parliamentary votes backing him.

In the aftermath of al-Hariri's assassination on 14 February 2005, Hariri's son, Saad Hariri, led an anti-Syrian alliance spear-

headed by his Future Movement Bloc to victory in parliamentary elections held between 29 May and 19 June of that year. Saad Hariri's bloc took 72 of the 128 seats in the National Assembly. Syrian military forces pulled out of Lebanon in April 2005, following massive street demonstrations. The 2005 election results, broken down by seats, were as follows: Future Movement Bloc 36; Democratic Gathering 15; Development and Resistance Bloc 15; Loyalty to the Resistance 14; Free Patriotic Movement 14; Lebanese Forces 6; Qornet Shewan 5; Popular Bloc 4; Tripoli Independent Bloc 3; Syrian National Socialist Party 2; Kataeb Reform Movement 2; Tachnaq Party 2; Democratic Renewal Movement 1; Democratic Left 1; Nasserite Popular Movement 1; Ba'ath Party 1; Kataeb Party 1; and independents 5.

Palestinian refugees have no right to vote, despite numbering approximately 350,000.

## 15 LOCAL GOVERNMENT

Lebanon is divided into the six provinces (*muhafazat*) of Beirut, North Lebanon, South Lebanon, Bekaa, Mount Lebanon, and Nabatiye, each with its district administration. The *muhafazat* are subdivided into districts (*aqdiya*), municipalities, and villages. Provincial governors and district chiefs are appointed by presidential decree. In most villages, councils of village elders or heads of families or clans still play a considerable role.

Municipal elections had not been held since 1963, despite widespread civil desire for such elections. In 1995, parliament passed a law extending the term of municipal officers until 31 December 1996, after which elections were slated to be held. Municipal elections were held in May and June 1998, and in May 2004. The number of municipal councilors and *mukhtar* or mayors elected in 2004 was 15,300. The voter turnout tended to be low, reaching only 20% of the voters in Beirut and the turnout was not much higher in Tarābulus (Tripoli). Only in Mount Lebanon and in the south, where Hezbollah won 87 out of 142 contested municipalities, was the turnout high. In 2001, municipal elections took place in the newly liberated areas of South Lebanon after the Israeli withdrawal of May 2000.

## 16 JUDICIAL SYSTEM

Ultimate supervisory power rests with the minister of justice, who appoints the magistrates. Courts of first instance are presided over by a single judge and deal with both civil and criminal cases. Appeals may be taken to the courts of appeal, each made up of three judges. Of the four courts of cassation, three hear civil cases and one hears criminal cases. A six-person Council of State handles administrative cases. A Constitutional Council, called for in the Taif Accord, rules on the constitutionality of laws upon the request of 10 members of parliament. Religious courts—Islamic, Christian, and Jewish—deal with marriages, deaths, inheritances, and other matters of personal status in their respective faiths. There is also a separate military court system dealing with cases involving military personnel and military related issues.

The law provides for the right to a fair public trial and an independent and impartial judiciary. In practice, politically influential elements succeed in intervening to obtain desired results.

Matters of state security are dealt with by a five-member Judicial Council. The Judicial Council is a permanent tribunal, and

the cabinet, on the recommendation of the Ministry of Justice, decides whether to bring a case before the Judicial Council.

In the refugee camps, the Palestinian elements implement an autonomous system of justice in which rival factions try opponents without any semblance of due process. Hezbollah applies Islamic law in the area under its control.

## 17 ARMED FORCES

The conflict of 1975–90 split the regular Lebanese army along Christian-Muslim lines. The force was later reformed, first by the United States, then by Syria. In 2005, the armed forces totaled 72,100 active personnel, of which the Army had 70,000 active members. Equipment included 310 main battle tanks, 60 reconnaissance vehicles, 1,257 armored personnel carriers, and 541 artillery pieces. Active Navy personnel that year totaled 1,100. Major naval units included 32 patrol/coastal vessels and 2 amphibious landing craft. Lebanon's Air Force had 1,000 personnel. Equipment included six fighter ground attack aircraft and two attack helicopters. Paramilitary forces consist of an Internal Security Force with an estimated 13,000 active personnel under the Ministry of Interior.

Much of the opposition militia has disbanded, and the Muslim Hezbollah (3,000 active) is the only significant communal army remaining. The defense budget was \$530 million in 2005. Also stationed in Lebanon were a number of UN peacekeeping troops. Some 16,000 Syrian troops, in the country as part of the UN peacekeeping force, were removed in April 2005.

## 18 INTERNATIONAL COOPERATION

Lebanon is a charter member of the United Nations, having joined 24 October 1945, and belongs to ESCWA and several nonregional specialized agencies, such as the FAO, IAEA, the World Bank, the ICAO, ILO, UNESCO, UNHCR, and WHO. Lebanon was one of the founding members of the Arab League. It also serves as a member of the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Arab Monetary Fund, G-24, G-77, and the Organization of the Islamic Conference (OIC). The country has observer status in the OAS and the WTO.

Lebanon is part of the Nonaligned Movement. It is the home site of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA, est. 1949). Lebanon and Israel have a longstanding unresolved dispute concerning boundaries in the Golan Heights region. In 2000, the United Nations mapped out a Lebanese-Israeli line of separation known as the Blue Line, pending negotiations to determine a final international border. Israeli forces withdrew from their occupation across the Blue Line; however, the UN monitors have reported violations of the agreement from both countries. The United Nations Interim Force in Lebanon (UNFIL), which was originally established in 1978, continues to monitor the area and to assist in reestablishing Lebanese authority in the region.

In environmental cooperation, Lebanon is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Lebanon is traditionally a trading country, with a relatively large agricultural sector and small but well-developed industry. Until the civil war, it had always figured prominently as a center of tourist trade. The 1975–76 war caused an estimated \$5 billion in property damage and reduced economic activities to about 50% of the prewar level. The cost of reconstruction after the Israeli-Palestinian-Syrian war of 1982 was estimated at \$12–15 billion. Lebanon has been able to survive economically because of remittances from abroad by Lebanese workers and companies, external aid by the United States, France, Germany, and Arab countries, and foreign subsidies to various political groups. A residual effect of the 1982 war was political uncertainty, which poisoned the economic climate in the following years. In 1984 and after, there was a pronounced deterioration in the economy. In 1987 inflation peaked at 487%. After the 1989 Taif Accord for National Reconciliation ended hostilities, the economy began to recover. Economic activity surged in 1991, and in 1993 the Hariri government was able to stabilize the economy, and launch a program to reconstruct the economy's infrastructure. Real GDP grew 4.2% in 1992, after growing by about 40% in 1991.

After 1988, the economy posted growth rates averaging 7.5%, although a rising budget deficit threatens to hamper economic reforms. Israel's Operation Grapes of Wrath in April 1996 cut economic development short, but in the same year, the stock market had reopened, and investment had made significant returns. In 1997, unemployment remained high at about 18% although inflation had been reduced to around 5% by 1998. Gross domestic product grew by 3% in 1998. Growth in 1999 was 1% and flat in 2000. Inflation was 1% in 1999 and zero in 2000, and did not exceed 3% in 2001. High unemployment remained a persistent problem, at 20–25% in 1999 and 2000, and 15–20% in 2001. Among Lebanese youth unemployment is estimated to be 30%.

In 2002, the government met with international donors to seek bilateral assistance in restructuring its massive domestic debt at lower rates of interest. Receipts from donor nations helped to stabilize government finances in 2003, but did little to reduce the debt, which stood at approximately 200% of GDP in 2005. In 2004, the Hariri government issued eurobonds to try to manage maturing debt. Hariri stepped down as prime minister later in 2004, and was assassinated in February 2005, which led to a downturn in the economy. Prime Minister Fuad Siniora pledged to push forward with economic reforms, including privatization and more efficient government. In 2005, the GDP growth rate was estimated at a mere 0.5%, and the inflation rate was estimated at 2.4%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reported that in 2005 Lebanon's gross domestic product (GDP) was estimated at \$19.5 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$5,100. The annual growth rate of GDP was estimated at 0.5%. The average inflation

rate in 2005 was 2.4%. It was estimated that agriculture accounted for 12% of GDP, industry 21%, and services 67%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$2.7 billion or about \$600 per capita and accounted for approximately 13.6% of GDP. Foreign aid receipts amounted to \$228 million or about \$51 per capita and accounted for approximately 1.3% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Lebanon totaled \$18.27 billion or about \$4,062 per capita based on a GDP of \$19.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990–2003 household consumption grew at an average annual rate of 2.3%. In 2001 it was estimated that approximately 31% of household consumption was spent on food, 10% on fuel, 7% on health care, and 9% on education. It was estimated that in 1999 about 28% of the population had incomes below the poverty line.

## 21 LABOR

The labor force in 2001 was approximately 2.6 million workers, with as many as one million additional foreign laborers in Lebanon. The estimated unemployment rate in 1997 (the latest year for which data was available) was 18%. There is no data on the workforce by occupation.

There are some 160 labor unions and organizations enrolling about 42% of the workforce as of 2001. The General Confederation of Workers is composed of 22 unions with about 200,000 members. Organized labor has grown slowly, partly because of the small number of industrial workers, but also because of the availability of a large pool of unemployed. Agricultural and most trade workers are not organized. Palestinians in Lebanon are free to organize their own unions. While Lebanese workers have the right to strike, there are limitations on public demonstrations which somewhat undermine this right. Lebanese workers have the right to organize and bargain collectively and this is the standard practice in employment situations.

Workers as young as eight may legally work with restrictions as to working hours and conditions. However, in reality, age limitations are not effectively enforced. In 2002, a monthly minimum wage of \$200 was in effect. The standard workweek is set at 48 hours, with a 24-hour rest period. In practice, most laborers average around 35 hours of work per week.

## 22 AGRICULTURE

In 2003, an estimated 4% of the working population was engaged in agricultural activity, and agriculture accounted for about 12% of GDP. Less than 30% of Lebanon's land is arable, and expansion of cultivated areas is limited by the arid and rugged nature of the land. About 33% of the arable land was irrigated in 2003.

Agricultural production was severely disrupted by the 1975–76 war, and production of citrus fruits, the main crop, was reduced to low levels in the fertile Bekaa Valley by Israeli-Syrian fighting during 1982. Principal crops and estimated 2004 production (in thousand tons) were potatoes, 350; oranges, 190; olives, 180; apples, 140; wheat, 120; lemons and limes, 83; bananas, 66; grapefruit, 14; and peanuts, 7. In 2004, Lebanon exported \$252.3 million in agri-

cultural products (14% of total exports) and imported \$1.3 billion (14% of all imports). Two profitable, albeit illegal, crops produced are opium poppy (for heroin) and cannabis (for hashish). A joint Lebanese-Syrian eradication effort has practically wiped out the opium crop and significantly reduced the cannabis crop.

## 23 ANIMAL HUSBANDRY

Much of Lebanon's livestock was lost during the protracted hostilities since the 1975–76 war and the Israeli invasion in 1982. In 2005 there were an estimated 430,000 goats, 346,000 sheep, 90,000 head of cattle, and 35,000,000 poultry. As Lebanon's own meat and milk production is below consumption needs, animal and milk products are imported.

## 24 FISHING

The fishing industry has not progressed significantly, despite a government-sponsored effort to reduce fish imports and provide employment in the canned-fish industry. The catch in 2003 was 4,688 tons.

## 25 FORESTRY

Forests comprised about 36,000 hectares (89,000 acres), or nearly 3.5% of the total area, in 2000. Most of the forests are in the central part of the country, with pine and oak predominant. Few of the ancient cedars have survived; small cedar forests have been planted at high altitudes. Roundwood production in 2004 was 88,700 cu m (3,131,000 cu ft).

## 26 MINING

Lebanon's mineral industry continued its historically small contribution to the economy. Mining activity was limited to the production of salt and the quarrying of raw materials for the construction industry, particularly limestone and silica for cement manufacture. In 2004, hydraulic cement production was estimated at 2.9 million metric tons, unchanged from an estimated 2.9 million metric tons in 2003. Gypsum production in 2004 was estimated at 1,700 metric tons, while lime production in that same year was estimated at 14,000 metric tons; and salt output estimated at 3,500 metric tons. In 2004, Lebanon also produced phosphatic fertilizers, phosphoric acid, and sulfuric acid. Modest deposits of asphalt, coal, and iron ore existed, and the country had no petroleum or gas reserves. The success of Lebanon's minerals industry depended on the long-term restoration of peace and stability in the country.

## 27 ENERGY AND POWER

Lebanon, as of 1 January 2005, has no known proven reserves of oil or natural gas. As a result, the country must import all the oil and natural gas it consumes. Although Lebanon had two coastal refineries, Tarābulus (Tripoli) in the north and Zahrani in the south, neither is operational, with the refinery in Tarābulus (Tripoli) closed since 1982.

In 2004, imports and demand for oil each averaged an estimated 108 barrels per day. There were no recorded imports or consumption of natural gas in 2003.

Lebanon's electric power generating sector is controlled by a state-owned public utility, Electricite du Liban (EdL). EdL is in charge of power generation, distribution and transmission. In 2003, total installed electrical capacity was estimated at 2 GW,

with production in that year estimated at 10.7 billion kWh. Demand is estimated to have equaled output in 2003, but Lebanon's seven power plants are known to be operating below capacity and the country must import power. In 2002, Lebanon imported 1.09 billion kWh. Of the electric power produced, 97.2% came from conventional thermal sources, while hydropower accounted for 2.8%.

## 28 INDUSTRY

The 16-year civil war that ended in 1991 caused tremendous damage to the industrial sector. By 1993, it was estimated that the Lebanese industry suffered losses of \$1.5 billion. Inadequate infrastructure and shortage of skilled labor are major obstacles in the process of rehabilitation. By 1995, the industrial sector was showing signs of improvement. Industrial exports in the first quarter of 1995 were up 76% (to \$79.5 million) compared with the same period in 1994. Major industrial products are clothing, metal, food, marble, sanitary equipment, cement, jewelry, furniture, paper, beverages, and plastic. In 2002, manufacturing contributed 17% to GDP and accounted for 40% of total exports. Industrial activity is concentrated in construction material; food and beverages; textiles and ready-made garments; and furniture. The industrial sector remains weak due to obsolete equipment, high operating costs, low productivity, and limited access to financing.

Lebanon's two main oil refineries at Zahrani and Tarābulus (Tripoli) suspended operations for most of the 1990s after 1992 and were inoperative as of 2006.

## 29 SCIENCE AND TECHNOLOGY

Lebanon's advanced technology is limited to oil refining, the facilities for which were installed by international oil companies. The National Council for Scientific Research, established in Beirut in 1962, draws up national science policies and fosters research in fundamental and applied research. The council operates a marine research center at Al-Batrun. Seven colleges and universities in Beirut offer degrees in basic and applied sciences.

In 1987–97, science and engineering students accounted for 30% of college and university enrollments. In 2002, high technology exports totaled \$16 million, or 3% of all manufactured exports.

## 30 DOMESTIC TRADE

Trade is by far the most important sector of the Lebanese economy. Before the 1975–91 civil war, Beirut was an important commercial center of the Middle East. During the first year of civil violence alone, 3,600 commercial establishments were destroyed, burned, or looted. Reconstruction and returning confidence have improved commercial activities since 1995.

The main trading activity is related to the importation of goods and their distribution in the local market. Distribution is generally handled by traders who acquire sole right of import and sale of specific trademarks, and although competition is keen, the markup tends to be high. Distribution of local products is more widely spread among traders. Franchising has become popular, with major firms representing the restaurant, hotel, and clothing industries.

Prices are generally controlled by the Consumer Protection Department of the Ministry of Economy and Trade. Retail credit is

### Principal Trading Partners – Lebanon (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,523.9	7,167.5	-5,643.6
Switzerland-Liechtenstein	379.1	216.1	163.0
Iraq	121.8	...	121.8
United Arab Emirates	104.4	96.1	8.3
Saudi Arabia	104.3	219.6	-115.3
Syria	99.5	259.3	-159.8
United States	66.2	432.3	-366.1
Turkey	63.3	234.1	-170.8
Kuwait	50.8	...	50.8
Jordan	48.4	...	48.4
Italy-San Marino-Holy See	28.5	674.4	-645.9

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

common, and advertising has developed rapidly in motion picture theaters, television, radio, and the press.

Government offices are generally open from 8 AM to 2 PM Monday through Thursday, from 8 to 11 AM on Friday, and from 8 AM to 1 PM on Saturday. Most banks are open with similar hours, occasionally with a half-day on Saturday as well. Private businesses and shops have varying hours, sometimes exceeding a 40-hour workweek.

## 31 FOREIGN TRADE

Foreign trade has been important in the economic life of Lebanon as a source of both income and employment. Some 40% of total exports are actually reexports, principally machinery, metal products, foods, wood products, textiles, and chemicals.

The most expensive products that Lebanon exports are gold, silverware, jewelry, and precious stones. Other exports include fruits, nuts and vegetables, scrap metal, and printed matter. Major imports include food, machinery and transport equipment, consumer goods, and chemicals.

Lebanon's major exporting partners in 2004 were: Syria, the UAE, Turkey, Switzerland, and Saudi Arabia. Lebanon's primary suppliers were: Italy, France, Syria, Germany, China, the United States, and the United Kingdom.

## 32 BALANCE OF PAYMENTS

Lebanon traditionally maintained a favorable balance of payments, with rising trade deficits more than offset by net earnings from services, transfers of foreign capital, and remittances from Lebanese workers abroad. Although the trade deficit increased substantially between 1977 and 1984, a balance of payments deficit was recorded only for the last two years of the period. By 1985, a surplus of \$249 million was again achieved, with a modest trade recovery following in 1986–87. Hostilities in the industrial and prosperous areas of Lebanon in 1989–90 triggered a substantial outflow of capital and a deficit in the balance of payments. Order was restored in 1991 and a resumption of capital inflows averted larger deficits in the following years. In 1995, net capital inflows offset a large trade deficit to produce a \$256 million surplus in the balance of payments. A large portion of the trade imbalance

consists of imports of machinery that should ultimately increase productivity. In 2000, the balance of payments registered a deficit of \$289 million, which compared to a \$267.7 million surplus in 1999.

In 2003, exports of goods and services totaled \$2.9 billion, and imports totaled \$7.6 billion. The trade deficit widened in 2005 that year, Lebanon's exports totaled \$1.782 billion, and imports were valued at \$8.855 billion. The current-account balance in 2005 was estimated at -\$4.09 billion.

### 33 BANKING AND SECURITIES

The Bank of Lebanon, established on 1 April 1964, is now the sole bank of issue. Its powers to regulate and control commercial banks and other institutions and to implement monetary policy were expanded by amendments to the Code of Money and Credit promulgated in October 1973. To encourage the movement and deposit of foreign capital in Lebanon, a bank secrecy law of 1956 forbids banks to disclose details of a client's business even to judicial authorities. There are no restrictions on currency conversions and transfers, and no foreign exchange controls effect trading.

In the late 1990s, the banking sector was undergoing a period of expansion and consolidation with a number of banks listed on the Beirut Stock Exchange. In 1998, over 70 banks were operating in Lebanon with total assets of around \$31 billion. The International Monetary Fund reported that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.6 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$35.1 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 20%.

The Beirut Stock Exchange was officially opened in 1952 as a center in which the few available company shares could be traded. The exchange closed during the civil war but reopened in 1979. However, there was little trading in stock during 1980–81. In

1982, Beirut was chosen as the headquarters of the Arab Stock Exchange Union, reflecting Lebanon's continuing importance as financial center of the Middle East.

In September 1995, the Beirut Stock Exchange reopened after a 12-year closure. Trading began in January 1996, but with just three companies listed, all of them producers of cement or construction material. A fourth company joined in mid-1996. A secondary market was opened to trade shares in the private property company, Solidere. Solidere is developing the destroyed business heart of Beirut. With the secondary market considerably more successful than the stock exchange, plans to list Solidere on the latter have, for the moment, been shelved. In 1997, however, Solidere moved its shares from the secondary market to the Beirut Stock Exchange. An important reason for the move was a plan to cross-list Solidere shares on the Kuwait Stock Exchange. Kuwait said it would do so only if shares were traded on the official bourse rather than on the secondary market. The Lebanese Stock Exchange authority signed an agreement to cross-list shares not only with Kuwait but also with Egypt from early in 1997. Solidere has a 115 million–125 million GDR (global depository receipt) to be listed on the London Stock Exchange.

In 2001, the stock market remained sluggish, with only 12 companies, including Solidere, listed. Market capitalization was at around \$1.2 billion. As of 2004, the Beirut Stock Exchange listed only 13 companies, and had a total market capitalization that year of \$2.322 billion. In 2004, the BLOM index rose 39.3% from the previous year to 636.8.

### 34 INSURANCE

Activities of insurance companies are regulated by the National Insurance Council. All insurance companies must deposit a specific amount of money or real investments in an approved bank and must retain in Lebanon reserves commensurate with their volume of business. There are at least 85 insurance companies operating in Lebanon, most of them national insurance companies. In 2003, the value of all direct insurance premiums written totaled \$520 million, of which nonlife premiums accounted for \$381 billion. In 2002, Lebanon's top nonlife insurer was Medgulf, with gross written nonlife premiums (including healthcare) of \$46.7 million. In 2004, the country's leading life insurer was Alico, which had gross written life premiums of \$69.8 million.

### 35 PUBLIC FINANCE

The annual budget of the central government must be approved by the National Assembly. The Lebanese government annually faces the formidable problem of financing a massive deficit resulting from heavy financial obligations and huge shortfalls in revenues. To reduce the deficit, the government has tried to increase revenues by raising taxes and tightening the budget. The government relies heavily on grants and loans from multilateral agencies, Arab governments, and the French to cover the deficit. As a result, the country's total debt reached \$28 billion in 2001, about 150% of total GDP.

The US Central Intelligence Agency (CIA) estimated that in 2005 Lebanon's central government took in revenues of approximately \$4.9 billion and had expenditures of \$6.5 billion. Revenues minus expenditures totaled approximately -\$1.6 billion. Public

#### Public Finance – Lebanon (2002)

(In billions of pounds, budgetary central government figures)

<b>Revenue and Grants</b>	<b>5,385</b>	<b>100.0%</b>
Tax revenue	4,166	77.4%
Social contributions	75	1.4%
Grants	...	...
Other revenue	1,144	21.2%
<b>Expenditures</b>	<b>9,056</b>	<b>100.0%</b>
General public services	5,576	61.6%
Defense	932	10.3%
Public order and safety	395	4.4%
Economic affairs	808	8.9%
Environmental protection	9	0.1%
Housing and community amenities	73	0.8%
Health	298	3.3%
Recreational, culture, and religion	59	0.7%
Education	728	8.0%
Social protection	178	2.0%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

debt in 2005 amounted to 200.7% of GDP. Total external debt was \$25.92 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, budgetary central government revenues were LL5,385 billion and expenditures were LL9,056 billion. The value of revenues was us\$4 million and expenditures us\$6 million, based on a market exchange rate for 2002 of us\$1 = LL1,507.5 as reported by the IMF. Government outlays by function were as follows: general public services, 61.6%; defense, 10.3%; public order and safety, 4.4%; economic affairs, 8.9%; environmental protection, 0.1%; housing and community amenities, 0.8%; health, 3.3%; recreation, culture, and religion, 0.7%; education, 8.0%; and social protection, 2.0%.

### 36 TAXATION

A graduated tax is imposed on individual salaries, real profits, and real estate income. Corporations and joint stock companies generally are taxed on net real profits derived in Lebanon at a flat rate of 15%. Dividends, interest and royalties are generally subject to a 10% withholding tax. Bank interest is subject to a 5% rate. Also levied are inheritance and gift taxes, social security payroll taxes, flat and graduated property taxes, and a stamp duty.

### 37 CUSTOMS AND DUTIES

Customs duties, based on the Harmonized System of tariffs, depend on the type of product and range from 0–70%, averaging 15%. Lebanon acceded to Arab League's Arab Free Trade Area agreement in 1997 and also has bilateral free trade agreements with Egypt, Kuwait, Syria, and the United Arab Emirates. It also adheres to the Arab League boycott of Israel. Lebanon has applied for World Trade Organization membership and is in negotiations for accession.

### 38 FOREIGN INVESTMENT

Lebanon's liberal investment policies are designed to attract foreign direct investment to foster economic recovery and rebuild its war damaged infrastructure. Some analysts estimated that the rebuilding costs would exceed \$18 billion with construction accounting for a large part of foreign investment. By 2006, French, Italian, German, British, Korean, and Finnish companies were the predominant investors in Lebanon. Their presence is most strongly felt in the fields of electricity, water, and telecommunications. US-based investment was only \$7 million in 1996, though this had climbed to \$65 million by 1999. The movement of funds in and out of Lebanon is free from taxes, fees, or restrictions. The top corporate tax rate is 15%. Lebanon also has bilateral trade investment agreements with China and a number of European and Arab countries.

To conserve cash, the government uses "build, operate, transfer" (BOT) agreements to finance major projects. In 1997 total foreign direct investment (FDI) totaled \$150 million. By 2000 this had nearly doubled to \$297.8 million. In 2001, the annual FDI inflow fell to \$249.3 million. In 2003, net FDI inflow amounted to \$246.5 million. Construction and real estate account for the largest share of FDI. Other forms of capital inflow—remittances, repatriated capital and placements in treasury bills—far outweigh inward FDI.

### 39 ECONOMIC DEVELOPMENT

Since World War II, Lebanon has followed free-enterprise and free-trade policies. The country's favorable geographical position as a transit point and the traditional importance of the trading and banking sectors of the economy helped make Lebanon prosperous by the early 1970s. Lebanon became a center of trade, finance, and tourism by means of a stable currency backed largely with gold, by a conservative fiscal policy, by various incentives for foreign investors, and by minimization of banking regulations.

Lebanon's development went awry in the mid-1970s, as factional conflict, always present in Lebanese society, erupted into open warfare. The loss to the economy was enormous, particularly in Beirut. In November 1979, Saudi Arabia and six other oil-producing Arab countries promised to contribute \$2 billion for Lebanon's reconstruction effort over a five-year period, but only \$381 million had been provided by October 1987. (After Israel invaded Lebanon in June 1982, the Arab countries decided to withhold future funds until Israeli forces had withdrawn completely.)

Under the leadership of Prime Minister Rafiq al-Hariri, Lebanon embarked on the Horizon 2000 program in 1993. Areas of major activity targeted by the plan were the rehabilitation of telecommunications, electricity grids, highways, sewage, waste management, water networks, the renovation of the Beirut International Airport, harbor, the education system, and housing. The plan also called for investment in commercial facilities to reestablish Beirut as an international business center in competition with Hong Kong and Singapore. The government established a private company, Solidere, to carry out the reconstruction and development of downtown Beirut. Under the Horizon 2000 guidelines, no single investor would be permitted to hold more than a 10% share in the company. The parliament also established a public company, Elyssar, for developing southwest Beirut. Under the government's five-year program (2001–05) the "three pillars" of reform were affirmed by the Hariri government to be 1) economic revival and sustained growth with the private sector as the engine of growth; 2) fiscal consolidation and administrative reform; and 3) monetary, financial, and price stability.

By 2006, the Lebanese government was continuing its plans for economic reforms. These included an improvement in the management of the national debt (in 2005, it stood at over 200% of GDP); an expansion of state revenues by widening the tax base, improving the collection of revenues, and rationalizing expenditure; and strengthening financial management. As of December 2005, the government was formulating a new five-year plan with the aim of helping the government reduce its \$37 billion public debt. The World Bank, the United States, and European nations declared they would only aid Lebanon if the government submitted to an "implementable program."

### 40 SOCIAL DEVELOPMENT

A government social security plan is intended to provide sickness and maternity insurance, accident and disability insurance, family allowances, and end-of-service indemnity payments. The employer contributes 8.5% of payroll, while the employee and government make no contribution. The system provides lump sum payments only for retirement, disability, and survivor benefits. Foreigners employed in Lebanon are entitled to benefits if similar



rights are available for Lebanese in their home countries. Family allowances are provided for workers' families with children and nonworking wives. Voluntary social work societies also conduct relief and welfare activities.

Careers in government, the professions, and, less commonly, business are open to women. However, in some segments of society, social pressure prevents them from taking full advantage of employment opportunities. Lebanese citizenship is passed on only by fathers to their children. The children of Lebanese women married to foreigners are unable to secure citizenship. Many of the religious laws governing family and personal status discriminate against women. Despite these circumstances, there are a growing number of women in business and in government. Domestic abuse and violence affects a significant percentage of women. The absence of economic independence and the fear of losing custody of children prevent women from leaving abusive spouses. Foreign domestic servants are frequently abused.

Human rights abuses include arbitrary arrest and detention and the use of excessive force and torture. Prison conditions are substandard and include severe overcrowding. Human rights organizations are allowed to operate freely.

#### 41 HEALTH

As of 2004, there were an estimated 325 physicians, 118 nurses, 121 dentists, and 95 pharmacists per 100,000 people. The Lebanese Ministry of Health's review of hospital use identified major health problems to be hypertension, diabetes, and asthma, in addition to eye and ear diseases, cardiac conditions, and dermatological problems. In 2000, 100% of the population had access to safe drinking water and 99% had adequate sanitation.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 8.2 and 14.7 per 1,000 people. About 61% of married women (ages 15–49) used contraception. Life expectancy in 2005 was 72.63 years and the infant mortality rate was 24.54 per 1,000 live births. The fertility rate was 2.3 births per childbearing woman. The maternal mortality rate was 100 per 100,000 live births. Immunization rates for children up to one year old included diphtheria, pertussis, and tetanus, 94%, and measles, 88%. Vitamin deficiencies are a problem; an estimated 25% of all school-age children have goiter.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 2,800 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

#### 42 HOUSING

Despite substantial construction activity since World War II and a boom in construction during the 1960s, which increased the number of housing units to 484,000 in 1970, there was a housing shortage, especially of low-cost residential units, in the early 1970s. The situation was aggravated by the civil war (ending in 1990) and subsequent factional strife in which half of the country's real estate was severely damaged or destroyed. About 750,000 people were displaced. Under the CDR 1983–91 plan, nearly 30% of total expenditures were allocated to build new dwellings and to restore war-damaged houses. According to the last available information for 1980–88, total housing units numbered 820,000 with

3.3 people per dwelling. Housing needs until the year 2000 have been estimated at 400,000 units.

#### 43 EDUCATION

Free primary education was introduced in 1960, but about two-thirds of all students attend private schools. Primary school covers six years of study, followed by three years of complementary (intermediate) courses. Based on their performance at the basic levels of education, students are assigned to general secondary school (studying economics, life sciences, humanities, and science) or a technical secondary school (with about 55 different field options). The academic year runs from October to June.

In 2001, about 74% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 91% of age-eligible students. In 2001, secondary school enrollment was about 77% of age-eligible students. It is estimated that about 68% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 17:1 in 2003.

Leading universities include the American University in Beirut; St. Joseph University; the Lebanese (State) University; the University of the Holy Spirit; and the Arab University of Beirut. In 2003, about 44% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2003 was estimated at about 87.4%, with 93.1% for men and 82.2% for women.

As of 2003, public expenditure on education was estimated at 2.7% of GDP, or 12.3% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

Lebanon has about a dozen sizable libraries with specialized collections of books, manuscripts, and documents. Most libraries are in Beirut, but there are also collections at Şaydā (Sidon) and Harissa. The National Library of Lebanon, founded in 1921, had more than 100,000 volumes when it was destroyed at the beginning of the war in 1975. By 2002, it had restored that collection to 150,000 volumes. The Arab University Library has 200,000 volumes, but the largest library is that of the American University in Beirut, with 546,000 volumes. St. Joseph University has several specialized libraries, including the Bibliothèque Orientale, with 400,000 volumes. The library of the St. John Monastery in Khonchara, founded in 1696, contains the first known printing press in the Middle East. The Université Saint-Esprit de Koslik in Jounieh has the largest provincial collection with 200,000 volumes. The Municipal Public Library of Beirut has two branches; the Bachoura branch, opened in 2004, maintains a collection that includes 20,000 books in Arabic, French, English, Armenian, Spanish, and German, plus audio books, CD-ROMs, videos, and DVDs. There are at least 25 other public and municipal libraries throughout the country that are organized through the Assabil library network, a nongovernmental organization established in 1997; these branches include National Library of Baakline, Cultural Center for Francophone Activities, Public Library of the Cultural League in Tarābulus (Tripoli), and the Library for the Blind (in Beirut).

The National Museum of Lebanon (1920) in Beirut has a collection of historical documents and many notable antiquities, including the sarcophagus of King Ahiiram (13th century BC), with the first known alphabetical inscriptions. The American Univer-

sity Museum also has an extensive collection of ancient artifacts. Beirut also houses the Museum of Fine Arts and the Museum of Lebanese Prehistory of St. Joseph University. The Gibran Museum in Bsharri, celebrating the life and work of the prophet Kahil Gibran, is a popular site. The Planet Discovery Children's Science Museum is located in Beirut.

#### 45 MEDIA

Before the civil war, Beirut was an international communications center with an earth satellite station and two oceanic cables linking it to Marseille, France, and Alexandria, Egypt. As of 1999, the rebuilding of Lebanon's telecommunications system was well underway. In 2003, there were an estimated 199 mainline telephones for every 1,000 people. The same year, there were approximately 227 mobile phones in use for every 1,000 people.

Government-controlled Radio Lebanon broadcasts in Arabic, and Tele-Liban broadcasts on three channels in Arabic, French, and English. All other radio and television stations are privately owned. In 2001 there were 36 radio stations and 7 television stations. In 2003, there were an estimated 182 radios and 357 television sets for every 1,000 people. About 29.9 of every 1,000 people were cable subscribers. Also in 2003, there were 80.5 personal computers for every 1,000 people and 117 of every 1,000 people had access to the Internet. There were 29 secure Internet servers in the country in 2004.

Historically, Lebanon has had the freest press in the Arab world. Even during the civil war some 25 newspapers and magazines were published without restriction. Newspapers freely criticize the government but refrain from criticizing political groups that have the power to retaliate forcibly. As of 2002, the largest Arabic dailies and their circulations included *An-Nahar* (*The Day*, 77,600), *Al-Anwar* (*Lights*, 58,675), *As-Safir* (*The Ambassador*, 50,000), *Al-Amal* (*Hope*, 35,000), *Al Hayat* (*Life*, 31,030), *Al-Sharq* (36,000), and *Al-Liwa* (*The Standard*, 15,000). Also influential are the French-language papers *L'Orient-Le Jour* (23,000), *Le Soir* (16,500), and *Le Réveil* (10,000).

Though the constitution provides for freedom of the press, the government uses several means short of censorship to control freedom of expression. The Surete Generale is authorized to approve all foreign materials, including magazines, plays, books, and films. The law prohibits attacks on the dignity of the head of state or foreign leaders, prosecuting through a special Publications Court.

#### 46 ORGANIZATIONS

There are chambers of commerce and industry in Beirut, Tarābulus (Tripoli), Şaydā (Sidon), and Zahlah. The Chamber of Commerce, Industry, and Agriculture of Beirut and Mount Lebanon promotes tourism as well as international trade. The International Labour Organization Regional Office for the Arab States is in Beirut. Lebanon has a French Chamber of Commerce, and an Association of Lebanese Industries.

The Amel Association is a major social welfare organization providing emergency relief and social, medical, and educational services. The National Council for Scientific Research offers major support for promoting scientific study and research. A smaller organization, the Nadim Andraos Foundation, also provides financial support for medical and scientific studies.

National youth organizations include the Lebanese Scout Federation, Lebanese Youth and Student Movement for the United Nations, the Progressive Youth Organization, the Democratic Youth Union, and YMCA/YWCA. There are several sports associations representing a variety of pastimes, such as squash, aikido, badminton, yachting, tennis, and track and field. There are active branches of the Paralympic Committee and the Special Olympics.

There are Rotary and Lion's Clubs in Beirut. There are national chapters of the Red Cross Society, Defence for Children, and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

Before 1975, Lebanon's antiquities—notably at Şaydā (Sidon), Tyre, Byblos, and Baalbek—combined with a pleasant climate and scenery to attract many tourists (more than two million in 1974), especially from other Arab countries. During the civil war that began that year, however, fighting and bombing destroyed or heavily damaged major hotels in Beirut and reduced the number of tourists to practically zero. With the rebuilding of the country, the tourism industry has steadily grown. The luxury hotels have attracted tourists along with the famous Pigeon Rocks in Raouche. Many attractions are historical sites in Tyre and Tarābulus (Tripoli). The temple complex in Baalbek, which includes the remains of the temples of Jupiter, Bacchus, and Venus, is one of the largest in the world. Horse racing is also popular in Lebanon, with races held every Sunday.

Visas are required to enter Lebanon, along with passports valid for six months when applying for the visa. In 2003, foreign visitors totaled 1,015,793 in Lebanon, a 6% increase from 2002. Hotels numbered 16,202 with 28,246 beds. Tourism expenditure receipts totaled \$1 billion that same year.

According to the US Department of State, in 2004 the estimated daily cost of travel in Lebanon was \$193.

#### 48 FAMOUS LEBANESE

Khalil Gibran (Jibran, 1883–1931), a native of Lebanon, achieved international renown through his paintings and literary works. He is best known for his long poem *The Prophet*. Charles Habib Malik (1906–87), for many years Lebanon's leading diplomat, was president of the 13th UN General Assembly in 1958/59. Rafik Hariri (1944–2005), twice prime minister of Lebanon, was assassinated in February 2005; massive demonstrations held after his death led to the eventual withdrawal of Syrian troops from Lebanon in April 2005.

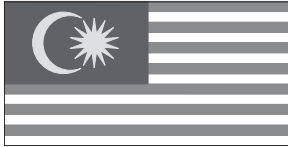
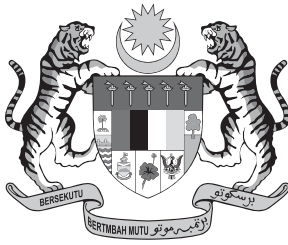
#### 49 DEPENDENCIES

Lebanon has no territories or colonies.

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# MALAYSIA

**CAPITAL:** Kuala Lumpur

**FLAG:** The national flag consists of 14 alternating horizontal stripes, of which 7 are red and 7 white; a gold 14-pointed star and crescent appear on a blue field in the upper left corner.

**ANTHEM:** *Negara Ku (My Country)*.

**MONETARY UNIT:** The Malaysian ringgit (M\$), or dollar, is divided into 100 sen, or cents. There are coins of 1, 5, 10, 20, and 50 sens and 1 ringgit, and notes of 1, 5, 10, 20, 100, 500, and 1,000 ringgits. M\$1 = US\$0.26455 (or US\$1 = M\$3.78) as of 2005.

**WEIGHTS AND MEASURES:** The metric system became the legal standard in 1982, but some British weights and measures and local units also are in use.

**HOLIDAYS:** National Day, 31 August; Christmas, 25 December. Movable holidays include Vesak Day, Birthday of His Majesty the Yang di-Pertuan Agong, Hari Raya Puasa, Hari Raya Haji, the 1st of Muharram (Muslim New Year), Milad an-Nabi, Dewali, Thaipusam, and the Chinese New Year. Individual states celebrate the birthdays of their rulers and other holidays observed by native ethnic groups.

**TIME:** 7 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated in Southeast Asia, Malaysia, with an area of 329,750 sq km (127,317 sq mi), consists of two noncontiguous areas: peninsular Malaysia (formerly West Malaysia), on the Asian mainland, and the states of Sarawak and Sabah, known together as East Malaysia, on the island of Borneo. Comparatively, the area occupied by Malaysia is slightly larger than the state of New Mexico. Peninsular Malaysia, protruding southward from the mainland of Asia, comprises an area of 131,587 sq km (50,806 sq mi), extending 748 km (465 mi) SSE-NNW and 322 km (200 mi) ENE-WSW. It is bordered on the N by Thailand, on the E by the South China Sea, on the S by the Strait of Johore, and on the W by the Strait of Malacca and the Andaman Sea, with a total boundary length of 2,068 km (1,285 mi).

Sarawak, covering an area of 124,449 sq km (48,050 sq mi), on the northwest coast of Borneo, extends 679 km (422 mi) NNE-SSW and 254 km (158 mi) ESE-WNW. It is bounded by Brunei on the N, Sabah on the NE, Indonesia on the E and S, and the South China Sea on the W. Sarawak's total boundary length is 2,621 km (1,629 mi). Situated at the northern end of Borneo, Sabah has an area of 74,398 sq km (28,725 sq mi), with a length of 412 km (256 mi) E-W and a width of 328 km (204 mi) N-S. To the N is the Balabac Strait, to the NE the Sulu Sea, to the SE the Celebes Sea, to the S Indonesia, to the SW Sarawak, and to the W the South China Sea, with a total boundary length of 2,008 km (1,248 mi). The total boundary length of Malaysia is 7,344 km (4,563 mi), of which 4,675 km (2,905 mi) is coastline.

Malaysia claims several atolls of the Spratly Island group in the South China Sea. The claim, in a region where oil is suspected, is disputed by China, the Philippines, Taiwan, and Vietnam. Malaysia's capital city, Kuala Lumpur, is located in the western part of peninsular Malaysia.

## <sup>2</sup>TOPOGRAPHY

Four-fifths of peninsular Malaysia is covered by rain forest and swamp. The northern regions are divided by a series of mountain ranges that rise abruptly from the wide, flat coastal plains. The highest peaks, Gunong Tahan (Mt. Tahan—2,187 m/7,174 ft) and Gunong Korbu (2,183 m/7,162 ft), are in the north central region. The main watershed follows a mountain range about 80 km (50 mi) inland, roughly parallel to the west coast. The rivers flowing to the east, south, and west of this range are swift and have cut some deep gorges, but on reaching the coastal plains they become sluggish. The western coastal plain contains most of the country's population and the main seaports, George Town (on the offshore Pulau Pinang) and Kelang (formerly Port Swettenham). The eastern coastal plain is mostly jungle and lightly settled. It is subject to heavy storms from the South China Sea and lacks natural harbors.

Sarawak consists of an alluvial and swampy coastal plain, an area of rolling country interspersed with mountain ranges, and a mountainous interior. Rain forests cover the greater part of Sarawak. Many of the rivers are navigable. Sabah is split in two by the Crocker Mountains, which extend north and south some 48 km (30 mi) inland from the west coast, rising to over 4,101 m (13,455 ft) at Mt. Kinabalu, the highest point in Malaysia. Most of the interior is covered with tropical forest, while the western coastal area consists of alluvial flats making up the main rubber and rice land.

## <sup>3</sup>CLIMATE

The climate of peninsular Malaysia is equatorial, characterized by fairly high but uniform temperatures (23–31°C/73–88°F) throughout the year, high humidity, and copious rainfall averaging about 250 cm/100 in annually. There are seasonal variations in rainfall,

with the heaviest rains from October to December or January; except for a few mountain areas, the most abundant rainfall is in the eastern coastal region, where it averages over 300 cm (120 in) per year. Elsewhere the annual average is 200–300 cm (80–120 in), the northwestern and southwestern regions having the least rainfall. The nights are usually cool because of the nearby seas. The climate of East Malaysia is relatively cool for an area so near the equator.

#### **4 FLORA AND FAUNA**

About 59% of Malaysia consists of tropical rain forest. In peninsular Malaysia, camphor, ebony, sandalwood, teak, and many varieties of palm trees abound. Rain forest fauna includes seladang (Malayan bison), deer, wild pigs, tree shrews, honey bears, forest cats, civets, monkeys, crocodiles, lizards, and snakes. The seladang weighs about a ton and is the largest wild ox in the world. An immense variety of insects, particularly butterflies, and some over 250 species of birds are found.

On Sabah and Sarawak, lowland forests contain some 400 species of tall dipterocarps (hardwoods) and semihardwoods; fig trees abound, attracting small mammals and birds; and groves are formed by the extensive aerial roots of warangen (a sacred tree to indigenous peoples). As altitude increases, herbaceous plants—buttercups, violets, and valerian—become more numerous, until moss-covered evergreen forests are reached at elevations of 1,520–1,830 m (5,000–6,000 ft). Butterflies, brilliantly colored birds of paradise, and a great wealth of other insect and bird species inhabit the two states.

As of 2002, there were at least 300 species of mammals and over 15,500 species of plants throughout the country.

#### **5 ENVIRONMENT**

The Environmental Quality Act of 1974 and other environmental laws are administered by the Division of Environment of the Ministry of Science, Technology, and Environment. Discharge of untreated sewage has contaminated the nation's water; the most heavily polluted areas are along the west coast. Malaysia's water pollution problem also extends to its rivers, of which 40% are polluted. The nation has about 580 cu km of water with 76% of annual withdrawals used for farming and 13% used for industrial activity. Discharge of oil by vessels in Malaysian waters is prohibited. Malaysia's cities have produced an average of 1.5 million tons of solid waste per year.

Clean-air legislation limiting industrial and automobile emissions was adopted in 1978. However, air pollution from both of these sources is still a problem. In the mid-1990s, Malaysia ranked among 50 nations with the world's highest industrial carbon dioxide emissions, which totaled 70.5 million metric tons per year, a per capita level of 3.74 metric tons per year. In 2000, total carbon dioxide emissions were 144 million metric tons.

Of Malaysia's total land area, 59% is tropical rain forest. Malaysia has the world's fifth-most-extensive mangrove area, which total over a half a million hectares (over 1.2 million acres). The country's forests are threatened by commercial interests. In 2003, about 5.7% of the total land area was protected, including two natural UNESCO World Heritage Sites and five Ramsar wetland sites.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 50 types of mammals, 40 species of birds,

21 types of reptiles, 45 species of amphibians, 34 species of fish, 17 types of mollusks, 2 species of other invertebrates, and 683 species of plants. Threatened species in Malaysia include the orangutan, tiger, Asian elephant, Malayan tapir, Sumatran rhinoceros, Singapore roundleaf horseshoe bat, four species of turtle (green sea, hawksbill, olive ridley, and leatherback), and two species of crocodile (false gavia and Siamese). At least three species have become extinct, including the double-banded argus.

#### **6 POPULATION**

The population of Malaysia in 2005 was estimated by the United Nations (UN) at 26,121,000, which placed it at number 44 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 33% of the population under 15 years of age. There were 103 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.1%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 36,058,000. The population density was 79 per sq km (205 per sq mi).

The UN estimated that 62% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.60%. The capital city, Kuala Lumpur, had a population of 1,352,000 in that year.

#### **7 MIGRATION**

Not until British economic enterprise first attracted foreign labor after 1800 did large-scale Chinese, Indian, and Malaysian migration (nonnative Indonesians and Borneans) take place. The early migrants were transients: in 1921, only 20.3% of the Chinese and 11.9% of the Indians were Malayan-born. However, migration data for subsequent years show a general tendency toward permanent settlement by these nonindigenous portions of the population. The percentages of the total Chinese population reporting Malaysia as their birthplace were 29.1%, 62.5%, and 74.4% for the years 1931, 1947, and 1957, respectively; the percentages of Indians reporting their birthplace as Malaysia were 21.1%, 51.4%, and 64.6% for the same respective years. By 1953, the Malays were a minority in their own territory. The government enacted legislation restricting further immigration, and by 1968 the Malays formed slightly more than 50% of the population. Regulations that took effect in 1968 concerning passports and border crossings between Malaysia and Indonesia and between Malaysia and the Philippines were also intended to restrict immigration. Between 1975 and 1996, Malaysia hosted more than 250,000 Indo-Chinese refugees and permitted the local integration of some 45,000 Filipino refugees in Sabah. Between 1975 and 1989, more than 250,000 Vietnamese refugees found asylum in Malaysia; the vast majority subsequently migrated to other countries.

In 2000 there were 1,392,000 migrants living in Malaysia, including 50,500 refugees. In 2004 persons of concern to the United Nations High Commissioner for Refugees (UNHCR) numbered 97,538. Refugees from Indonesia and Myanmar numbered 24,905, and asylum seekers, also from Indonesia and Myanmar, numbered 10,322. Others of concern numbered 63,311, including 57,197 Filipino Muslims, most residing in Sabah and Kuala Lumpur.

According to *Migration News*, in 2005 there were about 1.5 million legal foreign workers in Malaysia, most from Indonesia, Ban-



LOCATION: Peninsular Malaysia: 1°17' to 6°43' N; 99°38' to 104°39' E. Sarawak: 0°52' to 4°59' N; 109°38' to 155°43' E. Sabah: 4°6' to 7°22' N; 115°7' to 119°17' E. BOUNDARY LENGTHS: Peninsular Malaysia: Thailand, 506 kilometers (316 miles); coastline, 2,068 kilometers (1,292 miles). East Malaysia: Brunei, 381 kilometers (238 miles); Indonesia, 1,728 kilometers (1,080 miles); coastline, 2,607 kilometers (1,629 miles). Total boundary length, land and coastline: 7,290 kilometers (4,555 miles). TERRITORIAL SEA LIMIT: 12 miles.

gladesh, India, and the Philippines, and another million unauthorized foreigners. Foreigners were about one-fourth of the total labor force of 10.5 million. Under government amnesty programs for unauthorized foreigners some 500,000 and 220,000 undocumented workers left in mid-2002 and in December 2004. In addition, between October 2004 and February 2005 another 380,000 unauthorized foreigner left or were expelled. Employers then claimed a shortage of workers on plantations and in construction. The government resumed the practice of permitting entrants on tourist visas to work if they found a job. In July 2005 the government declared that the 60,000 refugees in the country would be allowed to work.

The net migration rate in 2000–04 was an estimated zero migrants per 1,000. This rate does not reflect the unknown number of illegal immigrants, including large numbers from Indonesia and smaller numbers from the Philippines, Bangladesh, Myanmar (Burma), China, and India. The government views the immigration level as too high, but the emigration level as satisfactory.

## 8 ETHNIC GROUPS

The population of Malaysia consists of three main ethnic groups—Malays, Chinese, and peoples of the South Asian subcontinent. Collectively, indigenous groups are known as Bumiputras (“sons of the soil”). Estimates for 2004 reported the following distribu-

tion: Malays, 50.4%; Chinese, 23.7%; Bumiputras, 11%; Indians, 7.1%; and other groups, 7.8%. Malays predominate in the rural areas, while the Chinese are concentrated in urban and mining areas, where they control much of the nation’s wealth; enmity between Malays and Chinese has occasionally erupted into violence. The non-Malay indigenous groups on the peninsula, collectively called the Orang Asli (aborigines), number about 147,000; they represent the poorest group of people in the country.

Non-Malay indigenous tribes constitute about half of Sarawak’s residents; the largest indigenous group consists of the Sea Dayaks, or Ibans, followed by the Land Dayaks, or Bidayuh. The majority of Sabah’s population consists of indigenous peoples, principally Kadazans, Bajaus, and Muruts. The balance is dominated by Chinese.

## 9 LANGUAGES

Bahasa Malaysia, or Malay, is the national language and the lingua franca of all Malaysia. The traditional Bahasa Malaysia script is Jawi, which derives from Arabic script, but Rumi, based on the Roman alphabet, is officially used in government, education, and business. English is widely employed in government and commerce and is a compulsory subject in all schools. Chinese (notably the Mandarin, Cantonese, Hokkien, Hakka, Hainan, and Foochow dialects), Tamil, Telugu, Malayalam, Punjabi, and Thai are spo-

ken. In addition, in East Malaysia several indigenous languages are spoken, the largest of which are Iban and Kadazan. Most Malaysians are bilingual or multilingual.

## 10 RELIGIONS

In Malaysia, religious lines generally follow ethnic lines. Almost all Malays are Muslims; most Indians are Hindus, with a substantial minority of Muslims, Sikhs, and Parsees; and most Chinese are Confucian Buddhists, with a minority Muslim representation. Christianity has won some adherents among the Chinese and Indians. The indigenous peoples of Sabah and Sarawak are still largely animist, although many have become Christian. Shamanism is also practiced on East Malaysia.

According to a 2000 government census, about 60% of the population were Muslim, 19% Buddhist, 9% Christian, and 6% Hindu. About 3% practiced Confucianism, Taoism, or other traditional Chinese religions. Other faiths include animism, Sikhism, and Baha'ism.

Islam is the official religion and the head of state, the *yang di-pertuan agong*, is also the national leader of the Islamic faith. While the constitution guarantees freedom to profess, practice, and propagate other religions, in practice religious practices of groups other than Sunni Muslims are restricted. Proselytizing of Muslims to non-Muslim religions is prohibited. The Malaysian Consultative Council of Buddhism, Christianity, Hinduism, and Sikhism is an interfaith organization promoting mutual understanding and peace between religions. The Malaysian Council of Churches and the Christian Federation of Malaysia serve a similar purpose. The National Human Rights Commission has also worked to promote dialogue between faiths. Certain Christian, Muslim, and Hindu holidays are recognized as national holidays.

## 11 TRANSPORTATION

In 2002, the highway system of Malaysia consisted of 64,672 km (40,187 mi) of roads, of which 40,707 km (25,295 mi) were paved, including 1,192 km (741 mi) of expressways. The major highways on peninsular Malaysia run north-south along the east and west coasts. East-west links connect George Town and Kota Bharu in the north and Kuala Lumpur and Kuantan farther south. As of 1991, (according to the Malaysian Highway Authority) the East-West Highway (Federal Route 2) crossing peninsular Malaysia, as well as the Klang Valley Expressway connecting Kuala Lumpur to Port Klang were completed. The 924-km (574-mi) North-South Highway along the west coast of peninsular Malaysia connects Thailand and Singapore. In 2003, registered vehicles included 5,590,000 automobiles and 1,142,000 commercial vehicles.

Malaysia's railway system as of 2004 consisted of 1,890 km (1,176 mi) of standard and narrow gauge railroads, of which 207 km (129 mi) was electrified. Of that total, narrow gauge lines accounted for 1,833 km (1,140 mi), of which 150 km (93 mi) were electrified. Rail lines on peninsular Malaysia are operated by the country's Malayan Railway Administration. These lines provide links to Thailand, Singapore, and the eastern parts of the peninsula. On the island of Borneo, the Sabah State Railways provides diesel service along the west coast and in the interior for 136 km (85 mi). There are no railroads in Sarawak.

There are 7,296 km (4,533 mi) of waterways in all of Malaysia: 3,209 km (1,994 mi) in peninsular Malaysia; 1,569 km (975 mi) in Sabah; and, 2,518 km (1,565 mi) in Sarawak.

The three leading ports, all located on the busy Strait of Malacca, are Kelang (the port for Kuala Lumpur), Johor Baharu, and George Town. Kuching is the main port for Sarawak, and Kota Kinabalu the main port for Sabah. The Malaysian merchant fleet in 2005 consisted of 346 ships of 1,000 GRT or more, totaling 5,389,397 GRT.

Also in 2004, there were an estimated 117 airports. As of 2005, a total of 37 had paved runways, and there was one heliport. Most international flights enter or leave Malaysia through Kuala Lumpur International Airport. Other principal airports include Kota Kinabalu, Kuching, and Penang. The Malaysian Airline System (MAS) provides domestic service to most major cities of the peninsula and to Sarawak and Sabah. In 2003, about 15.214 million passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

The ancestors of the Malays came down from South China and settled in the Malay Peninsula about 2000 BC. Sri Vijaya, a strong Indo-Malay empire with headquarters at Palembang in southern Sumatra, rose about AD 600 and came to dominate both sides of the Strait of Malacca, levying tribute and tolls on the ships faring between China and India. In the 14th century, however, Sri Vijaya fell, and Malaysia became part of the Majapahit Empire centered in Java. About 1400, a fugitive ruler from Temasik (now Singapore) founded a principality at Malacca and embraced Islam. It was at Malacca that the West obtained its first foothold on the peninsula. At the height of glory and power, the Malacca principality fell to Portugal in 1511. In their turn, the Portuguese were driven out by the Dutch in 1641. The British East India Company laid the groundwork for British control of Malaya in 1786 by leasing from the sultan of Kedah the island of Pinang, off the west coast of Malaya, about 800 km (500 mi) north of Singapore. Fourteen years later, it obtained from him a small area on the mainland opposite Pinang. In 1819, Sir Thomas Stamford Raffles obtained permission to establish a settlement at Singapore; in 1824, by agreement and financial settlement, the island was ceded to the British East India Company. In the following year, the Dutch settlement at Malacca was ceded to Great Britain. Pinang, Singapore, and Malacca were combined under British rule in 1829 to form the Straits Settlements. The states of Perak and Selangor in 1874 secured treaties of protection from the British. Similar treaties were subsequently made with the sultans of Negri Sembilan (1874-89) and Pahang (1888). In 1895, these four states became a federation (the Federated Malay States), with a British resident-general and a system of centralized government. In 1909, under the Bangkok Treaty, Siam (now Thailand) ceded to British control the four northern states of Kelantan, Trengganu, Perlis, and Kedah. These four, together with Johor, which in 1914 was made a British protectorate, became known as the Unfederated Malay States. Separate British control was extended to Sabah, then known as North Borneo, in 1882. Six years later, North Borneo and Sarawak each became separate British protectorates. Tin mining and rubber cultivation grew rapidly

under British rule, and large numbers of Chinese and Indian laborers were imported for these industries.

Japanese forces invaded Malaya and the Borneo territories in December 1941 and occupied them throughout World War II. Within a year after the Japanese surrender in September 1945, the British formed the Malayan Union, consisting of the nine peninsular states, together with Pinang and Malacca; also in 1946, Singapore and the two Borneo protectorates became separate British crown colonies. The Malayan Union was succeeded by the Federation of Malaya on 1 February 1948. Over the next decade, the British weathered a Communist insurgency as Malaya progressed toward self-government. On 31 August 1957, the Federation of Malaya became an independent member of the Commonwealth of Nations. On 1 August 1962, Great Britain and Malaya agreed in principle on the formation of the new state of Malaysia—a political merger of Singapore and the British Borneo territories (Sarawak, Brunei, and North Borneo) with the Federation. On 1 September 1962, by a 70% plurality, Singapore voted in a referendum for incorporation in the proposed Malaysia, but an abortive revolt staged by Brunei's ultranationalist Brunei People's Party in December 1962 eliminated the sultanate from the proposed merger. On 16 September 1963, the Federation of Malaya, the State of Singapore, and the newly independent British colonies of Sarawak and Sabah merged to form the Federation of Malaysia ("Federation" was subsequently dropped from the official name). On 7 August 1965, Singapore seceded from the Federation and established an independent republic. From the outset, Indonesia's President Sukarno attempted by economic and military means to take over the young nation and incorporate it into Indonesia; cordial relations between the two countries were not established until after Sukarno's ouster in 1966. Internal disorders stemming from hostilities between Chinese and Malay communities in Kuala Lumpur disrupted the 1969 national elections and prompted the declaration of a state of emergency lasting from mid-1969 to February 1971. Successive governments managed to sustain political stability until 1987, when racial tensions between Chinese and Malay increased over a government plan to assign non-Mandarin-speaking administrators to Chinese-language schools.

Between 1978 and 1989 Malaysia provided asylum to about 230,000 Vietnamese refugees as they awaited resettlement in the West. In March 1989 Malaysia responded to the continuing influx of refugees and the Western nations' slow efforts to place them with a plan to screen refugees in order to separate economic migrants from political refugees. This policy was confirmed by the United Nations (UN).

In October 1987 the Malaysian government, under provisions of the Internal Security Act (ISA), which allows detention without trial on grounds of national security, arrested 79 political and civil leaders and closed four newspapers in an effort to stifle dissent. The government called its actions necessary to prevent racial violence, but many prominent Malaysians, including Tunku Abdul Rahman, the country's first prime minister, condemned the actions. At the same time the government clamped down on all news sources disseminating what the government considered false news, and new legislation denied licensing to news sources not conforming to Malaysian values. In 1981 Dato' Hussein bin Onn was succeeded as prime minister by Sato' Sei Dr. Mahathir Mohamad, whose leadership came under criticism from within

the United Malays National Organization (UMNO) and other political parties as racial tensions increased. Part of the challenge to Mahathir's party leadership came in the form of a legal suit claiming that some of the delegates to the UMNO elections of 1987 had not been legally registered, and therefore the election should be declared null and void. The High Court ruled that, due to the irregularities, UMNO was an unlawful society and that in effect the election was invalid. Mahathir held that the ruling did not affect the legal status of the government; he was supported by the ruling head of state, Tunku Mahmood Iskandar. In 1988 Mahathir formed a new UMNO, Umno Baru, and declared that party members would have to reregister to join. (Umno Baru was thereafter referred to as UMNO.) Under provisions of the ISA four people linked to the Parti Bersatu Sabah (PBS) were detained over alleged involvement in a secessionist plot in Sabah in June 1990. In July 1990 elections, the PBS won 36 of 48 seats in the Sabah State Legislative Assembly. Prior to the general election of 1990 the PBS aligned itself with the opposition, which had formed an informal electoral alliance, People's Might (Gagasan Rakyat). The National Front (BN) won 127 of the 180 seats, thus maintaining control of the House of Representatives with the two-thirds majority necessary to amend the constitution. The opposition increased its seats from 37 to 53. In 1992 the People's Might registered as a political organization and Tengku Razaleigh was elected chairman.

In 1990 the restructuring of the portfolio of the Ministry of Trade and Industry was rationalized into two new ministries—the Ministry of International Trade and Industry (MITI) and the Ministry of Domestic Trade and Consumer Affairs (MDTCA). In an action that was widely regarded as politically motivated, Datuk Seri Joseph Pairin Kitingan, chief minister of Sabah and president of the PBS, was arrested in January 1991 and charged with corruption, then released on bail. After subsequent meetings with Mahathir it was announced that the PBS state government had proposed power sharing with United Sabah National Organization (USNO). The head of USNO, Tun Mustapha Harun, resigned from USNO and joined UMNO. This switch necessitated a by-election and in May 1991 UMNO took its first seat in Sabah. The rise of Dayak nationalism in Sarawak was considered as less of a threat after the 1991 state elections. The Sarawak Native People's Party (Parti Bansa Dayak Sarawak—PBDS) retained only 7 of the 15 seats it had won in the 1987 election. A High Court ruling in 1991 upheld a ruling by the Ministry of Home Affairs banning the public sale of party newspapers. Speculation was that by targeting limited media outlets the government was muzzling the opposition press.

In 1991 UMNO raised the issue of the alleged abuse of privilege by Malaysia's nine hereditary rulers. A resolution tabled in 1990 had demanded the rulers be restrained from interfering in politics. In November 1992 the issue of the constitutional status of the sultans again arose when it was proposed that the rulers' immunity from prosecution be removed. The cases inspiring the proposed changes to the constitution were an assault on a hockey coach by the sultan of Johore, and a 1981 incident in which the sultan of Johore (before he became sultan) was convicted of homicide but pardoned by his father, who was sultan at the time. In January 1993 these proposed amendments to the constitution were passed. Immediately after passage of the bill, royal privileges other than those sanctioned and allocations not expressly provided in the



constitution were withdrawn. The nine hereditary rulers first rejected the constitutional changes; however, they eventually agreed to a compromise formula on the bill that effectively removed the blanket legal immunity granted to them. The compromise upheld the constitutional stipulation of royal assent for laws affecting the monarchy. Criticism arose over Mahathir's handling of this situation, as it emphasized the antipathy between his authoritarian style and the "Malay way." These constitutional changes also highlighted Mahathir's moves to strengthen executive power at cost of the judiciary, to consolidate UMNO's control of the legislature, and to control the press. On 17 January 1994 Sabah's chief minister, Datuk Joseph Pairin Kitingan, was found guilty of corruption. The fine imposed on him fell short of the minimum required to disqualify him from office. Although the PBS won the Sabah polls in February 1994, Pairin resigned as the PBS's leading members joined the National Front, and the Sabah wing of UMNO (with 18 of 48 seats) was about to be installed. In August 1994 the government moved to ban the radical Islamic sect, Al-Arqam.

In the general election held 25 April 1995, the ruling National Front captured 162 parliamentary seats out of a possible 192, its biggest victory ever. The coalition won 64% of the popular vote and easily retained its two-thirds parliamentary majority.

The Asian economic crisis of 1997 affected both the economy and the political landscape in Malaysia. By early 1998, the Malaysian economy had undergone its first downturn in 13 years, and tensions over the handling of the crisis erupted between Prime Minister Mahathir, an economic isolationist, and his deputy, Anwar Ibrahim, who favored open-market policies. In September 1998, Mahathir removed Anwar from his cabinet and party posts and imposed currency controls. When Anwar publicly protested these moves and attempted to rally opposition to his former mentor's policies, he was arrested and later tried for corruption and sexual misconduct (sodomy). In 1999 Anwar was sentenced to six years in prison, and his wife launched a new political party, Keadilan (Justice), to contest the upcoming national elections.

The economy began to recover by the end of 1998 and in August 1999 the government officially announced that the recession was over. Responding to an April 2000 deadline for national elections, Mahathir called a snap election in November 1999. Although the arrest of Anwar and his treatment while in custody ignited widespread criticism of Mahathir and his government, the UMNO-led coalition maintained its two-thirds majority in parliament and Mahathir remained in power. However, electoral gains by the Islamic Party of Malaysia (Parti Se-Islam Malaysia—PAS) suggested a significant challenge to the popularity of the government and made PAS the country's largest opposition party.

On 9 March 2001, a wave of intercommunal violence between Malays and ethnic Indians began on the outskirts of Kuala Lumpur, the worst in more than 30 years. Six people, including five of Indian origin, were killed and over 50 were injured. Most of the wounded were ethnic Indians. When opposition leaders claimed the casualty figures were higher, the government threatened to charge them with sedition, although charges were never brought.

In early April 2001, days before public protests were scheduled for the second anniversary of the sentencing of Anwar, 10 opposition leaders were detained under Malaysia's Internal Security Act (ISA). The ISA allows the detention of suspects for up to two years without trial. Most of the detainees were members of the opposi-

tion party Keadilan founded by Anwar's wife, Wan Aziziah. The government used a variety of laws to restrict freedom of expression, and peaceful rallies were broken up by the police. An Anti-ISA Movement (AIM) was formed to work for the repeal of the ISA, which as of 2006 was still in effect.

In September 2001, Malaysia and Singapore came to a series of agreements over issues that had strained relations between them for years. Largely prodded by concern over the growing influence of Islam in Malaysian politics, Singapore agreed to a Malaysian proposal that the causeway linking the two countries be demolished and replaced by a bridge and undersea tunnel after 2007. Malaysia agreed to supply water to Singapore after two water agreements expire in 2011 and 2061. Also discussed were disputes over the use of Malaysian-owned railway land in Singapore, and requests by Singapore to use Malaysian air space.

With the rise in popularity of the Islamic PAS party, Malaysia's image as a moderate Islamic state began to be questioned. In the aftermath of the 11 September 2001 terrorist attacks on the United States, countries in Southeast Asia were asked by the United States to increase their security plans and efforts to combat terrorism. However, many nations have been cautious of a broad sweeping link between Islam and terrorist activities. In May 2002, members of Association of Southeast Asian Neighbors (ASEAN) met in Kuala Lumpur to form a united antiterror front (including strengthening laws to govern the arrest, investigation, prosecution, and extradition of suspects), and pledged to set up a strong regional security framework. Alleged militants with suspected ties to Osama bin Laden's al-Qaeda organization have been arrested in Malaysia. ISA detention was used as an antiterrorism measure, as were tightened laws against money laundering and harsher criminal penalties passed in 2003. The government continued to keep "extremist" Muslim organizations under surveillance.

In June 2002, Mahathir shocked the country with the news that he would resign in October 2003. It was to be the first transfer of the prime ministerial office in over 20 years. His successor was Abdullah Ahmad Badawi, one of three UMNO vice presidents. Badawi pledged to continue Mahathir's policies, but has a far more low-key political style. After just four months as an appointed prime minister, Badawi won an overwhelming mandate in the March 2004 national election, in which his UMNO took over 90% of the parliamentary seats, soundly defeating a challenge from the PAS opposition. During the election campaign, Badawi pledged more transparency in government. He also promoted a policy of Islam Hadhari (Civilized Islam) as a moderate, open, and tolerant alternative to fundamentalist or militant Islam.

Malaysia's Federal Court overturned the sodomy conviction of Anwar Ibrahim in September 2004, and he was freed after nearly six years of imprisonment. This was seen as the real end of the Mahathir era's authoritarianism, although Anwar's eventual role in Malaysian politics remained unclear through 2006. With Badawi's UMNO landslide in the 2004 elections, the status of the opposition as personified by Anwar was much diminished.

A devastating tsunami in December 2004 caused far less damage in Malaysia than in neighboring Thailand and Indonesia; there were fewer than 100 deaths in Malaysia and the Malaysian government did not seek international tsunami relief. A health emergency was declared in August 2005 when smoke from Indonesian forest fires enveloped Kuala Lumpur. Indonesia announced plans to

indict 10 companies for burning forest land for plantations; 8 of the companies were Malaysian.

The Badawi government's policies regarding illegal immigrants, mostly from strife-prone areas of Indonesia and Myanmar, seemed inconsistent, when an amnesty was followed by a crackdown in March 2005. Immigrant workers were detained, imprisoned, and deported. With a need for workers, particularly in the construction sector, Malaysia continued to attract immigrants in 2005, and government policy appeared unclear regarding the political refugees and asylum seekers among those foreign workers.

### 13 GOVERNMENT

Malaysia is a constitutional monarchy consisting of 13 states, 9 of which were formerly sultanates under British protection and 4 of which (Melaka, Pulau Pinang, Sarawak, and Sabah) were former British settlements ruled by appointed governors.

The constitution, promulgated on 31 August 1957 and subsequently amended, derives from the former Federation of Malaya, with provisions for the special interests of Sabah and Sarawak. It provides for the election of a head of state, the *yang di-pertuan agong* (paramount ruler), for a single term of five years by the Conference of Rulers. The constitution also provides for a deputy head of state, chosen in the same manner and for the same term.

The Conference of Rulers consists of the nine hereditary sultans. Its consent must be obtained for any law that alters state boundaries; affects the rulers' privileges, honors, or dignities; or extends any religious acts, observances, or ceremonies to the country as a whole. The conference must also be consulted on proposed changes of administrative policy affecting the special position of the Malays or the vital interests of other communities.

The *yang di-pertuan agong*, who must be one of the hereditary sultans, is commander in chief of the armed forces and has the power to designate judges for the Federal Court and the High Courts on the advice of the prime minister, whom he appoints. Until January 1984, the paramount ruler had the right to veto legislation by withholding his assent; this right was lost in a constitutional compromise that gave the paramount ruler the right to delay new laws for up to 60 days but also stipulated that, if passed by a two-thirds majority, a bill may become law after six months without his signature.

The *yang di-pertuan agong* from 1979 to 1984 was Ahmad Shah al-Musta'in Billah Ibni al-Marhum, the sultan of Pahang. The leading candidate to succeed him was Idris al-Mutawakil Allahi Shah Ibni al-Marhum, the sultan of Perak, but when Idris died of a heart attack on 31 January 1984, the Conference of Rulers selected Mahmud Iskandar Ibni al-Marhum Sultan Ismail. As crown prince of Johor he had been convicted of homicide in a shooting incident in 1977 but had been pardoned by his father and became sultan in 1981. In 1989 the sultan of Perak, Azlan Muhibuddin Shah, became the *yang di-pertuan agong*. He was succeeded in 1994 by Tuanku Ja'afar ibni Al-Marhum Tuanku Abdul Rahman, who was in turn succeeded in 1999 by Salehuddin Abdul Aziz Shah ibni Al-Marhum Hismuddin Alam Shah. Salehuddin died in office on 21 November 2001 and was succeeded in 2002 by Tuanku Syed Sirajuddin ibni Almarhum Tuanku Syed Putra Jamal-ullail, the sultan of Perlis.

Executive power rests with the cabinet, chosen by the prime minister, who is the leader of the majority party or coalition of

the house of representatives (*Dewan Rakyat*), the lower house of parliament. The 193 members of the house of representatives must be at least 21 years old; they are elected by universal adult suffrage (at age 21). Their term is five years unless the house is dissolved earlier. The 69-member senate (*Dewan Negara*) consists of 26 elected members (2 from each state); 2 members appointed by the paramount ruler to represent the federal territory of Kuala Lumpur, and 1 to represent the island of Labuan; and 40 members appointed by the paramount ruler on the basis of distinguished public service or their eligibility to represent the ethnic minorities. Senators must be at least 30 years old; they hold office for six-year terms.

### 14 POLITICAL PARTIES

Before World War II, there was limited political activity in Malaya, but the Japanese occupation and its aftermath brought a new political awareness. Postwar political parties sought independence, and although the Malays feared domination by the populous minorities, particularly the economically stronger Chinese, the United Malays National Organization (UMNO), the leading Malay party, and the Malaysian Chinese Association (MCA) formed the Alliance Party in 1952. This party was later joined by the Malaysian Indian Congress (MIC) and became the nation's dominant political party. The Malayan Communist Party, a powerful and well-organized group after the war, penetrated and dominated the trade unions. In 1948, after the Communists had resorted to arms, they were outlawed.

In the elections of April 1964, the Alliance Party won a majority of 89 of the 154 House seats. The third general election since independence was held in peninsular Malaysia on 10 May 1969; in the balloting, the Alliance Party suffered a setback, winning only 66 seats. The election was followed by communal rioting, mainly between Malays and Chinese, resulting in much loss of life and damage to property. The government suspended parliament and declared a state of emergency; elections in Sarawak and Sabah were postponed until July 1970. By the time parliament was reconvened on 22 February 1971, the Alliance had achieved a two-thirds majority (required for the passage of constitutional amendments) with the addition of 10 unopposed seats from Sabah and through a coalition with the Sarawak United People's Party, which controlled 12 seats.

The elections for state assemblies resulted in a setback for the Alliance Party, which before the elections had controlled 10 of the 13 state assemblies, but after the elections only 7. In September 1970, Tunku Abdul Rahman retired as prime minister and was replaced by the deputy prime minister, Tun Abdul Razak. In 1973, the Alliance Party formed a broader coalition consisting of the UMNO, MCA, MIC, and eight minority parties. Known as the National Front and led by the UMNO, the ruling coalition was returned to power in the 1974, 1978, 1982, and 1986 elections with overwhelming majorities (148 of 177 seats in 1986). In April 1987, Mahathir narrowly overcame a challenge to his leadership of the UMNO. The principal opposition parties (which win few seats owing to a legislative apportionment scheme that heavily favors Malay voters) are the Chinese-based Democratic Action Party (DAP), founded in 1966, and the Parti sa Islam Malaysia (PAS), dedicated to establishing an Islamic state. The post-Mahathir 2004

elections made UMNO more dominant than ever, with an over 90% mandate.

As of 2003 there were more than 20 registered parties. The governing coalition is the Barisan Nasional (National Front), led by the United Malays National Organization (UMNO) and comprising 13 other parties, most ethnically based. Major opposition groups are the Muslim Unity Movement (APU), dominated by the Parti sa Islam Malaysia (PAS); the Democratic Action Party (DAP), which is predominantly Chinese and socialist; the Parti Bersatu Sabah (PBS); and Keadilan, formed by Wan Azizah Wan Ismail, the wife of government official Anwar Ibrahim, who was jailed from 1999–2004.

In the election held 28 and 29 November 1999, the 193 seats of the lower house were distributed as follows: National Front (148 seats), DAP (10), PBS (3), PAS (27), and Keadilan (5). In the election, PAS won control of the state governments of Kelantan and Terengganu, giving it 2 of Malaysia's 13 states.

In the March 2004 general election, the UMNO-dominated Barisan Nasional (BN) coalition took 198 of 219 seats in parliament's lower house, and won control of 11 of 12 state governments contested. The opposition Parti Islam sa Malaysia (PAS) won only six seats, losing even in conservative Muslim states. The Democratic Action Party (DAP) won 12 seats, making DAP's Lim Kit Siang the opposition leader in the Malaysian parliament. The PAS and the DAP were at odds over religious policy issues and the opposition was in a particularly weakened position. The next national election was scheduled to take place by 2009.

## 15 LOCAL GOVERNMENT

Of the 11 peninsular Malaysian states, 9 are headed by sultans, who act as titular rulers and as leaders of the Islamic faith in their respective states. The other two peninsular states, Pinang and Melaka, are headed by federally appointed governors. State governments are parliamentary in form and share legislative powers with the federal parliament. Effective executive authority in each state is vested in a chief minister, selected by the majority party in the state legislature. The legislative assembly, composed of elected members, legislates in conformity with Malaysian and state constitutions, subject to the sultan's assent. In peninsular Malaysia the states are divided into districts, each of which consists of 5 to 10 subdistricts, called mukims (derah in Kelantan). Each mukim is responsible for varying numbers of kampongs (villages or compounds). The mukim may include villages or consist of large, sparsely populated tracts of land. Each one is headed by a penghulu (penggawa in Kelantan), a part-time official locally elected for five years, who serves as the principal liaison between the district and the village. The village elects a ketua (chief).

Upon incorporation into the Federation of Malaysia in 1963, both Sabah and Sarawak adopted separate constitutions for their local self-government; each is headed by a chief minister, appointed by the majority party of the elective legislature. In Sarawak, divisions and districts are the main subdivisions; in Sabah their counterparts are residencies and districts. The district officer is the most important link between the governing and the governed. His responsibilities are administrative, fiscal, and judicial. Kuala Lumpur, the national capital and former capital of Selangor State, was constituted as a separate federal territory, under the national

government, on 1 February 1974. The mayor is appointed by the paramount ruler on the advice of the prime minister.

## 16 JUDICIAL SYSTEM

Malaysia has a unified judicial system, and all courts take cognizance of both federal and state laws. The legal system is founded on British common law. Most cases come before magistrates and sessions courts. Religious courts decide questions of Islamic law and custom. The use of religious law by states, and selective, inconsistent enforcement by religious officers, has become controversial. The use of the Internal Security Act (ISA) against dissidents and restrictions of the press and freedom of expression remain concerns of civil libertarians and international human rights organizations.

The Federal Court, the highest court in Malaysia, reviews decisions referred from the High Court of Peninsular Malaysia, the High Court of Sabah and Sarawak, and subordinate courts. The Federal Court, of which the yang di-pertuan agong is lord president, has original jurisdiction in disputes among states or between a state and the federal government. The Federal Court consists of the chief justice, the two chief judges from the High Courts, and seven other judges. Administrative detention is permitted in security cases, in which certain other guarantees of due process are reportedly suspended.

The judiciary has traditionally functioned with a high degree of independence. Most civil and criminal cases are fair and open. The accused must be brought before a judge within 24 hours of arrest. Defendants have the right to counsel and to bail. Strict rules of evidence apply in court and appeal is available to higher courts. Criminal defendants may also appeal for clemency to the paramount ruler or to the local state ruler. Severe penalties, including the death penalty, are imposed for drug-related offenses.

High courts have jurisdiction over all serious criminal cases and most civil cases. The sessions courts hear the cases involving landlord-tenant disputes and car accidents. Magistrates' courts hear criminal cases in which the maximum sentence does not exceed 12 months. The Court of Appeals has jurisdiction over high court and sessions court decisions.

## 17 ARMED FORCES

In 2005, Malaysia had 110,000 active personnel in its armed forces, with 51,600 reservists. The total strength of the Army was 80,000, including infantry and armored battalions, artillery regiments, and supporting air defense, signal, engineer, special forces, and administrative units. Equipment included 26 *Scorpion* light tanks, 418 reconnaissance vehicles, 1,020 armored personnel carriers, and 414 artillery pieces. The Navy had 15,000 active personnel including a 160-person naval aviation arm and a unit of naval commandos. Major naval units included 4 frigates, 6 corvettes, 35 patrol/coastal vessels, and 4 mine warfare ships. The naval aviation arm operated six antisubmarine warfare helicopters. The Air Force had 15,000 personnel and 63 combat capable aircraft that included 28 fighters and 16 fighter ground attack aircraft. Paramilitary forces numbered an estimated 20,100, and included aviation and marine police units. There was also the People's Volunteer Corps, which had 240,000 reservist personnel, of which around 17,500 were armed. In 2005, Malaysia provided support to 10 UN

peacekeeping missions. Australia provides a small training mission. The defense budget for 2005 totaled \$2.47 billion.

## 18 INTERNATIONAL COOPERATION

Malaysia became a member of the United Nations on 17 September 1957, and participates in ESCAP and several nonregional specialized agencies, such as the FAO, UNESCO, UNIDO, IFC, IAEA, the World Bank, and the WHO. It also belongs to the WTO, the Asian Development Bank, ASEAN, the Commonwealth of Nations, APEC, the Arab Bank for Economic Development in Africa, the Colombo Plan, the Organization of the Islamic Conference (OIC), and G-77.

Before the 1970s, Malaysia pursued a pro-Western policy, but it later promoted the neutralization of Southeast Asia while establishing ties with China, the Democratic People's Republic of Korea, and Cuba, and strengthening relations with the USSR and other East European states. Links with its traditional allies, including the United States, remained strong in the course of this transition. Relations with the United Kingdom were strained in the early 1980s, after the British imposed surcharges on foreign students attending universities in the United Kingdom and issued new regulations reducing opportunities for foreign takeovers of British-owned companies. Malaysia agreed to drop its "buy British last" campaign in 1983 after the United Kingdom expanded scholarship opportunities for Malaysian students.

In 1986 there was some friction with Singapore because of its improved relations with Israel. Malaysia shares the anti-Zionist ideology of the Arab League countries. The nation has offered support to UN missions and operations in Kosovo (est. 1999), Western Sahara (est. 1991), Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Sierra Leone (est. 1999), East Timor (est. 2002), and Burundi (est. 2004), among others. The country is part of the Nonaligned Movement.

In the 1990s and early 2000s Malaysia has been building better relations with its neighbors. Malaysia has cooperated with the ASEAN Regional Forum (ARF), a 23-member Asian security network, helping to reduce tensions over the disputed Spratley Islands in the South China Sea. Malaysia also seeks increased economic integration in Southeast Asia. In 1990, Prime Minister Mahathir proposed the creation of an East Asian Economic Caucus, an idea that was initially regarded with skepticism, but was subsequently taken up by the ASEAN+3 group (the ten ASEAN members plus China, Japan, and South Korea) as a way of strengthening financial and trade ties between those states.

In environmental cooperation, Malaysia is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Malaysia was one of the most prosperous nations in Southeast Asia before 1998, albeit with the mood swings inherent in an export-oriented economy. Until the 1970s, Malaysia's economy was based chiefly on its plantation and mining activities, with rubber and tin the principal exports. Since then, however, Malaysia has added palm oil, tropical hardwoods, petroleum, natural gas, and

manufactured items, especially electronics and semiconductors, to its export list. This diversification greatly reduced the nation's dependence on overseas commodity markets. By 1980, rubber accounted for about 7.5% of the value of all exports, down from 30% in the 1970s, and tin for about 4.3%, down from about 20% in the 1970s. The worldwide recession in 1981–82 hurt the Malaysian economy. Prices of Malaysia's traditional commodity exports were depressed, growth slowed, and investment fell. Government efforts to stimulate the economy through spending on heavy industry and infrastructure projects financed by borrowing pushed foreign debt from \$4 billion in 1980 to \$15 billion in 1984.

In 1985, the GDP in current prices was estimated at \$31 billion, up from \$25 billion in 1981. Real growth rates rose to 6.9% in 1981, and 7.6% in 1984, but declined 1.0% in 1985. In 1985–86 Malaysia's period of high growth was halted abruptly as both oil and palm oil prices were halved. Recovery began in late 1986 and 1987, spurred by foreign demand for exports. Growth rates reached an average 8–9% from 1987–92, and for most of the 1990s, the economy grew annually by just under 9%.

The Asian financial crisis put an end to 13 years of uninterrupted growth with a decline in GDP of -7.4% in 1998. The government's response was to embark on a massive economic recovery program, aimed at stabilizing the currency, restoring market confidence, maintaining market stability, strengthening economic fundamentals, furthering socioeconomic goals, and reviving badly affected sectors. The program featured two fiscal stimulus packages amounting to 2.25% of GDP and the establishment of three special purpose agencies: the Danaharta—also known as the National Asset Management Co.—to acquire and dispose of nonperforming loans (NPLs); the Danamodal, charged with implementing government policy on recapitalizing financial institutions; and the Corporate Debt Restructuring Committee (CDRC), to facilitate voluntary debt restructuring between creditors and viable corporate debtors. More controversially, the government proceeded in 2000 with merger plans to consolidate Malaysia's banks into 10 "anchor" banks and to consolidate Malaysian domestic brokerage houses into 15 "universal brokers." The rationale behind the consolidations was that larger entities would be better able to compete with international counterparts. Gross domestic product growth recovered to 6.3% in 1999 and increased to 7.9% in 2000, but was reduced to 0.7% in 2001 as the global economic slowdown and the aftermath of the 11 September 2001 terrorist attacks on the United States helped produce a 10.6% reduction in exports.

In 2002, the economy continued to recover, reaching an annual growth rate of about 3.5%. Since late 2001, Malaysia has taken a leading role, with Bahrain, in seeking to institutionalize Islamic banking. In November 2001 Malaysia signed an agreement with Bahrain, Indonesia, Sudan and the Saudi-based Islamic Development Bank (IDB) to establish the International Islamic Financial Market (IIFM). This is an extension of its domestic efforts to foster Islamic banking going back to the Islamic Banking Act of 1983, under which it was the first Islamic economy to issue bonds on an Islamic basis. In June 2002 Malaysia took the lead in offering the world's first Islamic global bond issue. The Islamic bond is a problem because Islam forbids paying or receiving interest. The 144a offering (not subject to SEC disclosure regulations) in the name of the Malaysia Global Sukuk (MGS) involves MGS buying from the Malaysian government the Ministry of Finance building, two

hospitals, and a civil service accommodation, and leasing them back to the government for a period of five years, during which time the government issues trust certificates to the investors with payments exactly equal to lease rental payments being made by the government to MGS. At the end of five years, in 2007, the government will buy back the properties at the face value of the bond. These arrangements were judged compliant with Islamic law. The Trust Certificates had their primary listing on the Luxembourg Stock Exchange in August 2002, and their secondary listing on Malaysia's Labuan International Financial Exchange (LFX) in September 2002. The LFX is part of Malaysia's Labuan International Offshore Financial Centre (IOFC), established in October 1990 by the government to provide a full array of financial services for multinational corporations and investors. The MSG certificates are part of an effort to provide Sharia-compliant instruments for a growing Islamic financial market, estimated in 2002 at \$200 billion. The Labuan Offshore Financial Services Authority (OFSA) took credit for initiating the idea for the establishment of the IIFM in November 2001. A Malaysian heads the IIFM and the Islamic Financial Service Organization (IFSO) is headquartered in Malaysia. As host country for the IFSO, Malaysia will lead in formulating and developing standards for the regulation of Islamic financial institutions.

In 1990, Malaysia was the world's largest producer of natural rubber, accounting for one-quarter of world production. By 1993, however, production was overtaken by both Thailand and Indonesia. During the late 1990s, production of synthetic rubbers undercut the natural rubber industry. In 1990 Malaysia was the world's largest exporter of tropical hardwood, the world's fourth-largest producer of cocoa, and the source of 60% of the world's palm oil. By 2001, Malaysia exported over half of the world's fixed vegetable oils, accounting for approximately 6.7% of Malaysia's exports. In 2002, electronics accounted for two-thirds of total exports. Malaysia remains a major producer of commodities including rubber, tin, palm oil, tropical hardwoods, cocoa, and pepper. It also produces and exports oil, petroleum products, and liquefied natural gas, amounting to 5% of total exports in 1998.

Government or government-owned entities dominate a number of sectors (plantations, telecommunications, and banking). Since 1986 the government has moved toward the eventual privatization of telecommunications, ports, highways, and electricity production and distribution. In the 1990s, the government embarked on a privatization program aimed at creating a Malaysian business elite as part of its *bumiputera* (literally, "sons of the soil") policy. However, virtually all the major privatized companies failed in the Asian financial crisis, 1997–98 (including the carmaker Proton, Malaysian Airlines, the engineering group Renong, and the media group, Malaysian Resources) and were renationalized in the aftermath. The official unemployment rate at 2.6% in 1996 hovered around 3.6% in 2001–05. The inflation rate as measured by consumer prices, at 5.1% for 1998, fell sharply in the succeeding years to 1.6% in 2000, 1.4% in 2001, 1.8% in 2002, but had risen to 2.9% by 2005. Sarawak's basic economy is subsistence agriculture, supplemented by petroleum production and refining, the collection of forest produce, fishing, and the cultivation of cash crops, primarily rubber, timber and pepper. Sabah's economy rests primarily on logging and petroleum production.

On 1 September 1998, the government pegged the ringgit at m\$3.8 = us\$1. The government maintained this fixed exchange rate until 21 July 2005, when the peg was replaced by a managed floating exchange rate based on a basket of trade-weighted currencies. Real GDP was forecast to grow by an average 5.1% in 2006–07, supported by household and investment spending, which will bolster growth in the services sector. Although the trade and current-account surpluses were expected to narrow over the 2006–07 period, their nominal values were forecast to still be large compared with levels seen in the 1990s. By 2002, Malaysia was the world's dominant world producer of palm oil. Malaysia, like most countries in Southeast Asia, is dependent upon exports for its growth. In 2004, a double-digit surge in exports lifted the region's growth to 6.3%. But in remaining export-driven, the region is vulnerable to the vagaries of the world economy. Reviving domestic consumption is seen as a key to the region's successful economic future.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Malaysia's gross domestic product (GDP) was estimated at \$248.0 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$10,400. The annual growth rate of GDP was estimated at 5.1%. The average inflation rate in 2005 was 2.9%. It was estimated that agriculture accounted for 7.2% of GDP, industry 33.3%, and services 59.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$987 million or about \$40 per capita and accounted for approximately 1.0% of GDP. Foreign aid receipts amounted to \$109 million or about \$4 per capita and accounted for approximately 0.1% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Malaysia totaled \$45.36 billion or about \$1,829 per capita based on a GDP of \$103.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.9%. It was estimated that in 1998 about 8% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Malaysia's total labor force was estimated at 10.67 million. As of 2004, agriculture accounted for 14.8% of the workforce, 30.1% by industry, and 55.1% by the services sector. Unemployment in 2005 was estimated at 3.6%.

Workers have the right to engage in union activity, but only about 9% of the workforce were unionized in 2005 and were covered by 617 trade unions. Negotiations between unions and employers are voluntary and strikes are permitted but limited due to many restrictions. In addition, unions must be registered with the director general of trade unions, the latter of which can refuse or revoke a union's registration, thus making the union an unlawful association. If a labor dispute has been referred to an industrial

court for settlement, the employees are prohibited from engaging in a strike.

As of 2005, the employment of children under the age of 14 is prohibited by law, although some exceptions—which include public entertainment, family businesses, as an approved apprentice, and work in school or a training facility for the government—are permitted. However, child labor persists in some areas of the country and protective labor legislation in Malaysia is more extensive than in most Asian countries. The workweek is set at a maximum of 48-hours, 6 days per week, 8 hours per day. Actual weekly hours tend to be closer to 44 hours. There is a legal requirement of one rest day per week. There is no national minimum wage that governs all workers, the government preferring to leave wage rates to market forces. Prevailing market wages provide a decent standard of living for a worker and family, although this was not the case with all migrant workers. Occupational safety and health provisions are set by law but are erratically enforced. The provisions are more rigorously enforced in the formal economic sector and are least enforced on plantations and construction sites where immigrant workers are employed. These foreign workers have no legal protections and are prohibited from forming unions.

## 22 AGRICULTURE

Agriculture contributed 10% of GDP in 2003 (down from 38% in 1960), occupied about 16% of the employed work force, and accounted for 8.6% of export earnings in 2004. Diversification—including development of such newer crops as oil palm, cocoa, and pineapples—was promoted by the government. Much of Sabah and Sarawak is covered with dense jungle and is not conducive to farming. Peninsular Malaysia, however, is predominantly an agricultural region. Cultivation is carried out on the coastal plains, river valleys, and foothills.

Domestic rice cultivation furnishes peninsular Malaysia with about 80% of its requirements; most of the rice supply for Sabah and Sarawak, however, must be imported. Milled rice production for 2004 totaled 2,183,000 tons, of which about 70% came from peninsular Malaysia. Rubber production totaled 1,190,000 tons in 2004. The government, through the Rubber Research Institute of Malaysia, has concentrated on improving production, but many estates have switched to production of the more profitable oil palm. Although Malaysia produced 12% of the world's rubber in 2004 and typically accounts for over one-third of the world's rubber exports, rubber is no longer the country's primary source of export income. Competition from Thailand and Indonesia has diminished the Malaysian market share for rubber.

Production of palm oil and palm kernel oil totaled 13,976,200 and 3,622,000 tons respectively in 2004, more than any other country in the world. More than 90% of all rubber and palm oil is produced in peninsular Malaysia. Black and white peppers are grown on Sarawak; pepper exports amounted to \$31.6 million in 2004. Output of lesser agricultural products in 2004 included coconuts, 710,000 tons; cocoa, 33,000 tons; and pineapples, 320,000 tons.

## 23 ANIMAL HUSBANDRY

Peninsular Malaysia is free of most of the infectious and contagious diseases that plague livestock in the tropical zone, but the livestock industry is of minor importance. The livestock popu-

lation in 2005 included 2,150,000 hogs, 755,000 head of cattle, 225,000 goats, 119,000 sheep, and 130,000 buffalo. The swamp buffalo and indigenous breeds of cattle are used mainly as draft animals. Production of meat in 2005 included (in tons): poultry, 965,000; pork, 205,500; and beef (cattle), 21,200. Malaysia is self-sufficient in pork and poultry production and also exports to other countries in the region, particularly Singapore and Japan. Sarawak's poultry sector was growing by 7% annually in response to increased demand from neighboring Kalimantan, Indonesia, where during certain festive months there is a poultry shortage. Malaysia has been monitoring outbreaks of bird flu, with the third case reported in September 2004, believed to have been caused by poultry smuggled along the Malaysia-Thailand border. The government prohibits the importation of chicken and chicken parts in order to protect domestic producers. Hog-raising and export are handled mainly by non-Muslim Chinese. Milk production was 45,125 tons in 2005.

## 24 FISHING

Fishing was being developed both as a means of reducing unemployment and as a primary source of protein in the country's diet. The total catch in 2003 was 1,477,195 tons, as compared with 296,300 tons in 1966; the increase has been largely the result of expanded and improved marketing facilities. Exports of fisheries products were valued at \$435.1 million in 2003, with imports of \$365.8 million that year. A government training program in navigation and engine care was accelerating the use of powerboats. Freshwater fishing, which accounted for 2% of the total catch, occurred in paddy fields or irrigation ditches and was integrated with rice farming and hog production.

## 25 FORESTRY

Malaysia produced an estimated 21.8 million cu m (770 million cu ft) of roundwood from a forest area of 17.7 million hectares (43.7 million acres) in 2004. About 33% of the forest area is located in peninsular Malaysia, 22% in Sabah, and 45% in Sarawak.

After 40 years of large scale conversion of lowland forest areas into agricultural plantations, the pace of new land development declined in the mid-1990s. Reduced land availability and a growing need to preserve remaining forests resulted in a 60% reduction from the government's 1991–95 plan in the total acreage of land scheduled for development. Of the total natural forest area, 14.2 million hectares (35 million acres) of forested land is designated as Permanent Forest Estate, of which 78% is available for sustainable production.

Exports of timber products in 2004 amounted to \$5.2 billion, or 4.1% of total exports. Exports of tropical hardwoods in 2004 included (in thousands of cubic meters) logs, 5,118; lumber, 2,761; veneer, 394; and plywood, 4,348. In keeping with the National Forestry Policy of 1978, exports of sawn logs are being progressively reduced (in fact, many states ban the export of logs) in favor of domestic development of veneer, plywood, furniture, and other wood-using industries. Only Sarawak exports tropical hardwood logs, but its state government has placed further restrictions on exporting logs in order to encourage expansion of value-added activities. As of 2004, eight states and 40 timber companies have been given permits for compliance with the government's timber

certification program to provide assurance of sustainable and legal sources of forest products to buyers of Malaysian timber.

## 26 MINING

Malaysia is a producer of bauxite, coal, ilmenite, iron ore, kaolin, monazite, sand and gravel, struverite, tin, zircon, and natural gas and oil. Although the country's mining sector in 2004 accounted for 7% gross domestic product (GDP), gas and oil accounted for 95% of that sector. In addition, Malaysia's tin mining sector has been declining because of depleted high-grade reserves and lower tin resources. In 2004, Malaysia mined 2,745 metric tons of tin, down from 3,359 metric tons in 2003, and down from 6,307 metric tons in 2000. To revitalize the tin-mining industry, the Malaysian Chamber of Mines recommended that the government of Perak, one of the two main tin-mining states (Selangor being the other), change the royalty rate to a flat rate. In 2004, total exports were valued at \$126.5 billion, of which mining products accounted for 11.5% of that total. However, the bulk of that figure was from oil and liquefied natural gas (\$6 billion and \$7.1 billion, respectively) with major mineral exports valued at only \$424 million, of which tin accounted for \$289 million.

Subsoil resources were public property of the states, which granted prospecting licenses and mining leases. Royalties on coal and gold accrued to the states. Export duties were levied on other minerals by the government, which returned a portion to the states.

Iron ore production (by gross weight) in 2004 totaled 663,732 metric tons, up from 596,612 metric tons in 2003. Bauxite production has fallen as a result of depleted resources since 2000. In that year, bauxite output (by gross weight) totaled 123,270 metric tons, but in 2004 totaled only 2,040 metric tons. Malaysia ceased copper production in 1999. As a result, silver production, most of which was a by-product of copper mining, dropped from 9,647 kg in 1997 to 364 kg in 2004. Other metal minerals extracted included gold, columbite, and titanium dioxide (from Terangganu). Malaysia was a net exporter of all its coal, ilmenite, rare earths, and zircon concentrate, and most of its smelted tin. Industrial minerals produced in 2004 included hydraulic cement, clays and earth metals, feldspar, mica, nitrogen, silica sand, and stone. Silica sand came mainly from natural sand deposits in Sarawak (56.6 million tons of estimated reserves) and Johor and from tin-mine-tailings sand in Perak and Selangor; 85% was exported and 63% of exports went to Singapore.

## 27 ENERGY AND POWER

Malaysia's large reserves of natural gas and its exports of oil make the country a key player in the world's energy markets. The country is also a modest producer of coal.

Crude oil is now the chief mineral produced by Malaysia. As of 1 January 2005, Malaysia had proven oil reserves estimated at 3 billion barrels, down from 4.3 billion barrels in 1996. In 2004, oil production averaged an estimated 855,000 barrels per day, of which crude oil accounted for 750,000 barrels per day. Domestic demand that year was estimated at 534,000 barrels per day. Malaysia's oil is produced offshore, primarily in the peninsular region. However, of new and increasing importance are large offshore natural gas deposits, with reserves estimated at 75 trillion cu ft as of 1 January 2005. Production in 2002 totaled an estimated 1.7

trillion cu ft, with domestic consumption at an estimated 1 trillion cu ft for that same year.

Malaysia is also a major exporter of liquefied natural gas (LNG). In 2003, LNG exports totaled 0.8 trillion cu m, about 14% of the world's total. Production of oil and natural gas is controlled by the National Petroleum Co. (PETRONAS).

In 2002, Malaysia produced an estimated 900,000 short tons of coal, while demand that year was estimated at 6.9 million short tons. As a result, Malaysia imported 6 million short tons.

Malaysia's net installed electrical generating capacity, as of 1 January 2002, stood at 14 GW, of which 86% was dedicated to conventional thermal fuels and 14% was hydroelectric. Electrical energy production in 2002 was estimated at 67 billion kWh. In 2002, demand for electric power was placed at 65.038 billion kWh. The National Electricity Board, a state-owned corporation, supplied the greater part of the nation's power.

## 28 INDUSTRY

Early industrialization efforts centered on the establishment of import-substitution industries (ISI) and resulted in construction of sugar refineries and motor vehicle assembly plants. Industrialization accelerated after the mid-1960s under the provisions of the Investment Incentives Act and the formation of the Malaysian Industrial Development Authority (MIDA). Special incentives were offered for industries that were labor-intensive, export-oriented, or that utilized domestic rubber, wood, and other raw materials. In the mid-1980s the Malaysian economy changed from a commodity-based to a manufacturing-based economy. In 1986, the leading manufacturing industries included rubber processing, the manufacture of tires and other rubber products, palm oil processing, tin smelting, and the manufacture of chemicals, plywood, furniture, and steel. Other industries were textiles, food processing, and the manufacture of electronic and electrical components. Most early industries were controlled by ethnic Chinese and foreigners, but government policies in the 1990s and early 2000s called for greater participation by ethnic Malays.

In 2005 industry accounted for 33.3% of GDP. Of total exports in 2004, electronics and electrical products accounted for 67.6%; chemicals and chemical products 7.3%; petroleum and liquefied natural gas (LNG) 7.3%; palm oil 5.3%; and textiles, clothing, and footwear 2.7%. In 2001, Malaysia produced about 15% of the world's DVD players, compared with China's 54.1% and Japan's 7.7%. In peninsular Malaysia, the leading industries by value of annual output are rubber and palm oil processing and manufacturing, light manufacturing, electronics, tin mining and smelting, and logging and processing timber. In Sabah, the leading industries are logging and petroleum production, while in Sarawak, they are agricultural processing, petroleum production and refining, and logging.

Malaysia has six oil refineries, with a total capacity of 544,832 barrels per day (BPD) in 2005. Oil production from 1996 to 2002 varied between 650,000 bpd and 730,000 bpd. In 2004, crude oil production amounted to 750,000 barrels per day. Proven reserves have dropped from 4.3 billion in 1996 to 3 billion in 2005, and Malaysia's national oil and gas company, PETRONAS, has invested in oil exploration projects in Syria, Turkmenistan, Iran, Pakistan, China, Vietnam, Burma, Algeria, Libya, Tunisia, the Sudan, and Angola. Overseas operations made up one-third of PETRONAS's

operations in 2002. Japan, Thailand, South Korea, and Singapore continue to be the major customers for Malaysian crude oil. Malaysia's domestic oil fields are split between the South China Sea off Borneo and those off peninsular Malaysia. All exploration is conducted under production-sharing contracts (PSCs) between PETRONAS, the national oil company, and foreign companies. In 1999, foreign oil companies involved in the production of oil and gas in Malaysia included Exxon, Shell, Sonoco, Statoil, Union Carbide, Amerada, and Lundin. Gas reserves were being developed to fuel power stations and to supply industries in peninsular Malaysia and Singapore. In 2003, Malaysia accounted for 14% of the world's exports of LNG, down from 18% in 1998.

A top industrial priority in Malaysia economic plans is the development of the "multimedia super corridor" (MSC), an ambitious project underway to transform a 15-by-40 km (9.3-by-25 mi) area south of Kuala Lumpur into Asia's version of California's Silicon Valley. It is composed of a number of projects: the tallest twin towers in the world, the 450-m (1,483-ft) Petronas Twin Towers; two of the world's first Smart Cities—Putrajaya, the \$8-billion new seat of government and administrative capital of Malaysia, where the concept of electronic government will be implemented, and Cyberjaya, an intelligent city with multimedia industries, research and development centers, a multimedia university, and operational headquarters for MSC; the construction of a \$3.6 billion international airport; and the installation of a fiber-optic telecommunications system linking them all.

In 1998, as part of its policy to encourage manufacturing industries, the government relaxed restrictions on foreign ownership of new manufacturing projects. Any new manufacturing project for which the Malaysian Industrial Authority (MIDA) approves a license may have up to 100% foreign ownership, regardless of its involvement in exporting.

## 29 SCIENCE AND TECHNOLOGY

Training in science, technology, and related subjects was promoted at all levels during the 1970s and 1980s. Enrollment at technical and vocational secondary schools rose from 4,510 in 1970 to 20,720 in 1985. The National University of Malaysia at Selangor, the University of Malaya at Kuala Lumpur, the University of Agri-

culture at Selangor Darul Ehsan, the University of Science at Penang, the Technological University at Johor Bahru, Kolej, Daman-saura Utama College at Selangor, Politeknik Kuching at Surawak, and Tunku Abdul Rahman College at Kuala Lumpur offer degrees in basic and applied sciences. In 1987–97, science and engineering students accounted for 54% of college and university enrollments. National science policy is administered by the Ministry of Science, Technology, and Environment. The Ministry of Agriculture undertakes all aspects of research for improvement of crops. The Institute of Medical Research is a branch of the Ministry of Health.

The Forest Research Institute Malaysia (FIRM), the Freshwater Fish Research Center, the Malaysian Agricultural Research and Development Institute (MARDI), the Malaysian Institute of Microelectronic Systems (MIMOS), and the Rubber Research Institute of Malaysia are all located in Kuala Lumpur.

In 2002, total expenditures on research and development (R&D) amounted to \$1.5 billion or 0.69% of GDP. Of that amount, business accounted for 51.5% of R&D spending, followed by the government at 32.1%, foreign investors at 11.5%, and higher education at 4.9%. In that same year, Malaysia had 294 scientists and engineers and 57 technicians per million people, who were actively engaged in R&D. In 2002, high-tech exports were valued at \$40.912 billion and accounted for 58% of manufactured exports.

## 30 DOMESTIC TRADE

Imported goods are channeled into the Malaysian market through local branches of large European mercantile firms; by local importers with buying agents abroad; through branch offices and representatives of foreign manufacturers; by local Chinese, Indian, and Arab merchants who import directly; and by commission agents. Chinese merchants occupy an important place in the marketing structure and control a large share of the direct import trade. For warehousing of imported goods, the facilities of the port of Singapore are used, while rubber for export is warehoused mainly on plantations.

The usual business hours are from 9:00 AM to 5:00 PM, Monday–Friday including an hour-long lunch break, with most businesses operating for a half-day on Saturday. All public service departments and some banks close on the first and third Saturday of the month. In Kelantan, Terengganu, Johor, Perlis, and Kedah states, businesses close for a half-day on Thursday (in keeping with Islamic practice) and Friday is the day of rest. English is widely used in commerce and industry.

Newspaper and motion picture advertising is directed toward the higher-income consumer, while radio advertising, outdoor displays, and screen slides are used for the lower-income consumer who is less likely to be literate. A code of practice and ethics governing advertising is in force, with restrictions on advertising of some products, such as alcohol and tobacco. Trade fairs are supervised by the Ministry of Trade and Industry.

## 31 FOREIGN TRADE

During the 1970s, petroleum and manufactures displaced rubber and tin as Malaysia's leading exports. Malaysia now exports over one-third of the world's fixed vegetable oil and a considerable portion of the world's radio broadcast receivers, but its largest export revenues come from sales of office machines.

### Principal Trading Partners – Malaysia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	104,969.3	82,740.6	22,228.7
United States	20,539.7	12,850.7	7,689.0
Singapore	16,522.8	9,811.1	6,711.7
Japan	11,221.8	14,282.4	-3,060.6
China	6,810.1	7,299.7	-489.6
China, Hong Kong SAR	6,783.8	2,257.8	4,526.0
Thailand	4,615.3	3,828.8	786.5
Other Asia nes	3,776.7	4,131.2	-354.5
Netherlands	3,430.6	565.6	2,865.0
Korea, Republic of	3,039.4	4,554.7	-1,515.3
Australia	2,613.8	1,264.0	1,349.8

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.



The primary exports in 2004 were: electronics and electrical machinery (67.6% of all exports); petroleum and liquefied natural gas (7.3%); chemicals and chemical products (7.3%); palm oil (5.3%); and textiles, clothing, and footwear (2.7%). The primary imports were: intermediate goods (75.6% of total imports); capital goods (14.6%); consumption goods (6.1%); reexports (4.5%); and dual-use goods (2.5%).

Malaysia's leading markets in 2004 were: the United States (18.8% of all exports); Singapore (15%); Japan (10.1%); China (6.7%); and Hong Kong (6%). Leading suppliers in 2004 were: Japan (15.9% of all imports); the United States (14.5%); Singapore (11.1%); China (9.8%); and Thailand (5.5%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Malaysia sustained a favorable trade balance throughout the 1960s and 1970s, recording its first trade deficits in 1981 and 1982, as world prices for tin, crude oil, rubber, and palm oil, the major exports, weakened simultaneously. Malaysia's balance of payments, like that of many other producers of primary products, was adversely affected in 1981–82 by the prolonged recession in the world's industrial nations. From 1983 to 1986, however, Malaysia registered trade surpluses. In the 1990s, a significant growth in exports and a decrease in imports led to trade surpluses, along with a fairly large services deficit. In the early 2000s, however, exports declined, but so did imports of intermediate components used in the manufacture of the country's electronics exports; this contributed to continuing strong trade surpluses.

The current-account recorded a surplus of \$14.8 billion in 2004, lifted by a large merchandise trade surplus. The services and income balances remained in deficit. In 2005, the current-account surplus amounted to \$15.35 billion. Exports totaled an estimated \$147.1 billion in 2005, and imports were estimated at \$118.7 billion. Although the trade and current-account surpluses were expected to narrow over the 2006–07 period, their nominal val-

ues were projected to be large compared with levels seen in the 1990s. In 2002, Malaysia's total exports of goods and services were equivalent to 114% of nominal GDP, a high figure by international standards.

### 3<sup>3</sup> BANKING AND SECURITIES

In 1958, the Bank Negara Tanah Melayu (renamed the Bank Negara Malaysia in 1963) was created as the central banking institution. Bank Negara requires banks to maintain a minimum risk-weighted capital ration (RWCR) of 8%. At the end of 2002, Malaysia had 31 licensed commercial banks, 19 finance companies, 12 merchant banks, 2 Islamic banks, and 7 discount houses. A total of 36 foreign banks have offices in Malaysia, but their banking privileges are restricted. Specialized credit institutions include the Federal Land Development Authority (FELDA), the Agricultural Bank of Malaysia (Bank Pertanian Malaysia), and Bank Rakyat, serving rural credit cooperative societies. International trade is financed mainly by the commercial banks. Total banking system assets were \$179.1 billion in 2000. There were 51 offshore banks operating on the island of Labuan in 1997.

Malaysia offers Islamic banking, which is based on the concept of profit sharing as opposed to the use of interest in the conventional banking system. One such Islamic bank is Bank Islam Malaysia Berhad. The central bank has embarked on a plan to develop Malaysia as a regional Islamic financial center. Toward this end, the central bank formed a consultative committee on Islamic banking in January 1996 to serve as a think-tank group to develop strategies and proposals to map out the future direction of Islamic banking. Although Islamic operations were only a small proportion of total business, Malaysia has achieved more than most other Islamic countries in this respect and its developments are regarded as models by them.

The International Monetary Fund reported that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$22.1 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$93.9 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 2.79%.

The principal market for securities is the Kuala Lumpur Stock Exchange (KLSE), which separated from the joint Stock Exchange of Malaysia and Singapore in 1973. A second, smaller exchange has operated since 1970 to serve indigenous Malay interests. In October 1991 the KLSE completely severed its links with the Singapore Stock Exchange. As of 2001, the KLSE was capitalized at approximately \$120 billion. Foreign investors are permitted to buy and sell on the stock market, subject only to compliance with regulatory requirements. In June 1995, a wide range of measures liberalizing the Malaysian capital market were introduced. These included the lowering of commission rates on the KLSE, the easing of controls on loans secured against shares, and less stringent conditions for overseas fund managers. Overseas funds can now set up 100% subsidiaries for conducting non-Malaysian business and rules on work permits for expatriate staff have been relaxed. By the end of 1997, the Kuala Lumpur Stock Exchange Composite Index (KLCI) capitalization had declined 53% from its high that year of 1271.57. The KLCI hit a low of 262.70 in September 1998, but had climbed back up to 696.1 by the end of 2001. In 2004, the

#### Balance of Payments – Malaysia (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>13,381.0</b>
Balance on goods	25,711.0	
Imports	-79,289.0	
Exports	104,999.0	
Balance on services	-3,955.0	
Balance on income	-5,928.0	
Current transfers	-2,447.0	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-3,196.0</b>
Direct investment abroad	-1,369.0	
Direct investment in Malaysia	2,473.0	
Portfolio investment assets	-196.0	
Portfolio investment liabilities	1,174.0	
Financial derivatives	119.0	
Other investment assets	-4,502.0	
Other investment liabilities	-895.0	
<b>Net Errors and Omissions</b>		<b>-4.0</b>
<b>Reserves and Related Items</b>		<b>-10,181.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

KLCI rose 14.3% from the previous year to 907.4. As of 2004, a total of 962 companies were listed on the Bursa Malaysia and had a market capitalization of \$190.011 billion.

### 34 INSURANCE

In Malaysia, third-party automobile liability, workers' compensation, and social security are compulsory insurances. The law requires insurance firms to maintain a minimum of 80% of their assets in authorized Malaysian holdings, including (by an amendment passed in 1978) 24% in government securities. Foreign insurance companies may operate by obtaining a license. The government's insurance branch, the Malaysian National Reinsurance Berhad, covers 25% of all fire and personal accident, 10% of aviation and automobile, and 20% of all other classes of insurance. In 2003, the value of all direct insurance premiums written totaled \$5.609 billion, of which life insurance premiums accounted for \$3.455 billion. Malaysia's top nonlife insurer in 2003 was Kurnia, which had gross written nonlife premiums of \$252.4 million. In 2002, the country's leading life insurer was Great Eastern, which had gross written life insurance premiums of \$802.8 million.

### 35 PUBLIC FINANCE

Malaysia's economy, heavily industrial and heavily dependent on export revenues, experienced a bump in the road when the US economy began to slow down at the end of 2000. The United States is a key trading partner for Malaysia, so as exports to the United States fell, so did Malaysia's economy. The government introduced two fiscal stimulus packages in 2001, but neither did the job; at the time, analysts suspected that GDP would grow less than 1% on the year.

The US Central Intelligence Agency (CIA) estimated that in 2005 Malaysia's central government took in revenues of approximately \$30.5 billion and had expenditures of \$34.6 billion. Revenues minus expenditures totaled approximately -\$4 billion. Public debt in 2005 amounted to 48.3% of GDP. Total external debt was \$56.72 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were M\$93,610 million and expenditures were M\$110,571 million. The value of revenues was us\$24,634 million, based on an official exchange rate for 2003 of us\$1 = M\$3.8 as reported by the IMF.

### 36 TAXATION

Income tax is levied on all individual and corporate income accrued in Malaysia during the previous year. As of 2005, income of resident individuals was progressively taxed, with a top rate of 28%. Nonresidents are taxed at a flat rate of 28%. Resident and nonresident companies are charged a flat rate of 28%. A 38% income tax is levied on petroleum corporations. Royalties and technical fees are subject to a 10% withholding tax, while the withholding rate for interest is 15%. Dividends are treated as income and are not subject to a withholding tax, if the appropriate amount of tax has already been paid on the company's income. Otherwise, the dividends are subject to a flat 28% rate.

Incentives are available for pioneer industries and for certain capital investments. Capital gains taxes are levied on the sale of real estate. Indirect taxes include a general 10% sales tax (5% for

essential items, 20% for liquor and 25% for cigarettes) and a 5% services tax.

### 37 CUSTOMS AND DUTIES

Import tariffs on textiles and other items already produced in Malaysia are applied in order to protect domestic industries. Rates vary from 0–300% and imports are also subject to a 10% sales tax and excise taxes. However, the average duty rate is less than 8.1%. In 2000, the government reduced duties on 136 categories of food products from 5–20% to 2–12%. Imported luxury goods have the highest rates. Items imported for industrial development, including machinery and raw materials imported for processing and re-export, are usually duty-free. Exports are generally free of control, except that licenses and export duties apply to exports of petroleum (25%), rubber, tin, palm oil, timber, and pepper.

As a member of the ASEAN free trade area, Malaysia is a part of the Common Effective Preferential Tariff Scheme (CEPT), which aims to liberalize trade in the region. As of 2003, all tariffs on manufactured goods were reduced to 0–5% between member countries, including Singapore, Brunei, Thailand, Philippines, and Indonesia. Vietnam, Laos, Myanmar, and Cambodia were scheduled to join the CEPT by 2008. Malaysia has bilateral trade agreements with 59 countries as well. There are several free zones and a free port at Port Klang.

### 38 FOREIGN INVESTMENT

The government encourages foreign investors with a tax holiday of up to 10 years for investments in new industries and assurance of convertibility and repatriation of capital and profits. In 1975, the Industrial Coordination Act established new equity participation guidelines that required a substantial majority of Malaysian ownership of new import-substitution industries catering to the domestic market and using local technology; 70% Malaysian ownership was stipulated for export industries. Export industries using imported raw materials could be 100% foreign owned. Some of

#### Public Finance – Malaysia (2003)

(In millions of ringgit, central government figures)

<b>Revenue and Grants</b>	<b>93,610</b>	<b>100.0%</b>
Tax revenue	69,470	74.2%
Social contributions	...	...
Grants	...	...
Other revenue	24,140	25.8%
<b>Expenditures</b>	<b>110,571</b>	<b>100.0%</b>
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

these restrictions were eased under the fifth Malaysia plan (1986–90). The Promotion of Investment Act of 1986 allowed 100% foreign ownership if a company exported at least 50% of its product and did not compete with local industry, or if it exported at least 80% of its product regardless of competition. In 1998, 100% foreign ownership was granted to projects exporting at least 80% of output, 79% foreign ownership for exports of at least 51% of output, up to 50% foreign ownership for exporting at least 20% of output, and a maximum foreign ownership of 30% for projects exporting less than 20%, regardless of the origin of raw materials. Also, for new manufacturing projects, 100% foreign ownership is permitted in any project approved by the Malaysian Industrial Development Authority (MIDA). The MIDA screened all proposals for manufacturing projects to determine if they are compatible with the Second Industrial Master Plan (1996–2005), and government strategic and social policies.

In October 1990 the government established on the Federal Territory of Labuan as an International Offshore Financial Center (IOFC) to provide offshore banking and insurance, trust fund management, offshore investment holding and licensing companies, and other financial services for multinational companies. In the period following the 11 September 2001 terrorist attacks on the United States, Malaysia took the lead in seeking to institutionalize Islamic banking and attract Islamic investment. In November 2001 Malaysia was a founding member of the International Islamic Financial Market (IIFM), along with Bahrain, Indonesia, Sudan, and the Islamic Development Bank (IDB) based in Saudi Arabia. In June 2002 the Malaysian government took the lead in putting together the world's first global Islamic bond issue. The Labuan Offshore Financial Services Authority (OFSA) takes credit for initiating the idea of the establishment of the IIFM, and the Islamic Financial Service Organization (IFSO), which is taking the lead in formulating and developing standards for the regulation of Islamic financial institutions, is headquartered in Malaysia. More conventionally, as of 2006 14 free-trade zones (FTZs) were established in Malaysia. (FTZs are specially designated geographic areas with regulations, including minimum customs controls and formalities when importing raw materials, parts, machinery, and equipment, specifically designed to serve export-oriented industries.) There are specially designated FTZs for businesses engaged in commercial activities including trading, breaking bulk, grading, repackaging, relabeling, and transit. Within an FTZ, goods are allowed to be imported without being subject to customs procedures, provided the goods are ultimately exported after processing.

Assets attracting foreign investors to Malaysia are location, cultural ties with Singapore and Taiwan, economic and political stability, an increasingly competent labor force, and good infrastructure. The main barriers have been restrictions put on foreign investment and ownership as a part of the government's *bumiputera* policy, which sought particularly to insure Malay dominance of domestic markets. Nevertheless, before the sharp reduction in 2001, Malaysia was regularly listed among the top 25 best destinations for foreign investments.

Annual average foreign direct investment (FDI) in Malaysia 1985–1995 was close to \$3 billion, amounting to an average 14.5% of the country's annual gross fixed capital formation. In 1996, annual FDI rose above \$7 billion. A strong first half in 1997 brought the year's total to \$6.3 billion before falling over 57% to \$2.7 bil-

lion in 1998, reflecting the rapid disinvestments that precipitated the Asian financial crisis. Recovery was sharp, if incomplete, however; FDI reached \$3.89 billion in 1999, 22.2% of the gross fixed capital formation (GFCF), and \$3.8 billion (16.5% of GFCF) in 2000. However, in 2001, in the context of a worldwide contraction in foreign investment of almost 50%, FDI to Malaysia fell precipitously 85.4% to \$554 million. Total stocks of FDI in Malaysia grew 83.6% in period 1995 to 2000, from \$28.7 billion to \$52.7 billion, and from 32.3% to 58.8% as a percent of GDP. In 2001, the total FDI stock increased only 1% as the total reached \$53.3 billion. The largest investment sources were the United States, Japan, Germany, Taiwan, Singapore, and Korea.

By 2006, cumulative US foreign direct investment in Malaysia had reached an estimated \$30 billion. In 2004, FDI inflows amounted to some \$3.5 billion, led by Germany with \$1.243 billion invested. Singapore (\$399 million), the United States (\$279 million), and Japan (\$266 million) followed. The majority of FDI went to the electronics sector (\$1.796 billion), followed by the paper and print sector (\$358 million); and petroleum sector (\$214 million). In 2004, Malaysia invested \$7.448 billion abroad, with \$666 million going to Singapore, \$296 million to Hong Kong, \$252 million to Chad, \$203 million to the United States, and \$181 million to Thailand.

In 1996 the government announced a list of 31 major infrastructure projects to be built between 1995 and 2020 at a cost of m\$163 billion. The Second Industrial Master Plan (1996–2005) outlined investment opportunities. These have drawn a huge influx of foreign investment. They include the Bukun hydroelectric dam in Sarawak (Southeast Asia's largest), and the projects involved in the development of the Multimedia Super Corridor (MSC): the Petronas Twin Towers, the world's tallest twin towers; one of the region's most modern airports; and Putrajaya, the new capital city and administrative center for electronic government, and Cyberjaya, Malaysia's center for computer technology.

Most foreign investment is concentrated in the production of electronic components, consumer electronics, and electrical goods (dominated by US and Japanese firms), petroleum production and distribution, textiles, vehicle assembly, steel, cement, rubber products, and electrical machinery.

Malaysian outward investments 1985–95 amounted to less than a quarter of inward investments, with an annual average of \$677 million. However, in 2001–02, this ratio had more than doubled to about 50%. A significant source of outward investments is Petrolim Nasional Berhad (PETRONAS), the state oil company incorporated in 1974. In 2002, domestic petroleum reserves had fallen to about 3 billion barrels of oil and 2.34 trillion cu m (82.5 trillion cu ft) of gas. Overseas investments in the upstream sectors (exploration, development and production) of the petroleum industries in 20 countries had, as of 2002, yielded an additional 3.25 billion barrels of oil equivalent. In international investments involving downstream operations (refining, distribution, marketing), PETRONAS's acquisition of the entire share holding of Engen Ltd., a South African oil company, increased its net refining capacity by almost 40%, to 361,500 barrels per day. The state company's other downstream activities include liquefied petroleum gas (LPG) terminalizing, bottling, and distribution in China, Vietnam, and the Philippines, and refining and retailing in Cambodia and Thailand.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Malaysia's economy has been transformed from a protected low-income supplier of raw materials to a middle-income emerging multisector market economy driven by manufactured exports, particularly electronics and semiconductors, which constitute about 90% of exports. Since 1970 and the institution of the New Economic Policy (NEP) following deadly riots in 1969 against economically dominant ethnic Chinese, the government's commitment to the free market has been hedged by its *bumiputera* (literally, "sons of the soil") policies aimed at providing "constructive protection" for Islamic Malays against economic competition from other ethnic groups and foreign investors, particularly in the domestic market. In the Asian financial crisis of 1997, most of the major companies that the government had privatized and reserved for *bumiputera* leadership (including Proton, the national car company, Malaysian Airlines, the Renong engineering group, and the Malaysian Resources media group) had to be renationalized to prevent their collapse. A vigorous recovery program mounted by the government that was showing positive results in 1999 and 2000 ran abruptly into the wall of the 2001 global economic slowdown. Worldwide, foreign direct investment dropped almost 50%, and in Malaysia the decline was an even more precipitous 85%. Gross domestic product growth dropped to 0.7% for 2001, from its usual 7–9%.

Business in Malaysia remains dominated by non-Malays. In 1970, a government holding company, Perbadanan Nasional (PERNAS), was created to encourage Malay-controlled businesses; in 1975, the government attempted, through PERNAS, to strengthen Malaysian interests in the tin-mining sector. Also in 1974, the government established the National Oil Co. (PETRONAS), with the overall aim of acquiring majority control of the country's petroleum operations. The Industrial Coordination Act of 1975 attempted to accelerate indigenous Malay participation in the economy by setting limits on foreign participation in the processing, domestic distribution, and export of local raw materials. In 1971, the New Economic Policy (NEP) was adopted, with the aim of channeling a greater share of future economic growth into Malay hands. It specifically called for raising the level of corporate ownership by Malays to 30% by 1990, reducing corporate ownership by other Malaysians (i.e., Chinese and Indians) to 40%, and restricting foreigners to ownership of no more than 30%. Short-term investment strategies are set forth in a series of economic plans. The fourth Malaysia plan (1981–85) proposed a level of development spending of M\$42.8 billion and called for acceleration of the NEP goals for *bumiputera* economic participation. Major industrial and infrastructural development projects included a M\$900-million bridge between Pulau Pinang and the mainland and a M\$600-million automobile-manufacturing plant, both of which opened in 1985. Economic planning stressed a "look East" policy, with Malaysia attempting to emulate the economic successes of Japan and the Republic of Korea by importing technology from those countries. In response to deteriorating prices for oil and other exports, the fifth Malaysia plan (1986–90) moved away from the goals of the NEP, aiming instead at promoting foreign investment, particularly in export industries.

The year 1990 marked the culmination of several economic development plans: the fifth Malaysia plan (FMP), 1986–90; the conclusion of the first outline perspective plan (OPP1) 1971–1990;

and the completion of the new economic policy (NEP) 1971–1990. The FMP emphasized industrialization. Specific targets were formulated to ensure that the distribution of ownership and participation in the commercial and industrial sector would be characterized by ethnic group participation, 30% *bumiputera* (Malays and other indigenous peoples), 40% other Malaysians (Chinese and Indian descent), and 30% foreign. The government provided funds to purchase foreign-owned shareholding on behalf of the *bumiputera* population, increasing their equity to 20% by 1990. These policies are part of the new national development policy, although specific targets and timetables have been dropped.

A post-1990 NEP defined Malaysian economic strategy for full development by 2020. Three ten-year outline perspective plans, which included a new development plan and six five-year plans, made up the NEP. A second outline perspective plan (OPP2) 1991–2000 aimed to sustain growth momentum and to achieve a more balanced development of the economy. The sixth Malaysia plan called for an average annual growth rate of 7.5%, and expenditures on infrastructure were included to ensure prospects for further development. Development trends are toward privatization, encouraging the spread of industry throughout the country, increasing manufacturing in the free trade zones, and providing financing for industry through the establishment of specialized financing institutions.

A five-year development plan announced in 1996 forecasted average growth of 8% per year for 1996–2000. In 1997–98, low productivity, a skills shortage, and a gaping current-account deficit along with a global financial crisis based in Asia, combined to cause an economic downturn. Massive capital and infrastructure projects have attracted foreign investment and international respect.

The Ninth Malaysia Plan was announced in 2006 to focus on improving supply-side issues, such as the promotion of new sources of value-added economic growth, the liberalization of the financial sector, and further measures to strengthen small- and medium-sized firms. Reducing the deficit was a policy priority, as fiscal stimulus had increased the budget deficit in the early 2000s. The government—as with those in other Southeast Asian countries—was committed to finding ways to revive domestic consumption instead of relying primarily upon exports for economic growth, which would help insulate Malaysia from the vagaries of the global economy.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

A provident fund provides lump-sum benefits for old age, disability, and death. Pensions are funded by 11% contributions of earnings by workers, and 12% of payroll by employers. Domestic servants, foreign workers, and the self-employed are not covered by the system. The retirement age is 55. Work injury insurance and disability pensions to low-income workers are available, with a special system for public employees.

The government has taken active measures to improve the rights and standing of women. The Islamic Family Law was revised to strengthen the inheritance rights of Muslim women and to increase their access to divorce. The government passed a domestic violence bill that allows the courts to protect victims of spousal abuse. However, this law falls short of making domestic violence a criminal act, and women's groups called for amendments in 2004.

Most Muslim women play subordinate roles in public and private life in spite of their growing legal rights. Although women make up more than half of university students, they represent only 15% of key posts in public sector jobs. Custom favors men in matters of inheritance.

Human rights abuses, include arbitrary arrest and detention, torture, and other types of prisoner abuse, exist. Caning is still used for some crimes. The government restricts the freedom of press, religion, association, and assembly.

#### 41 HEALTH

Malaysia enjoys a comparatively high standard of health, the result of long-established health and medical services. There are three main hospitals in Malaysia, all located in the capital, Kuala Lumpur: Subang Jaya Hospital, General Hospital, and Penang Adventist Hospital. Approximately 80% of the population had access to health care. As of 2004, there were an estimated 70 physicians, 135 nurses, 9 dentists, and 33 midwives per 100,000 people. In the same year, total health care expenditure was estimated at 2.5 % of GDP. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 24.22 and 5.2 per 1,000 people. Approximately 51% of married women (ages 15–49) used contraception. Life expectancy was 72.24 years in 2005. It is estimated that 90% of the population had access to safe water, and 94% had adequate sanitation.

Under the tuberculosis-control campaign begun in 1961, the number of annual deaths from tuberculosis declined to 971 in 1970, to 672 in 1983; in 1999, there were 111 reported cases per 100,000 population.

As a result of the yaws-elimination campaign, begun in 1954, the disease was virtually eliminated in the late 1960s. A malaria-eradication program, begun in 1967, resulted in a drop in the number of hospital admissions for malaria from 25,400 in 1970 to 8,274 in 1984, although malaria remains a common disease in Malaysia.

It was estimated that 23% of children under five years of age were considered malnourished. Immunization rates for children up to one year old were quite high: tuberculosis, 99%; diphtheria, pertussis, and tetanus, 93%; polio, 90%; and measles, 88%.

Among the main ethnic groups in Malaysia, those of Indian origins have the highest mortality rates compared to the Chinese and Malay. Similar trends exist for diabetes mortality. The HIV/AIDS prevalence was 0.40 per 100 adults in 2003. As of 2004, there were approximately 52,000 people living with HIV/AIDS in the country. There were an estimated 2,000 deaths from AIDS in 2003. The total fertility rate has dropped from 4.2 in 1980 to 3 in 2000. Infant mortality in 2005 was 8 per 1,000 live births. The maternal mortality rate was 39 per 100,000 live births.

#### 42 HOUSING

With about 61% of the population living in urban areas, the need for urban housing is acute. It has been estimated that over 20% of Kuala Lumpur's population consists of squatters living in overcrowded shantytowns with few urban amenities. The government has planned to build rental units in urban areas to assist low-income residents unable to purchase their own homes. In 2000, the housing stock was reported at about 5.7 million units. A total of 744,000 new housing units were built during 1970–80, and an es-

timated 923,300 units—43% public and 57% private—were part of the 1981–85 development plan.

#### 43 EDUCATION

Six years of free primary education are followed by three years of general lower secondary education. Two further years of education at the upper secondary level, in either a vocational or an academic program, are offered. Technical schools also offer secondary program, but students must have a strong math and science background in order to attend. A selective one-year pre-university course prepares students for admission to the universities. Malay is the medium of instruction in primary and secondary schools, with English as a compulsory second language. Muslim religious instruction is compulsory for all Muslim children while private Christian schools offer religious training to their students. The academic year runs from July to March.

In 2001, about 88% of all five-year-olds were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 93% of age-eligible students. The same year, secondary school enrollment was about 70% of age-eligible students (66% for boys and 74% for girls). It was estimated that about 92% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 19:1 in 2003; the ratio for secondary school was about 18:1.

The primary institutions of higher education include the Universiti Kebangsaan Malaysia (the National University of Malaysia), the University of Malaya, and the Technological University of Malaysia, all in or near Kuala Lumpur, and the University of Science Malaysia (formerly the University of Pinang). The MARA Institute of Technology is the largest postsecondary institute in the country. In 2003, about 29% of the tertiary age population were enrolled in some type of higher education program; 26% for men and 33% for women. The adult literacy rate for 2004 was estimated at about 88.7%, with 92% for men and 85.4% for women.

As of 2003, public expenditure on education was estimated at 8.1% of GDP, or 20.3% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library of Malaysia, with more than 1.3 million volumes, was established in 1971 and has been charged with wide responsibilities under the National Library Act. Both the National Library and the National Archives are in Kuala Lumpur. The National University of Malaysia (Universiti Kebangsaan Malaysia) in Bargi has 945,000 volumes. Other important libraries are those at the universities; the Sabah (380,000) and Sarawak (500,000) state libraries; Tun Abdul Razak Library at the MARA University of Technology (569,000); and the library of the Malaysian Rubber Board (120,000). The largest public libraries are in Denang, Malacca, and Selangor.

The National Museum of Malaysia in Kuala Lumpur, constructed on the site of the former Selangor Museum (destroyed in World War II), houses extensive collections of Malayan archaeology, ethnography, and zoology. The Perak Museum in Taiping, founded in 1883, has a varied collection exhibiting antiquities, ethnographic, and zoological materials. Also in Kuala Lumpur are the Museum of Asian Art (1974), the Postal Museum, the Air Force Museum, and the National Art Gallery (1958). Sabah and Sarawak maintain

anthropological and archaeological collections pertinent to East Malaysia. There is an Aboriginal Affairs Museum in Gombak.

#### 45 MEDIA

The government owns and operates a well-developed and well-equipped telecommunications system. Automatic dialing for the majority of exchanges is provided by a VHF radio circuit. In 2003, there were an estimated 182 mainline telephones for every 1,000 people; about 49,000 people were on a waiting list for telephone service installation. Also in 2003, there were approximately 442 mobile phones in use for every 1,000 people. Telegraph and radio-telephone connections link peninsular Malaysia with most foreign countries.

Radio-Television Malaysia (RTM) operates radio and television stations in Kuala Lumpur, Sabah, and Kuching, and there is a commercial station, Sistem TV-3 Berhad, in Kuala Lumpur as well. Broadcasts are in English, Malay, five Chinese dialects, Tamil, and numerous local languages and dialects. As of 2001 Malaysia had 35 AM and 391 FM radio stations and 1 television station. In 2000, there were 420 radios and 168 televisions sets for every 1,000 people. In 2001, there were 4.1 million Internet subscribers served by 7 service providers.

There are about 80 English, Malay, Chinese, and Tamil daily and weekly newspapers. The Malay-language press is the largest segment, followed by English, Chinese, Tamil, Punjabi, and Kadazan. In Kuala Lumpur, there are two major dailies published in Chinese, *China Press*, with a 2002 circulation of 210,000, and *Nanyang Siang Pau*, with a 2002 circulation of 183,800. There are also two major dailies published in Malay, *Berita Harian* (circulation 350,000 in 2002) and *Utusan Malaysia* (240,000). The *New Straits Times* is an English-language paper that had a daily circulation of 190,000 in 2002. *Malaysian Nanban* is a Tamil-language daily.

In Petaling Jaya leading newspapers include two Chinese publications, *New Life Post* (every other week, circulation 231,000 in 2002) and *Sin Chew Jit Poh* (daily, 227,070). *The Star* is published in English and had a 2002 circulation of 220,490 daily.

Though the constitution provides for freedom of speech and a free press, in practice the government is said to restrict the flow of information deemed "sensitive," including issues regarding citizenship of non-Malays and the special position of Malays in society. Under the Printing Presses and Publications Act, every publisher must obtain a license, to be renewed annually by the government. The government has the right to restrict or ban such publications if their content is considered to contain malicious or distorted views of the government. As such, the media generally practices self-censorship, providing laudatory, noncritical coverage of government activities.

#### 46 ORGANIZATIONS

The Malaysian government promotes thrift, credit, processing, marketing, farming, consumer, and housing cooperatives. The cooperative movement was introduced in Malaya in 1922. The Chinese are organized along clan, common dialect, or occupational lines into rural credit associations. These local associations set up and maintain schools, build temples, and provide burial, relief, and employment services. In the larger cities, chambers of commerce, organized along ethnic lines, promote the economic welfare of the group represented. Specialized trade and industry associations in-

clude the Pepper Marketing Board, Malaysian Pineapple Industry Board, and the Malaysia Cocoa Board. The National Chamber of Commerce and Industry of Malaysia is in Kuala Lumpur. Professional associations are available for a wide variety of occupations.

Cultural organizations include the multinational Royal Asiatic Society and the International Institute of Islamic Thought and Civilization. Educational and research organizations include the Malaysian Medical Association and the Malaysian Scientific Association. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions, such as the National Heart Association of Malaysia.

Youth organizations include the Federation of Malay Student Unions, Girl Guides Association of Malaysia, Malaysia Council of Churches Youth Division, Muslim Youth Movement of Malaysia, Junior Chamber, National Union of Malaysian Muslim Students, and the United Malaysian Youth Movement. YMCA/YWCA chapters are also active. There are several sports associations in the nation, including the regional Asean Football Federation. There are active branches of the Special Olympics.

Kiwanis and Lion's clubs have programs in the country. There are national chapters of the Red Crescent Society, Habitat for Humanity, UNICEF, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Most large hotels are in the major cities of Kuala Lumpur and George Town. The best-known hill resort areas are Cameron Highlands, Raub, and Pinang Hill. Island resorts off the coast of the peninsula are Langkawi and Pangkor. Horse racing, football (soccer), rugby, cricket, and sepak raga (a form of badminton) are popular spectator sports. Kite fighting and top spinning are traditional pastimes for children and adults, and silat (a Malay martial art) is popular in rural areas.

Passports are required of all entrants. Citizens of most countries, including the United States, Australia, and China, are required to have visas. Precautions against yellow fever, typhoid, and malaria are recommended before travel to Malaysia.

There were 10,576,915 foreign visitors who arrived in Malaysia in 2003. Tourist receipts totaled \$6.7 billion. Hotel rooms numbered 144,380 with an occupancy rate of 53%.

In 2004, the US Department of State estimated the daily cost of staying in Kuala Lumpur at \$129; and other areas, \$121.

#### 48 FAMOUS MALAYSIANS

Among the foremost Malaysian leaders of the past was Sultan Mahmud, 16th-century ruler of Malacca. A great figure in Malay culture was 'Abdallah bin 'Abd al-Kabir (surnamed Munshi', 1796–1854), sometimes called the greatest innovator in Malay letters. The best-known figure in the political life of modern Malaysia is Tunku Abdul Rahman Putra bin Abdul Hamid Halimshah (1903–1990), first prime minister of the Federation of Malaysia. Other political leaders are Tun Abdul Razak (1922–76), the nation's second prime minister (1970–76); Datuk Seri Mahathir bin Mohamed (b.1925), prime minister 1981–2003, succeeding Dato Onn bin Ja'afar (1895–1962), a founder of the United Malays National Organization; and Sir Cheng-lock Tan (1883–1960), leader of the Malaysian Chinese Association. Abdullah bin Haji Ah-

mad Badawi (b.1939) succeeded Mahathir bin Mohamed as prime minister in 2003.

#### 4<sup>9</sup>DEPENDENCIES

Malaysia has no territories or colonies.

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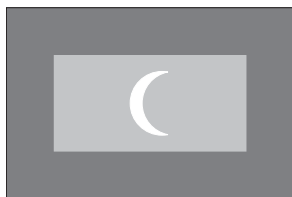
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# MALDIVES

Republic of Maldives  
*Dhivehi Raajjeyge Jumhooriyyaa*

**CAPITAL:** Malé

**FLAG:** The national flag consists of a white crescent at the center of a green field which, in turn, is at the center of a red field.

**ANTHEM:** *Gavmii mi ekuverikan matii tibegen kuriime salaam (In National Unity Do We Salute Our Nation).*

**MONETARY UNIT:** The Maldivian rupee, or rufiyaa (MR), is a paper currency of 100 laris. There are notes of ½, 1, 2, 5, 10, 50, and 100 rufiyaa. The dollar circulates freely and is the only currency accepted at some resorts. MR1 = \$0.07813 (or \$1 = MR12.8) as of 2004.

**WEIGHTS AND MEASURES:** The metric system has been adopted, but some local units remain in use.

**HOLIDAYS:** National Day, 7 January; Independence Day, 26 July; Republic Day, 11 November; Fishermen's Day, 10 December. 'Id al-Fitr, 'Id al-'Adha, and Milad an-Nabi are some of the Muslim religious holidays observed.

**TIME:** 5 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The smallest country in Asia, the Republic of Maldives consists of an archipelago of nearly 1,200 coral islands and sand banks in the Indian Ocean, some 200 of which are inhabited. The chain of islands sits astride the equator, s of India and w of Sri Lanka, extending 823 km (511 mi) but occupying an area of just 300 sq km (116 sq mi). The area occupied by Maldives is slightly more than 1.5 times the size of Washington, DC. Grouped in 26 atolls, with a total coastline of 644 km (400 mi), the northernmost atoll lies some 110 km (70 mi) s of India's Minicoy Atoll, about 480 km (300 mi) SE of India's Cape Comorin, and 649 km (400 mi) w of Sri Lanka.

Maldives' capital, Malé, is situated on a 2.5 sq km (1 sq mi) island, the largest in the entire chain, in the Malé Atoll. However, Hulhumale, a manmade island a short distance from Malé, is expected to be expanded to twice the size of Malé by about 2040.

## <sup>2</sup> TOPOGRAPHY

The islands vary from tiny banks to real islets. Some of the islands are in process of formation and are constantly increasing in size; others are gradually washing away. The islands are level and extremely low-lying, with elevations rarely exceeding 1.8 m (6 ft) above sea level. Many contain freshwater lagoons.

In 1997, the nation initiated a massive land reclamation project which involved the construction of a manmade island, Hulhumale, a short distance away from Malé. In 2004, the new island was about the same size as Malé; developers hope that by about 2040 Hulhumale will be twice the size of Malé and provide housing for 153,000 people.

The disastrous tsunami that struck Indonesia on 26 December 2004 also impacted Maldives. The tsunami was caused by an underwater earthquake 324 km (180 mi) south of Indonesia's Su-

matra island. Waves reaching 6 m (20 ft) were absorbed by Maldives' coral reefs before they could severely damage the atolls. The northernmost and southernmost islands suffered the brunt of the damage. More than 20,000 residents were left without homes in Maldives, and at least 55 were found dead.

## <sup>3</sup> CLIMATE

The Maldives' equatorial climate is generally hot and humid, with a mean temperature of about 27°C (81°F). The weather during the northeast monsoon (November–March) is mild and pleasant; the southwest monsoon (June–August) is violent and very rainy. The northern atolls are subject to more violent storms than those in the south. Annual rainfall in the south averages about 380 cm (150 in); in the north, 250 cm (100 in).

## <sup>4</sup> FLORA AND FAUNA

The islands are covered with a dense scrub. The northern and southern islands are more fertile than those in the central group, and the eastern islands generally are more fertile than the western. Coconut, breadfruit, plantain, papaya, mango, and banyan trees flourish. Shrubs and flowers are widespread. Rats, rabbits, and flying foxes are the only indigenous mammals. Birds include ducks, bitterns, crows, curlews, snipes, and various sea birds. Small scorpions, beetles, and land crabs are common. Inland lagoons and coastal reefs contain tropical ocean fish, crustaceans, and turtles; the surrounding waters contain sharks, swordfish, and porpoises.

## <sup>5</sup> ENVIRONMENT

Environmental issues in the Maldives include a dwindling freshwater supply and inadequate sewage treatment. Estimates indicated that the nation's water supply may be exhausted in the near future, and population increases have created a sanitation problem that threatens the waters surrounding this island nation. Another sig-



nificant environmental problem is a rise in sea levels due to global warming. The islands are particularly susceptible to flooding.

The country has invested in several massive land reclamation projects in an attempt to resolve the land and housing shortages. One major project includes the construction of the manmade island, Hulhumale, a short distance from Malé. The project began in 1997 specifically to address the overcrowding of Malé. By 2004, the land area of the new island was nearly the same as that of Malé; land area is expected to double within the next 40 years or so, making housing lands available for a population of about 153,000. Land reclamation projects also have been used to expand the area of Malé, but further additions to the islands land area are not possible due the steep drops in the ocean floor surrounding the coast.

Environmental preservation is complicated by the unique problems of a nation consisting of 1,200 islands spread over 510 miles of the Indian Ocean. Preservation of the desert island ecology, protection of marine life and coral reefs, and coconut tree rehabilitation are additional environmental goals. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included two species of birds, two types of reptiles, and eight species of fish. The hawksbill turtle, green turtle, and blue whale are on the endangered list.

## <sup>6</sup>POPULATION

The population of Maldives in 2005 was estimated by the United Nations (UN) at 294,000, which placed it at number 169 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 36% of the population under 15 years of age. There were 106 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.4%. Despite a high fertility rate (5.1 births per woman), population growth is hampered by problems in health care and other areas of social and economic development. The projected population for the year 2025 was 398,000. The population density was 980 per sq km (2,538 per sq mi), concentrated on an island of only about 1.9 sq km (0.75 sq mi).

The UN estimated that 27% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.56%. The capital city, Malé, had a population of 83,000 in that year.

## <sup>7</sup>MIGRATION

Inter-island migration is limited to settlement in Malé; between 1967 and 2000, population in the capital rose from one-tenth to nearly one-quarter of the national total. In 1999 and 2005, the net migration rate was zero. The total number of migrants in 2000 was 3,000. The government views the migration levels as satisfactory.

## <sup>8</sup>ETHNIC GROUPS

The original inhabitants of the Maldives are thought to have been of south Indian and Arab origin. The people of the northern atolls have, to some extent, intermarried with peoples from western India, Arabia, and North Africa. Inhabitants of the southern islands show stronger physical affinities with the Sinhalese of Sri Lanka. Black African slaves imported from Zanzibar and Arabia have in-

termarried with the Maldivians, and there are also some Caucasian and Malayan elements.

## <sup>9</sup>LANGUAGES

The Maldivian language, called Divehi, is similar to the old Sinhala (Elu) of Ceylon. It has contributed the word *atoll* to international terminology. In recent years, the language has been influenced by Arabic and Urdu. Thaana, developed during the 17th century, is the corresponding script, written from right to left. English is spoken by most government officials, but only by a small number of the Maldivian population.

## <sup>10</sup>RELIGIONS

Though there is evidence that the early Maldivians were Buddhists, their conversion to Islam dates from 1153. The 1997 constitution claimed Islam as the official religion. With few exceptions, the people are Sunni Muslims, and both land ownership and citizenship are limited to adherents to this faith. The president, who must be a Sunni Muslim, is also the supreme authority of the tenets of Islam. Non-Muslim foreigners working in or visiting the country are permitted to practice their own religion privately. There are no non-Muslim places of worship. Proselytizing for non-Muslim faiths is prohibited. The government's Supreme Council of Islamic Affairs regulates matters pertaining to religion.

## <sup>11</sup>TRANSPORTATION

Malé, the capital, and some other islands have fairly good streets. Most people travel by bicycle or on foot. Interatoll transportation still depends mostly on local sailing boats, called *batheli* and *odi*. Although some mechanized boats carry cargo and, occasionally, passengers between Malé and other atolls, interisland transport is mainly by means of *dhonis* (small boats). Only a few of the islands are big enough to support automobiles. As of 2005, the Maldives had a merchant fleet of 16 vessels with 1,000 GRT or more, totaling 57,118 GRT, serving worldwide destinations, and all controlled by Maldives Shipping Ltd., a public enterprise. In 2004, the Maldives had five airports, two of which had paved runways as of 2005. Hulule, Malé's international airport, 2 km (1 mi) away over water from the capital, was completed in 1966. Built with assistance by Sri Lanka under the Colombo Plan, it consists of two islands that were joined together to create a runway. It is served by Singapore Airlines, Air Lanka, various European tourist carriers, and Indian Airlines, the last also operating as Air Maldive on certain flights. Also in 2001 (the latest year for which data was available), 311,100 passengers were carried on scheduled domestic and international airline flights.

## <sup>12</sup>HISTORY

The first inhabitants of the Maldives were probably Dravidian speakers from south India, followed by Indo-European speaking Sinhalese from Ceylon in the 4th and 5th centuries BC. The island chain first became known in the West through the writings of Ptolemy, during the 2nd century AD. The island chain may have been ruled in ancient times by the Chinese; later, its rulers paid an annual tribute to principalities of western India. Maldivians were converted to Sunni Islam from Buddhism by Arab traders from east Africa and the Middle East in the middle of the 12th century, and from 1153, an unbroken line of 92 sultans served as lo-

cal rulers for 800 years until 1953. In 1343, Ibn Battutah, the Arab traveler and historian, visited the islands and served for a time as a qadi.

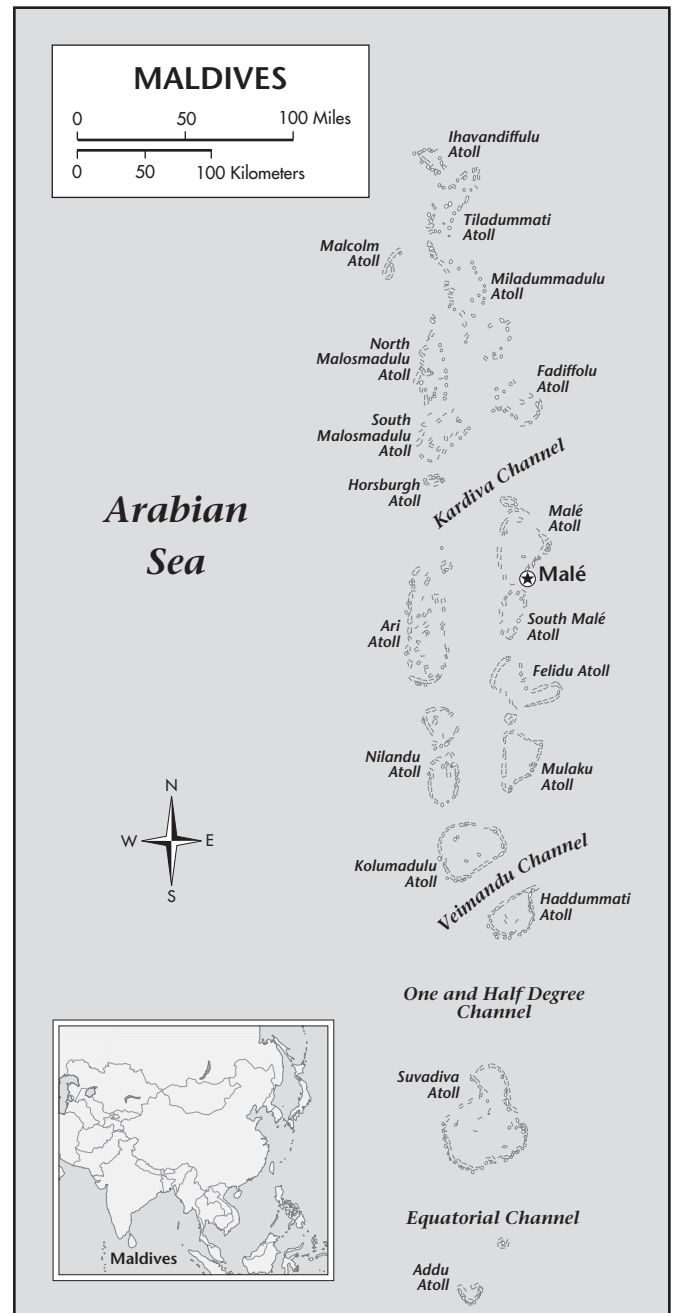
After their discovery by the Portuguese traveler Dom Lourenço de Almeida in 1507, the Maldives were occupied by the Portuguese and forced to pay a tribute to Goa, the center of Portugal's South Asian holdings. But the Portuguese were driven out in 1573 by Muhammad Thakurufaani al-Azam, who, after becoming sultan, introduced a monetary system, a new script, and a standing militia. In the 17th century, the Dutch, who controlled neighboring Ceylon (now Sri Lanka), made a treaty with the sultanate, which thereafter paid tribute to the rulers of Ceylon and claimed their protection.

The British completed their occupation of Ceylon in 1815 and British responsibility for the protection of the Maldives was formally recorded in 1887. By terms of the compact, the sultan recognized the suzerainty of the British sovereign and disclaimed all rights or intention to enter into any treaty or negotiations with any foreign state except through the (British) ruler of Ceylon. When Ceylon became independent in 1948, a new agreement was signed with the British government, providing for the Maldives to remain under the protection of the British crown, for external affairs to be conducted by or in accordance with the advice of the British government, for Britain to refrain from interfering in the internal affairs of the islands, and for the sultan to afford such facilities for British forces as were necessary for the defense of the islands or the Commonwealth. No tribute was to be paid by Maldives. New agreements reaffirming these provisions were signed in 1953, 1956, and 1960.

The sultanate, dominated by the Didi family since 1759, was abolished in 1953, and the Maldives was declared a republic. The first president, Amin Didi, ordered the emancipation of women and other reforms that were resented by more conservative elements among the people, and nine months later he was overthrown. His cousins Muhammad Farid Didi and Ibrahim Ali Didi became co-presidents in September 1953, and a month later the National Assembly voted to restore the sultanate. The new sultan, Muhammad Didi, was installed at Malé on 7 March 1954, and Ibrahim Ali Didi, the prime minister, formed a new government.

The government's agreement in 1956 to permit Britain to maintain an air base on Gan Island in the southern Maldives produced a public reaction so strong that Prime Minister Ibrahim was forced to resign in December 1957. Ibrahim Nasir, who succeeded him, asserted that the British base would violate Maldivian neutrality, but when his government sent a representative to Gan to tell the islanders to stop working for the British, the islanders attacked him.

Early in 1959, the people of Addu Atoll, in which Gan Island is located, declared their independence. At the same time, a rebellion broke out in the three southernmost atolls (including Addu). The rebel headmen declared the formation of the United Suvadiva Republic (with a population of 20,000) and demanded recognition from London. The British refused to comply, but the Nasir government made public its suspicions that the coup had been engineered by the British. In the event, government forces crushed the rebels in two of the atolls but made no attempt to interfere on Gan or any of the other seven main islands in the Addu group. By March 1960, the Suvadiva Republic was declared dissolved, and



LOCATION: 7°7' N to 0°43' S; 72°31' to 73°46' E. TERRITORIAL SEA LIMIT: 12 miles.

a committee ruling under the sovereign control of the sultan was set up, including among its members Abdallah Afif, leader of the rebellion.

In February 1960, the Maldivian government made a free gift to the British government of the use of Gan Island and other facilities in Addu Atoll for 30 years, and a fresh agreement was drawn up between the governments. In return, the British agreed to assist in bringing about a reconciliation between the Maldivian government and the disaffected inhabitants of the southern islands. But by 1962, resentment had grown against the British owing to their lack of progress in implementing the agreement; in late 1962 a Royal Navy frigate was sent to the capital island of Malé to protect

British citizens. Abdallah Afif was evacuated by the British to the Seychelles.

The Sultanate of the Maldivian Islands achieved complete independence on 26 July 1965, with the British continuing to retain use of the facilities on Gan in return for the payment of \$2,380,000, most to be spent over a period of years for economic development. In March 1968, a referendum resulted in an 81% vote to abolish the sultanate and to reestablish a republic. A new republican constitution came into force on 11 November 1968, establishing the Republic of Maldives, and Nasir—then prime minister—became president.

With the British secure in their control of facilities they shared with the United States outside the Maldives in Diego Garcia, 650 km (400 mi) east of Gan, Britain vacated the Gan air base on 31 December 1975, and the UK-Maldivian accord was formally terminated the following year.

Nasir declined re-nomination and was succeeded as president on 11 November 1978 by Maumoon Abdul Gayoom, who was chosen by the Citizens' Majlis (parliament) in June and was confirmed in a popular referendum by a majority of 90% on 28 July. Re-elected president by the Majlis in August 1983, Gayoom won confirmation in a national referendum on 30 September with a majority of 95.6%. Gayoom was re-elected to a third term in August 1988. He successfully resisted a brief attempt to overthrow him by Sri Lankan Tamil mercenaries in November 1988 with the help of an Indian military contingent flown to the Maldives at his request. In addition to the presidency, Gayoom is also minister of defense and minister for national security.

Gayoom was re-elected for a fourth term as president in August 1993 and confirmed by popular referendum in September. He was re-elected to a fifth term, unopposed, in 1998, and was re-elected to a sixth term, again unopposed, in 2003. Gayoom's only principal rival for the presidency came in the 1993 election when his brother-in-law Ilyas Ibrahim ran against him. Ibrahim subsequently was tried in absentia for violation of the constitution, found guilty of treason, and sentenced to more than 15 years banishment from the islands. In June 2004, President Gayoom promised constitutional changes to limit the presidential term of office and to allow political parties to form. In June 2005, parliament voted to allow multiparty politics.

The Maldives has been concerned for two decades about the effects of global warming on the islands. At the UN World Summit on Sustainable Development held in August and September 2002 in Johannesburg, South Africa, President Gayoom warned that his country could be submerged if a rise in sea levels due to the melting of polar ice caps continued. "A mere one-meter rise would mean the death of a nation," he stated. As world temperatures rise, the effects on the Maldives would include coastal erosion, increasing salinity of fresh water sources, altered tidal ranges and patterns, and the gradual destruction of the coral reefs that form the islands and their breakwaters.

In 2003, the human rights organization Amnesty International accused the Maldives government of political repression and torture. It said arbitrary detentions, unfair trials, and long-term imprisonment of government critics are commonplace. That September, unprecedented antigovernment riots broke out in Malé; Amnesty International blamed the unrest on political repression and human rights abuses. In August 2004, a state of emergency

was imposed after a pro-democracy demonstration became violent. Nearly 100 people were jailed.

On 26 December 2004, the Maldives suffered severe damage as a result of a massive tsunami triggered by a powerful underwater earthquake off the coast of Indonesia. Scores of people were killed, and the government said the disaster set back development work by 20 years.

### 13 GOVERNMENT

The constitution of the Republic of Maldives that came into force in 1968 (and amended in 1970, 1972, and 1975) was repealed and replaced by a new constitution in 1997. It came into force on 1 January 1998. The Citizens' Majlis (parliament) nominates a single candidate for the presidency, who is confirmed in office thereafter by popular referendum. The president heads the executive branch and appoints the cabinet and is constitutionally permitted to have as many vice presidents as he desires. The president serves a five-year term of office.

The unicameral Majlis is a body of 50 members, 42 of whom are directly elected (2 from each of the 20 inhabited atolls and 2 from the capital island of Malé) by universal suffrage of citizens over 21. Eight members are appointed by the president. Members serve five-year terms. The Majlis drafts legislation that becomes law after ratification by the president. The Majlis also nominates the president by secret ballot. The candidate is then approved by referendum of the population.

Elections to the Majlis are held individually and do not necessarily coincide with its sessions. Elections were held in December 1994, December 1999, and January 2005.

### 14 POLITICAL PARTIES

There are no organized political parties. While not banned, they are officially discouraged. Candidates for office stand for election as independents and campaign on their family and personal stature.

### 15 LOCAL GOVERNMENT

The Maldives is divided administratively into 20 districts, each a discrete atoll headed by a government-appointed *verin*, or chief, who functions in the manner of a district officer. On each inhabited island a *khatib*, or headman, also appointed by the government, supervises and carries out the orders of the government under the supervision of the atoll chief. Malé and Hulhulé (the island of the international airport) are geographically in Kaafu Atoll, but are treated as a separate administrative entity.

### 16 JUDICIAL SYSTEM

Justice is meted out according to traditional Islamic law (Shariah) by the high court and lower courts appointed for that purpose by the president, and functioning under the Ministry of Justice. Civil law is also applied but remains subordinate to Shariah. Judges must be Muslims.

On the capital island, Malé, there is a high court which hears a range of cases as a court of first instance and also serves as a court of appeal. Lower courts each deal with a specific area such as theft, property, or family law issues. The 1995 presidential decree gives power to a five-member advisory council appointed by the president to review the high court's decisions. The president also has

authority to affirm judgments of the high court, to order a second hearing, or to overturn the court's decision.

On the other islands, there is one all-purpose lower court in which cases are often adjudicated by traditional legal practitioners. Complex cases are referred to the appropriate specialized court in Malé. There are also general courts on the islands.

In criminal cases there is no jury trial. The accused may call witnesses and may be assisted by a lawyer. There are, however, few professionally trained lawyers in Maldives, and the court does not provide a lawyer to an indigent defendant. The judiciary is subject to executive influence. The president may grant pardons and amnesties.

## 17 ARMED FORCES

The armed forces of the Maldives consist of a paramilitary national security service and a militia of a few hundred people. Armed boats patrol the territorial waters to protect the local fishing industry. Military expenditures amounted to \$34.5 million in 2001, or 8.6% of GDP.

## 18 INTERNATIONAL COOPERATION

The Maldives, which joined the United Nations (UN) on 21 September 1965, is a member of ESCAP and several nonregional specialized agencies, such as the FAO, ICAO, IFC, IMF, the World Bank, UNESCO, UNIDO, and the WHO. Maldives is also a member of the Asian Development Bank, the Commonwealth of Nations, the Colombo Plan, G-77, the Organization of the Islamic Conference (OIC), the South Asia Cooperative Environment Program (SACEP), the Alliance of Small Island States (AOSIS), and the 7-member South Asian Association for Regional Cooperation (SAARC).

An active member of the Nonaligned Movement, Maldives has led efforts to declare an Indian Ocean Peace Zone, free of nuclear arms. Sri Lanka has traditionally served as the Maldives' focus in its external affairs. However, this has been broadened in the last few decades as the Maldives entered into diplomatic relations with more countries, and communication and transportation have opened up the outside world.

In environmental cooperation, the Maldives is part of the Basel Convention, the Convention on Biological Diversity, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea and Climate Change.

## 19 ECONOMY

As of 2003, the Maldives remains on the United Nations (UN) list of least developed countries, yet economic progress has been steady. The first tourist resort was opened in 1972. In 1989 the government lifted import quotas and liberalized some sectors of trade. Gross domestic product growth rates averaged about 10% in the 1980s and about 7% in the 1990s. In the 1990s, the peak was 16% (1990) and the low 4% (1993). In 1998 and 1999, real GDP growth reached 9.1% and 8.5%, respectively, but fell to 4.8% in 2000, following a decline of -2.3% in agriculture (including coral and sand mining) and of -0.5% in industry. Growth recovered to 5.7% in 2001.

Fishing, tourism, and shipping are the mainstays of the economy, employing over half of the work force. The tourism industry has become particularly important, accounting for about 20%

of GDP, 31% of government revenues, and more than 60% of the country's foreign exchange earnings in 2002. The government is seeking to continue diversifying the economy through further promotion of tourism, processing industries, and garment production. Besides tourism, GDP is composed of distribution, 4.5%; construction, 3%; fisheries, 6%; agriculture, 3%; transportation and communication, 16%; government administration, 12%; and manufacturing and electricity, 8%.

The economy was on an upward surge in 2004, with a GDP growth rate of 8.8% (up from 8.4% in 2003, and 6.5% in 2002). In December 2004, a major tsunami devastated most of the country, killing 100, leaving 12,000 displaced, and causing damages of over \$300 million. As a result, economic growth was expected to decrease to 1.0% in 2005. The inflation rate has been fluctuating, but it did not pose a problem to the economy; in 2004 it reached 6.4%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Maldives's gross domestic product (GDP) was estimated at \$1.3 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$3,900. The annual growth rate of GDP was estimated at 2.3%. The average inflation rate in 2005 was 5.6%. It was estimated that agriculture accounted for 20% of GDP, industry 18%, and services 62%.

## 21 LABOR

There were approximately 72,000 members of the Maldives workforce in 2002, one-third of whom were foreign workers. About 20% of the workforce in 1999 was employed in fishing; 15% in industry; 10% in tourism; and 55% in other sectors. The unemployment rate in 2003 was negligible.

Union organization is not prohibited, but the government does not recognize union organization or striking as a right. However, some associations have been formed to address workers' rights.

The minimum working age is 14 (16 for government work) and there were no reports of children working in the formal economic sector in 2001. However, children work in family agricultural and fishing enterprises. There are no specific statutory provisions regarding working hours, the workweek length, or overtime pay. Administrative orders from the president's office have set a seven-hour workday and a five-day workweek. There is no national minimum wage, but wage floors exist for certain kinds of work. Although no statutory provisions are in place, employers offer competitive pay and working conditions. Wages generally provide a family with a decent standard of living.

## 22 AGRICULTURE

Only 10% of the land is estimated to be cultivable. Millet, corn, pumpkins, sweet potatoes, pineapples, sugarcane, almonds, and many kinds of tropical vegetables and fruits are successfully grown, largely in homestead gardens. Coconut palms provide coira and coir, the most important exports after fish. Virtually all rice, a staple food for the population, must be imported. Breadfruit, mangoes, papayas, limes, bananas, pumpkins, watermelon,

taro, and chili peppers are also valuable crops. As of 2004, small amounts of corn, millet, and sorghum were cultivated. Production in 2004 included 35,000 tons of coconuts and 30,000 tons of vegetables and melons.

### 2<sup>3</sup> ANIMAL HUSBANDRY

Fodder is insufficient for more than a few head of cattle, but there are many goats and chickens.

### 2<sup>4</sup> FISHING

Fishing is the chief industry (accounting for 11% of GDP), with the main catch being skipjack and yellowfin tuna. About half the annual harvest is frozen, canned, or dried and exported to Thailand, Europe, and Sri Lanka. The Maldivian fisheries sector underwent a major transformation during the 1980s and became increasingly productive through modernization of catch collection and processing methods. Expansion of the canning industry and investment in fisheries diversification is ongoing. The fish catch in 2003 totaled 155,415 tons; exports of fish were valued at \$76.4 million that year. Annual per capita consumption of fish and shellfish during 1999–2001 averaged 187.3 kg/412 lb (live-weight equivalent), greater than that of any other nation. Shell gathering is a relatively important activity in the Maldives, with large quantities of cowries exported for use as ornaments. Several rare shell species are also collected.

### 2<sup>5</sup> FORESTRY

There are no forests as such. Coconut wood, however, is used for building boats and houses. Imports of forest products amounted to \$4.2 million in 2004.

### 2<sup>6</sup> MINING

There were no known mineral resources.

### 2<sup>7</sup> ENERGY AND POWER

The Maldives, as of 1 January 2004, had no known reserves of oil or natural gas, nor any crude oil refining capacity, and therefore, must rely upon imports to meet its oil and natural gas needs.

In 2002, imports of refined oil products averaged 5,600 barrels per day, with consumption averaging 4,190 barrels per day, leaving an average of 1,410 barrels per day to be exported.

In 2002, the country's electric power generating capacity came to 0.037 million kW, of which all was dedicated to fossil fuels. Electric output in that year came to 0.133 billion kWh, with consumption in that year placed at 0.124 billion kWh.

### 2<sup>8</sup> INDUSTRY

The manufacturing sector is small and limited by the shortage of domestic labor. Important traditional industries in the Maldives include boat building, the manufacture of coir, a rope made from dried coconut fibers, and lacemaking (handmade pillow lace), introduced by the Dutch in the 17th century. Maldivian lacquerwork and finely woven mats are famous for their quality and design. Coconuts, copra, shells, tortoiseshell, bone dust, red stone, ambergris, and handicrafts are also produced locally as well as exported. All fishing is done by the traditional line and pole method, as the use of nets is illegal. The country's fishing fleet of small,

flat-bottomed boats have, however, shifted from using sails and oars to outboard motors. In May 2001, the government ended its monopoly on the export tuna sector, and in 2002 four Maldivian operations were licensed to buy and export fresh tuna. Modern industry is limited to tuna canneries and other fish-processing, several apparel factories, built during the past decade, a soft drink bottling plant, and small scale manufacturing enterprises that produce PVC pipe, soap, furniture, and food products. Tourism has been developing since the first resort was built in 1977. As of November 2000, there were 84 resorts in operation, and in 2001, the Ministry of Tourism introduced cruise tourism.

Manufacturing, together with agriculture, continued to play a decreasing role in the economy, as a result of domestic labor shortage and vanishing agriculture lands. Tourism continued to create capital needed for establishing additional industries—engine repairs, bottling of aerated water, and garment production are some of the latest additions to the Maldives' industrial base.

### 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Mechanized fishing operations have been the focus of research and development efforts since the 1980s, with the help of the United Nations Development Program (UNDP).

### 3<sup>0</sup> DOMESTIC TRADE

Malé Island is the chief commercial center. Sri Lankan and Indian merchants in Malé act as their own importers, exporters, and wholesalers. The importing of rice and exporting of ambergris are government monopolies. Tourism and its related services are a major portion of the economy. Most shops are open from 8 AM to 1:30 PM and from 2:30 to 5 PM, Sunday through Thursday. Banks and government offices are open from 9 AM to 1 PM on the same days. Most establishments are closed on Fridays.

### 3<sup>1</sup> FOREIGN TRADE

In 1989, the government initiated an economic reform program that lifted import quotas and opened exports of some commodities to the private sector (until then, exports had been entirely controlled by a state trading organization). In 2000, exports consisted almost exclusively of fish products and apparel. Manufac-

#### Principal Trading Partners – Maldives (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	113.0	470.8	-357.8
United States	36.5	5.9	30.6
Thailand	18.5	23.9	-5.4
Sri Lanka	15.3	64.7	-49.4
Japan	11.7	10.4	1.3
United Kingdom	11.0	8.3	2.7
Indonesia	4.8	12.4	-7.6
Germany	4.3	6.4	-2.1
Singapore	3.3	117.1	-113.8
China, Hong Kong SAR	2.1	9.6	-7.5
Malaysia	1.0	36.2	-35.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Maldives (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-30.4</b>
Balance on goods	-262.3	
Imports	-414.3	
Exports	152.0	
Balance on services	311.1	
Balance on income	-37.0	
Current transfers	-42.2	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>56.3</b>
Direct investment abroad	...	
Direct investment in Maldives	13.5	
Portfolio investment assets	...	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	28.3	
Other investment liabilities	14.4	
<b>Net Errors and Omissions</b>		<b>0.3</b>
<b>Reserves and Related Items</b>		<b>-26.2</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

tured goods, machinery, fuels, and food are the main imports.

In the late 1970s, Mauritius, Japan, and Pakistan comprised almost 90% of the country's export market. The vast majority of Maldives' commodity exports are fish (53%) and apparel (46%).

In 2004, exports totaled \$123 million (FOB—Free on Board), while imports grew to \$645 million. Most of the exports went to the United States (26.5%), Thailand (23.5%), Sri Lanka (12.3%), Japan (11.7%), the United Kingdom (9.8%), and Germany (4.9%). Imports primarily came from Singapore (24.9%), Sri Lanka (10.6%), the United Arab Emirates (10.3%), India (10.2%), Malaysia (7.6%), and Bahrain (5.4%).

**3<sup>2</sup> BALANCE OF PAYMENTS**

Balance of payments deficits during the first half of the 1980s were caused largely by the international shipping recession, the collapse of world tuna prices, and a brief downturn in tourism caused by the violence in nearby Sri Lanka. The government began an economic reform program in 1989, lifting import quotas and opening some exports to the private sector. In recent years, it has encouraged more foreign investment by liberalizing regulations.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Maldives' exports was \$88 million while imports totaled \$372 million, resulting in a trade deficit of \$284 million.

The International Monetary Fund (IMF) reported that in 2001 Maldives had exports of goods totaling \$110 million and imports totaling \$348 million. The services credit totaled \$354 million and debit \$109 million.

Exports of goods and services totaled \$686 million in 2004, up from \$584 million in 2003. Imports grew from \$535 million in 2003 to \$681 million in 2004. The resource balance was consequently positive, but on a downward path—from \$49 million in 2003 to \$6 million in 2004. A similar trend was registered for the current account balance, which deteriorated from -\$32 million in

2003 to -\$90 million in 2004. Foreign exchange reserves (including gold) increased to \$204 million in 2004, covering less than four months of imports.

**3<sup>3</sup> BANKING AND SECURITIES**

The Maldives Monetary Authority, established 1 July 1981, issues currency, advises the government on banking and monetary matters, supervises commercial banks, and manages exchange rates and exchange assets. Other banking services are provided by the Bank of Maldives (created in 1982) and commercial banks with headquarters in India, Pakistan, and Sri Lanka. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$135.3 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$271.6 million. The money market rate, the rate at which financial institutions lend to one another in the short term, was 6.8%.

There is no securities exchange.

**3<sup>4</sup> INSURANCE**

No recent information was available.

**3<sup>5</sup> PUBLIC FINANCE**

Public enterprises, including the State Trading Organization, the state shipping line, and public utilities, account for nearly half of government revenues; customs and tourist receipts make up most of the rest.

The US Central Intelligence Agency (CIA) estimated that in 2002 Maldives' central government took in revenues of approximately \$224 million and had expenditures of \$282 million. Revenues minus expenditures totaled approximately -\$58 million. Total external debt was \$281 million.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government

**Public Finance – Maldives (2003f)**

(In millions of rufiyaa, central government figures)

<b>Revenue and Grants</b>	<b>2,940</b>	<b>100.0%</b>
Tax revenue	1,130.9	38.5%
Social contributions	...	...
Grants	113.4	3.9%
Other revenue	1,695.7	57.7%
<b>Expenditures</b>	<b>3,826.5</b>	<b>100.0%</b>
General public services	935.5	24.4%
Defense	343.2	9.0%
Public order and safety	123.4	3.2%
Economic affairs	645.6	16.9%
Environmental protection	...	...
Housing and community amenities	560.6	14.7%
Health	395.9	10.3%
Recreational, culture, and religion	...	...
Education	698.5	18.3%
Social protection	123.8	3.2%

(...) data not available or not significant. f = forecasted or projected data.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

revenues were MR2,940 million and expenditures were MR3,826.5 million. The value of revenues was us\$230 million and expenditures us\$299 million, based on a market exchange rate for 2003 of us\$1 = MR12.8 as reported by the IMF. Government outlays by function were as follows: general public services, 24.4%; defense, 9.0%; public order and safety, 3.2%; economic affairs, 16.9%; housing and community amenities, 14.7%; health, 10.3%; education, 18.3%; and social protection, 3.2%.

### **36 TAXATION**

Generally, there is no income or sales tax in the Maldives, although bank profits are subject to a 25% tax. Government revenues are generated by taxes on imports, tourism, lease rentals on resorts, and on earnings by state owned enterprises. License fees are charged for boats and motor vehicles. Uninhabited islands are leased for farming to individuals, who pay annual dues to the government. Over 90% of these absentee landlords reside in Malé, the capital city. As of 2005, 90% of revenues came from import duties and tourism taxes.

Given the growing wealth in the country, the government considered bolstering government development revenues in 2002 by instituting a personal income tax, though concerns remain that enforcement may prove difficult.

### **37 CUSTOMS AND DUTIES**

Customs duties are a primary source of government revenues and vary depending upon the type of import. A 10% duty is imposed on petrol, kerosene, and diesel oil. A 25% duty is placed on lubricating oils and textiles. Electricity generators are subject to a 20% duty. All imports and exports are subject to a 0.01% stamp duty. The primary importer is the State Trading Organization (STO), which imports 80% of the country's imported staple commodities such as rice, wheat, flour, sugar, and specified medicines. Import duties for luxury items, such as automobiles or goods considered to be environmentally dangerous, are subject to duties that can go as high as 200%.

### **38 FOREIGN INVESTMENT**

Assistance has been received from IBRD, WHO, UNDP, UNICEF, the European Union, the Colombo Plan, CARE, and other international agencies, mostly in the form of grants and low-interest loans. In the 1990s, funds from donors averaged over 8% of GDP annually, although in 2000, when, according to UNCTAD, the Maldives received \$13.3 million from donors, ODA (Official Development Assistance) was only 2.4% of GDP. Liberalized foreign investment policies have been adopted in recent years in order to attract needed development capital, especially for hotel and resort construction and other businesses related to the tourism industry.

Resort management is currently the main area of investment. Other attractive sectors include accounting services, banking, telecommunications, air transport, and manufacturing. Government projects to develop the island of Hulhumale and use it both as a residential settlement (meant to take the pressure of the overcrowded and neighboring Malé island) and a duty-free zone will likely attract more investments in the area.

## **39 ECONOMIC DEVELOPMENT**

The government has implemented a series of development programs to improve and expand fishing and related industries, textile manufacturing, food processing, tourism, communications, and health and education services. In 1986, Malé's new commercial harbor was opened, considerably speeding up cargo handling from 200–300 tons to 1,500 tons a day. Also in the late 1980s, Malé's international airport was upgraded in the late 1980s, representing a critical factor in the growth of the country's tourism sector. Effective 1 July 1997, the Companies Act governed the formation, registration, and management of companies doing business in Maldives. Part of the economic thrust has been to lessen the reliance on fishing and to diversify the economy.

Continued expansion of tourism has been particularly targeted in government development plans for the immediate future, along with facilitating a spread of economic activity to outlying island groups. Water taxis and scheduled sea vessel and light aircraft transportation services were developed in the late 1990s for this purpose. The Foreign Investment Services Bureau (FISB), established in August 1986 as a "one-stop service" for investors, was encouraging investment projects in 2002 that were (1) capital intensive; (2) enhance technology transfer; (3) introduce new skills and offer training to local employees; and (4) are environmentally friendly.

The December 2004 tsunami created havoc in the Maldives, and it is expected that around \$304 million will be needed to implement a recovery and reconstruction strategy. Tourism will continue to be the main economic driver even in the post-tsunami period, with 600,000 visitors expected to arrive annually.

## **40 SOCIAL DEVELOPMENT**

The government has focused its spending on social services and preventive health services. There is no organized social welfare system. Assistance is traditionally provided through the extended family. Employees are entitled to medical and maternity leave.

In spite of traditional Islamic restrictions on the role of women, they have increased their participation in public life. Under the terms of the constitution, men and women are considered equal before the law. Women usually receive pay equal to men in similar positions. A Gender Equality Council was created to assist the government in strengthening the role of women in society. However, Islamic law discriminates against women in matters of divorce and inheritance. Women are less able to initiate and obtain a divorce. Few women choose to participate in politics, largely because of tradition and custom. Violence against women and domestic abuse were not widespread problems. Penalties for rape include flogging and banishment. Although children's rights are explicit in law and provisions are in place to protect children from abuse, education is not compulsory. Female children are much more likely to be withdrawn from school than boys.

Human rights violations by the government include arbitrary arrest and detention and infringement of the freedoms of assembly, association, the press, and religion.

## **41 HEALTH**

As of 2004, there were an estimated 78 physicians, 123 nurses, and 185 midwives per 100,000 people. There is a relatively modern 86-

bed hospital in Malé, backed by a 12-bed regional hospital and medical rescue services in the outlying atolls, and the new Indira Gandhi Memorial Hospital.

In 2002 the estimated fertility rate was 5.4. It was estimated that 30% of children under five were underweight. The under five mortality rate has improved greatly during the last decades. As of 2002, the crude birth rate and overall mortality rate were estimated at 37.4 and 7.86 per 1,000 people, respectively. Life expectancy was estimated at 64.06 years, as of 2005, and the infant mortality rate was 56.52 per 1,000 live births. Around 96% of the country's children had been vaccinated against measles. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 100 people living with HIV/AIDS in the country.

Safe water is available to urban dwellers. Four desalination plants were completed by 1988 and a nationwide project is providing sewage systems to the atolls. Approximately 88% of the population had access to safe water and 40% had access to adequate sanitation. Malaria and diarrheal diseases have been drastically reduced. Water-borne disease epidemics have occurred, often caused by contamination of wells.

## 42 HOUSING

Some of the houses on Malé are built in imitation of those in Colombo. Most residential units throughout the country have brick walls, some of which are also plastered, and roofs of galvanized metal sheets. The poorest homes are made from thatch and sticks. According to a 2000 housing census, there were about 43,556 residential units nationwide. About 96% were detached dwellings and around 325 were apartments. The average dwelling size is from three to six rooms. About 48% of all dwellings were built from 1990–2000. Nearly 68% of the population relies on rain water as a primary source of water; 43% of all dwellings have septic tanks. About 84% of households have electric lighting, but firewood and oil are the primary heating and cooking fuels.

## 43 EDUCATION

Primary level education is for seven years and secondary education is for five years. Education is compulsory for seven years. There are three streams of Maldivian education: traditional religious schools (*makhtabs*), which teach the Koran (Quran), basic arithmetic, and the ability to read and write Divehi; modern Divehi-language primary schools; and modern English-language schools. Primary and secondary schooling is based on the British educational system. Distance educational courses and educational programs on the radio are also provided.

Primary school enrollment in 2003 was estimated at about 92% of age-eligible students. The same year, secondary school enrollment was about 51% of age-eligible students. The student-to-teacher ratio for primary school was about 20:1 in 2003; the ratio for secondary school was about 15:1.

Maldivians must go abroad for higher education. In the 1990s, the government began making large investments in secondary, vocational, and postsecondary education. Currently the Science Education Center in Malé provides pre-university courses, and the center may evolve into a university. The adult literacy rate for 2004 was estimated at about 96.3%.

As of 2003, public expenditures on education were estimated at 3.7% of GDP, or 11.2% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

A National Library, founded in 1945, is the only nationally funded public library in the country; it contains over 35,000 volumes. Most primary and secondary schools have small libraries; these facilities suffered major damage during the 2004 tsunami and reconstruction and restocking was underway in 2005. There are a few private libraries in the country, including two health libraries: one at the Institute of Health and another at the main hospital in the country. The Ministry for Agriculture and Fisheries and the Ministry of Finance have small libraries as well. A National Museum was founded in 1952 in Malé to conserve and display historical items.

## 45 MEDIA

Inter-atoll communication is through a network of high-frequency transceivers; within atolls, communication between islands and with boats is by walkie-talkie. A satellite earth station was installed in 1977 to facilitate external communications. In 2002, there were 28,700 mainline phones and 41,900 mobile phones in use nationwide.

The Voice of Maldives has been transmitting radio broadcasts since 1962 in Divehi and English. Television Maldives is the country's only television station. As of 2005, there were two radio stations and one television station, all government owned. In 1999, there were 35,000 radios and 10,00 television sets throughout the country. In 2002, there were 15,000 Internet subscribers.

There are two major daily newspapers, *Aafathis* (2002 circulation 300) and *Haveeru Daily* (circulation 4,500). Both papers are published in Divehi and English. As of 2001, there were about 200 other newspapers and periodicals in circulation.

The Penal Code prohibits speech against Islam or the government, though it is said that journalists are more self-confident than in the past and that self-censorship has abated. There are legal prohibitions on the import of foreign publications.

## 46 ORGANIZATIONS

Several sport clubs and a Muslim religious organization operate in Malé. The Maldives National Chamber of Commerce and Industry is also in Malé along with the Maldives Traders' Association. The Maldives National Youth Council was formed in 1984 to assist in organizing national programs for youth. Scouting programs are available for youth as well as through the Scout Association of Maldives and the Girl Guides. The Society for Health Education in Malé addresses concerns of health and social welfare.

## 47 TOURISM, TRAVEL, AND RECREATION

The principal industry and leading foreign exchange earner, tourism, was damaged in 2004 when a tsunami hit some of the islands of Maldives. Although there was damage to various hotels and tourism facilities, much of the tourism infrastructure remains intact.

Natural attractions are crystal-clear lagoons and white sand beaches that are ideal for swimming, fishing, snorkeling, and scuba diving. Modern, one- and two-story tourist facilities have been built on various otherwise uninhabited islands, mainly in the Malé atoll but also in neighboring atolls. Developed with European, Sri Lankan, and Indian assistance and part ownership, such



resorts are confined to these individual islands, thus allowing the conservative Islamic government to profit from the presence of foreign tourists while shielding its citizens from the presence and consumption of alcoholic beverages and other un-Islamic holiday practices of tourists. Maldivian resort workers maintain their homes and families on other islands, and non-Maldivians—often Sri Lankans—are hired to serve the alcohol. Passports are required of all visitors, as are yellow fever vaccination certificates for those arriving from infected areas.

In 2003, there were 563,593 tourist arrivals. Hotel rooms numbered 8,557, with 17,114 beds and an occupancy rate of 77%. The average length of stay was eight nights.

#### **48 FAMOUS MALDIVIANS**

Ibn Battutah (Muhammad bin 'Abdallah bin Battutah, b.Tangier, 1304–77), the remarkable Arab traveler and geographer, lived in the Maldives for several years, served as a quadi there, and mar-

ried the daughter of a Maldivian vizier. Sultan Iskandar Ibrahim I, who reigned for nearly 40 years during the 17th century, had the Hukuru Miskit (the principal mosque on Malé Island) built in 1674. Modern-day leaders include Amir Ibrahim Nasir (b.1926) and Maumoon Abdul Gayoom (b.1937).

#### **49 DEPENDENCIES**

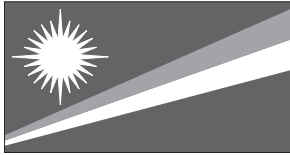
Maldives has no territories or colonies.

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# MARSHALL ISLANDS

Republic of the Marshall Islands

**CAPITAL:** Majuro, Majuro Atoll

**FLAG:** The flag, adopted in 1979, is blue, with two diagonal strips of orange over white; in the canton is a white star with 4 large rays and 20 shorter ones.

**ANTHEM:** *Ij iokwe lok aelon eo ao ijo iaar lotak ie (I Love My Island, Where I Was Born).*

**MONETARY UNIT:** The US dollar is the official medium of exchange.

**WEIGHTS AND MEASURES:** British units are used, as modified by US usage.

**HOLIDAYS:** The government has not legislated official holidays.

**TIME:** 11 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The Marshall Islands is located in the central Pacific Ocean, just north of the equator. Isolated from major population centers, Majuro, the capital, lies 3,438 km (2,136 mi) w of Honolulu, 3,701 km (2,300 mi) SE of Tokyo, and 3,241 km (2,014 mi) SE of Saipan, the former trust territory capital. The country consists of 29 atolls and 1,152 islands, 5 of which are major islands, extending over a sea area exceeding 1,942,500 sq km (750,000 sq mi). The main land area is only about 181 sq km (70 sq mi).

Comparatively, the area occupied by the Marshall Islands is slightly larger than Washington, DC. The atolls and islands form two almost parallel chainlike formations: the Ratak (“Sunrise”), or Eastern, group and the Ralik (“Sunset”), or Western, group. The largest atolls in the Ratak group are Mili, Majuro, Maloelap, Wotje, Likiep, and Bikini; in the Ralik group, Jaluit, Kwajalein, Wotho, and Enewetak. The Marshall Islands have a coastline of 370.4 km (230 mi).

The capital city of the Marshall Islands, Majuro, is located on the island of Majuro.

## <sup>2</sup> TOPOGRAPHY

The majority of islands are in typical atoll formations, consisting of low-lying narrow strips of land enclosing a lagoon. Soils are porous, sandy, and of low fertility. Kwajalein Atoll in the Ralik, or Western, atoll is the largest atoll in the world.

## <sup>3</sup> CLIMATE

The maritime tropical climate is hot and humid, with little seasonal temperature change. Diurnal variations generally range between 21–34°C (70–93°F). Trade winds from the northeast cool the high temperatures from December through March.

Rainfall averages about 30–38 cm (12–15 in) per month, with October and November the wettest and December to April the driest. Average rainfall increases from the north to the south; the northern atolls average 178 cm (70 in) annually, compared with 432 cm (170 in) in the southern atolls.

## <sup>4</sup> FLORA AND FAUNA

The flora and fauna of the atolls are limited in number and variety. The flora consists of species resilient to porous soils, salt spray, and relatively strong wind force. The dominant tree species include coconut palms, pandanus, breadfruit, and citrus trees. The reef systems of the islands support about 160 coral species. Fauna include rodents and indigenous strains of pig.

## <sup>5</sup> ENVIRONMENT

Among the Marshall Islands’ more significant environmental problems are water pollution due to lack of adequate sanitation facilities, inadequate supplies of drinking water, and the rise of sea levels due to global warming. Any rise in the sea level is a constant and serious threat to an island nation whose land mass is 2–3 meters (6–10 ft) above sea level.

The Marshall Islands Environmental Protection Agency, established in 1984, is concerned with programs for water quality standards, solid waste disposal, earthworks, and use of pesticides. The environments of the Bikini, Enewetak, Rongelap, and Utirik atolls were contaminated by nuclear testing. Nuclear tests were carried out in the region from 1946 to 1958. The long-term environmental effects on these atolls and their populations remain undetermined.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 1 type of mammal, 2 species of birds, 2 types of reptiles, 7 species of fish, and 1 type of mollusk. The hawksbill turtle and green turtle are on the endangered species list.

## <sup>6</sup> POPULATION

The population of Marshall Islands in 2005 was estimated by the United Nations (UN) at 59,000, which placed it at number 185 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 42% of the population under 15 years of age. According to the UN, the annual population rate of change for 2005–10 was

expected to be 3.0%, a rate the government viewed as too high. The growth rate has declined due to emigration, but the fertility rate stood at 5.7 births per woman. The projected population for the year 2025 was 83,000. The population density was 328 per sq km (849 per sq mi). About 60% of the total population resided on two atolls, Majuro and Ebeye. Of the 34 atolls and major islands, 24 are inhabited.

The UN estimated that 68% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.43%. The capital city, Majuro, Majuro Atoll, had a population of 25,000 in that year.

## 7 MIGRATION

Population has been steadily migrating from the outer atolls to the urban concentrations on Majuro and Ebeye. As a result, outer atolls have been left with unbalanced population structures of children, females, and the aged. In 2000 the total number of migrants was 2,000.

Provisions under the Compact of Free Association with the United States permit unrestricted entry into the United States and allow high-school graduates to join the US armed forces. In 2005, the net migration rate was an estimated -5.91 a change from zero in 1999.

## 8 ETHNIC GROUPS

The Marshallese people are Micronesians, who are physically similar to the Polynesian peoples. The largest non-Marshallese ethnic group is from Kosrae in the Federated States of Micronesia. There are also small numbers of Americans and Filipinos.

## 9 LANGUAGES

English is universally spoken and is the official language. Two major Marshallese dialects are also spoken. Marshallese is a Malayo-Polynesian language and the common source of each of the atolls' dialects. Both English and Marshallese are used in official communications and in commerce. Japanese is also spoken.

## 10 RELIGIONS

The people are almost entirely Christian, primarily Protestant, as a result of the arrival of American and Hawaiian Protestant missionaries in the 1860s. The United Church of Christ is the principal denomination, representing some 55% of the population. The United Church of Christ is the successor of the Congregationalists from New England and Hawaii who converted the islanders in the latter half of the 19th century. Other religious denominations represented include Assemblies of God (26%), Roman Catholics (8%), Bukot Nan Jesus (also called Assembly of God Part Two, 3%), the Church of Jesus Christ of Latter-Day Saints (2%), Seventh Day Adventists (1%), Full Gospel (1%), and the Baha'i Faith (1%). About 1% are Muslims, Jehovah's Witnesses, and members of the Salvation Army. Certain Christian holidays are celebrated as national holidays.

## 11 TRANSPORTATION

There are 64.5 km (40 mi) of paved road on the Majuro atoll and on the Kwajalein atoll with less than 10% of those roads on Kwajalein in 2002. On the outer islands, roads consist primarily

of cleared paths and roads surfaced with stone, coral, or laterite. There are few motor vehicles.

The many scattered atolls separated by long distances make sea and air transportation essential. Domestic sea transportation is provided by interisland ships, which service each of the outer islands about once every three months. Two commercial dock facilities in Majuro and one in Ebeye furnish port facilities for international shipping. In 2005, the merchant fleet consisted of 540 ships with a capacity of 1,000 GRT or more totaling 25,102,401 GRT.

Also in 2004, the Marshall Islands had an estimated 15 airports, only 4 of which had paved runways as of 2005. Majuro International Airport, completed in 1974, accommodates aircraft up to Boeing 707 size. The government-owned Airline of the Marshall Islands (AMI), established in 1980, provides service to all outer islands with airstrips. International airline connections are provided to Tarawa in Kiribati, Funafuti in Tuvalu, and Nadi in Fiji. Air Micronesia/Continental Airlines links Majuro with major foreign destinations, including Hawaii, Guam, Manila, and Tokyo. In 2001 (the latest year for which data was available), 18,800 passengers were carried on domestic and international airline flights.

## 12 HISTORY

Sighting of the islands was first recorded by the Spanish navigator Alvaro de Saavedra in 1529. The British captain John Marshall, after whom the islands are named, explored them in 1788. Throughout the late 1800s and early 1900s, foreign powers ruled the islands for such advantages as trade, religious propagation, exploitation of resources, strategic considerations, and maintenance of sea routes. Spain claimed the islands in 1874, but sold them to Germany in 1899. At the outbreak of World War I, Japanese naval squadrons took possession of the Marshalls and began formal administration under a League of Nations mandate in 1920.

In World War II, after bitter fighting between US and Japanese forces that included battles for Kwajalein and Eniwetok (now Enewetak), the islands came under US control. In 1947, the Marshalls became a district of a UN trusteeship, called the Trust Territory of the Pacific Islands, which was administered by the United States.

The United States used Bikini and Enewetak atolls as nuclear testing sites from 1946 to 1958, exploding 66 atomic and nuclear tests during this period. Radiation contamination from the nuclear testing program resulted in the displacement of the indigenous people of Bikini and Enewetak.

The Marshallese people adopted a constitution in 1978, under which the Marshalls were designated the Republic of the Marshall Islands. In 1979, the constitution went into effect and the republic became a self-governing territory, with Amata Kabua elected the Republic's first president. In 1983, a Compact of Free Association with the United States, providing for full self-government except for defense, was approved by plebiscite. Section 177 of the compact stated that the United States would provide a \$150 million settlement for damages resulting from the nuclear testing. The money formed the basis of a trust fund which was to generate enough money to provide annual proceeds of \$18 million through 2001, to be distributed to benefit the people on the affected atolls.

In January 1986, the compact was ratified by the United States, and on 21 October 1986 it went into effect. The people of Bikini and Enewetak, along with those exposed to radioactive fallout in

the 1954 Bravo Blast, fought for compensation from the United States, which in February 1990 agreed to pay \$45 million to the victims of the nuclear testing program. In October 1999, the United States, through the Majuro-based Nuclear Claims Tribunal, paid nearly \$2.3 million toward the \$45 million originally promised in 1990, bringing the amount paid toward the total to \$39.4 million.

The UN Security Council voted in December 1990 to terminate the Marshall Islands' status as a UN Trust Territory. The Republic became an independent state and joined the UN in September 1991. Because of the US promise to care for the Islanders until they could return to their home, Bikinians made US president Bill Clinton their king and expected him to look after his people.

The Compact of Free Association with the United States expired in 2001, but the provisions of the compact were subsequently extended though September 2003, with the level of yearly assistance to continue at \$37 million. US president George W. Bush signed the Amended Compact of Free Association in December 2003. The 20-year compact provided for a trust fund of more than \$800 million, and granted the United States exclusive military access to the Marshall Islands, in return for which the United States would provide protection against any third parties. Marshallese concerns were raised when the trust funds lost value following the September 2001 terrorist attacks in the United States. In January 2005, the Bush administration rejected efforts on the part of the Marshall Islands to get an additional \$3 billion in compensation for the tests, stating there was no legal basis for additional payments.

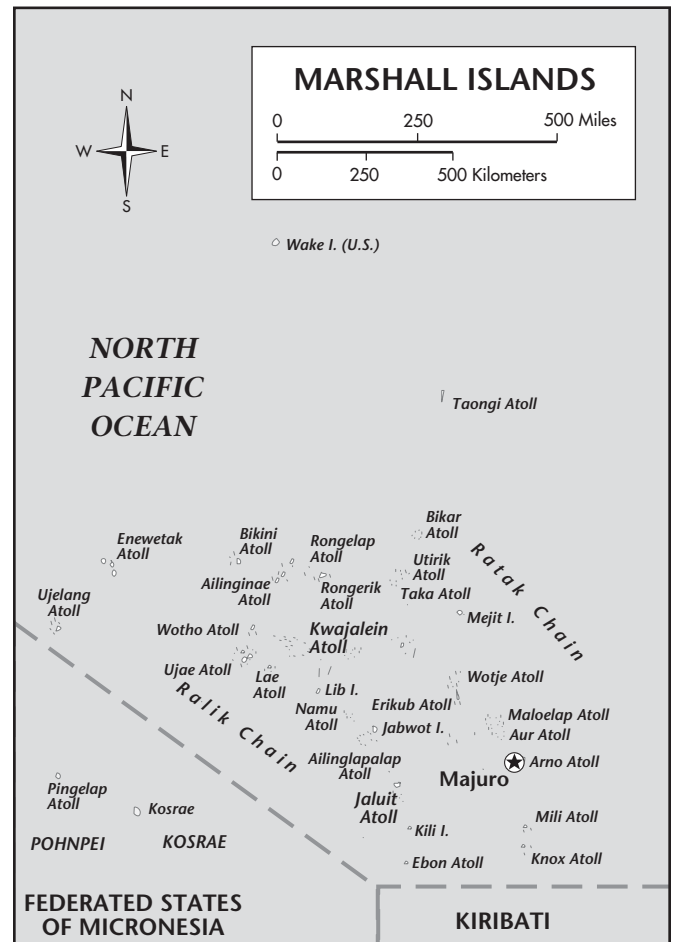
Fifty years after testing began, Bikini Island began to attract a few tourists; scientific surveys have declared the island habitable again, although there is still a danger in eating too many of the local coconuts. Despite the scientific assurances, the US government has yet to issue a statement saying that the island is safe to inhabit. In addition, global warming and the possibility of rising sea levels have raised concern over the long-term prospects for the islands in the middle of the Pacific Ocean. The Marshall Islands, along with Kiribati and Tuvalu, rise only a few feet above sea level. The Intergovernmental Panel on Climate Change has suggested that the sea could rise 18 inches by 2100, but that figure could be much lower or higher.

Following the passing in China of an anti-secession law which would theoretically authorize a Chinese invasion of Taiwan, the Marshall Islands aligned itself with Taiwan, sending Taiwanese president Chen Shui-bian a letter of support.

### 13 GOVERNMENT

The Marshall Islands is an independent republic. The constitution effective on 1 May 1979 incorporates a blend of the British and American constitutional concepts. It provides for three main branches of government: the legislature, the executive, and the judiciary.

Legislative power is vested in the Parliament, known as the Nitijela, which consists of 33 members elected from 24 electoral districts, each corresponding roughly to an atoll. The Council of Iroj (Chiefs) has 12 members, whose main functions are to request reconsideration by the Nitijela of any bill affecting customary law, traditional practice, or land tenure, and to express an opinion to the cabinet on any matter of national concern.



LOCATION: 4° to 14° N; 160° to 173° E.

Executive power is vested in the cabinet, headed by the president, who is also head of state. The president serves a four-year term. The president, a member of the Nitijela, is elected by a majority of that assembly. The constitution requires the president to nominate not more than 10 or fewer than 6 members of the Nitijela as ministers. All citizens who have attained the age of 18 are eligible to vote.

In late 1999 and early 2000, two major political changes took place. For the first time, an opposition party, the newly formed United Democratic Party (UDP), gained a majority in parliament in the November 1999 elections. Then, in January 2000, Kessai Note, the Speaker of the Nitijela, was elected to the presidency, becoming the first president of the Marshall Islands who is a commoner (not a traditional chief). He was reelected in January 2004. The next elections were to be held in 2007.

### 14 POLITICAL PARTIES

There is no tradition of organized political parties in the Marshall Islands; what has existed more closely resembles factions or interest groups because they do not have party platforms, headquarters, or party structures. However, two major groupings have competed in legislative balloting. The Kabua Party of former President Amata Kabua was in ascendance from 1979 to 1999; during that time, Kabua was elected to five 4-year terms as president. Following his death in December 1996, the newly-formed United Democratic

Party (UDP), led by Litokwa Tomeing, became more powerful, gaining a majority in parliament in November 1999, and again in the November 2003 elections. Kessai Note was elected president in legislative sessions in 2000; in January 2004, he was reelected to a second 4-year term by a vote of 20 to 9.

The next legislative elections were to be held no later than November 2007.

### **15 LOCAL GOVERNMENT**

There are 24 local governments for the inhabited atolls and islands. Typically, each is headed by a mayor, and consists of an elected council, appointed local officials, and a local police force.

### **16 JUDICIAL SYSTEM**

The judiciary consists of the Supreme Court, the High Court, the District Court, and community courts. The Supreme Court has final appellate jurisdiction. The High Court has trial jurisdiction over almost all cases and appellate jurisdiction over all types of cases tried in subordinate courts. The District Court has limited civil and criminal jurisdiction nationwide.

Community courts in local government areas adjudicate civil and criminal cases within their communities. In 1984, a traditional rights court was established to determine questions relating to titles or land rights and other legal interests involving customary law and traditional practice.

The constitution provides for an independent judiciary. The constitution also provides for the right to a fair trial. It prohibits the arbitrary interference with privacy, family, home, or correspondence. Government authorities respect these provisions in practice.

### **17 ARMED FORCES**

There are no armed forces in the Marshall Islands. Under the Compact of Free Association, the United States provides defense for a minimum 15-year period and operation of the Kwajalein Missile Range for 30 years.

### **18 INTERNATIONAL COOPERATION**

The Marshall Islands was admitted to the United Nations on 17 September 1991, and participates in several specialized agencies including the FAO, IAEA, the World Bank, UNCTAD, UNESCO, and the WHO. In 1992, it became a member of ESCAP. The country is also a member of the ACP Group, the Asian Development Bank, G-77, Sparteca, and the Pacific Island Forum.

In 1996 the Marshall Islands joined with 38 other nations to form the Alliance of Small Island States (AOSIS). The Alliance, concerned with global warming and rising sea levels, wants the industrialize nations to reduce greenhouse gas emissions. In other environmental cooperation, the Marshall Islands is part of the Convention on Biological Diversity, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

The Marshall Islands operates under the Compact of Free Association signed with the United States on 25 June 1983. Amendments to the CFA went into effect on 1 May 2004. These amendments provide the Islands with a promise \$62 million over the 10 years and access to US programs and services. Under the compact, the United States has full authority and responsibility for securi-

ty and defense of the Marshall Islands. In return, the Marshallese government must conduct foreign affairs in cooperation with US security and defense responsibilities.

### **19 ECONOMY**

The economy consists of a monetary sector and a nonmonetary subsistence sector. The monetary sector is localized in Majuro and Ebeye and is sustained largely by expenditures of the government and Kwajalein Missile Range employees. In turn the government is heavily dependent on grants from the US government provided, particularly those under the Compact of Free Association, which went into effect in 1986. These grants, averaging ranging from \$40 million/year to \$60 million/year, are given in exchange for furnishing military facilities and comprise roughly 60–70% of total government revenues, and 40% to over 50% of total GDP (though individual estimates are subject to statistical deficiencies due to the uncertainties in the collection of data). Copra (dried coconut meat) production provides a source of cash income for outer-atoll families engaged in subsistence activities.

The labor force has increased 160% from 1988 to 1999, to about 28,700, with the percent in industry doubling from 10% to 21%. Among the 21% engaged in agriculture and fishing, the main activities are copra (dried coconut meat) production, and the cultivation of breadfruit, taro, and pandanus. The nascent tourist industry employs less than 10% of the labor force, and efforts to capitalize on beautiful beaches enlivened with WWII relics are hampered by fears of radioactive fallout from the atomic testing done in these remote islands in the 1950s. At least half of the population still suffers from the effects of this fallout. In services, there have been attempts to develop offshore financial and ships registry services taking advantage of the time-space convergences in the computer age. In 1993, the Marshall Islands led all other countries in the passage of legislation decentralizing procedures for ship registry and mortgages so that they could be handled from distant offices, an important advantage for a country whose nearest neighbor, Hawaii, is over 2,100 miles away. By April 2001, the Marshall Islands had become the ninth-largest flag of convenience registry in the world in terms of tonnage. However, attempts to offer competitive offshore services have also put the Marshall Islands on virtually every blacklist developed during the 1990s to crack down on tax havens and regulatory avoidance, including the US Financial Action Task Force (FATF) for inadequate safeguards against money laundering and the OECD's blacklist for open registry countries with poor health and safety records.

The islands have few natural resources, and imports exceed exports by factors ranging from 11 to 18, a gap that is also financed by grants from the United States under the Compact Agreement. Negotiations to extend the terms of the agreement with the United States were initiated in 1999, although the long-term goal was to substitute grants under the Compact with returns from a Marshall Island Intergenerational Trust Fund (MIITF). In the meantime, the Compact arrangements were extended through 31 October 2003. Savings for an MIITF were expected to come out of decreased expenditures on debt servicing.

The economy underwent a recess in 2004, contracting by -1.5%, down from positive growth figures in 2003 (2.0%), and 2002 (4.0%). The inflation rate was relatively stable, and at 2.4% in 2004 it did not pose a problem to the overall economy. There are no of-

ficial numbers for the unemployment rate, but it is estimated to hover somewhere around 30%. US assistance remains the major source of income for this tiny country, and tourism is expected to play an increasingly important role in the future.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 the Marshall Islands's gross domestic product (GDP) was estimated at \$115.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,600. The annual growth rate of GDP was estimated at 1%. The average inflation rate in 2001 was 1.8%. It was estimated that agriculture accounted for 14% of GDP; industry, 16%; and services, 70%.

## 21 LABOR

The labor force numbered 28,698 in 2002. Approximately 58% of the labor force was engaged in the service sector, with 21% in industry and 21% in agriculture. In 1999, the estimated unemployment rate was estimated at around 31%.

Although the constitution provides for the freedom of association, and the government construes this to include labor organization, as of 2002, no labor unions existed. There is no statutory provision permitting strikes by workers nor is there a right to collectively bargain or organize. Generally wages are set in accordance with the minimum wage regulation and determined in part by market influence.

There is no prohibition against child labor but the law requires compulsory education until the age of 14. In practice this requirement is not effectively enforced, and many children work, especially in the fishing industry. A minimum wage of \$2 per hour was in place by the government in 2002. There are no laws concerning maximum work hours or health and safety in the workplace.

## 22 AGRICULTURE

The traditional interplanting of root crops and other vegetables with coconuts, which maintained self-sufficiency in food and provided the Marshallese with dietetic variety before modern times, is still widely practiced as a subsistence activity. Some 6,500 hectares (16,000 acres) of coconut palm are productive. Dried coconut meat, known as copra, is produced on almost all islands and atolls; production in 2004 amounted to about 5,000 tons. Taro, breadfruit, and pandanus are also grown.

## 23 ANIMAL HUSBANDRY

Livestock on the islands consists of pigs and poultry. Most families raise pigs for subsistence and for family and community feasts. In 1981, pigs were imported from New Zealand to improve the strains of the local breed.

## 24 FISHING

While subsistence fishing for inshore species is carried out from all atolls, there is little domestic commercial fishing in the nation's 1,942,500 sq km (750,000 sq mi) of sea. The total catch in 2003 amounted to 38,475 tons. Principal marine resources include tuna, prawns, shrimp, seaweed, sponges, black pearls, giant clams,

trochus, and green mussels. Colorful baby giant clams for ornamental aquariums are grown for export to the United States.

A fisheries base with a freezer plant (200 tons capacity) and a chilling plant (50 tons capacity) was constructed in Majuro with Japanese government assistance. In 1986, the Marshall Islands Maritime Authority (MIMA) was reestablished to organize all marine resource activities, including protection, management, and development, under one agency. During the mid-1990s, about 10,500 foreign fishing vessels annually operated in the Marshall Islands' waters, about three-fourths of them Japanese.

The Marshall Islands has an exclusive economic zone of over 2,000,000 sq km (770,000 sq mi) of ocean that supports significant stocks of tuna. The government collects license revenue from other nations for access to tuna resources in the exclusive economic zone. These fees have been decreasing since 2002, due to migrating patterns of fish away from Marshall Islands waters.

## 25 FORESTRY

Some 8,900 hectares (22,000 acres) are planted with coconut palm. Replanting has been undertaken on Arno, Lae, Maloelap, Rongelap, Ujae, Wotho, and Wotje. Pine species are under experimentation in a windbreak tree project on Ebeye. In 1984, a sawmill was purchased for processing coconut trunks and other tree species as lumber. In 2004, forest product imports totaled \$1.9 million.

## 26 MINING

There was no mining of mineral resources. However, preliminary surveys have revealed the presence of phosphate and manganese nodules in the seabed within the territorial waters. Lagoon dredging of sand and coral for construction purposes was undertaken in Majuro and Ebeye.

## 27 ENERGY AND POWER

The Marshall Islands is nearly 100% dependent on imported fossil fuels for electric power generation. In 1988, fuel imports amounted to \$3.6 million, or 10% of total imports. In 1995, mineral fuels and lubricants accounted for about 25% of merchandise import expenditures. The urban centers of Majuro and Ebeye have major generating facilities. The Majuro power plant, commissioned in 1982, has an installed power capacity of 14,000 kW. A 5,200 kW power plant was commissioned in Ebeye in 1987. The low power requirements in the outer islands are met by solar-powered systems. However, as of 2003, there were still outer island residents without adequate access to electricity because they were not supplied with solar power. Electricity production was 57 million kWh in 1994.

## 28 INDUSTRY

The economy's small manufacturing sector, localized largely in Majuro, accounts for less than 4% of the gross revenues generated in the private sector. The largest industrial operation is a copra-processing mill under a government and private-sector joint enterprise. (Copra is dried coconut meat.) The rest of the manufacturing sector consists of small-scale and domestic operations, such as coir making, furniture making, handicrafts, and boat making. In 1986, a government-owned dairy factory was established in Majuro, producing liquid milk, ice cream, and yogurt from imported milk powder and butterfat. In 1987, a small tuna cannery began

production in Majuro but did not survive the economic downturns of the late 1990s. Manufacturing output increased rapidly in the early 1990s climbing from \$853 million in 1991 to a peak of \$2.7 billion in 1995, a 215% increase. The growth was not sustained, and by 1998, manufacturing output had fallen almost 45% to \$1.48 billion. Coconut oil was again the Marshall Islands' only appreciable manufactured export.

At the end of 1999 a tuna loining plant was opened in Majuro, an operation that performed all but the canning of tuna, which was done at a StarKist cannery in American Samoa. By 2000 manufacturing output had climbed to \$1.72 billion. In the period from 1988 and 1999, the percent of the work force engaged in industry more than doubled, from 10% to 21%. The sector is dominated by small-scale, labor-intensive operations, however, and only accounts for 16% of GDP.

The tuna factory closed in 2005 due to lack of government assistance and interest. Although the plant employed 400 fully trained workers (mostly women), and although it pumped around \$6 million in the economy, government officials did not provide any incentives to keep it open. This only accentuated the country's reliance on imports and aid from the United States.

### **2<sup>9</sup> SCIENCE AND TECHNOLOGY**

While there are no institutions involved in scientific research or training, the College of Micronesia nursing facility and science center, located in the Majuro Hospital, provides instruction in nursing technology and science.

### **3<sup>0</sup> DOMESTIC TRADE**

Domestic trade accounts for the majority of the total gross trade revenue from urban private enterprises. The modern commercial/retail sectors are located in Majuro and Ebeye and consist mainly of service establishments and imported goods, although increasing amounts of locally produced vegetables and fish were being marketed. Most imports are purchased and consumed at these two main locations. Other islanders are primarily employed in subsistence farming or in production of copra and woven handicrafts. Domestic trade in outer island areas is primarily for basic necessities.

### **3<sup>1</sup> FOREIGN TRADE**

Heavy and increasing trade deficits result from limited exports and dependency on imports for consumer and capital goods. Over 90% of the value of exports is accounted for by fish, coconut oil, and copra cake (made of dried coconut meat). The major imports are foodstuffs, machinery and equipment, fuels, beverages, and tobacco.

In 2000, exports totaled \$9 million (FOB—Free on Board), while imports grew to \$54 million. In 2004, most of the exports went to the United States, Japan, Australia, and China. Imports primarily came from the United States, Japan, Australia, New Zealand, Singapore, Fiji, China, and the Philippines.

### **3<sup>2</sup> BALANCE OF PAYMENTS**

The economy suffers from a long-standing imbalance of trade, with imports far exceeding exports. A comprehensive record of

international transactions in the form of standardized balance-of-payments accounts was not maintained during the trusteeship period (prior to 1986). The chronic trade deficit is offset by official unrequited transfers, predominantly from the United States.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of the Marshall Islands' exports was \$9 million while imports totaled \$54 million resulting in a trade deficit of \$45 million.

Exports of goods and services totaled \$4 million in 2004, while imports grew to \$75. The resource balance was consequently negative, and on downward path—from -\$51 million in 2003, to -\$55 million in 2004. The current account balance was however positive, at \$24 million in 2003, and \$14 million in 2004. This discrepancy between a negative resource balance and a positive current account balance can be attributed to the aid the Marshall Islands receive from the United States. Foreign exchange reserves (including gold) increased to \$18 million in 2003, covering less than three months of imports.

### **3<sup>3</sup> BANKING AND SECURITIES**

Financial services are provided by three commercial banks: the Bank of Guam and the Bank of Marshalls, located in Majuro, and the Bank of Hawaii, located in Ebeye. The Marshall Islands Development Loan Office in Majuro was established as an independent government corporation in 1982. There were four credit unions, operated by over 2,000 members.

The Marshall Islands has no stock issues or securities trading.

### **3<sup>4</sup> INSURANCE**

Two foreign insurance companies, located in Majuro, provide coverage. A US insurance company provides loan protection policies to credit unions.

### **3<sup>5</sup> PUBLIC FINANCE**

Government revenues are derived from domestic sources and US grants. Domestic revenues are from taxes and nontax sources (fishing rights, philatelic sales, and user charges). The leading areas of expenditure include health services, education, public works, and transportation and communication.

The US Central Intelligence Agency (CIA) estimated that in 1999 the Marshall Islands' central government took in revenues of approximately \$42 million and had expenditures of \$40 million. Revenues minus expenditures totaled approximately \$2 million. Total external debt was \$86.5 million.

### **3<sup>6</sup> TAXATION**

Income tax is applied to wages and salaries at graduated rates. Business tax is applied to gross revenues of service-related enterprises generated anywhere in the Marshall Islands, the Federated States of Micronesia, and Palau, except on Kwajalein. A sales tax is applied only in Kwajalein. There is also a fuel tax.

### 37 CUSTOMS AND DUTIES

Import taxes are generally ad valorem; duties range from 5–75%. The average rate is 10%. Specific duties apply to cigarettes, soft drinks, beer, spirits, wine, gasoline, and other gases and fuels.

### 38 FOREIGN INVESTMENT

The government favors joint ventures with foreign private investors but efforts to attract foreign investment and develop new export products have been largely unsuccessful. The IMF has urged the reduction in the minimum wage and the reserved list for small scale investment as means to secure more foreign direct investment. Foreigners may lease but not own land. The US department of defense operates a missile testing range on behalf of the strategic defense command in Kwajalein.

A tuna canning plant that was opened in 1999 was subsequently closed in 2005, drawing with it disinvestments of almost \$6 million annually.

### 39 ECONOMIC DEVELOPMENT

The first five-year national development plan (1985–89), which was rephased to 1986/87–1990/91, to meet the requirements of the Compact of Free Association with the United States, constituted the first phase of a 15-year development program. The plan focused on economic development, with emphasis on private-sector expansion, personnel development and employment creation, regional development, population planning and social development, and cultural and environmental preservation. Total funding across the 15 year span of the agreement was envisioned at about to \$1 billion or about \$65 million dollars per year in financial aid from the United States. Aid was gradually decreased across the 15 year period, and a down-step in 1996 caused a budget deficit that the government filled with debt financing. Paying off the bond obligations kept government expenditures and investment strapped until they were paid off in 2001. By that time, the size of the government had been significantly reduced. Compared to 1994/95, 2002 expenditures were 25% less in current dollar terms. Also, US aid had dropped to an estimated \$39 million. Under Title 11 of the Compact of Free Association, funding was scheduled to expire in 2001, with provision of a two year extension equal to the average level of assistance over the last 15 years. This increased US grant aid to almost \$60 million for 2001, above the average of \$45.33 million for 1997 to 2001.

Tourism was under development in the late 1990s with the opening of a first-calls resort hotel, the first in the Marshall Islands.

In 2001 the government paid off all commercial debt but usable fiscal resources remained short because of a need to set aside about \$30 million in 2001 and 2002 for the initial capitalization of the Marshall Islands Intergenerational Trust Fund (MIITF). The MIITF is the government's long-term solution to the island's public finance needs, but is not projected to provide substantial yearly dividends until at least 2024. In the meantime, the government renegotiated the terms of Title II of the Compact. In an agreement signed 23 April 2002 to go into effect in 2004, US aid was extended for 20 years, to 2024, with a base grant of \$37 million. The base grant was to be reduced by \$500,000 each year with the

decrement to be deposited in the MIITF, which was also to receive an initial \$8 million contribution from the United States. Inflation indexation was set with a cap of 5%, down from 7% under the old agreement. It also agreed to establish a RMI-US Joint Economic Review Board (JERB) to monitor and oversee the spending of the grant money. The priority targets set for spending are education, health, and infrastructure. The agreement requires amendment to the Compact of Free Association, which requires passage by both houses of the US Congress.

Another agreement reached in April 2003 was a 50-year extension of the US lease of land on the Kwajalein atoll as a defense site, with an option to extend an additional 20 years. As the current lease was set to expire in 2016, this meant an extension to 2066. In calculating its assistance to the Marshall Islands, the United States includes not only the \$13 million a year paid for the Kwajalein lease under the Military Use and Operating Rights Agreement (MUORA) but also an estimated \$21 million in tax dollars that are infused through salaries, tax payments and telecom services, plus an estimated \$10 million worth of federal programs, like the postal service. The RMI government expressed concerns that the assistance is insufficient to prevent economic stagnation, and social and infrastructure deterioration, and/or prevent recourse to debt financing to fill revenue shortfalls.

### 40 SOCIAL DEVELOPMENT

Private-sector provision of community and social services is mainly through the Marshalls Community Action Agency, a non-profit organization. Among government agencies, the Ministry of Social Services is involved in five major areas: housing, women's and youth development, feeding programs, aging, and other community development welfare programs. Funding of these services is provided almost entirely by the United States. A social security system provides old age, disability, and survivor benefits, paid for by employers and employees. The program is funded by 7% contributions from both employers and employees. Retirement is set at age 55.

The Marshallese society retains a traditional matrilineal structure. Each person belongs to the bwij, or clan, of his or her mother, and has the right to use the land and other property of the bwij. The head of the bwij is called an alap. The alap is the spokesperson between the clan members and the members of the iroij, or royal clan. Inheritance of traditional rank and of property is matrilineal, and women occupy important positions within the traditional social system. However, within the economic system, many hold low-paid dead-end jobs. Spousal abuse is common, usually in conjunction with alcohol use. No overt instances of sex discrimination have been reported. The government is committed to protecting and promoting the rights of children.

The government fully respects the human rights of its citizens. No human rights organizations exist, but there are no legal restrictions against their formation.

### 41 HEALTH

There are two hospitals: the Armer Ishoda Hospital in Majuro, with an 81-bed capacity, and a renovated hospital in Ebeye. Both



hospitals provide dental services. In 2004, there were an estimated 47 doctors, 298 nurses, and 185 midwives per 100,000 people.

Rudimentary health care on the outer atolls is provided through 69 dispensaries staffed by health assistants. Emergency cases are sent to the Majuro or Ebeye hospital and, when necessary, to hospitals in Honolulu. Dental services to the outer atolls are provided by periodic visits by dental teams from Majuro and Ebeye. Once the site for nuclear testing, the Marshall Islands government has once again considered testing on the uninhabitable islands of Bikini and Enewetak.

Infant mortality was an estimated 29.45 per 1,000 live births as of 2005. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 44.98 and 6.1 per 1,000 people. Life expectancy was 70.01 years in 2005. Immunization rates were as follows: diphtheria, tetanus, and pertussis, 67%; measles, 59%; polio, 62%; and tuberculosis, 96%. The prevalence of anemia in children under five years of age was 43%. No polio, measles, or neonatal tetanus cases were reported. Alcoholism and drug abuse are common and there is a relatively high incidence of sexually transmitted diseases.

#### 42 HOUSING

In 1999, there were about 6,478 households with an average of 7.8 people per household. About 70% of households relied on rain water as a primary water source, 38% of households had access to flush toilets (either inside their own residence or outside), and 63% had access to electricity for lighting and/or cooking.

Houses in the urban centers are usually simple wooden or cement-block structures, with corrugated iron roofs; because of the limited land availability, houses are heavily crowded. In the outer atolls houses are constructed of local materials, with thatched sloping roofs and sides of plaited palm fronds.

The Ministry of Social Services provides housing grants, principally to low-income families, through a low-cost housing program and a grant-in-aid program. Government housing is administered by the Public Service Commission.

#### 43 EDUCATION

Education is compulsory for nine years. Primary school covers six years of study, followed by six years of secondary school. A high school entrance examination is given to all eighth graders in order to determine the 300 or so students who will be admitted into the two public high schools each year. For students who are admitted to high school, a comprehensive four-year program of secondary education provides instruction in general studies, college preparatory courses, and vocational training.

Primary school enrollment in 2003 was estimated at about 76% of eligible students. The same year, secondary school enrollment was about 65% of eligible students. The student-to-teacher ratio for primary school was at about 17:1 in 2003; the ratio for secondary school was also about 17:1. In 2003, private schools accounted for about 24% of primary school enrollment and 34% of secondary enrollment.

Higher education is provided through formal programs of teacher training and the provision of grants for university training abroad. The Majuro campus of the College of Micronesia opened its School of Nursing and Science Center in 1986. In 1991, the Marshall Islands campus separated from the College of Micronesia

and became accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association for Schools and Colleges (WASC). On 1 April 1993, the College of the Marshall Islands was established as an independent institution with its own Board of Regents. In 2001, about 18% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 1999 was estimated at about 93.7%.

As of 2003, public expenditure on education was estimated at 11.2% of GDP.

#### 44 LIBRARIES AND MUSEUMS

The College of Marshall Islands Library has about 10,000 volumes, while the High Court Library holds 50,000. In Majuro, the Alele Museum, which also houses a library, was completed in 1973. Alele Museum showcases both the traditional and colonial history of the Marshalls. The library houses historical documents and photographs from the trust territory archives. More than 2,000 glass-plate negatives taken between 1890 and 1930 are on loan to the museum. One of Alele's latest attractions was the elaborate shell collection from Mili Atoll.

#### 45 MEDIA

The inter-island communications network consists of shortwave outer-island radio stations, which link all major islands and atolls. In 2003, there were 4,500 mainline phones and 600 mobile phones in use nationwide. The island of Ebeye is linked to Majuro by radio and also by satellite.

As of 2001, there were two radio stations. The government radio station, which has advertising, relays world news from Voice of America and Radio Australia. AFN Kwajalein operates one television station and one radio station for the US military. In 2003, there were 1,400 Internet users in the country served by 6 Internet hosts.

There are no daily newspapers. A weekly newspaper, *The Marshall Islands Journal* (2002 circulation 3,700), is published in Majuro in English and Marshallese. *The Marshall Island Gazette*, established in 1982, is a free four-page government newsletter, printed in English.

The constitution provides for free expression and the government is said to respect these provisions in practice.

#### 46 ORGANIZATIONS

A number of consumers' cooperatives are in operation. The Chamber of Commerce is located on Majuro. Marshallese society is matrilineal and organized on the basis of the clan (*bwij*). The head of the clan (*alap*) serves as spokesman between clan members and members of the royal clan.

At the community level there are youth organizations, including Boy Scouts and Girl Scouts, women's organizations, and various religiously affiliated social organizations. Sports associations exist for such activities as tennis, weightlifting, baseball, and track and field. A national women's organization began in 1986. The Red Cross is also active.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourist attractions include the sandy beaches on the atolls, protected lagoons, underwater coral reefs, and abundant marine life,

including large game fish. Diving and fishing tours are also popular. The outer atolls of Mili, Maloelap, Wotje, and Jaluit offer many Japanese and American relics from World War II. Tourist facilities are available in Majuro, the capital, however, tourism remains limited in the outer atolls and there are few accommodations for visitors.

There were 7,195 tourists who visited the Marshall Islands in 2003. United States citizens are not required to have a visa. A vaccination certificate may be required if traveling from an infected area. An AIDS test may be necessary if staying for over 30 days.

In 2005, the US Department of State estimated the daily cost of staying in Kwajalein Atoll at us\$112.

#### 48 FAMOUS MARSHALLESE

Amata Kabua (1928–96), president from 1979 until his death, was founder and leader of the Political Movement for the Marshall Islands Separation from Micronesia in 1972. He previously served as a member of the Congress of Micronesia and guided his country to self-governing status under the US-administered UN trusteeship. He was a graduate of the Mauna Olu college in Hawaii and taught secondary school before starting his political career. Kunio Lemari (b.1942) was in office for a month in 1996–97; Imata Ka-

hua (b.1943) was president from 1997 to 2000. Kessai Hesa Note (b.1950) was elected president in 2000 and reelected in 2004.

#### 49 DEPENDENCIES

The Marshall Islands have no territories or colonies.

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# MICRONESIA, FEDERATED STATES OF

Federated States of Micronesia

**CAPITAL:** Palikir, Pohnpei Island

**FLAG:** Adopted in 1978, the flag is light blue, bearing four five-pointed stars arranged in a diamond in the center.

**ANTHEM:** *Patriots of Micronesia* (adopted in 1991).

**MONETARY UNIT:** The US dollar is the official medium of exchange.

**WEIGHTS AND MEASURES:** British units are used, as modified by US usage.

**HOLIDAYS:** New Year's Day, 1 January; Federated States of Micronesia Day, 10 May; Independence Day, 3 November; Christmas Day, 25 December.

**TIME:** In Pohnpei and Kosrae, 10 PM = noon GMT; in Yap and Truk, 9 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The Federated States of Micronesia (FSM) is located in the western Pacific Ocean within the Carolinian archipelago. The four states consist of 607 islands with a total area of 7,866 sq km (3,037 sq mi), comprising 702 sq km (271 sq mi) of land, and 7,164 sq km (2,766 sq mi) of lagoons. Comparatively, the area occupied by the FSM is slightly less than four times the size of Washington, DC. Kosrae, the smallest and easternmost state, consists of five closely situated islands. Pohnpei consists of the single large island of Pohnpei and 25 smaller islands within a barrier reef, in addition to 137 outer islands, of which the major atolls are Mokil, Pingelap, Kapingamarangi, Nukjuoro, and Ngatik. Truk includes the large Truk lagoon, enclosing 98 islands, and major outer island groups, including the Mortlocks, Halls, Western, and Namwunweito islands. Yap, the westernmost state, consists of 4 large islands and 7 smaller islands surrounded by barrier reefs, in addition to 134 outer islands, of which the largest groups are Ulithi and Woleai. The cumulative coastline distance is 6,112 km (3,798 mi).

The capital city of the Federated States of Micronesia, Palikir, is located on the island of Pohnpei.

## <sup>2</sup> TOPOGRAPHY

The 607 islands constituting the four states include large, mountainous islands of volcanic origin and coral atolls. Kosrae is largely mountainous, with two peaks, Fenkol (634 m/2,080 ft) and Matanti (583 m/1,913 ft). Pohnpei contains a large volcanic island, with the highest elevation that of Mt. Totolom (791 m/2,595 ft). Truk contains 14 islands that are mountainous and of volcanic origin. Yap contains four large high islands, with the peak elevation that of Mt. Tabiwol (178 m/584 ft). The outer islands of all states are mostly coral atolls. Though the country is not generally known to have major earthquakes, a 6.6 magnitude quake occurred on Yap on 16 January 2005.

## <sup>3</sup> CLIMATE

The climate is maritime tropical, with little seasonal or diurnal variation in temperature, which averages 27°C (80°F). The islands are subject to typhoons. The short and torrential nature of the rainfall, which decreases from east to west, results in an annual average of 508 cm (200 in) in Pohnpei and 305 cm (120 in) in Yap.

## <sup>4</sup> FLORA AND FAUNA

There is moderately heavy tropical vegetation, with tree species including tropical hardwoods on the slopes of the higher volcanic islands and coconut palms on the coral atolls. The only native land mammal is the tropical bat. A rich marine fauna inhabits the open sea, reefs, lagoons, and shore areas.

## <sup>5</sup> ENVIRONMENT

Solid waste disposal in urban areas is a continuing problem and the land is threatened by toxic pollutants from mining operations. Micronesia's water supply is also threatened by industrial and agricultural pollutants. Population increases in urban areas. Untreated sewage and contaminants from industrialized countries in the region add to the problem of water pollution.

United Nations (UN) research shows that global warming and the rise of sea levels are a threat to Micronesia's forests, agricultural areas, and water supply. Pollution from industrial and agricultural sources also threatens the nation's mangrove areas. The fish population is endangered by waterborne toxins and explosives used in commercial fishing. The country also has a problem with the degeneration of its reefs due to tourism. In 1984, the government established an FSM Environmental Protection Board.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included six types of mammals, eight species of birds, two types of reptiles, six species of fish, four types of mol-

larks, and four species of plants. Threatened species include the chuuk flying-fox, the chuuk monarch, and the Mortlock Islands flying-fox. The Kosrae crane and the Kosrae mountain starling have become extinct.

## 6 POPULATION

The population of Federated States of Micronesia in 2005 was estimated by the United Nations (UN) at 108,000, which placed it at number 177 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 40% of the population under 15 years of age. There were 102 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.1%, a rate the government viewed as too high. The projected population for the year 2025 was 115,000. The overall population density was 154 per sq km (400 per sq mi). The majority of the population lives in the coastal areas of the high islands, leaving the mountainous interiors largely uninhabited.

The UN estimated that 22% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.17%. The capital city, Palikir, Pohnpei Island, had a population of 7,000 in that year. Population estimates for other large urban areas included 53,700 in Truk; 34,486 in Pohnpei; 13,900 in Yap; and 7,317 in Kosrae.

## 7 MIGRATION

No significant permanent emigration has occurred; most emigration has been undertaken temporarily for higher education. The total number of migrants in 2000 was 3,000. In 2005, the net migration rate was -21.01, a significant change from 11.65 migrants per 1,000 population in 1999. The government views the emigration levels as too high.

## 8 ETHNIC GROUPS

The islanders are classified as Micronesians of Malayo-Mongoloid origins. The people of the Nukuoro and Kapingamarangi atolls in southwestern Pohnpei are of Polynesian descent. In total, there are nine ethnic Micronesian and Polynesian groups. Noncitizens are prohibited from owning land and holding certain occupations. Non-Micronesians are generally not granted citizenship.

## 9 LANGUAGES

English is the official language and is taught in the schools. The indigenous languages are of the Malayo-Polynesian family. Yapese, Ulithian, Woleaian, Trukese, Pohnpeian, and Kosraean are classed as Malaysian. Kapingamarangi and Nukuoro, spoken on two isolated atolls of the same names in Pohnpei, are Polynesian languages.

## 10 RELIGIONS

Roman Catholicism and Protestantism have been widely accepted throughout the country following their introduction by missionaries in the 1880s. Protestantism is predominant in Kosrae. The largest Protestant denomination is the United Church of Christ. Others include Baptist, Seventh-Day Adventist, Mormon, the Salvation Army, Jehovah's Witness, and Assemblies of God. Roman Catholics are dominant on Chuuk and Yap. There is a small Bud-

dhist community of Pohnpei. There are also a small number of Baha'is in the country. The constitution provides for religious freedom and a bill of rights specifically prohibits the establishment of a state religion.

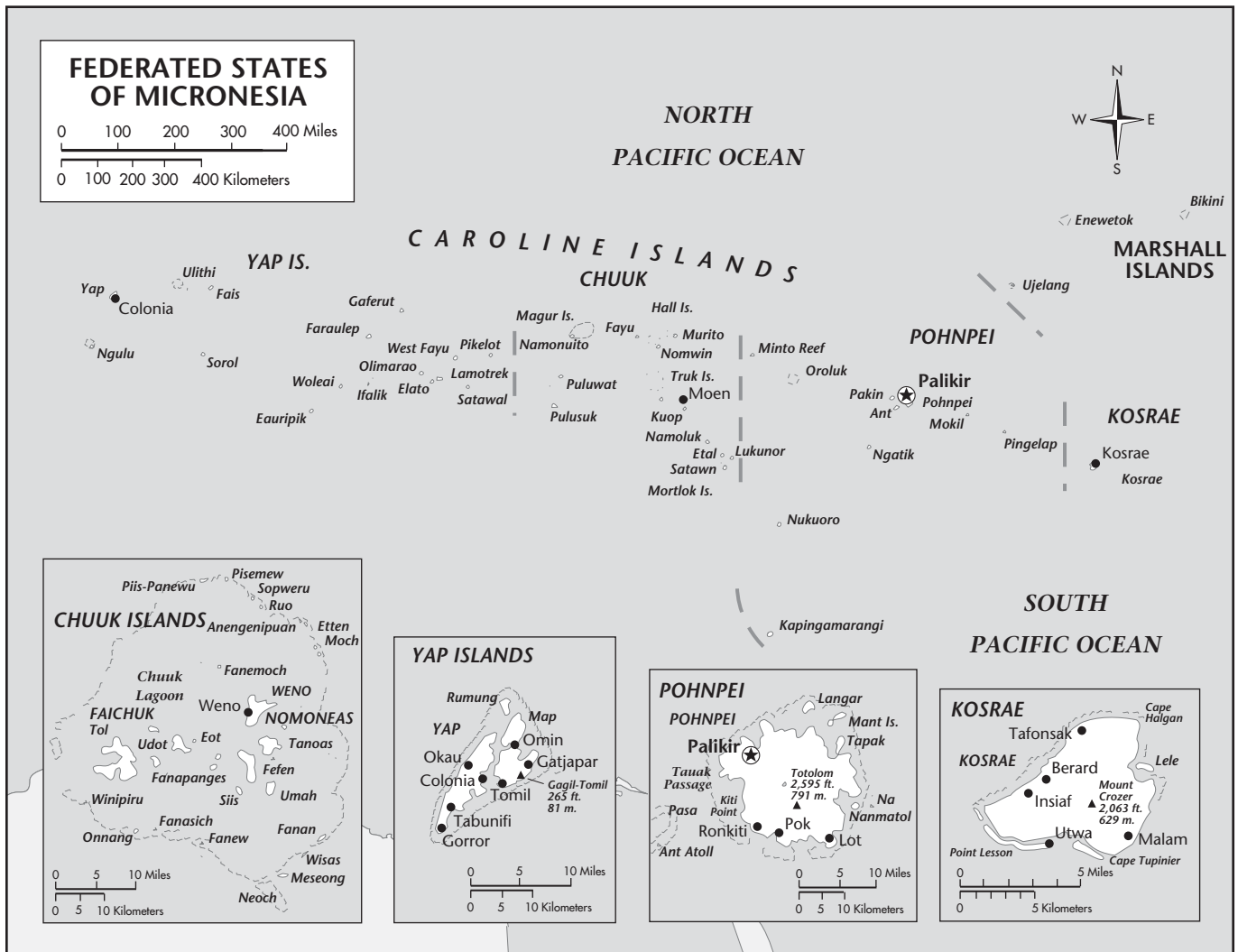
## 11 TRANSPORTATION

As of 2002, there were 240 km (149 mi) of roadways on the major islands, of which 42 km (26 mi) are paved. Over 90% of all vehicles are located on the main islands of Pohnpei, Moen (in Truk), Kosrae, and Yap. The state of Yap provides public bus transportation, primarily used by students. International shipping services are provided by eight companies, some of them Japanese. There are commercial harbor facilities at Kolonia, Moen, Okat, and Colonia. The Federated States of Micronesia's merchant fleet, as of 2005, consisted of two vessels (one cargo and one passenger/cargo of 1,000 GRT or more) totaling 2,423 GRT. Interisland shipping service is provided by six government-owned vessels. In 2005, there were an estimated six airports, all of which had paved runways. International and interstate scheduled airline services are provided by Continental/Air Micronesia, Air Nauru, and Pacific Missionary Aviation.

## 12 HISTORY

The Carolinian archipelago was sighted by European navigators in the 16th century. In 1686 the Spanish captain Francisco Lezcano named Yap Island "La Carolina" after King Charles II of Spain; the name was later generalized to the islands as a whole. Until the end of the 19th century, the islands were under Spanish colonial administration. In 1899 following the Spanish-American War, Spain sold the islands to Germany. Japanese administration commenced at the end of World War I, and in 1947, following World War II, the four states of the FSM came under US administration as part of the UN Trust Territory of the Pacific Islands. Beginning in the 1960s, the people of Micronesia began making clear their desire for political independence. The United States, ever interested in maintaining good relations with the strategically significant Pacific islands, gave in to such demands and helped Micronesia to form a consultative body, called the Congress of Micronesia, in 1967. The congress declared the area sovereign in 1970. The history of the FSM as a political entity began on 12 July 1978, when a constitution drafted by a popularly elected constitutional convention was adopted; it went into effect on 10 May 1979. The government of the FSM and the government of the United States executed a Compact of Free Association in October 1982; in November 1986, that compact went into effect. Under the Compact of Free Association, the United States is responsible for defense and security issues. The UN Security Council voted in December 1990 to terminate the FSM's status as a UN Trust Territory. A new capital was built about 10 km (6 mi) southwest of Kolonia in the Palikir Valley; it has served the FSM since 1990.

The FSM became an independent state and joined the UN in September 1991. John R. Haglegam of Yap was elected FSM's president in 1987. In May 1991 Bailey Olter of Pohnpei defeated Haglegam in the presidential election. Olter was reelected to a second term in 1995, as was vice president Jacob Nena. On 18 July 1996 Olter suffered a stroke and underwent treatment in Texas. Nena served as acting president while Olter was incapacitated.



LOCATION: 0° to 14° N; 135° to 166° E.

When Olter was unable to resume his duties, Nena became the FSM's fourth president on 8 May 1997. In a new election Leo A. Falcam, of Pohnpei, was elected vice president. In the May 1999 elections Falcam was elected president and Redley Killion, of Chuuk, was elected vice president. Joseph J. Urusemal was elected president in 2003, and Redley Killion vice president.

The first Compact of Free Association between the FSM and the United States expired in 2001. Prior to beginning negotiations and before any other assistance was considered, the United States requested a full accounting of the approximately \$3 billion in US funding provided to FSM since 1986. During further discussions of the compact in 2000, the United States suggested that restrictions on Micronesian immigration might be tied to future funding. In May 2003, after four years of discussion, negotiators agreed upon an amended document providing 20 years of ongoing assistance in the amount of approximately \$76 million per year; US president George W. Bush signed the compact in December 2003. The payments were to be made according to a schedule of reduced annual grants, with the goal that FSM would establish trust funds and attain greater financial independence. In 2005, the US Gov-

ernment Accounting Office (GAO) expressed concern that FSM was handling the funds without sufficient accountability and oversight, and went so far as to suspend some funds earmarked for education in Chuuk because they were misused.

Faichuk has been seeking independence from Chuuk since the 1960s. In March 2005 a congressional bill was introduced formally seeking that Faichuk become the fifth state of the FSM.

Beginning in the late-1990s and continuing into the new millennium, global warming and the possibility of rising sea levels have raised concern over the long-term prospects for the islands in the middle of the Pacific Ocean. The Intergovernmental Panel on Climate Change has suggested that the sea could rise by about .5 m (18 in) by 2100, but that figure could be much lower or higher. The existence of low-lying nations such as FSM would be threatened by any rise in sea level.

### 13 GOVERNMENT

The national executive branch includes the president and vice president, elected by the congress from its membership, who serve

a four-year term and may not be from the same state. The principal officers of the executive branch are appointed by the president, with the advice and consent of congress. The judiciary consists of a Supreme Court that applies criminal and civil laws and procedures closely paralleling those of the United States. The legislature consists of a unicameral congress of 14 senators. Of the senators, four are elected at large on the basis of state equality and ten on the basis of population apportionment, with five from Truk, three from Pohnpei, and one each from Yap and Kosrae. The four at-large senators serve four-year terms and the remaining senators serve two-year terms. Congressional elections were held in all four states (Chuuk, Kosrae, Pohnpei, and Yap) to fill the ten two-year seats in March 2005. The next elections for the legislature were scheduled to be held in March 2007; elections for president were scheduled for May 2007.

#### **14 POLITICAL PARTIES**

There are no formal political parties.

#### **15 LOCAL GOVERNMENT**

The state executive branch consists of state governors and lieutenant-governors, popularly elected for four-year terms. The state legislative branch consists of members popularly elected on the basis of proportional representation, numbering 20 in Pohnpei, 30 in Truk, 13 in Kosrae, and 9 in Yap. Municipalities are districts composed of a number of small communities (sections), some of which may be located in different islands.

Municipal government is considered by many to be the most important level of government in Micronesia. The leaders of local bodies are generally tribal chiefs, who are considered by a sizable body of Micronesians to be more important figures than nationally elected politicians. The Council of Chiefs can veto any legislation it considers detrimental to traditional ways.

#### **16 JUDICIAL SYSTEM**

The national judiciary consists of a Supreme Court, headed by a chief justice, and such subordinate courts as are established by statute. Justices are appointed by the president, with the advice and consent of Congress, and serve for life. The Supreme Court has both trial and appellate divisions. It may review cases heard in state or local courts if they require interpretation of the constitution, national law, or treaties, and it may hear appeals from the highest state court where permitted by a state's constitution.

State and municipal court systems have been established in each of the states. State courts have jurisdiction over all matters not within the exclusive jurisdiction of the national courts. Municipal courts have jurisdiction over civil and criminal matters arising within their municipalities.

The Micronesian constitution and judicial system are modeled after those of the United States. The civil and criminal laws also parallel those of the United States.

The constitution provides for an independent judiciary and the government respects this provision in practice.

#### **17 ARMED FORCES**

The Federated States of Micronesia maintains no armed forces. External security is the responsibility of the United States.

#### **18 INTERNATIONAL COOPERATION**

The FSM became a member of the United Nations on 17 September 1991; it is a part of ESCAP and serves on nonregional specialized agencies such as the FAO, the World Bank, the IFC, IMF, UNESCO, and the WHO. The FSM participates in the ACP Group, the Asian Development Bank, G-77, the Pacific Island Forum, Sparteca, and the Alliance of Small Island States (AOSIS).

The FSM and the United States signed the Compact of Free Association on 3 November 1986. Amendments to the compact went into effect on 1 May 2004. Under these amendments, the United States has full authority and responsibility for the defense of the FSM and promises to provide \$92 million in assistance over 20 years.

In environmental cooperation, the FSM is part of the Basel Convention, the Convention on Biological Diversity, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

#### **19 ECONOMY**

Other than US payments, the Micronesian economy is markedly underdeveloped. A clothing plant in Yap employs 500 workers in the country's largest private-sector industrial enterprise. The subsistence economy is thought to generate about 25% of GDP, but statistics from the government are incomplete and unreliable.

In 1993, the United States, whose aid constitutes a large share of GDP, enlisted the Asian Development Bank (ADB) in a plan to devise and implement an economic development scheme for the country. In 1995, an economic summit was convened to discuss some solutions. Privatization was high on the list of recommendations and Yap has already initiated a plan to reduce government employment by 37%. The ADB-led summit also recommended resources be spent in the development of fisheries and tourism, two sectors with substantial potential. In the late 1990s and early 2000s, licensing fees paid by foreign fisherman for tuna fishing in Micronesia's exclusive economic zone have provided \$18–24 million annually.

The Second National Development Plan, for the years 1992–96, featured as its primary objective decreasing dependence on aid and, at the same time, making better use of its aid. As of 2005, little progress had been made, however. It was estimated that after US-led grants end, per-capita GDP could drop to below \$500.

The economy underwent a recess in 2004, contracting by 3.3%, down from positive growth figures in 2003 (3.2%), and 2002 (0.8%). The inflation rate was relatively stable, and at 1.5% in 2004; inflation did not pose a problem to the overall economy. There are no recent official numbers for the unemployment rate, but it is estimated to hover somewhere around 22%. US assistance remains the major source of income for this tiny country and the local private sector is fragile and with few future perspectives. The country's isolated position and its poor infrastructure will continue to hinder its long-term growth prospects.

## 20 INCOME

The US Central Intelligence Agency (CIA) reported that in 2005 Micronesia's gross domestic product (GDP) was estimated at \$277.0 million. GDP was supplemented by grant aid, averaging perhaps \$100 million annually. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,000. The annual growth rate of GDP was estimated at 1%. The average inflation rate in 2001 was 2%. It was estimated that agriculture accounted for 50% of GDP, industry 4%, and services 46%.

It was estimated that in 2002 about 26.7% of the population had incomes below the poverty line.

## 21 LABOR

In 2003 the government reported that Micronesia's national labor force was estimated at about 23,190 in 1994 (the latest year for which data was available). Two-thirds of the workforce in 2002 were government employees. The unemployment rate in FSM was 22% in 2000, up from 16% in 1994. The unemployment rate varied by state, with the highest rate on Chuuk, at 34%, followed by Kosrae (17%), Pohnpei (12%), and Yap (4%). While unemployment remains high, the economy faced shortages of skilled workers, since over 44% of the population was under 16 years of age.

The law provides the right to form or join unions, and government employees are granted the right to form associations to proffer their views. However, no such associations have been formed as of 2002. The country is not affiliated with the International Labour Organization (ILO).

While labor laws are applied mostly without variance in all four states, the minimum wage varies from state to state. Minimums for government-employed workers in 2002 ranged from \$0.80 per hour for Yap to \$2.00 per hour in Pohnpei. Only Pohnpei had a minimum wage for private sector workers. In 1999, it stood at \$1.35 an hour. There is no minimum working age for children and many children assist their families in subsistence farming activities.

## 22 AGRICULTURE

Agricultural production has traditionally been for subsistence and was based on a system of shifting cultivation in the high islands. Staple crops include taros, sweet potatoes, bananas, cassavas, and breadfruit. Yams are grown on Pohnpei, Kosrae, Yap, and Fais islands. Other vegetables, such as cucumbers, eggplant, head cabbage, Chinese cabbage, bell peppers, green onions, and tomatoes, are also produced. Other fruits include mangoes, papayas, pandanus, pineapples, lemons, and limes, with oranges and tangerines also produced on Kosrae. The ubiquitous coconut palm is used for a wide range of subsistence purposes, and copra is the main cash crop and the nation's leading export. Crop production in 2004 included (in thousands of tons): coconuts, 140; cassava, 11.8; and bananas, 2. Black and white peppers were introduced to Micronesia in 1938, but pepper growing only began in Pohnpei (the FSM's most important pepper-producing island) in 1960.

Rich volcanic soil and heavy rainfall make gourmet Pohnpei peppers highly regarded.

## 23 ANIMAL HUSBANDRY

Livestock in 2005 included some 13,900 head of cattle, 32,000 pigs, and 4,000 goats. Pigs, traditionally kept by many households for ceremonial purposes, are being upgraded through the introduction of improved strains. Two pig farms operate on Pohnpei. The largest cattle herd is on Pohnpei Island. Eggs are produced commercially and limited success has been achieved by commercial poultry chicken projects in the states of Pohnpei and Chuuk. Chickens are kept by many households. Goat projects are also operating in Kosrae and Chuuk. A few head of water buffalo are privately raised on Pohnpei and on Pata in Chuuk. In the mid-1990s, the government started encouraging domestic feed production in order to decrease the reliance on imported feed meal.

## 24 FISHING

Inshore marine resources of the reefs and lagoons are harvested mainly for subsistence. The FSM's exclusive economic zone covers some 2.6 million sq km (1 million sq mi) of ocean which contain the world's most productive tuna fishing grounds. Although the FSM now has sole ownership of tuna stocks capable of a sustained yield of well over 100,000 tons per year, there is virtually no national participation in its exploitation. The total catch in 2003 was 32,191 tons, including 23,788 tons of skipjack tuna, 5,708 tons of yellowfin tuna, and 994 tons of bigeye tuna. The tuna catch is valued at about \$200 million annually. The Micronesian Maritime Authority and the National Fisheries Corporation assist in the development and promotion of commercial fisheries. Pohnpei and Kosrae have embarked on the construction of cold storage and tuna processing plants, and the Yap Fishing Corporation began upgrading its fleet. Total fisheries exports were valued at \$19 million in 2003.

## 25 FORESTRY

The nation has abundant forestry resources, particularly on the high islands, consisting of approximately 15,000 hectares (37,000 acres) of forests. Two privately owned commercial sawmills are operated on Pohnpei—one in Kitti logging mangrove cedar and one in Kolonia utilizing upland timber. Exploitation of the nation's forestry resources is limited and virtually all lumber used in construction is imported (\$2.1 million in 2004). Mangrove timber is used for handicrafts and furniture making.

## 26 MINING

There were deposits of phosphates on Fais Island in Yap and bauxite in Pohnpei, Truk, and Yap, but there was no commercial exploitation. Clays, coral, sand, rock aggregate, and quarry stone works supplied construction materials.

## 27 ENERGY AND POWER

The nation is dependent on imported petroleum, which supplied about 80% of the total energy requirements. Fuel wood for household use provided most of the remainder. Diesel fuel, which accounted for over two-thirds of petroleum imports, was

used primarily for electrical generation and ship services. In 2002, Micronesia produced 192 million kWh, with demand that year at 178.6 million kWh. Electricity was generated by government power stations located in each state center. About half the electricity produced was used by the government. Small quantities of electricity are produced in outer island communities.

## **2<sup>8</sup> INDUSTRY**

Manufacturing activity is nearly nonexistent and accounts for only a fraction of a percent of GDP. Cottage industries involving handicrafts and small-scale processing are carried out in all states and constitute an important source of income for those not integrated into the monetary economy. In Truk, a small industries center, a garment factory, a coconut-processing plant, a boat-building plant, and a breadfruit flour plant were in operation; in Pohnpei, a coconut processing and soap and oil plant, a feedmill, an ice production plant, a brick-manufacturing plant; in Yap, a cottage industries program; and in Kosrae, a small industries center and a wood-processing plant. In late 1999, a tuna processing plant opened in Majuro.

In 2000, the industry had a 4% share in the economy, with services accounting for 46%, and agriculture for 50%. More than two-thirds of the country's labor force are employed by the government.

## **2<sup>9</sup> SCIENCE AND TECHNOLOGY**

There are no institutions for advanced instruction or research and development in science and technology. (The College of Micronesia (COM), which has five campus locations, does not provide advanced degrees). A medical school was established in Pohnpei in 1987.

## **3<sup>0</sup> DOMESTIC TRADE**

Domestic commercial activity is dominated by wholesale and retail trade, which is highly localized in the four state centers of Kolonia, Tofol, Moen, and Colonia. Nearly half of the population is employed in subsistence farming and fishing. The country relies heavily on imports of food and manufactured goods.

## **3<sup>1</sup> FOREIGN TRADE**

The FSM sustains a severe trade deficit. Exports include agricultural products (coconuts, bananas, betel nuts, cassava, and sweet potatoes), pigs, chickens, and re-exports of fish. Copra, formerly the country's largest export crop, suffered a severe decline in the late 1990s.

In 2000, exports totaled \$22 million (FOB—Free on Board), while imports grew to \$149 million. In 2004, most of the exports went to Japan, the United States, and Guam. Imports primarily came from the United States, Australia, and Japan.

## **3<sup>2</sup> BALANCE OF PAYMENTS**

Foreign receipts are predominantly grants and rental payments from the United States and aid from other sources. Economic aid totaled \$77.4 million in 1995.

The US Central Intelligence Agency (CIA) reported that the purchasing power parity of Micronesia's exports was \$22 million

while imports totaled \$149 million resulting in a trade deficit of \$127 million.

Exports of goods and services totaled \$40 million in 2004, same as in 2003. Imports grew from \$172 million in 2003, to \$184 million in 2004. The resource balance was consequently negative, and on a downward path—from -\$131 million in 2003 to -\$145 million in 2004. A similar trend was registered for the current account balance, which deteriorated from \$2 million in 2003 to -\$25 million in 2004. Foreign exchange reserves (including gold) decreased to \$55 million in 2004, covering less than four months of imports.

## **3<sup>3</sup> BANKING AND SECURITIES**

Commercial banking operations are regulated by the FSM Banking Board. There are two foreign commercial banks: the Bank of Hawaii, with branches in Pohnpei, Yap and Kosrae; and the Bank of Guam, with branches in Pohnpei and Truk. There is also a domestic Bank of the FSM that operates branches throughout the islands. The FSM Development Bank commenced operations in 1982. It provides loans for projects that meet criteria based on the government's development priorities and is authorized to provide loan guarantees to other financial institutions in the FSM. However, it can only make loans of up to \$200,000 because of capital limitations. The FSM Employees Credit Union was chartered in 1986. Tradable securities are not issued by the FSM government, state governments, or enterprises residing in the FSM. The currency is the US dollar.

In 1996, national and state governments considered measures designed to cope with the winding down of US funding under the Compact of Free Association (under which payments were scheduled to end in 2001). The restructuring of national government was underway as of 2005, with the aim of reducing the number of employees and departments. In 2003 the compact with the United States was amended to provide an additional 20 years of assistance by the United States. The FSM government was charged to seek ways to improve basic infrastructure through private-sector investment; infrastructure improvements should in turn encourage growth of the private sector. In 1999, the FSM Trust Fund was established to foster financial independence. The International Monetary Fund reported that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$21.2 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$115.3 million.

## **3<sup>4</sup> INSURANCE**

The Public Service System administers life insurance and workers' compensation programs. In 1984, a government employee group health insurance program was instituted, and in 1987, a retirement pension program—for both state and national government employees—was initiated.

## **3<sup>5</sup> PUBLIC FINANCE**

The state and national governments had a series of surpluses in the late 1980s, followed by years of deficits in the early 1990s. Government revenues remained nearly constant during the 1990s,



while spending was unrestrained. By the late 1990s, the deficits had come under control.

The US Central Intelligence Agency (CIA) estimated that in 1998 Micronesia's central government took in revenues of approximately \$161 million and had expenditures of \$160 million. Revenues minus expenditures totaled approximately \$1 million. Total external debt was \$53.1 million.

### 36 TAXATION

National taxes on wages and salaries are levied, as well as a business gross receipts tax. The states are constitutionally limited in the types of taxes they may impose; they may levy sales taxes on alcoholic beverages, soft drinks, and cigarettes. The municipal governments usually levy head taxes and boat license and business license fees.

An important tax revenue service is from the sale of tuna fishing rights, which rose from \$12.7 million in 1990 to \$18.2 million in 1994. In 1999, FSM, Palau, and the Republic of Marshall Islands agreed to cooperate in policing illegal fishing in the region.

### 37 CUSTOMS AND DUTIES

As of 1988, specific duties were levied on cigarettes, beer and malt beverages, wine, distilled alcohol, and gasoline and diesel fuel. Ad valorem duties were levied as follows: tobacco, 50%; perfumes, cosmetics, and toiletries, 25%; soft drinks, 2% per 12 fl oz; food-stuffs for human consumption, 1%; and all other products, 3%. Micronesia's import taxes are among the lowest in the Pacific.

### 38 FOREIGN INVESTMENT

There is little foreign private investment. The Foreign Investment Act of 1997 was enacted to prohibit foreign investment in specific business activities, namely arms manufacture, minting of coins or printing of currency notes, and nuclear power or radioactivity-related businesses. The Act also restricts investment by foreigners in banking, telecommunications, fishing, air transport, and shipping.

### 39 ECONOMIC DEVELOPMENT

The first national development plan (1985–89) was the initial stage of the government's 15-year program designed to achieve national self-sufficiency. Funds accruing under the Compact of Free Association were required for implementing the plan, and rephasing of the plan was necessary. A multi-million dollar US-implemented capital improvement plan was completed in the early 2000s. It included new airports, docks, water and sewage systems, paved roads, and hospitals. Under the terms of the Compact of Free Association, the United States provided \$1.3 billion from 1986–2001 in grant aid.

A Second National Development Plan covering the years 1992–96 sought to diversify Micronesia's economy; mainly to wean it from dependence on US aid. Little was accomplished. In late 1999, representatives of the United States and Micronesia began negotiations aimed at renewing some provisions of the Compact of Free Association. The Amended Compact of Free Association with the United States, which provided that aid to Micronesia would continue until 2023 and would be consolidated through a trust fund

to provide annual payouts in perpetuity after that year. The country's medium-term perspectives were bleak though, due to its isolation and poorly developed infrastructure, and due to the reduction in 2003 of US assistance.

### 40 SOCIAL DEVELOPMENT

The extended family and clan system, headed by traditional leaders or chiefs, is retained in varying degrees, especially in the outer islands. A social insurance system includes old age, disability, and survivor benefits. Employees contribute 6% of their earnings; employers make a 6% payroll contribution. The basic retirement pension benefit is 16.5% of the first \$10,000 and marginal rates beyond that level. Survivor payments totaled 60% of the descendant's pension.

In spite of constitutional safeguards, sex discrimination and violence against women are serious problems. Women's roles within the family remain essentially the traditional ones. Sexual abuse and domestic violence are increasing. Women, however, face no discrimination in education. In 2004, women were well represented in middle and lower levels of government and generally received equal pay for equal work.

Minorities generally do not face discrimination or prejudice. Noncitizens, however, are prohibited from owning land. Human rights are generally respected.

### 41 HEALTH

There are hospitals in each state center. In 1986, a community health center was established in Pohnpei and in 1987, a medical school was started. In the outer islands, primary medical services are provided through dispensaries staffed by health assistants. In 1982, a superdispensary was initiated in the Lower Mortlock Islands to serve 3,769 people scattered on seven atolls. Tertiary medical treatment is provided through patient referral to hospitals in Guam and Hawaii. All of Micronesia had access to safe water and sanitation. In 2004, there were an estimated 60 physicians per 100,000 population.

The infant mortality rate in 2005 was 30.21 per 1,000 live births, and the life expectancy was 69.75 years. In the same year, the general mortality rate was 6 deaths per 1,000 people and the fertility rate was 3.9 children per woman. The maternal mortality rate was 121 per 100,000 live births. Immunization rates for Micronesian children under one year of age were as follows: measles, 80%; tuberculosis, 50%; polio, 77%; and diphtheria, tetanus, and pertussis, 78%. Although polio has been eradicated, there have been cases of tuberculosis, and measles. Anemia was seen in 33% of children under the age of five.

### 42 HOUSING

At the 2000 census, there were 15,273 occupied households, with about 44.4% on Chuuk, 35.8% on Pohnpei, 12.9% on Yap, and 6.9% on Kosrae. The average number of members per household was 6.8. About 26.8% of households had nine or more members. An estimated 30% of the housing stock was built in 1993 or later, with another 8.8% of all housing built in 1969 or earlier. Materials for housing construction are generally imported. Metal sheeting and concrete are the most common materials for walls and

roofs. About 53.6% of all households had electricity and 50% had access to piped water. Only 25% of all households have access to improved sanitation systems.

### 4<sup>3</sup> EDUCATION

The state governments are responsible for the provision of education. Elementary education is compulsory up to the eighth grade or until age 15. In 1986 there were 142 primary schools, nine of them private, with 968 teachers and 23,636 pupils. Secondary education was provided through five public high schools (one in each state center and one in Falalop on the Ulithi atoll, serving Yap's outer islands) and five private secondary schools (two in Truk and three in Pohnpei).

The only postsecondary institution is the College of Micronesia (COM), which has five campus locations. FSM students are eligible for postsecondary education grants from the US government and attend institutions mainly in Guam, Hawaii, and the US mainland. Vocational education is provided by the Pohnpei Agriculture and Trade School and the Micronesian Occupational College in Palau.

A 2000 census report indicated that of all citizens aged 25 years or older, 12.3% had no formal schooling, 36% had completed only an elementary school education, 32.3% had completed their high school education, and about 18.4% had completed some college education.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

Library materials are contained in the primary and secondary schools, and at the College of Micronesia, which holds about 33,000 volumes and serves as the depository for documents from the trust territory government's archives in Saipan. The Pohnpei Public Library has about 30,000 books. A Chuuk Public Library was being organized in 2002. The library of the Congress of the Federated States of Micronesia holds 15,000 book volumes. There is a small museum in Kolonia, Pohnpei. The Nan Madol archaeological site was designated a historical landmark in 1986.

### 4<sup>5</sup> MEDIA

The FSM Telecommunications Corp. provides interstate telecommunications via its satellite ground station in each state center and international connections through the Pohnpei and Truk stations. An interstate and international telex service has been available through the Pohnpei station since 1984. Telecommunications services to all inhabited outer islands are provided by radio links with the Pohnpei, Truk, and Yap stations. In 2001, there were 10,100 mainline phones in use nationwide. In 2002, there were an additional 1,800 mobile phones in use nationwide.

Most of the papers and newsletters are sponsored by the state governments. *The National Union* is published twice monthly. State publications include *Mogethin* (Yap), *Yap Networker*, *Uss Me Auus*, (Truk), *Pohnpei Reports*, *Kaselehile Press Pohnpei State*, *Sinlaku Sun Times* (Kosrae), and *Kosrae State Newsletters*.

As of 2001, there is one state-owned radio station in each state capital, broadcasting in English and local languages. There is one private radio station owned by a religious group. In 1997, there

were 127 radios and 10 television sets per 1,000 population. In 2002, there were 6,000 Internet subscribers.

The constitution provides for free speech and a free press, and the government is said to respect these rights in practice.

### 4<sup>6</sup> ORGANIZATIONS

There are Community Action Agencies in Yap, Truk, and Pohnpei, which organize youth clubs and community self-help projects. Private institutions, most of them church-affiliated, play an active role in youth and community development. There are sports associations representing such pastimes as weightlifting, lawn tennis, tae kwon do, and track and field. Many municipalities sponsor local women's organizations and community centers. There is a national chapter of the Red Cross Society.

### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Limited tourist facilities have been developed in each state. Tourist attractions include the spectacular beauty of the high islands; the rich marine environment; World War II artifacts, including sunken Japanese ships in the Truk lagoon; and remains of an ancient culture on Yap Island, including stone platforms and large circular stones used as money. All visitors must have an onward/return ticket and a present proof of citizenship or passport that must be valid for 120 days after leaving Micronesia. A valid entry permit is also necessary if staying for more than 30 days. There are no vaccination requirements unless traveling from an infected area.

In 2003, there were 18,168 tourist arrivals, almost 41% of whom came from the United States. According to the 2005 US Department of State estimates, the daily cost of staying in Yap was us\$283; in Chuuk, us\$187; and in Pohnpei, us\$167.

### 4<sup>8</sup> FAMOUS MICRONESIANS

John Haglegam, a former senator in the congress, was president of the FSM from 1987 to 1991. Jacob Nena (b.1941) served as the fourth president from 1996 to 1999. Leo Falcam (b.1935) served as the fifth president from 1999 to 2003. He was succeeded by Joseph John Urusemal (b.1952). In 2000, FSM's first five-story building (and first building with an elevator) opened; it was named for Raymond Setik (d.1997), a successful businessman and one of the first members of the legislature in 1979.

### 4<sup>9</sup> DEPENDENCIES

The FSM has no territories or colonies.

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# MONGOLIA

*Mongol Uls*



**CAPITAL:** Ulaanbaatar

**FLAG:** The national flag, adopted in 1946, contains a blue vertical stripe between two red stripes; in gold, on the stripe nearest the hoist, is the *soyombo*, Mongolia's independence emblem.

**ANTHEM:** *Bügd Nayramdah mongol ard ulsyn töriin duulal* (*State Anthem of the Mongolian People's Republic*).

**MONETARY UNIT:** The tugrik (₮) of 100 mongos. There are coins of 1, 2, 5, 10, 15, 20, and 50 mongos and notes of 1, 3, 5, 10, 20, 25, 50, and 100 tugriks. ₮1 = \$0.00084 (or \$1 = ₮1,187.17) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Constitution Day, 13 January; Women's Day, 8 March; Mother and Children's Day, 1 June; Naadam Festival, 11–13 July; Mongolian Republic Day, 26 November. Movable holidays include Mongol New Year's Day, in February or March.

**TIME:** 8 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in east-central Asia, Mongolia has an area of 1,565,000 sq km (604,250 sq mi), extending 2,368 km (1,471 mi) E–W and 1,260 km (783 mi) N–S. Comparatively, the area occupied by Mongolia is slightly smaller than the state of Alaska. The largest landlocked country in the world, Mongolia is bordered on the N by Russia and on the E, S, and W by China, with a total boundary length of 8,162 km (5,072 mi).

## <sup>2</sup> TOPOGRAPHY

Mongolia is essentially a vast plateau with an average elevation of 914 to 1,524 m (3,000 to 5,000 ft). Mongolia comprises a mountainous section in the extreme west, where the peak of Nayramdlin Orgil (Huyten Orgil) of the Mongolian Altay Mountains rises to a height of 4,374 m (14,350 ft). Other mountain ranges are the Hentiyn, along the Soviet border, and the Hangayn, in west-central Mongolia. The southern part of the country is occupied by the Gobi, a rocky desert with a thin veneer of shifting sand. Explorations have uncovered large reservoirs of water 2–3 m (7–10 ft) beneath the desert surface. The largest lakes are found in the northwest. These include the nation's largest lake, Uvs Lake, a saltwater lake with an area of about 3,366 sq km (1,300 sq mi).

## <sup>3</sup> CLIMATE

Mongolia has an arid continental climate with a wide seasonal range of temperature and low precipitation. In winter, it is the site of the great Siberian high, which governs the climate of a large part of Asia and gives Mongolia average winter temperatures of -21° to -6°C (-6° to -22°F) and dry, virtually snowless winters. In summer, remnants of the southeasterly monsoon bring most of the year's precipitation. Annual precipitation ranges from 25 to

38 cm (10 to 15 in) in mountain areas to less than 10 cm (4 in) in the Gobi.

## <sup>4</sup> FLORA AND FAUNA

Mongolia is divided into several natural regions, each with its characteristic plant and animal life. These regions are the mountain forests near the Soviet Siberian border; the mountain steppe and hilly forest farther south; the lowland steppe grasslands; the semidesert; and finally the true desert. Larch and Siberian stone pine are characteristic trees of the northern forests, which are inhabited by bear, Manchurian red deer, snow panther, wild boar, and elk. The saiga antelope and the wild horse are typical steppe dwellers. As of 2002, there were at least 133 species of mammals, 274 species of birds, and over 2,800 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

Environmental problems facing Mongolia include desertification, inadequate water supply, and air and water pollution. Areas affected by deforestation and excessive grazing are eventually overtaken by the desert. After a winter of little snow, wildfires spread across northern Mongolia from March until June of 1996. The fires were the most extensive since records were first compiled in 1978, resulting in 26 deaths and nearly 800 people injured or rendered homeless. An estimated 20% of Mongolia's coniferous forest was damaged in the blaze. In 2000, only about 6.8% of the total land area was forested.

Water pollution is a particularly significant problem in Mongolia because the water supply is so limited. The country has only 35 cu km of renewable water resources. In 2002, only 87% of city dwellers and 30% of the people living in rural areas had access to improved water sources.

The country's air pollution problems are due to increased industrial activity within the country, including the burning of soft coal, and airborne industrial pollution from the former Soviet Union and the People's Republic of China. The heavy concentration of factories in Ulaanbaatar has polluted the environment in that area.

In 2003, about 11.5% of the total land area was protected, including six Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 13 types of mammals, 22 species of birds, 1 species of fish, and 3 species of invertebrates. Przewalski's horse (also called takh) is considered to be the last existing ancestor of the modern domesticated horse. The species was extinct in the wild of Mongolia by 1970, but a special government project of breeding the remaining animals in captivity has resulted in more than 1,500 horses reintroduced to a nature reserve at Hustain Nuruu. Threatened species included the Bactrian camel, the snow leopard, and the saiga.

## 6 POPULATION

The population of Mongolia in 2005 was estimated by the United Nations (UN) at 2,646,000, which placed it at number 135 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 31% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.6%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 3,390,000. The population density was less than 1 person per sq km (1 per sq mi).

The UN estimated that 57% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.74%. The capital city, Ulaanbaatar, had a population of 812,000 in that year. Darhan has a population of 90,000; Erdenet, 72,300.

## 7 MIGRATION

Few Mongolian nationals live outside the country, but 3.4 million persons of Mongolian extraction lived in the Inner Mongolia province of China. About 500,000 live in Russia—in the Buryat and Kalmyk republics. Between 1955 and 1962, some 20,000 Chinese laborers entered Mongolia to work on construction projects, but in 1964 Mongolia expelled about 2,000 Chinese nationals who had refused to take part in an agricultural resettlement program. In addition, Mongolia expelled 7,000 ethnic Chinese between 1983 and 1993. Since the independence of Kazakhstan, many Kazakhs have emigrated.

Nomadic herders account for nearly half of Mongolia's population. Mongolia is one of the only developing countries where internal migration to rural areas exceeds migration to cities. The number of families formally registered as nomadic herders grew from an estimated 74,000 in 1990 to 170,000 in 1995. In 2000 the total number of migrants was 8,000, with virtually no refugees. There were no reports of refugees or asylum seekers in 2004.

In 2004 some 2,259 Mongolians sought asylum in Europe, mainly in France and the United Kingdom.

In 2005, the net migration rate was estimated as zero, a significant change from 2000 when the rate was -6.5 per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

According to latest estimates, about 85% of the population are ethnic Mongols; they are primarily Khalkha, which account for about 90% of all Mongols. The remainder include Durbet Mongols of the north and Dariganga Mongols in the east. Turkic speakers (including Kazakhs, Turvins, and Khotans) account for about 7% of the population. Other groups include those of Chinese and Russian origin.

## 9 LANGUAGES

Khalkha Mongolian, the official language, is spoken by about 90% of the population. It is one of a large dialect group in the Mongolic branch of the Altaic language family. Early in the 13th century, the Mongols adopted an alphabet written in vertical columns from the Turkic Uighurs, and they retained that script until modern times. The literary language differed increasingly from the living spoken language and, in 1941, the Mongolian government decided to introduce a new phonetic alphabet that would accurately reflect modern spoken Mongolian. The new alphabet consisted of the Cyrillic letters used in Russian, except for two special characters needed to render the Mongolian vowels represented as *ö* and *ü* in Western European languages. After a period of preparation (1941–45), the new alphabet was introduced in 1946 in all publications and in 1950 in all business transactions, but, following independence, the traditional script was due to be restored in 1994.

The differences between the Khalkha language spoken in Mongolia, the Buryat language spoken in the Buryat Republic of the Russian Federation, the Chahar and Ordos languages of China's Inner Mongolian Autonomous Region, and other Mongolian dialects are comparatively small and chiefly phonetic. A characteristic phonetic feature of Mongolian is the law of vowel harmony, which requires that a word contain either the so-called back vowels, represented as *a*, *o*, and *u* in Western European languages, or the so-called front vowels, represented as *e* (*ā*), *ö*, and *ü*, but not an association of the two types of vowels. Turkic, Russian, and Chinese are also spoken.

## 10 RELIGIONS

Before the government's campaign against religion in the 1930s, there were about 700 Buddhist monasteries with about 100,000 lamas in Mongolia. During 1936–39, the Communist regime closed virtually all monasteries, confiscated their livestock and landholdings, tried the higher lamas for counterrevolutionary activities, and induced thousands of lower lamas to adopt a secular mode of life. In the mid-1980s, only about 100 lamas remained. Since the new constitution of 1992 established freedom of religion, Mahayana Buddhism has made a surprising resurgence. Former monasteries have been restored, and there is a seminary at Gandantegchinlen Hiyd. In 1992, Roman Catholic missionaries were also encouraged to come to Mongolia to continue the presence they had initiated earlier in the century.

A 2004 report indicated that about 50% of the population practiced some form of Buddhism, mostly Lamaist (or Tibetan) Buddhism. About 4% of the population were ethnic Kazakh Muslims. There were small Christian communities throughout the country, including Roman Catholics, Russian Orthodox, and Protestants.



LOCATION: 87°47' to 119°54'E; 41°31' to 52°16'N. BOUNDARY LENGTHS: Russia, 3,441 kilometers (2,138 miles); China, 4,673 kilometers (2,904 miles).

It is believed that some natives practice shamanism. About 40% of the population still claims no religious affiliation.

The constitution provides for freedom of religion and the separation of church and state. However, the government has reserved the right to place some restrictions on religious activities. For instance, the government can limit the number of churches and clergy allowed for each religious organization. Religious groups are required to register through the Ministry of Justice and Home Affairs.

## 11 TRANSPORTATION

The Trans-Mongolian Railway, about 1,496 km (930 mi) in length, connects Mongolia with both China and Russia. Ulaanbaatar has been connected to the Trans-Siberian Railway via Bayantumen since 1939 and via Sühbaatar since 1950, and to the Chinese Railways via Dzamin üüd since the end of 1955. Choybalsan is also connected to the Trans-Siberian system via Ereenstav. Ulaanbaatar Railways has been linked to Nalayh since 1938 and to Darhan and Tamsagbulag since 1964. The Sharin Gol Open-Pit Coal Mining Industry was connected to the Darhan industrial center

during the third five-year plan (1961–65) by a 60-km (37-mi) rail line. A 200-km (124-mi) railroad line connects Erdenet, a copper-molybdenum mining and industrial center near the Russian border, with the Trans-Mongolian Railway. The total length of railroads in 2004 was 1,810 km (1,125 mi), all of it broad gauge.

Mongolia had 49,256 km (30,637 mi) of roadways in 2002, of which 1,724 km (1,068.8 mi) were paved. Although Mongolia, as of 2004, had 580 km (360 mi) of navigable waterways, only Lake Hovsgol (135 km) was in regular use. The 270 km (168 mi) Selenge River and the 175 km (109 mi) Orhon River, while navigable, carry little traffic. In addition, the country's lakes and rivers are only open from May through September due to freezing in winter. Although land-locked, Mongolia, as of 2005, had a merchant fleet of 65 vessels of 1,000 GRT or more, totaling 339,423 GRT.

There were an estimated 46 airports in 2004. As of 2005, a total of 14 had paved runways, and there were also two heliports. Mongolia's first air service began operating between Ulaanbaatar and Verkhneudinsk in eastern Siberia in 1926. Miat-Air Mongol is the principal airline. In 2003, about 295,000 passengers were carried on scheduled domestic and international airline flights.

## 1<sup>2</sup> HISTORY

Archaeological investigations show that the land now known as Mongolia has been inhabited since the Lower Paleolithic period, more than 130,000 years ago. By about 1000 BC, animal husbandry of the nomadic type had developed, and by the 3rd century BC, a clan style of organization based on horsemanship had emerged. The Huns, a Turkic-speaking people, driven westward during the Han dynasty in China (206 BC–AD 220), created a nomadic empire in central Asia that extended into Europe, beginning about AD 370. It reached almost to Rome under the leadership of Attila (r.433?–453) and declined after his death. Mongolia first played an important part in world history in AD 1206, when the Mongol tribes united under the leadership of the conqueror Temujin, or Genghis Khan. The Mongols set up their capital at Karakorum and established a vast empire extending from the northern Siberian forest to Tibet and from the Caspian Sea to the Pacific. After the death of Genghis in 1227, his empire was divided among his sons into Mongol states, or khanates: the Great Khanate of East Asia, which included the Yüan dynasty of China, and reached its peak under Kublai Khan (r.1260–94), who established his capital at Cambaluc (now Beijing); the Khanate of Chaghadai (Djakhattai) in Turkestan; the Hulagid Khanate, founded by Hulagu Khan in Persia; and the Golden Horde in southern Russia, founded by Batu Khan, who invaded Poland and Hungary in 1240. Having crossed the Danube River, Batu withdrew in 1241. The Mongols' century of dominance in Asia allowed for great trade and cultural interchange but also led to the spread of the bubonic plague to Europe.

During the 14th century, the great Mongol states disintegrated. The Yüan dynasty in China collapsed in 1368, to be replaced by the Ming dynasty; the western part of the Turkestan Khanate was incorporated into the empire of Timur in 1390; Hulagu's Persian empire disintegrated after 1335; and the Golden Horde was attacked and shaken by the forces of Prince Dmitry Donskoy in Russia in 1380 but ruled South Russia into the 15th century. In 1369, at the age of 33, Timur, also called Timur Lenk ("Timur the Lame") or Tamerlane, proclaimed himself ruler of all the land lying between the Tien Shan and the Hindu Kush mountain ranges. The Mongols retired to their original steppe homelands, splitting into three major groups: the northern Khalkha Mongols, north of the Gobi Desert; the southern Chahar Mongols, south of the Gobi; and the western Oirat Mongols. Babur, a descendant of Timur, founded the Mughal (or Mogul) Empire (so called from the Farsi word for "Mongol") in India in 1526; it lasted until the 18th century. Buddhism, which had been introduced by Tibetan monks in the 15th century, became widespread in the 16th and 17th centuries.

A cleavage developed between the northern (outer) Mongols and the southern (inner) Mongols, who had been more closely associated with Mongol rule in China. In the course of conquering China, the Manchus subdued the southern Mongols in 1636, placing them under the eventual rule of China's Qing (Ch'ing) or Manchu dynasty (1644–1911). The northern Mongols, who had been fighting with western Mongols for supremacy, sought Manchu aid against their foes and accepted Manchu suzerainty in 1691. Finally, the Manchus destroyed the western Mongols as a historical force in 1758. The Russian-Chinese border treaties of Nerchinsk (1689)

and Kyakhta (1727) confirmed Chinese rule over both the southern and northern Mongols but assigned the Buryats to Russia.

Following the overthrow of the Manchu dynasty by the Chinese revolution in 1911, northern Mongol princes proclaimed an autonomous Outer Mongolia under the rule of Bogdo Khan, the Living Buddha (Jebtsun Damba Khutukhtu) of Urga, an earlier name of Ulaanbaatar. A treaty with the tsar's government pledged Russian assistance for the autonomous state. After the Bolshevik Revolution, the Chinese exploited Russia's weakness, reoccupying Outer Mongolia in 1919 and ending its autonomy. In early 1921, the Chinese were driven out by Russian counterrevolutionary forces under Baron von Ungern-Sternberg. He, in turn, was overcome in July 1921 by the Mongol revolutionary leaders Sukhe Baatar and Khorloin Choybalsan, assisted by the Soviet Red Army. Under Soviet influence, a nominally independent state, headed by the Living Buddha, was proclaimed on 11 July 1921 and lasted as a constitutional monarchy until his death in 1924.

The Mongolian People's Republic (MPR), the second communist country in world history, was proclaimed on 26 November 1924. With the support of the former USSR, Communist rule was gradually consolidated. Large landholdings of feudal lords were confiscated, starting in 1929, and those of monasteries in 1938. A 10-year mutual assistance treaty, signed in 1936 and renewed for another 10 years in 1946, formalized the close relations between the former USSR and the MPR. In the summer of 1939, with Soviet support, the Mongolians fought invading Japanese along the border with Manchuria, ending with a solid defeat for the Japanese in September. After a virtually unanimous plebiscite by the Mongolians in favor of independence, the Nationalist government of the Republic of China formally recognized the MPR in 1945 (it withdrew its recognition in 1953) and the Nationalists on Taiwan still claim Mongolia as part of China. On 14 February 1950, the People's Republic of China and the former USSR signed a treaty that guaranteed the MPR's independence. In October 1961, the MPR became a member of the United Nations. Conflicting boundary claims between the MPR and China were settled by treaty on 26 December 1962, and on 30 June 1964 the MPR and the former USSR signed a 20-year treaty of friendship, cooperation, and mutual assistance. In June 1987, the MPR and the United States established diplomatic relations. With the growth of cities around the mining industry, Mongolian society shifted from being 78% rural in 1956 to being 52% urban in 1980 to 57% in 2005.

With their close ties with the former USSR, Mongolians were well aware of Soviet policies of *glasnost* (openness) and *perestroika* (restructuring) and of the democratic movements in Eastern Europe after the mid-1980s. The MPR initiated its own policy of "openness" (*il tod*) and began economic reforms to serve as transitional steps away from a centrally planned, collective economy and toward a market economy. Following the first popular demonstrations calling for faster reforms, in Ulaanbaatar in December 1989, the ruling Mongolian People's Revolutionary Party (MPRP) opted for political as well as economic reforms. The MPRP's leadership resigned in March 1990 and in May the constitution (of 1960) was amended to allow for new, multiparty elections, which took place in July. The MPRP won a majority (85% of the seats) in the legislature, the People's Great Hural (PGH), which took office in September. The PGH elected as president a member of the

MPRP, Punsalmaagiyn Ochirbat, but invited the opposition parties to join in forming the new government.

During 1991, the new government discussed Mongolia's economic and political transformation. It issued vouchers to all citizens for the purchase of state property as a step toward privatization. Economic reform was made more difficult by the economic collapse of the former Soviet Union. In 1991, Russia insisted on trade based on cash rather than barter and dramatically cut aid. By 1992, Mongolia faced severe energy shortages. In 1991, the PGH also discussed the writing of a new constitution, which took effect in February of the next year. Based on that constitution, elections in June 1992 created a new legislature (with a MPRP majority), the State Great Hural (SGH) and, in June 1993, President Ochirbat was reelected (but with the support of a coalition of new parties, not the MPRP) in the first direct presidential elections. By September 1992, some 67,000 former Soviet troops (in Mongolia since 1966 when Sino-Soviet tensions increased) completed a process of withdrawal begun in 1990.

In the 1996 parliamentary elections, discontent, especially among the young, led to the defeat of the MPRP. The leaders of the winning Democratic Union Coalition (DUC), mostly political novices, promised to intensify market reforms. The election results marked the first smooth transfer of power in Mongolia's modern history and one of the most peaceful among all the former communist nations. In the following years, however, the stability and effectiveness of Mongolia's democratic government were hobbled by disunity within the majority DUC and by the political stalemate between the DUC and the ex-communists of the opposition MPRP. In late 1996 and early 1997, the MPRP prevailed in local elections, and its candidate, Natsagiyn Bagabandi, was elected president. After the resignation of two prime ministers, the nation was left with an interim government in the second half of 1998, as Bagabandi rejected multiple DUC nominees for the post.

In October 1998 the country was shaken by the murder of Sanjaasurengiyn Zorig, a pro-democracy leader and government minister who had been tapped to be the next DUC nominee for prime minister. By August 1999, yet another DUC government had fallen, and Rinchinnyamiin Amarjargal, the 38-year-old former foreign minister, became Mongolia's third prime minister in 15 months.

On 2 July 2000, parliamentary elections were held that resulted in an overwhelming victory for the MPRP. The MPRP took 72 of 76 seats in the State Great Hural, with only 4 seats going to opposition members. Nambaryn Enkhbayar was named prime minister. On 20 May 2001, Bagabandi was reelected president with 58% of the vote, giving the MPRP control of both the presidency and parliament. The elections were characterized by international observers as free and fair.

In November 2002, the Dalai Lama visited Mongolia, a trip denounced by China. China warned Mongolian officials not to meet with the Tibetan spiritual leader, and briefly suspended train services with the country. Thousands of Mongolian Buddhists attended the Dalai Lama's speech on 6 November.

As of early 2003, the country continued to face problems of high unemployment, poor welfare and education systems, corruption, crime, and harsh winters. This was due, in part, to a steep drop in world prices for Mongolia's two largest exports, cashmere and copper. The severe winter of 2001 killed at least 1.3 million livestock;

approximately 40% of Mongolians depend upon the country's 30 million livestock for their livelihood. Mongolia, though engaging in increased privatization of state-owned enterprises to speed the country's alignment with free market principles, has been careful to dedicate a percentage of the resulting revenues to social programs. Growth improved from 2002 at 4% to 2003 at 5%, due largely to high copper prices and new gold production, with the government claiming a 10.6% growth rate for 2004 that was unconfirmed. The unemployment rate for 2005 was 6.7%. Mongolia's economy continued to be heavily impacted by its neighbors, particularly since it imports a large majority of its energy and oil from Russia. Mongolian economy also largely consists of a 'black' or 'gray' market. The World Bank estimated that this underground economy is equal to or greater than the official economic statistics. Mongolia, which joined the World Trade Organization in 1997, seeks to expand its participation and integration into Asian regional economic and trade regimes.

Due to stagnant unemployment and poverty, Bagabandi made an increased effort to align Mongolia with the international community. Bilateral talks were held in China and the United States in 2004 which led to increased trade and cooperation. The United States is particularly interested in Mongolia due to its strategic geographical position and that it holds relations with North Korea. Mongolia also reopened relations with Russia, due mainly to the Russian decision to resolve a large portion of Soviet-era debt. This allowed Mongolia to fully pay off all debt to Russia in 2004.

MPRP candidate Nambariin Enkhbayar was elected president in May 2005. He won 53.4% of the vote, thereby avoiding a runoff election. His closest rival, Mendsaikhan Enkhsaikhan of the Democratic Party, took 20%. Enkhbayar's declared that the largest problem during his tenure would be the poverty experienced by many Mongolians; over 1/3 of the population lives in poverty.

### 13 GOVERNMENT

A new constitution went into effect 12 February 1992, replacing the 1960 constitution and completing Mongolia's transition from a single-party state to a multiparty, parliamentary form of government. At that time, the country's name was officially changed from "Mongolian People's Republic" to "Mongolia." Suffrage is universal at age 18. The unicameral legislature, the State Great Hural (SGH), has 76 members, who are elected by district to four-year terms. The SGH meets twice each year. It can enact and amend laws, set domestic and foreign policy, ratify international agreements, and declare a state of emergency.

A president, the head of state and commander-in-chief of the armed forces, is selected by direct, popular vote for a four-year term, with a limit of two terms. The president nominates the prime minister and can call for the dissolution of the government, initiate and veto legislation (subject to override by two-thirds vote of the SGH), and issue decrees which take effect with the signature of the prime minister.

A prime minister, the head of government, is nominated by the president and confirmed by the SGH to a four-year term. The prime minister selects a cabinet which must be confirmed by the SGH. The government dissolves when the prime minister resigns, when half the cabinet resigns simultaneously, or upon a vote for dissolution by the SGH.



## 14 POLITICAL PARTIES

The Mongolian People's Revolutionary Party (MPRP), which had been the single ruling party since 1924, legalized opposition parties in 1990. In addition to the MPRP, major parties prior to the 2004 elections included the Motherland Democratic Party (MDP), which included the Mongolian National Democratic Party (MNDP), the Mongolian Social Democratic Party (MSDP), the Green Party (NYAM), and the Mongolian Democratic Party of Believers (MDPB); Mongolian Conservative Party (MCP); Democratic Power Coalition, which included the Mongolian Democratic Renaissance Party (MDRP) and Mongolian People's Party (MPP); Mongolian National Solidarity Party (MNSP); Bourgeois Party/Capitalist Party; United Heritage Party (UHP), which included the United Party of Herdsman and Farmers, Independence Party; Traditional United Conservative Party, and Mongolian United Private Property Owners Party; and the Mongolian Workers Party.

In the first election for the State Great Hural (SGH) 28 June 1992, the MPRP won 56.9% of the vote and 71 of 76 seats in the SGH. In the first direct presidential election, 6 June 1993, President Punsalmaagiyn Ochirbat (first elected president 3 September 1990) was reelected with 58% of the vote. A former member of the MPRP, Ochirbat defeated that party's candidate, running as head of a coalition of the SDP and MNDP.

In the elections of 30 June 1996, the Democratic Union Coalition (which included the MNDP, the MSDP, and two smaller parties) defeated the MPRP, winning 50 of 76 seats (an increase of 44 seats). The MPRP won 25 seats, and the remaining seat went to the MCP. The DUC campaign platform included the Mongolia's Contract With Voters, which promised to cut government spending, reduce welfare, and reorganize the transformation of the government.

In the July 2000 parliamentary elections, MPRP candidates won 72 of the 76 seats, with the remaining 4 seats won (one each) by MNDP, the Civil Courage Party or Civil Will Party (CWP) in alliance with the Mongolian Green, the Motherland Alliance (the Mongol Democratic New Socialist Party and the Mongolian Labor Party), and an independent nonpartisan candidate.

General elections held in 2004 resulted in an impasse, as neither the MPRP nor the main opposition, the Motherland Democratic Party (MDP), held the 39 seats required to form a government. The MPRP was dealt a devastating blow with a reduction in parliamentary seats from 72 to 36. Electoral fraud was suspected on the part of the MDC and a recount was ordered. Parliament was not able to meet for the first half of 2004 as neither side wished to pursue legislation while the electoral investigation was ongoing. In August, the MPRP formed a coalition with the MDC and Tsakhilganiin Elbegdorj retained his post of prime minister for a second term.

## 15 LOCAL GOVERNMENT

Mongolia administratively consists of 21 provinces (*aymag*), divided into 334 counties (*soums*) and lesser administrative units called *baghs*, as well as one autonomous city, Ulaanbaatar, which is divided into districts and *horoos*. Each level of local administration has its own legislative body, or *hural*. These *hurals* nominate

the provincial governors, who are then appointed by the prime minister.

## 16 JUDICIAL SYSTEM

Prior to the 1992 constitution, justice was administered through a Supreme Court elected by the People's Great Hural; province and city courts, elected by the corresponding assemblies of people's deputies; and lower courts. The 17-member Supreme Court remains the highest judicial body with a Constitutional Court vested with sole authority for constitutional review. The local courts (people's courts) handle most routine civil and criminal cases. Provincial courts hear more serious cases and review local court decisions. The Supreme Court hears appeals from the local and provincial courts. The old specialized military justice and railway courts have been abolished. All courts are now organized under a single unified national system.

The General Council of Courts nominates and the president appoints the lower and the Supreme Court judges. The new constitution provides for a completely independent judiciary. It also promises procedural due process rights to a fair trial, legal assistance, right to appeal, and access to requests for pardons.

A 1999 media law banned censorship of public information, and many independent newspapers and media outlets exist. However, to the extreme poverty in the country, the main source of news is the state-owned Radio Mongolia. Internet access and Western news media are available in all major cities and not hampered by government censorship. Parliamentary meetings are also broadcast to the public.

Trade unions are legal, although with the continued sale of many state factories, membership in trade unions has declined to approximately one-half the population in 2005. Strikes and collective bargaining are legal except in what the government considers "essential sectors", which are transportation, law enforcement and utilities.

The constitution bars arbitrary arrest, although this continued to occur. Prisoners also report beatings and torture while in detention. Deaths in prison are reported, although this is most likely due to disease exacerbated by poor conditions like lack of food, heat and medical services. Mongolia vowed to concentrate resources on prison reform by 2010.

Military service is mandatory for all men aged 18–28 for 12 months. In 2003 the army had approximately 7,500 soldiers and the Air Defense Force had about 800 personnel.

Mongolia is a member of most international organizations including the United Nations, International Court of Justice and the World Trade Organization.

## 17 ARMED FORCES

In 2005, Mongolia's armed forces had 8,600 active personnel, with reserves of 137,000. The Army had 7,500 personnel, whose equipment included 370 main battle tanks, 120 reconnaissance vehicles, 310 armored infantry fighting vehicles, 150 armored personnel carriers, and 570 artillery pieces. The Air Force had 800 personnel whose major equipment included 11 attack helicopters and 9 fixed wing transport aircraft. Paramilitary forces consisted of a border

guard numbering 6,000 and 1,200 internal security troops. Mongolia's defense budget in 2005 totaled \$17.6 million.

## 18 INTERNATIONAL COOPERATION

Admitted to the United Nations on 27 October 1961, Mongolia participates in ESCAP and several nonregional specialized agencies, such as the FAO, IAEA, ILO, IMF, UNESCO, UNIDO, WHO, and the World Bank. It is a member of the WTO, the Asian Development Bank, the Colombo Plan, the European Bank for Reconstruction and Development, the ASEAN Regional Forum, the Pacific Economic Cooperation Council, and the G-77. Mongolia is a partner in the OSCE and an observer of the Shanghai Cooperation Organization (SCO), an agreement signed in June 2001 between the leaders of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan to fight terrorism and ethnic and religious militancy while promoting trade.

The principal ally of Mongolia was the former USSR, which provided substantial economic and military assistance over the years. In 1986, the MPR made efforts toward normalizing relations with China, which had become strained after the expulsion of Chinese laborers in 1983, by establishing the first five-year trade agreement between the two countries, restoring air service and improving rail service between them, and exchanging consular delegations for the first time. In the 1990s, Mongolia expanded its political and financial relationships with the United States, Japan, and the European Union. However, it remains dependent upon Russia and China for the development of its economy and trade. Mongolia is part of the Nonaligned Movement.

In environmental cooperation, Mongolia is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

After 70 years as a centrally planned economy, Mongolia has undergone a difficult transition towards a free market system since 1990. With the help of active government promotion, the country's industrial sector grew steadily for several decades, expanding from 7% of the national income in 1940 to 35% by 1997, as agriculture's share of total production declined from 79% to 31%. Despite these changes, animal husbandry has remained a dominant sector of the economy, with live animals and animal products accounting for a major share of exports, and livestock providing much of the raw material processed in the country's industrial sector. Total Soviet assistance at the height of Soviet support amounted to 30% of GDP. A number of factors, including the sudden cessation of economic aid from the former Soviet Union and allied countries, the disruption of trade with traditional trading partners, as well as a severe winter in 1990/91, caused a steep decline in the country's economic activity in the early 1990s. The annual growth rate of the GDP dropped steeply from 8.3% to -9.5% in 1992, and -3% in 1993.

Despite these difficulties, the government continued its economic transformation program involving the privatization of most previously state-owned enterprises and other policy reforms. In 1994, GDP grew by 2.3%, followed by further increases

of 6.3% in 1995, 2.6% in 1996, 4% in 1997, 3.5% in 1998, 3.2% in 1999, 1.1% in 2000 and 1.4% in 2001. Although the economy has grown steadily since 1994, the economic wellbeing of most people is still in decline. Inflation reached a peak of over 325% in 1992, accelerating faster than wages, but dropping to about 4% in 1995. In 1999, inflation jumped to 10%, and was at 8% and 8.1% in 2000 and 2001. Development of the country's rich oil and mineral resources continues to be a high priority, and negotiations for the exploitation of oil, gold and rare earth elements with foreign companies are being actively pursued.

The GDP growth rate was 6.0% in 2004, up from 5.1% in 2003, and 3.9% in 2002; in 2005, the economy was expected to expand by 5.5%. This growth was mainly fueled by higher commodity prices (for gold, copper, etc.) requested from Mongolia's main trading partner—China. Inflation, reduced to insignificant levels in 2002—0.9%, started growing again in 2003 (5.1%), and 2004 (8.7%). The unemployment rate reached 14.2% in 2003, but it is believed that a large part of the jobless population is actually employed by the grey economy.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Mongolia's gross domestic product (GDP) was estimated at \$6.0 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,200. The annual growth rate of GDP was estimated at 5.5%. The average inflation rate in 2005 was 11%. It was estimated that agriculture accounted for 20.6% of GDP, industry 21.4%, and services 58%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$56 million or about \$23 per capita and accounted for approximately 4.4% of GDP. Foreign aid receipts amounted to \$247 million or about \$100 per capita and accounted for approximately 19.7% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Mongolia totaled \$894 million or about \$361 per capita based on a GDP of \$1.3 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings.

It was estimated that in 2004 about 36.1% of the population had incomes below the poverty line.

## 21 LABOR

In 2003 (the latest year for which data was available), the workforce was estimated at 1.488 million people. Of that total that same year, 42% were involved in agriculture/herding, 4% in mining, 6% in manufacturing, 14% in trade, 29% in services, 5% in the public sector and 3.7% in undefined occupations. In 2003, unemployment was put at 6.7%. A shortage of skilled labor has required the procurement of a large supplementary workforce from the former USSR and Eastern Europe.

The right to organize trade unions and professional organizations is granted by the 1990 constitution. In that year, the Association of Free Trade Unions, (AFTU) which includes about 70

unions, was chartered. In 2002, there were 400,000 unionized workers, amounting to less than 50% of the workforce. Nonessential workers have a right to strike.

According to the labor code, the working week is fixed at 40 hours, and for those under 18, at 36 hours. Children as young as 14 or 15 may work with parental permission. In reality, regulations regarding child labor are not effectively enforced. The legal minimum wage was less than \$25 per month in 2002, although most workers earned in excess of this amount.

## 22 AGRICULTURE

As of 2003, cropland amounted to 1,200,000 hectares (2,965,000 acres), up from only 1,160,000 hectares (2,866,000 acres) in 1979; the cultivated area represents only 1% of potentially arable land. The high altitude, temperature extremes, long winters, and low precipitation provide limited potential for agricultural development. Crop production accounts for 3% of all employment.

Shortages of fuels and parts for agricultural equipment caused crop production to decline by 70% during the 1990s. Principal crops produced in 2004 (in 1,000 tons) included: wheat, 150; barley, 2.5; potatoes, 67; and vegetables, 44. Trade in agricultural products in 2004 consisted of \$173.6 million in imports and \$62.7 million in exports.

## 23 ANIMAL HUSBANDRY

Animal husbandry is the backbone of Mongolia's economy, employing some 160,000 persons. After Mongolia became the world's second communist country in 1924, many nomads settled down to raise livestock on state-owned collectives. The end of communist rule in 1990 brought the resurgence of traditional animal herding methods. Pastures constitute about 75% of the national territory. In 2005 there were 11,686,000 sheep, 12,238,000 goats, 1,842,000 cattle, 2,005,000 horses, 257,000 camels, and some 6,000 hogs. The goat population increased by over one million in 1994/95, due to a boom in the cashmere industry. The meat produced in 2005 was 195,400 tons. Because of the harsh climate, Mongolians consume much fat and meat during winter, and dairy products in the summer.

Mongols claim that the Mongolian thoroughbred is the progenitor of many breeds of race horses worldwide; furthermore, its stamina and speed over long distances surpass Arabic and Akhaltec racers. The Mongolian Horse Association was founded in February 1989 in Zunmod to increase the population and preserve traditional horse-breeding techniques, which were largely being forgotten over the past three decades.

Hunting remains an important commercial activity, with furs and skins the chief products. In 2005, production of skins and hides was estimated at 19,800 tons from sheepskins and 11,200 tons from cattle hides.

## 24 FISHING

Fishing is not a significant industry in Mongolia. The total catch in 2003 was 130 tons.

## 25 FORESTRY

Forests cover about 6.8% of the total territory of Mongolia, mainly in the area around Hövsgöl Lake. It is estimated that the country's total timber resources represent at least 1.25 billion cu m (44 bil-

lion cu ft). Birch, cedar, larch, and fir trees predominate. In 2004, the timber cut was 6.631 million cu m (222.7 million cu ft), with 29% burned as fuel. The lumber industry yielded 300,000 cu m of sawn wood that year.

## 26 MINING

Mongolia was the world's third-largest producer of fluorspar and among the top three producers in Asia and the Pacific of copper and molybdenum. In 2004, Mongolia exported nearly all of its copper and molybdenum concentrates, while fluorspar was sent to Japan and Russia. Construction, mining (of coal, copper, molybdenum fluorspar, and gold), and oil were Mongolia's top three industries. Geological surveys have uncovered deposits of some 80 minerals, which were largely untapped. Also produced in 2004 were cement, hydrated lime, quicklime, varieties of stone, and silica. Most mining operations were in the eastern and north-central regions, including the Erdenet copper mining center.

Output in 2004 included (in metric tons): mine copper (metal content), 130,000; fluorspar (including acid grade and sub-metallurgical), 295,000; mine molybdenum, 1,411; gypsum, 25,000; and mine tungsten, 40,000 (estimated). Gold output for 2004 was 18,600 kg, up from 11,119 kg in 2003. Gold mining increased significantly in the 1990s, and the number of companies engaged in gold mining grew to more than 100; total reserves were estimated to be 2,000 tons gold in 17 regions, the most important being Naran, Tolgoi, and Zamar. No tin was mined in 1999 and 2000, or in 2004. Uranium production ceased after 1997. The Erdenet copper-molybdenum mine, completed in 1981, was developed by the state in cooperation with the former USSR, and was 51% owned by the Mongolian government and 49%, by the Russian government. Clay, gold, gypsum, limestone, molybdenum, salt, sand and gravel, silver, precious stones, and tungsten were also mined by small operations.

Mongolia's gross domestic product (GDP) in 2004 totaled \$1.5 billion. The country's minerals sector accounted for around 17.3% of GDP that year. The government encouraged foreign investment and adopted a number of long-term programs to explore for and develop metallic and nonmetallic minerals. Ivanhoe Mines Ltd. estimated that the Oyu Tolgoi had as much as 750 million tons of copper and gold resources. The Tsagaan Suvraga porphyry copper deposit, in southwestern Sayanshand City, in the northern part of the Ulaan-Uul structural-formational zone of the south Gobi mineral belt, contained 240 million tons of sulfide ore at a grade of 0.53% copper and 0.018% molybdenum. The government was looking for investors to develop a 500-million-ton iron ore deposit north of Darkhan City.

Parliament-approved guidelines for 2001–04 would privatize 27 state-owned enterprises and restructure 25 state-owned enterprises and organizations. Copper mining remained state owned. In 1997, the government modified mining laws to increase the land open to exploration to 40%, change policies regarding exploration licenses, and grant tax incentives to promote mining.

## 27 ENERGY AND POWER

Mongolia produces only a small amount of oil, no natural gas, and some coal.

In 2004, Mongolia's production of oil averaged 542 barrels per day, while demand and imports each averaged an estimated 11,000

barrels per day in that year. A small amount of oil, averaging an estimated 497 barrels per day, was exported that same year.

All of Mongolia's electricity is produced by conventional thermal power plants. In 2004, electric power output totaled an estimated 2.692 billion kWh, with consumption in that year, an estimated 2.209 billion kWh. Electricity exports and imports in 2004 came to an estimated 8.2 million kWh and 130.5 million kWh, respectively. In 2002, Mongolia's generating capacity was put at 0.901 million kW. Although about half the population is served with electricity, electric power outages in rural areas can last for months.

Mongolia produced 7,081,000 short tons of coal in 2002, of which 86% consisted of brown coal or lignite, and the remainder bituminous.

## 28 INDUSTRY

Small-scale processing of livestock and agricultural products has historically been a mainstay of Mongolia's industrial sector. With the establishment of the Erdenet copper plant in the late 1970s, metal processing also became an important part of the economy. In 1996, industrial output was estimated at ₮239.3 billion, with production of metals accounting for 32.6%; energy production, 19.1%; processed foods, 15.8%; wool and woolen apparel, 11.5%; mineral fuels, 6.8%; chemicals, 6.7%; and other items, 7.5%. Much of the country's industrial activity is concentrated in four centers: Ulaanbaatar, Erdenet, Darhan, and Choybalsan. Industry employed approximately 74,100 persons in 1996.

Mongolia's industrial development has been severely affected by dwindling imports of fuel, spare parts, and equipment formerly obtained from the former USSR and allied trading partners. As a result, total output from the industrial sector generally declined in the early 1990s, falling by 2.5% in 1996. By 1997, the industrial sector had begun to recover, with growth estimated that year at 4.5%. Industrial growth in 2000 was 2.4%. Industrial production in Mongolia included about 40 different commodities. As of 2002, the production of food, leather, shoes, glass, and garments were on the decline, while production of copper and molybdenum concentrates, coal mining, and the food and beverage industries were increasing. About 72% of the economy had been privatized by 2000.

In 2003, industry made up 21.4% of the economy, with 4% of the labor force being engaged in mining, and 6% in manufacturing; 42% of the working population is still engaged in herding or agriculture. The industrial production growth rate was 4.1% in 2002, slightly higher than the GDP growth rate, and a sign that the industry is an important economic growth fosterer.

## 29 SCIENCE AND TECHNOLOGY

The Academy of Sciences, in Ulaanbaatar, was founded in 1921 and reorganized in 1961. It includes departments of agriculture, chemistry and biology, geography and geology, medicine, and technology; and numerous research institutes concerning agriculture, fisheries and veterinary science, medicine, natural sciences, and technology. The Natural History Museum in Ulaanbaatar features Gobi Desert dinosaur eggs and skeletons. The National University of Mongolia, founded in 1942 at Ulaanbaatar, has faculties of mathematics, natural sciences, physics, and biology, and undertakes research with the State Construction Research Insti-

tute in pursuit of knowledge related to nuclear physics, biophysics, mineral resources, energy, and communications. The Mongolian Technical University, founded in 1969 at Ulaanbaatar, has schools of power engineering, mechanical engineering, civil engineering, and geology and mining engineering. In 1987-97, science and engineering students accounted for 24% of college and university enrollments. In 2002, Mongolia's expenditures on research and development (R&D) totaled \$11.868 million, or 0.28% of GDP. In that same year, the country had 710 researchers and 72 technicians per million people that were involved in R&D. High technology exports in that year totaled \$1 million.

## 30 DOMESTIC TRADE

Prior to economic reforms of the early 1990s, consumer goods produced at Ulaanbaatar or imported from abroad were distributed by state marketing agencies to retail outlets in local administrative centers. Prices for all items except consumer services and some luxury goods were set by the government. With steady price liberalization undertaken since 1990, prices are now closely regulated for only a few staples, such as fuel, rice, and flour.

Because the rapid dismantling of the government's centrally planned distribution system proceeded without an effective alternative yet in place, severe supply shortages have been experienced especially in the country's urban centers. To reduce these shortages, a system of public markets has been developed where supplies in excess of targeted deliveries can be sold freely. Commodity exchanges, however, still retain some of the characteristics of a centrally planned economy. Bartering is still common among Mongolia's nomadic population.

As of 2002, wide-spread reform toward privatization was nearly completed and these privately-owned enterprises have begun to show growth in contributions to the economy. The government still seeks foreign investment as a major opportunity to boost and stabilize the domestic economy.

Business hours are generally from 9 AM to 6 PM, Monday through Friday.

## 31 FOREIGN TRADE

Minerals, mainly copper concentrates and molybdenum, were Mongolia's largest exports. In 1998, exports totaled \$316.8 million. The second most important export category includes wool, hides, and skins, followed by consumer goods, mainly manufactured garments. The liberalization and expansion of free trade zones have promoted the export of manufactured goods such as spun wool and cashmere, carpets, leather goods, green tea, canned meat, and light consumer goods. In 1999, imports amounted to \$472.4 million. Imports included machinery and equipment, fuels, rice, wheat flour, industrial consumer goods, chemicals, building materials, sugar, and tea.

Although Mongolia continues to depend on the republics of the former USSR (especially Russia) as its dominant trading partners, the country's trading profile has changed greatly since the mid-1980s. In 1985, communist countries, excluding China and North Korea, accounted for 95.5% of Mongolia's exports and 98.1% of its imports. In 1997 Mongolia joined the World Trade Organization. By 1998 Russia accounted for only 12.1% of exports, while their share of imports fell to 30.6%.

**Principal Trading Partners – Mongolia (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	615.9	801.0	-185.1
China	284.2	172.4	111.8
United States	142.9	23.5	119.4
Russia	41.2	265.4	-224.2
Singapore	35.0	10.4	24.6
Australia	34.5	19.6	14.9
United Kingdom	26.1	3.9	22.2
Italy-San Marino-Holy See	9.1	3.3	5.8
Japan	8.5	63.4	-54.9
Korea, Republic of	7.5	67.7	-60.2
Germany	4.6	38.0	-33.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

In 2004, Mongolia's exports totaled \$853 million (FOB—Free on Board), while its imports grew to \$1 billion (CIF—Cost and Freight). Export commodities included copper, apparel, livestock, animal products, cashmere, wool, hides, fluorspar, and other non-ferrous metals, and they mainly went to China (which received 47.8% of total exports), the United States (17.9%), and the United Kingdom (15.7%). Imports chiefly came from Russia (33.3%), China (23.6%), Japan (7.4%), South Korea (6%), and the United States (4.6%), and included machinery and equipment, fuel, cars, food products, industrial consumer goods, chemicals, building materials, sugar, and tea.

**<sup>32</sup>BALANCE OF PAYMENTS**

Mongolia consistently imports more than it exports. The sudden discontinuance of grants and debt cancellations by the former

**Balance of Payments – Mongolia (2002)**

(In millions of US dollars)

<b>Current Account</b>		<b>-158.0</b>
Balance on goods		-156.2
Imports	-680.2	
Exports	524.0	
Balance on services		-81.9
Balance on income		-4.5
Current transfers		84.6
<b>Capital Account</b>		...
<b>Financial Account</b>		<b>157.4</b>
Direct investment abroad		...
Direct investment in Mongolia		77.8
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		-32.1
Other investment liabilities		111.7
<b>Net Errors and Omissions</b>		<b>14.1</b>
<b>Reserves and Related Items</b>		<b>-13.4</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Soviet Union devastated the balance of payments position. Subsequently, the IMF in 1993, 1997, and 2001 approved a series of three-year loans to Mongolia, the last due to expire in September 2004.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Mongolia's exports was \$466.1 million while imports totaled \$614.5 million resulting in a trade deficit of \$148.4 million.

The International Monetary Fund (IMF) reported that in 2001 Mongolia had exports of goods totaling \$460 million and imports totaling \$549 million. The services credit totaled \$86 million and debit \$174 million.

Exports of goods and services reached \$1.2 billion in 2004, up from \$835 million in 2003. Imports grew from \$1.1 billion in 2003, to \$1.5 billion in 2004. The resource balance was consequently negative in both years, worsening from -\$249 million in 2003, to -\$303 million in 2004. The current account balance was also negative, slightly improving from -\$99 million in 2003, to -\$35 million in 2004.

**<sup>33</sup>BANKING AND SECURITIES**

Before 1924, Mongolia lacked its own banks and currency. Mongolians bartered, using such commodities as livestock, tea, and salt for exchange, or such foreign currencies as the US dollar, the Russian ruble, the British pound, and the Chinese Mexican dollar in commerce. Chinese and Russian banks offered credit, as did monasteries and private moneylenders. The government began to transform this chaotic monetary situation with a series of reforms, starting with the establishment of Mongolbank, or the Mongolian Trade-Industrial Bank, in June 1924. Mongolbank was founded as a Mongolian-Soviet joint-stock company. In February 1925, the tugrik was made the official national currency, and it was slowly introduced into circulation over the next three years. In April 1928, all other currencies were withdrawn from circulation. In 1929, the government drove private moneylenders out of business by establishing a monopoly on foreign trade and outlawing private lending.

In April 1954, the Soviet Union handed over its shares in Mongolbank, which was renamed the State Bank of the Mongolian People's Republic, which remains the official bank of Mongolia. However, economic reforms have allowed the formation of a commercial banking sector. The economic reforms were brought about by the collapse of the Soviet Union in the early 1990s.

Mongolia has a two-tier banking system where control of the money supply is invested in the central bank. The Bank of Mongolia has established lending rules the commercial banks must follow. Also, reserve requirements are set by the national bank. In 1991, commercial functions were separated from the Mongol Bank, and two commercial banks were created; by the late 1990s there were 18. On advice from the Asian Development Bank, the government closed a number of banks in 1999 and 2000, leaving 12 in operation in an effort to restructure the two-tier system. In 2000, the World Bank gave Mongolia a loan earmarked for restructuring of its financial systems. Also in that year, foreign exchange reserves reached \$123 million. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$142.2 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small

time deposits, and money market mutual funds—was \$301.6 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 8.6%.

The Mongolian Securities Exchange opened in August 1995. About 60,000 individuals have opened accounts on the stock market. By 1996, more than 7.8 million shares from 400 companies had been traded and 28,000 contracts concluded; average daily trade volume is 60,000–80,000 shares.

### 34 INSURANCE

In the 1980s, insurance was offered by the State Directorate for Insurance, or Mongoldaatgal, which was under the control of the Ministry of Finance. The government was planning to introduce health insurance in 1993 as a cooperative effort between individuals, government agencies, and the private sector.

### 35 PUBLIC FINANCE

The annual budget is submitted to the People's Great Hural for approval. Privatization did not begin until fiscal year 1990/1991 along with political upheaval. Privatization of large state businesses has begun, as has the implementation of tax reforms. Most small businesses were private as of 2001.

The US Central Intelligence Agency (CIA) estimated that in 2004 Mongolia's central government took in revenues of approximately \$582 million and had expenditures of \$602 million. Revenues minus expenditures totaled approximately -\$20 million. Total external debt was \$1.36 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were ₮403.22 billion and expenditures were ₮422.62 billion. Government outlays by function were as follows: general public services, 32.4%; defense, 5.9%; public order and safety, 3.9%; economic affairs, 21.2%; environmental protection, 0.3%; housing and community amenities, 0.3%; health, 4.7%; recreation, culture, and religion, 2.2%; education, 6.3%; and social protection, 22.8%.

#### Public Finance – Mongolia (2002)

(In billions of togrogs, central government figures)

<b>Revenue and Grants</b>	<b>403.22</b>	<b>100.0%</b>
Tax revenue	207.3	51.4%
Social contributions	69.92	17.3%
Grants	19.31	4.8%
Other revenue	106.69	26.5%
<b>Expenditures</b>	<b>422.62</b>	<b>100.0%</b>
General public services	137.03	32.4%
Defense	24.91	5.9%
Public order and safety	16.69	3.9%
Economic affairs	89.61	21.2%
Environmental protection	1.47	0.3%
Housing and community amenities	1.08	0.3%
Health	19.7	4.7%
Recreational, culture, and religion	9.1	2.2%
Education	26.61	6.3%
Social protection	96.41	22.8%

(...) data not available or not significant.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

### 36 TAXATION

The turnover tax, for the majority of state revenues, is an indirect sales tax levied at the production stage on all manufactured commodities. Personal taxes consist of income taxes, paid by salaried industrial workers and office employees, and livestock taxes on private herders, based on the number of livestock owned. There is a ceiling of 40% on taxes levied on enterprises with foreign capital. There is also a 13% value-added tax (VAT). Exemptions from the VAT include financial and legal services, leases and rents for dwellings, religious organizations, and public transportation.

### 37 CUSTOMS AND DUTIES

Mongolia collects a general import tariff of 5% and a VAT of 13% on most imported items. However, gold is subject to a 10% VAT, while imports of technological equipment and machinery imported under the country's Law of Foreign Investment are exempt. Customs duties have been insignificant, yielding less than 1% of total state revenues.

### 38 FOREIGN INVESTMENT

Prior to 1990, no private investments were possible in Mongolia; much of the country's investment capital was derived from government loans and grants provided by the former USSR and allied countries. New government policy and laws since the late 1980s, including the Foreign Investment Law of 1993, provide the legal basis and incentive for foreign investments. In 1994, Mongolia concluded a Bilateral Trade and Investment Agreement (BTIA) with the United States, in 1997 accessed to the WTO, and in 1999 was granted normal trade relations (NTR) status by the United States.

The Foreign Investment and Taxation Laws provide for tax incentives and exemptions for foreign investment. Total income tax exemptions are granted to businesses engaged in infrastructural projects like building power plants, thermal plants, power transmission networks, highways, railways, and air cargo transportation facilities. Mining operations, metallurgy operations, chemicals production, and machinery and electronics manufacturing receive a 10-year tax holiday, and 50% tax exemption for the next five years. Companies that export more than 50% of production receive a three-year tax holiday, and 50% tax exemption for another three years.

Thus far, private foreign capital remains a small source of investment in the country. Mongolia's lack of infrastructure remains an impediment to foreign investment. A north-south paved road running from Russia to China and through the capital was completed with finance from the Asian Development Bank (ADB) but Mongolia still lacks an east-west highway. As of July 2000, cumulative foreign investment in Mongolia totaled \$308.4 million. The biggest source has been China, including Hong Kong (\$86 million), followed by Japan (\$47.5 million), South Korea (\$30.4 million), the United States (\$27.1 million), Russia (\$15.5 million), and Canada (\$9.3 million). The sector attracting the most foreign direct investment (FDI) has been mining (24%), followed by light industry (19.6%); raw material processing, including cashmere (10.9%); trade and catering (6.4%); construction (6.3%); banking and financial services (5.4%) and telecommunications (5.0%). Leading investors include Sumitomo Corporation and Komatsu

of Japan; Korean Telecom; and SOCO Oil, Caterpillar, and Nescor of the United States.

Although the Mongolian government openly welcomes foreign investments (albeit, it favors a series of key industries, like banking and cashmere production), there are reports of corruption at the level of individual agencies and the judiciary that hinder the free flow of capital.

### 39 ECONOMIC DEVELOPMENT

In the past, Mongolia operated on the basis of a planned economy, with five-year plans implemented from 1947 until 1990, with assistance from the former USSR and China. In 1990, with the establishment of a new consensus government, there followed a three-year plan that aimed for achieving greater efficiency in the allocation of resources and a diversified economic base by undertaking a sustained transition to a free market economy. The change was a fundamental shift, as the government relinquished its role as the primary factor in the economy and began limiting itself to policies supporting a market-oriented economy. Main components of the government's program include privatization of state enterprises, price liberalization, changes in national law, and an action plan for environmental protection. Current plans specify development of the country's energy and mining sectors, and further action in environmental protection as well as continued reforms in a number of areas including fiscal management, land tenure, and social benefit entitlements.

In 1996, the initial phase of privatization of state property was completed. According to the government, 100% of small- and medium-sized enterprises were privatized as well as 97% of the country's livestock. In 2000, the private sector accounted for 72% of GDP. At the end of the 1990s, however, the government's commitment to privatization and market reforms appeared to be weakening. However, the government that took office in August 2000 renewed the effort at gaining macroeconomic stability and restoring the momentum for reform. In September 2001, the administration entered into a three-year arrangement with the IMF under its Poverty Reduction and Growth Facility (PRGF) supported by stand-by funds of SDR28.49 million (about \$40 million). In a 2002 review, the IMF commended the government on progress made to contain inflation, but noted that improvements were needed in fiscal transparency and accountability.

In July 2002, a pledge meeting of the Consultative Group (CG) for Mongolia, consisting of donors from 20 countries and 18 international organizations in addition to representatives of various civil and private organizations, agreed on the importance of the government's addressing governance issues: ensuring accountability, promoting transparency, controlling corruption, reforming the judiciary and strengthening the rule of law. Priority areas of action stressed were energy and information and communications technology (ICT), as well as preparation of a long-term strategy for rural development. The donors pledged \$333 million in support of Mongolia's development efforts in 2003.

Economic development strategies were expected to be less successful if they focused only on the national economy of Mongolia, outside of the political, geographical, and economic context it finds itself in. The country was still heavily dependent on trade with its neighbors (most of the petroleum products and a substantial part of its electric power are imported from Russia, while most

of its exports are going to China), and as such will find it hard to develop an endogenous growth strategy. The large gray economy (some specialists think this is almost as large as the real economy), corruption, and a weak law and regulatory system are some of the factors that could hamper the country's economic expansion. Market opportunities include mining, construction, tourism, and meat processing.

### 40 SOCIAL DEVELOPMENT

The social insurance program provides for free medical services, benefits for temporary disability, and pensions for permanent disability and old age.

Women have equal rights and freedoms under Mongolian law, with the exception of a law barring them from hazardous work. Women account for approximately half of the work force, generally receive equal pay for equal work, and many hold mid-level government and professional jobs. Domestic abuse and violence remain serious problems. New laws went into effect in 2005 to combat domestic violence.

Although the government generally respects the human rights of its citizens, there are reports of mistreatment of detainees and prisoners. Human rights organizations operate openly in Mongolia.

### 41 HEALTH

Health care is administered under state auspices and all medical and hospital services are free. The government gives special priority to increasing the number of physicians and other health personnel and expanding facilities in rural areas. Each province has at least two hospitals and each agricultural cooperative and state farm has a medical station. As of 2004, there were an estimated 267 physicians, 305 nurses, 18 dentists, and 31 pharmacists per 100,000 people. Most Mongolians had access to health services. In 2000, 60% of the population had access to safe drinking water and 30% had adequate sanitation. Health expenditures were 4.7% of the GDP.

Average life expectancy in 2005 was an estimated 64.52 years (up from 45 years in 1950). Pulmonary and bronchial infections, including tuberculosis and brucellosis, are widespread but are being brought under control through the use of *ayrag*, an indigenous drink brewed from horse milk and possessing demonstrated healing qualities. Cholera, smallpox, typhus, and other epidemic diseases have been virtually eliminated. Immunization rates for children up to one year of age were as follows: tuberculosis, 90%; diphtheria, pertussis, and tetanus, 78%; polio, 87%; and measles, 80%. Rates for DPT and measles were, respectively, 94% and 93%.

The general mortality rate was estimated at seven per 1,000 people as of 2002. In 2005, the infant mortality rate was 53.79 per 1,000 live births. At least 30.4% of children had goiter. About 25% of children under five years of age were malnourished and 11% of births were of low birth weight. Maternal mortality in 2003 was 65 per 100,000 live births. The total fertility rate decreased steadily from 5.4 in 1980 to 2.6 per woman in 2000.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 500 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

## 4<sup>2</sup> HOUSING

Although there are many stone and wood buildings in Ulaanbaatar and some of the larger provincial centers, the traditional housing structure is the *ger*, a tent-like wooden frame structure covered in woolen felt. In 2002, about 49% of the population lived in *gers*. Approximately 57% of the population lived in Ulaanbaatar, where large apartment-house complexes with stores, services, and cultural facilities were being built to house the growing urban population. Apartments are the primary residence for urban dwellers.

The Asian Development Bank has sponsored a loan program to support housing construction in the nation. Within the country itself, groups focusing on housing issues include the Citizen's Representatives Meeting of Ulaanbaatar, the Tsast Impex Company, and the joint Mongolian-Chinese Bogda Holding Company.

## 4<sup>3</sup> EDUCATION

The 1991 Education Law introduced a number of changes in the system. The traditional Mongolian script was to be introduced from the first grade, and teaching of English in all schools was made compulsory. Nonformal education offered by private institutions was also given due importance and recognition.

Eight years of schooling is compulsory starting at age eight, and free of charge. Primary school covers four years of study, followed by four years of junior secondary school and two years of upper secondary school. There are technical and vocational schools, which admit students after their primary education is complete. Many children in rural areas are withdrawn from school in order to work at home. An absence of heat in many rural schools is also a problem that may contribute to poor enrollment levels. More than 70% of students from rural areas reside in dormitories adjoining the schools. The academic year runs from September to July.

In 2001, about 31% of children between the ages of three and seven were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 79% of age-eligible students. The same year, secondary school enrollment was about 77% of age-eligible students; 72% for boys and 83% for girls. It is estimated that nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 31:1 in 2003; the ratio for secondary school was about 22:1.

While higher and professional education is not free, tuition fees for poor students are subsidized by the government. The Mongolian State University, in Ulaanbaatar, was founded in 1942 and includes faculties in the social sciences, trade, and philology, as well as in science and technology. The Ministry of Science, Technology, Education and Culture (MOSTEC) is responsible for higher education. In 2003, about 37% of the tertiary age population were enrolled in some type of higher education program; 28% for men and 47% for women. The adult literacy rate for 2004 was estimated at about 97.8%.

As of 2003, public expenditure on education was estimated at 9% of GDP.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The Mongolian State University has a library of 350,000 volumes. The State Central Library of Mongolia, which is under the jurisdiction of the Academy of Sciences, contains four million volumes in Mongolian, Chinese, English, French, German, Manchu, Rus-

sian, Tibetan, and other languages. It also has a collection of valuable Buddhist manuscripts, including a 335-volume Buddhist encyclopedia. In 1991, the country opened a college of business and commerce, which houses a library of 21,000 volumes. Also that year, it opened the College of Economics with 40,000 volumes. The Library of the State Great Hural of Mongolia, established in 1992, serves the members of parliament, with holdings of about 40,000 volumes and subscriptions of over 100 periodicals per year. Ulaanbaatar City Central Library was established in 1980 and has over 500,000 items.

The State Central Museum, containing art treasures and antiquities, the Museum of National History, the Ulaanbaatar Museum (a public affairs museum), the Fine Arts Museum, and the Museum of Religion, all in Ulaanbaatar, are under the jurisdiction of the Academy of Sciences. Also in the capital are the Mongolian National Modern Art Gallery, opened in 1989, and the Palace Museum, in the home of Bodg Geegen, former head of state and leader of the Buddhist Church of Mongolia. The Zanabazar Museum of Fine Art features collections of native artists. The Theater Museum opened in 1991.

## 4<sup>5</sup> MEDIA

In 2003, there were an estimated 56 mainline telephones for every 1,000 people; about 35,600 people were on a waiting list for telephone service installation. The same year, there were approximately 130 mobile phones in use for every 1,000 people.

Radio broadcasting began in the MPR in 1934. Radio Ulaanbaatar broadcasts programs in Mongolian, Russian, Chinese, English, French, and Kazakh. Mongel Telev 12, which transmits locally produced programs, and a satellite station are also located in Ulaanbaatar. There are several independent stations. In 2004 there were 7 AM and 62 FM radio stations. In 2003, there were an estimated 50 radios and 81 television sets for every 1,000 people. About 20.5 of every 1,000 people were cable subscribers. Also in 2003, there were 77.3 personal computers for every 1,000 people and 58 of every 1,000 people had access to the Internet. There were five secure Internet servers in the country in 2004.

The newspapers of the MPR (together with the organizations that publish them) include *Unen* (Central Committee of the MPRP, 1999 circulation 170,000); *Arдын Ерh* (Mongolian Great Hural and Cabinet, circulation 77,500); *Novosti Mongolii* (the Mongolian News Agency); *Hodolmor*, the organ of the trade unions; *Dzaluuchuudyn Unen* (Central Committee of the Mongolian Revolutionary Youth League); *Shine Hodoo* (Ministry of Agriculture and the Supreme Council of the Federation of Agricultural Cooperatives); *Utga Dzohiol Urag* (the Union of Mongolian Writers and the Ministry of Culture); and *Ulaan Od* (Ministry of Defense and the Ministry of Public Security). Also published are 41 periodicals, including *Namyn Am᠋ᠳ᠋ᠷᠠᠯ*, a journal of the Central Committee of the MPRP, and *Shin᠋ᠵ᠋ᠯ᠋ᠡᠬ᠋ᠠᠨ Am᠋ᠳ᠋ᠷᠠᠯ*, a bimonthly publication of the Mongolian Academy of Sciences.

The constitution provides for freedom of expression, including free speech and a free press, and the government is said to respect these rights in practice.



## 46 ORGANIZATIONS

The Mongolian National Chamber of Commerce and Industry is in Ulan Bator.

Mongolia's mass organizations, all of which work closely with the MPRP, include the Mongolian Revolutionary Youth League (founded in 1922), Mongolian Pioneers' Organization, Committee of Mongolian Women (founded in 1933), and Mongolian-Soviet Friendship Society (founded in 1947).

Other youth organizations include the Union of Mongolian Students, Junior Chamber, and the Scout Association of Mongolia. There are several sports associations in the country promoting competition amongst amateur athletes. Another nongovernment women's organization is the Women's Information and Research Center.

Professional and cultural organizations include the Mongolia Academy of Science, the Union of Mongolian Artists, the Union of Mongolian Composers, the Mongolian Association for Lawyers, the Union of Mongolian Journalists, the Union of Mongolian Writers, and the Union of Mongolian Philatelists.

Social action organizations are the Mongolian Committee for Afro-Asian Solidarity, Mongolian Union for Peace and Friendship Organizations, and Mongolian Committee for the Defense of Peace. There are national chapters of the Red Cross Society, Amnesty International, Habitat for Humanity, and Caritas.

## 47 TOURISM, TRAVEL, AND RECREATION

Points of interest include the largest monastery in Mongolia, Gandan Lamasery in Ulaanbaatar, and the ruined city of Karakorum, once the capital of the Mongol Empire. Mongolia offers abundant and varied scenery, including forests, steppes, lakes, and deserts, and a wide variety of wildlife. The national sports of Mongolia are wrestling, archery, and horse racing. Mongols also participate in boxing and sumo wrestling.

A valid passport is required for entry into Mongolia, an onward/return ticket, and a visa if staying of more than 90 days. In 2003, about 201,000 tourists visited Mongolia. Tourist expenditure receipts totaled \$154 million that same year. Despite the birth of multiparty democracy in the 1990s, Mongolia has not encouraged tourism. Tourist facilities are in short supply, and prices are high.

According to the US Department of State, the estimated cost of staying in Ulaanbaatar in 2004 was \$200 per day.

## 48 FAMOUS MONGOLIANS

A long line of Mongol khans have left their mark on history ever since Temujin, or Genghis Khan (1162–1227), set up the first Mongol empire in 1206. Outstanding among them were Kublai Khan (1216–94), a grandson of Genghis, who conquered most of China; Hulagu Khan (1217–60), a brother of Kublai, who conquered Per-

sia and Syria; Batu Khan (d.1255), Kublai's cousin, who overran Russia, Poland, and Hungary; Timur, also known as Timur Lenk ("Timur the Lame") or Tamerlane (1336?–1405), a descendant of Genghis, who extended his military power for short periods into southern Russia, India, and the Levant; and Babur (Zahir ad-Din Muhammad, 1483–1530), a descendant of Timur, who established an empire in India.

In recent times, two national leaders were Sukhe Baatar (1894–1923) and Khorloin Choybalsan (1895–1952). Yumjaagiin Tsedenbal (1916–91), intermittently general secretary of the Central Committee of the MPRP since 1940, became chairman of the Council of Ministers in 1952, was elected chairman of the Presidium of the People's Great Hural in 1974, and was named the MPRP general secretary in 1981. Jambyn Batmunkh (1926–97) became chairman of the Council of Ministers in 1974 and was elected chairman of the Presidium and general secretary of the MPRP in 1984. Natsagiyn Bagabandi (b.1950) was the president of Mongolia from 1997 to 2005; he was succeeded by Nambaryn Enkhbayar (b.1958), who was prime minister from 2000–04.

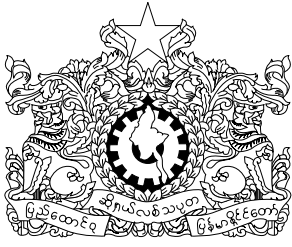
The founder of modern Mongolian literature is D. Natsagdorj (1906–37). Tsendyn Damdinsuren (1908–86) is one of the most important writers. Leading playwrights are Ch. Oyudov (1917–63) and E. Oyuun (1918–2001). Other prominent writers are B. Rindhen (1905–78), D. Namdag (1911–82), U. Ulambayar (b.1911), and Ch. Lodoydamba (1917–70). B. Damdinsuren (1919–92) and L. Murdorzh are noted composers. Jugderdemidiyn Gurragecha (b.1947) became the first Mongolian in space in 1981, when he was carried into orbit aboard the former USSR's *Soyuz 39*.

## 49 DEPENDENCIES

The MPR has no territories or colonies.

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# MYANMAR

Union of Myanmar

*Pyidaungzu Myanma Naingngandaw*



**CAPITAL:** Yangon (formerly Rangoon)

**FLAG:** The national flag is red with a blue canton, within which 14 white stars encircle a rice stalk and an industrial wheel.

**ANTHEM:** *Kaba Makye (Our Free Homeland)*

**MONETARY UNIT:** The kyat (κ) is a paper currency of 100 pyas. There are coins of 1, 5, 10, 25, and 50 pyas and 1 kyat, and notes of 1, 5, 10, 25, and 100 kyats. κ1 = \$0.17182 (or \$1 = κ5.82) as of 2005.

**WEIGHTS AND MEASURES:** Both British and metric weights and measures are in general use, but local units also are employed.

**HOLIDAYS:** Independence Day, 4 January; Union Day, 12 February; Peasants' Day, 2 March; Defense Services Day, 27 March; Burmese New Year, 17 April; World Workers' Day, 1 May; Martyrs' Day, 19 July; Christmas, 25 December. Movable religious holidays include Full Moon of Tabaung, February or March; Thingyan (Water Festival), April; Full Moon of Kason, April or May; Waso (Beginning of Buddhist Lent), June or July; Thadingyut (End of Buddhist Lent), October; and Tazaungdaing, November.

**TIME:** 6:30 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in Southeast Asia, Myanmar has an area of 678,500 sq km (261,970 sq mi), extending 1,931 km (1,200 mi) N–S and 925 km (575 mi) E–W. Comparatively, the area occupied by Myanmar is slightly smaller than the state of Texas. It is bounded on the N and E by China, on the E by Laos, on the SE by Thailand, on the S by the Andaman Sea, and on the W by the Bay of Bengal, Bangladesh, and India, with a total boundary length of 7,806 km (4,850 mi), of which 1,930 km (1,197 mi) is coastline.

Myanmar's capital city, Yangon (formerly Rangoon), is located in the southern part of the country.

## <sup>2</sup> TOPOGRAPHY

Myanmar is divided into four topographic regions: a mountainous area in the north and west, ranging from about 1,830–6,100 m (6,000–20,000 ft) in altitude, and including the Arakan coastal strip between the Arakan Yoma mountain range and the Bay of Bengal; the Shan Highlands in the east, a deeply dissected plateau averaging 910 m (2,990 ft) in height and extending southward into the Tenasserim Yoma, a narrow strip of land that projects some 800 km (500 mi) along the Malay Peninsula, in the southeast; central Myanmar, a principal area of cultivation, bounded by the Salween River in the east and the Irrawaddy River and its tributary, the Chindwin, in the west; and the fertile delta and lower valley regions of the Irrawaddy and Sittang rivers in the south, covering an area of about 25,900 sq km (10,000 sq mi) and forming one of the world's great rice granaries. Good harbors are located along the coastline.

Myanmar is located in a seismically active region of the Eurasian tectonic plate. As such, the nation experiences frequent

earth tremors and quakes. Though these are usually minor, below 5.0 magnitude on the Richter scale, a 6.6 magnitude earthquake occurred about 65 miles (110 km) south of Meiktila on 21 September 2003.

## <sup>3</sup> CLIMATE

Myanmar has a largely tropical climate with three seasons: the monsoon or rainy season, from May to October; the cool season, from November to February; and the hot season, generally from March to April. Rainfall during the monsoon season totals more than 500 cm (200 in) in upper Myanmar and over 250 cm (100 in) in lower Myanmar and Yangon (formerly Rangoon). Central Myanmar, called the dry zone, and Mandalay, the chief city in the area, each receive about 76 cm (30 in). The mean annual temperature is 27°C (81°F); average daily temperatures in Yangon (Rangoon) range from 18–32°C (64–90°F) in January, during the cool season, and from 24–36°C (75–97°F) in April, during the hot season. The climate in upper Myanmar, particularly at altitudes ranging from about 300–1,220 m (1,000–4,000 ft), is the most temperate throughout the year, while lower Myanmar, especially in the delta and coastal regions, is the most humid.

## <sup>4</sup> FLORA AND FAUNA

Myanmar has a wide variety of plant and animal life. Teak, representing about 25% of the total forested area, thrives mainly in the mountainous regions; evergreen, bamboo, and palm in the freshwater delta swamps and along the coastlands; mangrove in the salty coastal marshes; mixed temperate forests and rolling grasslands in the Shan Highlands; and scrub vegetation in the dry central area. There are about 12 species of monkeys, as well as tigers,

leopards, elephants, and half-wild pariah dogs. Fish abound along the coastline, in the tidal waters of the delta, and in the rivers and streams. As of 2002, there were at least 300 species of mammals, 310 species of birds, and over 7,000 species of plants throughout the country.

## 5 ENVIRONMENT

In Myanmar the principal environmental threat comes from cyclones and flooding during the monsoon season, and regular earthquakes. Deforestation for farming or illegal economic gain is the most persistent ecological effect of human encroachment. In 1985, 405 square miles were lost through deforestation. By 1994, two-thirds of Myanmar's tropical forests had been eliminated. However, the nation still had the world's eighth-largest mangrove area, totaling approximately half a million hectares. In 2000, about 52% of the total land area was forested.

Little information is available about the long-term effects of industrialization on the natural environment, although evidence of industrial pollutants has been found in the air, water, soil, and food. Myanmar has 881 cu km of renewable water resources. About 95% of city dwellers and 74% of the rural population have access to improved water sources. Inadequate sanitation and water treatment are leading contributors to disease. Environmental concerns have been given low priority by the government.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 39 types of mammals, 41 species of birds, 20 types of reptiles, 7 species of fish, 1 type of mollusk, 1 species of other invertebrate, and 38 species of plants. Threatened species included the banteng, pink-headed duck, Asian elephants, Malayan tapirs, freshwater sawfish, the Sumatran rhinoceros, Siamese crocodiles, hawksbill turtles, gaurs, and sun bears. The Javan rhinoceros is extinct.

## 6 POPULATION

The population of Myanmar (Burma) in 2005 was estimated by the United Nations (UN) at 50,519,000, which placed it at number 24 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 29% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.2%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 59,002,000. The population density was 75 per sq km (193 per sq mi).

The UN estimated that 29% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.16%. The capital city, Yangon (formerly Rangoon), had a population of 3,874,000 in that year. The next largest city is Mandalay, with an estimated population of 927,000.

## 7 MIGRATION

Indians were the most significant Asian minority in Myanmar until World War II, when hundreds of thousands fled the Japanese invasion; although many returned after the war, the Indian minority never regained its prewar proportions, because after independence in 1948 the government of Myanmar instituted rigid restrictions on Indian migration. The Indian population was substantially re-

duced between April 1963 and June 1965, when 100,000 were repatriated as part of a program to increase the wealth and holdings of Myanmar nationals. (Indians had dominated Myanmar's commerce.) The government has sought to curtail both immigration and emigration, although as many as 500,000 persons may have left Myanmar during 1962–71. About 187,000 Muslims who fled to Bangladesh in 1978 were repatriated with the help of UN agencies by the end of 1981; they had left Myanmar because of alleged atrocities by its soldiers in Arakan State. They lost their citizenship in 1982.

About 500,000 poor urban residents were forcibly relocated to rural areas between 1989 and 1992. Rural residents are also subject to forced resettlement in connection with counterinsurgency operations.

In 1992, some 250,000 Muslim refugees from Myanmar's Northern Rakhine state began arriving in Bangladesh, claiming human rights abuses in Myanmar. As of October 1996, around 50,000 of these refugees were still living in South Bangladesh in five refugee camps. Between 1994 and 1997, some 230,000 of these refugees returned home to Northern Rakhine state. The repatriation resumed in November 1998, following meetings between the United Nations High Commissioner for Refugees (UNHCR) and Myanmar authorities, but returns were limited to some 450 people due to procedural problems. UNHCR has appealed to the governments of Myanmar and Bangladesh to accelerate the repatriation process. In 2004, there were 210 returned refugees.

In 2000 the total number of migrants residing in Myanmar numbered 113,000. Myanmar migrants remitted \$26 billion in 2002. The net migration rate for 2005 was an estimated -1.8 per 1000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The Burmans, ethnically related to the Tibetans, constitute about 68% of Myanmar's total population. In remote times, the Burmans, migrants from the hills east of Tibet, descended the Irrawaddy Valley and intermarried with the previously settled Mon and Pyu peoples. Since then, however, many other migrant peoples from the northeast and northwest have settled in Myanmar: the Shans, Karens, Kachins, Kayahs, and Chins are among the more numerous. Although much ethnic fusion has taken place among these peoples and the Burmans, most of the later migrant groups remain distinct cultural entities and have sought to preserve their autonomy, sometimes by violent means. According to the latest estimates, the Shan made up about 9% of the population, the Karen 7%, Rakhine 4%, Chinese 3%, Mon 2%, Indian 2%, and other 5%.

## 9 LANGUAGES

Burmese, the official language, is spoken by at least 80% of the population. Pronunciation varies greatly from area to area. Although Burmese is monosyllabic and tonal like other Tibeto-Chinese languages, its alphabet of 10 vowels and 32 consonants is derived from the Pahlavi script of South India; loan words from other languages are common. Burmese is the language of government, but the ethnic minorities have their own languages; accord-

ing to the 1974 constitution, “if necessary the language of the national race concerned may be used.”

### 10 RELIGIONS

Under the government of U Nu (overthrown in 1962), Buddhism was the state religion. Since then the government has been controlled by authoritarian military regimes which have generally placed restrictions on religious freedom. The government has ruled without a constitution since 1988 and shows a strong preference for Theravada Buddhism. All religious publications and sermons are subject to approval and censorship by the government. Proselytizing is prohibited by some Christian groups in some areas. Religious activists are generally monitored by the state.

According to government statistics, Theravada Buddhism is practiced by about 90% of the population. A number of adherents combine their practice with traditional practices such as astrology, numerology, fortune-telling, and the veneration of pre-Buddhist deities called *nats*. The Chinese in Myanmar practice a traditional mixture of Mahayana Buddhism, Taoism, Confucianism, and ancestor worship; the Indians are Hindus; the Pakistanis are Muslims; and most of the Europeans are Christians. Although Christian missionaries had some success with peoples of the hill areas—the Karens, Kayahs, Kachins, and Chins—conversion among the Burmans and the Shans was negligible. About 4% of the population are Christian, with Baptists, Catholics, and Anglicans being the primary denominations. The government claims that about 4% of the population are Muslim, mostly Sunni. Muslim leaders, however, claim the percentage to be much higher, at about 14–20% of the population. There is a small community of Jews in Rangoon.

### 11 TRANSPORTATION

Because of Myanmar’s near encirclement by mountain ranges, international land transportation is virtually nonexistent. Historically, Myanmar has been dependent on sea and river transport externally and internally, supplemented in modern times by the airplane. The Myanmar Road, connecting Lashio with Kunming in southern China, and the Ledo Road between Myitkyina and Ledo in Assam, northeastern India, are the only land ties between Myanmar and adjacent nations. There were an estimated 28,200 km (17,523 mi) of roads in 2002, but only 3,440 km (2,138 mi) were paved. In 2003, Myanmar had about 6,800 passenger cars and 14,000 commercial vehicles.

Myanmar’s railway system, a government monopoly, operates 3,955 km (2,460 mi) of track, all of which was 1.00 narrow gauge in 2004. The main lines are from Yangon (Rangoon) to Prome (259 km/161 mi) and from Yangon to Mandalay (621 km/386 mi) and then to Myitkyina (1,164 km/723 mi from the capital).

Inland waterways, including some 12,800 km (7,961 mi) of navigable passages (25% of which are navigable by commercial vessels), are the key to internal transportation, partly compensating for limited railroad and highway development. Some 500,000 small river craft ply the Irrawaddy (navigable for about 640 km/400 mi), the Salween, the Sittang, and numerous tributaries. The Irrawaddy Delta, the focus of most water transportation, has some 2,700 km (1,679 mi) of rivers and streams, providing a seaboard for all types of craft. The state merchant fleet totaled 37 ships in 2005, with a combined GRT of 429,144.



LOCATION: 92°10' to 101°11' E; 9°35' to 28°28' N. BOUNDARY LENGTHS: China, 2,185 kilometers (1,358 miles); Laos, 238 kilometers (148 miles); Thailand, 1,799 kilometers (1,118 miles); total coastline, 2,276 kilometers (1,414 miles); Bangladesh, 233 kilometers (145 miles); India, 1,403 kilometers (872 miles). TERRITORIAL SEA LIMIT: 12 miles.

Ocean shipping, the traditional means of external transport, is controlled by the government, which operates coastal and ocean-going freight-passenger lines. Yangon, on the Rangoon River about 34 km (21 mi) inland from the Andaman Sea, is the chief port for

ocean shipping, handling the majority of the country's seaborne trade; it is also the principal terminus for the highways, railroad, inland waterways, and airways. Other ports include Sittwe (Akyab), serving western Myanmar; Patheingyi (Bassein), serving the delta area; and Mawlamgine (Moulmein), Dawei (Tavoy), and Mergui, which handle mineral and timber exports of the Tenasserim region.

As of 2004 there were 78 airports. As of 2005, a total of 19 had paved runways, and there was also a single heliport. Mingaladon, outside of Yangon, is the principal airport. In 2003, about 1.117 million passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

The founding of a kingdom at Pagan in 1044 by Anawrahta marks the beginning of the history of Myanmar (Burma) as a distinct political entity. The kingdom survived until 1287, when it was destroyed by the armies of Kublai Khan, and the next five centuries were marked by disunity. In 1754, Alaungpaya defeated the Shan kingdom in northern Myanmar and the Mon kingdom in southern Myanmar and founded the last ruling dynasty, which was in power until the British came in the early 19th century. The British conquest of the land then known as Burma spanned 62 years: the first Anglo-Burmese War took place during 1824–26, when the British East India Company, acting for the crown, took possession of the Arakan and Tenasserim coastal regions. In 1852, at the end of the second war, the British acquired the remainder of lower Burma; and on 1 January 1886, following Burma's defeat in the third war, total annexation of Burma was proclaimed. Incorporated into the British Indian Empire, Burma was administered as a province of India until 1937, when it became a separate colony. At this time, Burma was permitted some steps toward self-government; however, the British governor retained authority over foreign affairs, defense, currency, and the administration of frontier peoples. From 1886 to 1948, many Burmese agitated and fought continually for independence. The nationalists who finally gained independence for Burma were a group of socialist-minded intellectuals, called the Thakins, from the University of Rangoon. They included Aung San, one of the founders of modern Burma; U Nu, independent Burma's first premier; Shu Maung, also known as Ne Win, later U Nu's chief of staff; and Than Tun, a leader of a Communist revolt (1948–50) against the independent government. At the start of World War II, these anti-British nationalists collaborated with the Japanese, and with the aid of the Burma Independence Army, led by Aung San, the capital, Rangoon (now Yangon) fell to Japan on 8 March 1943. They were soon disappointed with the Japanese occupation, however, and the Burma Independence Army was converted into an anti-Japanese guerrilla force called the Anti-Fascist People's Freedom League, which later assisted the British liberation of Burma. Many of the ethnic nationalities of the frontier regions, such as the Karens and Kachins, had remained loyal to the British, as valued fighters for the Allies. After the war, Aung San negotiated with frontier ethnic leaders, signing the Panglong Agreement on 12 February 1947 with them, as a pledge of autonomy and other rights.

Having assumed leadership of the nationalist movement following the 19 July 1947 assassination of Aung San and six of his associates, U Nu signed an agreement with British Prime Minister

Clement Attlee covering economic and defense relationships between the two countries. On 4 January 1948, the sovereign Union of Burma came into being outside the Commonwealth of Nations. After severe setbacks in 1948–49, the U Nu government was able to control a Communist insurgency and consolidate its own power, and in 1951 the nation held its first parliamentary elections. The decade of the 1950s also brought the implementation of an ambitious land reform program and an attempt to forge a neutralist foreign policy, in the face of sporadic Communist resistance and an intermittent border dispute with China. U Nu appointed Gen. Ne Win to head an interim "caretaker government" during a period of instability from 1958 to the 1960 national election (which U Nu's party won.) Ne Win returned to power with a coup d'état on 2 March 1962. The U Nu government was overthrown, and a military regime headed by a Revolutionary Council and led by Ne Win assumed control. Student protests following the 1962 coup, and again in 1974, were crushed by the army with many civilian casualties. Most major political figures in the democratic governments of the years 1948–62 were arrested but were released in 1966–68, including U Nu. Ne Win rejected a return to a multi-party parliamentary system and proclaimed the Socialist Republic of Burma on 3 January 1974. Under a new constitution, Ne Win became president, and the government continued to be dominated by the military. Ne Win retired as president in November 1981, with Gen. San Yu succeeding him in office; but Ne Win retained his dominance, as chairman of the country's only legal political organization, the Burma Socialist Program Party (BSPP). Insurgency by the underground Communist Party of Burma (CPB) and numerous ethnic armies had begun just after World War II and continued throughout Ne Win's time in power. The general sought to unify the country by giving it a Burmese-ethnic majority identity, and to defeat insurgency with the "four cuts policy" of taking civilian support away from the rebels. Instead, the tactics of his armed forces in ethnic regions drove more and more inhabitants into rebellion.

Despite President San Yu's reelection in 1985 to a four-year term and his appointment as vice chairman of the BSPP, Ne Win continued to dominate the political scene and to make all major and many minor government policy decisions. One such decision, to withdraw large currency notes from circulation in September 1987, threw the economy and the country into turmoil. The move, possibly aimed against black marketeers who had accumulated large sums of money, made 80% of the country's currency valueless, touching off student-led demonstrations. Citing his personal responsibility for dire economic conditions, Ne Win resigned as BSPP party chairman in July 1988. A protégé of Ne Win, Sein Lwin, was made BSPP chairman and president of the country. Sein Lwin's appointment triggered nationwide revolts. A broad spectrum of the population joined in, marching in the streets and going on general strikes throughout Burma. The army opened fire on unarmed protesters, killing thousands, particularly during the first week of August. Sein Lwin resigned on 12 August and Dr. Maung Maung, a civilian lawyer and journalist, was appointed his successor on 19 August. Although Maung Maung proposed multiparty elections and decreed that government employees could not be members of any political party, his refusal to step down provoked further protests. On 18 September 1988 the army abolished the BSPP, took over the government and imposed military

rule under the State Law and Order Restoration Council (SLORC) headed by the army Chief of Staff, General Saw Maung. He also named himself prime minister and retained the portfolios of the Defense Ministry and Ministry of Foreign Affairs. Several days of violence occurred countrywide with thousands of civilians, including children, students, and monks, killed by the armed forces. In announcing the takeover, General Saw Maung stated that the military rule would be temporary and that multiparty elections would be held once law and order were reestablished. In February 1989 Japan was the first nation to officially recognize SLORC as the legitimate government. Elections were set for 27 May 1990. On 18 June 1989 the Saw Maung regime renamed Burma "Myanmar Naing Ngan," a formal historical Burmese name for the country. It is colloquially known as "Myanmar," while democracy advocates and the US government continue to use the name "Burma."

With the elections called, political parties formed. First to organize was U Nu's League for Democracy and Peace, later known as the League for Democracy. The BSPP was reformed as the pre-regime National Union Party (NUP). U Nu had declared an interim government on 9 September 1988, but he garnered little support with his surprise move. In 1988 Aung San Suu Kyi, daughter of assassinated legendary hero General Aung San, had returned to Myanmar to visit her ailing mother. In the midst of the chaos of this period of demonstrations and protests Aung San Suu Kyi rose to prominence delivering speeches and establishing a coalition party opposing the military regime. On 24 September 1988 Suu Kyi with U Tin Oo and Aung Gyi formed the National League for Democracy (NLD). In early 1989 Aung Gyi formed his own organization, the Union Nationals Democracy Party (UNDP). In speeches and interviews Suu Kyi challenged Ne Win's record, characterizing it as one of economic and sociopolitical degeneration. She also protested SLORC's repressive laws and actions. Aung San Suu Kyi was placed under house arrest in Yangon (Rangoon) by Ne Win on 20 July 1989.

The top contenders in the elections were the NUP, the NLD, the UNDP, and the League for Democracy. The NUP was the party favored by the SLORC; and other parties had immense difficulty in campaigning and obtaining publicity. Six other parties figured prominently: the Coalition League for Democratic Multiparty Unity; the Democracy Party; the Union of Burma Main AFPFL Party led by the children of former Premier U Ba Swe; the Democratic National Front for National Reconstruction, a former leftist NUF group; the Graduates and Old Students Democratic Association; and the Original Anti-Fascist People's Freedom League. A total of 93 parties fielded 2,209 candidates who, along with 87 independent candidates, contested 485 seats out of a total of 492 constituencies designated for holding elections. Seven constituencies that were excluded from the election represented mostly the ethnic minority states of insurgency. Over 100 candidates were fielded by each of five parties: The National League for Democracy (NLD), 447 candidates; the National Unity Party (NUP) backed by SLORC, 413 candidates; the League for Democracy and Peace (LDP), 309 candidates (another source indicates 325 candidates); the Union Nationals Democracy Party (UNDP), 247 candidates (another source indicates 270 candidates), and the Democracy Party, 105 candidates. Despite its leader's (Aung San Suu Kyi) incommunicado house arrest, the NLD won the 27 May 1990 general elections by a landslide (392 candidates elected out of its field

of 447, or 87.7% of the votes). The NUP took 2.4% of the votes for 10 seats out of 413 fielded. The UNDP, with 0.4% of the vote, took 1 seat in Shan State out of the 247 (270) fielded. The Democracy Party with 0.95% of the vote took 1 seat out of 105 fielded. Of the candidates fielded by the LDP none won a seat. On 18 June 1989 Saw Maung indicated that the transfer of power to the winner of the election would not occur until a new constitution was drafted, one which met with SLORC's approval. However, on 13 July the powerful junta member Lt.-General Khin Nyunt denied the initial promise of an immediate transfer of power made by General Saw Maung. SLORC's further response was to alter the purpose of the newly elected assembly from its original function as a legislative body, to that of a constituent assembly formed to draft the new constitution. SLORC would not transfer power until the resulting draft constitution had been approved both by a referendum and by SLORC.

### 1990–Present

In September 1990 SLORC revealed its intention to remain in power for a further 5 to 10 years. After his mental collapse in December 1991, Senior General Saw Maung resigned due to ill health on 23 April 1992. On the same day he was replaced as Chairman of SLORC by General Than Shwe who was also named (and remains) Chief of State and Head of the Government. The First Secretary was Lt.-General Khin Nyunt and Second Secretary was Lt.-General Tin Oo. Accompanying these leadership changes SLORC initially indicated that an effort was being made to appease criticism of its methods as hundreds of political prisoners were released. Aung San Suu Kyi's family was allowed to visit her. Two martial law decrees imposed in July 1989 also were lifted in September 1992, and a constitutional convention was promised. In early 1993 a National Convention of 700 mostly hand-picked members met to draft a new constitution. Meeting with resistance and presented with a proposal by Yo E La of the Lahu National Development Party suggesting a return to the basic principles of Myanmar's pre-1962 constitution, a bicameral parliament and the granting of basic freedoms, the convention was adjourned until 7 June 1993. Another impasse occurred with further resistance to certain clauses in the new constitution that the ruling military wanted implemented; the National Convention was adjourned until January 1994. On 18 January 1994 the convention met again to approve six objectives and 104 basic principles which would entrench and perpetuate the power of the military.

The plight of Aung San Suu Kyi garnered the attention of human rights groups internationally. In March 1991, the Geneva UN Human Rights Commission passed a resolution to condemn and monitor the human rights abuses of SLORC, and in subsequent years Special Rapporteurs have been appointed to investigate Myanmar's human rights situation. In 1991 Aung San Suu Kyi was awarded the 1990 Sakharov Prize for Freedom of Thought by the European Parliament, the 1990 Thorolf Rafto Human Rights Prize by Norway, and on 10 December 1991 Aung San Suu Kyi's son, Alexander, accepted the 1991 Nobel Peace Prize on her behalf. In December 1993 the UN General Assembly unanimously rebuked the military rulers of Myanmar for their refusal to hand over power to the parliament democratically elected in May 1990, and called for the release of political prisoners, including Aung San Suu Kyi, in her fifth year of house arrest. Eight fellow Nobel

prize-winners met in Thailand in February 1993 to speak on behalf of Aung San Suu Kyi, but were denied visas to visit Myanmar. US Congressman William Richardson visited with Aung San Suu Kyi, who was still under house arrest in Yangon, on 14–15 February 1994, her first nonfamily visit in four-and-a-half years. Richardson also met with Lieutenant-General Khin Nyunt of the State Law and Order Restoration Council (SLORC).

Another dissenting voice in Myanmar, that of 74-year-old Aung Gyi, founder of the UNDP, was silenced when on 27 April 1993 he was sentenced to a six-month prison term. He had written a series of letters to Ne Win (much as he had paved the way for the pro-democracy movement in 1987–88 with a similar series of letters), and criticized the military regime in interviews with foreign journalists, but was convicted for failing to pay for eggs ordered as supplies for his tea and pastry shops. A type of human rights violation in Myanmar which drew international attention was forced labor, which the government used on tourist projects such as the reconstruction of the palace in Mandalay. Of Mandalay's 500,000 residents each family had to contribute at least three days of free labor each month. The work lasted from dawn until evening and was so strenuous that it took several days to recover from it. Prison inmates were required to work every day. Many military families could be exempted, as could any family that agreed to pay a monthly fine of about us\$6, about a week's wages for some families. Forced labor was also used on a vast scale throughout Myanmar, on many building projects including roads and railroads, as well as for carrying supplies and munitions for the SLORC troops in insurgent areas. According to the testimony of escapees, the labor was accompanied by beatings, rape, execution of the ill or slow, and use of civilians as human shields and human mine-detectors. Muslim refugees who fled Myanmar said that Muslims had to pay two to three times as much as others to retain their rice ration card as a fine to escape labor. The SLORC commonly used euphemisms such as "merit-making" or "self reliance" in reference to the forced labor. Asia Watch also reported in 1994 that the government turned a "blind eye to traffic in women and girls from Myanmar to Thailand for forced-prostitution." Corrupt officials on both sides of the border were involved. It was estimated that there were about 20,000 women from Myanmar in Thai brothels, where they were at severe risk of HIV/AIDS infection.

A casualty of the China-Myanmar border agreement of 1988 was the Communist Party of Burma (CPB) which collapsed with the withdrawal of Chinese support and the mutiny of its Wa troops in 1989. The CPB split into four different ethnic armies. SLORC's main objective was to neutralize the border rebel minorities and to prevent urban dissidents from getting access to arms and ammunition. SLORC's strategy was to divide and rule. Karen National Union President Bo Mya held that guerrilla armies should hold joint talks with the government and not negotiate separately. The junta, however, would only negotiate separate agreements or treaties with individual rebel groups. To achieve its objectives SLORC introduced its Border Areas Development Program into ex-CPB areas. Infrastructure improvements of us\$11.1 million in roads, bridges, schools, and hospitals were pledged in the state-run media. Necessities such as diesel, petrol, kerosene and rice were distributed. The Wa were the first to negotiate with the junta. In 1989 they were promised development assistance, were allowed to retain their arms, maintain control of their areas, and to

engage in any kind of business. In exchange they promised not to attack government forces and to sever their ties with the other dissident groups and students. Throughout the 1990s the cease-fired Wa complained from time to time that little of the promised aid had been delivered, and that their demand to create a separate state was never discussed. The next deal was made with the 2,000-member Shan State Army (SSA), one of the Shan rebel factions, on 2 September 1989. The SSA was followed in December 1990 by a breakaway faction of the Kachin Independence Army (KIA). On 23 April 1991 the 600-member Palaung State Liberation Army rebel group also signed a peace treaty with the military regime. Accusations were leveled that the smaller forces were pushed into signing accords by the unremitting abuse of their ethnic civilians by SLORC troops. The Tatmadaw, the SLORC's armed force, had increased its own troop strength from approximately 190,000 to well over 300,000 since the suppression of 1988's pro-democracy uprising.

The Karenni rebels, angry over SLORC logging encroachments in their territory, reversed their cease-fire, in September 1992. The government launched a major counter attack on the Karenni that spilled over the Thai border. Since 1984 the rebel Karen National Union (KNU) had its camps near the Thai border; and tens of thousands of Karen civilians fled from SLORC attacks and forced labor, to the Thai side. Manerplaw was the KNU headquarters and also the seat of the National Coalition Government of the Union of Burma (NCGUB), set up by fugitive members of National League for Democracy and other pro-democracy Members of Parliament elected in the thwarted 1990 polls.

Far to the north, the Kachins who had been in rebellion since 1961, had been the largest military group in a coalition of anti-SLORC ethnic forces. On 24 February 1994 the Kachin Independence Organization (KIO) signed a peace treaty with SLORC. They agreed to a cease-fire in exchange for permission to participate in commerce. Conflict between the SLORC and Shan groups continued. The Mong Tai Army (MTA) of the notorious "opium warlord" Khun Sa fought the Tatmadaw in the mid-1990s, then made a surprise surrender. He was able to spend his "retirement" living in comfort in Yangon (Rangoon). Like another rehabilitated drug lord, Lo Hsing Han, he has engaged in various legitimate business ventures, giving rise to charges of large-scale narcotics money laundering involvement on the part of the *junta*. Cease-fired Wa officers, from Myanmar's primary opium/heroin production region, are also said to have legitimate business access in Yangon and Mandalay. Some factions of the SSA refused to sign truces with SLORC, and joined in shifting alliances with anti-cease-fire factions of the MTA, continuing to battle the Tatmadaw. In response to Shan and Karenni defiance of the cease-fire policy, the SLORC engaged in enormous forced village relocations in those regions.

Ethnic peoples of western Burma also suffered. The Muslim residents of Arakan, called the Rohingyas, became refugees en masse in the early 1990s. Previously in 1978 the Burmese government had denied them citizenship and launched Operation Naga Min (Dragon King) forcing over 200,000 Rohingyas to seek refuge in Bangladesh. This pattern was repeated in 1991–92. The Rohingyas whose history in the area went as far back as the 9th–15th centuries when Moorish, Arab, and Persian traders arrived and married

local women and settled in the area, were displaced from their land and homes. As many as 300,000 Rohingyas fled to Bangladesh when they were forced from their land, their belongings were confiscated and women were raped by government troops. Some co-religionists made statements of protest, but ASEAN offered a policy of “constructive engagement” thus resisting pressures by the United States and European Community (EC) to adopt a stand on human rights abuses. According to this regional attitude, taking a stand would amount to interference in the internal affairs of a neighboring country. The countries of the region for the most part entered into “constructive engagement” with SLORC, gaining trade and investment opportunities, thus altering the status of the Myanmar exiles and refugees within their borders.

The international community has continued to debate the most effective approach for dealing with Myanmar. Up to and following Myanmar’s acceptance into ASEAN in July 1997, ASEAN countries and Japan have argued that “engaging” Myanmar is more productive than “isolating” it. This approach gained them controversial timber concessions, energy projects, and some tourism plus manufacturing opportunities. It did not inspire liberalization by the *junta*. The United States and European Union (EU) have imposed limited economic sanctions, but allowed their petroleum corporations to remain in Myanmar as major investors. Proposals by groups of nations to offer Myanmar’s generals economic rewards for steps toward liberalization have been rejected by the *junta* as “bribery.” Aung San Suu Kyi’s NLD continues to call for strong economic sanctions as the best way to pressure the *junta* to the negotiation table, and to deprive the Tatmadaw of the weapons it buys with hard currency (mainly from China and Singapore). The NLD has called for a tourism boycott and for withdrawal of foreign corporations until democracy arrives.

SLORC released Aung San Suu Kyi from house arrest on 10 July 1995. Her freedom was short-lived, however. After large crowds of people began gathering in front of her house for weekly speeches, she was forbidden to address such gatherings. In November 1995, the NLD withdrew from the National Convention which was to formulate a SLORC-approved constitution, in protest of undemocratic policies; in turn SLORC permanently barred the NLD from participation and eventually the Convention meetings were suspended. Suu Kyi announced in May 1996 the NLD’s plan to draft its version of the constitution, one that would oust the *junta* and implement new economic policies for the country.

SLORC curtailed Suu Kyi’s attempts at movement outside of Yangon, which she protested with car sit-ins in 1998. NLD members have been detained by the hundreds, and many publicly renounced their membership. The Union Solidarity Defense Association (USDA) was formed by SLORC as a “mass organization” modeled after Sukarno’s Golkar in Indonesia. It staged rallies denouncing the NLD, and Suu Kyi was physically threatened by some of its members. A steady campaign of insults against Suu Kyi was featured in the state-run press. In 1999, Suu Kyi’s terminally ill British husband, Michael Aris, was denied a visa to see her one last time. The *junta* stated that she was free to leave Myanmar, but the implication was that she would not be permitted back. Aris died on 27 March. Student demonstrations took place in 1996, and institutions of higher learning were closed down by SLORC. Most universities and colleges remained shut down the majority of the time since 1988 (although as of 2000 some were reopen-

ing). Attempts by student activists to mark the tenth anniversary of the “four eights” (8-8-88) democracy uprising, and another auspicious date, 9-9-99, were quickly suppressed. Long jail sentences have been handed down for even mild forms of public protest, and human rights groups report that torture of student dissidents is routine in Myanmar’s prisons. Min Ko Naing, an important leader of the 1988 demonstrations, remains in prison. Leo Nichols, an honorary consul for European nations, died in a Myanmar prison, where he was held for unauthorized possession of a fax machine. As the *junta* attempts to control information, Internet access is extremely limited and unauthorized possession of a modem can earn a 17-year prison sentence.

Using a Buddhist breakaway Karen faction, the Democratic Karen Buddhist Army (DKBA), against the Christian-led KNU, the Tatmadaw was able to over-run Manerplaw and destroy most of the Karen rebel bases in 1995. Tatmadaw and DKBA troops entered Thailand in late January 1997 and attacked Karen refugee camps. A highly controversial natural gas pipeline across the region of southern Burma called the Tenasserim apparently inspired SLORC military campaigns against Mon and Karen rebels in that area. The Mon rebels signed a cease-fire agreement, but numerous Tatmadaw battalions were brought in to protect the pipeline project from Karen sabotage. The multinational petroleum companies involved, Total of France and Unocal from the United States, were accused by human rights and environmental groups of complicity in human rights violations, including forced labor and forced relocation, committed by the SLORC’s security forces. Victims of such abuses sued Unocal, achieving a multi-million dollar settlement, in a groundbreaking US court case. The pipeline began bringing natural gas from Myanmar’s Andaman Sea to an electrical generating plant on the Thai side of the border in 1999. Outside economic pressure built up during the 1990s, in the form of consumer boycotts of companies doing business in Myanmar, limited US economic sanctions, and “selective purchasing” laws by cities. Massachusetts’ “Burma selective purchasing law” was brought to the Supreme Court in 2000. By that year, foreign investment in Myanmar had decreased markedly, due to sanctions pressures, the Asian economic crisis, and concerns about corruption in the State Peace and Development Council (SLORC was renamed the SPDC in 1997)-controlled economy. In June 1999, the International Labor Organization of the UN essentially expelled Myanmar from its ranks, following a detailed investigation of forced labor under the SPDC. In early 2000, the World Bank issued a report highly critical of Myanmar’s economic and political climate. The World Bank and International Monetary Fund have been barred from lending to Myanmar.

The Myanmar government has also come under considerable international criticism for its complicity in the country’s massive drug trade. Myanmar is one of the world’s largest producers of opium and heroin. Since 1990, the country has also become one of the largest manufacturers of illicit methamphetamine. Thai officials voiced dismay over the flood of “speed” pills into Thailand from Myanmar (particularly the Wa region, where a cease-fire is in effect) and the seeming callousness of the Myanmar government regarding the drug trade. Myanmar is the main source of heroin in China, where addiction grew seven-fold from 1989 to 1997. A 1999 Interpol conference on narcotic suppression, held in Yangon, was boycotted by the United States and other govern-



ments as a protest against the junta's apparent profiting from drug trafficking.

With burgeoning drug production in the north of Myanmar has also come a raging HIV/AIDS epidemic. International health organizations estimated the number of Burmese infected in the north alone at 350,000–400,000 in 1996. The HIV/AIDS virus has spread unchecked in Myanmar through the use of contaminated needles by drug addicts, by unsafe medical practices, and by infected Burmese women returning from forced prostitution in Thailand. AIDS education, prevention, and care programs have been a low priority in Myanmar. The United Nation's Global Fund withdrew its AIDS, malaria and tuberculosis program from Myanmar in August 2005, claiming that government restrictions made it impossible for the grants to be implemented effectively.

Aung San Suu Kyi was again placed under house detention in September 2000; she was released in May 2002, and toured the country, speaking out in support of democratization. She urged the international community in August to keep economic sanctions against the SPDC in place until a democratic dialogue reached a more meaningful stage. During 2001, over 200 NLD activists were released from detention; in November 2002, another 115 political prisoners were released. The most violent attack on the NLD occurred 30 May 2003 at Depayin in northern Burma. A convoy carrying Aung San Suu Kyi, who had been touring the north and speaking to large crowds, and her supporters, was attacked by a mob of young men, reportedly under the instigation of the military and USDA. Dozens of NLD supporters were killed in the assault, and many more were arrested. Aung San Suu Kyi was injured and placed under house arrest back in Yangon. A crackdown on the NLD followed, with offices closed and members arrested. The "Depayin Massacre" was condemned by governments and international organizations. The SPDC freed about 40 political prisoners in November 2004. The highest-profile dissident released at that time was Min Ko Naing, one of the main leaders of the 1988 uprising. He had been imprisoned, often in solitary confinement, since 1989. On his release he remained a strong and articulate critic of the regime.

On 5 December 2002, General Ne Win died under house arrest. He had been arrested in March for plotting a coup against the military regime. Ne Win's three grandsons and son-in-law remained in jail, sentenced to death for their plot in the supposed coup.

During 2001 and 2002, relations between Myanmar and Thailand improved. The two countries held talks in June 2001, attempting to ameliorate disagreements over the drug trade and border tensions. By September, Myanmar pledged to eliminate drug trade in the Golden Triangle by 2005. Thailand committed funds to finance a crop substitution program, and the two countries regarded themselves as good neighbors. However, in May 2002, Myanmar closed its border with Thailand after the Thai army fired shells into Myanmar's territory during a battle between the SPDC and ethnic Shan rebels. The border was reopened in October. As Myanmar's turn to take the chairmanship of the Association of Southeast Asian Nations (ASEAN) for 2006 approached, calls were heard from the international community for Myanmar to be deprived of that honor because of the SPDC's human rights violations and authoritarian government. In July 2005, it was announced that Myanmar would relinquish the chair position, to fo-

cus on "the ongoing national reconciliation and democratization process."

In December 2000, Amnesty International reported that torture was increasing in Myanmar despite official military statements that it is illegal. In November 2001, the International Labour Organization (ILO) sent a mission to Myanmar to investigate governmental measures taken to end its program of forced labor. The mission reported some progress, but expressed "profound concern" that the governmental measures had had a limited impact. On 12 February 2003, the UN marked the anniversary of the entry into force of an international treaty banning child soldiers, but warned that the problem of child soldiers is still prevalent. In Myanmar, an estimated 70,000 children are in uniform in the state army. Many are forcibly conscripted by kidnapping or threats of prison at ages as young as 11.

### 13 GOVERNMENT

The Socialist Republic of the Union of Burma was announced on 3 January 1974, after a new basic law had been approved by plebiscite. Under the 1974 constitution (which was suspended in September 1988), the leading organ of state power was the 489-member unicameral People's Assembly (Pyithu Hluttaw). The head of state was the chairman of the Council of State (29 members in 1986), which was elected by the People's Assembly and theoretically responsible to it. The prime minister headed the Council of Ministers (24 members in 1986) and also served on the Council of State. Other main governmental organs were the Council of People's Justices (9 members), the Council of People's Attorneys (6), the Council of People's Inspectors (6), and the people's councils at the level of the state (or division), township, and ward or village tract. Nationwide legislative elections were held in 1974, 1978, 1981, and 1985; in each election, voters either accepted or rejected candidates from a single slate presented by the ruling Burma Socialist Program Party (BSPP). Suffrage is universal at age 18, although the military has taken measures to discourage voter registration. A military coup in September 1988 brought the State Law and Order Restoration Council (SLORC) to power. SLORC abolished the previous government and placed the country under martial law. In June 1989, the official title of the country was changed to Myanmar Naing Ngan. The SLORC *junta* supervised and coordinated the work of the central and local organs of state power. It renamed itself the State Peace and Development Council (SPDC) in November 1997.

In the multiparty election held 27 May 1990, Aung San Suu Kyi's National League for Democracy (NLD) received 87.7% of the total vote and took 392 of its 447 contested seats, and the National Unity Party (NUP), the former BSPP re-registered as a new party, took only 10 seats with 2.4% of the votes.

SLORC refused to hand over power to the NLD, instead voiding the election and insisting that a new constitution need be drafted and approved by referendum, and by SLORC, prior to the transfer of power. Senior General Saw Maung resigned due to ill health on 23 April 1992 and General Than Shwe replaced him on the same day as Chairman of SLORC and as Chief of State and Head of the Government. Vice chairman of the SPDC is General Maung Aye. The Foreign Minister is Win Aung, and the Home Affairs Minister is Tin Hlaing. Lt. Gen. Tin Oo, former second secretary of the SPDC and chief of staff of the army, died in a helicopter crash

19 February 2002. The other two “secretaries” of the SPDC were Lt.-General Khin Nyunt and Lt.-General Win Myint. A sudden purge in October 2004 removed Khin Nyunt from power. He was arrested and charged with corruption, with a 44-year suspended sentence. The purge extended to his Military Intelligence apparatus, with MI officers arrested and their assets confiscated throughout Myanmar. The ousting of Khin Nyunt left the SPDC firmly under the control of Than Shwe and the equally “hardline” Maung Aye, who appeared inclined to take a less conciliatory policy toward armed ethnic groups than Khin Nyunt, the architect of the cease-fire strategy. On 7 May 2005 bomb blasts at a convention center and two supermarkets in Yangon killed 11 people. The SPDC blamed opposition groups for the explosions, while some analysts linked the bombings to internal power struggles within the regime itself.

A drastic step was taken on 6 November 2005 when government ministries were compelled to leave Yangon (Rangoon) for a new capital still under construction at Pyinmana in the mountains 400 km north of Yangon. The motives for the large-scale mass relocation to a place with little infrastructure completed were unclear, but speculation ranged from fear of military attack to an attempt at more centralized control of the country to a form of “preventive magic.” Civil servants were reluctant to make the move, but were compelled to go, without their families, to the government complex at Pyinmana named Nay Pyi Daw, “Place of Kings.”

#### 14 POLITICAL PARTIES

Between 1948 and 1962, Burma’s parties were mostly socialist in economic orientation. The most important of these was the Anti-Fascist People’s Freedom League (AFPFL), which gained independence for the country and which included within its ranks the distinct Burma Socialist Program Party. The AFPFL governed the country from 1948. In 1958, tensions within the government, and insurgency in the countryside, prompted Prime Minister U Nu to temporarily hand over power to a “caretaker” government headed by General Ne Win. When U Nu’s new Union Party won a landslide victory in 1960 elections, Ne Win relinquished power to him. Then on 2 March 1962, Ne Win staged a coup d’état and began his long rule with the one-party (Burma Socialist Program Party) state.

Other parties before 1962 included two Communist movements, the “White Flags” and the “Red Flags,” both of which took up arms early after independence and were later defeated by the government (the White Flags, however, were not completely eradicated until 1975). An above-ground Communist Party existed after 1949 and became the nucleus of the National United Front (NUF) in 1952. Both the Communists and the NUF, like all other parties except the ruling military-dominated Burma Socialist Program Party (BSPP), were banned in 1974. The well-armed Communist Party of Burma (CPB) insurgents based themselves primarily in northeast Burma, along the China border. Chinese support for the Communist party of Burma (CPB) continued well after support for the Communist parties of Malaysia and Thailand was withdrawn, but from the mid-1980s aid did not compare with a decade earlier. In 1989 the CPB was overthrown by its troops, many of whom regrouped as the United Wa State Army, which soon signed a cease-fire deal with the State Law and Order Restoration Council (SLORC).

Burmese independence leader General Aung San had negotiated the Panglong Agreement with representatives of frontier ethnic groups in 1947, but issues of autonomy and federalism have never been resolved. Numerous ethnic parties with armed wings were formed in the mid- to late-20th century, including the Karen National Union, Kachin Independence Organization, New Mon State Party, Karenni National Progressive Party, Shan State Progress Party, Arakan Liberation Party, and Chin National Front. Umbrella groups of the ethnic insurgents were established, notably the National Democratic Front, followed by the Democratic Alliance of Burma. In the 1990s, many ethnic organizations signed cease-fire agreements with the SLORC. A continuous demand of the opposition is “tri-partite negotiations” between the SLORC/SPDC junta, Aung San Suu Kyi’s National League for Democracy, and representatives of the ethnic groups. Most of the ethnic leaders favor a federal union of Burma based on ethnic regions. The SPDC arrested 10 Shan political leaders in February 2005 following a meeting they held in the Shan State. In May 2005, several veteran Shan political exiles issued a declaration of independence for their ethnic group, putting them at odds with the federalist policies of other ethnic activists and the NLD.

The democracy uprising of 1988 ended with the 18 September coup which installed the military officers of the State Law and Order Restoration Council (SLORC). The Burma Socialist Program Party was formally abolished, and all governing authority was concentrated in the hands of the military. The earliest formation of the State Law and Order Restoration Council (SLORC) was made up of 17 active military commanders of the Defense Services. On 18 September 1988 it was renamed the Organization for Building Law and Order in the State (OBLOS) and two more members were added. On 20 September 1988 the final version of the SLORC government was formed by maintaining the 19 members and adding two nonmembers to the Cabinet, increasing the number of Cabinet ministers from seven to nine. On 24 September 1988 the BSPP was reborn as the National Unity Party (NUP), inheriting the buildings and machinery of the old BSPP. Allied to the NUP were satellite parties, the former supporters of the BSPP.

On 24 September 1988 the National League for Democracy (NLD), a coalition party, was formed in opposition to the military regime. Leaders Aung San Suu Kyi and Aung Gyi soon parted ways over the latter’s accusations of communist infiltration of the NLD. On 28 August 1988 U Nu, at age 83, with his followers from the older generation formed the League for Democracy and Peace (LDP), latter known as the League for Democracy. The NLD won the 27 May 1990 elections by a landslide, electing 392 candidates; the NUP took 10 seats; the UNDP and the Democracy Party took 1 seat each; and the LDP did not win any seats. In April/May 1991 the Election Commission dropped the names of the NLD’s General Secretary Aung San Suu Kyi and President U Tin Oo from a roster of NLD leaders, as well as the names of all other Central Executive Committee members who were jailed. NLD leader Aung San Suu Kyi was placed under house arrest from 20 July 1989 to 10 July 1995, from 2 September 2000 to 6 May 2002, and from May 2003 onwards. NLD members have been detained and imprisoned in ever-increasing numbers, and many have been pressured to renounce their membership at public rallies of the junta-sponsored Union Solidarity Defense Association (USDA) a mass organization formed in September 1993 to support the ruling mil-

itary. Aung San Suu Kyi's 60th birthday, 19 June 2005, was marked by international protests of her continuing house arrest, and 24 October 2005, her tenth cumulative year of arrest was another day of protest by overseas Burmese. A campaign to pressure the UN Security Council to put Burma on its agenda was launched by former Czech Republic President Vaclav Havel and South Africa's Archbishop Desmond Tutu, in October 2005.

Dr. Sein Win of the Party for National Democracy, winner of a seat in Pegu District, and seven NLD members legitimately elected to parliament but not recognized by SLORC, fled to border areas and formed a parallel government, the National Coalition Government Union of Burma (NCGUB). Sein Win was named prime minister of the NCGUB, which is now headquartered in Washington, D.C., where it serves as a diplomatic vehicle for the international exiled Burmese democracy movement.

On 29 January 1992 SLORC appointed additional ministers, mostly serving or ex-military, to the original nine-member cabinet, and three new military commanders were added to the original nineteen-member SLORC. Senior General Saw Maung resigned due to ill health on 23 April 1992. He was replaced as Chairman of SLORC by General Than Shwe on 23 April 1992. Than Shwe was named Chief of State and Head of the Government. First Secretary is Major-General Khin Nyunt and Second Secretary was Major-General Tin Oo, until his death in a helicopter crash in February 2002. Lt.-Gen. Win Myint is the other secretary of the SPDC. The SLORC changed its name to State Peace and Development Council (SPDC) in November 1997. The National Convention, aimed at drafting a new constitution has been suspended indefinitely, and the NLD withdrew from the process in protest at its being used to legitimize the junta. Other parties have objected to the National Convention's insensitivity to ethnic rights issues.

## 15 LOCAL GOVERNMENT

Myanmar is a unitary nation, ruled by a military *junta*, comprising seven states and seven divisions. The main distinction between the two kinds of units, which are functionally the same, is that the states represent an area where a national ethnic minority is the local majority, while the divisions have no such communal basis. The states are Arakan (Rakhine), Chin, Kachin, Karen (Kayah), Kayah, Mon, and Shan. The divisions are Irrawaddy, Magwe, Mandalay, Bago (Pegu), Sagaing, Yangon (Rangoon), and Tenasserim. States and divisions are segmented into 317 townships. Village tracts consist of villages, and towns are divided into wards. Law and Order Restoration Councils (LORCs) serve as local administration, although regional army commanders control the actual decision making process. A LORC was formed for each State, Division, Township Sector and Ward/Village Sector. Military campaigns of forced village relocations, especially in the Shan and Karenni states and Tenasserim Division, have changed the rural map of Myanmar and placed much of the agricultural population under direct army control. In some frontier areas where cease-fire groups (such as the UWSA or KIO) still hold significant territory, administration is by the former insurgent leadership.

## 16 JUDICIAL SYSTEM

The British-style judicial organs with which Burma began its independence, including a supreme court, were disbanded by Ne Win's Revolutionary Council. The 1974 constitution, suspended since

1988, provided for a Council of People's Justices, state and divisional judges' committees, and township, ward, and village tract judges' committees. The Council of People's Justices was elected by the national assembly from among its own members; nominations were made by the Council of State, which coordinated relations between central and local levels of government. Military tribunals which enforced orders issued by the State Law and Order Restoration Council (SLORC) were abolished in 1992. Ordinary courts now handle such cases, with heavy military influence. The Supreme Court appoints judges after approval of the SPDC. There are courts at the township, district, state, and national levels. The SPDC has used laws such as the Emergency Provisions Act and the Unlawful Associations Act to crack down on dissent. Human rights organizations such as Amnesty International and the United Nations have criticized the SPDC for unfair trials and arbitrary imprisonment, as well as use of torture and summary execution.

## 17 ARMED FORCES

The armed forces play the major role in Myanmar's politics and administration; senior members of the government are officers who govern under martial law.

Myanmar's armed forces had 428,000 active personnel in 2005, including the paramilitary People's Militia and People's Police Force, which had 35,000 and 72,000 active personnel, respectively. The Army, with 350,000 personnel, had an equipment roster that included 150 main battle tanks, 105 light tanks, of which an estimated 60 were thought to be serviceable, 115 reconnaissance vehicles, 325 armored personnel carriers, and over 388 artillery pieces. The Navy had an estimated 13,000 members, including 800 naval infantry troops. Major fleet units included 4 corvettes, 71 patrol/coastal vessels, and 11 amphibious landing craft. The Air Force had 12,000 personnel and had 125 combat capable aircraft, including 58 fighters and 22 fighter ground attack aircraft. The service also operated 29 support helicopters. The military budget in 2005 totaled \$6.85 billion. Various rebel groups were estimated at perhaps 15,000 and operate inside and outside of northern Myanmar.

## 18 INTERNATIONAL COOPERATION

Myanmar was admitted to the United Nations on 19 April 1948; it is a member of ESCAP and several nonregional specialized agencies, such as the FAO, IAEA, the World Bank, ILO, UNSECO, UNIDO, and the WHO. Regional bodies to which Myanmar belongs include the WTO, the Asian Development Bank, ASEAN, G-77, the Bangladesh, India, Myanmar, Sri Lanka, and Thailand Economic Cooperation (BIMSTEC), and the Colombo Plan. Myanmar is a member of the Nonaligned Movement. In environmental cooperation, Myanmar is part of the Convention on Biological Diversity, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Agriculture is the largest sector of the economy, contributing 54.6% of GDP in 2005 and employing about 70% of the labor force. Myanmar is self-sufficient in food. Principal crops are paddy rice, corn, oilseed, sugarcane, and pulses. Traditionally rice

was the major product and the major foreign exchange earner, accounting for about 70% of the country's cultivated land. In 1996, rice exports quadrupled to \$197 million, and accounted for 22% of merchandise exports. The Asian financial crisis of 1997 hit Myanmar hard, reducing rice exports by about one-third. The major recipients of Myanmar's rice are Indonesia and China. Myanmar is also the world's largest exporter of teak, producing 80% of world supply.

Industries include agricultural processing, textiles and footwear, wood and wood products, petroleum refining, mining production (mainly copper, tin, tungsten, and iron), construction materials, pharmaceuticals, and fertilizer. In 2005, industrial production accounted for 13% of GDP. In the past Myanmar was a net petroleum exporter, but production decreased steadily. Both oil and gas exploration is on-going with the participation of foreign companies, and in 1997/98 the energy sector grew by 37.7% (from virtual nonexistence) due to investment in the Yadana natural gas pipeline to Thailand, which came on-line in 1999. The \$1.2 billion pipeline was a joint venture between the California company Unocal and the Myanmar military government. The government has plans to develop a \$1 billion Myanmar-Bangladesh-India pipeline. For the most part, Myanmar's significant mineral resources have not been fully developed due to out-dated equipment and poor management.

Infrastructure is a major impediment to economic growth. Water treatment and distribution, sewage disposal, and irrigation systems, as well as power transmission and distribution, require up-grading. Industry faces chronic shortages of electricity. Roads are poor and many are not passable during parts of the year. Telephone facilities are lacking, but a telecommunications modernization program begun in the 1990s included the installation of a cellular telephone system in Yangon; as of yearend 2005, Myanmar had more than 135,000 mobile phones in use. The financial sector suffers from excessive bureaucratic red tape and foot-dragging by state economic enterprises fearing competition. The government drafted new laws on a central banking and financial institutions as steps toward improvement in the financial sector.

The government reported that the economy grew by 6% in 1995 and 6.8% in 1996. Growth was estimated by the US State Department at 1.1% for 1998. In 1999 strong growth of 10.9% was reported, propelled by a 13.8% growth in industry and 11.5% growth in agriculture. The government reported growth in 2000 at 13.6% overall but according to the Asian Development Bank (ADB), independent estimates suggested more modest progress of around 6%. Inflation had averaged about 25% for more than a decade, but a drop in food prices due to a bumper rice crop (and the heavy weight given rice in Myanmar's consumer price index) brought a sharp drop in inflation, to a negative 0.1% according to government statistics. In 2001 a slower annual growth of 5% was reported with a 9.6% resurgence of inflation.

The US Central Intelligence Agency (CIA) estimated that in 2005, the GDP growth rate stood at 1.5%. Official government statistics put the growth rate in 2004 at 13.8%. The CIA estimated the inflation rate to be 18% in 2005.

It should be noted that it is difficult to assess the true economic situation in Myanmar due to the existence of an enormous and all-pervasive informal market. Much of Myanmar's economic activity is illicit, notably the smuggling of drugs. Myanmar, which

forms part of the "Golden Triangle" (along with Laos and Thailand), is the world's second-largest producer of illegal opiates. The government's efforts to control poppy production and drug traffic to China and Hong Kong are ineffective. Myanmar is also the primary source of amphetamine-type in Asia, producing hundreds of millions of tablets per year. Since 1989, the only kind of US aid for which Myanmar has been eligible, besides humanitarian aid, is counter-narcotic and crop substitution assistance, because of the human rights issues involved with the imposition of military rule in 1988. Large quantities of smuggled consumer goods are sold in Myanmar's cities, where the black market thrives.

The military regime, SLORC, which took over Myanmar in 1988, proclaimed a market oriented economic policy and invited foreign investment. A 1992 United Nations Development Programme report noted that Myanmar after a few years of recovery from the economic and political upheaval of 1988 was again slipping into recession and hyperinflation. Myanmar's main donors suspended aid. The country has not fully serviced its foreign debt since 1988. Two trends have been apparent in the government's economic policies: the capture of revenues from short term, quick turnover sources such as hardwoods, prospecting rights, and taxes on profits from illegal sources; and spending patterns that emphasize defense spending and acquisition of armaments. An estimated 87% of tax revenues are spent on the military whereas expenditures on health and on education both amount to less than 0.5% of GDP. Myanmar receives no aid from US or EU programs and aid from Japan is run at a maintenance level. The International Monetary Fund (IMF), the World Bank, and the Asian Development Bank (ADB) extend no credit to Myanmar. The economy has been hurt by economic sanctions imposed by the United States: the United States imports no goods from Myanmar and bans the export of financial services from the United States to Myanmar. A number of other countries, including member states of the EU, Canada, Australia, Japan, and South Korea, have joined the United States in applying some form of sanctions against the regime.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Myanmar's gross domestic product (GDP) was estimated at \$76.2 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,800. The annual growth rate of GDP was estimated at 1.5%. The average inflation rate in 2005 was 18%. It was estimated that agriculture accounted for 54.6% of GDP, industry 45%, and services 50%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$78 million.

It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.9%. It was estimated that in 2000 about 25% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Myanmar's civilian labor force was estimated at 27.75 million. As of 2001 (the latest year for which data was available), an estimated 70% were engaged in agriculture, primarily rice cul-

tivation, while industry accounted for 7% and services 23%. The unemployment rate was estimated at 5% in 2005.

No trade union or independent labor movement activity has occurred since 1988, when the government banned the workers' and peasants' organizations of the previous government, thereby eliminating any right to bargain collectively. Forced labor is frequently used by the military for building projects. Prison labor is also extensively used, especially in stone quarrying projects. Wage levels continue to be low and have been eroded by inflation.

While the official minimum working age is 13, the presence of child labor is conspicuous in both rural and urban areas. In the latter areas, most children work in small or family-owned businesses, while in rural areas children are employed in agricultural activities. Official data for 2002, shows that 6% of children in urban areas worked, but of that total, only 4% received wages.

Only government workers and employees of a few traditional industries are covered by a minimum wage. As of 2005, salaried public employees had a minimum wage of \$0.13 per day for an eight hour workday, an amount that was grossly inadequate to support a worker and a family with a decent living standard. Inadequate wages, even among senior officials, has led to absenteeism and widespread corruption. In the private sector, laborers in urban areas earned about \$0.50 to \$1.00 per day, while workers in agricultural areas earned about half that amount. A skilled factory worker can earn around \$3.00 a day. Health and safety risks in the workplace are prevalent.

## 2<sup>2</sup> AGRICULTURE

Myanmar's exports of food accounted for 15% of its foreign exchange earnings in 2004. About 17% of the land is under cultivation. Agriculture generates roughly 70% of employment and 40% of the recorded GDP.

Rice, by far the most important agricultural product, in 2004 covered about 6 million hectares (14.8 million acres) of land in the fertile Irrawaddy delta region, the lower valleys of the Sittang and Salween rivers, and along the Arakan and Tenasserim coasts. Prior to World War II (1939–45), Myanmar was the world's leading exporter of rice; annual production ranged between 13 million and 14 million tons, of which about three million tons were exported. However, the war caused extensive damage to the economy, and Myanmar did not achieve prewar levels of rice acreage and output until 1964. Rice production totaled 9.57 million tons in 2004/05. Farmers have been instructed by the government to double-crop wet season paddy and triple-crop in areas with year-round access to water. In some areas near the sea, multiple cropping brings saltwater intrusion, high flood risks, and seasonal pest problems. New high-yield varieties of rice have contributed to the increases in recent years, along with the completion of new irrigation systems and flood-control dams in the Irrawaddy delta during the early 1980s.

Other crops in 2004, grown mainly in central Myanmar and the state of Shan, included 6,368,000 tons of sugarcane, 715,000 tons of groundnuts, 600,000 tons of corn, and 550,000 tons of sesame. The use of high-yield varieties of seeds helped to more than triple the output of wheat, corn, and sunflower seeds and to double cotton production during 1976–86. Tobacco and jute are also produced, and rubber is grown on small plantations in the Tenasserim and Irrawaddy delta regions. During the mid-1990s, Myanmar

was the world's largest producer of opium and heroin, with opium production estimated at 2,560 tons in 1996. In 2003, opium poppy production was estimated at only 484 tons.

The total amount of land under cultivation declined in the 1970s, but the amount of paddy land increased. The Mu Valley irrigation project, implemented in north-central Myanmar with UNDP aid in the 1970s, irrigated 1.7 million hectares (4.2 million acres) of farmland. With the completion of the Nawin Dam in 1982, about 40,000 hectares (99,000 acres) of new irrigated land in the Prome region, north of Yangon (Rangoon), were added to the cultivated area. With IBRD and Asian Development Bank aid, new rice storage facilities, a system of drainage canals in the heavy-rainfall paddy land of lower Myanmar, and gravity irrigation systems in dry zones were constructed.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Despite Buddhist prohibitions against any kind of animal slaughter, the Myanmar eat beef and other meats. Zebu cattle and water buffalo are mainly raised as draft animals; the output of such hides was 24,000 tons in 2005. Dairy farming is confined to the Shan and Kachin states; hogs and poultry are found in virtually every village.

In 2005, Myanmar had an estimated 12,000,000 head of cattle, 5,220,000 hogs, 2,700,000 water buffalo, 1,800,000 goats, 492,000 sheep, and 88,000,000 chickens, and 8,000,000 ducks. Meat production was 632,000 tons; milk from cattle, 677,000 tons (80% cow, 20% buffalo); eggs, 1,452,000 tons.

## 2<sup>4</sup> FISHING

Fishing is the most significant nonagricultural pursuit in Myanmar. Fish, which supply the main protein element in the Myanmar diet, generally are dried and salted before marketing or consumed fresh or as fish paste. Roho labeo and various carp are the main species caught. Traditionally, the Myanmar preferred fish from fresh or brackish water; but saltwater fishing in the shallow waters of the Bay of Bengal, Andaman Sea, and Gulf of Martaban has increased in recent years. To encourage a larger saltwater catch, the government embarked on expanded deep-sea fishing operations and erected a cold storage plant, a fish cannery, and a fish oil and meal factory. The total fish catch in 2003 was 1,606,252 tons (67% saltwater, 23% freshwater), up from 686,515 tons in 1986. Aquaculture accounted for 16% of production in 2003. That year, exports of fish products were valued at \$142.6 million.

## 2<sup>5</sup> FORESTRY

Forests and woodland cover nearly half the country, even though the annual deforestation rate was 0.68% during 1975–89. Some 38% of the forest was Reserved Forest Area in 2001. Myanmar has a major share of the world's teak reserves, which constitute about one-third of the forested area. As the world's leading exporter of teak, Myanmar supplies about 75% of the world market. The lumbering of teak, a 10-year process from the first girdling of the tree to its arrival at the sawmill, was disrupted by World War II (1939–45); production rebounded to about 136,000 tons in 1986. Increased output of teak in the 1980s was attributable to completion of four modern timber-extraction projects. Teak log production totaled 2.21 million cu m (78.1 million cu ft) in 2004. A special teak plantation program begun in 1998 will provide a

sustainable production of 1.8 million cu m (63.5 million cu ft) per year. Roundwood production in 2004 totaled 39.8 million cu m (1.4 billion cu ft). Other forest products include lac, catechu resin, and bamboo.

All foreign timber concessions have been nationalized, and all forests are government-owned; the State Timber Board (STB) lumbers, mills, and markets forest products. The export of forest products rose in value from \$294.1 million in 1993 to \$401.1 million in 2004.

## 26 MINING

With the exception of precious gemstones, of which Myanmar had large resources, mineral production was small, and mostly for domestic consumption. The mining sector, including oil and gas, contributed 2% of GDP in 2001. Copper, tin, tungsten, iron, construction materials, and fertilizer were among the country's leading industries in 2002; precious stones ranked fourth among export commodities, supplying 2% of export earnings.

Estimated outputs for 2003 were: copper (metal content), 27,900 metric tons, up from 27,500 metric tons in 2002; tin (metal content, from tin and tin-tungsten concentrate), 210 metric tons, unchanged from 2002; tungsten (metal content, from tin and tin-tungsten concentrate), 30 metric tons, unchanged from 2002; jade, 11 million kg, up from 10,800,000 kg in 2002; and spinel rubies and sapphires, 4.7 million carats, down from 4,769,511 carats in 2002. Metallic ores of chromite, gold, lead, manganese, nickel, silver, and zinc were mined in small amounts. Industrial mineral production included construction aggregates, barite, hydraulic cement, fire clay, feldspar, gypsum, limestone, salt (including brine salt), sand and gravel, and silica sand. Lead, zinc, silver, copper, nickel, and cobalt were produced at the Bawdwin mine, in Namtu. No carbonate rocks, or cobalt was produced in 2003. Deposits of iron ore and antimony have been found.

The government controlled all mineral exploration, extraction, regulation, and planning through the two departments and six enterprises of the Ministry of Mines. In 2001, state-owned enterprises—whose share of output was 5.5% (11.6% in 1998)—operated one gold mine (the Kyaukpahtoe), three nonferrous metals mines (the Bawdwin, Bawsaing, and the Yadanatheingi), and two coal mines. Of the four foreign exploration companies active in 2000, two were active in 2001—mining gypsum, zinc, and gold. The Myalate Taung limestone resources, in Kyaukse Township, Mandalay Division, had 291 million tons.

## 27 ENERGY AND POWER

Myanmar's production of crude oil in 2002 averaged 15,000 barrels per day, with imports of crude averaging 8,120 barrels per day. Refined petroleum product output that year averaged 21,500 barrels per day, with demand for refined oil products at 34,500 barrels per day.

Gross natural gas output in 2002 came to 310.77 billion cu ft, with 3.53 billion cu ft vented or flared. Marketed output came to 307.24 billion cu ft of which dry production and consumption came to 296.65 billion cu ft and 77.69 billion cu ft, respectively.

Coal production in 2002 totaled 130,000 short tons, of which bituminous and brown coal (lignite) came to 63,000 short tons and 67,000 short tons, respectively.

Production of electricity in 2002 totaled 6.329 billion kWh, of which thermal plants provided about 65% and hydroelectric power about 35%. Electric power capacity came to 1.573 million kW in 2002, with conventional thermal supplying 75% of capacity. Electric power consumption in 2002 came to 5.886 billion kWh.

## 28 INDUSTRY

Industry is geared largely to the processing of agricultural, mineral, and forest products. More than half of Myanmar industrial production is accounted for by the public sector. Principal industrial products are cement, steel, bricks and tiles, fertilizers, and processed foods. Consumer goods that were imported before 1962 and are now manufactured domestically include blankets, paper, glass products, bicycles, and water pumps. Other major consumer manufactures are aluminum ware, jute and cotton cloth, pharmaceuticals, beverages, matches, and cigarettes. There is also a growing segment engaged in the assembly of television sets and motor vehicles. The main industrial area is Bago (formerly Pegu). Some manufacturing industries are privately owned and operated under government supervision.

Industrial production grew by 9.2% in fiscal year 1995–96, and represented about 11% of the gross domestic product in 1997. In 1998, despite the effects of the Asian financial crisis, industrial production grew 6.1%. Growth increased to 13.8% in 1999, when an estimated 10% of the labor force was employed in the industrial sector. In 2000, it was estimated that industry constituted 17% of GDP. In 2005, industry accounted for 13% of GDP. As of 2001, approximately 7% of the labor force was engaged in industrial production. The petroleum and petrochemical sector in Myanmar is entirely state-owned (excluding indigenous fuels such as charcoal). In 2006, Myanmar had three state-owned oil refineries. The \$1.2 billion natural gas pipeline connecting to Thailand began operations in 1999, and plans for a \$1 billion Myanmar-Bangladesh-India gas pipeline were underway in 2006.

## 29 SCIENCE AND TECHNOLOGY

Scientific research is conducted by the private Burma Research Society, founded in 1910, and by the government's Central Research Organization, consisting of various departments of the state ministries. Four institutes conduct research in applied sciences, medicine, and atomic energy. In addition, the Department of Land Management Studies Research of the Institute of Economics investigates problems posed by modernization techniques and industrial development. The Universities of Mandalay, Mawlamyine, and Yangon offer degrees in basic sciences. In 1987–97, science and engineering students accounted for 56% of college and university enrollments.

## 30 DOMESTIC TRADE

In 1964, the Ne Win government nationalized all wholesale businesses and the large private and cooperative shops; small retail shops, hotels, restaurants, and village cooperatives were exempted. The People's Stores Corp., established in 1964, was initially responsible for the importation and distribution of essential foreign goods, the distribution of consumer goods produced in Myanmar, and the sale of domestic products in foreign markets. The corporation was administered by a council headed by the Ministry of Supplies and Cooperatives. In 1970, the "people's stores," most of

which had been unsuccessful, were replaced by consumer cooperatives. Beginning in 1966, the government set all commodity prices and controlled distribution systems; in September 1987, the Burmese people were told that they could buy, sell, and store rice and other grains free of government restrictions. These liberalization measures have been most effective in the agricultural sector, although overall, the military still controls the lion's share of the economy. As of 2001, about 70% of the work force was employed in agriculture.

Although significant marketing is done at Bago (Pegu), Mandalay, Mawlamyine (Moulmein), Patheingyi (Bassein), Henzada, Akyab (Sittwe), and Dawei (Tavoy), Yangon (Rangoon) is Myanmar's most important business center. Myanmar's domestic economy is paralleled by a huge black market economy that co-exists with the official one; the underground economy may be twice as large as the legal economy. A factor in the decline of Myanmar's domestic production is dependence on border trade, which undermines Myanmar's manufacturing sector with cheap foreign consumer goods. Credit cards are not widely accepted.

Normal business hours are 9:30 AM to 4:30 PM, Monday through Friday; small private shops keep longer hours than government offices and enterprises. Banks are usually open 10 AM to 2 PM, Monday through Friday.

### 3<sup>1</sup> FOREIGN TRADE

It is estimated that from 1992 to 1995 the legal merchandise trade deficit (excluding military imports) grew from \$412 million to \$737 million. All financial estimates are suspect because of the exclusion of a large extralegal sector and substantial military imports, neither of which are included in official figures. The value of opiate exports alone may now be roughly comparable to all legal merchandise and service exports receipts. Border areas not under the control of the government also engage in unreported exports of timber, rice, jade, gems, minerals, and rare animals. Consumer goods, diesel fuel, and other products are smuggled in from Thailand, China, Malaysia, and India.

In 2004, Myanmar's primary export partners were: Thailand (38.9%), India (11.5%), China (5.9%), and Japan (5.2%). That year, the primary import partners were: China (29.8%), Singapore (20.8%), Thailand (19.3%), South Korea (5.2%), and Malaysia (4.8%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

In 2005, the government estimated the value of exports to be \$2.514 billion, and that of imports to be \$2.183 billion. However, the official figures are grossly underestimated due to the value of products smuggled in and out of neighboring countries. In 2005, the current-account balance was estimated at -\$215 million. That year, total external debt was estimated at \$6.967 billion.

### 3<sup>3</sup> BANKING AND SECURITIES

Effective 23 February 1963, all 24 commercial banks in Myanmar—10 foreign and 14 indigenously owned—were nationalized and amalgamated into 4 state banks. In addition to the Central Bank of Myanmar, Union of Burma Bank, which serves as a central bank, the other state banks were the State Agricultural Bank, the State Commercial Bank, and the Industrial Bank. After subsequent reorganizations of the banking system, these became the

Myanma Investment and Commercial Bank, Myanma Economic Bank, and the Myanma Foreign Trade Bank. Agricultural credit is provided by a separate Myanmar Agricultural and Rural Development Bank. Public savings increased sharply in 1977 after the banks raised interest rates. Efforts to attract the considerable liquidity in the hands of the public into the banking sector, and thence into investment, have not had much success.

By the end of 1994, licenses to open representative offices had been issued to 19 banks from overseas—six from Thailand, five from Singapore, three from Malaysia, and one each from France, Indonesia, Cambodia, Hong Kong, and Bangladesh. Eventually, 54 foreign banks had offices in Myanmar, but 2000–02, 21 of them left the country, and nine more downgraded their operations there. As of the end of 2002, 27 foreign banks have representative offices in Burma, but none from the United States. Since

#### Principal Trading Partners – Myanmar (1999)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,129.7	2,587.4	-1,457.7
India	214.1	72.4	141.7
China	134.7	249.5	-114.8
Singapore	129.3	725.2	-595.9
United States	89.5	91.7	-2.2
Thailand	87.9	344.1	-256.2
China, Hong Kong SAR	68.0	89.3	-21.3
Others	63.8	1.1	62.7
Japan	57.6	287.6	-230.0
Malaysia	53.3	192.7	-139.4
Bangladesh	38.6	1.2	37.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Myanmar (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>49.6</b>
Balance on goods		577.7
Imports	-1,932.4	
Exports	2,510.1	
Balance on services		-55.0
Balance on income		-601.8
Current transfers		128.8
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>28.8</b>
Direct investment abroad		...
Direct investment in Myanmar		133.5
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		...
Other investment liabilities		-104.7
<b>Net Errors and Omissions</b>		<b>-39.5</b>
<b>Reserves and Related Items</b>		<b>-38.9</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

1994 four private domestic banks have been permitted to conduct foreign exchange transactions for the first time. Various types of foreign exchange licenses have been issued to the private sector by the Central Bank. It issued seven authorized dealer licenses, three money changer licenses, 396 acceptor and holder licenses, and 66 FEC changer licenses in August 1994. Despite the liberalization of its economy, the country still lacks a capital market. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$103.9 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$170.7 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 10%.

### 34 INSURANCE

All 78 foreign insurance companies registered in Myanmar were nationalized on 1 March 1963. All forms of insurance, including life, fire, marine, automobile, workers' compensation, personal accident, and burglary, are handled by the Myanma Insurance Corp. Life insurance coverage is compulsory for government employees.

### 35 PUBLIC FINANCE

The government presents its budget in March for the 1 April–31 March fiscal year. The public sector budget typically shows an overall deficit because of economic mismanagement.

The US Central Intelligence Agency (CIA) estimated that in 2005 Myanmar's central government took in revenues of approximately \$523.5 million and had expenditures of \$769.3 million. Revenues minus expenditures totaled approximately -\$245.8 million. Total external debt was \$6.967 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were κ279,377 million and expenditures were κ353,389

million. The value of revenues was us\$42,501 million and expenditures us\$53,760 million, based on a official exchange rate for 2002 of us\$1 = κ6.5734 as reported by the IMF. Government outlays by function were as follows: general public services, 23.4%; defense, 21.5%; economic affairs, 31.4%; housing and community amenities, 1.0%; health, 5.3%; recreation, culture, and religion, 0.7%; education, 14.6%; and social protection, 2.0%.

### 36 TAXATION

Residents pay a progressive individual income tax with a top rate of 30%. The corporate tax rate is 30% with a 10% capital gains tax (40% for nonresident companies). Indirect taxes include a commercial tax on prescribed services, ranging from 5–30%, and on goods, ranging from 5–200%. There are also social security taxes, customs duties, royalties on natural resources, stamp tax, and property tax. The ratio of tax revenues to GDP is very low, estimated at between 2.3–3.6%, of which it is also estimated that 87% goes to the military.

### 37 CUSTOMS AND DUTIES

Duties are primarily intended to raise revenue, although their financial importance is limited by the fact that the government itself—through its Myanmar Export-Import Corp.—is by far the country's predominant importer. Import licenses are required for shipment of almost anything into the country. The official exchange rate overvalues the domestic currency by 100 times. Until Myanmar joined ASEAN in July 1997, customs tariffs ranged from zero to 500%. In 1997, a new tariff schedule went into effect ranging from zero to 15% for most industrial inputs to a maximum of 40% for cars and luxury items. In spring 1998 a 10% service fee (reduced to 8% by September) was enacted on all border-trade exports.

### 38 FOREIGN INVESTMENT

Foreign investment in Myanmar was heavy before World War II, but in the postwar period, and particularly after independence, a government policy of economic nationalism (and later socialism) strongly discouraged private foreign investment. After the nationalization of industry in 1963–64, private foreign investment in Myanmar was eliminated entirely. In 1976, the government indicated a willingness to establish “mutually beneficial economic cooperation” with foreign enterprises having the technology that Myanmar needed. The scope of state capitalism was expanded when the Saw Maung regime legalized internal and external trade without giving up control of major industries.

Foreign investment in Myanmar has been permitted only since 1988 under the Union of Myanmar Foreign Investment Law, and the level and variety of investment is limited. Sectors eligible for foreign investment include manufacturing, oil and gas exploration and development, mining (except gold and precious stones), jewelry production, and agriculture. The Foreign Investment Commission (FIC) screens foreign investment proposals for export generation potential, technology transfer, and the size of the investment. Various investment incentives are provided, such as exemption from income tax, and relief or exemption from customs duties. Bureaucratic procedures and a antiquated and inadequate infrastructure hamper foreign and local investments alike. Foreign entities cannot own land in Myanmar. Foreign investors

#### Public Finance – Myanmar (2002)

(In millions of kyats, central government figures)

<b>Revenue and Grants</b>	<b>279,377</b>	<b>100.0%</b>
Tax revenue	112,564	40.3%
Social contributions	...	...
Grants	358	0.1%
Other revenue	166,455	59.6%
<b>Expenditures</b>	<b>353,389</b>	<b>100.0%</b>
General public services	82,572	23.4%
Defense	76,082	21.5%
Public order and safety	...	...
Economic affairs	111,058	31.4%
Environmental protection	...	...
Housing and community amenities	3,543	1.0%
Health	18,852	5.3%
Recreational, culture, and religion	2,382	0.7%
Education	51,711	14.6%
Social protection	7,189	2.0%

(...) data not available or not significant.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.



must also fear being criticized in the West for investing in a country with a long record of human rights violations. In 1996 a lawsuit was brought against Unocal for its predication in the joint venture building the natural gas pipeline with Thailand, and the forced labor and other human rights abuses connected with the construction. The Clinton administration pressured Unocal to sell its shares in the Myanmar Oil and Gas Company (MOGC). The French company Total had earlier been pressed to sell its share in MOGC to Unocal.

In 1997, Myanmar was admitted to the Association of South-east Asian Nations (ASEAN), a step that might have relieved some of the international pressure against doing business in the country; however, in May of that year, the US government enacted restriction against new investment in Myanmar by US companies or citizens.

As of 2001, foreign investment under the liberalized regime of 1988 totaled about \$7.4 billion. Of that amount, investment from the United States totaled only \$582 million, with the majority, 51.35%, coming from ASEAN countries, including \$1.5 billion from Singapore, \$1.2 billion from Thailand, \$597 million from Malaysia, \$240 million from Indonesia, and \$147 million from the Philippines. The United Kingdom, however, was the second-largest source of approved investments, at \$1.4 billion. Investments from France and Japan totaled \$470 million and \$233 million, respectively.

After the Asian financial crisis, however, foreign investment dropped off considerably. Of the total, only \$1.17 billion (16.8%) represents approved investment value after 1996, \$673.6 million or 57.59% from ASEAN countries. In 1996/97, annual foreign investment peaked at \$2.6 billion and then fell to \$29.5 million in 1997/98. The continuance of the declining trend was made starkly apparent in the first six months of 2002 when investment from ASEAN members fell to zero, compared to an already-low \$32.28 million from these countries in the first six months of 2001. In 2003 the government introduced a measure that stopped the issue of import and export permits to Myanmar-based foreign companies, making the regime less attractive to foreign investors. Also in 2003, the US government banned the importation of goods from Myanmar to the United States, and banned the export from the United States to Myanmar of financial services. The US also seized the assets of some Burmese entities.

According to government figures, at the end of March 2004, the total stock of inward FDI in Myanmar amounted to \$7.59 billion. However, this figure does not factor in subsequent disinvestment, or investment that was approved but didn't actually enter the country. In 2003–04, there was an estimated 4.6% year-on-year increase in the value of new FDI approvals (\$91.17 million) over 2002–03, in five sectors. The new investments came from Canada, China, Hong Kong, South Korea, Thailand, and the United Kingdom. As of March 2004, the countries with the largest share of FDI stock in Myanmar were: Singapore, the United Kingdom, Thailand, Malaysia, the United States, France, Indonesia, the Netherlands, Japan, and South Korea (in that order).

### **39 ECONOMIC DEVELOPMENT**

The major aim of Myanmar's government has been to rehabilitate, modernize, and diversify an economy that was extensively disrupted by World War II and that failed to develop from the

1940s through the 1960s. To this end, all foreign companies, all banks, the entire transport system, all foreign and much domestic trade, and all the main branches of industry were nationalized. Some nationalized industries initially showed declines in output, while others were hard pressed to hold their own. By 1974, the government had no choice but to modify some of its more rigidly Socialist economic policies. Economic development proceeded slowly under the four-year plan for 1974–78 and the 1978–82 development program, which was allocated 60% more funding than its predecessor and which achieved an annual growth rate exceeding 6%. The four-year plan for 1982–86, costing an estimated \$5 billion, set an average annual growth target of 6.2%. The plan stressed infrastructural development, with particular emphasis on agriculture, construction, and energy production. The four-year plan for 1986–90 encouraged foreign investment. Since 1990, private investment has been encouraged as the government attempts to revitalize the economy.

In 2001, the government introduced its third five year short-term plan, with a targeted average growth rate of 6%. However, both continued reform and substantial foreign investment would be necessary to meet the goals of the plan. Such needed reforms include dismantling unproductive state-owned enterprises, establishing an independent state bank, making available private sector credit, controlling government spending, and adjusting the official exchange rate.

In February 2003, a major banking crisis affected the country's 20 private banks, closing them and disrupting the economy. As of yearend 2005, the largest private banks remained moribund, leaving the private sector with little formal access to credit. Burma's trade with China, Thailand, and India is increasing. Although Myanmar has relatively amicable relations with its neighbors, a better political situation and improved investment climate are needed to promote foreign investments, exports, and tourism.

### **40 SOCIAL DEVELOPMENT**

Although considerable advances have been made in health services, Myanmar's goal of establishing a welfare state has been limited by lack of public funds. In 1956, the government inaugurated a social security program that compensates workers for wage losses arising from sickness, injury, and maternity leave, provides free medical care, and establishes survivors' benefits. The program is funded by contributions from employers, employees, and the government. As yet, Myanmar does not have unemployment insurance, but public employees are entitled to old age pensions.

Women have a high status in Myanmar's society and economic life. They may retain their maiden name after marriage, may obtain divorces without undue difficulty, and enjoy equal property and inheritance rights with men. Traditional views of women often prevent them from entering male dominated occupations, and they do not always receive equal pay for equal work. Domestic abuse is a problem, but there are no statistics to estimate how prevalent it is. Married women tend to live with extended families, which provides some protection from abuse.

Myanmar's military regime continues to systematically engage in human rights abuses. Prison conditions are poor and mistreatment of prisoners is widespread. Arrests are often made arbitrarily and many detainees are held incommunicado. Ethnic minorities face discrimination. Those of Muslim, Indian and Chinese

descent, for example, are not free to travel domestically and are barred from certain university programs.

#### 41 HEALTH

Until the 1980s and 1990s, few people in rural areas had the benefit of modern medicine. To correct this deficiency, the country's health services were reorganized by sending more doctors to rural areas and increasing the number of rural health centers. Doctors in private practice were inducted for two years of national service. The progress of the health services in the 1980s is reflected in the reduction of the physician/population ratio from 1 per 15,560 in 1960 to 1 per 3,578 by 1986. To staff the new hospitals and dispensaries, medical schools have been expanded, nurse and midwife training courses increased, an institute of paramedical science was established, and a new college of dentistry opened. As of 2004, there were an estimated 30 physicians, 27 nurses, 2 dentists, and 22 midwives per 100,000 people.

A team of nutritionists conducts research on the nation's diet and disseminates its findings and recommendations through the press, radio, and demonstrations in offices and factories. One result of these efforts has been that the average height and weight of Myanmar's populace have increased.

Smallpox and plague have been virtually eliminated as health hazards and programs are under way to eradicate malaria and tuberculosis. However, gastrointestinal diseases such as typhoid, dysentery, and cholera remain prevalent. One of the problems yet to be overcome is the lack of potable water for residents; in 2000, 68% of the population had access to safe drinking water and 46% had adequate sanitation. Another serious health problem is drug addiction, exacerbated by the easy availability and low cost of opium. Under a drug abuse control program financed by the United States and the UN, a new 300-bed hospital for addicts opened in 1982 at Thayetmyo, along the Irrawaddy in central Myanmar; smaller facilities have been established in about two dozen other towns.

The infant mortality rate dropped from 129.9 deaths per 1,000 live births in 1960 to about 63.56 in 2005, while average life expectancy rose to 60.70 years. It was estimated that 60% of the population had access to health services. Immunization was estimated to have saved 60,000 young children and averted 2.4 incidences of vaccine-preventable diseases. The immunization rates for children under one were as follows: tuberculosis, 83%; diphtheria, pertussis and tetanus, 77%; and polio, 77%. The level of measles immunization rose by more than 50% between 1988 and 1994. By 2000, 83% of children were immunized for DPT and 85% for measles.

The total fertility rate decreased from 5.1 in 1990 to 3 in 2000. The maternal mortality rate was 230 per 100,000 live births. It was estimated that 29% of children under the age of five were malnourished.

The HIV/AIDS prevalence was 1.20 per 100 adults in 2003. As of 2004, there were approximately 330,000 people living with HIV/AIDS in the country. There were an estimated 20,000 deaths from AIDS in 2003.

#### 42 HOUSING

Prewar housing in Myanmar compared favorably with that in other Southeast Asian nations, but housing conditions have deteriorated. The housing requirement for Yangon has been estimated at

about 10,000 units needed per year, but as of 2003 average construction rates were expected to meet only about 20% of the need. In 2000, about 68% of the population had access to improved water sources and 46% of the population had access to improved sanitation. Urban dwellings are overcrowded and often unsafe. The last available statistics indicate that over 50% of all housing units were built of wood and bamboo. The government has been working on projects to alleviate homelessness and the prevalence of squatter communities in many areas by building apartment-style structures to replace hut dwellings.

#### 43 EDUCATION

The system of education initiated by the Ne Win government in 1964 equates learning with livelihood. At that time, the government announced its intention of opening at least one agrarian high school and one technical high school in each district. By 1967 there were six agricultural high schools, seven industrial trade schools, and one technical high school in the country, and the government had taken over about 880 private schools.

Education is free, although informal fees were increasingly imposed in the late 1990s. Primary education is compulsory for primary school, which covers a five-year course of study. This is followed by four years of middle school and two years of high school or technical school. Generally, Burmese is the language of instruction, and English is taught in the secondary schools; as of 1982, however, English became the medium of instruction in the universities.

In 2001, less than 2% of children between the ages of three and four were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 84% of age-eligible students. The same year, secondary school enrollment was about 35% of age-eligible students. It is estimated that about 73.2% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 33:1 in 2003; the ratio for secondary school was also about 33:1.

Postsecondary institutions include 18 teacher-training colleges, 6 agricultural institutes, 8 technical institutes, and 35 universities and colleges. All of them are state institutions. In 2001, about 12% of the tertiary age population were enrolled in some type of higher education program; 8% for men and 15% for women. The Mass Education Council has attempted to increase literacy through special programs. The adult literacy rate for 2004 was estimated at about 89.7%, with 93.7% for men and 86.2% for women. However, international observers question this figure, estimating that literacy rates are much lower since up to 40% of children in rural areas do not enroll in school and those who do drop out early.

As of 2003, public expenditure on education was estimated at 1.3% of GDP, or 18.1% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The Myanmar National Library in Tamwe Township, founded in 1952, contains over 180,000 books. Other large libraries are the Arts and Science University Library in Mandalay, with 175,000 volumes, and the University of Yangon with 350,000 volumes. There are also several small college libraries, as well as state libraries and museums at Patheingyi (Bassein), Kyaukpadaung, Mandalay, and

Mawlamyine (Moulmein). The Myanmar Library Association was founded in 1990.

The National Museum of Art and Archaeology in Yangon was founded in 1952 and includes among its collection a replica of King Mindon's Mandalay Palace. The National Museum of Mandalay (1905) is housed in the Glass Palace and features historical relics of Burmese culture. Sometimes called the "land of golden pagodas," Myanmar also has thousands of Buddhist temples, many of which have been repaired and restored.

#### 45 MEDIA

The director-general of posts and telegraphs controls the telephone, telegraph, radio, and postal communications systems. A satellite communications station that began operating in 1979 links Myanmar with more than 100 countries. In 2003, there were an estimated seven mainline telephones for every 1,000 people; about 102,000 people were on a waiting list for telephone service installation. The same year, there was approximately one mobile phone in use for every 1,000 people.

The government provides the only radio and television transmissions through Voice of Myanmar and TV-Myanmar (which broadcasts in color). As of 2004, there were 2 television stations and 1 AM and 1 FM radio stations. In 2003, there were an estimated 66 radios and 7 television sets for every 1,000 people. The same year, there were 5.6 personal computers for every 1,000 people and one of every 1,000 people had access to the Internet. There were two secure Internet servers in the country in 2004.

Chinese- and Indian-language newspapers are not allowed by the government, but two daily papers are still published in English. Leading newspapers in 1999 included *Kyemon* (1999 circulation, 100,000), *Myanma Alin* (400,000), and *The New Light of Myanmar* (14,000). There are some privately published magazines, but none has a high circulation or major influence.

The government professes to uphold freedom of the press, but there are no privately owned newspapers and the print media are government-controlled. In 1963, the government established its own press agency, the News Agency of Burma, with a monopoly on internal news distribution. As of 2002, the six daily papers (with language of publication and estimated circulation figures) were: *Myanmar Alin* (Burmese, 400,000), *Loktha Pyithu Nayzin* (Burmese and English, 184,000), *Kyemon* (Burmese, 100,000), *Bo-tahtuang* (Burmese, 96,000), *The Hanthawaddy* (Burmese, 23,000), and *The New Light of Myanmar* (English, 14,000).

#### 46 ORGANIZATIONS

Although Myanmar has most common types of educational, religious, cultural, and social organizations, those associated with capitalist economic activity have all but disappeared. The Rotary Clubs were forced by the government to disband in late 1975, as were numerous other Western-style organizations before them. There are many cooperative and producers' societies, as well as substantial numbers of consumer cooperatives.

Myanmar Medical Association promotes research and education on health issues and works to establish common policies and standards in healthcare.

The Lanzin Youth Movement, founded in 1984, is a coordinating body for all of the national youth organizations. Youth branch-

es of the Union Solidarity and Development Association and the Myanmar Red Cross Society are extremely popular. The YMCA and YWCA are also major organizations. Several sports associations are active throughout the country. The Myanmar Maternal and Child Welfare Association, founded in 1991, is the major social welfare organization.

#### 47 TOURISM, TRAVEL, AND RECREATION

Principal attractions include the palaces, Buddhist temples, and shrines in the two largest cities and in the ancient city of Pagan. River cruises are also popular. A visitor to Myanmar must have a passport and visa. Travelers are also encouraged to carry cash as credit cards are not highly accepted.

With the inception of military rule in 1988, tourism declined sharply but has risen again since 1990. The country encourages tourism, although it still remains undeveloped due to political unrest. In 2003, about 206,000 foreign visitors traveled to Myanmar. There were 17,039 hotel rooms with 34,078 beds and a 20% occupancy rate. Visitors stayed an average of four nights.

The US Department of State estimated the daily cost of staying in Rangoon at \$155 in 2004.

#### 48 FAMOUS MYANMA

U Nu (Thakin Nu, 1907–95) was independent Myanmar's first premier (1948–62) and shares fame as founder of modern Myanmar with Aung San (1916–47), called the Father of the Burmese Revolution. Ne Win (Maung Shu Maung, 1911–2002) became premier in March 1962 and was president from 1974 to 1981. U Thant (1909–74) served as UN secretary-general from 1961 through 1971. Human rights activist Aung San Suu Kyi (b.1946) was awarded the 1990 Sakharov Prize for Freedom of Thought by the European Parliament, the 1990 Thorolf Rafto Human Rights Prize by Norway, and the 1991 Nobel Peace Prize.

Anawrahta, who founded the early Burmese kingdom of Pagan in 1044 and established Hinayana Buddhism as the official religion, is a great figure in Burmese history, as are the Toungoo warrior-king Bayinnaung (r.1551–81) and Alaungpaya (r.1752–60), who established the dynasty that ruled Myanmar until 1886. Great writers of the Burmese past include Bhikkhu Ratthasara, author of the poem *Hatthipala Pyo*, on the life of Gautama Buddha; Nawedegy and Natshinnaung, poets of the Toungoo dynasties; and Binnyadala, who wrote of the long struggles of the Burmese king of Ava. In more recent times, U Ba Nyan and U Ba Zaw, well-known painters of the 1920s, introduced Western-style art into Myanmar; both died in the 1940s.

#### 49 DEPENDENCIES

Myanmar has no territories or colonies.

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# NAURU

Republic of Nauru  
*Naoero*



**CAPITAL:** There is no formal capital. The seat of government is in the district of Yaren

**FLAG:** The flag has a blue background divided horizontally by a narrow gold band, symbolizing the equator. Below the band on the left side is a white 12-pointed star, representing the island's 12 traditional tribes.

**ANTHEM:** *Nauru Ubwema (Nauru, Our Homeland)*.

**MONETARY UNIT:** The Australian dollar (A\$) of 100 cents is the legal currency. A\$1 = us\$0.76336 (or us\$1 = A\$1.31) as of 2005.

**WEIGHTS AND MEASURES:** Imperial weights and measures are used.

**HOLIDAYS:** New Year's Day, 1 January; Independence Day, 31 January; Angam Day, 26 October (a celebration of the day on which the population of Nauru reached the pre-World War II level); Christmas Day, 25 December; and Boxing Day, 26 December.

**TIME:** 11:30 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in the western Pacific, Nauru is one of the world's smallest independent nations, with an area of 21 sq km (8.1 sq mi), extending 5.6 km (3.5 mi) NNE–SSW and 4 km (2.5 mi) ESE–WNW. Comparatively, the area occupied by Nauru is about one-tenth the size of Washington, D.C. It lies between two island groups, the Solomons and the Gilberts, 53 km (33 mi) s of the equator and 3,930 km (2,442 mi) NNE of Sydney; its nearest neighbor is Banaba (formerly Ocean Island, now part of Kiribati), situated 305 km (190 mi) to the E. Nauru has a coastline of 30 km (18.6 mi). The Yaren district, which holds the seat of the government, is located on the southern coast of the Nauru.

## <sup>2</sup> TOPOGRAPHY

Nauru, one of the largest phosphate-rock islands in the Pacific, is oval-shaped and fringed by a wide coral reef. It has no natural harbor or anchorage. A relatively fertile belt varying in width from 150–300 m (490–980 ft) encircles the island. From this belt a coral cliff rises to a central plateau about 60 m (200 ft) above sea level. Buada Lagoon, a permanent, often brackish lake, covers some 300 acres (1.2 km/0.47 sq mi) in the southeastern end of the plateau. Apart from some brackish ponds and an underground lake, the nation's water supply is provided by rainfall.

## <sup>3</sup> CLIMATE

Nauru has a dry season, marked by easterly trade winds, and a wet season with westerly monsoons extending from November to February. The average annual rainfall is about 200 cm (79 in), but the amount varies greatly from year to year, and long droughts have been a recurrent problem. Temperatures remain steady, be-

tween 24–33°C (75–91°F) the year round, and relative humidity is also constant at about 80%.

## <sup>4</sup> FLORA AND FAUNA

The plateau area contains large phosphate deposits that almost completely inhibit any natural growth useful for subsistence or commerce. Large areas of scrub and creeper, with occasional coconut and tamanu trees, grow in this region. On the coastal belt, coconut palms and pandanus (a type of screw pine) thrive. Some hibiscus, frangipani, and other tropical flowers grow, but they do not abound here as on other Pacific islands. Bird life is not plentiful, although noddies, terns, and frigate birds frequent the island. There are no indigenous land animals; however, hogs and poultry were introduced many years ago. Fish life is abundant in the seas encircling Nauru and good catches of tuna and bonito are taken.

## <sup>5</sup> ENVIRONMENT

Nauru's phosphate mining industry has done significant damage to the land. In 1987, the Nauruan government began to investigate the nation's mining operations with the goal of developing a plan to regenerate the land and replace lost vegetation. Land in the coastal region, however, has not been affected by the development of the country's mining industry. Vegetation in the coastal areas, such as pandanus and coconut palms, is plentiful. Nauru has limited freshwater resources. Its residents collect rainwater in rooftop storage tanks. Periodic droughts pose an additional hazard to the environment. Nauru is also affected by the global warming trend which has caused sea levels to rise, placing low-lying areas at risk from tidal surges and flooding.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threat-

ened species included 19 animal species, most of which were fish and other marine animals such as albacore tuna, coconut crab, and the tiger shark. The bristle-thighed curlew and Finsch's reed warbler are vulnerable animal species.

## 6 POPULATION

The population of Nauru in 2005 was estimated by the United Nations (UN) at 13,000, which placed it at number 191 in population among the 193 nations of the world. In 2005, approximately 2% of the population was over 65 years of age, with another 41% of the population under 15 years of age. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.8%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 17,887. The population density was 590 per sq km (1,529 per sq mi).

Most Nauruans live around the coastal fringes, in their traditional districts. About half the population consists of immigrant contract laborers, technicians, and teachers. Most Chinese, as well as immigrants from Kiribati and Tuvalu, are settled in communities near the phosphate works.

The UN reported that 100% of the population lived in urban areas in 2005. The seat of government is in the district of Yaren, which had a population of 13,000 in that year.

## 7 MIGRATION

Immigration to Nauru is strictly controlled by the government. Nauruans are free to travel abroad. In 2000 and 2005, the net migration rate was zero migrants per 1,000 population. In 2001 some 1,500 asylum seekers (most from Afghanistan) were processed by Nauru at the request of Australia, after that country had turned the asylum seekers away. After spending three years in Nauru, most were transferred to New Zealand, Australia, Sweden, and Norway by 2004. There are more than 50 asylum seekers in Nauru, among them Iraqis, Afghans, Bangladeshis, Iranians, and one Pakistani. The government views the migration levels as satisfactory. There were a total of 5,000 migrants living in Nauru in 2000, which accounted for more than 30% of the total population.

## 8 ETHNIC GROUPS

The Nauruan people are the only indigenous ethnic group on the island. They are of mixed Micronesian, Melanesian, and Polynesian origin and resemble the last strain most closely. Nauruans are traditionally divided into 12 clans or tribes in which descent is matrilineal, although kinship and inheritance rules have some patrilineal features. The 12 clans are Eamwit, Eamwidumwit, Deboe, Eoaru, Emea, Eano, Emangum, Ranibok, Eamwidara, Iruwa, Irutsi (extinct), and Iwi (extinct). Admixtures of Caucasian and Negroid lineage in the 19th century and frequent intermarriage with other Pacific islanders have changed the present-day features of Nauruans from those of their forebears.

The Caucasians on the island are almost all Australians and New Zealanders employed in administrative or teaching posts or in the phosphate industry. The Chinese and immigrants from Kiribati and Tuvalu originally came to the island as laborers in the phosphate industry, some being accompanied by their families. Filipino contract workers are also present but are not permitted to bring their families.

According to the latest estimates, about 58% of the population are Nauruan, 26% are other Pacific Islander, 8% Chinese, and 8% European.

## 9 LANGUAGES

Nauruan, which is distinct from all other Pacific tongues, is the official language. However, English is still commonly used in the schools, in government, and in business transactions. Most Nauruans are bilingual but use Nauruan in everyday life.

## 10 RELIGIONS

The Nauruans have accepted Christianity as a primary religion since the end of the 19th century. A 2004 report indicated that about two-thirds of the population were Protestant and one-third were Roman Catholic. Missionary groups include Anglicans, Methodists, Mormons, and Jehovah's Witnesses. Buddhism and Taoism are also represented, particularly among the Chinese community.

The constitution provides for religious freedom, but this right has been restricted by the government. Primarily, the government claims the right to restrict any organizations which it feels poses a threat to public safety, public order, or public morality. Under this assumption, the government has restricted Mormons and Jehovah's Witnesses from proselytizing of native-born citizens, claiming that such actions are likely to break up families. Several officials of the Nauru Protestant Church hold influential positions in the government.

## 11 TRANSPORTATION

Transport to and from Nauru has traditionally been by ships calling at the island to unload freight and pick up phosphates for delivery to Australia, New Zealand, and other countries. There is no merchant marine, but the public Nauru Pacific Line has a fleet of six ships. In 2004, there was one airport and it had a paved runway. The government-owned Air Nauru flies regular air services to the Pacific islands, Taiwan, the Philippines, Hong Kong, Japan, Australia, and New Zealand. In 1997 it carried 137,000 passengers on scheduled flights.

The road system extended for a total of 30 km (19 mi) in 2002, of which 24 km (15 mi) were paved. Apart from a 5 km (3.1 mi) railway (used to carry phosphates), a school bus service, and fewer than 2,000 registered motor vehicles, there is no local transport.

## 12 HISTORY

The original settlers are thought to have been castaways who drifted to Nauru from another Pacific island. The first recorded discovery of Nauru by a Westerner was made by Captain John Fearn of the whaling ship *Hunter* in November 1798. He named the island Pleasant Island. From the 1830s to the 1880s, the Nauruans had a succession of visitors—runaway convicts, deserters from whaling ships, and other men who can be classed as beachcombers. The beachcombers provided the Nauruans with their first real contact with Western civilization and introduced them to firearms and alcohol. They acted as a buffer between two cultures but were often a bad influence on the Nauruans. Several times beachcombers and Nauruans attempted to cut off and capture visiting ships, so that eventually Nauru came to be avoided as a watering place by ships whaling in the area. The advent of firearms also disturbed the bal-

ance of power between the tribes on the island; sporadic tribal warfare culminated in a 10-year civil war from 1878 to 1888 that reduced the native population to less than 1,000.

The British and German imperial governments agreed to the partition of the Western Pacific in 1886. Their purely arbitrary line of demarcation left Nauru in the German sphere of influence quite accidentally. It was not until 1888, on the petition of the beach-combers-turned-traders, that the German government annexed Nauru as a protectorate and disarmed the people. Christian missionaries arrived in 1899 and had a greater impact on the Nauruan culture than did the German administration.

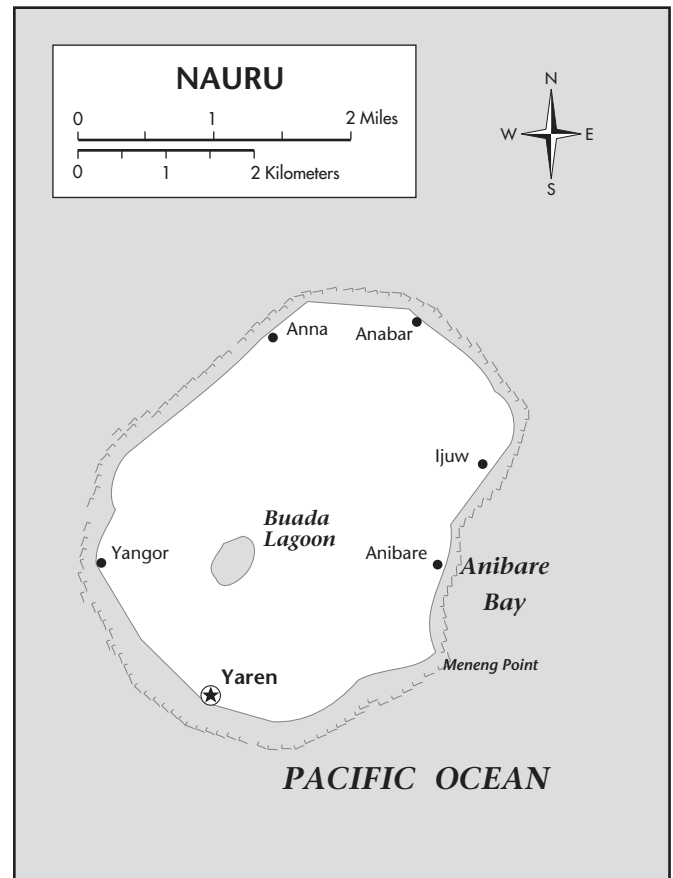
In 1901, Sir Albert Ellis, a New Zealand geologist, discovered that there were large deposits of phosphate on both Nauru and Banaba (then called Ocean Island). Phosphate mining on Nauru began in 1907, after the German government had granted a concession to the British-owned Pacific Phosphate Co. Laborers from the German Caroline Islands were hired because the Nauruans had no interest in working in the mines.

Nauru was occupied by the Australian Expeditionary Force in 1914, and phosphate continued to be shipped all through World War I. In 1919, Nauru was made a League of Nations mandate of the British Empire, and the governments of Australia, New Zealand, and the United Kingdom agreed to administer the island jointly through an administrator to be appointed by Australia. At the same time the three governments obtained the mandate, they jointly purchased the Pacific Phosphate Co.'s rights to Nauruan phosphate for UK£3.5 million and began to work the deposits through a three-man board called the British Phosphate Commissioners (BPC).

The phosphate industry expanded greatly in the years between the wars. Australian and New Zealand farmers enjoyed substantial savings, for Nauru phosphate was sold at a much lower price than phosphate from other countries. As for the Nauruans, with their small royalty of eightpence a ton in 1939, they opted out of the industry completely and turned to their own culture for sustenance.

War came to Nauru in December 1940, when the island was shelled by a roving German raider, and four phosphate ships were sunk. Nauru was flattened by Japanese bombings beginning in December 1941, and all its industrial plant and housing facilities were destroyed. The Japanese occupied the island from August 1942 until the end of the war three years later. They deported 1,200 Nauruans to build an airstrip on Truk, a small atoll about 1,600 km (1,000 mi) northwest of Nauru, and many died there. Australian forces reoccupied Nauru in September 1945, and the surviving Truk Nauruans, who had been reduced in number to only 737, were repatriated in January 1946. Nauru's population thus fell from 1,848 in 1940 to 1,369 in 1946.

The three mandatory governments placed the mandate of Nauru before the UN. On 1 November 1947, the UN approved an agreement by which the island became a trust territory administered jointly by Australia, New Zealand, and the United Kingdom, who were to share the task of developing self-government on the island. The Nauruans had a Council of Chiefs to represent them since 1927, but this body had advisory powers only. Dissatisfied Nauruans made a number of complaints to the administering authority and to the UN Trusteeship Council, with the result that a Nauruan local government council was established by the election



LOCATION: 0°32' S and 166°56' E. TERRITORIAL SEA LIMIT: 12 miles.

of nine council members in December 1951. Since control of the council was exercised by the administrator, however, the Nauruans continued to press for further political power. They asked for positions of importance in the administration and an increase in royalty payments, and expressed concern about the future of the island because the increased rate of phosphate exportation would, it was feared, exhaust the deposits by the end of the century. By constant negotiations, the Nauruans forced the BPC to pay royalties on a rights rather than needs basis, and with the establishment of a world price in 1964, phosphate royalties were raised. The Nauruans achieved control of the industry in 1967 by purchasing the plant and machinery owned by the BPC, and in 1970 they took over the industry completely.

Meanwhile, in 1964, Australia had attempted to resettle the Nauruans on Curtis Island, off the coast of Queensland. The Nauruans, although in principle not averse to resettlement, refused it because of political considerations. They wanted to own their island and to maintain their identity by political independence. Australia would not agree to this, and the plan collapsed. This failure reinforced the Nauruans' desire for political independence. With the support of the Trusteeship Council, they established an elected Legislative Council in 1966. Although Australia wished to maintain control of defense and external affairs, the Nauruans insisted on complete self-determination. Thus, on 31 January 1968, the 22nd anniversary of the return of the Nauruan survivors from Truk, Nauru became the smallest independent republic in the world. Since that time, Nauru has pursued a policy of isolation and nonalignment,

although it does have a role in Commonwealth affairs. In October 1982, Queen Elizabeth II visited the island, the first British monarch to do so. Nauru established diplomatic ties with the former Soviet Union in 1988. Nauru filed a claim in 1989 for compensation from Australia at the International Court of Justice for the loss of nearly all its topsoil from phosphate mining during the League of Nations mandate and the UN trusteeship. Australia agreed to pay A\$2.5 million for 20 years, and New Zealand and the United Kingdom additionally agreed to pay a settlement of \$12 million each in August 1993 to settle the loss of topsoil case. Nauru's government announced plans to rehabilitate the island at the 1994 Small Island States Conference on Sustainable Development. In July 1992 Nauru hosted the 24th South Pacific Forum heads of government meeting, which focused on environmental issues, including opposition to nuclear testing in the area.

Since winning its independence in 1968, Nauru experienced many changes in leadership. Hammer DeRoburt became Nauru's first president and was reelected in 1971 and 1973. He was defeated for reelection after the legislative voting in 1976, at which time Bernard Dowiyogo was chosen to succeed him as president. DeRoburt's supporters forced Dowiyogo's resignation in 1978, and DeRoburt again became president. He was reelected in 1980 and in 1983. In 1986, DeRoburt resigned in protest over opposition to his budget and was replaced by Kennan Adeang; however, DeRoburt's supporters quickly forced Adeang to resign, and DeRoburt was elected again. Because he did not have a clear majority, he called for a new election in 1987 and was reelected decisively.

A vote of no-confidence forced DeRoburt to resign in August 1989. He was replaced by Kenas Aroi, who then resigned in December 1989 for reasons of ill-health. The December 1989 general election resulted in Bernard Dowiyogo's election to the Presidency. He was reelected President for a second three-year term in November 1992, but lost his 1995 bid for reelection to Lagumot Harris. A series of no-confidence votes over the succeeding years brought several changes in what has come to be called a "revolving door" presidency. Dowiyogo was returned to office for the fifth time, following an election in April 2000. On 29 March 2001, he was forced from office in a political crisis over the alleged involvement of a Russian organized crime syndicate in Nauru's financial activities, and replaced by Rene Harris in March 2001.

Rene Harris held the presidency until 8 January 2003, when a no-confidence motion was passed against him. His ouster from office was linked to his support for Australia's "Pacific Solution" to exclude asylum-seeking boat people. He was also accused of corruption and blamed for Nauru's dire financial situation: Nauru had a budget deficit in 2002 of approximately US\$40 million, almost half of its GDP. Following the vote of no-confidence, parliament voted numerous times on who would be elected president. Rene Harris was replaced by Dowiyogo, who then died following heart surgery in the United States on 9 March 2003. Derog Gioura was named acting president. General elections were held on 3 May 2003, and Harris was returned to parliament, along with Gioura.

In May 2004, after longstanding political deadlock in the legislature, the opposition elected one of its members as speaker of the house and passed a series of Private Members Bills, including one preventing Nauru's assets from being sold or mortgaged without parliamentary approval. One month later, a vote of no-confidence removed president Rene Harris and his cabinet from office.

Ludwig Scotty was elected president. Following a special election in October 2004, he enjoyed a majority in the legislature which enabled his government to pass a budget designed to cut government expenses by reducing public sector salaries.

Nauru became a member of the Commonwealth of Nations in May 1999 and joined the United Nations in September of the same year. Long blacklisted by international financial monitoring organizations and banks for its role as a tax haven and money laundering center, Nauru was removed from the Financial Action Group's blacklist in 2005, following modifications to Nauru's banking laws. In a 2005 appeal before the UN General Assembly, Scotty presented his nation's financial recovery goals, and called for assistance from the world's donor nations.

### 13 GOVERNMENT

The constitution of the Republic of Nauru, adopted at the time of independence and subsequently amended, provides that the republic shall have a parliamentary type of government. It contains provisions for the protection of fundamental rights and freedoms—a subject of particular importance because many of the inhabitants are short-term migrants ineligible for citizenship (defined in the constitution as being restricted to those of Nauruan or of Nauruan and Pacific islander parentage). Legislative power is vested in the parliament, composed of 18 members elected for a three-year term by Nauruan citizens who have attained the age of 20 years. Seven of the eight constituencies (representing 10 out of 14 districts) return two members each, and the constituency of Ubenide (representing 4 districts) returns four members. The first woman was elected in 1986.

Executive power is exercised by the president, who also fulfills the residual duties of head of state; he is elected by parliament and is assisted by a cabinet, which he appoints. The next parliamentary elections were to be held no later than May 2006; parliament's next vote for president was scheduled for 2007.

In 2005, the parliament undertook a review of the Nauru's constitution. One goal of the review was to reduce the frequencies of votes of no-confidence and the resulting political instability.

### 14 POLITICAL PARTIES

There have been ad hoc political parties since independence in Nauru, but politics is generally based on personal loyalties and occasionally on issue-based coalitions. After DeRoburt's reelection in 1987, Kennan Adeang formed the Democratic Party of Nauru, which aimed to curb the power of the presidency. Eight members of parliament joined the party. As of 2003, the Nauru Party was headed by Bernard Dowiyogo, and the Center Party was headed by former president Kinza Clodumar.

### 15 LOCAL GOVERNMENT

Until 1999, the Nauru Island Council was elected from the same constituencies as parliament and acted as a local government, providing public services. The council was dissolved in 1999; all assets and liabilities became vested in the Government of Nauru.

Besides fulfilling the traditional functions of local government, the Nauru Local Government Council manages the Nauru Corporation, the Nauru Pacific Line, and is responsible for overseas investments.



## 16 JUDICIAL SYSTEM

The constitution provides for a Supreme Court, with a chief justice presiding. Cases are also heard in the district court or family court. There are two other quasi-courts: the Public Service Appeal Board and the Police Appeal Board. The chief justice presides over both as chairman of the panel, with two members for each board.

The Supreme Court, which has original and appellate jurisdiction, is the supreme authority on the interpretation of the constitution. Appeals against decisions of the Supreme Court on certain matters go to the Appellate Court of Nauru, which is comprised of two judges. Cases also may be appealed to the High Court of Australia. Parliament cannot overturn court decisions.

The judiciary is independent of the executive. The constitution guarantees protection of fundamental human rights which in practice are generally respected.

Many cases never reach the formal legal system. Most of the conflicts are resolved by the traditional reconciliation process.

## 17 ARMED FORCES

Nauru has no armed forces. Although there is no formal agreement, Australia ensures its defense. There is a police force of 60 officers under civilian control.

## 18 INTERNATIONAL COOPERATION

Nauru was admitted to the United Nations on 14 September 1999 and participates in ESCAP and several other nonregional specialized agencies, such as the FAO, ICAO, ITU, UNESCO, and the WHO. The nation belongs to the Pacific Island Forum, the South Pacific Commission, the ACP Group, the South Pacific Regional Trade and Economic Cooperation Agreement (Sparteca), the Asian Development Bank, the Alliance of Small Island States (AOSIS), and the South Pacific Applied Geoscience Commission. The country is a special member of the Commonwealth of Nations, taking part in some Commonwealth functions but not represented at heads-of-government conferences.

In environmental cooperation, Nauru is part of the South Pacific Regional Environmental Program, the Basel Convention, the Convention on Biological Diversity, the London Convention, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The economy of Nauru has long been dependent on phosphates. Estimates are that the deposits will be exhausted within a few years. In anticipation of this event, substantial amounts of phosphate income are invested in trust funds to help cushion the transition. By 1987, an estimated \$450 million had been set aside to support the country after the phosphates run out. At one point, the value of the Nauru Phosphate Royalties Trusts reached \$1 billion, making Nauruans on paper the richest people in the Pacific. However, dividends from the trusts have declined sharply since 1990 and the government has been borrowing from the trusts to finance fiscal deficits. In addition, a 1994 audit of the trust revealed that about \$8.5 million had been lost due to bad investments and corruption.

By 1996 deficit spending had caused the country to default on servicing its external debt and was also creating problems in

meeting the government payroll. A strict government austerity program reduced government spending 38% in 1998–99. Money has been lost through failed investments in property, aviation and fishing, but the evidence is indirect since there is no public accounting. In 2002, Air Nauru Pacific service was grounded because of arrears on bills to Qantas maintains. The air service is vital for food supply. Telephone service has also been occasionally cut because of unpaid bills.

The government has attempted to use the now-dwindling revenue from phosphates to diversify the island's economy, mainly through overseas investment and the development of a national airline and shipping line. Aside from phosphates, Nauru has few domestic resources, and many food products and virtually all consumer manufactures are imported. The government subsidizes imports so that food and other necessities are available at nominal cost. Nauru's economy is very weak and increasingly dependent on Australia. Offshore financial operations were begun in 1993, but the economy suffered in that year due to a major financial scandal. In 2000, the OECD listed Nauru one of 38 "noncooperative" tax havens. In 2002, it was one of only seven jurisdictions that remained on the list for not taking sufficient corrective action. A temporary infusion of funds was promised through Nauru's agreement with Australia to act as an offshore location for the processing of asylum seekers. For the use of its land, Nauru has been promised up to A\$30 million.

There is no recent data to highlight economic trends in the country, but the need to create an alternative economy to phosphate extraction was crucial—Nauru was facing serious problems in the transition period. In 2005, the housing, labor (almost 90% of the working force was unemployed), and hospitals situation deteriorated. Australia had to step in to help the economy stay afloat.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Nauru's gross domestic product (GDP) was estimated at \$60.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$5,000. The average inflation rate in 1993 was -3.6%.

## 21 LABOR

The workforce is primarily engaged in the state-owned phosphate industry, with public administration, education and transportation providing employment as well. Only about 1% of employment is in the private sector. As of 1992, there were some 3,000 guest workers in Nauru, mostly from Vanuatu or Kiribati. Unemployment is virtually nonexistent. There were no trade unions or labor organizations as of 2002. The right to strike is neither protected nor prohibited. Collective bargaining does not take place.

In 2002, the annual minimum wage in the public sector was US\$6,562 for workers over 21 years of age. This provides an adequate standard of living for a family. The workweek for office employees is set at 36 hours, and for manual laborers the standard is 40 hours. The minimum age for employment is 17 years, although some younger children work in the few family-owned small op-

erations. The government enforces health and safety standards in the workplace.

## 2<sup>2</sup> AGRICULTURE

Since the cultivated area is limited to about 200–240 hectares (500–600 acres), there is little commercial agriculture. The main crop is coconuts; in 2005, production amounted to 1,600 tons. Some vegetables are grown, mainly by the Chinese population.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Pigs and chickens roam uncontrolled on the island; hence, there is no organized production. In 2005, there were an estimated 2,800 pigs.

## 2<sup>4</sup> FISHING

There is as yet no organized fishing industry on Nauru, although the government plans to develop fishing facilities. The Nauru Fishing Corp., formed in 1979, is owned by the Local Government Council. Fish are plentiful and consumption is high, since almost all meat has to be imported from Australia. The total catch in 2003 was 43 tons.

## 2<sup>5</sup> FORESTRY

There are no forests on Nauru. All building timber has to be imported.

## 2<sup>6</sup> MINING

High-grade phosphate rock was virtually Nauru's only natural resource, its only export commodity and leading industry, and the basis of the Nauruan economy—GDP varied according to the world market price of phosphate. The government-owned Nauru Phosphate Corp. was the country's sole producer of phosphate rock, and the island nation's primary producer, employer, and exporter. Production of phosphate rock in 1998 was 487,000 tons, down from 613,000 in 1994. As of 2005, Nauru's phosphate rock reserves had become depleted. In 1998, Nauru also produced common clays, sand and gravel, and stone.

Phosphate rock was extracted from the surface mine on the central plateau in the island's interior, using mechanical shovels from between the coral pinnacles. Phosphate rock was trucked to a central storage pile and transported to storage hoppers by rail. After being crushed and dried, the rock was placed on conveyor belts to pass to the arm of two cantilevers, each about 60 m long, that projected out over the reef to waiting ships. All phosphate rock was exported—to New Zealand, Australia, the Philippines, and South Korea—and the associated coral was used domestically for road aggregate.

In 1999, the government planned to launch a program to rehabilitate and develop the phosphate lands that have been mined for nearly 100 years. As of 1990, 61 million tons of phosphate had been mined. The plan was agreed to in 1994 with Australia and New Zealand, and the United Kingdom agreed to help Australia pay its us\$73 million compensation package to Nauru for environmental damage; the rehabilitation would cost us\$210 million over 23 years. Nauru's phosphate mine was the last active mine of three historic phosphate-producing islands of the Pacific. The other two, Makatea (in French Polynesia) and Banaba (formerly known as Ocean Island, in the Gilbert Islands group in the Re-

public of Kiribati), were depleted, respectively, in 1966 and 1979, making Nauru the sole Pacific Island producer.

## 2<sup>7</sup> ENERGY AND POWER

Nauru has no proven reserves of oil, natural gas, coal, or refining capacity. All fossil fuel needs are met by imports. In 2002, Nauru's demand for refined oil products and imports averaged 1,010 barrels per day. There were no imports or consumption of natural gas, or coal recorded for 2002.

A diesel oil generator to which nearly all buildings are connected produces electric power. In 2002, total installed electrical power capacity was 10,000 kW. Production that year came to 30 million kWh, of which 100% was from fossil fuels. Consumption of electricity in 2002 was 27.9 million kWh.

## 2<sup>8</sup> INDUSTRY

The phosphate industry is the only industry on the island. It is under the control of the Nauru Phosphate Corp., a statutory corporation that is responsible to the president of the republic in his capacity as minister for island development and industry. About 75% of the profit from phosphate sales is invested in long-term trust funds that have been established to take care of the Nauruans after phosphate deposits are depleted. By 2002, the primary deposits were largely exhausted and expensive to mine; the mining equipment was poorly maintained and the mining operation overstuffed.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Nauru has little advanced technology, and Nauruans must travel abroad, usually to Australia, for scientific training.

## 3<sup>0</sup> DOMESTIC TRADE

The Nauru Cooperative Society conducts most of the nation's retail trade. The island is completely dependent on imported goods; foodstuffs come mainly from Australia. A majority of the population is employed in the phosphate mining industry, which was the nation's primary export.

## 3<sup>1</sup> FOREIGN TRADE

Nauru's only export is phosphate rock. The value of exports fluctuates as world phosphate prices rise or decline. Imports consist of pretty much everything, including machinery and construction materials for the phosphate industry, food, fresh water (from Australia), fuel, and other necessities. Virtually all manufactured goods must be imported.

In 2004, exports totaled us\$17 million (FOB—Free on Board), while imports grew to us\$20 million (CIF—Cost Insurance and Freight). Most of the exports went to South Africa (43.4%), Germany (20.7%), India (11.8%), Japan (7.2%), and Poland (4%). Imports primarily came from Australia (65.6%), Indonesia (5.4%), Germany (5.3%), and the United Kingdom (4.4%).

## 3<sup>2</sup> BALANCE OF PAYMENTS

When the phosphate mines were running at full capacity, Nauru had a strongly favorable balance of trade and investments abroad were substantial. There was no recent data to highlight its balance

of payments, but it was likely that the situation was not as favorable as in past years.

### **33 BANKING AND SECURITIES**

The government-owned Bank of Nauru was founded in 1976. The Commonwealth Savings Bank of Australia and the Bank of New South Wales have branches in Nauru. The only commercial bank in the country is the Jefferson Bank and Trust Co. (1980). Most of the income from phosphates is invested in long-term funds overseas.

There is no stock exchange.

### **34 INSURANCE**

The Nauru Insurance Corp., founded in 1974, is the only licensed insurer and reinsurer on the island. It underwrites all classes of insurance, including aviation and marine.

### **35 PUBLIC FINANCE**

Administrative costs in Nauru are met from the proceeds of phosphate sales, which are in decline as reserves approach exhaustion. In 1993, the governments of Nauru and Australia reached a \$73 million out-of-court settlement as restitution for Nauruan lands ruined by Australian phosphate mining. This payment assisted the government (which relies almost entirely on phosphate receipts for revenue) in facilitating economic diversification. The fiscal year extends from 1 July to 30 June.

The US Central Intelligence Agency (CIA) estimated that in fiscal year 1995/96, the most recent year for which statistics were available, Nauru's central government took in revenues of approximately \$23.4 million and had expenditures of \$64.8 million. Revenues minus expenditures totaled approximately -\$41.4 million. Total external debt was \$33.3 million.

### **36 TAXATION**

There is no income or other tax in Nauru, although Parliament has power to impose taxes. In 2000, the OECD listed Nauru as one of 38 "uncooperative tax havens." In 2002, it was one of only seven countries that had not gotten removed from the list by taking some corrective action.

### **37 CUSTOMS AND DUTIES**

Duties are payable only on imported cigarettes, tobacco, and alcoholic beverages.

### **38 FOREIGN INVESTMENT**

Apart from the investment in the phosphate industry, now owned by the government of Nauru, there has been little investment on the island. The government of Nauru has large investments overseas in long-term funds financed from phosphate royalties. Nauru also has invested in commercial property development, notably a 53-story office building in Melbourne, Australia.

Plans were approved in 1985 to build an industrial, commercial, and residential complex in Honolulu and, with the help of Japanese companies, a 19-story, 450-room hotel on Guam. Nauru received us\$6.7 million from the Japanese government to build the new Anibare Community Boat Harbor at Yaren, scheduled to open in the spring of 2000. In 2002-03, the government is sched-

uled to receive up to A\$30 million for allowing Australia to use the island as a processing centre for asylum seekers.

### **39 ECONOMIC DEVELOPMENT**

Government policy is to exploit the phosphate deposits to the fullest extent for the highest returns. The government has diversified into aviation and shipping and plans to develop fishing and tourism. It acquired the Grand Pacific Hotel on the Fijian Island of Suva and, in 1993, undertook a \$18 million renovation of the facility. In 1993, Australia agreed to provide us\$73 million in compensation for pre-independence mining of phosphate to aid in restoring the extensive areas damaged by it.

In December 1998 Nauru won approval for a \$5 million loan from the Asian Development Bank to aid in implementing structural reforms, including privatization. A National Economic Summit was held in 1999, but the proceedings were not made public. The true state of the Nauru Phosphate Royalties Trust Fund (NPRTF) is not known, nor are the reasons for its apparent substantial decline. In 2002 and 2003 the economy received a small boost from money paid by Australia for housing asylum seekers. Nauru remains on the OECD's list of uncooperative tax havens.

In 2005, Nauru was facing virtual bankruptcy after spending most of the money saved in the trust funds created to help the economy after the phosphates reserves were exhausted. In response, the government called a freeze on wages, a reduction in the number of public officials, and the closure of several overseas consulates.

### **40 SOCIAL DEVELOPMENT**

Medical, dental, and hospital treatment and education are free. Other benefits—old age and disability pensions, widows' and sickness benefits, and child endowment—are administered by the Local Government Council.

The constitution guarantees women equal rights with men, although traditional social values still discourage many from pursuing careers. In particular, women face great social pressure to marry and raise families because Nauru's population was decimated in World War II due to massive removals by the Japanese. Women's educational and employment opportunities are severely limited by these traditional views on the roles of women, and there have been reports of educational scholarships being suspended for young women contemplating marriage. Domestic abuse is not prevalent, and the government treats reports of violent incidents in a serious manner.

Human rights are generally well respected.

### **41 HEALTH**

There are two modern hospitals. One hospital serves phosphate industry employees; the other provides free medical treatment for the rest of the population. Patients who need specialized care are flown to Australia. In 2004, there were 149 physicians and 557 nurses per 100,000 people.

Tuberculosis, leprosy, diabetes, and vitamin deficiencies have been the main health problems, partly due to the switch to a Westernized diet. A national foot care education program was launched in 1992 to decrease the number of diabetic amputations. With modern facilities and treatments, many of these diseases

have been brought under control. Cardiovascular disease has also been a major cause of illness and death.

Life expectancy as of 2005 was estimated at 62.73 years. The infant mortality rate was an estimated 9.95 per 1,000 live births in that year. The crude birth rate and overall mortality rate were estimated at, respectively, 26.6 and 7.1 per 1,000 people. The immunization rates for children under one year old were as follows: diphtheria, tetanus, and pertussis, 74%; polio, 74%; measles, 74%; and tuberculosis, 93%.

There were no reported cases of polio or AIDS. Tuberculosis is rare.

#### 42 HOUSING

Ownership of houses built for Nauruans under a housing scheme is vested in the Local Government Council, but some Nauruan homes are privately owned. Nearly all houses have electricity and newer homes have a greater number of amenities.

#### 43 EDUCATION

Attendance at school is compulsory for Nauruan children from 5 to 16 years old. Two types of schools are available, both coeducational: those run by the government and those conducted by the Roman Catholic Church. Education is provided free by the government. Education on Nauru is available up to the intermediate level; higher education overseas, mainly in Australia, is assisted by the government in the form of competitive scholarships. There is also a university extension center affiliated with the University of the South Pacific.

In the early 1990s, Nauru had six preprimary and two primary schools, one secondary school, and a technical school, as well as a mission school. In 1998, there were about 2,000 students enrolled in primary schools and about 1,000 students enrolled in secondary schools. As of 2003, public expenditure on education was estimated 6.9% of total government expenditures. In 1991, the adult literacy rate was estimated at about 30.4%, with 47.4% for men and 14% for women.

#### 44 LIBRARIES AND MUSEUMS

The Nauru Bureau of Statistics maintains a small library which serves as a depository site for the Asian Development Bank. Nauru has one small lending library. The Nauru Military Museum contains WWII artifacts and displays donated by Stan Gajda.

#### 45 MEDIA

Communication with the outside world is maintained by a ground satellite station established in 1975, providing 24-hour telephone, telegraph, and telex services worldwide. A small telephone exchange, handling 2,000 telephones in 1996, provides on-island communication. In 2002, there were 1,900 mainline and 1,500 mobile phones in use throughout the country.

Government-owned Radio Nauru, the only radio station, broadcasts in English and Nauruan. Though there is no local news

reporting; the station rebroadcasts new services from Radio Australia and the BBC. As of 1997 there was one television station in operation. In the same year, there were 374 radios in use per 1,000 population. Internet service is available, with about 300 users in 2002.

Most newspapers are imported. There are two regular publications: the private fortnightly newspaper, the *Central Star News*, and the government *Gazette*.

The constitution provides for free expression, and the government is said to support this in practice.

#### 46 ORGANIZATIONS

The Boy Scouts, Girl Guides, and similar organizations function on the island. The Nauru National Youth Council was established in 1990 to encourage the development of various youth organizations. Sports associations are popular on the island. The Women's Information and News Agency monitors issues relating to women and government.

#### 47 TOURISM, TRAVEL, AND RECREATION

Nauru has great potential for the development of tourism, and the government is working on expanding the very limited industry. Its sandy beach, snorkeling, deep sea fishing, and scuba diving on the coral reef helps visitors enjoy the tropical climate and sea breezes. Island tours of the mines and the National Museum are also attractions. Popular sports are weightlifting, basketball, and badminton. A valid passport, visa, onward/return ticket, and proof of lodging are required to visit Nauru. Vaccinations are not mandatory, although recommended for typhoid.

#### 48 FAMOUS NAURUANS

The best-known Nauruan is its first president, Hammer DeRoburt (1923–92), who led the Nauruan people to political independence; he was president from 1968 to 1976 and again from 1978 until his death in 1992 (except for a brief period in 1986).

#### 49 DEPENDENCIES

Nauru has no territories or colonies.

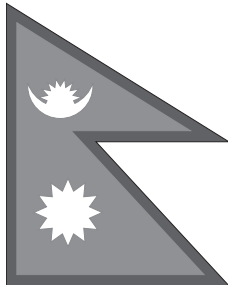
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# NEPAL

Kingdom of Nepal  
*Nepal Adhirajya*



**CAPITAL:** Kāthmāndu

**FLAG:** The national flag consists of two red adjoining triangles, outlined in blue and merging at the center; the points are at the fly. On the upper triangle, in white, is a symbolic representation of the moon; on the lower triangle, that of the sun.

**ANTHEM:** The national anthem begins “May His Majesty, solemn and supremely valiant, be prosperous forever.”

**MONETARY UNIT:** The Nepalese rupee (NR) is a paper currency of 100 paisa. There are coins of 1, 2, 5, 10, 20, 25, and 50 paisa and 1, 2, 5, 10, 20, 25, 50, and 100 rupees, and notes of 1, 2, 5, 10, 20, 50, 100, 500, and 1,000 Nepalese rupees. NR1 = \$0.01357 (or \$1 = NR73.674; as of 2004).

**WEIGHTS AND MEASURES:** The metric system is in use, but some traditional Indian standards also are employed.

**HOLIDAYS:** National Unity Day, 11 January; Martyrs’ Day, 30 January; Rashtriya Prajatantra Divas—National Democracy Day, 18 February; Nepalese Women’s Day, 8 March; Navabarsha—Nepalese New Year’s Day, mid-April; UN Day, 24 October; Queen Aishworya’s Birthday, 7 November; Constitution Day, 9 November; National Day (King Birendra’s Birthday), 28 December. Hindu and Buddhist religious holidays are based on the lunisolar calendar. Saturday is the general day of rest.

**TIME:** 5:45 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

A comparatively narrow strip of territory dividing India from China, landlocked Nepal has an area of about 140,800 sq km (54,363 sq mi), extending 885 km (550 mi) SE–NW and 201 km (125 mi) NE–SW. Comparatively, the area occupied by Nepal is slightly larger than the state of Arkansas. In its length lie some 800 km (500 mi) of the Himalayan mountain chain. Nepal is bounded on the N by China and on the E, S, and W by India, with a total boundary length of 2,926 km (1,818 mi). Nepal’s capital city, Kāthmāndu, is located in the central part of the country.

## <sup>2</sup>TOPOGRAPHY

Nepal is made up of three strikingly contrasted areas. Southern Nepal has much of the character of the great plains of India, from which it extends. Known as the Terai, this region comprises both cultivable land and dense jungle, the latter being for the most part a game preserve inhabited by the wild elephant, tiger, and other typically South Asian fauna. Besides being a hunting ground, the forests are worked for their valuable timber. The Terai contains about one-third of Nepal’s population and makes up about one-fourth of the total area. The second and by far the largest part of Nepal is formed by the Mahabharat, Churia, and Himalayan mountain ranges, extending from east to west. Their altitude increases toward the north, culminating on the Tibetan border in Mt. Everest (Sagarmatha in Nepali), standing amid other noble peaks.

Three principal rivers originate from glaciers and snow-fed lakes, break southward through deep Himalayan gorges, and en-

ter, respectively, the Karnali, Gandak, and Kosi basins. Flowing toward India, they become tributaries (as are all Nepal’s rivers) of the Ganges system. The third area is a high central region, some 890 km (344 sq mi) in extent between the main Himalayan and Mahabharat ranges; this region is known as the Kāthmāndu Valley, or the Valley of Nepal. Overlooked by mountains, the valley, with its fertile soil and temperate climate, supports a thriving agriculture. Here Kāthmāndu, the capital, is situated, with the foothill towns of Bhaktapur and Patan nearby. This is the only region of Nepal that has any considerable population density.

Eight of the world’s highest mountains are situated in the Himalaya range on the Tibetan border. Triangulated in 1850, Mt. Everest was officially given the status of the world’s highest peak in 1859. The summit (8,850 m/29,035 ft) was reached for the first time on 29 May 1953 by Sir Edmund Hillary, a New Zealander, and Tenzing Norgay, a Sherpa guide.

## <sup>3</sup>CLIMATE

Below the Kāthmāndu Valley and throughout the Terai, the climate is subtropical and, in the swamps and forests, extremely humid. The valley itself enjoys the temperate conditions generally found between altitudes of 1,200–3,400 m (4,000–11,000 ft). At 1,300 m (4,300 ft) above sea level, the elevation of Kāthmāndu, the rainy season lasts from June to October; 80% of annual precipitation falls during this monsoon season. Colder weather follows, lasting until the middle of March, when the warm season begins. The warm season increases in intensity until broken by the rains, which account for precipitation of about 150 cm (60 in) annually. Temperatures in Kāthmāndu in January range from an average

minimum of 2°C (36°F) to an average maximum of 18°C (64°F); the July range is 20–29°C (68–84°F). Northward of the Kāthmāndu Valley, a subalpine zone continues to altitudes of about 4,300 m (14,000 ft); above that elevation, the country is covered with snow during the long winter, and extreme cold is experienced in the upper Himalayas.

#### 4 FLORA AND FAUNA

The wide range of climate accounts for correspondingly marked contrasts in flora and fauna between different regions of the country. In the south, the sal (the wood of which is used for railroad ties), sisu, and other subtropical trees are abundant in forests; in the extreme north, junipers are seen even at the altitude of the glacial moraines. Many kinds of conifers also exist in the alpine zone, along with the yew, various hollies, birch, dwarf rhododendrons, and other alpine flora.

Dominant in the Langtang Valley are the chir pine, willow, alder, and evergreen oak. Blue pine and silver fir are frequent in the subalpine zone, which also supports tree rhododendrons—magnificent plants often reaching a growth of 12 m (40 ft). Ground orchids, lilies, yellow and blue poppies, and crimson anemones are prevalent in central Nepal. The profusion of wild flowers extends to very high altitudes; at 5,200 m (17,000 ft), several varieties of primula, pink and white cotoneaster, and white erica have been gathered, along with many kinds of alpine mosses and ferns.

The tiger, hyena, and jackal still exist in southern Nepal, although in decreasing numbers. Rhesus monkeys and a variety of other small jungle mammals and rodents are common. At middle altitudes are found the black bear, several species of cats, squirrel, hare, deer, and antelope. Higher in the mountains, wild sheep and goats, marmots, and a species of tailless mouse-hare are numerous. Wild yaks can still be found in the mountains of Nepal. The wild yaks, an endangered species that holds the distinction of being the mammal that lives at the highest altitudes, can make their homes at altitudes up to 6,096 m (20,000 ft), but have trouble in altitudes below 3,048 m (10,000 ft). Small black spiders were found at 6,900 m (22,500 ft) on rocky ledges traversed by the Mt. Everest expedition of 1953.

Birds of Nepal include the green finch, dove, woodpecker, nut-hatch, warbler, flycatcher, bulbul, and other familiar species. At about 2,700 m (9,000 ft) are found the hill partridge, pheasant, yellow-backed sunbird, minivet, and many of the flowerpeckers; the redstart, pipit, wagtail, snow pigeon, snowcock, and golden eagle thrive in both the alpine and subalpine zones.

As of 2002, there were at least 181 species of mammals, 274 species of birds, and over 6,900 species of plants throughout the country.

#### 5 ENVIRONMENT

Nepal's environment has suffered the effects of agricultural encroachment, deforestation and consequent soil erosion, and contamination of the water supply. Between the mid-1960s and the late 1970s, forestland declined from 30% to 22% of the total area, mainly because of the felling of timber for firewood, which supplies over 90% of Nepal's fuel requirements. All of Nepal's forests were nationalized in 1957, but reforestation efforts have been minimal. A forest conservation program, begun in 1980, includes the establishment of village tree nurseries, free distribution of seedlings,

and provision of wood-burning stoves of increased efficiency. By 1985, however, deforestation averaged 324 sq mi per year, while reforestation was only 4,000 hectares (9,900 acres) per year. An additional 4.4% of forest and woodland were lost between 1983 and 1993. As of 2000, the annual rate of deforestation was at about 1.8%. The FAO has estimated that at the present rates of depletion, the forests will be virtually wiped out by 2015.

Air and water pollution are significant environmental problems in Nepal. In 2000, the total carbon dioxide emissions was at 3.4 million metric tons. The use of contaminated drinking water creates a health hazard. Untreated sewage is a major pollution factor: the nation's cities have produced an average of 0.4 million tons of solid waste per year.

In 2003, about 8.9% of the total land area of Nepal was protected. There are two natural UNESCO World Heritage Sites: Sagarmatha National Park and Royal Chitwan National Park. There are four Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 29 types of mammals, 31 species of birds, 6 types of reptiles, 3 species of amphibians, 1 species of invertebrates, and 7 species of plants. Species classified as endangered in Nepal included the snow leopard, tiger, Asian elephant, pygmy hog, great Indian rhinoceros, Assam rabbit, swamp deer, wild yak, chir pheasant, and gaur.

#### 6 POPULATION

The population of Nepal in 2005 was estimated by the United Nations (UN) at 25,371,000, which placed it at number 45 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 39% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.2%, a rate the government viewed as too high in light of the country's environmental problems and poverty. The projected population for the year 2025 was 36,093,000.

The population density was 172 per sq km (446 per sq mi), but population distribution is uneven, with about 45% of all Nepalese concentrated in the hilly central region, 47% in the fertile Terai plain, and only 8% in the mountains.

The UN estimated that 14% of the population lived in urban areas in 2005, and that urban areas were estimated to be growing at an annual rate for 2000–05 at 5.1%. The capital city, Kāthmāndu, had a population of 741,000 in that year.

#### 7 MIGRATION

Nearly 20,000 Tibetans arrived in Nepal between the Chinese annexation of Tibet in 1959 and 1989. Hundreds of thousands of Nepalese were believed to be working in India in the 1980s, and over 100,000 Indians were working in Nepal, particularly in the garment industry and on the building of highways.

An influx of Bhutanese refugees into Nepal began in late 1991 and peaked in 1992; the flow of new arrivals slowed after 1997. The total number of migrants in 2000 was 619,000 including refugees. In 2004, there were 104,915 refugees from Bhutan and 20,704 from Tibet, and an additional 654 asylum seekers. In that same year over 1,200 Nepalese applied for asylum in Europe, Hong Kong, the United Kingdom, and the United States. Others of concern to



LOCATION: 26°20' to 30°16' N; 80°15' to 88°15' E. BOUNDARY LENGTHS: China, 1,236 kilometers (772 miles); India, 1,690 kilometers (1,046 miles).

the United Nations High Commissioner for Refugees (UNHCR) in Nepal are 10,000 Bhutanese and 737 Tibetans.

In 2005, the net migration rate was zero per 1,000 population. The government views the migration levels as satisfactory. In 2004, an estimated 1.2 million Nepalese worked abroad in nearly 40 foreign countries returning about \$1 billion in remittances.

## 8 ETHNIC GROUPS

Nepal consists of two primary ethnic elements: Mongoloids, who migrated to Nepal by way of Tibet, Sikkim, Assam, and northern Bengal; and Indo-Aryans, who came from the Indian plains and from the sub-Himalayan hill areas to the west of Nepal. These can be broken down into more than 75 ethnic groups. There are also small remnants of Dravidian tribes. Bhotes, of Tibetan origin, are the principal occupants of northern Nepal. In the central valley, Newars, considered to be one of the earliest groups of inhabitants, and Murmis predominate, the former being responsible for most of the agriculture and trade. Less numerous groups include Gurungs and Magars in west-central Nepal and Kirantis and Rai in the east. Sherpas, a Himalayan people, have become well known as guides for mountain-climbing expeditions. The aboriginal Tharus live in the southern Terai region. The Brahman and Chetri caste groups are believed to be descendants of Indian settlers. The Dalit, who are members of the lowest caste system formerly called "untouchables," still face social, political, economic, and even reli-

gious discrimination, particular in the rural areas of the west. The government has imposed laws prohibiting such discrimination.

At the 2001 census, the Chetri accounted for about 15.5% of the population and the Brahmans made up 12.5% of the population. Magars accounted for 7%, Tharus for 6.6%, Tamang 5.5%, Newar 5.4%, Muslims 4.2%, Kami 3.9%, and Yadav 3.9%.

## 9 LANGUAGES

Nepali is the official language, although some 50 different languages are spoken. Nepali is spoken by about 47.8% of the population and is the language for most intertribal communication; it is used in government publications and has been the language of most of the written literature since the Gurkha unification of Nepal. About 12.1% of the people speak Maithili as their first language, 7.4% Bhojpuri, 5.8% Tharu, 5.1% Tamang, 3.6% Newar, 3.3% Magar, and 2.4% Awadhi. Except in primary schools, where children are taught in their own language, Nepali or English is the medium of instruction. English is taught as a second language in secondary schools and colleges and is widely understood in business and government circles.

## 10 RELIGIONS

Hinduism and Buddhism exist side by side in Nepal and to some extent are intermingled. The importance of both in the national life is manifested everywhere; more than 2,700 temples and

shrines have been counted in the Kāthmāndu Valley alone, while innumerable others are scattered along trails and roads extending to the most distant mountain passes. Bodhnath and Shambunath are famous Buddhist temples. The ancient temple of Chandragiri is dedicated to both religions. The Bagmati River, flowing through central Nepal, is considered sacred and is visited by pilgrims, as are certain mountains and lakes.

A 2004 report indicated that about 81% of the population were nominally Hindu, while 11% were Buddhist. Muslims constituted about 4.2% of the population. Minorities included Christians, Baha'is, Jains, and Kirants (followers of an indigenous animist religion). The constitution does not establish a state religion but does describe the nation as a "Hindu Kingdom." The constitution also forbids proselytizing. Certain Hindu holidays are recognized as national holidays, as is the birthday of the Buddha. Some local authorities have restricted public celebrations of Tibetan Buddhist festivals.

## 11 TRANSPORTATION

Nepal's ratios of road mileage to area and to population are among the lowest in the world, and the principal means of land transport is by porters with pack animals. The main highways are the 190-km (118-mi) road that penetrates the Kāthmāndu Valley, connecting it with the Indian border; the 87-km (54-mi) road between Kāthmāndu and Kodari on the Tibetan (Chinese) border, which was severely damaged by flooding in late 1982 and was later rebuilt with Chinese assistance; the 862-km (536-mi) east-west Mahendra Highway; and the 200-km (124-mi) Kāthmāndu-Pokhara highway, which is being extended to Surkhet. In all, Nepal had 13,223 km (48,217 mi) of roadway in 2002, of which 4,073 km (2,531 mi) were paved.

There are no waterways in Nepal. The only practical seaport for goods bound for Kāthmāndu is Calcutta in India.

Nepal had a total of 59 km (37 mi) of railways in 2004, all of it narrow gauge and all in Kosi, close to the Indian border. Opened in 1927, the line runs from Jayanagar, in India, to Janakpur, a distance of 52 km (32 mi), of which 10 km (6 mi), running from Raxaul, India, to the frontier town of Birganj, is government owned. An electrically driven ropeway, inaugurated in 1925 and improved with US aid in 1962, carries 25 tons an hour a distance of 43 km (27 mi), to a height of nearly 1,400 m (4,500 ft) from Hetaura to Kāthmāndu.

Much of Nepal is easily accessible only by air. In 2004 there were an estimated 46 airports, of which 10 (as of 2005), had permanently surfaced runways. The leading air terminal is Tribhuvan airport at Kāthmāndu. Domestic flights are operated by the Royal Nepal Airlines Corp., which also schedules flights to Great Britain, Germany, India and eight other Asian countries. In 2003, about 625,000 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Fact, myth, and legend are intertwined in Nepal's historical literature, which, in the Vamshavali, traces the origins of the country in the distant past when Nepal was allegedly founded by Ne-Muni and derived its name from this source. A reliable chronology can be established only after the conquest of Nepal by Harisinha-deva, rajah of Simraun in about 1324. Under the Malla dynasty, Nepal

was administered in four separate states: Banepa, Bhadgaon (now Bhaktapur), Kantipur (modern Kāthmāndu), and Lalitpur (now Pāṭan).

Prithwi Narayan Shah, the ruler of Gorkha, a small principality west of Kāthmāndu, established the modern kingdom of Nepal in 1768 by incorporating the Kāthmāndu Valley into his domain and unifying with it many small independent principalities and states. Under his descendants, most of the present boundaries of Nepal were established and Hinduism was introduced from India as the official religion.

Nepal came in contact with the influence of larger powers outside South Asia in the late 18th century as a consequence of the British East India Company's conquest of India to its south and a trade dispute with Tibet that led to a Nepalese confrontation with China. Peace was imposed by China in 1792, after Chinese forces had invaded, then withdrawn from Nepal. In the same year, a commercial treaty was ratified between Britain and Nepal. Relations with the British in India remained peaceful until 1814 when a border dispute led to inconclusive hostilities between Nepal and the British East India Company. When the fighting ended two years later, Nepal's independence was preserved in an agreement in which Nepal yielded a large piece of territory to the Company on its southern border and agreed to the establishment of a permanent British resident at Kāthmāndu.

The 1816 agreement (reaffirmed by a formal treaty of friendship between Nepal and Great Britain in 1923) also laid the groundwork for more than a century and a half of amicable relations between Britain and Nepal. Included under the agreement was Nepalese approval for British recruitment of Nepalese Gurkha mercenaries for the British-officered Indian army. During the Indian Mutiny of 1857, Nepal's Rana prime minister sent some 12,000 additional Nepalese troops in support of British garrisons; he also offered troops to US president Abraham Lincoln in 1866 during the US Civil War. Over the years, the Gurkha regiments serving in the British Indian army (and after 1947 under both Indian and British flags) won renown for their bravery, skill, and endurance—in Afghanistan in 1879 and Tibet in 1904, in Europe, Asian, and Africa in the 20th century's two world wars, in the UN action in the Belgian Congo in the 1960s, in India's conflicts with China and Pakistan, and in 1982, in Britain's conflict with Argentina over the Falkland Islands.

In 1846, Shumshere Jung Bahadur (Rana) became Nepal's de facto ruler, banishing the king and ruling as regent for the king's minor heir. The prime ministership became a hereditary office in his Rana family, not unlike the Tokugawa Shogunate in Japan, ruling successively until 1951. Following the end of World War II, the termination of British rule on the South Asian subcontinent in 1947 caused deep stirrings of change in Nepal. Resentment grew against the autocratic despotism of the Ranas, who—as regents—had kept successive monarchs virtual prisoners. A political reform movement, begun in 1946 with the founding of the Nepali Congress Party on the model of the Indian Congress Party, won the support of King Tribhuvana Bir Bikram Shah, but in a power struggle in 1950, the king was forced to flee from the Ranas to India. With Indian support, insurgents began operations against the Rana government until, with the mediation of Indian Prime Minister Nehru, a political compromise was reached that returned the king to Kāthmāndu and ended a century of hereditary Rana



family rule. By late 1951 a new government took office, headed by Matrika Prasad Koirala, with his brother, a co-founder of the Nepali Congress Party (NC).

Political life in Nepal in the years since the restoration of the monarchy in 1951 has been dominated by the struggle between the monarchy and the country's political elements to define the terms under which they will co-exist and bring the country into the modern world. Six different cabinets, each lacking popular support and riddled with dissension, held office in rapid succession between 1951 and 1957, and in 1957–58, King Mahendra Bir Bikram Shah, who had succeeded to the throne upon the death of his father in 1955, ruled directly for a period of months. In April 1959, he promulgated a democratic constitution, providing for a constitutional monarchy, two houses of parliament, and a cabinet and prime minister responsible to the lower house, in the Westminster model. Bisweswar Prasad (B. P.) Koirala of the NC assumed office on 24 July 1959 as first prime minister under this constitution.

Less than 18 months later, on 15 December 1960, the king suspended the constitution, dissolved parliament, dismissed the cabinet, and again established his own government, this time with an appointed council of ministers. He ruled directly until April 1962 when he promulgated a new constitution establishing an indirect, nonparty system of rule through a tiered system of panchayats (council) culminating in a National Panchayat. Five years later, after growing agitation and hit-and-run attacks by NC elements based in India, the king—again under Indian pressure—promulgated a series of amendments introducing gradual liberalization.

In January 1972, Mahendra died suddenly and was succeeded by his 27-year-old son, Birendra Bir Bikram Shah Dev. The young monarch, who had attended Harvard University in the United States, was committed to maintaining the authority of the monarchy while keeping Nepal on the course of gradual political and social reform set by his father. Student demonstrations in early 1979 led him to call for a national referendum on whether to continue the panchayat system or create a more conventional multiparty system. With the king promising further liberalization, the existing panchayat system was endorsed by 55% of the voters in May 1980, and later that year, the king's subsequent constitutional amendments established direct elections and permitted the Panchayat, not the king, to choose the prime minister. The king's failure to lift the ban on political parties led party members—ineffectively—to boycott the elections of 1981 in which Surya Bahadur Thapa, a former civil servant who had become prime minister in 1979, was reaffirmed in June 1981 and continued in office until 1983 when he was replaced by Lokendra Bahadur Chand following the government's loss of its majority on an opposition "no confidence" motion.

In nonparty elections to the National Panchayat in May 1986, again in the face of a major party boycott, a majority of the incumbents were defeated, and Marich Man Singh Shrestha became prime minister. Most new members were opponents of the panchayat system, foreshadowing a new struggle between the king and his legislators. By early 1990, the NC and the United Left Front (ULF), a Communist alliance of seven parties, again went to the streets, organizing agitations that forced the king to make further constitutional changes in April; included were an end to the ban on political parties and their activities. The king dissolved the

National Panchayat and appointed NC president Krishna Prasad Bhattarai interim prime minister, who was assisted by a cabinet made up of members of the NC, the ULF, independents, and royal appointees. A Constitutional Reforms Commission produced a new constitution in November 1990 that ended the panchayat era and restored multiparty democracy in a constitutional monarchy. In May 1991, the first openly partisan elections in 32 years were held, resulting in an NC majority in the new House of Representatives which chose Girija Prasad Koirala as prime minister. As of December 2002, Koirala had held the office of prime minister four times in his career.

On 1 June 2001, the former Crown Prince Dipendra Bir Bikram killed most of the royal family with an assault rifle as they sat around a dinner table. Although many theories circulated as to the motive for the killings, it is generally accepted that he turned against his family because his mother did not approve of a young woman as his choice of bride. Dipendra murdered his father, King Birendra, his mother, Queen Aishwarya, his sister, Princess Sruti, his brother, Prince Nirajan, and five others. He then shot himself in the head. Dipendra was anointed king while in a coma; two days later he died, and his uncle, Gyanendra Bir Bikram Shah Dev, was named king.

In addition to the slayings, Nepal has been embroiled in civil war. In 1996, a "people's war" was launched by several Maoist organizations in the central-western hill districts of Nepal. The Maoists' aims are the removal of the constitutional monarchy and the eradication of rural poverty. As of December 2005, more than 12,000 people had been killed in the fighting. The insurgents call themselves the Communist Party of Nepal (Maoist), modeled after Peru's Maoist Shining Path guerrillas. As of December 2005, they controlled 45% of Nepal, and brought the economy and political system to a virtual standstill. They are led by Chhabi Lal Dahal, or "Prachanda," who is seen by his followers as charismatic and by his enemies as fanatical. In July 2001, the Maoists came into direct combat with the Nepalese army for the first time, and stepped up their campaign of violence. Koirala, who was prime minister at the time, resigned after losing support from his ruling coalition, and alluded to the violence as a reason why the country needed to work for national consensus. Sher Bahadur Deuba became prime minister. In November 2001, after more than 100 people were killed in four days of violence, the king called a State of Emergency. The emergency measures restricted freedom of the press, as well as freedom of assembly, expression and movement. Suspects could be detained for three weeks without charges.

In February 2002, international donor agencies and individual nations pledged us\$2.5 billion to Nepal, and the government increased military activity against the insurgents. In April, more than 300 people were killed in two of the most serious attacks of the rebellion, and the Maoists ordered a five-day national strike. Parliament was dissolved on 22 May, and national elections were scheduled for 13 November. In October, Prime Minister Deuba asked the king to put off the national elections for a year due to the mounting Maoist violence. King Gyanendra dismissed him and indefinitely put off the elections. Lokendra Bahadur Chand was appointed interim prime minister until elections were held and Surya Bahadur Thapa was elected prime minister in 2003. However former Prime Minister Deuba was later reinstated as prime minister in 2004. In February 2005, the King dismissed Prime

Minister Deuba (again), dissolved the Cabinet and declared a State of Emergency, which was lifted in April 2005.

In 2004 the cease-fire that had existed between the Maoist rebels and the government collapsed. The killings increased on both sides with the Maoist rebels assassinating government officials, usually at the local level, bombing and attacking Indian-owned establishments. The government officially invited the Maoists to negotiate again in 2004, but the rebels refused.

In the area of foreign policy, Nepal has remained generally non-aligned, maintaining friendly relations with China and with India, despite efforts to minimize traditional Indian influence and the occasional clash of policies on matters relating to trade. In 1961, Nepal signed an agreement with China (which had earlier absorbed Tibet) defining the boundary between the two countries along the traditional watershed. Nepal was uninvolved in the 1962 hostilities between India and China on portions of the border to the east and west of Nepal. One result of this conflict however, was India's occupation of Kalapani, a border region of northwestern Nepal which, as of 2005, was still a matter of dispute with India. The refugee issue of some 104,235 Bhutanese in Nepal remained unresolved as of December 2005 as well as the many Tibetan exiles who have crossed the border from China. Ninety percent of these displaced persons are housed in seven United Nations High Commissioner for Refugees (UNHCR) camps. Nepal also faces a severe illiteracy rate with only 30% of women being literate compared to 65% of males in 2005.

Nepal has a very low per capita GDP of us\$240 and a high population growth. The Nepalese economy is characterized by being highly dependent on international aid and having few export options (clothing, carpets and leather goods), although the tourist industry had resurged prior to the 2005 State of Emergency. Nepal also has pursued friendly relations with the great powers and has been the recipient of economic aid from India, the United States, the former USSR, and the World Bank.

### 13 GOVERNMENT

The 1990 constitution, Nepal's third (with variations) since 1951, established a constitutional monarchy in which the legislature consists of the king and two houses of parliament, the lower house, called the House of Representatives and the upper house, the National Council. The king is Gyanendra Bir Bikram Shah Dev, the descendent of an unbroken Rajput line going back more than 200 years. The House of Representatives has 205 members elected to terms of five years; at least 5% of the contestants from every party must be women. The National Council has 60 members, 35 of whom are elected by the House of Representatives. The National Council members included three elected women as of 2003. Suffrage is universal at 18 years of age.

The National Council is a permanent body, retiring one-third of its members every two years in elections that take place in May of even-numbered years. The king appoints 10 of the 60 members in the National Council. The remaining 15 members are selected by an electoral college.

In May 2002, parliament was dissolved, and elections were scheduled for 13 November of that year. However, King Gyanendra removed his prime minister who had called for a postponement of national elections for a year due to mounting Maoist vio-

lence. King Gyanendra subsequently indefinitely postponed the elections, which, as of December 2005, had not been held.

Nepal's supreme court chief justice is appointed by the king on recommendation of the Constitutional Council. Corruption is seen to be endemic in Nepal and government institutions had all but broken down in rural areas as of 2005. The government suppresses speech that might undermine the monarchy, interethnic or intercaste relations or national security. Internet access to Maoist websites is censored, but otherwise allowed. Most NGOs have abandoned efforts in western Nepal due to Maoist domination of the area. Both the government and the Maoist rebels have been accused of increasing human rights violations after the insurgency in 1996. Nepal has the highest number of unexplained political disappearances worldwide. The Maoist rebels consist of approximately 5,000 guerrillas supported by 15,000 fighters who control 45% of Nepal. Maoists have enacted their own judicial system within their jurisdiction termed "people's government". The Maoists are accused of recruiting, as well as abducting, children to be used as soldiers. International organizations estimate that several hundred thousand Nepalese have been displaced due to the Maoist insurgency. The Maoist insurgency has also drastically reduced Nepalese tourism which was once a major source of revenue for the government.

For development purposes, the country is also divided into five regions by geography (Eastern, Central, Western, Mid-Western, and Far-Western), each of which serves also as a parliamentary constituency, electing three members of the lower house. In 1992, the government undertook a reform of the civil service, lowering the age of retirement from 60 to 58, committing itself to reducing its overall size by 25% by 1993, and engaging in wholesale dismissals of those with 20 or more years of service. Nepal is a majority Hindu country and, although against the law, discrimination due to caste is widespread. The *dalits*, or untouchables, caste is routinely discriminated against through violence and socio-economic exclusion. Organized gangs traffic between 5,000–12,000 Nepalese women a year to India to work in brothels. The majority who return are HIV positive and are also strongly discriminated against.

### 14 POLITICAL PARTIES

The 1962 constitution originally prohibited the formation of political parties and associations, even though political groups continued to exist and operate underground, at times on a quasi-legal basis. Parties were legalized in 1990 and now operate freely in Nepal's multiparty constitutional monarchy. Nepal does not allow party formation along ethnic, caste, religious, tribal or regional lines. The main party through Nepal's modern history—providing nearly all of the country's prime ministers even when the ban on parties prohibited party activity—is the Nepali Congress Party (NC). Inspired by the socialist wing of the Indian National Congress and founded by the Koirala brothers, M. P. and B. P., in 1946, the party led Nepal's first democratic government in 1959. Most of its leaders were imprisoned during the 1960s, but with Indian help, the party operated from India, mounting hit-and-run attacks and maintaining an underground presence in Nepal.

The NC leadership led the opposition to King Mahendra's tiered panchayat system of indirect government. Although NC leaders called for a boycott of the May 1986 elections to the National Pan-

chayat, 1,547 candidates ran for office, and only 40 of the previously elected members retained their seats. After these elections, a Democratic Panchayat Forum (DPF) was formed by NC members to mobilize voters on a nonparty basis to counter the influence in local elections of the Communist Party of Nepal (CPN), whose members had won 16 seats in the National Panchayat.

The communist movement in Nepal has been severely fragmented for years by personal and ideological schisms, some of them occasioned by splits and the loss of orthodoxy in the communist movement worldwide in the 1960s and 1980s. Operating for electoral and agitational purposes in the 1980s as the United Leftist Front (ULF), the Communist Party (CPN) and its several communist allies have since split, fragmenting the movement into a number of splinter parties but leaving the CPN, now reassembled as the United Marxist-Leninists (UML) as the leading opposition party in the parliament. The latest elections to the House of Representatives were held on 3 and 17 May 1999. The results were: Nepali Congress (NC), 113 seats; Communist Party of Nepal/United Marxist-Leninist (CPN/UML), 69 seats; National Democratic Party (NDP), also called the Rastriya Prajatantra Party, 11 seats; Nepal Sadbhavana Party (NSP), 5 seats; Rastriya Jana Morcha, 5 seats; Samyukta Janmorcha Nepal, 1 seat; Nepal Workers and Peasants Party (NWPP), 1 seat. Elections scheduled to be held on 13 November 2002 were indefinitely postponed by the king.

## 15 LOCAL GOVERNMENT

For centuries, the heads of petty principalities within Nepal exercised local judicial, police, and other powers. Under the panchayat reforms introduced in 1962, the country was divided into 14 zones, which in turn were divided into 75 districts. The zones were directly administered by commissioners appointed by the central government, and the zonal panchayats were executive bodies elected from the 11-member panchayats at the district level, the members of which were in turn selected from village and town panchayats. Each of the 3,600 villages with populations of more than 2,000 and each of the 33 towns with populations over 10,000 also had an 11-member panchayat, as well as its own local assembly.

In April 1990, the partyless panchayat system was abolished as a result of a people's movement organized by the Nepali Congress Party and several leftist parties. However, the country remains divided into 14 zones (headed by appointed commissioners) and 75 districts (under the charge of district officers responsible for law and order, collecting revenues, and setting development priorities). The districts are further divided into smaller units—into municipalities and village development committees (VDC). At present, there are 3,913 VDCs and 58 municipalities in the country. A VDC consists of 9 wards and the municipalities consist from 9 to 35 wards. Municipalities and VDCs are directly elected.

In 1997, a royal decentralization ordinance was enacted that allowed for increased political participation by women. The ordinance called for the reservation of 20% of local government ward seats for women. This election resulted in approximately 32,000 local government seats in Nepal held by women. However, due to lack of knowledge, skills and education needed to carry out their responsibilities, arguments ensued amongst representatives against the mandatory percentage afforded to women.

## 16 JUDICIAL SYSTEM

Each district has a court of first instance, civil and criminal, as well as a court of appeals and 14 zonal courts. There are five regional courts—at Kāthmāndu, Dhankutā, Pokharā, Surkhet, and Dipayal—to which further appeals may be taken. At the apex is the supreme court in Kāthmāndu, which is empowered to issue writs of habeas corpus and decide on the constitutionality of laws. The court is composed of a chief justice, assisted usually by six other judges, with seven additional judges in reserve; all are appointed by the king. The Supreme Court is the court of last resort, but the king may grant pardons and suspend, commute or remit sentences of any court. There are separate military courts which generally deal only with military personnel. In 1992, the supreme court ruled that civilians may not be tried in the military courts. In April 2001, the supreme court appointed its first female judge.

The 1990 constitution declared the independence of the judiciary. The supreme court has exercised considerable independence in practice, declaring provisions of the Citizenship Act of 1991 and parts of the Labor Act of 1992 unconstitutional. In 1995 the constitutional court also ruled that the dissolution of the parliament at the request of a former prime minister was unconstitutional.

The 1990 constitution affords a number of procedural safeguards for criminal defendants including the right to counsel and protection from double jeopardy and from retroactive application of laws.

Although the judiciary remains, the monarch holds ultimate power, which can be seen in the decree forbidding news media from criticizing the King. While the State of Emergency was formally lifted on 29 April 2005, human rights organizations maintain that many freedoms have yet to be restored. This is most concerning in regards to the Terrorist and Disruptive Activities Ordinance (TADO), which allows up to one-year incommunicado detention. There are many reports of torture, execution and disappearances attributed to both the official government as well as the Maoists rebels.

There is no jury system. Special tribunals hear cases involving terrorism or treason under a treason act. Nepal is a member of the United Nations and the International Criminal Court.

## 17 ARMED FORCES

Nepal's armed forces numbered 69,000 active personnel in 2005, all of it accounted for by the Army. The service's primary weapon systems included 40 reconnaissance vehicles, 40 armored personnel carriers and over 95 artillery pieces. The Army also had a small air wing of 320 personnel with no combat aircraft. Its air fleet was made up of 2 fixed wing transports, 7 support, and 5 utility helicopters. Nepal also had a paramilitary force of 62,000, which consisted of an armed police force of 15,000 under the Ministry of Home Affairs, and a regular police force of 47,000. The United Kingdom maintained a small military presence in Nepal involved in the recruitment and training of gurkha troops. In 2005, Nepal's defense budget totaled \$151 million. Nepalese troops were stationed in 11 countries or regions as UN peacekeepers.

Under separate treaty arrangements going back to 1816, gurchas of the same mountain stock (especially Magars, Gurungs, Rais, and Limbus) are recruited in Nepal by Great Britain and, since 1947, by the Republic of India. Under British and Indian

flags, and with arms, training, and officers provided by their foreign recruiters, gorkhas are among the world's most renowned fighting men with extensive service in all parts of the globe in both world wars and several UN actions of this century.

## 18 INTERNATIONAL COOPERATION

Nepal was admitted to the United Nations on 14 December 1955 and is a member of ESCAP and several nonregional specialized agencies, including the FAO, the World Bank, ILO, IMF, UNESCO, UNIDO, and the WHO. It also belongs to the Asian Development Bank, the Colombo Plan, and G-77. In 1985, Nepal joined with six other Asian nations to form the South Asian Association for Regional Cooperation (SAARC); the secretariat is in Kāthmāndu.

Nepal is a member of the Nonaligned Movement. The country has offered support to UN missions and operations in Kosovo (est. 1999), Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Sierra Leone (est. 1999), East Timor (est. 2002), Burundi (est. 2004, Côte d'Ivoire (est. 2004), and the DROC (est. 1999).

In environmental cooperation, Nepal is part of the South Asia Cooperative Environment Program (SACEP), the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, International Tropical Timber Agreements, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Despite social and economic reforms begun in the 1950s, Nepal's per capita income was only \$1,100 (PPP) in 1998, and general living standards are low. The economy is based on subsistence agriculture, which engages about 80% of the labor force but is inefficiently organized and limited by a shortage of arable land in relation to population. Eight development plans, extending from 1955 to 1992, have slowly built up the nation's infrastructure. Nevertheless, the industrial sector is still small and dominated by traditional handicrafts, spinning and weaving, and similar occupations. Growth in medium-scale and cottage industry-based production of carpets and garments for export, expanding tourism, and some government-promoted development of heavy industry sustained an average GDP growth rate of over 5% from 1980–88. In 1989/90, Nepal weathered a major trade and transit dispute with India, maintaining a GDP growth rate of 2%, despite the potentially debilitating tariffs suddenly placed on trade with its largest import supplier and external market.

Nepal's economic potential is by no means insignificant. Kāthmāndu Valley and the Terai zone are fertile areas; there is great forest wealth, including valuable medicinal plants such as pyrethrum, belladonna, and ipecac; deposits of several minerals are known to exist; and swift Himalayan rivers offer great possibilities for hydroelectric development.

The principal challenge for the Nepalese is to provide for a rising and unequally distributed population and to achieve material progress without irrevocably depleting the environmental resource base. Structural adjustment measures initiated in 1989 have reduced the regulation of industry and imports, and are supported by similar liberalization in India, to which Nepal's economy is closely tied. However, aggregate economic growth remained sluggish during the early 1990s. Gross domestic product growth

declined from 4.6% in 1990/91 to only 2.1% in 1991/92, due in large part to declining agricultural output following poor weather. Gross domestic product growth averaged an annual rate of 5% between 1988 and 1998. International actors fund more than 60% of Nepal's development budget and account for more than 28% of total budgetary expenditures. In 1995 Nepal joined the South Asian Association for Regional Cooperation (SAARC) in the South Asian Preferential Trade Area.

The GDP growth rate was negative in 2002 (-0.3%), but the economy recovered in 2003 and 2004, expanding by 2.8% and 3.4% respectively; in 2005, the GDP growth rate was expected to be 3.5%. The inflation rate has been fluctuating, but at 2.9% in 2004, it was considered to be under control and did not pose a problem to the overall economy. Despite encouraging economic growth rates, Nepal remains one of the poorest countries in the world, land-locked, with a poor infrastructure, and meager connections to outside markets.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Nepal's gross domestic product (GDP) was estimated at \$42.2 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,500. The annual growth rate of GDP was estimated at 2.5%. The average inflation rate in 2005 was 2.9%. It was estimated that agriculture accounted for 40% of GDP, industry 20%, and services 40%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$785 million or about \$32 per capita and accounted for approximately 13.4% of GDP. Foreign aid receipts amounted to \$467 million or about \$19 per capita and accounted for approximately 8.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Nepal totaled \$4.57 billion or about \$185 per capita based on a GDP of \$5.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings.

In 2001 it was estimated that approximately 44% of household consumption was spent on food, 7% on fuel, 5% on health care, and 14% on education. It was estimated that in 1996 about 42% of the population had incomes below the poverty line.

## 21 LABOR

In the latest years for which data was available, as of 1998, Nepal's labor force was estimated to number 11 million. In 2002, the vast majority, approximately 81% of the workforce, was engaged in agriculture. Most agriculturists are peasant farmers, and there are many wage laborers, but only in the peak seasons. The service sector provides work for 16% of the labor force, and industry accounts for the remaining 3%. There is a severe lack of skilled labor. Among some tribes, women do most of the farm work, while in others, especially among strict Hindus, they do no farming at all. Many occupations are effectively restricted to certain castes, al-

though the practice has been declared illegal. In 2001, the unemployment rate was 47%.

Unions are allowed to organize and strike. The three largest trade unions are associated with political parties, but the government does not restrict union activity. However, the right of a union to strike is limited to nonessential services. About 20% of the workforce is covered by collective bargaining agreements.

Minimum wage rates and working conditions in the small industrial sector are set by the Nepal Factories and Factory Workers' Act of 1959, as amended. In 2002, the minimum wage was \$20 per month for unskilled, \$21 for semiskilled, and \$25 for skilled workers in the organized industrial sector. Wages can be as low as 50% of the minimum in the informal economy and the agricultural sector. The law establishes a minimum employment age of 16 years in industry and 14 years in agriculture.

## 22 AGRICULTURE

In 2003, agriculture provided about 41% of GDP. Only about 7% of the land can actually be cultivated. Regional imbalance and lack of integration also hamper Nepal's agriculture. Although the country produces an overall exportable surplus of food grains, some areas of the country, particularly Kāthmāndu Valley and the hill areas, have a food deficit. Lack of transportation and storage facilities prevents the movement of food grains from the Terai to the hills, with the result that Nepal both exports and imports the same food items.

Agriculture has been hampered by the lack of irrigated land, by the small size of farms (an average of four hectares/10 acres), and by inefficient farming methods. Some of the arable land is still held free of taxation by a few large landowners and farmed by tenants, whose productivity is low. The government has officially abolished tax-free estates (*birta*), eliminated the feudal form of land tenure (*jagira*), set a limit on landholdings, and redistributed the extra land to farm tenants. Its economic plans also include the use of fertilizers, insecticides, improved seeds, and better implements; the extension of irrigation; and the construction of transportation and storage facilities.

Rice, Nepal's most important cereal, is grown on more than half the cultivated land, mainly in the Terai but also on every available piece of ground in the Kāthmāndu Valley during the monsoon season. In 2004, rice production totaled 4,300,000 tons. Production of maize, grown on the carefully terraced hillsides, was 1,590,000 tons in 2004; land under cultivation with maize was 25% of the area allotted to food grains. The output of wheat in 2004 was 1,387,000 tons; millet, 283,000 tons; and barley, 30,000 tons. Cash crops (with 2004 output) included sugarcane, 2,305,000 tons; potatoes, 1,643,000 tons; mustard seed, 133,000 tons; linseed, 6,100 tons; jute, 6,900 tons; and tobacco, 3,300 tons. Sugarcane, jute, and tobacco are the major raw materials for Nepal's own industries. Potatoes are grown in Ilam and fruit mainly in Dharan, Dhankuta, and Pokhara. Tea is also grown in Ilam and elsewhere. In 2004, exports of agricultural products totaled \$94.8 million, while agricultural imports amounted to \$187 million.

## 23 ANIMAL HUSBANDRY

Livestock, adapted to many uses, forms an essential part of the economy. Livestock accounts for about 30% of gross agricultural output. In farm work, bullocks and asses are largely used. Herds of

yaks, cows, and their hybrids, zobos, are grazed in the central valley and to some extent along the borders of the foothill jungles. A few hogs usually are kept on the larger farms. Sheep and goats are used for food and also as pack animals, particularly in the distribution of salt over the trade routes; the sheep also supply a valuable type of wool.

In 2005, Nepal had an estimated 6,994,000 head of cattle, 4,081,000 water buffalo, 817,000 sheep, 7,153,000 goats, and 948,000 hogs. Modern poultry farms are operated principally by the Newaris, who carry on most of the agriculture in the Kāthmāndu Valley. There were about 22.8 million chickens in 2005, when 15,700 tons of poultry meat were produced. Traditionally, butter and cheese are among the leading exports of Nepal. Livestock products in 2005 included an estimated 380,000 tons of cow's milk, 20,000 tons of butter and ghee, and 590 tons of wool (greasy basis).

## 24 FISHING

The commercial fish catch amounted to 36,568 tons in 2003 (up from 5,281 tons in 1991), with aquaculture accounting for 48%. In the Terai are many small fish ponds and several government fish farms. Common fish species are carp, gar, and murrel.

## 25 FORESTRY

In 2000, forests covered an estimated 27.3% of Nepal's total land area. Timber cutting has been contracted out to private firms. About 91% of the 13.9 million cu m (491 million cu ft) of roundwood cut in 2004 was for fuel.

In 1961, the government established a department of medicinal plants to encourage Nepal's commercially important herb exports. There are regional herbal farms at Kāthmāndu and Nepalganj. There is also a royal research laboratory for drug analysis.

## 26 MINING

Although mining in Nepal was an ancient occupation, the country's mineral resources have been little exploited. Mining and quarrying was dominated by the production of cement, red clay, coal, limestone, magnesite, and marble. In 2004, cement production totaled 300,000 metric tons, while red clay output came to 29,234 metric tons. Coal output that same year (bituminous and lignite) totaled 10,517 metric tons, while limestone production totaled 388,109 metric tons. In 2004, the country also produced quartz, quartzite, salt, talc, and tourmaline. A lead and zinc deposit near Lari had reserves of two million tons, and there were known deposits of iron, copper, graphite, cobalt, mica, and slate. Development plans included the encouragement of small-scale mining, and provided for continuing mineral surveys.

## 27 ENERGY AND POWER

Nepal, as of 1 January 2004 had no proven reserves of crude oil, natural gas, or any refining capacity, and as of 2003, negligible reserves of coal.

In 2002, Nepal's imports of refined petroleum products averaged 15,620 barrels per day, while demand in that year averaged 15,510 barrels per year. Although there were no recorded imports of natural gas in 2002, Nepal did import 238,000 short tons of coal, and did produce 13,000 tons of bituminous coal.

The bulk of Nepal's electricity is hydroelectric. In 2002, electric generating capacity totaled 0.458 million kW, with hydroelectric accounting for almost 84% of that total. The remaining capacity was dedicated to conventional thermal sources. Electric power output in 2002 totaled 2.333 billion kWh, of which hydroelectric generation produced almost 90% of that amount. Demand for electricity in 2002 totaled 2.268 billion kWh. As of 2000, only 15% of Nepal's population had access to electricity.

## 28 INDUSTRY

Until the 1980s, modern industry was almost nonexistent; only 0.66% of Nepal's GDP was derived from industry in 1964/65. Since then, industrial development has been given emphasis in economic planning. Manufacturing as a percent of total GDP rose from 4.2% in 1980 to 6.1% in 1990 to 9.2% in 1995 to an estimated 22% in 2000. However, manufacturing is a sector that has been hit particularly hard by the Maoist insurgency and the intensification of violence since 2001. The CIA estimates that the industrial production growth rate for 1999/2000 was 8.7%. However, this had dropped to less than 1% for 2001/02 according to IMF estimates.

Starting in the 1930s, a number of public enterprises (PEs) were established by the government with an aim of building an industrial and manufacturing base. About 62 PEs in all were established, close to half in the industrial sector, with others in the trading, service, public utility and financial sectors. The oldest surviving PE is the Biratnagar Jute Mills (BJM), set up in 1936. The jute industry has been in decline since 1966. In 2002 BJM was being operated by a private conglomerate on terms of a five year lease from the government. PEs in the industrial sector include cement factories, brick factories, sugar mills, textile mills, jute products factories, tool factories, foundries, and industrial chemical and fertilizer factories. From the early 1990s, there have been planned campaigns to reform and privatize the PEs. By the beginning of the Ninth Five-Year Plan (1997–2002), 16 PEs, over half industrial, had been handed over to private owners, and four had been shut down. A list of 30 PEs, 13 in the industrial sector, were scheduled for privatization during the Ninth FYP, but, in fact, only one, the Nepal Tea Development Corporation, has been privatized. The slowdown of the reform is attributable to both the outbreak of the Maoist insurgency in 1996 and a growing resistance to the privatization program from many sides, but particularly from workers' unions who perceive jobs as threatened. The PEs were not originally set up as commercial enterprises, and most do not even maintain updated accounts that would allow an auditor to assess their market viability. Analysts generally agree, however, that they are inefficiently overstaffed with low skill labor, and that most of the industrial PEs have a negative worth. The IMF estimates that net profits from the PE sector as a whole plunged from around NR3 billion (about \$44 million) in 1998/99 to NR240 million (about \$3.23 million) in 2000/01, despite continued government transfers and investment. That the figure remained positive is due virtually entirely to the profitability of three public utility PEs. Some of the known liabilities in the industrial sector include wage arrears that reached 16 months for the Agricultural Tool Factory, and four months for the Lumbini Sugar Factory. According to a study of eight industrial PEs reported by the IMF, employees of these companies are owed for gratuity, sick and home leaves, medical allowance and insurance premiums to the amount of about NR15.2 billion (about \$204

million or 3–4% of Nepal's GDP). There are also large arrears to banks and suppliers, but monitoring mechanisms are insufficient to make reliable estimates. In February 2002, the government set up a special financing facility at 3% interest to encourage commercial banks to provide concessional loans to ailing industries, particularly those in the garment and hotel industries, which through exports and tourism are major earners of foreign exchange.

According to the CIA, major industries in Nepal include tourism, carpets, textiles, small rice jute, sugar, and oilseed mills; cigarettes, cement and brick factories. Aside from small-scale food processing (rice, wheat and oil mills), light industry, largely concentrated in southeastern Nepal, includes the production of jute goods, refined sugar, cigarettes, matches, spun cotton and synthetic fabrics, wool, footwear, tanned leather, and tea. The carpet, garment and spinning industries are the three largest industrial employers, followed by structural clay products, sugar and jute processing. Sugar production was 49,227 tons in 1995, jute goods, 20,187 tons; and soap, 23,477 tons. That year, 14.7 million m of synthetic textiles and 5.06 million m of cotton textiles were produced. Industrial production from agricultural inputs included 20,800 tons of vegetable ghee, 16.76 million of beer and liquor, 9 billion cigarettes, and 2,351 tons of tea.

Heavy industry includes a steel-rolling mill, established in 1965, which uses imported materials to produce stainless steel. During the 1980s, the government gave priority to industries such as lumber, plywood, paper, cement, and bricks and tiles, which make use of domestic raw materials and reduce the need for imports. Production by heavy industries in 1995 included 326,839 tons of cement and 95,118 tons of steel rods.

Industrial production growth rates have been higher than the overall economy growth rates, indicating that industry is a growth engine. However, this sector had a share of only 20% in the GDP, and employed only 3% of the working population; agriculture was by far the largest employer, and accounted for 40% of the economy; services came in second, with a 16% representation in the labor force, and a 40% share in the GDP.

## 29 SCIENCE AND TECHNOLOGY

The only advanced technology is that brought in under the various foreign aid programs. Foreign technicians provide training in cottage industries, and local workers are trained at the Cottage Industry Center in Kathmandu. In 1982, the Royal Nepal Academy of Science and Technology was established at Kathmandu to aid in socioeconomic development. The National Council for Science and Technology aims to formulate science and technology policy, promote scientific and technological research, coordinate research among ministries and Mehendra Sanskrit University, and disseminate information to the public. Tribhuvan University has faculties of science and technology, medicine, agriculture and animal science, engineering, and forestry. In 1987–97, science and engineering students accounted for 13% of college and university enrollments. In 2002 Nepal's expenditures on research and development (R&D) totaled \$220.821 million, or 0.67% of GDP. In that

same year, Nepal had 62 researchers and 145 technicians engaged in R&D per million people.

### 30 DOMESTIC TRADE

For the six and one-half years of the Maoist insurgency in Nepal domestic trade has been severely hampered in rural areas. For many Nepalese, local trade is a part-time activity, limited to such products as cigarettes, salt, kerosene, and cloth. Marketing centers are along the main trails and are supplemented by small local markets. Distribution channels generally move from manufacturer, to distributor, to retailer. Poor communications facilities make extensive domestic trade impractical. However, one major impediment, the local tax on trade called octroi, was eliminated in 1997. Also, in the early 1990s, domestic airline routes were privatized, quadrupling domestic air traffic.

Most shops are open from 10 AM to 8 PM. Businesses and government offices generally operate from 9 AM to 5 PM. Most stores and businesses are closed on Saturdays.

### 31 FOREIGN TRADE

Traditionally, Nepal's foreign trade was limited to Tibet and India. After 1956, Nepalese trading agencies in Tibet were confined to Xigaze, Gyirong, and Nyalam, with Lhasa, Xigaze, Gyangze, and Yadong specified as markets for trade. In 1980, however, Nepal and China agreed to open 21 new trade routes across the Tibetan frontier. Treaty arrangements with China strictly regulate the passage of both traders and pilgrims in either direction across the border. Up until 1989, treaty agreements between India and Nepal allowed for unrestricted commerce across 21 customs posts along the border, and duty-free transit of Nepalese goods intended for third-party countries through India. In 1989, a breakdown in the treaty renewal negotiations resulted in retaliatory actions on both sides. India's share of Nepali exports plummeted from 38% in 1986/87 to 9% in 1989/90. India's share of the country's imports declined by about 25–50%. Despite the severe shock sustained by the Nepali economy, the signing of a new interim agreement in 1990 prevented a prolonged crisis, helping to fuel a robust recovery in export growth as exports increased by 28% in 1990/91 over 1989/90, and again by 35% in 1991/92.

Under the renewal of the bilateral trade treaty with India in 1997, Nepali goods entered India essentially duty free and quota free. As a result, exports to India grew for four years, from 1997 to 2001, at an average rate of 42% a year. The most recent India-Nepal Treaty of Trade, signed in March 2002, continues to allow Nepali manufactures to enter the Indian market on a nonreciprocal, preferential, or duty-free basis, with rules of origin less restrictive than the international norm (Nepal's manufactures can have up to 70% foreign content instead of the international norm of less than 50%). However, it places quotas on four sensitive imports: vegetable fats, acrylic yarn, copper products, and ferro oxide, all at volumes lower than Nepali exports to India.

The imposition of some nontariff barriers (NTBs) by India is just one factor in the estimated decline in the growth rate of Nepal's exports. Other factors are the damage to production caused by the intensification of the country's Maoist insurgency in 2001, the global economic slowdown, and a rapid decline in demand from Nepal's main third-country destinations, the United States and Germany, in the post-9/11 atmosphere. The end of the 1990s

#### Principal Trading Partners – Nepal (2000)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	708.8	1,557.9	-849.1
India	317.8	575.7	-257.9
United States	192.2	24.1	168.1
Germany	105.5	21.1	84.4
United Kingdom	16.8	20.6	-3.8
Belgium	11.4	...	11.4
France-Monaco	10.3	27.0	-16.7
Japan	9.9	40.7	-30.8
China, Hong Kong SAR	7.1	95.7	-88.6
Switzerland-Liechtenstein	5.9	143.4	-137.5
Italy-San Marino-Holy See	4.2	12.8	-8.6

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Nepal (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>110.3</b>
Balance on goods		-987.8
Imports	-1,681.9	
Exports	694.1	
Balance on services		106.6
Balance on income		-20.2
Current transfers		1,011.7
<b>Capital Account</b>		<b>24.8</b>
<b>Financial Account</b>		<b>-413.3</b>
Direct investment abroad		...
Direct investment in Nepal		14.8
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		-507.1
Other investment liabilities		79.0
<b>Net Errors and Omissions</b>		<b>370.8</b>
<b>Reserves and Related Items</b>		<b>-92.7</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

saw robust growth in Nepal's exports, which increased nearly 12% in 1997/98, nearly 18% in 1998/99 and 37.4% in 1999/2000. The export growth rate fell, however, to 4.6% in 2000/01, according to the IMF. In 2001/02, exports are estimated to have actually declined by 15%.

The CIA reported that for 2000/01, recorded exports from Nepal were an estimated \$757 million (FOB) and that imports for this period were \$1,600 million, indicating an apparently unsustainable merchandise trade deficit of \$843 million, or 111.5% of exports. However, the figure for exports does not include unrecorded border trade with India, including substantial gold smuggling.

The major export destinations in 2000/01 were India (48%), the United States (26%), and Germany (11%). Over the past decade, exports to India, while continuing to account for about half of Nepal's exports, have soared in value and become increasingly

diversified as Nepal's manufactures have carved out niches in the Indian market. Exports to the United States consist mainly of apparel, including pashmina (the Indian name for cashmere) products, whereas exports to Germany are dominated by woolen carpets. In the wake of 9/11, exports to the United States declined 15% in 2001, after an increase of 30% in 2000. For 2001/02, the IMF estimates that exports to countries other than India declined more than 40% due to the combination of external slowdown and internal supply disruptions.

In 2004, exports reached \$626 million (FOB—Free on Board), while imports grew to \$1.7 billion (FOB). The bulk of exports went to India (47.4%), the United States (22.7%), Germany (8.4%), and the United Kingdom (3.1%). Imports included petroleum products, vehicles and spares, other machinery and parts, textiles, and thread, and mainly came from India (46.3%), China (10.8%), the UAE (9.3%), and Saudi Arabia (4.1%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Despite large recorded trade deficits, Nepal often maintains a surplus in its current account thanks to surpluses in services (including tourism), official aid transfers, and increasingly large remittances from Nepalese living abroad, and in spite of unrecorded trade and smuggling across the Indian border. The IMF reported small surpluses on Nepal's current account of \$24 million and \$28 million respectively, for the fiscal years 1998/99 and 1999/2000, even exclusive of official aid transfers. Adding in official transfers brought the total current account surpluses for these years to \$98 million and \$114 million, respectively, representing 2–3% of GDP. Nepal's overall balance of payments was positive for the fiscal years 1998/99 and 1999/2000, at \$136 million and \$192 million, respectively, as outflows of capital and other payments were estimated to be more than offset by inflows of capital grants and official disbursements. However, in 2001/02, by IMF's preliminary estimate, Nepal's overall balance of payments was a negative \$77 million (1.4% of GDP) due primarily to a falling off in foreign aid. Official reserves held by the central bank in 2000/01 were initially estimated to be sufficient to cover 6.7 months of imports, just above the 6 months' coverage deemed financially prudent. However, of these reserves, about \$290 million were being held in Indian rupees, with about \$732 million in convertible currencies, enough to cover only 4.8 months of imports. Total external debt in FY 2000/01 was \$2.55 billion, about 46% of annual GDP. Nepal's debt service ratio (the ratio of annual payments on the debt to annual exports) was a low 6% in this period, reflecting the highly concessional nature of its external finance. Nepal's debt has never been rescheduled. Its last arrangement with the IMF was in October 1992 under the Extended Structural Adjustment Facility (ESAF), for a line of credit of SDR 33.5 million—47% of Nepal's quota—of which only half, SDR 16.79, was ever drawn down by Nepal. The obligation was scheduled to be fully repaid by 2006, with payments of SDR 2.4 million in 2003; SDR 0.8 million in 2004; SDR 0.2 million in 2005; and SDR 0.2 million in 2006.

The International Monetary Fund (IMF) reported that in 2001 Nepal had exports of goods totaling \$721 million and imports totaling \$1.49 billion. The services credit totaled \$413 million and debit \$215 million. The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Nepal's exports

was \$757 million while imports totaled \$1.6 billion resulting in a trade deficit of \$843 million.

Exports of goods and services reached \$1.1 billion in 2004, up from \$925 million in 2003. Imports grew from \$1.8 billion in 2003, to \$2.1 billion in 2004. The resource balance was consequently negative in both years, reaching -\$882 million in 2003 and -\$999 million in 2004. The current account balance was also negative, decreasing from -\$88 million in 2003, to -\$144 million in 2004. Foreign exchange reserves (including gold) grew to \$1.5 billion in 2004, covering more than eight months of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

The central bank of Nepal is the Nepal Rastra Bank (NRB), established under the NRB Act of 1955, which, effective 31 January 2002, was replaced by a new NRB Act designed to give the central bank more autonomy in setting monetary policy and more supervisory authority. The new legislation outlines the procedures for appointing and dismissing the NRB Governor, Deputy Governor and board, as well as procedures for intervening with insolvent financial institutions. Further reforms are expected with the implementation of the Banking and Financial Institutions Act of 2003 which aims, inter alia, to reduce the government's role as owner and strengthen its role as regulator. Nepal's financial sector has historically been weak and nontransparent, characterized by politically-motivated interference, insider trading, weak management, disruptive unions, an inadequate financial information system, and a deeply entrenched culture of nonpayment of loans.

A World Bank report found that as of November 2002 Nepal had 15 commercial banks. The two largest, the Rastriya Banijya Bank (RBB), Nepal's largest bank with an estimated 27% of total banking assets, and the Nepal Bank Ltd. (NBL), Nepal's oldest commercial bank, founded in 1937, account for over 50% of banking assets. The RBB is wholly owned by the government (but slated for privatization), whereas the NBL, though founded with 51% government ownership, has sold shares to the public sufficient to reduce the government's share to 41%. There are also nine smaller joint venture banks (JVB's) with mixed public-private ownership, and four local commercial banks. The banking sector also includes two large development banks, the Agriculture Development Bank of Nepal (ADB/P) and the Nepal Industrial Development Corporation (NIDC), the second- and third-largest banks. The ADB/N maintains a micro-financing window, as does the NRB, the RBB, the NBL, and the regional development banks. According to the World Bank, as of November 2002, Nepal also had 48 finance corporations, 13 insurance companies, numerous finance institutions, 7 Grameen Replicator Banks, 35 financial cooperatives, and 25 financial NGOs.

Both of the largest commercial banks, the RBB and the NBL, are in precarious financial condition. According to a 2000 study by the World Bank, the most recent available, in 1998 the RBB and NBL together had a losses of \$146 million, equivalent to 8.6% of Nepal's GDP or 46% of the government's budget. The condition of both banks has doubtless deteriorated since then. In 2001 government authorities, in conjunction with the IMF and the World Bank, concluded that external managers, selected by the World Bank and the United Kingdom, were needed to reform the RBB and the NBL. Opposition to these proposals came from all sides: the boards of directors, the employees' unions and the borrowers.



In January 2002, the NRB invoked the provisions of the new NRB Act and suspended the board of the NBL, effective 15 March 2002. For the RBB, the government entered into a contract on 31 January, 2002 with the American firm Deloitte Touch Tomatsu (DTT) for that company to take over management of the RBB. DTT, however, soon pulled out of the agreement, citing ambiguities in the contract and security concerns as the Maoist insurgency in Nepal became increasingly violent. In July 2002, a professional management team was installed at NBL, and in late 2002, a new CEO was appointed. The RBB is slated to be privatized in 2003.

Demand for new credit in Nepal was weak in 2001 and 2002, but the demand for credit to refinance from troubled debtors was substantial. Credit expanded in 2001 by about 10%, creating liquidity shortages at some commercial banks. In response, the NRB lowered Cash Reserve Requirements (CRRs) in January 2002 by 1.2% to around 9% (with a 3% of deposits required to be cash-in-vault). Also, refinancing rates were lowered 100–200 basis points to 2–5% in January 2002. In February 2002, the NRB set up a special refinancing facility at 3% interest to encourage commercial banks to make concessional loans to ailing businesses, particularly those in the garment and hotel enterprises hit by sharp declines in export demand and tourism.

At the end of FY 2000/01, in July 2001, net foreign assets held by monetary authorities in Nepal totaled \$1 billion, and broad money supply totaled about \$2.87 billion. The broad money supply grew by 21% in 1999, 21.7% in 2000, and 15% in 2001, considerably ahead of inflation rates for those years, mostly due to expansion of paper currency resulting from the progressive monetization of the Nepalese economy. However, for FY 2001/02, the IMF estimates that broad money growth slowed to 6% because of the weakened economy and stagnant bank deposits due to the voluntary disclosure of income scheme (VDIS) and other asset verification efforts by the tax authorities. Inflation as reflected in consumer prices has been substantially moderated since October 1997 when Nepal shifted its exchange regime to one pegged only to the Indian ru-

pee, instead of to a composite of currencies. Earlier, in February 1993, Nepal had ended its dual currency system where by both the Indian and Nepalese rupee were allowed to circulate freely. In 2001, weak domestic demand and stable Indian prices combined to produce a subdued inflation rate of 3%. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$962.8 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$2.9 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

The NIDC, along with the NRB, controlled the Security Exchange Center (SEC), set up in 1981, which was subsequently converted into the Nepal Stock Exchange (NEPSE) in 1984. In January 2003, there were 55 companies listed on the NEPSE, virtually all actively traded.

### 34 INSURANCE

The World Bank reported in November 2002 that Nepal had 13 insurance companies. All are government owned or have some government participation. Nepal joined the Multilateral Investment Guarantee Agency (MIGA) in 1993. The US Overseas Private Investment Corporation (OPIC) and other investment insurance programs are free to operate in Nepal without restriction. OPIC is authorized to offer its extended-risk guarantee facility to US investments in Nepal.

### 35 PUBLIC FINANCE

Nepal's fiscal year ends on July 15. The continued and increasingly violent Maoist insurgency, entering its tenth year in 2006, has had crippling impacts on Nepal's public finances, interfering with tax collections and disrupting production while at the same time requiring increased public spending on security and to repair damaged infrastructure. Most fundamentally, the insurgency hampers the government's efforts to address the poverty and other social problems fueling the rebellion. The perception of widespread corruption aggravates the present difficulties as does the global economic slowdown. Historically, most deficits on capital account have been financed by foreign grants, while domestic revenues have been sufficient to cover expenditures. Macroeconomic policy in FY 2001/02 was focused on increasing revenue collection, maintaining strict expenditure priorities, and containing domestic borrowing. A voluntary disclosure of income scheme (VDIS) plus other special revenue measures probably contributed to raising domestic revenues collected to 11.4% of GDP in FY 2000/01 and FY 2001/02, up from an average of less than 10.5% for the three previous fiscal years, but the relative rise in expenditures—1.5% of GDP—has outpaced the 0.9% rise in the revenue effort. Domestic public rose from about 14% of GDP in FY 1998/99 to about 18% of GDP in FY 2001/02, raising concerns that with increased domestic financing, in an environment in which bank deposit rates are stagnant, banks will have to draw on Nepal's scarce hard currency reserves. For FY 2000/01 the CIA estimated Nepal's external debt at \$2.55 billion. By IMF estimates, total public debt in FY 2000/01 came to 49.9% of GDP, somewhat below the average for the previous five years of 52.2% of GDP.

#### Public Finance – Nepal (2003)

(In millions of rupees, central government figures)

<b>Revenue and Grants</b>	<b>61,250</b>	<b>100.0%</b>
Tax revenue	42,617	69.6%
Social contributions	...	...
Grants	8,372	13.7%
Other revenue	10,261	16.8%
<b>Expenditures</b>	<b>74,715</b>	<b>100.0%</b>
General public services	18,829	25.2%
Defense	7,450	10.0%
Public order and safety	7,065	9.5%
Economic affairs	16,454	22.0%
Environmental protection	...	...
Housing and community amenities	3,419	4.6%
Health	4,065	5.4%
Recreational, culture, and religion	...	...
Education	13,282	17.8%
Social protection	4,079	5.5%

(...) data not available or not significant.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were NR61,250 million and expenditures were NR74,715 million. The value of revenues was us\$804 million and expenditures us\$980 million, based on a market exchange rate for 2003 of us\$1 = NR76.141 as reported by the IMF. Government outlays by function were as follows: general public services, 25.2%; defense, 10.0%; public order and safety, 9.5%; economic affairs, 22.0%; housing and community amenities, 4.6%; health, 5.4%; education, 17.8%; and social protection, 5.5%.

### 36 TAXATION

The principle sources of domestic revenue are customs tariffs, value-added taxes (VAT), excise duties, and income taxes on personal and corporate incomes. There are also local development taxes, as well as license and registration fees for houses, land and vehicles.

The standard corporate income tax rate is 25%, with a minimum rate of 20%. However, financial institutions are liable for 30%. Capital gains are taxed at a 10% rate. Ordinary income cannot be offset by capital losses, and ordinary losses cannot be offset by capital gains.

The VAT was introduced in November 1997 as a reform designed to replace sales taxes and most excises. The "octori," a traditional local tax on trade, was also eliminated at this time. Five years after its introduction, however, the VAT had yet to be completely implemented, as indicated by a finding that whereas net taxes from VAT have increased 65% over the first five years, refunds have increased by a factor of 23. The VAT rate is 10% and is collected at every stage of selling goods and services. Goods exempted for the VAT include primary food stuffs, agricultural products, and industrial machinery. There is no VAT on goods for export, or on raw materials imported by an export promotion industry, nor the products of such an industry.

Excise taxes are applied mainly to goods deemed hazardous to health, such as alcoholic beverages, cigarettes and soft drinks. In January 2002, a new Excise Act went into effect that raised rates slightly as part of the government's effort to pay for increased security expenditures since 2001.

On April 1, 2002 the government put into effect a new Income Tax Act, replacing the previous act of 1958, and developed in close cooperation with the IMF. The new act covers all sources of income—from employment, business and investment—and encourages self-assessment and pooled depreciation. In July 2002, personal income tax brackets were adjusted upward somewhat. With these adjustments, there are two tax tiers, 15% and 25%. For individuals, income below NR65,000 (about \$850) is exempt, and for couples, NR85,000 (about \$2100). The highest marginal rate, 25%, applies to income above NR140,000 (about \$1850) for individuals, and NR160,000 (about \$2000) for couples.

In addition to regular taxes, the government has imposed a number of "security surcharges" to deal with the increased security expenditure needed to deal with the intensifying Maoist insurgency. Special fees of 3% have been added to the taxable income of individuals, couples, companies, partnerships and nonresident taxpayers. Surcharges of 1–3% have been applied to imports, plus a NR1 (about \$.013) per liter tax has been added to petroleum products. The government also mounted a voluntary disclosure

of income scheme (VDIS), which had questionable results. Over 3,000 new taxpayers were registered, but a simultaneous decline in bank deposits suggests more taxable income was being hidden than disclosed.

### 37 CUSTOMS AND DUTIES

Customs and duties are a principle source of domestic revenue. Import tariffs are generally assessed on an ad valorem basis, with duties ranging from 0–140%. Most primary products, including live animals and fish, enter duty-free. Machinery and goods related to basic needs are charged 5%. Duties on agricultural imports were fixed in 2003 at 10%. Cigarettes and alcoholic beverages are charged at 110%, although alcoholic beverages with more than 60% alcohol are prohibited altogether. Other prohibited imports include narcotic drugs and beef and beef products. Products that may be imported only under special licenses include arms, ammunition, and explosives; and communication equipment, including computers, TVs, VCRs, and walkie-talkies. Valuable metals and jewelry are prohibited except under bag and baggage regulations. According to the World Bank, Nepal's weighted average tariff rate in 2000, the most recent data available, was 17.7%. This average probably increased in 2001 and 2002 because of "security surcharges" levied on most imports. No special fee was assessed on goods with tariff rates less than 2.5%. For goods with charged duties up to 5%, the surcharge was 1%, and for all those with duties above 5%, the surcharge was 3%.

The export service charge is 0.5% and there are export duties on vegetable ghee and plastic goods of 2 to 10%. Prohibited exports include: archeological and religious artifacts; controlled wildlife; narcotics; arms, ammunition and explosives; industrial raw materials; imported raw materials, parts and capital goods; and timber and logs. Goods imported from India are granted a rebate of the application of ad valorem of 10% in tariff rates up to 40% and of 7% on rates above 40%.

Smuggling is substantial across the Indian border, especially on lumber goods, labor, construction equipment, currency and weapons. Gold smuggling is thought to be particularly large. Official records show substantial imports of gold, but few gold exports, even though it is well known that most of the gold imports are intended for the Indian market. Efforts to combat smuggling appeared to have at least changed the dominant mode from men driving trucks and buses to individuals, many women and children, driving bicycles.

### 38 FOREIGN INVESTMENT

Foreign direct investment in Nepal, always low in this land-locked kingdom, has seen annual decreases across the five years of the Ninth economic plan (1997/98 to 2001/02), from an annual total of \$11 million in 1997/98 to annual totals of \$6 million in both 2000/01 and 2001/02, according to IMF estimates. The fiscal year 1999/2000 actually had the lowest annual total, at \$3 million. In 2001, according to the government of Nepal, there were 670 foreign investment projects in the country, worth together about \$1 billion. Of these, 35% were Indian and 11% (69 projects) were from the United States with other prominent participants being Japan, China, Germany, and Korea. India's dominance is due not just to its proximity, but also to incentives for Indian investors to take advantage of the preferential trade regime India extends to Nepal's

manufactures through their bi-lateral trade agreements. The bi-lateral trade treaty signed 4 December 1996 lifted all customs duties on Nepalese industrial products, while imposing more lenient rules of origin than the international norm. The renewed treaty in March 2002, while imposing quotas on four primary and raw material exports, preserved the preferences on industrial products intact. Besides India, Nepal has negotiated bilateral investment agreements with Bhutan, Germany, and Norway.

In conjunction with the advent of multiparty democracy in 1991, Nepal has undertaken economic reforms that, at least on paper, have been aimed at making Nepal increasingly attractive to foreign investors, beginning with the Foreign Investment and One Window Policy Act of 1992 and the establishment of an Investment Promotion Board. Steps have been taken to privatize dozens of government-owned public enterprises (PEs), and to open up for private investment previous government monopolies in telecommunications, hydroelectric power, and air transportation.

Licensing requirements have been streamlined, and 100% foreign ownership is now permitted. In 1999, minimum investment requirements were also lifted. The legal basis for the full-scale private development of Nepal's massive hydroelectric resources and private export to India have been laid. The first fully private power projects are now in operation, though less than 1% of the potential has been exploited. Repatriation on income by foreign permanent nonresidents is taxed at 10%. Foreign investors are entitled to repatriate outside of Nepal the amount received from the sale of all or part of shares in their Nepali investment, and all amounts received as profits or dividends.

The US State Department, however, has reported that the implementation of the liberalizing reforms has been distorted not only by bureaucratic delays and inefficiencies, but by contradictory policies that mitigate and even negate the reforms. Many sectors remain closed to foreign investment, including financial services and management consulting, as well as traditional cottage industries, defense-related industries, alcohol and tobacco. On intellectual property rights both legislation and practice are considered inadequate. All foreign investment and technology transfer must have specific permission from the Department of Industries. Problems doing business in Nepal, even aside from the intensifying insurgency, make a formidable list: lack of direct access to airports, poor ground transportation, lack of skilled labor and technological expertise, unclear rules on labor relations, inadequate power, inadequate water supply, few local raw materials, non-transparent and arbitrary tax administration, and inadequate and obscure commercial legislation. One result, according to the US State Department, is the necessity for constant interaction with government officials, far from the "One Window" policy set out in the 1992 legislation.

In 2002, the government has spoken about plans for new bankruptcy and debt recovery legislation, new intellectual property legislation, and intentions to open the country to international accounting and auditing firms, but these have not taken concrete form. For 2002/03 perhaps the promising step is the introduction of a 10 year multi-entry visa for nonresident Nepalis (NRNs) willing to invest in Nepal.

In 2004, there were 927 foreign investment projects in Nepal, whose value rose to approximately \$1.7 billion. The total share of FDI included in these projects was \$442 million. Most of the in-

vestments went to the manufacturing and tourism industry. Major investors included India, the United States, China, the British Virgin Islands, Norway, Japan, and South Korea. Although the government has made some progress in creating a better business environment for foreign investors, Nepal remains an inaccessible country (with the nearest accessible port in Calcutta, India), with a very poor infrastructure, a poorly educated population, scarce natural resources, an inefficient energy sector, and an obtuse law system.

### 39 ECONOMIC DEVELOPMENT

In July 2002, Nepal completed its ninth economic planning period, and embarked on its tenth (2002/03 to 2007/08). It has not been a triumphant progression. Buffeted by a sagging world economy, the aftermath of the 11 September 2001 terrorist attacks on the United States, and an increasingly violent Maoist rebellion, Nepal reported its lowest growth rate—0.8% of GDP—in over a decade, and a 23.4% plunge in development spending, a serious stumble in the moderate, but steady progress it had been making in the 1990s.

Planned economic development began in 1953 with construction of roads and airfields and of irrigation projects to bring more acreage under cultivation. In 1956, these projects were integrated into the first five-year plan (1956–61) to assist existing industries, revive and expand cottage industries, encourage private investment, and foster technological training. With the second plan (1962–65), the government introduced land reform with programs to set ceilings on land holdings, to protect tenancy to redistribute land to the landless, and to initiate a compulsory saving plan. Though declared a success at the time, land holdings have remained seriously skewed in distribution mainly because large land holders were able parcel out land to relatives, and because the poor have been forced to sell their redistributed land to pay debts. The third economic plan (1965–70), was the first to be administered under the panchayat system, the system overthrown in the economic reforms of the early 1990s. The fourth (1970–75) and fifth (1975–80) five-year plans continued to emphasize infrastructural development, primarily in transportation, communications, electricity, irrigation, and personnel. The sixth development plan (1980–85) allocated nearly one-third of its total expenditure to agriculture and irrigation. However, money targeted for development projects was used for other purposes.

The objectives of the seventh plan (1986–90) were to increase production, create opportunities for employment, and fulfill basic needs. Of the total expenditure, 65% was to be used for investment, allocated as follows: agriculture, irrigation, and forestry, 30.6%; industry, mining, and electricity, 26%; transportation and communications, 17.7%; social services, 25.2%; and other sectors, 0.5%. Foreign aid was expected to fund about 70% of these projects.

With the establishment of multiparty government in 1991, a comprehensive set of reforms affecting all sectors of the economy was initiated under the eighth five-year plan (1992–97). Nepal's public enterprises (PEs) were slated for privatization, government monopolies in hydroelectric power, telecommunications, and transportation were opened to private investment, customs were streamlined, and the country declared open for foreign investment. The ninth plan (1997–2002) emphasized investments

in agriculture and hydroelectric power, liberalization and privatization of the economy, and a thorough reform of the tax system and banking practices. Under the tenth plan, to run until 2007/08, priorities have shifted to security and poverty reduction, but with a renewed emphasis on privatization and the effort to encourage private investment.

Nepal has considerable development potential. Its vast hydroelectric power resources are estimated at 83,000 MW, of which less than 1% has been brought on line. The legal framework for the full-scale private development of the hydro-electric sector, with private exports to India, is in place. Other promising growth sectors are air transportation and telecommunications, both open to private investment, and tourism. There is growth potential in both malefactors and agricultural products for export. Although there have been many slips in the implementation of the government's economic liberalization program, it has maintained a stable, non-inflationary currency regime, and, until the eruption of problems in 2001, a record of unspectacular but steady 5% annual growth rates in GDP. The government also claims improvement in the reduction of poverty, from 42% of the population in 1997 to 38% in 2003.

Nevertheless, the challenges to Nepal's economic development are formidable. These include limited natural resources, difficult topography, poor infrastructure, landlocked location, weak human capital (with both low levels of education and health), poor public management, and a long history of political interference in the economy. Nepal's economy is characterized by a high vulnerability to shocks, natural and man-made. Its growth has been arrested since 2001, and with a per capita income below \$300 in nominal terms, it remains one of the world's poorest countries. It remains to be seen whether its economic reform programs will be swept away, or prove to be built solidly enough to weather the passing storms.

The economy has been expanding modestly in 2003, and 2004, and is expected to continue the trend for at least a couple of more years. The main growth engines of the economy are remittances from Nepali workers overseas. The on-going Maoist conflict, as well as expected insufficient precipitations (which will negatively affect the agriculture sector), will likely place the expansion rate of the economy below its potential.

#### 40 SOCIAL DEVELOPMENT

The government maintains a countrywide village development service, which endeavors to meet the villagers' needs for food, clothing, shelter, health services, and education. Village development workers demonstrate improved methods of sanitation and health and teach the villagers to read and write. The Employee Provident Fund administers a program of old age, disability, and death benefits for government and corporate employees, funded by contributions from both employers and employees. Pensions are provided as a lump sum equal to contributions plus interest. Retirement is at age 55. There is a social assistance program that provides benefits to Nepalese citizens aged 75 or older. Employees of establishments with 10 or more workers are covered by work injury insurance, which is funded by the employer through a private carrier. Severance pay is also mandated in some circumstances.

Women are subject to gender discrimination, especially in traditional rural areas. The present constitution has strengthened

provisions protecting women, including equal pay for equal work, but few women work in the money economy. Women's inheritance and marriage rights have been strengthened, but women suffer discrimination in both areas. Domestic abuse and violence against women are serious societal problems that citizens and governmental authorities do not recognize. The tradition of dowry remained strong and the killing of brides for default are still reported in 2004. There are also reports of women being abused because they are suspected of witchcraft. The abduction of young girls to be taken to India to work as prostitutes is a serious problem.

The human rights record remained poor. Members of lower castes suffer from widespread discrimination and many are in positions of bonded labor. Senior positions in politics and the civil service are dominated by urban-oriented castes, such as the Brahmin and Chhetri.

#### 41 HEALTH

As of 2004, there were fewer than 5 physicians, 26 nurses, and 7 midwives per 100,000 people. In the same year, there were 9 private hospitals and at least 10,000 private pharmacies in the country. Most of the medical personnel work in the Kāthmāndu Valley and health services elsewhere are in short supply. The public sector provides most of the country's health care. Traditional medicine and faith healing are still used frequently, especially in the hill districts. Only one in 10 rural dwellers lived within one hour of a hospital. Total health care expenditure was estimated at 5.4% of GDP.

Although protected by mountain barriers, Nepal is in frequent danger from epidemics, notably cholera. Japanese encephalitis is endemic in the Terai plain and inner Terai zone. Overall, 70% of illness is from communicable disease. Common afflictions are black fever (*kala-azar*), amoebic dysentery, eye diseases, typhoid, and venereal diseases. Malnutrition, contaminated water, and inadequate sanitation cause widespread health problems. Improved health programs in rural areas have helped control malaria, leprosy, and tuberculosis. However, tuberculosis remains a significant health problem. Approximately 81% of the population had access to safe drinking water and 27% had adequate sanitation.

Immunization rates for children up to one year old were as follows: tuberculosis, 96%; diphtheria, pertussis, and tetanus, 78%; polio, 78%; and measles, 85%. Major causes of illness in children are perinatal conditions, diarrhea, measles, and severe respiratory conditions.

Nepal has a large number of drug addicts. Stringent amendments to the Narcotic Drug Control Act were adopted in 1986 in response to pressure from the United States and the United Kingdom.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 32.9 and 10 per 1,000 people. Birth control was used by 29% of married women. The infant mortality rate was 66.98 per 1,000 live births in 2005. In the same year, the average life expectancy was 62.73 years. Malnutrition is a common problem. Over half of all children under five were underweight. It was estimated that 54% of children under five were malnourished.

As of 2004, there were approximately 61,000 people living with HIV/AIDS in the country. There were an estimated 3,100 deaths

from AIDS in 2003. The HIV/AIDS prevalence was 0.50 per 100 adults in 2003.

## 4<sup>2</sup> HOUSING

Most of the population lives in rural villages where houses are made of stone or mud bricks, with thatched roofs and raised eaves. Bamboo and reed huts are also prevalent. Most houses have two stories, but some contain only two rooms, a sleeping room and a room for cooking. In slum areas, wood, straw, paper, and plastic sheeting are used for temporary shelters. The well-constructed houses of the Sherpas are generally built of stone and timber, roofed with wooden slats.

In 2001, there were about 3,598,212 dwellings serving about 4,174,372 households. The average household size is 5.4 members. About 49.7% of all households live in temporary housing, those made with bamboo, reeds, mud, or other nondurable materials. About 23.5% live in permanent structures made of concrete, brick, stone, tile, and other durable materials. About 88.3% of all dwellings are owner occupied. About 93% of rural dwellings are owner occupied; compared to 60% of urban dwellings. A little over 53% of all households have access to piped water and only 46% have toilet facilities. Wood is the most commonly used fuel for cooking. Only about 39.8% of households have electric lighting.

## 4<sup>3</sup> EDUCATION

Traditional schools (*pathshalas*) provide a classical education emphasizing languages. Gompas along the northern border train boys and men to become Buddhist religious leaders. English schools are modeled after those in India. Under a 1954 plan, a national school system with a single curriculum has been replacing the traditional schools, although English schools have increased.

Free primary education was introduced in 1975. Schooling is compulsory for five years, which is the duration of primary school studies. Students then move on to either technical school (8 to 10 years) or general secondary school (about 7 years). In 2001, about 12% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2001 was estimated at about 70% of age-eligible students; 75% for boys and 66% for girls. Secondary school enrollment in the same year was about 43% of eligible students; 49.8% for boys and 37.4% for girls. It is estimated that about 80% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 36:1 in 2003; the ratio for secondary school was about 35:1. In 2003, private schools accounted for about 14.7% of primary school enrollment and 27.8% of secondary enrollment.

Tribhuvan University is composed of five institutes (medicine, engineering, science, agriculture and forestry), four research centers, and four faculties (humanities and social science, management, law, and education) at 61 constituent and 140 affiliated campuses. Other institutions of higher learning include the Mahendra Sanskrit University, Kāthmāndu University, Purbanchal University, and B. P. Korala Institute of Health Science. In 2003, about 5% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 48.6%, with 62.7% for men and 34.9% for women.

As of 2003, public expenditure on education was estimated at 3.4% of GDP, or 14.9% of total government expenditures.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library in Kāthmāndu has 75,000 volumes in Nepali, English, Sanskrit, Hindi, and other Indian languages. The Bir Library, founded in the 14th century, contains 15,000 manuscripts. Other important collections are maintained by the library of Tribhuvan University (18,000 volumes) and the Singh Darbar, Nepal-Bharat (41,000), and the British Council libraries, all in Kāthmāndu. The Kaiser Library, also in Kāthmāndu, contains the private collection of Kaiser Shumsher Jung Bahadur Rana; with about 50,000 volumes, it also serves as a reference library open for public use. The Library and Documentation Center of the Royal Nepal Academy of Science and technology maintains a collection of about 13,000 books. There are about 600 public libraries within the country, many of which have fairly small collections and some of which are located in community centers.

The National Museum (1928) and the Natural History Museum (1975) are both in Kāthmāndu, along with a postage museum and the King Tribhuvan Memorial Museum. There is a Museum of Excavated Archeological Antiquities in Lalitpur and a National Art Gallery housed in the Palace of Fifty-Five Windows in Bhaktapur.

## 4<sup>5</sup> MEDIA

Postal, telephone, and telegraph services are operated by the government. Telephone service connects Kāthmāndu with Birganj on the Indian frontier, and another line links the capital with foothill towns in the eastern Terai. The telecommunications network includes a 5,000-telephone automatic exchange of over 90 radio relay stations, and an earth satellite station established with help from the United Kingdom in 1982. In 2003, there were an estimated 16 mainline telephones for every 1,000 people; about 319,500 people were on a waiting list for telephone service installation. Also in 2003, there were approximately two mobile phones in use for every 1,000 people.

Radio Nepal, a commercial, semigovernmental network, broadcasts in Nepali and English on both short and medium wavelengths. Television was introduced into the Kāthmāndu Valley in 1986 and the Nepalese Television Corporation, operated by the government, broadcasts about 23 hours a week. While there are private stations, media restrictions imposed in 2005 by King Gyanendra forced many of these stations to cease broadcasting political news. In 2003, there were an estimated 39 radios and 8 television sets for every 1,000 people. The same year, there were 3.7 personal computers for every 1,000 people and three of every 1,000 people had access to the Internet. There were eight secure Internet servers in the country in 2004.

Dailies, weeklies, and monthlies in Nepali, Newari, Hindi, and English are published mainly in Kāthmāndu. The largest daily newspapers (with 2002 circulation) are the *Gorkhapatra* (75,000), the *Nepali Hindi Daily* (62,000), *Samaya* (18,000), and the English-language *Rising Nepal* (20,000). The 2005 media restrictions set strict guidelines for print media, so that some papers no longer publish editorials and practice self-censorship.

Though the constitution specifies that the government may not censor expression, including that of the press, the press is licensed by the government, and licenses have been suspended and indi-

viduals arrested for criticism of the monarchy or support of a political party.

#### 46 ORGANIZATIONS

The leading commercial organization is the Federation of Nepalese Chambers of Commerce and Industry. The variety of professional organizations includes the Garment Association of Nepal, the Nepal Journalist Association, and the Nepal Drivers' Association.

National youth organizations include the Foolchowī Youth Star Club, the All Nepal National Free Students Union, Democratic National Youth Federation, Junior Chamber, the Nepal Children's Organization, the Council of Free Students Union of Nepal, the Nepal Scouts Associations, YMCA/YWCA, and Youth for Human Rights, Education and Development. There are several active sports associations as well. National women's organizations include the Nepal Women's Organization, the Nepal Association of University Women, and the Women's Development Society.

Organizations involved in educational pursuits include the Environment, Culture, Agriculture, and Research Development Society in Nepal and the Royal Nepal Academy of Science and Technology. Nepal Medical Association promotes research and education on health issues and works to establish common policies and standards in healthcare. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions. The World Conservation Union, promoting education and action concerning environmental issues, has an office in Kāthmāndu.

International Organizations with national chapters include Amnesty International, CARE Nepal, Defence for Children International, Caritas, Habitat for Humanity, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

In 1951, the government of Nepal reversed its long-standing policy and began to encourage visitors; before then, mountaineering expeditions had been permitted into the country only under severe official scrutiny and restraining regulations. For mountain trekkers, travel agencies in Kāthmāndu provide transportation to mountain sites, as well as Sherpa guides and porters. Tents, sleeping bags, and other mountain-climbing gear are available in Kāthmāndu. White-water rafting and kayaking are also popular.

Tourism was first officially included among the country's major potential assets in 1956. There were 338,132 tourists who visited Nepal in 2003, of whom 25% came from India. The 20,063 hotel rooms had 38,270 beds. Tourist expenditure receipts totaled \$232 million that year. A valid passport and visa are required to enter Nepal. Upon arrival visitors may obtain a tourist visa at specified ports of entry.

In 2004, the US Department of State estimated the daily cost of travel in Kāthmāndu and Pokhara at \$188. Other areas were significantly less expensive at \$92 per day.

#### 48 FAMOUS NEPALESE

Buddhism, one of the world's great religions, is based on the teachings of Siddhartha Gautama, who became known as the Buddha ("Enlightened One"). He was born (traditionally about 624 BC but according to most modern scholars about 563 BC) in Lumbini, near Kapilavastu in the Terai, then part of India, and died

at Kushinagara (traditionally about 544 BC but according to the modern view about 483 BC).

Amar Singh Thapa, Nepalese military leader of the 19th century and rival of Gen. David Ochterlony in the war between British India and Nepal, is a national hero. The two best-known Rana prime ministers were Sir Jung Bahadur Rana (1817–77) and Sir Chandra Shamsher Jang Rana (1863–1929). The most highly regarded writers are Bhanubhakta, a great poet of the 19th century, and the dramatist Bala Krishna Sama (Shamsher, 1902–81).

King Mahendra Bir Bikram-Shah (1920–72), who introduced the partyless political system, based on the Nepalese tradition of the village panchayat (council), was succeeded on the throne by his son, King Birendra Bir Bikram Shah Dev (1945–2001), who democratized the panchayat system. Birendra and most of his family were killed in 2001 by his eldest son and heir, Dipendra (1971–2001), who killed himself in the rampage. Gyanendra Bir Bikram Shah Dev (b.1947) ascended to the throne in June 2001. Well-known political leaders include the brothers Matrika Prasad Koirala (b.1912), head of the Nepali Congress Party and the first post-Rana prime minister of Nepal (1951–52 and 1953–55), and Bisweswar Prasad Koirala (1915–82), head of the Nepali Congress Party and the first elected prime minister of Nepal (1959–60).

World renown was gained for Nepal by a Sherpa porter and mountaineer, Tenzing Norgay (Namgyal Wangdi, 1914–86), who, with Sir Edmund Hillary, a New Zealander, ascended to the summit of Mt. Everest in 1953.

#### 49 DEPENDENCIES

Nepal has no territories or colonies.

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# NEW ZEALAND



**CAPITAL:** Wellington

**FLAG:** The flag has two main features: the red, white, and blue Union Jack in the upper left quarter and the four-star Southern Cross in the right half. On the blue state flag the stars are red outlined in white. On the red national flag, used by individuals or commercial institutions at sea, the stars are white.

**ANTHEM:** *God Save the Queen* and *God Defend New Zealand* have, since 1977, enjoyed equal status.

**MONETARY UNIT:** The New Zealand dollar (NZ\$) is a paper currency of 100 cents; it replaced the New Zealand pound on 10 July 1967. There are coins of 5, 10, 20, and 50 cents and 1 and 2 dollars, and notes of 5, 10, 20, 50, and 100 dollars. NZ\$1 = US\$0.69930 (or US\$1 = NZ\$1.43) as of 2005.

**WEIGHTS AND MEASURES:** Metric weights and measures are used.

**HOLIDAYS:** New Year's Day, 1 January; Waitangi Day, 6 February; Anzac Day, 25 April; Queen's Birthday, 1st Monday in June; Labor Day, 4th Monday in October; Christmas Day, 25 December; Boxing Day, 26 December. Movable holidays are Good Friday and Easter Monday. Each province has a holiday on its own anniversary day.

**TIME:** 12 midnight = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in the southwest Pacific Ocean, New Zealand proper, with a total area of 268,680 sq km (103,738 sq mi), consists of the North Island, covering 114,669 sq km (44,274 sq mi) including small islands nearby; the South Island, 149,883 sq km (57,870 sq mi); Stewart Island, 1,746 sq km (674 sq mi); and various minor, outlying islands. Comparatively, the area occupied by New Zealand is about the size of the state of Colorado. The Chatham Islands, lying 850 km (528 mi) E of Lyttelton, on South Island, have a land area of 963 sq km (372 sq mi). Other outlying islands have a combined area of 778 sq km (about 300 sq mi). New Zealand extends 1,600 km (994 mi) NNE–SSW and 450 km (280 mi) ESE–WNW. It has a total coastline of 15,134 km (9,404 mi).

New Zealand's capital city, Wellington, is located on the southern tip of North Island.

## <sup>2</sup> TOPOGRAPHY

Less than one-fourth of the land surface of New Zealand lies below the 200-m (656-ft) contour. The mountain ranges in the North Island do not exceed 1,800 m (6,000 ft) in height, with the exception of the volcanic peaks of Egmont, or Taranaki (2,518 m/8,261 ft), Ruapehu (2,797 m/9,176 ft), Ngauruhoe (2,290 m/7,513 ft), and Tongariro (1,968 m/6,457 ft), the last three of which are still active. This volcanic system gives rise to many hot springs and geysers.

The South Island is significantly more mountainous than the North Island, but is without recent volcanic activity. The Southern Alps, running almost the entire length of the South Island from north to south, contain 19 peaks of 3,000 m (9,800 ft) or above, of which the highest is Mt. Cook or Aorangi, 3,764 m (12,349 ft). There are also several glaciers in the Southern Alps, the largest being the Tasman Glacier, 29 km (18 mi) long and 1 km (0.6 mi)

wide. The rivers are mostly swift-flowing and shallow, few of them navigable. There are many lakes, those in the South Island being particularly noted for their magnificent mountain scenery.

Seismic activity in New Zealand causes frequent earthquakes. Though most of these are moderate or light in magnitude (at 5.0 or lower on the Richter scale), there are periodic earthquakes of higher magnitudes. On 4 May 2003, a 6.7 magnitude earthquake occurred at the Kermadec Islands; the same year, a 7.2 magnitude quake occurred at South Island on 21 August, causing structural damage but no reported injuries. A 7.1 magnitude earthquake occurred on 22 November 2004 with a center off the coast of South Island.

## <sup>3</sup> CLIMATE

New Zealand has a temperate, moist ocean climate without marked seasonal variations in temperature or rainfall. The prevailing winds are westerly, with a concentration of strong winds in the Cook Strait area. The generally mountainous nature of the country, however, causes considerable variation in rainfall (e.g., between the eastern and western sides of the Southern Alps), and, by preventing stratification of air into layers of different density, results in an absence of extensive cloud sheets and a consequent high percentage of sunshine. Mean annual temperatures at sea level range from about 15°C (59°F) in the northern part of the North Island to 12°C (54°F) in the southern part of the South Island. Mean annual rainfall ranges from around 30 cm (12 in) near Dunedin to more than 800 cm (315 in) in the Southern Alps.

## <sup>4</sup> FLORA AND FAUNA

Like other regions separated from the rest of the world for a long period, New Zealand has developed a distinct flora. About 75% of the native flora is unique, and it includes some of the world's oldest plant forms. However, the flowering plants, conifers, ferns, ly-

copods, and other vascular tracheophytes that constitute much of the land vegetation do show affinities with plants of the Malayan region, supporting the theory of an ancient land bridge between the two regions. More than 250 species are common to both Australia and New Zealand. The Antarctic element, comprising more than 70 species related to forms in the flora of South America and the Southern Ocean islands, is of great interest to botanists. The kauri pine, now found only in parts of the North Island, for more than a century has been world famous for its timber. The rimu and the totara also are timber trees. Other handsome trees include the pohutukawa and other species of rata and kowhai. New Zealand flax, formerly of great importance in the Maori economy, is found in swampy places. Undergrowth in the damp forests consists largely of ferns, of which there are 145 species; they clothe most of the tree trunks and branches, and tree ferns form part of the foliage. Tussock grass occurs on all mountains above the scrub line and over large areas in the South Island.

Apart from seals and two species of bats, New Zealand has no indigenous land mammals. Some of the land mammals introduced to New Zealand have become pests, such as the rabbit, the deer, the pig (now wild), and the Australian possum. Sea mammals include whales and dolphins.

There is a great diversity of birds, some 250 species in all, including breeding and migratory species. Among the flightless birds the most interesting is the kiwi, New Zealand's national symbol and the only known bird with nostrils at the tip of the bill instead of at the base. Other characteristic birds are the kea, a mountain parrot, and the tui, a beautiful songbird. All but one of the genera of penguins are represented in New Zealand. Several species of birds, the most famous being the Pacific godwit, migrate from breeding grounds in the Arctic Circle to spend spring and summer in New Zealand. There are many flightless insects and a diversity of small life forms.

## 5 ENVIRONMENT

Because of its relatively small population, New Zealand's natural resources have so far suffered less from the pressures of development than have those of many other industrialized nations. Air pollution from cars and other vehicles is an environmental concern in New Zealand. The use of fossil fuels contributes to the problem. New Zealand's concern about the effects of air pollution on the atmosphere is, in part, due to the fact that the nation is among the world leaders in incidence of skin cancer. In 1996, New Zealand produced 29.7 million metric tons of carbon dioxide emissions from industrial sources. In 2000, the total of carbon dioxide emissions within the country was at 32.1 million metric tons.

Water pollution is also a problem due to industrial pollutants and sewage. The nation has 327 cu km of renewable water resources, of which 44% of the annual withdrawal is used for farming activity and 10% for industrial purposes. The nation's cities have produced an average of 2.3 million tons of solid waste per year.

Another environmental issue in New Zealand is the development of its resources—forests, gas and coal fields, farmlands—without serious cost to natural beauty and ecological balance. Two-thirds of the nation's forests have been eliminated. Principal governmental agencies with environmental responsibilities are the Commission for the Environment (established in 1972), an

investigative and advisory agency that audits environmental impact reports; the Environmental Council (1970), an advisory body that publishes information on environmental issues; and the Nature Conservation Council (1962), an advisory body that may inquire into the environmental effects of proposed public or private works projects and is free to make its reports and recommendations public.

In 2003, about 29.6% of the total land area was protected. There are two natural UNESCO World Heritage Sites in the country and six Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 8 types of mammals, 74 species of birds, 12 types of reptiles, 4 species of amphibians, 16 species of fish, 5 types of mollusks, 9 species of other invertebrates, and 21 species of plants. Endangered animal species in New Zealand include the takahe, two species of petrel (black and New Zealand Cook's), the black stilt, orange-fronted parakeet, kakapo, and Codfish Island fernbird. Extinct are the bush wren, laughing owl, Delcourt's sticky-toed gecko, South Island kokako, New Zealand quail, and New Zealand grayling. Endangered species on the Chatham Islands were the Chatham Island petrel, magenta petrel, Chatham Island oystercatcher, New Zealand plover, Chatham Island pigeon, Forbes's parakeet, and Chatham Island black robin. The Chatham Island swan and Chatham Island rail are extinct.

## 6 POPULATION

The population of New Zealand in 2005 was estimated by the United Nations (UN) at 4,107,000, which placed it at number 123 in population among the 193 nations of the world. In 2005, approximately 12% of the population was over 65 years of age, with another 22% of the population under 15 years of age. There were 97 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.7%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 4,702,000. The overall population density was 15 per sq km (39 per sq mi), with nearly 75% of the population living on the North Island.

The UN estimated that 86% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.73%. On the North Island, the capital city, Wellington, had a population of 343,000 in that year. The largest urban area, also on the North Island, is Auckland (1,152,000). Other large cities on the North Island include Hamilton (148,625), Palmerston North (70,951), and Tauranga (70,803). On the South Island, the largest cities include Christchurch (307,179) and Dunedin (109,503).

## 7 MIGRATION

Between 1946 and 1975, New Zealand experienced a net gain from migration of 312,588; from 1975 to 1990, however, there was a net outflow of 110,877. Under new immigration policy guidelines issued by the government in May 1974, immigrants are selected according to specific criteria, such as job skills, health, character, age, and family size. The same restrictions now apply to British subjects as to others who wish to take up permanent residence. Citizens of Fiji, Tonga, and Western Samoa may be admitted under special work permits for up to 11 months. About 7,000 Indo-Chinese refugees settled in New Zealand between 1975 and 1990. In 1998 immigration policy initiatives were passed aimed at mak-





LOCATION: 33° to 53°S; 162°E to 173°W. TERRITORIAL SEA LIMIT: 12 miles.

ing New Zealand a more appealing choice for entrepreneurs, investors, and students. In 2004, New Zealand's unemployment rate was at a 17-year low of 4%. New Zealand changed its point system to make it easier for skilled immigrants to gain visas by adding points if applicants could fill jobs in which there are "absolute skill shortages," including automotive mechanics, radiologists, electricians, and speech therapists. In 2005, a campaign was launched to

attract immigrants in medicine and education and the immigrant quota was raised from 50,000 to 51,500.

The number of asylum applications increased from 712 in 1995 to 1,964 in 1998. In 2004, New Zealand harbored 5,175 refugees and 746 asylum seekers. New Zealand is one of only 10 countries in the world with an established resettlement program, with an annual quota of 750 as of 2006.

Australia is the preferred destination for New Zealanders departing permanently or long term. In 2003 worker remittances were \$234 million. In 2005, the net migration rate was an estimated 3.83 migrants per 1,000 population.

## **8 ETHNIC GROUPS**

About 75% of the population is classified as New Zealand European; 15% are Maori and 6.5% are Pacific Islander. Less than 5% are Asia.

The most significant minority group, the indigenous Maori people, is a Polynesian group with a distinctive culture and a well-ordered social system. Although the Treaty of Waitangi (1840) guaranteed to the Maori people all the rights and privileges of British subjects and full and undisturbed possession of their lands, these guarantees were often overlooked. As a result of war and disease, the Maori population declined to fewer than 42,000 by 1896. At the turn of the century, however, a group calling itself the Young Maori Party began to devote itself to the promotion of Maori welfare and status. Although Maori acquisition and development of land have been promoted, there is not enough land to afford a livelihood to more than about 25% of the Maori population. Thus, many Maoris leave their tribal villages to seek job opportunities in the towns and cities. By 1981, four-fifths of all Maoris lived in urban areas.

Increasing numbers of migrants from New Zealand's former colonies and from other Pacific islands have come to New Zealand. Many of these, especially the Cook Islanders, are Polynesians having ethnic and linguistic ties with the Maoris.

## **9 LANGUAGES**

English is the universal language, although Maori, a language of the Polynesian group, still is spoken among the Maori population and is taught in Maori schools. It is the first language of about 50,000 Maori New Zealanders and became an official language (with English) in 1987, with the right of use in courts of law and before a number of tribunals. There are Maori-language preschools, immersion primary schools, and many radio stations.

## **10 RELIGIONS**

According to the 2001 census, about 55% of the total population were nominally Christian. Anglicans were the largest denomination with about 15% of the population. About 13% were Roman Catholic, 11% Presbyterians, 3% Methodists, 1% Baptist, 1% Mormon, and 1% Ratana, a Maori Christian group. Ringatu and Rātana are small Christian sects that are indigenous to New Zealand. About 1% of the population were Hindu and 1% Buddhist. About 26% of the population claimed no religion. There are also small numbers of Sikhs, Taoists, Muslims, Hindus, and Rastafarians.

## **11 TRANSPORTATION**

The mountainous nature of New Zealand has made the development of rail and road communications difficult and expensive, particularly on the South Island. In 2004, there were 3,898 km (2,425 mi) of state-owned railways in operation, all of it narrow gauge. New Zealand has electrified some 506 km (314 mi) of its rail lines in order to reduce dependence on imported fuel.

Capital investment in roads exceeds that for all other forms of transport service. Total length of maintained roadways as of

2002 was 92,382 km (57,462 mi), of which 59,124 km (36,775 mi) were paved, including 169 km (105 mi) of expressways. As of 2003, registered motor vehicles included 2,473,500 passenger cars and 468,800 commercial vehicles. The 1,609 km (999 mi) of waterways are of little importance in satisfying total transportation requirements.

New Zealand's merchant marine in 2005 consisted of 13 ships of 1,000 GRT or more, totaling 77,523 GRT. New Zealand is largely dependent on the shipping of other nations for its overseas trade. In 1974, a government-owned firm, the Shipping Corp. of New Zealand, was set up to operate shipping services; its trade name, the New Zealand Line, was adopted in 1985. Auckland and Wellington, the two main ports, have good natural harbors with deep-water facilities and modern port equipment. Other ports capable of efficiently handling overseas shipping are Whangarei, Tauranga, Lyttelton (serving Christchurch), Bluff, Napier, Nelson, Dunedin, and Timaru.

New Zealand had an estimated 116 airports in 2004, of which 46 had paved runways as of 2005. Thirteen are major air facilities, of which those at Auckland, Christchurch, and Wellington are international airports. The government-owned Air New Zealand Ltd. operates air services throughout the Pacific region to Australia, Singapore, Hong Kong, Tokyo, Honolulu, and Los Angeles, among other destinations. In 2003, 12.259 million passengers were carried on scheduled domestic and international flights.

## **12 HISTORY**

New Zealand's first people were the Maoris. Owing to the absence of written records, it is impossible to give any accurate date for their arrival, but according to Maori oral traditions, they migrated from other Pacific islands to New Zealand several centuries before any Europeans came, with the chief Maori migration taking place about 1350. It seems likely, however, that the Maoris arrived from Southeast Asia as early as the end of the 10th century. The first European to discover New Zealand was Abel Tasman, a navigator of the Dutch East India Company, who sighted the west coast of the South Island in 1642. He did not land, because of the hostility of the Maori inhabitants. No other Europeans are known to have visited New Zealand after Tasman until Captain James Cook of the British Royal Navy made his four voyages in 1769, 1773, 1774, and 1777. In this period, he circumnavigated both islands and mapped the coastline.

In the 1790s, small European whaling settlements sprang up around the coast. The first mission station was set up in the Bay of Islands in 1814 by Samuel Marsden, chaplain to the governor of New South Wales. In 1840, the Maori chieftains entered into a compact, the Treaty of Waitangi, whereby they ceded sovereignty to Queen Victoria while retaining territorial rights. In the same year, the New Zealand Company made the first organized British attempt at colonization. The first group of British migrants arrived at Port Nicholson and founded the city of Wellington. The New Zealand Company made further settlements in the South Island: in Nelson in 1842, in Dunedin in 1848 (with the cooperation of the Presbyterian Church of Scotland), and in Canterbury in 1850 (with the cooperation of the Church of England). After the Maori Wars (1860–70), which resulted largely from discontent with the official land policy, the colony of New Zealand rapidly increased in wealth and population. Discovery of gold in 1861 resulted in a

large influx of settlers. The introduction of refrigerated shipping in 1882 enabled New Zealand to become one of the world's greatest exporters of dairy produce and meat. The depression of the early 1930s revealed to New Zealand the extent of its dependence on this export trade and led to the establishment of more local light industry.

The British Parliament granted representative institutions to the colony in 1852. In 1907, New Zealand was made a dominion, and in 1947 the New Zealand government formally claimed the complete autonomy that was available to self-governing members of the British Commonwealth under the Statute of Westminster, enacted by the British Parliament in 1931.

New Zealand entered World Wars I and II on the side of the United Kingdom; New Zealand troops served in Europe in both wars and in the Pacific in World War II. After World War II, New Zealand and US foreign policies were increasingly intertwined. New Zealand signed the ANZUS Pact in 1951 and was a founding member of the Southeast Asia Treaty Organization (SEATO) in 1954. New Zealand troops fought with UN forces in the Korean conflict and with US forces in South Vietnam. The involvement in Vietnam touched off a national debate on foreign policy, however, and all New Zealand troops were withdrawn from Vietnam by the end of 1971. New Zealand's military participation in SEATO was later terminated.

In 1984, a Labour government led by Prime Minister David Lange took office under a pledge to ban nuclear-armed vessels from New Zealand harbors; a US request for a port visit by one of its warships was denied because of uncertainty as to whether the ship carried nuclear weapons. The continuing ban put a strain on New Zealand's relations within ANZUS, and in 1986 the United States suspended its military obligations to New Zealand under that defense agreement, also banning high-level contacts with the New Zealand government. The United States ended its ban on high-level contacts in March 1990; however, New Zealand's official stance against nuclear presence in its territory remained strong.

In the late 1990s, New Zealand's environmental concerns extended beyond nuclear issues. In 1999, when pirates decimated the population of Patagonian toothfish in the Southern Ocean off Antarctica, threatening not only fish, but also the sea birds that fed upon them, New Zealand responded to the threat to the fragile ecosystem by sending a patrol frigate to the area.

Extensive Maori land claims (to all the country's coastline, 70% of the land, and half of the fishing rights) led, in December 1989, to the formation of a new Cabinet committee designed to develop a government policy towards these claims. The committee, including former Prime Minister Lange, aimed to work with the 17-member Waitangi Tribunal, established in 1975 to consider complaints from Maoris.

The 1993 general election resulted in the governing National Party (NP) winning a bare majority of 50 seats to the Labour Party's 45. In 1996 the NP formed a coalition government with the New Zealand First Party. The coalition was led by James Bolger, who in 1994 lobbied to convert New Zealand into a republic—a move that was met by NP resistance and public apathy. This was the first election under New Zealand's 1993 referendum on proportional representation. It issued in Bolger's third term as prime minister. Winston Peters, a fierce critic of Bolger, became the country's deputy prime minister and treasurer—a new post responsible

for New Zealand's budget. Peters brought the First Party into the coalition over the Labour Party, which won 37 of the 120 seats in the 1996 election. In 1996 the government settled a NZ\$170 million agreement with the Waikato Tainui tribe in the North Island for its wrongful confiscation of lands during the 1860s. The Queen signed the legislation, which also contained an apology.

The National Party-First Party coalition government remained in power until 1999, when the Labour Party won 49 seats and again became the majority government. The Labour Party formed a government in coalition with the progressive Alliance Party, with Helen Clark as prime minister. In 1999 tension arose between the Maori and white New Zealanders, centering on the growing Maori claims to the natural resources of the country. The Clark administration expressed its commitment to goals aimed at benefiting all New Zealanders, and closing the economic gap between the Maori and the rest of the population. The Labour-Alliance coalition also built alliances with other nonnuclear states and worked to strengthen the Nuclear Free Zone in the South Pacific.

General elections were held 27 July 2002, which resulted in a Labour Party victory, returning Helen Clark as prime minister. The Labour Party entered into coalition with Jim Anderton's Progressive Coalition Party, and received support from the United Future Party. The National Party recorded its worst showing in 70 years. General elections held in September 2005 resulted in a Labour Party victory again.

### 13 GOVERNMENT

New Zealand is an independent member of the Commonwealth of Nations. Like the United Kingdom, it is a constitutional monarchy, the head of state being the representative of the crown, the governor-general, who is appointed for a five-year term.

The government is democratic and modeled on that of the United Kingdom. The single-chamber legislature, the House of Representatives, has 120 members (2003), elected by universal adult suffrage for a term of three years. Adult male suffrage dates from 1879; adult women received the right to vote in 1893. The voting age was lowered to 18 in November 1974. Since 1867, the House has included representatives of the Maoris, and in 1985, the Most Reverend Paul Reeves, Anglican archbishop of New Zealand, became the first person of Maori descent to be appointed governor-general. As of 2003, six seats in the 120-member parliament were reserved for its native Maori minority population. Persons of at least half-Maori ancestry may register in either a Maori electoral district or a European district. Members are elected by simple majority. Elections have resulted in coalition governments, a two-party system usually operates. The party with a majority of members elected to the House of Representatives forms the government; the other party becomes the opposition.

On his appointment, the prime minister, leader of the governing party, chooses 20 other ministers to form the cabinet. Each minister usually controls several government departments, for which he is responsible to the House of Representatives. Although the cabinet is the *de facto* governing body, it has no legal status. Members of the cabinet and the governor-general form the Executive Council, the highest executive body.

An act of 1962 established the post of ombudsman, whose principal function is to inquire into complaints from the public relating to administrative decisions of government departments and relat-

ed organizations. In 1975, provision was made for the appointment of additional ombudsmen under the chief ombudsman.

In a September 1992 referendum, nearly 85% of voters rejected the established electoral system of simple plurality (first-past-the-post) in favor of a system based upon a mixed member proportional system, as used in Germany. Final approval came in a second referendum held as part of the 1993 general election, and the proportional voting system was introduced during the 1996 elections. Under New Zealand's proportional representation system each voter casts two votes, one for a candidate and one for a political party. Each party is awarded seats according to its share of the overall vote, with a minimum set at 5%.

## 14 POLITICAL PARTIES

Although the New Zealand legislature began to function in 1854 under an act of 1852, it was not until near the end of the century that political parties with a national outlook began to form. This development was hastened by abolition of the provincial parliaments in 1876.

From 1890 to 1912, the Liberal Party was in power. It drew its strength from small farmers and from the rapidly increasing working class in the towns. It enacted advanced legislation on minimum wages, working conditions, and old age pensions, and established the world's first compulsory system of state arbitration. A Reform Party government replaced the Liberal government in 1912; the main items in the Reform platform were the "freehold" for certain types of farmers (i.e., the right to purchase on favorable terms the land they leased from the crown) and the eradication of patronage in the public service. During part of World War I, there was a coalition of Reform and Liberal parties. The Labour Party was formed in 1916 when several rival Labour groups finally came together. This party derived partly from old Liberal tradition, but its platform on socialization and social welfare was more radical.

The Reform Party continued in office until 1928 and was then succeeded by the United Party, a revival of the old Liberal Party. In 1931, these two parties came together, governing as a coalition until 1935. In that year, after a severe economic depression, a Labour government came to power. Labour remained the government until 1949, although for periods during World War II a coalition war cabinet and later a war administration were created, in addition to the Labour cabinet. During its term of office, Labour inaugurated an extensive system of social security and a limited degree of nationalization.

After their defeat in 1935, the old coalition parties joined to form the National Party. Coming to power in 1949, this party held office until 1957, when it was replaced by Labour. The National Party returned to power in the 1960 election, and maintained its majority in the elections of 1963, 1966, and 1969. A Labour government was elected in 1972, but in 1975 the National Party reversed the tide, winning 55 seats and 47.4% of the total vote; a National Party cabinet was formed, with Robert Muldoon as prime minister. Led by Muldoon, the National Party was returned again in the 1978 and 1981 elections, but by much lower margins.

On 14 July 1984, the National Party was defeated at the polls, winning only 37 seats (36% of the vote), to 56 seats (43%) for Labour. The Social Credit Political League won 2 seats (8%), and the New Zealand Party, a conservative group formed in 1983, won most of the remaining popular vote, but no seats. David Lange

formed a Labour government and was reelected in August 1987, when Labour won 56 seats and 47.6% of the vote, and the National Party won 41 seats and 45% of the vote. No other parties won seats.

David Lange resigned as prime minister on 7 August 1989 after Roger Douglas, a political foe in the Labour Party, was reelected to the Cabinet. Labour's MPs selected Geoffrey Palmer as prime minister and party leader. Palmer resigned as prime minister in September 1990 and was replaced by Michael Moore, also of the Labour Party. In October 1990 the National Party, led by Jim Bolger, won a general election victory. Bolger's government instituted major cuts in New Zealand's welfare programs. The National Party won reelection in the November 1993 general election, capturing 50 of 99 seats. The Labour Party won 45, and both the New Zealand First Party, led by Winston Peters, and The Alliance, led by Jim Anderton, won 2 seats. In December 1993 Helen Clark replaced Michael Moore as leader of the Labour Party, becoming the first woman to lead a major party in New Zealand.

The 1996 elections were the first under proportional representation. James Bolger was elected as prime minister for a third term, to lead a coalition government formed by the National Party and the First Party. The National Party won 44 seats; Labour, 37; New Zealand First Party, 17; Alliance Party, 8; and the United Party, 1.

In the November 1999 elections, the balance of power once again shifted, with the New Zealand National Party losing 5 seats and capturing only 30.5% of the total vote, while the New Zealand Labor Party gained 12 seats and took 38.7% of the vote, thus becoming the majority party. Under Prime Minister Helen Clark, a coalition government was formed between the Labour Party and the Alliance Party, which consisted of five small parties: the New Labor Party, the Democratic Party, the New Zealand Liberal Party, the Green Party, and Mana Motihake.

In the July 2002 elections (held early), the Labour Party captured 41.3% of the vote and 52 seats to the National Party's 20.9% and 27 seats. The New Zealand First Party took 10.4% of the vote and 13 seats. It was the worst showing for the National Party in 70 years. Prime Minister Helen Clark formed an alliance with the United Future Party, after forming a coalition with Jim Anderton's Progressive Coalition Party. United Future claimed it would not form a coalition with the Labour Party, but would support the government.

While the Liberal and Reform Parties, and in more recent times, the Labour and National Parties, have played the major roles in New Zealand's government, many other political groups have existed over the years, with varying agendas and membership. In 2002, those with enough support to win parliamentary seats included ACT New Zealand (libertarian), the New Zealand First Party (nationalistic), the Green Party of Aotearoa (ecologist), the United Future Party (liberal), and Jim Anderton's Progressive Coalition (progressive). There were 21 registered political parties as of June 2002.

The total number of seats increased in the September 2005 elections to 121 because the Maori Party won one more electorate seat than its entitlement under the party vote. The results were as follows: the Labour Party 41.1%, 50 seats; National Party 39.1%, 48 seats; New Zealand's First Party 5.72%, 7 seats; Green Party 5.3%, 6 seats; Maori 2.12%, 4 seats; United Future Party 2.67%, 3 seats; ACT New Zealand 1.51%, 2 seats; and Progressive Coalition

1.16%, 1 seat. The next elections were scheduled to be held no later than November 2008.

## 15 LOCAL GOVERNMENT

The Local Government Act (1974), with subsequent modifications, substantially changed the structure of local government in New Zealand. The previous system was based on territorial local authorities: boroughs, which served concentrated populations of at least 1,500; counties, which were predominantly rural; and town districts, an intermediate form. In addition, there were special-purpose authorities to administer harbors, hospitals, electricity and water distribution, and other public services. The 1974 legislation added two tiers to this structure. Regional bodies—including united councils, which are appointed by the constituent territorial authorities in a region, and regional councils, which are directly elected—are charged with two mandatory functions, regional planning and self-defense, and may undertake other regional functions. Moreover, within territorial local authorities, communities may be established. Each community may have either a district community council (if the population is 1,500 or more), which exercises nearly all the powers of its parent territorial authority, or a community council, to which the parent authority may delegate powers. The purpose of these community bodies is to increase residents' participation in local government. The Local Government Act also introduced a new form of territorial local authority, the district council, established to serve areas of mixed rural and urban character.

The Local Government Commission was charged with the task of constituting the regional bodies, of which there were 22 (2 regional councils and 20 united councils) by 1983. As of 1996 there were also 93 county councils, 9 district councils, and 3 town districts. By 1999, a new administrative structure was instituted that divided local government into 17 regions that were subdivided into 57 districts and 16 cities. In 2003, there were 12 regional councils, 59 district councils and 15 city councils. Most units of local government are elected at three-year intervals. In boroughs the mayor is elected directly by the voters, while the council itself elects the chairman of a county council.

## 16 JUDICIAL SYSTEM

In most civil and criminal cases heard first in district courts (known until 1980 as magistrates' courts), there is the right of appeal to the High Court (formerly Supreme Court), which is usually the court of first hearing for cases where a major crime or an important civil action is involved. Family courts were established in 1980 to hear cases involving domestic issues. The highest court, the Court of Appeal, exercises an appellate jurisdiction only. Its decisions are final unless leave is granted to appeal to the Privy Council in London. There are also several special courts, such as the Arbitration Court, the Maori Land Court, and the Children and Young Persons Court. The judicial system is based on British common law. The judiciary is independent and impartial. The judicial system provides citizens with a fair and efficient judicial process.

The law prohibits arbitrary interference with privacy, family, home, or correspondence and the authorities respect these provisions in practice.

## 17 ARMED FORCES

In 2005, New Zealand's armed forces had 8,660 active personnel with 10,800 reservists. The Army had a full-time regular force of 4,430 and whose equipment included 105 armored personnel carriers and 74 artillery pieces. The Navy had 1,980 active personnel whose major naval units included 2 frigates, 4 patrol/coastal vessels, and 5 logistics/support ships. The Navy's aviation arm operated five antisubmarine warfare helicopters. The Air Force numbered 2,250 members. The service had six combat capable aircraft that consisted of P-3K Orion maritime patrol aircraft. In 2005, New Zealand forces participated in 11 NATO, UN, European Union or other missions in a supporting or peacekeeping role. The defense budget in 2005 totaled \$1.42 billion.

## 18 INTERNATIONAL COOPERATION

New Zealand is a charter member of the United Nations, having joined on 24 October 1945; it participates in ESCAP and several nonregional specialized agencies, such as the FAO, IAEA, ILO, the World Bank, UNESCO, UNHCR, UNIDO, and the WHO. In addition, New Zealand belongs to the WTO, the Asian Development Bank, APEC, the Commonwealth of Nations, the European Bank for Reconstruction and Development, the Colombo Plan, Commonwealth of Nations, OECD, the South Pacific Commission, the Pacific Island Forum, and the South Pacific Regional Trade and Cooperation Agreement (Sparteca). It is a dialogue partner in ASEAN.

New Zealand also forms part of the ANZUS alliance with Australia and the United States; in 1986, however, following New Zealand's decision to ban US nuclear-armed or nuclear-powered ships from its ports, the United States renounced its ANZUS treaty commitments to New Zealand.

New Zealand is part of the Australia Group and the Nuclear Suppliers Group (London Group). In environmental cooperation, New Zealand is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Whaling, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

New Zealand's economy has traditionally been based on pastoral farming. The last decades, however, have seen the beginnings of heavy industry, and there has been a large expansion in light industries such as plastics, textiles, and footwear, mostly to supply the home market. There has been a trend toward the development of resource-based industries, and the forest industry has greatly expanded. Pulp, log, and paper products are a major earner of overseas exchange. In 2004, agricultural production amounted to approximately 4.6% of GDP, industry 27.4%, and services 68%.

For financing imports both of raw materials and of a high proportion of manufactured goods, New Zealand has traditionally relied on the receipts from the export of its restricted range of primary products (mainly wool, meat, and dairy products). This dependence on the income from so few commodities makes the economy vulnerable to fluctuations in their world prices, and sharp drops in these prices, as have occurred periodically, inevita-

bly result in the restriction of imports or a substantial trade deficit. Other important industries in 2006 were the manufacture of machinery and transportation equipment, banking and insurance, and eco-tourism.

The economy has been subjected to two major crises in last 30 years: first, in 1968, the loss of the protected market for its agricultural goods when the United Kingdom joined the European Community (now the European Union), and second, inflation and stagnation in the early 1980s in the aftermath of the second international oil shock. The first produced a government-led program to transform the economy into an independent, more industrialized competitor in the world market, and the second, a neoliberal transformation of the economy combining a strict monetary regime to eliminate inflation, liberalization of the country's trade and investment regimes, and deregulation and privatization of the domestic economy. The liberalization and stabilization program transformed New Zealand from a heavily protected and regulated economy to one of the most market-oriented and open in the world.

By 1996, New Zealand was posting annual growth rates in real GDP of 5–6%, surpluses in the government's budget, and a per capita GDP in line with those of the big European economies. Subsequent disruptions, however, resulting in declines in industrial production and per capita income, raised concerns that the gap is no longer closing. The Asian financial crisis erupting in the second half of 1997 helped lower annual growth to 3.1% in 1997, and, combined with a summer drought, pushed the economy into recession in the first half of 1998. The economy recovered sufficiently to register a positive 1.9% growth for 1998, and 3.5% in 1999. Despite increased fuel costs that sent inflation to 4% in 2000, real GDP growth improved to 4.6%. The global slowdown in 2001–02 had a relatively mild impact on New Zealand's economy, reducing real GDP growth to 2.3%. While inflation moderated to 2.1% the government continued operating in the black with an operating surplus and positive returns from state enterprises, although the budget surplus steadily declined from 2.6% of GDP in 1999/98 to 0.8% of GDP in 2000/01. The current account deficit, a combination of a small merchandise trade surplus and a large deficit on investment income, fell from 7% of GDP to 4.8% of GDP in 2001. Gross public debt fell from 36% of GDP in 1999 to 30% of GDP in 2002, in line with the target set by government planners.

Real GDP growth averaged 3.5% over the 2001–05 period, when inflation averaged 2.5%. Real GDP growth was expected to slow to 2.2% in 2006, as domestic demand weakened, but was forecast to rise to 2.7% in 2007. Inflation was expected to average 3% in 2006, before easing to 2.4% in 2007, in line with fuel prices lower than those in 2005, when inflation was estimated at 3.2%. The current account deficit was forecast to narrow from an estimated peak of 7.6% of GDP in 2005 to an annual average of 7.1% of GDP in 2006–07. Despite increased social and other spending, the Labour government in 2005 was expected to run sizeable operating surpluses in order to build up the new pension fund. The public debt in 2004 was estimated at 22.1% of GDP. The unemployment rate that year stood at 4.2%.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 New Zealand's gross domestic product (GDP) was estimated at

\$97.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$24,100. The annual growth rate of GDP was estimated at 2.5%. The average inflation rate in 2005 was 3%. It was estimated that agriculture accounted for 4.7% of GDP, industry 27.8%, and services 67.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.199 billion or about \$299 per capita and accounted for approximately 1.5% of GDP.

The World Bank reports that in 2003 household consumption in New Zealand totaled \$35.68 billion or about \$8,899 per capita based on a GDP of \$79.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.2%. In 2001 it was estimated that approximately 21% of household consumption was spent on food, 12% on fuel, 3% on health care, and 2% on education.

## 2<sup>1</sup> LABOR

In 2005, New Zealand's workforce was estimated at 2.13 million. As of 2003, Services accounted for 69.3% of employment, with industry accounting for 22.3%, agriculture 8.2%, and the remainder of the labor force in undefined occupations. Before 1978, New Zealand had maintained virtually full employment, but the oil crisis had a major impact, and from 1978, unemployment climbed from about 3% to 10.6% in 1991. After peaking in 1991–92, unemployment was reduced to an estimated 4% in 2005.

As of 2005, workers in New Zealand had the right to organize and join a union, to engage in collective bargaining and exercise the right to strike. However, members of the armed forces are prohibited from organizing a union and collective bargaining. Also, uniformed and plainclothes police (excluding support and clerical staff) were banned from striking or any other form of industrial action, but can organize and bargain collectively. All unions are required to register with the government, have at least 15 members, be governed by democratic rules and cannot engage in collective bargaining over political or social issues. About 22% of New Zealand's workforce in 2005 was unionized.

In 2005, the minimum wage rate was around \$6.65 per hour for workers over 18 years of age. The minimum for those 16 and 17 years old the minimum wage rate that same year was about \$5.32 per hour. Employment may not interfere with education. By law, employees in most occupations have a 40-hour workweek, eight hours a day, five days a week. Excess hours are generally paid at overtime rates. Legislation or industrial contracts secure sick leave, paid holidays, and accident compensation for all workers. Children under 15 years of age cannot work in mining, forestry or manufacturing, and cannot work between 10 pm and 6 am. Children attending school cannot be employed, even after school hours if the employment interferes with their education. The safety, health and welfare benefits, holiday provisions, hours of work, and overtime of all workers are closely regulated.

## 22 AGRICULTURE

Over 13% of the total land area of New Zealand is devoted to agriculture. Capital investment in land improvement and mechanization has contributed greatly to the steady growth in agricultural production without an increase in the farm labor force. About 76,000 tractors and 3,100 combines were in use in 2003. Agriculture contributes about 50% to GDP and 11% of exports in 2004.

Cereal cultivation, more than 90% of which takes place on the South Island plains and downlands, fluctuates in terms of both acreage and size of crop. In 2004, areas harvested to wheat totaled an estimated 40,000 hectares (199,000 acres), with a yield of 287,000 tons; 18,000 hectares (20,000 acres) yielded 34,500 tons of oats; and 70,000 hectares (173,000 acres) yielded 380,000 tons of barley.

New Zealand is largely self-sufficient in horticultural products and exports some of these, such as apples and honey. In 2004, 999,800 tons of fresh fruit and melons were produced. The kiwi—a fruit that has become popular in the United States, Japan, and elsewhere—represented 90% of horticultural exports. In 1985, New Zealand accounted for more than half the world's supply of kiwi fruit. Since the mid-1980s, New Zealand has lost some of its market share in the production of kiwi, as other countries began or expanded their own domestic kiwi production—by the early 2000s, New Zealand accounted for less than one-third of world kiwi supply. Kiwi production in 2004 was estimated at 320,000 tons. In 2004, New Zealand produced 500,000 tons of apples, 55,000 tons of peas, 14,200 tons of avocados, and 170,000 tons of corn. About 70% of apple exports is derived from the Braeburn, Gala, and Royal Gala varieties developed in New Zealand. In 2004, exports of 358,327 tons of apples were valued at \$314 million.

The Department of Agriculture and the Department of Scientific and Industrial Research provide farmers and horticulturalists with advice and encouragement on new farming methods, elimination of plant diseases, and improvement of unproductive land. Government subsidies have assisted in improving and bringing under cultivation marginal and hitherto unused scrub land. However, since the mid-1980s there has been a shift in government policy, and many subsidies to agriculture have been removed or phased out.

## 23 ANIMAL HUSBANDRY

Relatively warm temperatures combined with ample rainfall make New Zealand one of the world's richest pastoral areas. In 2003, pastures occupied 13.9 million hectares (33.9 million acres), or 51% of the total land area. Even in the south, where winters may be quite severe, animals need not be housed. In 2005, there were 40 million sheep, 9.4 million head of cattle (over half of which are dairy cattle), and about 390,000 pigs. Dairying and beef production are concentrated in the North Island, and sheep farming is more evenly distributed between the North and South islands. The natural tussock land in the mountainous areas of the South Island and the surface-sown grassland in the less steep parts of the North Island are used to raise sheep for wool. The extensive use of aircraft for the spread of top dressing has greatly improved hill pasture, most of which is not readily accessible to normal top dressing with fertilizers. Some 24,000 farms stock mainly sheep, occupying over 11 million hectares (27.1 million acres), with an average flock

of 1,800 head. Although fine-woolen Merino sheep have grazed in New Zealand since the 1830s, most of the clip nowadays comes from Romney sheep, whose coarser, thicker wool is ideal for carpet-making and knitting yarns.

Products of animal origin account for more than half the total value of New Zealand's exports, with meat industry products accounting for about 18% of exports. New Zealand is the world's largest exporter of mutton and lamb, second-largest exporter of wool, and a leading exporter of cheese. The wool clip, which, having increased steadily since 1948, had fallen during the early 1970s, later rose to 380,700 tons in 1980/81; in 2004, 230,000 tons were produced. Exports of greasy and scoured wool were valued at \$470.9 million in 2004. Beef and veal production in that year reached 685,000 tons; and mutton, 520,000 tons. New Zealand accounts for over 50% of the world's mutton exports.

With many more cows than people to milk them, New Zealand pioneered and relies on mechanical milking. In 2003, New Zealand had 13,800 milking machines. Whole milk is pumped through coolers to vats where it is transferred to tanker trucks. In 2005, 14,625,000 tons of fresh milk were produced. Milkfat production averages about 336,000 tons annually, of which 13% is consumed as milk or fed to stock. The balance is used for dairy products.

Although wild goats and deer were once regarded as vermin, over the last decade, the profitability of venison and mohair exports led to the domestication of both animals. About 1.7 million deer and 155,000 goats are being farmed. Alpacas, llamas, and water buffalo have been imported to improve the breeding potential as well as wool and meat production.

## 24 FISHING

Although many kinds of edible fish are readily obtainable in New Zealand waters, the fishing and fish-processing industry has remained relatively small. Since the 1960s, however, the government has taken a number of measures to expand the industry and increase fishery exports. In 1978, the government began implementing a 322-km (200-mi) exclusive economic zone. During the next four years, it approved nearly 40 joint ventures with foreign companies in order to exploit the zone, which, with an area of about 1.3 million sq mi (nautical), is one of the world's largest. These waters support over 1,000 species of fish, about 100 of which have commercial significance. The volume of fish landed in New Zealand increased from 6,488 tons in 1936 to 633,808 tons in 2003. New Zealand's domestic vessels account for about 60% of the catch. With the rapid growth of fishing in the 1980s, about 75% of the catch is exported (with a value of \$702.9 million in 2003), mostly to the United States, Japan, and Australia. The principal finfish species caught included blue grenadier, mackerel, whiting, snoek, and orange roughy. In addition, New Zealand fishermen in 2003 landed 73,730 tons of squid. The most valuable part of the catch is made of orange roughy, hoki, squid, and rock lobster. Oyster and mussel aquaculture are well established; scallop, salmon, and abalone farming are developing.

## 25 FORESTRY

At the time Europeans began coming to New Zealand, about 70% of the land was forest. The major indigenous tree species are beech, kauri, rimu, taraire, and tawa. This proportion has been reduced

by settlement, farming, and exploitation to about 30%. Much of the remaining natural forest is reserved in national parks, or as protected forest on mountain land. About 5% of New Zealand is covered by planted forests, which provides a large and sustainable volume of wood. The Ministry of Agriculture and Forestry (MAF) estimated the planted forest area at 1.8 million hectares (4.4 million acres) in 2004, with 70% on North Island and 30% on South Island.

For wood production, New Zealand relies heavily on its planted forests of quick-growing exotic species, mainly radiata pine, which can be harvested every 25–30 years. These provide over 90% of the wood for production of sawn timber, wood panel products, pulp, paper, and paperboard. Due to these replanting efforts and privatization of forest lands, exports of softwood logs have skyrocketed since the early 1980s. Timber production is expected to pick up again around 2010 from the large number of trees planted in the 1980s and early 1990s. Exports of forestry products in 2004 amounted to \$1.46 billion; about 35% is exported as logs. Most of New Zealand's softwood logs and lumber go to Australia, the ROK, and Japan. Forestry accounts for about 4% of GDP. Imports of forest products consist mostly of specialty papers.

Roundwood production in 2004 was estimated at 17.08 million cu m (602.9 million cu ft). Softwood logs for export and lumber production that year were estimated at 7.1 million and 1.6 million cu m (250.6 million and 56.5 million cu ft), respectively. Plywood production for 2004 was estimated at 296,000 cu m (10.5 million cu ft).

The Forestry Corporation (FC) was established as a state-owned enterprise in April 1991. The FC manages 188,000 hectares (465,000 acres) of forest in the Bay of Plenty on North Island. The FC consists of three principal forests: Rotoehu Forest, Whakarewarewa Forest, and the Kaingaroa Forest in the Rotorua district that covers 149,735 hectares (370,001 acres) and is claimed to be the largest planted forest in the world. In 1996, the government sold FC for NZ\$2 billion to a joint venture consortium, which planned to invest NZ\$260 million over the next several years. New Zealand's forestry sector has become more fragmented as the large companies that previously dominated the industry have divested much of their business. Prior to this change, harvests were becoming of poorer quality, as younger trees were being harvested to satisfy a strong export market. The ownership change to long-term investment now focuses on wood processing.

## 26 MINING

Because of its diverse geology and dynamic tectonic history, New Zealand had a wide variety of potentially profitable mineral deposits, although few have been extensively exploited. Mining was a leading industry in 2003, with gold and silver dominating the metal mining sector. Minerals production (excluding oil and natural gas) in 2003 was valued at around \$635 million (estimated) or under 1% of the country's estimated gross domestic product (GDP) of about \$78 billion that year. In 2002, the last year for which export data was available, major mineral exports included ironsand, halloysite clay (for the manufacture of high-quality ceramics), cement, salt (by solar evaporation of seawater), and silver. Most output of industrial minerals was for domestic use, because the distances to overseas markets limited most exports to

the high-value commodities or products with unique applications or specifications.

Gold production for 2003 was 9,305 kg. Production came from two large hard-rock mines: the Martha Hill, at the base of the Coromandel Peninsula, at Waihi, southeast of Auckland; and the Macraes open cut mine, north of Dunedin; as well as the Grey River dredging operation on the Grey River on South Island; plus 50 other small-scale operations. The Macraes Mine, accounted for about 40% the country's production in 2003.

In 2003, 1,947,000 tons of ironsand (titaniferous magnetite) was extracted. Iron ore in the form of titanomagnetite-rich sand derived from the coastal erosion of the Mount Taranaki volcanics was mined from beach and dune sands, concentrated at two sites along the western coast of North Island. Although the existence of large quantities of iron-bearing sands has been known for more than a century, the steel industry was not able to exploit them until the late 1960s.

Silver mine output in 2003 was 29,930 kg. Output of building materials in 2003 included an estimated 8,000,000 tons of sand and gravel for building aggregate, and 20,520,000 tons of limestone and marl for roads. New Zealand also produced bentonite, clays for brick and tile, diatomaceous earth (which included zeolite), dolomite, kaolinite (pottery), lime, marble, nitrogen, perlite (which included zeolite), quartzite, rock for harbor work, salt, sand and gravel (including silica [glass] sand and amorphous silica), serpentinite, and dimension stone. Considerable potential for platinum and platinum-group metals from hard-rock deposits and alluvial concentrations existed, the most promising area being the Longwood Range, in western Southland. Uranium-bearing minerals have been located on the South Island.

State-owned "Crown minerals," based on the British legal system, were owned and regulated by the New Zealand Crown Minerals Act 1991 and the Crown Minerals Amendment Act (No. 2), passed in 1997. Crown-owned minerals included all naturally occurring gold, silver, and uranium; substantial amounts of coal; other metallic and nonmetallic minerals and aggregates; and all petroleum. Minerals not designated as Crown owned were privately owned. New Zealand has not enacted native title legislation to gain access to Maori lands, claims for which were handled through the Treaty of Waitangi Tribunal.

Gold was discovered in New Zealand in the early 19th century when European sealers and whalers were first exploring the country. The mining industry began in 1852, upon the discovery of hard-rock gold on the Coromandel region, North Island, by European settlers. Gold deposits were discovered on the South Island in 1861. By 1870, copper, iron, lead, and silver deposits had been discovered and worked, and deposits of antimony, arsenic, chromium, zinc, and other minerals had been located. After World War II, industrial minerals, aggregate, and stone production grew steadily, coal mining fluctuated, and gold output declined. Extensive exploration in the 1950s and 1960s found natural gas and gas condensate, ironsand, and geothermal energy.

## 27 ENERGY AND POWER

New Zealand has modest reserves of oil, natural gas, and coal. Most of its electricity comes from hydroelectric sources.

New Zealand, as of 1 January 2002, had proven reserves of petroleum and natural gas of 89.62 million barrels and 58.94 billion



cu m, respectively. Petroleum output that year averaged 40,990 barrels per day, of which crude oil accounted for an average of 30,390 barrels per day. Refined petroleum production that year averaged 113,130 barrels per day. Consumption of refined products in 2002 averaged 145,250 barrels per day. Imports of all petroleum products averaged 130,890 barrels per day, of which 92,470 barrels per day was crude oil. Natural gas output and consumption in 2002 each totaled 215.70 billion cu ft.

Coal production totaled 4,916,000 short tons in 2002, of which bituminous coal accounted for 4,675,000 short tons. Lignite or brown coal accounted for the remainder. Coal reserves are estimated at 129 million tons, of which 85% is located in the untapped lignite fields in Southland.

Although the bulk of New Zealand's electricity is generated from hydroelectric sources, future hydroelectric potential is limited, and thermal power, based primarily on coal and natural gas, is becoming increasingly important. Total generating capacity was 8.555 million kW in 2002, with hydroelectric capacity accounting for 61.4% of capacity, and conventional thermal sources for 31% of capacity. Geothermal/other sources accounted for the remainder. In 2002, electric power output totaled 39.056 billion kWh, with hydropower producing 24.211 billion kWh. Conventional thermal generation accounted for 10.942 billion kWh. Geothermal/other sources produced 3.903 billion kWh in that year. Consumption of electricity in 2002 was 36.322 billion kWh.

## 28 INDUSTRY

Industrial production has increased rapidly since the end of World War II, stimulated by intermittent import controls that often enabled domestic industry to increase output without competition. A most significant feature of New Zealand industry in recent decades has been the establishment of heavy industry with Commonwealth and US capital. Plants include metal and petroleum processing, motor vehicle assembly, textiles and footwear, and a wide range of consumer appliances. The New Zealand Steel company manufactures billet slabs and ingots using domestically produced iron sands; Pacific Steel, which processes scrap metal, uses billets from New Zealand Steel. The Tiwai Point aluminum smelter, operated by an Australian-Japanese consortium, has an annual capacity of some 250,000 tons. The small but growing electronics industry produces consumer goods as well as commercial products, such as digital gasoline pumps. Wool-based industries have traditionally been an important part of the economy, notably wool milling, the oldest sector of the textile industry. Other significant industrial areas include a diverse food-processing sector, tanneries, sheet glass, rubber, and plastics.

Progressive withdrawal of government support beginning in 1985 led manufacturing to decline from 1987–89 due to a more competitive environment. However, after cutting overcapacity, many firms increased productivity and were ultimately in a stronger financial position. Industrial output has recovered since 1990. Manufacturing's contribution to GDP rose by 2.3% annually between 1988 and 1998. The manufacturing sector, which until the mid-1980s focused on production for the small domestic market, has increasingly been geared toward export markets. By 2004, industry accounted for some 27.4% of GDP.

## 29 SCIENCE AND TECHNOLOGY

Most scientific research in New Zealand is funded by the government, principally by the Department of Scientific and Industrial Research (DSIR) and the Ministry of Agriculture and Fisheries. The Cawthron Institute at Nelson, established in 1919, conducts research in chemistry, biology, and environmental and marine studies. New Zealand has 20 other institutes conducting research in agriculture, veterinary science, medicine, and general sciences and 17 universities and technical institutes offering degrees in basic and applied sciences. In 1987–97, science and engineering students accounted for 20% of college and university enrollments. In 2002, of all bachelor's degrees awarded, 20.7% were in the sciences (natural, mathematics and computers, engineering). Among New Zealand's 42 scientific and technical learned societies, the most prominent is the Royal Society of New Zealand, founded in 1867.

In 2001, research and development (R&D) expenditures totaled \$954.960 million, or 1.18% of GDP. Of that amount, the largest portion, 46.4%, came from government sources, followed by the business sector at 37.1%. Higher education and foreign sources accounted for 9.9% and 6.6%, respectively. In that same year, there were 2,593 researchers engaged in R&D per million people. In 2002, New Zealand's high technology exports totaled \$388 million, or 10% of the country's manufactured exports.

## 30 DOMESTIC TRADE

New Zealand has developed an open market economy over the past two decades, as the government has given up control of many areas of domestic economic regulation, including the elimination of agriculture subsidies and controls on prices and wages. The trend in retail establishments is moving from small shops to supermarkets and shopping centers. Several retail establishments have converted to self-service operations. There is very little retail mail-order trade. Automobiles and large appliances are increasingly being sold on the installment (hire-purchase) plan. General and trade papers, regional publications, and television and radio are used extensively as advertising media.

Business hours vary, especially since the introduction of staggered work hours, known as glide time. Offices open as early as 7:30 AM and remain open until about 6 PM. Stores may be open at any time between 7 AM and 9 PM, Monday through Saturday. Saturday trading is becoming more prevalent at popular beach resorts near the larger urban areas. Sunday trading is confined to "dairy shops," permitted by law to sell a restricted range of foodstuffs. All offices and banks are closed on Saturdays, Sundays, and statutory holidays. Banking hours are 9:30 AM to 4:30 PM, Monday to Friday.

## 31 FOREIGN TRADE

New Zealand's trade per capita and as a percentage of GNP is among the highest in the world. In 1974/75, more than 70% of export receipts derived from meat, dairy products, and wool; but this figure was down to 56% by 1984/85 and was only 32% in 1994/95, as manufactured goods and forest products have taken an increasing share of the total. Imports consist mainly of machinery, manufactured goods, petroleum and petroleum products, and raw materials for industry. Foreign trade more than doubled in value between 1976 and 1981 and again from 1981 to 1985. Be-

**Principal Trading Partners – New Zealand (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	16,520.0	18,548.9	-2,028.9
Australia	3,559.5	4,187.8	-628.3
United States	2,396.6	2,184.7	211.9
Japan	1,816.8	2,170.1	-353.3
China	800.7	1,622.3	-821.6
United Kingdom	793.0	613.6	179.4
Korea, Republic of	577.8	495.4	82.4
Germany	433.9	982.2	-548.3
Belgium	367.4	198.3	169.1
Other Asia nes	364.0	404.2	-40.2
China, Hong Kong SAR	325.2	89.5	235.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

tween 1992/93 and 1995/96, the value of trade increased by nearly 16%. However, 1996 would prove to be a peak for New Zealand's foreign trade; it has not quite reached that level since.

New Zealand produces a large amount of food, including meat, dairy products, fruits and nuts, and fish. Other important exports include wool, aluminum, wood, and starch. New Zealand's major exports in 2004 were dairy products (17% of all exports), meat (15.5%), and forestry products (7.1%). Major imports that year included machinery and electrical equipment (23% of all imports), transportation equipment (15.6%), and mineral fuels and oils (10.5%). New Zealand's leading markets in 2004 were Australia (20.8% of all exports), the United States (14.4%), and Japan (11.2%). New Zealand's leading suppliers in 2004 were Australia (22.4% of all imports), the United States (11.2%) and Japan (11.2%).

**Balance of Payments – New Zealand (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-3,337.0</b>
Balance on goods		-391.0
Imports	-17,219.0	
Exports	16,828.0	
Balance on services		803.0
Balance on income		-3,895.0
Current transfers		145.0
<b>Capital Account</b>		<b>508.0</b>
<b>Financial Account</b>		<b>3,405.0</b>
Direct investment abroad		-299.0
Direct investment in New Zealand		2,438.0
Portfolio investment assets		-856.0
Portfolio investment liabilities		2,184.0
Financial derivatives		...
Other investment assets		318.0
Other investment liabilities		-379.0
<b>Net Errors and Omissions</b>		<b>206.0</b>
<b>Reserves and Related Items</b>		<b>-782.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.**3<sup>2</sup> BALANCE OF PAYMENTS**

Since New Zealand's foreign trade depends on agricultural and livestock products, and since prices for these commodities are volatile, New Zealand's balance of payments may swing sharply from one year to the next. Generally, deficits outweighed surpluses during the 1950s and 1960s. Consistent surpluses were recorded between 1969 and 1973, when international reserves nearly quadrupled. However, a poor trade performance in 1974, largely attributable to increased oil import costs, contributed to a large current accounts deficit. Since then, New Zealand has continued to register payments deficits, which have been partially offset by compensatory financing, including overseas loans.

Exports of goods rose to \$20.5 billion in 2004 (balance-of-payments basis), but imports of goods grew faster, to \$21.9 billion, widening the trade deficit to \$1.4 billion, from \$0.5 billion in 2003. This led to an increase in the current account deficit from \$3.4 billion (4.3% of GDP) in 2003 to \$6.2 billion (6.4% of GDP) in 2004.

**3<sup>3</sup> BANKING AND SECURITIES**

The Reserve Bank of New Zealand, established in 1933, exercises control over monetary circulation and credit. It is the bank of issue, handles all central government banking transactions, manages the public debt, and administers exchange control regulations. The Reserve Bank of New Zealand Amendment Act (1973) empowers the Bank to regulate credit from all sources and requires it to make loans (as the minister of finance may determine) in order to ensure continued full employment.

New Zealand's financial services sector is dominated by the commercial banks, leaving only a minor role for nonbank finance companies and savings institutions. In part this reflects the impact of deregulation since the mid-1980s. Before 1984, the financial sector was highly segmented with tight government controls on what different institutions could offer. (For example, only trading banks could offer checking accounts to clients.) The easing of regulations means that there are now only two formal categories of financial institution: registered banks and other financial institutions. However, both can offer a wide range of financial and banking services.

In 2001, the government of New Zealand dedicated NZ\$78 million (US\$ 63 million) to the establishment of a new People's Bank, to be run by the New Zealand Post and offer personal banking services, but not corporate or commercial banking. The fees of the People's Bank were expected to be 30% lower than those at other banks.

To be defined as a bank, a financial institution must register with the central Reserve Bank and meet a range of eligibility criteria, such as minimum capital adequacy, experience in the financial intermediation industry, and a commitment to stability of the financial system. The number of registered banks peaked at 24 in 1994, but in 2000 there were 18.

A number of bank mergers have increased the concentration of total banking assets in foreign ownership. Over 95% of total banking assets are foreign-owned, compared with 65% in 1990. The New Zealand banking industry is increasingly influenced by developments in Australia, since Australian banking groups control over two-thirds of banking assets in New Zealand; this

share is unlikely to increase further, with the announcement in April 1996 of a conditional buy-out by Westpac Banking Corp. of Trust Bank, New Zealand's last domestically owned bank with a national branch network. The Post Office Savings Bank (established in 1865) has about 1,270 offices and agencies throughout New Zealand.

New Zealand is advantageously placed, since its trading day opens before the US market closes and before the Asian and Australian markets open. The main functions of the New Zealand Exchange Limited (NZX) are to provide an orderly market for the trading and transfer of securities, to protect investors' interests, and to ensure that the market is fully informed. As of 2003, there were 196 companies listing 213 securities worth NZ\$42.3 billion on the NZX. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$7.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$43.4 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 5.76%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 4.75%.

The Stock Exchange Association of New Zealand, the forerunner to the New Zealand Stock Exchange (NZSE), was founded in 1915. In May 2003, the NZSE became the New Zealand Exchange Limited (NZX). The stock exchanges in Auckland, Wellington, Christchurch, Dunedin, and Invercargill are members of the NZX, with headquarters in Wellington. Official listing is granted to companies that comply with the Exchange's requirements. These do not impose qualifications as to share capital but do provide that the company must be of sufficient magnitude and its shareholding sufficiently well distributed to ensure a free market for its shares. Subject to the recommendation and approval of the stock exchange nearest to the registered offices, companies may secure unofficial listing for their shares. All transactions in

shares quoted in the unofficial list are subject to special brokerage rates. As of 2004, a total of 158 companies were listed on the NZX, which had a market capitalization of \$43.731 billion. In 2004, the NZSX 50 Index rose 25.1% from the previous year to 3,064.4.

### 34 INSURANCE

The government provides insurance through the Government Life Insurance Office and the State Insurance Office, which undertakes accident, fire, and marine insurance.

New Zealand has one of the world's highest ratios of value of life insurance policies to national income. Life insurance offices mobilize long-term household savings in conjunction with the provision of life insurance coverage, and are also closely associated with the management of pension and superannuation funds. The long-term contractual nature of household-sector savings through life insurance offices gives them the capacity to acquire long-term government and corporate debt instruments and to take equity positions in commercial property and company shares. In addition, they may provide mortgage financing to policy holders. General insurance companies have substantial funds available for investment to cover claims outstanding and unexpired risks. These funds are available on a short-term basis and are invested mainly in marketable securities and liquid assets. New Zealand has a no-fault compensation scheme for personal injury, established in 1992 under the Accident Rehabilitation and Compensation Insurance Act of 1992. All people, including visitors are eligible for the benefits. Under the same act, however, the right to sue for compensation was abolished. Additional personal injury can be purchased from insurers.

Like its Australian counterpart, the New Zealand insurance market is one of the most competitive in the world, with some 50 general insurers and the same number of life insurers. The top five general insurers accounted for more than 70% of the total premiums written in 1997. The same pattern exists for life business. In 2003, the value of all direct insurance premiums written totaled \$4.730 billion, of which nonlife premiums accounted for \$3.671 billion. New Zealand's top nonlife insurer that same year was IAG New Zealand, which had gross written nonlife premiums of \$601 million, while the nation's leading life insurer, Sovereign had gross written life insurance premiums of \$227.1 million that year.

### 35 PUBLIC FINANCE

In 1994, in response to a decade of economic reforms that have opened the economy to foreign investment and triggered strong economic growth, the budget produced a surplus for the first time in 50 years. In 1995, public debt service dropped to 1.9% of GDP and 12% of expenditures. External debt accounted for 23% of total government debt. Interest on external debt equaled 3.5% of exports of goods and services plus investment income. The surpluses continued in 1996, but showed signs of weakness in 1997 as forecasts of slower economic growth and uncertainty over the intentions of the newly elected government prompted a drop in business confidence. Nevertheless, in June of 1997, the new government proposed a three-year program of increased spending on social programs and postponed a round of promised tax cuts. As a result of privatization and restructuring, New Zealand now has one of the most open economies in the world.

#### Public Finance – New Zealand (2003)

(In millions of New Zealand dollars, central government figures)

<b>Revenue and Grants</b>	<b>50,509</b>	<b>100.0%</b>
Tax revenue	42,264	83.7%
Social contributions	132	0.3%
Grants	...	...
Other revenue	8,113	16.1%
<b>Expenditures</b>	<b>46,281</b>	<b>100.0%</b>
General public services	4,167	9.0%
Defense	1,339	2.9%
Public order and safety	1,890	4.1%
Economic affairs	3,126	6.8%
Environmental protection	...	...
Housing and community amenities	676	1.5%
Health	7,657	16.5%
Recreational, culture, and religion	1,018	2.2%
Education	9,799	21.2%
Social protection	16,609	35.9%

(...) data not available or not significant.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

The US Central Intelligence Agency (CIA) estimated that in 2005 New Zealand's central government took in revenues of approximately US\$43.1 billion and had expenditures of US\$37.5 billion. Revenues minus expenditures totaled approximately US\$5.5 billion. Public debt in 2005 amounted to 21.4% of GDP. Total external debt was US\$57.67 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were NZ\$50,509,000 and expenditures were NZ\$46,281,000. The value of revenues was US\$8,679,000 and expenditures US\$7,952,000, based on a market exchange rate for 2003 of US\$1 = NZ\$5.820, as reported that year by the IMF. Government outlays by function were as follows: general public services, 9.0%; defense, 2.9%; public order and safety, 4.1%; economic affairs, 6.8%; housing and community amenities, 1.5%; health, 16.5%; recreation, culture, and religion, 2.2%; education, 21.2%; and social protection, 35.9%.

### **36 TAXATION**

The income tax rate for corporations, including subsidiaries of overseas corporations, is 33%, and is applied to aggregate income. There are also tax incentives for exporters. Generally, capital gains are not taxed, although gains from the sale of personal property that is related to a person's business or where the property was acquired for resale may be taxed as business income. Dividends, generally are subject to a withholding tax of 30%, with interest and royalty income, and payments made to contractors subject to a withholding rate of 15%. Earnings are taxed in one combined general income and social security tax, which for wage and salary earners is deducted by the employer on a pay-as-you-earn basis (called PAYE), with annual adjustments. There is a fringe benefits tax (FBT) payable quarterly by employers on the value of fringe benefits provided to employees and shareholders. Employers can choose to pay a flat rate of 64% or fully or partially attribute the value of the fringe benefits to the individual's income and pay at the appropriate rate. Capital gains are charged as the same rate as other income.

As of 2005 New Zealand had a progressive personal income tax with a top rate of 39%. However there is a system of low-income rebates that includes, in addition to standard deductions for the taxpayer and dependents, rebates for housekeeping or child-care expenses, and tuition. There are also rebates for certain dividend and interest income, life insurance premiums, and contributions to retirement funds.

The main in direct tax is a value-added tax (VAT), called the goods and services tax (GST), set at 12.5%. Exported goods, goods held overseas, services in connection with temporary imports and exported goods are zero-rated for the GST. Excise taxes are imposed on motor vehicles, gasoline, tobacco products, and alcoholic beverages. The government ratified the Kyoto Protocol on climate change in December 2002, and plans to introduce an appropriate carbon tax.

Local authorities are largely dependent on property taxes. There are three main systems of rating: (1) capital (land improvements) value; (2) annual value; (3) unimproved value. The actual amount of the rate is fixed by each local authority.

### **37 CUSTOMS AND DUTIES**

Customs taxation is based principally on an ad valorem scale, but specific duties are applied to some goods. Rates of duty payable depend on the country of origin. With the exception of some automotive products, preferential rate scales for the United Kingdom were phased out by 1 July 1977, as a result of that nation's entry into the European Community. In 1978, preferential rates for Commonwealth countries were also discontinued. Two years earlier, New Zealand had introduced a revised generalized system of preferences (GSP) favoring the developing countries. Tariffs range from 0–30%. There is also a goods and services tax (GST) of 12.5% that applies to Free on Board (FOB; cost of the product, plus all transportation costs from the manufacturer to the port of departure, plus costs of loading the vessel) value.

### **38 FOREIGN INVESTMENT**

Investment in New Zealand's economy by overseas companies through New Zealand subsidiaries has increased steadily, with the largest contribution from Australian sources, outstripping both US and UK sources. At the end of 1991, total foreign direct investment (FDI) in New Zealand was \$11 billion whereas as of March 2001 total FDI stock was \$49.3 billion. FDI from Australia rose from \$4.8 billion to \$17.2 billion in the period 1991 to 2001; from the United States, \$2.8 billion to \$7 billion; and from the United Kingdom, \$1.9 billion to \$6.7 billion. In 2000/01, FDI flow peaked at \$7.7 billion, more than double the rates in the previous four years: \$2.9 billion in 1997, \$3.4 billion in 1998, \$1.78 billion in 1999, and \$2.96 billion in 2000. Foreign portfolio investment has been more volatile. A small net outflow of \$285 million in 1997 was followed by two years of positive inflow (\$927 million in 1998 and \$747 million in 1999), and by then a large outflow of \$6 billion in 2000. In 2001, portfolio investment was a record \$3.89 billion.

In contrast, the stock of FDI held by New Zealanders in other parts of the world totaled \$14.7 billion as of March 2001.

As of March 2004, the total stock of FDI in New Zealand was \$42.7 billion, or 46.8% of New Zealand's GDP. New Zealand's direct investment abroad was \$8.89 billion, or 10% of GDP. From 2001–05, FDI inflows averaged 1.9% of GDP.

The legal framework for FDI in New Zealand is laid out in the Overseas Investment Act of 2005, administered by the Overseas Investment Office (OIO). Under the regulations an overseas person must obtain consent to acquire or establish 25% or more ownership in any New Zealand business; property worth more than \$100 million; "sensitive land"—for instance, land that is or includes foreshore or seabed; or certain fishing quotas.

### **39 ECONOMIC DEVELOPMENT**

Economic policy is implemented through taxation, Reserve Bank interest rates, price and monopoly controls, and import and export licensing. From 1958 to about 1975, import controls, tightened in 1961 and again in 1973, were employed to correct deficits in the balance of payments. Then in the mid-1970s the government began an industrial restructuring program focused on certain industries, such as textiles, footwear, automobiles, and electronics, whose domestic prices were much higher than those of foreign substitutes, with the aim of reducing the protection granted such products. In 1977, the New Zealand Planning Council

was charged with advising the government on economic, social and cultural planning, and on the coordination of planning. In 1978 the Economic Monitoring Group was established to make reports on economic trends working independently of the Planning Council. The government gradually liberalized import controls, and by 1981 about 79% of private imports to New Zealand were exempt from licensing.

In June 1982, in an effort to control mounting inflation, the government announced a freeze on wages, prices, rents, and dividends. The freeze was lifted in March 1984, temporarily reimposed by a new Labour government, and then terminated late in 1984. In March 1985, the New Zealand dollar was floated as part of a broad-based deregulation of the economy, and the Reserve Bank has not intervened since. The termination of the freeze, combined with a devaluation of the dollar, led to a resumption of high inflation, which lasted until the crash of financial markets in October 1987. From this point the government began implementing a strict monetary policy designed to achieve a stable price level. The immediate cost was a sharp rise in unemployment (from 7% to 10.4%), but by 1991 inflation had been brought down to the low levels that have prevailed since. The target set by the government is a range between 1% and 3% per year. For the year ending September 1991, inflation was 2.2%. The average inflation rate for the five years 1997 to 2001 was 1.5%, with a low of negative 0.4% in 1999 and a high of 3.2% in 2001. The inflation rate was estimated at 3.2% in 2005, and was expected to fall to 3% in 2006 and to 2.4% in 2007.

Also from the mid-1980s, the New Zealand government has embarked on a major restructuring program to transform the economy from an agrarian economy dependent on preferences in the British market to a competitive and more industrialized free market economy with per capita incomes on par with the leading industrialized nations. In the course of the last two decades, New Zealand has been changed from being one of the most regulated in the OECD to one of the most deregulated. For most of the 1990s, the economy grew strongly, but then was slowed by the Asian financial crisis. Real growth rates dropped to 1.9% and 0.4% in 1998 and 1999, respectively. Recovery in 2000 to 4.6% growth was reduced to 2.6% in 2001 as the economy felt the impact of the global slowdown. Real GDP growth was expected to slow to 2.2% in 2006, as domestic demand weakened, but was forecast to rise to 2.7% in 2007.

The Labour-Alliance government elected in November 1999 set as its goals the transformation of New Zealand into a competitive, knowledge-based economy with emphasis on the development of high skills, high employment and high value-added production. Monetary policy remains guided by the Reserve Act of 1989, which aimed at maintaining price stability. Fiscal policy is guided by the framework set out in the Fiscal Responsibility Act of 1994. Specific goals include keeping gross governmental debt below 30% of GDP, holding government expenditures to around 35% of GDP, and running an operating surplus in order to build up a fund (the New Zealand Superannuation Fund or NZS Fund) to meet the future costs of publicly provided retirement income. The major foci of the government's economic policy have been building conditions for enhancing New Zealand's sustainable economic growth rate and making it back into the top half of the OECD in terms of per capita income. The government has iden-

tified several key policy areas: an open, competitive microeconomy, macroeconomic stability, and improving skills and talents, innovation and global connectedness. A main barrier to New Zealand's economic development is a vulnerability to global economic and geopolitical shocks. One such example was the opposition of Prime Minister Helen Clark's government to the US invasion of Iraq in 2003, which raised tensions with the United States, one of New Zealand's main trading partners. Another challenge to New Zealand's economic prosperity is its continuing dependence on commodities, most agriculture- and forestry-related. This dependency leaves the small, open economy vulnerable to fluctuations in commodity prices and the impact of the weather on agricultural output. There has been a shift in the early 2000s towards further processing of primary commodities, to add value and to counter fluctuating world commodity prices. The manufacturing sector has increasingly been geared towards export markets.

In 1984/85, New Zealand contributed a total of \$36.25 million in Official Development Assistance, \$30 million in technical and capital assistance and direct aid or loans to developing nations, and \$6.25 million in multilateral aid through the UN, the South Pacific Commission, ADB, and other organizations. In 1995, New Zealand's ODA reached \$123 million, and then peaked at \$154 million in 1997. In 1998, under the strains of the Asian financial crisis, New Zealand's total aid declined to \$130 million, and in 2000/01 fell further to \$99.1 million. New Zealand's ODA stood at \$99.7 million in 2004. New Zealand's international aid effort has normally amounted to between 25% and 27% of GNP. The major recipients of its development assistance are the nations of the South Pacific, who receive about 70% of New Zealand's bilateral aid and more than 60% of its total overseas aid.

#### 40 SOCIAL DEVELOPMENT

A dual system of universal and social assistance is provided to all residents. Old age pensions have been in place since 1898. Benefits are paid for retirement, unemployment, sickness, and emergencies; and to widows, orphans, families, invalids, and minors. Retirement is set at age 65. Benefits are funded by the government. Medical benefits include medical, hospital, and pharmaceutical payments. Work injury compensation legislation provides for dual universal and compulsory insurance systems. The plan is financed by insurance premiums paid by employers and the self-employed and by a contribution from general revenue. Maternity benefits are provided for single women for six months. There are extensive benefits for families including a child disability allowance, low income family support, and child, parental, and family tax credits.

Although prohibited by law, discrimination in the workplace still exists. Women continue to earn less than men, and sexual harassment is a serious problem. The Ministry of Women's affairs aggressively addresses these issues. Domestic violence and abuse is a growing concern, although the law penalizes spousal rape. The law broadened the definition of domestic violence to include various kinds of psychological abuse. The government provides support to victims of domestic violence.

The government respects the human rights of its citizens. It also protects the rights of citizens living in the territories of Tokelau, Niue, and the Cook Islands.

## 4<sup>1</sup> HEALTH

For over 50 years, comprehensive health services, most of them supported by the state, have been available to all New Zealanders. About 80% of all health care costs are met by the public sector. Treatment at public hospitals is free for people ordinarily resident in New Zealand. In private hospitals, medical care is subsidized; a full range of maternity services is paid for by the Department of Health. The Health Service provides hospital treatment, maternity services from a general practitioner, most prescribed drugs, laboratory diagnostic services, dental care, routine immunizations for children under 16, and some health appliances free of charge. Partial benefits are paid for private hospitalization, X-ray services, physiotherapy, and hearing aids. Care is free for infants and preschool children. Most children are immunized free by their family doctors, but the Department of Health also has immunization clinics. Children up to one year old were vaccinated against tuberculosis, 20%; diphtheria, pertussis, and tetanus, 84%; polio, 84%; measles, 87%; and hepatitis B, 81%. Rates for DPT and measles were, respectively, 88% and 83%.

Area health boards, formed to combine primary and hospital care facilities for each region under a single administrative unit, were established in 1985. Market-oriented health care reforms were introduced in the 1990s, but many were reversed at the end of the decade when a Labour-Alliance government came to power. The country's health care system is still mostly tax funded. Twenty-one district health boards were formed by the New Zealand Public Health and Disability Act of 2000. Total health care expenditure was estimated at 8.1 % of GDP.

Public hospitals are managed under the supervision of the Minister of Health by local hospital boards, whose members are elected; all costs are borne by the state. Private hospital costs are partly paid for by the state; additional fees may be claimed from patients. Voluntary welfare organizations make valuable contributions to public health and are assisted by grants from public funds. Most physicians practice under the National Health Service, established by the Social Security Act of 1938, but private practice outside the scheme is permitted. As of 2004, there were an estimated 223 physicians, 868 nurses, 42 dentists, and 100 pharmacists per 100,000 people.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 14.2 and 7.6 per 1,000 people. About 70% of married women (ages 15 to 49) were using contraceptives. In 2000, the total fertility rate was two children per woman living throughout her childbearing years. Infant mortality in 2005 was 5.85 per 1,000 live births. Life expectancy at birth was 78.66 years. The principal causes of death are heart disease, stroke, chronic obstructive pulmonary disease, and lung and colorectal cancer. There were about six reported cases of tuberculosis per 100,000 people.

The health of the Maori people, although greatly improved over recent decades, is still not on a par with that of the general population. Alcoholism is a significant public health problem in New Zealand. Estimates of the number of chronic alcoholics range upward from 53,000 and another 250,000 New Zealanders may be classified as excessive drinkers. Tobacco consumption in New Zealand has decreased from 2.3 kg (5.1 lbs) a year per adult in 1984–86 to 2.0 kg (4.4 lbs) in 1995. The heart disease mortality rate for those over 65 years old is higher than the average for coun-

tries defined as high human development by the World Bank. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 1,400 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003. New Zealand has adopted needle exchange programs to reduce HIV spread among IV users.

## 4<sup>2</sup> HOUSING

The number of houses and apartments built in New Zealand fell steadily from 1974/75, when 34,000 new houses and flats were built, to 1981, when only 14,300 were constructed; since then, numbers have generally risen, reaching 18,000 in 1992, when New Zealand's housing stock totaled 1,220,000. As of 2001, there were 1,359,843 private dwellings nationwide. About 80% were separate, single family houses. There were about 5,265 temporary dwellings (i.e., cabins, tents, mobile homes). About 67.8% of all dwellings are owner occupied. The average household had 2.7 people. The average private dwelling has three bedrooms, a living room, dining room, kitchen, laundry, bathroom, toilet, and garage. Most units are built of wood and have sheet-iron or tiled roofs. The estimated number of dwellings nationwide at the end of 2004 was 1,608,900.

In recent decades, the government has introduced measures designed to assist the financing of housing by contractors and private owners. These include increases in the maximum housing loans advanced by the State Advances Corporation, low-interest loans for families with low incomes, and the establishment of a home savings scheme through the Post Office Savings Bank. Since 1937, the government Housing Corp. has built houses and flats for rental, with preference given to low-income families; by March 1985, 90,469 of these had been completed. Since 1951, the government has generously subsidized local authorities to provide pensioners' housing.

## 4<sup>3</sup> EDUCATION

Education in New Zealand is compulsory for 10 years for children between ages 6 and 16, although most children attend school from the age of five. Public primary and secondary schools are administered by district education boards (or boards of governors) and school committees (the latter elected by householders), under the authority of the Department of Education. Kindergartens are run either by private persons or by voluntary organizations with partial state subsidies. Primary education lasts for eight years and is given at primary and intermediate schools (the latter giving the last two years of primary education). Secondary education covers five years of study and is offered through general secondary schools, technical high schools, or consolidated schools for pupils who live in rural areas. Evening classes are given by technical and secondary schools, and adult education classes are offered by the universities. Most state schools are coeducational, but some private schools are not. New Zealand has about 2,300 state primary schools and 60 privately owned schools. At the secondary level, there are 315 state-run schools and 15 private schools. The academic year runs from February to November.

In 2001, about 86% of children between the ages of three and four were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was

about 93% of age-eligible students. It is estimated that about 95% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 18:1 in 2003; the ratio for secondary school was about 16:1.

Attendance at vocational schools has grown tremendously, from a total enrollment of 3,071 in 1980 to 63,658 in 1994. For children in isolated areas, there is a public Correspondence School. In some regions there are special state primary and secondary schools for Maori children, but most Maori children attend public schools. Private primary and secondary schools are operated by individuals and religious bodies. Since 1975, under new legislation, many private schools have been voluntarily integrated into the public system.

There are six universities, all operating under the aegis of the University Grants Committee and the Universities Entrance Board: the University of Auckland, University of Waikato (at Hamilton), Massey University (at Palmerston North), Victoria University of Wellington, University of Canterbury (at Christchurch), and University of Otago (at Dunedin). All universities offer courses in the arts, social sciences, commerce, and science. An agricultural institution, Lincoln College, is associated with the University of Canterbury. Law is offered at Auckland, Waikato, Victoria, Canterbury, and Otago, and medicine at Auckland and Otago. The Central Institute of Technology, near Wellington, is the leading institution in a network of 24 polytechnic institutions. There are evening classes for adults interested in continuing their education at secondary schools, institutes and community centers. University tuition fees are low, and financial assistance is given to applicants who have passed special qualifying examinations. In 2003, about 74% of the tertiary age population were enrolled in some type of higher education program; 59% for men and 90% for women. The adult literacy rate has been estimated at about 99%.

As of 2003, public expenditure on education was estimated at 6.7% of GDP, or 15.1% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The Alexander Turnbull National Library of New Zealand was founded in 1966 by the amalgamation of three state libraries and service divisions. It contains a general lending collection of over 530,000 volumes, plus a large number of materials in special collections. Its Extension Division provides services to public and school libraries throughout the country, and the Library School offers courses for the training and certification of librarians. The two largest university libraries are at the University of Auckland (1.6 million volumes) and the University of Canterbury at Christchurch (571,000). The largest public library systems are in Auckland, Christchurch, Dunedin, and Wellington.

Outstanding art galleries and museums are the Auckland City Art Gallery (European and New Zealand paintings); the Canterbury Museum, Christchurch (ornithology, anthropology, and history); the Dunedin Public Art Gallery (paintings, period furniture, and china); the Otago Museum, Dunedin (ethnography, classical antiquities, ceramics); and the National Museum, Wellington (botany, ethnology, history). The nation's largest collection of Maori and Polynesian artifacts is found in the War Memorial Museum in Auckland. The Auckland Museum, founded in 1852, also has a fine collection of Maori artifacts. There is also a Museum of Puppets in Auckland and a Melanesian Mission House

highlighting the Christian conversion of the indigenous peoples. There are hundreds of other historical and anthropological museums and sites throughout the country.

#### 45 MEDIA

In 1990, Telecom Corp., which runs the country's telephone services, was sold to a consortium led by American Information Technologies Corp. and Bell Atlantic. In 2003, there were an estimated 448 mainline telephones for every 1,000 people. The same year, there were approximately 648 mobile phones in use for every 1,000 people.

After undergoing decentralization in the early 1970s, the national broadcasting system was again reorganized in the latter half of the decade, and united under one central board, the Broadcasting Corp. of New Zealand. Under its authority are the Radio New Zealand network, a unified television service operating the two formerly competing national networks, TV1 and TV2, and one privately owned channel. As of 1998 there were 124 AM and 290 FM radio stations and 41 television broadcast stations. In 2003, there were an estimated 991 radios and 574 television sets for every 1,000 people. About 7.1 of every 1,000 people were cable subscribers. The same year, there were 413.8 personal computers for every 1,000 people and 526 of every 1,000 people had access to the Internet. There were 1,773 secure Internet servers in the country in 2004.

The largest daily newspapers and their estimated 2004 circulation figures are: *New Zealand Herald* (Auckland), 210,910; *The Press* (Christchurch), 91,111; *The Dominion Post* (Wellington), 99,089; and *Otago Daily Times* (Dunedin), 44,546. The largest weeklies in 2002 were *Sunday Star Times* (Auckland), 199,420; *Sunday News* (Auckland), 135,229; *The New Zealand Listener* (Auckland), 96,000; and *Dunedin Star Weekender* (Dunedin), 43,000.

The law provides for freedom of expression including free speech and a free press. Aside from the usual British legal limit for libel, the press enjoys complete editorial freedom.

#### 46 ORGANIZATIONS

Almost all aspects of New Zealand life have their appropriate organizations. A few of the more important ones are the Federated Farmers of New Zealand, the New Zealand Fruitgrowers' Association, the New Zealand Employers' Federation, the Chamber of Commerce (represented in almost every large town), the Returned Servicemen's Association, the New Zealand Federation of Labour, the Plunket Society (which deals with child welfare), the Royal Society of New Zealand, "Heritage" (devoted to the assistance of children deprived of one parent), the New Zealand Medical Association, the New Zealand Press Association, the New Zealand Institute of Public Administration, and the New Zealand Public Service Association.

Important cultural organizations are the New Zealand Symphony Orchestra, the New Zealand Opera Company, Creative New Zealand, the New Zealand Ballet, the Queen Elizabeth II Arts Council, the New Zealand Academy of Fine Arts, and the New Zealand Music Federation. There are also several associations available for hobbyists.

National youth organizations include the Girl Guides Association of New Zealand, New Zealand Scouting Association, Nation-

al Council of the YMCA/YWCAs of New Zealand, branches of the Junior Chamber, New Zealand Federation of Young Farmer Clubs, New Zealand Student Association for the United Nations, New Zealand University Student Association, and Young Socialists. There are numerous sports associations for all ages, including a National Rifle Association.

Social action groups include the National Advisory Council on the Employment of Women, the National Council of Women of New Zealand, and New Zealand Men for Equal Rights Association. Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. International organizations with national chapters include Amnesty International, Greenpeace, Habitat for Humanity, Salvation Army, Caritas, Save the Children Fund, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

New Zealand draws many thousands of tourists to its shores because of the beauty, diversity, and compactness of its natural attractions and its varied sporting facilities. There are 14 national parks; of these, Fiordland is the largest, with some portions still unexplored. Te Urewera, noted for its forests and bird life, is the park in which early Maori culture is most strongly preserved; Tongariro includes two active volcanoes and is an important ski resort; and Mount Cook National Park includes Tasman Glacier, the largest glacier outside the polar regions. New Zealand has numerous thermal spas, particularly in the Rotorua area, which also offers Maori villages where traditional arts and crafts may be observed. The Waitomo Cave, on the North Island, is lit by millions of glow-worms and may be toured all year. Lake Taupo and its streams form one of the world's richest trout fishing areas; Christchurch is home to one of the world's finest botanical gardens. Skiing is available on both the North and South Islands, and good deep-sea fishing along the North Island coast. New Zealand has first-class golf courses. Spectator sports include horse racing, football (soccer), cricket, and rugby.

All overseas visitors need passports valid for at least three months beyond their intended stay in New Zealand. Visas are not required for Australian citizens with Australian passports or nationals of the 50 countries who hold visa waivers. There are no vaccination requirements.

In 2003, about 2,104,400 tourists visited New Zealand, of whom 12.5% came from the United Kingdom and 10% from the United States. There were 20,072 hotel rooms with an occupancy rate of 54%. That year travelers stayed an average of two nights.

In 2005, the US Department of State estimated the daily cost of staying in Rotorua at us\$225; in Christchurch, us\$230, and in Wellington, us\$283.

#### 48 FAMOUS NEW ZEALANDERS

Among New Zealand's best-known statesmen are Sir George Grey (1812–98), governor and later prime minister; Richard John Seddon (1845–1906), prime minister responsible for much social legislation; William Ferguson Massey (1856–1925); and Peter Fraser (1884–1950), World War II prime minister. Robert David Muldoon (1921–92) was prime minister from 1975 to 1984, when David Lange (1942–2005) became the youngest man to hold that office in the 20th century. Sir John Salmond (1862–1924) was an eminent jurist. William Pember Reeves (1857–1932), outstanding

journalist, politician, and political economist, was the director of the London School of Economics. Frances Hodgkins (1869–1947) was a highly regarded painter. Katherine Mansfield (Kathleen Beauchamp Murry, 1888–1923), author of many evocative stories, was a master of the short-story form. Other well-known authors include Sylvia Ashton-Warner (1908–84) and Maurice Shadbolt (1932–2004). Two outstanding leaders of the Maori people were Sir Apirana Ngata (1874–1950) and Sir Peter Buck (1880–1951). Sir Truby King (1858–1938) pioneered in the field of child care.

Lord Ernest Rutherford (1871–1937), pioneer in atomic research and 1908 Nobel Prize winner for chemistry, was born in New Zealand. Other scientists include Sir Harold Gillies (1882–1960) and Sir Archibald McIndoe (1900–62), whose plastic surgery methods did much to rehabilitate war victims; Sir Brian G. Barratt-Boyes (1924–2006), a researcher in cardiac-thoracic surgery; and Albert W. Liley (b.1929), a researcher in perinatal psychology. Prominent in the arts have been ballet dancers Alexander Grant (b.1925) and Rowena Jackson (b.1926); the singer and actor Inia Watene Te Wiata (1915–71); and the soprano Kiri Te Kanawa (b.1944). Film actor Russell Crowe (b.1964) was born in New Zealand. Filmmakers Jane Campion (b.1954) and Peter Jackson (b.1961) have both won Academy Awards. In 1993, Campion won the Oscar for best screenplay for her film, *The Piano*. In 2003, Jackson's film, *The Return of the King*, the third film in *The Lord of the Rings* trilogy, won 11 Oscars, 3 for Jackson himself (best picture, best director, and best screenplay). Sir Edmund Percival Hillary (b.1919) was the conqueror of Mt. Everest. The celebrated political cartoonist David Low (1891–1963) was born in New Zealand.

#### 49 DEPENDENCIES

##### Cook Islands

Part of New Zealand since 1901, the Cook Islands became internally self-governing on 4 August 1965. The Cook Islands Constitution Act of 1964 established the island group as wholly self-ruling but possessed of common citizenship with New Zealand as well as of a common head of state (the Queen). New Zealand exercises certain responsibilities for the defense and external affairs of the islands, in consultation with the Cook Islands government. Full independence from New Zealand is planned for 2007.

A parliamentary type of government, like New Zealand's, characterizes the new political relationship, with a cabinet composed of a prime minister and six other ministers. The 24-member Legislative Assembly—to which the prime minister and other cabinet members are responsible—is elected by the adult population of the islands every four years and can void the applicability of New Zealand laws to the territory under its jurisdiction. The constitution of the autonomous islands also allows a declaration of independence, if ever this should be the wish of the political leadership. The office of New Zealand high commissioner was abolished in 1975 and replaced by the office of Queen's representative. Cook Islands products continue to enter New Zealand freely, and the level of subsidies to the islands from the New Zealand government has persisted.

The Cook Islands, 15 islands lying between 8° and 23°s and 156° and 167°w, more than 3,220 km (2,000 mi) northeast of New Zealand, were discovered by James Cook in 1773. They became a British protectorate in 1888 and were annexed to New Zealand



in 1901. They consist of the Southern Group—8 islands, the largest of which are Rarotonga (6,666 ha/16,472 acres) and Mangaia (5,191 ha/12,827 acres); and the Northern Group—7 islands varying in size from Penrhyn (984 ha/2,432 acres) to Nassau (121 ha/299 acres). The total area is 241 sq km (93 sq mi). The northern islands are low-lying coral atolls, while the southern islands, including Rarotonga, the administrative seat, are elevated and fertile, and have the greater population. Except for Rarotonga, the islands suffer from lack of streams and wells, and water must be conserved. The islands lie within the hurricane area and sometimes experience destructive storms.

The population (estimated in 2002 at 20,811) is Polynesian and close in language and tradition to the New Zealand Maori. They are converts to Christianity. The islands are visited by government and freight vessels, and interisland shipping services are provided by commercially owned boats. An international airport opened for full services in 1973. There are three radio stations (1 AM and 2 FM).

The economy is based on agriculture, with the main exports being copra, papayas, fresh and canned citrus fruit, and coffee. Other exports are fish, pearls, pearl shells, and clothing. Total exports were valued at us\$9.1 million in 2000. The main imports are foodstuffs, textiles, fuels, timber, and capital goods. In 2000, imports amounted to us\$50.7 million.

Revenue for public finances is derived mainly from import duties and income tax. The 2000–01 budget envisioned expenditures of us\$27 million. The New Zealand government provided grants and subsidies for capital development in health, education, other social services, economic development, and other purposes, covering one-third of the budget.

Free compulsory education is provided by the government at primary and secondary levels for all children between the ages of 6 and 15, and an estimated 95% of the population is literate. All Cook Islanders receive free medical and surgical treatment, and schoolchildren receive free dental care.

### Niue

An isolated coral island, Niue is 966 km (600 mi) northwest of the southern Cook Islands, and located at 19°02's and 169°52'w. Niue became a British protectorate in 1900 and was annexed to New Zealand in 1901. Although Niue forms part of the Cook Islands, because of its remoteness and cultural and linguistic differences it has been separately administered. Niue has an area of 258 sq km (100 sq mi). Its population (of Polynesian stock) was 2,134 in 2002, up slightly from 1,997 in 1993, but still below the peak of 5,194 in 1966. The population decline was principally due to emigration to New Zealand, where Niueans outnumber those remaining on the island by two to one.

Niue became self-governing on 19 October 1974, in free association with New Zealand. Under the constitution, the former leader of government became the premier. An assembly of 20 members is elected by universal suffrage; 14 members represent village constituencies, and 6 are elected at large. The constitution provides for New Zealand to exercise various responsibilities for the external affairs and defense of Niue and to furnish economic and administrative assistance.

Niue's soil, although fertile, is not plentiful; arable land is confined to small pockets of soil among the coral rocks, making ag-

riculture difficult, although the economy is based mainly on agriculture. Since there are no running streams, the island is dependent on rainwater. Exports include canned coconut cream, copra, honey, vanilla, passion fruit products, pawpaws, root crops, limes, footballs, stamps, and handicrafts; in 1999 income from exports was \$137,200. As of 2001, there were 234 km (146 mi) of road, 86 km (54 mi) of which are paved. A telephone system, with nearly 400 main lines as of the 1990s, connects the villages, and an airport became fully operational in 1971.

Budget deficits are met by the New Zealand government, which also makes grants for capital development. Health services and education are free. Education is compulsory for children 5 to 14 years of age.

### Tokelau Islands

The Tokelau Islands, situated between 8° and 10°s and 171° and 173°w, about 483 km (300 mi) north of Western Samoa, consist of three atolls, Fakaofu, Nukunonu, and Atafu. Total area is about 10 sq km (4 sq mi). Each atoll has a lagoon encircled by a number of reef-bound islets varying in length from about 90 m to 6.4 km (100 yards to 4 mi), in width from 90 m to 360 m (100–400 yards), and extending more than 3 m (10 ft) above sea level. All villages are on the leeward side, close to passages through the reefs. Lying in the hurricane belt, the islands have a mean annual rainfall of 305 cm (120 in). The inhabitants, of Polynesian origin, are British subjects and New Zealand citizens. Total population in 2002 was estimated at 1,431, down from 1,760 in 1992. Formerly part of the Gilbert and Ellice Islands group, the Tokelau Islands were transferred to New Zealand at the beginning of 1949. There is no resident European staff; executive functions are carried out on each atoll by appointed Tokelau mayors, magistrates, clerks, and other officials. An administrative officer based in Samoa coordinates administrative services for the islands. Samoan is the official language.

Subsistence farming and the production of copra for export are the main occupations. The total fish catch was 190 tons in 1994. Visits are made regularly by New Zealand Air Force planes, and a chartered vessel makes regular trading visits. Sources of revenue are an export duty on coconuts, copra, customs dues, postage stamps, and trading profits.

Government expenditure is devoted mainly to agriculture, the provision of social services, and administrative costs. Annual deficits are met by New Zealand government subsidies. New Zealand's annual budgetary aid was estimated at us\$4 million in 2000. Nutrition and health are reasonably good.

### Ross Dependency

The Ross Dependency (between 160°E and 150°W and south of 60°S) is a section of the Antarctic continent that was brought under the jurisdiction of New Zealand in 1923. Its area is estimated at 414,400 sq km (160,000 sq mi). It is almost entirely covered by ice and is largely uninhabited. New Zealand activities in the dependency are coordinated and supervised by the Ross Dependency Research Committee (a government agency) and implemented by the Antarctic division of the Department of Scientific and Industrial Research. Exploitation of the region, apart from scientific expeditions, has been confined to whaling. A joint US-New Zealand scientific station established at Cape Hallett in 1957 for par-

ticipation in the International Geophysical Year continues to operate for purposes of scientific research.

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# OMAN

Sultanate of Oman  
*Saltanat ‘Uman*

**CAPITAL:** Muscat (Masqat)

**FLAG:** The flag is red with a broad stripe of white at the upper fly and green at the lower fly. In the upper left corner, white crossed swords overlay a ceremonial dagger.

**ANTHEM:** *Nashid as-Salaam as-Sutani (Sultan’s National Anthem)*.

**MONETARY UNIT:** The Omani riyal (ro), established in November 1972, is a paper currency of 1,000 baizas. There are coins of 2, 5, 10, 25, 50, 100, 250, and 500 baizas, and notes of 100, 250, and 500 baizas (the last two being replaced by coins) and 1, 5, 10, 20, and 50 riyals. ro1 = \$2.56410 (or \$1 = ro0.39) as of 2005.

**WEIGHTS AND MEASURES:** The metric system was adopted on 15 November 1974. The imperial and local system also are used.

**HOLIDAYS:** Accession of the Sultan, 23 July; National Day, 18 November; Sultan’s Birthday, 19 November. Movable Muslim religious holidays include ‘Id al-Fitr, ‘Id al-‘Adha, and Milad an-Nabi.

**TIME:** 4 PM = noon GMT. Solar time also is observed.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The Sultanate of Oman is the second-largest country after Saudi Arabia on the Arabian Peninsula, with an area officially estimated at 212,460 sq km (82,031 sq mi). Comparatively, the area occupied by Oman is slightly smaller than the state of Kansas. Oman’s territory includes the tip of the strategically important Ra’s Musandam, which juts into the Strait of Hormuz. Oman’s part of the peninsula is separated from the rest of the country by the territory of the United Arab Emirates (UAE). Oman proper extends 972 km (604 mi) NE–SW and 513 km (319 mi) SE–NW. It is bordered on the N by the Strait of Hormuz, on the NE by the Gulf of Oman, on the E and S by the Arabian Sea, on the SW by the People’s Democratic Republic of Yemen (PDRY), on the W by the Ar-Rub’ al-Khali (Empty Quarter) and Saudi Arabia, and on the NW by the United Arab Emirates. The total estimated boundary length is 3,466 km (2,154 mi), of which 2,092 km (1,300 mi) is coastline.

## <sup>2</sup>TOPOGRAPHY

Physically, Oman, except for the Dhofar (Zufar) region, consists of three divisions: a coastal plain, a mountain range, and a plateau. The coastal plain varies in width from 16 km (10 mi) to practically nothing near Muscat, where the hills descend abruptly to the sea. The highest point, Jabal Shams, is at 2,980 meters (9,777 ft) in the Al Jabal range of the north. The plateau has an average height of about 300 m (1,000 ft) and is mostly stony and waterless, extending to the sands of the Ar-Rub’ al-Khali. The coastline southward to Dhofar is barren and forbidding. From Salalah, a semicircular fertile plain extends to the foot of a steep line of hills, some 1,500

m (4,920 ft) high, and forms the edge of a stony plateau also extending to the sands of the Empty Quarter.

## <sup>3</sup>CLIMATE

Annual rainfall in Muscat averages 10 cm (4 in), falling mostly in January. Dhofar is subject to the southwest monsoon, and rainfall up to 64 cm (25 in) has been recorded in the rainy season from late June to October. While the mountain areas receive more plentiful rainfall, some parts of the coast, particularly near the island of Masirah, sometimes receive no rain at all within the course of a year. The climate generally is very hot, with temperatures reaching 54°C (129°F) in the hot season, from May to October.

## <sup>4</sup>FLORA AND FAUNA

Desert shrub and desert grass, common to southern Arabia, are found. Vegetation is sparse in the interior plateau, which is largely gravel desert. The greater rainfall in Dhofar and the mountains makes the growth there more luxuriant. Coconut palms grow plentifully in Dhofar and frankincense grows in the hills. Oleander and varieties of acacia abound.

Indigenous mammals include the cheetah, hyena, fox, wolf, and hare. Birds include the Arabian see-see partridge, redleg chukor partridge, and Muscat bee eater. As of 2002, there were at least 56 species of mammals, 109 species of birds, and over 1,200 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Maintaining an adequate supply of water for agricultural and domestic use is Oman’s most pressing environmental problem. The

nation has only one cubic kilometer of renewable water resources, with 94% of annual withdrawals used in farming and 2% for industrial activity. Both drought and limited rainfall contribute to shortages in the nation's water supply. The nation's soil has shown increased levels of salinity. Pollution of beaches and other coastal areas by oil tanker traffic through the Strait of Hormuz and Gulf of Oman is also a persistent problem.

In 2003, about 14% of the total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 12 types of mammals, 14 species of birds, 4 types of reptiles, 18 species of fish, 1 species of invertebrate, and 6 species of plants. Decrees have been passed to protect endangered species, which include the South Arabian leopard, mountain gazelle, goitered gazelle, Arabian tahr, green sea turtle, hawksbill turtle, and olive turtle. The Arabian Oryx Sanctuary is a UNESCO World Heritage Site.

## **6** POPULATION

The population of Oman in 2005 was estimated by the United Nations (UN) at 2,436,000, which placed it at number 137 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 33% of the population under 15 years of age. There were 128 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.8%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 2,984,000. The population density was 12 per sq km (30 per sq mi), with the greatest concentrations around Muscat and on the Batinah coast; together, these two regions have more than half the population.

The UN estimated that 76% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.27%. The capital city, Muscat (Masqat), had a population of 638,000 in that year. Salalah is the principal town of the south.

## **7** MIGRATION

There is frequent movement of workers between Oman and neighboring states. In 2000 there were 682,000 migrants living in Oman, primarily foreign laborers. In 2001, foreigners were nearly 25% of the labor force. Oman declared that, by the end of 2003, cashiers, drivers, security officers, and workers in retail stores and supermarkets must be Omanis. By 2007 restaurants catering mainly to tourists would also be Omanized.

In 2004, there were 7 refugees and 24 asylum seekers. The net migration rate was an estimated 0.31 migrants per 1,000 population in 2005.

## **8** ETHNIC GROUPS

The indigenous population is predominantly Arab except on the Batinah coast, where there is significant Baluchi, Iranian, and African representation, and in Muscat and Matrah, where there are

Khojas and other Indians, Baluchis, and Pakistanis. Tribal groups are estimated to number over 200.

## **9** LANGUAGES

The official language is Arabic. Urdu, Baluchi, and several Indian dialects are also spoken, especially in the cities of Muscat and Matrah. English is taught as a second language.

## **10** RELIGIONS

The state religion is Islam, with most of the population adhering to the Ibadhi or Sunni sects. Tribes in the north are mainly Sunni Muslims of the Hanbali, Shafai, and Wahhabi rites. A minority of the population is Shia Muslim. There is a small community of Indian Hindu citizens and there is reportedly a very small number of Christians. Non-Muslims, the majority of whom are non-citizen immigrant workers from South Asia, are free to worship at churches and temples, some of which are built on land donated by the Sultan.

The Basic Statute of the State allows for the freedom to practice religious rites as long as these rites do not breach public order. In practice, the government has reserved the right to place some restrictions on non-Muslim faiths. Non-Muslims may not proselytize to Muslims and non-Muslim groups may not publish religious materials within the country. Certain Muslim holidays are celebrated as national holidays.

## **11** TRANSPORTATION

As of 2002, there were 32,800 km (20,382 mi) of roadways, of which only 9,840 km (6,115 mi) were paved, including 550 km (342 mi) of expressways. A major 800-km (500-mi) highway links Nazwa in the north to Thamarit and Salalah in the Dhofar region. A main coastal road has been laid from Muscat to Suhar, a distance of 240 km (150 mi), and the road from Muscat to Buraymi on the United Arab Emirates border has been completed. In 2003, there were 266,325 passenger cars and 113,370 commercial vehicles registered. There are no railways or waterways in Oman.

In 2004, there were an estimated 136 airports. As of 2005, a total of six had paved runways, and there was also one heliport. Seeb International Airport, 30 km (19 mi) northwest of Muscat, is served by numerous international carriers, including Gulf Air, in which Oman holds a 20% interest. A second modern airport, at Salalah in the south, serves domestic flights. In 2003, about 2.777 million passengers were carried on scheduled international and domestic airline flights.

Mina's Qabus, near Muscat, is the main port in the north, serving international and regional shipping. Port Salalah, 1000 km (621 mi) down the coast from Muscat is the main port for the south. Opened in 1998, Port Salalah is the only port between Europe and Singapore that can accommodate the S-class ships, the world's largest class of container vessel. It is now among the top 20 container ports in the world in terms of handling capacity, and among the top 10 in terms of efficiency. All Omani crude oil is exported from Mina's al-Fahl, west of Matrah. In 2005, Oman had one merchant vessel (a passenger ship) of 1,000 GRT or more, totaling 15,430 GRT.

## 12 HISTORY

Oman's history can be traced to very early times. In Genesis 10:26–30, the descendants of Joktan are said to have migrated as far as Sephar (now Dhofar). The area was already a commercial and seafaring center in Sumerian times, and Phoenicians probably visited the coastal region. Other groups that probably came to the area in ancient times include the Baida and Ariba, Semitic tribes from northern Arabia, now extinct; the first Himyar dynasty from Yemen, which fell to the Persians in the time of Cyrus, about 550 BC; ancient Greek navigators; and the Parthians (174–136 BC).

The entire population was converted to Islam during the lifetime of Muhammad, but Oman soon became—and remains today—the center of the Ibadhi sect, which maintained that any pious Muslim could become caliph or imam and that the imam should be elected. Omani tribes have elected their imams since the second half of the 8th century.

The first prolonged contact with Europe came in 1507–08, when the Portuguese overran Muscat. They maintained control until they were driven out with Persian aid in 1649. During the next 75 years, Oman conquered Mombasa, Mogadishu, the island of Zanzibar, and the Portuguese possessions in East Africa. Later it held parts of what are now Iran and Pakistan.

The first sultanate was established in Muscat about 1775. In 1798, Britain concluded its first treaty with Muscat. Sa'id bin Sultan (r.1804–56) became dependent on British support, and after his death his sons quarreled over his succession (the basic Ibadhi tenet having been rejected). Thus weakened by political division, Muscat lost control of the interior. In 1920, the Treaty of Seeb was signed between the sultan of Muscat and the imam of Oman, acknowledging the autonomy of the imamate of Oman under the sovereignty of the Sultan. From 1920 to 1954 there was comparative peace. On the death of the imam in 1954, Sultan Sa'id bin Taymur moved to succeed him.

That year, Sa'id concluded a new agreement with Petroleum Development (Oman) Ltd., a British-managed oil company that had the oil concession for Oman. By this agreement, the company maintained a small army, the Muscat and Oman Field Force (MOFF), raised and led by the British. In early 1955, it subdued the area up to and including the town of 'Ibri. When British troops took Buraymi, MOFF occupied the rest of Oman and expelled the rebellious new imam. By 1959 when the last of the insurgents supporting the imam were defeated, the sultan voided the office and declared the Treaty of Seeb terminated. The imam, exiled in Saudi Arabia, tried in vain to muster Arab support for his return.

Under the terms of the Anglo-French Declaration of 10 March 1962, the sultanate of Muscat was proclaimed an independent and sovereign state. Certain Arab states charged, however, that the United Kingdom was maintaining a colonial presence in the former imamate of Oman. In 1965 and repeatedly thereafter, the UN called unsuccessfully for the elimination of the British presence. Oman joined the UN late in 1971.

Meanwhile, as early as 1964, a tribal rebellion had been brewing in the Dhofar region. The rebel tribes, organized as the Dhofar Liberation Front and aided by South Yemen, later joined forces with the Marxist Popular Front for the Liberation of Oman and the Arab Gulf. The insurgency was suppressed in 1975 with direct



LOCATION: 51°50' to 59°40'E; 16°40' to 26°20' N. BOUNDARY LENGTHS: Total coastline, 2,092 kilometers (1,301 miles); Yemen, 288 kilometers (179 miles); Saudi Arabia, 676 kilometers (420 miles); UAE, 410 kilometers (255 miles).

TERRITORIAL SEA LIMIT: 12 miles.

military assistance from Jordan and Iran. A treaty with Yemen defining the border was ratified in 1992.

Qaboos bin Sa'id ousted his father, Sa'id bin Taymur, on 23 July 1970 and has ruled as sultan since that time. He immediately changed the name of the country from Muscat and Oman to the Sultanate of Oman and has presided over an extensive modernization program, easing his father's harsh restrictions and opening

the country to the outside world, while preserving political and military ties with the British. Oman has been a proponent of cooperation among the Gulf States. A member of the Gulf Cooperation Council (GCC), it has also sought to keep good relations with Iran. Because Oman dominates the Strait of Hormuz, which links the Gulf of Oman with the Persian Gulf, its strategic importance drew it and the United States closer together with the start of the Iran–Iraq war in 1979. Under the terms of a pact signed in 1980, US military personnel and ships have been given access to Omani military and naval bases and are permitted to preposition military material for use in contingencies.

Oman pursues a moderate, independent foreign policy. Unlike most Arab states, it supported the Camp David accords and did not break relations with Egypt following its peace treaty with Israel. Similarly, during the Gulf War, Oman sent forces to Saudi Arabia and granted strategic facilities to the United States, but did not sever diplomatic relations with Iraq during the conflict.

In 1994 reports began appearing of arrests of critics of the Omani government. It was estimated that the Omani government detained nearly 500 such critics with points of view ranging from the Arab nationalist Ba'ath movement to Islamists supporting the Sunni Muslim Brotherhood.

Through 1995 Oman was considered as having “graduated” from the ranks of under-developed nations needing World Bank loans. Its ambitious economic goals included a 10-year plan for cultivating tourism and plans to improve its infrastructure, including water desalinization. However, in 1998, the economy was adversely affected when the price of oil dropped below \$10 per barrel, a 25-year low. Oman agreed with the Organization of Oil Exporting Countries (OPEC), of which Oman is not a member, to reduce global oil production by 2.1 million barrels of crude per day until April 2000 in the hope of raising oil prices to \$18 per barrel. In October 1999, the Omani oil minister recommended extending oil production cuts beyond the date originally proposed. Meanwhile, Oman has sought to diversify its economic base and ease its dependence on oil. A gas liquefaction plant at Sur was slated for completion in 2000.

As of 1999, Oman held to a middle-of-the-road stance of conciliation and compromise in Middle Eastern politics. In January 1999, Oman's foreign minister met with his counterparts from Egypt, Saudi Arabia, Syria, and Yemen at a closed meeting in Cairo to forge a position on the question of Iraq. Also in 1999, Oman's sultan, Qaboos bin Sa'id, signed an agreement with the president of the United Arab Emirates defining the borders between Oman and the emirate of Abu Dhabi. In October 2001, extensive Omani-British military exercises in the Omani desert coincided with the launch of strikes against the Taliban in Afghanistan.

During 2002 and into 2003, Oman, along with the other countries of the Persian Gulf, was confronted with the situation of a potential US-led war with Iraq. On 8 November 2002, the UN Security Council unanimously passed Resolution 1441, calling on Iraq to immediately disarm itself of weapons of mass destruction (WMD) and WMD weapons capabilities, to allow the immediate return of International Atomic Energy Agency (IAEA) and UN weapons inspectors, and to comply with all previous UN resolutions regarding the country since the end of the Gulf War in 1991. If Iraq was found to be in “material breach” of the resolution, “serious consequences” were to result. The United States and the Unit-

ed Kingdom began amassing troops in the region, and by the end of February 2003, the number of troops in the Persian Gulf was approximately 200,000. As of 1 February, there were 3,600 US military personnel, 100 elite British special forces, and approximately 40 aircraft in Oman. As well, a new airbase was under construction, which would have a 14,000-ft. runway. However, Oman has said it would not act in a conflict with Iraq without UN approval.

Oman's borders with all its neighbors have been demarcated. A 2002 demarcation of the Oman-UAE border was ratified in 2003, including Oman's Musandam Peninsula and Al Madhah exclave, but details were not made public.

At an Arab League summit held at Sharm el-Sheik, Egypt, on 1 March 2003, sharp divisions between Arab leaders on the Iraq situation emerged, particularly between Libya and Saudi Arabia. However, the leaders issued a declaration expressing “complete rejection of any aggression on Iraq,” and called for continuing UN weapons inspections. It also called upon Iraq to disarm itself of WMD and the missiles needed to deliver them. At the summit, some leaders argued war was inevitable and that the countries of the region should prepare for its aftermath; some argued that war could be avoided if Iraq were to comply with weapons inspections; and a third group argued that the summit should issue an unequivocal antiwar declaration.

Since 2000 the Omani government promoted an “Omanisation” campaign to ensure jobs for citizens, to promote self-reliance in human resources, and also to reduce dependence on expatriates. Expatriates with valid work permits in the private sector were replaced or left jobs, over 130,000 between January 2003 and July 2005. This policy also resulted in the massive repatriation of guest workers whose employment visas had expired.

In May 2005 two cargo ferries carrying 1,018 Pakistanis were deported from Oman, some 40,000 Pakistanis having been deported from Oman between 2003 and 2005. In August 2005 undocumented or overstaying Filipinos in Oman were urged to return to the Philippines because of the sultanate's impending crackdown on undesirable foreigners. In October 2005 special arrangements were made for 5,700 Indian overstayers to exit Oman.

In March 2004 the Sultan appointed Oman's first female minister with portfolio and added two more women to the cabinet by year's end. These appointments were a clear indication that the government was leading by example and that the participation of women in national life was a priority. In addition, the most capable people available filled government positions.

In January 2005, nearly 100 suspected Islamists were arrested. Thirty-one Omanis were subsequently convicted of trying to overthrow the government, but were pardoned in June. This group was neither Sunni followers of Osama bin Laden nor Shiites loyal to Iran or Iraq, but preachers, Islamic scholars, university professors and government figures from the Ibadi faith. It is the sect to which Sultan Qaboos and the majority of Omani belong. The dissidents wanted a return to a strict Islamic state, the imamate, contesting the pro-Western policies of the Sultan.

In October 2005, a free trade agreement with the United States was finalized.

### 13 GOVERNMENT

Oman's sultan is an absolute monarch. The sultanate has no constitution, legislature, or suffrage, until of late. In 1970, Sultan Qa-

boos appointed a cabinet of ministers responsible for various government departments and functions.

A state Consultative Council, established in 1981, consisted of 55 appointed representatives of government, the private sector, and regional interests. This body was replaced in 1991 by a Majlis Al-Shura, a 59-seat Consultative Council, which was seen as a first step toward popular participation in government. The Sultan expanded the membership to 80 seats after the country's first national census in 1993. The Council has no formal legislative powers but may question government ministers, and recommend changes to new laws on economic and social policy. These recommendations have led to amendments to proposed decrees.

On 6 November 1996 the Sultan decreed the country's first "basic law" which provides for citizens' basic rights in writing and a body known as the Majlis Oman (Council of Oman) that includes a new Council of State, Majlis Al-Dawla (upper chamber), and the Consultative Council, Majlis al-Shura (lower chamber). In 2000, the Consultative Council was expanded to 83 seats, and members were chosen by the vote of 175,000 government-selected electors. In January 2001, the sultan appointed 53 members of the Majlis Al-Dawla, including 5 women.

In November 2002, the sultan extended voting rights to all citizens over the age of 21, except for members of the military and security forces. Voters in Oman were previously chosen from among tribal leaders, intellectuals, and businessmen. The first elections to the Majlis al-Shura in which all citizens over the age of 21 (except for members of the military and security forces) were entitled to vote were held in October 2003. Members are elected for four-year term; the body has some limited power to propose legislation, but otherwise has only advisory powers. Little change in the political make-up of the lower house resulted from this election. The next Majlis al-Shura elections are scheduled for 2007.

## 14 POLITICAL PARTIES

There are no legal political parties nor, at present, any active opposition movement. As more and more young Omanis return from education abroad, it seems likely that the traditional, tribal-based political system will have to be adjusted.

## 15 LOCAL GOVERNMENT

The nation is divided into five regions, three governates (Muscat, Musandam, Dhofar) and 59 wilayats (districts), governed by walis. Most wilayats are small in area, but can vary greatly in population. The walis is appointed by the Minister of Interior and answerable to them. The walis is responsible for local disputes, collecting taxes, and maintaining peace. The governors of Muscat, Musandam, Dhofar are appointed directly by the Sultan and hold Minister of State rank.

## 16 JUDICIAL SYSTEM

Shariah courts based on Islamic law administer justice, with the Central Magistrate Court at Muscat. There are four additional magistrate courts in Suhār, Šūr, Salalah, and Nizwa. Qadis, or religious judges, appointed by the sultan, function within each wilayat. Appeals from the Central Magistrate Court are made to the sultan, who exercises powers of clemency. The Shariah courts, adhering to Islamic law, equate the testimony of one man with that of two women. There is also a security court, rarely used, which

handles internal security cases. A commercial dispute may be resolved at the Authority for Settlement of Commercial Disputes.

In 1996, the sultan promulgated a basic law providing for citizens' basic rights. The basic law affirms the independence of the judiciary. There are no jury trials.

## 17 ARMED FORCES

Oman's armed forces, including the Royal Household troops, had 41,700 foreign and domestic active personnel in 2005. The Army had 25,000 personnel equipped with 117 main battle tanks, 37 *Scorpion* light tanks, 145 reconnaissance vehicles, 191 armored personnel carriers, and 233 artillery pieces. The Air Force had 4,100 personnel, and was equipped with 48 combat capable aircraft, including 36 fighter ground attack aircraft, of which 12 were used in a training capacity. The Navy numbered 4,200 active members. Major naval units included two corvettes and eight patrol/coastal combatants. Paramilitary forces consisted of the 4,000-man Tribal Home Guard (Firqats) and a police coast guard of 400, which included a small police air wing. The elite Royal Household brigade, naval unit, and air unit numbered 6,400, including 2 special forces regiments. An estimated 2,000 foreigners also served in Oman's armed forces. In 2005 Oman's defense budget totaled \$3.02 billion.

## 18 INTERNATIONAL COOPERATION

On 7 October 1971, Oman gained membership in the United Nations; it belongs to ESCWA and several nonregional specialized agencies, such as the FAO, ILO, UNESCO, UNIDO, the World Bank, and the WHO. Oman also participates in the WTO, the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Arab Monetary Fund, the Organization of the Islamic Conference (OIC), G-77, the Gulf Cooperation Council, and the Arab League. Oman is a member of the Nonaligned Movement.

In environmental cooperation, is part of the Basel Convention, the Convention on Biological Diversity, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Oman's location at the entrance to the Persian Gulf for centuries made it an *entrepôt* for trade, including a substantial traffic in arms and slaves. Its prosperity declined in the 19th century, when, as a result of Western dominance in Asia, traditional trade patterns and communications routes were radically changed. Oman's economy then became predominantly dependent on agriculture and fishing.

The situation changed with the discovery of oil in 1964. Production began in August 1967, and by the mid-1970s most of the economy revolved around oil. The hydrocarbons sector accounted for 77% of export earnings and government revenues in 2000. Despite diversification efforts, petroleum's share of GDP rose from 37% in 1994 to 38.2% in 1995 to 40% in 1999. In 2000, petroleum's share jumped to 49% of GDP as oil prices rose sharply from near-record lows in early 1999. As of January 2001, Oman's proven oil reserves were 5.5 billion barrels. At the estimated high production level of 959,816 barrels per day in 2001, the reserves would last

another 15.7 years. The government's Oman 2020 program looks to a fundamental transformation of the economy by that time. The production of natural gas has become a significant factor of the economy. Gas reserves increased from 9.8 trillion cubic feet in 1990 to 29.3 trillion cubic feet 2001, and government predictions are that this will eventually expanded to some 40 trillion cubic feet in 1999 and are further increasing. Two major extensions of Oman's pipeline connections from gas deposits in the center of the country were completed in August 2002: a pipeline to the north coast at Sohar and a pipeline to the south coast at Salalah. With the recovery of gas prices from in the latter half of 1999, GDP grew at extraordinarily high rates of 15.6% in 1999 and 19.6% in 2000. Inflation was negligible at 0.4% in 1999 and 1.4% in 2000.

In 2004, the GDP growth rate was 0.7%, down from 2.3% in 2003, and 1.9% in 2002; in 2005, the economy expanded by an estimated 1.6%. The inflation rate has been fairly stable, and at 0.3% in 2004 it did not pose any problems to the economy, although it was not ideal for the export sector. The unemployment rate was tagged at 15%, but only a certain layer of society is affected by it. To respond to this problem, the government is trying to replace foreign expatriate workers with local workers. In 2005 work on a new liquefied gas facility progressed, but plans are made to diversify the economy for the days when Oman's natural resources will be exhausted.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Oman's gross domestic product (GDP) was estimated at \$40.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$13,400. The annual growth rate of GDP was estimated at 1.9%. The average inflation rate in 2005 was 0.4%. It was estimated that agriculture accounted for 2.8% of GDP, industry 40%, and services 57.1%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$39 million or about \$15 per capita and accounted for approximately 0.2% of GDP. Foreign aid receipts amounted to \$45 million or about \$17 per capita.

The World Bank reports that in 2003 household consumption in Oman totaled \$8.75 billion or about \$3,368 per capita based on a GDP of \$21.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings.

In 2001 it was estimated that approximately 22% of household consumption was spent on food, 25% on fuel, 13% on health care, and 21% on education.

## 21 LABOR

The estimated workforce of Oman was 920,000 in 2002. As of 2000, the services sector accounted for 82.1% of the labor force, with industry accounting for 11.2%, agriculture 6.4%, and the remaining 0.4% in undefined occupations. As of 2004, the country's unemployment rate was estimated at 15%.

Omani law does not provide the right of union formation. The law forbids a strike for any reason. Collective bargaining is not

permitted, however there exist labor-management committees in firms with more than 50 workers. These committees are not authorized to discuss conditions of employment, including hours and wages. The Labor Welfare Board provides a venue for grievances.

The minimum working age is 13, but this provision is not enforced against the employment of children in family businesses or on family farms. The minimum wage for nonprofessional workers was \$260 per month in 2002. However, many classes of workers (domestic servants, farmers, government employees) are not required to receive the minimum wage and the government is not consistent in its enforcement of the minimum wage law. The private sector workweek is 40 to 45 hours long, while government officials have a 35-hour workweek.

## 22 AGRICULTURE

Agriculture contributes only about 3% to GDP, but engages 37% of the economically active population, mostly at a subsistence level. The potential for expanding agriculture in Oman is good. Land use is determined primarily by the availability of water. There is extensive cultivation along the Batinah and Shumailiyah coasts; in the interior, however, cultivation is confined to areas near wadis, where water is taken off by a system of water channels (fallaj). The total area under cultivation is estimated to be about 80,000 hectares (198,000 acres).

The principal agricultural product is the date, at 238,000 tons in 2004. On the Baunah coast, groves containing some 10 million date palm trees form a strip 240-km (150-mi) long and 40-km (25-mi) wide. Fruits grown in Dhofar include bananas, mangoes, and coconuts. Citrus fruits (notably limes), nuts, melons, bananas, coconuts, alfalfa, and tobacco are also grown. Tomatoes, cabbages, eggplant, okra, and cucumbers are important winter crops. Frankincense is traditionally produced from about 8,000 trees growing wild in Dhofar. Along the Batinah coast, a wide variety of produce is grown, including fruits, wheat, rice, and durra. Agricultural exports were valued at \$402 million in 2004, while agricultural imports amounted to \$1.17 billion that year.

## 23 ANIMAL HUSBANDRY

Goats, sheep, donkeys, and camels are widely raised. In 2005 there were 1,070,000 goats, 375,000 sheep, 335,000 head of cattle, 123,000 camels, and 28,500 donkeys. There is a relatively large-scale cattle-raising industry in Dhofar. Total meat production in 2005 was 43,400 tons. Oman estimates that it is 53% self-sufficient in milk production, 46% in beef, 44% in eggs, and 23% in milk. The camels of Oman are famous for their fine riding qualities.

## 24 FISHING

The waters of the Gulf of Oman are rich in sardines, mackerel, shrimp, lobsters, crayfish, tuna, barracudas, groupers, and sharks. The annual catch in 2003 was 138,833 tons, mainly sardines. Fishing employs about 26,000 persons. Investment in onshore processing and refrigeration plants, harbors, and repair yards has facilitated commercial fishing development. Exports of fish products amounted to \$79.9 million in 2003. The government subsidizes the cost of boats and engines to promote employment in fishing. Fish stocks and breeding patterns are studied at a research center south of Muscat. In 1996, three new fishing harbors were opened



(at Bukha in Musandam, Quriyat, and Shinas), at a combined cost of RO10.3 million and with a capacity for about 1,000 small boats.

## 25 FORESTRY

Forest coverage is less than 1%. The use of wood as the sole fuel and overgrazing by goats have depleted the forests of Oman, but the interior of the country is fairly well wooded. Oman imported \$74.1 million in forest products during 2004.

## 26 MINING

Petroleum and natural gas dominated Oman's economy. Although large deposits of copper have been discovered northwest of Muscat, with other deposits also discovered at Hajl al-Safi and at Rakah, in Ibri, there was no recorded production of mined copper in 2004. However, an estimated 224,000 metric tons of smelted copper was produced from copper ore imports. In 2003, only 4 kg of gold was produced, down from an estimated 188 kg in 2002 and 603 kg in 2001. There was no recorded gold production in 2004. Nor was there any recorded silver production in 2003 or 2004. In 2000, National Mining Co. of Oman explored for copper, gold, and silver near Sohar, and the Metal Mining Agency of Japan completed exploration for copper and gold in the South Batinaha area. Output of chromium (gross weight) in 2004 was 18,575 metric tons, up from 13,000 metric tons in 2003. Sand and gravel production in 2004 was estimated at 22 million metric tons, unchanged from 2003, while marble output in 2004 totaled an estimated 140,000 metric tons. Oman in 2004 also produced, gypsum, salt, sulfur and hydraulic cement.

## 27 ENERGY AND POWER

Oman's reserves of oil and natural gas are modest in size when compared to other countries in the Middle East. However, the country's importance to the world's oil markets lies in its geographic location overlooking the Strait of Hormuz. Oman is not a member of the Organization of the Petroleum Exporting Countries (OPEC), but is a leader in IPEC, the main independent petroleum exporter's organization.

As of 1 January 2005, Oman's proven oil reserves were estimated at 5.5 billion barrels, most of which are located in its central and northern regions. In 2003, oil production averaged an estimated 784,000 barrels per day, with crude oil accounting for 781,000 barrels per day. In that same year, domestic oil consumption was estimated at 59,000 barrels per day, allowing for net exports of 725,000 barrels per day. Oman's primary customers in 2003 were China, Japan, South Korea, India, Thailand, and Singapore. Oman's crude oil refining capacity, as of 1 January 2005, was estimated at 85,000 barrels per day.

Oman, as of 1 January 2005, had proven natural gas reserves estimated at 29.3 trillion cu ft. In 2002, natural gas production and domestic consumption were estimated at 530 billion cu ft and 231 billion cu ft, respectively.

Although more than 22 million tons of coal deposits have been found in Oman's Wadi Fisaw and Wadi Muswa areas, near the city of Sur, these deposits have yet to be developed commercially.

As of 1 January 2002, Oman's electric power capacity was estimated at 2.4 GW, which in 2002 was entirely dedicated to conventional thermal sources. Electric power output in 2002 was es-

timated at 9.8 billion kWh. Demand for power in 2002 came to 9.031 billion kWh.

## 28 INDUSTRY

Besides oil, industry in Oman still consists largely of small-scale food-processing enterprises. Many new industries were set up in the 1980s, including a cement plant with an annual capacity of 609,000 tons. In 1995, Oman's cement production totaled 1.4 million tons. The majority of these manufacture nonmetallic mineral products followed by wood and wood products, and fabricated metal products. The Rusail industrial estate had 81 working factories by 1996, with 15 more under construction. The \$250 million Salalah Container Port opened in 1998 as a magnet for value-added manufacturing enterprises. Another \$250 industrial port in the Sohar on which construction began in 1999 was expected to be operational in 2003. By the latest available estimate, industry comprised 40% of the GDP in 1999.

Industry accounted for 40% of economic output in 2005 (with oil and gas production carrying the lion share), and was bested by services with a 57.1% share. Agriculture continues to be the weakest economic sector, with just a 2.8% share in the GDP. The industrial production growth rate was only 0.9%, indicating that the sector is going through a recession period.

## 29 SCIENCE AND TECHNOLOGY

Most research conducted in Oman has been done at the behest of the government; agriculture, minerals, water resources, and marine sciences have drawn the most attention. Sultan Qaboos University, founded in 1985, has colleges of science, medicine, engineering, and agriculture. In 1987-97, science and engineering students accounted for 13% of college and university enrollments. The Institute of Health Sciences, under the Ministry of Health, was founded in 1982. Muscat Technical Industrial College, founded in 1984, has departments of computing and mathematics, laboratory science, and electrical, construction, and mechanical engineering. The Oman Natural History Museum, founded in 1983, includes the national herbarium and the national shell collection. All of these organizations are located in Muscat.

Oman's high technology exports in 2002 totaled \$36 million, or 2% of the country's manufactured exports. For the period 1990 to 2001, Oman had four researchers for every one million people.

## 30 DOMESTIC TRADE

Though oil is the strongest basis for the Omani economy, agriculture and fishing are still very much a part of the traditional lifestyle. Most of the government's development plans are aimed at industry to support greater foreign trade, rather than to provide consumer products for the domestic market. Muscat and Matrah are the primary commercial centers. Much of the business is carried on by long-established and settled Khoja and Hindu merchants, but supermarkets and other larger retail establishments are beginning to take root.

Normal business hours are 8:30 AM to 1:30 PM and 4 to 7 PM, Saturday-Wednesday; banking hours are generally 8 AM to noon, though some banks reopen from 4 to 6 PM. Banks and businesses close at 11:30 AM on Thursday and remain closed Friday. Business hours are reduced during the Ramadan fast.

### Principal Trading Partners – Oman (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	10,115.4	6,572.2	3,543.2
Areas nes	8,448.6	...	8,448.6
United Arab Emirates	468.6	1,417.9	-949.3
Iran	415.5	45.7	369.8
Saudi Arabia	134.1	224.4	-90.3
United States	83.4	409.6	-326.2
United Kingdom	78.0	371.5	-293.5
Jordan	56.6	...	56.6
Kuwait	41.3	34.8	6.5
Yemen	34.8	...	34.8
Singapore	30.9	75.6	-44.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

### <sup>31</sup> FOREIGN TRADE

Oman runs a considerable trade surplus. Since 1967, oil has been the chief export. In 2000 Oman's major export commodities were crude petroleum (80%) and motor vehicles and parts (3.4%). Other exports included tobacco (1.2%) and apparel (1.1%). In 2000 Oman's imports were distributed among the following categories: consumer goods, 18.2%; food, 13.2%; fuels, 1.7%; industrial supplies, 20.2%; machinery, 18.4%; transportation, 25.7%; and other, 2.6%.

In 2005, exports reached \$19 billion (FOB—Free on Board), while imports grew to \$9 billion (FOB). The bulk of exports went to China (29.5%), South Korea (17.5%), Japan (11.5%), Thailand (10.6%), and the UAE (7.2%). Imports included machinery and transport equipment, manufactured goods, food and live animals, and mainly came from the UAE (21.2%), Japan (16.6%), the United Kingdom (8.4%), Italy (6%), Germany (5.1%), and the United States (4.7%).

### <sup>32</sup> BALANCE OF PAYMENTS

Oman's balance of payments account is dominated by crude oil export earnings, consumer and capital goods and services, imports payments, and by large outgoing remittances by foreign workers.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Oman's exports was \$10.9 billion while imports totaled \$5.4 billion resulting in a trade surplus of \$5.5 billion.

The International Monetary Fund (IMF) reported that in 2001 Oman had exports of goods totaling \$11.1 billion and imports totaling \$5.31 billion. The services credit totaled \$349 million and debit \$1.68 billion.

Exports of goods totaled \$13 billion in 2004, up from \$12 billion in 2003. Imports grew from \$6 billion in 2003, to \$8 billion in 2004. The resource balance was consequently positive, but on a downward spiral—\$6 billion in 2003, and \$5 billion in 2004. A similar trend was registered for the current account balance, which deteriorated slightly from \$880 million in 2003, to \$443 million in 2004. Foreign exchange reserves (excluding gold) grew to almost \$3.6 billion in 2004, covering more than five months of imports.

### <sup>33</sup> BANKING AND SECURITIES

The Central Bank of Oman, set up in April 1975, has powers to regulate credit and is authorized to make temporary advances to the government.

Banks in Oman are generally in good financial shape because of close regulation by the Central Bank of Oman. All commercial banks in the sultanate instructed to raise their paid-up capital to RO10 million for local banks and RO3 million for foreign banks. The Central Bank of Oman advised all banks which were unable to comply with these new requirements to merge with other commercial banks. The Central Bank has been encouraging banks to merge in order to cut down on the oversupply of banking services. Banks are required to maintain a 12% level of capital adequacy and restrict consumer lending to 30% of the loan portfolio. In 2002, there were 15 local and foreign commercial banks and four specialized banks. The largest local bank is Bank Muscat, created through a merger of the former Bank Muscat and the Commercial Bank of Oman. In 2002, it had assets of \$3.4 billion, deposits of \$2.4 billion, and was followed in size by the National Bank of Oman, Oman International Bank, Oman Arab Bank, and Bank Dhofar Al Omani Al Fransi.

The British Bank of the Middle East (BBME) was the first foreign bank to establish itself in Oman in 1948. Today, foreign banks, in descending order of local branch asset size, include British Bank, Standard Chartered Bank, The British Bank, Bank of Baroda, Bank Saderate Iran, Bank Melli Iran, Banque Banorabe, National Bank of Abu Dhabi, and Citibank. The banking sector has been under pressure to increase its proportion of Omani staff to 90%, but the deadline for such a move has been progressively delayed. Because of the proliferation of branches concentrated in coastal areas, commercial banks now have to open two branches in the interior for every branch opened along the coast. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.8 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$6.8 billion.

An Omani stock market, the Muscat Securities Market (MSM), was officially established in 1988, but trading did not begin until the following year. By 2001 there were 91 companies listed on the exchange with a combined capitalization of \$2.6 billion. The MSM has now established a link with the Bahrain Stock Exchange (BSE) where shares can be cross-listed. A similar agreement with Kuwait is expected. The MSM Index showed a 25.4% loss in 2001 a mere four years after posting a spectacular 141% gain in 1997. The drop-off has been attributed to speculation, over-valued offerings, the impact of the Asian financial crises, and the drop in oil prices. As of 2004, a total of 96 companies were listed on the MSM, which had a market capitalization of \$6.325 billion. In 2004, the MSM 30 Index rose 23.8% from the previous year to 3,375.1.

### <sup>34</sup> INSURANCE

By 1997, one national insurance firm, the Oman National Insurance Co. (SAOG), and around 17 foreign-owned firms were operating in Oman. In 2003, the value of all direct written insurance premiums totaled \$257 million, of which nonlife premiums accounted for \$221 million. In 1999 (the latest date for which data

was available) Oman's top life insurer was Oman National Insurance Co., which had gross written life insurance premiums totaling \$18.3 million. Data was not available for individual nonlife insurers.

### 3<sup>5</sup> PUBLIC FINANCE

Although Oman is a relatively small oil producer, oil revenues support 69% of government expenditures. The government owns 60% of Petroleum Development (Oman) Ltd. (PDO), the main oil company. Higher oil prices in 1997 and a 5% cut in capital spending produced a budget deficit of only \$47 million, a substantial improvement over 1996. With the fall in global oil prices in 1998, however, the government's budget fell deeply into deficit, and had to be financed by loans and by drawing down the State General Reserve Fund. In anticipation of still further drops in the price of oil, the government increased a number of taxes and imposed spending cuts of between 5 and 10% on most government ministries.

The US Central Intelligence Agency (CIA) estimated that in 2005 Oman's central government took in revenues of approximately \$14.3 billion and had expenditures of \$10.6 billion. Revenues minus expenditures totaled approximately \$3.7 billion. Public debt in 2005 amounted to 7.5% of GDP. Total external debt was \$4.586 billion.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, budgetary central government revenues were ro2,073,500 and expenditures were ro2,295,100. The value of revenues was us\$5,393,000 and expenditures us\$5,969,000, based on a official exchange rate for 2001 of us\$1 = roo.3845, as reported by the IMF. Government outlays by function were as follows: general public services, 13.3%; defense, 35.3%; public order and safety, 5.9%; economic affairs, 9.2%; housing and community amenities, 6.4%; health, 6.6%; recreation, culture, and religion, 1.8%; education, 15.9%; and social protection, 5.6%.

### 3<sup>6</sup> TAXATION

Introduced in 1971, a corporate income tax on commercial enterprises other than individual traders remains the only tax in the country. Resident companies and those resident in countries that are members of the Gulf Cooperation Council (GCC) are subject to a 0% tax rate on their initial ro30,000 of income, and a 12% rate on income over that amount. Foreign company branches are taxed at a rate starting at 0% up to 30% for each of seven income levels. Companies engaged in agriculture, fishing and any other essential activity deemed by the government are exempt from income taxes. Oman has a comprehensive double taxation treaty with France.

### 3<sup>7</sup> CUSTOMS AND DUTIES

General import duties are 5% ad valorem on the CIF (cost, insurance, and freight) value of the good. Some luxury items have a 20% duty, while alcohol, tobacco, limes and pork products have a 100% duty placed on them. There are a number of exempt goods, including many imports from GCC member states. Protective tariffs are levied seasonably on a number of fruits and vegetables.

### 3<sup>8</sup> FOREIGN INVESTMENT

The principal foreign investment is in the oil sector. Foreign private investment is officially encouraged in certain areas—such as

industry, agriculture, and fishing—through an initial five-year tax exemption, which may be renewed for another five years. Foreign participation in a local company cannot exceed 65% (this also applies to the sharing of profits). Companies holding commercial agencies must also have at least 51% Omani participation. In 2002, the largest foreign investor was Royal Dutch Shell Oil, which holds a 34% of the shares of the state oil company, Petroleum Development Oman, and 30% of Oman Liquid Natural Gas. Other investors in the oil industry include Occidental Petroleum, Hapex, Amoco, and Elf Aquitaine. The Sultanate does not publish estimates of inbound and out-bound investment. Foreign investment in the Muscat Securities Market (MSM) has averaged 15–16%, but has dropped in absolute terms. In December 1999, foreign investment in the MSM was \$867.8 million. A year later this had fallen to \$730.5 million, and at the end of May 2001, foreign investment in the SMS was \$708.9 million.

No systematic information is available on foreign direct investment (FDI). However, it is known that Oman seeks to diversify its economic base, so it is actively seeking private foreign investors in information technology, tourism, and higher educational fields. In September 2004, total investment in listed Omani companies with foreign participation was estimated at \$2.4 billion (with 9% of it being foreign investment).

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Oman's economic policy operates under five-year development plans. Oman's second five-year plan (1981–85) suffered to some extent from the impact of declining oil prices in the early 1980s. The objectives of the third development plan (1986–90) were to encourage the private sector to play a larger role in the economy and to expand such areas as agriculture, fishing, manufacturing, and mining. The fourth five-year development plan (1991–95), aimed to achieve average annual GDP growth rates of just over 6% and the diversification of the sources of national income in order to reduce the dependence on the oil sector. The declared aim of the fifth five-year plan (1996–2000) was to achieve a balanced budget. The fall in oil prices to near-record lows in 1998 subverted the goal of a zero budget deficit in 2000, but rising oil prices in 2000 allowed the government to cut the deficit to only 1.5% of GDP (\$301 million) in 2000. Oman's sixth five-year development plan (2001–05) aims at lessening dependence on government spending and employment, and at making the private the engine of growth for the economy.

The government's long-run development strategy is the Sultan's "Oman Vision 2020," which is designed to see the economy through the depletion of oil reserves. The emphases are on processes of "Omanization," industrialization, and privatization. One of the most successful diversification projects has been the Salalah Container Port opened in November 1998. In 2000, it handled over 500,000 FEUs (40-foot equivalency unit) and ranked among the top 10 container ports in efficiency. A new industrial port is also being built at Sohar, to be operational in 2003. In terms of developing its natural gas potential, the government took a major step in October 2000 with the inauguration of the \$2.64 billion liquefied natural gas project in Sur. Other gas development projects include plans for urea fertilizer plant in Sur, an aluminum smelter in Sohar, and petrochemical plant at Salalah. An emphasis on in-

come diversification has opened the country to foreign participation in the form of joint ventures.

The economy has recovered slightly in 2005, as a result of strong domestic demand growth. However, economic expansion rates are expected to be sluggish as long as oil production will not pick up. As soon as oil prices will increase, and imports will decrease, the economy will likely experience a healthy boom.

#### 40 SOCIAL DEVELOPMENT

Oman maintains a social security system that provides old-age pensions, disability and survivorship benefits to employed citizens ages 15–59 who are under a permanent work contract. This program is funded by 5% contributions from employees, 2% by the government, and 8% contribution by employers. Retirement is set at age 60 for men and age 55 for women. Work injury legislation provides disability and medical benefits for injured workers. Hospitalization and medical care are provided to workers.

Islamic precepts result in de facto discrimination against women in a number of areas, such as inheritance. Traditional views on the subordinate role of women in society lead most women to work exclusively inside the home. Land grants and housing loans are rarely given to females. Some progress is being made, however, and women have begun to enter professional areas such as medicine and communications in greater numbers. The government has made efforts to increase educational opportunities for women. Women comprise roughly half of the 5,000 students at Sultan Qaboos University, and 50% of the total student body in the public school system. Women are required to get permission from a male relative to leave the country. Domestic abuse remains within the confines of the family, and sexual abuse of domestic employees remains a problem. As of 2004, there were no governmental programs for abused women. The welfare of children is funded adequately by the government.

Human rights abuses include arbitrary arrest, prolonged detention and the mistreatment of prisoners. Human rights organizations are prohibited by law from operating in Oman, and international monitors are unable to inspect prisons.

#### 41 HEALTH

As of 2004, there were an estimated 126 physicians, 297 nurses, 11 dentists, and 22 pharmacists per 100,000 people. It was estimated that 89% of the population had access to health care services, 39% of the population had access to safe drinking water and 92% had adequate sanitation.

Average life expectancy in 2005 was 73.13 years. Infant mortality that year was 19.51 per 1,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 37.8 and 4 per 1,000 people. About 24% of married women (ages 15 to 49) were using contraception. The fertility rate was 4.3 children per woman living through her childbearing years.

Children up to one year old were vaccinated against tuberculosis, 96%; diphtheria, pertussis, and tetanus, 99%; polio, 99%; measles, 98%; and hepatitis B, 99%. The rates for DPT and measles were, respectively, 86% and 99%. About 12% of children under five were malnourished and goiter was prevalent in 10% of school-age children.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 1,300 people living with HIV/

AIDS in the country. There were an estimated 110 deaths from AIDS in 2003.

#### 42 HOUSING

In May 1973, Sultan Qabus approved the Law of People's Housing to make housing loans to needy Omanis. By 1985, 5,300 low-income units had been built. At the 1993 census, there was a total of 344,846 housing units nationwide. At the 2003 census, the total was at 430,996 housing units. About 39.7% of all housing units were traditional Arabic houses, 23.6% were villas, 17.3% were apartments, and 4.8% were rural homes. About 13.6% of all housing units were improvised housing. The average household has eight members.

An Arabic house is a one-story, single-family detached structure consisting of several rooms with some type of central courtyard; there is generally a boundary wall surrounding the home. A villa is similar to an Arabic house in structure but contains two floors. Rural houses are also similar in shape to an Arabic house, but often without a specific courtyard or complete boundary wall and generally made of a mixture of local materials such as mud and wood. Improvised housing consists of structures made of wood, hay, palm leaves, or other such materials.

In 2003, about 98.1% of all traditional housing units had access to a public electricity network, 96.8% used gas for cooking, and 43.1% had piped drinking water. About 78.6% of all housing units were occupied. About 85.4% of all traditional units had an equipped kitchen, 91.3% had an equipped bath/shower room, and 88.5% had flush toilets. An equipped room was defined as one that is linked to piped water and a piped sewage system.

#### 43 EDUCATION

Elementary school (primary) covers a six-year course of study, which is followed by three years of preparatory school and three years of general secondary school. Academic results of the preparatory exams determine the type of secondary education the student will receive, either focusing on arts or sciences. Islamic schools offer the same courses as preparatory schools, as well as religious and Arabic studies. At the secondary level, boys may choose to attend a technical school. The academic year runs from September to June.

In 2001, about 5% of children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 72% of age-eligible students. The same year, secondary school enrollment was about 69% of age-eligible students. It is estimated that about 73% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 21:1 in 2003; the ratio for secondary school was about 17:1.

In 1993, there were 252 literacy centers and 176 adult education centers. Three teachers' colleges were functioning as of 1986. The Institute of Agriculture at Nazwa became a full college by 1985. Sultan Qaboos University opened in 1986. In 2001, about 8% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 74.4%, with 82% for men and 65.4% for women.

As of 2003, public expenditure on education was estimated at 4.6% of GDP.

#### 44 LIBRARIES AND MUSEUMS

The library at Sultan Qaboos University has 145,000 volumes, and the Muscat Technical and Industrial College has 10,000 volumes. A British Council Library of almost 8,000 volumes was founded in 1973 in Matrah. The Library of Manuscripts and Documents (1976) contains the Sultanate's most extensive collection of rare manuscripts. The Ministry of National Heritage and Culture administers the National Museum, the Oman Museum, the Qurm Museum, and the Natural History Museum, which includes the National Herbarium of Oman (a botanical garden) and the National Shell Collection. An Oil and Gas Museum opened in 1995 to chronicle the history of the industry in the nation. There is also a Children's Museum.

#### 45 MEDIA

Postal, telephone, and telex systems are supervised by the Ministry of Posts, Telegraphs, and Telephones. By the end of 1991, the entire country was connected to a 79,000-line telephone network. In 2003, there were an estimated 84 mainline telephones for every 1,000 people; about 2,100 people were on a waiting list for telephone service installation. The same year, there were approximately 229 mobile phones in use for every 1,000 people.

Radio and television facilities are government owned; color television was introduced in 1974. Satellite dish owners may receive programming from Saudi Arabia, the United Arab Emirates, and Yemen. As of 1999 there were 3 AM and 9 FM radio stations and 13 television broadcast stations, all controlled by the government. In 2003, there were an estimated 621 radios and 553 television sets for every 1,000 people. The same year, there were 35 personal computers for every 1,000 people and 71 of every 1,000 people had access to the Internet. There were six secure Internet servers in the country in 2004.

Newspapers and journals in Arabic include the daily *Al-Wattan* (2002 circulation, 32,500) and *Oman Daily Newspaper* (15,560) and weekly periodicals such as *Al-Aquida* and *Al-Usra*. There are two English-language newspapers: *Oman Daily Observer* (22,000) and *Times of Oman* (15,000).

A 1984 Press and Publication Law authorizes the state to censor domestic and imported foreign publications. Journalists are said to practice self-censorship to avoid harassment. Criticism of the sultan is explicitly illegal.

#### 46 ORGANIZATIONS

There is a Chamber of Commerce and Industry in Muscat. There are some professional associations in the country, including the Oman Medical Association (est. 2001). Among the social and cultural organizations are the Oman Women's Association, the Oman Cultural Club (for university graduates), the Omani National Organization for Scouts and Guides, the National Union of Oman Students, and the Omani Historical Association (open to non-

Omanis). There are sports associations representing such pastimes as squash, tennis, rugby, football (soccer), and track and field.

#### 47 TOURISM, TRAVEL, AND RECREATION

Oman is cautiously developing tourism, which was discouraged by previous rulers. The visa is valid for one month after entry. Most large hotels have clubs that offer various recreational activities; water sports are popular, but spear fishing has been prohibited as a conservation measure.

In 2003, about 630,000 foreign visitors arrived in Oman, of whom 26% came from Europe. There were 6,473 hotel rooms with 9,809 beds and an occupancy rate of 39%. Tourism expenditure receipts totaled \$372 million that year. All travelers must have a valid passport and a visa. Visas are issued upon arrival at all entry points and can be used at anytime within six months of the issue date.

The US Department of State estimated the daily cost of staying in Muscat at \$240 in 2004.

#### 48 FAMOUS OMANIS

Oman's great Islamic religious leader, whose followers are called Ibadhis, was 'Abdallah bin Ibad (fl.8th century); many of his teachings are still followed in Oman. Ahmad ibn Sa'id (r.1741–83), founder of the present dynasty, freed Muscat from Persian rule. Sultan Qabus bin Sa'id (b.1940) has ruled Oman since his removal of Sa'id bin Taymur (1910–72), his father, in 1970.

#### 49 DEPENDENCIES

Oman has no territories or colonies.

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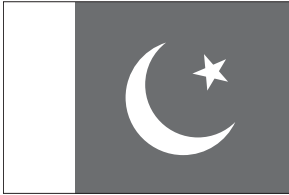
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# PAKISTAN

Islamic Republic of Pakistan

*Islami Jamhooria Pakistan*



**CAPITAL:** Islāmābād

**FLAG:** The national flag is dark green, with a white vertical stripe at the hoist and a white crescent and five-pointed star in the center.

**ANTHEM:** The opening lines of the national anthem, sung in Urdu, are “Blessed be the sacred land, Happy be the bounteous realm, Symbol of high resolve, land of Pakistan, Blessed be thou citadel of faith.”

**MONETARY UNIT:** The rupee (₨) is a paper currency of 100 paise. There are coins of 1, 2, 5, 10, 25, and 50 paise and of 1 rupee, and notes of 1, 2, 5, 10, 50, 100, 500, and 1,000 rupees. ₨1 = \$0.01678 (or \$1 = ₨59.6) as of 2005.

**WEIGHTS AND MEASURES:** The metric system was introduced in 1966 and made mandatory as of 1 January 1979.

**HOLIDAYS:** Pakistan Day, 23 March; May Day, 1 May; Independence Day, 14 August; Defense of Pakistan Day, 6 September; Anniversary of Death of the Quaid-e-Azam, Mohammad Ali Jinnah, 11 September; Christmas and Birthday of the Quaid-e-Azam, 25 December. Religious holidays include ‘Id al-Fitr, Id al-‘Adha’, 1st of Muharram, and Milad an-Nabi.

**TIME:** 5 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in southern Asia, Pakistan has an area of 803,940 sq km (310,403 sq mi), extending 1,875 km (1,165 mi) NE–SW from the ranges of the Hindu Kush and the Himalaya to the Arabian Sea and 1,006 km (625 mi) SE–NW. Comparatively, the area occupied by Pakistan is slightly less than twice the size of the state of California. The enclave of Junagadh, claimed by Pakistan, and Jammu and Kashmir, divided between Pakistan and India by the 1971 “line of control,” are not included in the area. Pakistan is bordered on the NE by China, on the E by Jammu and Kashmir to the Karakoram Pass, on the E and SE by India, on the S by the Arabian Sea, on the SW by Iran, and on the W and NW by Afghanistan. The total land boundary length is 6,774 km (4,209 mi). The coastline is 1,046 km (650 mi). Pakistan’s capital city, Islāmābād, is located in the northern part of the country.

## <sup>2</sup> TOPOGRAPHY

More than two-thirds of Pakistan is arid or semiarid. The west is dominated by the Baluchistan plateau, consisting of arid plains and ridges. Rivers, streams, and lakes exist only seasonally. The arid south ends at the rugged Makran coast and rises to the east into a series of rock-strewn ranges, the Kirthar, and to the north, the Sulaiman, which extends to the Indus plains. A semiwatered plateau surrounds Rāwalpindi, bounded to the south by the salt range. Southward, the extensive Punjab plains support about 60% of the country’s population.

In the northern areas of Pakistan, the forest-clad hills give way to lofty ranges, including 60 peaks over 6,700 m (22,000 ft) high.

K-2 (Godwin Austen), at 8,611 m (28,250 ft), is the second-highest mountain in the world.

The principal ranges, trending NW–SE, include several Himalayan ranges—notably the Pir Panjal and Zaskar—leading into the Karakoram Mountains. The Indus is the principal river of Pakistan. Its major tributaries are the Jhelum, Chenab, Ravi, and Sutlej.

On 8 October 2005, an earthquake measuring 7.6 on the Richter scale struck the Kashmir region. There were more than 140 aftershocks recorded; many measured 5.0 in magnitude. Landslides damaged homes, killed livestock, and blocked rivers, causing severe flooding. More than 69,000 were injured and there were more than 73,000 deaths. It was estimated that about 3 million people were displaced or left homeless.

## <sup>3</sup> CLIMATE

Pakistan’s climate is dry and hot near the coast, becoming progressively cooler toward the northeastern uplands. The winter season is generally cold and dry. The hot season begins in March, and by the end of June the temperature may reach 49°C (120°F). Between June and September, the monsoon provides an average rainfall of about 38 cm (15 in) in the river basins and up to about 150 cm (60 in) in the northern areas. Rainfall can vary radically from year to year, and successive patterns of flooding and drought are not uncommon.

## <sup>4</sup> FLORA AND FAUNA

The mangrove forests of the coastal region give way to the mulberry, acacia, and date palms of the sparsely vegetated south; the foothills support phulai, kao, chinara, and wild olive, and the northern forests have stands of oak, chestnut, walnut, pine, ash, spruce, yew,

and fir. Above 3,000 m (10,000 ft), birch, dwarf willow, and juniper are also found.

Pakistan's wide range of animal life includes the Siberian ibex, wild sheep, buffalo, bear, wolf, jackal, fox, wildcat, musk cat, hyena, porcupine, gazelle, peacock, python, and boar. As of 2002, there were at least 188 species of mammals, 237 species of birds, and over 4,950 species of plants throughout the country.

## 5 ENVIRONMENT

Relatively high population growth contributed to the depletion of forestland from 9.8% of Pakistan's total area in 1947 to 4.5% by 1986, despite the forest conservation measures mandated by the Forest Act of 1927. Pakistan lost 14.5% of its remaining forest and woodland between 1983 and 1993. In 2000, only about 3.1% of the total land area was forested. Deforestation has also contributed to increased soil erosion, declining soil fertility, and severe flooding.

Primary responsibility for environmental matters belongs to the Environmental and Urban Affairs Division of the Ministry for Housing and Works. Laws to set air and water quality standards and regulate coastal zones to prevent pollution were under consideration in the 1980s. In the mid-1990s, Pakistan was among the 50 nations with the world's highest levels of industrial carbon dioxide emissions, which totaled 71.9 million metric tons per year, a per capita level of 0.59 metric tons per year. In 2000, the total of carbon dioxide emissions was at 104.8 million metric tons. The nation's water supply is at risk due to untreated sewage along with agricultural and industrial pollutants. It is estimated that about 80% of the nation's diseases are related to impure water.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 17 types of mammals, 30 species of birds, 9 types of reptiles, 14 species of fish, and 2 species of plants. Endangered species included the Indus dolphin, Baluchistan bear, tiger, Pakistan sand cat, snow leopard, Indian wild ass, green sea turtle, olive ridley turtle, gavia, Central Asian cobra, Kabul markhor, chi pheasant, western tragopan, great Indian bustard, and Siberian white crane. Hunting or capturing wild animals was banned in 1981. In 2003, about 4.9% of the total land area was protected.

## 6 POPULATION

The population of Pakistan in 2005 was estimated by the United Nations (UN) at 162,420,000, which placed it at number 6 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 42% of the population under 15 years of age. There were 106 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.4%, a rate the government viewed as too high. In 2002, the government initiated the Population Policy of Pakistan, which aimed to stabilize population growth by 2020 by lowering both the fertility rates and mortality rates. The projected population for the year 2025 was 228,822,000. The population density was 204 per sq km (528 per sq mi).

The UN estimated that 34% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.60%. The capital city, Islāmābād, had a population of 698,000 in that year. Karāchi, the largest city, had a population in excess of 12 million. Other cities with populations in excess of one million

include Lahore, Faisalābad, and Rāwalpindi, Gujranwāla, Mutlān, Hyderābād, and Peshāwar.

## 7 MIGRATION

Some 6,000,000 Muslims migrated to Pakistan from India at the time of independence in 1947, and Muslims have continued to arrive from India in much fewer numbers since then. The Soviet military intervention in Afghanistan in December 1979 led to an influx of Afghan refugees.

After the Taliban captured Kabul on 27 September 1996, there was a new outflow of Afghan refugees to Pakistan. By March 1997, around 50,000 new Afghan refugees entered the country. As of 1999, there were still around 1.2 million Afghan refugees living in refugee villages in Pakistan. An unknown number of unregistered Afghans were living in the main Pakistani cities of Rāwalpindi, Lahore, and Karāchi. Pakistan also hosts non-Afghan refugees, including Iraqis, Iranians, and Somalis. The total number of migrants living in Pakistan was 4,243,000 in 2000. In 2004, the total persons of concern to the United Nations High Commissioner for Refugees (UNHCR) was 968,774. Refugees numbered 960,617; of these 960,041 were from Afghanistan. In that same year, 9,662 Pakistanis sought refuge in Canada, and 8,656 in Germany. In 2004, there were 8,157 asylum seekers in Pakistan, mainly from Afghanistan (7,164), and Nigeria. In that same year, Pakistanis sought asylum in 18 countries, mainly in Canada, the United Kingdom, France, Germany, and the United States. In 2004, Pakistan dropped from being the main country of asylum at the beginning of the year to the rank of second by the end of the year.

In 2003 worker remittances were \$3.9 billion. In 2005, the net migration rate was -1.67 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The majority of the population is Punjabi (an estimated two-thirds). Other major ethnic groups include the Sindhi, Pathan, Baloch, and Muhajirs (immigrants from India and their descendants). The Rajputs and the Jats are the most numerous of the Punjabi castes. In the area of the delta and the lower course of the Indus River are Sindhi peasant tribesmen. In the north and northwest are the hardy, warlike nomadic and seminomadic Pathans. The Balochi live in the vast western section of Pakistan and are divided into 12 major tribes, some of them purportedly of Dravidian origin. Native speakers of Urdu, the Muhajirs are refugees, or descendants of refugees, from pre-partition India. They are well represented in the cities.

## 9 LANGUAGES

Punjabi is spoken by about 48% of the population; Sindhi by 12%; Siraiki (a Punjabi variant) by 10%; Pashtu by 8%; Urdu by 8%; Balochi by 3%; Hindko by 2%; Brahui by 1%; English, Burushaski, and other by 8%. During the Mughal (or Mogul) period, a fusion of local dialects and Persian produced Urdu, a "language of the camp" (*zaban-i-urdu*). Although regional languages and dialects persist, Urdu is the official language of Pakistan; while it is spoken by only a minority, it is understood everywhere except in the rural or mountainous areas on the western frontier. English also claims official status and is the lingua franca of Pakistani elite and most government ministries.



LOCATION: 23°41' to 37°5' N; 60°52' to 77°49' E. BOUNDARY LENGTHS: China, 523 kilometers (325 miles), including boundary of Jammu and Kashmir to the Karakoram Pass; India, 2,912 kilometers (1,812 miles); Arabian Sea coastline, 1,046 kilometers (655 miles); Iran, 909 kilometers (568 miles); Afghanistan, 2,430 kilometers (1,510 miles). TERRITORIAL SEA LIMIT: 12 miles.

## 10 RELIGIONS

The country of Pakistan was essentially created as a Muslim homeland. According to a 1998 census, some 96% of the population was Muslim, giving Pakistan one of the largest Islamic communities in the world. While most Muslims are of the Sunni and Shia sects, there are a few members of the Ismaili sect concentrated at Karāchi. Ahmadis consider themselves Muslims but they do not accept Muhammad as the last prophet; as such, they are not accepted as orthodox by other Muslim groups and were officially declared non-Muslims by the government in 1974. Zikris form another branch of people who consider themselves Muslim but are

rejected by Sunni leaders because they practice ceremonies that are not common to all of Islam.

In the 1998 census, about 2% of the population were Christians with the largest group belonging to the Church of Pakistan, an umbrella Protestant organization. Roman Catholics were the next largest group of Christians. About 2% of the population were Hindus with about 2,000 temples and shrines, mostly in Sindh and Baluchistan. Buddhists, Parsis, Sikhs, and Baha'is were also represented.

Though the constitution provides for religious freedom, the government has placed restrictions on a number of religious groups.



Islam is the state religion and actions or speech contrary or derogatory to Islam are illegal. There have been many cases of trials, imprisonment, and even death sentences based on the violation of these “blasphemy laws.” Religious minorities face a great deal of harassment and discrimination and have been the object of physical violence. The Ahmadis, as an unrecognized offshoot of Islam, face a particular level of discrimination. They are prohibited by law from referring to themselves as Muslims or posing as Muslims in anyway. They are also not allowed to hold public assemblies or conferences. The constitution states that the president and the prime minister must be Muslim and all other government officials swear an oath to uphold the Islamic ideology of the state.

## 11 TRANSPORTATION

Railways are a major carrier of passenger and freight traffic. In 2004, Pakistan Railways operated 8,163 km (5,072 mi) of broad and narrow gauge track. Of that total, broad gauge lines predominate, with 7,718 km (4,801 mi), of which 293 km (182 mi) are electrified.

In 2002, Pakistan’s road system totaled 247,811 km (153,989 mi) of roads, of which 141,252 km (87,858 mi) were paved, including 339 km (211 mi) of expressways. Road traffic drives on the left. The 800 km (500 mi) Karakoram highway, built jointly by Pakistan and China to connect Islāmābād with western China, was opened in 1979. In November, 1997, the Lahore-Islāmābād motorway was opened for traffic. There were 390,480 passenger cars and 396,225 commercial vehicles in use in 2003. The road network carries 85% of all goods and passengers moving within the country. The harbor of Karāchi, which provides Pakistan with its major port, covers an area of 6.5 sq km (2.5 sq mi) and handles over 10.5 million tons annually. Port Qasim, 22 km (14 mi) south of Karāchi, was developed during the 1970s to help handle the increased shipping traffic. As of 2005, Pakistan’s merchant marine operated 13 oceangoing vessels of 1,000 GRT or more, totaling 329,486 GRT.

Pakistan had an estimated 131 airports in 2004. As of 2005, a total of 91 had paved runways, and there were also 18 heliports. Karāchi Airport is the main international terminus. As of July 2001, along with the government-run Pakistan International Airlines (PIA), two private carriers, Aero Asia and Shehann Air International (SAI), were operating on domestic as well as flights to Europe, the United States, and the Far East. In 2003, about 4.477 million passengers were carried in scheduled domestic and international flights.

## 12 HISTORY

The ruins of ancient civilizations at Mohenjodaro and at Harappa in the southern Indus Valley testify to the existence of an advanced urban civilization that flourished in what is now Pakistan in the second half of the third millennium BC during the same period as the major riverain civilizations in Mesopotamia and Persia. Although overwhelmed from 1500 BC onward by large migrations of nomadic Indo-European-speaking Aryans from the Caucasus region, vestiges of this civilization continue to exist not only in present-day Pakistan but also in the Indic culture that evolved from interaction of the Aryans and others in the years following. Among the latter were Persians in 500 BC, Greeks under Alexander the Great in 326 BC, and—after AD 800—Arabs, Afghans,

Turks, Persians, Mongols (Mughals), and Europeans, the last of whom first arrived by sea beginning in AD 1601.

Islam, now the dominant cultural influence in Pakistan, arrived with Arab traders in the 8th century AD. Successive overland waves of Muslims followed, culminating in the ascendancy of the Mughals in most of the subcontinent. Led initially by Babur, a grandson of Genghis Khan, the Mughal empire flourished in the 16th and 17th centuries and remained in nominal control until well after the British East India Company came to dominate the region in the early 18th century. Effective British governance of the areas that now make up Pakistan was not consolidated until well into the second half of the 19th century.

### Nationalism and the Rise of the Muslim League

In 1909 and 1919, while the British began to take steps to expand local self-rule, mass movements challenging colonial authority began to rise. The largest of these movements was spearheaded by the Indian National Congress, founded in 1885 as an Anglophile society. Congress began to attract wide support after 1920 with one of its key leaders, Mohandas K. Gandhi, nonviolent struggle. Its leadership included Muslims but was in many ways Hindu dominant. As a result, Muslims worried that their needs would be forgotten and formed an All-India Muslim League to look after their interests. National and provincial elections held under the Government of India Act of 1935 confirmed many Muslims in this view by showing the power the majority Hindu population could wield at the ballot box.

Sentiment among Muslims began to coalesce around the “two-nation” theory propounded by the poet Iqbal, which declared that Muslims and Hindus were separate nations and that Muslims required creation of an independent Islamic state for their protection and fulfillment. A Bombay (now Mumbai) attorney, Muhammad Ali Jinnah, who came to be known “Quaid-i-Azam” (Great Leader), led the fight for a separate Muslim state to be known as Pakistan. The Muslim League endorsed the project at Lahore in 1940.

Jinnah’s quest succeeded on 14 August 1947 when British India was divided into the two self-governing dominions of India and Pakistan, the latter created by combining contiguous, Muslim-majority districts in British India, the former consisting of the remainder. Partition occasioned a mass movement of Hindus, Muslims, and Sikhs who found themselves on the “wrong” side of new international boundaries; more than 20 million people moved, and up to three million of these were killed.

The new Pakistan was a state divided into two wings, East Pakistan (with 42 million people crowded mainly into what had been the eastern half of Bengal province) and West Pakistan (with 34 million in a much larger territory that included the provinces of Baluchistan, Sind, the Northwest Frontier, and western Punjab). In between, the wings were separated by 1600 km (1000 miles) of an independent, mainly Hindu, India professing secularism for its large Muslim, Christian, and Sikh minorities.

From the capital in Karāchi, in West Pakistan, the leaders of the new state labored mightily to overcome the economic dislocations of Partition, which cut across all previous former economic linkages, while attempting to establish a viable parliamentary government with broad acceptance in both wings. Jinnah’s death in 1948 and the assassination in 1951 of Liaquat Ali Khan, its first prime

minister, were major setbacks, and political stability proved elusive, with frequent recourse to proclamations of martial law and states of emergency in the years following 1954.

Complicating their task were the security concerns that Pakistan's new leaders had regarding India in the aftermath of the bitterness of partition and a still-unresolved dispute over the former princely state of Jammu and Kashmir. In the early 1950s, Pakistan sought security in relationships external to the subcontinent, with the Islamic world and with the United States. It joined such American-sponsored alliances as the Baghdad Pact (later—without Baghdad—the Central Treaty Organization or CENTO) and the Southeast Asia Treaty Organization (SEATO).

#### East–West Divide

Pakistan also faced the daunting challenging of trying to bridge a profound political and ethnic gap that existed between its west and east wings. The Bengali east wing was economically more important, but political power rested in the Sindhi and Punjabi factions of the west wing. The eastern areas chafed under national policies laid down in the west, and seeking greater autonomy, voted the Muslim League (ML) out of office as early as 1954, resulting in a period of direct rule from Karāchi.

In 1958, the Army chief, Gen. Muhammad Ayub Khan, seized control of Pakistan, imposing martial law and banning all political activity for several years. Ayub later dissolved provincial boundaries in the west wing, converting it to “one unit,” to balance East Pakistan. Each “unit” had a single provincial government and equal strength in an indirectly elected national legislature; the effect was to deny East Pakistan its population advantage, as well as its ability, as the largest province, to play provincial politics in the west wing.

Ayub's efforts failed to establish stability or satisfy the demands for restoration of parliamentary democracy. Weakened by his abortive military adventure against India in September 1965 and amid rising political strife in both wings in 1968, Ayub was eventually forced from office. General Muhammad Yahya Khan, also opposed to greater autonomy for the east wing, assumed the presidency in 1969. Again martial law was imposed and political activity suspended.

Yahya's attempt to restore popular government in the general elections of 1970 failed when the popular verdict supported those calling for greater autonomy for East Pakistan. Civil unrest in the east wing flared into civil war. India, with more than a million refugees pouring into its West Bengal state, joined the conflict in November 1971, supporting East Pakistan. When the brutal war ended in early 1972, the eastern wing was formally severed from Pakistan and became the nation of Bangladesh (land of Bengalis).

#### Authoritarian Politics

The loss of east Pakistan led to the resignation on 20 December 1971 of Yahya Khan and brought to the presidency Zulfikar Ali Bhutto, whose populist Pakistan Peoples Party (PPP) had won a majority of seats in the west wing. A longtime minister under Ayub Khan, Bhutto quickly charted an independent course for West Pakistan, which became the Islamic Republic of Pakistan. He distanced Pakistan from former close ties with the United States and the west, seeking security from India by a much more active role in the Third World and especially in the growing international Islamic movement fueled by petrodollars. Bhutto launched

limited land reform, nationalized banks and industries, and obtained support among all parties for a new constitution promulgated in 1973, restoring a strong prime ministership, which position he then stepped down to fill. In the years following, Bhutto grew more powerful, more capricious, and autocratic. His regime became increasingly dependent on harassment and imprisonment of foes and his popular support seriously eroded by the time he called for elections in March 1977. His PPP had lost many of its supporters, and he came to rely increasingly on discredited former PML members for support.

At the polls, the PPP was opposed by the Pakistan National Alliance (PNA), a nine-party coalition of all other major parties including the Jamaat-i-Islami (JI) on the Islamic right, the National Democratic Party on the secular left, the Pakistan Muslim League (PML/Pagaro) in the center, Asghar Khan's Tehrik Istiqlal (TI) on the secular right, and others. Although the results gave the PPP a two-thirds majority in parliament, allegations of widespread fraud and rigging undercut its credibility. PNA leaders demanded new elections, and Bhutto's exercise of emergency powers to arrest them led to widespread civil strife. On 5 July 1977, the army intervened and ousted Bhutto. Army chief General Muhammad Zia-ul-Haq partially suspended the 1973 constitution, imposed martial law, and assumed the post of Chief Martial Law Administrator (CMLA). As calm returned to Pakistan, Zia promised elections for October 1977, but for the first of many times to come, he reversed himself before the event, arguing that he needed more time to set matters aright. And as the months passed, he began to assume more of the trappings of power, creating a cabinet-like Council of Advisers of made up of serving military officers and senior civil servants, chief among whom was longtime Defense Secretary, Ghulam Ishaq Khan, who became Finance Advisor and Zia's strong right arm.

In mid-1978, Zia brought Bhutto to trial for conspiracy to murder a political rival in which the rival's father was killed. He also expanded his “cabinet” with the addition of several PNA leaders as advisors, and, when the incumbent resigned, he assumed the added responsibilities (and title) of president. He allowed a return of limited political activity but put off elections scheduled for fall when he was unable to get agreement among the PNA parties on ground rules that would keep the PPP from returning to power.

Bhutto's conspiracy conviction was upheld by the Supreme Court in March 1979, and he was hanged on 4 April. In the fall, and with the PNA now in disarray, Zia again scheduled, then postponed elections and restricted political activity. But he did hold “nonparty” polling for district and municipal councils, only to find at year's end confirmation of his concerns about PPP strength when PPP members, identifying themselves as “Friends of the People,” showed continuing appeal among the electorate.

Opposition to martial law began slowly to coalesce in 1980 when most of the PNA leadership joined with PPP leaders Ghulam Mustafa Jatoi and Nusrat Bhutto, Zulfikar's widow, to form the Movement for the Restoration of Democracy (MRD) and to demand Zia's resignation and the restoration of the 1973 constitution. But Zia proceeded to expand the role of Islamic values and institutions in society.

Meanwhile, neighboring Afghanistan experienced a communist coup in 1978 and Soviet invasion in 1979. Zia jumped into the political arena, taking a strong anticommunist leadership

role that drew support from the Islamic world, the UN and the United States. In the 1980s, the United States and Pakistan signed economic and security assistance agreements worth US\$3.2 and US\$4.02 billion. Zia also sought improved relations with India but anxiety about the much more powerful India remained high, at least partially because the status of Jammu and Kashmir remained unresolved.

In Pakistan in 1984, President Zia held a referendum on his Islamization policies in December and promised that he would serve a specified term of five years as president if the voters endorsed his policies. The MRD opposed him but did not prevent what Zia claimed was a 63% turnout, with 90% in his favor. On the strength of this disputed showing, Zia announced national and provincial elections, on a nonparty basis, for February 1985. The MRD again boycotted, but the JI and part of the Pakistan Muslim League (PML) supported Zia. Deemed reasonably fair by most observers, the elections gave him a majority in the reconstituted National Assembly and left the opposition in further disarray.

Ten months later, on 30 December 1985, Zia ended martial law, as well as the state of emergency he had inherited from Zulfikar Bhutto, turning over day-to-day administration to the PMLs Mohammad Khan Junejo, whom he had appointed prime minister in March. He also restored the 1973 constitution but not before amending it to strengthen presidential powers vis-a-vis the prime minister. As the Eighth Amendment to the constitution, these changes were approved by the National Assembly in October 1985. They remain a contentious issue today, having subsequently played a key role in institutional tension between incumbents of the presidency and the prime ministership. In the first such instance, frictions developed slowly through 1987, but on 29 May 1988, Zia suddenly fired Junejo, alleging corruption and a lack of support for his policies on Islamization and on Afghanistan. He called for new elections in November, and in June he proclaimed the Shariah (Islamic law) supreme in Pakistan.

However, Zia was among 18 officials (including the American Ambassador) killed in the crash of a Pakistan Air Force plane. Two months later, Chairman of the Senate, Ghulam Ishaq Khan, set elections for November. Benazir Bhutto, Zulfikar Bhutto's daughter, won a thin majority, and with her support Pakistan's electoral college chose Ghulam Ishaq President of Pakistan in his own right on 12 December 1988.

But the alliance was brief. Ghulam Ishaq on 20 August 1990 used his powers as president to remove Bhutto from leadership. He declared yet another state of emergency, dissolved the National Assembly, named Ghulam Mustafa Jatoi (then leader of the opposition) prime minister, and called for new elections on 24 October. The Punjab high court upheld the constitutionality of his actions, and on 24 October, the voters gave a near-majority to the Islamic Jamhoori Ittehad (IJI), a multiparty coalition resting mainly on a partnership of the PML and the JI. Mian Muhammad Nawaz Sharif, PML leader and former chief minister of Punjab, became prime minister on 6 November and quickly ended the state of emergency.

During late 1992 and early 1993, the president and the new prime minister moved toward a new confrontation over the exercise of their respective powers. Challenged by Nawaz Sharif on the president's choice of a new army chief, Ghulam Ishaq again used his eighth amendment powers to dismiss the government and dis-

solve the assembly on 18 April, alleging mismanagement and corruption. But public reaction to the president's actions was strong, and on 26 May, a supreme court ruling restored Nawaz Sharif to power, creating a period of constitutional gridlock until 18 July when the army chief brokered a deal in which both Ghulam Ishaq and Nawaz Sharif left office. Sharif resigned and was replaced by Ishaq Khan as interim prime minister by Moeen Qureshi, a former World Bank vice president; the president was then replaced by Wasim Sajjad, chairman of the senate.

Under Qureshi, Pakistan entered a period of fast-paced non-partisan rule and reform in which widespread corruption was exposed, corrupt officials dismissed, and political reforms undertaken. In his actions, Qureshi was strengthened by public support and his disavowal of interest in remaining in power. He held elections as promised on 19 October, and the PPP, leading a coalition called the People's Democratic Alliance (PDA), was returned to power, with Benazir Bhutto again prime minister. On 13 November, with her support, longtime PPP stalwart Farooq Leghari was elected president. Three years later in 1996, Leghari dismissed Bhutto and her cabinet and dissolved the National Assembly. Bhutto challenged her dismissal and the dissolution of the National Assembly in the Supreme Court. In a 6–1 ruling, the Court upheld the president's actions and found her ousted government corrupt.

Nawaz Sharif won the general election held in February 1997 with one of the largest democratic mandates in Pakistan's history. He immediately set about consolidating his hold on power by repealing major elements of the 1985 Eighth Constitutional Amendment. This transferred sweeping executive powers from the president to the prime minister. Within the next few months Nawaz Sharif dismissed his Chief of Naval Staff, arrested and imprisoned Benazir Bhutto's husband for ordering the killing of a political opponent, and froze the Bhutto family's assets. In March 1998, a warrant was issued for the arrest of Benazir Bhutto on charges of misuse of power during her tenure as prime minister.

Nawaz Sharif gained a popularity boost when Pakistan successfully tested five nuclear devices on 28 May and 30 May 1998. This was in response to India's nuclear tests earlier in the month and raised international concerns over a potential nuclear confrontation between Pakistan and India. Tensions eased when Nawaz Sharif and India's prime minister, Atal Behari Vajpayee, signed the historic "Lahore Declaration" on 21 February 1999, committing their countries to a peaceful solution of their problems.

In May 1999, however, several hundred Pakistani troops and Islamic militants infiltrated the Indian-held Kargil region of Kashmir. Two months of intense fighting brought Pakistan and India to the brink of all-out war. Under intense diplomatic pressure from the United States, but against the wishes of Pakistan's military, Nawaz Sharif ordered a withdrawal from Kargil in July 1999. This unpopular decision contributed to the prime minister's eventual downfall.

### The Musharraf Years

Distrustful of his army chief of staff, General Pervez Musharraf, Nawaz Sharif dismissed Musharraf on 12 October 1999 while he was in the air returning from a visit to Sri Lanka. However, when the general's plane was denied permission to land at Karachi Airport, army troops loyal to Musharraf seized the airport, arrested

Sharif, and returned Pakistan to military rule for the fourth time in the country's history.

General Musharraf declared yet another state of emergency, suspended the constitution and assumed power as chief executive. Many Pakistanis welcomed the military takeover as a change from the corruption and abuses of Nawaz Sharif's rule. Musharraf introduced modest economic reforms (mostly in the area of revenue collection), restricted the activities of Islamic extremists, and instituted policies to curb lawlessness and sectarian violence. On 23 March 2000, Musharraf announced local elections to be held over a period of seven months between December 2000–July 2001. Significantly, however, no mention was made of national elections or a return to civilian rule. Moreover, the independence of the judiciary was seriously compromised in January 2000, when Musharraf required all judges to take an oath of loyalty to his regime. Nawaz Sharif was tried and found guilty of hijacking and terrorism for trying to prevent Musharraf's plane, a commercial flight with civilians on board, from landing at Karāchi in October 1999. Sharif was sentenced on 16 April 2000 to life in prison. In December he went into exile in Saudi Arabia after being pardoned by military authorities.

On 20 June 2001 General Musharraf named himself president of Pakistan while remaining head of the army.

After 11 September 2001, Musharraf supported the US-led bombing campaign in Afghanistan and ties between the two countries were greatly strengthened. The United States removed some sanctions imposed on Pakistan after its 1998 nuclear tests and after the Taliban were removed from power in Afghanistan in late 2001, the United States moved to strengthen counterterrorism operations in Pakistan.

On 13 December 2001, the Indian Parliament was attacked by five suicide fighters, and India blamed the attack on two Pakistan-based Islamic organizations, Lashkar-e-Taiba and Jaish-e-Muhammad, accusing Pakistan of supporting the groups and giving their leaders sanctuary. Tensions between the two countries flared, and they began to amass hundreds of thousands of troops along their shared border. Pakistan banned Jaish-e-Muhammad and Lashkar-e-Taiba, although it claimed India had not provided evidence of the groups' involvement in the attack. The standoff between India and Pakistan continued for 10 months, and through 2003, the two countries continued to test-fire ballistic missiles capable of carrying nuclear weapons.

Pakistan's ties to the United States and proximity to Afghanistan made it home in 2002 and 2003 to series of violent acts against Westerners or Christians. Nevertheless, in April 2002, Pakistan's military regime held a referendum on General Musharraf's presidency; 98% of the votes cast were in favor of Musharraf, giving him another 5-year term as president. In August, he unilaterally implemented 29 amendments to the constitution to grant himself the power to dissolve parliament and to remove the prime minister. He also gave the military a formal role in governing the country for the first time by setting up a National Security Council that would oversee the performance of parliament, the prime minister, and his or her government. Parliamentary elections were held on 10 October, with Quaid-e-Azam, a political faction of the Muslim League supportive of Musharraf, taking the most seats.

India and Pakistan declared a formal cease-fire in Kashmir in November 2003, and relations between the two countries were

slowly improving. A bus link between the India- and Pakistan-controlled portions was established in April 2005, and both countries cooperated to some degree with the distribution of humanitarian aid following a deadly earthquake that struck the region on 8 October 2005.

### 13 GOVERNMENT

Pakistan came into being as a self-governing dominion in the British Commonwealth in 1947 and declared itself a republic in 1956. Under a constitution framed by Zulfikar Bhutto and effective as of 14 August 1973, it is federal in nature, and Westminster-style cabinet systems operate at the federal and provincial levels. All powers not otherwise specified are reserved for the federal government, which is armed also with extensive emergency powers in the event of a breakdown in constitutional government.

Pakistan is governed under the constitution of 12 August 1973 (as amended) which declared Islam the state religion and provided for a president as a nominal head of state and a prime minister as executive head of government. The president and prime minister were chosen by members of parliament, and the prime minister was responsible to that body, which was elected under universal suffrage at 18 years of age (the voting age was subsequently raised to 21, but then lowered once again to 18 in the October 2002 elections). In 1973, the parliament consisted of a national assembly of 200 elected members plus 10 seats reserved (until 1982) for women and 6 for tribal areas, these reserved seats filled by vote of the elected members. A senate of 63 members included 14 legislators from each of the four provincial legislatures, plus 5 seats reserved for tribal areas and 2 for the federal capital area.

Despite the presence of a constitution, much of Pakistan's governance has been under military rule. The constitution was suspended 5 July 1977, and restored with amendments on 30 December 1981. It was suspended again on 15 October 1999 by General Pervez Musharraf and restored 31 December 2002. Musharraf imposed a series on amendments on 31 December 2003.

The first suspension and subsequent restoration of the constitution is tied to the rule of army chief. General Zia-ul-Haq. Zia revived much of the 1973 constitution, although its Fundamental Principles and its electoral provisions remained suspended until martial law was lifted in 1985. The CMLA was initially assisted by an appointive council of advisors, then by an advisory Federal Council of 277 appointed members that was formed in 1982 to assist and advise the martial law government.

Amendments that, following the lifting of martial law in December 1985, redressed the balance of powers between the positions of prime minister and president, who also remained commander-in-chief of the armed forces. It established term limits of five years for the incumbents, and provided that their successors in 1990 would be elected, the president by an electoral college composed of members of the national assembly, the senate, and the provincial assemblies, and the prime minister, by the national assembly.

After a 12 October 1999 military coup staged by the army chief, General Pervez Musharraf, the constitution was suspended again. On 21 August 2002, Musharraf announced 29 amendments that established a National Security Council and granted new powers to the president, including the right to dissolve the national assembly at his or her discretion, to appoint governors and to dissolve

provincial assemblies in consultation with them, and to appoint the joint chiefs of staff and the three service chiefs in consultation with the prime minister.

Under the constitution, the president is to be elected by Parliament every five years. Musharraf's term was extended in 2002 and the next election was scheduled for 2007. One of the branches of Parliament—the National Assembly—is responsible for choosing the prime minister. Shaukut Aziz was chosen in 2004 for a five-year term.

The parliament, also known as *Majlis-i-Shura*, has two chambers. The first chamber, the Senate, as of January 2006 consisted of 100 members who were elected indirectly by provincial assemblies to serve four-year terms. The second chamber, the National Assembly, consists of 342 members who are elected by popular vote to four-year terms. New elections were to take place in October 2006. Of the 342 National Assembly seats, 60 are reserved for women and 10 for minorities.

## 14 POLITICAL PARTIES

Political parties have existed in Pakistan during all of its turbulent political history, but the dominant force in Pakistani politics remains the military. Parties have been frequently banned or restricted by the government, which in many cases has rendered them ineffectual. Islamic *ulema* (or clergy) and traditional landowners also command much authority in Pakistan.

Parties operate at both the national and regional level. A total of 14 parties held seats in Pakistan's Parliament in 2006.

## 15 LOCAL GOVERNMENT

Pakistan is divided into four provinces, each with deep historic roots and both linguistic and cultural associations. Outside the provinces, there are Federally Administered Tribal Areas (FATA) along the border with Afghanistan and the federal capital of Islāmābād. In addition, provincial governments directly administer tribal areas within their territories.

The provinces, in order of population size, are Punjab (with its capital at Lahore), Sindh (Karāchi), Northwest Frontier Province (Peshāwar), and Baluchistan (Quetta), the largest in area. Under the 1973 constitution, provinces have popularly elected provincial assemblies, a governor appointed by the president, and a chief minister in whom executive power is vested. The governor acts on the advice of a chief minister who is elected from the party commanding the support of the assembly.

The senior administrative officer of each province is the chief secretary. Each province is divided administratively into divisions headed by commissioners who, like the chief secretary and the secretaries of provincial ministries, are senior members of the Pakistan Civil Service (CSP). Divisions are further subdivided into districts headed (depending on local usage) by deputy commissioners, district officers, or collectors, also members of the CSP, who manage development funds, collect the revenues, supervise the police, adjudicate disputes, administer justice, and interface with the elected councils at the local level which have limited taxing authority, decide on priorities for local development programs, and try certain local legal cases.

The Pakistan-controlled third of the original state of Jammu and Kashmir is divided into two areas. The southern portion, referred to as Azad Kashmir, is administered from Muzaffarabad by an ap-

pointed president and council of ministers. The larger portion to the north is known as the Northern Areas and is administered by a Commissioner and an elected council.

The number of seats in the provincial assemblies was increased in October 2002, and seats were reserved for women and non-Muslims. In the provincial assembly elections held on 10 October, the MMA won a landslide victory in the Northwest Frontier Province. In Punjab, the Quaid-e-Azam faction of the PML took the most seats, with Bhutto's Pakistan People's Party coming in second. The PPP came in first in Sindh, and the MMA came in first in Baluchistan.

## 16 JUDICIAL SYSTEM

Pakistan's judicial system stems directly from the system that was used in British India. The Supreme Court has original, appellate, and advisory jurisdictions. The president of Pakistan appoints the justices. Each province has a high court, the judges of which are also named by the president. Below the high courts are district and session courts, and below these are subordinate courts and village courts on the civil side and magistrates on the criminal side. There are no jury trials in Pakistan.

The British tradition of an independent judiciary has been undermined in Pakistan by developments over the last 50 years. In May 1991, for example, the National Assembly adopted legislation which incorporated the Islamic legal code, the Shariah into Pakistan's legal system. A Federal Shariah Court has the power to nullify any law it finds repugnant to Islam.

The position of the judiciary in Pakistan has also been affected by periods of military rule in the country. When General Zia al-Huq imposed martial law in 1977, military courts were given jurisdiction over trial and punishment of civilians found guilty of violating martial law regulations. The verdicts could not be appealed to a higher civilian court. Moreover, a provision of the 1973 constitution that judges could be removed only by the supreme judicial council, consisting of the chief justice and two ranking judges from the Supreme Court and the high courts, was revoked by the military government in June 1979. Under the 1981 interim constitution, a new oath was imposed on all Supreme Court, high court, and Shariah court judges, and all laws promulgated by the martial law regime were exempted from judicial review. The Supreme Court chief justice and several other judges were replaced after refusing to take the oath. Although the military courts were abolished in December 1985, their decisions still cannot be appealed to civilian courts.

Similarly, in January 2000, Musharraf required all judges to take an oath of loyalty to his regime. The Supreme Court chief justice, Saidu Zaman Siddiqui, and five colleagues refused and were dismissed. This was just a week before the court was due to hear the first of several cases challenging the legality of the new government. Legal experts argue this action did irreparable harm to Pakistan's judiciary; with all sitting judges having accepted the military regime, there is no independent judiciary to protect the constitution.

## 17 ARMED FORCES

In 2005, Pakistan's armed forces totaled 619,000 active personnel. The Army comprised the largest portion, accounting for 550,000 active members, followed by the Air Force at 45,000 and the Navy

at 24,000 personnel (including an estimated 1,400 Marines). The Army's major weapons systems included more than 2,461 main battle tanks, 1,266 armored personnel carriers, over 4,291 artillery pieces, and 22 attack helicopters. Major naval units included 8 tactical submarines, 7 frigates, 10 patrol/coastal vessels, and 3 mine warfare ships. The Navy's air arm included 9 maritime patrol aircraft and 12 antisubmarine warfare helicopters. The Air Force's primary striking force was made up of 331 combat capable aircraft, which included 143 fighters and over 51 fighter ground attack aircraft. Pakistan's paramilitary forces had an active strength of 302,000 personnel that included the Pakistan Rangers (up to 40,000), the Frontier Corps (up to 65,000), a maritime security agency (estimated at 2,000), a National Guard (185,000) and the Northern Light Infantry (estimated at 12,000). It is suspected that Pakistan's nuclear arsenal consisted of between 24 and 48 weapons, with the capability to produce more. Pakistan was a participant in UN and peacekeeping operations in 10 countries or regions. The defense budget in 2005 was \$3.74 billion.

## 18 INTERNATIONAL COOPERATION

Pakistan became a member of the United Nations on 30 September 1947 and is a member of several specialized agencies, such as ESCAP, the FAO, UNESCO, UNHCR, the World Bank, ILO, UNIDO, and the WHO. As an Islamic state, Pakistan is an active member of the Organization of the Islamic Conference (OIC). Pakistan also belongs to the Asian Development Bank, the Colombo Plan, the Commonwealth of Nations, G-24, G-77, and the WTO. In 1960, Pakistan and India signed an Indus water basin treaty opening the way to the peaceful use and development of water resources. Pakistan, Turkey, and Iran established a tripartite arrangement, called Regional Cooperation for Development (RCD), in 1964. In 1985, Pakistan and six other South Asian countries, including India and Bangladesh, formed the South Asian Association for Regional Cooperation (SAARC). The country holds observer status in the OAS.

Pakistan is part of the Nonaligned Movement. The government has offered support for UN missions and operations in Kosovo (est. 1999), Western Sahara (est. 1991), Liberia (est. 2003), Sierra Leone (est. 1999), East Timor (est. 2002), Georgia (est. 1993), Burundi (est. 2004), and the DROC (est. 1999), among others. The UN Military Observer Group in India and Pakistan (UNMOGIP) was established in 1949 to observe the cease-fire between the two countries. Nine countries participate in this peacekeeping effort, yet strained relations between Pakistan and India have often led to acts of violence.

In environmental cooperation, Pakistan is part of the South Asia Cooperative Environment Program (SACEP), the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Despite steady expansion of the industrial sector during the 1990s, Pakistan's economy remains dominated by agriculture. Agriculture and industry made roughly similar contributions to GDP—21.6% and 25.1%, respectively—in 2005, although 42% of the labor force was in agriculture and only 20% in industry. About 70% of export

revenues are generated by agriculture or agriculture-based manufactures, with cotton alone accounting for about 60% of the total. Exports of primary agricultural products are concentrated in cotton and rice. One-fourth of the land is farmed or used for grazing, and much of this is planted to food crops for domestic consumption. Pakistan is generally poor in natural resources, although extensive reserves of natural gas and petroleum are being exploited. Iron ore, chromite, and low-quality coal are mined.

This strong performance notwithstanding, a growing debt-servicing burden, large government expenditures on public enterprises, low tax revenues, high levels of defense spending, and a rapid rise in imports with burgeoning domestic demand contributed to serious fiscal and current account deficits during the late 1980s. In response, in 1988 the government initiated a major structural reform program with World Bank and IMF support. When the country was created in 1947, there were no industries, and few banks or mercantile firms. Since that time, industrial production has risen significantly. In 1998, industry accounted for about 26% of the GDP, compared with only 7% in 1950. Thanks in part to significant expansion of power facilities, largely in the Indus basin, the pace of economic development was particularly rapid during the 1980s. For most of the decade, the annual GDP growth rate averaged 6.5%, reflecting an expansion of over 4% annually in the agricultural sector and over 7% in value added in the industrial sector.

The government pursued policies aimed at private sector-led development, macro economic stability, and structural reforms. Overall growth indicators remained promising with the reform measures, as GDP increased by 5.5% in 1990/91 and 7.8% in 1991/92, and export growth averaged a robust 14% between 1989 and 1992. These improvements notwithstanding, reform efforts secured less than expected reductions in the country's balance of payment deficits, due in part to deteriorating terms of trade in the wake of rising oil prices during the 1991 Gulf War. Severe floods in the Sindh and Punjab provinces in late 1992 and a contraction in international commodity markets weakened Pakistan's export sector during 1992/93, further exacerbating the country's trade and current account deficits and helping to reduce GDP growth to only 3% in 1993. In March of 1994 the government received IMF approval of a three-year Enhanced Structural Adjustment Facility (ESAF) to support reforms. The IMF wanted austerity measures aimed at reducing the government deficit to 4% of GDP, a reduction in the maximum tariff rate from 70% to 45%, increased privatization of large state-owned enterprises, and a tax on agricultural income. However, the government's failure to follow the IMF recommendations and liberalize the economy caused the IMF to suspend the \$1.5 billion loan in mid-1995. The suspension of the loan worried investors and damaged Pakistan's debt ratings. The trade deficit grew, foreign exchange reserves dwindled, and inflation remained high.

After the government recommitted itself to reform, the IMF approved a new \$600 million standby arrangement in September 1995. Still, by 1996 the economy was in its worst recession in 25 years. Tax receipts were falling well below their targets and export earnings had declined, leaving the government with a deepening foreign-exchange crisis as reserves fell to only \$500 million by the end of the year. By mid-1997, the government owed \$1.6 billion in interest on \$30 billion owed to foreign creditors, putting the

country perilously close to default. Growth in GDP was only 1.2% in 1997, down from 6.1% in 1996. Growth rebounded to 4.2% in 1998/99 as per capita income reached \$434, up from \$400 in 1990. However, Pakistan came under international economic sanctions following its six nuclear bomb tests in May 1998, and then again after the elected government was overthrown in a military coup in 1999. The growth rate declined to 3.9% in 1999/00 and then to 2.5% in 2000/01, as per capita income fell to \$397. Net public debt in 2000/01 rose to 103.8% of GDP. In November 2000, the government entered into a 10-month stand-by agreement with the IMF preliminary to the rescheduling of \$1.8 billion of sovereign debt with the Paris Club countries in January 2001. After the 11 September 2001 terrorist attacks on the United States, more concessional finance was made available. In December 2001, Pakistan entered into a three-year arrangement with the IMF under its Poverty Reduction and Growth Facility (PRGF), and under a new Paris Club agreement, over \$12 billion of national debt was rescheduled. Net public debt in 2001/02 decreased marginally to 96.2% of GDP. GDP growth rose slightly to 3.6% and inflation eased to 2.7%, down from 4.4% the year before. The most improved economic indicator was foreign reserves, which rose from about \$900 million in 1999 to over \$10 billion in March 2003.

In October 2005, a devastating earthquake in northern Pakistan and Kashmir killed some 80,000 people and left more than 3 million homeless, mostly in Pakistan, to survive the winter. Foreign donors in November 2005 pledged over \$6 billion to support reconstruction in the wake of the earthquake. Despite the earthquake, however, the economy was expected to perform strongly in 2006: real GDP growth was projected to reach 6.6% in 2005/06 and 6% in 2006/07. The annual inflation rate was forecast to average 8.6% in 2006 and 6.7% in 2007. Although substantial progress had been made on macroeconomic reforms, by 2006 progress on more politically-sensitive reforms had slowed. For example, in the 2006 fiscal year budget, the government did not impose taxes on the agriculture or real estate sectors, despite Pakistan's severely low tax-to-GDP ratio. Despite Pakistan's low level of development, prospects for job creation and poverty reduction were good in the medium term. GDP growth, prodded by double-digit gains in industrial production over 2005, has become less dependent on agriculture, and stood at 8.4% in 2005. Foreign exchange reserves continued to reach new levels in 2005, spurred on by steady workers' remittances. Real GDP growth averaged 5% over the 2001–05 period, and inflation averaged 5.2% over the same period.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Pakistan's gross domestic product (GDP) was estimated at \$385.2 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,400. The annual growth rate of GDP was estimated at 8.4%. The average inflation rate in 2005 was 9.2%. It was estimated that agriculture accounted for 21.6% of GDP, industry 25.1%, and services 53.3%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$3.964 billion or about \$27 per capita and accounted for approximately 4.8% of GDP. Foreign aid receipts

amounted to \$1,068 million or about \$7 per capita and accounted for approximately 1.3% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Pakistan totaled \$60.57 billion or about \$409 per capita based on a GDP of \$82.3 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.0%. In 2001 it was estimated that approximately 45% of household consumption was spent on food, 19% on fuel, 6% on health care, and 5% on education. It was estimated that in 2001 about 32% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Pakistan's labor force was estimated at 46.84 million. As of 2004, it was estimated that agriculture accounted for 42% of the total workforce, with services at 38%, and industry at 20%. Unemployment and underemployment are major problems. Although in 2005, unemployment was estimated at 6.6%, underemployment is known to be substantial. In addition, Pakistan's workforce is marked by the widespread export of labor, most of which is to the Middle East, and the use of child labor.

There are sizable numbers of Pakistani workers in the Middle East and European countries, most of them from the poor regions of Pakistan's NWFP. There are also several million refugees from Afghanistan who have become part of the Pakistan labor force in those regions and in Karachi.

The trade union movement is of recent origin. The principal federations include the National Labor Federation and the All Pakistan National Federation of Trade Unions. Labor-management differences are handled by the central conciliation machinery, established under the provisions of the Industrial Disputes Act of 1947. Benefits such as bonuses, paid holidays, and job security regulations are set forth in the basic West Pakistan Industrial and Commercial Employment Ordinance of 1968. In 2002, approximately 10% of the industrial labor force was unionized, and 3% of the total workforce. The government curtails union activity. Although collective bargaining is protected by law, government restrictions preclude bargaining by large segments of the labor force.

The practice of child labor is widespread. According to a government survey, three or four million children between the ages of five and 14 worked as of 2002. However, informal estimates have placed this figure as high as 8 to 10 million. There may also be some 20 million bonded laborers in Pakistan. Bonded labor is particularly common among the persecuted Christian minority. Children are often kidnapped to serve as forced labor. The minimum wage for unskilled workers was \$30 per month in 2002. There is a maximum workweek of 48 hours, but most employees are unaware of these work restrictions.

## 22 AGRICULTURE

Agriculture engaged 47% of the economically active population in 2000. Agricultural production increased by an annual average of 4.4% during 1990–2000, accounting for 23% of GDP in 2003. The development of a huge irrigation network covering two-thirds of

the total cultivated area—together with massive land reclamation projects—has made possible the farming of vast tracts of previously barren and unusable land. The Indus Valley of Punjab is Pakistan's agricultural heartland. There are two principal growing seasons: the kharif season starts between April and June and ends between October and December, while the rabi season starts between October and December and ends during April or May. Grains constitute the most important food crops, with wheat, rice, corn, and citrus the major products. Cotton, the most important cash crop, generates more foreign trade income than any other export item. Cotton production suffered in the late 1990s from leaf curl virus. In 2004/05, production totaled 11.3 million bales. Rice, sugarcane, tobacco, rapeseed, and mustard are also large export earners. Rice covers 12% of all cropland—production in 2004/05 totaled 5.02 million tons.

Improved government policies over the past decade have made Pakistan a net exporter of guar products, tobacco, cotton, and rice. Other major agricultural exports include molasses, fruits and vegetables, guar and guar products, and tobacco. Principal crops with 2004 output (in thousands of tons) were wheat, 19,767; sugarcane, 53,419; and corn, 2,775. Production of sunflower seed amounted to 404,000 tons in 2004. Other crops include millet, barley, sesame, flax, groundnuts, mangoes, citrus fruits, and vegetables. Opium poppies are grown in the North-West Frontier Province (on an estimated 2,500–3,000 hectares/6,200–7,400 acres in 2003), government efforts to stamp out the opium and heroin trade have helped reduce production by over 95% since the mid-1980s.

Farming production remains limited by primitive methods, and mechanization is uncommon. The introduction of improved wheat and rice varieties has met with some success, although the greatest impact on agriculture has derived from the Indus basin irrigation schemes, which by the 1970s had provided Pakistan with the largest irrigated network in the world. The availability of water has made possible increased use of chemical fertilizers, with the most intensive consumption occurring in cotton production. The government has instituted soil conservation, farm mechanization, land reclamation, and plant protection programs.

To increase smallholders' equity and provide further incentives for agricultural improvement, the government decreed in 1959 that the maximum holding for any person should be 200 hectares (500 acres) of irrigated land or 400 hectares (1,000 acres) unirrigated. Land in excess of these amounts was acquired by the government and paid for in interest-bearing 30-year bonds. In March 1972, the maximum permissible size of a holding, measured in terms of production index units, was reduced by two-thirds, with the government empowered to confiscate without payment all excess land for free redistribution to landless peasants and small tenants. To help the new landowners, the government provided loans for purchase of seed, feed, and bullocks. In accordance with a statement of national agricultural policy issued in 1980, the Agricultural Price Commission was established to provide incentives to Pakistani farmers through higher prices for farm products.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Some 30 to 35 million people are engaged in the livestock industry. Camels are used for transport throughout the more barren south and west, and bullocks and donkeys elsewhere. Sheep range widely over the grazing lands of middle and northern Pakistan; the

bulk of their wool is exported. Among local breeds of cattle, the Red Sindhi, the Tharparker, the Sahiwal are renowned for milk, and the Bhagnari and Dhanni for draft purposes. The production of powdered milk, cheese, butter, and ice cream is carried out by several large dairy plants. From 1984 to 1990, milk production increased by 41%, and meat production rose 48%. Even so, domestic milk production still falls short of demand. Poultry production has become prominent, especially through scientific research in breeding, feeding, and disease control. With the assistance of the Asian Development Bank, several livestock development projects were underway.

In 2005 there were 26.3 million buffaloes, 24.2 million head of cattle, 56.7 million goats, and 24.9 million sheep. Commercial poultry numbered 166 million in 2004. There were also an additional 3.5 million ducks. Modern poultry production in Pakistan is constrained by high mortality and incidence of disease in chicks and an inefficient marketing system. Production estimates for 2005 included (in tons): beef, 469,000; goat meat, 370,000; mutton, 166,000; poultry, 420,600; wool, 40,000; and milk, 29,474,000 (67% from buffalo). In an effort to increase domestic milk production, the government has initiated a comprehensive livestock development program with \$55 million in assistance from the Asian Development Bank. The government has also broadened extension and artificial breeding services, taken measures to improve slaughterhouses, and introduced high-yield fodder varieties. Cattle dung is an important cooking fuel and fertilizer.

## 2<sup>4</sup> FISHING

With a coastline of 814 km (506 mi), Pakistan is rich in fishery resources that remain to be fully developed. Almost the entire population of the coastal areas of Sindh and Balochistan depends on fisheries for its livelihood. The fish catch in 2003 was 576,804 tons, 70% of it landed off coastal waters. Species include salmon, mullet, pomfret, mackerel, shrimp, and local varieties. About 10% of the annual catch is exported. Export earnings from fish products amounted to \$136.9 million in 2003.

To exploit potential fishery resources, the government has undertaken such projects as construction of a modern harbor for fishing vessels at Karachi, procurement of diesel-powered vessels, establishment of cold storage and marketing facilities, export of frozen shrimp, and encouragement of cooperative fish-marketing societies. An aquaculture project financed by the Asian Development Bank and the EU aimed to increase the annual fish catch and to promote prawn farming.

## 2<sup>5</sup> FORESTRY

Of Pakistan's depleted forest resources, amounting to about 3.1% of the total area, only about 1,748,000 hectares (4,319,500 acres) are classified as commercial or productive forests. Privately-owned forests cover some 3,783,000 hectares (9,348,000 acres), located primarily in the North Western Frontier Province (NWFP) and Punjab. Hill forests predominate in the north and northwest temperate and subtropical regions. Fir, spruce, deodar, bluepine, chirpine, Chalghoza, and juniper, as well as broadleaved species like oak, maple, walnut, poplar, and chestnut are found in the hill forests. These forests are the main source for constructional timber and supply great quantities of fuelwood, while providing groundcover to the fragile mountain ecosystems (thereby less-



ening floods and droughts in the plains). Forests in the foothills consist of broadleaved evergreens, with main species of olive and phulai. Irrigated plantation forests grow such species as sheesham, mulberry, bakain, and semal, mostly for timber, furniture, and sporting goods production.

About 500,000 cu m (17.6 million cu ft) of timber is produced annually by state forests, which are under the authority of the Pakistan Forest Institute. During 1990–2000, the annual average rate of deforestation was 1.5%. Pakistan has a 25-year forestry master plan outlining the development of the industry through 2018. The total timber cut in 2004 was 28.28 million cu m (998.2 million cu ft), with 91% consumed as fuelwood. Since forest resources are limited, Pakistan must import wood and wood products in increasing volumes to satisfy rising demand. In 2004, forest product imports totaled \$137 million.

## 26 MINING

Except for petroleum and natural gas, mineral reserves in Pakistan were meager and of poor quality. Chromite was one of the few valuable minerals available. Production of chromium (by metal content) rose to an estimated 13,000 metric tons in 2003 from an estimated 12,500 metric tons in 2002. Construction materials were a leading industry in the country. In 2003, small quantities were produced of aragonite and marble, barite, bauxite, bentonite, chalk, dolomite, natural emery, feldspar, fire clay, fluorspar, fuller's earth, crude gypsum, kaolin (china clay), limestone and other stone, crude magnesite, nitrogen, ammonia, phosphate rock, natural mineral pigments, rock and marine salt, bajir and common sand, glass sand, caustic soda, soapstone, strontium minerals (celestite), native sulfur, soapstone talc and related materials.

Pakistan's inadequate infrastructure, poorly educated workforce, and pervasive violence have been major obstacles to attracting foreign investment. The Minister for Petroleum and Natural Resources invited the Iranian government in 2000 to invest in copper exploration and development, and to manage the mothballed Saindak copper-gold-molybdenum-silver mining and metallurgical complex, in Baluchistan's Chagai Hills. Also interested in acquiring the Saindak project were China, China Metallurgical Construction Corp. built the mine and plant, and BHP of Australia. Mining stopped at Saindak in 1996. BHP and Australia's Mincor Resources formed an alliance to explore and develop large porphyry-style copper deposits in the Chagai Hills. The joint venture initially was to focus on the Reko Diq Complex, possibly one of the world's largest copper deposits with more than 7 million tons of copper and 342,000 kg of gold. The Geological Survey of Pakistan reportedly discovered a total of 400 million tons of commercially viable iron ore in Baluchistan and the North West Frontier (NWF), to be mined by open-cut methods. The NWF government was considering reviving the Swat emerald mine, at Mingora. The discovery of a large low-ash, low-sulfur lignite deposit in the Tharparkar desert may increase the importance of Pakistan's coal.

## 27 ENERGY AND POWER

Pakistan is a net importer of petroleum, but is self-sufficient in natural gas. It has relatively small coal deposits. Its electric power sector relies heavily upon fossil fuels to produce power.

As of 1 January 2004, Pakistan's proven oil reserves were estimated at 288 million barrels. In 2003, oil production averaged an

estimated 61,769 barrels per day, of which crude oil production accounted for 60,000 barrels per day. However, Pakistan's demand for oil in 2003 came to an estimated 360,000 barrels per day, making the country a net importer. Imports that year were estimated to average 298,231 barrels per day. As of 1 January 2004, Pakistan's crude oil refining capacity was estimated to average 268,975 barrels per day.

Pakistan's proven natural gas reserves are more robust. As of 1 January 2004, the country's proven natural gas reserves were estimated at 26.8 trillion cu ft. Natural gas output and domestic consumption were each estimated at 0.81 trillion cu ft.

Although coal plays a relatively minor part in Pakistan's overall energy picture, the country does have recoverable coal reserves estimated at 2.5 billion short tons, as of 1 January 2004. In 2002, Pakistan produced an estimated 3.7 million short tons of coal. However, demand outstripped output that year, coming in at 4.7 million short tons, and necessitating the importation of 1.1 million short tons of coal.

Pakistan's electric power generating capacity in 2002 totaled 18.038 million kW, of which 12.537 million kW of capacity was dedicated to conventional thermal generation. Hydroelectric dedicated capacity amounted to 5.039 million kW, while nuclear power accounted for 0.462 million kW of capacity. Electric power output in 2002 totaled 72.443 billion kWh, of which 48.516 billion kWh came from conventional thermal sources and 22.127 billion kWh came from hydroelectric sources. Nuclear power generation provided 1.800 billion kWh. Despite increases in installed generating capacity, Pakistan faces electricity shortages due to rapid demand growth, transmission losses due to outdated infrastructure, power theft, and seasonal reductions in the availability of hydropower. Rotating power outages still needed in some areas and many villages are not yet electrified. As of 2002, less than half of Pakistan's population was connected to the nation's power grid.

## 28 INDUSTRY

During the 1960s and 1970s, light industry expanded rapidly—especially textiles, sugar refining, fertilizers, and other manufactures derived from local raw materials. Large government investments in the 1970s established the country's first large-scale ship-building and steel milling operations; the production of chemical fertilizers was also given special government support. The Pakistan Industrial Development Corp., established in the early 1980s with IDA credit, developed industrial estates for small- and medium-scale industries, assisting their occupants in obtaining credit, raw materials, technical and managerial assistance, access to production facilities, as well as marketing support. Despite steady overall industrial growth during the 1980s, the sector remains concentrated in cotton processing, textiles, food processing and petroleum refining.

The 1973 nationalization program, which placed 10 basic industries wholly within the public sector, was reversed in 1991 with the enactment of an ambitious privatization program. In 1992, the government began auctioning off majority control in nearly all public sector industrial enterprises, including those manufacturing chemicals, fertilizers, engineering products, petroleum products, cement, automobiles, and other industrial products requiring a high level of capital investment, to private investors. In 1995, however, the speed of privatization began to slow as the

sale of some large state-owned units were stalled and postponed. In 2002, the public industrial sector, under the Production Wing of the Ministry of Industries and Production consisted of eight public holding companies—Pakistan Steel, the State Cement Corporation (PACO), Federal Chemical and Ceramics Corporation (FCCC), State Petroleum Refining and Petrochemical Corporation (PERAC), State Engineering Corporation (SEC), the Pakistan Industrial Development Corporation (PIDC), the state fertilizer corporation, and Pakistan Automobile Corporation. The majority of the 74 production enterprises controlled by these holding companies have been privatized, and most of those remaining are scheduled to be sold. The public sector continues to dominate in steel, heavy engineering, automobiles, petroleum and defense-related production.

Cotton textile production is the most important of Pakistan's industries, accounting for about 19% of large-scale industrial employment, and 60% of total exports in 2000/01. Pakistan has become self-sufficient in cotton fabrics and exports substantial quantities. Some long and extra-long staple cotton is imported to meet demand for finer cottons. About 80% of the textile industry is based on cotton, but factories also produce synthetic fabrics, worsted yarn, and jute textiles. Jute textile output amounted to 70,100 tons in 1999/00. The textile industry as a whole employs about 38% of the industrial work force, accounts for 8.5% of GDP, 31% of total investment, and 27% of industrial value-added. In January 2005, the WTO lifted textile-import quotas in Europe and the United States, and Pakistan, having invested \$4 billion in the four years up to the lifting of the quotas, was well-placed for growth in the textile industry.

Other important industries include food processing, chemicals manufacture, and the iron and steel industries. Food processing is considered Pakistan's largest industry, accounting for slightly more than 27% of value-added production. Pakistan Steel, the country's only integrated steel mill, employs about 14,500 workers and has an annual production capacity of 1.1 million tons. The government plans to expand the mill's annual capacity to 3 million tons. Pakistan Steel produces coke, pig iron, billets, hot and cold rolled coils and sheets, and galvanized sheets. In June 1999, the first tinning plant began operation, a joint venture with Japan.

As of 2005, Pakistan had 10 fertilizer plants, 4 state-owned and 6 private, with a total annual production capacity of 5.75 million tons. There were 24 cement plants, four state-owned and 20 private, with an annual production capacity of 19.55 million tons. Pakistan's chemical industry produces an number of basic chemicals used in its other industries, including soda ash, caustic soda and sulfuric acid. Industrial output from other major industries also includes refined sugar, vegetable ghee, urea, rubber tubes, electric motors, electrical consumer products (light bulbs, air conditioners, fans, refrigerators, freezers, TV sets, radios, and sewing machines), and pharmaceuticals

## 29 SCIENCE AND TECHNOLOGY

Pakistan has made notable advances in nuclear technology since the 1980s, when its Atomic Energy Commission (AEC) developed a nuclear plant for electric power generation and research programs. The AEC's three nuclear centers for agricultural research have employed nuclear techniques to improve crop varieties. Six nuclear medical centers provide diagnosis and treatment of pa-

tients with radioisotopes produced from Pakistan's own uranium resources. In May 1998, Pakistan conducted nuclear weapons tests in the desert of the Chagai Hills in response to Indian testing earlier that month. Five nuclear bombs were fired on 28 May and a sixth on 30 May.

The Karāchi Export Processing Zone (EPZ), established in 1980, has attracted foreign capital investment in advanced technologies. Another EPZ has been proposed for Lahore. EPZ now include those for computer assembly and parts manufacture, television assembly, other electrical and electronic products, and engineering.

Scientific learned societies include the Pakistan Academy of Science (founded in 1953 at Islāmābād), the Pakistan Association for the Advancement of Science (founded in 1947 at Lahore), and the Scientific Society of Pakistan (founded in 1954 at Karāchi). The Pakistan Council for Science and Technology is the chief government advisory body. The Pakistan Council of Scientific and Industrial Research and the Pakistan Medical Research Council (both in Karāchi), and the Pakistan Agricultural Research Council (in Islāmābād) promote research in their respective fields. In 1996, Pakistan had 28 universities and colleges offering courses in basic and applied sciences. In 1987–97, science and engineering students accounted for 32% of college and university enrollments.

In 2002, research and development (R&D) expenditures totaled \$758.491 million, or 1.67% of GDP. In that same year, there were 88 scientists and engineers per million people that were engaged in R&D. High technology exports in 2002 totaled \$36 million or 1% of Pakistan's manufactured exports. In 1996, Pakistan had 28 universities and colleges offering courses in basic and applied sciences.

## 30 DOMESTIC TRADE

The government supervises the supply and pricing of essential commodities, including fruits, vegetables, livestock, and dairy products, and has established several cooperative marketing and distribution organizations. Foreign goods are brought in by large importing concerns, centered at Karāchi, and distributed to retailers through many intermediaries.

There are several produce exchanges at Karāchi, and the trade organizations are represented by the Federation of Chambers of Commerce and Industry. Large supermarkets and department stores have not yet developed in the nation. Chain stores for clothing have become popular in major cities, with shops carrying locally produced goods. Most retail establishments are small or medium-sized, owned by a family or an individual. Government-owned "Utility Stores" carry food and household items at controlled prices. There are about 200,000 retail outlets throughout the country. Steps have been taken to improve marketing and distribution facilities throughout the country. Advertising remains small in scope, in part because of the high rate of illiteracy. Outlets include television, newspapers, posters, handbills, and color slides shown in the motion-picture houses.

Banks are customarily open from 9 AM to 1 PM, Mondays through Thursdays and Saturdays, and from 9 AM to 12 PM on Fridays. Private businesses usually operate from 9 AM to 5 PM, Mondays through Thursdays and Saturdays, and from 9 AM to 12 PM on Fridays. Most businesses are closed on Sunday. During Ramadan, shorter hours are observed. Many international firms are also closed on Saturdays.

**Principal Trading Partners – Pakistan (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	12,695.1	15,549.4	-2,854.3
United States	2,941.1	1,325.1	1,616.0
United Arab Emirates	991.0	1,704.2	-713.2
United Kingdom	957.9	433.1	524.8
Germany	615.3	610.1	5.2
China, Hong Kong SAR	581.0	145.8	435.2
Afghanistan	491.7	...	491.7
Italy-San Marino-Holy See	456.7	311.8	144.9
Netherlands	366.3	219.7	146.6
Saudi Arabia	356.2	1,774.1	-1,417.9
France-Monaco	352.8	164.4	188.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.**3<sup>1</sup> FOREIGN TRADE**

Pakistan has suffered a weak trade position since the early 1970s, as the cost of oil imports have risen while prices for the country's main exports have declined on the international market. Exports fell 2.5% and imports dropped 20% in 1998, but by 2000 they were back on the upswing, growing at 8.3% and 19%, respectively. Pakistan's commerce ministry estimates that up to \$1.5 billion of unregistered trade occurs annually, mostly from smuggled imports. Smuggled goods (tea, soap, domestic appliances, batteries, tires, bicycles, and televisions) enter the country primarily from Afghanistan.

The important commodity exports for Pakistan are cotton, textiles, and clothes. Other major exports include rice and leather. In 2003, Pakistan's major exports were: cotton fabrics (10.8% of all exports); cotton yarn and thread (9.6%); and rice (5.3%). Primary imports were: machinery and transportation equipment (26.7% of all imports); mineral fuels and related (23.8%); and chemicals (16%).

During the 1980s, the United Kingdom, traditionally Pakistan's most important trading partner, slipped behind the United States, Japan, and Germany. In 2004, Pakistan's leading markets were: the United States (21% of all exports); the UAE (10.9%); the United Kingdom (7%); and Germany (5.1%). Leading suppliers were: China (12.2% of all imports); the United States (11.1%); the UAE (10.7%); and Saudi Arabia (10.4%).

**3<sup>2</sup> BALANCE OF PAYMENTS**

Pakistan's payments problems have been chronic since the 1970s, with the cost of oil imports primarily responsible for the trade imbalance. The growth of exports and of remittances from Pakistan is working abroad (mostly in the Middle East) helped Pakistan to keep the payments deficit in check. Remittances from overseas workers peaked at \$2.9 billion in 1982/83, then dropped to \$1.4 billion by 1997/98 and \$1 billion from 1999 to 2001. This trend especially accelerated during the 1991 Gulf War, when nearly 80,000 Pakistanis in Kuwait and Iraq lost their jobs. Only about 25% of these jobs had been regained a year after the end of the conflict. Increased imports and softer demand for Pakistan's textiles and

**Balance of Payments – Pakistan (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>3,597.0</b>
Balance on goods		-100.0
Imports	-11,969.0	
Exports	11,869.0	
Balance on services		-311.0
Balance on income		-2,217.0
Current transfers		6,225.0
<b>Capital Account</b>		<b>1,131.0</b>
<b>Financial Account</b>		<b>-1,626.0</b>
Direct investment abroad		-19.0
Direct investment in Pakistan		534.0
Portfolio investment assets		-2.0
Portfolio investment liabilities		-119.0
Financial derivatives		...
Other investment assets		-395.0
Other investment liabilities		-1,625.0
<b>Net Errors and Omissions</b>		<b>-108.0</b>
<b>Reserves and Related Items</b>		<b>-2,994.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

apparel in major markets also caused the current account deficit to further increase. The balance of payments position weakened in 1995/96 as imports grew by 16% and exports by only 6%. The rupee was devalued by 11% during 1995 and 1996 to encourage exports. Nevertheless, foreign reserves fell to around \$800 million by mid-1997. By 2000, foreign debt equaled 100% of GDP.

The government took steps in the early 2000s to liberalize and deregulate the exchange and payments regime. Pakistan moved to a dual exchange rate system in 2000. An increase in liquid foreign exchange reserves in 2001 was due in part to outright purchases from the kerb market and inflows from international financial institutions. Export growth in 2000/01 was primarily due to higher exports of primary commodities such as rice, raw cotton, and fish, and other manufactures such as leather, carpets, sporting goods, and surgical instruments. Imports increased in 2000/01 primarily due to higher imports of petroleum and petroleum products, and machinery.

In 2004, merchandise exports stood at \$13.4 billion and imports at \$16.7 billion, resulting in a trade deficit of \$3.4 billion. The current-account balance averaged 1.6% of GDP over the 2001–05 period. The current-account balance was estimated at -\$1.43 billion in 2005. The current-account deficit was expected to widen to 3.8% of GDP in 2006 and to 4.3% of GDP in 2007, in line with the rising merchandise trade deficit.

**3<sup>3</sup> BANKING AND SECURITIES**

The central banking institution is the State Bank of Pakistan (SBP), established in 1948 at Karachi and with branches in the larger cities. The government holds 51% of the bank's paid-up capital; 49% is held by corporations, societies, and individuals. The State Bank has exclusive responsibility for the issuance of currency; it is the financial agent of the central and provincial governments, and is responsible for the flotation and management of the public debt. As of 2002, there were 44 commercial banks and 36 nonbank-

ing financial institutions (NBFIs) in Pakistan. Of the commercial banks, 25 were domestic (with over 7,000 branches) and 19 were foreign (with 78 branches). Citibank is the largest foreign bank operating in Pakistan. NBFIs included 10 development financial institutions, 16 investment banks, four housing finance companies, two venture capital companies, and four discount houses. Consumer banking in Pakistan is largely undeveloped; commercial banks lend predominantly to corporations. There is a minimum capital level of 8% on all risk assets. The total volume of default loans from all financial institutions in 1998 was \$2.8 billion.

The nation's largest commercial banks were nationalized in 1974 and regrouped under five state banking institutions: the National Bank of Pakistan, Habib Bank, United Bank, Muslim Commercial Bank, and Allied Bank of Pakistan. The government-controlled banking system thus comprised all but a few of the nation's banks and accounted for a large share of total bank deposits and outstanding domestic credit. In 1981, in accordance with the Islamic condemnation of usury, virtually all banks opened special accounts for depositors who preferred, in lieu of interest, to share in the profits or losses from investments made with their money. In 1985, all savings accounts stopped yielding interest and converted to sharing in profit and loss. Pakistan instituted banking reforms in 1991. The Muslim Commercial Bank and the Allied Bank of Pakistan Ltd. reverted to private ownership shortly thereafter. In 1991 banking licenses were granted to private commercial banks that wanted to establish foreign bank branches in the country. Major weaknesses persist and are particularly marked in the case of the four remaining government-run commercial banks, which account for the bulk of deposits and advances. The government announced plans to privatize Habib Bank in 1998.

The portfolios of the state-owned development finance institutions, which provide the bulk of long-term lending to industry and agriculture, likewise tend to be of poor quality. Their lending is less diversified and more risky than that of commercial banks, while their costs are higher and margins lower. The state provides credit through the Agricultural Development Bank of Pakistan and the House Building Finance Corp. Industrial loans are made available through the Pakistan Industrial Credit and Investment Corp. (established in 1957), the Industrial Development Bank of Pakistan (1961), and the National Development Finance Corp. (1973). The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$15.6 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$26.6 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 8.49%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 10%.

There are stock exchanges at Lahore, Karāchi, and Islāmābād, with Karāchi accounting for a major share of the business. In 2001, there were 747 listings on the Karāchi Stock Exchange, the largest of the country's three bourses, down from a peak of 782 in 1996. Total market capitalization was \$4.9 billion, down 25% from the previous year and well below the peak of \$12.2 billion in 1994. The KSE 100 Index was also lower than the previous year, by 15.6% at 1,273. As of 2004, a total of 661 companies were listed on the Karāchi Stock Exchange, which had a market capitalization of

\$29.002 billion, that year. In 2004, the KSE 100 Index rose 39.1% from the previous year to 6,218.4.

### 34 INSURANCE

Pakistan's life insurance sector, nationalized in 1972, operated under the aegis of the State Life Insurance Corp. and Postal Life Insurance until 1992, when the government opened it to private sector participation. Foreign companies are no longer barred from the life insurance business, but they are restricted to minority ownership. Private companies function in nonlife insurance areas, but the government insurance business is controlled by the National Insurance Corp. One of the state's first steps was to standardize and reduce premium rates and to encourage coverage among a wider segment of the population. In 2003, the value of all direct insurance premiums written totaled \$434 million, of which nonlife premiums accounted for \$269 million. In 2002 Pakistan's top nonlife insurer was Adamjee, which had gross domestic written nonlife premiums of \$75.4 million, while the country's leading life insurer was State Life, which had gross written life insurance premiums of \$140.4 million.

### 35 PUBLIC FINANCE

The fiscal year extends from 1 July to 30 June. The federal government frames two separate budgets: revenue (current account) and capital. Deficits have appeared since 1971/72, a combined result of the loss of revenues from East Pakistan, stepped-up defense expenditures, lax spending controls, and a low and inelastic tax base. Expenditures (debt service, defense, administration) consume over 70% of the budget, while development needs (education, health, energy, and rural development) receive the remainder. Tax revenues have not kept pace with expenditure growth due to widespread evasion, corruption among tax officials, overreliance on foreign trade taxes, and a tax exemption for agricultural income, which comprises 24% of GDP. The budget deficit was hovering at about 6.2% of GDP in 1995 and 1996 and was projected to

#### Public Finance – Pakistan (2004)

(In millions of rupees, central government figures)

<b>Revenue and Grants</b>	<b>795,466</b>	<b>100.0%</b>
Tax revenue	580,108	72.9%
Social contributions	...	...
Grants	34,483	4.3%
Other revenue	180,875	22.7%
<b>Expenditures</b>	<b>905,549</b>	<b>100.0%</b>
General public services	601,832	66.5%
Defense	180,541	19.9%
Public order and safety	15,391	1.7%
Economic affairs	76,730	8.5%
Environmental protection	137	<1.0%
Housing and community amenities	2,976	0.3%
Health	7,119	0.8%
Recreational, culture, and religion	2,297	0.3%
Education	17,002	1.9%
Social protection	1,524	0.2%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

reach almost 7% in 1997. Interest payments on the accumulated debt threatened to bankrupt the government by mid-1997. As a condition for a \$1.6 billion loan from the IMF and World Bank, the government agreed to reduce the deficit to 4% of GDP. To do so, the government attempted to raise revenues by expanding the tax base beyond the 1% of Pakistanis who then paid income tax. Other proposals included a reduction in government payrolls, improved tax administration, and an end to the tax exemption for agricultural income. The IMF approved an Enhanced Structural Adjustment Facility in January 1999, when Pakistan was almost halfway through the three-year Structural Adjustment Program worth \$1.6 billion. In April 2000, the IMF discovered that the former Prime Minister Nawaz Sharif had purposely minimized reports of the government's budget deficit, by about 1%, in order to keep the extra \$2 billion in funds.

The US Central Intelligence Agency (CIA) estimated that in 2005 Pakistan's central government took in revenues of approximately \$15.4 billion and had expenditures of \$18.4 billion. Revenues minus expenditures totaled approximately -\$2.9 billion. Public debt in 2005 amounted to 54.3% of GDP. Total external debt was \$39.94 billion.

The International Monetary Fund (IMF) reported that in 2004, the most recent year for which it had data, central government revenues were ₨795,466,000 and expenditures were ₨905,549,000. The value of revenues was US\$13,654,000 and expenditures US\$15,541, based on a market exchange rate for 2004 of US\$1 = ₨58.258, as reported by the IMF. Government outlays by function were as follows: general public services, 66.5%; defense, 19.9%; public order and safety, 1.7%; economic affairs, 8.5%; housing and community amenities, 0.3%; health, 0.8%; recreation, culture, and religion, 0.3%; education, 1.9%; and social protection, 0.2%.

### 36 TAXATION

Pakistan lives predominantly by foreign trade, and its import tariffs and export tariffs are essentially revenue-producing. The national government does not levy income tax on agricultural income; only about 1% of the population pays income taxes. Rates are progressive, rising from 5% in the lowest category to 35% in the highest, with a net wealth tax of up to 2.5%.

As of 2005, Pakistan effectively had three corporate tax rates: a 35% rate for public companies; a 39% rate for private companies; and a 41% rate for banking companies. There also a 0.5% tax on turnover. However, the rates for banks and private firms are scheduled for reduction in 2006 and 2007. In 2006, the rate for banks and private firms will be cut to 38% and 37%, respectively, and to 35% for both in 2007. The rate for public companies will not be changed. Generally, capital gains for companies and individuals are taxed as part of income. Capital gains resulting from assets held 12 months or less are taxed at the full corporate rate. Gains resulting from the sale of assets held longer than 12 months are taxed only at 75% of the total capital gains amount. Dividends are subject to a withholding tax of 5% (for those paid to public firms or insurance companies); 7.5% (dividends paid by power companies, certain privatized power projects, and by those firms solely engaged in mining operations, except petroleum); and 10% (for all other dividends). Generally, interest income is subject to a 30% tax rate, while royalties and technical services fees are each subject to a 15% rate.

A sales tax of 15% is levied on the value of goods. However there are exemptions for certain items and for certain classes of people. Exports are zero-rated.

Established proportions of the various taxes levied by the federal government are distributed to the provincial governments. In addition, the provinces collect, for their exclusive use, taxes on land revenue, immovable property, vehicles, professions and services, and mineral rights, as well as excise taxes. Municipalities and other local governments also levy taxes.

### 37 CUSTOMS AND DUTIES

Pakistan's customs tariffs bring in the largest single share of national revenue. Most dutiable items are subject to ad valorem duties that range from 0–30%. There is, in many cases, a 15% sales tax on imported goods (food, raw materials, and capital goods are exempt from this tax). Alcohol is levied at a rate up to 65%, but can be as high as 225%. However, maximum rates average at around 35%.

Tariffs are levied on major items of export, but these rates are subject to change as measures are taken to encourage or discourage the export of raw materials. Exports of certain foods, used copper and brass utensils, and some hides and skins are banned. Trade with Israel, South Africa, and Taiwan is prohibited.

### 38 FOREIGN INVESTMENT

Foreign aid and investment have played a critical role in Pakistan's economic development since the first years of independence. Since 1954, the government has tried to attract foreign investment to maintain economic development, provide specialized technical knowledge, and bring in much-needed foreign exchange. Incentives for private investment include guarantees for the repatriation of capital invested in approved industries, facilities for remittance of profits, and guarantees for equitable compensation in the event of nationalization of an industry. In addition, special tax concessions available to certain local industries are also available to foreign investors. Since the late 1980s, a series of regulatory reforms related to exchange controls, repatriation of profits, credit for foreign-owned firms, issuing of equity shares, foreign currency accounts, and transactions on the stock exchange have significantly reduced the restrictions on general foreign investor activity in the wider Pakistani economy.

Foreign direct investment (FDI) peaked in 1995/96 at \$1.1 billion, then dropped to \$548 million in 1996/97 in response to a foreign-exchange crisis. Investors were also deterred by Pakistan's listing as the second-most-corrupt nation in the world, after Nigeria. In the tension leading up to the nuclear bomb tests in May 1998, FDI fell to \$432.7 million in 1998/99, and then decreased further after the military coup in 1999, to \$420 million, in 1999/00. In 2000/01, FDI fell to an annual rate of less than \$275 million. After the 11 September 2001 terrorist attacks on the United States, Pakistan received a windfall in foreign assistance, raising foreign reserves from \$908 million in 1999/00 to \$4.3 billion in 2001/02. In March 2003, on the eve of the US-led invasion of Iraq, foreign reserves stood at more than \$10 billion. However, the overall investment climate in terms of security was worsened by Pakistan's role in the US-led war on terrorism.

The United States has traditionally been the largest source of FDI in Pakistan, with total investment of \$1.2 billion as of mid-

2002. Over the three years 1998/99 to 2000/01, the US-based investment totaled \$250 million. The United Kingdom was the second-largest source, with \$241 million. The total for 1998/99 was \$327 million, including \$135 million from US sources, \$77 million from the United Kingdom, and \$51 million from Japan.

In 2004/05, total FDI inflows amounted to \$1.524 billion, with the UAE investing \$367.5 million in the country, the United States \$326 million, and the United Kingdom \$181.5 million. From July to November 2005, Saudi Arabia invested \$265.6 million in Pakistan, the United States \$170.8 million, the United Kingdom \$56.2 million, while the UAE's FDI total was in the negative figures, at -\$31.5 million. Such shifts in investment were due in part to foreign countries' reactions to Pakistan's privatization efforts: certain Gulf states, flush with capital, have placed bids on Pakistani contracts only to pull out. This happened in the case of the Pakistan Telecommunications Co. Ltd. (PTCL). In June 2005, the UAE's company Etisalat (Emirates Telecommunications) offered the highest bid of \$2.6 billion to acquire 26% shares and management control of PTCL. This bid price offered by Etisalat was 100% higher than market price and reserve price fixed by the government. The second-highest bidder was China Mobile of China, offering a bid of \$1.4 billion, followed by Sing Tel of Singapore, with a bid of \$1.17 billion for 26% shares. In October 2005, the PTCL privatization transaction failed to materialize when Etisalat failed to make payment of the balance bid amount by the agreed-upon timeline. This was the second major privatization deal that had failed within a year: earlier in 2005, Kanooz-al-Watan of Saudi Arabia, the highest bidder of Karachi Electric Supply Corp. (KESC), backed out of its offer. However, in January 2006, Etisalat and the Pakistani government came to an agreement over payments for PTCL, so the deal went through.

FDI inflows to Pakistan averaged 0.8% of GDP over the 2001–05 period.

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

After the founding of the Pakistani state in 1947, the government's economic policy concentrated attention on developing an economic infrastructure, achieving self-sufficiency in food, and developing export industries. A major new land reform program introduced in March 1972 had resulted by March 1975 in the confiscation (for eventual redistribution) of 45.3% of all privately cultivated farmland. By November 1973, the government had nationalized industries in 10 major categories of production. In a third major step, most of the commercial banks were nationalized on 1 January 1974, resulting in control of more than 90% of all banking business by the State Bank and the five newly created units.

By the late 1970s, however, Pakistan's martial law government, claiming the nationalization program had stifled production and discouraged private investment, moved to restore private sector confidence by fostering economic stability and by redressing the balance-of-payments deficit, which was causing large overseas debt obligations. A new five-year plan (1978–83), Pakistan's fifth, reserved 48% of industrial investment for the private sector and set goals for an annual economic growth rate of 7.2%, a 4.2% rise in per capita income, and increases of 6% in agricultural output and 10% in industrial production. The plan was allocated a budget of \$21 billion, of which 25% was to come from external sources. Indications were that the agricultural sector would meet its target,

but that rising oil costs and the burden of providing for the Afghan refugees had impeded progress in other sectors.

The sixth five-year plan (1983–88), with a proposed outlay of ₹210 billion, envisioned further investments in water and power development, deregulation to increase private sector activity, and a new emphasis on provision of social services and infrastructural improvements for rural areas. Prime Minister Junejo announced a program for 1986–90, with an outlay of ₹70 billion, focusing on rural development, particularly in the areas of education, village electrification, potable water supply, roads, health care, and employment.

By the late 1980s, a number of structural factors resulted in increasingly critical fiscal and balance of payment deficits. With less than 30% of the budget devoted to infrastructural development and other needs in health and education, the prognosis for long-term social and economic development remained poor. In response, a medium-term structural reform program was developed under the government of Prime Minister Benazir Bhutto for implementation in 1989–91. Aimed at correcting fiscal and external imbalances, the program targeted a reform of the tax collection system, tighter government spending controls and monetary management, the privatization of state-owned industrial enterprises, banks and utilities, the phasing out of state monopolies in the transportation, insurance, telecommunications and energy sectors, and liberalization of investment and foreign exchange regulations. Implementation of the ambitious program proceeded under the government of Nawaz Sharif who assumed the prime minister's office in 1991. Results were somewhat uneven, with little effective improvements scored in the country's tax system or its fiscal and balance of payments deficits. While the rapid change of government in 1993 and ongoing political tensions dampened private investment, officials assured that structural reform and privatization would continue.

Fiscal indecision and post-nuclear test economic sanctions dried up foreign investments while budget and trade deficits soared in 1999. The United States lifted some sanctions, clearing the way for the IMF to negotiate a bailout package of \$1.5 billion with Pakistan. Key demands included cuts in government budget deficits, further privatization, and improved tax collections. After suspension of payments under a previous arrangement, Pakistan entered into a 10-month stand-by arrangement as a prerequisite to rescheduling. In December 2001, the government entered into a three-year program under the Poverty Reduction and Growth Facility (PRGF) in preparation for a second rescheduling of debt by Paris Club members, in this case for over \$12 billion.

Since the early 1950s through 1993, Pakistan was estimated to have received about \$37 billion in aid disbursements, including both long-term and medium-term loans and grants, making it one of the largest recipients in the developing world. For the Indus Valley project, Pakistan received funding of more than \$1.3 billion from the IBRD, IDA, ADB, United States, United Kingdom, and other countries. In addition to US aid, Pakistan has also received aid from Iran and the Arab states. New economic aid from the United States was halted in 1990, under the terms of a Congressional amendment requiring certification of Pakistan's status as a nuclear weapons-free country. These sanctions were alleviated in 1996 by the Brown Amendment, but the nuclear tests of 1998 caused further economic sanctions that were only partially

lifted by 2000. Since the 11 September 2001 terrorist attacks on the United States, Pakistan has substantial international financial resources and concessions have been mobilized in exchange for the government's support of the US-led war on terrorism.

By 2006, the government was continuing with economic and institutional reforms initiated by the pre-October 2002 military government, but progress had slowed. The civilian government appeared to be less committed than the military establishment to improving accountability and attacking corruption. The government announced it would pursue a five-year plan to revive the economy and increase foreign investment inflows. In order for the economy to improve, the privatization program must follow an accelerated course, as must the expansion of exports, and the maintenance of inflows of remittances through official channels. Inflation remains a significant threat to the economy: annual inflation was forecast to average 8.6% in 2006 and 6.7% in 2007. The current-account deficit was predicted to widen to 3.8% of GDP in 2006 and 4.3% in 2007, in line with the rising merchandise trade deficit.

#### 40 SOCIAL DEVELOPMENT

The social security plan covers employees of firms with 10 or more workers. Family and self-employed labor is excluded, and there are separate systems for the armed forces, police, and other public employees. Social security coverage includes old age, disability, and survivor benefits, as well as sickness and maternity payments, workers' compensation, and unemployment benefits. This program is funded by contributions from employers and employees and subsidies from the government. The Worker's Compensation Act is supplemented by a Social Insurance Law and provides disability and worker's injury benefits to workers earning 3,000 rupees or less a month. The labor code requires employers with more than 20 employees to pay a severance gratuity in the amount of 30 days wages for each year of employment.

An Islamization program to promote social welfare in accordance with Islamic precepts was introduced in 1977 under martial law. Islamic welfare taxes, the zakat and ushr, were levied to redistribute wealth. The ushr tax on landowners took effect in 1983. Islamic beliefs are inculcated in the public schools and disseminated widely by the mass media. Laws against drinking alcoholic beverages, adultery, and bearing false witness have been strictly enforced.

Women face serious social and legal discrimination. In a court of law, the testimony of women is not permitted in serious cases which may result in harsh corporal punishment (lashing, stoning, amputation). In cases dealing with financial matters, the testimony of two women must be introduced as evidence. Islamic precepts are ingrained into the Penal Code. Women who have been raped are subject to charges of adultery and fornication under these provisions. The incidence of rape is high in Pakistan, and most women are afraid to file charges. Honor killings are on the rise, and domestic violence is prevalent. Between 70 and 90% of women are victims of family violence; women are killed by their husbands for trivial matters. Most women are unaware of their legal rights concerning inheritance, and in following with Muslim custom, widows give up their share of the joint assets. The Supreme Court has ruled that men may divorce their wives without

any legal or written notification. In 2004, the practice of buying and selling brides persists.

The use of child labor in Pakistan is widespread. Children not only work in the agricultural sector, but are also engaged in low-paying work in carpet weaving centers. Bonded child labor, in which the employer makes a payment to the child's parent and keeps the child to work off the long-term debt, has been made illegal but still may affect hundreds of thousands, if not millions, of children.

Human rights violations include arbitrary arrest, prolonged detention, and torture. Pakistan's human rights situation is dismal.

#### 41 HEALTH

Health facilities in Pakistan are inadequate, mainly due to a lack of resources and a high population growth rate. In 1993, 85% of the population had access to health care. Public health care expenditures equaled 1% of GDP, and total health care expenditure was estimated at 4% of GDP.

The country needs food, a proper water supply, and adequate sanitation. However, Pakistan is the first country to nearly completely eradicate dracunculiasis. Pakistan is also working toward universal immunization, disease prevention, health promotion, and curative and rehabilitative services. In the 1990s there were several programs under way to improve health care coverage and control tuberculosis, leprosy, and cancer. One such program was a Child Survival/Primary Health Care program to reduce mortality, malnutrition, and deaths due to diarrheal diseases. Approximately 36% of children under five years old were considered malnourished. The goiter rate was high in 1996; 40 of every 100 school children were affected by goiter. Around 90% of children up to one year of age were immunized against tuberculosis; 74% against diphtheria, pertussis, and tetanus; 74% against polio; and 74% against measles.

In 2004, there were an estimated 66 physicians, 47 nurses, and 3 dentists per 100,000 people. Many medical students have been sent abroad under an advanced medical training program. Special attention has been given to the training of nurses, and several training centers are in operation. However, medical personnel ratios, though much improved, remain inadequate. There were 302 health centers with 2,462 beds serving the rural population. Centers for the disabled included 11 physical therapy centers, 12 mental retardation centers, 11 centers for the visually impaired, and 12 centers for the hearing impaired.

Malaria, tuberculosis, intestinal diseases, venereal diseases, and skin diseases remain Pakistan's main public health problems. Common diseases were diarrheal diseases, leprosy, malaria, and tuberculosis. Drug addiction, especially among university students, is an increasing concern, and government detoxification centers have helped many addicts recover.

In 2005, the infant mortality rate was 72.44 per 1,000 live births. Major causes of infant mortality are immunizable diseases, diarrhea, malnutrition, and poor environmental sanitation. It was estimated that 88% of the population had access to safe drinking water and 61% had adequate sanitation. The estimated overall mortality rate was 9 per 1,000 people in 2002. The leading causes of death were diarrhea, pneumonia, tuberculosis, cardiovascular diseases, and cancer. Average life expectancy in 2005 was estimated at 63 years.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 74,000 people living with HIV/AIDS in the country. There were an estimated 4,900 deaths from AIDS in 2003.

## 4<sup>2</sup> HOUSING

The rapid increase in urbanization, coupled with the rising population, has added to the housing shortage in urban areas. About 25% of the people in large cities live in *katchi abadis* (shantytowns). The Public Works Department has built more than 8,000 units in Islāmābād, Lahore, Peshāwar, and Quetta at a cost of ₨1,588 million. Under the 1986–90 program, the residents in the *katchi abadis* were to be given proprietary rights. In 1987, the National Housing Authority was created to coordinate the upgrading of the existing *katchi abadis* and prevent the growth of new ones.

As of 1991, 171 *abadis* had been renovated at a cost of ₨454 million, and 522 more were under development. In 1998, there were 19,211,738 housing units nationwide with an average of 6.8 occupants per unit. About 54.97% of all units had two to four rooms; 38.11% had one room. About 81% of all dwellings were owner occupied. The most common building materials for residential dwellings were baked bricks, blocks or stones for walls (58% of all units) and wood or bamboo for the roofs (57%). Only 32% of all housing units are linked to piped drinking water. About 70% are linked to an electrical network for lighting. Only 32.7% of all housing units had a separate kitchen and 33.29% had a separate bathroom.

## 4<sup>3</sup> EDUCATION

The education system is poor, notwithstanding a massive educational reform announced in 1972 and aimed at providing free and universal education through the 10th year of formal schooling for both boys (by 1983) and girls (by 1987). As an initial step, private educational institutions at all levels were nationalized. Additional steps included a reform of the curriculum away from general education and in favor of agricultural and technical subjects, equality of access to formal schooling for low-income groups and females, financial aid programs for poor students, and broad expansion and improvement of higher-level facilities. Curriculum bureaus were set up at federal and provincial levels, and the National Council of Education was established to formulate and evaluate educational development policy.

As of 2004, education is compulsory for five years, which are covered through primary school. This is followed by three years of middle school and two years of basic secondary school. Students may then choose to continue in a two-year higher secondary program or a two-year technical school. Girls attend separate schools at both primary and secondary levels.

In 2001, about 54% of children between the ages of three and four were enrolled in some type of preschool program. Primary school enrollment in 2001 was estimated at about 59% of age-eligible students; 68% for boys and 50% for girls. The student-to-teacher ratio for primary school was at about 40:1 in 2003.

Arts and sciences colleges are affiliated with the universities of the Punjab (at Lahore, established 1882), Sind (at Hyderābād, 1947; at Karāchi, 1951), Peshāwar (1950), Baluchistan (1970), and Multan (1975). An agricultural university was established in 1961 at Lyallpur (now Faisalābad). Two engineering and technological

universities have been founded at Lahore (1961) and Islāmābād (1966). Research institutions include the Institute of Islamic Studies at Lahore, the Iqbal Academy at Lahore, and the Pakistan Institute of International Affairs at Karāchi. In 1995, there were a total of 29 universities, seven of which are privately operated. Urdu and English are the languages of instruction. Many adult literacy centers, including women's literacy centers, have been established, the majority in Sind. In addition, the People's Open University was established at Islāmābād (1974) to provide mass adult education via correspondence and the communications media. In 2003, about 3% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 64.5%, with 74.8% for men and 53.9% for women.

As of 2003, public expenditure on education was estimated at 1.8% of GDP, or 7.8% of total government expenditures.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library of Pakistan in Islāmābād holds 130,000 volumes. The largest university library in Pakistan is that of the Punjab University at Lahore, with a collection of about 398,000 volumes, including some 20,000 manuscripts. Sizable collections are also found at the University of Karāchi (105,000 volumes) and the University of Sindh (244,000 volumes). Other important libraries are the Punjab Public Library in Lahore (259,000 volumes), the Li-aquat Memorial Library (147,000 volumes), the Central Secretariat Library (110,000 volumes), and the National Archives (35,000 volumes), all in Karāchi. The International Islamic University in Islāmābād holds 100,000 volumes. There are about 300 public libraries in the country, but only about 30 libraries have a collection of 10,000 or more volumes. The Punjab Public Library in Lahore is the largest with a collection of about 256,000 volumes.

The National Museum of Pakistan (Karāchi) contains prehistoric material from the Indus Valley civilization, Buddhist statues and carvings, and material from the Islamic centuries, including the renowned Mughal period. The Peshāwar Museum has a splendid collection of Buddhist sculpture of the Gandhara style. The Lahore Museum has an outstanding collection of Greco-Buddhist sculpture. Fine mosques, shrines, and mausoleums of the Islamic centuries are scattered throughout the country. Among the best of the surviving gardens of the Mughal period are those at Lahore, including the Shalimar gardens. There is a museum dedicated to the work of Shakir Ali in Lahore and the Pakistan Army Museum is in Rāwalpindi. There are archaeological museums in Harappa, Banbhore, Moenjodaro, and at the universities of Karāchi and Peshāwar.

## 4<sup>5</sup> MEDIA

Postal, telegraph, and telephone services are owned and operated by the state. Automatic telephone service has been installed in most cities and large towns. Radiotelephone and radiotelegraph services are available within the country and to foreign countries. Pakistan's Indian Ocean INTELSAT communications stations began service in 1971 near Karāchi. In 2003, there were an estimated 27 mainline telephones for every 1,000 people; about 190,300 people were on a waiting list for telephone service installation. The



same year, there were approximately 18 mobile phones in use for every 1,000 people.

Through Azad Kashmir Radio and the Pakistan Broadcasting Corporation, the government operates 18 shortwave radio stations. Karāchi is the broadcasting center, and there are important transmitters at Hyderābād, Quetta, Lahore, Rāwalpindi, Peshāwar, Multan, Bahawalpur, and Islāmābād. Government-run Pakistan-TV broadcasts at least 10 hours a day through 28 transmitters. In total, as of 1999, there were 26 AM, 3 FM, and 22 television stations in use. In 2003, there were an estimated 105 radios and 150 television sets for every 1,000 people. About 26.7 of every 1,000 people were cable subscribers. Also in 2003, there were 4.2 personal computers for every 1,000 people and 10 of every 1,000 people had access to the Internet. There were 37 secure Internet servers in the country in 2004.

Daily newspapers—most of them with very small circulations—are published in Urdu, English, and a few other languages. English-language newspapers are read by less than 1% of the population but are very influential, especially *Dawn* (2002 estimated circulation, 80,000), published in Karāchi, and *Pakistan Times* (50,000), published in Lahore and Rāwalpindi. Leading Urdu-language dailies (with 2002 circulations) are *Jang* (750,000) and *Hurriyat* (600,000), both in Karāchi, and *Jang Lahore* (1,200,000) and *Nawa-e-Waqt* (560,000), in Lahore.

While freedom of the press has always been provided for constitutionally, censorship was imposed on the press by the martial law governments. Between 1979 and 1982, local censors reviewed items prior to publication, and some books and periodicals were confiscated. Even after the lifting of censorship, the government continued to influence press coverage by controlling the availability of newsprint, which must be imported, and the placement of government advertising, which is a source of newspapers' revenue. There are no longer restrictions on the importation of newsprint. There is a constitutional prohibition on the ridicule of Islam, the armed forces, or the judiciary.

#### 46 ORGANIZATIONS

Most major cities contain chambers of commerce and there are numerous employers' associations, such as the All-Pakistan Textile Mills Association, the Pakistan Carpet Manufacturers' and Exporters' Association, and the Pakistan Shipowners' Association. There are also professional associations representing a variety of fields, particularly technical and scientific fields.

The Islamic community is represented by several flourishing organizations, and other religious communities, such as the Zoroastrians, have their own groups. The Pakistan Historical Society, the Scientific and Cultural Society of Pakistan, and the Research Society of Pakistan all serve to promote interest and study in national and Islamic culture.

National youth organizations include the Baloch Student Organization, the Pakistan Progressive Student Alliance, the Adventure Foundation of Pakistan, Junior Chamber, the Pakistan Boy Scouts Association, and the YMCA/YWCA. There are also a number of sports associations for all ages. National women's organizations include the All Pakistan Women's Association, the Pakistan Association for Women's Studies, the Pakistan Federation of University Women, the Women's Resource Center, and the Revolutionary Association of the Women of Afghanistan.

Ansar Burney Welfare Trust International is a national human rights association. International organizations with national chapters include Amnesty International, Caritas, Habitat for Humanity, the Society of St. Vincent de Paul, and the Red Crescent Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

On 8 October 2005 an earthquake severely damaged Pakistan, which caused the tourism industry to suffer.

Pakistan Tours, a government subsidiary, provides daily tours of Karāchi, Rāwalpindi, and other main cities. Adventure tours are set in northern Pakistan, while the cultural tours showcasing the archaeology are in Taxila, Moenjodaro, and Harrappa. In Karāchi are the National Museum and the Mausoleum of the Quaid-e-Azam. In Lahore, the "city of gardens" and Pakistan's foremost cultural and educational center, remnants of the Mughal Empire are resplendently preserved.

Islāmābād, the wholly planned capital, offers notable examples of architecture in the modern style. Popular recreations include mountain climbing in the Himalayan foothills, sailing, and deep-sea fishing off the Arabian Sea coast. Hockey and cricket are the leading sports, but polo and golf are also popular, with courses in Lahore, Rāwalpindi, Islāmābād and other cities.

Most visitors to Pakistan are required to have a visa and a valid passport. Tourists planning to stay more than 30 days must register with the government. Road permits are available for land crossings into India at Wagah (between Lahore and Amritsar in India). There are no health restrictions on visitors entering Pakistan except in regard to cholera and yellow fever immunizations for those who have been in infected areas.

In 2005, the US Department of State estimated the daily cost of staying in Islāmābād at \$263, and in Karāchi, \$218.

#### 48 FAMOUS PAKISTANIS

Several figures of monumental stature are associated with the creation and establishment of Pakistan. The poet and philosopher of a revitalized Islam, Mohammad Iqbal (1873–1938), who wrote in Urdu, Farsi, and English, first called for the establishment of a Muslim state on the subcontinent in a statement made in 1930. Mohammad Ali Jinnah (1876–1948), the Quaid-e-Azam, or "Great Leader," rallied the Muslims to this cause and became the first governor-general of the Commonwealth of Pakistan. His "right hand," Liaquat Ali Khan (1896–1951), was the first prime minister of the nation until his assassination. Chaudhury Mohammad Ali (1905–80), a former prime minister, played a key role in the organization of the new government in 1947. Field Marshal Mohammad Ayub Khan (1908–74) served as commander-in-chief of the Pakistani army, as minister of defense in 1954–55, and as president of Pakistan from October 1958 to March 1969. Sir Mohammad Zafrulla Khan (1893–1985), a distinguished jurist, was several times minister of foreign affairs and later a member of the World Court at The Hague; in 1962, he served as president of the 17th UN General Assembly. Zulfikar Ali Bhutto (1928–79), who rose to prominence as founder and leader of the socialist-leaning Pakistan People's Party, was prime minister during 1973–77 and guided the country's political and economic transformation following the loss of East Pakistan. After Bhutto's execution in 1979, his elder daughter, Benazir (b.1953), became titular head of the Pakistan People's Party. She became the first woman to lead

a Muslim country when she assumed the post of prime minister in 1988; she was deposed 20 months later but was reelected in 1993 to serve for three years. Gen. Mohammad Zia-ul-Haq (1924–87) came to power in 1977 and assumed the presidency in 1978. Pervez Musharraf (b.1943) took power in 1999 after a coup d'état and assumed the title of president of Pakistan in 2001. The Pakistani-born scientist Abdus Salam (1926–96) shared the 1979 Nobel Prize for Physics for his work in electromagnetism and the interaction of elementary particles.

In literature, the paramount position is still held by the great Urdu writers who lived before the establishment of Pakistan. Ghalib (1796–1869) and Iqbal are recognized as the two greatest Urdu poets. Contemporary writers who have won fame include the Urdu poet Faiz Ahmad Faiz (1911–84), imbued with a strongly socialist spirit, and the Urdu short story writer Saadat Hasan Manto (1912–55). Foremost among Pakistan's artists is Abdur Rahman Chughtai (1899–1975).

#### 49 DEPENDENCIES

Pakistan has no territories or colonies.

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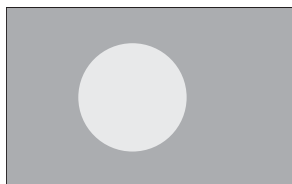
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# PALAU

Republic of Palau  
*Belau*



**CAPITAL:** Koror, Koror Island

**FLAG:** The flag, adopted 1 January 1981, is light blue, with a yellow disc set slightly off center toward the hoist.

**ANTHEM:** *Belau er Kid.*

**MONETARY UNIT:** The US dollar is the official medium of exchange.

**WEIGHTS AND MEASURES:** British units are used, as modified by US usage.

**HOLIDAYS:** New Year's Day, 1 January; Youth Day, 15 March; Senior Citizens Day, 5 May; Constitution Day, 9 July; Labor Day, 1st Monday in September; United Nations Day, 24 October; Thanksgiving Day, 4th Thursday in November; Christmas, 25 December.

**TIME:** 8 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Palau (also known as Belau) is located in the western extremities of the Pacific Ocean. It consists of the Palau group of islands, in the western Caroline Islands, and four remote islands to the sw. Palau is isolated from larger land masses, with Papua New Guinea/Irian Jaya (Indonesia) 660 km (410 mi) to the s, the Philippines 885 km (550 mi) to the w, and Japan 3,042 km (1,890 mi) to the n. Yap Island in the Federated States of Micronesia lies 579 km (360 mi) to the ne. The country consists of more than 200 islands, with a total land area of 458 sq km (177 sq mi). Babelthuap is the largest island, with an area of 397 sq km (153.2 sq mi); Koror Island, containing the capital, has an area of 18 sq km (7.1 sq mi). The islands of Peleliu and Angaur are about 50 km (30 mi) s of Koror. Sonsorol and Hatohobei, the two smallest island states, lie 560–640 km (350–400 mi) sw of Koror. Kayangel is a coral atoll 45 km (28 mi) n of Babelthuap.

## <sup>2</sup>TOPOGRAPHY

The islands include four types of topographical formation: volcanic, high limestone, low platform, and coral atoll. The Palau barrier reef encircles the Palau group, except Angaur Island and the Kayangel atoll. The reef encloses a lagoon (1,267 sq km/489 sq mi) on the western side, containing a large number of small elevated limestone islets known as the Rock Islands. Babelthuap and Koror, with peak elevations of 217 m (713 ft) and 628 m (2,061 ft), respectively, contain elevated limestone and volcanic formations. Arakabesan, Malakal, and several small northern islands are volcanic formations. Peleliu and Angaur are low-platform reef islands.

## <sup>3</sup>CLIMATE

Located near the equator, Palau's climate is maritime tropical, characterized by little seasonal and diurnal variation. The annual mean temperature is 28°C (82°F) in the coolest months. There is

high precipitation throughout the year and a relatively high humidity of 82%. Heavy rainfall occurs from May to November. The short torrential nature of the rainfall produces up to 380 cm (150 in) of precipitation annually. Typhoons and tropical storms occur from June through November.

## <sup>4</sup>FLORA AND FAUNA

Plant life, abundant throughout most of the islands, includes mangrove swamps, savanna land, and rain forest in upland areas. Food crops, such as taros, cassavas, sweet potatoes, coconuts, bananas, papayas, and citrus fruits, are mostly wild. Marine life is also abundant, with more than 1,500 species of tropical fish and 700 species of coral and anemones in the lagoons and reefs. Fauna includes the sea turtle, which is consumed as a delicacy, and the dugong, or sea cow, a marine mammal that is close to extinction.

## <sup>5</sup>ENVIRONMENT

While much of Palau's fragile natural environment remains free of environmental degradation, there are several areas of concern, including illegal fishing with the use of dynamite, inadequate facilities for disposal of solid waste in Koror, and extensive sand and coral dredging in the Palau lagoon. Like the other Pacific island nations, a major environmental problem is global warming and the related rising of sea level. Water coverage of low-lying areas is a threat to coastal vegetation, agriculture, and the purity of the nation's water supply. Palau also has a problem with inadequate water supply and limited agricultural areas to support the size of the population. The nation is also vulnerable to earthquakes, volcanic activity, and tropical storms. Sewage treatment is a problem, along with the handling of toxic waste from fertilizers and biocides.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 3 types of mammals, 2 species of birds, 2 types of reptiles, 6 species of fish, 5 types of mollusks, and 3 spe-

cies of plants. Threatened species included the hawksbill turtle, tiger sharks, grey dolphins, coconut crabs, and green turtles. The Palau flying fox has become extinct.

## 6 POPULATION

The population of Palau in 2005 was estimated by the United Nations (UN) at 21,000, which placed it at number 190 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 24% of the population under 15 years of age. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.9%. The government's family planning programs succeeded in curbing the high birth rate, and the government viewed the population growth rate as satisfactory. The projected population for the year 2025 was 23,000. The population density was 46 per sq km (118 per sq mi).

The UN estimated that 70% of the population lived in and around the capital city, Koror on Koror Island, which had a population of 14,000 in 2005. The annual population growth rate in Koror that year was estimated at 1.80%.

## 7 MIGRATION

In 1999, persons not Palau-born accounted for nearly 30% of the total population. Most were born in the Philippines, China, and Bangladesh; there were also significant numbers from the Federated States of Micronesia, the United States, and Japan. Most were workers; in 1999, foreigners made up 46% of the total work force. The vast majority of these foreigners were located in Koror. About one-fifth of all Palauans live abroad, many on Guam. Remittance flows are poorly documented. Since 2001 the ratio of Palauans to foreign workers has remained 50:50. In 2005, the net migration rate was 2.36 migrants per 1,000 population. The government views the migration levels as too high.

## 8 ETHNIC GROUPS

Palauans are a composite of Polynesian, Malayan, and Melanesian races. At the 2000 census, Palauans accounted for about 69.9% of the total population. The largest non-Palauan ethnic groups included Filipinos (15.3%), Chinese (4.9%), other Asians (2.4%), Carolinians (1.4%), other Micronesians (1.1%), and people of European descent (1.9%).

## 9 LANGUAGES

English is the official language in all of Palau's 16 states; however, it is only spoken by about 9.4% of the population. Palauan, a Malayo-Polynesian language related to Indonesian, is the most commonly spoken language, used by 64.7% of the population. Palauan is used, in addition to English, as an official language in 13 states. Sonsorolese is official in the state of Sonsoral; Anguar and Japanese in the state of Anguar; and Tobi in the state of Tobi. About 13.5% of the population speak Filipino. 5.7% speak Chinese, 1.5% speak Carolinian, 1.5% Japanese, and 2.3% other Asian languages.

## 10 RELIGIONS

Most Palauans are Christians. The Roman Catholic Church holds the largest number of members at about 65% of the population. Other significant denominations include the Evangelical Church,

the Seventh-Day Adventists, The Church of Jesus Christ of Latter-Day Saints, and Jehovah's Witnesses. Modekngai, which is indigenous to Palau and combines both pagan and Christian beliefs and customs, is practiced by about 800 people. There are a small number of Bangladeshi Muslims. Several foreign missionaries are active in the country.

Religious groups register as nonprofit organizations through the Office of the Attorney General. There is no state religion, but the government does offer some financial support to religious schools. Freedom of religion is provided for in the constitution.

## 11 TRANSPORTATION

The nation's roads at last estimate totaled 61 km (37.9 mi), of which 36 km (22 mi) were paved. Asphalt roads are found only in Koror, Airai, and Melekeok. A two-lane concrete bridge, constructed in 1976, links Koror with Airai. The Koror state government provides a public bus service. Palau's deepwater harbor at Malakal in Koror offers international port facilities. Heavy reliance is placed on small private watercraft throughout the country.

As of 2004, there were three airports, of which one (as of 2005), had a paved runway. The international airport is located in Airai, 10 km (6 mi) from Koror. Three airlines provide international service: Air Micronesia/Continental, Air Nauru, and South Pacific Island Airways. There are three domestic airlines: Palau Paradise Air, Aero Belau, and Freedom Air.

## 12 HISTORY

As part of the Carolinian archipelago, the islands were sighted by European navigators as early as the 16th century. In 1686, the Spanish explorer Francisco Lezcano named Yap Island (now in the Federated States of Micronesia) "La Carolina" after King Charles II of Spain. The name was later generalized to include all the islands. Spanish sovereignty was established in 1885. In 1899, after Spain's defeat in the Spanish-American War of 1898, Palau, with the rest of the Carolines, was sold to Germany. At the outbreak of World War I in 1914, the islands were taken by the Japanese. As a member of the League of Nations, Japan was given a mandate over Palau in 1920, and Koror was developed as an administrative center of Japanese possessions in the north Pacific.

In 1947, following occupation by US forces in World War II, Palau became part of the UN Trust Territory of the Pacific Islands, which was administered by the United States. After the adoption of a constitution in 1980, Palau became a self-governing republic in 1981. Beginning in 1982, the republic was involved in negotiating a Compact of Free Association (CPA) with the United States. Negotiations stalled because the United States wanted to use the islands as a military site, while Palau's 1980 constitution prohibited any placement of nuclear weapons.

In June 1985, President Haruo Remeliik was assassinated; Vice President Alfonso Oiterang served as acting president until August 1985, when he was defeated in an election by Lazarus E. Salii. President Salii committed suicide in August 1988. Kuniwo Nakamura was elected president in November 1992.

On 1 October 1994 Palau became an independent nation in free association with the United States; under the 1994 CPA, the United States is responsible for Palau's defense. In addition, CPA funds were allocated to finance the building of roads and infra-

structure on Babelthuap, across from the capital Koror, in order to attract people and economic activity. As of 1999, despite President Nakamura's support, Paramount Chief Ibedul Yutaka Gibbons of Koror, the most powerful traditional leader in Palau, opposed the Compact and its channeling of resources away from Koror and to Babelthuap, arguing the Compact would erode Palau's autonomy and threaten traditional values. Palau's CPA with the United States was scheduled for renegotiation in 2009.

In July 1999, Palau hosted the First Micronesian Traditional Leaders' Conference. In October 1999, Palau hosted the 30th South Pacific Forum with more than 300 foreign delegates, observers, and media members. The Forum considered issues on climate and sea level change, regional security and law enforcement, fisheries, and the United Nations Special Session on Small Island Developing States. Trade ministers of the South Pacific Forum endorsed the proposal for a Pacific Free Trade Area (FTA) that would create a regional market of six million people, allowing goods produced in the 14 island countries to be traded freely. Late in 2005, the FTA and the trade liberalization it could bring were still under discussion.

In 2003, Palau became a member of SOPAC, the South Pacific Applied Geoscience Commission, a group which has among its aims the sustainable development of mineral and other nonliving resources, and the reduction of poverty for the people of the Pacific.

In 2005, Palau supported Japan's attempts to expand commercial whaling, as well as its application for permanent membership on the United Nations Security Council.

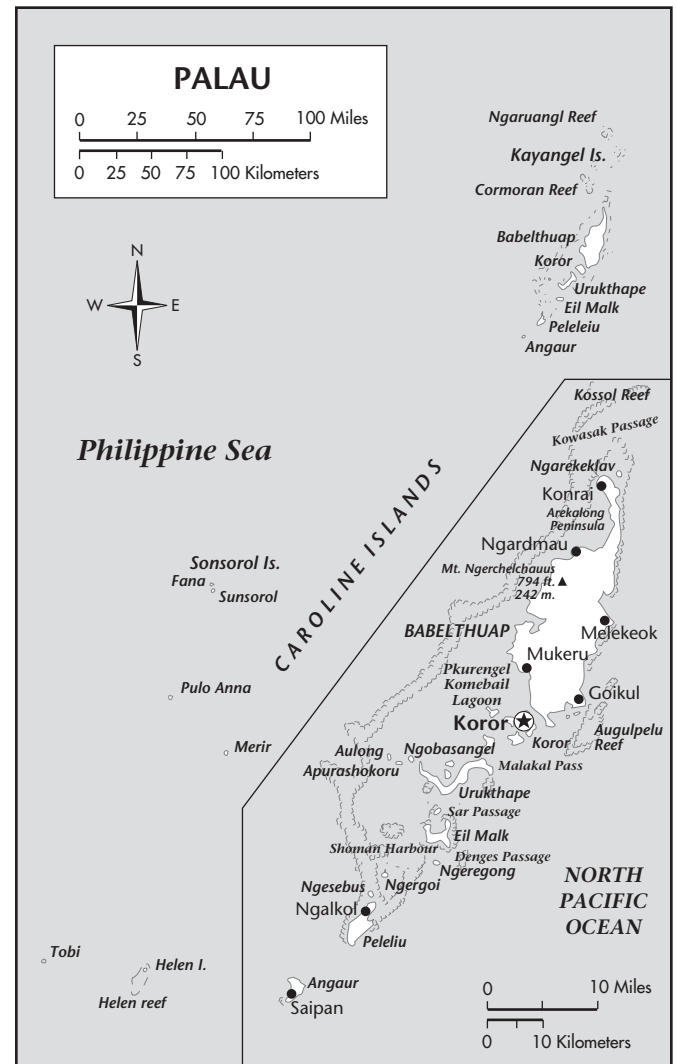
In general elections held 2 November 2004, Tommy E. Remengesau, Jr. was elected to a second term as president, and Camsek Chin to a first term as vice president.

In 2004 President Remengesau favored a constitutional amendment to change the existing bicameral congress (House of Representatives and Senate) to a unicameral form of government to reduce the cost of government. This proposed change had been discussed in the congress as early as 1993. Other amendments Remengesau championed included having presidential and vice presidential candidates run on a single ticket, and allowing Palauans dual citizenship. When the Senate failed to act on these amendments, the president signed into law a Constitutional Convention to be held from 17 May 2005–15 June 2005. The 25 delegates to the Convention were charged with reviewing the constitution and proposing amendments.

Discussed during the Constitutional Convention were the above-mentioned move from a bicameral to a unicameral legislature, vesting increased powers in the cabinet, and changing the title of cabinet ministers to secretaries. Any proposed amendments coming out of the convention had to be approved in the 2008 elections by a popular majority and three quarters of the states.

### 13 GOVERNMENT

The government comprises three branches: the executive, the legislative, and the judicial. The executive branch is headed by the president, who is elected by popular vote for not more than two terms of four years each. The president is assisted by a cabinet of ministers, one of whom is the vice president and is also elected by popular vote. The president and vice president run on separate



LOCATION: 131° to 135° E; 3° to 8° N.

tickets. A council of chiefs, based on Palau's clan system, advises the president on traditional and customary matters.

The legislative branch, known as the Olbiil Era Kelulau, or National Congress, is a bicameral form of legislature, comprising 9 senators and 16 delegates. The senators, elected for four-year terms, are apportioned throughout Palau on the basis of population and traditional regional political groupings. The delegates are elected from each of the 16 states and have the same four-year term as the senators.

In November 1992 Kuniwo Nakamura and Tommy E. Remengesau, Jr. were elected Palau's new president and vice president, respectively. Both Nakamura and Remengesau were reelected in 1996. In the 2000 general elections, Remengesau was elected president, and Sandra Pierantozzi became Palau's first woman vice president. In November 2004, Remengesau was reelected, taking 64% of the popular vote, while Camsek Chin took 70% of the votes to become vice president.

## **1<sup>4</sup> POLITICAL PARTIES**

No political parties exist in Palau.

## **1<sup>5</sup> LOCAL GOVERNMENT**

Each of Palau's 16 states has a government headed by a governor, who is popularly elected, in most cases, for a four-year term. The members of the state legislatures are popularly elected for a four-year term, although in a few states, the term of office is limited to two years. The states are empowered to make their own laws, which must not be in conflict with the national constitution or any existing laws.

## **1<sup>6</sup> JUDICIAL SYSTEM**

The Supreme Court is the highest court in the land. Other courts include the National Court and the lower court system, consisting of the Court of Common Pleas and the Land Court. Court appointments are for life. In October, 1990 US Interior Secretary Manuel Lujan issued an order granting the Interior Department in Washington the power to veto laws and reverse decisions by Palau's courts. This reassertion of legal authority by the United States was partially in response to the decade of unsuccessful negotiations concerning a plan for eventual self-government.

The constitution provides for an independent judiciary and the government respects this provision in practice. Palau has an independent prosecutor and an independent public defender system.

## **1<sup>7</sup> ARMED FORCES**

The United States is responsible for defense. Palau has no armed forces and does not have US armed forces within its borders except for a small contingent of US Navy Seabees who undertake civil action projects.

## **1<sup>8</sup> INTERNATIONAL COOPERATION**

Palau became a member of the United Nations on 15 December 1994; it participates in ESCAP, the World Bank, the FAO, ICAO, IMF, IFC, UNCTAD, UNESCO and WHO. Palau is also a member of the ACP Group, the Asian Development Bank, G-77, the Pacific Island Forum, and the Alliance of Small Island States (AOSIS). The country is part of the Organization for the Prohibition of Chemical Weapons. Under the Compact of Free Association, the United States is responsible for the island nation's defense. In environmental cooperation, Palau is part of the Convention on Biological Diversity, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## **1<sup>9</sup> ECONOMY**

The economy has a narrow production base as a result of limited natural resources and few skilled personnel. The services sector consists largely of government administration and trade. Large gaps exist between government revenues and expenditures and between imports and exports. These gaps are financed largely by grant assistance from the United States. Unemployment is a major problem. Expansion of air travel in the Pacific has fueled growth of the tourist sector. Tourist arrivals number 50,000 in 2000/01,

down a from a peak of 66,441 in 1996/97. Real GDP growth slid precipitously after booming postindependence rates of 24.3% in 1994/95 and 18.1% in 1995/96. In 1996/97 growth moderated to 5.5%, but in the wake of the Asian financial crisis, the economy contracted 5.4% in 1997/98. The economy remained flat in 1998/99, and 1999/00, with growth rates of 1.1% and 1%, respectively. The Compact Trust Fund balance, at \$70.8 billion at independence, reached \$161.8 billion by 1999/00, but had fallen to \$135 billion in 2000/01.

In 2004, the economy grew by 2.0%, following a period of economic slump in 2002, and 2003 (when the GDP actually shrunk by -4.7% and -0.1% respectively). The inflation rate has been fluctuating slightly but did not pose a major problem to the economy—in 2004, it dropped to 0.2%, from 1.3% in 2003.

## **2<sup>0</sup> INCOME**

The US Central Intelligence Agency (CIA) reports that in 2005 Palau's gross domestic product (GDP) was estimated at \$174.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$9,000. The annual growth rate of GDP was estimated at 1%. The average inflation rate in 2000 was 3.4%.

## **2<sup>1</sup> LABOR**

The economically active population of Palau was 9,845 persons in 2000 (the latest year for which data was available). Recent data on the occupational breakdown of the workforce is not available. In 2000, the unemployment rate was estimated at 2.3%.

There are no specific provisions granting the right to strike or organize unions, but the issue has never come up and there were no organized trade unions.

There is no minimum age for employment, but children do not typically work, except to help out in small scale family enterprises such as fishing or agriculture. Education is compulsory until age 14, and this is enforced by the government.

Palau's first minimum wage law, passed in 1998, set a rate of \$2.50 per hour. This was still in effect in 2002, and generally provides for a decent standard of living for a family. There are many foreign workers in Palau, and these workers often receive housing and food in addition to wages. There are no legally proscribed work hours, but most businesses are closed on Saturday or Sunday.

## **2<sup>2</sup> AGRICULTURE**

Agricultural production belongs almost entirely to the nonmonetary, or subsistence, sector. Most households outside Koror are fully or partially engaged in subsistence agriculture. Staple subsistence crops include taros, cassavas, sweet potatoes, bananas, and papayas. Commercial produce is marketed mainly in Koror, consisting mostly of copra and coconut oil, vegetables, and a wide variety of tropical fruits.

### **23 ANIMAL HUSBANDRY**

Livestock is limited to pigs, chickens, ducks, cattle, and goats. Pigs and chickens are raised by most households. Several small commercial egg-producing operations supply eggs to the Koror market. The Livestock Branch of the Division of Agriculture maintains breeding herds of pigs, cattle, and goats.

### **24 FISHING**

Palau's marine resources are rich and diverse. Subsistence fishing within the reef is a major activity and dominates market production. The total catch was 1,051 tons in 2003. Deep-sea fishing for pelagic species resulted in a tuna catch of 68 tons in 2003. Seasonal trochus harvesting for shell button manufacture is an important source of income for most fishermen. Other marine resources include pearls, shrimp, ornamental fish, seaweed (agar agar), and mollusks. Palau is known for having some of the best diving, snorkeling, and sport fishing areas in the world.

### **25 FORESTRY**

About 76% of Palau was forested in 2000. Forestry resources consist of coastal mangrove, coconut and pandanus palms, and rain forest species in upland areas. Palau is heavily dependent on imported forestry products, including furniture and lumber for house construction. The government's forestry station at Nekken on Babelthuap Island, of which more than half of the 1,257 hectares (3,105 acres) consists of natural forest, provides primarily mahogany seedlings to farmers. Palau imported \$1.1 million in forest products during 2004.

### **26 MINING**

Crystalline calcite from glistening limestone caves was first quarried as many as 1,500–2,000 years ago. The doughnut-shaped finished carved products would be transported by canoe some 400 km (250 mi) to Yap (now part of the Federated States of Micronesia), and used as currency.

The Koror state government engages in commercial production of dredged coral from the Palau lagoon, with a production capacity of 800 cu m per day. Other states are also involved in coral dredging. A private company supplies aggregates for concrete from crushed basalt rock and beach sand.

### **27 ENERGY AND POWER**

The economy is almost totally dependent on imported petroleum for energy. Electricity is supplied from the Malakal power plant, located in the state of Koror, with an installed capacity of approximately 8,000 kW. There are state-owned power plants with capacities ranging from 30 kW to 120 kW in Peleliu, Angur, Ngiwal, Ngeremlengui, Airai, Ngaraard, and Ngerchelung. Per capita consumption of electricity in 1995 was 11,704 kWh. Both production and consumption of electricity were 200 million kWh in 1996; of the power produced, 85% came from fossil fuels and 15% from hydropower.

### **28 INDUSTRY**

Manufacturing plays a limited role in the economy. A copra-processing plant is located in Malakal. Concrete blocks are manufactured, utilizing imported cement, and there is a small-scale sawmill industry. Other industries include the manufacturing of craft items (from shell, wood, pearls), construction, and garment making.

### **29 SCIENCE AND TECHNOLOGY**

Palau's Micronesian Mariculture Demonstration Center, established in 1973, promotes the cultivation of commercially valuable and ecologically threatened marine species. The center attracts visiting marine scientists. Its giant clam hatchery was the first and remains the largest of its kind.

### **30 DOMESTIC TRADE**

Domestic trade is centered in Koror. Private-sector activities in tourism, restaurants and hotels, small workshops, banking, wholesale and retail outlets, transportation, and freight handling are located in Koror and, to a limited extent, the adjacent state of Airai. Most of the work force is employed in services related to tourism. The country relies heavily on imports for basic goods.

### **31 FOREIGN TRADE**

Palau's economy sustains a large trade deficit. Food, beverages, and tobacco account for 19% of imports; manufactured goods, 20%; machinery and transportation equipment, 28%; mineral fuel and lubricants, 13%; and other imports, 20%. The country's low volume and limited range of exports include shellfish, tuna, copra, and garments. The United States, Japan, and Singapore are Palau's predominant trading partners.

In 2001, exports totaled \$18 million (FOB—Free on Board), while imports grew to \$99 million. In 2003, 86.7% of exports went to Japan, but by 2004 the United States was Palau's main export partner—an indicator of Palau's fragile economic base and its dependency on other countries. The United States, Guam, Japan, Singapore, and South Korea were the main import partners in 2004.

### **32 BALANCE OF PAYMENTS**

Standardized balance-of-payments accounts have not yet been prepared by the government. The chronic trade deficit is largely offset by US grant assistance.

The US Central Intelligence Agency (CIA) reported that in 1999 the purchasing power parity of Palau's exports was \$11 million while imports totaled \$126 million resulting in a trade deficit of \$115 million.

Exports of goods and services totaled \$75 million in 2004, up from \$70 million in 2003. Imports grew from \$102 million in 2003, to \$124 million in 2004. The resource balance was on a negative upsurge, growing from -\$33 million in 2003, to -\$50 million in 2004. A similar trend was registered for the current account balance,

which deteriorated from -\$5 million in 2003, to -\$23 million in 2004.

### **3<sup>3</sup> BANKING AND SECURITIES**

In 1993, there were five commercial banks. Two are branches of foreign banks, the Bank of Hawaii and the Bank of Guam; the other, a local bank which started in 1985, is the Bank of Palau.

### **3<sup>4</sup> INSURANCE**

Social security and pension fund contributions are made by the government on behalf of its employees.

### **3<sup>5</sup> PUBLIC FINANCE**

The US Central Intelligence Agency (CIA) estimated that in FY 1998/99, the most recent year for which statistics are available, Palau's central government took in revenues of approximately \$57.7 million and had expenditures of \$80.8 million. Revenues minus expenditures totaled approximately -\$23.1 million.

### **3<sup>6</sup> TAXATION**

Graduated income taxes are levied on wages and salaries. Business gross revenue tax is imposed at a flat rate minus employees' remuneration. There is also a profits tax on financial institutions.

### **3<sup>7</sup> CUSTOMS AND DUTIES**

There are no import duties on raw materials if they are processed for sale outside Palau. There is also an import duty rebate offered by Palau as an investment incentive.

### **3<sup>8</sup> FOREIGN INVESTMENT**

There is a Foreign Investment Board for processing applications from foreign investors; the Division of International Trade of the Bureau of Foreign Affairs is responsible for establishing contacts with foreign companies to promote Palau's trade interests.

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

When Palau became independent in 1994 it entered into a Compact of Free Association with the United States. Under the Compact, Palau is to receive grants of totaling about \$600 million over a 15-year period to 2009. In the meantime, the government is to be engaged in developing ways to make the economy self-sufficient. A major part of the strategy was the building of a trust fund. The government's first five-year national development plan (1987-91) was the first phase of its 15-year development program. The plan focuses on the development of a private-sector production-based economy, efficient public-sector management, development of natural resources to earn foreign exchange, personnel development, regional development, and environmental preservation.

Long term prospects for the tourist sector have brightened because of the expansion of air travel in the Pacific and the rising prosperity of leading East Asian countries.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

A system of old age, disability, and survivor's pensions was first introduced in 1967. This program covers all gainfully employed persons, and provides old age pensions after the age of 60. It is financed by 6% of employee earnings, matched by an equal con-

tribution from employers. There is voluntary coverage for some self-employed persons. The government contributes only as an employer.

In the traditional social structure, rank and inheritance are matrilineal. Women are accorded considerable respect within the clan system. However, weakening extended family ties and the rise of drug and alcohol abuse are leading to an increase in domestic violence and abuse of women. In urban areas, women face minimal gender based discrimination in employment. The government adequately funds education and medical care for children.

Foreigners residing in Palau are barred from owning land or obtaining citizenship. Some foreigners complain of discrimination in access to housing, education and employment. Human rights are well respected in Palau, and nongovernmental organizations operate without government interference.

### **4<sup>1</sup> HEALTH**

Hospital services are provided by the MacDonal Memorial Hospital in Koror, which has 60 beds. Medical services in Koror are also provided by the Belau Medical Clinic and the Seventh-Day Adventist Eye Clinic. In 2004, there were 109 physicians, 141 nurses, and 11 dentists per 100,000 people.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 19.3 and 7.1 per 1,000 people. In 2005 life expectancy averaged an estimated 70.14 years and the infant mortality rate was 14.84 per 1,000 births. The fertility rate was 2.5 children per woman.

Immunization rates for children under one were as follows in 1995: diphtheria, pertussis and tetanus, 100%; polio, 100%; measles, 100%; and hepatitis B, 100%. No measles or polio cases were reported, and AIDS is not a significant concern.

### **4<sup>2</sup> HOUSING**

There were 2,501 occupied houses in 1986, of which 72% were located in Koror and the adjacent state of Airai. Most house walls are constructed from metal sheets, wood, or concrete blocks, and roofs are of corrugated material. About 80% of all houses have water and electricity. The majority of homeowners finance their house construction under the traditional *ocheraol* system, whereby clan members contribute to construction costs.

### **4<sup>3</sup> EDUCATION**

Elementary education is free and compulsory for all Palauan children ages 6-14. The gross enrollment ratio in primary school for 2000/02 (i.e. the number of pupils enrolled divided by the number of children of primary-school age) was 113, indicating some attendance by students not in the primary age group. The gross enrollment rate for secondary students that year was about 89%. It is estimated that about 96.5% of all students complete their primary education. The student-to-teacher ratio for primary school was about 16:1 in 2000; the ratio for secondary school was about 15:1. In 2000, private schools accounted for about 18.4% of primary school enrollment and 29.1% of secondary enrollment.

The Palau High School in Koror is the only public high school. Postsecondary education is provided by the College of Micronesia's Micronesian Occupational College (MOC) in Koror. The adult literacy rate is 98%. In 2001, about 39% of the tertiary age population were enrolled in some type of higher education pro-



gram; 26% for men and 54% for women. The adult literacy rate has been estimated at about 92%.

As of 2003, public expenditure on education was estimated at 11.1% of GDP, or 20% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The Palau Community College Library is the largest in the country, with a collection of about 26,000 items. The PCC library also serves as a depository library for the Secretariat of the Pacific Community, the United Nations, and the World Health Organization. There is a small public library in Koror, with a collection comprising about 17,000 books. The Palau Congress Library, established in 1981, has about 5,000 volumes and offers reading rooms open to the public.

The Belau National Museum, established in 1973, is also located in Koror as is the Etpison Museum; both museums contain collections on art and history. The Palau International Coral Reef Center on Koror houses an aquarium, a nursery of giant clams, a crocodile farm, an old Japanese shrine, WWII relics and monuments, and a traditional Bai meeting house.

#### 45 MEDIA

The Palau National Communications Corp., established in 1982, provides domestic and international telephone connections, radio broadcasting, telex and telegram communications, and navigational and weather services. In 2002, there were 6,700 mainline telephones and 1,000 cellular phones in use.

A radio station in Koror broadcasts to listeners in the outer islands. As of 2002, there were five radio stations, 1 AM and 4 FM. Television is limited to one channel in the Koror area, provided by a local private company. As of 1997, there were 478 radios and 85 television sets in use per 1,000 population. Internet access is available.

There are no daily papers. Two popular periodicals are *Palau Gazette* (monthly, 1995 circulation 3,000), and *Tia Belau* (weekly, 5,000). The constitution provides for free speech and a free press, and the government respects these rights in practice.

#### 46 ORGANIZATIONS

The clan system forms the basic unit of social organization. Youth, women's, and community development organizations provide

economic self-help, community involvement and leadership training, skills training, and sports and recreation. There are also a few sports associations affiliated with international organizations. The Lion's Club has programs in the country. There is a national chapter of the Red Cross Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

Palau's scenic areas include the Rock Islands, a large number of small, mushroom-shaped islands that are unique in the region, and the Floating Garden Islands. The marine environment is rich in live coral formations and tropical fish, making the country a prime destination for snorkeling and scuba diving. Many tourists visit the World War II battlefields, war memorials, and shrines.

In 2005, the television show "Survivor: Palau" was aired on CBS. The US Department of State found this heightened the level international awareness of the small nation. A new luxury hotel affiliated with Japan Airlines opened on Palau that same year.

Palau's main industry, tourism, brought in about 68,300 visitors in 2003, a 16% increase from 2002. The US Department of State estimated the daily cost of staying in Palau in 2005 at us\$246.

#### 48 FAMOUS PALAUANS

Tommy Remengesau (b.1956) was elected president in 2000 and reelected in 2004.

#### 49 DEPENDENCIES

Palau has no territories or colonies.

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# PAPUA NEW GUINEA

Independent State of Papua New Guinea



**CAPITAL:** Port Moresby

**FLAG:** The flag is a rectangle, divided diagonally. The upper segment is scarlet with a yellow bird of paradise; the lower segment is black with five white stars representing the Southern Cross.

**ANTHEM:** *O, Arise All You Sons.*

**MONETARY UNIT:** The kina (κ) of 100 toea is linked with the Australian dollar. There are coins of 1, 2, 5, 10, 20, and 50 toea and 1 kina, and notes of 2, 5, 10, 20, and 50 kina. κ1=us\$0.32468 (or us\$1=κ3.08) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Queen's Birthday, 1st Monday in June; Remembrance Day, 23 July; Independence Day, 16 September; Christmas, 25 December; Boxing Day, 26 December. Movable religious holidays include Good Friday and Easter Monday.

**TIME:** 10 PM=noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated to the north of Australia, Papua New Guinea has a total land area of 462,840 sq km (178,704 sq mi), including the large islands of New Britain, New Ireland, and Bougainville and hundreds of smaller islands. Comparatively, the area occupied by PNG is slightly larger than the state of California. The country extends 2,082 km (1,294 mi) NNE–SSW and 1,156 km (718 mi) ESE–WNW. Mainland Papua New Guinea shares the island of New Guinea, the second-largest island in the world, with Irian Jaya, a province of Indonesia. To the N is the US Trust Territory of the Pacific Islands; to the E, the Solomon Islands; to the W, Irian Jaya; and about 160 km (100 mi) to the S, the nearest neighbor, Australia. Papua New Guinea has a total boundary length of 5,972 km (3,711 mi), of which 5,152 km (3,201 mi) is coastline.

Papa New Guinea's capital city, Port Moresby, is located on the country's southern coast.

## <sup>2</sup> TOPOGRAPHY

Papua New Guinea is situated between the stable continental mass of Australia and the deep ocean basin of the Pacific. The largest section is the eastern half of the island of New Guinea, which is dominated by a massive central cordillera, or system of mountain ranges, extending from Indonesia's Irian Jaya to East Cape in Papua New Guinea at the termination of the Owen Stanley Range, and including the nation's highest peak, Mt. Wilhelm (4,509 m/14,793 ft). A second mountain chain fringes the north coast and runs parallel to the central cordillera. In the lowlands are many swamps and floodplains. Important rivers are the Sepik, flowing about 1,130 km (700 mi) to the north coast, and the Fly, which is navigable for 800 km (500 mi) in the southwest. The Bougainville–New

Ireland area comprises Bougainville and Buka islands, the Gazelle Peninsula of New Britain, New Ireland, New Hanover, the St. Matthias group, and the Admiralty Islands.

The smaller islands of Papua New Guinea are also areas of extreme topographic contrast and generally feature mountain ranges rising directly from the sea or from narrow coastal plains. Volcanic landforms dominate the northern part of New Britain and Bougainville, and some of the smaller islands are extremely volcanic. An eruption in September 1994 of two volcanoes caused the destruction of half of the town of Rabaul on New Britain Island. The country also experiences periodic high-magnitude earthquakes. On 16 November 2000, the New Ireland region experienced a quake that hit 8.0 on the Richter scale. It was recorded as the largest earthquake of the year worldwide, but fatalities were limited to two people. On 11 March 2003, a 6.8 magnitude earthquake hit the same region, and on 9 September 2005, a 7.7 magnitude quake occurred; both quakes caused some damage but no reported deaths.

## <sup>3</sup> CLIMATE

The climate of Papua New Guinea is chiefly influenced by altitude and by the monsoons. The northwest or wet monsoon prevails from December to March, and the southeast or dry trade winds from May to October. Annual rainfall varies widely with the monsoon pattern, ranging from as little as 127 cm (50 in) at Port Moresby to an average of 584 cm (230 in) in the western river basin. Most of the lowland and island areas have daily mean temperatures of about 27°C (81°F), while in the highlands temperatures may fall to 4°C (39°F) at night and rise to 32°C (90°F) in the day-

time. Relative humidity is uniformly high in the lowlands at about 80% and averages between 65 and 80% in the highlands.

#### 4 FLORA AND FAUNA

The flora of Papua New Guinea is rich and varied, with habitats ranging from tidal swamps at sea level to alpine conditions. In low-lying coastal areas, various species of mangroves form the main vegetation, together with the beautiful casuarina, sago, and palm. Most of the country is covered by tropical and savanna rain forest, in which valuable trees such as kwila and cedar are found. Orchids, lilies, ferns, and creepers abound in the rain forests. There are large stands of pine at elevations of 910–1,220 m (3,000–4,000 ft). At the highest altitudes, mosses, lichens, and other alpine flora prevail. There are over 11,500 species of plant throughout the country.

Papua New Guinea supports a great diversity of bird life. About 400 species have been recognized. Papua New Guinea is the major center for a number of bird families, particularly the bird of paradise, bower bird, cassowary, kingfisher, and parrot. There are about 214 species of mammals, many nocturnal, of which rodent and marsupial orders predominate. Butterflies of Papua New Guinea are world famous for their size and vivid coloring.

#### 5 ENVIRONMENT

Papua New Guinea's environmental concern includes pollution, global warming, and the loss of the nation's forests. Coastal waters are polluted with sewage and residue from oil spills. The nation has 801 cu km of renewable water resources, of which 49% of the annual withdrawal is used to support farming and 22% for industrial activity. Only 88% of the nation's city dwellers and 32% of the rural population have access to improved water sources. Another significant source of pollution is open-pit mining. The country's cities have produced an average of 0.1 million tons of solid waste per year. Global warming and the resulting rise in sea level are a threat to Papua New Guinea's coastal vegetation and water supply.

The Department of Physical Planning and Environment is responsible for integrating environmental planning and conserving natural resources. In 2003, only about 2.3% of the total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 58 types of mammals, 33 species of birds, 9 types of reptiles, 10 species of amphibians, 31 species of fish, 2 types of mollusks, 10 species of other invertebrates, and 142 species of plants. Threatened species in Papua New Guinea included four species of turtle (green sea, hawksbill, olive ridley, and leatherback) and Queen Alexandra's birdwing butterfly.

#### 6 POPULATION

The population of Papua New Guinea in 2005 was estimated by the United Nations (UN) at 5,887,000, which placed it at number 103 in population among the 193 nations of the world. In 2005, approximately 2% of the population was over 65 years of age, with another 40% of the population under 15 years of age. There were 106 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.1%, a rate the government viewed as too high, although

the fertility rate declined from 5.1 births per woman in 1990 to 4.4 births per woman in 2005. The projected population for the year 2025 was 8,205,000. The population density was 13 per sq km (33 per sq mi), with major concentrations of population in the highlands and eastern coastal areas of the island of New Guinea.

The UN estimated that 13% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.56%. The capital city, Port Moresby, had a population of 275,000 in that year. Other large cities and their estimated populations include Lae, 120,000; Madang, 35,300; Wewak, 25,143; Goroka, 25,000; and Rabaul, on New Britain, 17,855.

#### 7 MIGRATION

The numbers of emigrants and immigrants have been roughly equal. In the 1980s, many came as refugees from Irian Jaya. In 1993, some 3,750 such immigrants were living in a camp in Western Province, while another 6,000 or so had land or kinship ties with Papuan New Guineans and were living near the border. In earlier years, emigration of nonindigenous residents may have been influenced by constitutional provisions that restricted eligibility for naturalization to those with eight years' residency, but limited their tax and business rights to the same status as those of aliens. Many rural dwellers migrated to Port Moresby and other urban centers during the 1970s and 1980s. The number of migrants in 2000 totaled 23,000, including 5,900 refugees. By the end of 2004, there were 7,627 refugees (all of whom were Indonesians), 198 asylum seekers, and 135 others of concern to the United Nations High Commissioner for Refugees (UNHCR).

From 1999–2005, the net migration rate was zero. The government views the migration levels as satisfactory. In 2002 residents of Papua New Guinea received \$65 million in remittances.

#### 8 ETHNIC GROUPS

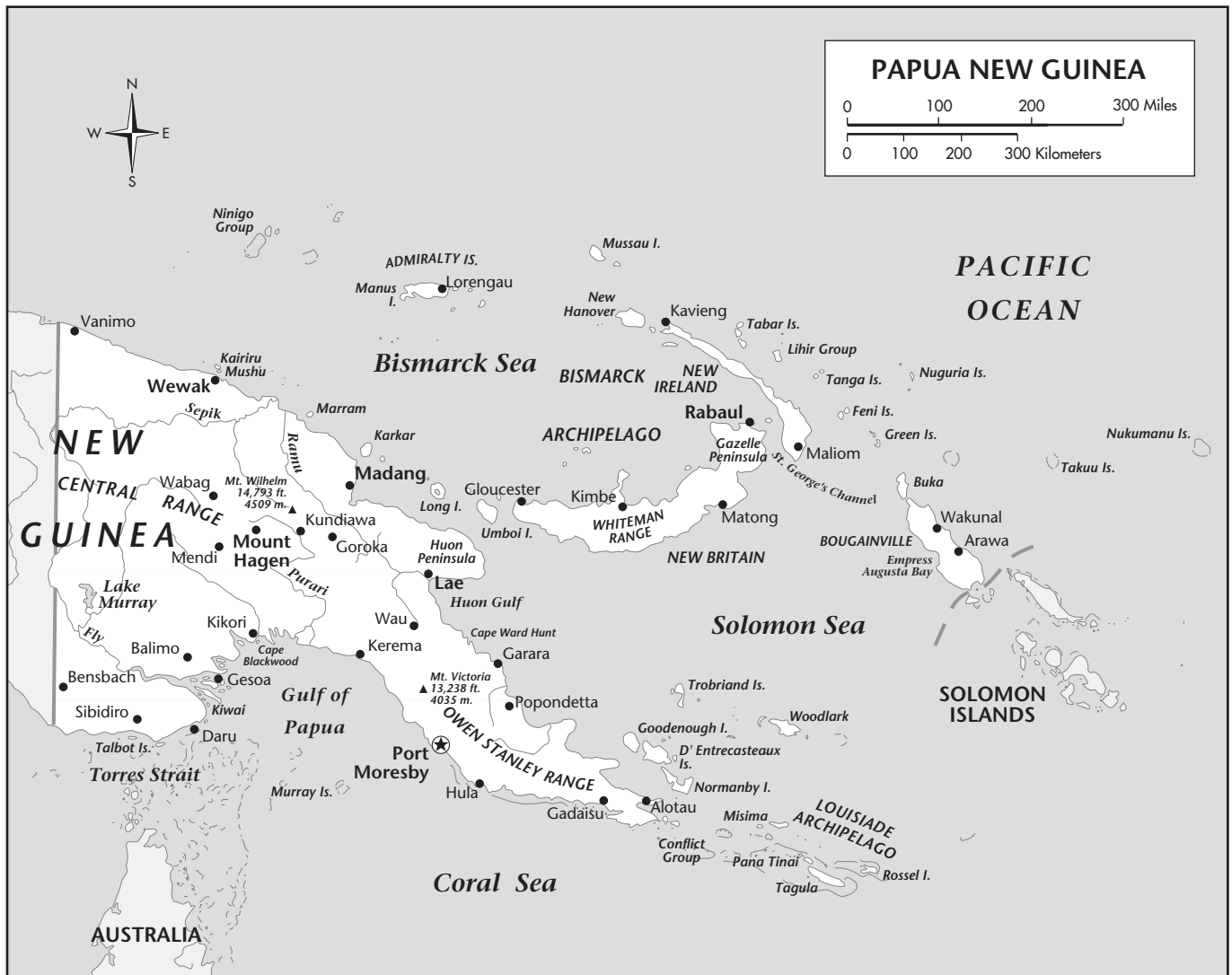
Papua New Guinea has more than 1,000 different ethnic groups. Indigenous Papua New Guineans vary considerably in ethnic origins, physical appearance, and spoken languages. The indigenous people are Melanesians. They are usually classified by language group, with Papuans representing the descendants of the original Australoid migration and Austronesian speakers descended from later migrants. The former are generally found in the highlands and the latter in coastal areas and on the islands other than New Guinea. Other groups with significant populations include Negritos, Micronesians, and Polynesians.

#### 9 LANGUAGES

Under the Australian administration of the former Territory of Papua and New Guinea, English became the official language; however, it is only spoken by 1–2% of the population. More widely spoken, there are now two other official languages: Pidgin, a Melanesian lingua franca with roots primarily in English and German, and Hiri Motu, another lingua franca of Papuan derivation. In all, there are more than 700 indigenous languages, most of them spoken by a few hundred to a few thousand people.

#### 10 RELIGIONS

Indigenous religions, varying widely in ritual and belief, remain important in tribal societies in Papua New Guinea, with about 34% of the population practicing some form of traditional belief either



LOCATION: 140°51' to 160°E; 0° to 12° S. BOUNDARY LENGTHS: Total coastline, 5,152 kilometers (3,202 miles); Indonesia, 820 kilometers (509 miles). TERRITORIAL SEA LIMIT: 12 miles.

exclusively or in conjunction with another faith. However, most of the population is nominally Christian. Of these, about 22% are Roman Catholics; 16% are Lutheran; another 8% are Presbyterian, Methodist, or of the London Missionary Society; 5% are Anglican; 4% from the Evangelical Alliance; and 1% Seventh-Day Adventist. Other Protestant sects account for 10% of the population. There are about 40,000 Baha'is and less than 2,000 Muslims. Certain Christian holidays are recognized as national holidays. There is a Council of Churches that serves to promote interfaith dialogue and understanding; members are primarily Christians.

## 11 TRANSPORTATION

Transportation is a major problem in Papua New Guinea because of the difficult terrain. Major population centers are linked chiefly by air and sea, although road construction has increased to supplement these expensive means of transport. Of some 19,600 km (12,179 mi) of roads in 2002, only 686 km (426 mi) were paved. In 2003, there were 34,468 passenger vehicles and 89,215 commer-

cial vehicles. Papua New Guinea has no railroads. However, there are 10,940 km (6,798 mi) of waterways.

The government operates a fleet of coastal work boats, none more than 9 m (30 ft) long. The principal harbors are Madang, Port Moresby, Lae, and Rabaul. There are international shipping services by refrigerated container ships, other cargo vessels, and some passenger service to Australia, Southeast Asian and Pacific island countries, the US west coast, and Europe. The main shipping lines are government owned. In 2005, the merchant fleet was comprised of 22 ships of 1,000 GRT or more, totaling 47,586 GRT.

Papua New Guinea had an estimated 571 airports in 2004. As of 2005 only 21 were principal airports with paved runways, and there were 2 heliports. Papua New Guinea's national air carrier, Air Niugini, established in 1973, has undertaken most of the services previously provided by Australian lines. In 2003, about 691,000 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

Papua New Guinea appears to have been settled by 14,000 BC, with migrations first of hunters and later of agriculturists probably coming from the Asian mainland by way of Indonesia. Early communities had little contact with each other because of rough terrain and so maintained their autonomy, as well as their distinct languages and customs.

New Guinea was first sighted by Spanish and Portuguese sailors in the early 16th century and was known prophetically as *Isla del Oro* (Island of Gold). The western part of the island was claimed by Spain in 1545 and named New Guinea for a fancied resemblance of the people to those on the West African coast. ("Papua" is a Malay word for the typically frizzled quality of Melanesian hair.) Traders began to appear in the islands in the 1850s, and the Germans sought coconut oil available in northern New Guinea about that time. The Dutch and the British had earlier agreed on a division of their interests in the island, and from 1828, the Dutch began to colonize the western portion.

Although the British flag was hoisted on various parts of eastern New Guinea, the British government did not ratify annexation. Some Australian colonists were eager to see New Guinea become a British possession, for trade, labor, gold mining, and missionary reasons. However, it was not until 1884, after an abortive Australian annexation attempt and under fear of German ambitions in the area, that Britain established a protectorate over the southern coast of New Guinea and adjacent islands. The Germans followed by laying claim to three different parts of northern New Guinea. British and German spheres of influence were delineated by the Anglo-German Agreement of 1885. Germany took control of the northeastern portion of the island, as well as New Britain, New Ireland, and Bougainville, while Britain took possession of the southern portion and the adjacent islands.

British New Guinea passed to Australian control in 1902 and was renamed the Territory of Papua in 1906. German New Guinea remained intact until the outbreak of war in 1914, when Australian forces seized it. Although the territories retained their separate identities and status, they were administered jointly by Australia from headquarters at Port Moresby. In 1921, the former German New Guinea was placed under a League of Nations mandate administered by Australia; in 1947, it became the Trust Territory of New Guinea, still administered by Australia but now subject to the surveillance of the UN Trusteeship Council.

Both territories were merged into the Territory of Papua and New Guinea in 1949. A Legislative Council, established in 1953, was replaced by the House of Assembly in 1964. Eight years later, the territory was renamed Papua New Guinea, and on 1 December 1973, it was granted self-government. Separatist movements in Papua in 1973 and secessionist activities on the island of Bougainville in 1975 flared briefly and then subsided, though debates over citizenship and land-reform provisions were vigorous until the passage of a constitution in 1975. Papua New Guinea achieved complete independence on 16 September 1975, with Michael Somare as prime minister of a coalition government.

Somare was voted out of office in 1980 but reelected in 1982; subsequently, he put through a constitutional change giving the central government increased authority over the provincial governments. In November 1985, Somare was again voted out of of-

fice on a no confidence motion, and replaced by his previous deputy, Paias Wingti. Elections in mid-1987 returned Wingti to office at the head of a shaky five-party coalition, but his government was defeated in a no confidence vote in July 1988, and a coalition government led by Rabble Namaliu replaced the PDM government.

A secessionist crisis on Bougainville dominated domestic politics during 1990–91. The Bougainville Revolutionary Army (BRA) declared the island of Bougainville to be independent from Papua New Guinea in May 1990, and in response government forces landed on the north of Bougainville in April 1991. Paias Wingti, the leader of the People's Democratic Movement (PDM), was reelected prime minister in July 1992 as the leader of a new coalition government with the support of the People's Progress Party, and the League for National Advancement. During 1993 the government continued to extend its control over Bougainville, partly because of popular revulsion against human rights violations by members of the BRA. In September 1994, rebel troops withdrew to the surrounding hills of the Bougainville copper mine allowing government forces to reclaim it. In 1995, the prime minister halted cease-fire talks.

Julius Chan was elected prime minister on 30 August 1994, but stepped aside pending a judicial inquiry into his hiring a group of mercenaries to put down the rebellion in Bougainville. In 1997, reformist premier Bill Skate, governor of Port Moresby, was elected by members of PNG's 109-seat parliament, defeating Michael Somare. Skate represented Julius Chan who lost his seat in the elections but who supported Skate's selection as premier.

Resolution to the Bougainville problem remained elusive until the government of Bill Skate reached a truce with the rebels in 1998. In April 1998, a permanent cease-fire agreement was signed and the reconstruction of war-torn Bougainville commenced. Up to 20,000 people had been killed during nine years of conflict. In 1999, the rebel leaders and the PNG government signed an agreement known as the Matakana and Okataina Understanding which established an agreement to continue discussions about the island's political future. In August 2001, the Bougainville Peace Agreement was signed, which would provide for an autonomous Bougainville government and secure a plan of disarmament. A referendum on independence would be conducted in 10 to 15 years' time.

In July 1999, Bill Skate resigned as prime minister as allegations regarding the misappropriation of development funds arose. On 14 July 1999, the national assembly chose Sir Mekere Morauta as prime minister in a 99 to 5 vote. Morauta sought to restore damaged relations with the People's Republic of China, which was angered by the Skate government's decision to accept normal relations with Taiwan in return for economic assistance. The Morauta government engaged in a privatization program, and successfully negotiated with the IMF and World Bank for an aid package in 2000. On 14 March 2001, hundreds of soldiers led a mutiny against Morauta's government in protest of a proposed defense force restructuring plan. They seized an armory, and only relinquished their weapons a week later when Morauta promised a full amnesty for the soldiers involved in the revolt and a withdrawal of the controversial military restructuring plan.

Former Prime Minister Michael Somare became prime minister once again on 5 August 2002 when his National Alliance won

the parliamentary elections in June that year. The elections were marked by violence and widespread irregularities, including vote-rigging. Somare was elected unopposed by a vote of 88 to 0, with members from Morauta's People's Democratic Movement and a section of the PANGU Party abstaining. Somare immediately set out to halt Morauta's privatization program, stating that the government would need more time to assess state assets. Somare headed a coalition of 13 parties and 20 independent members of parliament. He named a 28-member cabinet, including 19 new members of parliament.

In 2003, the PNG government formally began planning for setting up an autonomous government in Bougainville, with a multinational team in place to monitor the effort. In December 2004, the cabinet gave formal approval to a draft constitution granting the province of Bougainville free elections and an autonomous government. The cabinet also requested the United Nations Security Council to keep its mission in place in Bougainville 6–12 months to oversee elections. In May 2005, elections took place, with 293 candidates competing for 40 assembly seats. One month later, Bougainville elected Joseph Kabui president. Kabui named a caretaker cabinet comprising 10 members, with 8 of the ministries going to members of the ruling Bougainville People's Congress Party.

Following the deadly tsunamis of December 2004, in 2005 the Japanese Meteorological Agency was to begin providing PNG and 5 other western Pacific nations alerts of any tsunamis following earthquakes of 6.5 or greater on the Richter scale.

### **13 GOVERNMENT**

Papua New Guinea is an independent, parliamentary democracy in the Commonwealth of Nations, with a governor-general representing the British crown.

Under the 1975 constitution, legislative power is vested in the national parliament (formerly the house of assembly) of 109 members, including 20 representing provincial electorates and 89 from open electorates, serving a term of up to five years. Suffrage is universal and voting compulsory for adults at age 18. The government is formed by the party or coalition of parties, that has a majority in the national parliament, and executive power is undertaken by the national executive council, selected from the government parties and chaired by the prime minister.

The government has constitutional authority over the defense force, the Royal Papua New Guinea Constabulary, and intelligence organizations.

### **14 POLITICAL PARTIES**

Political parties in PNG lack ideological conviction and rely almost exclusively on patronage politics, personalism, and regional bases. Generally, party allegiances have been fluid, with regional and tribal politics impacting greatly on political events. More than 40 parties registered to participate in the June 2002 elections. In those elections, Michael Somare's National Alliance Party (NA) took 19 seats, and formed a 13-party coalition. Former Prime Minister Mekere Morauta's People's Democratic Movement (PDM) took 13 seats. Other parties winning seats included the United Resources Party (URP), the People's Progressive Party (PPP), the Papua and Niugini Union (PANGU), the People's Ac-

tion Party (PAP), and the People's Labor Party (PLP). Next elections were to be held no later than June 2007.

### **15 LOCAL GOVERNMENT**

Papua New Guinea is divided into 20 provinces, including the National Capital District. Each province has its own government, headed by a premier. In addition, there are more than 160 locally elected government councils. The local government system went through a process of reform in 1995, when the then-19 provincial governments were replaced by regional authorities. Bougainville presently exercises significant autonomy in its administrative affairs.

### **16 JUDICIAL SYSTEM**

The legal system is based on English common law. The Supreme Court is the nation's highest judicial authority and final court of appeal. Other courts are the National Court; district courts, which deal with summary and nonindictable offenses; and local courts, established to deal with minor offenses, including matters regulated by local customs.

The Papua New Guinea government has undertaken a process of legal reform under which village courts have been established to conserve and reactivate traditional legal methods. Special tribunals deal with land titles and with cases involving minors. An Ombudsman Commission has been established to investigate and refer to the public prosecutor cases involving abuse of official authority.

The constitution declares the judiciary independent of executive, political, or military authority. It also provides a number of procedural due process protections including the right to legal counsel for criminal defendants. The chief justice of the Supreme Court is appointed by the governor-general upon nomination by the national executive council in consultation with the minister for justice. The Judicial and Legal Services Commission appoint other judges.

### **17 ARMED FORCES**

Papua New Guinea's armed forces in 2005 had a total of 3,100 active personnel. The Army had an estimated 2,500 personnel that consisted of two infantry battalions and one engineering battalion. The country's maritime forces (400) were equipped with four patrol and coastal vessels and two amphibious landing craft. The Air Force (200) had no armed aircraft, only six fixed wing transports, and four utility helicopters. Australia provides a 38-member training unit. The defense budget totaled \$26.7 million in 2005.

### **18 INTERNATIONAL COOPERATION**

Papua New Guinea became a member of the United Nations on 10 October 1975 and participates in ESCAP and several UN nonregional specialized agencies, such as the FAO, the World Bank, ILO, UNESCO, UNIDO, and the WHO. It also belongs to the WTO, the ASEAN Regional Forum, APEC, the Colombo Plan, the ACP Group, the Asian Development Bank, the Alliance of Small Island States (AOSIS), the Commonwealth of Nations, G-77, the Pacific Island Forum, the South Pacific Commission, and the South

Pacific Regional Trade and Economic Cooperation Agreement (Sparteca). The country is part of the Nonaligned Movement.

In environmental cooperation, Papua New Guinea is part of the South Pacific Regional Environmental Program, the Antarctic Treaty, the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Economic activity is concentrated in two sectors, agriculture and mining. The subsistence sector, which occupies more than two-thirds of the working population, produces livestock, fruit, and vegetables for local consumption; agricultural products for export include copra, palm oil, coffee, cocoa, and tea. Rubber production has declined, and in the mid-1980s, coffee crops were threatened by the spread of coffee rust fungus through Western Highlands Province. New mining operations have compensated for the 1989 closure of the Bougainville mine, which had been a chief foreign exchange earner since the early 1970s. The main gold and silver mines are located at Ok Tedi in the Star Mountains, on Misima Island, and at Porgera. Oil and natural gas have been discovered in Southern Highlands Province. Forestry and fishing hold increasing importance.

Economic growth, which averaged 3.7% in the late 1980s, rose to 9% in 1991, 11.8% in 1992, and 16.6% in 1993. The growth was driven by a mineral and petroleum boom centered in the Highlands region. Growth slowed to 3% in 1994, 2.9% in 1995, and 1.6% in 1996 and 1997 due to an anticipated drop in production from Papua New Guinea's aging mines and oil fields, and a 1997 drought that cut the coffee crop in half. To halt the economic decline, the government awarded a lease to private developers for the \$800 million Lihir gold project. In addition, construction projects involving airports, highways, disaster rehabilitation, development of the Gobe oil field, and a petroleum refinery are planned or being implemented. These projects, together with the onset of new production at the mine, generated a slightly improved GDP growth rate of 1.6% in 1998. The economy did not reach the expected 4.5% increase in part because of the Asian financial crisis, and recurring drought. Growth in 1999 was 3.6%, and in 2000 and 2001, the economy experienced small contractions of -0.8% and -3.3%, respectively. Inflation persisted in double digits, averaging just over 10%. In 2002, positive growth returned, but at an anemic 1.2%, while the annual inflation rate rose to 12%.

In 2004, the economy expanded by 2.5%, down from 2.7% in 2003; in 2005, the GDP growth rate was estimated at 2.8%. The inflation rate has decreased from 14.7% in 2003, to 2.1% in 2004, and is not posing problems to the economy anymore. The unemployment rate has been fairly stable, hovering at around 3.3%. Although the country is endowed with natural resources, the poor infrastructure, and the difficult nature of the terrain, hamper exploitation efforts. Subsistence agriculture continues to provide a livelihood for 85% of the population.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Papua New Guinea's gross domestic product (GDP) was estimated at \$13.3 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,400. The annual growth rate of GDP was estimated at 1.1%. The average inflation rate in 2005 was 1.7%. It was estimated that agriculture accounted for 35.2% of GDP, industry 38.3%, and services 26.4%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$6 million or about \$1 per capita and accounted for approximately 0.2% of GDP. Foreign aid receipts amounted to \$221 million or about \$40 per capita and accounted for approximately 8.1% of the gross national income (GNI).

The World Bank reports that in 1990 household consumption in Papua New Guinea totaled \$1.9 billion or about \$346 per capita based on a GDP of \$3.4 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 5.6%. It was estimated that in 2002 about 37% of the population had incomes below the poverty line.

## 21 LABOR

The Papua New Guinea labor force numbered an estimated 3.4 million in 2005. Agriculture accounted for 85% of the workforce, particularly in small farming communities and isolated villages. There is no data available on the country's unemployment rate. Legislation covers working conditions and wages, and provides for collective bargaining. The Papua New Guinea Trade Union Congress is the main union federation. About one-half of the wage earners were unionized, and there were about 50 trade unions. Unions have the right to organize and bargain collectively but the government may cancel wage agreements if they are deemed to be against "public policy." The right to strike is protected, and it is prohibited to discriminate against union activity. However, there have been some reports of retaliation against union members. Approximately half of the 250,000 wage earners are union members.

The minimum working age is 18, although children may be employed in family-related work as young as 11. However, few children work in any capacity outside of subsistence farming. The minimum weekly wage in urban areas was \$9.87 as of 2001. The law provides for minimum occupational health and safety standards; however, due to a shortage of inspectors, workplaces are not inspected regularly but only when a union or worker requests.

## 22 AGRICULTURE

Agriculture in Papua New Guinea is divided into a large subsistence sector and a smaller monetary sector for export. Agriculture's importance has steadily declined since 1985, when it made up 34% of GDP—in 2003, agriculture only contributed about 26%

to GDP. About 74% of the population engages in subsistence agriculture. Subsistence crops include yams, taro, and other staple vegetables. Cash crops are increasing in rural areas, stimulated by government-financed development programs. Production by small farmers of coffee, copra, cocoa, tea, rubber, and oil palm is important for export, although production on plantations, which are usually foreign owned, is also significant. Such plantations are gradually being sold back to nationals. Principal crops and 2004 output (in tons) included sweet potatoes, 520,000; sugarcane, 442,000; palm oil, 345,000; coconuts, 650,000; coffee, 60,000; cocoa, 42,500; rubber, 4,000; and pyrethrum, 1,000. Papua New Guinea grows very little rice, the staple food for many of its inhabitants. A single Australian company imports over 150,000 tons per year to satisfy demand.

### 23 ANIMAL HUSBANDRY

Livestock in 2005 included an estimated 1,750,000 hogs, 7,500 sheep, and 4 million chickens. That same year there were 91,500 head of cattle, and production was being encouraged with the aim of achieving self-sufficiency in meat supplies. Local poultry and beef production is sufficient to almost meet domestic demand. Beef imports are subject to quota controls. The farming of crocodiles, whose hides are exported, has also been expanded. Total crocodile production in 2003 was 27,000 tons.

### 24 FISHING

In many coastal parts of Papua New Guinea, fishing is of great economic importance. The government is involved in the development of fishing through supply of freezers and of transport and research facilities. The total catch in 2003 was 188,217 tons, 7% from inland fishing. Fish exports in 2003 were valued at \$98.7 million.

### 25 FORESTRY

Forests and woodlands covered about 67% of the land area in 2000. Exploitable forests account for roughly 40% of the total land area and include a great variety of hardwood and softwood species. The total roundwood production in 2004 was 7.241 million cu m (255.6 million cu ft), as compared with about 7.06 million cu m (249 million cu ft) in 1981. About 76% of all the timber cut in 2004 was used for fuel; production of sawn timber was estimated at 70,000 cu m (2.5 million cu ft). Plywood, hardwoods, and logs are regularly exported to Japan, New Zealand, Australia, and Europe.

### 26 MINING

The mining of gold, silver, and copper were leading industries in Papua New Guinea. The country also produced cement, common clays, sand and gravel, stone, natural gas, natural gas liquids, and crude petroleum.

Gold output in 2003 was estimated at 70,000 kg, unchanged from 2002. In 1888, gold was discovered on Misima Island, marking the start of mining on Papua New Guinea. Prior to World War II, gold mining contributed 75% of export earnings. This proportion declined greatly in subsequent years, reaching 40% in 1995. Reserves on Lihir Island have been estimated to contain 613 tons of recoverable gold, and deposits at Porgera, near Ok Tedi, in the

Star Mountains, were considered to hold another 470 tons. Production of silver in 2003 was estimated at 73,000 kg, unchanged from 2002.

Copper output (metal content) in 2003 was estimated at 204,000 metric tons. All copper came from the Ok Tedi mine, near the Indonesian border. In 1971/72, the Bougainville copper mine, one of the richest in the world, began to export copper ores and concentrates, which totaled 220,000 tons in 1988 and accounted for 44% of all exports in the years the mine operated. The mine closed in 1989 because of civil unrest caused by Bougainville Revolutionary Army militants. Nine years of civil unrest were temporarily halted by a cease-fire in 1997.

Mineral exploration was being expanded. Bauxite was known to exist on Manus Island, in the Admiralty Islands, and on New Ireland Island. Additionally, lead, manganese, molybdenum, zinc, limestone, and phosphate guano and rock deposits were present. Major deposits of chromite, cobalt, and nickel were believed to be recoverable at a site on the Ramu River, northeast of Ok Tedi. Mineral resources in Papua New Guinea were difficult and expensive to mine, and exploration and mining were hampered by rugged terrain, the nation's poor road infrastructure, and the high cost of developing infrastructure. Ethnic strife has become commonplace, and has had a negative impact on mining exploration and investment. Land disputes have become common as well, because land was communally held and there was no real system of land registration. To revive waning mineral exploration interest, the government announced a major overhaul of the tax system, which has been criticized for making investment in mining too expensive. The new tax regime was applicable only when a project was under way, and included guaranteed fiscal stability for the financing period of a project, the lowering of corporate tax rates, and the reduction of dividend holding tax. Companies were also able to deduct 25% of exploration expenditure against income, and were required to pay an additional profit tax. The mining levy would be phased out within a four-year period.

### 27 ENERGY AND POWER

As of 2002, Papua New Guinea had a total installed electrical capacity of 0.542 million kW, of which conventional thermal plants accounted for 59% of capacity and hydroelectric plants the remainder. Electricity generated in 2002 was 1.538 billion kWh. Of this total, 44% came from fossil fuels and the rest from hydroelectric facilities. Consumption of electricity in 2002 was 1.538 billion kWh.

Papua New Guinea had proven oil reserves estimated at 170 million barrels, as of 2004. In that same year, oil production was estimated at 46,200 barrels per day. However, the country has no refining capacity and in 2002, its production was totally exported. In 2002, imports and domestic demand for refined oil products each averaged 22,040 barrels per day. Proven reserves of natural gas totaled 385.5 billion cu m in 2004. In 2002, the country's gross production of natural gas totaled 4.24 billion cu ft, of which 0.35 billion cubic feet was re-injected. Dry consumption that year totaled 3.88 billion cu ft. The country also imported 1,000 short tons of hard coal in 2002.



## 28 INDUSTRY

The industrial sector, constrained by the small domestic market and the population's low purchasing power, is largely undeveloped. Industries are concentrated in industrial metals, timber processing, machinery, food, drinks, and tobacco. Although industrial production, including construction and the provision of utilities, electricity and water, has increased to about 40% of GDP, the manufacturing component has been decreasing as a percent of GDP, from 9.5% in 1980 to 9% in 1990 to 8.2% in 2001, according to Asian Development Bank statistics. This relative decline is mainly due to double digit growth in the construction sector, a boom led by work on the Lihir gold mine and the Gobe petroleum project. The growth rate in construction peaked in 1997 and 1998, at 21.7% and 25.4%, respectively, but the sector continues strong.

In 2002, a number of construction projects involving housing, airports, highways, disaster rehabilitation, and a petroleum refinery were planned or under way. Handicraft and cottage industries have expanded. A government-sponsored program assists Papua New Guineans in setting up businesses and purchases equity in existing firms. It has also encouraged small-scale import-substitution operations.

In 2005, industry accounted for 38.3% of the GDP, and was seconded by agriculture with 35.2%, and services, with 26.4%. However, 85% of the 3.4 million labor force continues to be engaged in subsistence agriculture.

## 29 SCIENCE AND TECHNOLOGY

The Papua New Guinea Scientific Society, founded in 1949 at Boroko, promotes the sciences, exchanges scientific information, preserves scientific collections, and establishes museums. The University of Papua New Guinea, founded in 1965 at Waigani, and the Papua New Guinea University of Technology, founded in 1965 at Lae, provide scientific and technical training. The Lowlands Agricultural Experiment Station, founded in 1928, is in Kerevat. The Papua New Guinea Institute of Medical Research was founded in 1968. In 1987–97, science and engineering students accounted for 10% of college enrollments.

In 2002, Papua New Guinea has high technology exports totaling \$11 million, or 195 of its manufactured exports.

## 30 DOMESTIC TRADE

Trade in rural areas is mostly informal and cash is used in transactions. The local market, particularly in fruit and vegetables, is an important feature of economic and social life. Domestic trade in urban centers is primarily through modern supermarket chains and independent stores. The companies sponsoring supermarkets tend to be in both the importing and wholesale businesses and take responsibility for distribution of goods to outlying villages, which are generally somewhat isolated. Domestic trade is hampered by street gangs that terrorize local and foreign residents and merchants. There are a few Australian-based franchises within the country.

Most stores are open weekdays from 8 AM to 5 PM and until noon on Saturdays. Banks are open from 9 AM to 2 PM Monday through Thursday and from 9 AM to 5 PM on Fridays. Other businesses operate from 8 AM to 4:30 PM weekdays. Most businesses and government offices do not open on the weekends.

### Principal Trading Partners – Papua New Guinea (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	2,260.2	1,302.4	957.8
Areas nes	1,228.9	...	1,228.9
Australia	358.3	729.8	-371.5
Japan	96.1	65.4	30.7
United Kingdom	78.9	10.2	68.7
Germany	76.6	4.5	72.1
United States	59.8	115.7	-55.9
Philippines	35.0	3.6	31.4
China	28.9	57.4	-28.5
Italy-San Marino-Holy See	28.9	2.3	26.6
Singapore	27.5	89.2	-61.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

## 31 FOREIGN TRADE

In 2000, Papua New Guinea's exports totaled \$2.4 billion while imports totaled \$1 billion, down from \$1.1 billion in 1999. Consumer goods accounted for 9.3% of imports; machinery, 17.8%; industrial supplies, 18.3%; transportation equipment, 15.1%; food and beverages, 17.2%; and other imports, 0.3%. Of its natural resources, Papua New Guinea mainly exports crude petroleum (29%), copper ore (8.9%), and coffee (6.1%). Other exports include palm oil (6.0%) and rough wood (1.8%).

Through most of the period when Papua New Guinea was a territory administered by Australia, the two were also major trading partners. In the 1970s, Papua New Guinea's trade with other countries, especially Japan and Germany, increased.

In 2005, exports reached \$2.8 billion (FOB—Free on Board), while imports grew to \$1.6 billion (FOB). The bulk of exports went to Australia (28%), Japan (5.8%), Germany (4.7%), and China (4.6%). Imports included machinery and transport equipment, manufactured goods, food and live animals, and chemicals, and mainly came from Australia (46.4%), Singapore (21.6%), Japan (4.3%), and New Zealand (4.2%).

## 32 BALANCE OF PAYMENTS

Papua New Guinea relies heavily on imported goods and services, both for consumption and as inputs for its exports. The country registered deficits on current accounts during the early 1980s, after recording annual surpluses in the late 1970s. In the late 1980s, mine closings, civil unrest, and sustained deterioration in prices for the country's principal agricultural exports severely tested the economy and led to a program of structural adjustment supported by the World Bank and IMF. When the economy rebounded in the early 1990s, however, the government lost interest in the reforms and instituted expansionist fiscal policies that led to a decline in international reserves. To restore foreign exchange levels, the government devalued the currency in 1994. When that failed to solve the problem, the government let the kina float, resulting in a depreciation of about 28% by 1996. In 1995, Papua New Guinea reached an agreement with the World Bank and IMF on a series of economic reforms. The subsequent receipt of approximately \$200

**Balance of Payments – Papua New Guinea (2001)**

(In millions of US dollars)

<b>Current Account</b>		<b>282.1</b>
Balance on goods	880.5	
Imports	-932.4	
Exports	1,812.9	
Balance on services	-376.9	
Balance on income	-230.2	
Current transfers	8.6	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-151.9</b>
Direct investment abroad	...	
Direct investment in Papua New Guinea	62.5	
Portfolio investment assets	-72.7	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	-66.9	
Other investment liabilities	-74.7	
<b>Net Errors and Omissions</b>		<b>-1.6</b>
<b>Reserves and Related Items</b>		<b>-128.6</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

million in loans in August 1995 substantially bolstered foreign reserves. Another agreement with the IMF in 2000 brought in an additional \$115 million in loans to the country.

The International Monetary Fund (IMF) reported that in 2001 Papua New Guinea had exports of goods totaling \$1.81 billion and imports totaling \$932 million. The services credit totaled \$285 million and debit \$662 million. The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Papua New Guinea's exports was \$1.8 billion while imports totaled \$1.024 billion resulting in a trade surplus of \$776 million.

**Public Finance – Papua New Guinea (2002)**

(In millions of kina, central government figures)

<b>Revenue and Grants</b>	<b>2,666.3</b>	<b>100.0%</b>
Tax revenue	2,449.2	91.9%
Social contributions	4.4	0.2%
Grants	47.6	1.8%
Other revenue	165.1	6.2%
<b>Expenditures</b>	<b>3,052.4</b>	<b>100.0%</b>
General public services	1,821.8	59.7%
Defense	72	2.4%
Public order and safety	227.6	7.5%
Economic affairs	369.5	12.1%
Environmental protection	...	...
Housing and community amenities	10.7	0.4%
Health	174	5.7%
Recreational, culture, and religion	26	0.9%
Education	305.7	10.0%
Social protection	45.1	1.5%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Exports of goods and services totaled \$2.4 billion in 2003, while imports grew to \$2.0 billion. The resource balance was consequently positive, at \$378 million. The current account balance was fairly stable in 2003 and 2004, hovering around \$237 million. Foreign exchange reserves (including gold) increased to \$636 million in 2004

**3<sup>3</sup> BANKING AND SECURITIES**

The Bank of Papua New Guinea, the country's central bank, was established in 1973, and the currency, the kina, was first issued in April 1975. The kina is backed by a standby arrangement with Australia, and the value of the kina is tied to the Australian dollar.

The Papua New Guinea Banking Corp. was set up in 1973 to take over the savings and trading business of the former Australian government-owned bank operating in Papua New Guinea. It competes with seven other private commercial banks, three of which are subsidiaries of Australian banks. Liquidity increased over the first six months of 1996, with total liquid assets held by the commercial banks standing at \$2.1 billion at the end of 1996. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$376.6 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$846.1 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 11.25%.

There is no securities exchange in Papua New Guinea.

**3<sup>4</sup> INSURANCE**

In 1997, there were at least 11 insurance companies operating in Papua New Guinea.

**3<sup>5</sup> PUBLIC FINANCE**

Papua New Guinea receives most of its bilateral aid from Australia, which donates about \$200 million a year in assistance. Foreign budgetary support was phased out in 2000; aid is now concentrated on project development. Other major sources of aid include Japan, the EU, China, Taiwan, the UN, the Asian Development Bank, the IMF, and the World Bank.

The US Central Intelligence Agency (CIA) estimated that in 2005 Papua New Guinea's central government took in revenues of approximately \$1.3 billion and had expenditures of \$1.3 billion. Revenues minus expenditures totaled approximately \$14 million. Public debt in 2005 amounted to 47.1% of GDP. Total external debt was \$1.978 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were κ2,666.3 million and expenditures were κ3,052.4 million. The value of revenues was us\$1,036 million and expenditures us\$1,186 million, based on a official exchange rate for 2002 of us\$1 = κ2.573 as reported by the IMF. Government outlays by function were as follows: general public services, 59.7%; defense, 2.4%; public order and safety, 7.5%; economic affairs, 12.1%; housing and community amenities, 0.4%; health, 5.7%; recreation, culture, and religion, 0.9%; education, 10.0%; and social protection, 1.5%.

### 36 TAXATION

Company incomes are taxed at a rate of 25–50%. Additional profits tax is calculated on the net profits of mining and petroleum companies at a rate of 35–50%. In addition, progressive tax rates are applied to individuals' wages and salaries, with taxes automatically withheld from paychecks. Tax rates range from 10–35%. Land and property taxes, estate and death taxes, gift taxes, stamp taxes, excise taxes, and sales taxes are also imposed.

### 37 CUSTOMS AND DUTIES

Papua New Guinea acceded to the World Trade Organization in 1996 and has liberalized its trade to conform to WTO standards, removing all nontariff barriers to trade including quotas, bans, and license requirements. The government put a value-added tax (VAT) into effect in 1998 and intends to reduce all nonprotective tariffs to zero using the VAT. There are import duty rates of 5%, 8%, and 11%. The protective tariff is 40% and there are higher rates applied to luxury items such as tobacco and liquor.

### 38 FOREIGN INVESTMENT

The bulk of foreign investment is in the mining and petroleum sector. Statistic on foreign equity holdings for 1995 show that Australia was the largest investor with κ1,446 million, followed by the United Kingdom with κ160 million and the United States with κ91 million. Overall, foreign equity holdings fell from 55% of GDP in 1990 to 33% in 1994, primarily due to the completion of major mining and petroleum projects. In 1995, developers RTZ and Niugini Mining were awarded a lease for the \$800 million Lihir gold project raising foreign equity holdings to 37% of GDP.

The Investment Promotion Authority (IPA), established in 1992, facilitates and certifies foreign investment. Corruption, civil unrest, and bureaucratic delays, however, frustrate the process. A number of free trade zones are in the early stages of development.

Foreign investment in Papua New Guinea took on an air of international intrigue when it was revealed that in early 1997 Prime Minister Julius Chan had entered into a \$46 million contract with Sandline Incorporated, a mercenary military organization, to retake Bougainville Island and in particular the copper mining complex there that had been occupied by separatists since 1989. Money behind the contract was traced to the British-Australia mining company, RTZ-CRA. The army prevented the use of the mercenaries. Chan lost his parliamentary seat in the 1997 elections, and a peace agreement was signed with the Bougainville Revolutionary Army (BRA) in 1998.

Foreign direct investment (FDI) was only \$87.6 million in 1997 and \$109.6 million in 1998. FDI nearly tripled in 1999, however, to \$296.5 million, before falling back to \$130.7 million in 2000. FDI in 2002 was \$178.7 million.

### 39 ECONOMIC DEVELOPMENT

The fundamental purposes of Papua New Guinea's economic strategy have been distilled into the nation's eight aims: a rapid increase in the proportion of the economy under the control of Papua New Guineans; a more equal distribution of economic benefits; decentralization of economic activity; an emphasis on small-scale artisan, service, and business activity; a more self-reliant economy; an increasing capacity for meeting government spend-

ing from locally raised revenue; a rapid increase in the equal and active participation of women in the economy; and governmental control and involvement in those sectors where control is necessary to achieve the desired kind of development.

In March 2000, Papua New Guinea's economic reform efforts came under the supervision of an IMF Structural Adjustment Program (SAP) financed by a stand-by credit line of SDR85.54 million (about \$120 million) that ran from 29 March 2000 to 29 September 2001. The IMF is critical of policies through which the government has intervened heavily in the economy—through tax incentives, licensing and approval requirements, trade restrictions, tariffs and price controls—to create an economy dominated by a few privately-owned, highly protected, noncompetitive, import substitution enterprises. The SAP called for privatization of the few state owned enterprises, liberalization of trade and investment, reduction in public service employment and the decontrol of prices. In 2002, the government was implementing many of these reforms either as conditionals under the IMF stand-by agreement and/or as requirements for participation in APEC and accession to the WTO.

The annual growth average is supposed to pick up over the rate registered in 2005 (2.9%), as a result of stronger mining and petroleum sectors. The Kainantu and Simberi goldmines will likely be put into operation at the beginning of 2006, boosting gold output, while work on the Hidden Valley gold project and the Ramu nickel-cobalt project could also begin in 2006. However, if the country is to benefit significantly from an export-led growth strategy it needs to carry on serious infrastructure improvements.

### 40 SOCIAL DEVELOPMENT

A mandatory occupational retirement system covers persons employed by firms with 20 or more workers, providing old age, disability, and survivor benefits. The system is financed by 5% contribution of earnings from employees, and 7% of payroll from employers. Retirement is set at age 55, or at any age with 12 years of contributions. Benefits are provided as a lump sum, and include total contributions plus interest. Workers' compensation is provided by employers through direct provision of benefits or insurance premiums. Medical services, where available, are provided free or at a nominal cost. Rural communities traditionally assume communal obligations to those in need.

The constitution and other laws provide extensive rights for women, however traditional patterns of discrimination still prevail. Women are considered second-class citizens. Village courts tend to enforce these patterns, and intertribal warfare often involves attacks on women. Polygyny is common, and the tradition of paying a bride-price persists. Violence against women is widespread and few victims press charges. Much of the violence is committed by women against another of their husband's wives. The government does not adequately fund programs to protect the rights and welfare of children.

In 2004, human rights violations included excessive use of police force, poor prison conditions, and limits on freedom of assembly.

### 41 HEALTH

Government policy is to distribute health services widely and to provide comprehensive medical care, both preventive and curative. Approximately 96% of the population had access to health

care services. As of 2004, there were an estimated 5 physicians, 53 nurses, and 2 dentists per 100,000 people. In 2000, 42% of the population had access to safe drinking water and 82% had adequate sanitation. Total health care expenditure was estimated at 3.2% of GDP.

The main health problems are malaria, tuberculosis, leprosy, and venereal disease. Significant malnutrition occurs in some areas and pneumonia and related respiratory infections are major risks. The increased incidence of malaria has been linked to importation from neighboring islands. Immunization rates for children up to one year old were fairly high: tuberculosis, 91%; diphtheria, pertussis, and tetanus, 66%; polio, 66%; and measles, 39%. The rates for DPT and measles were, respectively, 56% and 58%. While malnutrition remains a major problem, dramatic changes have occurred in some groups with exposure to more Westernized diets. Diabetes in the highland populations is low but has been documented to be as high as 16% in major cities of Papua New Guinea.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 31.6 and 7.8 per 1,000 people. Approximately 26% of married women (ages 15 to 49) were using contraception. The infant mortality rate decreased from 110 deaths per 1,000 live births in 1974 to 51.45 in 2005. Approximately 16% of all births were low birth weight babies. The maternal mortality rate was 370 per 100,000 live births. Life expectancy was 64.93 years in 2000.

Papua New Guinea had the highest per capita HIV prevalence in the North and South Pacific regions. As of 2004, there were approximately 1,600 people living with HIV/AIDS in the country. The HIV/AIDS prevalence was 0.60 per 100 adults in 2003. There were an estimated 600 deaths from AIDS in 2003.

Coronary heart disease, previously rare or nonexistent, has become more prevalent in past years. Total cholesterol values are higher in urban coastal and periurban subjects than in rural locations.

## 42 HOUSING

Traditional housing in rural areas appears to be adequate, but in urban areas there are acute shortages because of migration. In most urban areas, squatter settlements have been established. New housing has generally fallen far short of meeting the demand, especially for medium- and low-cost units. As of 1988, the housing stock totaled 555,000 and the number of people per dwelling averaged 5.8. As of 2000, about 87% of the population lived in rural areas.

## 43 EDUCATION

The present government aims at upgrading and improving the system and quality of education. Children attend state-run community schools for primary education and provincial and national high schools for secondary education. Primary school covers nine years of schooling, including one year of preschool and grades I to VIII. The provincial secondary schools cover a two-year program, which may be followed by a two-year national high school program. Students choose to enter a two-year technical school for their secondary education. In addition to the national government system, there is an international school system that ends at high school. Fees are considerably higher than the government

run schools, and the curriculum is based on the British system. There are also privately run preschools and primary schools. The academic year runs from February to November.

In 2001, about 38% of all six-year-olds were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 74% of age-eligible students; 79% for boys and 69% for girls. In 2001, secondary school enrollment was about 23% of age-eligible students; 25% for boys and 20% for girls. It is estimated that about 52.6% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 35:1 in 2003; the ratio for secondary school was about 22:1.

The University of Papua New Guinea in Port Moresby offers degrees in law, science, medicine and arts. The University of Technology in Lae offers degrees in technical subjects such as engineering, business, architecture, and forestry. The Pacific Adventist College, a privately run university outside Port Moresby, offers courses in education, business, accounting, secretarial studies, and theology. In 1999, about 2% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 57.3%, with 63.4% for men and 50.9% for women.

As of 2003, public expenditure on education was estimated at 2.3% of GDP, or 17.5% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

The largest libraries are at the University of Papua New Guinea (440,000 volumes) and at the Papua New Guinea University of Technology (130,000). Local libraries are well established in urban centers. The National Library Service in Boroko has 85,000 volumes. The Papua New Guinea Institute of Public Administration in Boroko holds 90,000 volumes.

The Papua New Guinea National Museum and Art Gallery, in Boroko, has a good collection of art and general ethnography. The museum is implementing the National Cultural Property Act to protect the country's cultural heritage and to further establish appropriate museums. In 1981 the country opened the Madang Museum, Culture and Tourism Center in Yomba. The J. K. MacCarthy Museum, an ethnological collection, is located in Goroka.

## 45 MEDIA

In 2003, there were an estimated 12 mainline telephones for every 1,000 people. The same year, there were approximately three mobile phones in use for every 1,000 people. A coastal radio service provides communications between land-based stations and ships at sea.

In 2004, the government-owned National Broadcasting Commission was operating two radio networks with limited range. NBC broadcasts in English, Pidgin, Hiri Motu, and a dozen other vernaculars. EMTV, owned by a private Fijian company, was the only television broadcaster in 2004. There were also two independent local cable companies. The privately owned NAU-FM radio network is based in Port Moresby. In 2003, there were an estimated 86 radios and 23 television sets for every 1,000 people. About 4.2 of every 1,000 people were cable subscribers. Also in 2003, there were 58.7 personal computers for every 1,000 people and 14 of every 1,000 people had access to the Internet. There was one secure Internet servers in the country in 2004.

*The Papua New Guinea Post-Courier* is published daily in English with a 2002 circulation of about 30,480. *The National*, another daily, is published on Boroko and had a 2002 circulation of 20,000. Other local news sheets are published, many in Pidgin. *Niugini Nius*, also in Boroko, is published Tuesday–Friday (circulation 31,000) and also has a weekend edition (16,000).

The constitution provides for free speech and free media, and the government is said to generally respect these rights in practice.

#### 46 ORGANIZATIONS

The Papua New Guinea Chamber of Commerce and Industry is located in Port Moresby. There are some organizations dedicated to the promotion of specific industries, such as the Papua New Guinea Tourism Promotion Authority and the Papua New Guinea Chamber of Mines and Petroleum.

National youth organizations include the Papua New Guinea National Union of Students, YMCA/YWCA, and the Scout Association of Papua New Guinea. There are several sports associations organizing amateur competitions for such pastimes as cricket, track and field, baseball, lawn tennis, tae kwon do, and squash. Women's organizations include the East Sepik Women and Children's Health Project and the Simbu Women's Resource Center. There are national chapters of the Red Cross Society and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

The Tourism Promotion Authority of Papua New Guinea works with the government to actively promote tourism as a priority for economic development. There are large-scale resorts and basic lodges to accommodate all travelers. Ecotourism is the main attraction with an abundance of vibrant flora and fauna in the rain forest and national parks. Water sports, golf, tennis, and rock climbing are popular pastimes. Tourists must have a valid passport, onward/return ticket, proof of sufficient funds, and an entry permit. A 60 day visa may be issued upon arrival to visitors from Australia, Cyprus, Japan, Portugal, Austria, Denmark, Neth-

erlands, Switzerland, Belgium, France, Norway, Sweden, Canada, Germany, New Zealand, the United States, and the United Kingdom.

In 2003, about 56,000 tourists visited Papua New Guinea, over half of whom came from Australia. There were 2,830 rooms in hotels and other establishments with 4,306 beds.

In 2004, the US Department of State estimated the daily cost of staying in Papua New Guinea at \$217.

#### 48 FAMOUS PAPUA NEW GUINEANS

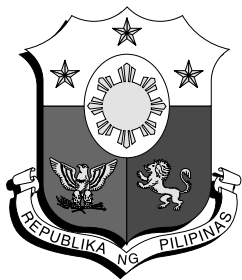
The best known Papua New Guineans are Michael Thomas Somare (b.1936), chief minister during colonial rule and the nation's first prime minister; Sir Albert Maori Kiki (1931–93), author of *Kiki: Ten Thousands Years in a Lifetime*; and Vincent Eri (1936–93), author of *The Crocodile*.

#### 49 DEPENDENCIES

Papua New Guinea has no territories or colonies.

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# PHILIPPINES

Republic of the Philippines

*Republika ng Pilipinas*



**CAPITAL:** Manila

**FLAG:** The national flag consists of a white equilateral triangle at the hoist, with a blue stripe extending from its upper side and a red stripe extending from its lower side. Inside each angle of the triangle is a yellow five-pointed star, and in its center is a yellow sun with eight rays.

**ANTHEM:** *Bayang Magiliw (Nation Beloved)*.

**MONETARY UNIT:** The peso (₱) is divided into 100 centavos. There are coins of 1, 5, 10, 25, and 50 centavos and 1 and 2 pesos, and notes of 5, 10, 20, 50, 100, and 500 pesos. ₱1 = \$0.01815 (or \$1 = ₱55.1) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some local measures also are used.

**HOLIDAYS:** New Year's Day, 1 January; Freedom Day, 25 February; Labor Day, 1 May; Heroes' Day, 6 May; Independence Day (from Spain), 12 June; Thanksgiving, 21 September; All Saints' Day, 1 November; Bonifacio Day, 30 November; Christmas, 25 December; Rizal Day, 30 December; Last Day of the Year, 31 December. Movable religious holidays include Holy Thursday and Good Friday.

**TIME:** 8 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The Republic of the Philippines consists of an archipelago of 7,107 islands situated SE of mainland Asia and separated from it by the South China Sea. The total land area is approximately 300,000 sq km (115,831 sq mi), 67% of which is contained within the two largest islands: Luzon, 108,171 sq km (41,765 sq mi) and Mindanao, 99,078 sq km (38,254 sq mi). Other large islands include Samar, Negros, Palawan, Panay, Mindoro, Leyte, Cebu, Bohol, and Masbate. Comparatively, the area occupied by the Philippines is slightly larger than the state of Arizona. The Philippines' length is 1,851 km (1,150 mi) SSE–NNW, and its width is 1,062 km (660 mi) ENE–WSW.

The Philippines is separated from Taiwan on the N by the Bashi Channel (forming part of the Luzon Strait) and from Sabah, Malaysia (northern Borneo), on the SW by the Balabac Strait (off Palawan) and the Sibutu Passage (off the Sulu Archipelago). Bordering seas include the Philippine Sea and the Pacific Ocean on the E, the Celebes Sea on the S, the Sulu Sea on the SW, and the South China Sea on the W. The Philippines has a total coastline of 36,289 km (22,549 mi).

The Philippines claims the Spratly Islands, in the South China Sea, as do China, Malaysia, Taiwan, and Vietnam. About 1,000 Philippine marines were stationed in the Spratlys in 1983. The Philippines also has a claim on Sabah, dating back to 1670.

The Philippines' capital city, Manila, is located on the island of Luzon.

## <sup>2</sup> TOPOGRAPHY

The topography is extremely varied, with volcanic mountain masses forming the cores of most of the larger islands. The range cul-

minates in Mt. Pulog (elevation 2,928 m/9,606 ft) in northern Luzon and in Mt. Apo, the highest point in the Philippines (elevation 2,954 m/9,692 ft), in Mindanao. A number of volcanoes are active, and the islands have been subject to destructive earthquakes. On 16 July 1990, a 7.7 magnitude earthquake occurred on Luzon causing the death of 1,621 people; it was recorded as the strongest earthquake that year worldwide. A 6.5 magnitude earthquake occurred in Samar on 18 November 2003, causing structural damage to buildings and roads, but few injuries. Another 6.5 magnitude tremor occurred in Mindoro on 8 October 2004.

Lowlands are generally narrow coastal strips except for larger plains in Luzon (Cagayan Valley and Central Plains), Mindanao (Cotabato and Davao-Agusan valleys), and others in Negros and Panay. Rivers are short and generally seasonal in flow. Important ones are the Cagayan, Agno, Abra, Bicol, and Pampanga in Luzon and the Cotabato and Agusan in Mindanao. Flooding is a frequent hazard. The shores of many of the islands are embayed (Manila Bay is one of the finest harbors in East Asia); however, several islands lack adequate harbors and require offshore lightering for sea transport. The only two inland water bodies of significant size are Laguna de Bay in Luzon and Lake Sultan Alonto in Mindanao.

## <sup>3</sup> CLIMATE

The Philippine Islands, in general, have a maritime tropical climate and, except in the higher mountains, temperatures remain warm, the annual average ranging from about 23° to 32°C (73 to 90°F) throughout the archipelago. Daily average temperatures in Manila range from a minimum of 21°C (70°F) to a maximum of 30°C (86°F) in January and from 24°C (75°F) to 33°C (91°F) in June. Annual normal relative humidity averages 80%. Rainfall and seasonality differ markedly throughout the islands, owing to varying

exposures to the two major wind belts, northeast trades or monsoon (winter) and southwest monsoon (summer). Generally, the east coasts receive heavy winter rainfall and the west coasts heavy summer rainfall. Intermediate and southern locales receive lesser amounts more equally distributed. The average annual rainfall in the Philippines ranges from 96 to 406 cm (38 to 160 in).

#### **4 FLORA AND FAUNA**

The Philippines supports a rich and varied flora with close botanical connections to Indonesia and mainland Southeast Asia. Forests cover almost one-half of the land area and are typically tropical, with the dominant family, Dipterocarpaceae, representing 75% of the stands. The forest also has vines, epiphytes, and climbers. Open grasslands, ranging up to 2.4 m (8 ft) in height, occupy one-fourth of the land area; they are man-made, the aftermath of the slash-and-burn agricultural system, and most contain tropical savanna grasses that are nonnutritious and difficult to eradicate. The diverse flora includes 8,000 species of flowering plants, 1,000 kinds of ferns, and 800 species of orchids.

There are over 150 species of mammals, with common mammals including the wild hog, deer, wild carabao, monkey, civet cat, and various rodents. There are about 196 breeding species of birds, among the more numerous being the megapodes (turkey-like wildfowl), button quail, jungle fowl, peacock pheasant, dove, pigeon, parrot, and hornbill. Reptilian life is represented by 190 species; there are crocodiles and the larger snakes include the python and several varieties of cobra.

#### **5 ENVIRONMENT**

Primary responsibility for environmental protection rests with the National Pollution Control Commission (NPCC), under whose jurisdiction the National Environmental Protection Council (NEPC) serves to develop national environmental policies and the Environmental Center of the Philippines implements such policies at the regional and local levels.

Uncontrolled deforestation in watershed areas, with consequent soil erosion and silting of dams and rivers, constitutes a major environmental problem, together with rising levels of air and water pollution in Manila and other urban areas. The NPCC has established standards limiting automobile emissions but has lagged in regulating industrial air and water pollution. In 2000, carbon dioxide emissions totaled 77.5 million metric tons.

The nation has 479 cu km of renewable water resources, with 88% of the annual withdrawal used to support farming and 4% used for industrial activity. Pollution has also damaged the coastal mangrove swamps, which serve as important fish breeding grounds. Between the 1920s and 1990s, the Philippines lost 70% of its mangrove area. In 2000, about 19% of the total land area was forested. About 50% of the nation's coral reefs are rated dead or dying as a result of pollution and dynamiting by fishermen. The nation is also vulnerable to typhoons, earthquakes, floods, and volcanic activity.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 50 types of mammals, 70 species of birds, 8 types of reptiles, 48 species of amphibians, 49 species of fish, 3 types of mollusks, 16 species of other invertebrates, and 212 species of plants. Threatened species in the Philippines included the

monkey-eating eagle, Philippine tarsier, tamarau, four species of turtle (green sea, hawksbill, olive ridley, and leatherback), Philippines crocodile, sinarapan, and two species of butterfly. The cebu warty pig, Panay flying fox, and Chapman's fruit bat have become extinct.

#### **6 POPULATION**

The population of Philippines in 2005 was estimated by the United Nations (UN) at 84,765,000, which placed it at number 12 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 35% of the population under 15 years of age. There were 101 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.3%, a rate the government viewed as too high. The projected population for the year 2025 was 115,675,000. The overall population density was 283 per sq km (732 per sq mi), but the population is unevenly distributed, being most densely concentrated in Luzon and the Visayan Sea islands.

The UN estimated that 48% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.70%. Metropolitan Manila, the capital, had a population of 10,352,000 in that year. Created in 1975, metropolitan Manila includes four cities—Manila proper, Quezon City, Caloocan City, and Pasay City—and 13 surrounding municipalities. Other major cities include Davao, Cebu, Zamboanga, Bacolod, Cagayan de Oro, and Iloilo.

#### **7 MIGRATION**

The rapid growth of the Philippine population has led to considerable internal migration. On Luzon, frontier-like settlements have pushed into the more remote areas. The Mindoro and Palawan islands also have attracted numerous settlers, and hundreds of thousands of land-hungry Filipinos have relocated to less densely populated Mindanao. There also has been a massive movement to metropolitan Manila, especially from central Luzon. Emigration abroad is substantial. To reduce domestic unemployment, over 500,000 Philippine citizens were working abroad in the late 1980s and early 1990s, mainly in the Middle East, but also in Hong Kong and Singapore. Emigration to the United States particularly has been considerable: As of the 2000 US census, 1,369,070 Americans, or .85% of US population, residing chiefly in California and Hawaii claimed only Filipino ancestry. In 2004, 143 Filipinos sought asylum in Canada.

As of 1998, there were still 1,589 asylum seekers from Vietnam in a Palawan camp, who were refused refugee status but allowed to stay pending a repatriation solution. Distinctions between Indochinese and other nationalities have been dropped, and all are now referred to as urban refugees. Many refugees became legal exiles while studying in the Philippines following political or military upheavals in their homelands; a majority have since married Filipino nationals. The number of migrants in 2000 was 160,000. As of 2004, the Philippines hosted 107 urban refugees, 44 asylum seekers, and 1,829 Vietnamese of concern as rejected cases. In 2005, the net migration rate was -1.49 migrants per 1,000 population. The government views the emigration level as too high, but the immigration level as satisfactory. In 2003 remittances to the Philippines were \$8 billion.

## 8 ETHNIC GROUPS

Filipinos of Malay (Malayan and Indonesian) stock constitute about 95.5% of the total population. They are divided into nine main ethnic groups: the Tagalog, Ilocanos, Pampanguenos, Pangasinans, and Bicolanos, all concentrated in Luzon; the Cebuanos, Boholanos, and Ilongos of the Visayas; and the Waray-Waray of the Visayas, Leyte, and Samar. The largest single group is the Tagalog, accounting for about 28% of the total population. The Cebuano is the next largest group, representing about 13% of the population. Numerous smaller ethnic groups inhabit the interior of the islands, including the Igorot of Luzon and the Bukidnon, Manobo, and Tiruray of Mindanao. There are small groups of Chinese and Muslims.

## 9 LANGUAGES

There are two official languages: Filipino (based on Tagalog), the national language adopted in 1946 and understood by a majority of Filipinos; and English, which is also widely spoken and understood. Spanish, introduced in the 16th century and an official language until 1973, is now spoken by only a small minority of the population. More than 80 indigenous languages and dialects (basically of Malay-Indonesian origin) are spoken. Besides Tagalog, which is spoken around Manila, the principal dialects include Cebuano (spoken in the Visayas), Ilocano (spoken in northern Luzon), and Panay-Hiligaynon. The teaching of Filipino is mandatory in public and private primary schools, and its use is encouraged by the government.

## 10 RELIGIONS

Most of the population (about 81%) belong to the Roman Catholic Church. Other Christian churches represent about 11.6% of the population and include such denominations as Seventh-Day Adventist, United Methodist, United Church of Christ, Assemblies of God, the Church of Jesus Christ of Latter-Day Saints, and Philippine Baptist (associated with Southern Baptist). In addition, there are three churches established by Filipino religious leaders, the Independent Church of the Philippines, also called Aglipayan; the Iglesia ni Cristo (Church of Christ); and the Ang Dating Daan (an offshoot of the Church of Christ). Muslims represent about 5% of the population and are commonly called Moros by non-Muslims. They are concentrated in Mindanao and the Sulus. Most Muslims are Sunni. Buddhists make up less than 1% of the population. There are also small communities of Hindus and Jews. It is believed that a majority of the indigenous population includes elements of native religions within their practice of other faiths.

Freedom of religion and the separation of church and state is guaranteed by the constitution. In an effort to reduce tensions between Christians and Muslims in the southern islands and to answer Muslim autonomist demands, the government established an Office of Muslim Affairs in 1981 and allocated funds for Islamic legal training and for Muslim schools and cultural centers. Part of its role, as of 1999, involved coordinating the travel of pilgrims to Mecca, Saudi Arabia, and coordinating diplomatic ties with countries that have contributed to Mindanao's economic development and to the "peace process" with insurgent groups. The National Ecumenical Consultative Committee is a government-sponsored



LOCATION: 4°23' to 21°25'N; 116° to 127°E. TERRITORIAL SEA LIMIT: 12 miles.

group that encourages interfaith dialogue. Certain Christian holidays are recognized as national holidays.

## 11 TRANSPORTATION

The total length of roadways in 2002 was 202,124 km (125,721 mi), of which only 19,202 km (11,944 mi) were paved. Luzon contains about one-half of the total road system, and the Visayas



about one-third. There were 796,385 passenger cars and 1,774,300 commercial vehicles registered in 2003.

In 2004, the Philippine railroad system consisted of 897 km (557 mi) of common-carrier narrow gauge railroad track on Luzon and Panay. However, the system only plays a minor role in transportation, since only 492 km (306 mi) were in operation. As of 2004, there were 3,219 km (2,000 mi) of waterways, but their use is limited to vessels with a draft of less than 1.5 m (4.5 ft).

Water transportation is of paramount importance for inter-island and intra-island transportation. A small offshore fleet registered under the Philippine flag is engaged in international commerce, but most ocean freight is carried to and from the Philippines by ships of foreign registry. In 2005, the merchant fleet numbered 419 ships of 1,000 GRT or more, totaling 4,524,259 GRT. There are 25 major ports. Manila is the busiest Philippine port in international shipping, followed by Cebu and Iloilo. Other ports and harbors include Batangas, Cagayan de Oro, Davao, Guimaras Island, Iligan, Jolo, Legaspi, Masao, Puerto Princesa, San Fernando, Subic Bay, and Zamboanga.

In 2004 there were an estimated 255 airports. As of 2005 a total of 83 had paved runways, and there were also two heliports. Ninoy Aquino International Airport, formerly Manila International Airport, is the principal international air terminal. Five other airports serve international flights as well. Philippine Air Lines (PAL), the national airline, provides domestic and international flights. Under the Aquino government there were plans to sell PAL stock to the private sector. In 2003, about 6.467 million passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Evidence of human habitation dates back some 250,000 years. In more recent times, experts believe that the Negritos, who crossed then existing land bridges from Borneo and Sumatra some 30,000 years ago, settled the Philippine Islands. Successive waves of Malays, who arrived from the south, at first by land and later on boats called *barangays*—a name also applied to their communities—came to outnumber the Negritos. By the 14th century, Arab traders made contact with the southern islands and introduced Islam to the local populace. Commercial and political ties also linked various enclaves in the archipelago with Indonesia, Southeast Asia, India, China, and Japan. Ferdinand Magellan, a Portuguese-born navigator sailing for Spain, made the European discovery of the Philippines on 15 March 1521 and landed on Cebu on 7 April, claiming the islands for Spain, but the Filipino chieftain Lapulapu killed Magellan in battle. The Spanish later named the islands in honor of King Philip II, and an invasion under Miguel Lopez de Legaspi began in 1565. The almost complete conversion of the natives to Christianity facilitated the Spanish conquest; by 1571, it was concluded, except for the Moro lands (Moro is the Spanish word for Moor). The Spanish gave this name to Muslim Filipinos, mostly inhabitants of southern and eastern Mindanao, the Sulu Archipelago, and Palawan. The Spanish administered the Philippines, as a province of New Spain, from Mexico. Trade became a monopoly of the Spanish government; galleons shipped Oriental goods to Manila, from there to Acapulco in Mexico, and from there to the mother country.

Although Spain governed the islands until the end of the 19th century, its rule was constantly threatened by the Portuguese, the

Dutch, the English (who captured Manila in 1762, occupying it for the next two years), the Chinese, and the Filipinos themselves. After the 1820s, which brought the successful revolts of the Spanish colonies in the Americas, Filipinos openly agitated against the government trade monopoly, the exactions of the clergy, and the imposition of forced labor. This agitation brought a relaxation of government controls: the colonial government opened ports to world shipping, and the production of such typical Philippine exports as sugar, coconuts, and hemp began. Filipino aspirations for independence, suppressed by conservative Spanish rule, climaxed in the unsuccessful rebellion of 1896–98. Jose Rizal, the most revered Filipino patriot, was executed, but Gen. Emilio Aguinaldo and his forces continued the war. During the Spanish-American War (1898), Aguinaldo declared independence from Spain on 12 June. When the war ended, the United States acquired the Philippines from Spain for \$20,000,000. US rule replaced that of the Spanish, but Philippine nationalists continued to fight for independence. In 1899, Gen. Aguinaldo became president of the revolutionary First Philippine Republic and continued guerrilla resistance in the mountains of northern Luzon until his capture in 1901, when he swore allegiance to the United States. Over the long term, the effect of US administration was to make the Philippines an appendage of the US economy, as a supplier of raw materials to and a buyer of finished goods from the American mainland. Politically, US governance of the Philippines was a divisive issue among Americans, and the degree of US control varied with the party in power and the US perception of its own security and economic interests in the Pacific. In the face of continued nationalist agitation for independence, the US Congress passed a series of bills that ensured a degree of Philippine autonomy. The Tydings-McDuffie Independence Law of 1934 instituted commonwealth government and further stipulated complete independence in 1944. In 1935, under a new constitution, Manuel Luis Quezon y Molina became the first elected president of the Commonwealth of the Philippines.

On 8 December 1941, Japan invaded the Philippines, which then became the focal point of the most bitter and decisive battles fought in the Pacific during World War II. By May 1942, the Japanese had achieved full possession of the islands. US forces, led by Gen. Douglas MacArthur, recaptured the Philippines in early 1945, following the Battle of Leyte Gulf, the largest naval engagement in history. In September 1945, Japan surrendered. On 4 July 1946, Manuel A. Roxas y Acuna became the first president of the new Republic of the Philippines. Both casualties and war damage wreaked on the Philippines were extensive, and rehabilitation was the major problem of the new state. Communist guerrillas, called *Hukbalahaps*, threatened the republic. Land reforms and military action by Ramon Magsaysay, the minister of national defense, countered the Huks revolutionary demands. Magsaysay was elected to the presidency in 1953 but died in an airplane crash in 1957. Carlos P. Garcia succeeded Magsaysay and then won election to the office in 1958. Diosdado Macapagal became president in November 1961. He was succeeded by Ferdinand Edralin Marcos following the 1965 elections. Marcos was reelected in 1969 with a record majority of 62%. The Marcos government brutally suppressed the renewed *Hukbalahap* insurgency, but armed opposition by Muslim elements, organized as the Moro National Lib-

eration Front (MNLF), the Maoist-oriented New People's Army (NPA), and by other groups gathered force in the early 1970s.

Unable under the 1935 constitution to run for a third term in 1973, President Marcos, on 23 September 1972, placed the entire country under martial law, charging that the nation was threatened by a "full-scale armed insurrection and rebellion." Marcos arrested many of his more vehement political opponents, some of whom remained in detention for several years. In January 1973, the Marcos administration introduced a new constitution, but many of its provisions remained in abeyance until 17 January 1981, when Marcos finally lifted martial law. During the intervening period, Marcos consolidated his control of the government through purges of opponents, promotion of favorites, and delegation of leadership of several key programs—including the governorship of metropolitan Manila and the Ministry of Human Settlements—to his wife, Imelda Romualdez Marcos. Although Marcos made headway against the southern guerrillas, his human-rights abuses cost him the support of the powerful Roman Catholic Church, led by Jaime Cardinal Sin. Elections were held in April 1978 for an interim National Assembly to serve as the legislature until 1984, but local elections held in 1980 were widely boycotted. Pope John Paul II came to Manila in February 1981, and even though martial law was no longer in effect, he protested the violation of basic human rights. In June 1981, Marcos won reelection for a new six-year term as president under an amended constitution preserving most of the powers he had exercised under martial rule. New threats to the stability of the regime came in 1983 with the rising foreign debt, a stagnant economy, and the public uproar over the assassination on 21 August of Benigno S. Aquino, Jr. Aquino, a longtime critic of Marcos, was shot at the Manila airport as he returned from self-exile to lead the opposition in the 1984 legislative elections. The gunman was immediately killed, and 26 others suspected of conspiracy in the assassination were acquitted in December 1985 for lack of evidence. Public sympathy gave opposition parties 59 out of 183 elective seats in 1984.

In 1985, political pressures forced Marcos to call for an election in February 1986 in view of a widespread loss of confidence in the government. The Commission on Elections and the National Assembly, controlled by his own political party, proclaimed Marcos the winner. His opponent, Maria Corazon Cojuangco Aquino, the widow of Benigno S. Aquino, claimed victory, however, and charged the ruling party with massive election fraud. The National Movement for Free Elections, the United States, and other international observers supported Aquino's charge. Accordingly, other countries withheld recognition of Marcos. On 21 February 1986, a military revolt grew into a popular rebellion, urged on by Jaime Cardinal Sin. US president Ronald Reagan gave Marcos an offer of asylum, which Reagan guaranteed only if Marcos left the Philippines without resistance. Marcos went into exile in Hawaii.

#### After Marcos

On 25 February 1986, Corazon Aquino assumed the presidency. Her government restored civil liberties, released political prisoners, and offered the NPA a six-month cease-fire, with negotiations on grievances, in exchange for giving up violence. Because Aquino came to power through the forced departure of an officially proclaimed president, the legality of her regime was suspect. Consequently, she operated under a transitional "freedom constitution"

until 11 February 1987, when the electorate ratified a new constitution. On 11 May 1987 the first free elections in nearly two decades were held under the new constitution. More than 83% of eligible voters cast their ballots, 84 candidates ran for the 24 senate seats, and 1,899 candidates ran for the 200 house seats. There were 63 election-related killings. Old-line political families still controlled the system, as 169 House members out of the 200 elected either belonged to or were related to these families.

On 20 December 1987 one of the worst disasters in maritime history occurred when an overcrowded passenger ship collided with an oil tanker off Mindoro Island and at least 1,500 people perished. This delayed local elections until 18 January 1988. Nationwide 150,000 candidates ran for 16,000 positions as governor, vice governor, provincial board member, mayor, vice mayor, and town council member. In 1988 election-related violence killed more than 100 people. Members of the pro-government parties, a faction of the PDP-Laban and Lakas ng Bansa, formed a new organization, Laban ng Demokratikong Pilipino (LDP) in June 1988. In March 1989 the thrice-postponed election for barangay officials was held, electing some 42,000 barangay captains. In August 1989 President Aquino signed a law giving limited autonomy to provinces where most Philippine Muslims lived: Mindanao, Palawan, Sulu, and Tawi-Tawi islands.

There were five coup attempts between the time Aquino took office and the end of 1987. This continuing succession of coup plots culminated in a large, bloody, well-financed attempt in December 1989. Led by Colonel Gregorio Honasan (who participated in the 1987 coup attempt, and was a close associate of Senator Juan Ponce Enrile) and involving more than 3,000 troops that targeted several bases; US air support helped to quell this attempt. The Senate granted Aquino emergency powers for six months. President Aquino's administration lost international credibility with the appeal for US military support to quell the coup attempt. The authorities made arrests, but the Supreme Court ruled that Senator Juan Ponce Enrile could not be charged with murder, nullifying a criminal case against him. He was charged in a lower court with rebellion. In September 1990, 16 military members were convicted of the assassination of Senator Benigno Aquino in 1983 and sentenced to life in prison.

Former president Ferdinand Marcos had appealed to Aquino to allow him to attend the funeral of his mother, as he had appealed several times to visit his mother while she was ill; Aquino denied each request. The Philippine government had traced at least \$5 billion in deposits to Swiss bank accounts made by Marcos. Marcos attempted to negotiate his return to the Philippines, promising his support for Aquino and the return of \$5 billion to the Philippines. Aquino also rejected his wife Imelda's plea for her husband's return. The Philippine government filed an antigraft civil suit for \$22.6 billion against Marcos in 1987. Marcos and his wife, Imelda, were indicted in the United States, charged with the illegal transfer of \$100 million in October 1988. On 28 September 1989 former President Ferdinand Marcos died in Honolulu. Aquino refused to allow his burial in the Philippines.

Under pressure from Communist rebels Aquino removed the US military bases from the Philippines in 1989. Three US servicemen were murdered outside Clark Air Force Base and the Communists took responsibility for the murders. A Communist guerrilla who admitted participating in the 21 April 1989 assas-

sination of US Army Colonel James Row was arrested. In September 1989 US vice president Dan Quayle met with Aquino to discuss the renewal of the lease on US military bases. Prior to his arrival two American civilians working on the bases were killed; the government attributed these deaths to Communist guerrillas. The Communists continued to threaten US servicemen and local politicians. Anti-American demonstrations at Clark Air Base and in Manila led to clashes with the police and to injuries. The Communists continued their threats and two more US servicemen were killed near the Clark Air Base. In June of 1990 the Peace Corps removed 261 volunteers from the Philippines after Communist threats against them. In September 1990 Aquino said it was time to consider an "orderly withdrawal" of US forces from the Philippines.

Within a year the Philippines was pummeled with three major natural disasters. In July 1990 an earthquake measuring 7.7 on the Richter scale struck. The epicenter was 55 mi north of Manila and more than 1,600 people were killed. A super-typhoon devastated the central Visayas in November 1990. An even more destructive natural disaster occurred on 12 June 1991 when Mount Pinatubo in Zambales province, a volcano dormant for more than 500 years, violently erupted, causing the abandonment of Clark Air Base in Angeles City; 20,000 US military, their dependents, and civilian employees evacuated to the United States from Clark and the Subic Bay Naval Station.

The Philippine-American Cooperation Talks (PACT) reached agreement on military base and nonbase issues, but Philippine Senate refused to ratify the proposed treaty. On 6 January 1992 the Philippines government served notice of the termination of the US stay at Subic Naval Base in Zambales. After almost a century of US military presence, on 30 September 1992 the United States handed over Subic Naval Base to the Philippines. The Philippine government turned it into a free port, headed until 1998 by Dick Gordon.

Amnesty International (AI), the human rights organization, published a report in 1992 critical of the Aquino administration's assent to human rights violations perpetrated by the military; AI alleged that 550 extra judicial killings occurred during 1988–91. The military refuted the AI report citing its oversight of rebel activities.

In March 1991 President Aquino stated that Imelda Marcos could return to the Philippines, but that she faced charges that her husband stole \$10 billion during his 20 years as president. Mrs. Marcos returned in November, after five years in Hawaii, to face civil and criminal charges, including tax fraud. In January 1992 Imelda Marcos announced that she would run for election in 1992; in the same month she was arrested, and then released, for failing to post bail on charges that she unlawfully maintained accounts in Switzerland. In September 1993 the government permitted the embalmed body of Ferdinand Marcos to return to the Philippines for burial near his home in northern Luzon. On 24 September 1993 Imelda Marcos was found guilty of participating in a deal that was "disadvantageous to the government" under the Anti-Graft and Corruption Practices Act. She faced a maximum prison sentence of 24 years, but she remained free on bail while her appeal was considered.

In national and local elections held 11 May 1992, Fidel V. Ramos and Joseph E. Estrada were elected president and vice president,

respectively. On 30 June 1992 Fidel Ramos succeeded Corazon Aquino as president of the Philippines with a plurality of 23.6%. Nearly 85% of eligible voters turned out to elect 17,205 officials at national, regional, and local levels. The election was relatively peaceful with only 52 election-related deaths reported. Rules required voters to write the names of the candidate they wanted for office. This, combined with the number of candidates, meant it was several weeks before the votes were completely tallied. Ramos, a Methodist and the Philippine's first non-Catholic president, considered the country's population growth rate as an obstacle to development. A rally of 300,000 Catholics led by Cardinal Sin took place in Manila in 1993 to protest the Ramos administration's birth control policies and the public health promotion of prophylactics to limit the spread of AIDS.

Domestic insurgency by the Muslim population continued throughout the 1980s. By the 1990s, however, internal divisions among the Muslims, reduced external support, military pressure, and government accommodations, including the creation of the Autonomous Region in Muslim Mindanao in 1990 had greatly reduced the threat. In January 1994 the government signed a cease-fire agreement with the Moro National Liberation Front, ending 20 years of guerrilla war. Splinter groups among the Muslim population continue, however, to cause difficulties for both the MNLF and the government.

The last remaining communist insurgency in Asia was reduced temporarily by the Ramos government's peaceful signal, the 1992 Anti-Subversion Law, and the 1993 split in the ranks of the NPA that created a lull until issues related to the weakened leadership were resolved. The NPA returned to violent opposition sporadically throughout the 1990s, especially by the Revolutionary Proletarian Army, an offshoot of the NPA. The NPA significantly increased its use of children as armed combatants and noncombatants during this same time.

In January 1994 the congress passed a law restoring the death penalty for 13 crimes including treason, murder, kidnapping and corruption. Police reform was a particular goal of the legislation. This legislation was partly in response to a series of abductions of wealthy ethnic Chinese Filipinos abducted for ransom, in which the Philippine National Police were found to be involved.

Conflicting claims to the Spratly Islands in the South China Sea are a source of tension between the Philippines and the People's Republic of China. In 1989 Chinese and Philippine warships exchanged gunfire in the vicinity of the Spratly Islands. The incident was resolved by diplomatic means. In June 1994 China protested an oil exploration permit granted to Vaalco Energy of the United States, and to Alcorn Petroleum and Minerals, its Philippine subsidiary. The Philippine response was to refer to a principle of "common exploration" and development of the Spratlys. China had employed this same principle when the Philippines had protested China's granting the United States permission to explore in the Spratlys in 1993. China, Vietnam, Taiwan, the Philippines, Malaysia, and Brunei all lay claim to all, or a portion, of the Spratly Islands. In June 1994 a 5-day conference on East Timor held in Manila ended with an agreement to establish a coalition for East Timor in the Philippines and proposed a peace plan based on the gradual withdrawal of Indonesian troops. But turmoil in the Spratlys did not end. In 1995, China briefly occupied Mischief Reef in a part of the islands claimed by the Philippines. In spring

of 1997, Chinese warships were seen near Philippine-occupied islands in the chain. The two countries have also traded occupation of Scarborough Shoal, heightening tensions and prompting Manila to seek renewed American military presence. In May 1999 the Philippine Senate ratified a new Visiting Forces Agreement with the United States, despite claims by opponents that the VFA would give the US military the opportunity to bring nuclear weapons, without declaration, into the Philippines, violating the Philippine constitution.

The issue of Filipino women forced to work abroad, long a controversy in the country's large impoverished class, came to a head in 1995. In March, Filipina domestic worker Flor Contemplacion was executed in Singapore for the murder of a maid and a child. Outraged Filipinos claimed the girl was framed; they filled the streets of Manila in protest. The crisis, the product of unemployment and underemployment forcing families to export their children to low-wage overseas jobs, culminated in Mr. Ramos's sacking of two cabinet ministers.

In January 1996, Philippines police uncovered and thwarted a plot by Islamic extremists to assassinate Pope John Paul II during his visit to Manila that month.

Muslim rebels in Mindanao continued their insurgencies against the government, raiding the trading town of Ipil in April 1996. The terrorists killed 57 people and burned the town's business district. The rebels also took part in the resurgence of kidnappings and bank robberies in Manila and Mindanao. More than 100 kidnappings were reported in 1996, many in which police officers were also suspected. A peace agreement between the Philippine government and the MNLF was signed on 2 September 1996, that ended the 24-year-old war in Mindanao. The agreement was signed by the government chief negotiator Manuel Yan, Nur Misuari, Indonesian Foreign Minister Ali Alatas, and Secretary General Hamid Algabid of the Organization of Islamic Conference (OIC). Later, Misuari ran for and won the governorship of the Autonomous Region for Muslim Mindanao (ARM) in the 9 September 1996 elections.

The Philippine economy suffered a harsh blow in 1995 when a typhoon ravaged the rice harvest, trebling the destruction of the rice acreage lost to the Mount Pinatubo eruption. But the economy rebounded in late 1995 and through 1996, buoyed by the government's massive infrastructure improvements and plans to develop former US military bases Subic Bay and Clark Air Force Base as tourist attractions and economic zones.

President Ramos introduced the Philippines 2000 movement, which was both a strategy and a movement; he called it the Filipino people's vision of development by the year 2000. As envisioned, the Philippines by the year 2000 would have a decent minimum of food, clothing, shelter, and dignity. The major goal of Philippines 2000 was to make the Philippines the next investment, trade, and tourism center in Asia and the Pacific. The Ramos administration achieved several of its economic goals but few of the social changes envisioned.

On 30 June 1998 the newly elected President, Joseph Ejercito Estrada, took office. The new Vice President was Gloria Macapagal-Arroyo. In November 2000, impeachment proceedings began against Estrada on allegations of corruption, betrayal of the public trust, and violation of the constitution. Estrada stepped down as president on 20 January 2001 after months of protests, and Arroyo

was sworn in as president. Estrada in April 2001 was charged with taking more than US\$80 million from state funds while in office; he was arrested and placed in custody. Arroyo faced a sluggish economy upon coming into office; the economy was still recovering from the 1997–98 Asian financial crisis. She initiated privatization and deregulation policies, especially in agriculture and the power-generating industry. On 30 December 2002, Arroyo declared she would not seek a second term in the 16 May 2004 presidential elections, so that she could focus on her economic reform agenda, restore peace and order, reduce corruption, and "heal political rifts." Despite this promise, she did participate in the 2004 presidential elections.

The separatist conflict on Mindanao had claimed more than 140,000 lives in three decades as of 2005. In March 2001, the 12,500-member Moro Islamic Liberation Front declared a ceasefire and declared it was ready to hold talks with the government. However, on 11 February 2003, more than 2,000 government soldiers advanced toward an MILF base near Pikit, attempting to disband a group of kidnappers known as the "Pentagon gang," which is on the list of US terrorist organizations. Approximately 135 MILF fighters were killed in three days of fighting. In January 2002, nearly 700 US troops, including 160 Special Forces soldiers, were sent to Mindanao to assess the military situation, provide military advice, and train the 7,000 Philippine soldiers pursuing the guerrillas of the Abu Sayyaf group operating in the southern islands of Basilan and Jolo. The Philippine constitution forbids foreign troops fighting on its territory.

Following the 11 September 2001 terrorist attacks on the United States, the United States urged countries around the world to increase antiterrorist measures they might take. Southeast Asia was a primary focus of attention. In May 2002, the 10 members of ASEAN pledged to form a united antiterror front and to set up a strong regional security framework. The steps include introducing national laws to govern the arrest, investigation, prosecution, and extradition of suspects. As well, they agreed to exchange intelligence information and to establish joint training programs such as bomb detection and airport security.

The militant Islamic group Abu Sayyaf ("Bearer of the Sword") is one of several guerrilla organizations involved in a resurgence of violence in the Philippines since 2000. It split off from the Moro National Liberation Front (MNLF) in 1991 to pursue a more fundamentalist course against the government. Actions taken since the early 1990s include bombings, assassinations, and kidnappings of priests and businessmen. One of its goals is an independent Islamic state in Mindanao, but its activities have been linked to international terrorism as well, including ties to Osama bin Laden's al-Qaeda network, according to the US government. In May 2001, Abu Sayyaf kidnapped 20 people, including 3 Americans, demanding ransom. They beheaded one of the American captives, and held the others—a missionary couple—hostage. In June 2002, Philippine commandos attempted to rescue the couple and a Filipino nurse being held with them. Two of the hostages were killed in a shootout, and one of the missionaries was freed. In August, Abu Sayyaf kidnapped six Filipino Jehovah's Witnesses and beheaded two of them. The group also claims responsibility for two bombings in Davao City in 2003 which killed 38 people. In addition to Abu Sayyaf, a new Islamic insurgent group, Jemaah Islamiyah is believed to be training recruits in the southern Philip-

pines, which is dedicated to the establishment of an Islamic theocracy in Southeast Asia. Financial links have been found between Abu Sayyaf, Jemaah Islamiyah and al-Qaeda.

The 2004 presidential elections were extremely close. Arroyo was able to retain the presidency with 40% of the vote to Fernando Poe Jr. with 37%. However, the Philippines continued to be plagued by accusations of corruption in the government, business arena and security forces. President Arroyo is credited with increasing economic (GDP) growth, 4.3% in 2002 to 4.7% in 2003 and to about 6% in 2004, but there are substantial criticisms levied against her government. Intense poverty remained a central problem in the Philippines as do counterinsurgency groups like the MNLF, Abu Sayyaf, Jemaah Islamiyah and the communist New People's army. Steady unemployment contributes to the intense poverty with the 2005 rate exceeding 12%. Despite Arroyo's efforts, trafficking of women and children still remained a prominent issue.

### 13 GOVERNMENT

Under the constitution of 11 February 1987 the Philippines is a democratic republican state. Executive power is vested in a president elected by popular vote for a six-year term, with no eligibility for reelection. The president is assisted by a vice president, elected for a six-year term, with eligibility for one immediate reelection, and a cabinet, which can include the vice president. Legislative power rests with a bicameral legislature. Congress consists of a senate, with 24 members elected for six-year terms (limited to two consecutive terms). Senators are chosen at large. Senators must be native-born Filipinos and at least 35 years old. A house of representatives is elected from single-member districts for three-year terms (limited to three consecutive terms). Districts are reapportioned within three years of each census. In 2004, 212 members were elected. Up to 52 more may be appointed by the president from "party lists" and "sectoral lists," but the constitution prohibits the house of representatives from having more than 250 members. Representatives must be native-born Filipinos and at least 25 years of age. Presidential and legislative elections are next scheduled for May 2007.

### 14 POLITICAL PARTIES

The first Philippine political party, established in 1900, was the Federal Party, which advocated peace and eventual statehood. Later, the Nationalist Party (NP) and the Democratic Party were established. They did not produce an actual two-party system, since the Nationalists retained exclusive control and the Democrats functioned as a "loyal opposition." However, following Japanese occupation and the granting of independence, an effective two-party system developed between the Liberal Party (LP) and the NP. The Progressive Party, formed in 1957 by adherents of Ramon Magsaysay, polled more than one million votes in the presidential election of 1958. In the elections of November 1965, Senator Ferdinand Marcos, the NP candidate, received 55% of the vote. In the 1969 election, he was elected to an unprecedented second term. All political activity was banned in 1972, following the imposition of martial law, and was not allowed to resume until a few months before the April 1978 elections for an interim National Assembly. The Marcos government's New Society Movement (Kilusang Bagong Lipunan-KBL) won that election and the 1980 and 1982 balloting for local officials, amid charges of electoral fraud and at-

tempts by opposition groups to boycott the voting. The principal opposition party was the People's Power Movement-Fight (Lakas Ng Bayan-Laban), led by Benigno S. Aquino, Jr., until his assassination in 1983. This party joined with 11 other opposition parties in 1982 to form a coalition known as the United Nationalist Democratic Organization (UNIDO). Following Aquino's murder, some 50 opposition groups, including the members of the UNIDO coalition, agreed to coordinate their anti-Marcos efforts. This coalition of opposition parties enabled Corazon Aquino to campaign against Marcos in 1986. In September 1986 the revolutionary left formed a legal political party to contest congressional elections. The Partido ng Bayan (Party of the Nation) allied with other left-leaning groups in an Alliance for New Politics. This unsuccessful attempt for electoral representation resulted in a return to guerrilla warfare on the part of the Communists.

After assuming the presidency, Aquino formally organized the People's Power Movement (Lakas Ng Bayan), the successor to her late husband's party. In the congressional elections of May 1987, Aquino's popularity gave her party a sweep in the polls, making it the major party in the country. Marcos's KBL was reduced to a minor party. Some of its members formed their own splinter groups, such as the Grand Alliance for Democracy (GAD), a coalition of parties seeking distance from Marcos. Others revived the LP and the NP, seeking renewed leadership. The left-wing People's Party (Partido Ng Bayan), which supports the political objectives of the NPA, was a minor party in the elections. In May 1989 Juan Ponce Enrile reestablished the Nacionalista Party. A new opposition party, the Filipino Party (Partido Pilipino), organized in 1991 as a vehicle for Aquino's estranged cousin Eduardo "Danding" Cojuangco's presidential campaign. He ran third in the election, taking 18.1% of the vote, behind Miriam Defensor Santiago with 19.8% of the vote. On 30 June 1992 Fidel Ramos succeeded Corazon Aquino as president of the Philippines with a plurality of 23.6%. In September 1992 Ramos signed the Anti-Subversion Law signaling a peaceful resolution to more than 20 years of Communist insurgency, with the repeal of the antismunition legislation in place since 1957. On 26 August 1994 Ramos announced a new political coalition that would produce the most powerful political group in the Philippines. Ramos' Lakas-National Union of Christian Democrats (Lakas/NUCD) teamed with the Democratic Filipino Struggle (Laban ng Demokratikong Pilipino, Laban). Following the 1995 elections, the LDP controlled the Senate with 14 of the 24 members. The elections in 1998 changed the political landscape once more. In the Senate the newly created Laban Ng Masang Pilipino, led by presidential candidate, Joseph Estrada, captured 12 seats to the Lakas 5, PRP 2, LP 1, independents 3. The LAMP party also dominated the House of Representatives with 135 seats to the Lakas 37, LP 13, Aksyon Demokratiko 1, and 35 independents.

Political parties and their leaders in 2002 included: Kilusang Bagong Lipunan (New Society Movement), led by Imelda Marcos; Laban Ng Demokratikong Pilipino (Struggle of Filipino Democrats) or LDP, led by Eduardo Angara; Lakas, led by Jose De Venecia; Liberal Party or LP, led by Florencio Abad; Nacionalista Party, led by Jose Oliveros; National People's Coalition or NPC, led by Eduardo Cojuangco; PDP-Laban, led by Aquilino Pimentel; and the People's Reform Party or PRP, led by Miriam Defensor-Santiago.

The elections in 2004 again changed the political landscape dramatically. The senate became a majority Lakas with 7 seats, LP with 3 seats, KNP (coalition) with 3 seats, independents with 4 seats, others with 6 seats (there were 23 rather than 24 sitting senators because one senator was elected Vice President) Fourteen senators were pro-government, 9 were in opposition. Lakas also were a majority in the House of Representatives with 93 seats, NPC with 53, LP with 34, LDP with 11, and others with 20.

## 15 LOCAL GOVERNMENT

Under the constitutions of 1935, 1973, and 1987, the country has been divided into provinces, municipalities, and chartered cities, each enjoying a certain degree of local autonomy. Each of the 73 provinces and subprovinces elects a governor, a vice-governor, and two provincial board members for terms of six years. There are 61 chartered cities headed by a mayor and a vice-mayor. Chartered cities stand on their own, are not part of a province, do not elect provincial officials, and are not subject to provincial taxation, but have the power to levy their own taxes. Municipalities, of which each province is composed, are public corporations governed by municipal law. There are approximately 1,500 municipalities, and within each municipality are communities (*barangays*), each with a citizens' assembly. There are about 42,000 *barangays*.

The 1987 constitution provides for special forms of government in the autonomous regions created in the Cordilleras in Luzon and the Muslim areas of Mindanao. Any region can become autonomous by a referendum. The Local Government Code of 1991 provided for a more responsive and accountable local-government structure. Local governments are to be given more powers, authority, responsibilities and resources through a system of decentralization.

## 16 JUDICIAL SYSTEM

Under the 1973 constitution, the Supreme Court, composed of a chief justice and 14 associate justices, was the highest judicial body of the state, with supervisory authority over the lower courts. The entire court system was revamped in 1981, with the creation of new regional courts of trials and of appeals. Justices at all levels were appointed by the president. Philippine courts functioned without juries. Delays in criminal cases were common, and detention periods in national security cases were long. Security cases arising during the period of martial law (1972–81) were tried in military courts. The 1987 constitution restored the system to what it had been in 1973. Despite the reinstatement of many procedural safeguards and guarantees, the slow pace of justice continues to be a major problem.

The national court system consists of four levels: local and regional trial courts; a national Court of Appeals divided into 17 divisions; the 15-member Supreme Court; and an informal local system for arbitrating or mediating certain disputes outside the formal court system. A Shariah (Islamic law) court system, with jurisdiction over domestic and contractual relations among Muslim citizens, operates in some Mindanao provinces. Supreme Court justices may hold office, on good behavior, until the age of 70.

The constitution calls for an independent judiciary and defendants in criminal cases are afforded the right to counsel. The legal system is based on both civil and common law. It is especially in-

fluenced by Spanish and Anglo-American laws. The Philippines accepts the compulsory jurisdiction of the International Court of Justice.

The government allows free press although several journalists have been killed in revenge for reporting on crimes committed by local authorities.

An informal local system for arbitrating or mediating certain problems operates outside the formal court system. There is no jury system. Defendants enjoy a presumption of innocence and have the right to confront witnesses, to present evidence and to appeal.

Issues affecting women, such as rape, domestic violence and sexual discrimination continued to be problematic although banned by law. Drug trafficking, forced labor and child prostitution continued to be problems for the law enforcement community.

The Philippines is a member of many international organizations including the United Nations and the World Trade Organization.

## 17 ARMED FORCES

The Philippines' armed forces had 106,000 active personnel in 2005, with reserves of 131,000. The Army had 66,000 active personnel that included eight light infantry divisions and five engineer battalions. Equipment included 65 *Scorpion* light tanks, 85 armored infantry fighting vehicles, 370 armored personnel carriers, and more than 282 artillery pieces. The Navy had an estimated 24,000 personnel (including 7,500 Marines) and an aviation arm. Major naval units included 1 frigate and 58 patrol/coastal vessels. The naval aviation arm was outfitted with six fixed wing transport aircraft and four utility helicopters. The Air Force had an estimated strength of 16,000, with 21 combat capable aircraft that included 11 fighter aircraft. The service also had 25 assault helicopters. Paramilitary forces consisted of a Coast Guard, the 40,500-member Philippine National Police and the 40,000 reservist Citizen Armed Force Geographical Units. The defense budget in 2005 totaled \$844 million.

The Philippines sent troops and observers to participate in UN missions in five countries.

## 18 INTERNATIONAL COOPERATION

The Philippines is a charter member of the United Nations, having joined on 24 October 1945, and belongs to ESCAP and several nonregional specialized agencies, such as the FAO, ILO, UNESCO, UNHCR, UNIDO, the World Bank, IAEA, and the WHO. The Philippines is a member of ASEAN and led in the formation of the Asian Development Bank, which opened its headquarters in Manila in 1966. The nation is also a member of APEC, the Colombo Plan, G-24, G-77, and the WTO. It has observer status in the OAS.

The Philippines is part of the Nonaligned Movement. The government has offered support to UN missions and operations in Kosovo (est. 1999), Liberia (est. 2003), East Timor (est. 2002), and Burundi (est. 2004), among others. In environmental cooperation, the Philippines is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Efforts to transform the Philippine economy from a primarily agricultural producer of crops for subsistence and export to a more diversified growth economy led by manufactured exports commanding more favorable terms of trade like its Asian tiger neighbors have been repeatedly hindered by natural disasters and external economic shocks. In 1990–91 the islands suffered the triple blow of earthquake, super-typhoon, and volcanic eruption. In succession, there were the even more devastating typhoon of 1995, the Asian financial crisis of 1997, and the global economic slowdown of 2001. In 2005, 14.8% of GDP was in agriculture, 31.7% in industry, and 53.5% in services. In 2004, 36% of the labor force was engaged in agriculture, compared with 16% in industry and 48% in services.

The manufacturing sector, though expanded and diversified since political independence, depends on imported raw materials and cannot supply internal needs. Electronics and telecommunications exports, which grew by double digits in the 1990s and had accounted for at least 75% of export revenues in 1999, proved vulnerable to the worldwide slowdown in consumer demand in the recession of 2001, and the contraction by half in foreign investment as a result of the 11 September 2001 terrorist attacks on the United States.

The Philippines has great potential as a tourist destination. However, since the early 1990s the tourist industry has, in addition to natural disasters and high fuel costs, been afflicted with political difficulties, particularly with the emergence of the Abu Sayyaf (Bearers of the Sword) Islamic fundamentalist group. Tourism receipts peaked in 1997 at close to \$3 billion, but in 2000 were less than \$2 billion.

Though the Philippine economy had a real GDP growth rate in 2001 of 3.4%, down from 4.8% in 2000, this positive showing was due primarily to a 4% growth in agriculture, and in spite of a 15% fall in exports, and 61.1% decline in its trade surplus (to \$2.6 billion) compared to 2000. For the first three quarters of 2002, the government reported growth in all three sectors, with services leading at 5.1% increase over 2001, industry second, at 3.8% growth, and agriculture at 2.3%. The improvement in services is ascribed to liberalization and deregulation that have encouraged innovations in telecommunications, retail, transportation and financing. The Malampaya natural gas project is central to industrial performance, while agriculture suffered from adverse weather conditions.

Widespread unemployment and underemployment plague the labor market. In 2002, the unemployment rate was 10.3% and the underemployment rate was 15.9%. High rates of labor migration abroad provide some relief and accounts for a substantial portion of the country's foreign exchange earnings.

Throughout the 1990s the shortage of electric power was a notorious constraint on the economy. In Manila, the industrial hub, power outages lasted from four to six hours per day. In 2000, in its Philippine Energy Plan (PEP) the government set as a goal 100% electrification by 2004. Consumer price protection was provided by the Price Act of 1992 through the stabilization of the price of basic necessities and prime commodities and by measures against undue price increases during emergency situations. In 1993 the inflation rate continued to decline and real economic growth accelerated through the beginning of 1997, before the onset of the

Asian financial crisis in August. As measured by the consumer price index (CPI), inflation peaked in 1998 at 9.7%, but had declined to 4.4% in 2000. There was an increase to 6.1% in 2001. Between 1993 and 1999, the Philippine government liberalized telecommunications, deregulated transportation, privatized water, and resolved the power crisis.

Real GDP growth averaged 3% from 1988 to 1998, peaking at 5.3% in 1997 and bottoming out in 1998 at 0.4%. From 1999 to 2002 real growth averaged close to 4%. Over the 2001–05 period, real GDP growth averaged 4.3%, and stood at 4.9% in 2005. GDP growth was forecast at 4.7% for 2006, but lower oil prices and higher global trade growth in 2007 were projected to allow GDP growth to accelerate to 5%. By year-end 2005, confidence in the Philippine economy had returned, as there had been a 70.5% year-on-year increase in FDI inflows into the country in January to August 2005.

The economy is marked by many disparities—in ownership of assets, in income, in levels of technology in production, and in the geographic concentration of economic activity. The National Capital Region (NCR), centered on Manila, contains 14% of the population and produces one-third of GDP. Per capita income in the NCR, the richest region of the country, is roughly nine times that of the poorest region, the four provinces forming the Muslim autonomous region in Mindanao. In 2000, the richest 10% of the population had an income 23 times that of the poorest 10%. Those living in poverty were estimated at 39.4% of the population in 2000, with the rate in rural areas standing at 46.9%. The poverty rate in the NCR was only 12.7%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 the Philippines's gross domestic product (GDP) was estimated at \$451.3 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$5,100. The annual growth rate of GDP was estimated at 4.7%. The average inflation rate in 2005 was 7.9%. It was estimated that agriculture accounted for 14.8% of GDP, industry 31.7%, and services 53.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$7.880 billion or about \$97 per capita and accounted for approximately 9.9% of GDP. Foreign aid receipts amounted to \$737 million or about \$9 per capita and accounted for approximately 0.9% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Philippines totaled \$55.18 billion or about \$677 per capita based on a GDP of \$79.3 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.7%. In 2001 it was estimated that approximately 37% of household consumption was spent on food, 11% on fuel, 1% on health care, and 14% on education. It was estimated that in 2001 about 40% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

The Philippines had a labor force estimated at 36.73 million in 2005. As of 2004, agriculture accounted for 36% of the nation's workforce, with 16% working in industry, and 48% in the services sector. In 2005, the unemployment rate was estimated at 12.2% of the workforce.

In May 1974, the government passed a new labor code that restructured the trade union movement on a one-industry, one-union basis. Most of the more than 3,700 trade unions are small; industrial unions have been united in the Philippines Trade Union Congress, and agricultural workers in the Federation of Free Farmers. Strikes are prohibited in such essential services as transportation, communications, and health care. In 2001, about 11% of the labor force was unionized, although only 2% were covered by collective bargaining agreements. While the right to strike and bargain are recognized by law, numerous instances of intimidation of union officials have been reported.

In 2002, the average legal daily minimum wage was \$5.60 for nonagricultural workers. This does not provide a family with a decent living standard. Perhaps as many as one-fifth of businesses in the Philippines does not pay the minimum wage. Agricultural wages are even lower, at a minimum of \$2.60 per day. The minimum working age is 15, although children even younger may work under the supervision of a parent or guardian. In practice, many children work in the informal economy, although serious efforts are being made by the government to reduce the number of children who are working.

## 2<sup>2</sup> AGRICULTURE

About one-third of the total land area is classified as arable. Three-fourths of the cultivated area is devoted to subsistence crops and one-fourth to commercial crops, mainly for export. Farms tend to be small, and many areas are double-cropped. Soils are generally fertile, but 30% of the agricultural land is suffering erosion.

In 1973, the Marcos government began a land-reform program that undertook to transfer landowners to about half of the country's 900,000 tenant farmers. By February 1986, over one-half of the area—about 600,000 hectares (1,482,600 acres)—had not been distributed. The Aquino administration proposed a program in two stages: the first, covering 1.5 million hectares (3.7 million acres) in 1987–89, involved previously undistributed land and other land held by the state; the second, covering 3.9 million hectares (9.6 million acres) in 1990–92, involved land cultivating sugar, coconuts, and fruits. A more detailed 1990–95 plan sought to increase productivity of small farms, maintain self-sufficiency in rice and corn production, and to increase the agricultural sector's role in the trade balance.

Roughly half the cultivated land is devoted to the two principal subsistence crops, palay (unhusked rice) and corn. Production of palay was 14,497,000 tons in 2004; long-term production has increased, mainly through the use of high-yielding hybrid seeds under a government development program begun in 1973. The Philippines attained self-sufficiency in rice in 1974 and became a net exporter of rice for the first time in 1977. A similar development plan was aimed at raising yields of corn, which is the chief food crop in areas unsuitable for rice-growing and is increasingly important as feed for use in the developing livestock and poultry

industries. The Philippines has been self-sufficient in corn for human consumption since the late 1970s, but since production of animal feed lags behind the demand, imports are still necessary. Corn output in 2004 was 5,413,000 tons. Lesser crops include peanut, mango, cassava, camote, tomato, garlic, onion, cabbage, eggplant, calamansi, rubber, and cotton.

Commercial agriculture, dominated by large plantations, centers on coconuts and copra, sugarcane, tobacco, bananas, and pineapples. Coconuts are the most important export crop, accounting for 26% of world production; in 2004, 14,345,000 tons were produced. Copra production, in which the Philippines leads the world, rose from 1,470,000 tons in 1965 to an estimated 2,250,000 tons in 2004/05. As oil milling capacity rose, the domestic market for copra expanded, accounting for almost all of the output and leaving only marginal amounts for exportation. The government put a ban on copra exports in March 1983, but it was lifted in March 1986. Sugarcane production provided the country's single largest export item until 1978, when output and prices fell. Production was 28 million tons in 2004 (compared with an annual average of 31.5 million tons during 1979–81). Pineapple production rose to 1,759,000 tons in 2004; production of coffee was 101,000 tons, and 5,638,000 tons of bananas were produced that year. Other important cash crops in 2004 included mangos, 968,000 tons; tobacco, 48,000 tons; and rubber, 96,000 tons.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Animal husbandry never has been important, meat consumption being very low. The carabao, or water buffalo, are the principal draft animals, particularly in the rice paddies; hogs are the chief meat animals (except in Muslim sections). The Philippines is self-sufficient in pork and poultry, but imports of beef and dairy products are still necessary. In 2005 there were 12.1 million hogs, 6.5 million goats, 3.2 million buffaloes, 2.6 million head of cattle, and 136 million chickens. Meat production in 2005 included (in thousands of tons): pork, 1,100; chicken, 647; beef from cattle, 175; and goat, 35. Dairy production totaled 13,000 tons from cows in 2005; and eggs, 545,000 tons. The livestock and poultry sectors each contribute about 13% to the total value of agricultural production. In 2004, exports of livestock, meat, and skins were valued at nearly \$7.6 million.

## 2<sup>4</sup> FISHING

Fish is the primary source of protein in the Filipino diet. Some 2,000 species abound in Philippine waters. Despite more than a doubling in output since the 1960s, the fishing industry remains relatively undeveloped, and large quantities of fish are imported. The Bureau of Fisheries and Aquatic Resources (BFAR) cites the continued environmental degradation of Philippine waters as a major constraint on fish production. In 2003, the total domestic fish catch was 2,169,164 tons (11th in the world), and aquacultural production amounted to 459,615 tons. Exports of fish products in 2003 were valued at \$428.2 million.

Six species are most important, according to BFAR, because each has yielded 100,000 tons per year or more since the mid-1980s. These species are: sardines, roundscad, frigate tuna, anchovies, milkfish, and tilapia. Indian mackerel, skipjack and yellowfin tuna, sea bass, red snapper, mullet, kawakawa, squid, and prawn are also plentiful. Principal commercial fishing grounds are off



Palawan, north of Panay and Negros, and to the south and west of Mindanao. Subsistence fishing is conducted throughout the archipelago. Fish ponds, chiefly for cultivation of bangos or milkfish, are principally in the swampy coastal areas of western Panay and around Manila Bay. Pearl shells (including cultured pearls), sponges, sea cucumbers (trepan), shark fins, and sea turtles are exported.

## 25 FORESTRY

Forests are an important economic resource in the Philippines. As of 2000, remaining forests occupy 5,789,000 hectares (14,300,000 acres), equivalent to 19.4% of the total Philippine land area. Major commercial forest reserves are located in Mindanao, Luzon, Samar, Negros, and Palawan. Areas devoted to industrial tree plantations in 2000 were estimated at 753,000 hectares (1,860,000 acres). Some 28,000 hectares (69,000 acres) were reforested in 2000, 21% by the private sector.

A series of devastating typhoons and the ensuing mudslides in central Luzon in December 2004 revealed the seriousness of both legal and illegal deforestation, prompting the government to review existing forestry laws. Applications to operate new sawmills have been suspended since 2003, as most sawmills had been utilizing illegally acquired logs. As a result, the output of logs, lumber, veneer, and plywood has been in decline since then.

Roundwood production in 2004 was estimated at 15.8 million cu m (557.7 million cu ft). Production of lumber in 2004 was estimated at 295,000 cu m (10.4 million cu ft); wood pulp, 175,000 tons; and plywood, 310,000 cu m (10.9 million cu ft). In the early 1980s, the Philippines was a significant exporter of tropical hardwood logs and lumber, but production fell by over 50% over the decade, leaving the country a net importer of tropical hardwood logs by 1990. The trade deficit for forest products was \$518.4 million in 2004.

Among other forest products are bamboo, rattan, resins, tannin, and firewood.

## 26 MINING

The mining and quarrying sector continued to decline in importance, accounting for about 2% of the country's gross domestic product (GDP) of \$77.1 billion in 2002. Production for much of the last quarter of the 20th century was slowed by political instability, declining foreign investment, low international prices, high operation and production costs, labor problems, an inadequate mining law, and natural disasters such as earthquakes, volcanic eruptions, landslides, tsunamis, typhoons, floods, and drought. Nevertheless, the Philippines ranked second in the Asia-Pacific region, after Indonesia, in terms of mineral prospectivity and resources. The Philippines reportedly had the world's largest source of refractory chromite, from Masinloc, and substantial resources of copper, gold, nickel, and silver. The production of chemicals and petroleum refining were leading industries in 2002.

Copper output was estimated at 20,414 metric tons (metal content) in 2003, up from 18,364 metric tons in 2002. Mined gold output was estimated at 37,840 kg in 2003, with mined nickel output estimated at 27,000 metric tons in 2003, up from 24,148 metric tons in 2002. The Philippines also produced sizable quantities of metallurgical chromite. Chromite ore production totaled an estimated 2,600 metric tons (gross weight) in 2003, up from 20,000

metric tons in 2002. Silver was also produced for export. The industrial mineral sector was dominated by the production of limestone, marble, and sand and gravel. In 2003, the Philippines also produced bentonite, hydraulic cement, clays (including red and white), feldspar, lime, perlite, phosphate rock, pyrite and pyrrhotite (including cuprous), marine salt, silica sand, stone (including dolomite, volcanic cinder, tuff, quartz), and sulfur. No guano phosphate was produced in 1999 and 2000, or in 2003.

Exploitation of the Philippines' potentially rich mineral resources has been stimulated somewhat by the Mining Act of 1995, which was designed to promote the mining industry to the international community and to provide incentives to ensure efficiency and economic viability for mining endeavors. The law also aimed to help the domestic mining industry regain its competitiveness by allowing companies (contractors) to obtain an exploration permit for a specific area for up to four years. For a viable deposit, the code provided four production agreements—production sharing, co-production, joint venture, or financial/technical assistance—with a duration of up to 50 years. A serious accident in 1996 involving spilled mine tailings from a copper mine on Marinduque led the government to freeze almost all applications for exploration licenses by foreign companies for one year. Through 2000, 59 exploration permits had been issued, and more than 400 applications were pending. The mining industry employed 400,000 people—300,000 of them engaged in small-scale mining and panning activities, chiefly in artisanal gold workings.

## 27 ENERGY AND POWER

The Philippines has modest reserves of oil, but more robust reserves of natural gas that could make the country a significant producer. The country is also the second-largest producer of geothermal power in the world.

As of 1 January 2004, the Philippines had proven oil reserves of 152 million barrels. In 2003, oil production averaged an estimated 26,000 barrels per day, of which 25,000 barrels per day consisted of crude oil. Domestic demand for petroleum products in 2003 however, far outstripped production. In that year, demand averaged an estimated 338,000 barrels per day, necessitating imports averaging an estimated 312,000 barrels per day. Crude oil refining capacity, as of 1 January 2004, was estimated at 333,000 barrels per day. However, as of October 2004, refineries in the Philippines were reported to be operating at 80% capacity. In 2004, refining in the country was dominated by three companies: Petron; Pilipinas Shell; and Caltex (Philippines), of which Petron is the largest. Petron's Limay, Bataan refinery can process 180,000 barrels per day of crude oil. Pilipinas Shell's refinery has a capacity of 153,000 barrels per day. Caltex (Philippines) closed its 6,000 barrel per day refining facility in late 2003, a year ahead of schedule, to make way for a storage and distribution facility.

The Philippines, as of 1 January 2004, had proven natural gas reserves estimated at 3.6 trillion cu ft. Of that amount, 2.6 trillion cu ft were contained in the Malampaya field, located in the South China Sea, off the island of Palawan. Plans by the Philippine government call for using the field's gas to fuel three power plants with a combined electric generating capacity of 2,700 MW and displacing 26 million barrels of oil. In 2002, domestic demand and output of natural gas were each estimated at 70.6 billion cu ft.

The Philippines had recoverable coal reserves estimated at 366 million short tons, as of 2002. In that same year, coal production was estimated at 1.9 million short tons, with demand placed at 5.7 million short tons. Imports in that same year came to 3.8 million short tons. However, coal's share of the Philippines' energy mix has been declining, due in large part to the development of new natural gas projects.

As of 1 January 2002, the Philippines had an electric generating capacity estimated at 13.4 million kW, of which geothermal energy contributed about 14.2% and conventional thermal-fired plants about 67%. Hydroelectric capacity accounted for around 18.7%. Total electrical output in 2002 was estimated at 45.6 billion kWh, of which 61.9% was from fossil fuels, 15.8% from hydropower, and the rest from geothermal sources. Geothermal energy, is produced on Luzon, Leyte, and Negros. Consumption of electricity in 2002 was estimated at 42.4 billion kWh. Large hydroelectric plants have been installed on the Agno and Angat rivers on Luzon and at María Cristina Falls on the Agusan River in Mindanao.

## 28 INDUSTRY

In 2001 employment in industry decreased by 86,000 since 2000, or by 1.8%, and its share of total employment declined 1.2%. In this same period there was a 7.4% increase in agricultural employment and a 0.6% increase in agriculture's share of the economy. These statistics reflect the setbacks the Philippines has encountered in its long-run strategy of converting to a more diversified economy with growth led by high value-added manufactured exports. These problems were aggravated by the global economic recession that began in 2001 and the aftershocks of the 11 September 2001 terrorist attacks on the United States. Over half of the value of Philippine exports in 2000 were accounted for by information technology (IT) products, which were particularly affected by the global recession.

Exports of electronics first surpassed food products and textiles in value in the late 1990s, as the government sought to shift from an economy based on agricultural produce and sweatshop factory output to an economy anchored by the assembly of computer chips and other electronic goods, many of them computer peripherals. Over 50 chip assemblers and computer components makers have invested in Philippine operations. Technology companies with major investments in the Philippines include Intel, Philips, Acer, Toshiba, Hitachi, Fujitsu, Cypress Semiconductor, and Amkor Technology. In a 1999 World Bank study, the Philippines was credited with one of the world's most technologically advanced export structures.

A promising development was a major natural gas discovery in the Malampaya field, formally inaugurated in 2001 with the completion of a 312 mile (504 km) sub-sea pipeline and the conversion of three power plants in Batangas to natural gas usage. In the Philippine Energy Plan (PEP) 2000–09 the government envisioned domestic energy production increasing to over 50% self-sufficiency from about 42% self-sufficiency in 2001. Oil production has not been promising: in 2001 only 2.3% of the oil consumed was produced in the Philippines. The Malampaya Deepwater Gas-to-Power Project has shifted the government focus to an emphasis on the development of natural gas resources.

By value, the leading industries are textiles, pharmaceuticals, chemicals, wood products, food processing, petroleum products,

electrical machinery, electronics assembly, petroleum refining, and fishing, with significant production in transport equipment, nonmetallic mineral products, fabricated metal products, beverages, rubber products, paper and paper products, leather products, publishing and printing, furniture and fixtures, and tobacco. The industrial production growth rate in 2005 was 0.5%.

The industrialization strategy proposed by the government in 1981 stressed development of exports and the accelerated implementation of 11 major industrial projects—a copper smelter, a phosphate fertilizer plant, an aluminum smelter, a diesel-engine manufacturing plant, an expansion of the cement industry, a “cocochemical” complex (based on coconuts), an integrated pulp and paper mill, a petrochemical complex, heavy engineering industries, an integrated steel mill, and the production of “alcogas.” The copper smelter, the phosphate fertilizer plant, and the “cocochemical” complex went into operation in 1985. Historically, manufacturing production has been geographically concentrated in the Metro Manila area and the adjoining regions of Southern Tagalog and Central Luzon. With the progress in electrification, this geographic concentration has begun to decrease. Most industrial output is concentrated in a relatively few large firms. Although small and medium-sized businesses account for about 80% of manufacturing employment, they account for only about 25% of the value-added in manufacturing. In 2005, industry accounted for 31.7% of GDP.

## 29 SCIENCE AND TECHNOLOGY

Leadership in formulating and implementing national science policy is exercised by the Department of Science and Technology. Special training in science is offered by the Philippine Science High School, whose graduates are eligible for further training through the department's scholarship program. The International Rice Research Institute in Los Banos, founded by the Rockefeller and Ford foundations and US AID in 1960, conducts training programs in the cultivation, fertilization, and irrigation of hybrid rice seeds. The Southeast Asian Regional Center for Graduate Study and Research in Agriculture maintains genotype and information banks for agricultural research.

The Philippine Nuclear Research Institute, founded in 1958, is located in Quezon City. The French Institute of Scientific Research for Development and Cooperation has an institute in Manila conducting research in molecular biology. In 1996, the Philippines had 68 universities and colleges offering courses on basic and applied sciences. In 1987–97, science and engineering students accounted for 14% of college and university enrollments. In the same period, research and development expenditures amounted to 0.22% of GNP. For the period 1990–2001 there were 156 scientists and engineers and 22 technicians engaged in research and development per million people. In 2002, high-tech exports were valued at \$11.488 billion and accounted for 65% of manufactured exports.

## 30 DOMESTIC TRADE

The archipelagic structure of Philippine marketing requires the establishment of regional centers and adds considerably to distribution costs, foreign domination of much of marketing, direct government participation, and the proliferation of small firms. About 90% of all imported goods come through the Port of Ma-

nila. Makati City is the business center of the country and hosts a number of distribution centers, trading firms, commercial banks, and high-end retail establishments. Cebu City is the trading center of the south.

Small stores typify retail trade. Manila has major shopping centers and malls. Generally, sales are for cash or on open account. Retailing is conducted on a high markup, low-turnover basis. A law provides for price-tagging on retail items. Direct marketing, particularly of foreign name-brand products, has gained in popularity. English is the general language of commercial correspondence. Most advertising is local; the chief media are newspapers, radio, television, posters, billboards, and sound trucks.

Shops are usually open from 10 AM to 8 PM, Monday through Saturday, but these hours can vary. Most department stores and supermarkets are open on Sunday. Banking hours are weekdays from 9 AM to 3 PM. Office hours, and hours for the Philippine government are generally from 8 AM to 5 PM Monday through Friday, with a one-hour lunch break from 12 to 1 PM. Some offices are open from 8 AM to 12 PM on Saturday. Staggered hours, with up to three shifts, are common in the metropolitan Manila area.

### 3<sup>1</sup> FOREIGN TRADE

The Philippines' traditional exports were primary commodities and raw materials. However, by 2000, machinery and transport equipment made up the majority of exports. In 2000, exports of electric machinery (mostly microcircuits, diodes, and transistors) accounted for 51% of total exports, and garments contributed 6.8% to the total value of exports. In 2000, the Philippines exported a majority of electronics, including microcircuits, transistors and valves (44%); automatic data processing equipment (12.2%); and telecommunications equipment (2.7%). Other exports included garments (6.8%), vegetable oil (1.2%), and fruits and nuts (1.1%). In 2000, machinery and electronics accounted for over three-fourths of all exports.

In 2004, the major exports were: electronic products (67.3% of all exports); semiconductors (47.1%); garments (5.5%); coconut oil (1.5%); and petroleum products (1%). Primary imports were: capital goods (38.1% of all imports); semi-processed raw materials (34%); parts for the manufacture of electronic equipment (15.4%); mineral fuels (11.7%); and chemicals (7.9%).

Japan and the United States continue to be the Philippines' primary trading partners. In percentage terms, for 2004, the Philippines' leading markets were: Japan (20.1% of all exports); the United States (17.9%); the Netherlands (9.1%); Hong Kong (7.9%); and China (6.7%). Leading suppliers included: Japan (19.8% of all imports); the United States (13.7%); China (7.7%); Singapore (7.4%); and Taiwan (7%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Since World War II, the Philippines experienced frequent trade deficits, aggravated by inflationary pressures. Deficits were counterbalanced by US government expenditures, transfer of payments from abroad, official loans (US Export-Import Bank, IBRD, and private US banks), net inflow of private investment, tourist receipts, remittances from Filipino workers overseas, and contributions from the IMF.

In 1996, trade liberalization policies helped to push imports up by 22% while exports rose by only 18%. The result was a widen-

ing trade deficit that amounted to 13% of GDP. Foreign investment in the stock market and remittances from overseas workers helped to offset the deficit and avert a balance-of-payments crisis. In 1998, the Philippines recorded a trade surplus at about 2% of GNP in the current account due to high electronics exports and low imports due to the devaluation of the peso. This was the first surplus in 12 years.

Merchandise exports, in double digits through most of the 1990s, slowed to a single-digit growth pace in 2000, reflecting fewer export receipts from electronics and telecommunications parts and equipment. This decline was attributed by the electronics industry to weaker prices for maturing products and technologies, and to the decline in electronic industry investments from the 1994-97 boom years (when investment averaged \$1.5 billion a year).

#### Principal Trading Partners – Philippines (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	36,231.2	39,543.5	-3,312.3
United States	7,273.4	7,674.5	-401.1
Japan	5,768.9	8,070.6	-2,301.7
China, Hong Kong SAR	3,093.9	1,690.9	1,403.0
Netherlands	2,921.7	323.8	2,597.9
Other Asia nes	2,492.2	1,966.8	525.4
Malaysia	2,462.6	1,434.6	1,028.0
Singapore	2,431.1	2,694.7	-263.6
China	2,144.6	1,932.6	212.0
Korea, Republic of	1,313.5	2,516.4	-1,202.9
Thailand	1,234.0	1,453.4	-219.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Philippines (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>3,347.0</b>
Balance on goods		-1,253.0
Imports	-36,095.0	
Exports	34,842.0	
Balance on services		-1,227.0
Balance on income		5,215.0
Current transfers		612.0
<b>Capital Account</b>		<b>21.0</b>
<b>Financial Account</b>		<b>-5,533.0</b>
Direct investment abroad		-158.0
Direct investment in Philippines		319.0
Portfolio investment assets		-1,586.0
Portfolio investment liabilities		880.0
Financial derivatives		...
Other investment assets		-13,307.0
Other investment liabilities		8,319.0
<b>Net Errors and Omissions</b>		<b>2,081.0</b>
<b>Reserves and Related Items</b>		<b>84.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Between 1996, exports surged from \$20.5 billion to \$38.1 billion. Imports reached \$38.6 billion in 1997, but by 2000 had dropped to \$33.8 billion. The 1999 and 2000 trade surpluses were the first since 1973; during the intervening period, expensive mineral fuel imports had thrown the balance into a deficit. In 2004, exports totaled \$38.8 billion and imports totaled \$44.7 billion, resulting in a trade deficit of \$5.9 billion. The current account recorded a surplus of \$2.2 billion in 2004, or 2.6% of GDP.

Traditionally, exports of primary products failed to balance imports, leading the government to restrict imports. Structural change accelerated in the 1970s, as the contribution of industry (including construction) to GDP rose from 29.5% in 1970 to 36.5% by 1980, primarily as a result of export-oriented industrialization promoted by the Marcos government. The Aquino assassination in August 1983 had immediate economic consequences for the Marcos government, as did the broader Third World Debt Crisis. Hundreds of millions of dollars in private capital fled the Philippines, leaving the country with insufficient foreign exchange reserves to meet its payments obligations. The government turned to the IMF and its creditor banks for assistance in rescheduling the nation's foreign debt, and an austerity program was set up during 1984–85. In December 1986, under IMF guidance, the Aquino government launched a privatization program with the establishment of the Assets Privatization Trust (APT). Monopolies established under the Marcos administration in coconuts, sugar, meat, grains, and fertilizer were dismantled and a ban on copra exports was lifted. All export taxes were abolished; and the government allowed free access to lower-cost or higher-quality imports as a means of improving the cost-competitiveness of domestic producers.

Many difficulties remained, however. The prices of commodity exports, such as sugar, copper, and coconut products, were still weak, while demand for nontraditional manufactured products, such as clothing and electronic components, failed to rise. The structural reforms produced an initial recovery between 1986 and 1989, but this was arrested by the series of natural disasters in 1990–91. In 1986, Aquino had also embarked on a Comprehensive Agrarian Reform Programme, but its goals remain unfulfilled.

In the 1990s, the government concluded three additional financial arrangements with the IMF—a stand-by agreement signed 20 February 1991 for about \$240 million; an arrangement under the Extended Fund Facility (EFF) signed 24 June 1994 for about \$554 million, and a stand-by agreement signed 1 April 1998 for about \$715 million. At the end of 2002, the Philippines owed over 140% of its quota to the Fund. Scheduled debt repayments to the IMF for 2003 were about \$330 million, and outstanding loans and purchases are not due to be retired until at least 2007. The country also had five debt reschedulings in the period 1984 to 1991 with the Paris Club—for official debt owed to aid donor countries—on which some payments are still owing.

### 33 BANKING AND SECURITIES

The Philippine banking structure consists of the government-owned Central Bank of the Philippines (created in 1949), which acts as the government's fiscal agent and administers the monetary and banking system; and some 45 commercial banks, of which 17 are foreign-majority-owned. Other institutions include more than 111 thrift banks, 787 rural banks, 38 private development banks,

7 savings banks, and 10 investment houses, and two specialized government banks. The largest commercial bank, the Philippine National Bank (PNB), is a government institution with over 194 local offices and 12 overseas branches. It supplies about half the commercial credit, basically as agricultural loans. The government operates about 1,145 postal savings banks and the Development Bank of the Philippines, the Land Bank of the Philippines, and the Philippine Amanah Bank (for Mindanao). There are also 13 offshore banking units in the country, and 26 foreign bank representative offices. Total assets reached approximately \$65 billion in March 2001, 39% of which belonged to the five largest banks. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$7.7 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$41.9 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 8.298%.

Philippine stock exchanges are self-governing, although the Philippine Securities and Exchange Commission (SEC), established in 1936, has supervisory power over registrants. The country's two stock exchanges, Manila and Makati (both in the capital), were formally merged into the Philippines Stock Exchange (PSE) in March 1993. A computer link-up was effected a year later, although the two retained separate trading floors until November 1995. Only 220 companies were listed as of 1998. But the process of privatization is expected to push up listings, while domestic participation in the equity market is being specifically promoted by new regulations requiring that all initial public offerings reserve a 10% tranche for small investors. Before the Asian crisis, market capitalization of publicly listed companies had grown to \$89 billion, or six times the amount of 1992. But in 1998, only 10 of the largest companies accounted for more than half of trading volume. In 2000, a financial scandal in which the SEC failed to regulate the market properly drove the stock market down by a quarter and destroyed investor confidence. In 2000, market capitalization was a mere 38% of the previous year, and only 12% of the peak level in 1996. As of 2004, a total of 233 companies were listed on the PSE, which had a market capitalization of \$28.948 billion. In 2004, the PSE Composite Index rose 26.4% from the previous year to 1,822.8.

### 34 INSURANCE

The Government Service Insurance System (GIS), a government organization set up in 1936, provides life, permanent disability, accident, old age pension, burial insurance and salary and real estate loan benefits. Compulsory third-party motor liability insurance went into effect on 1 January 1976. In addition, workers' compensation and personal accident insurance for workers abroad are compulsory. The Insurance Commission of the Department of Finance oversees the insurance industry.

Life and nonlife insurance companies provide coverage against theft, fire, marine loss, accident, embezzlement, third-party liability, and other risks. In 2003, a total of \$1.192 billion in direct insurance premiums were written, of which life insurance premiums accounted for \$702 million. In 2003, Malayan Insurance was the Philippines' top nonlife insurer, with gross written nonlife premiums of \$60.5 million. In 2000 (the latest year for which data was

available), the leading life insurer was Philam Life and General, with gross written life insurance premiums of \$161.3 million.

### 3<sup>5</sup> PUBLIC FINANCE

The principal sources of revenue are income taxes, taxes on sales and business operations, and excise duties. Infrastructural improvements, defense expenditures, and debt service continue to lead among the categories of outlays. The government's commitment to fiscal balance resulted in a budget surplus for the first time in two decades in 1994. The surplus was achieved by higher taxes, privatization receipts, and expenditure cuts. The Philippines was not affected as severely by the Asian financial crisis of 1998 as many of its overseas neighbors, as a result of over \$7 billion in remittances annually by workers overseas.

The US Central Intelligence Agency (CIA) estimated that in 2005 the Philippines' central government took in revenues of approximately \$12.3 billion and had expenditures of \$15.7 billion. Revenues minus expenditures totaled approximately -\$3.3 billion. Public debt in 2005 amounted to 77.4% of GDP. Total external debt was \$67.62 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, budgetary central government revenues were ₱628.71 billion and expenditures were ₱833.68 billion. The value of revenues was us\$12 million and expenditures us\$15 million, based on a market exchange rate for 2003 of us\$1 = ₱54.203 as reported by the IMF. Government outlays by function were as follows: general public services, 54.2%; defense, 4.9%; public order and safety, 6.4%; economic affairs, 12.4%; housing and community amenities, 0.2%; health, 1.6%; recreation, culture, and religion, 0.7%; education, 15.5%; and social protection, 4.1%.

### 3<sup>6</sup> TAXATION

The individual income tax consists of taxes on compensation income (from employment), business income, and passive income (interests, dividends, royalties, and prizes). As of 2005, personal income was taxed on a progressive scale with a top rate of 32%.

In 2000, the business income tax rate was lowered from 33% to 32%, where it stood as of 2005. For resident foreign corporations, after-tax profits remitted abroad to the head office are subject to a 15% tax. Corporations registered with the Philippine Economic Zone Authority (PEZA), the Board of Investment (BOI), the Bases Conversion Development Authority, or operating in independent special economic zones (ecozones), are eligible for special tax and customs incentives, exemptions and reductions designed to attract foreign, new, necessary and/or export-oriented foreign investment. The capital gains tax is 6% on real property; 5% on gains of ₱100,000 or less from the sale of stock not listed on the stock exchange, and 10% on gains over ₱100,000. Dividends are not subject to taxation if paid from one domestic corporation to another domestic corporation, or to resident foreign corporations. However, dividends paid to nonresident companies are generally subject to a 32% withholding tax, which can be reduced to 15%, under certain circumstances. Some cities, such as Manila, levy their own wholesale and retail sales taxes.

Taxes on transactions include a value-added tax (VAT) of 10%. For smaller businesses not registered with the VAT a percentage sales tax of 3% on quarterly sales is applied. Higher rates for ac-

#### Public Finance – Philippines (2003)

(In billions of pesos, budgetary central government figures)

	628.71	100.0%
<b>Revenue and Grants</b>	<b>628.71</b>	<b>100.0%</b>
Tax revenue	537.36	85.5%
Social contributions	...	...
Grants	1.2	0.2%
Other revenue	90.15	14.3%
<b>Expenditures</b>	<b>833.68</b>	<b>100.0%</b>
General public services	451.76	54.2%
Defense	40.65	4.9%
Public order and safety	53.5	6.4%
Economic affairs	103.4	12.4%
Environmental protection	...	...
Housing and community amenities	1.75	0.2%
Health	12.98	1.6%
Recreational, culture, and religion	6.14	0.7%
Education	129.6	15.5%
Social protection	33.93	4.1%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

tivities involving issues of public morality: cockpits are taxed 18%, cabarets, 18% and jai-alai and racetracks, 30%.

Excise taxes are imposed on selected commodities such as alcoholic beverages, tobacco products, jewelry and petroleum products. In addition, the government levies a variety of other taxes, including mining and petroleum taxes, residence taxes, a head tax on immigrants above a certain age and staying beyond a certain period, document stamp taxes, donor (gift) taxes, estate taxes, and capital gains taxes. A document stamp tax is charged on stock certificates, proofs of indebtedness, proofs of ownership, etc.

### 3<sup>7</sup> CUSTOMS AND DUTIES

The Philippines, under its commitments to ASEAN, must accelerate its tariff reductions as part of its AFTA Common Preferential Tariff (CEPT) Inclusion List. The Philippines, as a member of the Asia Pacific Economic Cooperation (APEC) forum, is also committed to the establishment of free trade in the region and is expected to eliminate intra-regional barriers by 2020. The government developed a separate plan in 1996 to lower tariffs to no more than 3% on raw materials and 10% on finished products by January 2003, and a uniform 5% tariff rate by January 2004. There is also a value-added tax (VAT) of 10% on almost all imports and excise taxes are levied on alcohol and tobacco products, automobiles, and other luxury items.

### 3<sup>8</sup> FOREIGN INVESTMENT

Investments have been concentrated in manufactures for exports, utilities, mining, petroleum refining, and export-oriented agriculture, with accelerating interest in labor-intensive textiles, footwear, electronics, and other nontraditional export industries. Investment is affected by import controls, exchange controls, and equity controls that favor Filipino participation in foreign ventures. Attempts to liberalize the economy of the Philippines are fighting three centuries of entrenched interests. Filipino political science research points out the influence and effects of Spanish co-

lonialism that delivered the control of politics and economics into the hands of a small number of families. In the name of nationalism these families legislated against foreign competition in the 1950s. Serious restructuring began in the wake of the Third World debt crisis and the turn to the IMF for assistance. The Omnibus Investments Code of 1987 generally limited foreign equity ownership to 40%, but allowed 100% foreign ownership in a “pioneer” priority industry identified in the annual Investment Priorities Plan (IPP). Special encouragement was given to pioneer manufacturing endeavors, export-oriented and labor-intensive industries, projects outside metropolitan Manila, and to joint ventures with a minimum of 60% Filipino capitalization. The structural reforms produced an initial recovery between 1986 and 1989, but this was arrested by the series of natural disasters in 1990–91.

The Foreign Investment Act of 1991 (FIA) further liberalized the investment climate of the Philippines. The FIA permits 100% foreign ownership, without prior BOI approval, of companies engaged in any activity not included in the foreign investment negative list. The foreign investment negative list is comprised of three categories where foreign investment is fully or partially restricted by the constitution or by specific laws. In all three categories foreign ownership is restricted to between zero and 40%. Restriction on setting up export processing zones has also been considerably relaxed. The development of special economic zones began with the transformation of the former US military bases into enterprise zones, the Subic Bay Freeport Zone (SBFZ) and the Clark Special Economic Zone (CSEZ) according to the Bases Conversion Act of 1992.

The Export Development Act of 1994 signaled the government’s conversion from an import substitution model of industrial development to an export-led growth model, more in line with its Asian tiger neighbors. The banking and insurance sectors were also significantly liberalized by legislation in 1994. Since 1948 the four existing foreign banks had not been allowed to open branches. Under a 1994 law, each was allowed to open up to six new branches, plus up to 10 new foreign full-service banks could be licensed with up to six branches each. Insurance was opened to 100% foreign ownership but such that the higher the percent foreign ownership, the higher minimum capital requirements. Rural banking, however, continues to remain closed to foreign investment. The next year, in 1995, the Special Economic Zone Act, and separate laws for independent ecozones in Zoambanga and Cayagyu, established the framework for the collection of four government-managed ecozones and over 40 private ecozones, all with liberalized incentives to attract foreign investment. Amendments to the FIA in 1996 enhanced the investor-friendly framework, albeit leaving the country vulnerable to the rapid divestments of the Asian financial crisis the next year. With recovery, the government embarked on further reforms aimed at attracting foreign investors.

In May 2000, the General Banking Law (GBL), in addition to strengthening the supervisory role of the Bangko Sentral ng Philippines (BSP), allowed 100% ownership of distressed banks. Also in 2000, the Estrada administration opened the retail trade and grain milling businesses to foreign investment.

There remain, however, major restrictions on foreign investments in the Philippines besides the natural hindrances that this most disaster-prone of countries is liable to, not the least of which is the complexity and detail of the investment regime. Under the

FIA, the government is obliged to promulgate a Foreign Investment Negative List (FINL) consisting of a List A of foreign ownership limited by the constitution and specific laws, and a List B of foreign ownership limited for reasons of security, defense, risk to health and morals and protection of small- and medium-scale enterprises.

In 2002 President Arroyo issued the Fifth FINL. On List A, by its terms, no foreign equity was to be allowed in the mass media except recording, nor in any of the licensed professions including law, medicine, accounting, engineering, environmental planning, interior design, teaching, and architecture. Small scale retail and mining, private security, utilization of marine resources, the operation of cockpits, and the manufacture of fireworks, are off-limits to foreigners, as are, on another level, the manufacture and stockpiling of nuclear, biological, chemical and radiological weapons. Only a maximum of 20% ownership is allowed a private radio communications network; only up to 25% in employee recruitment industries, public works construction projects (though with important exceptions for infrastructure/development projects, and those built with foreign aid); only up to 30% in ad agencies; only up to 40% in natural resource extraction projects (though the president can authorize up to 100%), ownership of private lands, ownership of condominiums, educational institutions, public utilities, commercial deep sea fishing, government procurement contracts, adjustment companies, and rice and corn processing (with at least 60% divestment to Filipino citizens required after 30 years of operation); and only up to 60% in financial and investment houses. On the B list for 2002, foreign ownership was restricted to 40% in manufacture of firearms, ammunition, explosives, military ordnance, dangerous drugs, saunas, steambaths, massage parlors, all forms of gambling, local businesses not engaged in exporting with paid-in capital of less than \$200,000 and local businesses that involved advanced technology or employed at least 50 persons with paid-in capital of less than \$100,000.

In 2001, President Arroyo, a trained economist, launched a high profile campaign to attract foreign investment. Former president Fidel Ramos and four other senior government officials were appointed as envoys to promote trade and investment. Against strong nationalist opposition, her administration passed the Electric Power Industry Reform Act that required the National Power Corporation (NPC) to privatize at least 70% of its generating assets by 2004. NPC’s transmission assets were fully privatized and opened up to the maximum 40% foreign ownership allowed for public utilities. 2001, in fact, turned out to be a banner year for foreign investment in the Philippines, which increased 171% to \$3.4 billion (about \$2 billion FDI and \$1.4 billion portfolio investment), all the more remarkable because of the decline by 50% worldwide in foreign investments that year, and because of the Philippines’ emergence as a front in the war on terrorism, thanks to the Abu Sayyaf organization and its close links to al-Qaeda. The Philippines’ newly deregulated and privatized energy sector was the main draw, the center piece being the Malampaya natural gas project, which was officially inaugurated on 16 October 2001 following the completion of its 312-mile (504-km) undersea pipeline and the conversion of three power plants in Batangas to natural gas usage.

The Philippine government, despite its attempts to attract more foreign investment, has failed to invest in the infrastructure that

is crucial to foreign and domestic investors—roads, communications, healthcare, and education. The government has been unable to address the issues of congestion and pollution in Manila. Nevertheless, in 2002 FDI increased to \$1.7 billion, but dropped to \$318 million in 2003. Nine-month FDI from January to September 2004 amounted to \$330 million, which was an increase of 30.4% over the same period in 2003, but remained low when compared with previous years.

### **39 ECONOMIC DEVELOPMENT**

Beginning in 1972, the main tenets of the Marcos government's economic policies, as articulated through the National Economic Development Authority, included substantial development of infrastructure, particularly through the use of labor-intensive rather than capital-intensive (i.e., mechanized) methods, and a shift in export emphasis from raw materials to finished and semifinished commodities. The policies of the Aquino administration have stressed labor-intensive, small and medium-scale agricultural projects and extensive land reform. In addition, wealth believed to have been amassed by President Marcos was actively being pursued all over the world. Long-range planning has followed a series of economic plans, most of them covering five-year periods. The development program for 1967–70 aimed to increase the growth rate of per capita income from the 0.9% level in 1961–65 to 2.4%; to increase national income by 5.7% per year during the plan period, and to reduce the unemployment rate from 13% (1965) to 7.2% (1970). The government invested \$3.5 billion in integrating the traditional and modern sectors of the economy. Marcos's first long-range plan following the 1972 declaration of martial law was a four-year (1974–77) infrastructure development program calling for 35% to be expended on transportation, 33% on energy and power, 20% on water resources, 10% on education, health, and welfare, and 2% on telecommunications. A 1974–78 plan, announced in late 1975, envisioned energy as the major focus of the new plan, with 34% of expenditures, followed by transportation, 30%; water resources, 23%; social programs, 7%; and other sectors, 6%. The goals of the 1978–82 plan included an 8% annual growth in GNP, rural development, tax incentives for export-oriented industries, continued self-sufficiency in grain crops despite rapid population growth, and accelerated development of highways, irrigation, and other infrastructure. The 1983–87 plan called for an annual expansion of 6.2% in GNP, improvement of the rural economy and living standards, and amelioration of hunger.

Under the Aquino administration the goals of the 1987–92 plan were self-sufficiency in food production, decentralization of power and decision making, job creation, and rural development. Economic performance for real growth fell far short of plan targets by 25% or more. Structural changes to provide a better investment climate were carried out. The Foreign Investment Act of 1991 liberalized the environment for foreign investment. An executive order issued in July 1991 reduced the number of tariff levels over five years and reduced the maximum duty rate from 50% to 30%. Quantitative restrictions were removed from all but a few products. The foreign exchange market was fully deregulated in 1992.

A new six-year medium-term development plan for 1993–98 was presented by the government in May 1993. The plan stressed people empowerment and international competitiveness within the framework of sustainable development. To do this, the gov-

ernment planned to disperse industries to regions outside the metropolitan Manila area. The plan also called for technological upgrading of production sectors, poverty alleviation, and human/social development. Over the six year period, agriculture's share of GDP was expected to decline from 23% to 19% of GDP while industry's share was to increase from 34% to 39%. The Medium-Term Philippine Development Plan (MTPDP) for 1999 through 2004 focused on rural development, especially on the modernization of the agricultural sector. The MTPDP targeted agricultural growth from 2.6% to 3.4% during the plan's time-frame, as well as growth in the industrial and service sectors. The Philippines finished three years of IMF supervision in March 1998, only to be hit by the Asian financial crisis. Financial assistance continued in 1998 and 1999 through the Asian Development Bank, World Bank, and Japan's Overseas Economic Cooperation Development Fund.

By 2006, the primary economic policy challenge confronting the government was to bring the public finances back into balance, allowing increased expenditure on areas such as infrastructure, education, and healthcare. The fiscal deficit had been pushed up due to poor tax administration, which saw revenue fall relative to GDP. The ballooning public debt is a problem, at 77.4% of GDP in 2005. Interest payments account for a third of all public spending. Nevertheless, the stock market in mid-2005 was at a five-year peak, and the peso was at its highest against the dollar since mid-2003. Applications for investment incentives had more than doubled in 2004 and were also high in 2005.

In the mid-2000s, the economies of Southeast Asia revolved around trade. In 2004, the region experienced a 6.3% GDP growth rate, largely due to a double-digit increase in exports. But looking solely to exports as a means to promote growth is risky: what is needed is a revival of domestic consumption, which would help insulate the region from the vagaries of the world economy. The only country where exports did not make a significant contribution to growth by 2005 was the Philippines, where almost all growth was attributable to domestic demand. Instead of being a mark of strength, however, this was a mark of economic weakness. Due to the billions of dollars of remittances that Filipinos working overseas send to their families back home, consumer spending in the Philippines is robust. However, the economy does not grow fast enough to provide jobs for those Filipinos who must find work overseas.

### **40 SOCIAL DEVELOPMENT**

The Social insurance system covers employees up to age 60, including domestic workers and the self-employed. Membership for employers is compulsory. Benefits include compensation for confinement due to injury or illness, pensions for temporary incapacity, indemnities to families in case of death, old age pensions, and benefits to widows and orphans. Charges to cover the system are paid jointly by employers and employees and according to 29 wage classes. The government funds any deficit. Retirement is at age 60 for most workers. A medical care plan for employees provides hospital, surgical, medicinal, and medical-expense benefits to members and their dependents, as well as paid maternity leave.

A handful of women enjoy high prestige and visibility, but most women occupy traditional social roles and occupations. Unem-

ployment rates are higher for women, and women continue to earn less than men. Sexual harassment in the workplace is widespread, and goes largely unreported because women are afraid of losing their jobs. Spousal abuse and violence remain serious concerns. The absence of divorce laws and lack of economic opportunity keep women in destructive relationships. The government has enacted various measures to safeguard the rights of children. Child prostitution, while illegal, is widespread and has contributed to the growing sex-tourism industry. Some human rights violations remain, including arbitrary arrest and detention, torture, and disappearances.

#### 41 HEALTH

In 2004, there were an estimated 116 physicians, 56 dentists, 442 nurses, and 179 midwives per 100,000 people. There were 1,663 hospitals, 562 of which were operated by the government and 1,101 in the private sector. Government-financed child health malnutrition and early education programs are already well established in the Philippines. These programs suffer from chronic underfunding in terms of inadequate equipment, numbers of field-level staff, and other operating expenses. Government hospitals had 46,388 beds and private hospitals had 35,309. In addition, there were 2,299 rural health units. Total health care expenditure was estimated at 3.6% of GDP.

Pulmonary infections (tuberculosis, pneumonia, bronchitis) are prevalent. Malnutrition remains a health problem despite government assistance in the form of Nutripaks (consisting of indigenous foods such as mung beans and powdered shrimp) that are made available for infants, children, and pregnant women. It was estimated that 32% of children under five years old were considered malnourished. Protein malnutrition, anemia, and vitamin A and iodine deficiencies are commonly found in children. The goiter rate was 6.9 per 100. Heart disease is the third most common cause of death in the Philippines.

During the 1980s, a nationwide primary health care program was implemented. As a result, community involvement in health services increased, the prevalence of communicable diseases decreased, and the nutritional state of the population improved. Obesity and hypertension are more common in the cities. Approximately 87% of the population had access to safe drinking water and 83% had adequate sanitation. Children up to one year of age were immunized against tuberculosis, 91%; diphtheria, pertussis, and tetanus, 85%; polio, 86%; and measles, 96%. The rate for both DPT and measles was 79%.

The infant mortality rate declined from 78.4 per 1,000 live births in 1972 to 23.51 in 2005. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 26.9 and 6 per 1,000 people. Maternal mortality was 170 per 100,000 live births. In 2000, 47% of married women (ages 15 to 49) were using contraception. Average life expectancy was 69.91 years in 2005.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 9,000 people living with HIV/AIDS in the country. There were an estimated 500 deaths from AIDS in 2003.

#### 42 HOUSING

Construction is largely undertaken by the private sector, with the support of government agencies. The Ministry of Human Settle-

ments (MHS), created in 1978, sets housing programs in motion. Its first major program was the Bagong Lipunon Improvement of Sites and Services (BLISS), which undertook 445 projects involving 6,712 units housing 40,272 people. As with many programs begun during the Marcos administration, the projects became ridden with scandal.

More creditable was the Pag-IBIG fund, which was set up to promote savings for housing and provide easy-term housing loans, with contributions from individuals, banks, industries, and the government. By the end of 1985, ₱98 million in loans had been provided to 171,585 members. The Aquino administration offered tax exemptions to domestic corporations and partnerships with at least 300 employees that invest funds in housing. Over 5 million housing units were built in the period 1981–90.

At the 2000 census, there were 15,278,808 households in the Philippines with an average household size of 5 members. Most housing units are single-family detached homes. About 71% of all housing was owner occupied. Only about 27% of all households have their own community service-connected faucet for drinking water. A majority of households get their water from wells, river, lakes, and other bodies of water. Only 41% of all households had a privately used septic system.

Tens of thousands of barrios are scattered throughout the Philippines, each consisting of a double row of small cottages strung out along a single road. Each cottage is generally built on stilts and has a thatched roof, veranda, and small yard.

#### 43 EDUCATION

Education is free for primary school and compulsory for six years and is coeducational. English is the main medium of instruction, although Pilipino or the local vernacular is used for instruction in the lower primary grades. Primary school lasts for four years, followed by two years of intermediate school. Students may then move on to four years of secondary school. The academic year runs from June to March.

In 2001, about 33% of all five-year-olds were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 94% of age-eligible students. The same year, secondary school enrollment was about 59% of age-eligible students; 54% for boys and 65% for girls. It is estimated that about 95.2% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 35:1 in 2003; the ratio for secondary school was about 37:1. In 2003, private schools accounted for about 7% of primary school enrollment and 20.5% of secondary enrollment.

The University of the Philippines, in Quezon City, with branches in major islands, is the leading institution of higher learning. In addition, there are some 50 other universities, including the University of Santo Tomás, founded in 1611 and run by the Dominican friars. In 2003, about 30% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 92.6%.

As of 2003, public expenditure on education was estimated at 3.1% of GDP, or 17.8% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library in Manila has an estimated 1.2 million volumes. The Filipiniana and Asia Division contains over 100,000 Fil-



ipiniana books. Large libraries are in the universities, notably the University of the Philippines (948,000 volumes), the University of Santo Tomás (822,000), the University of the East (177,900), and the University of San Carlos. The International Rice Research Institute in Manila holds 160,000 volumes. There are over 940 public libraries across the country, with about 580 as city or municipal libraries.

The National Museum in Manila collects and exhibits materials and conducts research in anthropology, ethnography, archaeology, botany, geology, history, and maps. The University of Santo Tomás Museum contains an art gallery and archaeology and anthropology collections. Three relatively new museums in Manila exhibit primarily art: Lopez Memorial Museum (1960) exhibits Filipino painters; Metropolitan Museum (1976) exhibits a variety of art forms; and the Philippines Presidential Museum (1986) exhibits fine and decorative arts. The Ateneo Art Museum in Quezon City features post-World War II Philippine paintings, and there is a Mabini Shrine in Tonauan, featuring relics of Apolinaria Mabina, a leader of Philippine independence.

#### 45 MEDIA

There are four nationwide telephone networks, including the Philippine Long Distance Telephone Company, run mainly by the private sector, with services concentrated in urban areas. Overseas communications operate via satellites and undersea cables. In 2003, there were an estimated 41 mainline telephones for every 1,000 people. The same year, there were approximately 270 mobile phones in use for every 1,000 people.

Radio and television are operated by both government agencies and private concerns. Radio transmitting stations numbered over 700 in 2005, and there were 75 television stations in 2000. In 2003, there were an estimated 161 radios and 182 television sets for every 1,000 people. About 37 of every 1,000 people were cable subscribers. Also in 2003, there were 27.7 personal computers for every 1,000 people and 44 of every 1,000 people had access to the Internet. There were 161 secure Internet servers in the country in 2004.

In 2002 there were about 50 major daily newspapers, as compared with six during the Marcos era. The leading dailies published in metropolitan Manila (with language of publication and estimated 2002 circulation) are: *People Tonight* (English/Filipino, 500,000), *Abante* (English/Filipino, 350,000), *Ang Filipino Ngayon* (Filipino, 286,450), *Philippine Star* (English, 275,000), *Manila Bulletin* (English, 265,000), *Philippine Daily Inquirer* (English, 250,000), *Tempo* (English/Filipino, 230,000), *People's Journal* (English/Filipino, 219,000), *Manila Times* (English, 194,000), *Malaya* (English, 175,000), and *Balita* (Filipino, 151,000).

Under martial law, censorship of the press, radio, and television was imposed by the Marcos government. Many reporters, editors, and publishers were arrested during this period. Censorship was revoked under the Aquino administration. However, there are reports of threats, assaults, and killings of journalists who report on illegal activities such as gambling, logging, prostitution, and the drug trade among powerful individuals or groups, especially outside Manila.

#### 46 ORGANIZATIONS

The Philippine Chamber of Commerce and Industry has branches in metropolitan Manila and other important cities, and there are associations of producers and industrial firms in many areas. The Trade Union Congress of the Philippines based in Quezon City represents over 1.4 million people. There are many associations of persons active in such fields as agriculture, architecture, art, biology, chemistry, economics, library service, literature, engineering, medicine, nutrition, veterinary service, and the press. The multinational ASEAN Confederation of Employers is located in Makati City, with that office coordinated in part by the Employers' Confederation of the Philippines.

The Philippine Academy is the oldest and best-known scholarly organization. The National Research Council of the Philippines promotes research and education in physical and social sciences and the humanities. A number of professional associations also promote public research and education in specific fields, particularly those involved in medical research and healthcare, such as the Philippine Medical Association, the Philippine National AIDS Council, and the Philippine Diabetes Association.

National youth organizations include the National Youth Parliament, League of Filipino Students, National Indigenous Youth, Junior Chamber, National Union of Students of the Philippines, Student Christian Federation of the Philippines, Young Christian Workers of The Philippines, Boy Scouts of the Philippines, and YMCA/YWCA. Sports associations are popular throughout the country. The International Bowling Federation is based in Pasig City.

There are several national organizations focusing on women's rights, including the Philippine Association of University Women and the National Commission on the Role of Filipino Women. Kiwanis and Lion's Clubs have programs in the country. The Asian Volunteers' Network for Human Rights in the Philippines is based in Quezon City. International organizations with national chapters include CARE Philippines, Defence for Children International, UNICEF, Habitat for Humanity, Amnesty International, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

The increase in tourism that followed the ouster of Ferdinand Marcos was dampened by the national disasters of the early 1990s. The tourism industry has since rebounded. Manila remains the chief tourist attraction. Other points of interest are the 2,000-year-old rice terraces north of Baguio; Vigan, the old Spanish capital; Cebu, the oldest city; numerous beaches and mountain wilderness areas; and homes formerly owned by the Marcoses. Basketball is the national sport, followed in popularity by baseball and football (soccer). Jai-alai is popular in Manila and Cebu. Cockfighting is legal and often televised. Each tourist must have a valid passport and an onward/return ticket; no visa is required for stays of up to 21 days.

In 2003, about 1.9 million tourists arrived in the Philippines. Over 58% of the tourists arrived from East Asia and the Pacific; North Americans accounted for close to 25%. There were 21,409 hotel rooms with 42,818 beds and a 60% occupancy rate that year. Tourism expenditure receipts totaled \$1.5 billion.

According to 2005 US Department of State estimates, the cost of staying in Manila was \$199 per day.

#### 48 FAMOUS FILIPINOS

Filipinos have made their most important marks in the political arena. Foremost are José Rizal (1861–96), a distinguished novelist, poet, physician, linguist, statesman, and national hero; Andrés Bonifacio (1863–97), the leader of the secret Katipunan movement against Spain; and Emilio Aguinaldo y Famy (1869–1964), the commander of the revolutionary forces and president of the revolutionary First Philippine Republic (1899). Notable Filipinos of the 20th century include Manuel Luis Quezon y Molina (1878–1944), the first Commonwealth president; Ramón Magsaysay (1907–57), a distinguished leader in the struggle with the Hukbalahaps; and Carlos Peña Rómulo (1899–1985), a Pulitzer Prize-winning author and diplomat and the president of the fourth UN General Assembly. Ferdinand Edralin Marcos (1917–89), who won distinction as a guerrilla fighter during the Japanese occupation, was the dominant political figure in the Philippines from his first election to the presidency in November 1965 to his ouster in February 1986. His wife, Imelda Romualdez Marcos (b.1929), emerged as a powerful force within her husband's government during the 1970s. Leading critics of the Marcos government during the late 1970s and early 1980s were Benigno S. Aquino, Jr. (1933–83) and Jaime Sin (1928–2005), who became the archbishop of Manila in 1974 and a cardinal in 1976. Maria Corazon Cojuangco Aquino (b.1933), the widow of Benigno, opposed Marcos for the presidency in February 1986 and took office when he went into exile in the same month. Fidel Valdez Ramos (b.1928) succeeded Corazon Aquino and governed from 1992 until 1998, when he was succeeded by Joseph Estrada (b.1937). Estrada led the country from 1998–2001; Gloria Macapagal-Arroyo (b.1947) succeeded him in 2001.

Lorenzo Ruiz (fl.17th cent.) was canonized, along with 15 companion martyrs, as the first Filipino saint. Fernando M. Guerrero (1873–1929) was the greatest Philippine poet in Spanish. Two painters of note were Juan Luna y Novicio (1857–99) and Félix Resurrección Hidalgo y Padilla (1853–1913). Contempo-

rary writers who have won recognition include Claro M. Recto (1890–1960), José García Villa (1914–97), and Carlos Bulosan (1914–56). José A. Estella (1870–1945) is the best-known Filipino composer. Filipino prizefighters have included two world champions, Pancho Villa (Francisco Guilledo, 1901–25) and Ceferino García (1910–81).

#### 49 DEPENDENCIES

The Philippines has no territories or colonies.

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# QATAR

State of Qatar  
*Dawlat Qatar*



**CAPITAL:** Doha (Ad-Dawah)

**FLAG:** Maroon with white serrated border at the hoist.

**ANTHEM:** *Qatar National Anthem.*

**MONETARY UNIT:** The Qatar riyal (QR) of 100 dirhams was introduced on 13 May 1973. There are coins of 1, 5, 10, 25, and 50 dirhams, and notes of 1, 5, 10, 50, 100, and 500 riyals. QR1 = \$0.27473 (or \$1 = QR3.64) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, although some British measures are still in use.

**HOLIDAYS:** Emir's Succession Day, 22 February; Independence Day, 3 September. Muslim religious holidays include 'Id al-Fitr, 'Id al-'Adha, and Milad an-Nabi.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Comprising an area of 11,437 sq km (4,416 sq mi), the State of Qatar consists of a peninsula projecting northward into the Persian Gulf, extending about 160 km (100 mi) N–S and 90 km (55 mi) E–W. Comparatively, the area occupied by Qatar is slightly smaller than the state of Connecticut. It is bordered by Saudi Arabia and has a total boundary length of 623 km (387 mi), of which 563 km (350 mi) is coastline. Qatar also includes a number of islands, of which the most important is Halul.

The Hawar Islands, which were part of a border dispute between Qatar and Bahrain for many years, were awarded to Bahrain by the International Court of Justice in 2001.

Qatar's capital city, Doha, is located on the Persian Gulf coast.

## <sup>2</sup>TOPOGRAPHY

The terrain is generally flat and sandy, rising gradually from the east to a central limestone plateau. About 56 km (35 mi) long, the Dukhan anticline rises from the west coast as a chain of hills of up to 100 m (325 ft) in height. Some low cliffs mark the northern end of the east coast. The presence of extensive salt flats at the base of the peninsula supports the theory that Qatar was once an island.

## <sup>3</sup>CLIMATE

Qatar's summer, from May to October, is extremely hot. Mean temperatures in June are 42°C (108°F), dropping to 15°C (59°F) in winter. Humidity is high along the coast. Rainfall is minimal.

## <sup>4</sup>FLORA AND FAUNA

Vegetation is generally sparse and typical of Persian Gulf desert regions. The gazelle, once common in Qatar, is now rarely seen. Jerboas (desert rats) and an occasional fox are found. Birds in-

clude the flamingo, cormorant, osprey, kestrel, plover, lark, and other migrants. Reptiles include monitors, other lizards, and land snakes. Life in the seas around Qatar is considerable and varied, including prawn, king mackerel, shark, grouper, and swordfish.

## <sup>5</sup>ENVIRONMENT

Environmental responsibility is vested in the Ministry of Industry and Agriculture. An Environmental Protection Committee was created in 1984 to monitor environmental problems. Conservation of oil supplies, preservation of the natural wildlife heritage, and increasing the water supply through desalination are high on Qatar's environmental priority list. Air, water, and land pollution are also significant environmental issues in Qatar. In addition to smog and acid rain, the nation has been affected by the air pollution generated during the Persian Gulf War. Pollution from the oil industry poses a threat to the nation's water. The nation's soils have been damaged by pesticides and fertilizers, and its agricultural land is in danger of desertification.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), there are at least 30 threatened species of animals, including the hawksbill turtle, green sea turtle, the spotted eagle, the tiger shark, the great snipe, and the white oryx.

## <sup>6</sup>POPULATION

The population of Qatar in 2005 was estimated by the United Nations (UN) at 768,000, which placed it at number 156 in population among the 193 nations of the world. In 2005, approximately 2% of the population was over 65 years of age, with another 25% of the population under 15 years of age. There were 206 males for every 100 females in the country. According to the UN, the an-

nual population rate of change for 2005–10 was expected to be 1.8%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 1,027,000. The overall population density was 70 per sq km (181 per sq mi), but the population is concentrated in the cities, with much of the country being uninhabited desert.

The UN estimated that 92% of the population lived in urban areas in 2005 and that urban areas were growing at an annual rate of 1.45%. The capital city, Doha (Ad-Dawhah), had a population of 286,000 in that year. Two other major towns have grown up around the oil industry: Dukhan, on the west coast, and the port of Umm Sa'id, south of Doha.

## 7 MIGRATION

In 1993, the number of immigrant workers was about 85,000, including Pakistanis, Indians, and Iranians. In 2000, there were 409,000 noncitizen residents in Qatar, amounting to more than two-thirds of the population. By 2004, the foreign workforce had increased; the total estimated population of Qatar was 744,000, with Qataris comprising no more than one-fourth of this number. South Asia was the source of the largest number of these workers. By the end of 2004, the number of refugees and asylum seekers was low, 46 and 24, respectively. However, there were 6,000 stateless persons of concern to the United Nations High Commissioner for Refugees (UNHCR). In 2000, the net migration rate was 3.7 migrants per 1,000 population. In 2005, the net migration rate had changed significantly to an estimated 15.17 migrants per 1,000 population.

## 8 ETHNIC GROUPS

About 40% of the population are Arabs, 18% are Pakistanis, 18% are Indians, 10% Iranians, and 14% from other ethnic backgrounds. The indigenous population (about 100,000) descends from Bedouin tribes that migrated to Qatar during the 1700s.

## 9 LANGUAGES

Arabic is the national language, but English is widely spoken, and Farsi is used by smaller groups in Doha.

## 10 RELIGIONS

Islam is the official religion of Qatar and is practiced by the great majority (95%) of the people. The Qataris are mainly of the Wahabi sect of the Hanbali school of Islam. There are also small populations of Christians, Jews, Hindus, Baha'is, and other faiths; however, they are mainly foreigners. The constitution provides for freedom of worship; however, there are still some restrictions on public worship in accordance with laws governing public behavior. Proselytizing by non-Muslims is prohibited. Apostasy by Muslims is a criminal offense. The minister of Islamic affairs oversees all aspects of faith within the nation. While legal status has been granted to Catholics, Anglicans, Orthodox Christians, Coptics, and some Asian Christian denominations, the government limits the building of houses of worship for these groups. Muslim holidays are recognized as national holidays.

## 11 TRANSPORTATION

The modern road system dates from 1967. As of 2002, there were 1,230 km (764 mi) of highway, of which 1,107 km (688 mi) were

paved. Qatar has overland truck routes from Europe through Saudi Arabia via the Trans-Arabia Highway and road links with the United Arab Emirates and Oman. In 2003, there were 145,280 passenger cars and 75,000 commercial vehicles registered. Qatar has no railways or waterways. In 2004, there were four airports. As of 2005, three had paved runways, and there was one heliport. Doha International Airport is served by 20 international airlines. In 2001 (the latest year for which data was available), 1,134,600 passengers were carried on scheduled domestic and international flights. Qatar maintains modern deepwater ports at Doha and Umm Sa'id, where a tanker terminal is located. Qatar's National Navigation and Transport Co. enjoys a monopoly on arriving shipments. In 2005, the merchant fleet consisted of 22 vessels of 1,000 GRT or more, totaling 525,051 GRT.

## 12 HISTORY

Archaeological evidence shows that human habitation existed in Qatar for many centuries prior to the modern age; however, little is known of Qatar's history until the 18th century. The al-Thani family, forebears of the present rulers, arrived in Qatar then from what is now Saudi Arabia. During the same century, the al-Khalifah family, who currently rule Bahrain, arrived from Kuwait.

In 1868, Great Britain intervened on behalf of the Qatari nobles and negotiated the Perpetual Maritime Truce, signed by Muhammad bin Thani, an accord that terminated the Bahraini claim to Qatar in exchange for a tribute payment. In 1872, however, Qatar fell under Ottoman occupation, and Jasim bin Muhammad bin Thani became Turkish deputy-governor of Qatar. Turkish dominion prevailed until the outbreak of World War I and the subsequent withdrawal of the Turks from the Arabian Peninsula. Qatar thereupon established its independence and, in 1916, Sheikh 'Abdallah bin Jasim al-Thani signed a treaty with the United Kingdom granting British protection in exchange for a central role for the United Kingdom in Qatar's foreign affairs. A 1934 treaty further strengthened this relationship. Commercial quantities of high-quality oil were discovered at Dukhan in 1940, but full-scale exploitation did not begin until 1949.

In 1960, Sheikh Ahmad bin 'Ali al-Thani succeeded his father, who had become too old to rule effectively. Social and economic development during the subsequent decade was disappointing, especially in view of the increasing availability of oil revenues. In January 1968, the United Kingdom announced its intention to withdraw its forces from the Persian Gulf states by the end of 1971. Discussions took place among the Trucial States, Bahrain, and Qatar, with a view to forming a federation. The Trucial States formed the United Arab Emirates, but Qatar could not agree to the terms of the union. On 3 September 1971, the independent State of Qatar was declared. A new treaty of friendship and cooperation was signed with the United Kingdom, and Qatar was soon admitted to membership in the Arab League and the United Nations (UN).

On 22 February 1972, Sheikh Khalifa bin Hamad al-Thani, the deputy emir and prime minister, seized power in a peaceful coup, deposing his cousin, Sheikh Ahmad. Following his accession, Sheikh Khalifa pursued a vigorous program of economic and social reforms, including the transfer of royal income to the state. On 31 May 1977, Sheikh Khalifa appointed Sheikh Hamad bin Khalifa al-Thani, his son, as heir apparent and minister of defense.

In 1981, Qatar, along with the other Persian Gulf states of Bahrain, Kuwait, Oman, Saudi Arabia, and the United Arab Emirates, established the Gulf Cooperation Council (GCC). The GCC attempted to mediate the war between Iran and Iraq, which had erupted in September 1980, but at the same time gave support to Iraq. Qatar's boundary disputes with Bahrain disrupted relations between the two countries in the mid-1980s. In 1991, they agreed to refer their dispute over the Hawar Islands to the International Court of Justice (ICJ) at The Hague. In 1992, there was a minor clash between Qatari and Saudi troops over a disputed border. That quarrel was resolved with a boundary agreement signed in Cairo in December 1992.

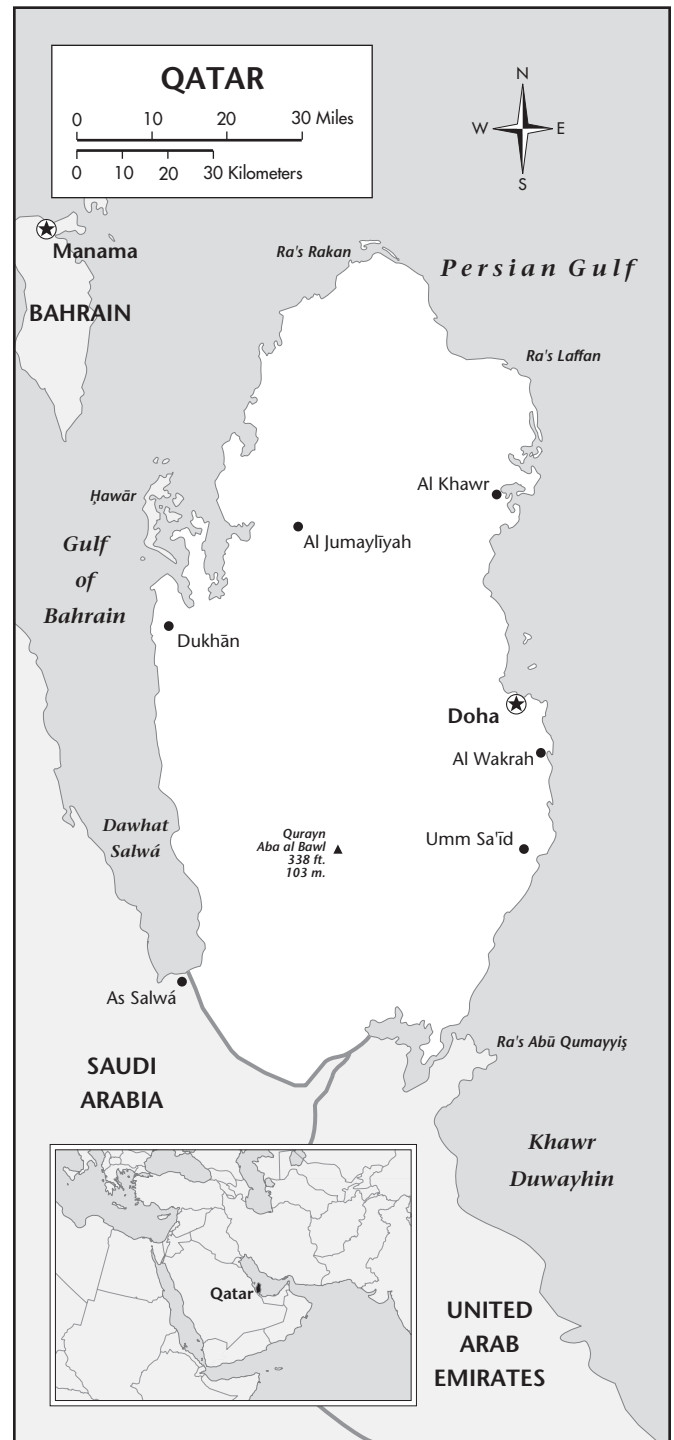
Qatari forces, although small in size, are active in the collective defense of the GCC and played a helpful role on the allied side in the Gulf War against Iraq.

In 1995, Sheikh Hamad seized power from his father amid a turbulent and secretive attempted coup in February of that year by unknown forces. Sheikh Khalifa, the aging ruler, had spent much of his time before being ousted sailing the Mediterranean on the royal yacht. Also a problem was the aging emir's eccentric method of funding the government, which was to siphon off half of the revenue generated from the country's oil into his personal bank accounts and to pay for government services from those funds. In the late 1980s and early 1990s, the emir felt more inclined to withdraw money than to deposit, and the resulting revenue drain was crippling the economy. When Sheikh Hamad took control of the government while his father was away on business, the now former emir froze his personal bank accounts, which held, essentially, Qatar's treasury. Estimates of Sheikh Khalifa's personal accounts range from \$4 billion to \$30 billion.

In 1996, the former emir set up a government in exile in the United Arab Emirates. The hostile transfer of power led to friction among the normally contention-free members of the GCC. Also that year, Sheikh Hamad issued writs demanding that his father turn over control of his assets to the state. Initially, the emir resigned himself to the loss of revenue, but severe budget constraints caused him to cut government spending and, in order to develop the huge offshore natural gas reserves the country would rely on in the future, huge infrastructure expenses needed to be made.

In 1999, the former emir still claimed to be the legitimate ruler of Qatar, and his allies within the ruling elite were still a source of problems for Sheikh Hamad. However, Sheikh Hamad has continued to rule and implement change in spite of outside threats. In October 2004, Sheikh Hamad received his father back into the country for the first time since he had overthrown him nine years previously. The former ruler returned to attend the funeral of his wife, Sheikha Mozah bint Ali bin Saud bin Abdel-Aziz al-Thani.

In 1999, Qatar supported the efforts of the Organization of Petroleum Exporting Countries (OPEC) to increase oil prices by cutting back crude oil production from March 1999 to April 2000. Qatar was also practicing fiscal discipline and creating low-cost efficiencies. The government was developing a tariff structure with a monthly ceiling on water and electricity services, previously free of charge. In addition, plans were in the works to implement a foreign investment code in agriculture, industry, tourism, and education ventures.



LOCATION: 26°23' to 24°31' N; 50°43' to 51°41' E. BOUNDARY LENGTHS: Persian Gulf coastline, 563 kilometers (350 miles); United Arab Emirates, 45 kilometers (28 miles); Saudi Arabia, 60 kilometers (38 miles). TERRITORIAL SEA LIMIT: 3 miles.

Perhaps most striking, Sheikh Hamad was encouraging political openness. In 1999, women voted and ran for office in municipal elections for the first time. A constitutional committee was charged with drawing up a permanent constitution under which Qatar would have an elected parliament. Political openness was even extended to the media as Qatar's satellite news channel, Al

Jazeera, broke a previous taboo with an open discussion and criticism of the state funding of the ruling family.

On 16 March 2001, the ICJ resolved a territorial dispute between Bahrain and Qatar over the potential oil- and gas-rich Hawar Islands. The islands had been controlled by Bahrain since the 1930s but were claimed by Qatar. Bahrain also claimed the town of Zubarah, which is on the mainland of Qatar. The dispute has lasted for decades and almost brought the two nations to the brink of war in 1986. In its judgment, the ICJ drew a single maritime boundary in the Gulf of Bahrain, delineating Bahrain and Qatar's territorial waters and sovereignty over the disputed islands within. The ICJ awarded Bahrain the largest disputed islands, the Hawar Islands, and Qit'at Jaradah Island. Qatar was given sovereignty over Janan Island and the low-tide elevation of Fasht ad Dibal. The court reaffirmed Qatari sovereignty over the Zubarah Strip.

During 2002 and into 2003, Qatar, along with the other countries of the Persian Gulf, was confronted with the situation of a potential US-led war with Iraq. On 8 November 2002, the UN Security Council unanimously passed Resolution 1441, calling on Iraq to immediately disarm itself of weapons of mass destruction (WMD) and WMD capabilities, to allow the immediate return of International Atomic Energy Agency (IAEA) and UN weapons inspectors, and to comply with all previous UN resolutions regarding the country since the end of the Gulf War in 1991. If Iraq was found to be in "material breach" of the resolution, "serious consequences" were to result.

The United States and the United Kingdom began amassing troops in the region, and by the end of February 2003, the number of troops in the Persian Gulf was approximately 200,000. As of 1 February, there were approximately 3,500 US military personnel in Qatar. In December 2002, a computer-assisted exercise entitled "Internal Look" was carried out in Qatar, involving approximately 1,000 military planners and a mobile command center, which would eventually be staffed by 1,600 US and UK troops. As of March 2003, an aerial command-and-control center was being constructed at Al Udeid, in the event that US forces could not use their control center in Saudi Arabia. The Al Udeid air base has the longest runway in the Gulf region (approximately 5,000 m/15,000 ft) and can accommodate nearly 100 aircraft. Operating at Al Udeid in early 2003 was air-to-air refueling of tanker aircraft in support of US-led forces in Afghanistan and to patrol Iraq's southern no-fly zone in the aftermath of the 1991 Gulf War. In December 2002, the United States and Qatar signed a bilateral defense agreement that US Secretary of Defense Donald Rumsfeld stated was not connected to Iraq.

However, Qatar has said it would not act in a conflict with Iraq without UN approval. At an Arab League summit held at Sharm el-Sheik, Egypt, on 1 March, sharp divisions between Arab leaders on the Iraq situation emerged, particularly between Libya and Saudi Arabia. However, the leaders issued a declaration expressing "complete rejection of any aggression on Iraq" and called for continuing UN weapons inspections. It also called upon Iraq to disarm itself of WMD and the missiles needed to deliver them. At the summit, some leaders argued that war was inevitable and that the countries of the region should prepare for its aftermath; some argued that war could be avoided if Iraq were to comply with weapons inspections; and a third group argued that the summit should issue an unequivocal antiwar declaration. In March–April

2003, the US Central Command forward base, the nerve center in the US-led military campaign in Iraq, was based in Qatar.

On 29 April 2003, Qatari voters approved a new constitution, which provides for a 45-member parliament, Consultative Council, or Majlis al-Shura, with 30 elected members and the rest selected by the emir. In a surprise move later this same year, in August 2003, the emir named his younger son, Prince Tamim, as crown prince, to replace his older brother, Prince Jassim. Further reforms were enacted in May 2004, when Sheikh Hamad decreed workers would be allowed to form trade unions and to take strike action, work by children under 16 was banned, an eight-hour working day was set, and equal rights for women were declared. Women were also entitled to a paid 50-day maternity leave. On 8 June 2004, the emir endorsed the ratified constitution. The constitution came into effect on 9 June 2005.

In February 2004, former Chechen president Zelimkhan Yandarbiyev, a resident of Doha, was killed in an explosion there. Two Russian spies were charged with his murder and were handed life sentences for the crime. Relations with Russia deteriorated. In March 2005, the terror continued when a car bomb blast near a British school in Doha killed one Briton and injured 12 other people.

### 13 GOVERNMENT

Qatar is a monarchy ruled by an emir. In 1970, in anticipation of independence, Qatar promulgated a Basic Law, including a bill of rights, that provides for a nine-member executive Council of Ministers (cabinet) and a 30-member legislative Advisory Council, whose members serve three-year terms. The Council of Ministers, appointed by the emir and led by a prime minister (the head of government), formulates public policy and directs the ministries. Sheikh Khalifa served as acting prime minister from the time of the 1972 coup until he was ousted by his son, Sheikh Hamad bin Khalifa al-Thani, in 1995. Sheikh Khalifa formed a government in exile in the United Arab Emirates. Sheikh Hamad ruled Qatar. The ruling al-Thani family continues to hold a majority of cabinet positions and most of the key posts.

In March 1999, elections to a 29-member municipal council were held in which women were allowed to vote and run for office. One woman candidate was elected to the municipal council in 2003.

Sheikh Hamad's promised constitution of 1999 was ratified by the Qatari public on 29 April 2003, endorsed by the emir on 8 June 2004, and came into force on 9 June 2005.

The new constitution provides for a 45-member Consultative Council, or Majlis al-Shura; the public would elect two-thirds of the Majlis al-Shura; the emir would appoint the remaining members. Suffrage is universal; voting age is 18 years.

### 14 POLITICAL PARTIES

There are no organized political parties. Security measures against dissidents are firm and efficient. There is no serious opposition movement. Citizens with grievances may appeal directly to the emir.

### 15 LOCAL GOVERNMENT

Qatar is divided into 10 municipalities (baladiyah; singular, baladiyah): Ad Dawhah, Al Ghuwayriyah, Al Jumayliyah, Al Khawr, Al

Wakrah, Ar Rayyan, Jarayan al Batinah, Madinat ash Shamal, Umm Sa'id, and Umm Salal. Municipal councils have been established in Doha, Khor, Ash-Shamal, and several other towns. The councils manage their own planning and development programs, but they remain directly accountable to the Ministry of Municipal Affairs.

## 16 JUDICIAL SYSTEM

The legal system is based on the Shariah (canonical Muslim law). The Basic Law of 1970, however, provided for the creation of an independent judiciary, including the Court of Appeal, which has final jurisdiction in civil and criminal matters; the Higher Criminal Court, which judges major criminal cases; the Lower Criminal Court; the Civil Court; and the Labor Court, which judges claims involving employees and their employers. The Shariah court has jurisdiction in family and criminal cases and may also assume jurisdiction in commercial or civil cases if requested by a Muslim litigant. Muslims and non-Muslims may ask the Shariah courts to assume jurisdiction in family, commercial, and civil cases. The losing party in all types of courts may submit his or her cases to an appeals court. In cases tried by the Shariah court, however, it is possible that the same judge will hear both the original case and the appeal. However, under the new judiciary law issued in 2003, the two court systems, civil and Islamic law, were merged under a higher court, the Court of Cassation, established for appeals.

The judiciary is attached to three different ministries. The civil courts are subordinate to the Justice Ministry. Whereas Shariah courts fall under the Ministry of Endowments and Islamic Affairs, the prosecutors fall under the Ministry of the Interior.

## 17 ARMED FORCES

Qatar's armed forces in 2005 totaled 12,400 active personnel, of which 8,500 were Army personnel, 1,800 Navy, and 2,100 Air Force personnel. The Army was equipped with 30 main battle tanks, 68 reconnaissance vehicles, 40 armored infantry fighting vehicles, 226 armored personnel carriers, and 89 artillery pieces. Major naval units consisted of more than 27 patrol/coastal vessels. The Air Force had 18 combat-capable aircraft, including 12 fighter ground attack aircraft. The service also operated 18 antisurface unit warfare helicopters. The Army includes a Royal Guard regiment. Qatar's 2005 defense budget totaled an estimated \$2.19 billion.

## 18 INTERNATIONAL COOPERATION

Qatar joined the United Nations (UN) on 21 September 1971; it participates in ESCWA and several nonregional specialized agencies, such as the FAO, IAEA, the World Bank, ILO, UNESCO, UNIDO, and the WHO. Qatar is a member of the WTO, the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Arab League, the Organization of the Islamic Conference (OIC), OPEC, OAPEC, G-77, and the GCC. The country has observer status in the OAS. Qatar is part of the Nonaligned Movement.

In environmental cooperation, Qatar is part of the Basel Convention, the Convention on Biological Diversity, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Until recent decades, the Qatar peninsula was an undeveloped, impoverished area, with a scant living provided by the traditional occupations of pearl diving, fishing, and nomadic herding. In 1940, a major oil discovery was made at Dukhan and, in the ensuing decades, oil has been the dominant factor in the Qatari economy. Oil revenues have provided Qataris with per capita incomes comparable those of the industrialized nations of the West. In 1996, oil revenues accounted for more than 30% of gross domestic product (GDP), 70% of export earnings, and 66% of government revenues.

Other economic activities remain limited. Agriculture has received considerable attention in recent years, but most food is still imported. The state encourages free enterprise, provided it does not conflict with the public interest. Real property, however, may be acquired only by Qatari nationals. The discovery of a vast field of natural gas unassociated with Qatar's oil fields promises to add a new dimension to the economy. In 1987, work on the first phase of the North Gas Field project, with a production capacity of 800 million cu ft per day, began and was inaugurated in 1991. While Phase I production is meant for domestic consumption, the Phase II development envisages the production of at least an additional 800 million cu ft per day for export to Japan as liquefied natural gas. The first shipments to Japan began in January 1997. The project was heavily financed by Japanese banks under terms that limit Qatar's revenues for the next decade. Qatar has 300 trillion cu ft of proven natural gas reserves—third in the world behind Russia and Iran. Production of natural gas reached 690 billion cu ft in 1998.

The economy performed sluggishly during the first half of the 1990s but recovered somewhat in 1995 because of a surge in international oil prices and slightly higher rates of oil production. It is estimated that GDP grew by 1.9% in 1995. The government that took over after the coup of 1995 implemented economic reforms that updated the financial sector. In 1998, a temporary drop in international oil prices brought GDP down by 9.2%. However, the recovery of oil prices in the second half of 1999 brought a jump in GDP of 18.9% for the year and 34.9% in 2000. Per capita income rose from \$20,038 in 1998 to \$24,000 in 2001. Inflation, at 2.9% in 1998, dropped to 2.2% in 1999 and -1.0% in 2000.

The GDP growth rate in 2004 was an astonishing 8.7%, up from 3.3% in 2003; in 2005, Qatar was expected to continue to be one of the best-performing countries in the region, with an economic expansion rate of 8.8%. As a result of this impressive growth, Qatar is now one of the countries with the highest GDP per capita in the world—\$39,292 in 2004 and an estimated \$44,087 in 2005. Inflation, although on the rise (it was 6.8% in 2004), does not pose a problem for the domestic economy and is very beneficial for the export sector. Unemployment remains stable at 0.4%. The massive growth registered in previous years was mainly fueled by high oil prices, the diversification of the energy sector, an increase in foreign investments, and a boom in construction, infrastructure and real estate development.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Qatar's gross domestic product (GDP) was estimated at \$22.5 billion. The CIA defines GDP as the value of all final goods and ser-

vices produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$26,000. The annual growth rate of GDP was estimated at 8.8%. The average inflation rate in 2005 was 7.8%. It was estimated that agriculture accounted for 0.2% of GDP, industry 81%, and services 18.8%.

Approximately 22% of household consumption was spent on food, 11% on fuel, 5% on health care, and 13% on education.

## 21 LABOR

As of 2005, Qatar's labor force totaled an estimated 440,000. In 2001 (the latest year for which data was available), industry accounted for 38.2% of the country's workforce, with 2.3% in the agricultural sector, 58.8% in the services sector, and 0.8% in undefined occupations. No labor may be recruited without the approval of the Department of Labor, and vacancies must be offered first to Qataris, second to Arabs, and only then to foreigners, who composed 85% of the workforce in 1992. In 2001, the unemployment rate was 2.7%.

Trade unions are prohibited, and strikes are permitted only after the case has been presented to the Labor Department of the Ministry of Civil Service and an agreement cannot be reached. Government employees, security forces employees, domestic workers, and members of an employer's family are not permitted to strike, nor are workers in public health or security if such a strike would harm the public or lead to property damage. Workers are prohibited from engaging in collective bargaining.

The standard workweek is 48 hours, although most government offices set a 36-hour week. Children as young as 15 may work with parental permission, and some young non-Qataris work in family businesses. However, youths of any nationality do not frequently work in Qatar. While the labor law gives the emir the authority to set a minimum wage, he has not chosen to do so. Enforcement of safety standards is lax.

## 22 AGRICULTURE

Agriculture is constrained by a lack of adequate fertile soil, rainfall, and underground water sources; the aquifers that supply the crops are expected to soon run dry. Treated wastewater has been used for irrigation. In 2003, only 1.9% (21,000 hectares/52,000 acres) of the total land area was under cultivation. In 2004, 16,500 tons of dates were produced, mostly for local consumption. Rice is also grown for the domestic market.

## 23 ANIMAL HUSBANDRY

According to 2005 estimates, Qatar had 200,000 sheep, 155,000 goats, 34,000 camels, 11,000 head of cattle, and 4.5 million chickens. Output in 2005 included about 5,850 tons of mutton and 4,900 tons of poultry. Dairy and poultry production meet about 25% of domestic needs. Public, private, and foreign financing have all been used to establish or expand dairy and poultry farming.

## 24 FISHING

The Qatar National Fishing Co., formed as a Qatar-UK partnership in 1966, was wholly taken over by Qatar in 1980 and has its

own shrimp fishing fleet and processing facilities. Fish and shellfish production in 2003 totaled 11,000 tons.

Pearl fishing, once important in Qatar, has virtually disappeared. The principal fishing facilities at Doha and Al Khor have been improved. Overfishing and pollution have adversely affected catches, and there is further concern that oil pollution from the Gulf War may worsen conditions even further.

## 25 FORESTRY

There are no forests in Qatar. Imports of forestry products totaled \$31.4 million in 2004.

## 26 MINING

Much of Qatar's economy is based on the production of natural gas, petrochemicals, crude oil, and refined petroleum products. Among other exploitable minerals, production in 2004 included: limestone, estimated at 1 million metric tons; hydraulic cement, estimated at 1.4 million metric tons; nitrogen (ammonia), 1.428 million metric tons; and nitrogen (urea), estimated at 1 million metric tons. The country also produced clay, gypsum, and sand and gravel.

## 27 ENERGY AND POWER

Qatar has large reserves of oil and the world's third-largest natural gas reserves. It is also emerging as a major exporter of liquefied natural gas (LNG), and is a member of the Organization of Petroleum Exporting Countries (OPEC).

Qatar's proven oil reserves were estimated at 15.2 billion barrels, as of 1 January 2005. In 2004, oil production was estimated at 1,068,000 barrels per day, of which crude oil accounted for 783,000 barrels per day. In 2004, net oil exports averaged an estimated 1,023,000 barrels per day, of which almost all was shipped to Asia, with Japan as the country's largest buyer. Domestic oil demand in 2004 was estimated at 45,000 barrels per day. Qatar's largest-producing oil field is the onshore Dukhan field on the western coast of the peninsula. Offshore production accounts for about 40% of the total, mainly from three of Qatar's six offshore fields about 50 miles from the coast. As a member of OPEC, Qatar is subject to the organization's crude oil production quotas. As of 1 November, 2004, Qatar's crude oil production quota was placed at 700,000 barrels per day, not including condensates. Crude oil refining capacity, as of 1 January 2005, was estimated at 137,000 barrels per day.

Qatar's natural gas reserves are the world's third largest, behind those of Russia and Iran, and are estimated at 910 trillion cu ft. Output in 2002 was estimated at 1 trillion cu ft. Domestic consumption in that year was estimated at 396 billion cu ft. Nearly all of Qatar's natural gas reserves are in the North Dome Field, considered to be the largest natural gas field (unassociated with oil) in the world. In 2003, net exports of natural gas were estimated at 669 billion cu ft. Production of natural gas liquids in 2004 was estimated 250,000 barrels per day.

Qatar's power plants are mostly gas fired, for which the residential sector accounts for around 70% of demand. In 2002, Qatar's electrical power generating capacity totaled 1.880 million kW, all of which used conventional thermal fuels. Power production in 2002 reached 9.497 billion kWh. Domestic demand for electricity in that year totaled 8.832 billion kWh.



## 28 INDUSTRY

Industry in Qatar is restricted by the small size of the population and the paucity of resources other than petroleum and natural gas. Qatar has nevertheless launched an ambitious industrialization plan aimed at diversifying the sources of national income and creating an economy that is not totally dependent on oil revenues. State enterprises include the Qatar Iron and Steel Co. (70% government owned); the Qatar Fertilizer Co.—QAFCO (70% government-owned, underwent its fourth expansion in 2002); the Qatar National Cement Co. (43% government owned and no foreign investment); Qatar Petrochemical Co.—QAPCO (80% government owned, produces ethylene, polyethylene, and sulfur); Qatar Liquefied Gas Co.—QatarGas (65% owned by Qatar Petroleum); Ras Laffan Liquefied Natural Gas—Ras Gas (70% owned by Qatar Petroleum, began operations in 1999 and expanded in 2001, producing about 10 million tons per year); Qatar Chemicals Co.—Q-Chem (51% owned by Qatar Petroleum, established 1997 with expansion into Q-Chem II in 2002); Qatar Fuel Additive Co.—QAFAC (50% owned by Qatar Petroleum, commissioned in 1999 to produce 830,000 metric tons per year of methanol and 610,000 metric tons per year of methyl tertiary butyl ether); and Qatar Vinyl Co.—QVC (25% owned by Qatar Petroleum and 31.9% by QAPCO). It is estimated that industry accounted for almost 10.6% of GDP in 2000, up from 7.5% in 1997.

The industrial production growth rate has been consistently higher than the economic growth rate (10% in 2003), and in 2004, the share of the industry in the national GDP rose to an astonishing 58.2%; at 0.3%, agriculture is an insignificant segment of the economy, and the country is still dependent on food imports; services came in second, with a 41.5% share in the economy. Around \$120 billion is to be invested in the next 10 years in the development of the energy and industrial sectors.

## 29 SCIENCE AND TECHNOLOGY

The Scientific and Applied Research Center, within the University of Qatar at Doha, coordinates the nation's technological development and seeks to develop ways to utilize the country's natural resources. A soil research station is located at Rodet al-Farassa. The Qatar National Museum, founded at Doha in 1975, has an aquarium and botanical garden and exhibits dealing with geology, botany, and zoology. In 1986, total expenditures on research and development amounted to QR6.7 million; 61 technicians and 229 scientists and engineers were engaged in research and development.

## 30 DOMESTIC TRADE

As elsewhere in the Persian Gulf, wholesale and retail operations in Qatar are frequently combined in the same enterprise. A relatively small number of large companies controls most of the retail market, particularly in food imports and distribution. Consumer cooperative societies have also been established for food retail sales. Local laws require that commercial agents be of Qatari nationality; however, a 2000 law opened up more possibilities for foreign investors. Consumer advertising can be displayed in mo-

### Principal Trading Partners – Qatar (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	8,230.9	4,052.1	4,178.8
Japan	2,378.3	426.5	1,951.8
Korea, Republic of	1,737.1	145.1	1,592.0
Singapore	1,017.1	30.8	986.3
Area nes	519.0	...	519.0
United Arab Emirates	436.1	285.6	150.5
Thailand	375.3	34.9	340.4
United States	283.8	528.3	-244.5
Egypt	263.4	...	263.4
Saudi Arabia	191.0	252.1	-61.1
Philippines	126.8	...	126.8

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

tion picture theaters, in the press, and on billboards. Radio and television services do not accept advertising.

Normal business hours are from 7:30 AM to 12 noon and from 3:30 PM to 6 PM. Government offices are open from 7 AM to 2 PM, Saturday through Wednesday. Banks are open from 8 to 12:30 AM. Private-sector business hours are usually 8 AM to 12:30 PM and 4 PM to 7:30 AM, Saturday through Thursday. Most businesses are closed on Friday.

## 31 FOREIGN TRADE

Qatar's most important commodity exports are crude petroleum (56%), natural and manufactured gas (30%), and refined petroleum products (2.1%). Other exports include manufactured polymers (3.2%), steel (2.1%), and fertilizers (1.9%).

In 2004, Qatar's exports grew to \$15 billion (FOB—Free on Board), while its imports were more than half that, at \$6.2 billion (FOB). The bulk of exports went to Japan (41.9%), South Korea (15.8%), Singapore (9.1%), and India (5.4%). Imports included machinery and transport equipment, food, and chemicals and mainly came from France (26.6%), the United States (9.5%), Saudi Arabia (9.4%), the United Arab Emirates (6.3%), Germany (5.2%), Japan (5.2%), and the United Kingdom (5.1%).

## 32 BALANCE OF PAYMENTS

Qatar has had a persistent trade surplus while maintaining an overall balance of payments deficit. The gap in the balance of payments is largely due to massive imports in services and person transfers, and somewhat to outflowing capital transfers.

The Qatar Central Bank reported that in 1998, there was a surplus in the balance of goods of \$358 million, a substantial decline from the surplus of \$897 million posted in 1997. The central bank's numbers were based on an exchange rate of QR3.64 per \$1. The decline was the result of a reduced rate of exports and an increased rate of imports. Although oil exports grew in volume, lower prices for oil resulted in less revenue. More than offsetting the surplus on goods, the balance on services posted a record deficit of \$2.4 billion. Capital and private transfers, as represented in state borrowings from foreign sources and official and private investments in foreign markets, recorded a surplus of \$1.34 billion,

a 13% increase over 1997. Overall, the 1998 balance of payments registered a deficit of \$736 million. This deficit was largely due to increased borrowing necessary to expand the country's liquefied natural gas (LNG) industry. It is estimated that these deficits will continue until revenues from LNG exports from the North Field begin to impact the economy.

The US Central Intelligence Agency (CIA) reported that in 2001, the purchasing power parity of Qatar's exports was \$11 billion, while imports totaled \$3.5 billion resulting in a trade surplus of \$7.5 billion.

Exports of goods reached \$18.7 billion in 2004 and were expected to grow to \$23.4 billion in 2005. Imports were expected to reach \$6.7 billion in 2005, up from \$5.4 billion in 2004. Qatar has thus managed to keep both a positive resource balance (\$13.3 billion, and \$16.7 billion, respectively) and a positive current account balance (\$7.5 billion in 2004, and an expected \$9.2 billion in 2005). Foreign exchange reserves (excluding gold) reached \$3.4 billion in 2004, covering more than seven months of imports.

### **3<sup>3</sup> BANKING AND SECURITIES**

Qatar's monetary and banking system is headed by the Qatar Central Bank (QCB). The bank supervises all banks and money exchange companies in Qatar. In 1993, the QCB was established to assume the functions of the Qatar Monetary Agency. The bank was set up in part to make it independent of the Ministry of Finance and Petroleum. The QCB is responsible for ensuring that all banks operating in Qatar comply with international standards and auditing procedures. Total assets of all banks operating in Qatar was estimated at \$13.8 billion in 2000. As of 1999, there were 14 banks operating in Qatar: seven national, two Arab, and six foreign. There were also 10 money exchange companies. The Qatar National Bank is the largest, with total assets exceeding \$5 billion.

The Qatari riyal was fixed to the US dollar at a rate of us\$1=QR3.65 in June 1980 and has remained at that rate to date. However, for practical purposes the rate is us\$1=QR3.639. Because the exchange rate is fixed, Qatar cannot employ monetary policy for domestic price regulation and employment objectives. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$7.9 billion.

There is no stock exchange. Shares in Qatari public companies are traded through banks.

### **3<sup>4</sup> INSURANCE**

In 1999, there were 11 insurance companies represented in Qatar, seven of which were foreign owned. The Qatar National Insurance Co. has the largest market share and manages the government's insurance business. In 1999, 1.3% of Qatar's gross domestic product (GDP) was insurance premiums.

### **3<sup>5</sup> PUBLIC FINANCE**

Revenues from oil and gas constitute about 90% of total government income. From 1986 to 1990, the government ran a deficit due to the drop in oil revenues from falling prices. These deficits resulted in the procrastination of payments by the government,

which created a financial difficulty for many private companies. To address this problem, the government took measures to boost the oil industry, which achieved positive results by the late 1990s.

The US Central Intelligence Agency (CIA) estimated that in 2005 Qatar's central government took in revenues of approximately \$17.3 billion and had expenditures of \$11.3 billion. Revenues minus expenditures totaled approximately \$6 billion. Public debt in 2005 amounted to 36.7% of gross domestic product. Total external debt was \$20.63 billion.

### **3<sup>6</sup> TAXATION**

The only tax levied in Qatar (besides customs duties) is an income and profits tax on corporations. Qataris and those who are citizens of countries that are members of the Gulf Cooperation Council (GCC: Bahrain, Kuwait, Oman, Saudi Arabia, and United Arab Emirates) are subject to a 0% tax rate. Thus, if the company is wholly owned by Qatari or other GCC nationals, the company is not taxed. Otherwise, foreign companies and/or their branches are taxed at progressive rates starting at 0% up to 35% covering each of seven income levels. There is no other personal or corporate tax liability in Qatar for either foreigners or nationals.

### **3<sup>7</sup> CUSTOMS AND DUTIES**

Import licenses are not required except for liquor (consumption of which is limited to non-Muslims). Customs duties are 4% on almost all commodities except for alcoholic beverages (100%), tobacco and cigarettes (150%), and records and phonographs (15%). A 20% protective tariff is imposed on cement, steel bars, and other products that compete with goods produced in Qatar. The importing of pork, any goods deemed pornographic, and any goods from Israel or South Africa are forbidden. Qatar is a member of the World Trade Organization and the Gulf Cooperation Council (GCC), through which it signed a free trade agreement that provides duty-free access to goods from GCC member nations.

### **3<sup>8</sup> FOREIGN INVESTMENT**

The Qatari government encourages overseas investment in Qatar, conditioned on a majority Qatari interest. For example, the Qatar Petrochemical Co. is jointly owned by the government of Qatar (80%), the French company Cdf Chimie Atochem (10%), and the Italian company Enichem (10%). Qatar Liquefied Gas Co., which began production in 1996, is a venture between the state-owned Qatar General Petroleum Corporation (QGPC) with 65% and four other foreign firms, including the US firm Mobil Oil with a 10% stake. In 1992, the firm signed a sales and purchase agreement with the Chubu Electric Power Co. in Japan for the sale of liquefied natural gas (LNG) per year for a period of 25 years. Another US company, Phillips Corporation, signed an agreement with QGPC in May 1977 for establishing a new \$750 million petrochemical complex at Umm Sa'id Industrial Area.

Until the mid 1990s, Japanese and European firms were the leading international suppliers to the following industrial sectors: power generation, water desalination, telecommunications, motor vehicles, heavy machinery, and petroleum equipment. Since then, however, the market share of US companies has risen to over 14%. Foreign investment in enhanced oil recovery and production and in LNG across the period 1992 to 2002 is estimated to have totaled over \$10 billion. Published foreign direct investment (FDI) sta-

tistics show a peak of \$418.3 million in 1997, declining to \$113.3 million in 1999. In 2000, FDI rose to \$251.6 million but declined to \$237.4 million in 2001. Average annual FDI 1997 to 2001 was \$273.58 million.

Recently, Qatar has made significant improvements toward liberalizing its trade and investment climate, providing more incentives and opportunities for foreign investors. The main focus area for incoming flows of capital is the massive natural gas reserves that have been discovered in the North Field. The LNG industry has managed to attract almost \$70 billion worth of investments.

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

Qatar follows a policy of diversifying and extending its industrial and commercial activities to reduce the current dependence on oil. Infrastructure, heavy and light industry, agriculture, and fishing have all been development targets. The Industrial Development Committee encourages investment and supervises industrial growth. The government also uses surplus oil revenues on the international money market to protect the purchasing power of those revenues. In the late 1990s, Qatar launched some major/minor projects worth about \$7 billion: liquefied natural gas plant expansion of the present fertilizer and petrochemical plants, aluminum smelter, Al Wusail power/water desalination plant, new Doha International Airport, and upgrading and expansion of the offshore oil fields. Foreign investment in Qatar's oil sector and industrial projects is estimated to have reached \$10 billion since 1992. Qatar has extended economic assistance to other Arab states, to other developing nations, and to Palestinian organizations.

In 2005, Qatar was one of the region's star performers, and it is expected to maintain that position in the next 10 years. The energy sector is considered to be the main engine of this economic expansion. Qatar has, so far, managed to attract over \$100 billion in investments in its energy sector, and it is estimated that it will invest an additional \$120 billion over the course of the next 10 years. Large government industrial and infrastructure projects, as well as preparations for hosting the Asian Games in 2006, will add some dynamism to the economic growth machine.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

Public health services and education are provided free by the state through the Ministry of Labor and Social Affairs, which also provides help to orphans, widows, and other Qatari nationals in need of assistance.

Both law and Islamic customs closely restrict the activities of Qatari women, who are largely limited to roles within the home. Shariah law governs inheritance and child custody matters and favors men. The testimony of two women in court is equivalent to that of one man. However, growing numbers of women are receiving government scholarships to study abroad, and some women work in education, medicine, and the media. Women compose two-thirds of the student body at the University of Qatar. Although domestic violence occurs, it is not a widespread problem. In 2004, legislation was enacted allowing women to form independent women's rights organizations.

Non-Muslims and Shia Muslims experience discrimination in employment and education. They are also unable to bring suits as plaintiffs in Shariah courts. Noncitizens make up 85% of the workforce yet are discriminated against and sometimes mistreat-

ed. Corporal punishment is allowed by law, although amputation is not. Freedom of speech and press are restricted.

### **4<sup>1</sup> HEALTH**

Free public health services are extended to all residents of Qatar, regardless of nationality. The Ministry of Health has tried with some success to keep pace with an expanding population. As of 2004, there were an estimated 221 physicians and 493 nurses per 100,000 people. Approximately 100% of the population had access to safe water and 100% of the population had access to health care services.

Life expectancy was estimated at 73.67 years as of 2005. That same year, infant mortality was estimated at 18.61 deaths per 1,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at 15.8 and 4.3 per 1,000 people, respectively. The fertility rate was 2.6 children per woman living throughout her childbearing years.

The immunization rates for children under the age of one were as follows: diphtheria, pertussis, and tetanus, 91%; polio, 91%; measles, 86%; hepatitis, 90%; and tuberculosis, 94%. The HIV/AIDS prevalence was 0.09 per 100 adults in 2003.

### **4<sup>2</sup> HOUSING**

A "popular housing" scheme provides dwellings through interest-free loans and installment repayments on easy terms. Occupants are required to pay only 60% of the cost of their houses during a period of 20–35 years. To qualify for ownership, an applicant must be a married Qatari national with a limited income, between the ages of 20 and 50 years, and unable to build a house on his own. Qataris facing extreme hardship can receive a free house. Foreign nationals are not permitted to buy real estate. In 1991–93, 100% of the population had access to safe water.

### **4<sup>3</sup> EDUCATION**

Education is compulsory and free for all residents 6–16 years of age. All children receive free books, meals, transportation, clothing, and boarding facilities if required. Primary school covers six years of study. This is followed by three years of general preparatory school or religious preparatory school; the latter is only available for boys. Secondary school programs cover a three-year course of studies. Girls are permitted to attend general academic studies at the secondary level, but only boys are given the option of attending religious, commercial, or technical secondary schools.

In 2001, about 31% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 94% of age-eligible students. The same year, secondary school enrollment was about 82% of age-eligible students. It is estimated that about 87% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 13:1 in 2003; the ratio for secondary school was about 10:1. In 2003, private schools accounted for about 43% of primary school enrollment and 31.7% of secondary enrollment.

The leading higher education institution is the University of Qatar, founded at Doha in 1973. In addition to faculties of education, science, humanities, social sciences, Islamic studies, and engineering, the university offers a Language Teaching Institute (founded in 1972) and a Regional Training Center, established in

1979 with United Nations Development Program technical assistance. Scholarships for higher education abroad are given to all who qualify. In 2003, about 22% of the tertiary age population was enrolled in some type of higher education program, 12% for men and 32% for women. The adult literacy rate for 2004 was estimated at about 89.2%.

As of 2003, public expenditures on education were estimated at 3.6% of gross domestic product.

#### 44 LIBRARIES AND MUSEUMS

The Qatar National Library (founded in 1962) has over 270,000 volumes. Construction of a new building for the library began in Doha in 2003 and is expected to be completed in 2007. The University of Qatar library has about 341,000 volumes. The British Council maintains a collection of 45,000 volumes. The Doha Public Library holds a collection of thousands of ancient Arabic manuscripts, as well as modern works and a small collection of books in English. Qatar also has a system of branch and school-affiliated libraries.

The Qatar National Museum in Doha has five major sections: the old Amiri Palace (11 buildings) and a new palace, aquarium, lagoon, and botanical gardens. The Doha Fort and Windtower House serves as an ethnographic museum.

#### 45 MEDIA

Qatar enjoys excellent external telephone, telex, and cable facilities. Direct-dial telephone service is available to most parts of Europe, the Middle East, and the United States. In 2003, there were 184,500 mainline phones and 376,500 mobile phones in use nationwide.

Radio transmissions include 12 hours per day of English-language service. A French-language service was instituted in 1985. As of 1998, there were six AM and five FM radio stations. In 2001, there was one television station. Broadcasts are mostly in Arabic. In 1997, there were 268 radios and 273 television sets per 1,000 population. In 2003, there were 126,000 Internet subscribers.

In 2002, there were six major daily newspapers. Commercial publications available in Qatar (with 2002 circulation figures) include the daily newspapers *Al-Arab* (25,000), *Ar-Rayah* (25,000), *Al-Sharq* (45,000), and *Gulf Times* (15,000).

The official censorship of the print media was lifted in 1995. Since then, it is said that the print media have been free of government interference. The censorship function continues for movies, videos, radio and television programming, and Internet services. Also, many foreign publications are banned or have significant portions blacked out. Items typically censored are those containing sexually explicit material or anything deemed hostile or contrary to the teachings of Islam.

#### 46 ORGANIZATIONS

The Qatar Chamber of Commerce was founded in Doha in 1963. There are numerous family, social, and sporting clubs, including

the Beacon Club and the Doha Sailing Association. National youth organizations include the Qatar Boy Scouts Association and the Qatar Student Association. The Shaqab Institute for Girls (SIG) is an organization promoting education for young women; it is part of the Qatar Foundation for Education, Science and Community Development, which organizes programs designed to contribute to the overall development of country through various educational, cultural, and scientific ventures. There is a national chapter of the Red Crescent Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourist attractions in Qatar are somewhat limited, with small museums, mosques, and historic sites being of primary interest. Tourists also visit the Sealine Beach Resort, Palm Tree Island, and Entertainment City (the Kingdom of Aladdin). International tourists in Qatar numbered 556,965 in 2003. Most of the tourist arrivals were from the Middle East. Hotel rooms numbered 3,858, with 5,266 beds and a 44% occupancy rate.

In 2005, the US Department of State estimated the daily cost of travel in Qatar to be \$297.

#### 48 FAMOUS QATARIS

Sheikh Khalifa bin Hamad al-Thani (b.1932) was emir of Qatar from 1972 to 1995. The heir apparent Sheikh Hamad bin Khalifa al-Thani (b.1948) became emir in June 1995 following a bloodless coup that ousted his father.

#### 49 DEPENDENCIES

The State of Qatar has no territories or colonies.

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# SAMOA

Independent State of Samoa

*Malo Sa'oloto Tuto'atasi o Samoa i Sisifo*



**CAPITAL:** Apia

**FLAG:** The upper-left quarter of the flag is blue and bears five white, five-rayed stars representing the Southern Cross; the remainder of the flag is red.

**ANTHEM:** *The Flag of Freedom.*

**MONETARY UNIT:** The Samoan tala (ws\$) is a paper currency of 100 sene. There are coins of 1, 2, 5, 10, 20, and 50 sene and 1 tala, and notes of 2, 5, 10, 20, and 100 talas. ws\$1 = us\$0.35962 (or us\$1 = ws\$2.7807) as of 2004.

**WEIGHTS AND MEASURES:** British weights and measures are used.

**HOLIDAYS:** New Year's, 1–2 January; Independence Holidays (first three workdays of June); Anzac Day, 25 April; Christmas Day, 25 December; Boxing Day, 26 December. Movable religious holidays are Good Friday, Easter Monday, and Whitmonday.

**TIME:** 1 AM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Samoa consists of the islands of Savai'i and Upolu and several smaller islands, of which only Manono and Apolima are inhabited. The country, situated almost centrally both in the Pacific Ocean and among the South Sea islands, has a total land area of 2,944 sq km (1,137 sq mi), extending 150 km (93 mi) ESE–WNW and 39 km (24 mi) NNE–SSW. Savai'i and Upolu, separated by the Apolima Strait at a distance of nearly 18 km (11 mi), have a combined coastline of 403 km (250 mi). Comparatively, the area occupied by Samoa is slightly smaller than the state of Rhode Island.

## <sup>2</sup>TOPOGRAPHY

Located on the Pacific tectonic plate near the boundary of the Australian Plate, the country lies within the area of "Ring of Fire," a seismically active band surrounding the Pacific Ocean. The islands are, therefore, volcanic in origin, with coral reefs surrounding most of them. Rugged volcanic ranges rise on both islands. Volcanoes on Savai'i include Mauga Afi and Mauga Silisili, the latter of which is the highest point in Samoa, with an elevation of 1,857 m (6,094 ft). Mauga Fito is the highest point on Upolu, with an elevation of 1,116 m (3,660 ft). There are numerous swift-flowing, seasonal rivers on both islands.

Apolima is a volcanic crater whose wall is pierced by a passage that connects its harbor with the sea. Manono, about 70 m (230 ft) high, consists chiefly of coral sand. These two islands lie within the Apolima Strait. There are also a number of underwater volcanoes in the region.

## <sup>3</sup>CLIMATE

The climate is tropical, but because of the oceanic surroundings, temperature ranges are not considerable. The hottest month is

December, and the coldest is July; the mean daily temperature is about 27°C (81°F). The year is divided into a dry season (May to October) and a wet season (November to April). Rainfall averages 287 cm (113 in) annually, and the average yearly relative humidity is 83%. Although the islands lie outside the normal track of hurricanes, severe storms occurred in 1889, 1966, and 1968. Trade winds from the southeast are fairly constant throughout the dry season.

## <sup>4</sup>FLORA AND FAUNA

Lush vegetation covers much of the land. Along the coast there are mangrove forests, pandani, Barringtonia, hibiscus, and strand vegetation, commonly found throughout the Pacific. The adjacent lowland forest, which originally stretched inland over the lower slopes of the mountains, has been cut down extensively on Upolu and in more limited areas on Savai'i. Inland and at higher elevations, the rain forests contain trees and lianas of many genera and species. The higher elevations of Savai'i contain moss forests and mountain scrub.

Fifty species of birds are found; 16 of these are seabirds, many of which visit Samoa only during the breeding season. Sixteen of the 34 species of land birds are indigenous. Among the latter are small doves, parrots, pigeons, and wild ducks. The most interesting bird, scientifically, is the tooth-billed pigeon (*Didunculus strigirostris* Peale), which some ornithologists regard as the connecting link between bird life of the present and the tooth-billed birds of zoological antiquity.

The only indigenous mammals in Samoa are the rat (*Mus exulans* Peale) and the flying fox (*Pteropus samoensis* Peale). Numerous species of birds and mammals, chiefly domesticated, have been introduced by the Samoans and Europeans. Two species of snakes, several different lizards, and the gecko are found. Insect

life includes many species of moths, beetles, spiders, and ants. The mosquito (*Stegomyia pseudoscutellaris*) is a carrier of human filaria.

## 5 ENVIRONMENT

Samoa's environmental problems include soil erosion, damage to the nation's forests, and the need for protection of its wildlife. The lack of adequate sewage disposal facilities, as well as siltation and industrial by-products, threaten the nation's marine habitats. Samoa's water supply is too small to support its current population.

Lake Lanoto'o (Goldfish Lake), located on Upolu, is a Ramsar wetland site. The deep lake fills a volcanic crater with pea-green-colored water; wild goldfish inhabit its shorelines. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species include three types of mammals, seven species of birds, one type of reptile, four species of fish, one type of mollusk, and two species of plants. Threatened species include the humpbacked whale, albacore tuna, hawksbill turtle, Samoan moorhen, and Samoan flying fox.

## 6 POPULATION

The population of Samoa in 2005 was estimated by the United Nations (UN) at 188,000, which placed it at number 173 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 41% of the population under 15 years of age. There were 108 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.4%, the highest growth rate in Polynesia and a rate the government viewed as too high. High emigration offsets the high birth rate. The projected population for the year 2025 was 193,000. The population density was 66 per sq km (171 per sq mi).

The UN estimated that 22% of the population lived in urban areas in 2005 and that urban areas were growing at an annual rate of 1.82%. The capital city, Apia, had a population of 40,000 in that year.

## 7 MIGRATION

Under German colonial rule, many Chinese laborers were imported to work on plantations. More recently, there has generally been a net annual loss of population through migration. Emigration occurs mainly through students going to New Zealand to continue their education and Samoans seeking work there. In addition, several thousand Samoans live in American Samoa and other parts of the United States. The migration rate in 2000 was -22.8 migrants per 1,000 population, falling to -11.73 in 2005.

## 8 ETHNIC GROUPS

Samoans compose about 92.6% of the total population. The Samoans are the second-largest branch of the Polynesians, a people occupying the scattered islands of the Pacific from Hawaii to New Zealand and from eastern Fiji to Easter Island. Most of the remaining Samoans are of mixed Samoan and European or Asian descent. Euronesians (persons of European and Polynesian descent) make up 7% of the total, and Europeans constitute 0.4%.

For many years, all inhabitants of Samoa were accorded a domestic status as Samoan or European. Residents are now officially classed as either citizens or foreigners. Among Samoan citizens,

however, the distinction between persons of Samoan or European status is still recognized. Most Samoans live in foreshore villages, while non-Samoans predominate in Apia and its environs.

## 9 LANGUAGES

Samoan is the universal language, but both Samoan and English are official. Some Chinese is also spoken. Most of the part-Samoans and many others speak English, and it is taught in the schools.

## 10 RELIGIONS

Over 99% of Samoans profess some form of Christianity, and religious observance is strong among all groups. The Congregational Christian Church of Western Samoa, a successor to the London Missionary Society, is self-supporting and the largest religious body in the country, representing about 34.8% of the population. The Roman Catholic (19.6%) and Methodist churches (15%) also have large followings. The Mormons (12.7%), Assemblies of God (6.6%), and Seventh-Day Adventists (3.5%) have grown in recent years. The country is home to one of seven Baha'i Houses of Worship in the world. There are a small number of Muslims.

The constitution provides for religious freedom but describes the state as "based on Christian principles and Samoan customs." Though the right to choose one's own faith is generally respected by the government, local village chiefs sometimes choose the religious denomination that is followed by their group; there have been cases where members of the village tribe who did not adhere to this designated faith were punished by tribal leaders or banished from the village.

## 11 TRANSPORTATION

The road system in 2002 totaled 836 km (519 mi), of which 267 km (166 mi) were paved. Most roads are on the northern coast of Upolu. Buses and taxis provide public transportation. In 2003, there were 6,400 passenger cars and 6,700 commercial vehicles.

Diesel-powered launches carry passengers and freight around the islands, and small motor vessels maintain service between Apia and Pago Pago in American Samoa. Fortnightly cargo and passenger connections are maintained with New Zealand, and scheduled transpacific services connect Samoa with Australian, Japanese, United Kingdom, and North American ports. Apia is the principal port. Asau, on Savai'i, was opened as a second deep-sea port in 1972. As of 2005, there was one cargo vessel of 1,000 GRT or more, totaling 7,091 GRT.

As of 2004, there were four airports, three of which (as of 2005) had a paved runway. Faleolo Airport, 35 km (22 mi) west of Apia, is the principal air terminal. Polynesian Airlines provides daily air connections with Pago Pago and regularly scheduled flights to other Pacific destinations; through Pago Pago there are connecting flights to New Zealand, Australia, and the United States. Air Samoa and Samoa Aviation provide internal air service between Upolu and Savai'i, and Hawaiian Airlines provides direct service between Honolulu and Faleolo and commuter service between Faleolo and Pago Pago. In 2001 (the latest year for which data was available), 173,500 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

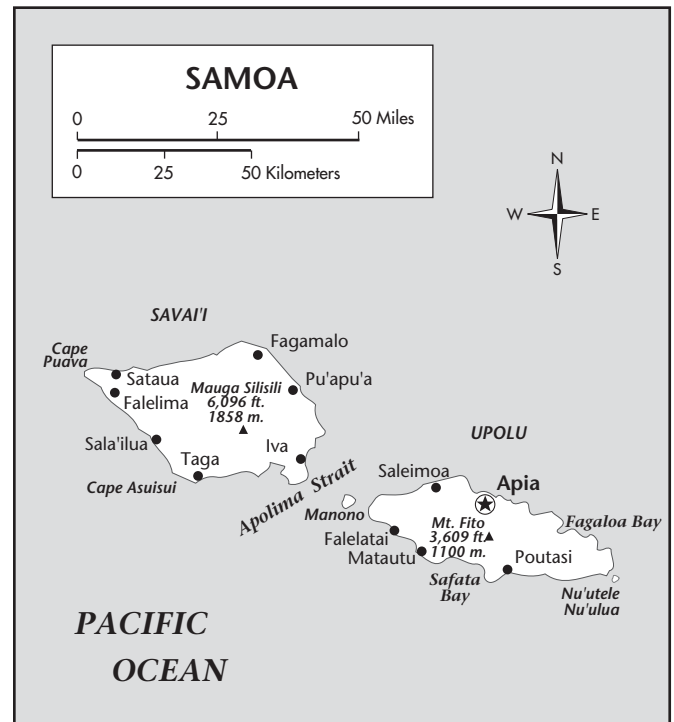
Archaeological evidence on Upolu indicates that Samoa was colonized by maritime traders of the Lapita culture at least as early as the 1st millennium BC. From the mid-13th century AD, genealogies, important titles, traditions, and legends give considerable information on the main political events. The first Europeans to sight the islands were the Dutch explorer Jacob Roggeveen in 1722 and the French navigator Louis de Bougainville in 1768. But the world knew little about Samoa until after the arrival of the missionary John Williams in 1830 and the establishment of the London Missionary Society.

Williams's arrival coincided with the victory of one group of chiefs over another, ending a series of violent internecine wars. Runaway sailors and other Europeans had already settled among the Samoans and assisted the chiefs in their campaigns. Whalers also visited the islands, and from time to time the warships of the great powers visited Apia to oversee the activities of whaling crews and settlers. Naval officers and missionaries began to consult with the dominant group of chiefs as if it represented a national government and treated its leader as a king. In time, semiofficial representatives of Great Britain and the United States were stationed in Apia. Between 1847 and 1861, the United States appointed a commercial agent, and Britain and the city of Hamburg appointed consuls.

Factional rivalries took a new turn as British, US, and German consular agents, aided sometimes by their countries' warships, aligned themselves with various paramount chiefs. Intrigues among the chiefs and jealousies among the representatives of the great powers culminated in civil war in 1889. In the Berlin Treaty, which followed, Britain, the United States, and Germany set up a neutral and independent government under King Malietoa Laupepea, and their consuls were authorized to constitute Apia as a separate municipality. The death of King Malietoa in 1898 led to a dispute over succession, and the three powers intervened once again. In 1899, they abolished the kingship, and in 1900, they signed a series of conventions that made Samoa a German protectorate. The German administration continued to experience difficulties, leading to the exile of several Samoan leaders and the suspension of others from office. With the outbreak of World War I in 1914, New Zealand military forces occupied Samoa, and from 1919 to 1946, New Zealand administered the islands as a mandate of the League of Nations.

In 1927, local opposition to the New Zealand administration among both the Samoan and the European communities resulted in the formation of a nationalistic organization known as the Mau, which embarked on a program of civil disobedience. Its members withdrew from political life, from schools, and from all contact with the government. The protests lasted in one form or another until 1936, when the leaders of the Mau reached an agreement with the administration and reentered the political life of the territory.

In 1946, a trusteeship agreement was approved by the United Nations (UN) General Assembly, and New Zealand formally committed itself to promoting the development of Samoa toward ultimate self-government. The passage of the Samoa Amendment Act of 1947 and a series of further amendments governed Samoa's subsequent evolution toward independence. An executive council was reconstituted in 1957, and the New Zealand high commis-



LOCATION: 13° to 15° S; 171° to 173° W. BOUNDARY LENGTHS: Savai'i 188 kilometers (117 miles); Upolu coastline, 183 kilometers (114 miles). TERRITORIAL SEA LIMIT: 12 miles.

sioner withdrew from the Legislative Assembly, which thenceforth was presided over by an elected speaker. In 1959, an executive cabinet was introduced, and in 1960, the constitution of the Independent State of Samoa was adopted. This was followed by a plebiscite under UN supervision in 1961, in which an overwhelming majority of voters approved the adoption of the constitution and supported independence.

On 1 January 1962, Samoa became an independent nation under the name of Western Samoa. Tupua Tamasese Meaoli and Malietoa Tanumafili II became joint heads of state. When the former died on 5 April 1963, the latter became the sole head of state. Fiaame Faumuina Mataafa was independent Western Samoa's first prime minister (1962–70) and served again in that post from 1973 until his death in 1975.

During the late 1970s and early 1980s, Western Samoa suffered from a worsening economy and growing political and social unrest. A divisive public-sector strike from 6 April to 2 July 1981 cut many essential services to a critical level. The leadership of Tupuola Taisi Efi, who later became head of the Christian Democratic Party (CDP) and was prime minister in 1976, was successfully challenged by the Human Rights Protection Party (HRPP), which won the February 1982 general election. Judicial rulings regarding electoral fraud subsequently nullified some of the election results, and Tupuola returned to power from September to December.

On 30 December 1982, however, a second HRPP government was formed, with Tofilau Eti, the new HRPP leader, as prime minister. Controversy erupted in 1982 over the signing of a protocol with New Zealand that substantially reduced the right of Western Samoans to New Zealand citizenship. Tofilau resigned in Decem-

ber 1985 after his budget failed to win approval, and Va'ai Kolone became prime minister in January 1986 as head of a new coalition government comprising 15 CDP members and 12 former HRPP members. Tupuola was named deputy prime minister of the new government. Tofilau Eti, leader of the HRPP, was reelected prime minister in April 1988 as a result of a contested election that was settled by a judge flown in from New Zealand. A gradual deterioration in the bilateral relationship between Samoa and New Zealand continued as the two nations disputed the special immigration quota applied to Samoans.

In October 1990, a referendum on the issue of universal suffrage narrowly passed. A proposal to establish an upper legislative chamber composed of traditional chiefs failed.

In 1991, in the first elections held under an arrangement of universal suffrage, the HRPP won 28 of 47 seats and Tofilau once again became prime minister. Among the new ministers appointed was Fiaame Naomi, the first female cabinet member, becoming minister of education, youth, sports and culture, and labor. In elections held 26 April 1996, Tofilau Eti retained his post as prime minister.

In July 1997, following an affirmative vote by the legislative assembly, the country officially changed its name from Western Samoa to Samoa. Tofilau Eti resigned due to poor health in November 1998 and died in March 1999 at the age of 74. He was succeeded by deputy prime minister Tuila'epa Sailele Malielegaoi. In elections held 2 March 2001, Tuila'epa retained his post as prime minister, with the HRPP taking 23 seats in the Fono. The Supreme Court ordered four by-elections, which were won by the HRPP, bringing its total to 30 of 49 parliamentary seats. The HRPP formed a government with the support of several independent members of parliament.

In June 2002, New Zealand prime minister Helen Clark issued an apology to the Samoans for injustices inflicted upon them during colonial times. During the time when New Zealand ruled the country (from 1919 to 1962), 22% of the population died as a result of an influenza virus introduced to the islands, and in 1929, New Zealand police fired upon and killed nine people during a rally for independence.

In the early 2000s, Samoa again faced economic concerns. Declining fish catches led the government in 2004 to appoint a committee to investigate the problem and to consider suspending fishermen's loan payments. In addition, the government banned scuba fishing with the hope of allowing the fish populations to rise. In 2005, Samoan doctors struck for higher wages and better working conditions. When their demands were not met, 25 hospital doctors resigned, while foreign doctors maintained a skeleton crew.

In December 2005, Samoa was still negotiating for membership in the World Trade Organization (WTO), for which it first applied in 1998. A key issue in the negotiations was the privatization of Samoan public services. Opponents of Samoa joining the WTO cited concerns that Samoa could lose control of its natural resources and find its markets saturated with cheap inferior goods from overseas.

### **13 GOVERNMENT**

Executive power is vested in the head of state. Although Malietoa Tanumafili II, head of state in 1962, had lifetime tenure, the con-

stitution took effect 1 January that year; it provided for his successors to be elected for a term of five years by the Fono, or legislative assembly. The powers and functions of the head of state are far-reaching. All legislation must have his assent before it becomes law. He also has power to grant pardons and reprieves and to suspend or commute any sentence by any court. Executive authority is administered by a cabinet consisting of a prime minister and 12 other ministers appointed by him. The head of state and the cabinet members make up the executive council.

The 49-member parliament consists of the head of state and the Fono. Forty-seven Samoan members are elected out of the approximately 20,000 matai—traditional chiefs or heads of families—in six two-seat and 35 single-seat constituencies. The election of the 47 Samoan members is by universal adult suffrage. Citizens of non-Samoan origin who qualify for registration on the individual voters' roll elect the two other members by universal suffrage.

The next elections are to be held no later than March 2011.

### **14 POLITICAL PARTIES**

Technically, candidates for public office campaign as individuals, but political parties are becoming increasingly important. The Human Rights Protection Party (HRPP) was founded in 1979 as an opposition party to the government of Prime Minister Tupuola Efi. Tupuola's followers, although not yet formally organized, had, in effect, constituted the ruling party; Tupuola later became the head of the Christian Deomocratic Party (CDP). Other parties winning seats in the 2001 elections were the Samoan National Development Party (SNDP), which took 13 seats, and the Samoa United People's Party (SUPP), which took one seat. Independent candidates won 11 seats. The next elections were to be held no later than March 2006.

### **15 LOCAL GOVERNMENT**

With the exception of the Apia area, local government is carried out by the village fono, or council of matai and orators, and where and when necessary, through meetings of matai and orators of a district. The main administrative link between the central government and the outside districts is provided by part-time officials in each village who act as government agents in such matters as the registration of vital statistics; local inspectors represent the various government departments.

### **16 JUDICIAL SYSTEM**

Court procedure is patterned after practices in British courts. Samoan custom is taken into consideration in certain cases. English is the official language of the court, but Samoan is also used. The Supreme Court has full civil and criminal jurisdiction over the administration of justice in Samoa. It is under the jurisdiction of the chief judge, who is appointed by the head of state, acting on the advice of the prime minister. The Court of Appeal consists of three judges, who may be judges of the Supreme Court or other persons with appropriate qualifications.

Magistrates' courts are subordinate courts with varying degrees of authority. The highest, presided over by the senior magistrate, may hear criminal cases involving imprisonment of up to three years or cases involving only fines. The Land and Titles Court has jurisdiction in disputes over Samoan land and succession to Samoan titles. Samoan assessors and associate judges possessing a



good knowledge of Samoan custom must be present at all sittings of the court. Lawyers are not permitted to appear in the Land and Titles Court; each party appoints its own leader, usually a chief or an orator. Court decisions are based largely on Samoan custom.

Some civil and criminal matters are handled by village *fonos* (traditional courts), which apply a considerably different procedure than that used in the official Western-style courts. The Village Fono Law of 1990 affords legal status to the decision of the village fono and allows the appeal of fono decisions to the Land and Titles Court and to the Supreme Court. In July 2000, the Supreme Court ruled that the Village Fono Law could not be used to infringe upon villagers' freedom of religion, speech, assembly, or association.

## 17 ARMED FORCES

Samoa has no armed forces and relies on its police force for internal security. The government foresees no military development because of financial considerations and the absence of threats from abroad. There are informal defense ties with New Zealand under the terms of the 1962 Treaty of Friendship.

## 18 INTERNATIONAL COOPERATION

Samoa became a member of the United Nations (UN) on 15 December 1976; it belongs to ESCAP and several nonregional specialized agencies, such as the FAO, the World Bank, UNCTAD, UNESCO, and WHO.

The nation also participates in the ACP Group, the Asian Development Bank, the Commonwealth of Nations, G-77, the South Pacific Commission, the South Pacific Regional Trade and Economic Cooperation Agreement (Sparteca), the Alliance of Small Island States (AOSIS), and the Pacific Island Forum. Samoa has observer status in the World Trade Organization.

An Inter-Samoa Consultative Committee, made up of representatives from Samoa and American Samoa, holds meetings alternately in both countries to discuss matters of mutual interest. By treaty, New Zealand is the exclusive representative of Samoa in the conduct of its foreign affairs outside the Pacific region. In environmental cooperation, Samoa is part of the Convention on Biological Diversity, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The economy is based largely on agriculture, which, including fisheries, provides 50% of the gross domestic product (GDP) and employs two-thirds of the workforce, mostly in subsistence farming of food crops. In addition to agricultural exports, tourist revenues and remittances from overseas workers are also important sources of foreign exchange. Economic performance has suffered since 1990 due to the devastation to crops, tourism, and infrastructure caused by Cyclones Ofa and Val. In 1993–94 a fungal disease reduced taro production by 97%, threatening the island's basic food crop and causing negative growth in the economy. Samoa has the highest unemployment rate and the lowest wages in Oceania.

In 2004, the GDP growth rate was 1.9%, down from 3.5% in 2003. The inflation rate registered a sudden jump in 2004, to 16.4%, as a result of food shortages caused by hurricane damage early in

the year; by the middle of 2005 the inflation had been brought back down to 7.6%, and it was on a continued downward trend. Great hopes are set for the tourism industry, with visitor numbers expected to double by 2010. The main engine of this growth trend is a new airline—Polynesian Blue, which operates flights between Samoa, Australia, and New Zealand.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Samoa's gross domestic product (GDP) was estimated at \$1.0 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$5,600. The annual growth rate of GDP was estimated at 5%. The average inflation rate in 2001 was 4%. It was estimated that agriculture accounted for 14% of GDP, industry 23%, and services 63%.

According to the World Bank, in 2000, remittances from citizens working abroad totaled \$45 million, or about \$253 per capita, and accounted for approximately 19.5% of GDP.

## 21 LABOR

In 2000, there were approximately 90,000 workers in Samoa. The majority were engaged in agriculture, and cash crops are raised as supplements to subsistence crops. Agriculture, forestry, and fishing account for 65% of wage employment; services account for 30% and industry for 5%. Although there are no data on unemployment in Samoa, underemployment is known to be substantial.

There are only two trade unions in the country, representing workers at the three major banks and the country's only factory. Although small, a trade union movement has been established. Public employees are represented by the Public Service Association. Approximately 20% of the workforce is unionized. Over the years, thousands of skilled and semiskilled Samoans have left the islands, drawn away mainly by better economic opportunities in New Zealand, Australia, and the United States.

Labor is generally restricted to a 40-hour week. Payment is in cash, and in many cases rations are also supplied to workers, either as part of their wages or in addition to them. In most cases, living quarters are provided for plantation workers. The minimum hourly wage was \$0.47 in 2001. Samoan labor law provides for rudimentary safety and health standards, but these standards are not effectively enforced. Children may not work before the age of 15, but the law does not apply to service rendered to the matai, who sometimes require children to work on village farms. Moreover, increasing numbers of children work as street vendors in Apia.

## 22 AGRICULTURE

Tropical agriculture occupies 46% of the land area, employs about 34% of the labor force, and makes up about 12% of gross domestic product (GDP). Most Samoans grow food crops for home consumption and cash crops for export. Village agriculture, in which the family is the productive unit, involves the largest areas of land, occupies the preponderance of the labor force, and produces the major portion of food and cash crops. Coconut products, cocoa, taro, and bananas are produced for export, and bananas, taro, and taamu are grown for local sale. Village plantings are invariably

mixed, containing some or all of the following crops: coconuts, cocoa, bananas, taro, taamu, breadfruit, sugarcane, yams, manioc, and various fruits. Plantation agriculture has been controlled mainly by nonindigenous residents.

Exports of unprocessed copra have been largely replaced by coconut oil, coconut cream, and copra cake. In 2004, coconut production was estimated at 140,000 tons. Taro (coco yam) production in 2004 amounted to 17,000 tons. Taro production dropped 97% in 1993–94 due to leaf blight, and the government is working on methods to control the disease. Exports of cocoa have fallen in recent years, thereby discouraging production. Since 1991, no production over 1,000 tons has been reported. Banana exports fluctuate greatly from year to year. Exports of agricultural products in 2004 amounted to \$5.6 million, while agricultural imports totaled \$40.6 million that year.

### **23 ANIMAL HUSBANDRY**

Pigs and cattle form the bulk of the livestock. In 2005, pigs, which are common in the villages, were estimated to number 201,000 and cattle 29,000. A small number of cattle are kept for milk; the remainder are raised for beef. Nearly one-half of the cattle population is owned by Western Samoa Trust Estate Corporation (WSTEC), the most progressive cattle breeder. Other livestock in 2005 included an estimated 7,000 donkeys and 1,800 horses. Meat production in 2005 was 5,140 tons, 74% of it pork.

### **24 FISHING**

The government has sought to expand the fishing industry, but most fishing is still conducted along the reefs and coasts; deep-sea fishing, save for bonito and shark, is not developed. A \$3 million fish market and wharf, built with Japanese aid, was completed in Apia in 1982. The local fish catch, however, steadily fell from 4,020 tons in 1982 to 565 tons in 1991; by 2003, the catch rebounded to 10,267 tons, with tuna comprising about 40%.

### **25 FORESTRY**

The nation's forest area is estimated at 105,000 hectares (259,000 acres). Reforestation projects are concentrated on Savai'i, which accounts for 80% of the nation's forest area. A large-scale timber-milling enterprise, established on Savai'i in 1970, began to produce kiln-dried sawn timber and veneer sheets for export. Roundwood production in 2004 was 131,000 cu m (4.6 million cu ft), with 53% used as fuel wood. Timber imports were estimated at \$5.6 million in 2004.

### **26 MINING**

No minerals of commercial value were known to exist in Samoa.

### **27 ENERGY AND POWER**

Samoa formerly depended heavily on imported energy, but hydroelectric power, first available in 1985, has greatly increased its generating capacity. In 2002, net electricity generation was 0.111 billion kWh, of which 50.5% came from fossil fuels and 49.5% from hydropower. In the same year, consumption of electricity

totaled 0.103 million kWh. Total installed capacity in 2002 was 0.029 million kW.

Samoa has no reserves of oil, natural gas, or coal, nor any refining capacity. All fossil fuel needs were met by imports of refined petroleum products. In 2002, imports and demand each averaged 1,020 barrels per day. Gasoline and distillates made up the majority of those imports at 400 barrels per day and 450 barrels per day, respectively.

### **28 INDUSTRY**

The government has encouraged industrial growth, and manufacturing, geared mainly to processing primary products, is increasing steadily. Industries include food- and timber-processing facilities, a brewery, cigarette and match factories, and small individual enterprises for processing coffee and for manufacturing curios, soap, carbonated drinks, light metal products, garments, footwear, and other consumer products. A coconut oil mill, an additional coconut cream factory, a veneer mill, and a meat cannery began operations in the 1980s. In 1991, the Japanese Yazaki Samsa Co. began manufacturing automotive seat belts. The firm also produces electrical wiring systems.

In 2000, the industrial production growth rate was 2.8%, less than half the GDP growth rate in the same year and an indicator of an underperforming sector. In 2001, industry accounted for 23% of GDP; services were the main economic engine, with a 63% share. Although agriculture had only a 14% share in the economy, it employed two-thirds of the labor force and was responsible for 90% of total exports.

### **29 SCIENCE AND TECHNOLOGY**

New Zealand provides extensive scientific and technical aid to Samoa. Other donors include Japan, the Federal Republic of Germany (FRG), Australia, the United States, the United Kingdom, and the United Nations Development Program (UNDP). United Nations Educational, Scientific and Cultural Organisation (UNESCO) has an integrated field office in Apia to promote science in the Pacific States. The National University of Samoa, founded in 1988 at Apia, has a faculty of science. The University of the South Pacific, founded in 1977 at Apia, has a school of agriculture.

### **30 DOMESTIC TRADE**

Apia, the capital, is the center of commercial life. Many firms act as agents for shipping and airlines and for overseas commercial organizations generally. Outside Apia, trading stations, linked with the capital by launch and road transport, collect produce and distribute consumer goods. Several major firms operate about 200 stations in the outer districts and secure a large share of the total commercial business. There are also a number of smaller firms and independent traders. In Apia, various firms and small shops sell imported commodities and domestic products. Open markets sponsoring local produce vendors are a common food retailing situation for a nation where 65% of the workforce is employed in agriculture. The largest such market is Meketi Fou in Apia. Office hours are from 8 AM to noon and resume from 1 PM to 4:30 PM.

### **31 FOREIGN TRADE**

The fact that Samoa has a limited number of exports—principally agricultural and timber products—renders its economy extreme-

**Principal Trading Partners – Samoa (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	87.1	150.5	-63.4
Australia	62.2	33.3	28.9
United States	11.4	20.9	-9.5
United Kingdom	3.9	1.3	2.6
Japan	2.8	7.8	-5.0
New Zealand	2.4	54.6	-52.2
Tokelau	1.2	...	1.2
New Caledonia	1.0	...	1.0
Italy-San Marino-Holy See	0.7	0.2	0.5
China, Hong Kong SAR	0.4	1.5	-1.1
Germany	0.3	0.2	0.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

ly vulnerable to weather conditions and market fluctuations. Imports consist chiefly of machinery and equipment, industrial supplies, and foodstuffs. The principal exports include fish, coconut oil and cream, copra, taro, garments, and beer. Foodstuffs and industrial supplies account for about 50% of the country's annual imports.

In 2004, exports totaled \$94 million (FOB—Free on Board), while imports grew to \$285 million. Most of the exports went to Australia (67.2%), the United States (5.7%), and Indonesia (5.3%). Imports included food and live animals, mineral fuels, crude nonfuel materials, beverages, and tobacco and primarily came from New Zealand (25.1%), Fiji (21.5%), Taiwan (9.1%), Australia (8.9%), Singapore (8.5%), Japan (7.5%), and the United States (4.7%).

**3<sup>2</sup> BALANCE OF PAYMENTS**

In the early 1970s, Samoa's heavy trade deficits were largely offset by tourism revenues, remittances from Samoans working abroad, and long-term investment capital. By the early 1980s, however, rising import costs and declining export earnings led to a critical balance-of-payments situation. By 1992, the external account deficit (excluding grants) had increased to about 28% of GDP. Samoa's external debt stood at \$192 million in 1999.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Samoa's exports was \$17 million, while imports totaled \$90 million, resulting in a trade deficit of \$73 million.

The International Monetary Fund (IMF) reported that in 1999 Samoa had exports of goods totaling \$20 million and imports totaling \$116 million. The services credit totaled \$61 million and debit \$25 million.

Exports of goods and services totaled \$98 million in 2004, up from \$86 million in 2003. Imports grew from \$154 million in 2003 to \$181 million in 2004. The resource balance was consequently negative and on a downward path—from -\$68 million in 2003 to -\$83 million in 2004. An opposite trend was registered for the current account balance, which improved from \$8 million in 2003 to \$15 million in 2004. Foreign exchange reserves (including gold)

**Balance of Payments – Samoa (1999)**

(In millions of US dollars)

<b>Current Account</b>		<b>18.2</b>
Balance on goods		-97.5
Imports	-115.7	
Exports	20.3	
Balance on services		36.8
Balance on income		0.4
Current transfers		41.6
<b>Capital Account</b>		<b>24.5</b>
<b>Financial Account</b>		<b>-0.7</b>
Direct investment abroad		...
Direct investment in Samoa		...
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		...
Other investment liabilities	-0.7	
<b>Net Errors and Omissions</b>		<b>2.1</b>
<b>Reserves and Related Items</b>		<b>-7.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

increased to \$204 million in 2004, covering more than six months of imports.

**3<sup>3</sup> BANKING AND SECURITIES**

Legislation in 1974 set up the Monetary Board to act as the central bank. The activities of the Monetary Board were taken over in May 1984 by the new Central Bank of Samoa. An Australian bank, ANZ, acquired the government's 25% stake in the Bank of Western Samoa (BWS), becoming its outright owner. The BWS is the largest bank in the country, with assets of about A\$16 million (us\$13 million). The government has sold its Post Office Savings Bank (POSB) to a consortium of local businesses. The bank, to be renamed the National Bank of Samoa, is the country's first locally owned commercial bank. The other banks are Pacific Commercial Bank (owned by Westpac, the Bank of Hawaii, and local shareholders) and the Development Bank of Western Samoa.

Parliament passed legislation in early 1988 to allow banks to set up offshore banking centers. More than 1,000 companies have registered in Apia under the new tax haven legislation, contributing substantially to the national budget. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$24.5 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$86.6 million.

**3<sup>4</sup> INSURANCE**

There is a private life insurance company in Apia, National Pacific Insurance Ltd., managed by the National Insurance Co. of New Zealand.

**3<sup>5</sup> PUBLIC FINANCE**

Samoa's financial year ends on 31 December. Government budgets commonly show deficits.

The US Central Intelligence Agency (CIA) estimated that in 2001–02 Samoa's central government took in revenues of approximately \$105 million and had expenditures of \$119 million. Revenues minus expenditures totaled approximately -\$14 million. Total external debt was \$197 million.

### 3<sup>6</sup> TAXATION

Individuals and companies are liable for the payment of income tax. The basic nonresident corporate tax rate is 48%, and the resident corporate tax rate is 39%; rates for both domestic and foreign insurance companies are lower. Personal income tax rates range from 5–50%. There are also gift, inheritance, and stamp taxes.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Customs duties provide almost half of current government revenues and are levied on all imports except those specifically exempted. Preferential rates for imports from Commonwealth countries were abolished in 1975.

### 3<sup>8</sup> FOREIGN INVESTMENT

The government actively promotes the establishment of industries financed by overseas companies. These include milling and logging operations by a US company on Savai'i and by a joint Japanese-Samoan enterprise on Upolu, and a US hotel resort center near Apia.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

The government has consistently stressed diversification of agriculture. It has also sought to promote growth in manufacturing, forestry, fishing, hydroelectric power, and tourism, which received a boost when the Faleto Airport got a new terminal and runway extension in 1985. In 1989, an offshore banking center was launched. New Zealand, Australia, the United States, the Asian Development Bank, and the European Community are major sources of development aid, and Japan and Germany have provided technical and financial aid. Assistance from the UN family of organizations totaled us\$2.6 million in 1991. The country's fifth development plan (1985–87) called for an investment of ws\$146.9 million, ws114.2 million of it from external sources. Investment increased significantly in 1990 and 1992, mainly due to increased public capital expenditures. External aid has been a major source of public investment financing, providing approximately 68% of capital expenditures in 1991 and 47% in 1992.

The Samoan economy remains dependent on foreign aid, remittances from overseas, agriculture (it employs two-thirds of the labor force and accounts for 90% of total exports), and fishing. Tourism is a sector of increasing importance, and the government is implementing infrastructure changes (most notably, a new air-line) that it hopes will double visitor arrivals by 2010.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

A social security system was established in 1972 under the Western Samoan National Provident Fund. It provides for employee retirement pensions, disability benefits, and death benefits. Employees contribute 5% of their earnings, and this amount is matched by their employers. Retirement is allowed at age 55. Workers'

compensation is funded by employers and is compulsory. This program covers reasonable medical expenses and is paid for entirely by employer contributions.

Domestic abuse is common and considered culturally acceptable, except in the most extreme cases. Police are rarely notified and domestic issues are resolved within the village structure. Universal suffrage was enacted in 1990, and the following year, a Women's Affairs Ministry was established. The government sponsors literacy programs to assist in integrating women into the economic mainstream.

Human rights are generally well respected in Samoa.

### 4<sup>1</sup> HEALTH

The Department of Health oversees health care on the islands. The country is divided into 14 health districts, each under a medical officer. In 2004, there were an estimated 70 physicians, 202 nurses, and 18 dentists per 100,000 people. District nurses are stationed at strategic points throughout the islands. Child health clinics, particularly clinics for young children and infants, are a regular feature of their work. Approximately 91% of children were vaccinated against measles. A mobile dental clinic operates in the villages, while all schools in Apia are visited at regular intervals by a team of dental practitioners.

Diabetic retinopathy is common in Polynesian Samoans. The increase in diabetes has been linked to the Westernization of the Samoan diet. The life expectancy was estimated at 70.72 years as of 2005. During the same year, the infant mortality rate was an estimated 27.71 per 1,000 births. As of 2002, the crude birth rate and overall mortality rate were estimated at 15.5 and 6.4 per 1,000 people, respectively.

The immunization rates for children under age one were as follows: diphtheria, pertussis, and tetanus, 95%; polio, 95%; measles, 98%; and tuberculosis, 98%. Tuberculosis and AIDS are present but not considered major problems.

### 4<sup>2</sup> HOUSING

Most Samoans live in villages in traditional Samoan houses called *fales*. A fale is usually round or oval, with pebble floors and a thatch roof. It has no walls, being supported on the sides by posts. Coconut-leaf blinds can be lowered to exclude wind and rain. In areas more affected by contact with Europeans, the fale may have a concrete floor, corrugated iron roof, and latticework walls. Another fused Samoan-European type, much used by chiefs and pastors, is an oblong concrete house with some walls, often with separate rooms in each corner; like the fale it is open at the sides. Fales are grouped around an open area in the center of the village and have separate cookhouses behind them.

More modern housing has been constructed since about the 1990s, primarily through international assistance. Solid wall structures with concrete foundations and iron roofs have been built to withstand the natural elements of harsh wind, rain, and cyclones. However, low-income families are not able to purchase or build such structures without assistance. The Housing Corporation of Samoa was established by the Housing Corporation Act of 1989 to offer loans and assistance for prospective homeowners. In 2001, there were about 23,059 households in Samoa; the average number of members per household was eight.

### 43 EDUCATION

Formal education is provided by the Department of Education and five religious missions. Government and mission schools have a uniform syllabus and common examinations. The government school system is more comprehensive, with almost all teachers holding Samoan teachers' certificates. Village schools provide four years of primary schooling. District schools draw the brighter pupils from village schools and educate them through the upper primary level. In the Apia area, urban schools provide a lower-through upper-primary curriculum. A major educational goal has been to make Samoans bilingual, with English as their second tongue. In the senior classes of the primary schools, all instruction is in English.

The government maintains secondary schools, in which the medium of instruction is English. Samoa College is patterned after a New Zealand secondary school; each year, 100 pupils from government and mission schools are selected for admission by competitive examination. Vaipouli High School, in Savai'i, provides a general secondary curriculum, and Avele College, in Apia, offers training in modern agricultural methods. In addition, the University of the South Pacific School of Agriculture maintains a campus at Alafua, on the outskirts of Apia. The medium of instruction in mission secondary schools is English, with curriculum and textbooks similar to those used in New Zealand.

In 2001, about 54% of children between the ages of three and four were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 98% of age-eligible students. The same year, secondary school enrollment was about 62% of age-eligible students. It is estimated that nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 27:1 in 2003; the ratio for secondary school was about 21:1. In 2003, private schools accounted for about 16.6% of primary school enrollment and 31.7% of secondary enrollment.

Samoa was one of the founders of the regional University of the South Pacific. The National University, which was established in 1984, was upgraded and provided with a new campus in 1997. Other tertiary institutions include the College of Tropical Agriculture and a Trades Training College. In 2001, it was estimated that about 7% of the tertiary-age population was enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 98.7%.

As of 2003, public expenditures on education were estimated at 4.8% of GDP, or 14.6% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

The Nelson Memorial Public Library in Apia has 90,000 volumes. The library of the University of the South Pacific has around 22,000 volumes, and the Legislative Assembly has a library with 6,000 volumes. A bookmobile service operates on Upolu and Savai'i. The National Museum and Culture Center in Apia, established in 1984, includes a local museum, library, and theater and

offers crafts workshops. Vailima is home to the Robert Louis Stevenson Museum, featuring the author's house and estate.

### 45 MEDIA

Internal and overseas wireless telegraph services are available. In 2002, there were 11,800 mainline phones and 2,700 mobile phones in use nationwide.

The government-controlled Samoan Broadcasting Service, in Apia, transmits radio programs on two stations in Samoan and English and provides direct broadcasts from the Fono. In 2004, there were five private radio stations and a satellite cable system available in parts of Apia. One of the two television stations was owned by the government. In 1997, there were 323 radios and 25 television sets in use per 1,000 population. In 2002, there were 4,000 Internet subscribers.

There are several bilingual weeklies, including *Le Samoa* and *Savali*, published in Samoan and English. There is one daily, the *Samoa Times*. The constitution provides for free speech and a free press, and the government is said to respect these provisions in practice.

### 46 ORGANIZATIONS

The Samoa Chamber of Commerce and Industry is based in Apia.

Youth clubs include the Boy's Brigade Samoa, University of South Pacific Student Association, and YMCA/YWCA. There are several sports associations representing such pastimes as squash, weightlifting, badminton, taekwondo, and sailing. Many of these are affiliated with the national Olympic Committee and other international organizations.

Volunteer service organizations, such as the Lions Clubs International and the Calliope Lodge of Freemasons, are present. Women's organizations include Soroptimist International of Samoa, Mothers' Club, Federation of Women's Committees, and the South-East Asia and Pan-Pacific Women's Association. Mapusaga O Aiga Samoa is a national organization promoting public awareness of issues concerning child abuse and domestic violence. There are national chapters of the Red Cross Society and Habitat for Humanity.

### 47 TOURISM, TRAVEL, AND RECREATION

Until 1965, official policy in Samoa was opposed to tourism, but during 1966–67, there was a complete reversal of policy. The government hired international tourism consultants to advise it on long-term means of developing a tourism industry. Samoa joined the Pacific Area Travel Association, extended tax holidays and import-duty concessions to hotel builders, and appropriated money for the building of new hotels.

The major tourist attractions are the beaches and traditional villages. In Apia is Vailima, the residence of the head of state and once the home of Robert Louis Stevenson; Stevenson's grave is nearby. Pastimes include swimming, waterskiing, and fishing. Football (soccer), cricket, and rugby are popular local sports.

Travelers to Samoa must have a passport valid for at least six months, as well as an onward/return ticket. Visitors do not require

a visa or entry permit for stays of up to 60 days. In 2003, 92,313 tourists visited Samoa. Hotel rooms numbered 939, with 2,131 beds.

According to 2005 US State Department estimates, the daily cost of staying in Samoa was \$207 per day.

#### **48 FAMOUS SAMOANS**

The Scottish author Robert Louis Stevenson (1850–94) lived principally on Upolu from 1889 until his death. Samoans famous since independence include Malietoa Tanumafili II (b.1913), who was named head of state in 1962, and Fiame Faumuina Mataafa (d.1975), who served as prime minister from 1962 to 1970 and again from 1973 until his death. Tupuola Taisi Efi (b.1938) was prime minister from 1976 to 1982. Tofilau Eti (b.American Samoa, 1924–99) was prime minister from December 1982 to December 1985, when he resigned and was succeeded by Va'ai Kolone. Sailele Malielegaoi Tuila'epa (b.1945) has been prime minister and foreign minister since 1998 and was reelected in 2001.

#### **49 DEPENDENCIES**

Samoa has no territories or colonies.

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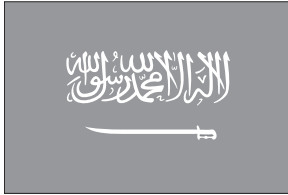
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# SAUDI ARABIA

Kingdom of Sa'udi Arabia  
*Al-Mamlakah al-'Arabiyah as-Sa'udiyah*

**CAPITAL:** Riyadh (Ar-Riyadh)

**FLAG:** The national flag bears in white on a green field the inscription, in Arabic, "There is no god but Allah, and Mohammad is the messenger of Allah." There is a long white sword beneath the inscription; the sword handle is toward the fly.

**ANTHEM:** The National Anthem is a short instrumental selection.

**MONETARY UNIT:** The Saudi riyal (SR) is divided into 20 qursh (piasters), in turn divided into 5 halalah. There are coins of 1, 5, 10, 25, 50, and 100 halalah and notes of 1, 5, 10, 50, 100, and 500 riyals. SR1 = \$0.26667 (or \$1 = SR3.75) as of 2005.

**WEIGHTS AND MEASURES:** The metric system has been officially adopted.

**HOLIDAYS:** Muslim religious holidays include 1st of Muharram (Muslim New Year), 'Id al-Fitr, and 'Id al-'Adha'.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Saudi Arabia constitutes about four-fifths of the Arabian Peninsula in Southwest Asia. Although Saudi Arabia is known to be the third-largest country in Asia, after China and India, its precise area is difficult to specify because several of its borders are incompletely demarcated. According to the United Nations (UN), the nation has an area of 1,960,582 sq km (756,985 sq mi); it extends 2,295 km (1,426 mi) ESE-WNW and 1,423 km (884 mi) NNE-SSW. Comparatively, the area occupied by Saudi Arabia is slightly less than one-fourth the size of the United States. Saudi Arabia is bounded on the N by Jordan and Iraq; on the NE by Kuwait; on the E by the Persian Gulf, Qatar, and the United Arab Emirates (UAE); on the SE by Oman; on the S and SW by Yemen; and on the W by the Red Sea and the Gulf of Aqaba, with a total estimated land boundary length of 4,431 km (2,753 mi) and a coastline of 2,640 km (1,640 mi).

The Farasa'n Islands, belonging to Saudi Arabia, include about 120 islands in the Red Sea, the largest of which is Farasa'n al Kabir, with an area of about 395 sq km (152 sq mi).

An agreement was reached in 1965 whereby the neutral zone separating Saudi Arabia from Kuwait was divided administratively between the two countries; however, Kuwait and Saudi Arabia continue to debate the maritime boundary with Iran. A dispute between Saudi Arabia and the newly formed UAE over control of the Buraymi oasis was settled in 1974, when they reached an accord fixing their common border; however, the details of this treaty had not been made public by late 2005.

Saudi Arabia's capital city, Riyadh, is located in the east-central part of the country.

## <sup>2</sup>TOPOGRAPHY

A narrow plain, the Tihamat ash-Sham, parallels the Red Sea coast, as do, farther north, the Hijaz Mountains (with elevations of 910–2,740 m/3,000–9,000 ft), which rise sharply from the sea. The highest mountains (over 2,740 m/9,000 ft) are in 'Asir in the south. 'Asir is a region extending about 370 km (230 mi) along the Red Sea and perhaps 290–320 km (180–200 mi) inland. East of the Hijaz, the slope is more gentle, and the mountains give way to the central uplands (Najd), a large plateau ranging in elevation from about 1,520 m (5,000 ft) in the west to about 610 m (2,000 ft) in the east. The Dahna, a desert with an average width of 56 km (35 mi) and an average altitude of 460 m (1,500 ft), separates Najd from the low plateau (Hasa) to the east (average width, 160 km/100 mi; average altitude, 240 m/800 ft). This, in turn, gives way to the low-lying Gulf region.

At least one-third of the total area is sandy desert. The largest of the deserts is the famed Ar-Rub' al-Khali in the south, with an area of roughly 647,500 sq km (250,000 sq mi). An-Nafud, its northern counterpart, has an area of about 57,000 sq km (22,000 sq mi). There are no lakes, and except for artesian wells in the eastern oases, there is no perennially flowing water.

## <sup>3</sup>CLIMATE

The climate is generally very dry and very hot; dust storms and sandstorms are frequent. Day and night temperatures vary greatly. From May to September, the hottest period, daytime temperatures reach 54°C (129°F) in the interior and are among the highest recorded anywhere in the world. Temperatures are slightly lower along the coasts, but humidity reaches 90%, especially in the east, which is noted for heavy fogs. From October through April, the climate is more moderate, with evening temperatures between 16°

and 21°C (61° and 70°F). Average annual rainfall is 9 cm (3.5 in), with most rain falling from November to May. Between 25 and 50 cm (10 and 20 in) of rain falls in the mountainous 'Asir area, where there is a summer monsoon. In late spring and early summer, a strong northwesterly wind known as the shamal produces sometimes severe sand and dust storms.

#### 4 FLORA AND FAUNA

Vegetation is sparse, owing to aridity and soil salinity. The date palm, mangrove, tamarisk, and acacia are prevalent. Wild mammals include the oryx, jerboa, fox, lynx, wildcat, monkey, panther, and jackal. The favorite game bird is the bustard. The camel and Arab stallion are renowned, as is the white donkey of Al-Ahsa. Fish abound in the coastal waters and insects, scorpions, lizards, and snakes are numerous. Some beaches of the Farasān Islands are nesting grounds for turtles. An annual gathering of harid parrotfish takes place on these islands, and the waters surrounding them are home to several types of dolphins, whales, and dugong (an aquatic mammal related to the manatee). As of 2002, there were at least 77 species of mammals, 125 species of birds, and over 2,000 species of plants throughout the country.

#### 5 ENVIRONMENT

The Saudi government has traditionally not given priority to environmental protection, but in recent years it has become concerned about the continuing encroachment of sand dunes on agricultural land, the preservation and development of water resources, and pollution and sanitation problems. Legislation enacted in May 1978 forbade the felling of trees and regulated the protection of forestland. In 2000, less than 1% of the total land area was forested.

Saudi Arabia's natural environment was threatened by the Persian Gulf War. The dumping of up to six million barrels of oil in the surrounding waters and the destruction of Kuwait's oil wells by fire polluted the nation's air and water. Saudi Arabia has about 2 cu km of renewable water resources, with 90% of annual withdrawals used for farming and 1% used for industrial purposes. Only about 64% of the nation's rural population has access to safe drinking water. At current rates of consumption, it has been estimated that the nation's water supply may be exhausted in 10–20 years. Saudi Arabia's cities produce an average of 4.8 million tons of solid waste per year.

The Directorate General for Environmental Protection is responsible for environmental protection measures and preservation of natural resources. In the late 1970s, the 'Asir Kingdom Park, in the southwest, was created to preserve the landforms, flora, and fauna of the 'Asir region, which forms part of the Great Rift Valley. Drakensberg Park became a UNESCO World Heritage Site in 2000.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 9 types of mammals, 17 species of birds, 2 types of reptiles, 9 species of fish, 1 species of invertebrate, and 3 species of plants. Threatened species in Saudi Arabia include the Asiatic cheetah (possibly extinct), South Arabian leopard, northern bald ibis, and two species of turtle (green sea and hawksbill). The Arabian gazelle, Queen of Sheba's gazelle, Saudi gazelle, and the Syrian wild ass have become extinct.

#### 6 POPULATION

The population of Saudi Arabia in 2005 was estimated by the United Nations (UN) at 24,573,000, which placed it at number 46 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 37% of the population under 15 years of age. There were 117 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.7%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 37,160,000. The overall population density was 12 per sq km (30 per sq mi), but much of the population is concentrated on the coasts or internal oases; desert regions are largely uninhabited.

The UN estimated that 86% of the population lived in urban areas in 2005 and that urban areas were growing at an annual rate of 2.95%. The capital city, Riyadh (Ar-Riyadh), had a population of 5,126,000 in that year. Estimates of the population in other major metropolitan areas were as follows: Jeddah, the principal port, 3,807,000; and Mecca (Makkah), containing Islam's holiest shrine, 1,529,000. Other major cities include Medina (Al-Madinah), the second-holiest city of Islam, 1,044,000; Ad Dammām, 920,000; Aṭ Ṭā'if, 416,121; and Al Hufūf, 225,847.

#### 7 MIGRATION

Emigration is limited. Immigration of professionals, technicians, and others from the surrounding Arab states and growing numbers from outside the region have been spurred by the development of the oil industry and by the lack of adequately trained and educated Saudi personnel. Palestinian Arabs, displaced by the establishment of the state of Israel, are the chief immigrant group. In the early 1990s, there were significant numbers of expatriate workers from the United States, European countries, Turkey, Jordan, Syria, Jordan, Kuwait, Yemen, the Republic of Korea (ROK), Pakistan, India, Sri Lanka, and the Philippines. In 1990, when Iraq invaded Kuwait, Saudi Arabia reacted by expelling workers from Jordan, Yemen, and Palestine, for their countries' support of Iraq. The foreign population was 4,624,459 in 1992 (27% of the total population). After the Gulf War, 93,000 Iraqis were granted temporary asylum. Since then, 60,000 Iraqis have been returned under the prisoner of war exchange. By April 1997, 20,800 had resettled in 33 different countries, 3,010 had voluntarily repatriated, and 9,000 were still in camps in Saudi Arabia. The total number of noncitizens living in the country in 2000 was 5,255,000. In 2004, Human Rights Watch, concerned with the treatment of foreign workers, estimated that there were 1–1.5 million people each from Bangladesh, India, and Pakistan; another 900,000 each from Egypt, Sudan, and the Philippines; 500,000 workers from Indonesia; and another 350,000 from Sri Lanka. In 2005, the labor force was 6.76 million, with estimates that more than 35% of the population in the 15–64 age group is nonnational.

By the end of 2004, there were 240,722 refugees and asylum seekers in Saudi Arabia. With 170 asylum seekers that year, the primary origin of this groundswell of refugees was Palestine, a trend following the beginning of the Iraq War. In 2005, the net migration rate was an estimated -3.5 migrants per 1,000 population, down from a net migration rate in 2000 of 4.3 migrants per 1,000 population.



## 8 ETHNIC GROUPS

At least 90% of Saudis have a common Arabian ancestry, making the population fairly homogeneous in ethnicity, religion, and language. Divisions are based mainly on tribal affiliation or descent; the primary distinction is between groups with a tradition of being sedentary agriculturalists or traders, and the Bedouins, who have a tradition of nomadic pastoralism. The two groups traditionally have been antagonistic. There has been some loosening of tribal ties, however, caused by rapid economic development. Afro-Asians account for the remaining 10% of the population. Admixtures of Turks, Iranians, Indonesians, Pakistanis, Indians, various African groups, and other non-Arab Muslim peoples appear in the Hijaz, mostly descendants of pilgrims to Mecca. The foreign population stands between six and seven million, including Bangladeshis, Pakistanis, Filipinos, Egyptians, Palestinians, Lebanese, Sri Lankans, Eritreans, and Americans.

## 9 LANGUAGES

Arabic, the native language of the indigenous population, is a Semitic language related to Hebrew and Aramaic. Local variations in pronunciation do not prevent oral communication between people from opposite sections of the Arabian Peninsula. The language is written in a cursive script from right to left. The 28 letters of the alphabet have initial, medial, and terminal forms; short vowels are seldom indicated. Most businesspeople and merchants in oil-producing areas and commercial centers understand English. Government correspondence must be written in Arabic.

## 10 RELIGIONS

Islam is the state religion and all citizens must be Muslims. About 85% of the people of Saudi Arabia are Sunni Muslims; the dominant form is Wahhabism, a fundamentalist Muslim reform movement first preached by the 18th-century religious leader Muhammad bin 'Abd al-Wahhab. Most other Saudis are Shia Muslims. The holy city of Mecca is the center of Islam and the site of the sacred Ka'bah sanctuary, toward which all Muslims face at prayer. A pilgrimage to Mecca is one of the five basic obligations of Islam and is incumbent upon every Muslim who is physically and financially able to perform it.

There are several thousand foreign Christian employees—Arab, US, and European. Jews have not been allowed to enter the country since the establishment of the state of Israel in 1948, except under special circumstances.

There is no religious freedom within the country. The government claims that the Holy Koran (Quran) and the Sunna (tradition) of the Prophet are the country's constitution. As such, the government strictly controls all religious activities. The public worship of non-Muslim faiths is prohibited. While non-Muslim foreigners are theoretically permitted to worship privately, the guidelines that distinguish between public and private worship are ambiguous, leading to severe restrictions on non-Muslim worship. Proselytizing of non-Muslim religions is illegal and conversion of Muslims to other faiths is a capital offense.

## 11 TRANSPORTATION

Until recent decades, the camel was the chief means of transportation in Saudi Arabia, but enormous strides have been made since

the early 1970s. By 2002, there were 146,524 km (91,050 mi) of highway, of which 44,104 km (27,406 mi) were paved. Modern roads link Jeddah, Mecca, Medina, Aṭ Ṭā'if, and Riyadh. A new highway connects Saudi Arabia with Jordan, and a causeway completed in 1986 offers a direct connection with Bahrain. In 2003, there were 2,889,384 passenger cars and 1,720,910 commercial vehicles registered for use. Most within-country freight is hauled by truck. The Saudi Government Railroad, which operates between Ad Dammām and Riyadh over a length of 575 km (357 mi), was built by the Arabian American Oil Co. (ARAMCO) during the 1950s. As of 2004, railroad lines totaled 1,392 km (865 mi) of standard-gauge track.

In 2004, there were an estimated 201 airports. As of 2005, a total of 73 had paved runways, and there were also six heliports. Major airports include Dhahran International at Dhahran, King Abdul Aziz at Jeddah, and King Khaled International at Riyadh. The government-owned Saudi Arabian Airlines (Saudia) operates regular domestic and foreign flights to major cities. Because of the large distances that separate the main cities, air travel is preferred within the kingdom. In 2003, about 13.882 million passengers were carried on scheduled domestic and international flights.

Jeddah, on the Red Sea, is the chief port of entry for Muslim pilgrims going to Mecca. Saudi Arabia has the largest seaport network in the Near East, with eight major ports with 183 piers and three smaller ports. Ports include Ad Dammām, Yanbu' al-Bahr, Jizan, Duba, Jeddah, Jizan, Rabigh, Ra's al Khafji, Mishab, Ras Tanura, Madinat Yanbu' al Sinaiyah, and Jubail (Al-Jubayl). In 2005, there were 64 ships of 1,000 GRT or more, totaling 1,306,706 GRT in the merchant fleet. The traditional *dhow* is still used for coastal trade.

## 12 HISTORY

For several thousand years, Arabia has been inhabited by nomadic Semitic tribes. Towns were established at various oases and along caravan routes. During the 7th century AD, followers of Muhammad expanded beyond the Mecca-Medina region and within a century had conquered most of the Mediterranean region between Persia in the east and Spain in the west. Although Arabs were dominant in many parts of the Muslim world and there was a great medieval flowering of Arab civilization, the peninsula itself (except for the holy cities of Mecca and Medina) declined in importance and remained virtually isolated for almost a thousand years. Throughout this period, Arabia was barely more than a province of successive Islamic caliphates that established their capitals in Damascus, Baghdād, Cairo, and Constantinople (now Istanbul).

The foundations of the Kingdom of Saudi Arabia were laid in the 18th century by the fusion of the military power of the Sa'ud family and Wahhabism, an Islamic puritan doctrine preached by Muhammad bin 'Abd al-Wahhab. Muhammad ibn-Sa'ud (r.1744–65) and his son, 'Abd al-'Aziz (r.1765–1803), gave the religious reformer refuge at Ad-Dar'iyah, in central Arabia, and together they embarked on a program of religious reform and territorial expansion. By 1801, Najd and Al-Ahsa were occupied. 'Abd al-'Aziz's son and successor, Sa'ud (r.1803–14), brought the Hijaz under Saudi control and took the holy city of Mecca. The Ottoman Turks called on their governor of Egypt, Muhammad 'Ali, to put down the Saudis. A long struggle (1811–18) finally resulted in Saudi defeat.

During that time, Sa'ud died, and his son, 'Abdallah (r.1814–18), was captured and beheaded.

When international conditions forced Muhammad 'Ali to withdraw his occupation forces in 1840, the Saudis embarked upon a policy of reconquest. Under Faisal (Faysal, r.1843–67), Wahhabi control was reasserted over Najd, Al-Ahsa, and Oman, with Riyadh as the new capital. (Hijaz remained under the control of the sharifs of Mecca until 1925.) After Faisal's death, conflict between his sons led to a decline in the family's fortunes. Taking advantage of these quarrels, the Ibn-Rashids, a former Saudi vassal family, gained control of Najd and conquered Riyadh. The Saudi family fled to Kuwait in 1891.

In January 1902, 'Abd al-'Aziz, a grandson of Faisal, who was to gain fame under the name Ibn-Sa'ud, succeeded in driving the Ibn-Rashid garrison out of Riyadh. At a decisive battle in 1906, the Rashidi power was broken. In 1913, the Saudis again brought Al-Ahsa under their control, and in December 1915, Ibn-Sa'ud signed a treaty with the British that placed Saudi foreign relations under British control in return for a sizable subsidy.

Warfare broke out again in Arabia in 1919, when Hussein ibn-'Ali (Husayn ibn-'Ali), the sharif of Mecca, who had become an independent king, attacked the Saudis. Hussein was defeated, and Ibn-Sa'ud annexed 'Asir. In 1921, he finally rid Arabia of the Rashids, and by 1923, he had consolidated his kingdom by occupying the districts west and north of Ha'il. Hussein of Mecca provoked another conflict with Ibn-Sa'ud in March 1924 by proclaiming himself caliph. War broke out, and the Saudis captured Aṭ Ṭā'if, Mecca, and Medina (December 1925). 'Ali ibn-Hussein ('Ali ibn-Husayn), who had replaced his father as king of Hijaz, then abdicated, and in November 1925, Ibn-Sa'ud entered Jeddah. This increase in Ibn-Sa'ud's territory was acknowledged by the British in a treaty of 20 May 1927 that annulled the 1915 agreement and recognized his independence. On 22 September 1932, the various parts of the realm were amalgamated into the Kingdom of Saudi Arabia, with much the same boundaries that exist today.

With the discovery of oil in the 1930s, the history of Saudi Arabia was irrevocably altered. Reserves have proved vast—about one-fourth of the world's total—and production, begun in earnest after World War II, has provided a huge income, much of it expended on infrastructure and social services. Saudi Arabia's petroleum-derived wealth has considerably enhanced the country's influence in world economic and political forums. Following the 1967 Arab-Israeli War, the Saudi government undertook a vast aid program in support of Egypt, Syria, and Jordan. Saudi Arabia joined the 1973 Arab boycott against the United States and the Netherlands and, as a key member of Organization of the Petroleum Exporting Countries (OPEC), lent its support to the huge rise in oil prices during the 1970s. This move had stunning consequences for the world economy and also caused a dramatic upsurge in Saudi Arabia's wealth and power. Since the 1980s, the government has regulated its petroleum production to stabilize the international oil market and has used its influence as the most powerful moderate member of OPEC to restrain the more radical members.

Political life in Saudi Arabia remained basically stable in the last third of the 20th century, despite several abrupt changes of leadership. In November 1964, Crown Prince Faisal (Faysal ibn 'Abd al-'Aziz as-Sa'ud), a son of Ibn-Sa'ud, became king and prime minister following the forced abdication of his brother, King Sa'ud. His first

act as prime minister was to announce a sweeping reorganization of the government, and his major social reform was the abolition of slavery. In March 1975, King Faisal was assassinated by a nephew in an apparently isolated act of revenge. Faisal was succeeded by Crown Prince Khaled (Khalid ibn-'Abd al-'Aziz as-Sa'ud), who embarked on an expanded development program. King Khaled died of a heart attack in June 1982, and his half-brother, Crown Prince Fahd ibn-'Abd al-'Aziz as-Sa'ud, ascended the throne. King Fahd encouraged continuing modernization while seeking to preserve the nation's social stability and Islamic heritage. King Fahd, who had been frail since suffering a debilitating stroke in 1995, died at the age of 82 on 1 August 2005. He had delegated the daily affairs of state to Crown Prince Abdullah bin Abd al-Aziz al Sa'ud, his half-brother, since his stroke. Upon Fahd's death, Abdullah became king.

As the custodian of the holy Muslim shrines at Mecca and Medina, the monarchy has been deeply embarrassed by several incidents: the seizure of the Grand Mosque in Mecca by about 500 Islamic militants in 1979, which led to the deaths of more than 160; a riot by Iranian pilgrims during the 1987 pilgrimage, which cost 400 lives; and the suffocation of over 1,400 pilgrims in a tunnel at the Grand Mosque in 1990. Misfortune continued in 1994, when a stampede in Mecca killed 270 pilgrims rushing toward a cavern for a symbolic stoning ritual, and in 1997, when as many as 300 pilgrims were killed in a fire at a campsite outside the holy city. In 2004, a stampede during the Hajj pilgrimage left 251 dead.

When Iraq invaded Kuwait in 1990, Saudi Arabia, fearing Iraqi aggression, radically altered its traditional policy to permit the stationing of foreign troops on its soil. (The government was criticized by senior Saudi religious scholars for taking this step.) Riyadh made substantial contributions of arms, oil, and funds to the allied victory. It also expelled workers from Jordan, Yemen, and members of the Palestine Liberation Organization (PLO) for giving support to Iraq in the period after the invasion. Saudi Arabia's wealth and selective generosity has given it great political influence throughout the world and especially in the Middle East. It suspended aid to Egypt after that country's peace talks with Israel at Camp David, Maryland, but renewed relations in 1987. It secretly made substantial funds available to US president Ronald Reagan's administration for combating Marxist regimes in Central America. The kingdom played a key role in creating the Gulf Cooperation Council (GCC) and in working for an end to the civil strife in Lebanon. It actively supported Iraq during the war with Iran and tried, in vain, to prevent the conflict with Kuwait.

Saudi Arabia and the United States consult closely on political, economic, commercial, and security matters. The United States, with the United Kingdom, is a major supplier of arms and offers training and other support to the kingdom's defenses. These supports grew more visible following the Gulf War and continued Iraqi intransigence in the face of increased US and international pressure to disarm. The increased US military presence in Saudi Arabia in 1993–94 caused considerable irritation among conservative elements of Saudi society, who felt that the US military presence was blasphemous to Islam. In 1995, seven people, including five Americans, were killed in a terrorist attack on a Saudi National Guard Training Center in Riyadh. In June 1996, a car bomb detonated in front of a housing complex for US military personnel, killing 19 US servicemen, causing considerable uproar



LOCATION: 16°23' to 32°14' N; 34°30' to 56°22' W. BOUNDARY LENGTHS: Jordan, 728 kilometers (455 miles); Iraq, 814 kilometers (505 miles); Kuwait, 222 kilometers (138 miles); Persian Gulf coastline, 751 kilometers (468 miles); Qatar, 60 kilometers (37 miles); United Arab Emirates, 457 kilometers (285 miles); Oman, 676 kilometers (420 miles); Yemen 1,458 kilometers (906 miles); Red Sea coastline, 1,889 kilometers (1,170 miles). TERRITORIAL SEA LIMIT: 12 miles.

in the United States, and leading military planners to relocate US military bases to remote desert areas.

By the end of the 1990s, the Islamist backlash that followed Saudi-US cooperation in the Gulf War had been contained through the (mostly) temporary detention of hundreds of Islamic radicals and the long-term detention of their most prominent leaders. At the turn of the 21st century, much of the Saudis' attention was focused on unaccustomed economic pressures resulting from a 40% drop in oil prices in 1998. With almost half its GDP coming

from oil, the country's budget deficit had soared as export revenues plummeted. Crown Prince Abdullah was instrumental in pushing through the production cutbacks agreed to by the OPEC countries in March 1999.

At a summit held in Beirut in March 2002, the Arab League accepted a Saudi proposal for peace between Israel and the Palestinians, put forward by Crown Prince Abdullah. Known as the "Beirut Declaration," the plan offered Israel normalized relations with the Arab states and a guarantee of peace and security in ex-

change for a full Israeli withdrawal from the territories occupied by Israel after the 1967 Arab-Israeli War, a “just solution to the Palestinian refugee problem,” and Israeli recognition of a Palestinian state with its capital at East Jerusalem. The proposal was introduced against the backdrop of an escalation in violence in Israel and the occupied territories in spring 2002. In April, Crown Prince Abdullah met with US president George W. Bush, and presented him with an eight-point list of proposed agreements for immediate peace in the Middle East. After the peace plan was put forward, however, the violence in Israel and the West Bank and Gaza increased.

Because 15 of the 19 hijackers involved in the 11 September 2001 terrorist attacks on the United States were Saudis, in addition to al-Qaeda leader Osama bin Laden, the United States placed pressure on Saudi Arabia to undertake counterterrorism measures. In the run-up to the 2003 Iraq War, Saudi Arabia debated what degree of support it would offer the United States in the event of a war with Iraq. On 26 February 2003, Saudi Arabia stated that it would allow the use of the Prince Sultan Air Base, where most of the 5,000 US troops based in the kingdom were located, only for the enforcement of a “no-fly” zone over southern Iraq. It stated that it would not agree to allow US troops and planes based in the country to undertake a war with Iraq. The war began on 19 March 2003. In April, the United States announced it would pull nearly all of its military forces out of Saudi Arabia. Both countries stressed that they would remain allies.

Saudi Arabia’s stability began to be seriously rocked in the early 2000s, with a series of suicide bombings and terrorist attacks aimed at Western and local targets. In May 2003, suicide bombers killed 35 people at housing compounds for Westerners in Riyadh. In November 2003, another suicide attack on a residential compound in Riyadh left 17 dead. During April 2004, four police officers and a security officer were killed in attacks near Riyadh, and a car bomb at a security forces’ headquarters left four dead and 148 wounded. A group linked to the terrorist organization al-Qaeda claimed responsibility for the act. Al-Qaeda has long demanded that the Saudi regime sever its ties to the West and to America in particular. It also holds that the Saudi regime is corrupt. In May 2004, an attack at a petrochemical site in Yanbu killed five foreigners. That month, an attack and hostage taking at an oil company compound in Khobar left 22 people dead. In June 2004, three gun attacks in Riyadh resulted in the deaths of two Americans and a British cameraman. The same week, an American engineer was abducted and beheaded; his death, which was filmed, caused revulsion in the United States. Shortly thereafter, security forces killed a local al-Qaeda leader, Abdul Aziz al-Muqrin. An amnesty program for militants that followed had only a limited effect on the increasingly violent climate. In December 2004, an attack on the US consulate in Jeddah resulted in the deaths of five staff and four attackers. That month, two car bombs exploded in central Riyadh, and security forces killed seven suspects in a subsequent raid.

While the Saudi regime was being destabilized by terrorist attacks, calls for political reform caused concern among the rulers and pointed to a need to respond to such demands for change. In September 2003, 300 intellectuals, both men and women, signed a petition calling for far-reaching political reforms. In October, the police broke up an unprecedented rally for political reform

in the center of Riyadh; more than 270 people were arrested. In November 2003, King Fahd granted wider powers to the Majlis al Shura (Consultative Council), enabling it to propose legislation without his permission. From February to April 2005, the first-ever nationwide municipal elections were held, although women were not permitted to take part in the vote.

### **13 GOVERNMENT**

Saudi Arabia is a religiously based monarchy in which the sovereign’s dominant powers are regulated according to Muslim law (Shariah), tribal law, and custom.

There is no written constitution; laws must be compatible with Islamic law. In a decree of March 1992, the king was granted exclusive power to name the crown prince his successor. The Council of Ministers, first set up in 1953, is appointed by the king to advise on policy, originate legislation, and supervise the growing bureaucracy. The post of prime minister is reserved for the king and the crown prince is appointed first deputy prime minister. Most other important posts in the cabinet are reserved for members of the royal family.

In 1992, King Fahd announced the creation of the Majlis al Shura, or Consultative Council, an advisory body that would provide a forum for public debate. The king appointed 60 male citizens not belonging to the royal family to four-year terms on this body, which held its first meeting on 29 December 1992. In 1997, King Fahd increased the size of the Majlis to 90 members. In 2001, membership was increased to 120. In 2003, King Fahd expanded the powers of the Majlis al Shura. In 2005, nationwide municipal elections were held, although women did not participate.

### **14 POLITICAL PARTIES**

Although there are no political parties in Saudi Arabia, various groups do function as blocs, contending for influence. Important among these groups are the conservative *‘ulama* (religious scholars) and the members of the royal family. Other alliances—among merchants, businessmen, professionals, and leading families—are concerned with economic matters. There is also a small but growing middle class that seems to want greater political participation and a less restrictive social environment. Each group brings its weight to bear on the policy-making bodies of the government and the king, whose leadership is upheld so long as he adheres to Islamic law, tradition, and the collective decisions of the *‘ulama*. In opposition to the royal family are small, strictly outlawed groups of prodemocracy activists and extremist Islamists, who have engaged in terrorist attacks, principally against signs of Western influence. Identified groups connected with Islamists include the Committee for the Defense of Legitimate Rights, the Reform Movement, and the Islamic Awakening.

### **15 LOCAL GOVERNMENT**

The kingdom is divided into 13 emirates, each headed by a crown-appointed governor, often a prince or other member of the royal household or a member from an allied family. The provinces are subdivided into 103 governorates. Tribal and village leaders (sheikhs) report directly to provincial governors, giving the central government some control over outlying regions. Provincial governors, in turn, report to the minister of the interior. Each sheikh traditionally rules in consultation with a council. A large

segment of the population remains tribally organized: tribes, headed by paramount sheikhs, are divided into subtribes, headed by local sheikhs. Decisions are made by tribal sheikhs, emirs, or other chiefs and their councils (*majlis*).

## 16 JUDICIAL SYSTEM

The king acts as the highest court of appeal and has the power of pardon; access to the king and the right to petition him are well-established traditions. The judiciary consists of lower courts that handle misdemeanors and minor civil cases; high courts of Islamic law (Shariah); and courts of appeal. Islamic law of the Hanbali school prevails in Saudi Arabia, but justice is also based on tribal and customary law. Capital and corporal punishment are permitted; a 12-member Supreme Council of Justice reviews all sentences of execution, cutting, or stoning. A separate military justice system exercises jurisdiction over uniformed personnel and civilian government authorities.

There is no written constitution. The Justice Ministry is responsible for appointment and promotion of judges, who are confirmed by the Royal Court (Royal Diwan). Judges may be removed only by the Supreme Council of Justice or by royal decree. Although independence of the judiciary is guaranteed by law, courts are subject to the influence of royal family members. At the provincial level, governors also reportedly exercise influence over local judges.

Shariah summary courts have jurisdiction over common criminal cases and civil suits regarding marriage, divorce, child custody, and inheritance. While summary courts try cases involving small penalties, more serious crimes go to the Shariah courts of common pleas. Appeals from both courts are heard by the appeals courts in Mecca and Riyadh. There is also a Court of Cassation, as well as administrative tribunals that deal with proceedings involving claims against the government and enforcement of foreign judgments.

The military tribunals have jurisdiction over military personnel and civil servants charged with violation of military regulations.

## 17 ARMED FORCES

Saudi Arabia's armed forces totaled 199,500 active personnel in 2005, including the 75,000 members of the National Guard. The Army had 75,000 personnel and was equipped with 1,055 main battle tanks, 300 reconnaissance vehicles, over 970 armored infantry fighting vehicles, 3,190 armored personnel carriers, and 868 artillery pieces. The Army's aviation forces operated 12 attack helicopters. The Navy's active manpower totaled 15,500 personnel, including 3,000 Marines. The Navy was equipped with 7 frigates, 4 corvettes, 66 patrol/coastal craft, and 7 mine warfare vessels. The Navy's aviation wing operated 19 assault helicopters. The Air Force had 18,000 active personnel and was equipped with 291 combat-capable aircraft, including 191 fighters and 85 fighter ground attack aircraft. The National Guard was used chiefly for internal security and is an elite strategic reserve loyal to the royal family. Saudi Arabia also had a 10,500-member frontier force, a 4,500-member Coast Guard, and a 500-member Special Security Force. The armed forces were equipped with the most advanced weaponry, including five Airborne Warning and Control Systems (AWACS) aircraft, which were sold to Saudi Arabia by the United States in 1981, over Israel's strenuous objections, as part of an \$8.5 billion arms deal. In 2005, the defense budget for Saudi Arabia

totaled \$21.3 billion. The United States had a 300-member joint Army/Air Force training force in the country.

## 18 INTERNATIONAL COOPERATION

Saudi Arabia is a charter member of the United Nations (UN), having joined on 24 October 1945, and participates in ESCWA and several nonregional specialized agencies, such as the FAO, UNESCO, UNIDO, UNCTAD, the ILO, the World Bank, the IAEA, and the WHO. It is a founding member of the Arab League, OPEC, and OAPEC. Saudi Arabia is also a member of the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the African Development Bank, G-77, the Organization of the Islamic Conference (OIC), and the GCC. The nation has observer status with the OAS and the WTO.

Saudi Arabia has played a key role in promoting Israeli-Palestinian peace negotiations. Although supporting the Palestinian cause and the Arab League's boycott of Israel, the Saudi government in 1981 proposed that the Arab nations show willingness to extend diplomatic recognition to Israel in return for its withdrawal from lands occupied in the 1967 war (including the West Bank and East Jerusalem). Saudi Arabia supported international efforts against Iraq in the 1990–91 Gulf War and the 2003 Operation Iraqi Freedom. In February 2005, the Saudi government sponsored the first-ever Counterterrorism International Conference in Riyadh. Saudi Arabia is part of the Nonaligned Movement.

In environmental cooperation, Saudi Arabia is part of the Basel Convention, the Convention on Biological Diversity, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The economy is heavily dependent on oil production, which provides approximately 45% of gross domestic product (GDP), 90% of export value, and 75% of government revenues. The country has the largest reserves of petroleum in the world, 25% of the proven total, with its northern neighbor, Iraq, holding second place and two other Arab neighbors, the United Arab Emirates and Kuwait, third and fourth. Rapidly increasing oil income after the first oil shock, 1973–74, led by the Organization of Petroleum Exporting Countries (OPEC) cartel, was used to increase disposable income, defense expenditures, and economic development. OPEC was able to enforce a quadrupling of oil prices (from \$2.50/bbl to \$10/bbl) largely because of King Faisal's agreement to deploy the oil weapon in conjunction with the Yom Kippur War. Per capita income in current dollars peaked at \$15,700 in 1980 after the second oil shock, in 1978–79, in conjunction with the Iranian Islamic revolution, sent oil prices to all-time highs, peaking at just over \$40/bbl in September 1980 at the start of the Iran-Iraq War. From there, population growth (about 350% 1973 to 2003, from 6.76 million to 24.3 million, including an estimated 5 million nonnationals), a decreasing OPEC share of world oil production (from over 50% in 1973 to less than 30% in 1985 to about 40% in 2003), oil conservation efforts among consumers, and limited success in diversifying the economy combined to reduce per capita income to \$10,462 by 2004 (equivalent to \$11,804 in purchasing power parity terms). The contribution of the oil sector (crude oil and refined products)

to overall GDP, nevertheless, has substantially decreased, from 70% in 1980 to an estimated 45% in 2006.

The government has always made economic diversification a top priority, seeking to develop industries using petroleum, such as petrochemicals, as well as to finance industrialization. By 1989, the massive Jubail and Yanbu'al-Bahr industrial complexes, combining petrochemicals and steel production, had been largely completed. In the capital-intensive oil industry, the Saudis have relied heavily on foreign workers, who make up about 20% of the population. The kingdom's intolerance of democratic processes, labor unions, women's participation in the workplace, and foreign influences are impediments to development.

There are, however, mounting pressures for economic reform, including falling per capita income, attendant social frustrations, the emergence of government deficits, and a sizeable, though still manageable, external debt. In 1998, the government, led by Crown Prince (now King) Abdullah, embarked on a privatization strategy as a means of restoring per capita growth. In 1998, the Saudi Telecommunications Co. (STC) and the Saudi Electricity Co. (SEC) began privatizing telecommunications and electric power services.

Real growth of GDP averaged about 2.6% between 1988 and 1998. The economy shrank by 11% in 1998 due to low world oil prices but posted a 1% gain in 1999. Real GDP growth averaged 3.6% over the period 2000–04. Driven by high oil prices and rising production, economic growth was forecast to stay strong in 2006 and 2007, as oil revenues, though declining, are predicted to remain firm. Real GDP growth was projected to reach 3.7% in 2007, as oil output is expected to rise more firmly that year.

The economy remains dominated by large state-owned monopolies. For 2005, the private sector accounted for about 40% of GDP. The government is considering privatizing the national airline, petrochemical industries, the telecommunication sector, and electricity companies to foster diversification. The government encourages growth in agriculture as a means of reducing Saudi Arabia's reliance on food imports, but dramatic reductions in farm subsidies have resulted in a continuing decline in agricultural output.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Saudi Arabia's gross domestic product (GDP) was estimated at \$340.5 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$12,900. The annual growth rate of GDP was estimated at 6.4%. The average inflation rate in 2005 was 0.6%. It was estimated that agriculture accounted for 3.3% of GDP, industry 74.7%, and services 21.9%.

Foreign aid receipts amounted to \$22 million (about \$1 per capita) and accounted for approximately 0.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Saudi Arabia totaled \$71.160 billion (about \$3,163 per capita), based on a GDP of \$212.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures

of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings.

## 21 LABOR

The total labor force in Saudi Arabia as of 2005 was estimated at 6.76 million. In 2002, the services sector accounted for 74.2% of the workforce, with industry at 21%, agriculture at 4.7%, and 0.1% in undefined occupations. Approximately 35% of the Saudi labor force between the ages of 15 and 64 were foreigners, working mostly in the oil and construction sector. Estimates of the unemployment rate in Saudi Arabia varied widely in 2004. Unemployment among males was estimated by a local bank at 13%, although other estimates go as high as 25%.

Labor unions are illegal and collective bargaining is forbidden as well. Workers have few protections against employers. This is especially true of foreign workers, who are often forced to work long hours and beyond the terms specified by their contracts. Foreign workers have little redress against Saudi employers, since the labor system usually sides with the latter and employers can delay cases until the workers have to return home. Saudi employers routinely prevent workers from obtaining exit visas. In 2001, the government allowed the formation of labor committees, which are permitted to make recommendations to employers.

By royal decree, an eight-hour day and 48-hour week are standard. It is reported that domestic workers labor up to 20 hours a day, seven days a week. Labor regulations require protection from hazard and disease for employees except farmers, herdsmen, domestic servants, and family-operated business employees. Labor outdoors is prohibited when the temperature exceeds 50°C (122°F). Foreign workers report that these regulations are seldom enforced. With the consent of parents, children may work as young as 13, and children rarely work in Saudi Arabia outside of family businesses. There is no minimum wage.

## 22 AGRICULTURE

Agriculture engages 10% of the economically active population and accounts for about 5% of GDP. Only about 1.8% of Saudi Arabia's land area is cultivated, although 40% is suitable for grazing. Small owner-operated farms characterize Saudi Arabia's land-tenure system. About 96% of the farm area is owned, and only 4% rented. Less than 3% of the agricultural holdings are of eight hectares (20 acres) or more, and 45% are 0.4 hectare (1 acre) or less in size. About two-thirds of the cropped land is used for cereals and the remainder for vegetables and fruit. Although Saudi Arabia has more than 18 million date palms and provides over 13% of the world's supply of dates (an estimated 900,500 tons in 2004), the growing of dates has declined in favor of wheat, corn, sorghum, tomatoes, onions, grapes, and a variety of other fruits and vegetables. Nevertheless, dates remain the only major staple food crop with production sufficient to meet local demand. Saudi Arabia is 85% self-sufficient for vegetables and 66% for fruit. Wheat output increased from an estimated 150,000 tons in the late 1970s to 1,700,000 tons in 1985, and the government claimed that it had met total domestic demand by 1986–87. Production of wheat totaled 2,358,000 tons in 2004; government subsidies have led to a recurring overproduction of wheat. In 1989, the government attempted to discourage production by cutting price supports, but

production is still several times higher than domestic demand. Barley production amounted to 138,400 tons in 2004.

Aquifers supply 80% of agriculture's water requirements but are not renewable. As of 2003, 43% of the arable land was irrigated. Agricultural irrigation accounts for 90% of total water needs, with wheat production alone using about one-third of the country's annual water supply.

### 23 ANIMAL HUSBANDRY

As of 2005, Saudi Arabia had an estimated 7,000,000 sheep, 2,200,000 goats, 260,000 camels, 350,000 head of cattle, 100,000 donkeys, and 3,000 horses. As imports of animal foodstuffs have increased and as greater varieties of agricultural products have been produced locally, camels have declined steadily in importance as a source of food. Arabia has long been famed for its horses, but the importance of the Arabian horse as an export item is now virtually nil. Donkeys and mules are still valued as pack animals, and the white donkeys of Al-Ahsa are well known. Sheep are found in all parts of Saudi Arabia where pasturage is available; they are raised for milk, as well as for meat and wool. Goats are kept for milk; their hair is used in rugs and tents, and the skins serve as water bags. Traditional farmers account for 80% of the kingdom's sheep production. Overall sheep production is expected to increase significantly in the next few years as a result of expansion in existing farms and establishment of new sheep breeding and fattening projects. About seven million head of live sheep are imported every year. The import level is expected to remain about the same in upcoming years, partly as a result of the increasing number of pilgrims who come to Mecca for the Hajj. Beef has not been a significant part of the Saudi diet, and most beef and veal is consumed by expatriates, as traditional Saudis prefer camel meat. Concern over BSE (the so-called Mad Cow disease) in 1996 led the government to ban beef imports from Ireland, the United Kingdom, France, Switzerland, and Portugal.

The output of poultry and eggs doubled during 1975–80, and in 2005, Saudi Arabia had an estimated 141 million poultry. Saudi Arabia is self-sufficient in milk production—in 2005, 1,149,000 tons were produced. There is no hog raising, and importation of pork products is banned, as it is contrary to Islamic law.

### 24 FISHING

Fishing provides employment and self-sufficiency to some communities on both Saudi coasts, although cash earnings are negligible. With rare exceptions, traditional fishing techniques are used. One of the few growth areas in this sector has been the export of Gulf shrimp. The fish catch was estimated at 64,753 tons in 2003.

### 25 FORESTRY

The only forest growth is found in the mountainous area that extends from southern Hijaz to 'Asir, accounting for no more than 0.6% of the total area. The principal varieties—acacia, date, juniper, wild olive, sidr, tamarind, and tamarisk—are generally not useful for timber, but some wood from date palms is used for con-

struction. The trade deficit in forestry products was \$739 million in 2004.

### 26 MINING

Oil continues to dominate Saudi Arabia's mining sector. The country supplied 12.8% of the world's crude oil output in 2003. Petroleum and petroleum products accounted for 90% of the country's export earnings in 2002 and 70% of government revenues. Crude oil and natural gas accounted for 42% of GDP; other minerals contributed 0.4% of GDP. Saudi Arabia has nevertheless diversified by expanding its gold production, as well as production of cement, fertilizer, petrochemicals, and steel. Cement production, construction, and fertilizer manufacturing ranked fourth, fifth, and sixth, respectively, among the country's leading industries in 2002.

Production of ore concentrate and bullion (metal content) in 2003 included copper, 800 metric tons (estimated); gold, 8,769 kg, and silver, 13,000 kg (estimated). In 2003, the country also produced lead, zinc, barite, basalt clays phosphatic fertilizer, granite crude gypsum, lime, limestone marble, nitrogen, nitrogenous fertilizers, pozzolan, salt, sand and gravel, silica sand, scoria, and sulfur. Mining operations continue at the ancient gold and silver underground mine Ma'had adh-Dhahab (literally, "cradle of gold"), which is located southeast of Medina and probably dates from the time of King Solomon (10th century BC). Other gold producers are the open-pit silver and gold Amar Mine, southwest of Riyadh, which began operations in 2000, and the Sukhaybirat surface mine, northwest of Riyadh.

Feasibility studies at the Balghah Mine estimated resources to be 40 million tons at a grade of 1 grams per ton of gold. The remote Zabirah bauxite deposit has minable resources of 102 million tons. About 3,000 showings for at least 50 metallic and non-metallic minerals have been located. Substantial national reserves of gold, iron ore, silver, copper, zinc, lead, pyrites, phosphate, magnesite, barite, marble, and gypsum have been suspected. An intensive search was under way by Saudi and foreign companies.

All minerals, including petroleum and natural gas, are owned by the government. A modern mining code encourages foreign participation, although majority holdings by national interests have increasingly been stressed. The Foreign Investment Act of 2000 gave international investors the same rights and privileges as Saudi investors. The government was also considering a revised mineral policy to attract additional investment in the mining sector. In 2000, the government established the Supreme Council for Petroleum and Mineral Affairs. The state-owned Saudi Arabian Mining Co. (Ma'aden) was created in 1997 and participated actively in and promoted mineral exploration and mining activities throughout the kingdom. Several metal and industrial mineral mining projects were expected to come onstream within the next 10 years.

### 27 ENERGY AND POWER

Saudi Arabia has one-fourth of the world's proven oil reserves and some of the lowest oil production costs. For the foreseeable future, Saudi Arabia will likely remain the largest net exporter of oil in

the world. It is also a member of the Organization of Petroleum Exporting Countries (OPEC).

As of 1 January 2005, Saudi Arabia had proven oil reserves estimated at 261.9 billion barrels, which includes 2.5 billion barrels, or half of the oil reserves in the Saudi-Kuwaiti divided, or neutral, zone. About two-thirds of the country's reserves are graded as "light" or "extra light," with the remainder in the "medium" or "heavy" grades. Saudi Arabia has around 80 oil and gas fields and more than 1,000 wells. However, more than 50% of the country's oil reserves are in only eight fields. This includes the Ghawar and the Safaniya fields. The former has estimated reserves of 70 billion barrels and is the world's largest oil field, while the latter is the world's largest offshore oil field, with reserves estimated at 35 billion barrels. Oil production in 2004 (including the neutral zone) was estimated at 10.4 million barrels per day, of which 9.6 million barrels per day consisted of crude oil, and 1.2 million barrels per day were natural gas liquids. As a member of OPEC, Saudi Arabia is subject to OPEC's production quotas. As of July 1, 2005, the quota was set at 9.099 million barrels per day. As of July 2005, Saudi Arabia's crude oil production capacity stood at 10.5 to 11 million barrels per day. Domestic oil consumption in 2005 was estimated at 1.9 million barrels per day.

Saudi Arabia has eight oil refineries. As of 1 January 2005, Saudi Arabia's crude oil refining capacity was estimated at 1.745 million barrels per day.

In addition to its vast oil reserves, Saudi Arabia also has proven natural gas reserves estimated as of 1 January 2005 at 235.0 trillion cu ft (including the neutral zone), which places the country fourth in the world behind Russia, Iran, and Qatar, respectively. About 60% of the country's natural gas reserves are associated or produced along with oil, and come from the Ghawar, Safaniya, and Zuluf fields. One-third of the country's natural gas reserves are in the Ghawar field alone. In 2002, Saudi Arabia's gross production of natural gas was 2,119.61 billion cu ft of natural gas, of which 8.12 billion cu ft was vented or flared; 3.18 billion cu ft reinjected; and 2,108.31 billion cu ft marketed. Of the marketed amount, 2,002.36 billion cu ft was consumed domestically.

As of 2005, two major pipelines operated actively in Saudi Arabia: the five million barrel per day Petrolina, used to transport crude oil to refineries in western Saudi Arabia and to the Red Sea for export, and the 290,000 barrel per day Abqaiq-Yanbu pipeline, which carries natural gas liquids to petrochemical plants in Yanbu. The IPSA pipeline had been closed indefinitely since Iraq invaded Kuwait in 1990.

Saudi Arabia has limited waterpower resources, and oil-powered diesel engines generate most of its electric power. Electrical service, which reached 2.2 million people in 1975, was extended to 4.2 million in 1979 and, by 1990, reached 92% of the population. Total installed generating capacity was estimated at 26.6 GW in 2003. Production of electricity in 2003 amounted to an estimated 145.1 billion kWh, of which 100% was from fossil fuels. As of 2002, demand for power was growing about 5% annually, and it was estimated that capacity would need to be nearly doubled by 2020 to meet the country's needs. In 2002, demand for electric power came to 127.310 billion kWh. Solar energy is becoming increasingly important as an alternative to diesel power, particularly for use in the desalination of seawater.

## 28 INDUSTRY

Although the Saudi economy has been virtually synonymous with crude oil, the country is attempting to diversify its manufacturing. Industrial products include cement, steel, glass, metal manufactures, automotive parts, and building materials, along with petroleum refinery products and petrochemicals (primarily methanol, ethylene, and polypropylene).

Industries producing consumer goods for the local market rely for the most part on imported raw materials. The most notable growth has occurred in food processing, such as meat-packing plants, flour mills, ice cream, yogurt, other dairy processing plants, and vegetable canneries. Other companies produce canvas cloth, surgical supplies, paper products, plastic pipes, electric appliances, paints, detergents, and pharmaceuticals.

## 29 SCIENCE AND TECHNOLOGY

The government encourages importation of high technology, especially in the oil industry, but its own commitment to national technological development has been limited. The Industrial Studies and Development Center is located in Riyadh, and the King Fahad University of Petroleum and Minerals, founded in 1963, is in Dhahran. Other institutions offering courses in basic and applied sciences include King Abdulaziz University, founded in 1967 at Jeddah; King Faisal University, founded in 1975 at Dammam and Al-Hassa; King Sa'ud University, founded in 1957 at Riyadh; and Yanbu Industrial College, founded in 1989 at Yanbu al-Sinaiyeh. In 1987-97, science and engineering students accounted for 17% of college and university enrollments. The King Abdul Aziz City for Science and Technology was founded in 1977 at Riyadh to formulate national policy for science and technology development and to draw up strategy and plans for its implementation.

## 30 DOMESTIC TRADE

Jeddah and Riyadh are the commercial and business centers of the country. Most major cities host large, modern supermarkets and specialty retail stores offering wide varieties of goods and services. Franchising has become popular with a wide range of goods and service-based establishments. Barter is the traditional means by which nomads and farmers obtain each other's products, and weekly markets are held in villages and small towns. However, the economy is being progressively monetized and is now completely so in the towns and cities. Newspapers, magazines, and billboards are the principal means of advertising.

Normal business hours vary in different provinces but are usually from 8 AM to 12 NOON and from 3 to 6 PM, Saturday through Wednesday. During the month of Ramadan, the workday is limited to six hours. Banks are generally open from 8 AM to 12 noon, Saturday through Wednesday. Government offices and private businesses are closed Thursdays and Fridays. Markets and shops are open until 9 PM. Most businesses, including stores and restaurants, take breaks at the designated Muslim prayer times, which occur five times throughout the day. These breaks generally last about a half hour each.

## 31 FOREIGN TRADE

Saudi Arabia's commodity exports are dominated by mineral fuels, which account for 13% of the world's mineral fuel exports.



Crude petroleum (79% of total exports, 16.3% of world crude petroleum exports) and refined petroleum products (12% and 7.1%, respectively) are the largest exports. Other exports include polymers (1.2%) and industrial alcohols (1.4%, accounting for 8.1% of the world's industrial alcohol exports).

Saudi Arabia's leading markets in 2004 were: the United States (18.5% of all exports), Japan (15.2%), South Korea (10.1%), and China (5.7%). The leading suppliers were the United States (9.3% of all imports), Germany (6.6%), Japan (6.5%), and the United Kingdom (5.3%).

In 2004, exports were valued at \$113 billion, and imports were valued at approximately \$36 billion, for a trade surplus of \$77 billion.

### 3<sup>2</sup> BALANCE OF PAYMENTS

In 2000, foreign worker remittances, approximately \$18 billion per year, continued to drain the current account. There are roughly six to seven million foreign workers and their families living in the country, and the remittances cause the currency to be subject to a mild devaluating pressure. Strong oil exports in the early 2000s, however, kept the current account in surplus.

In 2000, the current account recorded a \$14.3 billion surplus, which declined (in line with oil revenue) to \$9.4 billion in 2001, despite a significant fall in service debits. Higher oil prices and output in 2002 and 2003 saw the current account surplus widen again, to \$11.9 billion and \$28 billion, respectively. This surplus reached a record \$51.5 billion in 2004. Due to projected higher oil prices and rising production, trade-driven current account surpluses were expected to widen further in 2005, 2006, and 2007.

### 3<sup>3</sup> BANKING AND SECURITIES

Until the mid-20th century, Saudi Arabia had no formal money and banking system. To the degree that money was used, Saudis primarily used coins having a metallic content equal to their value

(full-bodied coins) for storing value and limited exchange transactions in urban areas. For centuries, foreign coins had served the local inhabitants' monetary needs. Development of banking was inhibited by the Quranic injunction against interest. A few banking functions existed, such as money changers (largely for pilgrims visiting Mecca), who had informal connections with international currency markets. A foreign bank was established in Jeddah in 1926, but its importance was minor. Foreign and domestic banks were formed as oil revenues began to increase. Their business consisted mostly of making short-term loans to finance imports, commercial trading, and businesses catering to pilgrims. Although lending at interest is prohibited by Islamic law, banking has flourished in Saudi Arabia as a conduit for the investment of oil money. The Saudi Arabian Monetary Agency (SAMA) was established by royal decree in 1952 to maintain the internal and external value of currency. The agency issues notes and coins with 100% cover in gold and convertible foreign exchange and regulates all banks and exchange dealers.

In 2002, there were 10 commercial banking houses, the largest of which was the National Commercial Bank. Cumulatively, the total size of the bank's balance sheets stood at over SR110 billion, with operating profits of SR2 billion in 2001. Eight of the 10 are joint-venture banks. The major foreign partners include Citibank, Arab Bank Ltd., Banque Indosuez, HSBC Holdings, and ABN Amro. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$48.0 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$88.4 billion.

SAMA runs a stock exchange in Saudi Arabia, created in 1990 as an over-the-counter market in which the commercial banks buy and sell shares by means of an electronic trading system. Although this system has facilitated easy access to transactions, the market remains relatively illiquid because of the small numbers of issuers and the narrow investor base. There are 76 companies listed on the exchange. The value of traded shares was \$22.2 billion in 2001, a turnover ratio of 31.7%. Total market capitalization was just over \$73 billion. The new IFCG Saudi Index closed up 7.4% in 2001, its fourth year of existence, after surging increases of 49% and 16.3% in 1999 and 2000, respectively. The market is closed to direct foreign investment, but foreigners can buy and trade shares of Saudi companies within a closed-end fund listed in the United Kingdom. As of 2004, a total of 73 companies were listed on the Tadwul Saudi Stock Market, which had a market capitalization of \$306.248 billion. In that same year, the TASI Index rose 84.9% to 8,206.2.

### 3<sup>4</sup> INSURANCE

There were at least 70 insurance firms operating in Saudi Arabia in 1998, offering all categories and classes of insurance. The National Company for Cooperative Insurance, founded by royal decree in 1985 and owned by three government agencies, has share capital of SR250 million. In all, insurance premiums amount to over \$760 million. Premiums covering oil facilities, major projects, marine and aviation represent over 44% of total premiums, motor insurance accounts for 23%, medical 18%, and fire 14%. Insurance organizations in Saudi Arabia are regulated by the Ministry of Commerce. One insurer is officially licensed by the kingdom,

#### Balance of Payments – Saudi Arabia (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>29,701.0</b>
Balance on goods	61,546.0	
Imports	-33,913.0	
Exports	95,369.0	
Balance on services	-15,453.0	
Balance on income	-1,285.0	
Current transfers	-15,016.0	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-28,093.0</b>
Direct investment abroad	...	
Direct investment in Saudi Arabia	-587.0	
Portfolio investment assets	-18,765.0	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	-7,957.0	
Other investment liabilities	-784.0	
<b>Net Errors and Omissions</b>		<b>...</b>
<b>Reserves and Related Items</b>		<b>-1,608.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

the National Company for Cooperative Insurance, which is primarily owned by the government. Insurance companies operating in the country adhere to the tenets of Islam, which does not recognize insurance. For this reason, there are no insurance laws on the books, except those dealing with benefits for injured employees. In 2003, the value of all direct insurance premiums written totaled \$941 million, of which nonlife premiums accounted for \$902 million. There is no data available on the country's leading insurance companies.

### 35 PUBLIC FINANCE

Public expenditures typically have acted as the vanguard for economic growth and development since the early 1970s. After completing the infrastructure in the 1970s and early 1980s, the emphasis of development expenditures moved to education and training to encourage private enterprise. By 1987, 70% of non-oil GDP was coming from the private sector. Deficits have been common since 1983, as oil revenues have declined. Oil revenues typically account for nearly 75% of government revenues. Deep budget cuts over the past years; higher charges on energy, electricity, water, telephone, worker and visa fees; and reduced subsidies on fuels, utilities, and airline fares have combined to reduce the deficit. To finance the deficit, the government borrows from domestic financial markets. However, Saudi government finances are not transparent; a perennial uncertainty is the difference between the revenues received by the national oil company, Aramco, and what is turned over to the Ministry of Finance to fund government expenses. The difference goes to Aramco's operating expenses and numerous off-budget expenditures. Observers believe that one major use of the off-budget money has been to pay down arrears on contracts, amounting to an estimated \$30 billion in 1995. Estimates are that such arrears had been reduced to \$3 billion by 2000. With the exception of the year 2000, the Saudi government has run a deficit every year since 1982. Rising oil prices in 2000, recovering from near-record lows in 1999, helped produce a \$12 billion surplus as oil revenues came in 60% higher than expected. The accumulated domestic debt in 2000, however, was an estimated 105% of GDP, which has been financed by government pension funds and bonds held by banks and some companies. External debt from transactions in the privatized portions of the economy had reached nearly \$40 billion in 2001, but this represents a still manageable 21% of the annual GDP.

The US Central Intelligence Agency (CIA) estimated that in 2005 Saudi Arabia's central government took in revenues of approximately \$143.7 billion and had expenditures of \$89.6 billion. Revenues minus expenditures totaled approximately \$54 billion. Public debt in 2005 amounted to 56.7% of GDP. Total external debt was \$34.55 billion.

### 36 TAXATION

As of 30 July 2004, the corporate tax rate in Saudi Arabia for companies in the natural gas sector is 30%, with an 85% rate applied to businesses in the oil sector. Other companies are taxed at a flat rate of 20%. Generally, capital gains are treated as ordinary income and taxed the corporate rate of 20%. However, there is no capital gains tax if the shares sold by non-Saudi shareholders are traded on the Saudi stock exchange and were acquired after 30 July 2004. Gains derived from the sale of property, other than those assets used in

business activity, are also exempt. Dividends and interest are subject to a 5% withholding tax. Royalties are subject to a 15% withholding rate. Foreigners who are self-employed professionals or general partners in Saudi partnerships are subject to these taxes.

Saudi Arabia has a flat 20% individual income tax rate on income that is domestically sourced. However, this tax applies to foreign citizens. Citizens of Saudi Arabia and other Gulf Cooperation Council (GCC) members pay a religious tax called the Zakat, an Islamic tax derived from the Shariah, which is applied directly to equity, less fixed assets, at a rate of 2.5%. The income of members of the royal family is tax exempt. There is no value-added tax (VAT) or sales tax.

### 37 CUSTOMS AND DUTIES

Saudi Arabia has increasingly used the tariff to protect local industries. The general tariff rate is 5%; new Saudi industries are protected by a 20% tariff rate. Importation of liquor, firearms, ammunition, narcotics, and certain other items is strictly forbidden, as are all imports from Israel and South Africa. No import taxes are levied beyond import tariffs.

### 38 FOREIGN INVESTMENT

A small group of upper-class Saudis have traditionally held substantial investments overseas. These Saudis hold large demand deposits in US and Western European banks and considerable investments in commercial ventures, especially real estate, in Egypt and other Middle Eastern countries. Since the early 1970s, the Saudi government has vastly increased its overseas investments in the United States, Western Europe, and Japan.

The Saudi government generally encourages foreign direct investment, especially in the case of joint ventures with Saudi partners. The foreign capital investment code specifies that foreign investments (1) must be a "development project," (2) must generate technology transfer, and (3) must have a minimum of 25% Saudi-owned equity in the project. However, in 1999, the government began revising its laws on foreign investment in an effort to attract more overseas capital and to lure back the large private Saudi capital that is invested abroad. Principal foreign investors include the United States, Japan, the United Kingdom, Switzerland, France, and Germany.

In 2000, the government approved a new Foreign Direct Investment (FDI) Law, which allows 100% foreign ownership of investments, and established the General Investment Authority (SAGIA) to provide information and assistance for foreign investors. By the first quarter of 2005, SAGIA showed a dramatic increase in the number of licenses issued to international and domestic projects involving ventures valued at \$6.4 billion. That was an 800% increase over the same period in 2004. Saudi Arabia considers privatization to be a pathway to increased foreign investment.

There are different tax systems for Saudis and non-Saudis. Non-Saudi businesses are subject to a corporation tax of up to a maximum of 20% (with the exception of profits in the hydrocarbons sector, which are taxed on a sliding scale between 30% and 85%). Joint ventures between Saudis and non-Saudis are liable to tax on the non-Saudi portion of the profits.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Saudi Arabia's first two development plans (1971–75 and 1976–80) stressed improvement of the country's economic infrastructure by expanding the highway system, port capacity, electric power output, water supply, and irrigated land. The third plan (1981–85), continuing the Saudi program of modernization without Westernization, aimed at diversifying and expanding the productive economic sectors of industry, mining, and agriculture. The government's long-term goal was to reduce the nation's dependence on oil exports and foreign labor. Expenditures for the 1981–85 plan were initially estimated (at current prices) at \$235.8 billion, compared with \$140 billion for the 1975–80 plan. At the end of the third development plan, most of the infrastructure had been put in place. The fourth development plan (1985–90) emphasized consolidation of the gains of the previous 15 years and rational planning of economic activity. From the plan's emphasis on cost reduction and improvement of economic performance, it was clear that it had been drawn up under the assumption that the days of huge surpluses in the oil sector were over. Planned expenditures for the fourth plan were reduced several times. The fifth plan (1990–95) followed the goals of the fourth plan closely. Stressing economic diversification, this plan supported industry, agriculture, finance, and business services. An important goal of the sixth plan (1995–2000) was to reduce water consumption by 2% annually over the plan's period. The seventh development plan (2000–05) was geared toward offering foreign investors opportunities to tap into sectors of the economy that had recently undergone privatization: health care, electrical power generation, and water desalination. In addition to privatization, the seventh development plan focused on diversification of national revenue resources, expansion of the production base, and the creation of more jobs for Saudis. During the five-year period, the government planned to create 817,000 new jobs for Saudi citizens (non-Saudi residents held 488,600 of those jobs at the time). The service sector was projected to realize the greatest increase in jobs. Funds were also devoted to the health care industry, including the construction of hospitals and medical colleges (some exclusively for women), and to education.

On 1 September 2005, the OPEC basket price of oil rose to \$61.37/barrel. This increase in oil prices reflected a strong increase in demand from China and other markets. The higher oil prices were forecast to boost Saudi Arabia's trade surplus in 2005 and 2006, implying that the current account surplus would also widen.

In 1999, Crown Prince (now King) Abdullah revitalized efforts to secure Saudi Arabia's acceptance in the WTO. In 2003, Saudi Arabia hired a Texas law firm to lobby on its behalf for accession to the WTO. In 2005, Saudi Arabia formally joined the WTO, winding up a 12-year negotiation process.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

Social insurance provides health care, disability, death, old-age pension, and survivor benefits for workers and the self-employed, with some exclusions. There is a special system in place for government workers. Retirement is allowed at age 60. This system is funded by 9% payroll deductions from workers, 9% payroll contributions from employers, and some government funds. Firms

with 10 or more workers are required to provide 100% of wages for a month of sick leave and 75% of wages for two additional months.

The customs and regulations governing the behavior of women are strict even by the standards of the Islamic world. Despite the shortage of Saudi labor, the government is unsympathetic to the participation of women in the workplace: only 5% of the labor force is female. Extreme modesty of dress is required. Women wear the abaya, a long black garment, and they must also cover their face and hair. Women are not permitted to drive motor vehicles. Women must enter public buses through a rear door and sit in a segregated area. Women may not travel without a male member of the family. By law, women can only enter a hospital for treatment with the consent of a male relative. Domestic abuse is prevalent. As of 2004, there were no active women's rights groups.

The government does not recognize international standards on human rights. Rights of privacy, freedom of speech, the press, assembly, association, religion, and movement are strictly curtailed. Security forces commit human rights abuses with the acquiescence of the government, even though they are nominally illegal. Corporal punishment, including amputation of limbs, beheading, and stoning, are used. Executions are carried out for crimes including alcohol trafficking, armed robbery, adultery, and the practice of witchcraft. Most of those executed were foreigners.

### 4<sup>1</sup> HEALTH

The government budgeted SR63.9 billion for health and social services (of a total budget of SR497.6 billion). Targets included improving immunization coverage and achieving better regional coverage of health care provision (which remains inadequate). The public health care system is supplemented by a small but generally excellent private health sector. It is the government's intention to provide integrated health services free of charge, or at a nominal fee, to all citizens. The government also hopes to establish a local manufacturer of pharmaceuticals and medical equipment and supplies. As of 2004, there were an estimated 140 physicians, 17 dentists, 24 pharmacists, and 304 nurses per 100,000 people.

Despite recent advances, Saudi Arabia still suffers from severe health problems. A major cause of disease is malnutrition, leading to widespread scurvy, rickets, night blindness, and anemia, as well as low resistance to tuberculosis. Immunization rates for children up to one year old were tuberculosis, 93%; diphtheria, pertussis, and tetanus, 97%; polio, 97%; and measles, 94%. The rates for DPT and measles were 96% and 91%, respectively. Dysentery attacks all ages and classes and trachoma is common. A government campaign was successful in eradicating malaria. Typhoid is endemic, but acquired immunity prevents serious outbreaks of this disease. Approximately 95% of the population had access to safe drinking water and 100% adequate sanitation. The HIV/AIDS prevalence was 0.01 per 100 adults in 2003.

In 1960, life expectancy at birth was 43 years, but it averaged 75.46 years in 2005. During the same time period, infant mortality fell from 185 to 13.24 per 1,000 live births. It is estimated that the Bedouin account for about one-third of all infant deaths. The maternal mortality rate was 22 per 100,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at 37.2 and 5.9 per 1,000 people, respectively. Birth control was used by 21% of married women. Almost 97% of the population had ac-

cess to health care services. Total health care expenditures were estimated at 8% of GDP.

## 4<sup>2</sup> HOUSING

In 2000, there were about 3,427,670 occupied households in the country, serving about 20,846,884 people. About 32% of all occupied housing units were apartments, 29.8% were traditional single-family houses, and 20% were single-household villas. Most housing is constructed of concrete and brick. About 44.5% of all occupied housing is owner occupied.

The continuing influx of rural people to towns and cities, coupled with the rise in levels of expectation among the urban population, has created a serious housing problem; improvement in urban housing is one of Saudi Arabia's foremost economic needs. Some 506,800 dwelling units were built in the period 1974–85: 389,000 by the private sector, with the help of the Real Estate Development Fund, and 117,800 by the Deputy Ministry of Housing and other government agencies. In the oil districts, Aramco, through loans and other assistance, has encouraged construction of private homes and has built accommodations for its unmarried Saudi staff members. The Real Estate Development Fund, established in 1975, continues to provide interest-free loans for home construction to individuals as well as private companies.

## 4<sup>3</sup> EDUCATION

Until the mid-1950s, Saudi Arabia's educational system was primarily oriented toward religious schooling that stressed knowledge of the Quran (Koran) and Hadith (sayings of Muhammad and his companions). Except for basic arithmetic, reading, and writing, secular subjects were not taught in the schools. There was a highly developed oral culture, however. Nearly all of the students were boys; education of girls was virtually nonexistent and took place in the home, if at all. The first school for girls was built in 1964, and now girls' schools exist around the country. Schools continue to be segregated by gender. The General Presidency for Girls' Education administers girls' schools and colleges. By 1999, females accounted for 48% of primary enrollment and 46% of secondary enrollment.

Education is free at all levels, including college and postgraduate study. Elementary school covers six years of study. This is followed by three years of basic intermediate school. Students may then choose to attend either a three-year general secondary school or a three-year technical school (junior college) that offers vocational, commercial, and agricultural studies. The academic year runs from October to July.

In 2001, about 5% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 54% of age-eligible students. The same year, secondary school enrollment was about 53% of age-eligible students. It is estimated that about 74.8% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 12:1 in 2003; the ratio for secondary school was also about 12:1.

Higher education is offered in at least seven universities and 83 colleges. The principal universities are King Sa'ud University (formerly Riyadh University), founded in 1957, and King Abd al-'Aziz University of Jeddah, founded in 1967. In 2003, it was estimated that about 25% of the tertiary-age population was enrolled in ter-

tiary education programs. The adult literacy rate for 2004 was estimated at about 79.4%, with 87.1% for men and 69.3% for women.

As of 2003, public expenditures on education were estimated at 8.3% of GDP.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The King Fahd National Library, founded in Riyadh in 1968, has 462,000 volumes. The largest library system is that of King Sa'ud University established in 1957, with 14 branches and a collection of more than 1.8 million volumes; the library at King 'Abd al-'Aziz University has 560,000 volumes. The library of the University of Petroleum and Minerals in Dhahran, with almost 335,000 volumes, is the nation's largest specialized collection. The largest public library, at Riyadh, contains 275,000 volumes.

There are 10,150 documented monuments and about a dozen museums in Saudi Arabia. The National Museum, originally opened at Riyadh in 1978, focuses on archaeology and ethnography. Major renovations were completed in 1999. Many of the other historic and cultural sites are religious in nature and the high figures for attendance reflect the huge numbers of Muslim pilgrims who visit the kingdom each year. Riyadh is also home to a local museum, an archaeological museum at King Sa'ud University, and a geological museum.

## 4<sup>5</sup> MEDIA

Postal, telephone, cable, and wireless services are regulated by the Ministry of Communications. Saudi Arabia is directly connected by radiotelephone to the United States, other Arab countries, and Western Europe, and automatic internal lines connect most of the major cities. In 2003, there were an estimated 155 mainline telephones for every 1,000 people; about 73,600 people were on a waiting list for telephone service installation. The same year, there were approximately 321 mobile phones in use for every 1,000 people.

The Broadcasting Service of the Kingdom of Saudi Arabia (BSKSA) is owned and operated by the state, sponsoring four television networks. Private broadcasters are not allowed in the country. However, there are millions of satellite dishes in the country receiving foreign broadcasts. The Ministry of Culture and Information oversees radio and television broadcasts, with the right to censor any references to religions other than Islam, politics, sex, alcohol, and pigs or pork. In 2003, there were an estimated 326 radios and 265 television sets for every 1,000 people. The same year, there were 130 personal computers for every 1,000 people and three of every 1,000 people had access to the Internet. There were 57 secure Internet servers in the country in 2004. All Internet servers are monitored by the government.

The first newspaper in what is now Saudi Arabia was *Al-Qiblah*, the official publication of King Hussein of Hijaz, founded in 1915. With the end of the short-lived Hijaz Kingdom in 1925, a Saudi-sponsored paper, called *Umm al-Qura* (*The Mother of Towns*, Mecca), was established. Newspapers are privately owned, but self-censorship is widely employed. The Ministry of Culture and Information appoints all editors-in-chief. Criticism of the fundamental principles of Islam and of basic national institutions, including the royal family, is not permitted. The largest Arabic daily papers (with 2002 circulations) are *Al-Asharq Al-Awsat* (*The Middle East*, 224,990); *Al-Riyadh* (150,000); *Okaz* (107,600); and *Al-*

*Jazirah* (*The Peninsula*, 94,000). Leading English-language dailies are the *Arab News* (110,000) and *Saudi Gazette* (50,000).

The government is said to severely limit freedom of speech and the press, punishing any criticism of Islam, the ruling family, or the government with detention and arrest.

#### 46 ORGANIZATIONS

Saudi social tradition, which emphasizes the exclusiveness of family, clan, and tribe, generally militates against the formation of other social organizations. The absence of political and economic organizations is also a result of the prevalence of tradition. However, there are chambers of commerce in Ad Dammām, Jeddah, Mecca, Medina, and Riyadh. The umbrella organization of the Council of Saudi Chambers of Commerce and Industry is in Riyadh.

There are several professional associations, particularly in medical and health care fields. Many of these, such as the Saudi Pediatric Association, promote public education and research while also serving as a professional networking organization. The King Faisal Center for Research and Islamic Studies serves as a multinational cultural and educational organization.

National youth organizations include the Saudi Arabian Assembly of Muslim Youth and the Saudi Arabian Boy Scouts Association. The World Assembly of Muslim Youth, based in Riyadh, offers a variety of camping, recreational, and educational programs for youth. There are a number of national and multinational sports associations based in the country, representing such pastimes as cricket, tennis, taekwondo, and horse racing. Several sports associations are affiliated with the national Olympic Committee.

The Muslim World League works for the welfare of women and children. The Red Crescent Society and UNICEF are active.

#### 47 TOURISM, TRAVEL, AND RECREATION

Saudi Arabia was once one of the hardest places in the world to visit due to heavy restrictions on tourism. In 2000, the government opened up the country and added tourist visas; the Tourism Higher Authority was also created to expand the tourism facilities. Every year, however, there is a great influx of pilgrims to Mecca and Medina. In 2004, almost two million pilgrims traveled to Mecca.

All visitors, including pilgrims, are required to have a passport valid for at least six months and an onward/return ticket. Visitors in transit or from a Gulf Cooperation Council country are not required to have a visa. Women must have proof of accommodations for their stay, and if they arrive alone, their sponsor or husband must pick them up at the airport. Women visitors are also not allowed to drive cars. Pilgrims who travel to Mecca are required to have the meningococcal vaccine. Precautions against typhoid, malaria, hepatitis, and meningitis are recommended for all who travel to Saudi Arabia.

There were 7,332,233 visitors who arrived in Saudi Arabia in 2003, 53% from the Middle East. Hotel rooms numbered 81,197, with an occupancy rate of 42%. The average length of stay that year was three nights.

Traditional sports include hunting with salukis, falconry, and horse and camel racing. Modern sports facilities include the Riyadh Stadium, complete with Olympic-standard running tracks and football (soccer) fields.

In 2004, the US Department of State estimated the daily cost of staying in Riyadh at \$250; in Jeddah, \$175; and other areas, \$186.

#### 48 FAMOUS SAUDIS

Although Saudi Arabia has a relatively short history as a nation-state, it is heir to an Islamic civilization that developed from the teachings of Muhammad (570–632), born of the tribe of Quraysh in Mecca. The branch of Islam that claims most contemporary Saudis is that preached by Muhammad bin ‘Abd al-Wahhab (1703?–91), a fundamentalist reformer.

The Saudi who has gained greatest renown outside the modern kingdom of Saudi Arabia is ‘Abd al-‘Aziz ibn ‘Abd ar-Rahman al-Faysal as-Sa‘ud, better known as Ibn-Sa‘ud (1880–1953), the father of his country. Forced into exile with his family at a young age, he reconquered his patrimony and left behind him the state of Saudi Arabia.

In 1964, Faisal (Faysal ibn-‘Abd al-‘Aziz as-Sa‘ud, 1906–75) was proclaimed king. In his role as prime minister, Faisal instituted many economic and social reforms, including the abolition of slavery. Upon his assassination in March 1975, he was succeeded as king and prime minister by Khaled (Khalid ibn-‘Abd al-‘Aziz, 1913–82). Together with Crown Prince Fahd ibn-‘Abd al-‘Aziz (1923–2005), King Khaled broadened the country’s development policies.

After Khaled’s death, Fahd became king; he pursued the same cautious program of modernization as his two predecessors. Abdullah bin Abdulaziz al-Saud (b.1924), Fahd’s half-brother and de facto ruler of the country since Fahd became incapacitated from a stroke in 1995, became king upon Fahd’s death in 2005. Ahmad Zaki Yamani (b.1930), a former minister of petroleum and mineral resources, gained an international reputation as a spokesman for the oil-exporting countries.

#### 49 DEPENDENCIES

Saudi Arabia has no territories or colonies.

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# SINGAPORE

Republic of Singapore



**CAPITAL:** Singapore

**FLAG:** The flag consists of a red stripe at the top and a white stripe on the bottom. On the red stripe, at the hoist, are a white crescent opening to the fly and five white stars.

**ANTHEM:** *Long Live Singapore.*

**MONETARY UNIT:** The Singapore dollar (s\$) of 100 cents is a freely convertible currency. There are coins of 1, 5, 10, 20, and 50 cents and 1 dollar and notes of 2, 5, 10, 20, 50, 100, 500, 1,000, and 10,000 dollars. s\$1 = us\$0.60606 (or us\$1 = s\$1.65) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in force, but some local measures are used.

**HOLIDAYS:** Major Western, Chinese, Malay, and Muslim holidays are celebrated, some of which fall on annually variable dates because of the calendars used. Major holidays include New Year's Day, 1 January; Chinese New Year; Good Friday; Vesak Day (Buddhist festival); Labor Day, 1 May; Hari Raya Puasa (Muslim festival); National Day, 9 August; Hari Raya Haji (Malay Muslim festival); Dewali; Christmas, 25 December.

**TIME:** 8 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The Republic of Singapore, the second-smallest country in Asia, consists of Singapore Island and several smaller adjacent islets. Situated in the Indian Ocean off the southern tip of the Malay Peninsula, Singapore has an area of 693 sq km (268 sq mi). Comparatively, the area occupied by Singapore is slightly more than 3.5 times the size of Washington, D.C. Singapore Island extends 41.8 km (26 mi) ENE–WSW and 22.5 km (14 mi) SSE–NNW and has a coastline of 193 km (120 mi), including about 84 km (52 mi) along the water channel between the island and the Malay Peninsula. Singapore is connected to the nearby western portion of Malaysia by a causeway 1,056 m (3,465 ft) in length across the narrow Johore Strait. Singapore's position at the eastern end of the Strait of Malacca, which separates western Malaysia and the Indonesian island of Sumatra, has given it economic and strategic importance out of proportion to its small size. Singapore's capital city, Singapore, is located on the country's southern coast.

## <sup>2</sup>TOPOGRAPHY

Singapore Island is mostly low-lying, green, undulating country with a small range of hills at the center. The highest point of the island is Bukit Timah (166 m/545 ft). There are sections of rain forest in the center and large mangrove swamps along the coast, which has many inlets, particularly in the north and west. Singapore's harbor is wide, deep, and well protected. The longest river, the Seletar, is only 14 km (9 mi) long.

## <sup>3</sup>CLIMATE

The climate is tropical, with heavy rainfall and high humidity. The range of temperature is slight; the average annual maximum is 31°C (88°F), and the average minimum 24°C (75°F). The annual

rainfall of 237 cm (93 in) is distributed fairly evenly throughout the year, ranging from 39 cm (15 in) in December to 28 cm (11 in) in May. It rains about one day in two.

## <sup>4</sup>FLORA AND FAUNA

Singapore Island is mostly denuded, the dense tropical forest that originally covered it being mostly cleared. There is some rain forest in the central area of the island, however, as well as extensive mangrove swamps along the coast. The greatest concentration of plant life can be found in the Bukit Timah Nature Reserve, one of the largest areas of primary rain forest in the country. Urban development has limited animal life. As of 2002, there were at least 85 species of mammals, 142 species of birds, and over 2,200 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Environmental responsibility for Singapore is vested in the Ministry of the Environment and its Anti-Pollution Unit. Air quality is protected by the Clean Air Act, as adopted in 1971 and amended in 1975 and 1980, and by the Clean Air (Standards) Regulations of 1975. Regulations limiting the lead content of gasoline were imposed in 1981, and emissions standards for motor vehicles were tightened in 1986. Air pollution from transportation vehicles is a problem in the nation's growing urban areas. In 1992, Singapore was among 50 nations with the world's highest levels of industrial carbon dioxide emissions, which totaled 49.8 million metric tons, a per capita level of 17.99 metric tons. In 2000, the total of carbon dioxide emissions was at 59 million metric tons.

Water quality is regulated through the Water Pollution Control and Drainage Act of 1975 and the Trade Effluent Regulations of 1976. Singapore does not have enough water to support the needs of its people. In total, the nation about has about 0.1 cu mi of wa-

ter. Four percent of the annual withdrawal is used for farming and 51% for industrial purposes. Pollution from the nation's oil industry is also a significant problem, and the cities produce about 0.9 million tons of solid waste per year. Wastewater is treated and recycled to conserve water supplies.

In 2003, only about 4.9% of the total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 3 types of mammals, 10 species of birds, 4 types of reptiles, 13 species of fish, 1 species of invertebrate, and 54 species of plants. Threatened species in Singapore include the Ridley's leaf-nosed bat, Chinese egret, yellow-crested cockatoo, batagur, tigers, and the Singapore roundleaf horseshoe bat.

## 6 POPULATION

The population of Singapore in 2005 was estimated by the United Nations (UN) at 4,296,000, which placed it at number 119 in population among the 193 nations of the world. In 2005, approximately 8% of the population was over 65 years of age, with another 20% of the population under 15 years of age. There were 101 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.6%, a rate the government viewed as too low. The projected population for the year 2025 was 5,108,000. The population density was 6,929 per sq km (17,946 per sq mi). Singapore is virtually a city-state, and the entire population (100%) is considered urban.

## 7 MIGRATION

Singapore had only a few Malay fishermen as inhabitants at the time of its founding as a British trading post in 1819. It was subsequently and quite rapidly populated by immigrant peoples, primarily Chinese but also Malays (from Sumatra as well as adjacent Malaya) and Indians (who took advantage of common British governance to migrate to Singapore in search of better employment). Thus immigration, rather than natural increase, was the major factor in Singapore's fast population growth through the mid-20th century.

In November 1965, following separation from Malaysia, Singapore's newly independent government introduced measures to restrict the flow of Malaysians entering the country in search of work. These immigrants, who averaged 10,000 a year up to 1964, had to establish residence for several years to qualify for citizenship. In addition, all noncitizens were required to apply for a work permit or employment pass. Immigration is now generally restricted to those with capital or with special skills. There were 1,352,000 migrants living in Singapore in 2000. The number of foreign workers in Singapore jumped from 70,000 in 1975 to 600,000 in 2003. The share of foreigners in the workforce rose from 7% in 1975 to 25% in 2003. In 2004, there was a single refugee in Singapore and there were three asylum seekers.

In 2000, the net migration rate was 19.6 migrants per 1,000 population. This rate was significantly reduced by 2005 to an estimated 10.3 migrants per 1,000 population.

## 8 ETHNIC GROUPS

The people of Singapore are predominantly of Chinese origin, with the ethnic Chinese accounting for about 76.8% of the popu-

lation. About 15% are Malays and 8% are Indians (including Pakistanis, Bangladeshis, and Sri Lankans).

## 9 LANGUAGES

There are four official languages in Singapore: Chinese (Mandarin dialect), Malay, English, and Tamil. English is the principal medium of government and is widely used in commerce; it is spoken by about 23% of the population. In 1987, under a government mandate, English was made the primary language of the school system. Mandarin is the most widely known language, spoken by about 35% of the population. Malay is spoken by 14% and Tamil by 3%. Other languages include Hokkien (11%), Cantonese (6%), and Teochew (5%).

## 10 RELIGIONS

The Chinese adhere in varying degrees to Buddhism, Taoism, and Confucianism. According to a 2000 census, these faiths, as well as traditional ancestor worship, were practiced by about 51% of the population. Malays and persons with origins in the Pakistani and Bangladeshi portions of the Indian subcontinent are almost exclusively Muslim. About 15% of the total population practices Islam. About 15% of the population is Christian, with Protestants outnumbering Roman Catholics by about two to one. Most of the Indian minority (4%) are Hindus. There are also small Sikh, Jewish, Zoroastrian, and Jain communities.

There is complete separation of state and religion in Singapore and freedom of religion is constitutionally guaranteed. However, all religious groups must be registered under the Societies Act, and the government has maintained a ban on the registration of Jehovah's Witnesses and the Unification Church. The government also has a semiofficial relationship with the Islamic Religious Council. One holiday from each of the nation's major religions (Islam, Christianity, Hinduism, and Buddhism) is recognized as a national holiday.

## 11 TRANSPORTATION

Singapore's history is partly the history of the island country's important regional role as a transportation link between East and West and between the mainland and insular portions of Southeast Asia. As long ago as 1822—only three years after the establishment of a British colonial presence on the island—1,575 ships called at the new port of Singapore from nearby islands, Europe, India, and China. With a natural deepwater harbor that is open year-round, Singapore now ranks as the largest container port in the world, with anchorage facilities that can accommodate supertankers. Ships of some 600 shipping lines, flying the flags of nearly all the maritime nations of the world regularly call at Singapore. In 2005, Singapore's merchant fleet comprised 923 ships of 1,000 GRT or more, totaling 23,065,290 GRT.

Commercial air service was inaugurated in Singapore in 1930. In 2004, there were 10 airports, 9 of which had paved runways as of 2005. The two principal air facilities are Changi International and Seletar Airport. Singapore's own carrier is Singapore Airlines. In 2003, about 14.737 million passengers were carried on scheduled domestic and international flights.

There were 3,130 km (1,947 mi) of roadways in 2002, all of which were paved, including 150 km (93 mi) of expressways. In 2003, there were 600,550 motor vehicles, of which 414,300 were



automobiles and 186,250 were commercial vehicles. Singapore's sole rail facility is a 38.6-km (24-mi) section of the Malayan Railways, which links Singapore to Kuala Lumpur. There is also an 83-km (52-mi) mass transit system with 48 stations.

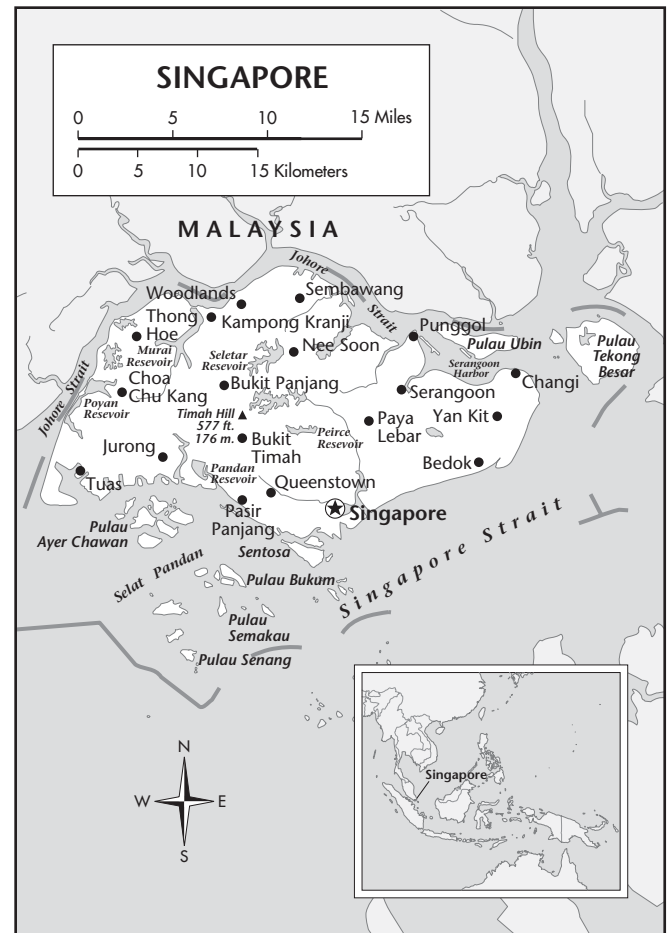
## 12 HISTORY

Some historians believe a town was founded on the Singapore Island as early as the 7th century, while other sources claim that "Singapura" (Lion City) was established by an Indian prince in 1299. Historians believe that during the 13th and 14th centuries, a thriving trading center existed until it was devastated by a Javanese attack in 1377. Singapore, however, was virtually uninhabited when Sir Stamford Raffles, in 1819, established a trading station of the British East India Company on the island. In 1824, the island was ceded outright to the company by the Sultan of Johore, the Malay state at the extreme southern end of the peninsula. In 1826, it was incorporated with Malacca (Melaka, Malaysia) and Penang (Pinang, Malaysia) to form the Straits Settlements, a British Crown colony until World War II. The trading center grew into the city of Singapore and attracted large numbers of Chinese, many of whom became merchants.

With its excellent harbor, Singapore also became a flourishing commercial center and the leading seaport of Southeast Asia, handling the vast export trade in tin and rubber from British-ruled Malaya. In 1938, the British completed construction of a large naval base on the island, which the Japanese captured in February 1942 during World War II, following a land-based attack from the Malay Peninsula to the north.

Recaptured by the United Kingdom in 1945, Singapore was detached from the Straits Settlements to become a separate Crown colony in 1946. Under a new constitution, on 3 June 1959, Singapore became a self-governing state, and on 16 September 1963, it joined the new Federation of Malaysia (formed by bringing together the previously independent Malaya and Singapore and the formerly British-ruled northern Borneo territories of Sarawak and Sabah). However, Singapore, with its predominantly urban Chinese population and highly commercial economy, began to find itself at odds with the Malay-dominated central government of Malaysia. Frictions mounted, and on 9 August 1965, Singapore separated from Malaysia to become wholly independent as the Republic of Singapore. Harry Lee Kuan Yew, a major figure in the move toward independence, served as the country's prime minister from 1959 until 1990. Singapore, Indonesia, Malaysia, the Philippines, and Thailand formed the Association of South-East Asian Nations (ASEAN) in 1967.

The People's Action Party (PAP), founded in 1954, has been the dominant political party, winning every general election since 1959. The PAP's popular support rested on law-and-order policies buttressed by economic growth and improved standards of living. Although the PAP regularly carried 60–75% of the popular vote, it managed to capture virtually all seats repeatedly in the National Assembly. The PAP won all parliamentary seats in the general elections from 1968 to 1980. In the 1981 by-election, J. B. Jeyaretnam, secretary-general of the Workers' Party, won a seat; he maintained it in the 1984 general election. Chiam See Tong, leader of the Singapore Democratic Party (SDP), won another seat for the opposition in the same election. In March 1985, the third state president, Devan Nair, former trade unionist and member of



LOCATION: 1°9' to 1°29' N; 103°38' to 104°6' E. TERRITORIAL SEA LIMIT: 3 miles.

the Singapore's "old guard," resigned from office under allegations related to alcoholism. The new president, Wee Kim Wee, took office in August. In May and June 1987, the government detained 22 persons under the Internal Security Act (ISA) for alleged involvement in a "Marxist conspiracy." These detentions triggered international protests by those critical of the government's abuse of human rights, including detention without trial and allegations of torture. Most of the alleged conspirators were released by December, but eight were rearrested in April 1988 after issuing a joint press statement regarding the circumstances of their detention. Two of the eight remained in custody until June 1990.

The September 1988 general election took place under an altered electoral system that increased the total seats in parliament from 79 to 81. The new constituencies consisted of 42 single-member districts and the reorganization of the other 39 seats into 13 group representation constituencies (GRCs). Teams of three representatives for each party contested the GRCs, at least one of which must be from an ethnic minority, i.e., non-Chinese. Ostensibly, these changes were to ensure minority participation, but at the same time small and/or resource-poor opposition parties were handicapped by the requirement to field three candidates.

In November 1992, the media announced that Deputy Prime Minister Lee Hsien Loong (son of Lee Kuan Yew) and Ong Teng Cheong had been diagnosed with cancer. (The former was pronounced fully cured in 1994 but has been little seen in political

circles.) On 28 November 1990, Lee Kuan Yew, prime minister of Singapore for over 31 years, transferred power to Goh Chok Tong, the former first deputy prime minister. Lee remained in the cabinet as senior minister to the prime minister's office and retained the position of secretary-general of the PAP. Singapore's first direct presidential elections were held on 28 August 1993, with Ong Teng Cheong becoming the first elected president.

An incident that garnered worldwide attention was the Singapore government's October 1993 arrest of nine foreign youths charged with vandalism involving the spray painting of some 70 cars. Michael Fay, an 18-year-old American student and the oldest in the group, was suspected to be the leader. Under police interrogation Fay admitted his guilt and pleaded guilty in court to two counts of vandalism and one count of receiving stolen property. In March 1994, Fay was sentenced to four months in prison, a fine of US\$2,230, and six strokes of the cane. On 7 March 1994, President Bill Clinton urged Singapore to reconsider the flogging of Fay amid a failed appeal. A plea to the Singaporean president for clemency was rejected, but as a "goodwill gesture towards President Clinton," the sentence of caning was reduced from six strokes to four. The sentence was carried out on 5 May 1994.

In 1994, Singapore made international news when the government sued the *International Herald Tribune* for libel over an editorial the paper published suggesting that Prime Minister Goh was simply a figurehead and that ultimate power rested, as it always had, with Senior Minister and former Prime Minister Lee. The Singapore High Court, in a move that halted critical comments from the press, ruled in favor of the government and ordered the *Herald Tribune* to pay \$667,000 in damages to Goh, Lee, and Deputy Prime Minister Lee. In 1995, the government was again criticized in the international press, this time in *the New York Times*, in which columnist William Safire called the country a dictatorship. Singaporean leaders took center stage in the international arena and proclaimed their right to reject Western values. They claimed that Asian values eschewed the precedence of individual liberty over social stability and that these values promoted an increasingly wealthy, clean, and hospitable city-state devoid of social pathologies that plagued both the West and other large Asian cities. The subsequent sentencing, on 1 December 1995 of Nick Leeson, an investment banker who single-handedly destroyed Barings through speculative investments in the Japanese stock market, seemed to confirm the bankruptcy of individual greed.

Parliamentary elections were held in 1997 and, unsurprisingly, the PAP retained its vast majority—opposition parties won only 2 of 83 seats. One seat, that won by Tang Liang Hong, remained vacant in 1997 as Tang fled the country fearing government persecution—including lawsuits, freezing of bank accounts, and restrictions on travel—which began in earnest after his election. Tang's victory was seen as especially threatening to the rigid regime of the PAP because during the campaign, Tang had suggested that the English-speaking section of the ruling class monopolized power and that the Chinese needed to assert more control. These statements branded Tang as a Chinese chauvinist, an inflammatory label in the ethnically divided country.

From 1998 to 2005, an international piracy wave disturbed shipping in the Malacca Straits and Singapore Straits. Vulnerable small "feeder" ships that ferry cargo from massive container vessels too large to visit many ports were subjected to an increased

number of incidents, an increase in violence, and the death of crew members.

In 2000, while some tax cuts were rescinded, Singapore announced positive economic growth, coming after two years of budgetary uncertainty related to the Asian economic crisis. The government also announced a budget surplus. However, other directives were exerted in 2000 when the government controlled media banned an episode of an American television show in which the lead female character kisses another woman. Broadcasters' responsibilities extended to taking "action against overtly sexy or alternative themes."

On 28 April 2001, an unprecedented antigovernment rally was held, the first legally sanctioned demonstration outside of an election campaign. Over 2,000 people gathered in support of opposition leader J. B. Jeyaretnam, who faced bankruptcy and thus expulsion from parliament. Jeyaretnam owed hundreds of thousands of dollars in defamation lawsuits brought by senior government officials and their supporters.

In September 2001, Malaysia and Singapore came to a series of agreements over issues that had strained relations between them for years. Largely prodded by concern over the growing influence of Islam in Malaysian politics, Singapore agreed to a Malaysian proposal that the causeway linking the two countries be demolished and replaced by a bridge and undersea tunnel after 2007. Malaysia agreed to supply water to Singapore after two water agreements expire in 2011 and 2061. Also discussed were disputes over the use of Malaysian-owned railway land in Singapore, and requests by Singapore to use Malaysian airspace.

On 3 November 2001, parliamentary elections were held in which the PAP won 82 out of 84 seats. Opposition candidates contested only 29 of the seats. The next elections were to be held 25 June 2007.

Following the 11 September 2001 terrorist attacks on the United States, the United States urged countries around the world to increase antiterrorist measures. Southeast Asia was a primary focus of attention. In May 2002, the 10 members of ASEAN pledged to form a united antiterror front and to set up a strong regional security framework. The steps included introducing national laws to govern the arrest, investigation, prosecution, and extradition of suspects. As well, they agreed to exchange intelligence information and to establish joint training programs, such as bomb detection and airport security. As of December 2002, five of the ASEAN nations (Indonesia, the Philippines, Malaysia, Cambodia and Thailand) had acceded to the Agreement on Information Exchange and Establishment of Communication Procedures to fight terrorism and other transnational crime. Singapore said it was not ready to join the pact.

In December 2001, Singapore arrested 15 individuals believed to be part of a terrorist cell with links to Osama bin Laden's al-Qaeda network. Two suspects were released, but the others belonged to Jemaah Islamiya (JI), an Islamic organization with cells in Singapore, Malaysia, and Indonesia. The cell's plot was to destroy key buildings in Singapore, including the American Embassy. JI's ambition was initially to create an Islamic Indonesia. However, the group expanded its goals to include an Islamic archipelago, Dauliah Islam Nusantara, to include Malaysia, the southern Philippines, and Singapore in a larger Islamic Indonesia. In August 2002, Singapore arrested 21 terrorist suspects who had allegedly

carried out “reconnaissance and surveys” of potential terrorist attack targets in Singapore. They were purportedly members of *Jemaah Islamiyah*.

In 2003, Singapore was shaken medically and financially by SARS, or severe acute respiratory syndrome. As the disease was identified, Singapore took stringent precautions—closing markets, screening air passengers with thermal imaging, and establishing quarantines. About 33 people in Singapore died from SARS. A sharp economic contraction occurred as the illness also hit the economy hard. The service sector was worst hit as tourists stayed away and local people stayed home. Also in 2003, an unprecedented medical procedure to separate two adult Iranian sisters joined at the head was undertaken in Singapore by an international team of neurosurgeons. These efforts ended in failure, as the sisters died within one and a half hours of each other postoperatively as their circulation failed.

Also in 2003, subsequent to Singapore’s support of US policies on the war on terror and in Iraq, Prime Minister Goh Chok Tong signed a free trade agreement with the United States. Depicted as the “gold standard” for free trade agreements, it helped Singapore fix its position as a leading financial and trading nation in the region, especially after the Asian financial crisis of 1997 and 1998 and the effect of SARS in the region. Linked to Singapore’s economic recovery from SARS, Prime Minister Goh Chok Tong announced he would step down after the recovery. He also named his successor, Lee Hsien Loong, the elder son of Singapore’s founding father, Lee Kuan Yew. On 12 August 2004, Lee Hsien Loong took office as prime minister of Singapore in this planned handover of power. In this shuffle, Goh Chok Tong became senior minister and Lee Kuan Yew filled the newly created post of minister mentor, overseeing the cabinet.

Indonesia and Singapore pledged in 2005 to finalize their 1973 maritime boundary agreement by defining unresolved areas north of Batam Island. In August 2005, a prominent Hong Kong journalist, chief China correspondent for the *Straits Times* newspaper of Singapore, was formally charged by China for spying.

In a continuing effort to promote tourism, in April 2005, a controversial plan to legalize casino gambling was approved, paving the way for the construction of two multi-billion dollar casino resorts. As an added attraction, Singapore announced plans to build a giant Ferris wheel, the Singapore Flyer, 558 feet tall, towering over the 450-foot London Eye.

On 1 September 2005, Singapore’s President S.R. Nathan was sworn in for his second term of office without running for reelection because Singapore’s Presidential Election Committee had ruled that he was the only candidate fit for presidency. Three rivals had submitted candidacy papers to the committee, but they were disqualified as ineligible, thus canceling elections that would have been held on 27 August.

### 13 GOVERNMENT

The constitution of the Republic of Singapore, as amended in 1965, provides for a unicameral parliamentary form of government, with a president who, prior to 1991, served as titular head of state. Singapore practices universal suffrage, and voting has been compulsory for all citizens over 21 since 1959.

In 1993, the unicameral legislature consisted of an 81 elected-member parliament and six nominated members (NMPs) ap-

pointed by the president. The maximum term for parliamentary sessions is five years, although elections may be called at any time within that period. A general election is held within three months of dissolution. The number of parliamentary seats has increased with each general election since the seating of Singapore’s first parliament, from 58 seats (1968) to 60 seats (1972), 69 seats (1976), 75 seats (1980), 79 seats (1984), 81 seats (1988), and 84 seats (2002).

Until the 1988 election, all constituencies were single-member constituencies. In 1988, 60 of the original 81 constituencies (out of the increased number for 1988, i.e., from 79 in 1984 to 81 in 1988) were reorganized into 13 group representation constituencies (GRCs). In each GRC teams of three candidates must be fielded, one of who must be from a minority community, i.e., of an ethnic minority group, Malay, Indian, or an “Other” (all persons other than Chinese, Malay, or Indian). A 1984 constitutional amendment allowed for the presence of at least three opposition representatives as nonconstituency (nominated) members of parliament (NMPs), and in 1990, a law increasing their number was passed. Accordingly, up to six NMPs could be appointed from among opposition candidates who were unsuccessful in an election; these NMPs are given limited voting rights.

In the 1991 general election, 60 members were elected from the 15 four-member GRCs, 21 from single-member constituencies, and the president appointed 6 nominated members of parliament. Changes to the electoral procedures included the increase to a minimum of four candidates to contest a GRC and the maintenance of minority qualification for the one person representing the minority community.

The prime minister, who commands the confidence of a majority of parliament, acts as effective head of government. The prime minister appoints a cabinet that, in 1993, consisted of a senior minister, two deputy prime ministers, and 11 other ministers. Prior to 29 November 1991, the president of the republic was elected by parliament to a four-year term. Since 1991, under an amendment to the constitution passed by parliament, the president is no longer elected by parliament but by the electorate, and has custodial powers over the country’s reserves, as well as a major role in deciding key appointments to the judiciary, civil service, and statutory boards. The president is elected for a term of six years. The first direct presidential elections were held on 28 August 1993, electing Ong Teng Cheong. In July 1999, as his wife was dying of cancer, Ong announced he was not seeking a second term. Ong himself had been diagnosed with lymphoma in 1992, when he was deputy prime minister. He underwent treatment but the illness recurred in July 1998. Sellapan Rama (S. R.) Nathan was elected president unopposed on 28 August 1999. Ong died 7 February 2002. On 17 August 2005 Singapore’s President Nathan was formally reelected for a second term as president without a ballot cast. Similar to 1999, election officials disqualified other potential candidates on a range of technicalities.

Several constitutional reforms were enacted in 1996 and 1997. In 1996, parliament enacted governmental reforms limiting the power of the president, curtailing his veto power—only granted in 1991. Under the new rules, parliament can call a referendum if the president vetoes constitutional changes or other measures. In 1997, the number of nominated members of parliament increased from six to nine. However, the government also moved to tighten

control over the political process in 1999 with the PAP filing a petition to close the Workers Party for failure to pay damages and costs associated with a defamation case. Earlier in 1998, the government banned all political parties from producing videos and appearing on television to discuss politics.

For the scheduled 17 August 2005 presidential elections, the Singapore Malay National Organization called for a Malay president. The only Malay president, Yusof Ishak, held the office from 1965 to 1970. The elected presidency replaced a rotational process in 1993. Strict qualification rules make it difficult for many to qualify.

## 14 POLITICAL PARTIES

Singapore in the late 1980s was effectively a single-party state. The ruling People's Action Party (PAP) of former prime minister Lee Kuan Yew has dominated the country since 1959. In 1961, the radical wing of the PAP split from Lee's majority faction to form a new party, the Socialist Front (SF), also known as the Barisan Socialis. In 1966, 11 SF members resigned their seats in parliament, and 2 others joined the underground opposition to the Lee government, leaving the PAP as the sole party represented in parliament. In the general elections of 1972, 1976, and 1980, the PAP won all seats in parliament but carried a declining percentage of the total votes: 65 seats (84.4%); 69 seats (72.4%); and 75 seats (75.5%) (Far Eastern Economic Review—FEER, 77.7%), respectively. The Workers' Party (WP), the strongest opposition party, won its first parliamentary seat in a 1981 by-election; under its leader, Joshua B. Jeyaretnam, the WP has been critical of undemocratic practices within the PAP government. In the 1984 general elections, the PAP won 77 of the 79 seats, even though it captured only 62.9% of the popular vote, compared with 75.5% in 1980.

In the 1984, 1988, and 1991 general elections, opposition parties gained small ground, and the PAP continued to garner a declining percentage of the total votes: 77 seats (62.9%) PAP [FEER 64.8%], 1 seat Workers Party (WP), 1 seat Singapore Democratic Party (SDP); 80 seats (61.7%) PAP [FEER 63.2%], 1 seat SDP; 77 (61%) PAP [FEER 61%], 1 seat WP, 3 seats SDP, respectively. In the 1991 elections, Chiam See Tong was again the winner for the SDP, along with Ling How Doong and Cheo Chai Chen. The Workers' Party MP was Low Thai Khiang.

The two other seats went to J. B. Jeyaretnam (WP) and to Chiam See Tong of the Singapore Democratic Party (SDP), the two main opposition parties, which are tolerated but subject to almost continual harassment by the government. For instance, in 1984, Jeyaretnam was accused of making false statements involving irregularities in the collection of the WP's funds; he was acquitted of two of three charges and fined. In 1986, the government appealed the case and the higher court set aside the initial judgment; Jeyaretnam was again fined and jailed for one month, enough to disqualify him from parliament and ban him from contesting elections for five years. On the basis of his criminal convictions he was disbarred and denied a pardon. He was refused permission to appeal against the conviction and sentence that resulted in his disqualification as an MP. But on appeal to the Privy Council against the decision to disbar him, he was vindicated and allowed to practice law again. In October 1991, Jeyaretnam avoided bankruptcy by paying legal costs in a defamation suit he lost, filed by Lee Kuan Yew over remarks made by Jeyaretnam in a 1988 election rally.

On 10 November 1991, the ban on Jeyaretnam standing election expired. By avoiding bankruptcy, he would be able to contest the by-elections that Prime Minister Goh had promised to hold in the next 12–18 months. However, the WP failed to field the four required candidates for a group represented constituency (GRC).

Then, in March 1993, Dr. Chee Soon Juan, an opposition politician from the SDP who ran against Prime Minister Goh Chok Tong in the 1992 by-election, was expelled from his post as lecturer in the Department of Social Work and Psychology at the National University of Singapore (NUS) based on claims of "dishonest conduct" for using us\$138 out of his research grant to courier his wife's doctoral thesis to a US university. In the end, Dr. Chee ended up losing his case to be reinstated.

The main opposition parties are the SDP and the WP. Smaller minority parties are the United People's Front, which is also critical of antidemocratic aspects of the government rule and pro-Malaysian; the Singapore Malays' National Organization; and the Singapore Solidarity Party, formed in 1986 by three former leaders of the SDP. There were 22 registered political parties at the beginning of 1993: The Singapore Chinese Party; Persatuan Melayu Singapura; Partai Rakyat, Singapore State Division; Angkatan Islam; The Workers' Party; Pertubuhan Kebangsaan Melayu Singapura; People's Action Party (PAP); United People's Party; Barisan Socialis (BS), Socialist Front (SF); Parti Kesatuan Ra'ayat (United Democratic Party); Singapore Indian Congress; Alliance Party Singapura; United National Front; National Party of Singapore; People's Front; Justice Party, Singapore; Democratic Progressive Party; People's Republican Party; United People's Front; Singapore Democratic Party (SDP); National Solidarity Party (NSP); Singapore National Front. The Malay Communist Party and the underground Malayan National Liberation Front are illegal.

In 1997, parliamentary elections were held and, again, the PAP maintained its virtual monopoly of seats. Of 83 seats up for election, the long-ruling party captured 81, with 47 unopposed. The opposition leaders Jeyaretnam and Tang Liang Hong, both with the WP, won seats. After the election, in a move that has been commonplace in Singapore, leaders of the PAP, including Prime Minister Goh and Senior Minister (and longtime leader) Lee, sued Tang for defamation. Tang promptly fled the country, saying he feared for his safety as the government froze his assets and imposed travel restrictions on his family. Jeyaretnam continued to face bankruptcy and the loss of his parliamentary seat as well, from a defamation payment awarded against him for allegedly defaming a PAP parliamentarian and nine other members of the Tamil community in an article written by a colleague in 1995. In the 1997 elections, the SDP lost all three seats it had won in the 1991 round.

In parliamentary elections held on 3 November 2001, the PAP won 82 out of 84 seats with 75.3% of the vote. Opposition candidates contested only 29 of the seats. The WP took one seat, as did the Singapore Democratic Alliance (SDA), which includes the Singapore People's Party (SPP), Singapore Democratic Party (SDP), National Solidarity Party, Singapore Justice Party, and Singapore Malay National Organization. The opposition parties complained that constituency changes and a range of regulations imposed by the PAP made it more difficult for them to win votes. The Parliamentary Elections Act was amended, curbing the use of the Internet for political campaigning and banning the publication of

opinion polls during elections. The next parliamentary elections were to be held 25 June 2007.

## 15 LOCAL GOVERNMENT

Singapore, veritably a city-state, has no local government divisions. When the People's Action Party (PAP) came to power in 1959, the postcolonial city council was abolished. The former city council and rural board were integrated into departments of the central government. The Town Councils Act, enacted in June 1988, reintroduced a local organizational structure. Town councils were formed to take over the management and maintenance of the common properties of housing estates within towns. As of 1 March 1991, 27 town councils had been formed. After the general elections of August 1991, five town councils were dissolved and three new town councils were established, bringing the number of town councils to 25. In 1997, the number of town councils was reduced to 16.

Prime Minister Goh announced the creation of Community Development Councils (CDCs) in 1996. Set up after the 1997 general election as social parallels to the town councils, the CDCs were established to improve community bonding and to manage a spectrum of social services, from child care centers to public welfare assistance. Originally nine CDCs were established; in November 2001, their number was reduced to five. They are South West, North West, Central Singapore, South East, and North East. They are managed by a council comprising a mayor and between 12 and 80 council members.

In 2005, a Campaign Against Dengue was launched in Singapore, with town councils playing a major oversight role. Town councils stepped up checks for mosquitoes, as dengue cases soared to 9,540 cases by mid-September, already surpassing the 2004 total of 9,459.

## 16 JUDICIAL SYSTEM

Singapore's legal system is based on British common law. The judiciary includes the Supreme Court as well as subordinate courts. The subordinate courts include the magistrates' courts, trying civil and criminal offenses with maximum penalties of three years' imprisonment or a fine of s\$60,000; the district courts, trying cases with maximum penalties of 10 years' imprisonment or a fine of s\$250,000; the juvenile courts, for offenders below the age of 16; the coroners' courts; and the small claims courts, which hear civil and commercial claims for sums of less than s\$10,000. The Supreme Court is headed by a chief justice and is divided into the High Court, the Court of Appeal, and the Court of Criminal Appeal. The High Court has unlimited original jurisdiction in both criminal and civil cases but ordinarily chooses to exercise such jurisdictional authority only in major cases. In its appellate jurisdiction, the High Court hears criminal and civil appeals from the magistrates' and district courts. Appeal in a civil case heard by the High Court in its original jurisdiction goes to the Court of Appeal, and in a criminal case, to the Court of Criminal Appeal.

In 1993, the former Court of Appeal (for civil cases) and the Court of Criminal Appeal were combined to form a single Court of Appeal. This reform was part of an overall plan for the eventual elimination of referrals to the Privy Council in London. All appeals to the Privy Council in London were eliminated in 1994.

The president appoints judges of the Supreme Court on the recommendation of the prime minister after consultation with the chief justice. A Legal Service Commission supervises and assigns the placement of the subordinate court judges and magistrates who have the status of civil servants; however, the president appoints subordinate courts judges on the recommendation of the chief justice. While the constitution provides for an independent judiciary and the judicial system provides a fair and efficient judicial process, the Internal Security Act allows the government to arrest, detain, and prosecute those who are deemed to threaten national security. Defendants have the right to be present at the trials, to have an attorney, and to confront witnesses against them.

## 17 ARMED FORCES

In 2005, Singapore's armed forces numbered 72,500 active personnel, supported by 312,500 reservists. The Army had 50,000 personnel, including a single Rapid Deployment division and three combined arms divisions. Equipment included 100 main battle tanks, 350 light tanks, 294 armored infantry fighting vehicles, over 1,280 armored personnel carriers, and more than 286 artillery pieces. The Navy had 4,000 active personnel. The fleet's major units included three tactical submarines, six corvettes, and 17 patrol/coastal vessels. The Air Force totaled 13,500 personnel with 111 combat-capable aircraft that included 43 fighters, 44 fighter ground attack aircraft, and 28 attack helicopters. Paramilitary forces numbered 93,800 active members and included the Singapore Police Force (12,000), an 81,800-member civil defense force, and a 1,500-man contingent of gorkha troops. The 2005 defense budget totaled \$5.57 billion.

## 18 INTERNATIONAL COOPERATION

Having joined the United Nations (UN) on 21 September 1965, Singapore participates in ESCAP and several nonregional specialized agencies, such as the IAEA, the World Bank, ILO, UNCTAD, and the WHO. Singapore served on the UN Security Council in 2001–02. It is a participant in APEC, the Asian Development Bank, the Colombo Plan, the WTO, the Commonwealth of Nations, the Alliance of Small Island States (AOSIS), and G-77. Probably its most important international association is its membership—along with Cambodia, Laos, Myanmar, Vietnam, Indonesia, Malaysia, Thailand, the Philippines, and Brunei—in ASEAN, the Association of South-East Asian Nations. Singapore has played a leading part in this important regional grouping, which has sought to maximize economic cooperation among its member states, to regularize political consultation on the part of the constituent governments, and to limit foreign political and military interference in the area. Singapore is part of the Nonaligned Movement.

In environmental cooperation, Singapore is part of the Basel Convention, the Convention on Biological Diversity, CITES, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Historically, Singapore's economy was based primarily on its role as an entrepôt for neighboring countries due to its strategic geographic location at the entrance to the Strait of Malacca. It did not have minerals or other primary products of its own to export,

but it served a major economic function by processing and transshipping the goods of nearby lands. Its most significant natural resource is a deep water harbor. As a result of these circumstances, Singapore became highly active in shipbuilding and repair, tin smelting, and rubber and copra milling. Until about 1960, however, its economy was frequently shaken by major fluctuations in its export earnings (particularly from rubber and tin) as a consequence of often adverse commodity and price trends. Since the early 1960s, Singapore has attempted to break away from this economic pattern. Its government embarked on an ambitious and largely successful program of promoting industrial investment (both from abroad and locally), developing industrial estates, and providing industrial financing and technical services.

By the early 1980s, Singapore had built a much stronger and diversified economy, which gave it an economic importance in Southeast Asia out of proportion to its small size. Government plans during the first half of the 1980s called for realigning industrial activities from traditional labor-intensive, low-wage activities to capital-intensive, high-wage and high-technology activities, notably the electronic industries and oil refining. In 1985, however, Singapore's economy declined for the first time in 20 years. One of the reasons for the decline was high wages, which made Singaporean products less competitive on the world market. Other reasons for the economic downturn included a slumping demand for oil and electronic products and the economic woes of Malaysia, Indonesia, and other important trading partners.

By the late 1980s, Singapore had begun to further diversify its economy, making it capable of providing manufacturing, financial, and communications facilities for multinational firms. In the late 1980s, one of the fastest-growing sectors of Singapore's economy was international banking and finance, accounting for some 25% of GDP. It ranked behind Tokyo and Hong Kong among financial service centers in the Southeast Asia region. In 1989, earnings from manufacturing accounted for 30% of GDP. Manufacturing accounted for 24.3% of GDP in 2002.

In the 1990s, productivity increased, as did labor costs. Export growth in high-technology manufactured goods signaled Singapore's success in shifting to higher value added production. The electronics industry accounted for the largest share of value-added in manufacturing. Manufacturing was dominated by the production of computer peripherals and oil processing. Between 1992 and 1995, property prices doubled, reaching their peak in 1996. In the five years 1993 to 1997, GDP growth averaged 8.84%. In June 1997, Hong Kong reverted to Chinese rule, which was one trigger for the Asian financial crisis. In Singapore, GDP growth dropped to 1.5% in 1998 and residential property prices fell 40%. Singapore's sensitivity to the external economic environment, with trade running 300% of GDP, is extreme. Nevertheless, Singapore weathered the crisis without a contraction, and in 1999, growth recovered to 5.4%. Driven by the worldwide boom in information technology (IT) demand and robust recoveries in domestic consumption and investment, GDP growth soared to 9.9% in 2000. However, the dot.com bust in 2001 led to the economy's first yearly contraction since 1985, 2%. Recovery began in the second quarter of 2002, and though weak because of continued low export demand, growth was a positive 2.2% for the year. GDP growth in 2003 was a sluggish 0.8%, but in 2004 it soared to an estimated 8.4%, thanks to the recovery of the tourism sector, double-digit

retail sales gains, rising investment rates, increased manufacturing production, and the construction industry's recovery from a two-year slump, among other factors. Real GDP growth was estimated at a more moderate 4.9% in 2005, due to a global electronics downturn and a slowdown of the US economy. GDP growth was forecast to average 4.5% a year in 2006–07. GDP growth averaged 3.1% over the 2001–05 period.

Constraints on Singapore's economic performance are labor shortages, rising labor costs, and declines in productivity. Singapore maintains one of the most liberal trading regimes in the world, and has regularly been ranked one of the least corrupt and most competitive countries. The government is a major and active player in the economy, owning substantial productive assets (land and capital). The government directs and targets the economy through laws, regulations, and incentives and participates in business ventures through Singapore's unique hybrid, the government-linked company (GLC). Unemployment rose to 4.7% in 2001 and remained above 4% throughout 2002, a high level for Singapore. Unemployment stood at 4.8% in 2003 and was estimated at 3.4% in 2004. Inflation over the 2001–05 period averaged 0.6%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Singapore's gross domestic product (GDP) was estimated at \$131.3 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$29,700. The annual growth rate of GDP was estimated at 4.5%. The average inflation rate in 2005 was 0.3%. It was estimated that agriculture accounted for 0% of GDP, industry 33.6%, and services 66.4%.

Foreign aid receipts amounted to \$7 million (about \$2 per capita) and accounted for approximately 0.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Singapore totaled \$39.41 billion (about \$9,272 per capita) based on a GDP of \$92.4 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003, household consumption grew at an average annual rate of 5.4%. Approximately 15% of household consumption was spent on food, 5% on fuel, 3% on health care, and 14% on education.

## 21 LABOR

In 2005, Singapore's workforce was estimated at 2.19 million. In 2003, manufacturing accounted for 18%; construction 6%; transportation and communication 11%; financial, business, and other services 49%; and other undefined occupations at 16%. About 24% of the labor force consists of some 600,000 foreign workers. The unemployment rate was estimated at 3.4% in 2005.

In 2001, there were 72 registered trade unions in Singapore, with some 350,000 members. All but nine were affiliated with Singapore's National Trade Unions Congress (which represents, as a result, about 99% of the country's organized workers). The government generally asserts a strong influence over trade policies.

Workers have the right to strike but rarely do so. Collective bargaining is utilized.

The standard legal workweek is 44 hours, with one day off each week. An annual bonus equal to at least one month's salary is customarily paid. Minors as young as 12 may work with the permission of the commissioner of labor, but there are few applications for such permission and one has never been granted. In practice, the minimum working age is 14 and violations of this regulation are very rare. The government has set minimum workplace health and safety regulations that are effectively enforced. There is no minimum wage.

## 22 AGRICULTURE

Urbanization and industrialization have taken ever larger amounts of land away from agricultural activity in post-World War II Singapore. (World War II was fought 1939–45.) Many of the rubber and coconut plantations that dominated Singapore's landscape before the war have disappeared altogether. Housing for a growing population—and factories for its employment—stand where rubber and coconut trees used to grow. Nonetheless, agriculture remains part of Singapore's total economic activity. Growing methods on the island are the most intensive in all of Southeast Asia.

About 3% of the land area is used for farming, and vegetables remain a significant source of income. Remarkably, through the decades of the 1960s and 1970s and into the 1980s, Singapore was able to increase its primary produce annually through intensification. In 2004, production of fresh vegetables totaled 5,000 tons, resulting in a decreased need to rely on foreign produce imports. Singapore's trade deficit in agricultural products was us\$1.36 billion in 2004. Orchids are grown for export.

## 23 ANIMAL HUSBANDRY

Singapore has been self-sufficient (or nearly so) in the production of pork, poultry, and eggs since 1964, a notable achievement considering the modest amount of land available and the demands of growing urbanization and industrialization. The bird flu virus, which has affected a number of chicken-producing countries in East Asia since 2004, has created an atmosphere of uncertainty for chicken traders in Singapore. Hog and poultry farming together constitute Singapore's largest primary products industry. However, hog farming is being phased out because of environmental pollution; domestic pork requirements are increasingly being met by imports. In 2005, the livestock population included two million chickens and 200,000 pigs. That year, about 22,000 tons of eggs were produced.

The Pig and Poultry Research and Training Institute and Lim Chu Kang Veterinary Experimental Station conduct research on feeding, housing, breeding, management, and disease control.

## 24 FISHING

Local fishermen operate chiefly in inshore waters, but some venture into the South China Sea and the Indian Ocean. Traditional fishing methods are in use along coastal waters, but there is a trend toward mechanization in both offshore and deep-sea fishing. In 2003, Singapore's fishermen caught 7,109 tons of fish (71% aquaculture).

All fresh fish are auctioned at the Jurong Central Fish Market or at the Punggol Fishing Port and Wholesale Fish Market. The Ju-

rong facility provides modern shore-support assistance and processing plants. Aquaculture concentrates on the breeding of grouper, sea bass, mussels, and prawns. A marine fish-farming scheme to encourage aquaculture in designated coastal waters was implemented in 1981; by the end of 1985, 60 marine fish farms were in operation. In 2003, exports of fish products were valued at us\$315 million.

## 25 FORESTRY

In 2000, about 3.3% of Singapore's land area was classified as forest. There is little productive forestry left on the island, but Singapore continues to have a fairly sizable sawmilling industry, processing timber imported largely from Malaysia (with some additional imports from Indonesia). Both Malaysia and Indonesia are expanding their processing capacities, however, and the industry is declining in Singapore in the face of the government's policy shift to high-technology industries. Roundwood imports totaled 34,900 cu m (1,232,000 cu ft) in 2004. Imports of forestry products totaled us\$533.1 million, while exports amounted to us\$451.3 million.

## 26 MINING

There is no mining in Singapore. However, although the city-state has limited natural resources, it is one of the most important shipping centers in the world. Singapore has the world's third-largest oil-refining center, behind Houston and Rotterdam, and the major oil and metal futures trading market in Asia. The production of chemicals was the second leading industry in 2002, and the manufacture of oil drilling equipment and petroleum refining ranked fourth and fifth, respectively. Chemicals, mineral fuels, and petroleum products ranked among the top five export commodities. Singapore has no integrated cement plant and local operations ground imported clinker to produce cement.

## 27 ENERGY AND POWER

Singapore's total electrical generating capacity in 2002 was estimated at 7.657 million kW. All power was generated thermally, largely from imported mineral fuels. Production of electricity generated in 2002 totaled 32.585 billion kWh, with demand put at 30.304 billion kWh. Three subsidiaries of Singapore Power (PowerSeraya, Senoko Power and Tuas Power) generate 90% of Singapore's power. Another subsidiary of Singapore Power (PowerGrid) operates and maintains the country's electric power distribution and transmission system.

Although Singapore must import all the oil and natural gas it consumes, the country is a major petroleum-refining center. As of 1 January 2005, Singapore's crude oil refining capacity was estimated at 1.3 million barrels per day. In 2002, refined oil product output averaged 814,100 barrels per day. All petroleum product imports in 2002 averaged 1,619,810 barrels per day, of which 813,210 barrels per day were crude oil. Exports of refined petroleum products in 2002 averaged 917,900 barrels per day. Domestic demand for refined oil products averaged 698,050 barrels per day. Consumption and imports of natural gas in 2002 each totaled 41.67 billion cu ft. Imports of coal in 2002 totaled 11,000 short tons.

## 28 INDUSTRY

Singapore's major industries were once rubber milling and tin smelting. The modern industrialization of Singapore began in 1961 with the creation of the Economic Development Board to formulate and implement an ambitious manufacturing scheme. Most of the first factories set up under this program were of an import-substitute nature requiring tariff protection, but many such protective tariffs were subsequently withdrawn. Large-scale foreign manufacturing operations in Singapore commenced in 1967 with the establishment of plants by several major multinational electronics corporations. The Jurong Town Corporation was established under the Jurong Town Corporation Act of 1968 to develop and manage industrial estates and sites in Singapore. The emphasis was on upgrading facilities to attract high-technology and skill-intensive industries. The manufacturing sector grew by an average annual rate of about 20% during the 1962–74 period, and it registered an average annual increase of over 10% from 1975 to 1981.

Industry's share of GDP rose from 12% in 1960 to 29% in 1981. Such dramatic achievements were in large measure made possible by the existence of one of the most developed economic infrastructures in Southeast Asia, as well as by government efforts to provide a skilled, disciplined, and highly motivated workforce. Labor-intensive operations are encouraged to move offshore by the government, and service and high-technology industries are encouraged. Major industries are electronics, financial services, oil-drilling equipment, petroleum refining, rubber processing and rubber products, processed food and beverages, ship repair, and biotechnology. The most important manufacturing sector is electronics. During the 1990s, Singapore was the world's leading producer of computer disk drives, and as of the mid-2000s, there has been significant investments in wafer-fabrication plants. However, this dependence upon electronics can have negative consequences as well as positive ones: When world demand for electronics declines, Singapore is hard hit. In 1998, industry accounted for 35% of GDP, and manufacturing for 22%. In 2001, industry contributed 33% of GDP and employed about 33% of the labor force. In 2004, industry contributed 36.2% of GDP and employed about 24% of the labor force. Of the components of the industrial sector, manufacturing contributes about 25% to GDP and construction about 6.8%. Within manufacturing, electronics account for about half of manufactured output, with chemicals second. The electronics sector accounts for about 48% of investment in manufacturing; chemicals about 24%; engineering, 17%; and the biomedical sector about 9%.

Petroleum refining is a well-established industry in Singapore. After Rotterdam and Houston, Singapore is the world's third-largest refining center. Production capacity from its three main refineries (capable of processing 40 different types of crude oil) was 1.3 million barrels per day in 2005. The petrochemical industry has grown rapidly as a direct result of Singapore's refinery capacity. A large project to reclaim seven islands to form a 12-sq mi petrochemical complex on Jurong Island was due to be completed in mid-2006. A \$200 million synthetic gas plant has been built on Jurong Island by the Messer Group of Germany and Texaco of the United States. Also, Singapore's second naphtha cracking plant was launched in 2002 by the Petrochemical Corporation of Singapore and its partners, Phillips Petroleum, the Polyolefin Co., Hoechst,

and Seraya Chemicals. The Petrochemical Corporation of Singapore is a government-linked company (GLC). GLCs are majority government owned but operate commercially, unlike traditional parastatals. GLCs account for more than 60% of Singapore's GDP. Industrial GLCs include Singapore Technologies (aerospace and electronics manufacturer); Keppel Corporation (oil drilling and related equipment manufacturer); Sembawang Corporation (construction and environmental engineering); Chartered Semiconductor Manufacturing; Singapore Telecom Petrochemical Corporation of Singapore; and Singapore Refining Corporation.

## 29 SCIENCE AND TECHNOLOGY

The Science Council, established in 1967, advises the minister for trade and industry on scientific and technological matters relating to research and development (R&D) and to the training and utilization of manpower. The Singapore National Academy of Science promotes the advancement of science and technology, and the Singapore Association for the Advancement of Science, founded in 1976, disseminates science and technology. Other major scientific and technical learned societies and research facilities include an academy of medicine, an institute of physics, an institute of technical education, botanical gardens, a mathematical society, and a medical association. Scientific education is stressed at the university level and supported by training programs for more than 20,000 students (1990) in the nation's technical and vocational institutes. Special centers have been established for research on cancer, human reproduction, viruses, and immunology. Two new research institutions were established in 1985: the Institute of Systems Science, which does research in the area of information technology, and the Institute of Molecular and Cell Biology, a center for biotechnological research. The Singapore Science Park, located near the National University of Singapore, was developed in 1987. In 1993, the National Computer Board announced an effort to create an "intelligent island" through an information infrastructure linking all of Singapore.

In 2002, there were 4,352 scientists and engineers and 381 technicians engaged in R&D per million people. In that same year, high-technology exports were valued at \$63.792 billion and accounted for 60% of the country's manufactured exports.

In 1991, the government announced a \$250 million spending program to create science and high-technology parks. Expenditures for R&D in 2002 totaled \$2,188.905 million, or 2.19% of GDP. Of that amount, the business sector accounted for the largest portion at 49.9%, followed by the government at 41.8%. Higher education, private nonprofit organizations, and foreign sources accounted for 0.7%, 0.5%, and 7.2%, respectively.

Courses in basic and applied sciences are offered at Nanyang Technical University (founded in 1981), the National University of Singapore (founded in 1980 by merger), Ngee Ann Polytechnic (founded in 1963), Singapore Polytechnic (founded in 1954), and Temasek Polytechnic (founded in 1990).

## 30 DOMESTIC TRADE

Marketing has always been an activity in which Singapore's Chinese, Indian and Arab merchants have played a major role. Their participation has increased in recent years as local branches of European firms have become less important. Warehousing, packag-



ing, freight forwarding, and related services are of a high standard. A wide range of consumer goods, such as luxury, electronic, hand-craft, and food items, are available in Singapore from international department stores, brand name specialty stores, local department store chains, and neighborhood shops and markets. Prices are fixed in most larger retail establishments; however, haggling is still common in smaller shops. Within the industrial sector, prices are inflated to account for bargaining.

Advertising is done by radio and television, outdoor displays, slides in motion picture theaters, and newspapers. There are several advertising agencies. Consumers are highly brand conscious, and advertising concentrates considerably on product trademarks.

Usual business hours are 9 AM to 5 PM, with many businesses closed from 1 PM to 2 PM. Most major enterprises and foreign firms operate Monday through Friday and are open a half day on Saturday. A number of Chinese and Indian businesses maintain longer hours, with some open seven days a week. Bank hours are 9:30 AM to 3 PM, Monday through Friday, and Saturday from 9:30 AM to 1 PM. Government offices are open from 8 AM to 5 PM Monday through Friday, and 8 AM to 1 PM on Saturday. Retail stores are open from 10 AM to 9 PM Monday through Saturday, with most shops also open on Sunday.

### 31 FOREIGN TRADE

Since World War II, Singapore has changed from an entrepôt center for the incoming and outgoing traffic of its neighbors in Southeast Asia to an exporting power in its own right. The leading exports of the mid-1960s—rubber, coffee, pepper, and palm oil—were replaced in the early 1980s by a variety of capital-intensive manufactures. Except for an occasional slowdown, annual levels of trade regularly record double-digit expansion. During the late 1990s, expansion in the high-end manufacturing and services sectors began replacing capital-intensive production. The total value of trade in goods (exports and imports) was equivalent to 273% of GDP in 2002. This figure included a large volume of re-export trade, which is encouraged by Singapore's favorable location in the Strait of Malacca and its excellent port facilities. Re-exports accounted for 47% of total exports in 2002. Exports reached

#### Principal Trading Partners – Singapore (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	144,194.7	127,935.4	16,259.3
Malaysia	22,782.3	21,547.9	1,234.4
United States	20,559.5	17,982.7	2,576.8
China, Hong Kong SAR	14,423.3	3,089.1	11,334.2
China	10,129.0	11,068.2	-939.2
Japan	9,690.9	15,393.0	-5,702.1
Other Asia nes	6,897.9	6,467.1	430.8
Thailand	6,150.8	5,504.8	646.0
Korea, Republic of	6,058.6	4,959.5	1,099.1
Australia	4,679.1	2,184.8	2,494.3
Netherlands	4,618.6	1,089.8	3,528.8

(...) data not available or not significant.

SOURCE: 2003 International Trade Statistics Yearbook, New York: United Nations, 2004.

#### Balance of Payments – Singapore (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>28,187.0</b>
Balance on goods		29,319.0
Imports	-128,490.0	
Exports	157,809.0	
Balance on services		1,137.0
Balance on income		-1,125.0
Current transfers		-1,144.0
<b>Capital Account</b>		<b>-168.0</b>
<b>Financial Account</b>		<b>-25,110.0</b>
Direct investment abroad	-5,536.0	
Direct investment in Singapore	11,409.0	
Portfolio investment assets	-11,265.0	
Portfolio investment liabilities	363.0	
Financial derivatives	...	
Other investment assets	-18,792.0	
Other investment liabilities	-1,289.0	
<b>Net Errors and Omissions</b>		<b>3,770.0</b>
<b>Reserves and Related Items</b>		<b>-6,679.0</b>

(...) data not available or not significant.

SOURCE: Balance of Payment Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

168% of GDP in 2004. (Exports can count for more than 100% of GDP because most of the components used to produce them are imported.)

Most of the advanced electronics that Singapore exports also make up a substantial percentage of the world export market. Because electronics are vulnerable to the vagaries of world demand, however, Singapore has taken steps to revive domestic consumption.

Singapore's main trading partners are the ASEAN group—principally Malaysia—the United States, China and Hong Kong, and Japan.

Singapore's main exports in 2004 were electronics (22.7% of total exports); oil (11.1%); petroleum products (9.4%); and telecommunications apparatus (1.6%). Major imports in 2004 included machinery and equipment (58.6% of total imports); oil (15%); manufactured goods (6.7%); and chemicals and chemical products (6.5%).

### 32 BALANCE OF PAYMENTS

The traditional current account surplus is largely due to demand for non-oil exports (especially electronics) from the United States, Japan, and regional countries with electronics production facilities. The account also benefits from high net investment income receipts. Total official reserves are estimated to be equal to 8.8 months of imports. A sharp contraction of imports in 1998 due to the financial crisis caused a high current account surplus, while the devalued currency caused an even larger outflow of cash from the financial accounts. Singapore's balance of payments weakened in 2001, largely due to that year's decline in trade. Singapore's recorded trade surplus in 2003 was \$28.1 billion. Exports totaled \$158.4 billion, and imports stood at \$130.3 billion. The current account surplus averaged 22.8% of GDP over the 2001–05 period. The current account surplus stood at an estimated \$8.8 billion in 2004.

### 3<sup>3</sup> BANKING AND SECURITIES

Singapore was founded as a trading outpost by Sir Thomas Stamford Bingley Raffles of the East India Co. in 1819. The country's rigid development was closely linked to the government's efficient financial management. Conservative fiscal and monetary policies generated high savings, which, along with high levels of foreign investment, allowed growth without the accumulation of external debt. The banking system was opened to foreign banks in the late 1960s. In 1988, Singapore had foreign reserves worth about \$533 billion, which, per capita, put it ahead of Switzerland, Saudi Arabia, and Taiwan. Many sources of finance are available to organizations doing business in Singapore. The Monetary Authority of Singapore (MAS) requires banks to observe its policy of discouraging the internalization of the Singapore dollar. The MAS performs the functions of a central bank, except for the issuing of currency. The Board of Commissioners of Currency deals with currency issues. The MAS seeks to strike a balance between supervision on the one hand, and development of the financial markets on the other.

Singapore has not encouraged the freewheeling financial services culture of Hong Kong, nor has it resorted to a *divigiste* approach, as in South Korea or Taiwan. Until quite recently, Singapore has tried to enjoy the best of both worlds. This is now starting to change, as Singapore's own major banks, long regarded as complacent due to their domestic oligopoly, are beginning to venture overseas. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$20.1 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$101.0 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 1.99%. As of 1999, Singapore had more than 700 financial institutions, including approximately 230 commercial and merchant banks, 142 of them commercial banks. Some 9 of the 31 banks with full banking licenses were locally incorporated; the remainder were branches of various overseas banks. Since 1971, the government has sought to attract representation by a variety of foreign banks in terms of countries and geographical regions. Most of the new foreign banks allowed into Singapore have been offshore banks that concentrated on foreign exchange transactions. The Post Office Savings Bank (POSBank) is the national savings bank (est. 1877). Thirteen commercial banks have restricted licenses, and 98 banks operate offshore. Singapore's four largest banks—DBS Bank, United Overseas Bank (UOB), OCBC Bank, and Overseas Union Bank Ltd. (OUB)—had a 90% jump in profits in 1999 over 1998, recovering from the financial crisis quickly.

In October 1992, the Kuala Lumpur Stock Exchange severed all links with the Singapore Stock Exchange. All the Singapore stocks moved to the Singapore exchange and the Malaysian companies moved to the Kuala Lumpur Stock Exchange. As of 2004, a total of 489 companies were listed on the Singapore Stock Exchange, which had a market capitalization of \$171.555 billion. In that same year, the STI index rose 17.1% to 2,066.1.

The Singapore International Monetary Exchange (SIMEX) opened in 1984. SIMEX traded, as of the end of 1985, futures contracts in gold, eurodollar time deposit interest rates, and US/deutschemark and US/yen currency exchanges. Trading in Japanese stock index and sterling futures began in 1986. In 1989, SI-

MEX also became Asia's first energy market with the introduction of the High-Sulphur Fuel Oil futures, the world's most active contract of its kind. In 1999, SIMEX achieved its second-highest annual volume of 25.8 million contracts. It was voted International Exchange of the Year in 1989, 1992, 1993, and 1998.

### 3<sup>4</sup> INSURANCE

Most insurance firms are branches or agencies of UK (or other Commonwealth), European, and US companies, although local participation in insurance, particularly business insurance, is increasing. Marine and warehouse insurance constitutes most of the business insurance, but almost all types of commercial insurance are available. Workers' compensation, third-party automobile liability, and professional liability are all compulsory insurance in Singapore, and must be placed with local companies.

The regulatory authority is the insurance commissioner of the Monetary Authority of Singapore. In 1998, total insurance premiums amounted to s\$7.8 billion. As of 30 June 1999, there were a total of 160 registered insurers. In 2003, the value of all direct insurance premiums written totaled \$8.898 billion, of which \$5.561 billion was accounted for by life insurance premiums. In that same year, the top nonlife insurer was NTUC Income, with gross written nonlife premiums (including personal accident and health-care) of \$208.1 million, while the nation's leading life insurer was AIA, with gross written life insurance premiums of \$1,042.5.

### 3<sup>5</sup> PUBLIC FINANCE

The US Central Intelligence Agency (CIA) estimated that in 2005 Singapore's central government took in revenues of approximately us\$18.6 billion and had expenditures of us\$18.2 billion. Revenues minus expenditures totaled approximately us\$460 million. Public debt in 2005 amounted to 102% of GDP. Total external debt was us\$24.67 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government

#### Public Finance – Singapore (2002)

(In millions of Singapore dollars, central government figures)

<b>Revenue and Grants</b>	<b>35,100</b>	<b>100.0%</b>
Tax revenue	21,025	59.9%
Social contributions	...	...
Grants	...	...
Other revenue	14,075	40.1%
<b>Expenditures</b>	<b>29,741</b>	<b>100.0%</b>
General public services	2,618	8.8%
Defense	8,485	28.5%
Public order and safety	1,767	5.9%
Economic affairs	3,656	12.3%
Environmental protection	...	...
Housing and community amenities	3,199	10.8%
Health	1,662	5.6%
Recreational, culture, and religion	1,090	3.7%
Education	6,952	23.4%
Social protection	1,242	4.2%

(...) data not available or not significant.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

revenues in millions of Singapore dollars were 35,100 and expenditures were 29,741. The value of revenues in millions of US dollars was \$19,602 and expenditures \$17,129, based on a market exchange rate for 2002 of 1.7906 as reported by the IMF. Government outlays by function were as follows: general public services, 8.8%; defense, 28.5%; public order and safety, 5.9%; economic affairs, 12.3%; housing and community amenities, 10.8%; health, 5.6%; recreation, culture, and religion, 3.7%; education, 23.4%; and social protection, 4.2%.

### 36 TAXATION

Individual and commercial incomes are taxed whether derived in Singapore or from outside sources. Types of direct taxation include income, property, estate duty, and payroll taxes; the Inland Revenue Department is responsible for the assessment and collection of all such levies. As of 2006, the top marginal personal tax rate was 21%. In 2007, the top personal rate is to be reduced to 20%. As of 1 January 2004, foreign income received by a resident individual was exempted from Singapore's personal income tax. However, foreign income received via a partnership in Singapore is taxed. Also, nonresidents working in Singapore more than 60 days but less than 183 days in a calendar year are taxed at a 15% rate on gross employment income or taxed on employment income as a resident, whichever is higher.

As of 2005, Singapore had a standard corporate income tax rate of 20%. Industrial establishments, companies, and various other businesses are eligible to deduct from their gross profits varying and usually generous depreciation allowances for building, plants, and machinery. There are tax holidays of 5 to 15 years on qualifying profits for approved "pioneer" industries. Companies whose "pioneer" status has expired or who do not qualify, but still engage in high value operations, can receive a reduced rate of 5% for a period of 10 years and with extensions, up to 25 years. Other taxes include a goods and services tax (GST) at a rate of 5%, a stamp tax, and a property tax.

### 37 CUSTOMS AND DUTIES

Prior to the 1960s, Singapore was essentially a free port, with import duties levied only on alcoholic beverages, tobacco and tobacco products, petroleum products, and certain soaps. In 1959, however, a law was passed empowering the government to levy import duties on other products to protect local industries. In the 1960s, many new tariffs were established with the primary aim of helping to support development of local manufacturing firms. In the early 1970s, many items were withdrawn from the tariff list, and by 1982 there were only 176 items on the list, compared with 349 in 1972. In 1985, excise duties on sugar and sugar substitutes and import and excise duties on fuel oil were lifted. By 1993, there were almost no import tariffs except for duties on alcoholic beverages, tobacco products, petroleum products, and a few other items. Duties ranged from 5–45%. There are no export duties. As of 2002, the average tariff in Singapore was below 1%, as more than 99% of goods entered duty free. In 2000, duties were levied on tobacco products, alcoholic beverages, gasoline, automobiles (31%), and motorcycles (12%).

Singapore has six free trade zones, five for seaborne cargo (in the five gateways of the port) and one for air cargo. The GST (goods

and service tax) of 5%, which is levied on all imports, is not levied on goods stored in the free trade zones.

### 38 FOREIGN INVESTMENT

Legislation to attract new foreign investments, the Economic Incentives Act, was passed in 1967; it granted exemption from taxation for a five-year period to investors for export development and provided inducements and guarantees with respect to repatriation of profits and capital. Overseas offices were set up to promote such foreign investment in New York, Chicago, San Francisco, London, Paris, Frankfurt, Zürich, Tokyo, Hong Kong, Stockholm, and Melbourne. The Capital Participation Scheme, adopted in 1973, permitted high-technology industries to set up branches in Singapore with 50% equity participation by the government. With changes in Singapore's industrial development, there have also been alterations in incentives. In the early 1980s, the main criteria for granting tax incentives were capital investment ratios (including training costs) per worker, value added per worker, and the ratio of technical personnel and skilled workers to the total workforce. Major investment activity focused on petroleum refining, general manufacturing, electronics, and hotel construction, as well as on traditional endeavors.

Since the mid-1980s the government's incentive policies have broadened to include Singapore's development as a total international business center, an international air-sea cargo center, a location for the regional operational headquarters of multinational corporations, and a major exporter of services. Investment in the manufacturing sector is encouraged in areas of medium-range or higher technology, or the design and production of higher value-added products. Singapore does not require that foreign investors take on private-sector or government joint-venture partners.

In 2000, foreign companies' net investment commitments in manufacturing were \$4.2 billion, somewhat ahead of the \$4.016 billion reached in 1997 before the Asian financial crisis, and \$1 billion more than the level in 1998. US companies accounted for 51% of the total; European companies, 23.8%; Japan, 21%; and all other countries, 4.26%. As of 1999, cumulative foreign investment in Singapore was a little over \$31 billion, of which \$12.2 billion (39%) was from US companies; 31.6% from Japanese companies; and 25% from Europe. Foreign investments account for about one-quarter of cumulative gross fixed assets in the manufacturing sector.

In 2002, the total stock of foreign direct investment (FDI) stood at approximately \$137.4 billion, or 1.51% of GDP. Some \$49.9 billion of that figure was invested in the manufacturing sector. The United States, Japan, and the United Kingdom were the primary investors.

### 39 ECONOMIC DEVELOPMENT

Technological change and political considerations in the post-World War II period—not least of all the nationalism that accompanied the quest for independence among the region's European colonies—have combined to alter dramatically the economic self-perception and public policies of this diminutive island state. By the late 1950s, it was obvious that prospects for economic growth would be severely limited if Singapore remained bound by its old economic role as *entrepôt*. The decision to industrialize—and to do so rapidly—was deliberate policy. The initial emphasis in the

government's economic development program was on employment. The increasing trend toward economic self-sufficiency in neighboring Indonesia and Malaysia—and the steady retreat of the United Kingdom from defense responsibilities in the region as a whole (centered on its large Singapore naval and air facilities)—prompted the government to focus completely on finding alternative employment for the island's highly skilled and disciplined workforce. By the end of the 1960s, this problem was effectively solved, with Singapore boasting one of the lowest unemployment rates in all of Asia.

Emphasis in the mid-1970s was on labor skills and technology, especially as these were identified with such modern industries as machine tools, petrochemicals, electronics, and other precision work. A high level of participation by private foreign capital provided an important cornerstone to this development. In 1979, the government abandoned its earlier policy of stimulating low-wage industries and adopted a policy of encouraging capital-intensive and technologically sophisticated industries. Especially targeted for investment promotion in the 1980s were computers, computer peripherals, electronic medical instruments, automotive components, specialty chemicals and pharmaceuticals, and optical and photocopying equipment. Following the recession of 1985–86, the government concentrated on developing new markets and on turning Singapore into a manufacturing, financial, and communications center for multinational corporations.

In the 1990s, the economic development strategy emphasized both the manufacturing and service sectors. The Economic Development Board (EDB), formed in 1961, has guided Singapore's industrialization. Early emphasis was placed on promoting investment in manufacturing. The Strategic Economic Plan (SEP), announced in 1991, focused on education and human resources to enhance export competitiveness. Emphasis on developing the service sector has been supported and enhanced by the Operational Headquarters (OHQ) program, encouraging companies to use Singapore as regional headquarters or as a central distribution center. The Creative Business Program promotes investment in the film, media, publishing, arts and entertainment, textile, fashion and design sectors. The EDB works toward Singapore's vision of its future as a developed country through the promotion of business. Singapore's globalization strategy hinges on making a transformation from a production-driven economy to an innovation-driven one. Other key elements of this strategy are the reversal of downward trends in productivity, and sustaining foreign investment in Singapore's capital investment. Singapore initiated the formation of a growth triangle, linking Johor, Malaysia, Singapore, and Indonesia's Riau Province, focusing on Batam Island. Singapore benefits by tapping into a supply of low-wage workers and offshore land to sustain its more labor-intensive industries.

The Asian financial crisis was only a temporary setback for the healthy economy of Singapore. Roadblocks to further economic development include rising labor costs, which have threatened investment in Singapore's industrial sector, causing the government to implement strategies to cut costs and increase productivity. The rise of Singapore's currency also prompted the dispersion of new industrial enterprises from the country, which the government answered by promoting the development of high-capital industries.

The collapse of the dot.com bubble in 2001 presented a more serious challenge, particularly as subsequent events—the 11 Sep-

tember 2001 terrorist attacks on the United States and global uncertainties attending the war with Iraq—resulted in continued low export demand.

As of the end of 2005, the Singapore economy was growing at a healthy clip of around 5%. At that point, Singapore's central bank (the Monetary Authority of Singapore) stated that its policy of allowing the Singapore dollar to strengthen against a basket of currencies would be maintained. This effective monetary tightening reflected continued confidence in the health of the local economy. The government is seeking to encourage innovation and to diversify the economy toward new services and consumer industries. Singapore wants to foster the development of a knowledge-based economy. Protected sectors, such as financial services, were in the process of being liberalized in 2006, in an effort to increase overall efficiency. Certain bilateral free-trade agreements, including one with the United States, which came into force in 2004, were negotiated in order to improve market access and encourage foreign investment inflows.

#### 40 SOCIAL DEVELOPMENT

The provident fund system was updated in 2004, and covers most employed persons and the self-employed. It provides benefits for old age, disability, death, sickness, and maternity. Retirement is at age 55 subject to conditions. Employee contributions are based on income; employers pay 10% of monthly earnings. There is a special system for public employees, and employers may choose a private plan if approved. Employers also fund workers' compensation benefits for job-related injuries. In addition, employers are required to provide 14 days of paid sick leave and eight weeks of paid maternity leave to their employees.

Women's legal rights are equal to those of men in most areas, including civil liberties, employment, business, and education. Women comprise 42% of the labor force and are well represented in the professions. Despite the legal principle of equal pay for equal work, women earn approximately less than men. This is due in part to the fact that most women work in lower-paying administrative jobs. In 2004, the constitution was amended to remove the inequality that a female citizen could not automatically convey citizenship to her children, but a man could. Spousal abuse and domestic violence are not widespread problems and the laws provide protection to women.

Prison conditions are considered to be good, but there are reports of the mistreatment of detainees. Caning is a common form of punishment for many different offenses. Cases of police abuse are generally investigated by the government and reported in the media. Freedom of assembly and association are restricted.

#### 41 HEALTH

Singapore's population enjoys one of the highest health levels in all of Southeast Asia. This achievement is largely attributed to good housing, sanitation, and water supply, as well as the best hospitals and other medical facilities in the region. Fully 100% of the population had access to safe drinking water and 99% had adequate sanitation in 1994–95. Nutritional standards are among the highest in Asia. Singapore is financing medical care with a combination of personal contribution and government assistance. In 1984, Singapore initiated a Medisave scheme, a compulsory savings plan for medical expenses. About half the population pays hospital bills

through this plan, although as of 1990, the plan did not cover outpatient expenses. Workers must contribute 3–4% of their earnings to a medical savings account to be used for medical expenses. The contribution of workers is matched by employers. Total health care expenditures were estimated at 3.2% of GDP.

There are 19 hospitals, five of which were administered by the government, and five were “government restructured.” The remaining nine hospitals are privately run. The main multidisciplinary hospitals are Alexandra Hospital, Changi Hospital, and Tan Tock Hospital (all government run), and National University Hospital, Singapore General Hospital, and Toa Payoh Hospital (all government restructured). In 2004, there were an estimated 140 physicians, 26 dentists, and 424 nurses per 100,000 people.

An estimated 74% of married women (ages 15 to 49) used contraception. The fertility rate was 1.5 children per woman during her childbearing years. As of 2002, the crude birth rate and overall mortality rate were estimated at 12.8 and 4.3 per 1,000 people, respectively. Life expectancy in 2005 was 81.62 years. That year, the infant mortality was 2.29 per 1,000 live births, the lowest in the world. The entire population has access to health care services.

Leading causes of death per were communicable diseases and maternal/perinatal causes, noncommunicable diseases, and injuries. Vaccination rates for children up to one year old were as follows: tuberculosis, 97%; diphtheria, pertussis, and tetanus, 95%; polio, 93%; measles, 88%; and hepatitis B, 91%. Rates for DPT and measles were 94% and 93%, respectively.

The slow growth of the HIV epidemic in Singapore may be attributed to general awareness and programs promoting condom use at STD clinics. The HIV/AIDS prevalence was 0.20 per 100 adults in 2003. As of 2004, there were approximately 4,100 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

## 4.2 HOUSING

Sustained rapid population growth in the years preceding and following World War II provided Singapore with an acute housing shortage. In 1947, a housing committee determined that, with a squatter problem worsening each year, 250,000 persons required immediate housing, while another 250,000 people would need new housing by the late 1950s. In 1960, the Housing and Development Board was established by the new PAP government. During its first five-year building program (1960–65), the board spent S\$230 million to construct 53,000 dwelling units for more than 250,000 people. It was in this period that Queens Town, Singapore’s first satellite community, was developed. By the mid-1970s, Queens Town had a total of 27,000 living units in seven neighborhood complexes, housing upwards of 150,000 people.

In the second five-year building program (1966–70), 67,000 additional units, accommodating 350,000 persons and costing S\$305 million, were built. About 113,000 more units were erected by the board in the third building program (1971–75), and over 130,000 in the fourth building program (1976–80). Another 100,000 units were constructed in the fifth building program (1981–85), and 160,000 were planned for the sixth building program (1986–90). In 1985, as a result of these government-sponsored efforts, 2,148,720 persons—or 84% of the total population of Singapore—lived in 551,767 apartments under the management of the Housing and Development Board. Some 397,180 units were sold to the public.

As of the 2000 census, there were about 964,138 occupied housing units nationwide. About 79% of all dwellings were built by the Housing and Development Board. About 93% of all dwellings were owner occupied. As of 2003, about 84% of the population resided in flats constructed through Housing and Development Board programs. The demand for purchase of home ownership flats was at about 13,846 units.

## 4.3 EDUCATION

All children who are citizens are entitled to free primary education. Primary schooling is available in all four official languages. Primary school is compulsory and covers a six-year program of study. Secondary school lasts for four years. Based on their primary school final examinations, students are placed in secondary school for general or technical studies. Students eligible to consider university studies enter a three-year preparatory program to complete their secondary education.

In 1996, there were 269,668 students in 198 primary schools, with 10,618 teachers. The student-to-teacher ratio stood at 25 to 1, where it remained as of 1999. In 1996, secondary schools had 207,719 students and 10,354 teachers. Fifteen vocational institutes offered training courses in the metalworking, woodworking, electrical, electronic, and building trades.

The National University of Singapore was established on 8 August 1980, through the merger of the University of Singapore and Nanyang University. In addition, there are the Singapore Technical Institute, Ngee Ann Polytechnic, Singapore Polytechnic, Temasek Polytechnic, Republic Polytechnic, and Nanyang Polytechnic. In 1996, all institutions of higher education had 6,689 teaching staff and enrolled a total of 92,140 students. The adult literacy rate for 2004 was estimated at about 92.5%, with 96.6% for men and 88.6% for women.

As of 2003, public expenditures on education were estimated at 3.7% of GDP.

## 4.4 LIBRARIES AND MUSEUMS

The National Library of Singapore (founded in 1844 and known, until 1960, as Raffles National Library) contains 5.6 million volumes, including books in the four official languages. The National Library houses the government archives and serves as a repository for official publications printed in Singapore since 1946. The library has nine full-time branches, and a mobile library service for rural portions of the island. The National University of Singapore Library contains almost 2.2 million volumes, including extensive medical and science/technology collections. (The National University of Singapore was formed in 1980 with the merger of the former University of Singapore and Nanyang University.) Singapore Polytechnic holds 196,000 volumes, and the Institute of Southeast Asian Studies holds 140,000. The National Library Board, established in 1995, maintains a three-tiered public library network that includes 3 regional libraries, 19 community libraries, and 18 community children’s libraries. The Lee Kong Chian Reference Library, also sponsored by the National Library Board, has a collection of about 530,000 materials.

The National Museum (formerly Raffles Museum), established in 1849, has collections of natural history, ethnology, and archaeology. Since 1965, it has also specialized in the art, culture, and way of life of Singapore’s multiracial communities. The National

Art Gallery, established in 1976, features works by the peoples of Southeast Asia, and is a part of the National Museum. The Art Museum and Exhibition Gallery of the National University of Singapore includes in its collections Asian art objects and contemporary Singaporean and Malaysian painting and textiles. The new Singapore Art Museum opened in 1996 with a permanent collection of more than 3,000 contemporary paintings and sculptures from Southeast Asian artists. The Asian Civilizations Museum, concerning ethnology, at Empress Place, opened in 2003 and is the largest museum in Singapore. The Lee Kong Chian Art Museum, the Centre of Fine Arts, and Singapore Science Center are also found in the city-state.

#### 45 MEDIA

Postal, telephone, and telegraph services in Singapore are among the most efficient in Southeast Asia. National and international telecommunications services are administered by the Telecommunication Authority of Singapore. Service is available on a 24-hour basis for worldwide telegraph, telephone, and telex communication. In 2003, there were an estimated 450 mainline telephones for every 1,000 people. The same year, there were approximately 852 mobile phones in use for every 1,000 people.

Virtually all broadcasting services are operated by the government-linked MediaCorp. Radio and television broadcasts are available in Mandarin, Malay, Chinese, and English. In 2004, the only independent radio station was sponsored by British Broadcasting Corporation World Service. As of 2003, there were nine FM radio stations and seven television stations. In 2003, there were an estimated 672 radios and 303 television sets for every 1,000 people. The same year, there were 622 personal computers for every 1,000 people and 509 of every 1,000 people had access to the Internet. There were 981 secure Internet servers in the country in 2004.

Singapore Press Holdings, a corporation linked to the ruling party, controls most of the press. There are English, Chinese, Malay, and Tamil daily newspapers. Foreign publications reporting on Southeast Asian political and social affairs must obtain an annual permit to distribute more than 300 copies of each edition in Singapore. Singapore has 10 daily newspapers, with at least one printed in each of the four official languages. The oldest and most widely circulated daily is the English-language *Straits Times*, founded in 1845.

In 2002, Singapore's largest newspapers, with their language of publication and estimated daily circulations, were as follows: *Straits Times*, Chinese/Malay/English, 392,600; *Lianhe Zaobao*, Chinese, 205,160; *The New Paper*, English, 121,000; *Shin Min Daily News*, Chinese, 120,130; *Lianhe Wanbao*, Chinese/English, 85,500; *Berita Harian*, Malay/English, 60,000; *Business Times*, Chinese/English, 36,000; and *Tamil Murasu*, Tamil, 14,000. *The Sunday Times*, published in all four of the major languages, had a weekly circulation of 387,000 in 2002.

Although freedom of the press is guaranteed by law, the International Press Institute has on various occasions cited Singapore for interference with press freedom. Magazines, motion pictures, and plays are censored for sexual content and presentation of ethnically sensitive matters.

#### 46 ORGANIZATIONS

There are Chinese, Indian, and Malay chambers of commerce and a multicomunal Singapore chamber of commerce. There is also an active National Trades Union Congress. The Consumers' Association of Singapore was founded in 1971. There are several professional associations covering a variety of fields.

In 1960, the government established the People's Association to organize and promote mass participation in social, cultural, educational, and recreational activities. In Singapore, there is a comprehensive network of about 133 community centers throughout the country set up by the People's Association. Management, women's, youth, and senior citizen subcommittees exist as active units of the association.

National youth organizations include the Singapore Scout Association, Singapore Girl Guides, Youth for Christ, Student Christian Movement of Singapore, the Association of Singapore Students in Economics and Commerce, YMCA/YWCA, Junior Chamber, and the Singapore Boy's Brigade and Girl's Brigade. Women's organizations include the Association of Women for Action and Research, Singapore Council of Women's Organizations, and the Singapore International Foundation.

Culture and arts organizations are represented by the Indian Fine Arts Society and the Singapore Art Society. There are several sports associations and clubs available, as well as clubs for hobbyists and games enthusiasts, such as the Photo Art Association of Singapore and the Othello Association Singapore.

The Academy of Medicine, the Singapore National Academy of Science, and the Institute of Physics serve to promote public interest and education as well as professional advancement in various branches of science. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions.

The National Council of Social Service assists in coordinating volunteer services through member service organizations, professional associations, retirement homes, and children's homes. There are service clubs belonging to international associations, such as national chapters of Lions Clubs, Kiwanis International, the Red Cross, and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

The tradition of bargaining makes shopping in Singapore a major tourist attraction. Points of interest include the Van Kleef Aquarium at Fort Canning Park, the Singapore Zoological and Botanical Gardens, and the resort island of Sentosa. Singapore has a number of other attractions, including an amusement park at Haw Par Village, site of historic Chinese statues, and the restoration of the Alkaff Mansion.

Singapore has many sports clubs and associations, notably in the areas of badminton (in which Singaporeans have distinguished themselves internationally), basketball, boxing, cricket, cycling, golf, hockey, horse racing, motoring, polo, swimming, tennis, and yachting.

All visitors to Singapore must carry a passport valid for at least six months upon entry. Proof of sufficient funds and an onward/return ticket are also necessary and checked by the Immigration and Checkpoints Authority (ICA). Visas are required for nationals of 32 countries, including Russia, Egypt, and Iraq. A vaccina-

tion against yellow fever is required if traveling from an infected country.

In 2003, about 6.1 million visitors arrived in Singapore, mostly from East Asia and the Pacific. There were a total of 35,930 hotel rooms, filled to 76% of capacity. The average visit was three nights.

According to 2005 US Department of State estimates, the cost of staying in Singapore was approximately us\$210 per day.

#### 48 FAMOUS SINGAPOREANS

Sir Thomas Stamford Bingley Raffles (1781–1826) played a major role in the establishment of a British presence on Singapore Island in 1819; he introduced policies that greatly enhanced Singapore's wealth, and he suppressed the slave trade. Raffles also distinguished himself as a collector of historical and scientific information. The English writer and educator Cyril Northcote Parkinson (1909–93), formerly a professor at the University of Singapore, became internationally known as the originator of Parkinson's Law. Singapore's dominant contemporary figure is Lee Kuan Yew (b.1923), prime minister of the Republic of Singapore from 1965 to 1990. His son, Lee Hsien Loong (b.1952), became the nation's third prime minister and second from the same family in 2004.

#### 49 DEPENDENCIES

Singapore has no territories or colonies.

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# SOLOMON ISLANDS



**CAPITAL:** Honiara

**FLAG:** The flag consists of two triangles, the upper one blue, the lower one green, separated by a diagonal gold stripe; on the blue triangle are five white, five-pointed stars.

**ANTHEM:** *God Save the Queen.*

**MONETARY UNIT:** The Solomon Islands dollar (sI\$), a paper currency of 100 cents, was introduced in 1977, replacing the Australian dollar, and became the sole legal tender in 1978. There are coins of 1, 2, 5, 10, 20, and 50 cents and 1 dollar, and notes of 2, 5, 10, 20, and 50 dollars. sI\$1 = us\$0.13361 (or us\$1 = sI\$7.4847) as of 2004.

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** New Year's Day, 1 January; Queen's Birthday, celebrated as a movable holiday in June; Independence Day, 7 July; Christmas, 25 December; Boxing Day, 26 December. Movable religious holidays include Good Friday, Easter Monday, and Whitmonday.

**TIME:** 11 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The Solomon Islands consist of a chain of six large and numerous small islands situated in the South Pacific, some 1,900 km (1,200 mi) NE of Australia and about 485 km (300 mi) E of Papua New Guinea. Extending 1,688 km (1,049 mi) ESE–WNW and 468 km (291 mi) NNE–SSW, the Solomon Islands have an area of 28,450 sq km (10,985 sq mi). Comparatively, the area occupied by the Solomon Islands is slightly smaller than the state of Maryland. The largest island is Guadalcanal, covering 5,302 sq km (2,047 sq mi); other major islands are Makira (formerly Malaita), San Cristobal, Vella Lavella, Choiseul, Rennell, New Georgia, and the Santa Cruz group. The total coastline of the Solomon Islands is 5,313 km (3,301 mi).

The capital city of the Solomon Islands, Honiara, is located on the island of Guadalcanal.

## <sup>2</sup> TOPOGRAPHY

The topography varies from the volcanic peaks of Guadalcanal to low-lying coral atolls. Densely forested mountain ranges are intersected by precipitous, narrow valleys. The highest peak is Mt. Makarakomburu, at 2,447 m (8,127 ft), on Guadalcanal, an island that also contains the country's most extensive alluvial grass plains. Rivers are narrow and impassable except by canoe. Extensive coral reefs and lagoons surround the island coasts.

The Solomon Islands are located in a seismically active region. However, though recent quakes have been measured in ranges considered to be strong to major, there have been few fatalities and injuries and damage reports have been minimal. On 20 January 2003, a 7.3-magnitude quake occurred at a location about 80 mi (130 km) west of Kira Kira. On 8 October 2004, a 6.8 magnitude quake hit at about 95 mi (155 km) southeast of Kira Kira. Another

6.9-magnitude quake hit around the same region on 9 November 2004, followed by a 6.7 quake on 11 November.

## <sup>3</sup> CLIMATE

The climate is tropical. From December to March, northwest equatorial winds bring hot weather and heavy rainfall; from April to November, the islands are cooled by drier southeast trade winds. Damaging cyclones occasionally strike during the rainy season. The annual mean temperature is 27°C (81°F); annual rainfall averages 305 cm (120 in), and humidity is about 80%.

## <sup>4</sup> FLORA AND FAUNA

Dense rain forest covers about 90% of the islands, with extensive mangrove swamps and coconut palms along the coasts. Other tree species include teak, African and Honduras mahogany balsa, and Queensland maple. The islands abound in small reptiles (about 61 species), birds (163 breeding species), and mammals (53 species), as well as insect life. There are over 230 varieties of orchids and other tropical flowers.

## <sup>5</sup> ENVIRONMENT

Most of the coral reefs surrounding the islands are dead or dying. As an island nation, the Solomon Islands are concerned with the effects of global warming and rising sea levels. Deforestation is another significant environmental problem. The related problem of soil erosion threatens the country's agricultural productivity. Sources of water pollution include sewage, pesticides, and mining by-products.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species includes 20 types of mammals, 21 species of birds, 4 types of reptiles, 2 species of amphibians, 5 species of fish,



2 types of mollusks, 4 species of other invertebrates, and 16 species of plants. Threatened species include the gizo white-eye and the hawkbill, green sea, and leatherback turtles. The Solomon Islands' crowned pigeon, the emperor rat, and the Nendo tubenosed fruit bat have become extinct.

## 6 POPULATION

The population of the Solomon Islands in 2005 was estimated by the United Nations (UN) at 472,000, which placed it at number 162 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 40% of the population under 15 years of age. There were 107 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.6%, a rate the government viewed as too high. Despite declines in fertility rate since the mid-1990s, at 4.7 births per woman, it remains one of the highest among Pacific Island nations. The projected population for the year 2025 was 700,000. The overall population density was 16 per sq km (42 per sq mi), but there are significant variations from island to island. The most populous islands are Malaita and Guadalcanal. Moreover, most mountainous and heavily wooded areas are inaccessible (except to tribal groups of the interior), and most of the population is concentrated in the coastal regions.

The UN estimated that 16% of the population lived in urban areas in 2005 and that urban areas were growing at an annual rate of 4.48%. The capital city, Honiara, had a population of 56,000 in that year. Honiara, on Guadalcanal, is the largest town and chief port.

## 7 MIGRATION

Since 1955, immigrants from the Gilbert Islands (now Kiribati) have settled in underpopulated areas. Movements from the countryside to Honiara and northern Guadalcanal have created problems of overcrowding. The resentment engendered by those who moved from the heavily populated island of Malaita to Guadalcanal resulted in violence in 1999. In 2000, the total number of migrants was 4,000. The net migration rate for 1999 and 2005 was zero. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

Melanesians account for about 94.5% of the total population. Polynesians make up about 3% and Micronesians account for about 1.2%. Europeans and Chinese each account for less than 1% of the population. Melanesians live mainly on the larger islands; Polynesians tend to inhabit the smaller islands and atolls.

## 9 LANGUAGES

English is the official language but is only spoken by approximately 1–2% of the population. Melanesian pidgin is the lingua franca. Some 120 indigenous languages and dialects are spoken, each within a very restricted geographical area.

## 10 RELIGIONS

Christianity, introduced by missionaries in the 19th and early 20th centuries, is the principal organized religion. The primary denominations are Anglican, Roman Catholic, Methodist, and Seventh-Day Adventist. Indigenous churches that are offshoots of other established Christian churches are attended by about 2% of

the population. Other groups represented are Jehovah's Witnesses, Mormons, and Baha'is. The most recent census reported 12 Muslims in the country.

The Department of Home and Cultural Affairs has a policy-making role in religious affairs; however, this regulation is only meant as a precaution for maintaining public order, and there have been no reports of major restrictions on religious groups. The constitution provides for freedom of religion. Christianity is taught in public schools, but the course is not required.

## 11 TRANSPORTATION

In 2002, there were an estimated 1,360 km (845 mi) of roads in the Solomons, of which only 34 km (21 mi) were paved. Of the 1,326 km (824 mi) of unpaved roads, about 800 km (497 mi) belong to private plantations. Shipping services link the Solomons with other Pacific islands, Australia, Japan, and Europe. Honiara is the principal port, followed by Ringi Cove. A fleet of government vessels provides interisland connections and handles about one-third of total tonnage carried. There were an estimated 33 airports in 2004, but only two (as of 2005), had paved runways. Henderson's Field, on the northern coast of Guadalcanal, is the site of Honiara's civil airport. Solomon Airlines provides regular flights between islands and to nearby Papua New Guinea and Vanuatu. In 1997 (the latest year for which data was available), Solomon Airlines carried about 94,000 passengers on domestic and international flights.

## 12 HISTORY

The islands now known as the Solomons are thought to have been originally inhabited by Melanesians, whose language has affinities with Malay but whose precise origin has not been determined. The first European contact with the Solomons, in 1567, was the sighting of Santa Isabel Island by the Spanish explorer Alvaro de Mendaña; the following year, Mendaña and another Spaniard, Pedro de Queirós, explored some of the islands. Mendaña named the islands *Islas de Salomon*, thinking that the gold source for King Solomon's riches was located there.

European contact with the Solomons was cut off for nearly two centuries until they were visited by the English navigator Philip Carteret in 1767. Following Carteret's visit, the British navy began to make periodic calls at the islands. During the period 1845–93, the Solomons were frequently visited by missionaries and traders. Indigenous peoples were also subjected to exploitation by "blackbirders," who impressed their captives into forced labor, often on colonial sugar plantations in Fiji, Hawaii, Tahiti, or Queensland. The brutality of the kidnappers provoked reprisals by the islanders, resulting in mass slayings of both Europeans and local peoples.

In 1893, the British government stepped in and established a protectorate over certain islands in the southern Solomons, including Guadalcanal, Malaita (now Makira), San Cristobal, and the New Georgia group. The remainder of the Solomons had by this time fallen under German dominion; some of these, including Choiseul and Santa Isabel, were transferred by treaty to the United Kingdom in 1900. The British Solomon Islands Protectorate, as the entire group came to be known, was initially under the jurisdiction of the Office of the British High Commissioner for the Western Pacific.

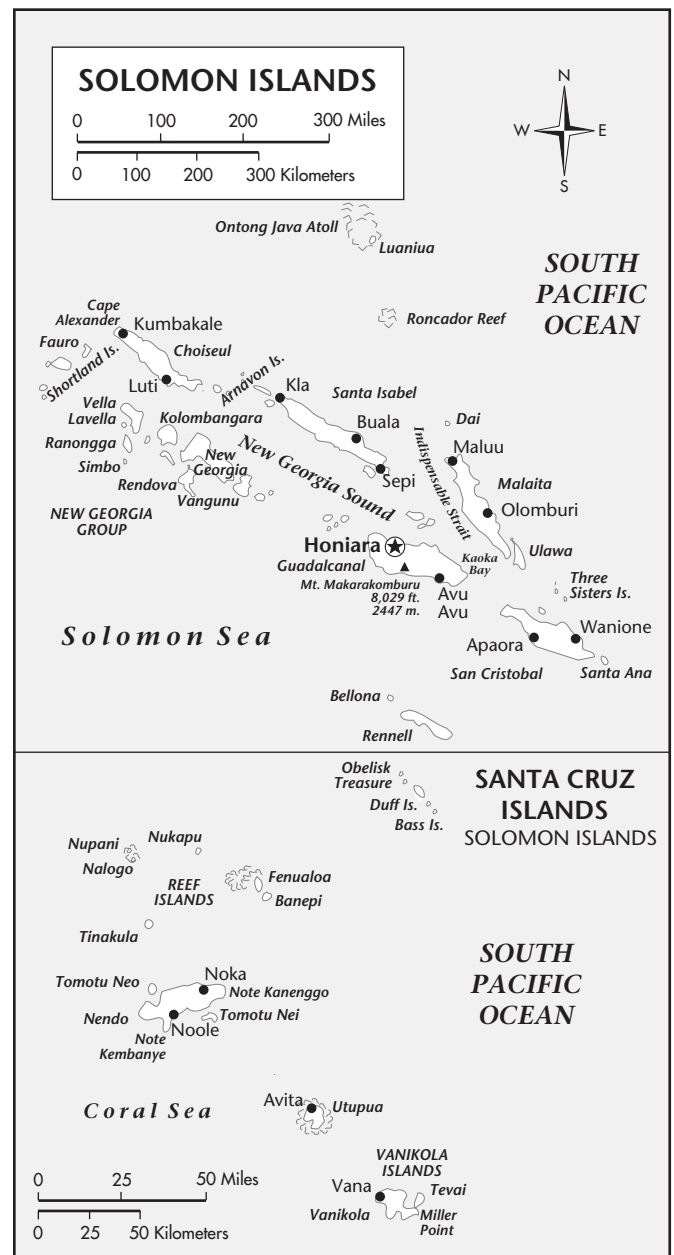
During World War II, the Solomons provided the theater for some of the most bitter fighting of the Pacific war after Japanese

troops invaded and occupied Guadalcanal in 1942. A Japanese airfield on the island's northern coast—later known as Henderson's Field—was captured by US Marines on 7 August 1942, the opening foray in the Battle of Guadalcanal, which cost the lives of about 1,500 US soldiers and 20,000 Japanese. Guadalcanal was evacuated by Japan in February 1943, although Japanese forces remained elsewhere in the Solomons until 1945. Widespread destruction and loss of life were visited on the local peoples during the war, and the legacy of social dislocation gave impetus to the development of a pro-independence nationalist movement in Malaita known as the Marching Rule.

In 1953, local advisory councils were set up in Malaita, eventually spreading to other islands of the protectorate. In 1960, the territorial government appointed executive and legislative councils, which were granted their first elected minority in 1964. A new constitution promulgated in April 1970 provided for replacement of the two councils by a unitary Governing Council, the majority of whose members were to be elected. During May and June, the Solomon Islands' first general election was held, with voters selecting 17 of the council's 26 members. On 21 August 1974, a new constitution introduced a ministerial system of government headed by a Council of Ministers. A Legislative Assembly subsequently chose Solomon Mamaloni as the Solomons' first chief minister. In May 1975, a delegation from the Solomon Islands, led by Mamaloni, met with UK officials in London and set up a timetable for internal self-government and full independence. On 22 June 1975, the territory's name was officially changed from the British Solomon Islands Protectorate to the Solomon Islands.

The islands achieved internal self-government in 1976 and became an independent member of the Commonwealth of Nations on 7 July 1978. Peter Kenilorea was prime minister until his coalition government collapsed in August 1981, after which Mamaloni returned to power. In October 1984, Sir Peter Kenilorea (as he had become) was reelected prime minister, but he resigned in November 1986, following allegations of mismanagement of funds; Ezekiel Alebu, deputy prime minister, succeeded him. In the general elections of February 1989, the People's Alliance Party (PAP), led by Solomon Mamaloni, defeated the Alebu government. Mamaloni became the new prime minister in March 1989. Mamaloni resigned as PAP leader in October 1990 and formed a coalition government with several members of the opposition. Francis Billy Hilly, an independent supported by members of the National Coalition Partners (a loose six-party coalition), became the Solomon Islands' new prime minister in June 1993. Hilly worked with the Melanesian Spearhead Conference to ease tensions between the Solomon Islands and Papua New Guinea. In 1994, parliament voted to replace Hilly with Mamaloni, leader of the Group for National Unity and Reconciliation (GNUR), the largest political party in parliament.

In the 1997 national parliamentary elections, the GNUR retained its majority, and Bartholomew Ulufa'alu was elected prime minister. He pledged to resolve the Solomons' financial crisis by improving revenue collections and downsizing government ministries. He also grappled with the problem of finding a resolution to the ethnic conflict in Guadalcanal, which had dominated all other domestic political issues since late 1998. Disputed were issues of land ownership, access to education, employment and economic development between the people of Guadalcanal and



LOCATION: 5° to 12°30' S; 155° to 170°E. TERRITORIAL SEA LIMIT: 12 miles.

Malaitan settlers on the island. That year, the Isatubu Freedom Movement (IFM), representing Guadalcanal's native people, began to forcibly evict Malaitans, who responded by forming the Malaita Eagle Force (MEF). In May 2000, the MEF took Ulufa'alu hostage, staging a coup. Ulufa'alu resigned, and in June he was replaced by Manasseh Sogavare. Fighting between the two factions left over 100 people dead and more than 20,000 displaced. A peace agreement was signed in October 2000, but it failed to end the violence. Unarmed peacekeepers from Australia and New Zealand were sent to supervise disarmament and demilitarization. In September 2001, IFM rebel leader Selwyn Sake was killed, threatening the peace agreement. In November, the MEF reported that 90% of its weapons had been surrendered. Allan Kemakeza of the PAP was elected prime minister in December 2001. In February 2003, a member of the country's National Peace Council, Sir Fred-

erick Soaki, was assassinated. He had worked with the UN to demobilize former militants still employed by the government as police officers on Malaita. In 2003, Kemakeza's government was criticized for failing to curb the actions of militia members, three of whom were convicted in 2005 of the April 2003 murder of six Melanesian brothers on the Weathercoast of Guadalcanal.

An Australia-led intervention force, the Regional Assistance Mission to Solomon Islands (RAMSI), came to the Solomon Islands in July 2003 to assist ending the lawlessness and corruption following the years of unrest. In July 2004, the first anniversary of RAMSI's partnership with the people of the Solomon Islands was celebrated with festivities in Honiara; however, not all were happy with the governmental welcome afforded RAMSI.

A group of 66 rebel militants calling themselves the Malaita Separatist Movement demanded the resignation of prime minister Allan Kemakezain May 2005. They cited dissatisfaction with his pro-Australian views and accused RAMSI of being motivated by ethnic hatred, particularly against Malaitans.

In July 2005, the cabinet approved voting reforms aimed at eliminating the election fraud that resulted from voters selling their unmarked ballots. Under the proposed plan, each voter was to have his finger marked with indelible ink, after which the voter would go into a private voting booth to mark the ballot, and then cast the marked ballot into a central ballot box, in view of the election officials.

### **13 GOVERNMENT**

Under the independence constitution of 1978, the Solomon Islands is a parliamentary democracy with a ministerial system and a unicameral national parliament consisting of 50 members elected to four-year terms; suffrage is universal for citizens over the age of 21. The prime minister, who must command a parliamentary majority, selects the 20-member cabinet. The head of state is the British monarch, represented by the governor-general. Governor-general since 1994, Sir Moses Pitakaka was replaced in May 1999 by Anglican priest Father John Lapli, who was elected by the national parliament over six other candidates, including Pitakaka. There is a constitutionally provided ombudsman to provide protection against improper administrative treatment.

### **14 POLITICAL PARTIES**

The members of the first parliament formed after independence in 1978 had no party affiliations. However, political parties emerged shortly before the elections of August 1980, in which the Solomon Islands United Party, headed by Peter Kenilorea, won 14 seats; the People's Alliance Party (PAP), led by Solomon Mamaloni, received 8 seats; the National Democratic Party (NDP), 2 seats; and independents, 14 seats.

In the December 2001 elections, the dominant parties were the PAP, led by Kemakeza, which won 16 seats; the Alliance for Change Coalition, led by Ulufa'alu, which took 13 seats; the People's Progressive Party, led by Sogavare, which took 2 seats; and the Labor Party, led by Joses Tuhonuku, which won 1 seat. Independents held 18 seats.

The following elections were held in April 2006; as of June 2006, the results had not yet been made public. Elections were scheduled for 2010.

### **15 LOCAL GOVERNMENT**

The islands are divided into nine administrative districts, of which eight are provinces, each with an elected assembly and a premier; the ninth is the town of Honiara, governed by an elected council. In outlying areas, village headmen exercise administrative responsibilities.

### **16 JUDICIAL SYSTEM**

The judicial system is based on a blend of British and traditional systems and consists of the High Court, magistrate's courts, and local courts. Appeals from magistrate's courts go to the High Court; customary land appeals courts hear appeals from the local courts.

Defendants in criminal cases are entitled to counsel and to the writ of habeas corpus. Violations of civil liberties are punishable by fines and jail sentences. An ombudsman with the power of subpoena can investigate complaints of violations of civil liberties. The traditional culture, in addition to legal provisions, provides strong protection against arbitrary interference with privacy, home, family, and correspondence.

### **17 ARMED FORCES**

The Solomon Islands have no military forces. There is a 500-member police force that also engages in border protection. Maritime surveillance is also provided by this police force, which is headed by a commissioner.

### **18 INTERNATIONAL COOPERATION**

The Solomon Islands joined the United Nations (UN) on 19 September 1978 and belongs to ESCAP and several nonregional specialized agencies, such as the FAO, the World Bank, ILO, UNCTAD, UNESCO, and the WHO. It participates in the Asian Development Bank, the ACP Group, the Commonwealth of Nations, WTO, G-77, the South Pacific Regional Trade and Economic Cooperation Agreement (Sparteca), the Alliance of Small Island States (AOSIS), and the Pacific Island Forum. In environmental cooperation, the Solomon Islands are part of the Convention on Biological Diversity, the London Convention, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

### **19 ECONOMY**

At least 75% of the population is tied to subsistence agriculture. The capital sector is dependent on the production of copra, timber, and fish for export, but outputs of other cash commodities—particularly cocoa, spices, and palm oil—have grown in recent years. The development of large-scale lumbering operations has increased timber production considerably, and concern about the preservation of forest resources led to government restriction of log exports in 1993. In the late 1990s, the economic downturn in Asia led to the collapse of the export market for logs—primarily Japan and South Korea. In late 1997, the government devalued the currency to encourage the development of other export products and to discourage the growth of imports. The economy declined by 10% in 1998, and the government initiated cutbacks in government agencies. The GDP growth rate was -15% over the 2001–03 period. The islands are rich in undeveloped mineral resources

such as lead, zinc, nickel, and gold. However, in 1998, Ross Mining of Australia began producing gold at Gold Ridge on Guadalcanal. In the wake of ethnic violence in 2000, exports of palm oil and gold ceased while exports of timber fell. Negotiations were under way in 2005 to reopen the Gold Ridge Mine and the major palm oil plantation, but each could take years to reopen.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 the Solomon Islands' gross domestic product (GDP) was estimated at \$800.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,700. The annual growth rate of GDP was estimated at 5.8%. The average inflation rate in 2003 was 10%. It was estimated that agriculture accounted for 42% of GDP, industry 11%, and services 47%.

## 21 LABOR

The wage labor force in 2002 totaled approximately 27,000. As of that year, 80% worked in agriculture, 5% had jobs in industry, and the remainder were in services. The country suffers from an acute shortage of skilled workers, and an estimated 80% of professional and technical employees are recruited from overseas. There was no data available on the country's unemployment rate.

Most employed persons have a standard workday of between five and six hours, six days a week, with overtime bringing the average workweek to 45 hours. The minimum working age is 12, or 15 years old for work in factories or on ships. In practice, given low wages and high unemployment, there is little reason to hire children. The minimum wage was US\$0.31 per hour in 2002. The Solomon Islands' largest trade union is the Solomon Islands National Union of Workers. Unions are free to organize and strike, although unions seldom strike. About 60–70% of wage earners were unionized as of 2001. Government regulations require employers to provide housing for workers whose jobs do not permit them to travel to and from home each day. Unions regularly engage in collective bargaining.

## 22 AGRICULTURE

About 2.8% of the total land area is utilized for temporary or permanent crops. Agriculture accounts for about 41% of GDP. Copra (coconut meat) is typically the dominant export and the economic lifeline of the Solomons; world copra prices strongly affect the economy, so a decline in copra prices in 1985 inaugurated an economic slump, exacerbated by the effects of Cyclone Namu. In 1992, production of copra increased by over 30% from 1991, for a total of 38,500 tons. The rebound in 1992 came from a near-doubling of world prices and better coordination of domestic shipping. Copra exports in 2004 were estimated at 5,000 tons. About 75% of the copra is produced by small holders, principally on Guadalcanal, Choiseul, the Russell Islands, San Cristobal, Santa Isabel, and Vella Lavella. Development plans called for crop diversification and the construction of a copra mill on the islands. The overseas marketing of copra is a monopoly of the government's Solomon Islands Copra Board. Other agricultural products in 2004 included cocoa, 4,000 tons; palm oil, 34,000 tons; and palm

kernels, 8,000 tons. In 2004, agricultural products accounted for 36% of exports and 8% of imports. Exports of palm, copra, and cocoa typically account for over 20% of total exports.

The major food crops are coconuts, yams, taro, sweet potatoes, cassava, and green vegetables. The government has encouraged the cultivation of rice, rotated with soybeans, in the Guadalcanal plains; however, cyclone losses resulted in increased dependence on imported rice.

## 23 ANIMAL HUSBANDRY

Cattle were traditionally kept on coconut plantations as a means of controlling the growth of grass, and many large copra plantations raised cattle for slaughter. There were 13,500 head of cattle and 53,000 pigs on the islands in 2005. Over 40% of the cattle are raised by small holders. The government's Livestock Development Authority (LDA) maintains about 3,200 head on Guadalcanal and Western Province. The LDA is now mostly a producer of trader pigs and poultry, raising 25,000 chicks and 120 piglets per month for sale. Production of pork has doubled since the early 1980s, yet still has not kept up with domestic demand. About 3,300 tons of meat were produced in 2005.

## 24 FISHING

Fish are an essential part of the local diet, and fishing has become an important commercial activity. In 1991, the total catch reached a record high of 69,292 tons; the total catch in 2003 was 39,903 tons. In 2003, the annual catch of skipjack tuna was 19,014 tons. Exports of fish products in 2003 were valued at \$20.2 million.

## 25 FORESTRY

Forests cover about 88.8% of the total area, with about 2,536,000 hectares (6,266,000 acres) of timber stands providing an estimated timber yield in 2004 of 692,000 cu m (24.4 million cu ft), of which about 554,000 cu m (19.6 million cu ft) was exported as logs. Exports of forest products were valued at \$41.5 million in 2004, 97% of it from logs. Important forest timbers are kuari, balsa, teak, Honduras and African mahoganies, Queensland maple, silky oak, and black bean. Several hundred chainsaw operators and about 40 portable sawmills produce over one-fifth of all sawn timber. Logging at current rates (15–16,000 hectares/37–39,000 acres per year) exceeds the estimated maximum sustainable annual cut by three times. Forest preservation and management legislation has been proposed, but there is no long-term viable silvicultural plan in place.

## 26 MINING

Although the archipelago was named in the 16th century for the fabled gold mines of King Solomon and had long-term mining potential, there have been insufficient high-quality mineral deposits to justify extensive mining investment. Mining was nevertheless the second-leading industry in 2002. Because of political and ethnic violence, mineral production in 2001 was limited to small quantities of common clays, crushed stone, and sand and gravel, and no gold or silver mining was reported (a minor amount of gold, and possibly associated silver, was obtained from primitive panning and sluicing by individuals). In 2000, production of gold was 338 kg, with silver output that year estimated at 200 kg. There was no recorded gold or silver output for 2001. The Gold

Ridge Mine, at Mavu, which was closed from mid-2000 through the end of 2001, had undertaken a study to upgrade production from 3,100 kg per year to 4,500–4,700 kg per year, which could increase the mining sector's contribution to GDP from 1% to 15%. The country's main industrial prospects focused on its undeveloped mineral resources of gold-silver, lead-zinc, nickel, and phosphate. Deposits of bauxite, copper, chromite, and manganese ores have also been found.

## 27 ENERGY AND POWER

The Solomon Islands, with no proven reserves of oil, natural gas, or coal, relies entirely upon imports to meet all its petroleum, natural gas, and coal product needs.

In 2002, imports and demand for refined petroleum products each averaged 1,240 barrels per day. There were no imports or consumption of natural gas or coal in 2002.

Most electric power is supplied by the government-controlled Solomon Islands Electricity Authority, although some private undertakings produce their own electricity. Electric generating capacity in 2002 was 12,000 kW, of which all was fossil fuel based. Electrical output was 0.054 billion kWh, with demand for electricity at 0.050 billion kWh in 2002.

## 28 INDUSTRY

Industrial activity in the Solomons is rudimentary, lacking in both the capital and the skilled labor necessary for significant development. The leading industries are fish processing and timber milling; soaps are made from palm oil and coconut oil. Small firms produce a limited array of goods for the local market: biscuits, tobacco products, rattan furniture, baskets and mats, concrete blocks, boats, and fiberglass products. In 1998, Ross Mining of Australia began producing gold at Gold Ridge on Guadalcanal. Minerals exploitation in other areas has continued. A Japanese joint venture, Solomon Taiyo Ltd., which operated the only fish cannery in the country, closed in mid-2000 due to ethnic disturbances. The plant later reopened under local management, but the export of tuna had not resumed by year-end 2005.

## 29 SCIENCE AND TECHNOLOGY

The Solomon Islands College of Higher Education has schools of nursing, natural resources, marine and fisheries studies, and industrial development.

## 30 DOMESTIC TRADE

Honiara is the commercial center, with a highly developed port and a wide variety of services to support trade and tourism. However, growth in both domestic trade and tourism has been hindered by inadequate infrastructure and security concerns. Most commercial enterprises have been controlled by the Chinese or Europeans. A large segment of the population still relies on bartering. Normal banking hours are 9 AM to 11:30 AM and 1:30 PM to 3 PM, Monday through Thursday, and 9 AM to 3 PM on Friday. Normal office hours are 8 AM to 12 NOON and 1 PM to 4:30 PM, Monday through Friday.

## 31 FOREIGN TRADE

Overseas trade volume expanded rapidly in the mid-1990s, but the economic woes in Asia in the late 1990s and ethnic conflict

in the early 2000s caused the export market to contract significantly. The distribution of the Solomon Islands' trade continues to be limited by the huge distances to potential export markets. The Solomon Islands' major exports are timber and fish. Other exports include palm oil, oil seeds, and cocoa.

In 2004, the Solomon Islands' primary export partners were China (27.8%), South Korea (17%), Thailand (15.8%), Japan (9.7%), and the Philippines (4.8%). The primary import partners in 2004 were Australia (24.6%), Singapore (23.1%), New Zealand (7.7%), Fiji (4.8%), and Papua New Guinea (4.7%).

## 32 BALANCE OF PAYMENTS

In 1992, export earnings were exceptionally high due to a massive income windfall from the steep rise in the volume of log exports at a time when prices in Asian markets were being driven up by a supply shortage. By the late 1990s, the market for logs had collapsed, causing strain on the Solomon Islands balance of payments. Most manufactured goods and petroleum products must be imported.

In 2004, exports were valued at an estimated \$171 million, and imports were valued at an estimated \$159 million. In 2002, the Solomon Islands carried an external debt burden of \$180.4 million. The country receives approximately \$28 million annually in economic aid, primarily from Australia. Other important aid donors include New Zealand, the European Union, Japan, and Taiwan.

## 33 BANKING AND SECURITIES

The Solomon Islands Monetary Authority became the Central Bank of the Solomon Islands (CBSI) in January 1983. Three commercial banks also operate on the islands: The Australia and New Zealand Banking Group, Westpac (which took over the Hong Kong and Shanghai Banking Corp.'s local operations in mid-1988), and the National Bank of Solomon Island (NBSI). Only the NBSI has branches outside the capital. Most villages rely on credit

### Balance of Payments – Solomon Islands (1999)

(In millions of US dollars)

<b>Current Account</b>		<b>21.5</b>
Balance on goods	54.5	
Imports	-110.0	
Exports	164.6	
Balance on services	-31.2	
Balance on income	-16.9	
Current transfers	15.1	
<b>Capital Account</b>		<b>9.2</b>
<b>Financial Account</b>		<b>-33.8</b>
Direct investment abroad	...	
Direct investment in Solomon Islands	9.9	
Portfolio investment assets	...	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	0.0	
Other investment liabilities	-43.7	
<b>Net Errors and Omissions</b>		<b>-1.6</b>
<b>Reserves and Related Items</b>		<b>4.7</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

unions. The government's 49% shareholding interest in the NBSI was sold to the National Provident Fund as a part of a privatization program in 1992. The remaining 51% is held by the Commonwealth Banking Corp. of Australia (CBC).

The government participates in private investment projects through a holding company, the Investment Corp. of Solomon Islands (ICSI), the successor to the Government Shareholding Agency. It holds the government's equity in other financial institutions, notably the Development Bank of Solomon Islands (DBSI), as well as in many other companies, some of which are foreign controlled. The government, via the ICSI, uses locally borrowed funds and foreign aid to assist industry. The government also guarantees commercial bank loans to companies in which the ICSI has an equity holding. The International Monetary Fund reports that in 1999, currency and demand deposits—an aggregate commonly known as M1—were equal to \$55.1 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$95.2 million.

### 34 INSURANCE

Insurance is sold through representatives of foreign firms. In 1997, GRE Insurance, the National Insurance Co. of New Zealand, QBE Insurance, and Zürich Australian Insurance were operating in the Solomon Islands.

### 35 PUBLIC FINANCE

The US Central Intelligence Agency (CIA) estimated that in 2003, the Solomon Islands' central government took in revenues of approximately \$49.7 million and had expenditures of \$75.1 million. Revenues minus expenditures totaled approximately -\$25.4 million. Total external debt was \$180.4 million.

### 36 TAXATION

Individual incomes are taxed on a graduated scale ranging from 14% on the first sr\$2,100 of taxable income to 42% on taxable income exceeding sr\$14,700 for single taxpayers. Companies incorporated in the Solomon Islands are taxed at a fixed rate of 35%; a rate of 50% applies to those incorporated elsewhere. A value-added tax on telephone services, restaurant food, and overseas travel tickets went into effect in August 1990. Employers contribute 7.5% of employee wages for social security; employees contribute 5% minimum. On 1 July 1990, a resident withholding tax went into effect for royalties, fishing operations, sales of copra and cocoa, and certain other sources of income.

### 37 CUSTOMS AND DUTIES

All products imported into the Solomon Islands are subject to customs duties and a 20% surcharge is levied on all ad valorem goods. Specific duties apply to alcoholic beverages, tobacco, rice, and sugar. Concessionary rates have been granted to imports of industrial machinery and equipment, raw materials, chemicals, and building materials. Licenses are required for the importation of firearms, ammunition, animals, seeds, soil, and plant material.

### 38 FOREIGN INVESTMENT

The government encourages direct foreign investment through tax concessions, remission of customs duties, and other forms of assistance. Foreigners may repatriate profits (after taxes) and, un-

der most conditions, capital investments. A primary role in the development of resources is reserved for the government. In 1990, Lever Brothers opened a coconut oil plant at Yandina. In 2004, net inflows of foreign direct investment (FDI) amounted to -\$5 million.

### 39 ECONOMIC DEVELOPMENT

The government has attempted to diversify agricultural production in order to make the economy less vulnerable to world price fluctuations of such key cash crops as copra. Important development projects during the 1980s included new sawmills, a fish cannery, a spice industry, and the Lungga hydroelectric plant. Fisheries receive significant portions of development funds. A rubber industry is being developed, and plans are under way to export the indigenous ngali nut as an upscale confectionery product under the name "Solomons nut."

Foreign assistance plays an essential role in the nation's development strategy; Australia and Japan are the largest donors. In 1996, the Solomon Islands received us\$46.4 million in aid. As of the mid-2000s, the country was receiving approximately us\$28 million annually in economic aid, primarily from Australia. Other important aid donors include New Zealand, the European Union, Japan, and Taiwan. Aid is also received from the IBRD and ADB. ODA net inflows for 2004 were us\$122.2 million.

### 40 SOCIAL DEVELOPMENT

A National Provident Fund covering certain categories of wage workers age 14 and older provides old-age, disability, and survivor benefits in lump-sum payments. This program is financed from worker and employer contributions. Employers cover the cost of workers' compensation. The Employment Act mandates that employers pay dismissal indemnity of two weeks' wages for each year of employment. The bulk of organized welfare services are provided by church missions. In small villages and outlying areas, assistance is traditionally provided through the extended family.

Although women are accorded equal rights by law, their role is limited by customary family roles in most Solomon Islands societies. Due to cultural barriers, a majority of women are illiterate, which contributes to a general shortage of employment opportunities for women. Domestic abuse and violence are common.

The government generally respects the human rights of its citizens. However, the armed conflict between rival militias has resulted in the deterioration of human rights.

### 41 HEALTH

Poor standards of general hygiene and inadequate sanitation continue to make malaria and tuberculosis endemic. Adequate sanitation is available to 60% of the entire Solomon Islands population.

Infant mortality was estimated at 21.29 deaths per 1,000 live births as of 2005; average life expectancy was an estimated 72.66 years. As of 2002, the crude birth rate and overall mortality rate were estimated at 33.3 and 4.2 per 1,000 people, respectively. As of 2004, there were an estimated 13 physicians and 80 nurses per 100,000 people.

The most prevalent disease reported is malaria. Many of the five island nations in the South Pacific have insufficient vitamin A levels. The incidence of xerophthalmia was present in 1.55% of all children in the Solomon Islands.

In 1999, 15 new cases of leprosy were reported by the World Health Organization, which is advocating multidrug therapy and screening of people in high-risk areas to counter the spread of this disease that was once believed to have been eradicated.

## 4<sup>2</sup> HOUSING

The government has built low-cost housing projects in Honiara to help ease congestion. Outside Honiara, housing is primitive, with overcrowding a problem even in the smaller villages. As of 1996, 80% of the population lived in villages of less than 300 people. According to a 1999 census, there were 65,014 households, 98% of which were single-family households. The average household had 6.3 members. Only 52% of all households had access to piped drinking water, 23% had modern toilet facilities, and 16% had access to electricity.

Since 1998, the government, through the Ministry of Lands and Housing, has been focusing on programs for improved housing and utilities for all.

## 4<sup>3</sup> EDUCATION

Education is not compulsory, and many schools charge fees. In 1976, the government began substantial aid to primary as well as secondary schools. Christian missions (mainly Anglican), supported by government grants, continue to provide some primary schooling. Primary school lasts for six years. This is followed by three years of lower secondary schooling, which is offered through provincial and community schools. An additional two years of upper secondary education is offered through a national secondary school. Students planning to enter university studies take a final year (sixth form). The academic year runs from February to November.

Primary school enrollment in 2003 was estimated at about 72% of age-eligible students. In 2001, secondary school enrollment was at less than 60% of age-eligible students. It is estimated that about 70% of all students complete their primary education.

Higher education is provided by the Solomon Islands Teachers College (Honiara), the Honiara Technical Institute, and the University of the South Pacific Solomon Islands Center, also in Honiara. As of 2003, public expenditures on education were estimated at 3.2% of GDP, or 15.4% of total government expenditures.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library (founded in 1974) in Honiara has two branches and a collection of over 100,000 volumes. The library at the Solomon Islands Center of the University of the South Pacific holds 9,000 volumes. The Solomon Islands National Museum and Cultural Center began collecting in the 1950s and opened a permanent site in 1969. The center promotes and provides research into all aspects of Solomon Island culture.

## 4<sup>5</sup> MEDIA

The main post office is at Honiara. In 2002, there were 6,600 mainline phones and 1,000 mobile phones in use nationwide. As of 2004, there were two privately owned radio stations and one public station operated by the Solomon Islands Broadcasting Corporation. Two television channels were sponsored by Australia's Asia-Pacific Service and British Broadcasting Corporation International. There were 80 radios and four televisions per 1,000 pop-

ulation in 1997. In 2003, there were 398 Internet hosts serving about 2,200 Internet users. Periodicals include the *Solomon Voice* (weekly, 2002 circulation 10,000), *Solomon Star* (weekly, circulation 4,000), and the *Solomon Nius* (monthly, 2,000). The government is said to generally respect constitutional provisions for freedom of speech and of the press.

## 4<sup>6</sup> ORGANIZATIONS

Cooperative societies are important in rural areas for the distribution of locally produced goods. Honiara has a chamber of commerce. YMCA and YWCA chapters are active. There are active sports associations in the country, including those representing such pastimes as taekwon do, tennis, yachting, and weightlifting; most sports groups are affiliated with the national Olympic Committee. The Solomon Island Graduate Women's Association helps support the advancement of women in business and education. There are also chapters of Habitat for Humanity and the Red Cross.

## 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Tourism, although encouraged by the government's Tourist Authority, is not seen as a major growth area due to lack of investment. Visitors are drawn to the ecotourism resorts of the Marovo Lagoon. Fishing and diving are the main attractions. Popular pastimes include rugby, football (soccer), basketball, football, and water sports. All visitors are required to carry a passport and an onward/return ticket.

## 4<sup>8</sup> FAMOUS SOLOMON ISLANDERS

Sir Peter Kenilorea (b.1943), Solomon Mamaloni (1943–2000), Ezekiel Alebu (b.1947), and Sir Allan Kemakeza (b.1951) were among the Solomons' political and government leaders from independence into the mid-2000s.

## 4<sup>9</sup> DEPENDENCIES

The Solomon Islands have no territories or colonies.

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# SRI LANKA

Democratic Socialist Republic of Sri Lanka  
*Sri Lanka Prajathanthrika Samajavadi Janarajaya*



**CAPITAL:** Colombo

**FLAG:** The national flag contains, at the hoist, vertical stripes of green and saffron (orange-yellow) and, to the right, a maroon rectangle with yellow bo leaves in the corners and a yellow lion symbol in the center. The entire flag is bordered in yellow, and a narrow yellow vertical area separates the saffron stripe from the dark maroon rectangle.

**ANTHEM:** *Sri Lanka Matha (Mother Sri Lanka).*

**MONETARY UNIT:** The Sri Lanka rupee (₨) of 100 cents is a paper currency with one official rate. There are coins of 1, 2, 5, 10, 25, and 50 cents and 1 and 2 rupees, and notes of 10, 20, 50, 100, 500, and 1,000 rupees. ₨1 = \$0.00998 (or \$1 = ₨100.19) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the national standard, but British weights and measures and some local units also are used.

**HOLIDAYS:** Independence Commemoration Day, 4 February; May Day, 1 May; National Heroes Day, 22 May; Bank Holiday, 30 June; Christmas Day, 25 December; Bank Holiday, 31 December. Movable holidays include Maha Sivarathri Day, Milad-an-Nabi, Good Friday, 'Id al-Fitr, Dewali, and 'Id al-Adha'; in addition, the day of the rise of the full moon of every month of the Buddhist calendar, called a Poya day, is a public holiday.

**TIME:** 5:30 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Sri Lanka (formerly Ceylon) is an island in the Indian Ocean situated south and slightly east of the southernmost point of India, separated from that country by the 23 km- (14 mi-) wide Palk Strait. Including 870 sq km (336 sq mi) of inland water, Sri Lanka has a total area of 65,610 sq km (25,332 sq mi), extending 435 km (270 mi) north-south and 225 km (140 mi) east-west. Sri Lanka's total coastline is 1,340 km (833 mi). Comparatively, the area occupied by Sri Lanka is slightly larger than the state of West Virginia. Sri Lanka's capital city, Colombo, is located on the southwest coast.

## <sup>2</sup> TOPOGRAPHY

The south-central part of Sri Lanka is a rough plateau cut by a range of mountains whose highest peak is Pidurutalagala, 2,524 m (8,281 ft). Narrow coastal plains skirt the mountainous section on the east, south, and west, but in the north the extensive coastal plain fans out, reaching from the eastern to the western shores of the island. Five-sixths of the land is less than 300 m (1,000 ft) in elevation. Numerous rivers and streams flow seaward in all directions from the central mountain area; the longest river, flowing northeastward, is the Mahaweli Ganga (332 km/206 mi).

Both the eastern and western coasts of Sri Lanka were hit by a catastrophic tsunami on 26 December 2004. Stemming from an underwater earthquake 324 km (180 mi) south of Indonesia's Sumatra island, waves reaching 12 m (40 ft) rolled onto the coasts, killing almost 40,000 residents and tourists. More than 1.5 million were left without homes.

## <sup>3</sup> CLIMATE

The climate, although tropical and monsoonal, varies from warm in the coastal plains and lowlands to temperate in the hill and mountain regions. The lowlands in the northeast receive an average rainfall of about 130 cm (50 in), and the hill country in the southwest has an average of 254 to 508 cm (100 to 200 in), most of the rain coming during the monsoon season. Elsewhere, average rainfall varies from 63 cm (25 in) to 190 cm (75 in). Located only 879 km (546 mi) north of the equator, Sri Lanka has neither summer nor winter but only rainy and dry seasons. Average temperature is 27°C (80°F).

## <sup>4</sup> FLORA AND FAUNA

Most plants and animals are those common to southern India, but there are additional varieties. The plant life ranges from that of the equatorial rain forest to that of the dry zone and the more temperate climate of the highlands. Tree ferns, bamboo, palm, satinwood, ebony, and jak trees abound. The wide range of mammals, birds, and reptiles once found in Sri Lanka has been reduced by the conversion of forests into rice fields, but water buffalo, deer, bear, elephants, monkeys, and leopards are among the larger animals still present. The Ceylon elk (*sambhur*) and the polonga snake are unique to Sri Lanka. Birds are numerous, many varieties from colder countries wintering on the island. Sri Lanka has well-organized game and bird sanctuaries. Insects abound and numerous fish are found in the shallow offshore waters. As of 2002, there



were at least species of 88 mammals, 126 species of birds, and over 3,300 species of plants throughout the country.

## 5 ENVIRONMENT

Sri Lanka's principal environmental problem has been rapid deforestation, leading to soil erosion, destruction of wildlife habitats, and reduction of water flow. The government began a reforestation program in 1970, and since 1977, it has banned the export of timber and the felling of forests at elevations over 1,500 m (5,000 ft) and the export of timber. Nevertheless, between 1981 and 1985, some 58,000 hectares (143,000 acres) of forestland were lost each year. From 1990–2000, the annual rate of deforestation was 1.6%.

The nation's water has been polluted by industrial, agricultural, and mining by-products along with untreated sewage. Air pollution from industry and transportation vehicles is another significant environmental concern. The main environmental agency is the Central Environmental Authority within the Ministry of Industry and Scientific Affairs.

Although legislation to protect flora and fauna and to conserve forests has been enacted, there has been inadequate enforcement of the laws, and the nation's wildlife population has been reduced by poaching. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species includes 21 types of mammals, 16 species of birds, 8 types of reptiles, 44 species of amphibians, 23 species of fish, 2 species of invertebrates, and 280 species of plants. Threatened species include the Asian elephant, green labeo, spotted loach, and four species of turtle (green sea, hawksbill, olive ridley, and leatherback). Over a dozen species of amphibians have become extinct.

## 6 POPULATION

The population of Sri Lanka in 2005 was estimated by the United Nations (UN) at 19,722,000, which placed it at number 53 in population among the 193 nations of the world. In 2005, approximately 6% of the population was over 65 years of age, with another 27% of the population under 15 years of age. There were 103 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.3%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 22,208,000. The overall population density was 301 per sq km (779 per sq mi); however, about 50% of the population is concentrated in the southwestern quarter of the island.

The UN estimated that 30% of the population lived in urban areas in 2005 and that urban areas were growing at an annual rate of 1.13%. The capital city, Colombo, had a population of 648,000 in that year. Other urban centers and their estimated populations are Dehiwala-Mt. Lavinia, 209,787; Moratuwa, 177,910; Jaffna, 145,600; Kotic, 109,000; and Kandy, 161,395.

## 7 MIGRATION

Under an agreement signed in 1964, India pledged to repatriate 525,000 of the 975,000 persons of Indian origin (Tamils) then on the island, while Ceylon agreed to absorb 300,000 and grant them Ceylonese citizenship. Of the remaining 150,000, 75,000 were repatriated by a separate agreement concluded in 1974, and an equal number became citizens of Sri Lanka. Due to military ac-

tivities in 1995 and 1996, an estimated 650,000 people have been internally displaced. As of May 1997, India's Tamil Nadu state had around 56,000 refugees from Sri Lanka, with another 36,000 throughout India. Repatriation to Sri Lanka has ceased since the military conflicts started again in 1995. Over 54,000 refugees have returned from southern India since 1992. In 2004, there were 63 refugees and 48 asylum seekers in Sri Lanka. However, there were also 352,374 internally displaced persons (IDPs), 33,370 returned IDPs, and 170,000 stateless persons.

In 2003, worker remittances to Sri Lanka were estimated at \$1.3 billion a year, equivalent to 8% of Sri Lankan GDP. Most remittances are from maids in the Middle East; there are about 350,000 Sri Lankans in Saudi Arabia, followed by 80,000 in Lebanon, 40,000 each in Kuwait and Oman, 30,000 each in Qatar and Jordan, and about 160,000 in the United Arab Emirates. Annually, some 200,000 Sri Lankans go abroad to work in Middle Eastern countries, Western Europe, Australia, and North America. By some estimates, about 600,000 of the one million Sri Lankans abroad are domestic helpers.

In 2005, the net migration rate was an estimated -1.27 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

According to data from 2002, the Sinhalese constitute the largest population group, making up 74% of the total population. Sri Lankan Tamils (descendants of medieval invaders from India) total 18%; Sri Lankan Moors 7%; Burghers (descended from the Dutch), Malays (mostly of Arab extraction), and Veddas account for 1%. The Veddas are a small aboriginal tribe located in the most inaccessible forest regions of southeastern Sri Lanka.

## 9 LANGUAGES

English was the official language under the British and remained so until 1956, when Sinhala became the nation's official language. This measure was bitterly opposed by the Tamil minority. Riots, disorders, and dissension grew, leading to a Tamil civil disobedience campaign and a temporary state of emergency. Tamil was added as an official language in 1988.

Sinhala is a member of the Indo-Aryan subgroup of the Indo-European language family, related to Pali. Tamil is a Dravidian language spoken in northern and eastern Sri Lanka and in southern India. Sinhala is spoken by approximately 74% of the population; Tamil is spoken by 18%. English is also commonly used in government and is spoken by about 10% of the population.

## 10 RELIGIONS

Of the total population, Buddhists constitute nearly 70% of the people and are almost without exception ethnic Sinhalese who practice Theravada Buddhism; Hindus amount to 15% of the total population and are almost exclusively ethnic Tamils; Muslims account for 7% (and may or may not be Tamil speakers) and include the Moor and Malay communities; and Christians, accounting for 8%, are to be found in the Sinhalese, Burgher/Eurasian, and Sri Lankan Tamil communities (not to be confused with the so-called Indian Tamils, who were imported as plantation workers in the last century and are exclusively Hindu). A majority of Christians are Roman Catholic, with Anglicans and Baptists also significant,

the latter the result of American missionary activity in the north in the 19th century.

The 1978 constitution established Sri Lanka as a secular state and guarantees freedom of religion; however, the document also stipulates that Buddhism enjoys the foremost place in the republic, and there have been some restrictions on religious freedom. In 2003, a bill was presented to the cabinet that would make all religious conversions illegal. Though there has been much debate about the bill, by late 2005 it had not yet been enacted.

## 11 TRANSPORTATION

In 2002, the country had an estimated 11,650 km (7,246 mi) of highways, of which 11,068 km (6,884 mi) were paved. Registered motor vehicles numbered 695,330 in 2003, including 321,330 passenger cars and 374,000 commercial vehicles.

In 2004, there were 1,449 km (901 mi) railroad track, all broad gauge, and all state owned and state operated.

Colombo, one of the great commercial seaports of Asia, formerly was an open roadstead, but the construction of breakwaters has made it one of the world's greatest artificial harbors. In 2005, the merchant fleet consisted of 23 ships of 1,000 GRT or more, totaling 120,924 GRT. Ports of the open roadstead type are Trincomalee, Galle, Batticaloa, Kankasanturai, Kayts, and Jaffna. A car ferry service links Mannar Island with the Indian mainland. As of 2004, Sri Lanka had 160 km (99 mi) of navigable inland waterways, primarily on rivers in the southwestern part of the country.

Sri Lanka had an estimated 14 airports in 2004, of which 14 had paved runways as of 2005. The principal international airport is Katunayaka, 39 km (24 mi) north of Colombo. Air Lanka (formerly Air Ceylon), the national airline company, serves international routes only. Upali Travels, a private carrier, provides domestic service. In 2003, about 1.958 million passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

The Sinhalese, early Indo-European-speaking settlers, arrived in what is present-day Sri Lanka, in the 6th century BC, probably from northern India. Later arrivals from India brought Buddhism beginning about 240 BC. The practice of Buddhism set Sri Lanka apart from southern India, where Hinduism was the major religion. The presence of Tamil Dravidian speakers is noted in many ancient texts from the region, and for much of the first millennium AD, the Sri Lankan peninsula was controlled by Tamil Dravidians, whose primary religion was Hinduism. However, following a series of civil wars between the Sinhalese and Tamils, Vijayabahu reestablished the Sinhalese dynasty in the 11th century. In the 12th century, the Sinhalese king Parakrama Bahu I united the entire island.

The Portuguese East India Company brought the first European rulers in the early 16th century, and in time, the Portuguese conquered the entire island, with the exception of the Sinhalese kingdom in Kandy in the central plateau. By the middle of the 17th century, the Portuguese had been driven out of Sri Lanka (and southern India) by the Dutch East India Company, which governed for more than 100 years, introduced plantation agriculture, developed trade, and left a legacy that includes Roman-Dutch law and a group of people of Dutch-Sinhalese ancestry known as Burghers. But they, too, found themselves displaced.



LOCATION: 5°55' to 9°50' N; 79°42' to 81°53' E. TERRITORIAL SEA LIMIT: 12 miles.

Having won their struggle with France for mastery in India (and in North America), the British laid claim to Sri Lanka, which they called Ceylon, at the end of the 18th century after the Netherlands fell under French control. After a brief period as part of the British East India Company's Indian domain, Ceylon was designated a Crown colony in 1802, and by 1815, the entire island was united under British rule. The British introduced coffee, tea, coconut, and rubber plantations, and their own form of administration.

With the development of a nationalist movement across the Palk Strait in India in the 20th century, nationalists in Ceylon also pressured for greater self-rule, leading to further democratic political reforms in constitutions enacted in 1910, 1920, 1924, 1931,

and 1947; included in the 1931 enactment was limited self-rule under universal suffrage. In 1948, with little actual struggle, and a year after Indian independence, Ceylon became a self-governing dominion within the British Commonwealth.

The period from 1948 through 1970 saw the evolution of Ceylon's multiparty parliamentary system, in which orderly and constitutional elections and changes of government took place. Beginning in 1970, executive power began to be highly centralized under Prime Minister Sirimavo Bandaranaike, who from 1971 to 1977 ruled with the use of unpopular emergency powers in support of her socialist, pro-Sinhalese policies. She introduced a new constitution in 1972, converting the dominion of Ceylon to the republic of Sri Lanka, reaffirming a parliamentary system under a weak, ceremonial presidency, and making the protection of Buddhism a constitutional principle.

The defeat of the Sri Lanka Freedom Party (SLFP) in the July 1977 elections brought Junius Richard Jayewardene of the more moderate United National Party (UNP) to power. He became Sri Lanka's first elected executive president in February 1978, under a constitutional amendment of fall 1977 establishing a presidential form of government. Seven months later, a new, more liberal constitution came into effect. As his prime minister, Jayewardene chose Ranadive Premadasa, a long-time follower with lower-caste support. In October 1982, Jayewardene was popularly elected to a new six-year term, and two months later, in a successful effort to avoid general elections, the life of the sitting parliament was extended through July 1989 by means of a constitutional amendment endorsed by popular referendum.

Since 1978, rising tensions and violence between the majority (mostly Buddhist) Sinhalese and minority (mostly Hindu) Sri Lankan Tamil communities that have long shared the island have dominated political life. The strife dates to 1956, when the Sinhalese-dominated government had declared Sinhala the official language and replaced English with separate language tracks in education for Sinhala and Tamil speakers. In the late 1970s, moderate Sri Lankan Tamils looked to the leadership in the Tamil United Liberation Front (TULF) and to negotiations with the new UNP government in 1978 to pursue changes aimed at protecting their cultural heritage by giving greater control to elected officials in areas where Sri Lankan Tamils were in the majority.

By the early 1980s, their efforts had failed. Participation in parliament as a responsible opposition had brought no changes, and many rounds of talks with Jayewardene and the majority Sinhalese community had netted no progress in redressing Tamil grievances. Violence was on the rise, and a spasm of communal bloodletting in summer 1983 left hundreds, if not thousands, dead in Colombo and elsewhere. By 1984–85, Sri Lankan Tamil leadership had fallen into the hands of extremists advocating violence, dooming to failure before it began the government's eleventh-hour convening of an all-party conference in 1984 to seek a political solution to the ethnic conflict.

Fighting between the Sinhalese-dominated army and Sri Lankan Tamil separatists escalated in 1986 and 1987, with no solution in sight. It should be noted that the insurgency is limited to the larger group of Sri Lankan Tamils. A different group of Tamils, known as Indian Tamils or Estate Tamils, has little role in the insurgency. These communities consist of plantation workers

brought to Sri Lanka from India to work in the highlands at the center of the island.

In the spring of 1987, the government began a military offensive against Tamil forces in the Jaffna Peninsula in the Northern Province. India, sensitive to its own large Tamil population just across the strait, served as a base for rebels. Earlier, the Indian government had attempted to negotiate a settlement between the Sri Lankan government and the rebels, but in 1987, India reacted to the offensive by airlifting food and supplies to the rebels, creating considerable tension between the two countries. On 29 July, Jayewardene and Prime Minister Rajiv Gandhi of India signed an agreement by which the Sri Lankan government reluctantly accepted the need for devolution of power to the provinces, agreed that Tamil would have official status, and conceded that a semi-autonomous administrative unit would be created for the Tamils in the Northern and Eastern provinces, subject to a vote by the Eastern Province on joining such a unit. An Indian peacekeeping force, which eventually grew to more than 100,000 troops, was sent to Sri Lanka to implement the agreement and enforce a cease-fire. But in the fall of 1987, Tamil separatists—organized as the Liberation Tigers of Tamil Ealam (LTTE)—resumed their attacks, killing about 300 people. When they refused the protection of the Indian Peacekeeping Force (IPKF), the IPKF launched an offensive against the rebel stronghold in Jaffna. Fighting continued, inconclusively, between the IPKF and (mainly) the LTTE for 18 months thereafter, with heavy casualties on both sides.

Meanwhile, through 1988 and 1989, the government was under attack from the militant Sinhalese nationalist political party, Janatha Vimukthi Peramuna (JVP), which sought its overthrow for agreeing to the presence of Indian forces in Sri Lanka. The rebellion was put down firmly and brutally by President Premadasa, who succeeded Jayewardene in 1988 in a close race against Sirimavo Bandaranaike.

In 1990, V. P. Singh, who had replaced Rajiv Gandhi as Indian prime minister, agreed to Sri Lanka's request that India pull its forces out of the country. With the JVP opposition eliminated and the Indians gone, Premadasa turned his attention to the possibility of expanding the new situation, including a de facto cease-fire with the LTTE, into a negotiated settlement. But a new spasm of LTTE violence in the Eastern Province led him to order an all-out army and air force campaign against the north in the second half of 1990, and guerrilla warfare resumed. Through 1991 and 1992, Premadasa's government continued to pursue the possibility of a negotiated settlement with the LTTE, denying it sought a military solution. But the LTTE's Velupillai Prabhakaran, dominating the separatist side, rejected most government terms.

Fighting between the LTTE-led rebels and the Sri Lankan army continued through the 1990s and early part of the 21st century, despite repeated efforts to forge a cease-fire.

In late January 1998, following a suicide bombing in Kandy at the "Temple of the Tooth," Sri Lanka's most sacred Buddhist shrine, the government formally outlawed the LTTE. Following a spate of bombings and the assassinations of moderate Tamil leaders in Jaffna, the government declared a national state of emergency in August 1998.

The Sri Lankan government's war against the LTTE has fared badly. By 2005, the LTTE controlled much of the northern and eastern coastal areas of Sri Lanka. As of February 2003, the num-

ber of people killed in the fighting was approximately 65,000, and the number displaced was 1.6 million. In February 2002, Sri Lanka and the LTTE signed a cease-fire agreement that implied the two sides would move toward peace talks. The LTTE insisted the government lift its ban on the group before peace talks could begin. In May, the two sides held their first direct talks in seven years. In early September, the Sri Lankan government lifted its ban on the LTTE, and on 16 September formal peace talks were held in Thailand. The most difficult issue to be resolved, whether the north and east would be independent or autonomous, was initially shelved. However, in four days of peace talks held in Oslo, Norway, in December, the government and the LTTE agreed to share power in a federal system. The Tamils would have autonomy in the north and east of the island, but not a separate state.

Despite repeated threats of a renewal of violence, the fragile cease-fire held through 2005. However, the LTTE continued to press for an independent Tamil homeland, much to the frustration of the Sinhalese majority government. On 26 December 2004, the Indian Ocean tsunami hit Sri Lanka, leaving more than 30,000 people dead and devastating much of the area that the LTTE controlled. Although the government and LTTE bickered over distributions of foreign aid, a mechanism for sending assistance to rebel-held areas was in place in mid-2005. However, elections in 17 November 2005 appeared to compromise that agreement, leading many to fear that Sri Lanka might once again fall into civil war. The new president, Mahinda Rajapakse, promised to take a hard-line stance against the LTTE. The rebels responded in late December with a series of attacks that prompted Hagrup Haukland, head of a cease-fire monitoring team, to warn that if the violence did not stop, “war may not be far away.”

### 13 GOVERNMENT

The constitution of September 1978 established the Democratic Socialist Republic of Sri Lanka as a free, sovereign, independent state based on universal suffrage at 18 years of age. The president of the republic is directly elected for a six-year term and serves as head of state and as executive head of government, appointing and heading the cabinet of ministers, whom he or she chooses and who are (or must quickly become) members of parliament. A prime minister, similarly selected, serves mainly as parliamentary leader.

Legislation approved by parliament cannot be vetoed by the president, and the president may be removed by parliament upon a two-thirds majority vote, following a finding by the Supreme Court of incapacity, treason, corruption, or intentional constitutional violation. The constitution can be amended by a two-thirds majority vote in the parliament, subject to ratification (for certain provisions) by popular referendum. The constitution provides that popular referenda also may be held on issues of national importance, but the normal business of legislation is in the hands of a unicameral parliament consisting first of 168—now 225—members elected for six-year terms under a proportional representation system. The sitting parliament elected in July 1977 took the unusual step of extending its own life for another six years by a national referendum in 1982, thus avoiding elections in which the competition for places on the ballot might have weakened the United National Party’s (UNP) constitution-amending two-thirds majority.

In June 1994, the Wijetunga government scheduled “snap” elections for parliament on 16 August 1994, six months earlier than would have been required; elections to the presidency followed parliamentary polling. Paced by the electoral appeal of Sri Lankan Freedom Party (SLFP) deputy leader Chandrika Bandaranaike Kumaratunga, the People’s Alliance of seven leftist parties won a clear plurality in the elections, ousting the UNP after 17 years in power. To the 91 parliamentary seats the alliance won directly were added an additional 14 under the proportional system, and with the further support of 9 members of the Sri Lanka Muslim Congress, the new People’s Alliance government was able to command a majority of 114 seats in the 225-member house and to elect Kumaratunga as leader of the house, facilitating her prompt appointment as prime minister—an office previously held by both her ailing 80-year old mother and her late father, S.W.R.D. Bandaranaike.

Because the presidential system incorporated in the 1978 constitution vests the substantial powers of head of state and head of government in the hands of the president, Kumaratunga’s capacity for independent action remained limited. As prime minister, she was actually little more than leader of the house, but in the November 1994 presidential elections, Kumaratunga, who is the daughter and the widow of prominent Sri Lankan politicians (both of whom were assassinated) was elected president by a sizeable majority. After assuming office, she appointed her mother, Sirimavo Bandaranaike, prime minister. Upon being elected, she made her primary issue a negotiated peace with the Tamil separatists. Kumaratunga’s repeated offers of limited sovereignty within a greater Sri Lankan state were spurned by the Tamils. Attempts to subdue the Tamils by military force also failed, with the Sri Lankan army suffering serious reversals in November 1999. Despite this, in December 1999, Kumaratunga won a second six-year term in office as Sri Lanka’s president. Kumaratunga’s People’s Alliance party was defeated in parliamentary elections held in December 2001, and Ranil Wickremasinghe of the UNP became prime minister. A cease-fire between the Tamils and the government was signed in February 2002, and peace talks began later that year. As of February 2003, there was friction between the People’s Alliance and its partner, the People’s Liberation Front, and Wickremasinghe’s government, largely over the terms of the agreements being made with the Liberation Tigers of Tamil Eelam (LTTE). Elections on 17 November 2005 installed Mahinda Rajapakse as president. The fragile truce between the LTTE and the government began to unravel shortly thereafter. Although Rajapakse offered to resume talks, the LTTE portrays him as a pro-Sinhala chauvinist. Rajapakse’s victory also resulted from his appeals to Sri Lanka’s pro-Sinhala majority to take a hard line against the rebels. The next presidential elections are scheduled for 2011.

### 14 POLITICAL PARTIES

Political life in Sri Lanka is open and vigorous, with a wide range of views represented among the political parties, many of which have their roots deep in the pre-independence era. In the time since independence, considerations of religion, language, and culture have largely displaced ideology as the issues around which multi-ethnic Sri Lanka’s political life evolves. In the last decade, ethnic struggle—and violence—between the government, domi-

nated by majority Sinhalese, and militant minority Tamil separatists has dominated the political process.

The United National Party (UNP) was the main party of the independence movement, and its widely respected leader, D. S. Senanayake, as head of a coalition of which the UNP was the chief unit, became Ceylon's first prime minister after independence. He won a major victory in 1952 and continued in power until he died in 1956. The divided opposition failed to agree on a leader until 1951, when Solomon Bandaranaike left the UNP to form the Sri Lanka Freedom Party (SLFP). Over the years, the SLFP became the island's other major political party, advocating—like the UNP—a nonaligned foreign policy, with the UNP friendlier to the West, the SLFP to the former Eastern bloc. Both find their support from within the majority Sinhalese community, and like most other parties, both are led mostly by high-caste Sinhalese.

Shortly before the 1956 elections, Bandaranaike formed the People's United Front (Mahajana Eksath Peramuna—MEP), composed of his own SLFP, the Trotskyite Lanka Sama Samaja (LSSP), and a group of independents. The MEP called for the extension of state control, termination of British base rights, nationalization of tea and rubber plantations, and a foreign policy of strict non-alignment. In the elections, the MEP won 51 seats, and Bandaranaike became prime minister, holding power until September 1959 when he was assassinated by a Buddhist monk.

In the elections of March 1960, the UNP won 50 of the 151 seats at stake; the SLFP, 46 seats; and other parties, the remaining 55. UNP leader Dudley Senanayake failed to muster a majority, and new elections were called for July. In this second round of polling, the UNP won a majority of the popular vote but only 30 seats. The SLFP, led by its slain leader's widow, Sirimavo Bandaranaike, won 75, and with her supporters on the left, she was able to form a government, becoming the first woman in the world to hold office as prime minister. She committed her government to pursuing continuation of her husband's agenda, including nationalization of enterprises.

In the 15 years that followed, the UNP and the SLFP alternated in power for periods no longer than seven years. In 1965, Dudley Senanayake became prime minister after the UNP won 66 of the 151 legislative seats, but the SLFP's Sirimavo Bandaranaike was returned to power in the 1970 elections as the head of a coalition that included the Trotskyite LSSP and the pro-Soviet Ceylon Communist Party (CCP). In response to an insurrection fomented in 1971 by the Janatha Vimukthi Peramuna (JVP), a militant Sinhalese party in the south, Bandaranaike imposed a state of emergency on the island that lasted for six years. She pushed through a new constitution in 1972.

By 1977, Bandaranaike's public image had declined. No longer supported by her former coalition partners, she was humiliated at the polls by J. R. Jayewardene's UNP, which was returned to power with 51% of the popular vote and 142 of 168 seats in parliament. The moderate Tamil United Liberation Front (TULF), which had swept Tamil areas of the north and east, became the major opposition party in parliament with 16 seats, and the SLFP representation in the house fell to a bare eight seats.

Jayewardene's sweeping victory enabled him to fulfill the UNP's campaign pledge to introduce a French-style presidential system of government. Forsaking the now-eclipsed office of prime minister, he set out as president to use his new powers to open the

economy and to make a new effort to reconcile with the increasingly disaffected Tamil minority. In the local elections and parliamentary by-elections of May 1983, the UNP strengthened its commanding position by gaining control of a majority of municipal and urban councils and winning 14 of 18 parliamentary seats contested.

The CCP and two other leftist groups, the People's Liberation Front and the New Socialist Party, were banned in 1983 on charges of playing a role in the ethnic riots that swept the island in July; leaders of the Communist Party were subsequently arrested. In August 1983, TULF members of parliament, after several fruitless years of negotiations with Jayewardene aimed at devolving power to local levels, were confronted with a constitutional amendment aimed at them by the UNP's two-thirds majority that required all MPs to pledge their allegiance to a unitary state. They abandoned parliament, and by now most have been killed, as the leadership of the Tamil movement fell into the hands of those advocating violence and complete independence as the only sure ways to protect Tamil ethnicity. The TULF was decimated in parliamentary elections in February 1989, which saw the emergence of several small Tamil parties with reputed ties to the rebels.

In presidential elections held in December 1988, Prime Minister Premadasa beat the SLFP's Sirimavo Bandaranaike in a close race marred by ethnic violence. He was sworn in as Jayewardene's successor on 2 January 1989. In February, he led the UNP to a strong victory in parliamentary polling, capturing 125 of the 225 seats under a new proportional voting system; he then named Dingiri Wijetunga as prime minister. These elections also saw the debut of the United Socialist Alliance (USA), a new political grouping set up in 1987 and composed of the SLFP's former coalition partners on the far left, including the CCP, the LSSP, and the Sri Lanka Mahajana Party (SLMP); the USA took 4 seats, while the SLFP won 67.

In the summer of 1991, Premadasa beat back a sudden challenge to his position by leading members of his party in parliament, suspending the parliament for a month to delay debate on a motion they had filed to impeach him for abuse of his authority. But in a rising tide of violence and assassinations of governmental officials across the island, President Premadasa himself became a victim of a Tamil bomber on 1 May 1993. The Parliament unanimously elected Prime Minister Wijetunga as his successor on 7 May 1993.

A "snap" election called six months early by President Wijetunga as part of his campaign for reelection in November 1994 backfired on 16 August 1994 when the voters rejected the UNP by a small margin. In its place, they elected a seven-party leftist coalition—now dubbed the People's Alliance (PA)—led by the SLFP's Sirimavo Bandaranaike and Chandrika Bandaranaike Kumaratunga—mother and daughter, 80 and 49 years of age, respectively. More vigorous but less experienced, the younger Kumaratunga promptly became prime minister.

Kumaratunga won election on the promise of ending the civil war. Her offers of limited regional autonomy for Tamils within the Sri Lankan state were initially turned down by the LTTE leader, Velupillai Prabhakaran (most of the moderate Tamil leaders have been assassinated). Her attempts at a military solution were also unsuccessful until a cease-fire and peace talks emerged in 2002. Citing parliament's rejection of her proposals for strengthening

the prime minister's powers and for granting regional autonomy to the Tamils, Kumaratunga called for presidential elections ahead of schedule in December 1999. The race between the president and her UNP rival, Ranil Wickremasinghe, was close. However, three days before polling, Kumaratunga was injured in an assassination attempt, bringing out a sympathy vote. She was returned to office with 51.1% of the votes compared to her opponent's 42.7%. In November 1994, presidential elections were held. UNP leader Gamini Dissanayake fell victim to the island's endemic violence and his widow Srimala Dissanayake was appointed to run against the younger Kumaratunga. While the latter's political party won only a slim plurality and had to govern by coalition, in the presidential race she won a commanding majority (63–36%) and, upon becoming president, appointed her mother prime minister. Despite criticisms over the handling of Sri Lanka's tsunami relief efforts, the SLFP retained its leadership on 17 November 2005 when Mahinda Rajapakse won a slim majority.

The results of the 2 April 2004 parliamentary elections were as follows: SLFP and JVP, 45.6% (105 seats); UNP, 37.83% (82 seats); TNA, 6.84% (22 seats); JHU, 5.97% (9 seats); SLMC, 2.02% (5 seats); UPF, .54% (1 seat); EPDP, .27% (1 seat), and other, .93%.

The next parliamentary elections are scheduled for 2010.

## 15 LOCAL GOVERNMENT

Although Sri Lanka is a unitary state, it is divided into eight provinces whose borders follow historical and traditional lines. The key administrative unit has traditionally been the district, into which the provinces are further divided. There are a total of 25 districts under the control of senior civil servants, who are district officers responsible to the government in Colombo for ensuring justice, maintaining law and order, collecting revenues, and allocating development funds. There is, in addition, a system of district ministers that was created after 1978 to assist the district officers and to provide political input at the district level. Appointed by the president, district ministers are members of parliament but from a constituency other than one in the district for whom they bear district responsibility. Not full members of the cabinet, they nonetheless sit with the president in the Council of Ministers and otherwise enjoy ministerial perquisites.

Districts are also served in rural areas by popularly elected district councils which have limited powers but which assist the district officer and the district minister in assessing public views and mood and in setting development priorities. Municipal councils, urban councils, and Pradeshiya Sabhas perform a similar function in urban and rural areas. Their term of office is four years. Currently there are 14 municipal councils, 37 urban councils, and 258 Pradeshiya Sabhas. In general, municipal councils are established for cities and large towns, urban councils for less urbanized areas, and Pradeshiya Sabhas for rural areas.

In conformity with an Indo-Lankan agreement in 1987 to devolve power to the provinces, the parliament voted to establish, at the provincial level, elected councils headed by chief ministers. In the presence of the IPKF in 1988, elections were held to these provincial councils (PC), and the UNP took control of seven in non-Tamil areas; the Eelam People's Revolutionary Liberation Front (ERPLF), a new, anti-LTTE Tamil party, supported at the time by the IPKF, took control of the two in the Tamil north and east. While unsettled conditions have slowed progress on devolution,

elections to the seven PCs in non-Tamil areas in 1993 reportedly produced more mixed results, with gains and losses for all parties, including the UNP, the SLFP, and the ERPLF. Although the PA was successful in gaining control of provincial councils in elections held in 1997 and 1999, its share of the popular vote showed it running neck and neck with the opposition. For example, in elections held in April 1999 in non-Tamil areas, the PA gained control of all the provincial councils contested, but only achieved 43% of the votes compared to the UNP's 41%. However, district elections for Colombo held on 10 October 2000 saw the UNP take 43.45% of the vote to the People's Alliance's 38.86%. In local elections held in March 2002, the UNP won a sweeping victory, taking all but 5 of the 222 councils that voted.

## 16 JUDICIAL SYSTEM

Civil law is based on Roman-Dutch law introduced during the period of Dutch rule, but in the area around Kandy, an indigenous type of law prevails. Criminal law is British. Tamil Hindus and Muslims have their own laws governing property disposition and certain observances. Sri Lanka's judicial system includes district courts, magistrates' courts, courts of request (restricted to civil cases), and rural courts.

In criminal cases, the Supreme Court (composed of a chief justice and 6 to 10 associate justices, all appointed by the president) has appellate jurisdiction. Under the 1978 constitution, the other high-level courts are the Court of Appeal, High Court, and courts of first instance. The president also appoints judges to the Court of Appeals and the High Court. A judicial service commission appoints transfers and dismisses lower court judges. Sinhala is the official language of the courts.

The constitution declares the independence of the judiciary, and the courts appear to be independent in practice.

Defendants are guaranteed a number of procedural due process protections, but trials under the Emergency Regulations (ER) and the Prevention of Terrorism Act (PTA) lack significant procedural safeguards.

## 17 ARMED FORCES

In 2005, Sri Lanka's armed forces had 111,000 active personnel, with 5,500 reservists. The Army numbered 78,000. Equipment included 62 main battle tanks, 15 reconnaissance vehicles, 62 armored infantry fighting vehicles, 192 armored personnel carriers, and 963 artillery pieces. The Navy had personnel numbering 15,000, manning five bases with up to 113 patrol/coastal vessels and four amphibious landing craft. The Air Force had 18,000 personnel and operated 21 combat-capable aircraft that included 13 fighter ground attack aircraft, in addition to 14 attack helicopters. The country's paramilitary forces had an estimated 88,600 active personnel in a police, national guard, or home guard role. Sri Lankan forces are deployed in four countries as United Nations peacekeepers. In 2005, the defense budget totaled \$564 million.

## 18 INTERNATIONAL COOPERATION

Sri Lanka was admitted to the United Nations (UN) under the name Ceylon on 14 December 1955; it is a member of ESCAP and several nonregional specialized agencies, such as the FAO, UNESCO, UNIDO, UNCTAD, the World Bank, IAEA, ILO, and the WHO. The nation is also a member of the Asian Development

Bank, the Commonwealth of Nations, the Colombo Plan, the WTO, G-15, G-24, and G-77. Sri Lanka is a member of the South Asian Association for Regional Cooperation (SAARC), which promotes economic and social development for its South Asian member states. The country holds observer status in the OAS.

Sri Lanka was a founding member of the Nonaligned Movement. The government has offered support to UN missions and operations in Western Sahara (est. 1991), Burundi (est. 2004), Haiti (est. 2004), and the Democratic Republic of the Congo (est. 1999). In environmental cooperation, Sri Lanka is part of the South Asia Cooperative Environment Program (SACEP), the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Since 1977, the Sri Lankan economy, once dominated by agriculture, has experienced strong growth in its industrial and services sectors. While annual growth in agricultural output averaged only 2% between 1988 and 1998, industry and services expanded at annual rates of 7.1% and 5.4%, respectively. From 1988 to 2000, agriculture's share of gross domestic product (GDP) declined from 26.3% to 21%, although employing still about 35% of the labor force. In 2004, agriculture made up an estimated 19.1% of GDP and employed about one-third of the workforce. Overall, real GDP grew at an average annual rate of 5.2% from 1991 to 2000. Over the 2001–05 period, the GDP growth rate averaged 3.8%.

Economic expansion has been led by manufactures, particularly textiles and apparel, which is also the leading net earner of foreign exchange. The textile sector grew 16.25% in 2000 (up from 7.5% in 1999), which in turn contributed to a 20% growth in exports. Privately owned export-oriented factories produce over 95% of manufacturing output. Manufacturing is generally the leading growth area of the economy. In addition to the textile industry, the production of food and beverages, as well as that of chemical and rubber-based goods, is also important. Services, accounting for 54.7% of GDP in 2004, are led by tourism, the second-largest foreign exchange earner.

From 1973 to 1977, the channeling of resources into social welfare programs, combined with high oil prices and frequent droughts, helped depress the economy and business growth. In 1977, the new United National Party (UNP) government lifted most price controls, shifted government spending into capital investment, liberalized foreign exchange and import restrictions, and eliminated some government monopolies to permit more business competition. These policies help raise the average annual increase in real GDP to 6% from 1978 to 1981, compared to 3% from 1971 to 1977. However, coinciding with the second oil shock (1978–79), a high level of inflation accompanied the increased growth. From 1980 to 1985, though exports continued to grow at an average 20% a year, real GDP growth slowed to an average 4.7% a year. In 1983, countrywide riots that left nearly 400 dead and 79,000 homeless signaled the beginning of what proved to be years of separatist violence by the Tamil Tigers. In the latter half of the 1980s, the national economy was faced with grave challenges: escalating defense expenditures to combat the insurgency; recurrent drought; depressed world prices for major export crops, tea,

and coconut-based goods; and stagnant government revenues. These conditions produced a resurgence of inflation, increasing unemployment, critical current account deficits, and stagnating economic growth. By 1989, GDP growth had fallen to 2%, while annual export growth fell to 5% and the official unemployment rate reached 18%. Worsening economic indicators spurred renewed stabilization and structural adjustment efforts by the government with emphases on tightened monetary and fiscal policies, and privatization to stimulate investment.

In the 1990s, average economic growth rebounded to above 5%, led by expansions in manufactures and services. As was true for much of the rest of the world, strong growth in 2000 foundered in 2001 due to a number of factors, including the global economic slowdown; an attack on Colombo's international airport by the Liberation Tigers of Tamil Eelam (LTTE), which harmed the tourism industry; a severe drought; and the 11 September 2001 terrorist attacks on the United States, which sharply reduced foreign direct investment and resulted in reductions in travel and spending. Unemployment swelled, as did the budget deficit, which reached 10.9% of GDP. A moderate recovery was brought about in 2002, due in part to a Norwegian-brokered peace agreement with the LTTE, revived consumer and business confidence, which led to increases in domestic demand and tourism, and an easing of the drought, which brought down agricultural prices. Imports of goods and services still increased faster than exports, however, and the current account deficit averaged -1.8% of GDP over the 2001–05 period. In 2001, the government switched to a flexible exchange rate system. Inflation averaged 9.7% over the 2001–05 period.

The conflict between the Sinhalese government and the Tamil Tigers of the north and east for a largely independent homeland overshadows the economy. In April 2004, the United People's Freedom Alliance (UPFA, of which the People's Alliance, PA, is the largest constituent), won the parliamentary election; it has been less willing to make compromises with the LTTE than the UNP, which won the December 2001 parliamentary election and ushered in a cease-fire in 2002. Mahinda Rajapakse of the PA won the presidential election in November 2005, and was expected to take a hard line on negotiations with the LTTE. Increased political volatility following the presidential election was likely to have a dampening effect on the tourism industry. Average annual real GDP growth was forecast to stand at 5.7% in 2006–07.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Sri Lanka's gross domestic product (GDP) was estimated at \$86.7 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$4,300. The annual growth rate of GDP was estimated at 4.7%. The average inflation rate in 2005 was 11.2%. It was estimated that agriculture accounted for 17.7% of GDP, industry 27.1%, and services 55.2%.

According to the World Bank, in 2003, remittances from citizens working abroad totaled \$1.438 billion (about \$75 per capita) and accounted for approximately 7.9% of GDP. Foreign aid receipts amounted to about \$35 per capita.

The World Bank reports that in 2003 household consumption in Sri Lanka totaled \$13.92 billion (about \$725 per capita) based on a GDP of \$18.2 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003, household consumption grew at an average annual rate of 4.8%. In 2001, it was estimated that approximately 43% of household consumption was spent on food, 7% on fuel, 4% on health care, and 8% on education. It was estimated that in 1997, about 22% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Sri Lanka's workforce was estimated at 8.08 million. As of 2003, the agricultural sector accounted for 34.3% of the labor force, with 23.4% in industry, 38.7% in the service sector, with the remainder in undefined occupations. Unemployment in 2005 was estimated at 8.4%.

The country has a strong trade union tradition, and the constitutional right to form unions is respected by the government. Approximately 25% of the nationwide labor force are union members, with over 70% of agricultural workers unionized as well. The largest trade union federations are the Ceylon Workers' Congress, the National Workers' Union, the Democratic Workers' Congress, and the Ceylon Federation of Labor. With the exception of essential workers, employees have the right to strike. It is illegal for an employer to discriminate against those who engage in union activity. Collective bargaining is widely practiced.

Thousands of Sri Lankan workers are employed abroad, mostly in Saudi Arabia, Kuwait, the United Arab Emirates, Singapore, Hong Kong, Bahrain, Qatar, and Oman, many of them as housemaids and nannies valued for their literacy and English-language skills.

There is no national minimum wage, but there are minimum wages set in individual sectors and industries. The average such wage was \$33.52 per month in industry, commerce, and the service sector, and \$1.42 per day in agriculture as of 2001. It was estimated that 16,500 children younger than the minimum legal age of 14 were employed full time, with many thousands more employed in domestic service. The legal workweek is set at 45 hours.

## 22 AGRICULTURE

Agriculture, the mainstay of the economy, employs about 35% of the working population and contributes 19% to GDP. About 75% of those working in agriculture are engaged in the production of tea, rubber, and coconuts, the three crops that represent nearly 60% of Sri Lanka's agricultural land. Tea production in 2004 was 303,000 tons. Rubber production was 92,000 tons, and coconut production totaled 1,950,000 tons.

Rice is the major staple crop, produced over much of the country. The major growing districts are Kurungala in the Northwestern Province, Ampara in the Eastern Province, Polonnaruwa and Anuradhapura in the North Central Province, and the Mahaweli area; together these areas account for 55% of production. The maha rice season crop (63% of production) is planted in the fall and harvested in the spring, while the yala rice crop (37%) is planted in the summer and harvested in the fall. Production of

rice reached 2.5 million tons in 2004. Lesser crops include sugar, pepper, cinnamon, chilies, sesame, cardamom, tobacco, cashew nuts, betel leaves, coffee, and cocoa.

Under the Land Reform Law of 1972, all property holdings exceeding 20 hectares (50 acres), except for property controlled by publicly owned companies, were vested in the Land Reform Commission for redistribution; a total of 226,373 hectares (559,377 acres) were redistributed, including one-fifth of the land under tea. Under the Land Reform Amendment Bill of 11 October 1975, all publicly owned estates (including the major British-owned tea and rubber plantations) were nationalized. The Janatha Estate Development Boards and the Sri Lanka Plantation Corporations account for 60% of total tea production and 30% of the total area under rubber cultivation.

## 23 ANIMAL HUSBANDRY

Sri Lanka's livestock population is comparatively small; in 2005 there were 1,218,000 head of cattle, 316,000 water buffalo, 425,000 goats, 83,000 hogs, 12,000 sheep, and 11,600,000 chickens. Animals are not of high quality, partly as a consequence of religious considerations and primitive agricultural conditions. The natural pasturage lacks both nutritional value and palatability, and prospects for new pastures are not promising. In 2005, milk output was 174,100 tons and 52,000 tons of eggs were produced.

## 24 FISHING

Fishing produces less than the country's needs and yields a meager income to fishermen, most of whom use primitive boats and gear in the shallow waters surrounding the island. In 2003, the total fish catch was estimated at 289,949 tons, up from 165,397 tons in 1990. Exports of fish products were valued at nearly \$99.5 million in 2003.

## 25 FORESTRY

About 30% of the total land area consists of forests. In 2004, 6,340,000 cu m (224 million cu ft) of roundwood were cut. Forestry products included 61,000 cu m (2.1 million cu ft) of sawn timber and 5,646,000 cu m (199 million cu ft) of firewood for domestic use.

## 26 MINING

Sri Lanka's major mineral commodities are graphite and colored gemstones. However, 18 years of civil war, prolonged drought, high oil prices, and an electricity crisis have crippled its economy. In 2003, the country's gross domestic product (GDP) grew by 5.5%. Mining and quarrying accounted for 1.8% of GDP in 2003. Graphite production (all grades) totaled 3,387 metric tons in 2003, down from 3,619 metric tons in the previous year. The island's gem industry is world famous. In the Ratnapura district, there are considerable deposits of sapphire, star sapphire, ruby, star ruby, cats eye, chrysoberyl, beryl, topaz, spinel, garnet, zircon, tourmaline, quartz, and moonstone. A lapidary industry was established for the international marketing of cut and polished precious and semiprecious gemstones. Although output of star rubies and star sapphires were not available for 2003, production of cat's-eye totaled 45,228 carats, while production of rubies came to 12,934 carats; sapphires to 773,547 carats; and all other gem-



stones (other than diamonds, precious and semiprecious), came to 1,828,400 carats in 2003.

Large quantities of kaolin and apatite have been found, and there are large surface deposits of quartz sand, with kaolin and quartz sand mined. Limestone dating from the Miocene era is quarried from the Jaffna peninsula and used in the manufacture of cement. In the dry-zone coastal areas, salt is manufactured by solar evaporation of seawater. In addition, Sri Lanka produces clays (brick, tile, and for cement production), feldspar, and phosphate rock, and presumably produces varieties of stone and sand and gravel. Cement production and petroleum refining were among the Sri Lanka's leading industries in 2003, with diamonds and petroleum products import exports. The beach sands contain large quantities of ilmenite, rutile, monazite, and zircon, although none were produced from 2000 through 2003. There are plans to revive mineral sands operations, including of garnet sands discovered along the southern coastline. No rare earth metals were produced from 2000 through 2003. The cerium, yttrium, zirconium, niobium, tantalum, thorium, and uranium groups have been found, and thorianite appears to be widely distributed.

## 27 ENERGY AND POWER

Sri Lanka, as of 1 January 2004, had no proven reserves of crude oil or dry natural gas, nor any coal reserves as of 2003. All hydrocarbon needs were met by imports.

As of 1 January 2004, Sri Lanka had only a modest crude oil refining capacity at 48,000 barrels per day. In 2002, refined petroleum product output averaged 46,510 barrels per day. Imports of all petroleum products, including crude oil, averaged 78,030 barrels per day. Demand that year for refined oil products averaged 77,500 barrels per day. There were no imports or demand for natural gas in 2002. Coal imports and consumption that year each totaled 1,000 tons of hard coal.

Electric power generating capacity in 2002 totaled 2.224 million kW, of which hydropower accounted for 1.161 million kW of capacity, followed by conventional thermal capacity at 1.060 million kW, and geothermal/other at 0.003 million kW. Power generation in 2002 totaled 6.669 billion kWh, of which 59.9% was from fossil fuels and 39.96% from hydropower. Geothermal/other made up the rest. Consumption of electricity in 2002 was 6.202 billion kWh.

Sri Lanka meets all of its crude oil requirements with imports.

## 28 INDUSTRY

Since 1977, the government's market-oriented economic policies have encouraged industrial growth in the private sector, particularly in textiles, food and beverages, wood products, rubber and plastics, and other consumer goods. While most small- and medium-sized enterprises are now privately owned, state ownership continues to predominate in basic industries such as oil refining and electric power generation. In the period 1990 to 2001, 38 manufacturing companies were privatized, including Lanka Lubricants (sold to Caltex in 1994), Colombo (bottled) Gas Co. (sold to Shell Oil in 1995), Ceylon Steel Corp. (sold to Hanjung of Korea in 1996), and Sri Lanka's only flour mill (sold to Prima Ltd. of Singapore). In 2004, industry accounted for about 26.2% of GDP,

of which manufacturing made up about 16%; construction, 7.5%; mining, 2%; and electrical power and water, 1%.

Textiles and apparel is the largest industrial sector, accounting for 40% of manufacturing output, and, with 350,000 textile workers, the largest industrial employer. There are about 800 textile factories, the largest 100 accounting for about half of production. The sector is the leading net earner of foreign exchange. Apparel, which accounts for about 35% of industrial output and 34% of manufacturing employment, makes up 50% of total exports. The United States is Sri Lanka's main apparel market, buying up to 65% of Sri Lanka's apparel exports. In 2005, quotas under the world Multi-Fiber Agreement (MFA) were phased out, and now Sri Lanka's garment industry faces the challenge of a more competitive world market, although only the largest operations appear to have the technological and marketing capacities to effectively compete.

Food, beverages, and tobacco, the second-largest manufacturing sector, accounting for about 22% of industrial output, depends largely on the domestic market. The third-largest industrial sector—chemicals, petroleum, and rubber products—accounts for some 19% of industrial output. Sri Lanka's only oil refinery is a state-owned facility with a capacity of 68,000 barrels per day. The nonmetallic mineral sector is important, as are other nontraditional sectors—smaller fabricated metal products and basic metal products. Paper industries have grown in recent years.

The government's industrial policy includes encouraging investment in industries in which it believes Sri Lanka has a comparative advantage. The Board of Investment (BOI) offers various incentives for investment in five industry segments: electronics and components for electronic assembling, industrial and machine tools (a new emphasis), ceramics and glassware, rubber-based industries, and light and heavy engineering. Another key policy element is deregulation, and in 2001, a committee on deregulation was formed to study regulatory impediments to Sri Lanka's industrial development.

## 29 SCIENCE AND TECHNOLOGY

With the launch in 1978 of a free-trade zone north of Colombo, Sri Lanka was able to establish such high-technology enterprises as the manufacture of integrated circuits and control and relay panels. In 1982, two US electronics manufacturers contracted to build semiconductor assembly plants in the zone. The textile industry, located there, ranked nineteenth in 1985 as a supplier to the United States. For the period 1990–2001, there were 46 technicians and 191 scientists and engineers per million people engaged in research and development. In 2002, high technology exports were valued at \$19 million, or 1% of the country's manufactured exports.

The Sri Lanka Association for the Advancement of Science, founded in 1960, is located in Colombo. Also in the city are the Ceylon Institute of Scientific and Industrial Research, founded in 1955; Natural Resources, Energy, and Science Authority of Sri Lanka (founded originally in 1968 as the National Science Council); Colombo Observatory, founded in 1907; and the National Academy of Sciences of Sri Lanka, founded in 1976. The country also has research institutes devoted to coconuts, horticulture, medicine, rice, rubber, tea, and veterinary science. The Royal Botanic Gardens was founded in 1821 at Peradeniya, and a natural

history museum was founded at Colombo in 1985. Sri Lanka has 13 universities and colleges offering courses in basic and applied sciences. In 1987–97, science and engineering students accounted for 34% of college and university enrollments.

### 30 DOMESTIC TRADE

Sri Lanka's economy is highly dependent on domestic trade. Wholesale and retail trade is the largest single sector of the economy, accounting for 21% of GDP. Most retail stores are small and unspecialized. Marketing and distribution are dominated by the strong and well-developed cooperative movement, which the government assists with loans, price guarantees, and supervision. Although government monopolies played a major role in the wholesale distribution of imported goods, as well as many domestic commodities, during the 1970s and 1980s, liberalization policies since the late 1980s have decreased direct state involvement in domestic trade. The government still controls much of the food sector as a matter of national security.

Colombo is the nation's commercial center, with a large business section adjoining the traditional bazaar, a large area of small retail shops and stalls. Kandy is a market center for locally produced tea, rubber, rice, cacao, and handicrafts. Galle is an agricultural market center and Negombo is a major market center for fishing and handicrafts. Jaffna hosts a number of local markets for fishing, agriculture, and industries, including textiles, tobacco processing, and chemical and cement production. The city also serves as a trading place for elephants, peppers, and other commodities. There are several advertising firms in Colombo, some of which have connections abroad. Products are advertised in newspapers, trade journals, motion picture theaters, and on commercial radio and television.

The usual business hours are from 9 AM to 5 PM, Monday through Friday. Banks are open from 9 AM to 1 PM or 3 PM, Monday through Saturday. Shops are open from 10 AM to 7 PM, Monday through Friday, and on Saturdays from 10 AM to 3 PM. Sundays and full moon Poya days are nonworking days in Sri Lanka.

### 31 FOREIGN TRADE

Clothing and apparel is now the country's leading foreign exchange earner, accounting for over half of export receipts. Sri Lanka's traditional primary exports have been tea, natural rubber, and coconut products, especially desiccated coconut and coconut oil. However, the share of total export earnings accounted for by these three commodities declined steadily from 87% in 1972 to 48% in 1985 and 16% in 1999; tea decreased from its 58% share of total export value in 1972 to a low of 8.2% in 1995. Tea increased to 12.8% of export value in 2004, however. Declining export shares for the country's agriculturally based exports are due to adverse weather conditions as well as rapid growth in the export earnings of industrial products.

Sri Lanka still produces a large portion of the world's tea exports (25%). In 2004, Sri Lanka's major exports were garments and textiles (48.8% of total exports); tea (12.8%); diamonds and gems (4.3%); and petroleum products (1.7%). The country's primary imports in 2004 were textiles (19.2% of total imports); mineral products (16.7%); machinery and transportation equipment (14.1%); and chemicals (2.6%). Sri Lanka's leading markets in 2004 were the United States (32.4% of total exports); the United

#### Principal Trading Partners – Sri Lanka (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	4,723.0	6,038.7	-1,315.7
United States	1,762.9	218.3	1,544.6
United Kingdom	590.0	262.7	327.3
Belgium	258.1	168.3	89.8
Germany	199.2	121.5	77.7
India	170.3	834.0	-663.7
Japan	140.2	355.0	-214.8
Russia	126.5	...	126.5
United Arab Emirates	119.4	265.9	-146.5
France-Monaco	93.5	78.6	14.9
Netherlands	77.5	50.6	26.9

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

Kingdom (13.5%); Germany (4.8%); and Japan (2.7%). Leading suppliers included India (18% of total imports); Singapore (8.7%); Hong Kong (7.7%); and Japan (5.1%).

### 32 BALANCE OF PAYMENTS

Sri Lanka's balance-of-payments position is highly sensitive to price changes in the world market because it has traditionally depended in large part on a few export crops to pay for its imports. Since 1983, sharply rising defense expenditures, a decline in tourism caused by continuing civil violence, and slumping world tea and coconut prices have combined to exert pressure on the balance of payments. The deficit has also been partially offset by substantial foreign exchange earnings from tourism and from remittances by Sri Lankans working abroad. The current account deficit has declined each year since 1994, when it stood at \$860 million.

#### Balance of Payments – Sri Lanka (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-159.8</b>
Balance on goods		-871.6
Imports	-6,004.8	
Exports	5,133.2	
Balance on services		-301.2
Balance on income		-192.6
Current transfers		1,205.3
<b>Capital Account</b>		<b>61.4</b>
<b>Financial Account</b>		<b>-221.9</b>
Direct investment abroad		-27.3
Direct investment in Sri Lanka		228.7
Portfolio investment assets		15.5
Portfolio investment liabilities		-13.9
Financial derivatives		...
Other investment assets		-93.8
Other investment liabilities		-331.1
<b>Net Errors and Omissions</b>		<b>-32.3</b>
<b>Reserves and Related Items</b>		<b>352.6</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Export growth in 1999, however, slowed considerably to 2%, and earnings from tea exports declined 40% due to the impact of the Russian economic crisis in 1998.

In 2000, exports increased by close to 20% to \$5.5 billion, and exports of garments and tea did very well. Other exports, such as food, rubber products, machinery, and processed diamond exports, also performed well that year. Sri Lanka floated the rupee in 2001, and the central bank began employing currency controls. Since then, the controls have been relaxed. In addition, the government imposed an import duty surcharge to stem the flow of imports. The country's external debt stood at \$10.85 billion at the end of 2004. The trade deficit widened from some \$900 million in 2003 to \$1.4 billion in 2004, as exports increased to \$5.8 billion and imports rose to \$7.2 billion. The current account deficit, estimated at \$587.3 million in 2004, was forecast to widen to 3.9% of GDP in 2006 as the debt relief related to the 26 December 2004 Indian Ocean tsunami is withdrawn and the current transfers surplus falls in line with lower inflows of aid. The current account deficit was projected to narrow to 3.1% of GDP in 2007. Over the 2001–05 period, the current account balance averaged -1.8% of GDP.

### 3<sup>3</sup> BANKING AND SECURITIES

The Central Bank of Sri Lanka, established in 1949, began operations in 1950 with a capital of ₨15 million contributed by the government. The sole bank of issue, it administers and regulates the country's monetary and banking systems.

Although Sri Lanka has a fairly well-diversified banking system, the two largest banks, the Bank of Ceylon and Peoples Bank, are state owned and operate inefficiently. They are considered to be incompetent, primarily owing to excessive government influence in their lending operations and overstaffing. The World Bank has identified the dominance of these two banks as a major constraint on the development of the financial sector. The simple solution, privatization, is not an option given the current political climate. Together, they accounted for two-thirds of commercial bank deposits in 1999.

In addition to the central bank and the two state-owned banks, there are 9 private domestic commercial banks, 14 foreign banks, a national savings bank, 6 regional rural development banks, 2 large development finance institutions, a mortgage bank, and 13 merchant banks. US banks operating in Sri Lanka include Citibank and American Express. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$6.1 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 21.24%.

The Colombo's Brokers Association operates an organized stock market, whose transactions have grown significantly since the 1984 tea export boom increased liquidity in the economy. The Colombo Stock Exchange (CSE) was established by the Association of Stock Brokers in 1987 and has established itself as one of the most efficient in the region. In 2001, there were 238 companies listed on the exchange, with a combined market capitalization of \$1.3 billion. The turnover ratio was 13.2%. The exchange was adversely affected by the pullout of foreign investors from the region

after the nuclear tests in India and Pakistan. The market was also affected by the Asian economic crisis and the Russian financial crisis, suffering a 14% decline in 1998 and a 26% decline in 2000. The CSE Milanka was up 47.6% in 2001, at 1,031. As of 2004, a total of 245 companies were listed on the CSE, which had a market capitalization of \$3.657 billion. The turnover ratio in that same year was 18.4%. In 2004, the CSE Milanka rose 9.3% from the previous year to 2,073.7.

### 3<sup>4</sup> INSURANCE

Insurance was almost wholly a foreign enterprise until 1 January 1962, when the life insurance business was nationalized. The state-owned Insurance Corp. of Sri Lanka now has a monopoly on life insurance and all other insurance. In 1997, there were six insurance companies (two of which were state owned), the National Savings Bank, and two pension funds. Foreign insurers operate in the market in reinsurance and shareholding. In 2003, the value of all direct insurance premiums written totaled \$239 million, of which nonlife premiums accounted for \$137 million. In that same year, Sri Lanka's top nonlife and life insurer was the Insurance Corp. of Sri Lanka, with gross written nonlife premiums of \$54.4 million and gross written life insurance premiums of \$33.9 million.

### 3<sup>5</sup> PUBLIC FINANCE

Fiscal targets are of particular concern because the government's chronic high fiscal deficits have led to problematic national debt. Total government debt as a percent of GDP rose from 85.8% in 1997 to 113.6% in 2002. By 2005, it had dropped slightly to 98.5% of GDP. The main causes of the persistent high budget overruns are an associated combination of welfare and pension expenditures, weak tax administration, and losses by the Ceylon Electricity Board (CEB). In September 2002, the government enacted a Welfare Benefit Law aimed at clarifying welfare eligibility and establishing penalties to reduce politicization and mistargeting. In

#### Public Finance – Sri Lanka (2002)

(In millions of rupees, budgetary central government figures)

<b>Revenue and Grants</b>	<b>266,998</b>	<b>100.0%</b>
Tax revenue	221,786	83.1%
Social contributions	2,630	1.0%
Grants	7,079	2.7%
Other revenue	35,503	13.3%
<b>Expenditures</b>	<b>388,861</b>	<b>100.0%</b>
General public services	133,679	34.4%
Defense	49,163	12.6%
Public order and safety	14,972	3.9%
Economic affairs	69,261	17.8%
Environmental protection	...	...
Housing and community amenities	11,916	3.1%
Health	24,946	6.4%
Recreational, culture, and religion	...	...
Education	37,209	9.6%
Social protection	47,715	12.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

January 2003, the government passed the Fiscal Management Responsibility Act (FMRA), setting medium-term deficit targets and mandating “preelection budget reports” to discourage preelection handouts, as well as a new Board of Investment (BOI) Law eliminating the BOI’s power to grant extralegal incentives. These measures helped secure International Monetary Fund (IMF) approval on 8 April 2003 for a three-year program under the combined Poverty Reduction and Growth Facility and Extended Fund Facility (PRGF and EFF). The PRGF-EFF program was in direct support of the government’s program for 2003–06 aimed at poverty reduction through private-sector growth. Historically, Sri Lanka, though low on per capita income, has been relatively high on other social welfare indicators such as adult literacy (90%), school enrollment, infant mortality, and life expectancy (72 years). The country faced a significant challenge to find ways to maintain welfare and educational standards while bringing the budget deficit under control.

The US Central Intelligence Agency (CIA) estimated that in 2005 Sri Lanka’s central government took in revenues of approximately \$3.8 billion and had expenditures of \$5.4 billion. Revenues minus expenditures totaled approximately -\$1.6 billion. Public debt in 2005 amounted to 98.5% of GDP. Total external debt was \$11.59 billion.

The IMF reported that in 2002, the most recent year for which it had data, budgetary central government revenues in millions of rupees were 266,998 and expenditures were 388,861. The value of revenues in millions of US dollars was \$2,791 and expenditures \$4,065, based on a market exchange rate for 2002 of 95.662 as reported by the IMF. Government outlays by function were as follows: general public services, 34.4%; defense, 12.6%; public order and safety, 3.9%; economic affairs, 17.8%; housing and community amenities, 3.1%; health, 6.4%; education, 9.6%; and social protection, 12.3%.

### 36 TAXATION

Sri Lanka, as of 2005, had a standard corporate income tax rate of 30% for companies with taxable incomes of over r5 million. Companies with taxable income under that amount are taxed at a 20% rate. However, publicly listed companies that have taxable incomes over r5 million are taxed at a rate of 28.5%. Also, those companies with taxable incomes exceeding r5 million are subject to a 2.5% Human Resource Endowment Fund tax. Profits generated from so-called priority sectors are taxed at rates of 15% and 20%. The higher rate is applied to specialized housing banks, while the lower rate is applied to tourism, agriculture, livestock, fisheries, construction, and exports. Capital gains are not taxed. Dividends distributed out of taxable income and paid to residents and nonresidents are subject to a 10% withholding tax. However, dividends paid to a resident or nonresident company are not considered part of taxable income if any of the following apply: the dividend is already exempt from income tax; the withholding for tax has already been made; or the dividend is part of the dividends received by the payer from another resident firm. Interest income is subject to either a 10% withholding rate or a 15% rate, depending upon the amount of interest received and its source. The 10% applies to interest received that is in excess of r108,000 and is from

a bank deposit. The 15% rate applies to interest paid to nonresidents on a loan.

Individual income taxes are graduated, with rates of 0% up to \$2,500; 10% for income between \$2,500 and \$4,300; 20% for income between \$4,300 and \$6,000; and 30% on the balance. Noncitizens employed in enterprises licensed by the Board of Investment (BOI) are taxed at a flat concessional rate of 15%.

The value-added tax (VAT) is the most important source of government revenue. The VAT has a standard 15% rate for most goods and services supplied in or imported into Sri Lanka. Exports and international transportation are zero rated. In 2003, the government also introduced a new debits tax of 0.1%, to be applied to all current account debits, savings account transactions, and certificates of deposit (when they are cashed in). Exempt from the debits tax are the accounts of the government and international organizations, accounts at foreign currency banking units and accounts maintained for stock exchange transactions, and share investment external rupee accounts (SIERAs), through which foreign purchases on the Colombo Stock Exchange are directed.

Other taxes include excise taxes on over 250 items, local property taxes, and a 6.5% national security levy.

### 37 CUSTOMS AND DUTIES

Sri Lanka has a two-band import tariff schedule based on the Harmonized System of Classification. As of 2005, the standard import tariff rates were 10% and 25%, although a few items carried tariffs of 5% or 35%. The tariff on automobiles is 25%. All imports of textile materials, yarn, and related intermediate and capital goods required for the garment export industry are free of import duty, as are a number of products critical to economic development, such as computers, medical and dental equipment, telecommunications equipment, and agricultural seeds and machinery. Within Sri Lanka’s free trade zone, imports of industrial and construction equipment, base metals, and coal and coke are duty free. Export duties are levied on tea, rubber, and coconut products.

### 38 FOREIGN INVESTMENT

The great agricultural enterprises, insurance companies, and banks were developed originally by foreign capital. In 1959, foreigners owned almost 36% of the country’s rubber acreage and 6% of the tea plantations; 80% of the insurance business was written by foreign companies, and the banking business was largely a monopoly of British and Indian firms. After 1961, when nationalization became widespread, private investors were reluctant to place new funds in Sri Lanka. Consequently, during the 1960s, the country had to depend almost entirely on loans and short-term credits. During the 1970–77 period, foreign companies, principally Japanese, were more willing to collaborate with public-sector enterprises.

With the change of direction in the government’s economic policy since 1977, foreign investment has flowed more freely into the private sector. The Greater Colombo Economic Commission (GCEC)—replaced in 1992 with the current Board of Investment (BOI)—and the Foreign Investment Advisory Committee promoted outside investment in export-oriented and high-technology industries, largely through joint ventures in which majority equity was held by Sri Lankan companies. Exceptions to this policy were the large luxury hotels and construction projects for the

Mahaweli development program, in which foreign partners hold majority shares. The GCEC's Investment Promotion Zone, the country's first free-trade zone (established in 1978), attracted 116 foreign companies by 1985; 96 firms operating in the zone, chiefly clothing manufacturers, employed 35,786 workers and made capital investments with a total value of R286 million during that year. Sri Lanka now has six free-trade zones, also called export processing zones, administered by the BOI, plus three industrial parks that contain both export-oriented and nonexport-oriented enterprises.

The main law governing foreign investment is Law No. 4 of 1978, amended in 1980, 1983, and 1992, after which it has been generally known as the BOI Act. Under the BOI Act, foreign companies are separated into two categories: Those that fall under Section 16 are subject to the "normal" laws, and those falling under Section 17 qualify for special BOI-specified incentives. In general, incentives are targeted at investments that are export oriented, infuse substantial capital into the economy, and/or transfer advanced technology. In 2002 the BOI announced a new investment incentive structure for Section 17 enterprises that consists of two incentive programs, one for medium-sized investments and one for large infrastructure projects. Incentive Program 1 is focused on "designated industries"—nontraditional export sectors for which the government has determined Sri Lanka has a comparative advantage, which are electronics, industrial and machine tools manufactures, ceramics, glassware, mineral-based industries, rubber-based industries, and light and heavy engineering industries—plus export-oriented services, IT-related companies, regional operating headquarters, agribusiness investments over R5 million (about \$51,000) and small-scale infrastructure projects. These are eligible for a three-year tax holiday, preferential income tax rates of 10% in the fourth and fifth years, and a preferential income tax rate of 15% thereafter, as well as duty-free imports during the project. Incentive Program 2 is for projects over R1.2 billion (about \$15.5 million) involving electrical power, highways, airports, seaports, railways waterways, etc. According to the size of the investment, infrastructural projects qualify for tax holidays of 5–10 years, a preferential 15% tax rate thereafter, and duty-free imports of capital goods. All BOI-approved projects include no restrictions on the repatriation of profits and dividends, and free transferability of shares. The BOI's new structure of incentives is part of Sri Lanka new program of initiatives designed to attract more foreign direct investment (FDI), averaging about \$125 million per year. FDI inflows averaged 207% of GDP over the 2001–05 period. The total stock of FDI in Sri Lanka has been estimated at about \$3 billion. The largest investments have been in the power sector, followed by the textiles, telecommunications, and chemicals. Reliable statistics on FDI by country are not available, but the US State Department estimates that the largest investors have been South Korea, Japan, the United States, Australia, Hong Kong, Singapore and the United Kingdom. Sri Lanka has negotiated bilateral investment treaties (BITs), including investment protection provisions, with a number of countries.

A major step toward increasing investor confidence was taken with the institution of the peace process following the cease-fire between the government and the LTTE in February 2002. At the end of 2002, the government relaxed its investment rules, allowing 100% foreign equity in a number of services—banking, finance,

insurance, stock brokerage, construction of residential buildings and roads, supply of mass transportation, telecommunications, production and distribution of energy and professional services. Other sectors remain restricted and subject to case-by-case approval for foreign equity exceeding 49%, including most plantation enterprises—tea, rubber, cocoa, sugar and spices—and there remains a short prohibited list, which, except for franchises, keeps foreigners out of small scale enterprises. The government's policy of deregulation of the investment climate reflects pressure from the IMF, the World Bank, the Asian Development Bank (ADB), and its own precarious foreign reserve position.

### 39 ECONOMIC DEVELOPMENT

Since independence, successive governments have attempted ambitious economic development programs with mixed results. The nationalization in 1962 of three Western oil companies and in 1975 of large rubber and tea plantations was intended to end the nation's economic dependence and neocolonialism, and to create an egalitarian socialist society. The goals of the last five-year plan for 1972–76—to achieve an economic growth rate of 6% annually, to create new jobs, and thereby to ameliorate unemployment—were not met, in part because of drought and unexpected increases in the costs of crude oil, fertilizer, and other imports.

The United National Party (UNP) government, elected in 1977, chose as the centerpiece of its development strategy the Mahaweli hydroelectric irrigation resettlement program, the largest development project ever undertaken in Sri Lanka. The project involved diverting the Mahaweli Ganga in order to irrigate 364,000 hectares (900,000 acres) and generate 2,037 million kwh of hydroelectricity annually from an installed capacity of 507 Mw. Launched in 1978, construction was largely completed by 1987, at a cost of about \$2 billion. Even as the UNP government launched this massive capital program, it sought to encourage private investors, limit the scope of government monopolies, and reduce subsidies on consumer products. Foreign trade, investment, and tourism were all encouraged by the government authorities. In 1986, foreign aid rose 23% in real terms over 1985, largely to finance further massive hydroelectric projects.

While government development policies resulted in moderate growth during the late 1970s and early 1980s, the outbreak of civil war in 1983 led to a rapid rise in defense spending (from 1% of GDP in 1980 to over 4% in 1996), exacerbating structural weaknesses in the Sri Lankan economy. By 1989, rapidly declining economic growth and worsening fiscal and balance-of-payment problems reached crisis proportions, prompting renewed stabilization and adjustment efforts. Corrective policies involved stimulating savings through new banking regulations and other monetary-tightening measures, reduction of subsidies on wheat and fertilizers, government expenditure reductions, currency devaluation, privatization of many state enterprises, and other incentives for private investment. These measures resulted in greatly improved economic performance in the early 1990s, despite unfavorable weather and the ongoing insurgency.

In 1996, as the market showed signs of weakening, the government reaffirmed its free-market policies. From 1997 to 2001, however, the economy was whipsawed between a series of exogenous shocks and political pressures to maintain welfare expenditures. In 1998, the insecurity arising from the Tamil Tiger separatist

campaign was aggravated by Pakistan's and India's nuclear tests, and the aftermath of the Asian financial crisis. Recovery in 1999 and 2000 was cut short in 2001 by the global economic slowdown, the LTTE terrorist attack on the country's international airport in July, the 11 September terrorist attacks on the United States, and the onset of severe drought, all of which combined to produce Sri Lanka's first year of economic contraction on record. The year 2002, by contrast, was marked by hopeful developments. In February, the Norwegian-brokered cease-fire between the LTTE and the government was reached, and in May, the end of drought conditions meant the restoration of reliable power supplies, which also helped bring down agricultural prices.

Laws encompassing welfare reform, tax reform, and investment deregulation were passed, and, in January 2003, the Financial Responsibility Act (FRA) was adopted, setting a course to bringing the budget deficit down to below 5% of GDP by 2006, and limiting government borrowing to less than 10% total revenue. In all, 36 new laws were introduced by the government to buttress the economy's financial stability and the government's economic program adopted for 2003–06. The three-year program aimed at the reduction of poverty through private-sector growth. The strategy focuses on creating conditions conducive to private-sector growth and a sound fiscal position, and for helping establish lasting peace through relief, rehabilitation, and reconstruction (RRR). The program is being pursued in close conjunction with a three-year arrangement with the IMF under its Poverty Reduction and Growth Facility and Extended Fund Facility (PRGF/EFF) with a credit line of \$567 million approved in April 2003. Although aiming at sustained growth of 8–10% in the long run, the medium term goal is an average 6.5% real GDP growth for 2003–06. To achieve program's objectives, government policies are focused on four areas: (1) restoring fiscal sustainability, including raising revenues by 2.5% of GDP; (2) implementing structural reforms mainly involving deregulation and privatization; (3) creating opportunities for the poor to share more fully in the benefits of economic growth through improvements in infrastructure and education; and (4) garnering resources for reconstruction, including though donor assistance and government investments.

With the election of a government dominated by the United People's Freedom Alliance (of which the People's Alliance, PA, is the largest constituent) in April 2004, the chances for a lasting peace between the government and the Tamil Tigers were jeopardized. Mahinda Rajapakse of the PA won the November 2005 presidential election, and he was expected to take a hard line on negotiations with the LTTE. If the peace process is to succeed, however, the constitution will require substantial revision. The failure to agree to a joint mechanism to distribute aid related to the 2004 Indian Ocean tsunami increased tensions between the government and the rebels. By 2006, Sri Lanka had made impressive progress on privatization and reform of the tax, tariff, and foreign investment regimes. Reducing the fiscal deficit and government debt and containing inflation remain key economic policy objectives.

#### 40 SOCIAL DEVELOPMENT

Through a provident fund system, the government pays monthly allotments to the aged, sick, and disabled, to destitute widows, and to wives of imprisoned or disabled men. The program is financed

by 8% employee contributions and 12% employer contributions. Old-age benefits are paid as a lump-sum grant equal to total contributions plus interest. Medical care is available free of charge in government hospitals and clinics. The law provides for a system of family allowances for families earning less than 1,000 rupees per month.

Although women have equal rights under law, their rights in family matters, including marriage, divorce, child custody, and inheritance are often dictated by their ethnic or religious group. Recent legislative changes have strengthened the rights of women. Sexual harassment is a criminal offense, but it is rarely enforced. Discrimination against women in hiring, promotion, and salary practices remains. Changes to the penal code make the burden of proof more equitable in rape cases. Sexual assault and spousal abuse continue to be serious problems.

Sri Lanka's Tamil population, numbering one million, is not entitled to either Indian or Sri Lankan citizenship, and face systemic discrimination. Human rights abuses are committed by both the government and Tamil separatist forces as part of ongoing hostilities between the two sides. These include poor prison conditions, torture, and arbitrary arrests, including mass arrests.

#### 41 HEALTH

The government provides medical service free or at a nominal cost to almost everyone, but its health program is hampered by a worsening shortage of trained personnel and hospital beds. Medical standards, traditionally British, are considered excellent, but many Sri Lankan physicians and surgeons have moved their practices abroad—particularly to the United States and the United Kingdom, where remuneration is much higher. There are limited numbers of private hospitals and medical practitioners. Approximately 83% of the population had access to safe drinking water and the same percentage had adequate sanitation. Total health care expenditure was estimated at 3.5% of GDP. As of 2004, there were an estimated 43 physicians, 79 nurses, 3 dentists, and 5 pharmacists per 100,000 people.

Malaria, smallpox, cholera, and plague have been virtually eliminated. Malnutrition, tuberculosis, and the gastrointestinal group of infectious diseases are the chief medical problems. It was estimated that 38% of children under five years of age were malnourished. Immunization rates for children up to one year old were tuberculosis, 89%; diphtheria, pertussis, and tetanus, 91%; polio, 91%; and measles, 88%. Rates for DPT and measles were 99% and 95%, respectively.

The infant mortality rate in 2005 was 14.35 per 1,000 live births. Birth control was used by 66% of married women. As of 2002, the crude birth rate and overall mortality rate were estimated at 16.4 and 6.4 per 1,000 people, respectively. Average life expectancy in 2005 was 73.17 years. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 3,500 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

#### 42 HOUSING

Rapid population increase, coupled with a lag in construction during and immediately following World War II, led to an acute hous-

ing shortage, high rents, high building costs, and many unsanitary and unfit houses in Sri Lanka's first decades after independence.

Preliminary results from the 2001 census indicated a total of 4,687,157 housing units nationwide. As of 2000, the average household had 4.5 members. About 64% of all households were nuclear families. About 96% of urban dwellings and 73% of rural dwellings had access to safe drinking waters. Only 73% of all households had access to safe sanitation systems. In the tsunami of 2004, about 88,544 housing units were completely destroyed or severely damaged.

### 4<sup>3</sup> EDUCATION

All education from kindergarten up to and including university training is free. Education is compulsory for 10 years, except when schools are not within walking distance of the pupil's home.

Since 1986, the educational system has been separated into two systems based on language, one in which Sinhalese is the medium of instruction and the other in which the medium is Tamil. The public educational system consists of five years of elementary school, three years of junior secondary school, three years of senior secondary school, and two years of preparatory school for those wishing to attend university.

Primary school enrollment in 2001 was estimated at about 99% of age-eligible students. The same year, secondary school enrollment was less than 80% of age-eligible students. It is estimated that about 98% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 23:1 in 2003; the ratio for secondary school was about 20:1.

In 1986, there were nine universities: Colombo, Peradeniya, Moratuwa, Sri Jayawardhanapura, Kelaniya, Jaffna, Ruhuna, Open University, and Batticaloa. These universities operate as independent units under the University Grants Commission, which is funded by the Ministry of Education. Included in the consolidated university system are the former Vidyalkankara University (established 1959), previously known as the Vidyalkankara Pirivena (established 1875), a celebrated seat of learning for Oriental studies and Buddhist culture; the former Vidyadaya University (established 1959); and the former University of Ceylon (founded 1942). In 1995, universities and equivalent institutions had 2,636 teachers and 63,660 students. The adult literacy rate for 2004 was estimated at about 90.4%, with 92.2% for men and 88.6% for women. As of 2003, public expenditures on education were estimated at 3.1% of GDP.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library in Colombo holds 206,300 volumes and is the largest public library in the country. Apart from the libraries in Anuradhapura, Jaffna, Kandy, and a few other towns, most public libraries have only small collections of books. In 2004, there were about 925 public libraries in the country. The University of Peradeniya has holdings of 670,000 volumes, while the University of Colombo has 240,000. There are several special libraries in Colombo, including the National Museum Library, which contains 681,000 volumes (147,000 which are monographs) and has been a depository for Ceylonese and Sri Lankan publications since 1885.

In 2004, there were 15 university libraries, and 67 special libraries in the country.

The five national museums, at Colombo, Galle, Jaffna, Kandy, and Ratnapura, contain collections pertaining to paleontology, zoology, prehistory, archaeology, and ancient art. One of Asia's finest zoological collections, as well as the largest known collection of Sinhala palm-leaf manuscripts, is in the Colombo National Museum. There are Archaeological Site Museums in Anuradhapura (ancient city), Isurumuniya, Mihintale, Veheragala, Vavuniya, Jaffna, Sigiriya, Kandy, Dedigama, Yapahuwa, Panduwasnuwara, Kotte, Matara (Star-Fort), Deegavapiya, and Kataragama. The Dutch Period Museum, the Art Gallery of the Sri Lankan Society of Art, the Natural History Museum, and a university archaeological museum are all in Colombo. There is a National Maritime Museum in Galle.

### 4<sup>5</sup> MEDIA

The central government owns and operates all telephone, telegraph, cable, and radio facilities, except in a few rural districts, which are served by private exchanges. Domestic telephone service is reportedly inadequate, while international service is good. In 2003, there were an estimated 49 mainline telephones for every 1,000 people; about 257,700 people were on a waiting list for telephone service installation. The same year, there were approximately 73 mobile phones in use for every 1,000 people.

The government operates both commercial and noncommercial radio broadcasting services in Sinhala, Tamil, and English and began television service in 1982. The state-owned Sri Lanka Broadcasting Corporation airs broadcasts on AM, FM, and shortwave. There are several privately owned broadcasting stations. As of 1999, there were 12 AM and 5 FM radio stations and 21 television stations. In 2003, there were an estimated 215 radios and 117 television sets for every 1,000 people. The same year, there were 13.2 personal computers for every 1,000 people and 12 of every 1,000 people had access to the Internet. There were 30 secure Internet servers in the country in 2004.

As of 2002, Sri Lanka had more than 10 daily newspapers. The principal morning and evening dailies (with language of publication and 2002 daily circulation) were: *Daily Lankadeepa* (Sinhala, 259,172), *Dinamina* (Sinhala, 140,000), *Divaina* (Sinhala, 100,000), *Dawasa* (Sinhala, 108,000), *The Island* (English, 80,000), *Daily News* (English, 65,000), and *Virakesari* (Tamil, 48,500). Sri Lanka also has several weekly and monthly publications.

The constitution provides for free speech and a free press and these rights are generally respected by the government. However, in the past the government has imposed restrictions on the media on the grounds of national security. In 2002, several criminal defamation laws were eliminated.

### 4<sup>6</sup> ORGANIZATIONS

Chambers of commerce include the National Chamber of Commerce of Sri Lanka, the Ceylon Chamber of Commerce, the Indian Chamber of Commerce, and the Moor Chamber of Commerce. There are numerous trade and industrial organizations.

The Royal Asiatic Society of Sri Lanka promotes national history, culture, and the arts. National youth organizations include the Ceylon Student Federation, YMCA/YWCA, Communist Youth Federation of Sri Lanka, General Union of Youth and Students,

Sri Lanka Catholic Student Movement, Sri Lanka Freedom Party Youth Organization, Girl Guides Association, Sri Lanka Mahajana Youth Federation, and the Sri Lanka Scout Association. Women's organizations include the Hindu Women's Society, the Muslim Women's Research and Action Front, and the Center for Women and Development.

Social action organizations include the Center for Society and Religion and the Civil Rights Movement of Sri Lanka. There is a national chapter of the Red Cross Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

The tourism industry took a big hit in 2004 when a tsunami severely damaged hotels and facilities, causing many resorts to close. Damage occurred mainly in the eastern and southern areas of Sri Lanka; Colombo and the Cultural Triangle remained unaffected. The principal tourist attraction is the sacred city of Anuradhapura, home of the Seated Buddha, Buddhist temples, palaces, and the sacred Bo tree, grown from a sapling of the tree under which the Buddha is said to have attained enlightenment. Other popular sites include the ancient cities of Polonnaruwa and Kandy, with its Dalada Maligawa temple, where a sacred tooth relic of the Buddha is preserved. The Paradeniya Gardens near Kandy and the Dehiwela Zoo at Colombo are also popular. In 2005, flights running three times a week began service to China through Sri Lankan Airlines.

Sri Lanka's recreational facilities include the beach resorts of Bentota and Negombo, which, like Colombo, have modern hotels. Popular water sports are swimming, fishing, sailing, surfing, water-skiing, and skin diving. The island has excellent facilities for golf, tennis, squash, football (soccer), rugby, and cricket.

Visitors must have a valid passport. All foreign nationals are required to carry a visa, except those of the South Asian Association for Regional Cooperation (SAARC).

In response to the government's promotion of the industry, international tourism has grown in Sri Lanka. In 2003, there were 500,642 tourist arrivals. Over 53% of the visitors came from Europe. Tourism receipts were estimated at \$692 million that year. The country had 16,973 hotel rooms with 31,331 beds and a 53% occupancy rate.

According to 2004 estimates of the US Department of State, the daily cost of staying in Colombo was \$156.

#### 48 FAMOUS SRI LANKANS

One of the great rulers of the Anuradhapura period was Dutugemunu (fl.100 BC), who is famous for having saved Ceylon and its

religion from conquest by Indian invaders. Mahasen, a king in the 3d century AD, built many fine dagobas and other monuments that delight and amaze visiting art lovers. The classical period of Ceylonese art flourished under Kassapa, a king of the 5th century. The great figure of the Polonnaruwa period was Parakramabahu I (the Great, r.1153–86), who unified the government of Ceylon, built many magnificent structures, and organized the economy. The most famous political figure in modern Ceylon was Don Stephen Senanayake (1884–1952), leader of the independence movement and first prime minister of independent Ceylon. Solomon West Ridgway Dias Bandaranaike (1899–1959), prime minister from 1956 to 1959, is regarded as the founder of Ceylon as a socialist state. His widow, Sirimavo Bandaranaike (1916–2000), was prime minister during 1960–65, 1970–77, and 1994–2000. She was the world's first female prime minister. Her daughter, Chandrika Bandaranaike Kumaratunga (b.1945) was president from 1994 to 2005. Junius Richard Jayewardene (1906–96), who helped usher in economic reforms and a free enterprise system, became Sri Lanka's first president in 1978 and served until 1982. Science fiction writer Sir Arthur C. Clarke (b.England, 1917) is one of Sri Lanka's most famous expatriate residents. Born in Sri Lanka, Canadian author and poet Michael Ondaatje (b.1943) received the 1992 Booker McConnell Prize for his novel *The English Patient*.

#### 49 DEPENDENCIES

Sri Lanka has no territories or colonies.

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# SYRIA

Syrian Arab Republic

*Al-Jumhuriyah al-'Arabiyah as-Suriyah*



**CAPITAL:** Damascus (Dimashq)

**FLAG:** The national flag is a horizontal tricolor of red, white, and black stripes; in the white center stripe are two green five-pointed stars.

**ANTHEM:** *An-Nashid as-Suri (The Syrian National Anthem)* begins "Protectors of the nation, peace be upon you."

**MONETARY UNIT:** The Syrian pound (s£) is a paper currency of 100 piasters. There are coins of 25 and 50 piasters and 1 Syrian pound and notes of 1, 5, 10, 25, 50, 100, and 500 Syrian pounds. s£1 = \$0.02062 (or \$1 = s£48.5) as of 2004.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but local units are widely used.

**HOLIDAYS:** New Year's Day, 1 January; Revolution Day, 8 March; Egypt's Revolution Day, 23 July; Union of Arab Republics Day, 1 September; National Day, 16 November. Muslim religious holidays include 'Id al-Fitr, 'Id al-'Adha, Milad an-Nabi, and Laylat al-Miraj. Christian religious holidays include Easter (Catholic); Easter (Orthodox); and Christmas, 25 December.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in southwest Asia at the eastern end of the Mediterranean Sea, Syria has an area of 185,180 sq km (71,498 sq mi). Comparatively, the area occupied by Syria is slightly larger than the state of North Dakota. Included in this total is the Golan Heights region (1,176 sq km/454 sq mi), which Israel captured in 1967 and annexed on 14 December 1981; the annexation was denounced by Syria and unanimously condemned by the United Nations Security Council. Syria extends 793 km (493 mi) ENE–WSW and 431 km (268 mi) SSE–NNW. It is bounded on the N by Turkey, on the E and SE by Iraq, on the S by Jordan, on the SW by Israel, and on the W by Lebanon and the Mediterranean Sea, with a land boundary length of 2,253 km (1,400 mi) and a coastline of 193 km (120 mi).

## <sup>2</sup> TOPOGRAPHY

There are five main geographic zones: (1) the narrow coastal plain along the Mediterranean shore; (2) the hill and mountain regions, including the Ansariyah (Alawite) Mountains in the northwest paralleling the coast, the eastern slopes of the Anti-Lebanon Mountains, and the Jabal Ad-Duruz in the southeast; (3) the cultivated area east of the Ansariyah and Anti-Lebanon ranges, which is widest in the north, discontinuous between Himş and Damascus; (4) the steppe and desert region, traversed by the Euphrates (Al-Furat) River; and (5) the Jazirah in the northeast, steppe country with low rolling hills.

The Anti-Lebanon Mountains, extending southward along the Lebanese border, serve as a catchment for the rainfall of central Syria. To the north of this range, the Ansariyah Mountains, which reach heights of over 1,500 m (5,000 ft), slope westward to the Mediterranean. The Orontes (Asi) River irrigates areas on the eastern side of the Ansariyah Mountains.

## <sup>3</sup> CLIMATE

The climate varies from the Mediterranean type in the west to extremely arid desert conditions in the east. The coastal regions have hot summers and mild winters; in the mountains, summer heat is moderated according to elevation and the winters are much more severe.

The steppe and desert areas have extremely hot, arid summers and greatly varying winter temperatures ranging from 21°C (70°F) to below freezing. Average temperatures for Damascus range from about 21° to 43°C (70–109°F) in August and from about -4° to 16°C (25–61°F) in January. Rainfall averages about 75 cm (30 in) on the coast, around 125 cm (50 in) in some mountain areas, and less than 25 cm (10 in) in the eastern three-fifths of the country. In dry years, rainfall may be reduced by half.

## <sup>4</sup> FLORA AND FAUNA

The coastal plain is highly cultivated and the little wild growth found is mainly of the brushwood type, such as tamarisk. On the northern slopes of the Ansariyah range are remnants of pine forests, while oak and scrub oak grow in the less well-watered central portion. Terebinth is indigenous to the low hill country of the steppes and wormwood grows on the plains. Some sections of the Jabal Ad-Duruz are covered with a dense maquis.

The wildlife of Syria includes types common to the eastern Mediterranean region, together with typical desert species. There is a diminishing number of bears in the mountains. Antelope are found wherever grazing is available and human competition not too severe. There are also deer in some sections. Smaller animals include squirrel, wildcat, otter, and hare. In the desert, the viper, lizard, and chameleon are found in relatively large numbers. Native birds include flamingo and pelican, as well as various ducks, snipe, and other game birds.

As of 2002, there were at least 63 species of mammals, 145 species of birds, and over 3,000 species of plants throughout the country.

## 5 ENVIRONMENT

Much of Syria's natural vegetation has been depleted by farming, livestock grazing, and cutting of trees for firewood and construction. The thick forests that once covered western Syria have been drastically reduced; as a result, soil erosion and desertification are extensive. The salinity of the soil is also a problem, causing a loss of more than \$300 million worth of agricultural products per year. Other environmental problems include pollution of coastal waters from oil spills and human waste and contamination of inland waterways by industrial waste and sewage.

Environmental awareness has been a growing concern in the Arab world. The United Nations (UN) and Middle Eastern environmental organizations have sponsored Arab Environment Day to bring the focus of the nation's attention on environmental problems. The quantity of native wildlife had been so seriously depleted that in 1979 the government banned hunting for five years.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species includes 3 types of mammals, 11 species of birds, 3 types of reptiles, 9 species of fish, and 3 species of invertebrates. The Mediterranean monk seal, bald ibis, and African softshell turtle are endangered. The Anatolian leopard, cheetah, Syrian wild ass, Israel painted frog, and Persian fallow deer are extinct.

## 6 POPULATION

The population of Syria in 2005 was estimated by the United Nations (UN) at 18,389,000, which placed it at number 55 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 37% of the population under 15 years of age. There were 101 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.7%. The government has sharpened its focus on population issues, creating a state minister for population affairs in 2003. The projected population for the year 2025 was 27,410,000. The overall population density was 99 per sq km (257 per sq mi), but most of the population is concentrated in Damascus and the six western provinces. Desert areas in the east are largely uninhabited.

The UN estimated that 50% of the population lived in urban areas in 2005 and that urban areas were growing at an annual rate of 2.53%. The capital city, Damascus (Dimashq), had a population of 2,228,000 in that year. The population of Aleppo (Halab), a northern trading and agricultural center, was an estimated 2,505,000. Other main cities are Himş (Homs), 915,000; Hamâh (Hama); and Latakia (Al Lâdhiqiyah).

## 7 MIGRATION

In the past there was sizable emigration of Syrians to Europe, Africa, and the Western Hemisphere, but emigration had virtually ceased by the late 1940s. Since World War I, there has been substantial internal migration from the coastal mountains to the central plains and, in general, from rural areas to the towns. There is considerable migration across the borders with Lebanon and Jordan. About 150,000 Syrians working in Kuwait returned during

1990–91. As of October 1995, there were 300,000 Palestinian refugees in Syria. In 1997, the Syrian government accepted the protection mandate of the United Nations High Commissioner for Refugees (UNHCR) for all recognized refugees in the country. The total number of migrants in 2000 was 903,000, including approximately 391,000 refugees. As of 2004, there were 15,604 registered refugees in Syria, primarily from Iraq. In that same year, there were 785 asylum seekers (countries of origin were Iraq, Somalia and Sudan) and 185 returned refugees. However, in 2004, there was also a stateless population of 300,000. In 2004, over 3,000 Syrians sought asylum in eight countries in Western Europe and the United Kingdom. In that same year, there were 16,184 Syrians refugees in Germany. In 2005, the net migration rate was estimated at zero migrants per 1,000 population. The government views the emigration level as too high, but the immigration level as satisfactory.

## 8 ETHNIC GROUPS

Ethnic Syrians are primarily of a Semitic stock; however, racial types have generally become intermixed. It is estimated that Arabs make up about 90.3% of the population. Other ethnic groups make up the remaining 9.7%, including Kurds, Armenians, and others.

## 9 LANGUAGES

The official language and the language of the majority is Arabic, but dialect variations are distinct from region to region and even from town to town. The written language, classical Arabic, based on the Koran (Quran), is the basis of the standard spoken form. Kurdish and Armenian are the principal minority languages. Aramaic, the language of Jesus, and Circassian are also widely understood. French and English are somewhat understood.

## 10 RELIGIONS

Islam is the religion of the vast majority. About 74% of the population are Sunni Muslims. Alawite, Druze, Ismailis, Shia, and Yazidis account for another 16% of the population. The Alawite constitute an important minority in Syria and hold a disproportionate share of political power; although they consider themselves Muslims, they combine their avowed creed with Christian rituals and esoteric cults. Also important are the Druzes (most of whom live in the Jabal Ad-Duruz), whose religion is an offshoot of Shia Islam.

About 10% of the population is Christian, with Greek Orthodox being the largest denomination. Other Christian churches include Armenian Catholic, Armenian Orthodox (Gregorian), Syrian Catholic, Syrian Orthodox, Maronite Christian, Baptist, Mennonite, Church of Jesus Christ of Latter-Day Saints, and Nestorian (Chaldean). The small Jewish population is urban, living primarily in Damascus, Al Qamishli, and Aleppo.

Under the 1973 constitution, Islam is no longer declared to be the religion of the state, but the president of Syria must still be a Muslim, and Islamic law is a major source of legislation. Freedom of worship is guaranteed by the constitution but public proselytizing is strongly discouraged by the government. All religious groups must register with the government. Certain Orthodox Christian and Muslim holidays are officially observed.

## 11 TRANSPORTATION

The Syrian national railroad system consists of 2,711 km (1,686 mi) of standard and narrow gauge railways, of which 2,460 km (1,530 mi) is standard gauge line. Three sections are: the Syrian section of the old Baghdād Railway; the main line from Damascus to Aleppo, with connections to Tartus, points in Lebanon, and the phosphate mines; and the railway linking Al Lādhiqiyah, Halab, and Al-Qamishli, built with Soviet help and completed in 1981. There are also 251 km (156 mi) of narrow-gauge line, part of which is the pre-World War I Hejaz Railway, linking Damascus to Jordan and Lebanon. Syria is also connected by rail with Turkey (thus with Europe) and Iraq.

The road system, though growing, remains inadequate in view of the demands imposed by increased economic activity. In 2002, Syria had 45,697 km (28,424 mi) of roads, of which only 6,489 km (4,036 mi) were paved, including 1,001 km (623 mi) of expressways. There are road connections between the major towns and with Iraq, Jordan, Lebanon, and Turkey. As of 2003, there were 181,017 passenger cars and 290,300 commercial vehicles.

Tartus and Al Lādhiqiyah are the main ports. Jablah and Baniyas are minor ports. In 2005, the merchant fleet comprised 120 vessels of 1,000 GRT or more, totaling 446,981 GRT. Although Syria had 900 km (560 mi) of navigable inland waterways as of 2002, these have had little economic impact. In 2004, Syria had an estimated 92 airports. As of 2005, it had a total of 26 had paved runways, and there were also seven heliports. Damascus is a connecting point for a number of major airlines; the main passenger terminal of its international airport was completed in 1982. Another principal airport is Aleppo International at Aleppo (Halab). Syrian Arab Airlines provides service to Halab, Al-Qamishli, Al Lādhiqiyah, and other airports; it also flies to other Arab countries and to Europe and Africa. In 2003, about 908,000 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

Archaeological excavations at Ebla, in northern Syria, have revealed that Syria was the center of a great Semitic empire extending from the Red Sea north to Turkey and east to Mesopotamia around 2500 BC. At that time, Damascus, traditionally the world's oldest continuously occupied city and certainly one of the world's oldest cities, was settled. Later, an advanced civilization was developed along the Syrian and Lebanese coastlands under the Phoenicians (c.1600–c.800 BC), among whom trade, industry, and seafaring flourished. The wealth of the land attracted many conquerors, and Syria was invaded successively by the Hittites, Egyptians, Assyrians, Persians, and others. In the 4th century BC, Syria fell to Alexander the Great, first in a long line of European conquerors. After the breakup of his empire, dominion over Syria was disputed by the Seleucid and Ptolemaic successor states, and Persians invaded when the opportunity arose; eventually the Seleucids gained control. In the 1st century BC, all of Syria, Lebanon, Palestine, and Transjordan was conquered by the Romans and organized as the province of Syria; these areas are termed "geographic" Syria. Christianity, particularly after its official recognition in the

early 4th century AD by Constantine the Great, spread throughout the region.

In 637, Damascus fell to the Arabs. Most Syrians were converted to Islam, and Arabic gradually became the language of the area. Under the Umayyad caliphs, Damascus became the capital of the Islamic world and a base for Arab conquests. Under the 'Abbasids, the caliphate was centered at Baghdād, and Syria was reduced to provincial status. Thereafter, geographic Syria fell prey to a succession of invaders, including Byzantines and Crusaders from Western Europe. Some parts of Syria came under the sway of Seljuks and Ayyubids, a Kurdish dynasty. The latter was most prominent under its leader Saladin (Salah ad-Din). During the 13th century, Mongols frequently invaded Syria, and for 200 years parts of Syria were controlled by the Mamluks, who ruled it from Egypt through local governors. In 1516, the Ottoman forces of Sultan Selim I defeated the Mamluks, and for the next four centuries, Syria was a province of the Ottoman Empire.

During World War I, Sharif Hussein (Husayn Ibn-'Ali) of Mecca threw in his lot with the Allies and revolted against Ottoman rule. After the war, with British forces in control, the formal entry of Allied troops into Damascus was made by Arab forces under Faisal (Faysal), Hussein's son, on 30 October 1918. Faisal and the Arab nationalists, whose number had been growing since 1912, opposed French aspirations to Syria and claimed independence under the terms of agreements between the British government and Hussein. In March 1920, Faisal was proclaimed king by a congress representing Syria, Lebanon, and Palestine. However, geographic Syria was divided into British and French mandates. In June, the French, who had been allotted a mandate for Syria and Lebanon by the Agreement of San Remo (April 1920), ejected Faisal and installed local administrations of their own choosing. Arab nationalists resented French rule; there was a major revolt from 1925 to 1927, and unrest persisted until the outbreak of World War II. In 1941, Free French and British forces wrested control of Syria from Vichy France. Two years later, under pressure from the United Kingdom and the United States, the French permitted elections and the formation of a nationalist government. The United Kingdom and the United States recognized Syria's independence in 1944, and the last French troops departed on 17 April 1946.

Two parties that had led the struggle for independence, the Nationalist Party and the People's Party, dominated Syrian political life in the immediate postwar period. However, the Palestine War of 1948–49, which resulted in the defeat of the Arab armies and the establishment of Israeli statehood, discredited the Syrian leadership. In December 1948, riots against the government were put down by the army, and several army factions struggled for more than a year to gain control of the Syrian state. Col. Adib Shishakli ruled Syria for most of the period from December 1949 to March 1954, when he was ousted by another army coup.

The years from 1954 to 1958 were marked by the growth of pan-Arab and left-of-center political forces at the expense of the traditional merchant landowner class, which dominated the Nationalist and People's parties. Foremost among these forces was the Arab Socialist Ba'ath Party, which saw in Gamal Abdel Nasser (Nasir), the president of Egypt, a kindred pan-Arabist. Military officers remained active in political affairs but were split into competing factions. Some elements of the Nationalist and People's parties sought to counter the left by seeking help from Iraq and other

countries. In late 1957, influential military officers decided to seek unity with Egypt as a means of suppressing factionalism. Enthusiastically supported by the Ba'ath and other pan-Arabists, they appealed to Cairo. Nasser agreed, and on 1 February 1958, Egypt and Syria proclaimed the union of Syria and Egypt as the United Arab Republic (UAR).

A monolithic single-party structure replaced the lively Syrian political tradition; decisions were made in Cairo; land reforms were introduced. Syrians chafed under Egyptian rule, and in September 1961, after a military coup, Syria seceded from the UAR. A period of political instability followed until, on 8 March 1963, power was seized by a group of leftist army officers calling themselves the National Council of the Revolutionary Command, and a radical socialist government dominated by the Ba'ath Party was formed.

The period that followed was marked by internal struggles between the founders of the Ba'ath Party and a younger generation of party militants, many in the military. That generation came to power in 1966 but split in succeeding years. In the June 1967 war between Israel on one side, and Syria, Egypt, and Jordan on the other, Israel gained control of the Golan Heights. Gen. Hafez al-Assad (Hafiz al-Asad), a former chief of the Air Force and defense minister, became chief of state on 16 November 1970; he assumed the presidency, a reinstated office, for the first of four seven-year terms beginning in March 1971, and a permanent constitution was ratified by popular referendum on 12 March 1973. On 6 October of that year, Syrian troops launched a full-scale attack against Israeli forces in the Golan Heights, as the Egyptians attacked in the Suez Canal area. After the UN cease-fire of 24 October, Israel remained in control of the Golan Heights, and Syria boycotted peace negotiations in Geneva. However, on 31 May 1974, Syria signed a US-mediated disengagement accord with Israel, restoring part of the Golan Heights to Syria and creating a buffer zone, manned by a UN peacekeeping force. The occupied sector of the Golan Heights was annexed by Israel in 1981; outside powers criticized and did not recognize the annexation.

In recent years, Syria has intervened militarily in neighboring Arab states to secure political ends. In September 1970, Syrian armored forces crossed the border into Jordan to support the Palestinians during the Jordanian civil war, but the Syrians were driven back by troops loyal to Jordan's King Hussein (Husayn) and by the threat of Israeli intervention. In 1976, Syrian troops entered Lebanon, nominally to enforce a cease-fire between Christian and Muslim forces but actually to help the Christian forces prevent a victory by leftist Muslims and Palestinians. Syria strongly opposed the Egyptian-Israeli peace treaty of 1979 and was one of the few Arab states to support Iran in its war against Iraq, with which Syria had hoped to merge. Another merger plan, this one with Libya, was announced in September 1980, but the effort was stillborn. In October, Syria signed a 20-year friendship treaty with the USSR; subsequently, Syria received large quantities of Soviet arms, including anti-aircraft missiles, which it deployed in the Bekaa (Biqā') Valley in Lebanon. After Israel invaded southern Lebanon in June 1982, the Israelis knocked out the missile batteries, crippled Syria's Soviet-equipped air force, and trapped Syrian as well as Palestinian fighters in Beirut before allowing their evacuation. Having reequipped its army with Soviet weapons, Syria maintained 25,000-35,000 troops in Lebanon until 2005. In the

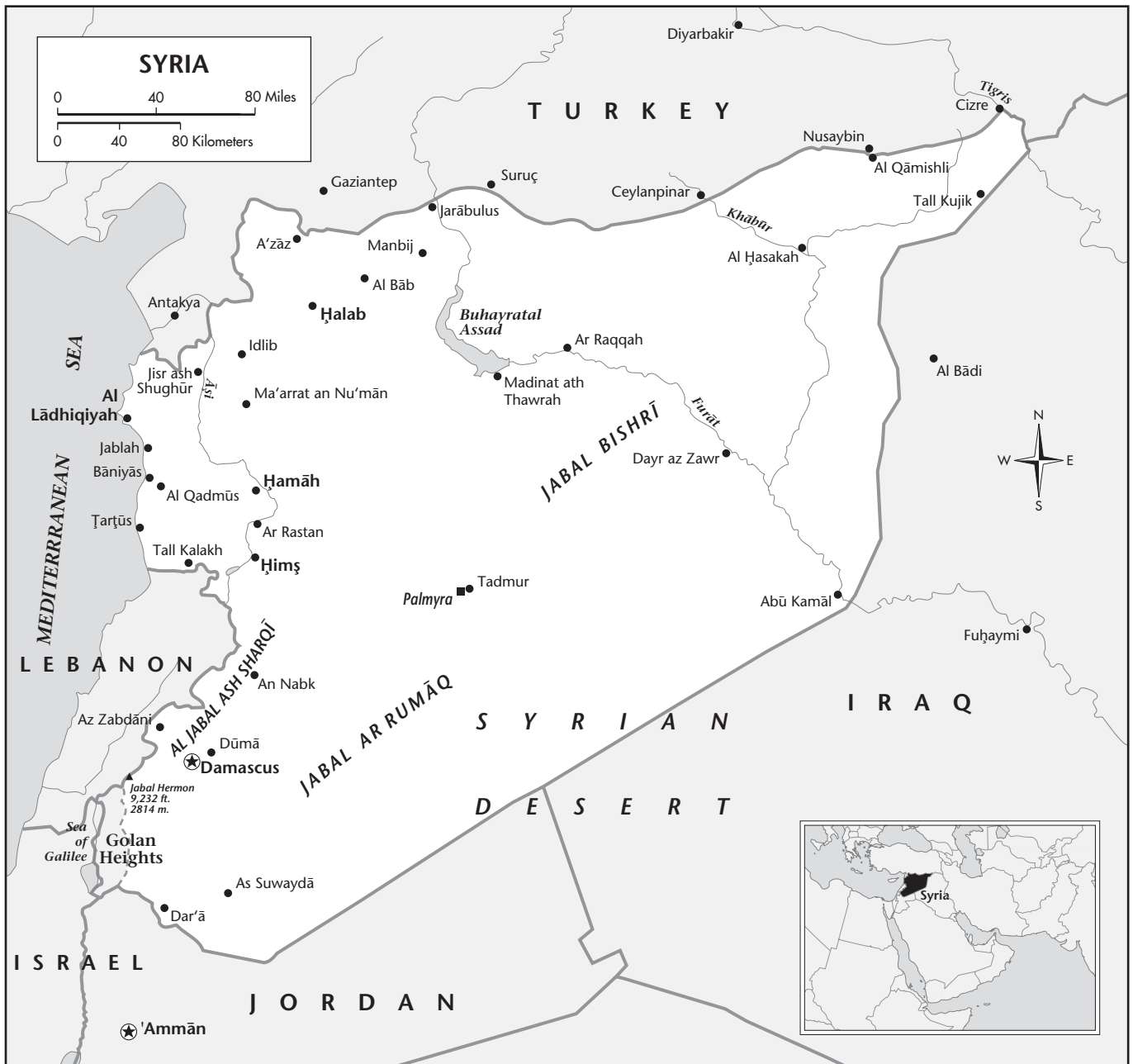
Lebanese civil war, Syria supported the Druze and Muslim militias against the Maronite Lebanese Forces.

Syria made repeated attempts to establish a cease-fire among Lebanon's factions. In 1989, it endorsed the Taif Accord for ending the conflict and, later, when Christian militia General Michel Aoun declared himself president of Lebanon and sought to expel the Syrian forces, assaulted his enclave with artillery and drove him out of the country. In 1991, Syria backed moves to disarm and disband the militias and signed a treaty with Beirut to put relations on a stable and peaceful basis. Under the Taif Accord, Syria was to have withdrawn its forces from Beirut and coastal areas by September 1992. Syria's withdrawal from Beirut took place in June 2001.

The authoritarian Assad regime was condemned by outsiders for assisting terrorist and drug smuggling groups. Both charges were played down after Syria joined the coalition of forces against Iraq in 1990 and agreed to participate in direct peace talks with Israel in 1991. The collapse of the Soviet Union removed Syria's most important source of external support, nullifying Assad's proclaimed strategy of refusing to negotiate with Israel until Syria gained military parity.

Internally, the regime was resented for its denial of democracy and the concentration of power with members of the Assad family's minority religious sect, the Alawis. The most serious internal threat came from Islamic militants in the late 1970s and early 1980s. In 1982, Assad sent the army against their stronghold in Hama, devastating a section of the city and causing tens of thousands of casualties. There has been no serious threat to the regime since then, and the Ba'ath Party has continued to control the country. In the 1990s, Assad took steps to liberalize economic controls and to permit some political freedoms. About 300 political prisoners were released in 1992 and Syrian Jews were again allowed to travel. Still, the country remains on the US State Department's list of countries that support terrorism and US trade is severely restricted. In 1994, Syrian officials met with representatives of Israel's Yitzhak Rabin-led government on the return of the Golan Heights—something Assad had wanted for decades. After Rabin's assassination, however, the talks were discontinued, and the stalemate between Syria and Israel continued. In 1997, US Secretary of State Madeleine Albright announced that she would visit Syria in an effort to get the stalled peace process back on track. Syria was officially guarded about the prospects for success, as it remained deeply suspicious of Israel's right-wing government led by Benjamin Netanyahu. In the same year, the Assad regime entered into negotiations with Iraq to open up its ports to the latter. Syria broke off diplomatic relations with Iraq after backing Iran in the 1980-88 war.

With the election of Labor leader Ehud Barak as prime minister of Israel in May 1999, new hope arose for improved relations with Israel, and a new round of peace talks between Syria and Israel was held in the United States, near Washington, D.C., in January 2000. In May 2000, Israel withdrew from southern Lebanon. By the late 1990s, serious concerns had been raised about the health and mental status of Syria's president, who was reportedly having "mental lapses" and suspected to be suffering from some form of dementia, as well as other infirmities. Nevertheless, Assad was elected to a fifth seven-year term in 1999 in a nearly unanimous vote. After the 1994 death in an automobile accident of Basel, the



LOCATION: (1949): 32°30' to 37°30' N; 35°50' to 42° E. BOUNDARY LENGTHS: Turkey, 822 kilometers (510 miles); Iraq, 605 kilometers (378 miles); Jordan, 375 kilometers (234 miles); Israel, 76 kilometers (47 miles); Lebanon, 375 kilometers (234 miles); Mediterranean coastline, 193 kilometers (117 miles). TERRITORIAL SEA LIMIT: 35 miles.

son whom the Syrian leader had been grooming to succeed him, another of Assad's sons, Bashar, was given increased responsibilities. Assad died on 10 June 2000 of a heart attack; 34-year-old Bashar Assad was unanimously elected secretary-general by the Ba'ath Party one week later. Parliament amended the constitution to lower the minimum age for a president from 40 to 34. In a July referendum, Bashar won overwhelming support to succeed his father, and he officially began a seven-year term as president on 17 July 2000.

In November 2000, President Assad ordered the release of more than 600 political prisoners. However, in September 2001, members of parliament and proreform activists were detained, which dulled hopes that Bashar would usher in a new climate of reform

in the aftermath of his father's death. Although more than 100 dissidents were released from prison in November, human rights organizations maintain that hundreds of political prisoners remain in jail in Syria. In April 2001, the outlawed Muslim Brotherhood, whose members were targeted during the 1982 Hama massacre, announced its intention to resume political activity.

Following the terrorist attacks on the United States on 11 September 2001, Bashar Assad publicly emphasized Syria's stance on terrorism, although it did not support the US-led war on terrorism, stating military action was not the appropriate response to terrorism. The United States still lists Syria on its State Department's list of countries supporting terrorism, and in 2004 imposed economic

sanctions on Syria over what it called its support for terrorism and failure to stop militants from entering Iraq from Syria.

Syrian troops withdrew from Beirut in June 2001 to redeploy in other parts of Lebanon, in response to greater Lebanese criticism of Syria's presence there. In April 2005, as a result of massive Lebanese street protests following the 14 February 2005 assassination of former Lebanese prime minister Rafik al-Hariri—called the “Cedar Revolution,” for bringing down the pro-Syrian Lebanese cabinet—Syria withdrew all of its military forces from Lebanon.

One of the main reasons Israel has not pulled out of the Golan Heights has to do with water. The Golan Heights provides approximately 30% of Israel's water needs. The Dan, the Banyas, and the Hatzbani, tributaries of the upper Jordan River, originate in the Golan Heights. Israel's water needs are also tied to Lebanon. Lebanon has begun to divert 50 million cubic meters a year from the Wazzani and Hatzbani Rivers to supply villages in southern Lebanon with water. The Wazzani feeds into the Hatzbani, which in turn flows into the Jordan River watershed and Lake Kinneret (Lake Tiberias or the Sea of Galilee), a major source of Israel's water supply. In 2002, Sharon identified measures to divert water from Israel as a cause for war. In 1964 Syria tried to dam the waters that fed Lake Kinneret, but Israel destroyed the dams as one of the events leading to the 1967 Six-Day War. Since then, Syria has built 23 dams on the Yarmouk River, a tributary flowing into the Jordan River south of Lake Kinneret, affecting the water supplies of Israel and Jordan.

### **13 GOVERNMENT**

After independence, Syria made several attempts at establishing a constitution. The constitution of 1950 was revived in amended form in 1962 and then abrogated. A provisional constitution adopted in April 1964 was suspended in 1966 and replaced to some extent by a series of edicts. The fundamental law that emerged considered Syria a socialist republic forming part of the Arab homeland, required that the head of state be a Muslim, recognized Islamic law as a main source of legislation, ordained collective ownership of the means of production, but permitted some private ownership.

The constitution of 12 March 1973, embodying these principles and ratified by popular referendum, vests strong executive power in the president, who is nominated by the Ba'ath Party and elected by popular vote to a seven-year term. The president, who appoints the cabinet (headed by a prime minister), also serves as commander-in-chief of the armed forces and as secretary-general of the Ba'ath Party; three vice presidents were named in March 1984, including President Assad's younger brother Rifaat, who was dismissed from this post in 1998. The two other vice presidents named in 1984 were still in office in 2005. The unicameral People's Assembly (Majlis al-shaab) has 250 members who are elected every four years, but who have no real power. Suffrage is universal, beginning at age 18. Syria has been under a state of emergency since 1963 (except for 1973–74). Although Bashar Assad announced in January 2001 that the emergency law was “frozen” and “not applied,” the state of emergency still remained in force.

Bashar Assad began a seven-year term as president in July 2000 following his father's death that June. The next presidential election is scheduled to take place in 2007.

### **14 POLITICAL PARTIES**

The Arab Socialist Ba'ath Party is Syria's dominant political institution. It has a countrywide organization and controls mass organizations for youth, students, women, and the like. Only the Ba'ath may carry on political activity in the armed forces. It is far larger and more influential than the combined strength of its five partners in the National Progressive Front (NPF). This official political alignment, formed by President Hafez Assad in 1972, groups the Communist Party of Syria (SCP) and small leftist parties—the Syrian Arab Socialist Union (ASU), the Socialist Unionist Movement (ASUM), the Democratic Socialist Union Party (DSUP), and the Arab Socialist Party (ASP)—with the Ba'ath. The Ba'ath Party was founded in 1947 with the goals of Arab liberation, Arab unity, and socialism. Ba'athists attained control of the government in 1963, but the party became divided into two factions, a wing of doctrinaire socialists and a more pragmatic wing. Assad, then minister of defense and a strong nationalist, seized power in a bloodless coup in November 1970 and purged the doctrinaire Ba'athists from the government. The Ba'athists have relied on the minority Alawi sect, of which Assad was a member, and on the rural sector of the population generally. During his years as president, Assad appointed Ba'athist Alawis to influential positions in the government and in the military and security services. When Assad died on 10 June 2000, the Ba'ath Party held a party congress—its first since 1985—and elected Bashar Assad secretary-general. Bashar Assad succeeded his father as president the next month.

Hafez Assad, the sole presidential candidate for over 20 years, won national plebiscites by 99% majorities on 12 March 1971, 8 February 1978, 13 March 1985, 2 December 1991, and 10 February 1999. His son, Bashar, won in July 2000 by a vote of 8.6 million to 22,000. In elections on 1 December 1998, the Ba'ath won 135 seats; the ASU, 8; SCP, 8; ASUM, 7; ASP, 5; DSUP, 4; and independents, 83. In the March 2003 elections, the NPF won 167 seats (with the Ba'ath winning 135 seats once again), and independents held 83 seats. The next elections are scheduled to take place in 2007.

### **15 LOCAL GOVERNMENT**

Syria is divided into 14 provinces (*muhafazat*); every province has a governor (*muhafiz*) and council. Each province is in turn divided into districts (*mantiqat*), each headed by a *qaimmaqam*. Each district is further subdivided into subdistricts, each in the charge of a *mudir*. Governors are appointed by and are directly responsible to the authorities in Damascus.

### **16 JUDICIAL SYSTEM**

The Syrian legal system is based partly on French law and partly on Syrian statutes. Investigating magistrates determine whether a case should be sent to trial. Minor infringements are handled by peace courts, and more serious cases go to courts of first instance. There are civil and criminal appeals courts, the highest being the Court of Cassation. Separate state security courts have jurisdiction over activities affecting the security of the government. In addition, Shariah courts apply Islamic law in cases involving per-

sonal status. The Druze and non-Muslim communities have their own religious courts.

A Supreme Constitutional Court investigates and rules on petitions submitted by the president or one-fourth of the members of the People's Assembly challenging the constitutionality of laws or legislative decrees. This court has no jurisdiction to hear appeals for cases from the civil or criminal courts.

The constitution provides for an independent judiciary. The regular court system is independent; however, the state security courts are not completely independent from the executive.

There are no jury trials. The regular courts respect constitutional provisions safeguarding due process. The Supreme State Security Court tries political and national security cases. The Economic Security Court tries cases involving financial crimes. Both courts operate under the state-of-emergency rules overriding constitutional defendants' rights.

## 17 ARMED FORCES

In 2005, Syria's armed forces had 307,600 active personnel, supported by 354,000 reservists. The Army had 200,000 personnel, and included seven armored divisions, three mechanized infantry divisions, a Republican Guard division, four independent infantry brigades, three surface-to-surface missile brigades, two artillery brigades, one special forces division, and one border guard brigade. The Army had 4,600 main battle tanks, 800 reconnaissance vehicles, 2,200 armored infantry fighting vehicles, over 1,600 armored personnel carriers, and 3,150 artillery pieces, in addition to sophisticated antitank and antiaircraft weapons. The Syrian Navy had 7,600 active personnel, with major naval units that included two frigates, 20 patrol/coastal vessels, and five mine warfare ships. The naval aviation arm operated 25 attack and 25 antisubmarine warfare helicopters. The nation's Air Force had 40,000 personnel, with 632 combat-capable aircraft, including 390 fighters and 126 fighter ground attack aircraft. The service also had 71 attack helicopters. The Air Defense Command had an estimated 60,000 personnel with 25 air defense brigades and two Surface-to-Air Missile (SAM) regiments, which included 4,707 surface-to-air missiles. Paramilitary forces included a gendarmerie of 8,000 and a workers' militia with an estimated 100,000 members. In 2005, the military budget totaled \$1.72 billion. Syria, in that same year, removed its 18,000 troops in Lebanon. A total of 150 Russian troops were stationed in Syria.

## 18 INTERNATIONAL COOPERATION

Syria is a founding member of the United Nations (UN), having joined on 24 October 1945, and belongs to ESCWA and several nonregional specialized agencies, such as the FAO, the World Bank, UNSECO, UNIDO, the ILO, and the WHO. Syria served on the UN Security Council from 2002 to 2003. It is a charter member of the Arab League, set up in 1945 to foster cooperation in foreign and domestic affairs. Syria also belongs to the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Council of Arab Economic Unity, G-24, G-77, the Islamic Development Bank, the Organization of the Islamic Conference (OIC), and OAUPEC.

Syria is a member of the Nonaligned Movement. Despite a long history of tense relations, Syria established full diplomatic relations with Egypt in 1989. Lebanon and Syria signed a treaty of

brotherhood, cooperation, and coordination in 1991. Syria and Israel have a strained relationship based on Syria's support of the Palestinian cause. Syria cooperated with the US-led multinational coalition of forces in the Gulf War (1990–91) and has offered limited cooperation in the war on terrorism.

In environmental cooperation, Syria is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Despite repeated announcements of economic reforms, Syria's economy continues to be dominated by the state, with the government budget acting as the principle tool for managing the economy. In 2002, the government announced that its program for privatization had been replaced by a priority on making state enterprises more efficient.

Statistics on the Syrian economy are subject to government manipulation and revision, and may be inaccurate and inconsistent. Traditionally, Syria is an agricultural economy, and by 2001 estimates, this sector accounted for 40% of the labor force and 27% of gross domestic product (GDP). Subsistence agriculture has given way to modern production and marketing methods, although 80% is still rain-fed and vulnerable to drought. Droughts in 1997 and 1999 were significant factors lowering GDP growth. Wheat and barley constitute two-thirds of the cultivated area but cotton is the main cash crop.

Development of the state-owned oil industry and exploitation of other mineral resources, notably phosphates, have helped to diversify Syrian industry, which was formerly concentrated in light manufacturing and textiles. Although Syria's oil production is small by Middle Eastern standards, in 2001 oil accounted for 70% of Syria's exports and 20% of its GDP. Syria became an oil exporter in 1987, but at present levels of proven reserves it will become an importer again within 10 years.

Economic growth in Syria has depended on oil prices, foreign aid, and good weather. Low oil prices and drought dampened growth in the late 1980s, but in the first half of the 1990s, due to increased oil production, recovery from drought and nearly \$5 billion in foreign aid as a "reward" for its participation in the Gulf War combined to help the economy to register average annual growth rates of 5.3% in the late 1990s. Oil production peaked in 1996 at about 600,000 bbl/d, after which it declined due to technical problems and depletion. Modest growth was restored in 2000 and 2001 (about 2.1% and 2.0%, respectively) with the increase in oil prices. For 2002, real GDP growth was an estimated 3.2%.

On 14 July 1998 Iraq and Syria signed a memorandum of understanding reopening the Iraqi Petroleum Co. (IPC) pipeline built in 1934 connecting the Kirkuk oil fields with the Syrian port of Baniyas on the Mediterranean. Syria had closed the pipeline in 1982 when it broke off diplomatic relations with Iraq and shifted to Iran as an oil supplier. The IPC pipeline had been severely damaged during the Gulf War, and it was not until March 2000 that it was reported serviceable. In mid-November 2000, numerous press reports began circulating claiming that the IPC pipeline was being used to ship Iraqi oil to Syrian refineries on favorable terms, allowing Iraq to obtain oil revenues above the limits set by the United Nations Oil-for-Food program. Iraq and Syria denied

the allegations, but according to the US Department of Energy (DOE), independent analysts determined that Syria's export levels of crude oil in 2001 could not have been attained without importing from Iraq in the range of 150,000 and 200,000 bbl/d. In November 2001, Iraq and Syrian reportedly signed an agreement on building a new \$200 million pipeline to replace the aging IPC line. In April 2003, as part of the invasion of Iraq, American troops shut down the IPC pipeline. The cost to Syria of the shutdown was estimated at \$500 million to \$1 billion a year.

The GDP growth rate was estimated at 1.5% in 2005, down from 1.8% in 2004, and 2.6% in 2003. The inflation rate has been fairly stable, and at 2.6% in 2005, it did not pose any major problems to the economy. The unemployment rate has been fairly stable, hovering around 2.5%. The government has implemented modest economic reforms, but most of the economy continues to be under its control. Declining oil production and population growth pressure on water supplies are long term problems that the country needs to deal with.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Syria's gross domestic product (GDP) was estimated at \$63.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$3,500. The annual growth rate of GDP was estimated at 1.4%. The average inflation rate in 2005 was 2.6%. It was estimated that agriculture accounted for 25% of GDP, industry 31%, and services 44%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$618 million (about \$4 per capita) and accounted for approximately 2.9% of GDP. Foreign aid receipts amounted to \$160 million (about \$9 per capita) and accounted for approximately 0.8% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Syria totaled \$13.88 billion (about \$80 per capita) based on a GDP of \$21.5 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.3%. It was estimated that in 2004, about 20% of the population had incomes below the poverty line.

## 21 LABOR

The Syrian labor force is well educated and well trained in comparison with that of other Arab countries, but its size is small because about half the population is under 15 years of age and because many skilled workers are employed abroad in Organization of the Petroleum Exporting Countries (OPEC) member nations. Syria's labor force in 2004 was estimated at 5.12 million. As of 2002, it was estimated that agriculture accounted for 30% of the workforce, with 27% in industry and 43% in the services sector. There is a high level of underemployment, with unemployment in 2002 estimated at 20%. Many unskilled persons in agriculture and industry work only seasonally. The government is attempting to

meet the demand for trained workers by establishing vocational schools.

The statutory workweek is 36 hours. In 2002, the minimum wage was \$57 per month in the public sector and between \$49 and \$53 per month in the private sector. The law mandates one day of rest per week. These regulations are enforced through the minister of labor and social affairs. Generally, the legal minimum age for employment is 16 years, with some exceptions. The Labor Law of 1959 established the right of workers to form unions and empowered the government to regulate hours of work, vacations, sick leave, health and safety measures, and workers' compensation. However, unions must belong to the government's bureaucratic labor confederation. The confederation acts merely as a conduit to transfer directives from government decision makers to unions and workers. Thus, there is no meaningful right to strike or bargain collectively. The government also is authorized to arbitrate labor disputes.

## 22 AGRICULTURE

About 6.1 million hectares (15.1 million acres) are arable, but the area actually cultivated is about 5.4 million hectares (13.6 million acres), or 30% of the total area. Because only 25% of cultivated land is irrigated, agriculture depends on rainfall, which is uncertain, and in lean years Syria becomes a net importer of wheat and barley; this strains the whole economy and hampers development. The government has two approaches to this problem: to increase the use of fertilizers in low rainfall areas and to add substantially to irrigated cultivation. The irrigated area was expected to double through the Euphrates Dam project, which was completed in 1978. Lake Assad, formed by the dam, was planned to eventually provide irrigation for some 640,000 hectares (1,581,000 acres). Costs of land reclamation, technical difficulties due to gypsum in the soil, and low water, in part caused by Turkish damming upstream, have slowed progress. Total irrigated area reached an estimated 1,333,000 hectares (3,294,000 acres) in 2003. The government has allocated an increasing share of its investments to irrigation, but full development of irrigation schemes is expected to take at least another 20 years. However, given the current water management policies, Syria could face a serious water shortage much sooner.

Traditionally, much of Syria's agricultural land was held by landowners in tracts of more than 100 hectares (250 acres); sharecropping was customary. This picture was greatly altered by the government's agrarian reform program, begun in 1958. The law, as modified in 1963, fixed the maximum holding of irrigated land at 15–50 hectares (37–124 acres) per person and nonirrigated land at 80 hectares (198 acres) per person. All expropriated land available for cultivation has been allotted to farmers.

The principal cash crop is cotton, but cotton's share of total export value declined from 33% in 1974 to 2.3% by 2004. Other cash crops are cereals, vegetables, fruit, and tobacco. Since the government suspended convertibility of the Syrian pound, grain and other agricultural products have been smuggled to Lebanon in exchange for goods not available through the state importing agencies. Production (in thousands of tons) for major agricultural commodities in 2004 was as follows: wheat, 4,537; barley, 527; corn, yellow, 180; tomatoes, 920; potatoes, 500; olives, 950; grapes,



300; apples, 215; oranges, 427; cotton lint, 331; seed cotton, 1,023; sugar beets, 1,250; and tobacco, 26.5.

### 23 ANIMAL HUSBANDRY

Grazing land occupies 8.3 million hectares (20.5 million acres), or about 45% of Syria's total area. Stock raising contributes significantly to the Syrian economy. Between 1963 and 1981, livestock herds more than doubled in number, and since 1975, the number of model farms, veterinary units, and livestock artificial insemination centers has increased considerably.

Sheep are the most important livestock animals in Syria, grazing on poorly developed wheat and barley fields and on the remains of crops such as wheat and corn. In 2005, there were an estimated 15.3 million sheep. Mutton production was an estimated 207,000 tons in 2005; sheep milk production, 604,000 tons. The price of mutton of the Awassi breed, which is in high demand in Syria, was about 35% higher than beef in the mid-1990s.

There were also 1,018,000 goats, 940,000 head of cattle, 15,000 camels, 2,800 buffaloes, and 30,000,000 chickens in 2005. Animals and animal products account for 40% of total agricultural output by value. Production of cow's milk in 2005 totaled 1,250,000 tons; cheese, 95,400 tons; butter and ghee, 16,300 tons; and eggs, 167,000 tons.

### 24 FISHING

There is some fishing off the Mediterranean coast and from rivers and fish farms. The commercial catch was 16,128 tons in 2003, with common carp and tilapia from inland waters accounting for 40%.

### 25 FORESTRY

Syria is almost entirely denuded of native forests. Approximately 461,000 hectares (1,139,000 acres) were forestland in 2000, but only about 50,000 cu m (1.77 million cu ft) of roundwood were produced in 2004. Most of the designated forestland consists either of wholly barren land or of rangeland with arboreous shrubs. The substantial forests are mainly on the northern slopes of the Ansariyah range, on the windward side of the Anti-Lebanon Mountains, and in the Al Lādhiqiyah region.

### 26 MINING

Syria's mineral resources are not extensive, but deposits of iron, petroleum, and phosphate have been exploited. Syria is a leading exporter of phosphate rock, while petroleum has become a leading source of foreign currency earnings. In 2003, the production of phosphate rock (gross weight) totaled 2,414,000 tons, down from 2,483,000 million tons in 2002. Other mineral deposits include asphalt, salt, chromite, and marble. Marble and salt were mined in commercial quantities. In 2004, an estimated 340 metric tons of marble blocks were quarried, with salt output in that same year estimated at 146,000 metric tons. Syria also produces hydraulic cement, refractory-grade dolomite, natural gas, natural gas liquids, gravel and crushed rock, gypsum, nitrogen, phosphatic fertilizers, phosphoric acid, construction and industrial sand, steel, dimension stone, sulfur, and volcanic tuff. No metal was mined in 2003. Deposits of silica sand in al-Qaristyn had resources of 150 million tons. The mineral industry is owned and controlled by the government. In 2001, the government announced its intention to

open the mineral industry to local and foreign private investors. The rapid expansion of the construction sector in the near future is expected to increase Syria's demand for cement, gypsum, limestone, gravel, sand, and steel.

### 27 ENERGY AND POWER

Syria's proven reserves of oil have made it the largest oil producer in the eastern Mediterranean region (includes Israel, Jordan and Lebanon). It also has reserves of natural gas, but no known reserves of coal.

As of 1 January 2005, Syria had proven oil reserves estimated at 2.5 billion barrels. In 2004, oil production and domestic consumption averaged an estimated 460,000 barrels per day and 265,000 barrels per day, respectively. In that same year, Syria's oil exports averaged 195,000 barrels per day. In 1996, Syria's oil output peaked at 590,000 barrels per day, and has been declining as reserves have become depleted, and as older fields reach maturity. Production of oil is expected to steadily decline in upcoming years, and if the trend continues, the country could become a net importer of oil within 10 years, as consumption increases as the population grows. As of 2000, however, it was estimated that only 36% of Syria's potential oil and gas deposits had been drilled.

Syria has two refineries, one at Himş, and the other at Banias. Reported as of August 2005, each refinery has an average production of 107,140 barrels per day and 132,725 barrels per day, respectively.

As of 1 January 2005, Syria's proven reserves of natural gas were estimated at 8.5 trillion cu ft. In 2003, natural gas production and domestic demand were each estimated at 245 billion cu ft. About 50% of the country's natural gas production is nonassociated with the production of oil. Also, Syria's production of natural gas is expected to increase as part of a strategy to replace the use of oil with natural gas to generate electric power, thus freeing up more oil for export.

As of 2003, Syria's installed electric power generating capacity totaled about 7.6 GW, of which 1.5 GW was came from hydroelectric capacity and the rest from natural gas and fuel oil. In 2003, Electric power output was estimated at 27.2 billion kWh, with demand estimated at 25.3 billion kWh.

### 28 INDUSTRY

Syria has been renowned since ancient times for such handicrafts as Damascus brocade and Syrian soap. Some of these traditions endured even after 1933, when the first mechanized plant for spinning and weaving was set up in Aleppo. In 1965, the textile industry was nationalized and reorganized into 13 large state corporations. A series of nationalization measures after 1963 resulted in public control of most industry, but efforts have been made to stimulate the expansion of the private sector, as state-owned industries suffer from low productivity. In the 1970s, government policy began emphasizing domestic industrial production (coupled with high tariffs on imported consumer goods) of iron and steel, fertilizers, chemicals, and household appliances. In 1995, manufacturing and mining accounted for 14% of GDP. By 2000, this proportion had reached 23%. In 2002, the government announced that priority

would be shifted from efforts to privatize the state-owned enterprises (SOEs) to continued efforts to increase their efficiency.

Important industries include the chemical and engineering industries, the food industry, and oil refining. The largest component of the General Establishment of Chemical Industries (GECI) is the cement industry, which is considered strategic and wholly state owned. The General Organization for Cement and Building Materials consists of seven state-owned but independently operated cement companies. The total capacity in 2001 was about 5 million tons per year, with government plans to increase this to 8 million tons per year. Another subsidiary of GECI is the General Fertilizer Co. (GFC). It has two nitrogenous fertilizer plants and one phosphate-based unit, all located at Himş. Under construction in 2002 was a 500,000 ton/year triple-superphosphate plant near Palmyra being built by Bechtel and Makad International. Also planned is a 450,000 nitrogenous complex near Hasaka to use natural gas from the Omar field in northeast Syria. Syria's fertilizer industry rests on its ample deposits of natural gas and phosphates, and produces ammonia, urea and nitrogenous fertilizers. Syria also has an iron-rolling mill at Himş and factories producing furniture, refrigerators, paper, glass and plastic products, and television sets. Some 70,000 tons of crude steel were produced in 1995. Syria has a total refinery capacity of 239,860 barrels per day from two refineries: a 132,725 barrels per day capacity refinery at Baniyas and a 107,140 barrels per day capacity refinery at Himş. Plans to upgrade both have been announced.

The industrial production growth rate was 7% in 2002 (higher than the GDP growth rate), establishing the industrial sector as a growth engine. In 2003, industry accounted for 31% of the GDP, and was bested by services with 44%. Out of the 5.1 million working people, 27% were engaged in industrial activities, 43% in services, and 27% in agriculture.

### 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Courses in basic and applied science are offered at Al-Baath University (founded in 1979 at Himş), the University of Aleppo (Halab) (founded in 1960), the University of Damascus (founded in 1903), and Tishreen University (founded in 1971 at Lattakia). In 1987–97, science and engineering students accounted for 23% of college and university enrollments. Major scientific research institutions in Syria include the International Center for Agricultural Research in the Dry Areas (ICARDA), founded in 1977 at Aleppo and the Arab Center for the Study of Arid Zones and Dry Lands (ACSAD), founded in 1971 at Damascus. The country's advanced petrochemical technologies have been installed by foreign oil companies. In early 1987, an estimated 2,500 Soviet military technicians were stationed in Syria; civilian personnel also provided assistance in various fields. For the period 1990–2001, there were 29 researchers and 24 technicians engaged in research and development per million people. In 2002, high technology exports were valued at \$2 million, or 1% of the country's manufactured exports.

### 3<sup>0</sup> DOMESTIC TRADE

Damascus and Aleppo are the principal commercial centers. Virtually all importers, exporters, and wholesalers have offices in one or both cities. The chief retail centers have general and specialized stores as well as large bazaars. Smaller bazaars and open markets

are found in many Syrian towns and villages. Advertising agencies use newspapers, magazines, moving picture theaters, signs on buses, and other media.

The Syrian government cracked down on smuggling in May 1993. Most of the previously smuggled commodities can now be imported through official channels. Commodity smuggling from Lebanon, however, is still present and provides an "unofficial market" for imported products at the free market exchange rate reflective of world price levels.

Usual business hours are from 9 AM to 1 PM and from 3:30 PM to 7 PM. Friday is the weekly day of rest. Banking hours are Saturday–Thursday, 8 AM to 2 PM.

The Damascus International Fair and the Syrian Industrial Marketing Fair are annual events.

### 3<sup>1</sup> FOREIGN TRADE

During the 1980s, Syria focused on increasing its trade with socialist nations. However, when the Soviet Union broke apart in 1991, Syria increased trade with European nations. In 2000, the European Union (EU) countries took 66% of exports and supplied 31% of imports, while countries of the Middle East took 28% of exports and supplied 14% of imports. Syria's main export commodities are crude petroleum (69%) and refined petroleum products (7.0%). Other exports include cotton (4.3%), vegetables (2.9%), garments (2.8%), and fruits and nuts (2.0%).

In 2005, exports reached \$6.3 billion (FOB—Free on Board), while imports grew to \$6.0 billion (FOB). In 2004, the bulk of exports went to Italy (22.7%), France (18%), Turkey (12.9%), Iraq (9%), and Saudi Arabia (6.2%). Imports included machinery and transport equipment, food and livestock, metal and metal products, and chemicals, and mainly came from Turkey (9.4%), the Ukraine (8.7%), China (7.8%), Russia (5.4%), Saudi Arabia (5.2%), the United States (4.7%), South Korea (4.6%), and Italy (4.3%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Syria has had serious deficits in its trade balance since 1976, but import restrictions, foreign aid (especially from other Arab governments), and the drawdown of foreign exchange holdings enabled the government to cover the losses. Since the late 1980s, the

#### Principal Trading Partners – Syria (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	5,730.7	5,110.6	620.1
Italy-San Marino-Holy See	1,900.3	215.8	1,684.5
France-Monaco	823.3	132.6	690.7
Turkey	430.7	291.9	138.8
Saudi Arabia	339.2	203.2	136.0
Lebanon	230.8	80.9	149.9
Spain	224.5	63.9	160.6
United States	212.2	255.7	-43.5
Cyprus	186.6	...	186.6
Jordan	141.0	58.6	82.4
United Kingdom	119.4	63.4	56.0

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Syria (2002)**

(In millions of US dollars)

<b>Current Account</b>		<b>1,440.0</b>
Balance on goods	2,210.0	
Imports	-4,458.0	
Exports	6,668.0	
Balance on services	-324.0	
Balance on income	-925.0	
Current transfers	479.0	
<b>Capital Account</b>		<b>20.0</b>
<b>Financial Account</b>		<b>-250.0</b>
Direct investment abroad	...	
Direct investment in Syria	115.0	
Portfolio investment assets	...	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	1,180.0	
Other investment liabilities	-1,545.0	
<b>Net Errors and Omissions</b>		<b>-160.0</b>
<b>Reserves and Related Items</b>		<b>-1,050.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

government has been encouraging private-sector trade. Private-sector exports consequently skyrocketed from \$79 million in 1987 to \$517 million in 1990, thus reducing the trade deficit. An upturn in world oil prices at the end of the 1990s and into the early 2000s and an improvement in the country's agricultural exports greatly improved the balance of payments situation.

The US Central Intelligence Agency (CIA) reported that in 2001, the purchasing power parity of Syria's exports was \$5 billion, while imports totaled \$4 billion, resulting in a trade surplus of \$1 billion.

The International Monetary Fund (IMF) reported that in 2000, Syria had exports of goods totaling \$5.15 billion and imports totaling \$3.7 billion. The services credit totaled \$1.7 billion and debit \$1.67 billion.

Exports of goods and services totaled \$6.4 billion in 2004, down from \$6.6 billion in 2003. Imports grew from \$7.0 billion in 2003, to \$7.2 billion in 2004. The resource balance was consequently negative, and on a downward path—from -\$354 million in 2003, to -\$495 million in 2004. An opposite trend was registered for the current account balance, which improved from -\$477 million in 2003, to \$514 million in 2004. Foreign exchange reserves (including gold) increased to \$4.3 billion in 2004, covering more than seven months of imports.

**33 BANKING AND SECURITIES**

Syria's financial services sector is underdeveloped. Besides the Central Bank, there are five banks in the country, all of which are state run. The Central Bank, founded in 1956, is the bank of issue for currency, the financial agent of the government, and the cashier for the treasury. The Agricultural Bank makes loans to farmers at low interest; the Industrial Bank (nationalized in 1961), the People's Credit Bank and the Real Estate Bank (both founded in 1966), and the Commercial Bank of Syria (formed in 1967 by a merger of five nationalized commercial banks) make loans in their

defined sectors. Unused Syrian pounds cannot be sold back to the Commercial Bank, and the private exchange of foreign currencies and Syrian pounds is a criminal act. These strict currency controls are the largest disincentives to investment and foreign trade. So decrepit is the country's financial services sector that most Syrian businessmen and foreigners use banks in either Lebanon or Cyprus. Foreign diplomats in Damascus, for instance, use accounts in the Chtaura, in Lebanon's Beqaa valley, around one hour by car from Damascus.

Private-sector groups have called for reforms such as private participation in banking, the creation of a stock exchange, and separation of the Central Bank of Syria from the government. Privatization of banks, which had been prohibited for 30 years, arrived in 2001 with new banking reform laws. The country's four banks are all owned by the government and interest rates are fixed by law. In March 2001, President Bashir issued Law 28, authorizing the establishment of private and joint-venture banks, with foreigners permitted up to 49% ownership. To date, none has been established, but in January 2003 the government identified five banks to be licensed in the third quarter.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$37.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$62.0 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 5%.

**34 INSURANCE**

All insurance in Syria was nationalized in 1963 and is controlled by the government-owned General Insurance Organization of Syria (formerly the Syrian Insurance Co.). Motor vehicle insurance is compulsory. In 1999, \$337.2 million in premiums were written in Syria. Twenty-two million was spent on these premiums, making the insurance sector's share of the gross domestic product 0.40%.

**35 PUBLIC FINANCE**

Although Syria was able to balance its budget in 1992, large military expenditures and continued subsidization of basic commodities and social services have produced deficits in subsequent years. State intervention in business and price controls put a damper on growth.

The US Central Intelligence Agency (CIA) estimated that in 2005 Syria's central government took in revenues of approximately \$5.6 billion and had expenditures of \$6.5 billion. Revenues minus expenditures totaled approximately -\$836 million. Public debt in 2005 amounted to 45% of GDP. Total external debt was \$8.59 billion.

The International Monetary Fund (IMF) reported that in 1999, the most recent year for which it had data, central government revenues in millions of Syrian pounds were 196,096 and expenditures were 190,300. The value of revenues in millions of US dollars was \$17,470 and expenditures \$16,953, based on a principal exchange rate for 1999 of 11.225 as reported by the IMF. Government outlays by function were as follows: general public services, 12.9%; defense, 23.6%; economic affairs, 44.0%; housing and community amenities, 1.0%; health, 2.3%; recreation, culture, and religion, 1.5%; education, 9.2%; and social protection, 5.3%.

### Public Finance – Syria (1999)

(In millions of Syrian pounds, central government figures)

<b>Revenue and Grants</b>	<b>196,096</b>	<b>100.0%</b>
Tax revenue	142,748	72.8%
Social contributions	531	0.3%
Grants	...	...
Other revenue	52,817	26.9%
<b>Expenditures</b>	<b>190,300</b>	<b>100.0%</b>
General public services	24,559	12.9%
Defense	44,984	23.6%
Public order and safety	...	...
Economic affairs	83,810	44.0%
Environmental protection	...	...
Housing and community amenities	1,910	1.0%
Health	4,459	2.3%
Recreational, culture, and religion	2,937	1.5%
Education	17,533	9.2%
Social protection	10,108	5.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 36 TAXATION

Relatively low salaries have kept the tax base narrow, and price controls have restricted the taxable profits from industry. By decree in 2001, the president raised the minimum exemption for income taxes to s£1,000 (about \$22). There are taxes on individual income (at progressive rates of 5–12.5%).

Business profits are taxed at progressive rates of 10% to 35%. Shareholding companies and industrial limited liability companies are taxed at a flat rate of 25%, if an investment in machinery and plant in excess of s£5 million is made. Capital gains are included in taxable income are taxed at the applicable corporate rate. However, capital gains resulting from the sale of shares by the shareholder are not taxed. Dividends distributed by Syrian companies are not subject to a withholding tax if paid out of profits that have already been taxed. For Syrian and non-Syrian companies and individuals, income from movable capital (interest, royalties, and foreign sources of dividends) are taxed at a flat rate of 7.5%. There is no general sales tax, but consumption taxes are assessed on specific items such as petrol, rice and sugar. Other taxes include excise taxes, property taxes, stamp duties, and social security contributions.

### 37 CUSTOMS AND DUTIES

Goods imported into Syria are subject to a customs duty and “unified” tax. Rates are progressive and, as of 2005, ranged from 1–200% depending on the government’s view of the necessity for the products. Food and industrial raw materials carry low rates while luxury goods, such as automobiles, have rates of 150–200%. The unified tax is a surcharge on all imported goods and ranges from 6–35%. The tax helps to support the military, schools, and municipalities.

Syria has free-trade agreements with Bahrain, Kuwait, Iraq, Jordan, Lebanon, Qatar, Sudan, Saudi Arabia, and the United Arab Emirates. Trade agreements with Libya, Morocco, Oman, and Tu-

nisia are in negotiations. There is a single-column tariff modified by trade and transit agreements with other Arab League states, under which member countries are granted preferential duties on some products and duty-free entry for others. Syria accepts the Arab League boycott of Israel.

### 38 FOREIGN INVESTMENT

Although a government decree prohibits confiscation of foreign investments, there are no safeguards against nationalization of property. In principle, the judicial system upholds the obligations of contracts but in practice decisions are subject to outside pressures. In addition, poor infrastructure, power outages, lack of financial services, and complex foreign exchange regulations have all contributed to Syria’s failure to attract significant amounts of foreign investment. Four major pieces of legislation have been passed to encourage foreign investment. Decision 186, issued in 1985, was aimed at encouraging investment in tourism. Decree 10 in 1986 was designed to encourage joint-venture agricultural companies. In June 1991, in the wake of the Gulf War, the government issued Investment Law 10, aimed at promoting investment in all sectors of the economy by providing the same incentives to local and foreign investors. Qualifying investors are granted tax holidays and duty-free privileges for the import of capital goods. The law succeeded in attracting investments particularly in textiles, pharmaceuticals, food processing, and other light industries. The primary investors have been from the Gulf states. In 1999, it was estimated that nearly 1,500 projects valued at \$6.5 billion had been approved since the reforms of 1991. In May 2000, Decree 7 amended Law 10 of 1991 to make investment more attractive by extending tax holiday periods, increasing hard currency flexibility, reducing income taxes on shareholding companies, and offering sector and regional incentives. A tax holiday of five years is extended to seven years for enterprises that export over 51% of their output.

The most significant foreign investment in Syria had been in gas and oil. In 1990, 12 foreign oil firms had operations in Syria, but as of mid-2002, only five remained—Shell, Total-Fina-Elf, Mol (Hungary), INA-Naftaplin (Croatia) and Conoco. Other foreign investors include Mitsubishi, Samsung, Mobil, Nestlé, and Prince Walid Bin Talal of Saudi Arabia. Foreign investment is complicated by Syrian requirements of import and export licenses on every item imported and then reexported, no matter the value, and by US sanctions on supplying Syria any “dual” use items such as computers and oil exploration equipment. Despite a recent 20% increase, the average wage in the public sector remains below minimum subsistence levels, and provides a strong motivation for widespread corruption. In 2002, an increasingly strict enforcement of the Arab League’s boycott of Israeli goods added more complications to obtaining supplies and more layers of red tape. US government insurance programs for foreign investors, such as OPIC, are not available for investors in Syria, and the country is on the State Department’s list of sponsors of terrorism. USAID ended assistance to Syria in 1983, and financing cannot be obtained through government agencies like the Export-Import Bank. There are six duty-free zones in Syria: near the border town of Dar’a (a joint venture with Jordan), north of Damascus at Adra, in Damascus, at the Damascus Airport, and at the ports of Al Lādhiqiyah and Tartus. According to official estimates, there were 350 foreign

and joint-venture investment projects in the country as of 2002, with a total value of about \$3 billion.

### 39 ECONOMIC DEVELOPMENT

The transformation of Syria's economy began with the Agrarian Reform Law in 1958, which called for the expropriation of large tracts of land. During the union with Egypt, laws were passed for the nationalization of banks, insurance companies, and large industrial firms. After the Ba'ath Party came to power in 1963, the socialist trend reasserted itself with greater force. A series of laws created a new banking system and instituted public ownership of all large industries. By the early 1970s, however, the government had relaxed many restrictions on trade, foreign investment, and private-sector activity in an effort to attract private and foreign, especially Arab, contributions to Syria's economic growth.

Since 1961, a series of five-year plans has concentrated on developing the nation's infrastructure and increasing agricultural and industrial production. Investments reached 60% of the target under the first plan (1961–65); the second plan (1966–70) aimed to expand real GDP by 7.2% annually but achieved a yearly growth rate of only 4.7%. The third plan (1971–75) was disrupted by the 1973 Arab-Israeli War, but thanks to aid from other Arab states and large oil price increases, Syria experienced an economic boom with a high annual growth rate of 13%. The fourth plan (1976–80) was hampered by the high cost of Syria's military intervention in Lebanon and a cutoff of aid from Gulf states; economic growth varied widely, from 2.8% in 1977 to 9.2% in 1980.

Under the fifth plan (1981–85), development projects begun during the previous plan were to be continued or completed. Total investment was estimated at \$101 billion, of which 23% was to be provided by the private sector. Real GDP was to grow by 7.7% annually; actual growth rates ranged from 10.2% in 1981 to 3.6% in 1984, averaging 2.3% for the period.

Syria's sixth development plan (1986–90) emphasized increased productivity rather than new projects, with special emphasis on agriculture and agro-industries. Actual investment in agriculture accounted for 18.7% of total spending. The share of the industry and energy sector was at 19.7%, far below the planned 30.9%. Services received the highest share, with 53% of the total.

The seventh five-year plan (1991–95) proposed total investments of \$259 billion, more than double the amount spent under the previous plan. It aims at spending 81.7% of the total on the public sector and 18.3% on the mixed-sector/private-sector cooperatives. Officials at the Supreme Planning Commission have stated that agriculture and irrigation continue to receive top priority, with self-sufficiency in cereal production a policy objective. Output in agriculture and manufacturing is planned to expand by 5.6% per annum.

During 1949–86, multilateral assistance to Syria totaled \$822.7 million, of which 77% came through the IBRD. US loans and grants during the same period amounted to \$581.9 million. Financial aid to Syria from Arab oil-producing states has not been made public. Since 1982, Syria has received a million tons of oil annually from Iran, free of charge. Because Syria is in arrears on payments to the World Bank, disbursements were halted in 1988 and projects canceled. Syria has been in violation of the Brooke Amendment since 1985. The improvement in Syria's external payment position in 1989 as well as the resumption of aid flows to

Syria in 1990 due to its participation in the coalition against Iraq helped to restore its ability to repay its debt.

The outlook for the economy in the coming years is not very encouraging. GDP is expected to expand by meager rates of under 1.5% per year. This trend is caused by declining oil production, a hostile political environment, and an incapacity of the government to attract much needed foreign investment.

### 40 SOCIAL DEVELOPMENT

A system of social insurance provides old-age pensions and disability and death benefits. The pension system is funded by 14% contributions from employers and 7% from employees. Retirement is set at age 60 with 180 months of contributions, or age 55 with 240 months. Survivors' pensions are paid to widows only; widowers are covered only if disabled. Employers also contribute 3% of payroll to fund workers' compensation providing temporary and permanent disability benefits, as well as medical and survivor benefits. Funeral grants amount to one month's earnings.

Although the government supports equal pay for equal work and encourages education for women, Islamic precepts govern many areas of women's lives, including marriage, divorce, child custody, and inheritance. Some secular laws also discriminate against women. Victims of domestic violence do not seek redress due to social stigma, and there are no reliable statistics regarding abuse and rape. Children's rights are generally protected.

The human rights situation is poor and fundamental rights are denied. Arbitrary arrest and incommunicado detention are common. Detainees' relatives are also arrested to force confessions. Torture is common. Public criticism of the Ba'ath Party or of government officials is not permitted. Local human rights organizations are banned, although one international organization was allowed to conduct a limited fact-finding mission.

### 41 HEALTH

In 1947, Syria had only 37 hospitals, with a total of 1,834 beds, but by 1985, the number of hospitals had increased to 195, with 11,891 beds. The government also maintains mobile hospital units, modern laboratories, x-ray centers, sanatoriums, and dispensaries. In 2004, there were an estimated 140 physicians, 72 dentists, 52 pharmacists, and 140 nurses per 100,000 people. In 1993, about 99% of the population had access to health care services. Total health care expenditure was estimated at 2.5% of GDP.

Since World War II, malaria has been virtually eliminated with the aid of the World Health Organization, but intestinal and respiratory diseases associated with poor living conditions are still common, particularly in rural areas. Cases of malaria, tuberculosis and leprosy persist. Approximately 80% of the population had access to safe drinking water and 90% had adequate sanitation.

As of 2002, the crude birth rate and overall mortality rate were estimated at 30.1 and 5.1 per 1,000 people, respectively. About 45% of married women (ages 15 to 49) used contraception. In 2005, the infant mortality rate was 29.53 per 1,000 live births. Maternal mortality was 110 per 100,000 live births. Average life expectancy was 70.03 years in 2005. Immunization rates for children up to one year old were tuberculosis, 100%; diphtheria, pertussis, and tetanus, 100%; polio, 100%; and measles, 98%. Rates for DPT and measles were 94% and 97%, respectively.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 500 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

## 4<sup>2</sup> HOUSING

The 1981–85 development plan allocated s£2.6 billion to construction projects, including housing. According to the latest available information for 1980–88, total housing units numbered 1,670,000 with 6.4 people per dwelling. In 2000, there were about 2,824,845 dwellings.

## 4<sup>3</sup> EDUCATION

Elementary schooling is free and compulsory for nine years, which are covered in two stages (five years plus four years) of basic school. Secondary schools offer three-year programs in general (scientific or literary), technical, and vocational studies. The academic year runs from September to June.

In 2001, about 9% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 98% of age-eligible students. The same year, secondary school enrollment was about 43% of age-eligible students. It is estimated that about 87.5% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 24:1 in 2000; the ratio for secondary school was about 18:1.

Syria has four universities: the University of Damascus (founded in 1923); the University of Aleppo (Halab, 1960); Tishrin University (Al Lādhiqiyah, 1971); and Al-Ba'ath University in Himş (Homs, 1979). In 1995, all higher-level institutions had a total of 4,733 teachers and 215,734 students. The adult literacy rate for 2004 was estimated at about 82.9%, with 91% for men and 74.2% for women.

As of 1999, public expenditures on education were estimated at 2.8% of GDP.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The Assad National Library, founded in 1984 in Damascus and an adjunct of the Arab Academy, has 262,000 volumes and is well known for rare books and manuscripts. The library of the University of Damascus has 169,000 volumes. The Al Zahiriah public library in Damascus has 100,000 volumes. There are also public libraries in Halab, Damascus, Himş, and Al Ladhīqiyah.

The most important museum is the National Museum in Damascus, founded in 1919. It contains ancient Oriental, Greek, Roman, Byzantine, and Islamic collections and houses the Directorate-General of Antiquities, established in 1947, which supervises excavations and conserves antiquities under the Antiquities Law. Also in Damascus, there is the Museum of Art and Popular Traditions and the Museum of Arabic Medicine and Science. There are small museums in Halab, Hama, Himş, Palmyra, Tartos, and other cities.

## 4<sup>5</sup> MEDIA

Nearly all communications facilities are owned and operated by the government, including the postal service, telegraph, tele-

phone, radio, and television. In 2003, there were an estimated 123 mainline telephones for every 1,000 people; over two million people were on a waiting list for telephone service installation. The same year, there were approximately 65 mobile phones in use for every 1,000 people.

The government-controlled Syrian Broadcasting Service transmits on medium wave and shortwave, and broadcasts in Arabic and 10 foreign languages. Syrian television has two stations. While there are a few private radio stations, they are not permitted to transmit any news or political information. Altogether, there were nine AM and one FM radio station in 1999, and 44 television stations. In 2003, there were an estimated 276 radios and 182 television sets for every 1,000 people. The same year, there were 19.4 personal computers for every 1,000 people. In 2002, there were 220,000 Internet users.

Most Syrian newspapers are published by government ministries and popular organizations. Principal dailies in Arabic (with 2002 circulations) include *Al-Ba'ath* (40,000), published by the Ba'ath Arab Socialist Party, *Tishrin* (50,000), and *Al-Thawrah* (40,000), all in Damascus. In 2000, the government authorized publication of the first private paper since 1963. That paper, *The People's Voice*, is published by the National Progressive Front (Communist Party). The Union Socialist Party has since published its own paper, *The Unionist*.

Though the constitution provides for free expression of opinion in speech and writing, in practice the government is reported to restrict these rights significantly. Written criticism of the president, the president's family, the Ba'ath Party, the military, and the regime are not permitted.

## 4<sup>6</sup> ORGANIZATIONS

Syria has chambers of commerce, industry, and agriculture, most of which are members of the Federation of Syrian Chambers of Commerce. The International Center for Agricultural Research in the Dry Areas is based in Aleppo. Other multinational groups based in Syria include the Arab Institute for Occupational Health and Safety and the Arab Inter-Parliamentary Union. The cooperative movement is well developed. There are some professional associations.

The most prominent cultural and educational organizations are the Arab Academy and the Arab Club for Information (Arabcin), both in Damascus. There are a number of sports associations promoting amateur competition for athletes of all ages in a variety of pastimes.

The General Women's Federation was established in 1967 as one of several organizations through which the Ba'ath Party has tried to mobilize popular energies and consolidate its control. Analogous groups include the General Union of Peasants, the General Federation of Trade Unions, the General Union of Students, and the Revolutionary Youth Organization.

There is a national chapter of the Red Crescent Society.

## 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Syria has many famous tourist attractions, such as the Krak des Chevaliers, a Crusaders' castle; Ra's Shamrah, site of the ancient

city of Ugarit; Ar-Rusafah, with its early Christian monuments and Muslim palace; and the ancient town of Dura Europus (now As-Salihyah). Palmyra, the capital of Queen Zenobia, is a fairly well-preserved ruin of an Arabo-Hellenic city. The Umayyad Mosque, which incorporates parts of the Byzantine Cathedral of St. John the Baptist, in Damascus, is popular. Syria's mountains and Mediterranean beaches also attract visitors.

A vaccination for meningitis is required for pilgrims traveling to Mecca for the annual Hajj. All travelers are strongly recommended to take precautions against malaria, typhoid, and meningitis. There were 4,388,119 foreign visitors to Syria in 2003, mainly from neighboring Middle Eastern countries. Hotel rooms numbered 16,966, with 38,928 beds that same year.

In 2005, the US Department of State estimated the daily cost of staying in Damascus at \$206.

#### 48 FAMOUS SYRIANS

Among the famous Syrians of earlier periods are Queen Zenobia of Palmyra (3d century AD), who led a series of military campaigns against the Romans in order to reopen trade routes; the philosopher Al-Farabi (Muhammad bin Muhammad bin Tarkhan abu Nasr al-Farabi, 872–950), considered by the Arab world as second only to Aristotle; the poet Al-Mutanabbi (Abu at-Tayyib Ahmad bin al-Husayn al-Mutanabbi, 915–65); the mystic philosopher Shihab ad-Din as-Suhrawardi (d.1191); and the theologian philosopher Taqi ad-Din Ahmad bin Taymiyah (1263–1328).

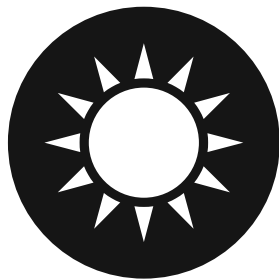
Of the Umayyad caliphs, Umar bin 'Abd-al-'Aziz (r.717–720) is still revered as a restorer of true Islam. In a later era, Nured-din (Nur ad-Din, 1118–74), ruler of Aleppo, annexed Damascus and brought Egypt under his control. By unifying Muslim forces against the Crusaders, he made possible the victories of the renowned Saladin (Salah ad-Din, 1138–93), sultan of both Syria and Egypt, whose tomb is in Damascus. Hafez al-Assad (Hafiz al-Assad, 1928–2000) ruled Syria from 1970–2000. His son, Bashar al-Assad (b.1965), was elected president unopposed after his father's death.

#### 49 DEPENDENCIES

Syria has no territories or colonies.

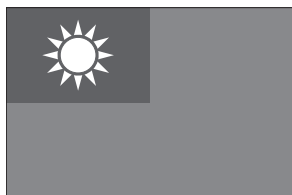
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# TAIWAN

Republic of China  
*Chung Hwa Min Kuo*



**CAPITAL:** T'aipei

**FLAG:** The flag is red with a 12-pointed white sun on the blue upper left quadrant. The 12 points of the sun represent the 12 two-hour periods of the day in Chinese tradition, and symbolize progress. The colors red, white, and blue represent the Three Principles of the people (San Min Chu I) of Sun Yat-sen, father of the Republic of China, and symbolize the spirit of liberty, fraternity, and equality.

**ANTHEM:** *Chung Hwa Min Kuo Kuo Ke (Chinese National Anthem).*

**MONETARY UNIT:** The new Taiwan dollar (NT\$) is a paper currency of 100 cents. There are coins of 50 cents and 1, 5, and 10 dollars, and notes of 50, 100, 500, and 1,000 new Taiwan dollars. NT\$1 = US\$0.03154 (or US\$1 = NT\$31.71) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is employed in government and industrial statistics. Commonly used standards of weights and measures are the catty (1.1 lb or 0.4989 kilograms), the li (0.5 kilometers or 0.31 miles), the ch'ih (0.33 meters or 1.09 feet), and the chia (0.97 hectare or 2.39 acres).

**HOLIDAYS:** New Year's Day and the Founding of the Republic of China (1912), 1 January; Youth Day (formerly known as Martyrs' Day), 29 March; Tomb-Sweeping Day and Anniversary of the Death of Chiang Kai-shek, 5 April; Birthday of Confucius and Teachers' Day, 28 September; National Day (Double Tenth Day), 10 October; Taiwan Retrocession Day, 25 October; Chiang Kai-shek's Birthday, 31 October; Sun Yat-sen's Birthday, 12 November; Constitution Day, 25 December.

**TIME:** 8 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Taiwan, the seat of the Republic of China, lies in the western Pacific Ocean astride the Tropic of Cancer, less than 161 km (100 mi) from the southeast coast of mainland China, from which it is separated by the Taiwan (Formosa) Strait. To the NE, less than 129 km (80 mi) away, is the W end of the Japanese Ryukyu Islands; to the E is the Pacific Ocean; the Philippine island of Luzon lies 370 km (230 mi) to the S.

Besides the island proper, Taiwan comprises 21 small islands in the Taiwan group and 64 islands in the Penghu (Pescadores) group; the total area is 35,980 sq km (13,892 sq mi). Comparatively, the area occupied by Taiwan is slightly larger than the states of Maryland and Delaware combined. Leaf-shaped Taiwan island extends 394 km (245 mi) NNE-SSW and 144 km (89 mi) ESE-WNW; it has a coastline of 1,566 km (973 mi). The Penghu group, lying 40 km (25 mi) west of Taiwan island, has a total area of 127 sq km (49 sq mi).

Also under the control of the Taiwan government are Quemoy (Chinmen) and Matsu, two island groups located strategically close to the mainland Chinese province of Fujian (Fukien). Quemoy is the biggest of a group of six islands, two of which are occupied by the People's Republic of China; it is situated in Xiamen (Amoy) Bay at 118°23'E and 24°27'N and has a total area of 176 sq km (68 sq mi). The Matsu group, consisting of Nankan (the largest), Peikan, Tungyin, and about 10 small islets, is located at

119°56' E and 26°9' N, 30.6 km (19 mi) off the mainland port city of Fuzhou; it has a total area of 28.8 sq km (11.1 sq mi).

The capital city of T'aipei is located on northern Taiwan.

## <sup>2</sup> TOPOGRAPHY

Taiwan perches on the margin of the continental shelf. Along the west coast the sea is rather shallow, averaging 90 m (300 ft) and not exceeding 210 m (690 ft) at the deepest point; however, it deepens abruptly along the east coast, dropping to a depth of 4,000 m (13,000 ft) only 50 km (31 mi) offshore. The terrain is precipitous on the east coast, with practically no natural harbor except Suao Bay in the north. The west coast is marked by wide tidal flats. Kaohsiung, the southern port, is situated in a long lagoon called Haochiung Bay. The north coast with its many inlets provides Taiwan with its best harbor, Chilung (Keelung).

The eastern two-thirds of the island are composed of rugged foothill ranges and massive mountain chains. A low, flat coastal plain, extending from north to south, occupies the western third. Yü Shan, with an elevation of 3,997 m (13,113 ft), is the highest peak on the island.

Located on the Eurasian tectonic Plate near the border of the Philippine Plate, Taiwan is part of the "Ring of Fire," a seismically active band surrounding the Pacific Ocean. Mild to moderate earthquake tremors are common, with over 200 minor shocks recorded each year.



All the rivers originate in the mountains in the central part of the island. They have short courses and rapid streams. The longest river, Choshui, draining westward, is only 190 km (118 mi) long. Only the Tanshui, which flows past T'aipei in the north, is navigable.

### 3 CLIMATE

Taiwan enjoys an oceanic, subtropical monsoon climate. The warm and humid summer lasts from May until September, the mild winter from December until February. The average lowland temperature in January is 16°C (61°F) in the north and 20°C (68°F) in the south; the average July temperature is 28°C (82°F) in both the north and south. The growing season lasts throughout the year, except at elevations above 1,200 m (4,000 ft), where frost and snow occasionally occur.

The average rainfall is 257 cm (101 in), ranging from 127 cm (50 in) at the middle of the western coast to 635 cm (250 in) and more on exposed mountain slopes. Southwest monsoon winds blow from May through September and northeast monsoon winds from October to March. Only the extreme southwest has a distinct dry season. As a result of the tropical cyclonic storms that sweep out of the western Pacific, typhoons occur between June and October.

### 4 FLORA AND FAUNA

The flora is closely related to that of southern China and the Philippines. Taiwan has almost 190 plant families, about 1,180 genera, and more than 3,800 species, of which indigenous members constitute about one-third of the total flora. Mangrove forest is found in tidal flats and coastal bays. From sea level to a height of 2,000 m (6,600 ft) is the zone of broad-leaved evergreen tropical and subtropical forest, where ficus, pandanus, palms, teak, bamboos, and camphors are commonly found. The mixed forest of broad-leaved deciduous trees and conifers occupies the next zone, extending from a height of 2,000 to 3,000 m (6,600–9,800 ft). Pines, cypresses, firs, and rhododendrons are grown in this region. Above this level is the zone of coniferous forests, composed mainly of firs, spruce, juniper, and hemlock.

The mammals so far discovered number more than 60 species, 45 of which appear to be indigenous to the island. The largest beast of prey is the Formosan black bear. Foxes, flying foxes, deer, wild boar, bats, squirrels, macaques, and pangolins are some of the mammals seen on the island. There are more than 330 species and subspecies of birds, of which 33 are common to the island, China, and the Philippines, and about 87 are peculiar forms. More than 65 species of reptiles and amphibians inhabit the island. There is an abundance of snakes, of which 13 species are poisonous. The insect life is rich and varied.

### 5 ENVIRONMENT

The Environmental Protection Agency (EPA) has the main responsibility for environmental policy. Water pollution from raw sewage and industrial effluents is a significant problem in Taiwan. Outside the larger hotels and urban centers, the water is likely to be impure. Health problems like hepatitis result from waterborne contaminants. Water quality is regulated under provisions of the

sanitary drinking water legislation of 1972 and the 1974 Water Pollution Control Act.

Air pollution is another significant problem, complicated by a high pollen count. Solid waste disposal regulations and air quality standards were adopted in 1975. All factories are required to comply with established standards, the cost of installing antipollution devices being written off as a depreciable item over two years. Taiwan in 1978 adopted the safety procedures for nuclear facilities issued by the IAEA. In the mid-1980s, the government began tightening emission standards for automobiles and ordered many factories and power plants to install filters and dust collectors. The EPA announced plans in 1987 to install an island-wide pollution-monitoring system.

Wildlife management is the responsibility of the National Wildlife Protection Association of the Republic of China. The nation's marine life is threatened by the use of driftnets. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 11 types of mammals, 29 species of birds, 8 types of reptiles, 8 species of amphibians, 23 species of fish, and 78 species of plants. Threatened species include the Formosan sika, hawksbill turtle, Oriental white stork, and Lan Yü scops owl. Trade in endangered species has been reported.

### 6 POPULATION

The population of Taiwan in 2005 was estimated by the United Nations (UN) at 22,731,000, which placed it at number 48 in population among the 193 nations of the world. In 2005, approximately 9% of the population was over 65 years of age, with another 19% of the population under 15 years of age. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.4%, a rate the government viewed as too low. The projected population for the year 2025 was 23,625,000. The population density was 628 per sq km (1,627 per sq mi), one of the highest in the world. Approximately 90% of the inhabitants live west of the Central Range.

The UN estimated that 78% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of %. The capital city, T'aipei, had a population of approximately 2,700,000 in that year. Other large cities (with their estimated populations) include Kaohsiung (1,600,000), T'aichung (1,114,080), T'ainan (755,800), and Panch'iao (589,700).

### 7 MIGRATION

In 1963, the Nationalist government stated that since the completion of the Communist conquest of the mainland in 1949–50, a total of 146,772 Chinese refugees had come to Taiwan for resettlement. The number of refugees has varied from year to year.

In 1986, the Taiwan government reported that there were 28,714,000 overseas Chinese (25,799,000 in Asia, 2,044,000 in the Americas, 584,000 in Europe, 214,000 in Oceania, and 73,000 in Africa), including those with dual nationality.

There may be as many as 100,000 illegal immigrants. Taiwan is pressured by the Chinese perception that Taiwan is a "land of fortune." In 2003, the Taiwanese government cracked down on illegal Chinese immigrants, especially the smuggling of Chinese women which had increased tenfold from 1999. Detained Chinese immigrants number about 2,000 a year. Their numbers outpace the

ability to repatriate them. As reported in the *Asia Times Online*, the phenomenon of “foreign brides” is another unique aspect of Taiwanese immigration. In 2003, 25% of marriages involved Taiwanese men marrying foreign women. The Ministry of the Interior noted that there were about 280,000 foreign women married to Taiwanese nationals. More than half of these women were from China and the remainder from Southeast Asian countries, predominantly Vietnam and Indonesia. A serious social problem that the government attacked in 2005 was the criminal activities of illegal Chinese immigrants in Taiwan.

In 2005, there were 320,000 foreign workers from Thailand, the Philippines, Indonesia, and Vietnam. The net migration rate in 2005 was an estimated zero migrants per 1,000 population.

## 8 ETHNIC GROUPS

The term “Taiwanese” is often used when referring to those Chinese who are natives of the island as distinct from the two million “mainlanders” who migrated from China after the end of World War II. Most of the more than 20 million inhabitants of Taiwan are descendants of earlier immigrants from Fujian and Guangdong (Kwangtung) provinces in South China. They form several distinct groups. The Hakka are descendants of refugees and exiles from Guangdong who came to Taiwan before the 19th century; they are farmers and woodsmen who occupy the frontiers of settlement. The more numerous Fujians are descendants of peasants from Fujian who migrated to Taiwan in the 18th and 19th centuries; they form the bulk of the agricultural population.

The aboriginal population is primarily of Indonesian origin. They live mainly in central and eastern Taiwan. They are mainly divided into nine major tribes, with the Ami, Atayal, Paiwan, and Bunun accounting for about 88%; the balance is mainly distributed among the Puyuma, Rukai, Saisiyat, Tsou, and Yami. The language and customs of the aborigines suggest a close resemblance to the Malays. About 84% of the total population is Taiwanese and 14% are mainland Chinese. About 2% of the total population are aborigine.

## 9 LANGUAGES

Most people on Taiwan now speak Mandarin Chinese (Peking dialect). It is the official language and is used in administration, jurisprudence, education, and, to a large extent, in commerce; it has come into increasingly common use during the last three decades. The Wade-Giles system of romanization, which has been replaced on the mainland by the pinyin system, is still used in Taiwan.

Native Taiwanese speak a variety of southern Chinese dialects, but mainly Southern Fukienese. This is the native tongue of about 70% of the population. It has also influenced the vocabulary of Mandarin spoken on Taiwan. There is also a sizable population of Hakka speakers. This dialect is mainly spoken in Kwantung Province on the mainland. As a result of 50 years of Japanese rule, most Taiwanese and aborigines over the age of 60 speak or understand Japanese. Tribal peoples speak dialects of the Malay-Polynesian family which have no written script.

## 10 RELIGIONS

The Chinese are traditionally eclectic in their religious beliefs. The Taiwan folk religion is a fluid mixture of shamanism, ancestor worship, magic, ghosts and spirits, and aspects of animism. These



LOCATION: 21°45'25" to 25°56'39" N; 119°18'3" to 124°34'30" E.  
TERRITORIAL SEA LIMIT: 12 miles.

commonly overlap with an individual's belief in Buddhism, Confucianism, Taoism, or other traditional Chinese religions. Natural phenomena have been deified, and ancestors, sages, virtuous women, and historical personalities have been given the status of gods. In 2003, registered organizations estimated that about 33% of the population were Taoists, 23.9% were Buddhists, 2.6% were I Kuan Taoist, and 1.2% were Protestant.

The first Westerners to bring Christianity to Taiwan were the Dutch (1624). However, a great persecution of Christians took place when the island was lost to Cheng Ch'eng-kung in 1662. Christianity made another beginning in 1860, when a missionary from Scotland came to the island. The English Presbyterian Mission started its work in the southern part of Taiwan about 100

years ago. Since the end of World War II, more than 80 Protestant denominations have been established on the island, and the activities of Christian missions, many coming over from the mainland, have become widespread. Christians constitute about 4.5% of the total population. Denominations represented include Roman Catholic, Presbyterians, Mormons, Baptists, Lutherans, Seventh-Day Adventists, Episcopalians, and Jehovah's Witnesses.

Other faiths include Tien Ti Chiao (Heaven Emperor Religion), Tien Te Chiao (Heaven Virtue Religion), Li-Ism, Hsuan Yuan Chiao (Yellow Emperor Religion), Maitraya Great Tao, Chinese Holy Religion, Hai Tzu Tao (Innocent Child Religion), Tien Li Chiao (Heaven Reason Religion), the Baha'i Faith, Mahikari, and Judaism. About 14% of the population are atheists.

## **11** TRANSPORTATION

As of 2004, Taiwan had 2,497 km (1,553 mi) of railroad track, all of it narrow gauge. Of that total, 1,400 km (871 mi) belonged to the Taiwan Sugar Corporation and the Taiwan Forestry Bureau. The main trunk line, now electrified, links the main cities of the populous west coast between Chilung and Kaohsiung. A second trunk line, the North Link between T'aipei and Hualien on the east coast, was completed in 1979. It connects with an eastern line between Hualien and T'aitung, which was modernized in the early 1980s. Construction of the 98-km (61-mi) South Link (between T'aitung and P'ingtung) has been completed. Forming the last link in the round-the-island rail system, the South Link opened on 6 December 1991, taking over 11 years and \$770 million to complete. A total of 685 km (426 mi) of main line were electrified.

As of 2002, Taiwan had an estimated 37,299 km (23,200 mi) of highways, of which 35,621 km (22,156 mi) were paved, including 608 km (378 mi) of expressways. By 2003 there were 6,133,794 registered motor vehicles, 5,169,733 of which were passenger cars and 964,061 were commercial vehicles.

Taiwan has five international seaports, all of them extensively modernized in the 1970s. Kaohsiung in the southwest is by far the largest, handling about two-thirds of all imports and exports. Other major ports are Chilung, on the north coast; Hualien and Suao, both on the east coast; and T'aichung, on the west coast. As of 2005, Taiwan's merchant marine consisted of 126 vessels of 1,000 GRT or more, totaling 3,417,768 GRT.

Also in 2004, there were an estimated 40 airports. As of 2005 a total of 38 had paved runways, and there were also three heliports. There are two international airports. The main one, opened in 1979, is Chiang Kai-shek International Airport, at T'aoyüan, southwest of T'aipei; the other serves Kaohsiung. T'aipei Airport handles only domestic flights. Regular domestic flights also reach Hualien, T'aitung, Chiai, T'ainan, and several other cities. Principal air service is provided by China Air Lines, Taiwan's international airline, and other international carriers, and by Taiwan's leading domestic airline, Far Eastern Air Transport.

## **12** HISTORY

Although Taiwan can be seen on a clear day from the China mainland, ancient Chinese accounts contain few references to the island. The earliest inhabitants were Malayo-Polynesian aborigines. Historians have surmised from the brief information available in the early dynastic histories that Chinese emigration to Taiwan began as early as the T'ang dynasty (618–907). During the reign of

Kublai Khan (1263–94), the first civil administration was established in the neighboring Pescadores. Taiwan itself, however, remained outside the jurisdiction of the Mongol Empire. During the Ming dynasty (1368–1644), Japanese pirates and Chinese outlaws and refugees wrested the coastal areas from the native aborigines. The Chinese settled in the southwest region, while the Japanese occupied the northern tip of the island. Significant Chinese settlement, by immigrants from Fujian and Guangdong, began in the 17th century.

In 1517, the Portuguese sighted the island and named it Ilha Formosa (Beautiful Island). The Dutch, who were disputing the monopoly of Far Eastern trade held by the Portuguese, captured the Pescadores in 1622 and used them as a base for harassing commerce between China, Japan, and the Philippines. Two years later, the Chinese offered the Dutch a treaty that gave them certain commercial privileges if they withdrew from the Pescadores and occupied instead a trading post on Taiwan. The Dutch complied by building Fort Zeelandia and Fort Providentia in the southwestern part of the island. The Spaniards, wishing to compete, seized the northern part of Chilung in 1626 and later extended their domain to nearby Tanshui. The Japanese, constrained by the policy of national seclusion adopted by the Tokugawa Shogunate, withdrew voluntarily in 1628. The Dutch captured the Spanish settlement in 1642 and, after putting down a Chinese uprising in 1656 with the aid of the aborigines, gained complete control of the island.

While the Dutch were consolidating their hold on Taiwan, the Ming dynasty on the China mainland was overthrown by the Manchus, who established the Qing (Ch'ing) dynasty (1644–1912). Remnants of the Ming forces, led by Zheng Chenggong (Cheng Ch'eng-kung Koxinga, 1624–62), son of a Chinese pirate and a Japanese mother, decided to establish an overseas base in Taiwan. They landed on the island in 1661 and ousted the Dutch in the following year. It was not until 1683 that the Manchus succeeded in wresting Taiwan from Zheng Chenggong's successors.

From 1683 to 1885, Taiwan was administered as a part of Fujian Province. During this period, Chinese colonization proceeded steadily, as the aborigines were either assimilated into the Chinese population or pushed back into the mountains. The imperial government, however, paid scant attention to the island administration. As a result, official corruption and inefficiency often provoked armed rebellions. In the latter part of the 19th century, the strategic importance of Taiwan for the defense of the South China coast was recognized by the authorities, particularly after the French bombardment and blockade of the island in 1884 during the Sino-French War over Annam. The local administration was reorganized, and the island was made into a separate province in 1885.

Upon the conclusion of the First Sino-Japanese War in 1895, Taiwan was ceded to Japan. Refusing to submit to Japanese rule, the islanders declared their independence and established a republic, although organized resistance against the Japanese lasted only a few months. Ineffective armed resistance, chiefly by aborigines, continued. Under the Japanese, the island's agricultural resources were developed rapidly to supply the needs of the home islands and the transportation infrastructure experienced modernization. A policy of Japanization of the Taiwan population was adopted and, by 1944, 71% of children attended primary school. During World War II, Japanese administrators began to orches-

trate the island's industrialization in support of Japanese expansionism in south Asia.

In accordance with the Cairo Declaration of 1943 and the Potsdam Proclamation of 1945, Taiwan was restored to China in September 1945. The carpetbagging malpractices of the mainland Chinese officials, however, aroused the resentment of the local population. In February 1947, a police incident touched off a popular revolt, which was suppressed with bloodshed. In May, more troops were brought from the mainland and the Taiwanese leadership was systematically killed. Estimates of the dead range from 5,000 to 50,000. On 8 December 1949, as the Chinese Communists were sweeping the Nationalist armies off the mainland, the government of the Republic of China (ROC), led by General Chiang Kai-shek (Jiang Jieshi), was officially transferred to Taiwan.

### The Republic of China

With the removal of the ROC government to Taiwan, two million mainland Chinese came to the island where they instituted an authoritarian rule under martial law. Initially Chiang Kai-shek remained myopically focused on retaking the mainland, but as the stalemate continued, the government gradually shifted its attention to industrializing Taiwan. Strong government policies contributed to steady economic progress, first in agriculture and then in industry. In the 1950s, with US aid and advice, the ROC undertook a successful program of land redistribution. Japan built an infrastructure; the Nationalists brought skills and capital; and the United States poured in excess of \$2 billion in aid by 1968. Furthermore, Japanese investment and procurement boom during the Vietnam War in the 1960s further stimulated economic growth.

In 1951, Japan signed the San Francisco Peace Treaty, thereby formally renouncing its claim to the island of Taiwan. In 1954, the ROC and the United States concluded a Mutual Defense Treaty and the United States and Western nations supported Taiwan possession of a UN Security Council seat, while the Eastern bloc nations supported the People's Republic of China (PRC). Support for Taiwan's representation gradually eroded over the years, and on 25 November 1971 the General Assembly voted 75–36 (with 17 abstentions) to remove recognition from the ROC and recognize the PRC. In a significant policy reversal, the United States voted with the majority to seat the mainland government. Although maintaining full diplomatic ties with Taiwan, the United States took the occasion of President Nixon's visit to China to acknowledge, in what became known as the Shanghai communiqué of February 1972, that "all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is part of China. The United States government does not challenge that position."

By 1975, most nations shifted recognition from the ROC to the PRC. On 1 January 1979, the United States formally recognized the PRC as the sole legal government of China and severed diplomatic ties with Taiwan. It also announced the unilateral termination of the 1954 US-ROC Mutual Defense Treaty, effective 1 January 1980, and withdrew its remaining military personnel. Nonetheless, the United States continued to sell arms to Taiwan, and commercial and cultural contacts were unofficially maintained through the American Institute in Taiwan and the Coordination Council for North American Affairs. Taiwan successfully

warded off worldwide political and economic isolation by maintaining a host of similar contacts with other countries.

When President Chiang Kai-shek died at age 87 on 5 April 1975, he was succeeded in office by former Vice President Yen Chia-kan (Yan Jiagan). Leadership of the Nationalist Party (Kuomintang, Guomindang) and, hence, of the government, passed to Chiang's elder son, Chiang Ching-kuo (Jiang Jingguo). The younger Chiang was elected to a six-year term as president in March 1978 and reelected in 1984. While control of the central government had remained in the hands of mainlanders in the first decades of the Nationalists' rule on Taiwan, Taiwanese Chinese increasingly won elections at local levels, and Chiang Ching-kuo instituted a policy of bringing more Taiwanese into the Nationalist Party. By the 1980s, economic development had produced a new middle class, and the passage of time, together with intermarriage between mainlanders and Taiwanese, had brought a new generation for which the distinction between mainlander and Taiwanese held diminished importance. These factors contributed to popular pressure for a more democratic government. In November 1986, 5,000–10,000 demonstrated in support of an exiled dissident, Hsu Hsin-liang (Xu Xinliang), when he was not allowed to return to Taiwan. Thousands protested the 38th anniversary of martial law in May 1987. And, in March 1990, more than 10,000 demonstrators demanded greater democracy and direct presidential elections. This was followed in the same month by a demonstration involving some 6,000 students.

In 1987 martial law was revoked and with that press restrictions were eased, citizens were allowed to visit relatives on the mainland, and opposition political parties formed. Then in January 1988, Chiang Ching-kuo died and was succeeded as president by the vice president, Lee Teng-hui (Li Denghui, b. 1923). Lee, a protégé of Chiang Ching-kuo, was a native Taiwanese. In March 1990, the National Assembly reelected Lee as president for a six-year term. In July, he was also named Chairman of the Nationalist Party by the Party Congress.

In the early 1990s, as Taiwan increasingly opened its political system to greater democracy, the KMT's corrupt practices were revealed. However, after the 1992 legislative elections, the KMT emerged victorious as it still controlled most national media and opposition parties failed to mobilize voters. Vote-buying and other forms of fraud were also widespread. By the 1995 elections, however, the political environment changed because the KMT lost control of the media. Furthermore, the Control Yuan, the branch of government responsible for oversight, began to assert its independence by investigating KMT corruption. In local elections of 1994, for instance, state prosecutors convicted more than one third of 858 city and county representatives for vote-buying. Just prior to the 1995 national elections, it was revealed that the Minister of Justice had evidence of another extensive ring of vote-buying. The KMT took 54% of the vote (83 seats), its lowest majority ever and its major rival, the Democratic People's Party (DPP) obtained 54 seats and the Chinese New Party (CNP) captured 21 with 6 going to various independents. The constitution was also rewritten in 1995, calling for direct election of the president with the first election slated to be held in 1996.

Amid these democratic reforms, Taiwan faced a major international crisis in 1995 when President Lee was given a US visa to visit Cornell University, his alma mater. China objected vociferously

and threatened military action against Taiwan. In a show of support for Taiwan and in opposition to PR China's launching of missiles into Taiwan's territorial waters, the United States dispatched a naval force to the region, only to further irritate PR China.

Prior to the presidential elections of March 1996, the formerly united KMT began to splinter. Dissidents within the party and those who had previously left the KMT announced their intentions to run against Lee, who had been chosen by a party plenum in August 1995 as the official KMT candidate. Primary among these were Lin Yang-gang, a former Judicial Yuan president and current vice-chairman of the KMT, and Chien Li-an, president of the Control Yuan and former Minister of National Defense. Campaigning was intense, with scandals being revealed on all sides, but Lee received a resounding 54% compared to 21% for his nearest competitor.

President Lee was criticized by political opponents in 1997 as an increased wave of crime swept the island. In May 1997, more than 50,000 protestors gathered in the capital protesting the government's lack of action on issues of crime. Multiple members of the Executive Yuan resigned and Lee reshuffled his cabinet. However, late in 1997, the KMT suffered severe losses in local and magistrate elections. The main opposition, the DPP, won 12 of the 23 constituency positions contested and led to the reorganization of the KMT following the resignation of the party's Secretary General. In 1998, the KMT recovered in the next set of elections but only to suffer a setback in summer elections that year. As the economy weakened from the Asian financial crisis, the government sought to deregulate the economy and decrease taxes. Relations with PR China again worsened as Taiwan prepared for presidential elections in 2000. On 18 March 2000, Chen Shui-bian, the DPP candidate and a former dissident leader imprisoned for his opposition to the KMT was elected president in a hotly contested race. He obtained 39.3% of the vote and Lien Chan (KMT) captured 23.1% while ex-KMT businessman James Soong ran as an independent and garnered 36.8%. Leading up to and following the election, the PRC warned the Taiwanese that the election of a pro-independence DPP candidate would lead to possible military action. In his inaugural address in May, Chen stated that he would not declare independence as long as China did not attack the island. He said he would not call for a referendum on independence, nor abolish Taiwan's plan for an eventual reunion with the PRC. China responded by saying that Chen had evaded the question as to whether he considered Taiwan to be part of China.

In April 2001, the Dalai Lama met with President Chen during a visit which drew strong opposition from China. That month, the United States announced it would sell submarines, warships, and antisubmarine aircraft to Taiwan, but not the Aegis naval combat radar system, as Taiwan had requested. China protested the sale, and US president George W. Bush pledged to come to Taiwan's aid in the event of a Chinese invasion. That November, Taiwan lifted a 50-year ban on direct trade and investment with China.

In parliamentary elections held 1 December 2001, the DPP won 87 out of 225 seats, compared with the KMT's 68. It was the first time the KMT lost its parliamentary majority since 1949. In January 2002, Prime Minister Chang Chun-hsiung led the cabinet to resign en masse, stating he had "accomplished his mission" during a time of political instability in the transfer of power from the KMT to the DPP, and during an economic downturn that was

worse than the Asian financial crisis of 1997–98. President Chen nominated his chief-of-staff, Yu Shyi-ku, as prime minister.

As of April 2002, academics from Taiwan and China were discussing the possibility of building an underwater tunnel to join Taiwan and the mainland. The shortest possible route would be 78 miles. There is no direct passenger access between the mainland and Taiwan by air or sea, although there were "friendship flights" between Taiwan and Beijing in 2005 during the Lunar New Year celebration. All travel between the ROC and the PRC is required by both sides to go through another regional location, usually Hong Kong or Macao. The ROC and the PRC declared that technical considerations for the tunnel posed no problems; the question to be resolved is the political one.

In August 2002, President Chen referred to Taiwan and China as two countries, and stated he supported legislation for a referendum to be held on independence, contrasting with his inaugural pledge not to hold a referendum. In 2003 Taiwan passed a referendum law which allows Taiwanese to hold referendums for the first time. This so called "defensive referendum" allowed the president, on his own authority and without legislative oversight, to initiate a referendum on national-security issues if faced with an external threat to national sovereignty. China was harshly critical because it believed Chen would hold a referendum on independence from mainland China, which as of 2005 had not happened.

President Chen accomplished lowering the amount of corruption, bribery and organized crime which pervaded Taiwanese politics prior to his term. However, allegations of vote buying and electoral inconsistencies remained. The 2004 presidential elections resulted in a surprising electoral result with Chen emerging victorious over the opposition by 0.2%. Hours before the vote, Chen and his vice president, Annette Lu, were shot, although not fatally. The opposition blamed the loss of the presidential election on sympathy votes gained by the shooting and claimed the shooting was staged. A commission was set up in late 2004 to investigate the shooting.

Taiwan participates in a free-market capitalist economy and due to its economic success is part of the four "Asian Tigers." Although many countries were devastated by the Asian financial crisis in 1998, Taiwan was able to escape serious recession due to conservative fiscal spending and its entrepreneurial base. Due to growing ties with China, the Taiwanese economy continued to strengthen as 2004 growth figures were above 6%. China replaced the United States as Taiwan's largest export partner.

### 13 GOVERNMENT

The government of the Republic of China in Taipei claims to be the central government of all of China. Its constitution was drafted by a constitutional convention at Nanjing (Nanking) on 15 November 1946; it was adopted on 25 December 1946 and promulgated by the national government on 1 January 1947. All governmental powers originally emanated from the National Assembly; however, the powers of the National Assembly have been curtailed. The first National Assembly, which was elected in November 1947, had 2,961 delegates, selected on the basis of regional and occupational representation. The original delegates held their seats "indefinitely," until control of the mainland could be reestablished. Since 1969, the number of seats gradually increased with the ad-

dition of new seats for Taiwan. In April 1990, President Lee Teng-hui revoked the emergency decree of 1948 which had allowed the 1,947 deputies to remain in office and the “indefinite” deputies had to retire by December 1991. With the promulgation of constitutional amendments on 25 April 2000, the National Assembly’s functions are limited to amending the constitution and altering the national territory after a public announcement by the Legislative Yuan. In addition, the Assembly may impeach the president or vice president within three months of a petition initiated by the Legislative Yuan. The National Assembly’s 300 delegates are selected by proportional representation of the political parties in the Legislative Yuan.

The president is the head of state and of the Executive Yuan, which functions as a cabinet. Previously, the National Assembly chose the president. After amendments to the constitution in 1992, however, citizens now elect the president by direct popular vote. The president may serve a maximum of two consecutive four-year terms. Under the president, there are five government branches known as yuans (councils or departments): legislative, executive, control, examination, and judicial. The legislative yuan, elected by popular vote, is the highest lawmaking body. As in the National Assembly, many members of the 1948 legislative yuan held their seats until 1991.

The executive yuan, comparable to the cabinet in other countries, is the highest administrative organ in the government. There are eight ministries, two commissions, and a number of subordinate organs under the executive yuan. The premier—the president of the executive yuan—is appointed by the president of the republic, with the consent of the legislative yuan. The president is empowered to compel the premier to resign by refusing to sign decrees or orders presented by the latter for promulgation.

The legislative yuan is the highest legislative organ of the state. It has a binding vote of no confidence which would lead to the dissolution of the executive yuan. Of its 225 members, 168 are chosen by universal suffrage and the remaining members are appointed through a system of proportional representation; members serve three-year terms. The number of seats in the legislature were reduced from 225 to 113 beginning with the election in 2008.

The control yuan, the highest supervisory organ, exercises censorial and audit powers over the government and may impeach officials. It also supervises the execution of the government budget. It has 29 members, all of whom serve six-year terms and are appointed by the president with the consent of the legislative yuan.

The examination yuan is the equivalent of a civil service commission. It consists of two ministries. The Ministry of Examination appoints government personnel through competitive examination. The Ministry of Civil Service registers, classifies, promotes, transfers, retires, and pensions. Its president, vice president, and 19 commissioners are appointed by the president of the republic with the consent of the control yuan.

## 14 POLITICAL PARTIES

The Chinese Nationalist Party, better known as the Kuomintang—KMT, was, until 2000, the dominant political party in Taiwan. The teachings of Sun Yat-sen (Sun Zhongshan), which stress nationalism, democracy, and people’s livelihood, form the ideology of the party. After the fall of the mainland to the Communists in 1949, a

reform committee was organized to chart a new program for the party.

The KMT’s organization is similar to that of the Chinese Communist Party. The basic unit is the cell, which represents neighborhoods. The next levels include the district, county, and provincial congresses and committees. The highest levels include the National Congress and the Central Committee. The National Congress delegates serve four-year terms and are charged with the tasks of amending the party charter, determining the party platform and other important policies. It also elects the party chairman and the Central Committee members, and approves candidates nominated by the chairman to serve as vice chairmen and members of the Central Advisory Council. When the National Congress is in recess, the supreme party organ is the Central Committee, which holds a plenary session every year.

The Central Standing Committee, which represents the Central Committee when that body is not in session, is the most influential organ in the KMT. The day-to-day affairs of the party are managed by the secretariat. All organization within the KMT are funded by profits from party-owned and operated business enterprises, ranging from newspapers and TV stations to electrical appliance companies and computer firms.

At the party’s 14th National Congress held in August 1993, significant changes to the conduct of party affairs were made. It decided that the party chairman was to be elected by the National Congress through secret ballot. President Lee Teng-hui won 83% of the votes cast and was reelected chairman of the party. In addition, four vice-chairmen were added to the Central Committee after being nominated by the chairman and approved by the National Congress. It also decided that the chairman would appoint only 10 to 15 of the 31 members of the Central Standing Committee, with the remaining members elected by the Central Committee. Finally, it decided to hold the National Congress every two years instead of four years.

Under martial law, from 1949 through 1986, the formation of new political parties was illegal, although there were two nominal, previously formed parties. Non-KMT candidates ran as independents or “Nonpartisans,” with increasing success by the end of the 1970s. In September 1986, a group of “nonpartisans” formed a new opposition party, the Democratic Progressive Party (DPP), which had an orientation toward the Taiwanese population and advocated “self-determination.” Although technically illegal, the DPP’s candidates took 22% of the vote in the December 1986 elections, winning 12 out of 73 contested seats in the Legislative Yuan; the KMT won 59. The lifting of martial law in 1987 made the formation of new parties legal, although a new security law continued to restrict political activity. In the first fully competitive, democratic national elections, in December 1992, the KMT won 53% and the DPP 31% of the votes for the Legislative Yuan. Before the 1995 legislative elections, the KMT began to splinter and in 1994 the Chinese New Party (CNP) was formed by KMT defectors who favored strengthened ties with the mainland. In the 1995 balloting, however, the KMT was able to maintain its majority, winning 83 of the 164 seats in the Legislative Yuan. The DPP took 54, the CNP took 21 and six seats were won by independents. In the National Assembly (334 seats) the KMT took 183, the DPP 99, the CNP 46, and six were won by others.

The Democratic Progressive Party was formed on 28 September 1986. The party's organizational structure closely resembles that of the Kuomintang. The DPP's National Congress elects members to the Central Executive Committee and to the Central Advisory Committee. The Central Executive Committee in turn elects the members of the Central Standing Committee. Its leader is President Chen Shui-bian. At the party's sixth National Congress, held in April and May of 1994, a two-tier primary system was initiated under which ordinary members of the DPP voted for candidates in one primary election and party cadres vote in a second primary. The results of the two would then be combined, with equal weight given to both. At the second plenary meeting of the sixth National Congress held in March 1995, the nomination process for the presidential and gubernatorial candidates was modified to add open primaries for DPP members and nonmembers. It was further decided at the meeting that the party chairman would be elected directly by all members of the party starting in 1998. What most distinguishes the DPP from the two other major parties is its support of Taiwan independence, or the permanent political separation of Taiwan from the Chinese mainland. Although the DPP has incorporated Taiwan independence into its official platform, the urgency accorded to its realization is a source of factional contention within the party.

The Chinese New Party (NP) was formed in August 1993, shortly before the Kuomintang's 14th National Congress by a group of KMT reformers who broke away from the party in protest of the undemocratic practices of the KMT. The NP adopted an anticorruption platform and championed social justice. The goal of the NP was to attract voters who were dissatisfied with the performance of the ruling KMT and opposed to the DPP's advocacy of Taiwan independence.

As of early 2003, there were four significant political parties operating in Taiwan. The DPP, which won the presidential and legislative elections of 2000 and 2001, respectively, was the largest party. It took 87 seats in the Legislative Yuan in December 2001 election. The KMT took 68 seats, and was the second-largest party in the Legislative Yuan. The People First Party (PFP), founded by James Soong following his second-place finish in the 2000 presidential election, was the third-largest party with 46 seats. The fourth major political party, based on its membership in the Legislative Yuan, was the Taiwan Solidarity Union (TSU), winning 13 seats. As of June 2002, a total of 99 political parties had registered with the Ministry of the Interior.

The 2004 elections of the Legislative Yuan resulted in the DPP retaining the largest number of seats with 89; the KMT gained 11 seats to secure 79 overall; the PFP continued to place in third with 34 seats; and the TSU lost one to emerge with 12 seats; other parties and independents retain 11 seats. The next election for the Legislative Yuan was scheduled to be held in 2007.

## 15 LOCAL GOVERNMENT

The Taiwan provincial government holds jurisdiction over the main island of Taiwan, 21 smaller islands in adjacent waters, and the 64 islands of the Penghu (Pescadores) group. The provincial capital is located at T'aichung. The province is divided into 16 county (hsien) administrative areas and 5 municipalities under the direct jurisdiction of the provincial government. In addition, T'aipei (since 1967) and Kaohsiung (since 1979) are self-govern-

ing "special" municipalities. Subdivisions of the county are the township (*chen*), the rural district or group of villages (*hsiang*), and the precinct. Quemoy and Matsu are administered by the military. At the local level and under the Taiwan Provincial Government, there are five cities—Chilung, Hsinchu, T'aichung, Chiai, and T'ainan—and 16 counties, and under each county there are county municipalities.

The province is headed by a governor who is nominated by the president of the executive yuan and appointed by the president of the republic. Department heads and members of the provincial council are recommended by the governor for appointment by the executive yuan. The governor is the ex officio chairman of the appointed provincial council, the policy making body, and holds veto power over its resolutions. The provincial government can issue ordinances and regulations for the administration of the province as long as they do not conflict with laws of the central government. The mayors and city councils of T'aipei and Kaohsiung are elected.

The provincial assembly, an elected body, meets for two yearly sessions of two months each. Nominally it possesses broad legislative powers; however, its prerogatives are circumscribed by a provision in its organic law that in the event of a disagreement between the provincial executive and the Assembly, the former may request reconsideration. Should the assembly uphold its original resolution, the provincial executive may submit the dispute to the executive yuan for final judgment. The executive yuan may dissolve the provincial assembly and order a new election if it holds that the assembly is acting contrary to national policy.

At the end of 1996, the National Development Conference was convened to streamline local government operations. The county government is headed by an elected magistrate (*hsien-chang*) and the municipal government by a mayor (*shih-chang*). Each county or municipality has a representative body called the *hsien*, or municipal assembly. Further down are the councils and assemblies of townships and rural districts, each headed by a chief officer. All of these officials are elected by universal suffrage of citizens over age 20.

## 16 JUDICIAL SYSTEM

The Judicial Yuan is Taiwan's highest judicial organ. It interprets the constitution and other laws and decrees, adjudicates administrative suits, and disciplines public functionaries. The president and vice president of the Judicial Yuan are nominated and appointed by the president of the republic, with the consent of the legislative yuan. They, together with 15 grand justices, form the Council of Grand Justices, which is charged with the power and responsibility of interpreting the constitution, laws, and ordinances. The judicial system is based on the principle of three trials in three grades of courts: district court, high court, and Supreme Court. The Supreme Court, the highest tribunal of the land, consists of a number of civil and criminal divisions, each of which is formed by a presiding judge and four associate judges. The judges are appointed for life.

In 1993 a separate Constitution Court was established. Staffed by the then-16 grand justices of the Judicial Yuan, but with the judicial yuan excluded from the court, the new court was charged with resolving constitutional disputes, regulating the activities of political parties and accelerating the democratization process.

There is no right to trial by jury, but the right to a fair public trial is protected by law and respected in practice. Defendants are afforded a right to counsel and to a right to appeal to the High Court and the Supreme Court in cases in which the sentence exceeds three years. Those sentenced to three years or less may appeal only to the High Court. The Supreme Court automatically reviews all sentences to life imprisonment or death. There is also an administrative court.

In late 2004 the Legislative Yuan approved constitutional changes, effective 2008, which included halving the number of seats in the Legislative Yuan and extending all legislators' terms from three to four years. Taiwan employs a quota system which allows for minorities and aboriginal persons to gain access into government positions. Although banned by law, minorities and aboriginal persons claim to face discrimination in the socio-economic realm.

The judicial system is based on civil law and Taiwan accepts compulsory jurisdiction of the International Court of Justice. Military service is mandatory for Taiwanese males.

Taiwan is a free and fair society. Citizens are able to organize, protest and gain access to any type of material without fear of reprisal. Trade unions are independent and collective bargaining is legal. The law does restrict the right to strike by ordering mediation sessions and banning work stoppages while mediation is in progress.

Taiwan is involved in several land disputes, most notably involved in a complex dispute with China, Malaysia, Philippines, Vietnam, and possibly Brunei over the Spratly Islands. The Paracel Islands are occupied by China, but claimed by Taiwan and Vietnam. In 2003, China and Taiwan became more vocal in rejecting both Japan's claims to the uninhabited islands of the Senkaku-shoto (Diaoyu Tai). Taiwan also disputes Japan's unilaterally declared claim to the exclusive economic zone in the East China Sea.

## 17 ARMED FORCES

In 2005, Taiwan's armed forces had 290,000 active personnel, with reserves numbering 1,653,500. The Army had an estimated 200,000 members including military police. Equipment included more than 926 main battle tanks, 905 light tanks, 225 armored infantry fighting vehicles, 950 armored personnel carriers, over 1,815 artillery pieces and 101 attack helicopters. The Navy numbered 45,000, including 15,000 Marines. Major naval units included four tactical submarines, 11 destroyers, 21 frigates, 59 patrol/coastal vessels and 12 mine warfare ships. The Navy's aviation arm also operated 32 maritime reconnaissance and 20 antisubmarine warfare helicopters. The Air Force had 45,000 active personnel, and operated 479 combat capable aircraft that included 293 fighters and 128 fighter ground attack aircraft. Paramilitary forces included security groups with 25,000 members, a 22,000 member civilian Coast Guard and an estimated 1,000 member Maritime Police. Taiwan's defense budget in 2005 totaled \$8.32 billion.

## 18 INTERNATIONAL COOPERATION

The ROC, a charter member of the UN, became the first government to lose its recognition from that body following a General Assembly vote on 25 November 1971 to recognize the PRC as the sole legitimate representative of China. The ROC subsequently lost its membership in most UN bodies, as well as in several other international organizations—usually with its place taken by the

PRC. Taiwan is a member of APEC, the Asian Development Bank, the International Chamber of Commerce, the International Confederation of Free Trade Unions, the World Confederation of Labor, and the World Trade Organization.

As of 2005, Taiwan had formal diplomatic ties with only 25 countries. The government claims to have "substantive" trade relations with more than 140 countries and territories, however. In November 2001, Taiwan lifted a 50-year ban on direct trade and investment with China.

## 19 ECONOMY

Under the Japanese, the island was developed as a major source of foodstuffs for Japan. Production of rice and sugar increased rapidly, but little effort was directed toward industrialization until after 1937. Immediately after World War II, a number of factors—including repatriation of Japanese technicians, dismantling of industrial plants, and lack of fertilizer for agriculture—caused a rapid deterioration of the economy, which was aggravated by the influx of refugees from the mainland. The situation improved after 1949 with the removal of the ROC government to Taiwan. The arrival of technical and experienced personnel and capital equipment from the mainland facilitated the island's economic rehabilitation. Currency and tax reforms stabilized the monetary situation. The supply of fertilizer from the United States and a land reform program aided the revival of agricultural production.

Energetic government measures in the form of successive four-year plans, at first supplemented by US aid, resulted in substantial economic progress. In the first decade (1951–60), the stress was on agricultural development and the establishment of textile and other labor-intensive industries. From 1961 to 1970, the promotion of industrial products for export was emphasized. In 1963, Taiwan registered its first favorable trade balance. By 1965, the economy appeared stable enough to warrant the cessation of US economic aid programs. Medium and light industry led the expansion, with striking gains registered in electronics, household goods, and chemicals. The decade 1971–80 saw the development of such capital-intensive industries as steel, machinery, machine tools, and motor vehicle assembly. Such industries, based on imports of raw materials, were encouraged through massive government support for major infrastructural improvements in roads, railroads, ports, and electricity. During the 1980s, emphasis was placed on the development of high-technology industries. As a result, between 1981 and 1991, the share of high-technology industries in total manufactures increased from 20% to 29%, making Taiwan the seventh-largest producer of computer hardware on the global market. The 1990s brought an influx of capital-rich investment, especially after 1996 when the first democratic elections were held. High-technology industries accounted for over 73% of total manufacturing, and 67% of exports in 1999. Growth accelerated in the late 1990s, measuring 4.6% in 1998, 5.4% in 1999 and 6% in 2000, spurred by the boom in the PC and IT industries. Exports played an increasing role, accounting for 47.8% of GDP in 1998, 48.3% in 1999 and 54% in 2000. Growth in high-tech exports peaked at 54% in the third quarter of 2000.

Taiwan's GNP advanced at an average annual rate of 9% in real terms between 1952 and 1980. In contrast to Taiwan's industry-led economic growth of previous decades, since the late 1980s the country has undergone a shift towards a services-dominated



economy. As of 2000, services made up about 66% of the GDP, compared to less than 50% in the mid-1980s and 44% in the early 1960s. Taiwan has the world's third-largest foreign exchange reserves and over \$230 billion in two-way trade. Though still expanding in absolute terms, industry's share of the GDP declined from 52% in 1986 to 32% in 2000. Agriculture has continued to claim only a small share of the economy, making up 2% of the GDP in 2000. A lack of domestic resources hampers the development of agriculture and primary industries. An earthquake in September of 1999 caused major damages to Taiwanese lives and property, but reconstruction was complete by 2000. What affected the economy was the burst of the dot.com bubble beginning in late 2000, and the global slowdown in 2001, aggravated by the aftermath of the 11 September 2001 terrorist attacks on the United States. Taiwan experienced its first recorded decline in real GDP, -2.2%. Recovery began in the last quarter of 2001, and in 2002 real growth of 3.2% was recorded. Inflation has been generally falling in the late 1990s, from 3.1% in 1996 to 0% in 2001 and a slightly negative -0.2% in 2002. Unemployment, by contrast, has increased steadily, from 2.6% in 1996 to 5.2% in 2002.

The economy grew by 5.7% in 2004, up from 3.3% in 2003; in 2005, the GDP growth rate was expected to be 3.7%. Inflation remains at negligible levels, and unemployment seems to have been brought under control, decreasing from a rate of 5.2% in 2002 to 4.4% in 2004, and an expected 4.2% in 2005. Increasing trade with China has contributed significantly to the country's economic recovery.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Taiwan's gross domestic product (GDP) was estimated at \$610.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$26,700. The annual growth rate of GDP was estimated at 3.6%. The average inflation rate in 2005 was 2.3%. It was estimated that agriculture accounted for 1.6% of GDP, industry 29.3%, and services 69%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$45 million.

It was estimated that in 0.9 about 2005% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

The civilian labor force in Taiwan was estimated at 10.31 million in 2005. The share of persons employed in farming, forestry, and fishing has been declining steadily, while the share of the workforce employed in mining, manufacturing, construction, and utilities has increased. As of 2005, about 6% of the labor force was engaged in agriculture, 58.2% in services, and 35.8% in industry. In that same year the unemployment rate was estimated to be 4.2%.

Trade unions are weak and cannot be called unions in the real sense of the term, for the law does not provide for effective collective bargaining and also prohibits strikes, shutdowns, and walk-outs in vital industries. The trade unions, organized under government supervision, tend to be used for carrying out government policies, but they carry on a considerable amount of welfare work.

In 2002, there were 3,854 registered unions in Taiwan, with membership totaling 29% of all employed persons.

The minimum age for employment is 15. Current occupational health and safety regulations provide only minimal protection and have a mixed record of enforcement. The law provides for an eight-hour day (which may be extended to 11 hours for men and 10 for women) and a six-day workweek; overtime is paid at 40–100% above the regular wage. Most large firms give allowances for transportation, meals, housing, and other benefits, which can increase base pay by 60–80%. A minimum of one week's vacation is provided after a year's employment, and there are 14 or 15 other paid holidays. In 2002, the monthly minimum wage was us\$452. This amount provides a decent standard of living in rural areas, but is not sufficient for urban life.

## 2<sup>2</sup> AGRICULTURE

About 24% of the land is under cultivation. Although still important as both an export earner and a domestic food source, agriculture has fallen far from the preeminent position it long held in the Taiwan economy. From 1973 to 1987, the crop production growth rate increased on average only 0.1% per year. In 2004, agriculture accounted for 1.6% of GDP. About 6% of the labor force was employed in agriculture. High production costs and low return have driven much of the agricultural work force away to industry. In 2003, there were 200,246 farm households. Part-time farming households have accounted for over 80% of all farming households since 1980. In 2003, Taiwan imported nearly \$8 billion in food and agricultural products, with 33% coming from the United States, 7% from Australia, and 7% from Japan.

Rice, the principal food crop, is grown along the western plain and in the south. In 2004, paddy rice production was 1,433,611 tons; brown rice, 1,164,580 tons. Taiwan's annual rice production exceeds demand; the island's per capita rice consumption has declined by over 50% since the mid-1970s due to changing diet preferences. Other food crops include sweet potatoes, bananas, peanuts, soybeans, and wheat. Sugar, pineapples, citrus fruits, crude tea, and asparagus are plantation-grown and are the principal cash and export crops. Small amounts of Taiwan's world-famous oolong tea, cotton, tobacco, jute, and sisal are also produced. A fast-rising industry, mushroom canning, led to the development of mushroom cultivation, a specialty crop well suited to Taiwan since it is labor-intensive and requires little space and small investment. Betel nuts have become Taiwan's second most valuable cash crop after rice. In 2004, betel nut production totaled 143,368 tons. In 2004, Taiwan's major crop production was valued at NT\$259 billion, with crops accounting for 63%; vegetables, 14%; mushrooms, 1%; and fruits, 22%. Between 2001 and 2004, fruit and horticultural production increased by 6% and 8%, respectively, while rice production fell by 16.7%.

Generally, Taiwanese agriculture is characterized by high yields, irrigation, terracing, multiple cropping, intertillage, and extensive use of fertilizers. Farms are small, averaging 1.1 hectares (2.7 acres) of cultivable land per farm family. Mechanization, once confined largely to sugarcane and rice production, is increasing rapidly as a result of government subsidies and other incentives. Since there is an oversupply of rice, the government has encouraged farmers to grow soybeans, wheat, and corn, which are more profitable. The growing scarcity of land on Taiwan is causing serious disagree-

ments over land resources between agricultural, industrial, and housing interests.

### 23 ANIMAL HUSBANDRY

Pastures in Taiwan occupy only 0.1% of the total land area. In 2004, livestock sector production was valued at NT\$125 billion. That year, Taiwan produced 891,776 tons of pork and 631,640 tons of poultry from chickens. Hog production is Taiwan's most valuable farm product. In 2004, Taiwan's pork production was valued at NT\$64.4 billion. In 1997, a major outbreak of hoof and mouth disease affected 6,147 hog farms. As a result, one-third of the hog population had to be destroyed. The government helped compensate pig farmers with \$1.1 billion in low interest loans. Livestock production declined by 13% from 1996 to 2001, and fell another 3.9% from 2001 to 2004. Chickens and ducks are raised by most households.

### 24 FISHING

Production of fish products totaled 1498,866 tons in 2003 (19th in the world). Exports of seafood products totaled \$1,299 million in 2003. In 2003, Taiwan accounted for 14.9% of the world's fresh, chilled and frozen fish exports, valued at \$1,175 million, and 0.6% of the canned fish exports, valued at \$38.1 million. Squid, skipjack and yellowfin tuna, chub mackerel, shark, and milkfish are the main species of the marine catch. Deep-sea fishing, which was practically wiped out by World War II (1939–45), has shown strong gains following heavy investments in vessels and harbors. Milkfish, tilapias, clams, oysters, and eels are the main species farmed. In 2004, the aquacultural area covered 42,047 hectares (103,898 acres), with production of 299,066 tons, valued at NT\$28.2 billion.

### 25 FORESTRY

Native stands of cypress, fir, camphor, and oak were cut to help fund Japan's development when Taiwan was under Japanese imperial rule (1895–1945). Logging provided hard currency exports for the Nationalist Chinese regime after its retreat from mainland China to the island in 1949. Nearly 60% of Taiwan is covered with forests, with the total forest area estimated at 2.1 million hectares (5.2 million acres) in 2004. The roundwood harvest was estimated at 40,041 cu m (1.41 million cu ft) in 2004 (90% softwood, valued at NT\$523.8 million). Although forestry production increased by 21.3% between 2000 and 2004, domestic timber production only meets 1% of total demand; the value of wood imports totaled \$1.23 billion in 2004. Taiwan's timber production has declined since the 1980s due to local labor shortages, intensifying environmental concerns, and logging restrictions. In 1992, Taiwan banned all logging from nonplantation forests. Principal timbers are oak, cedar, and hemlock. Taiwan is a major furniture exporter that relies heavily on imported wood products to support the industry.

### 26 MINING

Mining in 2004, accounted for only 0.1% by value of Taiwan's total industrial output. Iron and steel was the leading metal production sector on the island. Value-added products made from aluminum and copper were dependent upon scrap or imported metals. Dolomite, limestone, and marble were the most important nonfuel mineral commodities. The western third of the island had

adequate amounts of sand, gravel, and limestone for building purposes, although there has been a recent slowdown in the construction sector. The demand for mineral products has increased over the years, while local supplies were dwindling. Mineral production in 2004 included (in metric tons): dolomite, 115,000, up from 54,000 in 2003; limestone, 213,000, down from 1,434,000 in 2003; marble, 22,970,000, up from 21,041,000 in 2003; and serpentine, 229,000, up from 194,000 in 2003. Taiwan also produced hydraulic cement, fire clay, feldspar, precipitated gypsum, lime, mica, marine salt, caustic soda, soda ash, sulfur, and talc. No kaolin clay was produced in 2004.

### 27 ENERGY AND POWER

Taiwan's domestic energy resources are modest and the country is nearly totally dependent upon imports.

Oil is the biggest part of Taiwan's energy mix, accounting for 48% of energy demand, followed by coal at 34%, nuclear power at 9%, natural gas at 8% and hydroelectric power at under 2%. Taiwan's proven reserves of oil are minuscule. As of 1 January 2004, these reserves were estimated at four million barrels. In 2003, production of oil was estimated at an average of 3,806 barrels per day, of which an average of 800 barrels per day consisted of crude oil. Demand for oil, however, in 2003, was estimated at an average of 896,000 barrels per day, making the country a net importer of oil at an estimated average of 892,200 barrels per day. As of 1 January 2004, Taiwan's refining capacity was estimated at an average of 920,000 barrels per day.

As of 1 January 2004, Taiwan's proven reserves of natural gas were estimated at 2.7 trillion cu ft. In 2002, natural gas output came to an estimated 30 billion cu ft, while demand totaled an estimated 287 billion cu ft, and imports totaled an estimated 257 billion cu ft.

Taiwan's domestic consumption of coal in 2002 was estimated at 55.8 million short tons, while imports for that year were estimated at 54.7 million short tons. Although Taiwan has proven coal reserves of 1.1 million short tons, the active production of coal ended in 2000.

In 2002, Taiwan's installed electric power generating capacity totaled 30.134 million kW, of which conventional thermal fuel sources accounted for 20.568 million kW of capacity and nuclear power for 5.144 million kW. Hydroelectric power accounted for 4.422 million kW of capacity in that same year. Total electric power output in 2002 reached 158.537 billion kWh. Of this total, 72% was from fossil fuels, 3.9% from hydropower, and 23.9% from nuclear power. Consumption of electricity in 2002 was 147.439 billion kWh. Reported as of July 2004, Taiwan had three nuclear power plants (the Maanshan station in the south, and the Kuosheng and Chinshan stations in the north), with a combined installed capacity of 4,884 MW. Construction of the 2,700 MW Kungliao nuclear power station had become a controversial issue by 2000, when the Democratic People's Party government had it halted. However, through legislative and judicial efforts, work on the project was resumed in 2001. The Kungliao station is slated to start operations in 2006.

### 28 INDUSTRY

Under the Japanese, about 90% of the industrial enterprises were owned by the government or by Japanese corporations with gov-

ernment assistance. After the restoration of Taiwan to China in 1945, the ROC government took over these enterprises. Some were sold to private owners, and the rest were grouped under the management of 18 public corporations, operated either by the national government or by the provincial government, or by both. Added to the confiscated enemy properties were public enterprises evacuated from the mainland. As a result, government-operated enterprises came to dominate Taiwanese industry. Although the proportion accounted for by these enterprises in the production value of manufacturing industries has been falling in recent years in contrast to the private sector, it still accounts for a significant amount of value added. Beginning in 1992, Taiwan authorities have made efforts to reduce the size of the public sector. These efforts have gained momentum after democratization in 1996. By 2002, the government had sold equity shares and reduced public ownership to below 50% in 23 state-owned enterprises (SOEs), mostly banks and insurance companies, but including a steel mill and one fertilizer company. In 1998 and 1999 privatization announcements included the Chinese Petroleum Corp., Chunghwa Telecom Corp., and Taiwan Power Corp. Plans for privatization have been announced for SOEs involved in power, oil, tobacco, wine, railway transport, mining and telecommunications. Since 1998, also, a number of construction projects—the north-south high speed railway, the mass rapid transit (MRT) systems in Kaohsiung (KMRT) and the between T'aipei and the CKS Airport—were given to private firms, including many foreign companies, on a build-operate-transfer (BOT) basis.

The average annual growth rate in manufacturing was 13% during 1953–62, 20% during 1963–72, 9.6% during 1973–85 and 5.9% for 1986–92. The private sector outpaced the public sector during each of these periods. The number of workers in manufacturing rose from 362,000 in 1952 to 736,000 in 1967 and to almost 2.8 million in 1987. By 1992, however, this number declined to about 2.6 million as the rapidly expanding service sector absorbed more of the workforce. Manufacturing for export has been encouraged by the establishment of free-trade export-processing zones (EPZs) in the Kaohsiung harbor area, at Nantze (near Kaohsiung), and at T'aichung. Since the late 1980s rising production costs and a 40% appreciation of the New Taiwan dollar have prompted many export-oriented companies to relocate their manufacturing plants to mainland China and Southeast Asia. In particular; labor-intensive industries, such as toys, footwear, umbrellas, and garments, have relocated. In 1986, industrial production accounted for nearly half of GDP. By 1997 this figure had dropped to about 35% and in 2000, it was an estimated 31.9%, including manufacturing at 26.4% of GDP; construction at 3.4% and electricity, gas and water at 2.1% of GDP. For to June 2001, industrial production accounted for 29.4% of GDP, with manufacturing accounting for 24%.

Production rose spectacularly after the end of World War II, especially between 1952 and the early 1980s. Slower economic growth since the mid-1980s and greater investment emphasis on heavy and high-technology industries as well as services has resulted in declining production figures for traditional manufactures such as cotton yarn and fertilizer. Labor intensive industries have gradually been replaced by capital and technology intensive industries. In 2000 electronics and information technology (IT) products accounted for 27% of industrial output. The two largest made-to-order computer chip manufacturers are Taiwan Semi-

conductor Manufacturing Company (TSMC), Taiwan second-largest company, and United Microelectronics Company (UMC). In 2000, Taiwan global share in scanner production was 90%; in motherboards, 65%; monitors, 57%; in notebook PCs, 57%; in digital cameras, 45%, and in D/DVD drives, 39%. Strong growth in IT products continued in many IT products despite the overall 10.4% contraction in industrial production in 2001. Sales of LCD monitors, for instance, reached \$3.13 billion, a 66% increase over 2000, while sales of digital cameras reached \$7.132 billion, a 95.5% yearly increase. In 2000, Taiwan was the world's fourth-largest computer hardware supplier. Taiwan has become the world's leading supplier of computer peripherals, including motherboards, monitors, mice, interfaces, network cards, and graphic cards; and holds the largest market share of notebook computers and semiconductors. The structure of Taiwan's IT industry is a pyramid with a handful of large companies that make the major investments in research and development, and over 1000 small and medium-sized operations that account for about 85% of the output. The sector employs about 130,000.

Taiwan's petrochemical industry consists of mainly of 45 upper and middle-stream manufacturers, many concentrated in the Kaohsiung special chemical zone. In 1999, Taiwan's petrochemical production capacity was only 51% of domestic demand. As of 2000, this was raised to 79% with the completion of a naphtha cracking plant in the Mailiao industrial zone. The Mailiao zone also includes its newest oil refinery, a 450,000 barrels per day facility built by Formosa Petrochemical Company (FPC), which, with Taiwan's three other refineries—a 270,00 barrels-per-day refinery at Kaohsiung, a 270,000 barrels-per-day refinery at Ta-Lin, and a 200,000 barrels-per-day refinery at Taoyuan—establishes refinery capacity in excess of domestic demand. In December 2002, an export contract was concluded with the mainland China state petroleum company

In heavy industry, Taiwan has 10 manufacturing companies, most of them contractual joint ventures with Japan. The production value of the automotive industry reached \$10 billion in 2000, about 4% of its aggregate manufacturing. Taiwan's small size and the availability of efficient MRT lines limits the demand for automobiles. Domestic demand for vehicles fell from 542,000 in 1995 to 420,000 in 2000.

Textiles were the leading export until the 1980s when labor costs, land prices and environmental protection concerns led to a relocation of much of the industry to Southeast Asia and China. The domestic industry is based on man-made fibers. In 2000, Taiwan was third in the world in the production of man-made fibers, and second in the production of polyester, which constitutes 80% of its output.

Overall industrial production fell 2.6% in 1998 from an increase of 7.4% in 1997, due largely to the effects of the Asian financial crisis. Industrial production recovered quickly to growth rates of 7.5% and 7.4% in 1999 and 2000, but then slid 10.4% in 2001 in the wake of the dot.com bust. In 2002, the economy recovered, registering a 3.3% growth rate, and in the first quarter of 2003, industrial production had risen 6.4%.

In 2004, the industrial production growth rate was 12.2%, well above the overall growth of the economy. Industry made up 30.9% of the economy, and employed 35% of the working population. Agriculture is an insignificant part of the economy, but services

seem to be the main driving force, with 67.4% participation in the GDP and 57% representation in the labor force.

### 29 SCIENCE AND TECHNOLOGY

In the 1970s, Taiwan instituted its Science and Technology Development Program. Coordinated by the National Science Council, the program seeks to encourage the development of “knowledge-intensive” industries through grants for the training of scientific personnel, subsidies for recruitment of distinguished scientists from abroad, and grants to universities to promote scientific research. Specific goals of the program are to integrate and promote research in geothermal energy, battery-powered vehicles, electronics, cancer treatment, pharmaceuticals, nuclear safety, and the development of high-precision instrumentation and computers.

The Industrial Technology Research Institute is charged with the transfer of pertinent technologies developed to manufacturing and other industries. College students are encouraged to build careers in engineering and science. In 1979, the Science-Based Industrial Park was established at Hsinchu, near the National Tsinghua University, with the objective of encouraging computer manufacturing and other high-technology industries by offering loans, tax incentives, and low-cost housing and factory buildings. By 1990, over 60 companies had established research and development (R&D) and joint production facilities there. These include computer, semiconductor, precision electronics and instrumentation, telecommunications, and biotechnology firms.

The highest institution for scientific research on Taiwan is the Academia Sinica (Chinese Academy of Sciences), founded in 1928 and now located in Taipei. Its 18 associated institutes carry on research in mathematics, statistics, history and philology, economics, modern history, physics, botany, zoology, ethnology, chemistry, molecular biology, biological chemistry, biomedical sciences, atomic and molecular sciences, earth sciences, information science, nuclear energy, social sciences and philosophy, and American culture. An Atomic Energy Council, founded in 1955, promotes atomic research.

In Taipei, the National Taiwan Science Education Center has a planetarium and various exhibits; the Taiwan Museum has exhibits on natural history, geology, and ethnography, and a spectroscopic dating laboratory for fossils. Taiwan has 23 universities and colleges that offer courses in basic and applied sciences.

### 30 DOMESTIC TRADE

The marketing system is partly free and partly controlled. Salt, tobacco, alcoholic beverages, and certain commodities are produced and distributed by the government. Prices of basic living commodities are controlled. Retail sales in cities are handled by small department stores, specialty shops, general stores, convenience stores, roadside stands, and peddlers. In 2000, Taiwan had over 1,000 supermarkets and 3,200 convenience stores. Since roadside stands and peddlers have little overhead and are satisfied with a small profit, their prices are generally lower than those of the large stores and shops, if the customer bargains. In recent years, wholesale discounters, hypermarkets and franchises have become significant distribution channels for consumer goods, increasing the efficiency of the marketing system overall. The nation's first shop-

ping malls opened in 1999 and 2001, with development plans to build 20 to 30 more within the next few years.

Chilung and Taipei are the distribution centers for the northern end of the island, while Kaohsiung and Tainan are the principal distribution centers for the southern area. Most registered import and export trading firms are located in Taipei. Accounts are usually settled during festival periods, according to Chinese custom.

Local markets open about 7 AM and close at 6 PM or later. Business firms and stores are usually open from 9 AM to 5:30 PM, and in the morning on Saturdays, and some stores close as late as 10 PM. Most stores are open seven days a week. Banks are open six days a week: Monday–Friday, 9 AM to 3:30 PM, and Saturday, 9 AM to noon. As of January 1998, government employees (excepting the police, health bureau, and customs) and most private companies take the second and fourth Saturday of the month off.

### 31 FOREIGN TRADE

Foreign trade is of ultimate importance to the island economy. To fulfill both production and consumer needs, Taiwan must import large quantities of energy, industrial raw materials, food, and manufactured goods. With rising consumer wealth within Taiwan as well as tariff reductions and other liberalization measures by the government, imports have risen rapidly from \$24 billion in 1986 to an estimated \$122 billion in 2000.

The export pattern has changed significantly since the end of World War II. In 1952, industrial products represented only 10% of Taiwan's total exports and agricultural exports made up the rest; but by 1992, industrial exports (excluding processed agricultural products) had jumped to an overwhelming 95.7% share of the total. Exports increased from \$8.2 billion in 1976 to an estimated \$112 billion in 2000. However, the export growth rate has declined steeply in recent years, from 23% in 1986 to 13% in 1991 and 0.4% in 1992, due to recession in Taiwan's major markets and the movement of export-oriented manufacturing plants to China and Southeast Asia. Exports leveled off in 1997, and dropped by 9.4% in 1998, in part due to the financial crisis in all of Asia. The growth in services has overtaken that of industrial production.

Most of Taiwan's export commodities are electronic equipment and other small manufactured goods.

The United States remains Taiwan's single most important trade partner, although Japan has made major gains, becoming Taiwan's major supplier in the 1970s and 1980s. Over 18% of imports come from the United States, while Taiwan exports more than 27% of goods to the United States. Trade with mainland China via Hong Kong expanded rapidly during the late 1980s and early 1990s, resulting in a sharp increase in Taiwan's trade surplus with the latter country. Following cross-strait tension from 1995 onwards, Taiwan investors have limited their relations with mainland China, resulting in a 50% drop in investment during 1998. Exports to China fell by 13% in 1998.

In 2004, exports reached \$171 billion (FOB—Free on Board), while imports grew to \$165 billion (FOB). The bulk of exports went to China, including Hong Kong (37%), the United States (16%), and Japan (7.7%). Imports included machinery and electrical equipment, minerals, and precision instruments, and mainly

came from Japan (26%), the United States (13%), China, including Hong Kong (11%), and South Korea (6.9%).

### **3<sup>2</sup> BALANCE OF PAYMENTS**

There was a consistent trade surplus after the mid-1970s, which exceeded \$10 billion after the mid-1980s through the mid-1990s. The current account surplus was \$19 billion in 2001 and was forecast to remain substantial in 2003. Taiwan's total foreign exchange reserves are the world's third-largest after Japan and China; they stood at a record \$175.2 billion in May 2003. Total foreign debt was only \$24 billion in 2001.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Taiwan's exports was \$122 billion while imports totaled \$109 billion resulting in a trade surplus of \$13 billion.

Exports of goods and services reached \$173 billion in 2004, up from \$143 billion in 2003. Imports grew from \$119 billion in 2003, to \$157 billion in 2004. The resource balance was consequently positive in both years, reaching \$24 billion in 2003, and \$16 billion in 2004. The current account balance was also positive, deteriorating though from \$29 billion in 2003, to \$19 billion in 2004. Foreign exchange reserves (including gold) grew to \$242 billion in 2004, covering more than one and a half years of imports.

### **3<sup>3</sup> BANKING AND SECURITIES**

Many banking institutions are either owned or controlled by the government. There were 11 public banks in 1998, with total assets of \$261 billion, or 44%. The Bank of Taiwan (with 75 branches) used to issue currency notes, handle foreign exchange, act as the government's bank, and perform central banking functions in addition to its commercial banking activities; before reactivating the Central Bank of China (CBC) in Taipei in 1961. The functions of the Central Bank include regulation of the money market, management of foreign exchange, issuance of currency, and service as fiscal agent for the government. The Bank of China is a foreign exchange bank with branch offices in major world capitals. The Bank of Communications is an industrial bank specializing in industrial, mining, and transportation financing. The Export-Import Bank of China, inaugurated 1 February 1979, assists in the financing of Taiwan's export trade. The Central Trust of China acts as a government trading agency and handles most of the procurements of government organizations. The Postal Savings System accepts savings deposits and makes domestic transfers at post offices.

At the end of 2002 there were 48 domestic commercial banks, five medium business banks, and 39 foreign banks. There were also 48 credit cooperatives, 287 farmers' credit unions, and 27 fishermen's credit unions. The government holds majority status in several of the most important banks, including the Bank of Taiwan, the Cooperative Bank of Taiwan, and the First Commercial Bank. The two largest private banks are the International Commercial Bank of China and the Overseas Chinese Commercial Banking Corp. By 1998, three large government-owned provincial banks were privatized, and others were set to follow.

In 1990 the government announced the goal of establishing the island as a regional financial center. Its original target of 1996 was far too optimistic, and liberalization will have to be far more thoroughgoing than that to which the authorities are at present committed, but various steps are being taken towards this end.

Restrictions on bringing in capital from abroad, limits on capital transfers both in and out of Taiwan by domestic firms and individuals, and the operations of foreign banks have been liberalized. On 18 February 1997, the Finance Ministry set up a 37-member financial reform task force, headed by the finance minister. This group spent 10 months devising proposals in the following four areas: improving the overall efficiency of the banking system; development of capital and derivatives markets, and relaxation of the rules governing the kinds of business banks may conduct; improving market-regulating procedures such as credit evaluation systems, asset management, investor insurance, and insider trading rules; and strengthening banks' internal financial controls.

Taiwan's first private corporate bond issue was floated in 1958. The first stock exchange in Taiwan opened on 4 February 1962. Volume was low until liberalization measures opened the market to foreigners, and the Taiwan stock market surged in the early months of 1997, with the index smashing through the 8,000-point barrier for the first time since 5 March 1990. This milestone immediately prompted rumblings from the CBC that the market was overheated. Yet by May 1997, the market was flirting with the next resistance level, at 8,500 points. Authorities raised the limits to foreign ownership in companies listed on the TAIEX from 30% to 50% in 1999. Most limits on foreign ownership were ended in 2000, and the index was up by the 10,000 mark in that year. However, it has since dropped off considerably, especially in the wake of the Asian financial crisis of 1998. The TAIEX was at 5,551.2 at the end of 2001, and trading value, at \$545 billion, was only slightly more than half of the previous year's level. As of 2004, the TAIEX stood at 6,139.7, up 5% from the previous year. Trading value that year totaled \$718.619 billion. In 2004, a total of 697 companies were listed on the Taiwan Stock Exchange, which had a market capitalization of \$441.436 billion.

### **3<sup>4</sup> INSURANCE**

Insurance in Taiwan is supervised by the Ministry of Finance and may be written only by a limited liability company or a cooperative association. Aside from group insurance operated by the government, life and annuity insurance are comparatively undeveloped in Taiwan. The Chinese tradition that the family should take care of its members in sickness and old age lowered demand in the past, but social change and rapid economic growth have modified this situation, especially in industrial areas. In 1986, the Taiwanese government agreed to allow US companies to compete equally for insurance business. In 1999, nine foreign nonlife insurers were authorized to run full branches in Taiwan. Foreign insurers must receive approval from the government, however, and secure a business license. In Taiwan, third-party automobile liability, health insurance, pension, unemployment insurance, and workers' compensation are all compulsory. In 2003, the value of all direct insurance premiums written totaled \$32.402 billion, of which life insurance premiums accounted for \$23.739 billion. For that same year, Taiwan's top nonlife insurer was Fubon, which had gross written nonlife premiums totaling \$847 million, while Cathay Life was the

country's leading life insurer, with gross written life insurance premiums of \$7,972.7 million.

### 35 PUBLIC FINANCE

Central government revenues come mostly from taxation, customs and duties, and income from government monopolies on tobacco and wines; other revenues are derived from profits realized by government enterprises. Government accounts showed surpluses through the early 1980s. Public authorities anticipated a growing fiscal deficit throughout the 1990s as Taiwan's six-year development plan required over \$300 billion of investment in public infrastructural construction projects and in upgrading industries. In 1996, the government's deficit was equal to 4% of GDP. Growing demands for social welfare spending and increased defense spending (up 20% in 1996/97, the largest rise in over a decade) continued to put pressure on the budget. Outstanding debt reached 16% of GDP in 1998, up from 6% in 1991, and debt service payments consumed 15% of the central budget in 1999. The government was committed to balancing the budget by 2001. Austerity measures included controlling public sector consumption expenditures, limiting expansion of government expenditures, freezing government employment, limiting public employee pay raises, and encouraging private participation in major public projects. The government was also committed to reducing the public sector's role in the economy. National defense expenditures as a portion of the central budget dropped from over 40% in 1960 to 20% in 1999, and were set to fall to 15% in 2000.

The US Central Intelligence Agency (CIA) estimated that in 2005 Taiwan's central government took in revenues of approximately \$70.9 billion and had expenditures of \$80.1 billion. Revenues minus expenditures totaled approximately -\$9.2 billion. Public debt in 2005 amounted to 33.3% of GDP. Total external debt was \$81.64 billion.

### 36 TAXATION

All taxes are collected by the local government and transferred to the relevant provincial or central government agency. Tax revenues reserved for the central government include the income tax, estate (inheritance) tax, gift taxes (4–50%); customs duty, stamp tax, commodity tax, securities transaction tax, and mine tax.

As of 2005, individual income taxes were progressive with a top rate of 40%. Dividends paid to resident individuals is not subject to a withholding tax. Non resident individuals were subject to a 30% withholding rate. Interest and royalty income paid to resident individuals were subject to withholding taxes of 10% and 15%, respectively, but increases for each to 20% for nonresidents.

Corporate income taxes range from 0 to 25%. Capital gains are subject to the same corporate tax rates, although gains incurred by a nonresident company are taxed at a flat rate of 25%. Dividends paid to nonresident firms are also taxed at the flat 25% rate. Banking, insurance and investment services are subject to a 2% turnover tax. Higher rates apply to entertainment.

Taiwan also has a value-added tax (VAT) of 5% on sales and services. Items zero-rated from the VAT include international transport, exports, services performed in Taiwan but for use abroad, and services performed overseas. Basic foodstuffs, land, water, certain agricultural inputs, some financial and insurance products, and education and health are exempt from the VAT. How-

ever, certain businesses not subject to the VAT pay a tax on their gross business receipts that ranges from 0–25%. Sales taxes are 1% for reinsurance activities, 5% for bank activities, insurance and brokerage services; and 15–25% for bars and restaurants. There is a 60% ad valorem merchandise tax on petrol. Other taxes include building, commodity, deed, estate, gift and land value taxes. There are no social security or local income taxes in Taiwan.

### 37 CUSTOMS AND DUTIES

Customs duties are important revenue earners and consist principally of import duties and tonnage dues. The former are levied on dutiable commodities, the latter on ships that call at Taiwan ports. Duties range from 2–60% and are assessed on seven commodity categories that include rubber tires, cement, beverages, oil and gas, electrical appliances, flat glass, and automobiles. Articles imported for military use, for relief, or for educational or research purposes are exempted from import duty. Duties on imported raw materials for business can be rebated. Some agricultural products are prohibited from importation, such as rice, sugar, chicken, some pork cuts, peanuts, and certain dairy products. Imports from Japan and mainland China are restricted due to balance of payments problems. There is also a 5% VAT that is applied to the CIF (cost, insurance, freight) value, plus the duty and a 0.3% harbor fee that is not applied to items arriving by parcel post or air freight duty.

### 38 FOREIGN INVESTMENT

From 1952 to 2000 cumulative foreign direct investment approvals came to \$44.8 billion of which 24% was in the electronics and electrical industries. Other industries attracting relatively heavy foreign investment include banking and insurance services, chemicals, trade and basic metals. The government reported Taiwan received \$3.27 billion in foreign investments in 2002, and had received an average of \$2.7 billion a year 1991 to 1999. The rate of foreign investment has been rapidly accelerating as in preparation for its accession to the World Trade Organization (WTO) Taiwan has liberalized its economy and improve its investment environment. Foreign firms are generally accorded national treatment and trade-related capital flows are unrestricted. In January 2001 the 50% foreign ownership limit was lifted with exceptions in a few designated industries. Most limits on the amount of portfolio investment in companies listed on the Taiwan Stock Exchange (TSE) were also lifted. About 1% of manufacturing industries and 5% of services industries continue to have limits on foreign ownership. Investment incentives are offered for investments in emerging or strategic industries, pollution control systems, production automation, and energy conservation. Since the goal was first announced in 1995, increasing effort has been put in making Taiwan an Asia-Pacific Regional Operations Center (APROC). A goal is to have about 1,000 corporations establish headquarters in Taiwan by 2011.

The United States has been the largest source of foreign investments in Taiwan with investment approvals totaling \$10.7 billion in the period 1952 to 2000, 24% of the total. Another \$9.2 billion is approvals during this time from the British Virgin Islands, the Cayman Islands, and other offshore havens in Central America, should also be largely attributed to US multinationals. Japan has ranked second with approved investments totaling \$9.2 billion or

21% of the total. Twenty-seven percent has been in electronic and electrical products and 20% in services and trade. Investment approvals totaled 1,410 equal to potential investment of \$7.6 billion, an increase of 80% over 1999. Most of these investment applications came from British territories in Central America (mainly the British Virgin Islands, the Cayman Islands, and other conduits of mostly US investments), the United States, Singapore, Japan and the United Kingdom.

Taiwan outward investment has been such that by 2000 over 50% of Taiwan manufacturing was being conducted outside of the country, and by 2001, 53% was being out-sourced. The top five sectors for outward investment were banking and finance, services, electronics and electrical appliances, marketing, and transportation. In 1992, investment in mainland China was legalized and despite a fall off due to tensions in 1996, by 2001 Taiwan had become China's fourth-largest source of foreign investment. In 2002, the government changes its official investment stance towards China from "patience over haste" to "active opening and effective management."

Taiwan uses the cheap labor force from the mainland to assemble and process domestic produced high tech goods, and then exports them to the developed markets (like the United States, Japan, and Europe). Taiwan's direct investments in China grew from \$1.3 billion in 1999 to \$5.4 billion in the first 10 months of 2004. China (including Hong Kong) have thus become Taiwan's largest export market. Capital inflows have also been high, with FDI levels amounting to 20.8% of the GDP in 2003. Investors complain however that the business environment is not as streamlined and transparent as it could be.

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

Since 1950, the government has adopted a series of economic plans to help guide and promote economic growth and industrialization. The first four-year economic development plan (1953–56) emphasized reconstruction and increased production of rice, fertilizers, and hydroelectric power; it resulted in an increase of 37% in GNP and 17% in income per capita. In the second four-year plan (1957–60), import substitution industries were encouraged. Industry and agriculture both registered significant gains; GNP increased by 31%, and national income per capita by 13%. The third four-year plan (1961–64) emphasized labor-intensive export industries, basic services, energy development, industries contributing to agricultural growth, and exploration and development of the island's limited natural resources. The results were a 42% increase in GNP and a 31% increase in per capita income. US loans and grants, totaling \$2.2 billion, and foreign (mostly overseas Chinese) investment financed these early stages of development.

Following the curtailment of AID assistance in 1965, the fourth four-year plan (1965–68) was introduced, followed by the fifth four-year plan (1969–72); increases in GNP for these periods were 46% and 55%, respectively. By 1971, exports of manufactured goods had registered spectacular increases, and Taiwan's foreign trade pattern changed from one of chronic deficit to consistent trade surpluses. At this point, the government began to redirect its priorities from labor-intensive industries to the development of such capital-intensive sectors as shipbuilding, chemicals, and petrochemicals. The sixth four-year plan (1973–76), adversely affected by the worldwide recession, was terminated in 1975 after

producing only a 19% increase in GNP. It was replaced by a six-year plan (1976–81) that focused on expansion of basic industries and completion of 10 major infrastructural projects, including rail electrification, construction of the North Link railroad, development of nuclear energy, and construction of the steel mill at Kaohsiung and of the new port of T'aichung.

In 1978, the six-year plan was revised, and 12 new infrastructural projects were added, including completion of the round-the-island railroad, construction of three cross-island highways, expansion of T'aichung Port's harbor, and expansion of steel and nuclear energy facilities. A subsequent four-year plan (1986–89), designed to supplement a longer-range 10-year plan (1980–89), had as a target average annual GNP increase of 6.5%. Among its goals were price stability, annual growth of 7.5% in the service sector, trade liberalization, encouragement of balanced regional development, and redirection of new industrial growth into such high-technology industries as computers, robotics, and bio-engineering. In response to flagging export growth and a slowdown in private investment following a stock market collapse in 1990, the government devised a six-year plan for 1991–97 aimed at economic revitalization. This plan targeted investment mainly in transportation, telecommunications, power generation, and pollution control. A "Statute for Upgrading Industries" enacted in early 1991 continued the government's efforts to provide incentives for private investment in research and development and high-technology sectors of the economy. Economic development in the late 1990s focused on a continuing privatization of government enterprises, the opening of the Taiwan market to foreigners, and high investment in the technological sector.

Taiwan's six-year national development plan for 2002–08 is titled "Challenge 2008." It is estimated to cost \$75 billion and has seven specified goals: 1) expanding the number of products and technologies that meet the world's highest standards; 2) doubling the number of foreign visitors; 3) increasing expenditures on research and development to 3% GDP; 4) reducing unemployment to less than 4%; 5) increasing the average growth rate to over 5%; 6) increasing number of broadband internet users to over six million; and 7) creating about 700,000 jobs. There are 10 major areas of emphasis, including cultivating talent for the E-generation (with a special emphasis on mastering English); developing the cultural arts industry; developing a digital Taiwan, using information technologies to make government more efficient and industries more competitive; developing Taiwan as a regional headquarters for multinational corporations; and constructing culturally rich hometown communities as a means of retaining talent, in addition to more standard goals of increasing value-added, improving the transportation infrastructure, conserving water resources and doubling the number of tourists.

Taiwan's economy is estimated to grow by 3.7% in 2005, a clear set-back from the 5.7% growth rate registered in the previous year. Reason for this is the weaker growth in the demand for the country's key manufactured exports. However economic expansion is expected to pick-up again in 2006 as a result of increased world trade.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

A social insurance system provides medical, disability, old age, survivor, and other benefits, with employers paying 3.85% of pay-

roll and workers contributing 1.1% of earnings. Benefits are paid in lump sums depending on years of contribution. The retirement age is set at age 60 for men and 55 for women. The National Health Insurance Bureau provides medical care for all workers and dependents. Firms with five or more employees are required to fund a workers' compensation program. Unemployment benefits are funded by employers, employees, and the government.

All enterprises and labor organizations must also furnish welfare funds for workers and "welfare units," such as cafeterias, nurseries, clinics, and low-rent housing. Fishermen, farmers, and salt workers have their own welfare funds. Government programs include relief for mainland refugees, calamity-relief assistance, and direct assistance to children in needy families.

The law provides equal rights to women, and protects against sex discrimination. Sections of the legal code that discriminated against women have been eliminated. Now the law permits married women to retain their maiden names, gives them an equal voice in child custody disputes, and clarifies their property rights. In the workplace, women tend to receive lower salaries and less frequent promotion, and are often denied federally mandated maternity leave. Violence against women, especially domestic abuse, is extremely widespread. Child abuse is also a serious problem. The Child Welfare Act mandates that any citizen aware of child abuse or neglect must report it to the authorities. As of 2004, Taiwan remained a significant transit point for trafficked persons.

Human rights are generally well respected, but some cases of police abuse continue to be reported.

#### 41 HEALTH

As a result of improved living conditions and mass vaccinations, significant progress has been made in controlling malaria, tuberculosis, venereal disease, leprosy, trachoma, typhoid, diphtheria, and encephalitis. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 14.2 and 6.1 per 1,000 people. In 2005 the infant mortality rate was 6.4 per 1,000 live births and life expectancy was 77.26 years. Taiwan's public health facilities include 55 general hospitals and approximately 900 health stations. In 1990, there were 22,300 doctors.

#### 42 HOUSING

The evacuation of more than two million persons from the mainland to an already densely populated island in 1949 made the provision of low-cost housing an early priority. By 1979, more than 150,000 units of public housing had been built. Since the 1970s, government housing programs have focused on the cities, with slum clearance and the construction of high-rise apartment dwellings for low-income groups the major priorities. Two new towns were constructed in the early 1980s and a third was planned. The government set a target of 600,000 new housing units for the 1979–89 decade, but only 236,106 units were completed as of 1986. In 2000, the total housing stock was at about 6,977,770 units with about 3.4 people per dwelling. Some 29% of all housing was built in the period 1971–80; about 32% was built in the period 1991–2000. About 83% of all dwellings were owner occupied.

#### 43 EDUCATION

All children receive nine years of free and compulsory education provided at government expense, including six years in public

primary school and three years in junior high. After completing nine years of compulsory schooling, approximately 90% of students continue their studies at a senior high (general studies) or vocational school. Agriculture, engineering, commerce, maritime navigation, home economics, and nursing are some of the skills taught in vocational schools, which offer three-year programs. In order to attend high school, students must pass an examination after junior high. Salaries of the teaching staff are paid by local governments.

In 2003/04, there were 1,912,791 students enrolled in primary schools and 1,676,970 students enrolled in secondary schools. The same year, there were 103,793 primary school teachers and 97,738 secondary school teachers.

As of 1997, Taiwan had over 100 institutions of higher education. More than 100,000 students take the joint college entrance exam each year. Approximately 61.9% of the candidates are admitted to a college or university. The government relaxed many restrictions which prevented students from studying abroad in the 1980s. Although Taiwan has a highly developed college curriculum, many students do travel abroad to study. Taiwanese college and graduate students are particularly interested in engineering, computer science, natural science, and business management. In the latter half of the 1990s, about 13,000 students annually pursued graduate study in the United States. In 2003/04, there were 981,169 students enrolled in universities and colleges with 45,702 teachers.

#### 44 LIBRARIES AND MUSEUMS

The National Central Library in T'aipei holds more than 1,615,000 items, including a collection of rare Chinese books (180,000 volumes). The National Taiwan University in T'aipei has more than 1,500,000 volumes in collected holdings. The T'aipei Public Library of Taiwan consists of a main library, 30 branch libraries, and 12 neighborhood reading rooms within the metropolitan area with a combined collection of about 4,386,601 volumes, plus periodicals and multimedia materials.

The major museums, all in T'aipei, are the National Palace Museum, National Museum of History, and the Taiwan Museum. The National Palace Museum houses one of the world's largest collections of Chinese art—the collection consists primarily of treasures brought from the mainland. The T'aipei Contemporary Arts Museum was completely renovated in 2001. The National Museum of History, founded in 1955, has more than 30,000 items in its collections of oracle bones and ritual vessels of the Shang and Chou dynasties, earthenware of the Sui and T'ang dynasties, stone engravings of the Han dynasty, and jade articles of the Chou dynasty. The Taiwan Museum has the most complete collection of natural history specimens in the country. The National Taiwan Science Education Center in T'aipei houses a planetarium and scientific exhibits.

#### 45 MEDIA

Telecommunications services are owned by the government. Nearly all telephone service is automatic. In 2003, there were 13.3 million mainline phones and 25 million mobile phones in use na-



tionwide. The postal service is managed by the Directorate General of Posts under the Ministry of Communications.

Radio broadcasting stations in Taiwan are under the supervision of the Ministry of Communications. As of 1999 there were 218 AM and 333 FM radio stations and 29 television stations. In 2004, there were about 100 cable television stations. The largest network is the Broadcasting Corp. of China, which operates three systems: an overseas service, known as the Voice of Free China; the mainland service, known as the Central Broadcasting Station, aimed at the Chinese mainland; and the domestic service. These stations broadcast in 14 languages and dialects. Television was introduced in 1962. In 1997 there were 386 radios and 48 television sets per 1,000 population. In 2005, there were 13.8 million Internet subscribers.

The leading newspapers with their estimated 2002 daily circulation rates are: *United Daily News*, 1,200,000; *China Times*, 1,200,000; *Central Daily News*, 600,000; *Min Sheng Daily*, 556,640; *Liberty Times*, 500,000; *Taiwan Hsin Sheng Pao*, 460,000; *China Times Express*, 400,000; and *China Daily News*, 670,000. The Central News Agency was established on the mainland by the KMT in 1924.

Though authorities generally respect constitutionally provided rights to free speech and free press, these rights are formally circumscribed by a law excluding the advocacy of communism or division of national territory. Controls over radio and television are said to be under a process of liberalization and privatization.

#### 46 ORGANIZATIONS

The most influential private organizations are the occupational or trade associations. These include associations of farmers, fishermen, trade unions, business leaders, and professional persons. Organizations devoted to social welfare and relief work are sponsored by the government, by religious groups, and by civic clubs. The Taiwan Federation of Chambers of Commerce has branches in all the principal cities.

Cooperatives are an important adjunct to economic life, especially in the urban centers. In rural areas, agricultural cooperatives help the farmers transport and market special farm products such as fruits, tea, citronella oil, and handicrafts. Cooperative farms, organized with the help of the government, operate either on a community basis, with the products distributed among the members, or on an individual basis, with the cooperative functioning as a purchasing, processing, and marketing agency.

Agricultural services and 4-H clubs in various parts of Taiwan provide training and social activities for boys and girls. Both the YMCA and YWCA are active in Taiwan, as is Little League baseball. There is an active Junior Chamber in Taiwan and there are several other sports associations based in T'aipei.

Cultural and educational organizations include the Historical Research Commission of Taiwan, the National Science Council, Academia Sinica, and Modern Fine Arts Association of Southern Taiwan. The Taiwan Medical Association is one of many professional organizations that also promotes research and education in medical and scientific fields.

Social action groups include the Taiwan Grassroots Women Worker's Center and the Taiwan Association of Human Rights. Volunteer service organizations, such as the Lions Clubs and Ki-

wanis International, are also present. There are national chapters of Amnesty International and the Society of St. Vincent de Paul.

#### 47 TOURISM, TRAVEL, AND RECREATION

T'aipei is the chief tourist attraction, with such popular sites as the seat of government in Presidential Square, Lungshan Temple, and the nearby National Palace Museum and famous Yangmingshan National Park. Attractions outside the capital include the Shihmen Dam recreation area, Lake Tzuhu, and the mausoleum of Chiang Kai-shek. The many temples and Dutch relics of T'ainan, Taiwan's oldest city, and Sun Moon Lake near T'aichung also attract numerous visitors. The national sports are baseball, football (soccer), and basketball.

In 2003, tourist arrivals totaled 2,248,117, of whom 60% were from East Asia and the Pacific. Tourism receipts totaled us\$3.5 billion. Hotel construction has boomed as a result of government investment. That year hotel rooms numbered 21,896 with an occupancy rate of 56%. All visitors need a valid passport and visa.

In 2005, the US Department of State estimated that the daily expense for a stay in T'aipei was us\$298.

#### 48 FAMOUS TAIWANESE

Among the many Chinese scholars who have lived in Taiwan since 1949 are Hu Shih (1891–1962), philosopher and president of the Academia Sinica; Chiang Monlin (1886–1964), educator and chairman of the Joint Commission on Rural Reconstruction; Li Chi (1896–1979) and Tung Tso-pin (1895–1963), archaeologists, whose discoveries at the Anyang site laid the foundation for modern Chinese archaeology; and Tsiang Ting-fu (Ting-fu Fuller Tsiang, 1895–1965), historian and long-time delegate to the UN. Chang Ta-chien (1899–1983) is known for his painting of landscapes and figures and his copies of the famous Buddhist mural paintings of Tunhwang caves in Gansu Province. Lin Yutang (1895–1976), poet, philosopher, lexicographer, and historian, was one of China's foremost interpreters for Western cultures.

The outstanding political and military figure of Nationalist China and postwar Taiwan was Chiang Kai-shek (Chiang Chung-cheng, 1887–1975), who was responsible for sustaining the spirit of anticommunism in Taiwan. His son, Chiang Ching-kuo (1910–88), assumed leadership of the Taiwan government from Chiang Kai-shek's death to his own. Chen Shui-bian (b.1950) became president in 2000; his controversial views regarding Taiwanese independence have caused consternation with mainland China.

#### 49 DEPENDENCIES

Taiwan has no territories or colonies.

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# TAJIKISTAN

Republic of Tajikistan  
*Jumhurii Tojikistan*



**CAPITAL:** Dushanbe

**FLAG:** The flag consists of a broad white horizontal stripe in the center, with a red stripe at the top and a green stripe at the bottom. The national emblem is centered in the white stripe.

**ANTHEM:** The flag consists of a broad white horizontal stripe in the center, with a red stripe at the top and a green stripe at the bottom. The national emblem is centered in the white stripe.

**MONETARY UNIT:** The Tajik ruble (TR) was replaced by the somoni in October 2000. s1 = \$0.32051 (or \$1 = s3.12) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year's Day, 1 January; Navruz ("New Day"), 21 March; Independence Day, 9 September.

**TIME:** 6 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Tajikistan is located in central Asia, between Uzbekistan and China. Comparatively, it is slightly smaller than the state of Wisconsin with a total area of 143,100 sq km (55,251 sq mi). Tajikistan's boundary length totals 3,651 km (2,269 mi).

Its capital city, Dushanbe, is located in the western part of the country.

## <sup>2</sup>TOPOGRAPHY

The topography of Tajikistan features the Pamir and Alai mountains which dominate the landscape. The western Fergana Valley lies in the north with the Kafirnigan and Vakhsh valleys in the southwest. The major geographic feature in the south is the Panj River, which separates southern Tajikistan from northern Afghanistan. The country is located in a seismically active area near the borders of the Eurasian and Indian Tectonic Plates. Earthquakes are common in this region.

## <sup>3</sup>CLIMATE

The climate ranges from semiarid to polar. In the semiarid regions, extreme temperatures have reached 48°C (118°F) in the summer. In the eastern Pamirs, winter temperatures have dropped as low as -60°C (-76°F). The national mean temperature in July is 30°C (86°F). The mean temperature in January is 0°C (32°F). Rainfall in most of the country averages 70 to 160 cm (28 to 63 in).

## <sup>4</sup>FLORA AND FAUNA

Most of the forested areas are coniferous, with some walnut trees found in stands at lower mountain slopes. The western steppes contain low shrubs and drought-resistant grasses and serve as habitats for such animals as deer, wolves, foxes, and badgers. Wildflowers, such as poppies and even tulips, can be found in the

valleys. Marco Polo sheep, yak, snow leopards, Siberian horned goats, and a rare markhor can be found in mountains. Bears, wild boar, and lynx are also common in the lower mountain regions. As of 2002, there were at least 84 species of mammals, 210 species of birds, and over 5,000 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Industrial emissions and excessive use of pesticides are leading causes of environmental damage in Tajikistan. Over the last 30 years, increased irrigation to support agricultural activity has resulted in harmful levels of soil salinity, which damage the soil and threaten its productivity. The nation's water supply is threatened by pollution and inadequate sanitation facilities. Overutilization of the shrinking Aral Sea for irrigation purposes has caused it to become polluted.

As of 2003, 4.2% of the country's total land area was protected, including five Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included seven types of mammals, nine species of birds, one type of reptile, three species of fish, two species of invertebrates, and two species of plants. Threatened species include the argali, Aral salmon, Tad-jik markhor, tiger, and snow leopard.

## <sup>6</sup>POPULATION

The population of Tajikistan in 2005 was estimated by the United Nations (UN) at 6,813,000, which placed it at number 99 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 40% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.3%. Despite the fact that population growth has slowed significantly

since the mid-1990s, the government viewed the current rate as too high, specifically in the area of fertility, which stood at 4.25 births per woman. The projected population for the year 2025 was 9,181,000. The overall population density was 47 per sq km (123 per sq mi), with the northern and western lowlands having the greatest population density.

The UN estimated that 27% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.82%. The capital city, Dushanbe, had a population of 554,000 in that year. Khudzhand (formerly Leninabad) had a population of about 175,000.

## 7 MIGRATION

As a result of the civil war that began in 1991, more than 600,000 people were internally displaced, and 60,000 were forced into Northern Afghanistan by January 1993. Also between 1991–95, 300,000 Russians, 30,000 Ukrainians, and 10,000 Belarussians all left Tajikistan. By April 1997, virtually all of the internally displaced people had returned to their homes. When the peace agreement was reached in June 1997, the United Nations High Commissioner for Refugees (UNHCR) completed the repatriation of Tajik refugees from northern Afghanistan to Tajikistan. In 1998 the UNHCR started the voluntary repatriation of Tajik refugees from other countries. By 1999, some 20,000 refugees had returned to their places of origin. The total number of migrants in 2000 was 330,000 including refugees. In 2004, there were 3,306 refugees, 785 asylum seekers, and 80 returned refugees. The net migration rate in 2000 was -10.3 migrants per 1,000 population, in 2005 it was estimated as -2.67. Worker remittances in 2003 were \$187 million.

## 8 ETHNIC GROUPS

According to a 2000 census, Tajiks account for about 79.9% of the population and Uzbeks (who live in the northwest) for about 15.3%. The Russian population, declining because of emigration, comprises only about 1.1%; the Kyrgyz also accounted for 1.1% of the population. Other varied ethnic groups made up the remaining 2.6%.

## 9 LANGUAGES

Tajiki, the official language is an Indo-European language, related to Farsi and Pashto. Russian is widely used as the language of international communication in government and business. Uzbeki is spoken in regions predominantly inhabited by Uzbeks.

The Tajiki language has no genders or cases, and its vocabulary is borrowed from Arabic, Uzbeki, and Russian. Since the 1940s, the Tajik alphabet has been a modified version of the Russian Cyrillic alphabet. Since the adoption of Tajiki as the national language, instruction of the Arabic-based Persian alphabet in schools has been encouraged, with teaching materials provided by Iran.

## 10 RELIGIONS

An estimated 95% of citizens are nominally Muslims. About 90% of the Muslim population is Sunni and about 7% are Shia. There are approximately 230,000 Christians, mostly ethnic Russians. The largest Christian group is the Russian Orthodox Church; however, there are also Baptists, Roman Catholics, Seventh-Day Adventists, Korean Protestants, Lutherans, and Jehovah's Witnesses. Other re-

ligious minorities include Baha'is, Zoroastrians, Hare Krishnas, and Jews, each totaling less than 1% of the population.

The constitution provides for religious freedom, but there have been some restrictions on this right in practice. All religious groups must register with the State Committee on Religious Affairs (SCRA). The SCRA monitors the activities of all religious groups in order to insure that they are not becoming overtly political.

## 11 TRANSPORTATION

As of 2004, there were some 482 km (298 mi) of railroads in common carrier service (not including industrial lines) in Tajikistan, all of it broad gauge. A 258-km (160-mi) line connects Dushanbe with Termez, Uzbekistan, and ultimately with the other rail systems of the former Soviet Union.

In 2002, there were some 29,900 km (18,580 mi) of roadways, of which 21,400 km (13,298 mi) were hard-surfaced. The major roads connect Khudzhand in the north to Kulyab in the south via Dushanbe. Only one main road services the eastern Gorno-Badakhshanskaya region, meandering from Khrough to Kyrgyzstan. Transportation in urban areas has suffered in recent years, primarily because supplies of gasoline from Russia have become unreliable. Roads connecting residential suburban areas with cities are not designed to handle large volumes of commuter traffic. Dushanbe has a system of electric trolleys and gas powered buses, but operation has been erratic due to a lack of spare parts and fuel. As of 2003, Tajikistan had 200 km (124 mi) of navigable inland waterways along the Vakhsh River.

Tajikistan had an estimated 55 airports as of 2004, of which 17 had paved runways as of 2005. In 2003, the country's airlines carried about 413,000 passengers on scheduled domestic and international flights.

## 12 HISTORY

The territory of Tajikistan has been continuously inhabited since the early Stone Age. The first Central Asian states of Sogdia and Bactria in the first millennium BC, included portions of Tajikistan. The territory was Persian-controlled from the 6th century BC, until conquered by Alexander the Great in 329 BC. Much of Tajikistan was included in the Greco-Bactrian kingdom in 3rd century BC, and after displaced by the Tochari tribes who invaded Sogdia a century later. The Kushana kingdom was established in the first centuries of the Christian era, when a number of cities were established, and agriculture and commerce grew. In the 5th and 6th centuries, parts of Tajikistan were conquered by nomadic tribes, the Chionites and, later, the Ephthalites.

At the end of the 6th century the large Ephthalite empire was displaced by the Eastern Turkic Kaganate. Arabs conquered the area in the 8th century, introducing Islam. Later in the 9th century they were displaced by the Samanides, who encouraged the development of trade and of material culture. From the 10th to the 13th centuries a number of kingdoms succeeded one another in Central Asia; among the ones which included parts of Tajikistan were the Ghaznavids, the Karakhanids, the Ghorids, the Karakitai, and the Khwarazmites.

In 1219–21 Genghiz Khan's troops conquered the entire area, destroying many cities. Tajikistan became part of the lands given to Genghiz Khan's son, Chagatai. In the 14th century Timur (Tamerlane) created a large empire, with its capital in Samarqand



LOCATION: 15°0' N; 39°0' E. BOUNDARY LENGTHS: Total boundary lengths, 3,651 kilometers (2,269 miles); Afghanistan, 1,206 kilometers (749.4 miles); China, 414 kilometers (257.3 miles); Kyrgyzstan, 870 kilometers (541 miles); Uzbekistan, 1,161 kilometers (721.4 miles).

(Samarkand). In the 16th century Tajikistan was conquered by the Sheibanids, who had their capital in Bukhoro (Bukhara). Portions of territory were included later in the Ashtarkhanid state and then in the Kokand Khanate, which emerged in the Fergana Valley in the mid-18th century. Present-day Tajikistan was split between the Khanates of Bukhoro (Bukhara) and Kokand in the 18th and 19th centuries.

In 1863, Russia asserted a right to exercise dominance in Central Asia, and began the military conquest of the khanates. Bukhoro (Bukhara) and Samarqand (Samarkand) were incorporated into Russia in 1868. Kokand was eliminated in 1876, and the border with Afghanistan was set by accord with England in 1895. At that point, part of Tajikistan was in the Emirate of Bukhara, part was in Turkestan. When the Tsar's draft call-up of 1916 was an-

nounced, rebellions broke out all over Central Asia, including in Tajikistan. These were suppressed, at great loss of life.

Northern Tajikistan was conquered by the Bolsheviks in 1918, who extended control to the rest of the country when Bukhara was captured, in 1920. Muslim guerrilla warfare termed the Basmachis Rebellion was finally suppressed in 1924. Tajikistan was established as an autonomous republic within the Uzbek Soviet Socialist Republic in 1924. The republic became a full Soviet Socialist Republic in 1929.

Border delineations in Central Asia were very arbitrary. For several hundred years educated Central Asians had used Persian and Turkic languages essentially equally, so that separation into Turkic-speaking Uzbeks and Persian-speaking Tajiks, as if to create separate nationalities, was primarily administrative. Bukhoro

(Bukhara) and Samarqand (Samarkand), the major Tajik cities, were included in Uzbekistan, while Tajikistan was left only with smaller cities, and little arable land. People were forced to assume one nationality or another.

In the late Soviet period Tajikistan was the poorest and least developed of the republics. It comprised four separate areas, the elites of which competed for power. Traditionally power was held by people from Khojent, which is geographically and culturally closest to Uzbekistan's Fergana valley. They were contested by families and clans from Kulyab, south of Dushanbe. Poorest were people from the Gorno Badakhshan Autonomous Province, most of which is in the Pamir Mountains. The final area was Kurgan-Tyube, in the extreme south, where the influence of Islam was strong; public calls for establishing an Islamic state were heard there as early as 1976.

In 1985, Mikhail Gorbachev replaced longtime republic leader Rakhmon Nabiyev with Kakhar Makhkamov, whose control never penetrated to the most local levels. Riots in February 1990 exposed his weaknesses, and encouraged a proliferation of political parties and groups. When the August 1991 Soviet coup attempt came, Makhkamov was the only republic leader to welcome it. When the coup failed, Makhkamov was forced to resign, and Nabiyev returned to power.

The republic declared independence on 9 September 1991, and presidential elections were hotly contested 27 October 1991. Nabiyev used communist control of the media and cells in the workplace to influence the election. Despite this influence, his opponent Davlat Khudonazarov, a popular filmmaker, received more than 30% of the vote. Opposition to Nabiyev continued, however, resulting in massive demonstrations and the formation of a national guard by Nabiyev and militias by the oppositionists. In April 1992, demonstrators for and against Nabiyev took over two public squares in Dushanbe, about a mile apart. Clashes between the two caused several deaths, and tensions mounted. In May, the Russian garrison in Dushanbe stepped in to mediate tensions, brokering a compromise that called for Nabiyev to form a coalition government in which one-third of the ministerial posts would go to oppositionists. Nabiyev named his supporter, Akbarsho Iskandarov, the new legislative speaker to help form a coalition government, and brought token democrats and Islamists into the government, including Kazi-kolon Khojiakbar Turajonzoda, the senior Muslim cleric in the republic.

Civil disorder grew throughout summer 1992. In August 1992, Nabiyev was seized at gunpoint and forced to resign, and Iskandarov assumed control of the government. By this time full civil war had erupted, with thousands of casualties. In November, Iskandarov gave up his efforts to govern, and Uzbekistan and Russia joined in the efforts by hard-liners to drive the Iskandarov government and its supporters out of the country, mostly into neighboring Afghanistan. The rump Supreme Soviet, dominated by hard-liners, met in Khudzhand, and Imomali Rakhmonov became the leader. Rakhmonov, a Kulyabi, was a former collective farm chairman linked to a major hard-line warlord. Kulyabi and Khojenti hard-liners, assisted by Uzbekistan and Russia, launched a successful counteroffensive that by the end of 1992 had resulted in 20,000–40,000 casualties and up to 350,000 refugees or displaced persons, about 80,000 of whom fled to Afghanistan.

In 1993, the Commonwealth of Independent States (CIS) authorized "peacekeeping" in Tajikistan under the auspices of its Collective Peacekeeping Forces (CPF) treaty to protect what Russia terms "CIS borders." CPF consisted of Russia's 201st Rifle Division, based in Tajikistan, and token Kazakh, Kyrgyz, and Uzbek troops (the Kyrgyz and Uzbek troops pulled out in 1998–99). Russian media reported in late 1999 that there were about 20,000 CPF, border, and other Russian troops in Tajikistan. The commander of the CPF troops in August 1999 stated that the role of his forces had largely shifted to the delivery of humanitarian cargos, clearing mines, and giving medical assistance. Nonetheless, plans to withdraw the CPF have not been announced, perhaps because in April 1999, Russia and Tajikistan signed a basing agreement for the 25-year presence of Russian troops.

After Tajik government and opposition emissaries agreed to a cease-fire in September 1994, the UNSC formally established a UN Mission of Observers in Tajikistan (UNMOT) in December 1994 with a mandate to monitor the cease-fire, later expanded to investigate cease-fire violations, monitor the demobilization of opposition fighters, assist ex-combatants to integrate into society, and offer advice for holding elections. The UN reported in late 1999 that UNMOT comprised 167 civilian staff and 37 military observers. The mission successfully accomplished its assigned tasks and on 15 May 2000 its mandate was terminated.

In November 1994, Rakhmanov held presidential elections in an attempt to legitimize his government. The main Tajik opposition groups boycotted this election and a constitutional referendum because they had no say in drawing up the draft constitution and would not be allowed to field their own candidates. Only one candidate besides Rakhmanov was permitted to run, Abdumalik Abdullojanov, a prominent politician in the northern Leninabad region and a former Tajik prime minister. Rakhmanov was elected president by a wide margin and his constitution was overwhelmingly approved. The Organization for Security and Cooperation in Europe (OSCE) declined to send monitors because it viewed the electoral process as not meeting its standards. Elections to a new 181-member legislature took place in February 1995. Four parties were allowed to compete, but restrictive nomination procedures ensured that about 40% of candidates ran unopposed. The election excluded virtually all opposition parties, and Western groups refused to monitor the "seriously flawed" vote.

In December 1996, the two sides agreed to set up a National Reconciliation Commission (NRC), an executive body composed equally of government and opposition emissaries. On June 27, 1997, Rakhmanov and United Tajik Opposition (UTO) leader Seyed Abdullo Nuri signed the comprehensive peace agreement, under which Rakhmanov remained president but 30% of ministerial posts were allocated to the opposition and Nuri headed the NRC.

As part of the peace process, in early September 1999, the Tajik legislature set presidential elections for 6 November 1999. Only after a popular referendum approved constitutional changes in late September, however, were the opposition Islamic Renaissance and Democratic parties legalized and allowed to gather 100,000 signatures to register nominees. Nominees complained that they did not have enough time to gather signatures and that Rakhmanov's appointees at the local level blocked signature-gathering. The Central Electoral Commission (CEC), controlled by Rakhmanov,

then pronounced him the only candidate. This prompted the resignation of opposition members of the NRC and calls for an electoral boycott. To provide the gloss of a multi-candidate race, the CEC “registered” IRP nominee Davlat Usmon, though he refused to run. The CEC announced that 98% of 2.85 million Tajiks had turned out and 96.9% had voted for Rakhmanov, and only 2% for Usmon. Seeking to avert renewed civil war, Nuri agreed on 5 November to respect the outcome of the election and rejoin the NRC in return for pledges by Rakhmanov to allow fair legislative elections that were held in March 2000.

On 26 March 2000, Tajikistan disbanded its National Reconciliation Commission (NRC), created to implement 1997 peace accords ending the civil war. The accords set legislative elections held in March as the culmination of the peace process. Former rebel Seyed Abdullo Nuri, chairman of the NRC, called for quick settlement of remaining peace issues. The UN Security Council on 21 March praised the legislative elections and work of the NRC, and withdrew UN observers in May 2000. Although benchmarks of the peace process were largely met, including the return of refugees, demilitarization of rebel forces, legalization of rebel parties, and the holding of presidential and legislative elections, stability in Tajikistan remained fragile.

The Islamic Movement of Uzbekistan (IMU), a radical Islamic organization seeking to establish an Islamic state in Central Asia, carried out operations in Tajikistan in the summer of 2000. Tajik authorities increased the number of customs checkpoints and deployed additional military troops to prevent the infiltration of Islamic militants. In addition to the IMU, the Hizb-ut-Tahrir (“Freedom Party”), another radical Islamic organization, operates in the country, although unlike the IMU, it is nonviolent. Following the 11 September 2001 terrorist attacks on the United States, and its subsequent military campaign in Afghanistan to oust the Taliban regime and al-Qaeda forces, all radical Islamic groups in the Central Asian nations were linked to terrorism. Tajikistan became a strategic partner in the US-led antiterrorism campaign when it offered the use of its airports. Leaders of Tajikistan’s opposition Islamic Renaissance Party (IRP) have vigorously denied Rakhmanov’s claim that it promotes extremism, and accuse him of using the US-led campaign against terrorism to neutralize his mainstream Islamic political opponents.

In April 2001, Rakhmanov and Russian President Vladimir Putin agreed on the establishment of a 3,000-man tactical air base in Tajikistan. Russia announced it would increase its border troops along the Tajik-Afghan border. It is Russia’s goal to establish a rapid reaction military presence in Central Asia. As of 2005 there were also American and French troops stationed in Tajikistan.

In June 2003 a constitutional referendum was approved by a reported 93 % of voters. The referendum consisted of 56 constitutional amendments, the most controversial of which permits the president to serve two additional seven-year terms beyond the presidential election in 2006. Rakhmonov, therefore, could theoretically remain in office until 2020.

Tajikistan is the poorest country of the ex-USSR and one of the poorest countries in the world. Its economy is heavily dependent upon cotton exports and international assistance remained an essential source of support. With 2001 came the second year of severe drought which resulted in a severe shortfall of food, although the situation marginally improved since then. The use of child-

labor for cotton harvesting is also common. Narcotic trafficking across the border from Afghanistan has risen dramatically since the collapse of the Taliban. Groups involved in narcotics trafficking allegedly have connections with members of the country’s security and police forces. The unemployment rate for 2004 was estimated to be at least 40%.

### 13 GOVERNMENT

The Tajik government has been in a state of flux as it has implemented the comprehensive peace settlement. President Rakhmanov retains extensive power and his supporters from the Kulyab region remain dominant in the government, though some high-level posts have been given to the opposition.

According to a Rakhmanov-designed constitution approved by referendum in November 1994, the Oliy Majlis (legislature) enacts laws, interprets the constitution, determines basic directions of domestic and foreign policy, sets dates for referenda and elections, and approves key ministerial and other appointments. The legislature also approves the state budget, determines tax policy, ratifies treaties, and approves a state of war or emergency as decreed by the president. The constitution also calls for creation of a presidium to “organize work,” to be elected by the legislators and to be headed by the speaker. Laws are required to be passed by a two-thirds majority of the total number of deputies, and a presidential veto may be overridden by the same margin. The prime minister is appointed by the president. The Tajik legislature in June 1999 rubber-stamped constitutional changes proposed by Rakhmanov calling for a seven year presidential term, a two-house Supreme Assembly (legislature), and the legalization of religious parties. A popular referendum approved the changes on 26 September 1999.

An electoral law was approved with input from the opposition on 10 December 1999. The law calls for the upper legislative chamber, the National Assembly (representing regional interests), to consist of 33 members, and the lower chamber, the Assembly of Representatives, 63 members.

Elections to the lower legislative chamber were set for 27 February 2000 (and a runoff on 12 March). In all, 191 candidates contested 41 single mandate seats and 107 candidates on six party lists competed for 22 seats. Turnout was reported by the CEC at 93.23% of 2.87 million voters. In the party list voting, Rakhmanov’s People’s Democratic Party (PDP) won 15 seats, the Communist Party won five seats, and the Islamic Renaissance Party won two seats. Twenty-seven single mandate seats were filled in the first round, and 12 in the second. Most winners of these seats are PDP members. Over 107 UN and OSCE observers monitored the race. They praised the “political pluralism” of the vote, since voters “were presented with a genuine and broad range of alternatives,” but concluded that the electoral process must be improved “to meet the minimum democratic standards for equal, fair, free, secret, transparent, and accountable elections.” They raised questions about freedom of the media, the independence of electoral commissions, the questionable de-registration of some candidates, apparently inflated turnout figures, and the transparency of vote tabulation. Thirty-three upper legislative chamber seats were filled on 23 March by indirect voting by local assemblies and the appointment of eight members by Rakhmanov. The UN Security

Council on 21 March praised the legislative elections and work of the NRC, and withdrew UN observers in May 2000.

According to the US State Department's *Country Reports on Human Rights Practices for 2001*, Tajikistan is an authoritarian regime that has established some nominally democratic institutions. Although the 2000 parliamentary elections improved citizens' right to change their government, this right remained restricted. Tajik government security forces in 2001 were responsible for some killings and beatings of detainees, and also engaged in threats, extortion, looting, and other abuse of civilians. Opposition forces were responsible for serious abuses of civilians, including killing, kidnapping, threats, and extortion. The November 1999 presidential election was not viewed by the OSCE as "free and fair."

Although three opposition parties, the Socialist Party, Social Democratic Party, and the Islamic Renaissance Party, formed a coalition in April 2004, the opposition had few chances of gaining seats in the upcoming elections. While the goal of the coalition was to ensure the electoral fairness, the three parties announced that they would field separate candidates, weakening their chances of capturing enough votes to enter parliament.

The final results for the 2005 elections showed that the party of President Rakhmanov was the clear winner, winning 52 of 63 seats. The remaining seats were divided between the Communist Party (4 seats), the Islamic Revival Party (2 seats) and independents (5 seats), considered by most observers to be supporters of the incumbent president. Turnout was reported by the CEC at 92.6% of voters. UN and OSCE observers praised some developments in electoral education and the general peacefulness of the elections, but still announced that the elections failed to meet many OSCE commitments and other international standards for democratic elections. The next presidential election was scheduled for November 2006 and the next legislative election was scheduled for 2010.

## <sup>14</sup>POLITICAL PARTIES

As part of the ongoing peace process, all parties had to undergo re-registration by March 1999. The parties registered at that time were the People's Democratic Party (PDP), Communist Party (TCP), the Party of Justice and Progress, Socialist Party, the Democratic Party ("Tehrān platform"), Agrarian Party, and the Party of Justice and Accord. The main opposition parties were registered later. In late 1994, Rakhmanov orchestrated the creation of the PDP, and in April 1998 became its head. The TCP is headed by former Rakhmanov client Shodi Shabdolov. The TCP has fallen into Rakhmanov's disfavor, and some of its assets were nationalized in May 1998. A social democratic Party of Justice and Progress was formed by intellectuals and others in April 1998. The Democratic Party, founded in 1990, was banned in 1993. It split in 1994, with one new group forming the "Tehrān platform." The remaining wing ("Almaty platform") was reregistered in December 1999. The main parties of the United Tajik Opposition (UTO) are the Democratic Party (Almaty platform) and the Islamic Rebirth Movement (primarily the Islamic Renaissance Party, IRP). The Society of Lali Badakhshan split from the UTO in 1999. The IRP was registered in September 1999. The IRP has traditionally drawn its strength from many unofficial (as opposed to state-sponsored) Islamic clerics. Emboldened by international support for Tajikistan's role in aiding the US-led coalition in its war against terrorism begin-

ning in 2001, Rakhmanov has implied that connections exist between the IRP and the radical Islamic organizations Hizb-ut-Tahrir and the Islamic Movement of Uzbekistan (IMU). The IRP has vigorously denied any connections to these groups.

## <sup>15</sup>LOCAL GOVERNMENT

In the late Soviet era the republic was divided into three oblasts or regions and the Gorno Badakhshan Autonomous Region. The region surrounding the capital, Dushanbe, also was separately administered by the central government. A new region, Khatlon, was formed by Rakhmanov, comprising the former Qurghontepa and Kulyab regions. There are two provinces (*viloyat*), Khatlon and Sughd, and one autonomous province, Gorno Badakhshan. Uzbekistan has some influence in the northern Leninabad (Khojenti) region, while Russian troops patrol the borders with Afghanistan and China. Regions, districts (*nohiya*, of which there are 52), and cities (*shahr*, of which there are 17), are governed by elected assemblies of people's deputies headed by a chairman. The chairman is appointed by the president, and the national legislature can dissolve local assemblies if it decides they are breaking the law. The self-governing authority of settlements (*shahrak*, of which there are 46) and villages (*deha*, of which there are 358) is the *jamoat* (local organization).

## <sup>16</sup>JUDICIAL SYSTEM

The judicial system from the Soviet period remains largely in place. There are courts at the city, district, regional, and national levels with a separate but parallel system of military courts. National level courts include a Supreme Court, a Constitutional Court, a Supreme Economic Court, and a Military Court. Regional and national level courts function in an appellate capacity to the lower courts. The establishment of extraordinary courts is forbidden.

The president appoints judges and the procurator general to five-year terms with confirmation by the legislature, and the president has the power to dismiss them. The court system suffers from a lack of trained judges and lawyers and from pressures applied by local political factions and the central government.

The law requires public trials except in cases involving national security or protection of minors. There is a right to appointed counsel in criminal cases. As in the Soviet period, the procurators are responsible for arrests, investigations, and prosecutions of defendants.

Prison conditions were life threatening, and the judicial system was subject to political and paramilitary pressure.

In December 1999, Rakhmanov issued a decree pledging to "contribute in every way possible to the exercise of freedom of speech, freedom of the press, and the right of access to the news media" as part of the comprehensive peace settlement. However, the penal code criminalizes publicly defaming or insulting a person's honor or reputation, and so many journalists self-censor their reports so as to avoid prosecution. Some opposition newspapers, like *Charogi Ruz*, are banned in Tajikistan for its antigovernment stance.

The constitution allows the freedom of collective bargaining and does not restrict the right to strike. It is necessary, however, to apply to local authorities for permission to organize strikes. In 2004, Rakhmanov signed a moratorium on the death penalty, replacing capital punishment with a 25-year prison term.



Violence against women is common, but rarely are cases reported to the authorities and even rarer are they investigated. Tajikistan is a source and transit country for women and children trafficked for prostitution. In 2004, Rakhmonov signed a new law against human trafficking and in November 2004 a Tajik court applied the law for the first time in a trafficking case.

Tajikistan is a member of many international organizations and is a member of the United Nations and an observer at the World Trade Organization.

## 17 ARMED FORCES

In 2005, Tajikistan's Army had 7,600 active personnel. Equipment used by the service included 44 main battle tanks, 34 armored infantry fighting vehicles, 29 armored personnel carriers and 31 artillery pieces. The Air Force had over 800 personnel, operating four attack and 12 support helicopters, and a single transport aircraft. In addition, the country's paramilitary force totaled an estimated 5,300 personnel, all of whom acted as border guards under the Ministry of Interior. The defense budget for 2005 was \$50.3 million. The French and Indian air forces, and the Russian Army each have forces stationed in Tajikistan. An opposition Islamic movement of 5,000 signed a peace agreement with the government in 1997 and was in the process of being integrated into the government forces.

## 18 INTERNATIONAL COOPERATION

Tajikistan became a member of the United Nations on 2 March 1992; it is part of ESCAP, and several nonregional specialized agencies, such as the FAO, ILO, UNESCO, UNIDO, the IAEA, the World Bank, and the WHO. Tajikistan is also a member of the Asian Development Bank, the Commonwealth of Independent States (CIS), the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, OSCE, and the Organization of the Islamic Conference (OIC). It has observer status at the WTO.

In June 2001, leaders of Tajikistan, China, Russia, Kazakhstan, Kyrgyzstan, and Uzbekistan met in China to launch the Shanghai Cooperation Organization (SCO) and sign an agreement to fight terrorism and ethnic and religious militancy while promoting trade. Kazakhstan, Russia, Belarus, Kyrgyzstan, and Tajikistan established the Eurasian Economic Community in 2000. Tajikistan is part of the NATO Partnership for Peace.

In environmental cooperation, Tajikistan is part of the Convention on Biological Diversity, Ramsar, the Montréal Protocol, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Tajikistan is the poorest of the post-Soviet republics with a per capita income in 2005 of \$1,200 in purchasing power parity terms (PPP) and an estimated 80% of the population below the poverty line. Two thirds of the labor force is still in agriculture, which is dominated by cotton production and accounts for 24% of GDP. Industry is poorly developed, providing 28.4% of GDP and only 7.5% of total employment, and consists of one large aluminum smelter operating at a fraction of its capacity, electric power facilities producing only a fraction of the country's potential hydroelectric power, and small plants engaged in food processing and light industry, virtually all in need of upgrading and moderniza-

tion. Imports provide the large majority of manufactured consumer goods. Deposits of nonferrous metals are significant but undeveloped.

Tajikistan's economy was among the worst affected by the problems of transition from a command economy, with hyperinflation and the collapse of industrial production aggravated by a five-year, three-way civil war (1992–97) that claimed 150,000 lives, produced thousands of refugees, and delayed the reforms needed to make the adjustment. Already beginning to falter in the late 1980s, GDP declined 0.6% and 8.7% in 1990 and 1991. Legislation in 1992 aimed at laying the groundwork for the transition to a market economy and creating conditions hospitable to foreign investment was overtaken by spiraling inflation and the outbreak of civil war that summer. The economy emerged dependent—on volatile world prices for cotton and aluminum, on neighbors Russia and Uzbekistan, on imports of capital goods, and on international humanitarian assistance for much of its basic subsistence needs. Inflation spiraled to 1500% in before being brought down to single digits—5% in 1996 and 2.7% in 1997—by a tight monetary policy, but GDP continued to shrink, by 12.4% in 1995 and by almost 17% in 1996. In all, GDP fell 32.6% 1991 to 1996. The financial crisis in Russia, source of 16% of Tajikistan's imports and market for 30% of its exports, was transmitted to the economy, throwing it back into double digit inflation. End of period inflation as measured by the consumer price index (CPI) reached 30.1% in 1999 and 60.6% in 2000 before being brought down by corrective actions to 12.5% in 2001. Nevertheless, after the ceasefire in 1997 Tajikistan has had five years of real GDP growth, 5% in 1998 and 3.7% in 1999, accelerating to 8.3% in 2000, 10.1% in 2001 and 9% in 2002.

Despite accumulated growth of more than 32% from 1997 to 2001 output had still only reached 43% of the 1991 level. Besides the damage done to the infrastructure during the civil war, the economy became saddled with a large external debt, estimated at 113% of GDP in 2000. By early 2003, progress had been made in reducing the relative size of the foreign debt to 88% of GDP (\$985 million), down from 98% the year before. Despite the concessional nature of most of its external finance, the grace periods expired and substantial repayments are due. The increased cotton and aluminum production that is the basis of recent growth, moreover, has contributed little to solving the country's unemployment and underemployment problems. The official unemployment rate for 2003 was 50% but observers estimate that the true figure is higher. Many Tajiks are forced to go abroad for work; an estimated 500,000 to 700,000 live and work abroad, permanently or seasonally. With the formal economy failing to lift most of the population out of poverty, it is not surprising that added to the country's problems are reports of increased drug smuggling from neighboring Afghanistan. Tajikistan has rich mineral resources, including silver and tungsten and huge hydroelectric potential, but foreign investment in this politically and economically unstable region has been small to date, amounting to less than \$30 million in 2002.

Although not without risks, Tajikistan's economy offers opportunities to exporters and investors. By 2006, the steady growth of the late 1990s and early 2000s had continued: average GDP growth was about 8% in 2005, and the inflation rate stood at 7.1%, up from 6.8% in 2004, but was expected to decline to 5% in 2006. Opportunities existed in the following sectors of the economy:

construction and engineering services, equipment, and materials; fruit and vegetable processing management, equipment, and technology; and telecommunications equipment and services.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Tajikistan's gross domestic product (GDP) was estimated at \$8.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,200. The annual growth rate of GDP was estimated at 8%. The average inflation rate in 2005 was 8%. It was estimated that agriculture accounted for 24% of GDP, industry 28.4%, and services 47.7%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$146 million or about \$23 per capita and accounted for approximately 9.4% of GDP. Foreign aid receipts amounted to \$144 million or about \$23 per capita and accounted for approximately 9.9% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Tajikistan totaled \$1.36 billion or about \$213 per capita based on a GDP of \$1.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of -1.4%. In 2001 it was estimated that approximately 48% of household consumption was spent on food, 10% on fuel, and 14% on education. It was estimated that in 2004 about 60% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

Tajikistan's labor force in 2003 numbered 3.7 million. In 2000 (the latest year for which data was available), it was estimated that agriculture accounted for 67.2% of the workforce, with services at 25.3%, and industry at 7.5%. Unemployment in 2003 was estimated at 50%.

With the demise of the Soviet Union, there is no longer the mandate for a single labor union structure. As of 2002, the Federation of Trade Unions remained the dominant labor organization even though it no longer is subordinate to the Communist Party. Approximately 90% of workers were unionized in 2002. Strikes are permitted after mandatory arbitration. Collective bargaining is permitted and practiced, although it is becoming less prevalent in the economic decline.

Employment in Tajikistan may legally begin at age 16, or at age 15 with local trade union permission. Children from the age of seven often help with harvests, but their work is considered "family assistance." The 40-hour workweek is standard. The minimum monthly wage was \$1.60, which does not provide a decent standard of living for the worker and family. An estimated 20% of industrial laborers worked in unhealthy or otherwise hazardous conditions, although it is believed that the number of persons working in substandard conditions is vastly underreported.

## 2<sup>2</sup> AGRICULTURE

Tajik agriculture relies extensively on irrigation. About 7.6% of the total area is cropland, although 23% is used for permanent pastures. A network of canals expands agriculture into semidesert areas. Agriculture accounted for 23% of GDP in 2003. During 1990–2000, agricultural output shrank by an annual average of 5.8%. However, crop production during 2002–04 was 28.7% higher than during 1999–2001.

Cotton is the major commercial crop; three irrigated valleys (Vakhsh, Kofarnihon, and Zeravshan) are the sites of most production. As a result of chronic problems with machinery and the lack of spare parts, machine harvesting is declining. The 2004 cotton harvest was 174,000 tons; seed cotton production that year was 557,000 tons.

Wheat is the staple grain and is grown mainly in the northern and southern plains. About one-third of the wheat crop is irrigated. In 2004, wheat production was 672,000 tons. Production has been declining in recent years because of lack of machinery and civil war. During the 1996/97 growing season, the government eliminated most of the state order for wheat, legalized contract farming, freed wheat prices, established commodity markets, and privatized 50,000 hectares (124,000 acres) of land in order to encourage wheat production. Barley, potatoes, vegetables, and various fruits and melons are widely grown for domestic consumption.

Horticulture has been important since antiquity. Most orchards and vineyards are located in the northern valleys, where apricots, pears, plums, apples, cherries, pomegranates, figs, and nuts are grown.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Livestock herding is a major part of Tajikistan's economy. As of 2005, the livestock included 2,296,000 chickens, 1,782,000 sheep, 1,303,000 cattle, 975,000 goats, and 74,600 horses. Meat production in 2005 included 24,000 tons of beef, 18,700 tons of mutton, and 2,600 tons of poultry. Livestock products in 2005 included cow's milk, 460,000 tons; goat's milk, 40,800 tons; cheese, 11,435 tons; wool (greasy), 2,900 tons; and silk, 300 tons.

## 2<sup>4</sup> FISHING

Some fishing occurs in the upper Amu Darya River; the Kayrakum Reservoir, and the Syrdar'ya River. The total catch was 325 tons in 2003, primarily carp.

## 2<sup>5</sup> FORESTRY

Tajikistan's forests and woodlands occupied about 2.8% of the total land area in 2000. Forestry is of little commercial importance. Forestry imports totaled \$30 million in 2004.

## 2<sup>6</sup> MINING

Although Tajikistan is an important gold producer, the possessor of the largest deposits of antimony in the former Soviet Union, and had more than 400 explored mineral deposits, containing 70 types of minerals, it is primary aluminum that is the country's most important mineral-based product. In 2002, exports of aluminum, by value, totaled more than \$397 million (total exports for 2002: \$737 million by value), or more than 50% of all exports.

By volume, Tajikistan exported 304,191 metric tons of aluminum in 2002, nearly the entire output for that year, which was estimated at 308,000 metric tons.

In 2002, gold production was estimated at 5,000 kg, unchanged from 2001. Silver production in 2002 totaled 50,000 kg, up from an estimated 5,000 kg in 2001. In 2002, Tajikistan also produced antimony, lead, and mercury. Gypsum production in 2002 totaled 35,000 metric tons, unchanged from 2001. Tajikistan also produced cement, and fluorspar. No copper, molybdenum, tungsten, or zinc has been produced in recent years. The Darvaz joint venture did not mine for gold in 1997–99, because its equipment was severely damaged by hostilities in the region. Gold was mined southeast of Gharm, in the Pamir Mountains, in the Yakhsu Valley, in Chkalovsk, and in the Jilau, Taror, and Aprelevka deposits; mercury was mined at the Dzhizhikrutskoje deposit, north of Dushanbe; antimony, at Isfara and Dzhizhikrutskoje; arsenic, cadmium, tungsten, and lead-zinc, in the Yuzhno-Yangikanskiy deposit, north of the Zeravshan River; and uranium and graphite, northeast of Khudzhand. Uranium mining ceased in the mid-1980s.

Other metal and industrial resources included alunite, bauxite, iron, manganese, nepheline syenite, nickel, rare metals, selenium, strontium, tin, barite, boron, construction materials, dolomite, phosphates, precious and semiprecious stones, and salt.

## 27 ENERGY AND POWER

Tajikistan has only modest reserves of oil, natural gas and coal, thus the country is heavily dependent upon imports to meet its hydrocarbon needs.

As of 2002, hydroelectric power accounts for 97.7% of Tajikistan's electricity production, of which seven large hydroelectric facilities produced most of the country's power. In 2002, Tajikistan's electric power generating capacity totaled 4.443 million kW, of which hydropower accounted for 4.054 million kW, with the remainder dedicated to conventional thermal fuel sources. Production of electricity in 2002 amounted to 15.071 billion kWh. Consumption of electricity in 2002 was 15.197 billion kWh. Electric power imports and exports in that year totaled 5.200 billion kWh and 4.019 billion kWh, respectively.

Coal production totaled 32,000 short tons in 2002, with imports accounting for 113,000 short tons. Demand for coal totaled 146,000 short tons, that same year.

Tajikistan's output of natural gas in 2002 totaled 0.71 billion cu ft. However, demand that year came to 42.020 billion cu ft, necessitating the import of 41.32 billion cu ft of natural gas. Imports and demand for refined petroleum products in 2002, each averaged 25,450 barrels per day. Tajikistan opened its first oil refinery, with a capacity of 400 barrels per day, in 2001.

## 28 INDUSTRY

A small number of state-owned enterprises dominate Tajikistan's industrial sector. The government's postindependence plans to extensively privatize industry have been hampered, first, by the five-year civil war 1992–97, and then by the effects of the Russian financial crisis in mid-1998 that put concerns about financial stability ahead of privatization. By early 1992, the state accounted for about 84% of asset ownership in the industrial sector, as compared to a high of 98% in the late 1980s. The civil war damaged an already

weakly developed industrial sector, and basic security remains a concern. Industry in Tajikistan consists in sum of one large aluminum smelter, hydroelectric power installations and a number of small plants engaged in light industry and food processing. Virtually all are in need of upgrading and modernization.

Tajikistan's aluminum plant, the Tursunzade Aluminum Smelter (TADAZ), built in 1975 and located in Tajikistan because of access to cheap electric power, is one of the largest in the world, with a capacity of over 520,000 tons a year. However, it operates at a fraction of that capacity. Almost all of its output is exported, though there are small downstream cable and foil operations. The plant directly employs 12,000 to 14,000, and indirectly supports a community of 100,000. The government announced its intention to sell shares in TADAZ, retaining a majority control. However, the plant has accumulated a large external debt, probably over \$100 million, lessening its attractiveness to outside investors. As of 2005, the SUAL Group, Russia's second-largest aluminum company, had made a bid for TADAZ, but Tajik authorities had not yet formulated conditions for the privatization tender for the smelter.

Tajikistan is the world's third-largest producer of hydroelectric power, behind the United States and Russia. However, TADAZ uses about 40% of the country's electricity production, and Tajikistan has the lowest electricity usage rates among the former Soviet countries, enough for only a few hours a day of electricity in the winter. Furthermore, only about 5.5% of its hydroelectric power production potential has been developed. About 12 power projects are at some stage of construction but most are stalled for lack of financing. The energy shortage in turn has shut down much of the country's industry. About 85% of Tajikistan's current hydroelectric power is produced by stations along the Vakhsh River. The largest of these is at Nurik (11 billion kWh/y capacity. A larger facility (13.3 billion kWh/y) at Rogun on the Vakhsh is unfinished because of lack of financing related to concerns about both security and vulnerability to earthquake. If completed, the Rogun Dam would be the tallest in world at 335 m (1,105 ft). Even larger, although only in the planning stage, is a 14.8 billion kWh/y facility for Dashtijum on the Panj River along the Afghan border.

The production, transportation and distribution of electricity is under the state-owned joint-stock company Barki Tojik. In 1999, Glavkhlopkoprom, the state organization that controlled the ginning and partly the selling of cotton fiber, was liquidated and bought by a number of private investors. The food industry is the second-largest contributor to gross industrial output, processing domestically harvested fruit, wheat, tobacco, and other agricultural products. Aside from aluminum and other processed metals, the country's small intermediate and heavy industry subsectors produce engineering goods, hydroelectricity, power transformers, cables, and agricultural equipment.

## 29 SCIENCE AND TECHNOLOGY

The Tajik Academy of Sciences, founded in 1951 at Dushanbe, has departments of physical-mathematical, chemical, and technical sciences; earth sciences; biological and medical sciences; and 10 associated research institutes. Tajik State University has faculties of mechanics and mathematics, physics, chemistry, geology, and biology. Tajik Abu-Ali Ibn-Cina (Avicenna) State Medical Institute was founded in 1939. Tajik Agricultural Institute was founded

in 1951. Tajik Technical University was founded in 1956. All four educational institutions are in Dushanbe. In 1987–97, science and engineering students accounted for 17% of college and university enrollments. For the period 1990–2001, Tajikistan had 660 scientists engaged in research and development per million people. High technology exports in 2002 were valued at \$37 million, or 42% of the country's manufactured exports.

### 30 DOMESTIC TRADE

Although trade is still dominated by the state sector, the government has been working on programs to transfer of much of the retail and wholesale trade sector into private ownership. Most small enterprises are in private hands. Privatization of medium and large-sized businesses, land reform, and banking reforms are still in the works. Price liberalization lifted controls on most consumer and wholesale trade, although subsidies and lowered ceilings have been applied to staple goods like flour, sugar, oil, bread, meat, and children's footwear. Most large towns have large marketplaces, or bazaars, where individual merchants sell a variety of consumer goods, many of which are imported. Trade on the black market has expanded significantly in the growing economic disarray since independence.

### 31 FOREIGN TRADE

Aluminum, raw cotton, and textile products account for about 70% of Tajikistan's exports. Other exports include fruits and vegetable oils. Fuel, chemicals, intermediate industrial goods and equipment, manufactured consumer goods, textiles, and food are its principal import items.

In 2004, Tajikistan's primary export partners were: the Netherlands (41.4%); Turkey (15.3%); Uzbekistan (7.2%); Latvia (7.1%); Switzerland (6.9%); and Russia (6.6%). The major import partners were: Russia (20.2%); Uzbekistan (14.2%); Kazakhstan (12.8%); Azerbaijan (7.2%); the United States (6.7%); China (4.8%); and Ukraine (4.5%).

### 32 BALANCE OF PAYMENTS

Foreign income earnings depend highly upon cotton exports; since independence, the centrally planned economy has suffered from the effects of civil war, the severing of trade relations with other former Soviet republics, and a series of natural disasters. Short term, high interest debt accumulated in 1993–94 resulted in a national debt exceeding \$780 million with debt service totaling \$12 million in 1995. About \$440 million of the total was owed to Russia, Uzbekistan, and Kazakhstan. Other major creditors include the United States, Turkey, China, and India. External debt totaled \$1.23 billion in 2000 and \$888 million in 2004. In 2001, Tajikistan received \$60.7 million from the United States in economic aid.

In 2005, exports were valued at an estimated \$950 million, and imports at \$1.25 billion. The current-account balance was estimated at -\$92 million in 2005. Reserves of foreign exchange and gold totaled \$195 million.

### 33 BANKING AND SECURITIES

The National Bank of Tajikistan (NBT) is the country's bank charged with implementing a monetary policy and issuing currency. It was formally established as the central bank in 1991.

Commercial and state banks include the Bank for Foreign Investment, three large banks formed from the former Soviet state bank, and three branches from the Russian Commercial Bank. The Law on Banks and Banking Activities, adopted in February 1991, allows banks to compete for resources freely (including the setting of deposit rates) and lifts specialization boundaries. However, competition is very limited. Under IMF pressure, the Tajik government is now seeking to introduce tighter regulation over the banking sector.

There is no securities exchange.

### 34 INSURANCE

Originally, the insurance sector in Tajikistan consisted of the state insurance company Gosstrakh only. The market was opened up in 1992. Gosstrakh remains the dominant provider of insurance,

#### Principal Trading Partners – Tajikistan (200)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	692.3	644.0	48.3
Russia	258.8	104.1	154.7
Netherlands	178.2	0.5	177.7
Uzbekistan	97.8	185.2	-87.4
Switzerland-Liechtenstein	72.2	0.6	71.6
Italy-San Marino-Holy See	19.5	17.3	2.2
Latvia	14.3	...	14.3
Slovakia	9.9	...	9.9
United Kingdom	6.0	2.6	3.4
Greece	5.9	...	5.9
Kazakhstan	5.7	82.4	-76.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Tajikistan (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-4.8</b>
Balance on goods		-119.5
Imports	-1,025.7	
Exports	906.2	
Balance on services		-33.0
Balance on income		-70.3
Current transfers		218.1
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>62.7</b>
Direct investment abroad		...
Direct investment in Tajikistan		31.6
Portfolio investment assets		...
Portfolio investment liabilities		0.3
Financial derivatives		...
Other investment assets		-15.6
Other investment liabilities		46.3
<b>Net Errors and Omissions</b>		<b>-29.9</b>
<b>Reserves and Related Items</b>		<b>-27.9</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

however. It provides compulsory insurance of agricultural production, insurance of passengers, insurance for accidents, property, cargo, and residential homes. In addition, it offers insurance on life, livestock, state enterprises, collateral, marriage, and children.

### 35 PUBLIC FINANCE

Revenues from domestic taxes and resources are limited. Expenditures are largely for grain, the supply of fuel and raw materials for industry, and to maintain the military. Despite proposals to liberalize the economy, the government continued to subsidize inefficient state enterprises. Only 11% of medium and large enterprises were privatized as of 1997. In December 1999, the government announced that all small enterprises had been privatized; privatization of medium and large enterprises continued to be a priority as of 2005.

The US Central Intelligence Agency (CIA) estimated that in 2005 Tajikistan's central government took in revenues of approximately \$442.3 million and had expenditures of \$542.6 million. Revenues minus expenditures totaled approximately -\$100.3 million. Total external debt was \$888 million.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, central government revenues were \$288.66 million and expenditures were \$292.54 million. The value of revenues was \$122 million and expenditures \$123 million, based on a official exchange rate for 2001 of us\$1 = s2.372 as reported by the IMF. Government outlays by function were as follows: general public services, 37.6%; defense, 9.4%; public order and safety, 8.8%; economic affairs, 14.4%; housing and community amenities, 0.8%; health, 1.6%; recreation, culture, and religion, 3.6%; education, 3.7%; and social protection, 20.3%.

### 36 TAXATION

Tajikistan's maximum personal income tax rate is 40%. Corporate taxes range from 25–60% with a standard rate of 30%. Also levied are a 20% value-added tax (VAT), a 10–90% excise tax, and a social security combination of 37% by employers and 1% by employees.

### 37 CUSTOMS AND DUTIES

The government maintains a list of commodities and services subject to import licensing and quotas. Generally, imports are free of restrictions, including tariffs and quotas, with the exception of narcotics and firearms, which are forbidden. Goods traded within the former Soviet Union are mostly free from import duties. There is a 28% VAT and excise taxes are levied on some products.

### 38 FOREIGN INVESTMENT

After independence, Tajikistan's government emphasized the promotion of foreign investment particularly to develop labor-intensive manufacturing industries. With civil unrest, however, few investments flowed into the country and most foreign aid had been stalled. Difficulties also exist with currency convertibility, a prohibition on land ownership, and repatriation of profits and capital. In 1996 the government amended the foreign investments law to offer a two year exemption from taxes on profits to enterprises with investments of \$100,000–\$500,000, and a four year exemption to enterprises with investments totaling \$2–\$5 million. The peace agreement of 1997 did not bring in an immediate rush of

#### Public Finance – Tajikistan (2001)

(In millions of somoni, central government figures)

<b>Revenue and Grants</b>	<b>288.66</b>	<b>100.0%</b>
Tax revenue	210.28	72.8%
Social contributions	53.11	18.4%
Grants	...	...
Other revenue	25.28	8.8%
<b>Expenditures</b>	<b>292.54</b>	<b>100.0%</b>
General public services	109.9	37.6%
Defense	27.46	9.4%
Public order and safety	25.72	8.8%
Economic affairs	42.09	14.4%
Environmental protection	...	...
Housing and community amenities	2.33	0.8%
Health	4.55	1.6%
Recreational, culture, and religion	10.44	3.6%
Education	10.75	3.7%
Social protection	59.3	20.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

foreign investment capital. Only \$20 million was invested in that year.

Through 2004, Tajikistan was only able to attract on average \$27 million in foreign direct investments (FDI) per year. From 1997–2004 Tajikistan attracted \$224 million in FDI. The largest direct investors (by country of origin) in 2003 were: Russia (\$10.9 million); Cyprus (\$10.1 million); Italy (\$3 million); US (\$2.5 million); and Canada (\$1.2 million). The top three investors by country of origin from 1997–2004 were: the United Kingdom (\$105.1 million); South Korea (\$53.4 million); and Italy (\$50 million). The top three destination sectors for FDI in 2003 were the chemical industry, agribusiness, and textiles. President Rakhmanov made numerous statements calling for increased foreign investment in the early- and mid-2000s, particularly in the hydropower sector, but his administration as of 2006 had yet to fully implement key reforms and regulations to create an attractive business climate.

### 39 ECONOMIC DEVELOPMENT

Soviet development policy in Tajikistan prioritized the development of the country's agricultural and other primary resources, while capital goods and manufactured consumer goods were imported from elsewhere within the former USSR. Since the late 1970s, greater development of small food processing and consumer plants had been urged by local government officials in order to absorb more of the republic's rural labor force; however, these proposals found little favor with Soviet central planners. After independence, the government targeted the development of hydroelectric power production and a number of other industries (silk, fertilizer, fruit and vegetables, coal, nonferrous metals, and marble production), seen as particularly important for improving the country's export base.

In 1991, a "Program of Economic Stabilization and Transition to a Market Economy" was adopted by the newly independent government. In accordance with the program's principles, price liberalization, privatization measures, and fiscal reform were initi-

ated in 1991 and 1992. The government's overthrow in the course of civil war in 1992, however, brought economic development to a virtual standstill and slowed the pace of economic reform. Renewed efforts during 1996–97, as the civil war was brought to a formal end, to move from a state-directed economy to a market-oriented one resulted in proposals to convert medium and large state enterprises to joint-stock companies and to create a securities market. Other proposals were aimed at turning land over to private farmers and at privatizing the cotton industry, which continues to dominate agricultural production. In 1997, the private sector accounted for less than 30% of GDP. That percent had risen to about 40% in 2001, about half in the formal economy and half in the informal, family-run economy. In 2000 18 cotton ginneries were auctioned off, bringing about \$9 million dollars. Local silk operations have also been privatized. The majority of enterprises have been bought by insiders rather than outside investors. Despite the return of real growth in 1997, the Russian financial crisis brought financial problems—inflation and external debt—to the top of the agenda ahead of market-oriented restructuring. As of early 2003, in fact, the IMF was advising against privatizing either the TADAZ aluminum plant or the country's hydroelectric facilities; however, as of 2005, the SUAL Group, Russia's second-largest aluminum company, had made a bid for TADAZ, but Tajik authorities had not yet formulated conditions for the privatization tender for the smelter. In agriculture, the government has remained undecided between allowing privatization and maintaining the large-scale, industrialized cotton operations. Private farmers, however, show promise of leading the way to greater diversification in agriculture, expanding into higher value-added fruits and vegetables. However, a lack of credit facilities and distrust of the privatization process hampers movements towards diversification.

In pursuit of financial stability, on 24 June 1998 the government entered into a three-year arrangement under the IMF's Poverty Reduction and Growth Facility (PRGF) to run from 1998 to 2001. However, the IMF staff was unable to complete the third and fourth reviews of the third year of the program because of slow progress in improving the operations of the treasury and tax administrations, problems with the lack of transparency, and problems with the lack of independence of the Tajik Central Bank. However, in January 2002, a more successful structural reform program was implemented, including the creation of a new Ministry of State Revenues and Duties that improved tax and customs collections. As the IMF program concluded in June 2002, the Tajikistan parliament adopted a three-year National Poverty Reduction Strategy (NPRS). The objectives of NPRS are to increase real income, achieve a fair distribution of growth benefits, and ensure a rise in living standards among the poorest groups. On 11 December 2002, the IMF Executive Board approved a second three-year program under the PRGF that ran in tandem with the Tajikistan's NPRS.

The government's Economic Development Strategy for 2005–15 emphasizes economic and industrial growth. The continued privatization of medium and large state-owned enterprises would further increase productivity. However, weak government, widespread poverty and unemployment, and the huge debt burden make for a fragile economic situation.

## 40 SOCIAL DEVELOPMENT

The government's social security systems have been threatened by war and economic turmoil. Refugees returning from Afghanistan after the war suffered from malnutrition and had high mortality rates in resettlement camps. Resettlement payments to refugee families had been promised by the government, but were not implemented in practice. Financial constraints have also led the government to fall behind in the payment of pensions. More than 80% of the population fall below the poverty line, while the monetary crisis devalues benefits.

Women are employed in business in government, and in institutes of higher learning. Although under law women are supposed to receive the same pay for equal work as men, in practice this does not always occur. Women in rural areas are less likely to receive a higher education or work outside the home, and were likely to marry early. Violence against women, including spousal abuse, is a serious social problem and appears to be particularly prevalent in rural areas. Islamic law is increasingly prevalent which negatively impacts gender equality. Although the government is committed to children's rights, the government inadequately funds programs. In 2004 it was estimated that one third of the nation's children were malnourished.

Serious human rights abuses continue to be committed by the government and security forces. Ethnic tensions persist and prison conditions remain life-threatening.

## 41 HEALTH

As of 2000, Tajikistan retained the centralized health care system instituted during the Soviet era, with the state funding and providing for most health care services through the Ministry of Health. Although most hospitals have remained open, the number of beds decreased by about one-third during the 1990s. Training of medical personnel is a priority, as the country lost many skilled workers during its civil war. The shortage of skilled nurses is especially pressing. As of 2004, there were an estimated 218 physicians and 438 nurses per 100,000 people. Total health care expenditure was estimated at 6.1% of GDP.

In 2005, there was an infant mortality of 110.76 per 1,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 33 and 8.5 per 1,000 people. The total fertility rate of 5.7 in 1980 had decreased to 3.1 in 2000. The maternal mortality rate was 65 maternal deaths per 100,000 live births. Life expectancy was 64.56 years in 2005. The immunization rates for a child under one were as follows: tuberculosis, 69%; diphtheria, pertussis, and tetanus, 82%; polio, 74%; and measles, 97%.

Diphtheria has spread widely throughout the former Soviet Union. Most cases were reported from the southern region of Kurgan Tyube, which borders Afghanistan. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 200 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

## 42 HOUSING

The government's 1994 Conceptual Plan for the Provision of Housing called for the construction of 1,390,000 square meters

of housing per year until the year 2000. Unfortunately, by 1995, only about 10% of the goal had been reached. Part of the housing shortage was brought on by the civil war, which accounted for the destruction of over 35,000 homes. The government was able to rebuild about 21,000 homes by the end of 1995 through international assistance. In 1993, the government also initiated a fund for no-interest credit to help war victims in the reconstruction and repair of their own homes. However, as of 2004, a poor economy has basically brought new housing construction to a halt and the existing stock continues to deteriorate.

The most common building materials for new homes are prefabricated ferro-cement slabs. In rural areas, traditional materials of paksha, brick, mortar, and stone are used.

### 43 EDUCATION

Before the country came under Soviet control in 1920, there were no state-supported schools, only Islamic ones. Since then, many schools have been built. Education is free and compulsory between the ages of 7 and 17. Primary school covers four years of study, followed by eight years of secondary school. Vocational and technical programs are offered at the secondary level. Since 1989, there has been an increased emphasis on Tajik language, literature, and culture.

In 2001, about 9% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2001 was estimated at about 97.5% of age-eligible students. In 2003, secondary school enrollment was about 83% of age-eligible students; 90% for boys and 76% for girls. It is estimated that nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 22:1 in 2003; the ratio for secondary school was about 17:1.

There are 10 schools of higher education including the Universities of Dushanbe and Khudzhand. In 2003, it was estimated that about 16% of the tertiary age population were enrolled in tertiary education programs; 24% for men and 8% for women. The adult literacy rate for 2004 was estimated at about 99.5%.

As of 2003, public expenditure on education was estimated at 2.8% of GDP, or 17.8% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

The Fardousi Tajik National Library in Dushanbe holds nearly three million volumes. The Republican Scientific and Technical Library of Tajikistan has holdings that include two million volumes and 11 million patent records, and the Tajik State University holds 1.03 million volumes. The Behzed Museum of History, Regional Studies, and Arts is in Dushanbe, as is the Ethnographic Museum of the Academy of Sciences, both in Dushanbe. There are regional museums in Chodsent, Sorog, Isfara, Kulyab, Nurek, Pendzikent, and Ura Tyube.

### 45 MEDIA

Telephone links to other former Soviet republics is by land line or microwave and to other countries through Moscow. Service is considered to be poorly developed and is not adequately maintained. Several towns are not within reach of the national network.

In 2003, there were an estimated 37 mainline telephones for every 1,000 people; about 5,900 people were on a waiting list for telephone service installation. The same year, there were approximately seven mobile phones in use for every 1,000 people.

Tajik Radio broadcasts in Russian, Tajik, Persian, and Uzbek; Tajik Television, with four channels, broadcasts in Tajik, Russian, and Uzbek. Repeater television stations relay programs from Russia, Iran, and Turkey. Satellite earth stations receive Orbita and INTELSAT broadcasts. There are only a few private radio stations and no private television stations. In 2003, there were an estimated 141 radios and 357 television sets for every 1,000 people. The same year, only one of every 1,000 people had access to the Internet.

In 2005, there were over 200 registered newspapers, but none of them were dailies. Though there are several privately owned papers, government control of most of the nation's printing presses certainly has an added influence on the press. The government owns three major papers: *Jumhuriyat*, published in Tajik; *Khalq Ovozi*, published in Uzbek; and *Narodnaya Gazeta*, published in Russian; all three papers are published three times a week. *Minbar-i Khalq* is published by the People's Democratic Party, *Golos Tajikistana* is a Russian language paper published by the Communist Party, and *Najot* is published by the Islamic Rebirth Party.

Despite a 1991 law protecting already constitutionally provided free speech and press, the government is presently said to restrict these freedoms severely. Editors and journalists practice careful self-censorship, and supplies of newsprint, broadcasting facilities, and operating monies are controlled by the authorities.

### 46 ORGANIZATIONS

The Tajikistan Chamber of Commerce and the Tajikistan Industrial Association are important economic organizations. The most important mass movement in the country is the People's Front. The members of the Writers Union and intellectuals in the country formed the "Rascokbez" (Rebirth) Popular Front, an opposition movement opposed to the government of Tajikistan.

Tajikistan's Academy of Science coordinates and finances the scientific research of 19 affiliated natural sciences, social sciences, and humanity research institutions. The Ali Somon Foundation, established in 1994, works to promote economic development and modernization while preserving national culture.

Youth organizations include the Scout Association of Tajikistan; the Aurora Children and Teenagers' Club, focusing on social and educational development programs; and the Tajikistan Youth Center, focusing on vocational training programs. There are several sports associations promoting amateur competition for athletes of all ages in a variety of pastimes.

The Women for Progress Association and the Association for Women and Society promote health, education, and equality for women. There are national chapters of the Red Crescent Society, UNICEF, and Habitat for Humanity.

### 47 TOURISM, TRAVEL, AND RECREATION

Civil strife has dampened Tajikistan's potential as a tourist site, which was already limited by the destruction of most ancient monuments and buildings by numerous earthquakes. Visas are required for entry into Tajikistan and are obtainable upon arrival

or through the embassies of Russia, Germany, the United States, Turkey, Austria, Iran, and China. There are weekly flights from Germany and Turkey to the capital city of Dushanbe.

According to 2004 US Department of State estimates, the cost of staying in Dushanbe was \$119 per day.

#### **48 FAMOUS TAJIKISTANIS**

Outstanding representatives of culture and literature in Tajikistan are the Tadjhik poet Rudaki (d. 941) and the scientist and poet Avicenna (Hussayn ibn 'Abd' Addallah ibn Sine, 980?-1037), born near Bukhoro (Bukhara). Avicenna wrote an encyclopedia of science. Pre-Soviet Tajik cultural figures include the author Abdal-rauf Fitrat, who wrote *Last Judgement*, and Sadridalin Aymi, author of the novels *Slaves* and *Dokhunala*.

#### **49 DEPENDENCIES**

Tajikistan has no territories or colonies.

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# THAILAND

Kingdom of Thailand

*Prates Thai*



**CAPITAL:** Bangkok (Krung Thep)

**FLAG:** The national flag, adopted in 1917, consists of five horizontal stripes. The outermost are red (symbolizing the Thai people); those adjacent are white (symbolizing Buddhism); the blue center stripe (representing the monarchy) is twice as high as each of the other four.

**ANTHEM:** There are three national anthems: *Pleng Sansen Phra Barami* (Anthem Eulogizing His Majesty); *Pleng Chard Thai* (Thai National Anthem); and *Pleng Maha Chat* (Anthem of Great Victory), an instrumental composition.

**MONETARY UNIT:** The baht (฿) is divided into 100 satang. There are coins of 1, 5, 10, 25, and 50 satangs and 1, 5, and 10 baht, and notes of 50 satang and 1, 5, 10, 20, 50, 60, 100, and 500 baht. ฿1 = \$0.02442 (or \$1 = ฿40.95) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some traditional units also are used.

**HOLIDAYS:** New Year's Day, 1 January; Chakkri Day, 6 April; Songkran Day, mid-April; Coronation Day, 5 May; Queen's Birthday, 12 August; Chulalongkorn Day, 23 October; King's Birthday, 5 December; Constitution Day, 10 December. Movable holidays include Makabuja Day, Plowing Festival, and Visakabuja Day.

**TIME:** 7 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Comprising an area of 514,000 sq km (198,456 sq mi) in Southeast Asia, Thailand (formerly known as Siam) extends almost two-thirds down the Malay Peninsula, with a length of 1,648 km (1,024 mi) N–S and a width of 780 km (485 mi) E–W. Comparatively, the area occupied by Thailand is slightly more than twice the size of the state of Wyoming. It is bordered on the NE and E by Laos, on the SE by Cambodia and the Gulf of Thailand (formerly the Gulf of Siam), on the S by Malaysia, on the SW by the Andaman Sea, and on the W and NW by Myanmar, with a total boundary length of 8,082 km (5,022 mi), of which 3,219 km (2,000 mi) is coastline.

Thailand's capital city, Bangkok, is located on the Gulf of Thailand coast.

## <sup>2</sup>TOPOGRAPHY

Thailand may be divided into five major physical regions: the central valley, the continental highlands of the north and northwest, the northeast, the southeast coast, and the peninsula. The heartland of the nation is the central valley, fronting the Gulf of Thailand and enclosed on three sides by hills and mountains. This valley, the alluvial plain of the Chao Phraya River and of its many tributaries and distributaries, is 365 km (227 mi) from north to south and has an average width of 160–240 km (100–150 mi). On this plain, and most especially on its flat deltalands bordering the Gulf, are found Thailand's main agricultural wealth and population centers.

The continental highlands lie north and west of the central valley. They include North Thailand, surrounded on three sides by Myanmar (Burma until June 1989) and Laos, which is a region of roughly parallel mountain ranges between which the Nan, Yom,

Wang, Ping, and other rivers flow southward to join and create the Chao Phraya in the central valley. In the northernmost tip, drainage is northward to the Mekong River; on the western side, drainage runs westward to the Salween in Myanmar. Most of the people of North Thailand live in small intermontane plains and basins that are generally widenings in the major river valleys. Doi Inthanon (2,576 m/8,451 ft) is the highest point in Thailand. Along the Myanmar border from North Thailand to the peninsula is a sparsely inhabited strip of rugged mountains, deep canyons, and restricted valleys. One of the few natural gaps through this wild mountain country is Three Pagodas Pass along the Thailand-Myanmar boundary, used by the Japanese during World War II for their "death railway" (now dismantled) between Thailand and Myanmar.

The northeast, much of it often called the Khorat, is a low, undulating platform roughly 120 to 210 m (400–700 ft) above sea level in the north and west, gradually declining to about 60 m (200 ft) in the southeast. Hill and mountain ranges and scarps separate the northeast from the central valley on the west and from Cambodia on the south; its northern and much of its eastern boundaries are marked by the Mekong River. Most of the northeast is drained by the Mun River and its major tributary, the Chi, which flow eastward into the Mekong. The northeast, in the rain shadow of the Indochina Cordillera, suffers from shortage of water and from generally thin and poor soils.

The small southeast coast region faces the Gulf of Thailand and is separated from the central valley and Cambodia by hills and mountains that rise in places to over 1,500 m (5,000 ft). This is a well-watered area, and the vegetation is, for the most part, lush and tropical. Most of the people live along the narrow coastal plain and the restricted river valleys that drain southward to the Gulf.

Peninsular Thailand extends almost 960 km (600 mi) from the central valley in the north to the boundary of Malaysia in the south and is anywhere from 16 to 217 km (10–135 mi) wide between the Gulf of Thailand on the east and the Andaman Sea (Indian Ocean) and Myanmar on the west. At the Isthmus of Kra, the Peninsula itself is only 24 km (15 mi) wide. A series of north-south ridges, roughly parallel, divide the Peninsula into distinct west and east coast sections. The west coastal plain is narrow—nonexistent in many places—and the coast itself is much indented and often very swampy. The east coastal plain is much wider, up to 32 km (20 mi) in sections, and the coast is smooth, with long beach stretches and few bays. Well-watered (especially the west coast), hot, and densely forested, the Peninsula, unlike most of Thailand, lies within the humid tropical forest zone.

A disastrous tsunami struck southern Thailand and its neighboring Asian countries on 26 December 2004. Stemming from an underwater earthquake about 324 km (180 mi) south of Indonesia's Sumatra island, the tsunami caused more than 5,000 deaths and 4,000 injuries in Thailand. Many of the beaches were severely damaged as well as the island of Phi Phi Lei, which was almost completely leveled.

### **3 CLIMATE**

Thailand has a tropical climate. For much of the country there are three distinct seasons: the hot season, from March through May; the rainy or wet monsoon, June to October; and the cool season, November through February. While continental Thailand receives most of its precipitation from June through October, rain occurs at all seasons in peninsular Thailand, the largest amount along the west coast from May to October, and along the east coast from October to January. For most of Thailand the temperature rarely falls below 13°C (55°F) or rises above 35°C (95°F), with most places averaging between 24°C and 30°C (75°F and 86°F). The annual rainfall ranges from 102 cm (40 in) in the northeast to over 380 cm (150 in) in the peninsula. Bangkok has an average annual temperature of 28°C (82°F); monthly mean temperatures range from a low of around 25°C (77°F) in December to a high of around 30°C (86°F) in May, and annual rainfall is about 150 cm (59 in).

### **4 FLORA AND FAUNA**

Many distinctive forms of plant and animal life are found. Forestlands support hardwoods (notably teak), pine, bamboos, and betel and coconut palms; in the coastal lowlands, mangroves and rattan abound. There are over 11,600 plant species found in the country. Among the larger mammals are the bear, otter, and civet cat. Climbing animals include the gibbon and many species of monkeys. There are also sheep, goats, oxen, single-horned rhinoceroses, deer, tapirs, wild cattle, wild hogs, and snakes. There are over 285 bird species and over 265 mammal species. Crocodiles, lizards, and turtles are numerous. Fish abound in the rivers and coastal waters.

### **5 ENVIRONMENT**

The Promotion and Enhancement of Environmental Quality Act of 1975 charges the National Environment Board with coordination of environmental protection programs in Thailand. The nation's water supply is at risk due to contamination by industry, farming activity, sewage, and salt water, especially in the Bangkok

area. Thailand has 210 cu km of renewable water resources, with 91% of annual withdrawals used for farming activities and 4% for industrial purposes. Only 80% of the rural dwellers have access to improved water sources.

Land use in urban areas is regulated by the City Planning Act of 1975, the Control of Construction of Buildings Act of 1936, and the 1960 Act for Cleanliness and Orderliness of the Country. Thailand's cities produce an average of 2.5 million tons of solid waste per year. Watershed regions, undergoing rapid deforestation as a result of increased cultivation of upland areas, have been targeted for protection in the fourth and fifth national plans; overexploitation and pollution of freshwater and marine fisheries have yet to be remedied. Parts of Bangkok have been reported as sinking at a rate of 10 cm (4 in) a year because of depletion of the water table. By the 1980s, Thailand had lost about 25% of its original mangrove area.

Urban air and noise pollution is also severe, largely as a result of increasing automobile traffic. In 1992 Thailand was among 50 nations with the world's highest levels of industrial carbon dioxide emissions, which totaled 112.4 million metric tons, a per capita level of 2.02 metric tons. In 2000, the total of carbon dioxide emissions was at 198.6 million metric tons.

Wildlife is partially protected under the Wild Animals Preservation and Protection Act of 1960, but species have been depleted through illegal hunting and trapping. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 36 types of mammals, 42 species of birds, 19 types of reptiles, 3 species of amphibians, 36 species of fish, 1 type of mollusk, and 84 species of plants. Threatened species in Thailand include the pileated gibbon, tiger, Asian elephant, Malayan tapir, Sumatran rhinoceros, Fea's muntjac, Thailand brow-antlered deer, kouprey, green turtle, hawksbill turtle, olive ridley, leatherback, river terrapin, estuarine crocodile, Siamese crocodile, false gavia, and the Javan rhinoceros. Schomburgk's deer and the redbill shark have become extinct.

### **6 POPULATION**

The population of Thailand in 2005 was estimated by the United Nations (UN) at 65,002,000, which placed it at number 19 in population among the 193 nations of the world. In 2005, approximately 7% of the population was over 65 years of age, with another 23% of the population under 15 years of age. There were 96 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.7%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 70,150,000. The overall population density was 127 per sq km (328 per sq mi), but there are great regional variations in density.

The UN estimated that 31% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.99%. The capital city, Bangkok (Krung Thep), had a population of 6,486,000 in that year. Outside of Bangkok, most major cities are provincial capitals, each generally centered in a *changwat* (province or county) with the same name as the city.

### **7 MIGRATION**

Immigration to Thailand, except for the Chinese, has traditionally been comparatively small. The decade of the 1920s was a period

of large-scale Chinese immigration of 70,000 to 140,000 a year. Strict immigration regulations have all but stopped the legal flow of Chinese into the country, but during the Franco-Indochinese war some 45,000 Vietnamese refugees settled in Thailand. An immigration quota, introduced in 1947, now limits migration from any one country to 100 persons annually.

In 2003, immigration authorities arrested 280,937 illegal foreigners, including 189,486 unauthorized workers; the workers were from Myanmar, Cambodia, and Laos. In 2004, some 1.3 million foreigners, from Cambodia, Laos and Myanmar, registered as migrant workers in Thailand under a government effort to better regulate their presence. They were further required to re-register in 2005, but to do so they needed a Thai employer. No new immigrants were to be admitted in 2005, and unauthorized migrants were subject to fines and prison.

As of December 1992, the United Nations (UN) estimated that 63,600 refugees were living in Thailand; these represented part of the flood of over four million refugees who had left Cambodia, Laos, and Vietnam since the 1970s. Some 370,000 Cambodians on the Thai-Cambodian border were repatriated during 1992-93. The 36,000 Cambodian refugees who fled their country after the political and military events of 1997 were repatriated by 1999, and three border camps were subsequently closed. In 1986, the Thai government began forcibly repatriating many refugees from Laos. The last refugee camp for Vietnamese was closed in February 1997.

In June 1998, the Thai government formally requested increased assistance from United Nations High Commissioner for Refugees (UNHCR) for some 100,000 Karen and Karenni refugees living in 11 camps in Thailand along the Myanmar border. A comprehensive registration of the border population was completed through the joint efforts of the Thai government and UNHCR in 1999. In 2004, there were 121,139 refugees almost entirely from Myanmar, and 1,044 asylum seekers.

The net migration rate in 2005 was estimated as zero migrants per 1,000 population. Worker remittances in 2003 were \$2.8 billion.

## 8 ETHNIC GROUPS

Thailand contains more than 30 ethnic groups varying in history, language, religion, appearance, and patterns of livelihood. However, the Thai, akin to the Lao of Laos, the Shan of Myanmar (Burma); and the Thai groupings of southern China comprise about 75% of the total population of Thailand. The Thai may be divided into three major groups and three minor groups. Major groups are the Central Thai (Siamese) of the Central Valley; the Eastern Thai (Lao) of the Northeast (Khorat); the Northern Thai (Lao) of North Thailand; and the Southern Thai (Chao Pak Thai) of peninsular Thailand. Minor groups are the Phuthai of northeastern Khorat, the Shan of the far northwestern corner of northern Thailand, and the Lue in the northeastern section of northern Thailand. The several branches of Thai are united by a common language.

A major ethnic minority are the Chinese, who account for about 14% of the total population. They are generally engaged in business and commerce throughout the country. Other varied ethnic groups account for the remaining 11% of the population. Malays (3-4%) live in the southern peninsula near the border and, to a lesser extent, along the southeast coast; Khmers (1%) are settled



LOCATION: 97° to 106°E; 6° to 21°N. BOUNDARY LENGTHS: Cambodia, 803 kilometers (499 miles); Laos, 1,754 kilometers (1,090 miles); Malaysia, 506 kilometers (316 miles); Myanmar, 1,799 kilometers (1,118 miles).

all along the Cambodian border from the Mekong to the Gulf of Thailand and Vietnamese or Annamese are found in the southern Khorat and on the southeast coast. Small numbers of residents from India, Europe, and the United States live mainly in urban areas. Principal tribal groups, mainly hill peoples, include the Kui and Kaleung, in the northeast; the Mons, living mainly on the peninsula along the Burmese border; and the Karens, living along the northern Burmese border. There are, in addition, some 20 other minority groups, including the Akha, Musso, Meo, Kamuk, Tin, Lawa, and So; most of these peoples, primitive and small in number, live by shifting cultivation in rugged, isolated mountain or dense forest terrain.

Many of the hill tribe members, called "highlanders" by some, have faced government restrictions due to lack of legal documentation of nationality and citizenship. Citizenship is not granted automatically to children born of undocumented parents. The government has been working to ease requirements for documentation of highlanders, but progress has been slow; an estimated 500,000 highlanders are still undocumented as citizens, and so do not have the right to own land or to equal protection under labor laws.

## <sup>9</sup>LANGUAGES

The Thai language, with northern, eastern, central (Bangkok or official Thai), and southern dialects, all distantly related to Chinese, prevails throughout the country. Thai, written in a distinctive alphabet, is thought to be part of the Sino-Tibetan language family, although links to Indian languages are also evident. The Thai dialects for the most part are mutually intelligible only with difficulty. Although the ethnic minorities (including the Malays) generally speak their own languages, Thai is widely understood. The Chinese population is largely bilingual. All official documents are in the central Thai language and script, although English, taught in many secondary schools and colleges, is also used in official and commercial circles.

## <sup>10</sup>RELIGIONS

According to government statistics, Theravada Buddhism is the religion of about 94% of the population. However, other nongovernmental agencies and religious groups estimate that the number of Buddhists is only about 85–90%, and in practice, the religious life of Thailand may be described as spirit worship overlaid or mixed in varying degrees with Buddhist and Brahman beliefs imported from India.

While the government estimates that 5% of the population are Muslim, nongovernmental agencies place the number at about 10% of the population, including the Malay ethnic minority. Among the other ethnic minorities, the Chinese practice a traditional mixture of Mahayana Buddhism, Taoism, Confucianism, and ancestor worship. Most Vietnamese are Mahayana Buddhists and most Indians are Hindus (0.1% of the population). Christians have been active in Thailand since the 17th century and account for an estimated 1–2% of the population. Christian churches are primarily Protestant and belong to one of four umbrella organizations in the country, the largest of which is the Evangelical Foundation of Thailand. There are small Baha'i and Jewish communities.

At least six tribal groups which include 500,000–600,000 people; they practice a variety of syncretic customs that draw from animism, Buddhism, Christianity, and Taoism.

Though the constitution does not designate a state religion, Theravada Buddhism is basically practiced as such. The constitution stipulates that the monarch must be a Buddhist and only Buddhists are employed by the government. Religious groups must register under the Religious Affairs Department. Some government subsidies are offered to Buddhist, Islamic, and Christian groups. The government has made efforts to promote interfaith understanding, particularly through regular meetings of the Subcommittee on Religious Affairs, organized through the National Identity Promotion Office.

## <sup>11</sup>TRANSPORTATION

Thailand's transportation system is not fully developed, but it is growing rapidly. Owned and operated by the government, the railways, consisting in 2004 of 4,071 km (2,530 mi) of track (all of it narrow gauge), radiate from Bangkok to Malaysia in the south, to the Cambodian border in the east, to Ubon Ratchathani and Nong Khai in the northeast, and to Chiang Mai in the north.

The highway system, significantly expanded during the 1960s and 1970s, serves many areas inaccessible to railway. In 2001 there were 64,600 km (40,142 mi) of roadway, including 62,985 km (39,139 mi) of paved road. Modern two-lane highways now connect Bangkok with the rest of the country. In 2003, registered motor vehicles totaled 7,695,000, including 3,115,000 passenger cars and 4,580,000 commercial vehicles.

Waterways, both river and canal, are Thailand's most important means of inland transport. They carry much of the nation's bulk freight over a network of some 4,000 km (2,500 mi). The Chao Phraya River with its tributaries is the main traffic artery, and Bangkok is its focal point. The modern port of Bangkok at Klong Toey is the chief port for international shipping. Lying some 40 km (25 mi) inland from the sea, its harbor is navigable for vessels up to 10,000 tons, but constant dredging of the Chao Phraya is necessary. To relieve the congestion at Klong Toey, a new modern port was being developed at Sattahip, a former US naval base, and new seaports at Laem Chabang and Hap Ta Phut. Phuket Harbor in southern Thailand has been improved to accommodate 15,000-ton cargo ships. An extensive shipping service also exists along the Gulf of Thailand, and a small Thai merchant fleet plies between local and neighboring ports. In 2005, there were 386 oceangoing vessels of more than 1,000 GRT, totaling 2,038,597 GRT.

Since the end of World War II, Bangkok has become an important center of international aviation. In 2004 there were an estimated 109 airports. As of 2005, a total of 65 had paved runways, and there were three heliports. Principal airports include Bangkok International at Bangkok, Chiang Mai, Hat Yai at Haadyai, and Phuket International at Phuket. The government-owned Thai Airways International and Thai Airways Co. handle international and domestic air traffic, respectively. In 2003, scheduled airline traffic carried about 16.632 million passengers and 1,764 million ton-km of freight.

## <sup>12</sup>HISTORY

Archaeological excavations in the 1970s in Ban Chiang, northeastern Thailand, yielded traces of a Bronze Age people, dating

as far back as 3600 BC predating Bronze cultures in China and the Middle East. The technical achievements of the Ban Chiang society, as surmised from archaeological evidence, indicate the existence of a settled agrarian people with advanced knowledge of bronze and iron metallurgy. Moreover, the skills demonstrating in their pottery, housing, and printing of silk textiles reflect at least 2,000 years of prior development, a finding that challenges previous concepts of incipient civilization and technology, and Southeast Asia's role in it.

The Thai descended from the ancient Pamir plateau peoples. The Pamir, who are racially related to the Chinese, migrated from southern China to mainland Southeast Asia. While in southern China, the Thai created the powerful Nan-Chao kingdom, but continued pressure from Chinese and Tibetans and the final destruction by Kublai Khan in 1253 forced the Thai southward across the mountain passes into Southeast Asia. After entering the valley of the Chao Phraya River, they defeated and dispersed the Khmer settlers, ancestors of the Cambodians, and established the Kingdom of Thailand.

By the mid-14th century, the Thai expanded and centralized their kingdom at the expense of the Lao, Burmese, and Cambodians. Although Thailand developed trading contacts with the Dutch and Portuguese and with the French and British in the 16th and 17th centuries respectively, it remained a feudal state with a powerful court of nobles. During the reigns of Mongkut (1851–68) and his son Chulalongkorn (1868–1910), however, Thailand emerged from feudalism and entered the modern world. A cabinet of foreign advisers was formed; commercial treaties of friendship were signed with the British (1855) and with the United States and France (1856); the power of nobles was curtailed, slavery abolished, and many court practices, such as prostration in the royal presence, were ended.

The Thai government continued as an absolute monarchy despite the progressive policies of Mongkut and Chulalongkorn. In 1932, however, a bloodless revolution of Westernized intellectuals led to a constitutional monarchy. Since then, Thailand has experienced multiple constitutions, changes of government, and military coups. With the government in a state of flux, political parties tended to cluster around strong personalities rather than political ideologies. At the start of World War II, Thailand, after annexing Burmese and Malayan territories, signed an alliance with Japan and declared war on the United States and the United Kingdom. From 1932 through the 1940s, political life in Thailand centered around Pridi Banomyong and Marshal Phibul Songgram and thereafter around Marshal Sarit Thanarat, until his death in 1963. Sarit's handpicked heir, Marshal Thanom Kittikachorn, subsequently emerged as the country's political leader.

After the war, Thailand became an ally of the United States through their common membership in the Southeast Asia Treaty Organization (SEATO), and various other bilateral treaties and agreements. In January 1965, China announced the formation of the Thailand Patriotic Front, whose purpose was "to strive for the national independence" of Thailand. A limited insurgency subsequently developed in the North and Northeast, growing in intensity in the late 1960s and early 1970s as the Southeast Asian conflict raged on Thailand's northern and northeastern borders. As a SEATO member, Thailand took a direct role in the Vietnam war and supplied a small number of troops in support of the Repub-

lic of Vietnam (RVN). Furthermore, it granted US forces the use of air bases in Thailand for massive bombing sorties against the Democratic Republic of Vietnam and the Vietcong. US forces stationed in Thailand increased to as many as 25,000 by the end of 1972. With the termination of the direct US combat role in Vietnam in early 1973, the United States began a gradual withdrawal of military personnel from Thailand. In March 1976, the Thai government ordered the United States to close its remaining military installations in the country and to remove all but a few military aid personnel by July. The communist insurgency continued, with sporadic armed attacks on the government in remote northeastern border provinces.

Internally, Thailand weathered a series of political upheavals in the 1970s. In November 1971, Marshal Thanom, who had been reconfirmed as prime minister in the 1969 general elections, led a bloodless military coup that abrogated the constitution and imposed a state of martial law. In December 1972, an interim constitution that preserved military rule caused student and labor groups to agitate for greater representation in Thai politics. By early October 1973, demonstrations erupted into riots, and on 14 October, Marshal Thanom resigned and quit the country. King Bhumibol Adulyadej stepped into the vacuum and named a national legislative assembly to draft a new constitution. On 7 October 1974, the new constitution—the tenth such document to be promulgated in Thailand since 1932—went into effect. On 26 January 1975, Thailand held its first truly open parliamentary elections since 1957. Some 42 parties competed in the balloting, which produced a coalition government under Seni Pramroj. In March 1975, Seni's government resigned following a no-confidence vote and a right-wing coalition government led by Kukrit Pramroj (Seni's brother) subsequently assumed control, but it too resigned in January 1976. Elections held in April restored Seni Pramroj to power as head of a four-party coalition, but when civil disorder again erupted among students in Bangkok, he was overthrown by the military. The military-led government declared martial law, banned strikes and political parties, and enacted yet another constitution. Promulgation of a subsequent constitution in December 1978 paved the way for elections in 1979, 1983, and 1986. On 9 September 1985, the military swiftly diffused an abortive military coup within several hours. General Prem Tinsulanonda was appointed for a third term as prime minister following the 1986 elections.

Insurgents based in Laos and Cambodia contributed to the nation's political instability by launching guerrilla attacks on the country. Furthermore, an upsurge in the number of refugees from Laos and Cambodia contributed to a humanitarian crisis. In 1979, the government estimated the number of insurgents at 10,000. Following the Vietnamese victory in Cambodia in January 1979, thousands of insurgents took advantage of a government offer of amnesty and surrendered to Thai security forces while others were apprehended subsequently. By the beginning of 1986, fewer than 1,000 Communist insurgents remained active, according to government estimates.

During 1985 and 1986, the Progress Party gained power when cabinet ministers were replaced. A parliamentary defeat over proposed vehicle tax legislation resulted in the dissolution of the House of Representatives. In July 1986 a general election for an enlarged house took place. General Prem formed a coalition government and served as prime minister but opposition parties ac-

cused his government of corruption and mismanagement. Additional dissent arose over proposed copyright legislation aimed at controlling counterfeiting of Western products and intellectual property. In 1988 General Prem dissolved summarily the House of Representatives and announced a general election. In the July 1988 election, the Chart Thai gained the largest number of seats. Although its leader, General Chatichai Choonhavan, declared his unsuitability for prime minister, he was appointed to the position. General Chatichai took an active role in foreign affairs and made bold initiatives to improve relations with Laos, Vietnam, and Cambodia. His support declined as his preoccupation with foreign affairs was considered a detriment to his handling of domestic issues, especially regarding government response in the aftermath of a devastating typhoon in November 1989. In July 1990, accusations of corruption led to a motion of “no confidence” that failed to muster a majority in the House of Representatives. In December of that year, General Chatichai resigned as prime minister, only to be reappointed the next day, enabling him to form a new coalition government.

On 23 February 1991, a bloodless military coup led by the National Peace Keeping Council (NPKC) ousted Chatichai’s government alleging massive and systemic corruption. The NPKC declared martial law, abrogated the constitution, and dissolved the cabinet. An interim constitution approved by the king was published in March 1991. A former diplomat and business executive, Anand Panyarachun, was appointed prime minister. Despite public protest, a draft constitution presented in November was approved on 7 December 1991.

In March 1992, General Suchinda became prime minister amid continued unrest. Two months later, Major General Chamlong called for the resignation of Suchinda and an amendment to the constitution at a rally attended by 100,000 demonstrators. Chamlong pledged that he would fast to death, but gave the government a one-week grace period to amend the constitution to prohibit the appointment of an unelected prime minister. When it appeared that the government might renege on this agreement, the peaceful demonstrations resumed. On 17 May 1992, about 150,000 demonstrators met at Sanam Luang parade grounds in central Bangkok. Leaders called for the demonstrators to walk toward Government House down Ratchadamnoen Avenue. Demonstrators broke through roadblocks established by the police and set fire to vehicles and a nearby police station. At 4 AM on 18 May the demonstrators were counterattacked with armored vehicles and machine-guns. Government forces arrested Chamlong and killed over 100 demonstrators and detained several thousands. Four days of violence ended with intervention by the king. On 24 May, Suchinda resigned after political leaders guaranteed amnesty to military officers that participated in quelling the demonstrations. On 10 June, the national assembly approved the constitutional amendments, including the prohibition of unelected politicians from forming a cabinet. A general election followed on 13 September 1992, and Chuan Leekpai, leader of the winning Democratic Party, became prime minister.

Chuan’s policies emphasized four goals: to eradicate corrupt practices, to reduce the powers of the appointed Senate, to decentralize government from Bangkok to the provinces, and to enhance rural development. Beginning in 1993 and into 1994, Chuan’s government faced two “no confidence” motions in par-

liament, but the government emerged stronger after they failed. In 1994, Chamlong and Palang Dharma became more assertive in demands for constitutional reform, decentralization of state power, and progress in solving Bangkok’s traffic problems, which are some of the worst in the world—some commutes reportedly taking up to six hours.

Ultimately corruption charges brought Chuan’s governing coalition down. In late 1994, the New Aspirations Party (NAP), led by Chavalit Yongchaiyadh, left the ruling coalition over a planned electoral reform. In May 1995, prior to a vote of no confidence, Chuan dissolved parliament and called for new elections. Having served two years of a four-year term as prime minister, Chuan became Thailand’s longest serving civilian leader in the modern era.

During the campaigning leading to the July 1995 elections, politicians spent 17 billion baht buying votes, a seemingly intractable problem. However, the otherwise fair balloting was won by the Chart Thai party, which took 92 (of 391) seats. The former PM, Chuan’s Democrats secured 86; the NAP took 57; and Palang Dharma lost heavily, going from 47 to 23 seats. Chart Thai selected as its PM Banharn Silpa-archa. In appointing his cabinet, however, Banharn was immediately perceived as favoring the old corrupted elite, especially when he gave important ministerial posts to Montri Pongpanich and Chalerm Yubamroong, both of whom were well known for their ill-gotten wealth. Even the king, who is revered by Thai society, expressed dissatisfaction with the caliber of the new ministers.

Not surprisingly, Banharn’s government collapsed before the end of 1996 and elections took place on 17 November 1996. Chart Thai went from 96 seats to 39 as the NAP, led by coalition parties, and Minister of Defense Chavalit Yongchaiyudh, emerged victorious. They swept into power going from 57 seats to 125. Placing second in the balloting was the Democratic Party. Chavalit, one of Thailand’s more respected politicians, vowed to appoint a cabinet of technocrats (he called them the “dream team”) rather than cronies, and to rescue the Thai economy which had been faltering. Despite his pledge, however, 1997 was a disastrous year for the Thai economy. In mid-May, the stock market collapsed and speculative currency trading hammered the baht. The government intervened, but conditions deteriorated so badly that by July the government decided to float the baht, which had been pegged to the US dollar, causing a precipitous drop. In one day, the currency fell more than 17% against the dollar. The floating of the baht caused international headlines as neighboring Asian countries frantically scrambled to protect their own currencies. By September 1997, the crisis had spread to Singapore, the Philippines, Malaysia, and Indonesia.

Failing to adjust to the crisis, the Minister of Finance Thanong resigned in October 1997 while students demanded the resignation of Chavalit. Despite a reshuffling of the cabinet in an attempt to placate Chart Pattana, Prime Minister Chavalit resigned on November 6. In November, Chuan Leekpai formed a coalition government that included his Democratic Party, Chart Thai, the SAP, Ekkaparb, the Seirtham Party, Palang Dharma, the Thai Party, and a majority of the Prachakorn Thai Party. Despite the perceived integrity of Chuan, the Thai baht continued to experience devaluation. The fragile government survived a no confidence vote in March 1998.

By May 1998, the Thai economy stabilized and began to recover slowly despite the swirling of allegations of corruption that led to the resignation of two ministers. The government accepted a significant International Monetary Fund bailout package and promised to deregulate the economy and adopt transparency. In March 1999, a major privatization bill passed the National Assembly, which allowed government enterprises to become corporate entities without legislative action. On 5 October 1998, Chuan reorganized the government and invited Chart Pattana into the government, extending the coalition's majority in the House of Representatives to 257. In April 1999, the leader of the NAP, Chavalit temporarily resigned as leader of the party in order to prepare for upcoming general elections.

In March 2000, the first ever Senate elections took place in accord with the 1997 constitution. The nonpartisan elections fielded 1,521 candidates who, by law, refrained from campaigning.

In general elections held in January 2001, media tycoon Thaksin Shinawatra's Thai Rak Thai (Thais Love Thais) Party won a major victory, making him prime minister. The new party took 248 of 500 seats in the House of Representatives, and Thaksin formed a coalition government with the Chart Thai (Thai Nation) Party and New Aspiration Party. The elections were marked by voting irregularities. Thaksin promised to help small businessmen and farmers in Thailand, pledging to postpone farmers' debts for three years and allocate credit of approximately US\$23,000 each to more than 70,000 villages.

In March, a plane that Thaksin was due to board in Bangkok exploded, in what was regarded as an attempted assassination plot.

During 2001 and 2002, relations between Myanmar and Thailand improved. The two countries held talks in June 2001, attempting to ameliorate disagreements over the drug trade and border tensions. By September, Myanmar pledged to eliminate drug trade in the Golden Triangle by 2005. Thailand committed funds to finance a crop substitution program, and the two countries regarded themselves as good neighbors. However, in May 2002, Myanmar closed its border with Thailand after the Thai army fired shells into Myanmar's territory during a battle between Myanmar's army and ethnic Shan rebels. The border was reopened in October.

On 29 January 2003 riots broke out in the Cambodian capital of Phnom Penh over comments attributed to a Thai actress that Cambodia's Angkor Wat temple complex was stolen from Thailand. Thailand initially suspended all economic cooperation and business dealings with Cambodia, and closed the border. Cambodian Prime Minister Hun Sen promised to pay US\$46.7 million in compensation for the damage done to Thai businesses. Thailand was due to partially reopen its border with Cambodia on 8 February.

Thailand became a focal point for unrest in January 2004, when a militant movement revived an insurgency in the predominantly Muslim southern part of the country. Southern Thailand is a popular vacation spot for American and European tourists, and the revenue that this region generates for the country is substantial. In an effort to contain the violence, the Thai government imposed emergency powers on the region. This action has had little effect on quelling the insurgency, and as of late 2005, violence related to Islamic insurgent activity had claimed more than 1,000 lives. Although the insurgency did not appear to be drawing support from international Islamic terrorist organizations, fear that such

groups would enter the conflict persisted in 2005. In hopes of easing unrest, the Thai government also launched an unusual attempt at peace making when it invited schoolchildren in 2004 to fold origami paper cranes to be dropped by airplane over the troubled province. Nearly 120 million cranes were dropped on 6 December 2004 by 50 warplanes, as a gesture that also honored the 77th birthday of King Bhumibol Adulyadej. Militants responded to the gesture by attempting to set off a 22-pound bomb near an area where people had gathered to wait for the cranes. The bomb was discovered and safely defused.

Outbreaks of bird flu between 2002 and 2005 posed further threats to Thai tourism and had claimed 13 lives as of October 2005. The Thai Public Health Ministry announced on 25 October that it would send 400,000 health workers and 900,000 volunteers to scour the country's 21 provinces in search of signs of the deadly virus.

On 26 December 2004, the tourism industry suffered an even deeper blow. Catastrophic tsunami waves triggered by a massive earthquake swept the nation's southwestern area, causing devastation at many of its resorts. More than 5,400 people were killed in the disaster, and Thai officials reported in June 2005 that losses to the tourism industry could run as high as \$1.2 billion. The economic impact of the tsunami disaster and continuing unrest in southern Thailand made the Thai Rak Thai government's hold on power increasingly fragile in 2005.

### 13 GOVERNMENT

Thailand has been a constitutional monarchy since 1932. The present king, Bhumibol Adulyadej, ascended to the monarchy in 1946 and became Rama IX on 5 May 1950. Until 1958, Thailand was governed under a constitution originally promulgated in December 1932. In October 1958, however, the constitution was suspended, and three months later the king proclaimed an interim basic law providing for a constituent assembly to draft a new constitution. Nine years in the making, a new constitution was promulgated in June 1968, and the first elections under it were held in 1969. In November 1971, Marshal Thanom Kittikachorn overturned the document despite being chosen by its rules.

A period of martial law under a national executive council ensued, with the military continuing in power through an interim constitution. A new constitution, promulgated in 1974, was suspended and replaced by martial law in 1976 when civil disorder ensued. The 1976 constitution was abrogated after an October 1977 coup and under an interim constitution, the king empowered a legislative assembly to draft a new governing document. This constitution, approved by the legislature on 18 December 1978, lifted the ban on political parties and eased some of the martial law provisions imposed in 1976.

On 23 February 1991, the National Peacekeeping Council (NPKC), led by the supreme commander of the Royal Thai Armed Forces, General Sundhara Kongsompong, took over the administration of the country. On 9 December 1991, the NPKC promulgated a new constitution. It provided for a national assembly comprised of elected representatives and an appointed senate, and a cabinet headed by an appointed prime minister. This charter was sympathetic to the needs of the military and gave the junta power over the senate. Protests that resulted in the deaths of pro-democracy demonstrators between 17–20 May 1992 quickly led to

a constitutional amendment to provide for an elected prime minister and to curb some of the appointed senate's power. This constitutional amendment was approved by the national assembly on 10 June 1992 and required the prime minister to be a member of the house of representatives. In addition, the revised constitution significantly cut back the powers of the senate by ruling that the speaker of the lower house will be president of the parliament (previously it was the speaker of the senate). The senate is also barred from initiating, or taking part in, "no-confidence" motions. The first elections under these reforms were held on 13 September 1992.

Efforts to amend the constitution again came before parliament in April 1994, and the seven government-sponsored amendments were defeated. These amendments sought to reform Thailand's political structure by institutionalizing political parties and increase the role of the legislature. Prolonged debate and political indecision prevented the passage of these amendments until 27 September 1997, when the new constitution passed with the king's endorsement. According to this constitution, the house of representatives would consist of 500 members, with 400 selected by respective constituencies and 100 seats allocated by proportional representation of all parties exceeding the 5% threshold of popular votes. In an attempt to stabilize the political situation and institutionalize parties, the new constitution requires representatives to resign their seat if they renounce or switch their party membership. The senate, to consist of 200 nonpartisan members, requires all members to hold at least a baccalaureate. Members of both the house and senate serve four-year terms.

#### **14 POLITICAL PARTIES**

Constitutional government in Thailand has been hindered by traditional public apathy, and political parties generally have been formed by military personalities rather than around political issues and programs. Military leader Phibul Songgram, who became prime minister in 1938, did not favor political parties. Phibul's immediate postwar successor, the pro-Japanese Pridi Banomyong, encouraged the growth of parties, but these were generally ineffective, primarily because of Thai inexperience with such institutions.

Upon Phibul and other military leaders' return to power in 1947, parties were banned. In a move designed to undercut a growing threat from other soldiers, Phibul reinstated political parties in 1955 in preparation of the elections for 1957. A new coup, led by Marshal Sarit Thanarat, deposed Phibul in 1957 and again banned political parties. Following the promulgation of a new constitution in June 1968, parties were again legalized and hotly contested the 1969 parliamentary elections. Prime Minister Thanom Kittikachorn's United Thai People's Party won a plurality (76) of the 219 seats in the House of Representatives, giving it a majority in partnership with 72 "independents" supported by Deputy Premier (and army chief) Praphas Charusathien. The Democrat Party, led by civilian politician Seni Pramoj, won 56 seats, becoming the chief opposition party. Following Marshal Thanom's 1971 coup, political activity again subsided in favor of the military. The collapse of military rule in October 1973 led to a resurgence of civilian political groups. In the parliamentary elections of 26 January 1975, 2,193 candidates from 42 political parties contested 269 seats in the House of Representatives. Voter apathy remained a

problem, however, as only 47% of the electorate (33% in Bangkok) took part. The conservative Bangkok-based Democrat Party emerged with a meager plurality of 72 seats, thereby failing to secure a majority coalition. On 13 March, Kukrit Pramoj, leader of the Social Action Party (SAP), which held 18 seats, was elected prime minister in a controversial vote; he formed a ruling right-wing coalition with the Social Justice Party (45 seats), the Chart Thai (28 seats), and four smaller groups. The coalition collapsed in January 1975, and in new elections held on 4 April, Seni Pramoj gained the premiership.

In the bloodless military coup of 23 February 1991 by the National Peacekeeping Council (NPKC), General Chatichai's government was turned out. The NPKC promulgated a provisional constitution, and after a brief period paved the way for a civilian interim government headed by Anand Panyarachun. A general election was held 22 March 1992, with 15 parties contesting 360 seats with 2,185 candidates. Persistent vote buying marred an election in which 59.2% of the electorate voted. Results were: Samakhi Tham (79), Chart Thai (74), New Aspiration Party (72), DP (44), and Palang Dharma (41). A coalition government controlling 195 seats in the House of Representatives was comprised of Samakkhi Tham, Chart Thai, Pratchakorn Thai, the SAP and Rasadorn parties. Narong Wongman was proposed as prime minister until the United States made allegations of Narong's involvement in illegal drug trafficking. In April 1992, General Suchinda was named prime minister. His appointment as an unelected prime minister met with immediate protest. Agreement was reached to amend the constitution to prevent an unelected prime minister, but an apparent change of mind by the government resulted in violent rioting. Suchinda resigned and constitutional amendments were approved by parliament on 10 June. The National Democratic Front, four parties that had opposed the military government, the DP, the New Aspiration Party, Palang Dharma, and Ekkaparb, formed an alliance to contest the elections called for in September 1992. In the wake of the 1976 coup, massive arrests were made of liberal and leftist political elements; political parties were banned, and martial law instituted. Political activity was restored and martial rule partially relaxed under the 1978 constitution. Subsequent elections, held on 22 April 1979, gave no party a clear majority. The SAP won a plurality of 82 seats, and the Thai Nation Party finished second with 38. Gen. Prem Tinsulanonda, who became prime minister in March 1980, formed a new coalition government after the April 1983 elections, in which the SAP emerged with a plurality of 92 seats. Several days after the elections, the Thai Nation Party, which had won 73 seats, subsumed the Siam Democratic Party, which controlled 18. In subsequent elections on 27 July 1986, the Bangkok-based Democrat Party improved its position greatly, winning 100 seats. The Thai Nation Party won 63, and the SAP, 51. These three parties, along with the small Rasadorn—or People's—Party which won 18 seats, formed a new coalition, but with Gen. Prem again as prime minister. The election campaign and balloting were marred by scattered incidents of violence.

In the 13 September 1992 general election 12 parties contested 360 seats in the House of Representatives. Voter turnout was 62.1%. Election results were: the DP (79), Chart Thai (77), Chart Pattana (60), New Aspiration Party (51), and SAP (22). The DP formed a coalition party with Palang Dharma (47 seats) and



Ekkaparb (Solidarity) for control of 185 of the 360 seats. The SAP was invited to join the coalition. The leader of the DP, Chuan Leekpai, was named prime minister. Chuan served for two years—the longest continuous civilian rule in modern times—before scandal brought his government down in May 1995. Elections were held in July 1995 which were won by Chart Thai, taking 92 of the expanded body's 391 seats. Chuan's Democratic Party was next with 86 seats; the NAP took 57 and Phalang Dharma slipped from 47 to 23 seats. Banharn Silpa-archa was appointed prime minister, and was almost immediately assailed by the press—and even the king—for assembling a government of largely discredited cronies.

Banharn's coalition lasted barely 14 months and new elections were held in November 1996, the results of which were as follows: NAP, 125 seats; Democratic Party, 123; Chart Pattana, 52; Chart Thai, 39; SAP, 20; Prachakorn Thai Party, 18; Solidarity Party, 8; Seritham Party, 4; Muan Chan Party, 2; Phalang Dharma, 1; Thai Party, 1. Chavalit Yongchaiyudh became prime minister in January 1997. He resigned in November, and Chuan Leekpai once again formed a coalition government including his Democratic Party, Chart Thai, the SAP, Ekkaparb, the Sirtham Party, Palang Dharma, the Thai Party, and a majority of the Prachakorn Thai Party. Constitutional changes, promulgated on 11 October 1997 increased party discipline and loyalty. It requires representatives to resign their seat if they switch or renounce their party affiliations.

General elections were held on 6 January 2001, which were won by the new Thai Rak Thai ("Thais Love Thais") Party, led by Thaksin Shinawatra, who became prime minister. Thaksin, a multi-millionaire telecommunications tycoon, took almost twice as many seats as his rivals, but fell short of an outright majority. Thai Rak Thai took 248 of 500 seats in the House of Representatives, and the Democratic Party of outgoing Prime Minister Chuan Leekpai won 128 seats. Thaksin's coalition included the New Aspiration Party and the Chart Thai Party. The elections were marred by allegations of fraud and vote-buying. The results of 62 constituencies were thrown out because of voting irregularities, more than half of the disqualifications earned by candidates from Thai Rak Thai. Those constituencies held reelections on 29 January. Thaksin was indicted by the National Counter Corruption Commission (NCCC) in December 2000 for failing to report some of his wealth. In August 2001, the Thai constitutional court voted eight to seven to acquit Thaksin of assets concealment.

Thaksin retained a secure grip on power, and was re-appointed prime minister on 11 March 2005 following the Thai Rak Thai's victory in the lower House of Representatives on 6 February 2005. The Thai Rak Thai's showing in the elections was unusual; it marked only the second time in Thailand's 73 years of democratic elections that a single party controlled the country. The election outcome also made Thaksin the first prime minister in Thailand's history to have completed a full four-year term. The Thai Rak Thai leadership is supported by the Machachon Party, with the Democrat and Chart Thai parties comprising the main opposition. Senate elections were scheduled for March 2006, and the next House of Representatives election was to take place in 2009.

## 15 LOCAL GOVERNMENT

Thailand is divided into 76 administrative provinces (*changwats*), each under the control of an appointed governor responsible to the Ministry of the Interior. Bangkok is sub-divided into 50 dis-

tricts or "*khets*." As of 2001, in addition to the provinces, there were 795 districts, 81 minor districts, 7,255 subdistricts or *tambon* and 70,865 villages. Numerous changes went into effect with the promulgation of the new constitution in 1997. All local administrators are now elected directly by popular suffrage or by the approval of a local assembly. Furthermore, local government officials are prohibited from holding a permanent national position or receiving additional compensation from government related positions.

## 16 JUDICIAL SYSTEM

The 1997 constitution provided for an independent judiciary and the guarantee of basic civil liberties. Courts of the first instance, juvenile courts, and magistrates' courts exist in Bangkok and in each of the provincial capitals. There are nine regional courts of appeal, and a Court of Appeal, sitting in Bangkok, hears cases for the entire kingdom. The Supreme Court, also in Bangkok, consists of at least three judges and decides only on points of law. Judges in Thailand are appointed (and removed) by the king. All appointments are subject to initial approval by a judicial commission. There is no trial by jury in Thailand.

The constitution also provided for establishment of a constitutional tribunal to adjudicate disputes among the courts. Military courts deal primarily with military justice, but have broader jurisdiction when martial law is in force. There is no appeal of decisions by military courts. Defendants in ordinary criminal courts are afforded a wide range of procedural due process protections. Although there is no right to counsel during the investigative phase of cases, detainees are afforded access to counsel during trial.

Islamic courts hear civil cases concerning members of the Muslim minority, whose comprise approximately 6.4% of the country's population. The legal system is based on civil law with common law influence.

## 17 ARMED FORCES

The armed forces of Thailand in 2005 consisted of 306,600 active duty personnel and 200,000 reservists. The Army numbered 190,000 personnel and whose equipment inventory included 333 main battle tanks, 515 light tanks, over 32 reconnaissance vehicles, 950 armored personnel carriers, more than 2,473 artillery pieces and five attack helicopters. The Air Force was estimated to have 46,000 active personnel with 165 combat capable aircraft, that included 87 fighter/fighter ground attack aircraft, plus transport, training, and helicopter units. The Navy had 70,600 active personnel, which included 23,000 Marines and 1,940 naval aviation personnel. Major naval vessels included one aircraft carrier, 12 frigates, five corvettes and 110 patrol/coastal vessels. The naval aviation arm included seven fighter ground attack aircraft, nine maritime patrol aircraft and six antisubmarine warfare helicopters. Paramilitary forces had an estimated manpower of 113,700, which included the 41,000 member Border Patrol Police, the 2,200 member Marine Police and the 45,000 member National Security Volunteer Corps. In 2005, Thailand's defense budget totaled \$1.95 billion.

## 18 INTERNATIONAL COOPERATION

Thailand, a member of the United Nations since 16 December 1946, is the headquarters for ESCAP and belongs to several non-

regional specialized agencies, such as UNSECO, UNHCR, the FAO, the World Bank, ILO, IAEA, and the WHO. The country is a member of the Asian Development Bank, ASEAN, the Colombo Plan, G-77, and the WTO. Thailand has observer status in the OAS and the Organization of the Islamic Conference (OIC), and is a partner in the OSCE.

Thailand is identified more closely than most Asian countries with the Western nations largely because of its alliance with the United States. The nation is part of the Nonaligned Movement. In 1995 Thailand, Cambodia, Laos, and Vietnam established the Mekong River Commission (MRC) to coordinate development in the region. In environmental cooperation, Thailand is the Basel Convention, Ramsar, CITES, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Thailand's economy more than tripled in the decade after 1986, achieving approximately 9% real growth annually from 1989 to 1996, before it became an epicenter of the Asian financial crisis of 1997, a regional crisis of investor confidence. Thailand's real GDP declined 1.4% in 1997, and then plunged 10.5% in 1998. In early 1997, the Bank of Thailand spent about \$30 billion in foreign exchange reserves trying to defend the baht's value in terms of a basket of currencies against speculation against it, and then on 2 July 1997 abandoned the peg, and allowed the currency to float. The subsequent rapid fall in the baht's value—from 25 bahts to 1 US dollar down to a low of about 53 bahts to 1 US dollar by January 1998—was the proximate cause of the financial crisis that left most business in Thailand technically bankrupt. A \$17.2 billion international bailout package was quickly arranged through the IMF, which seeded the loans with a stand-by line of credit running from 20 August 1997 to 19 June 2000 of about \$2 billion, subject to a program of economic reform conditionals. Moderate growth returned in 1999 and 2000 (4.4% and 4.6%, respectively), but then dropped to an anemic 1.8% in 2001 in the face of the global economic slowdown and the halving of foreign direct investment worldwide following the 11 September 2001 terrorist attacks on the United States.

Nevertheless, by 2002 the economy had recovered to its pre-crisis level, with a 5.41% GDP growth rate. The GDP growth rate stood at 6.74% in 2003, 6.2% in 2004, and was estimated at 4.6% in 2005. The drop from 2004 to 2005 was caused in part by high oil prices, a drought, the 26 December 2004 Indian Ocean tsunami, unrest in the Muslim south of the country, and a downturn in the global electronics industry. Growth was projected to average 4.7% a year in 2006–07, driven by higher investment demand as the government embarked on an ambitious infrastructure development program, including electricity generation, transportation, housing, irrigation, health, and education.

Structurally the economy has continued to mature. From 1986 to 1996, agriculture employed about 57% of the labor force while agriculture's contribution to the GDP dropped from 16.7% to about 10%. In 2005, agriculture accounted for 9.3% of the GDP, and as of 2000 employed 49% of the labor force. Thailand has developed a mobile labor market in which many workers migrate

between agricultural jobs in the country and self-employment and/or light industry jobs in the cities and industrialized zones. Official unemployment was at a low of 1.5% in the last boom years, 1996 and 1997, and then peaked at 4.4% in 1998. Postcrisis, unemployment rates have slowly declined to 4.2% in 1999, 3.6% in 2000, 3.3% in 2001, 2.4% in 2002, 2.2% in 2003, and to 1.4% as of September 2005. The government's decision not to forcibly repatriate a large number of foreign workers, implementing instead its first "amnesty" program in September 2001 (which gave work permits to about 360,000 foreign migrants employed mostly in semi-skilled jobs in the fisheries and construction), has helped slow the decline of the unemployment rate. Official figures, moreover, do not adequately reflect the seasonal unemployment of about two million agricultural workers during one third of the year. Overall, the shift of workers out of agriculture continues particularly in the northeast, where agriculture is less productive, providing a steady inflow of workers to Bangkok and other industrialized areas who contribute to Thailand's expanding and diversified manufacturing and construction sectors. Manufacturing grew by 17% in 1995 and accounted for 33% of GDP, up from 22% in 1992. In 2002, manufacturing's share of GDP was up to 36.5%. In all, industrial production in 2002 was at 22% above the level attained in 1995 according to the country's industrial production index. The industrial production growth rate was estimated at 8.2% in 2005.

The Thai manufacturing sector is notable for its wide diversity, with rapid growth in the production of computers and electronics, automobiles, garments, footwear, synthetic fibers, furniture and wood products. In its efforts to recover economic momentum, Thailand faces strong competition from China, Indonesia, Vietnam, Pakistan and Bangladesh, where cheap labor diminishes the competitiveness of Thailand's labor-intensive industries.

Inflation appears to be under control. In the last years of the 1986–96 boom, the annual inflation rate averaged between 5% and 6% as measured by the consumer price index (CPI). The rate increased to 8% in 1998, but in 1999 had fallen to a negligible 0.3%. In 2000 and 2001, inflation was less than 2% (1.6% and 1.7%), and was only 0.6% for 2002. By 2005, the inflation rate had risen to an estimated 4.8%, but lower global oil prices from mid-2006 were projected to lead to lower inflation in 2007.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Thailand's gross domestic product (GDP) was estimated at \$545.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$8,300. The annual growth rate of GDP was estimated at 4.6%. The average inflation rate in 2005 was 4.8%. It was estimated that agriculture accounted for 9.3% of GDP, industry 45.1%, and services 45.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.601 billion or about \$26 per capita and accounted for approximately 1.1% of GDP. Foreign aid receipts amounted to -\$966 million or about -\$16 per capita and accounted for approximately -0.7% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Thailand totaled \$81.01 billion or about \$1,307 per capita based

on a GDP of \$143.0 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.4%. In 2001 it was estimated that approximately 23% of household consumption was spent on food, 5% on fuel, 3% on health care, and 13% on education. It was estimated that in 2004 about 10% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

Thailand's labor force in 2005 was estimated at 35.36 million (compared with 21.7 million in 1981 and 15.1 million in 1967). In 2003, agriculture and related occupations accounted for 44.9% of the workforce, with industry at 19.7%, services at 35.3%, and 0.1% in undefined occupations. In September 2005, unemployment was put at 1.4%.

Because of persisting government opposition to unions, organized labor was not a major factor in Thai life prior to the 1970s. Labor legislation in 1969 delineated certain basic workers' rights, and unions were granted greater freedom to organize under the Labor Relations Act of 1975. The Thai Trade Union Congress is the largest labor federation. As of 2002, only 2% of the labor force (11% of industrial workers) was unionized. Minimum daily wage rates in 2002 ranged from \$3.01 to \$3.71 depending on the cost of living in different provinces. Legislation regulating hours and conditions of labor, workers' compensation, and welfare also exists, however, these laws are weakly enforced.

While forced labor is prohibited by the Thai constitution, there are reports that workers are physically prevented from leaving some sweatshops, especially ones which employ illegal immigrants from Laos, Cambodia, and Burma. These same sweatshops have also been accused of using physical coercion to meet production goals.

The minimum working age was raised to 15 in 1998, but this law has not traditionally been effectively enforced. As of 2002, it was estimated that there were one million children working on family farms. Another 240,000 to 410,000 children were working in urban areas.

## 2<sup>2</sup> AGRICULTURE

With some 17.7 million hectares (43.7 million acres) of farm land, of which about 9.2 million hectares (22.7 million acres) are under rice cultivation, Thailand continues to rely heavily on agriculture, although the country has suffered from declining export prices in recent years. Rice is the major crop grown; Thailand is the world's biggest rice exporter. Total rice production amounted to 17.07 million tons in 2004/05. The government has embarked on large-scale irrigation projects and introduced higher-yielding varieties of rice in an effort to increase production. In 2004, agricultural products accounted for 12.4% of exports and Thailand's agricultural trade surplus was over \$8 billion (8th in the world).

Rubber, also a major export, is grown on the peninsula and, to a lesser extent, on the southeast coast. Total production in 2004 was 3,030,000 tons, the highest in the world and accounting for 31% of all production that year. Demand for natural rubber is growing along with the international concern about AIDS. Sugarcane pro-

duction reached 67.9 million tons, while output of cassava (tapioca), traditionally important in Thailand, totaled 20.4 million tons. Thailand provides about 95% of the world's cassava exports. Much of the harvest is processed into chips and pellets and exported to the EU for fodder. Higher EU tariffs, however, have caused the Thai government to promote dairy, fruit, rubber, and cashew farming instead. Corn production, which has increased significantly in recent decades, reached 4.09 million tons in 2004. One third of annual corn production is consumed annually as fodder, with the remainder being exported to Europe and Japan. Kenaf, tobacco, cotton, and kapok are cultivated mainly for domestic use, but quantities of jute, cocoa, peanuts, soybeans, and medical plants are exported. Canned pineapple and fresh flowers, especially orchids, are important exports. The Thai government's official policy of encouraging mountain villagers to grow coffee, apples, strawberries, kidney beans, and other temperate crops instead of the lucrative opium poppy and marijuana has had some success; another aim of the project is to discourage deforestation through slash-and-burn cultivation. In 1987, King Bhumibol Adulyadej received a Magsaysay Award for International Understanding for his 20 years of effort in this area.

In the mid-1970s, farmers began to organize to express their discontent over the disparity between farm and nonfarm incomes. To improve farm conditions, the government legitimized squatters' rights to nearly 500,000 hectares (1,236,000 acres) of land classified as forest reserve and established credit and crop insurance programs for farmers. The government Marketing Organization for Farmers, founded in 1975, allows farmers to buy fertilizers, machinery, and equipment at the lowest possible prices and assists in crop marketing. It is also government policy to channel revenues from agricultural export taxes to a welfare fund called the Farmers Assistance Fund.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Cattle, used for plowing and harrowing, are important to rice farming, and most rural households have some cattle as well as hogs, chickens, and ducks. In 2005, Thailand had 5.5 million head of cattle, 1.8 million head of buffalo, 7.2 million hogs, and 50,000 sheep. Other livestock included 260 million chickens and 17 million ducks. Elephants, important as draft animals in rural areas, are used to haul teak. Crocodiles, raised for their skins, are a specialty livestock product; in 2003, 10,987 tons of Siamese crocodile were produced. Production of animal products in 2005 included (in tons): meat, 1,896,859; milk, 900,000; eggs, 694,000; cattle skins, 48,300; and silk, 1,600.

## 2<sup>4</sup> FISHING

Fish is a major protein element in the Thai diet. Freshwater fish, abundantly found in rivers and canals, and marine fish (from the waters along the lengthy coastline) produced a catch of 3,590,452 tons in 2003 (7th in the world), as compared with 846,600 tons in 1967. Leading marine species in the 2003 harvest included (in tons): sardines, 148,564; anchovies, 157,556; Indian mackerels, 150,800; and threadfin breams, 104,505. Thailand exports cured fish to neighboring countries, and frozen shrimp and prawns mainly to Japan. In 2003, Thailand accounted for 6.1% of the world's exports of fish and fish products, valued at over \$3,906

million. Giant tiger prawn, tilapias, hybrid catfish, and green mus-sels accounted for most of the aquacultural volume.

## 2<sup>5</sup> FORESTRY

Thailand's forested area declined from 53% of the nation's land area in 1961 to only 28% by 2000, mainly as a result of the continued use of slash-and-burn practices by farmers. The government's 2002–06 development plan has the objective for forests once again to cover 40% of the land area, of which 25% would be conservation forest and 15% would be for timber. Of Thailand's 17.01 million hectares (42.03 million acres) of forest in 2004, over 50% lies in the north, where teak and pine predominate. About 96% of the forest area is natural forest and the rest is reforestation and secondary growth. Rubber trees, planted mostly in the south, make up 10% of the forest area. The remainder consists of yang (keruing) plantations and rosewood, other species used as fuel, and smaller mangrove forests and conifers. Teak, once a major export, has declined in importance, largely because of government restrictions on cutting and past depletion of the forests through excessive harvesting and inadequate replanting. Yang, pradu, takien, krabak, and krabok are other traditional hardwoods that have suffered severe production declines. Thailand imposed a ban on logging government-owned timber in 1989. Lac, a resinous insect substance found on trees, has always had value for the Thai, but its derivatives—seedlac, sticklac, and shellac—have also found a ready international market. Other important forestry products include charcoal, gums and resins, and kapok fiber and seed.

In 2004 production of roundwood was estimated at 27.8 million cu m (980.9 million cu ft), with 72% used as fuel. Production of tropical hardwood products in 2004 included (in cubic meters): sawn wood, 288,000; veneer, 165,000; and plywood, 100,000. Thailand is a negligible exporter of tropical logs and lumber. However, Thailand now exports primarily value-added wood products (mostly furniture, picture frames, utensils, and other items). Exports of wood products in 2004 totaled \$870.9 million. Imports of logs, timber, and wood products in 2004 were valued at \$1,033 million.

## 2<sup>6</sup> MINING

Thailand in 2004, was one of the world's leading producers of feldspar and gypsum and was a leading exporter of each, as well as of cement. In addition to feldspar and gypsum, tin metal, tantalum powder and zinc metal were leading export minerals for Thailand. The country also had considerable resources of diatomite, dolomite, limestone, potash, rock salt, and a wide variety of other industrial minerals. In 2000, Other important minerals were barite, natural gas, gemstones, lead, crude petroleum, and silica. Except for gypsum, and tin and its by-products (ilmenite, monazite, struverite, tantalum, and zircon), most mineral production was for domestic consumption. Thailand is a net importer of minerals, mainly because of its large import bills for coal, crude petroleum, iron and steel, primary aluminum, refined copper, gold, refined lead, and silver. Thailand's resources of most metallic minerals and fuel minerals are small. The mining and quarrying sector, which accounted for 2.2% of gross domestic product (GDP) in 2004,

grew by 4.9% in that year, and accounted for approximately 3% of the nation's labor force.

Tin concentrate production (gross weight) in 2004 totaled 724 metric tons, down from 980 metric tons in 2003. Tin was mined mainly on the southern peninsula, of which 52% was produced from offshore dredging. Tin production has been steadily declining in the face of falling world prices and output curbs. Tungsten concentrate output (gross weight) in 2004 was 337 metric tons. Other metal minerals exploited on a small scale included antimony, cadmium, iron ore, lead, manganese, tantalum, zinc, and zirconium. Iron ore production (gross weight) which totaled 50 metric tons in 2001, leaped to 570,110 metric tons in 2002, fell to 9,675 metric tons in 2003 and then shot upward again in 2004 to 135,580 metric tons. Gold and silver output in 2004 totaled 4,500 kg and 10,700 kg, respectively. There was no production of monazite rare earths from 2000 through 2004.

Among industrial minerals in 2004: feldspar output was 1,001,053 metric tons, up from 824,990 metric tons in 2003; gypsum production was 7.619 million metric tons, up from 7.291 million metric tons in 2003; hydraulic cement production was 35.626 million metric tons, up from 32.530 million metric tons in 2003. Thailand also produced barite, ball clay, kaolin clay, diatomite, metallurgical-grade fluorspar, gemstones, phosphate rock, salt, silica sand (glass), stone (calcite, dolomite, limestone, marble, marl, quartz, and shale), and talc and pyrophyllite. In addition, resources of bentonite and copper have been identified. Exploration in the past five years has focused on copper, gold, and potash. Thailand could soon become an important producer of potash in Asia and the Pacific region. The Somboon deposit was estimated to contain more than 300 million tons of sylvinitic ore, with prospects for a two million ton per year potash mine, and the Udon deposit was estimated to contain more resources than the Somboon deposit. One copper deposit, at the Putthep project, near Loei, had ore reserves of 42 million tons of heap-leachable ore at a grade of 0.52% copper.

The government's underlying policy has been to conserve the country's mineral resources and to shift the emphasis to exploration, development, and exploitation of minerals consumed domestically, such as ball clay, feldspar, gypsum, kaolin, silica sand, limestone, lignite, phosphate, potash, rock salt, and zinc, and away from minerals that were predominantly exported, such as antimony, barite, fluorite, tantalum-columbium, tin, and tungsten. Thailand's mining industry consisted of a small mining and mineral-processing sector for ferrous and nonferrous metals, and a large mining and mineral-processing sector for industrial minerals. All mining and mineral-processing businesses except coal, natural gas, and crude petroleum were owned and operated by private companies.

## 2<sup>7</sup> ENERGY AND POWER

Thailand is a net importer of oil and natural gas. However, ongoing strong economic growth is increasing demand for energy.

Thailand is heavily dependent on imports of foreign oil. As of 1 January 2004, the country's proven oil reserves were estimated at 583 million barrels, with crude oil refining capacity for that date estimated at 703,100 barrels per day. Production of oil in 2003 was estimated to average 259,000 barrels per day, of which crude oil accounted for 96,000 barrels per day. Demand however, for that

same year was estimated to average 851,000 barrels per day, thus requiring imports that year estimated to average 592,000 barrels per year.

Thailand's proven reserves of natural gas, as of 1 January 2004, were estimated at 13.3 trillion cu ft. In 2002, natural gas output was estimated at 685 billion cu ft, with demand that same year, estimated at 904 billion cu ft. Much of the natural consumed by Thailand is used to generate electricity.

Thailand also possesses recoverable coal reserves that as of December 31, 1999, stood at 1.4 billion short tons. In 2002, coal production was estimated at 21.8 million short tons, with demand that year estimated at 28.1 billion short tons.

In 2002, Thailand's electric power generating capacity was put at 20.929 million kW, of which 17.992 million kW of capacity consisted of conventional thermal fuel sources. Hydroelectric capacity in 2002 came to 2.936 million kW, with geothermal/other sources accounting for 0.001 million kW. Total national output of electricity in 2002 was 102.866 billion kWh, of which 90.9% came from fossil fuel power plants and hydropower for 7.1%, and other renewable sources for the rest. Consumption of electricity in 2002 was 95.992 billion kWh.

## 28 INDUSTRY

Seven government agencies supervise the Thai industrial sector: the Ministries of Finance, Commerce, and Industry, the Board of Investment, the Industrial Finance Corporation, the Bank of Thailand, and the National Economic and Social Development Board (NESDB), are in charge of formulating five year development plans. In 1982, an eighth agency, the Industrial Restructuring Committee, was created to coordinate the other seven and to formulate policy proposals in line with economic development plans. The main protective measures Thailand has used are import tariffs and price controls. Tariffs, low in the 1960s, were increased in the 1970s, some to above 90%, and price controls were pervasive. As part of the fifth economic development plan, 1982–86, the government began to lower tariffs and relax price controls. In the economic boom of the early 1990s, trade liberation was continued particularly as the protection of infant industries became less important for Thailand's industrial growth than reducing the cost of imported capital goods and spare parts for rapidly expanding sectors like the automotive industry and electronics.

Manufacturing grew at an average rate of 12% annually in the 1960s and 10% in the 1970s. However, in the wake of the second oil shock in 1978–79, rising interest rates reduced global demand and falling commodity prices adversely affected manufacturing growth. In the period 1971 to 1985 Thailand continued to import most of its manufactures, although there was impressive growth in some sectors. The production of food products nearly tripled, textiles grew by over 500%, and transportation equipment showed even greater growth.

With the collapse of oil prices in 1986, Thailand was propelled into a decade-long boom led by its industrial sector in which the economy more than tripled, ending in the collapse of the baht in early July 1997. Automobile production increased 750% 1986 to 1996, from 74,162 vehicles to a peak of 559,428. Annual growth for automobile production averaged 42.6% 1986 to 1990, and, after a 7% decline in the global recession of 1991, 15% 1992 to 1996. It was the world's fastest-expanding automotive industry and Thai-

land also became the world's second-largest producer of motorcycles and pick-up trucks. Thai automobile producers invested in capacity expansion on the expectation that demand would grow to about one million cars a year, but the onset of the Asian financial crisis meant that these expectations were unmet. Production fell 35.6% to 360,303 units in 1997 and then another 56.1% to 158,130 units in 1998. Recovery began in 1999, with a 106.9% increase to 327,101 units, and 2000, with a further 25.9% increase to 411,721 units. By 2002, Thailand was on track to match the precrisis peak, with a projected production of 560,000 (56% of capacity). Similarly, motorcycle production by 2001 and 2002 had recovered to match the one-million-plus record set in 1997. By 2004, Thailand had dubbed itself the "Detroit of Asia," and set a production target of one million automobiles for that year; in fact, Thailand produced 928,091 automotive vehicles in 2004, 24% more than 2003. The automotive and auto parts industry was worth \$17.5 billion in 2004, generating the country's second-highest level of export revenue after computer and electronic parts. This represented approximately 12% of GDP. Thailand's automobile sector consists of 17 companies, the four largest being Auto Alliance Thailand, Toyota Motor Thailand, MMC Sittiphol, and Isuzu Motor Thailand, which together account for over 70% of production capacity.

By contrast, the cement industry, dependent more on the recovery of domestic demand, has not achieved precrisis production levels. Construction, one of the three leading growth sectors in the boom (with manufacturing and financial services), was the most severely impacted by the financial crisis. While the overall economy decreased 1.4% in 1997 and 10.5% in 1998, construction fell about 25% in 1997 and then over 38% in 1999, as landscapes that had been dominated by construction cranes were transformed into ones dominated by "For Sale" signs and unfinished buildings. Growth did not return to construction until 2002. Annual cement production, which grew from 18,834,000 metric tons in 1990 to a peak of 36,943,000 metric tons in 1997, was at 28,611,000 metric tons in 2002. Thailand produced 35,626,000 metric tons of cement in 2004.

Textiles and garments remain Thailand's largest industry. This includes synthetic fibers production, which in 1995 was growing at a 25% annual rate, one of the fastest in the economy. About two-thirds of the output are ready-to-wear garments destined for markets in the United States and Western Europe. In 2005, there were an estimated 4,500 textile firms employing more than one million workers. By 2002 precrisis production levels had been achieved and slightly bettered, but with a significant proportion of capacity unutilized. In 2004, Thailand produced 845,820 metric tons of spun textile products, and 893,859 metric tons of synthetic fiber products.

Since 1985, electronics has been Thailand's leading manufacturing export sector, employing about 300,000 workers. Annual growth in electronics production has averaged over 20% over the 1990s, with about 80% of the output exported. In 2000, electronics constituted one-third of all exports. Unlike most other manufacturing sectors, electronics production continued to grow during the financial crisis: the devaluation of the baht only made Thai electronic exports more competitive. Leading products include fully assembled computers, computer accessories, and integrated circuits in addition to a wide range of consumer electronics products. In 2004, Thailand produced 9.8 billion integrated circuits.

Among the ASEAN nations during the decade of boom, Thailand became the largest producer of petrochemicals as well as cement and textiles. Unlike most other industries, the refineries continued running near capacity during the crisis years 1997 to 1999. Refinery outputs reached 777,000 barrels per day in 1997, up 225% from 1990, then fell 4.6% in 1998 before recovering to a new high of 809,000 barrels per day (up 9.2%) in 1999. As of 2005, Thailand had four oil refineries and a total refining capacity of 703,100 barrels per day. The largest refineries are run by Shell Company of Thailand Ltd. at Rayong, Thai Oil Company Ltd. at Sriracha, and Esso Standard Thailand Ltd. at Sriracha. Over a third of refined production is distillate fuel oil, production of which increased 350% 1990 to 1999. Motor gasoline and residual fuel oil each account for about 18% of refined outputs, which grew in triple digits, 186% and 126%, respectively, during the 1990s. Other important refinery outputs include jet fuel and liquefied petroleum gases.

One industry that showed uninterrupted annual increases during the crisis was the production of beer, the output of which grew 6.7% 1997 to 1998, and another 6.2% 1998 to 1999. Across the 1990s beer production increased 370%. In 2004, Thailand produced 1.6 billion liters of beer.

### 2<sup>9</sup> SCIENCE AND TECHNOLOGY

The lack of skilled workers remains a drag on industrial development. Many students seek technical training overseas, and some receive postgraduate education in specialized technical subjects at the Asian Institute of Technology in Bangkok (founded in 1959), which offers advanced degrees in agricultural engineering, human settlements, and computer applications. The institute also operates receiving equipment for LANDSAT transmissions that provide Southeast Asian countries with the aerial surveys vital to agricultural development, forest inventories, and city planning.

Scientific organizations include the Medical Association of Thailand (founded in 1921); the Thailand Institute of Scientific and Technological Research (1963), the principle government research agency; and the Science Society of Thailand (1948), all headquartered in Bangkok. National science policy is the responsibility of the Ministry of Science, Technology and Energy. Research and development (R&D) expenditures in 2002 totaled \$1,050,722 million, or 0.24% of GDP. In 2001, there were 289 scientists and engineers, and 116 technicians engaged in research and development per million people. High technology exports in 2002 were valued at \$15.234 billion, accounting for 31% of the country's manufactured exports.

In addition to the Asian Institution of Technology, 15 other universities offer courses in basic and applied sciences. In 1987–97, science and engineering students accounted for 18% of college and university enrollments.

### 3<sup>0</sup> DOMESTIC TRADE

Bangkok, the port of entry and distribution point for the whole country, is the commercial center of Thailand; all foreign firms have their main offices there. Other commercially important cities are Chiang Mai (teak, rice, and textiles), Ubon Ratchathani (rice, jute, and leather), Phuket (tin), and Songkhla (rubber).

Many essential commodities are grown and consumed by the producer, or distributed at the local level. Production for the do-

mestic market has continued to increase led by high growth industries such as construction materials, foods and beverages, and electronic appliances. In the greater Bangkok metropolitan area, almost every kind of retail outlet is represented, including specialty shops and over 40 department stores. There are about 250,000 retail outlets within the country, mostly small establishments. Department stores, discount stores, hypermarkets, and convenience stores are all available. Both local and foreign franchise firms have been successful. Rather than shop in traditional "wet markets," a growing number of Thai consumers are utilizing western-style supermarkets. Direct marketing, mail order, and television shopping have all become popular, particularly as credit cards have become more widely accepted. Newspaper, radio, television, and motion picture advertising is available.

Usual business hours are from 8:30 AM to 5 PM, Monday through Friday. Shops are open from 9 or 10 AM to 8 or 9 PM, and banks from 8:30 AM to 3:30 PM.

The annual Bangkok fair in December, originally conceived for entertainment, has developed into a trade fair.

### 3<sup>1</sup> FOREIGN TRADE

Thailand supplies the world with a large proportion of its natural rubber, rice, and seafood exports. Thailand is an exporter of automobiles and auto parts, electronic goods, and textiles and apparel. In 2004, the major exports, in percentage terms, were: machinery and mechanical appliances (13.5% of all exports); electrical apparatus for circuits (13.2%); computers and parts (9.4%); and electrical appliances (8.8%). The major imports were: electrical machinery (14% of all imports); fuel and lubricants (10.8%); non-electronic machinery (10.2%); and base metals (9.8%). Thailand's leading markets in 2004 were: the United States (16.1% of all exports); Japan (14%); China (7.4%); and Singapore (7.3%). The leading suppliers were: Japan (23.8% of all imports); the United States (8.6%); China (7.7%); and Malaysia (5.8%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

In 1996, a weakening economy and a decline in export growth created a current account deficit that amounted to 8% of GDP. Simultaneously, high interest rates and a currency tied to the dollar at-

#### Principal Trading Partners – Thailand (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	80,331.0	75,804.8	4,526.2
United States	13,671.4	7,179.7	6,491.7
Japan	11,406.3	18,260.7	-6,854.4
Singapore	5,871.6	3,269.0	2,602.6
China	5,701.4	6,065.3	-363.9
China, Hong Kong SAR	4,326.5	1,074.0	3,252.5
Malaysia	3,876.7	4,532.4	-655.7
Other Asia nes	2,588.9	3,230.3	-641.4
United Kingdom	2,587.1	930.7	1,656.4
Netherlands	2,372.8	616.4	1,756.4
Indonesia	2,277.1	1,781.0	496.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Thailand (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>7,965.0</b>
Balance on goods	11,606.0	
Imports	-66,790.0	
Exports	78,397.0	
Balance on services	-2,729.0	
Balance on income	-1,802.0	
Current transfers	890.0	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>-8,183.0</b>
Direct investment abroad	-558.0	
Direct investment in Thailand	1,866.0	
Portfolio investment assets	-937.0	
Portfolio investment liabilities	302.0	
Financial derivatives	...	
Other investment assets	-416.0	
Other investment liabilities	-8,441.0	
<b>Net Errors and Omissions</b>		<b>736.0</b>
<b>Reserves and Related Items</b>		<b>-518.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

tracted money to an economy without sufficient productive assets to support the inflow. The government was forced to pursue a high interest-rate policy to protect the currency. When the cost of doing so got too high, the government let the currency float against the dollar, which resulted in a 20% devaluation. By mid-1997, Thailand's short-term debt obligations had reached \$23.4 billion, consuming three-quarters of its foreign reserve holdings. In August of 1997, Thailand agreed to an economic restructuring package with the IMF that included \$10–20 billion in standby credits. The GDP contracted by 10.8% in 1998, compared with an average growth rate of 8.5% from 1990 to 1996. The economy since the 1997–98 crisis subsequently rebounded, and strong export performance drove economic growth in 1999–2000. Nevertheless, structural reform was still needed, especially in agriculture, education, and small- and medium-sized businesses. Growth declined in 2001, due in part to the global economic downturn, a downturn in export demand, a slow pace of corporate debt restructuring, and a struggling financial sector. Severe Acute Respiratory Syndrome (SARS) negatively impacted trade and travel in 2003.

Thailand ran a merchandise trade surplus of \$10.6 billion and a current-account surplus of \$6.6 billion (equivalent to 4.1% of GDP) in 2004. The country's diversified export base comprises agricultural commodities and manufactures, although 80% of exports now consist of manufactured goods, many of which are dependent upon imported inputs.

### 33 BANKING AND SECURITIES

The central bank is the Bank of Thailand, established in 1942. It operates as an independent body under government supervision; its entire capital is owned by the government. The Bank issues notes, a function previously handled by the Ministry of Finance.

The financial sector is broad and diverse. In 2002 there were 33 commercial banks operating the Thailand, 13 domestic and 19 foreign owned. The top three Thai banks are Krung Thai Bank, Bang-

kok Bank, and Thai Farmers Bank. Many of Thailand's domestic banks are owned by a few wealthy Chinese families. Shareholdings in even the largest banks, led by Bangkok Bank and the Thai Farmers Bank, are structured to insure family control. US banks with full branches in Thailand include Citibank, Chase Manhattan Bank, and Bank of America.

In general, Thai banks have suffered management problems in recent years and are having difficulty in complying with capital-adequacy and other requirements set by the Bank for International Settlements (BIS). The baht currency crisis dealt a severe blow to the banking industry and has prompted a major restructuring of the banking industry. By mid-2000, nonperforming loans accounted for about a third of total lending, down from a peak of almost 48% mid-1999. Thai banks are being forced to accept big write-offs by selling nonperforming loans for as little as 30% of the loan's face value.

The Thai domestic banking system has been criticized for failing to mobilize adequate domestic savings and for not offering adequate incentives to savers. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$14.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$119.3 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 2%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 3.75%.

Thailand's first public stock exchange was opened in Bangkok on 30 April 1975 (the Securities Exchange of Thailand-SET). All of its 30 members were Thai-owned securities firms. The Ministry of Finance encourages companies to go public by reducing income tax for listed companies and also by according favorable tax treatment of dividends. It was not until the late 1980s that the market was taken seriously by the international and domestic financial communities. Because of the Asian financial crisis, the stock exchange lost its appeal as a source of corporate funds. In 1998, however, a four-year downward trend was reversed on news of a strengthened baht. The rally could not be sustained and by year end the SET index was down 4.5%, a substantial improvement over the 55% decline in 1997. In all, the exchange lists 449 companies with a combined market capitalization of just over \$36 billion. The turnover ratio is high at over 109%. The SET index was up 12.9% in 2001, at 303.9. As of 2004, at total of 465 companies were listed by the combined SET and the Market for Alternative Investment, which had a market capitalization of \$115.400 billion. In that same year, the SET fell 13.5% from the previous year to 668.1. The turnover ratio in that same year was 95.8%.

### 34 INSURANCE

There is a wide variety of insurance companies doing business in Thailand, including the American International Assurance Co., the Asian Reinsurance Corp., Assets Insurance Co., Bangkok Insurance Public Co., Commercial Union Assurance Co., Guardian Assurance Co., Indara Insurance Public Co., Navakij Insurance Public Co., Paiboon Insurance Co., Phatra Insurance Co., Safety Insurance Co., Samaggi Insurance Co., the Thai Insurance Public Co., the Viriyah Insurance Co., and Wilson Insurance Co. In Thailand, both workers' compensation and third-party automobile lia-

bility are compulsory. The government's company, however, holds a monopoly on workers' compensation insurance. As of 2003, foreign investors were only allowed to own 25% of a Thai insurance company, but these regulations were slated to be relaxed within 10 years. In 2003, the value of all direct insurance premiums written totaled \$4.932 billion, of which life insurance premiums accounted for \$3.222 billion. For that same year, Thailand's top nonlife insurer was Viriyah, which had gross written nonlife premiums totaling \$229.1 million, while the country's leading life insurer, AIA, had gross written life insurance premium of \$1,526.8 million.

### 3<sup>5</sup> PUBLIC FINANCE

Only a few utilities—power generation, transportation, and communications—are owned by the government, which is fiscally conservative in what is essentially a free-enterprise system. Following the Asian financial crisis of 1998, the Royal Government of Thailand took strong macroeconomic steps to stimulate the economy. By 2005, it appeared the country was among the few in the region that had recovered.

The US Central Intelligence Agency (CIA) estimated that in 2005 Thailand's central government took in revenues of approximately \$30.6 billion and had expenditures of \$31.7 billion. Revenues minus expenditures totaled approximately -\$1.1 billion. Public debt in 2005 amounted to 35.9% of GDP. Total external debt was \$50.63 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were B1,159.4 billion and expenditures were B1,038.6 billion. The value of revenues was us\$28 million and expenditures us\$25 million, based on a official exchange rate for 2003 of us\$1 = B41.485 as reported by the IMF. Government outlays by function were as follows: general public services, 13.5%; defense, 7.3%; public order and safety, 6.0%; economic affairs, 23.3%; environmental protection, 0.1%; housing and community amenities,

3.8%; health, 10.7%; recreation, culture, and religion, 0.8%; education, 22.8%; and social protection, 11.6%.

### 3<sup>6</sup> TAXATION

Thailand, as of 2005, had a progressive personal income tax structure with a top rate of 37%, and that is applied to the person's total income, including dividends from stock and capital gains. Business and individual citizens are also subject to a host of indirect taxes, including customs duties, sales tax, and excise taxes.

Corporate income taxes on net profits are levied at a flat rate of 30%. However, small and medium companies, and those firms newly listed on the national stock exchange, can opt for lower rates. Companies involved in certain types of projects can also qualify for various reliefs and exemptions. In addition, there is a 10% profits remission tax and a 5% tax on gross income if the profits of a nonresident company cannot be determined. Capital gains are treated as ordinary business income and are subject to the corporate rate. Dividends are subject to a 10% withholding tax, but those received by one resident company from another resident company may qualify for a 50% exclusion, although the full amount may be excluded, if certain conditions are met. Generally interest income and royalty income are subject to withholding taxes of 15%.

As of 1 October 2005, Thailand had a value-added tax (VAT) rate of 10% on goods, services and imports. However, exports, international transport are zero-rated. Domestic transport, rents from immovable property and educational and health services are exempt. In addition, a municipal tax is levied on certain businesses.

There are excise taxes on tobacco, petroleum products, alcoholic beverages and soft drinks, and other products. Automobiles are subject to a special tax based on engine size.

Thailand has double taxation treaties with 33 countries, including the United States, Canada, Australia, Belgium, Denmark, Finland, France, and Germany. The US treaty has been in force since January 1998.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Thailand's customs tariff is primarily for revenue, although in a limited fashion it protects local industry. No preferential treatment is afforded any country and all goods are subject to the general rate. Only a few goods require import licenses, including some foods, materials, and industrial products. Products banned from import include aerosol mixtures of vinyl chloride monomers (for health reasons) and products constituting trademark infringement.

The Thai government began to reduce tariffs in 1994, although progress was impeded in 1997 due to a shortfall in government revenue. Still, duties that had ranged between 30% and 60% have been cut to between 1% and 45%, with the total number of tariff bands reduced from 39 to 6. There is a zero rate for essential items like medical equipment and fertilizer. The rate is 30% for certain items designated as needing special protection, like fabrics, clothing, refrigerators, and air conditioners. In addition to tariffs, some imports designated as luxury goods are subject to an excise tax. Import surcharges, designed to deter imports, were imposed in 1981 at rates between 5% and 30% on certain fibers, piston rings, palm oil, and telephones.

#### Public Finance – Thailand (2003)

(In billions of baht, central government figures)

<b>Revenue and Grants</b>	<b>1,159.4</b>	<b>100.0%</b>
Tax revenue	914.8	78.9%
Social contributions	46	4.0%
Grants	2.5	0.2%
Other revenue	196	16.9%
<b>Expenditures</b>	<b>1,038.6</b>	<b>100.0%</b>
General public services	140.2	13.5%
Defense	75.9	7.3%
Public order and safety	62.8	6.0%
Economic affairs	242.3	23.3%
Environmental protection	1.4	0.1%
Housing and community amenities	39.6	3.8%
Health	111.3	10.7%
Recreational, culture, and religion	7.9	0.8%
Education	236.8	22.8%
Social protection	120.5	11.6%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.



Thailand is a member of the Association of Southeast Asian Nations (ASEAN) and the World Trade Organization (WTO). ASEAN members have established the ASEAN Free Trade Area (AFTA), which promotes reduced tariffs on most processed agricultural and industrial products traded among ASEAN countries. A proposal to link the economies of Australia and New Zealand to AFTA is also under discussion.

### 38 FOREIGN INVESTMENT

Growth of the Thai economy has been directly related to the flow of investments from abroad. In order to stimulate such investment, the government passed the Industrial Promotion Act (1962), which established the Board of Investment for Industry, renamed the Board of Investment (BOI) in 1972. National Executive Council Announcement Number 218, otherwise known as the Alien Business Law of 1972, restricted the participation of non-Thai nationals in certain types of business activities. The BOI, the powers and responsibilities of which were broadened in 1977, grants the following benefits to promoted industries: guarantees against nationalization and competition from government industries; exemption from import duties and business tax on plant, machinery, spare parts, and raw materials; exemption from duty on exports; exemption from tax on corporate income for a specified period; and repatriation of capital and remittance of profits abroad. In the wake of the Asian financial crisis, the Thai government embarked on an IMF-supervised program designed to make the economy more open and transparent for foreign investment. The 1972 Alien Business Law was replaced by the Alien Business Act of 1999, which opened additional business sectors to foreign investors, and raised the maximum ownership in some cases to above the old 49% limit. Limits on foreign ownership are most prominent in the financial sector, although now up to 100% ownership is permitted in Thai financial institutions for up to 10 years. A number of restrictions affect portfolio investments so that Thai authorities can track foreign investment.

In 1999 legislation was passed establishing a new bankruptcy court as well as new bankruptcy and foreclosure procedures, allowing, for instance, creditors to pursue payment from loan guarantors. Restrictions on property ownership were liberalized through amendment to the Land Code, the Condominium Act and the Property Leasing Act. Many of the reforms met political and were only partially and inconsistently implemented. In 2001 in the wake of the 11 September 2001 terrorist attacks on the United States there was a world wide contraction in foreign direct investment (FDI) and the government instituted a number of incentives to compete for scarcer investment funds, including tax incentives for firms to locate their regional headquarters in Thailand and several new government-backed investment funds to attract foreign money. To support its industrial exports, Thailand has 11 export processing zones located within industrial estates to which businesses may import raw materials and export finished products duty free. Also, factories may apply to establish bonded warehouses on their premises to which raw materials used exclusively to produce exports may be imported duty free.

According to the BOI, in 1997 the net flow of FDI to Thailand was about \$3.3 billion and then more than doubled to \$7.4 billion in 1998. Net portfolio investment, by contrast, peaked at \$4.6 billion in 1997 and then fell to \$0.3 billion in 1998. FDI decreased

from \$5.7 billion in 1999 to \$3.8 billion in 2001 to an estimated \$2.7 billion in 2002. The inflow of foreign investment has in any case been insufficient to offset the loan repayments Thailand has been making since the onset of the financial crisis. The balance on its capital and financial account reached a low of -\$12.6 billion in 1998, but in 2002 this had moderated to a -\$4.2 billion. The major sources of FDI in 2001, excluding bank recapitalization, were Singapore and Malaysia, both the source of direct investment totaling over \$1.5 billion, followed by Japan, contributing about \$1.3 billion. Industry and services, particularly tourism, were the two major recipients of FDI in 2001. According to the Bank of Thailand, net direct investment from Thailand to other countries was negative in both 2000 and 2001, at -\$52 million and -\$171 million, respectively.

FDI, including inflows from the banking sector, totaled \$610 million in 2004 (January to October), compared with \$1.4 billion in 2003 (January to October). Major FDI recipients included metal and nonmetallic processing, petroleum products, and services sectors. Japan was the largest source of FDI in 2004, followed by Germany and the United States.

### 39 ECONOMIC DEVELOPMENT

The Thai government, vulnerable in its financial dependence on a few primary commodities (rice, rubber, tin, and teak), has pursued a policy of economic diversification through industrial development and increased agricultural production. With the beginning of the first development plan in 1961, the government committed itself to the primacy of private enterprise and to a policy of fostering and assisting it. Thailand has also followed a policy of foreign trade and exchange liberalization. Foreign exchange control is nominal.

Thailand's first five-year plan, covering the period 1961–66, aimed to raise the standard of living by means of greater agricultural, industrial, and power production. In the second development plan (1967–71), emphasis was placed on agricultural development, highways, irrigation, education, and industrial development in the private sector. The third development plan (1972–76) placed special emphasis on improvements in the rural infrastructure, growth in the financial and commercial sectors, and further assistance to crop diversification and to import-substitution industries. The government also committed itself to a reduction in the role of state-owned enterprises. The first three plans did much to increase the standard of living and to bring new roads, irrigation schemes, and land reform to the prosperous Bangkok region. But these changes also increased the income gap between rural and urban Thailand and drew increasing numbers of migrants to the city in search of work. Accordingly, the fourth economic plan, covering the years 1977–81, emphasized decentralization of industry and economic growth from the capital region to the provinces. It also ended the policy of encouraging import-substitution industries and began the promotion of export-oriented industries able to benefit from the nation's low wage rates. Plans were made for the establishment of industrial estates under the direction of the Industrial Estate Authority of Thailand. The first estate, at Bangchan, 30 km (19 mi) from Bangkok, was fully occupied in 1980 by 51 companies, producing a range of industrial products, including automotive and electrical equipment, chemicals, and processed food. Another industrial estate, established in 1979 at

Lard Krabang, also in the Bangkok vicinity, includes, in addition to a general industrial area, a duty-free export-processing zone open to manufacturers willing to establish high value-added and labor-intensive industries for export.

The fifth development plan, covering the years 1982–86, stressed reduction of rural poverty and social tensions and expansion of employment opportunities in the poorer regions. To this end, four investment promotion zones were established. After completion in 1981 of the natural gas pipeline from the Gulf of Thailand, investment priority was reassigned to the Eastern Seaboard Development Program. This ambitious program called for the creation of a new urban-industrial complex in the Rayong-Sattahip region that was expected to draw industries from the congested Bangkok area. Heavy industries were to be emphasized, with early construction of a natural gas separator and plants for the manufacture of soda ash, fertilizers, and petrochemicals. The sixth national economic and social development plan (1986–91) stressed continuing export promotion, streamlining of the public sector, and strict monetary and fiscal policies, with growth targeted at only about 5% yearly. Emphasis was placed on the less capital-intensive industries, and more emphasis was given to improved utilization of resources. The plan targeted private sector investment and initiatives. Privatization of state enterprises would proceed in clear-cut phases, and enterprises were required to seek their own revenue. Agricultural production was forecast to grow at 2.9% per year. The development of small-scale industry, particularly in rural areas, was emphasized. In 1993, the Eastern Seaboard Development Plan southeast of Bangkok—begun 10 years before as a \$4 billion investment—demonstrated results with the new port, Laem Chabang. This plan extends greater Bangkok, and the next phases include extending all main national arteries into four-lane highways and double-tracking the railway.

The sixth national development plan coincided with the early part of Thailand's ten-year boom, and most of its economic targets were more than met. The actual average annual rate of real GDP growth—10.5%—was more than twice the targeted 5%. In the seventh development plan, 1992 to 1997, coinciding with the second half of the decade of boom, targets had shifted to a stronger emphasis on balanced, sustained development, and less on growth per se. The plan was formally titled the seventh national development and social development plan. The three official emphases were 1) sustained, moderate growth (though with the target set at a rather heady 8.2% annual real growth rate); 2) redistribution of income and decentralization of planning to achieve reductions in the percent in poverty and in the widening gap between rich and poor; and 3) human resource development. To attain the goals, four sets of policy guidelines were stipulated: policies for stable, noninflationary growth; policies of income redistribution; policies for human resource development and policies for environmental protection. The real GDP growth target was met, though with concern that this was through a combination of a explosive industrial sector growing at an above-target average annual rate of 11.4% and a moribund agricultural sector, growing as below-target annual rate of 1.5%. Inflation averaged only 4.13% a year, better than the 5.6% targeted, but goals to eliminate Thailand's large balance of trade and current account deficits were not met. The average annual savings rate of 9.1% also fell below the plan's ambitious target of 12.8%. Poverty reduction, however, was substantial, with

the percent of the population living in poverty falling from 32.6% in 1988 to 11.4% in 1996, which would prove to be its lowest point due to the on-set of the Asian financial crisis the next year. Themes for each region guided development. In the north (Chiang-mai, Lamphrun, and Lampang), light and clean industries are encouraged, such as clothing, high-value electronics, and agro-industry. In the south, transport links and natural gas networks developed between the Andaman Sea and the Gulf of Thailand would attract heavy industry such as petrochemicals, and cross-border development with Malaysia would link with Penang's industrial sector. Development plans for the impoverished northeast included linking with Laos, Cambodia, and Vietnam for processing raw materials from those countries, and for providing services involved with investment and manufacturing in those countries.

Thailand's eighth national development and social development plan, emphasizing again the concern with qualitative as well as quantitative growth, coincided with the on-set of the Asian financial crisis and Thailand's struggle back to precrisis levels of economic activity, 1997 to 2001. The Plan, assuming a continuation of economic growth, put priority on two long-range economic development goals: human development and the replacement of top-down administration with bottom-up processes. Virtually none of the goals of the plan were met as the economy was plunged into recession and high inflation with the collapse of baht in July 1997. Whereas about a million people a year had been lifted out of poverty during the decade of boom, from 1997 to 1999 about a million and a half a year were plunged back into poverty, as the estimated number in poverty rose from 6.8 million to 9.8 million (16% of the population). In August 1997 the eighth economic plan was essentially superceded by the IMF-guided international bailout program that involved a three-year, \$17.2 billion support package conditioned on a program of economic reforms. The IMF program did provide from the outset for "the protection of vital health and education expenditures in the central government budget," and, in fact, health expenditures rose by 8% 1997/98 even as revenues fell. The government adhered sufficiently close to the reform program to bring down inflation and replenish foreign reserves, undergirding the reforms with a new constitution. Thailand began repaying the IMF in November 2000 and repaying other lenders in 2001. Net capital flows were negative throughout the five-year planning period but by 2001 had improved to a -\$4.9 billion balance from -\$12.6 billion in 1998.

The introduction of the ninth national development and social development plan, to run 2001 to 2006, took a philosophical turn as the government presented it as embodying the king's concept of "sufficiency economy" as its guiding principle bestowed on the people as a means of helping his subjects overcome the economic crisis. "Sufficiency economy" was explained as based on adherence to the middle path, and involving moderation not just as a guide for economic policies but as a way of life. Balanced development was to be achieved through a combination of patience, perseverance, diligence, wisdom and prudence. The four pillars of the holistic approach of the ninth plan were social protection, competitiveness, governance, and environmental protection. Within this relatively abstract framework, the more specific elements of the Thaksin government's economic policy strategy in 2001 included the following seven elements: 1) farm debt restructuring, including a three year suspension of some debts owed by poor farmers

to state banks; 2) village funds financed by grants of one million baht (about \$24,000) to each of the country's roughly 70,000 villages to provide locally administered micro-loans; 3) the transfer of nonperforming loans (NPLs) to the newly established Thai Asset Management Corporation (TAMC), required of state-owned operations and voluntary for private ones, to promote more efficient debt restructuring; 4) special attention to small- and medium-sized enterprises (SMEs) by state-owned lending agencies; 5) promotion of product specialization by village groups, called the "one tambon (group of five or six villages), one product" scheme inspired by a similar Japanese program; 6) the establishment of the People's Bank, administered through the Government Savings Bank (GSB), allowing GSB account-holders to apply for small loans (up to about 30,000 baht or \$370) mainly for small retailing or commercial ventures; and 7) a restructuring of the economy away from heavy dependence on imports and towards more reliance on local resources, especially agricultural.

By 2006, the Thaksin government was using expansionary fiscal policy to enhance economic growth. In its first term the focus was on boosting rural incomes and development, but infrastructure development was the priority for Thaksin's second term. From 2006–09, the government planned to invest \$41 billion, or 26% of GDP, in infrastructure, spanning electricity generation, transportation, housing, irrigation, health, and education. Thailand was in need of new investment in 2006: transportation costs weighed heavily upon business, and the telecommunications network was outdated, with only one-tenth of the population connected. The government wanted to turn Thailand into a center for regional trade and business, which explains planned new highways to the north into China and stretching as far west as Myanmar and India. Thailand by 2006 had expanded into a few specialist markets with higher, more defensible profits, such as medical tourism (inexpensive but high quality heart bypasses, cancer care, and cosmetic surgery are a few of the services offered to foreigners), long-stay tourism, and a beginning fashion industry.

Other economic policy objectives include the restoration of a solvent banking sector and poverty reduction. In 2005, Prime Minister Thaksin declared Southeast Asia must not look solely to exports to resuscitate its economic fortunes, but should try to revive domestic consumption, which would help insulate the region from the vagaries of the world economy. His policies suspending farmers' debts, instituting inexpensive universal health care, and the granting of loans to villagers, small businesses, and home-buyers were undertaken to this end. The government also subsidized a variety of goods, from computers to cows, to increase Thais' spending power. Nevertheless, exports remain the chief engine of Thailand's growth, from automobiles to integrated circuits to rice.

The threat of an avian flu epidemic in Southeast Asia was present in 2006. Thailand was still rebuilding its areas affected by the 2004 Indian Ocean tsunami.

#### 40 SOCIAL DEVELOPMENT

A 1990 law established a social security system which began paying disability and death benefits in 1991. Old age benefits (pensions) were introduced in 1998. The pension system is funded by employers, employees, and the government. Old age pensions begin at age 55, and employment must cease at that time. There is a provision for deferred pension. The social security law also

provides for sickness and maternity benefits, which are provided to employees of firms with 10 or more workers. Employers are required to provide workers' compensation coverage, including temporary and permanent disability benefits, and medical and survivor benefits. Maternity benefits are available for two child-births only.

Women have equal legal rights in most areas, but inequities remain in domestic areas, including divorce and child support. Women constitute more than half of university graduates. Discrimination in hiring persists, and there is a gender gap in wages. Domestic abuse and violence remain a huge problem. Many women are trapped into prostitution through a system of debt bondage. Brothels provide a loan to parents of young women, and these women are required to work as prostitutes to pay off the loan. In many cases, this is done without the consent of the woman involved. As of 2004, prostitution thrived and sex tourism was rampant. Human trafficking is also prevalent.

Many Thai minorities, including many of the hill tribe members, lack any type of documentation. As noncitizens, they do not have full access to education and health care. They lack titles to their land, and may not vote in elections. The government has announced its intention to process and document these groups. Human rights are generally well respected, but some abuses occur. Coerced confessions and the torture of suspects are occasionally reported. Overcrowding in prisons has resulted in poor conditions.

#### 41 HEALTH

In the 1960s, the government, with UN and US assistance, extended free medical treatment, expanded health education activities in schools and rural areas, and built many hospitals. In the private sector, two-thirds of health care funding comes from employers and private households. A national social security scheme is under way, but private insurers are few. Owing largely to success in eradicating malaria and other tropical diseases, as well as to better sanitation and medical care, health conditions have steadily improved in Thailand.

Health care facilities are concentrated in the Bangkok metropolitan area, where about 15% of the population is located. There are 180 private hospitals and more than 11,000 private clinics. Thai hospitals tend to be small in size. In 2000, 80% of the population had access to safe drinking water and 96% had adequate sanitation. About 59% of the population had access to health care services. Total health care expenditure was estimated at 6% of GDP. In 2004, there were an estimated 30 physicians per 100,000 people.

Common diseases are malaria, tuberculosis, and leprosy. Approximately 13% of children under five years of age were considered malnourished. About 7% of births were of low birth weight. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 16.4 and 7.6 per 1,000 people. It was estimated that 72% of married women (ages 15 to 49) used contraception. In 2005, life expectancy was 71.95 years and infant mortality was 20.16 per 1,000 live births. Maternal mortality was 44 per 100,000 live births.

The HIV epidemic in Thailand is among the best documented in the world. Among brothel sex workers, the HIV infection rose from 3.5% in 1989 to 33% in late 1994. There were 570,000 AIDS

cases reported in 2003. Deaths from AIDS in 2004 numbered 58,000. HIV prevalence was 1.50 per 100 adults.

## 4<sup>2</sup> HOUSING

Most families in Thailand live in dwellings that compare favorably with living facilities anywhere in Southeast Asia. The Thai government has stimulated housing and community development by means of a housing plan that provides government mortgages for building, renovation, or purchase of government land and houses. Under a self-help settlement scheme, the government sets up whole new communities, surveys sites, constructs roads and irrigation systems, and provides public utilities and medical care.

In 1973, to house Bangkok residents who had been living in makeshift shelters, the government formed the National Housing Authority (NHA), which undertook overall responsibility for coordination of public and private housing programs. By 1979, the NHA had completed 54,780 housing units. From 1979 to 1984, a total of 1,442,250 housing units were built in Thailand.

According to the results of the 2000 census, there were about 15,349,500 dwelling units serving 15,662,300 households nationwide. The average household had 3.9 people. About 81% of all dwellings were owner occupied. Nearly 80% of all households lived in detached houses. About 67% of all households lived in nonmunicipal areas. Cement, brick, and wood are the main construction material for about 47.9% of all dwelling units; another 44.7% are made of a mixture of permanent and nonpermanent materials. About 39.2% of all households rely on rainwater as their primary source of drinking water; only 18.3% have tap water for drinking inside their dwelling.

## 4<sup>3</sup> EDUCATION

Schooling is compulsory for nine years, including six years of primary school and three years of lower secondary school. Three-year upper secondary schools offer general or vocational studies. Both teacher training and technical and vocational training (especially in agriculture) have been stressed in recent development plans. The academic year runs from June to March.

In 2001, about 85% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 86% of age-eligible students. It is estimated that about 86% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 21:1 in 2003; the ratio for secondary school was about 25:1. In 2003, private schools accounted for about 15% of primary school enrollment and 8.8% of secondary enrollment.

In Bangkok, Chulalongkorn University (founded 1917) is Thailand's most eminent university. Also in Bangkok are the University of Thammasart (founded 1933), specializing in social and political sciences, and Kasetsart University (founded 1943) specializing in agriculture. Newer universities established in provincial areas include Chiang Mai University (founded in 1964), Khon Kaen University (founded in the northeast in 1966), and Prince of Songkhla University (founded in 1968). King Mongkut's Institute of Technology was formed in 1971 through the amalgamation of three institutes, and eight colleges of education were combined into Sri Nakharinwirot University in Bangkok in 1974. A correspondence school, the University of Ramkhamhaeng, opened in

Bangkok in 1974 and the Sukhothai Thammathirat Open University began operations in 1978. In total there are 16 state universities in addition to 26 privately run colleges. There are also a large number of teacher training colleges. In 2003, it was estimated that about 38% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 92.6%.

As of 2003, public expenditure on education was estimated at 5.2% of GDP, or 28.3% of total government expenditures.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library (founded in 1905) contains over 2.4 million books and over 300,000 manuscripts; The National Library maintains a main library site and eight other sites in Bangkok as well as 17 provincial branch locations. Other important libraries in Bangkok include the Asian Institute of Technology (200,000 volumes), Chulalongkorn University (264,700), the University of Thammasat (231,000), Kasetsart University (313,000), and Sri Nakharinwirot University (299,500). The Library of the Department of Science Services maintains a special collection of 450,000 volumes. Outside Bangkok, sizable collections are maintained at the University of Chiang Mai (655,000) and Khon Kaen University (340,000). The Economic and Social Commission for Asia and the Pacific holds 150,000 volumes. The public library system includes over 70 sites known as Chalermsrajumaree Public Libraries, which were opened with the support of Her Royal Highness Princess Sirindhorn. There are over 70 additional provincial public libraries and over 650 small district libraries.

The National Museum in Bangkok (founded in 1926) has an extensive collection of Thai artifacts, including sculptures, textiles, ceramics, jewels, coins, weapons, and masks. Many of Bangkok's temples and palaces contain excellent examples of Thai frescoes and sculptures. The Temple of the Emerald Buddha has a famous mural of the Ramayana, the Sanskrit epic, and the Marble Temple contains a fine collection of bronze and stone Buddhas. Bangkok also houses the Bhirasi Institute of Modern Art, the Hill Tribes Museum, the Science Museum, and the Sood Sanquichien Prehistoric Museum and Laboratory. The Hall of Opium Museum is near Chiang Rai. There are dozens of other provincial museums throughout the country.

## 4<sup>5</sup> MEDIA

The Ministry of Communications is responsible for Thailand's public postal, telegraph, and telephone services. The postal service, employing both railway and air mail, operates from the central post office in Bangkok and covers the entire country. Thailand is a member of INTELSAT and maintains trans-Pacific and Indian Ocean satellite communications stations. In 2003, there were an estimated 105 mainline telephones for every 1,000 people; about 582,700 people were on a waiting list for telephone service installation. The same year, there were approximately 394 mobile phones in use for every 1,000 people.

Ownership of broadcasting is both public and private, but the government and military tend to dominate radio and television networks. There are about six government and military radio networks. The first mainland Asian television station was established in Bangkok in 1955. As of 1999, there were 204 AM and 334 FM radio stations, and 5 television stations. In 2003, there were an es-

timated 235 radios and 300 television sets for every 1,000 people. The same year, there were 39.8 personal computers for every 1,000 people and 111 of every 1,000 people had access to the Internet. There were 258 secure Internet servers in the country in 2004.

The first daily newspaper, the *Siam Daily Advertiser*, appeared more than a century ago. In 2002 there were at least 35 daily newspapers published in Bangkok, including seven in Chinese and four in English. The provinces have weekly and semiweekly publications, all in Thai, but no daily papers. Bangkok also has a variety of weekly and monthly periodicals, most appearing in Thai. Among Bangkok's leading daily newspapers (with language of publication and estimated 2002 daily circulation) are: *Thai Rath* (Thai, 800,000), *Naew Na* (Thai, 200,000), *Matichon Daily News* (Thai, 180,000), *Diao Siam* (Thai, 120,000), *Khoa Sod Daily News* (Thai, 120,000), *Siam Rath* (Thai, 120,000), *Phaya Crut* (Thai, 100,000), *Srinakorn Daily News*, (Chinese, 80,000), *Sing Sian Yit Pao*, (Chinese, 70,000), and the *Daily Mirror* (English, 60,000).

Citizens are said to enjoy constitutionally provided freedom of speech and a free press. However, the law prohibits criticism of the royal family, threats to national security, and insults to Buddhism. Libel laws have caused some media sources to practice self-censorship.

#### 46 ORGANIZATIONS

Thailand has an extensive cooperative movement. Credit societies are the dominant type of cooperative; consumer cooperatives are the next largest, followed by agricultural marketing and processing cooperatives. Other kinds of cooperatives, mostly formed during and since the 1930s, include colonization and land improvement cooperatives. Trade organizations under the Ministry of Economic Affairs include the Thai Chamber of Commerce, the Board of Trade, and several foreign trade associations. There are many organizations for promoting the interests of workers and business owners of particular industries, such as the Thai Silk Association and the Thai Tapioca Trade Association.

Professional associations promoting research and development include the Agricultural Science Society of Thailand, the Medical Association of Thailand, and Science Society of Thailand. There are a number of ASEAN organizations with a base in Thailand, including the ASEAN Institute for Health Development, ASEAN Institute for Physics, and the ASEAN Solar Energy Network.

Cultural organizations include the Royal Institute (founded 1933); the Thai-Bhara Cultural Lodge (founded 1940), which sponsors studies in the fields of linguistics, philosophy, and religion; and the Siam Society (founded 1904), which issues studies on Thai art, literature, and science. The National Culture Commission was established in 1979. The multinational organization of the World Fellowship of Buddhists is based in Bangkok.

National youth organizations include the Student Federation of Thailand, Junior Chamber, Girl Guides, the National Scout Organization of Thailand, and YMCA/YWCA. There are many sports associations promoting competition for amateur athletes of all ages in variety of pastimes, such as squash, golf, rugby, and football (soccer).

Social action groups include the Asian Coalition for Housing Rights, Asian Forum for Human Rights and Development, and the National Council of Women of Thailand. There is also the Center for the Protection of Children's Rights Foundation and the

multinational Committee for Asian Women. There are national chapters of the Red Cross, UNICEF, Habitat for Humanity, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourism has become a vital industry in Thailand, offering a range of attractions from outdoor activities to museums and cultural events. Most tourists visit Bangkok and its Buddhist temples (wats). Major sports include football (soccer) and baseball. Thai bull, cock, and fish fighting are also popular (though illegal), along with Thai boxing, golf, badminton, and kite fighting. All visitors must have a passport, visa, and proof of sufficient funds for the stay. Precautions are recommended against typhoid, hepatitis, and malaria.

In 2003, about 10,082,000 foreign nationals visited Thailand. There were 320,565 hotel rooms in 2001, with an occupancy rate of 52%. Visitors to Thailand stayed an average of two nights.

In 2004, the US Department of State estimated the daily cost of staying in Bangkok at \$182; in Phuket, \$253, and in smaller regions, \$118.

#### 48 FAMOUS THAI

Many ancient Thai kings enjoy legendary reputations. Rama Khamheng (the Great), a 13th-century monarch, is traditionally regarded as the inventor of the Thai alphabet; Rama Tibodi I in the 14th century promulgated the first-known Thai laws; Trailok instituted lasting governmental reforms in the 15th century; and Phya Tak in the 18th century rebuilt a war-defeated Thailand. Two great monarchs, Mongkut (r.1851–68) and his son Chulalongkorn (r.1868–1910), became famous for introducing Thailand to the modern world. They are, respectively, the king and his young successor in Margaret Landon's *Anna and the King of Siam*. Further progress toward modernization was accomplished in by three outstanding premiers: Phibul Songgram (1897–1964), Pridi Banomyong (1900–83), and Sarit Thanarat (1900–63). Prince Wan Waithayakon (1891–1976), foreign minister and Thailand's representative to the UN, played a major role in diplomacy following World War II. Marshal Thanom Kittikachorn (1911–2004) was leader of Thailand from 1963 until October 1973, when political protests compelled his resignation as prime minister. King Bhumibol Adulyadej (b.US, 1927) ascended the throne in 1946.

Prince Akat Damkoeng was the author in 1940 of the first modern novel written in Thailand, *Yellow Race, White Race*. Modern styles in painting and sculpture are reflected in the work of Chitr Buabusaya and Paitun Muangsomboon (b.1922), and the traditional manner in the art of Apai Saratani and Vichitr Chaosanket.

#### 49 DEPENDENCIES

Thailand has no territories or colonies.

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# TONGA

Kingdom of Tonga

*Pule'anga Tonga*



**CAPITAL:** Nuku'alofa, Tongatapu

**FLAG:** The flag, adopted in 1862, is crimson with a cross of the same color mounted in a white square in the upper left corner.

**ANTHEM:** *Koe Fasi Oe Tu'i Oe Otu Tonga (Tongan National Anthem)* begins "E 'Otua Mafimafi Ko homau 'Eiki Koe" ("O Almighty God above, Thou art our Lord and sure defense").

**MONETARY UNIT:** The Tongan pa'anga (T\$) of 100 seniti is a paper currency at par with the Australian dollar. There are coins of 1, 2, 5, 10, 20, and 50 seniti, and 1 and 2 Tongan pa'angas, and notes of ½, 1, 2, 5, 10, 20, and 50 pa'angas. T\$1 = US\$0.50720 (or US\$1 = T\$1.9716) as of 2004.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some imperial and local weights and measures also are employed.

**HOLIDAYS:** New Year's Day, 1 January; ANZAC Day, 25 April; Crown Prince's Birthday, 4 May; Independence Day, 4 June; King's Birthday, 4 July; Constitution Day, 4 November; Tupou I Day, 4 December; Christmas, 25–26 December. Movable religious holidays include Good Friday and Easter Monday.

**TIME:** 1 AM (the following day) = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The Tonga archipelago, also known as the Friendly Islands, lies scattered east of Fiji in the South Pacific Ocean. Nuku'alofa, the capital, is about 690 km (430 mi) from Suva, Fiji, and about 1,770 km (1,100 mi) from Auckland, New Zealand. Consisting of 171 islands of various sizes, only 45 of which are inhabited, Tonga has a total area of 748 sq km (289 sq mi), including inland waters as well as Teleki Tokelau and Teleki Tonga (formerly the Minerva Reefs). Comparatively, the area occupied by Tonga is slightly more than four times the size of Washington, DC. It extends 631 km (392 mi) NNE–SSW and 209 km (130 mi) ESE–WNW. The major islands are Tongatapu and 'Eua, Ha'apai, Vava'u, Niuatoputapu and Tafahi, and Niuafou'u. Tonga's total coastline is about 419 km (260 mi).

The capital city of Nuku'alofa is located on Tongatapu.

## <sup>2</sup> TOPOGRAPHY

The islands run roughly north–south in two parallel chains; the western islands are volcanic and the eastern are coralline encircled by reefs. At 10,800 m (35,400 ft) deep, the Tonga Trench is one of the lowest parts of the ocean floor. The soil on the low-lying coral islands is porous, being a shallow layer of red volcanic ash, devoid of quartz, but containing broken-down limestone particles.

The volcanic islands range in height to a maximum of 1,033 m (3,389 ft) on Kao. Fonuafo'u (formerly Falcon Island), about 65 km (40 mi) northwest of Nuku'alofa, is famous for its periodic submergences and reappearances, as a result of earthquakes and volcanic action. There are few lakes or streams. Tofua, Vava'u, Nomuka, and Niuafou'u each have a lake, and there are creeks on 'Eua and one stream on Niuatoputapu. Other islands rely on wells and the storage of rainwater to maintain a water supply.

## <sup>3</sup> CLIMATE

The climate of Tonga is basically subtropical. Because the islands are in the southeast trade wind area, the climate is cooler from May to December, when the temperature seldom rises above 27°C (81°F). The mean annual temperature is 23°C (73°F), ranging from an average daily minimum of 10°C (50°F) in winter to an average maximum of 32°C (90°F) in summer. Average annual rainfall, most of which occurs from December to March during the hot season, is 160 cm (63 in) on Tongatapu, 257 cm (101 in) on Niuatoputapu, and 221 cm (87 in) on Vava'u. The mean relative humidity is 80%.

## <sup>4</sup> FLORA AND FAUNA

Some original forest growth can be found on islands in the Vava'u and Ha'apai groups. Tree species include coconut palms, and paper mulberry. Tropical bushes and flowers are abundant, including hibiscus and datura. A wide variety of fish are found in the coastal waters. Tonga is famous for its flying foxes.

## <sup>5</sup> ENVIRONMENT

Agricultural activities in Tonga are exhausting the fertility of the soil. The forest area is declining because of land clearing, and attempts at reforestation have had limited success. Water pollution is also a significant problem due to salinization, sewage, and toxic chemicals from farming activities. The impurity of the water supply contributes to the spread of disease. The nation is also vulnerable to cyclones, flooding, earthquakes, and drought. The government has established a Water Master Plan to manage the nation's water resources for two decades. The National Development Plan

is a more comprehensive attempt to address the nation's environmental concerns.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included two types of mammals, three species of birds, two types of reptiles, four species of fish, two types of mollusks, and three species of plants. The Fiji banded iguana, and the loggerhead, green sea, and hawksbill turtles are endangered. The Tonga ground skink has become extinct. There has been some damage to the nation's coral reefs from starfish and from coral and shell collectors. Overhunting threatens the native sea turtle populations.

## 6 POPULATION

The population of Tonga in 2005 was estimated by the United Nations (UN) at 102,000, which placed it at number 178 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 39% of the population under 15 years of age. There were 104 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.8%, a rate the government viewed as satisfactory. Although the fertility rate was reported to be 3.9 births per woman, which was relatively high, ongoing emigration keeps the overall population growth rate lower. The projected population for the year 2025 was 137,000. The overall population density was 136 per sq km (352 per sq mi), but only 45 of the nation's 171 islands are inhabited.

The UN estimated that 33% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.90%. The capital city, Nuku'alofa, Tongatapu, had a population of 35,000 in that year. Two-thirds of the population live on the island of Tongatapu.

## 7 MIGRATION

There is considerable movement toward the larger towns as population pressure on agricultural land increases. Some ethnic non-Tongans born on the islands migrate mainly to Fiji and New Zealand. Emigration by Tongan workers, both skilled and unskilled, has long been of concern to the government. In 1989 approximately 39,400 Tongans lived in the United States, Australia, and New Zealand. There are expatriate Tongan communities in Brisbane and Sydney (Australia), Auckland (New Zealand), San Francisco (United States), and on Hawaii. Persons wishing to reside in Tonga must obtain a government permit; permission is granted only to those taking up approved employment. Immigrant settlement is not encouraged because of the land shortage. There were an estimated 2,000 migrants in Tonga in the year 2000. In that same year the total population of Tongans in the United States was 17,270. Emigration is a significant factor in the economy due to large in-flows of remittances. In 2002 worker remittances were \$65 million. The net migration rate in 2005 was estimated as zero migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The Tongans are a racially homogeneous Polynesian people. Less than 2% of the population is of European, part-European, Chinese, or non-Tongan Pacific island origin.

## 9 LANGUAGES

Tongan, a Polynesian language not written down until the 19th century, is the language of the kingdom, but government publications are issued in both Tongan and English, and English is taught as a second language in the schools.

## 10 RELIGIONS

Over 98% of Tongans are Christian. According to the last official census in 1996, 41% of the population were members of the Free Wesleyan Church of Tonga (Methodist), 16% were Roman Catholics, 14% were members of the Church of Jesus Christ of Latter-Day Saints, 12% were of the Free Church of Tonga, and 17% belonged to other churches, including Seventh-Day Adventists, the Assembly of God, the Tokaikolo Church (a local offshoot of the Methodist Church), Anglicans, Baha'is, Muslims, and Hindus.

Though freedom of religion is provided for in the constitution and there is no state religion, the constitution does also stipulate that Sunday is the official Sabbath day. As such, the government restricts the operation of a large number of businesses on Sunday. The Tongan Broadcasting Commission also maintains a policy which restricts broadcasts of any religious tenets that are not within the mainstream Christian tradition.

## 11 TRANSPORTATION

In 2002, Tonga had 680 km (423 mi) of roadways, of which 184 km (114 mi) were paved. There are no bridges in Tonga, but three islands in the Vava'u group are connected by two causeways. Tonga has no railways.

Nuku'alofa and Neiafu are the ports of entry for overseas vessels. In 2005, the merchant fleet consisted of 29 ships of 1,000 GRT or more, some of them foreign owned and registered as a flag of convenience, totaling 136,977 GRT. Work on extending the port at Nuku'alofa began in 1985. The Pacific Forum Line and the Warner Pacific Line maintain scheduled service from Australia and New Zealand to Tonga via the Samoas and other islands, and cargo ships visit the group from time to time for shipments of copra. Internal sea connections are maintained by the Polynesia Triangle and by the Shipping Corp. of Polynesia.

In 2004, there were an estimated six airports, but only one of which (as of 2005), had a paved runway. Fua'Amotu International at Tongatapu is Tonga's principal airport. Air Pacific, Air New Zealand, Polynesian Airlines, and Hawaiian Air operate scheduled international flights from Fua'Amotu. The government-owned Friendly Island Airways has scheduled flights between Tongatapu, Ha'apai, 'Eua, Vava'u, and Niuatoputapu. In 2001 (the latest year for which data was available), about 56,800 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Since the Tongan language was not written down until the 19th century, the early history of Tonga (which means "south") is based



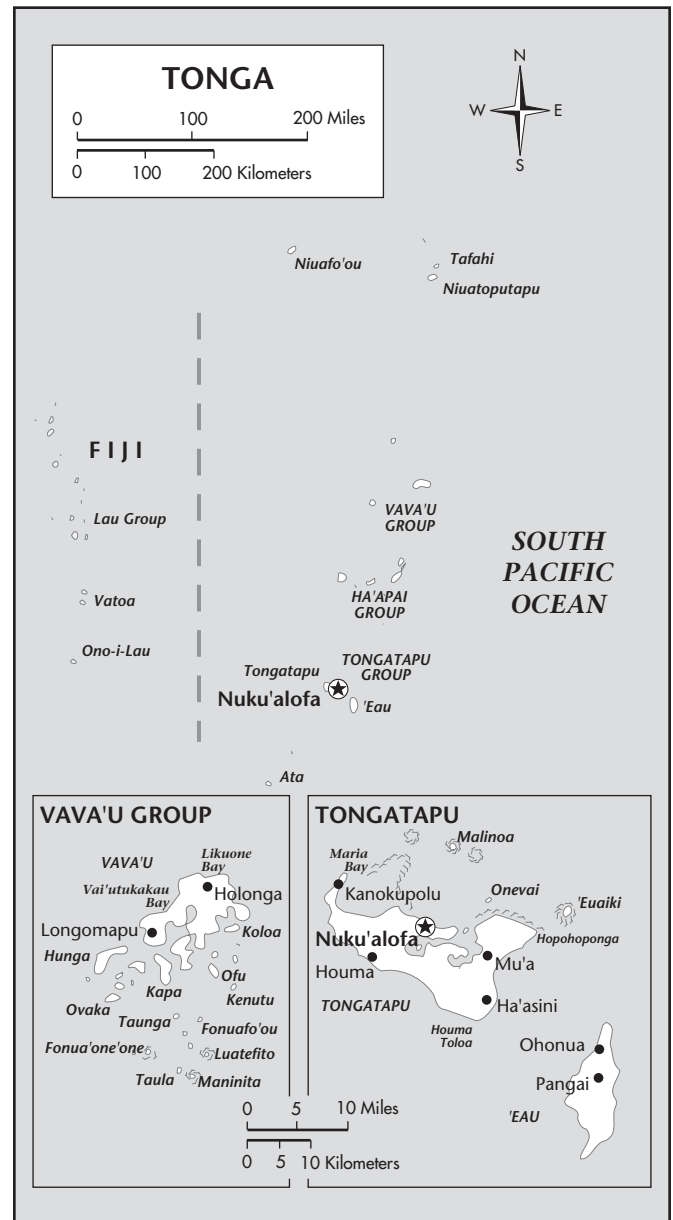
on oral tradition. Hereditary absolute kings (Tu'i Tonga) date back to Aho'eitu in the 10th century. Around the 14th century, the twenty-third king, Kau'ulufonua, while retaining his sacred powers, divested himself of much of his executive authority, transferring it to his brother Ma'ungamotu'a, whom he thereafter called the Tu'i Ha'atakalaua. About the middle of the 17th century, the seventh temporal king, Fotofili, transferred the executive power to his brother Ngala, called the Tu'i Kanokupolu, and thereafter the powers gradually passed into the hands of the latter and his descendants. According to tradition, in the mid-19th century, upon the death of the then Tu'i Tonga, those powers were conferred upon the 19th Tu'i Kanokupolu, Taufā'ahu Tupou, founder of the present dynasty.

European chronicles disclose that the island of Niuaotuputu was discovered by the Dutch navigators Jan Schouten and Jacob le Maire in 1616. In 1643, Abel Tasman discovered Tongatapu, and from then until 1767, when Samuel Wallis anchored at Niuaotuputu, there was no contact with the outside world. Capt. James Cook visited the Tongatapu and Ha'apai groups in 1773 and again in 1777, and called Lifuka in the Ha'apai group the "friendly island" because of the gentle nature of its people—hence the archipelago received its nickname, the Friendly Islands. It was in the waters of the Ha'apai group that the famous mutiny on the British ship *Bounty* occurred in 1789. The first Wesleyan missionaries landed in Tonga in 1826.

The first half of the 19th century was a period of civil conflict in Tonga, as three lines of kings all sought dominance. They were finally checked during the reign of Taufā'ahu Tupou, who in 1831 took the name George. By conquest, George Tupou I (r.1845–93) gathered all power in his own hands and united the islands; he abolished the feudal system of land tenure and became a constitutional monarch in 1875. Meanwhile, by the middle of the century, most Tongans had become Christians, the great majority being Wesleyans, and the king himself was strongly influenced by the missionaries.

In the latter part of the century, there were religious and civil conflicts between the Wesleyan Mission Church and the newly established Free Wesleyan Church of Tonga. After the dismissal of the prime minister, the Rev. Shirley Waldemar Baker, in 1890, the new government allowed full freedom of worship. Ten years later, during the reign (1893–1918) of George II, a treaty of friendship was concluded between the United Kingdom and Tonga, and a protectorate was proclaimed. During World War II, Tongan soldiers under Allied command fought the Japanese in the Solomon Islands, and New Zealand and US forces were stationed on Tongatapu, which served as an important shipping point.

Two more treaties of friendship between the United Kingdom and Tonga were signed in 1958 and 1968, according to which Tonga remained under British protection, but with full freedom in internal affairs. On 4 June 1970, Tonga ceased being a British protectorate and became an independent member of the Commonwealth of Nations, with King Taufā'ahau Tupou IV—who had succeeded to the throne upon the death of his mother, Queen Salote Tupou (r.1918–65)—as head of state. The new status brought few immediate changes, apart from the fact that it added Tongan control of foreign affairs to self-rule in domestic matters.



LOCATION: 15° to 23°30' s; 173° to 177°w. TERRITORIAL SEA LIMIT: 12 miles.

In 1972, Tonga claimed the uninhabited Minerva Reefs (now Teleki Tokelau and Teleki Tonga), situated about 480 km (300 mi) southwest of Nuku'alofa, in order to prevent an Anglo-American corporation from founding an independent Republic of Minerva on the reefs in order to gain certain tax advantages.

Many of the government's strongest critics gained seats in the 1987 legislative elections; the unprecedented turnover was thought to reflect changing attitudes toward traditional authority. However, the traditional leaders continued in charge of the government, with Prince Fatafehi Tu'i-pelehake elected as prime minister. The island's dissident pro-democracy movement, led by Akilisi Pohive, won the February 1990 general election, but it remained a minority within the legislature. A government scandal over selling Tongan passports to Hong Kong Chinese led to popular support for the opposition. Baron Vaea replaced Prince Fatafehi

hi Tu'ipelehake as prime minister in August 1991. King Taufa'ahau Tupou IV organized the Christian Democratic Party in time for the 1993 election to provide greater coordination for his supporters and to weaken the democracy movement. However, pressure from the pro-democracy forces continued in the February 1993 general election when the People's Democratic Movement won six of the nine open seats.

Parliamentary elections were held in March 1999, when about 51% of eligible voters cast ballots, the lowest voter turnout in the country's history. Five of the nine members elected were from the Human Rights and Democracy Movement (HRDM). King Taufa'ahu Tupou IV appointed his youngest son, 41-year-old Prince Lavaka Ata Ulukalala prime minister in January 2000. When the previous prime minister retired, observers speculated that the king's oldest son, Crown Prince Tupouto'a, would be named prime minister. It is likely that Tupouto'a was passed over for the post because of his stated opposition to preserving the king's right to make lifetime appointments. His younger brother, who became the country's fourth prime minister since 1950, has been outspoken in his criticism of the country's democracy movement.

Fifty-two candidates ran for the nine people's representative seats in the legislature in March 2002; the HRDM won seven of the seats. In the 2005 elections, the HRDM took 70% of the vote and 7 of 9 open seats. Although the movement's improvement in electoral standing may signal popular support for democratic reform, it is seen as the king's prerogative to initiate change.

Tonga experienced a financial scandal in 2001, when the king's official court jester, Jesse Bogdonoff, an American businessman, invested \$26 million in a government trust fund that subsequently disappeared. The money had been raised by the sale of Tongan citizenship and special passports to Asians, especially Hong Kong Chinese concerned with the transfer of Hong Kong to China. The \$26 million represented more than half the government's annual budget. The Tongan government's lawsuit against Bogdonoff was settled in 2004.

On 22 July 2005, public workers declared Tonga's first national strike. The 47 day strike ended in early September, when the chairman of the Public Servants Association presented the king with a petition calling him to dismiss Prime Minister Prince Ulukalala Lavaka Ata and all 14 cabinet ministers. The petition also demanded a commission be established to review the constitution within one year, and called for a more democratic form of government, as well as the return of royal family-controlled government assets, including the internet domain address and the power company.

In October 2005 parliament voted to establish the National Committee of the Kingdom of Tonga for Political Reforms, with the goal of examining and improving Tonga's form of government. Committee members were to be drawn from the executive and legislative (both noble and commoner) branches of the government, as well as from the nongovernmental population.

On 15 December 2005, after 10 years of membership talks, Tonga became the 150th member of the World Trade Organization. As part of its accession agreement, Tonga agreed to cut its import tariffs and to open many of its vital services to foreign companies.

### **13 GOVERNMENT**

Tonga is an independent kingdom. According to the constitution of 1875, as amended, the government is divided into three main branches: the sovereign, Privy Council, and cabinet; the Fale Alea (Legislative Assembly); and the judiciary. The King-in-Council is the chief executive body, and the cabinet, presided over by the appointed prime minister, makes executive decisions of lesser importance. The prime minister is appointed for a life term. Law-making power is vested in the 30-member Legislative Assembly, which consists of 12 members of the cabinet sitting *ex officio*, 9 nobles elected to three-year terms by the 33 hereditary nobles of Tonga, and 9 representatives popularly elected to three-year terms. Sessions must be held at least once in every calendar year. Legislation passed by the Privy Council is subject to approval at the next meeting of the Legislative Assembly. Women voted for the first time in 1960, and the first woman was elected to the legislature in 1975. All literate citizens 21 years of age or older are eligible to vote.

In November 2003, the king approved amendments to Clause 7 of the constitution, which limited the press, thus effectively reducing freedom of speech. In October 2004, Chief Justice Webster found these amendments to be inconsistent with Clause 7, and therefore unconstitutional.

The next elections were to be held in 2008.

### **14 POLITICAL PARTIES**

The Tonga People's Party (TPP), led by Viliami Fukofuka, and the pro-democracy Human Rights and Democracy Movements (HRDM), led by 'Akilisi Pohiva were the principal political parties active in 2003.

### **15 LOCAL GOVERNMENT**

The islands are divided administratively into three districts: Vava'u in the north, Ha'apai in the center, and Tongatapu in the south. Ha'apai, Vava'u, and the outlying islands are administered by governors who are members of the Privy Council and are responsible to the prime minister. Minor officials perform statutory duties in the villages. Town and district officials have been popularly elected since 1965. They represent the central government in the villages; the district official has authority only over a group of villages.

Titles of nobility were first bestowed in 1875, and later in 1882, 1887, 1903, and 1923. With the hereditary titles were granted villages and lands.

### **16 JUDICIAL SYSTEM**

The Supreme Court exercises jurisdiction in major civil and criminal cases. Other cases, heard in the Magistrate's Court or the Land Court, may be appealed to the Supreme Court and then to the Court of Appeal, the appellate court of last resort. The Privy Council has jurisdiction over cases on appeal from the Land Court dealing with titles of nobility and estate boundaries. With the ratification of the 1968 friendship treaty, UK extraterritorial jurisdiction lapsed, and British and other foreign nations became fully subject to the jurisdiction of the Tongan courts. The judiciary is independent of the king and the executive branch, although Supreme Court justices are appointed by the king. Criminal defendants are afforded the right to counsel and the right to a fair pub-

lic trial is protected by law and honored in practice. The king may commute a death sentence. In addition, the court system consists of a court martial for the Tonga Defense Services, a court tribunal for the police force, and a court of review for the Inland Revenue Department.

## 17 ARMED FORCES

The Tonga Defense Force was organized during World War II, became defunct in 1946 and was reactivated in 1952. It consists of a regular cadre and volunteers serving an initial training period, followed by attendance at annual training camps. Forces are organized into marines, royal guards, a navy, a police force, and a newly created air wing. The naval squadron consists of several fast patrol boats policing territorial waters.

## 18 INTERNATIONAL COOPERATION

Tonga was admitted to the United Nations on 14 September 1999. It participates in ESCAP and several nonregional specialized agencies, such as the FAO, UNCTAD, UNESCO, the World Bank, and WHO. Tonga is also a member of the Asian Development Bank, the Commonwealth of Nations, the ACP Group, G-77, the South Pacific Regional Trade and Economic Cooperation Agreement (Sparteca), the Alliance of Small Island States (AOSIS), and Pacific Island Forum (formally called the South Pacific Forum). It has observe status in the WTO.

In environmental cooperation, Tonga is part of the Convention on Biological Diversity, the London Convention, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

The economy is largely agricultural and still contains a substantial nonmonetary sector. The principal cash crops are squash, fish, copra and coconut products, vanilla bean extract and bananas. Agricultural exports make up two-thirds of total exports. One third to one half of export earnings come from the sale of squash to Japan, though the main source of foreign exchange is remittances, followed by tourism. A proportion of food is imported and the economy remains dependent on external aid and remittances from expatriate Tongalese to offset its chronic trade deficit. It is estimated that there are more expatriates (over 100,000) than current citizens. Real GDP growth, which had peaked at 6.5% in fiscal year 1999/2000, fell to 0.5% in 2000/01, attributable to the global economic slowdown, and, in particular, its impact on tourism. The GDP growth rate in 2002 stood at 1.5% and at 1.9% in 2003.

In 2002, the year was ushered in by Tonga's worst cyclone since 1961, Cyclone Waka, which tore through the northern islands of Niuafōu and Vava'u on 30–31 December 2001, destroying an estimated 90% of the crops. About 350 homes were destroyed, with another 750 homes, 23 schools, and numerous hospitals, churches, and other structures seriously damaged. Water supply, electricity, and communications were also severely disrupted, with total damage estimated at \$50 million. Donor countries—principally New Zealand, Australia, French Polynesia, and the United States—responded with food aid and emergency assistance, as did several missions and charities. The government lifted import duties on construction materials. The net result was a slight uptick in

real GDP growth in 2001/2001 to 1.5% despite the cyclone damage due to the stimulus given the construction industry as well as record high prices for squash and vanilla beans.

Another economic shock in 2002 was the discovery of the loss of most of the assets (about \$26.5 million) from the Tonga Trust Fund (TTF) through failed investments and, perhaps, simple fraud, while under management by American businessmen. The assets came primarily from selling Tongan passports to nervous residents of Hong Kong before its reversion to Chinese rule in 1997.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Tonga's gross domestic product (GDP) was estimated at \$244.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,300. The annual growth rate of GDP was estimated at 1.5%. The average inflation rate in 2002 was 10.3%. It was estimated that agriculture accounted for 23% of GDP, industry 13%, and services 64%.

According to the World Bank, in 2002 remittances from citizens working abroad totaled \$62 million or about \$611 per capita and accounted for approximately 42.7% of GDP.

## 21 LABOR

Tonga's labor force in 1996, the last year reported, was 33,910. As of 1997 (the latest year for which data was available), approximately 65% of the workforce was engaged in agriculture. The unemployment rate in 1996 (the latest year for which data was available) was estimated at 13.3%.

The government has issued a labor code establishing a wage structure, a system of job classification, and provisions for workers' compensation. Holidays are prescribed by law. According to the constitution, it is not lawful to work, to play games, or to engage in trade on Sunday. Workers have the right, in theory, to form unions under the 1964 Trade Union Act, but as of 2002, none had been formed. Various government agencies and public enterprises offer vocational training.

Child labor is not used in the wage sector and is virtually nonexistent throughout the economy. The workweek is limited to 40 hours. There is no set minimum wage. Generally, labor laws are well enforced on the main island of Tongatapu but are more inconsistently enforced on the outer islands.

## 22 AGRICULTURE

About 36% of Tonga is agricultural land, including small amounts of permanent pasture. With increasing population pressure on the land, more land is being intensively cultivated and less is available for fallow. The use of fertilizers, high-protein strains of corn, and similar methods to improve the efficiency of land use has become increasingly necessary.

According to the constitution of 1875, all the land in the kingdom belongs to the crown and cannot be alienated. Much of it, however, consists of hereditary estates that were bestowed upon various chiefs, who lease the lands to farmers at a nominal annual

rent. Since 1890, the crown has been responsible for the collection of rents and the granting of allotments.

On reaching the age of 16, every Tongan male taxpayer is entitled under the constitution to a tax allotment of one api (3.34 hectares/8.25 acres). These allotments are hereditary, pass from generation to generation in accordance with the law of succession, and may not be sold. A tenant may be ejected for nonpayment of rent or for failing to comply with the planting regulations, under which every Tongan holder of a tax allotment is legally required to plant 200 coconut trees, which he must keep free from weeds. In recent years, however, population increases have made it impossible to guarantee the api to all those entitled to one.

Principal subsistence crops are yams, taro, sweet potatoes, and manioc. Estimated production in 2004 included coconuts, 58,000 tons; sweet potatoes, 6,000 tons; cassava, 9,000 tons; oranges, 1,000 tons; and bananas, 700 tons. Vanilla beans have become an important cash crop (130 tons in 2004), especially on Vava'u. Agricultural products accounted for 45% of exports in 2004.

### 2<sup>3</sup> ANIMAL HUSBANDRY

Beef cattle are generally kept for grazing in coconut plantations to keep the undergrowth in check and to provide additional income. Every householder has several hogs, which generally are not sold but are used for feasts. Sheep were brought into Tonga in 1954 but did not thrive, and in 1956 the entire flock was slaughtered. Live-stock in 2005 included 81,000 hogs, 12,500 goats, 11,400 horses, and 11,250 head of cattle.

### 2<sup>4</sup> FISHING

Fish are abundant in the coastal waters, but the fishing industry is relatively undeveloped, and the supply of fish is insufficient to meet local demand; thus, canned fish has been imported in recent years. Principal species caught are tuna and marlin. The fish catch was 4,458 tons in 2003; exports of fish products were valued at almost \$3.56 million that year.

### 2<sup>5</sup> FORESTRY

Forestland covers about 5.5% of Tonga's total area, mainly on 'Eua and Vava'u, but this diminishing resource has not been efficiently exploited, and much wood for construction must be imported. Roundwood production in 2004 was 2,100 cu m (74,000 cu ft). There is a government sawmill on 'Eua. Charcoal is manufactured from logs and coconut shells.

### 2<sup>6</sup> MINING

Tonga had few known mineral resources. A limited amount of crushed stone is produced at local quarries.

### 2<sup>7</sup> ENERGY AND POWER

Tonga has no proven reserves of oil, natural gas, coal or oil refining capacity.

Tonga is entirely dependent upon imports of oil, natural gas or coal to meet its hydrocarbon needs. In 2002, the country's imports and consumption of refined petroleum products each averaged 780 barrels per day. There were no recorded imports or consumption of natural gas or coal in 2002.

Tonga's primary energy source is electricity, all of it powered by fossil fuels. In 2002, the country's electric generating capacity to-

taled 0.008 million kW. Electric power output in that year totaled 0.034 billion kWh. Demand for electric power in 2002 was 0.032 billion kWh.

### 2<sup>8</sup> INDUSTRY

Encouragement of new industries was the goal of Tonga's eight five-year plans (1966–2008). Industries include the manufacture of concrete blocks, metal products, woolen knitwear, leather goods, furniture, soft drinks, soap, sports equipment, yachts, and paint. Ten-meter (33-foot) epoxy-veneer molded yachts are produced by Marine Tonga, a Tongan-German joint venture. At the government-backed Small Industry Center in Nuku'alofa, more advanced products are made, including refrigerators, jewelry, bicycles, toys, furniture, wheelbarrows, and mini-excavators; other consumer goods are assembled for use locally and in neighboring countries. A small but growing construction sector developed in response to the inflow of relief monies following Cyclone Waka, which hit during the last two days of 2001, and the need for construction services for hospitals, schools, wharves, etc. Long-established industries are coconut processing, sawmilling, and local handicrafts. Nuku'alofa is the only commercial and urban center. Industry accounts for just 13% of GDP.

### 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Hango Agricultural College, part of the Free Wesleyan Church Education System, offers diploma and certificate courses. Tonga Maritime Polytechnical Institute is located in Nuku'alofa.

### 3<sup>0</sup> DOMESTIC TRADE

Village stores carry a stock of flour, sugar, canned meats, textiles, hardware, soap, kerosene, tobacco, and matches; in the larger towns, these shops are managed by Tongans for European trading firms. Storekeepers act as agents for the Commodities Board and often extend credit to their customers until the end of the harvest. The board's produce division helps market bananas, melons, and pineapples. The development of cooperatives, which serve as savings-and-loan, produce-marketing, and handicraft-manufacturing organizations, has been actively pursued.

Government business hours are 8:30 AM to 4:30 PM, Monday to Friday. Private business hours are 9 AM to 5 PM, Monday to Friday.

#### Principal Trading Partners – Tonga (2000)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	8.9	69.4	-60.5
Japan	3.9	3.7	0.2
United States	2.3	7.2	-4.9
New Zealand	1.2	25.5	-24.3
Samoa	0.7	0.3	0.4
Australia	0.3	17.5	-17.2
Fiji	0.1	10.3	-10.2
Germany	0.1	0.1	...
Other Asia nes	0.1	0.4	-0.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

All shops are closed on Sunday. Banks are open from 9 AM to 4 PM, Monday to Friday, and from 8:30 to 11:30 AM on Saturdays.

### 3<sup>1</sup> FOREIGN TRADE

Tonga suffers from chronic trade deficits. Vegetables, including squash, are Tonga's main export commodities. Other exports include fish, spices and vanilla, and shellfish. In 2004, Tonga's primary export partners were: Japan (37.1%), China (18.7%), the United States (17.7%), Taiwan (8.7%), and New Zealand (7.4%). Primary import partners in 2004 were: New Zealand (37.1%), Fiji (24.3%), Australia (9.1%), China (8.9%), and the United States (6.3%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Since 1960, Tonga has had a growing trade deficit, offset by funds from the United Kingdom, New Zealand, Australia, and the Asian Development Bank (ADB).

In 2004, Tonga had exports valued at an estimated \$34 million, and imports valued at an estimated \$122 million. Tonga carried an external debt burden of \$63.4 million in 2001. In fiscal year 2001/02, Tonga received \$5.5 million in economic aid from Australia, and \$2.3 million from New Zealand.

### 3<sup>3</sup> BANKING AND SECURITIES

The Bank of Tonga was formed in 1971, with the government holding 40% of the shares and 20% each held by the Bank of Hawaii, the Bank of New Zealand, and the Bank of New South Wales. The overseas banks provided staff and supervision for the Bank of Tonga, which offers all commercial services and has assumed responsibility for government savings, traders' current accounts, and foreign exchange dealings. The Tongan Development Bank (TDB) was founded in 1977.

Tonga's fiscal policy has traditionally been cautious, with taxation and expenditure measures balancing in the recurrent budget and the development budget being financed mainly through

grants and soft loans. Legislation to set up a central bank was passed in late 1988 and the National Reserve Bank came into existence the following year. The Ministry of Finance, the Board of Currency Commissioners, the Board of Coinage Commissioners, and the island's only commercial bank, the Bank of Tonga, had until then jointly performed central bank functions. A second commercial bank, MBF Bank, was launched in late 1993.

Legislation has been passed to enable Tonga to become an international banking center. The legislation permits up to four foreign banks to establish operations in the capital. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$20.6 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$67.0 million.

Tonga has no stock issues or securities trading.

### 3<sup>4</sup> INSURANCE

Blue Shield (Oceania) Insurance covers life, health, travel, workers' compensation, total permanent disability, accident, and local consultation services. There were at least seven other major insurers doing business in Tonga in 1999.

### 3<sup>5</sup> PUBLIC FINANCE

About half of all public revenues accrued from customs duties on imported goods; the remainder came mainly from export duties, port fees, income taxes, and stamp revenues. Principal items of expenditure were public health, medical services, education, and agriculture.

The US Central Intelligence Agency (CIA) estimated that in FY99/00 Tonga's central government took in revenues of approximately \$39.9 million and had expenditures of \$52.4 million. Revenues minus expenditures totaled approximately -\$12.5 million. Total external debt was \$63.4 million.

### 3<sup>6</sup> TAXATION

Income tax is levied at progressive rates. Resident businesses pay 15% on profits up to \$100,000, and 30% thereafter. Nonresident businesses pay 37.5% on profits up to \$50,000 and 42.5% thereafter. All male Tongans 16 years of age and older, except the aged and infirm, pay an annual head tax, the receipts of which are used to finance free education and medical benefits. There is also a 5% sales tax.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Tonga has a single-column tariff based on the Customs Cooperation Council Nomenclature with custom duties ranging from 30–65% of the CIF (cost, insurance, and freight). A 20% port and services tax is involved in the percentages. Tariffs are applied to most private sector imports, primarily for revenue purposes. Higher tariffs apply to cigarettes, alcoholic beverages, and petroleum, while public sector goods are exempt.

### 3<sup>8</sup> FOREIGN INVESTMENT

Although some non-Tongans have leased large plantations and residential and business sites, there is little private foreign investment. In 1997, foreign direct investment (FDI) was reported as \$3 million, and then for the next four years, 1998 to 2001, \$2 million

#### Balance of Payments – Tonga (2002)

(In millions of US dollars)

<b>Current Account</b>			<b>-3,319.0</b>
Balance on goods		-55,247.0	
Imports	-73,373.0		
Exports	18,126.0		
Balance on services		-9,309.0	
Balance on income		2,820.0	
Current transfers		58,416.0	
<b>Capital Account</b>			<b>13,412.0</b>
<b>Financial Account</b>			<b>-3,174.0</b>
Direct investment abroad		...	
Direct investment in Tonga		...	
Portfolio investment assets		...	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		...	
Other investment liabilities		-3,174.0	
<b>Net Errors and Omissions</b>			<b>-47.0</b>
<b>Reserves and Related Items</b>			<b>-6,872.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

a year. In 2003, FDI amounted to 1.65% of GDP. Government policy is that foreign investment is welcome. The statutory framework was laid out in the Industrial Development Incentives Act (IDI Act) of 1978 that provides for a tax holiday of five years extendable to 15 years, with additional tax holidays for expansions of an enterprise. Raw materials and semi-processed goods imported to manufacture an exported finished product are exempt from customs duties for two years, and all imports of capital goods, machineries and construction materials are assessed at 50% of port and service taxes. With a view to husbanding the country's foreign currency resources, there are restrictions, mostly on a pro rata basis, on the ability to move hard currency out of the country. Under current IMF-guided efforts at fiscal reform, this regime has been criticized for overbroad tax exemptions and is scheduled to be replaced with a new investment incentives law. Aside from the obvious problems of remoteness and lack of development, the main impediment to foreign investment is not the legal framework but its administration, which is due to lack of transparency and predictability. There are no free trade zones in Tonga, but in 1980 the government established the Small Business Center near Nuku'alofa that serves as an improved industrial park for small enterprises.

The bulk of Tonga's foreign reserves are invested in Australia. In 2002, in an extraordinary financial scandal it was revealed that all by about \$2.2 million of the Tonga Trust Fund (TTF)—\$26.5 million—had been lost.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Tonga's eight five-year plans (1966–2008) emphasized development of the islands' economic infrastructure, increasing agricultural production by revitalizing the copra and banana industries, improvements in telecommunications and transport, and expansion of tourism, industry, and exports. Through the nonprofit Commodities Board, the government has a trading monopoly in copra, bananas, melons, and other produce. In the 1990s, tourism revenues helped offset Tonga's large merchandise trade deficits, but substantial amounts of foreign aid continued to be required. From 1993–98, the economic growth was driven by a rise in exports of squash, increases in aid, and several large construction projects. Growth peaked in 1999/2000 at 6.5% but then plunged to only 0.5% in 2000/01 in the global recession that began the first quarter of 2001. The GDP growth rate in 2002 stood at 1.5% and at 1.9% in 2003.

The country is working toward improvement of the quality and standard of living for all Tongans. This is to be achieved through policy initiatives in five areas: 1) currency stabilization; 2) privatization; 3) updating and restructuring of the operations of state-owned enterprises (SOEs); 4) maintenance and improvements in the infrastructure; and 5) environmental protection. Other goals include continuing support for public sector reform; promotion of the private sector as the engine of growth; and sustainable environmental management and equitable social development. The economic reforms are being pursued in conjunction with political reforms that aim at bringing more democracy to the government.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

Every family is provided by law with sufficient land to support itself. There is no social welfare department; the medical and educa-

tion departments and the missions provide what welfare services are available. The only pension scheme is one for civil servants.

Polynesian cultural traditions have kept most women in subservient roles, and few have risen to positions of leadership. Inheritance laws discriminate against women, and women may not own land. Domestic violence is prevalent and dealt with according to tribal law and custom. Spousal rape is not recognized and the law specifies that relations between spouses cannot be deemed as rape. The Center for Women and Children focuses on improving the economic and social conditions for women. Child abuse is rare.

Human rights are generally well respected in Tonga. However, political dissent is suppressed.

### 4<sup>1</sup> HEALTH

Tongans receive free medical and dental treatment, but must pay for dentures. Non-Tongans are charged on a fixed scale. There is one government medical department hospital each in Tongatapu, Vava'u, Ha'apai, and Eau Island, with several dispensaries. There are 4 hospitals and 14 health care centers, with a total of 307 beds on the islands. In 2004, there were an estimated 34 physicians, 317 nurses, 19 midwives, and 32 dentists per 100,000 people.

Tonga is free of malaria and most tropical diseases, but tuberculosis, filariasis, typhoid fever, dysentery, and various eye and skin diseases remain common health problems. Nevertheless, in comparison with many other Pacific islands, Tonga is a healthy country. Approximately 85% of children were vaccinated against measles. By 1969, a joint WHO-UNICEF project had considerably reduced the incidence of yaws. Other health projects deal with school sanitation, community water supplies, maternal and child health, and nursing education. The population has access to safe water and adequate sanitation.

Life expectancy as of 2005 was estimated at 69.53 years. In the same year, infant mortality was an estimated 12.62 per 1,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 24 and 5.6 per 1,000 people. The fertility rate was three children per woman.

### 4<sup>2</sup> HOUSING

Village houses usually have reed sides and a sloping roof thatched with sugarcane or coconut leaves; the posts are of ironwood, and braided cord takes the place of nails. More modern houses, especially in the towns, are built of wood, with roofs of corrugated iron. Unlike the village houses, they often contain more than one room and have verandas. Tongan taxpayers are entitled to an allotment of land from the governments. Each urban Tongan taxpayer receives an annual rent subsidy in lieu of this land allotment.

In 1986, the housing stock totaled 15,091 units. In 1996, the housing stock was at 16,194. The average household size was six people. In the decade between censuses, the number of European style homes increased by about 39% while the number of Tongan style hut dwellings decreased by over 60%. About 66% of all housing was of European style wooden construction, 19.5% was European style cement or brick, and 6.8% was Tongan style thatched roof and walls. At least 66% of all housing stock was on Tongatapu. About 84.6% of all households had access to piped water and 55.8% had flush toilets. About 81.4% of all housing was owner occupied.

### 4<sup>3</sup> EDUCATION

The first schools in Tonga were started by the Wesleyan Mission in 1828, even before the conversion to Christianity of the Tongans. Practically all primary education was controlled by the Mission until 1882 when the government took over the educational system. In 1906, various missionary organizations again were allowed to establish schools.

Primary education is compulsory for six years. No tuition is charged at government schools (except the high school), but small fees are charged at mission schools. General secondary school lasts for five years. Students may choose to continue with one or two more years of upper secondary education. Selected Tongan students prepare for the New Zealand school certificate examination.

In 2001, about 29% of children between the ages of three and four were enrolled in some type of preschool program. Primary school enrollment in 2000 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 72.8% of age-eligible students. It is estimated that about nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 22:1 in 2003; the ratio for secondary school was about 14:1. In 2000, private schools accounted for about 9.2% of primary school enrollment and 72.8% of secondary enrollment.

The University of the South Pacific operates an extension center in Tonga. A teacher-training college, established in 1944, provides a two-year course. A government scholarship program provides the opportunity for Tongan students to pursue higher education abroad. In 2001, it was estimated that about 4% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 98.9%.

As of 2003, public expenditure on education was estimated at 4.9% of GDP, or 13.2% of total government expenditures.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

Since 1971, the Ministry of Education has operated a joint library service with the University of the South Pacific. Its library in Nuku'alofa has 9,000 volumes covering agriculture, small business management, adult education, and an important collection of Pacificana. The Ministry of Education library has 12,500 volumes. Most of the secondary and high schools have libraries. The Tonga College Museum's collection includes artifacts of Tonga's history. Notable monuments include the great trilithon known as the *Ha'amanga* and some 45 *langis*, great rectangular platforms of recessed tiers of coral limestone blocks that were erected as the tombs of medieval kings.

### 4<sup>5</sup> MEDIA

The government's radiotelegraph station at Nuku'alofa has substations at Neiafu (Vava'u), Pangai, Ha'afeva and Nomuka (in the Ha'apai group), 'Eua, and Niuatoputapu. There is also a direct overseas telegraph service linking Nuku'alofa with Wellington, Suva, Apia, and Pago Pago. An internal radiotelephone service connects Nuku'alofa, 'Eua, Nomuka, Ha'afeva, and Vava'u, and a direct overseas radiotelephone service links Nuku'alofa to other Pacific island capitals. In 2002, there were 11,200 mainline phones

in service throughout the country. In 2004, there were 9,000 mobile phones in use nationwide.

The Tonga Broadcasting Commission's Radio Tonga was established in 1961. It broadcasts about 75 hours a week in Tongan, English, Fijian, and Samoan; commercial advertising is accepted. In 2004 there were three privately owned radio stations. The government owned one of the three television stations operating in 2004. In 1997 Tonga had 600 radios and 18 television sets in use per 1,000 population. In 2002, there were 2,900 Internet subscribers.

In 2004, there were eight newspapers and newsmagazines in print. The government publishes a weekly newspaper, the *Tonga Chronicle*, which has an average circulation (in 2002) of 7,000 copies in Tongan and English. There are also church newspapers issued by missions and a few private publications printed at regular intervals.

The constitution provides for free speech and a free press, although occasional infringements of press freedoms do occur. In nongovernment publications, opposition opinion appears regularly, usually without interference, but journalists were being targeted for prosecution in civil lawsuits by the minister of police.

### 4<sup>6</sup> ORGANIZATIONS

Extension of consumer cooperatives has been actively encouraged by the government. The Tonga Chamber of Commerce and Industry is in Nuku'alofa.

National youth organizations are typically affiliated with religious or educational institutions, including the Catholic Youth Association, Free Church of Tonga Youth Associations, Free Wesleyan Church Youth Association, Tonga Ex-Commonwealth Youth Programme Diplomats Association, and Tupou Farmers. Scouting and YMCA/YWCA programs are also available. Meetings of Christian Endeavor societies and Bible classes are well attended by all ages. There are sports associations promoting amateur competitions for athletes of all ages in a variety of pastimes.

Every Tongan village has a community house where ceremonial cloth (*tapa*) is made by groups of women. The Tongan Women's Progressive Association, formed in 1956, conducts programs for the betterment of village conditions and holds classes in a variety of subjects. There is a national chapter of the Red Cross Society.

### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Popular tourist sites are the royal palace and terraced tombs in Nuku'alofa. Most visitors enjoy a traditional evening feast of suckling pig, crayfish, chicken, and assorted accompaniments. Fishing, swimming, and sailing are popular. Rugby is a favorite spectator sport.

Tourists must have a valid passport as well as an onward/return ticket. Visitor's visas are required by nationals of 138 countries including China and Spain; they are provided upon arrival and valid for one month.

The tourist industry is a small but growing source of foreign exchange revenues. In 2003, there were 40,110 tourist arrivals, with 57% of travelers coming from Australia and New Zealand.

In 2005, the US Department of State estimated the daily cost of staying in Nuku'alofa and other areas of Tonga at \$167.

#### 48 FAMOUS TONGANS

King George Tupou I (Taufa'ahu Tupou, 1797–1893) ruled for 48 years; during his reign, Tonga became a Christian nation, abolished serfdom, and acquired a constitution. His prime minister, Shirley Waldemar Baker (1831–1903), was a Wesleyan clergyman who, after being deposed in 1890, became an Episcopal minister and then returned to Tonga. The most famous Tongan of this century was Queen Salote Tupou (1900–65), whose rule began in 1918. Her dynasty, the Tupou, is the third branch of the royal family and traces its descent back to Ahoaitu, the first Tu'i Tonga of whom there is record. Queen Salote's son, King Taufā'ahau Tupou IV (b.1918), succeeded to the throne in 1965 and was formally crowned in 1967.

#### 49 DEPENDENCIES

Tonga has no territories or colonies.

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# TURKEY

Republic of Turkey  
*Türkiye Cumhuriyeti*

**CAPITAL:** Ankara

**FLAG:** The national flag consists of a white crescent (open toward the fly) and a white star on a red field.

**ANTHEM:** *Istiklâl Marşı (March of Independence)*.

**MONETARY UNIT:** The new Turkish lira (YTL) was introduced in 2005. There are coins of 1, 5, 10, 25 and 50 Kurus, and 1 lira. YTL1 = \$0.73529 (or \$1 = TL1.36) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; National Sovereignty and Children's Day, 23 April; Spring Day, 1 May; Youth and Sports Day, 19 May; Victory Day, 30 August; Independence Day (Anniversary of the Republic), 29 October. Movable religious holidays include Şeker Bayramı (three days) and Kurban Bayramı (four days).

**TIME:** 3 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The Republic of Turkey consists of Asia Minor, or Anatolia (Anadolu); the small area of eastern Thrace (Trakya), or Turkey in Europe; and a few offshore islands in the Aegean Sea, with a total area of 780,580 sq km (301,384 sq mi), extending about 1,600 km (994 mi) SE–NW and 650 km (404 mi) NE–SW. Comparatively, the area occupied by Turkey is slightly larger than the state of Texas. Of the overall area, 97% is in Asia, and 3% in Europe. Turkey lies athwart the important Black Sea straits system—the Dardanelles, the Sea of Marmara, and the Bosphorus. It is bordered on the N by the Black Sea, on the NE by Georgia and Armenia, on the E by Iran, on the SE by Iraq, on the S by Syria and the Mediterranean Sea, on the W by the Aegean Sea, and on the NW by Greece and Bulgaria, with a total land boundary of 2,648 km (1,645 mi) and a coastline of 7,200 km (4,474 mi). Turkey's capital city, Ankara, is located in the northwest central part of the country.

## <sup>2</sup>TOPOGRAPHY

Other than the low, rolling hills of Turkish Thrace, the fertile river valleys that open to the Aegean Sea, the warm plains of Antalya and Adana on the Mediterranean, and the narrow littoral along the Black Sea, the country is wrinkled by rugged mountain ranges that surround and intersect the high, semiarid Anatolian plateau. Average elevations range from 600 m (2,000 ft) above sea level in the west to over 1,800 m (6,000 ft) amid the wild eastern highlands. The highest point is Mount Ararat (Büyük Agri Dagi, 5,166 m/16,949 ft), which rises just within Turkey at the intersection of the Turkish, Armenian, and Iranian frontiers. There are over 100 peaks with elevations of 3,000 m (10,000 ft) or more.

Other than the Tigris and Euphrates, which have their sources in eastern Anatolia, rivers are relatively small. Because the watersheds of these streams are semibarren slopes, the seasonal variations in flow are very great. The largest lake is Lake Van (3,675 sq km/1,419 sq mi); the other major lake is Lake Tuz, whose water

has a salinity level so high that it serves as a commercial source of salt. Turkey's 7,200 km (5,474 mi) of coastline provide few good natural harbors.

Most of Turkey lies within an earthquake zone, and recurrent tremors are recorded. On 29–30 March 1970, more than 1,000 earthquakes were felt in the Gediz region of western Turkey, killing 1,086 persons. The most destructive earthquake in the country was that of 29 December 1939—near Erzincan—which killed 30,000 persons. On 17 August 1999, a 7.6 magnitude quake near Izmit was followed two days later by two aftershocks of about 4.8 and 5.0 in magnitude. At least 17,118 people died in the quake and nearly 50,000 injured were injured. A 6.1 magnitude earthquake on 1 May 2003 in eastern Turkey left 150 people dead and over 1,000 injured.

## <sup>3</sup>CLIMATE

Turkey's southern coast enjoys a Mediterranean climate, and the Aegean coastal climate as far north as İzmir is much the same. The mean temperature range in these regions is 17–20°C (63–68°F), and the annual rainfall ranges from 58 to 130 cm (23 to 51 in). The Black Sea coast is relatively mild (14 to 16°C/57 to 60°F) and very moist, with 71 to 249 cm (28 to 87 in) of rainfall. The central Anatolian plateau is noted for its hot, dry summers and cold winters: the average annual temperature is 8–12°C (46–54°F), and annual precipitation is 30–75 cm (12–30 in). With the exception of some warmer pockets in the valleys, the eastern third of Turkey is colder (4–9°C/39–48°F), and rainfall averages 41–51 cm (16–20 in). The little precipitation there is on the central plateau tends to be concentrated during the late fall and winter months.

## <sup>4</sup>FLORA AND FAUNA

A wide variation of flora is found, from semitropical to temperate, and desert to alpine. In the mountains of southern, southwestern, and northern Turkey there are extensive coniferous stands

of commercial importance and some deciduous forest. Licorice, valonia oaks, and wild olive trees grow in the southwest. Principal varieties of wild animals are the fallow deer, red deer, roe deer, eastern mouflon, wild boar, hare, Turkish leopard, brown bear, red fox, gazelle, beech marten, pine marten, wildcat, lynx, otter, and badger. There is a large variety of birds, including the snow partridge, quail, great bustard, little bustard, widgeon, woodcock, snipe, and a variety of geese, ducks, pigeons, and rails. About 30 species of snakes are indigenous. Bees and silkworms are grown commercially.

As of 2002, there were at least 116 species of mammals, 278 species of birds, and over 8,650 species of plants throughout the country.

## 5 ENVIRONMENT

Environmental responsibilities are vested in the Under Secretariat for Environment and in the Ministry of Energy and Natural Resources. Among Turkey's principal environmental problems is air pollution in Ankara and other cities. The smog in Ankara grew worse after 1979, when the government banned oil heating systems in new buildings in order to reduce costly oil imports; the resultant increased burning of Turkish lignite, which is high in sulfur content, greatly increased the levels of sulfur dioxide and dust in the air. In 1983, the government reversed itself and banned the conversion of heating systems to coal. At the same time, it introduced an antipollution program designed to reduce air pollution levels by more than 50% within a year. In addition to heating restrictions, the plan called for strict traffic controls, the closing of the worst industrial polluters, a prohibition on the import of high-sulfur fuel oil, special emergency hospital wards for smog victims, and the building of green areas and parks in and around cities. In 1992, Turkey had the world's highest level of industrial carbon dioxide emission, which totaled 145.5 million metric tons, a per capita level of 2.49 metric tons. In 1996, the total rose to 178.3 million metric tons. In 2000, the total of carbon dioxide emissions was at 221.6 million metric tons.

A \$220-million project to clean up the polluted water in the Golden Horn, an inlet of the Bosphorus forming a harbor in Istanbul, was implemented in the 1980s. The nation's rivers are polluted with industrial chemicals. Among them, mercury has created a serious threat to the nation's water supply. Soil erosion affects both coastal and internal areas. The combination of water and wind eliminates about 500 metric tons of soil each year.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 15 types of mammals, 14 species of birds, 12 types of reptiles, 5 species of amphibians, 30 species of fish, 13 species of invertebrates, and 3 species of plants. Threatened species include the Anatolian leopard, Mediterranean monk seal, bald ibis, slender-billed curlew, Atlantic sturgeon, and hawksbill and green sea turtles. Wild goats are among the vulnerable species.

## 6 POPULATION

The population of Turkey in 2005 was estimated by the United Nations (UN) at 72,907,000, which placed it at number 17 in population among the 193 nations of the world. Turkey is the most populous country in the Middle East. In 2005, approximately 6% of the population was over 65 years of age, with another 29% of

the population under 15 years of age. There were 102 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.4%; the fertility rate has declined from 3.1 births per woman in 1990 to 2.7 births per woman in 2005; however, the government sought to reduce population growth further. The projected population for the year 2025 was 90,211,000. The population density was 94 per sq km (244 per sq mi).

The UN estimated that 65% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.93%. The capital city, Ankara, had a population of 3,428,000 in that year. Istanbul (formerly Constantinople), the largest city, had a 2005 metropolitan population of 9,760,000. The largest metropolitan areas after Istanbul were İzmir (formerly Smyrna), 2,500,000; Bursa, 1,413,000; Adana, 1,248,000; and Gaziantep, 1,004,000.

## 7 MIGRATION

Much Turkish emigration has consisted of workers under contract for employment in European Community countries. Germany alone had 1,779,600 Turks at the end of 1991. There are also large numbers of Turks in prosperous Muslim countries such as Saudi Arabia, the Gulf states, and Libya. In 1994, there were 14,000 Turkish Kurds in northern Iraq. The military conflict in southeastern Turkey has internally displaced hundreds of thousands of persons; however, this problem has not been officially recognized by Turkey.

After the 1991 Gulf War, 500,000 Iraqi Kurds fled to Turkey. Most of these refugees have since repatriated or resettled in third countries. In 1992, 20,000 Bosnians came to Turkey, though all have left except for 4,000 as of March 1997. In 1999, nearly 18,000 Kosovar refugees sought asylum in Turkey, including 8,000 people evacuated from Macedonia; nearly all were voluntarily repatriated. Non-European refugees are granted only temporary protection in Turkey, so nearly all must be resettled. In 2004, there were 3,033 refugees and 3,929 asylum seekers from Afghanistan, Iraq, Iran, and Somalia in Turkey, and an additional 16 returned refugees. In 2004 Turks sought asylum in 18 countries in Europe and in the United Kingdom.

The net migration rate was zero in 1999 and in 2005. Worker remittances in 2003 were \$2.3 billion.

## 8 ETHNIC GROUPS

The constitution provides a single designated of nationality for all Turks; however, ethnic identification among the citizens themselves is strong. About 80% of the population is Turkish. The major ethnic minority (by mother tongue), the Kurds, is estimated at 20%. Arabs, Turkmen, Circassians, Greeks, and others do account for a small percentage of the population. The number of Roma within the country may be significant; however, many are unwilling to disclose their ethnic identity since discrimination against Roma has been common.

Hundreds of thousands of Armenians were either killed or forced to flee during and immediately following World War I; bitterness between Armenians and Turks continues to this day, and during the late 1970s and early 1980s, Armenian terrorists took the lives of more than two dozen Turkish diplomats. The Greek component in Turkey was reduced as a result of the 1919–22 hostilities with Greece, the 1923 Treaty of Lausanne (which provided



LOCATION: 25°40' to 44°48' E; 35°51' to 42°6' N. BOUNDARY LENGTHS: Armenia, 268 kilometers (167 miles); Azerbaijan, 9 kilometers (5 miles); Georgia, 252 kilometers (157 miles); Iran, 499 kilometers (311 miles); Iraq, 331 kilometers (206 miles); Syria, 822 kilometers (500 miles); Greece, 206 kilometers (128 miles); Bulgaria, 240 kilometers (150 miles); total coastline, 7,200 kilometers (4,482 miles). TERRITORIAL SEA LIMIT: 6 miles, Aegean Sea; 12 miles, Mediterranean and Black Seas.

for an exchange of population with Greece), and the post–World War II Cyprus controversy.

The Kurds, some of whom were forcibly dispersed after an uprising in 1935, still tend to be concentrated in the southeastern provinces. The Arabs live in the south along the Syrian and Iraqi frontiers, and the Greeks, Armenians, and Jews live in Istanbul and, to a lesser extent, in İzmir. Separatist Kurdish groups are outlawed, and there is a heavy military presence in the nine provinces where a state of emergency has been in effect since 1987.

## <sup>9</sup> LANGUAGES

Turkish, which belongs to the Ural-Altai group, is the official language. In addition to the Roman alphabet, modern Turkish uses the letters *ç*, *ğ*, *i* (undotted), *ö*, *ş*, and *ü*, but no *q*, *w*, or *x*. With only minor exceptions, words are spelled phonetically. The language is agglutinative. A 1928 language reform substituted the Roman alphabet for the Arabic script, which had been used by the Turks since their conversion to Islam. During the 1930s there was a state-sponsored effort to rid the language of Arabic and Persian words and grammatical constructions. Turkish grammatical rules are now applied for all words, regardless of origin, though many Persian and Arabic expressions persist. Traditionally, there was a great difference between vernacular Turkish and written Ottoman

Turkish, the latter being heavily influenced by Arabic and Persian and almost unintelligible to the mass of Turks. This difference has been almost obliterated, though some regional differences in dialect, particularly in the villages, still make effective communication difficult.

Kurdish and Arabic are also spoken. Kurdish is a language of the Iranian group and is written in Arabic script in Turkey. Two of the three major dialects are spoken in Turkey. Armenian and Greek are also spoken.

## <sup>10</sup> RELIGIONS

About 99% of the population is officially Muslim; however, the number of practicing Muslims may be lower. The vast majority of Turkish Muslims are Sunni, but there is a substantial Shia minority. About 5–12 million Muslims are believed to be Alevi, incorporating traditions of Sunni and Shia practices as well as other indigenous beliefs of Anatolia. A small number of people in western Anatolia practice a blend of Islam and shamanism. The Alevi and Tahtacılar are regarded as non-Muslim sects by the government. The only religious minorities official recognized by the government are Greek Orthodox Christians, Armenian Orthodox Christians, and Jews. The Greek Orthodox patriarch at Istanbul is considered first among equals of the seven patriarchs

in the Eastern Orthodox churches. The Greek Orthodox Church has less than 3,000 members. The Armenian Orthodox church has about 65,000 members. Turkey was a haven for Jewish refugees from Spain and Portugal in the late 15th and 16th centuries, and Jews have lived there in relative peace until recent years. There are about 25,000 Jews in the country. Other unofficial religious groups include about 10,000 Baha'is, 15,000 Syrian Orthodox Christians, 5,000 Yezidi, 3,000 Protestants, and smaller numbers of Chaldean and Nestorian Christians, Roman Catholics, and Maronite Christians.

There is no official state religion and the constitution establishes the nation as a secular state; however, the state maintains urban mosques and other Muslim religious properties, and licenses Muslim religious leaders. Proselytizing by non-Muslims is generally discouraged. Laws against the use of religion for political purposes are rigorously enforced.

## 11 TRANSPORTATION

Turkey's size and difficult terrain, together with limited economic resources, have proved great obstacles to the construction of transportation facilities. When the republic was founded in 1923 there were about 4,000 km (2,500 mi) of railway track and 7,400 km (4,600 mi) of motor roads in Anatolia and Thrace, all in disrepair. By 2004, a total of 8,697 km (5,409 mi) of track (all of it standard gauge) connected most of the important points in the country with Ankara, Istanbul, and the Black Sea and Mediterranean ports. The railways are owned and operated by the Turkish State Railways, a public corporation. A total of 2,122 km (1,318 mi) are electrified.

Animal transportation in most of the country has gradually given way to trucks and buses that use roads provided by extensive construction programs since World War II. In October 1973, the Bosphorus Bridge in Istanbul was opened, facilitating the crossing of the Straits of the Bosphorus by motorists. This six-lane steel suspension bridge had a main span of 1,074 m (3,524 ft). As of 2002, there were 354,421 km (220,450 mi) of roadways, of which 147,404 km (91,685 mi) were paved, including 1,851 km (1,151 mi) of expressways. As of 2003, there were 4,700,343 passenger cars and 1,747,385 commercial vehicles registered for use.

The Turkish merchant fleet in 2005 consisted of 526 vessels of 1,000 GRT or more, totaling 4,666,895 GRT. The leading ports were Mersin (Icel), Istanbul, İzmir, Iskenderun, and Izmit (Kocaeli). As of 2003, Turkey had 1,200 km (746 mi) of navigable inland waterways.

Turkey had an estimated 119 airports in 2004. As of 2005 a total of 88 had paved runways, and there were also 16 heliports. Three international airports—Atatürk (Istanbul), Adnan Menderes (İzmir), and Esenboga (Ankara)—are served by some 20 international air carriers. A new international passenger terminal in Istanbul is one of the largest in Europe able to handle 30 simultaneous gate arrivals and departures. The new Sabiha Gokcen International Airport on Istanbul's Asian side can handle 3.5 million passengers with a potential capacity for 10 million. Other international airports include Antalya, Dalaman, and Adnan Menderes at İzmir. With minor exceptions, domestic air transportation is the monopoly of the semipublic Turkish Airways Corp. (Türk Hava Yollari), which connects most major centers within the country on a regular schedule and operates some international flights. In

2003, scheduled airlines freight shipments totaled 379 million freight ton-km. In that same year, about 10.701 million passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

In ancient times, Turkey was known as Asia Minor or Anatolia. Among the many inhabitants were the Hittites (c.1800–c.1200 BC), the first people to use iron; the Greeks, who, according to legend, destroyed Troy (or Ilium) about 1200 BC and who colonized the Aegean coast from about 1000 BC on; the Phrygians (c.1200–c.600 BC); the Lydians (c.700–546 BC), the first people to mint coins; the Persians (546–333 BC); and the Romans, beginning in the 2d century BC. Roman Emperor Constantine I (the Great) changed the name of the city of Byzantium to Constantinople (now Istanbul) and made it his capital in AD 330; a division between the Western and Eastern Roman Empires, with their respective capitals at Rome and Constantinople, became official in 395. Constantinople, seat of the Byzantine Empire, became the center of Eastern Orthodox Christianity, which officially separated from Roman Catholicism in 1054, when the pope and the patriarch of Constantinople excommunicated each other.

The Turks are a Ural-Altai people who emerged from the plains between the Ural Mountains in Europe and the Altay Mountains in Asia. The forerunners of the inhabitants of present-day Turkey, known as the Seljuk Turks (named after the Turkish conqueror Seljuk, fl.10th century), defeated the Byzantines in the battle of Malazgirt (1071) and established themselves in Anatolia. They attained a highly developed Muslim culture in their great capital at Konya, in central Turkey. The Turkish conquest of Syria, including Palestine, led to the Crusades (1096–1270), a series of intermittent and inconclusive wars. Various Latin (Roman Catholic) and Greek (Eastern Orthodox) states were formed in parts of the Turkish Empire, but none lasted. The sack of the Christian city of Constantinople by Crusaders in 1204, followed by the establishment of the Latin Empire there (1204–61), shocked Europe and tended to discredit the Crusading movement.

Seljuk power was shattered when the Mongols, another Ural-Altai people, swept across Asia Minor in 1243. As the Mongols withdrew, Turkish power revived and expanded under the Ottoman Turks, a group of frontier warriors whose first chief was Osman I (called Ottoman in the West, r.1300?–26). In 1453, the Ottomans under Mehmet II (the Conqueror) occupied Constantinople and made it their capital. In 1516, they conquered Syria; in 1517, Egypt. In 1529, they were at the gates of Vienna, at which point the European expansion of Turkish power was stopped. The Turkish fleet was decisively defeated in a battle near Lepanto (now Navpaktos) in Greece in 1571. At its peak, generally identified with the reign of Sultan Süleyman I (the Magnificent, r.1520–66), the Ottoman Empire encompassed an estimated 28 million inhabitants of Asia Minor, much of the Arabian Peninsula, North Africa as far west as modern Algeria, the islands of the eastern Mediterranean, the Balkans, the Caucasus, and the Crimea. During the 17th, 18th, and 19th centuries, as a result of the rise of nationalism and encroachment by the European powers, it gradually shrank in size, the independence of the remainder being maintained only by shrewd balance-of-power diplomacy.

The process of modernization began with the Imperial Rescript of 1839, promulgated by Sultan Abdul Mejid (r.1839–61), and by

a body of reforms known as the Tanzimat, which to some extent curbed the absolute powers of the sultan-caliph. (The Turkish sultans had added the title “caliph” following the conquest of Egypt in 1517.) The Illustrious Rescript of 1856 was largely dictated by Britain, France, and Austria as part of the negotiations leading to the settlement of the Crimean War (1853–56), a clash between the Russian and Ottoman Empires; it ensured equal rights for non-Muslims, provided for prison reform and the codification of Turkish law, and opened Turkey to European skills and capital. A constitution was introduced in 1876 by Sultan Abdul Hamid II (r.1876–1909) but was suspended in the following year. Thereafter, an absolute monarchy prevailed until the Young Turk revolution of 1908, at which time the constitution of 1876 was reinstated. In 1913, leaders of the Committee for Union and Progress (the organizational vehicle of the Young Turks) took effective control of the government under Sultan Mehmet V (r.1909–18). The principal leaders were Talat and Enver Pasha, who, at the outbreak of World War I, threw what little remained of Ottoman strength behind the Central Powers, which had sided with Turkey in its fruitless attempt to retain its last major European possessions in the Balkan Wars of 1912–13. Although the Turks were unable to make any headway against British forces defending the Suez Canal, they did offer a heroic defense at Gallipoli (the Gelibolu Peninsula) and the Dardanelles, in a prolonged battle between Turkish and British-French forces that lasted from February 1915 to January 1916 and took the lives of about 100,000 soldiers on each side. In 1917, however, Turkish resistance collapsed, and the British pushed Turkey out of Syria, Palestine, Iraq, and Arabia. An armistice was concluded on 30 October 1918, and Enver Pasha and his colleagues fled the country. Before and during the war, Armenians sought to establish their independence and were brutally repressed by the Turks. Over a million people are said to have died being driven from their homes; many survived in exile.

On the basis of a series of earlier Allied agreements, the Ottoman Empire was to be stripped of all non-Turkish areas, and much of what remained—Asia Minor—was to be divided among the United Kingdom, France, Greece, and Italy. A substantial portion was actually occupied. In 1919, with Allied assistance, the Greeks invaded Anatolia through İzmir, but a Turkish nationalist resistance movement under the leadership of Mustafa Kemal (later called Atatürk), who had commanded a division at Gallipoli, finally defeated them in 1922. The sultan, being virtually captive in Istanbul, was disgraced in Turkish eyes by his identification with Allied policy. After much maneuvering, a rival nationalist government under Mustafa Kemal was established in Ankara and gained national and international recognition. On 1 November 1922, the sultanate was abolished by Mustafa Kemal’s provisional government. The following year, the Ankara government negotiated the Treaty of Lausanne with the Allies, which recognized Turkish sovereignty over Asia Minor and a small area in Thrace. There was a massive exchange of Greek and Turkish populations. On 29 October 1923, a republic was proclaimed, with Ankara as its capital, and on 3 March 1924, the caliphate was abolished and all members of the dynasty banished.

During the next few years, a series of social, legal, and political reforms were accomplished that, taken collectively, became known as the Atatürk Reforms. They included the substitution of secular law for religious law, the writing of a republican constitu-

tion based on popular sovereignty, suppression of religious education in Turkish schools, introduction of a Roman alphabet to replace the Arabic script, and the legal upgrading of the position of women. With minor exceptions, political power resided in a single party, the Republican People’s Party, and to a very substantial extent in Mustafa Kemal personally until his death in 1938. His chief of staff, Ismet İnönü (Pasha), became president and established a two-party system of government with the formation of the opposition Democrat Party (DP) in 1946.

Although pro-Allied, Turkey remained neutral during most of World War II, but early in 1945 it declared war on the Axis and became a charter member of the UN. In 1947, the Truman Doctrine pledged US support to Turkey in the face of mounting Soviet pressure. This move was followed by large-scale military and economic assistance from the United States. Turkey thus became firmly committed to the Western alliances—NATO and the Central Treaty Organization, or CENTO (Baghdād Pact).

The DP came to power in 1950. Under Prime Minister Adnan Menderes, the government stressed rapid industrialization and economic expansion at the cost of individual liberties. Restrictive press laws were passed in 1954 and 1956, and by 1960 the Menderes government had curtailed judicial independence, university autonomy, and the rights of opposition parties. On 27 May 1960, after student demonstrations (joined by War College cadets and some army officers) were harshly suppressed, Prime Minister Menderes, President Celâl Bayar, and other government leaders were arrested by a newly formed Committee of National Unity. Gen. Cemal Gürsel became acting president and prime minister. Menderes was found guilty of violating the constitution and was hanged in 1961. A new constitution was popularly ratified in 1961, and elections were held in October. Gen. Gürsel was elected president by the New Grand National Assembly, and İnönü became prime minister of a coalition government.

The opposition Justice Party (JP) won 52.3% of the vote in the 1965 elections and formed a new government under Süleyman Demirel. Four years later, the JP was returned to power, and Prime Minister Demirel began a new four-year term. But Turkey’s four top military commanders forced the resignation of Demirel’s government in 1971 and called for a “strong and credible government” that would restore economic and political stability and suppress student disorders, which had steadily grown more frequent and more violent since 1968. Martial law had been imposed from June to September 1970, and a new “above party” government under Nihat Erim reimposed martial law in 11 provinces (including Ankara and Istanbul) from 1971 to 1973.

Political stability proved no easier to achieve: a succession of weak coalition governments, headed alternately by Demirel and Republican leader Bülent Ecevit, held office between 1973 and 1980. Ecevit’s government was in power during the Greco-Turkish war on Cyprus in July–August 1974. Relations with Greece, strained by a dispute over mineral rights on the Aegean continental shelf, reached the breaking point on 15 July, when Cypriot President Makarios was overthrown in a Greek-led military coup. Fearing the island would be united with Greece, Turkish forces invaded on 20 July. A UN cease-fire came into effect two days later, but after peace talks at Geneva broke down, Turkish troops consolidated their hold over the northern third of the island by 16 August. As the result of this action, the United States embargoed

shipments of arms to Turkey until 1978; as of 1994, an estimated 25,000 or more Turkish troops remained on Cyprus to support the Turkish Republic of Northern Cyprus which only Turkey recognizes. In 1997, Turkish and Greek representatives met with a UN mediator in an attempt to resolve the issue. No results were reported.

During the late 1970s, escalating acts of violence by political groups of the extreme left and right, coupled with economic decline, threatened the stability of Turkey's fragile democracy. By April 1980, 47,000 people had been arrested, and martial law had spread to 20 of Turkey's 67 provinces; at midyear, more than 5,000 persons had been killed (including former prime minister Nihat Erim), and the factional strife was claiming an average of 20 victims each day. With the legislature deadlocked, the military intervened in the political process for the third time in 20 years. A five-man military National Security Council (NSC), headed by Gen. Kenan Evren, took power in a bloodless coup on 12 September 1980. The NSC suspended the 1961 constitution, banned all political parties and activities, and arrested thousands of suspected terrorists. With the entire country under martial law, factional violence was drastically reduced. By April 1982, 40,000 alleged "political extremists" had been arrested; 23,000 had been tried and convicted in martial law courts, some 6,000 of them for "ideological offenses." Under an NSC edict forbidding Turkey's former political leaders from speaking out on political matters, former prime minister Ecevit was twice arrested and imprisoned during 1981–82. In protest against the treatment of Ecevit, the EEC froze payment of \$650 million in loans and grants previously pledged to Turkey.

In a national referendum on 7 November 1982, Turkish voters overwhelmingly approved a new constitution (prepared by a constituent assembly chosen by the NSC) under which Gen. Evren became president of the republic for a seven-year term; campaigning against ratification had been illegal under martial law. Parliamentary elections were held in November 1983, although martial law remained in effect. Following the elections, Turgut Özal, leader of the victorious Motherland Party, was installed as prime minister. Martial law was lifted in most provinces over the next two years, but emergency rule remained in effect; legislation was passed to broaden police powers, freedom of expression remained limited, and trials of alleged extremists continued. Human-rights groups complained of torture, suspicious deaths, overcrowding, and substandard conditions in Turkish jails; the government denied any improprieties. Özal's Motherland Party retained its parliamentary majority in November 1987 elections, and he was reelected for a second five-year term. In 1989, Özal was elected president. His Motherland Party continued in power but with declining popularity as shown in 1989 municipal elections. Özal's ambition was to tie Turkey closely to Europe but, despite improvements in Turkey's human rights record, its application for full membership in the European Union was deferred indefinitely. Özal also sought to give Turkey a leading role with the Turkic republics of former Soviet Central Asia. He continued Turkey's long-standing policy of quiet contacts with Israel while seeking better ties with the Arab states. During the Gulf War, he joined the embargo against Iraq, closed Iraq's oil pipelines, provided facilities for allied air raids and later supported protective measures for Iraqi Kurds. In compensation, Turkey received increased aid worth \$300 million.

In October 1991 elections, the Motherland Party lost its parliamentary majority to the True Path and Social Democratic Party in coalition. True Path leader Demirel was named prime minister. He succeeded to the presidency in May 1993 following the death of Özal. Tansu Ciller, True Path chairperson, became Turkey's first female prime minister in July. In 1994, Ciller faced three major tasks: dealing with the problems of high inflation (about 70%) and unemployment as she continued Özal's free market policies of export-led growth (7–8%), reducing government regulations and privatization; pacifying the rebellious Kurdish areas of eastern Turkey where large numbers of troops have been tied down in a conflict that has taken thousands of lives and millions in treasure; and responding to the rising challenge to Turkey's secular nationalism from politically militant Islamic groups.

These problems continued, and in some cases escalated, and the Ciller government also faced scandals and a weakened resolve due to its fragile coalition majority.

Problems with Kurdish separatists, long-standing disagreements with Greece, and an unstable political environment plagued Turkey throughout the 1990s.

The battle between the Turkish government and members of the Kurdistan Workers Party (PKK) that began in 1984 continued into 1994–95. The PKK sought the establishment of a separate Kurdish state. In fighting from 1984 until February 1995, more than 14,000 people had died. The battle spilled beyond Turkey's borders on 20 March 1995, as 35,000 troops backed by tanks and jets pursued rebels into northern Iraq. In the biggest military operation in the history of the Turkish republic, the troops hunted for suspected PKK bases. The PKK maintained the area was home only to Iraqi Kurds, not the PKK. Turkey said it was targeting 2,400 guerrillas who had been mounting cross-border raids and that it would not pull out until a buffer zone or other plan was set up to keep the PKK from moving back into the area. Western leaders condemned the incursion, and the eventual Turkish pullout was seen as a reaction to that negative pressure. Meanwhile, Turkey promised reforms to improve the lives of the 11 million Kurds living there. It said it would lift restrictions on broadcasts in Kurdish and allow Kurds to establish their own schools after the PKK was crushed. The battle would continue until 27 April, when Turkey declared that its mission to wipe out PKK base camps, arms depots, and supply routes in northern Iraq was a success. It said it would go back into Iraq if it again became necessary to strike at the rebels. Turkey said its next task would be to secure the border.

At the same time territorial conflicts with Greece erupted. On 1 June 1995, the Greek parliament ratified the international Law of the Sea treaty, drawing protests from Turkish leaders who saw the move as an attempt by Greece to extend its territorial waters. Almost eight weeks later the two nations narrowly avoided confrontation over a cluster of uninhabited islands in the Aegean Sea. Though on 31 January Greek Prime Minister Constantine Simitis withdrew forces from the area, tensions remained high through April, when a Greek coast guard patrol boat fired on Turkish fishermen suspected of smuggling illegal migrants to the Greek islet of Strongili. Meanwhile in May tensions between Greek and Turkish soldiers on Cyprus escalated, culminating in the fatal shooting of a Greek soldier.

The Kurdish and Greek issues were complicated by political instability within Turkey through the spring of 1996. On 20 Sep-

tember 1995, Prime Minister Tansu Ciller resigned when her coalition fell apart over budgetary matters. When Ciller lost a vote of confidence on 15 October, her own party, the True Path, called for national elections on 24 December. Turkey's president Suleyman Demirel asked Ciller to form a new interim government, a coalition destroyed almost two months later by the triumph of the Islamic Welfare Party in the December elections. In an effort to block Islamic fundamentalists from gaining power, Ciller made overtures to her longtime rivals in the conservative Motherland Party. When negotiations failed, President Demirel in early January invited Islamic Welfare Party leader Necmettin Erbakan to form a government. This effort was unsuccessful, as was the early February attempt by Motherland Party head Mesut Yilmaz. The stalemate ended early in March when Ciller and Yilmaz agreed on a government that left the Islamic Welfare Party out. The following month, in retaliation, Islamic representatives in parliament successfully moved to investigate allegations of corruption against Ciller. As a result of infighting, the center-right coalition fell apart in early June, allowing Erbakan to become modern Turkey's first conservative Islamic prime minister. The instability, as well as Erbakan's anti-West, antiseccular slogans, caused Turkey's economy to lapse and slowed foreign investment significantly.

Beginning in early 1997, Turkey's military leaders began to speak openly of their displeasure with the Islamist turn the country had taken under Erbakan's government—even intimating that if the government did not return to secular policies instituted by Ataturk nearly a century earlier, it would overthrow the government militarily. Erbakan had angered the military, which considers itself the defenders of the country's secularism, by proposing mandatory Islamic education and by making political overtures to Libya and Iran. Pressure from the military increased in late spring and early summer, and Turkey's neighbors in Europe and allies in the United States also expressed concern over the direction the NATO member was taking. The crisis was resolved in July 1997, when the Welfare Party's coalition fell apart, and its leader, Erbakan, resigned his post. After the resignation, Mesut Yilmaz, leader of the Motherland Party, was asked by President Demirel to form a government. Erbakan, upon resigning, said he did so with the full intention of returning to office one day and predicted his ultraconservative Welfare Party would win more than 21% in the next elections, then scheduled for 2000.

Ciller came under heavy scrutiny again in early 1997 in a renewed round of allegations concerning her financial affairs. Opponents in parliament and within her own party accused her and her husband of enriching themselves during her term as prime minister. The parliamentary investigations came as Ciller was defending herself against charges that her government and previous administrations condoned death squads. The scandal came to light in November 1996 after an automobile accident that killed a senior police official. Also in the car was a convicted drug smuggler wanted by Interpol and a high-ranking member of parliament.

By November 1998, Yilmaz's government fell victim to another corruption scandal and Ecevit returned as interim prime minister. Within two months of returning to power, Ecevit scored a major victory for his government through the capture of Kurdish terrorist leader Abdullah Ocalan in Nairobi, Kenya. Ocalan had taken refuge in the Greek embassy in Nairobi and was apprehended while on the way to the airport (and an African country willing

to provide him with asylum). Ocalan's capture brought relations with Greece to a new low as Ecevit accused Greece of being a state sponsor of terrorism.

In the wake of the terrorist leader's arrest, Ecevit called for early elections to be held in April 1999. The balloting resulted in a plurality for Ecevit's DSP (Democratic Left Party) which captured 136 out of 550 seats (22.3% of the vote) in the parliament. The MHP came second with 129 (18.1%), the Virtue Party (successor to the outlawed Welfare Party) dropped to 111 seats (15.5%), while the Motherland Party received 86 seats (13.3%). Ecevit formed a coalition with MHP and Motherland thus strengthening his position with the secularist military and isolating the Islamists.

Ecevit continued to make progress in foreign affairs throughout 1999 and into 2000. Relations in Greece saw marked improvement following a major earthquake that killed 20,000 Turkish citizens in August 1999. Greece was among the first nations to send aid—an act of humanitarian assistance warmly received by the Turkish government and public. When Greece suffered a smaller earthquake the following month, Turkey returned the favor. A dialogue on cooperation between the two countries in areas of mutual interest subsequently resulted in accords in the areas of trade and the fight against terrorism. Many international observers placed emphasis on the warm personal relationship between Turkish foreign minister Ismail Cem and his Greek counterpart George Papandreou. Finally, at the December 2000 EU summit in Helsinki, the EU member-states placed Turkey's name on the list of candidates for entry. Although most observers ruled out Turkish membership for at least 10–15 years, the decision was a symbolic victory for Turkey as it symbolized the efforts of most Turks to identify with the West.

In October 2001, the Turkish parliament voted for 34 changes to the constitution, as a way of improving Turkey's chances of joining the EU. Among the reforms were the abolition of the death penalty except in times of war and for acts of terrorism, ending torture in prisons, and allowances for the use of the Kurdish language in broadcasting and education. However, in May 2002, parliament approved a law increasing government control over the media, including the Internet. At an EU summit held in Copenhagen in December 2002, Turkey was not included in a list of 10 countries to be included in an expanded EU. US president George W. Bush had pressed for early accession talks on Turkey, but EU members stated the country needed more time to demonstrate progress on improving human rights, the economy, and on reducing the influence of the military on Turkish politics. Talks on Turkey's application were deferred until December 2004.

The situation on EU enlargement was made more difficult for Turkey as Cyprus was included in the group of 15 prospective new members: the EU accepted the Greek Cypriot government as a member in 2004 even though reunification was not achieved. In 2005, the EU stated Turkey would have to formally recognize Cyprus in order to join the organization. Accession talks were delayed until Turkey would agree to recognize Cyprus, something Turkey refused to do as of July 2005. However, Turkey decided in January 2004 to ban the death penalty in all circumstances. In June 2004, Turkish state television broadcast for the first time a Kurdish language program. In September 2004, parliament approved a set of penal reforms introducing tougher measures to prevent torture and violence against women. In May, parliament

amended the new penal law to ease restrictions on the media. All of these measures were welcomed by the EU, although it still held Turkey failed to meet all of its concerns regarding human rights.

Ahmet Necdet Sezer was elected president on 5 May 2000. He was the first president in modern Turkish history to be neither an active politician nor a military commander. He is seen as a secularist. Early parliamentary elections were held on 3 November 2002, after eight ministers, including foreign minister Ismail Cem, resigned in July, protesting Prime Minister Ecevit's refusal to leave office despite a dire economic and political climate. Ecevit's health was poor, Turkey was in its most severe recession since World War II, the domestic political situation was volatile, and a US-led war with Iraq was looming, one that would depend upon Turkish cooperation. In the November elections, the newly formed Islamist-based Justice and Development Party (Adalet ve Kalkınma Partisi or AK) won a landslide victory, allowing it to rule without a coalition and amend the constitution by taking 363 of 550 seats in parliament. The AK pledged to adhere to the secular principles of the constitution. Abdullah Gül was named prime minister, largely because the party's leader, Recep Tayyip Erdoğan, was barred from the National Assembly due to a 1998 criminal conviction for inciting religious hatred, after he recited a religious poem deemed to be seditious. In February 2003, parliament amended the constitution, allowing Erdoğan to be eligible as a candidate in parliamentary by-elections in March, which paved the way for him to become prime minister. He became prime minister on 14 March.

During 2002 and into 2003, the international community, led by the United States, placed pressure on Iraq to rid itself of weapons of mass destruction (WMD). Weapons inspectors returned to Iraq, and a rift in the international community emerged as to whether "serious consequences" should result if Iraq was found to be in material breach of UN Resolution 1441, which called on Iraq to disarm. ("Serious consequences" were read as war). In December 2002, Erdoğan stated the AK-led government was ready to support a military strike against Iraq. He stated that Turkey was concerned that the territorial integrity of Iraq be preserved after a war, that the economic effects of such a conflict should be taken into consideration, but that weapons of mass destruction in Iraq could not be tolerated. Turkey was also concerned about the possible effects of war on its Kurdish population: if the 3.5 million Kurds in northern Iraq organized following a defeat of Iraqi President Saddam Hussein's forces, Turkey feared they might want to form an independent Kurdish state, and to potentially unite with the 12 million Kurds in southeastern Turkey.

In February 2003, the United States was negotiating a deal with Turkey for the use of its military bases in the event of an attack on Iraq, and in exchange, promised to prevent the Kurds from imposing a federation-style form of government in Iraq, ensuring their continued autonomy. The United States also agreed to allow Turkish troops to cross into Iraq to observe the disarmament of Kurds once fighting had stopped. The Turkish parliament voted on allowing as many as 62,000 US troops and 320 military aircraft to use Turkish bases in the event of war, in exchange for \$26 billion in aid. At the time, 95% of the Turkish population was against a war with Iraq. Just prior to the launching of the Iraq War on 19 March 2003, parliament decided not to allow US troops to cross Turkish territory in order to set up a northern front in Iraq. How-

ever Turkey did allow the United States to use its airspace in the war with Iraq.

For years, foreign companies have been involved in plans for a hydro-electric dam, the Ilisu Dam project, to supply Turkey with irrigation and electricity. In November 2001, British contractor Balfour Beatty pulled out of the project, as did the Swiss bank UBS in March 2002, due to claims that the dam would have an adverse social and environmental impact on the region.

Turkey was a site of terrorist attacks in the early 2000s. In November 2003, 25 people were killed and more than 200 injured when two car bombs exploded near Istanbul's main synagogue. Just days later, two coordinated suicide bombings at the British consulate and a British bank in Istanbul killed 28 people. In March 2004, at least two people were killed in a suspected suicide attack on a building housing a Masonic lodge in Istanbul. In July 2004, three people died in a car bomb attack in the southeastern town of Van. Authorities accused the PKK of involvement, which the group denied. In July 2005, six people were killed in a bomb attack on a passenger train in the eastern part of the country. Again the authorities blamed the PKK for the act. That month, in the resort town of Kusadasi, an explosion on a minibus killed four people.

In January 2005, a new lira currency was introduced, as six zeros were stripped from old lira, ending an era in which banknotes were denominated in millions.

### 13 GOVERNMENT

The 1961 constitution vested legislative power in the Grand National Assembly, consisting of the House of Representatives, with a membership of 450 (elected for four-year terms), and the Senate of 165 members, of whom 150 were elected and 15 appointed by the president. The president of the republic—the head of state—was elected for a single seven-year term by a joint session of the National Assembly. The president was empowered to designate the prime minister from among the Assembly members; the prime minister in turn chose other cabinet ministers, who were responsible for general government policy.

The constitution ratified in November 1982, which replaced the 1961 document, declares Turkey to be a democratic and secular republic that respects the human rights of its citizens and remains loyal to the nationalistic principles of Atatürk. It vests executive powers in the president of the republic and the Council of Ministers. The president is elected by the National Assembly for a seven-year term. Legislative functions are delegated to the unicameral National Assembly, consisting originally of 400 members elected for five-year terms (the Senate was abolished). Under the constitution's "temporary articles," the five-person National Security Council (NSC) remained in power until the new parliament convened, at which time the NSC became a presidential council, to function for a period of six years before dissolving. These "temporary" provisions expressly forbade all former leaders of either the Justice or the Republican People's Party from participating in politics for 10 years; all former members of the previous parliament were forbidden to found political parties or to hold public office for five years. A referendum in September 1987 approved a proposal to lift the 10-year ban on political participation by leaders of the Justice and Republican People's Parties and numerous other politicians. Proposals to change the voting age from 21 to 20 years and expand the National Assembly from 400 to 450 mem-



bers were approved in May 1987. By 2005, there were 550 seats in the National Assembly and the voting age had been lowered to 18.

Although the constitution guarantees individual freedoms, exceptions may be made in order to protect the republic and the public interest, or in times of war or other national emergency. The provision holding that an arrested person cannot be held for more than 48 hours without a court order may likewise be suspended in the case of martial law, war, or other emergency.

## 14 POLITICAL PARTIES

The first significant nationwide party, the Republican People's Party (Cumhuriyet Halk Partisi—CHP), was organized by Mustafa Kemal in 1923. Strong, centralized authority and state economic planning marked its 27 years of power (1923–50). It deemphasized everything religious to the point of subordinating religious activity and organization to state control.

Not until 1946 did a second popular party, the Democrat Party (Demokrat Parti—DP), come into being. Initially formed by a small group of dissident CHP members of parliament, the DP demanded greater political and economic liberalism and specifically a relaxation of central controls. When they came to power in 1950, the Democrats put into effect their policies of economic expansion through rapid mechanization and free enterprise; they also emphasized rural development through liberal credit terms to farmers. These policies, aimed at broadening the base of the economy, helped to return the Democrats to power three times in succession. After 1954, however, the Democrat regime reinstated many of the former controls and instituted others, notably over the press. The CHP condemned these moves as well as what it regarded as lack of economic planning and of adequate fiscal and commercial controls. Both the Democrats and the CHP supported a firmly pro-Western, anti-Communist foreign policy.

In the first elections of the Second Republic (October 1961), none of the four competing parties won a controlling majority in either chamber, and a coalition government was formed for the first time in 1962. The coalition, however, was short-lived, for the newly formed Justice Party (Adalet Partisi—AP) withdrew from the governing group of parties and became the chief political opposition. The AP, which became the main political force in the country after the 1965 elections, favored private enterprise (in this respect it can be considered the successor of the DP, which was banned in 1960). Organized originally by local Democrat leaders, the AP came to reflect the views of modernization-minded professionals as well as workers and villagers. In the 1965 elections, the AP won 53.8% of the seats in the House of Representatives and 61% of the Senate seats. The elections of October 1969 confirmed its legislative predominance.

In December 1970, dissident members of the AP created the Democratic Party (Demokratik Parti). Another new organization, the Republican Reliance Party (Cumhuriyetçi Güven Partisi—CGP), formed by dissident members of the CHP, put up its first candidates in the 1969 elections. The National Salvation Party (Millî Selâmet Partisi—MSP) was created in March 1973 for the purpose of preserving Islamic traditions and bringing about economic and social reforms. In the general elections of 14 October 1973, the CHP replaced the AP as the most popular party in Turkey, although it did not achieve a parliamentary majority, and

the CHP and MSP formed a coalition government under Bülent Ecevit. After the Ecevit government fell in September 1974, more than six months passed before a new permanent government was formed by Süleyman Demirel. His minority government of the Nationalist Front, which included representatives of the AP, CGP, MSP, and National Action Party (Milliyetçi Hareket Partisi), commanded 214 out of 450 National Assembly seats. After the CHP won 213 Assembly seats in the 1977 elections, Ecevit, having formed a minority cabinet, lost a parliamentary vote of confidence and had to resign. But his rival, Demirel, fared little better as prime minister, and his coalition government soon dissolved. Each served another brief stint as head of government prior to the 1980 military coup.

The new military government banned all political parties and, under the 1982 constitution, forbade the leaders of the AP and CHP from active participation in politics for 10 years. After the new constitution was approved, however, the government allowed the formation of new political groups. The first new party, the Nationalist Democracy Party, was formed in May 1983 by certain retired military officers, former government officials, and business leaders; it received support from the military but fared poorly in local and national elections and was disbanded three years later. Another new group, the rightist Great Turkey Party, was abolished by the government soon after its founding because of alleged close resemblances to the banned AP; the True Path Party (Dogru Yol Partisi—DYP) was established in its place but was not allowed to participate in the elections to the National Assembly on 6 November 1983. Also barred were the newly formed Welfare Party and the Social Democratic Party, and Demirel and other politicians were temporarily placed under military detention. The Populist Party, which the military was said to regard as a loyal opposition, and the Motherland Party (Anatavan Partisi—ANAP), formed by conservative business leaders and technocrats, did win approval to run. In the balloting, the ANAP won a majority in the National Assembly, with 212 out of 400 seats, and its leader, Turgut Özal, became prime minister on 13 December.

Subsequently, all parties were allowed to participate in local elections. In 1985, the Populist Party merged with the Social Democratic Party to form the Social Democratic Populist Party (Sosyal Demokrasi Halkçı Partisi—SDHP). The Free Democrat Party was formed in 1986 as a successor to the Nationalist Democracy Party. In September 1987, the 10-year ban on political participation by over 200 leaders of the AP and CHP was lifted after a referendum indicated approval by a bare majority of just over 50%. At the same time, Özal announced elections in November of that year and had a law passed requiring nomination of candidates by party leaders rather than by popular choice. After challenges from opposition groups, the Constitutional Court declared the new procedure illegal. In the November 1987 elections, Özal was reelected as prime minister, with 36.3% of the vote; the ANAP won 292 of the 450 seats in the National Assembly (although polling only 36% of the vote), the SDHP won 99 seats, and the DYP took 59 seats. A coalition of True Path and Social Democrats defeated the Motherland Party in 1991. Outside the established political system are the Kurdistan Workers Party (PKK) and other smaller separatist parties which have been banned.

In 1993, Motherland Party leader Turgut Özal died while serving as president. He was succeeded by True Path leader Süleyman

Demirel. In July of that year, Tansu Ciller, chairperson of True Path, became prime minister (Turkey's first female prime minister). Ciller headed a shaky coalition and in a budgetary debate in September 1995, her government collapsed. She lost a vote of confidence in October and new elections were held in December. The elections were won by the Welfare Party, which took 158 of 550 seats; although hardly a majority, this was 23 more seats than Ciller's True Path. Fearing an Islamic government, secularists scrambled to form a majority but failed, and in January 1996 President Demirel invited Welfare Party leader Necmettin Erbakan to form a government.

The Erbakan government lasted barely a year and a half. While popular in rural areas, it faced strong opposition from the business elite—which tends to be pro-Western—and the military. Beginning in 1997, the military let it be known that if Erbakan did not uphold Turkey's secular traditions, it would overthrow the government and return it to secular parties. In July 1997 Erbakan resigned and Motherland Party leader Mesut Yilmaz was asked to form a government. Following allegations of corruption, the Yilmaz government fell in November 1998 and was replaced by an interim minority government headed by Ecevit pending early elections.

Ecevit returned to head a minority government pending early elections in 1999. On 18 April 1999, Turkish voters gave Ecevit's DSP a plurality with 136 seats (22.3% of the vote). Ecevit went on to form a coalition government with the MHP and Motherland. In May 2000, President Demirel's long political career came to an end with the election of Ahmet Necdet Sezer as his successor. The next presidential election was to be held in 2007.

Political pressure brought to bear on the Ecevit government in mid-2002 led to the resignation of 8 of his cabinet ministers and a call for early parliamentary elections. The elections were won by the Islamic-based Justice and Development Party (Adalet ve Kalkinma Partisi, or AK), in a landslide victory. The AK took 363 of 550 seats in parliament with 34.3% of the vote; the CHP took 178 seats with 19.4% of the vote; and independents took 9 seats, as other parties participating in the elections did not meet the 10% threshold for obtaining seats. Abdullah Gül became prime minister, but the AK leader, Recep Tayyip Erdogan, retained power in the party, and later became prime minister. The rise of the AK is one demonstration of the popularity of Islamic parties in Turkey, although the country is officially attempting to align itself with the West. The Islamic Welfare Party, which had appeal among the middle class, was banned and closed in 1998, and Erbakan was banned from participating in politics for 5 years. The Welfare Party's successor, the Virtue Party (Fazilet Partisi), was the main opposition party in 2001 when it was banned that June by the Constitutional Court for posing a threat to the state. A new party, the Felicity or Happiness Party (Saadet Partisi) was established by banned members of the Virtue Party. The AK also had its roots in the Virtue Party. The next parliamentary election was to be held 2007.

Former foreign minister Ismail Cem formed a new party, the New Turkey Party (Yeni Türkiye Partisi), which is centrist in orientation and polled 1% of the vote in the 2002 elections.

The PKK is also known as the Kurdistan Freedom and Democracy Congress (KADEK), and the People's Congress of Kurdistan or Kongra-Gel (KKG).

## 15 LOCAL GOVERNMENT

The chief administrative official in each of Turkey's 81 provinces (*vilayets* or *iller*) is the provincial governor (*vali*), an appointee of the central government who is responsible to the Ministry of Internal Affairs. During the military takeover in 1980s, governors were made responsible to the military authorities, and provincial assemblies were suspended. In 11 mainly Kurdish southeastern provinces, a regional governor exercised authority under a state of emergency declared in 1987. The state of emergency was lifted in November 2002. For administrative purposes, provinces are subdivided into districts (*kazas* or *ilces*), which in turn are divided into communes (*nahiyes* or *bucaks*), comprising kasabas and villages. In municipalities and villages, locally elected mayors and councils perform government functions. Both levels of government have specified sources of income and prepare budgets for the allocation of such income, which are then subject to approval by the central government. Most public revenue, however, is collected by the Ministry of Finance in Ankara.

## 16 JUDICIAL SYSTEM

The judicial system was left substantially intact by the 1982 constitution, except for the addition of special state security courts to handle cases involving terrorism and state security. There are four branches of courts: general law courts, military courts, state security courts, and a constitutional court.

The general law courts include civil, administrative, and criminal courts. Decisions of civil courts with original jurisdiction are appealable to a high court of appeals in Ankara. The high court of appeals also hears cases involving charges against members of the cabinet and other high functionaries. It also hears appeals for criminal cases, including appeals from the state security courts. A council of state hears appeals from administrative cases.

The military courts have jurisdiction over military personnel and include courts of first instance and a military court of appeals.

The state security courts are composed of five-member panels. They are found in eight cities and try defendants accused of crimes dealing with terrorism, gang-related crimes, drug smuggling, membership in illegal organizations, and sedition.

The constitutional court reviews the constitutionality of legislation at the time of passage both when requested by the required percentage of members of parliament and in the context of review of constitutional issues which emerge during litigation.

The constitution guarantees the independence of the judiciary from the executive and provides for life tenure for judges. It also explicitly prohibits state authorities from issuing orders or recommendations concerning the exercise of judicial power. A high council of judges and prosecutors selects judges and prosecutors for the higher courts and oversees those in lower courts. In practice, the courts act independently of the executive.

The constitution guarantees defendants the right to a public trial. The bar association is responsible for providing free counsel to indigent defendants. There is no jury system. All cases are decided by a judge or a panel of judges.

The European Court of Human Rights is the final arbiter in cases concerning human rights.

## 17 ARMED FORCES

In 2005, Turkey's total armed forces had a strength of 514,850 active personnel and 378,700 reservists. The Army numbered 402,000 personnel and included 17 armored brigades, 15 mechanized brigades, 15 infantry brigades, and 2 infantry divisions. Army equipment included 4,205 main battle tanks, over 250 reconnaissance vehicles, 650 armored infantry fighting vehicles, 3,643 armored personnel carriers, and more than 7,450 artillery pieces. The Turkish Navy had 52,750 personnel, including 3,100 Marines and 1,050 active naval personnel in the Coast Guard. Major naval units included 13 tactical submarines, 19 frigates, 55 patrol and coastal vessels, 35 mine warfare, 67 amphibious, and 27 logistical/support ships. The naval aviation arm operated seven fixed wing and 16 rotary wing aircraft. The Air Force had 60,100 personnel and 445 combat capable aircraft, including 87 fighters and 358 fighter ground attack aircraft. Paramilitary forces included a 100,000-member national guard/gendarmerie (with 50,000 reservists). An estimated 36,000 Turkish soldiers were stationed on Cyprus. Turkey participated in other peacekeeping and other military missions in six regions or countries. The defense budget in 2005 totaled \$9.81 billion.

## 18 INTERNATIONAL COOPERATION

Turkey is a charter member of the United Nations, having joined on 24 October 1945, and belongs to ECE and several nonregional specialized agencies, such as the IAEA, the World Bank, UNHCR, UNESCO, UNCTAD, ILO, and the WHO. Turkey is also a member of the WTO, the Asian Development Bank, the Black Sea Economic Cooperation Zone, the Euro-Atlantic Partnership Council, the Islamic Development Bank, the Council of Europe, the OSCE, the Organization of the Islamic Conference (OIC), NATO, and the OECD. As of 2005, Turkey was a candidate for membership to the European Union. The nation holds observer status in the OAS and is an associate member of the Western European Union.

Turkey belongs to the Australia Group, the Zangger Committee, the Nuclear Suppliers Group (London Group), the Nuclear Energy Agency, and the Organization for the Prohibition of Chemical Weapons. It holds observer status in the European Organization for Nuclear Research (CERN).

Relations with the United States, Turkey's principal aid benefactor, were strained during the 1970s over the Cyprus issue. After the Turkish military forces, using US-supplied equipment, had occupied the northern third of the island, the US Congress in 1975 embargoed military shipments to Turkey in accordance with US law. In response, Turkey abrogated its 1969 defense cooperation agreement with the United States and declared that it would take over US military installations in Turkey (except the NATO base at Adana). The US government then relaxed the arms embargo and finally ended it in 1978, after which Turkey lifted its ban on US military activities. Turkish-US relations improved markedly thereafter, and a new defense and economic cooperation agreement between the two countries was signed in 1980. In 1986, the 1980 agreement was renewed, allowing the United States to use some 15 Turkish military bases in exchange for continuing military and economic subsidies. Relations between Greece and Turkey also remain strained over the issue of Cyprus.

In environmental cooperation, Turkey is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Since the end of World War II, the agricultural share of the economy has declined, while that of the industrial sector (including construction) has expanded. This shift in economic activity is in part the result of deliberate government policy. Mechanization of agriculture has produced a significant shift in population from farms to cities, necessitating substantial urban and industrial development and, hence, a high rate of investment. However, this heavy investment, plus an explosion of consumer demand, has also contributed to severe inflation and balance-of-payments problems. In the mid-2000s, agriculture contributed about 12% to nominal GDP, and employed over 35% of the workforce, including 25% of male employment and 60% of female employment. Industry accounts for about 30% of GDP and 25% of the labor force, and the service sector accounts for some 58% of GDP and 40% of the labor force.

During the late 1960s and early 1970s, Turkey enjoyed a high economic growth rate, averaging about 7% annually. This growth was financed largely by foreign borrowing, increased exports, and remittances from Turkish workers in Western Europe. As a result of the large increases in oil import costs during 1973–74, however, Turkey's economic growth declined in real terms during 1974–80, and the country suffered a severe financial crisis. Stabilization programs implemented in 1978 and 1979 under a standby agreement with the IMF proved inadequate, but in January 1980, as a condition of further IMF aid, Turkey imposed a more stringent economic reform program, involving currency devaluation, labor productivity improvements, and restructuring of the nation's inefficient state enterprises.

In response to the reforms, the GDP grew on average by 4.8% from 1980 to 1994, the highest rate of any OECD economy. In 1994, structural problems, including inflation rates of between 60–90% and budget deficits of between 6–12%, eventually took their toll, plunging the economy into its worst recession since World War II. Real GDP declined by 6% and the inflation rate exceeded 130%. The underlying strength of the economy, together with a government austerity program designed to rein in spending, led to a turnaround in 1996, and in 1997 GDP grew by 8%. In 1998, real GDP growth slowed and then turned negative as the economy was effected by the Russian financial crisis and domestic political turmoil. Conditions worsened in 1999 as on 17 August 1999 Turkey was hit by the Kocaeli Earthquake (between Bursa and Izmit), the worst ever to hit the country, killing over 15,000, seriously injuring over 28,000, leaving about 500,000 homeless, and causing an estimated \$5 billion worth of damage. In 1999, nominal GDP growth was 46.3%, but inflation, as measured by the consumer price index (CPI), was 68.8% and real GDP declined 6.1%.

At the end of 1999, Turkey entered into a three-year standby arrangement with the IMF with a approved credit line of SDR15.038 billion (1560% of its quota, well in excess of the 300% of quota that is IMF's normal limit), with a stringent set of conditions designed to bring Turkey's chronic inflation under control. The World Bank

followed in 2000 with a Country Assistance Strategy (CAS) that provided external program lending, technical assistance, analytical and policy advice. In 1999, the government took over 10 insolvent private banks and then began criminal investigations into their operations. Several arrests were made of key bankers, including the nephew of a former president, accused of siphoning off funds in various ways. During 2000 real GDP grew at 6.3% and CPI inflation decreased to 39%. However, in late November the economy was suddenly beset with a banking crisis as foreign investors, apparently more concerned about what further investigations might reveal than convinced that banking was being cleansed, began to rapidly sell their Turkish assets and cut lending. An estimated \$6 billion left Turkey in 10 days, \$2.5 billion on 22 November 2000 alone. Overnight interbank interest rates climbed to an annualized 1700%, at one point reaching 1950%. Domestic interest rates rose to 60%, almost double the precrisis level.

By early 2001, Turkey's stock market had lost nearly half of its value. A break in the precipitous divestment was achieved when the IMF announced an agreement to supply an additional \$7.5 billion credit in a one-year program under its Supplemental Reserve Facility (SRF) to run from 21 December 2000 to 20 December 2001. The reversal of the outflow proved only temporary, however. By late February 2001 the economy was plunged into a full-blown financial crisis, precipitated by the president's criticism of the prime minister's handling of the banking investigations during a meeting on 19 February 2001. The interbank overnight rate reached an annualized 7500% and the stock market lost nearly 18% of its value within a day. The central bank reportedly sold \$5 billion of its \$28 billion of reserves trying to defend the lira's exchange rate, but on 22 February 2001 it announced its decision to allow the lira to float. Its value dropped 36% in two days, as the exchange rate for the lira moved to 1,223,140 per 1 US dollar. For the year, real GDP fell 9.4% and inflation, measured by 12-month end-of-period CPI, increased nearly 30% to 68.5%. Net public debt rose to 93.4% of GDP, up from 57.7% the year before. Net external debt doubled as a percent of GDP from 18.5% to 37.1%. In a step designed to restore investor confidence, Kemal Dervish, former vice president of the World Bank, was appointed head of the Turkish central bank. In July 2001 the World Bank revised its 2000 CAS program to include an additional \$1.2 billion on Special Structural Adjustment Loan (SSAL) terms, for a total possible lending of \$6.2 billion in the period 2001 to 2003. On 4 February 2001, the day Turkey's three-year stand-by arrangement with the IMF expired, the government entered into a new two-year stand-by arrangement with a SDR8.194 billion (\$11.3 billion) line of credit.

As of 30 April 2002, Turkey had outstanding with the IMF over SDR14 billion (\$19.3 billion). Turkey's economic prospects seemed to be balanced between the confidence that can be engendered by its strict adherence to anticorruption, fiscal, monetary, and privatization reform programs and the political resistance and instability such strict adherence might provoke. Real GDP growth for 2002 was projected to be 3% with inflation held to the official target of 35%.

By 2005, Turkey's recovery from the 2001 economic crisis was being regarded as a "miracle." GDP grew at a rate of 8% in 2004, and inflation was down to single digits (just over 9%) for the first time in 30 years. Turkey has a long-held objective of becoming a member of the EU, and EU accession negotiations were opened

in October 2005, as if to cement confidence in Turkey's economic recovery. The EU's decision followed on the heels of a three-year, \$10 billion IMF stand-by agreement. Credit disbursements from the agreement of May 2005 depended upon the implementation of policies to reduce government debt, lower inflation, and increase competitiveness. However, the stabilization program had the drawback of not promoting a reduction in unemployment and income inequality. Exports were doing well in 2005, even to Iraq, and the war in Iraq did not deter tourists from visiting Turkey (tourism receipts amounted to a record \$12.6 billion in the first nine months of 2004). The banking system was restructured with a large injection of public funds. On 1 January 2005, Turkey introduced a new lira, eliminating six zeros from the old one. In 2006, however, a fall in the value of the lira was forecast to lead to slightly higher inflation and GDP growth of 3.5%, down from about 5% in 2005. An increase in domestic demand and strong exports were projected to lead to higher growth in 2007. Real GDP growth averaged 3.8% from 2001–05. The predicted slowdown in 2006 was forecast to reduce the current-account deficit from 5.9% of GDP in 2005 to 3.5% in 2006–07. The current-account deficit was estimated at \$21 billion in 2005. The government's large debt, at 74% of GDP, remains a vulnerability. Unemployment remained high, at 10% in 2005, but it was as high as 70% in some Kurdish regions in the southeast.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Turkey's gross domestic product (GDP) was estimated at \$551.6 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$7,900. The annual growth rate of GDP was estimated at 5.1%. The average inflation rate in 2005 was 7.7%. It was estimated that agriculture accounted for 11.7% of GDP, industry 29.8%, and services 58.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$729 million or about \$10 per capita and accounted for approximately 0.3% of GDP. Foreign aid receipts amounted to \$166 million or about \$2 per capita and accounted for approximately 0.1% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Turkey totaled \$160.08 billion or about \$2,264 per capita based on a GDP of \$240.4 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.5%. In 2001 it was estimated that approximately 45% of household consumption was spent on food, 18% on fuel, 6% on health care, and 5% on education. It was estimated that in 2002 about 20% of the population had incomes below the poverty line.

## 21 LABOR

Turkey's labor force in 2005 was estimated at 24.7 million. As of third quarter 2004, agriculture accounted for 35.9% of the workforce, with 41.2% in services, and 22.8% in industry. The unem-

ployment rate was estimated at 10% in 2005, with another 4% of the workforce as underemployed. Approximately 1.2 million Turkish workers are employed in other countries.

A 1946 law authorized the formation of labor unions and enabled them to engage in collective bargaining, and the right to strike was legally permitted in 1963, although general, solidarity, and wildcat strikes are explicitly prohibited. Employers' unions also exist, but members of one kind of union are prohibited from joining the other. As of 2005, about 25% of the country's wage and salaried workforce were unionized. Union membership was largest in the textile industry, tobacco manufacturing, public utilities, transport and communications, and coal mining. After the 1960 overthrow of the Menderes government, trade unions pressed the government to act upon their demands for the right to strike, for collective labor contracts, and for various social benefits, which were provided for in law but had not been fully implemented. However, the right to strike and the right to bargain collectively remained restricted as of 2005.

A detailed labor code administered by the Ministry of Labor controls many aspects of labor-management relations. As of 2005, Turkey had a basic 45-hour workweek, with a weekly day of rest. Overtime was limited to three hours per day, for no more than 90 days per year. The minimum wage was \$360 per month in the second half of 2005. Minimum wage rates are set semiannually by Turkey's Minimum Wage Commission. Workers usually are entitled to one paid day off per week. The minimum working age is 15, but in practice child labor, as of 2005, was widespread. Turkey's State Statistical Institute in 2004 reported that 764,000 children between the ages of 12 and 17 were working. However some observers claim that the figures were unreliable and that the number of child laborers was actually increasing.

## 22 AGRICULTURE

About 26 million hectares (64.2 million acres), or 34% of Turkey's total land area, is considered arable; in any given year, about two-thirds of arable land is under crops, and one-third is fallow. Little uncultivated arable land remains. The average holding is not more than four or five hectares (10–12 acres). Dry grain farming—in which half the land must lie fallow each year—offers little more than a subsistence standard of living. About 35% of the labor force is engaged in agriculture, which provided 13% of GDP in 2003. Large farms are concentrated mainly in the Konya, Adana, and İzmir regions. Agricultural methods still tend to be primitive, but modern machinery has been introduced. Much new land has been brought under cultivation since World War II (1939–45), and the increased use of chemical fertilizers and expansion of irrigated lands have increased yields per acre overall. In 2003, about 20% of all arable land was irrigated. Nevertheless, crop yields are still extremely sensitive to variations in rainfall. In good crop years, Turkey exports cereals, but in drought years, it must import them.

About 90% of the cultivated area is devoted to cereals. Wheat is the principal crop, accounting for about 60% of total grain production in 2004; 21,000,000 tons of wheat were grown in that year, followed by barley with 9,000,000 tons. Turkey also produced 13,965,000 tons of sugar beets and about 3,600,000 tons of grapes. Other agricultural products were grown in lesser but still important quantities in 2004: maize, 3,000,000 tons; sunflower seeds, 900,000 tons; cotton, 903,600 tons; and oranges, 1,280,000 tons.

Turkish tobacco is world famous for its lightness and mildness. Most of the crop is grown in the Aegean region, but the finest tobacco is grown around Samsun, on the Black Sea coast. Tobacco and tobacco products represented 8% of total agricultural exports in 2004 and 0.8% of all Turkish exports that same year. Some 160,000 tons of tobacco were produced in 2004. Most of the cotton crop is grown around Adana and İzmir. Other crops of commercial importance include olives (1,600,000 tons in 2004), tea (153,800 tons), fruits, nuts, and vegetable oil. Turkey usually leads the world in the production and export of hazelnuts (about 425,000 tons produced in 2004) and also is a leading producer of pistachio nuts (30,000 tons).

The government stimulates production through crop subsidies, low taxation, price supports, easy farm credit, research and education programs, and the establishment of model farms. The government also controls the conditions under which farm products can move into world markets. For some products, such as grain, the government is the sole exporter. Turkey began exporting vegetables and fruits abroad, which affected domestic market prices. Cotton and tobacco production levels are increasing as demands by the textile and cigarette industries have risen.

Turkey is one of seven countries authorized under the 1961 UN Convention on Narcotic Drugs to grow opium poppies for legitimate pharmaceutical purposes. In June 1971, after persistent US complaints that up to 80% of all opiates smuggled into the United States were derived from Turkish poppies, the Turkish government banned poppy growing; however, after efforts to find substitute crops failed, the government decided to rescind the ban on 1 July 1974. Areas authorized for poppy cultivation were estimated at 37,500 hectares (92,700 acres) in 1983; 5,000 hectares (12,350 acres) of opium capsule were sown in 1985. Government steps to curtail illegal cultivation, refining, and export of opiates were reportedly successful; in fact, Turkey has been one of the few opium-growing countries to crack down hard on drug smuggling.

## 23 ANIMAL HUSBANDRY

Turkey is heavily overgrazed. Many animals are used for transport and draft purposes as well as to supply meat and dairy products. The principal animals of commercial importance are mohair goats and sheep. The sheep wool is used mainly for blankets and carpets, and Turkey is a leading producer of mohair. Nevertheless, animal husbandry is generally poorly developed despite the great number of animals. In 2005 there were 25.2 million sheep, 10 million head of cattle, 6.6 million goats, and 297 million chickens. Production of wool was estimated at 46,000 tons in 2005. Other livestock products included cow's milk, 9.5 million tons; poultry meat, 940,000 tons; and hen eggs, 830,000 tons. Turkish apiculture produced some 73,900 tons of honey in 2005, fourth in the world.

## 24 FISHING

The total marine catch by Turkey's deep-sea fishermen was 502,800 tons in 2003, most of it anchovies and sardines caught as they migrate seasonally through the Bosphorus. In addition, 84,915 tons of freshwater fish were caught. Fishing equipment and methods have been substantially upgraded in recent years. For most of the population, however, the sea is not an important source of food.

Exports of fish and fish products amounted to \$148.8 million in 2003.

## 2<sup>5</sup> FORESTRY

Forests occupy 10,225,000 hectares (25,266,000 acres), or 13.3% of Turkey's total land area. State forests include almost all the forestland, while community or municipal forests and private forests are small. Care of state forests and all cutting therein are the responsibility of the directorate-general of forestry within the Ministry of Agriculture. The timber cut in 2004 yielded 15,870,000 cu m (558 million cu ft) of roundwood, with 32% used as fuel wood. Production of sawn wood in 2004 was 5,615,000 cu m (198.2 million cu ft); wood pulp 225,000 tons; wood-based panels, 3,232,000 cu m (114 million cu ft) and paper and paperboard, 1,643,000 tons.

## 2<sup>6</sup> MINING

Although Turkey had a wide variety of minerals, its resources were only partially developed. Turkey was a leading producer of boron, and was known for such industrial minerals as barite, celestite (strontium), clays, emery, feldspar, limestone, magnesite, marble, perlite, pumice, and trona (soda ash). Other minerals actively exploited and marketed were copper, chromite, iron ore, sulfur, pyrite, manganese, mercury, lead, zinc, and meerschaum. Mining, steelmaking, petroleum, and construction, were leading industries in Turkey. Turkey was a significant exporter of borates and steel, and also exported chromite, copper, zinc, and a wide variety of industrial minerals and derived chemicals. In 2003, exports of minerals and chemical based commodities and products accounted for approximately 22% of Turkey's \$47.2 billion in exports, or around \$10.7 billion. Among crude minerals in 2003: copper exports earned \$2,481 million; metal ores, about \$56 million; and borates and concentrates, around \$84 million.

In 2003 preliminary production of: copper (metal content) was 45,000 metric tons, down from 48,253 metric tons in 2002; dolomite, 1,158,539 metric tons; limestone (other than for cement), 28.609 million metric tons, down from 30.261 million metric tons in 2002; marble, 544,629 cu m, compared to 557,630 in 2002; quartzite, 2,908,584 metric tons; boron concentrates, 1.4 million metric tons, up from 1.346 million metric tons in 2002; bauxite from the public sector, 364,306 metric tons (about 30,000 metric tons per year were produced by the private sector); feldspar, 1,862,310 metric tons; iron ore (metal content), 2.1 million metric tons, down from 2.4 million metric tons in 2002; celestite strontium concentrates, 70,000 metric tons; and meerschaum, 200 kg (estimated), down from 200 kg in 2002. Eskisehir, in northwestern Anatolia, was the world center of meerschaum (sepiolite). Turkey was famous for its meerschaum pipes. Also produced in 2003 were alumina, antimony, gold, lead, manganese, silver, alumina sulfate (alunite), barite, hydraulic cement, clays (including bentonite and kaolin), emery, fluorspar, crude glass, graphite, gypsum, lime, magnesite, nitrogen, perlite, pumice, cupreous pyrite, sand and gravel, silica sand, sodium compounds (salt, soda ash [trona], and sodium sulfate), stone (basalt, diabase, granite, onyx, sandstone, serpentine, slate, and travertine), sulfur, talc, and zeolite. No smelted zinc or cadmium were produced in 2003.

Despite the divestment of a large portion of the state-owned minerals sector holdings, to domestic and foreign investors, the

government remained a significant factor in most sectors of the minerals industry, through shareholdings in a number of private companies and various state-owned industrial corporations. In recent years, the government has been encouraging mineral exports as well as domestic and foreign private mining investment. Ongoing privatization costs were expected to result in layoffs and the closure of inefficient operations. Most of the nation's 3,000 mines were small. Resources of metallic commodities minable by large-scale methods were known for bauxite, chromite, copper and copper-zinc, gold, iron, and silver.

## 2<sup>7</sup> ENERGY AND POWER

Turkey has only modest reserves of oil and natural gas, while its coal reserves are generally of indifferent quality and highly polluting. However, the country's geographic location makes it a natural bridge between European consumer markets and the major oil producing areas in the Middle East and in the Caspian Sea region.

As of 1 January 2005, Turkey had proven oil reserves estimated at 300 million barrels. In 2004, oil output was estimated at 42,904 barrels per day, of which 42,421 barrels per day was accounted for by crude oil. However, in that same year, demand for oil averaged 685,000 barrels per day, of which net imports accounted for 642,081 barrels per day. Crude oil refining capacity is spread over seven refineries with a combined crude oil refining capacity of 802,275 barrels per day, which includes the privately owned Atas refinery at 88,000 barrels per day. Reported as of July 2005, by the Energy Information Agency, oil accounts for more than 40% of Turkey's total energy requirements, although its share is falling due to the increasing use of natural gas. Approximately 90% of Turkey's oil is imported.

Although Turkey has proven reserves of natural gas, nearly all of Turkey's demand for natural gas is met by imports. As of 1 January 2005, Turkey's natural gas reserves were estimated at 300 billion cu ft. Production in 2003 was estimated at only 20 billion cu ft while demand was estimated at 748 billion cu ft. Imports that year were estimated at 728 billion cu ft. The bulk of Turkey's demand for natural gas in 2003, around 65%, was accounted for by the country's power sector. Residential and industrial users accounted for 14% and 19% of demand, respectively, in 2003.

In 2003, Turkey's recoverable coal reserves were estimated at 4.6 billion short tons. Coal production that year came to 53.1 million short tons, with demand at 71.0 million short tons. Imports of coal in 2003 were estimated at 17.9 million short tons. Coal produced in Turkey is used largely for electric power generation.

As of early 2004, Turkey's electric generating capacity was estimated at 32.3 GW, of which 40% of capacity was fueled by natural gas, 28% by hydropower, 24% by coal, and only 7% by oil. In 2003, net electricity production totaled an estimated 133.6 terawatt-hours (Twh), with demand in that same year estimated at 124.9 Twh. For almost 20 years, Turkey has been one of fastest growing markets for electricity in the world. Although the country's 2001 economic crisis has dampened demand for electricity, the Turkish government foresees the need for a significant increase in the country's generating capacity.

## 28 INDUSTRY

Overall industrial production, which had increased by annual rates of close to or over 10% from 1973 to 1977, fell sharply because of Turkey's financial crisis in 1978–79 and actually declined by 5% in 1979 and 1980. After the government's economic reform program slowed inflation and stabilized the lira, industrial production improved. Production rose 28% during 1985–87. State enterprises were restructured to reduce their government subsidies and to make them more productive and competitive with private firms. However, industry has continued to suffer from structural weaknesses and, in many firms, production facilities are obsolete. Production rose by an annual average of almost 5% 1980 to 1993, but fell more than 6% in the recession of 1994 as the chronic double digit inflation rose to triple digits at 128%. Manufacturing output recovered strongly from 1994 to 1995, rising 30% from \$34.3 billion to \$44.7 billion, and then to \$46.6 billion in 1996. The industrial production index (1992=100) rose to a peak of about 132 in May 1997, and capacity utilization peaked in September at 82%. The Russian financial crisis helped throw both indicators into decline and by August 1999 the industrial production index had fallen 20% to about 111 and capacity utilization to about 67%. Another period of recovery lasted until the banking crisis of late 2000, although capacity utilization remained below 77%. From November 2000 to October 2001 the industrial production index fell 20%, from 130 to 110, and capacity utilization dipped below 74%. The 2001 industrial output declined 8.9% including a 9.9% decline in manufacturing, a 7.9% decline in mining, and a 1.5% decline in utility outputs. Continuing its roller coaster pattern, in the first quarter of 2002, the industrial production index was back up to 132 as capacity utilization rose marginally to 75%.

As of 2005, industry, excluding construction, accounted for about 25% of GDP and just under 20% of employment. Construction contributes about 4–5% of GDP, down from 6–8% of GDP in the late 1980s and early 1990s. The industrial production growth rate in 2004 was 16.5%.

The textile industry, Turkey's largest manufacturing sector (accounting for one-third of industrial employment), is centered in İzmir, Istanbul, Adana, and Kayseri. The removal of EU quotas on imports of textiles and apparel when Turkey joined in a customs union with the EU in 1996 has improved growth prospects, but the removal of global quotas in 2005 causes Turkey to face stiff competition on international markets for its textiles and clothing.

Secondary mineral commodities, including refined petroleum products, steel, cement, glass, and certain chemicals account for over two-thirds of manufacturing output. Turkey's largest industry is petroleum refining. Turkey has very limited energy resources, but because of its strategic location between Europe and Asia, oil consumers and oil producers, it is crossed by several major oil and gas pipelines. Turkey has six oil refineries, four operated by the state. The four state refineries—at Izmit, at Aliaga, at Kirikkale, and at Batman—were built by the National Oil and Gas Company of Turkey (TPAO—Turkiye Petrolleri A.O.). The major private refinery in Turkey is Anadolu Tasfiyehanesi A.S. (ATAS). A small refinery in the southeast was bought in 1997 by Aladdin Middle East Ltd., a US-based company concerned mainly with oil exploration and development in this Kurdish-dominated region. Total refinery production suffered in the Russian financial crisis of 1998

and the Izmit earthquake of 1999, which damaged the Izmit Refinery in Kocaeli Province, epicenter of the earthquake.

Major industrial complexes include the government-owned iron and steel mill at Karabuk and the Ereğli iron and steel works. Other important Turkish enterprises are brick and tile, glass, leather, chemicals and pharmaceuticals, metalworking, cordage, flour milling, vegetable-oil extraction, fats and oils, paper products, printing and publishing, plastic products, and rubber processing. The sugar-beet industry ranks first among food-processing industries and produces more than domestic consumption requires. The automobile industry expanded rapidly in the 1970s and continued to be a growth sector in the mid-2000s. Tofas, a joint venture between Fiat and Koc Holding A.S., Turkey's biggest industrial conglomerate, is the leading automotive producer. Much of the production of machines, consumer goods, and tools takes place in hundreds of small machine shops and foundries, where little special-purpose machinery is used. In addition to textiles and clothing and motor vehicles, consumer electronics was the most dynamic sector of the economy by 2006.

## 29 SCIENCE AND TECHNOLOGY

Turkey's industrial economy has just begun to apply advanced technology to basic industries. The government body that coordinates scientific research is the Scientific and Technical Research Council of Turkey (founded in 1963), in Ankara. The Mavmara Scientific and Industrial Research Institute (1972), in Istanbul, conducts research on basic and applied sciences, and industrial research. The Ankara Nuclear Research and Training Center (1967), attached to the Turkish Atomic Energy Authority, studies health physics, nuclear electronics, and plasma physics. The General Directorate of Mineral Research and Exploration (1935), also in Ankara, conducts the Geological Survey of Turkey and evaluates mineral resources. The Turkish Natural History Museum was founded in 1968 at Ankara. Turkey has 29 universities that offer courses in basic and applied sciences. In 1987–97, science and engineering students accounted for 45% of college and university enrollments. In 2002, of all bachelor's degrees awarded, 22.1% were for the sciences (natural, mathematics and computers, engineering).

In 2002, total expenditures on research and development (R&D) amounted to \$2,965.522 million, or 0.67% of GDP. Of that amount, the government accounted for 50.6%, followed by the business sector at 41.3%. Private nonprofit organizations and foreign sources accounted for 6.9% and 1.3%, respectively. In that same year, there were 345 scientists and engineers, and 37 technicians engaged in research and development per million people. High technology exports in 2002 totaled \$568 million, or 2% of the country's manufactured exports.

## 30 DOMESTIC TRADE

Individual firms tend to be small and specialized. There is virtually no commercial activity in villages; the villager comes into the market town to buy and sell. Government-operated exchanges for cereals are located in municipalities. If the price of grain in the free market falls below the supermarket price, the government-operated exchanges purchase the grain and market it. In this manner, the government controls the price range of cereals. Franchising has grown in the past few years, primarily in foreign fast-food

and apparel firms. Value-added taxes apply to most goods and services with different rates for different products.

Because of the scarcity of some commodities, the government controls the distribution of various essential goods, notably cement, coal, lignite, and steel. Under a 1954 law, municipal authorities enforce specified profit margins on designated commodities. These margins are established at four levels: importer or manufacturer, distributor, wholesaler, and retailer. Customarily, a Turkish wholesaler supplies credit to retailers who, in turn, often extend credit beyond their own means to consumers. Wholesalers' margins tend to be small because of low overhead and keen competition. Due to Turkey's high inflation rate, wholesalers usually try to maintain minimal stocks to reduce carrying costs.

Most commercial firms belong to chambers of commerce, which exist in all cities. Chambers of industry are increasingly important in larger manufacturing centers. The government sponsors an international trade fair every year at İzmir.

Shops are normally open from 9 AM to 7 PM, Monday through Saturday; some establishments tend to stay open later in the evenings, some shops often have Sunday hours, and some close Friday nights for Muslim religious observances. Banking hours are from 9 AM to 5 PM, Monday through Friday. Business hours are from 9 AM to 5 PM, Monday through Friday, with an hour for lunch.

### <sup>31</sup> FOREIGN TRADE

Turkey's trade balance has long been negative, but the deficit reached crisis proportions in 1974/75 and again in 1980/81, when import value was nearly double that of exports and the annual trade deficit approached \$5 billion. In 1985, the government mandated the creation of four free trade and export processing zones aimed at expansion and diversification of exports. By 1990, the deficit had risen to over \$9 billion and the ratio of exports to imports fell to 58%, compared to 81% in 1988. The gap narrowed slightly in 1991 and 1992, but widened in 1993. Exports increased from \$18.1 billion in 1994 to \$21.6 billion in 1995 to \$24.5 billion in 1996. Total imports in 1994 amounted to \$23.3 billion, and rose to \$35.7 billion in 1995 and \$45 billion in 1996.

After 1994, strong domestic demand caused imports to surge, along with the reduction of import duties that accompanied the

introduction of a customs union with the EU in 1996. By 2000, exports equaled only slightly more than half of imports (50.8%), bringing back memories of trade balances of the 1970s and '80s. The share of exports of goods and services in GDP surged to over 30% in the 2001 recession year in which domestic demand contracted sharply, but exports rose sharply, particularly due to the devaluation of the lira. That was the first time exports accounted for more than 25% of GDP. In 2002, the share of exports was 28.8%, and imports of goods and services amounted to about 30% of GDP. The foreign trade gap continued to widen in 2005, driven in part by high international oil prices.

The garment and textile industry in Turkey accounts for the largest amount of commodity exports. Other exports include iron and steel, fruits and nuts, and televisions.

Turkey's leading markets in 2004 were Germany (13.9% of all exports), the United Kingdom (8.8%), the United States (7.7%), Italy (7.4%), and France (5.8%). The 25 nations of the EU were the destination of 54.6% of Turkey's exports. In 2004, leading suppliers included Germany (12.8% of all imports), Russia (9.3%), Italy (7%), France (6.4%), and the United States (4.9%). Of Turkey's total imports, 46.6% came from the EU-25.

### <sup>32</sup> BALANCE OF PAYMENTS

In 2000 and 2001, a trade deficit and a weak banking sector forced Turkey to float the lira, which caused the country to fall into recession. The economy improved in 2002, however, due in part to support from the IMF and tighter fiscal policies. The share of exports of goods and services in GDP rose to 31.5% in 2001, the first time it surpassed 25%. That year, imports of goods and services amounted to 29.2% of GDP. Total external debt by September 2001 stood at \$118.3 billion. In 2004, exports amounted to \$67 billion, while imports were \$90.9 billion, leaving a trade deficit of \$23.9 billion, compared with \$14 billion in 2003. The foreign trade gap continued to widen in 2005, due in large measure to high in-

#### Principal Trading Partners – Turkey (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	47,252.8	69,339.7	-22,086.9
Germany	7,484.9	9,453.0	-1,968.1
United States	3,753.9	3,496.6	257.3
United Kingdom	3,670.1	3,500.0	170.1
Italy-San Marino-Holy See	3,194.8	5,471.6	-2,276.8
France-Monaco	2,826.1	4,164.1	-1,338.0
Free zones	1,928.3	588.9	1,339.4
Spain	1,792.2	2,003.8	-211.6
Netherlands	1,525.9	1,656.7	-130.8
Russia	1,367.6	5,451.3	-4,083.7
Israel	1,083.0	459.5	623.5

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Turkey (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-6,850.0</b>
Balance on goods	-14,034.0	
Imports	-65,240.0	
Exports	51,206.0	
Balance on services	10,505.0	
Balance on income	-5,427.0	
Current transfers	2,106.0	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>6,959.0</b>
Direct investment abroad	-499.0	
Direct investment in Turkey	1,562.0	
Portfolio investment assets	-1,386.0	
Portfolio investment liabilities	3,955.0	
Financial derivatives	...	
Other investment assets	-986.0	
Other investment liabilities	4,313.0	
<b>Net Errors and Omissions</b>		<b>3,978.0</b>
<b>Reserves and Related Items</b>		<b>-4,087.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.



ternational oil prices. The current-account deficit was estimated at \$21 billion in 2005, or 5.9% of GDP.

### 33 BANKING AND SECURITIES

The Central Bank of the Republic of Turkey was founded in 1930 as a privileged joint-stock company. It possesses the sole right of note issue and has the obligation of providing for the monetary requirements of the state agricultural and commercial enterprises by discounting the treasury-guaranteed bonds they issue. All foreign exchange transfers are handled exclusively by the Central Bank, which operates the clearing accounts under separate agreements with foreign countries. The bank has 25 domestic branches, plus a banknote printing plant and foreign branch offices in New York, London, Frankfurt, and Zürich.

As of 2002, Turkey had 69 banks. Banks supervised by the Central Bank play a declining role in the banking system, but 49% of total bank assets are still concentrated in three state-owned banks. The major private banks are mostly linked to industrial conglomerates, such as the Cukurova Group, owning the Construction and Credit Bank (Yapı ve Kredi Bankası), Pamukbank, and Interbank; and the Sabanci Group, which owns Akbank. Several Western commercial banks are also active, as are some Middle Eastern trading banks. There are also three so-called special finance houses, which have adopted Islamic banking practices. Many observers predict large-scale bank consolidation as Turkey continues liberalizing its economy.

The five big state banks suffer from serious structural problems. These include overstaffing, political interference, and nonperforming loans to other state institutions, which are not recorded as such. Many small and medium-sized banks are also poorly run. Some of these were badly hit by the financial crash of early 1994, and three were forced to close. A widespread shakeout in the banking system is regarded as likely in the longer term.

Two of Turkey's most important banks, the Sümerbank and Etibank, are also state investment-holding companies. Another important state financial institution is the Agricultural Bank, which supplies credit to the farm population. The largest private commercial bank is the Business Bank. Another private bank, the Industrial Development Bank of Turkey, stimulates the growth of private industrial development and channels the flow of long-term debt capital into the private industrial sector for both short- and long-range development programs. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$8.7 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$86.8 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 91.95%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 60%.

The first securities market in the Ottoman Empire was the Dersaadet Securities Exchange, established in 1866. The Istanbul Stock Exchange opened in 1985 and the Istanbul Gold Exchange commenced operations 10 years later.

Turkey's only securities exchange is located in Istanbul. Because of the shortage of foreign exchange, there are no transactions in foreign bonds and stocks. With few exceptions, trading is in government bonds. Virtually all securities issued by private

enterprises are sold privately through personal arrangements between buyers and sellers. Still, the Istanbul Stock Exchange has developed impressively, if not erratically, in recent years. In 2001, there were 310 companies listed, the most in the exchange's history. Total market capitalization was \$47 billion, and trading value was nearly \$78 billion with a sky-high turnover rate of 162%. As of 2004, there were 296 companies listed on the Istanbul Stock Exchange, which had a market capitalization of \$98.299 billion. Trading value that year came to \$147.426 billion, with a turnover ratio of 182.3%.

### 34 INSURANCE

Government regulations, effective 1929 and subsequently amended, require all insurance companies to reinsure 30% of each policy with the National Reinsurance Corp., a state organization. In 1954, life policies were exempted from this requirement. It is possible to secure insurance policies for flood damage, third-party liability, earthquake, commercial shipments, theft, fire, and accident, as well as life. Varied social security schemes are administered directly by the state. Third-party automobile liability, workers' compensation, and employers' liability are all compulsory. Workers' compensation is covered solely by the government as a part of the Social Security scheme. The insurance market is officially regulated through the Ministry of Commerce. In 2003, the value of all direct insurance premiums written totaled \$3.242 billion, of which nonlife premiums accounted for \$2.672 billion. In 2003, Axa Oyak was Turkey's top nonlife insurer, with gross written premiums of \$286.3 million, while the country's leading life insurer, Anadolu H. Emekilik, had gross written life insurance premiums of \$226.9 million.

### 35 PUBLIC FINANCE

Beginning in 1983, the fiscal year was shifted to the calendar year, starting on 1 January. (It had formerly begun on 1 March.) The consolidated budget includes the general budget of the govern-

#### Public Finance – Turkey (2001)

(In trillions of liras, budgetary central government figures)

<b>Revenue and Grants</b>	<b>51,324.7</b>	<b>100.0%</b>
Tax revenue	43,126.5	84.0%
Social contributions	...	...
Grants	...	...
Other revenue	8,198.1	16.0%
<b>Expenditures</b>	<b>81,545.9</b>	<b>100.0%</b>
General public services	56,229.4	69.0%
Defense	5,456.9	6.7%
Public order and safety	3,063.7	3.8%
Economic affairs	2,569	3.2%
Environmental protection	...	...
Housing and community amenities	706.7	0.9%
Health	2,598.5	3.2%
Recreational, culture, and religion	557.9	0.7%
Education	5,233.7	6.4%
Social protection	5,130.2	6.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ment (by ministry) and a number of annexed budgets, which pertain to semiautonomous state activities, such as universities. Additionally, each section is divided into operating and investment expenditures. The budget is invariably in deficit. In 1994, when budget deficits led to an economic crisis with inflation peaking at 150%, the government launched an austerity program that reduced inflation but sent the economy into recession. When conditions improved, the government's commitment to austerity measures waned and expenditures again exceeded revenues. In 1999 the government initiated structural reforms under ongoing programs of standby agreements with the IMF. However, in 2000/01, banking crises, political disputes, and a rapidly growing current account deficit set the economy into a deep downturn that forced the government to adopt a floating exchange rate regime, an ambitious reform program, a tight fiscal policy, additional structural reforms, and unparalleled levels of IMF lending. By 2005, the economy was on stronger footing, with continued support from the IMF.

The US Central Intelligence Agency (CIA) estimated that in 2005 Turkey's central government took in revenues of approximately \$93.5 billion and had expenditures of \$115.3 billion. Revenues minus expenditures totaled approximately -\$21.7 billion. Public debt in 2005 amounted to 67.5% of GDP. Total external debt was \$161.8 billion.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, budgetary central government revenues were TL51,324.7 trillion and expenditures were TL81,545.9 trillion. Government outlays by function were as follows: general public services, 69.0%; defense, 6.7%; public order and safety, 3.8%; economic affairs, 3.2%; housing and community amenities, 0.9%; health, 3.2%; recreation, culture, and religion, 0.7%; education, 6.4%; and social protection, 6.3%.

### 3<sup>6</sup>TAXATION

All persons domiciled in Turkey, whether of Turkish citizenship or otherwise, are subject to taxation on income. Certain categories of foreigners are taxed only on income earned in Turkey, specifically, foreign business representatives, consultants, scientists, government officials, press correspondents, and others who do not intend to become permanent residents regardless of length of stay. Turkey, as of 2005, had a progressive personal income tax structure with a top rate for employment income of 30%, and a 40% rate for other types of personal income. Dividends paid to resident individuals are taxed at only 50% of the distribution. In addition, the withholding tax paid on that portion can be taken as a credit against the taxable dividend income.

As of 1 January 2005, the basic corporate tax rate, was 30%. Capital gains, as of that date, were also taxed at that rate and are included in ordinary income. Dividends paid by resident corporations to other resident companies are not subject to a withholding tax. However, a 10% withholding rate may apply to those dividends if: the recipients are residents not subject to or exempt from income or corporate taxes; are nonresident corporations without a permanent representative or office in Turkey; and if the nonresident recipients are exempt from Turkish corporate and income taxes. Interest income from Turkish government treasury bills and bonds, and on loans made by foreign financial institutions are not subject to a withholding tax. Interest income derived from

other sources are subject to varying withholding tax rates. Royalties paid to nonresident companies or under licenses of rights are subject to a 22% withholding rate. A higher 25% rate applies payments on the sales of rights.

A value-added tax (VAT) with a standard rate of 18% applies to most transactions. However, an 8% rate is applied to basic foodstuffs, medical services, private education, books and some entertainment services. An even lower rate of 1% is applied to some immovable property, agricultural products, newspapers and used cars. In December 2001 two higher rates of 26% and 40% applied to luxury goods were abolished. Exemptions to the VAT include transactions subject to Turkey's insurance and banking transactions tax the pipeline transport of petroleum and crude oil, and the leasing of immovable property. Exports, international transport services provided abroad, and the supply of aircraft and ships are zero-rated.

Other taxes include excise taxes, stamp taxes, sales taxes consumption and property taxes, and inheritance and gift taxes. Business establishments are subject to an old age insurance tax and an illness and disability tax, shared by employers and employees.

### 3<sup>7</sup>CUSTOMS AND DUTIES

Most imports are subject to the 18% VAT (with a ceiling of 26%) which is applied on the CIF (cost, insurance, freight) plus duty value. Turkey is a member of the World Trade Organization (WTO) and aligns its customs policies with WTO regulations. Turkish customs duties are assessed on an ad valorem basis only. Present customs classification conforms to standardized international nomenclature. Duty-free entry is provided for many types of imports, such as some raw materials, imports by government agencies, and capital goods. In 1996, Turkey aligned its tariffs with the EU's common external tariff system. Importers no longer need an import license and import authorization from a bank. A government monopoly, TEKEL, controls alcohol and cigarette imports. Narcotics and weapons are strictly prohibited.

### 3<sup>8</sup>FOREIGN INVESTMENT

Although Turkey has been the recipient of considerable foreign aid, its leaders have also recognized the need for private foreign investment. By 1970, foreign capital could operate in any field of economic activity open to Turkish private capital, and there was no limit on the percentage of foreign participation in equity capital. However, direct capital investment by foreign companies from 1960 to 1979 averaged no more than \$20 million annually, very low by OECD standards. This changed dramatically in 1980 with new foreign investment policies that cut red tape to gain more rapid approval for investment applications; inflows of private capital increased to \$97 million in 1980, \$337 million in 1981, and \$913 million in 1992. In 1997, foreign direct investment in Turkey totaled over \$1 billion. A majority (56.8%) of this investment went into manufacturing, while 40.5% was in services, 1.6% in agriculture, and 1.1% in mining.

Total Turkish direct foreign investments abroad totaled over \$1.4 billion in 1997. Just over \$323 million (22.2% of the total) was invested in the United Kingdom, \$297.7 million in Germany, \$102.2 million in the Netherlands, and \$86.2 million in Russia. Other destinations for Turkish investors include Azerbaijan, Luxembourg, Romania, and Kazakhstan.

Private investment in the early 2000s was sluggish: in 2001 and 2002 total fixed investment accounted for only some 17% of GDP, with more than 30% of this carried out by the public sector. Corporate taxes are high, although the basic rate of corporate tax was due to fall from 30% to 20% in 2006. As of June 2003, there were 6,511 foreign firms invested and operating in Turkey. Over the past two decades, France has been the largest foreign investor, followed by the Netherlands, Germany, and the United States. In 2004, FDI inflow (January to November) amounted to \$2.2 billion, or 1% of GDP. As of December 2004, Turkey's total external investment abroad amounted to \$6.5 billion.

### 39 ECONOMIC DEVELOPMENT

Economic policy is formulated by the State Planning Organization. In June 1961, an integrated 15-year plan was announced, consisting of three five-year plans designed to achieve a 7% yearly increase in national income. In March 1963, the first five-year plan was inaugurated; this 1963–68 program to some extent fell short of its goals, but its average annual increase of 6.7% in GNP was still impressive. Two objectives of the second five-year plan (1968–72) were economic viability and social justice. The role of the public sector under this program was twofold: creation and expansion of the economic and social infrastructure and development of modern manufacturing industries. Economic policy, however, still sought the largest possible active role for private enterprise in the development of industries, and the government sought with limited success to encourage private activity through fiscal concessions, financial assistance, and state participation in mixed enterprises. The third five-year plan was inaugurated in 1973 with the objective of helping Turkey prepare for its future membership in the EC. The long-term goals were to increase the per capita GNP from \$400 in 1972 to \$1,500 by 1995, to reduce agriculture's share of the GDP to 12%, and to increase industry's share to 37%. One of the main aims of the third five-year plan, still largely unmet, was to increase the efficiency of the tax-collection service. In agriculture, the objectives were to increase food supplies for export and to feed a growing population through improved irrigation, technical advice to farmers, and the establishment of more cooperative farms.

All these efforts required large new investments and massive foreign loans which, coupled with the huge increases in the cost of oil imports after 1973, led to the financial crisis of 1977–78. Since 1980, Turkey has deliberately pursued a deflationary policy, allowing the international exchange rate of the lira to fluctuate on a daily basis from 1 May 1981. The government also delayed several ambitious development proposals, mainly because new foreign credits were not available. However, a number of smaller projects financed by the IBRD went forward. Meanwhile, the fourth (1979–83) and fifth (1985–90) five-year plans continued to stress industrial development, deflationary monetary policy, and export promotion. The creation of free trade zones, in the mid-1980s, was a major step in line with these policies.

Long-term economic programs adopted in 1991 and 1994 planned to reform social security and subsidy programs, implement tax reforms and improve tax administration, and restructure state enterprises, transferring certain inefficient ones to the private sector. By 1996, these plans had reduced the government's role in the economy, but huge budget deficits continued to plague

the economy and further reforms are needed if Turkey is to solve its economic problems.

Turkey's geostrategic significance received a big boost in 1999 when its leaders, along with those of Azerbaijan, and Georgia agreed to the construction of an oil pipeline from the Caspian Sea port of Baku to the Turkish Mediterranean port of Ceyhan. The first section of the 1,100-mile pipeline opened in May 2005. The \$3.2 billion pipeline has a capacity of one million barrels of oil per day.

Full membership in the European Union (EU) constitutes one of Turkey's chief aims. In December 1997 Turkey was effectively removed from the EU's list of candidates for entry. As a result, Turkey suspended its relations with the EU. However, the 1997 decision was reversed at the December 1999 EU summit in Helsinki as Turkey formally became a candidate for accession in the next round of EU enlargement. Turkey's economic problems along with reservations about human rights have put a brake on early Turkish entry to the EU. Nevertheless, Turkey's status as a candidate member provides clear goals for Turkish development, and accession negotiations were opened in October 2005. With the turnaround in the Turkish economy, which, by 2005, was booming, other longstanding problems could be addressed. They include the high government debt (74.3% of GDP in 2004), inflation, unemployment, and income inequality. Turkey is working to become more globally competitive, and government policies have shifted toward liberalization. However, efforts to reduce the role of the state have been hindered by special-interest groups and political instability.

### 40 SOCIAL DEVELOPMENT

The social insurance system provides old age, disability, and death pensions for employees in industry, commerce, and the service sector. Special systems cover other workers. The benefits are funded by payroll taxes and employee contributions. Sick leave and maternity benefits are also covered. Employers contribute additional funds to cover worker's injury insurance. Unemployment benefits are available for most workers, are available after 600 days of contributions in the three years before loss of work. The Social Insurance Institution provides medical services in its own hospitals and other facilities.

The civil code explicitly bans sex-based privileges, yet proclaims the male as the legal head of the household. This grants the male the right to choose the place of residence, and most assets are held in the name of the husband. Women in urban areas are increasingly working outside the home. Women generally receive equal pay for equal work in the professions, but are underrepresented in managerial positions. Spousal abuse and violence are widespread. In 2004, a study showed that over 31% of women were beaten by their husbands, and 39% of women believed that men were justified in beating their wives in certain situations. Authorities hesitate to intervene in domestic matters, and violence against women goes largely unreported. Honor killings continue among some rural areas, and forced marriages are common. Reports of child abuse have increased in recent years.

Kurds are the largest ethnic minority and suffer discrimination, especially in less-industrialized areas. The government is responsible for widespread human rights abuses, including beatings, torture, and killings by security forces. Freedom of speech and of the

press are limited. Human rights organizations are subject to harassment and possible closure by the authorities.

#### 41 HEALTH

Free medical treatment, given at state hospitals or health centers, is provided by the state to any Turkish citizen who obtains a certificate of financial need from a local administrator. As of 2004, there were an estimated 124 physicians, 235 nurses, 23 dentists, and 33 pharmacists per 100,000 people. Approximately 83 % of the population had access to safe drinking water and 91% had adequate sanitation.

Malaria, cholera, and trachoma have been effectively controlled by large-scale public preventive measures. Immunization rates for children up to one year old were tuberculosis, 73%; diphtheria, pertussis, and tetanus, 79%; polio, 79%; and measles, 76%. Diarrheal disease persists, especially in children under five years of age.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 17.9 and 6 per 1,000 people. About 64% of married women (ages 15 to 49) used contraception. The total fertility rate was 2.4 children for every Turkish woman who lived through her childbearing years. Average life expectancy was 72.36 years in 2005. In the same year, infant mortality was estimated at 34 per 1,000 live births. Maternal mortality was 130 per 100,000 live births.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003.

#### 42 HOUSING

In 1999, major earthquakes in August and November left about 800,000 people homeless. The disasters brought to light the issues of substandard housing and illegal construction permits. The Turkish Chamber of Commerce estimated that about 65% of all buildings were built with illegal permits or below regulations, producing structures that are in no way suited to withstand the earthquakes to which Turkey is prone. International assistance has helped to rebuild and repair a number of homes. In 2000, there were about 16,235,830 dwelling units nationwide. The average household had 4.5 members. The Collective Housing Administration Directorate, founded in 1984, provides credit for residential construction projects.

#### 43 EDUCATION

Primary, secondary, and much of higher education is free. Education is compulsory for children ages 6 to 14 or until graduation from primary school (grade five). As of 1997, the regular school system consists of eight years of basic school and three years of secondary school. Technical, trade, and commercial schools are available at the secondary level. Some Anatolian high schools offer courses in English, French, or German in the first year and use those languages in instruction for the following years. There are also Anatolian fine arts high schools. Among private schools in operation are a number of foreign schools and those maintained by ethnic or religious minorities. The academic year runs from October to June.

In 2001, about 6% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 86% of age-eligible students. In 2001, secondary school enrollment was less than 76% of

age-eligible students. It is estimated that about 95% of all students complete their primary education.

Among Turkey's 53 universities are the universities of Istanbul (founded 1453) and Ankara (founded 1946), the Technical University of Istanbul (founded 1773), and the Middle East Technical University at Ankara (founded 1957). In 2003, it was estimated that about 28% of the tertiary age population was enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 88.3%, with 95.7% for men and 81.1% for women.

As of 2003, public expenditure on education was estimated at 3.6% of GDP.

#### 44 LIBRARIES AND MUSEUMS

The National Library in Ankara has over 960,000 volumes. There are two provincial branches of the library system as well: the Beyazit State Library in Istanbul with 500,000 volumes and the National Library of İzmir with 350,000 volumes. Major university collections include the Istanbul University and Documentation Center with 1.5 million volumes and one of the Middle East's finest rare book collections; the Middle East Technical University with 145,000 volumes, and the University of Ankara with 750,000 volumes.

The most famous museums and ancient buildings are located in Istanbul. The old seraglio, now Topkapı Museum, is perhaps the most famous; it houses a large collection of paintings, manuscripts, and historically important items. Nearby is the Ayasofya (Saint Sophia), the world-renowned Byzantine church that draws thousands of tourists to Istanbul. Next to it is the Blue Mosque, famous for the beauty of its interior and the grace of its dome. Also in Istanbul are the museums of archaeology and of the ancient Orient, housing one of the world's finest collections of Greek art, including the sarcophagus of Alexander the Great. Additionally, the city is home to the Museum of Turkish Written Art, the Istanbul Museum of Painting and Sculpture, and the Museum of Revolution.

The Museum of Archaeology in Ankara contains the world's outstanding collection of Hittite works. Also in Ankara are Atatürk's Mausoleum and Museum, the Museum of Anatolian Civilizations, and the Museum of the Turkish Independence War and Turkish Republic. In Konya there are museums of Islamic art, one of which is housed in the mausoleum of Mevlana. Newer facilities include the decorative arts museums at the Beylerbeyi and Dolmabahçe palaces (both opened in Istanbul in 1984) and the Fire Brigade Museum in Fatih (1992). Along Turkey's Aegean coast are situated the ruins of Ephesus, Pergamum, Troy (Ilium), Halicarnassus, and other famous ancient cities. A zoological garden is located in Ankara.

#### 45 MEDIA

Postal, telephone, and telegraph service is owned and operated by a semi-independent government enterprise under the jurisdiction of the Ministry of Transport and Communications. In 2003, there were an estimated 268 mainline telephones for every 1,000 people; about 77,200 people were on a waiting list for telephone service installation. The same year, there were approximately 394 mobile phones in use for every 1,000 people.

The Government owns and operates the Turkish Radio and Television Corporation (TRT). In 2004, there were 226 local, 15

regional, and 16 national officially registered television stations, and 959 local, 104 regional, and 36 national radio stations. Some other television and radio stations broadcast without an official license. Foreign broadcasts are available via satellite. All broadcasts are monitored by the government through The High Board of Radio and Television. In 2003, there were an estimated 470 radios and 423 television sets for every 1,000 people. About 14.8 of every 1,000 people were cable subscribers. Also in 2003, there were 44.6 personal computers for every 1,000 people and 85 of every 1,000 people had access to the Internet. There were 882 secure Internet servers in the country in 2004.

In 2002, there were over 100 daily newspapers in print many of which had small local circulations. The independent leftist *Cumhuriyet* (1999 circulation 120,000) has been closed and reopened a number of times. Other leading Istanbul dailies (with 2002 circulation figures) are *Sabah* (700,000); *Hurriyet* (542,780); *Gunaydin-Tan* (386,000) and *Bugun* (184,880). *Turkiye and Milliyet* are both distributed throughout the major cities; circulation figures were unavailable in 2002.

Although the constitution guarantees freedom of expression, it also authorizes newspaper confiscations and closures in the cases of crimes against the unity, security, or republican principles of the state.

#### 46 ORGANIZATIONS

Professional organizations, charitable associations, student organizations, and athletic clubs are active in the major cities. Chambers of commerce and chambers of industry are semiofficial agencies for the control of import license and foreign exchange allocations. The Union of Chamber of Commerce, Industry, and Maritime Commerce and Commodity Exchanges of Turkey, established in 1952, is based in Ankara.

There are several Masonic lodges and branches of the Rotary and Lions clubs. Women are active in a number of their own charitable organizations. National women's rights and development organizations include the Federation of Women's Associations, the Turkish Cypriot Association of University Women, Women for Women's Human Rights/New Ways, and the Association of Women's Rights Protection. National youth organizations include the International Islamic Federation of Student Organizations, Youth for Habitat, the Youth Services Center, Junior Chamber, the Scouting and Guiding Federation of Turkey, and YMCA/YWCA. There are active sports associations promoting amateur competitions in a variety of pastimes; many such clubs are affiliated with international organizations as well as with the national Olympic Committee.

Since World War II, international cultural associations have appeared, chief among them being Turkish-American, Turkish-French, Turkish-German, and Turkish-English. The Research Center for Islamic History, Art and Culture, based in Istanbul, is multinational subsidiary organization of the Organization of the Islamic Conference (OIC). The Scientific and Technical Research Council of Turkey and the Turkish Academy of Sciences promote public interest, education, and research in a broad range of scientific fields. The Medical Association of Turkey also promote public health and advanced research in fields of medicine.

There are national chapters of the Red Crescent Society, UNICEF, Habitat for Humanity, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

In addition to the museums and monuments of Istanbul, places of interest include the Aegean ports of İzmir and Bodrum; the ancient cities of Troy (Ilium), Ephesus, Tarsus, Konya, Samsun, Erzurum, and Trabzon; Mt. Ararat, traditionally considered the landing place of Noah's Ark, the remains of which some expeditions have tried to find; the ski resort of Uludag, 36 km (22 mi) south of Bursa; and the sea resort of Antalya, on the Mediterranean coast. Water sports, mountaineering, and football (soccer) are popular forms of recreation, as are such traditional Turkish sports as grease wrestling (*yağlı güreş*), camel fighting (*deve güreşi*), and a horseback javelin competition (*cirit oyunu*) played mainly in eastern Turkey.

All visitors need a valid passport as well as a visa. Citizens of the United States and Canada may get their visas at the border; other nationals must obtain their visas in advance. A vaccination against meningitis is required by all tourists, and precautions are recommended for typhoid, malaria, and hepatitis.

In 2003, about 13,341,000 tourists arrived in Turkey, of whom 41% came from Western Europe. There were 201,510 hotel rooms with 418,177 beds and a 47% occupancy rate that year.

In 2005, the US Department of State estimated the daily cost of staying in Istanbul at \$284; in Ankara, \$278; and in other areas, \$235.

#### 48 FAMOUS TURKS

The most famous rulers before the coming of the Turks were Croesus (c.560–546 BC), a king of Lydia noted for his wealth and for the loss of his kingdom to the Persians; Constantine I (the Great; Flavius Valerius Aurelius Constantinus, b.Moesia, AD 280?–337), the first Roman emperor to accept Christianity and to use Constantinople as a capital; and Justinian I (the Great; Flavius Petrus Sabbatius Justinianus, b. Illyricum, 483–565), a Byzantine emperor whose collection of laws and legal principles has been the model for European law down to modern times. Outstanding political figures since the arrival of the Turks include Sultan Mehmet II (1429–81), conqueror of Constantinople in 1453; Sultan Süleyman I (the Magnificent, 1495–1566); the Barbarossa brothers, Aruj (1473?–1518) and Hayreddin Paşa (Khayr ad-Din, 1466?–1546), naval commanders, born in Mytilene, who established Turkish supremacy in the Mediterranean; Mehmet Köprülü Paşa (1583–1661), Mehmet IV's grand vizier and founder of a family line of outstanding grand viziers; Sultan Abdul Hamid II (1842–1918), a despotic ruler whose tyranny led to the formation of the Young Turk movement; Enver Paşa (1881–1922), Young Turk leader who was the ruler of Turkey during World War I; Mustafa Kemal Atatürk (1881–1938), World War I military commander, nationalist leader, and first president of the republic; İsmet İnönü (Paşa, 1884–1973), Atatürk's chief of staff and prime minister, who succeeded him as president (1938–50) and was the first prime minister of the Second Republic (1961–65); Celâl Bayar (1883–1986), who helped found the Democrat Party and was president (1950–60) until ousted by the military; and Adnan Menderes (1899–1961), prime minister (1950–60) until he was forced to resign and then executed. Outstanding religious figures include Hacı Bektaş Veli (1242–1337), founder of the Bektashi dervishes, and Mevlana (Celâleddin-i Rumi or Jalal al-Din Rumi, 1207–73),

author of the epic *Mesnevi* (or *Mathnavi*) and founder of the Mevlevi dervishes.

Revered literary figures include the mystical poets Yunus Emre (1238?–1320?) and Süleyman Çelebi (d.1422), author of *Mevlidi Sherif* (*Birth Song of the Prophet*). Other significant poets of the imperial epoch are Ahmedî (1334–1413), Şeyhî (d.1429?); Fuzulî (1494–1555), renowned for his lyrical verses about platonic love; Ali Şîr Nevâî (1441–1501); Nef'î (1582?–1636); Nabî (1642?–1712); Ahmet Nedim (1681–1730), perhaps Ottoman Turkey's greatest love poet; and Şeyh Galib (1757–98), the last great poet of the mystical and classical tradition. Renowned for his geographical and historical writings is Kâtip Çelebi (known in Europe as Haji Khalifa, 1609–57); the great traveler Evliya Çelebi (1611–82) is noted for his books on travel and history. The greatest folk poet was the 17th-century minstrel Karacaoğlan.

Sinasi (1826–71), a dramatist, journalist, and essayist, was the first Turkish writer in the Western tradition. Other significant playwrights are Musaipzade Celal (1870–1959), Haldun Taner (1916–86), and Necati Cumali (1921–2001). The poet Ziya Paşa (1825–80) was the outstanding literary figure of the reform period. Namik Kemal (Ahmed Kemal, 1840–88) and Mehmet Emin Yurdakul (1869–1944) dedicated their poetry to the achievement of political ideals. Four widely read novelists are Hüseyin Rahmi Gürpınar (1864–1944), Ahmet Rasim (1864–1932), Halit Ziya Usaklıgil (1865–1945), and Mehmet Rauf (1871–1931). Omer Seyfettin (1884–1920) was a major short-story writer. Ziya Gökalp (1875–1924) was a noted poet and sociologist. Significant contemporary novelists include Halide Edib Adivar (1884–1966), Yakup Kadri Karaosmanoglu (1888–1974), Refik Halit Karay (1888–1974), Reşat Nuri Güntekin (1892–1957), Kemal Tahir Demir (1910–74), Orhan Kemal (1914–70), and Yasar Kemal Gokceli (b.1922). Two fine modern poets were Yahya Kemal Beyatlı (1884–1958) and Nazim Hikmet Ran (1901–60). Two prominent journalists and political writers were Hüseyin Çahit Yalçın (1875–1957) and Ahmet Emin Yalman (1889–1973). Outstanding historians were Naima (1752–1815), Mehmet Fuat Köprülü (1890–1966), and Ahmet Zekî Velidi Togan (1890–1970).

Other famous Turks include the architect Sinan (1490–1588), the miniaturist Abducelil Celebi Levni (d.1732), and the modern painter Bedri Rahmi Eyuboglu (1913–75). Famous contemporary composers include Ulvi Cemal Erkin (1906–72) and Ahmet Ad-

nan Saygun (1907–93). The operatic soprano Suna Korad (1935–2003) and bass-baritone Ayhan Baran (b.1929) have won renown in European musical circles.

## 49 DEPENDENCIES

Turkey has no territories or colonies.

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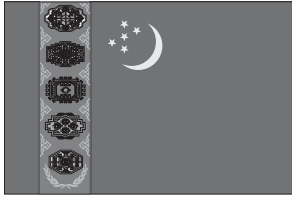
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# TURKMENISTAN

**CAPITAL:** Ashkhabad (Ashgabat)

**FLAG:** Green field with claret stripe of five carpet patterns; white crescent and five white stars symbolizing five major regions of Turkmenistan to the right of the stripe. In 1997, two crossed olive branches were added beneath the carpet patterns.

**ANTHEM:** *Independence Turkmenistan.*

**MONETARY UNIT:** Manat (MN), the unit of currency, was introduced by the government in November 1993. \$1 = MN0.00019 (or \$1 = MN5,200) as of 2005, but exchange rates fluctuate widely.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year's Day, 1 January; Flag Day, 19 February; International Women's Day, 8 March; Novruz Bairam (first day of spring), 21 March; Victory Day, 9 May; Revival and Unity Day, 18 May; Independence Day, 27 October; Neutrality Day, 12 December.

**TIME:** 5 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Turkmenistan is located in central Asia, bordering the Caspian Sea, between Iran and Uzbekistan. Comparatively, Turkmenistan is slightly larger than the state of California, with a total area of 488,100 sq km (188,456 sq mi). Turkmenistan shares boundaries with Kazakhstan and Uzbekistan on the N, Afghanistan on the SE, Iran on the SW, and the Caspian Sea on the W. Turkmenistan's boundary length totals 5,504 km (3,420 mi), of which 1,768 km (1,099 mi) is shoreline along the Caspian Sea. Turkmenistan's capital city, Ashkhabad (which means "city of love"), is located in the southwestern part of the country.

## <sup>2</sup>TOPOGRAPHY

The topography features flat to rolling sandy desert with dunes to the Caspian Sea, which lies in the west. The Kara Kum desert occupies over 80% of Turkmenistan's total area. The desert is bounded by oases in the north that are watered by the Amu Dar'ya, and by the Murgab, Tejen, and Atrek rivers in the south. Only 4% of Turkmenistan's land is arable with approximately 2.5% under irrigation. The highest point in Turkmenistan is the Gora Ayribaba (3,139 m/10,299 ft), located along the eastern border near Uzbekistan. The lowest point in the country is Vpadina Akchanaya (Ak-dzhakaya Depression) at 81 m (266 ft) below sea level in the north central region of the country.

The Kopet-Dag Mountains of the southern border are part of a seismically active region that has experienced devastating earthquakes. One of the most destructive earthquakes in history occurred near Ashkhabad on 5 October 1948 when a 7.3 magnitude quake resulted in the deaths of 110,000 people.

## <sup>3</sup>CLIMATE

The climate is arid continental. In July the mean temperature is 28°C (82°F). The mean temperature in January is -4°C (25°F). It can

become very hot in the Kara Kum desert, with daytime temperatures of 50°C (122°F) not unusual. It does not rain much in Turkmenistan. Rainfall averages 25 cm (9.8 in) a year).

## <sup>4</sup>FLORA AND FAUNA

The Kara Kum (Black Sea) desert covers most of the country, and there is little plant or animal life. Herders raise goats, camels, and sheep in the desert. Farmers use reservoirs for irrigation to grow crops not indigenous to the area. As of 2002, there were at least 103 species of mammals and 204 species of birds throughout the country.

## <sup>5</sup>ENVIRONMENT

The most significant environmental problems in Turkmenistan include salinization of the soil and water pollution. The nation's water supply is threatened by chemical contaminants from farming activity. The problem is complicated by a lack of adequate sewage treatment facilities. A large share of the Amu Darya River's flow is diverted for irrigation, decreasing its contribution to the water supply from the Aral Sea. Water cycles have also affected the Garabogazol Aylagy, a lagoon-like appendage in the northwest that adjoins the Caspian Sea. It became fully enclosed because of a drop in the volume of the Caspian Sea, but is starting to rise again as the sea returns to previous levels.

As of 2003, 4.2% of the country's total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 12 types of mammals, 13 species of birds, 2 types of reptiles, 8 species of fish, and 5 species of invertebrates. Threatened species included the cheetah, tiger, Aral salmon, slender-billed curlew, and white-headed duck. Wild goats and cheetahs are listed as vulnerable animals.

## 6 POPULATION

The population of Turkmenistan in 2005 was estimated by the United Nations (UN) at 5,240,000, which placed it at number 111 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 32% of the population under 15 years of age. There were 97 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.6%, a rate the government viewed as satisfactory. Between 1990 and 2005, the fertility rate declined from 4.3 births per woman to 3.4. The projected population for the year 2025 was 6,579,000. The population density was 11 per sq km (28 per sq mi).

The UN estimated that 47% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.27%. The capital city, Ashkhabad (Ashgabat), had a population of 574,000 in that year. Other large cities (and their estimated populations) include Chärjew (Chardzhou) (203,000), Dashhowuz (Tashauz) (165,400), Mary (123,000), and Nebitdag (119,000).

## 7 MIGRATION

Emigration to other former USSR republics exceeded immigration by 20,600 during 1979–90. More than 40,000 people fled from Tajikistan to Turkmenistan in 1992 to escape civil war. Repatriation of the Tajik refugees started in early 1998. As of 1999, nearly 5,000 Tajik refugees had voluntarily repatriated. There were also some 13,000 Tajik refugees, mostly ethnic Turkmen, who expressed the desire to remain in Turkmenistan. Between 1993 and 1995, 100,000 Russians left Turkmenistan. In 2000 there were a total of 223,000 migrants, including 14,200 refugees, living in Turkmenistan. In 2004, there were 13,253 refugees mainly from Tajikistan and 3 asylum seekers. The net migration rate was estimated as 0.82 migrants per 1,000 population in 2005. The government views the immigration level as satisfactory, but the emigration level as too high.

## 8 ETHNIC GROUPS

There are over 100 distinct ethnic groups living in Turkmenistan. According to unofficial estimates in 2003, about 85% of the population consists of ethnic Turkmen, Uzbeks account for 5% of the population, and Russians for about 4%. The Turkmen generally divide themselves into five main tribes: the Teke, Yomut, Ersary, Yasyr, and Goklen. Smaller groups of people include Kazakhs, Ukrainians, Armenians, Azeris, Tatars, and Beluji. Other groups present include Belarussians, Germans, Jews, Georgians, Moldovans, Uighurs, and Koreans. Like the Turkmen, the Uzbeks, Kazakhs, and Azeris are Turkic-speaking peoples.

## 9 LANGUAGES

Turkmen, spoken by about 72% of the population, is mandatory in the schools and the primary language of the government, which has campaigned to make it the only language of official business. It is a Turkic language of the Oghuz group, related to Azeri, Turkish, and Uzbek. Prior to the Soviet era, Turkmen wrote their language using the Arabic script. In Turkmenistan, that script was changed to Latin and then Cyrillic before World War II. The government has begun to institute the Latin script again. The Turkmen lan-

guage has been influenced by Persian and Arabic elements. In recent decades, many borrowed words from Russian also have been adopted. Russian remains in common use in government and business and is spoken by 12% of the population. Uzbek is spoken by 9%; various other languages are spoken by 7%.

## 10 RELIGIONS

There is no state religion, but about 89% of the population are Muslim, primarily Sunni, with strong elements of local shamanism and Sufi mysticism included in its practices. About 9% of the population are Eastern Orthodox, including Russian and Armenian churches. There are small groups of Bahai's Baptists, Seventh-Day Adventists, Lutherans, Roman Catholics, Jehovah's Witnesses, Jews, and a few other Protestant denominations.

Although the constitution provides for religious freedom, the government does not protect this right in practice. In 2003, the government implemented a new law on religion that requires all religious organizations to be registered with the government; unregistered organizations face criminal charges if they continue to operate by holding services or other activities. Religious education is restricted. As of 2004, only six religions had been officially registered: Sunni Islam, Russian Orthodox, Seventh-Day Adventists, Bahai's, Baptists, and Hare Krishnas.

## 11 TRANSPORTATION

Nebitdag, Ashkhabad, Mary, and Chärjew (Chardzhou) are connected by railroad to the nation's main port of Turkmenbashi on the Caspian Sea. Other lines include a railroad from Mary along the Murgab and Kushka rivers to Afghanistan and a line from Chärjew (Chardzhou) along the Amu Dar'ya which nearly parallels Uzbekistan's border. Smaller rail spurs are located at Dashhowuz (Tashauz) and Kerki. Rail lines were estimated at a total of 2,440 km (1,498 mi) in 2004, all of it broad gauge. Also in 2002, there were an estimated 22,000 km (13,671 mi) of roadways, of which 18,000 km (11,185 mi) were hard-surfaced. In 2003, Turkmenistan had 1,300 km (809 mi) of navigable inland waterways, which includes the Amu Dar'ya River and the Kara Kum canal. As of 2005, the country's merchant marine consisted of seven ships of 1,000 GRT or more, totaling 6,873 GRT. In 2004, Turkmenistan had an estimated 53 airports. As of 2005 a total of 22 had paved runways, and there was also one heliport. In 2003, about 1.412 million passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

The territory of present-day Turkmenistan has been inhabited since the Stone Age, with evidence of agricultural communities as early as 6000 BC and of planned irrigation works from 3500 BC. The first states were Margiana and Parthia, from about 1000 BC. In 7th–6th centuries BC, Margiana was part of Bactria, while Parthia was part of the Median state. In the 6th–4th centuries BC the region was ruled by the Achaemenids, who were conquered by Alexander the Great at the end of the 4th century. In his wake there emerged a Parthian Empire which lasted until AD 224, when Persians of the Sassanid dynasty seized the territory. In the 5th century much of Turkmenistan was conquered by Ephthalites, who in turn were conquered in the 6th century by the Tiu-chue nomads, of Turkic origin. The Arab caliphate conquered Turkmenistan in





LOCATION: 40°0' N; 60°0' E. BOUNDARY LENGTHS: Total boundary lengths, 3,736 kilometers (2,322 miles); Afghanistan, 744 kilometers (462.3 miles); Iran, 992 kilometers (616.4 miles); Kazakhstan, 379 kilometers (236 miles); Uzbekistan, 1,621 kilometers (1007.3 miles).

716, and began to introduce Islam. In the 10th century part of Turkmenistan was under Samanid control.

Oghuz Turks began to migrate into Turkmenistan in the 9th century. In 1040 the Seljuk clan took control of the territory, and held sway until the 13th century, when Turkmenistan was part of the Khwarazm-Shah state. The entire region was conquered by Mongols in 1219–21, and Turkmenistan was split between the Golden Horde and the Chagatai Khanate, as well as the Hulaguid Khanate of Persia.

In the 1380s Turkmenistan became part of the empire of Timur (Tamerlane). By the 16th century part of the territory was ruled by the Khiva Khanate, part by Bukhara, and part by Persia. The course of the Amu Dar'ya River changed, and the Kara Kum desert claimed a great deal of once arable land.

Russia began to make commercial contacts with the Turkmens as early as the 16th century; by the 18th century almost all trade between Europe and Central Asia passed through Turkmenistan. Local tribes were used diplomatically by the Persians, Russians, and British as part of the Great Game of the 18th and 19th cen-

turies. Beginning in 1865, Russia undertook direct annexation, which because of heavy resistance by the Turkmen tribesmen was not complete until the 1885, making Turkmenistan the last portion of the Russian Empire to be conquered. The territory then was called the Transcaspian District.

Turkmen joined the uprising of 1916, when the Tsar attempted to draft Central Asians into work battalions, and remained in general rebellion throughout the period of the revolution and civil war. Muslim and nationalist opposition, whom the Russians called *basmachi*, resisted the Bolsheviks until 1924, when the area was made part of the Trans-Caspian Republic. In 1925, the present-day territory became a Soviet Socialist Republic.

Throughout the Soviet period, Turkmenistan was the poorest and least assimilated of the republics. In 1985, longtime Communist Party boss M. Gapurov was fired by Mikhail Gorbachev, who picked Sapamurat Niyazov as new republic head. Niyazov has remained in power ever since. On October 27, 1990, Niyazov received 98.3% of the popular vote in an uncontested election to the new post of president of Turkmenistan. Turkmenistan declared

independence on 27 October 1991. After independence, Niyazov won another uncontested presidential election in June 1992 with 99.95% of the vote. In a referendum in January 1994, he received the support of 99.99% of the vote for extending his term until 2002. An elaborate cult of personality has grown up around Niyazov, who now prefers the title "Turkmenbashi," or "chief of all Turkmen." Niyazov is president, supreme commander of the armed forces, first secretary of the Democratic Party of Turkmenistan, head of the quasi-legislative Khalk Maslakhaty (People's Council), and chairman of the Cabinet of Ministers and the National Security Council. Changes to the constitution were introduced in late December 1999 during a joint meeting of the Mejlis (legislature), the Khalk Maslakhaty, and Niyazov's National Revival Movement, to include naming Niyazov president for life.

Turkmenistan's "neutral" foreign policy is enshrined in its constitution. Niyazov has declared that Turkmenistan's "open door" or "permanent neutrality" policy precludes joining political or military alliances and entails good relations with the East and the West, though priority will be placed on relations with Central Asian and other Islamic states. Turkmenistan joined the Non-Aligned Movement in 1995, and the United Nations General Assembly in 1995 recognized Turkmenistan's status as a neutral state. Turkmenistan has pursued close ties with both Iran and Turkey. In addition to growing trade ties with Iran, Turkmenistan is also interested in cultural ties with the approximately one million Turkmen residing in Iran. Turkey is the largest foreign investor in Turkmenistan and has far surpassed Russia in trade turnover with Turkmenistan. Turkmenistan supports some of Russia's policies in the region while endeavoring, where possible, to resist, contravene, or reduce Russian influence. Russian military and border troops assisted Turkmenistan until it built up its own forces, and Russia's presence has been used to counter Uzbek policies in the region. In 1993, Russia and Turkmenistan agreed that Russian border guards would work with Turkmen border guards under Turkmen command at borders with Iran and Afghanistan. In 1999, Turkmenistan canceled this agreement, and the last of Russia's 1,000 border troops in Turkmenistan left in late 1999.

The new country has abundant resources that could bring in ample export earnings, ranging from oil, gas, electricity, coal, aluminum, and cotton to wool, grapes, and carpets. Although the potential for great quantities of exported materials exist, poor infrastructure and government inefficiency has contributed to a 2005 unemployment rate of 60%. Turkmenistan's main natural gas export pipeline runs through Russia, which has closely controlled the volume, price, and destination. Seeking alternatives, Turkmenistan in December 1997 opened a 125-mile gas pipeline to connect with the Iranian pipeline system. On 18 November 1999, Turkmenistan, Azerbaijan, Georgia, and Turkey signed a declaration on a trans-Caspian and trans-Caucasus gas pipeline territory that would deliver Turkmen gas to Turkey (expected to be completed in 2002 with an eventual capacity of 16 billion meters per year), boosting chances for international financing for the pipeline. In December 2002, Turkmenistan, Afghanistan, and Pakistan signed an agreement to build a 1,500-km pipeline to carry gas from Turkmenistan's Dauletabad-Donmez field through Afghanistan to Pakistan.

In October 2001, Azerbaijan announced the planned trans-Caspian gas pipeline would not be realized. It had discovered its

own huge gas reserves in Shahdeniz, and subsequently demanded a share of the exports to the amount of half of the trans-Caspian pipeline's capacity. Turkmenistan regarded such demands as contrary to its interests. In July 2002, an Azerbaijani tanker exploded in the Turkmen port of Turkmenbashi, killing six Azeri sailors. Some blamed the Turkmen government for the incident. Suspicions between the two governments ran deep in 2002, as mutual enmity between Azerbaijan's president Heydar Aliyev and Niyazov has made the gap between the ethnically close nations wide.

Following the 11 September 2001 terrorist attacks on the United States, Turkmenistan offered to aid the US-coalition in its military and humanitarian campaign in Afghanistan. Over one-third of all food aid reaching Afghanistan since 11 September transited Turkmenistan. The United States has stated that Turkmenistan can play a positive role in the rebuilding of Afghanistan. However, Turkmenistan demonstrates strong discrimination against non-Turkmen, and in 2003 the State Service for the Registration of Foreign Citizens was established to monitor foreign visitors, whose activities are strictly regulated.

On 25 November 2002, an assassination attempt was made on Niyazov. Following the attack on his motorcade, the Niyazov government began a wide investigation, and 61 people were arrested in connection with the assassination plot. Turkmenistan's National Assembly granted powers to the Supreme Court to administer "special punishment" to people found guilty of involvement in the plot. The resolution permits the Supreme Court to hand out life sentences to those convicted, with no possibility of amnesty, pardon, early release, or change of prison. Former foreign minister Boris Shikhmuradov was sentenced to life in prison for his involvement. As of January 2003, more than 30 people were given lengthy sentences by Turkmen courts, including at least three life sentences amid reports of torture and coerced confessions. The US State Department expressed concern with Turkmenistan's conduct of the investigations into the assassination plot, stating that while the United States recognized the government's right to apprehend those involved, the US government could not condone actions that violate international practice. The United States claimed the Turkmen government conducted summary trials of alleged suspects without due process of law, and cited credible reports of torture and abuse of suspects.

In January 2003, the Turkmen government announced parliamentary elections would be held on 6 April, nearly two years ahead of schedule (elections had been scheduled for December 2004) for the unicameral People's Council or Halk Maslahaty. There was no election campaign, and the state media did not provide information about the candidates, all of whom were nominated by the presidential administration. The People's Council, which is considered the ultimate representative body, has 65 members. All candidates at the elections of April 2003 belonged to Niyazov's party, or the Democratic Party of Turkmenistan (DPT). The CEC announced voter turnout of 99.8%. Also in January, Niyazov ordered the forced relocation of ethnic Uzbeks living along the Turkmen border with Uzbekistan. He stated he wanted "unworthy people" to be moved from the border area and replaced with ethnic Turkmen. The 2004 elections for the unicameral Parliament or Mejlis, which consists of 50 seats, were also all won by the DPT. The next parliamentary elections were to be held in December 2008.

### 13 GOVERNMENT

In May 1992, Turkmenistan became the first Central Asian republic to enact a postindependence constitution. It sets up a “secular democracy,” and formally upholds the balance of powers between executive, legislative, and judicial branches, but in reality the republic is a presidential autocracy, under the control of President Niyazov. The executive branch of government is the responsibility of a prime minister and his cabinet, all of whom are appointed by the president. The republic’s economy is centrally planned and controlled, as in Soviet times, giving the government wide powers. Niyazov issues edicts that have the force of law and appoints and removes judges and local officials. The constitution includes an impressive list of individual rights and safeguards (though not freedom of the press), but cautions that the exercise of rights must not violate national morality and public order, or damage national security.

The new constitution created a People’s Council (Halk Maslahaty) with mixed executive and legislative powers, consisting of the president, ministers, the 50 legislators of the Supreme Council (Mejlis), 50 “people’s representatives,” and others. The people’s representatives were elected by district in a virtually uncontested vote in December 1992. The Halk Maslahaty serves as a forum and rubber stamp for the president’s policy initiatives. Resurrecting pre-Soviet customs, a Council of Elders, hand-picked by Niyazov, was also created to advise the president and choose presidential candidates. Oppositionists complained that both these bodies were designed to stifle dissent. In 2001 Niyazov published *Rukhname*, a spiritual guide that became an informal legal code for the country. It is a guide to Turkmen national cultural and ethical personal behavior. A new Mejlis of 50 members was elected in December 2004. The candidates were all nominated by Niyazov, ran unopposed, and most were members of his Democratic Party of Turkmenistan (DPT). The Mejlis routinely supports presidential decrees and has little legislative initiative. In the wake of a 25 November 2002 alleged coup attempt, the country’s constitution was amended in 2003 to give the Halk Maslahaty dominance over the parliament in the hierarchy of power, and is now Turkmenistan’s supreme legislative body.

Elections to the Turkmen 50-seat legislature (Mejlis) were held on 19 December 2004. Niyazov rejected a role for parties and there was no discussion of political issues or problems during the campaign. Niyazov’s Party was ‘elected’ into all 50 seats. The lack of democratization in Turkmenistan was accentuated during the 2003 election of the Halk Maslahaty. Turnout was reported at 99.5%, though some of the candidates ran unchallenged and no real campaigning or political party contestation occurred. All members of parliament are also members of the Halk Maslahaty, a body that has no set number of seats but which is said to have about 3,000 members.

### 14 POLITICAL PARTIES

The only legally registered party in the republic is the Democratic Party of Turkmenistan, which is what the Communist Party renamed itself in September 1991. Seeking to bring together most major cultural, religious, and public groups in a wider political bloc, in early 1994, Niyazov created a National Revival Movement, which he heads. Unregistered parties are tiny and have been se-

verely repressed. Many of their leaders have been forced into exile or arrested. Most significant is the “Agzybirlik” (Unity) popular front. Banned in 1990, it mostly consists of Turkmen intellectuals and backs democratization and ties to Turkey. Opposition figure Avdy Kuliyevev, former foreign minister, is in exile. Physician Pirkuli Tangrikuliyev announced that he wanted to create an opposition party and would run in the 1999 Mejlis election, but he was arrested and convicted of corruption. In late December 1999, a constitutional change was enacted naming Niyazov president for life.

The assassination attempt on president Niyazov in 2002 created further crackdown on opposition groups within Turkmenistan.

### 15 LOCAL GOVERNMENT

There are five large regional subdivisions, called *velayets*. Beneath these are *shekhers*, then *etraps*, then *ovs*. Velayets, shekhers, and etraps have executives called *vekils* who are appointed and dismissed by the president. In addition each administrative sub-unit has an elected assembly called a *gengeshchi*, the chairman of which is an *archyn*.

The clan system is said still to be very strong in Turkmenistan, and the velayets reflect distribution of the five major clans, whose totems are represented in the state flag.

### 16 JUDICIAL SYSTEM

The court system remains substantially similar to that which existed in the Soviet era. There are 61 district and city courts, 6 provincial courts (including one for the capital city of Ashkhabad), and a Supreme Court. A supreme economic court hears cases involving disputes between business enterprises and ministries. Military courts were abolished in 1997 and cases involving the armed forces are now tried in civilian courts. Decisions of lower courts are appealable to higher courts.

The constitution declares the establishment of an independent judiciary. In practice, the president’s role in selecting and dismissing judges compromises judicial independence. The president appoints all judges for a term of five years, without legislative review, except for the chairman of the Supreme Court.

Defendants in criminal cases are afforded a number of procedural due process rights, including the right to a public trial and the right to defense counsel. In practice, the government often denies these rights. There are few private lawyers. Defendants may petition the president for clemency. He has traditionally released large numbers of prisoners in periodically declared amnesties, though some political prisoners have appeared exempt from the amnesties. Prisons conditions are unknown as international organizations are not permitted to visit prisons. Although there have been reports of overcrowding and inadequate nutrition and medical care.

Journalists face severe restrictions on what they can report. Even mild criticism of the president is forbidden. Subscription to foreign magazines or other media is also forbidden. Freedom of religion is also severely restricted and there are reports that in 2004 at least 7 mosques were destroyed for unauthorized worship. A 2003 law requires all religious groups to be registered in order to practice. Freedom of assembly is also restricted; there is only one union, the Colleagues Union, which is government-controlled.

Turkmenistan is a member of the United Nations.

## 17 ARMED FORCES

In 2005, Turkmenistan's armed forces consisted of 26,000 active personnel. The Army numbered 21,000 with equipment that included 702 main battle tanks, 170 reconnaissance vehicles, 942 armored infantry fighting vehicles, 829 armored personnel carriers and 488 artillery pieces. The country's 4,300-member Air Force had 92 combat capable aircraft that included 22 fighters and 66 fighter ground attack aircraft. In addition, the service also had 10 attack helicopters. Turkmenistan's Navy has an estimated 700 personnel, operating a total of five patrol/coastal boats from a single base at Turkmenbashi. The defense budget for 2005 was \$173 million.

## 18 INTERNATIONAL COOPERATION

Turkmenistan was admitted to the United Nations on 2 March 1992; it participates in several nonregional specialized agencies, such as, the FAO, the World Bank, UNSECO, UNIDO, and the WHO. The nation is a member of the Asian Development Bank, the WTO, the Commonwealth of Independent States, the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, G-77, OSCE, and the Organization of the Islamic Conference (OIC). Turkmenistan is part of the Nonaligned Movement and the NATO Partnership for Peace. In environmental cooperation, Turkmenistan is part of the Basel Convention, the Convention on Biological Diversity, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Turkmenistan, though one of the poorest and least developed of the former members of the Soviet Union, boasts rich deposits of oil, gas, potassium, sulfur, and salts. It is the fourth-largest producer of natural gas in the world with proven reserves of about 2.9 trillion cu m (101 trillion cu ft), ranking it within the top 15 countries in the world in terms of natural gas reserves. Proven oil reserves are 546 million barrels, with possible reserves as high as 1.7 billion. Despite this wealth of industrial raw materials, the labor force remains dominantly in agriculture, which, with forestry, generated an estimated 26.9% of the 2005 GDP. Turkmenistan was formerly the world's tenth-largest cotton producer. Industry contributes about 39.5% of the GDP and occupies 13.9% of the labor force, and services account for 33.6% of GDP and occupy 37% of the labor force.

Turkmenistan's transition from a command economy to a free market economy was initially cushioned by its relatively low level of development, as well as by the central government's plans for a gradual reform over a 10 year period with the state continuing to play strong directive and protective roles in the economy. The slow pace of privatization and reliance on central directives has meant that much of the economy has not been exposed to market disciplines, and remains subject to the inefficiencies and distortions inherent in central controls. Although evidence suggests that living standards remain low and that structural development has been impeded, assessment is difficult because the government continues to treat economic statistics like state secrets.

Turkmenistan became independent in October 1991. The initial decontrol of prices resulted in a 90% increase in retail prices

in 1991, followed by a megasurge of 800% in 1992. Contraction in output occurred mainly in industrial output while growth in the agricultural and transportation sectors—the latter particularly due to increased government investment—lessened the rate of decline in the overall economy. Enlarged subsidies, increased wages and family allowances, and the reinstatement of some price controls were used to offset the impact of rising prices and the potential for social unrest, particularly in light of the eruption of violence in Tajikistan and other former Soviet socialist republics (SSRs). In November 1993 Turkmenistan dropped out of the ruble-based monetary union and introduced its own currency, the Turkmeni manat. In the same month, Russia, on whose Gazprom pipelines Turkmenistan relied to take its natural gas to market, cut Turkmenistan's access to the hard currency markets of Western Europe, diverting its competitor's gas instead to the cash-strapped markets of Ukraine and the ex-SSRs of the Transcaucasus. The result was one of the worst bouts of hyperinflation experienced by one of the newly independent states. The manat, introduced at two to a dollar, was at 125 to the dollar before the end of 1994, with unofficial rates often three times as high. In November 1995, with inflation at over 1000% for the year and the Turkmeni government threatening to cut off gas to its late paying customers, an agreement was reached with Russia for the creation of a joint stock company TurkmanRosGaz (TRAO)—51% Turkmen, 44% Gazprom, and 5% Itera International Energy Corp. (US)—whereby Gazprom would purchase and transport all the gas that Turkmenistan could sell to Ukraine and the Transcaucasus countries. This did not solve Turkmenistan's basic problem of getting hard currency export earnings to back its currency. Azerbaijan, Kazakhstan, and Ukraine had all run up substantial gas debts. Aggravating the situation, a below average cotton harvest extended poor economic conditions into 1996, as inflation raged on at about 992% for the year. GDP continued its postindependence slide, registering a decline in GDP of -8.2% in 1995 and -7.7% in 1996. Gross domestic product plunged further (-25.9%) in 1997 when Russia cut off access to its pipelines in a dispute over prices to be paid for Turkmeni gas. External debt, which had already increased 86.5% from \$401 million to \$750 million 1995 to 1996, jumped 136% to \$1.77 billion in 1997 as the government was forced to borrow to cover shortfalls in export payments. More promising were the effects of reforms in monetary and fiscal policy adopted in 1996 and 1997.

Although not officially under an IMF program, the government voluntarily undertook to follow IMF recommendations about controlling credit expansion, reducing budget deficits, and liberalizing foreign exchange. From this point inflation began a steady retreat, falling to 84% in 1997, to about 20% in 1998 and 1999, to 14% in 2000, and to a reported 6% in 2001. However, internal evidence from the government's published figures suggested a resurgence of inflation in double digits in 2002. Another positive development was the completion in 2002 of the \$190 million, 24 mile Korpędzhe Kurt-Kui pipeline connecting Turkmenistan to the Iranian gas pipeline system. In 2001 agreement was reached on a route whereby Turkmenistan gas could be delivered to Armenia through a still-to-be-built Iran-Armenian pipeline. A more ambitious project is the Trans-Afghanistan pipeline, called the Central Asia Gas Pipeline (or Centgas) that would run 1440 km (900 mi) from the Daulet Abad gas field in Turkmenistan through Qandahār, Afghanistan and end at Multan in Pakistan. The Cent-

gas consortium was set up by Unocal in October 1997, but suspended 22 August 1998 in the face of a lack of success in obtaining funding, continuing civil war in Afghanistan (and opposition in the United States to Unocal negotiations with the unrecognized Taliban regime), and, finally, US cruise missile attacks against al-Qaeda training camps.

In May 2002, Turkmenistan led the reopening of discussions on the Trans-Afghan pipeline, now generally referred to as the TAP, and in December 2003 the leaders of Turkmenistan, Pakistan and Afghanistan reached an agreement in principle to build the \$3.2 billion plus project. The ADB was enlisted to carry out a six-month feasibility study, and a summit is planned for September 2003 to put together the consortium that will build the TAP. In February 2003, the three TAP countries extended an invitation to India to join the project, apparently on the realization that its viability would depend on access to the Indian market. India, not wanting to work with Pakistan, did not accept the offer. In any case, the 1997 opening of the pipeline connection to Iran helped make 1998 the last year of postindependence decline in Turkmenistan's GDP, which reportedly fell only 1% despite the ongoing Russian financial crisis, although earlier reports had put this decline at closer to 11%. Decisive in restoring the economy to growth was the reopening of access to the Russian gas lines in 1998 following the resolution of their price dispute. There followed four years of double digit growth: 16% in both 1999 and 2000, 20.5% in 2001 and an estimated 13% in 2002.

By the agreement reached with Russia in 1998, Turkmenistan was supposed export 20 billion cu m (706 billion cu ft) of natural gas to Russia by 2000 and increase this figure by 10 billion cu m (353 billion cu ft) per year until a level of 50–60 billion cu m (1,765–2,118 billion cu ft) was reached in 2004 or 2005. These levels were not achieved and in 2003 Russia was seeking a new agreement with Turkmenistan. The Turkmeni economy by US government estimates had reached about 70% of its preindependence level by 2001. The country's production of natural gas in 2001 was at about 60% of its preindependence level. Unemployment has apparently declined sharply during the last several years, dropping from 24% in 1998 to 14% in 2001, though this series of data was incomplete. In the meantime, payments problems with gas customers continue.

On 14 May 2001 Turkmenistan and Ukraine reached an agreement for the supply of natural gas between 2002 and 2006 in exchange for 60% payment in cash and the rest in participation in 20 construction and industrial projects in Turkmenistan worth \$412 million. In May 2002, with Ukraine still owing \$46 million in cash, President Niyazov expressed concern that work on the projects was progressing too slowly. In the meantime, cotton production experienced an unprecedented shortfall in 2002. Government planners had set an ambitious target of 2 million tons of cotton for the 2002 harvest despite the fact that the level had fallen from 1.3 million tons to 1.136 million tons (12.6%) from 2000 to 2001. To achieve the envisioned 80% increase, the government agreed to sign contracts only with farmers achieving a yield of more than 30 centners (about 1.65 tons) per hectare. The government's long-range targets for cotton are for 3 million tons of cotton by 2010 processed into 900,000 tons of cotton fiber. However, poor harvests in the early- and mid-2000s led to an almost 50% reduction in cotton exports.

Turkmenistan has taken a cautious approach to economic reform, relying upon its cotton and gas exports to sustain its inefficient economy, based as it is on an authoritarian, post-Communist political structure and a tribally-based social structure. From 1998–2005, Turkmenistan suffered from a lack of adequate export routes for its natural gas and from its external debt burden. Nevertheless, due to high international oil and natural gas prices over the 2003–05 period, Turkmenistan registered a 20–30% rise in exports per year. In 2005, the IMF estimated Turkmenistan's GDP growth rate at 7%, while the government's statistics, notoriously unreliable as they are, recorded a 21.4% GDP growth rate. The US Central Intelligence Agency (CIA) estimated the unemployment rate in 2004 to be 60%, and the percentage of people living below the poverty line to be 58% in 2003. The inflation rate was estimated by the CIA at 10% for 2005.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Turkmenistan's gross domestic product (GDP) was estimated at \$29.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$5,900. The annual growth rate of GDP was estimated at 7%. The average inflation rate in 2005 was 10%. It was estimated that agriculture accounted for 26.9% of GDP, industry 39.5%, and services 33.6%.

Foreign aid receipts amounted to \$27 million or about \$6 per capita and accounted for approximately 0.4% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Turkmenistan totaled \$3.34 billion or about \$687 per capita based on a GDP of \$5.8 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings.

Approximately 32% of household consumption was spent on food, 14% on fuel, 6% on health care, and 18% on education. It was estimated that in 2003 about 58% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

From 1985 to 1991, the size of the labor force in Turkmenistan grew by 2.7% per year. Of an estimated 2.32 million inhabitants of working age in 2003, it was estimated that agriculture engaged 48.2%, with 13.8% in industry and 37% in the services sector. In 2004, unemployment was estimated at 60%.

The right to form or join unions is not provided by law. As of 2002, there were no independent unions. The Federation of Trade Unions, now renamed the Colleagues Union, the government-associated organization of the Soviet era, is still present. In 2002, the union claimed 1.3 million members. Although Turkmen law does not protect the right to bargain collectively, strikes are allowed. State economic control is still prevalent, and little progress toward privatization has occurred.

The standard legal workweek is 40 hours. Many industrial workers often labor in unsafe conditions, and agricultural workers especially are subjected to ecological health hazards. The minimum

working age is 16 years except for in a few heavy industries where it is 18. Violations of the minimum working age do occasionally occur in rural areas, especially during the cotton harvesting season. There is no set minimum wage. As of 2002, the average wage for public-sector employees was \$77 per month.

## 2<sup>2</sup> AGRICULTURE

About 30–35% of Turkmenistan is considered arable, but only 4.8% was under cultivation in 2003. Almost 80% of the sown agricultural land is under irrigation. Yields are relatively low because of poor water usage, salinization, inefficient irrigation, and overdevelopment of cotton cultivation. In 2003, agriculture engaged 33% of the economically active population. Agriculture accounts for about 25% of GDP.

Cotton is the main crop, grown on some 500,000 hectares (1.24 million acres), with production on the Mary and Tejen oases and along the Amu Dar'ya. Estimated cotton production for 2004/05 was 501,000 tons, up from 137,000 tons in 1996. Lack of machinery had caused significant portions of the cotton crop to go unharvested. Wheat also is cultivated to avoid dependency on unstable cotton export earnings. In 2004, estimated production was 2,600,000 tons. Citrus fruit, dates, figs, grapes, pomegranates, olives, and sugarcane are grown in irrigated groves and fields in the southwest. Sesame, pistachios, and oilseeds are other important export crops.

## 2<sup>3</sup> ANIMAL HUSBANDRY

The inability to raise sufficient fodder impedes livestock development. The livestock population in 2005 included sheep, 13,000,000; cattle, 2,000,000; goats, 370,000; pigs, 30,000; asses, 25,000; horses, 16,000; and chickens, 7,000,000. Karakul sheep are raised for wool export; in 2005, 20,000 tons of greasy wool and 12,000 tons of sheep skins were produced. A private tannery in Mary processes about 100,000 sheepskins per year, selling its product to the state-run leathery factory.

Akhaltekin horses, raised at the Akhaltekin oasis, are a breed which dates date to the 3rd century. Bucephalus, the favorite horse of Alexander the Great, was Akhaltekin. In 1986, an Akhaltekin horse, Dancing Brave, was sold for \$50 million. Akhaltekings have a large share of the racehorse breeding market worldwide, and are depicted on Turkmenistan's national emblem.

## 2<sup>4</sup> FISHING

The Caspian Sea provides fishing resources; fishing is an important export activity. In 2003, the total catch was 14,567 tons, primarily Azov sea sprat.

## 2<sup>5</sup> FORESTRY

About 8% of the land is forested. Arid conditions and the expansive Kara Kum desert inhibit the development of commercial forestry. Forestry imports amounted to \$3.9 million in 2004.

## 2<sup>6</sup> MINING

Turkmenistan had the world's third-largest reserves of sulfur, and was a leading producer of natural gas. Its top industries in 2002 were the production of natural gas, oil, and petroleum products. Gas and oil accounted for 33% and 30%, respectively, of its export

earnings in 1999, and 90% of foreign direct investment went into the oil and natural gas sectors.

In 2002, estimated outputs included: sulfur (mined at the Gaurdak complex, in the Gora deposit), 9,000 metric tons; gypsum, 100,000 metric tons; sodium sulfate (from an extensive mirabilite site in the Gararbogazköl), 60,000 metric tons; iodine, 200,000 metric tons; and nitrogen (content of ammonia), 75,000 metric tons. Turkmenistan also produced bentonite, bentonite powder, bischofite, cement, all of the FSU's supply of epsomite, ferrous bromide, lime, and salt (north of Nebitdag).

Ozocerite, iodine, and bromine were found on the Cheleken Peninsula and in Vyshka, Stantsiya. The Garabogaz Aylagy lagoon, off the Caspian Sea, was one of the world's largest sources of raw materials for the chemical industry. Commercial interest in the salts of the region began at the end of the 19th century, and it supplied all of the FSU's supply of medicinal Glauber's salt. Other mineral deposits included potassium and polymetallic ores.

## 2<sup>7</sup> ENERGY AND POWER

Turkmenistan has large reserves of oil and natural gas, but exports have been hampered by a reluctance to use Russian-controlled pipelines.

Turkmenistan, according to the Oil and Gas Journal and contained in an Energy Information Administration analysis of September 2005, the country has proven oil reserves of approximately 546 million barrels, and natural gas reserves of around 71 trillion cu ft. In 2004, oil production in Turkmenistan averaged an estimated 260,000 barrels per day, while natural gas output totaled 2,312 billion cu ft in that year. Exports that same year averaged around 170,000 barrels per day. Turkmenistan operates a pair of refineries, the Turkmenbashi and the Chärjew (Chardzhou), which have a combined capacity of 240,000 barrels per day. However, the refineries operate well below capacity and in the period from January through May 2005, an average of only 137,000 barrels per day were processed. Turkmenistan has no oil pipelines, which requires that the oil be shipped by sea via tanker to the Russian Caspian Sea port of Makhachkala.

In 2002, Turkmenistan's total electrical generating capacity was 3.921 million kW, of which 3.920 million kW of capacity was dedicated to conventional thermal fuel plants. Hydropower accounted for the remainder of the country's generating capacity. In that same year, net electricity generation was 10.528 billion kWh, of which more than 99% came from fossil fuels. In the same year, consumption of electricity totaled 8.781 billion kWh.

## 2<sup>8</sup> INDUSTRY

After growing at an average rate of 2.3% during the 1980s, the industrial sector declined after the breakup of the Soviet Union. Industrial output declined by 15% in 1992, and fell 25% in 1994 when it became clear that Turkmenistan's gas exports were going to be diverted from hard currency markets, and therefore from external sources of capital finance. After a further decline of 7% in 1995, gross industrial output reportedly surged ahead 17.9% in 1996, despite a 7.7% decline in the wider economy, as agreements were reached for gas supplies to Ukraine and the Transcaucasus. However, in 1997 deepening financial problems stemming from Russia's cutoff of Turkmenistan's access to its Gazprom lines over a price dispute, arrears in payments from its ex-Soviet custom-

ers, and declines in cotton processing helped to produce a fall in industrial production of 29.3%. From this low point, however, industrial output has expanded consistently. In December 1997 the \$190 million, 124 mile Korpezhe-Kurt Kui pipeline connecting to Iran's gas pipeline system was completed, and in 1998 access was restored to the Gazprom's pipelines.

Industrial production increased 1% in 1998, damped by the effects of the Russian financial crisis, but then rose 16% in 1999, 29% in 2000, and 8% in 2001. Nevertheless, the Turkmenistan economy remains dominated by primary production—gas, oil and cotton—and there has been little privatization of medium and large enterprises that might promote industrial development. Industry as a percent of the GDP declined over this period from 50% to 45%, and industrial workers as a percent of the labor force declined from 19% to 15%. By 2005, the industrial sector had declined further, to 39.5% of GDP, employing approximately 14% of the labor force. Economic reforms have been held back by the deliberately gradualist approach adopted by the government, which has left over 90% of economic activity in government hands. Industrial development is a secondary goal, subordinated to the primary objectives of gradualism, maintaining state leadership of the economy and maintaining a comprehensive welfare program. As part of the government's economic diversification policies, investment from the public sector and foreign exchange earnings have been used to build textile and garment manufacturing plants, often in joint ventures with Turkish partners. From 1995 to 2000 the share of the textile sector in total industrial production increased from 10.4% to 26%, while the share of cotton processed domestically rose from 3% to 35%. However, the commercial viability of these joint ventures is difficult to assess because of the implicit subsidies provided by the Turkmenistan government, multiple exchange rates, and incomplete data.

Turkmenistan's leading industries are those related to its main raw material exports. Most of country's plants and infrastructure continue to rely on Soviet-style equipment and technology. The textile industry is dominated by large state-owned enterprises (SOEs). As of 1998, only 33 manufacturing enterprises had been privatized, including one knitting factory whose sales price of 43.3 billion manats (about \$8.2 million at official exchange rates) constituted over 40% of the value of all privatized assets. Turkmen carpets are known world wide for their quality and are a source of national pride: ornaments of Turkmen carpets are components of the national flag and the national emblem of Turkmenistan. They are sometimes erroneously identified in Western markets by the label "Bukhara," which is actually just the Uzbekistan city where the carpets are sold. Turkmen carpets feature deep red wool, with stylized geometric patterns.

Fuel-related production (mainly gas and oil) is the second-largest component of the industrial sector, accounting for about 22% of total sector output in value terms. Turkmenistan has two oil refineries and plans for building a third. The older one at Turkmenbashi (formerly Krasnovodsk) has a 116,500 bbl/d capacity and was undergoing a \$1.46 billion upgrade and modernization with financing from Germany and Japan. Turkmenistan's record, slightly larger, 120,150 bbl/d capacity Chardzou refinery at Seidi was not completed until 1991, but is also slated for modernization and expansion. The Chardzou refinery depends on Russian oil piped in from Western Siberia, and has been operating at

about half capacity. In 2002, the president solicited bids for a third 100,000 bbl/d refinery. Food processing (especially meat and dairy processing), construction materials, and electricity generation account for about 20% of total industrial output. Chemicals and machinery are other important manufacturing subsectors.

## 29 SCIENCE AND TECHNOLOGY

The Turkmen Academy of Sciences, headquartered in Ashkhabad, has eight attached institutes concerned with natural sciences and technology. In addition, six independent institutes conduct medical research. In 1991, the Academy of Agricultural Sciences was established, and in 1992, the Academy of Medical Sciences was created, both in Ashkhabad. The Turkmen A.M. Gorkii State University, founded in 1950 at Ashkhabad, has faculties of physics, mathematics, and biology. Also in the same city are the Turkmen Agriculture Institute, the Turkmen Polytechnic Institute, and the Turkmen State Medical Institute (founded in 1932). In 2002, high technology exports were valued at \$8 million, or 5% of the country's manufactured exports.

## 30 DOMESTIC TRADE

Like the rest of the Turkmenistan economy, much of the country's retail and wholesale sector remain under the control of the central government. However, informal markets also operate in the country, at which a wide variety of consumer goods, including food, clothing and household wares, may be purchased. In 1994, the government established the State Commodity and Raw Materials Exchange as a means to regulate all trade and to restrict foreign competitors from controlling the market during the economic transition to a free market economy. Domestic trade involving locally produced goods is free from government regulations. Distribution of these products is generally facilitated through a state wholesale network. Most transactions are conducted only in cash. A value-added tax of 20% applies to most goods and services. Commercial advertising is under government control.

The work week is from 9 AM to 6 PM, Monday to Friday, with an hour for lunch. Many government officials and businesses regularly work on Saturday.

### Principal Trading Partners – Turkmenistan (2000)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	2,505.5	1,785.5	720.0
Russia	1,029.3	254.5	774.8
Italy-San Marino-Holy See	401.3	7.4	393.9
Iran	242.0	90.9	151.1
Turkey	186.0	253.3	-67.3
Ukraine	164.9	214.3	-49.4
Switzerland-Liechtenstein	91.9	5.9	86.0
United Arab Emirates	61.4	158.7	-97.3
Cyprus	48.5	0.4	48.1
Areas nes	38.0	105.3	-67.3
Afghanistan	38.0	...	38.0

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

### 3<sup>1</sup> FOREIGN TRADE

Like other Central Asian countries, Turkmenistan is highly trade dependent. While natural gas and processed cotton fiber are the country's most important export items, Turkmenistan is heavily dependent on imports for industrial equipment, industrial raw materials, and a number of basic food items such as grain, milk and dairy products, potatoes, and sugar. Agricultural products, of which cotton makes up the vast majority, accounted for about 9% of total exports in 2000, while mineral fuels brought in 81% of export receipts.

Poor harvests in recent years have led to a decline of almost 50% in cotton exports. Continuing difficulties with gas export payments and use of Russian gas pipelines to reach the European market resulted in a decrease in that sector as well.

Turkmenistan's primary export markets in 2004 were: Ukraine (46.6%); Iran (17.3%); Turkey (4.2%) and Italy (4.1%). Primary import partners in 2004 were: the United States (11.8%); Russia (9.7%); UAE (9.2%); Ukraine (9%); Turkey (8.6%); Germany (8%); France (5%); Georgia (4.6%); and Iran (4.5%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

In 2005, the value of Turkmenistan's exports was estimated at \$4.7 billion, and imports were estimated at \$4.175 billion. The current-account balance was estimated at -\$204.3 million.

### 3<sup>3</sup> BANKING AND SECURITIES

The State Central Bank of Turkmenistan (SCBT) is charged with issuing currency and executing a monetary policy, and represents the top tier of a two-tiered banking system. Commercial banks are responsible for collection, settlement, and handling of assets for clients and other banks. The State Bank for Foreign Economic

Activities has been established to provide hard currency credits for foreign economic activities.

The government has not released details of monetary policy since Turkmenistan left the ruble zone in November 1993. The currency reform involved a high degree of confiscation. Since then, the government is thought to have severely contracted the money supply in real terms as part of its bid to tackle inflation.

The banking decree of 20 February 1995 stated that: 75% of 1994 bank revenue was to be used for capital expenditure projects; banks were to lend to state-owned firms at an annual interest rate of 15%; and all excess bank profits were to be transferred to the state. Turkmenistan's banks are shackled with the usual problems of the former communist bloc. The Turkmen banks are poorly capitalized, have large loss-making portfolios to state-owned enterprises, and are burdened by an antiquated payments system which builds up arrears with ease.

Sberbank (the State Savings Bank) ranks second behind the SCBT in significance, holding most household deposits, and is still state-owned. The local branch of Vneshekonombank has been incorporated as an independent foreign trade bank, and is also state-owned. Investbank is the industrial sector bank and Agroprombank the agricultural sector bank. Both are state-owned via stock distributed to state-owned enterprises. In 1994, there were 10 further banks owned by state enterprises, two cooperative banks and two private banks.

### 3<sup>4</sup> INSURANCE

The joint-stock insurance company "TIS" is operating direct insurance lines for aviation, cargo, fire, accident, and auto in Ashkhabad.

### 3<sup>5</sup> PUBLIC FINANCE

Although still a centrally planned economy, Turkmenistan has slowly begun to decrease the size of the public sector's influence. Among the steps it has taken are a drive toward a unified market-based exchange rate, the allocation of government credits by auction, and stricter limits on budget deficits.

The US Central Intelligence Agency (CIA) estimated that in 2005 Turkmenistan's central government took in revenues of approximately \$1.4 billion and had expenditures of \$1.5 billion. Revenues minus expenditures totaled approximately -\$141 million. Total external debt was \$2.4 to \$5 billion.

### 3<sup>6</sup> TAXATION

Turkmenistan significantly lowered income tax rates in 2002. The top rate was 11%, down from 25% in 2000, and 40% in the 1990s. The marginal rate for the average taxpayer is also 11%. The top corporate rate is 25%, down from 45%. A 15% rate is charged on income from dividends, copyrights, licenses, leases, royalties and other forms of passive income, although investors holding more than 30% of hard currency shares in an enterprise's capital fund are exempt from the dividend tax. Enterprises are not required to pay the profit tax until investors have fully recovered their original investment. Also, companies that reinvest profits are exempt from tax payments on the reinvested capital. Equipment contributing to the capital of joint ventures is exempt from import duties. Free economic zones have been created to attract foreign capital. There is a value-added tax (VAT) imposed on all goods and services,

#### Balance of Payments – Turkmenistan (1997)

(In millions of US dollars)

<b>Current Account</b>			<b>-580.2</b>
Balance on goods		-230.9	
Imports	-1,005.1		
Exports	774.2		
Balance on services		-402.8	
Balance on income		84.9	
Current transfers		-31.3	
<b>Capital Account</b>			<b>-8.9</b>
<b>Financial Account</b>			<b>1,060.0</b>
Direct investment abroad		...	
Direct investment in Turkmenistan		107.9	
Portfolio investment assets		-5.4	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		205.6	
Other investment liabilities		751.9	
<b>Net Errors and Omissions</b>			<b>-72.9</b>
<b>Reserves and Related Items</b>			<b>-398.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.



sold or bartered, of 10% for foodstuffs and 20% for all other items. In March 1994, the president exempted from the VAT registered foreign investors, private enterprises (other than Turkmenpotrelsoyuz enterprises) and businesses importing and selling consumer goods.

### 37 CUSTOMS AND DUTIES

Technically, Turkmenistan does not levy tariffs except on imports by individuals. However, in practice, the excise tax system applies higher rates to imported goods than domestic, effectively putting an unspoken tariff in place. Additionally, certain domestic products are exempted from the VAT and, by special presidential decree, government regulatory agencies have the power to go into certain markets and determine the prices of domestically produced goods and the prices for which importers pay for foreign products. Certain imports from countries outside the rural area are prohibited or require a license. Turkmenistan is not a member of any free trade agreements and is not a member of the Commonwealth of Independent States customs union. It has signed trilateral agreements with Iran and Ukraine, Iran and Armenia, Iran and Bangladesh, and Iran and the Philippines and is pursuing more such agreements. Turkmenistan has most-favored nation status with the United States and Austria. Duties run from 10–100%, the average being 30%.

### 38 FOREIGN INVESTMENT

A law on foreign investment and other legislation regarding private entrepreneurship passed since 1991 now provides most of the conventional guarantees to foreign investors in Turkmenistan. However, until 1994, the purchase of property by foreign parties remained highly restricted. Reflecting some of this ambiguity, by 1992, only 23 joint ventures had been established, most of a relatively small scale and with negligible impact on foreign trade. Nevertheless, the country's political stability and rich natural resources are likely to make it a favored target for foreign investors in the near future. Significant inflows of foreign assistance have already allowed expansion of the petroleum industry to begin. Negotiations with foreign firms and several countries are underway for establishing a liquefied natural gas plant and the joint construction of a new gas pipeline to Europe that would bypass the need to transverse potentially unstable states of the former USSR.

In 1994, Turkmenistan's laws were modified to offer greater protection for property and rights of foreign investors and exemptions from duties and taxes for specific categories of investment; foreign investors registered in Turkmenistan, and enterprises importing and selling consumer goods there have been exempt from the value-added tax since March 1994. The Commodity and Raw Materials Exchange, created in 1994 to regulate all commercial transactions in Turkmenistan, registers individual trade contracts concluded by foreign companies and joint ventures, and charges a 0.2% commission. The State Agency for Foreign Investment (SAFI), established by presidential decree in 1996, monitors investments, reviews proposals and foreign currency credits, and may award priority status to projects favored by the government. There were no investment statistics available in 2005. However, leading sectors for US investors include: the oil and gas sector, in terms of exploration, development, equipment, and services; elec-

trical energy—development, equipment, and services; the chemical and mining sector—equipment, development, and services; transportation—infrastructure construction, distribution, and services; communications—equipment and services; environmental technology and services; health care and the medical industry; and agriculture.

### 39 ECONOMIC DEVELOPMENT

Turkmenistan's president Niyazov, or Turkmenbashi (Father of the Turkmen) as he has increasingly insisted on being called, has spoken of his country becoming the next Kuwait after its independence in 1991, with the state funding a high standard of living, a comprehensive welfare program, and industrial development from the invested proceeds of state-owned natural gas, oil and cotton operations. To date this vision has foundered on Turkmenistan's geographical and political isolation from hard currency markets for its exports, a position that help produce, after an initial soft landing in 1992, a sharp decline in economic activity, hyperinflation, and increasing external debt from 1993 to 1998. Although official statistics show double-digit growth since 1999 and inflation reduced to a single digit by 2001 (6%), the reliability of these statistics that the government treats like state secrets is highly questioned. The country does not submit economic information to the scrutiny of the IMF, which it has avoided by avoiding balance of payments problems (though not without difficulty judging from the harsh measures, including gas cut-offs, it has employed to get delinquent country's to pay their gas debts).

Turkmenistan's relatively well-educated population and natural resources provide a promising foundation for the growth of a diverse set of industries. The government's transition strategy consisted of three overarching principles: a gradualist pace to privatization and liberalization, a leading role for the state in developing the economy, and the maintenance of a full array of welfare supports to minimize the human costs of the economic transition. It is within these constraints that the government has pursued goals of food self-sufficiency and economic diversification.

The guiding principles of this program were detailed in a formal document in early 1991 calling for a series of legislative, fiscal, and monetary measures related to price controls, privatization, and industrial infrastructure development. More specific measures followed, including new laws on privatization and foreign investment adopted in 1992, price decontrol measures taken the same year, adoption of a value-added tax and other tax reform, and measures taken in 1996 and 1997 to control the growth of money supply. Under the liberalized property regime, leasing arrangements have expanded in both the agricultural and industrial sectors. The leasing or purchase of individual enterprises by workers is favored by the current legislation, although land, water, and the oil and gas industries are excluded from the possibility of outright purchase by private individuals or companies. Public money and foreign exchange earnings have been used to establish textile and garment manufacturing plants, often as joint ventures with Turkish partners. The share of the textile sector in total industrial production has increased since independence from about 11% to about 26%, and the percent of Turkmenistan's cotton production processed domestically instead of exported has increased from 3% to 35%. However, it is difficult to judge the competitiveness of these state-supported enterprises. Overall the gradualist pace

in privatization has left over 90% of the economy by value under state control employing about 80% of the work force. Most medium and large industrial enterprises continue to run on the basis of centrally planned state orders and resource allocations, although there has been a substantial amount of privatization among small enterprises and in the service sector.

Following the government's expressed commitment to minimizing the negative impact of post-Soviet economic restructuring on the population, the terms for Turkmenistan's social safety net are more generous than many other former Soviet countries: allowances for large families, social security payments, and pensions have all been increased substantially since 1992, and as of 1993 all citizens were to receive free electricity and free water. Potential fiscal imbalances resulting both from these increased expenditures and the end of transfers from the Soviet government have thus far been avoided by increased profit transfers from key enterprises, export duties, and a variety of smaller revenue sources. Twenty-nine percent of the 1992 budget expenditures was allocated to price-differential subsidies paid to retail agencies required to sell food and medicines below wholesale prices. Capital expenditures claimed a further 12% of total expenditures while combined social and cultural expenditures allocated to education, health care, and social security totaled about 30%. In 2002, an estimated 80% of the government's budget was spent reinforcing the social welfare safety net.

Historically, landlocked Turkmenistan has depended on imports for most its food. Although there has been marked improvement in the government's prime target of wheat production since independence—total grain production, including wheat, rye, barley, corn, rice and miscellaneous grains, was 776 metric tons in 1992 whereas wheat alone had attained the government target of 1.2 metric tons by 1998—the goal has not been fully met. In recent barter deals with Ukraine over past gas debts Turkmenistan has contracted for shipments of Ukrainian wheat and sugar.

A five-year production and investment plan set out in 1992 proposed large investments in the development of infrastructure and the energy sector financed by tax receipts and foreign exchange receipts from gas and cotton exports. The budget for 1993 included financing for projects to expand grain production and cotton processing. Under the government's central planning approach to economic development, the ambitious targets set have often not been met. In allotting its reduced cotton production, the needs of the newly expanded domestic industry appear to be given priority over exports, although raw cotton is an important foreign exchange earner.

The key to Turkmenistan's economic success rests on securing development finance through the exploitation of its natural gas resources. The completion of the Korpezhe-Kurt Kui Pipeline to the Iranian gas pipeline system in December 1997 plus restored access to Gazprom's pipelines in 1998 laid the basis for the economy's first return to growth since independence in 1999.

In 1998 the government restructured its oil and gas industries into several state-owned companies to better attract foreign investment. Progress has been made on two other gas pipeline schemes: the Iran-Armenian pipeline that would allow Turkmenistan to deliver its gas to Armenia, and the Trans-Afghanistan

Pipeline (TAP), that, as originally envisioned, would pipe Turkmenistan gas across Afghanistan to Pakistan. Neither, however, is free of economic and political problems. Armenia remains a poor and uncertain market, particularly, as a source of hard currency, plus it is not clear if the arrangement would be exempt from US sanctions against countries dealing with Iran. Representatives of the three main participants in the TAP project have attempted to persuade India to agree to be the final terminus for Turkmenistan's gas apparently on the realization that neither Afghanistan nor Pakistan could provide markets large enough to justify the \$3.2 billion cost of construction. India initially refused participation because of its conflicts with Pakistan, but in 2005 expressed interest in the idea of participating in the project, despite its geostrategic fears and security issues. For oil, Turkmenistan's third major export earner, the president announced a 10-year program to reach an output of one million barrels per day in 2010. The US Department of Energy forecasts Turkmenistan's oil production level in 2010 at only 200,000 barrels per day.

#### 40 SOCIAL DEVELOPMENT

Turkmenistan's current social security system provides old age, disability and survivor pensions to employed persons. A social pension is provided to those not eligible for employment-related pensions. Old age benefits are provided at age 62 for men who have 25 years of covered employment and at age 57 to women with 20 years of employment. The social security program is financed by contributions from employers and employees. The government provides subsidies as needed and completely funds social allowances. Unemployment benefits are provided for up to one year. Sickness and maternity benefits and workers' compensation were introduced in 1998, and a child care allowance is also available.

Women are entitled to equal rights as men under the law, however due to societal constraints the woman's role is primarily that of homemaker and mother. Opportunities for education and careers outside the home are limited. Violence against women, including domestic violence, is not discussed and victims keep silent. Women are underrepresented in management positions in most state economic enterprises. Despite constitutional provisions, Muslims often follow religious practices giving men precedence over women in property and inheritance matters.

Turkmenistan's human rights record is extremely poor. Arbitrary arrest, detention, unfair trials, and interference with citizens' privacy and correspondence are reported. Security forces beat and mistreat suspects and prisoners. There are no international or domestic human rights monitoring groups operating in Turkmenistan. The government funds almost all print media and completely controls television and radio. Academic freedom and publishing are restricted. All forms of religious expression are controlled by the government. The government severely restricts freedom of speech and completely controls and censors the media, forbidding the expression of criticism of the government.

#### 41 HEALTH

As of 2000, systematic health care reforms had been undertaken, including enhancement of primary care, training programs for medical personnel, and infrastructure improvements. Seri-

ous inadequacies remained in the condition of medical facilities and equipment. Primary care was provided by two types of rural health units and by urban health centers. The number of hospital beds has been greatly reduced since independence. Total health care expenditure was estimated at 5.2% of GDP. As of 2004, there were an estimated 317 physicians, 619 nurses, 23 dentists, and 25 pharmacists per 100,000 people. Approximately 58% of the population had access to safe drinking water and 100% had adequate sanitation.

Immunization rates for children up to one year old were tuberculosis, 97%; diphtheria, pertussis, and tetanus, 87%; polio, 94%; and measles, 90%. The rates for DPT and measles were, respectively, 98% and 97%. The infant mortality rate in 2005 was 73.08 per 1,000 live births. The maternal mortality rate was 65 per 100,000 live births. Average life expectancy was 61.01 years in 2005.

In this former Soviet republic, mortality rates have increased significantly since the breakup. Leading causes of death were communicable diseases and maternal/perinatal causes, noncommunicable diseases, and injuries. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 200 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

#### 42 HOUSING

In 1989, 27.3% of all privately owned urban housing had running water, 7.2% had sewer lines, 16% had central heating, and 1% had hot water. In 1990, Turkmenistan had 11.1 sq ft of housing space per capita and, as of 1 January 1991, 108,000 households (or 30.9%) were on waiting lists for urban housing.

#### 43 EDUCATION

Before the Soviet Union established control over the region in the 1920s, few schools, mainly Muslim, existed. The government has control over all aspects of education. Education is now state-funded and compulsory from the age of 7 to 16. Basic education is completed in two stages of three and six years. Students may then take a two- to four-year specialized academic program or a one-year vocational program. In most schools, instruction is in the Turkmen language; Uzbek, Russian, Kazakh, and Karakalpak languages are used in others. In the early 1990s, primary school enrollment was estimated at about 77% of all age-eligible students.

In 1990/1991, all higher-level institutions had 76,000 pupils enrolled. There are 14 institutions of higher learning, including one university at Ashkhabad, the Turkmen State University (founded in 1950) with an enrollment of over 11,000 pupils. Turkmenistan also has 90 technical colleges. As of 1995, public expenditure on education was estimated at 4.3% of GDP. The adult literacy rate has been estimated at about 98%.

#### 44 LIBRARIES AND MUSEUMS

The National Library of Turkmenistan in Ashkhabad holds 5.5 million volumes and is the largest in the country. The Republican Scientific and Technical Library of Turkmenistan holds 900,000 volumes and the Turkmen Academy of Sciences, in the capital,

holds 2.1 million volumes. Turkmen University has the nation's largest academic library, holding 542,000 volumes.

In early 2005, President Saparmurat Niyazov called for the closure of nearly all of the nation's public libraries, with the exception of the National Library and some libraries associated with educational institutions. The president called for these closings claiming that most of the citizens don't read books or visit libraries.

There are several fine museums in Ashkhabad, including the National Museum, the State Museum of Fine Arts, and the Carpet Museum, as well as museums devoted to history and literature. There are historical and ethnographical museums in the cities of Mary, Turkmenabat, and Turkmenbashi.

#### 45 MEDIA

Telephone links to other former Soviet republics and Iran are provided by land link or microwave and to other countries through Moscow. In 2003, there were an estimated 77 mainline telephones for every 1,000 people; about 36,800 people were on a waiting list for telephone service installation. The same year, there were approximately two mobile phones in use for every 1,000 people.

Turkmen Radio in Ashkhabad broadcasts transmissions from Moscow, as does Turkmen Television, which also receives Turkish television broadcasts. All broadcasts are controlled by the government. In 2005, there were four television channels and two radio stations, all owned and operated by Turkmen TV and Radio. Many programs can be received from Russia and Turkey. Orbita and INTELSAT are received by satellite earth stations. In 2003, there were an estimated 279 radios and 182 television sets for every 1,000 people. The same year, only two of every 1,000 people had access to the Internet, available only through the government-owned Turkmen Telecom.

In 2004, there were 22 newspapers published in Turkmen and 1 official newspaper in Russian. The two main daily papers are *Turkmenistan* (circulation 73,170 in 1995) and *Turmenskaya Iskra* (in Russian, 40,000). There are also a number of periodicals, mostly in Ashkhabad.

The constitution provides for free expression, but in practice the government is said to severely limit press rights. The government owns and directly controls all radio, television, and print media, and is said to rarely allow criticism or opposition opinion in even the mildest forms.

#### 46 ORGANIZATIONS

The economic affairs and other concerns of workers are handled by the Chamber of Commerce and Industry, and the Federation of Trade Unions of Turkmenistan, respectively. The most important mass movement in the country is the Communist Party. It controls all aspects of Turkmenistan's politics, society and culture. Its organizations of control are the Committee on National Security, Ministry of Internal Affairs, and various trade unions. The trade unions, all controlled by the state, serve to promote government production plans and policies. Cultural and educational associa-

tions are somewhat restricted by the government. There is a national chapter of the Red Crescent Society.

#### **47** TOURISM, TRAVEL, AND RECREATION

Tourism has been designated a priority area of economic development with a focus on its infrastructure. Turkmenistan is home to the largest modern airport in Central Asia, and Turkmenistan Airlines flies nonstop to Europe. The hotels do not yet take credit cards but are working to improve their system. Geological and archeological sites and museums are primary tourist spots in this mostly desert state. Casinos and health spas are popular at the five-star hotels. A valid passport as well as a visa is required to enter Turkmenistan. There are no vaccination requirements although precautions against malaria, typhoid, and hepatitis are recommended.

In 2005, the US Department of State estimated the daily expenses of staying in Ashkhabad at \$108.

#### **48** FAMOUS TURKMENISTANIS

Saparmuryat A. Niyazov (b.1940) has been president of Turkmenistan since December 1991. Outstanding representatives of culture and literature of Turkmenistan include Abdulhekin Qulmukam Medoghli, a writer, researcher and political activist who was killed in 1937 during one of Stalin's purges, and the poet and

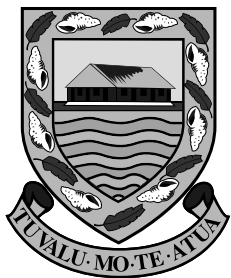
thinker, Maktum Kuli, who first envisioned an independent Turkmenistan. The country has established the Makhtumkuli International Prize in his name and awarded it to President Niyazov.

#### **49** DEPENDENCIES

Turkmenistan has no territories or colonies.

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# TUVALU



**CAPITAL:** Funafuti

**FLAG:** The national flag has the Union Jack in the upper quarter nearest the hoist; nine yellow stars on a light blue field are arranged in the same pattern as Tuvalu's nine islands.

**ANTHEM:** *Tuvalu mo te Atua (Tuvalu for the Almighty)*.

**MONETARY UNIT:** Both the Australian dollar (A\$) and the Tuvaluan dollar (T\$) of 100 cents are legal tender. There are coins of 1, 2, 5, 10, 20, and 50 Tuvaluan cents; 1 and 5 Tuvaluan dollars; and notes of 5, 10, 20, 50, and 100 Australian dollars. T\$1 = US\$0.76336 (or US\$1 = T\$1.31) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is being introduced, but imperial measures are still commonly employed.

**HOLIDAYS:** New Year's Day, 1 January; National Children's Day, first Monday in August; Tuvalu Day, 1 October; Christmas Day, 25 December; Boxing Day, 26 December. Movable holidays include Commonwealth Day (March), Queen's Official Birthday (June), and Prince of Wales's Birthday (November); movable religious holidays include Good Friday and Easter Monday.

**TIME:** Midnight = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Tuvalu (formerly the Ellice Islands) comprises a cluster of nine islands, plus islets, located in the southwestern Pacific Ocean just south of the Equator. These remote atolls are situated about 1,050 km (650 mi) N of Suva, Fiji, and 4,000 km (2,500 mi) NE of Sydney, Australia. They lie in a 595-km-long (370-mi) chain extending over some 1,300,000 sq km (500,000 sq mi) of ocean and have a total land area of 26 sq km (10 sq mi). Comparatively, the area occupied by Tuvalu is about 0.1 times the size of Washington, D.C. Tuvalu has a coastline of 24 km (15 mi).

Tuvalu's capital city, Funafuti is located on the island of Funafuti.

## <sup>2</sup> TOPOGRAPHY

Tuvalu consists entirely of low-lying coral atolls, none of which is more than 5 m (16 ft) above sea level; few of the atolls are more than 0.8 km (0.5 mi) wide. The islands are coral reefs on the outer arc of ridges formed by pressure from the Central Pacific against the ancient Australian landmass. On five islands, the reefs enclose sizable lagoons; the others are mere pinnacles rising abruptly from the ocean floor. Only two of the islands, Funafuti and Nukufetau, have natural harbors for oceangoing ships. There are no rivers on the islands.

## <sup>3</sup> CLIMATE

Tuvalu has a tropical climate with little seasonal variation. The annual mean temperature of 30°C (86°F) is moderated by trade winds from the east. Rainfall averages over 355 cm (140 in), with most rain falling between November and February. Although the

islands lie north of the main cyclone belt, Funafuti was devastated in 1894, 1972, and 1990.

## <sup>4</sup> FLORA AND FAUNA

The surrounding sea is rich in flora and fauna, but land vegetation is limited to coconut palm, pandanus, and imported fruit trees. Pigs, fowl, and dogs, all of which were imported in the 19th century, flourish on the islands. The only indigenous mammal is the Polynesian rat. Birds include reef herons, terns, and noddies. There are 22 known species of butterfly and moth.

## <sup>5</sup> ENVIRONMENT

Environmental dangers include uncontrolled spread of the crown of thorns starfish, which flourishes in deepened channels and is destructive to coral reefs; erosion of beachheads from the use of sand for building materials; and excessive clearance of forest undergrowth for firewood. About 40% of Funafuti is uninhabitable because the United Kingdom authorized the United States to dig an airstrip out of the coral bed during World War II. Global warming and the related rise of sea levels are also a significant environmental concern for Tuvalu's residents. The encroachment of sea water also poses a threat of contamination to the nation's limited water supply, whose purity is already at risk due to untreated sewage and the by-products of the mining industry and farming. Natural hazards include earthquakes, cyclones, and volcanic activity.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 1 species of bird, 1 type of reptile, 5 species of fish, and 1 type of mollusk. Current fishing methods

threaten Tuvalu's marine life. The green sea turtle, hawksbill turtle, bay shark, and the leatherback turtle are endangered.

## 6 POPULATION

The population of Tuvalu in 2005 was estimated by the United Nations (UN) at 10,000, which placed it at number 192 in population among the 193 nations of the world. In 2005, approximately 6% of the population was over 65 years of age, with another 36% of the population under 15 years of age. According to the UN, the annual population rate of change for 2005–10 was expected to be less than 0.5%, due to ongoing emigration. The projected population for the year 2025 was 14,000. The population density was 386 per sq km (1,000 per sq mi). Population is distributed among the islands as follows: Vaitupu (approximately 15%), Niutao (11%), and Nanumea (11%), with the remaining 63% divided among Nukufetau, Nanumanga, Nui, Nukulaelae, and Niulakita (formerly uninhabited).

The UN estimated that 47% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.51%. The capital city, Funafuti, had a population of 6,000 in that year.

## 7 MIGRATION

During the 19th century, recruitment of Tuvaluans to work on plantations in other Pacific islands, Australia, and South America reduced the resident population from about 20,000 to 3,000. Migrants account for about 3% of the total population. A steady rate of emigration has resulted in little population growth over the past decade. The net migration rate was zero in 1999 and in 2005. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

Apart from a few Europeans, the islanders are almost entirely Polynesian (96%) and have strong ties with the Samoans and Tokelauans. There is no evidence of pre-Polynesian settlement. Language and tradition indicate that the Tuvaluans were part of a Samoan-Tongan migration from the 14th through the 17th century.

## 9 LANGUAGES

English and Tuvaluan, a Polynesian tongue related closely to Samoan, are the principal languages. A Gilbertese dialect (Kiribati) is spoken on Nui.

## 10 RELIGIONS

In 1865, a member of the London Missionary Society reached Tuvalu from Samoa and Samoan pastors were sent to the islands. The Tuvaluans rapidly embraced the Christian faith and about 91% of them are Protestant members of the Church of Tuvalu, a Congregationalist group. Seventh-Day Adventists account for 3% of the population, Baha'is for 3%, Jehovah's Witnesses for 2%, and Catholics for 1%. There are also small numbers of Muslims, Baptists, Mormons, and atheists.

The constitution provides for freedom of religion and the separation of church and state; however, the government seems to favor Christian practices, even by opening sessions of parliament with Christian prayer. Traditional chiefs from all of the nine island groups are members of the Church of Tuvalu. Religious groups are required to register with the government and may be prosecuted

for failure to do so. A group must have more than 50 members in order to register.

## 11 TRANSPORTATION

Transportation is inadequate. Most roads are little more than tracks, although Funafuti has about 19.5 km (12.1 mi) of coral-impacted roads for use by the island's few cars and trucks. Funafuti and Nukufetau are the only seaports, used chiefly by freighters in the copra trade. Ships drawing up to 9 m (30 ft) can dock in Funafuti harbor at a deepwater wharf completed in 1980. In 2005, Tuvalu had a merchant fleet of 23 ships of 1,000 GRT or more, totaling 54,993 GRT. All the islands are served by Tuvalu's one inter-island ferry. As of 2004, Funafuti had one lone airport, a grass strip that cannot be used for jet aircraft.

## 12 HISTORY

The islands were probably settled between the 14th and 17th centuries by Polynesians drifting west with prevailing winds from Samoa and other large islands. The first European to discover Tuvalu is thought to have been the Spanish navigator Álvaro de Mendaña de Neyra, who sighted Nui in 1568 and Niulakita in 1595. Further European contact was not made until the end of the 18th century. Between 1850 and 1875, the islands were raided by ships forcibly recruiting plantation workers for South America, Fiji, Hawaii, Tahiti, and Queensland. To help suppress such abuses, the Office of British High Commissioner for the Western Pacific was created in 1877.

In 1892, after ascertaining the inhabitants' wishes, the United Kingdom proclaimed the Ellice Islands (as Tuvalu was then known), together with the Gilberts, as a British protectorate. After further consultation, the protectorate became the Gilbert and Ellice Islands Colony in 1916. After the Japanese occupied the Gilberts in 1942, US forces occupied the Ellice group in 1943 and drove the Japanese out of the Gilberts. After the war, the ethnic differences between the Micronesians of the Gilberts and the Polynesians of the Ellice Islands led the Ellice Islanders to demand separation. In 1973, a British commissioner appointed to examine the situation recommended administrative separation of the two island groups. The British government agreed, provided that the Ellice Islanders declared their wishes by referendum. The vote, held during August–September 1974 with UN observers in attendance, produced an overwhelming majority of 3,799–293 for separation. Accordingly, on 1 October 1975, the Ellice Islands were established as the separate British colony of Tuvalu, and a ministerial system was instituted. Pursuant to a constitutional conference held at London in February 1978, Tuvalu became an independent member of the Commonwealth of Nations on 1 October 1979. Sir Fiatau Penitala Teo became Tuvalu's first governor-general, and Toaripi Lauti, chief minister at the time of independence, took office as Tuvalu's first prime minister. Following new elections in September 1981, Tomasi Puapua, who was reelected in September 1985, succeeded Lauti in office. In March 1986, Tupua Leupena replaced Sir Fiatau Penitala Teo as governor-general. In a poll held that same year, Tuvaluans rejected the idea that Tuvalu should become a republic. As a result of the 1989 general election the parliament elected Bikenebeu Paeniu as prime minister in September 1989. In the same election, Naama Latasi became the first woman to serve in Tuvalu's parliament.

In the 1993 legislative elections Paeniu and Puapua, the man who he replaced as prime minister, each received six votes from the newly elected 12-member parliament. A second round of votes were held in December that year, from which Puapua withdrew, and Kamuta Latasi was elected prime minister. In 1994 Latasi spearheaded a movement to remove the British Union Jack from the country's flag as a symbolic gesture of independence. In 1995, after conservative French President Jacques Chirac announced his country's intention to conduct above-ground nuclear tests in the South Pacific, Tuvalu emerged as a regional leader in the highly vocal opposition.

In April 1997 the Union Jack was restored as part of Tuvalu's national flag by a vote of seven to five in the Parliament. Newly reelected Prime Minister Bikenibeau Paeniu restored the former flag design, which Latasi had changed without consideration of the views of Tuvalu's citizens. Tuvalu, Nauru, and Kiribati aligned with the Cook Islands and Niue to put pressure on Australian production of "greenhouse gases." These low-lying island nations are particularly vulnerable to future global warming. Already flooding in stormy weather, they pressed for a worldwide cut of 20% of 1990 emission levels by 2005. Australia rejected the proposal, citing 90,000 jobs would be lost if Australia was forced to reduce emissions. None of Tuvalu's islands rise more than 16 feet (5 m) above sea level, and their future existence may be imperiled.

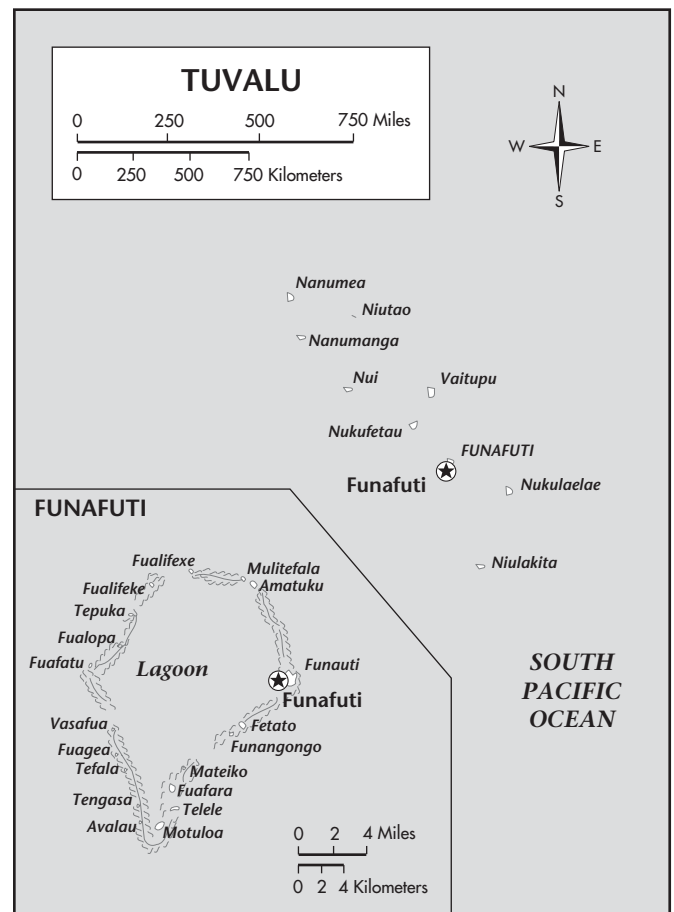
In 1998 Tuvalu began selling Internet addresses in its TV domain, i.e., all Tuvaluan Internet addresses end with the letters "tv."

By April 1999 there was growing dissatisfaction with Prime Minister Paeniu's leadership. Paeniu was forced to give up his office after a no confidence vote of parliament. On 27 April 1999 Ionatana Ionatana, former Minister of Education, was elected as prime minister by the 12-member parliament.

In August 1999 Tuvalu sought economic aid as it suffered through a severe drought. Australia, New Zealand, Japan and Britain promised assistance to ease the water shortage with desalination plants. Japan agreed to provide the plants; New Zealand would pay to transport them. Australia would provide technical assistance toward formulating water policies.

Reportedly, Tuvalu licensed its dot-tv domain for us\$50 million over 10 years to an Internet incubator. In February 2000 Prime Minister Ionatana received the first installment of the licensing deal, us\$20 million, and invested it in trust funds. In the continuing dispute with Britain over Tuvaluan separation with the Gilberts (Kiribati), Ionatana suggested that Tuvalu become a republic. In 2000 Tuvalu was admitted to the United Nations.

On 9 December 2000, Ionatana collapsed from cardiac arrest and died. Tuvalu had 4 prime ministers from 2000 to 2002. Faimalaga Luka, who was elected prime minister in February 2001, was replaced by Koloa Talake in December 2001 after a vote of no confidence. Saufatu Sopoanga became prime minister in August 2002 after general elections were held on 25 July. The elections and appointment of Sopoanga were expected to herald a period of stability in Tuvalu after Ionatana's death. However, Sopoanga's majority was by one seat. When the seat of Nanumea was declared vacant after the Chief Justice ruled that a government member of parliament had lodged his nomination papers after the legal deadline and a second seat held by the government became vacant following the death of the parliamentary speaker, a by-election



LOCATION: 5° to 11° S; 176° to 180°E. TOTAL COASTLINE: 24 kilometers (15 miles).  
TERRITORIAL SEA LIMIT: 12 miles.

tion was called. After the by-election Sopoanga did not have a majority. Sopoanga was defeated 8–6 in the 15-seat parliament, with one absentee. His defeat resulted mainly from Parliament Speaker Otinielu Tausi's joining the opposition camp because of his disagreement with Sopoanga's financial policies. Following this no-confidence vote on 25 August 2004, Saufatu Sopoanga resigned his parliamentary seat on 27 August 2004.

Deputy Prime Minister Maatia Toafa succeeded Sopoanga in an acting capacity on 27 August 2004. After having earlier resigned as prime minister, Sopoanga won the by-election on Nukufetau. He did not seek reelection for prime minister, but supported Toafa. Toafa was confirmed as Tuvalu's ninth prime minister in a Parliamentary election (8–7 vote) on 11 October 2004. He is the first prime minister of Tuvalu to hail from the island of Nanumea, the most northern of the group. In June 2005, Toafa lost one of his key allies with the resignation of Sio Patiale for medical reasons.

### 13 GOVERNMENT

Tuvalu is an independent constitutional monarchy. The head of state is the British monarch, whose representative on the islands is the governor-general, a Tuvaluan who has the power to convene and dissolve parliament (Filoimea Telito since 15 April 2005). There is a unicameral legislature, or Fale I Fono, the House of Assembly, with 15 members elected to four-year terms by universal adult suffrage. Seven islands elect two members each and one is-

land elects one member. The prime minister and deputy prime minister are elected by and from the members of parliament. The cabinet is headed by the prime minister and has up to five ministers (all House members). Suffrage is 18 years of age. An election for prime minister was last held 11 October 2004, the next was to be held following parliamentary elections in 2006.

#### **14 POLITICAL PARTIES**

There are no political parties, and political life and elections are dominated by personalities. Small island constituencies with a few hundred kin-related electors judge the leaders by their service to the community.

#### **15 LOCAL GOVERNMENT**

Local administration by elected island councils was established following the creation of the protectorate in 1892. Local governments were established on the eight inhabited islands by a 1966 ordinance that provided the framework for a policy aimed at financing local services at the island level. Funafuti's town council and the other seven island councils each consist of six elected members, including a president. Under the Falekapule Act of 1997, increasing power devolved from the central government to the island councils.

#### **16 JUDICIAL SYSTEM**

District magistrates were established with the protectorate in 1892, and native courts have observed a simple code of law based on mission legislation and traditional councils. Eight island courts (with limited jurisdiction) were constituted in 1965 to deal with land disputes, among other local matters. In 1975 a High Court of Justice was set up to hear appeals from district courts. Appeals from the High Court may go to the Court of Appeals in Fiji and ultimately to the UK Privy Council in London. In the High Court a chief justice visits twice a year to preside over its sessions.

The right to a fair public trial is respected in practice. Services of the public defender are available to all Tuvaluans free of charge. Defendants have the right to confront witnesses, present evidence, and to appeal. The judiciary is independent and free of governmental interference.

#### **17 ARMED FORCES**

Tuvalu has no armed forces except for the local police, which includes a maritime surveillance unit. For defense the islands rely on Australian-trained volunteers from Fiji and Papua New Guinea.

#### **18 INTERNATIONAL COOPERATION**

Tuvalu became a member of the Commonwealth of Nations on 1 September 2000, and the 189th member of the United Nations on 5 September 2000. Tuvalu serves on the FAO, IMO, ITU, UNCTAD, UNESCO, UPU, and the WHO. The country is also part of the Asian Development Bank, the ACP Group, the South Pacific Regional Trade and Economic Cooperation Agreement (Sparteca), the Alliance of Small Island States (AOSIS), and the Pacific Island Forum (formally called the South Pacific Forum).

In 1979, Tuvalu signed a treaty of friendship with the United States, which in 1983 formally dropped its prior claim to four of the nine islands. Tuvalu opposes French nuclear testing in the South Pacific and signed the 1985 Rarotonga Agreement declar-

ing the region a nuclear-weapons-free zone. In environmental cooperation, Tuvalu is part of the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

#### **19 ECONOMY**

Prime Minister Toaripi Lauti noted at the time of independence (1979) that all Tuvalu has is sun and a portion of the Pacific. Economic life is simple, but there is no extreme poverty. Subsistence is based on intensive use of limited resources, namely coconuts and fish; copra is the only cash crop. The sale of stamps and coins and worker remittances were the primary sources of government revenue in the mid-2000s. About 1,000 Tuvaluans work in Nauru in the phosphate mining industry. The islands are too small and too remote for development of a tourist industry. Fewer than 1,000 visitors visit the island annually, most attached to international aid delegations. However, the largest export sector is tourism, which in 2003 accounted for 34.8% of total exports of goods and services. Its vulnerability to external shocks includes the real possibility that the nine low-lying coral islands that constitute the country could disappear beneath a rising ocean level as one of the effects of global warming. Already, thousands in this rather densely populated country have been displaced by ocean swamping parts of the land.

In the meantime, the economy has been kept afloat by two more fortunate developments: the success of the Tuvalu Trust Fund (TTF) and proceeds from the sale of Tuvalu's internet address, ".tv." The Trust Fund was set up in 1987 with A\$27 million derived from contributions from Tuvalu, Australia (the largest donor at A\$8 million), New Zealand, and the United Kingdom, with smaller grants from Japan and South Korea. Helped by occasional lump sum contributions from Australia, and modest withdrawals by Tuvalu, the TTF had grown to A\$37 million by 1999. The TTF was valued at more than A\$70 million in 2006. The government derives about one-fourth of its revenues from returns on Trust Fund investments. More unique are the profits the government has been able to derive from its internet domain name. In 1990, the government leased the right to the suffix .tv to Idealab, a California company, for A\$90 million over 12 years, retaining a 20% share in the .tv Corporation. Some of the funds generated have been put in other investments and some have been used for infrastructure projects like airport development, electrification, and the construction of roads, office buildings and hospitals. The corporation .tv became a major shareholder in Air Fiji, which has exclusive flying rights to Tuvalu. In January 2002 .tv Corp. became a wholly owned subsidiary of VeriSign Corp., which bought it for us\$45 million in an agreement by which Tuvalu maintains control of the management of its domain name. Returns from .tv Corp. have been highly variable. The United Nations ranks Tuvalu among the least-developed countries.

#### **20 INCOME**

The US Central Intelligence Agency (CIA) reports that in 2005 Tuvalu's gross domestic product (GDP) was estimated at us\$12.2 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current



dollars. The per capita GDP was estimated at us\$1,100. The annual growth rate of GDP was estimated at 3%. The average inflation rate in 2000 was 5%.

## 21 LABOR

The estimated workforce numbered 7,000 in 2001. The economy relies primarily on subsistence ventures including fishing, and gathering coconuts. Many laborers work abroad and send wages home. In Funafuti, the government-controlled philately bureau is the largest single employer, with a staff of several dozen workers. There is no data on Tuvalu's unemployment rate. The nation's only trade union, the Tuvalu Seamen's Union, has about 600 members who work abroad on foreign merchant vessels. The nearly 1,000 public employees in Tuvalu were not unionized as of 2002, but do belong to associations. The law protects the right to strike, but no strike has ever occurred.

The minimum working age is 14 (15 for industrial employment). Generally children do not work outside of the traditional economy. The minimum age for shipboard employment is 18. As of 2002, the biweekly minimum wage was us\$75.66. The law sets the workday at eight hours. Basic health and safety standards, such as clean drinking water, are mandated by law but irregularly enforced.

## 22 AGRICULTURE

Although agriculture is the principal occupation, it contributes only 26% to the GDP. Agriculture is limited because of poor soil quality (sand and rock fragments), uncertain rains, and primitive catchment. Coconuts form the basis of both subsistence and cash cropping; the coconut yield in 2004 was about 1,600 tons. Other food crops are *pulaka* (taro), pandanus fruit, bananas, and papayas.

## 23 ANIMAL HUSBANDRY

The Agricultural Division, based on Vaitupu, has attempted to improve the quality and quantity of livestock to lessen the islands' dependency on imports. Pigs and fowl, which were imported in the 19th century, have been supplanted by goats and rabbits. In 2005, there were some 45,000 chickens and 13,500 pigs on the islands. Honey is also produced.

## 24 FISHING

Sea fishing, especially for tuna and turtle, is excellent. Although fishing is mainly a subsistence occupation, fish is sold in the capital, and *bêche-de-mer* is exported. The fish catch in 2003 was 1,505 tons, up from around 500 tons annually between 1997 and 2001. Japanese aid in 1982 provided a commercial fishing vessel for the islands. The Republic of Korea and Taiwan are both licensed to fish within the territorial waters of Tuvalu. In October 1986, Tuvalu, along with several other Pacific island nations, signed an agreement with the United States giving US tuna boats the right to fish its offshore waters. The sale of fishing licenses an-

nually contributes about A\$80,000 to the government's revenues. Fishery exports amounted to us\$301,000 in 2003.

## 25 FORESTRY

There is little useful timber on the islands.

## 26 MINING

There was no commercial mining.

## 27 ENERGY AND POWER

International aid by UNDP and the European Development Fund is helping to develop electrical power. Funafuti has a limited amount of electricity to operate its meteorological and broadcasting stations and for use by the hospital and hotel; very few private households have electrical service. Installed electrical capacity totaled 2,600 kW in 1990. Both production and consumption of electricity amounted to 3,000,000 kWh, or 330 kWh per capita, in 1995. The Tuvalu Solar Electric Cooperative Society, formed in 1984, provides a limited supply of photovoltaic electricity.

## 28 INDUSTRY

There is no industry apart from handicrafts, baking, and small-scale construction; the islands lack the population, capital, and resources to make commercial enterprises cost effective. In 1995, the latest year for which data was available, manufacturing accounted for 3% of GDP and construction about 14%. With the utilities sector, industry accounted for 19% of GDP. In recent years, construction has particularly benefited from the windfalls of money the government has through the .tv Corporation and related ventures.

## 29 SCIENCE AND TECHNOLOGY

There is no advanced science and technology except for that imported under foreign aid programs.

## 30 DOMESTIC TRADE

The local economy is based primarily on agriculture, which employs a majority of the resident population. Most residents of smaller villages and islands can grow or create their own necessary goods. Barter remains an important part of this subsistence economy. In larger communities, cooperative societies dominate commercial life, controlling almost all retail outlets, the marketing of local handicrafts, and the supply of fish to the capital. Offices are open from 7:30 AM to 4:15 PM, Monday through Thursday, and from 7:30 AM until 12:45 PM on Friday.

## 31 FOREIGN TRADE

Copra, the main cash crop, took many years to recover from the 1972 hurricane and has been affected by fluctuating market prices (although there is a subsidy to producers). Other exports include handicrafts and postage stamps. Most food, fuel, and manufactured goods are imported. Tuvalu's principal export partners in 2004 were: Germany (56.5%), Fiji (14.3%), Italy (10.9%), the United Kingdom (7.7%), and Poland (4.9%). The principal im-

### Principal Trading Partners – Tuvalu (1996-1999)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1.1	8.1	-7.0
United Kingdom	0.9	...	0.9
Spain	0.1	...	0.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

port partners in 2004 were: Fiji (50.2%), Japan (18.1%), Australia (9.6%), China (8%), and New Zealand (5.5%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

In 2004, Tuvalu's exports were valued at an estimated us\$1 million, while imports were valued at us\$31 million. Tuvalu's main economic aid donors are Australia, Japan, and the United States. Official development assistance (ODA) net inflows amounted to us\$8 million in 2004.

### 3<sup>3</sup> BANKING AND SECURITIES

The Bank of Tuvalu was founded in Funafuti in 1980 and has branches on all the islands. The bank is jointly owned by the Tuvalu government (75%) and by Barclays Bank, which was responsible for its operation until mid-1985.

In 1995, the government bought Westpac's 40% shareholding in the National Bank of Tuvalu and now owns the bank outright. Westpac has managed the bank since it was established in 1980 and is expected to provide an advisory support service.

### 3<sup>4</sup> INSURANCE

Insurance plays a minimal role in Tuvaluan life.

### 3<sup>5</sup> PUBLIC FINANCE

The US Central Intelligence Agency (CIA) estimated that in 2000 Tuvalu's central government took in revenues of approximately us\$22.5 million and had expenditures of us\$11.2 million. Revenues minus expenditures totaled approximately us\$11.3 million.

### 3<sup>6</sup> TAXATION

Revenue is obtained principally by means of indirect taxation: stamp sales, the copra export tax, fishing licenses, telephone line leasing, earnings from the Tuvalu Trust Fund, and profits from .tv Corporation, the enterprise set up in 1990 through a leasing arrangement with Idealab, a California corporation, to market the country's internet address, .tv.

The personal income tax rate on chargeable income is 30%. The company income tax rate on chargeable income is also 30%, down from 40%. The income of both nonresidents and foreign resident companies is taxed at a flat rate of 40%. There are a variety of sales taxes applied to a variety of goods and services. Island councils also levy a head tax and a land tax based on territorial extent and soil fertility.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Since a single-line tariff was implemented on 1 January 1975, trade preferences are no longer granted to imports from Commonwealth countries. Tariffs, applying mostly to private imports, are levied as a source of revenue. Most duties are ad valorem, with specific duties on alcoholic beverages, tobacco, certain chemicals, petroleum, cinematographic film, and some other goods.

### 3<sup>8</sup> FOREIGN INVESTMENT

The cash economy is not sufficiently developed to attract substantial foreign investment. In 1981, the government established the Business Development Advisory Board to promote local and foreign investment in the Tuvalu economy; in 1993, the board became the Development Bank of Tuvalu, the country's only commercial bank. UNCTAD reported that the annual flow of foreign direct investment (FDI) to Tuvalu for 1997 and 1998 was no more than us\$100,000, zero for 1999, us\$100,000 in 2000, and zero again in 2001. In 2004, net FDI inflow amounted to us\$8.5 million. More important are the government's returns on its outward investments through the Tuvalu Trust Fund (TTF) and the .tv Corporation, returns on which are used to meet government expenses and invest in infrastructural development, lessening dependence on external aid. Profits from the .tv Corporation, for instance, were used to pay the country's UN dues, build a school and improve roads. The TTF is the leading source of revenue, regularly supplying about one-fourth of the government's budget, and is reported to have increased from its original A\$27 million capitalization in 1987 to over A\$70 million in 2006.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Development aid, which rose rapidly during the 1960s, peaked at independence in 1979, when the United Kingdom undertook to provide £6 million. The Tuvalu Trust Fund (TTF) was established in 1987 with A\$27 million. The Fund receives contributions from Australia, New Zealand, the United Kingdom, Japan, Korea, and Tuvalu itself. The net income is paid to the Tuvalu government annually. As of 2006, the Fund amounted to more than A\$70 million. In 1990, the government discovered a very profitable, if variable, source of income in leasing its internet domain address, .tv, to a California company, Idealab, and then retaining a 20% share in .tv Corporation that was established to market the suffix. Besides direct lease payments and dividends from its operations, the country stands to gain profits from other enterprises in which the corporation invests. The corporation, .tv, owns a major share, for instance, of Air Fiji which has exclusive rights on flights to Tuvalu. Unlike the prudently managed TTF, however, income from .tv Corp. is highly variable, presenting potential problems for rational budgeting. Due mainly to income received by from Tuvalu fishermen working for non-Tuvalu operations, the country GNP's is considerably higher than its GDP. Fishing and telecommunications license fees are an increasingly important source of government revenue, as are remittances from workers overseas, official transfers, and revenue from overseas investments.

In 2002, the government announced the Island Development Program (IDP) designed to reduce the disparity between household income on the main island, Funafuti, and the outer islands, and thereby slow the migration to the capital city. The program

centers around the creation of a trust fund, the Falekanpule Trust Fund (FTF), modeled on the successful TFF. The FTF was capitalized at us\$8.2 million, contributed by the government and donor countries (principally New Zealand and Australia). Four types of policies are to be followed to achieve IDP goals: 1) decentralization of administration; 2) improvement of public service delivery; 3) promotion of small business development, and 4) a sustained augmentation of money available for the IDP through the prudent management of the FTF. In the first distribution of earnings from the FTF, the island councils were each given us\$318,000 for development projects, and us\$104,000 was allocated to a buffer account.

All development efforts in Tuvalu are overshadowed by the real possibility that an increase in global warming that ends up raising normal sea level could mean the disappearance altogether of the nine low-lying coral islands that constitute the country. The government has consequently pushed hard on two fronts: urging industrialized countries to ratify and adhere to the Kyoto Protocol on limiting greenhouse gasses, and, in other countries, particularly, Australia, to have a plan for accepting displaced Tuvaluans.

#### 40 SOCIAL DEVELOPMENT

Tuvaluans cling strongly to their traditional way of life. Villages are organized on a communal rather than a clan basis and have a customary system of social welfare. Young men's clubs and women's committees are standard features of social life, concerning themselves with sailing, fishing, crafts, and child welfare.

Women generally play a subordinate role within the family and society at large. Working women are primarily concentrated in the education and health sectors. Violence against women and domestic abuse are not widespread problems. Children's welfare is protected, and free medical care is provided until 18 years of age.

Human rights are well respected in Tuvalu. Serious crime is virtually nonexistent, and most prisoners are held for one night for offenses such as public drunkenness.

#### 41 HEALTH

There are no serious tropical diseases on the islands except for a dwindling number of leprosy and dysentery cases. In 2004, there were an estimated 57 physicians, 277 nurses, 96 midwives, and 19 dentists per 100,000 people. Approximately 85% of the population had access to sanitation, and the entire population had access to safe water.

The infant mortality rate was estimated at 20.03 per 1,000 live births in 2005. In the same year, the fertility rate was an estimated 3.1 per 1,000 people. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 21.4 and 7.5 per 1,000 people. Immunization rates for a child under one were as follows: diphtheria, pertussis, and tetanus, 82%; polio, 92%; measles, 94%; and tuberculosis, 88%. About 49% of children under one had been immunized for hepatitis B. The average life expectancy was estimated at 68.01 years. Malaria was one of the most reported diseases.

#### 42 HOUSING

Most islanders live in small villages and provide their own housing from local materials. After the 1972 hurricane, Funafuti was rebuilt with imported permanent materials, but there is still a crit-

ical housing shortage on Funafuti and Vaitupu. Government-built housing is largely limited to that provided for civil servants. At the 2002 census, the housing stock stood at about 1,568 houses. About 640 houses, or 40% of the housing stock, are on Funafuti. Niulakita only reported eight houses at the census. About 74% of all houses are single-family permanent structures. These are made of wood or concrete or both. A little over 17% of all homes are of traditional construction, primarily with thatch and mud walls and thatched or iron-sheeted roofs. About 22% of the housing stock was between 21 and 50 years old. Another 26% was between 11 and 20 years old. Only about 30% of all houses had an indoor flush toilet. About 89% of all households had kerosene stoves for cooking. Only 40 households had microwave ovens.

#### 43 EDUCATION

All children receive free primary education from the age of seven. Education is compulsory for 10 years. The Tuvaluan school system has seven years of primary and six years of secondary education. Secondary education is provided at Motufoua, a former church school on Vaitupu now jointly administered by the government. In 2004, there were 2,010 students enrolled in primary schools with a student-teacher ratio of about 24:1. The same year, there were about 446 students enrolled in secondary schools with a student-teacher ratio of 11:1.

Tuvalu Marine School was opened in 1979 with Australian aid. In the same year, the University of the South Pacific (Fiji) established an extension center at Funafuti. The Tuvalu Technical Education Center offers technical and vocational training for adults.

#### 44 LIBRARIES AND MUSEUMS

The first book published in Tuvalu was the Bible, in 1977. The National Library and Archives of Tuvalu is located on Funafuti; documents from parliamentary proceedings are collected there. The Ministry of Finance and Economic Planning maintains a small depository library for the Asian Development Bank.

#### 45 MEDIA

In 2002, there were 700 mainline telephones in use nationwide. As of 2004, there were no registered mobile phone subscribers. The government-owned Tuvalu Broadcasting Service, on Funafuti, transmits daily in Tuvaluan and also broadcasts news in English. The only radio station in the country was converted from government owned to public corporation status in the form of the Tuvalu Media Corporation in 2001. According to the charter, the secretary to government serves as the chairman of the board, and the prime minister's duties include oversight of the TMC. There is no national television station, but some islanders own satellite dishes to receive foreign broadcasts. Internet access is available through the management of the Office of the Prime Minister and the Department of Telecommunications. In 2002, there were about 1,300 Internet users.

There is no commercial press, but *Tuvalu Echoes* (2002 circulation, 250) is published biweekly by the government. Other local publications are produced by the churches or the government. The government is reported to respect freedom of speech and of the press.

#### **46 ORGANIZATIONS**

Apart from cooperative societies and local traditional bodies connected with island councils, there are few organizations. Organized youth groups include the Boy's Brigade, the Tuvalu Youth Fellowship and Pathfinder, and Girl Guide and Boy Scout troops. The Tuvalu Amateur Sports Association and the Pacific Red Cross are also notable. The Tuvalu Association of Nongovernmental Organizations is an umbrella group that provides a network for several religious organizations and some political and human rights advocacy groups. The National Council of Women of Tuvalu serves as an umbrella organization for women's cooperatives.

#### **47 TOURISM, TRAVEL, AND RECREATION**

Tuvalu's remoteness has discouraged tourism; the few visitors are on commercial or official business. The many atolls, flora and fauna, and the World War II remains are the primary attractions of the islands. In 2003, about 1,300 tourists visited Tuvalu; half of the visitors were there on business. A valid passport, onward/return ticket and proof of sufficient funds are required to enter Tu-

valu. Visitor permits are issued upon arrival and are valid for up to three months.

#### **48 FAMOUS TUVALUANS**

Tuvalu's first prime minister was Toaripi Lauti (b.Papua New Guinea, 1928). He later became governor-general of Tuvalu. Sir Tomasi Puapua (b.1938) was prime minister from 1981–89, and the governor-general from 1998–2003. Faimalaga Luka (1940–2005) was governor-general (2003–05) and prime minister of Tuvalu (2001).

#### **49 DEPENDENCIES**

Tuvalu has no territories or colonies.

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# UNITED ARAB EMIRATES

United Arab Emirates

*Al-Imarat al-'Arabiyah al-Muttahidah*



**CAPITAL:** Abu Dhabi (Abu Zaby)

**FLAG:** The flag consists of a red vertical stripe at the hoist and three equal horizontal stripes of green, white, and black.

**ANTHEM:** The National Anthem is an instrumental piece without words.

**MONETARY UNIT:** The United Arab Emirates dirham (UD), introduced as the currency in May 1973, is divided into 100 fils. There are coins of 1, 5, 10, 25, and 50 fils and 1 and 5 dirham and notes of 5, 10, 50, 100, 200, 500, and 1,000 dirhams. UD1 = \$0.27337 (or \$1 = UD3.658) as of January 2003.

**WEIGHTS AND MEASURES:** The metric system and imperial and local measures are used.

**HOLIDAYS:** New Year's Day, 1 January; Accession of the Ruler of Abu Dhabi (Abu Dhabi only), 6 August; National Day, 2 December; Christmas, 25 December. Muslim religious holidays include Lailat al-Miraj, 'Id al-Fitr, 'Id al-'Adha, Hijra New Year, and Milad an-Nabi.

**TIME:** 4 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Comprising a total area of approximately 82,880 sq km (32,000 sq mi), including some 6,000 sq km (2,300 sq mi) of islands, the United Arab Emirates (UAE), in the eastern Arabian Peninsula, consists of seven states: Abu Dhabi, or Abu Zaby; Dubai, or Dubayy; Sharjah; Ra's al-Khaimah, or Ra's al-Khaymah; Fujairah, or Al-Fujayrah; Umm al-Qaiwain, or Umm al-Qaywayn; and 'Ajman. Comparatively, the area occupied by United Arab Emirates is slightly smaller than the state of Maine. Extending 544 km (338 mi) NE-SW and 361 km (224 mi) SE-NW, the United Arab Emirates is bordered on the N by the Persian (or Arabian) Gulf, on the E by Oman, on the S and W by Saudi Arabia, and on the NW by Qatar, with a total boundary length of 2,185 km (1,358 mi), including a coastline of 1,318 km (819 mi).

In the late 1970s, Saudi Arabia and Qatar reportedly reached a boundary agreement according to which a narrow corridor of land was ceded by Abu Dhabi, thus allowing Saudi Arabia access to the Gulf near the Khawr Duwayhin and eradicating the former Qatar-UAE frontier. However, through 2005, no documents attesting to the accord had been submitted to the United Nations. The remainder of the boundary with Saudi Arabia is not yet fully demarcated. A 1999 border treaty with Oman was reportedly signed and ratified in 2003, but the contents of the agreement had not been published as of late 2005.

The UAE's capital city, Abu Dhabi, is located on the Persian Gulf.

## <sup>2</sup> TOPOGRAPHY

The United Arab Emirates consists mainly of sandy desert. It is bounded on the west by an immense sebkha, or salt flat, extending southward for nearly 112 km (70 mi). The eastern boundary runs northward over gravel plains and high dunes until it almost

reaches the Hajar Mountains in the Ra's Musandam near Al 'Ayn. The flat coastal strip that makes up most of the United Arab Emirates has an extensive area of sebkha subject to flooding. Some sand spits and mud flats tend to enlarge, and others enclose lagoons. A sandy desert with limestone outcroppings lies behind the coastal plain in a triangle between the gravel plain and the mountains of the east and the sands of Saudi Arabia to the south. Far to the south, the oases of Al-Liwa' are aligned in an arc along the edge of dunes, which rise above 90 m (300 ft).

The main gravel plain extends inland and southward from the coast of Ra's al-Khaimah to Al 'Ayn and beyond. Behind Ra's al-Khaimah and separating Fujairah from the Persian Gulf is an area of mountains that rise over 900 m (3,000 ft) in height, with isolated cultivation. Finally, alluvial flats on the Gulf of Oman fill the bays between rocky spurs. South of Khor Fakkan (Sharjah), a continuous, well-watered fertile littoral strip known as the Batinah Coast runs between the mountains and the sea and continues into Oman. There are, in addition, many islands, most of which are owned by Abu Dhabi. These include Das, the site of oil operations, and Abu Musa, exploited for oil and red oxide.

## <sup>3</sup> CLIMATE

The months between May and October are extremely hot, with shade temperatures of between 38–49°C (100–120°F) and high humidity near the coast. Winter temperatures can fall as low as 2°C (36°F) but average between 17–20°C (63–68°F). Normal annual rainfall is from 5–10 cm (2–4 in), with considerably more in the mountains; most rainfall occurs between November and February.

## <sup>4</sup> FLORA AND FAUNA

Apart from cultivated plants, there are two categories of plant life in the United Arab Emirates: the restricted salt-loving vegetation

of the marshes and swamps, including the dwarf mangrove, and the desert plant community, which includes a wide range of flora that is most abundant after the fall of rain.

Animal and reptile life is similar to that of Bahrain, with the addition of the fox, wolf, jackal, wildcat, and lynx. Hedgehogs have been seen. More than 250 species of small birds have been seen in the United Arab Emirates, along with many of the larger birds—kites, buzzards, eagles, falcons, owls, and harriers. However, the number of breeding species in the country may be much less than 100. Sea birds include a variety of gulls, terns, ospreys, waders, and flamingos. Popular game birds include the houbara (ruffed bustard), as well as species of ducks and geese.

## 5 ENVIRONMENT

The clearing of natural vegetation, livestock overgrazing on rangelands, and extensive deforestation (in ancient times) have led to desertification. Overpumping of groundwater has brought a rise in soil salinity levels, and effluents from the oil industry have contributed to air pollution. In 1992, the United Arab Emirates ranked among 50 countries with the world's highest levels of industrial carbon dioxide emissions, which totaled 70.6 million metric tons, a per capita level of 42.28 metric tons. In 2000, the total of carbon dioxide emissions was at 58.9 million metric tons.

The nation has about 0.2 cu km of renewable water resources, with 67% of annual withdrawals used for farming activity and 10% used for industrial purposes. The nation's cities produce an average of 0.5 million tons of solid waste per year.

As of 2001, the nation had two land areas protected by environmental legislation. The Al 'Ayn zoological gardens contain some 280 species of wildlife, including the gazelle, which had been on the verge of extinction in the region. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 5 types of mammals, 11 species of birds, 1 type of reptiles, and 6 species of fish. Endangered species in the United Arab Emirates are the peregrine falcon, South Arabian leopard, hawksbill turtle, gray wolf, Arabian oryx, Arabian tahr, green sea turtle, and desert monitor.

## 6 POPULATION

The population of United Arab Emirates in 2005 was estimated by the United Nations (UN) at 4,618,000, which placed it at number 115 in population among the 193 nations of the world. In 2005, approximately 1% of the population was over 65 years of age, with another 25% of the population under 15 years of age. There were 214 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 4.4%. Government development policies have resulted in large-scale immigration of foreign workers, contributing to the high growth rate; the government in 2005 viewed the immigration rate as too high. The projected population for the year 2025 was 6,875,000. The population density was 55 per sq km (143 per sq mi).

The UN estimated that 78% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.79%. The capital city, Abu Dhabi, had a population of 475,000 in that year.

## 7 MIGRATION

About 80% of the UAE's population originates from outside its borders. In the early 1980s, the government took steps to reduce the immigration rate by limiting the number of visas issued to foreign workers. By 2003, foreigners were 90% of the 1.7 million work force, with over 50% from India, and 400,000 foreigners arriving annually. The government aimed at nationalization of the workforce by prohibiting foreigners in some jobs, and by instituting a "cultural diversity policy" aimed at favoring Arabic-speakers over Asian.

In 2000, there were some 1,922,000 migrants living in the United Arab Emirates. This includes the small number of refugees. The net migration rate for 2005 was estimated as 0.84 migrants per 1,000 population, a considerable drop from 15.0 migrants per 1,000 in 1990.

## 8 ETHNIC GROUPS

Only about 19% of the population were native Emirati. South Asians accounted for 50% of the total population at last estimate, while other Arabs and Iranians made up 23%. Other expatriates, including Westerners and East Asians, totaled 8%. Jordanians, Palestinians, Egyptians, Iraqis, and Bahrainis are employed throughout the bureaucracy, including the educational system.

## 9 LANGUAGES

Arabic is the official and universal language. Hindi and Urdu are minority languages. English is widely used in business. Farsi is spoken in Dubai.

## 10 RELIGIONS

Islam is the official religion of all seven emirates. As such, about 76% of the population are Muslims, primarily Sunnis with a Shia minority. In emirates that officially recognize and grant legal identity to non-Muslim groups, only a limited number of Christian groups are granted this recognition. While recognizing the difference between Roman Catholic, Eastern Orthodox, and Protestant Christianity, the authorities make no other legal distinction between Christian groups, particularly Protestants. About 9% of the population are Christians. Other faiths include Hindus, Buddhists, Parsis, Baha'is, and Sikhs.

The constitution provides for freedom of religion within the scope of established customs. The government retains the right to enforce certain restrictions, such as a prohibition on proselytizing of non-Muslim faiths and limited rights of assembly. Many non-Muslims meet in private homes.

## 11 TRANSPORTATION

With most of the population concentrated in coastal towns and the Al 'Ayn oasis, road links between these centers have been given priority. There is now a paved coastal road linking Abu Dhabi, Dubai, Sharjah, 'Ajman, Umm al-Qaiwain, and Ras al-Khaimah. Roads linking the interior to the main towns have been constructed; of particular importance is the transpeninsular road from Fujairah through the Hajar Mountains. A six-lane, 209-km (130-mi) highway has been built between Abu Dhabi and Al- 'Ayn, and two bridges connect Abu Dhabi island with the mainland. Another highway links the UAE coastal network with the Trans-Ara-

bian Highway at As-Silah on the Qatar border. In 2002, there were 4,835 km (3,004 mi) of paved highways. Of registered vehicles in 2003, there were 240,573 passenger cars and 70,000 commercial vehicles in use. There are no railways or waterways in the United Arab Emirates.

The United Arab Emirates is well provided with port facilities. Dubai's Port Rashid, with its deep-water berths and warehouses, is one of the largest artificial harbors in the Middle East. Other ports are the Jabal 'Ali complex, also in Dubai, completed in 1980. Abu Dhabi's Port Zayid; Sharjah's Port Khalid; and the deepwater port at Ra's al-Khaimah. Sharjah constructed a new port at Khor Fakkan in the early 1980s; the Fujairah port became fully operational in 1983. Jabal 'Ali in Dubai is the largest man-made port in the world. In 2005, the merchant fleet consisted of 56 ships of 1,000 GRT or more, totaling 578,477 GRT.

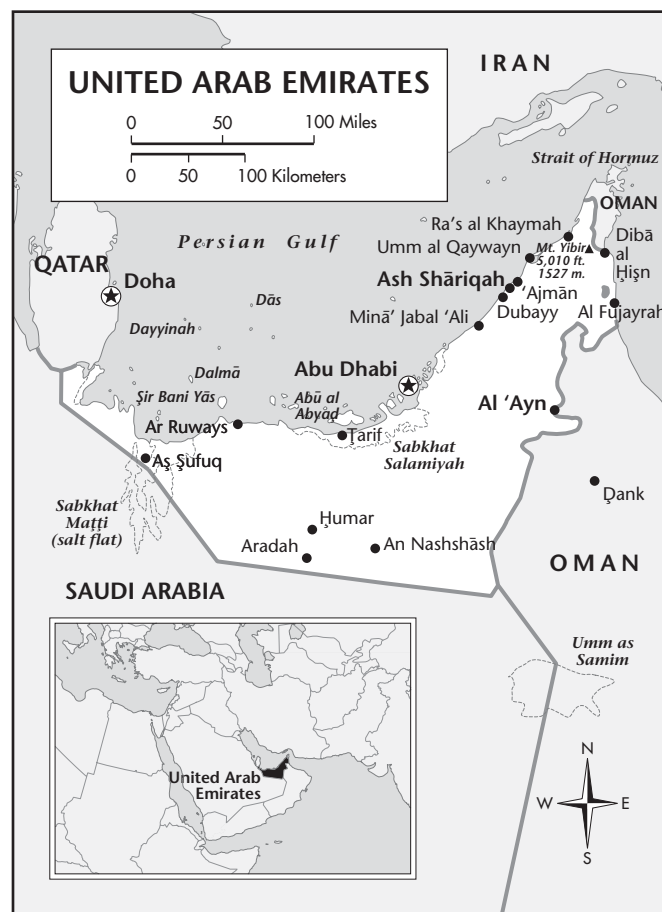
In 2004, there were an estimated 35 airports. As of 2005, a total of 22 had paved runways, and there were also two heliports. A new international airport in Abu Dhabi, on the mainland across from the island, opened in 1982. The other international airports in the United Arab Emirates are in Dubai, Sharjah, and Ra's al-Khaimah. In July 1991, a "cargo village" opened at Dubai Airport, designed to handle 250,000 tons of cargo per year by 1997. The village operations can transfer cargo received at the port into air containers ready for airlift in three hours, and have the facilities to handle frozen and hazardous goods. In 2003, about 11.384 million passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Although the Trucial Coast has for centuries been situated on one of the main trade routes between Asia and Europe, very little is known about the early history of the states that now make up the United Arab Emirates. The northern states of the United Arab Emirates, and in particular Ra's al-Khaimah, first came into historic prominence during the period of Portuguese occupation in the 16th and early 17th centuries, when Portugal used the territories as a base to fight a rear guard action against Persia. At that time and down to the mid-18th century, neighboring Oman played an integral role in the history of the maritime states.

Abu Dhabi island was settled by its present ruling family, Al Nahyan, toward the end of the 18th century, and Dubai was founded by an offshoot of the same family in 1833. The late 18th and 19th centuries brought the division of the area between the Nahyan and the Qawasim, who ruled Ra's al-Khaimah and neighboring territories and whose clashes with British and Indian shipping led to British naval expeditions against what came to be known as the Pirate Coast. Treaties concluded in 1820 and 1835 established a formal relationship between the states of the southern Gulf and Britain that was to last until 1971. In 1853, the sheikhs agreed to a "perpetual maritime truce" to be enforced by the British navy. Under a treaty signed in 1892, the United Kingdom promised to protect the Trucial Coast from all aggression by sea and to lend its good offices in case of land attack. In 1955, the United Kingdom effectively intervened on the side of Abu Dhabi in the latter's dispute with Saudi Arabia over the Buraymi oasis, control of which is now shared by Abu Dhabi and Oman.

When, in 1968, the United Kingdom announced its intention to withdraw its forces from the area, a decision to establish a federa-



LOCATION: 51°3' to 56°23'E; 22°30' to 26°17' N. BOUNDARY LENGTHS: Persian Gulf coastline, 1,318 kilometers (817 miles); Oman, 410 kilometers (256 miles); Saudi Arabia, 457 kilometers (285 miles). TERRITORIAL SEA LIMIT: 3 miles, except Ash Shariqah (12 miles).

tion of Arab emirates—embracing the seven Trucial States, Bahrain, and Qatar—was agreed on in principle. However, it proved impossible to reconcile the differences among all the members. Six Trucial States (excluding Ra's al-Khaimah) agreed on the establishment of the United Arab Emirates, which was officially proclaimed a sovereign, independent nation on 2 December 1971, with Ra's al-Khaimah joining in early 1972.

Externally, the move to independence in 1971 placed the United Arab Emirates in difficult straits with its two powerful neighbors, Saudi Arabia and Iran. Saudi Arabia asserted a territorial claim on a group of oases in the south of the United Arab Emirates, and Iran laid claim to its offshore islands. In 1974, a border agreement on the Liwa' oases was signed with Saudi Arabia, but apparently has not been fully recognized by the rulers of either country. The dispute with Iran over the Abu Musa and Tumb Islands became tense when Iranian forces unilaterally asserted control over the UAE section of Abu Musa in 1992. In 1996, Iran rejected a proposal by the Gulf Cooperation Council (GCC) to put the dispute over the islands to the International Court of Justice (ICJ) for arbitration. In 2005, Iran still occupied the islands. In the dispute, the United Arab Emirates has received support from the GCC, UN, and the United States.

The United Arab Emirates became a founding member in 1981 of the Gulf Cooperation Council (GCC), a political and economic

alliance directed, at least implicitly, against Iran. During the Iran-Iraq war, the United Arab Emirates gave aid to Iraq but also maintained diplomatic relations with Iran and sought to mediate the conflict.

In the Gulf War, forces from the United Arab Emirates participated with allied troops and the government gave some \$4.5 billion to the coalition war effort. Subsequently, the United Arab Emirates has increasingly looked to the GCC, the United States, and friendly Arab states for its security protection. The UAE's generosity with foreign aid to Arab states made it a significant player in the affairs of the region. In the years immediately after the war, the United Arab Emirates accepted the stationing of US troops on its soil.

During the Yugoslav civil war, the United Arab Emirates airlifted wounded Bosnian Muslim women and their families to Abu Dhabi, where they were given free medical treatment and housing, and financial support for one year. The country has also given heavily to Red Crescent relief organizations in Bosnia. Unlike its neighbors and partners in the GCC, Oman and Qatar, the United Arab Emirates did not establish liaison offices in Israel—although it relaxed the Arab-wide boycott of Israel in the hope that lasting peace between the Palestinians and Israel would be forthcoming as a result of the Oslo Accords.

In 1991, the Bank of Commerce and Credit International (BCCI), which was based in the United Arab Emirates and largely owned by the ruling family of Abu Dhabi, collapsed, causing repercussions all around the world. Accused of fraudulent dealings, the bank was officially liquidated in 1996, and the UAE cabinet resigned the following year. A sharp decline in oil prices in 1998 strongly affected the economy of the United Arab Emirates, which recorded a drop of almost 6% in its GDP. At the end of 1999, the United Arab Emirates celebrated the 25th anniversary of its founding, and the 30th anniversary of rule its president, Sheikh Zayid bin Sultan Al Nahyan.

Following the 11 September 2001 terrorist attacks on the United States, the United States called upon the nations of the world to implement counterterrorism measures. In November, the United Arab Emirates ordered financial institutions in the country to freeze the assets of 62 organizations and individuals suspected by the United States of supporting terrorist movements.

During 2002 and into 2003, the United Arab Emirates, along with the other countries of the Persian Gulf, were confronted with the situation of a potential US-led war with Iraq. In November 2002, the UN Security Council passed a resolution calling on Iraq to immediately disarm itself of weapons of mass destruction (WMD) and to allow the immediate return of International Atomic Energy Agency (IAEA) and UN weapons inspectors. The United States and the United Kingdom began amassing troops in the region, and by the end of February 2003, the number of troops in the Persian Gulf was approximately 200,000. At a 1 March 2003 Arab League summit held at Sharm el-Sheik, Egypt, Sheikh Zayid bin Sultan Al Nahyan called upon Iraqi president Saddam Hussein to relinquish power and leave Iraq in exchange for immunity from prosecution. Iraq would be placed under the tutelage of the UN and the Arab League until a new government could be formed. Bahrain and Kuwait supported the UAE proposal. However, on 19 March 2003, the United States launched air strikes against Baghdad, and war began.

Sheikh Zayid bin Sultan Al Nahyan, founder of the UAE and its first president, died on 2 November 2004. He was succeeded by his eldest son, Sheikh Khalifa bin Zayid Al Nahayyan. A 40-day period of mourning was held for Sheikh Zayid, who was much loved by the people.

### **13 GOVERNMENT**

According to the provisional constitution of the United Arab Emirates, promulgated on 2 December 1971, the executive branch of the UAE government consists of the Federal Supreme Council, headed by the president, and the Council of Ministers. The Federal Supreme Council (FSC), composed of the hereditary rulers of the seven emirates, has responsibility for formulation and supervision of all UAE policies, ratification of federal laws, and oversight of the union's budget. Sheikh Zayid bin Sultan Al Nahyan, emir of Abu Dhabi, was elected president upon independence and was continuously reelected to five-year terms until his death on 2 November 2004. His eldest son, Sheikh Khalifa bin Zayid Al Nahyan, was unanimously elected by the FSC to succeed his father. The president is assisted by the Council of Ministers, or cabinet, headed by the prime minister. Sheikh Maktum bin Rashid al-Maktoum, ruler of Dubai, served as vice president and prime minister since 1990, succeeding his father upon the latter's death. His positions were reaffirmed in January 2006. The member states are represented in the cabinet in numbers relative to their size and importance.

After extending the 1971 interim constitution at five-year intervals for 25 years, the Supreme Council and the Federal National Council approved a measure removing the term "interim" in 1996, making the document a permanent constitution. The Federal National Council, consisting of 40 delegates from the member emirates, appointed by their respective rulers for two-year terms, can question cabinet ministers and make recommendations to the Supreme Council, but it has no legislative powers. The constitution stipulates the distribution of the 40 seats as follows: Abu Dhabi and Dubayy, 8 each; Sharjah and Ra's al-Khaymah, 6 each; and 'Ajmān, Umm al-Qaywayn, and Al Fujayrah, 4 each. The Supreme National Council meets only occasionally.

Most of the emirates are governed according to tribal traditions, including open meetings in which citizens express themselves directly to their rulers.

### **14 POLITICAL PARTIES**

No political parties exist in the UAE. Arab nationalist feeling has developed, however, and there is growing sentiment, particularly among urban youth, in favor of political liberalization and accelerated economic development. Several small clandestine groups with ties to radical Arab organizations or militant Islamic groups are believed to be active and are watched closely by the federation's security services.

### **15 LOCAL GOVERNMENT**

The major institutions of local government are the municipalities of Abu Dhabi town, Al-'Ayn, Dubayy, Sharjah, Ra's al-Khaymah,



Al Fujayrah, 'Ajmān, and Umm al-Qaywayn and a handful of traditional councils known as *majalis* and *amiri diwans*.

## 16 JUDICIAL SYSTEM

Abu Dhabi, Dubai, and Sharjah have developed relatively sophisticated judicial systems based, as in other Gulf states, on a combination of Shariah laws and contemporary legal codes. The 1971 constitution established a Federal Supreme Court and an indeterminate number of courts of first instance. The Supreme Court consists of a president and a maximum of five judges, all of whom are appointed by presidential decree upon approval of the Federal Supreme Council. The Supreme Court president and member judges are deemed independent of the executive and legislative branches; once appointed, they cannot be removed. In 1983 a comprehensive law governing the federal judiciary was issued, creating a full federal judicial system, though the member emirates retain significant and varying degrees of judicial autonomy. The federal system consists of primary courts, appeals courts, and the Supreme Court.

Shariah courts in each emirate are subject to review in the Federal Supreme Court. There is no separate national security court system. Military tribunals try only military personnel and apply a system based on Western military judicial procedure.

Court systems in the Emirates of Dubai and Ra's-al-Khaimah function independently of the federal system. Each system has multiple levels of appeal and verdicts in capital cases are appealable to the president.

There are no jury trials. Under the Criminal Procedural Code, the accused has a right to counsel in capital cases and in those involving a possible penalty of life imprisonment. Due process rights are uniform under both the civil court and the Shariah court procedure.

## 17 ARMED FORCES

The armed forces of the UAE were placed under a unified command in 1976, and the forces of Abu Dhabi, Dubai, Ra's al-Khaimah, and Sharjah were merged. In 2005, the combined forces totaled 50,500 active personnel. The Army had 44,000 soldiers including the Royal Guard. Equipment included 469 main battle tanks, 76 *Scorpion* light tanks, 113 reconnaissance vehicles, 430 armored infantry fighting vehicles, 860 armored personnel carriers, and over 501 artillery pieces. The Navy was comprised of an estimated 2,500 personnel. Major naval units included 2 frigates, 2 corvettes, and 14 patrol/coastal vessels. The Air Force had 4,000 active personnel and was outfitted with 146 combat capable aircraft, including over 57 fighter ground attack aircraft. The service also had 30 attack helicopters.

Many military personnel are expatriates from Oman, Jordan, and other countries. The US maintained a 1,300-manned military presence in the UAE. The defense budget for 2005 totaled \$2.65 billion.

## 18 INTERNATIONAL COOPERATION

On 9 December 1971, shortly after achieving independence, the United Arab Emirates became a member of the United Nations, and it now belongs to ESCWA and several nonregional specialized agencies, such as the World Bank, the IAEA, FAO, UNESCO, UNIDO, and the WHO. The country is a member of G-77, WTO,

the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Arab League, the Arab Monetary Fund, the Gulf Cooperation Council, the Islamic Development Bank, the Organization of the Islamic Conference (OIC), OAPEC, and OPEC. The UAE is part of the Nonaligned Movement.

In environmental cooperation, the United Arab Emirates is part of the Basel Convention, the Convention on Biological Diversity, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

The economy of the UAE centers primarily on oil and oil-based industries, but the share of this contribution to the GDP fell from 70% in 1980 to an estimated 22% in 1998. This was principally the result of falling oil prices, but also reflected the growth in other sectors of the economy, such as manufacturing, finance and insurance, real estate, and government services.

In 2002, the oil industry's share was at 24%, but manufacturing had reached 15.1% of GDP from only 3.8% in 1980. The oil industry accounts for about 30% of exports and provides 70–80% of government revenues. In Abu Dhabi, by far the wealthiest of the seven emirates, oil revenues are supplemented by income from a huge investment fund. Dubai joined the ranks of the oil producers only in 1971, and entrepôt trade continues to play a major role in its economy. In 2000, Abu Dhabi completed a capacity expansion program that increased the UAE's crude oil production capacity to 2.6 million barrels per day (million barrels per day). Third quarter production in 2002 was 1.99 million barrels per day, somewhat over the official OPEC quota of 1.89 million barrels per day.

Although 'Ajman has a small shipbuilding and ship repair yard and a cement company, and Umm al-Qaiwain has a fish hatchery, a cement plant, and some small handicraft operations, these poorer emirates depend on federal aid—in effect, on revenue sharing by Abu Dhabi and Dubai. Oil production in Sharjah began in July 1974, and manufacturing and tourism there have been expanded. The number of factories in Sharjah rose from 74 in 1974 to 931 in 2000, increasing 13.4% from 1998. Ra's al-Khaimah has six large cement plants (three built since 1998), a pharmaceutical factory, a lime kiln, and the gulf's first explosives plant. Fujairah remains predominantly agricultural, but the emirate's government has also been developing an industrialization program, with emphasis on establishing mining-based industries. In 2002 it had 33 factories, a third producing nonmetallic metal products.

In 2003, the GDP growth rate was 7.0% (up from 1.9% in 2002), but by 2004 it fell to 5.9%; in 2005, it was expected to grow back to 6.8%. Inflation has remained fairly constant, at around 3%. There is no recent data for the unemployment numbers, although the unemployment rate is believed to be somewhere around 2.5%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2001 the United Arab Emirates' gross domestic product (GDP) was estimated at \$51 billion. The per capita GDP was estimated at \$21,100. The annual growth rate of GDP was estimated at 5.6%. The average inflation rate in 2005 was 10.5%. The annual rate of GDP growth between 1988 and 1998 was about 4.2%. The CIA

defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange. Petroleum extraction accounts for approximately 34.2% of GDP; manufacturing, 11%; wholesale and retail trade, 10%; government services, 9.6%; business, 8%, and construction, 7.4%. Foreign aid receipts amounted to about \$1 per capita.

## 2<sup>1</sup> LABOR

In 2005, the United Arab Emirates' (UAE) workforce was estimated at 2.8 million. As of 2001, (the latest year for which data was available) the service sector provided jobs for 78% of the workforce, with industry amounting to 15%, and agriculture 7%. For that same year, the unemployment rate was 2.4%. Around 74% of the UAE's population, between the ages of 15 and 64 years, is made up of foreign nationals.

The UAE leans heavily on skilled labor, technology, and management abilities provided by foreigners. Non-UAE Arabs are employed at all economic levels, including the government bureaucracy and civil service. Manual labor is largely performed by Pakistanis and Iranians, while many Indians are to be found in clerical positions. Most domestic servants are women from Sri Lanka or the Philippines. There is a high proportion of Europeans at management levels. The large influx of immigrants was insufficient to cope with labor needs. A 1984 decree guarantees UAE nationals priority in hiring, in order to reduce dependence on expatriates.

Unionization is prohibited by law. Collective bargaining provisions do not exist, and strikes are strictly prohibited in the public sector. Rather, all labor contracts are reviewed by the Ministry of Labor to ensure that the pay will satisfy the employee's basic needs and secure a means of living.

There is no minimum wage. A standard workweek of eight hours per day, six days per week and minimum occupational health and safety requirements are not effectively enforced. Foreign workers are especially vulnerable to abuse. Widespread and credible reports indicate that foreign workers have had their passports confiscated, pay withheld, and are forced to work excessively long days far beyond the statutory maximum. Women working as domestic servants have also reported being sexually and physically abused. Foreign workers have little redress for their grievances. UAE administrative bodies virtually never rule against a UAE employer, and UAE employers can prevent a foreign worker from switching to another employer.

## 2<sup>2</sup> AGRICULTURE

Only about 81,000 hectares (200,000 acres) of land are cultivated. About 24% of cultivated land is used to grow vegetables, 30% fruit, 10% feed crops, and 36% for other uses. The most productive region is Ra's al-Khaimah, which receives underground water supplies from the nearby mountains of Oman and which enjoys the most plentiful rainfall. The main crops are tomatoes, melons, and dates.

The Digdaga Agricultural Trials Station in Ra's al-Khaimah is central to all agricultural research and training efforts in the UAE. Abu Dhabi has two large wheat farms at Al 'Ayn, and experimental farms at Rawaya and Mazaid (near Al 'Ayn) are designed to en-

courage local Bedouins to take up settled farming. The Abu Dhabi Arid Land Research Center on Sadiyat Island produces vegetables through special irrigation and hydroponic techniques. In 2004, UAE agriculture produced 506,400 tons of vegetables and melons, and 786,000 tons of fruit. Produce includes citrus, mangos, tomatoes, celery, potatoes, cucumbers, lettuce, melons, peppers, and fodder crops.

Crop production during 2002–04 was down 40% from 1999–2001. Dates, traditionally grown on oases by nomads, are becoming less important because of vegetable and fruit production. In 2004, the UAE produced 760,000 tons of dates. The UAE satisfies about 60% of its domestic fruit and vegetable demand; bans on imports of certain vegetables and government incentives and subsidies are used to encourage domestic production. Roses and chrysanthemums are grown for export to Europe.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Livestock production has risen sharply in recent years. In 2005, the UAE had 1,520,000 goats, 570,000 sheep, 250,000 camels, and 115,000 head of cattle. Dairy farming is centered in Ras al-Khaimah, with other dairy farms in Al Ain, Umm Al Quwain, Sharjah, and Dubai. The UAE produces about 90% of its dairy needs. Local poultry and egg production satisfy 27% and 40% of domestic demand, respectively. Five major producers account for 75% of the domestic chicken production. The poultry farm at Fujairah has the capacity to supply over 15% of domestic demand for broilers and eggs. Ras al-Khaimah and Al Ain are other centers of poultry production. Production of poultry meat reached 36,000 tons in 2005, with imports of poultry meat (mainly from France, Denmark, the United States, and Brazil). The UAE also re-exports poultry meat, mostly to Oman, former Soviet republics, and Iran.

## 2<sup>4</sup> FISHING

Fishing is an important source of domestic food and fodder. Per capita annual consumption of fish and shellfish in the UAE is more than any other country in the Middle East. UAE coastal waters abound in fish and shellfish, and the country borders two high-potential fishing regions, the Persian Gulf and the Gulf of Oman. Many varieties of fish are caught, including rock cod, tuna, mackerel, sardines, anchovies, jack, marlin, red mullet, bream, and snapper. Over 70% of the catch typically is dried and processed into animal feed and fertilizer. The fish catch in 2003 was 97,450 tons, which supplied about 50% of local demand. Modern fishing techniques have been introduced with government assistance, and two new ports permitting the use of larger fishing boats were opened in 1981. The government also provides facilities for ship maintenance pro bono, as well as interest-free loans for the purchase of fishing boats and equipment. More than 3,000 fishing vessels annually operate in UAE waters. Umm Al Quwain is the site of a new 1,300 sq m marine farm which will research fish breeding. A fishmeal plant is in operation in Ra's al-Khaimah.

## 2<sup>5</sup> FORESTRY

Natural woodland is scarce, apart from palm groves along the northern and eastern coasts. Forested areas covered 321,000 hectares (793,000 acres), or about 3.8% of the total land area in 2000. The Forestry Department planted 80 million trees during 1980–95, at a cost of over \$3 billion, resulting in a 2.8% increase in the

forested area during 1990–2000. Imports of forest products totaled \$322.7 million in 2004.

## 26 MINING

Apart from oil and natural gas, the minerals sector included fertilizer production and production of construction materials, marble, and stone quarried from the Hajar Mountains. Copper and chromium have been found in Fujairah and Ra's al-Khaimah. In 2003, an estimated: 10,000 metric tons of chromium; 421,000 metric tons of ammonia (nitrogen content); and 400,000 metric tons of urea (nitrogen content) were produced. Lime, gypsum, hydraulic cement, and, presumably, common clays, diabase, gravel, limestone, marble sand, and shale were also produced.

## 27 ENERGY AND POWER

The United Arab Emirates (UAE), a federation of seven emirates, contains almost 8% of the world's proven oil reserves and is ranked fifth in the world by the size of its natural gas reserves. The UAE is also a significant exporter of liquefied natural gas (LNG) and a member of the Organization of Petroleum Exporting Countries (OPEC).

As of 1 January 2005, the UAE's proven reserves of crude oil totaled 97.8 billion barrels, according to the Oil and Gas Journal. Of that amount, the emirate of Abu Dhabi holds 94%, or around 92.2 billion barrels, followed by the emirate of Dubai with an estimated 4 billion barrels, and the emirates of Sharjah with 1.5 billion barrels and Ras al-Khaima with 100 million barrels of oil. In 2004, oil production was estimated at 2.76 million barrels per day, of which crude oil accounted for 2.38 million barrels per day. Domestic consumption of oil in that year averaged an estimated 430,000 barrels per day, with net exports estimated at 2.33 million barrels per day. As a member of OPEC, the UAE is subject to OPEC's crude oil production quota. As of March 16, 2005, the quota was set at 2.50 million barrels per day, which is total production capacity. In 2004, Japan accounted for an estimated 60% of the UAE's crude oil exports, with the rest of Asia accounting for 20%. As of 1 January 2005, the UAE's crude oil refining capacity was estimated at 514,250 barrels per day.

The UAE's proven natural gas reserves, as of 1 January 2005, were estimated at 212 trillion cu ft, according to the Oil and Gas Journal. The largest reserves are located in the emirate of Abu Dhabi, with 196.1 trillion cu ft, with smaller reserves in the emirates of Sharjah (10.7 trillion cu ft), Dubai (4.1 trillion cu ft), and Ras al-Khaimah (1.2 trillion cu ft). In 2002, the UAE's output of natural gas was estimated at 1.28 trillion cu ft, with exports that year estimated at 0.25 trillion cu ft. Domestic consumption of natural gas has been spurred by a growing demand from the country's petrochemical and electric power industries.

All electricity is thermally generated from oil or natural gas. Electric power production was 39.622 billion kWh in 2002. Consumption of electricity that year was 36.848 billion kWh. Total installed capacity in 2002 was 5.820 million kW.

## 28 INDUSTRY

The process of industrialization gathered momentum after the formation of the federation in 1971. By 2002, manufacturing was second only to the oil sector in contributions to economic output. To diversify the economy, in the early 1990s the UAE introduced new

industries, including aluminum, cement, pharmaceuticals, fabricated metals, processed foods, fertilizer, and explosives. Manufacturing as a percentage of GDP rose from 3.8% in 1980 to 7.7% in 1990 to 8.7% in 1995 to 15.1% in 2002.

The Ar-Ruwais industrial complex in Abu Dhabi includes an oil refinery with a processing capacity of 120,000 barrels per day; a fertilizer factory, with a production capacity of 1,000 tons of ammonia and 1,500 tons of urea per day; and a gas liquefaction installation. In June 2002 agreement was reached on a contract to expand the refinery capacity Ruwais refinery to 500,000 barrels per day to be completed by 2005. The UAE has five other smaller refineries: In Abu Dhabi, a 88,5000 barrels per day capacity facility run, like the Ruwais refinery, by the Abu Dhabi National Oil Company (ADNOC); in Fujairah, a 90,000 barrels per day refinery run by Metro Oil; in Dubai, the 120,000 barrels per day Jebel Ali condensate refinery run by the Emirate National Oil Company (ENOC), first opened in 1999; near Jebel Ali, a 40,000 barrels per day second-hand gasoline unit run by ISO Octane, opened May, 2000; and in Sharjah, another second-hand unit with 71,250 barrels per day capacity opened in 2001 and run by the Sharjah Oil Refining Company (SORC). The UAE's crude oil refining capacity as of January 2001 was 514,750 barrels per day.

Near Umm An-Nar, a large plant belonging to National Chlorine Industries produces salt, chlorine, caustic soda, and hydrochloric acid. In Dubai the industrial port complex at Jebel 'Ali is the largest manmade port in the world and includes the largest dry dock in the world with capacity of one million tons. The Jebel Ali Free Zone (JAFZ) is the UAE's most developed free trade zone, including close to 200 factories, prominent among them being a major power plant with water desalination units, a steel fabrication plant, and an aluminum smelter, built in 1979, producing 290,030 tons of aluminum products per year. Plans have been announced to expand the Dubai Aluminum Company's capacity to 372,600 tons per year. Dubai's older industrial zone of Rashidiya is the site of some 40% of the emirate's processing industries. The other emirates have developed industries that produce construction-related materials such as cement, asphalt, and concrete blocks.

According to the statistics of UAE's Ministry of Finance and Industry (MOFI), there were 2,153 registered industrial establishments in 2000 (up from 1,261 in 1995) employing 176,260 people. Forty percent of the units—854—were in Dubai, which also accounted for 46.7% of industrial investment (\$3.6 billion of \$7.76 billion). Abu Dhabi accounted for 25% of investment (\$2 billion) but only 10% of industrial units (235). Sharjah and Ras Al-Kaimah had industrial investment of \$790 million and \$763 million, respectively, each about 10% of the total. Outside of the oil sector, chemicals commanded the largest portion of investment (14.5%), with food and beverages second (11.2%). Metal production accounted for 3.6% of industrial investment and garments 0.8%.

Industry made up 58.5% of the economy in 2002, and employed around 15% of the population—which indicates that this sector is highly productive; agriculture participated with 4% to the overall GDP, and employed approximately 7% of the working population; services contributed with 37.5% to the economy, and represented around 78% of the labor force.

## 29 SCIENCE AND TECHNOLOGY

Advanced technology in the United Arab Emirates has been imported mostly by foreign oil companies and is limited largely to heavy industry. Nearly all of its technological specialists are foreigners. In the 1980s, the United Arab Emirates took major steps to decrease its reliance on foreign scientists and technicians. The Ministry of Agriculture and Fisheries has a research center in Ra's al-Khaimah. United Arab Emirates University, founded in 1976 at Al Ain, has faculties of sciences, engineering, agricultural sciences, medicine and health sciences. Ajman University College of Science and Technology was founded in 1988, Etisalat College of Engineering at Sharjah in 1989, and the Higher Colleges of Technology at Abu Dhabi in 1988. In 1987–97, science and engineering students accounted for 24% of college and university enrollments. High technology exports in 2002 were valued at \$17 million, or 2% of all manufactured exports.

## 30 DOMESTIC TRADE

Dubai remains the most important center of trade and commerce, both for the nation and the region. Many food importers also serve as wholesalers, distributors, and retailers. There are about four or five large companies controlling most of the food retail sector. Franchising has become very popular in a variety of retail sectors including, restaurants, clothing, hardware supplies, beauty products, health care products, toys, sporting goods, etc.

Business hours tend to vary, although general hours of 8 AM to 1 PM and 4 to 7 PM are observed; most offices are closed Thursday afternoon, and Friday is the weekly holiday. Banks are open from 8 AM to noon, Saturday through Thursday.

## 31 FOREIGN TRADE

UAE's commodity exports were crude oil (45%), natural gas, re-exports, dried fish, and dates as of 2000. Imports include machinery, vehicles, electrical equipment, aircraft, cosmetics, tobacco, steel, furniture, plastics, chemicals, and food products.

In 2004, UAE's exports grew to \$69.5 billion (FOB—Free on Board), while its imports followed from behind at \$46.7 billion (FOB). Export commodities mainly went to Japan (which re-

ceived 24.9% of total exports), South Korea (9.9%), India (5.4%), and Thailand (5.2%). Imports chiefly came from China (10%), India (9.8%), Japan (6.8%), Germany (6.5%), the United Kingdom (6.2%), France (6.1%), and the United States (6%), and included machinery and transport equipment, chemicals, and food.

## 32 BALANCE OF PAYMENTS

Oil and natural gas exports have allowed the UAE to sustain a trade surplus for many years, but changes in oil prices cause the surplus to fluctuate widely from year to year. In the early 2000s traders in the UAE were beginning to seek out new markets in locales such as Russia, the Central Asian states, and East and South Africa. The government does not provide statistics for workers' remittances, investment income, oil and gas export revenues, foreign direct investment transactions, and capital transactions, which seriously compromises the compilation of balance of payments statistics.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of the United Arab Emirates' exports was \$47.6 billion while imports totaled \$28.6 billion resulting in a trade surplus of \$19 billion.

Exports of goods and services reached \$82.7 billion in 2004, and were expected to grow to \$103.7 billion in 2005. Imports were expected to reach \$60.2 billion in 2005, up from \$54.2 in 2004. The UAE have thus managed to keep both a positive resource balance (\$28.5 billion, and \$43.5 billion respectively), and a positive current account balance (\$12.7 billion in 2004, and an expected \$26.2 billion in 2005).

## 33 BANKING AND SECURITIES

The UAE Currency Board came into existence with its issuance of the UAE dirham in May 1973. In 1975–76, statutes came into force providing for the board's gradual transformation into a central bank, including powers to impose minimum liquidity ratios and other credit regulations. The board was replaced in 1980 by the UAE Central Bank, with enhanced authority to regulate the banking system. Capitalized at \$81.7 million, the bank was granted additional capital of \$2 billion from the government in 1982, which was to increase by 20% per year until a total deposit of \$4 billion had been reached.

The oil boom of the 1980s brought with it the proliferation of commercial banks, making the UAE one of the most overbanked countries in the world. By 1987, strains were beginning to show and two banks collapsed. Bad loans were prevalent and some borrowers used the Islamic prohibition on *riba* (interest) as an excuse not to repay debts.

UAE banks were hit hard by the invasion of Kuwait in 1990, when partial withdrawals amounted to an estimated UD7 billion (\$1.9 billion), or 7% of total deposits. In 1991, the Bank of Commerce and Credit International (BCCI), based in the United Arab Emirates and owned in large part by the ruling family of Abu Dhabi, was accused of fraudulent dealings, and closed, damaging the credibility of the UAE banking system. However, because of improvements in the banking system, in 1999 the government cleared the way for establishment of an offshore banking center to be based in the free zone on Saadiyat Island, to enable UAE to compete with Bahrain. Also in 1999, the merger of two banks—National Bank of Dubai and Emirates Bank International—was announced. The International Monetary Fund reports that in 2001, currency and

### Principal Trading Partners – United Arab Emirates (2001)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	32,668.9	30,544.3	2,124.6
Japan	9,932.0	182.9	9,749.1
Areas nes	6,328.4	73.0	6,255.4
Other Asia nes	6,116.4	50.8	6,065.6
Kuwait	820.1	...	820.1
Bahrain	537.5	...	537.5
India	519.3	658.1	-138.8
Other Africa nes	344.2	...	344.2
Iran	225.7	520.6	-294.9
United States	210.7	206.0	4.7
Saudi Arabia	142.5	394.6	-252.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

demand deposits—an aggregate commonly known as M1—were equal to \$10.7 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$42.6 billion.

As of 2000, the United Arab Emirates was planning a stock exchange as part of the financial center on Saadiyat Island in Abu Dhabi.

### 34 INSURANCE

Because of tightening federal regulations, the number of insurance companies declined from 126 in 1980 to 56 in 1987. The Federal Insurance Companies and Agents Law of 1984 requires all insurance companies established in the UAE to be public joint-stock companies, with equity wholly owned by UAE nationals. Companies already established in the country can obtain a concession from the local equity provision. Minimum capital must be  $\text{UD}10$  million. In 2003, the value of all direct insurance premiums written totaled \$971 million, of which nonlife premiums accounted for \$744 million. In that same year, Dubai was the country's leading life insurer, with gross written life insurance premiums of \$22.3 million. There was no data on the UAE's top nonlife insurer. In 1999, there were 19 National Insurance companies practicing in UAE, and 28 foreign insurance companies.

### 35 PUBLIC FINANCE

A federal budget is prepared according to the UAE's development policy, while each emirate is responsible for municipal budgets and local projects. Conservative public expenditure policies became necessary in the 1980s and 1990s, when oil revenues declined; by the 2000s, oil revenues had rebounded. Abu Dhabi's oil income accounts for the bulk of federal revenues; under the constitution, each emirate contributes 50% of its net oil income to the federal budget.

The US Central Intelligence Agency (CIA) estimated that in 2005 the United Arab Emirates' central government took in revenues of approximately \$34.9 billion and had expenditures of \$29.4 billion. Revenues minus expenditures totaled approximately \$5.5 billion. Public debt in 2005 amounted to 17.5% of GDP. Total external debt was \$30.21 billion.

The International Monetary Fund (IMF) reported that in 1999, the most recent year for which it had data, central government revenues were  $\text{UD}20,217$  million and expenditures were  $\text{UD}20,050$  million. The value of revenues was  $\text{us}\$5,505$  million and expenditures  $\text{us}\$5,459$  million, based on an official exchange rate for 1999 of  $\text{us}\$1 = \text{UD}3.6725$  as reported by the IMF. Government outlays by function were as follows: general public services, 20.8%; defense, 30.1%; public order and safety, 13.8%; economic affairs, 4.5%; housing and community amenities, 1.6%; health, 7.2%; recreation, culture, and religion, 1.4%; education, 17.3%; and social protection, 3.2%.

### 36 TAXATION

Each emirate has its own decrees on corporate taxation. Corporate taxes are paid only by oil companies (at rates that vary among emirates) and branches of foreign banks (at 20%). Municipal taxes are 5% on residential and 10% on commercial rents. A 5% tax is

### Public Finance – United Arab Emirates (1999)

(In millions of dirhams, central government figures)

	20,217	100.0%
<b>Revenue and Grants</b>		
Tax revenue	3,481	17.2%
Social contributions	92	0.5%
Grants	...	...
Other revenue	16,644	82.3%
<b>Expenditures</b>	<b>20,050</b>	<b>100.0%</b>
General public services	4,167	20.8%
Defense	6,027	30.1%
Public order and safety	2,763	13.8%
Economic affairs	910	4.5%
Environmental protection	...	...
Housing and community amenities	329	1.6%
Health	1,448	7.2%
Recreational, culture, and religion	290	1.4%
Education	3,474	17.3%
Social protection	642	3.2%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

imposed on hotel services and entertainment. There is no personal income tax.

### 37 CUSTOMS AND DUTIES

Dubai, the major area for foreign trade, is a free trade zone and free port with no restrictions on imports or exports. The individual emirate governments exert no control over imports, except for licensing. Customs duties are levied ad valorem; the rates differ among the emirates but are generally nominal (4% for most goods), except for a duty of 50% on alcoholic beverages (importation of which requires special permission). The duty on tobacco was 90% of the CIF (cost, insurance, and freight) value. Duty-free imports include machinery, construction materials, foodstuffs, medicine, and printed matter. Food imports require a health certificate and meats require a certificate from a slaughterhouse that has been approved under Islamic law. Import licenses are required for all firms desiring to engage in importation. The United Arab Emirates is a member of the Gulf Cooperation Council (GCC) along with Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia. The GCC has been in discussions for a common external tariff (CET) for some years.

### 38 FOREIGN INVESTMENT

All the emirates are eager to attract foreign investment. One obstacle to foreign investment may be the federal requirement that investments must be on a joint venture basis with the local partner owning at least 51% of the venture. The exception is investment in the free trade zones where 100% foreign ownership is allowed. In 2002, there were 11 free trade zones in the UAE in various stages of development. Most provide 100% import and export tax exemption, 100% exemption from commercial levies, 100% repatriation of capital and profits, multiyear leases and other services, including assistance with recruiting labor. The largest and most successful is the Jebel Ali industrial free zone (JAFZ) in Dubai incorporating close to 2,000 companies from over 100 countries. The

JAFZ has attracted more than \$3 billion of foreign investment. In 2002, three new zones were announced: The Dubai International Financial Centre; the Dubai Metals and Commodities Centre; and the Mohammed bin Rashid Technology Zone. In 2000, Dubai Internet City, the world's first e-commerce free zone, was opened, and in 2001, the Dubai Media City began was launched. Other free zones are located in the Dubai International Airport, and in Sharjah, Ajman, Umm Al Quwain, and Fujairah. Principal foreign investors are the United Kingdom, the United States, France, India, Japan, and Germany. Though reliable statistics are not available for the UAE, some reports suggest that US investment in 1999 was about \$500 million. Multinational companies operating in the Jebel Ali industrial zone include the following: Samsung (ROK); Pioneer (Japan); General Motors, IBM, Mobil, and Toys "R" Us (US); and Ericsson (Sweden).

In 1996, UAE created the Abu Dhabi Free Zone Authority to regulate the development of Saadiyat Island, where there will be few restrictions on foreign companies. Companies opening offices there will be exempt from taxes, will be allowed to repatriate all profits and capital, to import labor; in addition, there will be no requirements to establish UAE partners. In 1999, the Emirates Global Capital Corporation was granted a 50-year contract to develop the 26 sq km (10 sq mi) zone, where a stock, commodities, and futures exchange was planned. However, in 2002 this project was on hold.

The UAE does not offer any statistical information on inward flows of capital, but UNCTAD estimates show that FDI totaled \$480 million in 2003, down from \$834 million in 2002. Despite the relative low levels of capital inflows, analysts think that FDI will play an increasingly important role in the future. Current leading sectors for investment in the UAE are oil and gas-field machinery and services, power and water, computer/peripherals, medical equipment and supplies, airport development and ground equipment, telecommunications, and franchising.

### **39 ECONOMIC DEVELOPMENT**

The discovery of oil opened the way for the UAE into the industrial age. The federation, formed in 1971, used its vast oil wealth during the 1970s to transform the national economy through expansion of roads, ports, airports, communications facilities, electric power plants, and water desalination facilities, as well as construction of huge oil-processing complexes. With the completion of major infrastructural projects by the early 1980s, the focus of development shifted to diversifying the economy by establishing capital-intensive industries based on oil and gas resources.

The country's major industrial projects are the Jabal 'Ali industrial zone in Dubai and the refinery complex at Ar-Ruwais in Abu Dhabi. Jabal 'Ali includes the Dubai Aluminum Co. smelter, a natural gas liquefaction plant, a cable factory, and a desalination plant that is one of the world's largest, with an output of about 25 million gallons of water daily. In mid-1995, 822 companies were operating in the Jabal 'Ali Free Zone. By 2002, this number had risen to about 2000, representing investments from over 100 countries. The United Arab Emirates now hosts 11 free trade zones. The Dubai Internet City, launched in 2000, was the world's first e-commerce free trade zone. Dubai Multi-Media City was established in 2001. In 2002 three new specialized free zones were founded: the Dubai International Financial Centre, the Dubai Metals and

Commodities Centre, and the Mohammed bin Rashid Technology Park.

In 1997 the Industrial Loan Fund was set up to provide finance through the Gulf Industrial Corporation (GIC) established in 1979 in Abu Dhabi. The GIC now owns a large number of industries which produce a wide variety products, including cement blocks, fodder, flour, PVC pipes, mineral waters, and aluminum.

In relation to GNP, the UAE is one of the world's major aid donors; the principal vehicle for bilateral aid has been the Abu Dhabi Fund for Arab Economic Development. The UAE makes regular annual payments to Syria, Jordan, Lebanon, and the PLO. Responding to Iraq's invasion of Kuwait in 1990, the UAE made significant financial contributions to assist the frontline states and to share the cost of the foreign military forces.

In 2004, the UAE government has increased spending on job creation and infrastructure expansion, and is looking for ways to enhance the role of the private sector in the management of its utilities. Although oil will continue to be the backbone of the economy for years to come, the country's leaders recognized that a diverse and dynamic economy will prove more sustainable in the long run. Some of the main areas of economic diversification include: security and safety equipment; IT equipment and services; medical equipment, services and supplies; architecture, construction, and engineering services; building products; air conditioning and refrigeration equipment; environmental and pollution control equipment; and sporting goods and equipment.

### **40 SOCIAL DEVELOPMENT**

There is no social security law in the UAE, but many welfare benefits are available to citizens, among them free hospital treatment and medical care and subsidies for education. Relief for any domestic catastrophe is provided from a disaster fund. If the father of a family is unable to work because of illness, disability, or old age, he receives help under the National Assistance Law; should he die or divorce his wife, the woman's future is secured. UAE nationals receive many government services, including health care, water, and electricity, free of charge.

Female employment is growing in government service and in occupations such as education and health.

Women continue to suffer from official discrimination, as dictated by Islamic law. Divorce is available but difficult for a woman to obtain. Men may have more than one wife, but not more than four at one time. Women who remarry may have to give up custody of children from a previous marriage. While abuse against women does exist, it does not seem to be a pervasive problem. Child abuse is not prevalent. Many domestic servants are foreigners who are sometimes subjected to mistreatment or abuse, and poor pay.

The government restricts democratic freedoms and also limits freedoms of speech, assembly, association, press, and the right to a speedy trial.

### **41 HEALTH**

Health facilities have been expanded rapidly since independence. Modern hospitals have been built in Abu Dhabi, Dubai, and other towns. As of 2004, there were an estimated 202 physicians, 418 nurses, and 33 dentists per 100,000 people. In the same year, total health care expenditure was estimated at 8.4 % of GDP. Approx-

mately 95% of the population had access to health care services, and more than 95% of the population had access to safe water and adequate sanitation.

Average life expectancy in 2005 was 75.24 years and the infant mortality rate was 14.51 per 1,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 18.3 and 3.9 per 1,000 people. Children up to one year old were immunized against tuberculosis, 98%; diphtheria, pertussis, and tetanus, 90%; polio, 90%; and measles, 90%. The rates for DPT and measles were, respectively, 94% and 95%.

Typhoid fever and tuberculosis are rare; malaria remains a problem. The goiter prevalence was 40.4 per 100 school children. The HIV/AIDS prevalence was 0.18 per 100 adults in 2003.

## 42 HOUSING

The federal government is attempting to make modern low-cost homes available to poorer families, supplying them with amenities such as piped water, sewerage systems, and electricity. The Ministry of Housing constructed about 4,000 houses for free distribution to poor families between 1978 and 1981. In 1993, government spending for housing was at about 30% of the total budget.

In 1980, 33% of all housing units were flats, 30% were traditional Arabic dwellings, 9% were low-cost housing, 8% were shacks, and the remainder were sheds, caravans, single rooms, tents, and other facilities. About 85% had water closets and 26% had electricity, piped-in water, and access to a sewage system.

At the 1995 census there were 413,178 housing units in the nation; 37% were located in Abu Dhabi and 27% were in Dubai. In 1995, the Abu Dhabi Department of Social Service and Commercial Buildings (est. 1976) began construction of 504 residential buildings and had 417 other projects in the planning stages. The department has built over 40,000 housing units since 1976.

## 43 EDUCATION

The educational system of the United Arab Emirates has burgeoned since 1971. Education in the six northern emirates, formerly financed and administered by Kuwait, has been managed by the UAE Ministry of Education since 1972. Education is compulsory for six years at the primary level, from age six, and is free to all UAE citizens, as are school uniforms, books, equipment, and transportation. Arabic is a compulsory subject and segregation of classes by sex is required. At the secondary level, children go through six years of education in two stages, three years of preparatory studies and three years of specialized studies in either sciences or the arts. Students may also choose to attend a six year technical, agricultural, or commercial school program at the secondary level. There are religious schools offering secondary studies as well. The academic year runs from September to June.

In 2001, about 70% of children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 83% of age-eligible students. The same year, secondary school enrollment was about 71% of age-eligible students. It is estimated that about 71.5% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 15:1 in 2003; the ratio for secondary school was about 14:1. In 2003, private schools accounted for about 53.8% of primary school enrollment and 38.1% of secondary enrollment.

The United Arab Emirates University is a major state-sponsored institute. Dubai University College, a private college, was founded in January 1997. In 2003, it was estimated that about 35% of the tertiary age population were enrolled in tertiary education programs; 21% for men and 53% for women. The adult literacy rate for 2004 was estimated at about 77.3%, with 75.6% for men and 80.7% for women.

As of 2003, public expenditure on education was estimated at 1.6% of GDP, or 22.5% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

The National Library in Dubai holds 800,000 volumes, including a collection known as the Gulf and Arabian Peninsula Library. The library of the Juma Al-Majid Heritage & Cultural Centre holds a collection of over 320,000 volumes. The Dubai Public Library system consists of one main and six branch locations. The Higher Colleges of Technology library (175,000 volumes) and the United Arab Emirates University library (300,000 volumes) are in Abu Dhabi.

The Dubai National Museum is housed in the Al Fahidi Fort. The Al 'Ayn Museum (1971) is an archeological institution. Sharjah is home to the Sharjah Archeology Museum, the Sharjah Heritage Museum, the Sharjah Natural History Museum, the Sharjah Science Museum, and a children's museum called the Discovery Center.

## 45 MEDIA

The communications system has been dramatically improved and expanded in recent years. Telecommunications operations in the emirates are all handled by ETISALAT. The Jabal 'Ali earth satellite station in Dubai maintains telephone and telegraph traffic, telex data transmission, and color television broadcasting; computer-controlled automatic telex systems have been installed in both Dubai and Abu Dhabi. In 2003, there were an estimated 281 main-line telephones for every 1,000 people. The same year, there were approximately 736 mobile phones in use for every 1,000 people.

Nearly all of the television and radio broadcasting stations are owned and operated by the government through Abu Dhabi Radio and TV or Emirates TV. There is a Media Free Zone in Dubai where private stations are located, including those broadcasting in English and Arabic. In 2004, there were about 13 AM and 8 FM radio stations. The same year, there were 15 television stations. In 2003, there were an estimated 309 radios and 252 television sets for every 1,000 people. The same year, there were 129 personal computers for every 1,000 people and 275 of every 1,000 people had access to the Internet. There were 173 secure Internet servers in the country in 2004.

Arabic-language dailies published in the UAE in 2002 included: *Al-Khalij* (2002 circulation, 85,000), *Al-Ittihad (Unity)*, 58,000), *Al-Fajr (The Dawn)*, 50,000), *Al-Wahdah* (30,000), and *Al-Bayan* (32,650). There were three English-language dailies: the *Gulf News* (91,530) and *Khaleej Times* (72,000), published in Dubai, and the *Emirates News* (21,150), published in Abu Dhabi.

The provisional constitution provides for free expression; however, the government restricts expression in practice. All published materials must be licensed by the Ministry of Education, which governs content and allowable subjects. The media practice

self-censorship on the subjects of government policy, the ruling families, national security, religion, and international relations.

#### 46 ORGANIZATIONS

There are national chambers of commerce in the larger states. There are also several associations representing foreign businesses. The Federation of United Arab Emirates Chambers of Commerce and Industry is located in Abu Dhabi. There are active professional associations in several different fields, such as journalism and medicine. Various social and sporting clubs provide outlets for philanthropic work and recreation. National youth organizations include the National Union of Students of the Emirates and the Emirates Scout Association. There is a national chapter of the Red Crescent Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

Except for Gulf nationals and citizens of the United Kingdom, most visitors must secure a visa in advance. Tourism is encouraged by all the emirates, whose varied scenery includes mountains, beaches, deserts, and oases. Activities include visits to Bedouin markets, museums, zoos, and aquariums. Many large world-class hotels have opened in recent years. The emirates attract tourists from Western Europe during the winter, when the main attractions are the beaches and sunny climate. Tourists numbered 5,871,023 in 2003.

The daily cost of staying in Dubai, according to 2005 US Department of State estimates, was \$376 from June through August, and \$219 the rest of the year. Estimated daily expenses for travel in Abu Dhabi were \$219 that year.

#### 48 FAMOUS EMIRIANS

Sheikh Zayid bin Sultan Al Nahyan (1918–2004) was ruler of Abu Dhabi after 1966 and president of the UAE from 1971 until his death in 2004. His son, Sheikh Khalifa bin Zayid Al Nahyan (b.1948) became president of the UAE upon his father's death.

#### 49 DEPENDENCIES

The UAE has no territories or colonies.

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# UNITED STATES PACIFIC DEPENDENCIES

## AMERICAN SAMOA

American Samoa, an unincorporated and unorganized insular US territory in the South Pacific Ocean, comprises that portion of the Samoan archipelago lying E of longitude 171°W. (The rest of the Samoan islands comprise the independent state of Western Samoa.) While the Samoan group as a whole has an area of 3,121 sq km (1,205 sq mi), American Samoa consists of only seven small islands (between 14° and 15°S and 168° and 171°W) with a total area (land and water) of 197 sq km (76 sq mi). Five of the islands are volcanic, with rugged peaks rising sharply, and two are coral atolls.

The climate is hot and rainy; normal temperatures range from 24°C (75°F) in August to 32°C (90°F) during December–February; mean annual rainfall is 330 cm (130 in), the rainy season lasting from December through March. Hurricanes are common. The native flora includes flourishing tree ferns, coconut, hardwoods, and rubber trees. There are few wild animals.

As of mid-2005, the estimated population was 57,881, an increase over the 1986 population estimate of 37,500. However, the total population has remained relatively constant for many years because of the substantial number of Samoans who migrate to the United States. The inhabitants, who are concentrated on the island of Tutuila, are almost pure Polynesian. Most people are bilingual: English and Samoan are the official languages. Most Samoans are Christians.

The capital of the territory, Pago Pago, on Tutuila, has one of the finest natural harbors in the South Pacific and is a duty-free port. Passenger liners call there on South Pacific tours, and passenger and cargo ships arrive regularly from Japan, New Zealand, Australia, and the US west coast. There are regular air and sea services between American Samoa and Western Samoa, and scheduled flights between Pago Pago and Honolulu.

American Samoa was settled by Melanesian migrants in the 1st millennium BC. The Samoan islands were visited in 1768 by the French explorer Louis-Antoine de Bougainville, who named them the Îles des Navigateurs as a tribute to the skill of their native boatmen. In 1889, the United States, the United Kingdom, and Germany agreed to share control of the islands. The United Kingdom later withdrew its claim, and under the 1899 Treaty of Berlin, the United States was internationally acknowledged to have rights extending over all the islands of the Samoan group lying east of 171°W, while Germany was acknowledged to have similar rights to the islands west of that meridian. The islands of American Samoa were officially ceded to the United States by the various ruling chiefs in 1900 and 1904, and on 20 February 1929 the US Congress formally accepted sovereignty over the entire group. From 1900 to 1951, the territory was administered by the US Department of the Navy, and thereafter by the Department of the Interior. The basic law is the Constitution of 1966.

The executive branch of the government is headed by a governor who, along with the lieutenant governor, is elected by popular vote; before 1977, the two posts were appointed by the US government. Village, county, and district councils have full authority to regulate local affairs.

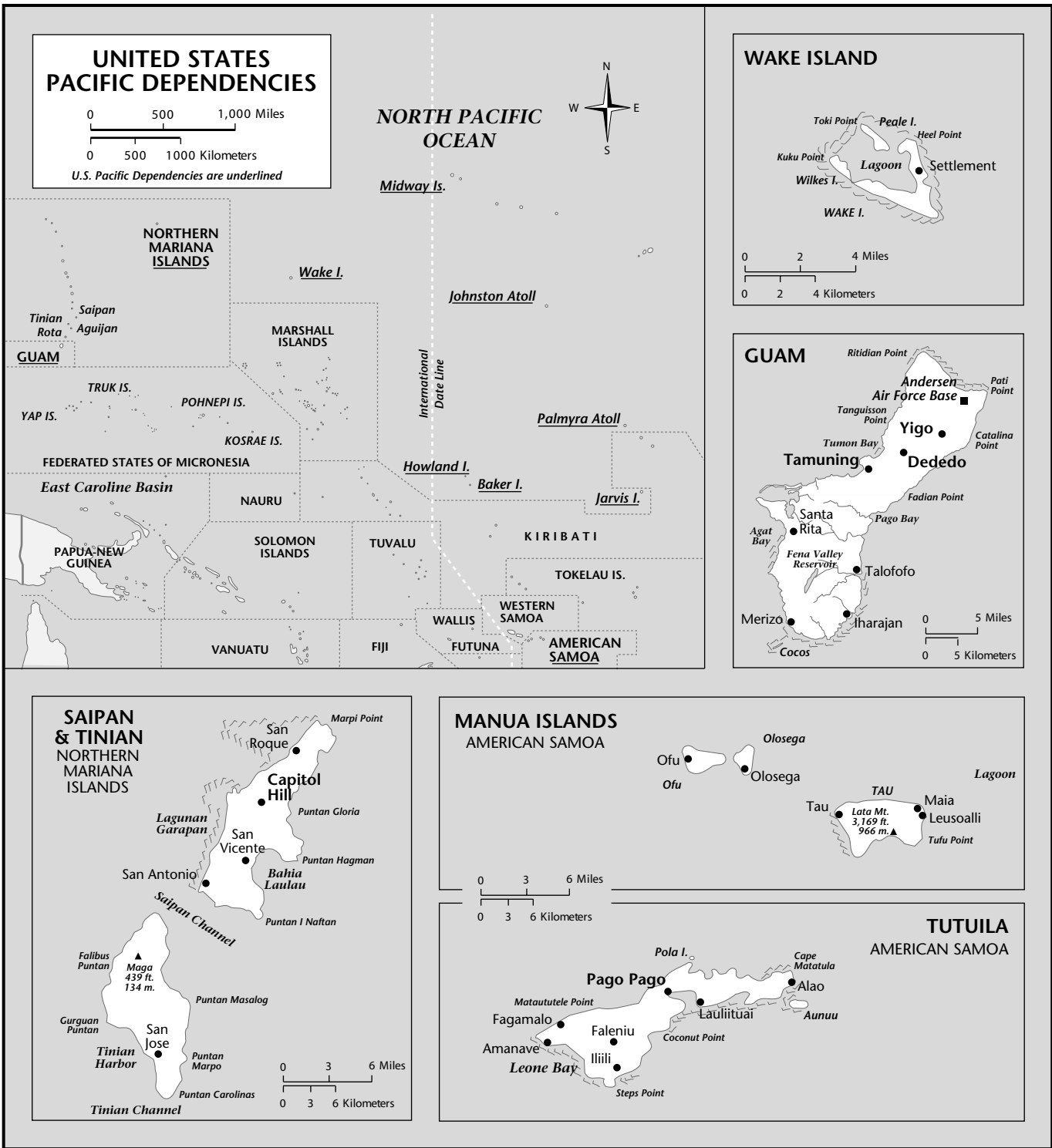
The legislature (Fono) is composed of the House of Representatives and the Senate. The 15 counties elect 18 *matais* (chiefs) to four-year terms in the senate, while the 20 house members are elected for two-year terms by popular vote within the counties. (There is one appointed member from Swains Island.) The secretary for Samoan affairs, who heads the Department of Local Government, is appointed by the governor. Under his administration are three district governors, the county chiefs, village mayors, and police officials. The judiciary, an independent branch of the government, functions through the high court and five district courts. Samoans living in the islands as of 17 April 1900 or born there since that date are nationals of the United States. The territory sends one delegate to the US House of Representatives.

The economy is primarily agricultural. Small plantations occupy about one-third of the land area; 90% of the land is communally owned. The principal crops are bananas, breadfruit, taro, papayas, pineapples, sweet potatoes, tapioca, coffee, cocoa, and yams. Hogs and poultry are the principal livestock raised; dairy cattle are few. The principal cash crop is copra. A third of the total labor force is employed by the federal and territorial government. The largest employers in the private sector, with more than 15% of the labor force, are two modern tuna canneries supplied with fish caught by Japanese, US, and Taiwanese fishing fleets. Canned tuna is the primary export. Most foreign trade is conducted with the United States.

Samoans are entitled to free medical treatment, including hospital care. Besides district dispensaries, the government maintains a central hospital, a tuberculosis unit, and a leprosarium. US-trained staff physicians work with Samoan medical practitioners and nurses. The LBJ Tropical Medical Center opened in 1986.

Education is a joint undertaking between the territorial government and the villages. School attendance is compulsory for all children from 6 through 18. The villages furnish the elementary-school buildings and living quarters for the teachers; the territorial government pays teachers' salaries and provides buildings and supplies for all but primary schools. Since 1964, educational television has served as a basic teaching tool in the school system. About 97% of the population is literate. In 1997, total enrollment in American Samoa's 29 public elementary and secondary schools was over 19,000. American Samoa Community College enrolled 1,178 in the fall of 2001.

Radiotelegraph circuits connect the territory with Hawaii, Fiji, and Western Samoa. Every village in American Samoa has telephone service.



**GUAM**

The largest and most populous of the Mariana Islands in the Western Pacific, Guam (13° 28' N and 144° 44' E) has an area, including land and water, of 540 sq km (208 sq mi) and is about 48 km (30 mi) long and from 6–12 km (4–7 mi) wide. The island is of volcanic origin; in the south, the terrain is mountainous, while the northern part is a plateau with shallow fertile soil. The central

part of the island (where the capital, Agana, is located) is undulating country.

Guam lies in the typhoon belt of the Western Pacific and is occasionally subject to widespread storm damage. In May 1976, a typhoon with winds of 306 km/hr (190 mph) struck Guam, causing an estimated \$300 million in damage and leaving 80% of the island's buildings in ruins. Guam has a tropical climate with little seasonal variation. Average temperature is 26°C (79°F); rainfall is

substantial, reaching an annual average of more than 200 cm (80 in). Endangered species include the giant Micronesian kingfisher and Marianas crow.

The mid-2005 population, excluding transient US military and civilian personnel and their families, was estimated at 168,564, an increase over the 1986 estimate of 117,500. The increase was attributed largely to the higher birthrate and low mortality rate. The present-day Chamorro, who comprise about 37% of the permanent resident population, descend from the intermingling of the few surviving original Chamorro with the Spanish, Filipino, and Mexican settlers, plus later arrivals from the United States, United Kingdom, Korea, China, and Japan. Filipinos (26%) are the largest ethnic minority. English and Chamorro are official languages. The predominant religion is Roman Catholicism.

The earliest known settlers on Guam were the original Chamorro, who migrated from the Malay Peninsula to the Pacific around 1500 BC. When Ferdinand Magellan landed on Guam in 1521, it is believed that as many as 100,000 Chamorro lived on the island; by 1741, their numbers had been reduced to 5,000—most of the population either had fled the island or been killed through disease or war with the Spanish. A Spanish fort was established in 1565, and from 1696 until 1898, Guam was under Spanish rule.

Under the Treaty of Paris that ended the Spanish-American War in 1898, the island was ceded to the United States and placed under the jurisdiction of the Department of the Navy. During World War II, Guam was occupied by Japanese forces; the United States recaptured the island in 1944 after 54 days of fighting. In 1950, the island's administration was transferred from the Navy to the US Department of the Interior. Under the 1950 Organic Act of Guam, passed by the US Congress, the island was established as an unincorporated territory of the United States; Guamanians were granted US citizenship, and internal self-government was introduced.

The governor and lieutenant governor have been elected directly since 1970. A 15-member unicameral legislature elected for two years by adult suffrage is empowered to legislate on all local matters, including taxation and appropriations. The US Congress reserves the right to annul any law passed by the Guam legislature, but must do so within a year of the date it receives the text of any such law.

Judicial authority is vested in the district court of Guam, and appeals may be taken to the regular US courts of appeal and ultimately to the US Supreme Court. An island superior court and other specialized courts have jurisdiction over certain cases arising under the laws of Guam. The judge of the district court is appointed by the US president; the judges of the other courts are appointed by the governor. Guam's laws were codified in 1953.

Guam is one of the most important US military bases in the Pacific, and the island's economy has been profoundly affected by the large sums of money spent by the US defense establishment. During the late 1960s and early 1970s, when the United States took the role of a major combatant in the Vietnam conflict, Guam served as a base for long-range US bombers on sorties over Indochina. In 2005, there were 3,384 active-duty US military personnel stationed on the island.

Prior to World War II, agriculture and animal husbandry were the primary activities. By 1947, most adults were wage earners employed by the US armed forces, although many continued to cultivate small plots to supplement their earnings. In 2002, agri-

culture accounted for 7% of GDP; a considerable amount of arable land is taken up by military installations. Fruits and vegetables are grown and pigs and poultry are raised for local consumption, but most food is imported. Current fish catches are insufficient to meet local demand.

Tourism became a major industry and sparked a boom in the construction industry in the mid-1980s. The number of visitors grew rapidly from 6,600 in 1967 to around one million per year in the mid-2000s, 90% of whom come from Japan. The stagnation in the Japanese economy since the early 1990s slowed the growth of Guam's tourism sector.

The Guam Rehabilitation Act of 1963 has funded the territory's capital improvement program. Further allocations in 1969 and 1977 provided over \$120 million for additional capital improvements and development of the island's power installations. More than \$200 million of federal funds were authorized for typhoon relief in 1977–78. Total expenditures by the government of Guam were \$445 million in 2000; revenues were \$340 million.

Guam's foreign trade usually shows large deficits. The bulk of Guam's trade is with the United States, Japan, Singapore, and South Korea.

US income tax laws are applicable in Guam; all internal revenue taxes derived by the United States from Guam are paid into the territory's treasury. US customs duties, however, are not levied. Guam is a duty-free port. In its trade with the US mainland, Guam is required to use US shipping.

Typical tropical diseases are practically unknown today in Guam. Tuberculosis, long the principal killer, was brought under control by the mid-1950s. The Guam Memorial Hospital has a capacity of 208 beds. Village dispensaries serve both as public health units and first-aid stations. In addition, there are a number of physicians in private practice. Specialists from the US Naval Hospital in Guam, assisting on a part-time basis, have made possible a complete program of curative medicine.

School attendance is compulsory from the age of 6 through 16. Twenty-five elementary schools, seven middle schools, four high schools and an alternative school serve over 30,000 students.

## HOWLAND, BAKER, AND JARVIS ISLANDS

Howland Island (0° 48' N and 176° 38' W), Baker Island (0° 14' N and 176° 28' W), and Jarvis Island (0° 23' S and 160° 1' W) are three small coral islands, each about 2.6 sq km (1 sq mi) in area, belonging to the Line Islands group of the Central Pacific Ocean. All are administered directly from Washington as US unincorporated territories. Public entry is by special permit and generally restricted to scientists and educators. Howland was discovered in 1842 by US sailors, claimed by the United States in 1857, and formally proclaimed a US territory in 1935–36. It was worked for guano by US and British companies until about 1890.

Baker, 64 km (40 mi) S of Howland, and Jarvis, 1,770 km (1,100 mi) E of Howland, also were claimed by the United States in 1857, and their guano deposits were similarly worked by US and British enterprises. The United Kingdom annexed Jarvis in 1889. In 1935, the United States sent colonists from Hawaii to all three islands, which were placed under the US Department of the Interior in 1936 and are administered as part of the National Wildlife Refuge system. Baker was captured by the Japanese in 1942 and recaptured by the United States in 1944. The three islands lack fresh wa-

ter and have no permanent inhabitants. They are visited annually by the US Coast Guard. A lighthouse on Howland Island is named in honor of the US aviatrix Amelia Earhart, who vanished en route to the island on a round-the-world flight in 1937.

## JOHNSTON ATOLL

Johnston Atoll, located in the North Pacific 1,151 km (715 mi) sw of Honolulu, consists of two islands, Johnston (16° 44' N and 169° 31' W) and Sand (16° 45' N and 169° 30' W), with a total land and water area of about 2.6 sq km (1 sq mi). The islands are enclosed by a semicircular reef. It was discovered by English sailors in 1807 and claimed by the United States in 1858. For many years, it was worked for guano and was a bird reservation. Commissioned as a naval station in 1941, it remains an unincorporated US territory under the control of the US Department of the Air Force. In the 1950s and 1960s, it was used primarily for the testing of nuclear weapons. Until late in 2000, it was maintained as a storage and disposal site for chemical weapons. Munitions destruction is now complete, and cleanup and closure of the facility was completed by May 2005.

The population usually stood at 1,100 government personnel and contractors, but decreased significantly after the September 2001 departure of the US Army Chemical Activity Pacific (USACAP). As of May 2005, all US government personnel had left the island. The atoll is equipped with an excellent satellite and radio telecommunications system.

## MIDWAY

The Midway Islands (28° 12'–17' N and 177° 19'–26' W) consist of an atoll and two small islets, Eastern Island (177° 20' W) and Sand Island (177° 22'–24' W), 2,100 km (1,300 mi) WNW of Honolulu. Total land and water area is 5 sq km (2 sq mi). As of 2005, 40 people made up the staff of the US Fish and Wildlife service on the atoll.

Discovered and claimed by the United States in 1859 and formally annexed in 1867, Midway became a submarine cable station early in the 20th century and an airlines station in 1935. Made a US naval base in 1941, Midway was attacked by the Japanese in December 1941 and January 1942. In one of the great battles of World War II, a Japanese naval attack on 3–6 June 1942 was repelled by US warplanes. Midway is a US unincorporated territory; there is a closed naval station, and the islands are important nesting places for seabirds. In 1993, administrative control of Midway was transferred from the US Department of the Navy to the US Department of the Interior's Fish and Wildlife Service.

## NORTHERN MARIANAS

The Northern Marianas, a US commonwealth in the Western Pacific Ocean, is comprised of the Mariana Islands excluding Guam (a separate political entity). Located between 12° and 21°N and 144° and 146° E, it consists of 16 volcanic islands with a total land area of about 475 sq km (183.5 sq mi). Only six of the islands are inhabited, and most of the people live on the three largest islands—Rota, 85 sq km (33 sq mi); Saipan, 122 sq km (47 sq mi); and Tinian, 101 sq km (39 sq mi).

The climate is tropical, with relatively little seasonal change; temperatures average 21–29°C (70–85°F), and relative humidity is generally high. Rainfall averages 216 cm (85 in) per year. The

southern islands, which include Rota, Saipan, and Tinian, are generally lower and covered with moderately heavy tropical vegetation. The northern islands are more rugged, reaching a high point of 959 m (3,146 ft) on Agrihan, and are generally barren due to erosion and insufficient rainfall. Pagan and Agrihan have active volcanoes, and typhoons are common from August to November. Insects are numerous and ocean birds and fauna are abundant. The Marianas mallard is a local endangered species.

The Northern Marianas had an estimated population of 80,362 in mid-2005. Three-fourths of the population is descended from the original Micronesian inhabitants, known as Chamorros. There are also many descendants of migrants from the Caroline Islands and smaller numbers of Filipino and Korean laborers and settlers from the US mainland. English, Chamorro, and Carolinian are official languages. However, only 10.8% of the population speaks English in the home. About 90% of the people are Roman Catholic.

It is believed that the Marianas were settled by migrants from the Philippines and Indonesia. Excavations on Saipan have yielded evidence of settlement around 1500 BC. The first European to reach the Marianas, in 1521, was Ferdinand Magellan. The islands were ruled by Spain until the Spanish defeat by the United States in the Spanish-American War (1898). Guam was then ceded to the United States and the rest of the Marianas were sold to Germany. When World War I broke out, Japan took over the Northern Marianas and other German-held islands in the Western Pacific. These islands (the Northern Marianas, Carolines, and Marshalls) were placed under Japanese administration as a League of Nations mandate on 17 December 1920. Upon its withdrawal from the League in 1935, Japan began to fortify the islands, and in World War II they served as important military bases. Several of the islands were the scene of heavy fighting during the war. In the battle for control of Saipan in June 1944, some 23,000 Japanese and 3,500 US troops lost their lives in one day's fighting. As each island was occupied by US troops, it became subject to US authority in accordance with the international law of belligerent occupation. The US planes that dropped atomic bombs on Hiroshima and Nagasaki, bringing an end to the war, took off from Tinian.

On 18 July 1947, the Northern Mariana, Caroline, and Marshall islands formally became a UN trust territory under US administration. This Trust Territory of the Pacific Islands was administered by the US Department of the Navy until 1 July 1951, when administration was transferred to the Department of the Interior. From 1953 to 1962, the Northern Marianas, with the exception of Rota, were administered by the Department of the Navy.

The people of the Northern Marianas voted to become a US commonwealth by a majority of 78.8% in a plebiscite held on 17 June 1975. A covenant approved by the US Congress in March 1976 provided for the separation of the Northern Marianas from the Caroline and Marshall island groups, and for the Marianas' transition to a commonwealth status similar to that of Puerto Rico. The islands became internally self-governing in January 1978. On 3 November 1986, US president Ronald Reagan proclaimed the Northern Marianas a self-governing commonwealth; its people became US citizens. The termination of the trusteeship was approved by the UN Trusteeship Council in May 1986 and received the required approval from the UN Security Council. On

3 November 1986, the Constitution of the Commonwealth of the Northern Marianas Islands came into force.

A governor and a lieutenant governor are popularly elected for four-year terms. The legislature consists of 9 senators elected for four-year terms and 18 representatives elected for two-year terms. A district court handles matters involving federal law and a commonwealth court has jurisdiction over local matters.

The traditional economic activities were subsistence agriculture, livestock raising, and fishing, but much agricultural land was destroyed or damaged during World War II and agriculture has never resumed its prewar importance. Garment production and tourism are the mainstays of the economy. Tourism employs about 50% of the work force. The construction industry is also expanding, and there is some small-scale industry, chiefly handicrafts and food processing.

The Northern Marianas is heavily dependent on federal funds. The United States also pays to lease property on Saipan, Tinian, and Farallon de Medinilla islands for defense purposes. The principal exports are garments, milk, and meat; imports include foods, petroleum, construction materials, and vehicles. US currency is the official medium of exchange.

Health care is primarily the responsibility of the commonwealth government and has improved substantially since 1978. Tuberculosis, once the major health problem, has been controlled. There is a hospital on Saipan and health centers on Tinian and Rota. The largest hospital in the commonwealth is a 76-bed, full service facility.

Education is free and compulsory for children between the ages of 8 and 14, and literacy is high. Northern Marianas College had an enrollment of 1,101 in 2006. There are 2 AM, 3 FM, and 1 television stations.

### **PALMYRA ATOLL**

Palmyra, an atoll in the Central Pacific Ocean, containing some 50 islets with a total area of some 10 sq km (4 sq mi), is situated

about 1,600 km (1,000 mi) ssw of Honolulu at 5° 52' N and 162° 5' W. It was discovered in 1802 by the USS *Palmyra* and formally annexed by the United States in 1912, and was under the jurisdiction of the city of Honolulu until 1959, when Hawaii became the 50th state of the United States. It is now the responsibility of the US Fish and Wildlife Service. The atoll is privately owned by the Nature Conservancy.

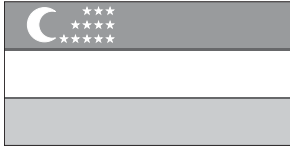
Kingman Reef, NW of Palmyra Atoll at 6° 25' N and 162° 23' N, was discovered by the United States in 1874, annexed by the United States in 1922, and became a naval reservation in 1934. Now abandoned, it is under the control of the US Department of the Navy. The reef only has an elevation of 1 m (3 ft) and is awash most of the time, making it hazardous for ships.

### **WAKE ISLAND**

Wake Island, actually a coral atoll and three islets (Wake, Peale, and Wilkes) about 8 km (5 mi) long by 3.6 km (2.25 mi) wide, lies in the North Pacific 3,380 km (2,100 mi) W of Honolulu at 19° 17' N and 166° 35' E. The total land and water area is about 8 sq km (3 sq mi). Discovered by the British in 1796, Wake was long uninhabited.

In 1898, a US expeditionary force en route to Manila landed on the island. The United States formally claimed Wake in 1899. It was made a US naval reservation in 1934, and became a civil aviation station in 1935. Captured by the Japanese on 23 December 1941, Wake was subsequently the target of several US air raids. It was surrendered by the Japanese in September 1945 and has thereafter remained a US unincorporated territory under the jurisdiction, since 1972, of the Department of the Air Force.

As of 2001, only around 200 contractor personnel inhabited Wake Island. The island was no longer being used for missile launches by the US Army's Space and Strategic Defense Command. It is a stopover and fueling station for civilian and military aircraft flying between Honolulu, Guam, and Japan.



# UZBEKISTAN

Republic of Uzbekistan  
*Uzbekiston Respublikasi*

**CAPITAL:** Tashkent (Toshkent)

**FLAG:** Horizontal bands of blue (top), white, and green separated by narrow red bands; white crescent moon and twelve stars on the blue band.

**ANTHEM:** n/a

**MONETARY UNIT:** The som (SOM) is the official currency, introduced when Uzbekistan left the ruble zone in November 1993. SOM1 = \$0.00090 (or \$1 = SOM1,114.17) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** Independence Day, 1 September.

**TIME:** 5 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Uzbekistan is located in central Asia bordering the Aral Sea, between Kazakhstan and Turkmenistan. Comparatively, it is slightly larger than the state of California, with a total area of 447,400 sq km (172,742 sq mi). Uzbekistan shares boundaries with Kazakhstan on the N, Kyrgyzstan and Tajikistan on the E, Afghanistan on the S, and Turkmenistan on the SW. Uzbekistan's boundary length totals 6,221 km (3,866 mi). Its capital city, Tashkent, is located in the eastern part of the country.

## <sup>2</sup> TOPOGRAPHY

Uzbekistan consists of mostly flat to rolling sandy desert with dunes. The Fergana Valley lies in the east surrounded by the Tian Shan mountains of Tajikistan and Kyrgyzstan. The Alai mountains lie to the extreme southeast. The highest point in the country is Adelunga Toghi, at an elevation of 4,301 meters (14,111 feet). The lowest point is Sariqarnish Kuli, which dips to 12 meters (39 feet) below sea level. The country is located in a seismically active region along the Eurasian Tectonic Plate, resulting in frequent earthquakes.

The Kyzyl Kum desert covers most of the interior of the country. With an area of about 297,850 square kilometers (115,000 square miles), it is the largest desert region in Central Asia and the ninth-largest in the world. In the northwest, the Aral Sea is shared with Kazakhstan. Covering area of about 64,500 square kilometers (24,900 square miles), it is the largest lake in the country and the fourth-largest lake in the world. The longest river in the country is the Amu Dar'ya, which has a total length of 2,540 kilometers (1,580 miles), only a portion of which runs through Uzbekistan.

## <sup>3</sup> CLIMATE

The climate is mid-latitude climatic desert. Temperatures range from 26° to 32°C (79° to 90°F) in the summer, with much higher figures in the desert. Average winter temperatures are between -6° and 2°C (21° to 36°F). There is very little rainfall in the country. The best watered areas only receive about 30 cm (12 in) annually.

## <sup>4</sup> FLORA AND FAUNA

Ecological damage has left much of the country devoid of animal life. Bird species include a variety of warblers, eagles, owls, buzzards, heron, ducks, and larks. Mammals include wolves, elk, hedgehogs, squirrels, and weasels. Leopards and wildcats can be found in some forested areas. As of 2002, there were at least 97 species of mammals, 203 species of birds, and over 4,800 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

Uzbekistan's main environmental problems are soil salinity, land pollution, and water pollution. In 1992, Uzbekistan had the world's 27th highest level of carbon dioxide emissions, which totaled 123.5 million metric tons, a per capita level of 5.75 metric tons. In 2000, the total of carbon dioxide emissions was at 118.6 million metric tons. Chemicals used in farming, such as DDT, contribute to the pollution of the soil. Desertification is a continuing concern.

The nation's forestlands has also been threatened. Between 1990–1995, deforestation occurred at an annual average rate of 2.65%. However, reforestation efforts have begun as of the late 1990s.

The country's water supply also suffers from toxic chemical pollutants from industrial activity as well as fertilizers and pesticides. Uzbekistan has 16 cu km of renewable water resources, with 94%

of annual withdrawals used for farming and 2% used for industrial purposes. The nation's cities produce an average of 45.8 million tons of solid waste per year.

The draining and evaporation of the Aral Sea has been considered one of the worst ecological disasters in the world. Irrigation withdrawals from the Amu Darya and Syr Darya rivers have been a major cause of lake shrinkage. As a result, pesticides and natural salts in its water have become increasingly concentrated so that plant and wildlife habitats have been destroyed. As of 2002, the area of the Aral Sa was reported to cover less than half the size of the original basin.

As of 2003, only 2% of Uzbekistan's total land area is protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 7 types of mammals, 16 species of birds, 2 types of reptiles, 4 species of fish, 1 species of invertebrate, and 1 species of plant. Threatened or rare species include the markhor, Central Asia cobra, Aral salmon, slender-billed curlew, and Asiatic wild dog. The Jeseter hladky has become extinct.

## 6 POPULATION

The population of Uzbekistan in 2005 was estimated by the United Nations (UN) at 26,444,000, which placed it at number 43 in population among the 193 nations of the world. In 2005, approximately 5% of the population was over 65 years of age, with another 35% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.6%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 33,851,000. The overall population density was 59 per sq km (153 per sq mi), with the population being most dense in the Fergana Valley.

The UN estimated that 37% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.38%. The capital city, Tashkent (Toshkent), had a population of 2,155,000 in that year. Samarqand (Samarkand) had a population of about 374,900.

## 7 MIGRATION

Emigration to other former USSR republics exceeded immigration by 328,200 during 1979–90. In 1991, an estimated 400,000 Russians departed from Uzbekistan. As of 1996, 250,000 Crimean Tatars had left Central Asia for the Ukraine; most of these Tatars were from Uzbekistan. In 1999, there were an estimated 30,000 Tajik refugees and 8,000 Afghan refugees living in Uzbekistan; however, only 1,135 refugees and asylum seekers were registered with the United Nations High Commissioner for Refugees (UNHCR). Until 1999, refugees and asylum seekers were assigned no special status and were considered ordinary foreigners. However, in 1999 the government completed a draft of the Migration Law, which passed the Cabinet of Ministers. In 2000 there were 1,367,000 migrants living in Uzbekistan, including the remaining refugees. In 2004 there were 44,455 refugees, mainly from Tajikistan and Afghanistan, and 477 asylum seekers. In that same year, some 450 Uzbekistani sought asylum in Sweden and the United States. In 2005, the net migration rate was estimated as -1.16 migrants per

1,000 population. The government views the emigration level as too high, but the immigration level as satisfactory.

## 8 ETHNIC GROUPS

According to the last official estimates (1996), about 80% of the population was Uzbek. Russians constituted 5.5%, Tajiks made up 5%, Kazakhs accounted for 3%, Karakalpaks for 2.5%, Tatars 1.5%, and others 2.5%. There are also small numbers of ethnic Koreans, Meskhetian Turks, Germans, and Greeks.

## 9 LANGUAGES

Uzbek, the state language, was the most widely spoken non-Slavic tongue in the USSR. It is a Turkic language with six vowels—virtually identical to those of Tajik, which has surely influenced it—rather than the original eight or nine. In 1993, it was decided that the language would be written in the Roman (Latin) alphabet rather than in the Cyrillic alphabet. Uzbek is spoken by about 74.3% of the population in Uzbekistan; Russian is spoken by 14.2%, Tajik by 4.4%, and other various languages by 7.1%.

## 10 RELIGIONS

Ethnic Uzbeks are primarily adherents of the Hanafi sect of Sunni Islam, but the Wahhabi sect has flourished as well in recent years. Muslims account for about 88% of the population; Eastern Orthodox Christians account for about 9%; and others for 3%. In 2002 Uzbekistan had a significant Jewish population of about 20,000 Ashkenazi and Bukharan Jews, primarily in the cities of Tashkent, Bukhoro (Bukhara), and Samarqand (Samarkand). Almost 80,000 Jews have emigrated to Israel or the United States since independence. Minority religions listed as "other" include small communities of Korean Christians, Baptists, Roman Catholics, Lutherans, Seventh-Day Adventists, Evangelical and Pentecostal Christians, Buddhists, Baha'is, and Hare Krishnas.

Freedom of religion is guaranteed under the constitution of 1992 and there is a specific provision prohibiting the establishment of any state religion. However, the government has placed some restrictions on religious freedom. Proselytizing is prohibited by law. All religious groups must register with the government, but the government has placed strict criteria on the registration process and rejects applications on minor technicalities. For instance, a group must have a valid legal address in order to register, yet many smaller groups do not have such an office. Religious services conducted by unregistered groups are considered to be illegal. All religious literature is subject to censor by the government.

## 11 TRANSPORTATION

As of 2004, Uzbekistan had some 3,950 km (2,453 mi) of railroad track in common carrier service (not including industrial lines), all of it broad gauge. Separate lines serve eastern and western regions. In 2002, there were also 81,600 km (50,706 mi) of highways, of which 71,237 km (44,227 mi) are hard-surfaced. As a doubly landlocked nation, there is no direct connection to the open sea. The closest route to the sea is to the south through Termiz on the Afghanistan border. Conflict in Afghanistan blocks this route. The Zeravshan River is the largest inland waterway. In 2004, the country had 1,100 km (684 mi) of navigable inland waterways. Uzbekistan had an estimated 226 airports in 2004, of which 33 had paved runways as of 2005. In 2003, a total of 1.466 million



LOCATION: 41°0' N; 64°0' E. BOUNDARY LENGTHS: Afghanistan, 137 kilometers (85 miles); Kazakhstan, 2,203 kilometers (1,369 miles); Kyrgyzstan, 1,099 kilometers (683 miles); Tajikistan, 1,161 kilometers (722 miles); Turkmenistan, 1,621 kilometers (1,007 miles).

passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Some parts of present-day Uzbekistan have been inhabited since the Paleolithic era. The first states in the region were Khwarazm, Bactria, Sogdiana, and the Parthian Empire, in the first millennium BC. The territory was consolidated under the Achaemenids in the 6th century BC, until it was conquered by Alexander the Great, 329–327 BC. The Greeks were displaced by the Tochari in the 3rd century BC. From the 1st century BC to the 4th century AD Uzbekistan was part of the Kushana Kingdom. This in turn was replaced by the Ephthalite state.

In the 6th century the area was part of the West Turkic Kaganate, a loose confederation of largely nomadic tribes. By the 8th century the region was conquered by the Arabs, who introduced Islam. The Umayyid dynasty was displaced by the Abbasids in 747–750. In the 9th century the Samanids took control of most of Central Asia, including Uzbekistan. Turkic tribes again began to push into the area from the east in the 10th century, eventu-

ally forming the Karakhanid state. A lesser part of that state, Khwarazm, grew more powerful in the 12th century and came to dominate most of Central Asia.

Genghiz Khan's Mongols invaded in 1219, conquering all of Central Asia by 1221. In 1224 Genghiz Khan's son Chagatai was made ruler of this area. As Chingisid influence waned, Timur (Tamerlane, 1336–1405) established an empire in Samarqand (Samarkand). Upon his death it split into Khorasan, ruled by his son Shah Rukh, and Maweranahr, ruled by his grandson, Ulgh Beg. Although Timur is now claimed as the father of the modern Uzbeks, more likely candidates are the Sheibanid, nomadic Uzbeks who fought to take the area in the early 16th century. They settled among the other populations and became farmers, making Bukhoro (Bukhara) their capital.

In the 16th century Khwarazm, Balkh, and Khiva separated from Bukhara, becoming separate principalities. Bukhara was conquered by Persia in 1740, but sovereignty was retaken soon after by the Mangyt dynasty, which ruled until 1920. In the early 19th century the Kokand Khanate grew powerful in the eastern part of present-day Uzbekistan.



Russia had begun trading with Bukhara, Khiva, and Kokand in the 18th century. Concern about British expansion in India and Afghanistan led eventually to Russian conquest, which began in the 1860s and ended in the 1880s, when Uzbekistan became part of Turkestan guberniia, with Bukhara and Khiva administered as separate emirates under Russian protection.

In 1916 Tsar Nicholas II issued a call for Central Asian males to be drafted into labor battalions. This sparked resistance throughout the region, including in Uzbekistan, which was violently repressed. During the conflict from 1917–20, Uzbekistan was the site of competing attempts to create governments; the Bolsheviks announced a short-lived Turkestan Autonomous Republic, while a Muslim Congress also attempted an Autonomous Government of Turkestan. Red Army forces intervened savagely, but armed resistance continued as late as 1924, in the so-called Basmachi Rebellion.

The Uzbek Soviet Socialist Republic was created in 1925. In 1929, Tajikistan, which had been an administrative sub-unit, was elevated to full republic status, changing the boundaries. They were changed once again in 1936.

Under the leadership of long-time leader S. Rashidov, Uzbekistan was politically conservative during the 1970s and early 1980s. The republic was targeted for anticorruption purges in the mid-1980s, when considerable fraud in the cotton industry was discovered. The leader as of 2003, Islam Karimov, was appointed by Moscow in 1989.

In March 1990, Karimov was elected to the newly created post of president by the Uzbek Supreme Soviet. Uzbekistan declared independence on 1 September 1991, in the aftermath of the abortive Moscow coup of 19–21 August. Karimov's presidency was reaffirmed in an election in December 1991. Since then, however, Karimov has been increasingly hostile to even the most basic tenets of democracy. True opposition parties were banned in 1992 and political reformers have been jailed or have fled the country. Parliamentary elections to the 250-seat Majlis were held on 24 December 1994 and 15 January 1995, with 231 seats going to Karimov's People's Democratic Party—the former Uzbek Communist Party. Following the elections, President Karimov held a referendum that extended his presidency until 2000 which was allegedly approved by 99% of voters.

Despite his antidemocratic leanings, Karimov received little criticism from the West or from Russia (which, in fact, supplies him with ample military backing) since he had been seen as a buffer against the fundamentalist Muslim political and revolutionary movements in Central Asia—notably those in Afghanistan and in neighboring Tajikistan. In fact, Uzbekistan had supplied arms to the secular factions in both countries' civil wars.

The Islamic Movement of Uzbekistan (IMU), a radical Islamic organization seeking to establish an Islamic state in Central Asia, has long been operational in Uzbekistan. In February 1999, five car bombs in Tashkent were attributed to the IMU by Karimov, who accused the group of attempting to assassinate him and destabilize the country. The IMU broadcast a declaration of jihad from a radio station in Iran, and demanded the resignation of the Uzbek leadership. That year, IMU fighters operating from mountain hideouts launched a several-year series of engagements with government forces. Militants also took foreigners hostage in 1999 and 2000, including four US citizens who were mountain climbing in

August 2000, and four Japanese geologists and eight Kyrgyzstani soldiers in August 1999. IMU military leader Juma Namangani apparently was killed during a US-led air strike in Afghanistan in November 2001. In addition to the IMU, the Hizb-ut-Tahrir (“Freedom Party”), another radical Islamic organization, operates in the country, although, unlike the IMU, it does not use violent tactics to pursue its goals. Following the 11 September 2001 terrorist attacks on the United States, and its subsequent military campaign in Afghanistan to oust the Taliban regime and al-Qaeda forces, all radical Islamic groups in the Central Asian nations were linked by most governments to terrorism.

Uzbekistan offered its airbases to the US-led coalition for its campaign in Afghanistan beginning in October 2001. In response, the United States provided the country with \$60 million for 2002, in addition to a one-time contribution of \$100 million. In March 2002, the United States and Uzbekistan signed a Declaration on Strategic Partnership and Cooperation Framework, in which both countries agreed to cooperate on economic, legal, humanitarian, and nuclear proliferation matters. In April 2004, the European Bank for Reconstruction and Development announced its decision to limit investment in Uzbekistan, citing the government's lack of progress on democratic and economic reform benchmarks established one year earlier. Similarly, in July, the United States suspended \$18 million of the \$55 million originally earmarked for Uzbekistan in 2004. The decision was based on the 2002 Strategic Partnership and Cooperation Framework, which makes US assistance to the Uzbek government conditional on Tashkent's introduction of meaningful political reforms and curbs in human rights abuses.

On 27 January 2002, Karimov held another referendum to prolong his presidential term from 5 to 7 years, effectively keeping himself in power until 2007. The US Department of State refused to send election observers, arguing there had to be a “free and fair” presidential election before a referendum was valid.

In April 2003, parliament adopted legislation providing former presidents immunity from prosecution and lifelong state-funded security for them and their immediate family. Parliamentary elections in 2004, consisting of only parties which support the Karimov, resulted in the Liberal Democratic Party of Uzbekistan taking 41 seats, the People's Democratic Party with 32 seats, the Fidokorlar National Democratic Party with 17 seats, Democratic National Rebirth Party with 11 seats, the Adolat Social Democratic Party with 9 seats and 10 seats given to independents. The next parliamentary elections were scheduled for December 2009.

On 13 May 2005, unrest in Uzbekistan resulted in Uzbek troops firing on a crowd of protestors in the city of Anjian, killing between 500 to 1000 people. Although protests had been growing in size throughout 2004–05, never before had so many been killed. This incident has become known as the Anjian Massacre. The government, including president Karimov, stated it had acted in defense of its citizens as the protestors had stormed a military garrison and prison in the city seizing weapons and releasing around 4,000 prisoners on 12 May.

### 13 GOVERNMENT

The state constitution adopted on 8 December 1992 mandates a civil democratic society. The executive branch consists of the president and his appointed prime minister and Cabinet of Ministers.

During the Soviet years, the legislative branch consisted of a unicameral Supreme Soviet of 150 seats. The judicial branch is appointed by the president, subject to legislative confirmation, for 5- and 10-year terms. The Supreme Assembly is now bicameral. It consists of an Upper House or Senate with 100 seats and a Lower House or Legislative Chamber with 120 seats. The last elections were held on 26 December 2004 and 9 January 2005 with the next elections scheduled for 2009. Not all of the seats in the Supreme Assembly election were contested, and all parties in the Assembly support President Islam Karimov. In 1992, President Karimov banned opposition parties. The president is the head of state and has responsibility for the functioning of the other branches of government as well as for making sure the constitution is observed. He essentially rules by decree. Karimov held referendums extending his presidency in 1995 and 2002, taking 92% of the vote in 2002. The president is elected for a seven-year term. The next presidential election was to be held in 2007.

#### **14 POLITICAL PARTIES**

In the Soviet period, the only legal political party was the Communist Party. As Soviet control began to disintegrate in 1989–90, a number of mass-based “informal organizations” appeared which grew to be the equivalents of parties, although not all were legally registered. The largest, claiming as many as 100,000 members, was *Birlik* (Unity), founded by Abdurakhim Pulatov in 1989. *Erk* (Freedom) was founded in 1990 by Muhammad Solih, who split away from *Birlik*; in 1991, Solih was a candidate for president, drawing approximately 12% of the vote. Another group, never legally registered, was the Islamic Renaissance Party.

After independence President Islam Karimov began to establish strong authoritarian control. Political opposition was forbidden. Opposition leaders have been beaten, jailed, and exiled. There were five registered parties as of 2003, but their platforms are essentially identical, and all parties with seats in parliament support the president. The People’s Democratic Party (CDP) is the renamed Communist Party. Also registered were the Fatherland Progress Party (VTP); the *Adolat* (Justice) Social Democratic Party; the Democratic National Rebirth Party; and the Self-Sacrificers Party (the Fatherland Progress Party merged with Self-Sacrificers Party).

A political pressure group, the *Erk* (Freedom) Democratic Party, was reformed as a pro-Karimov party after repudiating its founder, Muhammad Solih, who was forced into political exile. Another pressure group, the *Birlik* (Unity) Movement was officially banned in mid-1993, but continued to exist.

#### **15 LOCAL GOVERNMENT**

The republic is divided into 12 oblasts, or provinces. There is also the autonomous Republic of Karakalpakstan, which has the right of legal secession, though is unlikely to exercise it. Administration is performed by locally elected councils, overseen by presidential appointees.

An April 1999 decree by Karimov granted *mahallas*, the smallest communal or neighborhood units in Uzbekistan, a greater level of autonomy than they previously had. The *mahallas* are traditional institutions charged by law with regulating communal life, and carrying out many state functions, such as community policing, political surveillance, and distributing social welfare pay-

ments. This increase in decentralization for the *mahallas* has been welcomed by nongovernmental organizations (NGOs) attempting to provide assistance to the *mahallas* and to strengthen the participation of communities in political, economic, and social matters.

#### **16 JUDICIAL SYSTEM**

The Soviet judiciary system, featuring trials by panels of three judges, still prevails. There are three levels of courts: district courts (people’s courts) at the lowest level, regional courts, and the Supreme Court. District court decisions may be appealed through the higher levels. Under the constitution, the president appoints judges for five-year terms. There are also town, city, Tashkent city courts and arbitration courts appointed for five-year terms.

The judicial system also consists of a constitutional court, higher economic court, and economic court of the republic. The constitutional court judges the constitutionality of laws and acts passed by the Supreme Assembly, the decrees issued by the president, government enactments and ordinances of local authorities. It is also responsible for interpreting the constitution.

The Supreme Court’s rulings are final and binding. It is the highest judicial body of civil, criminal, and administrative law. Defendants have the right to an attorney and most trials are open to the public. In political cases, the judiciary may experience pressure from the government. Prisons suffer from severe overcrowding and shortages of food and medicine. An estimated 5,000 to 6,000 political prisoners are being held in Uzbekistan’s penal institutions.

The government officially abolished censorship in 2002, although the government controls major media outlets and newspaper printing and distribution facilities. Internet access is available but the government has blocked a number of non-Uzbek news Web sites. Homosexuality is a criminal offense in Uzbekistan and prominent human rights activist Ruslan Sharipov, was sentenced in 2005 to five and one-half years for the charge. In March 2004 he was transferred from prison to house arrest.

The 1998 Law on Freedom of Conscience and Religious Organizations prohibits activities including proselytizing and private religious instruction, requires groups to register and provides strict criteria for their registration. There are restrictions on foreign travel, including the use of a system of exit visas; under Uzbek law, a citizen must obtain a five-year exit visa to travel to countries with which Uzbekistan operates a visa regime. The ability to move to a new city is limited as permission is required from local authorities, and the authorities rarely grant permission to those wishing to move to Tashkent.

Crimes perpetrated against women, such as domestic violence or rape are rarely prosecuted as women are discouraged from pressing charges. Trafficking of women and children remains a serious problem. Human Rights Watch reports that local authorities frequently use children as free or cheap labor for agricultural harvests, particularly cotton which the primary export of Uzbekistan.

Uzbekistan is a member of many international organizations including the United Nations and is an observer at the World Trade Organization.

## 17 ARMED FORCES

As of 2005, Uzbekistan's armed forces numbered 55,000 active personnel. The Army numbered 40,000 active members and were armed with 340 main battle tanks, 13 reconnaissance vehicles, 405 armored infantry fighting vehicles, 309 armored personnel carriers, and over 487 artillery pieces. The Air Force had between 10,000 and 15,000 personnel and operated 136 combat capable aircraft, including 75 fighters and 50 fighter ground attack aircraft. The service also had 29 attack helicopters. In addition, there were up to 20,000 paramilitary personnel, under the Ministry of Interior, of which up to 19,000 were internal security troops, and another 1,000 comprised the National Guard. The defense budget for 2005 was \$60 million.

## 18 INTERNATIONAL COOPERATION

Uzbekistan was admitted to the United Nations on 2 March 1992; it participates in ESCAP and several nonregional specialized agencies, such as the IAEA, FAO, the World Bank, UNCTAD, UNESCO, and the WHO. It is also a member of the Asian Development Bank, OSCE, the Commonwealth of Independent States, the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, the Islamic Development Bank, OSCE, and the Organization of the Islamic Conference (OIC).

In June 2001, leaders of Uzbekistan, China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan met in China to launch the Shanghai Cooperation Organization (SCO) and sign an agreement to fight ethnic and religious militancy while promoting trade. Also in 2001, Georgia, Uzbekistan, Ukraine, Azerbaijan, and Moldova formed a social and economic development union known as GUAAM; however, Uzbekistan withdrew from the partnership in 2005. Uzbekistan is also a partner in the Central Asian Cooperation Organization (CACO) and the Central Asian Union, both of which consist of Uzbekistan, Tajikistan, Kazakhstan, and Kyrgyzstan. Uzbekistan is part of the Nonaligned Movement and the NATO Partnership for Peace.

In environmental cooperation, Uzbekistan is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Although characterized by one of the lowest per capita incomes in the Central Asian and other post-Soviet republics, Uzbekistan's rich reserves of gold, oil, natural gas, coal, silver, and copper provide a promising endowment for future development. As a major source of cotton for the textile industry in the former USSR, and, as of 2006, the world's fifth-largest cotton producer and second-largest cotton exporter, Uzbekistan has a predominantly agricultural economy. In addition, much of the industrial production is linked to agriculture, including cotton harvesting equipment, textiles, and chemical fertilizers and pesticides. Only 12% of Uzbekistan's total cotton production and 60% of its silk cocoons were processed locally in the early 1990s, reflecting the country's principal role as supplier of raw material goods for downstream manufacturing elsewhere in the former USSR. In 2003, agricul-

ture accounted for 38% of GDP, followed by services at 35.7% and industry at 26.3%.

Uzbekistan has a centrally planned economic structure in which most production and employment remains in the state sector, and all health, education, social security, and welfare services are provided by the government. Measures taken toward establishing a greater market orientation within the economy have been more cautious than in many other post-Soviet countries. A differentiated process of price control liberalization was applied to the wholesale and retail sectors in 1991 in an attempt to avoid socially destabilizing surges in consumer prices. Nevertheless, inflation ran 790% in retail prices and 2,700% in wholesale prices in 1992; by the end of the year, real wage earnings had declined by 56%. The disruption of trading arrangements with former Soviet republics and the cessation of transfers from the Union's central government is evident in the erosion of other major economic indicators in the 1990s. In addition to a seriously deteriorating fiscal balance, estimated GDP shrank by 17% between 1991 and 1994. Following a breakdown in agreements over the conditions of a new ruble zone with Russia and other CIS countries, Uzbekistan adopted its own currency, the som, in late 1993.

When it became apparent that the slow pace of economic reform was not working, the government increased efforts to move from a command-driven to a market-oriented economy. Reforms included tighter monetary policies, cooperation with international financial institutions, increased privatization of state-owned enterprises, and an improved environment for foreign investors. In response, the economy slowed its decline to 1% in 1996 and the inflation rate dropped to 35%, down from 1,300% in 1994. Additional reforms announced in 1996 aimed at increasing the private sector's share of GDP to 60%.

By 1999, the state continued to dominate the economy, however. GDP grew by 2.5% in 1997, and 4.4% in 1998, despite the Russian and Asian financial crises. Inflation was at 71% in 1997, but fell to 29% in 1998. In 1999 growth was 4.1% and in 2000, 4%, while inflation persisted at annual rates of 29% and 26% respectively. Continued inflation and a growing debt burden combined with the global economic slowdown in 2001 to reduce real growth to 3%. By 2005, the GDP growth rate had reached an estimated 5.4%, and the inflation rate had been tamed, to an estimated 7.1%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Uzbekistan's gross domestic product (GDP) was estimated at \$52.2 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$1,900. The annual growth rate of GDP was estimated at 5.4%. The average inflation rate in 2005 was 7.1%. It was estimated that agriculture accounted for 38% of GDP, industry 26.3%, and services 35.7%.

Foreign aid receipts amounted to \$194 million or about \$8 per capita and accounted for approximately 2.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Uzbekistan totaled \$5.45 billion or about \$213 per capita based on a GDP of \$10.1 billion, measured in current dollars rather than

PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings.

Approximately 34% of household consumption was spent on food, 13% on fuel, 4% on health care, and 7% on education. It was estimated that in 2004 about 28% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

Uzbekistan's labor force was estimated at 14.26 million in 2005. As of 2000 (the latest year for which data was available), occupational breakdown data for the country's workforce was incomplete. Agriculture that year, accounted for 34.4% of the labor force, with industry at 20.3%. However data on the services sector was unavailable. The undefined occupation category was put at 32.7% for that year. Although unemployment in 2005 was officially put at 0.7%, another 20% of the workforce was estimated to be underemployed.

The labor code adopted in 1992 recognizes the right for all workers to voluntarily create and join unions, which may in turn associate with international affiliations. Unions also were granted independence from government administrative and economic bodies (except where provided by law), and were encouraged to develop their own charters, structure, and executive bodies. However, as of 2002, the union structure remained the same as under Soviet rule. There were no independent unions.

The standard workweek is 41 hours, and minimum wages are set by the Ministry of Finance. As of 2002, the minimum wage was about \$3.00 per month. Some factories have reduced work hours to avoid layoffs, and overtime pay is rarely given. The minimum working age is 16, although 15-year-olds may work a shorter workday. The Labor Ministry has an inspection service to enforce compliance with this requirement. The Labor Ministry also inconsistently enforces occupational health and safety regulations, many industrial plants continue to be hazardous, and most workers lack protective clothing and equipment.

## 2<sup>2</sup> AGRICULTURE

Uzbekistan was the former Soviet Union's largest producer of fruits and vegetables. About 12% of the total area is crop land. In 2004, about 35% of GDP and 17% of exports came from agriculture.

During the Soviet era, cotton was grown on almost half of all sown land. Cotton is grown in the crescent beginning in the Fergana Valley and extending south along the Tien Shan Mountains to Samarqand (Samarkand) and Bukhoro (Bukhara), and then west along the Amu Darya River. All cotton is flood irrigated. Plantings are generally in April, with the harvest coming in late August or early September. Fields are usually planted with alfalfa or corn every four or five years, but many fields are planted without rotation, leading to declining yields. Since independence, Uzbekistan has embarked on a policy to diversify agriculture; annual cotton lint production was over 1.1 million tons in 2004/05. Almost 40% of the gross value of agricultural production is derived from cotton; Uzbekistan was the world's fifth-largest producer of cotton lint in 2004/05 (after China, the United States, India, and Pakistan), accounting for 4% of world supply. In 2004, Uzbekistan's agricultural trade surplus was \$668.3 million.

Rice, wheat, barley, and corn are important grain crops. Rice is produced on 48 specialized state farms, and about 85% of the rice crop comes from the southwestern part of Karakalpakistan and the Khorezm region. In 2004, over five million tons of cereals were produced. Sesame, tobacco, onions, flax, and various fruits are also grown.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Sheep are the main livestock product, with Karakyl sheep (noted for their black wool) raised in the Bukhara region. The livestock population in 2005 included 9.5 million sheep, 5.4 million head of cattle, 1,000,000 goats, 90,000 pigs, 150,000 donkeys, 145,000 horses, 25,000 camels, and about 14.5 million chickens. Meat production that year totaled 551,000 tons, of which 82% was beef, 13% was mutton, 2% was pork, and 3% was poultry. Wool (greasy) production in 2005 was estimated at 16,000 tons. Mulberry trees have been grown for silkworm breeding since the 4th century; some 1,200 tons of silk were produced in 2005.

## 2<sup>4</sup> FISHING

Fishing occurs mainly in the Fergana Valley. The Aral Sea in the north (the world's fourth-largest lake) is too saline and becoming more so, especially since its water surface area has decreased by 33% since 1960. The total catch in 2003 was 7,112 tons, primarily carp.

## 2<sup>5</sup> FORESTRY

Forests make up 4.8% of the total land area, mostly in the Fergana Valley and Zeravshan regions. Commercial forestry is not a significant part of the economy. Uzbekistan imported \$37.2 million in forestry products during 2004.

## 2<sup>6</sup> MINING

The mineral sector remained one of the chief contributors to the country's economic development. Along with natural gas and uranium, in which Uzbekistan was a world leader, and crude oil, in which it was self-sufficient, the country was significant to world mineral markets as a gold producer—it has, at times, been a world leader. Gold was the second-leading export commodity in 2002, providing 22% of export earnings. Production of fertilizers was an important part of the domestic chemical industry, as fertilizers were used for the production of cotton. In 2002, cotton was the leading export, accounting for 45% of Uzbekistan's exports.

Uzbekistan produced an estimated 80,000 kg of gold in 2002. Uzbekistan also mined copper (65,000 metric tons in 2002), molybdenum, silver, and tungsten. Copper, molybdenum, and lead-zinc were mined at the Almalyk mining and metallurgical complex, Uzbekistan's major nonferrous-metals-producing enterprise, northeast of Tashkent. No bismuth, cadmium, lead, palladium, tin, or zinc has been mined from 1997 through 2002. It appears that mining operations have been curtailed sharply or have ceased. Control of one of the main lead-mining deposits, Altyn-Topkan, in the Kurama mountain range, was transferred to Tajikistan in 1999. Uzbekistan also produced cement, kaolin clays (an estimated 5.5 million metric tons in 2002), feldspar, graphite, iodine, mineral fertilizer, nitrogen, phosphate rock, and sulfur. No fluor spar output has been reported from 1999 through 2002. Uz-

Uzbekistan also manufactured copper, gold, lead, molybdenum, silver, steel, tungsten, and zinc metals.

Uzbekistan's explored resources of gold were 5,300 tons. The main reserves, amounting to 3,200 tons, were in the central Kyzylkum region, containing the Muruntau deposit (2,230 tons), the largest gold deposit in Eurasia and among the largest in the world; Muruntau's milling operation, near Zarafshan, processed more than 22 million tons per year of ore. Zeravshan—a 50–50 joint venture of an Uzbek government conglomerate and Newmont Corp., of the United States, the leading foreign investor in Uzbekistan's gold industry—produced 15.4 tons in 2000, from gold-bearing tailings from the Muruntau operation, down from 16.7 in 1999. The drop was a result of lower gold content in the material received by the plant.

## 27 ENERGY AND POWER

Uzbekistan is one of the 10 largest producers of natural gas in the world. According to an analysis by the Energy Information Administration (EIA), updated as of September 2005, Uzbekistan had natural gas reserves estimated at 66.2 trillion cu ft. In 2003, according to the EIA, natural gas production totaled 2.03 trillion cu ft, and according to preliminary data for 2004, natural gas output totaled 2.07 trillion cu ft. Dry natural gas consumption in 2002 totaled 1.6 trillion cu ft. Exports that year totaled 395.53 billion cu ft.

According to the EIA analysis, the Oil and Gas Journal estimates that Uzbekistan's proven reserves of oil total 594 million barrels. Uzbekistan's output of all petroleum liquids in 2003 totaled 155,000 barrels per day. In 2004, production was estimated at 150,000 barrels per day.

In 2002, Uzbekistan's electric power generating capacity totaled 11.631 million kW, of which conventional fossil fuel generating plants accounted for 9.921 million kW of capacity, with hydroelectric plants at 1.710 million kW. Electricity output in 2002 came to 46.942 billion kWh of which 86.5% was from fossil fuels and 13.5% from hydropower. Consumption of electricity in 2002 was 44.983 billion kWh.

## 28 INDUSTRY

Growth of Uzbekistan's industrial production averaged 3.2% in the 1980s, although on a per capita basis, the republic's industrial output remained less than half that of the USSR average by the end of the decade. Most industry was based on the processing of local agricultural products. Soft goods (mainly cotton, wool, and silk fiber) and processed foods (including cottonseed oil, meat, dried fruit, wines, and tobacco) accounted for about 39% and 13% of industrial production respectively in 1990; their manufacture was concentrated in Tashkent and the Fergana Valley.

Uzbeklegprom, the state association for the production of light industry goods, produces about 90% of Uzbekistan's textiles. In the late 1990s, Uzbeklegprom sought to boost capacity with the assistance of several joint venture partners. Investment projects such as the \$194 million investment Korean Kabul Textiles and those by Turkish firms Astop and Tekfen began to modernize cotton processing, although most textile mills continue to use outdated machinery with technology from the 1970s. The investment cost of updating the entire industry was estimated at between \$500 million and \$1 billion.

Food processing is Uzbekistan's second-largest industry, based on the country's abundant production of fruits and vegetables. The sector is also in need of investment to modernize its processing and packaging equipment.

Uzbekistan's machinery industry is the primary producer of machines and heavy equipment in Central Asia. Uzavtosanoat is the cornerstone of the country's automotive industry; it has developed joint ventures with Daimler-Benz (Germany) and Daewoo (ROK). The UzDaewoo-Avto plant in Andizhan began production in 1996 and produced about 200,000 units annually. Two models of cars, the Nexia and the Tico, and a microbus, the Damas, are the main models produced.

The aerospace industry centers around the Chkalov Tashkent Aircraft Production Co., a government-controlled enterprise that is one of the largest and most significant aircraft assembly plants in Central Asia. Equipment used on the *Salyut* and *Mir* space stations were among its products. Of more practical use have been developments in satellite imaging and communications.

Metal processing industries are clustered in the Olmaliq-Oharangan (Almalyk-Akhangaran) complex, southeast of Tashkent. Metal alloys, wire, rods and sheet and gas-based nitrogen are manufactured in Chirchiq, close to the Kazakhstan border in the northeast. Chemical fertilizers used mainly in cotton production are also produced in the Chirchiq.

Uzbekistan has three oil refineries, at Fergana, Alty-Arik, and Bukhoro (Bukhara), with a total capacity of 220,000 barrels per day. The 50,000-barrels-per-day-capacity facility at Bukhoro (Bukhara) was built after the breakup of the Soviet Union at a cost in excess of \$400 million; it was expected to be expanded to a capacity of 100,000 barrels per day with the ability to handle both crude oil and gas condensate. In 2006, however, the refineries were operating well below capacity because of the decline in the Uzbekistan's oil production.

With estimated natural gas reserves of 66.2 trillion cu ft (Tcf), Uzbekistan is the second-largest producer of natural gas in the Commonwealth of Independent States (after Russia), and one of the top 10 natural gas-producing states in the world. Since becoming independent, Uzbekistan increased its natural gas production by over 30%, from 1.51 Tcf in 1992 to an estimated 2.07 Tcf in 2004.

In 2004, the industrial production growth rate was estimated at 9.4%.

## 29 SCIENCE AND TECHNOLOGY

The Uzbek Academy of Sciences, headquartered in Tashkent, has departments of physical-mathematical sciences; mechanics; control processes; informatics; chemical-technological and earth sciences; and biological sciences. Uzbekistan has 45 research institutes conducting research in agriculture and veterinary sciences, technology, natural sciences, and medicine. Twenty-three colleges and universities offer scientific and technical training. In the period 1990–2001, there were 1,754 scientists and engineers, and 312 technicians engaged in research and development per million people.

## 30 DOMESTIC TRADE

Although dominated by state-owned stores and distribution channels under the Soviet economy, retailing has seen a marked shift

toward private business. Since 1992, thousands of small businesses have been privatized or leased to worker collectives, with the most progress in retail trade, consumer services, public catering, and local industry. However, the shift from state control to a free-market economy continued to move at a very slow pace. Urban markets provide an important outlet for the sale of vegetables and other foodstuffs. Government restrictions on trade and foreign investment have hindered the economy. Black market trade was still available as of early 2006.

Business hours are 9 AM to 6 PM, Monday to Friday, and banks are open from 9 AM to 4 PM. Department stores are open from 10 AM to 6 PM, Monday through Saturday.

Advertising by print and television is popular. Other forms of advertising include billboards, radio, and transportation (buses, trams) advertisements. Many affluent Uzbeks subscribe to Kamalak wireless cable television service.

### 31 FOREIGN TRADE

While supplying the former USSR with light industry goods (mainly cotton fiber) and basic equipment related to agriculture and agricultural processing, Uzbekistan has been highly dependent on the other former Soviet republics for critically needed grain, food, machinery, and other industrial inputs. Uzbekistan is a net exporter of natural gas, but had begun importing oil in the early 2000s.

In 2006, exports included cotton, gold, natural gas, fertilizers, ferrous metals, textiles, food products, and automobiles. Imports included grain, machinery and parts, consumer durables, and foods.

### 32 BALANCE OF PAYMENTS

Uzbekistan was extremely reliant on cotton exports as a means of trade throughout its association with the former USSR, but earnings fluctuated widely from year to year depending on the performance of the agricultural sector. Exports of natural gas and petroleum generated much needed hard currency reserves within the next several years. Uzbekistan received substantial financial support from the World Bank, IMF, and other multilateral lending institutions. Proceeds were used to finance the cotton industry and oil and gas development, to provide a social safety net, to maintain the water supply, and to further privatization efforts.

The country lost almost half of its foreign exchange reserves in 1996, after the government imposed strict currency controls. As of the early 2000s, Uzbekistan was able to maintain reserve levels at or close to \$1.2 billion, in large measure by restricting imports. Exports dropped as well, and as a result of this decline in trade, Uzbekistan managed to achieve a modest balance of payments surplus of \$359 million in 1999. The country's external debt stood at \$5.1 billion in 2001. Many creditors reassessed their lending to Uzbekistan due to this high debt burden, and foreign investment declined.

The estimated current account balance in 2003 was \$270 million. By the end of that year, the country's total debt stock amounted to \$4.6 billion. Trade volumes have fallen sharply since 1997, due in part to Uzbekistan's currency convertibility restrictions, which still continue for consumer goods, significant administrative barriers for licensing and certification, and very high customs duties. However, high prices for gold and cotton, two of Uzbeki-

stan's primary export commodities, resulted in a slight increase in trade revenues in the mid-2000s.

### 33 BANKING AND SECURITIES

After 1993, the banking system was headed by the now-defunct National Bank of Uzbekistan, the former local branch of the Soviet Gosbank. The NBU attempted to increase its supervision over Uzbekistan's banks, the most important of which are state-owned. In 2002, the Central Bank of Uzbekistan (CBU) was in charge of the country's two-tier banking system, and had the responsibility of issuing som, the country's currency unit, and regulating the commercial banks by setting reserve requirements and the discount rate. The other important state bank was the Uzbek National Bank of Foreign Economic Activities (NBU), which dealt exclusively with the foreign exchange rate.

There were increasing hints from the government that the banking sector is in trouble. The first indicator of a banking crisis came with the sudden and unpublicized sacking in January 1997 of Ahmat Ibotov, the head of Promstroi Bank, the second-largest bank in Uzbekistan after the NBU. Then, on 26 February 1997, President Karimov launched a scathing attack on the country's banks, accusing them of being corrupt and bureaucratic. The president also blamed the banks for maintaining excessively high interest rates. The CBU has also criticized the banks for poor credit risk evaluation and poor procedures over the issuing of bank guarantees. Commercial banks in the country include the Uzbek Commercial Bank and the Uzbek Joint-Stock Innovation Bank. The country does not have a security market, but the trading of commodities is widely practiced in the country.

In 1996, the authorities closed three banks, all supposedly for breaching lending limits set by the CBU. One of the main problems in the banking sector is over-concentration. The three largest banks, all of which are state-owned, control 86% of commercial banks' assets. The main culprit is the NBU, which accounts for 45% of assets.

### 34 INSURANCE

Among the insurance companies doing business in Uzbekistan in 1997 were: GOSSTRAKH State Insurance Company of the Republic of Uzbekistan; JV, UMID Joint-Stock Insurance Co.; MADAD Joint-Stock Insurance Agency; and Uzbekinvest National Insurance Co. of the Republic of Uzbekistan, which is government-owned.

### 35 PUBLIC FINANCE

Uzbekistan's spiraling inflation as a member of the ruble zone necessitated the introduction of a transition currency after it left the ruble zone in November 1993. In 1994, the government undertook economic reforms, but privatization efforts have fallen short of expectations. Subsidies for basic consumer goods (except some food staples and energy products) and subsidized credit to industrial enterprises were substantially reduced during 1994 and 1995. The external debt, \$1.5 billion at the end of 1994, more than doubled to \$3.3 billion by 1997. By 2005, it had exceeded \$5 billion. An enterprise profit tax, a value-added tax, and an excise tax on cotton supply the bulk of government revenues. The government is officially committed to a gradual transition to a free-market economy, but is cautious in the actions it takes toward that goal. The restric-

tive trade regime has crippled the economy and currency convertibility is essentially unheard of.

The US Central Intelligence Agency (CIA) estimated that in 2005 Uzbekistan's central government took in revenues of approximately \$2.8 billion and had expenditures of \$2.9 billion. Revenues minus expenditures totaled approximately -\$102 million. Public debt in 2005 amounted to 39% of GDP. Total external debt was \$5.184 billion.

### **36 TAXATION**

As of 2005, Uzbekistan had a standard corporate tax rate of 18%. Capital gains are treated as taxable profits and are taxed at the corporate rate. Dividends and interest paid to resident companies and individuals, and to nonresident foreign companies without a permanent presence in the country, are subject to a 15% withholding tax. Royalties are subject to a 20% withholding tax, if paid to nonresident firms without a permanent presence in Uzbekistan.

Uzbekistan has a maximum personal income tax rate of 33%. The official minimum monthly wage rate in Uzbekistan is 3,430 soms, which is worth about \$2 in the black market. People who earn less than 15,720 soms (about \$9) a month pay 13%. On the increment between 15,720 soms and 31,140 soms (\$18) per month the rate is 23%, and on income above 31,140, the new maximum rate is 33%. At the same time the government introduced a 20-som tax on each liter of gas.

Also levied is a 20% value-added tax (VAT) on all goods and services, although some are zero-rated or exempt. Other taxes include excise taxes, property taxes, an ecology tax, a subsurface use tax (imposed on natural resource extraction, road use taxes and social and pension fund contributions).

### **37 CUSTOMS AND DUTIES**

Uzbekistan is a member of the Economic Cooperation Organization, together with Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Iran, Pakistan, and Turkey. Uzbekistan has also formed an economic union with Kazakhstan and Kyrgyzstan. Imports are subject to customs duties at rates ranging from 1–4%. However, excise taxes have been much higher, as much as 90% for imported liquor.

### **38 FOREIGN INVESTMENT**

While Uzbekistan's store of valuable natural resources is likely to provide a strong basis for covering the costs of long-term economic development, significant amounts of external funding will be needed to support its short-term development plans over the next decade. To stimulate foreign direct investment, legislation adopted in mid-1991 provides tax incentives and guarantees against expropriation, though falling short of securing the right to repatriate profits and third-party dispute arbitration. By the end of 1992, 450 joint ventures were registered in the country but only 135 were actually operating. The largest of these is with the US-based Newmont Mining Corp. Negotiations over further Western participation in the exploitation of a major oil field discovered in the Fergana Valley in early 1992 followed. Fourteen bilateral agreements with China were signed in 1992.

In 1994, British-American Tobacco, one of the world's largest cigarette manufacturers, announced a \$200 million deal to acquire 51% of state-owned Uztobacco. That same year, a Coca-Cola joint

venture began operations in Uzbekistan. In August 1996, South Korea's Daewoo Group announced the planned investment of \$2.5 billion in Uzbekistan to build telecommunications networks. Daewoo has invested \$658 million to produce cars in Uzbekistan. In 2000 Uzbekistan and Israel announced plans to cooperate on the development of solar power technology.

The Uzbek government reported foreign direct investment (FDI) of \$298 million in 1998 and \$188 million in 1999. In 2003, FDI inflows were estimated at \$70 million by the Economist Intelligence Unit; government figures listed FDI inflows at \$167 million. Despite Uzbekistan's strategic location and considerable economic potential, the poor investment and business climate has caused the country to attract less FDI than any other CIS country. The largest percentage of FDI in 2003 originated from Russia (15.8%), South Korea (9.8%), and the United States (8.7%).

### **39 ECONOMIC DEVELOPMENT**

Under centralized Soviet economic planning, Uzbekistan's economic growth was fueled by expanded agricultural production, as extensive stretches of land were brought under irrigation particularly for cultivation of cotton. While highly critical of the former Soviet's government emphasis on promoting cotton monoculture in the republic, the country's new government has found that the country's economic fortunes are closely tied to cotton production, which has fallen steadily since the Soviet era.

Since independence the government has aimed at facilitating a greater market orientation in the economy, though the steps taken toward this goal have been smaller and slower-paced than in other parts of the former USSR. A series of basic laws and new policies have been adopted regarding property ownership, land, privatization, foreign investment, price controls, trade, taxes, and banking. In 1995 the government announced a mass privatization program with the objective of increasing the private sector's share of GDP from 40% to 60%. Although nearly 60,000 small businesses (96% of the total) and 14,000 farms (accounting for 11% of arable land) had been privatized by 1997, only 20% of Uzbekistan's medium and large-sized enterprises were in private hands.

Developing the country's oil and natural gas fields, bolstering cotton exports through productivity enhancement, and sustaining gold exports are likely to be key strategies for procuring some of the necessary financing to support economic development. In 1992, Uzbekistan signed an agreement with Russia, transferring its share of the former Soviet Union's debt to the latter in exchange for relinquishing all claims on Soviet assets. One area of serious concern for the government is the increasing threat to public health and economic productivity posed by the environmental damage resulting from past development strategies. Addressing growing water shortages, severe river and lake pollution caused by the heavy use of chemical inputs in agriculture, the desiccation of the Aral Sea due to massive irrigation, and high levels of both air and water pollution in the country's industrial centers are among the country's most pressing environmental management problems.

In 2002 the government and the Central Bank embarked on an IMF staff monitored program (SMP) primarily designed to convince the IMF to approve a financial program. The SMP was aimed at accelerating the transition to a market economy and achieving macroeconomic stability. The main policies pursued were reduc-

ing the role of the state through progressive lifting of restrictions on private activity, as well as accelerated privatization state enterprises, plus tight monetary and fiscal policies to bring down inflation and reduce debt. As of 2002, World Bank commitments to Uzbekistan amounted to \$463 million: a three-year Country Assistance Strategy (CAS) was aimed to prepare the country and its decision-makers for currency and trade liberalization. At the same time, it provided for investments in projects contributing to poverty reduction, public health, ecological disaster prevention, regional environmental degradation, and institution building.

The European Bank for Reconstruction and Development (EBRD) has traditionally been one of the largest investors in Uzbekistan's economy. From 1993–2003, the EBRD signed 25 projects in the country, and its total financial assistance amounted to \$727.9 million. These projects included the rehabilitation of the oil refineries and power plants, building of new production facilities, development of gold mines, assistance to small and medium enterprises (SMEs), and others.

Uzbekistan became a member of the Asian Development Bank (ADB) in 1995 and by 2003 had received 10 loans from it. ADB assistance was directed to transportation and communications, social infrastructure, agriculture and natural resources, and finance.

#### 40 SOCIAL DEVELOPMENT

The social security system includes old age, disability and survivor's pensions, in addition to sickness, maternity, work injury, and unemployment benefits. Pensions are provided at age 60 for men and age 55 for women. The program is financed by a 33% contribution from employers and a 2.5% contribution by employees. Women are entitled to 126 days of maternity benefits plus three years unpaid maternity leave. Unemployment benefits are funded entirely by employers, with subsidies as needed from the government. All residents are have medical benefits, and maternity benefits amount to 100% of wages for up to 140 days. Mothers with children under two years of age are entitled to paid leave. Family allowances cover all needy residents.

Violence against women and spousal abuse continues to be a common problem with little or no governmental intervention. Although nominally equal under the law, women hold few high-level positions. Traditional customs decree that women generally marry young, bear many children, and confine their activities to the home. This is particularly evident in rural areas. There is a reported increase in the incidence of suicide by self-immolation by women. Sexual harassment is not proscribed by law, and societal norms and lack of recourse make it difficult to assess the scope of the problem.

Human rights violations are prevalent. Security forces arbitrarily arrest and detain individuals, torture and beat prisoners, and confine them to unsafe prisons and labor camps. Freedom of speech and press are tightly restricted. Religious groups are closely monitored. The activities of human rights organizations are restricted, and human rights activists are frequently harassed.

#### 41 HEALTH

The system of health care in Uzbekistan is comprehensive and services are provided mainly free of charge. Yet the overall efficacy of the Uzbek system was still relatively low as of 2000. The public often used hospitals for primary care. Health care reform objec-

tives as of 2000 included improved quality of services overall and specifically in the areas of maternal and child health; promotion of privatization; and cost containment. Primary health care in rural areas is still provided by health posts staffed by physicians' assistants and midwives. Approximately 85% of the population had access to safe drinking water and 100% had adequate sanitation. As of 2004, there were an estimated 289 physicians, 997 nurses, 21 dentists, and 3 pharmacists per 100,000 people. Total health care expenditure was estimated at 4.1% of GDP.

The infant mortality rate was 71.10 per 1,000 live births in 2005. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 26.1 and 8 per 1,000 people. The average life expectancy was 64.19 years in 2005. It was estimated that 93% of children up to one year old were immunized against tuberculosis; 65% against diphtheria, pertussis, and tetanus; 79% against polio; and 71% against measles. The rates for DPT and measles were, respectively, 99% and 96%.

The heart disease rates were well above the countries classified as "medium human development" by the World Health Organization. The likelihood of dying after age 65 of heart disease was 508 for males and 538 for females per 1,000 adults.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 11,000 people living with HIV/AIDS in the country. There were an estimated 500 deaths from AIDS in 2003.

#### 42 HOUSING

In 1989, 31.9% of all privately owned urban housing had running water, 11.3% had sewer lines, 21.1% had central heating, and 1.5% had hot water. In 1990, Uzbekistan had 12.1 sq m of housing space per capita and, as of 1 January 1991, 204,000 households (or 11.5%) were on waiting lists for urban housing. In 1996, it was estimated that about 90% of all households owned their own apartments or houses.

#### 43 EDUCATION

For centuries, Uzbekistan was a noted Muslim educational center. Muslim schools in the cities of Bukhoro (Bukhara), Samarqand (Samarkand), Tashkent, and Khiva attracted students from other Muslim countries. In 1920, after the Soviet Union took control of the region, schools and mosques were closed down, and a secular state-funded educational system was established. In recent years, there has been an increased emphasis on Uzbek literature, culture, and history.

Nine years of schooling is compulsory. Primary school lasts for four years, followed by general secondary school of five years. Students then have several options for continuing their upper secondary education, including general studies, technical or vocational programs, and specialized academic programs. Upper secondary courses usually cover two years of study. The academic year runs from September to June.

In 2001, primary schools enrolled 2,559,000 students. In the same year, secondary schools had 4,237,000 students. It has been estimated that nearly all students complete their primary education.

There are three universities in Uzbekistan: Tashkent State University; Nukus State University; and Samarkand Alisher Navoi State University. There are several other institutions offering specialized



training. In 2003, it was estimated that about 16% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 99.3%.

#### 44 LIBRARIES AND MUSEUMS

The largest library in the country is the Alisher Navoi State Public Library of Uzbekistan in Tashkent, which serves as the national library and holds over 10 million items. The Central State Archive of Uzbekistan is also in Tashkent, as are the Republic Library for Science and Technology (two million volumes), the Foundation Library of the Uzbek Academy of Sciences (1.5 million), the Pedagogical Institute (808,000), Tashkent State University (2.46 million), and the Polytechnic Institute (808,000). Samarqand (Samarqand) State University's library holds 1.6 million volumes, and the Pedagogical Institute Ulugbek in Fergana holds 295,000 volumes.

The Museum of Fine Arts, the Museum of History, the National Nature Museum, and the Sergey Yesenin Literary Museum are in Tashkent, as are the Central Museum of the Armed Forces and the Museum of Olympic Glory. The Museum of Culture and Art History and the International Museum of Peace and Solidarity are in Samarqand (Samarkand). The Termez Archaeological Museum was established in 2001.

#### 45 MEDIA

Telephone links to other former Soviet Republics are provided by land link or microwave and to other countries through Moscow. In 2003, there were an estimated 67 mainline telephones for every 1,000 people; about 38,900 people were on a waiting list for telephone service installation. The same year, there were approximately 13 mobile phones in use for every 1,000 people.

Radio Tashkent, established in 1947, broadcasts in Uzbek, English, Urdu, Hindi, Farsi, Arabic, and Uighur. There is also a television station in Tashkent, and satellite earth stations receive Orbita and INTELSAT. In 2004, the government owned four television channels and two radio stations. There were about 30 to 40 privately owned local television stations and 7 privately owned radio stations. In 2003, there were an estimated 456 radios and 280 television sets for every 1,000 people. The same year, 19 of every 1,000 people had access to the Internet. There was one secure Internet server in the country in 2004.

Though there are privately-owned newspapers, the government owns the entire publishing house and must grant approval for all publications printed. The most widely read dailies include *Khalk Suzi* (2002 circulation 52,000), *Pravda Vostoka* (35,000), and *Sovet Uzbekistoni*. The weekly *Narodnoye Slovo* has a circulation of 21,000.

Though the constitution provides for freedom of expression, the government is said to restrict those rights severely, controlling all information flow. A 1991 law prohibits offending the president. Though a 2002 law allowing for prepublication censorship has been eliminated, many media sources continue to practice self-censorship.

#### 46 ORGANIZATIONS

The Uzbekistan Chamber of Commerce and Industry promotes the country's exports in world markets. An umbrella organization,

the Federation of Trade Unions of Uzbekistan, coordinates the activities of the country's trade unions.

The Academy of Sciences was established in 1943 to promote public interest in science while encouraging the work of scientific researchers and educators. The Physicians Association of Uzbekistan serves as a professional networking group and promotes research and education on public health issues.

National youth organizations include the Ulugbek Foundation for the Support of Talented Youth, the Youth of the Union of the Republic of Uzbekistan, and Soglom Ovlun Uchun, an organization focusing on health and development for children and youth. There are many active sports associations promoting amateur competition for athletes of all ages.

Women's organizations include the Center for Women Leaders (in Tashkent) and the Women's Committee of Uzbekistan. The Society for Human Rights is an important political association. Several social action groups formed in the 1990s, many, such as Real Action (1994), the ECO Initiative Group (1999) and Ecopolis Cultural and Ecological Movement (1995), are focused on environmental and developmental issues. The Red Crescent Society is also active.

#### 47 TOURISM, TRAVEL, AND RECREATION

Uzbekistan tourist attractions include the Islamic cities of Samarqand (Samarkand), Bukhoro (Bukhara), Khiva, and Kokand. Muslims from Pakistan, Iran, and the Middle East have been drawn to these sites with their palaces, mosques, *madrasses* (religious colleges), and pre-Islamic remains.

In an effort to increase tourism in recent years, several hotels have been built in Uzbekistan, and historical monuments were reconstructed. In 2003, there were 231,000 visitors who arrived in Uzbekistan. Hotel rooms numbered 7,332 with 15,670 beds and an occupancy rate of 31%. The average length of stay was three nights. That same year, tourism expenditure receipts totaled \$48 million.

According to 2004 US Department of State estimates, the cost of staying in Tashkent was \$178 per day.

#### 48 FAMOUS UZBEKISTANIS

Islam A. Karimov (b.1938) has been president of Uzbekistan since 1991. A famous 20th century writer is Abdullah Quaisi, who wrote the historical novels *Days Gone By* and the *Scorpion from the Pulpit*, published in the 1920s. Quaisi was killed in the 1930s during Stalin's purges. Ilyas Malayev (b.1936) is a popular poet and musician.

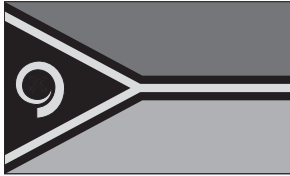
#### 49 DEPENDENCIES

Uzbekistan has no territories or colonies.

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# VANUATU

Republic of Vanuatu  
[French] *République de Vanuatu*  
[Bislama] *Ripablik blong Vanuatu*

**CAPITAL:** Port-Vila

**FLAG:** Red and green sections are divided horizontally by a gold stripe running within a black border and widening at the hoist into a black triangle on which is a pig's tusk enclosing two crossed yellow mele leaves.

**ANTHEM:** *Yumi, Yumi, Yumi (We, We, We)*.

**MONETARY UNIT:** As of 1 January 1981, the vatu (VT) replaced at par value the New Hebridean franc as the national currency. There are coins of 100 vatu and notes of 100, 500, 1,000, and 5,000 vatu. VT1 = \$0.00895 (or \$1 = VT111.79) as of 2004.

**WEIGHTS AND MEASURES:** The metric standard is used.

**HOLIDAYS:** New Year's Day, 1 January; May Day, 1 May; Independence Day, 30 July; Assumption, 15 August; Constitution Day, 5 October; National Unity Day, 29 November; Christmas Day, 25 December; Family Day, 26 December. Movable religious holidays include Good Friday, Easter Monday, and Ascension.

**TIME:** 11 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Vanuatu, formerly the Anglo-French condominium of the New Hebrides, is an irregular Y-shaped chain of some 80 islands, with a total land area of about 12,200 sq km (4,710 sq mi) and a total coastline of 2,528 km (1,571 mi). Comparatively, the area occupied by Vanuatu is slightly larger than the state of Connecticut. Of the 70 inhabited islands, the largest is Espiritu Santo; the island of Éfaté is the administrative center. The island chain is about 800 km (500 mi) long and lies about 1,000 km (600 mi) w of Fiji and 400 km (250 mi) NE of New Caledonia. Vanuatu and France both claim Matthew and Hunter islands, which lie between Vanuatu and New Caledonia; one of the islands has been occupied by French forces.

Vanuatu's capital city, Port-Vila, is located on the island of Éfaté.

## <sup>2</sup> TOPOGRAPHY

The islands are of coral and volcanic origin; there are active volcanoes on several islands, including Ambrym, Lopevi, and Tanna. Most of the islands are forested and mountainous, with narrow coastal strips. The highest peak, Tabwemasana, on Espiritu Santo, rises 1,878 m (6,161 ft) above sea level. The islands are generally well watered. Being formed in a geologically active area, the islands experience occasional earthquakes. Though these are generally minor, a 6.8 magnitude earthquake was recorded at 90 miles (140 km) north of Luganville, Espiritu Santo, on 5 February 2005.

## <sup>3</sup> CLIMATE

The tropical oceanic climate is moderated by southeastern trade winds, which blow between the months of May and October. Winds are variable during the remainder of the year, and cyclones may occur. Average midday temperatures in Port-Vila range from

25°C (77°F) in winter to 29°C (84°F) in summer. Humidity averages about 74%, and rainfall on Éfaté is about 230 cm (90 in) a year.

## <sup>4</sup> FLORA AND FAUNA

Despite its tropical forests, Vanuatu has a limited number of plant and animal species. There are no indigenous large mammals, poisonous snakes, or spiders. The 19 species of native reptiles include the flowerpot snake, found only on Éfaté. There are 11 species of bat (3 unique to Vanuatu) and 61 species of land and water birds. While the small Polynesian rat is thought to be indigenous, the large species arrived with Europeans, as did domesticated hogs, dogs, and cattle. The wild pig and fowl appear to be indigenous.

The region is rich in sea life, with more than 4,000 species of marine mollusks. Coneshell and stonefish carry poison fatal to humans. The giant East African snail arrived only in the 1970s but already has spread from the Port-Vila region to Luganville.

## <sup>5</sup> ENVIRONMENT

Vanuatu's population growth has caused concern for the environment in several areas. Water pollution in urban areas is a problem due to inadequate sanitation systems. A majority of the country's population does not have access to a reliable supply of safe drinking water. The nation's logging industry threatens the forests and contributes to the problem of soil erosion. The reefs on Vanuatu's coasts, which are the home of the country's marine life, are threatened by inappropriate fishing methods and siltation. In 1987, the government formed the National Advisory Committee on the Environment (NACE) to address the nation's developing environmental concerns.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 5 types of mammals, 7 species of birds, 2 types of reptiles, 5 species of fish, and 10 species of plants. The es-

tuarine crocodile, hawksbill turtle, Fiji banded iguana, and insular flying fox are threatened species.

## 6 POPULATION

The population of Vanuatu in 2005 was estimated by the United Nations (UN) at 218,000, which placed it at number 172 in population among the 193 nations of the world. In 2005, approximately 3% of the population was over 65 years of age, with another 42% of the population under 15 years of age. There were 104 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 2.6%, a rate the government viewed as too high. A high fertility rate, 4.3 births per woman, contributed to the high rate of population growth. The projected population for the year 2025 was 304,000.

The overall population density was 18 per sq km (46 per sq mi). The population is unevenly distributed, with the vast majority of Vanuatuans living in some 2,000 small villages. The most populous islands are Éfaté, Espiritu Santo, and Malekula.

The UN estimated that 21% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 4.09%. The capital city, Port-Vila, had a population of 34,000 in that year.

Luganville on Espiritu Santo, the only other large town, had a population of 10,738.

## 7 MIGRATION

Vanuatu's earliest known settlers probably migrated from the northwestern Pacific about 3,000 years ago. They were followed a thousand years later by migrants from the Solomon Islands. Tradition describes a series of subsequent incursions. In the 19th century, thousands of New Hebrides islanders were recruited as indentured laborers for plantation work in Australia, Fiji, New Caledonia, and Samoa. This migration gradually died down after the establishment of the Anglo-French Condominium, although voluntary emigration to New Caledonia continued until independence. In recent years, adverse economic conditions have encouraged emigration to Fiji, New Zealand, and the United States. The net migration rate in 2005 was estimated as zero migrants per 1,000 population. Worker remittances in 2002 amounted to \$31 million. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

Approximately 98% of the total population are of Melanesian origin. French constitute about 4% of the population. The remaining 2% is made up of Vietnamese, Chinese, and other Pacific Islanders.

## 9 LANGUAGES

More than 100 languages and dialects are spoken in Vanuatu. Melanesian, the principal language, is related to Fijian and New Caledonian speech. Pidgin English, known as Bislama or Bichelama, is recognized by the constitution as the *lingua franca*, although English and French are also official languages. The national anthem is in Bislama, which is also used in parliamentary debate, with the proceedings reported in English and French as well. Children often speak as many as four languages and every aspect of public

life—including education, law, and the media—is complicated by language problems.

## 10 RELIGIONS

A majority of the population is considered to be Christian, though many include indigenous customs with their practice. The Anglican, Presbyterian, and Roman Catholic churches first began missionary work in the New Hebrides during the 19th century. More recently, the Seventh-Day Adventists and other nontraditional Protestant groups have been active in mission work. While most of the mission schools have been handed over to the government, missionaries have continued to make important contributions to education and health.

According to the latest estimates, about 48% of the population were Presbyterians, 15% were Roman Catholics, 12% were Anglican, 7.6% followed indigenous beliefs, 6.2% were Seventh-Day Adventist, 3.8% were members of the Church of Christ, and 15.7% were designated as other. Muslims are also active within the country. There are small groups of Jehovah's Witnesses and Mormons. Since 1940, the John Frum Movement (political party and indigenous religion based on a rejection of the white Christian's beliefs but not his goods) has flourished, mainly on Tanna and provides a remarkable example of religious development in a situation of cultural challenge and transition. Membership, however, is only about 5% of the population.

The constitution allows for religious freedom while making a commitment to traditional values of Christian principles. Some subsidies are offered to Christian churches and the government maintains good relations with the Vanuatu Christian Council through the Ministry of Home Affairs.

## 11 TRANSPORTATION

During World War II, Vanuatu became an important Allied base, and many roads and airstrips were built by the US forces. In 2002, there were 1,070 km (665 mi) of roads, of which 256 km (159 mi) were paved. In 2003, there were 8,350 passenger cars and 4,450 commercial vehicles registered for use.

There were 30 small usable airfields serving all the main islands in 2004, of which 3 had paved runways as of 2005. The chief airports are Bauerfield, on Éfaté, and Pekoa, on Espiritu Santo; both have been upgraded to handle jet aircraft. Air Vanuatu, the national airline operated by Ansett Airlines of Australia, maintains regular service to Australia; an internal airline, Air Melanesia, links 22 airfields on various islands. Other external service is provided by Air Pacific, UTA, Polynesian Airlines, Solair, and Air Nauru. Port-Vila and Luganville are the chief seaports. In 2001 (the latest year for which data was available), 97,500 passengers were carried on scheduled domestic and international flights. Small ships provide frequent interisland service. Vanuatu maintains a policy of open registry for merchant ships, allowing foreign shipowners to avoid the higher costs and regulations of registration under their own flags. As of 2005, there were 52 ships in the Vanuatu merchant fleet of 1,000 GRT or more, with a total capacity of 1,192,474 GRT.

## 12 HISTORY

Although the Portuguese navigator Pedro Fernandes de Queir established a short-lived settlement on Espiritu Santo in 1606,

little more is known about the history of the New Hebrides until French and British explorers arrived in the late 18th century. Captain James Cook discovered, named, and charted most of the southern islands in 1774. The next century brought British and French missionaries, planters, and traders, and for many years the islanders suffered from the depredations of the recruiting ships and from other lawless acts by Europeans in the region.

By the Anglo-French Convention of 1887, a joint naval commission was established, with a resident commissioner to protect the lives and interests of the islanders. In 1906 following a London conference, the Anglo-French Condominium was established, largely to settle land claims and to end difficulties caused by lack of clear local jurisdiction. Indigenous political activity developed after World War II, with increasing native concern over land alienation and European dominance.

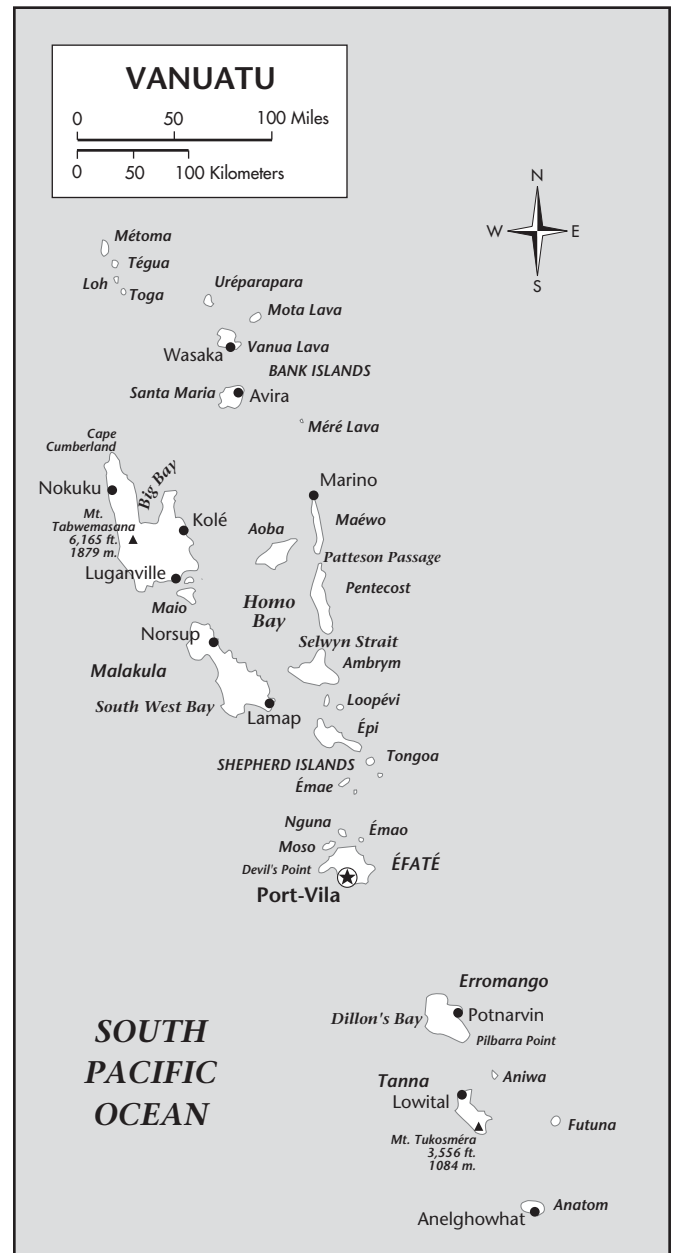
In 1975 a representative assembly replaced the nominated advisory council under which the New Hebrides had been governed; 29 assembly members were elected by universal suffrage, nine members represented economic interests, and four members represented the traditional chiefs. In 1977 the National Party (Vanuaaku Pati), which held 21 of 42 assembly seats, demanded independence and staged a boycott of the legislature; in response, at a conference in Paris, self-government was agreed on for 1978, to be followed by a 1980 referendum on independence. After considerable difficulty, a constitutional conference in 1979 finally agreed on an independence constitution. In the November 1979 elections for a newly constituted, fully elective assembly, the National Party, led by Father Walter Lini, obtained 26 of the 39 seats.

In May 1980 however, a dissident francophone group, based on Espiritu Santo, attempted to break away and declared an independent government of Vemarana, under Jimmy Stevens and the Nagriamal Party. Attempts made during June to resolve the differences between the new central government and the rebels failed, and UK and French troops were sent to Luganville on 24 July. No shots were fired, but the soldiers remained until Vanuatu's formal declaration of independence on 30 July 1980. They were then replaced at the new government's request by forces from Papua New Guinea, who were assisted by the local police in putting down the rebellion.

Since independence, Vanuatu (Our Land Forever) has followed a nonaligned foreign policy. It became the first South Pacific nation to join the nonaligned movement, and in January 1987 it signed a controversial fishing agreement with the USSR. In May 1987 Vanuatu announced a ban on all military ships and aircraft in a dispute over a proposed Libyan diplomatic mission. The dispute ended with the expulsion of two Libyan diplomats. Relations with the French government remained strained throughout much of the Lini government's rule, though they improved at the end of 1989 with the signing of the Matignon Accord relating to New Caledonia.

In December 1988 President George Ati Sokomanu attempted to dismiss the Lini government by ordering the dissolution of the country's parliament. Sokomanu appointed Barak Sope as prime minister. Lini refused to surrender office and reconvened parliament. Sope and several supporters were arrested and charged with inciting mutiny. Sope was sentenced to six years' imprisonment.

Fr. Lini lost a parliamentary vote of confidence in September 1991 and he was replaced by Donald Kalpokas. In December 1991



LOCATION: 13° to 21° S; 166° to 171° E. TOTAL COASTLINE: 2,528 kilometers (1,571 miles). TERRITORIAL SEA LIMIT: 12 miles.

the francophone Union of Moderate Parties (UMP), led by Maxime Carlot Korman, won the largest bloc of seats and formed a coalition government with the National United Party (NUP), led by Lini. Strains between the coalition members led to Lini joining the opposition in August 1993, but Carlot Korman's government survived the defection.

Parliamentary elections were again held in 1995, with the UMP winning slightly more seats than the Vanuatu Party (VP), led by Donald Kalpokas. Rialuth Serge Vohor was prime minister from November 1995 until a no-confidence vote in parliament forced his resignation on 7 February 1996. Maxime Carlot Korman was elected prime minister, forming a coalition, and parliament appointed Kalpokas deputy prime minister. The coalition was considered to be weak, however. On 30 September 1996 Korman was

ousted by a no-confidence motion. Vohor was reelected as prime minister. The Vohor government repealed the Ombudsman's Act, but President Jean Marie Leye refused to declare this piece of legislation as law. Leye, in the face of dissent and political crises, took action to dissolve parliament. The ruling coalition refused to step down, questioning the constitutional right of Leye to do this. The Court of Appeal ruled in January 1998 that Leye's actions were legal, thus opening the way for a new general election. In the election held 6 March 1998 the VP of Kalpokas improved its earlier performance, but could not claim a majority. Kalpokas rejoined forces with Fr. Lini and the NUP and coalesced with minority party legislators to gain a clear majority. Kalpokas was elected prime minister. Willie Jimmy was named deputy prime minister on 19 October 1998. Kalpokas resigned to avoid a no-confidence vote in late 1999, and Barak Sope of Melanesian Progressive Party (MPP) became prime minister. In 1999, the government introduced a Comprehensive Reform Program, to combat corruption and abuse of power by government officials. It included a revamping of state administration, an increase in private sector development, a reduction in the public service sector, and the enactment of a leadership code of conduct.

At the South Pacific Forum in June 1999 Vanuatu supported a proposed Pacific Free Trade Area (FTA) that would initially include 14 countries in the region. The South Pacific Forum set up the Pacific Kava Council to work at protecting the regional rights to kava and its uses. The kava plant's reputed relaxation properties had attracted the attention of producers of herbal medicines. The establishment of kava plantations in Central America threatened the Pacific Islands' production. Vanuatu joined with other small island developing states (SIDS) through the United Nations SIDSnet, an Internet project linking over 40 island nations worldwide to address issues like the economic hurdles of isolation and small markets. The United Nations Environment Program (UNEP) issued a report assessing the ecological and population threats faced by SIDS, Vanuatu included. The UN's Intergovernmental Panel on Climate Change announced its predictions on the consequences of global warming. Vanuatu was mentioned as already affected by inundation of low-lying areas and coastal regions by rising oceans.

In April 2001, Barak Sope was ousted as prime minister in a vote of no confidence, and Edward Natapei became prime minister. The new government undertook investigations into Sope's business dealings, and in November, Sope was charged with two counts of forgery. He was sentenced to three years' imprisonment but was subsequently pardoned by President Fr. John Bani. Natapei was reelected prime minister in May 2002, after parliamentary elections held on 30 April, in which his Vanua'aku Party took 15 seats and the Union of Moderate Parties took 14 seats.

Presidential and legislative elections were held in 2004. The controversial prime minister Serge Vohor, who took office in July 2004, was ousted following a no-confidence vote that December; Vohor had attempted to switch Vanuatu's diplomatic recognition of China to Taiwan. Ham Lini became prime minister in December 2004. In April and May 2004, Alfred Masing Nalo was elected president, but was later removed from office after the Supreme Court invalidated the result of the election. Kalkot Matas Kelekele was elected president in August 2004. The next presidential elec-

tion was to be held in 2009, and the next prime minister election was scheduled to take place after the general elections in 2008.

### 13 GOVERNMENT

Under the independence constitution adopted in 1979 and effective in 1980, Vanuatu is an independent republic within the Commonwealth of Nations. The head of state is the president (Kalkot Matas Kelekele since August 2004); the head of government is the prime minister (Ham Lini since December 2004). The unicameral legislature consists of 52 members (39 before 1987, and 50 before 1998) elected by universal adult suffrage to four-year terms. The cabinet is responsible to parliament, and the president is chosen by an electoral college for a five-year term. The electoral system includes a degree of proportional representation. A Council of Chiefs chosen by their peers in the chiefs' district councils advises the government on the protection of Vanuatuan languages and culture.

### 14 POLITICAL PARTIES

The country saw six political parties be represented in parliament in the April 2002 elections: the Union of Moderate Parties (UMP, Serge Vohor); the National United Party (NUP, led by Father Walter Lini until his death in February 1999; thereafter by Dinh Van Than; leadership in 2005 was in question); the Vanua'aku Party (VP, Edward Natapei); Melanesian Progressive Party (MPP, Barak Sope); the Vanuatu Republic Party (VRP, Maxime Carlot Korman), and the Vanuatu Green Party (VGP, Moana Carcasses). Also represented in Vanuatu are the Jon Frum Movement (Song Keaspai); the Friend Melanesian Party (FMP, Albert Ravutia); and the Tan Union (TU, Vincent Boulekone). In the July 2004 elections, the NUP took 10 seats, UMP took 8, the VP won 8, VRP 4, MPP 3, VGP 3, and other candidates held 16 seats. The next parliamentary elections were to be held in 2008.

### 15 LOCAL GOVERNMENT

Vanuatu is divided into six provinces (Malampa, Penama, Sanma, Shefa, Tafea, Torba). There are municipal councils in Port-Vila and Luganville, and community councils elsewhere. Espiritu Santo and Tanna have special regional councils.

### 16 JUDICIAL SYSTEM

Despite the great difficulty in unifying laws based on the very different English and French traditions, Vanuatu has sought to establish a single system based on British criminal procedure and the French penal code. The constitution establishes a Supreme Court, with a chief justice and three other judges, as well as an appeals court. Village and island courts have jurisdiction over customary and other matters.

The judiciary is independent of the executive and free from military influence. The constitution guarantees a range of procedural due process protections including the presumption of innocence, fair public trial, habeas corpus, and the prohibition against double jeopardy.

## 17 ARMED FORCES

The nation maintains close links with Papua New Guinea, where Vanuatuan cadets train for a mobile defense force under the auspices of the Australian Ministry of Defense, which also helps to train skilled manpower for national development tasks.

## 18 INTERNATIONAL COOPERATION

Vanuatu joined the United Nations on 15 September 1981 and participates in ESCAP and several nonregional specialized agencies, such as the FAO, the World Bank, UNESCO, UNIDO, and the WHO. It also belongs to the Asian Development Bank (which opened a regional office in Port-Vila in 1984), the ACP Group, G-77, the Pacific Island Forum, the South Pacific Regional Trade and Economic Cooperation Agreement (Sparteca), the Alliance of Small Island States (AOSIS), and the Commonwealth of Nations. The country holds observer status in the WTO.

Vanuatu has taken an active role in Pacific affairs, campaigning for a nuclear-free zone and advocating independence for New Caledonia. Vanuatu has established diplomatic relations with a number of OECD countries, as well as China, Cuba, Vietnam, and Libya. The country is part of the Nonaligned Movement.

In environmental cooperation, Vanuatu is part of the Convention on Biological Diversity, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Vanuatu has a mixed traditional and modern economy. Agriculture supports about 65% of the population, but the service industry is playing an increasingly important role in the economy. Tourism has been developed since the 1980s and, together with financial services, has become an important foreign exchange earner. GDP grew by less than 3% a year in the 1990s. For the three years 2000 to 2002, GDP growth averaged 3% and inflation averaged 3%. During this period the islands had to deal with the extensive damage from two severe earthquakes, each followed by sizeable tsunamis: in November, 1999 on the northern island of Pentecote, and in January 2002, centered on the capital and surrounding areas. The absence of personal and corporate income taxes has made Vanuatu an offshore financial center, and the government also earns fees from a "flag of convenience" shipping registry.

The GDP growth rate was 2.8% in 2004, up from 1.6% in 2003; in 2005, the economy was expected to grow by 2.8%. The inflation rate has fluctuated slightly, but at 1.8% in 2004, it did not pose a problem to the economy. Strong economic development is hindered by the geographic isolation of the country, its vulnerability to natural disasters, and its dependency on relatively few export commodities.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Vanuatu's gross domestic product (GDP) was estimated at \$580.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value

as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,900. The annual growth rate of GDP was estimated at 1.1%. The average inflation rate in 2003 was 3.1%. It was estimated that agriculture accounted for 26% of GDP, industry 12%, and services 62%.

According to the World Bank, in 2001 remittances from citizens working abroad totaled \$16 million or about \$76 per capita and accounted for approximately 6.8% of GDP.

## 21 LABOR

About 80% of the population is engaged in peasant labor either for subsistence or producing cash crops such as copra. As of 2002, there were approximately 25,000 persons participating in the formal economy as wage earners. In 2000 (the latest year for which data was available), agriculture accounted for 65% of the labor force, with industry at 5% and the services sector at 30%. There was no unemployment data available. The wage-labor force is concentrated in Port-Vila and Luganville.

For persons engaged in government enterprises, port work, construction, and certain other jobs, the terms of employment and wages are set by legislation. The nation's first trade unions were formed in 1984. In 2002 there were seven trade unions; the largest two were the Oil and Gas Workers' Union and the Vanuatu Airline Workers' Union. Union membership has fallen from 4,000 in 1994 to less than 1,000 in 2002.

The law prohibits children under 12 from working. Children between 12 and 18 may work under restricted hours and conditions. The Labor Department effectively enforces these laws. In 2002, the minimum wage was \$143 per month for all workers. This does not provide an adequate living and most families subsidize this amount with subsistence farming. The law mandates a 44-hour maximum workweek. The Employment Act provides health and safety standards but these are not effectively enforced.

## 22 AGRICULTURE

About 9% of the land is cultivated. While most crops, including yams, taro, manioc, sweet potato, and breadfruit, are raised for local consumption, cash crops like copra, cocoa, and coffee have been increasingly important. Production of coconuts totaled 240,000 tons in 2004. Copra exports have been declining as a share of total exports, from 43% in 1995 to 8% in 2002. Vanuatu maintained an agricultural surplus of \$2.6 million in 2004, with Bangladesh and Japan as the leading markets.

In 1983, Vanuatu's first agricultural census was taken, with British assistance. A land alienation act passed in 1982 limits land ownership to indigenous owners and their descendants, but expatriates can lease land for up to 75 years.

## 23 ANIMAL HUSBANDRY

Hogs and fowl form part of the village economy. Vanuatu is ideal for cattle, and large numbers are raised on plantations; in 2005 there were an estimated 152,000 head of cattle, up from around 124,000 in 1990. The growing meat-packing industry produces frozen, chilled, and tinned beef; production of beef totaled about 3,300 tons (dressed carcass weight) in 2005. The beef industry is centered on the island of Espiritu Santo, where the country's main

abattoir is located. Beef is exported primarily to Japan, with a lesser amount going to New Caledonia.

## 24 FISHING

Although the South Pacific Fishing Co., a joint Vanuatuan government and Japanese venture, has facilities at Luganville that freeze and export both tuna and bonito to Japan and the United States, the full fishery potential has not been realized. Fishing is focused on domestic consumption; exporting fish requires a government permit. Vanuatu's catch was 31,394 tons in 2003; exports totaled \$1.9 million that year.

## 25 FORESTRY

About 37% of the total land area is forest or bushland. Total roundwood production in 2004 was 119,000 cu m (4.2 million cu ft), with 76% burned as fuel. Sawntwood production totaled 28,000 cu m (988,000 cu ft) that year, and exports of forest products were valued at \$3 million. The government approved the establishment of a large commercial forestry plantation on Espirito Santo in 1987.

## 26 MINING

Vanuatu had few known minerals, although gold deposits have been discovered. A small manganese mine on Éfaté ceased exports in 1980.

## 27 ENERGY AND POWER

Temporary generators established throughout the islands by the United States during World War II (1939–45) have mostly deteriorated. Total installed capacity was about 12,000 kW in 2002, all of it conventional thermal. Electricity production in 2002 totaled 42 million kWh, all of it from fossil fuels. Consumption of electricity that year was 39 million kWh.

All hydrocarbon needs were met by imports. In 2002, imports and demand for refined petroleum products each averaged 610 barrels per day. There were no imports or consumption of natural gas or coal in 2002.

## 28 INDUSTRY

The industrial sector is small: in 1990 it contributed about 12.3% to GDP; in 1996, 13% and in 2001, 11.5%. The leading industries are fish and food freezing, wood processing, and meat canning. The small manufacturing sector, accounting for 5.5% of GDP in 1990 and 5% in 2001, is geared to toward domestic consumption. Indigenous crafts include basketry, canoe building, and pottery. In 1990, National Breweries, a joint venture with Sweden, began producing Tusker beer and Pripps Lager.

In 2003, the main contributor to the GDP was the transport and communications sector (32.4%); agriculture came in second with 19.3%. Manufacturing and construction had the smallest share in the economy, with 3.6% and 2.5% respectively.

## 29 SCIENCE AND TECHNOLOGY

There is no advanced technology apart from overseas aid programs.

## 30 DOMESTIC TRADE

A large part of the population still relies on barter. In Port-Vila, European businesses dominate commercial life; there are hotels, supermarkets, fashion shops, and patisseries, as well as Australian steak houses and small Chinese restaurants. Some Vanuatuans have entered the cash economy in urban areas. There is a very small light industry section that supplies the local markets. The nation's numerous cooperative societies handle most of the distribution of goods on the islands. A value-added tax applies to most goods and services.

Normal business hours in the capital are 7:30 to 11:30 AM and 1:30 to 4:30 PM, Monday through Friday. Banks in Vanuatu are open on weekdays from 8 to 11:30 AM and 1:30 to 3 PM.

## 31 FOREIGN TRADE

In 2000, exports totaled \$23.2 million and imports amounted to \$86.7 million. Service receipts have helped offset the traditionally adverse trade balances. A commodities marketing board exports copra and cocoa, and cooperatives play a major role in foreign trade. Most of Vanuatu's export commodities are foodstuffs, including oil seeds, (34%), vegetables (15%), wood (13%), meat (12%), cocoa (4.7%), and fish (1.3%).

In 2004, exports totaled \$205 million (FOB—Free on Board), while imports grew to \$233 million (CIF—Cost and Freight). Most of the exports went to Thailand (47%), Malaysia (18.4%), Japan (7.5%), Belgium (5.4%), and China (4.9%). Imports included machinery and transport equipment, food and live animals, basic manufactures, and mineral fuels, and primarily came from Taiwan (24%), Australia (16.5%), Japan (11.4%), Singapore (8.5%), New Zealand (7.2%), Fiji (6.3%), and the United States (4.4%).

### Principal Trading Partners – Vanuatu (2000)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	23.2	86.7	-63.5
Bangladesh	5.0	...	5.0
Japan	2.8	4.4	-1.6
United Kingdom	2.4	0.1	2.3
China, Hong Kong SAR	1.4	1.8	-0.4
Australia	1.4	38.5	-37.1
New Caledonia	1.4	5.0	-3.6
Fiji	1.3	7.9	-6.6
French South Antartic Territories	0.8	...	0.8
New Zealand	0.7	10.0	-9.3
Netherlands	0.7	0.1	0.6

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.



**Balance of Payments – Vanuatu (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-41.3</b>
Balance on goods		-65.0
Imports	-91.8	
Exports	26.8	
Balance on services		40.6
Balance on income		-11.8
Current transfers		-5.1
<b>Capital Account</b>		<b>-4.7</b>
<b>Financial Account</b>		<b>39.6</b>
Direct investment abroad		-0.7
Direct investment in Vanuatu		15.5
Portfolio investment assets		2.1
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		51.8
Other investment liabilities		-29.1
<b>Net Errors and Omissions</b>		<b>-5.0</b>
<b>Reserves and Related Items</b>		<b>11.3</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.**32 BALANCE OF PAYMENTS**

Continuing trade deficits have been offset by aid from the United Kingdom and France, but this assistance is being steadily reduced.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Vanuatu's exports was \$22.8 million while imports totaled \$87.5 million resulting in a trade deficit of \$64.7 million.

The International Monetary Fund (IMF) reported that in 2001 Vanuatu had exports of goods totaling \$20 million and imports totaling \$78 million. The services credit totaled \$119 million and debit \$73 million.

Exports of goods and services totaled \$38 million in 2004, up from \$27 million in 2003. Imports grew from \$91 million in 2003, to \$112 million in 2004. The resource balance was consequently negative, and on a downward path—from -\$64 million in 2003 to -\$74 million in 2004. A different trend was registered for the current account balance, which improved from -\$28 million in 2003, to -\$15 million in 2004. Foreign exchange reserves (excluding gold) grew to \$62 million in 2004, covering more than six months of imports.

**33 BANKING AND SECURITIES**

Vanuatu's banking system includes a Central Bank, local retail banks, and a Development Bank that provides loans for agricultural projects, housing, and industrial development. The country's Financial Centre, a tax haven created by the British in 1971, is the third-largest source of government revenue. Favorable regulatory and tax structures have stimulated foreign interest in Vanuatu as an international financial center; more than 600 offshore companies and banks were registered in Port-Vila in 1985. Local banks require no minimum deposits for vatu accounts and a minimum of us\$5,000, or the equivalent in major specified currencies, for foreign currency holdings. Vanuatu has no double taxation agree-

ments with other countries, ensuring maximum confidentiality for international financial transactions. In late 1999, a number of foreign bank-including Deutsche Bank, Banker's Trust, and the Bank of New York-banned trading in us with Vanuatu because of suspected illegal activity being carried on through the Vanuatu financial center. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$55.3 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$245.6 million. The money market rate, the rate at which financial institutions lend to one another in the short term, was 5.5%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 6.5%.

There is no stock exchange.

**34 INSURANCE**

Insurance coverage is available through agents of overseas companies, mainly British and French.

**35 PUBLIC FINANCE**

The US Central Intelligence Agency (CIA) estimated that in 2003 Vanuatu's central government took in revenues of approximately \$52.6 million and had expenditures of \$54.3 million. Revenues minus expenditures totaled approximately -\$1.7 million. Total external debt was \$83.7 million.

The International Monetary Fund (IMF) reported that in 1997, the most recent year for which it had data, central government revenues were VT6,858 million and expenditures were VT7,023 million. The value of revenues was us\$59 million and expenditures us\$61 million, based on a official exchange rate for 1997 of us\$1 = VT115.87 as reported by the IMF. Government outlays by function were as follows: general public services, 33.8%; public order and safety, 8.4%; economic affairs, 26.3%; housing and com-

**Public Finance – Vanuatu (1997)**

(In millions of vatu, central government figures)

<b>Revenue and Grants</b>	<b>6,858</b>	<b>100.0%</b>
Tax revenue	5,718	83.4%
Social contributions	...	...
Grants	653	9.5%
Other revenue	487	7.1%
<b>Expenditures</b>	<b>7,023</b>	<b>100.0%</b>
General public services	2,372	33.8%
Defense	...	...
Public order and safety	587	8.4%
Economic affairs	1,846	26.3%
Environmental protection	...	...
Housing and community amenities	259	3.7%
Health	655	9.3%
Recreational, culture, and religion	35	0.5%
Education	1,269	18.1%
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

munity amenities, 3.7%; health, 9.3%; recreation, culture, and religion, 0.5%; and education, 18.1%.

### **36 TAXATION**

Vanuatu has no income, corporation, or sales tax. Government revenues are derived from indirect taxes, which include stamp taxes, an excise tax on locally produced alcoholic beverages, a 10% hotel tax, and a rent tax. In 2000 the OECD listed Vanuatu as one of 38 uncooperative tax havens. In 2002, it was one of seven that remained on the list. In May 2003, however, Vanuatu was removed from the blacklist, having promised an OECD representative to make the required reforms.

### **37 CUSTOMS AND DUTIES**

Vanuatu imposes tariffs on both an ad valorem and specific basis. Tariff rates average 15–20%; however, rates for luxury goods could reach 200%. Printed matter is exempt. A 5% service tax is also charged on all imported goods. Export duties are levied on the country's primary products.

### **38 FOREIGN INVESTMENT**

The government encourages all forms of foreign investment, especially if there is joint local participation. There are no major foreign ownership restrictions, and duty exemptions are available on application to the Ministry of Finance. In late 1999 Vanuatu's Department of Trade announced that, to be considered, all foreign investment proposals must be accompanied by us\$38,000. This action was taken because of the high number of project proposals approved that have not been implemented. According to statistics published by UNCTAD, foreign direct investment (FDI) in Vanuatu was us\$30.2 million in 1997, but dropped to us\$20.4 million in 1998, and averaged us\$20.275 for the three years following (1999 to 2001).

### **39 ECONOMIC DEVELOPMENT**

The British independence settlement provided grants of £23.4 million to Vanuatu, including £6.4 million in budgetary aid (with additional grants provided annually), £4 million for technical aid, and £13 million for development projects aimed at promoting national economic self-sufficiency. Projects under the five-year development plan for 1982–86 included harbor development, agricultural training, and road improvements. Aid for other infrastructural development is provided by Australia, New Zealand, the UN, and the EU. Government development projects emphasize local participation and preservation of Vanuatu's cultural heritage. In 1995, Vanuatu received us\$45.8 million in aid from international sources. In 2000, Vanuatu was listed on the OECD's list of "uncooperative" tax havens. In 2002, it was one of only seven jurisdictions still on the list of not having taken corrective action. In May 2003, however, Vanuatu was the first of the seven to be removed from the blacklist having agreed, after discussions with OECD representatives, to institute the necessary reforms. Vanuatu remains one of the top 10 "flags of convenience" registries.

The economy of Vanuatu recovered in 2003 and 2004, and the trend is expected to continue in coming years, although not at exceptional rates. The economic growth will primarily be driven by the beef industry, and by a rising output in the forestry industry.

The tourism industry is also expected to bring increasing foreign exchange in the country, although the country's main airline might be facing problems in the future (due to increasing oil prices).

### **40 SOCIAL DEVELOPMENT**

The majority of the people cling to traditional village life. The extended family system ensures that no islanders starve, while church missions and the social development section of the Education Ministry concentrate on rural development and youth activities. The government incorporates family planning into its overall maternal and child health program. A provident fund system provides lump-sum benefits for old age, disability, and death. Workers contributed 4% of earnings and employers contribute 6% of payroll. Pensions are provided at the age of 55.

Women are still largely confined to traditional cultural roles, and most marriages include a "bride-price" that encourages men to consider their wives as possessions. Women generally do not own land. Village chiefs usually act to reinforce the subordinate roles of women and are thus viewed as a primary obstacle to female advancement. There are no female leaders in Vanuatu's civic, business, or religious institutions. A disproportionate number of women lost their jobs due to cutbacks in government employment. Violence against women, especially domestic abuse, is common. Most cases of violence against women go unreported because women are afraid of further abuse and do not understand their rights. As of 2004, there were no governmental agencies to support victims of domestic violence.

Human rights are generally well respected in Vanuatu.

### **41 HEALTH**

Malaria is the most serious of the country's diseases, which also include leprosy, tuberculosis, filariasis, and venereal diseases. Safe water was available to 87% of Vanuatu's population.

Medical care is provided by 94 hospitals, health centers, and clinics administered by the Ministry of Health, assisted by the World Health Organization and a number of voluntary agencies. Local training schemes in basic community nursing are provided by Port-Vila hospitals and local clinics train health and sanitation orderlies. In 2004, there were an estimated 11 physicians and 235 nurses per 100,000 people.

Only 12% of married women were using contraception. In 2005, the infant mortality rate was estimated at 55.16 per 1,000 live births. In the same year the estimated birth rate (24.8 per 1,000 people) far exceeded the general mortality rate (8.3 per 1,000 people). The fertility rate was 3.1 children per woman. Average life expectancy was an estimated 62.85 years in 2004. The immunization rates for children under one were as follows: diphtheria, pertussis, and tetanus, 74%; polio, 74%; measles, 53%; and tuberculosis, 86%.

### **42 HOUSING**

In urban areas only the emerging middle class can afford government-built housing. Other migrants to the towns buy plots of land and build cheap shacks of corrugated iron and waste materials, principally near Port-Vila and Luganville. The vast majority of villagers still build their own homes from local materials. The majority of dwellings are traditional Melanesian houses with earth or

coral floors, no glass windows, and palm, bamboo, or cane walls and roofing. The most widely used exterior construction material was bush. In 1998, 87% of the population had access to safe drinking water. In 2001, there were 89 construction approvals granted for residential housing.

### 43 EDUCATION

Primary education is available for almost all children except in a few remote tribal areas. Education is provided in either English or French. Full secondary education is provided by the Anglophone Malapoa College and the French Lycée at Port-Vila; limited secondary education is also available in five English postprimary schools and three French mission schools.

In 2001, about 75% of children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 94% of age-eligible students. In 2001, secondary school enrollment was about 27% of age-eligible students. It is estimated that about 96.2% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 23:1 in 2003; the ratio for secondary school was about 16:1. In 2003, private schools accounted for about 3.8% of primary school enrollment and 20.6% of secondary enrollment.

For postsecondary education, especially medical and technical training, selected students go principally to Fiji, Australia, and New Zealand. The adult literacy rate for 2004 was estimated at about 74%. As of 2003, public expenditure on education was estimated at 6.3% of GDP, or 28.6% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

The National Library is housed in the Vanuatu Cultural Center in Port-Vila. The Port-Vila Public Library, also a part of the Cultural Center, has a fairly well-stocked library of both French and English books and periodicals and houses fine collections of Melanesian art and artifacts, as well as a valuable stamp collection; it is the only public library service in the country. The secondary schools also have libraries, and there is a small library in the parliament building. Éfaté has a small museum displaying South Pacific artifacts and current works of art. The Vanuatu Cultural Center maintains a National Museum. There is a private fine arts museum located in Port-Vila.

### 45 MEDIA

Vanuatu is linked by telegraph and telex to Hong Kong; Paris; Noumea, New Caledonia; and Sydney, Australia. An earth satellite tracking station came into service in 1979. In 2003, there were 6,500 mainline phones and 7,800 mobile phones in use nationwide. Radio Vanuatu (founded 1966) broadcasts daily in English, French, and Bislama. As of 2002, there were four radio stations and one television station, all operated by the state. In 1997 there were 254 radios and 10 television sets per 1,000 population. In 2003, there were 7,500 Internet subscribers served by 512 Internet hosts. The weekly government newspaper, *The Vanuatu Weekly*, appears in English, French, and Bislama. In 2002, it had a circulation of 1,700. In 2005, there were also four privately owned weekly papers. The constitution provides for free speech and a free press; however, in practice these provisions are not always honored,

threatening opposition groups and media representatives with revocations of licenses and permits.

### 46 ORGANIZATIONS

There are a great number of European organizations, but the cooperative movement has had the greatest local impact. Cooperative units have organized a training center in Port-Vila for such skills as accounting, management, law, and marketing. Cooperatives receive British aid and government support but remain firmly independent. There is an active Vanuatu Credit Union League offering educational opportunities as well as financial services to members.

National youth organizations include the Vanuatu National Youth Council and the Vanuatu National Union of Students. There are several active sports associations promoting amateur competition for all ages in a variety of pastimes, including cricket, tennis, tae kwon do, and track and field. Many sports clubs are affiliated with the national Olympic Committee. The Vanuatu Association of Women Graduates promotes higher education opportunities for women. There are national chapters of the Red Cross Society, and UNICEF, and Habitat for Humanity.

### 47 TOURISM, TRAVEL, AND RECREATION

The most popular recreations in Vanuatu include marine sightseeing, deep-sea fishing, sailing, and beachcombing for shells. Citizens from most nations do not require visas. However, a valid passport and onward/return ticket are necessary. The number of tourist arrivals reached 50,400 in 2003, almost 58% of whom came from Australia. Tourist receipts totaled \$71 million the same year. There were 10,793 rooms in hotels and other establishments with 28,235 beds and an occupancy rate of 35%. The average length of stay was nine nights.

The US Department of State estimated the daily cost of staying in Port Vila at \$258 in 2005. Other areas ranged from \$33 to \$166 per day.

### 48 FAMOUS VANUATUANS

Father Walter Hayde Lini (1943–99), ordained as an Anglican priest in 1970, served as prime minister in Vanuatu from 1980 to 1991.

### 49 DEPENDENCIES

Vanuatu has no territories or colonies.

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# VIETNAM

Socialist Republic of Vietnam  
*Cong Hoa Chu Nghia Viet Nam*

**CAPITAL:** Hanoi

**FLAG:** The flag is red with a five-pointed gold star in the center.

**ANTHEM:** *Tien Quan Ca* (*Forward, Soldiers!*).

**MONETARY UNIT:** The dong (Đ) is a paper currency of 10 hao and 100 xu. There are coins of 1, 2, and 5 xu, and notes of 5 xu, 1, 2, and 5 hao, and 1, 2, 5, and 10 dong. 1Đ = \$0.00006 (or \$1 = 15,855Đ) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some traditional measures are still used.

**HOLIDAYS:** Liberation of Saigon, 30 April; May Day, 1 May; Independence Day, 2 September. Movable holidays include the Vietnamese New Year (Tet).

**TIME:** 7 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated on the eastern coast of mainland Southeast Asia, the Socialist Republic of Vietnam (SRV) has an area of 329,560 sq km (127,244 sq mi), extending 1,650 km (1,025 mi) N–S and 600 km (373 mi) E–W. Comparatively, the area occupied by Vietnam is slightly larger than the state of New Mexico. At its narrowest, Vietnam is only 50 km (31 mi) across. The nation is bordered on the N by China, on the E by the Gulf of Tonkin, on the E and S by the South China Sea, on the SW by the Gulf of Thailand, and on the W by Cambodia and Laos, with a total land boundary of 4,639 km (2,883 mi) and a coastline of 3,444 km (2,140 mi). Before unification, which was proclaimed on 3 July 1976, Vietnam was divided in two by the 17th parallel. To the south was the Republic of Vietnam (RVN), also known as South Vietnam; to the north, the Democratic Republic of Vietnam (DRV), also known as North Vietnam.

Vietnam, China, the Philippines, Brunei, Taiwan, and Malaysia claim all or part of the Spratly Islands and Paracel Islands, located in the South China Sea roughly 600 km (350 mi) east of Ho Chi Minh City and 400 km (250 mi) east of Da Nang, respectively. The Paracel Islands are known in Vietnamese as the Hoang Sa archipelago, and the Spratlys as the Truong Sa. Both archipelagoes are reportedly surrounded by rich undersea oil reserves, and are productive fishing grounds. China has occupied the Paracel Islands since 1974, when Chinese troops drove a South Vietnamese garrison from the western islands. Vietnam occupies six of the Spratlys, and has unsuccessfully engaged in negotiations with Malaysia and the Philippines over the remainder. Periodic clashes between Chinese and Vietnamese naval forces have taken place in the vicinity of both island groups.

Vietnam's capital city, Hanoi, is located in the northern part of the country.

## <sup>2</sup>TOPOGRAPHY

Vietnam has been described as a carrying pole with a rice basket hanging from each end. The description is a fitting one, for a single mountain chain, the Annam Cordillera (in Vietnamese, Truong Son), extends along Vietnam's western border from north to south, connecting two "rice baskets," which are formed by the densely populated Red River Delta of the Tonkin region in the north and the rich Mekong River Delta in the south. Over two-thirds of the entire population of the country lives in the two low-lying delta regions, both of which are composed of rich alluvial soils brought down from the mountainous regions of southern China and mainland Southeast Asia. The remainder of the population lives along the narrow central coast, in the hilly regions of the Central Highlands north of Ho Chi Minh City (formerly Saigon), or in the mountains north and west of the Red River Delta. The highest mountain peak is Fan Si Pan (3,143 m/10,312 ft), near the northern border.

## <sup>3</sup>CLIMATE

Vietnam is entirely located in the tropical belt lying between the equator and the Tropic of Cancer. While there are slight variations in temperature, depending on the season and the altitude, the primary seasonal changes are marked by variations in rainfall.

In the north, the rainy season extends from mid-April to mid-October; the city of Hanoi has a mean annual rainfall of 172 cm (68 in), and in the mountains, annual rainfall sometimes exceeds 406 cm (160 in). Daily temperatures fluctuate considerably in the Red River Delta region, particularly in the dry season, when the thermometer may drop as low as 5°C (41°F) in the region of Hanoi. During the rainy season, the average temperature in Hanoi is about 30°C (86°F).

The south is more tropical; temperatures in Ho Chi Minh City vary only from 18–33°C (64–91°F) throughout the year. Temperatures in the Central Highlands are somewhat cooler, ranging from

a mean of about 17°C (63°F) in winter to 20°C (68°F) in summer. The rainy season extends from early May to November, with annual rainfall averaging about 200 cm (79 in) in lowland regions. The typhoon season lasts from July through November, with the most severe storms occurring along the central coast. Typhoons in this region frequently lead to serious crop damage and loss of life.

#### 4 FLORA AND FAUNA

The mountainous regions of Tonkin, as well as the Annam Cordillera, are characterized by tropical rain forest broken by large areas of monsoon forest. In the higher altitudes of the far northwest there are pine forests. Shifting cultivation has resulted in many sections of secondary forest. Tropical grasses are widespread, and there are mangrove forests fringing parts of the Red River Delta and in the Ca Mau peninsula, which juts into the Gulf of Thailand. Tropical evergreen forests predominate in the south, with extensive savanna in the southwest.

Deer and wild oxen are found in the more mountainous areas. Two of the seven new species of mammals identified worldwide in the 20th century can be found in a nature reserve in the northwest corner of Vietnam. They are the giant muntjac (a barking deer) and the Vu Quang ox. As of 2002, there were at least 213 species of mammals, 262 species of birds, and over 10,500 species of plants throughout the country.

#### 5 ENVIRONMENT

During the Vietnam war, massive bombing raids and defoliation campaigns caused severe destruction of the natural foliage, especially in the Central Highlands in the south. In addition, dioxin, a toxic residue of the herbicide known as Agent Orange, had leached into water supplies. Over 50% of the nation's forests have been eliminated. However, reforestation projects have begun in some areas of the country.

The nation has 367 cu km of renewable water resources with 87% of annual withdrawals used for farming activity and 10% used for industrial purposes. As of 2002, only 67% of the rural population had access to improved water sources.

Salinization and alkalization are a threat to the quality of the soil, as are excessive use of pesticides and fertilizers. Environmental damage has also been caused by the slash-and-burn agriculture practiced by nomadic tribal peoples in the Central Highlands and in the mountainous regions in the north. The government is engaged in a program to introduce modern farming practices to these populations.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 41 types of mammals, 41 species of birds, 24 types of reptiles, 15 species of amphibians, 23 species of fish, and 145 species of plants. Endangered species include the tiger, elephant, Sumatran rhinoceros, Thailand brow-antlered deer, kouprey, river terrapin, Siamese crocodile (probably extinct), estuarine crocodile, Javan rhinoceros, and the pileated, crowned, and caped gibbons. The Vietnam warty pig has become extinct.

#### 6 POPULATION

The population of Vietnam in 2005 was estimated by the United Nations (UN) at 83,305,000, which placed it at number 13 in population among the 193 nations of the world. In 2005, approximate-

ly 7% of the population was over 65 years of age, with another 29% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 1.3%. The government viewed this rate as too high, despite the significant success of family planning programs in reducing the fertility rate from 3.7 births per woman in 1990 to 2.9 in 2005. The projected population for the year 2025 was 103,187,000. The population density was 251 per sq km (650 per sq mi).

The UN estimated that 26% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 3.21%. The capital city, Hanoi, had a population of 3,977,000 in that year.

#### 7 MIGRATION

The 1954 partition of Vietnam resulted in the exodus of over 820,000 refugees, the majority of them Catholics, from the northern part of the country. Most eventually settled with government assistance in the Central Highlands or on the outskirts of the capital city of Saigon (now Ho Chi Minh City). During the same period, about 80,000 Viet-Minh troops and their dependents moved from the south to the north.

The Vietnam war caused severe disruption of living patterns in both the north and the south. In the north, intensive US bombing of major industrial cities led to a dispersal of the population from urban areas, while a government-sponsored program resulted in the resettlement of nearly one million Vietnamese from crowded areas in the Delta to less densely populated regions in upland areas of the country. In the south, migration was primarily from the countryside to the cities, as millions of peasants fled their villages to escape the effects of the war or to seek employment in the affluent cities of Saigon and Da Nang. At the end of the war in 1975, nearly one-half of the population lived in urban areas, many in refugee camps on the edges of the major cities.

After seizing control of the south in 1975, the Hanoi regime announced a new program that called for the resettlement of over 10 million Vietnamese into less crowded areas of the country by the end of the century. Many were to be moved from refugee camps in the south to new economic zones established in the Central Highlands or along the Cambodian border. Although the zones were unpopular because of poor living conditions, between the end of the war and 1981, nearly 1.5 million Vietnamese were resettled into new areas. The overall aim was to disperse the entire population into several hundred "agro-industrial districts" that would provide the basis for development of an advanced Socialist economy. Since 1981 another 2.1 million have been resettled.

In addition to this migration within the country, since the war there has been a substantial outflow of Vietnamese fleeing to other countries. About 150,000 were evacuated from the south in the final weeks of the war, many of them eventually settling in the United States. There were 593,213 people of Vietnamese ancestry in the United States in 1990. In 1978, a new exodus began after the government nationalized all private trade and manufacturing in the country. During 1978–87, an estimated one million Vietnamese fled by sea to other countries in Southeast Asia, or overland to China. Many later resettled in Australia, France, the United States, and other countries. From 1979–84, 59,730 persons emigrated legally through the US Orderly Departure Program; this program

was suspended by the Vietnamese government in 1986 but later resumed, with 57,000 emigrating to the United States in 1993 alone. In 1984, the United States started a program that offered asylum to Vietnamese political prisoners and all Asian-American children. This program was restarted in September 1987. Between 1975 and 1984, about 554,000 persons, known as the “boat people,” emigrated illegally. In 1992, Vietnam signed agreements with the United Kingdom providing for the forcible repatriation of almost all the 55,700 “boat people” remaining in Hong Kong. The major refugee community was in China, which was harboring 285,500 Vietnamese of Chinese ancestry at the end of 1992.

As of 1997, 3,000 Vietnamese remained in Hong Kong. By 1999, some 110,000 nonrefugee boat people had returned to Vietnam. In 2004, there were 2,630 refugees in Vietnam and 13 returned refugees. In that same year there were 299,280 Vietnam refugees in China, 21,776 in Germany, 12,382 in the United States and 9,132 in France. Additionally, in that same year over 4,500 Vietnamese sought asylum in 8 countries. In 2005, the net migration rate was estimated as -0.43 migrants per 1,000 population. The government views the emigration level as too low, but the immigration level as satisfactory.

## 8 ETHNIC GROUPS

About 85–90% of the population of the SRV is composed of ethnic Vietnamese. The racial origins of the Vietnamese are obscure, although many scholars believe they represent a mixture of Australoid peoples who lived in mainland Southeast Asia during the Stone Age with Mongoloid peoples who migrated into the area from southern China.

In addition to the ethnic Vietnamese, there are 53 other ethnic groups living in the SRV. Many, like the Tay, the Thai, the Nung, the Rhadé, and the Jarai, are nomadic tribal peoples living in the mountainous areas of the Central Highlands and along the Sino-Vietnamese border. The overseas Chinese (Hoa) are descendants of peoples who migrated into the area in recent centuries. The Cham and the Khmer are remnants of past civilizations that controlled the southern parts of the country.

The largest ethnic minority in the country is the ethnic Chinese, numbering more than two million. The next largest minority group is the Montagnards (mountain people) of the central highlands. The Khmer Krom (Cambodians) number at about 600,000 people, primarily living along the Cambodian border and at the mouth of the Mekong River. Other sizable minority groups are the Muong, the Tay, Meo, Man, and Cham.

## 9 LANGUAGES

The official language of the SRV is Vietnamese (Quoc ngu). A tonal language, it bears similarities to Khmer, Thai, and Chinese, and at least one-third of the vocabulary is derived from Chinese. Formerly, Vietnamese was written in Chinese characters, but under French rule a Romanized alphabet originally developed by Roman Catholic missionaries in the 17th century was adopted as the standard written form of the language. Most of the minority groups have their own spoken languages, and some have their own writing systems, but all children in the SRV receive instruction in the national language. Other languages include Chinese,



LOCATION: 102°10' to 109°30' E; 8°30' to 23°22' N. BOUNDARY LENGTHS: China, 1,281 kilometers (796 miles); Cambodia, 982 kilometers (610 miles); Laos, 1,555 kilometers (966 miles). COASTLINE: 3,444 kilometers (2,140 miles). TERRITORIAL SEA LIMIT: 12 miles.

English, French, Khmer, and the tribal languages of Mon-Khmer and Malayo-Polynesian.

## 10 RELIGIONS

The dominant religious belief was Buddhism; however, many believers practice a mixture of Mahayana Buddhism, Taoism, and Confucianism, sometimes called Vietnam's “Triple Religion.” Though 50% of the population is nominally Buddhist, the government Office of Religious Affairs estimates that only 11% of the population are practicing Buddhists. Like many Asian peoples,

the Vietnamese also practice spirit worship, a form of religious belief that was particularly prevalent among the tribal peoples.

Christianity was first brought to Vietnam in the 17th century by Roman Catholic missionaries sponsored by the French, the Spanish, the Portuguese, or the papacy. Eventually, however, propagation of the Christian faith was forbidden by the imperial court and Catholicism could only be practiced in secret. French priests were especially active in provoking the French decision to conquer Vietnam in the 19th century. Under French rule, Christianity prospered, and when Vietnam restored its independence in 1954, there were more than two million Catholics in the country, a population that increased to between six and seven million in 1998. Estimates indicate that 8–10% of the population are Roman Catholics. There are anywhere between 421,000 to 1.6 million Protestants in the country. About 65,000 people are Muslim, primarily Sunni. About 54,000 people are Hindu, most of whom are ethnic Cham. The Baha'i Faith claims a membership of between 6,000 and 8,000 people.

Two millenarian religious sects, the Cao Dai and the Hoa Hao, have become popular among peasants and townspeople in the Mekong Delta. Both religions are based in part on Buddhism. The Cao Dai claim a membership of about four million. The Hoa Hao have a membership of about 1.3 million.

Since reunification in 1975, religious activities have been restricted, although freedom of religion is formally guaranteed in the 1980 constitution. All religious groups must register with the government, a process established by the government as a means of monitoring and controlling religious activities. The government offers official recognition to some Buddhist, Roman Catholic, Protestant, Hoa Hao, Cao Dai, and Muslim organizations, a designation which offers some freedom to operate openly throughout the country; however, these groups must still receive government approval for all operations, including the appointment of church leaders.

## 11 TRANSPORTATION

The war wreaked massive damage on Vietnam's transportation network, especially its railways, roads, and bridges. Further damage occurred during the Chinese invasion in 1979, after which direct rail and air connections with China were severed. The nation's truck fleet is ancient and seriously lacking in spare parts. Most goods move by small barges or sampans along the countless waterways. The length of inland navigable waterways totals about 17,702 km (11,000 mi), of which 29% is navigable year-round by vessels with less than a 1.8 m draft. Major ports such as Haiphong in the north and Da Nang in the south, are frequently clogged with goods because many of the stevedores—often overseas Chinese—have fled abroad. In 2005, Vietnam had a merchant fleet of 194 ships of 1,000 GRT or more, totaling 1,170,621 GRT.

Recognizing its importance to economic growth, the government is making a major effort to improve the transportation network. The railroads are to be expanded. As of 2004, Vietnam's railway system totaled 2,600 km (1,615 mi) of standard, narrow and dual gauge track, of which 2,169 km (1,347 mi) was narrow gauge, 178 km (111 mi) was standard gauge, and 253 km (157 km) dual gauge.

There were an estimated 24 airports as of 2004, of which 23 (as of 2005), had permanent-surface runways. The nation's air fleet

remains primitive, as the national airline (Hang Khong Vietnam) uses Soviet passenger liners built in the 1950s. In 2003, about 4.553 million passengers were carried on scheduled domestic and international flights. There were 93,300 km (57,977 mi) of roads in the country in 2001, but only 23,418 km (14,552 mi) were paved. There were an estimated 101,100 passenger cars, 144,600 commercial vehicles in 2003. The main route from Hanoi to Ho Chi Minh City badly needs improvement. In 1997, the government authorized the construction of a new north-south highway, the largest infrastructural project ever undertaken in Vietnam. The construction will take at least 15 years, utilizing 10 days of mandatory labor from almost every citizen between the ages of 18 and 45.

## 12 HISTORY

During the first millennium BC, the Lac peoples, the ancestors of the modern-day Vietnamese, formed a Bronze Age civilization in the vicinity of the Red River Delta in northern Vietnam. The Lac were primarily rice farmers, although those living in mountain valleys occasionally practiced the slash-and-burn agriculture now prevalent among nomadic tribes in the Central Highlands and the mountainous regions in the north. In the 3rd century BC, the Vietnamese kingdom of Van Lang was conquered by a Chinese military adventurer who incorporated the Red River Delta area into his own kingdom in southern China. A century later, Vietnam was integrated into the expanding Chinese empire. During 1,000 years of Chinese rule, Vietnamese society changed significantly as it was introduced to Chinese political and social institutions; Chinese architecture, art, and literature; and the Chinese written language. In AD 939, during a period of anarchy in China, Vietnamese rebels restored national independence.

During the next several hundred years, the Vietnamese Empire, then known as Dai Viet (Great Viet), gradually developed its own institutions and expanded steadily to the south. Under two great dynasties, the Ly (1009–1225) and the Tran (1225–1400), the Vietnamese fended off periodic attempts by China to resubjugate Vietnam, while gradually expanding southward at the expense of their southern neighbor, Champa. In the early 15th century, Chinese rule was briefly restored, but a national uprising led by Le Loi led to the expulsion of the Chinese and the formation of an independent Le Dynasty (1428–1788). Under the Le, expansion to the south continued, and the entire Mekong River Delta came under Vietnamese rule during the 17th century. But expansion brought problems, as a weakened Le court slipped into civil war between two princely families, the Trinh in the north and the Nguyen in the south.

The division of Vietnam into two separate political entities came at a time when European adventurers were beginning to expand their commercial and missionary activities into East and Southeast Asia. In 1771, a major peasant revolt led by the Tay Son brothers destroyed the Nguyen and the Trinh and briefly united the entire country under Emperor Nguyen Hue, ablest of the Tay Son. But a prince of the defeated Nguyen house enlisted the aid of a French Roman Catholic bishop and raised a military force that conquered the Tay Son and reunited the country under a new Nguyen Dynasty (1802–1945). When the founding emperor, Gia Long, died in 1820, his son Minh Mang refused to continue the commercial and missionary privileges granted by his predecessor to the French. In 1858, French forces attacked near Saigon and

forced the defeated Vietnamese Empire to cede territory in the area to the French, which became the colony of Cochin China. In 1884, France completed its conquest of the country, establishing a protectorate over central and northern Vietnam (now renamed Annam and Tonkin). In 1895, the three sections of Vietnam were included with the protectorates of Laos and Cambodia into a French-ruled Indochinese Union.

The first Vietnamese attempts to resist French rule were ineffectual. Western-style nationalist movements began to form after World War I, and an Indochinese Communist Party, under the leadership of the veteran revolutionary Ho Chi Minh, was formed in 1930. After the collapse of France in World War II, Japan forced the French administration to accept a Japanese military occupation of Indochina. During the joint French-Japanese rule, Communist forces under the umbrella of the Viet-Minh Front began to organize for a national uprising at the end of the war. In March 1945, the Japanese, nearing defeat, disarmed the French and seized full administrative control over French Indochina. At the same time, the Japanese set up a puppet government, with Bao Dai, the figurehead emperor of Vietnam, as nominal ruler. Shortly after Japan surrendered to Allied forces in August 1945, Viet-Minh forces, led by the Indochinese Communist Party, launched the nationwide August Revolution to restore Vietnamese independence. On 2 September, President Ho Chi Minh declared the formation of an independent Democratic Republic of Vietnam (DRV) in Hanoi. Under the Potsdam agreements, Nationalist Chinese troops occupied all of Indochina north of the 16th parallel, while British troops occupied the remainder of the old Indochinese Union. Chinese commanders permitted the Viet-Minh to remain in political control of the north, but the British assisted the French to restore their authority in the south.

In March 1946, the French and the DRV signed a preliminary agreement (the Ho-Sainteny Agreement) recognizing Vietnam as a "free state" in the new French Union. The agreement also called for a plebiscite in Cochin China to permit the local population in that colony to determine their own future. During the summer of 1946, French and Vietnamese negotiators attempted without success to complete an agreement on the future of Vietnam. In September, Ho Chi Minh signed a *modus vivendi* calling for renewed talks early in 1947, but military clashes between Vietnamese and French troops in the DRV led to the outbreak of war in December 1946. The Franco-Viet-Minh war lasted nearly eight years, ending in July 1954 after a successful siege of the French garrison at Dien Bien Phu by Viet-Minh forces. According to the Geneva agreement signed on 21 July, Vietnam was temporarily partitioned along the 17th parallel, pending general elections to bring about national reunification. North of the parallel, the DRV began to build a Socialist society, while in the south, an anti-Communist government under the Roman Catholic politician Ngo Dinh Diem attempted with US aid to build a viable and independent state. In the summer of 1955, Prime Minister Diem refused to hold consultations with the DRV on elections called for by the Geneva accords. On 26 October, Diem proclaimed the Republic of Vietnam (RVN), with its capital at Saigon. In a referendum held three days earlier, Diem had defeated ex-Emperor Bao Dai, and in 1956, Diem became president of the RVN under a new constitution written with US support. With the Geneva accords thus abrogated, Vietnamese guerrillas, supported by the DRV, initiated

low-level political and military activities to destabilize the Saigon regime. Their efforts were assisted by Diem's own shortcomings, as he brutally suppressed all political opposition and failed to take effective measures to bring to an end the unequal division of landholding in South Vietnam.

In December 1960, revolutionary forces in the south formed a National Liberation Front (NLF) to coordinate political activities against the Diem regime. Guerrilla activities by the People's Liberation Armed Forces (known in the United States as the Viet-Cong) were stepped up, and Hanoi began to infiltrate trained cadres from the north to provide leadership to the revolutionary movement. Despite increasing economic and military assistance from the United States, the Diem regime continued to decline, and in November 1963, Diem was overthrown by a military coup waged with the complicity of US president John F. Kennedy's administration, which had watched in dismay as Diem had alienated Buddhist elements by his open favoritism toward Roman Catholics. A Military Revolutionary Council, led by the popular southern general Duong Van (Big) Minh, was formed in Saigon. General Minh promised to continue efforts to defeat the insurgency movement in the south but was unable to reverse the growing political anarchy in Saigon. Early in 1964, he was replaced by another military junta. During the next 15 months, a number of governments succeeded each other, while the influence of the NLF, assisted by growing numbers of regular troops that were infiltrating from the north, steadily increased in the countryside. By early 1965, US intelligence was warning that without US intervention, South Vietnam could collapse within six months.

Beginning in February 1965, US president Lyndon Johnson took two major steps to reverse the situation in South Vietnam. American combat troops were introduced in growing numbers into the south, while a campaign of heavy bombing raids was launched on military and industrial targets in the north. In Saigon, the political situation stabilized with the seizure of power by a group of army officers led by Nguyen Van Thieu and Nguyen Cao Ky. Encouraged by the United States, the new military regime drafted a constitution, and in elections held in September 1967, Gen. Thieu was elected president of the country. By 1967, US troop strength in South Vietnam had reached over 500,000, while US air strikes over DRV territory were averaging about 100 sorties a day. The Hanoi regime attempted to match the US escalation by increasing infiltration of North Vietnamese military units into the south, but under the sheer weight of US firepower, the revolution began to lose momentum, and morale was ebbing.

On 30 January 1968, in an effort to reverse the military decline on the battlefield and encourage the growing popular discontent with the war in the United States, Hanoi launched the Tet Offensive, a massive effort to seize towns and villages throughout the south. The attempt to seize Saigon or force the collapse of the Saigon regime failed to achieve its objective, but the secondary aim of undermining support for the war in the United States succeeded. President Johnson canceled plans to increase the US military commitment and agreed to pursue a political settlement. To bring about negotiations with Hanoi, a complete bombing halt was ordered on 1 November, just before the US presidential election that brought Richard M. Nixon to office as the new Republican president. President Nixon announced a policy of "Vietnamization," according to which US forces would be gradually withdrawn and



the bulk of the fighting in the south would be taken over by RVN forces. On 30 April 1970, in order to destroy enemy sanctuaries beyond the South Vietnamese border, US and South Vietnamese forces invaded neutral Cambodia. The invasion backfired, however, stimulating the rise of revolutionary activities by the Hanoi-supported Cambodian Communist movement and arousing protests in the United States that the war was being expanded. The withdrawal of US military forces continued, and in March 1972, the DRV attempted to test the capability of the South Vietnamese forces by launching a direct offensive across the 17th parallel. The "Easter Offensive" succeeded in capturing the provincial capital of Quang Tri, but further gains were prevented by the resumption of US bombing raids.

By this time, both sides were willing to compromise to bring the war to an end; on 26 October 1972, the DRV announced that secret talks between US secretary of state Henry Kissinger and its representative, Le Duc Tho, had produced a tentative agreement. Hanoi agreed to recognize the political authority of President Nguyen Van Thieu in Saigon, while the United States agreed to complete the withdrawal of US forces without demanding the removal of existing North Vietnamese troops in the south. The negotiations briefly ran aground in late autumn, leading President Nixon to order an intensive bombing assault on the DRV, but the talks resumed in early January, and the Paris Agreement was formally signed on 27 January 1973.

The Paris Agreement and the withdrawal of US forces by no means signaled the end of the conflict. Clashes between revolutionary forces and South Vietnamese units continued in the south, while provisions for a political settlement quickly collapsed. In January 1975, North Vietnamese forces in the south launched a major military offensive in the Central Highlands. When South Vietnamese resistance in the area disintegrated, further attacks were launched farther to the north, and by late March the entire northern half of the country was in North Vietnamese hands. President Thieu resigned on 21 April, but his successor, General Duong Van Minh, was unable to achieve a negotiated settlement. The capital of the RVN, Saigon, was occupied by North Vietnamese troops on 30 April. Thus ended a war in which some 2,000,000 Vietnamese and more than 56,000 Americans were killed and an estimated 4,000,000 people were injured. In the DRV, US bombing was estimated to have destroyed 70% of the industrial plants; in the RVN, more than four million were homeless. During the 1950–74 period, total US economic and military aid to Vietnam was \$23.9 billion (including \$16.1 billion in direct military aid), representing the largest bilateral assistance program in modern history. Chinese aid to the DRV (according to intelligence estimates) probably averaged over \$200 million a year. No complete figures are available on the extent of Soviet assistance to the DRV, but some scholars estimate it at about \$1 billion annually.

During the next 15 months, the DRV moved to complete national reunification of north and south. Nationwide elections for a new National Assembly were held on 25 April 1976. On 24 June, the first Assembly of the unified country met and proclaimed the establishment on 2 July of the Socialist Republic of Vietnam (SRV), with its capital remaining at Hanoi. In December, the Communist Party, known as the Vietnamese Workers' Party since 1951, was renamed the Vietnamese Communist Party. The NLF was dissolved into a nationwide Fatherland Front for the entire country. The na-

tion's Communist leadership, with Le Duan the general secretary of the Communist Party and Pham Van Dong the prime minister, remained unchanged, while loyal members of the revolutionary movement in the south were given positions of prominence at the national level. Ton Duc Thang, figurehead president of the DRV after the death of Ho Chi Minh in 1969, remained in that position until his death in 1980.

Economic reconstruction and the building of a fully Socialist society proved more difficult than reunification. Nationalization of industry and collectivization of agriculture had been achieved in the north in the late 1950s, but the south proved more resistant to official efforts to end private enterprise after 1975. When the regime attempted to destroy the remnants of capitalism and private farming in the south in 1978, thousands fled, and the economy entered a period of severe crisis. Its problems were magnified by the outbreak of war with China. In December 1978, Vietnamese forces had invaded neighboring Kampuchea (known as Cambodia until 1976 and again from 1989) to overthrow the anti-Vietnamese government of the revolutionary Pol Pot. A pro-Vietnamese government was installed in early January 1979. China, which had been supporting Pol Pot to retain its own influence in Southeast Asia, mounted a punitive invasion of North Vietnam in February 1979. After a short but bitter battle that caused severe casualties on both sides, the Chinese forces withdrew across the border. China, however, continued to support guerrilla operations led by Pol Pot against the government in Kampuchea.

During the 1980s, the SRV attempted to recover from its economic crisis. Party leaders worked out a compromise permitting the survival of a small private sector while maintaining a program of gradual Socialist transformation. With the death of Le Duan in June 1986, a new leadership emerged under General Secretary Nguyen Van Linh at the Sixth National Party Congress. This leadership promised a new "openness" in political affairs and a policy of economic renovation (*doi moi*) to improve the livelihood of the population. A strong conservative coalition of party leaders seriously reduced Linh's effectiveness as they stressed the dangers of political liberalization and slowed the pace of economic reform. In March 1988 Prime Minister Pham Hung died, and Linh's choice of a conservative replacement, Do Muoi, was a clear concession to these groups.

Economic recovery continued to be difficult due to a serious lack of investment capital, resources, and technical skills. The SRV's internal problems were compounded by the continuing dispute with China. To protect itself from Chinese intimidation, Hanoi had formed a military alliance with the USSR and was deeply dependent upon Soviet economic assistance. The continuing civil war in Kampuchea also represented a steady drain on the SRV's slender resources and prevented foreign economic assistance, particularly from the United States. In December 1988 the constitution was amended to remove derogatory references to the United States, China, France and Japan, as an attempt to improve international relations. In August 1991 Do Muoi resigned as prime minister. His successor Vo Van Kiet favored free-market reforms. A new constitution was adopted by the National Assembly in April 1992. A general election took place in July 1992 and, for the first time, independent candidates were allowed to present themselves, but neither of the two deemed qualified were elected. On 23 Septem-

ber 1992, the National Assembly elected Lu Duc Anh as president and reelected Vo Van Kiet as prime minister.

In January 1989 the first direct talks between Vietnam and China since 1979 resulted in Vietnam's agreement to withdraw its troops from Cambodia by the end of September 1989 and China's agreement to end aid to the Khmer Rouge guerrillas once the Vietnamese withdrawal was achieved. Later, Vietnam insisted that the withdrawal was contingent on the end of all foreign military aid to factions opposing Cambodian Prime Minister Hun Sen. Hanoi hoped to use the September 1989 withdrawal of its troops from Cambodia as leverage for improved relations with the Association of Southeast Asian Nations (ASEAN), Japan, and the West. On 23 October 1991 a Cambodian peace agreement was signed, paving the way for Vietnam's eventual entry into ASEAN, which occurred in 1995.

The Soviet economic assistance on which Vietnam had depended, withered away with the collapse of the USSR, although technical help from Russia remains important. With the loss of major Soviet aid, Vietnam's relations with the West began to warm considerably. In June 1992, Vietnam announced that all South Vietnamese officials had been released from reeducation camps, a US-mandated prerequisite for lifting its embargo against Vietnam. As a result, on 3 February 1994 President Bill Clinton lifted the US trade embargo against Vietnam. At the time Clinton lifted the embargo, there were still 2,238 US servicemen listed as missing. Vietnam agreed to cooperate with their recovery to the "fullest possible extent." Vietnam and the United States established full diplomatic relations in 1995.

In October 1991 Vietnam agreed to accept the forced repatriation of Vietnamese refugees—known as boat people—who were designated economic migrants, not seekers of political asylum. The boat people were in camps around Asia from 1975–94. The "comprehensive plan of action" adopted by the UN High Commission for Refugees in 1989 reduced the number of boat people fleeing Vietnam. In 1994, the Commission decided that all those still living in camps were to be repatriated.

During the 1990s, Vietnam stepped up its efforts to attract foreign capital from the West and regularize relations with the world financial system. At the same time, the country struggled with its intention not to descend too deeply into Western style consumerism, as demonstrated in 1996, when the government, while continuing to court foreign investment, banned consumer-goods advertising in foreign languages. That move angered Western investors and free-market Vietnamese, but marked the beginning of a countrywide attempt to purge society of overt Western decadence. Analysts attributed the drive to the aging hard-line leadership who looked at the doi moi reforms with intense skepticism.

After joining ASEAN in 1995, Vietnam began reframing its trade laws and began instituting legal reforms aimed at codifying its sometimes capricious statutory system. During 1995, a significant year in Vietnam's opening up to the world, the Communist Party held two meetings to discuss the establishment of a law-based civil society to replace the decades-old system of rule by fiat. In this spirit, the National Assembly passed a series of laws aligning the country with international standards on copyright protection—needed for World Trade Organization (WTO) membership—and other areas. An extensive document, called the Civil Code, was passed containing 834 articles ostensibly grant-

ing the Vietnamese people greater civil liberties. Other measures were decidedly investor-unfriendly, such as Prime Minister Kiet's decree that no more land would be turned over from rice production to industrial use. Subsequently, Vietnam's foreign investment rate slid from a peak of \$8.6 billion in 1996, to just \$1.4 billion in 1999.

In June 1996, the Communist Party held its eighth congress, its first full congress since 1991. Much was expected from the congress in light of the country's ambiguous and, at times, conflicting moves toward openness and reform over the 12 years of doi moi. The congress returned to power the aging leadership, granting additional five-year terms to General Secretary Do Muoi, President Le Duc Anh, and Prime Minister Vo Van Kiet. The Party issued decrees in favor of continued economic reform and international investment, but balked at the kind of market liberalization most internationalist investors perceive as necessary to the creation of a viable economy.

After the long war between the Communists and the United States, 30 April 2000 marked Vietnam's reunification. Celebrations of the occasion, with military parades and a carnival atmosphere, were followed by the 6 May funeral of former prime minister Pham Van Dong. One of the original troika leading Vietnam during the struggle against France and the United States, Dong (born in 1906) had been an influential, unswerving Communist conservative. It remains to be seen whether the inevitable winnowing of Vietnam's "gerontocracy" will result in significant liberalization.

Severe, violent unrest in the countryside during 1997 led to punishment of rural officials for corruption, and increased awareness of agricultural concerns. As much as 80% of Vietnam's population lives in farming communities. Expressions of rural discontent continued to emerge, even in the form of peasant anticorruption protests in the streets of Ho Chi Minh City.

As aftereffects of the 1997 Asian economic crisis stunted the growth of Vietnam's economy, the country remained poor at the beginning of the 21st century. In spite of strides in rice production, literacy and education, unemployment outpaces economic growth. Rural infrastructure languishes, and the urban gap between a rich elite and struggling masses is enormous. Socialist rhetoric and retrenchment failed to heal the divide, which also exists between North and South. Some effort has been made to recognize Party officials from the South, such as early 2000s appointment of Truong Tan Sang, who had been Ho Chi Minh City's Party head, to lead the Party's economic commission. The reformists within the Party have never been completely marginalized, only outmaneuvered by the old-time Marxists. Retired General Tran Do's open criticism of corruption and other failures of the system resulted in his expulsion from the Party in January 1999. General Tran Do endured other forms of harassment, but it was not as severe as that meted out to other dissidents, due to his revered war veteran, communist faithful, status. He died on 9 August 2002.

Issues of importance relevant to Vietnam's reintegration into the international system have included the status of Vietnamese refugees; border and troop withdrawal disputes with Cambodia, Thailand, and the People's Republic of China; conflicts over the Spratly and Paracel island groups in the South China Sea; conflicts with the United States over the recovery of the remains of US sol-

diers missing-in-action (MIA); and Vietnamese cooperation in a diplomatic settlement in Cambodia.

Trade between the United States and Vietnam was normalized in December 2001. Vietnam initially did not want to be perceived by China as overly friendly with the United States, and the Party elite was reluctant to embark on the economic overhaul that the United States demands. Nevertheless, trade relations between the United States and Vietnam grew steadily in the first decade of the early 21st century. United Airlines began servicing Vietnam in 2004. By April 2005, around the time of the 30th anniversary of the fall of Saigon, the United States had become Vietnam's largest export market. Trade between the two countries totaled \$6.4 billion by 2004, compared with \$451 million in 1995. Stronger trade ties helped Vietnam's economy grow considerably. The World Bank, for instance, had rated 58% of Vietnam's population as poor in 1993; by 2002, that figure stood at 29%. Through the mid-1990s into the early 21st century, the country's economy grew at an annual 7.4% rate.

A May 2000 report, "Vietnam: Silencing of Dissent" by Human Rights Watch, detailed ways in which those expressing views counter to the Party line are subjected to "harassment and intimidation," although it noted that Vietnam has fewer actual political prisoners than in the past. The US government (particularly members of Congress) remains critical of Vietnam's human rights policies, including arbitrary arrest and detention of citizens. In contradiction to assertions of commitment to the cause of human rights, authorities continued to severely limit freedom of speech, press, assembly and association, workers' rights, and rights of citizens to change their government.

Print and broadcast media remain firmly state-dominated. In January 2002, the Communist Party ordered the seizure and destruction of unauthorized books written by leading dissidents. The arrival of Internet access in Vietnam began to provide a means for free expression, although so far Internet content is government-monitored. In August 2001, the government passed a decree that imposed stricter regulations on Internet cafes and imposed fines for illegal Internet usage, while opening up provision of Internet services to privately owned businesses, including foreign companies. The government controlled the operation of the sole Internet access provider. In August 2002, the government proposed severe penalties for Internet cafe owners who allow customers to visit antigovernment or pornographic websites. There were approximately 4,000 Internet cafes in 2002.

The controversy between the People's Republic of China and Vietnam over the control of the Spratly and Paracel archipelagoes in the South China Sea dates to the early part of the 20th century. After the Vietnam War, when oil supplies became an issue, the dispute intensified, leading to numerous armed clashes between China and Vietnam. Vietnam, China, the Philippines, Brunei, Taiwan, and Malaysia claim all or part of the Spratly and Paracel archipelagoes. These competing claims have broad geopolitical implications regarding oil reserves, fishing rights, rights of passage for ships, prevention of nuclear dumping, and security in the region. In 1995, China occupied Mischief Reef, on an island in the area claimed by the Philippines and later that year China signed an agreement with a US oil exploration firm to drill for oil in waters claimed by Vietnam. As a member of ASEAN, Vietnam took its complaint to that body. In March 1997, a meeting of

the ASEAN ambassadors was convened in Hanoi and the regional bloc emerged united in opposition to China's move against what they officially recognized as Vietnam's legal territory, marking the first time the ASEAN nations stood up in defiance of Beijing. Vietnam staked its own claim to the islands when it fired on a Philippines jet in 2002. Although the disputes over the islands remained unresolved as of early 2003, all of the claimants except for Taiwan agreed to resolve the dispute eventually through peaceful means.

At the ninth Party congress held in April 2001, reform-minded National Assembly chairman Nong Duc Manh was chosen as General Secretary to replace the unpopular Le Kha Phieu, who was increasingly seen as an obstacle to Vietnam's modernization. In 2002, the Party revised its rules to allow members to engage in private business. At the meeting of the National Assembly in July 2002, Prime Minister Phan Van Khai and General Secretary Nong Duc Manh, among others, identified corruption as one of the government's main challenges. By September, more than 100 government officials had been arrested, more than 50 police officers had been suspended from duty, and two members of the Central Committee were expelled from the Party for dealings with Nam Cam, a crime figure involved in drug, prostitution, and protection rackets.

In National Assembly elections held on 19 May 2002, approximately 700 candidates competed for 498 seats, some of whom were independents. However, a government body, the Fatherland Front, was responsible for screening candidates. No opposition parties contested the vote. In July 2002, President Tran Duc Luong was reappointed for a second term by the National Assembly, which also reappointed Prime Minister Phan Van Khai for a second five-year term. The next presidential election was to be held in 2007.

### 13 GOVERNMENT

The Communist Party-controlled government of Vietnam has ruled under four state constitutions. The first was promulgated in 1946, the second in 1960, the third in 1980, and the fourth in 1992.

The 1946 constitution of the Democratic Republic of Vietnam (DRV), adopted shortly before the war with the French, was never fully implemented because of wartime conditions. On 1 January 1960, a new constitution was promulgated, instituting a largely presidential system to capitalize on Ho Chi Minh's considerable prestige. In the Republic of Vietnam (RVN), formerly South Vietnam, two constitutions were promulgated. The first, by the regime of Ngo Dinh Diem was introduced in 1956. The second was put forth when Nguyen Van Thieu was elected president in 1967. Like the DRV constitution, it created a modified presidential system, with a cabinet responsible to the legislative branch. Following the fall of the RVN in 1975, the north moved quickly toward national reunification. A nationwide National Assembly was elected in April 1976, and the Socialist Republic of Vietnam was proclaimed in early July. In December 1980, the SRV adopted a new constitution for the entire country. The new charter, more doctrinaire than its predecessors, described Vietnam as a "proletarian dictatorship" led by the Communist Party, and called for an early transition to full Socialist ownership. The highest state authority was the National Assembly. Members were elected for five-year terms by universal adult suffrage at age 18. The Assembly appointed the

Council of Ministers (a cabinet of 33 ministers), the chairman of which ranked as premier. The Council of State (12 members in 1987) served as the collective presidency of Vietnam, elected by the National Assembly from among its own members and accountable to it.

In 1992 a new constitution was adopted by the National Assembly. Like the 1980 constitution it affirmed the central role of the Communist Party, stipulating that the party must be subject to the law. In support of a free-market economy, constitutional protection of foreign investment was guaranteed. However, land remained the property of the state, with individuals or enterprises entitled to the right to long-term leases that can be inherited or sold. The newly created position of president replaced the Council of State; the president has the right to appoint a prime minister subject to the approval of the National Assembly. The National Assembly, with a maximum of 400 members, retained legislative power. Members are elected to five-year terms by universal adult suffrage. As of 2002, there were 498 members of the National Assembly. The next election was to take place in 2007.

## 14 POLITICAL PARTIES

The government of the SRV is a de facto one-party state ruled by the Vietnamese Communist Party (VCP). The Vietnamese Communist Party is the political successor to the Indochinese Communist Party, created in 1930 and formally dissolved in 1945. From 1945 until 1951, the party operated in clandestine fashion, until it emerged once more as the Vietnamese Workers' Party at the Second National Congress in 1951. The party assumed its current name in 1976, shortly after the unification of the country into the Socialist Republic of Vietnam.

The Communist Party is administered through an assembly of national delegates. National party conventions elect a Central Committee to guide party affairs between sessions of the national convention. The Central Committee in turn elects the Politburo, the highest policy making body, and a secretariat to direct day-to-day party operations.

The Fatherland Front is the linear successor of the Viet-Minh Front, formed in 1941 to provide the Communist Party with a broad organization to unify all elements in Vietnam against the French colonial regime. The Fatherland Front was formed in North Vietnam in 1955 as a device to mobilize the population to support the regime's goals. A similar organization, the National Liberation Front (NLF), was established in South Vietnam in 1960 by Nguyen Huu Tho to provide a political force in favor of national reunification. After the fall of the RVN in 1975, the NLF was merged into the Fatherland Front.

Under the RVN government, development of a political party system in the Western sense never passed the rudimentary stage. President Thieu, who headed the People's Alliance for Social Revolution, tried to consolidate anti-Communist political organizations in the RVN through a multiparty National Social Democratic Front, but formal political organizations were weak and plagued with religious and regional sectarianism. Wartime conditions and the lack of a national tradition of political pluralism were additional factors preventing the rise of a multiparty system. All such parties were abolished after the fall of Saigon in 1975.

In the SRV, elections for national and local office are controlled by the Communist Party and the state. In the July 1992 general

elections 601 candidates contested 395 National Assembly seats. For the first time independent candidates—not Communist Party members or endorsed by organizations affiliated with the Party—were permitted to contest seats, although they did require Party approval in order to present themselves. Two candidates qualified, but neither was elected. In 1996, the Communist Party held its eighth congress, at which it was widely expected a new generation of leaders would be inaugurated; but, again the aging hard-line leaders were given another five-year term in office as the country struggled with the consequences of 12 years of economic reform and increased international openness. In 1998's national elections, the first three "self-nominated" candidates (not proposed by the Party or the Fatherland Front) managed to gain seats in the 450-member National Assembly. Women held 26% of seats in the National Assembly as of May 2000, but have not yet risen to the top echelons of the Party. At the ninth party congress held in April 2001, National Assembly chairman Nong Duc Manh was chosen as general secretary, which was seen as a step toward reform. In the 19 May 2002 elections for the 498-member National Assembly, some independents competed for seats, although the Fatherland Front was responsible for approving them. No opposition parties contested the vote. The Communist Party took 90% of the vote (447 seats); the other 10% (51 seats) was won by candidates who are not Party members but were approved by the Party.

## 15 LOCAL GOVERNMENT

Vietnam is divided into 59 provinces (*tin*h), and five municipalities (*thu do*)—Can Tho, Da Nang, Hanoi, Haiphong, and Ho Chi Minh City—all administered by the national government. Districts, towns, and villages are governed by locally elected people's councils. Council candidates are screened by the party. Council members' responsibilities include upholding the constitution and laws and overseeing local armed forces units. The councils in turn elect and oversee executive organs, called people's committees, to provide day-to-day administration. The entire system functions in a unitary fashion, with local organs of authority directly accountable to those at higher levels.

## 16 JUDICIAL SYSTEM

The judicial system of the SRV parallels that of the former DRV. The highest court in Vietnam is the Supreme People's Court, whose members are appointed for five-year terms by the National Assembly on the recommendation of the president. In addition, there are local people's courts at each administrative level; military courts; and "special courts" established by the National Assembly in certain cases. Law enforcement is handled by the People's Organs of Control; the president, or procurator-general, of this body is appointed by the National Assembly.

Although the constitution provides for the independence of judges and jurors, there is close control of the entire governmental system by the Vietnamese Communist Party (VCP) and a judicial selection process which favors appointment of jurists supportive of the VCP. Prison sentences are frequently imposed through administrative procedures without the protections of procedural due process or judicial review.

Trials are generally open to the public. Defendants have the right to be present at the trial, to have an attorney, and to cross-examine witnesses. The legal system is based on communist le-

gal theory and French civil law. Rising crime, including violent robbery and extortion, in the cities, plus endemic corruption and smuggling, provide challenges for under-funded law enforcement agencies and the criminal justice system.

## 17 ARMED FORCES

Since reunification in 1975, Vietnam has continued to maintain a strong military presence. As of 2005, the armed forces had 484,000 active personnel. Of that figure, the Army had about 412,000 personnel, the People's Air Force 30,000 members and the Navy an estimated 15,000 personnel, in addition to 27,000 naval infantry troops. Reserves numbered between three and four million. The Army's primary armament included 1,315 main battle tanks, 620 light tanks, 100 reconnaissance vehicles, 300 armored infantry fighting vehicles, 1,380 armored personnel carriers and over 3,040 artillery pieces. The Navy's major units included two tactical submarines, six frigates, five corvettes 37 patrol/coastal vessels and 15 mine warfare ships. The People's Air Force had 221 combat capable aircraft that included 204 fighters, in addition to four fixed-wing antisubmarine aircraft, 26 attack and 13 antisubmarine warfare helicopters. Paramilitary forces include an estimated 40,000 member Border Defense Corps and local rural and urban militia units with more than five million members. The defense budget in 2005 totaled \$3.47 billion.

## 18 INTERNATIONAL COOPERATION

Vietnam was admitted to the United Nations on 20 September 1977. The nation belongs to ESCAP and several nonregional specialized agencies, such as the World Bank, IAEA, the FAO, UNESCO, UNIDO, UNCTAD, and the WHO. Vietnam is also a member of the Asian Development Bank, APEC, ASEAN, the Colombo Plan, and G-77. The country has observer status in the WTO. Vietnam is part of the Nonaligned Movement.

In environmental cooperation, Vietnam is part of the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Wet-rice agriculture is the most important segment of the Vietnamese economy. Approximately 65% of the workforce is engaged in agriculture. While agriculture has continued growth, transforming Vietnam from a net importer 15 years ago into the second-largest exporter of rice, industry has grown even faster. Industry in 2005 accounted for 40.9% of GDP, services 38.1%, and agriculture 21%. The most diversified area in Southeast Asia in terms of mineral resources, Vietnam is well endowed with coal, tin, tungsten, gold, iron, manganese, chromium, and antimony. Foods, garments, shoes, machines, cement, chemical fertilizer, glass, tires, oil, coal, steel, and paper are the main industrial products. Most of the nation's mineral resources are located in the north, while the south is a major producer of rice and tropical agricultural products, such as rubber, coffee, and tea. The war took its heaviest economic toll on Vietnam's infrastructure, which even in the best of times was far from adequate to afford access to and mobilization of the country's agricultural and industrial resources. Further setbacks came in the late 1970s. In 1976, the regime

announced a five-year plan, calling for rapid industrialization and Socialist transformation by the end of the decade. According to official sources, in 1978 floods destroyed 3 million tons of rice, submerged over 1 million hectares (2.5 million acres) of cultivated land, and killed 20% of all cattle in the affected areas along the central coast. The termination of all Chinese aid in the same year, followed by the Chinese attack on the north in February–March 1979, dealt the economy further blows. Vietnam's economy had already been weakened by the military effort in Kampuchea (known as Cambodia until 1976 and again after 1989) and by the suspension of food aid from the EC (now EU), the United Kingdom, Australia, and New Zealand because of objections to Vietnam's refugee policies. Reportedly, the country came close to general famine in 1979.

In 1979, faced with serious shortages of food and consumer goods, Vietnamese leaders approved a new program granting incentives for increased productivity and delaying the construction of farm collectives in the southern provinces. During the 1981–85 five-year plan, emphasis was placed on agriculture and the production of consumer goods. Economic performance improved in the early 1980s, with the growth rate estimated at about 10% annually. Price inflation, however, became a major problem, averaging 700% in 1986–87.

Policy changes were introduced incrementally with economic liberalization preceding consideration of political liberalization. On 3 February 1994 US President Clinton lifted the trade embargo against Vietnam that had been in place for 33 years. The reforms helped Vietnam's economy to grow at a rate of 9% a year during most of the 1990s and by almost 10% in 1996. Growth in the industrial sector was especially strong at over 12% annually between 1988 and 1997. In Hanoi, the increased presence of a foreign community spurred the availability of western-style restaurants and bars, hotel and airport renovation and upgrading, accessible public telephones, and advertising of consumer goods. However, with the onset of the Asian financial crisis in 1997, growth, which was 8.2% for the year in 1997, dropped to 3.5% in 1998 and 4.5% in 1999. Growth increased to 6.8% in 2000, to 6.9% in 2001, 7% in 2002, 7.2% in 2003, and 8.4% in 2005. The pace of growth was projected to be impressive in 2006–07, aided by solid growth in industry, but was forecast to decline slightly from the seven-year high reached in 2005.

Unemployment grew during the 1990s to an estimated 25% in 1995. Several factors contributed to Vietnam's growing unemployment: natural increases in the population; monetary and other adjustments for hyperinflation, which intensified the unemployment problem by limiting growth in some sectors of the economy; the return of demobilized troops from Cambodia; repatriation of refugees; workers laid off from state enterprises; and returning guest workers. However, with capital investment, this labor force could be turned into a resource for growth in labor-intensive manufacturing, considering the low wage base in Vietnam, the high skills levels, and high motivation. The unemployment rate was estimated at 6.1% in 2003, and at 2.4% in 2005. Inflation, which jumped from 3.1% in 1997 to 7.9% in 1998, moderated to 4.1% in 1999, and was at negligible levels in 2000 (-1.7%) and 2001 (0.8%). By 2005, the inflation rate stood at 8%, and had averaged 4.4% over the 2001–05 period. The Party leadership is concerned about persistent unemployment and underemployment, the widening gap

between rich and poor, and increases in bankruptcy, prostitution, and corruption.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Vietnam's gross domestic product (GDP) was estimated at \$251.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$3,000. The annual growth rate of GDP was estimated at 7.6%. The average inflation rate in 2005 was 8%. It was estimated that agriculture accounted for 21% of GDP, industry 40.9%, and services 38.1%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$2.700 billion or about \$33 per capita and accounted for approximately 6.9% of GDP. Foreign aid receipts amounted to \$1,769 million or about \$22 per capita and accounted for approximately 4.5% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Vietnam totaled \$25.36 billion or about \$312 per capita based on a GDP of \$39.2 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 5.2%. In 2001 it was estimated that approximately 49% of household consumption was spent on food, 15% on fuel, 4% on health care, and 18% on education. It was estimated that in 2002 about 28.9% of the population had incomes below the poverty line.

## 21 LABOR

Vietnam's labor force was estimated at 44.03 million in 2005. As of 2003, the nation's occupational breakdown was as follows: agriculture (including forestry and fishing) 59.7% of the labor force; industry 16.4%; and the services sector 23.9%. Unemployment in 2005 was estimated at 2.4%.

As of 2002, Vietnamese workers were not free to form or join independent unions. The government-controlled Trade Union Federation of Vietnam (VGCL) is the sole labor organization, and all workers automatically become members of the union of their workplace. In 2001, the VGCL had four million members throughout the country, including 95% of all public sector employees, 90% of workers in state-owned enterprises, and 70% of private sector workers. Strikes are prohibited at enterprises that serve the public or are important to the national economy or defense, and the Prime Minister decides what enterprises come under that definition. Most strikes occur against foreign enterprises.

The minimum age for full-time employment is 18, with special provisions for those between 15 and 18 years of age. However, many children work in violation of this law, especially in the informal economy. The Labor Law requires the government to set a minimum wage, which was \$30 per month for foreign-investment joint ventures in 2002. Outside of these enterprises the minimum was set at \$12 per month. Working hours are set by law at eight hours per day with a mandatory 24-hour rest period per week. Working conditions are slowly improving.

## 22 AGRICULTURE

Nearly 67% of the labor force of the SRV derives its livelihood from agriculture; arable land in 2003 was 8,980,000 hectares (22,190,000 acres). In 2004, there were 32,961 farms with sown crops and 22,759 with perennial crops.

Only about 15% of the land in the north is arable, and 14% of it is already under intensive cultivation. Agriculture in the north is concentrated in the lowland areas of the Red River Delta and along the central coast to the south. The Mekong Delta, among the great rice-producing regions of the world, is the dominant agricultural region of the south. Excess grain from the area is shipped to the northern parts of the country. Annual food-grain production averaged 20 million tons in the early 1990s, reaching 39.6 million tons in 2004.

Rice, the main staple of the Vietnamese diet, occupies 94% of arable land. In the north, two and in some cases three crops a year are made possible through an extensive system of irrigation, utilizing upward of 4,000 km (2,500 mi) of dikes. Single-cropping remains the rule in the south, where heavy rains fall for six months of the year and virtually no rain at all during the other six months. The southern region's extensive network of canals is used mainly for transport and drainage, although some irrigational use was attempted under the RVN government. Rice production between 1975 and 1980 was adversely affected by bad weather and the regime's attempt to promote collectivization, but it began to rebound during the early 1980s. In 1980, 11.7 million tons of paddy rice were produced; output rose to 16.2 million tons in 1985 and to 19.2 million tons in 1990. Production totaled 36.1 million tons in 2004.

Other crops include corn, sorghum, cassava, sweet potatoes, beans, fruits, and vegetables. In 2004, estimated production (in thousands of tons) was sugarcane, 15,880; corn, 3,453; groundnuts in shell, 451; and soybeans, 252. Rubber, formerly a major crop and a leading source of foreign exchange, was grown mostly on large plantations organized under the French colonial regime. As a result of the Vietnam war, practically all of the large plantations in the "redlands" area in the south were shut down, and damage to the trees was severe. In 1975, the SRV announced that rubber workers had resumed the extraction of latex from hundreds of thousands of rubber trees on plantations north and northwest of Ho Chi Minh City, most of which had lain fallow for years. Rubber production was given high priority by the Hanoi regime and increased from 40,000 tons in 1975 to an estimated 400,000 tons in 2004. Other industrial and export crops produced in Vietnam include coffee, tea, tobacco, pepper, and jute. In 2004, 834,600 tons of coffee (second in the world after Brazil), 108,000 tons of tea, 95,700 tons of pepper, 14,000 tons of jute, 27,000 tons of tobacco, and 825,700 tons of cashews (first in the world) were harvested.

Agriculture in the north has reached an advanced stage of collectivization. A land-reform program completed in 1956 distributed 810,000 hectares (2,002,000 acres) to 2,104,000 peasant families. The share of the Socialist sector in agricultural land increased from 1% in 1955 to 95% in 1975. By 1977, the north had 15,200 agricultural cooperatives and 105 state farms.

In the south, rapid collectivization began in 1978, when the regime announced a program to place the majority of southern farmers in low-level cooperative organizations by the end of the 1976–80 five-year plan. Popular resistance was extensive, howev-

er, and by 1981, less than 10% of the rural population was enrolled in full-scale collectives and a roughly equal number in low-level, semi-Socialist production solidarity teams and production collectives.

In an effort to make collectivization more palatable, the regime announced a "household contract" system, permitting members of cooperatives to lease collective land in return for an agreed proportion of total output. This system apparently encouraged many peasants to join cooperative organizations, and the regime announced in mid-1986 that collectivization at the low level had been "basically completed" in the south, with 86.4% of the rural population enrolled in some form of collective organization. In 2003, of the 7,694 agricultural cooperatives throughout Vietnam, only about 25% were in the south.

### **2<sup>3</sup> ANIMAL HUSBANDRY**

The most important aspect of animal husbandry in the SRV remains the raising of draft animals, mainly water buffalo. Lack of feed, shelter, and technical guidance and an inability to control disease combine with the legacy of war damage to hinder the growth of this sector. Increasing the livestock is now a major priority of the Hanoi regime. The sizes of herds in 2005 (with 1975 figures in parentheses) was as follows: hogs, 27,000,000 (8,800,700); buffalo, 2,950,000 (2,193,000); and cattle 5,250,000 (1,485,000). Vietnam also had an estimated 1,200,000 goats, 111,000 horses, 195 million chickens, and 50 million ducks in 2005. Meat production totaled 2,740,000 tons in 2005, with pork accounting for 77%; poultry, 14%; buffalo and other meat, 9%.

### **2<sup>4</sup> FISHING**

Fresh and dried fish and fish sauce (known as nuoc mam) are major ingredients of the Vietnamese diet, and fishing is an important occupation. Shrimp, lobster, and more than 50 commercial species of fish are found in Vietnamese waters. Ha Long Bay, the major fishing area of the north, is particularly rich in shrimp and crayfish. Fish also abound in Vietnam's rivers and canals. In 2004, Vietnam had 20,071 vessels engaged in offshore fishing.

The fishing industry was severely depleted after the Vietnam War, when many fishermen (often overseas Chinese) fled the country. The government has increased marine production into a major export industry. In 2003, ocean production was estimated at 1,896,277 tons, and inland production was estimated at 738,111 tons. Exports of fish products were valued at \$2.2 billion in 2003. Vietnamese aquaculture primarily produces cyprinids and prawns. In 2004, there were 35,424 fish farms covering 904,900 hectares (2,236,000 acres), 70% in marine or brackish water, primarily for shrimp. That year, farmed shrimp production totaled 290,200 tons. The government estimates the value of aquaculture at \$33 trillion, or 66% of the total output value of fishing in 2004.

### **2<sup>5</sup> FORESTRY**

In 2004, forests covered 37% of the total land area of Vietnam, consisting of 9.9 million hectares (24.5 million acres) of natural forest and 2.27 million hectares (5.61 million acres) of planted forest. Important forestry products include bamboo, resins, lacquer, quinine, turpentine, and pitch. Depletion of forests, however, has been serious, not only through US defoliation campaigns in the south during the war, but also because of the slash-and-

burn techniques used by nomadic tribal groups in mountainous areas. Planted forests are mainly found in the northeast, where they serve as watershed protection and supply materials for the mining and paper industries. In 1998, the government began a reforestation program which aims to increase the forest cover by 5 million hectares (12.3 million acres) by 2010.

The damaged areas are recovering faster than anticipated, although reforestation has been slow and some regions are faced with sterility and erosion. Official policy emphasizes the replacement of natural forests with export crops such as cinnamon, aniseed, rubber, coffee, and bamboo. Roundwood production was estimated at 30,597,000 cu m (1.08 billion million cu ft) in 2004, with 86% used as fuel wood. Vietnam has become a world-class producer of wooden furniture, with exports rising from \$200 million in 2000 to nearly \$1.5 billion in 2005.

### **2<sup>6</sup> MINING**

Vietnam had a wide variety of important mineral resources, but the mining sector was relatively small and undeveloped. The principal reserves, located mainly in the north, were bauxite, carbonate rocks, chrome, clays, anthracite coal, copper, natural gas, gemstones, gold, graphite, iron ore, lead, manganese, mica, nickel, crude petroleum, phosphate rock (apatite), pyrophyllite, rare earths, silica sand, tin, titanium, tungsten, zinc, and zirconium. Coal dominated the mining sector, and, along with carbonate rocks, crude petroleum, and phosphate rocks, was produced in large quantity. Iron reserves were estimated at 520 million tons, and apatite reserves, 1.7 billion tons. Bauxite mines in the Central Highlands Province (Lam Dong) were capable of producing 1.7 million tons per year of ore. Mining and quarrying contributed 6.1% to gross domestic product (GDP) in 2003. Also among leading industries were the production of cement, chemical fertilizer, oil, coal, and steel; crude oil was its top export commodity. Vietnam's movement toward a free market has resulted in increased international trade.

Estimated production outputs in 2004 included: chromium ore (gross weight), 150,000 metric tons, up from 120,000 metric tons in 2003; ilmenite (gross weight), 200,000 metric tons, unchanged from 2003; mined zinc, 40,000 metric tons, down from 45,000 metric tons in 2003; mined tin, 3,500 metric tons, up from 2,100 metric tons in 2003; gold, 2,000 kg, unchanged from 2003; lime, 1.5 million tons; and silica sand, 63 million tons, unchanged from 2003. Vietnam also produced barite, bauxite, bentonite, hydraulic cement, chromium, kaolin clay, refractory clay, construction aggregates, copper, fluorspar, gemstones, granite, graphite, ilmenite, iron ore, lead, lime, marble, nitrogen, phosphate rock, pyrite, pyrophyllite, rare earths, salt, silica sand, sulfur, building stone, and zirconium. Most chromite, ilmenite, and zirconium, and some granite, kaolin, salt, and silica sand, was exported. No tungsten was reported produced from 2000 through 2004. Asian Mineral Resources started two diamond drilling programs at nickel deposits. The mining industry comprised state-owned companies, several state-and-foreign mining and mineral-processing company joint ventures, many small-scale local government-owned mining companies, local government-private mining company joint ventures, and local private miners.

## 27 ENERGY AND POWER

Vietnam has the potential to become a regional supplier of oil and natural gas.

As of 1 January 2005, Vietnam had proven oil reserves of 600 million barrels, according to the Oil and Gas Journal. However, that total is seen as increasing as exploration continues to move forward. In 2004, oil production was estimated at 403,000 barrels per day. With domestic consumption in 2004 estimated at 210,000 barrels per day, Vietnam that year became a net oil exporter. In 2004, net oil exports totaled an estimated 193,000 barrels per day.

Vietnam also has reserves of natural gas, estimated by the Oil and Gas Journal, as of 1 January 2005, at 6.8 trillion cu ft. However, it is expected that the country's actual reserves may total as much as 10 trillion cu ft. As of 2002, Vietnam consumed all the natural gas it produced. In that year, output of natural gas and domestic consumption each totaled an estimated 79.8 billion cu ft.

Vietnam also has coal reserves of 165 million short tons, most of which is anthracite coal. In 2002, coal production totaled an estimated 14.4 million short tons. In that year, demand for coal totaled an estimated 9.1 million short tons, making the country a net exporter of coal. Exports of coal that year totaled 5.3 million short tons.

Vietnam's electric power generating capacity in 2002 totaled 8.323 million kW, of which 4.195 million kW of capacity was came from conventional thermal plants. Hydroelectric plants accounted for the remaining 4.128 million kW. Electric power output in 2002 totaled 34.558 billion kWh, of which 16.542 billion kWh came from conventional thermal plants and 18.016 billion kWh, from hydroelectric plants. In the same year, consumption of electricity totaled 32.139 billion kWh.

Control over the Spratly Islands remains a contentious issue between Vietnam, China, Taiwan, the Philippines, Brunei, and Malaysia. The reefs, many of which are partially submerged, lie atop an oil field containing an estimated 1–7 billion barrels of oil.

## 28 INDUSTRY

Most heavy and medium industry is concentrated in the north, including the state-owned coal, tin, chrome, and other mining enterprises; an engineering works at Hanoi; power stations; and modern tobacco, tea, and canning factories. The industrial sector in the south is characterized by light industry and consumer goods industry, including pharmaceuticals, textiles, and food processing, although there are some large utilities and cement works. Much of the industrial sector in the north was badly damaged by US bombing raids during the war. In the south, the private sector was permitted to continue in operation after 1975, but all industry and commerce above the family level was nationalized in March 1978. The results were disastrous, and the regime now permits the existence of a small private sector, mainly in the area of consumer goods and other light industry. The results have been generally favorable; industrial production in the 1980s increased at an average annual rate of 9.5%. During the 1990s, industrial production grew by about 12% per year. Industry accounted for 40.9% of GDP in 2005, up from 28% in 1995. Industrial gross output increased by 15.2% in 2005. Leading industrial sectors are food processing, gar-

ments, shoes, machine building, mining, cement, chemical fertilizers, glass, tires, oil, coal, steel, and paper.

Food processing and packaging accounts for 40% of total export turnover. The average annual growth rate has been about 11%.

VINATEX (Vietnam National Textiles and Garment Corporation), the largest Vietnamese corporation in the textile sector, planned to invest \$900 million in the period 2001 to 2005, made up of \$700 million in the textiles sector and \$200 million in material and accessories sectors, for equipment upgrades. In January 2005, the WTO abolished world textile quotas, and Chinese exports to the United States and EU soared: both the United States and EU during the course of 2005 reimposed certain quotas to protect their textile industries, thus putting a slight curb on the flow of Chinese goods. Although this policy bode well for developing Southeast Asian textile exporters, as competition with China was eased, Vietnam in 2005 was not yet a member of the WTO and thus still faced quotas on its exports to the United States, which it was trying to fill. But because its wages are lower than China's, Vietnam in the long term must pursue strategies to save its clothing industry once it enters a quota-free world.

Vietnam exports about \$3 billion worth of footwear a year, its third-largest export earner after crude oil and textiles. In 2004, Vietnam was Asia's third-largest oil producer, with crude oil production averaging 403,300 barrels per day.

Vietnam's rubber sector has been growing at about 15% a year with an output of 300,000 tons of dried latex. Plans are to invest about \$100 million in the period 2001 to 2010 in building/expanding 11 latex plants. Construction has been one of the driving forces of economy, growing at 15% a year. The construction sector consists of about 3,500 companies, including 270 foreign invested enterprises.

Vietnam has a large-scale wood processing industry with a nation-wide network of some 760 state-managed wood processing units. There are also over 200 local enterprises, more than 50 joint ventures and close to 1,200 small scale production units. In the early 2000s, the market for metal-working machinery and equipment was some \$45 million of which 90% was imported.

The state-dominated industrial sector, which accounts for about 45% of the country's GDP, is still marked by inefficiency and low productivity and has retarded the growth of the private sector. This is due the low level of development, characterized by obsolete plants and machinery, shortages of capital, raw materials, energy and transport, and a command-style economic system. Vietnam's assets include low wages, good skill levels, and a motivated work force.

The government owns an estimated 6,000 state-owned enterprises (SOEs): the majority of nonagricultural enterprises. Most of these SOEs reflect the inefficiencies of parastatals, including debt, obsolete equipment and practices, and poor labor. In 1997, the government organized 2,000 SOEs into 88 conglomerates, accounting for 80% of the state sector and further monopolizing the industrial sector. Foreign investment, while welcome, is hard pressed to find opportunities outside of the Vietnam government's reach. In 2003, the first auction of a state-owned enterprise (SOE) took place, which resulted in the sale of the Hai Phong Agricultural Mechanical Engineering Company for \$300,000 to a private Vietnamese company. The auction was financed by the Australian government.



## 29 SCIENCE AND TECHNOLOGY

Science and technology have been one of the key weak spots in the Vietnamese economy and were targeted for significant growth during the second five-year plan (1976–80). Vietnam's leading learned societies are the Union of Scientific and Technical Associations (founded in 1983) and the General Association of Medicine (founded in 1955), both in Hanoi. The State Commission for Science and Technology supervises research at the universities and institutes attached to the Ministry of Higher Education; the Institute of Science organizes research at other institutions. All research institutes are attached to government ministries.

Courses in basic and applied sciences are offered at Cantho University (founded in 1966), the Hanoi University of Technology (founded in 1956), the University of Hanoi (re-founded 1956), the University of Ho Chi Minh City (founded in 1977), Ho Chi Minh City Pedagogical University of Technology (founded in 1962), and various colleges. In 1996, the Hue College of Sciences (formerly the University of Hue) had 10 departments and a large library.

In 1985, total expenditures on research and development amounted to 498 million dong. In the period 1990–2001, there were 274 researchers engaged in research and development per million people.

## 30 DOMESTIC TRADE

Since 1979, the government has permitted the existence of a private commercial sector, mainly in southern cities as Ho Chi Minh City and Da Nang. Most private businesses are small shops and restaurants. In 1991, private enterprise and company laws were adopted by the National Assembly. It is estimated that private businesses account for 70% of domestic trade. Consumer items, durable, and nondurable goods, are available in greater abundance.

Wholesalers in Vietnam consist of state-owned trading companies and private local wholesalers. The retail sector in Vietnam is undergoing rapid transformation, as new sales outlets and merchandising techniques have emerged. In the major urban areas, several Western-style mini-markets and privately-owned convenience stores have opened. Showrooms and service centers for electronics, appliances, and industrial goods offer wholesale and retail sales. In 1996, the Saigon Superbowl opened in Ho Chi Minh City as Vietnam's first entertainment and retail center. Outside of the largest cities, retail outlets consist of family-operated market stalls or small street-front shops. There is still a strong "gray market" of smuggled goods. A value-added tax applies to most goods and services. Advertising appears in many forms. The government has restricted the use of foreign imagery in outdoor advertising by placing limitations on foreign language, landscapes, and models.

Business hours are usually Monday through Friday between 8 AM and 5 PM, with a midday break between noon and 1:00 PM. Those hours pertain to government offices as well. Commercial offices are also open on Saturdays from 8 to 11:30 AM. Banks are open until 3 or 4 PM weekdays and until 11:30 AM on Saturdays. Shops and restaurants are open into the evenings and on Sundays.

## 31 FOREIGN TRADE

Beginning in 1980, emphasis was placed on the development of potential export commodities such as cash crops, marine prod-

ucts, and handicrafts, while imports were severely limited. To promote trade expansion with Japan, Singapore, and Hong Kong, several export-import firms were set up in Ho Chi Minh City under loose official supervision. The results were favorable but the experiment aroused distrust among communist party leaders, and the freewheeling enterprises were integrated into a single firm strictly supervised by the government.

The economic reforms of the late-1980s, including currency devaluation, adoption of a flexible exchange rate system, and lifting restrictions on foreign trade, contributed to the rapid growth in exports in the early 1990s. The US lifting of economic sanctions in 1994 pushed the volume of foreign trade even further upwards. Investments in Vietnam are contributing to the development and expansion of tourism. Vietnam joined the ASEAN Free Trade Area (AFTA) in 1995, committing itself to tariff reductions among member nations. In 1999, the economy recorded its smallest trade deficit in recent memory as exports climbed 23% while imports increased only 2.1%. In 2001, a US-Vietnam Bilateral Trade Agreement (BTA) was concluded, which, by 2004, had resulted in a fourfold increase in bilateral trade between the two countries. Since 2001, the government has moved toward economic liberalization and international integration in order to modernize the economy and produce more competitive, export-driven industries.

Import commodities include petroleum and steel products, motor vehicles and tractors, tires, foodstuffs, raw cotton, sugar, and grain. The most important export commodities for Vietnam are crude petroleum, footwear, and apparel. Other exports include rice, shellfish, and coffee.

In 2004, Vietnam's major exports, in percentage terms, were: crude oil (22.1% of total exports); textiles and garments (17.1%); and footwear (10.5%). Primary imports included: machinery and equipment (17.5% of total imports); refined petroleum (11.5%); and steel (8.3%). Vietnam's leading markets in 2004 were: the United States (20.3% of total exports); Japan (13.7%); China (8.5%); and Australia (7%). The leading suppliers were: China (14.1% of total imports); South Korea (11.9%); Japan (11.3%); and Singapore (11.2%).

### Principal Trading Partners – Vietnam (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	16,706.1	19,745.5	-3,039.4
United States	2,453.2	458.6	1,994.6
Japan	2,437.0	2,504.6	-67.6
China	1,518.3	2,158.8	-640.5
Australia	1,328.4	286.3	1,042.1
Singapore	961.1	2,533.5	-1,572.4
Other Asia nes	817.7	2,525.3	-1,707.6
United Kingdom	571.6	166.5	405.1
Korea, Republic of	468.7	2,279.6	-1,810.9
Iraq	439.9	...	439.9
France-Monaco	439.4	299.2	140.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Vietnam (2002)**

(In millions of US dollars)

<b>Current Account</b>		<b>-604.0</b>
Balance on goods	-1,054.0	
Imports	-17,760.0	
Exports	16,706.0	
Balance on services	-750.0	
Balance on income	-721.0	
Current transfers	1,921.0	
<b>Capital Account</b>		<b>...</b>
<b>Financial Account</b>		<b>2,090.0</b>
Direct investment abroad	...	
Direct investment in Vietnam	1,400.0	
Portfolio investment assets	...	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	624.0	
Other investment liabilities	66.0	
<b>Net Errors and Omissions</b>		<b>-1,038.0</b>
<b>Reserves and Related Items</b>		<b>-448.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.**32 BALANCE OF PAYMENTS**

A traditional merchandise trade deficit is partially offset by an inflow of foreign money. This inflow, however, has made the Vietnamese currency overvalued (some argue by as much as 20–30%) and was seen to be hurting exports by driving up the cost of goods. The 1998 financial crisis reflected the culmination of this overvaluation, which was remedied by 1999 with low import levels, and smaller investment figures. Vietnam is the world's second-largest rice exporter after Thailand, exporting 5.2 million tons of rice in 2005. In recent years, Vietnam has received an increase in foreign loans, aid, and direct investment. Vietnam's foreign debt stood at \$19.17 billion in 2005.

In 2004, the value of merchandise exports increased by some 27% to \$25.6 billion. However, merchandise imports increased to \$31.1 billion, up from \$24.9 billion in 2003, resulting in a merchandise trade deficit of \$5.5 billion in 2004, compared with \$4.7 billion in 2003 and \$2.5 billion in 2002. The current-account balance averaged -1.6% of GDP over the 2001–05 period.

**33 BANKING AND SECURITIES**

The State Bank of Vietnam, created in 1951, was the central bank of issue for the DRV, with numerous branches throughout the territory and an extensive agricultural and industrial loan service; in 1976, it became the central bank of the SRV. Foreign exchange is regulated by the Foreign Trade Bank. The Bank for Agricultural Development provides loans to the agricultural and fishing sectors.

Financial chaos became a constant threat during the final years of the RVN. The National Bank of Vietnam (NBV), established in 1954, was the sole authority for issuing notes, controlling credit, and supervising the formation of new banks and changes in banking establishments.

In early May 1975, shortly after the fall of Saigon, the new revolutionary regime announced the temporary closure of all banks in

the south, although the RVN piaster continued to circulate as the only legal tender. Two months later, the National Bank of Vietnam was reopened under new management. Stringent regulations were announced to control inflation and limit currency accumulation. All private Vietnamese and foreign banks were closed in 1976. By then, the Hanoi regime had ordered a complete withdrawal from circulation of the RVN currency and its replacement by the dong, in use in the north.

Since the banking reorganization of July 1988, but particularly since 1992, Vietnam has moved to a diversified system in which state-owned joint-stock, joint-venture, and foreign banks provide services to a broader customer base. The first foreign representative bank office arrived in 1989. In 1992, foreign banks were granted permission to open full commercial branches. The government set up the Bank for the Poor in 1995, and gave it the task of lending to "the poor living in underprivileged areas." As of December 1998, in addition to four state-owned commercial banks, there were numerous joint-stock banks, foreign bank branches, joint-venture banks and foreign banks with representative offices. Foreign banks only recognize three of the joint-stock banks as viable partners, however.

The state banks still dominate the system, state enterprises are still the main borrowers, and their lending is still predominantly short-term because of the skewed interest rate structure. These banks are the Bank of Foreign Trade (Vietcombank), the Vietnam Industrial and Commercial Bank (Incombank), the Vietnam Bank for Agriculture and Rural Development (BARD), and the Vietnam Bank for Investment and Development (BIDV).

Two banking decrees, issued in October 1990 and governing respectively commercial banks, credit cooperatives and other financial institutions, and the State Bank, aimed to regulate the financial system more strictly. Credit cooperatives had to be licensed by the State Bank rather than by local People's Committees. The first decree also gave the state commercial banks greater autonomy, and permitted them to compete with each other and to seek capital from sources other than the state. The second decree introduced new instruments through which the State Bank could control the banking sector, including open-market operations and varying reserve requirements and discount rates.

Despite these changes, the banking system is in poor health. Public confidence in the system remains low. Only 4% of all potential holders of accounts have actually opened one. There were only 10,000 bank accounts in the entire country of 80 million people in 2002. As of 2002, the Vietnam banking system had gained little international confidence, although international audit standards are beginning to be implemented. Loan fraud investigations and low loan liquidity have brought bank finances under scrutiny. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$7.6 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$17.1 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 4.8%.

In July of 2000, the Vietnam Stock Exchange opened its doors for the first time.

### 3<sup>4</sup> INSURANCE

Before May 1975, life and property insurance coverage was available in the RVN from three small Vietnamese insurance companies and through local representatives of about 70 French, UK, and US insurance firms. By the end of 1975, all private insurance facilities had ceased to operate, and the Vietnam Insurance Co., established in the DRV in 1965, had become the nation's lone insurance firm. In 1981, the main types of insurance offered were motor vehicle, personal accident, hull and cargo, offshore exploration, aviation, and third-party risk. In Vietnam, third-party automobile insurance and employers' liability are compulsory.

In 1997, other insurance companies operating in Vietnam were Hochiminh Insurance Co., Nha Rong Joint-Stock Insurance Co., Petrolimex Joint-Stock Insurance Co., Petrovietnam Insurance Co. (PVIC), Vietnam National Reinsurance Co., and the Yasuda Fire and Marine Insurance Co. As of 2002, foreign insurers were allowed in Vietnam, thus opening up the market. In 2003, the value of all direct insurance premiums written totaled \$550 million, of which life insurance premiums accounted for \$331 million. In 2001, Bao Viet was the country's leading nonlife and life insurer, with gross written nonlife premiums of \$75.5 million and gross written life insurance premiums of \$102.4 million.

### 3<sup>5</sup> PUBLIC FINANCE

The main sources of monetary revenue are income taxes, the sale of SOE's, and customs taxes. Annual deficits are financed by foreign aid. Monetary policy reforms enacted since 1988 helped end the hyperinflationary spiral of the 1980s. Aid from the former Soviet Union, formerly Vietnam's most prominent donor, was greatly reduced after the dissolution of the USSR in 1991. Foreign investment peaked in 1995 after the United States declared an end to

economic sanctions, but quickly receded thereafter. Implementation of a VAT in 2000 was expected to increase revenue.

The US Central Intelligence Agency (CIA) estimated that in 2005 Vietnam's central government took in revenues of approximately \$11.6 billion and had expenditures of \$12.9 billion. Revenues minus expenditures totaled approximately -\$1.3 billion. Public debt in 2005 amounted to 75.5% of GDP. Total external debt was \$19.17 billion.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, budgetary central government revenues were D102,223 billion and expenditures were D117,180 billion. The value of revenues was us\$7 million and expenditures us\$8 million, based on a market exchange rate for 2001 of us\$1 = D14,725 as reported by the IMF. Government outlays by function were as follows: general public services, 65.3%; economic affairs, 7.0%; health, 3.6%; education, 13.7%; and social protection, 10.5%.

### 3<sup>6</sup> TAXATION

Individual income is subject to a progressive tax ranging from 0–40%. Individuals realizing capital gains from the right to use land or the transfer of a house are subject to a progressive tax with a top rate of 60%.

The main corporate tax rate is 28%. In addition, companies deriving income from land use rights are subject to a surtax from ranging from 10–25%. Capital gains incurred by companies by the sale of fixed assets are taxed at the corporate rate. Gains stemming from the sale of shares in a foreign-invested company are taxed at a 25% rate. There is no tax on dividends, although income from interest and/or royalties are each subject to a 10% withholding rate.

Other taxes include capital transfer taxes, land and housing taxes, a natural resources tax, technology transfer fees, import and export duties. There are also special consumption taxes applied to tobacco products, spirits, beer, and other items ranging and which range from 15–100%. Vietnam also imposes a value-added tax (VAT) with a standard rate of 10% and which covers all goods and services. Exports however are exempt.

### 3<sup>7</sup> CUSTOMS AND DUTIES

All imports must be authorized by one of the state trading corporations. Customs duty is generally charged on imports and exports, with many exemptions and duty reductions available (including imports related to an aid program and goods to be used for security, national defense, scientific and educational training, or research purposes). Tariff rates are divided into three categories according to the import source country's trade relationship with Vietnam: ordinary rates apply to goods imported from countries that have not exchanged normal trade relations (NTR) agreements with Vietnam; preferential rates apply to goods from countries that have exchanged NTRs with Vietnam; and special preferential rates apply to goods from countries that have made special trade arrangements with Vietnam. Ordinary tariff rates are about 50% higher than preferential rates. Special preferential rates vary by country. There are also special consumption taxes (mostly

#### Public Finance – Vietnam (2001f)

(In billions of dong, budgetary central government figures)

<b>Revenue and Grants</b>	<b>102,223</b>	<b>100.0%</b>
Tax revenue	81,363	79.6%
Social contributions	...	...
Grants	5,300	5.2%
Other revenue	15,560	15.2%
<b>Expenditures</b>	<b>117,180</b>	<b>100.0%</b>
General public services	76,515	65.3%
Defense	...	...
Public order and safety	...	...
Economic affairs	8,210	7.0%
Environmental protection	...	...
Housing and community amenities	...	...
Health	4,175	3.6%
Recreational, culture, and religion	...	...
Education	16,030	13.7%
Social protection	12,250	10.5%

(...) data not available or not significant. f = forecasted or projected data.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

on luxury goods) of up to 100%, a value-added tax (VAT) of 0%, 5%, 10% and 20%, and import quotas.

In 1994, the United States lifted its trade embargo on Vietnam and in 1995 the two countries established formal relations. Vietnam is a member of ASEAN and its free trade area (AFTA).

### 38 FOREIGN INVESTMENT

France was the dominant foreign investor in Indochina before World War II. Resident Chinese, however, played a major role in rice milling, retailing, and other activities (and continued to do so in the south through the early 1970s). Following the 1954 partition agreement, the French economic position in the DRV was completely liquidated, and the participation of private foreign investors in the DRV economy was prohibited. The RVN government encouraged the introduction of private capital. In March 1957, a presidential declaration provided guarantees against nationalization and expropriation without due compensation, temporary exemption from various taxes, and remittance of profits within existing regulations. Despite these efforts, because of wartime conditions, relatively little new private foreign investment was attracted to the country, apart from a few ventures by US and Japanese interests. In 1977, the SRV issued a new investment code in an effort to attract private foreign capital to help develop the country. However, because of stringent regulations and a climate of government suspicion of private enterprise, the 1977 code attracted little enthusiasm among potential investors. Only the USSR and France made sizable investments, although Japan subsequently laid the foundation for future investment by bank loans. Beginning in 1984, the regime began to encourage the formation of joint ventures and announced that preparations were under way for a new foreign investment code.

In 1987 the National Assembly passed a liberalized investment law seeking to improve the overall investment climate and emphasize the development of export industries and services. The Vietnamese investment laws were much more liberal than those of other countries in Southeast Asia. The code permitted wholly owned foreign enterprises in Vietnam, levied low taxes on profits, allowed full repatriation of profits after taxes, and guaranteed foreign enterprises against government appropriation. The law also encouraged oil exploration. Factors hindering performance of foreign investors are bureaucracy, lack of management expertise, smuggling and corruption, and an underlying distrust and uncertainty on the part of officialdom.

In early 1994 the government announced three proposals intended to improve the investment environment and increase foreign trade: expedited decisions on small investment projects; the elimination of the requirement for import-export licenses for many commodities; and reduced list of industries that would be off limits to foreign investors. Foreign investments were allowed in insurance companies and brokerages, and reinsurance between companies. Under amendments to the Foreign Investment Law in 1996 more authority over investment licensing was given to local governments.

Total foreign direct investment (FDI) approvals from 1988 to June 2002 amounted to \$38.58 billion, but the total disbursed was a little over \$20 billion, about 52% of approved FDI. Since the 1994 reduction of restrictions, however, actual inflows of FDI have averaged about 70% of the approvals. After the Asian financial crisis,

the level of inflow decreased by about \$900 million a year. From 1998 to 2000, the annual average inflow was \$1.7 billion. The main cause of the decline was reduced investments from other Southeast Asian countries. As of 2003, it was estimated that FDI projects produced 13% of the country's GDP, including 36% of industrial production. As of 1999, Singapore was the largest foreign investor with \$5.9 billion of total investments approved by the Vietnam government between 1988 and 1999 (only \$2 billion actualized). Other major investors included Taiwan, Hong Kong, Japan, South Korea, France, the British Virgin Islands, Russia, the United States, and the United Kingdom. The Vietnamese government controls both upstream and downstream oil and gas industries, but since 1998 foreign investment has been permitted. In 2001, the consortium that included Conoco, the Korean National Oil Company (KNOC), SK Corporation of South Korea, and Geopetrol of France made a major find of oil in the Cuu Long Basin. In 2002, the Japan Vietnam Petroleum Company (JVPC) made its first sizeable discoveries. JVPC is the operator in the joint venture. and holds a 46.5% share.

Vietnam's encouragement of foreign investment includes its ability to attract and utilize large amounts of foreign capital, both in the form of FDI and ODA (official development assistance). As of 2006, Vietnam did not allow significant foreign portfolio investment. For the 2001–05 period, the government set targets for FDI at \$11 billion in disbursements from existing and newly licensed foreign investments and for approximately \$10 to \$11 billion in ODA disbursed by foreign donors for a total of \$21 to \$22 billion from foreign sources. These levels of FDI and ODA were designed to maintain a GDP growth rate of 7.5% per year. By December 2004, Vietnam had attracted nearly \$46 billion in investment commitments since the country was opened to foreign investment in 1988, 58% of which had been disbursed.

Vietnam's primary investors in 2004, in terms of licensed capital, were, in order: Taiwan, South Korea, Japan, Hong Kong, the British Virgin Islands, Canada, Singapore, Malaysia, China, and the United States.

There is little information on Vietnam's direct investment abroad, but according to the government, as of the end of 2004 Vietnam had invested in 113 projects worth about \$226 million in Russia, Singapore, Laos, Japan, Hong Kong, Cambodia, Tajikistan, the Middle East, the United States, Uzbekistan, and Taiwan.

### 39 ECONOMIC DEVELOPMENT

With the defeat of the RVN forces in April 1975, Vietnam faced the task of restoring its infrastructure, damaged by the war, while working toward the goal of a technologically advanced society. Long-range planning centered on the second five-year plan (1976–80), which called for major emphasis on heavy industry and rapid agricultural growth. Due to factors including unfavorable weather, decreased foreign aid, and high military expenditures—combined with managerial inefficiency—the plan was a disaster. Industrial production grew by only 0.6% and agriculture by 1.9%. The third five-year plan (1981–85) was more modest in its objectives. Emphasis was placed on agricultural development and the promotion of consumer goods, with industrial development in the background. Socialist transformation remained a high priority, although a less rapid rate of change was expected than during the previous five years. Although the goals of the new plan were

more realistic than those set for its predecessor, its success was limited. Growth figures in industry (9.5%) and agriculture (4.9%) improved significantly over the previous five years. Production remained spotty in key areas, however, and problems of mismanagement—primarily by the state sector—proliferated.

The fourth five-year plan (1986–90) continued the previous plan's emphasis on agricultural growth and expansion of exports and light industry. Efforts to promote Socialist transformation were to continue, but at a gradual pace and “by appropriate forms.” Development aid continued to come primarily from the former USSR and other CMEA countries. In 1978, the SRV became fully integrated into the CMEA planning and development structure, and its five-year plans were coordinated with those of its CMEA partners. Planned Soviet outlays for the 1986–90 period totaled some \$11–13 billion. This aid and trade waned with the decline of the USSR, with the full cutoff occurring in 1991. The SRV's new economic emphasis, *doi moi* (renovation) was instituted by Nguyen Van Linh following the sixth national party congress (1986). His plan included policy and structural reforms for a market-based economic system: price decontrol (liberalized prices), currency devaluation, private sector expansion through decollectivization of agriculture (food production), legal recognition of private business, new foreign investment laws, autonomy of state enterprises, business accounting methods, devolution of government decision-making in industry to enterprise level, and limiting government participation to macroeconomic issues. Implementation of these policies was achieved with varied success.

Inflation policy and agricultural reform resulted in immediate increases in rice production. Vietnam changed from a net importer of rice to the third major rice exporter after Thailand and the United States. It was the second-largest world rice exporter in 2005.

Industry has replaced agriculture as the main engine of the economy, and by 2005 accounted for 40.9% of GDP. Agriculture remains important, however, accounting for about 21% of GDP and about 65% of the labor force. A privatization program in the early 1990s met with resistance from conservative politicians, companies, and from foreign investors. Conservatives feared that privatization undermined the economic basis of socialism, and foreign investors were wary of poor investments with meager legal underpinnings. Opposition from managers who would lose a “free hand,” and employees whose jobs might be replaced by new equipment also arose. In 1994 the director and deputy director of the textile company that was the flagship for this privatization program were dismissed for alleged corruption.

US president Bill Clinton's lifting of the 30-year-old trade embargo in 1994 opened the way for waiting American companies to do business in Vietnam. International assistance during the mid-1990s was from the World Bank for education and agricultural reforms, the Japan Overseas Economic Cooperation Fund for infrastructure programs, the United Kingdom for soft loans, technical training and refugee resettlement, and from the Asian Development Bank. A continuation of reforms promoting foreign investment and minimizing the state's role in the economy moved slowly in the late 1990s due to political corruption and inefficiencies.

The Asian financial crisis negatively affected investor confidence in the region, severely reducing Vietnam's main focus of economic development. A complete overhaul of the financial regulatory sys-

tem is still necessary in order to stimulate the economy. Vietnam's increasing integration in regional and international economic organization should impel more competitive production methods. At the end of 2001, Vietnam concluded a bilateral trade agreement with the United States, and it is on the path toward accession to the World Trade Organization.

Vietnam by 2006 had largely overcome the negative effects of the Asian financial crisis, with GDP growth ticking along at 7.4% over the 2001–05 period, despite the global economic slowdown of 2001–03. Vietnam must work to promote job creation to keep up with the country's high population growth rate. The government has made progress in reducing poverty: as of 1993, the World Bank declared 58% of the population to be poor, and by 2002, that had fallen to 29%. Nevertheless, the poor remain concentrated in remote, rural districts populated mainly by ethnic minorities, which are areas least touched by the government's reform program. Cities are growing faster than the countryside. Other economic challenges remain, in terms of strengthening the financial sector and the legal framework and reforming state-owned enterprises. Diseases like SARS (severe acute respiratory syndrome) and avian flu, had not made a severe dent in the economy by 2005. Small businesses are booming: by the end of 2002, more than 50,000 new companies had been established. However, Vietnam has few mid-sized private firms between these small family firms and large exporters backed by foreign investors.

#### 40 SOCIAL DEVELOPMENT

A social security plan provides old age, disability and survivorship benefits, as well as worker's injury and medical insurance. All private and public sector employees with employment contracts of at least three months are covered. Pensions are funded by 5% of employee wages, 10% of employer payroll, and government contributions. Maternity benefits are payable at 100% of wages for 120 days, and are also available to women who adopt a newborn baby. Workers' compensation is provided according to the level of disability.

Women have full legal rights under law, but are subject to various forms of social discrimination. Few women are found in senior management or high level government positions, but business and the public sector nevertheless employ many women, and they are an important part of the economy. Women also generally receive lower wages than their male counterparts. Domestic violence against women is common, and women tend to stay in abusive marriages rather than confront the stigma of divorce.

The human rights record is poor, and there are continuing reports of arbitrary detention and the mistreatment of detainees during interrogation. In 2004, the restrictions on the Internet were increasing, with the government closely monitoring activity. Human rights organizations are not permitted to operate in Vietnam.

#### 41 HEALTH

Wars in Vietnam since 1946 have undermined much of the progress made by the DRV, RVN, and SRV in the health field. Damage to urban hospitals in the north was especially severe. A 1976 World Health Organization report indicated the dimensions of that destruction: 24 research institutes and specialized hospitals, 28 provincial hospitals, 94 district hospitals, and 533 community

health centers; all destroyed mainly as the result of US bombing. Three decades of intermittent war has also had a devastating effect on health conditions in the south.

The incidence of tuberculosis, which had been largely controlled rose again in the late 1990s. Commonly reported diseases in Vietnam were diarrheal disease, malaria, and tuberculosis. Venereal and paraveneal diseases were said to have afflicted one million persons in the south (about 5% of the total population) and, WHO claimed, 80% of RVN soldiers. Opiate addiction affected about 500,000 persons. The HIV/AIDS prevalence was 0.40 per 100 adults in 2003. As of 2004, there were approximately 220,000 people living with HIV/AIDS in the country. There were an estimated 9,000 deaths from AIDS in 2003.

During the early 1980s, foreign visitors routinely reported observing severe cases of malnutrition and shortages of medical equipment and supplies. While conditions have generally improved as agricultural production has increased, most Vietnamese continue to live at the minimum level of subsistence. In February of 1996, Vietnam was considering fortification of foods with iron and vitamin A. In 1995, the Vietnamese government issued the National Plan of Action for Nutrition (1995–2000), which aimed to eliminate food insecurity, reduce malnutrition, and reduce micronutrient deficiencies. About 39% of all children under 5 were classified as malnourished in 2000.

Vietnam reported life expectancy in 2005 to be 70.61 years and infant mortality to be 25.95 per 1,000 live births. Maternal mortality was 160 per 100,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 20.9 and 6.1 per 1,000 people. Immunization rates for children up to one year old were tuberculosis, 96%; diphtheria, pertussis, and tetanus, 95%; polio, 95%; and measles, 96%.

Family planning services were provided to 2,157,000 people in 1992. An estimated 75% of married women (ages 15 to 49) were using contraception in 2003. Abortion is available on request. Vietnam's fertility rate in 2000 was 2.2, down nearly 2% from the previous 5-year period.

In 2004, the country had an estimated 53 physicians, 56 nurses, and 18 midwives per 100,000 people. About 97% of the population had access to health care services. Approximately 56% of the population had access to safe drinking water and 73% had adequate sanitation. Total health care expenditure was estimated at 4.8% of GDP.

## 42 HOUSING

Housing is a serious problem in Vietnam, particularly in urban areas of the north where war damage has caused overcrowding and lack of resources has hampered efforts to resolve the problem. By 1986, housing had become a critical problem in Hanoi, particularly in the central sections of the city, where per capita living space was reduced to four sq m. Large flats are gradually being erected in the suburbs to ease the problem. In the meantime, many families live in temporary quarters built directly on the sidewalk or attached to other buildings. Housing is less a problem in the countryside, where many farm families have begun to take advantage of a rising standard of living to build new houses of brick and stone. Similarly, in the south, housing is available to meet the

requirements of the population because building construction had continued at a relatively high level during the war years.

At the 1999 census, about 12.8% of the housing stock were permanent houses, 50.4% were semipermanent, 14.1% were built with a durable wood frame, and 22.7% were temporary houses. The average living area per household (excluding temporary housing) was 47.9 sq m; the average living space per person was 10.4 sq m. About 13% of all households had clean tap water, 10.1% used rain water as a main water source, and 54.9% used some type of filter system or hygienic well. Only 16.4% of all households used a flush toilet. About 77.8% of all households used electricity.

## 43 EDUCATION

After 1975, the educational system in the south was restructured to conform to the Socialist guidelines that had been used in the DRV. The 12-year school cycle was reduced to 10 years, and the more than 20,000 teachers in the south were among those subjected to "reeducation." By 1976, some 1,400 tons of textbooks printed in the DRV had been shipped to the south, and the books used previously under the RVN were destroyed. In addition, more than 1,000 formerly private schools in the south were brought under state control.

Education is free at all levels, and five years of primary education is compulsory. Seven years of secondary school is offered through two cycles of four plus three years. Students progress to the upper level only through completion of an entrance examination. Vocational studies are also offered at the upper secondary level. The academic year runs from September to June.

In 2001, about 43% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2001 was estimated at about 95% of age-eligible students. The same year, secondary school enrollment was about 62% of age-eligible students. It is estimated that about 95.5% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 25:1 in 2003; the ratio for secondary school was about 26:1.

There are about 90 colleges and three universities in the SRV. The major university is in Hanoi. In 2003, it was estimated that about 10% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 90.3%, with 93.9% for men and 86.9% for women.

As of 1999, public expenditure on education was estimated at 2.8% of GDP.

## 44 LIBRARIES AND MUSEUMS

The École Française d'Extrême-Orient once maintained an extensive research library in Hanoi, which was transferred intact to the DRV; it is now the National Library, housing about one million volumes. The bulk of the present collection has been added since 1954 and includes a substantial number of Russian titles. The General Scientific Library in Ho Chi Minh City (formerly the National Library) maintains a collection of over 800,000 volumes. Vietnam National University at Hanoi Library holds 1.4 million volumes.

The collections of the Musée Louis-Finot, an archaeological and cultural museum established by the French in Hanoi, were transferred intact to the DRV. These collections, now part of the Historical Museum, contain artifacts and related material from archaeological discoveries in Thanh Hoa and Yen Bay, including a

2,500-year-old burial boat and an excellent array of bronze implements. Hanoi's National Art Gallery includes a folk-art collection and Vietnamese Bronze Age artifacts. Notable also is the Museum of the Revolution, grouping memorabilia of Vietnam's struggle for independence from the French since the early 1900s. The Army Museum, housed in the Hanoi Citadel, contains a collection of weapons and documents concerning the Indochina war. The Vietnamese Fine Arts Museum (1966) houses exhibits on the decorative and applied arts, and folk and modern art. The architecture of religious edifices and former Vietnamese imperial structures reflect the country's cultural heritage. The Ho Chi Minh City Museum, founded in 1977, has a section devoted to the revolution and another to ancient arts.

#### 45 MEDIA

Vietnam's postal, telegraph, and telephone services are under the Ministry of Communications. The country made significant progress in upgrading its telecommunications system in the 1990s: all provincial switchboards have been digitized and fiberoptic and microwave transmission systems have been extended from the major cities to the provinces. However Vietnam still lags behind its Southeast Asian neighbors. In 2003, there were an estimated 54 mainline telephones for every 1,000 people. The same year, there were approximately 34 mobile phones in use for every 1,000 people.

Hanoi has a strong central broadcasting station, the Voice of Vietnam, boosted by local relay transmitters. Since 1975, almost the entire country has been blanketed by a wired loudspeaker system. Radio programs beamed abroad include broadcasts in Chinese, English, French, Japanese, Spanish, Thai, Bahasa Indonesia, Russian, Khmer, and Lao, and there are special broadcasts to mountain tribes. Television was introduced into the RVN in 1966, and an extensive service, reaching some 80% of the population, was in operation by the early 1970s. A pilot television station was inaugurated in the DRV in 1971. Many of the major cities now have television stations, all under the guidance of the Ministry of Information, which replaced the State Committee for Radio and Television in 1987. As of 1999, there were 65 AM and 7 FM radio stations. In 1998, there were seven television stations. In 2003, there were an estimated 109 radios and 197 television sets for every 1,000 people. The same year, there were 9.8 personal computers for every 1,000 people and 43 of every 1,000 people had access to the Internet. There were 10 secure Internet servers in the country in 2004.

Most newspapers in the south were shut down by the PRG in 1975, but some papers that had been sympathetic to the NLF/DRV cause were allowed to continue publication. All press is strictly controlled by the Ministry of Culture and Information. Principal Vietnamese dailies (with their affiliation and estimated 2002 circulation) are: *Nhan Dan* (Communist Party, 200,000), *Quan Doi Nhan Dan* (army, 60,000), *Hanoi Moi* (Communist Party, 35,000), and *Saigon Giai Phong* (Communist Party, 100,000). The English-language *Saigon Times* was established in 1995.

Even though the constitution provides for freedom of speech and of the press, the government places major restrictions and regulations on all media and prison time for violators is not uncommon.

#### 46 ORGANIZATIONS

The principal mass organization is the Fatherland Front, which merged in January 1977 with the National Liberation Front and with the Vietnam Alliance of National, Democratic, and Peace Forces. The Fatherland Front draws up single slates of candidates in all elections and seeks to implement the political, economic, and social policies of the Communist Party.

Other organizations that form part of the Fatherland Front are the Peasant Union, with some five million members; the Ho Chi Minh Communist Youth Union, with four million members; and the Vietnamese Women's Union, with 11.4 million members. Industrial and commercial enterprises are represented by the Chamber of Commerce of the SRV in Hanoi.

There are some professional organizations that also serve to promote education and research in specific fields, such as the Chemical Society of Vietnam and the Vietnam Medical Association. There are several charitable organizations, primarily those representing aid from other countries or other major international organizations, such as the Red Cross and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

Vietnam possesses a number of historic and scenic areas of interest to tourists. In the north, the beauty of Ha Long Bay, with its countless grottoes and rock spits jutting vertically into the sea, is well known. Hanoi itself, with its historical monuments, its lakes and pagodas, and its extensive French colonial architecture, is extremely picturesque. Hotel facilities are improving in the larger areas and in some resorts.

In 1986 and 1987, the government made plans to expand international and domestic airline service, double hotel capacity in the major cities, simplify the complicated visa restrictions, and grant shore leave passes to passengers on cruise ships stopping at Vietnamese ports. As a result of these measures, tourism grew rapidly. From 20,000 tourists in 1986, visitor arrivals rose to 450,000 in 1992 and 1,715,637 in 1997. In 2000, about 2,140,000 foreign visitors arrived in Vietnam. That year there were 66,700 hotel rooms with 120,800 beds and an occupancy rate of 50%. All visitors need visas and must register with the government within 48 hours of arrival.

In 2005, the US Department of State estimated the cost of staying in Ho Chi Minh City at \$182 per day. Travel costs in Hanoi were estimated at \$176 per day.

#### 48 FAMOUS VIETNAMESE

Important figures in Vietnamese history include the sisters Trung Trac and Trung Nhi, national heroines who led a revolt (AD 40–43) against China when that nation was imperial master of Tonkin and North Annam; Ngo Quyen, who regained Vietnamese independence from China in 938; Tran Hung Dao, who defeated the forces of Kublai Khan in 1288; Emperor Le Loi, national hero and brilliant administrator, in whose reign the Vietnamese legal code was promulgated in 1407; Emperor Gia Long (d.1820), who reunified Vietnam in the early 19th century; and Le Van Duyet (1763–1832), a military leader who helped the emperor to unify the country.

Phan Boi Chau (1875–1940) was Vietnam's first modern nationalist and, like China's Sun Yat-sen, is claimed by Vietnamese

Communists and nationalists alike as their spiritual leader. Ho Chi Minh ("The Enlightener"), born Nguyen That Thanh (1890–1969), was a man of many other pseudonyms. Ho Chi Minh (1890–1969) was a founding member of the French Communist Party in 1920 and founded the Vietnamese Communist Party in 1930. Often referred to as "Uncle Ho," he was president of the DRV from 1945 until his death. General Vo Nguyen Giap (1912–75), a professor of history turned strategist, organized the first anti-French guerrilla groups in 1944, led the Viet-Minh in its eight-year struggle against France, and defeated the French at Dien Bien Phu; subsequently he served as minister of defense, commander in chief of the army, and vice-premier of the DRV. Truong Chinh ("Long March," 1906–88), the DRV's foremost Communist thinker, was secretary-general of the Vietnamese Communist Party from 1940 until 1956, when he was purged from his post for having mismanaged the land reform; exonerated shortly thereafter, he was president of the Council of State (1981–87). Pham Von Dong (1908–2000), a member of the nobility, joined the Vietnamese revolutionary movement at its inception and became minister of foreign affairs in 1954, premier of the DRV in 1955, and premier of the SRV in 1976; he resigned in 1987. Le Duan (1907–86), first secretary of the Communist Party, presided over Vietnam's reunification and the formation of the SRV. Le Duc Tho (1911–90), a member of the Communist Party Politburo but with no post in the government, was the DRV's chief negotiator in talks that led to the 1973 Paris Peace Agreement; for his role, Le shared with US Secretary of State Henry Kissinger the 1973 Nobel Peace Prize.

Prominent political figures in the formation of the RVN included Bao Dai (Nguyen Vinh Thuy; b.France, 1913–97), who had served as nominal emperor of Annam under the Japanese and had attempted to form a unified national government after the war, and Ngo Dinh Diem (1901–63), who served as president of the RVN from its founding on 26 October 1955 until his overthrow and death in November 1963. Nguyen Cao Ky (b.1930), an RVN air force commander, took control of the government in the coup of June 1965. General Nguyen Van Thieu (1923–2001) was elected president of the RVN in the elections of September 1967 (with Ky as his vice presidential running mate), an office he retained until the RVN's defeat in 1975. Both Thieu and Ky left the country in 1975, Thieu taking up residence in Taiwan and Ky in the United States. The new leadership in the south, following the 1975 NLF victory, was headed by Pham Hung (1912–88), chairman of the southern wing of the Communist Party since 1967; Huynh Thanh Phat (1913–89), the PRG premier, who later became a member of the Council of State; and Nguyen Thi Binh (b.1927), the PRG's foreign affairs minister who had headed the NLF delegation at

the Paris talks and who also became a Council of State Member. Pham Hung became premier of the SRV in 1987, and Vo Chi Cong (b.1913?) became president of the Council of State. Nguyen Van Linh (1915–98) became general secretary of the Communist Party in December 1986.

The 13th-century writer Nguyen Si Co is regarded as one of the first truly Vietnamese authors; he is best known for his collection titled *Chieu Quan Cong Ho*. Other leading literary figures are two 15th-century poets, Ho Huyen Qui and Nguyen Binh Khien; the latter's collection, *Bach Van Thi Tap*, is a classic of Vietnamese literature. Nguyen Du (1765–1820) wrote a famous novel in verse, *Kim Van Kieu*. Hoang Ngoc Phach, who wrote the romantic novel *To Tam* (1925), is credited with the introduction of Western literary standards into Vietnamese literature. Duong Thu Huong (b.1947) is a contemporary Vietnamese author and political dissident; her first two books were published in Vietnam, but subsequent novels were only published abroad.

#### 49 DEPENDENCIES

Vietnam has no territories or colonies.

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# YEMEN

Republic of Yemen  
*Al-Jumhuriyah al-Yamaniyah*



**CAPITAL:** Ṣanʿā

**FLAG:** The national flag is a tricolor of red, white, and black horizontal stripes.

**ANTHEM:** *Al-Watani (Peace to the Land)*.

**MONETARY UNIT:** The Yemeni riyal (YR) is a paper currency of 100 fils. There are coins of 1, 5, 10, 25, and 50 fils and notes of 1, 5, 10, 20, 50, and 100 riyals. YR1 = \$0.00519 (or \$1 = YR192.67) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is being introduced, but local measures remain in common use.

**HOLIDAYS:** Labor Day, 1 May; Day of National Unity, 22 May; National Day, 14 October; Independence Day, 30 November. Movable Muslim holidays include Laylat al-Miraj, 'Id al-Fitr, 'Id al-'Adha, Milad an-Nabi, and 1st of Muharram.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Yemen is located in the southern part of the Arabian Peninsula. It is slightly larger than twice the size of the state of Wyoming with a total area of 527,970 sq km (203,850 sq mi). Yemen shares boundaries with Saudi Arabia on the n, Oman on the e, Gulf of Aden on the s, and the Red Sea on the w, and has a total land boundary length of 1,746 km (1,085 mi) plus a coastline of 1,906 km (1,184 mi).

## <sup>2</sup>TOPOGRAPHY

The topography of Yemen features a narrow coastal plain backed by flat-topped hills and rugged mountains. Dissected upland desert plains in the center of the country slope into the desert interior of the Arabian Peninsula. The highest known point is the summit of Jabal Hadhur, rising 3,760 m (12,336 ft) above the Red Sea coast. The western part of the country contains fertile soil in its highland plateaus which rise from about 1,200 to 3,000 m (4,000 to 10,000 ft). A system of wadis drain mountain slopes into the desert and into the Gulf of Aden.

In December 2004, an earthquake centered in the Indian Ocean caused a tsunami that affected many of the nearby countries. There were only two confirmed deaths in Yemen, but damage to coastal fishing villages and businesses was severe.

## <sup>3</sup>CLIMATE

Extreme humidity combines with high temperatures—as high as 54°C (129°F) in the shade—to produce a stiflingly hot climate. Winds blowing northwest in summer and southwest in winter bring little rain but cause severe sandstorms. During January and February, however, the temperature averages about 20°C (68°F). The climate of the highlands is generally considered the best in Arabia. Summers are temperate and winters are cool, with some frost. Temperatures vary from 22°C (72°F) in June, the hottest month, to 14°C (57°F) in January. Rainfall in the highlands ranges from 41 cm (16 in) at Ṣanʿā to 81 cm (32 in) in the monsoon area

of the extreme southwest. The average year-round temperature at Ṣanʿā is 18°C (64°F).

## <sup>4</sup>FLORA AND FAUNA

Vegetation is sparse along the coast, but in the highlands and wadis, it is plentiful. Acacia, date palm, and many fruit trees are common. Many varieties of grapes are cultivated. Custard apple, euphorbia, and spurge grow in abundance. Alpine roses, balsam, basil, wild elder, and Judas tree are among the flowers and herbs. Wild mammals include the baboon, gazelle, leopard, and mountain hare. Scorpions and millipedes are everywhere, but snakes are less common. Many varieties of birds are found, including the bustard, hawk, vulture, raven, parrot, hornbill, honeysucker, and weaver finch. More than 27,000 varieties of insects and over 600 specimens of flowering plants have been collected in Yemen. There are at least 66 species of mammals and 93 species of birds found throughout the country.

## <sup>5</sup>ENVIRONMENT

Yemen's main environmental problems have long been scarcity of water, soil erosion, and desertification. Water pollution is a problem due to contaminants from the oil industry, untreated sewage, and salinization. The nation has 4 cu km of renewable water resources with 92% of annual withdrawals used for farming activity and 1% for industrial purposes.

Natural forests in mountainous areas have been destroyed by agricultural clearing and livestock overgrazing. The National Environmental Council, established in 1976, disseminates information on conservation. In response to the nation's environmental needs, the government of Yemen has created laws governing the use of the country's water supply. Law Number 42 (1991) protects water and marine life.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 6 types of mammals, 14 species of birds, 2

types of reptiles, 1 species of amphibian, 11 species of fish, 2 types of mollusks, and 159 species of plants. Endangered species include the northern bald ibis, the South Arabian leopard, slender-billed curlew, and two species of turtle (green sea and hawksbill). Queen of Sheba's gazelle and the Saudi Gazelle have become extinct in the wild.

## 6 POPULATION

The population of Yemen in 2005 was estimated by the United Nations (UN) at 20,727,000, which placed it at number 51 in population among the 193 nations of the world. In 2005, approximately 4% of the population was over 65 years of age, with another 46% of the population under 15 years of age. There were 103 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 3.3%, a rate the government viewed as too high. Yemen's fertility rate, at 6.8 births per woman, is among the highest in the world. The projected population for the year 2025 was 39,644,000. The overall population density was 39 per sq km (102 per sq mi), with most of the population concentrated in the Tihama foothills and central highlands of Yemen. Most of southern Yemen is very sparsely populated.

The UN estimated that 26% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 5.15%. The capital city, *Ṣanāʿ*, had a population of 1,469,000 in that year. Other large cities and their estimated populations include *Taʿizz* (2,363,000), *Al Ḥudaydah* (Hodiedah) (2,004,049), and *ʿAden* (568,700), the chief port.

## 7 MIGRATION

There were 1,168,199 citizens of Yemen working abroad in 1986. Most were working in Saudi Arabia and other Gulf states. When Yemen took Iraq's side in the war that followed its 1990 annexation of Kuwait, Saudi Arabia effectively expelled an estimated 800,000–1,000,000 Yemeni workers by revoking their work privileges. These workers had been sending home some \$3 billion a year in remittances.

Many people from the Wadi Hadramawt in southern Yemen have worked abroad in East Africa, India, and Indonesia for centuries. Following independence and the establishment of a leftist regime in the PDRY, more than 300,000 people fled to the north, including about 80,000 Yemenis from the YAR, and virtually all minority groups left the country. Subsequent political upheavals resulted in further emigration.

In 1992 more than 60,000 Yemenis returned from the Horn of Africa, chiefly because of turmoil in Somalia. In 1998 and 1999, Yemen experienced a significant influx of Somali asylum seekers, who fled their country for economic reasons. They were accommodated in a refugee camp in *Al Ghahain*, near *ʿAden*, supervised by the UN High Commissioner for Refugees (UNHCR). As of 2004, there were 66,384 refugees in Yemen, most from Somalia, and 2,270 asylum seekers and 39 returned refugees.

The net migration rate in 2005 was estimated as zero migrants per 1,000 population, a significant decline from 9.8 per 1,000 in 1990. Worker remittances in 2002 amounted to \$1.2 billion. The government viewed the immigration level as too high, but the emigration level as satisfactory.

## 8 ETHNIC GROUPS

Since independence, the population has been almost entirely Arab. However, there are Afro-Arab concentrations in western coastal locations, South Asians in southern regions, and small European communities in major metropolitan areas. Many ethnologists contend that the purest "Arab" stock is to be found in Yemen. Classified as Joktanic Semites, the Yemenis claim descent from Himyar, great-grandson of Joktan, who, according to the book of Genesis, was descended from Shem, the son of Noah. Yemenis were prominent in the early armies of Islam and thus helped to Arabize much of the Middle East. The Tihama has been subjected to occupation and infiltration by many conquerors, and its people show significant admixtures of other racial types, including Negroid peoples. About 2–5% of the population are Akhdam, a group that is considered to be the lowest social class. This group faces a greater level of poverty and social discrimination than some other minorities. The history of the Yemenite Jews predates by centuries the Islamic Hijra (AD 622). How they came to settle in the region has not been determined.

## 9 LANGUAGES

Arabic, the national language, is spoken in a variety of dialects. In vocabulary and other features there is a considerable difference between the classical language used for writing and formal speaking and the spoken dialect used for ordinary discourse. Traces of the ancient South Arabian languages spoken prior to the coming of Muhammad appear in the dialects of the more remote districts of southern Yemen. *Mahri*, a rare and relatively unstudied language of unknown origins, is spoken in the east. English is widely understood in the former PDRY.

## 10 RELIGIONS

The Republic of Yemen is officially a Muslim country. Almost all of the inhabitants are Sunnis of the *Shafʿi* school, one of the four major schools of Islamic law. They reside chiefly in the coastal plains and the southwestern part of the country. Most of those remaining are Shias of the *Zaydi* sect, who live in the highlands. This sect, originating in the 9th century, takes its name from *Zayd bin ʿAli* (d.740), a descendant of Muhammad, and doctrinally is very close to Sunni Islam. In addition, there is a small minority of *Ismailis*, members of another Shia sect.

Nearly all of the country's once sizable Jewish population has emigrated. There are no legal restrictions on the few hundred who remain, although there are traditional restrictions on places of residence and choice of employment. About 500 Jews live in the villages between *Ṣanāʿ* and *Ṣādah* in northern Yemen. There are also small Christian and Hindu communities. In remote areas there is still evidence of shamanism, animism, and other indigenous forms of religion.

The constitution provides for freedom of religion, but the government does enforce some restrictions. Conversion of Muslims to other religions is punishable by death; non-Muslims are prohibited from proselytizing and holding public office.

## 11 TRANSPORTATION

Through the 1950s, Yemen's transportation system consisted of a few primitive mud tracks connecting the larger towns. Then, in



LOCATION 12°41' to 17°32' N; 42°32' to 53°5' E. BOUNDARY LENGTHS: Oman, 288 kilometers (179 miles); Saudi Arabia, 1,458 kilometers (907 miles); coastline, 1,906 kilometers (1,183 miles).

1961, technicians from China completed a 224-km (139-mi) road between Ṣan'ā' and Al Ḥudaydah, the country's first asphalt highway. Seven years later, the United States finished the 386-km (240-mi) highway linking Ṣan'ā', Ta'izz, and Al-Mukha; the USSR completed a road from Ta'izz to Al Ḥudaydah in 1969. Other paved roads extend from Ṣan'ā' to Ma'rib, from Ṣan'ā' to Sa'idah, from Ta'izz to At-Turba, from the Ṣan'ā'-Ta'izz highway to Al Baydā, and from Ta'izz to Aden (Adan). A direct link between Ṣan'ā' and Wadi Hadhramaut via Marib was completed in 1999. By 2002, Yemen had about 69,263 km (43,040 mi) of roadway, of which only 9,963 km (6,191 mi) were paved. In 2003, passenger cars numbered 290,208, while there were 331,410 commercial vehicles. There are no railways or waterways in Yemen.

Improvements to the main port of Al Ḥudaydah have expanded berthing, storage, and handling facilities and increase cargo capac-

ity to 1,750,000 tons annually. Other ports are Al-Mukha, Aden, and Salif, which have sheltered harbors and deepwater berths capable of taking 10,000-ton ships. In 1999 the 'Aden Container Terminal opened with further expansion plans underway. In 2005, Yemen had a merchant fleet of five ships of 1,000 GRT or more, totaling 19,766 GRT.

Progress in air transportation has been rapid in recent years. In 2004 there were an estimated 44 airports, 16 of which had paved runways as of 2005. The principal airfield, capable of handling modern jet aircraft, is Ar-Rahba International Airport, north of Ṣan'ā'. There are smaller international airports at Al Ḥudaydah, Ta'izz, and Aden. 'Aden International Airport was renovated and Ṣan'ā's renovation was scheduled for late 2001. Yemen Airways (Alyemda), the national airline, operates services between Ṣan'ā', Ta'izz, Al Ḥudaydah, and Al-Bayda and also schedules flights to

Egypt, Ethiopia, Kuwait, Saudi Arabia, and the United Arab Emirates. The airline carried about 844,000 passengers in 2003.

## 12 HISTORY

Classical geographers divided Arabia into three regions: Arabia Petraea ("rocky"), Arabia Deserta ("deserted"), and Arabia Felix ("fortunate"). The last, the southwestern corner, included the territory now occupied by Yemen. The region was the site of a series of rich kingdoms that dominated world trade. The wealthy kingdom of Sheba (or Saba), with its capital at Ma'rib, is the best known of the South Arabian kingdoms. The prosperity of this kingdom (10th to 2d centuries BC) was based on the spice and incense trade. Competition from new trade routes undermined Sabaean prosperity and caused the kingdom to decline. From the 2d century BC to the 6th century AD, the Himyarite dynasty, of ethnic stock similar to that of the Sabaean, ruled in Arabia Felix, and paganism gradually gave way to Christianity and Judaism.

The Himyarite hegemony was ended in 525 by invading Christian Ethiopians, whose rule lasted until 575, when they were driven out by Persian invaders. Islam was accepted in the next century, and Yemen became the battleground of Muslim religious factions. The coastline (Tihama) was held by the Sunnis of the Shafi'i School, while the highlands were controlled by the Zaydis, a Shia sect.

In the 9th century, a Zaydi ruler, Yahya al-Hadi ila'l Haqq, founded a line of imams that survived until the second half of the 20th century. Nevertheless, Yemen's medieval history is a tangled chronicle of contesting local imams. The Fatimids of Egypt helped the Isma'ilis maintain dominance in the 11th century. Saladin (Salah ad-Din) annexed Yemen in 1173. The Rasulid dynasty (Kurdish and Turkish in origin) ruled Yemen, with Zabid as its capital, from about 1230 to the 15th century. In 1516, the Mamluks of Egypt annexed Yemen; but in the following year, the Mamluk governor surrendered to the Ottoman Turks, and Turkish armies subsequently overran the country. They were challenged by the Zaydi imam Qasim the Great (r.1597–1620) and expelled from the interior around 1630. From then until the 19th century, the Ottomans retained control only of the coastal area, while the highlands generally were ruled by the Zaydi imams.

Early in the 19th century, Yemen was overrun by Wahhabis, but in 1818, Ibrahim Pasha, the son of Muhammad 'Ali of Egypt, drove them out of Yemen and reestablished Zaydi control. Egyptian troops occupied the main ports of Yemen until 1840, when they were withdrawn. The Zaydi imams recognized Ottoman suzerainty and paid a large annual subsidy to the Ottoman sultan. After 1840 the situation was anarchic, and law and order in any form was not reestablished until 1872, when the Ottomans again occupied Şan'a and consolidated their control. The northern mountains remained under the control of Zaydi imams from the Hamid ad-Din family. The Ottomans kept a large force in Yemen during World War I, but under the armistice terms evacuated it in 1918 and Yemen became independent.

In 1834 the British had occupied 'Aden as a coaling station on the route to India; the importance of the territory was substantially increased with the opening of the Suez Canal in 1869.

To protect its foothold in 'Aden the United Kingdom had signed a treaty of "protection and advice" with rulers of the tribes and states in the hinterland, leading to the adoption of the names

Western Aden Protectorate (WAP) and Eastern Aden Protectorate (EAP). As long as northern Yemen remained at least nominally a part of the Ottoman Empire, relations on the frontier between the United Kingdom (in the WAP and EAP) and the Turks (in Yemen) were relatively peaceful.

During World War I the British supported the Idrisi tribe's attempt to establish itself in Yemen. In 1919 the United Kingdom occupied Al Ḥudaydah, which came into Idrisi hands when the British withdrew in 1921. The Zaydis, now led by Imam Yahya ibn Muhammad Hamid ad-Din, who had become imam in 1891, waged an armed struggle against the Idrisis that ended when Imam Yahya seized Al Ḥudaydah in 1925. The imam also sought to move into the states of the Western Aden Protectorate in an attempt to reestablish his suzerainty in these territories formerly held by the Yemenis. The Idrisis came under the protection of King Ibn Sa'ud, and in 1934, a war broke out between the Saudis and Yemenis. By the Treaty of Ta'if (May 1934), Yemen lost 'Asir to Saudi Arabia but won British and Saudi recognition of its independence. However, incursions by the Imams against the UK protectorate in 'Aden continued until 1962.

In 1959 the United Kingdom formed the six WAP states into the Federation of Arab Emirates of the South, with others joining later. The inhabitants of 'Aden, who were more politically and economically advanced than those of the protectorates, opposed adherence to the federation. Nevertheless, 'Aden in 1963 was merged into the federation, which then became known as the Federation of South Arabia.

The dispute over the future form and direction of this new political entity, as well as over which other states would join it, resulted in several years of factional violence, as various political parties, labor organizations, and other groups struggled for political ascendancy. Finally, in 1967, the National Liberation Front (NLF) emerged as the strongest political group, and the United Kingdom agreed to negotiate with it concerning future independence. On 30 November 1967 all the states of the WAP and EAP were amalgamated, the last British soldiers withdrew, and the NLF declared the independence of the People's Republic of South Yemen. On 22 June 1969 the head of the NLF, Qahtan ash-Sha'bi, was deposed by a group of young leftists of the NLF. The new regime, headed by a five-man council, renamed the country the People's Democratic Republic of Yemen (PDRY), developed close ties with the USSR, and secured economic aid from it and China. A further political alignment occurred in 1971, when Salim Rubaya 'Ali became head of state and 'Abd al-Fattah Isma'il was named head of the party, in an uneasy rivalry. In 1978 Isma'il, the head of the Yemen Socialist Party (YSP), formerly the NLF, overthrew and executed President 'Ali and assumed the presidency. Isma'il resigned his position in 1980, ostensibly for reasons of health, and went into exile. 'Ali Nasir Muhammad al-Hasani, the prime minister, assumed the presidency.

Meanwhile, Yemen joined the League of Arab States in 1945, and in 1958, it formed a federation, the United Arab States, with the newly established United Arab Republic (UAR). In December 1961 however, the pro forma federal connection with Egypt was severed, and in September 1962 the government of Imam Muhammad al-Badr, only a few days old, was overthrown by revolutionary forces led by Brigadier (later Marshal) 'Abdallah as-Sallal. He proclaimed himself president and commander-in-chief of the

army and declared the establishment of the Yemen Arab Republic. Badr escaped to the northern regions of the YAR, where he organized a counterrevolutionary force.

A civil war between the royalists (defenders of the imamate) and the republican government broke out, and appeals by both sides for support brought about the active intervention of other Arab states. Saudi Arabia supported the royalist cause, and the UAR came to the assistance of the republic, dispatching up to 70,000 troops to the YAR; fighting was particularly bitter during the winter of 1963–64. Eventually the conflict subsided, as the Saudis curtailed their aid to the royalists and the Egyptians to the republicans. Sallal was deposed in November 1967 and replaced by a Republican Council. Talks between republican leaders and Saudi Arabia in March 1970 at Jiddah concluded with an agreement that ended the civil war and left the republicans in control.

In June 1974 'Abd ar-Rahman al-Iryani (who had been president since 1967) resigned, thrusting the country into a state of political confusion. By the end of the year Lieutenant Colonel Ibrahim Muhammad al-Hamdi had emerged as president, heading a government with powers of centralized control that were progressively strengthened. Hamdi was assassinated by unknown assailants in October 1977. His successor, Colonel Ahmad ibn Hussein al-Ghashmi, who formed a civilian government and established the Constituent People's Assembly, met a similar fate in June 1978, in a bomb blast in which PDRY involvement was suspected. Lieutenant Colonel 'Ali 'Abdallah Saleh thereupon became president. In 1982, he inaugurated the General People's Congress as an instrument for popular political mobilization.

Since independence, the PDRY was embroiled in conflicts with all three of its neighbors. A separatist movement was supported in Oman; there were border skirmishes with Saudi forces in 1969 and 1973; and the PDRY fought a brief war with the YAR in February–March 1979. The war ended with a truce, mediated by the Arab League, and with an agreement in principle to seek unification of the two Yemens. On 13 January 1986 PDRY President Muhammad attempted to eliminate his rivals within the YSP. A number of officials were killed, including Isma'il, and Muhammad was forced into exile, along with thousands of his followers. A civil war ensued during the following two weeks, in which about 4,200 died and the supporters of Muhammad were defeated. Haydar Abn Bakr al-'Attas, the prime minister, took over as acting president; Dr. Yasin Sa'id Nu'man was appointed prime minister, and 'Ali Salim al-Bayd was chosen as the new head of the YSP. President al-'Attas was officially elected in November 1986.

In late 1981 a constitution for the two Yemens was drafted. However, implementation was hampered by the continuing insurgency against President Saleh by the leftist National Democratic Front (NDF), which was based in, and reportedly aided by, the PDRY. Saleh was able to defeat the NDF militarily in 1982. Movement toward unification was maintained in repeated declarations and meetings through 1985, but no real progress was achieved. The January 1986 civil war in the PDRY set back relations between the two countries, particularly since 50,000 refugees fled the YAR, but both governments subsequently reaffirmed their commitment to unity.

In 1989 the leaders of the YAR and PDRY approved the 1981 draft constitution and their legislatures ratified it on 21 May 1990. The unified Republic of Yemen was proclaimed the following day.

In the May 1990 election, 121 seats were won by the northern General People's Congress, 62 by Islaah (an Islamist and tribalist party), 56 by the southern Yemeni Socialist Party, 47 by independents, and 15 by five other parties. On 22 May 1990 Ali Abdullah Saleh became the president of Yemen and Haidar Abu Bakr al-Attas the first prime minister, serving until 9 May 1994. A 30-month transition period was set for unifying the different political and economic systems. The army, police, and civil service were not integrated as planned, however. Meanwhile, the economy was hard hit by the consequences of Yemen's support for Iraq after the Kuwait invasion. It is estimated that Saudi Arabia expelled between 800,000 and one million Yemeni workers, thus depriving Yemen of some \$3 billion in foreign exchange. In addition, the Saudis and Gulf states ended \$2 billion in foreign aid. Unemployment in Yemen reached 30%.

Free and fair parliamentary elections were held in April 1992 with President Saleh's General People's Congress (GPC) barely missing a majority victory. A three-party coalition was formed but foundered in late 1993 when Vice President Ali al-Beidh of the Yemen Socialist Party boycotted meetings. Although the quarrel appeared to be patched up with an agreement in February 1994, fighting broke out in May of that year. In a few months, thousands of casualties had been suffered; tribes, clans, and militias were engaged in seeking their own selfish goals and the city of 'Aden was under siege. Some observers attributed the civil conflict to the recent discovery of massive oil reserves in the south and to Saudi Arabia's interest in weakening Yemen by promoting the breakup of the union. The future looked bleak, despite efforts of the UN and some Arab states to promote peace. Meanwhile, on 9 May 1994 Muhammed Said al Attar became acting prime minister until 6 October 1994 when Abdel Aziz Abdel Ghani took office.

Although bloody, the civil war was short-lived, with the north having subdued the rebellious south by July. Restoring civil order was difficult, especially in light of the dire economic straits faced by the country, which in 1995 had 70–90% inflation and a deficit of 17% of GDP. The IMF and World Bank stepped in after the war and instituted structural adjustment programs which brought inflation down below 10%.

In 1997 parliamentary elections were scheduled for May and it was expected that Saleh's GPC would retain its sizable majority. The international community expressed skepticism as to the fairness of the elections but, in the context of the Persian Gulf, they were expected to be reasonably fair. Notably, the YSP, representing the defeated south, announced that it would boycott the elections in protest of the GPC's collusion with Islaah, a tribal and Islamist party, to rig the elections. Saleh maintained the presidency and on 14 May 1997 Faraj Said Bin Ghanem became the new prime minister. On 29 April 1998 Bin Ghanem resigned and Abdel Karim al-Iriani became acting prime minister. In September 1999 President Ali Abdullah Saleh was reelected in Yemen's first direct presidential election. The YSP boycotted the election. Charges of fraud were made by the opposition with allegations of underage voting, multiple balloting, and unauthorized submission of ballots by absentee voters.

Yemen's history of kidnappings, over 100 Westerners the first six years of the 1990s, continued through 2000. In the past the kidnappings were economically motivated, i.e., Yemeni tribesmen asking for money. Later, others appeared ideological—Mus-

lims demanding the release of prisoners held by another Muslim group. Kidnappings damaged Yemen's economy by their impact on its tourist industry. Falling world oil prices also hit Yemen hard since oil accounts the vast majority of Yemen's exports. Yemen attempted to increase economic productivity with a campaign against qat (khat) chewing. Qat is a mild indigenous narcotic plant customarily chewed by some 75% of the Yemeni population. In August 1999 the government led by President Saleh, himself a qat user, launched a campaign to reduce qat usage by swearing off qat and encouraging others to follow his example. Anti-qat campaigns have been politically treacherous as former prime minister Mohsin al-Aini was ousted in 1972 after attempting to stamp out qat-chewing.

On 12 October 2000, two suicide bombers detonated a small boat containing explosives alongside the USS *Cole* as it was refueling in Aden harbor. Seventeen US sailors were killed and 39 others were wounded. Al-Qaeda leader Osama bin Laden praised the attack. Bin Laden, whose father was of Yemeni origin, had been indicted by the United States for the 1998 bombings of the US embassies in Kenya and Tanzania that killed 224 people. In the aftermath of the 11 September 2001 terrorist attacks on the United States, attributed to al-Qaeda, the United States focused attention on governments in the world responsible for harboring and supporting terrorists. Since 1992, the United States has alleged that bin Laden and al-Qaeda targeted US military forces in Yemen, and that al-Qaeda has formed alliances with jihad groups in Yemen. In June 2001, Yemeni officials arrested 9 men believed to be affiliated with the Islamic Army of Aden, a fundamentalist group linked to bin Laden, for the 2000 attack on the *Cole*. The group was responsible for kidnapping 16 Western tourists in December 1998; four of the hostages were killed in a gun battle between the group and Yemeni government troops. The Islamic Army of Aden advocates the imposition of Islamic law in Yemen, is against the United States or other Western states using Yemeni ports or bases, and supports the lifting of international sanctions against Iraq.

In November 2001, President Saleh met with US President George W. Bush, assuring him that Yemen was a partner in the war on terrorism. In December, Yemen detained some 80 foreign students and teachers from an Islamic fundamentalist institute in the Marib province, where Yemeni special forces were searching for al-Qaeda suspects. In February 2002, Yemen expelled more than 100 foreign Islamic scholars, including British and French nationals, in an effort to curb the spread of terrorism. Scores of prisoners being held by the United States as a result of its 2001–02 campaign in Afghanistan are natives of Yemen. In March 2002, the United States was finishing plans to send hundreds of US Special Forces to Yemen, to “advise and assist” Yemeni forces combating armed groups affiliated with al-Qaeda.

On 6 October 2002, the French oil tanker *Limburg* was the target of a terrorist attack in the Gulf of Aden, which killed one crew-member and released 90,000 barrels of oil. An explosives-laden boat hit the tanker, in an attack that was similar to the one on the USS *Cole*. On 3 November, a US CIA-controlled unmanned Predator surveillance plane fired a Hellfire missile into a car in northwest Yemen, killing six al-Qaeda operatives, including Qaed Salim Sunian al-Harethi, considered to be Osama bin Laden's chief operator in Yemen. Al-Harethi was also a suspect in the 2000 bombing of the *Cole*. President Saleh called on al-Qaeda members to

renounce violence and turn themselves in to face trial in Yemen, as opposed to being turned over to the United States.

In December 2002, a North Korean freighter disguised as a Cambodian ship was intercepted in the Arabian Sea and seized at gun point by the US Navy and Spanish marines; the vessel was carrying a shipment bound for Yemen of 15 Scud missiles, warheads, and an agent used in Scud fuel. President Bush ordered the shipment released after concluding the Yemen-North Korean deal was concluded on a legal basis. Also in December, a Yemeni Muslim extremist killed three American doctors and wounded a pharmacist by opening fire in a Baptist hospital in the town of Jibla.

On 20 February 2001, Yemen amended its constitution to extend the presidential term of office from 5 to 7 years, and to reorganize the bicameral parliament. The referendum was passed by 73% of the voting population. Also in February, municipal elections were held for the first time.

In the summer of 2004, government forces battled supporters of an anti-American Shia cleric, Hussein al-Houthi, in the northern part of the country. Estimates of the dead ranged from 80 to 600. According to the government, Al-Houthi's group, called “Believing Youth,” attempted to model itself after Lebanon's Hezbollah, and receives foreign funding. In September 2004, government forces killed al-Houthi. However, from March to May 2005, fighting resumed between government troops and supporters of the slain al-Houthi; more than 200 people were killed. In May, President Saleh announced the leader of the rebellion in the north agreed to renounce the campaign in exchange for a pardon, but some fighting continued, including in the capital Ṣan'ā'.

In July 2005, scores of people across the country were killed in clashes between police and demonstrators protesting a reduction in fuel subsidies. Tanks were deployed in Ṣan'ā'. The poor were most affected.

### 13 GOVERNMENT

The 1970 YAR constitution affirmed Islamic law as the basis of all legislation and established the unicameral Consultative Assembly as the supreme legislative body. The assembly was authorized to name the president and to appoint the ruling Executive Council. In the first national elections, held in 1971, voters selected 119 members of the Consultative Assembly; the president appointed the 40 remaining members. This body was dissolved in 1974, and in 1978, the Constituent People's Assembly replaced it, with 99 members elected and 60 members appointed by the president for a two-year term.

In the General People's Congress (GPC), created in 1982, 700 of the 1,000 members were elected, with the other 300 appointed by the government. Between meetings (held every two years), the GPC's affairs were to be handled by a 75-member standing committee. The president, elected by the Constituent People's Assembly for a five-year term, served as secretary-general of the GPC and commander-in-chief of the armed forces and appointed the prime minister and a ministerial council.

The 1970 constitution of the PDRY was ratified by the general command of the United Political Organization–National Front, which later became the Yemen Socialist Party (YSP). The Supreme People's Council, which had 111 members elected by universal suffrage at age 18, enacted laws; elected a Presidium and its chairman, who served as head of state; and chose the prime minister

and the Council of Ministers. The YSP apparatus and the organs of government were closely intertwined.

The 1990 unity constitution established a political system based on free, multiparty elections. During the transitional period a presidential council was created with five members, three from the North and two from the South, to oversee executive operations. The council appointed a prime minister who picked a 38-member cabinet. A 301-member parliament was also formed, with 159 members chosen from the North, 111 from the South, and 31 at large. Constitutional amendments in 1994 eliminated the presidential council, and provided that the president would be elected by popular vote from at least two candidates selected by the legislature. In 1999, Yemen held its first direct presidential elections.

Legislative elections were again held in 1993, with the GPC maintaining its majority (124 seats). Islaah won 61 seats and the YSP took 55. Independent candidates won 47 and members of the country's dozens of other political/tribal parties took 13 seats. Following the 1994 civil war, the GPC and Islaah formed a unity government. The next parliamentary elections were in April 1997. The GPC maintained its dominance taking 187 of 299 seats. The YSP, the only substantial opposition since the GPC and Islaah joined forces, boycotted the elections, which they said were being managed by the GPC leadership.

On 20 February 2001, new constitutional amendments extended the presidential term of office from five to seven years, and extended the parliamentary term of office to six years. The president may now serve a maximum of two seven-year terms. A bicameral legislature was created, consisting of an upper house, the Consultative Council or Shura Council, with 111 seats appointed by the president; and a House of Representatives composed of 301 members elected by popular vote. The next presidential election was slated for 2006; President Saleh promised he would step down. Suffrage is universal at 18.

## 14 POLITICAL PARTIES

The National Liberation Front, which emerged in 1967 as the strongest faction in the disputes before South Yemen's independence, became the United Political Organization–National Front in 1970 and changed its name to the Yemeni Socialist Party (YSP) in 1978, when two smaller leftist parties were merged with it. This Marxist-Leninist organization, the PDRY's lone political party, was the only group to offer candidates in the 1986 legislative elections and survived to represent southern interests in the unified Yemen.

In preunification north Yemen, political parties in the Western sense played no role. Tribal allegiances were more important political factors. After unity, the northern leader, General Saleh, formed the General People's Congress (GPC), which became the country's largest party. The second-largest bloc in the parliament was held by the Islaah Party (The Yemeni Congregation for Reform), a fusion of tribal and Islamic interests that opposed the unity constitution because it did not sufficiently adhere to Islamic principles. At least 40 smaller parties have been active in the politics of unified Yemen, but the GPC, Islaah, and the YSP are the only ones of national significance. After the 1994 civil war, the GPC and Islaah formed a coalition government to establish civil order.

In the April 1997 legislative election the GPC won a landslide victory and no longer governed in coalition with Islaah. The YSP boycotted the April 1997 legislative election. In addition to these three main parties, the other parties active in the political arena that had fulfilled Yemen's legal procedures to practice political activities were the People's Nasserite Reformation Party, Liberation Front Party, Nasserite Democratic Party, League of the Sons of Yemen, Federation of Popular Forces, National Arab Socialist Baath Party, National Democratic Front, Al Haq Party, Yemen League Party, and the National Social Party. As of 2005, the active parties were GPC, Islaah, Yemeni Socialist Party (YSP), Nasserite Unionist Party, and the National Arab Socialist Baath Party.

In September 1999, Yemen held the first direct presidential elections ever held on the Arabian peninsula. Longtime president Saleh captured 96.3% of the vote; Najeeb Qahtan al-Shaabi, his only opponent, won 3.7% of the vote. Led by the YSP, a coalition of opposition groups boycotted this election. In legislative elections held on 27 April 2003, the GPC won 228 seats in parliament, Islaah 47, YSP 7, Nasserite Unionist Party 3, National Arab Socialist Baath Party 2, and independents 14. The next legislative elections were scheduled for 2009.

## 15 LOCAL GOVERNMENT

The YAR was divided into 11 governorates (*muhafazat*), each headed by a governor. Each governorate contained a varying number of sectors (*nawahi*). Traditional divisions still extant included the *uzlah*, a group of villages (*qura*) of people who belong to the same tribe, headed by a sheikh; and the *mahall*, a group of houses administratively subordinate to a village. The central government retained ultimate authority over local officials, although certain administrative sanctions were granted to traditional local rulers.

In an effort to de-emphasize older loyalties and associations, the PDRY government created a highly centralized state and divided the country into six governorates, all closely controlled by the central authorities. Each had an appointed governor, and each was divided into districts, which were also administered by appointed officials.

The unified government established 17 governorates, subdivided into districts. In the countryside, especially in the north and east, tribal authority is often stronger than formal government institutions. There are 20 governorates, and 326 district municipalities. The government has taken steps to implement decentralization. Municipal elections were held for the first time in February 2001. Authority over local planning, development, and administration is consolidated in municipal councils. The February elections included 26,832 candidates for 6,614 district municipal council seats and over 2,500 candidates for 418 provincial council seats. Those elected served a two-year term.

## 16 JUDICIAL SYSTEM

Under a 1991 decree the separate judicial systems of the former YAR and the former PDRY were unified at the Supreme Court level. A Supreme Judicial Council administers the judiciary, appointing and promoting judges and reviewing policies regarding the structure and functioning of the judicial system. There are courts of first instance, which hear civil, criminal, commercial, and family matters; decisions can be appealed to courts of appeal. The Supreme Court rules on the constitutionality of laws, hears cases

brought against high government officials, and is the last court of appeal for all lower court decisions. The judiciary, especially at the lower levels, is susceptible to pressure and influence from the executive branch. All laws are codified from Shariah, and there are no jury trials. In addition to regular courts, a system of tribal adjudication exists for some noncriminal issues, although the tribal “judges” often hear criminal cases as well.

The former YAR judicial system consisted of Shariah law and courts for criminal and family law areas administered in each district by a hakim and commercial law and courts for business matters. In remote areas, tribal law was applied in tribal courts. The Shariah courts applied Islamic law and litigants could appeal the decision of a *hakim* to another *hakim*, and from him take a final appeal to the *Istinaf*, the highest court of appeal, in *Ṣanāʿ*. Both sets of courts were considered generally fair and impartial. Former YAR state security courts were abolished with unification.

The former PDRY court system was organized in three tiers: magistrate or divisional courts, provincial courts, and military courts. Magistrate courts handled most criminal, juvenile, family, housing, agrarian and other minor civil matters. Provincial courts handled more serious criminal cases, inheritance cases, major civil claims, and appeals from magistrates’ courts. Shariah courts applying Islamic law and tribal courts applying traditional law also existed alongside the modern court system.

## 17 ARMED FORCES

In 2005, the active armed forces of Yemen numbered 66,700. The Army had 60,000 active members, and was equipped with 790 main battle tanks, 130 reconnaissance vehicles, 200 armored infantry fighting vehicles, 710 armored personnel carriers and 1,167 artillery pieces (310 towed). The Navy had 1,700 active personnel. Major naval units included 19 patrol/coastal vessels and 6 mine warfare ships. The Air Force, in 2005 had 5,000 members, including 2,000 air defense personnel. The service had 75 combat capable aircraft, including 41 fighters and 30 fighter ground attack aircraft. The Air Force also had eight attack helicopters. The country’s paramilitary forces totaled 70,000 personnel, which were comprised of 50,000 Ministry of Interior Forces, and tribal levies in excess of 20,000. A coast guard is slowly being established. Yemen’s defense budget in 2005 totaled \$942 million.

## 18 INTERNATIONAL COOPERATION

Yemen was admitted to the United Nations on 30 September 1947; it participates in the ESCWA and several nonregional specialized UN agencies such as the World Bank, the FAO, ILO, UNESCO, UNHCR, UNCTAD, and the WHO. The country is also a member of the Arab Fund for Economic and Social Development, the Arab Monetary Union, the Council of Arab Economic Unity, the Islamic Development Bank, the Arab League, G-77, and the Organization of the Islamic Conference (OIC). Yemen has observer status in the OAS and the WTO.

Yemen is on good terms with both conservative and radical Arab states. The country is part of the Nonaligned Movement, IN environmental cooperation, Yemen is part of the Basel Convention, the Convention on Biological Diversity, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Traditionally an agricultural area, northern Yemen was self-sufficient in food and a net exporter of agricultural product until the Civil War in the 1960s and a prolonged drought in the early 1970s. In the late 1970s and early 1980s many farmers switched from labor intensive food crops to the more profitable cultivation of *qat*, a mild stimulant chewed by many Yemenis that has no significant export market. The economy of southern Yemen developed through foreign assistance (especially from the former USSR). The southern city of Aden, with its port and refinery, is the economic and commercial center of the country. The Yemeni economy depends on imports of wheat, flour, rice, and other foodstuffs. Trade deficits have been offset by remittances from Yemenis working abroad and by foreign aid.

Crude oil is a significant sector of the economy, with exports accounting for over 80% of total exports. In 2004, income from the production and sale of crude oil and natural gas accounted for 72% of total government revenue, which was significantly higher than budgeted income due to higher-than-expected international oil prices. However, with no new significant finds, oil resources could be commercially depleted within 5 to 20 years. Following the unification of the country in 1990, responsibility for development of the oil sector fell to the state-owned general corporation for oil and mineral resources. Civil war in 1994 disturbed output. Oil output has been declining since 1995, and over 200 dry wells have been drilled, suggesting that the industry has passed its peak. In 2005, proven oil reserves totaled 4 billion barrels. Although Yemen’s oil output declined each year from 2003–05, (from 448,288 barrels per day in 2003 to 416,656 barrels per day in the first nine months of 2005) the country hoped to boost output to 500,000 barrels per day in the late 2000s.

When Yemen aligned with Iraq during the Gulf War, Saudi Arabia and the Gulf states, Yemen’s main aid donors and hosts to large numbers of Yemeni workers and their families, ended the Yemenis’ privileged status. The economic impact of lost remittances was estimated at about \$1 billion per year. After the Gulf crisis, Yemen was confronted with high unemployment, lost remittances, halving of US military aid, a sharp cutback in USAID programs, other canceled foreign assistance, and the cost of food imports and social services for the returnees totaling about \$500 million.

Following the civil conflict in 1994, the government began a five-year program in 1995 that removed all controls on the exchange rate and cut the interest rate, as well as initialized trade policy reform, privatization, and the elimination of price controls. The reforms were favorably received by the World Bank and IMF, which agreed to provide aid.

A new liquefied natural gas drilling project promised exploitation of Yemen’s 482 billion cu m (17 trillion cu ft) of gas reserves in subsequent years, although in 2002 US companies ExxonMobil and Hunt Oil withdrew from the project, leaving the French-based company, TotalFinaElf (Total) as the lead investor. However, Hunt later retracted its withdrawal. In 2005, the government approved three liquefied natural gas (LNG) supply agreements for 6.7 million tons per year, with KOGAS, Total, and Tractebel. Yemen subsequently awarded an engineering, procurement, and construction contract for the project. First shipments of LNG could be made available by late 2008, with gas likely to flow to the United States and South Korea.



Gross domestic product (GDP) grew at an average rate of 3.8% from 1988 to 1998. Low oil prices in 1999 held real GDP growth to 3.7% in 1999, and their recovery helped push real growth to GDP to 5.1% in 2000. A stabilization in oil prices combined with declines in the growth of agricultural output, electricity and manufactures, attributable more to the domestic lack of rain than to the global economic slowdown, reduced GDP growth to 3.3% in 2001. Consumer price inflation had fallen to 6% in 1996 and 8% in 1998, but the average from 1999 to 2001 was 11%. An increase to 15.8% inflation was estimated for 2002 reflecting high fuel, electricity, and food prices from both shortages and the lowering or elimination of subsidies.

Yemen's real GDP grew 2.7% in 2004, and was estimated at 2.5% for 2005. In 2005, agriculture made up 13.3% of GDP, industry 47.9% and services 38.8%. Most people are employed in agriculture and herding; services, construction, industry, and commerce account for less than one fourth of the labor force. Yemen is one of the 25 poorest and economically least developed countries in the world with about a third of the population living in poverty. In 2005, the GDP at market exchange rate was \$14.1 billion and \$17.2 billion in purchasing power parity terms (PPP); the per capita GDP (PPP) was \$800. In 2005, the inflation rate was estimated at 9.6%. The unemployment rate was estimated at 35% in 2003. In mid-2005, the government attempted to roll back subsidies on all petroleum products, which led to a 90% increase in the price of gasoline and a 260% increase in the price of diesel fuel; prices on kerosene and cooking gas were also raised. The decision followed sustained pressure on the government from the IMF and World Bank to cut subsidies and introduce a sales tax, with the aim of curtailing government spending. Rioting and demonstrations followed the government's decision to eliminate the subsidies, and 22 people were killed in the violence. In late July 2005, the government rolled back the price increases.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Yemen's gross domestic product (GDP) was estimated at \$17.2 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$800. The annual growth rate of GDP was estimated at 2.5%. The average inflation rate in 2005 was 9.6%. It was estimated that agriculture accounted for 13.3% of GDP, industry 47.9%, and services 38.8%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.270 billion or about \$7 per capita and accounted for approximately 11.5% of GDP. Foreign aid receipts amounted to \$243 million or about \$13 per capita and accounted for approximately 2.4% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Yemen totaled \$7.98 billion or about \$42 per capita based on a GDP of \$11.0 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.9%. In 2001 it was estimated that ap-

proximately 25% of household consumption was spent on food, 26% on fuel, 3% on health care, and 5% on education. It was estimated that in 2003 about 45.2% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Yemen's workforce was estimated at 5.83 million. According to 1999 figures (the latest year for which data was available), 54.1% of the labor force is employed in agriculture, 34.7% in the services sector, 11.1% in industry, with the remainder in undefined occupations. In 2003, the unemployment rate was estimated at 35%.

United Yemen enacted a new labor code in 1995, (amended in 1997) which guaranteed the rights of unionization and collective bargaining. The government restricts this right by placing government officials in union positions of prominence. The Yemeni Confederation of Labor Unions, the country's only labor confederation, had 350,000 members in 14 unions in 2002. There exists a limited right to strike. All collective bargaining agreements must be reviewed by the minister of labor.

There is no nationally fixed minimum wage. Average wages do not provide a family with a decent standard of living. Although children under the age of 15 are prohibited from working, child labor is common, especially in rural regions. The labor code calls for a maximum eight-hour workday and a 48-hour workweek.

## 22 AGRICULTURE

Yemen, with its wide range of arable climatic zones, has the greatest potential for agricultural development of any nation on the Arabian Peninsula. Agriculture is an important part of the economy (accounting for 15% of GDP in 2003), despite the lack of arable land, scarcity of water, periodic droughts, and difficult terrain. Employment in the agricultural sector accounts for more than 50% of the workforce, but with only 3% of its land area arable, Yemen's potential for agricultural self-sufficiency is very remote. As of 2004, Yemen's agricultural trade deficit was \$947 million.

Traditionally, Yemen was famous for its coffee, shipped from the port of Al-Mukha, from which the English word mocha derives. The main cash crop is qat, a mild stimulant chewed by many Yemenis on a daily basis, but not exported significantly because it is highly perishable. Industrial farming of fruits and vegetables, using modern irrigation techniques, provides a level of production to nearly satisfy domestic demand. As a high-cost producer, Yemen is not yet able to internationally compete in marketing its produce, especially since such exports are often blocked at the borders.

Agriculture output in 2004 (in 1,000 tons) included sorghum, 263; tomatoes, 248; wheat, 105; grapes, 169; bananas, 99; seed cotton, 29; sesame seed, 19; coffee, 11; and cotton, 9.9.

## 23 ANIMAL HUSBANDRY

Animal husbandry is a key sector of the economy, and the export of hides and skins has long been an important source of foreign exchange. In 2001, the livestock population was estimated at 5,029,000 sheep, 4,453,000 goats, 1,400,000 head of cattle, 500,000 donkeys, and 198,000 camels.

Commercial production of poultry in Yemen began in the mid-1970s. Yemen produces about 95% of its annual consumption of

eggs and is emerging as a significant producer of broilers (chicken meat). The brief civil conflict in 1994 hurt the industry by driving up the costs of imported feed and vaccines. About 87,000 tons of poultry and 32,000 tons of eggs were marketed in 2005.

## 24 FISHING

Fishermen work along the Arabian Sea, Gulf of Aden, and Red Sea coasts. The annual fish catch in 2003 was about 159,000 tons. Principal species of that catch included Indian and Spanish mackerel, cuttlefish, lobster, and scavengers. Fish-processing plants are located at Al Hūdaydah and Al-Mukalla. Exports of fish and fish products were valued at \$56.7 million in 2003. Pearl and coral diving have been practiced for centuries.

## 25 FORESTRY

Forest and woodland coverage is negligible. Forests once covered Yemen, but overgrazing by goats and the systematic cutting of timber for fuel and construction have almost completely eliminated the forest cover, especially in the south. Roundwood production totaled 352,700 cu m (12.5 million cu ft) in 2004, all of it used for fuel. Lumber imports amounted to \$86.1 million in 2004.

## 26 MINING

Until the discovery of petroleum, the preeminent segment of the Yemeni economy, the mineral industry, had been limited to the production of cement, dimension stone, gypsum, and salt. In 2004, production of cement amounted to 1,546,300 metric tons. Other mineral commodities produced in 2004 were: marble, 100,000 sq m; gypsum, 44,000 metric tons; and salt, 120,000 metric tons. The government was focusing on creating conditions favorable to foreign investment, to develop the nation's mineral resources. The government had exclusive domain over the precious stone and hydrocarbon industries; mining legislation guaranteed the rights of private property for all other commodities. ZincOx Resources, of the United Kingdom, continued evaluating the Al-Jabail zinc deposit, which Anglo American Corp. had explored in the late 1990s.

## 27 ENERGY AND POWER

Yemen is a small non-OPEC producer of oil and has the potential to be an exporter of natural gas.

Yemen, as of 1 January 2005, had proven reserves of crude oil estimated at 4 billion barrels, according to the Oil and Gas Journal. Oil production in 2005 was estimated at 416,000 barrels per day. With domestic consumption of oil in that year estimated at 83,000 barrels per day, the country was a net exporter of oil. In 2005, net exports were estimated at 333,000 barrels per day. Yemen's crude oil refining capacity, as of 1 January 2005, was estimated at 130,000 barrels per day, based upon a pair of aging refineries, the 'Aden refinery and the Marib refinery. The capacity of the 'Aden refinery had declined from 170,000 barrels per day before the 1994 civil war to 120,000 barrels per day as of 1 January 2005. The newer Marib plant has a capacity of 10,000 barrels daily.

Yemen has proven natural gas reserves estimated, as of 1 January 2005, at 16.9 trillion cu ft. As of 2003, there was no systematic production of natural gas. Whatever gas is produced results from

the oil extraction process and is re-injected. Most of the known reserves are concentrated in the Marib-Jawf fields.

Total electricity production in 2003 was estimated at 3.8 billion kWh, of which 100% was from fossil fuels. Total installed capacity in 2003 was estimated at 800,000 kW, and was entirely based on conventional thermal sources. Demand for electricity in 2003, was estimated at 3.6 billion kWh.

## 28 INDUSTRY

In northern Yemen industry traditionally has been based on food processing, but this subsector has suffered from poor productivity of agriculture and reliance on imported raw materials. Building materials, textiles, leather wear, jewelry, and glass making are other industries in the north. The largest industry in southern Yemen is petroleum refining. Southern manufactures include clothing, processed food, metal products, soap, and perfumes. Industrial production accounts for 47.9% of GDP (2005 est.)

Yemen's main refinery at 'Aden processed 60,000 barrels of petroleum per day in 1994 after sustaining damage in the civil war. Output reached 100,000 barrels per day by the start of 1995 with the repair of the main pumping station and two tapping units. That year, the refinery produced 26.5 million barrels of residual and distillate fuel oil, 10 million barrels of gasoline, and 3.5 million barrels of kerosene. In 2005, Yemen's total refinery capacity was 130,000 barrels per day, most from the 120,000-barrels-per-day-capacity 'Aden refinery operated by the 'Aden Refinery Company (ARC), and the rest from a 10,000-barrels-per-day refinery at Marib operated by Yemen Hunt Oil Company. In December 2002, the government signed an agreement with the Hadhramawt Refinery Company, a Saudi venture, for the construction of a 50,000-barrels-per-day refinery at Al Mukallā costing \$450 million. Another refinery is planned for Ra's Isa with a capacity of 60,000 barrels per day, to be completed in 2007.

Yemen's considerable natural gas reserves—estimated at 480 billion cu m (16.9 trillion cu ft), have not been developed. A liquefied natural gas project was initiated in 1995 by TotalFinaElf (now Total) and several other major multinational oil companies, which established the Yemen Liquefied Natural Gas Company (Yemen LNG). In June 2002, two US companies, ExxonMobil and Hunt Oil, announced they were leaving the consortium, but Hunt later retracted its withdrawal. In 2005, the Yemeni government approved three LNG supply agreements for 6.7 million tons per year, with KOGAS, Total, and Tractebel. The government then awarded an engineering, procurement, and construction contract for the project. The first shipments of LNG were planned for late 2008, with gas likely flowing to the United States and South Korea. In 2004, more than 25 companies bid on a domestic gas utilization and pipeline feasibility study for a proposed 373-mile pipeline that would transport gas from Marib to a power station at Mabar. The World Bank, in cooperation with Yemen's National Coordination Council, was funding this study.

As of 2006, the government was preparing a new investment plan to utilize Yemen's fish wealth, to attract Arab and foreign investment to the sector. Thirty-six sites were identified for fish cultivation. In May 2005, the first factory for the canning and exporting of fish was set up by a Saudi company. There was also German interest in establishing a fish cultivation site in Hadhramawt. Fish production increased to 151,000 tons between January and Sep-

tember 2005, an increase of 18.5% compared with the same period in 2004. Fish exports reached 74,000 tons in 2004, worth \$213 million. Fish sector revenues rank second after oil revenues for the economy. Yemen ranked fourth among Arab fish exporting countries after Morocco, Mauritania, and Egypt in 2004. The fish sector created 315,000 jobs in 2004 compared with 100,000 in 1990. Approximately 1.7 million people were employed in the fish sector as of the end of 2005.

Construction of a 120,000 metric-ton-per-year-capacity rolling mill at Hodaidah for Al-Rahabi Trading Group was expected to be completed in 2005.

The government's economic diversification project would be helped by the development of metal deposits and additional industrial mineral deposits. In 2004, Yemen produced more than 1.5 million metric tons of cement, 44 million metric tons of gypsum, 120,000 metric tons of salt, 630,000 metric tons of sand and gravel, and 2.4 million metric tons of quarried stone.

## 29 SCIENCE AND TECHNOLOGY

The University of 'Aden, founded in 1975 at Al-Mansoorah, has faculties of science, arts, and education; agriculture; engineering; and medicine. Şanā' University, founded in 1970, has faculties of science, medicine and health sciences, engineering, and agriculture.

## 30 DOMESTIC TRADE

At the center of most towns is a market place (*sug*), the lanes of which are lined with open-front booths where food, clothing, and implements are displayed and sold. Some goods are bartered. Others sold for cash, usually after bargaining. The production of *qat*, a mild stimulant which many Yemenis chew, plays an important role in domestic trade. Relying on a highly efficient internal distribution system, the production of *qat* would increase per capita GDP an estimated 15–20% were it included in the national income statistics. Corruption among civil servants is a common element of domestic commerce—soldiers at checkpoints confiscate money or *qat*, and businesses are often obliged to pay off local officials.

Customary business hours are from 8 AM to 1 PM and from 4 PM to 7 PM, Saturday through Thursday. Banks are open from 8 AM to noon (11:30 AM on Thursdays).

### Principal Trading Partners – Yemen (2000)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	4,077.7	2,326.5	1,751.2
China	774.1	81.6	692.5
Korea, Republic of	735.2	28.3	706.9
Thailand	700.0	76.1	623.9
India	612.5	59.3	553.2
United Kingdom	252.3	177.4	74.9
Areas nes	113.9	...	113.9
Japan	84.3	73.9	10.4
Kuwait	71.0	108.7	-37.7
Australia	69.5	58.6	10.9
Brazil	63.5	57.4	6.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

## 31 FOREIGN TRADE

Petroleum accounts for about 90% of the country's exports. Income from the production and sale of crude oil and natural gas accounted for 72% of total government revenue in 2004, largely due to the high price of oil on international markets. Other exports in recent years have included coffee and dried and salted fish; imports included food and live animals, machinery and equipment, and manufactured goods.

In 2004, Yemen's primary export partners were: Thailand (33.8%), China (30.3%), and Singapore (7.8%). Primary suppliers were: the UAE (12.2%), Saudi Arabia (9.7%), China (8.8%), France (7.3%), India (4.4%), the United States (4.4%), and Kuwait (4.2%).

## 32 BALANCE OF PAYMENTS

Yemen's balance of payments was adversely affected in the early 1990s, as other nations sought to economically punish Yemen for its support of Iraq during the Persian Gulf War. In 1993, the current account deficit reached a peak of \$1.217 billion, foreign exchange reserves sank to just \$144.6 million, and the trade deficit was \$920 million. Transfers, consisting largely of remittances from Yemenis working in other Gulf states fell by 42% between 1990 and 1993.

As of the early 2000s, Yemen's balance of payments position had substantially improved: its current account surplus stood at \$1.8 billion in 2000, up from a \$455 million deficit in 1998. Yemen's bilateral and multilateral debt situation had also improved, with debt to Russia reduced, debt rescheduling by the Paris Club, and financing from the World Bank and IMF. In 2005, Yemen's outstanding debts stood at approximately \$5.689 billion.

In 2005, total exports were estimated at \$6.387 billion and imports were estimated at \$4.19 billion. The current-account balance was estimated at \$1.282 billion.

### Balance of Payments – Yemen (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>148.7</b>
Balance on goods	376.9	
Imports	-3,557.4	
Exports	3,934.3	
Balance on services	-685.9	
Balance on income	-909.4	
Current transfers	1,367.1	
<b>Capital Account</b>		<b>86.3</b>
<b>Financial Account</b>		<b>-61.1</b>
Direct investment abroad	...	
Direct investment in Yemen	-89.1	
Portfolio investment assets	-0.4	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	-31.7	
Other investment liabilities	60.2	
<b>Net Errors and Omissions</b>		<b>156.4</b>
<b>Reserves and Related Items</b>		<b>-330.3</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 3<sup>3</sup> BANKING AND SECURITIES

The republican government set up the Yemen Currency Board in 1964 with a capital of YR2 million; in 1971, the Currency Board was replaced by the Central Bank of Yemen (CBY). The state-owned Yemen Bank for Reconstruction and Development (YBRD), founded in 1962, finances development activities, and the International Bank of Yemen, organized in 1980, operates as a commercial bank. In the 1970s, the YBRD dominated the banking business, controlling some 70% of the loans outstanding in the YAR; during the same decade, a number of foreign commercial banks, including ones from Hong Kong, Iraq, Pakistan, the United States, and the United Kingdom, opened offices in Ṣan'ā'.

The economic recovery in 1995 and the partial liberalization of interest rates on bank deposits appear to have succeeded in encouraging the growth in savings as reflected in higher quasi-monetary holdings. In 2002, there were 11 commercial banks (9 private and 2 public) and two public sector specialized banks (Agriculture and Housing) operating under the jurisdiction of CBY. There were also three Islamic banks in operation. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.7 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$3.4 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 15.16%.

There are no securities exchanges in Yemen.

### 3<sup>4</sup> INSURANCE

There were at least 10 insurance firms in the Yemen in 1999. Much of the Yemen's insurance business is transacted abroad. In 1999, there was 18.8 million dollars of premiums written in Yemen, giving the insurance industry a .30% share of the Gross Domestic Product.

### 3<sup>5</sup> PUBLIC FINANCE

The US Central Intelligence Agency (CIA) estimated that in 2005 Yemen's central government took in revenues of approximately \$5.6 billion and had expenditures of \$5.7 billion. Revenues minus expenditures totaled approximately -\$103 million. Public debt in 2005 amounted to 35.9% of GDP. Total external debt was \$5.689 billion.

The International Monetary Fund (IMF) reported that in 1999, the most recent year for which it had data, budgetary central government revenues were YR282,268 million and expenditures were YR310,702 million. The value of revenues was us\$1,813 million and expenditures us\$1,995 million, based on a market exchange rate for 1999 of us\$1 = YR155.718 as reported by the IMF. Government outlays by function were as follows: general public services, 30.8%; defense, 18.8%; public order and safety, 8.3%; economic affairs, 11.5%; housing and community amenities, 1.6%; health, 4.4%; recreation, culture, and religion, 2.8%; and education, 21.8%.

### 3<sup>6</sup> TAXATION

Personal income taxes are levied on wage workers and the self-employed. Taxes on business profits are taxed at a 35% rate. Capi-

tal gains are included in taxable income and are taxed at the corporate rate. Dividends, interest and royalties are each subject to a 10% withholding tax.

Other taxes include excise duties, road and vehicle taxes, port fees, a tax on rents, and telegraph fees. The state also derives income from the confiscated property of the imamate. Another tax is the 2.5% Zakat (the religious charity tax) which is state-enforced, but under the republican regime, its estimation has become a voluntary concern of each individual. Yemeni businessmen have been trying to abolish Zakat as an obligatory levy entirely, leaving it to the discretion of each individual to give to the needy. The chronic budget deficits of the 1980s forced the government to place considerably more emphasis on the traditionally lax collection of taxes. In early 2002 a general sales tax (GST) was signed into law, but its implementation was delayed pending a review of the country's indirect tax system.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Import duties are generally levied at rates varying from 5% on essential goods to 25% on luxury items; medical and agricultural items are duty-free, while tobacco is dutiable at 145%. Surcharges are added to these basic rates to cover defense expenditures, to finance schools and orphanages, and to assist the poor. Export duties are levied on a variety of products. Interestingly, in 1995 the government renounced the secondary and tertiary aspects of the Arab League's boycott of Israel, but will not renounce the primary aspect until the Arab League gives up the boycott completely by consensus of the member nations.

### 3<sup>8</sup> FOREIGN INVESTMENT

Foreign investment is encouraged by the Yemeni government as it is prospecting for more oil and hoping to develop its natural gas reserves. The Yemen General Investment Authority (GIA) was established in 1992, and worked with the World Bank's Foreign Investment Advisory Service, to revise Yemen's Investment Law 22 of 1991 (as amended) to refocus it on promotion rather than regulation of foreign investment. Investment law restructuring is part of the IMF-World Bank-sponsored economic reform program that has been being pursued in Yemen since 1995. The Yemeni Free Trade Zone Public Authority was established in 1991 to develop the 'Aden Free Trade Zone. The port was developed as a joint venture between the Port of Singapore Authority (PSA) and the Bin Mahfouz Group of Saudi Arabia. In Phase II of the program, 30 hectares were made available for lease. Free zone incentives the right to have 100% foreign ownership, no personal income taxes for non-Yemenis, a 15-year corporate tax holiday, renewable for up to 10 years, and the right to 100% repatriation of capital and profit.

There are no reliable statistics on foreign investment in Yemen. US investment has mainly been in the oil and gas sector. The Houston-based Yemen Hunt Oil Company has been operating since 1984. Its pipelines have been repeatedly attacked. Security can not help but be a concern for Western investors given events like the kidnapping of 16 tourists in 1998 (with four killed in the rescue attempt); a bomb explosion at the 'Aden Refinery in 1998, the bombing of the USS *Cole* in 'Aden Harbor in October 2000, with 17 dead, and in 2002, the explosion and fire on the French-flagged tanker the Limburg, with one killed and 90,000

barrels of oil spilled. More hopeful is the settlement of its debt issues with Kuwait and Saudi Arabia, which has thus made Yemen eligible for concessional loans from these neighboring states. In 1995, a consortium was established for the development of natural gas production. In addition to the government's 26% share, Total (France) had 36% equity; Hunt Oil (US), 14.6%; Exxon (US), 14.1%; and Yukong (ROK), 9.3%. In 2002 Exxon (now ExxonMobil) and Hunt Oil withdrew from this enterprise, which has stalled for lack of an identifiable market through which the investors could recoup their investments. However, Hunt later retracted its withdrawal. In 2005, the Yemeni government approved three LNG supply agreements for 6.7 million tons per year, with KOGAS, Total, and Tractebel. The government then awarded an engineering, procurement, and construction contract for the project. The first shipments of LNG were planned for late 2008, with gas likely flowing to the United States and South Korea. In 2004, more than 25 companies bid on a domestic gas utilization and pipeline feasibility study for a proposed 373-mile pipeline that would transport gas from Marib to a power station at Maabar. The World Bank, in cooperation with Yemen's National Coordination Council, was funding this study.

As of 2006, the Chinese Bank for Exports and Imports was considering funding the building of Yemen's first railway. In addition to Chinese investments, an overall increase in foreign investment was projected for the late 2000s. Up to the end of June 2005, the volume of Arab and foreign investment in Yemen reached approximately YR129 billion; investment in the industrial sector had reached YR69.5 billion. The services sector ranked second, at YR51.9 billion.

### 39 ECONOMIC DEVELOPMENT

After unification in 1990, the new government assumed all debts incurred by former governments. Domestic political strains ultimately culminated in civil strife in 1994. As a result, the economy was further burdened with reconstruction costs.

The government launched a major reform program in 1995. The program included revenue mobilization through tax measures, depreciation of the customs valuation rate, the liberalization of cement prices, an increase of petroleum product prices by about 90%, and a 60% rise in electricity tariffs. The government's medium-term goal was to eliminate all subsidies by 1999–2001. Fiscal and monetary measures included the containment of primary nondevelopment budget expenditures, partial reform of the exchange system (including currency depreciation), interest rate reform, and monetary management reforms. Furthermore, transportation and communication charges were deregulated, health and education fees were increased, and privatization programs were initiated. In 1996, 16 public enterprises were targeted for privatization. Laws prohibiting foreign investment in certain industrial sectors were abolished in 1996.

International aid has an ongoing role in the economy's development. In early 1996, the IMF agreed to provide a 15-month standby credit of \$191 million, and the World Bank authorized the loan of \$80 million to support the reform policies. The World Bank also decided to allocate government loans to Yemen worth \$365 million during 1996–99. The EU also pledged grants worth \$61.7 million in 1996/97, including \$30 million in project finance. Yemen benefited when Russia was admitted to the Paris Club (an

organization of countries owed money from past official loans). Approximately 80% of Yemen's debts to Russia, mostly for arms purchases, was forgiven in the debt rescheduling. The remainder of Yemen's debt to Paris Club members was rescheduled under Naples terms (for the poorest countries, this allows for cancellation of 50–66% of eligible sovereign debt), and in 2001, another Paris Club rescheduling provided an "exit treatment" that allowed Yemen to reach a sustainable level of indebtedness.

External debt was brought to a steady average of about 55% GDP for 2000. Yemen's fiscal imbalance has also improved in recent years, helped considerably by recovering oil prices. The fiscal deficit reached 6.4% of GDP in 1998, but then moderated to 0.2% of GDP in 1999, and, with increasing oil prices, soared to a surplus of 8.5% of GDP in 2000. In 2001 and 2002, the government continued to run surpluses of revenues and grants over expenditures, amounting to 2.8% of GDP in 2001 and 0.4% of GDP in 2002. Inflation, however, reached over 15% in 2002 due to increased prices for fuel, electricity and food. By 2005, however, the government had a budget deficit once again, with revenues of \$5.616 billion and expenditures of \$5.719 billion. Public debt was 35.9% of GDP. External debt was \$5.689 billion. The inflation rate was estimated at 9.6%.

In 2002 the parliament signed into law a general sales tax (GST), but implementation of this major tax reform designed to broaden and rationalize the tax base was delayed with IMF approval while more information about the effect of indirect taxation was collected. Yemen remains one of the poorest and least developed countries in the world. With a population growth rate of 3.45% in 2005 and growing, poverty has actually been expanding in recent years. About one-third of households are considered to be living in poverty. Water scarcity poses a severe challenge. The water crisis involves a depletion of groundwater, so that economic activity may become unsustainable in some areas. The growing of *qat*, while lucrative for many rural dwellers, consumes a disproportionately high amount of water, and accounts for half of irrigation water use in Yemen. Areas used for the growing of *qat* have expanded at a rate of 9% a year; the development of income-generating alternative crops that consume less water would create jobs and potentially develop new export commodities. The fertility rate is 6.67 and growing, and illiteracy among women and girls is particularly high—70% of females and 29.5% of males are illiterate—a social deficiency with serious implications for economic development.

In 2005, the World Bank announced it would increase its allocations for Yemen for the following three years, but only if the country's economic performance improved. The World Bank had reduced its funding from \$420 million for three years beginning in 2002, to \$280 million for three years beginning in 2005. In January 2006, the Yemeni government announced a third five-year development plan for poverty reduction, which was geared toward integrating the national economy with the international economy. Yemen hoped for accession to the WTO at that time, and was pushing for trade and industrial development. The five-year plan aimed to set up new industrial zones to improve opportunities for medium and small industries, and to set up a fund for industrial development. The plan also has measures to stimulate investment, including reforming the legal structure. Small industries are to be developed, such as crafts, clothes, and foodstuffs, so that they may compete in foreign markets. The plan called for measures to pro-

tect the environment from pollution, and to meet international standards regarding the protection of the environment.

#### 40 SOCIAL DEVELOPMENT

A social insurance system provides old age, disability, survivor, and workers' compensation benefits. This program covers most employees, including Yemeni nationals working overseas. Workers contribute 6% of their wages, and employers pay 6% of payroll. The government contributes as an employer only. Old age benefits are payable at age 60 with at least 15 years of contributions for men, and age 55 with at least 10 years of contributions for women. A health insurance program exists only for public employees. While the government has expanded its role in providing assistance, traditional means still predominate.

Although the constitution provides for equal rights and opportunity for all, women face considerable official and social discrimination. Polygamy is legal, and the practice of paying large dowries continues to be widespread. Women are required to obtain permission from a male member of the family in order to leave the house, and are rarely allowed to travel unaccompanied. Women have limited access to education. Estimates place the illiteracy rate for women at 67.5%, compared with 27.7% for men. Child marriage is common, and some girls marry as early as 12 years old. Women are permitted to vote, but social customs discourage most women from becoming politically active. The law states that a wife must obey her husband. Violence against women and children is prevalent but considered a family issue and not reported to authorities.

Although reports of arbitrary arrest and detention continue, Yemen's human rights record remained poor, and the government continued to commit serious abuses in 2004. However, some international and domestic human rights organizations operate in Yemen.

#### 41 HEALTH

Malnutrition and the diseases associated with it are major health problems. It was estimated that nearly 30% of children under five were malnourished. Malaria, typhus, tuberculosis, dysentery, whooping cough, measles, hepatitis, schistosomiasis, and typhoid fever are widespread, and sewage disposal of the most rudimentary type constitutes a general health hazard. Approximately 69% of the population had access to safe drinking water and 45% had adequate sanitation. Civil conflict in July 1994 created a shortage of water, food, and medical supplies in 'Aden, exacerbating health problems. As of 2004, there were an estimated 22 physicians, 45 nurses, and 1 dentist per 100,000 people. Total health care expenditure was estimated at 5.6% of GDP.

Immunization rates for children up to one year old were tuberculosis, 62%; diphtheria, pertussis, and tetanus, 57%; polio, 57%; and measles, 51%. Life expectancy in 2005 was estimated at 61.75 years; the infant mortality rate that year was 61.50 per 1,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 43 and 9.3 per 1,000 people.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 1,200 people living with HIV/AIDS in the country.

#### 42 HOUSING

Housing is inadequate; about one-fourth of urban housing units are huts, tents, or other makeshift structures. In the hot coastal region, most dwellings, except those of the ruling classes, are straw huts. In the highlands, the poorer people live in huts of stone or baked brick. Wealthier Yemenis live in large houses whose style is unique to southwestern Arabia: the lower part is generally built of sandstone, basalt, or granite, while the upper part, which may rise from two to eight stories, is usually of baked brick with windows outlined in decorative designs. Often a loggia topped with brass and open on all sides rises from the roof. The preliminary results of the 2004 census indicated that there were 2,882,034 dwelling units in the country to serve a total population of 19,721,643 people. There were 7.14 people per household on average.

#### 43 EDUCATION

Early Yemeni education, with regard to medieval disciplines of law, religion, history and poetry, was sophisticated and, for a country of its type, remarkably widespread. Its people contributed nobly to medieval Islamic civilization. The Al-Azhar University of Cairo was well known for its education during the 10th and 11th centuries and it attracted students from nearby countries such as Ethiopia, Arabia, and Somalia. However, in the 19th and 20th centuries, there was slow progress in the field of education. Prior to the 1962 revolution, no proper educational system was in place. Civil war and internal political upheaval only worsened the situation.

In 1990, the literacy rate for the People's Democratic Republic of Yemen was 39.1% (males, 52.8%; females, 26.1%). The rate for the Yemen Arab Republic was 38.5% (males, 53.3%; females, 26.3%). The adult literacy rate for 2004 was estimated at about 49%, with 69.5% for men and 28.5% for women.

Basic education is compulsory for nine years. This may be followed by three years of secondary education, through which students choose either scientific or literary studies at a general school or vocational or agricultural studies at a technical school. Islamic schools focusing on religious studies are also available. The academic year runs from September to June.

Primary school enrollment in 2003 was estimated at about 72% of age-eligible students; 84% for boys and 59% for girls. In 2000, secondary school enrollment was about 34.5% of age-eligible students. It is estimated that about 65.5% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 30:1 in 2000; the ratio for secondary school was about 14:1.

There are two universities: Şan'a' University (founded in 1970) and the University of 'Aden (established in 1975). Students who score well on the secondary leaving exam (*Al Thanawiya*) may be admitted to university. Over 2,000 Yemenis are being educated at foreign universities. In 1999, it was estimated that about 11% of the tertiary age population were enrolled in higher education programs. As of 2003, public expenditure on education was estimated at 9.5% of GDP, or 32.8% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The Yemen National Library is located in 'Aden. The Miswal Library in 'Aden maintains a traveling library to serve citizens. The Library of the Great Mosque of Şan'a' maintains a collection of

10,000 manuscripts, but is not accessible to the public. The British Council maintains two libraries: at 'Aden (3,000 volumes) and at Ṣan'ā' (10,4000 volumes).

The National Museum has branches in 'Aden and Ṣan'ā'. The 'Aden site focuses primarily on ancient, pre-Islamic civilizations. 'Aden is also home to the Crater Military Museum and the Crater Folk Museum. There are local museums in Ta'izz and Zafar.

#### 45 MEDIA

Since unification, efforts have been underway to upgrade the country's telecommunications infrastructure. Two-way radio links Yemen directly with Cairo and Rome. Telephone and telegraph facilities are available in major cities, and a modern dial telephone system has been installed in Ṣan'ā', Ta'izz, and Al Ḥudaydah. In 2003, there were an estimated 28 mainline telephones for every 1,000 people; about 704,800 people were on a waiting list for telephone service installation. The same year, there were approximately 35 mobile phones in use for every 1,000 people.

The government operates or controls all of the broadcast networks through the Ministry of Information and the Public Corporation for radio and Television. As of 1999, there were 4 AM and 1 FM station and 7 television broadcast stations. In 2003, there were an estimated 65 radios and 308 television sets for every 1,000 people. The same year, there were 7.4 personal computers for every 1,000 people. There was one secure Internet server in the country in 2004.

In 2004, there were 6 government-controlled newspapers, 19 independent papers, and 14 party affiliated newspapers. There are approximately 80 magazines in circulation. In 2002 the three major daily newspapers were: *Al-Thawrah* (circulation 110,000), published in Ṣan'ā'; *Al-Jumhuriyah* (100,000), in Ta'izz; and *Ar-Rabi Ashar Min Uktubar* (20,000), published in 'Aden. The English-language weekly, *Yemen Times*, has a circulation of 20,000. All of the press is controlled by the Ministry of Information.

The constitution provides for free speech and press only within the limits of the law. The law includes restrictions on any speech or press against the government, particularly criticism of the head of state.

#### 46 ORGANIZATIONS

The government has encouraged the formation of cooperatives, but private associations with political overtones are suspect. There are chambers of commerce in the major cities. The Federation of Yemen Chamber of Commerce and Industry is located in Ṣan'ā'.

National youth organizations include the Fattah Socialist Youth Union, the General Union of Yemeni Students, General Union of Yemeni Youth, Supreme Student Committee of the Yemen Arab Republic, and the Yemen Scout Association. There are sports associations representing amateur athletes of all ages in a wide variety of pastimes.

The Yemeni Federation of Women's Organizations is based at Ṣan'ā' University. There are national chapters of the Red Crescent Society and UNICEF.

#### 47 TOURISM, TRAVEL, AND RECREATION

Tourists can visit historic and religious sites (such as the Ghum-dau Palace and the Great Mosque in Ṣan'ā') and exotic markets, and enjoy scenic areas including the Red Sea coast. Passports and

visas are required by foreign visitors. Vaccination against meningitis is required for pilgrims to Mecca. Precautions against meningitis, typhoid, and hepatitis are recommended for all visitors.

In 2003, there were 154,667 tourist arrivals, almost 39% of whom came from Saudi Arabia. There were 13,280 hotel rooms with 33,816 beds that same year.

According to the 2004 US Department of State estimates, the cost of staying in Ṣan'ā' was \$216 per day. Elsewhere in the country, travel costs were less expensive.

#### 48 FAMOUS YEMENIS

Imam Yahya ibn Muhammad Hamid ad-Din (1869?–1948) ruled during the period when Yemen established its independence; he was assassinated during an uprising. 'Ali 'Abdullah Saleh (b.1942) became president of the YAR in 1978, ending a period of upheaval in which his two immediate predecessors were assassinated. He became united Yemen's first directly-elected president in 1999. Field Marshal 'Abdallah as-Sallal (1920–94) was the first president of the YAR and held power from 1962 until a coup ousted him in 1967. 'Ali Nasir Muhammad al-Hasani (b.1940?) was prime minister of the PDYR in 1980 and president from 1980 to 1986. Haydar Abu Bakr al-'Attas (b.1939) was prime minister of the PDYR during 1985–86.

#### 49 DEPENDENCIES

Yemen has no territories or colonies.

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# INDEX TO COUNTRIES AND TERRITORIES

This alphabetical list includes countries and dependencies (colonies, protectorates, and other territories) described in the encyclopedia. Countries and territories described in their own articles are followed by the continental volume (printed in *italics*) in which each appears. Country articles are arranged alphabetically in each volume. For example, Argentina, which appears in *Americas*, is listed this way: Argentina—*Americas*. Dependencies are listed here with the title of the volume in which they are treated, followed by the name of the article in which they are dealt with. In a few cases, an alternative name for the same place is given in parentheses at the end of the entry. The name of the volume *Asia and Oceania* is abbreviated in this list to *Asia*.

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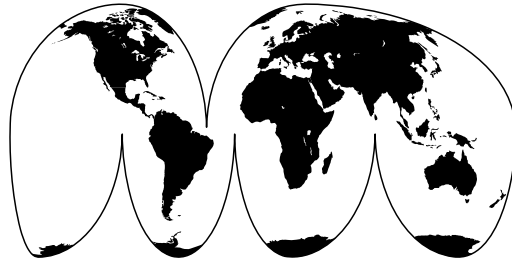
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 St. Pierre and Miquelon—*Americas*: French American Dependencies  
 St. Vincent and the Grenadines—*Americas*  
 Sala y Gómez Island—*Americas*: Chile  
 Samoa—*Asia*  
 Samoa, American—*Asia*: US Pacific Dependencies  
 Samoa, Western—*Asia*: Samoa  
 San Ambrosio Island—*Americas*: Chile  
 San Andrés and Providentia—*Americas*: Colombia  
 San Felix Island—*Americas*: Chile  
 San Marino—*Europe*  
 São Tomé and Príncipe—*Africa*  
 Sarawak—*Asia*: Malaysia  
 Saudi Arabia—*Asia*  
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 Seychelles—*Africa*  
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 Slovakia—*Europe*  
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 Solomon Islands—*Asia*  
 Somalia—*Africa*  
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 South Africa—*Africa*  
 South Arabia, Federation of—*Asia*: Yemen  
 Southern Rhodesia—*Africa*: Zimbabwe  
 Southern Yemen—*Asia*: Yemen  
 South Georgia—*Americas*: UK American Dependencies: Falkland Islands  
 South Korea—*Asia*: Korea, Republic of  
 South Vietnam—*Asia*: Vietnam  
 South West Africa—*Africa*: Namibia  
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 Spanish Guinea—*Africa*: Equatorial Guinea  
 Spanish Sahara—*Africa*: Morocco  
 Spratly Islands—*Asia*: Vietnam  
 Sri Lanka—*Asia*  
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 Svalbard—*Europe*: Norway  
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 Tanzania—*Africa*  
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 Togo—*Africa*  
 Tokelau Islands—*Asia*: New Zealand  
 Tonga—*Asia*  
 Transkei—*Africa*: South African Homelands  
 Trinidad and Tobago—*Americas*  
 Tristan da Cunha—*Africa*: UK African Dependencies: St. Helena  
 Trust Territory of the Pacific Islands—*Asia*: Federated States of Micronesia; Marshall Islands; Palau; US Pacific Dependencies  
 Tuamotu Islands—*Asia*: French Asian Dependencies: French Polynesia  
 Tunisia—*Africa*  
 Turkey—*Asia*  
 Turkmenistan—*Asia*

- Turks and Caicos Islands—*Americas*: United Kingdom American Dependencies  
 Tuvalu—*Asia*
- Uganda—*Africa*  
 Ukraine—*Europe*  
 Umm al-Qaiwain—*Asia*: United Arab Emirates  
 Union of Soviet Socialist Republics (USSR)—*Asia*: Azerbaijan; Kazakhstan; Kyrgyzstan; Tajikistan; Turkmenistan; Uzbekistan; *Europe*: Armenia; Belarus; Estonia; Georgia; Latvia; Lithuania; Moldova; Russia; Ukraine  
 United Arab Emirates (UAE)—*Asia*  
 United Arab Republic—*Africa*: Egypt  
 United Kingdom (UK)—*Europe*  
 United Kingdom African Dependencies—*Africa*  
 United Kingdom American Dependencies—*Americas*  
 United Kingdom Asian and Pacific Dependencies—*Europe*: United Kingdom  
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 Uruguay—*Americas*  
 Uzbekistan—*Asia*
- Vanuatu—*Asia*  
 Vatican—*Europe*  
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 Vietnam—*Asia*
- Vietnam, North—*Asia*: Vietnam  
 Vietnam, South—*Asia*: Vietnam  
 Virgin Islands, British—*Americas*: UK American Dependencies  
 Virgin Islands of the US—*Americas*: United States  
 Volcano Islands—*Asia*: Japan (Kazan Islands)
- Wake Island—*Asia*: US Pacific Dependencies  
 Wales—*Europe*: United Kingdom  
 Wallis and Futuna—*Asia*: French Asian Dependencies  
 Western Sahara—*Africa*: Morocco  
 Western Samoa—*Asia*: Samoa  
 West Germany—*Europe*: Germany, Federal Republic of  
 West Irian—*Asia*: Indonesia  
 Windward Islands—*Americas*: Dominica; St. Lucia; St. Vincent and the Grenadines
- Xisha Islands—*Asia*: China (Paracel Islands)
- Yemen, People's Democratic Republic of (PDRY)—*Asia*: Yemen  
 Yemen, Republic of—*Asia*  
 Yemen Arab Republic (YAR)—*Asia*: Yemen  
 Yugoslavia—*Europe*: Serbia and Montenegro  
 Yukon Territory—*Americas*: Canada
- Zaire—*Africa*: Congo, Democratic Republic of  
 Zambia—*Africa*  
 Zimbabwe—*Africa*

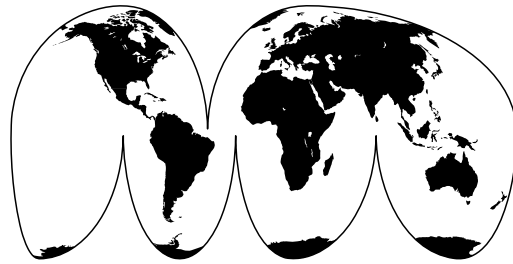
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# READER'S GUIDE

**GENERAL NOTE:** The Twelfth Edition of *Worldmark Encyclopedia of the Nations* (WEN) is comprised of five volumes. Volume 1 is dedicated to the United Nations and its related agencies. Volumes 2 through 5, “Africa,” “Americas,” “Asia and Oceania,” and “Europe,” contain entries on the countries of the world.

Reflecting the ever-changing status of the world geopolitical situation, the Twelfth Edition includes entries for 194 countries, one more than the previous edition. This reflects the 2006 decision of Montenegro to dissolve its relationship with Serbia to become an independent nation in its own right. Seven entries describe dependencies. This edition no longer includes volume 6, which was entitled *World Leaders*.

Some notable changes in previous editions include the Eleventh Edition's inclusion of an entry on East Timor, coverage of the aftermath of the terrorist attacks of 11 September 2001, and the expansion of the European Union and the North Atlantic Treaty Organization (NATO). Changes in the Tenth Edition included recording of the change in status for Macau; as of December 1999 Macau came under Chinese authority, and thus Macau was incorporated into the China entry (previously it was described under Portuguese Asian Dependency). Similarly, the entry for United Kingdom Asian Dependency (Hong Kong) was eliminated with the Ninth Edition; as of 1997 Hong Kong came under Chinese authority and, like Macau, is described in that country's entry. Also with the Tenth Edition, the introduction of the euro as currency in the nations of the European Union was noted. The Eighth Edition of this encyclopedia (1995) reported on the dramatic changes in the world in the early 1990s, including the dissolution of the USSR, Czechoslovakia, and Yugoslavia; the unification of Germany; the unification of Yemen; and the independence of Eritrea. These changes resulted in twenty-five new country articles. Whereas the First Edition of the *Worldmark Encyclopedia of the Nations*, in one volume, contained 119 articles, the present Twelfth Edition now contains 201.

In compiling data for incorporation into the *Worldmark Encyclopedia of the Nations*, substantial efforts were made to enlist the assistance of the government of every nation in the world, as well as of all pertinent UN agencies, who cooperated by supplying data and by revising and updating materials relevant to their sphere of interest. Material received from official sources was reviewed and critically assessed by the editors as part of the process of incorporation. Materials and publications of the UN family and of intergovernmental and nongovernmental organizations throughout the world provided a major fund of geographic, demographic, economic, and social data.

In compiling historical, economic, and political data, primary materials generated by governments and international agencies were supplemented by data gathered from numerous other sources including newspapers (most notably *The European*, the *Financial Times*, the *New York Times*, and the *Wall Street Journal*); periodicals (most notably *Current History*, *Elections Today*, *The Economist*, the *Far Eastern Economic Review*, *Foreign Affairs*, and *World Press Review*); and thousands of World Wide Web sites hosted by government agencies and embassies.

The reader's attention is directed to the Glossary of Special Terms for explanations of key terms and concepts essential to a fuller understanding of the text.

**COUNTRY NAMES:** Country names are reported (as appropriate) in three forms: the short-form name (generally conformed to the U.S. Central Intelligence Agency's *World Factbook 2006*), as commonly used in the text; the English version of the official name (generally conformed to the United Nations list of country names); and the official name in the national language(s). When necessary, textual usages of some short-form names have been rectified, usually through the substitution of an acronym for the official name, in order to strike a better balance between official usages and universal terminology. Thus the following short-form names have been adopted throughout (except in historical context to preserve accuracy): DROC (Democratic Republic of the Congo—known as Zaire prior to the Ninth Edition); ROC (Republic of the Congo); FRG (Federal Republic of Germany); North Korea: DPRK (Democratic People's Republic of Korea); and South Korea: ROK (Republic of Korea). In addition, Vietnam has replaced Viet Nam to reflect common usage.

**MAPS:** Spellings on the individual country maps reflect national usages and recognized transliteration practice. To clarify national boundaries and landforms, dark shading has been applied to waters, and lighter shading to lands not within that nation's jurisdiction. Cross-hatching has been used to designate certain disputed areas. Rivers that run dry during certain times of the year are indicated by dashed instead of solid lines.

**FLAGS AND NATIONAL EMBLEMS:** All depictions of flags, flag designations, and national emblems have been reviewed and, where necessary, corrected or changed to reflect their official usage as of 2006. In general, the term “national flag” denotes the civil flag of the nation.

**CURRENCY:** In most cases, currency conversion factors cited in the Twelfth Edition are as of the first quarter of 2006.

**WEIGHTS AND MEASURES:** The general world trend toward adoption of the metric system is acknowledged through the use of metric units and their nonmetric (customary or imperial) equivalents throughout the text. The two exceptions to this practice involve territorial sea limits, which are reported in nautical miles, and various production data, for which (unless otherwise stated) units of measure reflect the system in use by the country in question. All tons are metric tons (again, unless otherwise indicated), reflecting the practice of the UN in its statistical reporting.

**HOLIDAYS:** Except where noted, all holidays listed are official public holidays, on which government offices are closed that would normally be open. Transliterations of names of Muslim holidays have been standardized. For a fuller discussion on these points, and for a description of religious holidays and their origins and meanings, see the Glossary of Religious Holidays in this volume.

**GEOGRAPHIC INFORMATION:** To update the sections on Location, Size, and Extent; Topography, Climate, Flora and Fauna, and Environment, the following print publications (and their publishers) were used: *Geo-Data: The World Geographical Encyclopedia* (Gale Group), *World Development Indicators 2005* (The World Bank), and *World Resources* (Oxford University Press). Additional data was acquired from these websites: Library of Congress, *Country Studies: Country Profiles* (<http://lcweb2.loc.gov/frd/cs/profiles.html>); *Ramsar Convention on Wetlands* (<http://www.ramsar.org>); *UNESCO World Heritage Centre* (<http://www.whc.unesco.org>); *United Nations Environment Programme* (<http://www.unep.org>); *Weather Channel: Averages and Records* (<http://www.weather.com/common/home/climatology.html>); *World Conservation Union: Species Survival Commission* (<http://www.iucn.org/themes/ssc>); *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>).

**POPULATION DATA:** Data for the four rubrics describing population (Population, Migration, Ethnic Groups, Languages) were compiled from numerous publications of the U.S. Department of State, the World Bank, the United Nations, and the Organization for Economic Co-Operation and Development (OECD), specifically its publication *Trends in International Migration*. Also consulted were *The State of the World's Refugees* (Oxford University Press) and *International Committee of the Red Cross Annual Report* (International Committee of the Red Cross)

**RELIGIONS:** Data for this section were compiled in large part from the *2005 International Religious Freedom Report* released by the Bureau of Democracy, Human Rights, and Labor, U.S. Department of State. This is an annual report to Congress compiled in compliance with Section 102(b) of the International Religious Freedom Act (IRFA) of 1998. The *2005 Report* covers the period from 1 July 2004 to 30 June 2005 and includes the work of hundreds of State Department, Foreign Service, and other U.S. government employees. The authors gathered information throughout this period from a variety of sources, including government and religious officials, nongovernmental organizations, journalists, human rights monitors, religious groups, and academics.

**TRANSPORTATION:** Sources consulted for updated information on transportation include publications of the American Automobile Manufacturers Association, the International Road Transport Union, specifically its publication *World Transport Data*, and the *World Factbook 2006*.

**HISTORY:** In writing the History rubric, a variety of news and background information sources on each country were used. Full country profiles—including information on the history, economy, political institutions, and foreign relations on most nations of the world—are provided by the U.S. Library of Congress and by the U.S. Department of State; similar formats are published by the *BBC News International* version and *The Economist's* Country Briefings feature. In consulting news sources for up-to-date information on events, only reported facts (not editorials) were used. The *New York Times* and the *Washington Post* are more comprehensive than the *Wall Street Journal*, whose focus is placed on financial and business news. While the website of the United Nations was used extensively in compiling Volume 1 “United Nations,” of the *Worldmark Encyclopedia of the Nations*, its coverage of such problems as politics in the Middle East and global terrorism pertained to and supported the updating of history rubrics of a number of countries. Other organizations that publish journals or studies on global current events, foreign policy, international relations, and human rights include Amnesty International; Human Rights Watch; *Foreign Affairs*, published by the Council on Foreign Relations; and *Great Decisions*, published by the Foreign Policy Association. In addition, the

official websites of each nation were consulted critically for information that could be gleaned from a state's view of its own history and place in the world.

**GOVERNMENT:** The Government rubric is constructed by outlining the institutions of government as they were formed throughout a nation's modern history, up to those existing under the present constitution. *Countries of the World and Their Leaders Yearbook 2006* (Thomson Gale) outlines the form of government and provides information on political conditions.

The U.S. Library of Congress and the U.S. Department of State chronicle constitutional changes and also provide information on the form of government. Electionworld and the *World Factbook 2006* provide information on officeholders in place at the time of publication. The *BBC News International* "Country Profiles" cover current leaders and their political parties, and *The Economist* is comprehensive in its coverage of political structures and political forces in place and at work in the nations it profiles. The official government websites of individual nations were also consulted.

**POLITICAL PARTIES:** *Countries of the World and Their Leaders Yearbook 2006* not only lists the political parties present in each nation, but provides additional information on the political parties in its "History" and "Government and Political Conditions" sections. *The Economist* also has sections in its country briefings labeled "political structure" and "political forces," which describe the political climate of each nation the magazine profiles. In addition, *The Economist* provides a brief history of the nation, which often includes the history of political parties. Editors reviewed the profiles of selected nations prepared by the U.S. Library of Congress, which include comprehensive coverage of politics and political parties. The *World Factbook 2006* was consulted for a list of political parties, and often, their leaders. The website, Electionworld.org, describes the major political parties and their leaders, and also lists minor and defunct parties. Political Resources on the Net, a website, compiles links to a variety of sites useful to the researcher with a critical eye.

**LOCAL GOVERNMENT:** *Countries of the World and Their Leaders Yearbook 2006* lists the administrative subdivisions in each nation of the world; as does the U.S. State Department in its *Background Notes*, and the U.S. Central Intelligence Agency in its *World Factbook 2006*. *The Economist* was consulted for a description of regional legislatures. The U.S. Library of Congress "Country Profiles" briefings describe administrative divisions and provincial and local government.

**JUDICIAL SYSTEM:** *Countries of the World and Their Leaders Yearbook 2006*, *Background Notes*, and the *World Factbook 2006* all provided basic information on each nation's judicial system. *The Economist* was consulted for a description of the legal systems of each nation it profiles. The U.S. Library of Congress "Country Profiles" briefings provided more in-depth detail about judicial power and structure in the nations it profiles. Jurist, a web-based legal news and real-time legal research service based out of the University of Pittsburgh School of Law in Pittsburgh, Pennsylvania, was consulted as well for concise information on each nation it profiles.

**ARMED FORCES:** Statistical data on armed forces was compiled from the *World Factbook 2006*, *The Military Balance* (The International Institute for Strategic Studies), the *SIPRI Yearbook* (Stockholm International Peace Research Institute), and other print and online sources including *Current World Nuclear Arsenals* maintained by the Center for Defense Information.

**INTERNATIONAL COOPERATION:** This section was updated using data provided by news agencies and the following websites: *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>) and *Background Notes* (<http://www.state.gov/r/pa/ei/bgn>).

**ECONOMY:** In addition to numerous official online sources, data on the economies of the world were compiled from the most recent editions of the following U.S. government publications: *National Trade Estimate on Foreign Trade Barriers*, *Country Commercial Guides*, and *Economic Policy and Trade Practices*. *The Economist* was consulted for detailed information on economic structures and select indicators in its "Country Profiles" archive; it also included economic and political forecasts for the nations it profiled. The U.S. Library of Congress "Country Profiles" provided a brief historical overview of the economies of the countries it profiled, in addition to detailing the current state of various sectors of those economies. *The Index of Economic Freedom* (Heritage Foundation) was also consulted for its measurement of independent variables into broad factors of economic freedom.

**INCOME:** Statistics on national income were obtained from sources published by the United Nations, The World Bank, and the U.S. Central Intelligence Agency (CIA). CIA figures are for gross domestic product (GDP), defined as the value of all final goods and services produced within a nation in a given year. In most cases, CIA figures are given in purchasing power parity terms.

**LABOR:** Labor statistics were compiled from *World Employment* and *Yearbook of Labour Statistics* (International Labour Office—ILO) and the ILO’s website *Child Labor Statistics by Country* (<http://www.ilo.org/public/english/standards/ipecc/simpoc/countries.htm>); the World Bank publication *World Development Indicators 2004*; and the U.S. State Department’s *Human Rights Reports 2005*.

**AGRICULTURE, FISHING AND FORESTRY:** In addition to government sources, statistical data for these sections was compiled from the following yearbooks published by the Food and Agriculture Organization of the United Nations: *Trade; Fishery Statistics: Commodities; Fisheries; Production; Agriculture; and Forest Products*.

**MINING:** Data on mining and minerals production came from various online sources and from statistics compiled by the Minerals Information office of the U.S. Geological Survey, U.S. Department of the Interior, including Volume III of the *Minerals Yearbook*. This volume of the *Minerals Yearbook* is published both electronically on the Internet and in various print formats available from the U.S. Government Printing Office Superintendent of Documents. The *Yearbook* provides an annual review of mineral production and trade and of mineral-related government and industry developments in more than 175 countries.

**ENERGY AND POWER:** Key sources consulted include *Country Analysis Briefs* (U.S. Energy Information Administration, U.S. Department of Energy), *Key World Energy Statistics* (International Energy Agency), and *World Development Indicators* (The World Bank).

**INDUSTRY :** The primary source material for the Industry rubric was the U.S. State Department’s *Country Commercial Guides*, which provide a comprehensive look at countries’ commercial environments, using economic, political, and market analysis. *Background Notes* were consulted for the information on the industrial history and climate of each country profiled. Also useful was information contained in the “Country Profiles” published by the U.S. Library of Congress. The *World Factbook 2006* provides a list of key economic indicators. *The Economist* and, to a lesser extent, *BBC News* were useful in providing background material for the Industry rubric.

**SCIENCE AND TECHNOLOGY:** The following print sources were consulted: *The Nature Yearbook of Science and Technology* (Palgrave Macmillan Publishers Ltd.); *NIRA’s World Directory of Think Tanks* (National Institute for Research Advancement); in addition, the following websites were accessed: *International Science and Technology Activity* (maintained by Industry Canada, Government of Canada); *Economics Departments, Institutes, and Research Centers in the World* (maintained by the Department of Economics, University of Connecticut); *Science and Technology Statistics* (maintained by UNESCO Institute for Statistics); *World Development Indicators* (maintained by The World Bank); and *Annual Statistics* (patent and trademark information, maintained by the World Intellectual Property Organization).

**DOMESTIC TRADE:** Source material for the Domestic Trade rubric came from the U.S. State Department’s *Country Commercial Guides*, *Background Notes*, and the United Nations publication, *International Trade Statistics Yearbook*. Also used was information contained in the “Country Profiles” published by the U.S. Library of Congress. *The Economist* and, to a lesser extent, the *BBC* were consulted in providing background material for the Domestic Trade rubric. The World Bank’s service “Doing Business” database and the U.S. Commercial Service’s “Buy USA” website were consulted for information on conducting business in a nation, which included business hours and business regulations. Finally, most nations’ government websites provided information on domestic trade.

**FOREIGN TRADE:** Sources consulted included *2005 International Trade Statistics Yearbook* (Department of Economic and Social Affairs, Statistics Division, United Nations) and *Direction of Trade Statistics* (Real Sector Division, IMF Statistics Department, International Monetary Fund). The U.S. Department of State’s *Country Commercial Guides* and *Background Notes* were also used. *The Economist* and the *World Factbook 2006* were consulted in listing import and export partners and key products traded. Various UN bodies—such as UNCTAD and UNESCO—provided up-to-date trade statistics.

**BALANCE OF PAYMENTS:** Balance of payments tables were computed from the International Monetary Fund’s *Balance of Payments Statistics Yearbook*. In some cases, totals are provided even though not all components of those totals have been reported by the government of the country. Accordingly, in some instances numbers in the columns may not add to the total. Supplementing the IMF’s *Balance of Payments Statistics Yearbook* were *The Economist*’s “Country Briefings,” the *World Factbook 2006*, and information taken from the U.S. State Department, in particular, the *Country Commercial Guides*. “Country Profiles” from the U.S. Library of Congress were also used. Also consulted was the United Nations publication *National Accounts Statistics: Main Aggregates and Detailed Tables*.

**BANKING AND SECURITIES:** Statistical data on securities listings and market activity was compiled in part from *Emerging Stock Markets Factbook, 2005* (Standard and Poor’s) as well as from the websites *Country*

*Forecasts* (www.countrywatch.com) and *International Banking Statistics* (www.bis.org/statistics/bankstats.htm). Various websites specific to the individual countries of the world were also consulted.

**INSURANCE:** Primary sources for information on insurance include the online resources of the Insurance Information Institute, Rowbotham and Co. LLP, PricewaterhouseCoopers, the Swiss Reinsurance Company, and J. Zakhour & Co., as well as numerous national websites dealing with insurance.

**PUBLIC FINANCE:** In addition to official government websites, analytical reports from the U.S. Department of Commerce, and news reports, the following publications were consulted for standardized statistical data: *World Factbook 2006*, *International Financial Statistics Yearbook, 2002* (International Monetary Fund), and *Government Finance Statistics Yearbook, 2002* (International Monetary Fund).

**TAXATION:** Information on Taxation was compiled from country data sheets published by international accounting firms (Deloitte and Ernst & Young). Additional information was obtained from the U.S. Commerce Department and the government websites of the countries of the world.

**CUSTOMS AND DUTIES:** Information on Customs and Duties was compiled from country data sheets published by the accounting firms of Deloitte and Ernst & Young. Additional information was obtained from the U.S. Commerce Department, the World Trade Organization and the government website of the countries of the world.

**FOREIGN INVESTMENT:** Source material for the Foreign Investment rubric included the U.S. State Department's *Country Commercial Guides*, which provided a comprehensive analysis of the foreign direct investment environments of the countries of the world, as did the World Bank publication, *A Better Investment Climate for Everyone*. The International Monetary Fund's publications *International Financial Statistics Yearbook* and *Balance of Payments Statistics Yearbook*, and the U.S. State Department's *Background Notes* were consulted for the information on foreign direct investment. Also used was information contained in the "Country Profiles" published by the U.S. Library of Congress. *The Economist* was consulted in providing basic FDI figures and other relevant data.

**ECONOMIC DEVELOPMENT:** Source material for the Economic Development rubric included the U.S. State Department's *Country Commercial Guides* and *Background Notes*. *The Economist* was consulted for economic and political forecasts for selected nations. The U.S. Library of Congress "Country Profiles" provided a brief historical overview of the economies of the countries profiled, in addition to detailing the current state of various sectors of those economies. The *Index of Economic Freedom* was also consulted for its broad description of economic freedom and development. Information on foreign aid was taken from the print publications and websites of the International Monetary Fund, World Bank, and the United States Agency for International Development (USAID).

**SOCIAL DEVELOPMENT:** Publications consulted in the preparation of this rubric include *2005 Country Reports on Human Rights Practice* (<http://www.state.gov/g/drl/rls/hrrpt/2005/index.htm>), *International Save the Children Alliance Annual Report 2004* (Cambridge House), *The State of the World's Children* (Oxford University Press), and the *World Development Report* (Oxford University Press). Additional information was obtained from country-specific websites and general news publications.

**HEALTH:** Statistical sources consulted include *Country Health Briefing Papers* (a series of reports produced by IHSD Limited and DFID Health Systems Resource Centre for the United Kingdom Department for International Development); *Health Care Systems in Transition* (European Observatory on Health Care Systems, World Health Organization Regional Office for Europe); *Health in the Americas*, Volume II (Pan American Health Organization, World Health Organization) as well as numerous websites on the individual nations of the world. In addition, country-specific health profiles published by the World Health Organization and the World Bank were consulted.

**HOUSING:** The latest government population and housing census information available was used for each country through access of official government websites. Also of use was the World Bank publication *World Development Indicators 2005*. Topics accessed on the World Bank's website included *Countries and Regions*, *Urban Development*, and *Housing and Land*. Other websites consulted included Habitat for Humanity (<http://www.habitat.org>), United Nations Human Settlements Programme (<http://unhabitat.org>) and the U.S. Agency for International Development (USAID—<http://www.usaid.gov>). USAID topics accessed included *Locations* and *Urban Programs*.

**EDUCATION:** Data on Education was obtained from various UNESCO publications including *World Education Report*, *Global Education Digest*, *Education for All Global Monitoring Report 2005*, and the UNESCO *Statistical Yearbook*. Also consulted was *EdStats* compiled by the World Bank (<http://devdata.worldbank.org/edstats/>), the *World Factbook 2006* (<https://www.cia.gov/cia/publications/factbook>), the UNESCO

website's *Country and Regional Profiles* (<http://www.uis.unesco.org/profiles/>), and *World Data on Education* (International Bureau of Education).

**LIBRARIES AND MUSEUMS:** Some information concerning libraries and museums was accessed through official government websites of various countries when links were available to tourism, education, and/or cultural ministries or departments. In addition, the following websites were consulted: American Library Association (<http://www.ala.org>); International Federation of Library Associations and Institutions (<http://www.ifla.org>); Museums of the World (<http://www.museum.com>); and United Nations Educational, Scientific, and Cultural Organization (<http://www.unesco.org>).

**MEDIA:** Primary sources for this section include the annual *Editor & Publisher* publication *International Year Book*, online data provided by UNESCO, and the media sections of the "Country Profiles" featured on the website of *BBC News*. The UNESCO profiles provide key statistics and indicators on education, science and technology, and culture and communication. In addition, government and other websites related to the countries of the world were consulted. Additional sources consulted include the publications *World Development Indicators 2005* (World Bank), *World Media Handbook* (United Nations), *World Factbook 2006*, and *2005 Country Reports on Human Rights Practices*.

**ORGANIZATIONS:** Lists of member countries were obtained through the official websites of a variety of prominent international organizations and associations, such as the International Federation of Red Cross and Red Crescent Societies, Amnesty International, Kiwanis International, the World Alliance of YMCAs, the World Organization of the Scout Movement, etc. *Associations Unlimited* (Thomson Gale) was also consulted.

**TOURISM, TRAVEL, AND RECREATION:** Statistical sources consulted include *Yearbook of Tourism Statistics* and *Compendium of Tourism Statistics*, both published by the World Tourism Organization. Tourism websites of the individual countries were also consulted, as well as the United Nations publication *Schedule of Daily Substinence Allowance Rates* and the U.S. Department of State per diem travel allowances published online at [www.state.gov/r/pa/ei/bgn](http://www.state.gov/r/pa/ei/bgn).

**FAMOUS PERSONS:** Entries are based on information available through March 2006. Where a person noted in one country is known to have been born in another, the country (or, in some cases, city) of birth follows the personal name in parentheses.

**DEPENDENCIES:** Source material for the Dependencies rubric was taken from *Background Notes* and from the website of the United Nations. The Library of Congress's "Country Profiles" archive provided up-to-date information on dependencies. *The Economist* and the website of *BBC News* were also consulted, as was *Countries of the World and Their Leaders Yearbook 2006*.

**BIBLIOGRAPHY:** Bibliographical listings at the end of country articles are provided as a guide to further reading on the country in question and are not intended as a comprehensive listing of references used in research for the article. Effort was made to provide a broad sampling of works on major subjects and topics as covered by the article; the bibliographies provide, wherever possible, introductory and general works for use by students and general readers, as well as classical studies, recent contributions, and other works regarded as seminal by area specialists. The country article bibliographies were supplemented with information obtained from a search conducted in July 2006. An extensive bibliography listing key references related to the facts in this encyclopedia follows. However, it is not a complete listing since many fact sheets, brochures, World Wide Websites, and other informational materials were not included due to space limitations.

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# GUIDE TO COUNTRY ARTICLES

All information contained within a country article is uniformly keyed by means of small superior numerals to the left of the subject headings. A heading such as "Population," for example, carries the same key numeral (6) in every article. Thus, to find information about the population of Albania, consult the table of contents for the page number where the Albania article begins and look for section 6 thereunder. Introductory matter for each nation includes coat of arms, capital, flag (descriptions given from hoist to fly or from top to bottom), anthem, monetary unit, weights and measures, holidays, and time zone.

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## FREQUENTLY USED ABBREVIATIONS AND ACRONYMS

AD—Anno Domini	fl.—flourished	m <sup>3</sup> —cubic meter(s)	rev. ed.—revised edition
AM—before noon	FRG—Federal Republic of Germany	mi—mile(s)	s—south
b.—born	ft—foot, feet	Mt.—mount	sq—square
BC—Before Christ	ft <sup>3</sup> —cubic foot, feet	Mw—megawatt(s)	St.—saint
C—Celsius	GATT—General Agreement on Tariffs and Trade	N—north	UK—United Kingdom
c.—circa (about)	GDP—gross domestic products	n.d.—no date	UN—United Nations
cm—centimeter(s)	gm—gram	NA—not available	US—United States
Co.—company	GMT—Greenwich Mean Time	oz—ounce(s)	USSR—Union of Soviet Socialist Republics
Corp.—corporation	GNP—gross national product	PM—after noon	w—west
cu ft—cubic foot, feet	GRT—gross registered tons	r.—reigned	
cu m—cubic meter(s)	ha—hectares		
d.—died	i.e.—id est (that is)		
E—east	in—inch(es)		
e—evening	kg—kilogram(s)		
e.g.—exempli gratia (for example)	km—kilometer(s)		
ed.—edition, editor	kw—kilowatt(s)		
est.—estimated	kwh—kilowatt-hour(s)		
et al.—et alii (and others)	lb—pound(s)		
etc.—et cetera (and so on)	m—meter(s); morning		
F—Fahrenheit			

A fiscal split year is indicated by a stroke (e.g. 1998/99).  
For acronyms of UN agencies and their intergovernmental organizations, as well as other abbreviations used in text, see the United Nations volume.  
A dollar sign (\$) stands for us\$ unless otherwise indicated.  
Note that 1 billion = 1,000 million.



# ALBANIA

Republic of Albania  
*Republika e Shqipërisë*



**CAPITAL:** Tiranë

**FLAG:** The flag consists of a red background at the center of which is a black double-headed eagle.

**ANTHEM:** *Hymni i Flamurit* (*Anthem of the Flag*) begins “Rreth flamurit të për bashkuar” (“The flag that united us in the struggle”).

**MONETARY UNIT:** The lek (L) of 100 qindarka is a convertible paper currency. There are coins of 5, 10, 20, 50 qindarka, and 1 lek, and notes of 1, 3, 5, 10, 25, 50, 100, and 500 leks. L1 = \$0.00970 (or \$1 = L103.07) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year’s Day, 1 January; International Women’s Day, 8 March; Independence Day, 28 November; Christmas Day, 25 December. Movable Islamic and Christian religious holidays include Small Bayram, Catholic Easter, Orthodox Easter, Great Bayram.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Albania is situated on the west coast of the Balkan Peninsula opposite the “heel” of the Italian “boot,” from which it is separated on the sw and w by the Strait of Otranto and the Adriatic Sea. It is bordered on the n and e by Serbia and Montenegro and Macedonia, and on the se by Greece, with a total boundary length of 720 km (447 mi). Comparatively, Albania is slightly smaller than the state of Maryland, with a total area of 28,748 sq km (11,100 sq mi) and extends 340 km (211 mi) n-s and 148 km (92 mi) e-w. Albania’s capital city, Tiranë, is located in the west central part of the country.

## <sup>2</sup> TOPOGRAPHY

Albania is predominantly mountainous, with 70% of the territory at elevations of more than 300 m (1,000 ft). The rest of the country consists of a coastal lowland and the lower reaches of river valleys opening onto the coastal plain. The Albanian mountains, representing a southern continuation of the Dinaric system, rise abruptly from the plains and are especially rugged along the country’s borders. The highest peak, Mt. Korabit (2,753 m/9,033 ft) lies in eastern Albania on the Macedonian border. The most important rivers—the Drin, the Buna, the Mat, the Shkumbin, the Seman, and the Vjosë—empty into the Adriatic. Albania shares Lake Scutari (Skadarsko Jezero) with Serbia and Montenegro, Lake Ohrid (Ohridsko Jezero) with Macedonia, and Lake Prespë (Prespansko Jezero) with Macedonia and Greece.

## <sup>3</sup> CLIMATE

Albania has a variety of climatic conditions, being situated in the transition zone between the typical Mediterranean climate in the west and the moderate continental in the east. The average annual temperature is 15°C (59°F). Rainy winters (with frequent cyclones) and dry, hot summers are typical of the coastal plain. Summer

rainfall is more frequent and winters colder in the mountainous interior. Annual precipitation ranges from about 100 cm (40 in) on the coast to more than 250 cm (100 in) in the mountains.

## <sup>4</sup> FLORA AND FAUNA

The mountainous topography produces a variety of flora and fauna. The dry lowlands are occupied by a bush-shrub association known as maquis, in which hairy, leathery leaves reduce transpiration to a minimum. There are some woods in the low-lying regions, but larger forests of oak, beech, and other deciduous species begin at 910 m (2,986 ft). Black pines and other conifers are found at higher elevations in the northern part of the country. There are few wild animals, even in the mountains, but wild birds still abound in the lowland forests.

## <sup>5</sup> ENVIRONMENT

Deforestation remains Albania’s principal environmental problem, despite government reforestation programs. Forest and woodland account for about 38% of the country’s land use. Soil erosion is also a cause for concern, as is pollution of the water by industrial and domestic effluents. While Albania has a comparatively small amount of renewable water resources at 26.7 cu km, 99% of its urban population and 95% of its rural population have access to pure water.

Albania produced 2.9 million metric tons of carbon dioxide emissions in 2000.

As of 2003, about 3.8% of Albania’s lands were protected by environmental laws. As of 2002, there were over 3,000 higher plant species (flowering plants only), 68 mammal species, and 193 species of birds. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 1 type of mammals, 9 species of birds, 4 types of reptiles, 2 species of amphibian, and 17

species of fish. Endangered species include the Atlantic sturgeon, Mediterranean monk seal, and the hawksbill turtle.

## 6 POPULATION

The population of Albania in 2005 was estimated by the United Nations (UN) at 3,170,000, which placed it at number 131 in population among the 193 nations of the world. In 2005, approximately 8% of the population was over 65 years of age, with another 27% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.9%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 3,509,000. The population density was 110 per sq km (286 per sq mi).

The UN estimated that 42% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.03%. The capital city, Tiranë, had a population of 367,000 in that year. Other important towns and their estimated populations include Durrës, 113,900; Elbasan, 97,000; Shkodër, 90,000; and Vlorë, 85,000.

The population increase in Albania has been exceptionally rapid by European standards. The birthrate, despite a decline from over 40 births per 1,000 of population in the 1950s to 19 in 2000, remains among the highest in Europe. The high birthrate is partially attributed to the ban on birth control during the communist era; as of 2006, the use of birth control remains low, with only 15.3% of married women reported to use contraceptives. Another contributing factor to the population growth is the increase in life expectancy to an average of 74 years of age.

## 7 MIGRATION

In the 19th century, Albanians emigrated to other Balkan countries (Romania, Bulgaria, Turkey, Greece), and to Egypt and Russia. During the first decades of the 20th century, emigration—for economic reasons—was primarily to the United States (largely to Massachusetts), Argentina, Australia, and France. Emigration following World War II occurred on a very limited scale, mainly for political reasons. Between 1945 and 1990, Albania remained virtually isolated from the rest of Europe. In the early 1990s, about two million Albanians lived in Serbia and Montenegro (formerly Yugoslavia).

In 1997, rebel fighting and an Italian-led multinational force of 6,000 foreign peacekeeping troops prevented thousands of Albanians from fleeing into Greece or Italy. After the 1999 peace of Kosovo, government control of migration flows was absent. By 2004, approximately 25% of the total population, or over 35% of the labor force, emigrated. Of the approximately 900,000 emigrants, most reside in Greece (600,000), Italy (200,000), Western European countries, the United States, and Canada. Since the 1990s, migration has been five times higher than the average migration flow in developing countries. Included in this flow was a significant “brain drain” of scholars that became a “brain waste” as they became underemployed in their country of destination. Albania’s net migration rate, estimated in 2005, was -4.8 migrants per 1,000 population. Remittances from Albanians working abroad amounted to \$780 million in 2003.

During the NATO air strikes of 1999, Albania hosted 465,000 refugees from Kosovo. Adoption of the Kosovo Peace Plan on 10

June 1999 prompted the return of an estimated 432,500 refugees to Kosovo from Albania. At the end of 2003, there were around 300 refugees in the country, mainly Albanians from Kosovo and the Former Yugoslav Republic of Macedonia, as well as citizens from Iraq and Turkish Kurds. By the end of 2004 Albania’s refugee population had declined to just 51.

Between 1992–2003 approximately 6,000 foreigners entered Albania as migrant workers employed mainly in construction, trade, service, and education sectors. Around three-fourths of them came from Turkey, China, Egypt, other Arab and Islamic countries, and European Union (EU) countries.

## 8 ETHNIC GROUPS

Generally regarded as descendants of the ancient Illyrians, the Albanians make up about 95% of the population. Ethnic Greeks comprise as much as 3% of the populace. Other groups, including Roma, Vlachs, Bulgarians, Macedonians, and Serbs, make up the remaining 2%. The Albanians themselves fall into two major groups: the Ghegs in the north and the Tosks in the south, divided by the Shkumbin River. The Greeks are located primarily in the south.

## 9 LANGUAGES

Albanian (Shqip), an independent member of the Indo-European family of languages derived from both ancient Illyrian and ancient Thracian, has been greatly modified by Latin, Slavonic, Greek, and Turkish influences. It was not until 1908 that a common Latin alphabet was established for Albanian. In addition to letters of the English alphabet, Albanian uses the diacritics ç (representing the sound of *ch* in *church*) and ë (the sound of *i* in *dirt*). Other unusual letter values are *c* (the sound of *ts* in *gets*), *x* (the sound of *ds* in *woods*), *xh* (the sound of *j* in *jaw*), *j* (the sound of *y* in *yet*), *q* (the sound of *ky* in *stockyard*), and *y* (the sound of the German *ü*). There are two distinct dialects—Gheg, spoken in the north, and Tosk, spoken in the south. During the period between World Wars I and II, Gheg was officially favored as standard Albanian; after World War II, because the principal leaders of the regime were southerners, the Tosk dialect became the standard and is currently the official language. Greek is spoken by a minority in the southeast border area. Vlach, Romani, and other Slavic dialects are also spoken by minority groups.

## 10 RELIGIONS

In 1990 and 1991, official opposition to religious activities came to an end, and churches and mosques that had been closed under the communist regime were selectively allowed to reopen. Albania is now a self-proclaimed secular state; however, the 1998 constitution calls for freedom of religion. It is estimated that 30–40% of the population actively practice a religion.

Historically, Islam has been the most prominent religion of Albania. In the total population, the percentage of Muslims remains stable at roughly 65–70%, including Sunni Islam and members of the Bektashi school (Shia Sufism). Since 1925, Albania has been considered the world center of the Bektashi school. The Bektashi school represents about 25% of the nation’s Muslims. About 20–25% of the population are members of the Orthodox Autocephalous Church of Albania (Albanian Orthodox) and about 10% are Roman Catholic. There are several small Protestant groups.

Geographically, most Muslims are found in the center of the country, with a few groups to the south. Citizens in the south are mainly Orthodox while northerners are generally Catholic. The Greek minority in the south is Orthodox. The four main groups of Sunnis, Bektashis, Orthodox, and Catholics have maintained a heightened degree of social recognition and status due to their historical presence within the country. The State Committee on Cults regulates relations between the government and religious organizations and keeps statistics on groups that contact the Committee for assistance. Registration or licensing is not required for religious organizations.

## 11 TRANSPORTATION

Many roads are unsuitable for motor transport; bicycles and donkeys are common. There had been virtually no private cars in the country, but they have become more common since the opening of the borders. In 2002, there were 18,000 km (11,185 mi) of roads, of which 7,020 km (4,359 mi) were paved. One of the many recent infrastructural projects was the construction of a 241 km (150 mi) four-lane highway linking Durrës with Greece, via Pogradec and Kapshtica.

Railroad construction began in 1947, and lines in 2001 had a total length of 447 km (228 mi) of standard gauge track. Narrow gauge rail includes the Durrës-Tiranë, Durrës-Elbasan, Ballsh Rrogozhinë, Vorë-Shkodër, and Selenicë-Vlorë lines. In 1979, Albania signed an agreement with the former Yugoslavia to construct a rail link between Shkodër and Titograd; the link was opened to international freight traffic in September 1986.

Albania's rivers are not navigable, but there is some local shipping on lakes Shkodër, Ohrid, and Prespë. Coastwise vessels link the ports of Durrës, Vlorë, Sarandë, and Shëngjin. Durrës is the principal port for foreign trade. The merchant fleet of Albania in 2005 consisted of 25 vessels of 1,000 GRT or over, all cargo ships, totaling about 40,878 GRT. A freight ferry service between Durrës and Trieste was inaugurated in 1983.

In 2004, there were an estimated 11 airports, three of which had paved runways, and one heliport (as of 2005). Flights from Tiranë's international airport connect the Albanian capital with Athens, Belgrade, and Switzerland (the latter route opened in June 1986). In 2003, a total of 159,300 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

### Origins and the Middle Ages

The Albanians are considered descendants of ancient Illyrian or Thracian tribes of Indo-European origin that may have come to the Balkan Peninsula even before the Greeks. Although several Greek colonies were established along the coast, the hinterland remained independent. An Illyrian kingdom was formed in the 3rd century BC, and even after it was conquered by Rome in 167 BC, some mountain tribes were never subdued. Among them were the Albani or Albanoi, whose city Albanopolis was mentioned in the 2nd century BC by Ptolemy in his *Geography*. Later, while nominally under Byzantine rule, Albania was raided by Slav invaders in the 6th century and was annexed to Bulgaria in the 9th century. Temporary inroads were made by Venice, which established coastal colonies, and by the Normans, who seized Durrës in 1082–

85. Albanian expansion took place under the Angevin kings of Naples in the 13th century, and again under the Serbs in the 14th century. Short-lived independent principalities flourished during the second half of the 14th century.

### From the Ottomans to Independence

Turkish advances, which began in 1388, were resisted from 1443 to 1468 by Gjerj Kastrioti, better known as Scanderbeg, the Albanian national hero, but by 1479 the Turks attained complete control of the area. Over the succeeding centuries, Islam spread throughout most of the country. Turkish rule continued through the 19th century, which saw an intensification of nationalistic feeling, often erupting into open rebellion. In November 1912, during the First Balkan War, the National Assembly convened in Vlorë under the chairmanship of Ismail Kemal and proclaimed Albania's independence. The proclamation was supported by Austria-Hungary but opposed by Russia, Serbia, Greece, and Turkey. At a conference in London in 1913, Albania's national boundaries were established—they have remained virtually unchanged since that time—and the nation was placed under the tutelage of the great powers. Albania then became a principal battleground during World War I. By the time the war ended, portions of Albania were under Italian, French, and Yugoslav control.

Albania again asserted its independence in 1920, and a provisional government was established, as the Italians and French withdrew. Following a period of unstable parliamentary government (1921–24), Ahmet Zogu, the chief of the Mat district, seized power with Yugoslav support. He proclaimed Albania a republic in 1925, with himself as president, and a kingdom in 1928, with himself as King Zog I. A series of concessions to Italy made Albania a virtual Italian protectorate, and after Zog was forced into exile in April 1939, Italy occupied Albania, uniting it with the Italian crown. During World War II, Communist-led guerrillas under Enver Hoxha resisted Italian and German forces. The Congress of Permeti (24 May 1944) formed Albania's provisional government, naming Hoxha as premier; the congress banned the return of former King Zog, and called for a constituent assembly to meet after the complete liberation of the country. In November 1944, the Hoxha government was established in Tiranë.

### Under Communist Rule

The constitution of 1946 declared Albania a people's republic. Early close relations with Yugoslavia were abruptly severed when the Soviet-Yugoslav break occurred in 1948. Partly because of fundamental differences with Yugoslavia, whose borders included about 1.7 million Albanians, and partly because of ideological divergences, Albanian-Soviet relations worsened at the 22nd Communist Party Congress, and the USSR severed diplomatic relations with Albania in December 1961 and evacuated its naval and submarine bases at Vlorë.

Relations with Communist countries other than China worsened during the 1960s, as Albania ceased to participate in the activities of the Warsaw Treaty Organization by September 1968 following the Soviet invasion of Czechoslovakia. With Yugoslavia, however, there were signs of rapprochement; an Albanian-Yugoslav trade pact was signed in 1970, and trade between the two nations consequently flourished. Gestures were also made to improve relations with Albania's other neighbor, Greece.

Albania's relations with China, its ally and supporter since 1961, seemed to cool somewhat after 1971. China's détente with the United States ran counter to Albania's policy of opposition to the USSR and the United States. China's assistance to Albania ceased when the United States denounced the overthrow of China's "Gang of Four" in October of 1976.

On 28 December 1976, Albania adopted a new constitution that formally established Marxism-Leninism as the dominant ideology and proclaimed the principle of self-reliance. The following year, Albania broke off most of its links with China and accused it of "social imperialist" policies, and in 1978 trade relations were also suspended. In 1983, however, Albania received a Chinese delegation to discuss the resumption of trade relations. Meanwhile, relations with Yugoslavia worsened following the riots by ethnic Albanians in Yugoslavia's Kosovo province in March 1981; Yugoslavia charged that Albania had instigated the protests, and Albania accused Yugoslavia of ethnic discrimination. (Nevertheless, as of 1987 Yugoslavia was Albania's main trading partner, and Albania's first rail connection with the outside world, the Shkoder-Titograd link, was opened in 1986.)

Internally, Albania seemed to be locked in bitter political conflict as the 1980s began. Prime Minister Mehmet Shehu, relieved of his defense portfolio in April 1980, died in December 1981, an alleged suicide. A year later, Hoxha charged that Shehu had been working for the US, Soviet, and Yugoslav secret services and that Shehu even had orders from Yugoslavia to kill him. Western and Yugoslav press accounts speculated that Shehu had favored an opening to the West and had been executed in the course of a power struggle. Throughout 1981–83, an extensive purge of those even remotely connected with Shehu was conducted. This was in keeping with previous purges in the 1950s of those sympathizing with Yugoslavia, in the 1960s of pro-Soviet officials, and in the late 1970s of pro-West and pro-China policymakers. On 25 September 1982, according to Albanian reports, a group of armed Albanian exiles landed on the coast and was promptly liquidated. Hoxha alleged that they had been sent by Yugoslavia.

Hoxha died on 11 April 1985 and was succeeded as first secretary of the Workers Party by Ramiz Alia, who had been chairman of the presidium of the People's Assembly since 1982.

In the mid-1980s, Albania took steps to end its isolation. In 1987, it established diplomatic relations with Canada, Spain, Bolivia, and the Federal Republic of Germany. In August 1987, Albania signed a treaty with Greece formally ending the state of war that had existed between the two countries since World War II.

#### **Democracy and a Free-Market Economy**

As unrest spread in the late 1980s through Central and Eastern Europe in opposition to long-lasting Communist dictatorships, economic hardships in Albania grew ever deeper. Albania's political leadership had to open up more diplomatic and trade relationships with Western nations as the only available source of potential assistance. At the same time, internal unrest and a search for alternative democratic political solutions led by 1990 to mass protests and calls for the government's resignation. Thousands of Albanians wanted to emigrate in spite of imposed restrictions and became refugees housed in foreign embassies waiting for ships to take them abroad, particularly to Italy. President Ramiz Alia initiated the process for reestablishing diplomatic relations with

the United States, discontinued since the 1939 annexation of Albania by Italy. Restrictions on travel abroad were eased and religious practices allowed for the first time since their prohibition in 1944.

President Berisha and his Democratic Party pushed hard for radical reforms to create a market economy and democratic institutions internally, while bringing Albania back into the international mainstream after half a century of isolation. By the end of 1993 barriers to foreign trade had been removed, the Albanian lek made fully convertible, inflation brought under control, the serious productivity decrease halted, and an anticorruption drive mounted. The privatization of the economy had been successfully initiated, particularly in the agricultural sector, with 90% of land distributed to private farmers. Most subsidies were ended except to large industrial enterprises, which still wait for foreign investments that are not yet coming to the unstable Balkan area. The Communist Party government still intended to maintain both its control and its socialist system while allowing for some democracy. But it was not to be, and by December 1990 the opposition Democratic Party was formed. On 7 February 1991, some 8,000 students went on strike in Tiranë demanding economic changes and the government's resignation. In the face of persistent unrest, President Alia scheduled multiparty elections for 31 March 1991. Even with the Communist Party still in control, the Democratic Party managed to win 75 of the 250 People's Assembly seats (mostly in urban areas) with 160 seats won by the Communist Party. Ramiz Alia was reelected president and a still all-Communist Council of Ministers was appointed under Prime Minister Fatos Nano. By June 1991, continuous unrest forced Alia to agree to a first coalition government between its Communist (renamed Socialist) Party and the new Democratic Party. The latter withdrew from the coalition government in December 1991 charging the majority Socialists with preventing any reforms. President Alia then called for new general elections on 22 March 1992, which gave the Democratic Party a majority of seats (92 of 140). Sali Berisha was elected president with Aleksander Meksi his prime minister. Under Berisha, Alia and Nano were arrested and tried for corruption and abuse of power. They were sentenced to long prison terms, but were released within a few years of their convictions.

In foreign relations, Albania, under Berisha's leadership, tried to balance the internal pressure to assist both the repressed Albanian majority in the Kosovo region of Serbia towards its independence, and the sizable Albanian minority in Macedonia to obtain human and political rights. Albania's Western trade partners realized its internal economic and humanitarian needs and have been generous with their assistance that, between mid-1991 and 1993, has amounted to \$1 billion, mostly from European Union countries led by Italy. The United States and Albania also developed very close relations. Albania requested membership in NATO and, even though rejected, continued its cooperation with NATO. Because of its own border problems with Greece, Albania supported the independence of Macedonia and was one of the first nations to recognize Macedonia in spite of Greece's refusal to do so. Albania, a majority (70%) Muslim country, joined the Organization of the Islamic Conference mainly to gain some economic support. Albania also hosted Pope John Paul II's visit in April 1993, having established diplomatic relations with the Vatican in September 1991,

and intensified its traditional good relationship with Italy, whose annexation of Albania in 1939 is by now only a faint memory.

In 1994, the border disputes that have occurred since the creation of Albania flared into violence as Greek and Albanian border guards fought against each other in sporadic clashes. Greece expelled over 1,500 Albanians working in Greece without permits.

Albania's borders also became critical in 1994 as smugglers attempted to evade the embargo imposed on Serbia in consequence of its participation in the war in Bosnia. Fuel was shipped into Albania through the ports of Durrës and Vlorë and then taken by tanker truck inland where it was transported via Lake Shkodër into Montenegro and then into Serbia. Because the oil was legitimately imported into the country it was subjected to import duties, which provided in excess of \$22 million in tax-revenue for the Albanian government in 1994.

Domestically, Albania began to see the beginning fruits of its painful transition to a market economy as consumer goods and café-filled boulevards began to appear for the first time in post-Communist Albania. While wages remained low in comparison with other European countries, living standards were still higher than they had been under Hoxha's Stalinistic economics.

But Albania's efforts to integrate itself into modern Europe suffered a setback when a new constitution, strongly supported by President Sali Berisha, was rejected by voters in November 1994. It would have created a stronger executive and, as a prerequisite for entry into the Council of Europe, would have made Albania a signatory to international human rights treaties. Albania eventually did win acceptance to the Council of Europe in July 1995.

While Albania's parliamentary election in May 1996 returned President Berisha to power, the election was marred by reports of widespread electoral fraud committed by Berisha's Democratic Party and its allies. International observers in Albania to monitor the election confirmed these reports. While the United States and the Organization for Cooperation and Security in Europe expressed private concern over the election tampering, they did not publicly demand that new elections be held. For days after the election, police used truncheons and tear gas to disperse crowds protesting the election fraud and jailed major opposition leaders. In October of 1996 the Democratic Party again won a landslide victory in local elections, but the party was again charged by international observers and opposition parties with massive electoral fraud.

Perhaps the best indicator that the Democratic Party was not as popular as elections indicated came in response to the collapse of several "pyramid schemes" in late 1996 and early 1997, in which at least one-third of the population had invested approximately \$800 million by late 1996. Not only were these schemes a dubious investment value, but they had retarded the development of the legitimate Albanian economy by draining money away from legitimate investments, as even banks offering 16% annual interest had trouble attracting new deposits.

Rightly or wrongly, most Albanians identified the government with the pyramid schemes. It was widely believed that the government had used funds provided by the schemes to finance its campaign and that government ministers were involved with starting and running the schemes. The government's own belated actions in reaction to the pyramid schemes, freezing their assets and arresting fund managers, only further infuriated investors because



LOCATION: 39°38' to 42°39' N; 19°16' to 21°4' E. BOUNDARY LENGTHS: Yugoslavia, 287 kilometers (178 miles); Macedonia, 151 kilometers (94 miles); Greece, 282 kilometers (175 miles); coastline, 362 kilometers (225 miles). TERRITORIAL SEA LIMIT: 15 miles.

it reduced the already slim chances of seeing a return of any of their capital.

Anger over the collapse of the funds initiated the violence that followed throughout the winter and spring, releasing pent-up frustration that quickly spun out of government control and into anarchy. Protests in Tirane in January 1997 calling for the resignation of the government were peaceful, but in provincial areas



Albanians began destroying anything associated with the government and the Democratic Party, including courthouses, police stations, municipal buildings, and property belonging to state-owned industries. Violence was particularly serious in the southern port city of Vlorë, home to many of Albania's smugglers and drug operators who invested heavily in the schemes. Government officials and soldiers were expelled from most of southern Albania, as citizens (mostly gangsters and smugglers armed with weapons from government stockpiles and even with MIG aircraft from a captured military base) took control of the area.

The government attempted to stop the protests by cracking down on opposition groups and protesters. Curfews were imposed, as well as restrictions on the right of assembly and the press. Major opposition leaders were secretly arrested and imprisoned and the offices of the nation's major opposition newspaper were torched by plain-clothes security officers. A military force dispatched to return the south to government control was unable to dislodge the rebel hold on Vlorë.

At the appearance of government impotence in the south, order broke down throughout Albania, and the looting went completely beyond control. Not only were food and goods looted from government and industrial facilities (as well as weapons from government armories), but university libraries and cherished cultural monuments were destroyed by rampaging crowds.

President Berisha eventually accepted the creation of a coalition government with the aim of restoring order and ending the widespread prevailing anarchy. At Berisha's request a "voluntary militia" was created, and Tiranë returned to government control. However, it soon became apparent that the militia was composed mostly of members of the secret police (which Berisha had promised to dissolve) and Berisha loyalists, creating great mistrust among the opposition members of his cabinet.

As the violence came closer to the Albanian capital, there were calls for an international peacekeeping force to restore order. In April, a 6,000-member peacekeeping force led by French and Italian troops was deployed to patrol the countryside and restore order so the country could hold new elections. While the deployment of these troops put an end to the violence that had rocked Albania for over three months and had cost almost 150 lives, the massive looting and destruction left the country in tatters, and the pillaging of government armories meant that nearly every household had an automatic machine gun.

The identification of the Democrats with the corruption of the pyramid schemes hurt them badly in the July 1997 election, and the Socialist Party and its allies won an overwhelming victory. Nano, who had regained control of the Socialist Party after his release from prison, became prime minister. President Berisha resigned, and the Assembly elected Rexhep Mejdani, of the Democratic Party, as his successor. In November 1998, many of the principles embodied in the country's 1991 interim constitution were given permanent status when a new, Western-style constitution defining Albania as a democratic republic was approved in a nationwide referendum.

Albania was thrust into the international spotlight by the Kosovo crisis in the spring of 1999 as approximately 440,000 Kosovar Albanian refugees fled over the border to escape persecution at the hands of the Serbs after NATO began launching air strikes against Yugoslav military targets in March. Albania served as an outpost

for NATO troops. The influx of refugees further strained Albania's weak economy, and millions of dollars' worth of aid was pledged by the World Bank, the European Union, and other sources. By the fall, most of the refugees had returned to their homes, but Albania's struggle with poverty, crime, and corruption continued.

In October 1999, Socialist Prime Minister Pandeli Majko, appointed a year earlier, was ousted after losing favor with senior party leaders; he was replaced by another young, Western-leaning politician, Ilir Meta. Meta immediately moved to modernize the economy, privatize business, fight crime, and reform the judiciary and tax systems. In January 2001, Albania and Yugoslavia re-established diplomatic relations that had been severed during the Kosovo crisis.

Fighting between ethnic Macedonians and ethnic Albanian rebels—largely from the former Kosovo Liberation Army (UCK)—in the northwest region of Macedonia around the town of Tetovo intensified in March 2001 (it had begun in 2000). Fears in Macedonia of the creation of a "Greater Albania," including Kosovo and parts of Macedonia, were fueled by the separatist movement. On 13 August, the Ohrid Framework Agreement was signed by the Macedonian government and ethnic Albanian representatives, granting greater recognition of ethnic Albanian rights in exchange for the rebels' pledge to turn over weapons to the NATO peacekeeping force.

General elections were held in June 2001 and were won by the Socialist Party once again, taking over half of the 140 parliamentary seats. In the elections, the Union for Victory, a coalition of five political parties, came in second. As of September, a coalition government was in place. Meta listed European integration and an end to energy shortages as his priorities. But by December, the Socialist Party was plagued by a rift between Meta and party chairman Nano, after Nano accused Meta's government of corruption and incompetence and demanded that the cabinet be restructured. On 29 January 2002, Meta resigned after failing to resolve the split in the party. Pandeli Majko became the country's new prime minister, but feuding in the Socialist Party leadership continued. In June, parliament elected former Defense Minister Alfred Moisiu as president, replacing Mejdani. His election came after days of political infighting, during which Nano and Berisha were barred from running. In the end, both Nano and Berisha backed Moisiu as the sole consensus candidate for the position. And in August, Nano became prime minister for the fourth time after the Socialist Party decided to merge the roles of prime minister and party chairman.

In November 2002, NATO announced that of 10 countries aspiring to join the organization, 7 would accede in 2004, leaving Albania, Macedonia, and Croatia to wait until a later round of expansion. In January 2003, Albania and Macedonia agreed to intensify bilateral cooperation, especially in the economic sphere, so as to prepare their way to NATO and EU membership. Also that month, the EU and Albania began Stabilization and Association Agreement talks, seen as the first step toward EU membership.

In the spring of 2004, the failure of Nano's government to bring about economic and social improvements for the everyday Albanian led to opposition staged demonstrations in Tiranë asking for his resignation. However, general elections were held, as scheduled, in the summer of the next year. The Democratic Party of Albania (PD) emerged victorious taking 55 out of 140 seats, while

its allies took 18 seats. In spite of having this slim majority in the People's Assembly, the prime minister could not be nominated for another two months due to political wrangling and accusations of rigged elections. Finally, on 3 September 2005, Sali Berisha was nominated as prime minister by president Moisiu. Berisha assured the people he had learned from his past mistakes and pledged to reduce corruption and taxation, improve the economic and social environment, and make progress towards EU and NATO integration.

### 13 GOVERNMENT

Under the 1976 constitution, Albania was a socialist republic. Legislative authority was vested in the unicameral People's Assembly, elected every four years from a single list of candidates. In elections held 2 February 1987, 250 deputies were elected by 1,830,653 voters, with no votes cast against and one vote invalid. Voter participation was allegedly 100%. Suffrage was extended to men and women from the age of 18 and was compulsory. The 1976 constitution specified that "the rights of citizens are indivisible from the fulfillment of their duties and cannot be exercised in opposition to the socialist order."

Through most of the 1990s, Albania's government was based on the 29 April 1991 Law on Constitutional Provisions that established the principle of separation of powers, the protection of private property and human rights, a multiparty parliament, and a president of the republic with broad powers. After defeating a proposed constitutional measure in 1994, Albanian voters approved a new constitution in November 1998 giving the Albanian government a shape more like those of Western nations. Many provisions of the 1991 interim constitution were made permanent in the new document, which guaranteed a number of basic rights, including religious freedom, property rights, and human rights for ethnic minorities. After being cut to 140 members in 1992, the unicameral People's Assembly was expanded to 155 in 1997; it was subsequently reduced to 140 once again. Of these members, 100 are directly elected and 40 are elected by proportional representation. The president is elected by the People's Assembly for a five-year term, and the prime minister is appointed by the president. A Council of Ministers is nominated by the prime minister and approved by the president.

Alfred Spiro Moisiu, of the Socialist Party, was elected to a five-year term as president by the People's Assembly in June 2002. Sali Berisha, who served as president between 1992 and 1997, was appointed to the prime minister post by Moisiu, after his party—the Democratic Party of Albania—won the general elections in July 2005.

### 14 POLITICAL PARTIES

Before the 1990s, the only political party was the Communist Party, which was founded in 1941 and has been known officially as the Workers Party (Partija e Punës) since 1948. As of November 1986, it had about 147,000 members, as compared with 45,382 in 1948. The Albanian Democratic Front was the party's major subsidiary organization; other subsidiary groups included the Union of Albanian Working Youth and the Women's Union of Albania.

Under the 1976 constitution, the first secretary of the Workers Party was commander-in-chief of the armed forces. The constitu-

tion described the Workers Party as the "sole directing political power in state and society."

The primary political parties include the Democrats (led by Sali Berisha), a Western-style conservative party; the Democratic Alliance, a breakaway group of Democrats still largely allied with them; the Socialists (led by Fatos Nano), composed largely of former Communist Party members; and the Social Democrats, a Western-style progressive party largely allied with the socialists.

Although in the early years of post-Communist Albania there were genuine ideological differences between the parties, such distinctions have now blurred. Even the Socialist Party, composed largely of former Communists, has called for budget cuts and an IMF-backed austerity program. As of the election of 4 July 2005, seats in the unicameral National Assembly were distributed as follows: the Democratic Party of Albania (PD), 55; the Socialist Party (PS), 40; the Republican Party (PR), 11; the Social Democratic Party (PSD), 7; the Socialist Movement for Integration (LSI), 5; and other, 22.

### 15 LOCAL GOVERNMENT

Albania is divided into 12 regions (qarqe), 36 districts (rrethe), including the city of Tiranë (or Tirana), 65 cities and towns, and 309 communes (as of 2002). All subdivisions are governed by people's councils. The councils direct economic, social, cultural, and administrative activity in their jurisdictional areas and appoint executive committees to administer day-to-day activities.

International observers deemed local elections held in 2000 to have achieved a certain level of democracy, but identified irregularities that need to be addressed in reforms in the Albanian electoral code. The third round of local elections held on 12 October 2003 did not address these irregularities. Several international organizations noted that international standards for democratic elections have not been met. Partial run-offs were held in November and December, following a boycott by the Democratic Party commissioners. The distribution of votes at the local level was as follows: the Socialist Party of Albania (PS), 34.6%; the Democratic Party (PD), 32.2%; the Social Democratic Party (PSD), 5.3%; the Republican Party (PR), 3.3%; and the Agrarian Environmental Party (PAA), 3.2%.

### 16 JUDICIAL SYSTEM

The judicial system includes district courts, six courts of appeal and a supreme court, or Court of Cassation. The district courts are trial level courts from which appeal can be taken to a court of appeals and then to the Court of Cassation. At each of the three levels, the courts are divided into civil, criminal, and military chambers. Justices of the Supreme Court serve for seven years.

There is also a Constitutional Court (also known as the High Court) with jurisdiction to resolve questions of constitutional interpretation that arise during the course of any case on appeal. In a 1993 decision, the Constitutional Court invalidated a law that would have disbarred lawyers who were active during the Communist era, and ordered the lawyers reinstated. Justices of the Constitutional Court serve a maximum of nine years.

Parliament appoints the seven members of the Court of Cassation and five of the nine judges on the Constitutional Court, with the rest appointed by the president. A Supreme Judicial Council appoints all other judges. In 1992, the Supreme Judicial Council

began to remove judges who had served under the former Communist regime.

Although the constitution provides for an independent judiciary, the system is plagued by a lack of resources and trained staff, and is subject to political pressure, intimidation, and corruption.

## 17 ARMED FORCES

As of 2005, the Albanian armed forces were in the midst of a major restructuring to be completed by 2010. The new army was to consist of five divisions and a commando brigade of three battalions. In 2005, Army personnel numbered more than 16,000 and were armed with 373 main battle tanks, 123 armored personnel carriers, and 1,197 artillery pieces. The Navy had an estimated 2,000 active personnel and was equipped with 20 patrol/coastal vessels, 4 mine warfare and 2 logistical/support vessels. The Albanian Air Force totaled 3,500 active members and had 26 combat capable aircraft, including 15 fighters and 11 fighter ground attack aircraft. The 2005 defense budget totaled \$116 million.

## 18 INTERNATIONAL COOPERATION

Albania, a United Nations member since 14 December 1955, belongs to numerous specialized agencies, such as FAO, IAEA, IFAD, ILO, UNESCO, WHO, WIPO, ICAO, WMO, the World Bank, IFC, IMF, and the WTO (2000). Albania was originally a member of the Council for Mutual Economic Assistance (CEMA) and the Warsaw Pact, but in 1968 it formally announced its withdrawal from both (it had ended participation in CMEA in 1961). The country is a part of the Central European Initiative, the Agency for the French-Speaking Community (ACCT), and one of 12 members of the Black Sea Cooperation Zone. Albania is part of the Council of Europe, the Euro-Atlantic Partnership Council, the International Confederation of Free Trade Unions and the World Federation of Trade Unions, the Islamic Development Bank, and the Organization of the Islamic Conference (OIC).

In November 2002, NATO announced that Albania would have to wait until a later round of expansion to join. As of 2003, Albania had applied for membership in the European Union, although it was not among the 13 candidate countries from eastern and southern Europe being considered for the next round of accession. However, in January 2003, Albania and the European Union began Stabilization and Association Agreement talks, which were regarded as the possible first steps toward EU membership.

Albania joined the OSCE 19 June 1991. The country also participates in the Organization for the Prohibition of Chemical Weapons, the NATO Partnership for Peace, and the Adriatic Charter (2003). In May 2003, Albania and the United States signed a treaty on the Prevention of Proliferation of Weapons of Mass Destruction and the Promotion of Defense and Military Relations. Albania was one of four nations to contribute troops to the combat phase of Operation Enduring Freedom (2004), a US initiative in Iraq.

In cooperation on environmental issues, Albania participates in the Basel Convention (hazardous waste), the Convention on Biological Diversity, Ramsar, the Montréal Protocol (ozone layer protection), and the UN Conventions of the Law of the Seas Climate Change, and Desertification.

## 19 ECONOMY

Albania has always been an underdeveloped country. Before World War II, there were only a few small-scale industrial plants and only a few of the larger towns had electricity. Subsoil resources were potentially rich, but only coal, bitumen, and oil were extracted—by Italian companies. Transportation was poorly developed. Stockbreeding contributed about half of the agricultural output; by 1938, tilled area represented only 23% of the agricultural land. Forests were exploited and reforestation neglected.

After the war, the Communist regime pursued an industrialization program with a centrally planned economy. Development projects received priority, especially mining, industry, power, and transportation. Consumer goods, agriculture, livestock, and housing were relatively neglected. By 1950, Albania had its first standard-gauge railways, a textile combine, a hydroelectric power plant, a tobacco fermentation plant, and a sugar refinery. Mineral extraction, especially of oil, chrome ore (the main export product), and iron-nickel, was increased. Land cultivated under crops or orchards expanded by over 70% from the 1950s to the 1980s. Although collectivized, farmland was again privatized in 1992 and distributed to peasants. But despite significant progress, living standards in Albania were still among the lowest in Europe. When central planning was abandoned, there was no mechanism to take its place, and GDP fell 45% during 1990–92. It rose by at least 5% in 1995, however. After prices were freed, the inflation rate shot up to 226% in 1992, but dropped to 86% in 1993. Consumer prices and unemployment mounted rapidly in 1994.

More trouble followed in 1997 with the countrywide collapse of financial pyramid schemes. The resulting chaos left the government paralyzed, and over 1,500 Albanians died in the ensuing violence that swept the country before an international peacekeeping force restored order. More economic hardship struck Albania in 1999 as the country received 450,000 Kosovar refugees. Western aid helped the Albanians manage the influx.

As Albania entered the 21st century, its economy had begun to improve. Inflation remained low, the economy was expanding at a rate of approximately 7% a year, and foreign direct investment was growing. Economic growth came largely from the transportation, service, and construction sectors. The state was privatizing industries, and as of 2002, nearly all land in Albania was privately owned. However, the country's transition to a free-market economy did not come without difficulties. Unemployment remained high, and the economy remained based on agriculture (around 50%). Crime and corruption were problems, as were governmental bureaucratic hurdles that hamper business activity. The country's infrastructure was still outmoded and in disrepair, and in dire need of funding. Severe energy shortages caused blackouts and were responsible for small businesses failing; in 2003, the country was increasing its imports of electricity.

In 2001, Albania joined Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Romania, and Serbia and Montenegro (Yugoslavia) in creating a Balkan free trade zone. Tariffs on selected goods were to be eliminated under the agreement. In September 2000, Albania joined the World Trade Organization, signaling its commitment to the process of economic reform.

By 2003, and 2004, Albania would register some of the highest rates of growth in Europe (around 6%), with a nominal GDP of

\$7.83 billion in 2004. Most of this growth was fueled by an expansion in the services, construction, and transport sectors, as well as by remittances from abroad (a common growth generator in developing countries, especially those that border developed economies), domestic demand, and private investment. The inflation rate in 2004 was 3.2%, the foreign currency reserves rose to \$1.244 billion, while its fiscal deficit declined to 4.9%.

The EU remains Albania's main trading partner, with Italy and Greece taking the lion's share. Although exports have been growing steadily, they have been outpaced by the increase of imports. Thus, in 2004 exports totaled \$ .6 billion, while imports marked \$2.2 billion. Albania's main exports are textiles, footwear, mineral products, and metals; its imports include agricultural products, metals and minerals, and machinery.

Albania has enjoyed a relatively stable environment in the early years of the 21st century, its economic growth has been steady and strong (the GDP is projected to grow in 2005 by 6%), and its moves towards a functional market economy have been courageous. However, the country is still one of the poorest in Europe and remains subject to political instability and economic downside risks, such as shortages of the electricity supply and possible delays in the privatization of large enterprises.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Albania's gross domestic product (GDP) was estimated at \$18.1 billion. However, Albania has a large gray economy that may be as large as 50% of official GDP. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$4,900. The annual growth rate of GDP was estimated at 6%. The average inflation rate in 2005 was 2.5%. It was estimated that agriculture accounted for 23.6% of GDP, industry 20.5%, and services 55.9%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$889 million or about \$281 per capita and accounted for approximately 15.6% of GDP. Foreign aid receipts amounted to \$342 million or about \$108 per capita and accounted for approximately 5.4% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Albania totaled \$3.89 billion or about \$1,229 per capita based on a GDP of \$5.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 5.5%. In 2001 it was estimated that approximately 62% of household consumption was spent on food, 13% on fuel, 3% on health care, and 10% on education. It was estimated that in 2004 about 25% of the population had incomes below the poverty line.

## 21 LABOR

The labor force numbered an estimated 1.09 million in 2004, excluding 352,000 emigrant workers. For that same year, agricultural workers accounted for an estimated 58% of the country's

labor force, with those in the private nonagricultural sector accounting for 20% and those in the public sector accounting for 23%. In 2004, Albania's unemployment rate was officially put at 14.4%, however the actual unemployment rate may be in excess of 30%. When communism was abandoned in favor of a free-market economy in 1991, a transitional dislocation of workers and resources took place, resulting in an estimated unemployment rate of 40% in 1992. In 2001, the unemployment rate remained high, up to an estimated 30%.

In 1991, workers were granted the legal right to create independent trade unions. The Independent Confederation of Trade Unions of Albania (BSPSH) was formed as the umbrella organization for several smaller unions. The rival Confederation of Unions, closely tied to the Socialist Party, operates mostly as a continuation of the state-sponsored federation of the Communist era.

As of 2005, all citizens had the right to organize and bargain collectively, except the military and civilian employees of the military. About 20% of the workforce was unionized, but that number is shrinking. Generally, labor unions in Albania operate from a weak position, and those unions that represent employees in the public sector usually negotiate directly with the government. In addition, little privatization has occurred outside the retail and agricultural sectors and few private employees are unionized.

The minimum work age is 14, with restrictions placed on employment of those under 18 years old. Children between 14 and 16 years old may work part-time. Although the labor code sets the maximum workweek at 40 hours, the actual workweek for many is six days/week. There is no legal minimum wage rate for workers in the private sector, although government workers, 18 years of age and older, were paid a minimum wage of about \$118/month in 2005, which does not provide a decent living wage for a family.

The enforcement of occupational health and safety standards and regulations is the responsibility of the Ministry of Labor and Equal Opportunities. However, what regulations and standards that do exist are generally not enforced. In addition, the law provides no remedies for workers who leave the workplace because of hazardous conditions. The enforcement of the labor code is severely limited by the Albanian government's lack of funding.

## 22 AGRICULTURE

In 2004, about 58% of the economically active population was engaged in agriculture, compared with 85% before World War II (1939–45). Although Albania's mountainous terrain limits the amount of land available for agriculture, the cultivated and arable area was about 21% of the total (578,000 hectares/1,428,000 acres) in 2000. Nearly two-thirds of the population is rural, and agriculture provided 25% of value-added GDP in 2003.

The first collective farm was created in 1946, but collectivization did not move forward on a large scale until 1955. By early 1962, 1,263 collectives included about 2,000 villages and covered almost 80% of the cultivated area. Consolidation reduced the collectives to 1,064 by December 1964. State farms, meanwhile, had expanded and by 1960 they accounted for about 12% of the cultivated area. By 1964, only 10% of the cultivated area was privately farmed, and by 1973, 100% of the agricultural land was reported as socialized, either in collective or state farms. Collective farm consolidations and mergers reduced their number to 420 in April 1983, including "advanced type" cooperatives. The cooperatives

accounted for 74% of total agricultural production. By the mid-1980s, the number of collective farmers was about 800,000.

After the government abandoned central planning, the economy collapsed from the void. The decline saw the agricultural sector shrink by 21% in 1991, but agricultural production rebounded in 1992 in response to the privatization of cooperative farms and the elimination of fixed pricing. The number of tractors increased from 359 in 1950 to 4,500 in 1960 and to 12,500 in 1991; 7,915 were in service in 2002. In 2002, irrigation systems covered 59% of the cropland. Artificial fertilizers supplied to farms rose from 8,000 tons of active substance in 1960 to 99,900 tons in 1978. However, fertilizer use fell from 145 kg per hectare in 1983 to about 5 kg per hectare in 2002.

Wheat is the principal crop; corn, oats, sorghum, and potatoes are also important. Greater emphasis is being placed on the production of cash crops—cotton, tobacco, rice, sugar beets, vegetables, sunflowers, and fruits and nuts. FAO estimates of crop output in 2004 (in tons) included wheat, 300,000; corn, 200,000; sugar beets, 40,000; vegetables and melons, 679,100; potatoes, 175,000; grapes, 80,000; oats, 15,000; and oranges, 2,200.

### 2<sup>3</sup> ANIMAL HUSBANDRY

The major problem of Albanian animal husbandry has been a shortage of fodder. As a result, livestock numbers remained virtually constant or increased very slowly in the postwar decades. When central planning was abandoned, uncertain monetary and credit policies caused inflation to soar, which eroded export earnings. Albania, which had been a net exporter of food products, became heavily dependent on food aid. Sheep, originally the most important livestock, numbered 1.84 million in 1946 and 1.8 million in 2004. Additional estimated numbers of livestock for 2004 included poultry, 4,300,000; goats, 1,030,000; cattle, 700,000; hogs, 109,000; and horses, 65,000. Estimates of livestock products in 2004 include 900,000 tons of cows' milk, 70,000 tons of sheep's milk, 65,000 tons of goats' milk, 39,000 tons of beef and veal, 8,500 tons of pork, 12,000 tons of mutton and lamb, and 25,800 tons of eggs.

### 2<sup>4</sup> FISHING

Fishing is an important occupation along the Adriatic coast. In 1958, a development program for inland fisheries was begun, and the results were improved exploitation and conservation as well as increased fish reserves and catches. Annual fish production was estimated at 3,560 tons in 2003 of which 65% came from marine fishing. Exports of fish products amounted to almost \$13.5 million in 2003.

### 2<sup>5</sup> FORESTRY

Forests cover 1 million hectares (2.5 million acres), or about 36% of the total land area. As a result of exploitation, erosion, and neglect, about 70% of the forested area consists of little more than shoots and wild shrubs, and exploitation of the remaining accessible forests exceeds optimum annual limits. Roundwood production in 2003 totaled 296,000 cu m, with about 56% used for firewood. Between 1971 and 1978, 65,310 hectares (161,380 acres)

were forested, compared with a total of 61,900 hectares (153,000 acres) for 1961–70.

### 2<sup>6</sup> MINING

After the abandonment of central planning in 1992, Albania's mineral industry was marginal, with technical difficulties contributing to the decline. Nearly half a century of self-imposed isolation during the Communist era crippled the industry with a shortage of capital, aging and inadequate machinery, over staffing, and environmental damage. In 1995, the government adopted a law to privatize the mineral industry, and administrative preparations for privatization began in 1996.

Mineral deposits traditionally associated with Albania included chromite, copper ore, and nickeliferous iron ore. From the late 1970s through 1990, Albania was the principal chromite-producing country in Europe; the country often ranked second in the world in exports and third in production. In this period, exports of chromite, ferrochromium, and petroleum refinery products constituted the country's chief sources of foreign exchange. For much of the 1990s, the chromite mining and processing industry paralleled the country's moribund economy.

In 2003, chromite production was 220,000 metric tons, down from 300,000 in 1996. The most important chromite mines were at Katjel, Mëmlisht, and Bulqize, in the upper reaches of the Drin River. A chromium-ore enrichment plant was put into operation at Bulqize in 1972. In the 1980s, chromite production amounted to more than one million metric tons per year.

In 2000, the government awarded Hayri Ogelman Madencilik, of Turkey, a long-term concession to upgrade and operate the Kalimash mining and beneficiation complex, and to develop mines at the Perollajt and Vllahane deposits in the northeastern part of the country.

Copper ore concentrate production was 8,691 metric tons in 1999, the last year for which there is any data, according to the US Geological Survey. Copper was mined at Pukë and Rrubig, where the ore was concentrated and smelted. The deposits near Kukës were the richest in Albania.

Production of bauxite in 2002 totaled 71,312 metric tons and was estimated at 229,317 metric tons for 2003. Bauxite deposits were found mostly in central Albania, east of Tiranë, as well as in the northern alpine region, near the border with Serbia. Bauxite reserves were estimated at 12 million tons, with the largest deposit at Daijti. Because of a lack of domestic refining capacity, bauxite was exported.

Albania was one of the few countries producing natural asphalt, mined at Selenicë. All production of asphalt and bitumen in 2002 totaled 4,200 metric tons.

### 2<sup>7</sup> ENERGY AND POWER

Albania has both thermal and hydroelectric power stations to generate electricity, but the latter are more significant and have the greater potential. Total power production increased from 85 million kWh in 1955 to 578 million kWh in 1967, and to 4.9 billion kWh in 1985. In 2004, electricity generation was 5.68 billion kWh. In 2002, 13% came from fossil fuels, 87% from hydropower, and none from other sources. In the same year, consumption of

electricity totaled 5.286 billion kWh, with total capacity at 1.671 million kW. Rural electrification was achieved in 1970.

The 24,000-kW Shkopet plant and the 27,000-kW Bistricë plant became operational in 1962. A 100,000-kW thermal plant at Fier went into operation in 1968, and the Mao Zedong hydroelectric plant was completed in 1971. The “Light of the Party” hydroelectric plant on the Drin River, with a total installed capacity of 500,000 kW, began operations in 1978. The seventh five-year plan (1981–85) provided for construction of a hydropower station at Koman, also on the Drin, with a capacity of 600,000 kW; the first two turbines were installed there by early 1986.

Petroleum production has become significant. Crude oil output rose from 108,000 tons in 1938 to 870,000 tons in 1967, and 3,500,000 tons in 1985. In 2002, production totaled 6,360 barrels per day. Oil refineries are located at Ballsh, Stalin, Fier, and Çerrik. Albania also produced 1.77 billion cu ft of natural gas in 2002. Sizeable coal deposits were discovered near Tiranë in 1969.

## 28 INDUSTRY

Before World War II, industry was confined to a cement plant at Shkodër and to small-scale flour-milling, food-processing, cigarette-making, and fellmongery (processing animal hides). In 1937–39, industry’s contribution to the GNP was only 10%, by far the lowest in Eastern Europe. There was virtually no export of industrial products. After the war, the government emphasized industrial development, primarily development projects. Gross industrial output increased annually by 20% during 1951–60, by 12% during 1961–70, by 9% during 1971–80, by 5% during 1981–85, and by 3% during 1986–90. The socialized sector accounted for over 95% of gross output by the late 1950s and 100% by the 1970s. The industrial labor force, which virtually tripled between 1946 and 1960, continued to increase rapidly during the 1960s and, in 1994, 15% of all wage and salary earners were employed in industry (including mining).

Industrial production fell 44% in 1992 and 10% in 1993, but by 1995 industrial productivity was growing at a rate of 6%. Privatization was proceeding slowly, with joint state-private ventures planned or sale of state enterprises at auction. In 1994, over one-half of the nonfarm workforce was employed by the state. As of 2002, the industrial sector accounted for 27% of GDP. Major industries include food processing, textiles and clothing, lumber, oil, cement, chemicals, and basic metals. Albania has two oil refineries, with a capacity of 26,000 barrels per day in 2002. In 2001, the government privatized a brewery, distillery, dairy, and pharmaceutical company, and planned to sell the Savings Bank of Albania and INSIG, the state-owned insurance company. The construction sector showed potential for growth in 2002–03, as the country had a housing deficit and existing housing is old and in poor condition.

While the importance of agriculture in Albania’s economy has decreased, other sectors (such as services, transport, and construction) have benefited from investment in 2004. The telecommunications industry in particular has grown substantially due to significant inflow of capital from two new mobile companies. Tourism, the only sector to register a net positive trade balance, has the prospective of becoming one of Albania’s main growth engines. Another sector that has good future prospects is mining—due in part to increases in the price of raw materials. In addition to

these developments, there are plans for a 1600-acre Energy Park at Vlora. This park is supposed to respond to Albania’s energy shortages by means of large foreign direct investments. To date, 80% of Albania’s GDP is generated by the private sector.

## 29 SCIENCE AND TECHNOLOGY

The main scientific organization, the Academy of Sciences (founded in 1972 and located in Tiranë), has a scientific library and numerous attached research institutes dealing with various aspects of agriculture, fisheries, and veterinary science; medicine; natural sciences (biology, computer science and applied mathematics, energetics, nuclear physics, hydrometeorology, seismology, and geology) and technology (oil and gas geology and technology, industrial projects studies and design hydraulics, metallurgy, mining, roads and railways, chemistry mechanics, minerals, building technology); and the food industry. The Geologists’ Association of Albania, founded in 1989, has 450 members (as of 1997).

The University of Tiranë, founded in 1957, has faculties in natural science, medicine, and mechanics and electronics. Its Natural Science Museum has exhibits relating to zoology, botany, and geology. Luigi Gurakugi University of Shkodër, founded in 1991 and based on the former Higher Pedagogical Institute founded in 1957, has a faculty in natural sciences. The Agricultural University of Tiranë, founded in 1971, has faculties in agronomy, veterinary science, and forestry. In 1987–97, science and engineering students accounted for 19% of college and university employment. The Fan S. Noli University in Korçë was founded in 1971 as the Higher Agricultural Institute and renamed in 1992. The Centre for Scientific and Technical Information and Documentation in Tiranë was founded in 1981.

In 2002, high technology exports amounted to \$2 million, some 1% of the country’s manufactured exports in that year.

## 30 DOMESTIC TRADE

Wholesale trade became a state monopoly in 1946. Initially, private retail trade played an important role, but by 1970 trade was fully socialized. By December 1990, retail units had been privatized again. All price controls were eliminated except on a few consumer items and monopoly-controlled products.

Shops in Albania are generally small, but department stores and a few larger supermarkets with limited stocks have been established in Tiranë, Durrës, Korçë, and other larger cities. Consumer cooperatives conduct trade in the rural areas. Albania has a small, but growing, advertising sector.

Albanian business hours are Monday through Friday from 8 AM to 6 PM. Shop hours are Mondays and Tuesdays, 7 AM to 2 PM and 5 to 8 PM, and other weekdays, 7 AM to 2 PM. Many shops are open seven days a week, since there is no legislation regulating shop hours. Before 1 January 1959, all sales were for cash. Since then, date limited consumer credit was sanctioned, but most transactions are still in cash.

## 31 FOREIGN TRADE

Before World War II, about 50% of the exports consisted of the entire production of chrome ore and crude oil and some timber; the balance consisted of agricultural goods and fish. Good grains, sugar, and coffee made up about 20% of the imports; textiles, about 24%; and paper, machinery, chemicals, leather, metals, and

**Principal Trading Partners – Albania (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	447.1	1,863.8	-1,416.7
Italy-San Marino-Holy See	334.8	623.8	-289.0
Greece	57.4	373.5	-316.1
Germany	15.3	105.4	-90.1
Serbia and Montenegro	10.5	10.3	0.2
Austria	5.5	30.1	-24.6
Turkey	3.7	122.3	-118.6
Macedonia	3.0	5.5	-2.5
Russia	2.3	52.7	-50.4
United States	2.3	18.6	-16.3
France-Monaco	2.1	20.3	-18.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

oil products, about 53%. As the value of imports almost tripled that of exports, the deficit was met largely by Italian loans. Italy received two-thirds of Albanian exports and supplied Albania with up to half its imports. Under the Communist government, foreign trade became a state monopoly. The volume of turnover increased substantially and the structure and orientation changed radically.

As of the year 2000, Albania was running a trade deficit of \$814 million (US dollars), a considerable increase since the 1990s. The expansion in imports was largely due to increased domestic demand for foreign goods, as well as increased demand for electronics. Between 1950 and 1967, trade volume increased six fold, to £1,043 million in 1967. Total trade volume (imports plus exports) rose 49% between 1966 and 1970. In 1960, trade with the socialist states accounted for about 90% of total trade; the Soviet share of this was half. Political and economic differences between Albania and the USSR resulted in suspension of aid to and trade with Albania. In 1961, 54% of total foreign trade was with the USSR and 7% with China; by 1964, trade with the former had ceased entirely, while trade with China had risen to 55%. After the Albanian-Chinese split in the late 1970s, economic contacts with China ceased. Talks aimed at renewing trade between the two nations were held in 1983, resulting in trade agreements worth about \$5–7 million.

In 2000, Albania exported leather products, apparel, footwear components, tobacco products, and metal ores. The production of chromium ore, formerly an integral part of the Albanian export schedule, has plummeted in recent years. Imports in 2000 included raw materials, machinery, transportation equipment, fuel, minerals, metals, and foodstuffs. Albania exported its goods primarily to Italy, Greece, and Germany. The chief sources of Albania's imports were Italy, Greece, Germany, Turkey, Bulgaria, and the Former Yugoslav Republic of Macedonia.

**3<sup>2</sup> BALANCE OF PAYMENTS**

The US Central Intelligence Agency (CIA) reports that in 2002 the purchasing power parity of Albania's exports was \$340 million while imports totaled \$1.5 billion resulting in a trade deficit of \$1.16 billion.

The International Monetary Fund (IMF) reports that in 2001 Albania had exports of goods totaling \$305 million and imports

**Balance of Payments – Albania (2003)**

(In millions of US dollars)

<b>Current Account</b>			<b>-406.8</b>
Balance on goods		-1,336.3	
Imports	-1,783.5		
Exports	447.2		
Balance on services		-82.9	
Balance on income		170.4	
Current transfers		841.9	
<b>Capital Account</b>			<b>157.0</b>
<b>Financial Account</b>			<b>200.6</b>
Direct investment abroad		...	
Direct investment in Albania		178.0	
Portfolio investment assets		-22.5	
Portfolio investment liabilities		...	
Financial derivatives		...	
Other investment assets		-71.6	
Other investment liabilities		116.7	
<b>Net Errors and Omissions</b>			<b>147.4</b>
<b>Reserves and Related Items</b>			<b>-98.1</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

totaling \$1.33 billion. The services credit totaled \$534 million and debit \$444 million. The IMF attributes the fall in exports in recent years to a decline in industrial production. Recent increases in imports were due to increased domestic demand for imported goods, in addition to large increases in electricity imports. Remittances from abroad have improved Albania's balance of payments.

**3<sup>3</sup> BANKING AND SECURITIES**

The Communist regime nationalized all banking and financial institutions in 1945 and established the Bank of the Albanian State (now simply the Bank of Albania), which became the bank of issue. The bank also controlled foreign transactions, helped prepare financial plans for the economy, accepted savings deposits, financed economic activities, and performed other banking functions. An agricultural bank was created in 1970 to provide credit facilities for agricultural cooperatives.

On 10 August 1949, the Directorate of Savings was established to grant loans and to accept savings deposits in branches throughout the country; the system has grown steadily ever since.

When the Soviet Union collapsed in 1991, Albania decided to develop a market economy. The banking system changed to meet the demands of a free-market economy. However, in October 1996, the Islamic Conference's financing arm, the Islamic Development Bank, made a \$12 million loan to Albania. The logic of the government's Islamic focus is unclear.

The government's position has been weakened considerably as a result of the collapse of four of the country's major pyramid investment schemes, leading to anarchic, nationwide demonstrations by furious investors. In January of 1997, a 20,000-strong crowd marched on Skanderberg Square, where it demanded that the government guarantee all deposits in the companies. Notable pyramid investment companies included VEFA, Kamberi, Populli, Xhaferri, Gervnasi, Gjallica, and Sudja.

The informal financial market has absorbed millions of dollars of savings and remittances in recent years (estimates run as high as \$1 billion), at the expense of the country's inefficient and uncompetitive banking sector. The pyramid investment schemes attracted hundreds of thousands of depositors—local estimates put participation in the companies at about 75% of all households—by guaranteeing to pay high interest rates on cash deposits within a short period of time.

Much of the blame for crisis rested with the government, whose policy towards the companies was not simply cavalier but actively encouraging. It did not pay attention to requests made by the central bank governor to regulate the pyramid schemes more tightly.

The privatization of the three state-owned commercial banks has long been advocated by the International Monetary Fund and the World Bank. The government has privatized the Rural Commercial Bank and the National Commercial Bank, and is working towards privatizing the Savings Bank of Albania, which holds nearly 80% of all Albanian bank deposits. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$997 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$2.7 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 10.82%.

### 34 INSURANCE

Insurance was nationalized by the Communist government after World War II. Under the jurisdiction of the Ministry of Finance, the program is administered by the Institute for Insurance, created in 1950. Half the profits are earmarked for the state budget, the other half for a reserve fund. In 1990, income from social insurance contributions totaled L967 million. Total expenditures—for temporary disability, pregnancy, childbirth, rest home stay, and pensions—were L1,440 million. In 2002, Albania's parliament passed a law to privatize the insurance agency, hoping to create a competitive industry.

### 35 PUBLIC FINANCE

Albania began its transition from a centrally planned economy to a market driven economy in 1992, after GDP had collapsed by over 50% in 1989. The government elected in 1992 set in motion a series of aggressive economic reforms to light the path towards a market economy. Among the reforms were price and exchange regime liberalization, fiscal consolidation, monetary restraint, and a rigid income policy. Stalling progress in 1997 was followed by a resumption of growth the next year.

The US Central Intelligence Agency (CIA) estimated that in 2005 Albania's central government took in revenues of approximately \$1.9 billion and had expenditures of \$2.3 billion. Revenues minus expenditures totaled approximately -\$417 million. Total external debt was \$1.41 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, general government revenues were L153,197 million and expenditures were L187,109 million. The value of revenues was us\$1,093 million and expenditures us\$1,335 million, based on a market exchange rate for 2002 of us\$1 = L140.15 as reported by the IMF. Government outlays by

#### Public Finance – Albania (2002)

(In millions of leks, general government figures)

<b>Revenue and Grants</b>	<b>153,197</b>	<b>100.0%</b>
Tax revenue	103,162	67.3%
Social contributions	24,920	16.3%
Grants	4,119	2.7%
Other revenue	20,996	13.7%
<b>Expenditures</b>	<b>187,109</b>	<b>100.0%</b>
General public services	48,983	26.2%
Defense	7,537	4.0%
Public order and safety	11,944	6.4%
Economic affairs	28,080	15.0%
Environmental protection	...	...
Housing and community amenities	9,021	4.8%
Health	13,719	7.3%
Recreational, culture, and religion	2,609	1.4%
Education	19,034	10.2%
Social protection	46,183	24.7%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

function were as follows: general public services, 26.2%; defense, 4.0%; public order and safety, 6.4%; economic affairs, 15.0%; housing and community amenities, 4.8%; health, 7.3%; recreation, culture, and religion, 1.4%; education, 10.2%; and social protection, 24.7%.

### 36 TAXATION

As of 1999, personal income is taxed in six brackets, from 5–30%, with 5% starting at an income of about \$86/month, and the 30% rate, plus a flat fee of about \$45, applied to incomes over about \$1,030/month. The corporate income tax rate is 25%, applied equally to both domestic and on income earned in Albania by foreign-owned companies. Tax preferences previously accorded foreign investors—a four-year tax holiday, and up to a 60% reduction on income from reinvested profits—were removed for future foreign investors on the advice of the IMF and World Bank. There is property tax on agricultural land and buildings. Indirect taxes include a value-added tax (VAT) applied to businesses with annual turnover exceeding five million lek (about \$43,000), small business taxes, and excise taxes on tobacco, alcohol, soft drinks, coffee, gasoline products, perfumes, and deodorants. The VAT rate is 20%. Small businesses with annual turnover of less than two million lek a year pay a yearly lump sum ranging from 15,000 lek to 100,000 lek. Businesses with turnover in the range of two million lek to five million lek pay a 4% of turnover tax. Exports are exempt from both excise and VAT. Financial transactions are exempt from VAT, and liquefied gas is exempt from excise.

### 37 CUSTOMS AND DUTIES

Under the jurisdiction of the Ministry of Trade, the general directorate of customs and duties administers customs regulations. With certain exemptions, all goods are subject to duties ranging from 5–10%, depending on product type. Having become a member of the World Trade Organization in September 2000, Albania



is working with Bulgaria, Croatia, Macedonia, Romania, and Serbia and Montenegro to create a regional free trade zone.

### **3<sup>8</sup> FOREIGN INVESTMENT**

Prior to 1990, no foreign capital was invested in postwar Albania, but various communist states aided the Albanian industrialization program, supplying credit, machinery and equipment, and technicians. Prior to 1961, assistance by Soviet-bloc technicians in geologic surveys, construction, and operation of factories was vital to Albanian economic growth. Following the Soviet suspension of credits, withdrawal of technicians, and elimination of trade, China increased its activity in all these areas. In 1978, China terminated all its economic and military cooperation with Albania and the following year Albania was for the first time without any foreign assistance. In the 1980s, some economic assistance was provided by the FRG.

After the fall of communism, foreign investment was encouraged and 149 joint ventures were agreed upon. A \$10 million Coca-Cola bottling plant set up in 1994 outside of Tiranë (directly employing about 100 people), the European Bank for Reconstruction and Development, and a local Albanian company were early ventures. In 1995, Albania concluded a bilateral investment treaty with the United States. At the end of 1995, foreign investment was projected to rise to about \$600 million, with about one-half of that coming from Italy. However, the prospects for foreign investment dropped sharply in 1997 in the wake of the violence and property destruction that followed the collapse of the pyramid schemes in which many Albanians had sunk their savings. The violent removal of the Prime Minister in 1998 and the influx of Kosovar refugees in 1999 were added deterrents to foreign investment. From 1997 to 1999, foreign direct investment in Albania averaged only \$44.57 million, but in 2000 the rate of inflow tripled to \$143 million and then in 2001 to \$181 million. The rate of investment decreased slightly in subsequent years, but rose again in 2004, reaching \$300 million.

In 2003, the UN Development Program assisted the Albanian government in setting up the Investment Promotion Agency (ANIH) that replaces the Economic Development Agency. Previously, the government had put few restrictions on foreign investment, but had offered no tax or financial incentives beyond national treatment. There are initiatives aimed at attracting foreign investment, but as of now they remain unimplemented or in the planning stage.

While the climate for investors has definitely improved over the past years, there are still a number of inconsistencies that make the investment process rather cumbersome. Thus, the physical and financial infrastructure still requires considerable development, there are frequent shortages of power and water in certain areas, corruption remains a major concern, and the rule of law (especially in questions regarding property ownership) is not as strong as it should be. In 2005, Albania had one of the lowest rates of foreign investment in Europe.

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

Albania formerly had a state-controlled, centrally planned economy, with emphasis on industrial development and socialized agriculture. Under Workers Party directives, short-term and long-range plans were formulated by the Economic Planning Commission, a

government agency. By the mid-1980s, the economy was virtually under complete state control; enterprises were either directly owned by the state or managed through cooperatives.

From 1951, Albanian economic development was directed by five-year plans, most of which stressed heavy industry. A sweeping economic reform program was announced in 1992. It called for widespread private ownership of farmland, state-owned companies and housing, and the removal of trade restrictions and price controls. Yet after nearly a decade of post-Communist rule, Albania remains by far the poorest country in Europe. For much of the 1990s, economic reforms were stifled by rampant corruption. Only after the collapse of pyramid investment schemes did the situation begin to improve. Nevertheless, Albania relies heavily on foreign aid and seeks to secure more funding for infrastructure improvements.

Economic development in the early 2000s was stimulated by the construction and service industries: the lack of housing under communism led to a demand for new housing construction, and the development of tourism in Albania's seaside resorts has fueled the service sector. The country is undergoing an economic restructuring program with the International Monetary Fund (IMF) and World Bank. A three-year Poverty Reduction and Growth Facility program with the IMF was negotiated in 2002, in the amount of some \$38 million. In 2003, Albania entered into negotiations with the European Union (EU) for a Stabilization and Association Agreement.

By 2005, Albania was still one of Europe's poorest countries. Although the economy has registered significant growth rates in the past years, it is lagging behind its neighbors. Unemployment is rampant at 15% (with other estimates placing it at 25%); half of the population is engaged in agriculture, while a fifth is said to be working abroad; the export rate is growing but is still too small; imports are growing at a fast pace and are coming mainly from Italy and Greece—money for those imports are provided through foreign aid and from the money sent home by Albanians working abroad.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

In 1947, the first law providing benefits for disability, old age, survivors, and retirement was introduced. Current pension law sets retirement age at 60 for males and 55 for females, with 35 years of contributions. Mothers with six or more children are eligible at age 50, with 30 years of contributions. The amount of the pension is up to 75% of average net wages during 3 of the last 10 years of employment. Disability pensions provide as much as twice the basic pension or 80% of the last average wage. Employers' contributions are 26% of payroll. Additional sums are provided by employees and by the state budget.

Unemployment benefits introduced in 1993 require at least one year's contributions, and a willingness to undergo training to be eligible. The employer, at 6% of payroll, makes contributions. A flat rate for benefits allows for a minimum standard of living. A program of Family Allowances fully funded by the government was introduced in 1992. Maternity and sickness benefits are also provided, and were last updated in 2003. In 1996/7 the pyramid saving scheme scandal wiped out about 60% of private savings. The scandal coupled with the influx and maintenance of Kosovo refugees, undermined public confidence and trust in the govern-

ment's ability to deliver public services. Corruption remains another major barrier. Social assistance and social welfare systems are in need of fundamental reform.

Albania's constitution prohibits discrimination based on sex. Roughly half of the labor force is comprised of women. The Labor Code incorporates the principle of equal pay for equal work. Women remain underrepresented in higher positions and often are underemployed. Women have equal access to higher education, many obtaining professional positions in the medical and legal fields. However, discrimination in the workplace continues. Abuse, trafficking, and violence against women and children remain significant problems. Albania is a source country for women and children trafficked for the purposes of sexual exploitation. Domestic violence and sexual harassment are prevalent, and are largely unreported. In 2004, in some regions of the country, women are still considered chattel.

Religious tolerance is prevalent, and the constitution provides for coexistence between ethnic groups. The Office of National Minorities was established to monitor Albania's minority issues. Nevertheless, societal discrimination against Roma, the Egyptian community, and homosexuals persists. Blood feuds, or violent rival factions, contribute to an atmosphere of fear in some areas.

#### 4<sup>1</sup> HEALTH

Health care facilities in the 1990s were substandard and much of their equipment obsolete. In 1992 Albania had 16 hospitals, with 14,000 beds. In 1996, hospital beds declined to 9,600. In 2004, there were an estimated 139 physicians and 404 nurses per 100,000 people. There is a medical school in Tiranë (part of the Enver Hoxha University) and some Albanians receive medical training abroad. Tertiary care, available mostly in Tiranë, includes a teaching hospital, an obstetric and gynecological facility, a facility for treating respiratory diseases, and a military hospital. Albania's health care system was strained by the admission of as many as 500,000 Albanian refugees from Kosovo in the spring of 1999.

The general improvement of health conditions in the country is reflected in the lower mortality rate, down to an estimated 6.49 deaths per 1,000 in 2000, as compared with 17.8 per 1,000 in 1938. In 2005, average life expectancy was estimated at 77.24 years, compared to 38 years at the end of World War II. Albania's infant mortality rate, estimated at 21.52 per 1,000 live births in 2005, has also declined over the years since the high rate of 151 per 1,000 live births in 1960. Albania had high immunization rates for children up to one year old: tuberculosis at 94%; diphtheria, pertussis, and tetanus, 99%; measles, 95%; and polio, 99.5%. As of 2002 the number of people living with HIV/AIDS was estimated at less than 100. The leading causes of death are cardiovascular disease, trauma, cancer, and respiratory disease.

#### 4<sup>2</sup> HOUSING

During World II, about 61,000 buildings of all types were destroyed, including 35,400 dwellings. Housing was generally primitive in rural areas and poor elsewhere. After the war, housing continued to be a problem for a variety of reasons: primary emphasis on industrial construction, shortages of materials and skilled labor, and lack of or inadequate assistance for private building. Moreover, the increase of urban population worsened an already desperate situation. Consequently, new housing construction was

concentrated in Tiranë, Vlorë, Elbasan, Shkodër, Durrës, and Korçë, as well as in other industrial and mining sites.

According to the results of a 2001 census, there are about 520,936 residential buildings in the country containing about 785,000 dwellings. Most of the existing stock (29%) was built 1961–80. About 27% of all units were built before 1945. Only about 120,000 (15%) units were built 1991–2001. About 30% of all dwelling spaces (over 50% of urban units) are block flats that were constructed and owned by the government during the Communist era. (Most public housing was privatized during the period from 1992–93.) In 2001, there were 253 dwelling units per 1,000 people and an average of 1 household of about 4.46 people lived in each occupied dwelling. About 13% of all dwellings were vacant in 2001.

A 1998 Household Living Condition survey indicated that about 74% of rural households did not have an indoor toilet and 54% did not have access to running water. In comparison, 18% of urban households were without an indoor toilet and 5% lacked running water. The survey also indicated that about 95% of all units were owned by an occupant. The most common form of housing construction is a concrete frame filled with brick or block in-fill. Tiranë is the largest urban settlement and the site of 17% of the country's housing units (over 134,000 units in 2001).

#### 4<sup>3</sup> EDUCATION

The adult literacy rate for 2004 was estimated at about 98.7%, with 99.2% for males and 98.3% for females. Public expenditures on education were estimated at 2.6% of GDP in 2003.

Preschool training for children ages three through six is common but not obligatory. The basic educational program lasts for eight years (ages 6 to 14) and is divided into two cycles of four years each. In 2003, the average enrollment for primary school was about 95%. The pupil to teacher ratio for primary school was at about 21:1 in 2003. Secondary education consists of a four-year program. Vocational programs of three to five years are also open to students who have passed their basic educational requirements. Enrollment in secondary school was at about 77% in 2003. The academic year runs from October to June. The educational system is regulated through the Ministry of Education and Science.

Institutes of higher learning include two agricultural schools, one institute for fine arts, one institute of physical culture, and three teacher-training institutes. In 1957, the Institute of Sciences was elevated to university rank, and Tiranë State University became the first and only institution of university status in Albania. It was later renamed Enver Hoxha University of Tiranë. In 1971, two more universities were founded—Universiteti I Korie and Universiteti Bujguesor I Tiranës. In 1991, the University of Shkodër was established. Approximately 16% of the adult population was enrolled in tertiary education programs in 2003.

#### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The largest library in Albania is the National Library in Tiranë (1922) with over one million volumes. The University of Tiranë library has 700,000 volumes. Tiranë also has several university libraries with specialized collections, including the Higher Agricultural Institute Library (126,000 volumes) and the Fine Arts Institute Library (40,000 volumes). Albania's Public Assembly maintains a library of 41,000 volumes, also in Tiranë. Public libraries exist in many communities with notable ones in Elbasan

(284,000 volumes), Shkodër (250,000 volumes), Durrës (180,000 volumes), and Korçë (139,000 volumes). The Albanian Library Association (ALA), the nation's first and only national association for libraries and librarians, was established in 1993.

The principal museums are the Museum of Archaeology, the Fine Arts Gallery, the Museum of the Struggle for National Liberation, the Natural Science Museum, and the National Historical Museum, all located in Tiranë. There are some 30 provincial museums, among them the Berat Museum, known for its collection of historic documents; the Museum of Architecture in Berat; the Onufri Iconographic Museum, located in Berat's main castle and housing a distinguished collection of medieval icons; the Museum of Education in Elbasan; the Museum of Albanian Medieval Art in Korce; and the Shkodër Museum in Shkodër, a historical museum tracing Albanian culture to the Neolithic Age. The cities of Berat and Gjirokastër, the first dating from antiquity and the second from the Middle Ages, have been designated "museum-cities."

#### 45 MEDIA

In 2003, there were an estimated 83 mainline telephones for every 1,000 people; about 98,500 people were on a waiting list for mainline phone service installation. The same year, there were approximately 358 mobile phones in use for every 1,000 people.

Radio and TV broadcasting is governed by the National Council of Radio and Television (NCRT), a seven-member bipartisan body elected by the Parliament. There are at least 17 radio stations (13 AM and 4 FM). As of 2005, there were three television broadcast stations. The Albanian Radio and Television (RTSh) was the sole public broadcaster in 2004. About 30% of the station's budget comes from the government and the station tends to devote most of its coverage to government concerns. Television was introduced in 1961, color broadcasts in 1981. About 80% of the population rely on television as a primary source of news and information. In 2003, there were an estimated 260 radios and 318 television sets for every 1,000 people.

There are several daily newspapers published in Tiranë. In 2002 the four major ones were *Koha Jone* (Our Time, circulation 400,000); *Zëri i Popullit* (People's Voice—circulation 105,000), published by the Socialist Party; *Rlindia Demokratike* (The Democratic Revival—circulation 50,000), published by the Democratic Party; and *Bashkimi Kombetar* (circulation 30,000), published by the Democratic Front. There are about 200 publications overall, including daily and weekly newspapers, magazines, newsletters, and pamphlets. At least 18 papers and magazines were published in Greek, with primary distribution throughout the south. *Albanian Newspaper* (circulation 30,000) is published in Italian and *Albanian Daily News* is a daily paper published in English. Agjensia Telegrafike Shqiptare (Albanian Telegraphic Agency) is the official news agency.

Though the law protects freedom of speech and press, nearly all news stories are designed to suit the publisher's political and economic interests. The Albanian Telegraphic Agency is the primary news service.

In 2004, the country had about 455 Internet hosts. In 2003, there were 11.7 personal computers for every 1,000 people and 10 of every 1,000 people had access to the Internet.

#### 46 ORGANIZATIONS

Trade unions in Albania were prohibited until 1991. Before 1991 the official trade unions of the country were responsible for promoting the production goals of the country's Communist government. In 1991, independent trade unions were established to promote the rights of workers. The Union of Independent Trade Unions is the most important umbrella trade organization. Other trade unions operate in the defense, agriculture, food processing, and mining sectors of the economy. The Chamber of Commerce of the republic of Albania promotes the economic and business activities of the country in world markets. Other chambers of commerce are located in Shkoder, Durrës, and Gjirokastër. The Foreign Investors Association promotes foreign investment within the country. The Albanian Consumers Association is based in Tiranë. There are a number of national professional medical organizations, such as the Albanian Medical Association and the Albanian Dental Association. The Organic Agriculture Association was established in 1997 and Tiranë is the site of the Regional Environmental Center for Central and Eastern Europe.

The Open Society Foundation for Albania is a nonprofit organization established in 1992 to encourage the process of the democratization of Albanian society. It is sponsored in part by the Soros Foundation Network, a fund established by American philanthropist George Soros.

There are a number of youth organizations in the country. The Albanian International Youth Committee (AIYC) serves as the major nongovernmental youth platform that encompasses several different youth and student organizations. It is supported by the Albanian Youth Federation (AYF) and seeks to represent the views of organized Albanian youth. A youth scouting movement (Beslidhja Skaut Albania) is active in the country. The World Organization of Scouting opened a national chapter in Albania (Beslidhja Skaut Albania) in 2005. There are also organizations of the YMCA/YWCA.

The Red Cross and the Red Cross Youth have active chapters in the country. There are also chapters of the Lions Club and Kiwanis International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Albania was once the most inaccessible country in Eastern Europe, with tight entry regulations keeping most Western visitors out. In the early 1980s, persons explicitly forbidden to visit the country were US citizens, Soviet citizens, and full-bearded men. However, since the advent of democracy, Albania has slowly become accessible to the outside world. Tourists from the United States, New Zealand, Australia, and members of the European Union and the EFTA no longer have a visa requirement. Upon arrival a three-month entry level visa is issued, which can be extended. Citizens of other countries must obtain a visa prior to arrival from the nearest Albanian embassy. In promoting travel to Albania, the official tourist agency cites the Adriatic beaches, especially at Durrës, Vlorë, and Sarandë, and the picturesque lakes. The most popular sports are football (soccer), gymnastics, volleyball, and basketball.

In 2003, there were 557,210 visitor arrivals; tourists spent a total of \$537 million. Hotel rooms numbered 4,161. The average length of stay was about three nights.

In 2004, the US Department of State estimated the daily cost of staying in Tiranë at \$205. Other areas were estimated at \$106 per day.

#### 48 FAMOUS ALBANIANS

Much Albanian popular lore is based on the exploits of the national hero Gjergj Kastrioti (known as Scanderbeg, 1405–68), who led his people against the Turks.

Ahmet Bey Zogu (1895–1961), shepherd, military commander, minister of the interior, and premier, was elected first president of the new republic in 1925; in 1928, when Albania became a kingdom, he ascended the throne as Zog I. After Italian forces occupied Albania in April 1939, he fled the country, dying in exile in southern France. Two major political leaders were Enver Hoxha (1908–85), postwar Albania's first premier, minister of foreign affairs, and defense minister; and Mehmet Shehu (1913–81), who replaced Hoxha as premier in 1954, when Hoxha became first secretary of the Workers Party's Central Committee.

Albania's written literature of a nationalist character first developed among Italo-Albanians in Calabria in the mid-19th century and among the Albanian intellectuals in Constantinople in the second half of the 19th century. Naim Erashëri (1846–1900), Albania's national poet, belonged to the Constantinople group. His most highly regarded works are *Bagëti e Bujqësi* (*Cattle and Land*), *Histori e Skenderbeut* (*History of Scanderbeg*), and a collection of short poems, *Lulet e Verës* (*Spring Flowers*). Kostandin Kristoforidhi (K. Nelko, 1827–95) translated the Old and New Testaments into Albanian and compiled a standard Albanian-Greek dictionary. Faik Konitza (1875–1942), prewar Albanian minister to Washington, edited a literary review, *Albania*, which became the focal publication of Albanian writers living abroad. Gjergj Fishta (1871–1940), a Franciscan friar who was active in the nationalist movement, wrote a long epic poem, *Lahuta e Malcís* (*The Lute of the Mountains*), which is regarded as a masterpiece of Albanian literature. Bishop Fan Stylian Noli (1882–1965), a political leader in the early 1920s, was Albania's foremost translator of Shake-

peare, Ibsen, Cervantes, and other world classics. Lasgush Poradeci (1899–1987) was a highly regarded lyric poet. Ismail Kadare (b.1926), winner of the Booker International Prize and candidate for the Nobel Prize in Literature, takes as his subjects contemporary Albanian society, the communist regime, and Albanian old traditions (*kanun*). Kadare's works include *Gjenerali i Ushtrisë së Vdekur* (*The General of the Dead Army*) and *Pallati i ëndrrave* (*The Palace of Dreams*).

#### 49 DEPENDENCIES

Albania has no territories or colonies.

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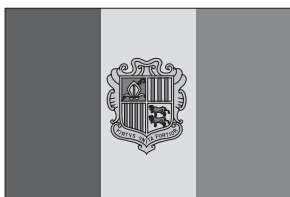
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# ANDORRA

Principality of Andorra

*Principat d'Andorra*



**CAPITAL:** Andorra la Vella

**FLAG:** The national flag is a tricolor of blue, yellow, and red vertical stripes. On the state flag (shown here) the yellow stripe bears the coat of arms.

**ANTHEM:** The *Himne Andorra* begins “El gran Carlemany mon pare” (“Great Charlemagne my father”).

**MONETARY UNIT:** Andorra has no currency of its own; the euro, adopted by both Spain and France, is used. There are coins of 1, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** The metric system and some old local standards are used.

**HOLIDAYS:** New Year’s Day, 1 January; National Festival, 8 September; Christmas, 25 December. Movable religious holidays include Good Friday and Easter Monday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Landlocked Andorra lies in southwestern Europe on the southern slopes of the Pyrénées Mountains between the French departments of Ariège and Pyrénées-Orientales to the N and the Spanish provinces of Gerona and Lérida to the S, with a total boundary length of 120.3 km (74.6 mi).

Andorra is about 2.5 times the size of Washington, D.C., with a total area of 468 sq km (180 sq mi), extending 30.1 km (18.7 mi) E–W and 25.4 km (15.8 mi) N–S.

Andorra’s capital city, Andorra la Vella, is located in the southwestern part of the country.

## <sup>2</sup> TOPOGRAPHY

Andorra is situated in a single drainage basin, but its main stream, the Riu Valira, has two distinct branches and six open basins; hence the term “Valleys” (Les Valls) was traditionally employed as part of the name of the principality. The section of the river flowing through El Serrat by way of Ordino and La Massánan is the Valira del Nord, while that flowing through Canillo, Encamp, and Les Escaldes is the Valira d’Orient. Most of the country is rough and mountainous, and there is little level surface. All the valleys are at least 900 m (3,000 ft) high, and the mean altitude is over 1,800 m (6,000 ft). There are lofty peaks, of which the highest is Coma Pedrosa (2,946 m/9,665 ft).

## <sup>3</sup> CLIMATE

Because of its high elevation, Andorra has severe winters. The northern valleys are completely snowed up for several months. Most rain falls in April and October. Humidity is very low. Summers are warm or mild, depending on the altitude. There are considerable variations between maximum day and night temperatures.

## <sup>4</sup> FLORA AND FAUNA

The plant and animal life is similar to that found in the neighboring areas of France and Spain. Chestnut and walnut trees grow only in the area around Sant Julià de Lòria, the lowest village. Elsewhere, evergreen oaks still are common. Higher regions and many valleys have pines, firs, and various forms of subalpine and alpine plant life. At the highest altitudes there are no trees, but grass is plentiful during the summer. There are carnations, violets, bellflowers, and daisies, as well as blackberries, wild strawberries, and moss. Bears, wolves, foxes, martens, Pyrenean chamois, rabbits, hares, eagles, vultures, wild ducks, and geese may be found in isolated areas. The mountain streams contain trout, brochet, and crayfish.

## <sup>5</sup> ENVIRONMENT

Andorra was once heavily forested. One explanation for the name of the country is that it came from the Moorish word *aldarra*, meaning “place thick with trees.” Andorra’s mountainous environment attracts 12 million tourists each year. In recent decades, however, the forested area has been decreasing steadily. Overgrazing of mountain meadows by sheep, with consequent soil erosion, is another environmental problem. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 1 type of mammal: the common otter. The Apollo butterfly and the lesser horseshoe bat are vulnerable species.

## <sup>6</sup> POPULATION

The population of Andorra in 2005 was estimated by the United Nations (UN) at 74,000, which placed it at number 183 in population among the 193 nations of the world. In 2005, approximately 13% of the population was over 65 years of age, with another 15% of the population under 15 years of age. According to the UN, the

annual population rate of change for 2005–10 was expected to be 0.7%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 81,000. The population density was 164 per sq km (426 per sq mi).

The UN estimated that 92% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 2.35%. The capital city, Andorra la Vella, had a population of 21,000 in that year. Other leading towns are Les Escaldes, Sant Julià de Lòria, Encamp, and La Massánan.

The population is concentrated in the seven urbanized valleys that form Andorra's political districts.

## **7** MIGRATION

Immigration consists mainly of Spanish, Portuguese, and French nationals who intend to work in Andorra; these groups make up some 70% of the population. Spanish nationals account for the largest group of foreign residents, comprising approximately 43% of the population in 1999. There is also a small but rapidly growing group of African immigrants, especially from North Africa, working mostly in agriculture and construction. Immigrant workers are supposed to hold temporary work authorization permits, which are valid only as long as the job exists for which the permit was obtained. However, more than 4,000 immigrants did not have work permits in 1999, due to the fact that the quota for immigration is not as high as the number of workers needed in the country. In 2005, the net migration rate was estimated as 6.53 migrants per 1,000 population. In 2004, approximately 63% of the population was not born in Andorra. The government views the migration levels as satisfactory.

## **8** ETHNIC GROUPS

Native Andorrans made up only about 33% of the total population in 1998; they are of Catalan stock. About 43% of the population was Spanish, 11% were Portuguese, and about 7% were French. About 6% are from other groups.

## **9** LANGUAGES

The official language is Catalan. French, Portuguese, and Castilian are also spoken.

## **10** RELIGIONS

Traditionally, over 90% of all Andorrans are Roman Catholic. Though it is not an official state religion, the constitution acknowledges a special relationship with the Roman Catholic Church, offering some special privileges to that group. The Muslim community is primarily made up of North African immigrants. Other Christian denominations include the Anglican Church, Jehovah's Witnesses, the Reunification Church, the New Apostolic Church, and the Church of Jesus Christ of Latter-day Saints. There is a small community of Hindus.

## **11** TRANSPORTATION

A north-south highway links Andorra la Vella with the Spanish and French borders. Secondary roads and trails also cross the border but are sometimes closed in winter because of deep snows. There were 269 km (167 mi) of roads in 2001, of which 198 km (123 mi) were paved. As of 1995 there were 40,127 motor vehicles,

of which 35,941 were passenger cars and 4,186 were trucks, taxis, and buses.

Buses, the principal means of mass transit, provide regular service to Seo de Urgel and Barcelona in Spain, and to Perpignan in France. Among several cable cars, the most important operates between Encamp and Engolasters Lake. Vehicles from neighboring countries transport most merchandise.

Andorra does not have railways or commercial airports, but the airport at Seo de Urgel is only 20 km (12.5 mi) from Andorra la Vella. The nearest international airports are at Barcelona, Spain, located 215 km (134 mi) from Andorra, and at Toulouse, France, 165 km (103 mi) away. There is daily bus service from the Barcelona and Toulouse airports to Andorra.

## **12** HISTORY

According to one tradition, Charlemagne gave the region the name Andorra for its supposed likeness to the biblical town of Endor. Tradition also asserts that Charlemagne granted the Andorran people a charter in return for their help in fighting the Moors, and that Charlemagne's son Louis I, king of France, confirmed the charter.

It is generally agreed that Charles the Bald, the son of Louis, appointed the count of Urgel (now Seo de Urgel) overlord of Andorra and gave him the right to collect the imperial tribute. The bishop of Urgel, however, also claimed Andorra as part of the endowment of his cathedral. In 1226, the lords of the countship of Foix, in present-day south-central France, by marriage became heirs to the counts of Urgel. The quarrels between the Spanish bishop and the French counts over rights in Andorra led in 1278 to their adoption of a *paréage*, a feudal institution recognizing equal rights of two lords to a seigniorage.

In 1505, Germaine of Foix married Ferdinand V of Castile, thereby bringing the lordship of Andorra under Spanish rule. On taking over the kingdom in 1519, Emperor Charles V granted the lordship of Les Valls, as it was then known, to Germaine of Foix's line in perpetuity. Henry III of Navarre, who was also count of Foix, in 1589 ascended the French throne as Henry IV, and by an edict of 1607 established the head of the French state, along with the bishop of Urgel, as co-princes of Andorra.

In 1793, the French revolutionary government refused the traditional Andorran tribute as smacking of feudalism and renounced its suzerainty, despite the wish of the Andorrans to enjoy French protection and avoid being under exclusively Spanish influence.

Andorra remained neutral in the Napoleonic wars with Spain. Napoleon restored the co-principality in 1806 after the Andorrans petitioned him to do so. French title to the principality subsequently passed from the kings to the president of France.

Long an impoverished land having little contact with any nations other than adjoining France and Spain, Andorra after World War II achieved considerable prosperity through a developing tourist industry. This development, abetted by improvements in transport and communications, has tended to break down Andorra's isolation and to bring Andorrans into the mainstream of European history. Public demands for democratic reforms led to the extension of the franchise to women in the 1970s and to the creation of new and more fully autonomous organs of government in the early 1980s.

Andorra formally became a parliamentary democracy in May 1993 following approval of a new constitution by a popular referendum in March 1993. The new constitution retained the French and Spanish co-princes although with reduced, and narrowly defined, powers. Civil rights were greatly expanded including the legalization of political parties and trade unions, and provision was made for an independent judiciary. Andorra entered into a customs union with the European Communities (now the EU) in 1991 and was admitted to the UN on 28 July 1993. The country has been seeking ways to improve its export potential and increase its economic ties with its European neighbors. The financial services sector of the economy is highly important, given Andorra's status as a tax haven and its banking secrecy laws.

### 13 GOVERNMENT

The governmental system of Andorra is unique. The constitution adopted in 1993 retained the French and Spanish co-princes but reduced their powers. The co-princes are the president of France and the bishop of Urgel, Spain. The co-princes are represented in Andorra by permanent delegates and veguers. Both the delegates and veguers reside in Andorra and acquire Andorran nationality ex officio, but they are not typically native Andorrans.

Legislation is enacted by the General Council, consisting of 28 members (14 members chosen from the national constituency and 14 representing the 7 parishes), elected for a four-year term since December 1981.

As of 2005, the president of the General Council was Marc Forné Molné. The General Council designates as its head a first syndic (*syndic procureur général*) and a second syndic for the conduct of administration; upon election to their four-year terms, these syndics cease to be members of the council.

The right to vote, which at one time was limited to third-generation Andorran males of 25 years of age or over, by 1981 had been extended to include all native Andorrans of Andorran parentage (at age 21) and first-generation Andorrans of foreign parentage (at age 28). In October 1985, the voting age was lowered to 18 years. In October 1992, the suffrage was broadened to include spouses of Andorran citizens and long-term residents.

### 14 POLITICAL PARTIES

Prior to 1993, political parties were illegal in Andorra, though the Democratic Party of Andorra (formed in 1979) was tolerated. There have been two main factions in organized political life—conservatives and liberals. However, in the 2001 elections, three parties with distinct political tenets competed: the conservative Liberal Party of Andorra (PLA), the left-of-center Social Democratic Party (PS), and the Andorran Democratic Center Party (CDA).

The general election of December 1993, in which five parties gained representation, was the first under Andorra's new constitution. The results of the general election held April 2005 were as follows: the Liberal Party of Andorra (PLA), 14 seats; the Social Democratic Party (PS), 12; and the Andorran Democratic Center Party (CDA) 2.

### 15 LOCAL GOVERNMENT

Andorra is divided into seven parishes or districts: Andorra la Vella, Canillo, Encamp, La Massána, Escaldes-Engordany, Ordino,



LOCATION: 42°25' to 42°40' N; 1°25' E. BOUNDARY LENGTHS: France, 60 kilometers (37.3 miles); Spain, 65 kilometers (40.4 miles).

and Sant Julià de Lòria. Eligible voters in each of the districts elect members of its parish council (*comú*).

Parish councils administer local affairs. Each council generally consists of 8 to 14 members elected by universal suffrage for four-year terms at the same time as general councilors. Councils elect a senior consul and a junior consul.

### 16 JUDICIAL SYSTEM

The 1993 constitution guarantees an independent judiciary and the judiciary has in fact been independent. A Superior Council of Justice oversees and administers the judicial system. The Superior Council of Justice has five members. One member each is appointed by the two co-princes, the head of government, the president of the General Council, and members of the lower courts. Members of the judiciary are appointed for six-year terms. The judicial process is fair and efficient.

The new constitution also calls for respect for the promotion of liberty, equality, justice, tolerance, defense of human rights, dignity of the person, and privacy, and guarantees against arbitrary arrest and detention.

Under the current system, civil cases in the first instance are heard by four judges (*battles*). Appeals are heard in the Court of

Appeal. Final appeals in civil cases are brought before the Supreme Court of Andorra at Perpignan, France, or the Ecclesiastical Court of the Bishop of Seu d'Urgell, Spain.

Criminal cases are heard in Andorra la Vella by the Tribunal des Cortes, consisting of the veguers, and the judge of appeal, two judges, and two members of the General Council. Few criminal trials are held, and the principality's jail is used only for persons awaiting sentencing. Sentenced criminals have the choice of French or Spanish jails. The courts apply the customary law of Andorra, supplementing it where necessary with Roman law and customary Catalan law. Traditional laws are compiled in the Manual Digest of 1748 and the Politar of 1763; legal standards are found in the Instructions to Bailiffs of 1740.

## 17 ARMED FORCES

Andorra has no defense force, and the police force is small. The sole military expenses are for ammunition used in salutes at official ceremonies, the lone responsibility of Andorra's small army. France and Spain are pledged to defend Andorra.

## 18 INTERNATIONAL COOPERATION

Andorra was admitted to the United Nations on 28 July 1993. It participates in the ECE, ICAO, ITU, UNESCO, UNCCD, IC-CROM, WHO, WIPO, WTO, and is an observer at the WTO. It is also a member of the Council of Europe, the ICCT, and Interpol. Andorra joined the OSCE on 25 April 1996. As of 1991, Andorra has had a special agreement with the European Union. Andorra is part of the Organization for the Prohibition of Chemical Weapons. In cooperation on environmental issues, Andorra is part of the Basel Convention.

## 19 ECONOMY

The Andorran economy is primarily based on trade and tourism, with the traffic between France and Spain providing most of the revenue. Andorra is attractive for shoppers from France and Spain because of low taxes. However, Andorra's comparative advantage has recently eroded as the economies of France and Spain have been opened up, providing broader availability of goods and lower tariffs. Approximately 10 million tourists visit Andorra each year, drawn by Andorra's summer and winter resorts.

The Andorran banking system is of significant importance as a tax haven for foreign financial transactions and investments.

Prior to the creation of the European Union there was an active trade in consumer goods, which were duty-free in Andorra. With the creation of the EU, Andorran manufactured goods remain tariff free, but Andorran agricultural products are subject to EU tariffs. The production of agricultural goods is limited, though, as only 2% of the land is arable. Most food has to be imported.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Andorra's gross domestic product (GDP) was estimated at \$1.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$26,800. The annual

growth rate of GDP was estimated at 2%. The average inflation rate in 2004 was 4.3%.

## 21 LABOR

Total employment as of 2001 was estimated at 33,000. As of 2000, an estimated 1% were employed in the agricultural sector, with 21% employed in industry and 78% in the services sector. There is virtually no unemployment in Andorra.

Under the constitution passed in 1993, workers were granted the right to form and maintain trade union associations without prejudice, but implementation has not been provided. Associations must register with the government, and in 2002, there were 600 such associations. However, no unions existed as of that year. The right to strike is not covered under the law, nor does it specifically cover collective bargaining. With no business regulation or registration requirements, smuggling goods between France and Spain is a leading source of informal employment.

There are government-mandated health and safety standards, which are regularly enforced with routine inspections. There is a government-set minimum wage, which was \$7.20 per hour in 2005. The minimum working age is 18, with some exceptions allowing 16- and 17-year-olds to work. The workweek is limited to 40 hours, with an additional 66 hours per month of overtime allowed.

## 22 AGRICULTURE

Because of Andorra's mountainous character, only about 2% of the land is suitable for crops. However, until the tourism sector in Andorra experienced an upsurge, agriculture had been the mainstay of the economy. Hay, tobacco, and vegetables must be irrigated; cereals, mainly rye and barley, are dry-cropped. Most of the cropped land is devoted to hay production for animal feed. Since there is insufficient sunlight on northward-facing slopes and the lands in shadow are too cold for most crops, some southward-facing fields high in the mountains must be used even though they are a considerable distance from the farmers' homes.

Tobacco, the most distinctive Andorran crop, is grown on the best lands. Andorran tobacco is usually mixed with eastern tobaccos, because of its strong quality. Other farm products include cereals, potatoes, and garden vegetables. Grapes are used mainly for raisins and for the making of anisette. The lack of modern methods on Andorra's family farms is causing the agricultural sector to decrease in importance. Most food is now imported.

## 23 ANIMAL HUSBANDRY

For many centuries, until eclipsed by tourism and other service industries, sheep raising was the basis of Andorra's economy. Andorran mules are still greatly prized. Cattle, sheep, and goats are raised both in the valleys and in some of the higher areas. Cattle are raised mainly for their meat, and there are few dairy cows. When the cattle move upward in the spring, entire families move to temporary villages in the mountains to herd, mow, and plant. Large droves of sheep and goats from France and Spain feed in Andorra in the summer, and the Spanish-owned animals in particular are looked after by Andorran shepherds. On their way back to their native land, many of the animals are sold at annual fairs; the Spanish fairs are usually held in Andorra in September and



the French in November. Andorra's own animal fairs are also held in the fall.

Livestock includes an estimated 9,000 sheep, 1,100 cattle, and 200 horses. Meat production has increased in recent years, but imports account for about 90% of total meat consumption. The milk produced is sufficient for domestic consumption, and some milk has been exported to Spain.

## 24 FISHING

The streams are full of trout and other freshwater fish, but Andorra imports most fish for domestic consumption from Spain.

## 25 FORESTRY

About 10,000 hectares (24,700 acres), or 22% of the total land area, is forested. Fuel wood may be freely gathered by anyone, but it may not be bought or sold. Wood needed for building purposes is cut in rotation from a different district each year. For centuries logs have been shipped to Spain. Most reforestation is in pines.

## 26 MINING

For hundreds of years, Andorran forges were famous in northern Spain. There are still iron ore deposits in the valley of Ordino and in many of the mountain areas, but access to them is difficult. In addition to iron, small amounts of lead are still mined, and alum and building stones are extracted. The sulfurous waters of Les Escaldes are used in washing wool.

## 27 ENERGY AND POWER

The largest hydroelectric plant, at Encamp, has a capacity of 26.5 MW and provides about 40% of Andorra's electric power needs, with most of the remainder being imported from Spain. The total installed capacity in 1991 was 35,000 kW. Energy production in 1992 totaled 140 million kWh.

There are four gas companies, with Andor Gas supplying propane and the others butane.

## 28 INDUSTRY

Manufacturing accounted for approximately 5% of GDP in 2004. Andorra produces cigars, cigarettes, textiles, leather, building materials, and furniture, both for local use and for export. Woolen blankets and scarves are made at Les Escaldes.

Many enterprises produce frozen foods, pastry, and other commodities. There are distilleries for the production of anisette, vermouth, liqueurs, and brandy.

Several firms manufacture woolen goods. There are a number of construction companies, the largest producing building materials from iron.

## 29 SCIENCE AND TECHNOLOGY

Students wishing to pursue scientific and technical careers usually receive their training abroad. The Andorra Scientific Society in Andorra la Vella was founded in 1983. The National Motor Car Museum in Encamp, founded in 1988, exhibits cars, motorbikes, and bicycles dating from 1898 to 1950.

## 30 DOMESTIC TRADE

Andorra la Vella has many stores where commodities of all kinds and origins may be purchased. The larger villages have small general stores. The French, Spanish, and Andorran animal fairs that take place at Andorra la Vella, Encamp, Ordino, and elsewhere are attended by most Andorrans and by many French and Spanish farmers.

There is a high level of competition between the large department stores and the small shops. There are some 600 retail establishments in the country, of which the department and jewelry stores are the most numerous, followed by food and clothing outlets. Trade in consumer goods is very active, particularly with French and Spanish shoppers who are attracted by the lower tax rates on purchases. Handicrafts, cigars, cigarettes, and furniture are major products manufactured for both domestic and export markets.

There are over 270 hotels and 400 restaurants catering to the thriving tourist trade.

## 31 FOREIGN TRADE

Owing to the large traffic of unaccounted goods across Andorra's borders, official statistics do not reflect the true volume of transactions. Of recorded trade, close to half is with Spain and over one-quarter with France. The majority of imports consist of consumer goods sold to visitors. Reported imports exceed recorded exports by some 26:1.

A customs union with the EC (now the EU) took effect in 1991, allowing industrial goods to pass between Andorra and EC members under a uniform customs tariff. The EU's external tariffs are to be applied by Andorra to its trade with non-EU members.

## 32 BALANCE OF PAYMENTS

Most goods have to be imported, and there is a structural trade deficit. Owing to the large traffic of unaccounted goods across Andorra's borders, official statistics do not reflect the true volume of transactions.

### Principal Trading Partners – Andorra (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	63.2	1,198.1	-1,134.9
Spain	33.6	599.5	-565.9
France-Monaco	18.6	293.8	-275.2
Germany	6.0	61.4	-55.4
Norway	0.8	...	0.8
United States	0.6	15.5	-14.9
Italy-San Marino-Holy See	0.4	38.4	-38.0
Netherlands	0.4	11.7	-11.3
Switzerland-Liechtenstein	0.3	18.9	-18.6
United Arab Emirates	0.3	...	0.3
Portugal	0.2	3.6	-3.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

### **3<sup>3</sup> BANKING AND SECURITIES**

An unofficial Convention of Banks and Bankers periodically attends to financial affairs. The banking system attracts foreign financial transactions and investments because there are no direct taxes in Andorra.

There were six private banks in 1997: Banc Internacional d'Andorra, Banca Mora, Banca Privada d'Andorra, Credit Andorra, Banc Agricol i Comercial d'Andora, and Banca Reig. About half of all deposits are made in pesetas, with one-fourth in francs and the balance in other currencies.

There is no stock exchange, and therefore, stocks and bonds are not traded in Andorra.

### **3<sup>4</sup> INSURANCE**

The principal firm is the Andorra Insurance Co., established in 1951, which provides coverage that includes life, fire, accident, and plate glass. There are several other insurance companies, including Assegurances Bercia, Assegurances GAN, Assegurances Generali France, Assegurances Generals, Assegurances la Catalana, Assegurances La Equitativa, Assegurances Layetana, Assegurances Lepanto, Assegurances Riba, Assegurances Royal Insurance, Assegurances Santamaria Cosan, Assegurances Schweiz, Atlantis Compañia d'Assegurances, CMA, Commercial Union Assegurances, Compañia Andorrana d'Assegurances, Financera d'Assegurances, Generali, Grup Assegurador Catalana Occident, Multinacional Asseguradora, Patrimoine Assegurances, Santamaria Cosan Assegurances, Unio I Aliança de Previsio, and Zürich Delegacio.

### **3<sup>5</sup> PUBLIC FINANCE**

The US Central Intelligence Agency (CIA) estimated that in 1997 Andorra's central government took in revenues of approximately \$385 million and had expenditures of \$342 million. Revenues minus expenditures totaled approximately \$43 million.

### **3<sup>6</sup> TAXATION**

There is no income tax on the individual or corporate level. Employees pay social security taxes at rates of 5-9%; employers pay 13%. As of October 1991, a value-added tax had been enacted and was expected to impose charges of 1-7% on the production and import of goods. Also scheduled for implementation under the 1992 budget law were a registration tax on certain activities, to provide 8.6% of government revenues, and a tax on electricity consumption and telephone services to contribute 1.6% of state revenues.

### **3<sup>7</sup> CUSTOMS AND DUTIES**

Andorra is a member of the EU Customs Union and generally abides by the EU trade regime. However, its agricultural exports are treated as of non-EU origin and, therefore, are subject to ordinary tariffs.

### **3<sup>8</sup> FOREIGN INVESTMENT**

Andorra has no formal investment incentive programs, other than offering some financial support for the development of tourist facilities. Andorran banks attract foreign depositors and investors,

in part due to the lack of taxes but also due to Andorra's bank secrecy laws. As such, this has long made Andorra a tax haven and a refuge for smugglers. In 2004, however, Andorra was obliged to accept the EU's Savings Tax Directive, and as of July 2005, imposes a withholding tax of 15% on return of savings paid to citizens of EU member states, of which 75% is remitted onwards to the states concerned. In 2001, a Department for the Prevention of Money Laundering was established, which is authorized to carry out unannounced inspections and hands information to the public prosecutor's office or to the government.

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

Government policy is to encourage local industries and to promote private investment. In addition to handicrafts, manufacturing includes cigars, cigarettes, and furniture. Tourism accounts for 80% of gross domestic product (GDP), and the banking sector significantly contributes to the economy.

In 2002, Andorra adopted the EU's common currency, the euro. In 2004, Andorra signed a series of accords with the EU in the fields of economic, social, and cultural cooperation.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

There is a social welfare system that was first introduced in 1966. Programs include old-age, disability, and survivors' pensions, health and maternity coverage, and workers' compensation.

There is no legal discrimination against women, although they have only enjoyed full suffrage since 1970 and play only a very minimal role in the country's government. Women's rights advocates have reported that pregnant women frequently lose their jobs. On average, women earn 25% less than men. In 2004, violence against women declined, but there was an increase in child abuse. Children's welfare is promoted by the government.

The constitution prohibits discrimination on the basis of birth, race, sex, origin, religion, or any other personal or social condition. Foreign nationals, primarily from Spain, France, Portugal, and the United Kingdom, account for over 40% of the population. While accorded the same rights and freedoms as citizens, foreigners lack access to some of the social benefits provided by law. Recent legislation has improved living conditions for immigrant workers, but many still have only temporary work permits and face deportation if they lose their jobs.

The rights of freedom of speech, press, peaceful assembly, religion, and movement are provided by the constitution and are respected in practice.

### **4<sup>1</sup> HEALTH**

Infant mortality was estimated at 4.05 per 1,000 births in 2005. Life expectancy for that year was estimated at 83.5 years, the highest in the world. The 1999 birth rate was 10.27 and the overall mortality rate was 5.5 per 1,000 people. In the same year the fertility rate was 1.25. In 2004, Andorra had 259.4 physicians, 302.4 nurses, 1.8 midwives, and 62 dentists per 100,000 people.

### **4<sup>2</sup> HOUSING**

Most Andorran houses are made of stone. Since the flat land is used for farm crops, the rural houses are frequently backed against the mountainsides. The high villages (*cortals*) are situated on a

line between the highest fields and the lowest limits of high-level pastures. Isolated houses (*bordes*) are found at higher elevations. Many families maintain temporary dwellings in the highest pasture areas. All residents have access to safe water and sanitation systems.

### 4<sup>3</sup> EDUCATION

By law, students must attend school between the ages of 6 and 16. There are essentially three coexisting school systems in the country: French, Spanish, and Andorran. The French government partially subsidizes education in Andorra's French-language schools; schools in the southern section, near Spain, are supported by the church. The local language, Catalan, has been introduced at a school under the control of the Roman Catholic Church. About 50% of Andorran children attend French primary schools, and the rest attend Spanish or Andorran school. In general, Andorran schools follow the Spanish curriculum, and their diplomas are recognized by Spain. Primary school enrollment in 2003 was estimated at about 89%; 88% for boys and 90% for girls. The same year, secondary school enrollment was about 71%; 69% for boys and 74% for girls. The pupil to teacher ratio for primary school was at about 12:1 in 2003; the ratio was about 7:1 for secondary classes.

The University of Andorra was established in July 1997. It has a small enrollment and mostly offers long-distance courses through universities in Spain and France. The majority of secondary graduates who continue their education attend schools in France or Spain. In 2003, about 8% of eligible adult students were enrolled in tertiary programs. Virtually the entire adult population is literate. Andorra also has a nursing school and a school of computer science.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library and National Archives founded in 1974 and 1975 respectively are located in Andorra la Vella; the library holds over 45,000 volumes. Small museums reflect a variety of interests. The Museu Nacional de l'Automòbil (National Automobile Museum) is located in Encamp. Museu Postal (Postal Museum) is in Ordino. Also in Ordino is the Nikolai Siadristy Museum—Museum of Miniatures, the first permanent museum of the artist Siadristy's miniatures.

### 4<sup>5</sup> MEDIA

Automatic telephone service was begun in 1967. In 2001, there were 35,000 mainline and 23,500 mobile cellular phones in use. Postal and telegraph services are handled by the Spanish and French administrations; a telex system was installed in 1970.

ORTA (public) and Radio Valira, are radio broadcast stations operated by Andorrans and supervised by the General Council. Andorrans also receive broadcasts from Spain and France. As of 1998, there were 15 FM radio stations. Andorra does not have its own television stations; television transmission is provided through technical accords with the Spanish and French government networks. In 1997 there were 16,000 radios and 27,000 television sets in use throughout the country.

The two main daily papers are the independent publications of *Diari D'Andorra* (*Andorra Daily*—2002 circulation 3,000) and *El*

*Peridico de Andorra*. *Poble Andorra* is a major weekly publication with a circulation of about 3,000. Other newspapers, with smaller circulations, are the dailies *Independent* and *Informacions Diari*, and the weeklies *Correu Andorra* and *Informacions*. French and Spanish newspapers are also widely available.

As of 2001, there were an estimated 24,500 Internet users. In 2004, there were about 4,144 Internet hosts in the country.

The Andorran constitution ensures freedom of speech and press, and the government is said to respect these rights in practice.

### 4<sup>6</sup> ORGANIZATIONS

There are about 10 human rights associations in the country, the most active being the Association of Immigrants in Andorra (AIA), which defends the rights of foreign residents. The Association of Andorran Women (AAW) focuses on women's rights.

The Andorra Chamber of Commerce, Industry and Services works to support commercial and economic growth in Andorra by promoting the educational government in the administration of practical training for companies; coordinating trade fairs, exhibitions, and conventions; and supporting research programs. There are networking and educational associations representing a variety of professions, such as the Andorran Medical Association, the Andorran College of Dentists, the Andorran Bar Association, and the Andorran College of Engineers.

The Youth Council of Andorra (Area de Jovent), founded in 1988, serves as a nongovernmental platform for major youth and student organizations. The General Union of Andorran Students (Agrupacio General dels Estudiants d'Andorra (AGEA), founded in 1990, is a union of university students. Other youth NGOs include: the Andorran Red Cross Youth, Andorran Catholic Student Movement, and youth associations of Andorran Kiwanis, Lions and Rotary clubs. Andorra also sponsors an organization of the Special Olympics and a few national sports organizations, including groups for squash and sailing.

There are national chapters of the Red Cross Society, Caritas, and UNICEF.

### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Tourism has brought considerable prosperity to Andorra and now constitutes the principal source of income. Visitors, mostly from France and Spain, come to Andorra each summer to attend the fairs and festivals, to buy consumer items at lower prices than are obtainable in the neighboring countries, and to enjoy the pleasant weather and beautiful scenery. There is skiing at Pas de la Casa and Soldeu in winter.

Shrines and festivals are both key attractions to tourists. Romanesque churches and old houses of interest are located in Ordino, Encamp, Sant Julià de Lòria, Les Escaldes, Santa Coloma, and other villages. The best known is the shrine of Our Lady of Meritxell, Andorra's patroness, between Canillo and Encamp.

Pilgrims come from France and Spain to pay homage on 8 September, the festival day of Andorra's patroness. Each of the larger villages has its own festival during which the *sardana*, Andorra's national dance, is performed.

There is an International Jazz Festival at Escaldes-Engordany in July and the International Music Festival of Ordino in September.

In 2003, about 3,138,000 tourists visited Andorra, of whom 72% came from Spain, a 3% decline from 2002. Visitors need a valid passport to enter Andorra. No visa is required.

In 2003, the US Department of State estimated the daily cost of a stay in Andorra at \$226.

#### **48 FAMOUS ANDORRANS**

There are no internationally famous Andorrans.

#### **49 DEPENDENCIES**

Andorra has no territories or colonies.

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# ARMENIA

Republic of Armenia  
*Hayastani Hanrapetut 'Yun*

**CAPITAL:** Yerevan

**FLAG:** Three horizontal bands of red (top), blue, and gold.

**ANTHEM:** *Mer Hayrenik*.

**MONETARY UNIT:** The dram (introduced 22 November 1993) is a paper currency in denominations of 10, 25, 50, 100, 200, and 500 drams. The dram (֏) replaced the Armenian ruble and the Russian ruble (₺). Currently ֏1 = \$0.00225 (or \$1 = ֏445) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** New Year's Day, 1–2 January; Christmas, 6 January; Day of Remembrance of the Victims of the Genocide, 24 April; Peace Day, 9 May; Anniversary of Declaration of First Armenian Republic (1918), 28 May; Public Holiday, 21 September; Day of Remembrance of the Victims of the Earthquake, 7 December; New Year's Eve, 31 December.

**TIME:** 4 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Armenia is a landlocked nation located in southeastern Europe/southwestern Asia. Comparatively, the area occupied by Armenia is slightly smaller than the state of Maryland with a total area of 29,800 sq km (11,506 sq mi). Armenia shares boundaries with Georgia on the N, Azerbaijan on the E and S, Iran on the S, and Turkey on the W and has a total boundary length of 1,254 km (778 mi). Armenia's capital city, Yerevan, is located in the west-central portion of the country on the Hrazdan River.

## <sup>2</sup> TOPOGRAPHY

The topography of Armenia features the high Armenian Plateau and three primary mountain ranges, the Lesser Caucasus Mountains in the north, the Vardenis Range in central Armenia, and the Zangezur Range in the southeast. There is little forest land and a few fast flowing rivers. The Aras River Valley contains good soil. Mount Aragats, an extinct volcano in the plateau region, is the highest point in Armenia at 13,425 ft (4,095 m). The nation occasionally suffers from severe earthquakes. In December 1988, a massive earthquake struck near the city of Kumayri, killing over 25,000 people.

## <sup>3</sup> CLIMATE

Armenia's climate ranges from subtropical to alpine-like in the mountains. The mean temperature in midsummer is 25°C (77°F). In midwinter, the mean temperature is 0°C (32°F). Rainfall is infrequent. The capital city receives 33 cm of rain annually (13 in), though more rainfall occurs in the mountains.

## <sup>4</sup> FLORA AND FAUNA

Armenia is located in what geographers call the Aral Caspian Lowland. The country has broad sandy deserts and low grassy pla-

teaus. The region is home to European bison, snow leopards, cheetahs, and porcupines.

## <sup>5</sup> ENVIRONMENT

In 2000, Armenia's chief environmental problems resulted from natural disasters, pollution, and warfare. A strong earthquake in 1988 resulted in 55,000 casualties. Radiation from the meltdown of the nuclear reactor facility at Chernobyl in the former Soviet Union also polluted the environment. The nation's soil has also been polluted by chemicals including DDT and the Hrazdan and Ares rivers have also been polluted. The war between Armenia and Azerbaijan has strained the country's economy, limiting the resources that can be devoted to environmental preservation. It has also led to an energy blockade that has caused deforestation as trees are cut for firewood. Yet another environmental hazard is the restarting of the Metsamor nuclear power plant, which has been brought online without the safety systems recommended by the IAEA.

From 1990–1995, deforestation occurred at an average annual rate of 2.69%. However, some reforestation projects have been initiated. As of 2003, 7.6% of the total land area in Armenia is protected, including two sites protected as Ramsar wetlands: Lake Sevan and Lake Arpi. As of 2002, 11 of the nation's 84 species of mammal were threatened, as were 4 species of bird and 1 higher plant species. Endangered species include the Barbel sturgeon, Dahl's jird, and the field adder.

## <sup>6</sup> POPULATION

The population of Armenia in 2005 was estimated by the United Nations (UN) at 3,033,000, which placed it at number 133 in population among the 193 nations of the world. In 2005, approximately 11% of the population was over 65 years of age, with another 22% of the population under 15 years of age. There were 87

males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.3%; this low rate, attributed to a decline in fertility rates and migration, was considered too low by the government. The projected population for the year 2025 was 3,258,000. The population density was 102 per sq km (264 per sq mi).

The UN estimated that 65% of the population lived in urban areas in 2005, and that population in urban areas was changing at an annual rate of -0.43%. The capital city, Yerevan, had a population of 1,079,000 in that year. Other urban centers and their estimated populations include Kumayri (206,600) and Kirovakan (170,200). Most of the cities and towns are located along the river valleys in the north and west.

## 7 MIGRATION

Independent Armenia is only a portion of historic Armenia, which at its greatest extent also included lands now in Turkey, Iran, and Azerbaijan. There are Armenian communities in these countries and also in Russia, Georgia, Lebanon, Syria, and the United States. Between 1988 and 1993 around 360,000 ethnic Armenians arrived in Armenia from Azerbaijan as a result of the conflict over the disputed territory of Nagorno-Karabakh. In 1995 a citizenship law, which included special provisions making naturalization much easier for refugees from Azerbaijan, was enacted. By the end of January 2004, the number of refugees from Azerbaijan obtaining Armenian citizenship topped 65,000. One of the largest naturalizations of refugees in recent decades, United Nations High Commissioner for Refugees (UNHCR) supported the process with financial and material assistance. In 2003, there were 50,000 internally displaced persons (IDP) within the country. The UNHCR reported that at the end of 2004 there were 235,235 refugees in Armenia and 68 asylum seekers, of which over 50,000 refugees were assisted by UNHCR. From 1998 to 2003, except for 2000, remittance flows to Armenia grew by 20% per year.

Armenia has a net migration rate of -6.1 migrants per 1,000 population as of 2005. The government views both the immigration and emigration levels as too high.

## 8 ETHNIC GROUPS

A 2004 report indicates that Armenians comprise an estimated 98% of the population. Minority groups include the Azeri, Russians, Ukrainians, Belarussians, Jews, Assyrians, Georgians, Greeks, and Yezidi Kurds. As of 1993, most of the Azeris had emigrated from Armenia.

## 9 LANGUAGES

Armenian is spoken by about 97% of the population. Armenian belongs to an independent branch of the Indo-European linguistic family. It is a highly inflective language, with a complicated system of declensions. It is agglutinative, rich in consonants, and has no grammatical gender. The vocabulary includes many Persian loan words. There are two main dialects: East Armenian, the official language of Armenia, and West, or Turkish, Armenian. The alphabet, patterned after Persian and Greek letters, has 38 characters. Armenian literature dates from the early 5th century AD. Yezidi is

spoken by about 1% of the population; Russian and other various languages are spoken by the remaining 2%.

## 10 RELIGIONS

In 2005, about 90% of the population were nominally members of the Armenian Apostolic Church. Catholic churches, both Roman and Mekhitaris (Armenian Uniate), had an estimated 180,000 adherents. The next largest group was the Yezidi, a Kurdish ethnic and religious group that practice a mixture of beliefs from Islam, Zoroastrianism, and animism; they had an estimated 30,000 to 40,000 members. Other Christian denominations include Pentecostals, Greek Orthodox, Jehovah's Witnesses, the Armenian Evangelical Church, Baptists, Seventh-Day Adventists, the Church of Jesus Christ of the Latter-day Saints (Mormons). Most Jews, Muslims, and Baha'is are located in Yerevan.

Armenia became a Christian country in the 4th century AD. In 1991, the Law on Freedom of Conscience established the separation of church and state but granted the Armenian Apostolic Church status as the national church. All religious denominations and organizations outside of the Armenian Apostolic Church must be registered in order to operate. Those that are not registered are prohibited from publishing newspapers or magazines, sponsoring television or radio broadcasts, and renting meeting space. In 1997 amendments tightened registration requirements by raising the minimum number of adult members to qualify for registration from 50 to 200. The laws also indicate that a petitioning organization must adhere to a doctrine that is based on "historically recognized Holy Scriptures." Registration and monitoring of religious groups was originally under the jurisdiction of a government-based Council of Religious Affairs. In 2002 the president abolished the council and announced that a new office, under the prime minister, would handle matters of religion. The National Minorities and Religious Affairs Department was also established by the government.

The Armenian Apostolic Church is a member of the World Council of Churches.

## 11 TRANSPORTATION

As of 2004, there were 825 km (513 mi) of 1.520-m (broad) gauge railroad, not including industrial lines. An estimated 828 km (515 mi) are electrified. Supplies that arrive from Turkey by rail must be reloaded, due to a difference in rail gauges. Goods that cross Georgia or Azerbaijan are subject to travel delay from strikes and blockages and may be interdicted.

As of 2003, the highway system included 7,633 km (4,748 mi) of roads, all of which are paved. Of that total, 1,561 km (971 mi) are expressways.

There were an estimated 16 airports as of 2004, 11 of which had paved runways (as of 2005). The Zvartnots airport at Yerevan is fairly well maintained and receives scheduled flights from Moscow, Paris, New York, London, Amsterdam, Athens, Beirut, Dubai (UAE), Frankfurt, Istanbul, Prague, Tehrān, Vienna, Zürich, and Sofia. In 2003, 367,000 passengers were carried on scheduled domestic and international flights.

Cargo shipments to landlocked Armenia are routed through ports in Georgia and Turkey.

## 12 HISTORY

Armenian territories were first united into an empire under Tigranes the Great (95–55 BC), whose extensive lands included parts of Syria and Iraq. Defeated by the Roman general Pompey, Armenia became a client state of the Roman Empire. Rome and Sasanian Persia partitioned Armenia, and after them Byzantium and the Ummayed and Abbasid caliphates controlled parts of Armenia. Armenia adopted Christianity at the beginning of the 4th century AD. The Seljuk Turks invaded Armenia in the 11th century, followed by Genghis Khan and Timur, leading to mass emigrations. Persia and Ottoman Turkey divided Armenia into eastern and western portions in the 16th–18th centuries. Russia took over Persia's holdings in 1828, and during the latter part of the 19th century both Russia and Turkey carried out harsh repression against nationalist activities among Armenians under their sway, leading to many deaths and mass emigrations. During World War I, Ottoman Turkey carried out forced resettlement and other harsh policies against Armenians, which Armenians term their national genocide. The historical experience remains a contentious issue in Armenian-Turkish relations.

After the Bolshevik revolution in Russia in 1917, Armenia declared independence in May 1918. Armenia's population of 750,000 included as many as 300,000 who had survived flight from Turkey, and the heavy burden of independence among hostile neighbors (it clashed with Turkey, Georgia, and Azerbaijan) and an inhospitable climate may have led to as many as 150,000 deaths from famine and disease. Although the August 1920 Treaty of Sevres accorded international recognition of Armenian independence, the Russian Red Army conquered Armenia in November 1920. In 1922, Armenia was named part of a Transcaucasian Soviet Federated Socialist Republic, which encompassed lands now in Armenia, Azerbaijan, and Georgia, but it became a separate union republic in 1936. During the 1920s, Moscow drew internal borders in the Caucasus, which resulted in Nagorno-Karabakh (NK), then a mostly ethnic Armenian region, being incorporated into Azerbaijan, separated from the rest of Soviet Armenia by a few miles of Azerbaijani territory. NK was given the status of an "autonomous republic."

Following a February 1988 call by the Nagorno-Karabakh (NK) legislature for unification with Armenia, the Armenian Supreme Soviet in December 1989 declared that NK, a largely ethnically Armenian-populated enclave within Azerbaijan, was part of Armenia. It also proclaimed Armenia's sovereignty over its land and resources. A popular referendum on independence was held in Armenia on 21 September 1991, in which 94% of the eligible population reportedly participated and which was approved by 99%. The Armenian legislature declared Armenia's independence two days later. Armenia received worldwide diplomatic recognition upon the collapse of the Soviet Union in December 1991.

Beginning in 1988, conflict engulfed NK, with Azerbaijan resisting the secession or independence of its enclave. Casualties were estimated at over 5,000. Emigration of 350,000 Armenians residing in Azerbaijan and over one million Azerbaijani residing in Armenia or NK followed pogroms in both states and conflict in NK and surrounding areas. In December 1991, a referendum in NK (boycotted by local Azerbaijani) approved NK's independence and a Supreme Soviet was elected, which on 6 January 1992, declared NK's independence and futilely appealed for world rec-



LOCATION: 40°0' N to 45°0' E BOUNDARY LENGTHS: Total boundary lengths, 1,254 kilometers (780 miles); Azerbaijan (east), 566 kilometers (352 miles); Azerbaijan (south), 221 kilometers (137 miles); Georgia, 164 kilometers (102 miles); Iran, 35 kilometers (22 miles); Turkey, 268 kilometers (167 miles).

ognition. In 1993, Armenian forces gained control over NK and surrounding areas, occupying over 20% of Azerbaijani territory, which they continued to hold despite an Azerbaijani offensive in 1993–1994 that reportedly cost 6,000 Azeri casualties. A cease-fire has held fitfully since May 1994, but talks on a political settlement remain inconclusive. In the six-year period of conflict from 1988 to 1994, more than 35,000 people were killed and nearly one million have been left homeless.

In November 1989, Levon Ter-Petrosyan became a leader of the Armenian National Movement (ANM), which grew out of the Karabakh Committee to push for Armenia's independence, and its chairman in March 1990. ANM and other nationalist deputies cooperated to elect him chairman of the Armenian Supreme Soviet in August 1990, inflicting a serious blow on the Armenian Communist Party. Following Armenia's declaration of independence, presidential elections were held on 16 October 1991. Ter-Petrosyan was supported by the ANM, winning 83% of the vote against

six other candidates, including internationally famous dissident Paruir Hairikian of the Association for National Self-Determination and Sos Sarkisyan of the Armenian Revolutionary Federation (ARF; called Dashnaktsutyun in Armenian, meaning “federation”). Ter-Petrosyan was sworn into office on 11 November 1991, for a five-year term. His suspension of the activities of Armenian Revolutionary Federation party in December 1994 and a trial of its leaders raised concerns among some observers about possible setbacks to democratization.

Elections to Armenia’s unicameral 190-member National Assembly (legislature) were held in June 1995, at the same time as a referendum in which Armenian voters adopted the country’s first post-Communist new constitution. International observers reported many campaign and voting irregularities. Observers from the Organization for Security and Cooperation in Europe (OSCE) judged the elections “free but not fair,” in part because the main opposition party, the ARF, was banned from participation, the government dominated campaigning, the CEC appeared heavily pro-government in its decisions, and security officers constituted a chilling presence in many voting places. Voting irregularities reported on election day by the international observers included the violation of secret voting and pressure in voting places to cast a ballot for certain parties or candidates. In all, the Republic Bloc and other pro-government parties won 166 out of 190 seats, while the opposition won only 18 and independents four (two seats were undecided).

Ter-Petrosyan won reelection as president on 22 September 1996, by garnering 51.75% of the vote, a far smaller majority than in 1991, barely avoiding runoff balloting. Ter-Petrosyan’s main opponent in the presidential race was Vazgen Manukian, head of the National Democratic Union (NDU) party. He garnered 41.3% of the presidential vote. Manukian had worked closely with Ter-Petrosyan in the Karabakh Committee. Following the presidential election, followers of Manukian’s electoral coalition demonstrated against what they and many international observers termed irregular voting procedures. On 25 September 1996, tens of thousands of protesters stormed the legislative building in Yerevan and assaulted the legislative speaker and deputy speaker, both belonging to the ANM. The crowd was dispersed by police with few injuries or deaths.

In March 1997, in an attempt to garner greater public support for his regime, Ter-Petrosyan appointed a highly popular war hero of the NK conflict, Robert Kocharian, to the post of prime minister of Armenia. Ter-Petrosyan and others viewed Kocharian as having the leadership abilities necessary to help revive the slumping economy and to increase tax collection. In accepting the prime ministership, Kocharian resigned as president of NK.

Ter-Petrosyan announced in September 1997 that he had accepted an Organization for Security and Cooperation in Europe (OSCE) peace plan as a basis for resolving the NK conflict that would require “compromises” from Armenia. The two-stage plan called for NK Armenians to withdraw from most territories they had occupied outside of NK and for international peacekeepers to be deployed, followed by discussion of NK’s status. The announcement brought open criticism from Kocharian and other Armenian and NK officials. On 1 February 1998, Yerkrpah, a legislative faction and militia group composed of veterans of the NK conflict, and headed by the country’s defense minister, called for

Ter-Petrosyan to resign. Many members of Ter-Petrosyan’s ANM legislative faction defected, leading to the resignation of the parliamentary speaker. Heated debate in the legislature culminated with Ter-Petrosyan’s resignation on 3 February 1998. Ter-Petrosyan denounced the “bodies of power” for demanding his resignation, referring obliquely to Kocharian, Defense Minister Vazgen Sarkisyan, and Minister of the Interior and National Security Serzh Sarkisyan. Although the constitution called for the legislative speaker to assume the duties of acting president pending an election, the resignation of the speaker caused these duties to devolve upon Prime Minister Kocharian. A special presidential election was scheduled for 16 March 1998.

Twelve candidates succeeded in registering for the March presidential election. The main contenders were Kocharian, Vazgen Manukyan (who had run against Ter-Petrosyan in 1996 and was head of the National Democratic Union), and Karen Demirchyan (head of the Armenian Communist Party from 1974 to 1988). Since none of the candidates won the required “50% plus one” of the 1.46 million votes cast (in a 64% turnout), a runoff election was held on 30 March. In the runoff, acting President and Prime Minister Kocharian received 59.5% of 1.57 million votes cast (in a 68.5% turnout). The OSCE concluded that “this election showed improvement in some respects over the 1996 election,” but did “not meet OSCE standards to which Armenia has committed itself.” Observers alleged ballot box stuffing, discrepancies in vote counting, and fraud perpetrated by local authorities that inflated the number of votes for Kocharian. Nevertheless, he was inaugurated on 9 April 1998. The legislature selected Demirchyan as its speaker on 10 June.

On 27 October 1999, gunmen entered the legislature and opened fire on deputies and officials, killing Prime Minister Vazgen Sarkisyan and Speaker Karen Demirchyan, two deputy speakers, and four others. The purported leader of the gunmen claimed they were targeting the prime minister and were launching a coup to “restore democracy” and end poverty, and took dozens hostage. President Robert Kocharian rushed to the legislature and helped negotiate the release of the hostages, promising the gunmen a fair trial. The killings appeared the product of personal and clan grievances. Abiding by the constitution, the legislature met on 2 November and appointed Armen Khachatryan (a member of the majority Unity bloc) as speaker, and Kocharian named Sarkisyan’s brother Aram the new prime minister the next day, seeking to preserve political balances. Political infighting intensified. The military prosecutor investigating the assassinations detained a presidential aide, appearing to implicate Kocharian in the assassinations. The Unity and Stability factions in the legislature also threatened to impeach Kocharian in April 2000. Seeking to counter challenges to his power, Kocharian in May 2000 fired his prime minister and defense minister. In October 2001, on the second anniversary of the shootings in parliament, thousands of protesters staged demonstrations in Yerevan to demand Kocharian’s resignation. In December 2003, six individuals were sentenced to life imprisonment for their roles in the 1999 assassinations. The death penalty in Armenia had been abolished that August. Protests against Kocharian’s presidency continued in 2004, despite his reelection in 2003.

Although Armenia has the highest economic growth rate of any country in the former Soviet Union, more than 50% of the pop-



ulation lives in poverty. Unemployment and emigration remain problems, and Armenia is under a trade blockade from Turkey and Azerbaijan over the dispute in Nagorno-Karabakh—goods are transported only through Georgia. However, US and European companies interested in tapping oil and gas reserves in the Caspian Sea have been planning the construction of a pipeline through the Caucasus to Turkey. In September 2001, Russian President Vladimir Putin visited Armenia, the first Russian president to do so since independence. Armenia and Russia negotiated a 10-year economic cooperation package, and an agreement was reached on expanding a Russian military base in Armenia.

Presidential elections were held on 19 February 2003, with no candidate receiving 50% of the votes; a runoff election was scheduled for 5 March. Kocharian took 48.3% of the first-round vote, with Stepan Demirchyan—son of Karen Demirchyan, the former parliamentary speaker assassinated in 1999—taking 27.4% of the vote. Artashes Geghamian came in third with 16.9%. The opposition called the election fraudulent and said it would not recognize the vote, and observers from the Organization for Security and Cooperation in Europe (OSCE) declared the election “flawed.” Stuffing of ballot boxes allegedly took place, although many ballots were cast in transparent boxes, in an attempt to have a fair vote. Also, Kocharian received five times as much television coverage as all of his opponents combined. In the run-off election held on 5 March, Kocharian was reelected president with 67.5% of the vote; Demirchyan received 32.5%.

### 13 GOVERNMENT

Armenia adopted its post-Soviet constitution by public referendum on 5 July 1995 by 68% of the voters. A commission headed by Ter-Petrosyan had drawn up the draft constitution. It provides for a strong presidential system of government with a weak legislative system, granting the president power to appoint and remove the prime minister, judges, and prosecutors. It also gives him liberal grounds for dissolving the legislature, declaring martial law, and limiting human rights by declaring a state of emergency. The president serves a five-year term. The prime minister is nominated by the president and is subject to legislative approval. The prime minister with presidential and legislative approval appoints the Cabinet of Ministers. The unicameral National Assembly has 131 members, who serve four-year terms; 75 members are elected by party list, and 56 by direct vote.

### 14 POLITICAL PARTIES

Armenia held elections to a new single-chamber 131-seat legislature on 30 May 1999, with 75 deputies elected by party list and 56 elected by direct vote. Twenty-one parties and blocs fielded candidates on the party list vote, but only six passed a 5% vote hurdle. The Unity bloc garnered 42% of over two million votes cast, gaining 29 seats, followed by the Communist Party of Armenia with about 12% of the vote. In constituency balloting, the Unity Bloc (which included the country’s two largest parties, the People’s Party and the Republican Party) garnered the most seats (35), followed by nonparty-affiliated candidates (29). Other major parties that received at least 7% of the party list vote in the 1999 legislative race include the National Democratic Union, Armenian Revolutionary Federation-Dashnaktsutyun, Law-Governed Country Party, Communist Party of Armenia, the Armenian Pan-National

Movement, Law and Unity bloc, and the Mission Party. The other registered parties included both those newly created for the legislative race and more traditional parties. They were the Mighty Motherland, Homeland bloc, Ramkavar Azatakan Party (Liberal Democratic Party), Freedom Party, Democratic Party of Armenia, Union of Socialist Forces and Intelligentsia bloc, Union of Communist and Socialist Parties, Youth Party of Armenia, Decent Future, National State Party, Free Hayk Mission Party, Shimiram Party, and ONS+ bloc (the National Self-Determination and Homeland-Diaspora).

Legislative elections were held on 25 May 2003. The Republican Party won 23.5% of the vote (23 seats) for deputies elected by party list, followed by Justice Bloc, 13.6% (14 seats); Rule of Law, 12.3% (12 seats); ARF (Dashnak), 11.4% (11 seats); National Unity, 8.8% (9 seats); United Labor Party, 5.7% (6 seats). However, seats by party change frequently as deputies switch parties or declare themselves independent.

### 15 LOCAL GOVERNMENT

The regional governmental structure is closely modeled after the national structure. The president appoints governors to Armenia’s 11 provinces (*marzer*), including the mayor of the capital of Yerevan, which has the status of a *marz*. Each province has both executive and legislative bodies that control the provincial budget and businesses within the region. Regional governments do not have authority to pass laws independent of national legislation. *Marzer* are divided into rural and urban communities (*hamainkner*), and Yerevan is divided into 12 districts. The communities and Yerevan districts are governed by community chiefs and legislative bodies called councils of elders (*avakani*). In the cities, community chiefs hold the title of mayor. In 1997 a law on self-government was passed calling for decentralization in some areas and some fiscal independence for local governments. Elections for mayors, community chiefs, and local councils in 654 constituencies were held 20 October 2002, with a 46% voter turnout rate (an increase of close to 20% from the turnout in 1999). Local elections are held every three years. There were fewer complaints of electoral irregularities than in previous elections. The ruling Republican Party fielded the most candidates, and 18 other parties, in addition to independents, participated. The Law-Governed Country Party came in second, and the Armenian Revolutionary Federation was third. Local elections were held once again in October 2005, and voters decided not to return many incumbents to office.

### 16 JUDICIAL SYSTEM

The constitution provides for an independent judiciary, but in practice courts are vulnerable to pressure from the government, though legal reforms are resulting in some changes. The court system consists of district courts of first instance, an Appeals Court, and a Court of Cassation. Judges for the local courts of first instance and the Court of Appeals began operating under a new judicial system in January 1999. Judges were selected for their posts based on examinations and interviews by the Minister of Justice, approval of a list of nominees by the Council of Justice, and approval by the president. Unless they are removed for malfeasance, they serve for life. About one-half of Soviet-era judges have been replaced. Prosecutors and defense attorneys also began retrain-

ing and recertification. A military bureaucracy continues to follow Soviet-era practices.

A Constitutional Court has the power to review the constitutionality of legislation, approves international agreements, and settles electoral disputes. Its effectiveness is limited. It only accepts cases referred by the president, two-thirds of the members of the legislature, or election-related cases brought by candidates in legislative or presidential races. The president appoints four of the nine judges of the Constitutional Court.

The constitution establishes a Council of Justice, headed by the president and including the prosecutor general, the minister of justice, and 14 other members appointed by the president. The Council appoints and disciplines judges in courts of first instance and the Court of Appeals. A Council of Court Chairs has been created to reduce the power of the Ministry of Justice and increase the independence of the judicial system. It is responsible for financial and budgetary issues involving the courts, and consists of 21 senior judges.

A criminal procedure code entered into force in January 1999 specifies that a suspect may be detained for no more than 12 months pending trial, has the right to an attorney, right to a public trial and to confront witnesses, and the right to appeal.

## 17 ARMED FORCES

The active armed forces numbered 48,160 in 2005. There were 45,000 personnel in the Army, organized into five corps that would include a mix of motorized and standard rifle regiments, armored and other support units. Equipment in 2005 included 110 main battle tanks, 104 armored infantry fighting vehicles, 140 armored personnel carriers, and 229 artillery pieces. The Air and Defense Aviation Forces numbered 3,160 personnel with 16 combat capable aircraft (one fighter and 15 fighter ground attack aircraft) and 12 attack helicopters. Paramilitary forces numbered 1,000 and were made up of border troops and Ministry of Internal Affairs personnel. The military budget in 2005 totaled \$135 million.

## 18 INTERNATIONAL COOPERATION

Armenia was admitted to the United Nations on 2 March 1992. The country serves as a member of several specialized agencies within the United Nations, such as FAO, IAEA, ICAO, IDA, IFC, IFAD, ILO, IMF, UNCTAD, UNESCO, UNIDO, WIPO, and WHO. Armenia is a member of the CIS and the Council of Europe. The country was admitted to the OSCE on 30 January 1992 and serves as an observer in the OAS. It became a full member of the WTO on 5 February 2003. Armenia is one of 12 members of the Black Sea Economic Cooperation Zone, which was established in 1992. It is also a part of the Euro-Atlantic Partnership Council and the EBRD. Armenia is a member of the Organization for the Prohibition of Chemical Weapons and the NATO Partnership for Peace. The country ratified the Conventional Armed Forces in Europe (CFE) Treaty in July 1992. The Armenia government supports the cause of the ethnic Armenian secessionists in the Nagorno-Karabakh region of Azerbaijan. The OSCE is serving as a mediator in what has been a sometimes violent struggle.

In environmental cooperation, Armenia is part of the Basel Convention, the Conventions on Biological Diversity and Long Range Transboundary Air Pollution, Ramsar, the Kyoto Protocol, the Montréal Protocol, the Nuclear Test Ban Treaty, and the

UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

As part of the Soviet Union, the Armenian economy featured large-scale agro-industrial enterprises and a substantial industrial sector that supplied machine tools, textiles, and other manufactured goods to other parts of the USSR in exchange for raw materials. Trade with its neighbors, on which resource-poor Armenia relies heavily, was jeopardized by the outbreak of conflict over the Nagorno-Karabakh enclave in 1988, and by political instability in Georgia and Azerbaijan. Also, in December 1988, a severe earthquake did considerable damage to Armenia's productive capacity, aggravating its regional trade deficit. The physical damage had not been repaired when the economy suffered the implosion that accompanied the breakup of the Soviet Union in 1991.

With independence, as real GDP fell 60% from 1992–93, small-scale agriculture came to dominate in place of the former agro-industrial complexes, with crops of grain, sugar beets, potatoes, and other vegetables, as well as grapes and other fruit. Growth was not registered until 1994, at 5%, when, in July, a cease-fire was signed by Armenia, Azerbaijan and Nagorno-Karabakh, and, in December, the government embarked on a comprehensive IMF-monitored program of macroeconomic stabilization and structural reform. By 1996, growth was in double digits and inflation in single digits, although set-backs, which began in late 1996, reduced real GDP growth to 3% in 1997, while inflation surged to 27%. In 1998, real growth reached 7.3% while inflation fell to a single digit 8.7%, despite the negative impacts of the Russian financial crisis and a continuing Azerbaijan-led economic blockade over the unresolved Nagorno-Karabakh issue.

Growth in the first nine months of 1999 was at an annual rate of 6%, but this was reduced to 3% for the year in the disruptions following the hostage-takings and assassinations of the prime minister and parliamentary speaker in October, a stated motive for which was the large proportion of Armenians living in poverty (at 55% in 2001 by CIA estimates). Inflation was held to 0.7% in the crisis, due to policy changes that have continued to keep inflation at a low level. Moderate GDP growth of 6% was achieved in 2000 while prices, as measured by the consumer price index, actually declined an estimated 0.8%.

In 2001, targeted real growth under the IMF-guided program was 6% but actual growth was about 10% (CIA est.) as the effects of economic reforms, the privatization of small and medium-sized enterprises, and increased foreign investment began to impact performance. IMF and CIA estimates for 2002 were for real growth between 12.5% and 12.9%, with stable price levels. Barring major disruptions (only too likely as the war in Iraq, launched 19 March 2003, added another source of instability to the region), Armenia was expected to attain its pre-independence level of per-capita income by 2005. Growth sectors include telecommunications, assembly of electric and electronic appliances, agriculture and food processing, energy generation and distribution, construction, coal and gold mining, and international air communications.

The IMF-sponsored economic liberalization program encouraged remarkable GDP growth rates: 13.9% in 2003, 10.1% in 2004, and a predicted 8.0% in 2005. Rising investment levels, exports, and real incomes also contributed to this growth. Inflation, tamed

in 2002, was on the rise in 2003 and 2004, at 4.7% and 7.0% respectively. For the most part however, the government has done a good job of keeping the inflation in check, and stabilizing the local currency. Despite encouraging economic figures though, unemployment remains fairly high (at around 14%) and poverty is a critical issue that needs to be dealt with immediately.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Armenia's gross domestic product (GDP) was estimated at \$15.3 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$5,100. The annual growth rate of GDP was estimated at 8%. The average inflation rate in 2005 was 2.4%. It was estimated that agriculture accounted for 24.9% of GDP, industry 34.6%, and services 40.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$168 million or about \$55 per capita and accounted for approximately 6.0% of GDP. Foreign aid receipts amounted to \$247 million or about \$81 per capita and accounted for approximately 8.5% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Armenia totaled \$2.35 billion or about \$768 per capita based on a GDP of \$2.8 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 1.8%. In 2001 it was estimated that approximately 52% of household consumption was spent on food, 18% on fuel, 3% on health care, and 15% on education. It was estimated that in 2003 about 43% of the population had incomes below the poverty line.

## 21 LABOR

As of 2004, Armenia's labor force numbered 1.2 million. In 2002, an estimated 25% were involved in industry, 45% in agriculture, and 30% in services. The unemployment rate was estimated at 30% in 2003.

Legislation passed in 1992 guarantees workers the right to bargain and organize collectively. An independent labor federation was created in 1997. However, organized labor remained weak as of 2005, because of high unemployment and a slow economy. Collective bargaining does not occur because most large employers are still under state control. Labor disputes are generally settled in economic or regular courts of law. According to the Confederation of Labor Unions (CLU) an estimated 290,000 workers belonged to 25 labor unions in 2005.

Armenians are guaranteed a monthly minimum wage which was set at around \$26.00 as of 2005. The standard legal workweek was 40 hours, with mandatory overtime and rest periods. Children under the age of 16 are prohibited by law from full-time labor, although children at age 14 can be employed if permission is given by the child's parents and from the labor union. Due to the dire economic situation, none of these legal standards are relevant. Although the government is required to promulgate mini-

mum occupational health and safety standards, as of end 2005, such standards have yet to be implemented. In addition, a lack of government resources and general worker insecurity prevent any effective enforcement of the nation's labor laws.

## 22 AGRICULTURE

Before the collapse of the Soviet Union, about 16% of Armenia's land was cultivated. As of 2002, there were an estimated 560,000 hectares (1,384,000 acres) of arable cropland (20% of the total land area), of which 65,000 hectares (160,600 acres) were planted with permanent crops. Agriculture engaged about 45% of the economically active population in 2003. That year, agricultural production was 13% higher than what it had been during 1999–2001.

Production for 2004 included tomatoes, 222,047 tons; potatoes, 575,942 tons; wheat, 296,000 tons; and grapes, 148,892 tons. In 2002, there were some 18,300 tractors and 4,000 harvester-threshers in service.

## 23 ANIMAL HUSBANDRY

Over one-fifth of the total land area is permanent pastureland. In 2004, the livestock population included: sheep, 580,000; cattle, 565,800; pigs, 85,300; goats, 48,300; and horses, 12,500. There were also some 3.6 million chickens. In 2004, some 54,000 tons of meat were produced, including 33,400 tons of beef and veal, 7,200 tons of mutton and lamb, 4,300 tons of poultry, and 8,500 tons of pork. In 2004, 535,800 tons of milk, 31,500 tons of eggs, 4,500 tons of cheese, and 1,200 tons of greasy wool were also produced. Meat, milk, and butter are the chief agricultural imports.

## 24 FISHING

Fishing is limited to the Arpa River and Lake Sevan. Commercial fishing is not a significant part of the economy. The total catch in 2003 was 1,633 tons. Trout and carp are the principal species.

## 25 FORESTRY

Forests cover an estimated 12.4% of Armenia. Soviet mismanagement, the 1988 earthquake, hostilities with Azerbaijan, and fuel shortages have impaired development. Available timber is used for firewood during the harsh winters. Imports of forestry products totaled \$12.2 million in 2003.

## 26 MINING

Mineral resources in Armenia are concentrated in the southern region, where several operating copper and molybdenum mines were located. Armenia had been mining one-third of the former Soviet Union's (FSU) output of molybdenum (2,073 metric tons in 2002, down from 3,100 metric tons in 2000). Copper mines were located at Kapan, Kadzharan, Agarak, Shamlugh, and Akht'ala; the latter two were not in operation in 2002. Kadzharan and Agarak also had molybdenum mines. Despite relative proximity to rail and port facilities that supplied European markets, the mineral sector's ability to compete on the world market was inhibited by infrastructure problems. Armenia's production of perlite has been estimated at a steady 35,000 metric tons annually, from 1998 through 2002.

In 2002, Armenia produced industrial minerals such as clays, diatomite, dimension stone, limestone (12.5 million short tons),

salt (30,300 metric tons), and semiprecious stones. It mined copper (16,641 metric tons of copper concentrate), copper-zinc, and native gold deposits. The Zod and Megradzor gold mines ceased operations in 1997. The government hoped to revive the gold industry through the recovery of gold tailings at the Cuarat gold mill. Significant by-product constituents in the nonferrous ores in 2002 included barite, gold (estimated at 3,200 kg), lead, rhenium, selenium, silver (5,500 kg), tellurium, and zinc.

Armenia's exports of mineral products in 2002 accounted for around 70% of its total exports by value. In that year, total exports were valued at \$507.2 million.

## 27 ENERGY AND POWER

With only negligible reserves of oil, natural gas, and coal, and with no production, Armenia is heavily reliant on foreign imports. Following the breakup of the Soviet Union, oil consumption has declined from 48,400 barrels per day in 1992 to 38,630 barrels per day in 2002. Natural gas consumption in 2002 was 38.49 billion cu ft. Total electrical consumption in 2002 was 4.446 billion kWh.

Net electricity generation in 2002 totaled 5.215 billion kWh, primarily from the reopened Medzamor nuclear plant at Yerevan (815,000 kW capacity), the Hrazdan (near Akhta) oil/natural gas plant (1,110,000 kW capacity), the Yerevan heat/power plant (550,000 kW capacity), and the Sevan-Hrazdan hydroelectric plant and smaller plants (925,000 kW capacity). Of total electricity generated in 2002, some 31% came from hydroelectric plants, 40% from nuclear power, and 29% from thermal power. Total capacity in 2002 was 3.341 million kW. The Medzama plant, reopened in 1995, increased electricity generation by 40% and has enabled electricity to be supplied around the clock for the first time in years. However, the Armenian government has promised to decommission the plant by 2004 to save money on maintenance if enough alternative power sources can be found by that time. As of 2002 three major and 38 smaller hydroelectric projects were planned, at a total cost of \$300 million, with backing by the World Bank.

As of 1999, the domestic distribution grid for electric power was scheduled for restructuring and privatization, with assistance from the World Bank and the US Agency for International Development (USAID). A December 1988 earthquake disrupted the Yerevan nuclear power plant, creating almost total dependence on imported oil and natural gas for power. When ethnic hostilities with Azerbaijan again resurfaced in 1992, Azerbaijan discontinued service of its pipeline to Armenia (with natural gas from Turkmenistan). The only other supply routes passed either through Turkey (which was sympathetic to Azerbaijan) or through Georgia (which was dealing with its own civil chaos). Since the 1994 ceasefire with Azerbaijan, the revival of energy supplies has helped start the recovery of Armenia's economy. If Armenia and Azerbaijan ever resolve their disputes, the transit of oil and gas from the Caspian Sea region abroad will become possible.

## 28 INDUSTRY

Before the earthquake in 1988, Armenia exported trucks, tires, electronics, and instruments to other republics. A number of these plants were destroyed by the earthquake. Armenia was also a major producer of chemical products, some 59% of which were exported to other republics. Armenia has the highest number of

specialists with higher education and second highest number of scientists of all the former Soviet republics. Since the collapse of the Soviet Union, industrial production has been severely disrupted by political instability and shortages of power. Much of Armenia's industry is idle or operating at a fraction of its capacity.

Economic blockades by Turkey and Azerbaijan as part of the continuing dispute over Nagorno-Karabakh have cut Armenia off from an old direct gas pipeline from Azerbaijan, as well as precluded it from participation in any of the east-west pipelines being built in the post-Soviet era. The alternative Armenia has pursued is a gas pipeline from Iran delivering Turkmenistan gas (to avoid sanctions on customers of Iran, which were renewed by the US Congress in August 2001). Intergovernmental agreements on the project were signed in 1992 and 1995. In December 1997 the Korpezehe-Kurt-Kwi pipeline feeding Turkmen natural gas directly into the Iranian system was opened. In December 2001 agreement was reached on a route that bypassed the Azeri exclave of Nakhichevan, running from Kadzharan to the southern border at Megri. Work on the Armenian section of the Iran-Armenian gas pipeline was to have begun in 2002 but was delayed until 2003 by disputes over the price Iran was intending to charge.

Light industry dominates Armenia's industrial sector and is striking for its diversity. The leading industries in 2002 included metal-cutting machine tools, forging-pressing machines, electric motors, tires, knitted wear, hosiery, shoes, silk fabric, chemicals, trucks, instruments, microelectronics, gem cutting (in 2002, 53 diamond-polishing companies exported \$150 million worth of diamonds), jewelry manufacture (up 200% in 2002), software development, food processing, and brandy. Most of the country's small and medium-sized enterprises have been privatized, spurring the recovery of industrial growth.

Progress has been slower with larger industries often due to the lack of viable bidders. About 70% of the larger operations had been privatized by 1998, the year Armenia passed legislation for the sale of the country's electricity transmission and distribution networks, retaining government control over power generation. To support the privatization, the European Bank for Reconstruction and Development (EBRD) bought a 20% share in each of Armenia's four distribution companies in an agreement preserving the government's right to buy back the shares should the agreement be abrogated. In 2002, after two failed offerings, management of the electricity distribution network was won by Daewoo Engineering. In 2001, Armenia reached a debt-to-equity agreement with Russia to exchange the debt it owed Russia—at almost \$100 million and requiring about \$20 million a year to service, the largest and only nonconcessional part of Armenia's external debt—for five nonperforming state-run enterprises. The centerpiece was the Hrazdan Thermal Power Plant, valued at about \$100 million, but also including the "Mars" Electronics Factory established in 1986 for making robots, and three research institutes. Under the debt for property agreement the Russian government will turn the operations over to private entrepreneurs.

Armenia has the highest number of cooperatives (per capita) in the Commonwealth of Independent States. By CIA estimates for 2000, industry accounted for 32% of GDP, but employed about 42% of the labor force. In 2002, with 12.5% overall GDP growth, industry grew 16%, including a 42% growth in construction. The country is projecting growth along with partnership opportuni-

ties in areas such as power generation, aviation, construction, electronics, apparel, tourism, food processing, industrial property acquisition, banking, and other areas.

In 2004, industry accounted for 36.1% of the overall GDP; agriculture made up 22.9% of the economy, while services came in first with 41.1%. What is remarkable though, is the fact that only about 25% of the working population was employed by the industry, whereas around 45% worked in agriculture. This indicates a high productivity rate in the industrial sector, and a low one in agriculture. The industrial production growth rate was, at 15%, higher than the GDP growth rate, indicating that industry is the main engine of the Armenian economy. Particularly metallurgy, energy, and machine building managed to attract new investment and helped boost the industrial sector output.

## 29 SCIENCE AND TECHNOLOGY

The Armenian National Academy of Sciences, founded in 1943 and headquartered in Yerevan, has departments of physical, mathematical, and technological sciences; and natural sciences; and 32 research institutes in fields such as agriculture; biological, mathematical, physical, and earth sciences; and technology. Yerevan State University (founded in 1919) has faculties of mechanics, mathematics, physics, radiophysics, chemistry, biology, geology, geography, and mathematical cybernetics and automatic analysis. Also in Yerevan are the State Engineering University of Armenia (founded in 1930), the Yerevan State Medical University (founded in 1922), the Yerevan Zootechnical and Veterinary Institute (founded in 1929), and the Armenian Scientific and Technical Library. In 1987–97, science and engineering students accounted for 29% of college and university enrollments.

As of 2002, there were 1,606 researchers and 147 technicians per million people, actively engaged in research and development (R&D). Spending on R&D accounted for \$24.25 million, or 0.25% of GDP in 2002. Of that amount, government accounted for 55.2% of R&D spending, while foreign sources accounted for 11.2%. The remainder was undistributed. In 2002, high technology exports totaled \$3 million, 2% of the country's manufactured exports.

## 30 DOMESTIC TRADE

As of 1999, there were about 23,128 wholesale and retail companies registered in Armenia, accounting for over 54% of the total registered businesses. The main retail center is in Yerevan. A majority of retail establishments are small food and specialty item shops. Many of these work with wholesalers and sell items on a consignment basis. There are also large open markets in Yerevan and other cities offering a wide variety of food, clothing, housewares, and electronics.

Beginning in 1996, the government launched a major privatization drive. By 1999, over 80% of small businesses and over 60% of medium and large corporations were in private hands. Nearly all farmland is privately owned. Seasonal open-air food markets are also popular. Some of these markets still engage in bartering.

## 31 FOREIGN TRADE

Armenia's main trading partners are Belgium, Russia, the United States, Iran, Switzerland, Israel, Georgia, the United Kingdom, the UAE, and the EU. Exports include gold and diamonds, aluminum, transport equipment, electrical equipment, and scrap metal. Im-

### Principal Trading Partners – Armenia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	667.9	1,211.8	-543.9
Israel	142.3	123.4	18.9
Belgium	123.8	129.1	-5.3
Russia	96.0	196.1	-100.1
United States	54.9	99.1	-44.2
Germany	43.6	35.4	8.2
United Kingdom	39.8	56.5	-16.7
Switzerland-Liechtenstein	31.6	42.1	-10.5
Netherlands	21.8	10.8	11.0
Iran	21.4	63.5	-42.1
Italy-San Marino-Holy See	18.8	38.1	-19.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

ports include grain and other foods, fuel and energy. Inter-republic trade has suffered as a result of border hostilities, particularly the ongoing conflict over the Armenian enclave of Nagorno-Karabakh in Azerbaijan, which may prevent the proposed Caspian Sea oil pipeline from passing through Armenia. As of 2003, recent talks between the leaders of Armenia and Azerbaijan represented a positive step toward resolving the dispute.

Due to its delicate geographic placement, Armenia scores modest foreign trade figures. In 2004, exports totaled only \$850 million (FOB—Free on Board), while imports climbed to \$1.3 billion (FOB). Main export commodities were precious or semiprecious stones and metals (accounting for 42.5% of total exports), base metals (19.5%), mineral products (11.7%), prepared foodstuffs (9.7%). Principal imports included precious or semiprecious stones and metals (22.5%), mineral products (16.2%), machinery and equipment (10.1%), and prepared foodstuffs (7.0%). These last figures indicate that while Armenia has a vibrant industry, it is not exploiting it to its fullest potential. Existing trade barriers probably hinder the export of manufactured goods, so it has to resort to trading mainly natural resources.

## 32 BALANCE OF PAYMENTS

Although the government is working to reduce Armenia's large trade deficits by improving export performance, the conflict over the Armenian enclave of Nagorno-Karabakh in Azerbaijan continues to weaken the economy by disrupting normal trade and supply links. Armenia receives large amounts of humanitarian assistance.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Armenia's exports was \$338.5 million while imports totaled \$868.6 million resulting in a trade deficit of \$530.1 million.

The International Monetary Fund (IMF) reported that in 2001 Armenia had exports of goods totaling \$353 million and imports totaling \$773 million. The services credit totaled \$187 million and debit \$204 million.

Exports of goods and services continued to grow in the following years, reaching \$696 million in 2003, and \$738 million in 2004. Imports followed a similar path, totaling \$1.1 billion in

**Balance of Payments – Armenia (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-190.6</b>
Balance on goods	-434.1	
Imports	-1,130.2	
Exports	696.1	
Balance on services	-68.3	
Balance on income	93.4	
Current transfers	218.5	
<b>Capital Account</b>		<b>89.9</b>
<b>Financial Account</b>		<b>174.8</b>
Direct investment abroad	-0.4	
Direct investment in Armenia	120.9	
Portfolio investment assets	0.1	
Portfolio investment liabilities	0.2	
Financial derivatives	...	
Other investment assets	-63.6	
Other investment liabilities	117.6	
<b>Net Errors and Omissions</b>		<b>-1.7</b>
<b>Reserves and Related Items</b>		<b>-72.4</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

2003, and \$1.2 billion in 2004. The resource balance was consequently negative in both years, at around -\$400 million. The current account balance was also negative, dropping to -\$190 million in 2003, and recuperating to -\$161 million in 2004. Reserves of foreign exchange and gold reached \$555 million in 2004, covering almost six months of imports.

**3<sup>3</sup> BANKING AND SECURITIES**

The Central Bank of Armenia is charged with regulating the money supply, circulating currency, and regulating the commercial banks of the country. Commercial banks in Armenia include the Ardshinbank, Armagrobank, Armeconombank, Armimplexbank, Arminvestbank, Bank Armcommunication, Bank "Capital," Bank "Haykap," Central Bank of Armenia, Commercial Bank "Ardana," Commercial Bank Anelik, "Gladzor" Joint Stock Commercial Bank, Masis Commercial Bank, and the State Specialized Savings Bank of the Republic of Armenia. Leading foreign banks include: Mellat Bank (Iran) and Midland Armenia (UK).

The IMF has been concerned about the direction of policy taken by the National Bank of Armenia and the slow pace of financial reform. Armenia's financial sector is overbanked and beset with nonperforming credits, mainly to large state enterprises. Armenia has been a model reforming country among the former Soviet republics, and multilateral creditors are worried that public pressure may now force the government to loosen monetary and fiscal policies.

It was revealed in January 1997 that the central bank's credits to finance the government's budget gap has surpassed their \$100 million limit in the first 10 months of 1996. The bank has been forced to intervene in the domestic markets, selling foreign exchange reserves to maintain the stability of the dram. The dram has lost some 14% in value since September 1996, when it stood at Դ412:\$1. By the end of June 1997 the rate had gone down to almost Դ500:\$1. The International Monetary Fund reports that in 2001,

currency and demand deposits—an aggregate commonly known as M1—were equal to \$141.6 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$310.3 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 19.4%.

There are three stock exchanges in Armenia the largest of which is the Yerevan Stock Exchange which listed 91 companies in 1999 and had total capitalization of \$17 million. The next largest is the "Adamand" Yerevan Commodity and Stock Exchange which listed 45 companies.

**3<sup>4</sup> INSURANCE**

Insurance is largely controlled by government organizations inherited from the Soviet system, although private insurance companies are not unknown.

**3<sup>5</sup> PUBLIC FINANCE**

In 1994, the government began a three-year effort to privatize the national industries. Loans from the IMF, World Bank, EBRD, and other financial institutions and foreign countries aimed at eliminating the government's budget deficit. However, by 1996, external public debt exceeded \$353 million with annual debt service payments exceeding \$55 million. Loans to Armenia since 1993 total over \$800 million.

The US Central Intelligence Agency (CIA) estimated that in 2005 Armenia's central government took in revenues of approximately \$786.1 million and had expenditures of \$930.7 million. Revenues minus expenditures totaled approximately -\$144.6 million. Total external debt was \$1.868 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were Դ338,463 million. The value of revenues was us\$590 million, based on an exchange rate for 2002 of us\$1 = Դ573.35 as reported by the IMF.

**Public Finance – Armenia (2002)**

(In millions of drams, central government figures)

<b>Revenue and Grants</b>	<b>338,463</b>	<b>100.0%</b>
Tax revenue	227,447	67.2%
Social contributions	44,711	13.2%
Grants	50,480	14.9%
Other revenue	15,826	4.7%
<b>Expenditures</b>	...	...
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 36 TAXATION

Armenia's complex tax system was revised in 1997 and again in 2001. The top corporate profit tax rate was lowered from 30% to 20%. As of 1 July 2001 a single rate was applied to all taxable profits, defined as the difference between revenues and the sum of wages, amortization payments, raw and intermediate purchases, social security contributions, insurance fees, and interest expenses. Newly formed enterprises are exempt from taxes for the first two years, but there is no provision for carrying forward losses.

Individual income taxes are withheld by enterprises and are paid to the Ministry of Finance monthly. The personal income tax has been reduced from three bands to two: 10% for monthly taxable income up to Ծ80,000 (\$144) and 20% plus a payment of Ծ8,000 (\$14.40) for taxable income between Ծ120,000 and Ծ320,000 (\$1,892) for monthly taxable income above Ծ80,000. Armenians also pay taxes to social security and pension funds. In 1992, Armenia introduced a value-added tax, which stood at 20% in 2003. Excise taxes are applied to diesel fuel, oil, spirits, wine and beer at various rates. There are also land taxes and property taxes. Achieving a higher level of tax collection has been an important part of Armenia's economic reform programs. The fiscal deficit was projected at 2.4% of GDP for 2003.

### 37 CUSTOMS AND DUTIES

All exports are duty-free. Minor customs duties (up to 10%) are imposed on certain imports. Imports of machinery and equipment for use in manufacturing by enterprises with foreign investment are exempt from all customs duties.

### 38 FOREIGN INVESTMENT

Armenia's investment climate is regulated by the bilateral investment treaty (BIT) signed with the United States on 23 September 1992 and by the law on foreign investment adopted by Armenia on 31 July 1994. Armenia has also concluded BITs on investment and investment protection with 15 other countries: Georgia, Turkmenistan, Kyrgyzstan, Ukraine, Iran, Egypt, Romania, Cyprus, Greece, France, Germany, Canada, Argentina, China, and Vietnam. Its investment policy is geared to attract foreign investment, with foreign investors accorded national treatment and any sector open to investment. As of 2003, under the law of profit tax, two-year tax holidays are accorded foreign investors whose equity investment in a resident company is at least 500 million drams, or a little less than one million dollars. There are no limits on the repatriation of profits, or on the import and export of hard currency, so long as the currency is imported or earned in Armenia. Otherwise there is a \$10,000 limit on the export of cash.

In late 1997, the government initiated the privatization of 11 of the larger state owned enterprises (SOEs), including the energy sector. It was not until 2002, however, that a suitable and willing foreign investor, Daewoo Engineering, was found to manage privatized electricity distribution. Operations at the Zvartnots International Airport have also been successfully leased. The 2001 debt-for-equity swap with Russia, whereby five unproductive SOEs (Hrazdan Thermal Power Plant, the "Mars" Electronics Factory established in 1986 to build robots, and three research labs) were exchanged for the cancellation of Armenia's debt with Russia (about \$100 million of nonconcessional lending that was costing

almost \$20 million/year to service) promised to increase Russian private investment in Armenia as the Russian government passed the assets on to private investors.

From 1998–2000 annual inflow of foreign direct investment (FDI) ranged from \$120 million to \$230 million, though it fell to \$75.9 million in 2001 in the wake of the global contraction of foreign investment following the 11 September 2001 terrorist attacks on the US World Trade Center. In 2002, FDI increased 12% to about \$85 million. A large share of FDI comes from the Armenian diaspora in the United States, Russia, Iran, France, Greece, the United Kingdom, Germany, and Syria. Since 1998, the Lincy Foundation of Armenian American Kirk Kirkorian has made available about \$165 million to support small and medium enterprise (SME) development (offering concessional loans for businesses that are at least 51% Armenian owned), assistance for tourism development (\$20 million in 2000), and infrastructure repair (\$60 million in 2002 and \$80 million in 2003). Armenia's accession to the World Trade Organization in 2000 has helped improve the investment climate as a consequence of meeting the WTO's strictures for membership.

The flow of foreign capital into Armenia continued to grow steadily, reaching \$155 million in 2003, and \$300 million in 2004. The main FDI sources have been Russia, the United States, Greece, France, and Germany. Unfortunately, only a small part of the capital inflows were geared towards green field investments. At the end of 2003, the accumulated stock of FDI amounted to 32% of the GDP.

### 39 ECONOMIC DEVELOPMENT

Development planning in Armenia has been aimed at counteracting the effects of three devastating blows to its economy: the earthquake of 1988; open warfare and economic blockade over Nagorno-Karabakh; and the combination of hyperinflation and industrial collapse following its separation from the Soviet Union. The government has been aggressive in launching economic reform, beginning with its privatization of agricultural land in 1991, which boosted crop output 30% and resulted in a 15% increase in agricultural production. In December 1994, Armenia embarked on a series of ambitious programs of economic reform guided by the International Monetary Fund (IMF) that have resulted in nine years of positive growth rates. On its present course, Armenia will achieve its pre-independence level of per capita income by 2005. By 1997, privatization of most small industry, as well as an estimated 70% of larger enterprises, was complete. Progress has been slower with larger state-owned enterprises (SOEs), not least because the government has had difficulty finding bidders at its cash sales auctions. In 1997, the ministries controlling the SOEs were merged, and their functions changed from direct control to general supervision and special support. The Ministry of Industry and the Ministry of Trade, and certain parts of the Ministry of Economy and the Ministry of Privatization and Foreign Investment were also merged in order to streamline the bureaucracy.

In late 1997, 11 large enterprises were offered for sale and in 1998 the parliament passed a law allowing for the sale of the state electricity transmission and distribution networks. Viable bidders were not immediately forthcoming and on 5 December 2000, as a means of supporting the privatization program, the European Bank of Reconstruction and Development (EBRD) agreed to take

20% shares in each of Armenia's four electricity distribution companies, with provision for the Armenian government's right to buy back the shares if the agreements were abrogated. The privatization process of the distribution networks stalled in 2001 and 2002 as twice the government failed to attract any final bids. To make the offer more attractive, the government merged the four distribution companies into one closed-end joint stock company, Electricity Networks of Armenia, and on 31 October 2002, 100% of the shares were acquired by the English company, Midland Resources Holding, Ltd. Midland in turn contracted with Daewoo International of South Korea to manage the newly privatized company. By 2002, only a small fraction of a total 100 larger SOEs had been privatized, according to the US Agency for International Development (USAID).

The republic has substantial deposits of gold, copper, zinc, bauxite, and other minerals, which could be developed with Western capital. The government is currently exploring alternative trade routes, and seeking export orders from the West to aid production and earn foreign exchange. Much of Armenia's industry remains idle or operating at low capacity utilization in large part because of the country's political isolation from oil and gas supplies.

Armenia's determination to create a market-oriented economy and democratic society has engaged (in addition to the IMF) the World Bank and EBRD as well as other financial institutions and foreign countries. Nevertheless, Armenia continues to remain economically isolated in comparison with its Caucasian neighbors.

The Armenian economy is expected to grow strongly in the coming years, based on increased domestic consumption, which in turn is fueled by higher wages and remittances from abroad. In addition, further investments are expected to come in the country as a result of economic restructuring and trade-oriented policies. Armenia boasts a highly educated work force, a diverse and dynamic industrial base, and a strategic geographic location. However, as long as the Nagorno-Karabakh conflict will not be resolved, the economy will find it hard to reach its fullest potential.

#### 40 SOCIAL DEVELOPMENT

Pension and disability benefit systems were first introduced in 1956 and 1964. More recent legislation was passed in 2002 and implemented in 2003. Retirement is set at age 63 for men and age 59.5 for women, although earlier retirement is allowed for those engaged in hazardous work. The cost is covered by employee, employer, and government contributions. Work injury legislation provides 100% of average monthly earnings for temporary disability and a proportion of wages up to a maximum of 100% for permanent disability, depending on the extent of incapacity. Unemployment, sickness, and maternity benefits and family allowances are also provided under Armenian law.

Women in Armenia largely occupy traditional roles despite an employment law that formally prohibits discrimination based on sex. Women do not receive the same professional opportunities as men and often work in low-level jobs. In 2004 women earned approximately 40% less than men. Societal attitudes do not view sexual harassment in the workplace worthy of legal action. Violence against women and domestic violence is widespread and underreported. According to a recent survey, 45% of women were subject to psychological abuse, and 25% of women were physically

abused. Most women do not report domestic abuse due to fear of reprisal and embarrassment.

The constitution protects the freedom of assembly and the freedom of religion. The government allows minorities, such as the Russians, Jews, Kurds, Yezids, Georgians, Greeks, and Assyrians, the right to preserve their cultural practices, the law allows them to study in their native language. Discrimination is prohibited on the basis of race, sex, religion, language disability, or social status. Human rights abuses appear to be widespread. Prison conditions fail to meet international standards and accusations of police brutality are not uncommon.

#### 41 HEALTH

The infant mortality rate was 23.28 per 1,000 live births in 2005, an increase over the previous five years. The estimated maternal mortality rate was 35 per 100,000 live births as of 1999. Life expectancy in 2005 averaged 71.55 years. There were 7,000 war-related deaths from 1989 to 1992; the death rate was estimated at 10 per 1,000 people in 2002. The incidence of tuberculosis was 58 per 100,000 people. Immunization rates declined as of 1994 due to war and earthquakes but have begun to recover. In 1999, the immunization rates were as follows for a child under the age of one: tuberculosis, 72%; polio, 95%; and measles, 92%. In the same year, the estimated immunization rate for DPT was 91%. In 2000 the total fertility rate was 1.3 births per woman and the maternal mortality rate was an estimated 35 per 100,000 live births.

As of 2004, there were an estimated 352 physicians and 473 nurses per 100,000 people and the country spent an estimated 7.8% of its GDP on health care. In this former republic of the Soviet Union, health care has undergone rapid changes in the last few years. The break from the Soviet Union has meant a disruption of the system that once provided member states with equipment, supplies, and drugs. Out-of-pocket payments by individual are now required for most health care services. However, the health care delivery itself is still largely organized as it was during the Soviet era, with regional clinics and walk-in centers delivering most primary health care services.

The incidence of heart disease is high compared to other moderately developed countries. There is nearly a 50% chance of dying of heart disease after age 65 for both women and men. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 2,600 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

#### 42 HOUSING

Housing throughout Armenia has been somewhat scarce for the past two decades due to a number of factors, including a history of state control, a devastating earthquake in 1988, and civil conflicts. Since the 1993 passage of a law on privatization for previously state and public-owned housing, about 96% of apartments were privatized and transferred to ownership by the existing tenants.

A large number of buildings are neglected and in serious disrepair and utilities are limited and expensive. The total number of housing units in 2001 was at about 750,719. Nearly 59% were multi-unit dwellings, most of which are in urban areas. About 25% of all multi-unit homes were built before 1960; another 52% were built between 1960 and 1980. Only about 85% of the popu-



lation have access to improved water supplies. Only 9% have central heating. About 50% of the population rely on wood burning stoves as a primary heating source.

Overcrowding and homelessness is a great concern, particularly among the population of refugees and displaced persons. In 2001, about 11% of all households lived in one-room homes. In 2001, it was estimated that about 40,000 families (5% of all households) had no permanent shelter. Nearly 40% of these people lived in temporary shelters called *domics* within the earthquake zone. Another 40,000 families were on waiting lists for new permanent housing because of overcrowding. About 1,200 new housing units were completed in 2001. The same year, there were about 29,000 unfinished housing units (4,487 buildings). Most of these were started in the late 1980s and early 1990s within the earthquake zone, and were simply left incomplete because of lack of funds and materials.

### 43 EDUCATION

Education is compulsory between the ages of 7 and 14 years and is free at both the primary and secondary levels. The system is broken into three levels. Primary school lasts for three years, followed by intermediate school, which lasts for five years. This is followed by two years of general secondary education. Primary school enrollment in 2003 was estimated at about 94%; 95% for boys and 93% for girls. The same year, secondary school enrollment was about 83%; 82% for boys and 85% for girls. The pupil to teacher ratio for primary school was at about 17:1 in 2003; the ratio for secondary school was about 10:1.

Since the early 1990s, increasing emphasis has been placed on Armenian history and culture. The school year runs from September to July. Instruction is available in Armenian and Russian. The education system is coordinated through the Ministry of Education and Science and the Council of Rectors of Higher Educational Establishments. About 3.2% of the GDP was given to education in 2003.

The adult literacy rate for 2004 was estimated at about 99%, with a fairly even rate between men and women. There are two universities in Yerevan: the Yerevan State University (founded in 1919) and the State Engineering University of Armenia. Seven other educational institutions are located in the capital. There are several other institutes of higher education throughout the country. About 25% of all age-eligible students were enrolled in tertiary education programs in 2003.

### 44 LIBRARIES AND MUSEUMS

There are two branches of the National Library, with the main branch in Yerevan comprising 6.2 million volumes as of 2002. The main library of the Armenian Academy of Sciences in Yerevan has 4.4 million volumes. The Armenian Academy of Sciences and the universities each have research libraries. The Armenian Library Association was established in 1995.

Yerevan's museums include the National Gallery of Arts; the Yerevan Children's Picture Gallery, a unique collection of children's art from Armenia and around the world; the Museum of Modern Art; the House Museum of Ovanes Tumanjan, Armenia's most renowned poet; and the Museum of Ancient Manuscripts. There are also museums devoted to the composer Aram Khachaturian (including his piano) and the filmmaker Sergei Paradjanov, Ar-

menia's most famous sons. The Genocide Memorial and Museum at Tsitsernakaberd is in Yerevan. The Matenadaran Manuscript Museum, also in Yerevan, was established to preserve the ancient written culture of the region.

### 45 MEDIA

In 2003, there were an estimated 148 mainline telephones for every 1,000 people; about 60,800 people were on a waiting list for telephone service installation. The same year, there were approximately 30 mobile phones in use for every 1,000 people. Communications are the responsibility of the Ministry of Posts and Telecommunications and are operated by Armental, a 90% Greek-owned company. Yerevan is linked to the Trans-Asia-Europe fiber-optic cable through Iran. Communications links to other former Soviet republics are by land line or microwave, and to other countries by satellite and through Moscow.

A majority of citizens rely on radio and television as a primary source of news and information. Armenian and Russian radio and television stations broadcast throughout the country. In 2004, there were over 20 radio stations and over 40 television broadcasters, most of which were privately owned and operated. In 2003, there were an estimated 264 radios and 229 television sets for every 1,000 people. Though cable television service is available, only about 1.2 of every 1,000 people are subscribers. In 2003, there were 15.8 personal computers for every 1,000 people and 37 of every 1,000 people had access to the Internet. There were four secure Internet servers available in 2004.

The three largest newspapers as of 2002 were *Golos Armenii* (*The Voice of Armenia*, circulation 20,000), *Hayastani Hanrapetutyun* (a joint publication of the parliament and the newspaper's staff), and *Respublika Armenia*, (the Russian-language version of *Hayastani Hanrapetutyun*). According to the Yerevan Press Club, the total newspaper circulation in the country in 2004 was 60,000, an increase of 20,000 from 2003. There were about 27 newspapers available in the capital.

Armenia's constitution provides for freedom of expression, and is said to generally uphold freedom of speech and press. However, journalists seem to adhere to an unspoken rule of self-censorship, particularly when reporting on political issues, since they traditionally depend on the government for funding and access to facilities. The government has, it is noted, begun to shed itself of the state publishing apparatus, and it has dissolved the Ministry of Information.

### 46 ORGANIZATIONS

Important political movements in Armenia include the Armenian National Movement and the National Self-Determination Association. Armenian trade unions belong to the umbrella organization Council of Armenia Trade Unions. The Chamber of Commerce and Industry of the Republic of Armenia promotes the economic and business activities of the country in world markets.

The National Academy of Sciences of Armenia encourages the public interest in science and seeks to ensure availability and effectiveness of science education programs. The Armenian Physical Society serves a similar role. The group also works with various research programs. The Independent Media Center promotes the freedom and accuracy of press and other media. The Armenian Medical Association promotes research and education in the

field; there are also several professional associations for specialized fields of medicine.

There are a number of national sporting organizations, including the Athletic Federation of the Republic of Armenia, the Armenian National Paralympic Committee, and other groups sponsoring football (soccer), baseball, skiing, and the Special Olympics. The National Youth Council of the Republic of Armenia coordinates youth organizations through the support of the Ministry of Culture, Sports, and Youth. An affiliate of the United Nations of Youth (UNOY), a foundation based in the Netherlands, was established in Armenia in 1994. Other youth groups include the Aragast Youth Club and the Armenian Euro Club Unipax. There are active chapters of the Girl Guides and Girls Scouts; the World Organization of Scouting is represented by the Armenian National Scout Movement. The Armenian Junior Chamber is a national leadership development organization. The YMCA is also present.

Organizations representing the rights and role of women in society include the League of Armenian Women, the Union of the Protection of Women's, Children and Family Rights, and the Women's Alliance. There is a national chapter of the Red Cross Society, World Vision, and Habitat for Humanity. The Armenian Relief Society supports local community health development programming.

#### 47 TOURISM, TRAVEL, AND RECREATION

Although there is a shortage of resources, Armenia has been investing in new hotels to increase tourism. Outdoor activities and scenery seem to be the primary attractions. Lake Sevan, the world's largest mountain lake, is a popular summer tourist spot. The Tsakhador ski resort is open year round for skiing in the winter and hiking and picnicking the rest of the year. Mt. Ararat, the traditional site of the landing of Noah's Ark, is located along the border with Turkey. Yerevan, Armenia's capital, also boasts theaters; the casinos in Argavand are popular with tourists and Albanian citizens.

In 2003, there were about 206,000 visitor arrivals, as compared to 45,000 in 2000. Tourist receipts totaled \$90 million in 2003.

In 2002, the US Department of State estimated the daily cost of staying in Yerevan at \$184.

#### 48 FAMOUS ARMENIANS

Levon Ter-Petrosyan was president of Armenia from 1991 until 1998. Gagik G. Haroutunian has been prime minister, vice presi-

dent, and chairman of the Council of Ministers since November 1991. Gregory Nare Katzi, who lived in the 10th century, was Armenia's first great poet. Nineteenth-century novelists include Hakob Maliq-Hakobian (1835?-1888) whose pen name is "Raffi" and the playwright Gabriel Sundukian (1825-1912). G. I. Gurdjieff (1872?-1949) was a Greek-Armenian mystic and teacher. Soviet aircraft designer Artem Mikuyan (1905-70) served as head of the MiG design bureau. Arshile Gorky (1904-48) was an Armenian-American abstract expressionist painter.

#### 49 DEPENDENCIES

Armenia has no territories or colonies.

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# AUSTRIA

Republic of Austria

Republik Österreich



**CAPITAL:** Vienna (Wien)

**FLAG:** The flag consists of a white horizontal stripe between two red stripes.

**ANTHEM:** *Land der Berge, Land am Ströme (Land of Mountains, Land on the River).*

**MONETARY UNIT:** The euro replaced the schilling as the national currency in 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in use.

**HOLIDAYS:** New Year's Day, 1 January; Epiphany, 6 January; May Day, 1 May; Assumption, 15 August; National Day, 26 October; All Saints' Day, 1 November; Immaculate Conception, 8 December; Christmas, 25 December; St. Stephen's Day, 26 December. Movable religious holidays include Easter Monday, Ascension, Whitmonday, and Corpus Christi. In addition, there are provincial holidays.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Austria, with an area of 83,858 sq km (32,378 sq mi), is a landlocked country in Central Europe, extending 573 km (356 mi) E–W and 294 km (183 mi) N–S. Comparatively, Austria is slightly smaller than the state of Maine. Bounded on the N by Germany and the Czech Republic, on the E by Hungary, on the S by Slovenia and Italy, and on the W by Liechtenstein and Switzerland, Austria has a total boundary length of 2,562 km (1,588 mi).

While not making any territorial claims, Austria oversees the treatment of German speakers in the South Tyrol (now part of the autonomous province of Trentino-Alto Adige), which was ceded to Italy under the Treaty of St.-Germain-en-Laye in 1919.

Austria's capital city, Vienna, is located in the northeastern part of the country.

## <sup>2</sup> TOPOGRAPHY

Most of western and central Austria is mountainous, and much of the flatter area to the east is hilly, but a series of passes and valleys permits travel within the country and has made Austria an important bridge between various sections of Europe. The principal topographic regions are the Alps, constituting 62.8% of Austria's land area; the Alpine and Carpathian foothills (11.3%); the Pannonian lowlands of the east (11.3%); the granite and gneiss highlands of the Bohemian Massif (10.1%); and the Vienna Basin (4.4%).

The highest point of the Austrian Alps is the Grossglockner, 3,797 m (12,457 ft). The Danube (Donau) River, fully navigable along its 350-km (217-mi) course through northeastern Austria, is the chief waterway, and several important streams—the Inn, Enns, Drava (Drau), and Mur—are tributaries to it. Included within Austria are many Alpine lakes, most of the Neusiedler See (the lowest point in Austria, 115 m/377 ft above sea level), and part of Lake Constance (Bodensee).

## <sup>3</sup> CLIMATE

Climatic conditions depend on location and altitude. Temperatures range from an average of about -7 to -1°C (20 to 30°F) in winter to about 18 to 24°C (65 to 75°F) in July. Rainfall ranges from more than 102 cm (50 in) annually in the western mountains to less than 66 cm (26 in) in the driest region, near Vienna.

## <sup>4</sup> FLORA AND FAUNA

Plants and animals are those typical of Central Europe. Austria is one of Europe's most heavily wooded countries, with 47% of its area under forests. Deciduous trees (particularly beech, birch, and oak) and conifers (fir) cover the mountains up to about 1,200 m (4,000 ft); above that point fir predominates and then gives way to larch and stone pine. There is a large variety of wildlife. Although chamois are now rare, deer, hare, fox, badger, marten, Alpine chough, grouse, marmot, partridge, and pheasant are still plentiful. The birds of the reed beds around the Neusiedler See include purple heron, spoonbill, and avocet. The ibex, once threatened, has begun breeding again. Hunting is strictly regulated.

## <sup>5</sup> ENVIRONMENT

The Ministry of Health and Environmental Protection, established in 1972, is responsible for the coordination at the national level of all environmental protection efforts, addressing its efforts toward problems including waste disposal, pollution, noise, sulfur dioxide, and carbon monoxide levels, as well as emissions by the iron, steel, and ceramics industries. A toxic waste law enacted in 1984 established strict regulations for the collection, transport, and disposal of dangerous substances. The Austrian government has imposed strict regulations on gas emissions, which helped to reduce sulphur dioxide by two-thirds over an eight-year period beginning in 1980. In 1992 Austria was among the 50 countries

with the highest level of industrial carbon dioxide emissions, producing 56.6 million metric tons of emissions, or 7.29 m tons per capita. In 1996, the level rose to 59.3 million metric tons. In 2000, the total was 60.8 million metric tons.

Austrians continue to fight the problem of acid rain which has damaged 25% of the country's forests. In general, environmental legislation is based on the "polluter pays" principle. The water resources fund of the Ministry for Buildings and Technology distributed more than \$20 billion for canalization and waste-water purification plants between 1959 and the early 1980s; the Danube and the Mur have been the special focus of efforts to improve water quality.

Endangered species include Freya's damselfly and the dusky large blue butterfly. As of 2002, there were at least 83 species of mammals, 230 breeding and wintering bird species, and over 3,000 species of plants. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 5 types of mammals, 8 species of birds, 7 species of fish, 22 types of mollusks, 22 other invertebrates, and 3 species of plants. Endangered species include Freya's damselfly, slender-billed curlew, bald ibis, Danube salmon, and the European mink. About 33% of the total land area is protected, including 19 Ramsar wetland sites.

## 6 POPULATION

The population of Austria in 2005 was estimated by the United Nations (UN) at 8,151,000, which placed it at number 92 in population among the 193 nations of the world. In 2005, approximately 15% of the population was over 65 years of age, with another 16% of the population under 15 years of age. There were 96 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.1%, a rate the government viewed as too low. The projected population for the year 2025 was 8,396,000. The population density was 97 per sq km (252 per sq mi).

The UN estimated that 54% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of just 0.08%. The capital city, Vienna (Wien), had a population of 2,179,000 in that year. Other large cities and their estimated populations include Graz, 237,810; Linz, 188,968; Salzburg, 145,000; and Innsbruck, 140,000.

## 7 MIGRATION

Every Austrian has the constitutional right to migrate. For several years after the end of World War II (1945), fairly large numbers of Austrians emigrated, mostly to Australia, Canada, and the United States, but as the economy recovered from war damage, emigration became insignificant. Austria retains the principle of the right of asylum, and the benefits of Austrian social legislation are granted to refugees and displaced persons. Between 1945 and 1983, 1,942,782 refugees from more than 30 countries came to Austria, of whom about 590,000 became Austrian citizens (including some 302,000 German-speaking expatriates from Czechoslovakia, Romania, and Yugoslavia). Following the political upheavals in Hungary in 1956, Czechoslovakia in 1968, and Poland in 1981, Austria received large numbers of refugees from these countries: 180,432 Hungarians, about 100,000 Czechs and Slovaks, and 33,142 Poles. Between 1968 and 1986, 261,857 Jewish emigrants from the Soviet

Union passed through Austria, about one-third of them going to Israel and the rest to other countries, primarily the United States. Of Austrians living abroad, some 186,900 were residents of Germany in 1991. Estimated as of 2005, Austria had a net migration rate of 1.97 migrants per 1,000 population.

In 2003 of Austria's roughly eight million inhabitants, 9.4% were foreign residents, with about two-thirds of them coming from the successor states of the former Yugoslavia, Germany, and Turkey. Between 1985 and 2001, over 254,000 foreigners were naturalized. Austria's proportion of foreign-born residents in 2001 was even higher than that of the United States, reaching a level of 12.5%.

By the end of 2004 there were 38,262 asylum seekers and 18,319 refugees in Austria. The majority of those seeking asylum were from the Russian Federation, Serbia and Montenegro, Moldova, India, Turkey, China, and Pakistan. Approximately 16% of the asylum seekers were from the Russian Federation alone. Citizenship legislation has been changed to allow foreign spouses to become citizens only after five years of marriage to the same Austrian spouse.

In 2003, the foreign labor force was 11.8% of the total labor force. Turkish workers traditionally have had the highest unemployment rate of all foreign worker groups.

## 8 ETHNIC GROUPS

Austrians are a people of mixed Dinaric, Nordic, Alpine, and East Baltic origin. In a 2001 census, about 91.1% of respondents were Austrian. Minority groups include Croatians, Slovenes, Slovaks, Romas, Czechs, Serbs, Bosniaks, and Hungarians. These make up about 4% of the population. Turks make up about 1.6% of the population and Germans constitute less than 1%.

## 9 LANGUAGES

The official national language is German and nearly 99% of the inhabitants speak it as their mother tongue. People in Vorarlberg Province speak German with an Alemannic accent, similar to that in Switzerland. Slovene is the official language in Carinthia and both Croatian and Hungarian are official languages in Burgenland. In other provinces, Austrians speak various Bavarian dialects. There are also small groups of Czech, Slovak, and Polish speakers in Vienna.

## 10 RELIGIONS

As of 2001, about 74% of the people were Roman Catholic, but reports indicate that only about 17% of all Roman Catholics were active participants in formal religious service. About 4.7% of the population belonged to the Lutheran and Presbyterian churches (Evangelical Church, Augsburg and Helvetic Confessions). Muslims accounted for about 4.2% of the population. The Jewish community stood at about 0.1% of the population; and Eastern Orthodox (Russian, Greek, Serbian, Romanian, Bulgarian) at 2.2%. Other Christian churches had accounted for about 0.9% of the population. These include the Armenian Apostolic Church, the New Apostolic Church, the Syrian Orthodox Church, the Church of Jesus Christ of Latter-day Saints, and the Methodist Church of Austria, among others. The Church of Scientology reportedly had somewhere between 5,000 and 6,000 members and the Unification Church had about 700 members. Other small groups within the country, which are termed as "sects" by the government,



LOCATION: 46°22' to 49°1' N; 9°22' to 17°10' E BOUNDARY LENGTHS: Germany, 784 kilometers (487 miles); Czech Republic, 362 kilometers (225 miles); Slovakia, 91 kilometers (57 miles); Hungary, 366 kilometers (227 miles); Slovenia, 330 kilometers (205 miles); Italy, 430 kilometers (267 miles); Liechtenstein, 37 kilometers (23 miles); Switzerland, 164 kilometers (102 miles).

include: Hare Krishna, the Divine Light Mission, Eckankar, the Osho movement, Sai Baba, Sahaja Yoga, Fiat Lux and the Center for Experimental Society Formation. About 12% of respondents claimed to be atheists and 2% indicated no religious affiliation at all.

The constitution provides for freedom of religion and this right is generally respected in practice. The government is secular, but many Roman Catholic holidays are celebrated as public holidays. Religious organizations are divided into three legal categories under the 1874 Law on Recognition of Churches and the 1998 Law on the Status of Religious Confessional Communities, and each division offers a different level of rights. Those divisions are: officially recognized religious societies, religious confessional communities, and associations. There were 13 officially recognized religious societies in 1998. The Ecumenical Council of Austrian Churches provides an interfaith forum for discussions on a variety of issues. Pro Oriente, an international organization of Catholic and Orthodox churches, also holds an active chapter in the country.

## 11 TRANSPORTATION

Austria has a dense transportation network. The Federal Railway Administration controls some 90% of Austria's 6,021 km (3,745

mi) of railways in 2004, which is made up of standard and narrow gauge track. Of the 5,565 km (3,461 mi) of standard-gauge track, 3,859 km (2,400 mi) are electrified, while 146 km (91 mi) of the 456 km (284 mi) of narrow-gauge track are electrified.

In 2003, paved highways totaled 133,718 km (83,172 mi) and included 1,677 km (1,043 mi) of expressways. In 2003, there were 4,054,308 passenger cars, and 335,318 commercial vehicles in use.

Austria has 358 km (223 mi) of inland waterways, over 80% of which are navigable by engine-powered vessels. Most of Austria's overseas trade passes through the Italian port of Trieste; the rest is shipped from German ports. In 2005, the oceangoing merchant fleet of Austria consisted of 8 ships of 1,000 GRT or over, with a capacity of 29,624 GRT.

In 2004, there were an estimated 55 airports in Austria. As of 2005, a total of 24 had paved runways, and there was also one heliport. Of the six major airports in Austria—Schwechat (near Vienna), Graz, Innsbruck, Klagenfurt, Linz, and Salzburg—Schwechat is by far the most important. In 2003, Austrian air carriers provided flights for 6.903 million passengers and carried 431,000 freight ton km.

## 12 HISTORY

Human settlements have existed in what is now Austria since prehistoric times. In 14 BC, the region, already overrun by various tribes, including the Celts, was conquered by the Romans, who divided it among the provinces of Noricum, Pannonia, and Illyria. The Romans founded several towns that survive today: Vindobona (Vienna), Juvavum (Salzburg), Valvidena (Innsbruck), and Brigantium (Bregenz). After the fall of the Roman Empire, Austria became (about AD 800) a border province of Charlemagne's empire until the 10th century, when it was joined to the Holy Roman Empire as *Österreich* ("Kingdom of the East").

From the late 13th to the early 20th century, the history of Austria is tied to that of the Habsburg family. In 1282, Rudolf von Habsburg (Rudolf I, newly elected German emperor) gave Austria (Upper and Lower Austria, Carinthia, Styria, and Carniola) to his sons, Albrecht and Rudolf, thus inaugurating the male Habsburg succession that would continue unbroken until 1740. The highest point of Habsburg rule came in the 1500s when Emperor Maximilian I (r.1493–1519) arranged a marriage between his son and the daughter of King Ferdinand and Queen Isabella of Spain. Maximilian's grandson became King Charles I of Spain in 1516 and, three years later, was elected Holy Roman emperor, as Charles V. Until Charles gave up his throne in 1556, he ruled over Austria, Spain, the Netherlands, and much of Italy, as well as over large possessions in the Americas. Charles gave Austria to his brother Ferdinand, who had already been elected king of Hungary and Bohemia in 1526; the Habsburgs maintained their reign over Austria, Bohemia, and Hungary until 1918.

When the last Habsburg king of Spain died in 1700, France as well as Austria laid claim to the throne. The dispute between the continental powers erupted into the War of the Spanish Succession (1701–14) and drew in other European countries in alliance with the respective claimants. At the end of the war, Austria was given control of the Spanish Netherlands (Belgium), Naples, Milan, and Sardinia. (It later lost Naples, together with Sicily, in the War of the Polish Succession, 1733–35.) In 1740, after the death of Charles VI, several German princes refused to acknowledge his daughter and only child, Maria Theresa, as the legitimate ruler of Austria, thus provoking the War of the Austrian Succession (1740–48). Maria Theresa lost Silesia to Prussia but held on to her throne, from which she proceeded to institute a series of major internal reforms as ruler of Austria, Hungary, and Bohemia. After 1765, she ruled jointly with her son, Holy Roman Emperor Joseph II (r.1765–90). Following his mother's death in 1780, Joseph, an enlightened despot, sought to abolish serfdom and introduce religious freedom, but he succeeded only in creating considerable unrest. Despite the political turmoil, Austria's cultural life flourished during this period, which spanned the careers of the composers Haydn and Mozart.

During the French Revolutionary and Napoleonic wars, Austria suffered a further diminution of territory. In 1797, it gave up Belgium and Milan to France, receiving Venice, however, in recompense. In 1805, Austria lost Venice, as well as the Tyrol and part of Dalmatia, to Napoleon. Some restitution was made by the Congress of Vienna (1814–15), convened after Napoleon's defeat; it awarded Lombardy, Venetia, and Istria and restored all of Dalmatia to Austria, but it denied the Habsburgs the return of former possessions in Baden and the Netherlands.

From 1815 to 1848, Austria, under the ministry of Prince Klemens von Metternich, dominated European politics as the leading power of both the German Confederation and the Holy Alliance (Austria, Russia, and Prussia). Unchallenged abroad, the reactionary Metternich achieved peace at home through ruthless suppression of all liberal or nationalist movements among the people in the Habsburg Empire. In 1848, however, revolutions broke out in Hungary and Bohemia and in Vienna itself; Metternich resigned and fled to London. Although the revolutions were crushed, Emperor Ferdinand I abdicated in December. He was succeeded by his 18-year-old nephew, Franz Josef I, who was destined to occupy the Austrian throne for 68 years, until his death in 1916. During his reign, Austria attempted to set up a strong central government that would unify all the Habsburg possessions under its leadership. But nationalist tensions persisted, exacerbated by outside interference. In 1859, in a war over Habsburg-controlled Lombardy, French and Sardinian troops defeated the Austrians, ending Austrian preeminence in Italian politics; and in 1866, Prussia forced Austria out of the political affairs of Germany after the Seven Weeks' War. In 1867, Hungarian nationalists, taking advantage of Austria's weakened state, compelled Franz Josef to sign an agreement giving Hungary equal rights with Austria. In the ensuing Dual Monarchy, the Austrian Empire and the Kingdom of Hungary were united under one ruler. Each country had its own national government, but both shared responsibility for foreign affairs, defense, and finance. Self-government for the empire's Magyar (Hungarian) population was balanced by continued suppression of the Slavs.

On 28 June 1914, at Sarajevo, Serbian patriots, members of the Slavic movement, assassinated Archduke Francis Ferdinand, nephew of the emperor and heir to the Austrian throne. Their act set off World War I, in which Austria-Hungary was joined by Germany (an ally since 1879), Italy (a member, with the first two, of the Triple Alliance of 1882), and Turkey. They became known as the Central Powers. In 1915, Italy defected to the side of the Allies—France, Russia, the United Kingdom, and (from 1917) the United States. After the defeat of the Central Powers and the collapse of their empires in 1918, Austria, now reduced to its German-speaking sections, was proclaimed a republic. The Treaty of St.-Germain-en-Laye (1919) fixed the borders of the new state and forbade it any kind of political or economic union with Germany without League of Nations approval.

During the next decade, Austria was plagued by inflation, food shortages, unemployment, financial scandals, and, as a consequence, growing political unrest. The country's two major political groupings, the Christian Socialist Party and the Social Democratic Party, were almost equal in strength, with their own private paramilitary movements. A small Austrian Nazi party, advocating union with Germany, constituted a third group. In March 1933, Chancellor Engelbert Dollfuss, leader of the Christian Socialists, dissolved the Austrian parliament, suspended the democratic constitution of 1920, and ruled by decree, hoping to control the unrest. In February 1934, civil strife erupted; government forces broke up the opposition Social Democratic Party, executing or imprisoning many persons. Dollfuss thereupon established an authoritarian corporate state along Fascist lines. On 25 July, the Nazis, emboldened by Adolf Hitler's rise in Germany, assassinated Dollfuss in an abortive coup. Kurt von Schuschnigg, who had served under

Dollfuss as minister of justice and education, then became chancellor. For the next four years, Schuschnigg struggled to keep Austria independent amid growing German pressure for annexation (*Anschluss*). On 11 March 1938, however, German troops entered the country, and two days later Austria was proclaimed a part of the German Reich. In 1939, Austria, now known as Ostmark, entered World War II as part of the Axis alliance.

Allied troops entered Austria in April 1945, and the country was divided into US, British, French, and Soviet zones of occupation. Declaring the 1920 constitution in force, the occupying powers permitted Austrians to set up a provisional government but limited Austrian sovereignty under an agreement of 1946. Austria made effective use of foreign economic aid during the early postwar years. The United States and the United Kingdom supplied \$379 million worth of goods between 1945 and 1948; another \$110 million was provided by private organizations; and Marshall Plan aid amounted to \$962 million. Inflation was checked by the early 1950s, and for most of the remainder of that decade the economy sustained one of the world's highest growth rates.

On 15 May 1955, after more than eight years of negotiations, representatives of Austria and the four powers signed, at Vienna, the Austrian State Treaty, reestablishing an independent and democratic Austria, and in October all occupation forces withdrew from the country. Under the treaty, Austria agreed to become permanently neutral. As a neutral nation, Austria has remained outside the political and military alliances into which postwar Europe is divided. Economically, however, it has developed close links with Western Europe, joining EFTA in 1960 and concluding free-trade agreements with the EEC (now the EU) in 1972. Because of its location, Austria served as an entrepôt between the Western trade blocs and the CMEA, with which it also had trade relations. Austria was twice the site of US-USSR summit meetings. In June 1961, President John F. Kennedy and Premier Nikita S. Khrushchev conferred in Vienna, and in June 1979, presidents Jimmy Carter and Leonid I. Brezhnev signed a strategic arms limitation agreement in the Austrian capital. Austria joined the EU in 1995 and European economic and monetary union in 1999.

On 8 July 1986, following elections in May and June, former UN Secretary-General Kurt Waldheim was sworn in as president of Austria. During the presidential campaign, Waldheim was accused of having belonged to Nazi organizations during World War II and of having taken part in war crimes while stationed in Greece and Yugoslavia with the German army from 1942 to 1945; he denied the charges. After his inauguration, diplomats of many nations made a point of avoiding public contact with the new president, and on 27 April 1987, the US Justice Department barred him from entering the United States. To the dismay of many leaders, Pope John Paul II granted Waldheim an audience at the Vatican on 25 June.

Waldheim declined to run for a second term, and in July 1992, Thomas Klestil was elected federal president and he was reelected on 19 April 1998. Relations with Israel, which had been strained under Waldheim's presidency, returned to normal.

The growing strength of Austria's Freedom Party, headed by Jörg Haider, is evidence of a turn to the right in Austrian politics. Although the party did not capture the votes it wanted to in the 17 December 1995 legislative elections, in the elections for European Parliament on 14 October 1996 the aggressively nationalist, anti-

immigrant, anti-European Freedom Party took 28% of the vote, 2% behind the Social Democrats. The People's Party and Social Democrats remained together in a coalition throughout the 1990s and prepared Austria for entry into the European economic and monetary union. Cautious reforms took place, and the administration privatized state-owned enterprises, brought down inflation to less than 1% in 1998, and reduced the budget deficit to 2%. Average growth rates between 1997 and 2000 were over 2%. Unemployment fell to 4% in 2000. However, the global economic downturn that began in 2001 caused Austria's economy to suffer; coupled with costs resulting from severe flooding in August 2002, Austria's budget deficit increased sharply. In 2004–05 the economy rebounded: GDP growth was once again at 2%, allowing Austria to retain its position among the top European economies.

The Freedom Party scored a triumph in the general election of October 1999, coming in second behind the Social Democrats with 27% of the vote. After the traditional coalition of Social Democrats and the conservative People's Party failed to reach agreement on the next government in early 2000, the leader of the People's Party, Wolfgang Schüssel, turned to Haider and the Freedom Party to form a new administration. President Klestil had no choice but to accept the new coalition agreement. Its installation on 3 February 2000 provoked widespread protests both within Austria and from other members of the European Union. The EU partners decided to boycott Austria in all official meetings, a decision that caused a severe crisis in the EU itself. Haider resigned as party chairman in April 2000 although he remained governor of Carinthia. His withdrawal from federal politics did not soften the views of the EU, which imposed diplomatic sanctions on Austria. (They were lifted in September 2000.) A power struggle within the Freedom Party between Haider and Austria's Vice-Chancellor and Freedom Party chair Susanne Riess-Passer in September 2002 resulted in Riess-Passer's resignation, along with that of two Freedom Party ministers. The People's Party/Freedom Party coalition government collapsed, and new elections were called for 24 November 2002. In those elections, Schüssel's People's Party made wide gains; the Freedom Party suffered a major defeat. It dropped to 10% of the vote, down from its 2000 showing of 27%. Despite these results, and after failed negotiations with the Social Democrats and Greens, Schüssel formed a coalition government with the Freedom Party, which was sworn in on 1 April 2003. Schüssel subsequently moved closer to the right, notably on asylum and immigration issues (in October 2003, his government introduced a package of asylum legislation which are seen as the most restrictive in Europe). In April 2005, the Freedom Party split when Haider left to form the Alliance for Austria's Future. Members of both groups remain in government.

After the new government took office in 2003, it launched a series of austerity measures designed to save the government €8 billion. Early retirement was to be cancelled, cuts were planned in public services and the health care system was to be reformed, and, most controversially, drastic cuts were proposed in the nation's pension system. As a result, approximately 500,000 Austrians took part in nationwide strikes in May 2003, the largest in 50 years.

In January 2001, the Austrian government and several Austrian companies agreed to provide \$360 million to a general settlement fund to compensate Jews who had their property and assets seized

by the Nazis during World War II. Each victim of Nazi persecution was to receive \$7,000. Austria also created a social fund to pay pensions to survivors no longer living in the country, in the amount of \$100 million.

Following the 11 September 2001 terrorist attacks on the United States, Austria passed a Security and Defense Doctrine, representing a shift in Austria's longstanding policy of neutrality. Although Austria will not participate in military alliances requiring mutual defense commitments, the country is gradually moving towards closer integration with European security structures, which would allow for participation in the EU rapid reaction force and NATO's Partnership for Peace program. Austria contributed peacekeeping forces to the former Yugoslavia, and supported NATO strikes on Serbia during the Kosovo conflict. Austria contributed 60 soldiers to the international military protection force in Afghanistan following the US-led military campaign there.

In April 2004, Heinz Fischer was elected president. In May 2005, the Austrian parliament ratified the EU constitution. However, the rejection of that constitution by the French and Dutch in referenda held later in May and June 2005 doomed the plan for further European union indefinitely. Concerns about immigration, poor economies, EU expansion, and loss of national identity are some of the reasons French and Dutch voters gave for rejecting the constitution.

### 13 GOVERNMENT

The second Austrian republic was established on 19 December 1945. According to the constitution of 1920, as amended in 1929, Austria is a federal republic with a democratically elected parliament. The president, elected by popular vote for a six-year term, appoints a federal chancellor (*Bundeskanzler*), usually the leader of the largest party in parliament, for a term not exceeding that of parliament (four years); upon the chancellor's proposal, the president nominates ministers (who should not serve in parliament at the same time) to head the administrative departments of government. The ministers make up the cabinet, which formulates and directs national policy. Cabinet ministers serve out their terms subject to the confidence of a parliamentary majority. The president is limited to two terms of office.

The parliament, known as the Federal Assembly (*Bundesversammlung*), consists of the National Council (*Nationalrat*) and Federal Council (*Bundesrat*). The Bundesrat has 62 members, elected by the country's unicameral provincial legislatures (*Landtage*) in proportion to the population of each province. The Nationalrat has 183 members (prior to 1970, 165 members), elected directly in nine election districts for four-year terms by secret ballot on the basis of proportional representation. All citizens 25 years of age or older are eligible to serve in parliament; all citizens 18 years of age or older may vote. Voting is compulsory for presidential elections. The electoral law was amended in February 1990 to extend the franchise to Austrians living permanently or temporarily abroad. All legislation originates in the Nationalrat; the Bundesrat exercises only a suspensory veto.

### 14 POLITICAL PARTIES

The restoration of the republic in 1945 revived political activity in Austria. In general elections that November, the Austrian People's Party (*Österreichische Volkspartei—ÖVP*), successor to the

prewar Christian Socialists, emerged as the strongest party, with the reborn Socialist Party of Austria (*Sozialistische Partei Österreichs—SPÖ*) trailing slightly. The ÖVP and SPÖ, controlling 161 of the 165 seats in the Nationalrat, formed a coalition government and worked closely with the Allies to construct an independent and democratic Austria. This coalition held until after the elections of 1966, when the ÖVP, with a majority of 11 seats, formed a one-party government headed by Chancellor Josef Klaus. In 1970, the SPÖ won a plurality in the Nationalrat and was able to put together a minority Socialist government under its leader, Bruno Kreisky. Kreisky remained in power until 1983—longer than any other non-Communist European head of government. The Socialist Party was renamed the Social Democratic Party in 1991, and began to advocate free-market oriented policies. It has also supported Austria's entry into the EC (now EU).

The ÖVP, also referred to as Austria's Christian Democratic Party, favors free enterprise, competition, and the reduction of class differences. Organized into three constituencies—businessmen, farmers, and employees—it advocates provincial rights and strongly supports the Catholic Church. The SPÖ, also known as the Social Democratic Party, advocates moderate reforms through democratic processes. It favored continued nationalization of key industries, economic planning, and widespread social welfare benefits. It is closely allied with the Austrian Trade Union Federation and its constituent unions. The economic policy differences between the two parties diminished in the 1990s as both recognized the need to introduce structural reforms and bring down budget deficits. Their main disagreements are on the pace of change, rather than on the need to introduce reforms.

A third political group, the Union of Independents (*Verband der Unabhängigen—VdU*), appeared in 1949. Strongly antisocialist, with anticlerical, pan-German elements, it challenged the coalition in the elections of that year, winning 16 seats. By the mid-1950s, however, the VdU, consistently denied a voice in government by the two major parties, had begun to disintegrate. In 1955, it was reorganized, under new leadership, as the Freedom Party of Austria (*Freiheitliche Partei Österreichs—FPÖ*). In 1970, with six seats in the Nationalrat, the FPÖ was accepted as a negotiating partner by the SPÖ. The party favors individual initiative over collective security. By the turn of the 21st century, under the leadership of Jörg Haider, the FPÖ was an extreme nationalist, anti-immigrant, anti-European party. In June 1992, FPÖ dissidents founded the Free Democratic Party. In 2005, Haider split from the FPÖ to form the Alliance for the Future of Austria (BZÖ).

The Communist Party of Austria (*Kommunistische Partei Österreichs—KPÖ*) has declined steadily in strength since the end of World War II. It has had no parliamentary representation, for example, since 1959, when it lost the three seats won in 1956. The KPÖ was the first party in the Nationalrat to propose, in 1953, that Austria become a neutral nation.

In the elections of 24 April 1983, dominated by economic issues, the SPÖ (with 47.8% of the vote) won 90 seats, down from 95 in 1979; the ÖVP (with 43.21%) 81; and the FPÖ (with 4.97%) 12. The KPÖ polled 0.66% of the vote but won no seats. Two new environmentalist groups, the United Greens of Austria (*Vereinten Grünen Österreichs*) and the Alternative List—Austria (*Alternative Liste Österreichs*), likewise failed to gain representation in the Nationalrat, although they collectively polled more than 3%



of the total vote. In May, Kreisky, having failed to win a clear majority, resigned. He was succeeded as party leader and chancellor by Fred Sinowatz, who proceeded to form a coalition government with the FPÖ.

Following the election of Kurt Waldheim to the presidency in June 1986, Sinowatz resigned and was succeeded by Franz Vranitzky, a former finance minister. The SPÖ-FPÖ coalition broke down in September 1986. Following parliamentary elections on 23 November 1986, a new government was sworn in on 21 January 1987, with Vranitzky from the SPÖ as chancellor and Alois Mock, FPÖ chairman, as vice-chancellor and prime minister.

In the general election of 7 October 1990, the “grand coalition” continued. The 183 seats in the Nationalrat were distributed as follows: SPÖ (80), ÖVP (60), FPÖ (33), and the Green Alternative (10). It also governed after the 1995 elections.

The 1999 elections finally brought change and was a watershed event. In the legislative election held on 3 October 1999, the 183 seats in the Nationalrat were distributed as follows: SPÖ (65), ÖVP (52), FPÖ (52), Greens (14), and Liberal Forum (0). Compared to the 1995 elections, the SPÖ lost 6 seats, the Liberal Forum lost all of its 10 seats and had no representation in the new National Assembly, the ÖVP retained more or less its share of the vote, while the Greens went from 9 to 14 seats and the FPÖ went from 40 seats to 52 seats and became, together, with the People’s Party, the second-largest bloc in parliament. The leader of the ÖVP, Wolfgang Schüssel, formed a coalition with the FPÖ, and became chancellor.

Following the 24 November 2002 elections, party strength in the Nationalrat was distributed as follows: ÖVP, 42.3% (79 seats); SPÖ, 36.5% (69 seats); FPÖ, 10% (18 seats); the Greens, 9.5% (17 seats); the Liberal Forum, 1% (no seats); and the KPÖ, 0.6% (no seats). Schüssel remained chancellor, and formed a government with the FPÖ, as he was unable to persuade the SPÖ and the Greens to join in a coalition with the ÖVP. As of 2005, a coalition government comprising the ÖVP and Jörg Haider’s Alliance for the Future of Austria, which split from the FPÖ that April, was ruling the country.

In the presidential election held on 25 April 2004, Heinz Fischer of the SPÖ was elected president with 52.4% of the vote, defeating Benita Ferrero-Waldner of the ÖVP (47.6% of the vote). Fischer succeeded Thomas Klestil, who had served as president since 1992.

## 15 LOCAL GOVERNMENT

Austria is divided into nine provinces (Länder): Vienna (Wien), Lower Austria (Niederösterreich), Upper Austria (Oberösterreich), Styria (Steiermark), Carinthia (Kärnten), Tyrol (Tirol), Salzburg, Burgenland, and Vorarlberg. The relationship between the provinces and the central government is defined by the constitution. Most administrative, legislative, and judicial authority—including taxation, welfare, and police—is granted to the central government. The Länder, which enjoy all residual powers, act as executors of federal authority.

Each province has its own unicameral legislature, elected on the basis of proportional representation. All legislation must be submitted through the provincial governor (*Landeshauptmann*) to the competent federal ministry for concurrence. If such concurrence is not obtained, the provincial legislature can reinstate the

bill by majority vote. In case of prolonged conflict between the federal authorities and the provincial legislatures, the Constitutional Court may be appealed to for settlement.

The provincial governor, elected by the provincial legislature (*Landtag*), is assisted by a cabinet (*Landesrat*) consisting of ministries analogous to those at the federal level. Each province is divided into several administrative districts (*Bezirke*), each of which is under a district commissioner (*Bezirkshauptmann*). Local self-government is vested in popularly elected communal councils which, in turn, elect various local officers, including the mayor (*Bürgermeister*) and his deputies. There are some 2,300 communities in Austria, as well as 15 cities that have independent charters and fall directly under provincial authority rather than that of the districts. Vienna is both a municipality and a province.

## 16 JUDICIAL SYSTEM

Austria in 2005 had 140 local courts (*Bezirksgerichte*) with civil jurisdiction. There were also 20 provincial and district courts (*Landesgerichte* and *Kreisgerichte*) with civil and criminal jurisdiction and four higher provincial courts (*Oberlandesgerichte*) with criminal jurisdiction, located in Vienna, Graz, Innsbruck, and Linz. The Supreme Court (*Oberster Gerichtshof*), in Vienna, acts as the final appellate court for criminal and civil cases. The Constitutional Court (*Verfassungsgerichtshof*) has supreme jurisdiction over constitutional and civil rights issues. The Administrative Court (*Verwaltungsgerichtshof*) ensures the legal functioning of public administration. A central auditing authority controls financial administration. Judges are appointed by the federal government and cannot be removed or transferred. Trial by jury was reintroduced in 1951. There is no capital punishment.

The judiciary is independent of the other branches. Judges are appointed for life and can only be removed for specific reasons established by law and only after formal court action has been taken.

Before the mid 1990s, the law allowed for detention of suspects for 48 hours without judicial review and up to two years of detention during the course of a criminal investigation. Amendments to the law in 1994 required more stringent judicial review of pre-trial and investigative detention. Criminal defendants are afforded a presumption of innocence, public trials, and jury trial for major offenses, as well as a number of other procedural rights.

## 17 ARMED FORCES

As of 2005, Austria’s active armed forces totaled 39,900 personnel plus another 9,500 civilians. In addition, another 60,000 reservists undergo refresher training annually. The Army is the largest service in terms of manpower, with 33,200 personnel in 2005. Equipment included 114 main battle tanks, 220 light tanks, 637 armored personnel carriers, and 684 artillery pieces. Austria’s Air Force in 2005 had 6,700 active personnel, which operated 40 combat capable aircraft, which included 12 fighters. There were also 17 transport and 44 training aircraft. The 2005 defense budget totaled \$2.29 billion. Austrian armed forces in 2005 were deployed

to 12 countries or regions under UN, NATO or European Union command.

## 18 INTERNATIONAL COOPERATION

The Federal Constitutional Law on the Neutrality of Austria, adopted on 26 October 1955, bound the nation to neutrality and banned it from joining any military alliances or permitting the establishment of foreign military bases on its territory. However, since 1995, the country has been rethinking this position on neutrality. In December 2001, Austria adopted a Security and Defense Doctrine; although Austria will not participate in military alliances requiring mutual defense commitments, the country is gradually moving toward greater integration with European security arrangements, which would allow for participation in the EU rapid reaction force and NATO's Partnership for Peace program.

Austria became a member of the UN on 14 December 1955. It is a member of ECE and all the nonregional specialized agencies, such as FAO, IFC, ILO, WHO, and the World Bank. The country became a member of the WTO 1 January 1995 and of the OSCE on 30 January 1992. Vienna has served an important role as a meeting place and headquarters site for a variety of international activities. The headquarters of OPEC, IAEA, UNIDO, and the International Institute for Applied Systems Analysis are located in Vienna. Austria belongs to the Council of Europe, the OECD, the Paris Club, the European Space Agency, and the European Union. Austria's interest in the Third World is exemplified by membership in the Asian and Inter-American development banks and by its permanent observer status with the OAS.

Austria is part of the Australia Group, the Zangger Committee, and the Organization for the Prohibition of Chemical Weapons. Austrian troops have been part of UN peacekeeping forces in Kosovo (est. 1999), Western Sahara (est. 1991), Ethiopia and Eritrea (est. 2000), Georgia (est. 1993), and Cyprus (est. 1964).

In environmental cooperation, the country is part of the Antarctic Treaty; the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; CITES; the International Tropical Timber Agreements; the Kyoto Protocol; the Montréal Protocol; MARPOL; and the Nuclear Test Ban Treaty.

## 19 ECONOMY

Liberalization inspired by the EU and greater acceptance of the values of competition have transformed Austria's economy since the 1980s. Previously, the state maintained a strong presence in the Austrian economy, but in the 21st century private enterprise increasingly takes on a primary position. Basic industries, including mineral production, heavy industry, rail and water transport, and utilities, were nationalized during 1946–47 and in 1970 were reorganized under a state-owned holding company, the Austrian Industrial Administration (Österreichische Industrieverwaltungs-Aktiengesellschaft—ÖIAG). In 1986, the ÖIAG was renamed the Österreichische Industrieholding AG, and a process of restructuring and privatization took place that traversed the 1990s and early 2000s. German companies in particular took advantage of the privatization of Austrian firms.

Austria's period of unparalleled prosperity lasted from the 1950s through the early 1970s; the economy was characterized by a high rate of growth, modest price increases, and a favorable climate in industrial relations. By 1975, Austrian industry, the single

most important sector of the economy, had more than quadrupled in value over 1945. But the general economic slowdown that followed the oil price hike of late 1973 affected Austria as it did other European countries. During 1978–81, annual real growth averaged 2.6%, about standard for the OECD countries, but there was no real growth in 1981 and only 1.1% growth in 1982, as Austria endured its most prolonged recession since World War II. The following years saw an improvement. Between 1984 and 1991, annual real GDP growth averaged 2.8%. In 1992, it was 1.7%. Following the mild recession in 1993, Austria's economy—driven by strong exports, investment, and private consumption—expanded an average of 2% throughout the 1990s. GDP growth stood at 2.4% in 2004, and dropped to an estimated 1.7% in 2005. GDP growth was forecast at 1.8% for 2006, and to accelerate to 2.1% for 2007. Despite the impact of high oil prices projected for 2006, inflation was expected to ease over the 2006–07 period. The inflation rate (at consumer prices) stood at 1.8% in 2004.

Due in large measure to a global economic downturn and resulting low domestic demand, in 2002 Austria was experiencing its worst slowdown in over a decade. However, in 2001, Austria balanced its budget for the first time in 30 years, in part due to an increase in taxes. (The only countries with higher tax burdens than Austria are Denmark, Finland, and Sweden.) However, the conservative government led by the Austrian People's Party that came into power in November 2002 gave less priority to maintaining a balanced budget, and by 2003, the budget deficit was -1.1%, and was expected to rise to -2% in 2006, with a modest improvement in 2007. Austria's ratio of government debt to GDP remained high among European countries in the early 2000s, at over 65%. Austria benefited from its proximity to the faster-growing economies of Central and Eastern Europe in the early 2000s, but was negatively impacted by the low growth in Germany, its largest trading partner. Severe flooding in Central Europe during August 2002 resulted in extra budget outlays for flood damage. The unemployment rate stood at 4.5% in 2004. Austria profits from a high productivity rate. It has also met with success in privatizing most of its large manufacturing firms. Austria in the early 2000s invested in high-growth industries such as telecommunications, biotechnology, medical and pharmaceutical research, and electronics.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Austria's gross domestic product (GDP) was estimated at \$269.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$32,000. The annual growth rate of GDP was estimated at 1.9%. The average inflation rate in 2005 was 2.3%. It was estimated that agriculture accounted for 2.3% of GDP, industry 30.8%, and services 66.9%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$2.294 billion or about \$284 per capita and accounted for approximately 0.9% of GDP.

The World Bank reports that in 2003 household consumption in Austria totaled \$144.16 billion or about \$17,819 per capita based on a GDP of \$253.1 billion, measured in current dollars rather than PPP. Household consumption includes expenditures

of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.3%. It was estimated that in 1999 about 3.9% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2005, the labor force was estimated at 3.49 million workers. As of 2005, an estimated 70% of the workforce was engaged in the services sector, 27% in industry, and 3% in agriculture. Foreign laborers, mainly from the former Yugoslavia and Turkey, constitute a significant part of the total workforce. The unemployment rate has risen slightly in recent years, from 3.6% in 1994 to 4.8% in 2002. As of 2005, Austria's unemployment rate was estimated at 5.1%.

Workers were organized into the 13 trade unions affiliated in the Austrian Trade Union Federation (Österreichische Gewerkschaftsbund—ÖGB), accounting for an estimated 47% of the nation's workforce, as of 2005. This confederation negotiates collective bargaining agreements with the Federal Economic Chamber (Bundeskammer der gewerblichen Wirtschaft) representing employers. Although the right to strike is recognized, strikes are rarely used due to cooperation between labor and management. Collective bargaining is prevalent. Disputes over wages, working hours, working conditions, and vacations are settled by a labor court or an arbitration board.

The workweek is set at a maximum of 40 hours, although most Austrian workers put in 38–38.5 hours per week. A 50% differential is generally paid for overtime on weekdays, 100% on Sundays and holidays. In addition, it is required that an employee be given at least 11 hours off between workdays. There is no national minimum wage. Most employees are covered by collective bargaining agreements, which set wages by industry. However, the unofficial accepted minimum is \$14,880 to \$17,360 per year which provides a family with a decent standard of living. The minimum legal age for employment is 15 years, and this is effectively enforced.

## 2<sup>2</sup> AGRICULTURE

Although small, the agricultural sector is highly diversified and efficient. Most production is oriented toward local consumption.

Of Austria's total area, about 18% was arable in 2002; meadows and pasturelands constituted another 24%. The best cropland is in the east, which has the most level terrain. Farms are almost exclusively family-owned. Most holdings are small or medium-sized and, in many cases, scattered. As of 2003, agriculture employed 4.5% of the labor force. In 2003, agriculture (together with forestry) contributed 2.3% to Austria's total GDP.

The use of farm machinery has been increasing steadily; 330,000 tractors were in operation in 2002, up from 78,748 in 1957. Austria today uses less land and manpower and produces more food than it did before World War II (1939–45). Better seeding and more intensive and efficient application of fertilizers have helped raise farm yields and have enhanced self-sufficiency in foodstuffs. Agriculture is highly protected by the government; overproduction, especially evidenced by recurring grain surpluses, requires a hefty subsidy to be paid by the government in order to sell abroad at market prices. Nevertheless, the Austrian government has been

able to maintain farm income, although Austria has some of the highest food costs in Europe.

Chief crops, in terms of sown area and yield, are wheat, rye, oats, barley, potatoes, and sugar beets. Austria is near self-sufficiency in wheat, oats, rye, fruits, vegetables, sugar, and a number of other items. Major crop yields in 2004 included (in tons) sugar beets, 2,935,000; barley, 1,007,000; wheat, 1,719,000; potatoes, 693,000; rye, 213,000; and oats, 139,000. Vineyards yielded 351,000 tons of grapes crushed for wine.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Dairy and livestock breeding, traditionally the major agricultural activities, account for about three-fifths of gross agricultural income.

Milk, butter, cheese, and meat are excellent, and Austria is self-sufficient in dairy products and in most meats. In 2004, livestock included 3,245,000 hogs, 2,052,000 head of cattle, 325,000 sheep, 85,000 horses, and 11,600,000 million poultry. Meat and poultry production in 2004 totaled 996,000 tons. During 2004, Austrian dairy farms produced 3,559,000 tons of milk, 169,000 tons of cheese, and 32,000 tons of butter. In 2004, some 88,700 tons of eggs were produced, which satisfied over 90% of domestic demand. By specializing in quality strains of cattle, hogs, and horses, Austrian breeders have gained wide international recognition. Livestock products, primarily milk, account for about 35% of agricultural exports.

## 2<sup>4</sup> FISHING

Fishing is not important commercially, and fish do not constitute a large part of the Austrian diet. Commercial catches consist mainly of carp and trout. The total catch in 2003 was 2,605 tons. Aquacultural production in 2003 was 2,233 tons, mostly rainbow trout. A sizable segment of the population engages in sport fishing.

## 2<sup>5</sup> FORESTRY

Austria has the second-largest percentage of forest in the European Union. About 47% of Austria's total area is forested, mostly in the foothills and mountains. Styria, in the southeast, is 60% covered with forests, while Burgenland in the east has only 32% forest coverage. About two-thirds of the trees are coniferous, primarily spruce; beech is the most important broadleaf type.

Over-cutting during World War II (1939–45) and in the post-war period resulted in a decline in timber production from 9.5 million cu m (335 million cu ft) in 1936 to a low of about 7.1 million cu m (251 million cu ft). From 1950 to 2003, sawn lumber output rose from 4,000 cu m (141,000 cu ft) to 10.5 million cu m (370.7 million cu ft). Competition reduced the number of sawmills from 5,100 in 1950 to 1,400 in 2003, with about 10,000 employees. Bark beetle infestations adversely affected production in the mid-1990s. Total roundwood yield was 17.1 million cu m (602 million cu ft) in 2003. In 2004, about 7.8 million cu m (247 million cu ft) of softwood lumber logs were produced. To prevent over cutting, export restrictions have been introduced, and reforestation on both public and private land is compulsory. Exports of raw timber and cork are supplemented by exports of such forestry products as paper, cardboard boxes, prefabricated houses, toys, matches, turpentine, and volatile oils. Austria is the world's

fourth-largest softwood lumber exporter, with shipments valued at €1.28 billion in 2003.

## 26 MINING

After a period of postwar expansion, mineral production has stagnated in recent decades, and metals mining continues to decline, because of high operating costs, increased foreign competition, low ore grades, and environmental problems. All the metal mines in the country were closed, except an iron ore operation at Erzberg (producing 1.8 million tons of iron ore and concentrate in 2000) and a tungsten operation at Mittersill, which was the West's largest underground tungsten mine. Most of the growth in the mineral resources area was in the production of industrial minerals, the area in which future mining activities will most likely be concentrated, mostly for domestic consumption.

Austria produces 2.5% of the world's graphite, ranking 10th in the world, and is one of the world's largest sources of high-grade graphite. In 2000, estimated output was 12,000 metric tons, down from 30,000 metric tons in 1996. The country produces 1.6% of the world's talc, ranking ninth, with a reported output in 2003 of 137,596 tons of crude talc and soapstone. The country's only producer of talc, Luzenac Naintsch AG, operated three mines, in the Styria region, and produced a range of talc, chloritic talc, dolomite talc, and chlorite-mica-quartz ores.

Output of other minerals in 2003 output in metric tons, include: limestone and marble, 24,477,000 metric tons; dolomite, 6,079,000 metric tons, for the domestic cement industry, along with calcite and limestone; gypsum and anhydrite, 1,004,000 metric tons; brine salt, 3,422,000 cubic meters (salt mines are owned by the government, with plans to privatize the operations); tungsten, 1,400 tons; pumice (trass), 4,000 tons; and crude kaolin, 100,000 metric tons. Gold production in 2003 was 25 kg. Crude magnesite production was reported at 767,000 metric tons in 2003.

Lignite production has been declining since 1963. In 2003, lignite production totaled 1,152,000 metric tons. Production of bituminous coal declined steadily after World War II, and in 1968 ceased altogether.

## 27 ENERGY AND POWER

Austria is one of the foremost producers of hydroelectric power in Europe. The most important power facilities are publicly owned; 50% of the shares of the large private producers are owned by provincial governments.

In 2000, net electricity generation was 58.8 billion kWh, of which 28.5% came from fossil fuels, 68.6% from hydropower, none from nuclear energy, and the remainder from other sources. In the same year, consumption of electricity totaled 54.8 million kWh. Total installed capacity at the beginning of 2001 was 14.2 million kW. In 2000 petroleum accounted for 39% of energy consumption, natural gas 20%, coal 10%, nuclear energy 0%, and hydroelectric power 31%. During the winter, when there is less flowing water for hydroelectric power, domestic electricity demands must be supplemented by imports from neighboring countries.

Oil, first produced in 1863, is found both in Upper Austria, near Wolfsegg am Hausruck, and in Lower Austria, in the vicinity of Vienna. After reaching a peak of about 3,700,000 tons in 1955, oil production gradually declined to 22,000 barrels per day in 2000. Natural gas production was 1.698 billion cu m (60 billion cu ft)

in 1998, far short of domestic needs; consumption amounted to 6.862 billion cu m (242 billion cu ft) in that year.

## 28 INDUSTRY

Industrial output has increased vastly since the beginning of World War II and contributed 30.8% of the GDP in 2004. The industrial production growth rate in 2004 was 3.3%. In 1946, the federal parliament nationalized basic industries. Major parts of the electric and electronics, chemical, iron and steel, and machinery industries remained state controlled until the 1990s, when the Austrian government embarked upon a privatization program. As of 2005, the steel, aluminum, and petroleum industries were majority-owned by private shareholders. Other privatizations in the early 2000s were the Austrian tobacco company, the Vienna airport company, Telekom Austria, Voest-Alpine Steel, and Boehler Uddeholm, an important tool and specialty steel manufacturer.

Iron and steel production greatly expanded its output after 1937. A total of 155,403 automobiles were manufactured in 2001 and 24,988 heavy trucks were produced in 2000. The sale of automotive parts and equipment was a \$3 billion industry in 2004, albeit a decline from \$3.35 billion in 2003 and \$3.87 billion in 2002.

Traditionally, the most important sectors of the textile industry have been embroidery, spinning, weaving, and knitting. However, foreign competition cut into the Austrian textile industry. Following the expiration of the World Trade Organization's longstanding system of textile quotas at the beginning of 2005, the EU signed an agreement with China in June 2005, imposing new quotas on 10 categories of textile goods, limiting growth in those categories to between 8% and 12.5% a year. The agreement runs until 2007, and was designed to give European textile manufacturers time to adjust to a world of unfettered competition. Nevertheless, barely a month after the EU-China agreement was signed, China reached its quotas for sweaters, followed soon after by blouses, bras, T-shirts, and flax yarn. Tens of millions of garments piled up in warehouses and customs checkpoints, which affected both retailers and consumers.

The chemical industry, which was relatively unimportant before World War II, now ranks second in value of production, behind the mechanical and steel industry. Other leading industries, in terms of production value and employment, are electrical and electronic machinery and equipment, pulp and paper, ceramics, and especially foodstuffs and allied products. Austria has always been famous for its skilled craftsmen, such as glassblowers, goldsmiths, jewelers, lacemakers, potters, stonemasons, and wood-carvers.

The country is taking steps to change its image from one in which traditional "rust belt" industries such as steel and heavy engineering dominate. In 2005, the electronics, biotechnology, and medical and pharmaceutical sectors were high growth industries.

## 29 SCIENCE AND TECHNOLOGY

Numerous research institutes in Austria play an important role in conducting and coordinating advanced agricultural, medical, scientific, and technical research. The Austrian Research Council supports and coordinates scientific research. The major learned society is the Austrian Academy of Sciences (founded in 1847 and headquartered in Vienna). The Austrian Science Foundation (founded in 1967) and the Austrian Industrial Research Fund together form the Austrian Research Council, which supports and

coordinates scientific, applied, and industrial research and development and advises federal and state governments on scientific matters. The Natural History Museum and the Trade and Industrial Museum of Technology, both in Vienna and founded in 1748 and 1907, respectively, each have large libraries.

Austria has 11 universities offering training in basic and applied sciences and 13 federal colleges of technology. In 2004, provisional data showed Austrian spending on research and development (R&D) as totaling €5.273 billion, of which 41.5% came from business, 36.7% from the government and 21.5% from foreign sources. In 1987–97, science and engineering students accounted for 29% of college and university enrollments. In 2002, of all bachelor's degrees awarded, 26.5% were in the sciences (natural, mathematics and computers, and engineering). As of 1998 (the latest year for which data was available), there were 2,346 researchers and 993 technicians per million people, that were actively engaged in R&D. In 2002, high-tech exports were valued at \$8.433 billion and accounted for 15% of all manufactured exports.

### 30 DOMESTIC TRADE

Vienna is the commercial, banking, and industrial center. Railroad lines passing through it connect Austria with all neighboring countries. Vienna is also the major, but not the only, distribution center; every large provincial city is the hub of marketing and distribution for the surrounding area. Most items are sold in privately owned general or special stores, but consumer cooperatives are also active. Though small specialty shops have accounted for about 90% of retail establishments, larger outlets and shopping malls are becoming popular. For instance, close to the small village of Parndorf, Burgenland, 40 minutes outside of Vienna, there is a designer outlet featuring more than 90 department stores and specialty shops selling over 350 international brands. Although modeled after the American shopping mall, the McArthur Glen Designer Outlet resembles an Austrian baroque village.

By law, most Austrian shops may be open no more than 66 hours per week. Legal shopping hours are from 6 AM to 7:30 PM Monday through Friday, and 6 AM to 5 PM on Saturdays. However, normal business hours are from 8 or 9 AM to 6 PM, Mondays through Fridays. Saturday shopping hours are normally 8 or 9 AM to 12 or 1 PM. Banks usually stay open from 8 AM to 12:30 PM and from 1:30 to 3 PM (5:30 PM on Thursday) on the weekdays. Retail establishments are governed by stricter rules than in the United States. Sunday hours are generally not permitted.

Advertising is displayed in newspapers, periodicals, and trade journals, and on posters on public conveyances, public stands, and billboards. Considerable advertising is done in cinemas. International fairs are held every spring and autumn in Vienna, and specialized fairs are held regularly in Dornbirn, Graz, Innsbruck, Klagenfurt, Ried im Innkreis, and Wels.

### 31 FOREIGN TRADE

Austria depends heavily on foreign trade. During the Cold War, the government consistently maintained strong ties with the West while being careful to preserve the country's neutrality. In 1972, Austria achieved association with the EEC without encountering much Soviet opposition. Austria formerly had long-term bilateral trade agreements with CMEA nations, and played an important role as a mediator in East–West trade dealings. It applied

#### Principal Trading Partners – Austria (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	89,216.3	91,516.5	-2,300.2
Germany	28,370.2	37,502.2	-9,132.0
Italy-San Marino-Holy See	8,007.6	6,426.8	1,580.8
Switzerland-Liechtenstein	4,937.1	3,860.3	1,076.8
United States	4,621.2	3,533.0	1,088.2
France-Monaco	3,968.6	3,554.3	414.3
United Kingdom	3,939.6	2,092.0	1,847.6
Hungary	3,588.6	2,967.5	621.1
Czech Republic	2,725.8	2,973.3	-247.5
Spain	2,281.8	1,587.9	693.9
Netherlands	1,844.2	2,742.6	-898.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

for membership in 1989, ushering a new era in relations with the countries of Central and Eastern Europe. Austria became a member of the EU in 1995, and a member of the EMU in 1999; euro notes and coins were introduced in place of the Austrian schilling in 2002.

Austria's commodity trade pattern has changed significantly since the 1930s. Because of its increasing self-sufficiency in agricultural production, expansion in output of certain basic industries, and development of new industries, Austria is no longer as dependent as in pre-World War II years on imports of food and raw materials.

The rise in industrial capacity has resulted in an extensive rise in export volume, with finished and semifinished goods accounting for well over 80% of the total export value. The major industry and export commodity in Austria is the automobile and its components, made up of plates and sheets of iron or steel, internal combustion engines and piston parts, motor vehicle parts and accessories, and complete passenger motor cars. These exports comprise a large portion of Austria's exports, while machinery and paper products continue to be important commodities. Medicinal and pharmaceutical product exports are increasing, but are still low compared to those of the automobile industry.

Approximately 71% of Austria's trade is with EU nations. Although Germany, Italy, and the United States remain Austria's main trading partners, expanding trade with the new EU members of Central and Eastern Europe that joined the EU in May 2004 represent a sizeable element of Austrian economic activity.

In 2004, exports totaled an estimated \$102.7 billion, and the total value of imports was estimated at \$101.2 billion, for a trade surplus of \$1.5 billion.

### 32 BALANCE OF PAYMENTS

Revenues in 2004 were estimated at \$142.5 billion; expenditures were estimated at \$146.4 billion. Austria's current account balance in 2004 was estimated at -\$3.283 billion.

### 33 BANKING AND SECURITIES

The Austrian National Bank (Österreichische Nationalbank), originally opened on 2 January 1923 but taken over by the Ger-

**Balance of Payments – Austria (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-1,363.0</b>
Balance on goods	1,140.0	
Imports	-88,479.0	
Exports	89,619.0	
Balance on services	1,662.0	
Balance on income	-1,836.0	
Current transfers	-2,330.0	
<b>Capital Account</b>		<b>-12.0</b>
<b>Financial Account</b>		<b>-457.0</b>
Direct investment abroad	-7,061.0	
Direct investment in Austria	7,276.0	
Portfolio investment assets	-18,414.0	
Portfolio investment liabilities	22,992.0	
Financial derivatives	-744.0	
Other investment assets	-15,117.0	
Other investment liabilities	10,610.0	
<b>Net Errors and Omissions</b>		<b>-203.0</b>
<b>Reserves and Related Items</b>		<b>2,036.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

man Reichsbank in 1938, was reestablished on 3 July 1945. The bank is a corporation with capital shares fixed by law at \$150 million; 50% of the shares are, by law, owned by the government. The central bank and the bank of issue, it preserves the domestic purchasing power of the Austrian currency and its value in terms of stable foreign currencies, and controls external transactions affecting the balance of payments. It also sets reserve requirements for credit institutions.

The Austrian banking system also includes joint-stock banks, banking houses, and private banks, as well as postal savings banks, private savings banks, mortgage banks, building societies, and specialized cooperative credit institutions. The most important credit institutions are the joint-stock commercial banks, the two largest of which, the Creditanstalt-Bankverein and the Österreichische Länderbank, were nationalized in 1946; shares representing 40% of the nominal capital of the two were sold to the public in 1957.

On 12 January 1997, the coalition partners, after long and intensive negotiations, agreed to sell Credit and staff-Bankverein to the indirectly state-owned Bank Austria, which is dominated by the senior coalition party, the Social Democratic Party (SPO). The sale created a financial and industrial giant in Austria, which holds about one-quarter of the assets of all financial institutions.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$52.9 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$171.2 billion.

A special decree of Empress Maria Theresa (1 August 1771) provided for the establishment of a stock exchange in Vienna. From the mid-19th century to the beginning of World War I, it was the main capital market of middle and eastern Europe, and from 1918 to 1938, it had continuous international importance as an equity market for the newly founded nations originating from the former monarchy. The exchange also deals in five Austrian and sev-

en foreign investment certificates. The Austrian Traded Index has grown steadily in the past few years, growing 8.71% in 2002, and averaging a growth rate of 10.15% in the past five years. Market capitalization as of December 2004 stood at \$85.815 billion, with the index up 57.4% at 2,431.4 from the previous year. There were 99 companies listed on the Wiener Borse AG in 2004.

**3.4 INSURANCE**

Insurance in Austria is regulated by the Ministry of Finance under legislation effective 1 January 1979. Motor-vehicle third-party liability, aviation accident and third-party liability, workers' compensation, product liability, professional indemnity for certain professions, and nuclear-risk liability coverage are compulsory. Armed sportsmen, accountants, pipeline operators, and notaries are also required to carry liability insurance. In 2003, the value of all direct premiums written totaled \$14.996 billion, of which non-life premiums accounted for the largest portion at \$8.410 billion. The nation's top nonlife insurer for 2003 was Allianz Elementar with gross nonlife written premiums of \$983.5 million. Austria's top life insurer that same year was Sparkassen-Vericherung, with gross life written premiums of \$857.5 million.

**3.5 PUBLIC FINANCE**

The government's proposed annual budget is submitted to the Nationalrat before the beginning of each calendar year (which coincides with the fiscal year). Within certain limits, the Finance Minister can subsequently permit the maximum expenditure levels to be exceeded, but any other excess spending must receive the approval of the Nationalrat in the form of a supplementary appropriations bill or an amendment to the budgetary legislation. Annual expenditures, which in the early 1960s rose markedly owing to increases in defense expenditures, social services, federal operations, and capital expenditures, were less expansionary in 1965–70. During the 1970s, the annual budget again began to rise, expenditures increasing at a faster rate than revenues, but by

**Public Finance – Austria (2002)**

(In millions of euros, central government figures)

<b>Revenue and Grants</b>	<b>85,652</b>	<b>100.0%</b>
Tax revenue	45,783	53.5%
Social contributions	33,848	39.5%
Grants	365	0.4%
Other revenue	5,657	6.6%
<b>Expenditures</b>	<b>87,934</b>	<b>100.0%</b>
General public services	13,710	15.6%
Defense	1,911	2.2%
Public order and safety	2,683	3.1%
Economic affairs	5,653	6.4%
Environmental protection	230	0.3%
Housing and community amenities	1,007	1.1%
Health	11,403	13.0%
Recreational, culture, and religion	651	0.7%
Education	9,005	10.2%
Social protection	41,681	47.4%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

the mid-1980s, both expenditures and revenues were increasing at about the same rate. As a result of a mini-recession in 1993, the budget deficit widened to 4.7% of GDP in 1994. The increase in the budget deficit was mainly due to the government's decision to let automatic stabilizers work, when it became apparent that business activity was slowing down. Rising budget deficits present an economic challenge to the government. Despite these problems, Austria managed to meet the criteria necessary to join the European Monetary Union (EMU) in 1999.

The US Central Intelligence Agency (CIA) estimated that in 2005 Austria's central government took in revenues of approximately \$148.6 billion and had expenditures of \$154.5 billion. Revenues minus expenditures totaled approximately -\$5.9 billion. Public debt in 2005 amounted to 64.5% of GDP. Total external debt was \$510.6 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were €85,652 million and expenditures were €87,934 million. The value of revenues was us\$80,606 million and expenditures us\$82,537 million, based on an exchange rate for 2002 of us\$1 = €1.0626 as reported by the IMF. Government outlays by function were as follows: general public services, 15.6%; defense, 2.2%; public order and safety, 3.1%; economic affairs, 6.4%; environmental protection, 0.3%; housing and community amenities, 1.1%; health, 13.0%; recreation, culture, and religion, 0.7%; education, 10.2%; and social protection, 47.4%.

### 36 TAXATION

The income tax for individuals in 2005 was progressively set up to 50% on a four-bracket progressive schedule: 21% (on taxable income from €3,640 to €7,270; 31% (€7,270 to €21,800); 41% (€21,800 to 50,870); and 50% above €51,000. Married people are taxed separately. Payroll withholding tax is in effect.

Taxes are levied on corporations (25% on distributed and undistributed profits), trade income, real estate, inheritance, dividends, gifts, and several miscellaneous services and properties. A value-added tax was introduced 1 January 1973 at a basic rate of 16%. The standard rate in 2005 was 20%. A reduced rate of 10% applied to basic foodstuffs, agricultural products, rents, tourism, and entertainment; banking transactions are exempt and exports are untaxed. There was also an augmented rate of 32% on automobiles, airplanes, and ships.

Capital gains and dividend income are taxed at 25% and are withheld at the source. There is no wealth tax. In accordance with EU guidelines, tax exemptions and reductions are included in incentive packages for investment in economically depressed and underdeveloped areas along Austria's eastern border.

### 37 CUSTOMS AND DUTIES

Austria is committed to a program of progressive trade liberalization. As a member of the European Union, non-EU imports are covered by the EU's common tariff policy, the TARIC (integrated tariff). For most manufactured goods, this tariff results in the addition of a 3.5% duty. Import quotas affect other imports such as raw materials or parts. In addition, imports are levied an import

value-added tax, which is 20% for everything except food products, for which it is 10%.

Import licenses are required for a variety of products, including agricultural produce and products, tobacco and tobacco products, salt, war materials, and poisons. An automatic licensing procedure is applied to certain products. Free-trade zones are located at Graz, Linz, Bad Hall, and Vienna.

### 38 FOREIGN INVESTMENT

Between 1948 and 1954, an estimated \$4 billion was invested in the Austrian economy. Austria raised foreign capital largely through loans rather than as direct investment. Many post-World War II projects were financed by US aid; US grants and loans in the post-war period totaled about \$1.3 billion before they began to taper off in 1952. To stimulate domestic and foreign investment, especially in underdeveloped areas of Austria, two specialized investment credit institutions were founded in the late 1950s.

The Austrian government welcomes productive foreign investment, offering a wide range of assistance and incentives at all levels ranging from indirect tax incentives to direct investment grants. Until 2006, 41% of Austria's land area is eligible for support under various EU structural reform programs. In 2005, Austria lowered its corporate tax from 34% to 25%, making the investment climate more agreeable to foreign companies. Of particular interest are investments in industries that are seeking to create new employment in high technology, promoting capital-intensive industries linked with research activities, improving productivity, replacing imports, increasing exports, and are environmentally "friendly." Austria has strict environmental laws, rejects nuclear energy, and has tight restrictions on biotech products. Full foreign ownership is permitted, except in nationalized sectors, and such enterprises have the same rights and obligations as domestic companies.

Austria has sizeable investments in the countries of Central and Eastern Europe, and continues to move low-tech and labor-intensive production to those regions. Austria has the potential to attract EU firms seeking convenient access to developing markets in Central and Eastern Europe and the Balkans.

Following record inflows in 2000 and 2001 and a significant drop in 2002, foreign direct investment rebounded in 2003 to \$8.1 billion, equal to 2.9% of GDP, the third highest ever. New FDI in the first half of 2004 amounted to \$2.1 billion. This raised the value of FDI stock in Austria to \$62 billion by mid-2004. New Austrian direct investment abroad reached \$7.7 billion in 2003, equal to 2.7% of GDP. In the first half of 2004, the amount was \$3.1 billion. This raised the value of Austrian direct investment stock abroad to \$61.5 billion by mid-2004.

### 39 ECONOMIC DEVELOPMENT

The federal government held a majority share in two of the three largest commercial banks and all or most of the nation's electricity, coal and metal mining, and iron and steel production, as well as part of Austria's chemical, electrical, machine, and vehicle industries. The republic's share in the nationalized industries was handed over on 1 January 1970 to the Austrian Industrial Administration Co. (Österreichische Industrieverwaltungs-Aktiengesellschaft—ÖIAG), of which the government was the sole shareholder. The ÖIAG, in line with the government's industrialization program, regrouped the nationalized industries into six sectors:

iron and steel; nonferrous metals; shipbuilding and engineering; electrical engineering; oil and chemicals; and coal. This was later regrouped into five sections: steel; metals; machinery and turnkey operations; electronics, petroleum, petrochemicals and plastics; and chemicals, pharmaceuticals, and fertilizers.

The nationalized establishments operated according to free-enterprise principles and did not receive tax concessions. Private investors were subsequently allowed to buy shares in them. The government, however, maintained voting control in these transactions. The legislation providing for ÖIAG's reorganization of the iron and steel industry included codetermination provisions granting employees the right to fill one-third of the seats on the board of directors. The postal, telephone, and telegraph services and radio and television transmission were state monopolies, as was the trade in tobacco, alcohol, salt, and explosives.

During the 1970s, the government placed new emphasis on centralized economic planning. Key elements in the new policy were the planning of public investment, selective promotion of private sector investment, coordinated expansion of the energy sector and state-owned industry, and assistance for the structural improvement of agriculture. Special emphasis was given to the reform of the handicrafts industry.

In 1986, the ÖIAG was renamed the Österreichische Industrie-holding AG, and a process of restructuring and privatization took place in 1993. In 1996, the post and telecommunications monopoly was privatized, and other companies were split up and taken over by foreign, and especially German, companies. The agricultural sector has gone through substantial reform through the EU's common agricultural policy. Computer software and services, telecommunications, advertising, and Internet services are growing commercial enterprises.

In the 21st century, Austria needs to emphasize its knowledge-based sectors of the economy, continue to deregulate the service sector, and encourage greater participation in the labor market of its aging population. The aging phenomenon, together with already high health and pension costs, poses problems in tax and welfare policies.

#### 40 SOCIAL DEVELOPMENT

Austria has one of the most advanced and comprehensive systems of social legislation in the world. The General Social Insurance Bill of 1955 unified all social security legislation and greatly increased the scope of benefits and number of insured. All wage and salary earners must carry sickness, disability, accident, old age, and unemployment insurance, with varying contribution levels by employer and employee for each type of insurance. Health insurance is available to industrial and agricultural workers, federal and professional employees, and members of various other occupational groups. For those without insurance or adequate means, treatment is paid for by public welfare funds.

Unemployment benefits mostly range from 40–50% of previous normal earnings. After three years' service, regular benefits are paid up to between 20 and 30 weeks; thereafter, for an indefinite period, a worker, subject to a means test, may receive emergency relief amounting to 92–95% of the regular benefit. Work injury laws were first enacted in 1887. Citizens are eligible for old age pensions after age 65 (men) and age 60 (women) if they have 35

years of contributions paid or credited. In 2004 the age for retirement began increasing by one month per quarter.

Employers must contribute 4.5% of payroll earnings to a family allowance fund. Family allowances are paid monthly, depending on the number of dependent children, with the amount doubled for any child who is severely handicapped. The state provides school lunches for more than 100,000 children annually. In addition, it administers the organization of children's holiday programs and provides for the care of crippled children, for whom there is a state training school. The state also grants a special birth allowance and a payment for newlyweds setting up their first home; unmarried people establishing a common household may apply for tax remission. The government provides maternity benefits, takes care of destitute old people, and provides for war victims and disabled veterans. Administration of social insurance is carried out in the provinces by autonomous bodies in which both employers and employees are represented. Payment is also made to victims of political persecution during the Nazi era and to victims of violent crime.

Women make up an increasing percentage of the work force. Austrian women earn 79% as much as men. While the number of women in government is low in relation to the overall population, there are female members of parliament, cabinet ministers, state secretaries, town councilors, and mayors. The law proscribes sexual harassment in the workplace, and the government generally enforces these laws. It is believed that violence against women is a widespread problem, and cases generally remain unreported. The government provides shelters and hotlines for victims. Children's rights are fully protected by law.

The constitution provides for the freedoms of religion and assembly, and the government respects these rights. A growing problem is right-wing extremism and the emergence of neo-Nazi groups. Racial violence against ethnic minorities in Austria is evident. In 2005, Austria adopted an Equal Treatment Bill to combat racism and discrimination.

#### 41 HEALTH

Austria's federal government formulates health policy directive and public hygiene standards are high. The country spent an estimated 8.2% of GDP on health care annually as of 1999 and, in recent years, has expanded its public health facilities. Virtually every Austrian has benefits of health insurance. In principle, anyone is entitled to use the facilities provided by Austria's health service. The costs are borne by the social insurance plan or, in cases of hardship, by the social welfare program.

As of 2004, there were an estimated 324 physicians and 589 nurses per 100,000 people. Life expectancy in 2005 was 78.92 years. The infant mortality rate for that year was 4.66 per 1,000 live births that year. In 1999, 6% of births were low weight. Improvement has been made in lowering the under-age-five mortality rate from 43 children per 1,000 in 1960 to 5 per 1,000 in 2004. An estimated 90% of married women (ages 15–49) used contraceptives.

As of 1999, Austria immunized its one-year-old children as follows: diphtheria, pertussis, and tetanus (90%) and measles (90%). The overall death rate in 2002 was 10 per 1,000 people, and in 1999 there were 16 cases of tuberculosis per 100,000 people. The HIV/AIDS prevalence was 0.30 per 100 adults in 2003. As of 2004, there were approximately 10,000 people living with HIV/AIDS in



the country. There were an estimated 100 deaths from AIDS in 2003. Vienna's medical school and research institutes are world famous; spas (with thermal springs), health resorts, and sanatoriums are popular among Austrians as well as foreigners.

## 4<sup>2</sup> HOUSING

During the First Republic (1919–38), Vienna and several other Austrian municipalities supported a progressive housing policy and built model apartment houses for workers. From the end of World War II until 1967, 157,386 small homes were built under the Federal Accommodation Fund, and 75,663 damaged homes were repaired under the Housing Reconstruction Fund. A system of subsidies for public housing has since been decentralized, and control turned over to local authorities. The Housing Improvement Act of 1969 provided for state support for modernization of outdated housing.

In 2003, there were an estimated 3,863,262 dwellings in the nation. About 74% of all dwellings were privately owned. As of 1990, 25% of Austria's housing stock had been built before 1919; 19% between 1971 and 1980; 18% between 1961 and 1970; 15% between 1945 and 1960; 13% after 1981; and 10% between 1919 and 1944. About 53,000 new dwellings were completed in 2000 and 41,914 were built in 2002.

## 4<sup>3</sup> EDUCATION

The Austrian educational system has its roots in the medieval monastic schools that flourished toward the end of the 11th century. The present state education system goes back to the school reforms introduced by Maria Theresa in 1774. In 1869, the Imperial Education Law unified the entire system of compulsory education.

In 1962, Austria's education system was completely reorganized under a comprehensive education law, and compulsory education was extended from eight to nine years. Since 1975, all schools are coeducational and education at state schools is free of charge. Primary education lasts for four years. After primary school, pupils may either attend a general secondary school (*Hauptschule*), which is organized into two four-year courses of study (lower and upper secondary), or an academic secondary school, which also covers an eight-year program. Financial support is provided for postsecondary schooling. Secondary age students may also choose a five-year vocational program. Those who complete their studies at secondary or higher vocational school are qualified to attend the universities. Disabled students either attend special schools or are mainstreamed into regular classrooms. The primary language of instruction is German. The school year runs from October to June.

In 2001, about 84% of children ages three to five attended preschool programs. Primary school enrollment in 2003 was estimated at about 90% of age-eligible students; 89% for boys and 91% for girls. The same year, secondary school enrollment was about 89%, with equal percentages of boys and girls. The pupil to teacher ratio for primary school was at about 13:1 in 2003; the ratio for secondary school was about 11:1.

Austria maintains a vigorous adult education system. Almost all adult education bodies owe their existence to private initiative. The Ministry of Education, under the auspices of the Development Planning for a Cooperative System of Adult Education in Austria, has joined private bodies in setting up projects for en-

hancing the quality of adult education programs. As of 2003, public expenditure on education was estimated at 5.7% of GDP.

As of 2002, the adult literacy rate was estimated at 98%. There are 12 university-level institutions and six fine-art colleges offering 430 subjects and about 600 possible degrees. There are several other institutes of higher education throughout the country. In 2003, about 49% of the tertiary age population were enrolled in some type of higher education program.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

Austria is rich in availability of large library collections and is filled with strong, unique collections. The largest and most important of Austria's 2,400 libraries is the Austrian National Library, which contains more than 2.6 million books and over 3 million non-book materials. It includes nine special collections: manuscripts and autographs, incunabula (old and precious prints), maps and globes, music, papyri, portrait and picture archives, Austrian literature archives, pamphlets and posters, and a theater collection. The National Library serves as a center for the training of professional librarians, prepares the Austrian national bibliography, and provides a reference service for Austrian libraries. The largest university libraries are the University of Vienna (5.5 million volumes), Graz University (3 million), and Innsbruck University (1.4 million). There are at least 12 prominent scientific libraries in the country, primarily associated with universities. Austria also has several hundred private libraries, such as the renowned libraries in the monasteries at Melk and Admont. The Austrian Institute of Economic Research in Vienna maintains an internationally renowned research library and electronic databases on international economic trends and forecasts.

The Haus-, Hof-, and Staatsarchiv, founded in Vienna in 1749, was combined in 1945 with the Allgemeine Verwaltungsarchiv to form the Austrian State Archives. The Archives' collection ranks as one of the most important in the world, with more than 100,000 manuscripts and documents, some dating as far back as the year 816. Most notable are the state documents of the Holy Roman Empire—including those of the Imperial Court Council (from 1555), the Imperial Court Chancellery (from 1495), and the Mainz Imperial Chancellery (from 1300); documents of the subsequent Austrian State Chancellery; and those of the Austro-Hungarian Foreign Ministry.

There are over 700 museums in Austria, including art museums, archaeology and history museums, science and technology museums, and regional museums. There are eight recognized historical sites in the country. The most important museums had their origins in the private collections of the House of Habsburg. The Museum of Fine Arts (Kunsthistorisches Museum) in Vienna (1871) contains a vast collection of Flemish, Italian, and German paintings by old masters. It also houses distinguished collections of Egyptian and Oriental objects, classical art, sculpture and applied art, tapestries, coins, and old musical instruments. The Albertina Museum houses the world's largest graphic art collection, including the most extensive collection in existence of the works of Albrecht Dürer. The Secular Treasury (Schatzkammer) houses the jewels and insignia of the Holy Roman Empire and of all the Austrian emperors. The numerous collections formerly in the possession of the imperial court have in large part been brought together for display in the Natural History Museum, the Muse-

um of Fine Arts, and the Hofburg (Innsbruck). Vienna's Schönbrunn Palace contains a collection of imperial coaches from the Habsburg court. The Austrian Gallery in Belvedere Castle (Vienna), formerly the summer palace of Prince Eugene of Savoy, houses unique examples of medieval Austrian art as well as works of 19th- and 20th-century Austrian artists. The Museum of Modern Art was opened in Vienna's Palais Liechtenstein in 1979; incorporated into it was the Museum of the 20th Century, founded in 1962. Also of interest is Vienna's Lipizzaner Museum, featuring the city's famous white horses, and a museum of Sigmund Freud's apartment and office.

There are also other castles, manor houses, monasteries, and convents, many of which date from the Middle Ages and which are of interest for their architecture as well as for their contents. Important scientific collections are housed in the Natural History Museum, the Museums of Anthropology and Folklore, and the Technical Museum, all in Vienna; the Joanneum, in Graz; the Ferdinandeum, in Innsbruck; the Carolino Augusteum and the House of Nature, in Salzburg; and the Folk Museum, in Hallstatt, Upper Austria, which contains local prehistoric discoveries dating from the 4th and 3rd centuries BC. Salzburg has two historical museums dedicated to Mozart—the house where he was born and another house in which he lived. In Vienna, there is a museum dedicated to Sigmund Freud.

The Jewish Museum Vienna contains a memorial to Austrian victims of the Holocaust and a 40,000-volume research library on the history of the Jews in Austria and Vienna. There is also a Holocaust memorial at the site of the Maunthausen concentration camp.

#### 45 MEDIA

The Austrian Post and Telegraph Administration operates all telephone, telegraph, teletype, and postal services. In 2003, there were an estimated 481 mainline telephones for every 1,000 people. The same year, there were approximately 879 mobile phones in use for every 1,000 people.

Oesterreichischer Rundfunk (ORF) is the primary public broadcasting company in Austria. The first national commercial television license was granted to ATV in 2000. Commercial radio stations began in the 1990s. As of 2001, there were a total of about 2 AM and 65 FM radio stations in the country and 10 television stations. In 2003, there were an estimated 763 radios and 637 television sets for every 1,000 people. Nearly 157 of every 1,000 people held subscriptions to cable television. The same year, there were 369.3 personal computers for every 1,000 people and 462 of every 1,000 people had access to the Internet. There were 1,586 secure servers in the country in 2004.

As of 2005, Austria had 15 national and regional daily newspapers. Vienna accounts for about half of total readership. The two most widely read papers are the tabloids *Kronen Zeitung* (circulation 850,000 in 2005) and *Der Kurier* (circulation 172,000 in 2005). Other leading dailies (with 2005 circulation figures unless noted) include *Kleine Zeitung* (171,405 in 2004), *Oberösterreichische Nachrichten* (in Linz, 123,000 in 2002), *Salzburger Nachrichten* (126,000), *Tiroler Tageszeitung* (in Innsbruck, 103,600 in 2002), and *Die Presse* (76,000), and *Der Standard* (71,000). *Neue Zeit*, published in Graz, is a major daily for the Social Democrat party with a circulation of about 66,100 in 2002. The leading peri-

odicals include the weeklies *Wochenpresse—Wirtschaftswoche* and *Profil* and the monthly *Trend* which had a circulation of 95,000 in 1995.

Freedom of the press is constitutionally guaranteed and there is no state censorship; the Austrian Press Council is largely concerned with self-regulatory controls and the effective application of a code of ethics. The Austrian Press Agency is independent of the government and operates on a nonprofit basis; most major newspapers share in its financing.

#### 46 ORGANIZATIONS

The Federal Economic Chamber, including representatives of commerce, industry, trade, and transport, has official representatives in most counties. Every province has an economic chamber organized in the same way as the federal chamber. District chambers of agriculture are combined into provincial chambers, which are further consolidated in a national confederation. Provincial chambers of labor are combined in a national chamber. Austria has a committee on the International Chamber of Commerce.

The Federation of Austrian Industrialists, with an organizational membership of almost 5,000, is subdivided into departments for trade, industry, finance, social policies, and communications, with sections for press relations and organization. There are associations of bankers, insurance companies, and publishers, as well as other commercial and professional groups.

Austria has a large number of scholarly associations, as well as several groups dedicated to the support and promotion of various arts and sciences. The latter include the Association for Sciences and Politics, the Austrian Academy of Sciences, the Austrian Association of Music, the Austrian Physical Society, the Austrian P.E.N. Center, and the Austrian Science Fund. Filling a specialty niche, Vienna is home to the International Confederation of Accordionists and the International Gustav Mahler Society.

The Austrian Medical Chamber is a notable institution for the promotion of health education, research, and policy making. There are numerous associations representing a wide variety of specialized medical fields and promoting research for the treatment and prevention of particular diseases and conditions.

The Austrian Sports Federation represents over three million athletes in the country in promoting education and competition in a wide variety of sports. There are numerous association for particular sports, including Frisbee, football (soccer), baseball, golf, ice hockey, tennis, and badminton. There is an Austrian Paralympic Committee, an Olympic Committee, and a Special Olympics committee.

The Austrian Union of Students (AUS), the national university student coordinating body, is incorporated under Austrian federal public law to serve as a legal representative body for Austrian university students through Federal Ministries responsible for higher education and through the National Parliament. The secretariat of the National Unions of Students of Europe (ESIB) is housed within the AUS. Other youth organizations, representing a variety of concerns and interests, include the Austrian Socialist Youth Organization, Young Austrian People's Party, Union of Liberal Youth, Communist Youth of Austria, Austrian Catholic Youth Group, Cartel Association of Austrian Catholic Student Unions, Protestant Youth Welfare Organization, Protestant Student Community, Austrian Trade Union Youth Organization, Austrian Friends

of Nature Youth Organization, Junior Chamber Austria, and Austrian Alpine Youth Organization. Scouting organizations are also present for both boys and girls.

Organizations of Greenpeace, The Red Cross, and Amnesty International are also present. There are active chapters of Lions Clubs and Kiwanis International.

## 47 TOURISM, TRAVEL, AND RECREATION

Austria ranks high among European tourist countries. It has a year-round tourist season: in winter, tourists come to the famous skiing resorts and attend outstanding musical events in Vienna; in summer, visitors are attracted by scenery, sports, and cultural festivals, notably in Vienna and Salzburg. Of the 4,000 communities in Austria, nearly half are considered tourist centers.

Tourist attractions in the capital include 15 state theaters and the Vienna State Opera (which also houses the Vienna Philharmonic); the Vienna Boys' Choir; St. Stephen's Cathedral; the Schönbrunn and Belvedere palaces; and the Spanish Riding Academy, with its famous Lippizaner stallions. Just beyond the city boundary are the Vienna Woods, with their picturesque wine taverns.

About 40 or 50 towns and villages qualify as major resorts for Alpine skiing, and Innsbruck has been the site of two Winter Olympics, in 1964 and 1976. Mountaineering is another Austrian specialty, with Austrian climbers having scaled high peaks all over the world. Austrians have frequently taken titles in world canoeing championships. Football (soccer) is a very popular sport. Austria also puts on a number of prominent annual events for cyclists. Probably the most challenging tour on the amateurs' program is the "Tour d'Autriche," which has been held every year since 1949. This race through Austria's mountains covers a total distance of almost 1,500 kilometers. Motor racing, motorcycle racing and speedway racing are also extremely popular sports in Austria.

Foreign tourist traffic is the leading single source of foreign exchange, and tourism is a major contributor to the Austrian economy. An estimated 13,748,371 foreign visitors arrived in Austria in 2003. Receipts from tourism amounted to \$16 billion. That year there were 282,614 rooms in hotels, inns, and pensions with 631,085 beds and a 36% occupancy rate. The average length of stay was four nights.

Visitors entering Austria for a short stay need only a valid passport if from the United States or the European Union countries, but an Austrian visa is required for visits exceeding three months.

In 2005, the US Department of State estimated the daily cost of staying in Austria at \$255 to \$276.

## 48 FAMOUS AUSTRIANS

### Political Figures

Monarchs who played a leading role in Austrian and world history include Rudolf I of Habsburg (1218–91), founder of the Habsburg dynasty and Holy Roman emperor from 1273; Maria Theresa (1717–80), who succeeded to the Habsburg dominions by means of the Pragmatic Sanction of 1740; her son Joseph II (1741–90), the "benevolent despot" who became Holy Roman emperor in 1765; Franz Josef (1830–1916), emperor of Austria at the outbreak of World War I; and his brother Maximilian (Ferdinand Maximilian Josef, 1832–1867), who became emperor of Mexico

in 1864, ruling on behalf of Emperor Napoleon III of France, and was deposed and executed. Prince Klemens Wenzel Nepomuk Lothar von Metternich (1773–1859), Austrian foreign minister from 1809 to 1848, was the architect of the European balance of power established at the Congress of Vienna in 1815. Adolf Hitler (1889–1945), born in Braunau, was dictator of Germany from 1933 until his death. Leading Austrian statesmen since World War II are Bruno Kreisky (1911–1990), Socialist Party chairman and chancellor of Austria from 1970 to 1983; and Kurt Waldheim (b.1918), Austrian diplomat and foreign minister, who was UN secretary-general from 1971 to 1981 and was elected to the presidency in June 1986.

### Artists, Writers, and Scientists

Austria has produced many excellent artists, writers, and scientists but is probably most famous for its outstanding composers. Beginning in the 18th century and for 200 years, Vienna was the center of European musical culture. Among its great masters were Franz Joseph Haydn (1732–1809), Wolfgang Amadeus Mozart (1756–91), Franz Schubert (1797–1828), Anton Bruckner (1824–96), Gustav Mahler (1860–1911), Hugo Wolf (1860–1903), Arnold Schönberg (1874–1951), Anton von Webern (1883–1945), and Alban Berg (1885–1935). Although born in northwestern Germany, Ludwig van Beethoven (1770–1827) and Johannes Brahms (1833–97) settled in Vienna and spent the rest of their lives there. Composers of light music, typical of Austria, are Johann Strauss, Sr. (1804–49), Johann Strauss, Jr. (1825–99), Dalmatian-born Franz von Suppé (Francesco Ezechiele Ermenegildo Cavaliere Suppe-Demelli, 1819–95), Hungarian-born Franz Lehár (1870–1948), and Oskar Straus (1870–1954). Outstanding musicians are the conductors Clemens Krauss (1893–1954), Karl Böhm (1894–1981), and Herbert von Karajan (1908–89); the pianists Artur Schnabel (1882–1951) and Alfred Brendel (b.1931); and the violinist Fritz Kreisler (1875–1962).

Leading dramatists and poets include Franz Grillparzer (1791–1872), Nikolaus Lenau (1802–50), Ludwig Anzengruber (1839–81), and Hugo von Hofmannsthal (1874–1929). Novelists and short-story writers of interest are Adalbert Stifter (1805–68), Marie von Ebner-Eschenbach (1830–1916), Arthur Schnitzler (1862–1931), Hermann Bahr (1863–1934), Stefan Zweig (1881–1942), Robert Musil (1880–1942), Hermann Broch (1886–1952), Yakov Lind (b.1927), Peter Handke (b.1942), and Elfriede Jelinek (b.1946), who won the 2004 Nobel Prize in Literature. Although born in Czechoslovakia, the satiric polemicist Karl Kraus (1874–1936), the poet Rainer Maria Rilke (1875–1926), the novelist and short-story writer Franz Kafka (1883–1924), and the poet and novelist Franz Werfel (1890–1946) are usually identified with Austrian literary life. Film directors of Austrian birth include Max Reinhardt (Maximilian Goldman, 1873–1943), Erich von Stroheim (Erich Oswald Stroheim, 1885–1957), Fritz Lang (1890–1976), Josef von Sternberg (1894–1969), Otto Preminger (1905–86), and Billy Wilder (1906–2002). Internationally known performers born in Austria include Lotte Lenya (Karoline Blamauer, 1900–81) and Maximilian Schell (b.1930).

### Architects and Artists

Two great architects of the Baroque period were Johann Bernhard Fischer von Erlach (1656–1723) and Johann Lucas von Hildebrandt (1668–1745). Three prominent 20th-century painters were

Gustav Klimt (1862–1918), Oskar Kokoschka (1886–1980), and Egon Schiele (1890–1918).

### Physicians

Psychoanalysis was founded in Vienna by Sigmund Freud (1856–1939) and extended by his Austrian colleagues Alfred Adler (1870–1937), Otto Rank (1884–1939), Theodor Reik (1888–1969), and Wilhelm Reich (1897–1957). Eugen Böhm-Bawerk (1851–1914) and Joseph Alois Schumpeter (1883–1950) were outstanding economists. A renowned geneticist was Gregor Johann Mendel (1822–84). Christian Johann Doppler (1803–53), a physicist and mathematician, described the wave phenomenon known today as the Doppler shift. Lise Meitner (1878–1968) was the physicist who first identified nuclear fission. Austrian Nobel Prize winners in physics are Erwin Schrödinger (1887–1961), in 1933; Victor Franz Hess (1883–1964), authority on cosmic radiation, in 1936; and atomic theorist Wolfgang Pauli (1900–1958), discoverer of the exclusion principle, in 1945. Winners of the Nobel Prize in chemistry are Fritz Pregl (1869–1930), who developed microanalysis, in 1923; Richard Zsigmondy (1865–1929), inventor of the ultramicroscope, in 1925; biochemist Richard Kuhn (1900–1967), a pioneer in vitamin research, in 1938; and biochemist Max Ferdinand Perutz (1914–2002) for research in blood chemistry, in 1962. Winners of the Nobel Prize in physiology or medicine are otologist Robert Bárány (1876–1936), in 1914; psychiatrist Julius Wagner-Jauregg (1857–1940), for developing a treatment for general paresis, in 1927; Karl Landsteiner (1868–1943), discoverer of blood groups, in 1930; German-born pharmacologist Otto Loewi (1873–1961), for his study of nerve impulse transmission, in 1936; Carl Ferdinand Cori (1896–1984) and his wife, Gerti Theresia Radnitz Cori (1896–1957), whose work with enzymes led to new ways of fighting diabetes, in 1947; and Konrad Lorenz (1903–1989), discoverer of the “imprinting” process of learning, in 1973. In 1974, Friedrich August von Hayek (1899–1992), a noted monetary theorist, was awarded the Nobel Prize in economics.

### Humanitarians

The Nobel Peace Prize was awarded to Baroness Berta Kinsky von Suttner (b. Prague, 1843–1914), founder of the Austrian Society of Peace Lovers and author of *Lay Down Your Arms!*, in 1905; and to Alfred Hermann Fried (1864–1921), a prolific publicist for the cause of international peace, in 1911. One of the most influential philosophers of the contemporary age was Ludwig Josef Johann Wittgenstein (1889–1951). Rudolf Steiner (1861–1925), the founder of anthroposophy, was an Austrian. Theodor Herzl (b. Budapest, 1860–1904), founder of the Zionist movement, was an early advocate of the establishment of a Jewish state in Palestine. Simon Wiesenthal (b. Poland, 1908–2005), a Nazi concentra-

tion-camp survivor, searched for Nazi war criminals around the world.

### Athletes

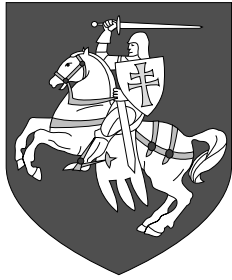
Austrians have excelled in international Alpine skiing competition. In 1956, Toni Sailer (b. 1935) won all three Olympic gold medals in men's Alpine skiing events. Annemarie Moser-Pröll (b. 1953) retired in 1980 after winning a record six women's World Cups, a record 62 World Cup races in all, and the 1980 women's downhill skiing Olympic championship. Franz Klammer (b. 1953), who won the 1976 men's downhill Olympic title, excited spectators with his aggressive style. Arnold Schwarzenegger (b. 1947) was once the foremost bodybuilder in the world and became a successful Hollywood actor and governor of California.

## 49 DEPENDENCIES

Austria has no territories or colonies.

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# BELARUS

Republic of Belarus  
*Respublika Belarus*



**CAPITAL:** Minsk

**FLAG:** Two horizontal bands of red (top) and green, with the red band twice as wide as the green. At the hoist is a vertical band showing a traditional Belarussian ornamental pattern.

**ANTHEM:** *Maladaya Belarus.*

**MONETARY UNIT:** The Belarus ruble (BR) circulates along with the Russian ruble (R). The government has a varying exchange rate for trade between Belarus and Russia. BR1 = \$0.00047 (or \$1 = BR2,140) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** New Year's Day, 1 January; Orthodox Christmas, 7 January; International Women's Day, 8 March; Labor Day, 1 May; Victory Day, 9 May; Independence Day, 27 July; Day of Commemoration, 2 November; Christmas, 25 December.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Belarus is a landlocked nation located in eastern Europe, between Poland and Russia. Comparatively the area occupied by Belarus is slightly smaller than the state of Kansas, with a total area of 207,600 sq km (80,154 sq mi). Belarus shares boundaries with Latvia on the N, Russia on the N and E, Ukraine on the S, Poland on the SW, and Lithuania on the NW. The boundary length of Belarus totals 3,098 km (1,925 mi).

The capital city of Belarus, Minsk, is located near the center of the country.

## <sup>2</sup> TOPOGRAPHY

The topography of Belarus is generally flat and contains much marshland. The Belarussian Ridge (Belorusskaya Gryda) stretches across the center of the country from the southwest to the northeast. The highest elevation is at Dzerzhinskaya Gora, 346 m (1,135 ft).

## <sup>3</sup> CLIMATE

The country's climate is transitional between continental and maritime. July's mean temperature is 19°C (67°F). January's mean temperature is -5°C (23°F). Rainfall averages between 57 cm (22.5 in) and 61 cm (26.5 in) annually.

## <sup>4</sup> FLORA AND FAUNA

About 45% of the country is forest land. Pine trees are found throughout the north, but spruce, alder, ash, birch, and oak trees are also common. Some of the mammals in the forest include deer, brown bears, rabbits, and squirrels. The southern region is a swampy expanse. The marshes are home to ducks, frogs, turtles, archons, and muskrats.

## <sup>5</sup> ENVIRONMENT

As part of the legacy of the former Soviet Union, Belarus's main environmental problems are chemical and nuclear pollution. Belarus was the republic most affected by the accident at the Chernobyl nuclear power plant in April 1986. Northerly winds prevailed at the time of the accident; therefore, most of the fallout occurred over farmland in the southeastern section of the country (primarily in the Gomel and Mogilev oblasts). Most experts estimate that 25–30% of Belarus's farmland was irradiated and should not be used for agricultural production or to collect wild berries and mushrooms, although it continues to be used for these and other purposes. Belarus has 88 UNESCO World Heritage Sites, including the Bialowieza Forest. There are seven Ramsar wetland sites. In 2003, about 6.3% of the total land area was protected.

In addition, Belarus has significant air and water pollution from industrial sources. The most common pollutants are formaldehyde, carbon emissions, and petroleum-related chemicals. In 1992, Belarus was among the world's top 50 nations in industrial emissions of carbon dioxide, producing 102 million metric tons, or 9.89 metric tons per capita. In 1996, the total fell to 61.7 million metric tons. The soils also contain unsafe levels of lead, zinc, copper, and the agricultural chemical DDT. All urban and rural dwellers have access to safe drinking water.

As of 2002, Belarus had over 2,000 species of plants, 74 mammal species, and 194 bird species. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 6 types of mammals, 4 species of birds, and 8 other invertebrates. Endangered species include the European bison and the European mink.

## <sup>6</sup> POPULATION

The population of Belarus in 2005 was estimated by the United Nations (UN) at 9,776,000, which placed it at number 81 in popu-

lation among the 193 nations of the world. In 2005, approximately 14% of the population was over 65 years of age, with another 16% of the population under 15 years of age. There were 88 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be -0.6%, a rate, viewed by the government as too low, that reflects low fertility rates and high mortality rates, especially among adult men. The projected population for the year 2025 was 9,399,000. The population density was 47 per sq km (122 per sq mi).

The UN estimated that 72% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.09%. The capital city, Minsk, had a population of 1,705,000 in that year. The estimated population of other major cities included Homyel, 481,000; Mahilyow, 374,000; Hrodna, 317,366; and Brest (formerly Brest-Litovsk), 290,000.

Almost 25% of the population of Belarus was killed during World War II, and combined with the fatalities of the Soviet-era purges, the postwar population was one-third smaller than it had been in 1930. It was not until the 1970s that the population returned to prewar levels.

## 7 MIGRATION

With the breakup of the Soviet Union in 1991, some two million Belarussians were among the various nationality groups who found themselves living outside their autonomous regions or native republics. Most of the Belarussians who have returned to Belarus fled other former Soviet republics because of fighting or ethnic tensions. From 1989 to 1995, 3,000 Belarussians returned from Azerbaijan and 3,000 Belarussians returned from Kyrgyzstan. From 1991 to 1995, 16,000 Belarussians returned from Kazakhstan and 10,000 Belarussians returned from Tajikistan. In 1999 Belarus had 131,200 internally displaced persons from the ecological effects of the accident at the Chernobyl nuclear power plant, and 160,000 “returnees” (ethnic Belarussians who had returned to Belarus from other former republics).

A defining characteristic of migration between former Soviet republics is its irregular or transient quality and the existence of “shuttle” migrants. Some 2005 estimates suggest that there are 10 million irregular migrants in the region. The estimated net migration rate for Belarus in 2005 was 2.42 per 1000 population. The government views the immigration level as too high.

As of 2004, Belarus had an estimated 8,200 asylum seekers officially registered with the United Nations High Commissioner for Refugees (UNHCR). In 2004, about 2,100 Belarussians made asylum claims, the majority in Sweden.

## 8 ETHNIC GROUPS

In 2005, an estimated 81.2% of the total population was Belarussian. Russians made up about 11.4% of the populace; Poles, Ukrainians, and other groups combined to make up about 7.4% of the population.

## 9 LANGUAGES

Belarussian belongs to the eastern group of Slavic languages and is very similar to Russian. It did not become a separate language until the 15th century, when it was the official language of the grand duchy of Lithuania. It is written in the Cyrillic alphabet but has two letters not in Russian and a number of distinctive sounds. The

vocabulary has borrowings from Polish, Lithuanian, German, Latin, and Turkic. Russian and other languages are also spoken.

## 10 RELIGIONS

As of 2005, the State Committee on Religious and National Affairs estimated that approximately 80% of the population were Belarussian Orthodox. About 15–20% were Roman Catholics. Between 50,000 and 90,000 people were Jewish. Other minority religions included the Greek Rite Catholic Church, the Belarus Autocephalous Orthodox Church, Seventh-Day Adventists, Calvinism, Lutheranism, Jehovah’s Witnesses, the Apostolic Christian Church, and Islam.

Since the 1994 elections, the country’s first president, Alyaksandr Lukashenka, who claims to be an “Orthodox atheist,” has maintained a policy of favoring the Belarussian Orthodox Church (a branch of the Russian Orthodox Church) as the country’s chief religion. A 2003 Concordat between the government and the Belarussian Orthodox Church (BOC) more firmly established the special relationship between the government and the BOC. The BOC works closely with the government in developing and implementing political policies, including those related to such departments as the ministries of education, defense, health, and labor. The president grants the Orthodox Church special financial aid that is not given to other denominations and has declared the preservation and development of Orthodox Christianity a “moral necessity.”

The government’s State Committee on Religious and National Affairs (SCRNA), established in 1997, categorizes religions and may deny any faith it designates as “nontraditional” permission to register. The traditional faiths are the BOC, the Roman Catholic Church, Orthodox Judaism, Sunni Islam, and Evangelical Lutheranism. In 2002, Lukashenka passed a new law on religion that prohibits all religious groups from importing or distributing religious materials without prior approval from the government. The new law prevents foreigners from leading any religious organizations and prohibits those organizations from establishing clerical training schools within the country. The new law also set a more complex registration system and prohibits the operations of any unregistered group.

## 11 TRANSPORTATION

About 5,512 km (3,417 mi) of broad and standard gauge railways traverse Belarus, connecting it to Russia, Ukraine, Lithuania, Poland, and Latvia, as of 2004. Of that total, broad gauge accounts for 5,497 km (3,419 mi). Of the 93,055 km (57,880 mi) of highways in 2003, all were hard-surfaced. As of 2003, there were 1,557,800 passenger cars and 25,400 commercial vehicles registered for use.

The European Bank for Reconstruction and Development (EBRD) initiated a study of railways and roads in 1993 to help determine location advantages for future development in Belarus. The focus of the EBRD study also included the development of the trucking industry.

Because Belarus is landlocked, there are no ports or merchant fleet. Although, there are, as of 2003, some 2,500 km (1,555 mi) of navigable canals and rivers, but whose use is limited by their location near the country’s perimeter, and by shallowness. In 1995, Belarus claimed to have retained 5% of the merchant fleet of the former Soviet Union. As of 2004, there were an estimated 133 air-

ports in the country. As of 2005, a total of 44 had paved runways and there is also a single heliport. In 2003, scheduled airline traffic carried about 234,000 domestic and international passengers.

## 12 HISTORY

The Belarussians are the descendants of Slavic tribes that migrated into the region in the 9th century. They trace their distinct identity from the 13th century when the Mongols conquered Russia and parts of Ukraine. During this period, Belarus managed to maintain its identity as part of the Grand Duchy of Lithuania. The union of the Grand Duchy with the Polish Kingdom in 1569, resulting in the emergence of the Polish-Lithuanian Commonwealth (*Rzeczpospolita*), put the territory of Belarus under Polish rule. As a result of the partitions of *Rzeczpospolita* in 1772, 1793, and 1795 by Imperial Russia, Austria, and Prussia, Belarus fell to the Russian Empire.

In March 1918, at the time of the Soviet-German Treaty of Brest-Litovsk in which Moscow agreed to relinquish claim to a substantial amount of territory captured by Germany in exchange for peace, the Belarussian National Republic was formed with German military assistance. However, after the German government collapsed in November 1918 and German forces were withdrawn from the region, Bolshevik troops moved in and set up the Belarussian Soviet Socialist Republic in January 1919. In 1922 the Belarus SSR became one of 15 socialist republics to form the Union of Soviet Socialist Republics. Two years later, Belarus's borders were enlarged at the expense of Russia and Ukraine. Later, parts of eastern Poland were annexed to Belarus by Stalin under the 1939 Molotov-Ribbentrop pact. However, Belarus was devastated by World War II.

During the decades of Soviet rule, Belarus underwent intense Russification, and its leaders generally complied with Soviet policy. However, after extensive nuclear contamination by the 1986 Chernobyl accident in neighboring Ukraine, Belarussian nationalists, acting from exile in Lithuania, organized the Belarussian People's Front. The nationalist upsurge of the period was intensified by the discovery of mass graves from the Stalinist purges of the 1930s at Kuroplaty and other locations. Although the Belarussian leadership still supported keeping the Soviet Union intact, Belarus's parliament declared Belarus a sovereign state within the USSR in July 1990. Shortly after the abortive August 1991 coup attempt against Mikhail Gorbachev, Belarus declared its independence on 26 August 1991.

Belarus's first president, Alyaksandr Lukashenko, was elected in July 1994, the same year the country adopted its first post-Communist constitution. Lukashenko has halted economic and political reform, and silenced or even jailed his critics using internal security forces. At the end of 1996, Belarus sent the last of its nuclear missiles back to Russia. Also in November 1996, Lukashenko won a plebiscite to expand his power as president, although most observers agreed that the election was not fair. On 28 November 1996, Lukashenko signed into law a new constitution containing provisions that gave him almost total control of all branches of government and extended his term by two years to 2001. A new bicameral National Assembly replaced the old Parliament. During 1996, Lukashenko suspended the registration of new enterprises, stopped privatization, and spurned World Bank assistance. Under the new constitution, the president has the right to hire and



LOCATION: 53°53' N; 28°0' E BOUNDARY LENGTHS: Total boundary lengths, 3,098 kilometers (1,925 miles); Latvia 141 kilometers (88 miles); Lithuania 502 kilometers (312 miles); Poland, 605 kilometers (376 miles); Russia 959 kilometers (596 miles); Ukraine, 891 kilometers (554 miles).

fire the heads of the Constitutional Court and the Central Bank, and he also has the right to dissolve parliament and veto its decisions. Most members of the international community criticized the plebiscite expanding Lukashenko's power, and do not recognize the 1996 constitution or the bicameral legislature that it established.

The constitutional changes implemented by the president sparked strong protests, including public demonstrations and opposition by the Constitutional Court and members of parliament, some of whom attempted to form their own assembly. However, all dissent was effectively suppressed, and Lukashenko remained in power. After boycotting the April 1999 local elections, his political opponents held an alternative presidential election in July. This was followed by a new crackdown that forced opposition leader Semyon Sharetzky into exile. From exile Sharetzky proclaimed himself the nation's legitimate ruler, but his action had little effect on the actual state of political affairs in the country. Another prominent political dissident, Vactor Gonchar, was reported missing in September 1999.

In April 1997, Lukashenko and Russia's President Yeltsin signed an initial charter for economic union that included a plan to adopt a common currency. However, over the following two years, implementation of the integration plan moved slowly, and in September 1999, Belarus took steps to peg the country's currency to the euro. Nevertheless, at the end of year, Belarus and Russia reaffirmed their intentions of forming an economic alliance. The leaders of both countries signed a new treaty in December 1999, and it was approved by both parliaments. In April 2000 Russia's new president, Vladimir Putin, reconfirmed his country's commitment to strengthening ties with Belarus.

Parliamentary elections held in 2001 were criticized by election observers as being neither free nor fair. Lukashenko and his administration manipulated the election process to make sure a minimum of opposition candidates were elected to parliament. Turnout in 13 constituencies was so low that a repeat of the voting was necessary (it was held in March 2001). On 9 September 2001, Lukashenko was reelected president in what Organization for Security and Cooperation in Europe (OSCE) observers described as undemocratic elections. Lukashenko won 75.6% of the vote, with opposition candidate Vladimir Goncharik winning 15.4% and Liberal Democratic Party leader Syargey Gaydukevich winning 2.5%. The government reported 83.9% of eligible voters participated in the election.

In June 2002, Russian president Vladimir Putin refused to follow the path to integration that Belarus had proposed for the two nations, saying it would lead to the recreation of "something along the lines of the Soviet Union." While Lukashenko pledged not to relinquish Belarus's sovereignty in the union with Russia, Putin put forth a proposal for the "ultimate unification" of both countries. Putin envisioned a federation based on the Russian constitution, with the Russian ruble as the state's sole currency and the election of a president in 2004. A constitution for the union was approved in March 2003. In April 2003, the speaker of the Russian Duma indicated Armenia, Ukraine, and Moldova might be probable candidates for joining the Belarus-Russian union. Although Lukashenko's relations with Moscow continued to improve (Russia endorsed the 2001 elections and the 2004 referendum), as of 2006, little progress had been made in solving some of the problems related to the organization and structure of the Belarus-Russian union.

European policy has not been coherent or proactive in facing the human right violations in Belarus. In November 2002, 14 EU states imposed a travel ban on Lukashenko and several of his government ministers as a way of protesting Belarus's poor human rights record. However, Lukashenko continued to eliminate political opponents, attack independent press, and expand his powers. In February 2003, Lukashenko pledged support for Iraq in the prelude to war that began on 19 March, led by a US and UK coalition, to project an image of a strong and independent leader.

Among European countries Poland has been playing the most active role in promoting democratic changes and market transformation in Belarus, and supporting the country's national revival. However, the Polish government has not developed a strong or consistent policy of dealing with Lukashenko. The Belarussian Union of Poles (ZPB), an organization representing the 400,000 ethnic Poles living in Belarus, had its headquarters raided by police in July 2005, after Lukashenko accused the organization of

plotting his overthrow. Poland recalled its ambassador after the incident, and relations between the two countries were strained as of early 2006.

On 16 December 2005 presidential elections were announced for 19 March 2006.

### 13 GOVERNMENT

In May 1993, a draft constitution was presented to the 12th session of parliament, which adopted 88 of the new constitution's 153 articles.

Until mid-1994, Belarus was the only former Soviet republic not to have a president. The chairman of the Supreme Soviet was considered the chief of state, but power remained in the hands of the Council of Ministers headed by a prime minister.

On 19 July 1994, elections for president were held in Belarus. Alyaksandr Lukashenko received 80.1% of the vote. He was elected on a platform of clearing out the ruling Communist establishment. Lukashenko, however, is not a democrat but a Communist populist, who appears to have no plans for implementing political or economic reform.

He has been cited by Human Rights Watch for numerous violations and, by Western standards, rules as a dictator.

In November 1996, Lukashenko won a plebiscite to expand his powers. He signed a new constitution into law giving the president power to dissolve parliament and authorized the formation of a new bicameral National Assembly with a 64-member upper house, the Council of the Republic, and a 110-member lower house, the House of Representatives. All legislators serve four-year terms. The president's term was also extended until 2001, the year when he was reelected. The October 2004 referendum, criticized by Western observers as fraudulent, revised the constitution to eliminate presidential term limits. Consequently, Lukashenko was eligible to run for a third term in September 2006. Parliamentary elections held at the same time resulted in the election of only pro-Lukashenko candidates, with many opposition candidates disqualified on technicalities.

### 14 POLITICAL PARTIES

The Communist Party was declared illegal after the abortive August 1991 coup attempt, but was relegalized in February 1993. With two other pro-Communist parties it merged into the People's Movement of Belarus in May 1993. On the whole, political parties have not gathered the momentum evident in other former Soviet republics. None of the parties has had a large public following.

The parties with the greatest representation in the 260-member unicameral Supreme Council elected in 1995 were the Communist Party (42 seats) and the Agrarian Party (33). Following the elections in October 2004, which were widely criticized internationally, all the seats were won by pro-Lukashenko candidates. The Supreme Council was disbanded under the terms of the 1996 constitution and replaced with a bicameral legislature, for which the first elections were held in January 1997.

The primary pro-government party is the Belarussian Popular Patriotic Union, which supports President Lukashenko and the proposed union with Russia. Other pro-government parties include the Agrarian Party (AP), the Belarussian Communist Party (KPB), the Liberal Democratic Party of Belarus, and the Social-Sports Party. The primary opposition party is the Belarussian



Popular Front, whose chairman, Zyanon Paznyak, was in exile in the United States and whose other leaders were jailed at various times. The Popular Front was one of three parties that organized the alternative presidential elections held in 1999 to protest the extension of President Lukashenko's term to 2001. Other opposition parties are the Belarussian Social-Democrat Party Narodnaya Gromada (BSDP NG), the Belarussian Social-Democratic party Hromada, the United Civic party (UCP), the Party of Communists Belarussian (PKB), and the Women's Party "Nadezhda". The opposition Belarussian Party of Labor was liquidated in August 2004, but remains active.

## 15 LOCAL GOVERNMENT

Belarus is divided into six provinces (*oblasts*) and one municipality. The *oblasts* are roughly parallel to counties in the United States. Each has a capital city, and the name of the *oblast* is typically derived from the name of this city. The names of the six *oblasts* are Brestskaya, Homyel'skaya, Hrodzyenskaya, Mahilyowskaya, Minskaya, and Vitsyebskaya. The municipality is Horad Minsk. Local Councils of Deputies are elected for four-year terms. A 1994 decree gave the president the right to appoint and dismiss senior local officials. The constitutional modifications passed in 1996 give the president increased powers over local government, including the power of nullifying rulings by local councils.

## 16 JUDICIAL SYSTEM

The courts system consists of district courts, regional courts, and the Supreme Court. Higher courts serve as appellate courts but also serve as courts of first instance. There are also economic courts, and a Supreme Economic Court. Trials are generally public unless closed on grounds of national security. Litigants have a right to counsel and, in cases of need, to appointment of counsel at state expense.

The president appoints all district level and military judges. The 1996 constitution gives the president the power to appoint 6 of the 12 members of the Constitutional Court, including the chief justice. The Council of the Republic appoints the other remaining 6 members of the Constitutional Court. The judiciary is not independent and is under the influence of the executive. Legislation concerning independence of the judiciary was passed in 1995, but the laws have not been implemented. The Constitutional Court was established in 1994, and adjudicates serious constitutional issues, but it has no power to enforce its decisions. Prosecutors are responsible to the Procurator General who is appointed by the Council of the Republic according to the 1996 constitution. The offices of prosecutors consist of district offices, regional, and republic level offices.

## 17 ARMED FORCES

The active armed forces of Belarus numbered 72,940 in 2005. The reserves consisted of 289,500 individuals who had military service within the last five years. The nation's military is organized into three services: an army; an air force; and an air defense force. The Army numbered 29,600 active personnel, and was supported by 1,586 main battle tanks, 1,588 armored infantry fighting vehicles, 916 armored personnel carriers, and 1,499 artillery pieces. The Air Force and Air Defense Force numbered a combined 18,170 active personnel. The Air Force had 210 combat capable

aircraft, including 50 attack helicopters. The Air Defense Force operated 175 surface-to-air missile batteries. Belarus also had a paramilitary force of 110,000 personnel, which included 12,000 border guards, an 87,000-man militia, and 11,000 Ministry of Interior Troops. The militia and the border guards are also under the command of the Interior Ministry. In 2005 the defense budget totaled \$251 million.

## 18 INTERNATIONAL COOPERATION

Belarus was admitted to the United Nations on 22 October 1945 and serves on several specialized agencies, such as IAEA, IMF, UNCTAD, UNESCO, UNIDO, WHO, and the World Bank. It is an observer in the WTO. Belarus joined the OSCE on 30 January 1992. The country is part of the Commonwealth of Independent Nations (CIS) and the Central European Initiative. In 2000, Belarus, Kazakhstan, Russia, Kyrgyzstan, and Tajikistan established the Eurasian Economic Community.

The country has signed the Nuclear Nonproliferation Treaty and has formal diplomatic ties with many nations. It is a member of the Nuclear Suppliers Group (London Group) and the Non-aligned Movement. The country is also a member of the NATO Partnership for Peace. The United States recognized Belarus's sovereignty 25 December 1991. US diplomatic relations with Belarus were established two days later. Belarus has unresolved boundary disputes with Ukraine and Latvia.

In environmental cooperation, Belarus is part of the Basel Convention, the Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the London Convention, the Montréal Protocol, MARPOL, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Belarus's economy has been geared toward industrial production, mostly in machinery and metallurgy with a significant military component, although trade and services account for an increasing share of economic activity. Forestry and agriculture, notably potatoes, grain, peat, and cattle, are also important. Belarus's economy is closely integrated with those of Eastern Europe and the other republics of the former Soviet Union, and the breakup of the Soviet Union was highly disruptive to it. The demand for military products was cut sharply, and supplies of imported energy and raw materials were curtailed.

Despite repeated calls by the IMF for economic reform in Belarus, the Lukashenko government remains committed to maintaining state control over most industries. Lukashenko's administration has also come under severe criticism for its monetary policies. Western analysts accuse the Belarussian government of printing more money to subsidize higher salaries, thereby fueling inflation.

In 1997, Belarus and Russia signed a treaty of union, to provide for close cooperation in foreign affairs and military and economic policies, including freedom of movement for citizens, property ownership, and participation in local elections. Each country will retain its sovereignty, independence, territorial integrity, and other aspects of statehood however. A constitution for the union was approved in 2003.

The business climate remains poor in Belarus: as of 2000, production had increased, but products were uncompetitive on the

world market and many were placed in warehouses for storage. Losses from state-owned businesses are largely written off, which prevents those businesses from going bankrupt and keeps unemployment artificially low. Because Lukashenko controls all governmental power, there are no checks and balances or legal provisions for regulating business matters. However, as of 2003, Belarus had six free economic zones, which have attracted foreign investment, especially from Poland, Russia, and Germany, with the United States as the sixth-largest investor.

Economic expansion has been strong over the past years, with a boost of the GDP growth rate from 7.1% in 2003, to 11.0% in 2004; in 2005, the rate is expected to return to the 2003 level. This expansion was fueled by strong domestic demand, as a result of an increase in real wages, and due to a better and more stable macroeconomic situation. Inflation has been fairly high, but decreasing—in 2004 it was 18.1%, and by 2005 it was expected to dwindle further to 13.0%. Unemployment is very low at 2%, but a large number of the working force is believed to be underemployed.

Despite having an economy that seems to be doing well on paper, most international analysts agree that as long as Lukashenko will continue to favor the obsolete industrial base, and as long as he will continue to pump subsidies into the agricultural sector (the peasants and the blue collar workers are his main constituency), Belarus will not achieve healthy and sustainable economic growth.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Belarus's gross domestic product (GDP) was estimated at \$77.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$7,600. The annual growth rate of GDP was estimated at 7.8%. The average inflation rate in 2005 was 11.5%. It was estimated that agriculture accounted for 9.3% of GDP, industry 31.6%, and services 59.1% in 2005.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$162 million or about \$16 per capita and accounted for approximately 0.9% of GDP. Foreign aid receipts amounted to \$32 million or about \$3 per capita and accounted for approximately 0.2% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Belarus totaled \$10.42 billion or about \$1,055 per capita based on a GDP of \$17.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.0%. In 2001 it was estimated that approximately 36% of household consumption was spent on food, 15% on fuel, 7% on health care, and 10% on education. It was estimated that in 2003 about 27.1% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

The labor force as of end 2003 numbered 4.305 million workers. Of that total in that same year, an estimated 14% were engaged

in agriculture, 51.3% in services, and 34.7% in industry. In 2004, the number of registered unemployed was officially put at 2%, but there was a large segment of the working population that was underemployed.

Although the constitution provides for the right of workers to form and join independent unions, these rights are not respected in practice. Union activity is discouraged, and almost impossible to conduct in most of the state-owned larger industries. Strikes are legally permitted but tight control by the regime over public demonstrations makes it difficult to strike or hold public rallies. The government has harassed and arrested union leaders, and broken up union-sponsored activities. In addition, workers who are fired for union or political activity are not required to be re-hired by their employers.

Forced or compulsory labor by adults or children is prohibited. The statutory minimum employment age is 16, although a child of 14 can be employed if the parent or legal guardian gives written consent. In addition, minors under the age of 18 cannot work at hazardous jobs, or those which will adversely affect his or her education. Also they cannot work overtime on government holidays, or on the weekend. The workweek was set at 40 hours, with a 24-hour rest period per week. Safety and health standards in the workplace are often ignored. As of 2005, the minimum wage was us\$55 a month, which does not provide a decent standard of living. However, average real wages were officially reported (as of end 2005) at around us\$250 per month, although many receive additional income from the underground economy.

## 2<sup>2</sup> AGRICULTURE

Belarus had about 5,570,000 hectares (14,159,000 acres) of arable land (27.6% of the total) in 2002. Agriculture engaged about 14% of the economically active population in 2003 and accounted for 9.3% of GDP in 2005. Production levels (in 1,000 tons) for 2004 include: potatoes, 9,900; sugar beets, 3,088; barley, 2,070; rye, 1,480; wheat, 1,025; and oats, 765. In 2002, 64,200 and 13,800 tractors and combines, respectively, were in service.

## 2<sup>3</sup> ANIMAL HUSBANDRY

About 15% of the total land area is devoted to pastureland. In 2004, there were some 3,924,000 cattle, 3,287,000 pigs, 63,000 sheep, and 24,000,000 chickens. Of the 639,500 tons of meat produced in 2004, beef and veal accounted for 35%; poultry, 14%; pork, 50%, and other meats, 1%. Belarus produces more dairy products than any other former Soviet republic except Russia, with 5.2 million tons of milk, 77,400 tons of butter and ghee, and 80,800 tons of cheese produced in 2004. That year, egg production amounted to 163,300 tons; honey, 3,100 tons.

## 2<sup>4</sup> FISHING

As a landlocked nation, fishing is confined to the system of rivers (Pripyat, Byarezina, Nyoman, Zach Dvina, Sozh, Dnieper) that cross Belarus. The total catch in 2003 was 12,318 tons, with aquaculture accounting for 44% of that amount.

## 2<sup>5</sup> FORESTRY

About 45% of the total land area was covered by forests in 2000. Radioactive contamination of some forestland from the 1986 Chernobyl disaster has severely restricted output. In 2003, Belar-

us produced 7.5 million cu m (265 million cu ft) of roundwood, of which 1,518,000 cu m (53.6 million cu ft) were exported for a value of \$35.7 million.

## 26 MINING

Potash was the one significant mineral resource possessed by Belarus, which ranked second in world output in 2000. During the 1980s, Belarus produced 5 million tons per year (calculated based on potassium oxide content), about 50% of the former Soviet Union's output. After the breakup of the Soviet Union, production fell to 1.95 million tons by 1993. A program was then undertaken to raise the quality of potash to world standards to increase exports. Total production in 2002 was 3.8 million tons, down from 4.55 million tons in 1999. Potash was mined in the Salihorsk region, by the Belaruskaliy production association. Accumulated waste from the industry has raised environmental concerns. Two plants produced 2.17 million tons of cement in 2002.

## 27 ENERGY AND POWER

Domestic electricity is produced by four thermal plants. Belarus also imports electricity generated by nuclear and hydroelectric plants. In 2004, a total of 30 billion kWh was generated, of which 24.841 billion kWh came from thermal sources and 0.028 billion kWh from hydropower. In the same year, consumption of electricity totaled 28.015 billion kWh. Total capacity in 2002 was 7.838 million kW.

Only a small portion of Belarus's energy requirement is met by local production. Belarus has been producing oil since 1964 and had 37 operational fields in 1995. As of 2002 Belarus had oil reserves estimated at 198 million barrels, but there was a lack of foreign investment to fund exploration. In 2002, around 36,500 barrels of oil were produced per day, along with a nominal amount of peat and natural gas. Peat is found throughout the country and is processed by 37 fuel briquetting plants. Natural gas production in 2002 totaled 6.71 billion cu ft. There are two major oil refineries: Mazyr and Navapolatsk. Although oil consumption has been cut roughly in half since the early 1990s, Belarus was still obliged to import 75% of its oil from Russia as of 2002. In December 2002, Belarus sold its 11% stake in Slavneft, a joint Belarus and Russian state-run oil company, to Russia.

Belarus is an important transit route for Russian oil and natural gas exports to Eastern Europe, via pipelines that can carry up to 1,030,000 barrels per day of oil and 22.7 billion cu m (800 billion cu ft) per year of natural gas. Roughly half of Russia's net oil exports travel through Belarus, and a trade agreement between the two countries exempts Russia from paying export duties on this oil. In March 1993, Poland and Russia entered into an agreement to build a 2,500-mile natural gas pipeline from Russia's northern Yamal Peninsula, through Belarus and Poland, to Germany. When completed by 2010, the planned capacity of the new pipeline will be more than 56.6 billion cu m (2 trillion cu ft) per year. To maintain stable supplies of oil and natural gas, Belarus has entered into a joint project with Russia, sponsored by the European Bank for Reconstruction and Development (EBRD), to develop 60 million tons of oil from idle wells in Russia's Tymen region in exchange for guaranteed Russian oil supplies.

## 28 INDUSTRY

Belarus's industrial base is relatively well-developed and diversified compared to other newly independent states. Industry accounted for 31.6% of GDP in 2005. Belarus's main industries are engineering, machine tools, agricultural equipment, fertilizer, chemicals, defense-related products, prefabricated construction materials, motor vehicles, motorcycles, textiles, threads, and some consumer products, such as refrigerators, watches, televisions, and radios. The types of motor vehicles produced are off-highway dump trucks with up to 110-metric-ton load capacity, tractors, earth movers for construction and mining, and 25-metric-ton trucks for use in roadless and tundra areas.

While there had been an increase in industrial production as of 2002, a high volume of unsold industrial goods remain stocked in warehouses, due to high overhead costs that make Belarussian products uncompetitive on the world market. Belarus has taken few steps to privatize state-owned industries: it was estimated that around 10% of all Belarussian enterprises were privatized as of 2000.

By 2004, the participation of industry in the overall economic output had decreased to 36.4%, while its share in the labor fell to 34.7%; agriculture made up 11% of the GDP, and employed 14% of the labor force; services came in first with 52.6%, and 51.3% respectively. The industrial production growth was less than half of the GDP growth rate, at 4%, but it recovered in the first nine months of 2005 (10%), and was well above the same rate in Russia and Ukraine (4% and 3.2% respectively).

## 29 SCIENCE AND TECHNOLOGY

The Academy of Sciences of Belarus, founded in 1929 and headquartered in Minsk, has departments of physics, mathematics, and informatics; physical and engineering problems of machine building and energetics; chemical and geological sciences, biological sciences, and medical-biological sciences; it also operates numerous research institutes.

The Belarussian State University, founded in 1921 at Minsk, has faculties of applied mathematics, biology, chemistry, geography, mechanics and mathematics, physics, and radiophysics and electronics. The Belarussian State Technological University, founded in 1930 at Minsk, has faculties of chemistry technology and engineering, forestry, and organic substances technology. In 1987-97, science and engineering students accounted for 48% of college and university enrollment.

The Belarussian State Scientific and Technical Library, located in Minsk, had more than 1.2 million volumes as of 1996. In 2002, total research and development (R&D) expenditures in Belarus amounted to \$348.3 million, or 0.6% of GDP, of which 63.4% came from the government, 24.4% from business, 10.1% from foreign sources, and 2.2% from higher education. In that year, 1,870 researchers and 207 technicians per million people were actively engaged in R&D. In 2002, high technology exports totaled \$212 million, or 4% of manufactured exports.

## 30 DOMESTIC TRADE

In 1992, retail prices rose more than 1,000%. The same year a parallel national currency (called the ruble) was introduced and declared the only legal tender for purchasing goods such as food, al-

cohol, and tobacco. In 1998, the inflation rate was 182%. Though the government had initiated some capitalist reforms from 1991 to 1994, President Alexander Lukashenko (elected 1994) has significantly slowed efforts toward privatization through a program of “market socialism.” The government has administrative control of prices and currency exchange rates and has also reestablished certain management rights over private enterprises. As of early 2003, nearly 80% of industry was state-owned. Independent banks had also been renationalized.

### 3<sup>1</sup> FOREIGN TRADE

Before the collapse of the Soviet Union, Belarus exported about 40% of its industrial output to other Soviet republics and imported 90% of its primary energy and 70% of its raw materials from them. Belarus has remained exceedingly dependant on Russia for economic support; a proposed EU-style partnership between the two nations threatens its economic independence.

In 2000, Belarus exported machinery and transport equipment, chemicals, petroleum products, and manufactured goods. Imports included fuel, natural gas, industrial raw materials, textiles, and sugar. Belarus's major trading partners are Russia, Ukraine, Poland, and Germany. Imports and exports grew at an annual pace of over 61% in 1995.

Unlike Russia, Belarus did not manage to maintain a positive resource balance in 2004—while exports grew to \$11.5 billion (FOB—Free on Board), they were surpassed by imports, at \$13.6 billion. Russia continued to dominate Belarus's trade, receiving 47% of its exports, and sending 68.2% of its imports. Other important trading partners included the United Kingdom, Germany, the Netherlands, and Poland.

### 3<sup>2</sup> BALANCE OF PAYMENTS

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Belarus's exports was \$7.5 billion, while imports totaled \$8.1 billion, resulting in a trade deficit of \$600 million.

The International Monetary Fund (IMF) reported that in 2001 Belarus had exports of goods totaling \$7.26 billion and imports

#### Principal Trading Partners – Belarus (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	9,945.6	11,558.0	-1,612.4
Russia	4,879.9	7,601.9	-2,722.0
United Kingdom	938.3	79.3	859.0
Poland	434.2	348.5	85.7
Germany	421.2	820.7	-399.5
Netherlands	413.8	93.4	320.4
Latvia	344.3	44.3	300.0
Ukraine	343.5	362.1	-18.6
Lithuania	265.0	154.2	110.8
China	162.3	71.8	90.5
Italy-San Marino-Holy See	135.3	284.0	-148.7

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Belarus (2001)

(In millions of US dollars)

<b>Current Account</b>		<b>-285.2</b>
Balance on goods		-806.9
Imports	-8,063.1	
Exports	7,256.2	
Balance on services		410.4
Balance on income		-42.8
Current transfers		154.1
<b>Capital Account</b>		<b>56.3</b>
<b>Financial Account</b>		<b>247.1</b>
Direct investment abroad		-0.3
Direct investment in Belarus		95.8
Portfolio investment assets		10.5
Portfolio investment liabilities		-45.4
Financial derivatives		...
Other investment assets		-139.2
Other investment liabilities		325.7
<b>Net Errors and Omissions</b>		<b>-99.6</b>
<b>Reserves and Related Items</b>		<b>81.4</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

totaling \$8.06 billion. The services credit totaled \$1.01 billion and debit \$603 million.

Unlike any other country in the region, Belarus recently witnessed a trade recoil, with exports of goods and services decreasing from \$11.6 billion in 2003, to \$9.9 billion in 2004; imports went down from \$12.3 billion in 2003, to \$10.3 billion in 2004. The resource balance was consequently negative, but not alarming— -\$678 million in 2003, and -\$441 million in 2004. The current account balance followed a similar path, improving from -\$505 million in 2003, to -\$271 million in 2004. Total reserves (including gold) were insignificant at \$432 million, covering less than a month of imports in 2004.

### 3<sup>3</sup> BANKING AND SECURITIES

The National Bank of Belarus is the central bank of Belarus, charged with regulating the money supply, circulating currency, and regulating the commercial banks of the country. The currency unit is the ruble. There are no current figures on the level of foreign currency reserves, but it is widely assumed that these have dwindled to perilously low levels because of the need for the National Bank of Belarus to maintain the local currency at its overvalued exchange rate on the Minsk Interbank Currency Exchange (MICE). The central bank has also had to turn to the street market to replenish reserves; in August, 1996, it bought \$25 million, paying effectively 10% more than it would have through MICE. Under Belarus's “currency corridor,” the Belarussian ruble cannot fall below BR615,000: \$1 at its twice-weekly auctions at the MICE. The street market accounts for 70–80% of foreign exchange trading. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$640.0 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$1.8 billion. The discount

rate, the interest rate at which the central bank lends to financial institutions in the short term, was 48%.

### 34 INSURANCE

No recent information about the insurance industry in Belarus is available.

### 35 PUBLIC FINANCE

Because it was formerly a part of the Soviet Union, Belarus has a well-established industrial base, but the transition from a centrally planned economy to a free market economy has not been easy. Privatization, although in progress, has been happening slowly, and foreign investment is discouraged by the “hostile” business climate.

The US Central Intelligence Agency (CIA) estimated that in 2005 Belarus's central government took in revenues of approximately \$5.9 billion and had expenditures of \$6.3 billion. Revenues minus expenditures totaled approximately -\$440 million. Total external debt was \$4.662 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were BR6,960.4 billion and expenditures were BR7,089 billion. The value of revenues was US\$4 million and expenditures US\$4 million, based on an official exchange rate for 2002 of US\$1 = BR1,790.917 as reported by the IMF. Government outlays by function were as follows: general public services, 20.9%; defense, 4.6%; public order and safety, 4.4%; economic affairs, 13.0%; health, 3.6%; recreation, culture, and religion, 1.4%; education, 4.1%; and social protection, 47.9%.

### 36 TAXATION

Belarus imposes a wide array of taxes on business and citizens. In 2005, the corporate income tax for resident companies was 24% and 30% for insurance companies and banks. Securities transactions are taxed at 40%. Companies with profits of over 5,000 times

the minimum wage are taxed an additional 15% under certain conditions. Joint ventures in which foreign participation is more than 30% are eligible for a three-year tax holiday.

The main indirect tax is the country's value-added tax (VAT) with a standard rate of 18%. A reduced rate of 10% is placed upon certain foodstuffs, agricultural products, repair services, hair-dressers, and laundries. Other consumption taxes include a 3% turnover tax and excise taxes ranging from 10–75%. There are also taxes on the use of natural resources, including the Chernobyl nuclear plant. Individual income is taxed according to a progressive schedule of rates ranging from 12% (up from 4.7%) to 30%. There is a 64.8% employer payroll tax for social security and employment taxes. There are also direct taxes on property and land.

### 37 CUSTOMS AND DUTIES

A 1995 customs union with Russia allows goods to flow between the two countries duty-free. However, the union required Belarus to conform its customs rates to those of Russia, resulting in a tariff increase from 5–10% to 20–40%. In 1995, Belarus also introduced a 20% import VAT (value-added tax) to be paid at the border on all incoming goods, except certain raw material used by local manufacturers.

### 38 FOREIGN INVESTMENT

The European Bank for Reconstruction and Development (EBRD) financed several major infrastructure improvement and commercial projects. The World Bank was financing construction and telecommunication projects, but these were discontinued in 1996 by President Lukashenko. At the end of the decade, President Lukashenko's steadfast refusal to implement market reforms continued to keep foreign investment levels low. In May 2002, however, the government announced a new program aimed at raising the share of foreign investment in GDP from 19% to 26–28%, with most investments coming from Russia. Several state-owned enterprises (SOEs), including oil refineries and chemical plants, were to be transformed into joint stock companies in preparation of selling 49.9% in blocks of 10%. Many restrictions are still tied to foreign investments and in June 2003, President Lukashenko announced that he had turned down proposals from foreign investors amounting to \$10 billion because of unacceptable terms. The president stated that the government's goal was at least \$1 billion in foreign direct investment (FDI) in 2003.

FDI inflow for Belarus reached \$444 million in 1999, up from \$352 million in 1997 and \$203 million in 1998. However, the inflow was reduced to a trickle in 2000 (\$90 million) and 2001 (\$169 million). During the decade 1993 to 2003, according to the Belarus government, foreign investment totaled \$4 billion, \$1.7 billion in FDI and \$2.5 billion in credits guaranteed by the government. All but a small proportion of foreign investment has come from Russia. Other sources include the Netherlands, Germany, and the United States (McDonald's, Coca Cola, and Ford). However, McDonald's and Coca Cola have both had problems with the government and the Ford plant is closed.

Investments have regained strength in 2004, but they were still relatively low to the GDP. What is worse, though, is the fact that only a small percentage of investments come from outside the country—due to a relatively inauspicious business climate and continued state control of major national companies. For the most

#### Public Finance – Belarus (2002)

(In billions of rubels, central government figures)

<b>Revenue and Grants</b>	<b>6,960.4</b>	<b>100.0%</b>
Tax revenue	3,711.9	53.3%
Social contributions	2,845.6	40.9%
Grants	16.1	0.2%
Other revenue	386.8	5.6%
<b>Expenditures</b>	<b>7,089</b>	<b>100.0%</b>
General public services	1,484.8	20.9%
Defense	323.6	4.6%
Public order and safety	311.8	4.4%
Economic affairs	924.8	13.0%
Environmental protection	...	...
Housing and community amenities	1.3	0.0%
Health	253.4	3.6%
Recreational, culture, and religion	101.4	1.4%
Education	293.5	4.1%
Social protection	3,394.3	47.9%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

part, investments are fueled by a high domestic demand (such as financing of new housing), and only a small part went to productive assets.

### 39 ECONOMIC DEVELOPMENT

In the summer of 1995, the Belarussian president announced the policy of “market socialism,” after a period of economic liberalization and privatization that had taken place from 1991–94. The government still controls key market sectors as the private sector only makes up 20% of the economy. Most of the heavy industry in Belarus remains state-owned. Belarus offers easy credit to spur economic growth, but this comes at the price of high inflation. To combat spiraling wages and prices, President Lukashenko imposed price controls. These policies have driven away foreign investment and left Belarus economically isolated.

Bad harvests in 1998 and 1999 and continued trade deficits worsened the climate of economic development. The government resorted to inflationary monetary policies, including the printing of money, to pay salaries and pensions. In 2000, the government tightened its monetary policies, but in 2002, the International Monetary Fund (IMF) criticized Belarus for its economic performance, and refused to resume loans to the country. (IMF loans were last offered in 1995.) The balance of payments situation remained weak from 2001–03, as the ruble rose against the US dollar and the Russian ruble. The current account deficit was \$279 million or 2% of gross domestic product (GDP) in 2003. There were plans in 2003 for monetary and currency union with Russia, which would require substantial macroeconomic reforms on the part of Belarus.

The country’s good economic performance is expected to falter in the coming years due to the concerted effect of a series of factors. First of all, oil prices (which have boosted export returns) are expected to level off soon. An appreciation of the currency will work as a disincentive for exporters, while the growth of wages cannot exceed the growth in productivity for too long. Also, Belarus’s most important trade partner, Russia, will probably curtail imports, as it is itself in an economically difficult position.

### 40 SOCIAL DEVELOPMENT

Old age, disability, and survivors are protected by a social insurance system updated in 1999. Sickness, maternity, work injury, family allowance, and unemployment benefits are covered by the system. Employers contribute between 10–35% of payroll depending on the type of company. The government covers the cost of social pensions and subsidies as needed. Retirement is set at age 60 for men and age 55 for women. Workers’ compensation laws were first instituted in 1939. Family allowances are available for families with one or more children.

The human rights record of Belarus has worsened in recent years, after President Lukashenka amended the constitution to extend his stay in office and handpick members of parliament. Reports of police brutality are widespread and prison conditions are poor. Arbitrary arrests and detention have been reported, as well as incidents of severe hazing in the military. As of 2004, political opponents and protests are met with a violent government response. The government abridges freedom of the press, speech, assembly, religion, and movement. Religious freedom and equality is provided for in the constitution, but religions other than Rus-

sian Orthodox are discriminated against. There were a number of right wing and skinhead groups active in 2004.

Domestic abuse and violence against women continued to be a significant problem in 2004. Although laws against rape exist, most women do not report the crime due to fear that the police will blame the victim. Spousal rape is not viewed as a crime. While there are no legal restrictions on women’s participation in public life, social barriers are considerable, and women commonly experience discrimination when it comes to job opportunities. The law mandates equal pay for equal work, but few women reach senior management or government positions. Trafficking in women remains a serious problem.

### 41 HEALTH

The basic framework of the health care system has remained the same since the breakup of the Soviet Union. Health care is administered through a network of hospitals, polyclinics, tertiary care centers, and walk-in clinics. As of 2004, there were an estimated 450 physicians, 1,234 nurses, 44 dentists, and 31 pharmacists per 100,000 people. In addition to hospitals and medical personnel, the medical infrastructure comprises pharmacies and other retail outlets from which people and institutions acquire medicines and other basic medical supplies. Health care expenditures were an estimated 5.6% of GDP.

The incident with the most wide-ranging effects on the health of the Belarussian population was the accident at the Chernobyl nuclear power plant in April 1986. An estimated 2.2 million Belarussians were directly affected by radioactive fallout. As a result of the disaster, the population is constantly subject to increased amounts of background radiation that weakens the immune systems of individuals in contaminated areas; many are said to suffer from “Chernobyl AIDS.”

The 1999 birthrate was 10 per 1,000 inhabitants, with 101,317 births. Life expectancy in 2005 was 68.72 years. In 1997, children one year of age were immunized at the following rates: tuberculosis, 98%; diphtheria, pertussis, and tetanus, 97%; polio, 98%; and measles, 98%. The infant mortality rate in 2005 was 13.37 per 1,000 live births. Maternal mortality was estimated at 28 per 100,000 live births in 1998. In 1999, there were 80 deaths from tuberculosis per 100,000 people.

The HIV/AIDS prevalence was 0.30 per 100 adults in 2003. As of 2004, there were approximately 15,000 people living with HIV/AIDS in the country. There were an estimated 1,000 deaths from AIDS in 2003.

The National AIDS Center was established in 1990.

### 42 HOUSING

The lack of adequate, affordable housing continues to be a problem for Belarus, but certain advances have been made. After the 1986 Chernobyl nuclear plant disaster, the government was forced to seal off 485 human settlement areas, displacing about 135,000 people. Over 65,000 apartments and homes have since been built to house these people. Since 1992, the government has been reforming housing laws to secure the constitutional right of citizens to acquire, build, reconstruct, or lease housing facilities.

In 1999, about 97% of the population were living in what was defined as conventional dwellings (primarily detached houses, separate or shared apartments or flats, and hostels). About 56%

were living in separate flats. About 31% were in detached houses. Those living in flats had the greatest access to improved utilities, such as central heating, central piped hot water, and flush toilets. Nationwide, only about 68% of the population had flush toilets in the home (1999), and only 71% had piped water. About 26.5% of the total population were using stove heating. About 66% of the housing stock had been built in the period 1961–90.

### 43 EDUCATION

Education is compulsory for children between the ages of 6 and 15. The primary school program covers four years of study and the basic education covers five years. General secondary programs are offered at gymnasiums (general studies), lyceums (affiliated with universities), and colleges (vocational studies); general secondary studies courses cover an additional two years. Students also have an option of attending a four-year technical school (technicum) or a three-year trade school instead of the general programs.

Primary school enrollment in 2003 was estimated at about 94% of age-eligible students. The same year, secondary school enrollment was about 85% of age-eligible students. The student-to-teacher ratio for primary school was at about 16:1 in 2003. The ratio for secondary school was about 9:1. It is estimated that about 98.7% of all students complete their primary education. The academic year runs from September to July.

Education at public higher education institutes is free for students who pass the entrance competition. In 2005, there were 44 public higher education institutions, including 25 universities, 9 academies, 4 institutes, 5 colleges, and 1 technical school. There were also 13 private higher education institutions. Total enrollment at these institutions was about 545,800. The largest public institute is the Belarussian State University, which is located in Minsk and was founded in 1921. The adult literacy rate for 2004 was estimated at about 99.8%, with equal rates for men and women.

The official languages of education are Belarussian, which is written in the Cyrillic script, and Russian. The government is now putting more emphasis on replacing Russian with Belarussian. The Ministry of Education and the National Institute for Higher Education are the primary administrative bodies. As of 2003, public expenditure on education was estimated at 6% of GDP.

### 44 LIBRARIES AND MUSEUMS

As of 2002, the National Library in Minsk held 7.6 million volumes. The country also had an extensive public library system. Universities with significant library holdings include the Belarussian State Polytechnical Academy (over two million volumes), Belarussian State University (1.7 million volumes), and the Minsk Teacher Training Institute (1.2 million volumes). The presidential library holds 1.5 million volumes, and the Gomel Regional Library has 1.3 million volumes.

The country records 14,392 monuments and historic sites. The State Art Museum in Minsk houses the country's largest collection of fine arts. The Belarussian State Museum of the Great Patriotic War (World War II) in Minsk houses artifacts and memorials of the country's great travails during the war. There is a historical and archaeological museum in Grodno and a natural history museum in Belovezskaja Pusca.

### 45 MEDIA

The Ministry of Telecommunications controls all telecommunications through Beltelcom. In 2003, there were an estimated 311 mainline telephones for every 1,000 people; about 292,800 people were on a waiting list for telephone service installation. The same year, there were approximately 113 mobile phones in use for every 1,000 people.

The government operates the only nationwide television and radio stations; however, there are several local stations. Some Russian, Polish, and Lithuanian stations are received in various parts of the country, but the government has blocked certain programming and has removed some channels from local cable access. In 2003, there were an estimated 199 radios and 362 television sets for every 1,000 people. About 77.2 of every 1,000 people were cable subscribers. In 2003, 141 of every 1,000 people had access to the Internet. There were four secure Internet servers in the country in 2004. All ISPs are controlled by the state.

The most widely read newspapers (with 2002 circulation figures) are *Sovetskaya Belorussiya* (Soviet Belorussia, 330,000); *Narodnaya Hazeta* (People's Newspaper, 259,597); *Respublika* (Republic, 130,000); *Vechernii Minsk* (Evening Minsk, 111,000); *Svaboda* (90,000); *Zvyazda* (Star, 90,000); and *Belorusskaya Niva* (Belarussian Cornfield, 80,000).

Most of the higher circulation papers are controlled by the state in some way. Though freedom of the press is granted in the 1996 constitution, the government continues to restrict this right through a virtual monopoly over forms of mass communication and its desire to limit media criticism of its actions. It controls the editorial content and policy of the largest circulation daily newspapers and of radio and television broadcasts and places severe restrictions on the editorial content of independent publications or broadcasts. Local radio and television stations are pressured to refrain from reporting on national issues. Government authorities reserve the right to ban and censor publications presenting critical reports on national issues. In 2004, the government suspended publication of 25 privately-owned newspapers.

### 46 ORGANIZATIONS

Belarus's important business and commercial organizations include the Chamber of Commerce and Industry of the Republic of Belarus. Important agricultural and industrial organizations include the Belarussian Peasants' Union, the Union of Entrepreneurs and Farmers, and the Union of Small Ventures. There are number of professional associations, particularly for members of medical professions.

The National Academy of Sciences and the Belarussian Physical Society promote public interest and education in science. The Belarussian Think Tanks is a public policy center involved in developing and promoting ideas to create democracy, market economy, and respect for human rights in Belarus.

Political interest youth organizations include the Belarussian Patriotic Youth Union and the Youth Front of Belarus (est. 1993). The Belarus Youth Information Center (YIC) was founded in 1994 to encourage and support youth involvement in science, culture, and education. The Belarussian Students Association is an affiliate member of the National Union of Students in Europe (ESIB). There is an organization of Girl Guides in the country, YMCA/YWCA,

and a Junior Chamber Belarus. Several sports associations are active, representing such pastimes as baseball and softball, track and field, badminton, tennis, and air sports. The country sponsors a National Olympic Committee, a Paralympic Committee, and a Special Olympics chapter.

The International Association for Volunteer Effort serves to promote and provide a network for voluntary service organizations, including Lions Club International, which is active in the country. There is also a League of Youth Voluntary Service. There are active chapters of the Red Cross, Caritas and UNICEF.

#### **47 TOURISM, TRAVEL, AND RECREATION**

Scenery, architecture, and cultural museums and memorials are primary attractions in Belarus. The Belavaezhskaja Puscha Nature Reserve features a variety of wildlife and a nature museum. The city of Hrodna is home to the baroque Farny Cathedral, the Renaissance Bernadine church and monastery, and the History of Religion Museum, which is part of a renovated 18th-century palace. There are also two castles in the area, both housing museums. A valid passport and visa are required of all visitors. An HIV test is required for visits longer than 90 days.

In 2003, there were 63,779 tourist arrivals in Belarus, up from 61,033 in 2000. Tourism receipts totaled \$339 million.

In 2005, the US Department of State estimated the cost of staying in Minsk at \$187 per day.

#### **48 FAMOUS BELARUSSIANS**

Frantsky Sharyna, who lived in the first quarter of the 16th century, translated the Bible into Belarussian. Symeon of Polatsk was a 17th-century poet who wrote in Belarussian. Naksim Bahdanovich was an important 19th-century poet. Modern writers include

Uladzimir Dubouka (1900–1976) and Yazep Pushcha, both poets. Kuzma Chorny and Kandrat Krapiva (1896–1991) were writers of fiction during the outpouring of Belarussian poetry and literature during the 1920s. Famous modern composers from Belarus included Dzmitry Lukas, Ryhor Pukst, and Yauhen Hlebau (1929–2000).

#### **49 DEPENDENCIES**

Belarus has no territories or colonies.

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# BELGIUM

Kingdom of Belgium

*Dutch: Koninkrijk België;*

*French: Royaume de Belgique*



**CAPITAL:** Brussels (Brussel, Bruxelles)

**FLAG:** The flag, adopted in 1831, is a tricolor of black, yellow, and red vertical stripes.

**ANTHEM:** *La Brabançonne* (*The Song of Brabant*), named after the Duchy of Brabant.

**MONETARY UNIT:** The euro replaced the Belgian franc in 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro; and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; Independence Day, 21 July; Assumption Day, 15 August; All Saints' Day, 1 November; Armistice Day, 11 November; Dynasty Day, 15 November; and Christmas, 25 December. Movable religious holidays are Easter Monday, Ascension, and Whitmonday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in northwestern Europe, Belgium has an area of 30,510 sq km (11,780 sq mi) and extends 280 km (174 mi) SE–NW and 222 km (137 mi) NE–SW. Comparatively, the area occupied by Belgium is about the same size as the state of Maryland. Belgium borders on the Netherlands to the N, Germany and Luxembourg to the E, France to the S and SW, and the North Sea to the NW, with a total boundary length of 1,385 km (859 mi).

Belgium's capital city, Brussels, is located in the north-central part of the country.

## <sup>2</sup> TOPOGRAPHY

The coastal region, extending about 16–48 km (10–30 mi) inland, consists of sand dunes, flat pasture land, and polders (land reclaimed from the sea and protected by dikes), and attains a maximum of 15 m (50 ft) above sea level. Eastward, this region gradually gives way to a gently rolling central plain, whose many fertile valleys are irrigated by an extensive network of canals and waterways. Altitudes in this region are about 60–180 m (200–600 ft). The Ardennes, a heavily wooded plateau, is located in southeast Belgium and continues into France. It has an average altitude of about 460 m (1,500 ft) and reaches a maximum of 694 m (2,277 ft) at the Signal de Botrange, the country's highest point. Chief rivers are the Schelde (Scheldt, Escaut) and the Meuse (Maas), both of which rise in France, flow through Belgium, pass through the Netherlands, and empty into the North Sea.

## <sup>3</sup> CLIMATE

In the coastal region, the climate is mild and humid. There are marked temperature changes farther inland. In the high southeasterly districts, hot summers alternate with very cold winters.

Except in the highlands, rainfall is seldom heavy. The average annual temperature is 8°C (46°F); in Brussels, the mean temperature is 10°C (50°F), ranging from 3°C (37°F) in January to 18°C (64°F) in July. Average annual rainfall is between 70 and 100 cm (28 to 40 in).

## <sup>4</sup> FLORA AND FAUNA

The digitalis, wild arum, hyacinth, strawberry, goldenrod, lily of the valley, and other plants common to temperate zones grow in abundance. Beech and oak are the predominant trees. Among mammals still found in Belgium are the boar, fox, badger, squirrel, weasel, marten, and hedgehog. The many varieties of aquatic life include pike, carp, trout, eel, barbel, perch, smelt, chub, roach, bream, shad, sole, mussels, crayfish, and shrimp.

## <sup>5</sup> ENVIRONMENT

About 520 sq km (200 sq mi) of reclaimed coastal land is protected from the sea by concrete dikes. As of 2000, Belgium's most significant environmental problems were air, land, and water pollution due to the heavy concentration of industrial facilities in the country. The sources of pollution range from nuclear radiation to mercury from industry and pesticides from agricultural activity. The country's water supply is threatened by hazardous levels of heavy metals, mercury, and phosphorous. It has a renewable water supply of 12 cu km. Pollution of rivers and canals was considered the worst in Europe as of 1970, when strict water-protection laws were enacted.

Air pollution reaches dangerous levels due to high concentrations of lead and hydrocarbons. Belgium is also among the 50 nations that emit the highest levels of carbon dioxide from industrial sources. In 1996 its emission level was 106 million metric tons. Belgium's problems with air pollution have also affected neighbor-

ing countries by contributing to the conditions which cause acid rain.

The Ministry of Public Health and Environment is Belgium's principal environmental agency, and there is also a Secretary of State for Public Health and Environment. The Belgian government has created several environmental policies to eliminate the country's pollution problems: the 1990–95 plan on Mature Development, an Environmental Policy Plan, and the Waste Plan.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 9 types of mammals, 10 species of birds, 6 species of fish, 4 types of mollusks, and 7 other invertebrates. The Mediterranean mouflon, the Atlantic sturgeon, and the black right whale are listed as endangered. There are nine Ramsar wetland sites within the country.

## 6 POPULATION

The population of Belgium in 2005 was estimated by the United Nations (UN) at 10,458,000, which placed it at number 77 in population among the 193 nations of the world. In 2005, approximately 17% of the population was over 65 years of age, with another 17% of the population under 15 years of age. There were 96 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.1%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 10,809,000. The population density was 342 per sq km (887 per sq mi).

The UN estimated that 97% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.16%. The capital city, Brussels (Brussel, Bruxelles), had a population of 998,000 in that year. Other major urban areas are located within 100 km (60 mi) of Brussels. The largest cities and their estimated populations include Antwerp (Antwerpen, Anvers), 952,600; Gent (Ghent, Gand), 230,951; Charleroi, 206,779; Liège (Luik), 196,825; Brugge (Bruges), 117,172; and Namur (Namen), 106,213.

The government has conducted a census every 10 years since 1848. Since 1984 the registration of births and deaths has been delegated to the Flemish and Walloon language communities. Belgium's population has distinctive language and ethnic divisions. The Ardennes region in the south is the least densely populated region.

## 7 MIGRATION

At the end of 2001, 862,000 persons of foreign nationality were living in Belgium. About 65% were those of other EU countries, primarily Italy, France, the Netherlands, and Spain. There were also a considerable number of Moroccans and Turks living in Belgium that year. In 2003 the foreign labor force in Belgium was 7.6%, and the foreign population was 8.3%. The net migration rate of Belgium was 1.23 migrants per 1,000 population as estimated for 2005.

As of 2004, Belgium hosted approximately 13,500 refugees. In 2004 there were 22,863 asylum applications, mostly from Russia, the Democratic Republic of the Congo, and Iran.

## 8 ETHNIC GROUPS

Two thousand years ago the population of Belgium, as mentioned by Julius Caesar in his book on the Gallic wars, was of Celtic stock. This population was displaced or lost its identity, however, during the great invasions that brought down the Roman Empire. The Salian Franks, who settled there during the 4th century AD, are considered the ancestors of Belgium's present population. The origin of the language frontier in Belgium has never been satisfactorily explained. In the indigenous population, the ratio of Flemings (Dutch speakers) to Walloons (French speakers) is about 5 to 3. In 2004, the Flemings constituted about 58% of the total population; Walloons accounted for 31.7%. The remaining 11% was comprised of those with mixed ancestry or other groups.

## 9 LANGUAGES

According to a 1970 constitutional revision, there are three official languages in Belgium—French, Dutch (also called Flemish), and German. Dutch is the language of the four provinces of Antwerp, Limburg, East Flanders (Oost-Vlaanderen), and West Flanders (West-Vlaanderen), which form the northern half of the country. French is the language of the four southern Walloon provinces of Hainaut, Liège, Luxembourg, and Namur. The central province of Brabant is divided into three districts—one French-speaking (Nivelles, Nijvel), one Dutch-speaking (Leuven, Louvain), and one bilingual (composed of the 19 boroughs of the capital city, Brussels). The majority of people in the Brussels metropolitan area are French-speaking. According to 2005 estimates, 60% of the total population speak Dutch (Flemish), 40% speak French, less than 1% speak German, and 11% are legally bilingual in Dutch and French.

The relationship between the two major language groups has been tense at times. For many years, French was the only official language. A series of laws enacted in the 1930s established equality between the two languages. Dutch became the language of administration, the schools, and the courts in the Flemish region (Flanders), while French continued to be the language of Wallonia. The use of German is regulated in the same way in the German-speaking municipalities in the province of Liège. As a rule, French is studied in all secondary schools in the Flemish region, while Dutch is a required secondary-school subject in Wallonia.

In 1963, a set of laws created four linguistic regions (with bilingual status for Brussels), a decision incorporated into the constitution in 1970. Subsequent legislation in 1971–74 provided for cultural autonomy, regional economic power, and linguistic equality in the central government. Disagreement over the future status of bilingual Brussels intensified during the late 1970s. In 1980, after a political crisis, the Flemish and Walloon regions were given greater autonomy, but the issue of Brussels, a predominantly French-speaking territory surrounded by a Dutch-speaking region, remained intractable and was deferred.

## 10 RELIGIONS

According to a 2001 Survey and Study of Religion conducted by universities within the country, about 47% of the population were nominally Roman Catholic. However, other sources have reported that Roman Catholics account for as high as 75% of the popula-



LOCATION: 49°29'52" to 51°30'21" N; 2°32'48" to 6°25'38" E. BOUNDARY LENGTHS: Netherlands, 450 kilometers (280 miles); Germany, 162 kilometers (101 miles); Luxembourg, 148 kilometers (92 miles); France, 620 kilometers (385 miles); North Sea, 66 kilometers (41 miles). TERRITORIAL SEA LIMIT: 12 miles.

tion. The Roman Catholic Church estimates that of its total Belgian membership, only about 10–15% are active participants.

Based on the Survey and Study of Religion, the Muslim population numbered about 364,000, most of whom were Sunni. Protestants numbered between 125,000 and 140,000. Greek and Russian Orthodox adherents numbered about 70,000. The Jewish community was approximately 45,000 to 55,000 and Anglicans numbered approximately 10,800. The largest unrecognized religions included the Jehovah's Witnesses, with 27,000 members, and the Church of Jesus Christ of Latter-day Saints (Mormons), with about 3,000 members. About 350,000 people belong to laics, the government's term for nonconfessional philosophical organizations. Estimates indicate that up to 15% of the population do not practice any religion at all. About 7.4% claim to follow the tenets of nonconfessional philosophical organizations (*laic*).

The constitution provides for freedom of religion and this right is generally respected in practice. The government gives "recognized" status to Roman Catholicism, Protestantism, Judaism, Anglicanism, Islam, and Orthodox Christianity. These groups are allowed to receive some funding from the government. Laic groups are also considered as a recognized religion. Some social discrimination has been reported by Jews, Muslims, and members of "unrecognized" groups.

## <sup>11</sup>TRANSPORTATION

In 2004, the densest railway network in the world comprised 3,521 km (2,190 mi) of track operated by the government-controlled Belgian National Railway Co., of which 2,927 km (1,821 mi) was electrified. In addition, Belgium has a regional railway network of 27,950 km (17,367 mi). The road network in 2003 comprised 149,757 km (89,417 mi) of highways, of which 117,110 km (72,842 mi) were paved, including 1,747 km (1,087 mi) of expressways. All major European highways pass through Belgium. In 2003, Belgium had 4,793,271 passenger cars and 661,948 commercial vehicles registered for use.

Inland waterways comprise 2,043 km (1,270 mi) of rivers and canals, and are linked with those of France, Germany, and the Netherlands. In 2003, a total of 1,570 km (976 mi) of these waterways are in regular commercial use. The chief port, Antwerp (one of the world's busiest ports), on the Scheldt River, about 84 km (52 mi) from the sea, handles three-fourths of the country's foreign cargo. Other leading ports are Ghent and Zeebrugge. Liège is the third-largest inland river port in Western Europe, after Duisburg, Germany, and Paris. In 2005 the Belgian merchant fleet was comprised of 53 vessels, with a total of 1,146,301 GRT. The fleet numbered 101 ships (2.2 million GRT) in 2002, but offshore registry programs and so-called "flags of convenience" have enticed ship owners into foreign registry.

In 2004, there were an estimated 43 airports. As of 2005 a total of 25 had paved runways, and there was also a single heliport. The Belgian national airline, Sabena, formed in 1923, is the third-oldest international airline. Brussels National Airport, an important international terminus, is served by more than 30 major airlines. In 2003, a total of 2.904 million passengers flew on scheduled domestic and international flights.

## 12 HISTORY

Belgium is named after the Belgae, a Celtic people whose territory was conquered in 57 BC by Julius Caesar and was organized by him as Gallia Belgica. In 15 BC, Augustus made Gallia Belgica (which at that time included much of present-day France) a province of the Roman Empire. In the 5th century AD, it was overrun by the Franks, and in the 8th century, it became part of the empire of Charlemagne. But this empire soon fell apart, and in the 10th century there emerged several feudal units that later would become provinces of Belgium. These included the counties of Flanders, Hainaut, and Namur, the duchy of Brabant, and the prince-bishopric of Liège. During the three following centuries, trade flourished in the towns of the county of Flanders. Antwerp, Bruges, Ypres (Ieper), and Ghent in particular became very prosperous. In the 15th century, most of the territory that currently forms Belgium, the Netherlands, and Luxembourg—formerly called the Low Countries and now called the Benelux countries—came under the rule of the dukes of Burgundy as the result of a shrewd policy of intermarriage. Through the marriage of Mary of Burgundy with Archduke Maximilian of Austria, those same provinces, then collectively known as the Netherlands, became part of the Habsburg Empire in the early 1500s. When Maximilian's grandson Emperor Charles V divided his empire, the Netherlands was united with Spain (1555) under Philip II, who dedicated himself to the repression of Protestantism. His policies resulted in a revolt led by the Protestants.

Thus began a long war, which, after a 12-year truce (1609–21), became intermingled with the Thirty Years' War. Under the Treaty of Westphalia (1648), which ended the Thirty Years' War, independence was granted to the northern Protestant provinces. The southern half remained Roman Catholic and under Spanish rule. By this time, the southern Low Countries (the territory now known as Belgium) had become embroiled in Franco-Spanish power politics. Belgium was invaded on several occasions, and part of its territory was lost to France.

Under the Peace of Utrecht (1713), which concluded the War of the Spanish Succession, Belgium became part of the Austrian Empire. The country was occupied by the French during the War of the Austrian Succession (1744) but was restored to Austria by the Treaty of Aix-la-Chapelle (1748). Belgium entered a period of recovery and material progress under Maria Theresa and her son Joseph II. The latter's administrative reforms created widespread discontent, however, which culminated in the Révolution Brabançonne of 1789. Leopold II, successor to Joseph II, defeated the Belgians and reoccupied the country, but his regime won little popular support. In 1792, the French army invaded the Belgian provinces, which were formally ceded to France by the Treaty of Campo Formio (1797). This French regime was defeated by the anti-Napoleonic coalition at Waterloo in 1815.

Belgium was united with the Netherlands by the Congress of Vienna in 1815. This action caused widespread discontent, culminating in a series of uprisings. The Dutch were compelled to retreat, and on 4 October 1830, Belgium was declared independent by a provisional government. The powers of the Congress of Vienna met again at London in June 1831 and accepted the separation of Belgium and the Netherlands. However, William I, king of the United Netherlands, refused to recognize the validity of this action. On 2 August 1831, he invaded Belgium, but the Dutch force was repulsed by a French army. In 1839, he was forced to accept the Treaty of the XXIV Articles, by which Belgian independence was formally recognized. The European powers guaranteed Belgium's status as "an independent and perpetually neutral state."

In 1831, the Belgian Parliament had chosen Prince Leopold of Saxe-Coburg-Gotha as ruler of the new kingdom, which was already in the process of industrialization. In 1865, Leopold I was succeeded by Leopold II (r.1865–1909), who financed exploration and settlement in the Congo River Basin of Africa, thereby laying the foundations of Belgium's colonial empire. Leopold's nephew, Albert I, came to the throne in 1909. At the outbreak of World War I, German troops invaded Belgium (4 August 1914). The Belgian army offered fierce resistance, but by the end of November 1914, the only Belgian towns not occupied by the Germans were Nieuport (Nieuwpoort), Furnes (Veurne), and Ypres. Belgium, on the side of the Allies, continued to struggle to liberate the kingdom. Ypres, in particular, was the scene of fierce fighting: nearly 100,000 men lost their lives at a battle near there in April and May 1915 (during which the Germans used chlorine gas), and at least 300,000 Allied troops lost their lives in this region during an offensive that lasted from late July to mid-November 1917.

Under the Treaty of Versailles (1919), Germany ceded to Belgium the German-speaking districts of Eupen, Malmédy, St. Vith, and Moresnet. The country made a remarkable recovery from the war, and by 1923, manufacturing industries were nearly back to normal. After a heated controversy with Germany over reparations payments, Belgium joined France in the occupation of the Ruhr in 1923. In 1934, Leopold III succeeded Albert.

Belgium was again attacked on 10 May 1940, when, without warning, the German air force bombed Belgian airports, railroad stations, and communications centers, and Belgian soil was invaded. Antwerp fell on 18 May and Namur on 23 May. By the end of the month, British, French, and Belgian forces were trapped in northwestern Belgium. King Leopold III surrendered unconditionally on 28 May and was taken prisoner of war. The Belgian government-in-exile, in London, continued the war on the side of the Allies. With the country's liberation from the Germans by the Allies and the well-organized Belgian underground, the Belgian government returned to Brussels in September 1944. During the Allied landings in Normandy, King Leopold III had been deported to Germany. In his absence, his brother Prince Charles was designated by parliament as regent of the kingdom.

The country was economically better off after World War II than after World War I. However, a tense political situation resulted from the split that had developed during the war years between Leopold III and the exiled government in London, which had repudiated the king's surrender. After his liberation by the US 7th Army, the king chose to reside in Switzerland. On 12 March 1950, 57.7% of the Belgian electorate declared itself in favor of allow-

ing Leopold III to return as sovereign. The general elections of 4 June 1950 gave an absolute majority to the Christian Social Party, which favored his return, and on 22 July 1950, Leopold came back from exile. But the Socialists and Liberals continued to oppose his resumption of royal prerogatives, and strikes, riots, and demonstrations ensued. On 1 August 1950, Leopold agreed to abdicate, and on 17 July 1951, one day after Leopold actually gave up his throne, his son Baudouin I was formally proclaimed king.

In 1960, the Belgian Congo (now the Democratic Republic of the Congo), a major vestige of Belgium's colonial empire, became independent. The event was followed by two years of brutal civil war, involving mercenaries from Belgium and other countries. Another Belgian territory in Africa, Ruanda-Urundi, became independent as the two states of Rwanda and Burundi in 1962.

Belgium was transferred into a federal state in July 1993. The country is divided into three regions (Flanders, Wallonia, and Brussels) and three linguistic communities (Flemish, French, and German). Voters directly elect members to the regional parliaments. The French-speaking branch of the Socialist party dominates Wallonia while the Dutch-speaking faction of the Christian Democratic Party governs Flanders. As a participant in the Marshall Plan, a member of NATO, and a leader in the movement for European integration, Belgium shared fully in the European prosperity of the first three postwar decades. Domestic political conflict during this period centered on the unequal distribution of wealth and power between Flemings and Walloons. The Flemings generally contended that they were not given equal opportunity with the Walloons in government and business and that the Dutch language was regarded as inferior to French. The Walloons, in turn, complained of their minority status and the economic neglect of their region and feared being outnumbered by the rapidly growing Flemish population. In response to these conflicts, and after a series of cabinet crises, a revised constitution adopted in 1970 created the framework for complete regional autonomy in economic and cultural spheres. In July 1974, legislation provided for the granting of autonomy to Flanders, Wallonia, and Brussels upon a two-thirds vote in parliament. However, the necessary consensus could not be realized. In 1977, a Christian Social–Socialist coalition proposed to establish a federal administration representing the three regions, but could not obtain parliamentary approval for the proposal. In 1980, however, following several acts of violence as a result of the dispute, parliament allowed the establishment in stages of regional executive and legislative bodies for Flanders and Wallonia, with administrative control over cultural affairs, public health, roads, and urban projects.

Labor unrest and political violence has erupted in the past. In 1982, as a result of an industrial recession, worsened by rising petroleum prices and debt servicing costs, the government imposed an austerity program; an intensification of the austerity program, announced in May 1986, aimed to cut public sector spending, restrain wages, and simplify the taxation system. Vigorous trade-union protests have taken place to protest the freezing of wages and cuts in social security payments. Belgium has one of the largest national debts in Western Europe. Since 1995, however, unions have gone along with pay freezes to restore profitability and improve labor market performance.

A riot in May 1985, at a soccer match between English and Italian clubs, caused the death of 39 spectators and precipitated a po-

litical crisis. The government coalition collapsed over charges of inefficient policing, and a general election returned the Christian Social–Liberal alliance to power in November 1985. This in turn accelerated terrorist attacks on public places as well as NATO facilities, responsibility for which was claimed by an extreme left-wing group, Cellules Combattantes Communistes (CCC). Security was tightened in 1986. Linguistic disputes between the French- and Dutch-speaking sections have continued to break out. Extremist parties have sought to capitalize on anti-immigrant feeling among the general population. The Flemish Blok (now Flemish Interest) has been the third-largest party in Flanders and openly advocates an independent Flanders in order to get rid of French-speakers and foreigners.

Economic performance was buoyant from 1996, with growth rates averaging close to 3%; however, with the global economic downturn of the beginning of the 21st century, Belgium's growth rates have lowered. Belgium joined the European economic and monetary union in January 1999 with no problems. Actual unemployment was around 12% as of 2004 but was closer to 20% if elderly unemployed people and people in special government-sponsored programs were included.

Parliamentary elections were held on 18 May 2003, and the Flemish Liberals and Democrats (VLD) finished first in the Flemish elections, defeating the Socialists and Christian Democrats, and the far-right Vlaams Blok. In Wallonia, the Socialists came in first. In both elections, the Greens suffered. Prime Minister Guy Verhofstadt, in office since 1999, formed a center-left coalition of Liberals and Socialists after the May elections. Under Verhofstadt's leadership, Belgium legalized euthanasia and the use of marijuana, and approved gay marriages.

Under Belgium's "universal jurisdiction" law, enacted in 1993, Belgian courts can hear cases involving war crimes and crimes against humanity even if the crimes were not committed in Belgium and did not involve Belgian citizens. Amendments to the law in April 2003 made it harder to bring a case where neither victim, plaintiff, nor accused were Belgian. Israeli Prime Minister Ariel Sharon and former US president George H. W. Bush were charged with war crimes under the law, relating to the 1982 Sabra and Shatila massacres in Lebanon, and the bombing of a civilian shelter in the 1991 Gulf War, respectively. Due to pressure from the United States, Belgian courts now may try only cases which involve charges against Belgian citizens or people resident in Belgium.

The European Union was divided over the use of military force by the United States and UK in the months leading up to the war in Iraq that began on 19 March 2003. Belgium stood with France and Germany in opposing a military response to the crisis.

In 2004, the far-right Vlaams Blok increased its share of the vote in regional and European elections. However, the Belgian High Court ruled that the party was racist and stripped it of the right to state funding and access to television. The party was subsequently reorganized under a new name, the Vlaams Belang, or Flemish Interest.

In May 2005, the government survived a confidence vote, enabling it to put to rest a dispute over the voting rights of French speakers in Dutch-speaking areas around Brussels. This came after months of negotiations over the issue, which sparked demonstrations and riots and brought the government to the brink of collapse.

### 13 GOVERNMENT

Belgium is a hereditary monarchy governed under the constitution of 1831. This document has been frequently amended in recent years to grant recognition and autonomy to the Dutch- and French-speaking communities. Executive power is vested in the king, who appoints and removes ministers, civil servants, judges, and officers. In June 1991, parliament approved a constitutional amendment to allow female members of the royal family to succeed to the throne. The monarch, however, would continue to be known as king regardless of gender.

With approval of parliament, the king has the power to declare war and conclude treaties; he is commander-in-chief of the armed forces. According to the constitution, the king's rights include conferring titles of nobility, granting pardons, and administering the coinage of money. However, none of the king's acts becomes effective unless countersigned by a minister, who assumes responsibility for such acts before parliament. Therefore, the king must choose ministers who represent the majority in parliament. Each ministry is created in response to necessity, and there is no fixed number of ministers.

Legislative power is vested in the king and in the two-chamber parliament. The Chamber of Representatives has 150 members, who are elected for a four-year term through a system of proportional representation. The Senate has 71 members, with 40 directly elected and 31 indirectly elected or co-opted for a four-year term. All persons 18 years of age and older are entitled to vote in parliamentary elections, and those who fail to vote are subject to fines. In time of emergency, the king may convoke extraordinary sessions. The government and both chambers may introduce legislation, and both chambers have equal rights. When a bill is introduced, a committee examines it and appoints a rapporteur, who reports on it before the full assembly. The king may dissolve the chambers either simultaneously or separately, but an election must be provided for within 40 days and a session of the new parliament must meet within two months.

In accordance with the constitutional reform of 1980, there are three communities: the Dutch-, the French-, and the German-speaking communities. They have, in a wholly autonomous manner, responsibility for cultural affairs, education, and for matters concerning the individual. There are also three regions (Flanders, Wallonia, and Brussels), which are responsible for the regional aspects of a broad range of concerns, including the economy, energy, public works and housing, employment, and environmental policy. The institutions of the communities and regions are based on the same principles as those of the national political structure: each entity has a "regional parliament" (the council), whose decisions are implemented by a "regional government" (the executive). The council and the executive are directly elected and can only be brought down by a vote of no confidence.

On 14 July 1993, parliament approved a constitutional revision creating a federal state.

### 14 POLITICAL PARTIES

Political parties in Belgium are organized along ethnolinguistic lines, with each group in Flanders having its Walloon counterpart. The three major political alliances are the Christian Social parties, which have consisted of the Parti Social Chrétien (PSC) and the

Christelijke Volkspartij (CVP); the Socialist parties, the Parti Socialiste (PS) and Socialistische Partij (SP); and the Liberal parties, Parti Réformateur et Liberal (PRL) and Flemish Liberal Democrats (VLD). The People's Union (Volkunie, or VU) was the Flemish nationalistic party, while the French-speaking Democratic Front (Front Démocratique des Francophones—FDF) affirms the rights of the French-speaking population of Brussels. The Flemish Interest (Vlaams Belang—VB) is separatist and antiforeigner while the much smaller far-right National Front (Front Nationale—FN) is openly racist and xenophobic. In 2001, the CVP was renamed the Christian Democratic and Flemish Party (CD and V); the SP was renamed the Social Progressive Alternative Party, or SPA; and the VU split into two parts—the conservative wing established the New Flemish Alliance (NVA), and the left-liberal wing became the Spirit Party. Groen! (formerly AGALEV) is the Flemish Green Party, and ECOLO represents francophone Greens. In 2002, the PSC was renamed the Democratic Humanistic Center (CDH), and the PRL, FDF, and the MCC or Movement of Citizens for Change (created in 1998 by a former leader of the francophone Christian Democrats), formed a new alliance called the Reform Movement (MR). Although these changes in parties' names and new groupings have taken place in the last few years, the Belgian political landscape has not been seriously reorganized.

Following the 13 June 1999 election, party strength in the Chamber of Representatives was as follows: CVP, 14.1% (22 seats); PS, 10.1% (19 seats); SP, 9.6% (14 seats); VLD, 14.31% (23 seats); PRL, 10.1% (18 seats); PSC, 5.9% (10 seats); VB, 9.9% (15 seats); VU, 5.6% (8 seats); ECOLO, 7.3% (11 seats); AGALEV, 7.0% (9 seats); FN 1.5% (1 seat) (150 total seats).

The 1999 election ended the political career of Prime Minister Jean-Luc Dehaene, the Flemish Christian Democrat who led a center-left coalition of francophone and Flemish socialists and his francophone Christian Democratic Party throughout the 1990s. Six parties (French-speaking and Dutch-speaking branches of the Liberal, Socialist, and Green parties) reached a core agreement only three weeks after the election on forming a "blue-red-green" coalition government. It was Belgium's first government in 40 years not to include the Christian Democrats, the first to include the Greens, and the first since 1884 to be led by a Liberal prime minister (Guy Verhofstadt).

The presence of the Greens means a commitment to a progressive withdrawal from nuclear energy, starting with gradual decommissioning of nuclear power stations more than 40 years old. However, the Greens were dealt a setback in the 2003 elections. In the 18 May 2003 elections, the party strength was distributed as follows: VLD, 15.4% (25 seats); SPA-Spirit, 14.9% (23 seats); CD and V, 13.2% (21 seats); PS, 13% (25 seats); VB, 11.6% (18 seats); MR, 11.4% (24 seats); CDH, 5.5% (8 seats); N-VA, 3.1% (1 seat); ECOLO, 3.1% (4 seats); AGALEV, 2.5%, no seats; FN, 2%, (1 seat), and Vivant (Alive), a human rights party, took 1.2% of the vote but secured no seats. Verhofstadt formed a center-left coalition government.

### 15 LOCAL GOVERNMENT

Belgium is divided into 10 provinces: Antwerp, East Flanders, West Flanders, and Limburg in the north, Hainaut, Liège, Luxembourg, and Namur in the south, Flemish Brabant, and Walloon Brabant. Each of the provinces has a council of 50 to 90 members

elected for four-year terms by direct suffrage and empowered to legislate in matters of local concern. A governor, appointed by the king, is the highest executive officer in each province.

There are 482 communes. Each municipality has a town council elected for a six-year term. The council elects an executive body called the board of aldermen. The head of the municipality is the burgomaster, who is appointed by the sovereign upon nomination by the town council. Recently, the number of municipalities has been greatly reduced through consolidation.

In 1971, Brussels was established as a separate bilingual area, presided over by a proportionally elected metropolitan council. Linguistic parity was stipulated for the council's executive committee.

## 16 JUDICIAL SYSTEM

Belgian law is modeled on the French legal system. The judiciary is an independent branch of government on an equal footing with the legislative and the executive branches. Minor offenses are dealt with by justices of the peace and police tribunals. More serious offenses and civil lawsuits are brought before district courts of first instance. Other district courts are commerce and labor tribunals. Verdicts rendered by these courts may be appealed before five regional courts of appeal or the five regional labor courts in Antwerp, Brussels, Gent, Mons, and Liège. All offenses punishable by prison sentences of more than five years must be dealt with by the 11 courts of assize (one for each province and the city of Brussels), the only jury courts in Belgium. The highest courts are five civil and criminal courts of appeal and the supreme Court of Cassation. The latter's function is to verify that the law has been properly applied and interpreted. The constitutionality of legislation is the province of the Council of State, an advisory legal group.

When an error of procedure is found, the decision of the lower court is overruled and the case must be tried again. The death penalty was abolished for all crimes in Belgium in 1996.

A system of military tribunals, including appellate courts, handles both military and common-law offenses involving military personnel. The government is considering narrowing the jurisdiction of these courts to military offenses. All military tribunals consist of four officers and a civilian judge.

Detainees must be brought before a judge within 24 hours of arrest. Although there are provisions for bail, it is rarely granted. Defendants have right to be present, to have counsel, to confront witnesses, to present evidence, and to appeal.

## 17 ARMED FORCES

Belgium's active armed forces in 2005 numbered 36,900, with 18,650 reservists. In terms of personnel, the army is the largest, with 24,800 active members (4,200 reservists), followed by the air force with 6,350 active members (1,600 reservists), and the navy with 2,450 active personnel (1,200 reservists). Belgium also has an 1,800 active member medical service (850 reservists) and a Joint Service force of 1,500 active members (2,200 reservists). The army is equipped with 52 main battle tanks, 104 armored infantry fighting vehicles, 223 armored personnel carriers, and 132 artillery pieces (48 self-propelled). The air force operated 90 combat aircraft, in addition to 36 transports, two early warning/electronic intelligence aircraft, and 49 helicopters. The navy operates a pair of guided missile frigates in addition to one patrol vessel, and

six mine warfare/counter measures/hunter ships and nine logistics and support vessels. In 2005 Belgium spent \$3.35 billion on defense.

## 18 INTERNATIONAL COOPERATION

Belgium is a charter member of the UN, having joined on 27 December 1945, and participates in ECE and all the nonregional specialized agencies. Paul-Henri Spaak of Belgium served as the UN General Assembly's first president (1946–47); from 1957 to 1961, he also served as the secretary-general of NATO, of which Belgium is also a member. The country has been partnered with Luxembourg in the Belgium-Luxembourg Economic Union (BLEU) since 1922. In 1958, Belgium signed a treaty forming the Benelux (Belgium-Netherlands-Luxembourg) Economic Union, following a 10-year period in which a customs union of the three countries was in effect. Belgium is also a member of the Asian Development Bank, Council of Europe, the European Union, the European Investment Bank, the Paris Club (G-10), G-9, the Western European Union, and OECD. It is also a permanent observer of the OAS and a member of the OSCE (1973) and the WTO (1995).

Brussels, the seat of EU institutions, has become an important regional center for Western Europe. In 1967, the Supreme Headquarters Allied Powers Europe (SHAPE) was transferred from Rocquencourt, near Paris, to a site near Mons. On 16 October 1967, the NATO Council's headquarters were moved from Paris to Brussels. Belgium is a member of the Permanent Court of Arbitration.

Belgium is part of the Organization for the Prohibition of Chemical Weapons, Nuclear Suppliers Group (London Group), the Australia Group, the Nuclear Energy Agency, the European Space Agency, the Zangger Committee, and the European Organization for Nuclear Research. The country has offered support for UN efforts in Kosovo (est. 1999), India and Pakistan (est. 1949), Burundi (est. 2004), and the DROC (est. 1999).

In environmental cooperation, Belgium is part of the Antarctic Treaty, the Basel Convention, the Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the London Convention, the International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

In relation to its size and population, Belgium is among the most highly industrialized countries in Europe. Poor in natural resources, it imports raw materials in great quantity and processes them largely for export. Exports equal around 80% of GDP, and about three-quarters of Belgium's foreign trade is with other EU countries.

With the exception of Luxembourg and Ireland, Belgium is the most open economy in the EU as measured by the value of exports and imports relative to GDP, and one of the most open in the world. Belgium's economy is highly integrated with that of its three main neighbors—Germany, France, and the Netherlands.

For a century and a half, Belgium maintained its status as an industrial country, not only by virtue of its geographical position and transport facilities but also because of its ability for most of this period to shape production to meet the changing requirements of

world commerce. Since the 1950s, the Belgian parliament enacted economic expansion laws to enable long-established industries to modernize obsolete plant equipment. Belgium's highly developed transportation systems are closely linked with those of its neighbors. Its chief port, Antwerp, is one of the world's busiest. Belgium has a highly skilled and productive workforce, and the economy is diversified. By 2004, the service sector accounted for approximately 73% of GDP, followed by industry (25.7%) and agriculture (1.3%).

Real growth averaged 5.4% annually during 1967–73 but, like that of other OECD countries, slumped to 2.5% during 1973–80, and 0.7% during 1981–85. It averaged 2.6% during 1984–91 and was 2.3% in 1995. In 1993, Belgium's recession was the most severe in the EU after Germany's. By 1998, real growth stood at 2.8%. Real GDP growth in 2003 was 1.1% due to the global economic downturn existing in 2001–03. Growth picked up in 2004, to 2.7%, but was expected to slow to 1.3% in 2005, due to the impact of high oil prices on Belgium and its export markets. A slight recovery was forecast for 2006 (1.7%) and 2007 (2%). Average inflation was forecast at 2.7% in 2005, 2.5% in 2006, and 2.1% in 2007. The government will need to keep the budget from falling into deficit; budget surpluses will be needed until around 2030 to provide for the costs of an aging population. The 2006 budget was expected to be in balance for the seventh year in a row.

In 1993, when Belgium became a federal state with three distinct regions (Flanders, Wallonia, and Brussels), substantial economic powers were given to each region, such as jurisdiction over industrial development, research, trade promotion, and environmental regulation. Belgium has been seen as a "laboratory state," in that its federal system might stand as a precursor to a more unified EU based on regional divisions.

In 2004 Belgium had the fourth-highest standard of living in the world. However, being a highly taxed and indebted country, some businesses have stated Belgium stifles private enterprise.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Belgium's gross domestic product (GDP) was estimated at \$329.3 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$31,800. The annual growth rate of GDP was estimated at 1.5%. The average inflation rate in 2005 was 2.7%. It was estimated that agriculture accounted for 1% of GDP, industry 24%, and services 74.9% in 2004.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$3.933 billion or about \$378 per capita and accounted for approximately 1.3% of GDP.

The World Bank reports that in 2003 household consumption in Belgium totaled \$165.38 billion or about \$15,902 per capita based on a GDP of \$301.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 1.8%. In 2001 it was estimated that approximately 17% of household consumption was spent on

food, 8% on fuel, 3% on health care, and 1% on education. It was estimated that in 1989 about 4% of the population had incomes below the poverty line.

## 21 LABOR

As of 2005, the Belgian workforce was estimated at 4.77 million people. In 2003, it was estimated that the service industry employed 74.2% of workers, while 24.5% were employed in industry, and 1.3% in agriculture. The overall unemployment rate climbed to 12% in 1998, but fell to 7.2% by 2002. In 2005, unemployment had risen slightly to an estimated 7.6%.

The law provides workers with the right to associate freely and workers fully exercise their right to organize and join unions. Approximately 63% of the country's workforce (employed and unemployed) are union members. Workers have a broad right to strike except in "essential" industries including the military. A single collective bargaining agreement, negotiated every other year, covers about 2.4 million private sector workers. This gives unions considerable control over economic policy. In addition, unions also freely exercise the right to strike.

Belgium has a five-day, 38-hour workweek. Overtime pay is time-and-a-half on Mondays through Saturdays, with double-time paid on Sundays. Overtime is limited to 11 hours daily and up to 50 hours weekly. In addition, an 11-hour rest period is required between two work periods. Children under the age of 15 years are prohibited from working. Those between the ages of 15 and 18 may engage in part-time work-study programs, or work during school vacations. Child labor laws and standards are strictly enforced. In 2005, the national minimum wage was \$1,492 per month, in addition to extensive social benefits. This minimum wage provides a decent standard of living for workers and their families.

## 22 AGRICULTURE

Agriculture's role in the economy continues to decrease. In 2003, about 1.3% of the employed population worked on farms, compared with 3.7% in 1973. Agriculture's share in the GNP fell from 3.8% in 1973 to about 1.5% in 2002. Many marginal farms have disappeared; the remaining farms are small but intensively cultivated. Average farm size grew from 6.17 hectares (15.2 acres) in 1959 to 26.88 hectares (66.4 acres) in 2005, when there were 51,540 farms (down from 269,060 in 1959). About 80% of the country's food needs are covered domestically. The richest farm areas are in Flanders and Brabant. About 1.4 million hectares (3.4 million acres), or 45% of Belgium's total area, are under cultivation. Over half the land cultivated is used for pastureland or green fodder; one-quarter is used for the production of cereals. Total production of grains in 2004 was around 2.5 million tons, of which wheat accounted for about 65%; corn, 22%; barley, 10%; and spelt, triticale, oats, rye, and other grains, 8%.

Government price policy encourages increased production of wheat and barley with decreasing production of rye and oats. Increased emphasis is being placed on horticulture, and nearly all fruits found in temperate climates are grown in Belgium. Chief among these are apples, pears, and cherries. Producers of tomatoes and apples were obliged to refrain from marketing part of their 1992 harvests in order to hold up prices. Tomato production in 2004 totaled 250,000 tons, about 1% of European production.



Belgium imports considerable quantities of bread and feed grains, fodder concentrates, and fruits. Its only agricultural exports are processed foods and a few specialty items such as endive, chicory, flower bulbs, sugar, and chocolates. In 2004, agricultural products amounted to 8.6% of exports; there was an agricultural trade surplus of \$3.2 billion that year. Imports from other EU countries account for 85% of agricultural imports.

### 2<sup>3</sup> ANIMAL HUSBANDRY

Livestock raising is the most important single sector of Belgian agriculture, accounting for over 60% of agricultural production. In 2004 there were about 2.7 million head of cattle, 6.4 million hogs, 151,000 sheep, and 33,000 horses. Belgian farmers breed some of the finest draft horses in the world, including the famous Percherons.

The country is self-sufficient in butter, milk, meat, and eggs. Some cheese is imported, mainly from the Netherlands. Milk production amounted to 3.35 million tons in 2004.

### 2<sup>4</sup> FISHING

The chief fishing ports are Zeebrugge and Ostend (Oostende, Ostende), from which a fleet of 156 boats (with a combined 23,262 GRT) sail the North Atlantic from the North Sea to Iceland. The total catch in 2003 was 27,800 tons, whose exports were valued at \$762.4 million. Principal species caught that year were plaice, sole, turbot, and cod.

### 2<sup>5</sup> FORESTRY

Forests cover 21% of the area of Belgium. Commercial production of timber is limited; roundwood production in 2003 was estimated at 4.76 million cu m (168 million cu ft). Most common trees are beech and oak, but considerable plantings of conifers have been made in recent years. Belgium serves as a large transshipment center for temperate hardwood logs, softwood lumber, and softwood plywood. Large quantities of timber for the woodworking industry are typically imported from the Democratic Republic of the Congo. The total output of Belgium's wood processing and furniture industry in 2004 was €5.65 billion, with furniture accounting for 52%; wood panels, 22%; and construction, packing, and other wood products, 26%.

The total value of exports of forest products in 2003 was \$4.7 billion, with imports of \$3.9 billion. Belgium's wood processing industry consists of over 2,000 enterprises, 65% of which are furniture manufacturers, typically with fewer than five employees.

### 2<sup>6</sup> MINING

Belgium's only remaining active mining operations in 2003 were for the production of sand and gravel and the quarrying of some stone, including specialty marbles and the Belgian blue-gray limestone called "petit granite." An important producer of marble for more than 2,000 years, Belgium was recognized for the diversity and quality of its dimension stone. All the marble quarries are in Wallonia, and red, black, and gray are the principal color ranges of the marble. The country was an important producer of such industrial materials as carbonates, including limestone, dolomite, silica sand, whiting, and sodium sulfate.

The mineral-processing industry was a significant contributor to the Belgian economy. The refining of copper, zinc, and minor

metals, and the production of steel (all from imported materials), were the most developed mineral industries in Belgium. The country possessed Europe's largest electrolytic copper and zinc refineries, and one of the continent's largest lead refineries. In addition, Belgium retained its position as the world's diamond capital. Estimated production figures for 2003, in metric tons, included: secondary copper, 125,000 and primary zinc, 230,000. Hydraulic cement output in 2003 totaled 8 million tons, with lime and dead-burned dolomite at 1.7 million tons. Quarried Belgian bluestone, or petit granite, totaled 1.2 million cu m in 2003. Petite granite, which is actually a dark blue-gray crinoidal limestone, was one of the most important facing stones the country produces.

Belgium was once a major producer of coal, as the Belgian coal mining industry dates back to the 12th century. Coal was mined in the Sambre-Meuse Valley; the last mines closed in 1992. Metallic mining was in its heyday from 1850 to 1870, after which mining activity decreased until the last iron ore operations at Musson and Halanzy were closed in 1978. Belgium has no economically exploitable reserves of metal ores.

### 2<sup>7</sup> ENERGY AND POWER

In 1998 there were about 120 power stations operating in Belgium; capacity as of 2002 was 14.223 million kW. Electricity generated in that year totaled 76.516 billion kWh, of which 44.992 billion kWh was from nuclear sources and 29.535 kWh came from fossil fuels. In 1981, only 25% of the nation's power was from nuclear sources. By 2002, that figure had risen to 40%, or 5.738 million kW. Hydroelectric generation in 2002 totaled 0.356 billion kWh, while geothermal and other sources accounted for 1.633 kWh. Electricity consumption in the same year was 78.760 billion kWh. The principal sources of primary energy for conventional power production are low-grade coal and by-products of the oil industry. Belgium is heavily dependent on imports of crude oil, but it exports refined oil products. Power rates in Belgium are regulated through a voluntary agreement between labor, industry, and private power interests. In 2000, total energy consumption was 2.8 quadrillion Btu, of which 45% came from petroleum, 23% from natural gas, 12% from coal, 17% from nuclear energy, and the remainder from hydroelectric and other renewable sources.

### 2<sup>8</sup> INDUSTRY

Industry, highly developed in Belgium, is devoted mainly to the processing of imported raw materials into semifinished and finished products, most of which are then exported. Industry accounted for 24% of GDP in 2004. Steel production is the single most important sector of industry, with Belgium ranking high among world producers of iron and steel. However, it must import all its iron ore, which comes principally from Brazil, West Africa, and Venezuela. About four-fifths of Belgium's steel products and more than three-quarters of its crude steel output are exported. In recent years, Belgian industry has been hampered by high labor costs, aging plant facilities, and a shrinking market for its products. Nevertheless, industrial production rose by nearly 11% between 1987 and 1991, as a result of falling energy costs (after 1985) and financial costs, and only a moderate rise in wage costs. Industrial production continued to rise in the late 1990s; 1997 registered a 4% growth rate, while it slowed to 3.1% in 1998. The industrial growth rate in 2000 was 5.3%; it was -0.5% in 2001,

due to the global economic downturn, and rebounded to an estimated 3.5% in 2004.

Production of crude steel declined from 16.2 million tons in 1974 to 11.3 million tons in 1991, while the output of finished steel dropped from 12.2 million tons to 8.98 million tons. In 2004, Belgium's total crude steel production was 11.7 million metric tons. Belgium as a steel-producing country ranked 18th in the world in 2004, and was the 5th largest steel exporting country in the world. The industry employs some 19,500 people. By 1981, 60% of all Belgian steel production and 80% of all Wallonian steel (concentrated in Charleroi and Liège) came under the control of a single company, the government-owned Cockerill-Sambre. Government subsidies for this firm ended (in conformity with EC policy) in 1985. In 1998, French-owned Usinor agreed to take over Cockerill-Sambre, the last major steel making enterprise in Wallonia. As a result of this and other mergers, the Belgian steel industry is now dominated by one multinational company, Arcelor, based in Luxembourg. Arcelor, which was created in 2001, is the largest steel company in the world and is a merger of Usinor, Arbed, and Arcelia.

Belgium also produces significant amounts of crude copper, crude zinc, and crude lead. The bulk of metal manufactures consists of heavy machinery, structural steelwork, and industrial equipment. The railroad equipment industry supplies one of the most extensive railroad systems in Europe. An important shipbuilding industry is centered in Temse, south of Antwerp. Belgian engineering and construction firms have built steel plants, chemical works, power stations, port facilities, and office buildings throughout the world.

Belgium's automotive industry has always been one of the strongest components of its economy. Belgium is a world leader in the car assembly industry; with nearly 95% of its output designed for export, Belgium has the highest per capita production in the world. Belgium's local automotive production in 2003 was estimated at \$23.5 billion.

The textile industry, dating from the Middle Ages, produces cottons, woolens, linens, and synthetic fibers. With the exception of flax, all raw materials are imported. Centers of the textile industry are Bruges, Brussels, Verviers, Gent, Courtrai (Kortrijk), and Malines (Mechelen). Carpets are made in large quantities at Saint-Nicolas (Sint-Niklaas). Brussels and Bruges are noted for fine linen and lace. Foreign competition has cut into the Belgian textile industry, however. Following the expiration of the World Trade Organization's longstanding system of textile quotas at the beginning of 2005, the EU signed an agreement with China in June 2005 imposing new quotas on 10 categories of textile goods, limiting growth in those categories to between 8% and 12.5% a year. The agreement runs until 2007, and was designed to give European textile manufacturers time to adjust to a world of unfettered competition. Nevertheless, barely a month after the EU-China agreement was signed, China reached its quotas for sweaters, followed soon after by blouses, bras, T-shirts, and flax yarn. Tens of millions of garments piled up in warehouses and customs checkpoints, which affected both retailers and consumers.

The chemical industry manufactures a wide range of products, from heavy chemicals and explosives to pharmaceuticals and photographic supplies. The diamond-cutting industry in Antwerp supplies most of the United States's industrial diamond require-

ments. Eighty percent of all rough diamonds are handled in Antwerp, and 50% of all polished diamonds pass through Antwerp. The Antwerp World Diamond Center is concentrated in a two-square-mile area, comprising more than 1,500 diamond companies and four diamond bourses. Those working in the Belgian diamond industry are increasingly being pressured to refrain from buying "conflict diamonds" from Africa, whose proceeds have fueled civil wars in a number of African countries, including Sierra Leone, the Democratic Republic of the Congo, and Angola. Belgium has one of the largest glass industries in the world. Val St. Lambert is especially known for its fine crystal glassware. Belgian refineries (chiefly in Antwerp) turn out oil products.

## 29 SCIENCE AND TECHNOLOGY

The Royal Academy of Sciences, Letters, and Fine Arts, founded in Brussels in 1772, and since divided into French and Flemish counterparts, has sections for mathematics, physical sciences, and the natural sciences. There are, in addition, many specialized societies for the study of medicine, biology, zoology, anthropology, astronomy, chemistry, mathematics, geology, and engineering. The National Scientific Research Fund (inaugurated in 1928), in Brussels, promotes scientific research by providing subsidies and grants to scientists and students. The Royal Institute of Natural Sciences (founded in 1846), also in Brussels, provides general scientific services in the areas of biology, mineralogy, paleontology, and zoology. In 1987–97, science and engineering students accounted for 41% of college and university enrollment. In 2004 total research and development (R&D) expenditures provisionally amounted to €6.712 billion. As of 2001 (the latest year for which there is complete data) there were 1,462 technicians and 3,134 researchers per million people actively engaged in R&D. In that same year, 64.3% of R&D expenditures came from business, with 21.4% from the government, and 11.8% from foreign sources. In 2002, high technology exports totaled \$15.736 billion or 11% of manufactured exports.

Among the nation's distinguished scientific institutions are the Center for the Study of Nuclear Energy in Mol (founded in 1952); the National Botanical Garden of Belgium in Meise (founded in 1870); the Royal Observatory of Belgium in Brussels (founded in 1826); the Institute of Chemical Research in Tervuren (founded in 1928); the Royal Meteorological Institute in Brussels (reorganized in 1913); the Von Karman Institute for Fluid Dynamics in Rhode-St-Genese (founded in 1956) and supported by NATO; and the Institute of Spatial Aeronomy in Brussels (founded in 1964). Belgium has 18 universities and colleges offering degrees in basic and applied sciences.

## 30 DOMESTIC TRADE

Brussels is the main center for commerce and for the distribution of manufactured goods. Other important centers include Antwerp, Liège, and Ghent. Most large wholesale firms engage in import and export. Customary terms of sale are payment within 30–90 days after delivery, depending upon the commodity and the credit rating of the purchaser.

In 1994, the government began privatization efforts of several public sector corporations, including banks and airlines. The domestic market is relatively small. Instead, the economy relies heavily on trade as various industries have capitalized on the country's

prime central European location, which serves as a regional transit and distribution center. The country also serves as a vital test market for many European goods and franchises.

Business hours are mainly from 8 or 9 AM to 5 or 6 PM, Monday through Friday, with an hour for lunch. Banks are open from 9 AM to between 3:30 and 5 PM, Monday–Friday. Retail stores are generally open from 9 AM to 6 PM, Monday through Saturday; some may close for lunch. Larger stores and shopping centers stay open until 9 PM on Fridays. Important international trade fairs are held annually in Brussels and Ghent. Advertising techniques are well developed, and the chief media are the press, radio, and television.

### 31 FOREIGN TRADE

Foreign trade plays a greater role in the Belgian economy than in any other EU country except Luxembourg. Exports constituted around 80% of GDP in the early 2000s. Belgium's chief exports are iron and steel (semifinished and manufactured), chemicals, textiles, machinery, road vehicles and parts, nonferrous metals, diamonds, and foodstuffs. Its imports are general manufactures, foodstuffs, diamonds, metals and metal ores, petroleum and petroleum products, chemicals, clothing, machinery, electrical equipment, and motor vehicles. In 1921, Belgium partnered with Luxembourg in the Belgium-Luxembourg Economic Union (BLEU).

In 2004, 77.4% of Belgium's exports and 74% of its imports were traded with EU countries. Belgium's leading markets in 2004 were Germany (17.5% of total exports), France (17.4%), the Netherlands (12.9%), the United Kingdom (8.6%), and Italy (5.4%). Belgium's leading suppliers in 2004 were the Netherlands (19.9% of all imports), Germany (16.6%), France (13.7%), the United Kingdom (7.8%), and the United States (5.6%).

### 32 BALANCE OF PAYMENTS

Belgium ran deficits on current accounts each year from 1976 through 1984. Trade deficits, incurred consistently in the late 1970s and early 1980s, were only partly counterbalanced by invisible exports, such as tourism and services, and capital transfers. Belgium in the early 2000s had a high current account surplus—\$14.3 billion in 2003, and averaging 4.2% of GDP from 2000–04. The current account surplus in 2004 was estimated at \$11.4 billion.

Belgium in the early 2000s was attempting to meet the EU's Maastricht target of a cumulative public debt of not more than 60% of GDP. However, the public debt only fell below 100% of GDP at the end of 2003, for the first time in nearly 30 years. Public debt stood at 96.2% of GDP in 2004.

The total value of exports in 2003 was estimated at \$189.2 billion. Imports were estimated at \$173 billion, for a trade surplus of \$16.2 billion.

### 33 BANKING AND SECURITIES

The National Bank of Belgium (Banque Nationale de Belgique-BNB, founded in 1850), the sole bank of issue, originally was a joint-stock institution. The Belgian government took over 50% of its shares in 1948. Its directors are appointed by the government, but the bank retains a large degree of autonomy. In Belgium, most regulatory powers are vested in the Banking Commission, an autonomous administrative body that monitors compliance of

all banks with national banking laws. In order to restrain inflation and maintain monetary stability, the BNB varied its official discount rate from 2.75% in 1953 to a peak of 8.75% in December 1974; by 1978, the rate was reduced to 6%, but it rose steadily to a high of 15% in 1981 before declining to 11.5% at the end of 1982 and 9.75% by December 1985. By 1993 the discount rate was 5.25%. At the time of its abolition on December 15, 1998, the discount rate was 2.75%.

By law, the name “bank” in Belgium may be used only by institutions engaged mainly in deposit bank activities and short-term operations. Commercial banks are not authorized to invest long-term capital in industrial or business enterprises. The largest commercial bank, the General Banking Society, came into being in 1965 through a merger of three large banks. The National Society for Industrial Credit provides medium-term loans to in-

#### Principal Trading Partners – Belgium (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	255,300.6	235,365.9	19,934.7
Germany	49,863.2	41,378.0	8,485.2
France-Monaco	44,204.9	31,200.1	13,004.8
Netherlands	29,854.6	39,035.7	-9,181.1
United Kingdom	23,459.0	17,784.9	5,674.1
United States	16,786.9	13,837.6	2,949.3
Italy-San Marino-Holy See	13,853.3	7,879.5	5,973.8
Spain	10,122.7	4,774.8	5,347.9
Areas nes	4,757.0	...	4,757.0
India	4,350.9	1,998.6	2,352.3
Sweden	3,594.9	5,152.1	-1,557.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Belgium (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>11,623.0</b>
Balance on goods		9,532.0
Imports	-193,767.0	
Exports	203,299.0	
Balance on services		1,919.0
Balance on income		6,830.0
Current transfers		-6,658.0
<b>Capital Account</b>		<b>-968.0</b>
<b>Financial Account</b>		<b>726.0</b>
Direct investment abroad		-23,302.0
Direct investment in Belgium		33,768.0
Portfolio investment assets		-3,190.0
Portfolio investment liabilities		5,739.0
Financial derivatives		-3,848.0
Other investment assets		-80,013.0
Other investment liabilities		71,572.0
<b>Net Errors and Omissions</b>		<b>-13,104.0</b>
<b>Reserves and Related Items</b>		<b>1,723.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

dustrial firms and exporters. Other institutions supply credit to small business and to farmers. The leading savings institute is the General Savings and Retirement Fund, which operates mainly through post office branches. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$63.1 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$241.7 billion.

The Bourse in Belgium is a very old institution. As early as the 13th century, merchants from the main commercial centers, particularly Genoa and Venice, used to gather in front of the house of the Van der Bourse family in Brugge, which was then the prosperous trading center of the low countries. The word “Bourse” is often considered to have originated in Brugge.

The Brussels Stock Exchange was founded in 1801 after Napoleon, then Consul of the Republic, issued a decree of the 13th Messidor in the 9th Year that “There shall be an exchange in Brussels, in the Department of the Dyle.” The law of 30 December 1867, completely abolished the provisions then in force controlling the profession of broker, the organization of the exchanges and the operations transacted there. After the crisis of 1929 through 1933, a commission was created to assure investors of greater security. The Commercial Code of 1935 still controls the organization of the stock exchange in large measure. Since the law of 4 December 1990, the Société de la Bourse de valeurs mobilières de Bruxelles (SBVMB) is organized under the form of a cooperative society. There is also an exchange in Antwerp. Market capitalization as of December 2004 stood at \$818.520 billion, with the local BEL 20 Index up 30.7% from the previous year at 2,932.6.

The exchanges deal in national, provincial, and municipal government bonds, government lottery bonds, and company shares. The issuance of shares and bonds to the public is subject to the control of the Banking Commission in Brussels. There are also a number of special industrial exchanges; the most prominent one is the Diamond Exchange in Antwerp.

### 34 INSURANCE

Insurance transactions are regulated by the Insurance Control Office of the Ministry of Economic Affairs. Compulsory classes of insurance in Belgium are workers’ compensation, automobile liability, and inland marine liabilities. Life and disability insurance needs are to a large extent met by Belgium’s extensive social security system. Compulsory insurance includes third-party automobile liability, workers’ compensation, “no fault” liability for property owners with free access to property, hunter’s liability, and nuclear liability for power facilities.

In 1996 and 1997, a general pattern of mergers and acquisitions among European union insurers formed, as companies sought to strategically take advantage of the single market in insurance, which became effective in July 1994. Many insurance companies throughout the European Union (EU) are considered too small to operate effectively on an international scale, to meet the challenge of *bancassurance*, or to invest sufficiently in the new technology needed to survive in the increasingly competitive industry. In 2003, the value of direct premiums written totaled \$33.814 billion, of which \$21.004 billion was accounted for by life insurance premiums. The country’s top life insurer that year was ETHIAS Life,

### Public Finance – Belgium (2002)

(In millions of euros, central government figures)

	112,364	100.0%
<b>Revenue and Grants</b>		
Tax revenue	69,460	61.8%
Social contributions	39,976	35.6%
Grants	408	0.4%
Other revenue	2,521	2.2%
<b>Expenditures</b>	<b>112,249</b>	<b>100.0%</b>
General public services	42,466	37.8%
Defense	3,233	2.9%
Public order and safety	2,568	2.3%
Economic affairs	4,859	4.3%
Environmental protection	66	0.1%
Housing and community amenities	...	...
Health	16,748	14.9%
Recreational, culture, and religion	274	0.2%
Education	2,975	2.7%
Social protection	39,060	34.8%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

with gross life premiums written of \$3,458.8 million. The top non-life insurer was Axa Belgium, with gross written nonlife premiums (including healthcare) of \$1,265.1 million in 2003.

### 35 PUBLIC FINANCE

The government’s budgetary year coincides with the calendar year. In the final months of the year, the minister of finance places before Parliament a budget containing estimated revenues and expenditures for the following year, and a finance law authorizing the collection of taxes is passed before 1 January. Inasmuch as expenditure budgets generally are not all passed by then, “provisional twelfths” enable the government to meet expenditures month by month, until all expenditure budgets are passed. Current expenditures, supposedly covered by the usual revenues (including all tax and other government receipts), relate to the normal functioning of government services and to pension and public debt charges. Capital expenditures consist mainly of public projects and are normally covered by borrowings. Improvements in fiscal and external balances in the early 1990s and a slowdown in external debt growth enables the Belgian government to easily obtain loans on the local credit market. As a member of the G-10 group of leading financial nations, Belgium actively participates in the IMF, World Bank, and the Paris Club. Belgium is a leading donor nation, and it closely follows development and debt issues, particularly with respect to the DROC and other African nations.

The US Central Intelligence Agency (CIA) estimated that in 2005 Belgium’s central government took in revenues of approximately \$180.4 billion and had expenditures of \$180.5 billion. Revenues minus expenditures totaled approximately -\$100 million. Public debt in 2005 amounted to 93.6% of GDP. Total external debt was \$980.1 billion.

Government outlays by function were as follows: general public services, 37.8%; defense, 2.9%; public order and safety, 2.3%; economic affairs, 4.3%; environmental protection, 0.1%; health,

14.9%; recreation, culture, and religion, 0.2%; education, 2.7%; and social protection, 34.8%.

### 36 TAXATION

The most important direct tax is the income tax. Since enactment of the tax law of 20 November 1962, this tax has been levied on the total amount of each taxpayer's income from all sources. As of 2005, the top individual income tax rate is 50%, excluding local taxes. Local taxes are levied at rates varying from 4–10%. Taxes are not paid in one lump sum, but rather by a series of prepayments on the various sources of income. There is a withholding tax on salaries that is turned over directly to the revenue officer. Self-employed persons send a prepayment to the revenue officer during the first half of July. Banks and stockbrokers who offer dividends must first deduct a prepayment of 25%. Taxes on real estate are based on the assessed rental value.

The general corporate income tax, which is levied on all distributed profits, was lowered from 48% to 45% in 1982, to 43% in 1987, to 38% in 1993, and stands at 33% as of 2005. Nondistributed profits are taxed at progressive rates ranging from 28–41%. In some instances, local government bodies are entitled to impose additional levies. Numerous tax exemptions are granted to promote investments in Belgium.

In 1971, a value-added tax system was introduced, replacing sales and excise taxes. A general rate of 21% was applied as of 1996 to industrial goods, with a reduced rate of 6% applying to basic necessities and an interim rate of 12% to certain other products, such as social housing and agricultural products.

### 37 CUSTOMS AND DUTIES

Customs duties are levied at the time of importation and are generally ad valorem. Belgium applies the EU common external tariff (CET) to goods imported from non-EU countries. There is a single duty system (the CET) among all EU members for products coming from non-EU members. Theoretically, no customs duties apply for goods imported into Belgium from EU countries. Value-added taxes are levied on the importation of foodstuffs, tobacco, alcohol, beer, mineral water, and fuel oils. There are no export duties.

### 38 FOREIGN INVESTMENT

Foreign investment in Belgium generally takes the form of establishing subsidiaries of foreign firms in the country. Belgium is the economic as well as the political center of Europe. The Belgian government actively promotes foreign investment. In recent years, the government has given special encouragement to industries that will create new skills and increase export earnings. The government grants equal treatment under the law, as well as special tax inducements and assistance, to foreign firms that establish enterprises in the country. There is no regulation prescribing the proportion of foreign to domestic capital that may be invested in an enterprise. The foreign investor can repatriate all capital profits and long-term credit is available. Local authorities sometimes offer special assistance and concessions to new foreign enterprises in their area. Since the start of EU's single market, most, but not all,

trade and investment rules have been implemented by Belgium in order to be in line with other EU member nations.

The corporation tax rate was reduced in 2003 to 33.99% (24.98% for small companies). Over time, the Belgian government intends to reduce the corporate tax rate to 30%. The standard rate of value-added tax (VAT) is 21%. Overall, Belgium has strong competitive advantages, such as an excellent transportation infrastructure, high-quality industrial sites, and a skilled and productive workforce.

As of 2005, some of Belgium's leading sectors for US foreign investment were automotive parts and service equipment, biotechnology, computer services and software, consumer goods, electric power systems and services, environmental technologies, plastic materials and resins, telecommunication services and equipment, textile fabrics, and travel and tourism services.

Between 2001 and 2005, Belgium was expected to attract an annual average of \$30.2 billion in foreign direct investment. With 3.4% of total world FDI, Belgium ranks seventh. Countries with large investments in Belgium include the United States, Germany, United Kingdom, Netherlands, France, and Switzerland. In 2004, foreign direct investment outflows from the 25 EU countries fell by some 25%, while inflows coming from the rest of the world fell by more than 50%. These falls were strongly influenced by investment flows with the United States. With inflows higher than outflows by €4 billion, Belgium was the EU's largest net recipient of FDI from outside the EU. Belgium was the fourth highest recipient of FDI from within the EU in 2004, at €19 billion, behind the United Kingdom, Luxembourg, and France. In all, Belgium's intra-EU outflows totaled €16.6 billion, and intra-EU inflows totaled €18.9 billion. Extra-EU outflows totaled €4.4 billion, and extra-EU inflows totaled €8.8 billion. Belgian investment abroad is substantial in the fields of transport (particularly in Latin American countries), nonferrous metals, metalworking, and photographic materials.

Belgium has well-developed capital markets to accommodate foreign finance and portfolio investment. More than half its banking activities involve foreign countries. The world's first stock market was opened in Antwerp in the 14th century. At the end of 2000, the Brussels Stock Market merged with the Paris and Amsterdam bourses (and later Lisbon) to form the Euronext stock exchange. Euronext forms the largest (in volume) multinational stock and derivatives exchange in Europe. In 1996, the European Association of Securities Dealers Automated Quotation (EASDAQ) Exchange opened in Belgium, modeled on the NASDAQ electronic exchange, dedicated to young dynamic "dot.com" start-ups. In April 2001, NASDAQ bought majority ownership and renamed it NASDAQ-Europe.

### 39 ECONOMIC DEVELOPMENT

Belgian economic policy is based upon the encouragement of private enterprise, with very little government intervention in the economy. Also, as a country heavily dependent upon foreign trade, Belgium has traditionally favored the freest exchange of goods, without tariffs or other limitations. Restrictions on free enterprise and free trade have always been due to external pressure and abnormal circumstances, as in time of war or economic decline.

To meet increased competition in world markets and to furnish relief for areas of the country suffering from chronic unemploy-

ment, the government has taken measures to promote the modernization of plants and the creation of new industries. Organizations have been established to provide financial aid and advice, marketing and scientific research, studies on methods of increasing productivity, and nuclear research for economic utilization. Government policy aims at helping industry to hold costs down and to engage in greater production of finished (rather than semi-finished) goods. Results have been mixed, with greater success in chemicals and light manufacturing than in the critical iron and steel industry.

In 1993, the government modified its policy of forbidding more than 49% private ownership in government banks, insurance companies, and the national telecommunications company. In 2000, the government enacted tax reform, reducing corporate, trade, and income taxes. The tax cuts planned through 2006, although improving work and investment incentives, will have to be countered by reduced government spending to compensate for the lost revenue. The telecommunications sector has been liberalized, as have the gas and energy markets.

Belgium successfully attained a budget deficit of less than 3% by the end of 1997, as stipulated by the EU. Due to a strict control of spending, the government has managed to balance the budget in recent years; the 2006 budget foresees balance for the seventh year in a row, but is based on optimistic growth and revenue assumptions. A main economic policy priority has for many years been the reduction of the large public debt, which fell below 100% of GDP at the end of 2003, for the first time in nearly 30 years. With Belgium's employment rate one of the lowest in the EU, the government has created a target of increasing employment by 200,000 by 2007.

#### 40 SOCIAL DEVELOPMENT

Belgium has a social insurance system covering all workers dating back to 1900 for old age and 1944 for disability. The current law was last updated in 2001, and the age to receive full retirement benefits will be increasing to age 65 by 2009. The law provides for disability and survivorship benefits as well. Sickness and maternity benefits were originally established in 1894 with mutual benefits societies. There is work accident and occupational disease coverage for all employed persons. Family allowances cover all workers, with special systems for civil servants and the self-employed.

The Belgian government has taken an active stance to protect and promote the rights of women and children. Domestic violence is a problem and in 2004 the government initiated a national plan to increase awareness. Belgium's equal opportunity law includes a sexual harassment provision, giving women a stronger legal basis for complaints. Child protection laws are comprehensive, and governmental programs for child welfare are amply funded. The government also attempts to integrate women at all levels of decision-making and women play an important role in both the public and private sectors.

Legislation prohibits discrimination based on race, ethnicity or nationality, and penalizes incitement of hate and discrimination. The constitution provides for the freedom of religion. Although minority rights are well protected in Belgium, extreme-right political parties with xenophobic beliefs have gained ground in recent years. In 2004, there were several attacks on Jews and Muslims.

#### 41 HEALTH

Every city or town in Belgium has a public assistance committee (elected by the city or town council), which is in charge of health and hospital services in its community. These committees organize clinics and visiting nurse services, run public hospitals, and pay for relief patients in private hospitals. There is a national health insurance plan, membership of which covers practically the whole population. A number of private hospitals are run by local communities or mutual aid societies attached to religious organizations. A school health program includes annual medical examinations for all school children. Private and public mental institutions include observation centers, asylums, and colonies where mental patients live in groups and enjoy a limited amount of liberty.

A number of health organizations, begun by private initiative and run under their own charters, now enjoy semiofficial status and receive government subsidies. Among them are the Belgian Red Cross, the National Tuberculosis Society, the League for Mental Hygiene, and the National Children's Fund. The last of these, working through its own facilities and through cooperating agencies, provides prenatal and postnatal consultation clinics for mothers, a visiting nurse service, and other health services. Health expenditures were estimated at 8.8% of total GDP.

Roughly 60% of Belgium's hospitals are privately operated, non-profit institutions. As of 2004, there were an estimated 418 physicians, 1074 nurses, 70 dentists, and 145 pharmacists per 100,000 people. Nearly 100% of the Belgium population has access to health services. In 1999, the country immunized one-year-old children as follows: diphtheria, pertussis, and tetanus, 96%, and measles, 83%. The infant mortality rate in 2005 was 5 per 1,000 live births, one of the lowest in the world. Average life expectancy for that year was 79 years. The HIV/AIDS prevalence was 0.20 per 100 adults in 2003. As of 2004, there were approximately 10,000 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

#### 42 HOUSING

Belgium no longer has a housing shortage. In the mid-1970s, an average of over 60,000 new dwellings were built every year; by the early 1980s, however, the government sought by reducing the value-added tax on residential construction to revitalize the depressed housing market. Public funds have been made available in increasing amounts to support the construction of low-cost housing, with low-interest mortgages granted by the General Savings and Retirement Fund.

The 2001 census reports a total of 4,248,502 private, occupied dwellings in the country. About 82% of the population live in single-family homes. About 14% are apartment dwellers. The average household size is 2.4 persons. About 68% of all units are occupied by owners or crowners.

#### 43 EDUCATION

Education is free and compulsory for children between the ages of 6 and 18. Belgium has two complete school systems operating side by side. One is organized by the state or by local authorities and is known as the official school system. The other, the private school system, is largely Roman Catholic. For a long time, the rivalry between the public and private systems and the question of subsidies

to private schools were the main issues in Belgian politics. The controversy was settled in 1958, and both systems are presently financed with government funds along more or less identical lines.

Within the public system, there are also some variations in programming between the French community and the Flemish community. In both, the primary (elementary) school covers six years of study. In the French system, secondary school is divided into three levels, with each level lasting two years. Following this course of study, a student may choose to continue in a one-year program for professional development, technical training, or preparation for university studies. There are also programs for artistic development. In the Flemish system, secondary students may choose between four educational tracks: general, technical, artistic, or vocational. Each track covers a six-year course of study. Most children between the ages of three and five attend some type of preschool program. The academic year runs from September to July.

Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 97% of age-eligible students. The student-to-teacher ratio for primary school was at about 12:1 in 2003.

Higher education centers on the eight main universities: the state universities of Ghent, Liège, Antwerp, and Mons; the two branches of the Free University of Brussels, which in 1970 became separate private institutions, one Dutch (Vrije Universiteit Brussel) and the other French (Université Libre de Bruxelles); the Catholic University of Brussels; and the Catholic University of Louvain, which also split in 1970 into the Katholieke Universiteit Leuven (Dutch) and the Université Catholique de Louvain (French). Total enrollment in tertiary education programs for 2001 was at about 367,000. In 2003, about 61% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate is estimated at about 98%.

As of 2003, public expenditure on education was estimated at 6.3% of GDP.

#### 44 LIBRARIES AND MUSEUMS

There are large libraries, general and specialized, in the principal cities. Brussels has the kingdom's main reference collections, including the Royal Library (founded in 1837), with about four million volumes, as well as the Library of Parliament (1835) with 600,000 volumes, the Library of the Royal Institute of Natural Sciences (681,000 volumes), and the General Archives of the Kingdom, founded in 1794, with 350,000 documents from the 11th to the 20th centuries. Antwerp is the seat of the Archives and the Museum of Flemish Culture, which has an open library of 55,000 volumes. The university libraries of Louvain (1.2 million volumes), Gent (three million volumes), and Liège (1.7 million volumes) date back to 1425, 1797, and 1817, respectively. The library of the Free University of Brussels (1846) has 1.8 million volumes. Also in Brussels is the library of Commission of the European Communities. In addition, there are several hundred private, special, and business libraries, especially in Antwerp and Brussels, including Antwerp's International Peace Information Service (1981) with 25,000 volumes related to disarmament, and the library of the Center for American Studies in Brussels, with 30,000 volumes dealing with American civilization.

Belgium's 200 or more museums, many of them with art and historical treasures dating back to the Middle Ages and earlier,

are found in cities and towns throughout the country. Among Antwerp's outstanding institutions are the Open-Air Museum of Sculpture in Middelheim Park, displaying works by Rodin, Maillo, Marini, Moore, and others; the Rubens House, containing 17th-century furnishings and paintings by Peter Paul Rubens; and the Folk Art Museum (1907) featuring popular music and crafts unique to Flemish Culture and mythology. Brussels' museums include the Royal Museum of Fine Arts (founded 1795), which has medieval, Renaissance, and modern collections; Royal Museum of Central Africa (1897), which has rich collections of African arts and crafts, natural history, ethnography, and prehistory; the Royal Museum of Art and History (1835), with its special collections of Chinese porcelain and furniture, Flemish tapestries, and of 18th- and 19th-century applied and decorative art; and the Museum of Modern Art, featuring 20th-century paintings, sculptures, and drawings. Museums in Bruges, Liège, Gent, Malines, and Verviers have important general or local collections.

#### 45 MEDIA

International and domestic telegraph and telephone service, operated by a government agency, is well developed. In 2003, there were an estimated 489 mainline telephones for every 1,000 people. The same year, there were approximately 793 mobile phones in use for every 1,000 people.

National radio and television service is organized into Dutch and French branches. Commercial broadcasting is permitted, hence costs are defrayed through annual license fees on radio and television receivers. There are two national public stations, one broadcasting in French, the other in Dutch. In addition, there are at least two Dutch-language, one French-language, and one German language commercial stations. In 2003, there were an estimated 793 radios and 541 television sets for every 1,000 people. About 377.7 of every 1,000 people are cable subscribers. Also in 2003, there were 318.1 personal computers for every 1,000 people and 386 of every 1,000 people had access to the Internet. There were 946 secure Internet servers in the country in 2004.

The Belgian press has full freedom of expression as guaranteed by the constitution of 1831. There are some restrictions on the press regarding slander, libel, and the advocating of racial or ethnic hate, violence, or discrimination. Newspapers are published in French and Dutch, and generally reflect the views of one of the major parties. Agence Belga is the official news agency.

The major daily newspapers published in French, with their 2002 circulations and political affiliation, include *Le Soir* (Independent), 178,500; *La Lanterne* (Socialist), 129,800; *La Libre Belgique* (Catholic-Independent), 80,000; and *La Nouvelle Gazette* (Liberal), 94,600. Dutch language papers include *De Standaard* (Flemish-Catholic), 372,000; *De Gazet van Antwerpen* (Christian Democrat), 148,000; and *Het Volk/Nieuwe Gids* (Catholic-Labor), 143,300. The Flemish language paper *Het Laatste Nieuws* (Independent) had a 2002 daily circulation of 308,808. About 500 weeklies appear in Belgium, most of them in French or Dutch and a few in German or English. Their overall weekly circulation is estimated to exceed 6.5 million copies.

#### 46 ORGANIZATIONS

Among Belgium's numerous learned societies are the Royal Academy of Sciences, Letters, and Fine Arts and the Royal Academy

of Medicine; in addition, there are the Royal Academy of French Language and Literature and the Royal Academy of Dutch Language and Literature. There is a cultural council for each of the three official languages. Architects, painters, and sculptors are organized in the Association of Professional Artists of Belgium.

Business and industry are organized in the Belgium Business Federation (1885), the Chambers of Commerce, and the American Chamber of Commerce in Brussels, as well as on the basis of industrial sectors and in local bodies. Among the latter, the Flemish and Walloon economic councils and the nine provincial economic councils are the most important. The ACP Business Forum, the Association of European Chambers of Commerce and Industry, and the International Confederation of Free Trade Unions meet in Brussels. There are a vast number of national professional, trade, and industry associations for a wide variety of occupations and professions.

The many sports societies include the Royal Belgian Athletic League, the Jockey Club Royal de Belgique, and soccer, cycling, archery, homing pigeon, tennis, hunting, boating, camping, and riding clubs. Youth organizations include four branches of the World Organization of Scouting and an organization of Girl Guides.

Veterans' and disabled veterans' associations, voluntary associations to combat the major diseases, and philanthropic societies are all active in Belgium.

There are active chapters of the Red Cross, UNICEF, CARE International, Greenpeace, Caritas, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Belgium has three major tourist regions: the seacoast, the old Flemish cities, and the Ardennes Forest in the southeast. Ostend is the largest North Sea resort; others are Blankenberge and Knokke. Among Flemish cities, Brugge, Gent, and Ypres stand out, while Antwerp also has many sightseeing attractions, including the busy port, exhibitions of the diamond industry, and the Antwerp Zoo, an oasis of green in the city center. Brussels, home of the European Community headquarters, is a modern city whose most famous landmark is the Grand Place. The capital is the site of the Palais des Beaux-Arts, with its varied concert and dance programs, and of the Théâtre Royal de la Monnaie, home of the internationally famous Ballet of the 20th Century. St. Michael's Cathedral and Notre Dame du Sablon are the city's best-known churches. The Erasmus House in the suburb of Anderlecht and the Royal Palace and Gardens at nearby Laeken are popular tourist centers. Louvain possesses an architecturally splendid city hall and a renowned university. Malines, seat of the Belgian primate, has a handsome cathedral. Liège, in the eastern industrial heartland, boasts one of the finest Renaissance buildings, the palace of its prince-bishops. Tournai is famous for its Romanesque cathedral. Spa, in the Ardennes, is one of Europe's oldest resorts and gave its name to mineral spring resorts in general. Namur, Dinant, and Huy have impressive fortresses overlooking one of the most important strategic crossroads in Western Europe, the Meuse Valley.

All travelers are required to have a valid passport; visas are issued for stays of up to 30 days. No visa is required for citizens of the United States or Canada.

There were 5.2 million visitor arrivals in 2003, when receipts from tourism amounted to \$8.7 billion. In that year, Belgium had 63,220 hotel rooms and 16,368 beds.

In 2005, the US Department of State estimated the daily cost of staying in Belgium at between \$161 and \$320.

#### 48 FAMOUS BELGIANS

Belgium has produced many famous figures in the arts. In the 15th century, one of the great periods of European painting culminated in the work of Jan van Eyck (1390?-1441) and Hans Memling (1430?-94). They were followed by Hugo van der Goes (1440?-82), and Pieter Brueghel the Elder (1525?-69), the ancestor of a long line of painters. Generally considered the greatest of Flemish painters are Peter Paul Rubens (1577-1640) and Anthony Van Dyck (1599-1641). In the 19th century, Henri Evenepoel (1872-99) continued this tradition. The 20th century boasts such names as James Ensor (1860-1949), Paul Delvaux (1897-1994), and René Magritte (1898-1967). Modern Belgian architecture was represented by Victor Horta (1861-1947) and Henry van de Velde (1863-1957).

Belgium made substantial contributions to the development of music through the works of such outstanding 15th- and 16th-century composers as Johannes Ockeghem (1430?-95), Josquin des Prés (1450?-1521), Heinrich Isaac (1450?-1517), Adrian Willaert (1480?-1562), Nicolas Gombert (1490?-1556), Cipriano de Rore (1516-65), Philippe de Monte (1521-1603), and Roland de Lassus (known originally as Roland de Latre and later called Orlando di Lasso, 1532-94), the "Prince of Music." Later Belgian composers of renown include François-Joseph Gossec (1734-1829), Peter Van Maldere (1729-68), André Ernest Modeste Grétry (1741-1813), César Franck (1822-90), and Joseph Jongen (1873-1953). Among famous interpreters are the violinists Eugène Ysaye (1858-1931) and Arthur Grumiaux (1921-86). André Cluytens (1905-67) was the conductor of the National Orchestra of Belgium. Maurice Béjart (Maurice Berger, b.1927), an internationally famous choreographer, was the director of the Ballet of the 20th Century from 1959 until 1999.

Outstanding Belgian names in French historical literature are Jean Froissart (1333?-1405?) and Philippe de Commines (1447?-1511?), whereas early Dutch literature boasts the mystical writing of Jan van Ruysbroeck (1293-1381). The 19th century was marked by such important writers as Charles de Coster (1827-79), Camille Lemonnier (1844-1913), Georges Eeckhoud (1854-1927), and Emile Verhaeren (1855-1916) in French; and by Hendrik Conscience (1812-83) and Guido Gezelle (1830-99) in Flemish. Among contemporary authors writing in French, Michel de Ghelderode (1898-1962), Suzanne Lilar (1901-1992), Georges Simeon (1903-1989), and Françoise Mallet-Joris (b.1930) have been translated into English. Translations of Belgian authors writing in Dutch include works by Johan Daisne (1912-78) and Hugo Claus (b.1929).

Eight Belgians have won the Nobel Prize in various fields. The poet and playwright Maurice Maeterlinck (1862-1949), whose symbolist dramas have been performed in many countries, received the prize for literature in 1911. Jules Bordet (1870-1961) received the physiology or medicine award in 1919 for his contributions to immunology. The same award went to Corneille J. F. Heymans (1892-1968) in 1938 and was shared by Albert Claude (1898-1983) and Christian de Duve (b.1917) in 1974. Russian-born Ilya Prigogine (1917-2003) won the chemistry prize in 1977. Three Belgians have won the Nobel Peace Prize: Auguste Beern-



aert (1829–1912) in 1909, Henri Lafontaine (1854–1943) in 1913, and Father Dominique Pire (1910–69) in 1958.

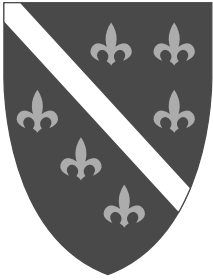
Belgium's chief of state since 1951 had been King Baudouin I (1930–93), the son of Leopold III (1901–83), who reigned from 1934 until his abdication in 1951. Baudouin was succeeded by his younger brother Albert II (b.1934) in 1993.

#### 49 DEPENDENCIES

Belgium has no territories or colonies.

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# BOSNIA AND HERZEGOVINA

Republic of Bosnia and Herzegovina  
*Republika Bosnia i Herzegovina*



**CAPITAL:** Sarajevo

**FLAG:** Introduced in early 1998, the flag consists of a yellow triangle on a royal blue field, with a row of white stars running diagonally along the triangle's edge. The yellow triangle represents the country's three main ethnic groups, while the royal blue field and stars symbolize a possible future inclusion in the Council of Europe.

**ANTHEM:** *Zemljo Tisućljetna (Thousand-Year-Old Land)*.

**MONETARY UNIT:** 1 convertible marka (KM) = 100 convertible pfenniga. KM1 = \$0.00699 (\$1 = KM143) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1–2 January; Labor Days, 1–2 May; 27 July; 25 November.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Bosnia and Herzegovina is located in southeastern Europe on the Balkan Peninsula, between Croatia and Serbia and Montenegro. Comparatively, Bosnia and Herzegovina is slightly smaller than the state of West Virginia, with a total area of 51,129 sq km (19,741 sq mi). Bosnia and Herzegovina shares boundaries with Croatia on the N, W, and S, Serbia and Montenegro on the E, and the Adriatic Sea on the S, with a total boundary length of 1,459 km (906 mi). Bosnia and Herzegovina's capital city, Sarajevo, is located near the center of the country.

## <sup>2</sup> TOPOGRAPHY

The topography of Bosnia and Herzegovina features hills, mountains, and valleys. Approximately 50% of the land is forested. The country has three main geographic zones: high plains and plateaus along the northern border with Croatia, low mountains in the center, and the higher Dinaric Alps which cover the rest of the country. Approximately 10% of the land in Bosnia and Herzegovina is arable. Bosnia and Herzegovina's natural resources include coal, iron, bauxite, manganese, timber, wood products, copper, chromium, lead, and zinc. Bosnia and Herzegovina is subject to frequent and destructive earthquakes.

## <sup>3</sup> CLIMATE

The climate features hot summers and cold winters. In higher elevations of the country, summers tend to be short and cold while winters tend to be long and severe. Along the coast, winters tend to be short and rainy. In July, the mean temperature is 22.5°C (72.5°F). January's mean temperature is 0°C (32°F). Annual rainfall averages roughly 62.5 cm (24.6 in).

## <sup>4</sup> FLORA AND FAUNA

The region's climate has given Bosnia and Herzegovina a wealth of diverse flora and fauna. Ferns, flowers, mosses, and common trees

populate the landscape. Beech forests are found throughout the mountains, with spruce found at some higher altitudes. Wild animals include deer, brown bears, rabbits, fox, and wild boars.

## <sup>5</sup> ENVIRONMENT

Metallurgical plants contribute to air pollution. Ongoing interethnic civil strife has seriously damaged the country's infrastructure and led to water shortages. Urban landfill sites are limited. As of 2000, about 44.4% of the total land area is forested. Deforestation was not a significant problem. In 2003, only 0.5% of the total land area was protected. Hutovo Blato is a Ramsar wetland site. The Sutjeska National Park in the south covers an area of about 17,500 hectares (43,250 acres).

As of 2002, there were at least 72 species of mammals and 205 species of birds. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 8 types of mammals, 8 species of birds, 1 type of reptile, 1 species of amphibian, 11 species of fish, 10 other invertebrates, and 1 species of plant. Endangered species include the slender-billed curlew, Danube salmon, and the field adder.

## <sup>6</sup> POPULATION

The population of Bosnia and Herzegovina in 2005 was estimated by the United Nations (UN) at 3,840,000, which placed it at number 125 in population among the 193 nations of the world. In 2005, approximately 12% of the population was over 65 years of age, with another 18% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual population growth rate for 2005–10 was expected to be 0.1%, a rate the government viewed as too low. The government is concerned about high numbers of working-age people leaving the country and problems with reproductive health care practices. (An estimated 30% of all pregnancies end in abor-

tion.) The projected population for the year 2025 was 3,677,000. The population density was 75 per sq km (195 per sq mi).

The UN estimated that 43% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.45%. The capital city, Sarajevo, had a population of 579,000 in that year.

Civil strife greatly reduced the population through war, genocide, and emigration. When the Dayton Peace Agreement was signed in 1996, there were an estimated two million Bosnian refugees and displaced persons. That year, there were an estimated 25,000 more deaths than births, creating a population decrease of 1%. By 2006 the population was no longer declining, but massive emigration continued to be a concern for the country's economic future.

## 7 MIGRATION

Many people living in Bosnia and Herzegovina fled the war that followed independence. In other countries, their numbers were lumped together with other refugees from "Yugoslavia" or "former Yugoslavia." As of 1999, more than 330,000 Bosnian refugees were still in need of a permanent home. An estimated 110,000 Bosnian refugees and 30,000 displaced people returned to their homes from outside and within Bosnia in 1998. Only some 41,000 minority returns occurred in 1998, and some 3,000 in 1999. In 2003, there were 330,000 internally displaced persons (IDP) within the country.

In 2005, the net migration rate was estimated as .3 migrants per 1,000 population. Worker remittances in 2003 totaled \$870 million. The government views the emigration level as unsatisfactory.

## 8 ETHNIC GROUPS

In 2002, about 48.3% of the people were Bosniak (Muslim) and 34% were Serbs. Croats made up about 15.4% of the populace.

## 9 LANGUAGES

Croatian, Serbian, and Bosnian are all spoken.

## 10 RELIGIONS

Throughout its history, ethnicity and religion have served as flash points for conflict and changes in government. Ethnic groups tend to be closely linked with distinct religious affiliations; however, the rate of active religious participation is considered to be low. The Bosniaks are generally Muslim. As such, nearly 40% of the population is Muslim. The Serbs are generally Serbian Orthodox, a faith practiced by about 31% of the population. Most of the Serbian Orthodox live in the Republika Srpska. The Croats are primarily Roman Catholic, a faith practiced by about 15% of the population. Protestants account for about 4% of the population. Missionary groups include Seventh-Day Adventists, Jehovah's Witnesses, Methodists, the Church of Jesus Christ of Latter-day Saints (Mormons), and Krishna Consciousness. There is a small Jewish community.

The constitution provides for freedom of religion and this right is generally respected in practice. In 2004, the state passed a Law on Religious Freedom which provides for greater freedom of religion and governs the legal licensing of religious groups.

## 11 TRANSPORTATION

Bosnia and Herzegovina's railway system, as of 2004, consisted of 1,021 km (634 mi) of standard gauge track, of which 795 km (494 mi) had been electrified. In 2002, there were 21,846 km (13,575 mi) of highways, of which 14,020 km (8,712 mi) were paved.

Ports include those at Bosanska Gradiska, Bosanski Brod, Bosanski Samac, and Brčko. All are inland waterway ports on the Sava. However, none are fully operational. Large sections of the Sava are blocked by downed bridges, silt and debris. There is no merchant marine.

In 2004 there were an estimated 27 airports. Of these in 2005, eight had paved runways and there were also five heliports. In 2003, about 73,000 passengers were carried on scheduled flights.

## 12 HISTORY

### Origins

Bosnia and Herzegovina occupies the area between historical Croatia-Slavonia to the north, Dalmatia to the south, and Serbia and Montenegro to the east/southeast. Populated in ancient times by Thracians, Illyrians, Celts, with Greek colonies since 400 BC, the area was taken over by the Romans around 168 BC. However, it took the Romans some one hundred and fifty years to gain control of the entire area, which they called Dalmatia Province. The most difficult aspect of their occupation was getting past the coastal cities to build roads to rich mining sites in the interior, which still maintained its native, Illyrian character in resistance to pressures to Romanize. Eventually, many Romanized Illyrians became important leaders in the Roman armies and administration and some even became emperors. The division of the Roman Empire into the western and eastern halves in AD 395 found Bosnia as the frontier land of the western half, since the dividing line ran south from Sirmium on the Sava river along the Drina River to Skadar Lake by the Adriatic coast.

Slavic tribes have been raiding and settling in the Balkan area in large numbers since the 5th century AD, moving in slowly from their original lands east of the Carpathian Mountains. These early Slavic settlers were joined in the 7th century AD by Croatian and Serbian tribes invited by Byzantine Emperor Heraclius to help him fight the Avars. The area of Bosnia and Herzegovina became the meeting ground of Croats (western area) and Serbs (eastern area). As medieval Bulgarians, Croats, and Serbs developed their first states, Bosnia became a battleground among them and the Byzantine Empire. Christianization of the area was completed by the 9th century, when most of the Bosnian area came under the influence of Rome and Croats became Catholic, while most Serbs fell under the influence of the Byzantine Empire and became Eastern Orthodox.

The Bosnian area between the 9th and 11th centuries was essentially under Croatian influence when not conquered by Bulgarians, Serbs, or Byzantium. After Hungary and Croatia effected their royal union in AD 1102, Hungary took over Bosnia and the Dalmatian cities in 1136. Bosnia was then ruled by Croatian "Bans" under joint Hungarian-Croatian sovereignty. When the soldiers supplied by Ban Borić (r.1150–1167) to the Hungarian Army were defeated by Byzantium in 1167 at Zemun, Bosnia came under Byzantine rule. Hungary renewed its claim to Bosnia in 1185, during Ban Kulin's reign (1180–1204), which was marked

by his independence from Hungary, partly due to the inaccessibility of its mountainous terrain.

Geography itself was an incentive to the local autonomy of Bosnia's individual regions of Podrina, Central Bosnia, Lower Bosnia, and Hum (today's Herzegovina). Each region had its own local hereditary nobility and customs, and was divided into districts (*Župas*). The typical Bosnian family of this period had possession of its land without dependence on a feudal relationship to prince or king, as was the case in much of Europe. Bosnia was nominally Catholic under the jurisdiction of the Archbishop of Dubrovnik, who would consecrate a Bishop of Bosnia, usually from local Bosnian priests. These Bosnian Catholics used a Slavic liturgy and a modified Cyrillic alphabet called "Bosaniča" and had no knowledge of Latin. The region of Hum, on the other hand, was settled by Serbs in the interior, was mixed Orthodox and Catholic in the coastal area and mostly ruled by princes of the Serbian dynasty (Nemanja) until 1326.

The Catholic Church in Bosnia was isolated from the coastal areas and had developed its own Slavic liturgy and practices. These customs were suspect to the Latin hierarchy in both Hungary and the coastal cities. Ignorance of the language and customs of simple people and poor communications generated rumors and accusations of heresy against the Bosnian Church and Ban Kulin, its supposed protector. Kulin called a Church Council in 1203 at Bolino Polje that declared its loyalty to the Pope and renounced errors in its practices. Reports of heresy in Bosnia persisted, possibly fanned by Hungary, and caused visits by Papal legates in the 1220s. By 1225 the Pope was calling on the Hungarians to launch a crusade against the Bosnia heretics. In 1233, the native Bishop of Bosnia was removed and a German Dominican appointed to replace him. In spite of Ban Ninoslav's (1233–1250) renunciation of the "heresy," the Hungarians undertook a crusade in 1235–41, accompanied by Dominicans who were already erecting a cathedral in Vrhbosna (today's Sarajevo) in 1238. The Hungarians used the crusade to take control of most of Bosnia, but had to retreat in 1241 because of the Tartars' attack on Hungary. This allowed the Bosnians to regain their independence and in 1248 the Pope sent a neutral team (a Franciscan and a Bishop from the coastal town of Senj) to investigate the situation but no report is extant.

The Hungarians insisted that the Bosnian Church, which they suspected of practicing dualist, Manichaean beliefs tied to the Bogomils of Bulgaria and the French Cathars, be subjected to the Archbishop of Kalocsa in Hungary, who it was thought would intervene to end these heretical practices. In 1252, the Pope obliged. However, no Bishop was sent to Bosnia itself—only to Djakovo in Slavonia—so this act had no impact on the Bosnian Church. The crusades against the Bosnian Church caused a deep animosity towards the Hungarians that in the long run weakened Bosnian's determination to resist the invasion of the Islamic Turks. Thus the Bosnian Church that professed to be loyal to Catholicism, even though it continued in its practice of ascetic and rather primitive rituals by its Catholic monastic order, was pushed into separation from Rome.

Around 1288, Stjepan Kotroman became Ban of the Northern Bosnia area. In his quest to consolidate all of Bosnia under his rule, though, he was challenged by the Šubić family of Croatia, who had taken over Western Bosnia. Paul I Šubić then expanded his family's area of control, becoming Ban of Bosnia and later, in 1305, Ban

of All Bosnia. However, the power of the Šubić family declined in subsequent years, and Kotroman's son Stjepan Kotromanić was able to take control of Central Bosnia by 1318, serving as a vassal of the Croatian Ban of Bosnia, Mladen Šubić. Kotromanić then allied himself with Charles Robert, King of Hungary, to defeat Mladen Šubić, helping Kotromanić to consolidate his control over Bosnia, the Neretva River Delta, and over Hum, which he took in 1326 but lost in 1350 to Dušan the Great of Serbia. In recognition of the role the Hungarians had played in his consolidation of power in Bosnia, Ban Kotromanić gave his daughter Elizabeth into marriage to King Louis of Hungary in 1353, the year of his death.

Raised in the Orthodox faith, Kotromanić was converted to Catholicism by Franciscan fathers, an order he had allowed into Bosnia in 1342. The Franciscans concentrated their efforts at conversion on the members of the Bosnian Church (or Bogomili) and, by 1385, had built some 35 monasteries, four in Bosnia itself. Since most Franciscans were Italian and did not know the Slavic language, their effectiveness was not as great as it could have been and it was concentrated in the towns where numerous non-Bosnians had settled to ply their trades. During this period silver and other mines were opened which were administered by the townspeople of Dubrovnik. This influx of commerce helped in the development of prosperous towns in key locations and customs duties from increased trade enriched Bosnian nobles. A whole new class of native craftsmen developed in towns where foreign colonies also prospered and interacted with the native population, thus raising Bosnia's overall cultural level.

Kotromanić's heir was his nephew Tvrtko (r.1353–91) who would become the greatest ruler of Bosnia. Tvrtko could not command the loyalty of the nobles at first, however, and he soon lost the western part of Hum (1357) to Hungary as the dowry promised to King Louis of Hungary when he married Elizabeth, Kotromanić's daughter. But by 1363, Tvrtko had grown powerful enough to repel Hungarian attacks into Northern Bosnia. In 1366 Tvrtko fled to the Hungarian Court, having been unable to repress a revolt by his own nobles, and with Hungarian help regained his lands in 1367. In 1373 he obtained the upper Drina and Lim Rivers region. In 1377 he was crowned King of Bosnia and Serbia (his grandmother was a Nemanja) at the Mileševo monastery where Saint Sava, the founder of the Serbian Orthodox Church, was buried. Between 1378 and 1385, Tvrtko also gained control of the coastal territory of Trebinje and Konavli near Dubrovnik, along with the port city of Kotor. In 1389, Tvrtko sent his troops to support the Serbian armies of Prince Lazar and Vuk Branković at the legendary Battle of Kosovo Polje. The battle itself was a draw but it exhausted the Serbs' capability to resist the further Turkish invasions. The Turks retreated, having suffered the death of Sultan Murad I, assassinated by a Serbian military leader, and Tvrtko's commander at Kosovo claimed victory. Having sent such a message to Italy, Tvrtko was hailed as a savior of Christendom. He had made a first step towards a possible unification of Bosnia and Serbian lands, but the Turks, and then his own death in 1391, made it impossible.

Bosnia did not disintegrate after Tvrtko's death, but was held together through a Council of the key nobles. The Council elected weak kings to maintain their own power and privileges. Tvrtko had no legitimate descendants so his cousin Dabiša (r.1391–95) was elected, followed by his widow Helen of Hum (r.1395–98), and

then Stjepan Ostoja (r.1398–1404), opposed by Tvrtko II (r.1404–09), probably Tvrtko I's illegitimate son. Between 1404 and 1443, Bosnia witnessed civil wars between factions of the nobles taking opposite sides in the Hungarian wars of succession. Thus Stjepan Ostoja was returned to the throne from 1409 to 1418, followed by Stjepan Ostojić (r.1418–21), then Tvrtko II again (r.1421–43). During this period the Turks participated in Bosnian affairs as paid mercenaries, through their own raids, and by taking sides in the struggles for the Bosnian throne. The Turks supported Tvrtko II, who managed to rule for over 20 years by recognizing the sovereignty of both the Hungarians and Turks, and playing one against the other. After the Turks' conquest of Serbia in 1439 made them direct neighbors of Bosnia along the Drina River, Turkish raids into Bosnia increased. The Ottomans assumed a key role in internal Bosnian affairs and became the mediator for Bosnian nobles' quarrels. The Bosnian nobles and their Council clung to their opposition to a centralized royal authority, even though it could have mounted a stronger defense against Hungarians and Turks. Thus Bosnia grew ever weaker with the skillful maneuvering of the Turks. Twenty years after Tvrtko II's death, in 1443, the Turks conquered an exhausted Bosnia with a surprise campaign.

Herzegovina (named after the ruler of Hum, Stefan Vukčić who called himself Herzeg/Duke) was occupied by the Turks gradually by 1482, and the two regions were subject to the Ottoman Empire for the next 400 years until the 1878 takeover by Austria.

#### Under Ottoman Rule

The mass conversion of Bosnian Christians to Islam, a rather unique phenomenon in European history, is explained by two schools of thought. The traditional view recognizes the existence of a strong Bogomil heresy of dualism and social protest. These Bosnian Christians, having been persecuted by both Catholic and Orthodox Churches and rulers, welcomed the Ottomans and easily converted in order to preserve their land holdings. In doing so, they became trusted Ottoman soldiers and administrators. The other school of thought denies the existence of a strong and influential Bogomil heresy, but defines the Bosnian Christian church as a nativistic, anti-Hungarian, loosely organized religion with a Catholic theological background and simple, peasant-based practices supported by its monastic order. The rulers/kings of Bosnia were Catholic (with the single exception of Ostoja) and very tolerant of the Orthodox and so-called Bosnian religions. However, these religious organizations had very few priests and monks, and therefore were not very strong. The Bosnian Church was practically eliminated in 1459 through conversions to official Catholicism, or the forced exile of its leadership. Thus, by the time of the Turkish conquest, the Bosnian Church had ceased to exist and the allure of privileged status under the Ottomans was too strong for many to resist.

Bosnia and Herzegovina was ruled by a Pasha or Vizier appointed by the Sultan and assisted by a Chancellor, supreme justice, and treasurer, each heading his own bureaucracy, both central and spread into eight districts (*Sandžaks*). Justice was administered by a *khadi* who was both prosecutor and judge using the Koran for legal guidance, thus favoring Muslim subjects. Catholics, who were outside the established Orthodox and Jewish communities represented by the Greek Orthodox Patriarch and Chief Rabbi in Constantinople, were particularly exposed to arbitrary persecu-

tions. In spite of all this, communities of followers of the Orthodox (Serbian) Church and Catholic (Croatian) Church survived into the late 19th century when in 1878 Austria obtained the authority to occupy Bosnia and Herzegovina, putting an end to four centuries of Ottoman rule. The Ottomans introduced in Bosnia and Herzegovina their administration, property concepts, and customs. The adherents to Islam were the ruling class, regardless of their national or ethnic backgrounds. Christian peasants practically became serfs to Muslim landlords while in the towns civil and military administrators had control over an increasingly Muslim population. Large numbers of Bosnians fled the Turkish takeover and settled in Venetian-occupied coastal areas where many continued the fight against the Turks as "Uskoki" raiders. Others emigrated north or west into Slavonia and Croatia and were organized as lifetime soldiers along military regions (*Krajina*) in exchange for freemen status, land, and other privileges. On the Bosnian side, Christians were not required to enter military service, but the so-called "blood tax" took a heavy toll by turning boys forcibly into Muslim Janissaries—professional soldiers converted to Islam who would generally forget their origins and become oppressors of the Sultan's subjects. Girls were sent to harems. Taxation became more and more oppressive, leading to revolts by the Christian peasantry that elicited bloody repressions.

#### Under Austro-Hungarian Rule

Historically both Croats and Serbs have competed for control over Bosnia. The Croats, who had included Bosnia in their medieval kingdom, could not effectively continue their rule once joined with the more powerful Hungarians in their royal union. The Serbs, on the other hand, were assisted by Hungary in their expansion at the expense of the Byzantine Empire. Later, they also received Hungarian support in their resistance to Turkish inroads and therefore could not invest their energies in Bosnia, in their view a "Hungarian" territory. Thus Bosnia was able to assert its own autonomy and individuality, but did not evolve into a separate nation. With the Austrian occupation, however, a new period began marked by a search for a Bosnian identity, supported by Austria who had an interest in countering the national unification ambitions of both Croats and Serbs.

The population of Bosnia and Herzegovina was divided into three major religious-ethnic groups: Croatian Catholics, Serbian Orthodox, and Bosnian Muslims. With the disappearance of the Bosnian Church just before the Ottoman occupation in 1463, most Bosnians were Croatian and Catholic, with a Serbian Orthodox population concentrated in Eastern Herzegovina and along the Drina River frontier with Serbia. The Serbs were mostly peasants, many of whom became serfs to Muslim landlords. Their priests, who were generally poorly educated, lived as peasants among them. Serbian urban dwellers, insignificant in number at first, grew to be an important factor by the late Ottoman period and developed their own churches and schools in the 19th century. Crafts and commerce were the main occupations of the new Serbian middle class.

Croats were also mostly peasants and, like the Serbs, became serfs to Muslim landlords. Members of the Franciscan order lived among the peasants, even though they also had built several monasteries in urban centers. There was almost no Croat middle class



LOCATION: 44°17' N; 17°30' E. BOUNDARY LENGTHS: Total land boundary lengths, 1,459 kilometers (905 miles); Croatia, 932 kilometers (578 miles); Yugoslavia, 527 kilometers (327 miles); total coastline, 20 kilometers (12 miles).

at the start of the Austrian period and the Catholic clergy was generally its advocate.

The Muslim group consisted of three social subgroups: the elites, the peasants, and urban lower classes. Most Muslims were peasants, but they were free peasants with a standard of living not better than that of the Christian serf-peasants. The Muslim hodžas (priests) lived among the peasants as peasants themselves. The second subgroup consisted of merchants, craftsmen, and ar-

tisans and were mostly concentrated in towns. Together with the urban lower classes, these two groups made up the Muslim majorities in most towns by 1878. The members of the Muslim elites were mostly religious functionaries, landowners, and commercial entrepreneurs, all favored by Islamic laws and traditions. Following the 1878 occupation, Austria recognized the right of Turkish functionaries to keep their posts, the right of Muslims to be in communication with their religious leaders in the Ottoman Em-

pire, the right of Turkish currency to circulate in Bosnia, and also promised to respect all traditions and customs of the Bosnian Muslims. The Austrian approach to the administration of Bosnia and Herzegovina was close to the British colonial model that retained the existing elites and cultural individuality while gradually introducing Western administrative and education models.

Bosnia and Herzegovina was divided by the Turks into six administrative regions that were confirmed by Austria: Sarajevo, Travnik, Bihać, Donja Tuzla, Banja Luka, and Mostar (Herzegovina). Each was headed by a regional supervisor. Participation in cultural and religious organizations was encouraged, while engaging in politics was prohibited. The Austrians promoted a policy of equality between Christians and Muslims, banned organizations of an open political purpose, and prohibited the use of national names (Serb and Croat) for public institutions. At the same time, educational institutions designed to promote loyalty to Bosnia (and Austria) as such were encouraged. Censorship and other means were used to insulate Bosnians from the influence of their Croatian and Serbian co-nationals across the borders. By terminating the earlier Muslim secular/religious unity, many administrative and judicial functions were no longer carried out by the Muslim elites, but were instead presided over by the Austrian bureaucracy and judiciary, though a separate Muslim judiciary was continued. The Muslim landowners lost some privileges but were able to retain their land and the system of serfdom was allowed to continue.

A widespread and important institution supporting Muslim cultural life was the Vakif (Vakuf in Serbian/Croatian). The Vakuf was a revenue-producing property set up and administered as a family foundation for the support of specified causes. Once set up, a Vakuf could not be sold, bequeathed, or divided and was exempt from normal taxes. In 1878 it was estimated that one-fourth to one-third of usable land in Bosnia was tied to Vakufs. The administration of Vakufs was lax and open to much manipulation and abuse. The Austrian administration was able to establish effective controls over the Vakuf system by 1894 through a centralized commission and the involvement of prominent Muslims in the administration of Vakuf revenues in support of Islamic institutions.

The continuation of serfdom by the Austrian authorities was a deep disappointment for the peasants that were eagerly expecting emancipation. Abuses led to peasant revolts until the Austrians introduced cash payments of the tithe (one-tenth of harvest due to the state) and the appraising of harvest value as basis for payment in kind (one-third) to the landlord. A land-registry system was instituted in 1884, and landowners that could not prove legal ownership lost title to some properties. This policy generated wide discontent among Muslim landowners. Another cause of frequent disorders were cases of religious conversions. Under Muslim law, a Muslim convert to another faith was to be executed (this penalty was later eased to banishment). The Austrian policy of confessional equality required a freedom of religious conversion without any penalty and a conversion statute was issued in 1891.

The general aim of the Austrian administration was to guide the development of a coequal confessional society that would focus its efforts on cultural and economic progress without political and national assertiveness. Benjamin von Kallay, the first Austrian Chief Administrator for Bosnia and Herzegovina wanted to avoid

anything that could lead to the creation of a separate Muslim nation in Bosnia. On the other hand, he was determined to insulate Bosnians from external developments in the South Slavic areas. Such a position was unrealistic, however, since all of the main groups—Serbs, Croats, and Muslims—identified themselves with their own national/religious groups in the neighboring areas and had developed intense cultural/political relationships with them. Serbs looked at Serbia's successes and hoped for unification with their motherland. Croats followed closely the Croatian-Hungarian tensions and hoped likewise for their unification. The Muslim community, meanwhile, struggled for its own cultural/religious autonomy within a Bosnia that still recognized the Ottoman Sultan's sovereignty and looked to him for assistance.

The unilateral annexation of Bosnia and Herzegovina to Austria in 1908 exacerbated Austria's relations with Serbia (and almost caused a war) and with the Hungarian half of the Hapsburg Crown that opposed the enlargement of the Slavic population of Austria-Hungary. Serbia's victories in the Balkan wars added fuel to the "Yugoslav" movement among the South Slavs of Austria, including Bosnia and Herzegovina. Here the Austrian administration countered the growing "Yugoslav" assertiveness with a "divide and rule" initiative of developing a separate "Bosnian" national consciousness which they hoped would tie together Serbs, Croats, and Muslims. All nationalist movements use elements of history to develop their own mythology to unite their members. Thus, the medieval Bosnian kingdom was the basis for development of a Bosnian national consciousness. It was opposed by most Serbs and Croats, who awaited unification with Serbia or Croatia, but gave some sense of security to the more isolated Muslim Bosnian community. Already by the beginning of the 20th century, separate ethnic organizations and related political associations had to be allowed. The 1908 annexation led to the promulgation of a constitution, legal recognition of political parties, and a Bosnian Parliament in 1910. The internal political liberalization then allowed the Austrian administration to concentrate on the repression of student radicals, internal and external terrorists, and other such perceived threats to their rule.

The Muslim community was split internally, with a leadership dominated by landowners and weakened by the forced emigration to Turkey of its top leaders. It finally came together in 1906 and formed the Muslim National Organization (Muslimanska Narodna Organizacija) as its political party, with the blessing of its émigré leaders in Istanbul. Intense negotiations with the Austrian administration produced agreements on religious and cultural autonomy as well as landowners' rights. The latter were a preeminent concern, and landowners were able to preserve their ownership rights based on Ottoman law and the peasants' payments of compulsory dues. The religious autonomy of the Muslim faith was assured by having the nominees for the top offices confirmed by the Sultan's religious head upon request by the Austrian Embassy in Istanbul. The same process was also used in matters of religious dogma and law.

Cultural autonomy for Muslims was affirmed through the streamlining of the preexisting vakuf system into local, regional, and central assemblies responsible for the operation of the vakufs and the related educational system. Overall, the Muslims of Bosnia had achieved their objectives: preserving their large land-

holdings with peasants still in a quasi-serfdom condition; assuring their cultural autonomy; and retaining access to the Sultan, head of a foreign country, in matters of their religious hierarchies. Politically, the Muslim National Organization participated in the first parliament as part of the majority supportive of the Austrian government.

Serbs and Croats had also formed political organizations, the nature of which reflected Bosnia's peculiar ethnic and socio-political conditions. The Serbian National Organization (Srpska Narodna Organizacija) was founded in 1907 as a coalition of three factions. The Croatian National Community (Hrvatska Narodna Zajednica) was formed in 1908 by liberal Croat intellectuals, followed in 1910 by the Croatian Catholic Association (Hrvatska Katolička Udruga). A cross-ethnic Social Democratic party, formed in 1909, failed to win any seats in the Parliament. A Muslim Progressive Party, formed in 1908, found hardly any support even after changing its name to the Muslim Independent Party. The Muslims were more conservative and were opposed to the agrarian reform demanded by the Serbs and Croats, who each continued to favor an association or unification with their respective "Mother Country." Croats asserted the Croatian character of Bosnia based on its Croatian past, while Serbs just as adamantly claimed its Serbian character and supported Serbia's "Greater Serbia" policies.

Given the demographics of Bosnia and Herzegovina (1910 census: Serbian Orthodox, 43%; Croat Catholics, 23%; Muslims, 32%) each side needed the support of the Muslims who, though pressured to declare themselves Serbs or Croats, very seldom would do so and would rather keep their own separate identity. Up until the Balkan wars, Muslims and Serbs would support one another hoping for some kind of political autonomy. Croats advocated unification with Croatia and a trialist reorganization of the Hapsburg Monarchy, giving the united South Slavs a coequal status with Austrians and Hungarians. Any cooperation by the Muslims was predicated on support for the continuation of serfdom. This stance prevented cooperation with the Croatian Catholic Association, which insisted on agrarian reform and the termination of serfdom.

With the Serbian victories and Ottoman defeat in the Balkan wars, Serbs became more assertive and Croats more willing to cooperate with them in the growing enthusiasm generated by the idea of "Yugoslavism." A parliamentary majority of Serbs and Croats could have effected the liberation of the peasants in 1913 but the Hungarians opposed it. The assassination of Archduke Ferdinand on 28 June 1914, and World War I, combined to make the issue moot when the Parliament was adjourned. The assassination of the Archduke was apparently the work of members of the "Young Bosnia" students association supported (unofficially) by Serbia through its extremist conspiratorial associations, the "Black Hand" and the "Serbian National Defense." The Austrian ultimatum to Serbia was extremely harsh but Serbia met all the conditions that did not violate its sovereignty. Austria nevertheless declared war and immediately attacked Serbia. The Serbian community of Bosnia and Herzegovina was subjected to a regime of terror and indiscriminate executions by the Austrian authorities. Serbian leaders were subjected to trials, court martial proceedings, and infamous concentrations camps where internees died of epidemics and starvation.

### First (Royal) Yugoslavia

Throughout World War I, Bosnians fought in Austrian units, particularly on the Italian front until Austria's surrender. The Bosnian National Council decided to unite with the Kingdom of Serbia, as Vojvodina did and the Montenegrin assembly did on 24 November 1918. On 27 November 1918 the delegation from the Zagreb-based National Council of the Slovenes, Croats, and Serbs also requested unification with Serbia of the Slovene, Croat, and Serbian lands of Austria-Hungary. Following the Declaration of Union on 1 December 1918, a provisional government was set made up of representatives of Serbia and the National Council, with other groups added later. A provisional Assembly was also convened consisting of members of the Serbian Parliament, nominees from the National Council and other regional Assemblies such as Bosnia and Herzegovina and Vojvodina. In November 1920 a Constituent Assembly was elected and functioned as both the legislature and constitutional convention. Bosnian Serbs supported the Serbian Agrarian Party, while two Muslim parties, the National Muslim Organization from Bosnia and Herzegovina and the Džemijet Party of the Kosovo and Macedonia Muslims had seats in the assembly. Croats, on the other hand, joined the mainstream parties of Croatia.

By joining the Kingdom of Serbs, Croats, and Slovenes in 1918, Bosnia and Herzegovina ceased to exist as a distinct political/historical unit, particularly since the heads of local governments were appointed by and directly accountable to the central government in Belgrade. After 10 years of a tumultuous parliamentary history culminating in the assassination of Croatian deputies, King Alexander dissolved parliament and disbanded all political parties, establishing a royal dictatorship in 1929. He then reorganized the country into a "Yugoslavia" made up of nine administrative regions (*banovine*) named after rivers. What once was Bosnia and Herzegovina was split among four of the new units (Vrbaska, Drinska, Primorska, and Zetska). Serb and Croat peasants were finally freed from their feudal obligations to Muslim landlords through the agrarian reforms decreed in 1919 and slowly implemented over the next 20 years. Except for Bosnia and Herzegovina and Dalmatia, land held by ex-enemies (Austrians, Hungarians, Turks) were expropriated without compensation and redistributed to the peasants—1.75 million of them plus 2.8 million dependents. As a result, the average size of agricultural holdings fell to 15 acres, causing inefficiencies and very low yields per acre. Peasants were forced to borrow even to buy food and necessities. They fell deeply in debt, both to local shopkeepers who charged 100–200% interest and to banks that charged exorbitant rates up to 50%. In comparison, peasant cooperatives in Slovenia used single digit interest rates.

Politically, the Muslim Organization, as a small party, allied itself mostly with the Slovene People's Party and either the Serbian Democratic or Radical parties in order to participate in a series of governments before the 1929 royal dictatorship was implemented. The Muslim Organization's main goals were to obtain the best possible compensation for land expropriated from Bosnia's Muslim landowners and to preserve the Muslims' cultural identity. In 1932, Muslim leaders joined the Croats, Slovenes, and some Liberal Serbs in issuing the Zagreb manifesto calling for an end to the King's dictatorship and for democratization and regional auto-



mies. For this the centralist regime interned and imprisoned several of the leaders and instituted wider repressions. Following the assassination of King Alexander in 1934 in Marseille, France, the Croat Peasants Party was joined by the Muslims, Serbian Agrarians, and Serbian Democrats in opposition to the Centralists, winning 38% of the votes in spite of the government's intimidating tactics. With the opposition refusing to take part in the parliament, a new government was formed by the Serbian Radicals with the inclusion of the Muslims and the Slovene People's Party.

This new coalition government lasted until 1939, but was never able to resolve the "Croatian" autonomy issue. In addition, while under the leadership of Milan Stojadinović, Yugoslavia's foreign policy moved the country closer to Italy and Germany. Meanwhile a growing consensus had developed that the "Croatian" question had to be solved, particularly in view of the aggressive ambitions of Yugoslavia's neighbors. Thus, the Regent Prince Paul and Dr. Vladimir Maček, leader of the Croatian Peasant Party, worked with the Minister of Social Policy, Dragiša Cvetković, on an agreement establishing a Croatian Banovina made up of the historical regions of Croatia-Slavonia and Dalmatia along with parts of Vojvodina, Srem, and Bosnia. The president of the senate, Monsignor Anton Korošec (also leader of the Slovene People's Party), engineered the resignation of five ministers, two Slovenes, two Muslim, and Dragiša Cvetković. Regent Paul then called on Cvetković to form a new government. Dr. Maček became vice-premier and Ivan Subašić was named Ban of the autonomous Croatian Banovina, which was given its own Sabor (parliament). The Croatian parties considered this development as a positive first phase towards their goal of an independent Croatia that would incorporate all of Bosnia and Herzegovina. The Serbian centralists, on the other hand, saw this phase as a threat to their own designs of incorporating Bosnia and Herzegovina (and Serb populated areas of Croatia) into a "Greater Serbia" unit of Yugoslavia. Thus, on the eve of World War II, the stage was set for a direct confrontation between the independent minded Croatians and centralistic Serbs. The Muslims of Bosnia were caught in their crossfire.

### World War II

Germany, Italy, and their allies Hungary, Romania, and Bulgaria, attacked Yugoslavia on 6 April 1941 and divided the country among themselves. The Croatian terrorist Ustaša organization collaborated with the aggressors and was allowed to proclaim an Independent State of Croatia on 10 April 1941. This new state incorporated the old Croatian Banovina in addition to all of Bosnia and Herzegovina. Of its total population of 6.3 million, one-third were Serbian and 750,000 were Muslim. Once entrenched in power, the Ustaša troops began implementing their plan for "cleansing" their Greater Croatia of the Serbian population by the use of terror, mass deportations, and genocidal massacres later condemned by the Nürnberg Court.

The Serbian population responded in kind with its Cetnik formations and by joining the Partisan resistance movement led by Josip Broz-Tito, head of the Yugoslav Communist Party. Bosnia and Herzegovina suffered terrible losses in several German-led offensives against Bosnian resistance, and in the internecine civil war among Communist-dominated Partisans, nationalist Cetniks (mostly Serbs), and Croatian Ustaše and home guard units. The Muslim population in particular was caught in the middle be-

tween the Ustaše and the Serbian Cetniks. The Ustaše considered the Muslims of Croatian origin and expected them to collaborate with the Ustaša regime. The Serbian Cetniks, on the other hand, viewed most Muslims as the hated Turks and Ustaša collaborators, and therefore engaged in slaughters of Muslims, particularly in Eastern Bosnia around the cities of Foča and Goražde.

The political programs of the Cetniks and Partisans were a reflection of the old centralist (Serbian) hegemony and the Federalist positions of the prewar opposition parties. Thus the Partisan resistance, though aiming at a revolutionary power grab, offered a federated Yugoslavia made up of individual republics for each national group—Serbs, Croats, Slovenes, newly recognized Macedonians and Montenegrins. To avoid a battle over a Serbian-Croatian border issue, Bosnia and Herzegovina was resurrected as a buffer area between Serbia and Croatia. It would also allow (again) for the cultural autonomy of the Muslim population. The Allied and Soviet support the Partisans received enabled them to prevail, and they organized Socialist Yugoslavia as a Federative People's Republic with Bosnia and Herzegovina as one of the constituent republics approximately within the boundaries of the former Austrian province.

When Soviet armies entered Yugoslavia from Romania and Bulgaria in the fall of 1944—Marshal Tito with them—military units and civilians that had opposed the partisans had no choice but retreat to Austria or Italy to save themselves. Among them were the Cetnik units of Draža Mihajlović, and "home guards" from Serbia, Croatia, and Slovenia that had been under German control but were pro-Allies in their convictions and hopes. Also in retreat were the units of the Croatian Ustaša that had collaborated with Italy and Germany in order to achieve (and control) an "independent" greater Croatia, and in the process had committed terrible and large-scale massacres of Serbs, Jews, Gypsies, and others who opposed them. Of course, Serbs and Partisans counteracted and a fratricidal civil war raged over Yugoslavia, pitting Croats against Serbs, Communists against Nationalists. These skirmishes not only wasted countless lives, they used up the energy and property that could have been used instead against the occupiers. After the end of the war, the Communist-led forces took control of all of Yugoslavia and instituted a violent dictatorship that committed systematic crimes and human rights violations on an unexpectedly large scale. Thousands upon thousands of their former opponents were returned from Austria by British military authorities only to be tortured and massacred by Partisan executioners.

### Second (Communist) Yugoslavia

Such was the background for the formation of the second Yugoslavia as a Federative People's Republic of five nations—Slovenes, Croats, Serbs, Macedonians, and Montenegrins—and Bosnia and Herzegovina as a buffer area with its mix of Serb, Muslim, and Croat populations. The problem of large Hungarian and Muslim Albanian populations in Serbia was solved by creating the autonomous region of Vojvodina (Hungarian minority) and Kosovo (Muslim Albanian majority) to assure their political and cultural development. Tito attempted a balancing act to satisfy most of the nationality issues that were carried over unresolved from the first Yugoslavia, but failed to satisfy anyone.

Compared to pre-1941 Yugoslavia where Serbs enjoyed their controlling role, the numerically stronger Serbs in the new Yugo-

slavia had “lost” the Macedonian area they considered “Southern Serbia”; they had lost the opportunity to incorporate Montenegro into Serbia; they had lost direct control over the Hungarian minority in Vojvodina and Muslim Albanians of Kosovo (viewed as the cradle of the Serbian nation since the Middle Ages); they could not longer incorporate into Serbia the large Serbian populated areas of Bosnia; and they had not obtained an autonomous region for the large minority Serbian population within the Croatian Republic. The Croats, while gaining back from Hungary the Medjumurje area and from Italy the cities of Rijeka (Fiume), Zadar (Zara), some Dalmatian islands, and the Istrian Peninsula, had “lost” the Srem area to Serbia and Bosnia and Herzegovina, which had been part of the World War II “independent” Croatian state under the Ustaša leadership. In addition, the Croats were confronted with a deeply resentful Serbian minority that became ever more pervasive in public administrative and security positions. The Slovenes had obtained back from Hungary the Prekmurje enclave and from Italy most of the Slovenian lands taken over by Italy following World War I (Julian Region and Northern Istria). Italy retained control over the “Venetian Slovenia” area, the Gorizia area, and the port city of Trieste. (Trieste was initially part of the UN protected “Free Territory of Trieste,” split in 1954 between Italy and Yugoslavia, with Trieste itself given to Italy.) Nor were the Slovenian claims to the southern Carinthia area of Austria satisfied. The “loss” of Trieste was a bitter pill for the Slovenes and many blamed it on the fact that Tito’s Yugoslavia was, initially, Stalin’s advance threat to Western Europe, thus making Western Europe and the United States more supportive of Italy.

The official position of the Marxist Yugoslav regime was that national rivalries and conflicting interests would gradually diminish through their sublimation into a new Socialist order. Without capitalism, nationalism was supposed to wither away. Therefore, in the name of their “unity and brotherhood” motto, any “nationalistic” expression of concern was prohibited and repressed by the dictatorial and centralized regime of the “League of Yugoslav Communists” acting through the “Socialist Alliance” as its mass front organization. As a constituent Republic of the Federal Yugoslavia, Bosnia and Herzegovina shared in the history of the second experiment in “Yugoslavism.”

After a short postwar “coalition” government period, the elections of 11 November 1945, boycotted by the noncommunist “coalition” parties, gave the Communist-led People’s Front 90% of the vote. A Constituent Assembly met on November 29 and abolished the monarchy, establishing the Federative People’s Republic of Yugoslavia. In January 1946, a new constitution was adopted, based on the 1936 Soviet constitution. The Stalin-engineered expulsion of Yugoslavia from the Soviet-dominated Cominform Group in 1948 was actually a blessing for Yugoslavia after its leadership was able to survive Stalin’s pressures. Survival had to be justified, both practically and in theory, by developing a “road to Socialism” based on Yugoslavia’s own circumstances. This new “road map” evolved rather quickly in response to some of Stalin’s accusations and Yugoslavia’s need to perform a balancing act between the NATO alliance and the Soviet bloc. Having taken over all power after World War II, the Communist dictatorship under Tito pushed the nationalization of the economy through a policy of forced industrialization, to be supported by the collectivization of agriculture.

The agricultural reform of 1945–46 (limited private ownership of a maximum of 35 hectares (85 acres) and a limited free market after the initial forced delivery of quotas to the state at very low prices) had to be abandoned because of the strong passive, but at times active, resistance by the peasants. The actual collectivization efforts were initiated in 1949 using welfare benefits and lower taxes as incentives along with direct coercion. But collectivization had to be abandoned by 1958 simply because its inefficiency and low productivity could not support the concentrated effort of industrial development.

By the 1950s, Yugoslavia had initiated the development of its internal trademark: self-management of enterprises through workers councils and local decision-making as the road to Marx’s “withering away of the state.” Following the failure of the first five-year plan (1947–51), the second five-year plan (1957–61) was completed in four years by relying on the well-established self-management system. Economic targets were set from the local to the republic level and then coordinated by a Federal Planning Institute to meet an overall national economic strategy. This system supported a period of very rapid industrial growth in the 1950s. But a high consumption rate encouraged a volume of imports, largely financed by foreign loans, far in excess of exports. In addition, inefficient and low-productivity industries were kept in place through public subsidies, cheap credit, and other artificial protective measures that led to a serious crisis by 1961.

Reforms were necessary and, by 1965, “market socialism” was introduced with laws that abolished most price controls and halved import duties while withdrawing export subsidies. After necessary amounts were left with the earning enterprise, the rest of the earned foreign currencies were deposited with the national bank and used by the state, other enterprises, or were used to assist less developed areas. Councils were given more decision-making power on investing their earnings. They also tended to vote for higher salaries in order to meet steep increases in the cost of living. Unemployment grew rapidly even though “political factories” were still subsidized. The government thus relaxed its restrictions to allow labor migration particularly to West Germany where workers were needed for its thriving economy. Foreign investment was encouraged up to 49% in joint enterprises, and barriers to the movement of people and exchange of ideas were largely removed. The role of trade unions continued to be one of transmission of instructions from government to workers, allocation of perks along with the education/training of workers, monitoring legislation, and overall protection of the self-management system. Strikes were legally neither allowed nor forbidden but—until the 1958 miners strike in Trbovlje, Slovenia—were not publicly acknowledged and were suppressed. After 1958, strikes were tolerated as an indication of problems to be resolved. Unions, however, did not initiate strikes but were expected to convince workers to go back to work.

Having survived its expulsion from the Cominform in 1948 and Stalin’s attempts to take control, Yugoslavia began to develop a foreign policy independent of the Soviet Union. By mid-1949 Yugoslavia ceased its support of the Greek Communists in their civil war against the then Royalist government of Greece. In October 1949, Yugoslavia was elected to one of the nonpermanent seats on the UN Security Council and openly condemned North Korea’s aggression toward South Korea. Following the “rapproche-

ment” opening with the Soviet Union initiated by Nikita Khrushchev and his 1956 denunciation of Stalin, Tito intensified his work on developing the movement of nonaligned “third world” nations. This would become Yugoslavia’s external trademark, in cooperation with Nehru of India, Nasser of Egypt, and others. With the September 1961 Belgrade summit conference of nonaligned nations, Tito became the recognized leader of the movement. The nonaligned position served Tito’s Yugoslavia well by allowing Tito to draw on economic and political support from the Western powers while neutralizing any aggressiveness from the Soviet bloc. While Tito had acquiesced, reluctantly, to the 1956 Soviet invasion of Hungary for fear of chaos and its liberalizing impact on Yugoslavia, he condemned the Soviet invasion of Dubček’s Czechoslovakia in 1968, as did Romania’s Ceausescu, both fearing their countries might be the next in line for “corrective” action by the Red Army and the Warsaw Pact. Just before his death on 4 May 1980, Tito also condemned the Soviet invasion of Afghanistan. Yugoslavia actively participated in the 1975 Helsinki Conference and agreements and the first 1977–78 review conference that took place in Belgrade, even though Yugoslavia’s one-party communist regime perpetrated and condoned numerous human rights violations. Overall, in the 1970s and 1980s, Yugoslavia maintained fairly good relations with its neighboring states by playing down or solving pending disputes—such as the Trieste issue with Italy in 1975—and by developing cooperative projects and increased trade.

Ravaged by the war, occupation, resistance, and civil war losses and preoccupied with carrying out the elimination of all actual and potential opposition, the Communist government faced the double task of building its Socialist economy while rebuilding the country. As an integral part of the Yugoslav federation, Bosnia and Herzegovina was, naturally, impacted by Yugoslavia’s internal and external political developments. The main problems facing communist Yugoslavia and Bosnia and Herzegovina were essentially the same as the unresolved ones under Royalist Yugoslavia. As the “Royal Yugoslavism” had failed in its assimilative efforts, so did the “Socialist Yugoslavism” fail to overcome the forces of nationalism. Bosnia and Herzegovina differs from the other republics because its area has been the meeting ground of Serbian and Croatian nationalist claims, with the Muslims as a third party, pulled to both sides. Centuries of coexistence of the three major national groups had made Bosnia and Herzegovina into a territorial maze where no boundaries could be drawn to clearly separate Serbs, Croats, and Muslims without resorting to violence and forced movements of people. The inability to negotiate a peaceful partition of Bosnia and Herzegovina between Serbia and Croatia doomed the first interwar Yugoslavia to failure. The Socialist experiment with “Yugoslavism” in post-World War II Yugoslavia was particularly relevant to the situation in Bosnia and Herzegovina where the increasing incidence of intermarriage, particularly between Serbs and Croats, caused the introduction of the “Yugoslav” category with the 1961 census. By 1981 the “Yugoslav” category was selected by 1.2 million citizens (5.4% of the total population), a large increase over the 273,077 number in 1971. Muslims, not impacted much by intermarriage, have also been recognized since 1971 as a separate “people” and numbered two million in 1981 in Yugoslavia. The 1991 census showed the population of Bosnia and Herzegovina consisting mainly of Muslims (43.7%),

Serbs (31.4%), and Croats (17.3%) with 6% “Yugoslavs” out of a total population of 4,364,000.

Bosnia as a political unit has existed since at least 1150. Headed by a Ban in the Croatian tradition, Bosnia lasted for over 300 years with an increasing degree of independence from Hungary through King Tvrtko I and his successors until the occupation by the Ottoman Turks in 1463 (1482 for Herzegovina). Bosnia and Herzegovina was then ruled by the Turks for 415 years until 1878, and by Austria-Hungary for 40 years until 1918. Bosnia and Herzegovina ceased to be a separate political unit only for the 27 years of the first Yugoslavia (1918–1945) and became again a separate unit for 47 years as one of the republics of the Federal Socialist Republic of Yugoslavia until 1992. Yet, in spite of an 800-year history of common development, the Serbs, Croats, and Muslims of Bosnia and Herzegovina never assimilated into a single nation. Bosnia was initially settled by Croats who became Catholic and then by Orthodox Serbs escaping from the Turks. Under the Turks, large numbers converted to Islam and, in spite of a common language, their religious and cultural differences kept the Serbs, Croats, and Muslims apart through history so that Bosnia and Herzegovina has been more a geographic-political notion than a unified nation.

Consequently, while the resurgent nationalism was galvanizing Croatia into an intensifying confrontation with Serbia, the Bosnian leadership had to keep an internal balance by joining one or the other side depending on its own interests. Bosnia and Herzegovina was torn between the two opposing “liberal” and “conservative/centralist” coalitions. In terms of widening civil and political liberties, Bosnia and Herzegovina usually supported in most cases the liberal group. Its own economic needs as a less developed area, however, pulled it into the conservative coalition with Serbia in order to keep the source of development funds flowing to itself, Montenegro, Macedonia, and Serbia (for the Kosovo region). Also, the “Yugoslav” framework was for Bosnia and Herzegovina an assurance against its possible, and very likely bloody, partitioning between Serbia and Croatia.

The liberal group, centered in Slovenia and Croatia, grew stronger on the basis of the deepening resentment against forced subsidizing of less-developed areas of the federation and buildup of the Yugoslav army. Finally, the increased political and economic autonomy enjoyed by the Republics after the 1974 constitution and particularly following Tito’s death in 1980, assisted in turning Tito’s motto of “unity and brotherhood” into “freedom and democracy” to be achieved through either a confederated rearrangement of Yugoslavia or by complete independence of the Republics. The debate over the reforms of the 1960s had led to a closer scrutiny—not only of the economic system, but also of the decision-making process at the republic and federal levels, particularly the investment of funds to less developed areas that Slovenia and Croatia felt were very poorly managed, if not squandered. Other issues of direct impact on Bosnia and Herzegovina fueled acrimony between individual nations, such as the 1967 Declaration in Zagreb claiming a Croatian linguistic and literary tradition separate from the Serbian one, thus undermining the validity of the “Serbo-Croatian” language. Also, Kosovo Albanians and Montenegrins, along with Slovenes and Croats, began to assert their national rights as superior to their rights as Yugoslav nationals.

The Eighth Congress of the League of Communists of Yugoslavia (LCY) in December 1964 acknowledged that ethnic prejudice and antagonisms existed in socialist Yugoslavia. The Congress went on record against the position that Yugoslavia's nations had become obsolete and were disintegrating into a socialist "Yugoslavism." Thus the republics, based on individual nations, became bastions of a strong Federalism that advocated the devolution and decentralization of authority from the federal to the republic level. "Yugoslav Socialist Patriotism" was at times defined as a deep feeling for one's own national identity within the socialist self-management of Yugoslavia.

Economic reforms were the other focus of the Eighth LCY Congress led by Croatia and Slovenia, with emphasis on efficiencies and local economic development decisions with profit criteria as their basis. The liberal bloc (Slovenia, Croatia, Macedonia, Vojvodina) prevailed over the conservative group and the reforms of 1965 did away with central investment planning and political factories. The positions of the two blocks hardened into a national-liberal coalition that viewed the conservative, centralist group led by Serbia as the Greater Serbian attempt at majority domination.

To the conservative centralists the devolution of power to the republic level meant the subordination of the broad "Yugoslav" and "Socialist" interests to the narrower "nationalist" interest of republic national majorities. With the Croat League of Communists taking the liberal position in 1970, nationalism was rehabilitated as long as it didn't slide into chauvinism. Thus the "Croatian Spring" bloomed and impacted all the other republics of Yugoslavia. Meanwhile, as the result of a series of 1967–68 constitutional amendments that limited federal power in favor of the republics and autonomous provinces, the federal government was seen by liberals more as an inter-republican problem-solving mechanism bordering on a confederacy. A network of inter-republican committees established by mid-1971 proved to be very efficient at resolving a large number of difficult issues in a short time. The coalition of liberals and nationalists in Croatia generated sharp condemnation in Serbia, where its own brand of nationalism grew stronger, but as part of a conservative-centralist alliance. Thus the liberal/federalist versus conservative/centralist opposition became entangled in the rising nationalism within each opposing bloc. The devolution of power in economic decision-making spearheaded by the Slovenes assisted in the "federalization" of the League of Communists of Yugoslavia. This resulted in a league of quasi-sovereign republican parties. Under strong prodding from the Croats, the party agreed in 1970 to the principle of unanimity for decision making that, in practice, meant a veto power for each republic. However, the concentration of economic resources in Serbian hands continued with Belgrade banks controlling half of total credits and some 80% of foreign credits. This was also combined with the fear of Serbian political and cultural domination. The Croats were particularly sensitive regarding language, alarmed by the use of the Serbian version of Serbo-Croatian as the norm with the Croatian version as a deviation. The language controversy thus exacerbated the economic and political tensions, leading to easily inflamed ethnic confrontations.

Particularly difficult was the situation in Croatia and Serbia because of issues relating to their ethnic minorities—Serbian in Croatia and Hungarian/Albanian in Serbia. Serbs in Croatia sided with the Croat conservatives and sought a constitutional amend-

ment guaranteeing their own national identity and rights and, in the process, they challenged the "sovereignty" of the Croatian nation and state, as well as its right to self-determination, including the right to secession. The conservatives won and the amendment declared that "the Socialist Republic of Croatia (was) the national state of the Croatian nation, the state of the Serbian nation in Croatia, and the state of the nationalities inhabiting it."

Meanwhile Slovenia, not burdened by large minorities, developed a similar liberal and nationalist direction along with Croatia. This fostered an incipient separatist sentiment opposed by both the liberal and conservative party wings. Led by Stane Kavčič, head of the Slovenian government, the liberal wing gained as much political local latitude from the federal level as possible during "Slovenian Spring" of the early 1970s. By the summer of 1971, the Serbian party leadership was pressuring President Tito to put an end to the "dangerous" development of Croatian nationalism. While Tito wavered because of his support for the balancing system of autonomous republic units, the situation quickly reached critical proportions also in terms of the direct interests of Bosnia and Herzegovina. Croat nationalists, complaining about discrimination against Croats in Bosnia and Herzegovina, demanded the incorporation of Western Herzegovina into Croatia. Serbia countered by claiming Southeastern Herzegovina for itself. Croats also advanced many economic and political claims: to a larger share of their foreign currency earnings, to the issuance of their own currency, to establishment of their own national bank to negotiate foreign loans, to the printing of Croatian postage stamps, to a Croatian army and to recognition of the Croatian Sabor (Assembly) as the highest Croatian political body and, finally, to Croatian secession and complete independence.

Confronted with such intensive agitation, the liberal Croatian party leadership could not back down and did not try to restrain the public demands nor the widespread university students' strike of November 1971. This situation caused the loss of support from the liberal party wings of Slovenia and even Macedonia. At this point Tito intervened, condemned the Croatian liberal leadership on 1 December 1971 and supported the conservative wing. The liberal leadership group resigned on 12 December 1971. When Croatian students demonstrated and demanded an independent Croatia, the Yugoslav army was ready to move in if necessary. A wholesale purge of the party liberals followed, with tens of thousands expelled from the party. Key functionaries lost their positions, while several thousands were imprisoned (including Franjo Tuđman who later became president in independent Croatia). Leading Croatian nationalist organizations and their publications were closed. On 8 May 1972 the Croatian party also expelled its liberal wing leaders and the purge of nationalists continued through 1973 in Croatia, as well as in Slovenia and Macedonia. However, the issues and sentiments raised during the "Slovene and Croat Springs" of 1969–71 did not disappear. Tito and the conservatives were forced to satisfy nominally some demands and the 1974 constitution was an attempt to resolve the strained inter-republican relations as each republic pursued its own interests over and above a conceivable overall "Yugoslav" interest.

Beginning in 1986, work began on amendments to the 1974 constitution. They created a furor, particularly in Slovenia. Opposition was strongest to the amendments that proposed creation of a unified legal system, central control of transportation and com-

munication, centralizing the economy into a unified market, and granting more control to Serbia over its autonomous provinces of Kosovo and Vojvodina. These changes were seen as being accomplished at the expense of the individual republics. A recentralization of the League of Communists was also recommended but opposed by liberal/nationalist groups.

By 1989, the relations between Slovenia and Serbia reached a crisis point, especially following the Serbian assumption of control in the Kosovo and Vojvodina provinces (as well as in Montenegro). Serbian President Milošević's tactics were extremely distasteful to the Slovenians and the use of force against the Albanian population of the Kosovo province worried the Slovenes (and Croats) about the possible use of force by Serbia against Slovenia itself. The tensions with Serbia convinced the Slovenian leadership of the need to take protective measures and, in September 1989, draft amendments to the constitution of Slovenia were published. These included the right to secession, the sole right of the Slovenian legislature to introduce martial law and to control the deployment of armed forces in Slovenia.

A last attempt at salvaging Yugoslavia was to be made as the extraordinary Congress of the League of Communists of Yugoslavia convened in January 1990 to review proposed reforms such as free multiparty elections and freedom of speech. The Slovenian delegation attempted to broaden the spectrum of reforms but was rebuffed and walked out on 23 January 1990, pulling out of the Yugoslav League. The Slovenian Communists then renamed their party the Party for Democratic Renewal. On 10 April 1990 the first free elections since before World War II were held in Slovenia. A coalition of six newly formed democratic parties, called Demos, won 55% of the votes, with the remainder going to the Party for Democratic Renewal, the former Communists, 17%; the Socialist Party, 5%; and the Liberal Democratic Party (heir to the Slovenia Youth Organization), 15%. The Demos coalition organized the first freely elected Slovenian government of the post-Communist era with Dr. Lojze Peterle as the prime minister.

Milan Kučan, former head of the League of Communists of Slovenia, was elected president with 54% of the vote. His election was seen as recognition of his efforts to effect a bloodless transfer of power from a monopoly by the Communist party to a free multiparty system and his standing up to the recentralizing attempts by Serbia.

All of these developments had also a deep impact on Bosnia and Herzegovina. When the Antifascist Council of the National Liberation of Yugoslavia (AVNOJ) proclaimed the federal principle on 29 November 1943, Bosnia and Herzegovina was included as one of the constituent republics of post-World War II Yugoslavia. Muslims were not considered a "nation" yet. Serbs claimed that Muslims were Islamized Serbs, and Croats claimed that Muslims were descendants of the Croatian Bosnian Church that had converted to Islam. The Muslims themselves, meanwhile, claimed their own separate identity and were recognized as equal to Serbs and Croats.

The sense of Muslim identity grew stronger and incorporated demands for Muslim institutions parallel to the Serbian and Croatian ones. Muslims sought to define themselves as the only "true" Bosnians and thus a call to define Bosnia and Herzegovina as a "Muslim" Republic. Muslim activist groups multiplied during the 1970s and 1980s.

Since the 1970s and into the late 1980s the Muslims' self-assertiveness as an ethnic community grew ever stronger and was viewed as a balancing element between Serbs and Croats. As the winds of change away from communism swept the western republics of Slovenia and Croatia in 1989 and 1990, Bosnia and Herzegovina also was preparing for multiparty elections to be held on 18 November 1990. Meanwhile, across Bosnia and Herzegovina's borders with Croatia, the Serbian population was clamoring for its own cultural and political autonomy. Serbs perceived threats from the Croatian Democratic Union, the winner in the April 1990 elections in Croatia.

By July 1990, a Bosnia and Herzegovina branch of the Croatia-based Serbian Democratic Party had become very active in the 18 Bosnian communes with Serbian majorities adjacent to the Croatia Krajina (border area). By the fall of 1990, the program of the Serbian Democratic Party in Croatia had advanced a plan to include the Bosnian Serbs into a joint Krajina state, which would have a federal arrangement with Serbia proper. This arrangement, it was hoped, would undercut any thoughts of a confederation of Slovenia, Croatia, and Bosnia and Herzegovina. Such a confederation, however, was favored by the Party of Democratic Action (Muslim) and the Croatian Democratic Union. In spite of their differences in long-term goals, the three nationalist parties were committed to the continuation of Bosnia and Herzegovina and to the termination of Communist rule. On 1 August 1990, Bosnia and Herzegovina declared itself a "sovereign and democratic state." The former Communist Party became the Party of Democratic Change, while Yugoslavia's Prime Minister Marković formed the Alliance of Reform Forces that advocated his economic reforms. The Muslim Party, Serbian Party, and Croatian Democratic Union then formed a coalition government with Alija Izetbegović of the Muslim Party as President of Bosnia and Herzegovina.

### Independence and War

Meanwhile, Slovenia and Croatia had published a joint proposal in October 1990 for a confederation of Yugoslavia as a last attempt at a negotiated solution, but to no avail. The Slovenian legislature also adopted a draft constitution in October proclaiming that "Slovenia will become an independent state." On 23 December 1990, a plebiscite was held on Slovenia's "disassociation" from Yugoslavia if a confederation solution could not be negotiated within a six-month period. An overwhelming majority of voters approved the secession provision. Slovenia declared its independence on 25 June 1991. On 27 June 1991, the Yugoslav Army tried to seize control of Slovenia and its borders with Italy, Austria, and Hungary under the pretext that it was its constitutional duty to assure the integrity of Socialist Yugoslavia. The Yugoslav Army units were surprised by the resistance they encountered from the Slovenian "territorial guards" which surrounded Yugoslav Army tank units, isolated them, and engaged in close combat, mostly along border checkpoints. These battles ended in most cases with Yugoslav units surrendering to the Slovenian forces. The war in Slovenia was ended in 10 days due to the intervention of the European Community; a cease-fire was declared, which gave time to the Yugoslav Army to retreat from Slovenia by the end of October 1991.

The coalition government of Bosnia and Herzegovina had a very difficult time maintaining the spirit of ethnic cooperation won in its elections, while the situation in Slovenia and Croatia

was moving to the point of no return with their declaration of independence of 25 June 1991 and the wars that followed. Particularly worrisome were the clashes in Croatia between Serbian paramilitary forces and Croatian police and the intervention of the Yugoslav Army in order to “keep the peace.” Another element that worried the Bosnian government was the concentration of Yugoslav Army units in Bosnia and Herzegovina following their retreat first from Slovenia and then from Croatia. In October 1991, the Serbian Democratic Party held a plebiscite in the two-thirds of Bosnian territory under Serbian control and announced the establishment of a Serbian Republic inside Bosnia and Herzegovina.

In December 1991, the Bosnian Parliament passed a Declaration of Sovereignty and President Izetbegović submitted to the European Community an application for international recognition of Bosnia and Herzegovina as an independent nation. A referendum on independence was held on 29 February 1992. With the Serbs abstaining in opposition to the secession from Yugoslavia, Muslims and Croats approved an independent Bosnia and Herzegovina by a vote of 99.7%. In reaction to the referendum, Serbs proceeded to prepare for war in close cooperation with the Yugoslav army.

On 1 March 1992 in Sarajevo a Serbian wedding party was fired upon. This was the spark that ignited armed confrontations in Sarajevo and other areas of Bosnia and Herzegovina. The Bosnian Serbs by late March of 1992, formally established their own “Serbian Republic of Bosnia and Herzegovina.” The international recognition of Bosnia and Herzegovina by the European Community and the United States (along with the recognition of Slovenia and Croatia) was issued on 6 April 1992. This action was viewed as another affront to the Serbs, and gave more impetus to Serbian determination to oppose the further splitting of Yugoslavia that would cause the final separation of Serbs in Croatia and Bosnia and Herzegovina from Serbia proper. The bond among the Serbs of Croatia and Bosnia with the Serbian government controlled by Slobodan Milošević, and with the Yugoslav Army was firmly cemented. The decision of Serbia, along with the Serbs of Bosnia and Croatia, to take advantage of Yugoslavia’s demise and try to unite Serbian territories in Croatia and Bosnia and Herzegovina with Serbia proper precipitated the wars in Croatia first and then in Bosnia and Herzegovina. Desperate acts by Serbs engaged in “ethnic cleansing” (torching, and systematic rape and executions in imitation of the World War II Ustaša tactics) revolted the whole world and elicited retaliation by the initially allied Croats and Muslims.

War spread in Bosnia in mid-1992 with the relentless bombardment of Sarajevo by Serbs and the brutal use of “ethnic cleansing,” primarily by Serbs intent on freeing the areas along the Drina River of Muslim inhabitants. Croats and Muslims retaliated in kind, if not in degree, while Serbs took over control of some 70% of the country and used concentration camps and raping of women as systematic terror tactics to achieve their “cleansing” goals. Croats kept control of western Herzegovina, while their Muslim allies tried to resist Serbian attacks on mostly Muslim cities and towns full of refugees exposed to shelling and starvation while the world watched in horror. The European Community, the United States, the UN, and NATO coordinated peacekeeping efforts, dangerous air deliveries to Sarajevo, airdrops of food and medicinal

supplies to keep the people of Sarajevo from dying of starvation and sicknesses.

The various plans proposing the division of Bosnia and Herzegovina into three ethnic cantons were not acceptable to the winning Serbian side. The cantonization plans were also a partial cause for the breakdown of the Muslim-Croatian alliance when the two sides began fighting over areas of mixed Croat and Muslim populations. One such area was the city of Mostar in Herzegovina, where the Croats had established the Croatian union of “Herzeg-Bosnia,” later named the state of Herzeg-Bosnia. Finally, under the threat of air strikes from NATO, the Serbs agreed to stop the shelling of Sarajevo and hand over (or remove) their heavy artillery by February 1994, so Sarajevo could get a respite from its bloody siege of several years. A truce was implemented by mid-February 1994 and was barely holding while continuing negotiations were taking place that, on US initiative, brought Croats and Muslims back together on a confederation plan accepted by the two sides and signed in Washington on 18 March 1994.

In July 1994, the EC, the United States, and Russia agreed on a partition plan giving the Croat-Muslim side 51% of the land, with 49% offered to the Bosnian Serbs who, holding 70%, would need to give up a large area under their control. As of the end of July 1994, the Bosnian Serbs’ parliament had rejected the plan and had resumed occasional sniping and mortar shelling of Sarajevo, shooting at UN peacekeepers and supply airplanes, and blocking of the single access road to Sarajevo. After almost two-and-a-half years of war, destruction, and terrible suffering imposed on the people of Bosnia and Herzegovina, the efforts of the international community and its very cumbersome decision-making process had brought Bosnia and Herzegovina back to the partitioning plan originally agreed on at a Lisbon meeting in February 1992. In the fall of 1994, President Milošević of Serbia had closed the borders between Serbia and Bosnia and Herzegovina in order to stop any further assistance to the “Republika Srpska” that he himself helped establish. President Milošević agreed to “extricate” Serbia from its direct support for the Bosnian Serbs in the hope that a compromise partitioning plan that would allow each side to “confederate” with Croatia and Serbia respectively and would offer both sides the opportunity to turn their energies to positive efforts of physical and psychological reconstruction.

The quest to create a “Greater Serbia” continued into July 1995, when Bosnian Serbs overran the UN protected areas of Srebrenica and Zepa, extending their territory near the Croatian border. Over 8,000 Bosnian Muslim men and boys were summarily executed at Srebrenica. In retaliation, NATO forces initiated air raids on Bosnian Serb positions on 30 August 1995. Two weeks later, Bosnian Serb forces began lifting their siege on Sarajevo, and agreed to enter into negotiations on the future of Bosnia. Pressured by air strikes and diplomacy, Serb leaders joined authorities from Croatia and Bosnia in Dayton, Ohio, for US-sponsored peace talks.

#### **The Dayton Accords**

After three years of war, the General Framework Agreement for Peace in Bosnia and Herzegovina was completed on 21 November 1995 in Dayton, Ohio. Signed in Paris in mid-December, the agreement called for 60,000 NATO peacekeepers to oversee the disarming process. The agreement, known as the Dayton Accords, provided for the continuity of Bosnia and Herzegovina as a sin-

gle state with two constituent entities: the Federation of Bosnia and Herzegovina (FBH) and the Republika Srpska (RS). The FBH occupies the 51% of the territory with a Bosniak (Muslim) and Croat majority, while the RS occupies the remaining 49% with a Bosnian Serb majority. Following the signing of the Dayton Accords, the UN economic sanctions against the Federal Republic of Yugoslavia and the Bosnian Serb party were suspended, and the arms embargo was lifted (except for heavy weapons). During 1996, the NATO-led Implementation Force assisted with the military aspects of the Dayton Accords to provide stability in order to facilitate civilian reconstruction and the return of refugees and displaced persons. Elections were scheduled and conducted on 11 September 1996.

In March 1996, the International Criminal Tribunal for the former Yugoslavia filed its first charges against Serbian soldiers accused of committing atrocities in Bosnia. Among those cited were Serb generals Djordje Djukic and Ratko Mladic, and the former Bosnian Serb leader Radovan Karadzic. In May 1997, the tribunal completed its first trial with a conviction of a Bosnian Serb police officer for murdering two Muslim policemen and the torture of Muslim civilians.

Casualty estimates from the war vary from as low as 25,000 to over 250,000 persons. Some three million people became refugees or internally displaced persons. About 320,000 Bosnians had taken refuge in Germany during the war. However, the refugees returned to find a significant housing shortage and massive unemployment. Moreover, the goals of the Dayton Accords to encourage the rebuilding of multi-ethnic communities have not been realized. Bosnian Serb and Bosnian Croat leaders continued to reinforce ethnic partitions and resisted cooperation with Bosniaks to carry out the peace agreement.

Despite the Dayton Accords, outbreaks of violence persisted. The legacy of centuries of confrontations by the Austro-Hungarian, Russian, and Turkish Empires in the Balkans continued to haunt the area and a rekindling of the conflict was almost inevitable. In June 1998 NATO peacekeeping forces decided to extend their stay until a more stable peace was achieved. General elections held in 1998 were relatively quiet, but tensions in the Kosovo region increased as Yugoslav forces attacked Kosovar rebels. In March 1999 NATO jets downed two Yugoslav MiG fighters, allegedly thwarting an attempted attack on peacekeeping forces. Fighting between Serbs and ethnic Albanians in Kosovo raged as NATO aircraft bombed the area. Russia attempted to pass a resolution in the UN Security Council to forbid further bombing runs by NATO warplanes, but failed. Violent conflicts dissipated through the next year, as the International Court of Justice furthered reparations for crimes, and Yugoslavia agreed to a peace plan on 3 June 1999.

Bosnia and Croatia signed a border agreement in July 1999. The strategically located city of Brčko—previously Serb-ruled, and a main site of contention between the country's factions—received a Muslim-Croat/Serb coalition government in March 1999 from the Hague International Court of Justice. Officials from the Serb Republic were disturbed because this portion of land was the one territorial link between the western and eastern portions of the Republic. In 1999, NATO began reducing the 25-nation peacekeeping force by one-third over a period of six months. Mass gravesites continued to be unearthed in northeastern Bosnia, near

Sarajevo and in Srebrenica as numerous war criminals were arrested and brought to trial at the Hague.

Municipal elections were held in March 2000, and general elections took place that November. The November elections resulted in a win for the Serbian nationalist Serb Democratic Party (SDS), formerly lead by Karadzic, in the Republika Srpska; the Croatian nationalist HDZ party won among ethnic Croat voters; but the reformist Social Democratic Party narrowly beat the Bosnian Muslim nationalist Party of Democratic Action (SDA) party in certain areas of the Federation. In May 2001, Bosnian Serbs used force to break up ceremonies marking the rebuilding of two destroyed mosques in Banja Luka and Trebinje.

Parliamentary, presidential, and municipal elections were held in October 2002, and nationalists strengthened their positions. The work of the International Criminal Tribunal for the former Yugoslavia at The Hague continued. In 2001, former Bosnian Serb President Biljana Plavsic surrendered to the tribunal, but pleaded not guilty to charges of genocide; however, in October 2002, she changed her plea to one of guilty of crimes against humanity, and was sentenced to 11 years in prison. In early 2001, a verdict against three Bosnian Serbs found guilty of torturing and raping Bosnian Muslim women marked the first time the tribunal called rape a crime against humanity. Later that year the tribunal found Bosnian Serb general Radislav Krstic guilty of genocide for his role in the massacre at Srebrenica; he was sentenced to 46 years in prison.

In May 1999, former Yugoslav President Milošević was indicted by the tribunal for war crimes committed in Kosovo; he was subsequently indicted for crimes committed in Bosnia and Herzegovina and Croatia, including charges of genocide carried out in Bosnia and Herzegovina from 1992–95. His trial began in February 2002. In December 2004, the NATO-led Stabilization Force in Bosnia and Herzegovina (SFOR), whose goal was to deter renewed hostilities, concluded its mission. Peacekeeping operations were taken up by the European Union Force in Bosnia and Herzegovina (EUFOR). In June 2005, a Bosnian armed unit with members from all three main ethnic groups left for Iraq, to support the US-led coalition at war there.

### 13 GOVERNMENT

Several proposals contributed to the current system of government, which was outlined through the Dayton Accords of 1995. The February 1992 Lisbon proposal first suggested the partitioning of Bosnia and Herzegovina into “ethnic cantons,” but was rejected by the Muslim side. The Vance-Owen proposal of early January 1993 dividing Bosnia and Herzegovina, still a unified state, into nine “ethnic majority” provinces with Sarajevo as a central weak government district was accepted by Croats and Muslims on 7 January 1993 and ratified on 20 January 1993 by the Bosnian Serbs’ Parliament with a 55-to-15 vote in spite of deep misgivings. However, two key events delayed the necessary detailed implementation discussions: Croat forces’ attacks on Muslims in Bosnia and Herzegovina and on Serbs in Croatia, and the new administration of US President Bill Clinton, from whom the Bosnian Muslims hoped to obtain stronger support, even military intervention. Thus by mid-March 1993, only the Croats had agreed to the three essential points of the Vance-Owen proposal, namely the Constitutional Principles (10 provinces), the Military Arrange-

ments, and the detailed map of the 10 provinces. On 25 March 1993 the Bosnian Muslims agreed to all the terms, but the Bosnian Serb legislature on 2 April 1993 rejected the revised 10-province map and the Vance-Owen plan was scuttled.

The Owen-Stoltenberg plan was based on a June 1993 proposal in Geneva by Presidents Tudjman and Milošević about partitioning Bosnia and Herzegovina into three ethnic-based “states.” Owen-Stoltenberg announced the new plan in August 1993 indicating that the three ethnic states were realistically based on the acceptance of Serbian and Croatian territorial “conquests.” At the same time the Croat Bosnian “parliament” announced the establishment of the “State of Herzeg-Bosnia” and the Croatian Democratic Alliance withdrew its members from the Bosnian Parliament. The Bosnian Parliament then rejected the Owen-Stoltenberg Plan while seeking further negotiations on the Muslim state’s territory and clarifications on the international status of Bosnia and Herzegovina.

The next plan, developed with the more proactive participation of the United States and bringing together again the Croats and Muslims into a federation of their own, was signed in Washington on 18 March 1994 following the Sarajevo cease-fire of 17 March. On 31 March 1994 the Bosnian assembly in Sarajevo approved the new constitutional provisions establishing a Federation of Muslims and Croats with the presidency to alternate between Croats and Muslims. The Geneva contact group (United States, United Kingdom, France, Germany, Russia) agreed on a new partition plan in July 1994 that divided Bosnia and Herzegovina: 51% to the joint Muslim-Croat federation and 49% to the Serbs.

Under the Dayton Accords, a constitution for Bosnia and Herzegovina was established that recognized a single state with two constituent entities. The Federation of Bosnia and Herzegovina (FBH) incorporated the 51% of the country with a Bosnian Muslim and Bosnian Croat majority, while the Republika Srpska (RS) occupied the 49% of the country with a Bosnian Serb majority. The constitution specified a central government with a bicameral legislature, a three-member presidency comprised of a member of each major ethnic group, a council of ministers, a constitutional court, and a central bank. The bicameral Parliamentary Assembly consists of a House of Peoples, with 15 delegates, and the House of Representatives, with 42 members. In each house, two-thirds of the representatives are from the Federation of Bosnia and Herzegovina and one-third from the Republika Srpska.

As a result of the Dayton Accords, Bosnia and Herzegovina is administered in a supervisory role by a High Representative chosen by the UN Security Council. As of 2005, that representative was Paddy Ashdown.

Elections for central and federation-level canton offices were conducted on 14 September 1996 as specified by the Dayton Accords. Alija Izetbegović, Momcilo Krajisnik, and Kresimir Zubak were elected to the presidency representing respectively the Bosniaks (Muslims), Serbs, and Croats. Izetbegović was named Chair in accordance with the new constitution. Krajisnik, later accused of joining Karadzic in siphoning off million of dollars in potential tax revenue through gasoline and cigarette monopolies, boycotted the council after one meeting, paralyzing the government.

Izetbegović was reelected to the Muslim seat of the joint presidency in the September 1998 elections; Ante Jelavic won the Croat seat; and Zivko Radisic, the Serb seat. An eight-month chairper-

sonship rotates among the three joint presidents. Elections were held in 2002. Sulejman Tihić won the Muslim seat; Dragan Cović, the Croat seat; and Mirko Sarović, the Serb seat. In April 2003, Sarović resigned following a report by Western intelligence agencies regarding an affair involving illegal military exports to Iraq and allegations of spying on international officials. He was replaced by Borislav Paravac. In March 2005, High Representative Paddy Ashdown removed Dragan Cović from the presidency, who faced corruption charges. He was replaced by Ivo Miro Jović.

The FBH government has a president and a bicameral parliament (House of Representatives and House of Peoples). The RS government has a president and a unicameral legislature (National Assembly). As a result of a 2002 constitutional reform process, an RS Council of Peoples was established in the RS National Assembly. In 2003, High Representative Paddy Ashdown abolished the Supreme Defense Council of the RS, and altered the constitutions of the RS and FBH, removing all reference to statehood from both.

## 14 POLITICAL PARTIES

Three main political parties wield significant political power at all levels of government. The Serb Democratic Party (SDS) dominates the Republika Srpska, the Party of Democratic Action (SDA) is the main Bosniak (Muslim) nationalist party, and the Croatian Democratic Union of Bosnia and Herzegovina (HDZ) represents Croat areas. However, a reformist party, the Social Democratic Party (SDP) in the FBH is gaining in popularity. Other parties include: Party for Bosnia and Herzegovina (SBIH); Civic Democratic Party (GDS); Croatian Peasants’ Party of BiH (HSS); Croat Christian Democratic Union of Bosnia and Herzegovina (HKDU); Croat Party of Rights (HSP); Independent Social Democratic Party (SNSD); Liberal Bosniak Organization (LBO); Liberal Party (LS); Muslim-Bosniak Organization (MBO); Republican Party of Bosnia and Herzegovina (RP); Serb Civic Council (SGV); Socialist Party of Republika Srpska (SPRS); Serb Radical Party (SRS); Democratic Socialist Party (DSP); Social Democrats of Bosnia Herzegovina; Party for Democratic Progress (PDP); National Democratic Union (DNZ); Social Democratic Union (SDU); Serb National Alliance (SNS); and the Coalition for a United and Democratic BiH (coalition of SDA, SBIH, LS, and GDS). Parliamentary elections were held on 5 October 2002, and seats in the House of Representatives were distributed as follows: SDA, 10 seats; the SBiH, 6 seats; the SDS, 5 seats; HDZ, 5 seats; the SDP, 4 seats; the SNSD, 3 seats; the PDP, 2 seats; and 6 other parties took 1 seat each.

## 15 LOCAL GOVERNMENT

Bosnia and Herzegovina is divided into the Federation of Bosnia and Herzegovina (FBH) and the Republika Srpska (RS). The FBH is further divided into 10 cantons: Goražde, Livno, Middle Bosnia, Neretva, Posavina, Sarajevo, Tuzla Podrinje, Una Sana, West Herzegovina, and Zenica Doboje. There are also municipal governments. Brčko district, in northeastern Bosnia, is an administrative unit under the sovereignty of Bosnia and Herzegovina; it is not



part of either the RS or the FBH, and the district remains under international supervision.

## 16 JUDICIAL SYSTEM

The 1995 Dayton Accords established a constitution including a Constitutional Court composed of nine members. The Constitutional Court's original jurisdiction lies in deciding any constitutional dispute that arises between the FBH and the RS or between Bosnia and Herzegovina and one or both of the FBH and the RS. The Court also has appellate jurisdiction within the territory of Bosnia and Herzegovina. The constitution provides for an independent judiciary, although it is subject to influence by nationalist elements, political parties, and the executive branch. Original court jurisdiction exists in both municipal and cantonal courts (10 in the FBH); the RS has 5 municipal courts and district courts. Appeals in the FBH are taken to the Federation Supreme Court, and in the RS to the RS Supreme Court. The constitution provides for open and public trials. The legal system is based on civil law system.

## 17 ARMED FORCES

As of 2005, the armed forces of Bosnia and Herzegovina (BiH) consisted of 24,672 active personnel, of which the army is the largest service with 16,400. However, the country is composed of two political entities: the Muslim and Croat-based Federation of Bosnia and Herzegovina and the Serb-based Republika Srpska. As a result, the country's armed forces, as well as its equipment, are divided between the two entities. In December 2003, the Bosnian parliament passed a law that established a chain of command that went from the State Presidency to the Ministry of Defense, then to the Joint Staff, then to a joint Operational Command, and from there, down to the armed forces of each entity. In 2005, the Federation Army (excluding 40,000 reservists) had 16,400 active personnel, supported by 188 main battle tanks, 35 armored infantry fighting vehicles, 129 armored personnel carriers, and more than 946 artillery pieces. The Army of the Republika Srpska had 8,200 active personnel and 20,000 reservists. Equipment included 137 main battle tanks, 74 armored infantry fighting vehicles, 74 armored personnel carriers, and 500 artillery pieces. The (Serb) air wing includes 14 combat capable aircraft, of which there are 13 fighter ground attack aircraft. Under the Dayton Peace Accord (1995) and the Common Defence Policy (2001) the armed forces are being reduced. Defense spending in 2005 totaled \$143 million.

## 18 INTERNATIONAL COOPERATION

Bosnia and Herzegovina was admitted to the United Nations on 22 May 1992 and serves in several specialized agencies, such as the FAO, IAEA, UNESCO, UNIDO, and WHO. The country is an observer in the WTO. Bosnia and Herzegovina joined the OSCE on 30 April 1992. The country is also a member of G-77, the Council of Europe, the Southeast Europe Cooperation Initiative (SECI), and the Central European Initiative. Bosnia and Herzegovina is an observer in the OAS and the OIC. The country is part of the Nonaligned Movement and has supported UN efforts in Ethiopia and Eritrea (est. 2000) and the DROC (est. 1999). Diplomatic relations with Croatia, Albania, and Serbia and Montenegro have

been stable since the signing of Dayton Accords (1995). In environmental cooperation, Bosnia and Herzegovina is part of the Basel Convention, the Convention on Long-Range Transboundary Air Pollution, Ramsar, the Montréal Protocol, the Nuclear Test Ban Treaty, and the UN Convention on the Law of the Sea and Climate Change.

## 19 ECONOMY

Before the war, Bosnia and Herzegovina ranked next to Macedonia as the poorest republic of the former Yugoslav SFR. Although industry accounted for over 50% of GDP, Bosnia and Herzegovina was primarily agricultural. Farms were small and inefficient, thus necessitating food imports. Industry was greatly overstaffed, with Bosnia and Herzegovina accounting for much of the former Yugoslav SFR's metallic ore and coal production. Timber production and textiles also were important.

The destructive impact of the war on the economy led to a 75% drop in GDP. Since the Dayton Accords of 1995, trade increased in Croat areas, and significant growth began in Muslim areas. Reconstruction programs initiated by the international community financed the construction of infrastructure and provided loans to the manufacturing sector. External aid amounted to \$5 billion between 1995–99. This aid caused growth rates to increase to 30%, but as of 2003, that rate had stabilized to around 6%. Actual GDP growth by that year had reached half its prewar level.

Privatization has been slow and Western financial organizations are increasing calls for reform in this area, especially in telecommunications and energy. (The private sector accounts for only 35% of the economy.) Foreign direct investment remains low, due in part to corruption and many layers of bureaucracy. Tax reform is needed, as is reform of the banking industry and the financial services sector. In 2002, the government adopted a poverty reduction strategy designed to create more jobs and increase exports. As foreign aid declines in coming years, Bosnia and Herzegovina will need to increase exports to generate hard currency revenues. Some progress was made in this area in 2001 with exports of clothing, furniture, and leather goods.

The economic rate of recovery has been spectacular and encouraging in subsequent years. Thus, the GDP growth rate improved from 5.6% in 2002, to 7.0% in 2003, and 8.3% in 2004; it was expected to grow even further, at 9.5%, in 2005. Unemployment, similar to most former Yugoslav republics, save Slovenia, remains a major problem. In 2004, the unemployment rate was 44%, although many of the officially jobless are thought to be working within the grey economy. Inflation has decreased to insignificant levels (0.8% in 2004), and it may pose a problem to the country's export sector.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Bosnia and Herzegovina's gross domestic product (GDP) was estimated at \$28.3 billion. Bosnia has a large informal sector that could also be as much as 50% of official GDP. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$6,800. The annual growth rate of GDP was esti-

mated at 5.2%. The average inflation rate in 2005 was 1.4%. It was estimated that agriculture accounted for 14.2% of GDP, industry 30.8%, and services 55%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.178 billion or about \$307 per capita and accounted for approximately 16.9% of GDP. Foreign aid receipts amounted to about \$130 per capita.

The World Bank reports that in 2003 household consumption in Bosnia and Herzegovina totaled \$6.4 billion or about \$1,670 per capita based on a GDP of \$7.0 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings.

It was estimated that in 2004 about 25% of the population had incomes below the poverty line.

## 21 LABOR

The labor force in 2002 numbered 1.026 million. As of end 2004, the official unemployment rate stood at an estimated 45.5%. However, the actual unemployment rate may be between 25% and 30%, due to the so-called "gray economy." There is no data available as to the occupational breakdown of the Bosnian work force.

All workers are legally entitled to form or join unions and to strike, but labor activity is limited due to high unemployment rates and economic hardship. Unions are highly politicized and are formed along ethnic lines. Strikes were used frequently in 2001 as a form of protest against arrears in salaries and overdue wages.

The minimum employment age in the Bosnian-Croat Federation and the Republika Srpska entities is 15. However, many younger children often assist with family agricultural work and minors between the ages of 15 and 18, in order to work, must provide a valid health certificate. As of 2005, the minimum wage was \$193 per month in the Federation and \$51 in Republika Srpska. The legal workweek in both entities is 40 hours, although seasonal workers may work up to 60 hours per week. Laws in both entities require a 30-minute rest period during the work day. Safety and health regulations are generally ignored due to the economic devastation of war.

## 22 AGRICULTURE

About 21.3% (1,030,000 hectares/2,545,000 acres) of the total area was considered arable land in 2002. About 4% of the economically active population was engaged in agriculture in 2003. During the disintegration of Yugoslavia, civil fighting in the major agricultural areas often interrupted harvests and caused considerable loss of field crops. Principal crops harvested in 2004 included (in 1,000 tons): corn, 800; wheat, 250; potatoes, 350; fruit, 157; oats, 55; and rye, 12.

## 23 ANIMAL HUSBANDRY

There are some 1.2 million hectares (three million acres) of permanent pastureland, representing about 23.5% of the total land area. Because of the breakup of Yugoslavia and subsequent civil war, the livestock population fell significantly during the 1990s. In 2004, the livestock inventory included (in 1,000s): sheep, 670; cattle, 440; pigs, 300; horses, 18; and chickens, 4,700.

Production of meat fell from 158,000 tons in 1990 to 24,000 tons in 1999, and amounted to 32,300 tons in 2004. In 2004, milk

production was 460,000 tons; egg production was 15,100 tons during that time.

## 24 FISHING

With no ports on its 20 km (12 mi) of Adriatic coastline, marine fishing is not commercially significant. Inland fishing occurs on the Sava, Una, and Drina Rivers. The total catch in 2003 was 8,635 tons, 77% from inland waters.

## 25 FORESTRY

About 2.7 million hectares (6.7 million acres) are forested, accounting for nearly 53% of the total land area. Much of the output is used for fuel. In 2003, forest product imports totaled \$24 million; exports, \$65.3 million.

## 26 MINING

Bosnia and Herzegovina's mineral resources include iron ore, lead, zinc, manganese, and bauxite. Iron ore production was centered in Varescaron, Jablanica, Ljubija, and Radovan; lead and zinc ore was mined at Olovo, Varescaron, and Srebrenica; manganese ore operations were centered at Bosanska Krupa; bauxite deposits were worked at Vlasenica, Zvornik, and Banja Luka; substantial nickel deposits had been worked near Visegrad; and substantial nickel deposits had been worked near Visegrad. Energoinvest operated a lead-zinc mine at Srebrenica, a manganese mine at Buzim, bauxite mines in many locations, alumina plants at Birac-Zvornik and Mostar, an aluminum smelter at Mostar, and a petroleum refinery at Bosanski Brod. Before the civil war, Bosnia and Herzegovina was a major center for metallurgical industries in the former Yugoslavia and a major producer of bauxite, alumina, and aluminum. Mineral production in 2003 were, in metric tons: iron ore, 126,929; bauxite, 229,317; lead, (none reported for 2003); zinc, (none reported for 2003); salt, 84,000; crude gypsum, 77,500; ceramic clay, 35,861; and ornamental stone, 35,800 sq m. Other nonfuel mineral resources included asbestos, barite, bentonite, kaolin, lime, magnesite, ammonia nitrogen, glass sand, sand and gravel, soda ash, caustic soda, and crushed and brown stone. Capacity utilization in industrial minerals mining has fallen and modernization and privatization were essential for long-term viability.

## 27 ENERGY AND POWER

As of 2002, total electrical capacity was 3.950 million kW. Generation for that year amounted to 10.401 billion kWh, of which 5.215 billion kWh was hydroelectric and 5.186 billion kWh were produced by conventional thermal plants. Electrical generation was irregular during the civil conflict of the early to mid-1990s. Total electricity consumption in 2000 was 2.6 billion kWh. In 2002, consumption had risen to 8.559 billion kWh.

Brown coal and lignite mines are located around Tuzla. Coal production is consumed primarily by the country's thermal electric power stations. A petroleum refinery at Bosanski Brod reportedly had an annual capacity of 100 million tons in 1995, and depends entirely on imports; however, the refinery was extensively damaged in April 1993 during local fighting.

## 28 INDUSTRY

Mining and mining-related activities make up the bulk of Bosnia and Herzegovina's industry. Steel production, vehicle assembly,

textiles, tobacco products, wooden furniture, and domestic appliances are also important industries. Industrial capacity, largely damaged or shut down in 1995 because of the civil war, has increased. In 1998, industrial production grew an estimated 35%. Nevertheless, this figure remains lower than the pre-1992 rate, and in 2001, output stood only about half its prewar level. In the Republika Srpska, the Serb Democratic Party controls every significant production facility, government department, and state institution. Privatization began in 1999, but as of 2001, only 7 of 138 strategic enterprises had been sold. Large gains were made in the export of clothing, furniture, and leather goods in 2001. The construction sector in 2002 held promise for growth, as projects to improve infrastructure were underway.

Industrial production growth in 2004 was outpaced by the GDP growth rate, reaching only 5.5%, as opposed to 8.3%. This is an indicator that industry was outperformed by the services sector, which contributed 55% to the overall GDP; industry came in second with a 30.8% share in the GDP composition; agriculture contributed 14.2%. The industrial output growth seemed to recover in 2005, with strong performances by the manufacturing and mining sectors.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Scientific and engineering education is provided at the universities of Sarajevo, Banja Luka, and Tuzla (founded in 1948, 1975, and 1976, respectively). The Institute for Thermal and Nuclear Technology, founded in 1961, is located in Sarajevo. Leading professional groups include the Society of Mathematicians, Physicists and Astronomers, the Union of Engineers and Technicians, and the Medical Society of Bosnia and Herzegovina, all headquartered in Sarajevo.

## 3<sup>0</sup> DOMESTIC TRADE

Bosnia and Herzegovina is still struggling with efforts to move from socialism to private sector, market-led capitalism. Commerce has been severely restricted by the ongoing interethnic civil strife. In the Bosnian Serb area, senior police commanders and officials in the governing Serb Democratic Party have a monopoly on cigarette and gasoline sales. Retail establishments tend to be very small with limited inventories; however, some large shopping centers are gaining ground. Direct marketing and sales are also gaining in popularity. Installment plans and financing, even for very low cost items, is common, since credit is not widely available or accepted.

Though postwar reconstruction is nearly complete, as of 2002, the country's economy still depended heavily on foreign aid. With the establishment of the Central Bank and currency board in 1997, inflation has since been brought under control; however, unemployment is still high, at about 40% in 2002. As of 2002, the private sector only accounts for about 35% of the economy.

## 3<sup>1</sup> FOREIGN TRADE

Due to the UN trade embargo, international trade with Bosnia and Herzegovina was limited during the civil war. In 2000, exports amounted to nearly \$1 billion, up from less than \$400 million in 1998. Clothing, furniture, and leather goods led this upswing in export revenues. Exports went mainly to Italy, Yugoslavia, and Switzerland. Imports in 2000 totaled \$3.6 billion, with Croatia, It-

### Principal Trading Partners – Bosnia and Herzegovina (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,027.5	3,311.9	-2,284.4
Croatia	208.2	642.6	-434.4
Germany	191.7	476.0	-284.3
Italy-San Marino-Holy See	144.5	354.4	-209.9
Switzerland-Liechtenstein	124.6	68.3	56.3
Slovenia	109.1	347.5	-238.4
Serbia and Montenegro	92.3	64.4	27.9
Austria	40.8	150.3	-109.5
France-Monaco	10.6	66.5	-55.9
Luxembourg	10.2	...	10.2
Macedonia	9.4	13.5	-4.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

aly, and Slovenia supplying 21%, 16%, and 14% of the total value, respectively.

Before the war, manufactured goods accounted for 31% of exports; machinery and transport equipment, 20.8%; raw materials, 18%; other manufactured products, 17.3%; chemicals, 9.4%; fuel and lubricants, 1.2%; and food and live animals, 1.2%. Fuels and lubricants made up 32% of annual imports before the war; machinery and transport equipment, 23.3%; other manufactured items, 21.3%; chemicals, 10%; raw materials, 6.7%; food and live animals, 5.5%; and beverages and tobacco, 1.9%.

Exports totaled \$1.7 billion (FOB—Free on Board) in 2004, and mainly went to Italy (22.3%), Croatia (21.1%), Germany (20.8%), Austria (7.4%), Slovenia (7.1%), and Hungary (4.8%). Base metals topped the list of exports, with 24.9% of total exports; followed by wood and wood products (15.2%); mineral products (11.8%); and chemicals (7.5%). Imports were more than three times as high as exports, at \$5.2 billion, and mainly came from Croatia (23.8%), Slovenia (15.8%), Germany (14.8%), Italy (11.4%), Austria (6.6%), and Hungary (6.1%). The most import import commodities were machinery (15.5%), mineral products (12.7%), foodstuffs (11.7%), and chemicals (9.4%).

## 3<sup>2</sup> BALANCE OF PAYMENTS

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Bosnia and Herzegovina's exports was \$1.1 billion while imports totaled \$3.1 billion resulting in a trade deficit of \$2 billion. The International Monetary Fund (IMF) reported that in 2001 Bosnia and Herzegovina had exports of goods totaling \$1.17 billion and imports totaling \$3.92 billion. The services credit totaled \$288 million and debit \$228 million. Although Bosnia and Herzegovina runs large trade deficits, due to low domestic production, the gap between imports and exports in the early 2000s was narrowing steadily. Export growth in 2001 was fueled by duty-free access of Bosnian exports to the EU.

Exports of goods and services totaled \$2.1 billion (FOB—Free on Board) in 2004, up from \$1.5 billion in 2003. Imports grew from \$5.6 billion in 2003, to \$6.7 billion in 2004. The resource balance was on a negative upsurge, growing from -\$4.1 billion in 2003, to a whopping -\$4.6 billion in 2004. A similar trend was registered for the current account balance, which deteriorated from

**Balance of Payments – Bosnia and Herzegovina (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-2,096.0</b>
Balance on goods	-3,927.9	
Imports	-5,425.9	
Exports	1,498.0	
Balance on services	190.7	
Balance on income	242.7	
Current transfers	1,398.6	
<b>Capital Account</b>		<b>478.8</b>
<b>Financial Account</b>		<b>931.9</b>
Direct investment abroad	...	
Direct investment in Bosnia and Herzegovina	381.8	
Portfolio investment assets	...	
Portfolio investment liabilities	...	
Financial derivatives	...	
Other investment assets	135.9	
Other investment liabilities	414.2	
<b>Net Errors and Omissions</b>		<b>414.9</b>
<b>Reserves and Related Items</b>		<b>270.4</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

-\$1.7 billion in 2003, to -\$1.9 billion in 2004. The national reserves (including gold) were \$1.8 billion in 2003, covering approximately 4 months of imports; in 2004, they grew to \$2.4 billion.

**33 BANKING AND SECURITIES**

The central bank of Bosnia and Herzegovina is the National Bank of Bosnia and Herzegovina. In June 1992 Yugoslavia's central bank refused to issue Yugoslavian dinars in Bosnia and Herzegovina. Commercial banks in the country include Privredna Banka Sarajevo, Hrvatska A Banka d.d. Mostar, and Investiciono-Komercijalna Banka d.d. Zenica.

In 1996, Croatian dinars were used in Croat-held areas for currency, presumably to be replaced by new Croatian kuna. Old and new Serbian dinars were used in Serb-held areas. Hard currencies, such as the deutschmark, supplanted local currencies in areas held by the Bosnian government. In April 1997 the presidential council agreed on a single currency, the konvertibilni marka (KM), for both the Muslim/Croat and Bosnian Serb parts of the country.

Bank privatization is problematic, but improving. Some of the state-owned banks targeted for privatization were actually privatized during the war. Many are considered insolvent, but in 2001, individual bank deposits in Federation banks were up 178%. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.3 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$2.2 billion.

**34 INSURANCE**

No recent information is available.

**35 PUBLIC FINANCE**

The US Central Intelligence Agency (CIA) estimated that in 2005 Bosnia and Herzegovina's central government took in revenues of approximately \$4.3 billion and had expenditures of \$4.4 billion.

Revenues minus expenditures totaled approximately -\$28 million. Total external debt was \$3.1 billion.

**36 TAXATION**

Current information is unavailable due to civil unrest.

**37 CUSTOMS AND DUTIES**

Bosnia has signed free trade agreements with Croatia, Serbia and Montenegro, and Slovenia. Tariff rates for imports from other countries are zero, 5% or 10%, depending on the good, with consumption and luxury goods generally receiving the higher rates.

**38 FOREIGN INVESTMENT**

Private investment plummeted during the civil war, when UN sanctions were in force. The conclusion of the Dayton Peace Accords in 1995 brought positive changes in the investment climate. In May 1998, a law on foreign direct investment (FDI) was passed and in June 1998, a law on privatization. While privatization of small and medium enterprises made good progress, the state of larger strategic firms has progressed more slowly. As of spring 2002, only 7 of 138 large state-owned enterprises had been sold and only 35% of the economy had been privatized. The largest foreign sale was the Zenica Steel Mill, which became the BH Steel Company in a joint venture with Kuwait Consulting and Investment Company (KCIC) in which both sides put up \$60 million (KCIC paid \$12 million in 1999 and took over \$48 million of debt).

In 1997, only \$1 million of FDI flowed into Bosnia and Herzegovina, but this jumped to \$54.6 million in 1998 and then to \$148.8 million in 1999. A decline occurred in 2001 to \$131.5 million (when riots broke out in two Republika Srpska towns over the rebuilding of mosques), but the numbers recovered to \$164 million. The overwhelming majority of foreign investment into Bosnia and Herzegovina comes from aid groups and international financial institutions.

From 1994 to 2002, over half (55.5%) of FDI was in manufacturing, thanks primarily to the BH Steel Company venture. Banking has received 16.5% (mainly from Dubai, Austria, and Croatia); services, 6.8%; trade, 6.2%; transport, 0.9%; and tourism, 0.7%.

Previous years have seen Bosnia and Herzegovina take on major changes in an attempt to attract foreign investors. A liberal State Foreign Investment Policy Law, a common currency, and a more streamlined trade and customs policy were some of the most noteworthy attempts to increase capital inflows. However, these efforts failed to bring about the desired result—an indicator that more changes of the legal framework and business environment have to be undertaken. Foreign investments totaled around \$1.9 billion in 2003. In the first nine months of 2004, \$367 million in FDI came into the country, with 60% of these inflows going to the banking sector.

**39 ECONOMIC DEVELOPMENT**

Following the 1995 peace agreement, economic assistance was expected to lay the groundwork for a revival of the economy. The actual distribution of assistance to particular entities or areas was tied to the government's compliance with the Dayton Accords. Into 2005, privatization and reconstruction were ongoing. The absence of a single market in Bosnia and Herzegovina is an obstacle to economic development, as is the lack of legal certainty and a

high degree of bureaucratization. A central bank was established in 1997, and a new currency launched in 1998. Successful debt negotiations have been held with the London Club and the Paris Club.

In 2004, Bosnia and Herzegovina scored an important increase in economic output, but the GDP was still below prewar levels. Apart from a series of systemic and political problems, the country has to fight rampant unemployment, a large underground economy, and an inflation level that was not helping the already low export levels. However, one of Bosnia's long-term goals is EU integration. A series of planned privatizations and restructurings in the energy, transportation, telecommunication, and construction sectors were expected to jump-start the economy and create a circle of cumulative causations that will attract future investments in the future.

#### 40 SOCIAL DEVELOPMENT

Social welfare systems have been in crisis since the wars of the 1990s. International efforts are in place to shift from humanitarian aid to a sustainable social welfare system. There is also an effort to reformulate disability pensions.

Although gender discrimination is proscribed by the 2003 Law on Gender Equality, the extent of legal and social discrimination against women varies by region. Women in urban areas pursue professional careers in such areas as law, medicine, and academia, while their rural counterparts are often relegated to the margins of public life. Violence against women remains underreported and there are accounts of police inaction in domestic situations. It was estimated in 2004 that over 25% of families experiences domestic violence. The problem is more significant in rural areas, and is exacerbated by poverty and alcoholism. Trafficking of women remains a major problem in the region.

All sides were guilty of human rights atrocities in the war and its aftermath. By 1995, it was estimated that up to two-thirds of the country's prewar population have become refugees or displaced persons. Women were targeted for cruel treatment during the war, and Serb forces systematically used rape as a tool to accelerate ethnic cleansing. The worst single incident of genocide in Europe since World War II occurred in the Bosnian "safe haven" of Srebrenica in 1995. Over 7,000 men and boys were massacred at Srebrenica. As of 2005, many if not most of the perpetrators of these vicious acts remain unpunished.

Human rights abuses have continued in the political entities established by the 1995 Dayton Peace Accords. Discrimination and harassment of minority ethnic groups remain a huge problem in all regions. There are widespread reports of police brutality and corruption, and prison standards are poor. However, human rights groups are able to operate without government restrictions.

#### 41 HEALTH

There were over 200,000 war-related deaths in the 1990s (120,000 in 1992 alone) and many Bosnians were permanently disabled. Besides causing hundreds of thousands of deaths and injuries, the Bosnian war destroyed much of the health care infrastructure. Many hospitals were destroyed and infant mortality rates increased.

In 2005, the average life expectancy was 78 years. The infant mortality rate was 11 deaths per 1,000 live births in that year. In

2002 the birth rate was estimated at 13 per 1,000 people and the death rate was 8 per 1,000. In 1999, an estimated 83% of children under one had a measles vaccination and 90% of children were immunized for diphtheria. In 1999, there were 87 cases of tuberculosis per 100,000 people.

Salaries for health care providers are low, and medical equipment is outdated. As of 2004, there were an estimated 134 physicians, 411 nurses, 16 dentists, and 9 pharmacists per 100,000 people. Primary care is provided through health centers (*dom zdravljas*) and outpatient branches called *ambulantas*. As of 1999 there were 87 *dom zdravljas* in the Bosnian Federation, staffed by general practitioners and nurses, providing primary care, preventive care, health education, and rehabilitation. Among the secondary and tertiary care facilities in the Republika Srpska is one in Banja Luka that has 1,327 beds and one in Sarajevo with 776 beds. The country has five medical schools. Health expenditure was estimated at 8% of GDP.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 900 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

#### 42 HOUSING

There is a chronic housing shortage in Bosnia and Herzegovina, since a majority of all homes, and even a few entire towns, were destroyed during the civil war in the period 1992–1995. Over two million people were forced from their homes during that time and about 65% of the housing stock was destroyed or seriously damaged. Since 1998, over 100,000 housing units have been repaired in some way, but many existing homes are still in serious need of repair and utilities are not always available. With the help of international assistance programs, only about half of the nation's refugees and displaced residents were able to return to their homes by 2001.

#### 43 EDUCATION

Before the Bosnian war of the early 1990s, the area covered by present-day Bosnia and Herzegovina had 641 primary and 243 secondary schools. By 1996, these totals had been reduced to 270 primary and 141 secondary schools. There were fewer than 200,000 primary pupils, taught by 8,000 teachers, and 65,500 secondary students, with 4,100 teachers.

Education at the elementary level is free and compulsory for students between the ages of 6 and 15. At the secondary level, children have the option to take up general education (gymnasium), vocational, or technical. General secondary lasts for four years and qualifies the students for university education. In 2001 the government began a modernization program for primary and secondary education, covering curriculum, special needs education, in-service teacher training, and other areas. The academic year runs from October to July. The languages of instructions are Croatian and Serbian. Education is administered by the Ministry of Education, Science, Culture and Sports. Each of the country's 10 cantons also has its own education ministry.

There are four main universities: the University of Banja Luka (founded in 1975); the University of Mostar (founded in 1977); the University of Tuzla (founded in 1976); and the University of Sarajevo (founded in 1949), which offers programs in the social

sciences, humanities, sciences, medicine, law, and engineering. Several other academies have been founded throughout the country since 1993. The adult literacy rate for 2004 was estimated at about 95.6%, with 98.4% for males and 91.1% for females.

#### 44 LIBRARIES AND MUSEUMS

Numerous historic sites have been damaged by war, including the National and University Library of Bosnia and Herzegovina, which sustained major damage and a large loss of materials in a 1992 bombing. Outside groups, such as UNESCO, have since been working to rebuild the National Library. In Banja Luka, there is an important university and public library founded in 1936, and holding 226,000 volumes with an impressive collection of Eastern manuscripts. The University of Sarajevo also housed an impressive library, but it was badly damaged during the civil war. The National Museum of Bosnia and Herzegovina has a library with 162,000 volumes.

Prior to the 1992 war, Sarajevo was a major cultural center in the Balkans. It still hosts nearly a dozen museums, including the Museum of the Old Orthodox Church, the Museum of Young Bosnia, the State Museum, and the Museum of the City of Sarajevo, as well as Bosnia's National Museum. In the provinces are the Museum of the National Struggle for Liberation in Jajce and the Museum of Herzegovina in Mostar.

#### 45 MEDIA

In general, the telephone and telegraph network is in need of modernization and expansion. Service in many urban centers is said to be below the level of other former Yugoslav republics. In 2003, there were an estimated 245 mainline telephones for every 1,000 people. The same year, there were approximately 274 mobile phones in use for every 1,000 people.

There are over 200 commercial radio and television stations, but the most influential stations are those operated by the Public Broadcasting Service of Bosnia-Herzegovina and Serb Republic Radio-TV. In 2003, there were an estimated 243 radios for every 1,000 people. The number of television sets in use was unavailable in the same survey. Also in 2003, about 26 of every 1,000 people reported having access to the Internet. There were 15 secure Internet servers in the country in 2004.

In Sarajevo, the daily newspaper *Oslobodjenje* (*Liberation*) managed to publish continuously throughout the siege of that city despite power and phone line outages, newsprint shortages, and direct attacks on its offices. Founded in 1943 as a Nazi resistance publication, *Oslobodjenje*, which is published in Serbo-Croatian, had a circulation of 56,000 in 2002. In 1993, two of its editors received international recognition from the *World Press Review*.

The constitution signed in Dayton, Ohio, on 21 November 1995, provides for freedom of speech and the press. However, the extreme ethnic segregation in various regions is reported to put the media in each area under considerable regional restrictions. The development of independent media is beginning to be implemented, through the sponsorship of private organizations, cultural societies, and political parties, along with Western aid organizations.

#### 46 ORGANIZATIONS

The Bosnia and Herzegovina Chamber of Commerce promotes trade and commerce in world markets. There are some professional associations, particularly those representing medical professionals in specialized fields.

There are over a dozen learned societies in Bosnia and Herzegovina. Research institutions in the country are concentrated in the areas of nuclear technology, meteorology, historical monument preservation, and language.

Youth organizations include the Student Union of Bosnia and Herzegovina and the Council of Scout Associations. There are a number of sports associations, including those dedicated to such favorite pastimes as tennis, skating, and handball. There is also an active committee of the Special Olympics.

There is a national chapter of UNICEF and the Red Cross Society. Volunteer service organizations, such as the Lions Clubs International, are also present.

#### 47 TOURISM, TRAVEL, AND RECREATION

Civil war has limited the development of a tourism industry in Bosnia and Herzegovina. Sarajevo, the capital city, is growing as a tourist attraction. The city was the site of the 1984 Winter Olympics. In 2003, there were about 165,000 tourist arrivals. Tourist receipts totaled \$258 million.

According to the US Department of State, the cost of staying in Sarajevo in 2005 was about \$172 per day.

#### 48 FAMOUS BOSNIANS AND HERZEGOVINIANS

Dr. Alija Izetbegović (1925–2003) was the president of Bosnia and Herzegovina from 1991–96, and was a member of the three-man presidency from 1996–2000 until he stepped down due to ill health. Dzemal Bijedic (1917–1977) was a leader of Yugoslavia from 1971 until 1977, when he was killed in a plane crash. The 1914 assassination of the Austrian Archduke Franz Ferdinand in Sarajevo led to WW I.

#### 49 DEPENDENCIES

Bosnia and Herzegovina has no territories or colonies.

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# BULGARIA

Republic of Bulgaria

*Republika Bulgariya*

**CAPITAL:** Sofia (Sofiya)

**FLAG:** The flag is a tricolor of white, green, and red horizontal stripes.

**ANTHEM:** *Bulgariya mila, zemya na geroi* (*Dear Bulgaria, Land of Heroes*).

**MONETARY UNIT:** The lev (LV) of 100 stotinki has coins of 1, 2, 5, 10, 20, and 50 stotinki and 1 and 2 leva, and notes of 1, 2, 5, 10, 20, 50, and 100 leva. LV1 = \$0.64103 (or \$1 = LV1.56) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Labor Days, 1–2 May; Education and Culture Day, 24 May; Christmas, 24–25 December.

**TIME:** 2 PM=noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Part of the Balkan Peninsula, Bulgaria has an area of 110,910 sq km (42,822 sq mi), and extends 330 km (205 mi) N–S and 520 km (323 mi) E–W. Comparatively, the area occupied by Bulgaria is slightly larger than the state of Tennessee. Bulgaria is bounded on the N by Romania, on the E by the Black Sea, on the SE by Turkey, on the S by Greece, and on the W by Macedonia and Serbia, with a total boundary length of 1,808 km (1,123 mi).

Bulgaria's capital city, Sofia, is located in the west central part of the country.

## <sup>2</sup> TOPOGRAPHY

Bulgaria consists of a number of roughly parallel east–west zones. They are the Danubian tableland in the north, the Balkan Mountains (Stara Planina) in the center, and the Thracian Plain, drained by the Maritsa River, in the south. The Rhodope, Rila, and Pirin mountains lie in the southwestern part of the country. The average elevation is 480 m (1,575 ft), and the highest point, in the Rila Mountains, is the Musala, at 2,925 m (9,596 ft). The Danube (Dunav), Bulgaria's only navigable river, forms most of the northern boundary with Romania. Located along the Eurasian Tectonic Plate, the country does experience some low-level magnitude earthquakes.

## <sup>3</sup> CLIMATE

Bulgaria lies along the southern margins of the continental climate of Central and Eastern Europe. Regional climatic differences occur in the Danubian tableland, exposed to cold winter winds from the north, and the Thracian Plain, which has a modified Mediterranean climate and is protected by the Balkan Mountains against the northern frosts. January temperatures are between 0° and 2°C (32–36°F) in the lowlands but colder in the mountains; July temperatures average about 22° to 24°C (72–75°F). Precipitation is fairly regularly distributed throughout the year and amounts to an average of 64 cm (25 in.).

## <sup>4</sup> FLORA AND FAUNA

As of 2002, there were at least 81 species of mammals, 248 species of birds, and over 3,500 species of plants in the country. In the northeast lies the typical steppe grassland zone of the Dobrudja, merging into the wooded steppe of the Danubian tableland. Most trees in this area have been cut down to make room for cultivated land. The Balkan Mountains are covered by broadleaf forests at lower altitudes and by needle-leaf conifers at higher elevations. The vegetation of the Thracian Plain is a mixture of the middle-latitude forest of the north and Mediterranean flora. Deforestation has reduced the amount of wildlife, which includes bears, foxes, squirrels, elks, wildcats, and rodents of various types. Fish resources in the Black Sea are not extensive.

## <sup>5</sup> ENVIRONMENT

Bulgaria's air pollution problem results from the combined influence of industry and transportation. In the mid-1990s, Bulgaria was among the 50 countries with the highest industrial emissions of carbon dioxide, producing 54.3 million metric tons, or 6.08 metric tons per capita. In 1996, the total was 55.2 million metric tons. Industrial pollutants, especially from metallurgical plants, are responsible for damage to 115 sq mi of land in Bulgaria. Bulgaria's rivers and the Black Sea are seriously affected by industrial and chemical pollutants, raw sewage, heavy metals, and detergents. However, nearly 100% of the population have access to safe drinking water.

Twenty-five percent of Bulgaria's forests have been significantly damaged by airborne pollutants. In 2000, about 33.4% of the total land area was forested. Only 4.5% of the country's total land area is protected, including the Pirin National Park and the Srebarna Nature Reserve, which are both natural UNESCO World Heritage Sites. There are 10 Ramsar wetland sites.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 12 types of mammals, 11 species of birds, 2 types of reptiles, 10 species of fish, and 11 other inverte-



brates. Endangered species in Bulgaria include the Rosalia long-horn, Atlantic sturgeon, and slender-billed curlew.

## 6 POPULATION

The population of Bulgaria in 2005 was estimated by the United Nations (UN) at 7,741,000, which placed it at number 94 in population among the 193 nations of the world. In 2005, approximately 17% of the population was over 65 years of age, with another 14% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be -0.5%, a rate the government viewed as too low. With one of the lowest fertility rates in the world, Bulgaria has experienced population declines since 1990. The projected population for the year 2025 was 6,565,000. The population density was 70 per sq km (181 per sq mi).

The UN estimated that 70% of the population lived in urban areas in 2005, and that urban areas were declining in population at an annual rate of -0.31%. The capital city, Sofia (Sofiya), had a population of 1,076,000 in that year. Other large cities include Plovdiv, 715,904; Varna, 320,668; Burgas, 259,985; Ruse, 266,213; and Stara Zagora, 167,708.

## 7 MIGRATION

Emigration between 1948 and 1951 consisted mainly of Jews going to Israel and Turks going to Turkey. A high of 99,477 (of whom 98,341 were Turks) was reached in 1951. Most of the emigrants since the 1950s have been Turks bound for Turkey or other Balkan countries. A total of 313,894 emigrated to Turkey in 1989 because of government persecution. More than 100,000 had returned to Bulgaria by February 1990. Meanwhile, about 150,000 ethnic Bulgarians also emigrated. In 1991 about three million Bulgarians were living abroad. Of those emigrating 85% were under age 30.

According to *Migration News*, due to low fertility and emigration, Bulgaria's population is shrinking faster than any other nation in Europe. The majority of those leaving Bulgaria are moving to Germany, Spain, the Netherlands, and North America. The net migration rate, estimated for 2005, was -4.3 migrants per 1,000 population. Once the European Union (EU) lifted visa requirements for Bulgarians in 2001, Bulgarians illegally migrated to Western countries. Between April 2001 and October 2002, about 6,561 Bulgarians were arrested and expelled from EU countries, the United States, and Canada. The number of illegal foreigners in Bulgaria is low. Due to the high unemployment rate (12% in 2004), there are serious restrictions on foreign workers.

As of 2004, there were 4,684 refugees and about 920 registered asylum seekers in Bulgaria. Most of the refugees and asylum seekers were from Afghanistan, Iraq, Serbia, Montenegro, and Armenia.

## 8 ETHNIC GROUPS

In 2001, Bulgarians accounted for an estimated 83.9% of the total population. The Turks, who constituted about 9.4% of the total, are settled mainly in the southern Dobrudja and in the eastern Rhodope Mountains. Romas account for about 4.7% of the popu-

lation. Other groups, including Macedonians, Armenians, Tatars, and Circassians, make up the remaining 2% of the populace.

Macedonians live mainly in the Pirin region of southwestern Bulgaria. Romanian-speaking Vlachs live in the towns and countryside of northwestern Bulgaria. Greek-speaking Karakatchans are nomadic mountain shepherds of Romanian origin. The Gagauzi of northeastern Bulgaria are a Turkish-speaking group of Christian Orthodox religion. Bulgaria's cities have small minorities of Russians, Jews, Armenians, Tatars, and Greeks.

## 9 LANGUAGES

Bulgarian is classified as a Slavic language of the southern group, which also includes Macedonian, Serbo-Croatian, and Slovenian. Old Bulgarian, also known as Old Church Slavonic, was the first Slavic language fixed in writing (9th century). For this purpose, two Bulgarian monks, Cyril and Methodius, created a new alphabet, based partly on the Greek, that became known as the Cyrillic alphabet. Both the grammar and the vocabulary of modern Bulgarian show Turkish, Greek, Romanian, and Albanian influences.

According to a 2001 census, 84.5% of the population speak Bulgarian, 9.6% speak Turkish, 4.1% speak Roma, and 1.8% speak other languages or did not specify a primary language.

## 10 RELIGIONS

According to a 2004 report, about 82.6% of the population belonged at least nominally to the Bulgarian (Eastern) Orthodox Church. There were also an estimated 12.2% who were Muslims. Other religious groups include Roman Catholics, Jews, Uniate Catholics, Protestants, and Gregorian-Armenians.

After seizing power in 1946, the Communist regime, whose aim was eventually to establish an atheistic society, sought during the ensuing period to replace all religious rites and rituals with civil ceremonies. The new constitution of 1991 guaranteed freedom of religion to all, but named the Bulgarian Orthodox Church as a "traditional" religion of state. Under a 2002 Confessions Act, all religious groups except for the Bulgarian Orthodox Church must register with the Sofia Municipal Court in order to offer public worship. The registration process tends to be long and selective.

## 11 TRANSPORTATION

The Bulgarian Railway Company (BDZ) oversees Bulgaria's railway system. Railroads are still the basic means of freight transportation in Bulgaria. Of the 4,294 km (2,671 mi) of railroad lines in use in 2004, about 94% were standard gauge. A total of 245 km (152 mi) of narrow gauge right of way accounted for the remainder.

In 2003, roadways extended for 102,016 km (63,453 mi), of which 93,855 km (58,378 mi) were paved, including 328 km (204 mi) of expressways. Road transportation has grown steadily in recent years. Bulgaria has many highway projects underway, including portions of the Trans-European Motorway (TEM), a route connecting Budapest with Athens via Vidin and Sofia and with Istanbul via eastern Bulgaria. As of 2003, there were 2,309,300 passenger cars and 337,200 commercial vehicles registered for use.

Water transportation is also significant. As of 2005, Bulgaria's maritime fleet was comprised of 64 ships with a total capacity of 757,972 GRT, as compared with 97,800 GRT in 1961. The major seaports are Burgas and Varna. Principal river ports are Ruse,



LOCATION: 41°14' to 44°13' N; 22°22' to 28°37' E. BOUNDARY LENGTHS: Romania, 608 kilometers (378 miles); Black Sea, 354 kilometers (220 miles); Turkey, 240 kilometers (149 miles); Greece, 494 kilometers (307 miles); Macedonia, 148 kilometers (92 miles); Serbia, 318 kilometers (198 miles). TERRITORIAL SEA LIMIT: 12 miles.

Lom, and Vidin. In addition, the country as of 2004 had 470 km of navigable internal waterways.

In 2004 there were an estimated 213 airports. As of 2005 a total of 128 had paved runways, and there was also a single heliport. Sofia's Vrazhdebna Airport is the major air center, but there are also international airports at Varna and Burgas, as well as seven domestic airports. Initially a joint Soviet-Bulgarian concern, Bulgarian Airlines (BALKAN) passed into Bulgarian hands in 1954. Civilian airlines in Bulgaria carried about 75,000 passengers on scheduled domestic and international airline flights in 2003.

## 12 HISTORY

Ancient Thrace and Moesia, the areas that modern Bulgaria occupies, were settled in the 6th century AD by Southern Slavs migrating from the area north of the Carpathian Mountains (mod-

ern-day Ukraine and Romania). The Thracian tribes, which had populated that territory since the middle of the 2nd century BC, were displaced or conquered. In the 7th century AD, the Bulgars, a Central Asian Turkic tribe, crossed the Danube River to settle permanently in the Balkans. In alliance with the overpowered Slavs, the Bulgars formed the Bulgarian state, which was recognized by the Byzantine Empire in 681 AD. The name and initial political framework of the new state were taken from the Bulgars, but the language and the culture remained predominantly Slavic.

In the late 9th century, Bulgaria became an arena for political and cultural rivalry between the Byzantine Empire centered in Constantinople and the Roman Empire. The Bulgarians adopted Christianity from the Byzantine Empire and embraced the Cyrillic alphabet, named for St. Cyril. As a result, the integration of the

disparate tribes into a Bulgarian people was more or less complete by the end of the 9th century.

The early Bulgarian state reached its territorial and cultural height under Simeon I (r.893–927). In 1018, Bulgaria, which had struggled to assert itself against Constantinople since its foundation, fell under Byzantine dominance. The country rose again as a major Balkan power in the 12th and 13th centuries, especially under Ivan Asen II (r.1218–41) whose rule extended over nearly the whole Balkan Peninsula except the Greek islands. However, by the end of the 14th century, Bulgaria was overrun by the Ottoman Turks, who ruled the country for nearly five centuries.

The Ottoman rule was often oppressive and sought to assimilate Bulgarian Christianity, culture, and language. Rebellions were frequent but sporadic and unorganized. However, in the early 19th century, under the influence of Western ideas such as liberalism and nationalism, a well-organized national liberation movement emerged. Its efforts culminated in the April uprising of 1876, which was brutally crushed. Russia, a rival of the Ottoman Empire at the time, insisted on a peaceful solution to the Bulgarian question. When diplomacy failed, Russia declared war on Turkey. The Bulgarian state was restored in the aftermath of the Russian-Turkish War of 1877–1878.

Apprehensive of the existence of a big Bulgarian state under Russian influence, the Congress of Berlin (June–July 1878) divided the Bulgarian territories into three parts. Northern Bulgaria was given the status of an independent principality under Turkish suzerainty, with its capital at Sofia. Southern Bulgaria (then known as Eastern Rumelia) remained under Turkish rule as an autonomous province. Lastly, ethnic Bulgarians in the regions of Macedonia and Thrace were unconditionally returned to the Ottoman Empire. The decisions of the Congress triggered first the Kresna–Razlog uprising (1878–1879), which sought to unify the Principality of Bulgaria and Eastern Rumelia; and the Ilinden–Preobrazhenie Uprising (1903), which demanded the liberation of Macedonia. Neither rebellion was immediately successful.

In 1879 the First Grand National Assembly adopted the first Constitution of Bulgaria and elected the German prince Alexander Battenberg as the prince of Bulgaria. In 1885, the continuing unrest in Eastern Rumelia culminated in a military coup, which annexed the province to Bulgaria. Stefan Stambolov, premier from 1887 to 1894, consolidated the country's administration and economy. In 1908 Bulgaria declared itself a kingdom completely independent of Turkey.

Striving to unite “all Bulgarians,” the country took part in the First Balkan War (October 1912–May 1913) and fought with the anti-Turkish coalition (Greece, Serbia, and Montenegro) against the Ottomans. Bulgaria gained most of Thrace including a long-desired outlet to the Aegean Sea. But as a result of a dispute over Macedonia, Bulgaria became pitted against Greece and Serbia. Turkey joined the Greece–Serbia coalition in the hope of winning back some of its territories. Romania also sided against Bulgaria in the Second Balkan War (June–July 1913), and Bulgaria was defeated. As a result, Bulgaria lost southern Dobrudja to Romania, a large part of Macedonia to Serbia, western Thrace to Greece and southeastern Thrace to Turkey. Having sided with the Central Powers in World War I in an attempt to recoup its losses, Bulgaria also lost its outlet to the Aegean Sea and additional parts of Mace-

donia and Dobrudja through the Treaty of Neuilly (27 November 1919).

At the end of World War I, Bulgarian ruler Tsar Ferdinand of Saxe-Coburg-Gotha abdicated in favor of his son, Boris III, who ruled Bulgaria until his death in 1943. After an early period of stability and initial progressive reform under the leadership of Premier Alexander Stamboliski (assassinated in 1923 after agreeing to recognize Yugoslav sovereignty in Macedonia), growing political rivalries allowed Tsar Boris to establish a military government in 1934 and then to personally assume dictatorial powers in 1935.

When World War II broke out, Bulgaria moved toward an alliance with Germany in the hope of recovering lost territories. In 1940, Romania was forced to return southern Dobrudja, and during the war, Bulgaria occupied Macedonia and western Thrace. By 1943, some 20,000 Jews were deported but protests from political and clerical leaders stopped further cooperation, thus saving all of the remaining 50,000 Jews in the country. Bulgaria did, however, actively deport Jews in all areas it conquered.

After Tsar Boris's sudden death in 1943, a cabinet, which was in most respects a German puppet, assumed power. Coordinated mainly by Communists, resistance to the Germans and the authoritarian Bulgarian regime was widespread by 1943. In September 1944, Soviet troops entered the country. At that time, the Bulgarian government withdrew from the occupied territories, severed relations with Germany, and intended to sign an armistice with the Western Allies. But Moscow declared war on Bulgaria and proceeded with the occupation of the country. A coalition government—the Fatherland Front (Otechestven Front)—was established, which, with the assistance of the Soviet army, came under the domination of the Communist Party. Subsequently, anti-Communist political activists were purged.

A plebiscite in September 1946 replaced the monarchy with the People's Republic of Bulgaria and the Communists openly took power. The 1947 peace treaty formally ending Bulgaria's role in World War II allowed the nation to keep southern Dobrudja but limited the size of its armed forces.

Shortly after coming to power, the Bulgarian Communist Party fell under increasing pressure from Moscow to demonstrate its loyalty by stepping up the “socialist transformation” in the country. The Bulgarian leadership moved to ascertain its effective monopoly on political power by eliminating political opposition in the country and “nationalist” elements within the party and to emulate the Soviet economic experience through the introduction of a planned economy. A new constitution in 1947 instituted the nationalization of industry, banking, and public utilities and the collectivization of agriculture. Centralized planning was introduced for the development of the national economy through a series of five-year plans, which stressed the expansion of heavy industry at the expense of agriculture and light industry. Subsequently, Bulgaria joined the Warsaw Pact and CMEA, thus placing itself firmly within the Soviet bloc.

Under Todor Zhivkov, first secretary of the Communist Party since 1954 and president since 1971, the Bulgarian government remained unquestionably loyal to the Soviet Union. This continued even after Soviet leader Joseph Stalin's death in 1953. While some freedom of expression was gradually restored, labor camps closed, and persecution of the Christian church ended, upheavals like those in Poland and Hungary in 1956 or in Czechoslovakia

in 1968 were not allowed in Bulgaria. Still, a cultural “thaw” took place in the late 1970s under the leadership of Zhivkov’s daughter, Lyudmila Zhivkova. To further strengthen support for the regime, the party leadership devoted enormous resources to the celebration of the national past and culture. However, the period of the so-called “revival process” (with two peaks in 1972–1974 and 1984–1985) was marked by a campaign to assimilate members of Bulgaria’s Turkish minority by forcing them to take Slavic names, prohibiting them from speaking Turkish in public, and subjecting them to other forms of harassment; more than 300,000 Bulgarian Turks crossed the border into Turkey to escape persecution.

The Communist regime drew its legitimacy by preserving the strong egalitarian and statist political traditions in the country. Additionally, the relatively good economic performance and impressive set of social policy achievements generated a considerable level of popular support. The developmental rise in mechanization, technical sophistication, and productivity was remarkable especially given the lack of natural resources and energy endowment and the very low initial material and cultural levels. However, despite these accomplishments, Bulgaria remained one of the countries with the lowest living standards in both Western and Eastern Europe. Moreover, the many and generous social policies were secured at the expense of economic efficiency.

Thus the radical changes introduced in the Soviet Union by Mikhail Gorbachev were welcomed and readily replicated in Bulgaria. A program of far-reaching political and economic changes was announced in July 1987, including an administrative overhaul meant to reduce the number of Communist Party functionaries by as much as two-thirds, the introduction of self-management for individual enterprises, and liberalization of rules for joint ventures with foreign investors. Economic and political restructuring throughout the Soviet Bloc empowered reformist elements within the Bulgarian Communist Party, which were growing increasingly restive under Zhivkov.

Although Zhivkov was never a despot in the Stalinist mold, by the early 1980s his regime was growing increasingly corrupt, autocratic, and erratic. The long-time ruler resisted attempts to change and moved into a pattern of direct confrontation with reformists, led by his foreign minister, Petar Mladenov. Mladenov, who had close ties to Gorbachev, wanted to change Bulgaria’s image, which had been tarnished by Zhivkov’s intensifying efforts to “assimilate” the country’s ethnic Turks. Finally, in November 1989, Mladenov, backed by other reformists within the party, was able to take advantage of an international environmental conference convened in Sofia to press for Zhivkov’s resignation. Mladenov was also successful in winning support from Defense Minister Dobri Dzhurov, thus leaving Zhivkov without resort to the military. Zhivkov had no choice but to resign.

Mladenov had intended to reform the Communist Party, not remove it from power. However, demonstrations on ecological issues in the streets of Sofia in November 1989 soon broadened into a general campaign for political reform. However, as the newly emergent opposition groups signaled their entry into the political arena by organizing the Union of Democratic Forces (UDF), the Communist leaders invited opposition leaders to roundtable negotiations meant to provide the elite with a safe channel against the anticipated popular backlash against communism. A new

democratic constitution was negotiated and multiparty elections held in June 1990.

In something of a surprise, the Socialists led by Mladenov received nearly 53% of the 1990 vote, while the UDF got only about a third; the rest of the votes went to the Movement for Rights and Freedoms (MRF), which had emerged to represent the interests of the country’s one million ethnic Turks. Popular hostility to Mladenov forced him to resign about a month after the election. Since the Socialists remained generally in charge of the government, there was little tangible progress with economic reform, and Bulgaria’s economy, left in poor condition by Zhivkov, continued to decline. In addition, a great deal of effort was devoted to the attempt to prosecute Zhivkov and his prominent cronies for malfeasance, incompetence, and other failings. Zhivkov fought back vigorously, exposing the sins of former colleagues who had remained in power.

Although convictions were eventually obtained (in 1992, with additional charges brought in 1993), the exercise served to undermine public sympathy for the Socialists. That opened the way for the National Assembly to appoint the leader of the UDF and famous dissident, Zhelyu Zhelev, as a president. Moreover, the first Socialist government, led by Prime Minister Andrei Lukanov, a Mladenov ally, collapsed after a few months of its coming to power; in December 1990, the replacement government of Dimitar Popov, an unaffiliated technocrat, outlined an ambitious program of economic reform.

The National Assembly passed a new constitution in July 1991, making Bulgaria the first of the Eastern Bloc countries to adopt a new basic law. Among other things, this document called for new parliamentary elections to be held in October 1991. The UDF received 34%, the Socialists, 33%, and the MRF, 8%. The UDF adamantly refused to cooperate with the former Communists, instead taking the MRF as their coalition partner. Filip Dimitrov of the UDF led Bulgaria’s first non-Communist government since World War II; however, most of his ministers were chosen for technical expertise rather than party affiliation and 60% of them were drawn from outside the National Assembly. In January 1992, there were direct presidential elections. Zhelev received 45% of the votes while his Socialist opponent, Velko Vulkanov, received 30%.

Dimitrov undertook an ambitious program of economic and political transformation: he invested his administration in returning property confiscated by the Communists and in the privatization of industry by issuing shares in government enterprises to all citizens. However, Bulgaria’s economy continued to deteriorate and unemployment continued to grow as uncompetitive industries failed, exposing strains within the ruling coalition. In late 1992 the Dimitrov government was replaced by a minority coalition of the Socialists, the MRF, and some defecting UDF deputies. Widely seen only as a caretaker prime minister, Lyuben Berov defied predictions, remaining in power for more than 15 months.

The UDF was unrelenting in its hostility to Berov, accusing Berov of trying to “re-communize” Bulgaria; they submitted as many as six votes of no-confidence in a single year. This increasing political deadlock and the continued deterioration of Bulgaria’s economy led to new parliamentary elections in 1994.

Pledging to defend ordinary citizens against the excesses of the free market, the Bulgarian Socialist Party and its two nominal coalition partners won an absolute majority in the 1994 elections.

The BSP government, headed by Zhan Videnov, failed to move forward with economic reforms and by the end of 1996, Bulgaria had become the poorest country in Europe with average wages at only \$30 a month. In the November 1996 presidential elections, Petar Stoyanov of the UDF was elected president by a wide margin over Socialist party candidate Ivan Marazov.

Fueled by a slow pace of structural reforms, rampant corruption, and a failure to establish market discipline, Bulgaria's problems culminated in a severe economic crisis in 1996–1997. Without a stable government and with their economy in free fall, Bulgarians demonstrated in the capital for new parliamentary elections. After a few months of chaos and hyperinflation, a major foreign exchange crisis, and the collapse of the banking sector, Bulgaria adopted a Currency Board Arrangement with the International Monetary Fund in July 1997. A conservative fiscal policy and a significant acceleration of structural reforms have underpinned the Currency Board Arrangement.

The elections held in April 1997 were won by a four-party alliance, United Democratic Forces (UtDF), anchored by the UDF. The new prime minister Ivan Kostov quickly instituted economic reforms, passed a tough budget, and clamped down on crime and corruption. The economy began to stabilize and popular discontent began to subside. New IMF loans were approved, and the government embarked on a campaign to attract foreign investment and speed up privatization. The battle against entrenched political corruption continued through 1999 and 2000 and included the dismissal of top government officials. The government increasingly embraced the West, declaring its interest in NATO membership and allowing access to its airspace during the NATO bombing of Serbia in the spring of 1999.

In 1999 Bulgaria also started the accession negotiations to become a member of the European Union (EU). Despite much economic and political progress achieved by the Kostov cabinet, the citizenry was nevertheless disillusion with the party's corruption and its inability to address the high unemployment in the country.

In April 2001, Simeon Saxe-Coburg-Gotha, the exiled son of Tsar Boris, established a political party, the National Movement for Simeon II (NMS2), pledging to fight corruption, to improve Bulgaria's chances for EU membership, and to better the economy (through deregulation, privatization, and investment). Saxe-Coburg-Gotha was accused (both by the left and the right) of being an opportunist and a populist without competence and political experience, but he claimed his party's intent was not to restore the monarchy but to move ahead with reforms. And as the elections came closer, Saxe-Coburg-Gotha's popularity kept growing. His NMS2 party won 120 of 240 parliament seats in the 2001 elections. Having failed to win an absolute majority, the NMS2 signed a coalition agreement with the Movement for Rights and Freedoms. Saxe-Coburg-Gotha's cabinet included two MRF and two BSP ministers.

However, only 100 days after Saxe-Coburg-Gotha came to power, workers (including miners, power engineers, health professionals, transport, construction, railway and metal workers, and teachers) took to the streets of Sofia to protest the lack of progress in improving the economy and their living standards.

Saxe-Coburg-Gotha pursued a strongly pro-Western course. Bulgaria sent a nearly 500-strong stabilization force patrol to Iraq.

In November 2002, NATO officially invited Bulgaria to join the organization in 2004. Also in 2002, the EU announced that Bulgaria was not ready to become a member in 2004, but was expected to join the EU in 2007. In Luxembourg on 25 April 2005, the Treaty of Accession of Republic of Bulgaria to the European Union was signed. At the time, support for Bulgaria's integration in the EU was about 65%.

Four years after Saxe-Coburg-Gotha came to power, the government reported significant economic growth (5.3 %) but corruption and organized crime continued to plague the country, and high unemployment, low standard of living, and increasing inequality continue to face Bulgarians. Moreover, for the first time in Bulgaria's post-Communist history, ethnic tensions escalated into riots between the Bulgarian and Roma communities in several Bulgarian cities, including Sofia. Hopes for better social protection, disillusionment with Saxe-Coburg-Gotha's policies, and heightened ethnic tensions were all reflected in the results of the 25 June 2005 parliamentary elections. The Coalition for Bulgaria (CfB) won the elections but failed to muster majority. The NMS2 came second but received only half of the votes it got in the 2001 elections. The right was in disarray, as the conservative votes were divided among three parties. Lastly, the rising support for the MRF, the third-largest parliamentary group, was paralleled by the emergence of an ultranationalist coalition, Attack Coalition (ATAKA). After the elections, ATAKA was largely marginalized by other parties and soon began to crumble as its representatives began to defect.

In the political maneuvering that followed the elections, the Socialist bid for forming a government was immediately supported by the MRF but was blocked by the NMS2. The stumbling blocks in the negotiations process seem to be the distribution of key posts and the head of the future cabinet. As negotiations dragged on, the EU urged a rapid resolution of the situation so the country could continue implementing the reforms required for accession in 2007. Ending weeks of postelection deadlock, the new Bulgarian government formally took office on 17 August, after parliament approved the nominations of Prime Minister Sergey Stanishev of the Bulgarian Socialist Party and his 17 cabinet members. The new cabinet was finally elected following a coalition deal among the three leading parties—the BSP, the NMS2, and the MRF—that jointly control 169 out of 240 seats in the legislature.

Prime Minister Stanishev maintained that EU membership was his government's top priority and pledged to make up for lost time. He also promised to intensify the campaign against corruption and organized crime and confirmed that the 400 remaining Bulgarian troops deployed in Iraq will be withdrawn before the end of 2006.

### 13 GOVERNMENT

The Bulgarian constitution of July 1991 provides for a multiparty presidential-parliamentary form of republican government, in which all the citizens of the Republic of Bulgaria take part with the right to vote. The document provides clear distinctions among the legislative, executive, and judicial branches of government.

The Council of Ministers is the main executive body, headed by the prime minister. The Council of Ministers conducts the internal and foreign policy of the state, secures public order and national security, and exercises control over the public administra-

tion and the military forces. The president, who is chief of state, is popularly elected to a five-year term, and may serve a maximum of two terms. The president serves as commander-in-chief of the armed forces and appoints and dismisses their senior command. Among the president's duties is also setting the date for national referenda, scheduling parliamentary elections and naming of the prime minister, who must be confirmed by the National Assembly. Together with the prime minister or the respective minister, the president countersigns decrees to promulgate newly adopted laws. The emerging tradition is that the president sets the overall direction of policy, while the prime minister and his cabinet, presently 14 people, are responsible for day-to-day implementation.

The legislative branch of government is the National Assembly, with 240 members elected to four-year terms. Deputies are elected on a proportional voting basis in a mixed proportional/majoritarian system of elections, in which parties must receive at least 4% of the total national vote in order to receive seats. The largest parliamentary group constructs the cabinet. A simple majority is required to approve the Council of Ministers and to adopt regular legal acts. Amendments to the constitution, however, require approval by a three-quarters majority. Members of parliament represent not only their electoral regions but also the whole nation. The National Assembly elects temporary and permanent commissions, where parliamentarians participate. Members of the National Assembly, as well as member of the Council of Ministers, have the right to introduce draft laws, but only the Council of Ministers develop draft laws on the state budget.

#### **14 POLITICAL PARTIES**

Bulgaria did not develop the welter (confusing array) of political parties that most of the other post-Communist societies enjoyed—or suffered.

The Bulgarian Socialist Party (BSP) is the successor of the former Bulgarian Communist Party and combines various leftist factions. Some are of social democratic orientation while others remain attached to communism. The 1989 internal coup left the party with strong public support—53% of the vote in the 1991 elections. In 1994 the socialists won a majority in the parliamentary elections for the second time after the fall of state socialism but fell out of favor after two years of particularly disastrous economic policies, which had reduced their popular support to 10% by the end of 1996. The reputation of the BSP is still tied to its inability to deal with the problems of 1996 in the minds of the populace. The BSP remained in opposition after the 1997, 2001, and 2005 elections. In 2000, the socialists remaining in the BSP also made a significant break with the past by changing their former negative attitude towards NATO membership (without however cooling down support for good relations with Russia). In December 2001, Sergey Stanishev was elected as the new party leader with a mission to not only redefine and reform the BSP but also to rejuvenate it by trying to attract younger supporters. In addition, BSP became a full member of the Socialist International. In its campaign for the 2005 parliamentary elections, the party chose to focus on the neglected social rights of the Bulgarian citizens.

The Union of Democratic Forces (UDF) was created in the final days of the Communist regime (1989) as a platform movement uniting 15 different formerly dissident political groups. When the UDF came to power in 1992, the divisions between these factions

weakened the government, which lost a vote of confidence in parliament in 1994. Under the leadership of Ivan Kostov in early 1997, the UDF was transformed into a single party with liberal ideology. During the 1996–1997 political and parliamentary crisis, the UDF dominated the a conservative coalition, United Democratic Forces (UtDF), which became the main opposition force to the Bulgarian Socialist Party and won a majority in the 1997 parliamentary elections. Kostov stepped down after the party lost in the 2001 parliamentary elections and was succeeded by his former foreign minister Nadezhda Mikhailova in June 2002. However, despite the party losing the 2003 local elections, Mihailova was reelected as UDF chairwoman.

In February 2004, Ivan Kostov, together with about 2,000 party members (among them 29 members of parliament), left the party. In May 2004, the group around Kostov established a new right-wing party named Democrats for Strong Bulgaria (DSB), which vows to work for a country with strong democracy, capable state institutions, and wealthy society. The party won about 6% of the vote in the 2005 elections.

The Union of Free Democrats (UFD) is one of the smaller rightist parties in Bulgaria. It was founded by Stefan Sofiyanski in December 2001 as a split-off of the Union of Democratic Forces. The party's main goals are economic prosperity, political stability, and integration in the EU and NATO.

The Movement for Rights and Freedoms (MRF) primarily represents the interests of Bulgaria's large Turkish minority (about 10% of the population), which was harshly repressed during the Zhivkov years. In economic issues the MRF advocates neoliberal policies. Even though the party did not participate in Dimitrov's cabinet, the MRF initially supported the UDF and later was the pivot on which the Berov cabinet hinged; then, however, the party switched to being an informal coalition partner of the Socialists. Nevertheless, it supported the UtDF government during its tenure in office. For the 2001 parliamentary elections the MRF formed a coalition with two small parties and got in power together with the NMS2. Yet, nationalist antipathy among many Bulgarians towards the country's large Turkish minority makes the MRF an unpopular coalition partner for most political parties. In fact in 1991 the MRF was accused of "being an ethnic party" and has proven a costly partner in the majority of post-1989 governments.

While ethnic Turks have been represented in parliament since 1990, parties have included very few members of the Roma national minority. Still, compared with Roma in Slovakia and Romania for example, Bulgarian Roma are relatively successful in exercising influence on the government through the formation of an umbrella coalition. Nonetheless, Roma efforts are hampered by corruption and the lack of focused agendas among Roma organizations. Discrimination, unwillingness of mainstream political parties to encourage Roma participation, and the lack of political engagement within the Roma community itself are all obstacles to the political inclusion of the Roma.

The National Movement Simeon II (NMS2) is a coalition of the unregistered movement Simeon II and two registered parties—Bulgarian Party of Women (led by Vessela Draganova-Dencheva) and the Movement for National Revival (headed by Toshko Peikov). Registered as a party in April 2002, it was founded by Simeon Saxe-Coburg-Gotha, the exiled son of Tsar Boris. Simeon Saxe-Coburg-Gotha's advisors and top ministers were young Bulgarian

emigrants who, having built careers abroad mostly in Western finance, returned to their homeland to affect economic change. The NMS2 proposed to bring about change to Bulgaria's economic and political outlook "within 800 days." Thousands of Bulgarians hastened to join the NMS2 in what many saw as a protest against those who ruled Bulgaria since the collapse of communism. In the 2001 elections, the NMS2 took the lead in forming a new government but the popularity of the party quickly declined. The movement places NATO and EU integration high on the political agenda. After the 2005 elections, the party received only half of the seats it had in the previous assembly.

In the 25 June 2005 parliamentary elections, the Coalition for Bulgaria (dominated by the Bulgarian Socialist Party) was backed by 31.1% of votes and received a total of 83 seats in the 240-seat Assembly. The National Movement Simeon II (NMS2) garnered 19.9%, and 53 seats. The Movement for Rights and Freedoms (MRF) ranked third with 12.7% and 33 seats. The surprise in the 2005 elections, the nationalist coalition ATAKA received 8.2% and 17 seats. The United Democratic Forces (UDF), which was supported by 7.7% of the voters, received 20 seats, whereas the other rightist party Democrats for Strong Bulgaria (DSB) won 6.5% and 17 seats. Lastly, the Bulgarian People's Union (BPU), a coalition of the Union of Free Democrats (SSD) and the Agrarian Party of Anastasia Mozer (BZNS), won 5.2% and 13 seats.

## 15 LOCAL GOVERNMENT

Bulgaria is divided into 262 municipalities (*obshtini*). The municipality is the main administrative territorial unit for local government and is governed by a mayor and an elected municipal council. Municipal councils determine the policy of every municipality, including economic development, environmental, and educational policies, as well as cultural activities. Mayors are in charge of the whole executive activity of their municipality, of keeping the public order, and of organizing distribution of the municipal budget.

Bulgaria is also divided into 28 provinces (*oblasti*), which are larger administrative territorial units through which the government decentralizes its policies. The Council of Ministers appoints the regional governor for each province.

In preparation for EU accession, six planning regions were created in 1999 to fulfill the requirements for receiving cohesion funds. However, as of mid-2006, those regions existed on paper only.

## 16 JUDICIAL SYSTEM

Bulgaria has an independent judicial system. The 1991 constitution provides for regional courts, district courts, a Supreme Court of Cassation, which rules on decisions by the lower courts, and a Supreme Administrative Court, which rules on the legality of actions by institutions of government. A Constitutional Court is responsible for judicial review of legislation and for resolving issues of competency of the other branches of government as well as impeachments and election law. Judges are appointed by the Supreme Judicial Council, which organizes and administers the judiciary. The Constitutional Court has 12 judges appointed to a nine-year term by the National Assembly, the president, and judicial authorities.

Military courts handle cases involving military personnel and national security issues. Under the 1991 constitution, the judicia-

ry is independent of the legislative and executive branches. The trials are public. Criminal defendants have the right to confront witnesses, the right to counsel, and the right to know the charges against them to prepare their defense. The constitution prohibits arbitrary interference with privacy, home, or correspondence.

Bulgaria accepts compulsory jurisdiction of the International Court of Justice.

## 17 ARMED FORCES

As of 2005, the armed forces of Bulgaria consisted of 51,000 active personnel with reserves numbering 303,000. For that year, the army numbered 25,000 active members, while the navy had 4,370 active personnel and the air force 13,100 active members. The army that year had 1,474 main battle tanks, 18 reconnaissance vehicles, 214 armored infantry fighting vehicles, 1,643 armored personnel carriers, and 1,774 artillery pieces. The navy's major units consisted of one tactical submarine, one frigate, seven corvettes, 16 patrol/coastal vessels, and 20 mine warfare ships. The air force had 137 combat capable aircraft, including 35 fighters and 94 fighter ground attack aircraft. There were also a 34,000-member paramilitary force that included 12,000 border guards, 4,000 security police, and 18,000 railway and construction troops. Bulgaria participated in six missions abroad, including Afghanistan and Iraq. The defense budget for 2005 totaled \$630 million.

## 18 INTERNATIONAL COOPERATION

Bulgaria joined the United Nations on 14 December 1955 and participates in the ECE and all the nonregional specialized agencies. It belongs to the WTO (1996) and is a candidate for membership in the European Union. The nation also belongs to NATO (2004), the Council of Europe, the Central European Initiative, G-9, the Central European Free Trade Agreement (CEFTA), and the OSCE, and has observer status in the OAS. Bulgaria is part of the Australia Group, the Zangger Committee, the European Organization for Nuclear Research (CERN), and the Nuclear Suppliers Group (London Group). It is a guest in the Nonaligned Movement. In environmental cooperation, Bulgaria is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Before World War II, Bulgaria was an agricultural country, consisting mainly of small peasant farms; farming provided a livelihood for about 80% of the population. After the war, the Communist regime initiated an industrialization program. By 1947, a sizable portion of the economy was nationalized, and collectivization of agriculture followed during the 1950s. Until 1990, the country had a centrally planned economy, along Soviet lines, and its sequence of five-year economic plans, beginning in 1949, emphasized industrial production. In 1956, according to official Bulgarian statistics, industry contributed 36.5% of national income, and agriculture and forestry, 32.9%; in 1992, the respective contributions were 42.5% and 12%.

Although Bulgaria has brown coal and lignite, iron ore, copper lead, zinc, and manganese, it lacks other important natural re-

sources and must export in order to pay for needed commodities. Because it relied on the USSR and other CMEA countries for essential imports and as the major market for its exports, and lacks foreign exchange, the Bulgarian economy was greatly influenced by the breakup of the Soviet bloc and the switch to hard-currency foreign trade. In the 1970s, the economic growth rate was quite high (6.8% annually), but the pace of growth slowed in the 1980s, mainly because of energy shortages. The average annual growth rate was only 2% in that decade.

With the disintegration of Soviet-bloc trade and payments arrangements, GDP declined by about 10% in 1990, 13% in 1991, 8% in 1992, and an estimated 4% in 1993. Meanwhile, Bulgaria began an economic reform program supported by the World Bank and IMF. But the economy remained largely state controlled, although there was progress in privatizing many smaller enterprises. The private sector accounted for only about 20% of GDP in 1993 and 45% in 1996. Efforts at economic reform stalled in 1994 as the Socialist government again failed to privatize state-owned industries and institute structural reforms aimed at creating a market economy. The economy was further plagued by wide-scale corruption among businessmen from the former Communist Party who stripped state enterprises of their assets and transferred the funds out of the country. By 1997, the Bulgarian economy was at the brink of collapse with inflation at 300%, the banking system in chaos, and the government on the verge of bankruptcy. Bulgaria became the poorest country in Europe with average monthly wages of \$30 a month.

Angry with the governing Socialists, tens of thousands of Bulgarians demonstrated in the capital calling for early elections. In April of 1997 a new government took power and instituted structural reforms designed to bring order to the economy. The government of Prime Minister Ivan Kostov quickly moved to implement market reforms. While operating under the direction of an IMF currency board, Bulgaria pegged the lev to the deutschmark (and now also to the euro), and reduced inflation to 1%. In 1997, the private sector accounted for 65% of GDP. This milestone marked the first time in the post-Communist era that the private sector outperformed the public sector in production. In addition to structural reforms, the Kostov government also moved to combat corruption by becoming the first non-OECD country to ratify the anti-bribery convention.

As of 2003, industry increasingly was being privatized, and agriculture was almost completely privatized. Bulgaria started accession talks with the EU in 2000, but was not one of 10 new countries formally invited to join the body in December 2002. If Bulgaria completes its accession requirements, it is expected to join the EU in 2007, along with Romania. Bulgaria's laws are being harmonized with EU laws, and customs barriers between them are breaking down. By the end of 1999, more than 50% of Bulgaria's exports went to EU nations.

Following the 2001 elections that brought Simeon Saxe-Coburg-Gotha to office as prime minister, the stock market soared 100%, but the government in 2002 was unable to live up to its pledge to improve living standards. Foreign direct investment rose modestly in 2002, and although economic growth slowed that year from its 5.8% high in 2000, it was higher than that of many other European countries. Tourism was strong in 2002, and although the weather was poor that year, Bulgaria's agricultural sector per-

formed well. Taxes were lowered, and there is a zero percent capital gains tax on stock market investments.

Bulgaria's overall economic performance has been positive in the last couple of years. In 2004, the GDP grew by 5.7%, and was expected to expand by 6% in 2005, and 4.5% in 2006. This growth was fueled by an increase in domestic demand (encouraged by higher real wages and remittances from abroad), a more dynamic job market, and bank credits. Inflation was rather high in 2004, peaking at 6.2%, but was expected to regress to 4% in 2005. At 12%, unemployment was on a downward path in 2004, and was expected to drop even further by 2006, to 10%. This was the result of a more dynamic private job market, and government policies geared towards unemployment reduction. Corruption, however, remains a stumbling block to Bulgaria's economic success, and a challenge that has to be addressed before the 2007 EU accession deadline.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Bulgaria's gross domestic product (GDP) was estimated at \$67.0 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$9,000. The annual growth rate of GDP was estimated at 5.4%. The average inflation rate in 2005 was 4.5%. It was estimated that agriculture accounted for 9.3% of GDP, industry 30.4%, and services 60.3% in 2005.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$67 million or about \$9 per capita and accounted for approximately 0.3% of GDP. Foreign aid receipts amounted to \$414 million or about \$53 per capita and accounted for approximately 2.1% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Bulgaria totaled \$13.72 billion or about \$1,754 per capita based on a GDP of \$19.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of -0.4%. In 2001 it was estimated that approximately 30% of household consumption was spent on food, 17% on fuel, 8% on health care, and 11% on education. It was estimated that in 2002 about 13.4% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Bulgaria's workforce totaled an estimated 3.34 million. As of third quarter 2004, an estimated 11% of workers were in agriculture, with 32.7% in industry and the remaining 56.3% in the service sector. Unemployment was estimated at 11.5% in 2005.

The constitution guarantees the right of all to form or join trade unions of their own choosing. The labor code recognizes the right to strike when all other means of conflict resolution have been exhausted. Essential employees, mainly military and law enforcement personnel, are forbidden to strike and political strikes are prohibited as well. Although the law forbids discrimination against union members and union organizing activities, there are



reports of union members and organizers being harassed, demoted, dismissed or relocated. There are also reports that some newly hired workers are being forced to sign “yellow dog” contracts, namely agreements that they would not join a union or help organize one. About 18% of Bulgaria’s workforce is unionized, although that percentage has been decreasing.

Minimum age for employment is 16 years, with 18 years the minimum for hazardous work. In the formal sector these regulations are generally observed, but in certain industries, family operations, and illegal businesses, children are exploited. The law establishes a standard workweek of 40 hours with at least one 24-hour rest period per week. Overtime rates of no less than 150% during weekdays, 175% during weekends, and 200% during official holidays are mandated by law. The minimum wage was about \$94 per month as of 2005, but is inadequate to support a worker and a family with a decent standard of living. Minimum health and safety standards exist and are effectively enforced in the public sector, but not effectively enforced in the largely unregulated and often informal private sector.

## 22 AGRICULTURE

In 2002, the total arable land area covered 3,583,000 hectares (8,834,000 acres). The average annual agricultural growth rate was -2.1% for 1980–90 and -0.4% for 1990–2000. By 2000, agricultural output was only two-thirds of what it was in 1990. However, during 2002–04, crop production averaged 2.9% higher than during 1999–2001. In 2005, agriculture accounted for 9.3% of GDP. In 2004, agriculture (including fishing and forestry) engaged about 11% of the economically active population.

Collectivized agriculture became the norm under the Communist government after 1958. In March 1991, the government adopted a land law which restored ownership rights to former owners of expropriated land. These owners were to receive 20–30 hectares (49–74 acres) each of land approximating the type and location of the former holdings, regardless of whether or not the owner cultivates that land. After February 1991, full price liberalization for producers and consumers was to occur. However, the agricultural sector was still shrinking due to the lack of progress in the implementation of privatization and property restitution. A grain crisis developed when Bulgaria exported a million tons of wheat in 1995. Currency depreciations, increased taxes, and lack of funds exacerbated the disintegration of the agricultural sector in the mid-1990s.

The principal grain-growing areas are the Danube tableland and southern Dobrudja. The production of major crops in 2004 (in thousands of tons) was wheat, 3,961; corn, 2,123; barley, 1,181; sunflower seeds, 1,079; and rapeseed, 22.

Bulgaria is a major supplier of grapes, apples, and tomatoes to Europe and the former Soviet Union. Potatoes and paprika are also important crops. Production in 2004 included (in thousands of tons): grapes, 400; apples, 30; tomatoes, 400; and potatoes, 574. About 60,000 tons of tobacco were also produced that year.

Machinery available to agriculture has increased significantly. Tractors rose from 25,800 units in 1960 to 53,800 units in 1985, before falling to 32,100 in 2002; combines increased from 7,000 to 16,000 in 1985, but by 2002 numbered only 9,000 in use. About 16% of the cultivated area is irrigated.

## 23 ANIMAL HUSBANDRY

Meadows and pastures make up about 18% of the total land area. Bulgaria had 2,100,000 sheep, 18,000,000 chickens, 1,000,000 hogs, 750,000 goats, 668,000 cattle, 200,000 donkeys, and 150,000 horses in 2004. Meat production (in carcass weight) in 2004 amounted to 479,000 tons. In the same year, the country produced 1,590,000 million tons of milk and 92,000 tons of eggs.

## 24 FISHING

Fishing resources in the Black Sea are less than abundant. Before 1960, the annual catch was slightly above 5,000 tons. Fishing output reached a high of 167,100 tons in 1976, then fell to 115,607 tons in 1982. Prior to 1989, Bulgaria used to produce about 20,000 tons of fish from freshwater aquaculture. The fish farms and fish processing industries went through major restructuring and privatization during the 1990s. Only after 2000 did the fish industry register some growth. In 2003, the total catch was 16,498 tons, about 80% from inland waters. Fishing vessels are based at the ports of Varna and Burgas. The most popular river fish is sturgeon. Due to environmental limitations, the government sets an annual sturgeon quota; for 2003 it was 22 tons. The beluga caviar quota set that year was 1,720 kg (3,780 lb).

## 25 FORESTRY

Forests cover 3,700,000 hectares (9,143,000 acres), or 33.4% of Bulgaria’s territory. About 80% of the total forest area is wooded forest land. Forests are about 34% coniferous and 66% deciduous, and mainly occupy regions of higher altitudes. Over half of the forests in Bulgaria are situated on slopes of over 20°, making harvesting and reforestation very difficult. The principal lumbering areas are the Rila and western Rhodope Mountains in the southwest and the northern slopes of the Balkan Mountains in the center. Forestry and the forest industry contribute about 2% to the GDP.

Intensive exploitation and neglect before and during World War II (1939–45) and even more intensive exploitation following the war contributed to the deterioration of the forests. So during 1945–65, 860,000 hectares (2,125,000 acres) were reforested; the 20-year plan (1961–80) called for the planting of 1.4 million hectares (3.5 million acres). During the 1980s, annual reforestation averaged 50,000 hectares (123,500 acres). Despite the intensive harvesting during 1950–73 (which exceeded the government’s Forest Management Plan—FMP), the total timber volume has increased from 165 million cu m (5.8 billion cu ft) in 1934 to 404 million cu m (14 billion cu ft) in 1995. The FMP decreased the amount of timber permitted to be cut from 6.8 million cu m (240 million cu ft) in 1955 to 6.2 million cu m (219 million cu ft) of roundwood in 1995 because fewer large trees are available. Roundwood production has decreased from 8.6 million cu m (304 million cu ft) in 1960 to 4.8 million cu m (522 million cu ft) in 2003. Forestry exports in 2003 totaled \$139.3 million. Bulgaria exports logs to Turkey, Greece, Italy, and Macedonia; veneer to Greece and Syria; and particleboard to Greece, Macedonia, and Egypt. The main problems prohibiting greater roundwood production are diseases, drying of trees, and pests. Acid rain and heavy metals have not hurt the local forests. In 1998, the government began a forestry restitution and privatization program covering 3.6 million hect-

ares (8.9 million acres). The average annual reforestation rate was 0.6% during 1990–2000.

## 26 MINING

Bulgaria was an important regional producer of nonferrous metal ores and concentrates, and was mostly self-sufficient in mineral requirements. Mining and metalworking in the region was well documented by Roman times, when Bulgaria and Romania, known respectively as Thrace and Dacia, were important sources of base and precious metals. Small quantities of bismuth, chromite, copper, gold, iron, lead, magnesite, manganese, molybdenum, palladium, platinum, silver, tellurium, tin, uranium, and zinc were mined, as well as the industrial minerals anhydrite, asbestos fiber, barite, bentonite, common clays, refractory clays, dolomite, feldspar, fluorspar, gypsum, kaolin, industrial lime, limestone, nitrogen (in ammonia), perlite, pyrites, salt (all types), sand and gravel, silica (quartz sand), calcined sodium carbonate, dimension stone, sulfur (content of pyrite), sulfuric acid, and crushed stone. Most of the copper deposits were within a roughly 50 km-wide (30 mi) swath from Burgas in the east, to the former Yugoslavia in the west, and almost all was produced by two enterprises, Asarel-Medet, at Panagurishte, and Elatzite-Med, at Srednogorie; copper was also mined at Burgas and Malko Turnovo. Lead and zinc were mined chiefly in the Rhodope Mountains, at Madan and Rudozem. Production outputs for 2003 were: gold, 2,142 kg; gross copper, 26,415,000 tons; barite ore (run of mine), 637,000 metric tons; limestone and dolomite, 11,000,000 tons; industrial lime, 2,902,000 tons; and silica, 610,000 tons. Manganese ore production was zero in 1999 and 2000, but totaled 1,516 metric tons in 2001 and 4 metric tons each in 2002 and 2003.

In 1998, the National Program for Sustainable Development of Mining in Bulgaria was drafted and approved, and the Underground Resources Act was enacted. The latter, which aimed to promote private enterprise and foreign investment, stipulated that underground mineral wealth was the property of the state, and provided for claims by domestic and foreign companies for the development and operation of mineral deposits for up to 35 years with potential 15-year extensions. Improved economic performance at the end of the 1990s, the significant shift away from economic uncertainties during the transition from central economic planning, improving political stability in the Balkans, and greater investor confidence in the legal underpinnings of the growing privatization process combined to contribute to the \$1 billion net foreign investment in 2000, one-third more than in 1999.

## 27 ENERGY AND POWER

Bulgaria has only modest reserves of oil and natural gas, but somewhat larger recoverable reserves of coal. But it is nuclear power that allows Bulgaria to be an exporter of electricity.

In 2002 Bulgaria's output of electrical power was estimated at between 40.9 and 43.1 billion kWh, of which: around 43% came from fossil fuels; 5% from hydropower; 49% from nuclear energy; and the remainder from geothermal and other sources. In the same year, consumption of electricity is estimated at 31.797 billion kWh to 32.7 billion kWh. Total installed capacity is estimated at about 11.8 GW in 2002, of which: hydropower accounts for 1.672 million kW; nuclear for 3.782 million kW; and thermal for 6.326 million kW.

As previously noted, Bulgaria's nuclear power generating capability accounts for a major portion of the country's electrical power output, as well as allowing Bulgaria to be a power exporter. That capability is based upon its Kozloduy facility, which has six reactors, of which only four are working. In 2002, Bulgaria exported 8.335 billion kWh of electricity. In 2001, it earned \$150 million from exports of electric power to Serbia and Montenegro, Kosovo, Greece, Turkey, and Macedonia.

Bulgaria is heavily reliant on petroleum product imports. The country's proven oil reserves, as of 1 January 2005, were estimated at 15 million barrels, with production and consumption estimated in 2004 at 1,000 barrels per day and 86,000 barrels per day, respectively. Exploration for oil and natural gas is primarily centered in the Black Sea and in the northern part of the country. Bulgaria's sole refinery is located at Burgas, the country's main port. In 2002, refinery output was put at 123,140 barrels per day, but according to an Energy Information Administration analysis brief, updated as of March 2005, actual refining capacity was estimated at 115,000 barrels per day.

Bulgaria's consumption of natural gas far exceeds its proven reserves and production, and it must rely on imports to meet almost its entire natural gas needs. As of 1 January 2005, Bulgaria's proven reserves of natural gas were estimated at 0.2 trillion cu ft. Output in 2002 was estimated at only 0.1 billion cu ft. Imports and consumption were both estimated at 174 billion cu ft. for that same year.

Coal is the most important mineral fuel, with lignite accounting for nearly 90% and brown coal for around 10%. Bulgaria was estimated in 2002 to have recoverable coal reserves of 2,988 million short tons. Production, consumption and imports of coal are estimated at: 28.4 million short tons; 32.4 million short tons; and 4.0 million short tons, respectively.

## 28 INDUSTRY

Before World War II, Bulgarian industry, construction, mining, and handicrafts contributed only 17% to the net national income and accounted for only 8% of employment. Handicrafts in 1939 contributed almost half the net industrial output, followed by textiles and food processing. In the postwar period, the Communist regime nationalized industry and, through economic planning, emphasized a heavy industrialization program that resulted in a substantial increase in the metalworking and chemical industries. Between 1950 and 1960, the annual rate of growth of output in industry (including mining and power production) was 14.8%, according to the official index of gross output. Official statistics indicate that industrial output grew by 1,100% between 1956 and 1980, with the production of capital goods increasing by 1,500% and the production of consumer goods by 658%. Industrial output increased by 9.1% annually during 1971–75, 6% during 1976–80, 6.8% during 1980–85, and 2.7% during 1985–90. Ferrous metallurgy was given special emphasis in the 1960s, machine-building and chemicals in the 1970s and early 1980s, and high technology in the mid-1980s.

Even before the collapse of communism, industrial and agricultural production fell annually until 1997 and 1998, respectively, when the Kostov reforms took effect. Although traditional industries remain the foundation of the industrial sector, Bulgaria expects high-technology production to post gains in the future as high-tech companies establish operation there.

Industry accounted for 29% of GDP in 2001. The privatization of Bulgaria's industries was largely complete as of 2002, with the exception of a few large companies, such as Bulgartabac. The construction sector should realize strong growth due to the need to undertake major infrastructure projects. Growth in 2003 was expected in light industry, including electronics, textiles, and food processing.

In 2004, industry accounted for 30.1% of the GDP (and 32.7% of the labor force); agriculture made up 11.5% of the GDP (and 11% of the labor force), while services came in first with a 58.4% representation in the economic output, and 56.3% of the workforce.

Primary industries included electricity, gas and water, food, beverages and tobacco, machinery and equipment, base metals, chemical products, coke, refined petroleum, and nuclear fuel. Bulgaria also produces electrical components and computers. The industrial production growth rate reached 5.2% in 2004.

## 29 SCIENCE AND TECHNOLOGY

In 1996, Bulgaria had 25 agricultural, medical, scientific, and technological learned societies and 117 research institutes. The Bulgarian Academy of Sciences (founded in 1869) is the main research organization. The Academy of Medicine (founded in 1972) has five higher medical institutes. Total expenditures on research and development (R&D) in 2002 totaled \$278.313 million or 0.5% of GDP. Of that amount, 69.8% came from the government, while 24.8% came from business. Higher education and nonprofit sources each accounted for 0.2% in 2002. The remainder came from foreign sources. In that same year there were 1,158 researchers and 466 technicians per million people, actively engaged in R&D. High technology exports in 2002 totaled \$85 million, accounting for 3% of the country's manufactured exports. A large-scale program of scientific and technological cooperation of CMEA countries was adopted at the end of 1985.

Bulgaria has 18 universities and colleges offering degrees in basic and applied sciences. In Sofia are the National Natural History Museum (founded in 1889) and the National Polytechnical Museum (founded in 1968). In 1987–97, science and engineering students accounted for 27% of university enrollment.

## 30 DOMESTIC TRADE

Private shops and small supermarkets are open in many cities and local farmer's markets are still active. A few warehouse stores have opened in Sofia. The government has remained committed to privatization efforts. By the end of 1999, 71% of state-owned assets had been privatized. Bulgaria has also attracted a number of foreign investors, including US companies such as American Standard, McDonald's, Kraft Foods, and Hilton International. However, Germany is the top foreign investor.

Newspapers and magazines are the important means of advertising to the population at large. Radio advertisements are permitted for half an hour each day.

Offices are open from 8:30 AM to 12:30 PM and from 1:30 to 5:30 PM, Monday through Friday. Normal banking hours are 8 AM to 12 noon, Monday–Friday, and 8 to 11 AM on Saturday.

## Principal Trading Partners – Bulgaria (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	7,540.2	10,901.1	-3,360.9
Italy-San Marino-Holy See	1,057.5	1,114.7	-57.2
Germany	812.1	1,555.1	-743.0
Greece	781.8	725.0	56.8
Turkey	690.0	667.4	22.6
Belgium	457.7	149.7	308.0
France-Monaco	382.5	614.5	-232.0
Area nes	352.3	100.1	252.2
United States	337.0	279.3	57.7
Serbia and Montenegro	249.0	...	249.0
Romania	230.0	262.2	-32.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

## 31 FOREIGN TRADE

The principal imports were crude oil, natural gas, diesel fuel, fuel oil, coal, textiles, and machinery and equipment.

Geographic distribution of trade has changed radically twice: since World War II and the collapse of the Soviet bloc. Whereas before the war Bulgaria traded mainly with the countries of Western and Central Europe, after the war, trade shifted almost entirely to the countries of the Communist bloc. In 1991, 49.8% of all exports still went to the former USSR and 43.2% of all imports still came from the former USSR.

By the mid-1990s, weak demand in the former Soviet bloc markets led to an increase in exports to European Union countries which now take about 56% of Bulgaria's exports. Other important export areas include Central and Eastern European, and other OECD countries. Principal export markets in 2004 included Italy (with 13.1% of all exports), Germany (11.6%), Turkey (9.3%), Belgium (6.1%), Greece (5.6%), US (5.3%), and France (4.9%). The main import partners were Germany (with 15.1% of all imports), Italy (10.2%), Russia (7.9%), Greece (7.5%), Turkey (6.9%), and France (4.4%). Exports totaled \$9.1 billion (FOB—Free on Board) in 2004; imports grew to \$12.2 billion (FOB); the trade deficit was \$3.1 billion.

## 32 BALANCE OF PAYMENTS

During the postwar industrialization program, Bulgaria had a trade imbalance, made up largely by credits, particularly from the former USSR. From 1952 to 1958, the country had visible export surpluses, but another industrialization drive resulted in a trade imbalance during 1959–61, and there were persistent imbalances during the latter part of the 1960s. In the early 1970s, export surpluses were reported for most years; there were also small surpluses in 1979, 1980, and 1984. With the collapse of COMECON trade, Bulgaria began exporting agricultural products and light manufactured products in exchange for consumer goods. During the first nine months of 1992, Bulgaria recorded its first surplus in many years. Failure of the government to institute economic reforms, however, led to severe economic hardship and trade deficits of \$1.4 billion in 1993 and \$1.6 billion in 1994. In 1994, the

**Balance of Payments – Bulgaria (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-1,675.8</b>
Balance on goods	-2,478.0	
Imports	-9,922.8	
Exports	7,444.8	
Balance on services	599.6	
Balance on income	-489.1	
Current transfers	691.7	
<b>Capital Account</b>		<b>-0.2</b>
<b>Financial Account</b>		<b>2,058.1</b>
Direct investment abroad	-21.8	
Direct investment in Bulgaria	1,419.4	
Portfolio investment assets	-72.0	
Portfolio investment liabilities	-130.0	
Financial derivatives	-1.1	
Other investment assets	147.5	
Other investment liabilities	716.1	
<b>Net Errors and Omissions</b>		<b>349.9</b>
<b>Reserves and Related Items</b>		<b>-732.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

deficit was partially financed by almost \$1.1 billion in aid from other countries and international financial institutions. In 2000, the current account deficit was financed by \$1 billion in foreign direct investment and additional funding from international financial institutions.

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Bulgaria's exports was \$5.3 billion while imports totaled \$6.9 billion resulting in a trade deficit of \$1.6 billion.

The International Monetary Fund (IMF) reported that in 2001 Bulgaria had exports of goods totaling \$5.11 billion and imports totaling \$6.7 billion. The services credit totaled \$2.42 billion and debit \$1.88 billion. By 2004, the exports of goods and services grew to \$14 billion, while the imports totaled \$16.5 billion. The resulting resource balance was thus -\$2.5 billion, while the current account balance hit -\$1.8 billion. Bulgaria's total reserves (including gold) amounted to \$9.2 billion in 2004.

### 33 BANKING AND SECURITIES

All banks were nationalized in 1947 in accord with Soviet banking policies. Until 1969, the Bulgarian National Bank (BNB) was the chief banking institution handling deposits of state and local governments and national enterprises. It was the bank of issue and was authorized to credit enterprises with funds for facilities and activities not covered by the capital investment plan. In 1969 it was renamed the Bulgarian Central Bank and remained the bank of issue. Two new banks—the Industrial Bank and the Agricultural and Trade Bank—assumed the functions of providing credit for industry and for agriculture and individuals, respectively. In 1968, the Bulgarian Foreign Trade Bank was established as a joint-stock company. The State Savings Bank was the chief savings institution.

In 1996, the Bulgarian National Bank, lacking reserves, virtually gave up attempts to stabilize the exchange rate and contain infla-

tion. However, the outlines of future economic policy under a new government appear to be decided, given that all parties agreed that a currency board was the linchpin of economic stabilization. The IMF opened negotiations with the caretaker government on the introduction of a currency board, which it made a condition of further funding. When Bulgaria achieved independence in 1991, a two-tier banking system was formed. The Bulgarian National Bank became the country's central bank. The country has a state savings bank with 491 branches. There are about 80 commercial banks in Bulgaria. Some of the commercial banks are cross-border banks that are involved in the foreign exchange market. Some of the banks licensed for cross-border foreign exchange include: Agricultural and Co-operative Bank (1987), Balkenbank (1987), Biochim Commercial Bank (1987), Bulgarian Post-Office Bank, Economic Bank (1991), Hemus Commercial Bank, and the Bank for Economic Enterprise (December 1991).

In a related move that was also seen as a step towards the restrictive regime of a currency board, the central bank announced in late January of 1997 that it would no longer be fixing a base interest rate. Instead, the BNB would set an indicative rate defined by the interest on short-term government bonds. Banks themselves would be able to set their own rates according to market principles, without interference from the central bank. In 2001, the exchange rate to the dollar was 2.1847 leva. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$2.2 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$5.5 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 3.74%.

The First Bulgarian Stock Exchange was established in Sofia on 8 November, 1991 as a joint stock company with capital of Lv10,000,000 divided into 10,000 shares of Lv1,000 each. Designated as SOFIX, it is managed by a Board of Directors and by a Chief Executive. The exchange currently trades mainly in unlisted securities. As of 2004, there were 332 companies listed on the SOFIX. Market capitalization as of December 2004 stood at \$2.804 billion, with the SOFIX Index up 37.6% from the previous year at 625.3.

### 34 INSURANCE

Private insurance companies were nationalized in 1947 and absorbed into the State Insurance Institute. Property insurance and life insurance are compulsory for collective farms and voluntary for cooperatives, social organizations, and the population in general. Insurance policies and premiums have increased steadily for both. Third-party automobile liability and workers' compensation are also compulsory insurances. The Insurance Regulatory body is the Ministry of Finance. Since March of 1998, foreigners have been permitted to own a Bulgarian insurer. In 2003, total direct premiums written totaled \$387 million, of which nonlife premiums accounted for \$343 million. Bulgaria's top nonlife insurer was Bulstrad, with \$58.9 million of gross nonlife premiums written in

2003. That same year, DZI was the country's top life insurer with \$18.1 million of gross life premiums written.

### 3<sup>5</sup> PUBLIC FINANCE

An annual budget for all levels of government, becoming effective on 1 January, is voted by the National Assembly, after having been prepared by the Ministry of Finance. The disintegration of the Communist system in November 1989 and the subsequent collapse of the Soviet trade bloc caused severe economic disruption, pushing the government's budget deficit to 8.5% of GDP in 1990 (not including interest payments on commercial foreign debt). However, by the late 90s the country was seeing unprecedented growth (5.8% in 2000), due to aggressive market reforms put in place by the government during the prior decade.

The US Central Intelligence Agency (CIA) estimated that in 2005 Bulgaria's central government took in revenues of approximately \$1.1 trillion and had expenditures of \$1 trillion. Revenues minus expenditures totaled approximately \$0.1 trillion. Public debt in 2005 amounted to 32.4% of GDP. Total external debt was \$15.46 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were LV12,484 million and expenditures were LV12,417 million. The value of revenues was us\$7,092 million and expenditures us\$7,054 million, based on an exchange rate for 2003 of us\$1 = LV1.7604 as reported by the IMF. Government outlays by function were as follows: general public services, 17.1%; defense, 6.6%; public order and safety, 7.6%; economic affairs, 11.9%; housing and community amenities, 0.7%; health, 11.9%; recreation, culture, and religion, 1.6%; education, 5.2%; and social protection, 37.3%.

### 3<sup>6</sup> TAXATION

Bulgaria revised much of its tax system in 1996. One of the changes states that foreign persons receiving remuneration as lecturers and consultants, royalties, license payments, and remuneration for technical services, are charged with a 32% tax at the time of payment. The personal income tax is progressively rated up to 24%. As of 1 January 2005, the standard corporate or profit tax rate is 15%. A withholding tax of 7% is assessed on dividends. Employers are required to contribute 37% of employees' gross salaries for social security insurance while the employees contribute an additional 2%. The value-added tax covers all goods, services and imports at a standard rate of 20%. However, exemptions include insurance and financial services, the transfer of or the renting of land, and educational and health related services. Other taxes include a property tax at a rate of 2–4%.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Most imports are subject only to declaration and registration. However, special licenses are required for imports of tobacco, alcoholic beverages, oils, military hardware, radioactive materials, jewelry, precious metals, pharmaceutical items, and narcotics. The Ministry of Foreign Trade supervises the collection of customs duties. The amount collected is not published.

Goods arriving from foreign points to be unloaded in Bulgaria must have customs manifests and other shipping documents as specified by law. Customs duties are paid ad valorem at a rate of

### Public Finance – Bulgaria (2003)

(In millions of leva, central government figures)

<b>Revenue and Grants</b>	<b>12,484</b>	<b>100.0%</b>
Tax revenue	6,527	52.3%
Social contributions	3,654	29.3%
Grants	306	2.5%
Other revenue	1,997	16.0%
<b>Expenditures</b>	<b>12,417</b>	<b>100.0%</b>
General public services	2,127	17.1%
Defense	815	6.6%
Public order and safety	949	7.6%
Economic affairs	1,477	11.9%
Environmental protection	...	...
Housing and community amenities	87	0.7%
Health	1,479	11.9%
Recreational, culture, and religion	195	1.6%
Education	651	5.2%
Social protection	4,637	37.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

5–40% on industrial products and 5–70% on agricultural products. Goods from EU nations receive preferential tariff rates. Duty must be paid on all goods except those specifically exempt, such as many foods products, farm machinery, toiletries, fertilizer and pesticide, mining equipment, and medical and dental supplies. In August 1987, the national assembly adopted a law to establish tariff-free zones to attract foreign investment beginning in January 1988. Taxes on imports include a value-added tax of 20%, a 0.5% customs clearance fee, and a 3% import surcharge.

### 3<sup>8</sup> FOREIGN INVESTMENT

Bulgaria has realized the need to attract foreign investment and has one of the most liberal foreign investment laws in the region. The 1997 Foreign Investment Law set up the Foreign Investment Agency (FIA) to administer the regime. In 1999, currency laws were liberalized to conform with IMF Article VIII obligations. Foreign investors can enter into joint ventures, start new (greenfield) ventures, purchase companies in Bulgaria's privatization process, or acquire portfolio shares. The law governing privatizations is the 1992 Law on the Transformation and Privatization of State and Municipal Enterprises. In November 2000, amendments were made to enhance the transparency and efficiency of the privatization process and to bring it under parliamentary control, but domestic political turmoil and austerity under an IMF stand-by program combined with the external economic slowdown to bring foreign investment in privatization to a low of less than \$20 million in 2001. By 2000, about 78% of the state enterprises slated for privatization had been sold off with foreign investors participating mainly through direct cash purchases. The government encourages the use of Brady bonds (debt-for-equity swaps) in payment instruments. Bulgarian bad debt bonds (zunks) can be purchased on the local market at a 30–35% discount on the face value and are accepted at a 40% premium in privatization sales.

Under legislation from 1987 and since revised, Bulgaria has six free zones where companies with foreign participation can receive

equal or preferential treatment. The most profitable free zone is the one at Plovdiv. Others are on the Danube (at Ruse and Vidin), near the Turkish border (at Svilengrad), near the Serbia border (Dragomen), and on the Black Sea (at Burgas, which has the most advanced warehousing and transshipment facilities).

In 1992, foreign direct investment (FDI) was \$34.4 million, mostly from Austria and Hungary. In 1993, FDI jumped to \$102.4 million, \$22 million from privatization and over half (\$56 million) from Germany. By 1997, FDI inflow had risen to \$636.2 million. Most (\$421.4 million) came from privatization sales and the largest source was Belgium (\$264 million). In 1998, the effects of the Russian financial crisis helped produce the first postindependence decline to \$620 million; \$155.8 million was from privatization and Cyprus was the largest source (\$109 million), mainly from Stambouli Enterprises. In 1999, FDI inflow recovered to \$818 million, with \$226.7 million coming from privatization sales and with Germany, Cyprus, and Russia each the source of over \$100 million FDI. FDI inflow peaked in 2000 at \$1 billion, with \$366 million from privatization. The largest sources were Italy (\$339.7 million) and Greece (\$241 million). The global economic slowdown beginning in 2001 reduced FDI inflow to \$812.9 million in 2001 and to an estimated \$478.7 million in 2002. Contributions from privatization reached a low of \$19.2 million, recovering to an estimated \$135.6 million in 2002. In 2001, Greece (\$240.2 million) and Italy (\$146.5 million) were the sources of the largest investments, and in 2002, the only FDI inflow over \$100 million was from Austria (\$137.7 million). A main source of disinvestments was Korea (Daewoo and Hyundai), with negative flows of -\$9.2 million in 2001 and -\$41.3 million in 2002.

From 1992 to 2002, total FDI inflow was \$5.14 billion, \$1.58 billion from privatization sales. Sources include at least 25 countries, with the top five being Greece (12.4%), Germany (12.2%), Italy (10.5%), Belgium (9.4%), and Austria (8.7%). The sectors receiving the most net FDI 1998 to 2002 were banks and other financial activities (23.5%); trade and repair services (14.1%); telecommunications (9.1%); petroleum, chemicals, rubber and plastics (7.2%); and mineral products including cement and glass (6.8%). In 2004, FDI reached a record high of \$2.5 billion (the equivalent of 9.2% of the GDP), and was expected to remain high in 2005 at around \$2.1 billion. The main source of FDI has been the EU, with around 67% of total investments.

Capital markets are small and underdeveloped in Bulgaria. The new Bulgaria Stock Exchange opened in 1998 with 998 companies and a total market valuation of \$992 million. In December 2001, there were 399 listed companies with a market capitalization of \$505 million. However, Bulgaria offers a favorable investment climate, boasting strong economic growth, political stability, a well educated workforce and competitive costs. It is a good springboard to other markets in Europe and the Middle East, and as EU accession candidate in 2007 it can serve as an entry point to otherwise well protected markets.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Until 1990 when the post-Communist government began a program of privatization, the economy was almost entirely nationalized or cooperatively owned and operated on the basis of state plans. These were designed to expand the economy as a whole, with emphasis on the growth of heavy industry (fuels, metals, ma-

chinery, chemicals) and on the development of export goods. In 1971, productive enterprises were grouped into more than 60 state concerns responsible for almost all nonagricultural production.

Bulgaria's first five-year plan (1949–53) emphasized capital investment in industry. The period was marked by a slow pace in agricultural production (owing largely to collectivization and small investment), an inadequate supply of consumer goods, and a poor livestock output. The 1953–57 plan provided for a decrease in industrial investment, with a resultant improvement in agriculture, housing, and living conditions. The food-processing industry, important for export, began to receive greater attention in 1958, as did textiles and clothing. The lagging rate of growth during the early 1960s was due mainly to poor agricultural output and to a slower industrial pace. The third five-year plan (1958–62), with its "big leap forward" (1959–60), was claimed to have reached its goals by the end of 1960, but definite shortcomings remained. The fourth plan (1961–65) devoted 70% of total investment to industry, while agriculture received only 6.5%. Investments directed by the fifth plan (1966–70) adhered essentially to precedent, with some shift toward agriculture, and this trend continued under the sixth plan (1971–75). Of total investment during 1971–73, over 40% went to industry and 15% to agriculture. The 1976–80 plan resulted in a 35% increase in industrial output and a 20% increase in agricultural output. The overall growth rate began to slow down in the late 1970s, and the 1981–85 plan reflected the concept of a more gradual economic growth. Under the 1986–90 plan, it was projected that national income would grow by 22–25%, industrial output by 25–30%, and agricultural production by 10–12%. Priority was to be given to the development of high technology.

In the 1990s, the post-Communist government began a program to reform of the nation's economy. It rescheduled the foreign debt, abolished price controls, and became a member of the International Monetary Fund (IMF) and IBRD. The reforms, however, were not embraced by the Socialist government that took power in 1994 and by 1996 the economy was in a tailspin. The government led by Prime Minister Ivan Kostov that took power in 1997 laid the financial groundwork for a market economy by selling off state firms, strengthening the currency (lev), and doing away with price controls, state subsidies, monopolies, and trade restrictions. As a result of its successful stabilization of the lev and inflation, Bulgaria is viewed favorably by investors and is a candidate for membership in the European Union (EU). Membership in that body was expected for 2007 if accession requirements are met, including progress on privatization.

The government of Prime Minister Simeon Saxe-Coburg-Gotha, which came to power in 2001, took steps to reduce taxes, rein in corruption, and encourage foreign investment. Bulgaria nevertheless suffers from high unemployment and low standards of living. A \$337 million stand-by arrangement with the IMF, approved in February 2002, expired in February 2004. The government, while pledging to the IMF that it would adhere to sound macroeconomic policies (including controlling spending, strengthening tax administration, curbing inflation, balancing the budget, and strengthening the country's external financing position), stated the improvement of Bulgarians' living standards was central to the country's economic development.

Although Bulgaria has registered some of the highest GDP growth rates in Europe, the real income of the population (and

subsequently their living standards) have failed to develop as quickly. Policy makers in Bulgaria are therefore looking to match the macroeconomic boom with similar improvements at the population level, particularly in terms of lower unemployment and more job opportunities. The national elections from June 2005 were followed by political turmoil, none of the parties being able to gain a clear majority. Eventually, the socialist party managed to form a government around Prime Minister Sergei Stanishev and promised to continue economic reforms and market restructuring. Together with Romania, Bulgaria is seeking to meet the EU accession date of 2007. Corruption remains the main point of contention for both countries, and is an issue that needs to be addressed promptly in the coming period.

#### 40 SOCIAL DEVELOPMENT

The code for compulsory social insurance was revised in 2000. It provides for dual coverage by a social insurance system and mandatory private insurance. The program covers all employees, self-employed persons, farmers, artists, and craftsman. Old age benefits begin at age 61 and 6 months for men and 56 and 6 months for women; these will be increased incrementally until 2009 when retirement age will be 63 for men and 60 for women. Survivors' and disability pensions are also provided, as well as work injury and unemployment benefits. Maternity benefits amount to 90% of earnings for 135 days. The government provides family allowance benefits based on the age and number of children.

Although women have equal rights under the constitution, they have not had the same employment opportunities as men. Although many women attend university, they have a higher rate of unemployment, and are likely to work in low paid jobs. Violence against women remains a serious problem, and domestic violence is considered a family problem and not a criminal matter. The government provides no shelter or counseling for women. There exists societal stigma against rape victims, and no laws prohibit sexual harassment. Trafficking in women remains a huge problem.

A significant problem of discrimination against the Roma minority continued in 2004. Although freedom of speech is provided for by the constitution, the government maintains influence over the media and libel is a criminal offense. The government and public have limited tolerance for religious freedom.

#### 41 HEALTH

The Ministry of Health is the controlling and policy-making agency for the health system in Bulgaria. An estimated 4% of GDP went to health expenditure. The Bulgarian government passed a bill restoring the right of the private sector to practice medicine and permitting the establishment of private pharmacies, dentists, and opticians. Bulgarian citizens resident in the country still have use of the free national health service. Bulgaria is in the process of restructuring its health care system from one based on command and control to one founded on pluralism. Medical care has never been well funded, but the shift from a centrally planned to a private enterprise system has left the medical sector in disarray. Doctors continue to receive low wages and operate inadequate and outdated machinery and patients on the whole receive minimal health services. In 1993, the World Bank assessed the country's problems and recommended numerous changes and improvements. The Ministry of Health sought funding for 19–21 addi-

tional health centers and the rehabilitation of 67 secondary centers served by 283 emergency medical teams. Utilization of health care services, including hospitalization, outpatient treatment, and preventive care, declined throughout the 1990s.

Bulgaria has 98 municipal hospitals with an average of 227 beds apiece, and 32 general district hospitals with an average of 874 beds. In addition there were 12 university hospitals in Sofia. As of 2004, there were an estimated 338 physicians, 443 nurses, 81 dentists, and 16 pharmacists per 100,000 people. Mortality in 2000 was 13 per 1,000, compared with 8.1 in 1960.

Stroke mortality is among the highest in Europe and circulatory diseases account for more than half of all deaths. Smoking is on the increase; alcohol consumption is high; physical activity is low; and obesity is common. Bulgarians have a high intake of fats, sugars, and salt. One out of eight people has high blood pressure. Improved maternal and child care lowered infant mortality from 108.2 per 1,000 in 1951 to 13 per 1,000 in 2000. However, by 2005 the infant mortality rate increased to an estimated 20.55 per 1,000 live births. In 1999, there were 46 cases of tuberculosis per 100,000 people despite high immunizations for this disease. In the same year Bulgaria immunized children up to one year old as follows: diphtheria, pertussis, and tetanus, 96%, and measles, 96%. An estimated 76% of married women (ages 15 to 49) used contraception. The fertility rate has decreased from 2.2 per woman in 1960 to 1.3 per woman in 2000. Bulgaria's maternal mortality rate is below the average for countries of medium human development. Approximately 99% of the population had access to safe drinking water. Life expectancy in 2005 was 72 years on average.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 346 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

#### 42 HOUSING

There are two main types of housing environments in the country: street district and housing complexes. Most of the street district housing was built before World War II and consists of private lots built to follow a street regulation plan. Beginning in the 1950s, housing complexes were built on public property, though the homes themselves are privately owned. Over 120 complexes have been built in the last 50 years, with a large number of pre-fab homes. Capital investment for housing construction during the period 1976–80 amounted to Lv3.5 billion. At the end of 1985 there were 3,092,000 dwelling units in the country, 24% more than in 1975; by 1991, this figure had risen to 3,406,000. In 2004 there were an estimated 3,704,798 dwellings; about 477 per 1,000 population. The average number of people per household was 2.09. About 11% of all housing stock are one-room dwellings; about 65% are two- or three-room units. About 63% of all dwellings are in urban areas.

Although housing construction during the period 1976–85 averaged about 60,000 units per year, the housing shortage continues, especially in the larger cities, because of the influx into urban areas of new workers and because of the emphasis placed on capital construction. In 1975, to curb urban growth, the government instituted tight restrictions on new permits for residences in major cities. In December 1982, the Communist Party decreed that,

in order to halt the growth of Sofia, a number of enterprises in the capital would be closed or moved elsewhere.

### 43 EDUCATION

Education is free and compulsory for eight years between the ages of 7 and 19. Primary education is divided into two stages of four years in each stage. Secondary students then choose either a general studies or vocational training program, each of which lasts for four years. The Academic year runs from September to June. The language of instruction is Bulgarian.

In 2001, about 70% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 90% of age-eligible students. The same year, secondary school enrollment was about 87% of age-eligible students. It is estimated that about 97% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 17:1 in 2003; the ratio for secondary school was about 12:1.

There are over 30 higher education institutions, including four universities. The most important is the University of Sofia, founded in 1888. The others include the University of Plovdiv (founded 1961), the University of Veliko Tarnovo (founded 1971), and the American University in Bulgaria (founded 1991). All higher level institutions had a total of 262,757 students and 26,303 teaching staff in 1997. In 2003, about 39% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 98%, with fairly even rates for men and women.

As of 2003, public expenditure on education was estimated at 3.6% of GDP.

### 44 LIBRARIES AND MUSEUMS

The St. Cyril and St. Methodius National Library, established in 1878 in Sofia, is the largest in Bulgaria (2.52 million volumes); since 1964, the Elin Pelin Bulgarian Bibliographic Institute has been attached to it. Other important libraries are the Central Library of the Scientific Information Center (with 740,000 volumes), the Bulgarian Academy of Sciences library (1.74 million volumes), the Sofia University Library (1,500,000 volumes), and the Ivan Vazov National Library in Plovdiv (with 1,300,000 volumes). The Pencho Slaveykov Public library in Varna has over 800,000 volumes. The Union of Librarians and Information Services Officers was established in Bulgaria in 1990.

Bulgaria has some 200 museums, of which the most important include the National Archaeological Museum (attached to the Academy of Sciences) and the National Art Gallery (with a collection of national and foreign art), both in Sofia. Other museums are devoted to history, science, and the revolutionary movement, and include the Bojana Church Museum in Sofia, the Museum of Wood Carvings and Mural Painting in Trjauna, with an important collection of artifacts from the Bulgarian National Revival Period in the 18th and 19th centuries, and the Open-Air Museum of Ethnography in Gabrovo.

### 45 MEDIA

Telecommunications systems are owned and operated by the state. In 2003, there were an estimated 380 mainline telephones for every 1,000 people; about 114,600 people were on a waiting list for

telephone service installation. The same year, there were approximately 466 mobile phones in use for every 1,000 people.

In Spring 2000, the government awarded a license for the first privately owned television station with nationwide coverage to the Balkan News Corporation; in 2003, Nova TV became the second national commercial station. All other national television stations are state-owned, though there are a number of privately operated regional stations. In 2003, there were an estimated 543 radios for every 1,000 people; the number of television sets was not available in the same survey. It is estimated that about 133 of every 1,000 people subscribe to cable television services. In 2003, there were 51.9 personal computers for every 1,000 people and 206 of every 1,000 people had access to the Internet. There were 46 secure Internet servers in the country in 2004.

The principal Sofia papers, with their publishers and estimated daily circulations (2002), are: *24 Chasa*, Vest Publishing House, 330,000; *Bulgarska Armiya*, Ministry of Defense, 30,000; *Demokratiya*, Union of Democratic Forces, 45,000; *Duma*, Socialist Party, 130,000; *Trud*, Confederation of Independent Trade Unions, 200,000; *Zemedelsko Zname*, Agrarian People's Union, 178,000; and *Zemya*, Socialist Party, 53,000.

The constitution of Bulgaria ensures freedom of speech and of the press, and the government is said to generally respect these rights. National television and radio broadcasting remain under supervision of the Council for Electronic Media and the Communications Regulation Commission.

### 46 ORGANIZATIONS

Bulgaria's important economic organizations include the Bulgarian Chamber of Commerce and Industry (1985) and organizations dedicated to promoting Bulgaria's exports in world markets. There are trade unions representing a wide variety of vocations. The Confederation of Independent Trade Unions of Bulgaria was founded in 1901 and taken over by the Communists after World War II. In 1990, it became an independent organization. It has about 75 member federations and four association members. There are professional and trade organizations representing a variety of fields.

The Bulgarian Medical Association serves as a national organization promoting high standards of healthcare, advancement in medical research, and the free dissemination of health information. There are also several similar medical organizations dedicated to promoting research and education concerning specific conditions and diseases.

There are several associations promoting a wide range of sports and leisure activities, including bobsledding, badminton, baseball, chess, yoga, and amateur radio. The National Federation of Sports in Schools was established in 1993 to promote and coordinate sport activities through the schools. There are national branches of the Olympic Committee, the Special Olympics, and the Paralympic Committee.

The Bulgaria Academy of Science promotes scientific study and advancement, conducts research projects, and maintains a museum. The Institute of Art Studies is cosponsored by the Academy of Science as an organization dedicated to promoting Bulgarian art and culture.

Since 1990, a number of youth organizations have developed throughout the country. The Bulgarian Democratic Youth, with



about 90,000 members, became the successor to the Dimitrov Young Communist League. The group serves to advance civic enterprise and control and promote a social environment for enterprising youth. Student groups include the Federation of Independent Student Associations, the Bulgarian Association of University Women, the Independent Student Trade Union, and the Student League of Beliko Turnovo. There is an Organization of Bulgarian Scouts and active branches of YMCA/YWCA.

There are national chapters of the Red Cross Society, UNICEF, Habitat for Humanity, and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

Bulgaria is rich in mineral waters and has numerous tourist spas. Visitors are attracted to the Black Sea resorts and the archaeological monuments. There are three national parks—Pirin, Rila, and Central Balkan—all rich in historic sites and self-regulating ecosystems. Lying between the slopes of the Balkan and the Sredna Gora mountain range is the Valley of Roses. Foreign visitors to Bulgaria must have a passport. Visas are not required for stays of up to 30 days.

In 2003, about 6.2 million tourists visited Bulgaria, a 12% increase from 2002. In that same year, tourist receipts totaled \$2.1 billion. There were 143,960 beds available in hotels and other establishments, with an occupancy rate of 34%. Visitors stayed in Bulgaria an average of four nights.

In 2004, the US Department of State estimated the cost of staying in Sofia at \$221 per day. In smaller towns the daily costs were approximately \$87.

#### 48 FAMOUS BULGARIANS

The founders of modern Bulgarian literature, writing before the end of Turkish rule, were Georgi Rakovski (1821–67), Petko Slaveikov (1827–95), Lyuben Karavelov (1835–79), and Kristo Botev (1848–76), who was one of Bulgaria's greatest poets. The most significant writer after the liberation of 1878 was Ivan Vazov (1850–1921), whose *Under the Yoke* gives an impressive picture of the struggle against the Turks. Pentcho Slaveikov (1866–1912), the son of Petko, infused Bulgarian literature with philosophical content and subject matter of universal appeal; his epic poem *A Song of Blood* recalls an insurrection suppressed by the Turks in 1876. In the period between the two world wars, Nikolai Liliyev (1885–1960) and Todor Trayanov (1882–1945) were leaders of a symbolist school of poetry. Elin Pelin (1878–1949) and Iordan Iovkov (1884–1939) wrote popular short stories on regional themes. More recent writers and poets include Nikola Vapzarov, Christo Shirvenski, Dimiter Dimov, Orlin Vassilev, and Georgi Karaslavov. Elias Canetti (1905–94), Bulgarian born but lived from 1938 until his death in the United Kingdom, received the Nobel Prize for literature in 1981. Tzvetan Todorov (b.1939), is a Bulgarian philosopher and literary theorist living in France; he is the author of *The Conquest of America* (1982). Ivan Mrkvicka (1856–1938), a

distinguished Czech painter who took up residence in Bulgaria, founded the Academy of Fine Arts in Sofia.

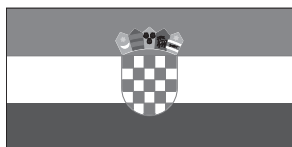
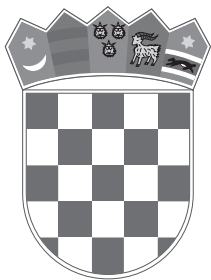
A prominent Bulgarian statesman was Alexander Stamboliski (1879–1923), Peasant Party leader who was premier and virtual dictator of Bulgaria from 1920 until his assassination. The best known modern Bulgarian, Georgi Dimitrov (1882–1949), was falsely charged in 1933 with burning the Reichstag building in Berlin; he became general secretary of the Comintern until its dissolution and prime minister of Bulgaria in 1946. Traicho Kostov (1897–1949), an early revolutionary leader, was a principal architect of Bulgaria's postwar economic expansion. Caught up in the Tito-Stalin rift, he was expelled from the Politburo and executed in December 1949. Todor Zhivkov (1911–1998) was first secretary of the Bulgarian Communist Party between 1954 and 1989, the longest tenure of any Warsaw Pact leader. His was marked by ardent and steadfast support of Soviet policies and ideological positions. Zhivkov's daughter Lyudmila Zhivkova (1942–81), a Politburo member since 1979, was regarded by Western observers as second only to her father in power and influence. Zhivkov was replaced by Dimitar Popov as premier of a coalition government headed by the Socialist Party (formerly the Communist Party). Simeon II (b.1937) was the last tsar of Bulgaria from 1943–46, and was prime minister from 2001–05. He is also known as Simeon of Saxe-Coburg-Gotha.

#### 49 DEPENDENCIES

Bulgaria has no territories or colonies.

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# CROATIA

Republic of Croatia

*Republika Hrvatska*

**CAPITAL:** Zagreb

**FLAG:** Red, white, and blue horizontal bands with the Croatian coat of arms (red and white checkered).

**ANTHEM:** *Lijepa Nasa Domovina*.

**MONETARY UNIT:** The Croatian kuna (HRK was introduced in 1994, consisting of 100 lipa. HRK1 = \$0.16892 (or \$1 = HRK5.92) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Epiphany, 6 January; Labor Day, 1 May; Republic Day, 30 May; National Holiday, 22 June; Assumption, 15 August; Christmas, 25–26 December.

**TIME:** 7 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Croatia is located in southeastern Europe. Comparatively, the area occupied by Croatia is slightly smaller than the state of West Virginia with a total area of 56,542 sq km (21,831 sq mi). Croatia shares boundaries with Slovenia on the w, Hungary on the n, Serbia on the e, Bosnia and Herzegovina on the s and e, and the Adriatic Sea on the w, and has a total boundary length of 8,020 km (4,983 mi), including 5,835 km (3,626 mi) of coastline. Croatia's capital city, Zagreb, is located in the northern part of the country. Croatia's territory includes 1,185 nearby islands in the Adriatic Sea, of which only 66 are inhabited.

## <sup>2</sup> TOPOGRAPHY

The topography of Croatia is geographically diverse, with flat plains along the Hungarian border, as well as low mountains and highlands near the Adriatic coast. The country is generally divided into three main geographic zones: the Pannonian and Peri-Pannonian Plains in the east and northwest, the central hills and mountains, and the Adriatic coast. Approximately 24% of Croatia's land is arable. Croatia's natural resources include: oil, some coal, bauxite, low-grade iron ore, calcium, natural asphalt, silica, mica, clays, and salt. Croatia's natural environment experiences effects from frequent earthquakes, air pollution from metallurgical plants, coastal pollution from industrial and domestic waste, and forest damage.

## <sup>3</sup> CLIMATE

Croatia's climate in the lowlands features hot, dry summers and cold winters. In Zagreb, the average annual temperature is 12°C (53°F) with average highs of 2°C (35°F) in January and 27°C (80°F) in July. In the mountains, summers are cool and winters cold and snowy. Along the coast, the climate is Mediterranean with mild winters and dry summers. In Split, the average annual temperature is 17°C (62°F). Annual average precipitation is about 94 cm (37 in).

## <sup>4</sup> FLORA AND FAUNA

The region's climate has given Croatia a wealth of diverse flora and fauna. Ferns, flowers, mosses, and common trees populate the landscape. Along the Adriatic Sea there are subtropical plants. Native animals include deer, brown bears, rabbits, fox, and wild boars. As of 2002, there were at least 76 species of mammals, 224 species of birds, and over 4,200 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

Air pollution (from metallurgical plant emissions) and deforestation are inland environmental problems. In 1996 industrial carbon dioxide emissions totaled 17.5 million metric tons. In 2000, total emissions were at 19.6 million metric tons. Coastal water systems have been damaged by industrial and domestic waste. All of Croatia's urban dwellers have access to safe drinking water. Environmental management is becoming more decentralized, thereby empowering city and municipal administrations to determine environmental policy. Croatia's 195 protected areas cover 421,000 hectares (1,040,000 acres), or 7.5% of the country's natural areas. The Plitvice Lakes National Park is a natural UNESCO World Heritage Site. There are four Ramsar wetland sites. In 2000, about 31% of the total land area was forested.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 7 types of mammals, 9 species of birds, 1 type of reptiles, 2 species of amphibians, 27 species of fish, and 11 species of invertebrates. Endangered species include the Atlantic sturgeon, slender-billed curlew, and the Mediterranean monk seal.

## <sup>6</sup> POPULATION

The population of Croatia in 2005 was estimated by the United Nations (UN) at 4,438,000, which placed it at number 117 in population among the 193 nations of the world. In 2005, approximately

16% of the population was over 65 years of age, with another 17% of the population under 15 years of age. There were 93 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be -0.3%, a rate the government viewed as too low. The projected population for the year 2025 was 4,318,000. The population density was 78 per sq km (203 per sq mi).

The UN estimated that 56% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.50%. The capital city, Zagreb, is by far the largest city in the country. It had a population of 688,000 in 2005. Other cities and their estimated populations include Split, 265,000; Rijeka, 206,000; and Osijek, 165,000.

## **7** MIGRATION

In the early 1990s, some 160,000 people living in Croatia fled to neighboring countries to escape ethnic conflict, with another 120,000 fleeing to countries abroad. Total returns to Croatia as of February 2000 numbered over 112,000, including 36,000 Croatian Serbs who repatriated from Serbia and Montenegro. Also, nearly 74,000 internally displaced people had returned to their homes within Croatia. In February 2000, an estimated 250,000 Croatian Serb refugees were still registered in Serbia and Montenegro and Bosnia and Herzegovina. Of these, more than 25,000 had applied for return under the government's Return Programme. The total number of migrants living in Croatia in 2000 was 425,000. In 2004, the United Nations High Commissioner for Refugees (UNHCR) was assisting some 23,744 people in Croatia: 3,663 refugees, 7,468 returnees, and over 12,500 internally displaced people. In addition, there were 852 voluntary repatriations to Bosnia and Herzegovina and 6,616 to Serbia and Montenegro. In 2004, an estimated 200 Croatians sought asylum in Ireland and Sweden. The net migration rate in 2005 was estimated at 1.58 migrants per 1,000 population. The government views the emigration level as too high.

## **8** ETHNIC GROUPS

As of the 2001 census, Croats make up about 89.6% of the population and Serbs account for 4.5%. The remainder include Bosniaks, Hungarians, Slovenians, Czechs, and Roma.

## **9** LANGUAGES

Serbo-Croatian is the native language and is used by 96% of the populace. Since 1991, Croats have insisted that their tongue (now called Croat) is distinctive. The spoken language is basically the same, but Serbs use the Cyrillic alphabet and Croats the Roman alphabet. The Croatian alphabet has the special consonants *č*, *ć*, *š*, *ž*, *dj*, *dž*, and *nj*, representing sounds provided by the Cyrillic alphabet. The remaining 4% of the population speak various other languages, including Italian, Hungarian, Czech, Slovak, and German.

## **10** RELIGIONS

Christianity was introduced into the area in the 7th century. Under the Yugoslav Socialist Republic, churches—Roman Catholic in particular—experienced repression by the state. This moderated in 1966, when an agreement with the Vatican recognized a religious role for the clergy. The latest estimates recorded a Ro-

man Catholic population of 85%, with 6% Orthodox Christians, and 1% Muslims. Less than 1% were Jewish and about 4% belong to other faiths, including the Church of Jesus Christ of Latter-day Saints, Jehovah's Witnesses, Greek Catholic, Pentecostal, Hare Krishna, Baptist, Seventh-Day Adventist, and the Church of Christ. About 2% of the population are atheists. The Orthodox are primarily Serbs; other minority religions can be found mostly in urban areas. No formal restrictions are placed on religious groups, and all are free to conduct public services and run social and charitable institutions.

The constitution provides for freedom of conscience and religion and this right is generally respected in practice. Though there is no official state religion, the Roman Catholic Church, the Serbian Orthodox Church, the Islamic community, and several smaller Christian denominations have signed agreements with the government through which they qualify for state support. A 2003 Regulation on Forms and Maintaining Records of Religious Communities in Croatia requires all religious organizations to register with the government in order to receive legal status under the Law on Religious Communities.

## **11** TRANSPORTATION

Croatia's railroads consist of two main routes. An east–west route originating in Serbia nearly parallels the Sava before reaching Zagreb and continuing on to Slovenia and Hungary. The north–south route connects the coastal cities of Split and Rijeka to Zagreb. Another railway connects Dubrovnik to Bosnia and Herzegovina. As of 2004, there were 2,726 km (1,694 mi) of standard gauge railroad line. However, some parts remain inoperative or out of use due to territorial disputes. Highways totaled 28,588 km (17,782 mi) in 2003, of which 24,186 km (15,044 mi) were paved roads, including 583 km (363 mi) of expressways. As of 2003, there were 1,293,400 passenger cars and 143,100 commercial vehicles registered for use.

Rijeka, Split, and Kardeljevo (Ploce) are the main seaports along the Adriatic. There are 785 km (488 mi) of perennially navigable inland waters. Vukovar, Osijek, Sisak, and Vinkovci are the principal inland ports. In 2005, Croatia had 73 ships of at least 1,000 GRT, for a total capacity of 750,579 GRT.

Croatia had an estimated 68 airports in 2004. As of 2005 a total of 23 had paved runways, and there was one heliport. Principal airports include Dubrovnik, Split, and Pleso at Zagreb. In 2003, about 1.267 million passengers were carried on scheduled domestic and international flights.

## **12** HISTORY

### Origins through the Middle Ages

Slavic tribes penetrated slowly but persistently into the Balkan area beginning in the 5th century. Their migration, and that of the Serbians, occurred upon the invitation of the Byzantine emperor Heraclius I (r. 610–641) in 626, to repel the destructive inroads of the Avars. A coalition of Byzantine and Croat forces succeeded in forcing the Avars out of Dalmatia first, and then from the remainder of Illirycum and the lands between the Drava and Sava rivers. The Croats settled on the lands that they had freed from the Av-



LOCATION: 45°10' N 15°30' E. BOUNDARY LENGTHS: Total boundary lengths, 2,197 kilometers (1,365 miles); Serbia, 241 kilometers (165 miles); Bosnia and Herzegovina, 932 kilometers (579 miles); Slovenia, 670 kilometers (416 miles); Hungary, 329 kilometers (204 miles); Montenegro, 25 kilometers. COASTLINE: 5,790 kilometers (3,598 miles); mainland coastline, 1,778 kilometers (1,105 miles); islands coastline, 4,012 kilometers (2,493 miles).

ars and established their own organized units that included indigenous Slavic tribes.

By the year 1000, Venice, having defeated the Croatian fleet, controlled the entire Adriatic coast. The coastal cities, while welcoming the Italian cultural influence of Venice, feared potential Venetian domination over their trading interests with the enormous Balkan hinterland. Thus Dubrovnik (formerly called Ragusa), with its growing fleet, preferred to remain tied to the more distant Byzantine Empire.

Zvonimir, son-in-law of the Hungarian king Bela I, was crowned king of Croatia in 1075. Zvonimir died around 1089 without an

heir, leaving his widow with the throne, but the nobles opposed her rule because of her Hungarian ancestry. The king of Hungary intervened to protect his sister's interests (and his own) by occupying Pannonian Croatia. The area was recovered in 1095 by Peter Svacic from Knin (1093–97). Peter, the last independent king of Croatia, was killed in battle in 1096 by King Koloman of Hungary, who then conquered Croatia. After concluding a nonaggression pact with Venice, which had retained control of the coastal islands and cities, the Croats rebelled and drove the Hungarian forces back to the Drava River frontier between Croatia and Hungary.

### Royal Union with Hungary

In 1102, Koloman regrouped and attacked Croatia. He stopped at the Drava River, however, where he invited the nobles representing the 12 Croatian tribes to a conference. They worked out the so-called *Pacta Conventa*, an agreement on a personal royal union between Hungary and Croatia (including Slavonia and Dalmatia). The overall administration of the state would be by a “ban” (vice-roy) appointed by the king, while regional and local administration were to stay in the hands of the Croatian nobles. This legal arrangement, with some practical modifications, remained the basis of the Hungarian-Croatian personal royal union and relationship until 1918.

Internal warfare among Croatia’s nobility weakened its overall ability to resist attack from Venice. In 1377, Tvrtko (1353–1390) proclaimed himself king of the Serbs, Bosnia, and the Croatian coast. Venice was defeated in 1385, and was forced to surrender all rights to the coastal cities all the way to Durazzo in today’s Albania. Dubrovnik also gained its independence from Venice, recognizing the sovereignty of the Hungarian-Croatian king.

### Defense against the Turks

By the mid-15th century the threat from both the Turks and Venice was growing more ominous, leading King Sigismund to establish three military defense regions in 1432. As these defensive regions were further developed, they attracted new, mostly Serbian, settlers/fighters who became the strong Serbian minority population in Croatia. The Ottoman threat brought about the appointment of Vladislav Jagiellon, the king of Poland, as king of Hungary and Croatia in 1440. Vladislav was succeeded in 1445 by Ladislav, son of Albert of Hapsburg, and therefore king of both Austria and Hungary/Croatia. Since Ladislav was a minor, John Hunyadi, a brilliant general, was appointed regent. Hunyadi had to protect the throne from the counts of Celje, who, in 1453, also claimed the title of ban of Croatia. Ulrich, one of the counts of Celje, fell victim to Hunyadi’s assassins at the defense of Belgrade from the Turks in 1456. This murder was avenged by King Ladislav V, who had Hunyadi executed in 1456.

After 1520, the Turks began effective rule over some Croatian territory. In 1522, the Croatian nobility asked Austrian archduke Ferdinand of the Hapsburgs to help defend Croatia against the Turks, but by 1526, the Turks had conquered Eastern Slavonia and had advanced north into Hungary. On 29 August 1526, in a massive battle at Mohacs, the Turks defeated the Hungarian and Croatian forces, killing King Louis. By 1528, the Ottomans held the southern part of Croatia, and by 1541 had conquered Budapest. Dubrovnik, on the other hand, had accepted the Ottoman suzerainty in 1483, keeping its autonomy through its extensive trade with the Turkish empire. Most coastal towns were under the protection of Venice, with its good trade relations with the Turks.

In 1526, after King Louis’s death at Mohacs, Ferdinand of Hapsburg was elected king of Hungary and Croatia. The Hapsburg rulers began to encroach on the rights of Croats by turning the throne from a traditionally elected position into a hereditary one, and by allocating Croatian lands as fiefs to their supporters, turning the Croatian peasants from free men into serfs.

King Ferdinand III (r.1637–1657) consolidated Hungary and Croatia under Hapsburg rule. Under Ferdinand’s son, Leopold I (who in 1658 had also become the German emperor), the status of

Hungary and Croatia continued to deteriorate. All power was centralized in the hands of the king/emperor and his court. Leopold tried to emulate the absolutist model practiced by Louis XIV of France. The Turkish offensives of 1663 were successfully repelled by the Croatian brothers Nicholas and Peter Zrinski. Following the defeat of the Turks at Saint Gotthard in western Hungary in 1664, Leopold I unilaterally concluded a 20-year peace treaty with the Turks based essentially on the prewar situation.

The Peace of Vasvar proved to the Hungarians and Croats that the Hapsburg court was not interested in fighting the Turks for Hungary and Croatia. This situation led to a conspiracy by the Zrinski brothers and key Hungarian nobles against the Hapsburg Court. But the Turks warned the Hapsburgs of the conspiracy, and Peter Zrinski and his coconspirator Francis Frankopan were executed on 30 April 1671 (Nicholas Zrinski had died in 1664). Leopold I suspended for 10 years the office of the Croatian ban.

The last king of the male Hapsburg line was Charles III (r.1711–1740). In 1722, during his reign the Hungarian parliament agreed to extend the Hapsburg hereditary right to its female line (Charles had no son), something already agreed to by the Croatian parliament in 1712. At the same time the Hungarians obtained a legal guarantee on the indivisibility of the realm of the Crown of Saint Stephen, which included Croatia. Charles was thus followed by his daughter Maria Teresa (r.1740–1780) who, by decree, divided Croatia into regions headed by her appointees. Joseph II, her son, emancipated the serfs, tried to improve education, tried to impose the German language as a unifying force, closed monasteries in an attempt to control the Roman Catholic Church, and decreed religious toleration. In the 1788 war against the Turks, Joseph II suffered a devastating defeat; he died two years later.

Leopold II, Joseph II’s brother, succeeded him, and recognized Hungary and Croatia as kingdoms with separate constitutions. Hungarian replaced Latin as the official language of the Hungarian parliament. Hungarians then began trying to establish the Hungarian language in Croatia, Slavonia, and Dalmatia, thus initiating a hundred-year struggle of the Croats to preserve their identity.

### Napoleon and the Spring of Nations

With the peace treaty of Campoformio ending the war against Napoleon in 1797, Austria obtained the territories of the Venice Republic, including the Adriatic coast as far as Kotor. In 1806, Napoleon seized Dubrovnik, and in 1809 he obtained control of Slovenian and Croatian territories and created his Illyrian Provinces. The French regime levied heavy taxes and conscription into Napoleon’s armies. With Napoleon’s defeat, all of Dalmatia reverted back to direct Austrian administration until the end of World War I in 1918.

In 1825, Francis I called the Hungarian parliament into session and the Hungarians resumed their pressure to introduce the Hungarian language into Croatian schools. Ljudevit Gaj became the leader of the movement calling for the reassertion of the independent Kingdom of Croatia and advocated the introduction of “Illyrian” (Croatian) as the official language to replace Latin. A member of the Illyrian movement, Count Janko Draškovic, also promoted the idea of reorganizing the Hapsburg lands into a federation of political units with coequal rights. The Croatian parliament then nullified the previous agreement on using Hungarian, and made Croatian the official language of parliament. In 1840, the Croatian

Sabor voted for the introduction of Croatian as the language of instruction in all Croatian schools and at the Zagreb Academy.

The struggle over the Croatian language and national identity brought about the establishment of the first political parties in Croatia. The Croatian-Hungarian Party supported a continued Croat-Hungarian commonwealth. The Illyrian Party advocated an independent kingdom of Croatia comprising all the Croatian lands including Bosnia and Herzegovina. The Austrian government banned the term “Illyrian” and the name of the Illyrian party of Ljudevit Gaj and Draskovic was changed to the National Party.

At the next session of the Hungarian parliament in 1843, the Croatian delegation walked out when not permitted to use Latin instead of Hungarian. The Croatian National Party submitted to the emperor its demands to reestablish an independent government of Croatia, elevate the Zagreb Academy to university status, and raise the Zagreb bishopric to the archbishopric rank. The lines were thus drawn between the Hungarian and Croatian nationalists. This situation came to a head in 1848 when great unrest and revolts developed in Austria and Hungary.

#### Autonomy or Independence

Francis Joseph I (r.1848–1916) ascended to the Hapsburg throne on 2 December 1848 and ruled for a long time, favoring the Hungarians against the Croats. Croatian parties had split between the pro-Hungarian union and those advocating Croatian independence based on ancient state rights. The latter evolved into the “Yugoslav” (South Slavic Unity) movement led by Bishop Josip Juraj Strossmayer and the “Pravaši” movement for total Croatian independence led by Ante Starcevic. Austria and Hungary resolved their problems by agreeing on the “dual monarchy” concept. The Hungarian half of the dual monarchy consisted of Hungary, Transylvania, Croatia, Slavonia, and Dalmatia. A ban would be appointed by the emperor-king of Hungary upon the recommendation of the Hungarian premier, who would usually nominate a Hungarian noble. Croatia-Slavonia-Dalmatia was recognized as a nation with its own territory, the Croatian language was allowed, and it was granted political autonomy in internal affairs. But in reality, the Hungarians dominated the political and economic life of Croatia.

#### Yugoslavism

In the 1870s, Ivan Mazuranic was appointed ban of Croatia. He implemented general administrative reform and a modern system of education. The Sabor instituted a supreme court and a complete judicial system. The 1878 Congress of Berlin allowed Austria’s military occupation and administration of Bosnia and Herzegovina and the Sandzak area (lost by the Turks after their defeat by Russia in 1877). The Croatian Sabor then requested the annexation of those areas, but Austria and Hungary refused. Croatia and Serbia were deeply disappointed, and Serbia began supporting terrorist activities against the Austrians. In 1881, the military region was joined to Croatia, thus increasing the size of its Serbian Orthodox population. This offered the Hungarian ban Khuen Hedervary the opportunity to play Serbs against Croats in order to prevent their joint front. The relations between Croats and Serbs continued to deteriorate.

By 1893, there was a united Croatian opposition that called for equality with Hungary, the unification of all Croatian lands, and which invited the Slovenes to join Croatia in the formation

of a new state within the framework of the Hapsburg monarchy. This united opposition took the name of Croatian Party of Right (“Stranka Prava”). National unification, however, had strong opposition from powerful forces: the Hungarians with their Great Hungary Drive; the Serbs, who wanted to annex Bosnia and Herzegovina into Serbia; the Italians, claiming Istria, Rijeka, and Dalmatia; and the Austrians, and their Pan-Germanic partners.

Croats and Serbs formed a Croat-Serbian coalition, winning a simple majority in the 1908 Croatian parliamentary elections, followed by the Party of Right and the Peasant Party, led by the brothers Anthony and Stephen Radic. Also in 1908, the direct annexation of Bosnia and Herzegovina by Austria took place. The Party of Right and the Peasant Party supported the annexation, hoping that the next step would be Bosnia and Herzegovina’s incorporation into a unified Croatia. Serbia, conversely, was enraged by the annexation. Assassination attempts increased and led to the assassination of Archduke Ferdinand and his wife in Sarajevo on 28 June 1914. These tragedies followed the Serbian victories and territorial expansion in the wake of the 1912 and 1913 Balkan wars.

The idea of a separate state uniting the South Slavic nations (“Yugoslavism”) grew stronger during World War I (1918–18). An emigré “Yugoslav Committee” was formed and worked for the unification of the South Slavs with the Kingdom of Serbia. In 1917, an agreement was reached on the formation of a “Kingdom of Serbs, Croats, and Slovenes” upon the defeat of Austro-Hungary.

#### Royal Yugoslavia

The unification of Croatia and the new “Kingdom of Serbs, Croats, and Slovenes” on 1 December 1918 was flawed by the inability to work out an acceptable compromise between the Serbs and Croat-Slovenes. The National Council for all Slavs of former Austro-Hungary was formed on 12 October 1918 in Zagreb (Croatia) and was chaired by Monsignor Anton Korošec, head of the Slovenian People’s Party. On 29 October 1918, the National Council proclaimed the formation of a new, separate state of Slovenes, Croats, and Serbs of the former Austro-Hungary. The Zagreb Council intended to negotiate a federal type of union between the new state and the Kingdom of Serbia that would preserve the respective national autonomies of the Slovenes, Croats, and Serbs. Monsignor Korošec had negotiated a similar agreement in principle with Serbian prime minister Nikola Pašic in Geneva, but the Serbian government reneged on it. While Korošec was detained in Geneva, a delegation of the National Council went to Belgrade and submitted to Serbia a declaration expressing the will to unite with the Kingdom of Serbia, and Serbia readily agreed. On 1 December 1918, Prince Alexander of Serbia declared the unification of the “Kingdom of Serbs, Croats, and Slovenes.”

The provisional assembly convened in 1918, with the addition to the Serbian parliament of representatives from the other south Slavic historical regions, while the Croatian Sabor was deprived of its authority. The elections to the Constituent Assembly were held on 28 November 1920 but the 50-member delegation of the Croatian Republican Peasant Party refused to participate. The new Vidovdan Constitution was adopted on 28 June 1921 by a “simple majority” vote of 223 to 35, with 111 abstentions in the absence of the Croatian delegation with 50 votes.

The period between 1921 and 1929 saw a sequence of 23 governments, a parliament without both the Croatian delegation’s 50

votes and the Communist Party's 58 votes (it continued its work underground). This situation assured control to the Serbian majority, but it was not possible to govern the new country effectively without the participation of the Croats, the second-largest nation.

Finally, in 1925, Prime Minister Pašić invited Stjepan Radic, head of the Croatian Peasant Party, to form a government with him. However, not much was accomplished and Pašić died just a few years later. On 20 June 1928 Radic was shot in parliament by a Serbian deputy and died the next month. Riots broke out as a result of his assassination.

Dr. Vlatko Macek, the new Croatian Peasant Party leader, declared that "there is no longer a constitution, but only king and people." A coalition government under Prime Minister Monsignor Anton Korošec, head of the Slovene People's Party, lasted only until December 1928. King Alexander dissolved the parliament on 6 January 1929, abolished the 1921 constitution, and established his own personal dictatorship as a temporary arrangement.

At first, most people accepted King Alexander's dictatorship as a necessity, which gave the country an opportunity to focus on building its economy from the foundation of postwar reconstruction. Royal decrees established penalties of death or 20 years in prison for terrorism, sedition, or Communist activities. All elected local councils and traditional political parties were dissolved. Freedom of the press was severely constrained and government permission was required for any kind of association. All power was centralized and exercised by the king through a council of ministers accountable only to him.

On 3 October 1929, the country was renamed the Kingdom of Yugoslavia, and the territorial regions (banovinas) were named after rivers to emphasize the king's opposition to national names. One of the consequences of the dictatorship and its harsh measures against political opposition and cultural nationalism was the emigration of some political opponents, among them some of the top leadership of the Croatian Peasant Party and the leader of the Ustaša movement, Ante Pavelic.

The new constitution, initiated by King Alexander on 3 September 1931, was in theory a return to civil liberties and freedoms of association, assembly, and expression. But in reality, all such freedoms were limited by the king's decrees that remained in force. Parliament was to consist of two houses with a council of ministers still accountable directly to the king. The Croatian opposition grew stronger, and in the winter of 1932, their Zagreb Manifesto called for the removal of Serbian hegemony, and for popular sovereignty. In reaction, the regime interned or imprisoned political opponents. Croatia was seething with rebellion, and the three-year prison sentence for opposition leader Macek would have sparked an open revolt, were it not for the danger of Fascist Italy's intervention.

The worldwide economic depression hit Yugoslavia hard in 1932. Opposition continued to grow to the king's dictatorship, which had not proffered any solutions to the so-called Croatian question. In late 1934, the king planned to release Macek from prison, reintroduce a real parliamentary system, and try to reach some compromise between Serbs and Croats. Unfortunately, King Alexander was assassinated in Marseille on 9 October 1934 by agents of the Ustaša group, which was trained in terrorism in Hungary with Mussolini's support. Prince Paul, King Alexander's

cousin, headed the interim government, releasing Macek and other political leaders, but otherwise continuing the royal dictatorship. On 5 May 1935, the elections for a new parliament were so shamefully improper that a boycott of parliament began. Prince Paul consulted with Macek, and a new government of reconstruction was formed by Milan Stojadinovic. The new government initiated serious discussions with Macek on a limited autonomous Croatian entity that would be empowered on all matters except the armed forces, foreign affairs, state finance, customs, foreign trade, posts, and telegraphs.

Since 1937, the thorniest issue discussed had been the make-up of the federal units. Serbs wanted to unite with Macedonia, Vojvodina, and Montenegro. Croatia wanted Dalmatia and a part of Vojvodina. Slovenia was recognized as a separate unit, but Bosnia and Herzegovina posed a real problem, with both Croats and Serbs claiming ownership over a land that contained a substantial minority of Bosnian Muslims. Meanwhile, intense trade relations with Germany and friendlier relations with Italy were bringing Yugoslavia closer to those countries. Adolph Hitler's annexation of Austria and Czechoslovakia in 1938 made it imperative that Yugoslavia resolve its internal problem before Hitler and Mussolini attempted to destabilize and conquer Yugoslavia.

Stojadinovic resigned, and Prince Paul appointed Dragiša Cvetkovic as prime minister, charging him with the task of reaching a formal agreement with the Croatian opposition. The agreement was concluded on 26 August 1939. Macek became the new vice-premier, a territorial region of Croatia was established that included Dalmatia and western Herzegovina, and the traditional Sabor of Croatia was revived. But autonomy for Croatia was not received well by most of Serbia. Concerned with the status of Serbs in Croatia, Serbia was anxious to incorporate most of Bosnia and Herzegovina. Even less satisfied was the extreme Croatian nationalist Ustaša movement, whose goal was an independent greater Croatia inclusive of Bosnia and Herzegovina. For the Ustaša, this goal was to be achieved by any means and at any cost, including violence and support from foreign powers. Tensions between the extremes of the failed Yugoslavia had seemingly reached the boiling point.

### World War II

Meanwhile, the clouds of World War II had gathered with Italy's takeover of Albania and its war with Greece, and Hitler's agreement with Stalin followed by his attack on Poland in the fall of 1939, resulting in its partitioning. Hungary, Romania, and Bulgaria had joined the Axis powers and England and France had entered the war against Germany and Italy. With the fall of France in 1940, Hitler decided to assist Mussolini in his war with Greece through Bulgaria, and therefore needed Yugoslavia to join the Axis so Germany would be assured of ample food and raw materials.

The Yugoslav Government had limited choices—either accept the possibility of immediate attack by Germany, or join the Axis, with Hitler's assurance that no German troops would pass through Yugoslavia towards Greece. The regent was aware of Yugoslavia's weak defense capabilities and the inability of the Allies to assist Yugoslavia against the Axis powers, despite security agreements with Britain and France. Yugoslavia signed a treaty with Hitler on 26 March 1941 and on 27 March a coup d'état by Serbian military officers forced the regent to abdicate. The military declared Prince Peter the new king, and formed a government with Gener-

al Dušan Simovic as premier and Macek as vice-premier. The new government tried to temporize and placate Hitler, who was enraged by the deep anti-German feeling of the Yugoslav people who shouted in demonstrations, “Bolje rat nego pakt” (Better war than the pact). Feeling betrayed, Hitler unleashed the German fury on Yugoslavia on 6 April 1941 by bombing Belgrade and other centers without any warning or formal declaration of war.

The war was over in 11 days, with the surrender signed by the Yugoslav Army Command while the Yugoslav government (with young King Peter II) fled the country for allied territory and settled in London. Yugoslavia was partitioned among Germany, Italy, Hungary, Bulgaria, and Italian-occupied Albania, while Montenegro, under Italian occupation, was to be restored as a separate kingdom. Croatia was set up as an independent kingdom with an Italian prince to be crowned Tomislav II. Ante Pavelic was installed by the Italians and Germans as head of independent Croatia (after Macek had declined Hitler’s offer). Croatia was forced to cede part of Dalmatia, with most of its islands and the Boka Kotorska area, to Italy. In exchange, Croatia was given Bosnia and Herzegovina and the Srijem region up to Belgrade.

On 10 April 1941, the “resurrection of our independent State of Croatia” was proclaimed in Zagreb by Slavko Kvaternik for Ante Pavelic, who was still in Italy with some 600 of his Ustaše. With Pavelic’s arrival in Zagreb five days later, the Ustaša regime was established, with new laws that expressed the basic Ustaša tenets of a purely Croatian state viewed as the bulwark of Western civilization against the Byzantine Serbs. Slavko Kvaternik explained how a pure Croatia would be built—by forcing one-third of the Serbs to leave Croatia, one-third to convert to Catholicism, and one-third to be exterminated. Soon Ustaša bands initiated a bloody orgy of mass murders of Serbs unfortunate enough not to have converted or left Croatia on time. The enormity of such criminal behavior shocked even the conscience of German commanders, but Pavelic had Hitler’s personal support for such actions which resulted in the loss of lives of hundreds of thousands of Serbs in Croatia and Bosnia and Herzegovina. In addition, the Ustaša regime organized extermination camps, the most notorious one at Jasenovac where Serbs, Jews, Gypsies, and other opponents were massacred in large numbers. The Serbs reacted by forming their own resistance groups (“Cetniks”) or by joining with the Communist-led partisan resistance, and thus struck back at the Ustaša in a terrible fratricidal war encouraged by the Germans and Italians.

The Ustaša regime organized its armed forces into the Domobrani, its Ustaša shock troops, and the local gendarmerie. Its attempt at organizing the Croatian people in the fascist mode failed, however. Most Croats remained faithful to the Croatian Peasant Party Democratic principles, or joined the Partisan movement led by Josip Broz-Tito that offered a federal political program. With respect to Bosnia and Herzegovina, the Ustaša regime never attained real control. The continuous fighting generated by Cetniks and Partisans fighting one another while being pursued by the Ustaša, the Germans, and the Italians made it impossible for the Ustaša to dominate. Most Croats rejected (and deeply resented) the trappings of an imported Fascist mystique and the abuse of their Catholic faith as a cover or justification for the systematic slaughter of their Serbian neighbors.

By the spring of 1942, the Ustaša regime began to retreat from its policy and practice of extermination of Serbs. But the terrible

harm was done, and one consequence was the deep split between the Serbian members and their Croatian colleagues within the cabinet of the Yugoslav government-in-exile. The Serbs held the entire Croatian nation accountable for the Ustaša massacres, and reneged on the 1939 agreement establishing the Croatian Banovina as the basis for a federative reorganization in a postwar Yugoslavia. This discord made the Yugoslav government-in-exile incapable of offering any kind of leadership to the people in occupied Yugoslavia. The fortunes of war and diplomacy favored the Communist Partisans—after Italy’s surrender in September 1943, it handed over to the Partisans armaments and supplies from some 10 Italian divisions. More and more Croats left their homeguard, and even some Ustaša units, to join the Partisans. Some Ustaša leaders, on the other hand, conspired against Pavelic in order to negotiate with the allies for recognition of the “independent” state of Croatia. But they were caught and executed in the summer of 1944.

With the entry of Soviet armies into Yugoslav territory in October 1944, the Communist Partisans swept over Yugoslavia in pursuit of the retreating German forces. Pavelic and his followers, along with the Croatian homeguard units, moved north to Austria at the beginning of May 1945 to escape from the Partisan forces and their retaliation. The Partisans took over Croatia, launching terrible retaliation in the form of summary executions, people’s court sentences, and large scale massacres, carried out in secret, of entire homeguard and other Ustaša units.

### Communist Yugoslavia

Such was the background for the formation of the second Yugoslavia led by Tito as a Federative People’s Republic of five nations—Slovenia, Croatia, Serbia, Macedonia, Montenegro—with Bosnia and Herzegovina as a buffer area with its mix of Serbs, Muslims, and Croats. The problem of large Hungarian and Muslim Albanian populations in Serbia was solved by creating the autonomous regions of Vojvodina (Hungarian minority) and Kosovo (Muslim Albanian majority) that assured their political and cultural development. Tito attempted a balancing act to satisfy most of the nationality issues that were still unresolved from the first Yugoslavia, and decades of ethnic and religious conflict.

In pre-1941 Yugoslavia, Serbs had enjoyed a controlling role. After 1945 the numerically stronger Serbs had lost the Macedonian area they considered Southern Serbia, lost the opportunity to incorporate Montenegro into Serbia, and had lost direct control over both the Hungarian minority in Vojvodina and Muslim Albanians of Kosovo, which had been viewed as the cradle of the Serbian nation since the Middle Ages. They could no longer incorporate into Serbia the large Serbian-populated areas of Bosnia, and had not obtained an autonomous region for the large minority of Serbian population within the Croatian Republic. The Croats—while gaining back from Hungary the Medjumurje area and from Italy the cities of Rijeka (Fiume), Zadar (Zara), some Dalmatian islands, and the Istrian Peninsula—had lost the Srijem area to Serbia, and Bosnia and Herzegovina. In addition, the Croats were confronted with a deeply resentful Serbian population that became ever more pervasive in public administrative and security positions.

The official position of the Marxist Yugoslav regime was that national rivalries and conflicting interests would gradually dimin-



ish through their sublimation into a new Socialist order. Without capitalism, nationalism was supposed to wither away. Therefore, in the name of unity and brotherhood, nationalistic expression of concern was prohibited, and repressed by the dictatorial and centralized regime of the League of Yugoslav Communists acting through the Socialist Alliance as its mass front organization. After a short postwar coalition government, the elections of 11 November 1945, boycotted by the non-communist coalition parties, gave the communist People's Front 90% of the votes. A constituent assembly met on 29 November, abolished the monarchy, and established the Federative People's Republic of Yugoslavia. In January 1946, a new constitution was adopted, based on the 1936 Soviet constitution.

The Communist Party of Yugoslavia took over total control of the country and instituted a regime of terror through its secret police. To destroy the bourgeoisie, property was confiscated, and the intelligentsia were declared "enemies of the people," to be executed or imprisoned. Large enterprises were nationalized, and forced-labor camps were formed. The church and religion were persecuted, properties confiscated, religious instruction and organizations banned, and education used for Communist indoctrination. The media was forced into complete service to the totalitarian regime, and education was denied to "enemies of the people."

The expulsion of Yugoslavia from the Soviet-dominated Cominform Group in 1948, engineered by Soviet leader Joseph Stalin, was actually a blessing for Yugoslavia. Yugoslavia's "road to Socialism" evolved quickly in response to Stalin's pressures and Yugoslavia's need to perform a balancing act between the North Atlantic Treaty Organization (NATO) and the Soviet bloc. Tito also pushed the nationalization of the economy through a policy of forced industrialization supported by the collectivization of agriculture.

By the 1950s, Yugoslavia had initiated the development of what would become its internal trademark: self-management of enterprises through workers' councils and local decision-making as the road to Marx's "withering away of the state." Following the failure of the first five-year plan (1947–51), the second five-year plan (1957–61) was completed in four years by relying on the well-established self-management system. Economic targets were set from the local to the republic level and then coordinated by a federal planning institute to meet an overall national economic strategy. This system supported a period of very rapid industrial growth in the 1950s. But a high consumption rate encouraged a volume of imports financed by foreign loans that exceeded exports. In addition, inefficient and low productivity industries were kept in place through public subsidies, cheap credit, and other artificial protective measures, leading to a serious crisis by 1961. Reforms were necessary and, by 1965, market socialism was introduced with laws that abolished most price controls and halved import duties while withdrawing export subsidies. The agricultural reform of 1945–46 limited private ownership to a maximum of 35 hectares (85 acres). The limited free market (after the initial forced delivery of quotas to the state at very low prices) had to be abandoned because of resistance by the peasants. The actual collectivization efforts were initiated in 1949 using welfare benefits and lower taxes as incentives, along with direct coercion. But collectivization had to be abandoned by 1958 simply because its inefficiency and low productivity could not support the concentrated effort of industrial development.

The government relaxed its restrictions to allow labor migration, particularly large from Croatia to West Germany, where workers were needed for its thriving economy. Foreign investment was encouraged (up to 49%) in joint enterprises, and barriers to the movement of people and exchange of ideas were largely removed. The role of trade unions continued to include transmission of instructions from government to workers, allocation of perks, the education/training of workers, monitoring of legislation, and overall protection of the self-management system. Strikes were legally allowed, but the 1958 miners' strike in Trbovlje, Slovenia, was not publicly acknowledged and was suppressed. After 1958, strikes were tolerated as an indication of problems to be resolved.

After the split from the Cominform, Yugoslavia began also to develop a foreign policy independent of the Soviet Union. By mid-1949, Yugoslavia ceased its support of the Greek Communists in their civil war against the then-Royalist government of Greece. In October 1949, Yugoslavia was elected to one of the nonpermanent seats on the UN Security Council and openly condemned Communist-supported North Korea's aggression towards South Korea. Following Nikita Khrushchev's 1956 denunciation of Stalin, Tito intensified his work on developing the movement of nonaligned "third world" nations. This would become Yugoslavia's external trademark, in cooperation with Nehru of India, Nasser of Egypt, and others. With the September 1961 Belgrade summit conference of nonaligned nations, Tito became the recognized leader of the movement. The nonaligned position served Tito's Yugoslavia well by allowing Tito to draw on economic and political support from the Western powers while neutralizing aggressive behavior from the Soviet bloc.

While Tito had acquiesced, reluctantly, to the 1956 Soviet invasion of Hungary for fear of political chaos and its liberalizing impact on Yugoslavia, he condemned the Soviet invasion of Dubcek's Czechoslovakia in 1968, as did Romania's Ceausescu, both fearing their countries might be the next in line for "corrective" action by the Red Army and the Warsaw Pact. Just before his death on 4 May 1980, Tito also condemned the Soviet invasion of Afghanistan. Yugoslavia actively participated in the 1975 Helsinki Conference and Agreements, and the first 1977–78 review conference that took place in Belgrade, even though Yugoslavia's one-party Communist regime perpetrated and condoned numerous human rights violations.

The debates of the 1960s led to a closer scrutiny of the Communist experiment. The 1967 Declaration in Zagreb, claiming a Croatian linguistic and literary tradition separate from the Serbian one, undermined the validity of the "Serb-Croatian" language and a unified Yugoslavian linguistic heritage. Also, Kosovo Albanians and Montenegrins, along with Slovenes and Croats, began to assert their national rights as superior to the right of the Yugoslavian federation. The eighth congress of the League of Communists of Yugoslavia (LCY) in December 1964 acknowledged that ethnic prejudice and antagonism existed in socialist Yugoslavia, and that Yugoslavia's nations were disintegrating into a socialist Yugoslavism. Thus the republic, based on individual nations, became an advocate of a strong federalism that devolved and decentralized authority from the federal to the republic level. Yugoslav Socialist Patriotism was defined as a feeling for both national identity and for the overall socialist self-management framework of Yugoslavia, despite the signs of a deeply divided country.

As the Royal Yugoslavism had failed in its assimilative efforts, so did the Socialist Yugoslavism fail to overcome the forces of nationalism. In the case of Croatia, there were several key factors sustaining the attraction to its national identity: more than a thousand years of its historical development, the carefully nurtured tradition of Croatian statehood, a location bridging central Europe and the Balkan area, an identification with Western European civilization, and the Catholic religion with the traditional role of Catholic priests (even under the persecutions by the Communist regime). In addition, Croatia had a well-developed and productive economy with a standard of living superior to most other areas of the Yugoslav Federation other than Slovenia. This generated a growing resentment against the forced subsidizing by Croatia and Slovenia of less developed areas, and for the buildup of the Yugoslav Army. Finally, the increased political and economic autonomy enjoyed by the Republic of Croatia after the 1974 constitution and particularly following Tito's death in 1980, added impetus to the growing Croatian nationalism.

### Croatian Spring

The liberal bloc (Slovenia, Croatia, Macedonia, Vojvodina) prevailed over the conservative group, and the reforms of 1965 did away with central investment planning and political factories. The positions of the two blocs hardened into a national-liberal coalition that viewed the conservative, centrist group led by Serbia as the Greater Serbian attempt at majority domination. The devolution of power in economic decision making, spearheaded by the Slovenes, assisted in the federalization of the League of Communists of Yugoslavia as a league of quasi-sovereign republican parties. Under strong prodding from the Croats, the party agreed in 1970 to the principle of unanimity for decision making. In practice, this meant each republic had veto power. However, the concentration of economic resources in Serbian hands continued, with Belgrade banks controlling half of total credits and some 80% of foreign credits. Fear of Serbian political and cultural domination continued, particularly with respect to Croatian language sensitivities aroused by the use of the Serbian version of Serbo-Croatian as the norm, with the Croatian version as a deviation.

The language controversy thus exacerbated the economic and political tensions between Serbs and Croats, spilling easily into ethnic confrontations. To the conservative centrists the devolution of power to the republic level meant the subordination of the broad Yugoslav and Socialist interests to the narrow nationalist interest of national majorities. With the Croat League of Communists taking the liberal position in 1970, nationalism was rehabilitated. Thus the "Croatian Spring" bloomed and impacted all the other republics of Yugoslavia. Meanwhile, through a series of constitutional amendments in 1967–68 that limited federal power in favor of republics and autonomous provinces, the federal government came to be viewed by liberals as an inter-republican problem-solving mechanism bordering on a confederalist arrangement. A network of inter-republican committees established by mid-1971 proved to be very efficient, resolving a large number of difficult issues in a short time. The coalition of liberals and nationalists in Croatia, however, also generated sharp condemnation in Serbia, where its own brand of nationalism grew stronger, but as part of a conservative-centrist alliance. Thus, the liberal/federalist

versus conservative/centrist conflict became entangled in the rising nationalism within each opposing bloc.

Particularly difficult were the situations in Croatia and Serbia because of their minorities issues. Serbs in Croatia sided with the Croat conservatives and sought a constitutional amendment guaranteeing their own national identity and rights. In the process, the Serbs challenged the sovereignty of the Croatian nation. The conservatives prevailed, and the amendment declared that "the Socialist Republic of Croatia (was) the national state of the Croatian nation, the state of the Serbian nation in Croatia, and the state of the nationalities inhabiting it."

Meanwhile, Slovenia, not burdened by large minorities, developed in a liberal and nationalist direction. This fostered an incipient separatist sentiment opposed by both the liberal and conservative party wings. Led by Stane Kavcic, head of the Slovenian Government, the liberal wing gained as much political local latitude from the federal level as possible during the "Slovenian Spring" of the early 1970s. By the summer of 1971, the Serbian Party leadership was pressuring President Tito to put an end to what was in their view the dangerous development of Croatian nationalism. While Tito wavered because of his support for the balancing system of autonomous republic units, the situation quickly reached critical proportions. Croat nationalists, complaining about discrimination against Croats in Bosnia and Herzegovina, demanded the incorporation of western Herzegovina into Croatia. Serbia countered by claiming southeastern Herzegovina for itself. Croats also advanced demands for a larger share of their foreign currency earnings, the issuance of their own currency, their own national bank that would directly negotiate foreign loans, the printing of Croatian postage stamps, to a Croatian Army, to recognition of the Croatian Sabor as the highest Croatian political body and, finally, to Croatian secession and complete independence.

Confronted with such intensive agitation, the liberal Croatian Party leadership could not back down and did not restrain the public demands nor the widespread university students' strike of November 1971. This situation caused the loss of support from the liberal party wings of Slovenia and even Macedonia. Tito intervened, condemning the Croatian liberal leadership on 1 December 1971, while supporting the conservative wing. The liberal leadership group resigned on 12 December 1971. When Croatian students demonstrated and demanded an independent Croatia, the Yugoslav Army was ready to move in if necessary. A wholesale purge of the party liberals followed with tens of thousands expelled. Key functionaries lost their positions, several thousands were imprisoned (including Franjo Tudjman who later became president of independent Croatia), and leading Croatian nationalist organizations and their publications were closed. On 8 May 1972 the Croatian Party also expelled its liberal wing leaders and the purge of nationalists continued through 1973.

However, the issues and sentiments raised during the "Slovene and Croat Springs" of 1969–71 did not disappear. Tito and the conservatives were forced to satisfy nominally some demands, and the 1974 Constitution was an attempt to resolve the strained inter-republican relations as each republic pursued its own interests over and above any conceivable overall Yugoslav interest. The repression of liberal-nationalist Croats was accompanied by the growing influence of the Serbian element in the Croatian Party (24% in 1980) and police force (majority). This influence contrib-

uted to the ongoing persecution and imprisonments of Croatian nationalists into the 1980s. Tito's widespread purges of the "Croatian Spring" movement's leadership and participants in 1971 had repressed the reawakened Croatian nationalism, but could not eliminate it. Croatian elites had realized the disadvantages of the Croatian situation and expressed it in 1970–71 through the only channel then available—the Communist Party of Croatia and its liberal wing. With the purges, this wing became officially silent in order to survive, but remained active under the surface, hoping for its turn. This came with the 1974 constitution and its devolution of power to the republic level, and was helped along by the growing role of the Catholic church in Croatia. The Catholic church, as the only openly organized opposition force in the country, became the outspoken defender of Croatian nationalism. As a result, Catholic leaders and priests were subjected to persecution and furious attacks by the government.

### Yugoslavia—a House Divided

After Tito's death in 1980, relations between the Croatian majority and the Serbian minority became strained. Tito had set up a rotating presidency in which the leaders of each of the six republics and two autonomous regions of Serbia would have the Yugoslavian presidency for one year at a time. Unfortunately, the Serbian president that first held the office was not recognized by the Croats. Demands for autonomy by the half million Serbs in Croatia were brushed aside by the Croats, who pointed out the absence of such autonomy for Croats in Vojvodina and Bosnia and Herzegovina. Thus the conservatives' control of the League of Communist of Croatia between 1972 and 1987 could not prevent the resurfacing of the Croat question, which led in a few years to Croatia's disassociation from Yugoslavia and to war.

As the Communist parties of the various republics kept losing in membership and control, the clamoring for multiparty elections became irresistible. The first such elections were held on 8 April 1990 in Slovenia where a coalition of non-Communist parties (Demos) won, and formed the first non-Communist Government since 1945. In Croatia, the Croatian Democratic Union (HDZ) under the leadership of Dr. Franjo Tudjman, had worked illegally since 1989 and had developed an effective network of offices throughout Croatia and in Vojvodina and Bosnia and Herzegovina. The HDZ had also established its branches abroad from where, particularly in the United States, it received substantial financial support. Thus, in the elections of late April-early May 1990 the Croatian Democratic Union was able to obtain an overwhelming victory with 205 of 356 seats won and a majority in each of the three chambers of the Croatian Assembly. In the most important Socio-Political Chamber, Dr. Tudjman's party won 54 of the 80 seats, with the Communists and their allies obtaining only 26 seats. On 30 May 1990, Dr. Tudjman was elected president of Croatia with 281 of 331 votes and Stjepan Mesic became prime minister. Krajina Serbs voted either for the former Communists or for their new Serbian Democratic Party (SNS) led by Jovan Raškovic. The Serbian Democratic Party gained five delegates to the parliament and became the main voice of the Serbs in Croatia.

The overwhelming victory of Dr. Tudjman's party made the Serbs very uncomfortable. Their traditional desire for closer political ties to Serbia proper, the prospect of losing their overrepresentation (and jobs) in the Croatian Republic's administration,

and fear of the repetition of the World War II Ustaša-directed persecutions and massacres of Serbs made them an easy and eager audience for Slobodan Milošević's policy and tactics of unifying all Serbian lands to Serbia proper. Tensions between Croats and Serbs increased when Tudjman proposed constitutional amendments in June 1990 defining Croatia as the Sovereign State of the Croats and other nations and national minorities without specifically mentioning the Serbs of Croatia. The Serbs feared they would be left unprotected in an independent Croatia and therefore strongly supported Milošević's centralist policies. This fear, and the anti-Croatian propaganda from Belgrade that claimed the revival of the Ustaša, and called upon Serbs to defend themselves, caused Jovan Raškovic to reject the invitation from Tudjman to join the new government as its deputy prime minister. Instead, Raškovic ended the participation in legislative activities of the five Serbian Democratic Party deputies. At the end of August 1990, a new Serbian National Council adopted a "Declaration on the Sovereignty and Autonomy of the Serbian People" implying the need for cultural autonomy for the Serbs if Croatia were to remain a member of the Yugoslav Federation, but claiming political autonomy for the Serbs if Croatia were to secede from the Yugoslav Federation. A referendum held on 18 August 1990 by Serbs in Croatia gave unanimous support to their "Declaration on Sovereignty" as the foundation for the further development of their Knin Republic—as their council of Serbian-majority communes was called, from the name of the Dalmatian city of Knin where it was based.

The Tudjman government refrained from taking any action against the Knin Republic in order to avoid any reason for interference by the Yugoslav Army. But Tudjman made very clear that territorial autonomy for the Serbs was out of the question. When in December 1990 Croatia proclaimed its sovereignty and promulgated its new constitution, the Serbs of Croatia established a "Serbian Autonomous Region," immediately invalidated by the constitutional court of Croatia. Then in February 1991, Croatia and Slovenia declared invalid all federal laws regarding the two republics. On 28 February, the Krajina Serbs declared their autonomy in response to Croatia's call for disassociation from the Yugoslav Federation. Violence spread in many places with clashes between the Serbian paramilitary and special Croatian police units with Yugoslav Army units ordered to intervene. The Yugoslav Army was also used in Serbia in March 1991 to aid Serbian authorities against large Serbian opposition demonstrations in Belgrade. The sight of Yugoslav tanks in the streets of Belgrade, with two dead and some 90 wounded, signaled the decision of the Yugoslav Army to defend Yugoslavia's borders and oppose interethnic clashes that could lead to a civil war. Clearly the Serbian leadership and the Yugoslav Army top command (mostly Serbian) had cemented their alliance, with the goal of preserving Yugoslavia as a centralized state through pressuring Slovenia and Croatia into disarming their territorial defense units and by threatening forceful intervention in case of their refusal. But Slovenia and Croatia continued to buy arms for their defense forces, and to proclaim their intentions to gain independence.

At the end of March 1991, there were again bloody armed clashes between the Krajina Serbs and Croatian police, and again the Yugoslav Army intervened around the Plitvice National Park, an area the Serbs wanted to join to their Knin Republic. For President Tudjman this Serbian action was the last straw—Croatia had been

patient for eight months, but could wait no longer. The overall determination of Serbia to maintain a unitary Yugoslavia hardened, as did the determination of Slovenia and Croatia to attain their full independence. This caused the Yugoslav Army leadership to support Serbia and Slobodan Milošević, who had made his position clear by the spring of 1991 on the potential unilateral separation of Slovenia, Croatia, and Bosnia and Herzegovina. Since there was no substantial Serbian population in Slovenia, its disassociation did not present a real problem for Milošević. However, separation by Croatia and Bosnia and Herzegovina would necessitate border revisions in order to allow for lands with Serbian populations to be joined to Serbia.

### Independence

A last effort to avoid Yugoslavia's disintegration was made by Bosnia and Herzegovina and Macedonia with their 3 June 1991 compromise proposal to form a Community of Yugoslav Republics whereby national defense, foreign policy, and a common market would be administered centrally while all other areas—other than armed forces and diplomatic representation—would fall into the jurisdiction of the member states. But it was already too late. Serbia opposed the federal nature of the proposal and this left an opening for the establishment of separate armed forces. In addition, Milošević and the Yugoslav Army had already committed to the support of the Serbs' revolt in Croatia. In any case, both Milošević and Tudjman were past the state of salvaging Yugoslavia. They met in Split on 12 June 1991 to discuss how to divide Bosnia and Herzegovina into ethnic cantons.

The federal government of Yugoslavia ceased to exist when its last president (Stjepan Mešić, Croatia's future president) and prime minister (Ante Marković), both Croatian, resigned on 5 December 1991. Both Croatia and Slovenia reaffirmed their decision to disassociate from federal Yugoslavia after a three-month moratorium, in the Brioni Declaration of 7 July 1991. The European Community held a conference on Yugoslavia, chaired by Lord Carrington, where a series of unsuccessful cease-fires was negotiated for Croatia. The conference also attempted to negotiate new arrangements based on the premise that the Yugoslav Federation no longer existed, a position strongly rejected by Serbia, who viewed with great suspicion Germany's support for the independence of Slovenia and Croatia. Germany granted recognition to Slovenia and Croatia on 18 December 1991, while other European community members and the United States followed suit. The European community continued its efforts to stop the killing and destruction in Croatia, along with the UN special envoy, Cyrus Vance, who was able to conclude a peace accord on 3 January 1992 calling for a major UN peacekeeping force in Croatia. Part of the accord was also an agreement by the Serbian side to hand over to the UN units their heavy weapons and to allow the return to their homes of thousands of refugees. The international community stood firmly in support of the preservation of Yugoslavia. The United States and the European community had indicated that they would refuse to recognize the independence of Slovenia and Croatia if they unilaterally seceded. At the same time, Slovenia and Croatia defined their separation as a disassociation by sovereign nations, and declared their independence on 25 June 1991. Milošević was prepared to let Slovenia go, but Croatia still held around 600,000 ethnic Serbs. Milošević knew that a military

attack on a member republic would deal a mortal blow to both the idea and the reality of a "Yugoslavia" in any form. Thus, following the Yugoslav Army's attack on Slovenia on 27 June 1991, Milošević used the Yugoslav Army and its superior capabilities toward the goal of establishing the Serbian autonomous region of Krajina in Croatia. Increased fighting from July 1991 caused the tremendous destruction of entire cities (for example, Vukovar) and large-scale damage to medieval Dubrovnik. Croatia had been arming since 1990 with the financial aid of émigrés, and thus withstood fighting over a seven-month period, suffering some 10,000 deaths, 30,000 wounded, over 14,000 missing and lost to the Krajina Serbs (and to the Yugoslav Army). Croatia also lost about one-third of its territory—from Slavonia to the west and around the border with Bosnia and south to northern Dalmatia.

By late 1992, rebel Serbs controlled about one-third of Croatia's territory. In 1993, the Krajina Serbs voted to integrate with Serbs in Bosnia and Serbia. Although the Croatian government and the Krajina Serbs agreed to a cease-fire in March 1994, further talks disintegrated. This portion of land was strategically important to Croatia because it held the land routes to the Dalmatian coast (supporting the once-thriving tourist industry), the country's petroleum resources, and the access route from Zagreb into Slavonia. Also in 1994, the Croatian government agreed to give up its plan to partition Bosnia with Serbia. In return for US political support (which included military training and equipment), Croatia began cooperating with the Bosnian Muslims and recognized the sovereignty of Bosnia and Herzegovina.

In May 1995, the Croatian Army—in a mission it called "Operation Storm"—quickly occupied western Slavonia, and by August 1995, the Krajina region was under Croatian control. International reaction to the military mission was mild, and was largely judged as vindication for earlier Serb aggression. An estimated 200,000 Serbs fled from the region their ancestors had occupied for 200 years. Before the Croatian Army could move into eastern Slavonia, the government halted the mission, upon insistence by the United States. The cessation of the Croatian military campaign before it reached eastern Slavonia probably prevented a future round of revenge killings.

Eastern Slavonia was then put under UN control, with a force of about 5,500 military and police peacekeepers. With the signing of a basic agreement between the Croatian government and the Eastern Slavonia Serbs at the Dayton Peace Accords in Dayton, Ohio, in 1995, the UN had the support to establish the UN Transitional Administration for Eastern Slavonia (UNTAES) on 15 January 1996. The UNTAES established a Transitional Police Force, in which Serb and Croat police forces jointly administered the region, in order to prepare the area for reversion to Croatian control in July 1997. On 15 January 1998, any Serbs remaining in eastern Slavonia became Croatian citizens. Also, the Serbs that fled Croatia for fear of persecution were invited back into the country on 26 June 1998, when the Croatian parliament adopted the Croatian government's Return Program.

The 1997 elections that supported the reigning President Tudjman and his HDZ party were considered "fundamentally flawed." The tight grip that Tudjman kept on the Croatian nation through control of the media, police, and judicial system were considered not only undemocratic, but unconstitutional. In 1999, President Tudjman announced that "National issues are more important

than democracy,” alienating many Croats and concerning international observers. Tudjman cooperated with some requests of the International Criminal Tribunal for the Former Yugoslavia (ICTY), but refused to comply with others, especially the insistence on field investigations into the military operations of the 1990s. The ruling party agreed in 1999 to hold new parliamentary elections in January 2000, but these were scheduled too late for Tudjman to organize his resistance. He died on 10 December 1999, and Speaker of Parliament Vlatko Pavletic assumed interim power. On 18 February 2000, Stjepan Mesic was elected president of Croatia, signaling a new era in Croatian history that promised to be more European and more peaceful. In February 2005, Mesic was elected for a second term, with 66% of the vote, over his main contender—Jadranka Kosor.

The parliamentary elections held in early 2000 resulted in an end to the rule of the HDZ party, which won only 46 of 151 seats in the House of Representatives; Social Democratic Party (SDP) leader Ivica Racan led a center-left coalition government as prime minister. Constitutional reforms later that year reduced the powers exercised by the president, and replaced the semi-presidential system of government with a parliamentary one. In 2001, parliament approved a constitutional amendment abolishing its upper house, the House of Counties. The HDZ branded the government's move as politically motivated, as it controlled the upper house, and had been able to delay reform-minded legislation.

In November 2003, the parliamentary elections were won by the HDZ, which took 66 out of 152 seats in the House of Representatives. The SDP got only 34 seats, while other parties, and representatives, had to settle for 10 seats or less. Ivo Sanader, the leader of HDZ, was invited by president Mesic to form a government. Subsequently, the parliament gave its consent, and Sanader was appointed prime minister with 88 votes in favor. Sanader promised his party underwent major changes since the death of Tudjman, and pledged to uphold democracy and the rule of law. He is a strong supporter of EU and NATO membership.

In September 2001, the ICTY indicted Milošević for war crimes and crimes against humanity committed in the war in Croatia. He went on trial in The Hague in February 2002. However, in September 2002, under pressure from nationalists, the Croatian government declined to turn over to the Hague tribunal former Army chief-of-staff Janko Bobetko, indicted for war crimes. In March 2003, former Maj. Gen. Mirko Norac was sentenced in a Croatian court to 12 years in prison for orchestrating the killings of Serb civilians in 1991. He was the most senior Croatian Army officer to be convicted for war crimes in a Croatian court. Norac had given himself up to Croatian authorities in March 2001 on the understanding that he would not be extradited to the ICTY.

In February 2003, Croatia submitted its application for membership to the EU; it concluded its Stabilization and Association Agreement (SAA) with the EU in May 2001. In October 2005, the EU gave Croatia the green light for the continuation of accession talks although some of its deemed war criminals were still at large. Croatia is also an aspirant for NATO membership.

### **13 GOVERNMENT**

Croatia is a democratic republic with a president and parliamentary system of government. The parliament of Croatia, formed on

30 May 1990, adopted a new constitution on 22 December 1990. The executive authority is held by the president, elected for five years, and a government cabinet headed by the prime minister. Constitutional reforms in 2000 significantly reduced the powers exercised by the president. However, the president remains the supreme commander of the armed forces, and participates in foreign and national security policy decision-making. The constitutional court assures legality. In October 2005, the president was Stjepan Mesic, and the prime minister was Ivo Sanader.

In March 2001, amendments to the constitution abolished the upper house of parliament (House of Counties) in what had been a bicameral legislature (also including the lower house, or House of Representatives). The unicameral parliament, known as the Sabor (Assembly), has up to 160 members elected for four-year terms. In 2005 there were 140 domestic representatives, 8 representatives for the minorities, and 4 Diaspora representatives.

The threshold that parties must cross for representation in parliament is 5% of the turnout in each of the 10 electoral districts. Croatian citizens that live outside the country's borders are counted in a distinct electoral unit, and their votes are weight directly against the number of domestic votes to determine the number of parliamentary seats the Diaspora will receive. (To vote, one must be 18 or older, or 16 if employed.) The prime minister is nominated by the president, in line with the balance of power in the Assembly. Domestic policy-making is the responsibility of parliament.

### **14 POLITICAL PARTIES**

In the presidential elections of May 1997, Tudjman, founder of the Christian Democratic Union (HDZ) in 1988, won a second term as president of Croatia, with 61.2% of the vote. International monitors, however, condemned the elections as seriously biased in favor of the incumbent. Zdravko Tomac of the socialist Social Democrat Party won 21.1% of the vote, and Vlado Gotovac of the moderate Social Liberal Party received 17.7%. After the death of Tudjman at the end of 1999, presidential elections were held in January and February 2000. Thirteen candidates successfully registered for the election. Stjepan Mesic of the Croatian People's Party (HNS), supported by the Croatian Peasant Party (HSS)/Istrian Democratic Sabor (IDS)/LS liberal coalition, defeated rival Drazen Budiša of the Social Democratic Party (SDP)/Croatian Social Liberal Party (HSL) coalition, 41.1% to 27.7% in the first round, with Croatian Democratic Union (HDZ) candidate Mate Granic gaining 22.5% of the vote, and 56% to 44% in the second round of the ballot. Mesic won in 17 out of 21 counties. Voter turnout in round one was 63% and 61% in round two. Mesic was voted in, for a second term, in 2005. He had the support of eight political parties and defeated his main contender—Jadranka Kosor—in the second round of the elections, with 66% of the popular vote.

In the parliamentary elections held 23 November 2003, HDZ garnered 66 seats in the House of the Representatives; the SDP won 34; the HSS and HNS both won 10; the HSP (the Croatian Party of Rights) won 8; the IDS won 4; Libra, HSU (the Croatian Party of Pensioners), and SDSS (Independent Democratic Serb Party), all won 3; while 11 seats went to others. The HDZ formed a minority government coalition with DC (Democratic Center), HSL, HSU, and SDSS. The leader of HDZ, Ivo Sanader, became the new prime minister.

## 15 LOCAL GOVERNMENT

Local government in Croatia consists of municipalities that are grouped into 20 counties and 1 city. Citizens are guaranteed the right to local self-government with competencies to decide on matters, needs, and interest of local relevance. Counties consist of areas determined by history, transportation, and other economic factors. The 20 counties are: Zagreb, Kradina-Zagorje, Sisacko-Moslavacka, Karlovac, Varazdin, Koprivnica-Krizevci, Bjelovar-Bilogora, Hrvatsko Primorje-Gorski Kotar, Lika-Senj, Virovitica-Posavina, Požega-Slavonija, Slavonski Brod-Posavina, Zadar-Knin, Osijek-Baranja, Šibenik, Vukovar-Srijem, Dalmatia-Split, Istria, Dubrovnik-Neretva, Medijmurje; and the City of Zagreb.

The mayor of Zagreb is elected by the city assembly and is approved by the president. In the local elections of 2001, tens of thousands of candidates contested 566 councils and assemblies at the municipal, town, county, and Zagreb City levels. (There are approximately 440 municipalities and 120 towns in Croatia). A total of 3.8 million voters were registered for the elections. The local election results roughly mirrored those of the parliamentary elections of 2000. However, in the May 2005 local elections voter turnout was estimated to be lower than 35%, with the SDP prevailing in the bigger cities—Zagreb, Split, and Rijeka. HDZ's popularity decreased dramatically since the parliamentary elections in 2003—the party garnered only about 16% of the local vote, mostly in rural areas and small towns.

## 16 JUDICIAL SYSTEM

The judicial system is comprised of municipal and county courts, a Supreme Court, an Administrative Court, and a Constitutional Court. A High Judicial Council (made up of 11 members serving eight-year terms) appoints judges and public prosecutors. The judicial system, supervised by the justice and administration ministry, remains subject to ethnic bias and political influence, especially at the local level. Judges are prohibited constitutionally from being members of any political party.

A commercial court system handles all commercial and contractual disputes. The Supreme Court judges are appointed for an eight-year term by the Judicial Council. The Constitutional Court has 13 judges (11 prior to March 2001) who are also elected in the same manner. The military court system was abolished in November 1996. The constitution prohibits the arbitrary interference with privacy, family, home or correspondence, but these freedoms are not always protected by the government.

## 17 ARMED FORCES

The armed forces of Croatia are restricted by the Dayton Peace Accords. In 2005 the number of active armed forces personnel totaled 20,800 with 108,200 reservists. The Army had 14,050 active personnel, followed by the Navy with 2,500 and the Air Force with 2,300. The Army had 291 main battle tanks, 104 armored infantry fighting vehicles, 53 armored personnel carriers, and 1,452 artillery pieces. The Navy's principal units included one tactical submarine, two corvettes, five patrol/coastal vessels, five amphibious landing craft, and seventeen logistics/support vessels. The Air Force had 27 combat capable aircraft, including 20 fighters and 9 attack helicopters. Croatia also had a paramilitary force of 10,000

armed police. Croatia as of 2005 was involved in 12 foreign countries or regions as part of NATO and UN military and peacekeeping missions. Croatia's military budget in 2005 was \$626 million.

## 18 INTERNATIONAL COOPERATION

Croatia was admitted to the United Nations on 22 May 1992; it is part of the ECE and serves on several specialized agencies, such as the FAO IAEA, ICAO, IMF, UNESCO, UNIDO, WHO, and the World Bank. The nation was admitted to the WTO on 30 November 2000. Croatia is a member of the OSCE, the Council of Europe, the Central European Initiative, Euro-Atlantic Partnership Council, and the European Bank for Reconstruction and Development. The nation is a candidate for membership in the European Union. Croatia participates in the NATO Partnership for Peace and the Adriatic Charter, and sits as an observer in the OAS.

Croatia is an observer in the Nonaligned Movement and is part of the Organization for the Prohibition of Chemical Weapons. The UN sent peacekeeping troops to Croatia in the spring of 1992 to mediate an ongoing civil war in the region. In environmental cooperation, Croatia is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the London Convention, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Before the dissolution of the Yugoslav SFR, Croatia was its second-most prosperous and industrialized area (after Slovenia). Per capita output in Croatia was comparable to that of Portugal and about 33% above the Yugoslav average. Croatia's economic problems were largely inherited from a legacy of Communist mismanagement and a bloated foreign debt. More recently, fighting caused massive infrastructure and industrial damage to bridges, power lines, factories, buildings, and houses. Croatia's economy also had to grapple with a large population of refugees and internally displaced persons. As a result of the war and loss in output capacity, GDP fell by more than 40%.

Yet while the economy has stabilized in recent years, Croatia continues to suffer from structural problems. Under the late President Franjo Tuđman, the Croatian government regularly bailed out failing banks and businesses, regardless of their survivability. This practice needs to be stopped and industry restructured if Croatia is to progress on the path of market reforms. Although unemployment remains high and the country has a growing trade deficit, Croatia in the early 2000s experienced a growth in tourism and an increase in remittances and investment from expatriate Croats. Many small and medium-sized businesses have been privatized, and even larger state-owned industries were in the process of being restructured in 2002, such as shipbuilding. In October 2001, the government signed a Stabilization and Association Agreement with the EU, which moves the country in the direction of integration with the EU. Croatia joined the WTO in 2000. Major growth sectors are energy, tourism, construction, transportation, and telecommunications.

In 2002, the GDP growth rate reached a peak at 5.2%, falling in subsequent years at 4.3% (2003), and 3.7% (2004); for 2005, it was expected to fall even further at 3.1%. The inflation has dropped substantially since 2000, and has stabilized at around 2%. Unem-

ployment, although on a downward path, remained a problem in 2004, at 18.7%. Despite recent moderate economic performance, Croatia's prospects for the future appeared positive. In January 2005, presidential elections were held, and the coalition government started negotiations for EU entry, with the expected accession date being set for 2009 or 2010. A number of privatizations were to be completed by that date, and the government was to prove that Croatia stood as a politically stable and trustworthy country.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Croatia's gross domestic product (GDP) was estimated at \$53.3 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$11,600. The annual growth rate of GDP was estimated at 3.2%. The average inflation rate in 2002 was 3.2%. It was estimated that agriculture accounted for 7% of GDP, industry 32.8%, and services 62.2% in 2005.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.069 billion or about \$241 per capita and accounted for approximately 3.7% of GDP. Foreign aid receipts amounted to \$121 million or about \$27 per capita and accounted for approximately 0.4% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Croatia totaled \$16.91 billion or about \$3,805 per capita based on a GDP of \$28.8 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.4%. In 2001 it was estimated that approximately 24% of household consumption was spent on food, 18% on fuel, 4% on health care, and 3% on education. It was estimated that in 2003 about 11% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, there were an estimated 1.7 million persons in Croatia's labor force. As of 2004, employment by sector was as follows: industry 32.8%; agriculture, 2.7%; and 64.5% in the services sector. In 2004, the official unemployment rate was placed at 18.7%. However, labor force surveys indicated that unemployment was at an estimated 14%.

All workers, except the military and police, may form and join unions of their own choosing without prior authorization. Generally, unions were independent of political parties and of the government. About 64% of the workforce was unionized in 2005. The right to strike and bargain collectively is protected by law, although there are restrictions and limitations. Nonpayment of wages continues to be a serious problem.

National minimum wage standards are in place, but are insufficient in providing a worker and family with a decent living standard. The minimum wage was set at \$308 per month as of 2005. In 2002 the standard workweek was shortened from 42 to 40 hours. Workers are also entitled to a 30-minute break every day, one day

off every seven days, and a minimum of eighteen days paid vacation per year. The minimum working age is 15 and this is generally enforced. In addition, workers under the age of 18 are prohibited from working overtime, at night or under hazardous conditions. There are also occupational safety and health standards, but these are not routinely respected.

## 22 AGRICULTURE

An estimated 1,588,000 hectares (3,924,000 acres), or 28.4% of total land, was arable in 2002. About 2.7% of the economically active population was engaged in agriculture in 2004; in 2005 it accounted for about 7% of GDP.

The civil war reduced agricultural output in the years immediately following the breakup of the Yugoslav SFR. Production of 2004 major crops included (in thousands of tons): wheat, 840; corn, 2,200; sugar beets, 1,000; grapes, 350; apples, 58; and plums, 30. Total production of cereals fell from 3,179,000 tons in 1997 to 2,355,000 in 2004. Plums are used in the production of slivovitz, a type of plum brandy.

## 23 ANIMAL HUSBANDRY

About 28% of the total land area consists of pastures. In 2004, there were 1,489,000 pigs, 466,000 cattle, 721,000 sheep, 93,000 goats, 10,000 horses, and 10,235,000 chickens. That year, 140,686 tons of meat were produced, including 70,000 tons of pork, 35,500 tons of poultry, 23,000 tons of beef, and 1,800 tons of mutton. Milk production in 2004 totaled 768,500 tons; eggs, 45,700 tons; and cheese, 23,935 tons. Cattle breeding accounts for about 50% of agriculture's contribution to the GDP.

## 24 FISHING

With a mainland coastline of 1,778 km (1,105 mi) and island coastlines totaling 4,012 km (2,493 mi) on the Adriatic, Croatia is suited to the development of marine fishing. However, Croatia lacks adequate fishing vessels as well as the infrastructure to transport and process seafood. The total catch in 2003 was 19,946 tons, of which 98% was from marine waters. Sardine is the principal saltwater species caught; carp is the most common freshwater species. Croatia's annual catch has declined steadily due to overfishing for a variety of species. However, fish farming has resulted in an overproduction of freshwater species and a decline in prices. Aquaculture produced 7,605 tons of fish in 2003.

## 25 FORESTRY

About 32% of the total area was forest or woodland in 2000. Croatia supplies small but good quality oak and beech; the wood industry has traditionally been oriented to the Italian market (accounting for over 35% of exports), and suffered damages during the civil war. Total roundwood production in 2003 was 3.8 million cu m (136 million cu ft), with exports of 560,000 cu m (19.8 million cu ft). Croatian exports of hardwood lumber typically consist of 50% beech, 30% oak, and 6% ash. Panels and veneer are also exported and Croatia is starting to increase the output of value-added products such as veneer sheets, plywood, and particle board. Total exports of wood products amounted to \$274.9 million in 2003. The forestry sector along with the whole of Croatian indus-

try is also attempting to produce in accordance with European standards and develop standardized contracts.

## 26 MINING

Aside from petroleum, the chief minerals industry, Croatia produced small quantities of ferrous and nonferrous metals and industrial minerals, mainly for domestic needs. In 2003, the mining and quarrying sector saw production increase by about 15% from 2002. Cement output in 2003 was up 8% from 2002. The production of clays, lime, nitrogen, pumice, stone, and sand and gravel satisfied most of Croatia's demand for construction materials; the importance of industrial minerals was expected to grow with continued postwar reconstruction. Mineral production in 2003 included cement, 3.654 million tons; salt, processed at Pag Island, 31,281 metric tons; bentonite, 13,568 metric tons; crude gypsum, 166,000 metric tons; and quartz, quartzite, and glass sand, 237,141 metric tons. Bauxite production dropped to zero in 2003, from 1,500 tons in 1996. Prior to the breakup of Yugoslavia, Croatia was the federation's chief producer of natural gas and petroleum, and a leading producer of iron and steel. The minerals sector was heavily hurt by the 1991–92 war, which damaged facilities, affected the market for raw materials, and disrupted normal commercial activities; the outlook remained captive to political and social stabilization in the region.

## 27 ENERGY AND POWER

Croatia's electric power generating capacity totaled 3.595 million kW in 2002, of which 2.076 million kW was hydroelectric and 1.519 kW conventional thermal sources. Although for that same year, a total of 11.755 billion kWh was produced, of which 6.443 billion kWh came from conventional thermal fuel sources and 5.311 billion kWh came from hydropower, consumption of electricity outstripped output, at 14.453 billion kWh, thus requiring Croatia to import 3.927 billion kWh in that year.

As of 1 January 2004, Croatia had proven oil reserves of 75 million barrels. In 2002 estimated oil production totaled 22,000 barrels per day. As with electricity, Croatia's demand for oil outstripped its output in that year. Consumption that year totaled an estimated 91,000 barrels daily, thus forcing Croatia to rely on imports to make up the difference. Imports in 2002 were estimated at 69,000 barrels per day.

Croatia, as of 1 January 2004, had proven natural gas reserves totaling 0.87 trillion cu ft. In 2001 production of natural gas was estimated at 62 billion cu ft, while consumption came to 100 billion cu ft. As a result, Croatia imported an estimated 38 billion cu ft of natural gas in 2001.

Although Croatia has recoverable coal reserves in 2001 of 43 million short tons, there was no known production. Thus to meet its need for coal, all the coal consumed in 2001, 0.88 million short tons, was imported.

## 28 INDUSTRY

Light industry, especially for the production of consumer goods, was more advanced in Croatia than in the other republics of the former Yugoslav SFR. Croatia's main manufacturing industries include chemicals and plastics, machine tools, fabricated metal products, electronics, pig iron and rolled steel products, aluminum processing, paper and wood products (including furniture),

building materials (including cement), textiles, shipbuilding, petroleum and petroleum refining, and food processing and beverages.

The collapse of Yugoslavia and the hostilities following Croatia's declaration of independence in 1991 damaged industrial production. Manufacturing employed about 335,000 people in 1995. The textile and clothing industry accounted for about 11% of total industrial output in 1995; the food industry, 17%. Industrial production increased 3.7% in 1998 and accounted for 24% of GDP. Industrial production increased to 33% of GDP in 2002. There is a need for reconstruction of basic infrastructure and housing, which should provide increased activity in the construction sector. The government was pursuing privatization of state-owned enterprises; the sale of INA, the national oil and gas company (which was expected to be completed by 2002) was finalized in 2003.

Although industry is an important part of the Croatian economy, in 2004 it performed sub par—the industrial production growth rate was only 2.7%, as compared to the 3.7% GDP growth rate. Still, it made 30.8% of the Croatian economy, and employed 32.8% of the labor force; agriculture participated with 7% to the overall GDP, and employed 2.7% of the working people; services came in first with 62.2% and 64.5% respectively. Croatia has to increase the privatization pace of state-owned companies if it is to accede to the EU by 2009/2010.

## 29 SCIENCE AND TECHNOLOGY

The Croatian Academy of Sciences and Arts (founded in 1866 and headquartered in Zagreb) has sections devoted to mathematical sciences and physics, natural sciences, and medical sciences. The country also had, as of 1996, 13 medical, scientific, and technical research institutes. The Museum of Natural Sciences (founded in 1924) is located in Split and the Croatian Natural History Museum (founded in 1846) and the Technical Museum (founded in 1954) are in Zagreb. The universities of Zagreb (founded in 1669), Osijek (founded in 1975), Rijeka (founded in 1973), and Split (founded in 1974) offer degrees in basic and applied science. In 1987–97, science and engineering students accounted for 30% of university enrollment.

As of 2002, Croatia had 1,920 researchers and 444 technicians per million people engaged in research and development (R&D). In 2002, Croatian R&D expenditures totaled \$519.726 million, or 1.14% of GDP. High technology exports that year were valued at \$432 million, accounting for 12% of the country's manufactured exports. R&D spending for the year 2000 (the latest year for which there is spending breakdown data) came mostly from the government, accounting for 54.2% of R&D spending. Business accounted for 44.2%, with foreign sources accounting for the rest.

## 30 DOMESTIC TRADE

Domestic trade occurs mainly between urban industry and rural agriculture. Civil strife and economic recessions in the past decade have severely weakened the domestic economy. The government has looked toward foreign investments to boost the economy. Privatization and anticorruption programs are likely to attract such foreign investments. A boost in the tourism industry has also



aided the economy. As of 2002, about 58% of the GDP was contributed by the services sector.

Normal working hours for public offices are 8:30 AM to 5:00 PM, Monday through Friday. Banks are typically open from 7:00 AM to 7:00 PM, Monday through Friday, and from 7:00 AM until noon on Saturdays. During the week, shops are open from 7:00 AM to 8:00 PM, and from 7:00 AM until 3:00 PM on Saturdays. Summer holidays may translate into closed businesses during the months of July and August.

### 3<sup>1</sup> FOREIGN TRADE

Ships are Croatia's major export (13.6% of exports), while other commodities fall close behind, including refined petroleum products (8.1%), polymers (2.9%), men's outerwear (3.4%), and women's outerwear (2.6%). Croatia's diverse export market also includes various chemicals, foodstuff, and raw materials.

In 2004, exports reached \$7.8 billion (FOB—Free on Board), but were more than doubled by imports at \$16.7 billion (FOB). Croatia mainly exports transport equipment, textiles, chemicals, foodstuffs, and fuels, and its most important export partners are Italy (which received 23% of Croatia's total exports), Bosnia and Herzegovina (13.4%), Germany (11.4%), Austria (9.6%), and Slovenia (7.6%). The most important import commodities were machinery, transport and electrical equipment, chemicals, fuels and lubricants, and foodstuffs, and they mainly came from Italy (17.1%), Germany (15.5%), Russia (7.3%), Slovenia (7.1%), Austria (6.9%), and France (4.4%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Before the civil war, Croatia led the Yugoslav SFR in worker remittances, as thousands of Croats held factory jobs in Germany and elsewhere. In order to provide a framework for economic recovery, the government organized the Ministry for Reconstruction, which plans to rebuild war-damaged regions and infrastructure for tourism, which could bring in much needed foreign currency. Croatia had almost no foreign exchange reserves in 1991, but by the beginning of 1996 the National Bank of Croatia reported \$1,386 million in foreign exchange reserves.

Croatia's balance of payments situation has been helped by tourism receipts, but its strong export sectors registered declines in the early 2000s. In 2000, Croatia's main exports were ships and boats, petroleum products, and textiles and apparel. The textiles and apparel sectors were faced with competition from low-wage countries, and in wood product exports, Croatian producers compete with lower-priced Southeast Asian products. Croatian farmers state they are unable to compete with subsidized farm products in the EU. The food processing and chemical industries have been losing their markets due to their inability to produce competitively priced goods of high quality.

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Croatia's exports was \$5.1 billion while imports totaled \$9.7 billion resulting in a trade deficit of \$4.6 billion.

The International Monetary Fund (IMF) reported that in 2001 Croatia had exports of goods totaling \$4.75 billion and imports totaling \$8.76 billion. The services credit totaled \$4.87 billion and debit \$1.94 billion.

Exports of goods and services totaled \$17.8 billion in 2004, up from \$14.9 billion in 2003. Imports grew from \$17.2 billion in 2003, to \$20.2 billion in 2004. The resource balance was relatively stable over this time period, slightly depreciating from -\$2.3 billion in 2003, to -\$2.4 billion in 2004. A reverse trend was registered for the current account balance, which improved from -\$2.1 billion in 2003, to -\$1.6 billion in 2004. The national reserves (including gold) were \$8.2 billion in 2003, covering less than 6 months of imports; by 2004, they increased to \$8.8 billion.

### 3<sup>3</sup> BANKING AND SECURITIES

The National Bank of Croatia was founded in 1992. It has the responsibility of issuing currency and regulating the commercial banking sector. The Croatian dinar was issued 23 December 1991, and was replaced in 1994 by the kuna.

#### Principal Trading Partners – Croatia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	6,164.2	14,153.3	-7,989.1
Italy-San Marino-Holy See	1,629.5	2,573.7	-944.2
Bosnia-Herzegovina	892.3	230.7	661.6
Germany	733.0	2,205.3	-1,472.3
Slovenia	510.9	1,048.4	-537.5
Austria	479.5	936.1	-456.6
Serbia and Montenegro	191.0	85.8	105.2
France-Monaco	174.7	748.6	-573.9
United States	164.0	366.6	-202.6
Liberia	100.3	...	100.3
Malta	93.1	...	93.1

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Croatia (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-2,098.6</b>
Balance on goods		-7,921.0
Imports	-14,206.3	
Exports	6,285.2	
Balance on services		5,641.5
Balance on income		-1,212.9
Current transfers		1,393.7
<b>Capital Account</b>		<b>83.6</b>
<b>Financial Account</b>		<b>4,612.9</b>
Direct investment abroad		-80.5
Direct investment in Croatia		1,955.9
Portfolio investment assets		155.1
Portfolio investment liabilities		854.4
Financial derivatives		...
Other investment assets		-2,520.6
Other investment liabilities		4,248.7
<b>Net Errors and Omissions</b>		<b>-1,206.4</b>
<b>Reserves and Related Items</b>		<b>-1,391.6</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Commercial banks in Croatia include: Dalmatinska Banka, Zadar (1957), Dubrovačka Banka, Dubrovnik (1990), Slavonska Banka, Samobor (1873), Istarska Banka, Pula, and Osijek (1990). As of February 1996 Croatia had 57 banks. In 1995, Raiffeisenbank Austria d.d. Zagreb began operating in Croatia as the first bank with 100% foreign capital.

Bad lending practices, whereby banks willingly lend to local companies regardless of creditworthiness, has plagued the Croatian banking sector. Many Croatian banks remained in crisis into 2000. Since independence, a total of 15 Croatian banks have gone bankrupt.

The Croatian Bank for Reconstruction and Development (HBOR) was established in 1992 as a 100% government-owned institution, with the tasks of financing reconstruction and development and promoting exports through credits and credit guarantees. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$2.8 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$12.7 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 3.9%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 5.9%.

The Zagreb Stock Exchange (ZSE) started operations in 1991. However, out of the entire portfolio of the Croatian Privatization Fund only 2% was privatized through the exchange. The introduction of the new Privatization Act in 1996 was expected to increase the role of the stock exchange, as was the adoption of an Investment Funds Act and a Securities Act. The Securities Law regulates the public offer of securities, legal entities who are authorized to conduct business with securities, securities transactions, prohibitions regarding businesses with securities, and the protection of investors. As of 2004, a total of 145 companies were listed on the ZSE, which had a capitalization of \$10.959 billion. In 2004, the CROBEX rose 32.1% to 1,565.8.

### 34 INSURANCE

The Insurance Companies Supervision Directorate grants approvals for insurance companies' operations and supervises the operations of insurance companies doing business in Croatia. Insurance companies may be established by domestic or foreign entities and may be formed as a joint-stock, mutual, private, or public company. Pension funds (divided between employees, self-employed and independent farmers) controlled substantial financial assets in Croatia as of 1997. In 2003, direct premiums written totaled \$905 million, of which nonlife premiums accounted for \$704 million. In 2002, the country's top nonlife insurer was Croatia, with \$304.2 million in gross nonlife premiums written. The top life insurer, that same year was Grawe, with \$33 million in gross life premiums written.

### 35 PUBLIC FINANCE

The fiscal year follows the calendar year. The IMF and World Bank have granted Croatia \$192 million and \$100 million, respectively, to repair economic imbalances from war and to curb hyperinflation. The EBRD has approved financial support totaling \$230 million for infrastructure, telecommunications, and energy

#### Public Finance – Croatia (2001)

(In millions of kunas, central government figures)

<b>Revenue and Grants</b>	<b>65,484</b>	<b>100.0%</b>
Tax revenue	40,492	61.8%
Social contributions	21,778	33.3%
Grants	...	...
Other revenue	3,214	4.9%
<b>Expenditures</b>	<b>73,796</b>	<b>100.0%</b>
General public services	6,969	9.4%
Defense	3,894	5.3%
Public order and safety	4,137	5.6%
Economic affairs	6,001	8.1%
Environmental protection	...	...
Housing and community amenities	2,549	3.5%
Health	11,815	16.0%
Recreational, culture, and religion	925	1.3%
Education	5,896	8.0%
Social protection	31,610	42.8%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

projects which otherwise would be unobtainable by the Croatian government.

The US Central Intelligence Agency (CIA) estimated that in 2005 Croatia's central government took in revenues of approximately \$17.6 billion and had expenditures of \$19.3 billion. Revenues minus expenditures totaled approximately -\$1.6 billion. Public debt in 2005 amounted to 52.1% of GDP. Total external debt was \$29.28 billion.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, central government revenues were HRK65,484 million and expenditures were HRK73,796 million. The value of revenues was us\$7,852 million and expenditures us\$8,848 million, based on an exchange rate for 2001 of us\$1 = HRK8.340 as reported by the IMF. Government outlays by function were as follows: general public services, 9.4%; defense, 5.3%; public order and safety, 5.6%; economic affairs, 8.1%; housing and community amenities, 3.5%; health, 16.0%; recreation, culture, and religion, 1.3%; education, 8.0%; and social protection, 42.8%.

### 36 TAXATION

In December 2000 the government adopted a package of tax laws including the General Tax Law, the Law on Tax Advising, the Law on Corporate Profit Tax, and the Income Tax Law. In general, the new laws reduced some rates, but widened the tax base. The corporate profits tax was reduced from 35% to 20%. Reduced corporate tax rates of 5%, 10% and 15% are available for companies locating in "special care areas" (62 municipalities and towns deemed to be undeveloped) and in the Vukovar area. The corporate tax rate is also reduced for larger new investments: 7% for investments of at least HRK10 million (about \$1.56 million); 3% for investments of at least HRK20 million (about \$3.12 million); and 0% on investments over HRK60 million (about \$9.3 million). Companies operating in one of Croatia's 12 free trade zones (FTZs) pay half the standard corporate tax rate (10%) or 0% if their investment is more than HRK1 million (about \$156,000). There is no separate

foreign investment law in Croatia, so branches of foreign companies are taxed the same as domestic companies, though only on profits made in Croatia. There is also a municipal firm tax of up to HRK2,000 (about \$312).

Changes to the Personal Income Tax (PIT) Law, effective 1 January 2003, increased the number of PIT tax brackets from four to five (counting the personal allowance tax free amount), increasing slightly the bands for the lower rates, but introducing a new highest rate of 45%. The new rates were 0% up to about \$2,609 a year (using \$1 = HRK6.9); 15% for the next increment of income up to \$5,217 a year; 25% on the next increment to \$11,740 a year; 35% on the next increment to \$39,364 a year; and 45% on income above \$36,522 a year. Croatians are taxed on their worldwide income while foreigners pay only on income realized in Croatia. Deductions from taxable income are allowed for medical and housing expenses. There is a 15% withholding tax on dividend, interest and royalty income. Local surcharges on state income taxes range from up to 10% in small municipalities to up to 30% in Zagreb. The inheritance and gift tax is 5%, and there is a 5% real property transaction tax. Property taxes are assessed locally.

The employee's contribution to social security is 20%. By the pension reform legislation effective as of 1 January 2002, 15% goes to the national pension fund and 5% to new private pension funds. The new pension system is mandatory for workers under 40 as of 1 January 2002, and optional for workers 40 to 50 years old. Workers over 50 continue to contribute all 20% to the national pension fund. As of January 2003, the cap on social security contributions by an employee was set at \$54,620 per year. The employers' contributions to social security, amounting to 17.2%, go for health and unemployment insurance: 15% for general health insurance, 0.5% for work-related accident insurance, and 1.7% for unemployment insurance.

The main indirect taxes in Croatia are the value-added tax (VAT), with a flat rate of 22%, and excise taxes. Specified goods and services, such as those from banks and insurance companies, are exempt from the VAT (0% rate). Slot machines are taxed at about \$14.50 per month, while winnings from games of chance are subject to the 22% VAT. Per-unit excise taxes are assessed on petroleum products, tobacco, beer, alcoholic drinks, coffee, and nonalcoholic drinks. Luxury goods carry a 30% excise. Producers and importers of vehicles (cars, motorbikes, boats and airplanes) pay excise taxes, while buyers of used vehicles pay a sales tax. Auto insurance premiums are taxed at 15%, for liability insurance, and 10%, for comprehensive insurance. There are local consumption taxes on alcoholic drinks up to 3%.

### 37 CUSTOMS AND DUTIES

The Customs Law, Law on Customs Tariffs, and Law on Customs Services were implemented in 1991. Croatia adopted all of the international tariffs and protection agreements ratified by the former Yugoslav SFR that did not contravene Croatia's constitution. The customs system was considerably changed in 1996 with a new customs law that harmonized the system with that of the European Union. In 2000, customs laws were revamped yet again to allow the government to change tariff rates annually. Customs duties range mainly from 0–18%. The average tariff for industrial goods is 5% and for agricultural goods 27%. In 1996, goods such as raw materials, semifinished goods, spare parts, supplies used for re-

pairing war damage, and the household possessions of returning Croatian refugees were exempted from customs duty and subject only to an administrative charge of 1%. The Customs Tariff lists all the goods specified and grouped into a system of 11 sections and 97 chapters with remarks on each chapter to simplify the customs declaration procedure.

Croatia has free trade agreements with Bosnia and Herzegovina, Hungary, Macedonia, and Slovenia, and has an Association Agreement with the European Union.

### 38 FOREIGN INVESTMENT

Attracting foreign investment is a key goal of the comprehensive strategy for long-term development, "Croatia in the 21st Century," adopted 21 June 2001 with an aim of becoming a fully integrated member of the European Union. The day before, the bilateral investment treaty (BIT) with the United States entered into force. Croatia does not have a separate foreign investment law, so foreign firms generally receive national treatment under the 1995 Company Law. The Law on Free Trade Zones (FTZs) was adopted in June 1996. Companies making infrastructure investments of at least \$125,000 are eligible for a five-year tax holiday, while others (except those in retail trade, which are excluded from FTZs) pay half Croatia's corporate income tax rate (10% instead of 20%). Exported goods are fully exempt from custom duties and taxes. The government has designated 12 FTZ locations. The Croatian constitution states that rights acquired through capital investments cannot be withdrawn by law or any legal act and it also insures free repatriation of profits and capital upon disinvestment.

From 1993 to 2000, total foreign investment in Croatia totaled \$4.68 billion, about 24% from the United States and 24% from Germany. Most foreign direct investment (FDI) has come through the privatization of government-owned assets and most has been directed to trade, services, banking, and telecommunications, rather than industry. The inflow of FDI was \$0.55 billion in 1997, \$1 billion in 1998, and peaked at \$1.6 billion in 1999, due largely to the sale of 35% of the state telecommunications company, Hrvatske Telekomunikacije (HT), to Deutsche Telekom (DT) for \$830 million. In 2000, FDI inflow fell back to \$1.1 billion, then recovered to almost \$1.5 billion in 2001 due to the sale of another 16% of HT to DT for \$422 million, giving DT a 51% majority ownership. In 2002, FDI fell back to \$900 million.

In foreign portfolio investment, as of 31 December 2001, US investors held \$734 million of Croatia securities, \$255 million in equity shares in Croatian companies, and \$479 million in long-term debt securities. Outward investment by Croatian firms from 1993 through the first quarter of 2001 totaled \$413 million, 39% going to Poland and 28% to Bosnia and Herzegovina.

The total stock of FDI that entered into Croatia between 1993 and 2003 was \$10.1 billion, averaging around \$1 billion per year. In the first three quarters of 2004, \$877 million was invested in Croatia, which appeared to be down significantly over 2003, when total FDI amounted to \$1.7 billion. Most of these investments went to telecommunications (20.9%), banking (19.6%), pharmaceuticals (11.3%), and petroleum production (7.8%). The largest investors were Austria (with 25.7% of total foreign capital inflows), Germany (20.7%), and the United States (14.7%).

Croatia's performance in terms of FDI inflow has been average if compared to other countries in Central and Eastern Europe. Most

foreign capital was used for acquiring state-owned enterprises (or shares in those), and less was used for greenfield investments. The situation was expected to change in future years though, as the political system in the country has become more stable, and the government was gearing up for the EU accession.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

In October 1993, the government adopted an ambitious three-phase program intended to stabilize the economy through fiscal stabilization, currency reform, and accelerated privatization. The plan, however, relies upon cooperation with international financial organizations.

Economic development has been closely tied with privatization. By 1995, the process of ownership transformation had been fully completed by 2,554 companies. There were 221 companies that had the two Croatian Pension Funds and Croatian Privatization Funds (CPF) as majority owners, and 1,225 companies having the same funds as minority owners. The CPF is legally obliged to offer the shares of its portfolio for sale at auction, and as a rule sells its shares through the Zagreb Stock Exchange. Continued liberalization is expected by the reformist government of Ivica Racan, who aimed in 2003 to speed Croatia's anticipated membership in the European Union. The national insurance, oil, and gas companies were planned to be privatized during 2002–03. Croatia is a member of the IMF, IBRD, and EBRD (as one of the Yugoslav SFR's successor states). Upon the outbreak of conflict in Yugoslavia, the United States suspended all benefits to Yugoslavia under the General System of Preferences, but benefits under this program were subsequently extended on 11 September 1992 to all the former Yugoslav SFR republics except Serbia and Montenegro. Despite the economic adversity, foreign investors have been keen to identify business opportunities in Croatia's relatively stable economy.

In February 2003, Croatia negotiated a 14-month, \$146-million Stand-By Arrangement with the IMF to support the government's economic and financial program. Strong domestic demand and business and government investment contributed to a 5% real gross domestic product (GDP) growth in the first nine months of 2002, compared to 3.8% in 2001. The government deficit declined in 2002, and inflation fell. The currency remained stable as well. The public debt rose, however, to 57.5% of GDP at the end of 2002, up from 55% at the end of 2001. This general economic success was due in part to a good tourist season, and a large highway construction program, in addition to increased private consumption and rising investment.

Croatia's economic performance was weaker in 2003 and 2004, partly due to a relatively unattractive investment climate. Croatia has failed to attract major greenfield investments which would have renewed its economic base, and would have created more dynamism in the market. Red tape, corruption, and problems posed by domestic companies, have also kept a lot of investors away. Nonetheless, the country boasts an educated workforce, a stable government, equality under the law, and the prospects of joining both the EU and NATO—all factors that make it a very attractive market, with great future potential.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

The effects of the 1991 war, the great refugee burden, the disruptions of the Bosnian war, the absence of significant international

aid, and other factors combined to strain the country's social fabric and economy. In 1993, the average standard of living stood at less than 50% of its level before 1991. Over 400,000 Croats were displaced by the war and its aftermath.

Croatia's first pension laws date back to 1922, with most recent changes in 2003. The law provides for a dual system of a social system and mandatory private insurance. Health and maternity benefits, workers' compensation, unemployment coverage, and family allowances are also provided. Retirement is set at age 63 for men and age 58 for women.

Women hold lower paying positions in the work force than men even though gender discrimination is prohibited by law. Also, women are more likely to be unemployed. Rape and spousal rape are grossly underreported, and there are only four women's shelters. Domestic abuse rose considerably in 2004, with 50% more cases registered. The weak economic situation, the aftermath and uncertainty from the war, and alcohol abuse are considered aggravating factors.

The constitution states that all persons shall enjoy all rights and freedoms, regardless of race, color, sex, language, religions, political opinion, national origin, property, birth, education or social status. However, ethnic tensions continue. Muslims and Serbs in Croatia face considerable discrimination. Arbitrary detention and torture, abuse of detainees, and other human rights violations continue. The Roma population also suffers discrimination.

### 4<sup>1</sup> HEALTH

Croatia is in the process of improving health care since the war years in the 1990s. Life expectancy in 2005 was 74.45 and infant mortality rate per 1,000 live births was 6.84. The overall mortality rate was 11 per 1,000 people.

Croatia had 84 hospitals in 1997, including both general and tertiary care facilities. The country is known for its spas, where patients receive preventive and rehabilitative care that makes use of spring water and other natural resources, as well as such treatments as massage. As of 2004, there were an estimated 237 physicians, 499 nurses, 68 dentists, 50 pharmacists, and 34 midwives per 100,000 people. Approximately 95% of the population had access to safe drinking water and 100% had adequate sanitation.

Immunization rates for children under the age of one were as follows: tuberculosis, 98%; diphtheria, pertussis, and tetanus, 92%; measles, 93%; and polio, 92%. In 1999, the incidence of tuberculosis was 61 per 100,000 people.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 200 people living with HIV/AIDS in the country. There were an estimated 10 deaths from AIDS in 2003.

### 4<sup>2</sup> HOUSING

After years of war, the country is just beginning the process of rebuilding not only homes for the thousands who were displaced by the conflict, but industries, businesses, and civic buildings as well. As of the mid-1990s, nearly 800,000 displaced persons and refugees from Bosnia and occupied Croat territories were in Croatia, of whom approximately 640,000 have found temporary housing

with families in Croatia. By 1997, thousands of refugees (mostly from Eastern Slavonia) still remained housed in coastal hotels.

According to the 2001 census, there were a total of 1,877,126 dwellings in the nation; about 1,660,649 dwellings were for permanent residents. Most dwellings had between two to four rooms. About 70,817 dwellings had been built since 1996. There were about 1,455,116 households representing 4,272,590 people. Most households had between two to four members.

As of 2001, the government has implemented a Welfare Supported Housing Construction Program to assist low-income families unable to purchase apartments.

### 43 EDUCATION

Education at the elementary level is free and compulsory for children between the ages of 6 and 15 years. Primary education covers an eight-year course of study. Secondary education covers a four-year course of study in one of three tracks: grammar schools, technical and vocational schools, and art schools. The academic year runs from October to June. The primary language of instruction is Croatian.

In 2001, about 38% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 89% of age-eligible students. The same year, secondary school enrollment was about 87% of age-eligible students. It is estimated that about 95.5% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 18:1 in 2003. The ratio for secondary school was about 11:1.

In higher education, there are five universities: University of Osijek (founded in 1975), University of Rijeka (founded in 1973), University of Split (founded in 1974), University of Zadar, and University of Zagreb (founded in 1669). There are also 7 polytechnic schools and 17 professional schools. In 2003, about 39% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 98.1%, with 99.3% for men and 97.1% for women.

As of 2003, public expenditure on education was estimated at 4.5% of GDP, or 10% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

The National and University Library of Croatia in Zagreb (founded in 1606) had 2.5 million volumes in 2002. The Zagreb public library holds close to 300,000 volumes. In 1995, the country reported having 232 public libraries with a combined collection of 4.6 million volumes. The Information and Documentation Centre and Library of the Institute for International Relations is also in Zagreb, with holdings that include books, periodicals and journals, and official documents from various countries and in a variety of languages. The Croatia Library Association was founded in 1940.

Major museums in Zagreb include the Historical Museum of Croatia, Strossmeyer's Gallery of Old Masters, and the Gallery of Modern Art. Other major cultural centers include Split, which houses the Museum of Croatian Medieval Archeology, and Dubrovnik, with the Natural Sciences Museum among others. In all, the country boasts over 100 museums.

### 45 MEDIA

In 2003, there were an estimated 417 mainline telephones for every 1,000 people. The same year, there were approximately 584 mobile phones in use for every 1,000 people.

Government controlled Croatian Radio-Television (Hrvatska Radiotelevizija) has charge of all broadcasting. In 1999, Croatian Radio ran 16 AM and 98 FM stations with 5 shortwave options. In 1995, there were 36 television stations. It has been estimated that 80% of the population relies on the government-sponsored television news program, *Dnevnik*, for national news. Independent local stations can only cover about 65% of the country's territory. In 2003, there were an estimated 330 radios for every 1,000 people; the number of televisions was not available in the same survey. In 2003, there were 173.8 personal computers for every 1,000 people and 232 of every 1,000 people had access to the Internet. There were 146 secure Internet servers in the country in 2004.

In 1995, there were nine daily newspapers with a combined circulation of over 400 million, and 563 nondailies (including over 60 weeklies); there were about 400 periodicals. As of 2002, the major dailies included *Vecernji List* (circulation 200,000), published in Zagreb, and *Novi List* (60,000), published in Rijeka, as well as the sports daily *Sportske Novosti* (55,000), published in Zagreb. In 1994, there were some 2,600 book titles published.

In October 1996, a comprehensive Law on Public Information was passed in Parliament with general support from all parties to regulate the media. In general, government influence on media through state ownership of most print and electronic media outlets restricts constitutionally-provided freedoms of speech and press.

### 46 ORGANIZATIONS

In 1852, the Chamber of Commerce and Crafts was first organized in Zagreb. In 1990, the Croatian Chamber of the Economy (CCE) was established as the authentic representative of the Croatian economy. The CCE consists of 20 county chambers and promotes trade and commerce in world markets along with the Association of Independent Businesses and the Zagreb Trade Fair.

Since 1994, over 30 professional organizations have been founded in the CCE. A number of organizations promoting research and education in various medical and scientific fields have also formed, including the Croatia Medical Association. The Rudjer Boskovic Institute is a national organization that conducts research and educational programs for the natural sciences. The Croatian Academy of Sciences and Arts has been active since 1861. The Croatian Physical Society formed in 1990.

There are many sports associations throughout the country, including the general Croatian Athletic Federation and a chapter of the Special Olympics. Youth organizations include the umbrella organization of the Croatian National Youth Council (NSMH), the Croatian Club for the United Nations (CCUN), and the Junior Chamber of Croatia (JCC), as well as scouting programs. Among many national women's organizations are the Croatian Association of University Women the Women's Infoteka, and Be Active, Be Emancipated (BABE).

There are national chapters of the Red Cross Society and Amnesty International.

## 47 TOURISM, TRAVEL, AND RECREATION

Tourist attractions include visits to Dubrovnik and Split to enjoy the climate, scenery, and excellent swimming from April to October. Beautiful historic churches and ancient palaces can be found in the major cities. The many nudist camps and casinos are also popular attractions.

Approximately 3,086,506 foreign visitors arrived in Croatia in 2003. That year the average length of stay was five nights. There were 77,113 hotel rooms with 193,538 beds and a 27% occupancy rate. Tourism expenditure receipts totaled \$6.5 billion.

In 2003, the US Department of State estimated the daily cost of staying in Zagreb at \$220.

## 48 FAMOUS CROATS

Dr. Franjo Tudjman was president of Croatia from May 1990 until his death in 1999. Stjepan Mesić (b.1934) has been president since 2000. Nikica Valentić, Ivica Račan, and Ivo Sanader have all served as prime minister in recent years. Two Nobel prize winners have come from Croatia, both chemists: Lavoslav Ružička (1887–1976) and Vladimir Prelog (1906–98).

Josip Broz-Tito (1892–1980) was the leader of Communist Yugoslavia for many years after World War II. In 1948, he led his country away from the Communist bloc formed by the Soviet Union. Tito served in the Red Army during the Russian Civil War and led the Yugoslav resistance movement during World War II.

There are several internationally known figures in literature and the arts: Ivan Gundulić (1589–1638) wrote about the Italian influences in Croatia in *Dubravka*. Count Ivo Vojnović (1857–1929) is best known for *A Trilogy of Dubrovnik*. Miroslav Krleža (1857–1981) captured the concerns of prerevolutionary Yugoslavia in his trilogy of the Glembay family (1928–32) and in novels like *Return of Philip Latinovicz* (1932) and *Banners* (1963).

Double-agent Duško Popov (1912–1981), who worked during World War II, was the model for Ian Fleming's James Bond. The wartime figure, Andrija Artuković (1899–1988), known as "Butcher of the Balkans" for his activities in support of Germany, is from Croatia. Religious leader Franjo Šeper (1884–1981) was born in Croatia, as was inventor Nikola Tesla (1856–1943). Musician Artur Radzinski (1894–1958) became conductor of the New York Philharmonic in 1943 and of the Chicago Symphony in 1947. Zinka Kumc Milanov (1906–1989) was a dramatic opera soprano with the New York Metropolitan Opera in the 1950s and 1960s. Mathilde Mallinger (1847–1920) was a famous Croatian soprano who performed with Berlin Opera from 1869–1882.

## 49 DEPENDENCIES

Croatia has no territories or colonies.

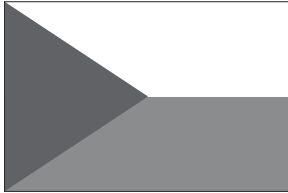
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# CZECH REPUBLIC

Czech Republic  
*Ceskaá Republika*



**CAPITAL:** Prague (Praha)

**FLAG:** The national flag consists of a white stripe over a red stripe, with a blue triangle extending from hoist to midpoint.

**ANTHEM:** *Kde domov můj* (*Where Is My Native Land*).

**MONETARY UNIT:** The koruna (Kc) is a paper currency of 100 haléru, which replaced the Czechoslovak koruna (Kcs) on 8 February 1993. There are coins of 1, 5, 10, 20, and 50 heller and of 1, 2, 5, 10, 20, and 50 koruny, and notes of 10, 20, 50, 100, 200, 500, 1,000, 2,000, and 5,000 koruny. Kc1 = \$0.04216 (or \$1 = Kc23.72) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; Anniversary of Liberation, 9 May; Day of the Apostles, St. Cyril and St. Methodius, 6 July; Christmas, 25 December; St. Stephen's Day, 26 December. Easter Monday is a movable holiday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The Czech Republic is a strategically located landlocked country in Eastern Europe. It sits astride some of the oldest and most significant land routes in Europe. Comparatively, the Czech Republic is slightly smaller than the state of South Carolina with a total area of 78,866 sq km (30,450 sq mi). It shares boundaries with Poland (on the NE), Slovakia (on the SE), Austria (on the S), and Germany (on the W and NW) and has a total boundary length of 1,881 km (1,169 mi). The capital city of the Czech Republic, Prague, is located in the north central part of the country.

## <sup>2</sup>TOPOGRAPHY

The topography of the Czech Republic consists of two main regions. Bohemia in the west is comprised of rolling plains, hills, and plateaus surrounded by low mountains. Moravia in the east is very hilly. The country's highest point is Mt. Snezka at 1,602 m (5,256 ft) in the Krkonose Mountains along the north central border with Poland. The Elbe River is the nation's longest with a distance of 1,165 km (724 mi); located in the northwest, it runs north into Germany.

## <sup>3</sup>CLIMATE

The Czech Republic has a Central European moderate and transitional climate, with variations resulting from the topography of the country. The climate is temperate with cool summers, and cold, cloudy, and humid winters. The average temperature in Prague ranges from about -1°C (30°F) in January to 19°C (66°F) in July. A generally moderate oceanic climate prevails in the Czech lands. Rainfall distribution is greatly influenced by westerly winds, and its variation is closely correlated to relief. Over three-fifths of the rain falls during the spring and summer, which is advantageous for agriculture. The precipitation range is from 50 cm (20 in) to

more than 127 cm (50 in); rainfall is below 58 cm (23 in) in western Bohemia and southern Moravia.

## <sup>4</sup>FLORA AND FAUNA

Plants and animals are Central European in character. Almost 70% of the forest is mixed or deciduous. Some original steppe grassland areas are still found in Moravia, but most of these lowlands are cultivated. Mammals commonly found in the Czech Republic include the fox, hare, hart, rabbit, and wild pig. A variety of birds inhabit the lowlands and valleys. Fish such as carp, pike, and trout appear in numerous rivers and ponds. As of 2002, there were at least 81 species of mammals, 205 species of birds, and over 1,900 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

The Czech Republic suffers from air, water, and land pollution caused by industry, mining, and agriculture. Lung cancer is prevalent in areas with the highest air pollution levels. In the mid-1990s, the nation had the world's highest industrial carbon dioxide emissions, totaling 135.6 million metric tons per year, a per capita level of 13.04 metric tons. However, in 2000, total carbon dioxide emissions had decreased to about 118.8 million metric tons. Like the Slovak Republic, the Czech Republic has had its air contaminated by sulfur dioxide emissions resulting largely from the use of lignite as an energy source in the former Czechoslovakia, which had the highest level of sulfur dioxide emissions in Europe, and instituted a program to reduce pollution in the late 1980s. Western nations have offered \$1 billion to spur environmental reforms, but the pressure to continue economic growth has postponed the push for environmental action.

The Czech Republic has a total of about 13 cu km of freshwater resources, of which 2% is used for farming and 57% is used for in-

dustry. Both urban and rural dwellers have access to safe drinking water. Airborne emissions in the form of acid rain, combined with air pollution from Poland and the former GDR, have destroyed much of the forest in the northern part of the former Czechoslovakia. Land erosion caused by agricultural and mining practices is also a significant problem.

In 2000, about 34% of the total land area was forested. In 2003, about 16.1% of the total land area was protected by the government. There are 11 Ramsar wetland sites in the country.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 6 types of mammals, 9 species of birds, 7 species of fish, 2 types of mollusks, 17 species of other invertebrates, and 4 species of plants. Endangered species include the Atlantic sturgeon, slender-billed curlew, and Spengler's freshwater mussel.

## 6 POPULATION

The population of Czech Republic in 2005 was estimated by the United Nations (UN) at 10,212,000, which placed it at number 78 in population among the 193 nations of the world. In 2005, approximately 14% of the population was over 65 years of age, with another 15% of the population under 15 years of age. There were 95 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be -0.1%, a rate the government viewed as too low. The country has one of the lowest fertility rates in the world. The projected population for the year 2025 was 10,217,000. The population density was 129 per sq km (335 per sq mi), with the most densely populated areas in North Bohemia, Central Bohemia, and in Moravia.

The UN estimated that 77% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.05%—essentially a standstill. The capital city, Prague (Praha), had a population of 1,170,000 in that year. Other major cities and their estimated populations include Brno, 400,000; Ostrava, 331,448; and Plzen (Pilsen), 175,049.

## 7 MIGRATION

After World War II, nearly 2.5 million ethnic Germans were expelled from the Sudeten region, which was part of Czechoslovakia and Poland. The emigration wave from Czechoslovakia after the Communist takeover in February 1948 included some 60,000 people; another 100,000 persons left the country after the invasion of the Warsaw Pact countries in August 1968. Emigration slowed during the 1970s to about 5,000 annually, but during the 1980s, some 10,000 people (according to Western estimates) were leaving each year. *Migration News* reported that in mid-2004 legal foreign workers numbered 170,000, mainly Slovaks (72,000), Ukrainians (39,400), and Vietnamese (21,400). This was an strong increase from 20,000 legal foreign workers 10 years earlier. *Migration Information* estimated the illegal migrant population as ranging from 300,000 to 340,000.

The Czech Republic encountered its first refugee influx in 1990. From 1990–2000 there were more than 22,000 applicants. In 2004 there were 1,144 refugees. In 2004, 1,119 people sought asylum. The net migration rate for 2005 was estimated as .97 migrants per 1,000 population. In 2000 there were 236,000 migrants living in

the Czech Republic. The government views both the immigration and emigration levels as too high.

## 8 ETHNIC GROUPS

Between 1945 and 1948, the deportation of the Sudeten Germans altered the ethnic structure of the Czech lands. Since the late 1940s, most of the remaining Germans have either assimilated or emigrated to the West. In 2001, Czechs constituted 90.4% of the total population, Moravians accounted for 3.7%, and Slovaks made up 1.9%. Other ethnic groups include Germans, Roma, and Poles.

## 9 LANGUAGES

Czech, which belongs to the Slavic language group, is the major and official language. In addition to the letters of the English alphabet, the Czech language has both vowels and consonants with acute accents (indicating length) and háčeks: á, é, í, ó, ú, č, dč, ě, ň, ř, š, ť, ž, as well as ů (the circle also indicates length). In Czech, q, w, and x are found only in foreign words. There are numerous dialects. Many older Czechs speak German; many younger people speak Russian and English. Slovak is also spoken.

## 10 RELIGIONS

Though the country has a strong tradition of Christianity, the Communist rule of 1948 to 1989 greatly repressed religious practice so that many citizens do not claim membership in any religious organizations. In 2001, only about 38% of the population claimed to believe in God. About 52% claimed to be atheist. Only about 5% of the population are practicing Roman Catholics, while about 1% are practicing Protestants. The Islam community has about 20,000–30,000 members while the Jewish community has only a few thousand people.

The constitution provides for religious freedom, and the government reportedly respects this right in practice. Religious affairs are handled by the Department of Churches at the Ministry of Culture. In 2002 the Religious Freedom and the Position of Churches and Religious Associations established a tiered registration system for religious organizations. There is no requirement to register; however, officially registered groups are granted certain legal rights and various subsidies from the government.

## 11 TRANSPORTATION

There are some 9,543 km (5,936 mi) of standard and narrow gauge railroads in the Czech Republic, connecting Prague with Plzen, Kutná Hora, and Brno, as of 2004. Of that total, 9,421 km (5,860 mi) are standard gauge. The Czech Republic had 127,672 km (79,412 mi), of roadway in 2002, all of which were paved, including 518 km (322 mi) of expressways. In 2003, there were 3,706,012 passenger cars and 445,000 commercial vehicles registered for use. As a landlocked nation, the Czech Republic relies on coastal outlets in Poland, Croatia, Slovenia, and Germany for international commerce by sea. As of 2004, there were 664 km of navigable inland waterways, on the Elbe, Vltava, and Oder rivers. The principal river ports are Prague on the Vltava and Děčín on the Elbe. In 2004 there were an estimated 120 airports. As of 2005, a total of 44 had paved runways, and there were also two heliports. Principal airports include Turany at Brno, Mosnov at Ostrava, and Ruzyně at Prague. Ruzyně is the nation's primary commercial airliner.





LOCATION: 49°26' to 51°3' N; 12°6' to 18°54' E. BOUNDARY LENGTHS: Poland, 658 kilometers (409 miles); Slovakia, 214 kilometers (133 miles); Austria, 362 kilometers (225 miles); Germany, 646 kilometers (401 miles).

all, Czech airports in 2003 performed 36 million freight ton-km of service. In that same year, domestic and international flights carried 3.392 million passengers.

With the separation of Czechoslovakia, the new Czech Republic has rapidly replaced its former Eastern European trading partners with Western ones (primarily Germany and the rest of the EU). This shift in the direction of transportation of goods into and out of the Czech Republic has overloaded the current infrastructure of roads, airports, and railroads. In 1993, the government targeted several goals to develop the transportation network, including: the development of priority connections between Prague and Vienna, Berlin, Warsaw, Nuremberg, Munich, and Linz; the construction of 264 km (164 mi) of new highways over the next 8–10 years for improved trucking links; expansion of the Prague Ruzyně airport; connection to Western Europe's high-speed rail system; and the acquisition of better rolling stock.

Most goods are shipped by truck. Currently, underdeveloped railroads and waterways often cannot accommodate intermodal

transport. As of 2001, a \$3.5 billion project was underway to modernize the rail system.

## 12 HISTORY

The first recorded inhabitants of the territory of the present-day Czech Republic were the Celtic Boii tribe, who settled there about 50 BC. They were displaced in the early modern era by German tribes (Marcomanni, Quidi) and later by Slavs, who pushed in from the east during the so-called Migration of the Peoples. The new settlers kept the Roman version of the name Boii for that region, Boiohaemum, which later became Bohemia. The first unified state in the region was that of a Frankish merchant named Samo, who protected his lands from the Avar empire in Hungary and the Franks of the West, reigning until his death in 658. This mercantile city-state lasted until the 9th century, when it grew into the Moravian Empire. The fidelity of this new empire had strategic importance to both the Eastern and the Western Church, who sent missionaries to convert the Moravian people. Beginning in 863, two

Orthodox monks, Cyril and Methodius, succeeded in converting large numbers of people to the Byzantine church (introducing a Slavic alphabet named “Cyrillic” after one of the monks), but Roman Catholic missionaries gained the majority of converts.

The Moravian Empire was destroyed at the end of the 9th century (903–907) by invading Magyars (Hungarians), who incorporated the eastern lands into their own, while the Kingdom of Bohemia inherited the lands and peoples of the west. The Premyslid Dynasty took control of the Bohemian kingdom, allying with the Germans to prevent further Magyar expansion. In the year 1085, Prince Vratislave was the first Bohemian prince to receive royal status from the Byzantine Empire, gaining his title by supporting Henry IV against Pope Gregory VII. A century later, in 1212, Premysl Otakar I was given the Golden Bull of Sicily, proclaiming Bohemia a kingdom in its own right, and the Bohemian princes the hereditary rulers of that land. During the 13th century, the powers gained by the Premyslid Dynasty through the German alliance waned as this relationship brought the substantial migration of Germans into Bohemia and Moravia. The next line to rule Bohemia, starting with John of Luxembourg (1310–1346), came to power before a time of great social and religious strife. Charles IV of Luxembourg was not only King of Bohemia (1346–1378), but Holy Roman Emperor as well, ushering in the Czech “Golden Age,” but his ties to the Roman Catholic Church would later tear the Kingdom apart. In 1348 he founded the Charles University in Prague, one of the first learning institutions to operate outside of the Church’s monasteries, which nourished the minds of Bohemian intellectuals. As the citizens of Prague began to learn of the intransigence of the Roman Catholic Church, Wenceslas IV, successor to Charles IV, experienced a series of economic and political crisis (1378–1419) that escalated with The Great Schism of the Church. Bohemia became a center of passionate opposition to the Catholic Church, and to German domination, led by Jan Hus in the Hussite movement. Burned at the stake for heresy in 1415 by German Emperor Sigismund, Hus became a national martyr and hero, and the country was in open rebellion (1420–1436). During this time, Sigismund conducted six crusades in Bohemia to end the revolution, until he finally succeeded in 1434. By 1436, tired of fighting, both sides signed the Compacts of Basle. These documents allowed the Hussite denomination, and became the model of religious tolerance, which did not last for long. In 1462 Hungary extended its control over Bohemia, ruling through the Jagellon Dynasty until 1526, when Ferdinand of Hapsburg was elected to the Crown of St. Wenceslas, making Bohemia the property of the House of Hapsburg.

The Czechs were predominantly Protestant, while their new rulers were bent on introducing the Roman Catholic faith to Bohemia, exacerbating civil tensions. Although Protestants were able to secure certain civil rights, and the freedom to worship, peace was fragile. In 1618 two Protestant churches were closed, leading Protestants to throw two royal governors out of the windows of Prague Castle, an act known as the “Defenestration of Prague.” At the same time, 27 Protestant nobles were executed by the Habsburgs. In the Thirty Years’ War, which followed, the Czechs deposed their Catholic king, replacing him with Frederick of the Palatinate, a Protestant. The Protestant forces of the Bohemian Estates were defeated by the Catholic Emperor in 1620, at the Battle of White Mountain, and the Catholics again took the throne. This

represented a disaster for the Czechs, who had their lands seized and their leaders executed, while nearly 30,000 of their number fled. The war ended in 1648 with the Peace of Westphalia, which sanctioned the large-scale immigration of Germans, resulting in the gradual Germanification of Czech territory. Under Empress Maria-Theresa (1740–1780) Bohemia became part of Austria, and the most industrialized part of the Austrian Empire, but Czech culture and language were suppressed.

Political tranquility was ended by the riots, which broke out across Europe in 1848. On 11 March 1848, a demonstration in Prague demanded freedom of the press, equality of language, a parliament to represent Czech interests, and an end to serfdom. A Pan-Slavic Congress was convened in Prague in June of the same year, under Francis Palacky, a Bohemian historian. The Austrian authorities responded by imposing a military dictatorship, which struggled to restrain a steadily rising tide of nationalist aspirations. When World War I began, thousands of Czech soldiers surrendered to the Russians, rather than fight for the Austro-Hungarians. They were transformed into the Czech Legion, which fought for the Russians until the Russian Revolution of 1917. Although Austria retained nominal control of Bohemia until the war’s end, a separate Czech National Council began functioning in Paris as early as 1916.

#### Formation of the Czechoslovak Republic

It was the members of that Council, especially Eduard Benes and Tomas Masaryk, who were instrumental in gaining international support for the formation of an independent Czech and Slovak state at war’s end. The Czechoslovak Republic, established 28 October 1918 under President Tomas Masaryk, was a contentious mix of at least five nationalities—Czechs, the so-called Sudeten Germans, Slovaks, Moravians, and Ruthenians—who created one of the 10 most developed countries in the world, during the interwar period. All these nationalities were granted significant rights of self-determination, but many groups wished for full independence, and some of the Sudeten Germans hoped for reunification with Germany. In 1938 Adolph Hitler demanded that the Sudeten German area, which was the most heavily industrialized part of the country, be ceded to Germany. A conference consisting of Germany, Italy, France, and Great Britain, was convened, without Czechoslovakian representation. Ignoring the mutual assistance pacts, which Czechoslovakia had signed with both France and the USSR, this conference agreed on 30 September 1938 that Germany could occupy the Sudetenland. On 15 March 1939, Hitler took the remainder of the Czech lands, beginning an occupation that lasted until 9 May 1945.

Many prominent Czechs managed to escape the Germans, including Eduard Benes, the president, who established Provisional Government in London, in 1940, and Klement Gottwald, the communist leader, who took refuge in Moscow. In 1945, negotiations between Benes, Gottwald, and Josef Stalin established the basis for a postwar government, which was formed in the Slovak city of Kosice in April 1945 and moved to Prague the following month.

The government was drawn entirely from the National Front, an alliance of parties oriented toward Soviet Russia, with whom Czechoslovakia now had a common border, after the USSR incorporated Ruthenia. Although deferring to the communists,

the National Front government managed to run Czechoslovakia as a democracy until 1948. The communists had been the largest vote getter in the 1946 elections, but it seemed likely that they might lose in 1948. Rather than risk the election, they organized a putsch, with Soviet backing, forcing President Benes to accept a government headed by Gottwald. Benes resigned in June 1948, leaving the presidency open for Gottwald, while A. Zapotocky became prime minister. In a repeat of Czech history, Jan Masaryk, foreign minister at the time, and son of T. Masaryk, was thrown from a window during the coup, a “defenestration” which was reported as a suicide.

Once Czechoslovakia became a People’s Republic, and a faithful ally of the Soviet Union, a wave of purges and arrests rolled over the country (1949–1954). In 1952 a number of high officials, including Foreign Minister V. Clementis and R. Slansky, head of the Czech Communist Party, were hanged for “Tito-ism” (after the Yugoslavian president who had been dismissed from the Cominform) and “national deviation.”

After an unsuccessful Army coup on his behalf, Novotny resigned, in March 1968, and Czechoslovakia embarked on a radical liberalization, which Dubček termed “socialism with a human face.” The leaders of the other eastern bloc nations and the Soviet leaders viewed these developments with alarm. Delegations went back and forth from Moscow during the “Prague Spring” of 1968, warning of “counterrevolution.” By July the neighbors’ alarm had grown; at a July meeting in Warsaw they issued a warning to Czechoslovakia against leaving the socialist camp. Although Dubček himself traveled to Moscow twice, in July and early August, to reassure Soviet party leader Brezhnev of the country’s fidelity, the Soviets remained unconvinced.

On the night of 20–21 August 1968, military units from all the Warsaw Pact nations, save Romania, invaded Czechoslovakia, to “save it from counterrevolution.” Dubček and other officials were arrested, and the country was placed under Soviet control. Repeated efforts to find local officials willing to act as Soviet puppets failed, so on 31 December 1968 the country was made a federal state, comprised of the Czech Socialist Republic and the Slovak Socialist Republic. In April Gustav Husak, once a reformer, but now viewing harmony with the USSR as the highest priority, was named head of the Czech Communist Party. A purge of liberals followed, and in May 1970 a new Soviet-Czechoslovak friendship treaty was signed; in June Dubček was expelled from the party.

Between 1970 and 1975 nearly one-third of the party was dismissed, as Husak consolidated power, reestablishing the priority of the federal government over its constituent parts and, in May 1975, reuniting the titles of party head and republic president. Civil rights groups formed within the country; including a group of several hundred in 1977 that published a manifesto called “Charter 77,” protesting the suppression of human rights in Czechoslovakia. These groups did not seriously impinge upon Husak’s power, but his successors had difficulty suppressing the liberalization movement.

Once again, it was revolution in the USSR which set off political change in Czechoslovakia. Husak ignored Soviet leader Mikhail Gorbachev’s calls for *perestroika* and *glasnost* until 1987, when Husak reluctantly endorsed the general concept of Party reform, but delayed implementation until 1991. Aging and in ill health, Husak announced his retirement in December 1987, declaring that Milos

Jakes would take his post. Jakes had been a lifelong compromiser and accommodator who was unable to control dissenting factions within his party, which were now using the radical changes in the Soviet Union as weapons against one another.

Even greater pressure came in early autumn 1989, when the West German Embassy in Prague began to accept East German refugees who were trying to go west. Increasingly the East German government was being forced to accede to popular demand for change, which in turn emboldened Czech citizens to make similar demands. On 17 November 1989, a group of about 3,000 youths gathered in Prague’s Wenceslas Square, demanding free elections. On Jakes’s orders, they were attacked and beaten by security forces; igniting a swell of public indignation, expressed in 10 days of nonstop meetings and demonstrations. This “Velvet Revolution” ended on 24 November, when Jakes and all his government resigned. Novotny resigned his presidency soon after. Although Alexander Dubček was put forward as a possible replacement, he was rejected because he was Slovak. The choice fell instead on Vaclav Havel, a playwright and dissident, and founder of the Charter 77 group, who was named president on 29 December 1989.

Dismantling of the apparatus of a Soviet-style state began immediately, but economic change came more slowly, in part because elections were not scheduled until June 1990. In the interim, the old struggle between Czechs and Slovaks resulted in the country being renamed the Czech and Slovak Federal Republic. In the June elections the vote went overwhelmingly to Civic Forum and its Slovak partner, and economic transformation was begun, although there were continued tensions between those who wished a rapid move to a market economy and those who wanted to find some “third way” between socialism and capitalism. Equally contentious was the sentiment for separation by Slovakia, the pressure for which continued to build through 1991 and 1992. In the June 1992 elections the split between the two parts of the country became obvious, as Czechs voted overwhelmingly for the reform and anticommunist candidates of Vaclav Klaus’ Civic Democratic Party (ODS), while Slovaks voted for V. Meciar and his Movement for Democratic Slovakia, a leftist and nationalist party. Legislative attempts to strengthen the federative structure, at the expense of the legislatures of the two constituent republics, failed, and the republics increasingly began to behave as though they were already separate so that, for example, by the end of 1992, 25.2% of Czech industry was been privatized, as opposed to only 5.3% of Slovak industry. The prime ministers of the two republics eventually agreed to separate, in the so-called “velvet divorce,” which took effect 1 January 1993.

Havel (who did not subscribe to any party in the interest of political tranquility) was reconfirmed as president by a vote of the Czech parliament on 26 January 1993. Klaus was successful in fostering growth in the newly formed Czech Republic, emerging from close 1996 elections with another term as prime minister, but after the first glow of liberation, major cracks in the system became visible. Milos Zeman of the Social Democratic Party (CSSD) challenged Klaus’ policies, during and after the 1996 elections, especially those relating to economic growth (which was slowing). The year 1996 also saw the first elections for the 81-member Senate, the upper body of parliament, which reflected a major split in the attitude of Czech voters. Governmental democracy and a newly liberated economy had not brought about the immediate

transformation that Czech citizens wanted to see, and they ended up blaming the ODS party for their woes. This, and charges of corruption in the ODS party, brought about the triumph of the opposition. In the 1998 elections, the majority of votes went to the Social Democratic Party, in a platform that stressed economic regulation and the socialist approach to government. Milos Zeman was appointed as the prime minister by President Vaclav Havel on 17 July 1998. Havel had been reelected president the previous January for another five-year term.

In March 1999, the Czech Republic became a member of NATO. In January 2001, the largest street demonstrations since the overthrow of Communism were held to protest the appointment of Jiri Hodac as the head of public service television. He was seen as a political appointee and was accused of compromising editorial independence. Hodac resigned following the protests. In April, Vladimir Spidla became leader of the Social Democrats; he was more left-wing than Zeman, and was dismissive of ODS leader Vaclav Klaus. When in the June 2002 elections the Social Democrats gained the largest number of seats in the Chamber of Deputies, Spidla became prime minister. Spidla formed a government with the Coalition, composed of the Christian-Democratic Union/Czechoslovak People's Party, and the Freedom Union (Kolic), holding 101 seats in the 200-seat Chamber (70 seats for the CSSD, and 31 for the Coalition). The ODS came in second with 58 seats, and the Communists, in their best showing since the Velvet Revolution, came in third with 41 seats.

In August 2002, Central Europe was plagued by torrential rain, and Prague suffered its worst flooding in 200 years. The city's historic district was spared, but towns and villages across the country were devastated.

The Czech Republic was one of 10 new countries to be formally invited to join the EU in December 2002, and its accession was completed in 2004. Issues to be resolved by the countries include adoption of the euro, migration, and agriculture, among others.

Havel stepped down as president in February 2003, after his second five-year term expired. Havel's rival and former prime minister, Vaclav Klaus, was elected president by a slim majority of 142 votes in the 281-member parliament after two inconclusive elections and three rounds of balloting on 28 February. Although when he left the presidency opinions about his legacy were mixed in the Czech Republic, on the international scene Havel remains eternally popular for being a voice for democracy.

In the 2004 European Parliament elections the CSSD garnered only 8.8% of the votes, signaling that the party's popularity among voters was on a downward spiral. As a consequence, in July 2004, the Socialists decided to sack the prime minister, Vladimir Spidla, and replace him with the minister of interior, Stanislav Gross.

Gross, who was an engine-driver trainee for the state railway company before the Velvet Revolution, became a Social Democrat in 1992 and quickly worked his way up the party ranks. He was only 35 when he replaced Spidla—Europe's youngest prime minister. His reign was short-lived though. Plagued by scandals and corruption and faced with the dissolution of his own government, Gross resigned only nine months after his appointment. Jiri Paroubek, the regional development minister in Gross's government, was appointed as the new Czech prime minister on 25 April 2005. He faced the difficult task of cutting public spending in prepa-

ration for the eurozone membership while improving his party's popularity among voters in anticipation of the 2006 elections.

### **13 GOVERNMENT**

The Czech Republic has a democratic government, based on a bicameral parliamentary democracy and the free association of political parties. Human and civil rights are guaranteed by the Bill of Fundamental Rights and Freedoms, a part of the constitution. The constitution of the Czech Republic was adopted by the Czech legislature in December 1992. It mandates a parliament; a Senate with 81 members who are elected for six-year terms, and a Chamber of Deputies or lower house of 200 members who are elected for four-year terms. Every two years, one third of the Senate's seats come up for reelection. The first Senatorial elections were held in November 1996. The last Senatorial elections were held in November 2004 with the next being scheduled for November 2006. The Chamber of Deputies was first seated by popular vote in 1992. The last elections took place in June 2002 with the next scheduled for June 2006. A resolution by parliament is passed by a clear majority, while a constitutional bill or an international treaty must be passed by at least a 60% majority. All citizens over the age of 18 can vote.

The head of the executive branch is the president, who is elected by parliament for a five-year term, and may serve two terms successively. The president is the supreme commander of the armed forces and has the power to veto bills passed by parliament under certain conditions. The last successful presidential election was held on 28 February 2003 and named Vaclav Klaus as president. This election came after Vaclav Havel stepped down from office on 2 February 2003 after earlier elections held 15 and 24 January 2003 were inconclusive. The next presidential elections were scheduled for January 2008. The prime minister, or premier, comes from the majority party, or a coalition, and is appointed by the president. The president appoints the ministers of the government on the recommendation of the prime minister.

### **14 POLITICAL PARTIES**

Before 1996, the strongest political party in the republic was the Civic Democratic Party (ODS), headed by former prime minister Vaclav Klaus, a right-wing conservative party supporting democracy and a liberal economy. Supporters of the ODS are, in general, highly educated business people who come from Prague or other major cities. The ODS right-wing coalition with the Civic Democratic Alliance (ODA), Christian Democratic Union, and Christian Democratic Party, lost its majority in Parliament by two seats in the 1996 elections. Klaus and his coalition governed in the minority with the blessing of the opposition Social Democrats (CSSD), a socialist left-wing party that focuses on economic reform/growth in a planned economy. Supporters of the CSSD are mainly blue-collar laborers from industrial areas.

In December 1997, the ODS coalition (ODS, Christian Democratic Union/Czechoslovak People's Party or KDU-CSL, and ODA) was forced to resign due to the collapse of the union, government scandals, and a worsening economy. A temporary government was formed in January 1998, led by Mr. Tošovsk, which was given the task to prepare the country for new elections. These were held in June 1998, where the Czech Social Democratic Party gained the majority of votes (32.3%). After negotiating with

the ODS, which gained 27.74% of the votes, the CSSD formed a minority government, creating the first left-oriented party since Communist rule.

In the 1998 elections, the CSSD gained 74 seats in the Chamber of Deputies and 25 seats in the Senate, while the ODS gained 63 seats in the lower house and 29 in the Senate. The Christian Democratic Union-Czechoslovak People's Party (KDU-CSL, Catholic-conservative) took 20 seats in the Chamber and 13 in the Senate, and the Freedom Union (US, break-off party from the ODS) won 19 seats in the lower house and 3 in the Senate. Voters who became disillusioned with the bad policies of the ODS coalition took a significant number of seats away from the party, and gave them to the Freedom Union. The Communist Party won 24 seats in the Chamber of Deputies and 2 seats in the Senate.

President Havel, who was reelected on 26 January 1993, did not subscribe to any political party in the interest of political tranquility. He appointed Milos Zeman of the majority Social Democratic Party as prime minister on 17 July 1998.

In the 2002 elections, the CSSD gained 70 seats in the Chamber of Deputies and 11 seats in the Senate. The ODS took 58 seats in the Chamber and 26 in the Senate, and the Coalition, a grouping of the KDU-CSL and the Freedom Union (US), won 31 seats in the Chamber and 31 seats in the Senate. The Communist Party, in its strongest showing since the end of Communist rule, took 41 seats in the lower house and 3 seats in the Senate. The CSSD formed a majority government (101 seats) in the Chamber of Deputies with the Coalition. Vladimir Spidla of the CSSD became prime minister; following disastrous results in the 2004 European Parliament elections, he was replaced with Stanislav Gross—the former minister of interior. Accusations of corruption, and threats from the Christian Democrats to leave the coalition, forced Gross to resign after only nine months in office. On 25 April 2005 he was replaced with Jiri Paroubek, his former regional development minister.

Vaclav Klaus of the ODS was inaugurated president on 7 March 2003, after parliament voted him into office in February, after many rounds of voting. Next parliamentary elections were scheduled for June 2006.

## 15 LOCAL GOVERNMENT

The Czech Republic is divided into 6,000 municipalities for local administration, 13 self-governing regions, popularly elected for a four-year period of office, and the capital city of Prague, with a mayor and city council elected for four-year terms. Under Communist rule, Czechoslovakia's government was so centralized that little to no local government existed. Such institutions have become more common since the formation of the 1992 constitution and democratic rule.

## 16 JUDICIAL SYSTEM

Under the 1992 constitution, the judiciary has been completely reorganized to provide for a system of courts, which includes a Supreme Court; a supreme administrative court; high, regional, and district courts; and a constitutional court. The Supreme Court, which is situated in Brno, is the highest appellate court and has national jurisdiction. The High Courts, with seats in Prague and Olomouc, represent the second instance in the judicial system. The District Courts deal with proceedings in the first instance and are situated in the capital towns of the administrative districts.

The 15-member constitutional court created in 1993 rules on the constitutionality of legislation. Constitutional court judges are appointed by the president, subject to Senate approval, for 10-year terms.

Military courts were abolished in 1993 and their functions transferred to the civil court system. The new judiciary is independent from the executive and legislative branches and appears to be impartial in its application of the law. Criminal defendants are entitled to fair and open public trials. They have the right to have counsel and enjoy a presumption of innocence.

## 17 ARMED FORCES

The Czech Republic had 22,272 active personnel in 2005. The Army numbered 16,663 active members with 298 main battle tanks. The Air Force had 5,609 active personnel, with 40 combat capable aircraft. The Czech Republic also had a 5,600 member paramilitary force made up of 4,000 border guards and 1,600 internal security personnel. The Czech Republic provided support to NATO, UN and peacekeeping missions in nine countries in Asia, Europe and Africa. Military spending in 2005 amounted to \$2.19 billion.

The Košice Agreement of 1945 provided for military organization, equipment, and training to be modeled after those of the former USSR. Czechoslovakia was a signatory to the Warsaw Pact of 14 May 1955, which provided for military cooperation with the USSR and other Soviet-bloc countries and for a joint command with headquarters in Moscow.

## 18 INTERNATIONAL COOPERATION

Czechoslovakia was a charter member of the United Nations, admitted on 24 October 1945. The Czech Republic became a member of the UN on 8 January 1993; it is part of the ECE and serves on several specialized agencies, such as the IFC, IMF, WHO, the World Bank, and UNESCO. The Czech Republic was admitted to NATO on 12 March 1999 and became a member of the European Union on 1 May 2004. It is also a member of the OECD, the OSCE, the Central European Initiative, the Council of Europe, and the European Bank for Reconstruction and Development. The country is an observer in the OAS and an affiliate member of the Western European Union.

The nation is part of the European Organization for Nuclear Research (CERN), the Nuclear Suppliers Group (London Group), and the Nuclear Energy Agency. It is also a part of the Australia Group and the Zangger Committee. In environmental cooperation, the Czech Republic is part of the Antarctic Treaty, Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Before World War II, Bohemia and Moravia were among the most agriculturally and industrially developed areas in Europe. In 1993, the Czech Republic emerged from 40 years of centralized economic planning in the Communist era (including the more balanced economic development of the 1960s) with a more prosperous and less debt-ridden economy than most other post-Communist countries. It enjoys an extensive industrial sector strong in both heavy and precision engineering, self-sufficiency in a variety of

agricultural crops as well as an exportable surplus of meat, extensive timber resources, and adequate coal and lignite to supply two-thirds of its total energy needs.

After recovering from a recession following the 1993 separation from Slovakia, the republic enjoyed GDP growth of 4.8% in 1995. GDP growth of up to 5.5% was forecast for 1996 and 1997. Unemployment also stabilized at less than 3% through 1996. The annual rate of inflation dropped from 20% in 1993 to 9% in 1996. The thriving economy of the mid-1990s depended upon loans easily secured from state-owned banks to newly privatized companies that did not have effective managers. This method of fueling the economy collapsed in a 1997 currency crisis which caused the economy to go into a three-year recession. Following this collapse, the government rescued and privatized the four largest banks in the Czech Republic, which stabilized the banking sector, now largely foreign-owned. The banks had begun to lend again by 2001.

As of 2001, the country was receiving the highest level of foreign direct investment per capita in Central Europe, and 40% of industrial production was coming from foreign-owned companies. This high level of investment drove the value of the koruna up in 2001, which, coupled with a downturn in the global economy, put a damper on industry. The steel and engineering industries were struggling in the early 2000s, but growth in information technology and electronics diversified the economy. The telecommunications, energy, gas, and petrochemical sectors were due to be privatized by 2002.

Severe flooding in Central Europe in August 2002 negatively impacted the Czech economy. The tourism sector was especially affected.

The country was formally invited to join the EU in December 2002, and it will need to keep its budget deficit below the 3% of GDP mandated by the EU for entering into European economic and monetary union (it was 5.3% in 2002). The deficit is balanced against the influx of revenue from privatization, however, which reached 11.3% of GDP in 2002. Accession to the EU was completed in 2004.

The relatively slow pace of growth from 2001 and 2002 was replaced with moderately high growth rates of the GDP in 2003 and 2004: 3.7% and 4.0% respectively; in 2005 the economy was expected to strengthen even further, with a real GDP growth of 4.3%. This moderate growth is the sign of a maturing economy that is trying to embed the market in a stable system. Inflation remained fairly stable, hovering around 3%. The unemployment rate fluctuated between 9% and 10%.

The Czech Republic remains one of the strongest economies in Central and Eastern Europe. The main growth engines are exports, foreign and domestic investment, and tourism. The state-owned telecommunications company—Cesky Telecom—was to be privatized in 2005, which together with improvements in the financial sector, and better management of EU funds was supposed to strengthen the economy on the short term. Car manufacturing (the Czech Republic is part of the so-called “Detroit of Europe” region), and tourism are two of the country’s strongest industries.

## **2<sup>0</sup> INCOME**

The US Central Intelligence Agency (CIA) reports that in 2005 Czech Republic’s gross domestic product (GDP) was estimated at

\$184.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$18,100. The annual growth rate of GDP was estimated at 4.6%. The average inflation rate in 2005 was 2%. It was estimated that agriculture accounted for 3.4% of GDP, industry 39.3%, and services 57.3% in 2004.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$500 million or about \$49 per capita and accounted for approximately 0.6% of GDP. Foreign aid receipts amounted to \$263 million or about \$26 per capita and accounted for approximately 0.3% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Czech Republic totaled \$45.59 billion or about \$4,470 per capita based on a GDP of \$90.4 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.8%. In 2001 it was estimated that approximately 24% of household consumption was spent on food, 14% on fuel, 5% on health care, and 12% on education.

## **2<sup>1</sup> LABOR**

As of 2005, the labor force was estimated at 5.27 million. Among wage earners in 2002, an estimated 4% were engaged in agriculture; 38% in industry; and 58% in services. The estimated unemployment rate in 2005 was 9.1%.

The right to form and join unions is protected by law. As of 2005, about 20% of the Czech labor force was unionized, although union membership was on the decline. The major labor confederation is the Czech-Moravian Chamber of Trade Unions. Workers are freely allowed to organize and engage in collective bargaining. Striking is also allowed, but only after mediation efforts fail. However, workers in certain critical sectors cannot strike and are limited only to mediation. Collective bargaining is usually conducted on a company-by-company basis between unions and employers.

In 2005, the standard workweek was 40 hours, with at least two days of rest. There is also a mandatory 30-minute rest period during the eight-hour day. Overtime is limited to eight hours per week and is subject to employee consent. The minimum working age is 15 years with some exceptions allowing legal employment to 14-year-old workers. There are strict standards for all workers under the age of 18, and these standards are routinely enforced. Occupational health and safety standards are prescribed and effectively enforced except in some industries still awaiting privatization. As of 2005, the minimum wage was \$287 per month and is considered to provide a decent standard of living for a worker and a family.

## **2<sup>2</sup> AGRICULTURE**

Agriculture is a small but important sector of the economy which has steadily declined since the “Velvet Revolution” of 1989. In 2003, cultivated areas accounted for 43% of the total land area. Agriculture contributed 3.4% to GDP in 2004.

The principal crops are grains (wheat, rye, barley, oats, and corn), which support the Czech Republic’s dozens of small brew-

eries. Production in 2004 included wheat, 5,042,000 tons; barley, 2,330,000 tons; rye, 313,000 tons; oats, 227,000 tons; and corn, 552,000 tons. At 166 liters (44 gallons) per person, the Czech Republic is the world's highest per capita beer-consuming nation. There is a long tradition of brewing in the Czech Republic; some of the world's oldest brands were invented there. After Germany, the Czech Republic is Europe's largest producer of hops; production in 2004 was 6,311 tons. Other important crops include oil-seeds, sugar beets, potatoes, and apples.

Agriculture lags behind other sectors in the restoration of private properties seized after 1948. As of 1993, agricultural subsidies were restricted to the formation of new farms, and the production of wheat, dairy products, and meat. Over the long term, the government estimates that over 250,000 agricultural workers will need to find employment in other sectors and that arable land in use will decrease by 9%.

### 23 ANIMAL HUSBANDRY

Hogs, cattle, and poultry are the main income-producers in the livestock sector. In 2004 there were an estimated 1,428,000 head of cattle and 3,126,000 hogs. The number of chickens that year reached an estimated 14.2 million; sheep, 115,900; goats, 11,900; and horses, 24,000.

Meat, poultry, and dairy production have been oriented toward quantity rather than quality. In 2004, meat production totaled 759,254 tons, with pork accounting for 52%.

### 24 FISHING

Fishing is a relatively unimportant source of domestic food supply. Production is derived mostly from pond cultivation and, to a lesser extent, from rivers. The total catch in 2003 was 5,127 tons, all from inland waters. Aquacultural production amounted to 19,670 tons that year.

### 25 FORESTRY

The Forest Code (1852) of the Austro-Hungarian Empire was incorporated into the laws of the former Czechoslovakia and governed forest conservation until World War II (1939–45). Most forests were privately owned, and during the world wars, they were excessively exploited. The Czech Republic had an estimated 2,632,000 hectares (6,504,000 acres) of forestland in 2000, accounting for 34% of the total land area. As of 2003, forest ownership was 62% state, 21% private, and 15% municipal. Total roundwood production in 2003 was 14.5 million cu m (512 million cu ft), with exports of 2.5 million cu m (88 million cu ft). Since the Czech government began property restitution, the need for wood products has far outstripped domestic supply, especially for furniture and construction materials.

### 26 MINING

The mining and processing sector's share of GDP in 2002 was 1.2%, down from 3.7% in 1993. Mining and processing of industrial minerals and the production of construction materials continued to be of regional and domestic importance. Economic resources of most metals have been depleted. As of end 2000 only gold-bearing and tin-tungsten ores were among the exceptions. All the raw materials consumed by the country's steel industry were imported, including iron ore and concentrate, manganese

ore, copper, and unwrought lead and zinc. Lead and zinc have not been mined for about seven years, and the number of registered lead deposits declined from 17 in 1998 to nine in 2002, none of which were being worked. The country's eight iron ore deposits were no longer worked. In 2002: kaolin production was 3.65 million metric tons, down from 5.543 million tons in 2001; common sand and gravel, 12.464 million cu m, up from 12.1 million cu m in 2001; foundry sand, 676,000 tons, compared to 771,000 tons in 2001; glass sand, 853,000 tons, compared to 974,000 tons in 2001; dimension stone, 285 million cu m, down from 300 million cu m in 2001; limestone and calcareous stones, 10.186 million tons; building stone, 10.6 million cu m; hydrated lime and quicklime, 1.12 million tons; feldspar, 401,000 metric tons, up from 373,000 metric tons in 2001; diatomite, 28,000 metric tons, down from 83,000 metric tons in 2001; and graphite, 16,000 metric tons, down from 17,000 metric tons in 2001. Output of crude gypsum and anhydrite went from 24,000 metric tons in 2001 to 108,000 metric tons in 2002. The Czech Republic also produced arsenic, hydraulic cement, bentonite, dolomite, crude gemstones and pyrope-bearing rock, illite, iron ore, nitrogen, quartz, salt, basalt (for casting), silver, sodium compounds, sulfuric acid, talc, uranium, wollastonite, and zeolites.

### 27 ENERGY AND POWER

The Czech Republic has only small proven reserves of oil and natural gas, but relatively abundant recoverable reserves of coal.

The electricity production market in the Czech Republic is dominated by Ceske Energeticke Zavody (CEZ), which is majority owned by the state. In 2003, CEZ provided 74% of the country's power, with the remaining 26% of the nation's power provided by 8 regional power companies, of which CEZ holds a majority stake in 5.

In 2002, the Czech Republic had 15.298 million kW of electrical generating capacity. This included conventional thermal at 11.537 million kW; nuclear at 2.760 million kW; hydroelectric at 1.000 million kW; and geothermal/other at 0.001 million kW. For that same year, electricity generation was estimated at 71.8 billion kWh, of which 50.835 billion kWh came from conventional thermal sources; 17.801 billion kWh from nuclear sources; 2.467 billion kWh from hydropower; and 0.655 billion kWh from geothermal/other sources. Electricity consumption in 2002 was estimated at 55 billion kWh. Exports of electricity for 2002 totaled 20.900 billion kWh, with imports for that year at 9.502 billion kWh.

The Czech Republic has two operational nuclear power plants: Dukovany; and Temelin, the latter located 37 miles from the Austrian border. Temelin initially went online in December 2000, with a second reactor placed on trial operation 8 April 2003. The following month, both Temelin reactors became fully operational. Both plants are operated by CEZ and generated 42% of the company's power, accounting for 30% of its installed generating capacity in 2003. In 2002, nuclear power accounted for almost 25% of the electric power produced by the Czech Republic. Nuclear power is an important part of the Czech.

The Czech Republic's crude oil reserves are limited, totaling an estimated 15 million barrels as of 1 January 2004. Oil production in 2003 came to an estimated 13,200 barrels per day, with preliminary figures showing a consumption rate for all oil products of 186,000 barrels per day for that year. According to British Petro-

leum, oil product consumption totaled 202,000 barrels per day for 2004. As a result, the Czech Republic is heavily dependent upon imported oil. In 2002, total crude and refined oil product imports totaled 191,410 barrels per day. While much of the Czech Republic's oil imports come from Russia, the country has been able to tap other sources via the Ingolstadt-Kralupy nad Vltavou-Litvinov (ILK) pipeline, which permits crude oil to be transported from Trieste by way of the Trans-Alpine pipeline. The ILK pipeline is operated by Mero CR.

As with oil, the Czech Republic has only limited reserves of natural gas. In 2002, consumption and production of natural gas was estimated at 337 billion cu ft, and 5.4 billion cu ft, respectively. Imports for that year came to 343.76 billion cu ft. Estimated natural gas reserves have been placed at 0.14 trillion cubic ft, as of 1 January 2004.

The Czech Republic, between 1993 and 2002, has seen its demand for coal fall 23%. In spite of this, coal remains an important source of energy. In 2002, coal accounted for 43% of the nation's primary energy demand. Estimated recoverable coal reserves in the Czech Republic amounted to 6,259 million short tons in 2001. Coal production and consumption of all types in 2002, was estimated at 70.4 million short tons and 65 million short tons, respectively.

## 28 INDUSTRY

Before World War II, Czechoslovakia favored traditional export-oriented light industries, including food processing. Concentration on the production of capital goods since the war has been at the expense of consumer goods and foodstuffs, although there have been increases in the metalworking industry and in the production of glass, wood products, paper, textiles, clothing, shoes, and leather goods. Some of these and other consumer goods—such as the world-famous pilsner beer, ham, and sugar—had figured prominently in the pre-World War II export trade, but machinery was predominant under the Communist regime.

The extent of Czechoslovakian industry still ranks both the Czech and Slovak republics among the world's most industrialized countries. A final wave of privatization begun in 1995 has resulted in an 80% private stake in industry, although the government maintains some control over steel, telecommunications, transport, and energy industries. However, in 2001, the energy utility CEZ was due to be privatized. Industry accounted for 40.7% of GDP and 38% of employment through 1995. However, while industrial wages continued to grow through 1996, output fell 3.5%, forcing the government to implement new austerity measures to spur renewed growth. Nevertheless, industry, which accounted for over 40% of the economy, registered a 4.7% decline in 1998. The recession, which continued into 1999, brought disillusionment to many Czechs who had emerged from the 1989 "Velvet Revolution" as the most prosperous citizens of the former East Bloc. The European recession, which began on the heels of the economic downturn in the United States beginning in 2001, further exacerbated the struggling Czech economy. Industry accounted for 41% of GDP in 2001, and employed 35% of the work force. Although the relative contribution of industry to the economy had begun to decline in 2002, the industrial base remained diversified.

Major industries in the Czech Republic include fuels, ferrous metallurgy, machinery and equipment, coal, motor vehicles, glass,

and armaments. The country is particularly strong in engineering. The Czech Republic in 2001 was receiving the highest foreign direct investment in the region, which was devoted to restructuring industrial companies. Forty percent of industrial production in 2001 came from companies with foreign capital, up from 15% in 1997. The Czech Republic produced 465,268 automobiles in 2001, up 2% from 2000. Skoda Auto, now owned by Volkswagen, is a successful Czech enterprise.

In 2004, the industrial sector contributed 39.3% to the overall GDP, and employed 38% of the total labor force; agriculture was not a big contributor to the GDP—only 3.4%, and employed only 4% of the working population; services came in first with 57.3% and 58% respectively. The industrial production growth rate was slightly higher than the GDP growth rate, reaching 4.7% in 2004. Car manufacturing remains the main industrial driving force, and is followed by metallurgy, machinery and equipment, glass, and armaments.

## 29 SCIENCE AND TECHNOLOGY

The Czech Academy of Science has divisions of life and chemical sciences, mathematics, and physical and earth sciences, and 43 attached medical, scientific, and technical research institutes. In addition, there are 28 specialized agricultural, medical, scientific, and technical learned societies. There are technology museums in Brno, Mladá Boleslav, and Prague, and the latter also has a natural history museum. The Czech Republic has 13 universities offering degrees in medicine, natural sciences, mathematics, engineering, and agriculture. In 1987–97, science and engineering students accounted for 28% of university enrollment. In 2002, a total of 30.2% of all bachelor's degrees awarded were science degrees (natural sciences, mathematics and computers, and engineering).

In 2003, total expenditures for research and development (R&D) amounted to Kc32,246.6 million, of which 51.5% came from business, 41.8% came from government sources, 2.2% came from higher education, and 4.6% came from foreign sources. In 2002 (the latest year for which this data was available) there were 1,467 researchers and 792 technicians per million people actively engaged in R&D. High technology exports in 2002 totaled \$4.494 billion, accounting for 14% of manufactured exports that year.

## 30 DOMESTIC TRADE

In the Communist period, marketing and distribution, including price-fixing, were controlled by the federal government; administration on the lower levels was handled by the national committees. Cooperative farms sold the bulk of their produce to the state at fixed prices, but marginal quantities of surplus items were sold directly to consumers through so-called free farmers' markets. Starting in 1958, the government operated a program of installment buying for certain durable consumer goods, with state savings banks granting special credits.

The "Velvet Revolution" of 1989 brought rapid privatization program on an innovative voucher system. Each citizen was given an opportunity to purchase a book of vouchers to be used in exchange for shares in state-owned businesses. As a result, more than 20,000 shops, restaurants, and workshops in both the Czech and Slovak republics were transferred to private owners by public auction in a wave of "small" privatization, and through distribution of ownership shares. Under communism, nearly 97% of



businesses were state-owned. Today, about 80% of the economy is wholly or partially in private hands.

The commercial center of the country is Prague. Though there are numerous small shops throughout the city, American and European style supermarkets and department stores are developing and providing stiff competition. Shopping malls have also begun to develop. Though most transactions are still in cash, credit cards are gaining a wider acceptance within major cities. Direct marketing, particularly through catalog sales, has become more popular, particularly in areas outside of the major cities.

Businesses generally adhere to a standard 40-hour workweek, though many may close early on Fridays. Most businesses do not keep weekend hours.

### 31 FOREIGN TRADE

Czechoslovak foreign trade has traditionally involved the import of raw materials, oil and gas, and semi-manufactured products and the export of semifinished products and consumer and capital goods. In 1989, trade with former Eastern bloc nations accounted for 56% of Czechoslovakia's total foreign trade; by the end of 1992 their share had more than halved to 27%.

The Czech Republic engages in the export of numerous manufactured goods that are used in the production of automobiles, furniture, and electrical appliances. The manufacturing of metals, including iron and steel plates and sheets, and base metal bring in 5.7% of export dues. The road vehicle industry results in 15.6% of exports. Other export commodities include textiles (4.3%), glassware (which the country is famous for producing—1.6%), furniture (2.7%), and electrical machinery (2.9%). A majority of these products are exported to Germany.

Total exports grew to \$66.5 billion (FOB—Free on Board) in 2004. Machinery and transport equipment made up the bulk of total export at 52%, and were followed by raw materials and fuels (9%), and chemicals (5%). The main destination points were Germany (where 36.1% of total exports went), Slovakia (8.4%), Austria (6%), Poland (5.3%), the United Kingdom (4.7%), France (4.7%), Italy (4.3%), and the Netherlands (4.3%). Imports totaled \$68.2 billion, and came mainly from Germany (31.8%), Slovakia (5.4%), Italy (5.3%), China (5.2%), Poland (4.8%), France (4.8%), and Russia (4.1%). The main import commodities included machinery and transport equipment (46%), raw materials and fuels (15%), and chemicals (10%).

### 32 BALANCE OF PAYMENTS

The current account balance in 2001 improved from 2000, when it stood at approximately \$3.5 billion, or 4.8% of GDP, due to a narrowing trade gap. Strong inflows of foreign direct investment have led to surpluses in the financial account, which easily cover the current account deficit.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of the Czech Republic's exports was \$38 billion while imports totaled \$41.7 billion resulting in a trade deficit of \$3.7 billion.

The International Monetary Fund (IMF) reported that in 2001 the Czech Republic had exports of goods totaling \$33.4 billion and imports totaling \$36.5 billion. The services credit totaled \$7.09 billion and debit \$5.6 billion.

Exports of good and services grew faster than imports in 2004, jumping at \$76.6 billion (from \$56.5 in 2003); imports expanded from \$58.5 to \$77 billion. Thus, while the resource balance was -\$2 billion in 2003, by 2004 it improved to -\$400 million. The current account balance remained fairly stable, reaching -\$5.6 billion in 2004. The country's total reserves (including gold) grew to \$28.5 billion in the same year, covering almost five months of imports.

### 33 BANKING AND SECURITIES

The Czech National Bank (CNB) is the country's central bank, charged with issuing currency and regulating the state's commercial banking sector. Since mid-1996 domestic credit and M2 growth have fallen sharply. Growth in M2 stood at 7.8% at the end of December 1996, well below the central bank's 13-17% growth

#### Principal Trading Partners – Czech Republic (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	48,720.4	51,239.3	-2,518.9
Germany	18,025.6	16,685.3	1,340.3
Slovakia	3,884.0	2,656.8	1,227.2
Austria	3,042.8	2,196.9	845.9
United Kingdom	22,621.5	1,389.4	21,232.1
Poland	2,336.4	2,129.9	206.5
France-Monaco	2,304.0	2,525.4	-221.4
Italy-San Marino-Holy See	2,165.3	2,725.7	-560.4
Netherlands	2,010.3	1,122.1	888.2
United States	1,189.4	1,594.2	-404.8
Hungary	1,110.6	1,042.7	67.9

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Czech Republic (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-5,661.0</b>
Balance on goods		-2,505.0	
Imports	-51,242.0		
Exports	48,736.0		
Balance on services		559.0	
Balance on income		-4,166.0	
Current transfers		540.0	
<b>Capital Account</b>			<b>-3.0</b>
<b>Financial Account</b>			<b>5,855.0</b>
Direct investment abroad		-242.0	
Direct investment in Czech Republic		2,514.0	
Portfolio investment assets		-3,006.0	
Portfolio investment liabilities		1,753.0	
Financial derivatives		143.0	
Other investment assets		2,279.0	
Other investment liabilities		2,414.0	
<b>Net Errors and Omissions</b>			<b>251.0</b>
<b>Reserves and Related Items</b>			<b>-442.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

target for 1996 and in the middle of its 8–12% target range for 1997.

In the mid-1990s, there were 36 commercial and savings banks in the Czech Republic. The state had one state financial bank, 21 Czech joint-stock companies, 6 partly owned foreign banks, and 7 foreign banks. The new Czech Export Bank commenced operations in late 1996. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$15.3 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$42.3 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.69%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 4.75%.

The origins of the first exchange in Prague go back to the 1850s when foreign exchange and securities were the principal trading products. An exchange trading securities and commodities was established in 1871. The volumes traded at the exchange fluctuated considerably and in 1938 official trading was suspended. After World War II the operation of the Prague Exchange was not restored and in 1952 the Exchange was officially abolished. In 1990 eight banks became members of the Preparatory Committee on Stock Exchange Foundation. In 1992 this institution transformed itself into a stock exchange. The Prague Stock Exchange has been trading debt securities (mostly government and bank issues) since April 1993. Volume in mid-1993 was Kc18 million, of which two-thirds were listed issues. Leading Czech banks include: Ceská spořitelna (Czech Savings Bank), Investiční a poštovní banka (Investment and Postal Bank), Komerční banka (Commercial Bank), and the Československá obchodní banka (Czechoslovak Commercial Bank). As of 2004, a total of 554 companies were listed on the Prague Stock Exchange. Total capitalization that year totaled \$30.863 billion. In 2004, the PX 50 rose 56.6% from the previous year to 1,032.0.

### 3<sup>4</sup> INSURANCE

The pre-World War II insurance companies and institutions of the former Czechoslovakia were reorganized after 1945 and merged, nationalized, and centralized. Since 1952, the insurance industry has been administered by the State Insurance Office, under the jurisdiction of the Ministry of Finance. Two enterprises conducted insurance activities, the Czech and the Slovak Insurance Enterprises of the State.

Property insurance and car insurance are used by more than 80% of the population in the Czech Republic. By 2001, the Czech Republic's state insurance enterprise, Ceska Pojistovna, had been joined by nearly two dozen other firms, including branches of foreign companies. Most offer standard life and health insurance, as well as property coverage and commercial insurance. Third-party auto insurance, workers' compensation, employer's liability and liability for lawyers, auditors, architects, civil engineers, airlines and hunters are compulsory. By law however, Ceska Pojistovna must write the automobile liability cover, and it maintains control of the market. As of 2003, the value of all direct premiums written totaled \$3.714 billion, of which nonlife premiums accounted for \$2.290 billion. Ceska pojistovna was the country top nonlife and life insurer in that same year, with gross nonlife and life premiums written totaling \$835.9 million and \$618.4 million, respectively.

By 1997, proposals to switch the country's pay-as-you-go pension system into one incorporating mandatory private savings and voluntary pension insurance were developed. The introduction of such a scheme drew sharp criticism from the opposition and met with skepticism from the CNB, which has indicated that the quality of capital market regulation would have to improve considerably before pension funds of the kind proposed could be built up.

### 3<sup>5</sup> PUBLIC FINANCE

In the early 1990s, it was estimated that about 97% of businesses were under state control. By 2003, the nonprivate sector accounted for less than 20% of business ownership. In fact, the Czech Republic's economy advanced so quickly out of communism that the country was admitted to the EU in 2004.

The US Central Intelligence Agency (CIA) estimated that in 2005 Czech Republic's central government took in revenues of approximately \$48.1 billion and had expenditures of \$53 billion. Revenues minus expenditures totaled approximately -\$4.8 billion. Public debt in 2005 amounted to 33.1% of GDP. Total external debt was \$43.2 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were Kc852.04 billion and expenditures were Kc979.81 billion. The value of revenues was us\$30 million and expenditures us\$34 million, based on an official exchange rate for 2003 of us\$1 = Kc28.209 as reported by the IMF. Government outlays by function were as follows: general public services, 12.4%; defense, 4.7%; public order and safety, 5.7%; economic affairs, 13.8%; environmental protection, 1.3%; housing and community amenities, 2.5%; health, 16.6%; recreation, culture, and religion, 1.0%; education, 9.4%; and social protection, 32.6%.

#### Public Finance – Czech Republic (2003)

(In billions of koruny, central government figures)

<b>Revenue and Grants</b>	<b>852.04</b>	<b>100.0%</b>
Tax revenue	416.1	48.8%
Social contributions	387.25	45.4%
Grants	12.4	1.5%
Other revenue	36.29	4.3%
<b>Expenditures</b>	<b>979.81</b>	<b>100.0%</b>
General public services	121.63	12.4%
Defense	46.04	4.7%
Public order and safety	56.04	5.7%
Economic affairs	135.03	13.8%
Environmental protection	12.57	1.3%
Housing and community amenities	24.62	2.5%
Health	162.17	16.6%
Recreational, culture, and religion	9.54	1.0%
Education	92.52	9.4%
Social protection	319.66	32.6%

(...) data not available or not significant.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

### 36 TAXATION

As of 1 January 2006, the standard corporate income tax rate in the Czech Republic is 24%. Dividends are subject to a withholding tax of 15% and are not included in taxable income. If 25% of the shares have been held for two years, a participation exemption applies. Personal income tax is progressive with four brackets and a top rate of 32% (15% up to yearly income of about \$4,000, 20% on income between \$4,000 and \$8,000, 25% on income between \$8,000 and \$12,000, and 32% on income above \$12,000, with additional lump sums of \$600, \$1400, and \$2400, respectively, paid at the 20%, 25%, and 32% levels). Payroll taxes of 47.5% (35% paid by the employer and 12.5% paid by the employee) cover pension insurance, sickness insurance, and employment insurance. There is a real estate transfer tax of 3%; gift taxes of 1–40%; and inheritance taxes of 0.5–20%. Withholding taxes are applied to income of nonresidents: 15% on income from dividends and interest; and 25% on income from royalties and operating licenses. The Czech Republic has bilateral tax treaties (BITs) with about 65 countries. In the BITs withholding rates are generally lower.

The main indirect tax is a system of value-added taxes (VATs) which replaced turnover taxes as of 1 January 1993. There are three VAT rates: 19% on most goods and some services; 5% on basic foodstuffs, minerals, pharmaceuticals, medical equipment, paper products, books, newspapers, and public transport services; and 0% on exports.

### 37 CUSTOMS AND DUTIES

On 1 January 1993, Czechoslovakia divided into two independent states, the Czech Republic and the Slovak Republic. Both states maintain a customs union that continues most of the same trade policies of the former Czechoslovakia. All imports into the Czech Republic, except those from the Slovak Republic, are subject to an ad valorem rate of up to 80%, but with an average of 4.6%. There is also a value-added tax (VAT) of 19% for everything except necessities, such as food and pharmaceuticals, for which it is 5%. Preferential treatment is granted to developing countries. The Czech Republic has trade agreements with Bulgaria, Hungary, Poland, Romania, Slovakia, and Slovenia, which comprise the Central European Free Trade Agreement (CEFTA).

### 38 FOREIGN INVESTMENT

Moody's Investors Service gave the Czech Republic the first investment-grade A rating to be awarded to a former Soviet bloc country. As of 2001, foreign direct investment (FDI) stock per capita in the Czech Republic was \$2,432, the highest among the Eastern European transitional economies. FDI has served Czech economic development in providing capital and managerial expertise for restructuring its enterprises. National treatment is the general rule, with screening of foreign investment proposals required only in banking, insurance and defense industries. A competitive exchange rate and low wages have been conducive to foreign investment, but in 1998 a six-point incentive package approved by the Czech government helped ratchet annual FDI inflows to about double previous levels. Incentives—tax breaks up to 10 years, duty-free imports, rent reductions, benefits for job creation, training grants, and incentives for reinvestments and expansions—are available for investments above \$10 million, or above \$5 million

in regions where unemployment is over 25%. The Czech Republic has also authorized nine commercial or industrial custom-free zones that operate according to the same rules as those in the European Union. By 2002, the government had negotiated bilateral investment treaties (BITs) with 66 countries, the BIT with the United States in force since 1992.

From 1993 to 2001, the Czech Republic attracted \$26.76 billion cumulative FDI inflow, of which 27.6% has come from the Netherlands, 26% from Germany, 10.2% from Austria, 8.6% from France, 6.2% from the United States, 4.1% from Belgium, 3.8% from Switzerland, 3.1% from the United Kingdom, 1.9% from Denmark, and 8.5% from other countries. Annual FDI inflow jumped from about \$880 million in 1993 to 2.5 billion in 1995 due to the first foreign investment in the state-owned telecommunications system and German investment in the automotive industry. In 1997, FDI inflow had fallen back to \$1.3 billion, but in 1998, with the introduction of incentives for foreign investment, FDI inflow rose to \$3.7 billion and then spiked to \$6.3 billion in 1999. For 2000 and 2001, annual FDI was just below \$5 billion, and in 2002, reached a record \$7.5 billion. By economic sector, the principal destinations for FDI flows into the Czech Republic from 1990 to 2000 have been financial intermediation (18%), wholesale trade (15%), nonmetallic mineral products manufacture (7.5%), and motor vehicle manufacture (6.5%). Other significant areas have been food and beverages, energy, and retail sales. In 2000, direct investment outflow from the Czech Republic totaled \$726 million, 37.7% to Slovenia, 25.6% to Poland, and 15.9% to Russia.

In 2002, the inflow of capital from abroad reached \$9.3 billion—the second-largest FDI per capita in Central and Eastern Europe, after Slovenia. The total stock of foreign investment was \$41.1 billion in 1993–2003, growing by almost \$14 billion between 2002 and 2003, and averaging \$4.1 billion annually. Germany and the Netherlands were the main investors, with \$11.3 billion (31%) and \$9.6% (26.0%) respectively. They were followed by the United States and Austria, with \$3.6 billion (10.1%) each, France with \$2.2 billion (6%), and the United Kingdom with \$1.9 billion (5.2%). Overall, the Czech Republic has received more FDI per capita than any other country in Central and Eastern Europe, most of it going towards manufacturing, financial services, hotels and restaurants, and transportation and telecommunications.

### 39 ECONOMIC DEVELOPMENT

Post-communist economic recovery has been implemented by development of the private sector, particularly in the trade and services areas, increased exports to industrialized nations, control of inflation, and achievement of a positive trade balance. The most promising growth sectors are those involving advanced technology, environmental protection, biotechnology, and, generally, high value-added production. At the end of 1996, approximately 80% of the Czech Republic's large companies had been privatized, most via voucher privatization, through which nearly six million Czechs bought vouchers exchangeable for shares in companies that were to be privatized. By 1997, however, the recovery had petered out and the Czech Republic plunged into a recession which lasted through 1999. Most analysts blamed the downturn on an incomplete restructuring.

In 2002, the nonprivate sector accounted for only 20% of business; however, the state has retained minority shares in many

heavy industrial enterprises, and many large firms were placed under the control of state-owned banks due to voucher privatization. (Bank privatization was in the completion stages in 2003.) The EU contributed significant resources to prepare the country for accession, including speeding administrative, regulatory, and judicial reform; accession to the EU was completed in 2004. The government is faced with high unemployment; a need for industrial restructuring; transformation of the housing sector; reform of the pension and healthcare systems; and a solution to environmental problems. The decline in industry's contribution to the economy has led to factory closings and job losses. Real gross domestic product (GDP) growth increased to 2.2% in the first quarter of 2003, despite the global economic recession and in part due to high household consumption.

By 2004 the GDP growth rate reached 4.0%, and its increase was attributed to significant inflows of foreign capital and growing consumer demand. High investment rates have managed to expand productivity, and helped create new jobs and increase real wages. Inflation remained fairly low over this time period, strengthening the national currency, but at the same time undermining the export sector. As part of the EU, the Czech Republic can tap into a large market, and its maturing economy allows it to compete with countries from Western Europe.

#### **40 SOCIAL DEVELOPMENT**

Social welfare programs in the former Czechoslovakia dated back to the Austro-Hungarian Empire. Work injury laws were first introduced in 1887 and sickness benefits in 1888. During the First Republic (1918–39), social insurance was improved and extended. After World War II, new social legislation made sickness, accident, disability, and old age insurance compulsory. The trade unions administered health insurance and family allowances. The government's Bureau of Pension Insurance administered the pension insurance program, which was funded by the government and employers. In 1960, social welfare committees were established within the regional and district national committees to exercise closer control.

Current programs include old age pensions, disability, survivor benefits, sickness and maternity, work injury, unemployment, and family allowances. Employers are required to contribute 21.5% of payroll, while employees contribute 6.5% to the pensions program. The retirement age has been gradually increasing.

In recent years, women have played an increasingly greater role in Czech society and now account for about half of the labor force. Although the principle of equal pay for equal work is generally followed, women hold a disproportionate share of lower-paying positions. The unemployment rate for women is greater than for men, and only a small number of women hold senior positions in the work force. Rape and domestic violence is underreported, although societal attitudes are slowly improving to help victims seek assistance from authorities. In 2004, the Criminal Code was amended to recognize domestic violence as a distinct crime. Crisis centers exist to help victims of sexual abuse and violence. Sexual harassment is prohibited by law. Trafficking in women and children is evident.

The Roma minority, officially estimated to number 150,000–175,000, face discrimination in housing, employment, and often

are subject to harassment. Racially motivated crime is on the increase, as is skinhead activity. Religious freedom is generally tolerated. The Czech Republic's human rights record is fairly good, although judicial backlogs result in extended pretrial detention in some cases and sporadic police violence has been reported.

#### **41 HEALTH**

The Czech health care system combines compulsory universal health insurance with mixed public and private care. Health insurance is funded by individuals, employers, and the government. A number of physicians have private practices and maintain contracts with the insurance system for reimbursement of their services. As of 2004, there were an estimated 342 physicians, 946 nurses, 65 dentists, 51 pharmacists, and 48 midwives per 100,000 people. Health care expenditure was estimated at 7.2% of GDP.

Health activities are directed by the Ministry of Health through the National Health Service. Factories and offices have health services, ranging from first-aid facilities in small enterprises to hospitals in the largest. All school children receive medical attention, including inoculations, X-rays, and annual examinations. In 1999, children up to one year of age were immunized for the following diseases: diphtheria, pertussis, and tetanus, 98%; and measles, 95%.

Special attention has been devoted to preventive medicine, with campaigns waged against tuberculosis, venereal diseases, cancer, poliomyelitis, diphtheria, and mental disturbances. Diseases of the circulatory system are the leading cause of death. Free guidance and care given to women and children have resulted in a low infant mortality rate of 3.93 per 1,000 live births in 2005, one of the lowest in the world. The total fertility rate in the same year was 1.2. The maternal mortality rate in 1998 was low at 14 maternal deaths per 100,000 live births. Average life expectancy in 2005 was 76.02 years. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 2,500 people living with HIV/AIDS in the country. There were 10 reported deaths from AIDS in 2003.

#### **42 HOUSING**

Currently, the lack of affordable housing, which inhibits labor mobility, is a major factor slowing economic growth in the Czech Republic. Problems include lack of financing, shortages of materials and labor, and a poorly developed infrastructure. In the mid-1990s the government drafted a new housing policy which, among other things, would lift existing restrictive legal provisions barring occupants from buying and reselling flats and differentiate rents according to quality and location of flats.

According to the 2001 census, there were about 4,366,293 dwelling units within the country with about 87% permanently occupied. About 1,969,568 dwellings are houses. There is an average of 2.69 people per household.

#### **43 EDUCATION**

Education is under state control and free, up to and including the university level. Nine years of education are compulsory. There is a general primary school program that lasts for nine years. However, after the fifth year, some students may choose to enter more specialized programs that will include their secondary education

studies as well. Secondary programs include general academic studies (gymnasium), vocational studies, technical programs, or art studies (music and drama). The academic year runs from September to June. The primary languages of instruction are Czech, German, and English.

In 2001, about 95% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 87% of age-eligible students. The same year, secondary school enrollment was about 90% of age-eligible students. Most students complete their primary education. The student-to-teacher ratio for primary school was at about 17:1 in 2003; the ratio for secondary school was about 11:1.

Universities in the current Czech Republic include the world-famous Charles University at Prague (founded 1348); Palacky University at Olomouc (1576; reestablished 1946); and J. E. Purkyne University at Brno (1919; reestablished 1945). In 2003, about 36% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate is estimated at about 99%.

As of 2003, public expenditure on education was estimated at 4.4% of GDP, or 9.6% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library of the Czech Republic (six million volumes in 2005) in Prague is the result of a 1958 amalgamation of six Prague libraries, including the venerable University Library, founded in 1348. It holds a valuable expensive collection of Mozart's papers and manuscripts. Other collections of significance are the university libraries at Brno and Olomouc. The State Research Library, including all six of its branches, holds more than six million volumes. In 1997, the Czech Republic had 6,245 public libraries with 53.7 million volumes and 1.4 million registered users. The Jirí Mahen Library in Brno, established in 1921, is the largest municipal library in the region of Moravia; the library holds about 800,000 books and operates a system of 35 branch locations. The Association of Library and Information Professionals of the Czech Republic had about 1,200 members in 2005.

Castles, mansions, churches, and other buildings of historical interest are public property. Many serve as museums and galleries. The largest museum in the country is the world-famous National Museum in Prague. The National Gallery, also in Prague, contains outstanding collections of medieval art and 17th-century and 18th-century Dutch paintings. Other Prague museums of note include the Jewish Museum, the Antonin Dvorak Museum (celebrating the life of the Czech composer, 1841–1904), and the Museum of Toys, holding the world's second-largest exposition of toys. Other outstanding museums and galleries are located in Brno and Plzen. The Prague Botanical Gardens are among the finest in Europe.

#### 45 MEDIA

In 2003, there were an estimated 360 mainline telephones for every 1,000 people; about 27,300 people were on a waiting list for

telephone service installation. The same year, there were approximately 965 mobile phones in use for every 1,000 people.

In 2000, there were 31 AM and 304 FM radio stations and 150 television stations. In 2003, there were an estimated 803 radios and 538 television sets for every 1,000 people. About 94.4% of every 1,000 people were cable subscribers. In 2003, there were 177.4 personal computers for every 1,000 people and 308 of every 1,000 people had access to the Internet. There were 316 secure Internet servers in the country in 2004.

Major newspapers, their publishers (where applicable), and estimated 2002 circulation totals are: *Blesk*, 420,000; *Hospodarske Noviny*, 130,000; *Mladá Fronta*, Socialist Union of Youth, 350,000; *Moravskoslezsky Den*, 130,000; *Obansky Denikof*, 109,000; *Práce*, Revolutionary Trade Union Movement, 220,600; *Rudé Právo*, Communist Party, 350,000; *Svobodné Slovo*, Socialist Party, 230,000; *Svoboda*, 100,000; and *Vecernik Praha*, 130,000.

Formerly, the Communist Party and the government controlled all publishing. Formal censorship, via the government's Office for Press and Information, was lifted for three months during the Prague Spring of 1968, but prevailed after that time until the late 1980s. As of 1999, the government was said to fully uphold the legally provided freedoms of free speech and a free press.

#### 46 ORGANIZATIONS

The most important umbrella labor organization is the Czech and Slovak Confederation of Trade Unions, an organization that promotes democracy. The World Federation of Trade Unions has an office in Prague. Confederation of Industry of the Czech Republic (est. 1990) is also in Prague. Professional societies representing a wide variety of careers are also active. Important political associations include the Czech Democratic Left Movements and the Civic Movement. The Center for Democracy and Free Enterprise (est. 1991) promotes development of democratic institutions and a free market economy.

The Academy of Sciences of the Czech Republic was founded in 1993 to support and encourage research and educational institutions involved in the fields of natural and technical sciences, social sciences, and humanities.

Youth organizations include the Czech Association of Scouts and Guides (CASG), YMCA and YWCA, and chapters of The Red Cross Youth. There are many sports associations in the country, some of which are affiliated with international organizations as well. National women's organizations include the Gender Studies Center in Prague and the Czech Union of Women.

Multinational organizations based in Prague include the International Association for Vehicle Systems Dynamics and the International Union of Speleology. There are national chapters of Amnesty International and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

Prague, which survived World War II relatively intact, has numerous palaces and churches from the Renaissance and Baroque periods. There are many attractive mountain resorts, especially in northern Bohemia. The mineral spas in Prague are popular as well as the historic monuments. Football (soccer), ice hockey, skiing, canoeing, swimming, and tennis are among the favorite sports. A passport is required for all foreign nationals, whether temporary

visitors or transit passengers. Visas are not required for stays of up to 90 days.

There were 94,984,476 tourist arrivals in 2003. Hotel rooms numbered 97,282, with 225,288 beds and an occupancy rate of 35%. Tourist receipts amounted to \$4 billion, and the average stay was three nights.

In 2004, the US Department of State estimated the cost of staying in Prague at \$306 per day.

#### 48 FAMOUS CZECHS

The founder of modern Czechoslovakia was Tomáš Garrigue Masaryk (1850–1937), a philosopher-statesman born of a Slovak father and a Czech mother. Eduard Beneš (1884–1948), cofounder with Masaryk of the Czechoslovak Republic, was foreign minister, premier, and president of the republic (1935–38 and 1940–48). Jan Masaryk (1886–1948), son of Tomáš G. Masaryk, was foreign minister of the government-in-exile and, until his mysterious death, of the reconstituted republic. Klement Gottwald (1896–1953) became a leader of the Czechoslovak Communist Party in 1929 and was the president of the republic from 1948 to 1953; Antonín Zápotocký (1884–1957), a trade union leader, was president from 1953 to 1957. Alexander Dubček (1921–92) was secretary of the Czechoslovak Communist Party and principal leader of the 1968 reform movement that ended with Soviet intervention. Gen. Ludvík Svoboda (1895–1979) was president of the republic from 1968 to 1975. Gustáv Husák (1913–91) was general secretary of the Communist Party from 1969 to 1987; he became president of the republic in 1975. Parliamentary elections at the end of 1989 saw the rise of the playwright Vaclav Havel (b.1936) to power. The Czech and Slovak republics decided to split in 1992. Havel was elected first president of the Czech Republic in parliamentary elections. Vaclav Klaus (b.1941) was elected the second president of the Czech Republic in 2003.

Perhaps the two most famous Czechs are the religious reformer John Huss (Jan Hus, 1371–1415) and the theologian, educator, and philosopher John Amos Comenius (Jan Amos Komenský, 1592–1670), an early advocate of universal education. *The History of the Czech People* by František Palacký (1798–1876) inspired Czech nationalism. Karel Havlíček (1821–56) was a leading political journalist, while Alois Jirásek (1851–1930) is known for his historical novels. The most famous woman literary figure is Božena Němcová (1820–62), whose *Babička* (*The Grandmother*), depicting country life, is widely read to this day. A poet of renown, Jaroslav Vrchlický (1853–1912) wrote voluminous poetry and translations. *The Good Soldier Schweik* by Jaroslav Hašek (1883–1923) is a renowned satire on militarism. Karel Capek (1890–1938), brilliant novelist, journalist, and playwright, is well known for his play *R.U.R.* (in which he coined the word *robot*). Jan Patočka (1907–77) was one of the most influential Central European philosophers of the 20th century. Bedřich Smetana (1824–84), Antonín Dvořák (1841–1904), Leoš Janáček (1854–1928), and Bohuslav Martinů (1890–1959) are world-famous composers. The leading modern sculptor, Jan Stursa (1880–1925), is best known for his often-reproduced *The Wounded*.

Prominent 20th-century Czech personalities in culture and the arts include the writers Vladislav Vančura (1891–1942) and Ladislav Fuks (1923–94), the painter Jan Zrzavý (1890–1977), and the Czech filmmakers Jirí Trnka (1912–69) and Karel Ze-

man (1910–89). Leaders of the “new wave” of Czechoslovak cinema in the 1960s were Ján Kadar (1918–79) and Miloš Forman (b.1932), both expatriates after 1968. Josef Koudelka (b.1938) is a Czech photographer who resides in France. The best-known political dissidents in the 1970s and 1980s were the playwrights Pavel Kohout (b.1928) and Václav Havel (b.1936), and the sociologist Rudolf Battěk (b.1924). The novelist Milan Kundera (b.1929), who has lived in France since 1975, is the best-known contemporary Czech writer. Czechs have become top world tennis players: Martina Navrátilová (b.1956), expatriate since 1975, Ivan Lendl (b.1960), Hana Mandlíková (b.1962), Jana Novotná (b.1968), and Martina Hingis (b.1980) have thrilled audiences with their skills on the courts.

There have been only two Czechoslovak Nobel Prize winners: in chemistry in 1959, Jaroslav Heyrovský (1890–1967), who devised an electrochemical method of analysis; and in literature in 1984, the poet Jaroslav Seifert (1901–86).

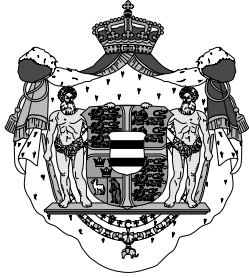
#### 49 DEPENDENCIES

The Czech Republic has no territories or colonies.

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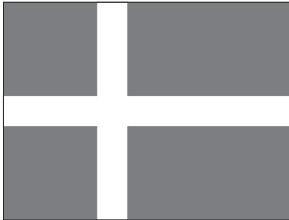
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# DENMARK

Kingdom of Denmark  
*Kongeriget Danmark*



**CAPITAL:** Copenhagen (København)

**FLAG:** The Danish national flag, known as the Dannebrog, is one of the oldest national flags in the world, although the concept of a national flag did not develop until the late 18th century when the Dannebrog was already half a millennium old. The design shows a white cross on a field of red.

**ANTHEM:** There are two national anthems—*Kong Kristian stod ved højen mast* (*King Christian Stood by the Lofty Mast*) and *Der er et yndigt land* (*There Is a Lovely Land*).

**MONETARY UNIT:** The krone (KR) of 100 øre is a commercially convertible paper currency with one basic official exchange rate. There are coins of 25 and 50 øre, and 1, 5, 10, and 20 kroner, and notes of 50, 100, 500, and 1,000 kroner. KR1 = \$0.16863 (or \$1 = KR5.93) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some local units are used for special purposes.

**HOLIDAYS:** New Year's Day, 1 January; Constitution Day, 5 June; Christmas Day, 25 December; Boxing Day, 26 December. Movable religious holidays include Holy Thursday, Good Friday, Easter Monday, Prayer Day (4th Friday after Easter), Ascension, and Whitmonday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated in southern Scandinavia, the Kingdom of Denmark consists of Denmark proper, the Faroe Islands, and Greenland. Denmark proper, comprising the peninsula of Jutland (Jylland) and 406 islands (97 of them inhabited), has an area of 43,094 sq km (16,638 sq mi) and extends about 402 km (250 mi) N–S and 354 km (220 mi) E–W. Comparatively, the area occupied by Denmark is slightly less than twice the size of the state of Massachusetts. The Jutland Peninsula accounts for 29,767 sq km (11,493 sq mi) of the total land area, while the islands have a combined area of 13,317 sq km (5,142 sq mi). Except for the southern boundary with Germany, the country is surrounded by water—Skagerrak on the N, Kattegat, Øresund, and Baltic Sea on the E, and the North Sea on the W. Denmark's total boundary length is 7,382 km (4,587 mi), of which only 68 km (42 mi) is the land boundary with Germany.

Bornholm, one of Denmark's main islands, is situated in the Baltic Sea, less than 160 km (100 mi) due E of Denmark and about 40 km (25 mi) from southern Sweden. It has an area of 588 sq km (227 sq mi) and at its widest point is 40 km (25 mi) across.

Denmark's capital city, Copenhagen, is located on the eastern edge of the country on the island of Sjælland.

## <sup>2</sup>TOPOGRAPHY

The average altitude of Denmark is about 30 m (98 ft), and the highest point, Yding Skovhøj in southeastern Jutland, is only 173 m (568 ft). In parts of Jutland, along the southern coast of the island of Lolland, and in a few other areas, the coast is protected by dikes. All of Denmark proper (except for the extreme southeast of the island of Bornholm, which is rocky) consists of a glacial de-

posit over a chalk base. The surface comprises small hills, moors, ridges, hilly islands, raised sea bottoms, and, on the west coast, downs and marshes. There are many small rivers and inland seas. Good natural harbors are provided by the many fjords and bays.

## <sup>3</sup>CLIMATE

Denmark has a temperate climate, the mildness of which is largely conditioned by the generally westerly winds and by the fact that the country is virtually encircled by water. There is little fluctuation between day and night temperatures, but sudden changes in wind direction cause considerable day-to-day temperature changes. The mean temperature in February, the coldest month, is 0°C (32°F), and in July, the warmest, 17°C (63°F). Rain falls fairly evenly throughout the year, the annual average amounting to approximately 61 cm (24 in).

## <sup>4</sup>FLORA AND FAUNA

Plants and animals are those common to middle Europe. There are many species of ferns, flower, fungi, and mosses; common trees include spruce and beech. Few wild or large animals remain. Birds, however, are abundant; many species breed in Denmark and migrate to warmer countries during the autumn and winter. Fish and insects are plentiful. As of 2002, there were at least 43 species of mammals, 196 species of birds, and over 1,400 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Denmark's most basic environmental legislation is the Environmental Protection Act of 1974, which entrusts the Ministry of the Environment, in conjunction with local authorities, with anti-



pollution responsibilities. The basic principle is that the polluter must pay the cost of adapting facilities to environmental requirements; installations built before 1974, however, are eligible for government subsidies to cover the cost of meeting environmental standards.

Land and water pollution are two of Denmark's most significant environmental problems although much of Denmark's household and industrial waste is recycled. In the mid-1990s, Denmark averaged 447.3 thousand tons of solid waste per year. Animal wastes are responsible for polluting both drinking and surface water. Nitrogen and phosphorus pollution threaten the quality of North Sea waters. A special treatment plant at Nyborg, on the island of Fyn, handles dangerous chemical and oil wastes. The nation has about 6 cu km of renewable water resources with 43% of annual withdrawals used for farming and 27% for industrial purposes.

Remaining environmental problems include air pollution, especially from automobile emissions; excessive noise, notably in the major cities; and the pollution of rivers, lakes, and open sea by raw sewage. In the early 1990s Denmark ranked among 50 nations with the heaviest industrial carbon dioxide emissions. In 1996, emissions totaled 56.5 million metric tons per year. In 2000, the emissions total dropped to 44.6 million metric tons.

As of 2003, Denmark had at least 220 protected sites, with an area of over 1.3 million hectares, or about 34% of the total land area. The Ilulissat Icefjord is a natural UNESCO World Heritage Site; there are 38 Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 4 types of mammals, 10 species of birds, 7 species of fish, 1 type of mollusk, 10 species of other invertebrates, and 3 species of plants. Endangered species include the coalfish whale, blue whale, loggerhead, leatherback turtle, and Atlantic sturgeon.

## 6 POPULATION

The population of Denmark in 2005 was estimated by the United Nations (UN) at 5,418,000, which placed it at number 108 in population among the 193 nations of the world. In 2005, approximately 15% of the population was over 65 years of age, with another 19% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.2%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 5,527,000. The population density was 126 per sq km (326 per sq mi).

The UN estimated that 72% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.28%. The capital city, København (Copenhagen), had a population of 1,066,000 in that year. Other large towns are Aarhus (Aarhus), 291,258; Odense, 184,308; Aalborg (Aalborg), 162,521; Esbjerg, 82,314; and Randers, 62,252.

## 7 MIGRATION

Emigration is limited, owing mainly to the relatively high standard of living in Denmark. There are 500 refugees accepted every year by Denmark for resettlement. These refugees are those who need an alternative place to their first country of asylum, usually for protection-related reasons. An Integration Act took effect 1 January 1999. Under this act, most foreign nationals, including

refugees, must participate in a three-year integration program, during which their social assistance is reduced. In 2004 Denmark received 65,310 refugees. The main countries of origin for these refugees were Bosnia and Herzegovina (25,395), Iraq (11,831), and Afghanistan (6,369). Also in 2004, Denmark received 3,235 asylum applications; of these, about 15% were given permission to stay. The countries of origin for asylum seekers were Bosnia and Herzegovina, Iraq, Palestine, Russia, Serbia and Montenegro, Somalia, and Iran.

In April 1999 the government enacted a plan ("Lex Kosovo") to provide temporary protection for evacuees from Macedonia. (These were Kosovars who had already sought asylum in Denmark but whose cases were pending or had been rejected.) Under this plan, all were granted temporary protection for a renewable six-month period. As of August 1999, 2,823 people had been evacuated from Macedonia to Denmark.

In 2005 the net migration rate was estimated as 2.53 migrants per 1,000 population.

## 8 ETHNIC GROUPS

The population of Denmark proper is of indigenous northern European stock, and the Danes are among the most homogeneous peoples of Europe. The population is comprised of Scandinavian, Inuit (Eskimo), and Faeroese peoples. There is also a small German minority in southern Jutland and small communities of Turks, Iranians, and Somalis.

## 9 LANGUAGES

Danish is the universal language. In addition to the letters of the English alphabet, it has the letters *ae*, *ø*, and *å*. A spelling reform of 1948 replaced *aa* by *å*, but English transliteration usually retains the *aa*. There are many dialects, but they are gradually being supplanted by standard Danish. Modern Danish has departed further from the ancient Nordic language of the Viking period than have Icelandic, Norwegian, and Swedish (to which Danish is closely related), and there is a substantial admixture of German and English words. Danish may be distinguished from the other Scandinavian languages by its change of *k*, *p*, and *t* to *g*, *b*, and *d*, in certain situations and by its use of the glottal stop. Faeroese and Greenlandic (an Eskimo dialect) are also used. Many Danes have a speaking knowledge of English and German, and many more are capable of understanding these languages.

## 10 RELIGIONS

About 84.3% of the people are nominally members of the official state religion, the Evangelical Lutheran Church, which is supported by the state and headed by the sovereign. Only about 3% of these Evangelical Lutherans are active members. Muslims are the next largest group with about 3% of the population. Protestants and Roman Catholics together make up another 3% of the population. Christian denominations represented in the country include Baptists, Jehovah's Witnesses, Methodists, Seventh-Day Adventists, The Church of Jesus Christ of Latter-day Saints (Mormons), Anglicans, and Russian Orthodox. Copenhagen is the site of the European headquarters for the Church of Scientology, which is not officially recognized as a religion by the state. There are about 7,000 Jews in the country. An indigenous religion known as Forn



LOCATION: 54°33'31" to 57°44'55" N; 8°4'36" to 15°11'59" E. BOUNDARY LENGTHS: Germany, 68 kilometers (42 miles); total coastline, 7,314 kilometers (4,545 miles). TERRITORIAL SEA LIMIT: 3 miles.

Sidr was officially recognized in 2003; followers worship the old Norse gods. About 5.4% of the population claim no religious affiliation and 1.5% claim to be atheists.

Religious freedom is provided by the constitution and this right is generally respected in practice. As the official church of state, the Evangelical Lutheran Church is the only church which receives state funding. A number of other religious groups have complained that this system is unfair and contrary to religious equality. In 1999 an independent four-member council appointed

by the government published guidelines and principles for official approval of religious organizations. The guidelines establish clear requirements that religious organizations must fulfill, including providing a full written text of the religion's central traditions, descriptions of its rituals, an organizational structure accessible for public control and approval, and constitutionally elected representatives who can be held responsible by authorities. The guidelines also forbid organizations to "teach or perform actions inconsistent with public morality or order." Official approval offers tax-exempt

status to the organization and marriages within approved churches are automatically recognized by the state.

## <sup>11</sup>TRANSPORTATION

Transportation is highly developed in Denmark. The road system is well engineered and adequately maintained. Among the most important bridges are the Storstrom Bridge linking the islands of Sjaelland and Falster, and the Little Belt Bridge linking Fyn and Jutland. A new train and auto link joins Sjaell and Fyn (18 km/11 mi); a new series of bridges connecting Denmark to Sweden—spanning 4.9 mi across the Oresund Strait and costing Kr13.9 billion—opened in July 2000. The link reduces transit time between the two countries to 15 minutes for cars and trucks and less than 10 minutes for high-speed trains. Cars travel on the upper tier and trains on the lower. As of 2002, Denmark had 71,474 km (44,414 mi) of roadways, all of which were paved, including 880 km (547 mi) of expressways. In 2003, Denmark had 1,894,649 passenger cars and 428,949 commercial vehicles registered for use.

The railway system had a total of 2,628 km (1,635 mi) of standard gauge railroad in 2004, of which 595 km (370 mi) was electrified.

The Danish merchant fleet as of 2005 was composed of 287 ships of at least 1,000 GRT, for a total of 6,952,473 GRT. The majority of these vessels belonged to the Danish International Registry, an offshore registry program allowing foreign-owned vessels to sail under the Danish flag. Denmark, which pioneered the use of motor-driven ships, has many excellent and well-equipped harbors, of which Copenhagen is the most important. Denmark also had 417 km of navigable inland waterways, as of 2001.

There were an estimated 97 airports in 2004, of which 28 had paved runways as of 2005. Kastrup Airport near Copenhagen is a center of international air traffic. Domestic traffic is handled by Danish Airlines in conjunction with SAS, a joint Danish, Norwegian, and Swedish enterprise. In 2003, about 5.886 million passengers were carried on scheduled domestic and international airline flights.

## <sup>12</sup>HISTORY

Although there is evidence of agricultural settlement as early as 4000 BC and of bronze weaponry and jewelry by 1800 BC, Denmark's early history is little known. Tribesmen calling themselves Danes arrived from Sweden around AD 500, and Danish sailors later took part in the Viking raids, especially in those against England. Harald Bluetooth (d.985), first Christian king of Denmark, conquered Norway, and his son Sweyn conquered England. During the reign of Canute II (1017–35), Denmark, Norway, and England were united, but in 1042, with the death of Canute's son, Hardecanute, the union with England came to an end, and Norway seceded. During the next three centuries, however, Danish hegemony was reestablished over Sweden and Norway, and in the reign of Margrethe (1387–1412) there was a union of the Danish, Norwegian, and Swedish crowns. In 1523, the Scandinavian union was dissolved, but Norway remained united with Denmark until 1814.

The Reformation was established in Denmark during the reign of Christian III (1534–59). A series of wars with Sweden during the 17th and early 18th centuries resulted in the loss of Danish territory. Meanwhile, under Frederik III (r.1648–70) and Christian

V (r.1670–99), absolute monarchy was established and strengthened; it remained in force until 1849. Freedom of the press and improved judicial administration, introduced by Count Johann von Struensee, adviser (1770–72) to Christian VII, were abrogated after his fall from favor. Having allied itself with Napoleon, Denmark was deprived of Norway by the terms of the Peace of Kiel (1814), which united Norway with Sweden; and as a result of the Prusso-Danish wars of 1848–49 and 1864, Denmark lost its southern provinces of Slesvig, Holstein, and Lauenburg. Thereafter, the Danes concentrated on internal affairs, instituting important economic changes (in particular, specialization in dairy production) that transformed the country from a nation of poor peasants into one of prosperous smallholders. Denmark remained neutral in World War I, and after a plebiscite in 1920, North Slesvig was re-incorporated into Denmark.

Disregarding the German-Danish nonaggression pact of 1939, Hitler invaded Denmark in April 1940, and the German occupation lasted until 1945. At first, the Danish government continued to function, protecting as long as it could the nation's Jewish minority and other refugees (some 7,200 Jews eventually escaped to neutral Sweden). However, when a resistance movement developed, sabotaging factories, railroads, and other installations, the Danish government resigned in August 1943 rather than carry out the German demand for the death sentence against the saboteurs. Thereafter, Denmark was governed by Germany directly, and conflict with the resistance intensified.

After the war, Denmark became a charter member of the UN and of NATO. In 1952, it joined with the other Scandinavian nations to form the Nordic Council, a parliamentary body. Having joined EFTA in 1960, Denmark left that association for the EEC in 1973. Meanwhile, during the 1950s and 1960s, agricultural and manufacturing production rose considerably, a high level of employment was maintained, and foreign trade terms were liberalized. However, the expense of maintaining Denmark's highly developed social security system, growing trade deficits (due partly to huge increases in the price of imported oil), persistent inflation, and rising unemployment posed political as well as economic problems for Denmark in the 1970s and 1980s, as one fragile coalition government succeeded another.

Economic performance was strong after the mid-1990s. Annual growth of GDP was 3% between 1994 and 1998 although the rate dropped to 1.6% in 1999. (It was projected to be 2.3% in 2005–06.) Thanks to strong growth, unemployment fell from 12.2% in 1994 to 6% in 1999. In March 2000, the buoyant economic outlook prompted Prime Minister Poul Nyrup Rasmussen to announce a referendum on Economic and Monetary Union to take place on 28 September 2000; it was rejected by 53.2% of the electorate. Voters narrowly rejected the Maastricht Treaty on European Union in 1992, but later approved it in 1993 after modifications were made in Denmark's favor. One of the special agreements was that Denmark could opt not to join EMU. For all practical purposes, however, Danish monetary policy has closely followed that of the European Central Bank and the Danish crown shadows the euro (the European single currency).

As with other European countries, Denmark in the 21st century sees illegal immigration as a major problem. The issue was a deciding one in the 20 November 2001 elections, with the right-wing xenophobic Danish People's Party (founded in 1995) gaining 12%

of the vote and 22 seats to become the third-largest party in parliament. The new government composed of the Liberal Party and the Conservative Party formed by Prime Minister Anders Fogh Rasmussen depended upon the Danish People's Party for legislative support. In June 2002, parliament passed a series of laws restricting the rights of immigrants, including the abolition of the right to asylum on humanitarian grounds, and cuts of 30–40% in the social benefits available to refugees during their first seven years of residency. In February 2005, Fogh Rasmussen won a second term as prime minister as his Liberal Party again formed a coalition with the Conservative Party. Rasmussen became the first Danish Liberal leader to win a second consecutive term. The Danish People's Party, although not part of the governing coalition, strengthened its presence in parliament by two seats.

### 13 GOVERNMENT

Denmark is a constitutional monarchy. Legislative power is vested jointly in the crown and a unicameral parliament (Folketing), executive power in the sovereign—who exercises it through his or her ministers—and judicial power in the courts. The revised constitution of 1953 provides that powers constitutionally vested in Danish authorities by legislation may be transferred to international authorities established, by agreement with other states, for the promotion of international law and cooperation.

The sovereign must belong to the Lutheran Church. The crown is hereditary in the royal house of Lyksborg, which ascended the throne in 1863. On the death of a king, the throne descends to his son or daughter, a son taking precedence.

Executive powers belong to the crown, which enjoys personal integrity and is not responsible for acts of government. These powers are exercised by the cabinet, consisting of a prime minister and a variable number of ministers, who generally are members of the political party or coalition commanding a legislative majority. No minister may remain in office after the Folketing has passed a vote of no confidence in him or her.

The single-chamber Folketing, which has been in existence since 1953, is elected every four years (more frequently, if necessary) by direct and secret ballot by Danish subjects 18 years of age and older. Under the 1953 constitution there are 179 members, two of whom are elected in the Faroe Islands and two in Greenland. Of the remaining 175 members, 135 are elected by proportional representation in 17 constituencies, and 40 supplementary seats are divided among the parties in proportion to the total votes cast.

A parliamentary commission, acting as the representative both of the Folketing and of the nation, superintends civil and military government administration.

### 14 POLITICAL PARTIES

Until 1849, the Danish form of government was autocratic. The constitution of 1849 abolished privileges, established civil liberties, and laid down the framework of popular government through a bicameral parliament elected by all men over 30. In 1866, however, the National Liberal Party, composed largely of the urban middle class, succeeded in obtaining a majority for a constitution in which the upper chamber (Landsting) was to be elected by privileged franchise, the great landowners gaining a dominant position. This proved the starting point of a political struggle that

divided Denmark until 1901. Formally, it concerned the struggle of the directly elected chamber, the Folketing, against the privileged Landsting, but in reality it was the struggle of the Left Party (made up largely of farmers, but after 1870 also of workers) to break the monopoly of political influence by the Right Party (consisting of the landowning aristocracy and the upper middle class). Meanwhile, the workers established trade unions, their political demands finding expression in the Social Democratic Party. In 1901, Christian IX called on the Left to form a government, and thereafter it was the accepted practice that the government should reflect the majority in the Folketing.

In 1905, the Left Party split. Its radical wing, which seceded, became a center party, the Social Liberals, and sought to collaborate with the Social Democrats. In 1913, these two parties together obtained a majority in the Folketing, and a Social Liberal government led Denmark through World War I. A new constitution adopted in 1915 provided for proportional representation and gave the vote to all citizens, male and female, 25 years of age and older (changed in 1978 to 18 years). In an attempt to obtain a broader popular base, the old Right Party adopted the name Conservative People's Party, and thenceforth this party and the Moderate Liberals (the old Left Party), the Social Liberals, and the Social Democrats formed the solid core of Danish politics. The Social Democrats briefly formed governments in 1924 and in 1929, in association with the Social Liberals.

During the German occupation (1940–45), a coalition government was formed by the main political parties, but increasing Danish popular resistance to the Germans led the Nazis to take over executive powers. From 1945 to 1957, Denmark was governed by minority governments, influence fluctuating between the Social Democrats on the one hand and the Moderate Liberals and Conservatives on the other, depending on which of the two groups the Social Liberals supported. In 1953, a new constitution abolished the Landsting and introduced a single-chamber system in which parliamentarism is expressly laid down.

Aims of the Social Democratic Party are to nationalize monopolies, redistribute personal incomes by taxation and other measures, partition farm properties to form independent smallholdings, and raise working-class living standards through full employment. It supports the principle of mutual aid, as practiced in a combination of social welfare and widespread public insurance schemes. The Conservative Party advocates an economic policy based on the rights of private property and private enterprise and is firmly opposed to nationalization and restrictions, though it is in favor of industrial protection. It calls for a national contributory pensions scheme that would encourage personal initiative and savings. The major parties support the UN and NATO and favor inter-Scandinavian cooperation.

Issues in the 1970s focused less on international matters than on policies affecting Denmark's economy. The general elections of December 1973 resulted in heavy losses for all the established parties represented in the Folketing and successes for several new parties, notably the center-left Democratic Center Party and the "Poujadist" Progress Party led by Mogens Glistrup, an income tax expert who reputedly became a millionaire by avoiding taxes and providing others with advice on tax avoidance. The Progress Party, established early in 1973, advocated the gradual abolition of income tax and the dissolution of over 90% of the civil service.

The Social Democrats, who had been in power, lost significantly in this election, and their chairman, Anker Jørgensen, resigned as prime minister. In mid-December, Poul Hartling was sworn in as prime minister, with a Liberal Democratic cabinet. The 22 Liberal members in the Folketing made up the smallest base for any government since parliamentary democracy was established in Denmark.

When it became clear in December 1974 that the Folketing would not approve the drastic anti-inflation program the Hartling government had announced, general elections were again called for. In the January 1975 balloting, the Liberals almost doubled their representation in the Folketing. However, because most of the other non-Socialist parties had lost support and because three of the four left-wing parties simultaneously gained parliamentary seats, the preelection lack of majority persisted, and Hartling resigned at the end of the month. After several attempts at a coalition by Hartling and Anker Jørgensen, the latter's alignment of Social Democrats and other Socialist-oriented minority parties finally succeeded in forming a new government. Jørgensen remained prime minister through general elections in 1977, 1979, and 1981. In September 1982, however, dissension over Jørgensen's plan to increase taxes in order to create new jobs, boost aid to farmers, and reduce the budget deficit led the government to resign. A four-party coalition led by Poul Schlüter, the first Conservative prime minister since 1901, then took power as a minority government, controlling only 66 seats out of 179. After the defeat of his 1984 budget, Schlüter called for new elections, which were held in January 1984 and increased the number of seats controlled by the coalition to 79. Following elections in September 1987, however, the number of seats held by the coalition fell to 70.

The 1994 election brought to power a three-party coalition of Social Democrats, Center Democrats, and Radical Liberals (they commanded a total of 76 seats in the 179-seat parliament). The 1994 election produced significant difficulties for the political right. The Conservatives were usually the major right-wing force with a legacy of heading governments but it saw its representation drop to 28 seats from 31 while the Liberal Party increased its share of the vote from 15.8% to 23.3% and thereby became the largest opposition party. The center-left coalition survived the departure of the Center Democrats in 1996, which rejected Prime Minister Poul Nyrup Rasmussen's decision to seek support for the 1997 budget from the far left. The fragile two-party coalition stumbled from one crisis to another in 1997 and the 1998 election promised to bring a Liberal-Conservative cabinet back to power. In February 1998, the Social Democrats recovered in opinion polls and Nyrup Rasmussen called a snap election.

The election results were as follows: Social Democrats 35.9% (65 seats), Radical Liberals 3.9% (7 seats), Center Democrats 4.3% (8 seats), Christian People's Party 2.5% (4 seats), Socialist People's Party 7.6% (13), Unity Party 2.7% (5 seats), Liberals 23% (43), Conservatives 8.9% (17), Progress Party 2.4% (4), and Danish People Party 7.4% (13 seats). Following the 1998 election, the Social Democratic and Radical Liberal coalition remained intact with Nyrup Rasmussen as prime minister. The Conservatives suffered a dramatic defeat and saw their share of the vote drop from 15% to 8.9%. The two far right parties—the Danish People's Party and the Progress Party—recorded the biggest gains by taking votes from the mainstream right-wing parties. In March 2000, Nyrup

Rasmussen reshuffled his cabinet to breathe new life into government and to respond to the pressures coming from the Danish People's Party, which accused the government of being soft on immigration. Campaigning on a platform "Denmark for the Danes," the People's Party attracted a large number of sympathizers.

The issue of immigration remained primary in the early elections called for by Nyrup Rasmussen on 20 November 2001. Nyrup Rasmussen's Social Democrats suffered a major defeat, gaining only 29.1% of the vote and 52 seats. Center-right parties gained their largest majority since 1926. The Liberal Party (31.3% of the vote and 56 seats) and the Conservative People's Party (9.1% and 16 seats) formed a minority government headed by Anders Fogh Rasmussen (no relation to Poul Nyrup Rasmussen) that depended upon the anti-immigrant Danish People's Party (12% and 22 seats) for legislative support. Other parties represented in the Folketing following the 2001 elections were as follows: Socialist People's Party, 6.4% (12 seats); Radical Left, 5.2% (9 seats); Unity List—the Red Greens, 2.4% (4 seats); Christian People's Party, 2.3% (4 seats); and the 2 representatives each from the Faroe Islands and Greenland.

Elections for the Folketing were next held on 8 February 2005. The percentage of the vote gained by each party and distribution of seats was as follows: Liberal Party, 29% (52 seats); Social Democrats, 25.9% (47 seats); Danish People's Party, 13.2% (24 seats); Conservative Party, 10.3% (18 seats); Social Liberal Party, 9.2% (17 seats); Socialist People's Party 6% (11 seats); Unity List, 3.4% (6 seats); and the two representatives each from the Faroe Islands and Greenland. Anders Fogh Rasmussen led a Liberal-Conservative coalition for a second consecutive term as prime minister. After the election, Fogh Rasmussen pledged to continue a "fair and firm immigration policy."

## 1<sup>5</sup> LOCAL GOVERNMENT

A major reform of local government structure took effect on 1 April 1970. Copenhagen, Fredericksberg, and the regional municipality of Bornholm enjoy dual status as both local and county authorities. The previous distinction between boroughs and urban and rural districts was abolished, and the number of counties was reduced from 25 to 14 (the number in 2005 stood at 13). The primary local units (municipalities), reduced from 1,400 to 275 (271 as of 2005), are governed by an elected council (*kommunalbestyrelse*) composed of 9 to 31 members who, in turn, elect a mayor (*borgmester*) who is vested with executive authority. Each county is governed by an elected county council (*amtsråd*), which elects its own chairman, or county mayor (*amstborgmester*). County councils look after local matters, such as road building and maintenance, health and hospital services, and general education.

A major restructuring of local government was planned for 2007. The government's proposal was for the counties to be replaced by five regions, and for a reduction of the municipalities to 98. The new municipalities were to take over most of the responsibilities of the former counties. Most of the new municipalities were expected to have populations exceeding 20,000 people.

The Faroe Islands and Greenland enjoy home rule, with Denmark retaining responsibility for foreign affairs, defense, and monetary matters. Representatives of the Faroe Islands announced plans to organize a referendum on independence from Denmark by fall 2000. The government's response was to threaten to cut off

all aid to the Faroese if they opted for independence. The referendum planned for May 2001 was cancelled.

## 16 JUDICIAL SYSTEM

As a rule, cases in the first instance come before one of 82 county courts. Certain major cases, however, come under one of the two High Courts (Landsrettes), in Copenhagen and Viborg, in the first instance; otherwise these courts function as courts of appeal. The High Courts generally sit in chambers of three judges. In jury trials (only applicable in cases involving serious crimes) three High Court judges sit with 12 jurors. The Supreme Court (Højesteret) is made up of a president and 18 other judges, sitting in two chambers, each having at least five judges; it serves solely as a court of appeal for cases coming from the High Courts. Special courts include the Maritime and Commercial Court. An Ombudsman elected by and responsible to parliament investigates citizen complaints against the government or its ministers.

The judiciary is fully independent of the executive and legislative branches. Judges are appointed by the monarch on recommendation of the Minister of Justice and serve life terms. They may be dismissed only for negligence or for criminal acts. Denmark accepts compulsory jurisdiction of the International Court of Justice with reservations.

## 17 ARMED FORCES

Since 1849 Danish military defense has been based on compulsory national service. All young men must register at the age of 18 and are subject to 9–12 months' service. Voluntary military service is popular because of educational benefits. Total active armed forces numbered 21,180 in 2005, including 680 Joint Service personnel. The Army consisted of 12,500 active members, with the Navy at 3,800, and the Air Force at 4,200. There were also 129,700 members in the reserves which included about 59,300 in the volunteer home guard. The Danish Army had 231 main battle tanks, 310 armored personnel carriers, and 860 artillery pieces (176 are towed). Denmark's navy operated three guided missile corvettes in addition to 67 patrol/coastal and six minewarfare vessels. The Danish Air Force operates 62 combat capable aircraft. Danish forces participated in NATO, UN, and European Union missions in 13 countries/regions around the globe, including support for Operation Enduring Freedom. Military expenditures for 2005 amounted to \$3.17 billion.

## 18 INTERNATIONAL COOPERATION

Denmark became a charter member of the United Nations on 24 October 1945 and belongs to ECE and several nonregional specialized agencies. In association with WHO, Denmark has supported UN relief work by supplying medical personnel to assist developing countries. The European regional office of WHO is in Copenhagen. The country is a member of the WTO. Denmark participates actively in multilateral technical aid programs, and the Danish Council for Technical Cooperation provides additional aid to developing countries in Asia and Africa. The nation also assists the African Development Bank and the Asian Development Bank. Denmark is a member of NATO and of various inter-European organizations including the Council of Europe, the European Investment Bank, G-9, the Paris Club, and the OECD.

Denmark is a member of the European Union and an observer in the OAS.

As a member of the Nordic Council, Denmark cooperates with other northern countries—Finland, Iceland, Norway, and Sweden—in social welfare and health insurance legislation and in freeing its frontiers of passport control for residents of other Scandinavian countries. The nation also participates in the regional Council of the Baltic Sea States and the Barents Council. Denmark has observer status in the Western European Union.

Denmark belongs to the Australia Group, the Zangger Committee, the Nuclear Suppliers Group (London Group), the European Organization for Nuclear Research (CERN), and the Nuclear Energy Agency. In environmental cooperation, Denmark is part of the Antarctic Treaty; the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; CITES; the London Convention; International Tropical Timber Agreements; the Kyoto Protocol; the Montréal Protocol; MARPOL; the Nuclear Test Ban Treaty; and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Denmark was traditionally an agricultural country. After the end of World War II, manufacturing gained rapidly in importance and now contributes 25.5% of national income, compared with 2.2% for agriculture. As of 2004, the service sector accounted for over 72.3% of GDP. Important service sectors are communications and information technologies, management consulting, and tourism. Shipping remains the most important service sector in Denmark: Denmark has always been a prominent maritime nation, and since much Danish shipping operates entirely in foreign waters, it contributes considerably to the nation's economy. Denmark also has important investments abroad.

Danish living standards and purchasing power are among the highest in the world, but the domestic market is limited by the small population, and most important industries must seek foreign markets in order to expand. Natural resources are limited, and therefore Denmark must export in order to pay for the raw materials, feeds, fertilizers, and fuels that must be imported. Integration into the EU's common agricultural policy has considerably improved Danish terms of trade by providing higher prices.

Productivity increased greatly in the postwar period. In agriculture the volume index for production rose steadily, while the agricultural labor force decreased. Similarly, improved techniques and mechanization in industry enabled production to increase, despite a percentage decline in the number of persons employed. In the 21st century, high-tech agriculture is a mark of Denmark's thoroughly modern market economy. As well, up-to-date small-scale and corporate industry, extensive government welfare measures, a stable currency, and a high dependence upon foreign trade all contribute to Denmark's prosperity.

From 1961 to 1971, the average annual rate of price increases in Denmark was 6.1%; in 1972, it was 6.6%; in 1973, 9.3%; and in 1974, partly because of rising oil costs, 15.2%. Throughout the remainder of the 1970s and through 1982, inflation remained in the 9–12% bracket. It then dropped from 6.9% in 1983 to 1.3% in 1993. By 1995, it had increased to 3.3% but in 1998 was down again to 1.8%. The inflation rate averaged 2% over the 2001–05 period.

Economic activity slackened during the 1970s, with GDP growth at 2.3% a year, down from a rate of about 4.5% during 1960–70. Growth remained moderate during the 1980s, averaging 2% a year. The GDP grew by 2.2% in 1990, but only at 1% in 1991, 1.2% in 1992, and 1.1% in 1993. In 1994, growth began to rebound, with GDP growing by 3.1%; in 1998 growth was 2.6%. In 2001, GDP growth was only 0.9%, down from 3% in 2000, largely due to the global economic slowdown and poor domestic demand. GDP growth recovered in 2004, helped by income tax cuts, and was forecast to remain solid in 2005–06. GDP growth was estimated at 2.9% in 2005, falling gradually to 2.6% in 2006 and 2.1% in 2007. This rapid economic expansion is being driven by strong household demand for goods and services, as well as healthy investment growth.

Recessions in 1974–75 and 1980–81 spurred a substantial rise in unemployment. From a rate of 0.9% in 1973, unemployment reached 12.3% in 1993. By 1995, it had decreased to 10.2%, still quite high compared to the United States, but about the same as other EU countries. By 1998, however, it fell to an estimated 6.5%. The unemployment rate stood at 6% in 2003 and 6.2% in 2004, among the lowest of EU countries.

Throughout the 1970s and through most of the next six years, Denmark's trade balance was in chronic deficit, but a surplus was registered in 1987 and continued through 1997. Denmark's vulnerability to the Asian and Russian financial crises in the late 1990s resulted in a balance of payments deficit in 1998. As of 2005, the current account had been in surplus since 1998. The current account balance as a percentage of GDP over the 2001–05 period was 2.8%.

Although Denmark easily met all of the criteria for membership in the European economic and monetary union (EMU), it opted to stay out of the euro zone. Denmark participates in the exchange-rate mechanism (ERM 2), which pegs the Danish krone to the euro. A referendum to ratify the EU constitutional treaty had been postponed indefinitely as of December 2005.

The government was likely to continue an expansionary fiscal policy in 2006, and the general government budget surplus was forecast to narrow. The Danish government lowered income and corporate taxes in 2004. Government debt remains high, at 47.4% of GDP in 2003, albeit down from the 2000–02 period.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Denmark's gross domestic product (GDP) was estimated at \$182.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$33,500. The annual growth rate of GDP was estimated at 2.2%. The average inflation rate in 2005 was 1.9%. It was estimated that agriculture accounted for 2.2% of GDP, industry 24%, and services 73.8%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$941 million or about \$175 per capita and accounted for approximately 0.4% of GDP. Foreign aid receipts amounted about \$8 per capita.

The World Bank reports that in 2003 household consumption in Denmark totaled \$100.33 billion or about \$18,624 per capita

based on a GDP of \$211.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 1.7%. In 2001 it was estimated that approximately 16% of household consumption was spent on food, 11% on fuel, 3% on health care, and 17% on education.

## 2<sup>1</sup> LABOR

In 2005, Denmark's labor force was estimated at 2.9 million. Of those employed in 2002, an estimated 79% were in the services sector, 17% in industry, and 4% in agriculture. The Danish unemployment rate in 2005 was estimated at 5.7%. The 1982–90 period brought a 1.3% decline in agricultural employment, a slight decrease in employment in manufacturing, and a large increase in employment in services, especially government services (education, social welfare, etc.). With the aim of holding down unemployment, the government offers the option of early retirement, apprenticeship and trainee programs, and special job offerings for the long-term unemployed.

As of 2005, an estimated 78% of all wage-earners were organized into trade unions. These unions are independent of the government or political parties. Most unions are limited to particular trades. Most workers are entitled to strike and that option is exercised often. Collective bargaining is practiced widely. Military personnel and the police are also allowed to form and join a union.

Although there is no nationally mandated minimum wage rate, the average net wage (including pension benefits) for adult workers was \$29 per hour in 2004, which was sufficient to provide a decent standard of living for a family. The typical private sector workweek, as set by contract, not law, was 37 hours in 2005. Overtime is not compulsory. The minimum age for full-time work is 15 years, although children as young as 13 can work part-time, although there are limits imposed as to the tasks they can perform and the hours worked. Health and safety standards are set by law and cover school-age children in the workplace.

## 2<sup>2</sup> AGRICULTURE

About 54% of the land in 2002 was cultivated, most of it for feed and root crops. In 2003, agriculture engaged 3.4% of the labor force. Although agriculture is of great significance to the Danish economy, its relative importance declined from 19% of the GDP in 1961 to 2.1% in 2003.

The majority of farms are small and medium-sized; about 63% are smaller than 50 hectares (124 acres). In 2004, there were 45,624 Danish farms. Thousands of smallholdings have been established since 1899 under special legislation empowering the state to provide the land by partitioning public lands, by expropriation, and by breaking up large private estates. In the more newly established holdings, the farmer owns only the buildings (for which the state advances loans), the land being owned by the state and the smallholder paying an annual rent fixed under the land-tax assessment. Comparatively few new holdings have been established since 1951.

Grain growing and root-crop production are the traditional agricultural pursuits, but considerable progress has been made in recent decades in apple growing and the production of field, for-

age, flower, and industrial seeds. Although the soil is not particularly fertile and holdings are kept deliberately small, intensive mechanization and widespread use of fertilizers and concentrated feeds result in high yields and excellent quality. In 2002 there were 123,000 tractors and 97,000 harvester-threshers.

The crop yields of major crops for 2004 were (in thousands of tons): barley, 3,590; wheat, 4,759; rye, 146; sugar beets, 2,829; rapeseed (canola), 469; and corn for fodder, 4,381.

Agricultural exports supplied 17.2% of the value of Danish exports in 2004. Farm products provide materials for industrial processing, and a significant share of industry supplies the needs of domestic agriculture.

The Danish government devotes particular effort to maintaining the volume, price, quality, and diversity of agricultural products, but internal regulation is largely left to private initiative or exercised through private organizations, notably the cooperatives.

### 23 ANIMAL HUSBANDRY

Denmark is generally regarded as the world's outstanding example of intensive animal husbandry. It maintains a uniformly high standard of operations, combining highly skilled labor, scientific experimentation and research, modern installations and machinery, and versatility in farm management and marketing. The excellent cooperative system guarantees the quality of every product of its members. Meat, dairy products, and eggs contribute a most important share of Danish exports. There is a close relationship between cost of feed and export prices.

The livestock population in 2004 included 1,646,000 head of cattle (including 563,000 dairy cows), 13,233,000 hogs, 141,000 sheep, 39,000 horses, and 16,136,000 chickens. Mink, fox, polecat, finnraccoon, and chinchilla are raised for their pelts. In 2004, 12.6 million pelts were processed, valued at Kr2.7 billion.

The value of exported meat and animal products in 2004 amounted to \$4.6 billion, consisting primarily of live pigs and pork, cheese, and canned meat. Production in 2004 included 4,569,000 tons of milk, 46,700 tons of butter, and 335,500 tons of cheese. In addition, egg production was 81,000 tons in 2004. Some 50% of all eggs consumed domestically are produced by alternative methods, a phrase that generally refers to layers raised organically or in free-range. The government's goal is for all eggs to ultimately be produced by noncaged layers. Organic milk is also a growing market. Organically produced feed's share of the domestic market is also increasing.

### 24 FISHING

The country's long coastline, conveniently situated on rich fishing waters, provides Denmark with excellent fishing grounds. Fishing is an important source of domestic food supply, and both fresh and processed fish are important exports. During 1990–95, the government financially supported fleet reduction in order to alleviate structural problems in the industry, and 605 vessels left the fleet during those years. At the beginning of 2005, there were 2,180 Danish fishing vessels, with a combined 95,685 GRT. The catch is composed mainly of herring and sprat, cod, mackerel, plaice, salmon, and whiting; but sole and other flatfish, tuna, and

other varieties are also caught. In 2004, total Danish landings were 984,037 tons.

Denmark is one of the world's leading seafood exporters. In 2003, fish exports were valued at \$3.2 billion, up 17% from 2000.

### 25 FORESTRY

A law of 1805 placing all forestland under reservation stated that "where there is now high forest there must always be high forest." Various measures were adopted to maintain forest growth. Later revisions of the law compelled all woodland owners to replant when trees are felled and to give adequate attention to drainage, weeding out of inferior species, and road maintenance. As a result, forests, which occupied only 5% of Denmark's land area and were actually in danger of extinction at the beginning of the 19th century, now make up 10% of the land and are in excellent condition. The total forest area in 2000 was 486,000 hectares (1,200,000 acres). Spruce and beech are the most important varieties. The government would like to increase forest area to 800,000 hectares (1,977,000 acres), nearly 20% of Denmark's total area, during the next 80 years.

Roundwood harvested in 2003 amounted to 1.8 million cu m (64 million cu ft), of which about 75% came from conifers and 25% came from broadleaf species. Denmark is a large importer of softwood lumber, especially from the other Scandinavian countries, and is a large particleboard consumer. Total Danish wood trade in 2003 amounted to \$2.3 billion, consisting of imports of \$1.9 billion and exports totaling \$391.5 million. Pine logs account for about 60% of the total value of imported wood, much of it used by the furniture industry. Danish furniture exports in 2004 amounted to more than \$2.5 billion.

On 3 December 1999, the first hurricane ever recorded in Denmark destroyed large tracts of its forested areas. Estimated loss of trees amounted to 150% of Denmark's normal annual timber harvest.

### 26 MINING

Denmark's industrialized market economy depended on imported raw materials, its mineral resources were mainly fossil fuels in the North Sea, and the nonfuel minerals industry included mining and quarrying of chalk, clays, diatomite, limestone (agricultural and industrial), and sand and gravel (onshore and offshore). The industrial minerals sector was particularly active. There were some 90 pits in Denmark from which clay was mined; this material was used primarily by the cement, brick making, and ceramic tile industries. The production of sand, gravel, and crushed stone has become more important in recent years, not only in meeting domestic demand, but also as an export to Germany and other Scandinavian countries. Kaolin, found on the island of Bornholm, was used mostly for coarse earthenware, furnace linings, and as filler for paper; production was 2,500 metric tons in 2004, unchanged from 2000. There were important limestone, chalk, and marl deposits in Jutland. Chalk production totaled 1,950,000 tons in 2004. Limonite (bog ore) was extracted for gas purification and pig iron production. Large deposits of salt were discovered in Jutland in 1966; in 2004, 610,000 metric tons were mined. The country also produced fire clay, extracted moler, lime (hydrated and quicklime), nitrogen, peat, crude phosphates, dimension stone (mostly granite), and sulfur. According to the constitution, sub-



surface resources belonged to the nation, and concessions to exploit them required parliamentary approval.

## 27 ENERGY AND POWER

Denmark's energy sector is marked by negligible sources of waterpower, and no nuclear power plants. However, the country has significant oil and natural gas reserves located in the North Sea, and it is also turning to wind power as an important source of electrical power generation.

In 2002, Denmark's electrical generating capacity totaled 12.746 million kW. Of that total, conventionally fueled capacity accounted for 10.049 million kW. Geothermal/other fuel based capacity was next at 2.868 million kW and hydropower based capacity at 0.011 million kW. In that same year, Denmark generated 36.367 billion kWh of electric power, of which thermal fuel powered generation accounted for 29.319 billion kWh, followed by geothermal/other powered generation at 29.319 billion kWh, and hydropower generation at 0.032 billion kWh. Imports of electrical power in 2002 totaled 8.900 billion kWh, with exports for that year at 11.100 billion kWh. The Danish electrical generating sector is marked by its use of alternative or geothermal/other power sources, most notably, wind-driven generation. Although 80% of the nation's electric power was generated by fossil fuels, slightly more than 19% was generated by alternative sources. According to a report by BusinessWeek online, dated 30 April 2001, around 13% of Denmark's electric power is wind generated, and the country has become a leader in the manufacturing of wind powered generating equipment.

Denmark's position flanking the North Sea has given the nation a share of the significant oil and natural gas reserves that have been discovered there. As of 1 January 2002, Denmark had proven oil reserves of 1.23 billion barrels. By the end of 2004, according to British Petroleum (BP), Denmark's proven oil reserves rose to 1.3 billion barrels. In 2002, Denmark produced an average of 370,760 barrels per day of crude oil. In 2004, that total rose to an average of 394,000 barrels per day, according to BP. In addition, between 1999, and 2005, a number of new fields have begun to produce, boosting the country's crude oil output. However, starting in 1997, Denmark's oil consumption has steadily fallen, according to BP. In that year the consumption of all oil products dropped to 229,000 barrels per day, from 235,000 barrels per day in 1996. In 2003, total oil product consumption fell to 193,000 barrels per day, and in 2004 fell 1.8% to 189,000 barrels per day.

Denmark has proven reserves of natural gas, as of end 2004, of 0.09 trillion cu m, and output has steadily risen over the previous three decades. According to BP, in 2002, Denmark produced 8.4 billion cu m of natural gas. In 2004, output rose to 9.4 billion cu m.

Denmark has no proven coal reserves and must therefore import all the coal it consumes. In 2002, imports of hard black coal totaled 6,946,000 tons.

## 28 INDUSTRY

Manufacturing greatly expanded after the end of World War II and now accounts for a greater share of national income than does agriculture. In 2004, manufacturing (including mining and utilities) accounted for 25.5% of the GDP, employing approximately 17% of the total working population. In the important food and

drink industry, which tends to be relatively stable, the pattern differs for various branches, but meat packing has developed remarkably. The chemical, metalworking, and pharmaceutical industries have made notable progress. Handicrafts remain important, and Danish stone, clay, glass, wood, and silver products are world famous. Other important industries include: iron, steel, machinery and transportation equipment, textiles and clothing, electronics, construction, furniture, shipbuilding and refurbishment, and windmills.

In the world market, Danish manufacturers, having a limited supply of domestic raw materials, a relatively small home market, and a naturally advantageous geographic position, have concentrated on the production of high-quality specialized items rather than those dependent on mass production. For example, Denmark became the world's largest supplier of insulin, the raw materials for which come from livestock intestines; the Danish company Novo Nordisk is the world leader in insulin and diabetes care. Denmark by the early 2000s produced some 20–25% of the world's hearing aids.

Machinery, by far the most important industrial export, includes cement-making machinery, dairy machinery, diesel engines, electric motors, machine tools, and refrigeration equipment. Other important exports include meat and meat products (especially pork and pork products—Denmark is the world's largest exporter of pork), fish, dairy products, chemicals, furniture, ships, and windmills.

## 29 SCIENCE AND TECHNOLOGY

The Ministry of Research is the central administrative unit for research policy. Among advisory bodies to it are the Danish Council for Research Policy, the Danish Natural Science Research Council, the Danish Medical Research Council, the Danish Agricultural and Veterinary Research Council, the Danish Technical Research Council, and the Danish Committee for Scientific and Technical Information and Documentation. The chief learned societies are the Royal Danish Academy of Science and Letters (founded in 1742) and the Danish Academy of Technical Sciences (founded in 1937). Denmark also has 29 specialized learned societies in the fields of agricultural and veterinary science, medicine, natural sciences, and technology. Among the principal public research institutions are the universities Aalborg, Aarhus, Copenhagen, Odense, and Roskilde; the Royal Veterinary and Agricultural University at Frederiksberg; the Technological University of Denmark near Copenhagen; the National Hospital in Copenhagen; the Risø National Laboratory near Roskilde; the Danish Institute for Fisheries and Marine Research at Charlottenlund; and the Danish Meteorological Institute at Copenhagen. In 1987–97, science and engineering students accounted for 25% of university enrollment. In 2002, a total of 10.6% of all bachelor's degrees awarded were for the sciences (natural sciences, mathematics and computers, and engineering). Many of the world's preeminent theoretical nuclear physicists have worked at the Niels Bohr Institute for Astronomy, Physics, and Geophysics of Copenhagen University. Copenhagen has museums of geology and zoology and botanical gardens.

Research and development (R&D) expenditures in 2002 totaled \$4,178.639 million or 2.51% of GDP. For that same year, there were 3,153 technicians and 4,822 researchers per million people actively engaged in R&D. In 2001, business provided 61.5% of all

funding for R&D activities, followed by government at 28%, foreign sources at 7.8% and higher education at 2.6%. Total R&D spending that year came to \$3,877.477 million, or 2.40% of GDP. In 2002, high-tech exports were valued at \$8.089 billion and accounted for 22% of manufactured exports.

### 30 DOMESTIC TRADE

Large units are becoming more common in wholesale as well as retail trade, ordering directly from local manufacturers and foreign suppliers. Retail operations now include purchasing organizations, various types of chains, cooperatives, self-service stores, supermarkets, and department stores. Chain stores are gaining dominance in the nonfood retail goods market. The food retail sector is dominated by Dansk Supermarked, Coop Danmark, and about 30 other independent food import establishments. A 25% value-added tax applies to most goods and services.

Danish retail trade is marked by keen competition between independent retailers, manufacturers' chains, and consumer cooperatives. About 30% of all Danish retail establishments are in the greater Copenhagen area, and these account for almost 40% of all retail sales.

Business opening hours vary between 8 and 9 AM; closing is between 5:30 and 7 PM for stores and 4 to 4:30 PM for offices. Early closing (1 PM) on Saturdays is now standard. Banking hours are from 9:30 AM to 4 PM, Monday through Friday; also, 4 to 6 PM on Thursday.

General, trade, and technical periodicals are important media, and direct-mail, television, and film advertising are used extensively. The most important trade exhibition, the International Fair, takes place every spring in Copenhagen.

### 31 FOREIGN TRADE

The Danish economy depends heavily on foreign trade. Denmark is a net exporter of food and energy. Raw materials for use in production used to account for more than half the value of imports, but have seen a considerable decline in recent years. Farm products traditionally comprised the bulk of total Danish exports, but since 1961, industrial exports have greatly exceeded agricultural exports in value. In 2003, industrial products accounted for 81%

#### Principal Trading Partners – Denmark (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	64,614.0	56,230.5	8,383.5
Germany	11,182.1	12,904.9	-1,722.8
Sweden	7,875.0	7,206.2	668.8
United Kingdom	5,066.4	3,921.3	1,145.1
Areas nes	4,978.6	398.9	4,579.7
United States	3,688.4	1,823.0	1,865.4
Norway	3,652.2	2,533.9	1,118.3
France-Monaco	2,907.6	2,717.5	190.1
Netherlands	2,880.3	3,884.6	-1,004.3
Finland	1,994.5	1,301.3	693.2
Italy-San Marino-Holy See	1,942.3	2,300.7	-358.4

(...) data not available or not significant.

SOURCE: 2003 International Trade Statistics Yearbook, New York: United Nations, 2004.

of Denmark's total commodity exports by value (of which machinery and instruments covered 35%); agricultural and fishing exports accounted for 10% (of which pork and pork products covered 48%—Denmark is the world's largest exporter of pork). Raw materials and semi-manufactures accounted for 43% of imports, consumer goods 29%, capital equipment 14%, transport equipment 7%, fuels 5%, and other imports 2%.

Denmark's trading partners in 2003 (according to percent of total trade in goods) included Germany (21%), Sweden (13%), the United Kingdom (8%), the United States (5%), Norway (5%), Japan (2%), and eastern European countries (5%).

To curb domestic demand, the government introduced several fiscal restraint measures in 1986, resulting in a decline in imports. Such measures and a tight-money policy have curbed inflation and made Danish exports more competitive, leading to trade surpluses in the late 1980s, 1990s, and early 2000s. In 2004, total exports were \$75.6 billion and imports were \$67.2 billion, for a trade surplus of \$8.4 billion.

A great producer of food, Denmark's commodity exports include meat, fresh fish, and cheese, each of which command a substantial percentage of the world's food exports in their categories. The country also exports fine furniture and medicaments.

### 32 BALANCE OF PAYMENTS

The decline in Denmark's trade balance since the end of World War II resulted in a serious deterioration in the balance-of-payments position, particularly after 1960. In the late 1960s, the course of Denmark's international economic activity paralleled trends in continental Europe, with high trade and capital flow levels being accompanied by a deteriorating current-account position; this condition continued into the early 1970s. The Danish government had hoped that Denmark's entry into the EC would reduce the country's persistent deficit and bring the balance on current account into a more favorable position, but this was not

#### Balance of Payments – Denmark (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>6,139.0</b>
Balance on goods	10,142.0	
Imports	-55,060.0	
Exports	65,202.0	
Balance on services	3,811.0	
Balance on income	-3,981.0	
Current transfers	-3,833.0	
<b>Capital Account</b>		<b>-45.0</b>
<b>Financial Account</b>		<b>-4,495.0</b>
Direct investment abroad	-1,314.0	
Direct investment in Denmark	2,908.0	
Portfolio investment assets	-21,938.0	
Portfolio investment liabilities	6,012.0	
Financial derivatives	-12.0	
Other investment assets	-9,983.0	
Other investment liabilities	19,832.0	
<b>Net Errors and Omissions</b>		<b>3,075.0</b>
<b>Reserves and Related Items</b>		<b>-4,674.0</b>

(...) data not available or not significant.

SOURCE: Balance of Payment Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

the case in the late 1970s. Although current account deficits were reduced somewhat in 1980–81, thanks to the devaluation of the krone and the restrictive income and fiscal policies implemented in 1979–80, the deficit again increased in 1982 and by 1985 was at the highest level since 1979.

In 1990, after a century of deficits, the balance of payments showed a surplus of \$1.3 billion, and rose to \$4.7 billion in 1993. In 1994 the surplus dropped to \$2.7 billion, but by 2002 it stood at \$8.4 billion. The surplus has allowed Denmark to begin repaying its large foreign debt, which peaked in 1988 at \$44 billion, or 40% of GDP. (External debt stood at \$21.7 billion in 2000.) Net interest payments on debt continue to be a burden, accounting for about 10% of goods and services export earnings.

As of 2005, except for one year—1998—Denmark had had comfortable current account surpluses for 15 years. The current account surplus stood at \$6.5 billion in 2004.

### 3<sup>3</sup> BANKING AND SECURITIES

By an act of 7 April 1936, the Danish National Bank, the bank of issue since 1818, was converted from an independent to an official government corporation. Its head office is in Copenhagen, and it has branches in provincial towns. The Nationalbank performs all the usual functions of a central bank, and it holds almost all the nation's foreign exchange reserves. Commercial banks provide short-term money to business and individuals, almost always in the form of overdraft credits, which are generally renewable.

Danish banks, hit particularly hard by the Nordic banking crisis of 1991–93, have rebounded. By the end of the decade, they had rebounded completely. Their recovery was bolstered in large part by continuing capital gains in securities markets. In mid-2003, there were 187 commercial and savings banks, eight mortgage credit institutions, 30 investment companies, 138 nonlife insurance companies, and 94 life assurance companies and multi-employer pension funds.

Credit and mortgage societies are active in Denmark. In 1982, index-linked real estate loans were introduced, initially carrying nominal interest rates of 2.5% per year, with balance and installments adjusted yearly according to variations in the consumer price index and wage indexes. In the mid-1990s, the lending rate was about 12%. The International Monetary Fund reports that in 1999, currency and demand deposits—an aggregate commonly known as M1—were equal to \$54.7 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$97.5 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 3.37%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 3%.

The stock exchange (or Bourse) in Copenhagen was built during 1619–30 by Christian IV. He subsequently sold it to a Copenhagen merchant, but it reverted to the crown and in 1857 was finally sold by Frederik VII to the Merchants' Guild. Although it is the oldest building in the world built as an exchange and still used as one, the nature of the business transacted in it has greatly changed. Originally a commodity exchange equipped with booths and storage rooms, the Bourse is now almost exclusively a stock exchange. In 1970, the Stock Exchange was placed under the jurisdiction of the Ministry of Commerce with a governing committee

of 11 members. Only a few bond issues are made by manufacturing firms each year. In 1980, Denmark took the initial step toward becoming the first country to convert the issuing of stock, share, and bond certificates into a computer account registration system. As of 2004, a total of 178 companies were listed on the Copenhagen Stock Exchange, which had a total capitalization of \$151.342 billion. In that same year, the KFX Copehagen rose 0.7% from the previous year to 286.7.

### 3<sup>4</sup> INSURANCE

The Danish insurance industry is regulated by the Danish Supervisory Authority of Financial Affairs. Danish companies do most stock insurance business. Some government-owned insurance companies sell automobile, fire, and life insurance and handle the government's war-risk insurance program. In Denmark, third-party auto insurance, workers' compensation, nuclear power station insurance, hunter's liability, dog liability, third-party aircraft liability and mortgaged property insurance are compulsory. The two primary pieces of legislation affecting the insurance industry are the Insurance Companies Act and the Insurance Contracts Act. The first contains regulations for establishing and operating insurance companies and describes the public supervision of the insurance business. The second governs relations between insurance companies, policy holders, and claimants. In 2003, the value of all direct premiums written totaled \$16.737 billion, with life premiums accounting for the largest portion at \$10.944 billion. Denmark's top nonlife insurer that same year was Tryg Skade, with gross nonlife premiums written of \$1,177.9 million. Danica Pension was the country's top life insurer in 2003 with gross life premiums written of \$1.772.4.

### 3<sup>5</sup> PUBLIC FINANCE

The finance bill is presented to the Folketing yearly; the fiscal year follows the calendar year. As a general rule, the budget is prepared on the "net" principle, the difference between receipts and expen-

#### Public Finance – Denmark (2003)

(In millions of kroner, central government figures)

<b>Revenue and Grants</b>	<b>532,687</b>	<b>100.0%</b>
Tax revenue	420,202	78.9%
Social contributions	29,548	5.5%
Grants	7,716	1.4%
Other revenue	75,221	14.1%
<b>Expenditures</b>	<b>504,284</b>	<b>100.0%</b>
General public services	137,385	27.2%
Defense	23,218	4.6%
Public order and safety	13,265	2.6%
Economic affairs	34,347	6.8%
Environmental protection	...	...
Housing and community amenities	8,257	1.6%
Health	4,484	0.9%
Recreational, culture, and religion	11,417	2.3%
Education	63,669	12.6%
Social protection	208,242	41.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ditures—surplus or deficit—of public undertakings being posted to the revenue accounts. By far the largest amounts of public expenditure are for social security, health, education and research, unemployment insurance, pensions, allowances, and rent subsidies. Under a new tax reform plan, agreed upon by the government and the Danish People's Party in March 2003, Danish citizens received tax relief in 2004, although at a lesser rate than originally was hoped. Denmark has yet to accept the euro as its currency, although it meets all the criteria set forth by the European Monetary Union to do so. The 1993 Finance Act serves as an example of how revenue is only to a limited degree spent on the public sector's own operational and initial expenditure, but mainly repaid to citizens. Out of the Kr340 billion the government had at its disposal in 1993, 46% was to be sent back to individual citizens as income transfers. In addition, the government transferred 12% of the budget to municipalities in the form of block grants, which also will largely end up as transfer payments to individuals.

The US Central Intelligence Agency (CIA) estimated that in 2005 Denmark's central government took in revenues of approximately \$148.8 billion and had expenditures of \$142.6 billion. Revenues minus expenditures totaled approximately \$6.2 billion. Public debt in 2005 amounted to 40.4% of GDP. Total external debt was \$352.9 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were Kr532,687 million and expenditures were Kr504,284 million. The value of revenues was us\$80,857 million and expenditures us\$76,546 million, based on a market exchange rate for 2003 of us\$1 = Kr6.588 as reported by the IMF. Government outlays by function were as follows: general public services, 27.2%; defense, 4.6%; public order and safety, 2.6%; economic affairs, 6.8%; housing and community amenities, 1.6%; health, 0.9%; recreation, culture, and religion, 2.3%; education, 12.6%; and social protection, 41.3%.

### 36 TAXATION

Denmark's taxes are among the highest in the world. Danish residents are liable for tax on global income and net wealth. Nonresidents are liable only for tax on certain types of income from Danish sources.

The corporate income tax in Denmark is 30%, which must be prepaid during the income tax year to avoid a surcharge. Capital gains are also taxed at the 30% rate.

Personal income tax is collected at state, county and local levels. A tax ceiling ensures that combined income taxes do not exceed 59% of income. Income tax rates are progressive: 39% on income up to €22,118; 45% on income between €22,118 and €36,025; and 60% on income above €36,025. Several kinds of deductions or reductions can be applied to taxable income. Dividends are taxed at 28% up to the amount of personal allowance, after which the rate goes to 43%. Royalties are subject to a 30% tax rate. There is also a voluntary church tax with an average rate of 0.8%. The social security contribution from employee earnings is 9%, 8% for unemployment insurance and 1% for special pension scheme savings. The voluntary church tax and social security contributions do not count toward the 59% tax ceiling. Tax is withheld at the source. Foreign researchers and key employers may qualify for a gross tax

of 25% on their salary instead of paying regular income tax. They are still liable for 9% social security contributions.

Denmark's main indirect tax in the value-added tax (VAT) first introduced in March 1967 with a standard rate of 10%. The current standard rate of 25% was introduced in January 1992. Daily newspapers and a few other goods and services are exempt from the VAT.

### 37 CUSTOMS AND DUTIES

Denmark—a consistent advocate of free and fair conditions of international trade—had until recently the lowest tariff rate in Europe. However, owing to shortages of foreign currency, Denmark did impose quantitative restrictions on imports, and as late as 1959 about 64% of Danish industrial production was so protected. On joining the European Free Trade Association (EFTA) on 8 May 1960, Denmark began eliminating tariff rates and quantitative restrictions on industrial products from other EFTA countries. By 1 January 1970, those that remained were abolished. On 1 January 1973, Denmark ended its membership in EFTA and became a member of the European Community, which not only represents a free trade area but also seeks to integrate the economies of its member states.

Denmark adheres to provisions of GATT on import licensing requirements although certain industrial products must meet Danish and EC technical standards. Denmark converted to the Harmonized System of import duties on 1 January 1988. Most products from European countries are duty-free. Duty rates for manufactured goods range from 5–14% of CIF value, and a 25% VAT is applied to imported, as well as domestic, products. Basic necessities and foodstuffs are given a 0% rate. Agricultural products are governed by the Common Agricultural Policy (CAP), a system of variable levies, instead of duties.

### 38 FOREIGN INVESTMENT

Denmark is a rich, modern society with state-of-the-art infrastructure and distribution system. A highly-skilled labor force and a northern location in Europe make it attractive to foreign investors wishing to have access to markets in Scandinavia, the Baltics, and other northern European destinations. Denmark is a firm advocate of liberal trade and investment policies and actively courts foreign investment.

Foreign investors are treated on an equal footing with Danish investors; investment capital and profits may be freely repatriated. After the late 1950s, Denmark attracted a moderate amount of foreign investment. In 1998, however, annual FDI inflows jumped from \$2.8 billion to \$7.7 billion and then soared to \$32.3 billion in 2000. In terms of success in attracting FDI, Denmark went from the 62nd ranked country (out of 140 countries studied) on UNCTAD's Inward FDI Performance Index for the period 1988 to 1990 to the 12th ranked country for the period 1998–2000. Denmark's ranking in terms of potential for inward FDI increased from 10th place in the world to 8th place. In the economic slowdown of 2001 and in decline in FDI inflows that followed the 11 September 2001 terrorist attacks in the United States, annual FDI inflow fell to about \$14 billion in 2001 and to an estimated \$7.7 billion in 2002.

The total stock of FDI in Denmark increased by 79% from 1998–2003, and corresponded to approximately 25% of GDP in

2003 (at \$54 billion). Danish investment abroad amounted to 27% of GDP. The corporate tax is relatively low by EU-15 standards, at 28%. There is no additional local tax, franchise, or net wealth tax. The corporate tax is paid after deductions for expenses.

The largest foreign investors in Denmark are the United States, Sweden, and the United Kingdom. The main sources of FDI stock in Denmark in 2003 were the United States (28%), Sweden (20%), the United Kingdom (10%), Norway (9%), and Germany (4%). The main destinations of Danish investment abroad in 2003 were the United Kingdom (12%), Norway (10%), Sweden (9%), the United States (6%), and Germany (6%).

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

For many years, Danish governments followed a full-employment policy and relied chiefly on promotion of private enterprise to achieve this end. Beginning in the late 1970s, however, the government increased its intervention in the economy, in response to rising unemployment, inflation, and budget deficits. Inflation has been curbed and budget deficits reduced. This bolstered the currency from devaluation, but at the cost of restraining growth, and unemployment continued to rise.

Government influence on private enterprise through the exercise of import and export licensing has diminished in recent years. The discount policy of the National Bank is of major importance to the business community. Control of cartels and monopolies is flexible. The government has in recent years sold part or whole interest in many business entities, including the national telecommunications company TDC, Copenhagen airports, and the government's computer services company, Datacentralen. Most of the country's power stations are owned and operated by local governments and municipalities.

Capital incentives are available to assist new industries, mainly in the less-developed areas of Denmark. Municipalities also provide infrastructure, industrial parks, or inexpensive land. Under a 1967 provision, the Regional Development Committee (composed of representatives of a number of special-interest organizations and central and local authorities) can grant state guarantees or state loans for the establishment of enterprises in less developed districts.

In 1978, Denmark reached the UN target for official development assistance (ODA) in the mid-1970s: 0.7% of GNP. It reached 0.96% of GNP in 1991, second only to Norway, and 1.01% in 2001, when it led the world in ODA. In 2004, Denmark set aside 0.84% of its GNP for ODA, third highest behind Norway and Luxembourg. Denmark's official assistance to developing countries amounted to \$2 billion in 2004.

Unemployment was at a 25-year low in 2002, and the economy weathered the global economic recession fairly well. (Unemployment was also low in 2004, at 6.2%.) The government ran fiscal surpluses in order to prepare for the costs of an aging population. Nevertheless, state spending to total economic activity remains one of the highest in the world. Small and medium-sized businesses characterize the private sector, with companies with less than 50 employees accounting for approximately half of total employment, and only 12% of the workforce work in firms with more than 500 employees. Women are highly represented in the labor force.

The government was likely to continue an expansionary fiscal policy in 2006, and the general government budget surplus was forecast to narrow. The Danish government lowered income and corporate taxes in 2004, and announced in 2005 that it was working on simplifying the rules governing the taxation of dividends. Government debt remains high, but the public budget was in surplus in 2005.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

Denmark was one of the first countries in the world to establish efficient social services with the introduction of relief for the sick, unemployed, and aged. Old age benefits date back to 1891. Social welfare programs include health insurance, health and hospital services, insurance for occupational injuries, unemployment insurance and employment exchange services, old age and disability pensions, rehabilitation and nursing homes, family welfare subsidies, general public welfare, and payments for military accidents. Maternity benefits are payable up to 52 weeks. In 2004 the retirement age increased to 69 years for residents.

According to the constitution, any incapacitated person living in Denmark has a right to public relief. Benefits such as maintenance allowances for the children of single supporters, day care, and others, involve neither repayment nor any other conditions; some others are regarded as loans to be repaid when possible. Family allowances are paid to families with incomes below a certain threshold; rent subsidies require a means test. Denmark has a dual system of universal medical benefits for all residents and cash sickness benefits for employees. All Danish citizens over 67 years of age may draw old age pensions. Disability pensions, equal in amount to old age pensions plus special supplements, are paid to persons with a stipulated degree of disablement.

Women make up roughly half of the work force. Laws guarantee equal pay for equal work, and women have and use legal recourse if they feel discriminated against. Spousal rape and spousal abuse are criminal offenses. There are crisis centers that counsel and shelter victims of domestic violence. Children's rights are well protected.

The constitution provides for freedom of the press and speech, assembly and association, and for religious freedom, and generally respects these rights. Discrimination based on sex, creed, race, or ethnicity is prohibited by law.

### **4<sup>1</sup> HEALTH**

Denmark's health care system has retained the same basic structure since the early 1970s. The administration of hospitals and personnel is dealt with by the Ministry of the Interior, while primary care facilities, health insurance, and community care are the responsibility of the Ministry of Social Affairs. Anyone can go to a physician for no fee and the public health system entitles each Dane to his/her own doctor. Expert medical/surgical aid is available, with a qualified nursing staff. Costs are borne by public authorities, but high taxes contribute to these costs. As of 2004, there were an estimated 366 physicians and 972 nurses per 100,000 people. In addition, there were 90 dentists, 49 pharmacists, and 25 midwives per 100,000 people.

The total fertility rate in 2000 was 1.7, while the maternal mortality rate was 10 per 100,000 live births. Approximately 63% of married women (ages 15 to 49) used contraception. Cardiovas-

cular diseases and cancer were the leading causes of death. Denmark's cancer rates were the highest in the European Union. The HIV/AIDS prevalence was 0.20 per 100 adults in 2003. As of 2004, there were approximately 5,000 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

Danish citizens may choose between two systems of primary health care: medical care provided free of charge by a doctor whom the individual chooses for a year and by those specialists to whom the doctor refers the patient; or complete freedom of choice of any physician or specialist at any time, with state reimbursement of about two-thirds of the cost for medical bills paid directly by the patient. Most Danes opt for the former. All patients receive subsidies on pharmaceuticals and vital drugs; everyone must pay a share of dental bills. Health care expenditure was estimated at 8.4% of GDP.

Responsibility for the public hospital service rests with county authorities. Counties form public hospital regions, each of which is allotted one or two larger hospitals with specialists and two to four smaller hospitals where medical treatment is practically free. State-appointed medical health officers, responsible to the National Board of Health, are employed to advise local governments on health matters. Public health authorities have waged large-scale campaigns against tuberculosis, venereal diseases, diphtheria, and poliomyelitis. The free guidance and assistance given to mothers of newborn children by public health nurses have resulted in a low infant mortality rate of 4.56 per 1,000 live births (2005). Medical treatment is free up to school age, when free school medical inspections begin. As of 2001, children up to one year of age were vaccinated against diphtheria, pertussis, and tetanus (99%) and measles (92%). In 2005, life expectancy at birth was 77.62 years. The overall death rate was 11 per 1,000 people.

## 42 HOUSING

In recent decades, especially since the passage of the Housing Subsidy Act of 1956, considerable government support has been given to housing. For large families building their own homes, government loans have been provided on exceptionally favorable terms, and special rent rebates have been granted to large families occupying apartments in buildings erected by social building societies or in buildings built with government loans since 1950. Subject to certain conditions, housing rebates have been granted to pensioners and invalids. An annual grant is made to reduce householders' maintenance expenses. This extensive support helped to reduce the wartime and immediate postwar housing shortage.

In 2005, there were 2,633,886 dwellings in the nation; 94% were occupied. About 38% were detached, single-family homes; another 35% were detached, multi-family homes and 12% were terraced or linked dwellings. Of the occupied dwellings, about 51% were owner occupied. About 26% of all dwellings consist of five rooms and a kitchen; only about 48,892 dwellings do not have a kitchen at all. During the period 1991–2004, less than 20,000 new homes were built each year. About 17,778 new dwellings were built in 2004, mostly by private builders. Approximately 231,906 dwellings were built before 1900. About 40% of the housing stock was built 1950–79.

## 43 EDUCATION

Primary, secondary, and most university and other higher education are free. Preschools are operated by private persons or organizations with some government financial aid. Education has been compulsory since 1814; currently, it is compulsory for nine years, for children ages 7 to 16. The Danish primary school system, known as the *Folkeskole*, covers the nine required years and many opt for an additional 10th year. English is included in the curriculum from the fifth grade. After basic schooling, two-thirds of the pupils apply for practical training in a trade or commerce at special schools. The remaining one-third enroll in secondary schools, which finish after three years with student examination and pave the way for higher education at universities. Municipal authorities, with some financial aid from the central government, have been responsible for providing schools for these children.

In 2001, about 90% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 96% of age-eligible students. Most students complete their primary education. The student-to-teacher ratio for primary school was at about 10:1 in 2000; the ratio for secondary school was also about 10:1.

Adult education exists side by side with the regular school system. Founded as early as 1844, the folk high schools are voluntary, self-governing high schools imparting general adult education. In addition, there are hundreds of schools for higher instruction of pupils without previous special training. There are 12 universities, including the University of Copenhagen (founded in 1479), the University of Aarhus (founded as a college in 1928 and established as a university in 1933), the University of Odense (opened in 1966), and the University Center at Roskilde (founded in 1970). Attached to the various faculties are institutes, laboratories, and clinics devoted primarily to research, but also offering advanced instruction. There are about 100 specialized colleges with professional programs. Many specialized schools and academies of university rank provide instruction in various technical and artistic fields. All these institutions are independent in their internal administration. In 2003, about 67% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for has been estimated at nearly 100%.

As of 2003, public expenditure on education was estimated at 8.5% of GDP, or 15.4% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

Denmark's national library, the Royal Library in Copenhagen, founded by Frederik III in 1653, is the largest in Scandinavia, with over 4.6 million volumes. The manuscript department of the Royal Library holds an extensive collection of the manuscripts and correspondence of Hans Christian Andersen and the Søren Kierkegaard Archives (manuscripts and personal papers). The National Museum of Photography (over 25,000 pieces) and the Museum of Danish Cartoon Art are also housed at the Royal Library. Three other large libraries are the University Library in Copenhagen, Copenhagen Public Libraries, and the State Library at Aarhus. The Regional Library of Northern Jutland includes a central library, 17 branch locations and 3 mobile units. As of 2002, there

were 250 free public libraries throughout the country with 892 points of service. That year, the public libraries had a total of more than 31.4 million volumes. The Danish Library Association was founded in 1905. The Danish Union of Librarians had about 5,500 members in 2005.

Among the largest museums are the National Museum (with rare ethnologic and archaeological collections), the Glyptotek (with a large collection of ancient and modern sculpture), the State Art Museum (containing the main collection of Danish paintings as well as other Scandinavian artists), the Thorvaldsen Museum, the Hirshsprung Collection, and the Rosenborg Palace, all in Copenhagen, and the National Historical Museum in Frederiksborg Castle, at Hillerod. Among the newer facilities is the Amalienborg Museum in Copenhagen, which opened in 1994 and houses treasures of the royal family. The National Museum of Science and Technology in Elsinore includes the Teknisk Museum (Museum of Technology) and the Trafikmuseum (Transport Museum); the Kommunikationsmuseum (Museum of Communications) in Aalborg is an extension of the Teknisk Museum.

#### 45 MEDIA

Although the government telephone service owns and operates long-distance lines and gives some local service, the bulk of local telephone service is operated by private companies under government concession with government participation. In 2003, there were an estimated 669 mainline telephones for every 1,000 people. The same year, there were approximately 883 mobile phones in use for every 1,000 people. Telegraph services are owned and operated by the government.

The radio broadcasting services are operated by the Danish State Radio System, on long, medium, and short waves. Television broadcasting hours are mainly devoted to current and cultural affairs and to programs for children and young people. There is no commercial advertising on radio or television; owners of sets pay an annual license fee. As of 1998 there were 2 AM and 355 FM radio stations and 26 television stations. In 2003, there were an estimated 1,400 radios and 859 television sets for every 1,000 people. About 236.7 of every 1,000 people are cable subscribers. In 2003, there were 576.8 personal computers for every 1,000 people and 513 of every 1,000 people had access to the Internet. There were 1,724 secure Internet servers in the country in 2004.

The largest daily newspapers (with their political orientation and 2002 circulation totals) are *Ekstra Bladet* (independent/social-liberal, 159,500), *Politiken* (independent/social-liberal, 153,500), *Berlingske Tidende* (independent/conservative, 160,100), *B.T.* (independent/conservative, 144,900), *Aarhus Stiftstidende* (independent, 176,400), *Vendsyssel Tidende* (independent, 114,000), *Aalborg Stiftstidende* (independent, 72,700), and *Fyens Stiftstidende* (independent, 66,400).

Complete freedom of expression, including that in print and electronic media, is guaranteed under the constitution. The media in Denmark are largely independently operated and are free from government interference.

#### 46 ORGANIZATIONS

Nearly every Danish farmer is a member of at least one agricultural organization and of one or more producer cooperatives. The oldest agricultural organization, the Royal Agricultural Society of

Denmark, was established in 1769, but most of the other organizations have been founded since 1850. They promote agricultural education and technical and economic development. Local societies have formed provincial federations, which in turn have combined into two national organizations, the Federation of Danish Agricultural Societies and the Federation of Danish Smallholders Societies. The Cooperative Movement of Denmark comprises three groups: agricultural cooperatives, retail cooperatives, and urban cooperatives. Owners of estates and large farms belong to separate organizations specializing in the affairs of larger agricultural units. Most consumers' cooperative societies belong to the Danish Cooperative Wholesale Society, which makes bulk purchases for member societies and also manufactures various products.

The Federation of Danish Industries and the Industrialists' Association in Copenhagen represent industrial undertakings and trade associations, safeguard and promote the interests of industry, and deal with trade questions of an economic nature. The Danish Confederation of Trade Unions has also been influential. The Council of Handicrafts represents various crafts, trades, and industries, and gives subsidies to technical and trade schools. The leading organizations of the wholesale trade are the Copenhagen Chamber of Commerce and the Provincial Chamber of Commerce. There are also active professional societies representing a broad range of career fields.

The scholarly and cultural organization of the Royal Danish Academy of Sciences and Letters was founded in 1742. A wide variety of organizations exist to promote research and education in medical and scientific fields, such as Danish Academy of Technical Sciences, the Danish Dental Association, the Danish Medical Society, and the Danish Cancer Society. The Danish Council of Ethics is appointed by the government to conduct research and offer legislative recommendations on bioethical issues.

A number of national and regional cultural organizations are active, as are associations representing popular sports and recreational activities. The Danish Athletic Federation represents about 30,000 athletes nationwide. The Danish Youth Council is an umbrella organization representing about 62 youth organizations with a combined membership of over one million youth. Youth organizations include the Conservative Youth of Denmark, Danish 4-H Youth, Danish Socialist Democratic, Faroe Islands Youth Council, Greenland Youth Council (SORLAK), scouting programs, and YMCA/YWCA.

Denmark has active chapters of The Red Cross, CARE, Caritas, Greenpeace, UNICEF, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Dozens of castles, palaces, mansions, and manor houses, including the castle at Elsinore (Helsingor)—site of Shakespeare's *Hamlet*—are open to the public. Tivoli Gardens, the world-famous amusement park, built in 1843 in the center of Copenhagen, is open from May through mid-September. Copenhagen is an important jazz center and holds a jazz festival in July. The Royal Danish Ballet, of international reputation, performs in Copenhagen's Royal Theater, which also presents opera and drama. Greenland, the world's largest island, is part of the Kingdom of Denmark and attracts tourists to its mountains, dog sledges, and midnight sun.

A valid passport is required of all visitors except for Scandinavian nationals. Visas are not required for stays of up to 90 days.

Approximately 1,294,477 tourists visited Denmark in 2003. There were 41,729 hotel rooms with 106,080 beds and an occupancy rate of 35% in that year.

In 2005, the US Department of State estimated the cost of staying in Copenhagen at \$288 per day.

#### 48 FAMOUS DANES

Denmark's greatest classic writer and the founder of Danish literature is Ludvig Holberg (1684–1754), historian, philologist, philosopher, critic, and playwright, whose brilliant satiric comedies are internationally famous. Another important dramatist and poet is Adam Gottlob Oehlenschlaeger (1779–1850). The two most celebrated 19th-century Danish writers are Hans Christian Andersen (1805–75), whose fairy tales are read and loved all over the world, and the influential philosopher and religious thinker Søren Kierkegaard (1813–55). Nikolaj Frederik Severin Grundtvig (1783–1872), noted theologian and poet, was renowned for his founding of folk high schools, which brought practical education to the countryside. The leading European literary critic of his time was Georg Morris Brandes (Cohen, 1842–1927), whose *Main Currents in 19th-Century European Literature* exerted an influence on two generations of readers. Leading novelists include Jens Peter Jacobsen (1847–85); Martin Anderson Nexø (1869–1954), author of *Pelle the Conquerer* (1906–10) and *Ditte* (1917–21); and Johannes Vilhelm Jensen (1873–1950), who was awarded the Nobel Prize for literature in 1944 for his series of novels. Karl Adolph Gjellerup (1857–1919) and Henrik Pontoppidan (1857–1943) shared the Nobel Prize for literature in 1917. Isak Dinesen (Karen Blixen, 1885–1962) achieved renown for her volumes of gothic tales and narratives of life in Africa. Jeppe Aakjsaer (1866–1930), poet and novelist, is called the Danish Robert Burns. A great film artist is Carl Dreyer (1889–1968), known for directing *The Passion of Joan of Arc*, *Day of Wrath*, and *Ordet*. Famous Danish musicians include the composers Niels Gade (1817–90) and Carl Nielsen (1865–1931), the tenors Lauritz Melchior (1890–1973) and Aksel Schiøtz (1906–75), and the soprano Povla Frijsch (d.1960). Notable dancers and choreographers include August Bournonville (1805–79), originator of the Danish ballet style; Erik Bruhn (1928–86), who was known for his classical technique and was director of ballet at the Royal Swedish Opera House and of the National Ballet of Canada; and Fleming Ole Flindt (b.1936), who has directed the Royal Danish Ballet since 1965. The sculptor Bertel Thorvaldsen (1770–1844) is the artist of widest influence. Jørn Utzon (b.1918) is an architect best known for his design of the Sydney Opera House.

Notable scientists include the astronomers Tycho Brahe (1546–1601) and Ole Rømer (1644–1710); the philologists Ramus Christian Rask (1787–1832) and Otto Jespersen (1860–1943); the physicist Hans Christian Ørsted (1777–1851), discoverer of electromagnetism; Nobel Prize winners for physics Niels Bohr (1885–1962) in 1922 and his son Aage Niels Bohr (b.1922) and Benjamin Mottelson (b.1926) in 1975; Niels Rybert Finsen (b.Faroe Islands, 1860–1904), August Krogh (1874–1949), Johannes A. G. Fibiger (1867–1928), and Henrik C. P. Dam (1895–1976), Nobel Prize-winning physicians and physiologists in 1903, 1920, 1926, and 1944, respectively. Jens Christian Skou (b.1918) shared the Nobel prize in chemistry in 1937. Frederik Bajer (1837–1922) was awarded the Nobel Prize for peace in 1908. Knud Johan Victor

Rasmussen (1879–1933), explorer and anthropologist born in Greenland, was an authority on Eskimo ethnology.

Queen Margrethe II (b.1940) became sovereign in 1972.

#### 49 DEPENDENCIES

##### Faroe Islands

The Faroe Islands (Faerøerne in Danish and Føroyar in the Faroese language), whose name stems from the Scandinavian word for sheep (får), are situated in the Atlantic Ocean, due N of Scotland, between 61°20' and 62°24'N and 6°15' and 7°41'W. The 18 islands, 17 of which are inhabited, cover an area of 1,399 sq km (540 sq mi). Among the larger islands are Streymoy (Strømø) with an area of 373 sq km (144 sq mi), Eysturoy (Østerø) with 286 sq km (110 sq mi), Vágar (Vaagø) with 178 sq km (69 sq mi), Suduroy (Syderø) with 166 sq km (64 sq mi), and Sandoy (Sandø) with 112 sq km (43 sq mi). The maximum length of the Faroe Islands is 112 km (70 mi) N–S and the maximum width is 79 km (49 mi) NE–SW. The total coastline measures 1,117 km (694 mi).

The estimated population in July 2002 was 46,011. Most Faroese are descended from the Vikings, who settled on the islands in the 9th century. The Faroes have been connected politically with Denmark since the 14th century. During World War II (1939–45), they were occupied by the British, and in this period important political differences emerged. The Faroese People's party advocated independence for the islands; the Unionists preferred to maintain the status quo; and the Faroese Social Democrats wanted home rule. After the war, it was agreed to establish home rule under Danish sovereignty, and since 23 March 1948, the central Danish government has been concerned only with matters of common interest, such as foreign policy and foreign-currency exchange. The Faroes have their own flag, levy their own taxes, and issue their own postage stamps and banknotes. The Faroese language, revived in the 19th century and akin to Icelandic, is used in schools, with Danish taught as a first foreign language.

The Faroese parliament, or Logting, dates back to Viking times and may be Europe's oldest legislative assembly. Members are elected by popular vote on a proportional basis from 7 constituencies to the 32-member Logting; representation has been fairly evenly divided among the four major parties. After the April 2002 election, the Union Party had 8 seats; Republican Party, 8; Social Democrats, 7; People's Party 7. The Independence Party and the Center Party had one seat each. The islands elect two representatives to the Folketing (Danish parliament).

In keeping with the islands' name, sheep raising was long the chief activity, but in recent years the fishing industry has grown rapidly. The total fish catch was nearly 360,000 metric tons in 1996; fisheries exports generated 94% of the territory's \$471 million in exports in 1999. Principal varieties of fish caught are cod, herring, and haddock; almost the entire catch is exported. Exports go mainly to Denmark (32%), the United Kingdom (21%), France (9%), Germany (7%), Iceland (5%), and the United States (5%). Imports valued at \$469 million in 1999, come mainly from Denmark (28%), Norway (26%), Germany (7%), Sweden (5%), and Iceland (4%). Agriculture is limited to the cultivation of root vegetables, potatoes, and barley, and contributed 27% to the gross domestic product (GDP) in 1999.



The economy is regulated by an agreement with Denmark whereby the central government facilitates the marketing of Faroese fisheries products and guarantees to some extent an adequate supply of foreign currency.

### Greenland

Greenland (Grønland in Danish, Kalaallit Nunaat in Greenlandic) is the largest island in the world. Extending from 59°46' to 83°39' N and from 11°39' to 73°8' W, Greenland has a total area of 2,166,086 sq km (836,330 sq mi). The greatest N–S distance is about 2,670 km (1,660 mi), and E–W about 1,290 km (800 mi). Greenland is bounded on the N by the Arctic Ocean, on the E by the Greenland Sea, on the SE by the Denmark Strait (separating it from Iceland), on the S by the Atlantic Ocean, and on the W by Baffin Bay and Davis Strait. The coastline measures 44,087 km (27,394 mi). The ice-free strip along the coast, rarely exceeding 80 km (50 mi) in width, is only 410,449 sq km (158,475 sq mi) in area. The rest of the area, covered with ice measuring at least 2,100 m (7,000 ft) thick in some places, amounts to 1,755,637 sq km (677,855 sq mi). Greenland has a typically arctic climate, but there is considerable variation between localities, and temperature changes in any one locality are apt to be sudden. Rainfall increases from north to south, ranging from about 25 to 114 cm (10–45 in). Land transport is very difficult, owing to the ice and rugged terrain, and most local travel must be done by water. SAS operates flights on the Scandinavia-US route via Greenland, and tourists are being attracted by Greenland's imposing scenery.

The population, grouped in a number of scattered settlements of varying sizes, was estimated at 56,376 in 2002, down from 58,203 in 1996. Greenlanders are predominantly Eskimos, with some admixture of Europeans. The Greenlandic language, an Eskimo-Aleut dialect, is in official use. Most native Greenlanders were engaged in hunting and fishing, but a steadily increasing number are now engaged in administration and in private enterprises. The Europeans chiefly follow such pursuits as administration, skilled services, and mining.

The Vikings reached Greenland as early as the 10th century. By the time Europeans rediscovered the island, however, Norse culture had died out and Greenland belonged to the Eskimos. Danish colonization began in the 18th century, when the whale trade flourished off Greenland's western shore. In 1933, the Permanent Court of Arbitration at The Hague definitively established Danish jurisdiction over all Greenland. Up to 1953, the island was a colony; at that time it became an integral part of Denmark. Greenland held that status until 1979, when it became self-governing after a referendum in which 70% of the population favored home rule. The 31 members in the Landsting (parliament) are elected by popular vote on the basis of proportional representation. In the election held November 2001, the left-wing Siumut Party won 10 seats; Inuit Ataqatigiit, 8; the right-wing Atassut Party, 7; the Demokratiit, 5; and the Katusseqatigiit, 1. Greenland elects two representatives to the Folketing; following the December 2002 election, the representatives were from the Siumut and Inuit Ataqatigiit parties.

Fishing, hunting (mainly seal, and to a lesser extent fox), and mining are the principal occupations. Greenland's total fish catch in 1994 was 112,576 tons, and fisheries exports were valued at \$267 million. Agriculture is not possible in most of Greenland, but some few vegetables are grown in the south, usually under glass.

At Ivigtut, on the southwest coast, a deposit of cryolite has long been worked by a Danish government-owned corporation, but reserves are believed to be nearing depletion. The government has a controlling interest in the lead-zinc mine at Mestersvig, on the east coast. Production began in 1956 and has continued sporadically. Low-grade coal mined at Disko Islands, midway on the west coast, is used for local fuel needs. Mining activities ceased in 1990 but exploration activity has revealed the potential for economic exploitation of antimony, barite, beryllium, chromite, coal, columbium, copper, cryolite, diamond, gold, graphite, ilmenite, iron, lead, molybdenum, nickel, platinum-group metals, rare earths, tantalum, thorium, tungsten, uranium, zinc, and zirconium. Fish and fish products make up the bulk of exports. Raw materials are administered jointly by a Denmark-Greenland commission. Underground resources remain in principle the property of Denmark, but the Landsting has veto power over matters having to do with mineral development.

A US Air Force base is situated at Thule, in the far north along the west coast, only 14° from the North Pole; Greenland also forms part of an early-warning radar network. An international meteorological service, administered by Denmark, serves transatlantic flights. In 1960, a 1,500-kW atomic reactor was set up in northern Greenland to supply electric power to a new US scientific base built on the icecap, 225 km (140 mi) inland from Thule.

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# ESTONIA

Republic of Estonia  
*Eesti Vabariik*



**CAPITAL:** Tallinn

**FLAG:** Three equal horizontal bands of blue (top), black, and white.

**ANTHEM:** *Mu isamaa, mu õnn ja rõõm* (*My Native Land, My Pride and Joy*).

**MONETARY UNIT:** The Estonian kroon (EEK) was introduced in August 1992, replacing the Russian ruble. EEK1 = \$0.08032 (or \$1 = EEK12.45) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** New Year's Day, 1 January; Independence Day, 24 February; Labor Day, 1 May; Victory Day, anniversary of the Battle of Vonnu in 1919, 23 June; Midsummer Day, 24 June; Christmas, 25–26 December. A movable religious holiday is Good Friday, the Friday before Easter.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Estonia is located in northeastern Europe, bordering the Baltic Sea, between Sweden and Russia. Comparatively, the area occupied by Estonia is slightly smaller than the states of New Hampshire and Vermont combined, with a total area of 45,226 sq km (17,462 sq mi). Estonia shares boundaries with the Baltic Sea on the N and W, Russia on the E, and Latvia on the S. Estonia's land boundaries total 633 km (392 mi). Its coastline is 3,794 km (2,352 mi). Estonia's capital city, Tallinn, is located in the northern part of the coast.

## <sup>2</sup> TOPOGRAPHY

The topography of Estonia consists mainly of marshy lowlands with a hilly region in the southeast. Over a third of the country is forest. The highest point is Suur Munamagi, located in the Haanja Uplands of the south, with an altitude of 318 m (1,043 ft). The lowest point is at sea level (Baltic Sea).

The country has more than 1,000 natural and artificial lakes. The largest lake is Lake Peipus, located along the border with Russia. The shared lake has a total area of 3,555 sq km (1,386 sq mi). The Pärnu is the longest river with a length of 144 km (89 mi). The Narva and Ema are also chief rivers.

## <sup>3</sup> CLIMATE

The proximity of the Baltic Sea influences the coastal climate. At the most western point, Vilsandi Saar, the mean temperature is 6°C (42.8°F). At the country's most eastern points, the mean temperature is between 4.2 and 4.5°C (36 to 40°F). Rainfall averages 50 cm (20 in) on the coast. Inland, rainfall averages 70 cm (28 in). Rainfall is heaviest during the summer and lightest in the spring.

## <sup>4</sup> FLORA AND FAUNA

Calcareous soil and a relatively mild climate permit rich flora and fauna in western Estonia. Native plants number over 1,600 species. The abundance of woodland and plant species provides a

suitable habitat for elk, deer, wild boar, wolf, lynx, bear, and otter. As of 2002, there were at least 65 species of mammals and 205 species of birds.

## <sup>5</sup> ENVIRONMENT

Air, water, and land pollution rank among Estonia's most significant environmental challenges. The combination of 300,000 tons of dust from the burning of oil shale by power plants in the northeast part of the country and airborne pollutants from industrial centers in Poland and Germany poses a significant hazard to Estonia's air quality.

Estonia's water resources have been affected by agricultural and industrial pollutants, including petroleum products, which have also contaminated the nation's soil. Some rivers and lakes within the country have been found to contain toxic sediments in excess of 10 times the accepted level for safety.

The nation's land pollution problems are aggravated by the 15 million tons of pollutants that are added yearly to the existing 250 million tons of pollutants. In 1994, 24,000 acres of the country's total land area were affected. Radiation levels from the nuclear accident at Chernobyl exceed currently accepted safety levels.

In 2003, about 11.8% of the total land area was protected, including 11 Ramsar Wetlands of International importance. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included four types of mammals, three species of birds, one species of fish, and four species of invertebrates. The European mink and the Atlantic sturgeon are among those listed as endangered.

## <sup>6</sup> POPULATION

The population of Estonia in 2005 was estimated by the United Nations (UN) at 1,345,000, which placed it at number 147 in population among the 193 nations of the world. In 2005, approximately 16% of the population was over 65 years of age, with another 16% of the population under 15 years of age. There were 85 males for

every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be -0.3%, a rate the government viewed as too low. The decline in population was due to an extremely low birth rate (1.7 births per woman). The projected population for the year 2025 was 1,171,000. The population density was 30 per sq km (77 per sq mi), with the northern portion of the country being the most densely populated.

The UN estimated that 69% of the population lived in urban areas in 2005, and that population in urban areas was declining at an annual rate of -0.90%. The capital city, Tallinn, had a population of 391,000 in that year. Other cities and their populations were Tartu, 101,297; Narva, 85,000; Kohtla-Järve, 72,000; and Pärnu, 55,000.

## 7 MIGRATION

Newly independent in 1918, Estonia was occupied and annexed in 1940 by the Soviet Union. It was occupied by German troops the following year. When the Soviet army returned in 1944, more than 60,000 Estonians fled to Sweden and Germany. Other Estonians were sent to Soviet labor camps. Many Russians migrated to Estonia under Soviet rule. Some left after Estonia became independent again.

After the breakup of the Soviet Union in 1991, Estonia suffered from waves of transit migration. As of 1999, ethnic Estonians represent only 65% of the total population of Estonia. Russians, Ukrainians, and Belarussians represent nearly 33%, and other groups comprise the remaining 2%. Only 70% of inhabitants are citizens of Estonia, mainly the ethnic Estonians and about 100,000 Russians. Some 90,000 Russians with permanent residence in Estonia are citizens of Russia. These large ethnic minorities live segregated from ethnic Estonians and tend not to understand the Estonian language. The total number of migrants living in Estonia in 2000 was 365,000, approximately one-quarter of the population. In 2004 a population of 150,536 stateless people existed in Estonia. In 2003 remittances to Estonia were \$9.1 million. In 2005 the net migration rate was estimated as -3.18 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

According to a 2000 census, Estonians make up about 67.9% of the population, Russians 25.6%, Ukrainians 2.1%, Belarussians 1.3%, Finns 0.9%, and others 2.2%. Non-Estonians were found chiefly in the northeastern industrial towns, while rural areas were over 80% Estonian.

## 9 LANGUAGES

Estonian is a member of the Finno-Ugric linguistic family. It is closely related to Finnish and distantly related to Hungarian. Standard Estonian is based on the North Estonian dialect. Most of the sounds can be pronounced as either short, long, or extra long. Changing the duration of a sound in a word can alter the grammatical function of the word or change its meaning completely. The language is highly agglutinative, and there are no less than 14 cases of noun declension. Most borrowed words are from German. The alphabet is Roman. The first text written in Estonian dates from 1525. Estonian is the official language and is spoken by

about 67.3% of the population; however, Russian (29.7%), Ukrainian, English, Finnish, and other languages are also used.

## 10 RELIGIONS

Christianity was introduced into Estonia in the 11th century. During the Reformation it converted largely to Lutheranism, although political events in the 18th and 19th century occasioned a strong Russian Orthodox presence. Independence from the Soviet Union, achieved in 1991, relieved the pressure under which religious groups had labored since 1940.

In 2005 there were an estimated 165 congregations of the Estonian Evangelical Lutheran Church with about 180,000 members. There were also about 59 congregations of the Estonian Apostolic Orthodox Church (20,000 members) and 30 congregations of the Estonian Orthodox Church (150,000 members). While Lutherans and Orthodox constitute the majority, there are smaller communities of Baptists, Methodists, Roman Catholics, Methodist, Jehovah's Witnesses, Pentecostals, and other Christian denominations. The Church of Jesus Christ of Latter-day Saints (Mormons) has a significant number of missionaries in the country. There are also Jewish, Muslim, and Buddhist communities; however, each of these minority faiths has less than 6,000 followers. About 70,000 people in the country claimed to be atheists.

The constitution provides for freedom of religion and this right is generally respected in practice. All religious organizations must register with the Religious Affairs Department of the Ministry of Interior Affairs. Basic Christian ecumenical religious instruction is available in public schools as an elective. Certain Christian holidays are observed as national holidays.

## 11 TRANSPORTATION

Estonia in 2004 had a total of 958 km (596 mi) of broad gauge railroad track, all common carrier railway lines, not including industrial lines, of which 132 km (82 mi) was electrified. Tallinn, Haapsalu, Pärnu, Tartu, and Narva are provided rail access to Russia, Latvia, and the Baltic Sea. In order to overcome problems in rolling stock shortages and load fluctuations, a second line of tracks is being laid along the Tallinn-Narva route.

Highways in 2003 totaled 56,849 km (35,360 mi), of which 13,303 km (8,274 mi) are paved, including 99 km (62 mi) of expressways. Motor vehicles dominate domestic freight transportation, carrying nearly 75% of all dispatched goods.

The Baltic Sea (with the Gulf of Finland and Gulf of Riga) provides Estonia with its primary access to international markets. The principal maritime ports are Tallinn and Pärnu. The merchant fleet had 43 vessels of at least 1,000 GRT for a total capacity of 212,998 GRT in 2005. Sea transportation has increased especially since the completion of Tallinn's new harbor and the acquisition of high capacity vessels. Ships carry grain from North America and also serve West African cargo routes. In 1990, a ferry service opened between Tallinn and Stockholm. During one of these commutes in September 1994, the ferry *Estonia* sank off the coast of Finland, resulting in about 900 deaths. The tragedy brought international attention to the safety design of roll-on/roll-off ferries in use worldwide. As of 2003, Estonia had some 500 km (311 mi) of navigable internal waterways.

There were an estimated 29 airports in 2004, of which 12 had paved runways, and one heliport (as of 2005). The principal air-

port at Tallinn has direct air links to Helsinki and Stockholm. Estonian Air is the principal international airline. In 2003, about 395,000 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

What is now Estonia was ruled in turn by the Danes, the Germans, and the Swedes from the Middle Ages until the 18th century. Russia annexed the region in 1721. During the 19th century, an Estonian nationalist movement arose which by the early 20th century sought independence.

After the 1917 Bolshevik Revolution and the advance of German troops into Russia, Estonia declared independence on 24 February 1918. But after the German surrender to the Western powers in November 1918, Russian troops attempted to move back into Estonia. The Estonians, however, pushed out the Soviet forces by April 1919, and the following year Soviet Russia recognized the Republic of Estonia.

The Nazi-Soviet Pact of 1939 assigned Estonia to the Soviet sphere of influence. The Red Army invaded in June 1940 and "admitted" the Estonian Soviet Socialist Republic into the USSR in August 1940. However, Hitler's forces invaded the USSR in June 1941 and took control of Estonia shortly thereafter. The German Army retreated in 1944, and Soviet forces once again occupied Estonia.

Taking advantage of the relatively greater freedom allowed under Mikhail Gorbachev in the late 1980s, an Estonian nationalist movement, the Popular Front, was launched in 1987. Estonia declared its independence from Moscow on 20 August 1991. A new constitution was adopted on 28 June 1992.

With much fanfare, the last Russian tanks and 2,000 troops were removed from Estonia on 17 August 1994, ending 50 years of military presence in Estonia. Russia also announced it would begin dismantling two nuclear reactors within Estonia. Estonia demanded the return of more than 750 sq mi of land that Russia considered part of its territory, but that belonged to Estonia before World War II. When Estonia renewed its claim to those lands, the Russian government began constructing 680 border posts, many of which are guarded by armed soldiers and linked by fences.

One of the worst maritime disasters since World War II occurred on 28 September 1994, when the ferry *Estonia*, en route from Tallinn to Sweden, sank off the coast of Finland, killing about 900 people. Investigators reported that locks on the huge front cargo door of the ferry failed during a storm, letting in a flood of water that caused the ship to sink in only a few minutes.

The 1995 parliamentary vote reflected dissatisfaction among rural inhabitants and pensioners and signaled a change from the vigorous free-market reforms that dominated Estonia's transition from Soviet rule. The results of the election, however, didn't significantly alter Estonia's commitment to a balanced budget, a stable currency, or a good foreign investment climate. Following the March 1995 elections, Tiit Vähi was approved as prime minister, but he and his cabinet resigned in October 1995 amidst a scandal within the administration that involved telephone tapping and the clandestine sales of weapons. President Lennart Meri later appointed a new government, which reinstated Vähi as prime minister. In September 1996 Meri won a second presidential term, al-



LOCATION: 57°30' to 59°40' N; 21°50' to 28°10' E. BOUNDARY LENGTHS: Latvia, 339 kilometers (211 miles); Russia, 294 kilometers (183 miles); total coastline, 3,794 kilometers (2,358 miles).

though the election was turned over to an electoral college after no candidate won the required two-thirds majority in parliamentary balloting in August. Following a no-confidence vote in February 1997, Prime Minister Vähi resigned and was replaced by Mart Siimann, who formed a minority government.

Reformers once again won control of Estonia's parliament in the March 1999 general elections, in which a coalition of center-right parties gained a slim majority, winning 53 out of 101 seats. (However, the left-leaning Center Party won 28 seats, the highest number for a single party.) Mart Laar was named prime minister. The new government was expected to emphasize political reforms as much as economic ones, focusing on the elimination of corruption and inefficiency in the civil service, courts, and police. Since it gained its independence in 1991, Estonia's foreign policy focused on integration with Western Europe, with the specific long-range goals of EU and NATO membership. One of these goals received a boost in 1998 when Estonia was invited by the European Union to begin negotiations toward membership. In December 2002, the EU formally invited Estonia, one of 10 new candidate countries, to join the body as of May 2004. A referendum on Estonia's entry into the EU was held on 14 September 2003, and on 1 May 2004 Estonia became a member of the EU. In November 2002, Estonia was one of seven Central and East European countries to be invited to join NATO, with accession taking place on 29 March 2004. Internally, Estonia still faces the challenge of integrating its minority population of ethnic Russians fully into the nation's public life.

In September 2001 Arnold Rüütel was elected president, succeeding Meri, who was barred by the constitution from seeking a third consecutive term. Rüütel's victory was seen as a reaction to popular dissatisfaction with the government and growing economic problems in small towns and rural areas, among other reasons. However, because none of the presidential candidates received the required two-thirds vote in parliament after three rounds of voting, an electoral college, composed of all members of parliament and 266 local government representatives, elected the president. In January 2002, Laar resigned as prime minister and Siim Kallas took his place. The next presidential election was to take place fall 2006.

Parliamentary elections held on 2 March 2003 resulted in the formation of a coalition government made up of the center-right Res Publica, the right-leaning Reform Party, and the rural party People's Union. Thirty-six-year-old Juhan Parts became prime minister on 10 April. On 24 March 2005, Parts resigned, and President Arnold Rüütel asked Reform Party chairman Andrus Ansip to form a new government. Ansip became prime minister on 12 April, representing the Reform Party, the Center Party, and the People's Union. The next parliamentary elections were scheduled for March 2007.

As of 2005, Estonia had the most advanced information infrastructure of any country in the former Communist Eastern bloc. Around 700,000 of Estonia's approximately 1.4 million people bank online, up from zero in 1997. Citizens use the Internet to access state services and to conduct any number of business transactions, and many people who never owned a landline telephone now rely on wireless phones.

After nearly 10 years of negotiations, in May 2005 Russia and Estonia signed a treaty delimiting their border. In June, the Estonian parliament ratified the border treaty, but introduced an amendment referring to the Soviet occupation, despite warnings from Russia not to do so. Russia reacted by withdrawing from the treaty.

### 13 GOVERNMENT

Estonia adopted a new post-Soviet constitution on 28 June 1992. It declares Estonia a parliamentary democracy with a unicameral parliament. The parliament (Riigikogu) has 101 seats. Members of parliament serve four-year terms. The president (who is elected for a five-year term), prime minister and the cabinet make up the executive branch of government. The president is the head of state while the prime minister is the head of government. Both the parliament and the president are elected by direct universal suffrage of citizens 18 years or older.

### 14 POLITICAL PARTIES

The Independent Communist Party of Estonia split from the Communist Party of the Soviet Union in January 1991. The Pro Patria Party, the Estonian Social Democratic Party, the Christian-Democratic Union of Estonia, the Estonian National Independence Party, and Estonian Green Movement were among the many parties that emerged in recent years. The Popular Front of Estonia, founded in 1988 to unite pro-independence forces, has lost much of its influence and role since the attainment of independence. The non-Estonian, mainly Russian, interests are represented by the Inter-Movement of the Working People of Estonia and the Union of

Work Collectives, both founded in 1988. In addition, a Russian Democratic Movement has emerged that specifically represents the Russian-speaking population of Estonia.

In the parliamentary elections of March 1995, the Coalition Party and Rural Union (made up of four parties: Coalition Party, Country People's Party, Farmer's Assembly, and Pensioners' and Families' League) won 41 seats; Reform Party-Liberals, 19; Center Party, 16; Pro Patria, 8; Our Home is Estonia, 6; Moderates (consisting of the Social Democratic Party and Rural Center Party), 2; and Right-Wingers, 5.

The Pro Patria and the Estonian National Independence Party, which had allied themselves in the 1995 election, joined forces at the end of that year to form the Fatherland Union. In the March 1999 elections, the Fatherland Union and two other parties formed a broader coalition that won a narrow majority in parliament, garnering a total of 53 parliamentary seats (Fatherland Union, 18; Estonian Reform Party, 18; Moderates, 17). However, the party winning the single largest number of seats was the Estonian Center Party, with 28. The remaining seats were distributed as follows: the Estonian Coalition Party, 7; the Estonian Rural People's Union, 7; and the United People's Party, 6.

In the 2 March 2003 elections, the Center Party and Res Publica, a new political party, each won 28 seats in the Riigikogu; the Reform Party took 19 seats; the People's Union won 13; the Fatherland Union took 7 seats; and the Moderates won 6. The Res Publica, Reform, and People's Union parties formed a coalition government, securing 60 of 101 seats in parliament. The next parliamentary elections were to be held March 2007.

### 15 LOCAL GOVERNMENT

Estonia's major administrative divisions are 15 counties (*maakond*). The counties are further subdivided into municipalities—rural communes (*vald*) and urban municipalities (*linn*). Since October 2005, there were 227 municipalities in Estonia, 34 of them urban and 193 of them rural.

While only citizens are allowed to vote in Estonia's national elections, residents of Estonia, including noncitizens, are allowed to vote in local elections. Noncitizens, however, cannot be candidates in local (or national) elections. Office-holders serve three-year terms. The last local elections were held on 16 October 2005. In the 2005 local elections, some 800,000 Estonians, or 80% of the eligible electorate, had access to a new e-voting system via the Internet, the largest run by any European country. In the end, only 1% of voters cast their vote online.

### 16 JUDICIAL SYSTEM

The 1992 constitution established a court system consisting of three levels of courts: (1) rural, city, and administrative courts, (2) circuit courts of appeal, and (3) the National Court. The National Court engages in constitutional review of legislation. At the rural and city courts, the decisions are made by a majority vote with a judge and two lay members. There are 2 city courts, 14 county courts, and 4 administrative courts in Estonia (20 courts of first instance). There are three circuit courts of appeal, at Tallinn and Tartu, and the Viru circuit court located in the city of Jõhvi. The National Court has 19 judges.

The constitution provides for an independent judiciary and the judiciary is independent in practice. The Chief Justice of the Na-

tional Court, nominated by the president and confirmed by the Riigikogu, nominates National Court judges, whose nominations need to be confirmed by the Riigikogu. The Chief Justice of the National Court also nominates the lower court judges who are then appointed by the president. Judges are appointed for life. The 1992 interim criminal code abolishes a number of political and economic crimes under the former Soviet Criminal Code. A new criminal procedural code was adopted in 1994.

The constitution provides for a presumption of innocence, access to prosecution evidence, confrontation and cross-examination of witnesses, and public trials.

## 17 ARMED FORCES

Active armed forces numbered 4,934 in 2005, with some 24,000 reservists. The Army maintained four defense regions with 3,429 soldiers. The Navy numbered 331 active members and the Air Force had 195 active personnel. The Estonian Border Guard numbered 2,600 and also served as the coast guard. The estimated defense expenditure in 2005 was \$207 million. As of 2005, Estonian forces were deployed in Afghanistan, Bosnia, Iraq, Serbia and Montenegro, and as United Nations observers in the Middle East.

## 18 INTERNATIONAL COOPERATION

Estonia was admitted to the United Nations (UN) on 17 February 1991 and belongs to several specialized UN agencies, such as the FAO, IAEA, World Bank, ICAO, ILO, IMF, IMO, UNESCO, and the WHO. The country is also a member of the OSCE, the European Bank for Reconstruction and Development, the Council of the Baltic Sea States, the Council of Europe, the European Investment Bank, and NATO. Estonia joined the WTO in 1999 and the European Union in 2004. It has observer status in the OAS and is an affiliate member of the Western European Union.

Estonia belongs to the Australia Group and the Nuclear Suppliers Group (London Group). In environmental cooperation, Estonia is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Convention on Climate Change.

## 19 ECONOMY

Estonia has one of the strongest economies among the former Soviet republics. Its mineral resources include 60% of former Soviet oil shale deposits, as well as phosphates. Light manufacturing dominates industry, with major sectors that include textiles, furniture, and electronics. Agriculture is based mainly on rearing livestock, but dairy farming is also significant. Estonia is self-sufficient in electrical power.

The economy started to revive after the 1992 monetary reform, reintroducing the preoccupation quasi-convertible Estonian kroon. Estonia's economy quickly became one of the strongest post-Communist economies in eastern Europe as successive governments remained committed to the implementation of market reforms. Growth continued until 1998, when Estonia underwent its first post-Soviet economic downturn. GDP growth slowed to 4% in 1998 and declined to -1.1% in 1999. The economy began to improve the following year.

Estonia's economic progress is linked to its liberal foreign trade regime (there are few tariffs or nontariff barriers), effective bank-

ruptcy legislation, and swift privatization. State subsidies were in the process of being abolished in the early 2000s, and all of these measures helped to stabilize and restructure the economy. As a result, Estonia received high levels of foreign direct investment. Although the global economy was in a downturn in the early 2000s, Estonia was able to maintain GDP growth rates of around 5%, higher than many other European countries. Major growth sectors include information technology, transportation, and construction services. Estonia was formally invited to join the EU in December 2002, and was finally accepted in May 2004. The country became a member of the WTO in 1999.

The GDP growth rate in 2004 was 6.2%, up from 5.1% in 2003; in 2005, the economy was expected to expand by 6.0%. The inflation rate has been fluctuating, but, at 3.0% in 2004, it was well under control and did not pose any problems to the economy. Unemployment was, at 9.6%, fairly high, although on a downward trend (in 2000 the unemployment rate was 13.6%); in 2005, unemployment was expected to drop further to 9.2%. Electronics and telecommunications are two of the main growth sectors, but Estonia is strongly dependent on the economic performance of three of its main trade partners: Finland, Sweden, and Germany.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Estonia's gross domestic product (GDP) was estimated at \$21.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$16,400. The annual growth rate of GDP was estimated at 7.1%. The average inflation rate in 2005 was 4%. It was estimated that agriculture accounted for 4.1% of GDP, industry 29.1%, and services 66.8%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$40 million or about \$30 per capita and accounted for approximately 0.4% of GDP. Foreign aid receipts amounted to \$85 million or about \$62 per capita and accounted for approximately 1.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Estonia totaled \$5.14 billion or about \$3,800 per capita based on a GDP of \$9.1 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.5%. In 2001 it was estimated that approximately 41% of household consumption was spent on food, 24% on fuel, 8% on health care, and 4% on education. It was estimated that in 1995 about 8.9% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Estonia's workforce was estimated at 670,000. As of 2003, agriculture accounted for 6.2% of the workforce, with 32.5% engaged in industry, and 61.3% in the services sector. Unemployment was estimated at 9.2% in 2005.

The Estonian constitution guarantees the right to form and freely join a union or employee association. The Central Orga-

nization of Estonian Trade Unions (EAKL) was founded in 1990 as a voluntary and culturally Estonian organization to replace the Estonian branch of the Soviet labor confederation. In 2002, the EAKL claimed 58,000 members. A rival union, the Organization of Employee Unions, split off from the EAKL in 1993, and claimed about 40,000 members in 2001. In 2005, about 10% of the Estonian workforce was unionized. Workers had the right to strike, and of collective bargaining, both of which were freely practiced. About 15% of Estonia's workforce were covered under collective bargaining agreements as of 2005.

The statutory minimum employment age is 18, although children aged 15 to 17 years may work with parental permission. Children between the ages of 13 and 15 can also work, but in addition to parental or guardian approval, they must also have the approval of a labor inspector. Minors under the age of 18 are also prohibited from performing dangerous and hazardous work. The number of hours minors can work and when they can work are also limited. The standard workweek is legally set at 40 hours with a mandatory 24-hour rest period. The monthly minimum wage was about \$218 in 2005, with around 94% of the nation's workforce earning more than the minimum rate.

## 22 AGRICULTURE

In 2003, agricultural lands covered 561,000 hectares (1,386,000 acres), or 13.2% of Estonia's land area. During the Soviet period, forced collectivization reduced the share of labor in agriculture from 50% to less than 20%. By 2003, however, there were 36,859 private farms, with an average size of 21.6 hectares (53.4 acres). Agriculture accounted for 15.1% of GDP in 1991 and 4% in 2003.

Principal crops in 2004 included potatoes, 170,900 tons; barley, 289,500 tons; wheat, 184,700 tons; rye, 19,700 tons; and oats, 75,200 tons. In 2004 agricultural products accounted for 5.1% of exports and 8.4% of imports; the agricultural trade deficit was \$430.8 million that year.

## 23 ANIMAL HUSBANDRY

Over 10% of the total land area is meadow or pastureland. In 2005, there were 340,100 pigs, 249,000 head of cattle, 38,800 sheep, and 2,162,000 chickens. Meat production is well developed and provides a surplus for export. In 2005, 15,300 tons of beef, 40,000 tons of pork, and 15,000 tons of poultry were produced. That year, Estonia's dairy cows produced 650,000 tons of milk. Cattle breeding was the main activity during the Soviet era, and production quotas were set extremely high, which required massive imports of feed. Pork production has risen in recent years to offset the decline in the total cattle herd. The wool clip in 2005 was 80 tons.

## 24 FISHING

Estonia's Baltic and Atlantic catch is marketed in the former Soviet Union, in spite of its own need for quality fish products. The fishing industry is seen as an important way to acquire access to the world market, but scarcity of raw materials currently limits its development. The total catch in 2003 was 80,580 tons. The total value of fisheries exports increased from \$79.7 million in 2000 to \$142.1 million in 2003. The two major species of the 2003 catch

were Atlantic herring and European sprat, each of which accounted for 37%.

## 25 FORESTRY

The government estimated that some 45% of the land area was covered by forests and woodlands in 1999. The production of wood and wood products is the second-largest industry after textiles; two cellulose plants (at Tallinn and Kehra) use local raw material, but have caused significant environmental problems. There is also a fiberboard processing plant (for furniture making) at Püssi. Roundwood production amounted to 10.2 million cu m (360 million cu ft) in 2004; when exports of 3.4 million cu m (120 million cu ft) of roundwood were valued at \$131.3 million. Total forestry exports in 2003 amounted to \$533.3 million; imports, \$205.7 million.

## 26 MINING

Oil shale was the primary mineral of importance. The country also produced cement, clays, nitrogen, peat, sand and gravel, and industrial silica sand. Production figures for 2003 were: clays for brick, 134,900,000 cu m, down from 149,000,000 cu m in 2002; clays for cement, 27.3 million cu m, up from 19.0 million cu m in 2002; and sand and gravel, 4.470 million cu m. Phosphate quarrying at the Maardu deposit ceased because of environmental concerns.

## 27 ENERGY AND POWER

Estonia gets most of its energy from oil shale, found in abundance in the northeastern region of the country. Oil shale is burned to produce electricity and accounts for approximately 6,000 barrels per day of oil production in 2004. With domestic consumption in that year totaling 60,000 barrels per day, Estonia had to import the difference primarily from Russia. There are no natural gas reserves in Estonia, which relies on imports from Russia. Natural gas consumption in 2004 stood at 50 billion cu ft, with imports accounting for all of it.

Estonia is however, a net exporter of electricity, sending its surplus power to parts of northwest Russia and to Latvia. In 2004, a total of 8.9 billion kWh was generated, most of it from Estonia's oil shale-fired plants at Narva. Domestic consumption of electricity for that year totaled 6.4 billion kWh, with generating capacity put at 3.3 GW. Surplus electricity from the two plants is exported to Latvia and the Russian Federation.

## 28 INDUSTRY

Estonian industrial production focuses on shipbuilding, electric motors, furniture, clothing, textiles, paper, shoes, and apparel. Extractive industries include oil shale, phosphate, and cement production. According to the US Central Intelligence Agency, industry accounted for 29% of GDP in 2001. In 1991, 26.6% of industrial output was accounted for by the food industry, 25.9% by light industry, 12.7% by machine-building and metalworks, 10.3% by the timber industry, and 8.5% by chemicals. The textile mills of Kreenholmi Manufacturer in Narva and Bälți Manufacturer in Tallinn are the country's largest industrial enterprises. Construction was slated to be a principal growth sector in 2002.

Between 1990 and 1995, industrial output shrank by an average of 14.9% per year, but most of the decline occurred in the years

immediately after independence; by 1994, industrial production was on the rise. In 1995, value added by industry accounted for 28% of GDP and has remained stable since.

The industrial production growth rate was 5% in 2000, lower than the GDP growth rate (7.8%), and an indication of an under-performing industrial sector. In 2004, industry had a 28.9% share in the GDP; agriculture made up a small part of the economy (4.1%), while services was the best performing sector, with a 67% share in the GDP. Current industries include engineering, electronics, wood and wood products, textiles, information technology, and telecommunications.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

The Academy of Sciences, founded in 1938, has divisions of astronomy and physics, informatics and technical sciences, and biology, geology, and chemistry, and research institutes devoted to biology, ecology, experimental biology, zoology and botany, environmental biology, marine sciences, astrophysics and atmospheric physics, chemical physics and biophysics, chemistry, geology, physics, computer research and design, cybernetics, and energy. Other research institutes in the country are devoted to preventive medicine and oil shale research. Tallinn Technical University (founded in 1918) offers science and engineering degrees. The University of Tartu, founded in 1632, has faculties of biology and geography, mathematics, medicine, and physics and chemistry, as well as an institute of general and molecular pathology. Estonian Agricultural University was founded in 1951. In 1987–97, science and engineering students accounted for 27% of university enrollment.

In 2002, expenditures for research and development (R&D) totaled \$134.267 million, or 0.81% of GDP. Of that total, 53.8% came from government sources, while business provided 29.2%, followed by foreign sources at 14.4%, higher education at 2.4% and private nonprofit institutions at 0.2%. In that same year Estonia had 2,253 researchers and 386 technicians per million people that were actively engaged in R&D. In 2002 high technology exports by Estonia totaled \$375 million, accounting for 12% of manufactured exports.

## 3<sup>0</sup> DOMESTIC TRADE

Before the collapse of the Soviet Union, Estonia's domestic trade was underdeveloped by international standards. Most trading companies were owned either by the state or by cooperatives. In recent years, many shops have been privatized or municipalized, new private shops established, and the assortment of goods widened. By 1992, there were 4,026 shops in Estonia.

Open-air markets control a large segment of domestic food sales. Market prices are usually lower than those in grocery stores, making it difficult for them to compete. Retail sales of food products amounted to \$441 million in 1995.

## 3<sup>1</sup> FOREIGN TRADE

During the Soviet era, Estonia's foreign trade was characterized by large net imports, 80–85% of which came from other Soviet republics, which were also the destination of 95% of Estonian exports. Beginning in 1992, the value of exports began to surpass that of imports, and the share of trade with other former Soviet

### Principal Trading Partners – Estonia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	5,622.5	7,966.6	-2,344.1
Finland	1,231.1	1,264.5	-33.4
Sweden	700.8	610.2	90.6
Russia	643.2	811.1	-167.9
Germany	469.8	881.9	-412.1
Latvia	417.6	191.1	226.5
Lithuania	226.6	228.0	-1.4
Ukraine	200.5	340.2	-139.7
United Kingdom	199.8	177.5	22.3
Denmark	179.3	157.1	22.2
Norway	170.4	83.9	86.5

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

republics diminished. In 2000, Estonia's exports totaled \$3.8 billion, 69% of which went to EU nations.

The most important export industry in Estonia is electronics (24.5%). Cork, wood, and their manufactures account for the second-largest consolidated group of commodity exports (11.9%). Other important exports include apparel (5.3%), textiles (4.4%), and furniture (3.8%).

In 2004, exports reached \$5.7 billion (FOB—Free on Board), while imports grew to \$7.3 billion (FOB). The bulk of exports went to Finland (23.1%), Sweden (15.3%), Germany (8.4%), Latvia (7.9%), Russia (5.7%), and Lithuania (4.4%). Imports included machinery and equipment (33.5%), chemical products (11.6%), textiles (10.3%), foodstuffs (9.4%), and transportation equipment (8.9%), and mainly came from Finland (22.1%), Germany (12.9%), Sweden (9.7%), Russia (9.2%), Lithuania (5.3%), and Latvia (4.7%).

## 3<sup>2</sup> BALANCE OF PAYMENTS

Since independence, Estonia has dismantled a Soviet-era system of trade barriers and tariffs to become one of the world's most free-trading nations. In the early 1990s, exports to the West quadrupled, helping to generate a strong surplus in the current account. By the late 1990s and early 2000s, however, the balance of trade on goods became generally negative. Services and capital inflows produced income in the form of foreign direct investment, which remained strong.

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Estonia's exports was \$3.4 billion while imports totaled \$4.4 billion resulting in a trade deficit of -\$1 billion.

The International Monetary Fund (IMF) reported that in 2001 Estonia had exports of goods totaling \$3.34 billion and imports totaling \$4.13 billion. The services credit totaled \$1.64 billion and debit \$1.07 billion.

Exports of goods reached \$6.0 billion in 2004, and were expected to grow to \$7.6 billion in 2005. Imports were expected to reach \$9.3 billion in 2005, up from \$7.9 billion in 2004. The resource balance was consequently negative, reaching -\$1.9 billion in 2004, and -\$1.7 billion in 2005. The current account balance was also



**Balance of Payments – Estonia (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-1,199.2</b>
Balance on goods	-1,579.5	
Imports	-6,183.0	
Exports	4,603.4	
Balance on services	850.7	
Balance on income	-576.7	
Current transfers	106.3	
<b>Capital Account</b>		<b>39.7</b>
<b>Financial Account</b>		<b>1,337.4</b>
Direct investment abroad	-148.2	
Direct investment in Estonia	890.8	
Portfolio investment assets	-394.3	
Portfolio investment liabilities	558.2	
Financial derivatives	-1.8	
Other investment assets	-127.3	
Other investment liabilities	560.0	
<b>Net Errors and Omissions</b>		<b>-8.6</b>
<b>Reserves and Related Items</b>		<b>-169.4</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

negative, at -\$1.4 billion in 2004, and an expected -\$1.5 billion in 2005. Foreign exchange reserves (excluding gold) grew to \$1.8 billion in 2004, covering less than three months of imports.

**3<sup>3</sup> BANKING AND SECURITIES**

All links with the Soviet budget and financial system were severed in 1991, and today Estonia has the strongest and most advanced banking system in the Baltic States. In January 1990 the Bank of Estonia was created, which merged two years later with the Estonian branch of Gosbank (the Soviet State Bank) to form the country's new central bank. In December 1988 the authorities established the first Estonian commercial bank, the Tartu Commercial Bank, and by September 1991 there were 20 commercial banks responsible for 27% of total credit extended by banks. The commercial banks include the Bank of Tallinn (1990), Estonian Commercial Bank of Industry (1991), Cand Bank of Estonia (1990), and South Estonian Development Bank. Savings banks include the Estonian Savings Bank, a bank with 432 branches.

Like those of other Eastern European countries, Estonia's banking sector has suffered from an excessive number of banks: there were 43 by the end of 1992. Consolidations took place in 1993, with the banks being merged in Eesti Hispank (Estonian Unified Bank). As of 2001 there were 7 licensed commercial banks in Estonia. The merger agreement between the Union Bank of Estonia and the North Estonian Bank was signed in January 1997. With combined assets of EEK4.97 billion (\$414 million), the merger pushed Union Bank of Estonia (the name of the new entity) from third to second place in terms of assets. Hansabank remained Estonia's largest bank, especially after its merger with Hoiupank (Saving Bank). In 1999, SwedBank bid successfully for a majority interest in Hansabank.

Since independence, Estonia's banks have played a major role in fostering a climate of economic stability. In 1997, they took the initiative in tightening credit in the wake of the Asian finan-

cial crisis. This action, which resulted in a rise in interest rates, checked fears of a too-rapid economic expansion, which would bring about inflation. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$2.3 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.92%.

There are two stock exchanges in Estonia: the Estonian Stock Exchange and the Tallinn Stock Exchange, inaugurated in May 1996. As of 2004, there were 13 companies listed on the Tallinn Stock Exchange, which had a capitalization that year of \$6.203 billion. The TALSE rose 57.1% in 2004 from the previous year to 448.8.

**3<sup>4</sup> INSURANCE**

Since Estonia regained its independence, it has sought to develop a system of health insurance involving the decentralization of medical care. Third-party automobile liability insurance is compulsory.

**3<sup>5</sup> PUBLIC FINANCE**

The new government exercises fiscal responsibility characterized by a strictly balanced budget. No transfers or preferential credits are given to public enterprises, and governmental borrowing from the central bank is forbidden. In January 1996 Estonia instituted a centralized treasury system for managing the government's budget.

The US Central Intelligence Agency (CIA) estimated that in 2005 Estonia's central government took in revenues of approximately \$5.1 billion and had expenditures of \$5 billion. Revenues minus expenditures totaled approximately \$109 million. Public debt in 2005 amounted to 3.8% of GDP. Total external debt was \$10.09 billion.

**Public Finance – Estonia (2001)**

(In millions of krooni, central government figures)

<b>Revenue and Grants</b>	<b>29,896</b>	<b>100.0%</b>
Tax revenue	16,128	53.9%
Social contributions	10,471	35.0%
Grants	624	2.1%
Other revenue	2,673	8.9%
<b>Expenditures</b>	<b>29,237</b>	<b>100.0%</b>
General public services	5,681	19.4%
Defense	1,450	5.0%
Public order and safety	2,095	7.2%
Economic affairs	2,766	9.5%
Environmental protection	...	...
Housing and community amenities	...	...
Health	4,763	16.3%
Recreational, culture, and religion	1,157	4.0%
Education	2,137	7.3%
Social protection	9,188	31.4%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, central government revenues were EEK29,896 million and expenditures were EEK29,237 million. The value of revenues was us\$1,710 million and expenditures us\$1,673 million, based on an exchange rate for 2001 of us\$1 = EEK17.478 as reported by the IMF. Government outlays by function were as follows: general public services, 19.4%; defense, 5.0%; public order and safety, 7.2%; economic affairs, 9.5%; health, 16.3%; recreation, culture, and religion, 4.0%; education, 7.3%; and social protection, 31.4%.

### 36 TAXATION

Estonia does not tax the income of resident or permanently established nonresident companies. Instead, they are subject only to a tax on distributions (dividends, fringe benefits, gifts, profit distributions, and those payments not related to the payer's business) to resident legal entities, resident and nonresident persons, and nonresident companies. In 2006, those subject are taxed at 22%. A further reduction to 20% is slated to take effect in 2007. Interest payments are subject to a 24% withholding tax that is paid to resident persons, and on that portion of interest paid to nonresident persons or companies that is over the market interest rate. Royalty payments made to nonresident firms and persons, are subject to a 15% withholding tax. Resident persons and companies are subject to a higher, 24% withholding rate. Generally, capital gains received by resident persons and companies are taxed as income. For companies, the gains are taxed as part of the distribution, when it is made. Individuals do not pay a capital gains tax on the sale of their primary residence.

Personal income taxes, in 2006, are assessed at the same flat rate of 22% as corporate profits. Some school fees, living allowances, and interest on loans for the purchase of residential housing are deductible from taxable income. A withholding tax of 22% is imposed on dividends paid to nonresidents that hold less than 20% of the share capital in the paying company. However, Estonia has double tax treaties with at least 22 countries in which withholding taxes are eliminated or substantially reduced. A new Law on Social Tax came into effect in January 1999. The rate of social tax is 33% payable by employers and self-employed individuals. There are relatively few allowable deductions from taxable income in the Estonian tax code. The annual land tax varies from 0.1–2.5% of assessed value.

Main indirect tax is a value-added tax (VAT) set at a with a standard rate of 18% by a new Law on VAT passed in July 2001 and effective in January 2002. Reduced rates of 0% and 5% apply to some goods and services, including a 0% rate on exported goods and a specific list of exported services. Excise duties are levied on tobacco, alcoholic beverages, motor fuel, motor oil, and fuel oil (but not liquefied or compressed gas), motor vehicles, and packages (imposed to encourage recycling of package material). There is a gambling tax, and a customs processing fee on each customs declaration submitted. Rights of recording are taxed at 0.4%. Local governments have the authority to impose taxes and municipal taxes range from 1–2%.

### 37 CUSTOMS AND DUTIES

Estonia has a liberal trade regime, with few tariff or nontariff barriers. Among the few items that have tariffs placed on them are

agricultural goods produced in countries that are not among Estonia's preferred trading partners. There is also a value-added tax (VAT) levied ad valorem on everything except a few select commodities, including medicines and medical equipment, funeral equipment, and goods for nonprofit purposes.

### 38 FOREIGN INVESTMENT

Estonia has successfully attracted a large number of joint ventures with Western companies, benefiting from a well-developed service sector and links with Scandinavian countries. The foreign investment act passed by the Supreme Council in September 1991 offers tax relief to foreign investors. Property brought into Estonia by foreign investors as an initial capital investment is exempt from customs duties, but is subject to value-added tax. A foreign investor is legally entitled to repatriate profits after paying income tax.

In 1998, foreign direct investment (FDI) inflows peaked at \$580.6, up from \$266.7 million in 1997. FDI inflow averaged \$346 million in 1999 and 2000, but increased to \$538 million in 2001. Estonia's share of world FDI flows from 1998 to 2000 were 2.3 times its share of world GDP, making it 16th among the 140 countries ranked on FDI performance by UNCTAD.

Industry accounts for 46% of the total foreign investment, primarily in the pulp and paper, transportation, and services sectors. Wholesale and retail trade accounts for 27% of foreign investment; transport, 14%. Estonian agribusiness is an area of growing interest to foreign investors.

During the past decade, Estonia has been one of the best performing Central and Eastern European countries in terms of foreign investments attracted. Numerous foreign companies have considered Estonia to be an attractive market, and today companies partly or wholly owned by foreign nationals make up one-third of the country's GDP, and over 50% of its exports. In 2004, total capital inflows rose to \$850 million, with Sweden and Finland being the largest investors.

### 39 ECONOMIC DEVELOPMENT

After passing an ownership act in June 1990, the government began a privatization program at the beginning of 1991. Most of the nearly 500 state-owned companies have since passed into new hands. The Estonian Privatization Agency (EPA) was established to oversee major privatization programs. In late 1995, EPA announced privatization plans for Estonian Railways, Estonian Energy, Estonian Oil Shale, Estonian Telekom, and Tallinn Ports. Estonian Gas, Estonian Tobacco, and Estonian Air were privatized in 1996. As of 2002, only the port and the main power plants remained state-controlled.

Estonia has excellent intellectual property laws, has enacted modern bankruptcy legislation, and has seen the emergence of well-managed privately held banks. The constitution mandates a balanced budget, and the climate for foreign investment is positive. In 2003, the economy was vulnerable, and the size of the current account deficit was a particular concern. The government was urged by the International Monetary Fund (IMF) to pursue a fiscal surplus policy, to prepare for membership in the European Union (EU). The country joined the World Trade Organization (WTO) in 1999 and the EU in 2004.

The economy expanded at healthy rates in the first half of 2005, and is expected to continue the trend for a couple of more years.

This growth was fueled by increased private consumption and fixed investment. The export sector has been another sector that has registered high growth rates, and it is predicted to out-perform the import sector in coming years.

#### **40 SOCIAL DEVELOPMENT**

Social security programs were originally introduced in 1924. After independence from the Soviet Union, new social insurance systems were introduced. The current law was implemented in 2003. Pension systems are funded by contributions from employers and the government. Retirement is set at age 63 for men and 59 for women, and is set to increase to age 63 for both men and women. Other social welfare programs include worker's compensation, unemployment assistance, survivorship payments, maternity and sickness benefits, and family allowances. There is a family allowance for all children under 17 years of age.

Women constitute slightly more than half the work force, and in theory are entitled to equal pay. Although women on average achieve higher educational levels than men, their average pay was lower. Sexual harassment is not officially reported. Domestic violence is a widespread problem and is grossly underreported; spousal abuse is not a criminal offense. Public attention is focused increasingly on the welfare of children in the wake of family crises caused by economic dislocation. Educational issues were aggressively addressed in 2004.

Ethnic Russians sometimes face discrimination in housing and employment. Estonian language requirements make it difficult for many of them to find public sector employment. Citizenship has not automatically been extended to ethnic Russians living in Estonia, and a significant proportion of the population remain non-citizens. Discrimination based on race, sex, nationality, or religion is illegal under the constitution. Prison conditions remain poor, and police brutality is commonly reported.

#### **41 HEALTH**

A major reform of the primary care system was implemented in 1998, making family practitioners independent contractors with combined private and public-financed payment. In 2000, there was an estimated fertility rate of 1.2. The maternal mortality rate was 50 maternal deaths per 100,000 live births as of 1998. In 2005, the infant mortality rate was an estimated 7.87 per 1,000 and the overall death rate as of 2002 was 13.4 per 1,000 people. Life expectancy in 2005 averaged 71.77 years. In 1999, Estonia immunized children up to one year old against diphtheria, pertussis, and tetanus, 95%; and measles, 92%.

The number of hospitals in Estonia decreased significantly during the 1990s, with the number of available beds cut by one-third between 1991 and 1995. As of 1998, there were 78 hospitals, with a total of 10,509 beds. As of 2004, there were an estimated 316 physicians and 629 nurses per 100,000 people. The country's only medical school is the Tartu University Medical Faculty.

The HIV/AIDS prevalence was 1.10 per 100 adults in 2003. As of 2004, there were approximately 7,800 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

#### **42 HOUSING**

According to 2000 census figures, the total number of dwellings in the country was at about 628,615. Of these 617,399 were described as conventional dwellings; 424,769 were apartments and 171,086 were single-family, detached dwellings. About 85% of all conventional dwellings were owned by private citizens residing in Estonia. About 3.8% of all conventional dwellings are owned by housing associations. Only about 3.7% of all conventional dwellings were built in 1991 or later; 59% of the housing stock was built during the period 1961–1990. The housing costs of low-income families are subsidized.

#### **43 EDUCATION**

Prior to the 1990s, the Soviet system of education was followed. This was modified after Estonia's separation from the USSR. Primary education (basic school) covers nine years. This is followed by a general secondary school (gymnasium) or a vocational school, both of which cover a three-year program. Students in vocational schools may choose to continue in an advanced program of another three years. The academic year runs from September through June. The primary languages of instruction are Estonian, Russian, and English.

In 2001, most children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 95% of age-eligible students. The same year, secondary school enrollment was about 88% of age-eligible students. Most students complete their primary education. The student-to-teacher ratio for primary school was at about 14:1 in 2003; the ratio for secondary school was about 10:1.

There are two well-known universities: the University of Tartu, founded in 1632, and the Talliva Technical University, founded in 1936, which mainly offers engineering courses. In 2003, about 66% of the tertiary age population were enrolled in some type of higher education program; with 50% for men and 83% for women. The adult literacy rate for 2004 was estimated at about 99.8%.

As of 2003, public expenditure on education was estimated at 5.7% of GDP.

#### **44 LIBRARIES AND MUSEUMS**

The National Library of Estonia in Tallinn, founded in 1918, contains over 3.2 million volumes. Other important libraries located in Tallinn include the Estonian Technical Library (11.8 million volumes) and the Estonian Academic Library (2.2 million). The Tartu State University Library is the largest academic library with 3.7 million volumes. In 2004, there were 564 public libraries in the country, along with 512 school libraries and 75 research and special libraries.

The Estonian History Museum in Tallinn was established in 1864. It contains 230,000 exhibits that follow the history of the region's people from ancient times to the present. The Estonian National Museum in Tartu, established in 1909, features exhibits about the living conditions of Estonians. Also in Tallinn is the Art Museum of Estonia, the Estonian Open Air Museum, the Estonian Theater and Music Museum, and the Tallinn City Museum. Tartu University houses a Museum of Classical Antiquities.

## 45 MEDIA

Though the telecommunications system has had recent improvements in the form of foreign investment through business ventures, there are still thousands of residents on waiting lists for service lines, with the average wait for service at about 1.4 years in 2000. In 2003, there were an estimated 341 mainline telephones for every 1,000 people; about 4,500 people were on a waiting list for telephone service installation. The same year, there were approximately 777 mobile phones in use for every 1,000 people.

Estonian Radio began regular broadcasting in 1926. In 1937, the highest radio tower in Europe (196.7m) was built in Türi. In the 1970s, Estonian Radio was the first in the former Soviet Union to carry advertising. Estonian television began broadcasting in 1955, and started color broadcasts in 1972. It broadcasts on four channels in Estonian and Russian. As of 2001, there were 98 FM radio stations and 3 television stations. In 2003, there were an estimated 1,136 radios and 507 television sets for every 1,000 people. About 117 of every 1,000 people are cable subscribers. Also in 2003, there were 440.4 personal computers for every 1,000 people and 444 of every 1,000 people had access to the Internet. There were 113 secure Internet servers in the country in 2004.

Journalism was subject to varying degrees of censorship from the Russian occupation in 1940 until the late 1980s. The most popular daily newspapers (with 2002 circulation figures) are *Noorte Haal* (*The Voice of Youth*, 150,000), *Postimees* (*Postman*, 59,200), *Paevaleht* (*The Daily Paper*, 40,000), and *Rahva Haal* (*The Voice of the People*, 175,000). The most widely read weeklies (with 1995 circulation figures) are the *Maaleht* (*Country News*, 50,000) and the *Eesti Ekspress* (*Estonian Express*, 55,000).

Estonia has an active publishing industry, although it faced economic difficulties in the early 1990s. The ISBN code has been used in Estonia since 1988. There were 2,291,000 book titles published in 1994.

The government is said to respect constitutional provisions for free expression. Foreign publications are widely available and private print and broadcast media operate freely.

## 46 ORGANIZATIONS

The Chamber of Commerce and Industry of the Republic of Estonia promotes trade and commerce with its neighbors. Also, there is a chamber of commerce in Tartu. Professional societies and trade unions have developed for a number of careers.

Research and educational organizations include the Estonian Academy of Sciences and the Estonian Medical Association. There are also several associations dedicated to research and education for specific fields of medicine and particular diseases and conditions.

The Estonian Institute, established in 1989, promotes the appreciation of Estonian culture abroad. *Ars Baltica* is a multinational group based in Vilnius that promotes appreciation for regional arts and culture.

Most student organizations belong to the umbrella organizations of the Federation of Estonian Student Unions or the Federation of Estonian Universities. Other youth organizations include the Estonian Green Movement, YMCA/YWCA, Junior Chamber, the Estonian Scout Associations, and the Girl Guides. In 1989

Estonian sports were reorganized and the Soviets reduced their control of Estonia's sports system. In the same year the National Olympic Committee was restored. Other sports associations have since formed, including groups for wind surfing, yachting, Frisbee, and football (soccer). The Estonian Association of University Women promotes educational and professional opportunities for women.

The Estonian Institute for Human Rights monitors actions concerning civil rights and offers legal aid and information to the public. Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. There is a national chapter of the Red Cross Society.

## 47 TOURISM, TRAVEL, AND RECREATION

Visitors are drawn to the country's scenic landscapes, Hanseatic architecture, music and dance festivals, regattas, and beach resorts. The ancient town of Tallinn, noted for its architectural preservation, is a major tourist attraction and is linked by regular ferries to Helsinki and Stockholm.

There were 3,377,837 foreign arrivals in Estonia in 2003, almost 61% of whom came from Northern Europe. Tourist receipts totaled \$886 million. The 12,445 hotel rooms with 27,487 beds had an occupancy rate of 47%. The average length of stay was two nights.

In 2005, the US Department of State estimated the daily expenses in Tallinn at \$210.

## 48 FAMOUS ESTONIANS

Lennart Meri (b.1929), writer, filmmaker, and historian, became president of Estonia in 1992 and won a second term in 1996. He left office in 2001, and was succeeded by Arnold Rüütel (b.1928). Writer Friedrich Reinhold Kreutzwald (1803–1882) wrote the epic *Kalevipoeg* (*Son of Kalev*), which was published by the Estonian Learned Society in 1857–61 and marked the beginning of Estonian national literature.

The revolution of 1905 forced many Estonian writers to flee the country. In 1906 a stable government was established in Estonia and a literary movement took hold, Birth of Young Estonia. The movement was led by poet Gustav Suits (1883–1956). He fled to Finland in 1910 but returned after the Russian Revolution of 1917. Later, Suits became a professor of literature at Tartu University. His fellow writers and poets between the revolution of 1917 and 1940 included Friedbert Tuglas (1886–1971) and Marie Under (1883–1980). Writers who fled abroad during World War II include Karl Rumor (1886–1971) and Arthur Adson (1889–1977). Estonian writers banned or exiled during the Soviet period include the playwright Hugo Raudsepp (1883–1952). American Architect Louis Kahn (1901?–1974) was born in Estonia.

## 49 DEPENDENCIES

Estonia has no territories or colonies.

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# FINLAND

Republic of Finland  
*Suomen Tasavalta*



**CAPITAL:** Helsinki

**FLAG:** The civil flag contains an ultramarine cross with an extended right horizontal on a white background.

**ANTHEM:** *Maamme* (in Swedish, *Vårt land*; *Our Land*).

**MONETARY UNIT:** The euro replaced the markkaa as the official currency in 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; May Day, 1 May; Independence Day, 6 December; Christmas, 25–26 December. Movable holidays include Good Friday, Easter Monday, Whitsun, and Midsummer Day (late June). Epiphany, Ascension, and All Saints' Day are adjusted to fall always on Saturdays.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Part of Fenno-Scandia (the Scandinavian Peninsula, Finland, Karelia, and the Kola Peninsula), Finland has an area of 337,030 sq km (130,128 sq mi), of which 31,560 sq km (12,185 sq mi) is inland water. Comparatively, the area occupied by Finland is slightly smaller than the state of Montana. Its length, one-third of which lies above the Arctic Circle, is 1,160 km (721 mi) N–S; its width is 540 km (336 mi) E–W.

Finland borders on Russia to the E, the Gulf of Finland to the SE, the Baltic Sea to the SW, the Gulf of Bothnia and Sweden to the W, and Norway to the NW and N, with a total land boundary of 2,628 km (1,629 mi) and a coastline of about 1,126 km (698 mi), excluding islands and coastal indentations.

Finland's capital, Helsinki, is located on the country's southern coast.

## <sup>2</sup>TOPOGRAPHY

Southern and western Finland consists of a coastal plain with a severely indented coastline and thousands of small islands stretching out to the Åland Islands. Central Finland is an extensive lake plateau with a majority of the country's 60,000 lakes; 24.5% of the area of Mikkelin Province is water.

Northern Finland is densely forested upland. The highest elevations are in the Norwegian border areas; northwest of Enontekiö rises Haltia, a mountain 1,328 m (4,357 ft) above sea level. Extensive, interconnected lake and river systems provide important natural waterways.

## <sup>3</sup>CLIMATE

Because of the warming influence of the Gulf Stream and the prevailing wind patterns, Finland's climate is comparatively mild

for the high latitude. During the winter, the average temperature ranges from -14°C to -3°C (7–27°F), while summer mean temperatures range from 13–18°C (55–65°F). Snow cover lasts from about 90 days in the Åland Islands to 250 days in Enontekiö. Average annual precipitation (including both rain and snow) ranges from 40 cm (16 in) in northern Finland to 71 cm (28 in) in southern Finland.

## <sup>4</sup>FLORA AND FAUNA

Forests, chiefly pine, spruce, and birch, are economically the most significant flora. There are more than 1,100 native species of higher plants; flora is richest in southern Finland and the Åland Islands. Of 22,700 species of fauna, more than 75% are insects. At least 60 species of mammals are native to Finland. Fur-bearing animals (otter, marten, ermine) are declining in number, while elk, fox, and beaver have increased. Of some 248 species of breeding birds, the best known is the cuckoo, the harbinger of spring. Of some 66 species of freshwater fish, 33 have some economic importance; in fresh waters, the perch, walleyed pike, great northern pike, and others are plentiful. Salmon remains the favorite of fly rod enthusiasts.

## <sup>5</sup>ENVIRONMENT

Finland's main environmental issues are air and water pollution, and the preservation of its wildlife. Finland's principal environmental agency is the Ministry of the Environment, established in 1983. Beginning in 1987, environmental protection boards were established for every community with more than 3,000 inhabitants. To preserve the shoreline profile, 30–50% of the shores suitable for recreational use may not be built on. Industrial pollutants from within the country and surrounding countries affect the purity of both the nation's air and water supplies. In 1996 carbon di-

oxide emissions from industrial sources totaled 59.1 million metric tons. However, the total dropped to about 53.4 million metric tons in 2000. Acid rain from high concentrations of sulfur in the air has damaged the nation's lakes. The nation has 107 cu km of renewable water resources with 85% used for industry and 12% used in domestic and urban areas. In 1993, the Finnish Council of State introduced new approaches to the control of water pollution. Lead-free gasoline was introduced in 1985.

Care is taken to protect the flora and fauna of the forests, which are of recreational as well as economic importance. Closed hunting seasons, nature protection areas, and other game-management measures are applied to preserve threatened animal species. As of 2003, about 9.3% of Finland's total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 3 types of mammals, 10 species of birds, 1 species of fish, 1 type of mollusk, and 1 species of plant. Endangered species include the Siberian sturgeon, European mink, and the Saimaa ringed seal.

## 6 POPULATION

The population of Finland in 2005 was estimated by the United Nations (UN) at 5,246,000, which placed it at number 110 in population among the 193 nations of the world. In 2005, approximately 16% of the population was over 65 years of age, with another 18% of the population under 15 years of age. There were 96 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.2%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 5,427,000. The population density was 15 per sq km (40 per sq mi). Population distribution is uneven, however, with the density generally increasing from northern and inland regions to the southwestern region.

The UN estimated that 62% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.24%. The capital city, Helsinki, had a population of 1,075,000 in that year. Other large cities and their estimated populations include Espoo, 229,443; Tampere, 206,097; Vantaa, 185,429; and Turku, 175,059. Rovaniemi, with a population of 58,500, is considered the capital of Finnish Lapland.

## 7 MIGRATION

From 1866 to 1930, a total of 361,020 Finns emigrated, mostly to the United States and, after the US restriction of immigration, to Canada. After World War II, about 250,000 to 300,000 Finns permanently emigrated to Sweden. This migration ended by the 1980s because of a stronger Finnish economy.

More than 400,000 people fled the Soviet occupation of the Karelia region during World War II. There was also a heavy migration from rural areas, particularly the east and northeast, to the urban, industrialized south, especially between 1960 and 1975. By 1980, 90% of all Finns lived in the southernmost 41% of Finland.

From 1990 to 2000, the number of foreign citizens in Finland increased from 21,000 to 100,000. In April 1990, it was declared that all Finns living within the former Soviet Union, many known as Ingrians, could be considered return migrants to Finland. As of 2003, 25,000 Ingrians had returned to Finland, with approximately the same number awaiting entry interviews. Finland's

long-standing ethnic minorities include Swedes, Sami (indigenous population), Jews, Romani or Gypsies, Tartars, and Russians. However, by 2004 its foreign born population represented over 168 nations. Most of these foreign born were from the former Soviet Union, former Yugoslavia, Sweden, Iraq, Somalia, Turkey, the United States, China, Vietnam, Thailand, and returning Finns. The estimated net migration rate in 2005 was 0.89 migrants per 1,000 population.

During the latter half of the 1990s, Finland received an average of 700–900 asylum seekers per year. Approximately 60% of applicants were granted a residence permit. By July 1999, more than 1,000 Slovak Romas applied for asylum, prompting the Finnish government to implement a temporary four-month visa plan for Slovak citizens. By August 1999, some 993 people had been evacuated from Macedonia to Finland; the evacuees were granted temporary protection. As of 2004, Finland had 11,325 refugees and asylum seekers.

Finland accepts 500 refugees each year for those who need an alternative to their first country of asylum.

## 8 ETHNIC GROUPS

The Finns are thought to be descended from Germanic stock and from tribes that originally inhabited west-central Russia. Excluding the Swedish-speaking minority, there are only two very small non-Finnish ethnic groups: Lapps and Gypsies. Finns constitute about 93.4% of the total population, Swedes make up 5.7%, Russians account for 0.4%, Estonians for 0.2%, Roma for 0.2%, and Sami (Lapps) for 0.1%. Several societies have been established to foster the preservation of the Lappish language and culture.

## 9 LANGUAGES

From the early Middle Ages to 1809, Finland was part of the Kingdom of Sweden, and its official language was Swedish. Finnish did not become an official language until 1863. In 2003, 92% of the population was primarily Finnish-speaking and 5.6% was primarily Swedish-speaking. Swedish-speaking Finns make up more than 95% of the population of the Åland Islands and Swedish-speaking majorities are also found in parts of Uudenmaan, Turun-Porin, and Vaasan provinces. Swedish, the second legal language, is given constitutional safeguards. Only a minority of individuals have another language as their mother tongue, principally Lapp, Russian, English, or German. Finnish belongs to the Finno-Ugric language group and is closely related to Estonian; more distantly to the Komi, Mari, and Udmurt languages spoken among those peoples living in Russia; and remotely to Hungarian.

## 10 RELIGIONS

Both the Evangelical Lutheran Church and the Orthodox Church are considered state churches. As of 2004, about 84.1% of the inhabitants belong to the Evangelical Lutheran Church. Reports indicate, however, that only between 2–10% of Lutherans attend services on a regular basis. Approximately 1% of the inhabitants, largely evacuees from the Karelian Isthmus, are members of the Orthodox Church in Finland. Another 1% belong to the Pentecostal Church. Other religious bodies include the Free Church, Jehovah's Witnesses, Adventists, Roman Catholics, Methodists, Mormons, Baptists, Swedish Lutherans, and Jews. There are about

20,000 Muslims in the country. About 10% of the population claim no religious affiliation.

Freedom of religion has been guaranteed since 1923. As a state church, the Evangelical Lutheran Church has an elected Church Assembly that makes legislative proposals to the parliament, which can be approved or rejected, but not altered. The Orthodox Church has three dioceses, in Helsinki, Karelia, and Oulu, and owes allegiance to the Ecumenical Patriarch of Constantinople. Citizens who belong to one of these state churches pay a church tax as part of their income tax. For members, the church handles state registrar duties, such as record keeping for births, deaths and marriages. There is a registration service available for members of other faiths. Religious groups must register with the government in order to qualify for tax relief.

## 11 TRANSPORTATION

In 2004 there were an estimated 78,168 km (48,620 mi) of roads, of which 50,616 km (31,483 mi) were paved, including 653 km (406 mi) of expressways. In 2003 registered motor vehicles included 2,259,383 passenger cars and 334,009 commercial vehicles.

There were 5,851 km (3,639 mi) of broad gauge railway lines in operation in 2004, of which 99% were operated by the Finnish State Railways, and some 2,400 km (1,493 mi) were electrified. In 2005, there were 94 ships in Finland's merchant fleet of 1,000 GRT or more, totaling 1,152,175. Import traffic is concentrated at Naantali, Helsinki, Kotka, and Turku, while the ports of Kotka, Hamina, Kemi, Oulu, and Rauma handle most exports. Icebreakers are used to maintain shipping lanes during winter months. More than 900 people were killed in September 1994 when the ferry *Estonia* sank in rough seas off the Finnish coast while sailing from Estonia to Sweden. In 2004 there were 7,842 km (4,877 mi) of navigable inland waterways, of which includes the 3,577 km (2,224 mi) Saimaa Canal System, of which the southern part was leased from Russia.

Airports numbered 148 in 2004, of which 76 had paved runways as of 2005. Helsinki-Vantaa is the principal airport, located at Helsinki. State-run Finnair is engaged in civil air transport over domestic and international routes. In 1962, Finnair took over Kar-Air, the second-largest air carrier in Finland. In 2003, around 6.184 million passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Finland, a province and a grand duchy of the Swedish kingdom from the 1150s to 1809 and an autonomous grand duchy of Russia from 1809 until the Russian Revolution in 1917, has been an independent republic since 1917. Ancestors of present-day Finns—hunters, trappers, agriculturists—came to Finland by way of the Baltic regions during the first centuries AD, spreading slowly from south and west to east and north. Swedish control over Finnish territory was established gradually beginning in the 12th century in a number of religious crusades. By 1293, Swedish rule had extended as far east as Karelia (Karjala), with colonization by Swedes in the southwest and along the Gulf of Bothnia. As early as 1362, Finland as an eastern province of Sweden received the right to send representatives to the election of the Swedish king. On the basis of the Swedish constitution, Finland's four estates—nobles, clergy, burghers and peasant farmers—were also entitled to send representa-



LOCATION: 59°30'10" to 70°5'30" N; 19°7'3" to 31°35'20" E. BOUNDARY LENGTHS: Russia, 1,313 kilometers (820 miles); Sweden, 586 kilometers (364 miles); Norway, 729 kilometers (445 miles); total coastline, 1,126 kilometers (694 miles).

TERRITORIAL SEA LIMIT: 4 miles.

tives to the Diet in Stockholm. As a result of over six centuries of Swedish rule, Finnish political institutions and processes (marked by growing constitutionalism and self-government), economic life, and social order developed largely along Swedish lines. Swedish colonization in Finland was concentrated in the southern and western regions of Finland.

When Sweden was a great power in European politics in the 17th century, Finland and the Finns bore a heavy military burden. Finland was a battleground between the Swedes and Russia, whose encroachments on southeastern Sweden were persistent as Swed-



ish power declined in the 18th century. After Sweden's military defeat in the Napoleonic wars of 1808–09, sovereignty over Finland was transferred to Russia from Sweden after Napoleon and Tsar Alexander I concluded the Peace of Tilsit. Under the Russian rule of Alexander I, Finland was granted a privileged autonomous status that enabled Finland to continue the grand duchy's constitutional heritage. Alexander I, like his successors, took a solemn oath to "confirm and ratify the Lutheran religion and fundamental laws of the land as well as the privileges and rights which each class and all the inhabitants have hitherto enjoyed according to the constitution." Toward the end of the 19th century, a Russian drive to destroy Finland's autonomy ushered in several decades of strained relations and galvanized the burgeoning nationalist movement. Culturally, the nationalist movement in Finland was split linguistically between the Fennomen who advocated Finnish language and culture and the Svecomen who promoted the continued dominance of Swedish. By the end of the 19th century, the Fennomen had gained the upper hand. In Russia's Revolution of 1905, Finland managed to extract concessions that included the creation of a modern, unicameral parliament with representatives elected through universal suffrage, including women. Thus, Finland was the first European country to offer women political suffrage at the national level. After the Bolshevik seizure of power in Russia in the late fall of 1917, Finland declared its independence on 6 December. A short civil war ensued (28 January–10 May 1918) between the Red faction supported by the Soviet Bolsheviks and the White faction supported by Germany. The White forces, led by General Mannerheim, were victorious, but Finland was forced to reorient its alliances toward the western allies when Germany was defeated in WWI.

In July 1919, Finland became a democratic parliamentary republic. In the nearly two decades of peace following the settlement of disputes with Sweden (over the Åland Islands) and the former USSR (East Karelia) there were noteworthy economic and social advances. Despite its neutral pro-Scandinavianism in the 1930s and support for the collective security provisions of the League of Nations, the country was unavoidably entangled in the worsening relations between the great powers. Negotiations with the former USSR, which demanded certain security provisions or territorial concessions, broke down in 1939, and two wars with the USSR ensued. The Winter War, lasting from 30 November 1939 to 13 March 1940, ended only when Finland ceded areas of southeastern Finland and the outer islands of the Gulf of Finland to the Soviets. However, Finland watched warily as the Soviets annexed the independent Baltic states of Estonia, Latvia, and Lithuania. After appeals to western allies went unfulfilled, Finland turned toward Germany for protection, and when Germany attacked the USSR on 26 June 1941, Finland entered the war on the German side. During the early part of the Continuation War, which lasted from 26 June 1941 to 19 September 1944, the Finns pushed the Soviets back to the old frontier lines and held that position for nearly three years. In 1944, a Russian counterattack forced Finland to ask for peace. The armistice terms of 1944, later confirmed by the Paris Peace Treaty of 10 February 1947, provided for cession of territory and payment of reparations to the Soviets and required Finland to expel the German troops on its soil; this resulted in German-Finnish hostilities from October 1944 to April 1945. Under the 1947 peace treaty Finland ceded some 12% of its

territory to the USSR, imprisoned several prominent politicians, reduced its armed forces, and undertook to pay heavy economic reparations. A Soviet naval base was established only 25 km from Helsinki. A separate Treaty of Friendship, Cooperation, and Mutual Assistance, concluded in 1948 under heavy Soviet pressure, obligated Finland to resist attacks on itself or the USSR and in effect precluded Finland from undertaking any significant foreign policy initiative without the Kremlin's approval.

Finland's postwar policy, based on the Paasikivi Line named for the president that formulated the policy, has been termed dismissively as "Finlandization." It is true that Finland maintained a scrupulous and cautious policy of neutrality in foreign affairs. However, after 1955, when the Soviets withdrew from their Finnish base, Finland became an increasingly active member of the United Nations and the Nordic Council, as well as various Western economic organizations. Despite Soviet pressure, the Finnish Communist Party steadily declined in influence. Finland's standing was further enhanced by the signing of the 1975 Helsinki treaty, which called for pan-European cooperation in security, economic, political, and human rights matters. The dominant figure of postwar politics was Urho Kekkonen, the Agrarian (later Center) Party leader who held the presidency from 1956 to 1981, when he resigned because of ill health. The cornerstone of his policy was maintenance of a center-left coalition (including the Communists), good relations with the former USSR, and a foreign policy of "active neutrality."

Despite the negative connotations, "Finlandization" was something of a success. Unlike the Baltic states, Finland maintained sovereign independence and even managed to prosper in the post-WWII environment. Postwar political stability allowed a striking economic expansion and transformation in Finland. In 1950, nearly 70% of Finns worked on the land; now that figure is about 8%. Kekkonen's long rule ended in a resignation owing to ill health and the Social Democratic leader Mauno Koivisto, then prime minister, became acting president in October 1981. Koivisto was elected president in his own right in January 1982 and reelected in 1988.

Koivisto's tenure as president ended in 1994. In the presidential elections of February 1994 when voters for the first time directly elected the president, Martti Ahtisaari, former UN mediator and of the Finnish Social Democratic Party, defeated Elisabeth Rehn (defense minister) of the Swedish People's Party in a runoff election. Ahtisaari chose not to run for reelection in 2000, and in that contest no fewer than five candidates for the presidency were women. On 6 February 2000, Finns elected their first female president, Tarja Halonen, the Social Democratic foreign minister in the Lipponen government, who won 51.6% of the vote in a runoff electoral contest with Esko Aho, leader of the Center Party.

Finland faced a deep recession brought about in part by the collapse of the Soviet market that accounted for 20% of Finnish exports. During 1991–94, the recession pushed unemployment up to nearly 20%. The collapse of the Soviet Union and the dissolution of the FCMA Treaty by mutual agreement of Finland and the USSR prompted Finland to reassess its relationship with Europe. In March 1994, Finland completed negotiations for membership in the EU. Finland's relationship with the EU was a major issue of political debate even within the governing coalition. Following a referendum held in October 1994 with 57% approval, Finland for-

mally joined the EU at the beginning of 1995. Finland also joined the European economic and monetary union in 1999, and adopted the euro as its currency in 2002.

#### **Beyond Finlandization: Finland and the European Union**

While a relative newcomer to European politics, Finland entered the political limelight as it took over the six-month rotating presidency of the European Union in the second half of 1999. The priorities of the Finnish presidency included a number of pressing issues: preparing for institutional reform necessary prior to enlargement of the Union; increasing the transparency of the functioning of EU institutions; boosting employment and deepening the social dimension of European cooperation; environmental responsibility; and finally, in the area of foreign policy, the Finns championed the “Northern Dimension” which would extend a number of cooperative schemes to include the EU and non-EU countries along the Baltic, including increased ties with northwestern Russia. Though highly touted, this last initiative foundered as Europe continued to be preoccupied with ongoing NATO efforts in Kosovo. At the presidency’s concluding summit (December 1999) of the European Council in Helsinki, the Finns could nonetheless point to a number of successes under their presidency. The groundwork for opening accession negotiations with six more applicant countries from Eastern Europe and recognizing Turkey’s applicant status were approved by the 15 heads of state. In addition, the European Council approved the establishment of a rapid reaction force outside the structure of NATO, which would allow Europe to have an independent capacity to react in areas in which NATO was not engaged. This was an important accomplishment for Finland, whose neutral status makes participation in NATO actions problematic. However, in recent years, Finland has considered NATO membership; its military policy calls for increased cooperation with and participation in NATO and EU-led operations, including NATO’s “Partnership for Peace” program. But the majority of Finns oppose NATO membership.

The issue of Finland’s support for the US-led war in Iraq that began on 19 March 2003 was a deciding factor in the 16 March parliamentary elections. Opposition leader Anneli Jäätteenmäki accused sitting Prime Minister Paavo Lipponen of moving Finland too close to the US position on the use of military force to disarm Iraq, and her party went on to win the elections, albeit by a slim majority. Finland donated €1.6 million for humanitarian aid in Iraq. In June 2003, Prime Minister Jäätteenmäki resigned amid accusations that she used leaked confidential information on Iraq to help her party win the March elections. The secret information was based on talks between Lipponen and US President George W. Bush in the run-up to the Iraq war. Jäätteenmäki was accused of lying to parliament over her use of the classified documents, which she had requested and obtained during her election campaign. Jäätteenmäki was replaced as prime minister by Matti Vanhanen. Jäätteenmäki was acquitted in March 2004 of inciting an aide to Lipponen to leak the documents.

In May and June 2005, workers in the paper industry—which accounts for one-quarter of total Finnish export earnings—went on a seven-week strike over the issues of holiday pay and working hours. The paper industry workers wanted better pay and shorter working hours during the Christmas and midsummer holiday seasons. A lockout instituted by paper mill employers resulted in

the closure of mills around the country. In July, unions and employers gave backing to a new three-year work and pay package.

Presidential elections were held on 15 January 2006. President Tarja Halonen came out ahead, with 46.3% of the vote, and Sauli Niinistö came in second with 24.1% of the vote. Since no candidate received a majority of the vote, a runoff election was held on 29 January. Results were Halonen, 51.8%, and Niinistö, 48.2% of the votes cast.

### **13 GOVERNMENT**

Finland’s republican constitution combines a parliamentary system with a strong presidency. Legislative powers are vested in the Eduskunta (parliament), a unicameral body established in 1906. Members of parliament are elected for four-year terms by proportional representation from 15 multi-member electoral districts under universal suffrage at age 18. Finland was the first country in Europe to grant suffrage to women in national elections (1906). After the 2003 elections nine parties were represented, but the five largest (and traditional) parties shared 181 seats. The 1994 presidential election was the first direct presidential vote since the country gained independence in 1917. Previously voters selected slates of electors who then chose the president. Currently the president is elected directly in a two-stage vote. If no candidate gets a majority in the first round, a second round is held between the two candidates with the largest first round totals. The president is elected for a six-year term.

Finland’s political system traditionally has been more like the French than most other European parliamentary democracies because of the division of executive power between the president and the prime minister. The president is the constitutionally designated head of state that appoints the cabinet, serves as commander-in-chief of the armed forces and, until recently, had primary responsibility for foreign policy. Traditionally, Finnish presidents have been responsible for foreign policy and remained neutral on domestic issues. During the Cold War, Finnish presidents had a special role in reassuring the USSR of Finnish good intentions. The president previously had the power to dissolve the legislature and order new elections, initiate legislation, and issue decrees. The president could veto legislation by not signing a bill, but if the Eduskunta after a general election passed it again without amendment, it became law.

On 1 March 2000, a new Finnish constitution entered into force. The new constitution increases the power of the parliament in relation to the government (cabinet) and increases the power of the government in relation to the president. The power of the Finnish presidency has been circumscribed in rather dramatic fashion while the power of the prime minister has increased. In the past, the Finnish president had the right to intervene in the formation of the government and to dissolve a recalcitrant government. Under the new constitution, the president only formally appoints the prime minister and is bound by the decisions derived from negotiations among the parliamentary groups. Party leaders with the most seats in parliament select the prime minister, in a complex bargaining process. The president appoints other ministers on the recommendation of the prime minister. The president may accept the resignation of a government or minister only in the event of a vote of no confidence by the parliament. In addition, under the new constitution, the government is more respon-

sible to the parliament. For instance, the government must submit its program to parliament immediately after being appointed so that the parliament may take a vote of confidence in the government. Foreign and security policy have become shared responsibilities between the president and the government, with the prime minister and foreign minister taking an active role in formulating a consensus approach to Finnish foreign policy. The government, not the president, now has responsibility over issues related to EU affairs, given the impact of much European law on domestic legislation. The parliament has created a “Grand Committee” to scrutinize EU matters and to ensure parliament’s influence on EU decision-making.

Since 1945 no single party has ever held an absolute parliamentary majority, so all cabinet or governmental decisions involve coalitions. The cabinet is composed of the heads of government ministries and has as its primary responsibility the preparation of governmental budgets and legislation and the administration of public policies. The prime minister and cabinet serve only so long as they enjoy the support of a working majority in parliament, and there have been frequent changes of government.

Women are fairly well represented in both the executive and legislative branches of government in Finland. Women hold 37% of the seats in the 200-member Eduskunta and there were 8 women among the 18 cabinet members after the 2003 elections. Women have held top leadership positions, including defense minister (Elisabeth Rehn) and foreign minister (Tarja Halonen) and speaker of parliament. In February 2000, Finns elected Tarja Halonen their first female president. Anneli Jäätteenmäki was named prime minister following elections in March 2003. Halonen was reelected president in 2006.

## 14 POLITICAL PARTIES

Four major partisan groupings have dominated political life in Finland, although none commands a majority position among the electorate. The Finnish Social Democratic Party (Suomen Sosialidemokraattinen Puolue—SDP) was organized in 1899 but did not become a significant political force until 1907, following the modernization of the country’s parliamentary structure. Swedish-speaking Socialists have their own league within the SDP. The party’s program is moderate, and its emphasis on the partial nationalization of the economy has in recent decades given way to support for improvement of the condition of wage earners through legislation. The SDP has generally worked closely with the trade union movement and has been a vigorous opponent of communism.

The Center Party (Keskusapuolue—KESK; until October 1965, the Agrarian League—Maalaisliitto) was organized in 1906. While initially a smallholders’ party, it won some support from middle and large landowners but virtually none from nonagricultural elements. In an effort to gain a larger following in urban areas, the party changed its name and revised its program in 1965. In February 1959, an Agrarian League splinter party, the Finnish Small Farmers’ Party, was formed; in August 1966, it took the name Finnish Rural Party (Suomen Maaseudun Puolue—SMP). The Liberal People’s Party (Liberaalinen Kansanpuolue—LKP) was formed in December 1965 as a result of the merger of the Finnish People’s Party and the Liberal League; in 1982, the LKP merged with the KESK.

The National Coalition Party (Kansallinen Kokoomus—KOK), also known as the Conservative Party, was established in 1918 as the successor to the conservative Old Finnish Party. Its program, described as “conservative middle-class,” has traditionally emphasized the importance of private property, the established church, and the defense of the state.

The Finnish Christian League (Suomen Kristillinen Liitto—SKL), founded in 1958, was formed to counter the increasing trend toward secularization and is usually found on the political right with the KOK.

The Swedish People’s Party (Svenska Folkpartiet—SFP), organized in 1906 as the successor to the Swedish Party, has stressed its bourgeois orientation and the need for protecting the common interests of Finland’s Swedish-speaking population.

The Finnish People’s Democratic League (Suomen Kansan Demokraattinen Liitto—SKDL) represents the extreme left. Emerging in 1944, and illegal before then, the SKDL was a union of the Finnish Communist Party (organized in 1918) and the Socialist Unity Party. The SKDL had urged close relations with the former USSR and the Communist bloc, but it later moderated its demands for the establishment of a “people’s democracy” in Finland. In 1986, a minority group within the SKDL was expelled; for the 1987 elections, it established a front called the Democratic Alternative (DEVA). Following the collapse of the Soviet Union, the SKDL in May 1990 merged with other left parties to form the Left Alliance (Vasemmistoliitto—VL).

The Greens, an environmentalist alliance, won four seats in the Eduskunta in 1987, although they were not formally organized as a political party.

From the end of World War II until 1987, Finland was ruled by a changing center-left coalition of parties that included the SDP, KESK, SKDL, LKP, SFP, and SMP. The government formed on 30 April 1987 included seven members of the KOK, including the prime minister, Harri Holkeri; eight from the SDP; two from the SFP; and one from the SMP. Conservative gains in the 1987 election put non-Socialists in their strongest position in parliament in 50 years. Following the general election of March 1991, the Center Party led by Esko Aho emerged as the largest single party in parliament. A new four-party, center-right coalition was formed composed of the Center Party, the National Coalition Party, the Swedish People’s Party, and the Finnish Christian League.

The victory by the SDP in the 1995 parliamentary elections ended the reign of the right-center coalition that held control during four years of economic stagnation. The SDP’s leader, Paavo Lipponen, became Finland’s new prime minister in April 1995. Lipponen fashioned a “rainbow coalition” following the March 1995 elections that included the following: the Social Democratic Party (with Lipponen as prime minister), the National Coalition Party, the Left Alliance, the Swedish People’s Party, and the Green League. In opposition were the Center Party, the Finnish Christian League, the Young Finns, the Ecology Party, the True Finns, and the Åland Island’s Party representative.

The parliamentary election in 1999 reflected a mixture of discontent and continuity. A cooling economy (caused by Russia’s economic collapse in 1998), the opposition’s plans for radical tax cuts, and controversy about EU policies dominated the campaign. Opposition leader (and former prime minister) Aho promised radical tax and economic policy changes. He could govern only if

he succeeded in prying the Conservatives out of Lipponen's coalition. SDP party scandals over privatization of the telecommunications sector and other issues threatened the otherwise impressive performance of the rainbow coalition that many thought would not survive the full parliamentary term.

The outcome of the 1999 elections was a setback for the Social Democrats, whose share of the votes declined from 28.3% in 1995 to 22.9% in 1999. The SDP parliamentary delegation declined from 63 to 51. The Conservatives advanced from 17.9% of the vote in 1995 (and 39 seats) to 21% in 1999 (and 46 seats). The three smaller coalition parties continued to share 42 seats among them. The opposition Centrists advanced modestly from 19.9 to 22.4% of the vote (gaining four seats for a total of 48). The SDP remained the largest parliamentary group, and Lipponen retained the right to renew his coalition, making it the longest-serving government in Finnish history.

The elections of 2003 were colored by disagreements between Lipponen's Social Democrats and the Center Party led by Anneli Jäätteenmäki. Jäätteenmäki accused Lipponen of closely aligning Finland with the US position on forcibly disarming Saddam Hussein's regime in Iraq. Jäätteenmäki's criticisms were popular with voters, and the Center Party emerged with 24.7% of the vote to take 55 seats in the Eduskunta. The representation of the other parties in parliament in 2003 was as follows: SDP, 22.9% (53 seats); KOK, 18.5% (40 seats); the Left Alliance, 9.9% (19 seats); the Greens, 8%, (14 seats); the Christian Democrats, 5.3% (7 seats); the People's Party, 4.6% (8 seats); the agrarian True Finns Party, 1.6% (3 seats); and the representative from the Åland Island's Party held one seat. Jäätteenmäki formed a coalition government with the Social Democratic Party and the Swedish People's Party. She later resigned in June as a result of accusations that she misused confidential government documents regarding talks between Lipponen and President George W. Bush over the run-up to the Iraq war. Jäätteenmäki in 2004 was acquitted of charges she incited an aide to Lipponen to leak the documents.

## 15 LOCAL GOVERNMENT

There is an ancient and flourishing tradition of local self-government extending back to the 14th century. The present law on local government was enacted in 1976. There are six provinces (*läänit*), each headed by a governor appointed by the president. One of them, Ahvenanmaa (Åland Islands), has long enjoyed special status, including its own elected provincial council, and a statute effective 1 January 1952 enlarged the scope of its autonomy. The other provinces are directly responsible to the central government.

Below the provincial level, the local government units in 2005 included 432 municipalities. The number of municipalities has fluctuated over the years, but the trend has been downwards. (In 1955, there were 547 municipalities.) Each local government unit is self-governing and has a popularly chosen council. Local elections are held every four years; being partisan in nature, they are regarded as political barometers. The councilors are unsalaried. Local administration is carried out under the supervision of council committees, but professional, full-time managers usually run day-to-day affairs. The functions of local government include education, social welfare, health, culture, utilities, and collection of local taxes.

## 16 JUDICIAL SYSTEM

There are three levels of courts: local, appellate, and supreme. The municipal courts of the first instance are staffed in each case by a magistrate and two councilors. Each of the six appellate courts is headed by a president and staffed by appellate judges. In certain criminal cases these courts have original jurisdiction. The final court of appeal, the Supreme Court (*Korkein oikeus*), sits in Helsinki. There are also the Supreme Administrative Court, a number of provincial administrative courts, and some special tribunals. The administration of justice is under the supervision of a chancellor of justice and a parliamentary ombudsman.

The judiciary is independent from the executive and legislative branches. Supreme Court judges are appointed to permanent positions by the president and are independent of political control. Retirement is mandatory at age 70.

Like most other Nordic judicial systems, Finland's constitution calls for a Parliamentary Ombudsman. The Ombudsman is an independent official from the legal field, who is elected by the parliament and charged with "overseeing the courts of law, other public authorities and public servants in the performance of their official duties as well as public employees and other persons in the exercise of public functions...In discharging his or her duties, the Parliamentary Ombudsman shall also oversee the implementation of Constitutional rights and international human rights." The Ombudsman and Deputy Ombudsman investigate complaints by citizens regarding the public authorities, conduct investigations, and may intervene in matters of his or her own initiative. This important institution assists citizens in navigating the often Byzantine bureaucratic maze of the social welfare state and provides greater accountability and transparency in the enormous Finnish public sector.

## 17 ARMED FORCES

Total armed forces in Finland numbered 28,300 active personnel in 2005, with reserves totaling 237,000. The Army had 20,500 personnel, while the Navy had 5,000, and the Air Force 2,800. The Army's equipment included 226 main battle tanks, 263 armored infantry fighting vehicles, 614 armored personnel carriers, and 1,446 artillery pieces. Major naval units included 11 patrol/coastal vessels, 19 mine warfare ships, six amphibious landing craft, and 35 logistical/support vessels. The Air Force had 63 combat capable aircraft, consisting of fighter ground attack aircraft. The Air Force also operated one antisubmarine warfare aircraft and 22 transports. Finland's paramilitary frontier guard numbered 3,100. The defense budget in 2005 totaled \$2.7 billion. Finland's armed forces also provided observers and troops to nine different UN and NATO operations in 2005.

## 18 INTERNATIONAL COOPERATION

Finland has been a UN member since 14 December 1955; it participates in several UN specialized agencies, such as the FAO, World Bank, IAEA, ILO, UNESCO, UNIDO, and the WHO. Finland is also a member of the OECD, the WTO, G-9, and the Paris Club. The country joined the European Union in 1995. In addition, Finland plays a role in the African Development Bank and Asian Development Bank, and is involved in a number of bilateral projects,

primarily in African countries. The nation holds observer status in the Western European Union and the OAS.

Officially neutral, Finland seeks to maintain friendly relations with both the United States and Russia, its powerful eastern neighbor. Finland has hosted many major meetings and conferences, including rounds I, III, V, and VII of the Strategic Arms Limitation Talks (SALT) between the United States and USSR (1969–72). In November 1972, the multilateral consultations on the Conference on Security and Cooperation in Europe (CSCE, now the OSCE) began in Helsinki. These initial consultations were followed by the first phase of CSCE at the foreign ministerial level and then by the third phase at the highest political level, culminating with the signing of the Final Act in Helsinki on 1 August 1975. Foreign ministers of the United States, Canada, and 33 other European countries met in Helsinki on 30 July 1985 to commemorate the 10th anniversary of the signing of the Final Act.

Finland has a close relationship with the other Scandinavian (Nordic) countries. The main forum of cooperation is the Nordic Council, established in 1952; Finland joined in 1955. A common labor market was established in 1954, granting citizens of member states the right to stay and work in any other Scandinavian country without restrictions. Finland also belongs to the Council of the Baltic Sea States (est. in 1992).

Finland is part of the Australia Group, the Nuclear Suppliers Group (London Group), the European Organization for Nuclear Research (CERN), the Nuclear Energy Agency, the Zangger Committee, and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, Finland is part of the Antarctic Treaty; the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; CITES; the London Convention; International Tropical Timber Agreements; the Kyoto Protocol; the Montréal Protocol; MARPOL; the Nuclear Test Ban Treaty; and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

At the end of World War II, Finland's economy was in desperate straits. About 10% of the country's productive capacity had been lost to the former USSR, and over 400,000 evacuees had to be absorbed. Between 1944 and 1952, Finland was burdened with reparation payments to the USSR, rising inflation, and a large population growth. However, the GDP reached the prewar level by 1947, and since then the economy has shown consistent growth.

Handicapped by relatively poor soil, a severe northern climate, and lack of coal, oil, and most other mineral resources necessary for the development of heavy industry, the Finns have nonetheless been able to build a productive and diversified economy. This was made possible by unrivaled supplies of forests (Finland's "green gold") and waterpower resources ("white gold"), as well as by the Finnish disposition toward hard work, frugality, and ingenuity. Agriculture, long the traditional calling of the large majority of Finns, has been undergoing continuous improvement, with growing specialization in dairying and cattle breeding. The industries engaged in producing timber, wood products, paper, and pulp are highly developed, and these commodities continue to make up a significant proportion of the country's exports. After World War II, and partly in response to the demands of reparations payments, a metals industry was developed, its most important sectors being

foundries and machine shops, shipyards, and engineering works. The 1990s saw Finland develop one of the world's leading high tech economies. Dependent on foreign sources for a considerable portion of its raw materials, fuels, and machinery, and on exports as a source of revenue, the Finnish economy is very sensitive to changes at the international level.

The annual growth of GDP averaged 4.3% between 1986 and 1989, after which it was hard hit by the collapse of the former USSR, formerly Finland's chief trading partner. For 40 years, Finland and the USSR had conducted trade on a barter basis, a practice that ended in 1991. GDP was flat in 1990, fell by 7.1% in 1991, a further 4% in 1992, and 3.6% in 1993.

The regional economic recovery in Europe during 1994 helped Finland's economy to turn around. By early 1995, the economy began to show signs of strong growth—GDP had grown 4.5% by the end of that year, and by 2000, it had reached 6.1%. In October 1996 Finland agreed to join the European currency grid, which limits currency fluctuations to 15% up or down, and proclaimed its determination to join European economic and monetary union (EMU); it joined the EMU in 1999. Thus far, it is the only Nordic EU member to join, as Denmark and Sweden decided to opt out of the EMU.

The success of the Finnish economy in the late 1990s was largely due to the country's success in the high tech sector. Finland has one of the highest rates in the world for per capita Internet connections and mobile phone ownership; in 2002, 75% of Finns owned a mobile phone. Chief among Finnish companies is Nokia, the world's leading producer of mobile phones.

In 2001, the global economy was in a downturn, and Finland's economy was duly affected. Demand for Finnish exports declined, and industrial production shrank for the first time in 10 years. In 2001, Finland's GDP growth was among the lowest of the euro zone, at 0.7%, and unemployment remained above the euro zone average (9%). However, the service sector (accounting for over 60% of GDP) remained strong. In 2004, the government cut taxes and tempered inflation in order to prod private consumption and promote GDP growth. GDP growth was estimated at 1.6% in 2005, and was forecast to accelerate to 2.5% in 2006 and 2.7% in 2007, still well below the growth rates seen in the latter part of the 1990s. The inflation rate was expected to be 1.3% in 2005, rising to 1.8% in 2006 and 2% in 2007. The unemployment rate was estimated at 8.9% in 2004, above the EU average, but the government estimated the unemployment rate would drop to 8.5% in 2005. A relatively inflexible labor market and high employer-paid social security taxes hamper growth in employment.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Finland's gross domestic product (GDP) was estimated at \$158.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$30,300. The annual growth rate of GDP was estimated at 1.7%. The average inflation

rate in 2005 was 1.2%. It was estimated that agriculture accounted for 3.1% of GDP, industry 30.4%, and services 66.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$642 million or about \$123 per capita and accounted for approximately 0.4% of GDP.

The World Bank reports that in 2003 household consumption in Finland totaled \$84.55 billion or about \$16,223 per capita based on a GDP of \$161.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.1%. In 2001 it was estimated that approximately 17% of household consumption was spent on food, 10% on fuel, 4% on health care, and 15% on education.

## 21 LABOR

The Finnish labor force numbered an estimated 2.61 million in 2005. Of these workers, 32% were engaged in public services, 22% in industry, 14% in commerce, 10% in finance, insurance, and business service, 8% in agriculture and forestry, 8% in transport and communications, and 6% in construction. From the mid-1960s to the mid-1970s, the rate of unemployment fluctuated between 1.5% and 4% of the total workforce. Since then, however, the unemployment rate has crept upward, reaching 8.5% in 2002. In 2005, the unemployment had fallen slightly to an estimated 7.9%.

The law provides for the right to form and join unions. As of 2005, about 79% of workers were members of a trade union. These unions are not regulated by the government or political parties. Labor relations are generally regulated by collective agreements among employers, employees and the government. Workers have the right to strike, but such actions are considered legal only if an employment contract is not in effect and that the strike is being carried out pursuant of new contract negotiations. Strikes that may involve the national security are put before an official dispute board that can make nonbinding recommendations to the cabinet as to the strike's duration.

Child labor regulations are strictly enforced by the labor ministry. Minors under the age of 16 cannot work at night or more than six hours per day. In addition there are occupational health and safety restrictions applied to child labor. The law does not mandate minimum wages, as it is established by industry in collective bargaining negotiations for each sector of the workforce. The workweek is legally set at 40 hours with five days of work and premium pay for overtime, which is limited to 250 hours annually and 138 hours in any four-month period. Health and safety standards are effectively enforced.

## 22 AGRICULTURE

Finnish farming is characterized by the relatively small proportion of arable land under cultivation, the large proportion of forestland, the small-sized landholdings, the close association of farming with forestry and stock raising, and the generally adverse climatic and soil conditions. Farming is concentrated in southwestern Finland; elsewhere, cultivation is set within the frame of the forest. In 2004, there were 70,983 farms. The average farm had about 31 hectares (78 acres) of arable land. Small-sized farms were encouraged by

a series of land reforms beginning with the Lex Kallio of 1922. The Land Use Act of 1958 sought to improve the conditions of existing farms by increasing the land area, amalgamating nonviable farms, and introducing new land-use patterns. The agricultural labor force was 5.5% of the economically active population in 2000. In 2003, agriculture contributed 5% to GDP.

The principal crops in 2004 (in tons) were barley, 1,725,000; oats, 1,002,000; sugar beets, 1,064,000; potatoes, 619,000; and wheat, 782,000. A total of 2,243,000 hectares (5,542,000 acres) were classified as arable in 2004.

## 23 ANIMAL HUSBANDRY

Livestock production contributes about 70% of total agricultural income. Livestock in 2004 included cattle, 969,000 head; hogs, 1,365,000; sheep, 109,000; and horses, 61,000. There were 3,981,000 poultry that same year. Some 201,000 reindeer are used by the Lapps as draft animals and for meat.

In recent years, Finland has attained exportable surpluses in some dairy, pork, and eggs. Production in 2004 included pork, 198,000 tons; beef, 93,000 tons; eggs, 58,000 tons; butter, 58,000 tons; and cheese, 93,000 tons. Milk production in 2004 was estimated at 2.3 billion liters.

## 24 FISHING

At the beginning of 2004, the Finnish fishing fleet consisted of 3,798 vessels, with an average vessel capacity of 5 GRT. The total catch in 2003 was 135,295 tons and exports of fishery commodities totaled \$13 million. The most important catch is Atlantic herring, with 64,020 tons caught in 2003. Other important species are rainbow trout, perch, pike, salmon, and cod. In 2005, salmon and herring caught in the Gulf of Bothnia and Gulf of Finland were found to contain higher levels of dioxins potentially harmful to human health.

## 25 FORESTRY

Forestry in Finland has been controlled since the 17th century. Since 1928, the government has emphasized a policy of sustainable yields, with production reflecting timber growth. Forest land covered 26.3 million hectares (65 million acres), or over 85% of the total land area, in 2003. The total growing stock is around 2.0 billion cu m (71 billion cu ft), and the annual increment is estimated at 83 million cu m (2.9 billion cu ft). The most important varieties are pine (47% of the total growing stock), spruce (34%), birch (15%), aspen, and alder. About 61% of the productive woodland is privately owned (in 440,000 holdings); 24% is owned by the state; the remainder is owned by companies, communes, and religious bodies. There are 170 major sawmills in Finland with a combined output of 13.5 million cu m (477 million cu ft) in 2004. Numerous small sawmills serve local markets.

In 2004, the roundwood harvest was estimated at 53.8 million cu m (1.9 billion cu ft), of which 13.5 million cu m (477 million cu ft) were processed as sawnwood, 25 million cu m (883 million cu ft) as wood pulp, and 4.5 million cu m (159 million cu ft) as firewood. Finland ranks fourth in Europe (after Sweden, Germany, and Russia) as a producer of sawn softwood. Over 70% of annual Finnish forestry output is exported, including over 90% of all printing paper and 50% of all particleboard produced. Over 60% of forestry product exports are sent elsewhere in Europe; Finland

supplies Europe with about 10% of its demand. In 2004, exports of forestry products were valued at nearly \$11 billion, or about 25% of total exports.

In 1999, Finland launched its National Forest Program 2010. The goal of the program is to raise industrial roundwood production to 63–68 million cu m (2.2–2.4 billion cu ft) while adhering to ecosystem management principles. The Finnish Forest Research Institute estimates that roundwood harvesting can rise to 74 million cu m per year and still sustain the growing stock.

## 26 MINING

For the metals industry, a key sector of its industrialized market economy, Finland depended on imports of raw materials, especially crude oil, iron ore, nickel matte, petroleum products, and zinc concentrate. Copper refining and metals production constituted a major mineral industry, with most output destined for export. Outokumpu Oyj was the third-largest zinc metal producer in Europe (15% share of the market and 5% share of world zinc production). In 2004, Finland mined chromite, copper, nickel, zinc, feldspar, lime, nitrogen, phosphate rock, pyrite, sodium sulfate, limestone and dolomite, quartz silica sand, sulfur, talc, and wollastonite. The Kemi mine, on the Gulf of Bothnia near the Swedish border, was the only chromium mine in Scandinavia and one of the largest in the world, with estimated reserves of 150 million tons and an annual capacity of one million tons. Mine output of zinc in 2004 was 69,333 metric tons, down from 70,652 metric tons in 2003; feldspar, 57,149 metric tons, up from 48,353 metric tons in 2003; chromite (gross weight of ore, concentrate, and foundry sand), 550,000 metric tons, up from 549,000 metric tons in 2003 and copper (mine output), 15,500 metric tons, up from 14,900 in 2003. Exploration activities were focused largely on diamond, gold, and base metals deposits (sulfide zinc, zinc, copper, chalcopyrite, pyrite, sphalerite, and platinum-group metals, or PGM). Finland also had capacities to mine mica, phosphate-apatite, quartz, and quartzite, and to mine and produce 8 million tons per year of apatite.

Mineral reserves were declining, and many were expected to be exhausted soon, as a result of extensive mining over the past 400 years. Although Finland had scarce mineral resources, it was influential in the global mining industry as a world leader in mining technology, ore processing, and metallurgy. With the acquisition of the metallurgical businesses of Lurgi Metallurgie AG of Germany, Outokumpu Technology became the world's leading supplier of copper and zinc plants, a major supplier of aluminum technologies, and the key supplier of innovative technologies for the ferrous metals and ferroalloy industries. Government involvement in the mineral industry was considerably higher in Finland than elsewhere in the EU. State-owned companies such as Finnminers Group, Kemira Oyj, Outokumpu, and Rautaruukki Oy dominated the domestic minerals industry, while institutions such as the State Geological Research Institute and the State Technological Research Center were active in exploration and research.

## 27 ENERGY AND POWER

Finland relies upon imports to meet its fossil fuel needs. In 2002, imports of crude oil and refined petroleum products averaged 315,460 barrels per day, with consumption at 215,790 barrels per day. Exports of the difference averaged 115,220 barrels per day.

Imports and consumption of dry natural gas came to 160.01 billion cu ft, and 159.94 billion cu ft, respectively in 2002.

Finland's electric power generating capacity in 2002 stood at 16.475 million kW, of which the bulk, 10.898 million kW, was dedicated to conventional thermal generation. Hydropower capacity, nuclear and geothermal/other came to 2.895 million kW, 2.640 million kW and 0.042 million kW, respectively in 2002. Total electricity production for that year amounted to 71.303 billion kWh, of which conventional thermal sources totaled 29,770 billion kWh. Hydroelectric, nuclear and geothermal/other sources produced: 10.668 billion kWh; 21.180 billion kWh; and 9.685 billion kWh. Consumption of electricity was 78.312 billion kWh in 2002. Finland has four nuclear power plants, two 465-MW reactors at the Loviisa plant and two 735-MW reactors at the Tvo facility. Most of Finland's waterpower resources are located along the Oulu and Kemi rivers.

## 28 INDUSTRY

Since the end of World War II, industrial progress has been noteworthy. Contributing factors include the forced stimulus of reparation payments, large quantities of available electric power, increased mining operations, growing mechanization of agriculture and forestry, development of transportation and communications, and steady foreign demand for Finnish exports. In terms of value of production and size of labor force, the electronics and electrical industry is, as of 2005, the most important, displacing the metals industry. Also highly significant are the food, pulp and paper, machinery, chemical, and shipbuilding industries. The most important industrial regions center around Helsinki, Tampere, Turku, Lappeenranta, Lahti, Jyväskylä, and the valleys of the Kymi and Kokemäki rivers, and coastal towns like Kotka, Rauma, and Pori. The state no longer owns a majority of the outstanding stock in most industrial companies.

The growth in Finnish industry, from 25.8% of GDP in 1990 to 28.4% by 2000 and 30.2% in 2004, is atypical for developed countries, where the services sector has tended to increase more than industry. In 2004, industry employed 22% of the labor force. Finland is a world leader in the making of cellular telephone handsets, paper machinery, medical devices, and instruments for environmental measurements. Nokia, the largest company in the country, produces the most mobile telephones in the world (it is, however, nearly 90% foreign-owned, especially by American pension foundations). Biotechnology is an increasingly important sector, with strength in pharmaceuticals, biomaterials, diagnostics, and industrial enzymes. Finland's biotechnology industry ranked sixth in Europe in 2005. The software industry is one of Finland's most promising industrial sectors; currently, there are more than 3,000 software companies in Finland, many of them start-ups or in early growth stages. The electrical engineering industry's roots go back to the late 19th century: the company founded by Gottfried Strömberg, who built generators and electric motors, is now a profitable arm of the Asea Brown Boveri Group. Finnish companies such as Instru, Vaisala, and Neles (now part of Metso) have succeeded in areas such as industrial automation and medical and meteorological technology. Metso, formed from Valmet and Tampella, is today the world's leading producer of paper machines. Although certain fashion (Luhta and Marimekko) and footwear (Palmroth) design companies are important, the previously strong "heavy" textile in-

dustry—making cotton, woolen, and other fabrics—has virtually disappeared due to foreign competition.

## 29 SCIENCE AND TECHNOLOGY

Scientific research is carried out at state research institutes, private research centers, and institutions of higher learning. The Technology Development Center, established in 1983 under the Ministry of Trade and Industry, oversees technological research and coordinates international research activities. The Academy of Finland (founded in 1947), a central governmental organ for research administration, reports directly to the Ministry of Education. It promotes scientific research and develops national science policy by maintaining research fellowships, sponsoring projects, and publishing reports. Finland has 13 universities offering courses in basic and applied sciences. The University of Helsinki operates a natural history museum that has zoological, botanical, and geological components. The principal learned societies, all in Helsinki, are the Federation of Finnish Scientific Societies (founded in 1899), the Finnish Academy of Science and Letters (founded in 1908), and the Finnish Society of Sciences and Letters (founded in 1838); preeminent in technological development is the Finnish Technical Research Center (founded in 1942) at Espoo.

In 1987–97, science and engineering students accounted for 39% of university enrollment. In 2002, science degrees (natural sciences, mathematics and computers, and engineering) accounted for 32.2% of all bachelor's degrees awarded.

In 2002, expenditures on research and development (R&D) amounted to \$4.7 billion or 3.46% of GDP. Business enterprises, including those in which the central or local government owns major shares, financed 69.5% of the nation's research, followed by government at 26.1%, with foreign sources and higher education accounting for 3.1% and 0.2%, respectively. High technology exports in 2002 totaled \$9.139 billion, or 24% of the country's manufactured exports. In that same year, there were 7,431 researchers (excluding technicians) per million people actively engaged in research and experimental development.

## 30 DOMESTIC TRADE

Domestic trade is carried on through the customary wholesale and retail channels. Kesko is Finland's largest retailer. The S-Group consists of cooperative societies and SOK with their subsidiaries. The S-Group's largest retail area is the grocery trade. Valio, a dairy company, is the leading food business company in terms of net turnover.

Office hours are from 8 AM to 5 PM, Mondays through Fridays, with lunch lasting from one to two hours. Government offices are open from 8 AM to 4 PM. Stores and shops are open from 9 AM to 6 PM, Monday through Friday, and 9 AM to 3 PM on Saturday, but department stores and shopping malls stay open until 8 PM on weekdays and until 4 PM on Saturday.

Advertising is found on television, radio, the Internet, and in traditional print sources. There are two public and two commercial television stations in Finland. In 2005, Finland became the first European country to issue a license for commercial television service for mobile phones. By 2005, there were 83 commercial radio stations in Finland with almost 300 frequencies around the country; commercial radio in Finland got its start in 1985. Finland

### Principal Trading Partners – Finland (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	52,503.3	41,572.5	10,930.8
Germany	6,027.7	6,130.5	-102.8
Sweden	5,087.0	4,543.7	543.3
United States	4,148.6	1,931.3	2,217.3
United Kingdom	4,140.1	2,184.1	1,956.0
Russia	3,861.6	4,915.0	-1,053.4
Netherlands	2,339.2	1,633.3	705.9
Italy-San Marino-Holy See	2,017.8	1,556.3	461.5
Area nes	1,549.4	322.3	1,227.1
China	1,432.1	1,774.0	-341.9
Spain	1,391.8	682.4	709.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

recently rescinded a ban on alcohol advertising, but maintains a ban on tobacco advertising.

## 31 FOREIGN TRADE

Exports of goods and services contribute 33% of the country's GDP. Exports in 2004 totaled \$61.04 billion, and imports totaled \$45.17 billion, for a trade surplus of \$15.87 billion. The EU is by far Finland's largest trading partner. In 2003, 53% of all exports went to the EU, and 55% of all Finnish imports originated from the EU. Although Germany—Finland's largest EU trading partner in 2004—is within the euro zone, its other two main EU trading partners, the United Kingdom and Sweden, are outside it. Therefore, in 2003, only 32.8% of exports went to the euro area, and only 34.5% of imports originated there. Finland's leading markets in 2004 were Sweden (11.1% of all exports), Germany (10.7%), Russia (8.9%), the United Kingdom (7%), and the United States (6.4%). Leading suppliers in 2004 were Germany (14.6% of all imports), Russia (13.1%), Sweden (10.9%), China (4.6%), and France (4.5%).

## 32 BALANCE OF PAYMENTS

Finnish households and businesses became more cautious in spending, due to the deep recession in the early 1990s and the slowdown in the global economy that began in 2001. Nonetheless, the financial health of Finnish companies improved in the late 1990s and into the 2000s.

The trade surplus in 2004 stood at \$15.87 billion. The current account surplus stood at \$11.39 billion in 2004. The current account surplus averaged 6.2% of GDP from 2000–04. Public debt was estimated at 46.8% of GDP in 2004.

## 33 BANKING AND SECURITIES

The central bank is the Bank of Finland—the fourth-oldest in Europe—established in 1811 with headquarters in Helsinki and seven branch offices. Possessing extensive autonomy though subject to parliamentary supervision, and endowed with extensive monetary and fiscal powers, the Bank is administered by a six-member board of management appointed by the president of the republic.



**Balance of Payments – Finland (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>9,295.0</b>
Balance on goods	13,390.0	
Imports	-39,097.0	
Exports	52,487.0	
Balance on services	-1,968.0	
Balance on income	-1,115.0	
Current transfers	-1,013.0	
<b>Capital Account</b>		<b>108.0</b>
<b>Financial Account</b>		<b>-6,329.0</b>
Direct investment abroad	7,538.0	
Direct investment in Finland	2,899.0	
Portfolio investment assets	-9,872.0	
Portfolio investment liabilities	8,943.0	
Financial derivatives	1,716.0	
Other investment assets	-16,164.0	
Other investment liabilities	-1,389.0	
<b>Net Errors and Omissions</b>		<b>-3,582.0</b>
<b>Reserves and Related Items</b>		<b>507.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

It has an exclusive monopoly over the issuance of notes. Completing its preparations for Economic and Monetary Union (EMU), on 17 January 1997 the government submitted to the Eduskunta a proposal for a new Act of the Bank of Finland. The main purpose of the act was to prepare the Bank of Finland institutionally for Stage 3 of EMU by providing for its independence ahead of the move to a single currency, in line with the requirements set out in the Maastricht treaty.

As of 1999, leading deposit banks in Finland included: Nordea (Merita Nordbanken, the result of a merger between Merita and Swedish Nordbanken, Danish Unidanmark, and Norwegian

**Public Finance – Finland (2002)**

(In millions of euros, central government figures)

<b>Revenue and Grants</b>	<b>56,864</b>	<b>100.0%</b>
Tax revenue	32,996	58.0%
Social contributions	17,252	30.3%
Grants	750	1.3%
Other revenue	5,866	10.3%
<b>Expenditures</b>	<b>50,390</b>	<b>100.0%</b>
General public services	6,384	12.7%
Defense	2,024	4.0%
Public order and safety	1,578	3.1%
Economic affairs	5,220	10.4%
Environmental protection	267	0.5%
Housing and community amenities	359	0.7%
Health	4,147	8.2%
Recreational, culture, and religion	579	1.1%
Education	6,292	12.5%
Social protection	23,800	47.2%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Christiania Bank); OKO Bank (the Cooperative Bank Group, the first bank in the world to offer online banking transaction services, in 1996); and the Sampo Group (the result of a merger between Sampo Insurance Company and the Leonia bank group). Eight major commercial banks and 40 savings banks serve the country. Six foreign banks have branches in Finland.

In 1996 the markka stayed firm against the German mark. In the fourth quarter of 1996 Finland's three-month money-market rate, the Helibor, fell by nearly 40 basis points, from 3.48% to just 3.09%. The fall resulted in further convergence with German money-market rates. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$37.3 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$59.8 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.26%.

An exchange at Helsinki (established in 1912) is authorized to deal in stocks. As of 2004, there were 134 companies listed on the Helsinki Stock Exchange (HEX), which had a market capitalization of \$183.765 billion in that same year. In 2004, the HEX 25 rose 19.6% from the previous year to 1,831.0.

**3<sup>4</sup> INSURANCE**

Insurance in Finland is highly developed and diversified. There are 56 Finnish insurance companies, 16 of them engaged in life insurance. Workers' compensation, hunter's liability, workers' pension, nuclear liability, ship owners' and employers' liability, and automobile third-party insurance are compulsory. Other forms of insurance include fire, burglary, water damage, maritime, funeral, livestock, fidelity guarantee, and credit.

In 2003, direct premiums written totaled \$14.123 billion, of which life insurance accounted for \$11.065 billion. The country's top nonlife insurer that same year was If Vahinkovakuutus, with \$962.2 million in gross nonlife premiums written. Nordea was the country's leading life insurer that year with \$1,040.7 million of life premiums written.

**3<sup>5</sup> PUBLIC FINANCE**

Budget estimates are prepared by the Ministry of Finance and submitted to the legislature. They are referred to the finance committee and subsequently reported back to the full body. Supplementary budgets are usual. Finland's budget balance continued its sharp deterioration in 1992, as the deep recession resulted in decreased tax revenues and increased social expenditures. Extensive government support for the fragile banking system and increased interest expenditures were also responsible. The rest of the 1990s, however, proved much more auspicious for the fast-growing Finnish economy. GDP grew 5.6% in 2000, fueled by a booming electronics industry.

The US Central Intelligence Agency (CIA) estimated that in 2005 Finland's central government took in revenues of approximately \$99.6 billion and had expenditures of \$97.1 billion. Revenues minus expenditures totaled approximately \$2.4 billion. Public debt in 2005 amounted to 42% of GDP. Total external debt was \$211.7 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were €56,864 million and expenditures were €50,390 million. The value of revenues was us\$53,514 million and expenditures us\$47,415 million, based on an exchange rate for 2002 of us\$1 = €1.0626 as reported by the IMF. Government outlays by function were as follows: general public services, 12.7%; defense, 4.0%; public order and safety, 3.1%; economic affairs, 10.4%; environmental protection, 0.5%; housing and community amenities, 0.7%; health, 8.2%; recreation, culture, and religion, 1.1%; education, 12.5%; and social protection, 47.2%.

### 36 TAXATION

As of 1 January 2005 the standard corporate income tax rate was 26%, which is also the capital gains tax rate. Branches of foreign companies are taxed equally. The Lutheran Church and the Orthodox Church receive a share of the corporate tax. Withholding taxes, reduced or eliminated through double taxation treaties which Finland has with about 60 countries, are otherwise 28% on dividends, and on income from royalties. Interest paid to resident persons received from debentures, bonds, and bank deposits are subject to a 28% withholding tax. Generally, nonresidents are exempt from this tax. Dividends paid from one resident company to another resident company are also exempt.

Personal income taxes are assessed in a progressive schedule up to 33.5% on taxable income over €56,900. Local income taxes vary from 16–21% of income, depending upon the taxing municipality. Also at the municipal level is a religious tax with proportional rates ranging from 1–2.25% of taxable income. Other direct taxes include a wealth tax, a tax on the transfer of property assets (4.1%), and a tax on transfers of movable assets (1.6%). The amount of national, local, wealth, and health insurance taxes are limited to no more than 60% of taxable income.

Main indirect tax is a value-added tax (VAT) with a standard rate of 22%. A reduced rate of 17% is charged on basic foodstuffs and animal feed. Medicines, books, public transportation, hotel services, and cultural events are subject to an 8% VAT. Exports, the sale or rental of immovable property, insurance, healthcare, educational and financial/bank services are exempt.

### 37 CUSTOMS AND DUTIES

Finland, as a member of the European Union, allows imports from EU and EFTA countries to enter duty-free. Finland is also a part of the European Economic Area, an agreement that eliminates trade barriers in Europe. Because it is a member of the European Union, Finland complies with trade agreements the EU has made with non-EU countries. Customs duties are levied based on the goods' CIF value (cost, insurance, and freight) at the time and place of importation.

### 38 FOREIGN INVESTMENT

Finland is favorably disposed toward foreign investment and there is in general no ban on wholly foreign-owned enterprises. Regulations have been liberalized over the years and are generously interpreted. Certain acquisitions of large Finnish companies may require follow-up clearance from the Ministry of Trade and Industry, the purpose of which is to protect "essential national interests." The Aland Islands are an exception to these open invest-

ment practices: based on international agreements dating from 1921, property ownership and the right to conduct business are limited to only those individuals with right of domicile in the Aland Islands.

The government started to privatize fully state-owned companies in the early 1990s. By 2005, however, the state, on the global and competitive markets, had switched its role to a risk investor in new, promising, and innovative high-technology companies.

By international standards, the amount of direct investment in Finland had in the past been relatively modest. From 1988 to 1990 its share of world foreign direct investment (FDI) was only half of its share of world GDP. In terms of overall attractiveness as a foreign investment destination, Finland was ranked sixth out of the 140 countries in UNCTAD's study of inward FDI potential. In the 1990s, this potential became more fully realized as foreign investments increased steadily. In the period 1998 to 2000, Finland's share of (FDI) flows grew to be almost twice its share of world GDP. It has continued to be ranked highly in overall attractiveness for foreign investment in the early 2000s. In 2005, Finland was ranked by Transparency International as the second least corrupt country in the world, tied with New Zealand and just behind Iceland.

Annual FDI inflow stood at over \$12 billion in 1998, up from \$2.1 billion in 1997. FDI inflow fell to \$4.6 billion in 1999, but increased to \$8.8 billion in 2000. In the global slowdown of 2001, FDI inflow to Finland fell to \$3.6 billion. Most investment comes from Sweden, the United Kingdom, the United States, Germany, and France. Finnish investment abroad is in the form of long-term export credits and direct investment by private companies. In 2003, there was a net inflow of investment to Finland, in the amount of €5.2 billion. At the end of 2003, the book value of the stock of outward direct investment was €60.3 billion, and the book value of the stock of inward direct investment was €36.6 billion.

The corporate tax rate stood at 26% in 2005 (down from 29%), and the tax rate on capital gains was 28%. The net wealth tax was to be abolished as of 1 January 2006. The Finnish labor force is highly skilled and well educated, which makes for an attractive investment climate.

### 39 ECONOMIC DEVELOPMENT

Over a decade after the end of the Cold War, Finland has entered a new phase in its economic development. After a three-year recession in which the Finnish economy reeled from the collapse of the Soviet market in the early 1990s, Finland rebounded by shifting its economic sights westward. The successful development of high tech industries has placed Finland in the forefront of the communications boom. This factor, combined with European Union (EU) membership in 1995, radically altered Finland's economic significance.

Economic activity is spread between the north and the south of the country, particularly in the information and communications technology sector. Oulu in northern Finland is a technology center, for example, as is the Helsinki region in the south. Agricultural activity is concentrated in the southern part of Finland, although reindeer husbandry is focused in the far north.

Finland's educational system is one of the best among OECD countries, and its highly developed welfare state allowed the country to convert easily to the euro. Early retirement has depressed

the labor supply, however, and the population is aging rapidly. This could lower potential economic growth in the future. Pension reform was enacted in 2002. The main domestic issue for Finland in 2005 remained improving the labor market, both by reducing the unemployment rate, and by increasing participation in employment. Recent tax cuts have been intended to stimulate the labor market and to keep public finances on a sound footing. Finland must further its integration with the EU and develop better relations with Baltic-rim countries, particularly Russia. Finland remains vital as a transshipment channel to Russian markets, especially in the northern regions.

Finland has put relatively more funds into research and development than most other western countries, as demonstrated by the success of the electronics and other high-tech industries.

#### 40 SOCIAL DEVELOPMENT

Social welfare legislation in Finland is patterned largely on Scandinavian models. The system has evolved gradually in response to social needs. Major benefits include employees' accident insurance, old age and disability pensions, unemployment insurance, sickness insurance, compensation for war invalids, and family and child allowances. The first laws were implemented in 1927, with the most recent update in 2003. Family allowance payments are based on number of children and marital status of the parents. There are also birth grants, and child home care allowances for parents who stay home to care for a child under age three. A universal pension system currently covers all Finnish citizens who have lived in the country for at least three years and foreign nationals with at least five years' residence. Payments begin at age 65.

Women have a high level of education and hold a large number of elective political posts. Finland has a comprehensive equal rights law. However, women seldom hold high-paying management positions in the private sector, and it was estimated in 2004 that women earn on average only 82 cents for every dollar that a male earns. Although there is violence against women, the government takes actions to combat it. There are strict criminal penalties for violence against women, and there are many shelters and programs to assist victims. The relatively high level of domestic violence seems to be due to the high rate of alcoholism.

Indigenous Sami (Lapps) receive government subsidies, which enable them to maintain their traditional reindeer herding lifestyle. Minorities' rights and culture are traditionally protected by law. However, increasing hostility toward immigrants in recent years prompted the passage of a new law designed to facilitate the integration of immigrants into Finnish society and the granting of political asylum.

#### 41 HEALTH

In Finland, the local authorities are responsible for the majority of health services. The entire population is covered by health insurance, which includes compensation for lost earnings and treatment cost. This program is run by the Social Insurance Institution and is supplemented by private services. In 1991, a new Private Health Care Act took effect to enhance the quality of services provided.

In 2004, there were an estimated 311 physicians per 100,000 people. In addition, Finland had approximately 2,171 nurses per 100,000 people, the largest per capita number of nurses in the

world. There were also an estimated 91 dentists, 149 pharmacists, and 77 midwives per 100,000 people. Health care, safe water, and sanitation are available to 100% of the population. An estimated 6.8% of the GDP went to health expenditures.

Approximately 80% of married women (ages 15 to 49) were using contraceptives. The fertility rate was 1.7 children per woman throughout her childbearing years. Children were vaccinated against the following diseases: diphtheria, pertussis, and tetanus, 100%; polio, 99%; and measles, 98%.

The infant mortality rate in 2005 was 3.57 per 1,000, one of the world's lowest. Heart disease among men is high relative to other European countries and diseases of the circulatory system cause about half of all deaths in the country, with cancer being the second leading cause of death. The likelihood of dying after age 65 from heart disease was 366 per 1000 men and 351 per 1000 women. Life expectancy in 2005 was 78.35 years.

While female health is good by international standards, male mortality in the over-25 age bracket is much higher in Finland than in most industrial countries. The main reason for the excessive male death rate is cardiovascular disease. Tobacco consumption decreased from 1.7 kg (3.7 lbs) in 1984–86 to 1.5 kg (3.3 lbs) a year per adult in 1995. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 1,500 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

In 1994, Finland became the first country to eradicate indigenous cases of measles, German measles, and mumps. The diseases have disappeared except for a small number of cases brought in from abroad.

#### 42 HOUSING

At the end of World War II, Finland faced a critical housing shortage. About 14,000 dwellings had been severely damaged during the war and only a modest amount of new housing was built from 1939 to 1944. Some 112,000 dwellings were lost to the ceded territories, and homes had to be found for the displaced persons. Government participation was inevitable in this situation. Two measures passed in the late 1940s, the Land Acquisition Act and the Arava Law, made large-scale credit available on reasonable terms. In the period 1949–59, a total of 334,000 dwellings were built, including 141,900 supported by the Land Acquisition Act and 89,400 supported by the Arava Law.

The migration into urban centers that continued throughout the 1950s and 1960s resulted in a constant urban housing shortage even after the war losses had been replaced. During the period 1960–65, the number of new dwellings averaged about 37,000 annually. To stimulate housing construction, the government passed the Housing Act in 1966 providing for increased government support. As a result of this Act, the number of new dwellings supported by government loans rose rapidly. In the period 1966–74, a total of 466,900 dwellings were completed, of which 214,700 were supported by government loans.

From 1974 through 1985, another 558,000 new units were added to the housing stock. In 1991, 51,803 new dwellings were completed, down from 65,397 in 1990. The total number of dwellings in 2000 was 2,512,442. In 2003, the total number of dwelling units was about 2,604,000. About 57.6% of all units were owner occupied. About 53.9% of all households are in single-family

residences; 40% of all households are in single-family detached dwellings. Overcrowding, which is defined as more than one person per room (excluding the kitchen), affects about 20% of the population.

### 4<sup>3</sup> EDUCATION

The public school system unites the primary school and lower secondary school into a compulsory nine-year comprehensive school, with a six-year lower level and a three-year upper level. Instruction is uniform at the lower level. At the upper one, there are both required and elective courses. The upper secondary school (gymnasium) and vocational schools continue with three-year programs.

In 2001, about 55% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 95% of age-eligible students. Nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 16:1 in 2003.

People's high schools and workers' academies are evidence of the widespread interest in popular or adult education. Although they are owned by private foundations or organizations, these ventures also receive state subsidies. Higher education falls into three categories: universities and institutions of university status; people's high schools or colleges; and workers' academies. Entrance to the universities is through annual matriculation examinations. There are 20 universities and 20 polytechnical schools. All of the universities are owned and operate by the state. The polytechnical schools are co-funded by state and local governments. Among the best known institutes are the University of Helsinki (founded 1640), Turku University (founded 1922), the Helsinki School of Economics, and the University of Tampere. University study is free of charge. In 2003, about 88% of the tertiary age population were enrolled in some type of higher education program; 80% for men and 96% for women. The adult literacy rate for 2000 was estimated at 100%.

As of 2003, public expenditure on education was estimated at 6.4% of GDP, or 12.7% of total government expenditures.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The largest library in Finland is the Helsinki University Library, with 2.6 million volumes in 2002; it acts both as the general library of the university and as the national library. Next in size are the Helsinki City Library (a regional library with 1.76 million volumes) and the libraries at Turku University (1.9 million) and Åbo Academy (1.7 million). There are about 400 research and university libraries in Finland, most of which are small. There are 19 regional libraries in the country. The Espoo City Library is one such regional library; it sponsors 14 branch locations, 2 institutional locations, and 2 mobile units.

The number of museums has grown rapidly since World War II. There are over 200 museums and 19,100 monuments and historic sites throughout the country. Many museums, which are accessible only from May to September, are open-air, depicting local or rural history. Among the better-known museums are the National, Mannerheim, and Municipal museums and the Ateneum Art Museum in Helsinki; the Turku Art Museum and Provincial

Museum; the Runeberg Museum at Porvoo; and the outdoor museums at Helsinki and Turku.

### 4<sup>5</sup> MEDIA

Telephone lines are both state and privately owned, but long-distance service is a state monopoly. In 2003, there were an estimated 492 mainline telephones for every 1,000 people. The same year, there were approximately 910 mobile phones in use for every 1,000 people.

Broadcasting is run by Oy Yleisradio Ab, a joint-stock company of which the government owns over 90%, and MTV, a commercial company. Regular television transmission began in 1958. As of 1999 there were 6 AM and 105 FM radio stations and 120 television stations. In 2003, there were an estimated 1,624 radios and 679 television sets for every 1,000 people. The same year, there were 441.7 personal computers for every 1,000 people and 534 of every 1,000 people had access to the Internet. There were 1,283 secure Internet servers in the country in 2004.

In 2001, there were about 256 newspapers, with 56 dailies. Major newspapers, with their political affiliation and daily circulation in 2002, are *Helsingin Sanomat* (in Helsinki), independent, 472,600; *Iltta-Sanomat* (Helsinki), independent, 218,100; *Aamulehti* (Tampere), conservative, 132,900; *Turun Sanomat* (Turku), independent, 113,400; *Iltalehti* (Helsinki), 101,980; *Kaleva* (Oulu), independent, 83,800; *Kauppalehti* (Helsinki), 80,000; *Keskisuomalainen* (Jyväskylä), Center Party, 79,200; *Hufvudstadsbladet* (Helsinki, Swedish), independent, 59,200; *Satakunnan Kansa* (Pori), conservative, 58,000; and *Kansan Uutiset* (Helsinki), Finn. People's Democratic League, 42,400. The leading weekly journals in 1995 were *Seura* (circulation 276,000) and *Apu* (254,000).

The broadcast and print media enjoy independence and support from the government, which abides by legally provided free speech and press.

### 4<sup>6</sup> ORGANIZATIONS

The cooperative movement is highly developed. Cooperatives have developed extensive educational and informational programs, including a lively cooperative press and many training schools. They are divided into three major groups. Pellervo-Seura is the Central Organization of Farmers' Cooperatives. It provides educational and advisory services to its 800 member organizations. All the agricultural cooperative central organizations are members of Pellervo: the Cooperative Dairy Association, Meat Producers' Central Federation, Central Cooperative Egg Export Association, a wholesalers' cooperative for farm inputs and products, and the forest products cooperative. The Kulutusosuuskuntien Keskusliitto (KK) Cooperative Organizations, the so-called progressive cooperatives, include the KK (educational union of KK cooperatives), OTK (general wholesalers for KK cooperatives), and insurance associations. The FSA Cooperative Organizations are the Swedish-speaking cooperatives. Among their members are the FSA (general union of the Swedish-Finnish cooperatives), Labor (cooperative purchasing wholesalers), Åland Central Cooperative (a central cooperative for cooperative dairies on the Åland Islands), cooperative marketing associations for eggs and dairy products, and the Central Fish Cooperative.

Occupational and trade associations are numerous. In the agricultural sector the most influential is the Central Union of Agri-

cultural Producers, a nonpolitical farmers' trade union. The Federation of Agricultural Societies concentrates on advisory and educational functions. Important in industry and commerce are the Confederation of Finnish Industries, Central Federation of Handicrafts and Small Industry, Central Board of Finnish Wholesalers' and Retailers' Associations, and the Finnish Foreign Trade Association. Professional associations are available for a wide variety of fields. The Central Chamber of Commerce of Finland has its headquarters in Helsinki.

Cultural and philanthropic organizations are also numerous; among the most influential are the Finnish Academy, the Finnish Cultural Fund, and the Wihuri Foundation. Other national cultural organizations include the Fine Arts Association of Finland and the Finnish Society of Sciences and Letters. There are also associations for a variety of hobbyists.

The Finnish Medical Association promotes research and education on health issues and works to establish common policies and standards in healthcare. There are also several associations dedicated to research and education for specific fields of medicine and particular diseases and conditions, such as the Finnish Heart Association and the Finnish Diabetes Association.

National youth organizations exist for a variety of interests, including Finnish 4-H Federation, Finnish Union of Students, Guides and Scouts of Finland, the Youth League of the Coalition Party, and chapters of YMCA/YWCA. Some youth organizations are linked to political parties, such as the Youth League of the Coalition Party. The National Council of Women of Finland is an umbrella organization for women's rights groups throughout the country. The Finnish White Ribbon Union works with groups dedicated to helping women and youth who are victims of drug and alcohol addictions.

The Finnish League for Human Rights is based in Helsinki. At the level of international cooperation are such organizations as the Norden societies and the League for the United Nations. The Red Cross, Amnesty International, and Greenpeace also have active chapters.

#### 47 TOURISM, TRAVEL, AND RECREATION

Finland offers natural beauty and tranquility in forest cottages and on the tens of thousands of islands that dot the 60,000 lakes and the Baltic Sea. Winter offers cultural events and cross-country skiing; winter festivals feature sled and skating competitions, ice castles, and crafts. Finland is the original home of the sauna, a national tradition. Popular sports include skiing, cycling, fishing, golfing, running, rowing, and wrestling. A valid passport is required. Visits of over 90 days require a tourist/business visa.

In 2003, approximately 4,527,000 foreign visitors arrived in Finland, of whom 35% came from Russia. There were 55,767 hotel rooms with 120,051 beds, and an occupancy rate of 46%. Tourist expenditure receipts totaled \$2.6 billion.

In 2005, the US Department of State estimated the daily cost of staying in Helsinki at \$304. Other areas averaged \$310 per day.

#### 48 FAMOUS FINNS

Great Finnish literary figures include Elias Lönnrot (1802–84), compiler of the national epic, the *Kalevala*; Johan Ludwig Runeberg (1804–77), the most important of the 19th-century Finnish-Swedish writers, known for his *Elk Hunters* and *Songs of Ensign*

*Stål*; Aleksis Kivi (1834–72), the founder of modern Finnish-language literature and author of *The Seven Brothers*; Juhani Aho (1861–1921), master of Finnish prose; Eino Leino (1878–1926), perhaps the greatest lyric poet to write in Finnish; Frans Eemil Sillanpää (1888–1964), a Nobel Prize winner (1939), known to English-language audiences through his *Meek Heritage* and *The Maid Silja*; Toivo Pekkanen (1902–57), whose novels portray the impact of industrialization on Finnish life; Mika Waltari (1908–79), member of the Finnish Academy; Väinö Linna (1920–92), a Scandinavian Literature Prize winner (1963) and author of *The Unknown Soldier* (1954); and the antiwar novelist and playwright Veijo Meri (b.1928).

Finnish architects who are well known abroad include Eliel Saarinen (1873–1950) and his son Eero Saarinen (1910–61), whose career was chiefly in the United States; Alvar Aalto (1898–1976); Viljo Revell (1910–64); and Aarne Ervi (1910–77). Leading sculptors were Väinö Aaltonen (1894–1966) and Eila Hiltunen (1922–2003); Laila Pullinen (b.1933) is also famous. Five representative painters are Helena Schjerfbeck (1852–1946), Albert Edelfelt (1854–1905), Akseli Gallen-Kalléla (1865–1931), Pekka Halonen (1865–1933), and Tyko Sallinen (1879–1955). Arts and crafts hold an important place in Finnish culture: leading figures are Tapio Wirkkala (1915–85) and Timo Sarpaneva (b.1926). Finnish music has been dominated by Jean Sibelius (1865–1957). Also notable are the composer of art songs Yrjö Kilpinen (1892–1957), the composer of operas and symphonies Aulis Sallinen (b.1935), and opera and concert bass Martti Talvela (1935–89).

Scientists of international repute are A. I. Wirtanen (1895–1973), Nobel Prize winner for chemistry in 1945; Rolf Nevanlinna (1895–1980), mathematician; Pentti Eskola (1883–1964), geologist; V. A. Heiskanen (1895–1971), professor of geodesy; Aimo Kaarlo Cajander (1879–1943), botanist and silviculturist; Edward Westermarck (1862–1939), ethnographer and sociologist; and Yrjö Väisälä (1891–1971), astronomer. Ragnar Arthur Granit (1900–1991) shared the Nobel Prize in physiology or medicine in 1967. Linus Torvalds (b.1969) is a software engineer best known for initiating the development of Linux.

Outstanding athletes include Hannes Kolehmainen (1890–1966) and Paavo Nurmi (1897–1973), who between them won 14 Olympic medals in track. Another distance runner, Lasse Viren (b.1949), won gold medals in both the 1972 and 1976 games. Other Olympic gold medalists include skier Janne Lahtela (b.1974) and Nordic combined athlete Samppa Lajunen (b.1979).

Major political figures of the 19th century were Johan Wilhelm Snellman (1806–81) and Yrjö Sakari Yrjö-Koskinen (1830–1903). Inseparably linked with the history of independent Finland is Marshal Carl Gustaf Emil Mannerheim (1867–1951), and with the recent postwar period President Juho Kusti Paasikivi (1870–1956). Sakari Tuomioja (1911–64) was prominent in UN affairs. President Urho Kekkonen (1900–86) was instrumental in preserving Finland's neutrality. Mauno Henrik Koivisto (b.1923) served as president from 1982 until 1994. Martti Oiva Kalevi Ahtisaari (b.1937), a former president (1994–2000) and UN diplomat, is noted for his international peace work. Tarja Kaarina Halonen (b.1943) became Finland's first woman president in 2000. She was reelected in 2006.

**49 DEPENDENCIES**

Finland possesses no territories or colonies.

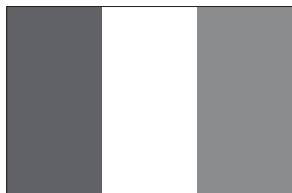
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# FRANCE

French Republic  
*République Française*



**CAPITAL:** Paris

**FLAG:** The national flag is a tricolor of blue, white, and red vertical stripes.

**ANTHEM:** *La Marseillaise*.

**MONETARY UNIT:** The euro replaced the franc as the official currency in 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; World War II Armistice Day, 8 May; Bastille Day, 14 July; Assumption, 15 August; All Saints' Day, 1 November; World War I Armistice Day, 11 November; Christmas, 25 December. Movable holidays include Easter Monday, Ascension, and Pentecost Monday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in Western Europe, France is the second-largest country on the continent, with an area (including the island of Corsica) of 547,030 sq km (211,209 sq mi). Comparatively, the area occupied by France is slightly less than twice the size of the state of Colorado. It extends 962 km (598 mi) N–S and 950 km (590 mi) E–W. France is bounded on the N by the North Sea and Belgium, on the NE by Luxembourg and Germany, on the E by Switzerland and Italy, on the S by the Mediterranean Sea, on the SW by Andorra and Spain, on the W by the Bay of Biscay and the Atlantic Ocean, and on the NW by the English Channel, with a total boundary length of 6,316 km (3,925 mi), of which 3,427 km (2,130 mi) is coastline.

France's capital city, Paris, is located in the north central part of the country.

## <sup>2</sup> TOPOGRAPHY

France topographically is one of the most varied countries of Europe, with elevations ranging from 2 m (7 ft) below sea level at Rhône River delta to the highest peak of the continent, Mont Blanc (4,807 m/15,771 ft), on the border with Italy. Much of the country is ringed with mountains. In the northeast is the Ardennes Plateau, which extends into Belgium and Luxembourg; to the east are the Vosges, the high Alps, and the Jura Mountains; and along the Spanish border are the Pyrenees, much like the Alps in ruggedness and height.

The core of France is the Paris Basin, connected in the southwest with the lowland of Aquitaine. Low hills cover much of Brittany and Normandy. The old, worn-down upland of the Massif Central, topped by extinct volcanoes, occupies the south-central area. The valley of the Rhône (813 km/505 mi), with that of its tributary the Saône (480 km/298 mi), provides an excellent passageway from the Paris Basin and eastern France to the Mediterranean.

There are three other main river systems: the Seine (776 km/482 mi), draining into the English Channel; the Loire (1,020 km/634 mi), which flows through central France to the Atlantic; and the Garonne (575 km/357 mi), which flows across southern France to the Atlantic.

## <sup>3</sup> CLIMATE

Three types of climate may be found within France: oceanic, continental, and Mediterranean. The oceanic climate, prevailing in the western parts of the country, is one of small temperature range, ample rainfall, cool summers, and cool but seldom very cold winters. The continental (transition) type of climate, found over much of eastern and central France, adjoining its long common boundary with west-central Europe, is characterized by warmer summers and colder winters than areas farther west; rainfall is ample, and winters tend to be snowy, especially in the higher areas. The Mediterranean climate, widespread throughout the south of France (except in the mountainous southwest), is one of cool winters, hot summers, and limited rainfall. The mean temperature is about 11°C (53° F) at Paris and 15°C (59° F) at Nice. In central and southern France, annual rainfall is light to moderate, ranging from about 68 cm (27 in) at Paris to 100 cm (39 in) at Bordeaux. Rainfall is heavy in Brittany, the northern coastal areas, and the mountainous areas, where it reaches more than 112 cm (44 in).

## <sup>4</sup> FLORA AND FAUNA

France's flora and fauna are as varied as its range of topography and climate. It has forests of oak and beech in the north and center, as well as pine, birch, poplar, and willow. The Massif Central has chestnut and beech; the subalpine zone, juniper and dwarf pine. In the south are pine forests and various oaks. Eucalyptus (imported from Australia) and dwarf pines abound in Provence. Toward the Mediterranean are olive trees, vines, and mulberry

and fig trees, as well as laurel, wild herbs, and the low scrub known as maquis (from which the French resistance movement in World War II took its name).

The Pyrenees and the Alps are the home of the brown bear, chamois, marmot, and alpine hare. In the forests are polecat and marten, wild boar, and various deer. Hedgehog and shrew are common, as are fox, weasel, bat, squirrel, badger, rabbit, mouse, otter, and beaver. The birds of France are largely migratory; warblers, thrushes, magpies, owls, buzzards, and gulls are common. There are storks in Alsace and elsewhere, eagles and falcons in the mountains, pheasants and partridge in the south. Flamingos, terns, buntings, herons, and egrets are found in the Mediterranean zone. The rivers hold eels, pike, perch, carp, roach, salmon, and trout; lobster and crayfish are found in the Mediterranean.

As of 2002, there were at least 93 species of mammals, 283 species of birds, and over 4,600 species of plants throughout the country.

## 5 ENVIRONMENT

The Ministry for the Environment is the principal environmental agency. France's basic law for the protection of water resources dates from 1964. The mid-1970s brought passage of laws governing air pollution, waste disposal, and chemicals. In general, environmental laws embody the "polluter pays" principle, although some of the charges imposed—for example, an aircraft landing fee—have little effect on the reduction of the pollutant (i.e., aircraft noise).

Water pollution is a serious problem in France due to the accumulation of industrial contaminants, agricultural nitrates, and waste from the nation's cities. As of 1994, 20% of France's forests were damaged due to acid rain and other contaminants. France has 179 cu km of renewable water resources with 72% used for industrial purposes and 10% used for farming.

Air pollution is a significant environmental problem in France, which had the world's 11th-highest level of industrial carbon dioxide emissions in 1992, totaling 362 million metric tons, a per capita level of 6.34 metric tons. The total level of carbon dioxide emissions in 2000 was about the same at 362.4 million metric tons. Official statistics reflect substantial progress in reducing airborne emissions in major cities: the amount of sulfur dioxide in Paris decreased from 122 micrograms per cu m of air in 1971 to 54 micrograms in 1985. An attempt to ban the dumping of toxic wastes entirely and to develop the technology for neutralizing them proved less successful, however, and the licensing of approved dump sites was authorized in the early 1980s.

In 2003, 13.3% of France's total land area was protected; these areas include both national and regional parks, as well as 8 biosphere reserves, 2 UNESCO World Heritage Sites, and 15 Ramsar Wetlands of International Importance. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 16 types of mammals, 15 species of birds, 3 types of reptiles, 3 species of amphibians, 16 species of fish, 34 types of mollusks, 31 species of other invertebrates, and 2 species of plants. Endangered or extinct species in France include the Corsican swallowtail, the gray wolf, the false ringlet butterfly, the Pyrenean desman, and the Baltic sturgeon. It has been estimated that 25% of all species known to have appeared in France were extinct, endangered, or in sub-

stantial regression. Extinct species include Perrin's cave beetle and the Sardinian pika.

## 6 POPULATION

The population of France in 2005 was estimated by the United Nations (UN) at 60,742,000, which placed it at number 21 in population among the 193 nations of the world. In 2005, approximately 16% of the population was over 65 years of age, with another 19% of the population under 15 years of age. There were 95 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.4%, a rate the government viewed as too low. The projected population for the year 2025 was 63,377,000. The population density was 110 per sq km (285 per sq mi), with much of the population concentrated in the north and southeast areas of the country.

The UN estimated that 76% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.67%. The capital city, Paris, had a population of 9,794,000 in that year. The next largest cities and their estimated populations include Lyon, 1,408,000; Marseille, 1,384,000; and Lille, 1,031,000. Other major urban centers include Toulouse, Nice, Strasbourg, Nantes, Bordeaux, Montpellier, Rennes, Saint-Étienne, and Le Havre.

## 7 MIGRATION

A new law on immigration and asylum was passed by parliament in May 1998. The law included amendments to include the French constitution's provision to protect "those fighting for freedom" and those threatened with inhuman and degrading treatment in their country of origin. France hosted some 6,300 Kosovar Albanians who arrived in 1999 under the UNHCR/IOM Humanitarian Evacuation Programme. In 2004, a total of 110,321 asylum applications were submitted to France, mostly from Asia, Africa, and Europe. In the same year, recognition of refugee status was granted to some 14% of asylum seekers. Refugees enjoy all the rights of regular immigrants. In 2004 France harbored 139,852 refugees, mainly Sri Lankans, Vietnamese, Turks, Cambodians, Congolese, and Serbians.

Populations of concern to the United Nations High Commissioner for Refugees (UNHCR) in France numbered 151,452. In 2005 it was estimated that illegal foreigners numbered 200,000–400,000. According to *Migration News*, France deported 11,000 illegals in 2003, 16,000 in 2004, and an expected 23,000 in 2005. Minorities are not recognized in France. They are expected to connect with "the Indivisible Republic," entitled in the French constitution. Nevertheless, in Paris environs between April and August 2005, rioting and fires killed immigrants. Police evacuated run-down buildings where asylum seekers and irregular foreigners lived in crowded conditions.

Remittances to France in 2002 were \$761 million. In 2005, the net migration rate was estimated as 0.66 migrants per 1,000 population.

## 8 ETHNIC GROUPS

The French are generally derived from three basic European ethnic stocks: Celtic, Latin, and Teutonic (Frankish). There are also small groups of Flemings, Catalans, Germans, Armenians, Roma, Russians, Poles, and others. The largest resident alien groups are



Algerians, Portuguese, Moroccans, Italians, Spaniards, Tunisians, and Turks.

## <sup>9</sup>LANGUAGES

Not only is French the national language of France, but it also has official status (often with other languages) throughout much of the former French colonial empire, including about two dozen nations in Africa. In all, it is estimated that more than 300 million people have French as their official language or mother tongue. Moreover, French is the sole official language at the ICJ and UPU, and shares official status in most international organizations. Other languages spoken within France itself include Breton (akin to Welsh) in Brittany; a German dialect in Alsace and Lorraine; Flemish in northeastern France; Spanish, Catalan, and Basque in the southwest; Provençal in the southeast, and an Italian dialect on the island of Corsica.

## <sup>10</sup>RELIGIONS

According to 2005 estimates, about 83–88% of the population are nominally Roman Catholic, but church officials claim that only about 8% are practicing members of the church. About 2% are Protestant, mostly Calvinist or Lutheran. Muslims (mostly North African workers) make up about 7–8%. Jews and Bahais each made up about 1%. There are about 250,000 Jehovah's Witnesses and between 80,000 and 100,000 Orthodox Christians. Christian Scientists, Mormons, and Scientologists are also represented. About 6% of the population have no religious affiliation.

The French Jewish community is one of the largest in the world, along with those in the United States, Israel, and the successor states of the former USSR; more than half are immigrants from North Africa. The 600,000 members are divided between Reform, Conservative, and Orthodox groups. Jews have enjoyed full rights of citizenship in France since 1791, and the emancipation of Central European Jewry was accomplished, to a large extent, by the armies of Napoleon Bonaparte. Anti-Semitism became a flaming issue during the Dreyfus affair in the late 1890s; in the 1980s, principal French synagogues were under police guard because of a wave of attacks by international terrorists.

The constitution provides for freedom of religion, and the government reportedly respects this right in practice. Church and state have been legally separate since 1905. Registration for religious groups is not required, but most groups choose to do so in order to gain tax-exempt status. The 2001 About-Picard Law allows for the dissolution of groups that endanger the physical or psychological well-being of individuals, promote illegal medical practices, violate the freedom of others, or commit fraud. Groups which advocate religious interests in dialogue with the government include the Council of Bishops (Catholic), the Protestant Federation of France, the General Consistory of Jews of France, and the French Council of the Muslim Faith. The Interministerial Monitoring Mission Against Sectarian Abuses monitors the activities of religious sects or cults that are considered to be a possible threat to society or may be acting in violation of the law.

## <sup>11</sup>TRANSPORTATION

France has one of the most highly developed transportation systems in Europe. Its outstanding characteristic has long been the degree to which it is centralized at Paris—plateaus and plains of-

fering easy access radiate from the city in all directions, and rivers with broad valleys converge on it from all sides. In 2003, the French road network totaled 891,290 km (554,438 mi), all of which was paved, and included about 10,390 km (6,462 mi) of national highways. In 2003 there were 29,560,000 passenger cars and 6,068,000 commercial vehicles in use.

All French railroads were nationalized in 1938 and are part of the national rail network Société Nationale des Chemins-de-Fer Français, 51% of whose shares are controlled by the government. As of 2004 there were 29,519 km (18,361 mi) of standard and narrow gauge railway track in operation, of which about 14,481 km (9,007 mi) were electrified. Standard gauge track accounted for nearly the entire system, with narrow gauge right of way accounting for only 167 km (104 mi). Le Train à Grande Vitesse (TGV), the fastest train in the world, averaging 250 km (155 mi) per hour over most of its run, entered service between Paris and Lyon in 1981. TGV service between Paris and Lausanne became fully operational in 1985. The TGV set another world speed record on 18 May 1990 with a registered speed of 515.2 km/h (320.2 mph). The Paris subway (métro), begun in the early 1900s but extensively modernized, and the city's regional express railways cover a distance of 472 km (293 mi). The métro has over one million passengers a day. Parisian bus lines carry about 800,000 passengers daily. Other cities with subways are Marseille, Lille, and Lyon, with construction underway in Toulouse.

Two high-speed rail tunnels under the English Channel link Calais and Folkestone, England (near Dover). The 50-km (31-mi) project by Eurotunnel, a British-French consortium, was completed in 1993. From these terminals, people can drive their cars and trucks onto trains, which can make the underground trek in about 30 minutes. Rail lines that run through the tunnel include Le Shuttle, which provides both freight and passenger service, and Eurostar, a high-speed passenger-only line. In November 1996 a truck aboard a Le Shuttle train caught fire in the tunnel, causing extensive damage but no loss of life. Service was partially restored within weeks of the incident and full repairs were completed by the following May.

France, especially in its northern and northeastern regions, is well provided with navigable rivers and connecting canals, and inland water transportation is of major importance. As of 2000, there were about 8,500 km (5,287 mi) of navigable waterways, of which 1,686 km (1,048 mi) was accessible to craft of 3,000 metric tons. The French merchant marine, as of 2005, had a total of 56 ships with 1,000 GRT or over, and a total capacity of 703,639 GRT. Kerguelen, an archipelago in the French Antarctic Territory, offers an offshore registry program which is less regulatory than official French registry. The leading ports are Marseille, Le Havre, Dunkerque, Rouen, Bordeaux, and Cherbourg. Other important ports include Boulogne, Brest, Fos-Sur-Mer, Sete, and Toulon. More than half of freight traffic to and from French ports is carried by French ships.

In 2004 there were an estimated 478 airports in France. In 2005, a total of 288 had paved runways, and there were also three heliports. France's national airline, Air France, is government subsidized. It operates regularly scheduled flights to all parts of the world. The Concorde, jointly developed by France and the United Kingdom at a cost of more than £1 billion, entered regular transat-

lantic service in 1976. Both British Airways and Air France ceased operations of Concorde passenger flights in 2003.

There are two major private airlines: the Union des Transports Aériens, which provides service to Africa and the South Pacific, and Air Inter, which operates within metropolitan France. The two international airports of Paris, Charles de Gaulle and Orly, both located in Paris, lead all others in France in both passenger and freight traffic. In 2003, about 47.259 million passengers were carried on scheduled domestic and international air flights.

## 12 HISTORY

Cave paintings and engravings, the most famous of them at Lascaux, near Montignac in the southwest, attest to human habitation in France as early as 30,000 years ago. Relics from the period between 4000 and 1800 BC include some 4,500 dolmens (structures consisting of two vertical stones capped by a horizontal stone), nearly 1,000 of them in Brittany alone, and more than 6,000 menhirs (single vertical stones), measuring 1.5–21.3 m (5–70 ft) in height and weighing up to 350 tons. There may already have been 2–3 million people in France when Phoenician and Greek colonists founded cities on the southern coast around 600 BC.

Detailed knowledge of French history begins with the conquest of the region (58–51 BC) by Julius Caesar. The country was largely inhabited by Celtic tribes known to the Romans as Gauls. Under Roman rule the Gallic provinces were among the most prosperous and civilized of the empire. Roman roads, traces of which still may be seen, traversed the land. Numerous cities were founded. Latin superseded the Celtic dialects. Christianity spread rapidly in Roman Gaul after its introduction there in the 1st century, and by the time the empire began to disintegrate a few hundred years later, the Gauls were a thoroughly Romanized and Christianized people. Early in the 5th century, Teutonic tribes invaded the region from Germany, the Visigoths settling in the southwest, the Burgundians along the Rhône River Valley, and the Franks (from whom the French take their name) in the north. The Germanic invaders probably never constituted more than a dominant minority of the population.

The first leader to make himself king of all the Franks was Clovis (466–511), who began his reign in 481, routing the last forces of the Roman governors of the province in 486. Clovis claimed that he would be baptized a Christian in the event of his victory against the Visigoths, which was said to have guaranteed the battle. Clovis regained the southwest from the Visigoths, was baptized in 496, and made himself master of western Germany, but after his death the kingdom disintegrated and its population declined under the Merovingian dynasty. In 732, Charles Martel was able to rally the eastern Franks to inflict a decisive defeat on the Saracens—Muslim invaders who already controlled the Iberian Peninsula—between Poitiers and Tours. He spawned the Carolingian family, as well as his grandson, Charlemagne (r.768–814), who was the greatest of the early Frankish rulers. Ruling “by the sword and the cross,” he gave the kingdom an efficient administration, created an excellent legal system, and encouraged the revival of learning, piety, and the arts. He added to the territories under his rule through wide conquests, eventually reigning over an area corresponding to present-day France, the FRG, the Low Countries, and northern Italy. On Christmas Day in the year 800,

he was crowned emperor of the West and ruler of the 1st Holy Roman Empire by the pope in Rome.

After the death of Charlemagne, the vast Carolingian Empire broke up during a century of feuding, the title of emperor passing to German rulers in the east. The territory of what is now France was invaded anew, this time by pagan tribes from Scandinavia and the north, and the region that later became known as Normandy was ceded to the Northmen in 911 by Charles III (“the Simple,” r.898–923). At the end of the century, Hugh Capet (r.987–996) founded the line of French kings that, including its collateral branches, was to rule the country for the next 800 years. Feudalism was by now a well-established system. The French kings were the dukes and feudal overlords of the Île de France, centered on Paris and extending roughly three days’ march around the city. At first, their feudal overlordship over the other provinces of France was almost entirely nominal. Some of the largest of these, like the Duchy of Brittany, were practically independent kingdoms. The Duchy of Normandy grew in power when William II, duke of Normandy, engaged in the Norman Conquest of England (1066–70) and became king as William I (“the Conqueror”), introducing the French language and culture to England. The powers of the French monarchy were gradually extended in the course of the 11th and early 12th centuries, particularly by Louis VI, who died in 1137. The power of his son Louis VII (r.1137–80) was challenged by Henry of Anjou, who, upon his accession to the English throne as Henry II in 1154, was feudal master of a greater part of the territory of France, including Normandy, Brittany, Anjou, and Aquitaine. Henry’s sons, Richard and John, were unable to hold these far-flung territories against the vigorous assaults of Louis’s son Philip Augustus (r.1180–1223). By 1215, Philip had not only reestablished the French crown’s control over the former Angevin holdings in the north and west but also had firmly consolidated the crown’s power in Languedoc and Toulouse. Philip’s grandson Louis IX (St. Louis), in a long reign (1226–70), firmly established the strength of the monarchy through his vigorous administration of the royal powers. The reign of Louis’s grandson Philip IV (“the Fair,” 1285–1314) marks the apogee of French royal power in the medieval period. He quarreled with the papacy over fiscal control of the French clergy and other aspects of sovereignty. His emissaries arrested Pope Boniface VIII and after his death removed the seat of the papacy to Avignon, where the popes resided under French dominance (the so-called Babylonian Captivity) until 1377.

It is estimated that between 1348 and 1400 the population dropped from 16 million to 11 million, mainly from a series of epidemics, beginning with the Black Death (bubonic plague) of 1348–50. In 1415, Henry V of England; taking advantage of civil war between the Gascons and Armagnacs, and the growing insanity of Charles VI; launched a new invasion of France and won a decisive victory at Agincourt. Charles VI (r.1380–1422) was compelled under the Treaty of Troyes (1420) to marry his daughter Catherine to Henry and to declare the latter and his descendants heirs to the French crown. Upon Henry’s death in 1422, his infant son Henry VI was crowned king of both France and England, but in the same year, Charles’s son, the dauphin of France, reasserted his claim, formally assumed the royal title, and slowly began the reconquest.



LOCATION: 42°20' to 51°5' N; 4°47' W to 8°15' E. BOUNDARY LENGTHS: Belgium, 620 kilometers (387 miles); Luxembourg, 73 kilometers (45 miles); Germany, 451 kilometers (280 miles); Switzerland, 573 kilometers (358 miles); Italy, 488 kilometers (305 miles); Andorra, 60 kilometers (37 miles); Spain, 623 kilometers (389 miles); total coastline (including islands), 3,427 kilometers (2,125 miles). TERRITORIAL SEA LIMIT: 12 miles.

Philip the Fair was succeeded by three sons, who reigned briefly and who left no direct male heirs, ending the Capetian dynasty. In 1328, his nephew Philip VI (in accordance with the so-called Salic Law, under which succession could pass through a male line only) mounted the throne as the first of the Valois kings. The new king's title to the throne was challenged by Edward III of England, whose mother was the daughter of Philip the Fair. In 1337, Edward as-

serted a formal claim to the French crown, shortly thereafter quartering the lilies of France on his shield. The struggle that lasted from 1337 to 1453 over these rival claims is known as the Hundred Years' War. Actually it consisted of a series of shorter wars and skirmishes punctuated by periods of truce. Edward won a notable victory at Crécy in 1346, in a battle that showed the superiority of English ground troops and longbows against the French

knights in armor. In 1356, the French royal forces were routed by the Prince of Wales at Poitiers, where the French king, John II, was taken prisoner. By terms of the Treaty of Brétigny (1360), the kingdom of France was dismembered, the southwest being formally ceded to the king of England. Under Charles V (r.1364–80), also called “Charles the Wise,” however, the great French soldier Bertrand du Guesclin, through a tenaciously conducted series of skirmishes, succeeded in driving the English from all French territory except Calais and the Bordeaux region.

#### 1422–1789

The first part of the Hundred Years’ War was essentially a dynastic rather than a national struggle. The English armies themselves were commanded by French-speaking nobles and a French-speaking king. Although the legitimate succession to the French crown was the ostensible issue throughout the war, the emerging forces of modern nationalism came into play with the campaign launched by Henry V, whose everyday language was English and who, after Agincourt, became an English national hero. France owed no small measure of its eventual success to the sentiment of nationalism that was arising throughout the country and that found its personification in the figure of Joan of Arc. Early in 1429, this young woman of surprising military genius, confident that she had a divinely inspired mission to save France, gained the confidence of the dauphin. She succeeded in raising the siege of Orléans and had the dauphin crowned Charles VII at Reims. Joan fell into English hands and at Rouen in 1431 was burned at the stake as a heretic, but the French armies continued to advance. Paris was retaken in 1436, and Rouen in 1453; by 1461, when Charles died, the English had been driven from all French territory except Calais, which was recaptured in 1558.

Louis XI (r.1461–83), with the support of the commercial towns, which regarded the king as their natural ally, set France on a course that eventually destroyed the power of the great feudal lords. His most formidable antagonist, Charles the Bold, duke of Burgundy, who ruled virtually as an independent monarch, commanded for many years far more resources than the king of France himself. But after the duke was defeated and killed in a battle against the Swiss in 1477, Louis was able to reunite Burgundy with France. When Louis’s son Charles VIII united Brittany, the last remaining quasi-independent province, with the royal domain by his marriage to Anne of Brittany, the consolidation of the kingdom under one rule was complete.

Under Charles VIII (r.1483–98) and Louis XII (r.1498–1515), France embarked on a series of Italian wars, which were continued under Francis I (r.1515–47) and Henry II (r.1547–59). These wars developed into the first phase of a protracted imperialistic struggle between France and the house of Habsburg. Although the Italian wars ended in a French defeat, they served to introduce the artistic and cultural influences of the Italian Renaissance into France on a large scale. Meanwhile, as the Reformation gained an increasing following in France, a bitter enmity developed between the great families that had espoused the Protestant or Huguenot cause and those that had remained Catholic. The policy of the French monarchy was in general to suppress Protestantism at home while supporting it abroad as a counterpoise to Habsburg power. Under the last of the Valois kings, Charles IX (r.1560–74) and Henry III (r.1574–89), a series of eight fierce civil wars devastated France,

called The Wars of Religion. Paris remained a stronghold of Catholicism, and on 23–24 August 1572, a militia led by the Duke of Guise slaughtered thousands of Protestants in the Massacre of St. Bartholomew. The Protestant Henry of Navarre was spared because of his royal status and eventually, on the death of Henry III, he acceded to the throne, beginning the Bourbon dynasty. Unable to capture Paris by force, Henry embraced Catholicism in 1593 and entered the city peacefully the following year. In 1598, he signed the Edict of Nantes, which guaranteed religious freedom to the Huguenots. With the aid of his minister Sully, Henry succeeded in restoring prosperity to France.

Assassinated in 1610 by a Catholic fanatic after 19 attempts on his life, Henry IV was succeeded by his young son Louis XIII, with the queen mother, Marie de Médicis, acting as regent in the early years of his reign. Later, the affairs of state were directed almost exclusively by Cardinal Richelieu, the king’s minister. Richelieu followed a systematic policy that entailed enhancing the crown’s absolute rule at home and combating the power of the Habsburgs abroad. In pursuit of the first of these objectives, Richelieu destroyed the political power of the Protestants by strictly monitoring the press and French language through the Academie Française; in pursuit of the second he led France in 1635 into the Thirty Years’ War, then raging in Germany, on the side of the Protestants and against the Austrians and the Spanish. Richelieu died in 1642, and Louis XIII died a few months later. His successor, Louis XIV, was five years old, and during the regency of his mother, Anne of Austria, France’s policy was largely guided by her adviser Cardinal Mazarin. The generalship of the prince de Condé and the vicomte de Turenne brought France striking victories. The Peace of Westphalia (1648), which ended the Thirty Years’ War, and the Peace of the Pyrenees (1659) marked the end of Habsburg hegemony and established France as the dominant power on the European continent. The last attempt of the French nobles in the Paris Parliament to rise against the crown, called the Fronde (1648–53), was successfully repressed by Mazarin even though the movement had the support of Condé and Turenne.

The active reign of Louis XIV began in 1661, the year of Mazarin’s death, and lasted until his own death in 1715. Louis XIV had served in the French army against Spain before his accession, and married the daughter of the King of Spain in order to bring peace to the region, despite his love for Mazarin’s niece. Assisted by his able ministers Colbert and Louvois, he completed Mazarin’s work of domestic centralization and transformed the French state into an absolute monarchy based on the so-called divine right of kings. Industry and commerce were encouraged by mercantilist policies, and great overseas empires were carved out in India, Canada, and Louisiana. By transforming the nobles into perennial courtiers, financially dependent on the crown, the king clipped their wings. Lavish display marked the early period of his reign, when the great palace at Versailles was built, beginning the era of French Classicism.

The reign of Louis XIV marked the high point in the prestige of the French monarchy. It was a golden age for French culture as well, and French fashions and manners set the standard for all Europe. Nevertheless, the Sun King, as he was styled, left the country in a weaker position than he had found it. In 1672, he invaded the Protestant Netherlands with his cousin Charles I of England, defeating Spain and the Holy Roman Empire as well in 1678. In

1685, he revoked the Edict of Nantes, and an estimated 200,000 Huguenots fled the country to escape persecution. Whole provinces were depopulated, and the economy was severely affected by the loss of many skilled and industrious workers. Louis undertook a long series of foreign wars, culminating in the War of the Spanish Succession (1701–14), in which England, the Netherlands, and most of the German states were arrayed against France, Spain, Bavaria, Portugal, and Savoy. In the end, little territory was lost, but the military primacy of the country was broken and its economic strength seriously sapped.

The reign of Louis XV (1715–74) and that of his successor, Louis XVI (1774–93), which was terminated by the French Revolution, showed the same lavish display of royal power and elegance that had been inaugurated by the Sun King. At the same time, the economic crisis that Louis XIV left as his legacy continued to grow more serious. A series of foreign wars cost France its Indian and Canadian colonies and bankrupted the country, including the French and Indian War (1755–1760). Meanwhile, the locus of the economic power in the kingdom had shifted to the hands of the upper bourgeoisie in the Enlightenment, who resented the almost wholly unproductive ruling class that espoused Classicism. The intellectual currents of the so-called Age of Reason were basically opposed to the old order. Voltaire attacked the Church and the principle of absolutism alike; Diderot advocated scientific materialism; Jean-Jacques Rousseau preached popular sovereignty. The writer changed from a royal servant into a revolutionary force.

#### 1789–1900

In 1789, faced with an unmanageable public debt, Louis XVI convened, for the first time since the reign of Louis XIII, the States-General, the national legislative body, to consider certain fiscal reforms. The representatives of the third estate, the Commons, met separately on 17 June and proclaimed themselves the National Assembly. This action, strictly speaking, marked the beginning of the French Revolution, although the act that best symbolized the power of the revolution was the storming of the Bastille, a royal prison, by a Paris mob on 14 July—an event still commemorated as a national holiday. With the support of the mob, which forced the king, his wife Marie Antoinette, and his family from the palace at Versailles into virtual imprisonment in the Tuileries in Paris; the Assembly was able to force Louis to accept a new constitution including The Declaration of the Rights of Man and the Citizen, providing for a limited monarchy, the secularization of the state, and the seizure of Church lands. War with Austria, which wished to intervene to restore the status quo ante in France, broke out in 1792. The Assembly's successor, the National Convention, elected in September 1792, proclaimed the First French Republic. Louis XVI was convicted of treason and executed. The radical group of Jacobins under Maximilien Robespierre's leadership exercised strict control through committees of public welfare and a revolutionary tribunal. The Jacobins attempted to remake France in the image of an egalitarian republic. Their excesses led to a Reign of Terror (1793–94), carried out indiscriminately against royalists and such moderate republican groups as the Girondins. Manifest opposition to the Jacobins and specifically to Robespierre combined to end their reign in the summer of 1794. In 1795, a new constitution of moderate character was introduced, and executive power was vested in a Directory of five men. The Directory,

weakened by inefficient administration and military reverses, fell in turn in 1799, when the military hero Napoleon Bonaparte engineered a coup and established the Consulate. Ruling autocratically as the first consul, Bonaparte established domestic stability and decisively defeated the Austrian-British coalition arrayed against France. In 1804, he had himself proclaimed emperor as Napoleon I and, until his downfall in 1814, he ruled France in that capacity.

Capitalizing on the newly awakened patriotic nationalism of France, Napoleon led his imperial armies to a striking series of victories over the dynastic powers of Europe. By 1808, he was the master of all Europe west of Russia with the exception of the British Isles. That year, however, the revolt in Spain—upon whose throne Napoleon had placed his brother Joseph—began to tax French military reserves. Napoleon's ill-fated attempt to conquer Russia in 1812 was followed by the consolidation of a powerful alliance against him, consisting of Russia, Prussia, Britain, and Sweden. The allies defeated Napoleon at Leipzig in 1813 and captured Paris in the spring of 1814. Napoleon was exiled to the island of Elba, just off the northwest coast of Italy, and Louis XVIII, a brother of Louis XVI, was placed on the French throne. In March 1815, Napoleon escaped from Elba, rallied France behind him, and reentered Paris in triumph behind the fleeing Louis XVIII. He was, however, finally and utterly crushed by the British and Prussian forces at Waterloo (18 June 1815) and spent the remaining years of his life as a British prisoner of war on the island of St. Helena in the South Atlantic.

After the final fall of Napoleon, Louis XVIII ruled as a moderate and peaceful monarch until 1824, when he was succeeded by his brother Charles X, an ultra royalist. Charles attempted to restore the absolute powers of the monarchy and the supremacy of the Catholic Church. In 1830, he was ousted after a three-day revolution in which the upper bourgeoisie allied itself with the forces of the left. Louis Philippe of the house of Orléans was placed on the throne as "citizen-king" with the understanding that he would be ruled by the desires of the rising industrial plutocracy. In 1848, his regime was overthrown in the name of the Second Republic. Four years later, however, its first president, Louis Napoleon, the nephew of Napoleon I, engineered a coup and had himself proclaimed emperor under the title Napoleon III. The Second Empire, as the period 1852–71 is known, was characterized by colonial expansion and great material prosperity. The emperor's aggressive foreign policy eventually led to the Franco-Prussian War (1870–71), which ended in a crushing defeat for France and the downfall of Napoleon III. France was stripped of the border provinces of Alsace and Lorraine (which once belonged to the Holy Roman Empire) and was forced to agree to an enormous indemnity. A provisional government proclaimed a republic on 4 September 1870 and took over the responsibility for law and order until a National Assembly was elected in February 1871. Angered at the rapid capitulation to Prussia by the provisionals and the conservative National Assembly, the national guard and radical elements of Paris seized the city in March and set up the Commune. During the "Bloody Week" of 21–28 May, the Commune was savagely dispatched by government troops.

Democratic government finally triumphed in France under the Third Republic, whose constitution was adopted in 1875. Royalist sentiment had been strong, but the factions backing different branches of the royal house had been unable to agree on a can-

didate for the throne. The Third Republic confirmed freedom of speech, the press, and association. It enforced complete separation of church and state. Social legislation guaranteeing the rights of trade unions was passed, and elections were held on the basis of universal manhood suffrage. The Third Republic, however, was characterized by an extremely weak executive. A long succession of cabinets was placed in power and shortly thereafter removed from office by the all-powerful lower house of the national legislature. Nevertheless, the republic was strong enough to weather an attempt on the part of the highly popular Gen. Georges Boulanger to overthrow the regime in the late 1880s, as well as the bitter dispute between the left-wing and right-wing parties occasioned by the trumped-up arrest and long imprisonment of Capt. Alfred Dreyfus, a scandal in which Dreyfus's being Jewish was as much an issue as the treason he had allegedly committed. The eventual vindication of Dreyfus went hand in hand with the decisive defeat of the monarchists and the emergence of a progressive governing coalition, with Socialist representation.

### The 20th Century

During World War I (1914–18), the forces of France, the United Kingdom, Russia, and, from 1917, the United States were locked in a protracted struggle with those of Germany, Austria-Hungary, and Turkey. Although France, under the leadership of Georges Clemenceau, could claim a major share in the final Allied victory, it was in many respects a Pyrrhic victory for France. Almost all the bitter fighting in the west was conducted on French soil, and among the Allies French casualties—including nearly 1,400,000 war dead—were second only to those sustained by Russia. The heavily industrialized provinces of Alsace and Lorraine were restored to France under the Treaty of Versailles (1919), and Germany was ordered to pay heavy war reparations. Nevertheless, the French economy, plagued by recurrent crises, was unable to achieve great prosperity in the 1920s, and the worldwide economic depression of the 1930s (exacerbated in France by the cessation of German reparations payments) was accompanied in France by inflation, widespread unemployment, and profound social unrest. Right- and extreme left-wing elements caused major disturbances on 6 February 1934. In 1936, the left-wing parties carried the parliamentary elections and installed a so-called Popular Front government under a Socialist, Léon Blum. Blum nationalized certain war industries, carried out agricultural reforms, and made the 40-hour week mandatory in industry. Increasing conservative opposition forced the Popular Front government from power, however, and in the face of the growing menace of Adolf Hitler's Germany, the leftists accepted the conservative government of Édouard Daladier in 1938. In a futile attempt to secure peace, Daladier acquiesced in British Prime Minister Neville Chamberlain's policy of appeasement toward Hitler. Hitler was not to be appeased, however, and when Germany invaded Poland in September 1939, France joined the United Kingdom in declaring war on Germany.

On 10 May 1940, the Germans launched a great invasion of the west through the Low Countries and the heavily wooded and sparsely defended Ardennes region. In less than a month, German forces outflanked the French Maginot Line fortifications and routed the French armies between the Belgian frontier and Paris. Marshal Pétain, the aged hero of World War I, hastily formed a government and sued for peace. With the exception of a triangu-

lar zone with its northern apex near Vichy, all France was placed under the direct occupation of the Germans. The Vichy regime ended the Third Republic and proclaimed a constitution based on the slogan "labor, family, fatherland," as opposed to the traditional republican "liberty, equality, fraternity." While the Vichy government did its best to accommodate itself to the German victory, French resistance gathered overseas around Gen. Charles de Gaulle, a brilliant career officer who had escaped to London on 18 June 1940 to declare that France had "lost a battle, not the war." De Gaulle organized the Provisional French National Committee, and this committee of the Free French later exercised all the powers of a wartime government in the French territories where resistance to the Germans continued. The Free French forces took part in the fighting that followed the Allied invasion of North Africa in 1942, and in 1943 a provisional French government was established at Algiers. Regular French units and resistance fighters alike fought in the 1944 campaign that drove the Germans from France, and shortly after the liberation of Paris, de Gaulle's provisional government moved from Algiers to the capital. It was officially recognized by the United States, the United Kingdom, and the former USSR in October 1944.

France's postwar vicissitudes have been political rather than economic. De Gaulle resigned as head of the government early in 1946 over the issue of executive powers, and in spite of his efforts the Fourth Republic, under a constitution that came into effect in December 1946, was launched with most of the weaknesses of the Third Republic. Almost all powers were concentrated in the hands of the National Assembly, the lower house of Parliament, and there were numerous warring political parties.

Although the people of metropolitan France overwhelmingly approved de Gaulle's program for eventual Algerian independence, some French army officers and units attempted to overthrow the government by terrorism, which de Gaulle suppressed by temporarily assuming emergency powers. Peace negotiations were successfully concluded with Algerian rebel leaders, and Algeria gained independence on 1 July 1962. By then, nearly all of France's former African territories had attained independence. France has continued to provide economic assistance, and its ties with most of the former colonies have remained close. Almost continuous fighting overseas in French colonies, first in Indochina, which was lost in 1954, and later in Algeria, the scene of a nationalist rebellion among the Muslims, placed a heavy burden on France and led, especially after the Suez expedition of 1956, to disillusionment on the part of elements in the French army, which felt that its work was being undermined by a series of vacillating parliamentary governments. In May 1958, extremists among the French settlers in Algeria, acting with a group of army officers, seized control of Algiers. Sympathetic movements in Corsica and in metropolitan France raised the specter of a right-wing coup. The government found itself powerless to deal with the situation, and on 1 June, Gen. de Gaulle, regarded as the only leader capable of rallying the nation, was installed as premier. He ended the threat peaceably, and in the fall of 1958, he submitted to a national referendum a new constitution providing for a strong presidency; the constitution won overwhelming approval. Elections held in November swept candidates pledged to support de Gaulle into office, and in December 1958, he was officially named the first president of the Fifth Republic.

During the mid-1960s, de Gaulle sought to distance France from the Anglo-American alliance. France developed its own atomic weapons and withdrew its forces from the NATO command; in addition, de Gaulle steadfastly opposed the admission of the United Kingdom to the EEC, of which France had been a founding member in 1957. The Treaty of Rome in 1957 created the original European Economic Community that consisted of Germany, Belgium, France, Italy and The Netherlands, and formed EURATOM, which created an open forum for scientific exchange and nuclear arms regulation on the continent.

The political stability of the mid-1960s ended in the spring of 1968, with student riots and a month-long general strike that severely weakened the Gaullist regime. In April 1969, Gen. de Gaulle resigned following a defeat, by national referendum, of a Gaullist plan to reorganize the Senate and regional government. In June, Georges Pompidou, a former premier in de Gaulle's government, was elected the second president of the Fifth Republic. Between 1969 and 1973, the Gaullist grip on the French populace continued to weaken, at the end of which time de Gaulle was forced to accept the United Kingdom, Ireland and Denmark into the EC, and to work within the economic constraints of the "Snake Mechanism" which, starting in 1972, linked EC currencies. In 1974, after President Pompidou died in office, an Independent Republican, Valéry Giscard d'Estaing, narrowly won a national runoff election (with Gaullist help) and became the third president of the Fifth Republic. Giscard strengthened relations with the United States but continued to ply a middle course between the superpowers in world affairs. The European Currency Unit (ECU) was born in 1979 from the economic stresses of the 1970s, leading eventually to the introduction of the common currency, the euro, in 2002.

Although Giscard's center-right coalition held firm in the March 1978 legislative elections, a Socialist, François Mitterrand, was elected president in May 1981, and the Socialists captured a parliamentary majority in June. Mitterrand launched a program of economic reforms, including the nationalization of many industrial companies and most major banks. However, three devaluations of the franc, high unemployment, and rising inflation led to the announcement of an austerity program in March 1983. In foreign policy, Mitterrand took an activist stance, opposing the US attempt in 1982 to halt construction of a natural gas pipeline between the former USSR and Western Europe, committing French troops to a peacekeeping force in Lebanon, and aiding the Chadian government against domestic insurgents and their Libyan backers.

In July 1984, Mitterrand accepted the resignation of Prime Minister Pierre Mauroy and named Laurent Fabius to replace him, signaling his intention to stress economic austerity and modernization of industry. In foreign affairs, the government attempted some retrenchment during 1984, withdrawing peacekeeping troops from Lebanon and announcing a "total and simultaneous" withdrawal of French and Libyan troops from Chad. However, Libyan troops did not actually withdraw as envisioned, and fighting there prompted a return of French troops in 1986. A major scandal was the disclosure in 1985 that French agents were responsible for the destruction in New Zealand, with the loss of a life, of a ship owned by an environmentalist group protesting French nuclear tests in the South Pacific.

In March 1986 elections, the Socialists lost their majority in the National Assembly, and Mitterrand had to appoint a conservative prime minister, Jacques Chirac, to head a new center-right cabinet. This unprecedented "cohabitation" between a Socialist president and a conservative government led to legislative conflict, as Chirac, with backing from the National Assembly, successfully instituted a program, opposed by Mitterrand, to denationalize 65 state-owned companies. Chirac encountered less success late in 1986 as he sought to deal with a wave of terrorist violence in Paris. In 1988, Chirac challenged Mitterrand for the presidency, but in the May runoff election, Mitterrand won a commanding 54% of the vote and a second seven-year term. Chirac then resigned, and Mitterrand formed a minority Socialist government.

Economic and social problems as well as government scandals strained relations between the Socialist Mitterrand, the Conservative PM Eduard Balladur in the second cohabitation, and a center-right government. Unemployment remained high and new legislation increased police powers to combat illegal immigration. Several prominent politicians were the subject of corruption charges and in 1993 legal proceedings were instituted against former premier minister, Laurent Fabius, related to an HIV-infected blood scandal. A prominent Socialist prime minister, Pierre Bérégovoy, committed suicide in May 1993 over media allegations of financial improprieties.

In May 1995, Jacques Chirac was elected president, winning 52.64% of the popular vote, compared to 47.36% for socialist Lionel Jospin, and Alain Juppé was appointed prime minister. The National Assembly had elected an RPR-Gaullist majority in 1993, setting the country firmly in the grips of the type of conservatism that had been ousting socialist and Social Democrats in much of Western Europe during the mid-to-late 1980s. Chirac immediately set about instituting austerity measures to rein in government spending in the hope of meeting certain rigid monetary guidelines so that France would be ready to join the European Monetary Union (EMU) in 1999. The EMU would create a single European currency, the "euro," to replace member countries' individual currencies. The idea of a monetary union had never been widely popular in France and the Maastricht Treaty, which set down conditions for EMU membership passed by only a slim margin.

Many of Chirac's attempts to reduce public spending and limit—or even erode—France's welfare state met with stern resistance. With the signing of the Amsterdam Treaty of 1997, Chirac sensed the need for a reaffirmation of his commitment to meet austerity measures for EMU membership. Chirac dissolved the National Assembly, calling for parliamentary elections in 1997, one year earlier than constitutionally mandated. In doing so, the French president believed he would demonstrate that the majority of the population believed in responsible cutbacks in government spending and anti-inflammatory monetary policy, despite the adverse effects they might have on the country's already quite high inflation. In May and June of 1997, elections were held and Chirac's plan badly backfired with the Socialists winning a commanding majority, along with the Communists. After the elections, a demoralized Chirac appointed Socialist leader Lionel Jospin prime minister, beginning the third cohabitation government. Jospin, a halfhearted supporter of monetary union, called for a program of increased government spending to create 700,000 jobs, a reduction in the work week from 39 to 35 hours, and made a broad pledge

to protect the welfare state. The euro was successfully launched in 1999, and the currency was circulated in January 2002.

Presidential elections were held on 21 April and 5 May 2002. In the first round, Chirac won 19.9% of the vote, National Front leader Jean-Marie Le Pen came in second with 16.9%, and Prime Minister Jospin finished third with 16.2% of the vote. The strong showing by Le Pen sent shock waves throughout France and Europe, as his extreme right-wing, anti-immigrant, xenophobic party demonstrated its popularity. Jospin announced he was retiring from politics; for the first time since 1969 the Socialists did not have a candidate in a presidential runoff, marking a major defeat for the French left.

In the second round of voting, Chirac overwhelmingly defeated Le Pen, taking 82.2% of the vote to Le Pen's 17.8%. It was the largest majority since direct presidential elections were first introduced, and was preceded by a major popular campaign against Le Pen. Chirac named centrist Jean-Pierre Raffarin to be prime minister. In elections for the National Assembly held in June 2002, the center-right coalition Union for the Presidential Majority (consisting of Chirac's Rally for the Republic and the Liberal Democracy party and created on the wake of the first round on the ashes of the short-lived *Union en Mouvement*) won a landslide victory, taking 33.7% of the vote and 357 of 577 seats in parliament. The Socialist Party finished second with 24.1% and 140 seats. Le Pen's National Front failed to win a single seat.

Jean-Pierre Raffarin started out by governing through ordinances, and eventually obtained a majority from his party that was large enough to carry him through the legislative elections. His political line exhibited a peculiar communicative style and enforced reforms with unflagging certainty – his adversaries would term this style “neo-liberalism.” In 2003 alone, he led policies to reform the retirement system and to regionalize most administrative offices that were centralized in Paris, despite strong social unrest and demonstrations—In the summer of 2003, civil servants went on strike against the reform of the retirement benefits system and part-time workers in entertainment went on strike, demanding higher salaries and improved benefits. Raffarin's popularity rate began to plummet; this, combined with the sharp electoral defeat sustained at the regional elections, was blamed on his social policies. As a consequence, the prime minister dissolved the government, and handpicked Jean-Louis Borloo as minister of social affairs. However, the prime minister had to handle both the former's social agenda—sustaining rent-controlled housing, backed up by President Chirac—and Sarkozy's extremely conservative managing of the finances. Jean-Pierre Raffarin then faced even more criticism especially from Dominique de Villepin.

Raffarin's term of office came to a brisk end after the “no” vote to the referendum held on 29 May 2005, on whether to adopt the project of the European Constitutional Treaty. He offered to resign on 31 May 2005, and was immediately replaced by Dominique de Villepin.

Dominique de Villepin had been named minister of foreign affairs in 2002, upon the reelection of President Chirac. In 2002–03, France was confronted with a major foreign policy dilemma. Throughout 2002, the United States and United Kingdom were committing troops to the Persian Gulf region, positioning themselves against Iraq and accusing its leader, Saddam Hussein, of possessing weapons of mass destruction. In the event that Iraq

would not disarm itself of any weapons of mass destruction it might possess, it was evident that the United States and United Kingdom might use those troops to force a regime change in Iraq. The UN Security Council unanimously passed Resolution 1441 on 8 November 2002, calling upon Iraq to disarm itself of chemical, biological, and nuclear weapons or weapons capabilities, to allow the immediate return of UN and International Atomic Energy Agency (IAEA) weapons inspectors, and to comply with all previous UN resolutions regarding the country since the end of the Gulf War in 1991. The United States and United Kingdom indicated that if Iraq would not comply with the resolution, “serious consequences” might result, meaning military action. The other three permanent members of the Security Council, France, Russia, and China, expressed their reservations with that position. France was the most vocal opponent of war, and threatened to use its veto power in the Security Council if another Security Council resolution authorizing the use of force was called for. The United States and United Kingdom abandoned diplomatic efforts at conflict resolution in March 2003, and on 19 March, the coalition went to war in Iraq. Once coalition forces defeated Iraq and plans for reconstruction of the country were being discussed in April, France stressed the need for a strong role to be played by the UN in a postwar Iraq.

On 31 May 2005, Dominique de Villepin was chosen by President Chirac to become prime minister. In his inaugural speech, he gave himself 100 days to earn the trust of the French people and to give France its confidence back. He was increasingly perceived as a potential presidential candidate, an opinion reinforced by his acting as head of state during the cabinet meeting held on 7 September 2005 and for the 60th session of the UN General Assembly held on 14–15 September 2005 while President Chirac suffered from a cerebral vascular complication.

The eruption of rioting in many parts of France in fall 2005 posed the most serious challenge to government authority since the student riots that took place in Paris in 1968. The government imposed a state of emergency. Thousands of vehicles were set on fire in nearly 300 towns; more than 1,500 people had been arrested by mid-November 2005, when the violence began to subside. Areas with large African and Arab communities were most affected (France has Europe's largest Muslim population and over half the country's prison population is Muslim), where anger among many immigrant families over unemployment and discrimination has long been simmering. France's youth unemployment rate in 2005 was 23%, one of Europe's worst, and in “sensitive urban zones,” youth unemployment reached 40%. The unrest caused politicians to rethink their social and economic policies.

### 13 GOVERNMENT

Under the constitution of the Fifth Republic (1958), as subsequently amended, the president of the republic is elected for a five-year term (changed from a seven-year term following a referendum on 24 September 2000) by direct universal suffrage. If no candidate receives an absolute majority of the votes cast, a runoff election is held between the two candidates having received the most votes. If the presidency falls vacant, the president of the Senate assumes the office until a new election can be held within 20–35 days. The president appoints the prime minister and, on the prime



minister's recommendation, the other members of the cabinet. The president has the power to dissolve the National Assembly, in which event new elections must be held in 20–40 days. When the national sovereignty is gravely menaced, the president is empowered to take special measures after consultation with the premier and other appropriate officials. The National Assembly, however, may not be dissolved during the exercise of exceptional powers. The president promulgates laws approved by the legislature, has the right of pardon, and is commander of the armed forces.

The bicameral parliament consists of two houses, the National Assembly and the Senate. Under a system enacted in 1986, the National Assembly is composed of 577 deputies, each representing an electoral district. If no candidate receives a clear majority, there is a runoff among those receiving at least 12.5% of the vote; a plurality then suffices for election. All citizens aged 18 or over are eligible to vote.

The deputies' term of office, unless the Assembly is dissolved, is five years. The Senate consisted, as of 2003, of 321 members indirectly elected to nine-year terms, one-third being chosen every three years. Of the total, 296 represented metropolitan France, 13, overseas departments and territories, and 12, French citizens residing abroad; all are chosen by electoral colleges. In addition, European elections are held to choose 87 French deputies out of 626 in the European Parliament every five years, with proportional representation.

To become law, a measure must be passed by parliament. Parliament also has the right to develop in detail and amplify the list of matters on which it may legislate by passing an organic law to that effect. Regular parliamentary sessions occur once a year, lasting nine months each (amended in 1995 from two shorter sessions a year). A special session may be called by the prime minister or at the request of a majority of the National Assembly. Bills, which may be initiated by the executive, are introduced in either house, except finance bills, which must be introduced in the Assembly. These proceedings are open to the public, aired on television, and reported.

The prime minister and the cabinet formulate national policy and execute the laws. No one may serve concurrently as a member of parliament and a member of the executive. Under certain circumstances, an absolute majority in the National Assembly may force the executive to resign by voting a motion of censure. Under the new law of 1993, members of the government are liable for actions performed in office deemed to be crimes or misdemeanors, and tried by the Court of Justice.

## 14 POLITICAL PARTIES

French political life has long been ruled both by considerations of political theory and by the demands of political expediency. Traditional issues such as the separation of church and state help to distinguish between right and left, but otherwise the lines separating all but the extremist political parties are difficult to draw. One result of this has been the proliferation of political parties; another, the assumption by political parties of labels that seldom indicate any clear-cut platform or policy.

Broadly, since the late 1950s, French politics has been dominated by four political groups: the Gaullists, an independent center-right coalition, the Socialists, and the Communists. After the parliamentary elections of 23 and 30 November 1958, the first to

be held under the constitution of the Fifth Republic, the largest single group in the Assembly was the Union for the New Republic (UNR), which stood for the policies of Gen. de Gaulle, elected president of the republic for a seven-year term in 1958. Independents of the right were the second-largest group, and the Christian Socialists (Mouvement Républicain Populaire) and several leftist groups followed. Only 16 members were elected by the center groups and only 10 were Communists.

In the November 1962 elections, the Gaullist UNR scored an unparalleled victory, polling 40.5% of the total votes cast. As a result of the elections, several old parliamentary groups disappeared, and new groups emerged: the Democratic Center (Centre Démocratique) with 55 seats; the Democratic Rally (Rassemblement Démocratique), 38 seats; and the Independent Republicans (Républicains Indépendants—RI), 33 seats. The UNR and the Democratic Workers Union (Union Démocratique du Travail—UDT), left-wing Gaullists, agreed to a full merger of their parties and together controlled 219 seats.

In the first presidential elections held by direct universal suffrage in December 1965, President de Gaulle was reelected on the second ballot with 55.2% of the total vote. In the March 1967 general elections, the UNR-UDT gained 246 seats against 116 for the Socialists and 73 for the Communists. Following nationwide strikes and civil disturbances by workers and students in the spring of 1968, new parliamentary elections were held in June, in which de Gaulle's supporters won a sweeping victory.

The Union for the Defense of the Republic (Union pour la Défense de la République—UDR) emerged as the new official Gaullist organization. Political movements of the center joined to form the Progress and Modern Democracy group (Centre-PDM), while Socialists and the democratic left united under the Federation of the Left. Of the 487 Assembly seats, the UDR won 292 seats; RI, 61; Federation of the Left, 57; Communists, 34; Centre-PDM, 33; and independents, 10.

On 28 April 1969, following the defeat in a national referendum of a Gaullist plan to reorganize the Senate and regional government, President de Gaulle resigned. He was succeeded by former premier Georges Pompidou, a staunch Gaullist, who won 58% of the vote in elections held on 15 June 1969. During the Pompidou administration, Gaullist control was weakened by an alliance between the Communist and Socialist parties. In March 1973 elections, the Gaullist UDR lost 109 seats, falling to 183 of the 490 seats at stake. The Communists and Socialists increased their representation to 72 and 103, respectively. The remaining seats were won by the RI (55) and by centrists, reformists, and unaffiliated candidates (77).

On 2 April 1974, President Pompidou died. In elections held on 5 May, Gaullist candidate and former premier Jacques Chaban-Delmas was defeated, receiving only 15% of the votes cast. The leader of the leftist coalition, François Mitterrand, received over 11 million votes, and Valéry Giscard d'Estaing, the leader of the RI, over 8 million. However, as neither had won a majority, a runoff election was held on 19 May. Giscard, with the help of Gaullist votes, defeated Mitterrand by a margin of 50.7% to 49.3%. Jacques Chirac of the UDR was made premier, with a cabinet made up mainly of RI and UDR members.

A new Gaullist party, the Rally for the Republic (Rassemblement pour la République—RPR), founded by Chirac in 1976, re-

ceived 26.1% of the vote in the second round of the 1978 legislative elections, winning 154 seats in the National Assembly. That year, the centrist parties had formed the Union for French Democracy (Union pour la Démocratie Française—UDF). The federation, which included the Republican Party (Parti Républicain), the successor to the RI, won 23.2% of the vote in the second round of balloting, giving the centrist coalition 124 seats in the National Assembly. The Socialists and Communists, who ran on a common platform as the Union of the Left, together won 199 seats (Socialists 113, Communists 86) and 46.9% of the vote. Independents, with the remaining 3.8%, controlled 14 seats, for a total of 491.

In the presidential elections of 26 April and 10 May 1981, Mitterrand received 25.8% of the vote on the first ballot (behind Giscard's 28.3%) and 51.8% on the second ballot, to become France's first Socialist president since the 1930s. Within weeks, Mitterrand called new legislative elections: that June, the Socialists and their allies won 49.2% of the vote and 285 seats, the RPR 22.4% and 88 seats, the UDF 18.6% and 63 seats, the Communists 7% and 44 seats; independents won the remaining 2.8% and 11 seats. In return for concessions on various political matters, four Communists received cabinet portfolios, none relating directly to foreign affairs or national security. The sweeping victory of the left was, however, eroded in March 1983 when Socialist and Communist officeholders lost their seats in about 30 cities in municipal balloting. Meanwhile, the Communists had become disaffected by government policies and did not seek appointments in the cabinet named when a new Socialist prime minister, Laurent Fabius, was appointed in July 1984.

The National Assembly elections held in March 1993 represented a major defeat for the Socialist Party and their allies. The RPR and UDF won 247 and 213 seats, respectively, while the Socialists were reduced to 67 seats. The Communists also suffered losses, securing only 24 seats. Minor parties and independents won 26 seats. In cantonal elections held in March 1985, the candidates of the left won less than 40% of the vote, while candidates on the right increased their share by 10–15%. The Socialists lost 155 of the 579 Socialist seats that were at stake. As a result, the Socialists introduced a new system of proportional voting aimed at reducing their losses in the forthcoming general election of 16 March 1986. The Socialists and their allies nevertheless won only 33% of the vote and 216 seats out of 577 in the expanded National Assembly. The RPR, the UDF, and their allies received 45% of the vote and 291 seats. The Communists, suffering a historic defeat, split the remaining 70 seats evenly with the far-right National Front, which won representation for the first time. The Socialists remained the largest single party, but the coalition led by the RPR and UDF had a majority; on that basis, Mitterrand appointed RPR leader Chirac as prime minister, heading a center-right government. Following his defeat by Mitterrand in the May 1988 presidential election, Chirac resigned and a minority Socialist government was formed.

In 1995, Jacques Chirac was elected president, defeating Socialist Lionel Jospin. In 1997, one year before they were scheduled, Chirac called for new parliamentary elections, hoping to achieve a mandate to inaugurate his policy of fiscal austerity. Instead, the Gaullists suffered a stunning defeat by the Socialists and Communists, leading to the appointment of Jospin as prime minister. In those elections, held 25 May and 1 June 1997, the Gaullists saw their parliamentary presence decline from 464 seats to 249; the

Socialists (and related splinter groups) went from 75 seats to 273; the Communists from 24 to 38; the Greens from no seats to 8; and the far-right National Front maintained its single seat.

The first round of presidential elections were held on 21 April 2002, with Jospin coming in third behind National Front leader Jean-Marie Le Pen and Jacques Chirac in the first round. Two days after these results, on 23 April 2002, the Union en Mouvement (Union in Motion—UEM) was dissolved and replaced by the Union pour la majorité présidentielle (Union for Presidential Majority—UMP) in order to create a major public support behind Chirac in his second round face-off with Le Pen. In May 2002, Jacques Chirac defeated Jean-Marie Le Pen in the second round, taking 82.2% of the vote to Le Pen's 17.8%.

In the National Assembly elections held in June 2002, Chirac's UMP (RPR united with the Liberal Democracy party, formerly the Republican Party) won an overwhelming majority of seats, taking 357 to the Socialists' 140. The National Front failed to win a single seat; the UDF held 29 seats and the Communists took 21. The Greens held only three seats.

On 17 November 2002, the UMP changed its name to Union pour un Mouvement Populaire (Union for a Popular Movement), keeping the same acronym but modifying the out-of-date appellation.

Its first test occurred in March 2004, during the cantonal and regional elections. While suffering a devastating loss, it managed, through alliances, to secure a relative majority of the votes.

Its second test was the European elections, also held in 2004. The UMP won only 17% of the votes, while the Socialist Party earned 29% and the UDF (composed of members that refused to join in the UMP) reached 12%. The UDF's relative success was largely caused by the attractive alternative that it offered voters that were unhappy with the government's take on social and European issues.

The relative slump of the right can also be explained by the rise of popularity of the National Front and the unpopularity generated by the Raffarin governments.

## 15 LOCAL GOVERNMENT

In 1972, parliament approved a code of regional reforms that had been rejected when proposed previously by President de Gaulle in 1969. Under this law, the 96 departments of metropolitan France were grouped into 22 regions. Regional councils composed of local deputies, senators, and delegates were formed and prefects appointed; in addition, regional economic and social committees, made up of labor and management representatives, were created. This system was superseded by the decentralization law of 2 March 1982, providing for the transfer of administrative and financial authority from the prefect to the general council, which elects its own president; the national government's representative in the department is appointed by the cabinet. The 1982 law likewise replaced the system of regional prefects with regional councils, elected by universal direct suffrage, and, for each region, an economic and social committee that serves in an advisory role; the national government's representative in each region, named by the cabinet, exercises administrative powers. The first regional assem-

bly to be elected was that of Corsica in August 1982; the first direct assembly elections in all 22 regions were held in March 1986.

Each of the 96 departments (and four overseas: Martinique, Guadeloupe, Reunion and French Guiana) is further subdivided for administrative purposes into *arrondissements*, cantons, and communes (municipalities). The basic unit of local government is the commune, governed by a municipal council and presided over by a mayor. A commune may be an Alpine village with no more than a dozen inhabitants, or it may be a large city, such as Lyon or Marseille. The majority, however, are small. In 1990, only 235 communes out of 36,551 had more than 30,000 inhabitants; 84% of all communes had fewer than 1,500 inhabitants, and 43% had fewer than 300. (As of 2002, France had 36,763 communes). Most recently the trend has been for the smallest communes to merge and create larger urban communities, or to come together as communal syndicates to share responsibilities. Municipal councilors are elected by universal suffrage for six-year terms. Each council elects a mayor who also serves as a representative of the central government. Several communes are grouped into a canton, and cantons are grouped into *arrondissements*, which have little administrative significance. As of 1 January 2005, France had 36,779 communes (214 of them overseas).

## 16 JUDICIAL SYSTEM

There are two types of lower judicial courts in France, the civil courts (471 tribunaux d'instance and 181 tribunaux de grande instance in 1985, including overseas departments) and the criminal courts (tribunaux de police for petty offenses such as parking violations, tribunaux correctionnels for criminal misdemeanors). The function of the civil courts is to judge conflicts arising between persons; the function of the criminal courts is to judge minor infractions (*contraventions*) and graver offenses (*délits*) against the law. The most serious crimes, for which the penalties may range to life imprisonment, are tried in assize courts (*cours d'assises*); these do not sit regularly but are called into session when necessary. They are presided over by judges from the appeals courts. In addition, there are special commercial courts (*tribunaux de commerce*), composed of judges elected among themselves by tradesmen and manufacturers, to decide commercial cases; conciliation boards (*conseils de prud'hommes*), made up of employees and employers, to decide their disputes; and professional courts with disciplinary powers within the professions. Special administrative courts (*tribunaux administratifs*) deal with disputes between individuals and government agencies. The highest administrative court is the Council of State (*Conseil d'État*).

From the lower civil and criminal courts alike, appeals may be taken to appeals courts (*cours d'Appel*), of which there were 27 in 2003. Judgments of the appeals courts and the courts of assize are final, except that appeals on the interpretation of the law or points of procedure may be taken to the highest of the judicial courts, the Court of Cassation in Paris. If it finds that either the letter or spirit of the law has been misapplied, it may annul a judgment and return a case for retrial by the lower courts. The High Court of Justice (*Haute Cour de Justice*), consisting of judges and members of parliament, is convened to pass judgment on the president and cabinet members if a formal accusation of treason or criminal behavior has been voted by an absolute majority of both the Na-

tional Assembly and the Senate. The death penalty was abolished in 1981.

The Conseil Constitutionnel, created by the 1958 constitution, is now the only French forum available for constitutional review of legislation. Challenges to legislation may be raised by the president of the republic, the prime minister, the president of the Senate, the president of the National Assembly, 60 senators, or 60 deputies of the National Assembly during the period between passage and promulgation (signature of president). Once promulgated, French legislation is not subject to judicial review.

The French judiciary is fully independent from the executive and legislative branches. The judiciary is subject to European Union mandates, which guide national law. This has been the case in the Court of Cassation since 1975, in the Council of State since 1989, and now even in the civil courts.

## 17 ARMED FORCES

In 2005 there were 254,895 active personnel in the French armed services. An additional 104,275 served in the Gendarmerie Nationale, which is heavily armed. Reserves totaled 21,650 from all services. In 2005 the military budget was \$41.6 billion.

France's strategic nuclear forces in 2005 had 4,041 active personnel, of which 2,200 were Navy personnel, 1,800 Air Force, and 41 Gendarmerie Nationale. Equipment included four SSBNs, 24 Navy and 60 Air Combat Command fighter/ground attack aircraft. The French have the third-largest nuclear arsenal in the world with a suspected total of 482 weapons. The Army in 2005 numbered 133,500 military and 28,500 civilian personnel. Included were 7,700 members of the Foreign Legion, a 14,700 member marine force and an estimated 2,700 Special Operations Forces, as part of the French Army. Equipment included 926 main battle tanks, 1,809 reconnaissance vehicles, 601 armored infantry fighting vehicles, 4,413 armored personnel carriers, and 787 artillery pieces (105 towed).

The French Navy numbered 46,195 active personnel and 10,265 civilians in 2005. For that year, the Navy was equipped with 10 modern submarines (4 SSBNs and 6 SSNs), 34 principal surface combatants (including one CVN and one CVH or helicopter carrier), and 85 other ships for mine warfare, amphibious operations, and logistics and support. France had 6,443 naval aviation personnel. There were also 2,050 naval marines, including 500 commandos. The Navy also provided coast guard services and fishery protection. The French Air Force numbered 65,400 active members, plus 5,700 civilians, and operated 295 combat capable aircraft.

France maintains substantial forces abroad in a number of countries, current and former possessions, and protectorates. These forces are supported by aircraft and naval ships in the Indian and Pacific oceans, and in the Caribbean. France has substantial garrisons in Antilles-Guyana, New Caledonia, Réunion Island, and Polynesia, and it provides military missions and combat formations to several African nations. Troops are also deployed on peacekeeping missions in several different regions and countries.

## 18 INTERNATIONAL COOPERATION

France is a charter member of the United Nations, having joined on 24 October 1945, and actively cooperates in ECE, ECLAC, ESCAP, and most of the nonregional specialized agencies; it is one of the five permanent members of the Security Council. France

joined the WTO in 1995. France is also a founding member of the European Union. Although France still belongs to NATO, in 1966 the nation withdrew its personnel from the two integrated NATO commands—Supreme Headquarters Allied Powers Europe (SHAPE) and Allied Forces Central Europe (AFCENT). In December 1995, the country announced an intention to increase participation in the NATO military wing once again. France is a member of the Asian Development Bank, the African Development Bank, the Central African States Development Bank (BDEAC), European Bank for Reconstruction and Development, Council of Europe, OAS (as a permanent observer), OECD, OSCE, G-5, G-7, G-8, the Association of Caribbean States (ACS), and the Paris Club.

Since 2003, France has supported four UN Security Council (UNSC) resolutions on Iraq. The country serves as a commissioner on the UN Monitoring, Verification, and Inspection Commission and has also offered support to UN missions in Kosovo (est. 1999), Lebanon (1978), the Western Sahara (1991), Ethiopia and Eritrea (2000), Liberia (2003), the DROC (1999), and Haiti (2004).

France belongs to the Australia Group, the Nuclear Suppliers Group (London Group), the Nuclear Energy Agency, the Zangger Committee, the Organization for the Prohibition of Chemical Weapons, and the European Organization for Nuclear Research (CERN). In environmental cooperation, France is part of the Antarctic Treaty; the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; CITES; the London Convention; International Tropical Timber Agreements; the Kyoto Protocol; the Montréal Protocol; MARPOL; and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

France is one of the most richly endowed countries of Europe. The favorable climate, extensive areas of rich soil, and long-established tradition of skilled agriculture have created ideal conditions for a thriving farm economy. Agriculture and the agro-food industries account for a larger share of economic activity than in many other west European nations. Large deposits of iron ore, a well-integrated network of power plants, important domestic reserves of natural gas, good transport, and high standards of industrial workmanship have made the French industrial complex one of the most modern in Europe.

After World War II, France's economy was stronger than it had been in the period between the two world wars. But on the debit side were the extremely high costs of France's colonial campaigns in Indochina and North Africa; the periodic lack of confidence of French investors in the nation's economy, resulting in the large-scale flight of funds; and the successive devaluations of the franc.

Through most of the 1960s and early 1970s, the French economy expanded steadily, with GDP more than doubling between 1959 and 1967. However, the international oil crisis of 1974 led to a sharp rise in import costs; the resulting inflation eroded real growth to about 3% annually between 1977 and 1979. Further oil price increases in 1979–80 marked the beginning of a prolonged recession, with high inflation, high unemployment, balance-of-payments deficits, declining private investment, and shortages in foreign exchange reserves. However, GDP grew by an annual average of 2.5% between 1984 and 1991. During the early 1990s,

GDP expanded by an average 2%, a modest rate. By the late 1990s, however, the economy began to record higher growth rates. In 1998 the French economy grew by 3.3% in real terms. Unemployment, however, remained high at 11.5%. To combat this, the Socialist-led coalition of Lionel Jospin enacted legislation cutting the work week to 35 hours in 2000. This measure, along with other incentives, resulted in unemployment falling under 10% as over 400,000 new jobs were created in the first half of 2000. In 2002, GDP growth was low (1%), due to the global economic slowdown and a decline in investment. However, France's exports increased at a greater rate than imports, fueling the economy. France in 2002 fell from being the world's fourth-largest industrialized economy to fifth, being replaced by the United Kingdom. In 2004, France had a \$1.737 trillion economy, in purchasing power parity terms. In 2004, real GDP growth was 1.9%. In 2005, real GDP growth was expected to slow to 1.4%, before picking up to 1.6% in 2006 and 2.2% in 2007.

France and the United States are the world's top two exporting countries in defense products, agricultural goods, and services. Taxes remain the highest in the G-8 industrialized countries, and the tax structure is seen as a hindrance to business activity. The fastest-growing sectors of the economy have been telecommunications, aerospace, consulting services, meat and milk products, public works, insurance and financial services, and recreation, culture, and sports. Although the government has privatized many large companies, banks, and insurers, it still controls large sectors of the economy, including energy, transportation, and the defense industry.

The French social model, characterized by heavy state involvement in the economy, a tax on wealth, and generous benefits for workers, has proved to be a strong disincentive to growth and job creation. Unemployment, at 9.8% in September 2005, is double that in the United Kingdom. The pension system and rising health-care costs strain public finances. Attempts to liberalize the economy have met strong resistance from labor unions and the left. Pension reforms proposed by the government of Jean-Pierre Raffarin in early 2003 were met by huge protests and strikes in France. Discontent with the economy played a large role in France's rejection of the EU constitution in May 2005. Dominique de Villepin, who became prime minister after the EU vote, promised to focus on unemployment and was in the process of engineering the sale of parts of Gaz de France and Electricité de France (the world's largest generator of nuclear power) to help compensate for state deficits. Violent unrest in hundreds of towns erupted in the fall of 2005, triggered by frustration over high unemployment among urban youth. Politicians were faced with the challenge to craft social and economic policies to address the underlying causes of the rioting, which was centered in communities with large African and Arab populations, where youth unemployment reportedly approached 40% (and stood at 25% in the country overall).

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 France's gross domestic product (GDP) was estimated at \$1.8 trillion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current

dollars. The per capita GDP was estimated at \$29,900. The annual growth rate of GDP was estimated at 1.5%. The average inflation rate in 2005 was 1.9%. It was estimated that agriculture accounted for 2.5% of GDP, industry 21.4%, and services 76.1%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$11.418 billion or about \$191 per capita and accounted for approximately 0.6% of GDP.

The World Bank reports that in 2003 household consumption in France totaled \$976.15 billion or about \$16,324 per capita based on a GDP of \$1.8 trillion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 1.6%. In 2001 it was estimated that approximately 22% of household consumption was spent on food, 9% on fuel, 3% on health care, and 8% on education. It was estimated that in 2000 about 6.5% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, the French workforce was estimated at 27.72 million. In 1999 (the latest year for which data was available), 71.5% of the workforce was employed in the services sector, with industry accounting for 24.4%, and 4.1% in agriculture. As of 2005, the unemployment rate was estimated at 10%, although overall youth unemployment was much higher (25%), with unemployment among urban youth approaching 40%.

Although only about 7% of the workforce was unionized as of 2005, trade unions have significant influence in the country. Workers freely exercise their right to strike unless it is prohibited due to public safety. Many unions are members of international labor organizations. Collective bargaining is prevalent. It is illegal to discriminate against union activity.

The government determines the minimum hourly rate, which was the equivalent of \$9.64 as of 2005. This amount provides a decent standard of living for a family. The standard legal workweek is set at 35 hours with restrictions on overtime. Children under age 16 are not permitted to work, and there are restrictions pertaining to employment of those under 18. Child labor laws are strictly enforced. The labor code and other laws provide for work, safety, and health standards.

## 22 AGRICULTURE

Agriculture remains a vital sector of the French economy, even though it engages only about 3.3% of the labor force and contributes about 3% of the GDP. Since the early 1970s, the agricultural labor force has diminished by about 60%. In 2003, France's full-time farm labor force of 592,550 was still the second-highest in the EU. France, whose farms export more agricultural food products than any other EU nation (accounting for 19% of the EU's total agricultural output in 2003), is the only country in Europe to be completely self-sufficient in basic food production; moreover, the high quality of the nation's agricultural products contributes to the excellence of its famous cuisine. France is one of the leaders in Europe in the value of agricultural exports—chiefly wheat, sugar,

wine, and beef. Tropical commodities, cotton, tobacco, and vegetable oils are among the chief agricultural imports.

As of 2003 36% of France's area was arable. About 11.8 million hectares (29.1 million acres) of the usable farm area is under annual crops, with another 228,000 hectares (563,000 acres) in permanent crops. There were 735,000 farms in France in 1995, of which only 454,000 were managed by full-time farmers. Since the 1950s, the number of farms has declined and the size of individual holdings has increased. By 1983 there were about 1.13 million farms, as compared to 2.3 million in 1955, and the average farm size was about 26 hectares (64 acres). Average farm size had grown to around 50 hectares (124 acres) in 2000. Because French law provides for equal rights of inheritance, traditionally much of the farmland came to be split up into small, scattered fragments. One of the major aims of postwar plans for rural improvement has been the consolidation of these through reallocation. Such consolidation also fosters the growth of mechanization. In 2003 there were 1,264,000 tractors (fourth in the world after the United States, Japan, and Italy) compared with 100,000 in 1948, and 1,327,900 in 1974.

Of the total productive agricultural area, about 61% is under cultivation, 35% is pasture, and 4% vineyards. The most productive farms are in northern France, but specialized areas, such as the vegetable farms of Brittany, the great commercial vineyards of the Languedoc, Burgundy, and Bordeaux districts, and the flower gardens, olive groves, and orchards of Provence, also contribute heavily to the farm economy.

Among agricultural products, cereals (wheat, barley, oats, corn, and sorghum), industrial crops (sugar beets, flax), root crops (potatoes), and wine are by far the most important. In 2004, the wheat crop totaled 39,704,000 tons and barley, 11,040,000 tons. Other totals (in tons) included oats, 598,000; corn, 16,391,000; sugar beets, 30,554,000; rapeseed, 3,969,000 tons; and sunflower seed, 1,467,000 tons. Wine production in 2004 totaled 557 million liters from 7,542,000 tons of grapes. There is large-scale production of fruits, chiefly apples, pears, peaches, and cherries.

## 23 ANIMAL HUSBANDRY

Output of animal products in 2003 was valued at nearly €3.7 billion, the highest in the EU. In 2005, farm animals included 19.3 million head of cattle, 15 million swine, 10.2 million sheep and goats, and 355,000 horses. Poultry and rabbits are raised in large numbers, both for farm families and for city markets. Percheron draft horses are raised in northern France, range cattle in the central highlands and the flatlands west of the Rhône, and goats and sheep in the hills of the south. Meat production in 2005 included 1,529,000 tons of beef and veal, 2,257,000 tons of pork, 1,971,000 tons of poultry, and 123,000 tons of mutton. Meat exports in 2004 were valued at over \$3.3 billion.

Dairy farming flourishes in the rich grasslands of Normandy. Total cows' milk production in 2005 was 25,282,000 tons. France produces some 300 kinds of cheese; in 2005, production totaled about 1,824,000 tons. Butter and egg production were 426,000 and 1,245,000 tons, respectively. Dairy and egg exports generated \$5 billion in 2005.

## 2<sup>4</sup> FISHING

France's 4,716 km (2,930 mi) of coastline, dotted with numerous small harbors, has long supported a flourishing coastal and high-seas fishing industry. Total fish production in 2003 amounted to 874,397 tons (valued at €1,686 million) with the fresh wild catch accounting for 44%; the frozen wild catch, 27%; and aquaculture, 28%. French aquaculture consists mainly of oyster and mussel production; most of the facilities are located along the English Channel and the Atlantic coasts. Aquaculture yielded 246,919 tons in 2003, valued at €542 million.

Herring, skate, whiting, sole, mackerel, tuna, sardines, lobsters, and mussels make up the principal seafood catch, along with cod, mostly from the fishing banks off northern North America, where French fishing vessels have sailed for centuries. Production of canned seafood products in 2003 totaled 80,501 tons, mostly tuna, mackerel, and sardines.

In 2004, France's trade deficit for seafood products was 604,050 tons, valued at over €2.1 billion. The United Kingdom and Norway are France's leading seafood suppliers.

## 2<sup>5</sup> FORESTRY

Forestry production in France has been encouraged by the government since the 16th century, when wood was a strategic resource in building warships. Although much of the original forest cover was cut in the course of centuries, strict forest management practices and sizable reforestation projects during the last 100 years have restored French forests considerably. Since 1947, the government has subsidized the afforestation and replanting of 2.1 million hectares (5.2 million acres) of forestland along with thousands of miles of wood transport roads. The reforestation project in the Landes region of southwestern France has been particularly successful. During 1990–2000, the forested area increased by an annual average of 0.4%. About 66% of the forestland is covered with oak, beech, and poplar and 34% with resinous trees. There were some 16 million hectares (39.5 million acres) of forest in 2001, amounting to 29% of France's total area. This makes France the third most forested country in the EU, behind Sweden and Finland. The forestry and wood products sector employed 257,000 persons in 35,000 companies in 2000. In 2004, the gross value added by France's forestry industry was €2.9 billion.

Production of roundwood in 2004 was 34.6 million cu m (1.22 billion cu ft), and was supplemented with imports. Hardwood log production reached 6.5 million cu m (229 million cu ft) that year, while plywood panel production amounted to 500,000 cu m (17.6 million cu ft). Softwood log production totaled 13 million cu m (459 million cu ft) in 2004. Trade in forestry products in 2003 amounted to \$8.1 billion in imports and \$6.3 billion in exports.

In December 1999, a hurricane hit France and damaged an estimated 50 million cu m (1.8 billion cu ft) of trees, with 31 million cu m (1.1 billion cu ft) in public forests.

## 2<sup>6</sup> MINING

France was a major European mineral producer, despite significant declines in the production of traditional minerals in recent years. France was among the leading producers of coal, was Europe's only producer of andalusite, and counted iron among its top export commodities in 2002. France was also self-sufficient in salt,

potash, fluorspar, and talc. Talc de Luzenac, a subsidiary of Rio Tinto, was the leading producer of talc in the world. In addition, France had sizable deposits of antimony, bauxite, magnesium, pyrites, tungsten, and certain radioactive minerals. One of the world's most developed economies, France had to make considerable changes in the structure of its industries, particularly those mineral industries controlled by the state. Prior to 2000, the state's heavy economic and political involvement was a main element of national mineral policy. Cessation of government subsidies to unprofitable operations, cheaper foreign sources, and depletion of mineral reserves have greatly affected the industry, particularly bauxite, coal, iron ore, lead, uranium, and zinc. The government has made efforts to promote the private sector, to proceed with a program of privatization, and to reduce the dependence of state-owned companies on subsidies. To encourage exploration, the government in 1995 passed a law expediting the granting of surveying and mining licenses.

Production figures for 2003 were: agricultural and industrial limestone, 12,000 metric tons; hydraulic cement, 20 million tons; salt (rock, refined brine, marine, and in solution), 6.673 million tons; crude gypsum and anhydrite, 3.5 million tons (France was one of Europe's largest producers of gypsum, with two-thirds coming from the Paris Basin); marketable kaolin and kaolinitic clay, 323,000 tons; crude feldspar, 671,000 tons; marketable fluorspar, 89,000 tons; barite, 81,000 metric tons, up slightly from 80,000 metric tons in 2003; kyanite, andalusite, and related materials, 65,000 tons; mica, 10,000 metric tons; and crude and powdered talc (significant to the European market), 645,000 metric tons. In 2003 France also produced copper; gold; silver; powder tungsten; uranium; elemental bromine; refractory clays; diatomite; lime; nitrogen; mineral, natural, and iron oxide pigments; Thomas slag phosphates; pozzolan and lapilli; and soda ash and sodium sulfate. No iron ore was produced in 2003; the iron ore basin, stretching from Lorraine northward, used to produce more than 50 million tons per year, but its high phosphorus and low iron content limited its desirability. Terres Rouges Mine, the last to operate in Lorraine, closed in 1998. France ceased producing bauxite (named after Les Baux, in southern France) in 1993. Mining of lead and zinc has completely ceased.

## 2<sup>7</sup> ENERGY AND POWER

France's energy and power sector is marked by modest reserves of oil, natural gas and coal, and a heavy reliance upon nuclear energy to meet its energy needs.

As of 1 January 2005, France had estimated proven oil reserves of 0.1 billion barrels, with the bulk of its oil production in the Paris and Aquitaine Basins. In 2001, crude oil production was 28,000 barrels per day, but declined to 23,300 barrels per day in 2004. Total oil product output, including refinery gain, came to an estimated 76,600 barrels per day, of which 30% was crude oil. In 2004, domestic demand for oil came to an estimated 1,976,900 barrels per day, making France the world's 10th-largest consumer of oil. As a result of the disparity between consumption and production, France has had to import crude oil. In 2004, net imports of crude oil came to 1.96 million barrels per day.

Like its oil resources, France's coal and natural gas reserves are very limited. As of 1 January 2005, the country had an estimated 500 billion cu ft of proven natural gas reserves. Production and

consumption of natural gas in 2003 totaled an estimated 100 billion cu ft and 1,554.5 billion cu ft, respectively.

France's recoverable coal reserves, production, and consumption in 2003 were estimated at 16.5 million short tons; 1.9 million short tons; and 21.4 million short tons, respectively. In April 2004, France closed its last operating coal mine and has since relied on coal imports to meet its demand for coal.

During the 1950s France became increasingly dependent on outside sources for petroleum. Although petroleum and natural gas continued to be produced in France itself (as they are today), the nation came to rely almost entirely on imports from oil fields of the Middle East, putting a heavy strain on the country's foreign exchange reserves. Discoveries of large supplies of natural gas and petroleum in the Sahara Desert changed the outlook radically; in 1967 France was able to meet almost half its fuel needs from countries within the franc zone. Petroleum production from the Saharan fields rose spectacularly from 8.7 million tons in 1960 to 53 million tons in 1970. Although France lost title to the Saharan deposits after Algerian independence, arrangements were made with the Algerian government to keep up the flow of oil to France.

Developments in the 1970s exposed the limitations of this strategy. Algeria took controlling interest in French oil company subsidiaries in 1971. The oil shocks of the mid- and late 1970s drove France's fuel and energy imports up; in 1975, fuel imports accounted for 22.9% of all imports. In response, France began an energy conservation program, but oil consumption continued to increase between 1973 and 1980, when fuel imports made up 26.6% of total imports. Mergers involving France's top oil companies in 1999 and 2000 created the fourth-largest oil company in the world, TotalFinaElf.

France's electric power sector is marked by a heavy reliance upon nuclear power. France has become the world's leading producer of nuclear power per capita, with the world's second-greatest nuclear power capacity (exceeded only by the United States). Nuclear power accounts for 78.5% of the electric power generated in France, followed by hydroelectric at 11.5% and conventional thermal at 9.3%. In 2003, France had an installed generating capacity estimated at 112 GW, with production and consumption estimated at 536.9 billion kWh and 433.3 billion kWh, respectively. All electric power generation and distribution is controlled by the state-owned monopoly, Electricite de France (EdF). However, France has slowly begun to deregulate its electricity sector and to privatize EdF. France is also Europe's second-largest power market, exceeded only by Germany.

## 28 INDUSTRY

Industry has expanded considerably since World War II, with particularly significant progress in the electronics, transport, processing, and construction industries. France is the world's fourth-leading industrial power, after the United States, Japan, and Germany (although France was surpassed by the United Kingdom in 2002 as the world's fourth-largest economy). Manufacturing accounted for almost 80% of total exports of goods and services in 2005, and exports represent about 27% of French GDP.

In 2004, the industrial sector accounted for 24.3% of GDP. Manufacturing, including construction and engineering, accounts for 29% of all jobs, 40% of investments, and almost 80% of exports. The state has long played an active role in French industry, but

government involvement was greatly accelerated by a series of nationalization measures enacted by the Socialists in 1982. By 1983, about one-third of French industry—3,500 companies in all—was under state control. However, there was some privatization during 1986–88, later resumed in 1993, with 21 state-owned industries, banks, and insurance companies scheduled to be sold. Although substantial progress had been made in privatization in the early 2000s, the government still held a majority stake in such industries as aeronautics, defense, automobiles, energy, and telecommunications. In July 2005, the government partially privatized Gaz de France, and in October gave the go-ahead for the partial privatization of Electricité de France.

Although France's industrial output has quadrupled since 1950, by 2005 nearly 1.5 million jobs had been lost since the 1980s. This shrinkage reflects not only steadily rising productivity, but also the major restructuring of industry due to globalization and the instability of oil markets. In this respect, French industry has seen a rapid concentration of its firms and a sharp rise in direct investment abroad. As of 2005, French companies controlled some 15,800 subsidiaries outside France, employing 2.5 million people. On the other hand, 2,860 companies controlled by foreign capital are responsible for 28% of France's output, 24% of jobs, and 30% of the manufacturing sector. France is the third-largest destination of inward investment in the world, after the United States and the United Kingdom, above all in the fields of information technology, pharmaceuticals, machine tools, and precision instruments.

The steel industry has suffered because of international competition and a general shift away from steel to aluminum and plastics. The French aluminum industry is dominated by a factory in Dunkirk owned by Pechiney, which was privatized at the end of 1995.

The French automotive industry ranks third in world exports. The two leading companies are PSA (which controls the Peugeot and Citroen brands) and Renault, the latter state-owned. The domestic market, however, has fallen prey to foreign competitors, especially from Germany and Japan, forcing the French auto makers to make greater use of robots, lay off workers, and open plants abroad.

The French aircraft industry, not primarily a mass producer, specializes in sophisticated design and experimental development. Some of its models, such as the Caravelle and the Mirage IV, have been used in over 50 countries. Aérospatiale became a state company after World War II. Airbus, based in Toulouse and formed in 1970 following an agreement between Aérospatiale and Deutsche Aerospace (Germany), is the world's largest manufacturer of commercial aircraft. Airbus was incorporated in 2001 under French law as a simplified joint stock company. The Airbus A380 will seat 555 passengers and be the world's largest commercial passenger jet when it enters service in 2006.

The chemical industry, although not as strong as its rivals in Germany and the United States, ranks fourth in the world. The pharmaceuticals, perfume, and cosmetics industry is highly significant. France is the world's largest exporter of perfumes.

The textile industry is also important: France is the world's fourth-largest exporter of women's clothing. However, foreign competition has cut into the French textile industry. Following the expiration of the World Trade Organization's longstanding system of textile quotas at the beginning of 2005, the EU signed

an agreement with China in June 2005 imposing new quotas on 10 categories of textile goods, limiting growth in those categories to between 8% and 12.5% a year. The agreement runs until 2007, and was designed to give European textile manufacturers time to adjust to a world of unfettered competition. Nevertheless, barely a month after the EU-China agreement was signed, China reached its quotas for sweaters, followed soon after by blouses, bras, T-shirts, and flax yarn. Tens of millions of garments piled up in warehouses and customs checkpoints, which affected both retailers and consumers.

Agribusiness is an increasingly important industry, supplying France's vast number of restaurants and hotels. The food processing industry is a major force in the French economy. Cooperative ventures are particularly important to the food industry. France is the world's second-largest wine producer after Italy. It is the world's second-largest exporter of cheeses.

The great concentrations of French industry are in and around Paris, in the coal basin of northern France, in Alsace and Lorraine, and around Lyon and Clermont-Ferrand. French industry, in general, is strong on inventiveness and inclined toward small-scale production of high-quality items. The French government offers subsidies and easy credit to firms undertaking relocation, reconversion, or plant modernization.

## 29 SCIENCE AND TECHNOLOGY

French inventors played a pivotal role in the development of photography and the internal combustion engine. To French ingenuity the world also owes the first mechanical adding machine (1642), the parachute (1783), the electric generator (1832), the refrigerator (1858), and the neon lamp (1910). French industry has pioneered in the development of high-speed transportation systems, notably the supersonic Concorde and the TGV high-speed train, and French subway companies have built or provided equipment for mass-transit systems in Montréal, Mexico City, Río de Janeiro, and other cities.

France is a leading exporter of nuclear technology and has developed the first commercial vitrification plant for the disposal of radioactive wastes by integrating them in special glass and then encasing the glass in stainless steel containers for burial. In 1965, France was the third nation, after the USSR and the United States, to launch its own space satellite. The French no longer launch their own satellites, however, preferring instead to contribute to the European Space Agency.

The Académie des Sciences, founded by Louis XIV in 1666, consists of eight sections: mathematics, physics, mechanics, astronomy, chemistry, cellular and molecular biology, animal and plant biology, and human biology and medical sciences. The Centre National de la Recherche Scientifique (CNRS), founded in 1939, controls more than 1,370 laboratories and research centers. In 1996, the CNRS employed 19,391 researchers and engineers and 7,263 technicians and administrative staff. In addition, there are well over 100 other scientific and technological academies, learned societies, and research institutes. France has a large number of universities and colleges that offer courses in basic and applied sciences. The Palais de la Découverte in Paris (founded in 1937) is a scientific center for the popularization of science. It has departments of mathematics, astronomy, physics, chemistry, biology, medicine, and earth sciences, and includes a planetarium

and cinema. A similar Parisian facility is the Cité des Sciences et de l'Industrie (founded in 1986). The city also has the Musée National des Techniques (founded in 1794) and the Musée de l'Air et de l'Espace (founded in 1919).

In 1987–97, science and engineering students accounted for 37% of university enrollment. In 2002, of all bachelor's degrees awarded, 27.1% were for the sciences (natural, mathematics and computers, and engineering).

In 2002, France's total research and development (R&D) expenditures amounted to \$36,357.186 billion or 2.27% of GDP, of which business provided 52.1%, followed by the government at 38.4%, foreign sources at 8%, and higher education at 0.7%. In that same year, high-tech exports were valued at \$52.582 billion and accounted for 21% of manufactured exports. R&D personnel in 2002 numbered 3,134 scientists and engineers per million people.

## 30 DOMESTIC TRADE

The heart of French commerce, both domestic and foreign, is Paris. One-third of the country's commercial establishments are in the capital, and in many fields Parisian control is complete. The major provincial cities act as regional trade centers. The principal ports are Marseille, for trade with North Africa and with the Mediterranean and the Middle East; Bordeaux, for trade with West Africa and much of South America; and Le Havre, for trade with North America and northern Europe. Dunkerque and Rouen are important industrial ports.

The trend away from traditional small retailers is seen as a threat to tradition and, in some areas of the country, government assistance is offered to small retailers. Even so, larger retail outlets and hypermarkets have gained ground. Mail order sales and specialty chain stores have also grown. In 1999, metropolitan France had about 30,000 wholesale enterprises. In 2000, there were 5,863 supermarkets. In 2002, there were about 107 department stores. Among the 50 largest commercial companies in France are the department stores Au Printemps and Galeries Lafayette. A value-added tax (VAT) of 19.6% applies to most goods and services.

Business hours are customarily on weekdays from 9 AM to noon and from 2 to 6 PM. Normal banking hours are 9 AM to 4:30 PM, Monday–Friday. Most banks are closed on Saturdays; to serve a particular city or larger district, one bank will usually open Saturday mornings from 9 AM to noon. Store hours are generally from 10 AM to 7 PM, Monday–Saturday. Most businesses close for three or four weeks in August.

Advertising in newspapers and magazines and by outdoor signs is widespread. A limited amount of advertising is permitted on radio and television. Trade fairs are held regularly in Paris and other large cities.

## 31 FOREIGN TRADE

Leading French exports, by major categories, are capital goods (machinery, heavy electrical equipment, transport equipment, and aircraft), consumer goods (automobiles, textiles, and leather), and semifinished products (mainly chemicals, iron, and steel). Major imports are fuels, machinery and equipment, chemicals and paper goods, and consumer goods.

The French trade balance was favorable in 1961 for the first time since 1927, but after 1961 imports rose at a higher rate than



exports. Trade deficits generally increased until the 1990s. From 1977 to 1985, the trade deficit nearly tripled. Among factors held responsible were heavy domestic demand for consumer products not widely produced in France, narrowness of the range of major exports, and a concentration on markets not ripe for expansion of exports from France, notably the EU and OPEC countries. In the following years a growing change in the trade balance developed, and the deficit narrowed appreciably in 1992. By 1995, France had a trade surplus of \$34 billion. By 2004, however, France once again had a trade deficit, of \$7.9 billion. In all, France is the world's fourth-largest exporter of goods and the third-largest provider of services. France is the largest producer and exporter of farm products in Europe. Total trade for 2004 amounted to \$858.2 billion, over 40% of GDP.

Garnering the highest revenues of export commodities from France are transport machinery, including automobiles, vehicle parts, and aircraft. French wine, perfumes, and cosmetics represent about a quarter each of the world market in their respective categories.

Trade with EU countries accounted for 61% of all French trade in 2004. In 2004, France's leading markets were Germany (15% of total exports), Spain (10.4%), the United Kingdom (9.4%), and Italy (9.3%). Leading suppliers were Germany (17.4% of all imports), Italy (9%), Belgium-Luxembourg (7.8%), and Spain (7.4%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Between 1945 and 1958, France had a constant deficit in its balance of payments. The deficit was financed by foreign loans and by US aid under the Marshall Plan, which totaled more than \$4.5 billion. A 1958 currency reform devalued the franc by 17.5%, reduced quota restrictions on imports, and allowed for repatriation of capital; these measures, combined with increased tourist trade and greater spending by US armed forces in the franc zone, improved France's payments position. With payments surpluses dur-

ing most of the 1960s, gold and currency reserve holdings rose to \$6.9 billion by the end of 1967. However, a massive deficit in 1968 led to another devaluation of the franc in 1969, and by 31 December 1969, gold and reserve holdings had dropped to \$3.8 billion. After surpluses in 1970–72 raised international reserves to over \$10 billion, price increases for oil and other raw materials resulted in substantial negative balances on current accounts in 1973 and 1974; because of this, France required massive infusions of short-term capital to meet its payments obligations.

Huge surpluses on the services account led to positive payments balances during 1977–80, when reserves rose by nearly \$9.7 billion. After that, France's trade position deteriorated sharply. Foreign exchange reserves fell from \$27.8 billion as of March 1981 to \$14.1 billion by March 1983. To meet its payments obligation, France had to secure a \$4 billion standby credit from international banks as well as loans from Saudi Arabia and the EC. During the mid-1980s, the trade deficit generally moderated; the current accounts balance recovered in 1985 from the heavy deficits of the past.

In 1992, the merchandise trade account recorded a surplus after having recorded a significant deficit of 1990. Trade in industrial goods (including military equipment) and a surplus in the manufacturing sector (the first since 1986) were responsible for the boost in exports. Economic growth rose throughout 1994 due to exports to English-speaking countries and a strong economy in Europe. Exports of both goods and services significantly contributed to GDP growth in 1995 with exports of goods totaling \$270.4 billion and imports totaling \$259.2 billion, resulting in a trade balance on goods of \$11.2 billion. Exports of services totaled \$97.8 billion while imports totaled \$78.5 billion, resulting in a balance on services of \$19.2 billion.

Although France in recent years has run consistent trade and current account surpluses, the country's trade balance showed a deficit in 2001, the first since 1991. It turned around in 2002. The value of merchandise exports in 2004 totaled \$421.1 billion, while imports totaled \$429.1 billion, resulting in a trade deficit of \$7.9 billion. Total trade for 2004 amounted to \$858.2 billion, over 40% of GDP. France for several years had posted surpluses on the services and investment income balances. Nevertheless, the current account recorded a deficit of \$4.8 billion, or 2% of GDP in 2004.

### 3<sup>3</sup> BANKING AND SECURITIES

The Banque de France, founded in 1800, came completely under government control in 1945. It is the bank of issue, sets discount rates and maximum discounts for each bank, regulates public and private finance, and is the Treasury depository. In 1945, a provisional government headed by Gen. de Gaulle also nationalized France's four largest commercial banks, and the state thus came to control 55% of all deposits. The four banks were Crédit Lyonnais, the Société Générale, the Banque Nationale pour le Commerce et l'Industrie, and the Comptoir National d'Escompte de Paris. In 1966, the Banque Nationale and the Comptoir merged and formed the Banque Nationale de Paris (BNP).

In 1982, Socialist president François Mitterrand nationalized 39 banks, bringing the state's control over deposits to 90%. Among leading banks nationalized in 1982 was the Crédit Commercial de France, but this bank and Société Générale were privatized in 1987 by the Chirac government.

#### Balance of Payments – France (2003)

(In billions of US dollars)

<b>Current Account</b>		<b>4.4</b>
Balance on goods	1.0	
Imports	-360.8	
Exports	361.9	
Balance on services	14.9	
Balance on income	7.6	
Current transfers	-19.2	
<b>Capital Account</b>		<b>-8.2</b>
<b>Financial Account</b>		<b>-0.7</b>
Direct investment abroad	-57.4	
Direct investment in France	47.8	
Portfolio investment assets	-147.5	
Portfolio investment liabilities	136.2	
Financial derivatives	-7.1	
Other investment assets	-20.0	
Other investment liabilities	47.4	
<b>Net Errors and Omissions</b>		<b>5.8</b>
<b>Reserves and Related Items</b>		<b>-1.3</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

France's (and Europe's) biggest bank is a curiosity. *Crédit Agricole*, founded at the end of the 19th century, was for most of its life a federation of rurally based mutual credit organizations. It has preserved its rural base and plays the leading role in providing farmers with state-subsidized loans. After 1982 it was allowed to pursue a policy of diversification, so that farmers eventually accounted for only 15% of its customers. In 1995 *Crédit Agricole* was listed as the eighth-biggest bank in the world, being preceded by six Japanese banks and HSBC Holdings.

In 1999, BNP and rival *Société Générale* attempted to take over another private bank, *Paribas*. Concurrently, BNP was waging a takeover bid for *Société Générale* itself. Ultimately, BNP won outright control of *Paribas*, but only 36.8% of the shares of *Société Générale*.

*La Poste*, the postal service, which in France is an independent public entity, also offers financial services and held about 10% of the market in 2002. By virtue of the Banking Act of January 1984, the main regulatory authority for the banking sector is the *Commission Bancaire*. It is presided over by the governor of the *Banque de France*. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$300.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$896.5 billion.

Public issues of stocks and bonds may be floated by corporations or by limited partnerships with shares. Publicly held companies that wish their stock to be traded on the exchange must receive prior authorization from the Stock Exchange Commission within the Ministry of Finance. In January 1962, the two principal Paris stock exchanges were merged. The six provincial exchanges specialize in shares of medium-size and small firms in their respective regions. In 2004, a total of 701 companies were listed on *EURONEXT Paris*. Total market capitalization in that same year came to \$1,857.235 billion. In 2004, the *CAC 40* index was up 7.4% from the previous year to 3,821.2.

Measured by stock market capitalization, the Paris Bourse is the third-largest in Europe after London and Frankfurt. The Lyon Bourse is the most active provincial stock exchange. *MATIF* (*marché à terme des instruments financiers*), the financial futures exchange, was opened in Paris in 1986 and has proved a success. The *Société des Bourses Françaises* (SBF), the operator of the French stock market, has been determinedly pursuing a policy of reform and modernization, and it expects to benefit from the liberalization of financial services brought about by the EU's Investment Services Directive (ISD). French legislation, providing for the liberalization of financial services, transposed the directive into national law.

### 34 INSURANCE

Insurance is supervised by the government directorate of insurance, while reinsurance is regulated by the Ministry of Commerce. In 1946, a total of 32 major insurance companies were nationalized, and a central reinsurance institute was organized. All private insurance companies are required to place a portion of their reinsurance with the central reinsurance institute. In France, workers' compensation, tenants' property damage, third-party automobile,

hunter's liability insurance, and professional indemnity for some professions are among those insurance lines that are compulsory.

However, as of 1996, the insurance sector was being shifted completely into private hands. *Union des Assurances de Paris* (UAP), which is France's largest insurance group, was privatized in 1994. The combining of insurance services with retail banking has become fashionable in recent years, hence the neologism *bancassurance*. Partners in this practice are UAP and BNP. Another development has been to forge alliances across the Rhine in Germany. Since July 1994, insurers registered in other European Union (EU) countries have been able to write risks in France under the EU Non-Life Directive.

In 2003, the value of direct premiums written totaled \$163.679 billion, of which life premiums totaled \$105.436 billion. In 2002, *Groupama GAN* was France's leading nonlife insurer, with \$7.5 billion of nonlife premiums written. *CNP* was the leading life insurer, that same year, with \$15.3 billion in written life premiums.

### 35 PUBLIC FINANCE

The fiscal year runs from 1 January to 31 December. Deficits have been commonplace, but in recent years, efforts have been made to cut back on the growth of taxes and government spending and, since 1986, to remove major state enterprises from the expense of government ownership. Deficit reduction became a top priority of the government when France committed to the European Monetary Union (EMU). Maastricht Treaty targets for the EMU required France to reduce the government's budget deficit to 3% of GDP by 1997. The government still maintains a fairly tight hold on myriad enterprises, ranging from energy to financial services to industry; government spending accounted for 52% of GDP in 2001.

The US Central Intelligence Agency (CIA) estimated that in 2005 France's central government took in revenues of approximately \$1.06 trillion and had expenditures of \$1.1 trillion. Revenues minus expenditures totaled approximately -\$84 billion. Pub-

#### Public Finance – France (2002)

(In billions of euros, central government figures)

<b>Revenue and Grants</b>	<b>674.87</b>	<b>100.0%</b>
Tax revenue	351.19	52.0%
Social contributions	277.86	41.2%
Grants	4.36	0.6%
Other revenue	41.46	6.1%
<b>Expenditures</b>	<b>727.39</b>	<b>...</b>
General public services	110.77	15.2%
Defense	37.51	5.2%
Public order and safety	12.29	1.7%
Economic affairs	67.27	9.2%
Environmental protection	1.47	0.2%
Housing and community amenities	6.04	0.8%
Health	...	...
Recreational, culture, and religion	5.41	0.7%
Education	70.97	9.8%
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

lic debt in 2005 amounted to 66.5% of GDP. Total external debt was \$2.826 trillion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were €674.87 billion and expenditures were €727.39 billion. The value of revenues was us\$635 million and expenditures us\$292 million, based on a market exchange rate for 2002 of us\$1 = €1.0626 as reported by the IMF. Government outlays by function were as follows: general public services, 15.2%; defense, 5.2%; public order and safety, 1.7%; economic affairs, 9.2%; environmental protection, 0.2%; housing and community amenities, 0.8%; recreation, culture, and religion, 0.7%; and education, 9.8%.

### 36 TAXATION

As with most industrialized democratic systems, France's tax system is complex and nuanced, though also subject to recent movements to reductions and simplifications. The basic corporate income tax rate for filings in 2006 was 33.33%, with a social surcharge of 3.3% that is applied when the global corporate income tax charge is over €763,000. A 1.5% surcharge for 2005 was abolished for fiscal years ending on or after 1 January 2006. Long-term capital gains by firms were taxed at a basic rate of 15%, plus surcharges. However, starting in 2006, the tax rate on long-term gains from qualified shareholdings received by companies will drop to 8%. Short-term capital gains are taxed according to the progressive individual income tax schedule. The main local tax is the business tax, charged on 84% of a value derived from the rental value of the premises, 16% of the value fixed assets, and 18% of annual payroll, and at rates set by local authorities each year. The business tax (taxe professionnelle) varies significantly from place to place, with a range of 0–4%.

Individual income tax in France is assessed in accordance with a progressive schedule of statutory rates up to 48.09%. However, French tax law contains many provisions for exemptions and targeted reductions from taxable income, so that the actual income tax paid is highly individualized. Taxable capital gains for individuals include the sale of immovable property, securities and land (excluding bonds or the individual's primary residence). Gains that exceed the annual exemption are subject to a 27% tax rate. Past the fifth year, the capital gain is reduced by 10% per each year of ownership. Exempt are capital gains on the sale of the principal residence. If the sale of securities exceeds €15,000, the gains are taxed at a 27% rate.

The main indirect tax is the value-added tax (VAT) first introduced in January 1968. The standard rate in 2005 was 19.6%, with a 5.5% on most foodstuffs and agricultural products, medicines, hotel rooms, books, water and newspapers. A 2.1% rate applies to certain medicines that are reimbursed by the social security system. Nonindustrial businesses that do not pay the VAT on consumption (banks, insurance companies, the medical sector, associations, nonprofit organizations, etc.) pay a wage tax to cover social levies assessed according to a progressive schedule. Generally, social security contributions by employers range from range from approximately 35–45%, with the employee responsible for 18–23%. Inheritance taxes (succession duties) range from 5–60%, as do gift (donations) taxes. There is also a patrimonial tax of 3% on the fair market value of property owned in France, although foreign companies whose French financial assets are more than

50% are exempt. Also, foreign property holders may be exempt according to the terms of a bilateral tax treaty with France. (France is party to a numerous bilateral tax treaties with provisions that can greatly reduce tax liabilities for foreign investors.) Local taxes include a property tax, charged to owners of land and buildings, and a housing tax, charged to occupants of residential premises, assessed according to the rental value of the property. The social security system is operated separately from the general tax system, financed by contributions levied on earned income in accordance with four regimes: a general regime covering 80% of French citizens, a regime for agricultural workers, a special regime for civil servants and railway workers, and a regime for the self-employed. Tax levies have been used, however, to shore up the finances in the social security system.

### 37 CUSTOMS AND DUTIES

Virtually all import duties are on an ad valorem CIF (cost, insurance, and freight) value basis. Minimum tariff rates apply to imports from countries that extend corresponding advantages to France. General rates, fixed at three times the minimum, are levied on imports from other countries. France adheres to the EU's common external tariff for imports. Most raw materials enter duty-free, while most manufactured goods have a tariff of 5–17%. The recession of the early 1980s gave rise to calls for protectionist measures (e.g., against Japanese electronic equipment), but the socialist government remained ostensibly committed to free trade principles. Observers noted, however, that cumbersome customs clearance procedures were being used to slow the entry of certain Japanese imports, notably videotape recorders, to protect French firms. There is a standard 19.6% VAT on most imports, with a reduced rate of 5.5% for basic necessities.

### 38 FOREIGN INVESTMENT

Investment regulations are simple, and a range of financial incentives for foreign investors is available. France's skilled and productive labor force; central location in Europe, with its free movement of people, services capital, and goods; good infrastructure; and technology-oriented society all attract foreign investors. However, extensive economic regulation and taxation, high social costs, and a complex labor environment are all challenges for the investor.

All direct investments in France require advance notification of—and in some cases approval by—the Treasury Department. Investments from other EU countries cannot be refused, but the department may specify whether the investment is to be financed from French or foreign sources. High taxes dampen the investment climate: the standard rate of corporation tax in 2005 was 33.3%. In 2000, the standard rate of value-added tax (VAT) was cut from 20.6% to 19.6%.

Foreign direct investment (FDI) in France climbed from \$6.5 billion in 1973 to over \$150 billion in 1997. The book value of total FDI stock in France in 2003 was \$349 billion.

The annual inflow of FDI rose to almost \$31 billion in 1998, up from \$23 billion in 1997. From 1999 to 2002, annual FDI inflows averaged \$47.7 billion. In 2002, FDI inflow was \$48.2 billion, and in 2003 it was \$52 billion. The major investors are the United States, the United Kingdom, the Netherlands, Germany, and Belgium. In 2003, the outflow of investment totaled \$63 billion.

France invests most heavily in the United Kingdom, the United States, Germany, and Switzerland.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Since World War II (1939–45), France has implemented a series of economic plans, introduced to direct the postwar recovery period but later expanded to provide for generally increasing governmental direction of the economy. The first postwar modernization and equipment plan (1947–53) was designed to get the machinery of production going again; the basic economic sectors—coal, steel, cement, farm machinery, and transportation—were chosen for major expansion, and productivity greatly exceeded the target goals. The second plan (1954–57) was extended to cover all productive activities, especially agriculture, the processing industries, housing construction, and expansion of overseas production. The third plan (1958–61) sought, in conditions of monetary stability and balanced foreign payments, to achieve a major economic expansion, increasing national production by 20% in four years. After the successful devaluation of 1958 and an improvement in the overall financial and political situation, growth rates of 6.3% and 5% were achieved in 1960 and 1961, respectively. The fourth plan (1962–65) called for an annual rate of growth of between 5% and 6% and an increase of 23% in private consumption; the fifth plan (1966–70), for a 5% annual expansion of production, a 25% increase in private consumption, and the maintenance of full financial stability and full employment; and the sixth plan (1971–75), for an annual gross domestic product (GDP) growth rate of between 5.8% and 6% and growth of about 7.5% in industrial production. The sixth plan also called for increases of 31% in private consumption, 34% in output, and 45% in social security expenditure.

The seventh plan (1976–80) called for equalization of the balance of payments, especially through a reduction of dependency on external sources of energy and raw materials; a lessening of social tensions in France by a significant reduction in inequalities of income and job hierarchies; and acceleration of the process of decentralization and deconcentration on the national level in favor of the newly formed regions. Because of the negative impact of the world oil crisis in the mid-1970s, the targets of the seventh plan were abandoned in 1978, and the government concentrated on helping the most depressed sectors and controlling inflation.

In October 1980, the cabinet approved the eighth plan (1981–85). It called for development of advanced technology and for reduction of oil in overall energy consumption. After the Socialists came to power, this plan was set aside, and an interim plan for 1982–84 was announced. It aimed at 3% GDP growth and reductions in unemployment and inflation. When these goals were not met and France's international payments position reached a critical stage, the government in March 1983 announced austerity measures, including new taxes on gasoline, liquor, and tobacco, a "forced loan" equivalent to 10% of annual taxable income from most taxpayers, and restrictions on the amount of money French tourists could spend abroad. A ninth plan, established for the years 1984–88, called for reducing inflation, improving the trade balance, increasing spending on research and development, and reducing dependence on imported fuels to not more than 50% of total energy by 1990. The 10th plan, for 1989–92, gave as its central objective increasing employment. The main emphasis was on

education and training, and improved competitiveness through increased spending on research and development.

France adopted legislation for a 35-hour work week in 1998 that became effective in 2000. The object was to create jobs. Pension reform was being legislated in 2003, amid much popular protest. France's demography is changing, with the active population beginning to decline in 2007—this is due to reduce annual per capita GDP growth. Spending on health care increased in the early 2000s. The general government financial deficit exceeded the EU limit of 3% of GDP in 2004.

By the mid-1990s, and in line with European Union (EU) policy, French economic policy took a turn away from state dominance and moved toward liberalization. Large shares of utilities and telecommunications were privatized. Moreover, austerity came to the fore in budgetary planning as the government moved to meet the criteria for Economic and Monetary Union (EMU). France adopted the euro as its currency in 1999, and discontinued the franc in favor of euro bills and coins in 2002. Public debt, however, was estimated at 67.7% of GDP in 2004, among the highest of the G-8 nations. Despite privatization efforts, the state in the early 2000s still owned large shares in corporations in such sectors as banking, energy, automobiles, transportation, and telecommunications.

Economic policy challenges for France in 2006 included reducing the budget deficit and making inroads into the rate of unemployment, which remains high even by EU standards. This requires reforming the tax and benefits system, as well as public administration and the legal framework for the labor market, but social resistance to such reforms is high.

Concerned about its stake in the EU Common Agricultural Policy (France is the largest beneficiary of the policy), in October 2005, France called a meeting of EU foreign ministers and demanded that the negotiating authority of the European Trade Commissioner be restricted. The commissioner, Peter Mandelson, emerged from that meeting in a stronger position and insisted that France had no power to block his proposals. That November, France threatened to veto any deal brokered by Mandelson that would go too far in reducing EU farm subsidies and tariffs.

In 2005, Prime Minister Dominique de Villepin was at odds with his political rival and interior minister Nicolas Sarkozy over the pace of economic reforms. De Villepin advocated gradual reforms, while Sarkozy called for a "rupture" with the past.

French loans to its former African territories totaled CFA Fr50 billion by November 1972, when President Pompidou announced that France would cancel the entire amount (including all accrued interest) to lighten these countries' debt burdens. In 1993, France spent \$7.9 billion on international aid, \$6.3 billion in 1997, and \$5.4 billion in 2002.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

France has a highly developed social welfare system. The social security fund is financed by contributions from both employers and employees, calculated on percentages of wages and salaries, and is partially subsidized by the government. Old age insurance guarantees payment of a pension when the insured reaches age 60. Disability insurance pays a pension to compensate for the loss of earnings and costs of care. Unemployment insurance is provided for all workers. Workers' medical benefits are paid directly for all necessary care. Maternity benefits are payable for six weeks before

and 10 weeks after the expected date of childbirth for the first and second child. There is a universal system of family allowances for all residents, including a birth grant, income supplements for reduced work, and child care benefits.

Equal pay for equal work is mandated by law, although this is not always the case in practice. Men continue to earn more than women and unemployment rates are higher for women than for men. Sexual harassment is illegal in the workplace and is generally effectively enforced. In 2004 legislation was passed creating a High Authority to Fight Discrimination and Promote Equality. Rape and spousal abuse laws are strictly enforced and the penalties are severe. Shelters, counseling, and hotlines are available to victims of sexual abuse and violence.

Religious freedom is provided for by the constitution. However, large Arab/Muslim, African, and Jewish communities have been subject to harassment and prejudice. Extremist anti-immigrant groups have increasingly been involved in racial attacks. Discrimination on the basis of race, sex, disability, language, religion, or social status is prohibited.

#### 41 HEALTH

Under the French system of health care, both public and private health care providers operate through centralized funding. Patients have the option of seeing a private doctor on a fee basis or going to a state-operated facility. Nearly all private doctors are affiliated with the social security system and the patients' expenses are reimbursed in part. Many have private health insurance to cover the difference. During the 1980s, there was a trend away from inpatient and toward outpatient care, with a growing number of patients receiving care at home. Cost containment initiatives were raised in the 1980s and early 1990s to increase patient contributions and establish global budgets for public hospitals. In 1991, new reforms to strengthen the public sector were initiated. The social security system subsidizes approximately 75% of all health care costs. Pharmaceutical consumption in France is among the highest of all OECD member countries (exceeded only by Japan and the United States). In 1992, the French government imposed a price-fixing mechanism on drugs.

France's birth rate was estimated at 11.9 per 1000 in 2002. Approximately 79% of France's married women (ages 15 to 49) used contraception. The total fertility rate in 2000 was 1.9 children per woman during her childbearing years.

As of 2004, there were an estimated 329 physicians, 667 nurses, 68 dentists, and 101 pharmacists per 100,000 people. Life expectancy in 2005 averaged 79.6. The infant mortality rate was 4.26 per 1,000 live births that year. The overall death rate was an estimated 9.1 per 1,000 people as of 2002. Tobacco and alcohol consumption continue to be health concerns in France.

Efforts to immunize children up to one year old include: diphtheria, pertussis, and tetanus, polio, and measles. The HIV/AIDS prevalence was 0.40 per 100 adults in 2003. As of 2004, there were approximately 120,000 people living with HIV/AIDS in the country. There were an estimated 1,000 deaths from AIDS in 2003.

#### 42 HOUSING

In 2004, there were 30.3 million dwellings nationwide. About 25.4 million, or 84%, were primary residences, 2.9 million were second homes, and about 1.8 million, or 6.1%, were vacant. About 58%

of all dwellings are detached homes. The number of people per household was about 2.3. Over 2.9 million residential buildings were built in 1990 or later.

After World War II, in which 4.2 million dwellings were destroyed and one million damaged, the government took steps to provide inexpensive public housing. Annual construction rose steadily through the 1950s and 1960s; in 1970–75, housing construction of all types increased by an annual average of more than 6%. In 1975, the total number of new dwellings completed was 514,300. Construction slowed thereafter, and by 1996 the number had declined to 236,270.

In accordance with a law of 1953, industrial and commercial firms employing 10 or more wage earners must invest 1% of their total payroll in housing projects for their employees. These funds can finance either public or private low-cost housing. Concerns must undertake construction of low-cost projects either on their own responsibility or through a building concern to which they supply capital. Special housing allowances are provided for families who must spend an inordinately large share of their income on rent or mortgages.

#### 43 EDUCATION

The supreme authority over national education in France is the Ministry of Education. Education is compulsory for children from the age of 6 to 16 and is free in all state primary and secondary schools. Higher education is not free, but academic fees are low, and more than half of the students are excused from payment.

Since the end of 1959, private institutions have been authorized to receive state aid and to ask to be integrated into the public education system. In 2003, about 15% of elementary-school children and 25% of secondary-level students attended private schools, the majority of which are Roman Catholic. In Brittany, most children attend Catholic schools. Freedom of education is guaranteed by law, but the state exercises certain controls over private educational institutions, nearly all of which follow the uniform curriculum prescribed by the Ministry of Education.

Primary school covers five years of study. There are two levels of secondary instruction. The first, the *collège*, is compulsory; after four years of schooling are successfully completed, the student receives a national diploma (*brevet des collèges*). Those who wish to pursue further studies enter either the two-year *lycée d'enseignement professionnel* or the three-year *lycée d'enseignement général et technologique*. The former prepares students for a certificate of vocational competence, the latter for the *baccalauréat*, which is a prerequisite for higher education. Choice of a *lycée* depends on aptitude test results. The academic year runs from September to June. The primary language of instruction is French.

In 2001, nearly all children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 99% of age-eligible students. The same year, secondary school enrollment was about 94% of age-eligible students. It is estimated that about 98% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 19:1 in 2003; the ratio for secondary school was about 12:1.

There are about 70 public universities within 26 *académies*, which now act as administrative units. Before the subdivision of these 26 units, the oldest and most important included Aix-Mar-

seille (founded in 1409), Besançon (1691), Bordeaux (1441), Caen (1432), Dijon (1722), Grenoble (1339), Lille (1562), Montpellier (1180, reinstated 1289), Nancy-Metz (1572), Paris (1150), Poitiers (1432), Rennes (1735, founded at Nantes 1461), Strasbourg (1538), and Toulouse (1229). The old University of Paris, also referred to as the Sorbonne, was the oldest in France and one of the leading institutions of higher learning in the world; it is now divided into 13 units, only a few of which are at the ancient Left Bank site. There are Catholic universities at Argers, Lille, Lyon, and Toulouse.

Besides the universities and specialized schools (such as École Normale Supérieure, which prepares teachers for secondary and postsecondary positions), higher educational institutions include the prestigious Grandes Écoles, which include the École Nationale d'Administration, École Normale Supérieure, Conservatoire National des Arts et Métiers, and École Polytechnique. Entrance is by competitive examination. Advanced-level research organizations include the Collège de France, École Pratique des Hautes Études, and École des Hautes Études en Sciences Sociales. In 2003, about 56% of the tertiary age population were enrolled in some type of higher education program; with 49% for men and 63% for women. The adult literacy rate has been estimated at about 98%.

As of 2003, public expenditure on education was estimated at 5.6% of GDP, or 11.4% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

Paris, the leader in all intellectual pursuits in France, has the largest concentration of libraries and museums. The Bibliothèque Nationale, founded in Paris in 1480, is one of the world's great research libraries, with a collection of over 10.4 million books, as well as millions of manuscripts, prints, maps, periodicals, and other items of importance (including 11 million stamps and photographs). The libraries of the 13-unit University of Paris system have collective holdings of more than six million volumes, and each major institution of higher learning has an important library of its own. The national archives are located in the Hôtel Rohan Soubise in Paris. There are dozens of libraries and historic sites dedicated to specific French writers and artists, including the Maison de Balzac in Paris, the Musée Calvin in Noyon, the Musée Matisse in Nice, the Musée Rodin in Meydon (there is also a National Museum of Rodin in Paris), and the Musée Picasso in Paris. Most provincial cities have municipal libraries and museums of varying sizes.

There are more than 1,000 museums in France. The Louvre, which underwent an extensive renovation and addition in the 1980s, including the construction of its now-famous glass pyramid, contains one of the largest and most important art collections in the world, covering all phases of the fine arts from all times and regions. The Cluny Museum specializes in the arts and crafts of the Middle Ages. The Museum of Man is a major research center as well. The Centre National d'Art et de Culture Georges Pompidou opened in 1977 on the Beaubourg Plateau (Les Halles). Primarily a museum specializing in contemporary art, it also houses several libraries (including the public library of Paris), children's workshops, music rooms, and conference halls. The Musée d'Orsay, a major new museum housing impressionist and postimpressionist paintings and many other works set in historical context, opened to the public in December 1986 in a former train station. Many of the 19th-century and 20th-century paintings in the Musée d'Orsay

had previously been housed in the Musée du Jeu de Paume. Many of the great churches, cathedrals, castles, and châteaux of France are national monuments.

#### 45 MEDIA

Postal, telephone, and telegraph systems are operated by the government under the direction of the Ministry of Post, Telegraph, and Telephones. In 2003, there were an estimated 566 mainline telephones for every 1,000 people. The same year, there were approximately 696 mobile phones in use for every 1,000 people.

The government-controlled Office de Radiodiffusion-Télévision Française was replaced in January 1975 by seven independent state-financed companies. A law of July 1982 allowed greater independence to production and programming organizations. Under deregulation, many private radio stations have been established. Of the three state-owned television channels, TF-1, the oldest and largest, was privatized in 1987; a fourth, private channel for paying subscribers was started in 1984. Contracts were awarded in 1987 to private consortiums for fifth and sixth channels. As of 1999 there were 41 AM and 800 FM radio stations (many of the FM stations were repeaters) and 310 TV stations. In 2003, there were an estimated 950 radios and 632 television sets for every 1,000 people. About 57.5 of every 1,000 people are cable subscribers. Also in 2003, there were 347.1 personal computers for every 1,000 people and 366 of every 1,000 people had access to the Internet. There were 3,855 secure Internet servers in the country in 2004.

Traditionally, the French press falls into two categories. The *presse d'information*, with newspapers with the largest circulation, emphasizes news; the *presse d'opinion*, usually of higher prestige in literary and political circles but of much lower daily circulation, presents views on political, economic, and literary matters. In 2002, there were over 100 dailies in the country. Some of the important regional papers rival the Parisian dailies in influence and circulation.

Leading national newspapers (with their organizational affiliation and 2005 circulation totals unless noted) are: *Le Figaro* (moderate conservative, 326,800), *Le Monde* (independent, elite, 324,400), *International Herald Tribune* (English-language, 210,000 in 2002), *Liberation* (135,600), *L'Humanité* (Communist, 49,500), and *La Croix* (Catholic, 98,200 in 2002). Some leading regional dailies include *Ouest-France* (in Rennes, mass-appeal, 761,100 in 2005), *La Voix du Nord* (in Lille, conservative, 356,903 in 2004), *Sud-Ouest* (in Bordeaux, independent, 359,300 in 2002), *Nice-Matin* (in Nice, radical independent, 243,800 in 2002), *Les Dernières Nouvelles D'Alsace* (in Strasbourg, 215,460 in 2004), *La Dépêche du Midi* (in Toulouse, radical, 218,214 in 2004), and *Le Telegramme* (in Morlaix, 199,710 in 2004). *L'Express* and *Le Point* are popular news weeklies.

The Agence France-Presse is the most important French news service. It has autonomous status, but the government is represented on its board of directors. There are some 14,000 periodicals, of which the most widely read is the illustrated *Paris-Match*, with a weekly circulation (in 1995) of 868,370. Several magazines for women also enjoy wide popularity, including *Elle*, (1995 circulation 360,000). Also for women are magazines publishing novels in serial form. The most popular political weeklies are *L'Express* (left-wing), with a circulation of about 419,000; the satirical *Le Canard Enchaîné* (left-wing), circulation 500,000; *Le Nouvel Obser-*

*vateur* (left-wing), circulation 399,470; and the news-magazine *Le Point* (independent), circulation 280,770. Filmmaking is a major industry, subsidized by the state.

The law provides for free expression including those of speech and press, and these rights are supported by the government.

#### 46 ORGANIZATIONS

The Confédération Générale d'Agriculture, originating in its present form in the resistance movement of World War II, has become the principal voice for farmers. The Société des Agriculteurs de France is considered the organization of landowners. Agricultural cooperatives, both producers' and consumers', are popular. There are also more than 44 large industrial trade organizations. Chambers of commerce function in the larger cities and towns. The International Chamber of Commerce has its headquarters in Paris, the national capital.

There are professional associations covering a wide variety of fields. The Association Médicale Française is a networking association for physicians that also promotes research and education on health issues and works to establish common policies and standards in healthcare. There are also several associations dedicated to research and education for specific fields of medicine and particular diseases and conditions. The World Medical Association has an office in Ferney-Voltaire.

The Institute of France (founded in 1795) consists of the famous French Academy (Académie Française), the Academy of Sciences, the Academy of Humanities, the Academy of Fine Arts, and the Academy of Moral Sciences and Politics. There are many scientific, artistic, technical, and scholarly societies at both national and local levels. The multinational organization of European Academy of Arts, Sciences and Humanities is based in Paris. The United Nations Educational, Scientific and Cultural Organization (UNESCO) has an office in Paris as does the European Space Agency.

There are also many associations and organizations dedicated to various sports and leisure time activities. Youth organizations are numerous and range from sports groups, to volunteer and service organizations, religious and political organizations. Some groups with international ties include Junior Chamber, YMCA/YWCA, and the Guides and Scouts of France. Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. The Red Cross, the Society of St. Vincent de Paul, CARE, UNICEF, and Greenpeace have national chapters.

#### 47 TOURISM, TRAVEL, AND RECREATION

France has countless tourist attractions, ranging from the museums and monuments of Paris to beaches on the Riviera and ski slopes in the Alps. Haute cuisine, hearty regional specialties, and an extraordinary array of fine wines attract gourmets the world over; the area between the Rhone River and the Pyrenees contains the largest single tract of vineyards in the world. In 1992 Euro Disneyland, 20 miles east of Paris, opened to great fanfare but was plagued by the European recession, a strong French franc, bad weather, and difficulty marketing itself to the French.

The most popular French sport is soccer (commonly called "le foot"). The men's soccer team won the World Cup in 1998. Other favorite sports are skiing, tennis, water sports, and bicycling. Between 1896 and 1984, France won 137 gold, 156 silver, and 158 bronze medals in the Olympic Games. Paris hosted the Summer

Olympics in 1900 and 1924; the Winter Olympics took place at Chamonix in 1924, Grenoble in 1968, and Albertville in 1992. Le Mans is the site of a world-class auto race.

Tourists need a valid passport to enter France. A visa is not necessary for tourist/business stays of up to 90 days.

France is one of the world's top tourist destinations. In 2003, there were approximately 75,048,000 visitors, of whom 51% came from Western Europe. The 603,279 hotel rooms with 1,206,558 beds had an occupancy rate of 58%. The average length of stay that same year was two nights.

In 2005, the US Department of State estimated the daily expenses of staying in Paris at \$418. Elsewhere in France, expenses ranged from \$187 to \$374 per day.

#### 48 FAMOUS FRENCH

Principal figures of early French history include Clovis I (466?–511), the first important monarch of the Merovingian line, who sought to unite the Franks; Charles Martel ("the Hammer," 689?–741), leader of the Franks against the Saracens in 732; his grandson Charlemagne (742–814), the greatest of the Carolingians, crowned emperor of the West on 25 December 800; and William II, Duke of Normandy (1027–87), later William I of England ("the Conqueror," r.1066–87). Important roles in theology and church history were played by St. Martin of Tours (b.Pannonia, 316?–97), bishop of Tours and founder of the monastery of Marmoutier, now considered the patron saint of France; the philosopher Pierre Abélard (1079–1142), traditionally regarded as a founder of the University of Paris but equally famous for his tragic romantic involvement with his pupil Héloïse (d.1164); and St. Bernard of Clairvaux (1090?–1153), leader of the Cistercian monastic order, preacher (1146) of the Second Crusade (1147–49), and guiding spirit of the Knights Templars. The first great writer of Arthurian romances was Chrétien de Troyes (fl.1150?).

The exploits of famous 14th-century Frenchmen were recorded by the chronicler Jean Froissart (1333?–1401). Early warrior-heroes of renown were Bertrand du Guesclin (1320–80) and Pierre du Terrail, seigneur de Bayard (1474?–1524). Joan of Arc (Jeanne d'Arc, 1412–31) was the first to have a vision of France as a single nation; she died a martyr and became a saint and a national heroine. Guillaume de Machaut (1300?–1377) was a key literary and musical figure. François Villon (1431–63?) was first in the line of great French poets. Jacques Coeur (1395–1456) was the greatest financier of his time. Masters of the Burgundian school of composers were Guillaume Dufay (1400?–1474), Gilles Binchois (1400?–1467), Jan Ockeghem (1430?–95), and Josquin des Prez (1450?–1521). Jean Fouquet (1415?–80) and Jean Clouet (1485–1541) were among the finest painters of the period. The flag of France was first planted in the New World by Jacques Cartier (1491–1557), who was followed by the founder of New France in Canada, Samuel de Champlain (1567–1635).

The era of Louis XIV ("le Roi Soleil" or "the Sun King," 1638–1715) was in many respects the golden age of France. Great soldiers—Henri de La Tour d'Auvergne, vicomte de Turenne (1611–75), François Michel Le Tellier, marquis de Louvois (1639–91), and Louis II de Bourbon, prince de Condé, called the Grand Condé (1621–86)—led French armies to conquests on many battlefields. Great statesmen, such as the cardinals Armand Jean du Plessis, duc de Richelieu (1585–1642), and Jules Mazarin (1602–

61), managed French diplomacy and created the French Academy. Great administrators, such as Maximilien de Bethune, duc de Sully (1560–1641), and Jean-Baptiste Colbert (1619–83), established financial policies. Noted explorers in the New World were Jacques Marquette (1637–75), Robert Cavalier, Sieur de La Salle (1643–87), and Louis Jolliet (1645–1700). Jean-Baptiste Lully (1632–87), Marc-Antoine Charpentier (1634–1704), and François Couperin (1668–1733) were the leading composers. Nicolas Poussin (1594–1665), Claude Lorrain (1600–1682), and Philippe de Champaigne (1602–74) were the outstanding painters. In literature, the great sermons and moralizing writings of Jacques Bénigne Bossuet, bishop of Meaux (1627–1704), and François Fénelon (1651–1715); the dramas of Pierre Corneille (1606–84), Molière (Jean-Baptiste Poquelin, 1622–73), and Jean Racine (1639–99); the poetry of Jean de La Fontaine (1621–95) and Nicolas Boileau-Despréaux (1636–1711); the maxims of François, duc de La Rochefoucauld (1613–80), and Jean de La Bruyère (1645–96); the fairy tales of Charles Perrault (1628–1703); the satirical fantasies of Savinien de Cyrano de Bergerac (1619–55); and the witty letters of Madame de Sévigné (1626–96) made this a great age for France. Two leading French philosophers and mathematicians of the period, René Descartes (1596–1650) and Blaise Pascal (1623–62), left their mark on the whole of European thought. Pierre Gassendi (1592–1655) was a philosopher and physicist; Pierre de Fermat (1601–55) was a noted mathematician. Modern French literature began during the 16th century, with François Rabelais (1490?–1553), Joachim du Bellay (1522–60), Pierre de Ronsard (1525–85), and Michel de Montaigne (1533–92). Ambroise Paré (1510–90) was the first surgeon, and Jacques Cujas (1522–90) the first of the great French jurists. Among other figures in the great controversy between Catholics and Protestants, Claude, duc de Guise (1496–1550), and Queen Catherine de Médicis (Caterina de' Medici, b. Florence, 1519–89) should be mentioned on the Catholic side, and Admiral Gaspard de Coligny (1519–72), a brilliant military leader, on the Protestant side. Two famous kings were Francis I (1494–1547) and Henry IV (Henry of Navarre, 1553–1610); the latter proclaimed the Edict of Nantes in 1598, granting religious freedom to his Protestant subjects. The poetic prophecies of the astrologer Nostradamus (Michel de Notredame, 1503–66) are still widely read today.

### 1700–1900

During the 18th century, France again was in the vanguard in many fields. Étienne François, duc de Choiseul (1719–85), and Anne Robert Jacques Turgot (1727–81) were among the leading statesmen of the monarchy. Charles Louis de Secondat, baron de La Brède et de Montesquieu (1689–1755), and Jean-Jacques Rousseau (b. Switzerland, 1712–78) left their mark on philosophy. Denis Diderot (1713–84) and Jean Le Rond d'Alembert (1717–83) created the Great Encyclopedia (*Encyclopédie ou Dictionnaire Raisonné des Sciences, des Artes et des Métiers*). Baron Paul Henri Thierry d'Holbach (1723–89) was another philosopher. Jeanne Antoinette Poisson Le Normant d'Etoiles, marquise de Pompadour (1721–64), is best known among the women who influenced royal decisions during the reign of Louis XV (1710–74). French explorers carried the flag of France around the world, among them Louis Antoine de Bougainville (1729–1811) and Jean La Pérouse (1741–88). French art was dominated by the painters Antoine Watteau (1684–1721), Jean-Baptiste Chardin (1699–1779), François

Boucher (1703–70), and Jean Honoré Fragonard (1732–1806) and by the sculptor Jean Houdon (1741–1828). Jean-Philippe Rameau (1683–1764) was the foremost composer. French science was advanced by Georges Louis Leclerc, Comte de Buffon (1707–88), zoologist and founder of the Paris Museum, and Antoine Laurent Lavoisier (1743–94), the great chemist. In literature, the towering figure of Voltaire (François Marie Arouet, 1694–1778) and the brilliant dramatist Pierre Beaumarchais (1732–99) stand beside the greatest writer on gastronomy, Anthelme Brillat-Savarin (1755–1826).

The rule of Louis XVI (1754–93) and his queen, Marie Antoinette (1755–93), and the social order they represented, ended with the French Revolution. Outstanding figures of the Revolution included Jean-Paul Marat (1743–93), Honoré Gabriel Riquetti, comte de Mirabeau (1749–91), Maximilien Marie Isidore Robespierre (1758–94), and Georges Jacques Danton (1759–94). Napoleon Bonaparte (1769–1821) rose to prominence as a military leader in the Revolution and subsequently became emperor of France. Marie Joseph Paul Yves Roch Gilbert du Motier, marquis de Lafayette (1757–1834), was a brilliant figure in French as well as in American affairs. This was also the period of the eminent painter Jacques Louis David (1748–1825) and of the famed woman of letters Madame Germaine de Staël (Anne Louise Germaine Necker, baronne de Staël-Holstein, 1766–1817).

During the 19th century, French science, literature, and arts all but dominated the European scene. Among the leading figures were Louis Jacques Mendé Daguerre (1789–1851), inventor of photography, and Claude Bernard (1813–78), the great physiologist. Other pioneers of science included Jean-Baptiste Lamarck (1744–1829) and Georges Cuvier (1769–1832) in zoology and paleontology, Pierre Laplace (1749–1827) in geology, André Marie Ampère (1775–1836), Dominique François Arago (1786–1853), and Jean Bernard Léon Foucault (1819–68) in physics, Joseph Louis Gay-Lussac (1778–1850) in chemistry, Camille Flammarion (1842–1925) in astronomy, and Louis Pasteur (1822–95) in chemistry and bacteriology. Louis Braille (1809–52) invented the method of writing books for the blind that bears his name. Auguste (Isidore Auguste Marie François Xavier) Comte (1798–1857) was an influential philosopher. Literary figures included the poets Alphonse Marie Louis de Lamartine (1790–1869), Alfred de Vigny (1797–1863), Alfred de Musset (1810–57), Charles Baudelaire (1821–67), Stéphane Mallarmé (1842–98), Paul Verlaine (1844–96), and Arthur Rimbaud (1854–91); the fiction writers François René Chateaubriand (1768–1848), Stendhal (Marie Henri Beyle, 1783–1842), Honoré de Balzac (1799–1850), Victor Marie Hugo (1802–85), Alexandre Dumas the elder (1802–70) and his son, Alexandre Dumas the younger (1824–95), Prosper Mérimée (1803–70), George Sand (Amandine Aurore Lucie Dupin, baronne Dudevant, 1804–76), Théophile Gautier (1811–72), Gustave Flaubert (1821–80), the Goncourt brothers (Edmond, 1822–96, and Jules, 1830–70), Jules Verne (1828–1905), Alphonse Daudet (1840–97), Emile Zola (1840–1902), and Guy de Maupassant (1850–93); and the historians and critics François Guizot (1787–1874), Jules Michelet (1798–1874), Charles Augustin Sainte-Beuve (1804–69), Alexis de Tocqueville (1805–59), Ernest Renan (1823–92), and Hippolyte Adolphe Taine (1828–93). Charles Maurice de Talleyrand (1754–1838), Joseph Fouché (1763–1820), Adolphe Thiers (1797–1877), and Léon Gambetta (1838–82) were leading states-



men. Louis Hector Berlioz (1803–69) was the greatest figure in 19th-century French music. Other figures were Charles François Gounod (1818–93), composer of *Faust*, Belgian-born César Auguste Franck (1822–90), and Charles Camille Saint-Saëns (1835–1921). Georges Bizet (1838–75) is renowned for his opera *Carmen*, and Jacques Lévy Offenbach (1819–80) for his immensely popular operettas.

In painting, the 19th century produced Jean August Dominique Ingres (1780–1867), Ferdinand Victor Eugène Delacroix (1789–1863), Jean-Baptiste Camille Corot (1796–1875), Honoré Daumier (1808–79), and Gustave Courbet (1819–77), and the impressionists and postimpressionists Camille Pissarro (1830–1903), Édouard Manet (1832–83), Hilaire Germain Edgar Degas (1834–1917), Paul Cézanne (1839–1906), Claude Monet (1840–1926), Pierre Auguste Renoir (1841–1919), Berthe Morisot (1841–1895), Paul Gauguin (1848–1903), Georges Seurat (1859–91), and Henri de Toulouse-Lautrec (1864–1901). Auguste Rodin (1840–1917) was the foremost sculptor; Frédéric Auguste Bartholdi (1834–1904) created the Statue of Liberty. The actresses Rachel (Elisa Félix, 1821–58) and Sarah Bernhardt (Rosine Bernard, 1844–1923) dominated French theater.

### The Twentieth and Twenty-First Centuries

In 20th-century political and military affairs, important parts were played by Georges Clemenceau (1841–1929), Ferdinand Foch (1851–1929), Henri Philippe Pétain (1856–1951), Raymond Poincaré (1860–1934), Léon Blum (1872–1950), Jean Monnet (1888–1979), Charles de Gaulle (1890–1970), Pierre Mendès-France (1907–82), François Maurice Marie Mitterrand (1916–96), and Valéry Giscard d'Estaing (b.1926). Winners of the Nobel Peace Prize include Frédéric Passy (1822–1912) in 1901, Benjamin Constant (1852–1924) in 1909, Léon Victor Auguste Bourgeois (1851–1925) in 1920, Aristide Briand (1862–1932) in 1926, Ferdinand Buisson (1841–1932) in 1927, Léon Jouhaux (1879–1954) in 1951, and René Cassin (1887–1976) in 1968. Albert Schweitzer (1875–1965), musician, philosopher, physician, and humanist, a native of Alsace, received the Nobel Peace Prize in 1952.

Famous scientists include the mathematician Jules Henri Poincaré (1854–1912); the physicist Antoine Henri Becquerel (1852–1908), a Nobel laureate in physics in 1903; chemist and physicist Pierre Curie (1859–1906); his wife, Polish-born Marie Skłodowska Curie (1867–1934), who shared the 1903 Nobel Prize for physics with her husband and Becquerel and won a Nobel Prize again, for chemistry, in 1911; their daughter Irène Joliot-Curie (1897–1956) and her husband, Frédéric Joliot-Curie (Jean-Frédéric Joliot, 1900–1958), who shared the Nobel Prize for chemistry in 1935; Jean-Baptiste Perrin (1870–1942), Nobel Prize winner for physics in 1926; the physiologist Alexis Carrel (1873–1944); and Louis de Broglie (1892–1987), who won the Nobel Prize for physics in 1929. Other Nobel Prize winners for physics include Charles Édouard Guillaume (1861–1938) in 1920, Alfred Kastler (1902–84) in 1966, Louis Eugène Néel (1904–2000) in 1970, Pierre-Gilles de Gennes (b.1932) in 1991, and Georges Charpak (b.1924) in 1992; for chemistry, Henri Moissan (1852–1907) in 1906, Victor Grignard (1871–1935) in 1912, Paul Sabatier (1854–1941) in 1912, and Yves Chauvin (b.1930) in 2005. Also, in physiology or medicine: in 1907, Charles Louis Alphonse Laveran (1845–1922); in 1913, Charles Robert Richet (1850–1935); in 1928, Charles Jules

Henri Nicolle (1866–1936); in 1965, François Jacob (b.1920), André Lwoff (1902–94), and Jacques Monod (1910–76); and in 1980, Jean-Baptiste Gabriel Dausset (b.1916).

The philosopher Henri Bergson (1859–1941) received the 1927 Nobel Prize for literature. Émile Durkheim (1858–1917) was a founder of modern sociology. Pierre Teilhard de Chardin (1881–1955), a Jesuit, was both a prominent paleontologist and an influential theologian. Claude Lévi-Strauss (b.Belgium, 1908) is a noted anthropologist, Pierre Bourdieu (1930–2002) was an important sociologist, and Fernand Braudel (1902–85) was an important historian. Twentieth-century philosophers included: Louis Althusser (1918–1990), Raymond Aron (1905–1983), Gaston Bachelard (1884–1962), Georges Bataille (1897–1962), Jean Baudrillard (b.1929), Gilles Deleuze (1925–1995), Jacques Derrida (1930–2004), Michel Foucault (1926–1984), Pierre-Félix Guattari (1930–1992), Philippe Lacoue-Labarthe (b.1940), Henri Lefebvre (1901–1991), Emmanuel Lévinas (1906–1995), Jean-François Lyotard (1924–1998), Maurice Merleau-Ponty (1908–1961), and Paul Ricoeur (1913–2005).

Honored writers include Sully-Prudhomme (René François Armand, 1839–1907), winner of the first Nobel Prize for literature in 1901; Frédéric Mistral (1830–1914), Nobel Prize winner in 1904; Edmond Rostand (1868–1918); Anatole France (Jacques Anatole Thibaut, 1844–1924), Nobel Prize winner in 1921; Romain Rolland (1866–1944), Nobel Prize winner in 1915; André Paul Guillaume Gide (1869–1951), a 1947 Nobel laureate; Marcel Proust (1871–1922); Paul Valéry (1871–1945); Colette (Sidonie Gabrielle Claudine Colette, 1873–1954); Roger Martin du Gard (1881–1958), Nobel Prize winner in 1937; Jean Giraudoux (1882–1944); François Mauriac (1885–1970), 1952 Nobel Prize winner; Jean Cocteau (1889–1963); Louis Aragon (1897–1982); André Malraux (1901–76); Anaïs Nin (1903–1977); Jean-Paul Sartre (1905–80), who was awarded the 1964 Nobel Prize but declined it; Simone Lucie Ernestine Marie Bertrand de Beauvoir (1908–86); Simone Weil (1909–43); Jean Genet (1910–86); Jean Anouilh (1910–87); Albert Camus (1913–60), Nobel Prize winner in 1957; Claude Simon (1913–2005), a 1985 Nobel laureate; Marguerite Duras (1914–96); Roland Barthes (1915–80); and Georges Perec (1936–1982). Antoine de Saint-Exupéry (1900–1944) was a French writer and aviator. Romanian-born Eugene Ionesco (1912–94) and Irish-born Samuel Beckett (1906–89) spent their working lives in France. Significant composers include Gabriel Urbain Faure (1845–1924), Claude Achille Debussy (1862–1918), Erik Satie (1866–1925), Albert Roussel (1869–1937), Maurice Ravel (1875–1937), Francis Poulenc (1899–1963), Olivier Messiaen (1908–92), Darius Milhaud (1892–1974), and composer-conductor Pierre Boulez (b.1925). The sculptor Aristide Maillol (1861–1944) and the painters/artists Henri Matisse (1869–1954), Georges Rouault (1871–1958), Georges Braque (1882–1963), Spanish-born Pablo Picasso (1881–1974), Russian-born Marc Chagall (1887–1985), Marcel Duchamp (1887–1968), Fernand Léger (1881–1955), and Jean Dubuffet (1901–85) are world famous.

Of international renown are actor-singers Maurice Chevalier (1888–1972), Yves Montand (Ivo Livi, 1921–91), and Charles Aznavour (b.1924); actor-director Jacques Tati (Jacques Tatischeff, 1907–82); actors Charles Boyer (1899–1978), Jean-Louis Xavier Trintignant (b.1930), Jean-Paul Belmondo (b.1933), and Gérard Philipe (b.1929); actresses Simone Signoret (Simone Kamink-

er, 1921–85), Jeanne Moreau (b.1928), Leslie Caron (b.1931), Brigitte Bardot (b.1934), Catherine Deneuve (b.1943), Isabelle Huppert (b.1953), Isabelle Adjani (b.1955), Juliette Binoche (b.1964), Julie Delpy (b.1969), and Audrey Tautou (b.1978); singer Edith Piaf (1915–63); master of mime Marcel Marceau (b.1923); and directors Georges Méliès (1861–1938), Abel Gance (1889–1981), Jean Renoir (1894–1979), Robert Bresson (1901–99), René Clément (1913–96), Eric Rohmer (Jean-Marie Maurice Scherer, b.1920), Alain Resnais (b.1922), Jean-Luc Godard (b.1930), Louis Malle (1932–95), and François Truffaut (1932–84). One of the most recognizable Frenchmen in the world was oceanographer Jacques-Yves Cousteau (1910–97), who popularized undersea exploration with popular documentary films and books.

#### 49 DEPENDENCIES

French overseas departments include French Guiana, Guadeloupe, Martinique, and Saint-Pierre and Miquelon (described in the *Americas* volume under French American Dependencies) and Réunion (in the *Africa* volume under French African Dependencies). French overseas territories and collectivities include French Polynesia, French Southern and Antarctic Territories, New Caledonia, and Wallis and Futuna (see French Asian Dependencies in the *Asia* volume), and Mayotte (in the *Africa* volume). The inhabitants of French overseas departments and territories are French citizens, enjoy universal suffrage, and send elected representatives to the French parliament.

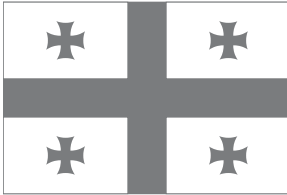
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# GEORGIA

Republic of Georgia  
*Sakartveld Respublika*



**CAPITAL:** T<sup>b</sup>ilisi (Tbilisi)

**FLAG:** White rectangle, in its central portion a red cross connecting all four sides of the flag; in each of the four corners is a small red bolnur-katskhuri cross; the five-cross flag appears to date back to the 14th century.

**ANTHEM:** *National Anthem of the Republic of Georgia.*

**MONETARY UNIT:** The lari (L) was issued in 1995 to replace government coupons that were introduced in 1993. 1L = \$0.54945 (or \$1 = 1L.82) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** New Year's Day, 1–2 January; Christmas, 7 January; Independence Day, 26 May; St. George's Day, 22 November.

**TIME:** 3 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Georgia is located in southeastern Europe, bordering the Black Sea, between Turkey and Russia. Comparatively, the area occupied by Georgia is slightly smaller than the state of South Carolina, with a total area of 69,700 sq km (26,911 sq mi). Georgia shares boundaries with Russia on the N and E, Azerbaijan on the E and S, Armenia and Turkey on the S, and the Black Sea on the W. Georgia's land boundary totals 1,461 km (906 mi). Its coastline is 310 km (192 mi). Its capital city, T<sup>b</sup>ilisi, is located in the southeastern part of the country.

## <sup>2</sup> TOPOGRAPHY

The topography of Georgia is mainly mountainous, with the great Caucasus Mountains in the north and lesser Caucasus Mountains in the south. The highest point in the nation is Mount Shkhara at a height of 5,201 m (17,064 ft) in the Greater Caucasus. The Kolkhida Lowland opens to the Black Sea in the west and the Kura River basin lies in the east. The Kura River is the nation's longest river with a length of 1,514 km (941 mi). Good soils occur in the river valley flood plains and in the foothills of the Kolkhida Lowland.

## <sup>3</sup> CLIMATE

Georgia's climate along the Black Sea coast is similar to that along the Mediterranean, warm, humid, and almost subtropical. Farther inland the climate is continental, with warm summers and cold winters. July's mean temperature is 23°C (73.8°F). The mean temperature in January is -3°C (27.3°F). The annual rainfall in Georgia is 51 cm (20 in). In the mountains it is much cooler, with snow and ice all year in altitudes above 3,600 m (12,000 ft).

## <sup>4</sup> FLORA AND FAUNA

The country's land is composed of gently rolling plains. The Caucasus Mountains in Georgia begin a series of high mountains in Central Asia. The subtropical zone of the Black Sea coast of the

Caucasus Mountains has a distinctive vegetation: woods of black alder, oak, elm, and beech with a profusion of lianas and an admixture of evergreens. Mountain goats, Caucasian goats, Caucasian antelope, European wild boar, porcupine, and the leopard inhabit the Caucasus, and reptiles and amphibious creatures abound. As of 2002, there were at least 107 species of mammals, 208 species of birds, and over 4,300 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

Georgia suffers from pollution of its air, water, and soil. Air pollution is especially heavy in Rust'avi. In 1996, Georgia's industrial carbon dioxide emissions totaled 2.9 million metric tons; in 2000, the total was at 6.2 million metric tons. The Mtkvari River and the Black Sea are both heavily polluted. Pesticides from agricultural areas have significantly contaminated the soil.

In 2003, 2.3% of Georgia's total land area was protected. There are two Ramsar wetland sites: one in central Kolkheti and the other at the Ispani II marshes. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 11 types of mammals, 8 species of birds, 7 types of reptiles, 1 species of amphibian, 6 species of fish, and 10 species of invertebrates. Species on the endangered list include Atlantic sturgeon, slender-billed curlew, Mediterranean monk seals, Darevsky's viper, and the Armenian birch mouse.

## <sup>6</sup> POPULATION

The population of Georgia in 2005 was estimated by the United Nations (UN) at 4,501,000, which placed it at number 116 in population among the 193 nations of the world. In 2005, approximately 13% of the population was over 65 years of age, with another 19% of the population under 15 years of age. There were 90 males for every 100 females in the country. According to the UN, the annual population growth rate for 2005–10 was stagnant at 0.0%, a

rate the government viewed as too low. The projected population for the year 2025 was 4,178,000. The population density was 64 per sq km (167 per sq mi), with the majority of the population living near the Black Sea or in the river valleys.

The UN estimated that 52% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of -0.88%. The capital city, T'bilisi (Tbilisi), had a population of 1,064,000 in that year. Other cities and their estimated populations include Kútáisi, 268,800, and Rustavi, 181,400.

## 7 MIGRATION

With independence in 1991 came three secessionist movements in three autonomous areas and conflicts in two of them. The conflict in South Ossetia in 1991, followed by the conflict in Abkhazia in 1992 and 1993, resulted in the mass displacement of ethnic Georgians, Ossetians, and Abkhaz, as well as other ethnic minorities. As many as 200,000 Georgians may have fled the fighting in Abkhazia in 1993. By December 1996, Georgia had 280,000 internally displaced persons. In February of 1997, a voluntary repatriation plan was agreed upon for persons to return to South Ossetia. Hostilities resumed in Gali in May 1998, displacing some 40,000 residents. Georgia's first census in 2002 detailed 4,961 stateless and 8,058 foreign citizens.

By year end 2004 there remained 237,069 internally displaced persons, mainly in urban areas, 29.6% in T'bilisi and 46.4% in Samegrelo-Zemo Svaneti region. Repatriation of Meskhetian Turks began in 2003 and was planned to continue until 2011. Transit migration, trafficked migrants (primarily women from other former Soviet states), migrants from Asia and Africa, and irregular migrants were of increasing concern in 2004 as Georgia looked to membership in the European Union (EU). In addition, in that same year there were 2,559 refugees, mainly Chechen/Kist from the Pankisi Gorge, and 11 asylum seekers.

Georgian emigration during the 1990s was estimated between 300,000 to more than 1.5 million. In 2004, some 8,934 Georgians sought asylum in over 18 countries, mainly Austria, France, Slovakia, and Sweden. In 2005, the net migration rate was estimated as -4.62 migrants per 1,000 population, a significant change from -9.2 per 1,000 in 1990. The government views the migration levels as too high.

## 8 ETHNIC GROUPS

According to the 2002 census, 83.3% of the population are Georgian. The leading minorities are Azeris with 6.5%, Armenians with 5.7%, Russians with 1.5%, and others (including Ossetians and Abkhaz) with 2.5%.

## 9 LANGUAGES

Georgian is the official language and is spoken by about 71% of the population. Georgian is a South Caucasian language called Kartveli by its speakers. There is no article and a single declension with six cases. The alphabet is a phonetic one with 33 symbols. The literature dates from the 5th century AD.

Russian is spoken by 9% of the population, Armenian by 7%, Azeri by 6%, and various other languages are spoken by the remaining 7%. Abkhaz is the official language in Abkhazia.

## 10 RELIGIONS

In the 4th century AD Christianity briefly enjoyed the status of official religion, but successive conquests by Mongols, Turks, and Persians left Georgia with a complex and unsettled ethnic and religious heritage. According to the 2002 census, over 70% of the population are nominally Georgian Orthodox. About 13% are members of other Orthodox groups, including Russian, Armenian, and Greek. A small number of ethnic Russians belong to dissident Orthodox groups such as the Molokani, Staroveriy (Old Believers) and the Dukhoboriy. About 9.9% of the population are Muslims, most of whom are ethnic Azeris, Georgian Muslims of Ajara, and ethnic Chechen Kists. Less than 1% of the population are Roman Catholics. Smaller Christian denominations include Baptists, Seventh-Day Adventists, Pentecostals, Jehovah's Witnesses, the Armenian Apostolic Church, and the New Apostolic Church. There are also small numbers of Bahai's and Hare Krishnas. There are about 8,000 Jews in the country.

In 2002, the parliament ratified a concordat with the Georgian Orthodox Church (GOC) granting them special recognition; however, the constitution has established a separation of church and state and freedom of religion. Some non-Orthodox groups have complained of the privileged status granted to the GOC. For instance, the GOC is allowed to review public school textbooks and to make suggestions on content. Registration of religious organizations is not required, but many do so in order to gain the legal status necessary to rent office or worship space and import written materials.

## 11 TRANSPORTATION

Railroads in Georgia as of 2004, consisted of 1,612 km (1,003 mi) of broad and narrow gauge lines, all of which were electrified. Nearly all of the country's railways were broad gauge, accounting for 1,575 km (980 mi), with narrow gauge lines making up only 37 km (23 mi). Railways serve primarily as connections to the Black Sea for inland cities like T'bilisi, Chiat'ura, Jvari, and Tkvarcheli. Highways in 2003 totaled an estimated 20,247 km (12,594 mi), of which 7,973 km (4,959 mi) were paved. The maritime fleet of 175 ships (of 1,000 GRT or over) had a capacity of 855,908 GRT in 2005. Batumi and Poti are the principal Black Sea ports. As of 2004, Georgia had an estimated 30 airports, 19 of which had paved runways, and three heliports (as of 2005). Its only international airport is T'bilisi which is capable of handling 1,000–1,200 passengers per hour. In 2003 there were about 2,000 aircraft departures, and around 124,000 passengers carried on scheduled domestic and international airline flights.

## 12 HISTORY

Georgia has existed as a state on a sporadic basis since classical times. The first Georgian state can be traced to the 4th century BC. Throughout its history Georgia has been conquered by the Romans, Iranians, the Arabs, the Turks, the Mongols and the Hordes of Tamerlane. Georgia did enjoy independence for short periods of time from the 6th to the 12th centuries AD. The Mongols invaded and conquered Georgia by 1236. Later the Ottoman and Persian empires competed for control of the region. Western Georgia be-



LOCATION: 42°0' N; 44°0' E. BOUNDARY LENGTHS: Total boundary lengths, 1,461 kilometers (908 miles): Armenia, 164 kilometers (102 miles); Azerbaijan, 322 kilometers (200 miles); Russia, 723 kilometers (450 miles); Turkey, 252 kilometers (157 miles); total coastline, 310 kilometers (193 miles).

came a Russian protectorate in 1783. All of Georgia was absorbed directly in the Russian empire during the 19th century.

During the tumult of the Russian revolution, Georgia declared its independence on 26 May 1918. Twenty-two countries recognized this new state, including Soviet Russia. Nonetheless, the Soviet Red Army invaded in February 1921 and Georgia's brief independence came to an end.

Many Georgians fell victim in the late 1920s and 1930s to Soviet collectivization, crash industrialization, and Stalin's purges (despite his Georgian-Ossetian ethnic origins). Nationalist riots were brutally suppressed in 1924 and 1956, and nationalist mass demonstrations occurred in 1978 and 1988. In April 1989, many Georgian demonstrators were murdered, some with shovels, by Soviet military and police forces during a peaceful protest against perceived Russian support for Abkhaz autonomy demands.

Georgia's first multiparty legislative elections, held in October 1990, resulted in a victory for the party coalition Round Table-Free Georgia, headed by academic and dissident Zviad Gamsakhurdia. He was subsequently selected by the deputies to serve as chairman of the legislature. Following a March 1991 referendum, a formal declaration of independence was unanimously ap-

proved by the legislature on April 9. Gamsakhurdia was popularly elected as president in May, but still faced opposition from, among others, parties belonging to the National Congress, a national liberation body formed in October 1990. The Mkhedrioni paramilitary group, led by Jaba Ioseliani, was allied with the National Congress. During 1991, Gamsakhurdia's erratic attempts to remake Georgian society and politics caused the head of the National Guard, Tengiz Kitovani, to also join the opposition. The National Guard and Mkhedrioni spearheaded a general assault to overthrow Gamsakhurdia in December 1991, forcing him to flee the country in early January 1992.

A military council formed by Ioseliani, Kitovani, and others assumed power, suspending the Soviet-era constitution (and replacing it with one from 1921), dissolving the legislature, and declaring emergency rule. Former Georgian leader Eduard Shevardnadze (the Communist Party boss of Georgia from 1972 to 1985) was invited in early March 1992 to head a provisional government. He formed a civilian State Council to rule until elections could be held, and was elected head of its four-member presidium. During legislative elections in October 1992, he was elected speaker in an uncontested race. The new legislature granted Shevardnadze

wide-ranging powers as head of state pending completion of a new constitution. In May 1993, Shevardnadze moved to consolidate his power by securing the resignations of Kitovani and Ioseliani from government posts. Gamsakhurdia returned from exile in September 1993 to the western Georgian region of Mingrelia and led a revolt to unseat Shevardnadze. Pro-Shevardnadze forces, assisted by the Russian military, were able to put down the revolt by early November 1993. Gamsakhurdia's death was reported in early January 1994. In further moves by Shevardnadze to consolidate power, Kitovani was arrested in January 1995 for planning an illegal paramilitary attack on Abkhazia, and he neutralized Ioseliani's Mkhedrioni.

Several of Georgia's ethnic minorities stepped up their dissident and separatist actions in the late 1980s and early 1990s. South Ossetians in 1989 called for their territory to be joined with North Ossetia in Russia, or for independence. Repressive efforts by former Georgian president Gamsakhurdia triggered conflict in 1990, reportedly leading to about 1,500 deaths and 50,000 displaced persons, mostly ethnic Georgians. In June 1992, Russian president Boris Yeltsin brokered a cease-fire, and a predominantly Russian military "peacekeeping" force numbering about 500 was stationed in South Ossetia. A coordinating commission on settlement of the Georgian-Ossetian conflict, composed of OSCE, Russian, Georgian, and North and South Ossetian emissaries, meets regularly, but rapprochement remains elusive. The November 1999 OSCE Summit Declaration urged Georgia and South Ossetia to agree on resettling displaced persons and called for international aid for the region. In his state of the nation speech on 9 February 2000, Shevardnadze praised the Russian peacekeepers and successes in reconciliation between ethnic Ossetians and Georgians.

Georgia's southern Ajaria region is to a large extent self-governing, under conditions resembling a police state. Ajaria's authorities claim that regional laws take precedence over national laws, and Shevardnadze has had to undertake extensive negotiations to establish national law in the region.

The Abkhaz conflict has resulted in about 10,000 deaths and over 200,000 refugees and displaced persons, mostly ethnic Georgians. In July 1992, the Abkhaz Supreme Soviet declared its effective independence from Georgia. This prompted Georgian national guardsmen to attack Abkhazia. In October 1992, the UN Security Council (UNSC) approved the first UN observer mission to a NIS state, termed UNOMIG, to help reach a settlement. In September 1993, Russian and North Caucasian "volunteer" troops that reportedly made up the bulk of Abkhaz separatist forces broke a cease-fire and quickly routed Georgian forces. Abkhaz-Georgian talks leading to a cease-fire were held under UN auspices, with the participation of Russia and the OSCE. In April 1994, the two sides signed framework accords on a political settlement and on the return of refugees and displaced persons. A Quadripartite Commission was set up to discuss repatriation, composed of Abkhaz and Georgian representatives and emissaries from Russia and the UN High Commissioner for Refugees. The next month, a cease-fire was signed by Georgia and Abkhazia, providing for Russian troops (acting as Commonwealth of Independent States or CIS peacekeepers) to be deployed in a security zone along the Enguri River, which divides Abkhazia from the rest of Georgia. The Russian Defense Ministry in 1999 reported the deployment of about 1,700 peacekeepers.

A major point of contention between the two sides is Georgia's demand that displaced persons be allowed to return to Abkhazia, after which an agreement on broad autonomy for Abkhazia may be negotiated. The Abkhazians have insisted upon recognition of their "equal status" with Georgia as a precondition to large-scale repatriation. The CIS in 1997–1998 endorsed Shevardnadze's call for creating a special Abkhaz-Georgian administration, with UN and OSCE participation, to first seek peace in Abkhazia's Gali area, and to expand the security zone and give Russian peacekeepers police powers. Abkhazia refused to countenance changing the peacekeeping mandate. Although Shevardnadze has criticized the failures of the Russian peacekeepers, in February 2000 he stated that he saw no alternative to their presence, since no other international forces have come forward.

After a hiatus of two years, UN-sponsored peace talks were reconvened in mid-1997. In late 1997, the sides agreed to set up a Coordinating Council to discuss cease-fire maintenance and refugee, economic, and humanitarian issues. Coordinating Council talks and those of the Quadripartite Commission have been supplemented by direct discussions between an envoy from Vladislav Ardzinba, whom Abkhazian separatists have elected as their president, and the Georgian State Secretary. Abkhaz forces in mid-1998 reportedly expelled 30,000–40,000 ethnic Georgians who resided in the Gali area. In June 1999 in Istanbul, the two sides agreed to resume contacts they had cut off the year before, and a working group agreed to implement the separation of warring forces.

In November 1995, Eduard Shevardnadze was elected to the recreated post of president, receiving 74.32% of the vote in a six-person race, and a new parliament was selected. International observers termed the elections generally free and fair nationwide except in the region of Ajaria.

Seven candidates were registered to run in Georgia's 9 April 2000 presidential election. The major challengers to Shevardnadze were Jumbar Patiashvili, former first secretary of the Georgian Communist Party (who ran in the 1995 presidential race), and Aslan Abashidze, chairman of the Ajarian Supreme Council. Both challengers were leaders of the Revival Bloc that contested the 1999 legislative races. Abashidze did not actively campaign and withdrew from the race one day before the vote, alleging an unfair contest. Other speculation was that he withdrew in return for concessions from Shevardnadze on local power and finances. Voting did not take place in Abkhazia or South Ossetia. The Georgian Central Election Commission (CEC) reported that Shevardnadze received 80% of 1.87 million votes and Patiashvili received 17% (less than he received in 1995). The 150 OSCE monitors reported on April 10 that the election did not meet OSCE standards, though "fundamental freedoms were generally respected during the election campaign and candidates were able to express their views." They stressed that the government aided the incumbent, state media were biased, vote counting and tabulation procedures lacked uniformity and, at times, transparency, ballot box stuffing had taken place, and some voting protocols reportedly had been tampered with.

In March 2001, officials from Georgia and Abkhazia signed an accord stating they would not use force against one another. However, meetings between the two sides were cancelled later in the year due to continuing hostilities and hostage incidents. On 8 October 2001, a UNOMIG helicopter was shot down over Abkhazia,

and all nine people on board were killed. As of February 2003, those responsible for the downing had not been identified. In August 2002, Georgia and Abkhazia failed to come to an agreement on the withdrawal of Abkhaz fighters from the Kodori Gorge, the only enclave controlled by Georgia in Abkhazia. Georgia was concerned that Russians were supporting the Abkhaz fighters. In January 2003, UN Secretary-General Kofi Annan declared little progress had been made on talks to determine the future status of Abkhazia, and that the mandate for UNOMIG should be extended another six months, until 31 July 2003.

Upon coming into his second term in office, Shevardnadze claimed he would fight corruption and low living standards, undertake market reforms, and protect the territorial integrity of Georgia. Georgia desired NATO membership, and on 22 November 2002, Shevardnadze formally requested that Georgia be invited into the alliance. Russia did not immediately react to the announcement. In 1999, the OSCE demanded that Russia remove all of its troops from Georgia. In 2001, Russia vacated the Gudauta and Vaziani bases and the Marneuli military airfield, but did not agree to a time frame for a departure from the Akhalkalaki and Batumi military bases. One sore spot in Georgian-Russian relations remains the situation in Chechnya. Russian officials have accused Georgia of aiding Chechen rebels, especially in the Pankisi Gorge region of Georgia. Russia regards the armed conflict in Chechnya as a part of the international campaign against terrorism, and has demanded Georgia cooperate in combating Chechens in the region. In September 2002, Russia warned Georgia that it would take military action if Georgia failed to deal with Chechen rebels in the Pankisi Gorge. The United States, since 11 September 2001, has claimed that members of the al-Qaeda organization are operating in the Pankisi Gorge, and has enlisted Georgia's support in undertaking antiterror operations there. In April and May 2002, US Special Forces arrived in Georgia to train and equip troops for counterterrorist operations. On 8 February 2003, Russia claimed that terrorists recently arrested in Great Britain and France had trained in the Pankisi Gorge, and used laboratories built there to produce the poisonous toxin ricin that can be used as an agent in chemical warfare.

The end of 2003 brought with it drastic changes for Georgians. The parliamentary elections that were held on 2 November 2003 were criticized by national and international organizations as being grossly rigged. Mikhail Saakashvili, who received a law degree from Columbia University and worked in the United States for a short while, denounced the election results and urged the population of Georgia to nonviolent civil disobedience against the authorities. People responded to Saakashvili's call and mounted protests in T'bilisi (the so-called "Rose Revolution"), crying for fair elections. (The "Rose Revolution" inspired similar movements in other parts of the world, most notably in Ukraine where the "Orange Revolution" brought about long awaited change.) President Shevardnadze eventually bowed down under the pressure, and on 23 November 2003 resigned from his post, leaving parliamentary speaker Nino Burjanadze in charge until fresh presidential elections could be staged. This move was followed by a decision of the Supreme Court to annul the parliamentary elections results.

On 4 January 2004, Saakashvili emerged victorious in the presidential elections—he received support from all the opposition parties and garnered a 96.3% of the votes. His party, the Nation-

al Movement-Democratic Front, subsequently won 67.6% of the votes (and 135 out of 150 party list seats in parliament) in the re-run of the parliamentary elections; the Rightist Opposition got 7.6% (15 seats), while other parties received less than 7%. The new prime minister was Zurab Noghaideli.

This victory, however, came in a context where Georgia was very politically, socially, and economically unstable. Aslan Abashidze, the leader of the Ajarian Autonomous Republic in western Georgia, accused Saakashvili of planning to invade Ajaria and declared a state of emergency and the mobilization of armed forces. He failed to attract support from Russia though, and intense criticism from several foreign governments and international organizations forced him to resign in May 2004 and leave for Moscow. These events were followed by tensions in the other two problematic regions—South Ossetia and Abkhazia. Parliamentary elections in South Ossetia in May 2004, and troubled presidential elections in Abkhazia in October 2004, were not recognized by the government in T'bilisi. A proposal on autonomy for South Ossetia presented by Saakashvili was consequently refused by the South Ossetian leaders who asked for full independence.

In May 2005, George W. Bush became the first US president to visit Georgia. That same month, the Baku-T'bilisi-Ceyhan pipeline was officially opened, with US secretary of energy Samuel Bodman joining the presidents of Kazakhstan, Azerbaijan, Georgia, and Turkey at the opening ceremony. A year later, oil began flowing through the pipeline.

### 13 GOVERNMENT

Until 1995, Georgia was governed according to a constitution dating back to 1921. Shevardnadze, though, pushed for the adoption of a new constitution giving the president added powers. A new constitution was approved by the legislature in August 1995. It re-establishes a strong presidency, though affirming a balance of executive and legislative powers more equitable than those in most other new constitutions approved by former Soviet republics. The president is elected for a five-year term. The constitution establishes a unicameral, 235-member legislature elected by single-mandate constituencies (85 seats) and party lists (150 seats). Legislators serve four-year terms. Government ministers are responsible to the president, who is assisted by a state minister. Shevardnadze in December 1999 decreed enhanced powers for the state minister "equal to those of a prime minister." The speaker's only constitutional powers are to sign bills and serve as acting president in case the president is indisposed or dies. The legislature agreed that federal provisions would be added to the constitution after Georgia's territorial integrity has been assured. The breakaway regions of South Ossetia and Abkhazia are currently not under the control of the central government, and Ajaria is at least partly self-governing.

Voting for the new legislature took place on 5 November 1995, simultaneous with the presidential race. Only three of the 54 parties running received at least 5% of the party list vote required to win seats, though other parties won representation through constituency races; they have formed eight legislative factions. The elections were judged "consistent with democratic norms" by international observers.

Legislative elections were held in the spring of 2004. Voting was by party lists (150 seats) and single-member constituencies (73

seats; 12 sitting members representing separatist Abkhaz districts were allowed to retain their seats). Fifteen parties and blocs were registered but only two parties received at least 7% of the vote needed to gain party list seats (the new minimum was approved in July 1999). The National Movement-Democratic Front won 135 seats; the Rightist Opposition won 15.

## 14 POLITICAL PARTIES

Major political parties that won representation in the legislature elected in 1999, based on their share of the party list voting, included Shevardnadze's Georgian Citizens' Union (gaining 891,000 of 2.1 million party list votes cast), Ajarian leader Abashidze's pro-government Revival Union (537,000 votes), and Industry Will Save Georgia (151,000 votes). The Georgian Labor Party just failed to gain enough votes to win party list seats (141,000 votes). Other parties that gained more than 1% of the party list vote included the opposition National Democratic Party (NDP; it won the second-largest number of such seats in 1995), the People's Party, and the United Communist Party. Most of the minor political parties and groups characterized themselves as opposed to the government.

In November 2003, former President Eduard Shevardnadze resigned from office in a bloodless "Rose Revolution" following protests against his rule and what were seen to be fraudulent parliamentary elections. The election results were later annulled. Presidential elections were held on 4 January 2004, and Mikhail Saakashvili was elected president. His party, the National Movement-Democratic Front, won 135 seats out of the 150 that are on the party lists; the Rightist Opposition won the other 15.

## 15 LOCAL GOVERNMENT

Georgia's administrative subdivisions include the Abkhazian and Ajarian Autonomous Republics. The Georgian Supreme Soviet stripped South Ossetia of its autonomous status in late 1990, following its demands to secede and become a part of Russia. Abkhazia and South Ossetia consider themselves self-ruling, and Ajaria has substantial effective autonomy. There are 53 districts (*rayons*) and 11 cities, whose governors or mayors are appointed by the president. Local assembly (*sakrebulo*) elections were held for the first time under the new constitution in November 1998. Thirteen parties participated in the voting for more than 150,000 candidates for 10,000 municipal and district (*rayon*) assemblies or councils. In small towns and villages of fewer than 2,000 voters, 654 majoritarian elections were held, while elsewhere 377 proportional elections by party lists took place. The Citizen's Union Party won the largest number of seats, followed by the Revival bloc, the National Democratic Party, and the Labor Party, though 12 of the 13 parties won some seats. Inadequate funding and the absence of legislation limited the functions of the new locally elected governments. Opposition parties accused the government and the ruling Citizens' Union Party of retaining the effective power to appoint the mayors of the largest cities and the regional leaders. There remains considerable contention between the central government and the Autonomous Ajarian Republic over the scope of local powers.

Local elections were held on 2 June 2002, and 4774 *sakrebulo* seats in regional Georgia were decided, along with 49 seats in T'bilisi. Independents won 2,749 of the regional seats, with the New Right Party taking 544 seats; Industry Will Save Georgia taking 478 seats; and the Revival Party/21st Century Bloc taking 195

seats. The Citizens' Union of Georgia won only 69 seats in a major defeat, faring poorly in both T'bilisi and the regions. This was attributed to a split between the two main factions of the party prior to the elections, both of which strove for the right to campaign as the CUG. The conservative faction won the right to campaign as the CUG in the week prior to the elections, and the reformist faction campaigned as the Christian Conservative Party.

## 16 JUDICIAL SYSTEM

Before 1995, Georgia's legal system retained traces of the pre-Soviet era, the Soviet period, the Gamsakhurdia presidency, and the State Council period. Courts included district courts, a T'bilisi city court, a supreme court in each of the two autonomous republics, and at the highest level the Supreme Court of the Republic.

The 1995 constitution provides for an independent judiciary. However, the judiciary is subject to some executive pressure and pressure from extensive family and clan networks. The Law on Common Courts, passed in 1997, establishes a three-tier court system. District courts hear petty criminal and civil cases. Regional courts of appeal have original and appellate jurisdiction. They try major criminal and civil cases, review cases, and can remand cases to the lower court for retrial. The Supreme Court was envisioned as the highest appellate court, but it also hears some capital cases and appeals from the Central Electoral Commission.

A constitutional court was set up in September 1996. It arbitrates constitutional disputes between the branches of government and rules on individual claims of human rights abuses.

Administration of the court system was transferred from the Justice Ministry to a Council of Justice in 1997, to increase the independence of the courts from budgetary and other influence. The council consists of four members from each of the three branches of government.

The constitution provides for the rights to presumption of innocence, to have a public trial, to legal counsel, and to refuse to make a statement in the absence of counsel. A criminal procedures code was approved in November 1997, and a new criminal code was passed in June 1999. The criminal procedures code aimed at reducing the dominant power of prosecutors over arrests and investigations. Under the new procedures, judges issue warrants for arrest and detention orders, and detentions must follow correct legal procedures, including informing detainees of their rights, allowing visits by family members and lawyers, and treating detainees without brutality. In mid-1999, however, some of the liberal strictures on defendants' rights were reversed at the insistence of the prosecutors, who continue to have a major influence over the courts.

Under the Law on Common Courts, Georgia has launched a system of testing judges on basic legal principles; many of those who have taken the test have failed. Georgia's accession to the Council of Europe in April 1999 led to new legislation taking jurisdiction over the prison system away from the Interior (police) Ministry and giving it to the Ministry of Justice.

## 17 ARMED FORCES

Georgia had a total of 11,320 active personnel in its armed forces as of 2005, supported by 1,578 reservists in the National Guard. The Army was the largest force in terms of manpower, with 7,042 active personnel. The Navy and the Air Force each had 1,350 active



members. The Army had 86 main battle tanks, 89 armored infantry fighting vehicles, 91 armored personnel carriers, and 109 artillery pieces. Major naval units included 11 patrol/coastal vessels and six amphibious landing craft. The Air Force had seven combat capable aircraft that included six fighter ground attack aircraft, plus another used in a training capacity. The service also operated three attack helicopters. Paramilitary troops numbered 11,700, including 6,300 Ministry of Interior troops and 5,400 border guards. Georgian armed forces were deployed to Iraq in a peacekeeping support role, and under NATO in Serbia and Montenegro. There are also troops from 25 countries in Georgia acting as observers and in a peacekeeping role. The nation's defense budget in 2005 totaled \$44 million.

## 18 INTERNATIONAL COOPERATION

Georgia was admitted to the United Nations on 21 July 1992. The country is a member of several UN specialized agencies, such as the FAO, IAEA, ICAO, IFAD, ILO, IMF, UNCTAD, UNESCO, UNIDO, WHO, and the World Bank. Georgia joined the Commonwealth of Independent State (CIS) in 1993 and became a member of the WTO in 2000. The nation also belongs to the OSCE, the Council of Europe, the Black Sea Economic Cooperation Zone, the Euro-Atlantic Partnership Council, and the European Bank for Reconstruction and Development. Georgia has observer status in the OAS and is part of the NATO Partnership for Peace. In 2001, Georgia, Uzbekistan, Ukraine, Azerbaijan, and Moldova formed a social and economic development union known as GUAAM. Uzbekistan withdrew from the partnership in 2005.

In 1993, a UN Observer Mission (UNOMIG) was established in Georgia to monitor cease-fire agreements between the State of Georgia and the region of Abkhazia and to support ongoing CIS peacekeeping forces in that region. About 23 countries offer support for UNOMIG.

In environmental cooperation, Georgia is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Over a decade after its emergence from the Soviet Union as an independent state, Georgia's economy has not fully recovered from the hyperinflation and economic collapse that by 1994 had reduced its GDP to 20% of its 1990 levels. In 2002 its GDP levels were still only at 40% of what they were in the 1980s. Continued civil strife and unresolved separatist struggles with Abkhazia and South Ossetia have combined with pervasive corruption, tax evasion, and a "shadow economy" larger than the legitimate one to stifle the country's economic progress. Shortfalls in revenues have caused the government to turn to external as well as domestic financing to cover chronic budget deficits. Foreign borrowing has in turn led to balance of payments problems and resort to IMF facilities. Georgia has entered into three programs with the IMF since independence. A short standby arrangement, June 1995 to February 1996, was followed on expiration by a multi-year program under the Extended Structural Adjustment Facility (ESAF), which was in effect to 13 August 1999 when the IMF withdrew due to the failure of Georgia to meet budgetary targets. In Janu-

ary 2001, a revised program with more realistic targets was approved under the Poverty Reduction and Growth Facility (PRGF). In March 2001, having an IMF-supervised program underway, Georgia was able to reach an agreement with the Paris Club for rescheduling some of its sovereign debt owed to Paris Club members. From May to October 2001, the IMF again suspended disbursements to Georgia because of its failure to meet the program's conditionals. The 2001 PRGF program was scheduled to expire in January 2004; the government sought and was awarded a new three-year PRGF in June 2004.

Georgia's mild climate makes it an important agricultural producer, raising a growing range of subtropical crops (including tea, tobacco, citrus fruits, and flowers) in the coastal region and exporting them to the northern republics in return for manufactured goods. Georgia supplied almost all of the former Soviet Union's citrus fruits and tea, and much of its grape crop.

In 1996, the government embarked on a program for the privatization of land holdings. The country also has deposits of manganese, coal, iron ore, and lead, plus a skilled, educated work force. There were several oil refineries operating at the Black Sea port of Batumi. Since low points in 1994 and 1995, there has been sustained growth, although not in all sectors, and inflation has been brought substantially under control. Inflation fell from 163% (consumer prices) in 1995 to 39% in 1996 and 7% in 1997. The growth in GDP reached double digits, 11.2% (1996) and 10.6% (1997), stimulated in part by work on the Baku-Supsa pipeline (opened in April 1999). Since 1998, however, GDP growth slowed to about 3% a year due a combination of the effect of economic crises in Russia and Turkey (which together supply 40% of Georgia's imports and buy over 40% of its exports), an influx of refugees since 1999 from neighboring war-torn Chechnya, severe droughts affecting Georgia's agricultural output in 1998 and 2000, and, from 2001, the global economic slowdown. In 1998, overall GDP growth slowed to 3%, as agricultural production dropped 10% and industrial production dropped 2%. Growth remained at only 3% in 1999. GDP growth was even lower (2%) in 2000, despite 11% growth in industrial production, due to a recurrence of drought which caused agricultural production to fall 15% in one year.

In 2001, agriculture recovered somewhat, growing 6%, but industrial production fell back 5%, reflecting in part an 11% decrease in exports to countries outside the CIS. Exports to CIS countries, by contrast, rose 23% in 2000 and 9% in 2001. Georgia official statistics report that the GDP grew overall by 4.5% in 2001, while the US CIA estimated growth at 8.4%. Inflation, which spurted to 19% in 1999, fell to moderate levels of between 4% and 5% in 2000 and 2001.

In 2002, the economy was hampered by the necessity of importing over 90% of the petroleum products consumed due to the shutting down of its only two remaining refineries. The larger 106,000-barrels-per-day refinery at Batumi was closed for modernization and expansion under an agreement with Japan's Mitsui Corp. A small 4,000 barrels-per-day refinery, built in 1998 and idle for much of 2001, was closed permanently in 2002 by its operation company, CanArgo, in favor of a plan to replace it with a larger 30,100-barrels-per-day facility. Georgia's future economic prospects were thought to have improved greatly in December 2002 however, with the announcement of an agreement

on the Georgia portion of the Baku-Tbilisi-Ceyhan (BTC) pipeline, which opened in May 2005. In addition to the BTC project, which is to pipe oil from the Caspian Sea to the Turkish port of Ceyhan on the Mediterranean to supply Western European markets, Georgia and Turkey concluded another agreement to build a railway from Tbilisi to Kars, Turkey. The railway would transport oil to Turkish refineries. Plans also exist to develop Georgia into a transit center for natural gas.

The economy experienced an explosive expansion in 2003, with a GDP growth rate of 11.1%. The economy cooled down in 2004, growing by 6.2%, but was expected to pick up again in 2005, with a projected growth rate of around 8.0%. The inflation rate was stable, fluctuating between 4% and 6%. As such, inflation did not pose a problem to the overall economy, although it was expected to rise in 2005 to 8.5%. The "Rose Revolution" in 2003 brought hope that the economy would take a turn for the better by emulating a Western development pattern. The Baku-Tbilisi-Ceyhan oil pipe lines and the Baku-Tbilisi-Erzurum gas pipe lines have brought much needed investment into the country and helped alleviate the chronic unemployment. However, Georgia's energy sector was still dependent on imports from Russia as of 2005, and its market needed heavy restructuring before it could reach functional economy status.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Georgia's gross domestic product (GDP) was estimated at \$16.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$3,400. The annual growth rate of GDP was estimated at 10%. The average inflation rate in 2005 was 8%. It was estimated that agriculture accounted for 16% of GDP, industry 26.8%, and services 57.2%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$246 million or about \$54 per capita and accounted for approximately 6.2% of GDP. Foreign aid receipts amounted to \$220 million or about \$43 per capita and accounted for approximately 5.5% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Georgia totaled \$3.12 billion or about \$684 per capita based on a GDP of \$4.0 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.5%. In 2001 it was estimated that approximately 33% of household consumption was spent on food, 13% on fuel, 2% on health care, and 4% on education. It was estimated that in 2001 about 54% of the population had incomes below the poverty line.

## 21 LABOR

The labor force was estimated at 2.1 million in 2001 (the latest year for which data was available). Agriculture provided work to 40% of the labor force, with another 40% engaged in services and

the remaining 20% in industry. The estimated unemployment rate was 17% in 2001.

Employees have the right to form or join unions freely. A confederation of independent trade unions has emerged with the abandonment of the old centralized Soviet trade unions. Georgia's main trade union is the Amalgamated Trade Unions of Georgia. Workers are permitted to engage in collective bargaining, but this practice is not extensive.

The minimum employment age is 16 except in unusual circumstances, and this minimum employment age is generally respected. The government sets public-sector salaries dependent on the pay grade of the employee. The lowest such wage was \$10.80 per month in 2002. There is no state prescribed minimum wage for the private sector. In general, wages and salaries do not provide a decent standard of living for a family. The legal standard workweek is 41 hours with a 24-hour rest period weekly.

## 22 AGRICULTURE

About 15% of Georgia's total land area was considered arable in 2003. Since independence in April 1991, Georgian agriculture has become much more associated with the private sector; 99% of agricultural land is now privately held. In 2003, agriculture accounted for an estimated 20% of GDP.

During the Soviet era, Georgia produced almost the entire citrus and tea crop and most of the grape crop for the entire Soviet Union. In 2004, production levels (in thousands of tons) included corn, 410; wheat, 186; barley, 61; tea, 24; vegetables and melons, 490; and grapes, 180.

## 23 ANIMAL HUSBANDRY

Meadows and pastures account for about 30% of the Georgian land area. In 2005, the livestock population included cattle, 1,250,000; sheep, 689,000; pigs, 484,000; buffaloes, 35,000; horses, 44,000; and chickens, 9,100,000. Beef production in 2005 totaled some 51,000 tons; pork, 35,000 tons; and chicken, 15,000 tons. About 781,000 tons of milk were produced in 2005, as were 31,500 tons of eggs.

In mid-1993, a ban was placed on the export of dairy products (including milk), cattle and poultry, meat and meat products, and leather. Georgia does not produce enough meat and dairy products to satisfy domestic demand. Meat imports in 2004 exceeded \$19.7 million.

## 24 FISHING

The Black Sea and Kura River are the main sources of the domestic catch. The total catch in 2003 was about 3,361 tons, with marine fishing accounting for 97%. Anchovies made up 67% of the total catch in 2003. Commercial fishing is not a significant contributor to the economy.

## 25 FORESTRY

About 44% of Georgia is covered with forests or woodlands, but the mountainous terrain inhibits forestry production. Timber

production is primarily for domestic use; exports of forestry products amounted to only \$17.9 million in 2003.

## 26 MINING

Georgia had significant mineral deposits, but the future of the industry depended on a more secure climate for investment, through greater political and economic stability. Manganese was the country's foremost mineral commodity in the Soviet era, producing 5 million tons in the mid-1980s; production has since fallen precipitously, reaching 59,100 metric tons in 2000, but had increased to an estimated 80,000 metric tons in 2002. Manganese came from the Chiat'ura basin; reserves of high-grade ore were almost depleted.

The Madneuli region was a major site of barite, copper, lead-zinc, gold, and silver mining. Lead and zinc were mined at the Kvaisi deposit, and arsenic was mined from the Lukhumi and Tsansa deposits. In 1995, the Georgian State Geology Committee, *Gruzgeologiya*, stated that Georgia had gold reserves of 250 tons and silver reserves of 1,500 tons, with another 250 tons of prospective gold reserves.

In 1996, Georgia permitted foreign firms to manage metallurgical enterprises. The Zestafoni ferroalloy plant was signed over to the Russian-Georgian Bank for Reconstruction and Development in conjunction with a US partner, North Atlantic Research, to be managed for a period of 10 years.

Mine output of copper was 8,000 metric tons in 2002. In that same year, gold output was estimated at 2,000 kg, and for silver, an estimated 33,000 kg. Also produced in 2002 were mine lead, barite, bentonite, mine zinc, and cement.

## 27 ENERGY AND POWER

Georgia must rely on imports for most of its energy needs. Its limited oil reserves were placed at about 30 million barrels in 2003. The country produced 2,000 barrels per day in 2004, much less than the 42,200 barrels of oil it consumed each day that same year. However, oil exploration is actively being carried out both on land and along the Black Sea coast. Most of the oil comes primarily from Azerbaijan, and Russia. Natural gas reserves in 2003 were placed at 0.3 trillion cu ft, with production and consumption at 0.6 billion cu ft and at 35.3 billion cu ft, respectively in that year.

Georgia has two oil refineries, a 106,000-barrel-per-day (bpd) facility at Batumi and a smaller refinery at Sartichala. Georgia plans on utilizing its Black Sea ports to become a significant transshipment point for oil produced by Azerbaijan (and the other republics of central Asia). On 8 March 1996, Georgia and Azerbaijan signed a 30-year agreement to pump a portion of the oil produced in the Azeri waters of the Caspian Sea to the Georgian port of Suspa. From there, the oil will be shipped across the Black Sea to western markets via Turkey. The pipeline along this route became operational in April 1999 following substantial upgrades. Additionally, improved ties with Iran will reduce dependence on energy imports from Russia, from which Georgia is trying to distance itself economically.

Deteriorating plants and equipment prevent Georgia's power sector from operating at full capacity, and power outages are common in many areas of the country. As with its imports of natural gas, Georgia is in arrears in paying for the electricity it has

been obliged to import from Armenia, Azerbaijan, and Russia. The country has substantial untapped hydroelectric potential, however, and is planning to build two new hydroelectric plants on the Rioni River and a third, the 40-MW Minadze station, on the Kura River. In 2003, electricity production amounted to 6.7 billion kWh. In 2002, hydropower accounted for 83% of the electricity produced and 16.6% was from fossil fuel. Installed capacity in 2003 was 4.4 GW, with consumption at 6.8 billion kWh for that year. The two major power plants are a thermal plant at T'bilisi (with a capacity of 1,280,000 kW) and the Enguri hydroelectric plant (with a 1,325,000 kW capacity). Consumption of electricity in 2000 totaled 7.9 billion kWh.

Georgia is one of the 12 former Soviet republics to found the Intergovernmental Council on Oil and Gas (ICOG), which stresses international cooperation in the oil and natural gas industry and will entitle members to receive Russian energy resources in exchange for investment in Russia's oil and natural gas industries.

## 28 INDUSTRY

Heavy industry, based on the country's mineral resources, predominates, and includes metallurgy, construction materials, and machine building. Light industry includes food processing, beverage production, consumer durables, garments, and oil-processing. Hyperinflation in 1994 together with continuing political unrest severely affected industrial production. By 1995, industrial output of state enterprises was one-fifth of the 1990 level.

In 1996, although industrial production rose 6% for the year, less than 20% of the country's industries were operating, most at less than 15% of capacity. In 1997 another improvement of 7% was recorded, but in 1998, due mainly to the financial crisis in Russia, industrial production fell 2%. By the end of 1998, the privatization of small businesses was largely completed, with over 12,860 becoming privately owned. Among the large state enterprises, about 1,200 had been changed into joint stock companies, 910 of which have since been privatized.

Despite a model legal framework for the privatization of its enterprises, industry in Georgia had only been 15.2% privatized as of 2002, with the construction industry at about 18.5%, mainly because of a lack of buyers. The least privatized sector is energy, where, according to a recent USAID assessment, the infrastructure borders on catastrophic failure.

Growth in industrial production returned in 1999 and 2000, at 7% and 11%, respectively, but in 2001, there was a decline of 5%, due, externally, to declining export demand in non-CIS countries, and, internally, to the shutdown of most of Georgia's refinery production. Before independence, Georgia had several refineries, but by 2001, it had only two: one at the Black Sea port of Batumi with a 106,000 b/d capacity, and the other, a small 4,000 b/d refinery built in 1998 near CanArgo's Ninotsminda oil field called the Georgian-American Oil Refinery (GAOR).

In 2001, the GAOR operated only between July and September, and at less than 50% capacity. In September 2001, CanArgo shut it down, announcing plans to build a \$200 million refinery in its place that would have a 30,100 b/d capacity. In 2002, the Batumi refinery was also closed, undergoing a \$250 million upgrade and expansion directed by the Mitsui Corporation. As a result, Georgia has been obliged to import over 90% of its petroleum products.

Mitsui has undertaken the work without Georgian government guarantees of its investment. The lack of such guarantees caused two other Japanese companies, Marubeni and JGC, to drop out of the project. Georgia's most promising industrial development came in December 2002, when agreement was announced for the construction of Georgia's part of the Baku-Tbilisi-Ceyhan (BTC) pipeline; the pipeline was officially opened on 25 May 2005.

Industry accounted for 26.8% of overall economic output in 2005, and it was the sector with the smallest representation in the working population; agriculture and services were by far the largest employers (both with an approximate equal representation in the labor force—40%), although they achieved different productivity levels—agriculture accounted for 16% of the GDP, while services came in first with 57.2%. Current important industries include steel, aircraft, machine tools, electrical appliances, mining (manganese and copper), chemicals, wood products, and wine.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

The Georgian Academy of Sciences has departments of mathematics and physics, earth sciences, applied mechanics, machine building, and control processes, chemistry and chemical technology, agricultural science problems, biology, and physiology and experimental medicine. Georgia has 44 research institutes, many attached to the academy, conducting research concerning agriculture, fisheries, and veterinary science; and medicine, natural sciences, and technology. The academy's Sukhumi Botanical Garden is maintained at Chavchavadze. The Scientific and Technical Library of Georgia, with more than 10 million volumes in 1996, is located in Tbilisi. Eight colleges and universities offer degrees in basic and applied sciences. In 1987–97, science and engineering students accounted for 39% of university enrollment.

In 2002, research and development spending totaled \$33.702 million, or 0.29% of GDP. As of that same year, high technology exports totaled \$41 million, or 38% of all manufactured exports. As of 2002, there were 2,317 researchers and 241 technicians per million people actively engaged in R&D.

## 3<sup>0</sup> DOMESTIC TRADE

The war in Abkhazia severely disrupted domestic trade in 1993 and hyperinflation in 1994 led to widespread fighting in the nation and catastrophic economic decline. Economic conditions began to improve by the mid-1990s following the influx of foreign aid. Agriculture continues to be a primary basis for the domestic economy. The fastest growing segment of the economy, however, is in services, which accounted for about 55% of the GDP in 2002. Small privately owned shops are still more prevalent than supermarkets or larger retail establishments. Business hours are generally from 9 AM to 6 PM, Monday through Friday.

## 3<sup>1</sup> FOREIGN TRADE

Traditionally Georgia has been heavily dependent on Russia for power, bridges, roads, and other economic essentials. In return, Georgia sends Russia fruit, wine, and other agricultural products. Georgia's current government, however, is pursuing closer links with the EU and Turkey.

In 2005, exports reached \$1.4 billion (FOB—Free on Board), while imports grew to \$2.5 billion (FOB). The bulk of exports went to Turkey (18.3%), Turkmenistan (17.8%), Russia (16.2%), Arme-

### Principal Trading Partners – Georgia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	475.5	1,135.4	-659.9
Russia	84.0	155.3	-71.3
Turkey	82.4	112.1	-29.7
Turkmenistan	58.4	9.9	48.5
Armenia	41.1	12.0	29.1
Switzerland-Liechtenstein	33.3	14.5	18.8
Ukraine	30.2	80.3	-50.1
United Kingdom	27.9	145.6	-117.7
Azerbaijan	16.6	93.8	-77.2
United States	15.4	90.8	-75.4
Netherlands	9.9	22.3	-12.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

nia (8.4%), the United Kingdom (4.9%), and Azerbaijan (3.9%). Principal exports were ferro alloys, copper and gold, ferrous waste and scrap, iron and steel, wine, and mineral water. Imports included oil, gas, electricity, tubes and pipes, and automobiles, and mainly came from Russia (14%), Turkey (11%), the United Kingdom (9.3%), Azerbaijan (8.5%), Germany (8.2%), the Ukraine (7.7%), and the United States (6%).

## 3<sup>2</sup> BALANCE OF PAYMENTS

Georgia's high level of imports, until 2000, was largely due to its capital account surplus, stemming from the inflows of investments, loans, and grants, rather than from weak export performance. Georgia's capital account subsequently fell into deficit.

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Georgia's exports was \$515 million

### Balance of Payments – Georgia (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-397.1</b>
Balance on goods		-636.0
Imports	-1,466.6	
Exports	830.6	
Balance on services		52.5
Balance on income		34.3
Current transfers		152.0
<b>Capital Account</b>		<b>19.9</b>
<b>Financial Account</b>		<b>323.0</b>
Direct investment abroad		-3.8
Direct investment in Georgia		337.9
Portfolio investment assets		...
Portfolio investment liabilities		...
Financial derivatives		...
Other investment assets		-6.1
Other investment liabilities		-5.0
<b>Net Errors and Omissions</b>		<b>6.6</b>
<b>Reserves and Related Items</b>		<b>47.7</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

while imports totaled \$750 million resulting in a trade deficit of \$235 million.

The International Monetary Fund (IMF) reported that in 2000 Georgia had exports of goods totaling \$459 million and imports totaling \$971 million. The services credit totaled \$206 million and debit \$216 million.

Exports of goods and services reached \$1.1 billion in 2004, down from \$1.3 billion in 2003. Imports decreased from \$1.9 billion in 2003, to \$1.8 billion in 2004. The resource balance was consequently negative in both years, reaching -\$583 million in 2003 and -\$637 million in 2004. The current account balance was also negative, decreasing from -\$391 million in 2003, to -\$430 million in 2004. Foreign exchange reserves (including gold) decreased to \$187 million in 2004, barely covering a month of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

The National Bank of Georgia (NBG), the state's central bank, was founded in 1991. The NBG has the functions of a central bank, namely issuing currency, managing the exchange rate, controlling monetary and credit aggregates, and regulating the activities of the banking sector.

In September 1995 Georgia introduced a new currency, the lari (l), to replace its interim currency, the coupon, at the rate of 1l = coupon1,000,000. The coupon had been introduced in May 1993 after the collapse of the ruble zone in response to a severe cash shortage in the republic. The coupon experienced one of the steepest devaluations of any currencies in the former Soviet Union, plummeting from around coupon1,000 = \$1 shortly after its introduction to coupon1,550,000=\$1 by December 1994. The coupon was scarcely used by the private sector, where the majority of transactions were carried out in dollars and rubles.

The government has since had more success with the lari. The new currency was introduced at 1l.3 = \$1, and given the dramatic success in reducing inflation, by the end of November 1996 it had appreciated slightly to trade around 1l.28 = \$1. However, by 2001, it had lost some value, trading at 1l.07 = \$1.

At the time of independence there were, in addition to the NBG, five specialized commercial banks, about 200 small domestic commercial banks, and the former Georgian branches of the Soviet Savings Bank and Vneshekonombank. During 1993 and 1994, a large number of small banks were set up, peaking at 227 by mid-1994. Several of these have since collapsed, leaving creditors bankrupt. In December 1994, the central bank stripped 28 commercial banks of their licenses on the ground that they had insufficient funds. In June 1995, the head of the central bank, Nodar Javakhishvili, moved to further stiffen capital requirements and stripped 22 more banks of the licenses. This was followed in July and August with similar measures that resulted in 58 additional banks losing their licenses. Also during 1995 was the merger of three state banks (Eximbank, Industrial Bank, and the Savings Bank) into the United Georgian Bank. State-owned banks accounted for some 75% of banking sector assets.

The first foreign bank, the Georgian-US bank, was opened in T'bilisi in early 1994. In September 1996 a joint investment bank began its operations with its founding capital contributed by the United Georgian Bank, the Commercial Bank of Greece, and the European Bank for Reconstruction and Development (EBRD). Emlak Bankasi, a Turkish bank, and the Caucasus Development

Bank, based in Azerbaijan, currently maintain offices in T'bilisi. In 1997, the EBRD announced that it is to lend \$5 million to Absolute Bank, a US-Georgian joint venture, with 60% US ownership. The bank has \$3 million in assets, making it one of the largest Georgian banks in terms of capital.

Other commercial banks include the Agricultural Bank (1991), the Bank of Industry and Construction (1991), Housing Bank of Georgia (1991), and the State Savings Bank (1989).

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$190.2 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$356.0 million. The money market rate, the rate at which financial institutions lend to one another in the short term, was 17.5%.

The Caucasian Exchange, a stock exchange, opened recently in Georgia.

### 3<sup>4</sup> INSURANCE

Georgia's insurance system is largely inherited from government-controlled Soviet institutions. The civil war impairs growth of the insurance sector.

### 3<sup>5</sup> PUBLIC FINANCE

Georgia has been notorious for mismanaging its budget. In 1999, the IMF put one of its programs in the country on hold because Georgia could not meet the conditional budgetary targets the IMF set forth. A more realistic budget in the second half of 2000 paved the way for a new IMF program beginning in January 2001. Georgia's progress towards those new budgetary goals has been uneven, but it has remained on track.

The US Central Intelligence Agency (CIA) estimated that in 2005 Georgia's central government took in revenues of approximately \$872.5 billion and had expenditures of \$1 billion. Revenues minus expenditures totaled approximately \$871.4 billion. Total external debt was \$1.9 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were 1933.3 million and expenditures were 11,009.8 million. The value of revenues was us\$435 million and expenditures us\$471 million, based on an exchange rate for 2003 of us\$1 = 1.2.1457 as reported by the IMF. Government outlays by function were as follows: general public services, 34.1%; defense, 6.0%; public order and safety, 10.7%; economic affairs, 8.8%; housing and community amenities, 0.6%; health, 1.0%; recreation, culture, and religion, 2.5%; education, 4.1%; and social protection, 32.4%.

### 3<sup>6</sup> TAXATION

As of 2004, Georgia has a standard corporate profits tax of 20%. Capital gains are considered part of taxable profits and are taxed at the corporate rate. Taxes on dividends, interest, and management fees are withheld at the source at a rate of 10%. Foreign entities not permanently established pay a withholding tax of 10% on dividends, interest, and royalty payments. There is also a withholding tax of 4% on insurance premiums and payments for international telecommunications and transportation services. A 1% tax on property of enterprises (TPE) is charged foreign companies that have permanent establishments in Georgia. There is also a per-

**Public Finance – Georgia (2003)**

(In millions of lari, central government figures)

	<b>933.3</b>	<b>100.0%</b>
<b>Revenue and Grants</b>		
Tax revenue	602.3	64.5%
Social contributions	222.7	23.9%
Grants	48.4	5.2%
Other revenue	59.9	6.4%
<b>Expenditures</b>	<b>1,009.8</b>	<b>100.0%</b>
General public services	344.1	34.1%
Defense	60.4	6.0%
Public order and safety	107.6	10.7%
Economic affairs	88.5	8.8%
Environmental protection	...	...
Housing and community amenities	5.6	0.6%
Health	10.3	1.0%
Recreational, culture, and religion	25	2.5%
Education	41	4.1%
Social protection	327.3	32.4%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

sonal income tax, paid by resident and nonresident individuals, which has four brackets, the first one being a negative income tax of 12% up to an income of 1200 (about \$93). For 1201–350 (about \$165), the tax is 124 (\$11) plus 15%. For 1351–600 (\$286), the tax is 146.5 (\$22) plus 17%. Above 1600, the tax is 198 (\$42) plus 20%. Social charges are deducted from employees' salaries: 15% for the health protection fund and 1% for the social security fund. Employers' contributions are 3% for the health protection fund, 27% for social security, and 1% for unemployment. There is also a value-added tax (VAT) of 20% (reduced from 28%), in addition to various excise taxes, ranging from 10–90%

Georgia has one of the worst rates of tax compliance in the world. Chronic shortfalls in revenue collection means that the state must turn to external financing and loans from the National Bank of Georgia to make up for budget deficits. External borrowing to cover budget shortfalls have been the primary reason Georgia has had to turn to the IMF and the Paris Club for stand-by credit agreements and rescheduling of sovereign debt. The high rate of tax evasion puts legitimate business at a competitive disadvantage with a large "shadow economy," estimated officially to constitute 40–60% of the economy, but generally believed, according to the US State Department, to be much higher. Estimates of underpaying of taxes by enterprises have been close to 80%.

**37 CUSTOMS AND DUTIES**

Georgia has an open trade regime, with most commodities carrying tariffs of either 5% or 12%, although automobiles have considerably higher rates. Some goods, such as grains, humanitarian goods, and aviation fuel, are exempt from carrying customs tariffs. Imported goods are also subject to a value-added tax (VAT) of 20% and an excise tax of 5–100% is levied on luxury goods.

**38 FOREIGN INVESTMENT**

Georgia was one of the first former Soviet republics to adopt market reforms on foreign investment. However, political instability

has hampered efforts to attract capital from abroad. Oil and gas pipeline projects and expanded privatization sales promised to reverse this trend. By the mid-1990s both GDP and total foreign investment began to grow steadily. In September 1998 the decision was made to make all future economic regulations in full conformity with the norms of the European Community. Legislation in 2000 extended the scope of the privatization program, created a capital market, and provided for the registration of enterprise and agricultural land, all conducive to improving Georgia's investment climate. Also in 2000, the currency appeared to have stabilized. The main hindrances to foreign investment flows are not the legal framework but pervasive corruption and arbitrary and biased administration.

Annual foreign direct investment (FDI) inflow swelled to \$242 million in 1997 and \$265.3 million in 1998 mainly due to work on the Baku-Supsa pipeline and on the Supsa terminal. FDI flows fell to an annual average of \$124.3 million 1999 to 2001. Total FDI stock from 1990 to 2000 was an estimated \$672 million. The United States has been the leading source of foreign investment, accounting for about 22%.

Investment levels have, as expected, soared in recent years. Mainly due to work on the Baku-Tibilisi-Ceyhan pipeline and the Shah Deniz gas pipeline, FDI levels have grown from \$163 million in 2002, to \$336 million in 2003, and \$490 million in 2004. Preliminary data for 2005 shows that inflows of capital have reached \$284 million in the first half of the year. An encouraging fact is the winding down of the effects of the pipeline projects, and the increase in foreign investments as a result of privatizations done by the government.

**39 ECONOMIC DEVELOPMENT**

In late 1992, the government inaugurated its Medium-Term Program of Macroeconomic Stabilization and Systemic Change focusing on price and trade liberalization, budget constraints for public enterprises, and privatization. As part of a small enterprise privatization program, the first auction of small-scale assets was held in T'bilisi in March 1993. Practically all housing has been privatized, as well as a high percentage of agricultural land. Privatization was progressing as of 2003, and the government was developing the legal framework necessary for a good climate of investment. Nevertheless, due to a lack of enough foreign direct investment in 2003, the transportation and communication infrastructure remains in poor condition.

In spite of these reforms, political instability continues to hamper Georgian economic development. Although the Baku-T'bilisi-Ceyhan oil pipeline brings much needed foreign investment, most observers feel that the fate of the Georgian economy hinges on the ultimate fate of the Caucasus.

Corruption hampers economic development, and has undermined the credibility of the government's economic reforms. The size of the shadow economy is also a concern. The Paris Club rescheduled Georgian debt in 2001. That year, Georgia negotiated a three-year \$144 million Poverty Reduction and Growth Facility (PRGF) Arrangement with the IMF, which was due to expire in 2004. The IMF encouraged the country to implement tax reform, to improve revenue collection, strengthen the banking system, and to combat corruption and smuggling.

The construction of the Baku-Tbilisi-Ceyhan oil pipe lines and the Baku-Tbilisi-Erzurum gas pipe lines have been extremely beneficial for the economy of Georgia. The economy has registered impressive growth rates (11.1% in 2003, and 8% in 2005), unemployment has been alleviated, and the privatization of several national enterprises has been made easier as a result. A strong industrial sector, together with higher productivity rates in the agricultural sectors, will ensure that the impressive economic expansion will continue at similar rates for at least another couple of years. The government needs to speed up reforms however, and ensure a proper economic restructuring by developing and diversifying its manufacturing and export bases.

#### 40 SOCIAL DEVELOPMENT

All employees are eligible for old age benefits, which are funded primarily by employers, who contribute 31% of payroll. Disability and death are not covered. A special social pension exists for the aged and disabled who do not qualify for the employee pension system as determined by need. Paid maternity leave is provided for up to eight weeks, although it is reported that employers frequently withhold benefits. Temporary disability is only payable if the employer is responsible for the injury, although unemployment and permanent disability benefits are provided. Medical services are provided to needy residents by government health officials. Family allowances, initiated in 2002, provide for all needy residents, and is funded by the government.

Women remain predominantly in low-skilled, low-paying jobs, regardless of qualifications. Female participation in politics has been discouraged, and women rarely fill leadership positions in the private sector. Discrimination and harassment in the workplace are common. Violence against women is a serious problem and there are virtually no mechanisms to assist victims. Societal bias discourages the reporting of domestic abuse or sexual violence. In 2004, kidnapping of women for marriage still occurred.

Human rights abuses by the police and security forces continue, often to obtain confessions or extract money. Prison conditions are inhumane and life threatening, and corruption is endemic in the judicial and law enforcement systems. There is some discrimination against ethnic minorities.

#### 41 HEALTH

Since 1995 there have been wide-ranging reforms to the centralized system of health care inherited from the former Soviet Union. Staffed by a disproportionate number of specialists, and supporting a relatively high number of hospital beds, the system proved too costly and inefficient to maintain. In the period immediately following independence, financial shortages led to delayed payment, or even nonpayment, of medical staff salaries; a virtual halt to investment in new medical equipment and buildings; and the emergence of a black market in pharmaceuticals. Changes in health care policy since 1995 include introduction of a health insurance system and an end to free health care outside a basic package of health benefits, as well as new systems of provider payment. The network of rural and urban primary care centers is still largely a holdover from the Soviet era, but the payment structure for ser-

vices has changed. Health care expenditure was estimated at 2.8% of GDP.

In 2004, there were an estimated 391 physicians, 372 nurses, 29 midwives, and 30 dentists per 100,000 people. Immunization rates for the country in 1997 were as follows: children up to one year old were vaccinated against tuberculosis, 76%; diphtheria, pertussis, and tetanus, 92%; polio, 98%; and measles, 95%.

Life expectancy in 2005 was an average of 75.88 years and the infant mortality rate was 18.59 per 1,000 live births. The total fertility rate has decreased from 2.9 children per woman of child-bearing years in 1960 to 1.1 in 2000. The under-five mortality rate was 59 per 1,000 live births. The maternal mortality rate was much lower than the average in Eastern Europe. In 1995 there were 22 maternal deaths per 100,000 live births. The estimated overall mortality rate as of 2002 was 14.6 per 1,000 people. There were approximately 2,000 civil war-related deaths in 1992. A diphtheria epidemic has spread through the former Soviet Union. In most affected countries, the incidence rate of reported diphtheria has increased two- to tenfold every year.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 3,000 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

#### 42 HOUSING

Before independence, most urban housing was regulated by the government while most rural housing was privately owned. Beginning in the mid 1990s, legislation towards privatization led to the legalization of an open real estate market. Unfortunately, the need for adequate housing is far greater than current supplies. In 1989, there were 152,033 people registered and waiting for adequate housing. Overcrowding became a problem as extended families stayed together in one household simply because of the lack of alternative housing. Natural disasters have caused trouble for an already problematic housing situation. Mudslides are common in some areas. In 1987, a mudslide destroyed 210 homes and seriously damaged 850 more. In 1991, an earthquake destroyed 46,000 homes. Civil unrest has caused a great deal of homelessness as well. As of 2001, there were about 300,000 displaced persons throughout the country.

During 1995 a total of 55,423 sq m of dwelling was built in the republic, but this represented only a 4.4% increase in new dwelling area since 1987. Building costs are high, with the price of one square meter often between \$500 and \$1,000. At the 2002 census, there were 1,243,158 private households, with the average size of household at 3.5 persons.

In western Georgia, a typical older home is wooden, raised off the ground slightly in areas where flooding or very damp ground is problematic. In the drier climate of eastern Georgia, stone (later brick) houses with flat roofs were constructed along roads. In urban regions, two-story brick or cement block homes are not uncommon.

#### 43 EDUCATION

Georgia's educational system was based on the Soviet model until the late 1980s, when there was a de-emphasis of Soviet educational themes in favor of Georgian history and language. Georgian students are taught in a number of languages, including Georgian,

Russian, Armenian, Azerbaijani, Abkhazian, and Ossetian. Education is compulsory for nine years, beginning at age seven. Elementary school covers six years of study. This is followed by either seven years of general secondary school or six years of technical school. The academic year runs from September to June.

In 2001, about 41% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 89% of age-eligible students. The same year, secondary school enrollment was about 78% of age-eligible students. It is estimated that about 82% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 16:1 in 2000; the ratio for secondary school was about 8:1.

There are 24 state institutions of higher learning in the country and 73 private accredited institutions. These include the Iran Dzhavakhladze University of T'bilisi, Georgian Technical University, Abkhazian State University, and State University of Batumi. In 2003, about 38% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate has been estimated at about 99%.

As of 2003, public expenditure on education was estimated at 2.2% of GDP, or 11.8% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library in T'bilisi holds over six million volumes, while the Georgian State Public Library has eight million. The largest library in the country, however, is the Scientific and Technological Library of Georgia, which contains 10.1 million volumes. There are dozens of private libraries held by various scientific, cultural, and religious organizations and extensive university library holdings. Chief among the latter are T'bilisi State University (three million volumes), the Polytechnic University in T'bilisi (1.14 million volumes), and the Pedagogical Institute in T'bilisi (336,000 volumes).

Most of the country's cultural institutions are in T'bilisi, including the State Art Museum, the Museum of Fine Arts, the State Museum of Georgia, the T'bilisi Museum of History and Ethnography, and the Georgian State Museum of Oriental Art. There are local or specialty museums in Gori, Suchumi, and Kútáisi.

#### 45 MEDIA

Georgia has international telecommunications links via landline to other former Soviet republics and Turkey. There is also a low capacity satellite earth station and connections via Moscow. In 2003, there were an estimated 133 mainline telephones for every 1,000 people; about 138,800 people were on a waiting list for telephone service installation. The same year, there were approximately 107 mobile phones in use for every 1,000 people.

In 2004, there were 54 independent television stations in the country, but only three provided national service. Though independently operated, most stations rely on some amount of support from the national or regional governments. There are at least 10 radio stations in operation, most of which are privately owned. Primary news agencies include the state operated Sakinform, and the privately held Prime-News, Iprinda, and Kavkasia-Press. In 2003, there were an estimated 568 radios and 357 television sets

for every 1,000 people. About 12.4 of every 1,000 people were cable subscribers. Also in 2003, there were 31.6 personal computers for every 1,000 people and 31 of every 1,000 people had access to the Internet. There were 11 secure Internet servers in the country in 2004.

In 2001, there were about 200 independent newspapers throughout the country. The most widely read was *Sakartvelos Respublika*, with a 1995 circulation of 40,000. In T'bilisi, the major daily is *Vestnik Gruzzi (Georgian Herald)*. There are also several general and special interest periodicals available.

The constitution and a 1991 press law provide for a free press, but in practice the government is said to restrict some press rights. Libel laws, as well as pressure from business and society leaders and government authorities, inhibit hard core investigative reporting.

#### 46 ORGANIZATIONS

Georgia's Chamber of Commerce and Industry promotes trade and commerce with its fellow members of the CIS. The country belongs to the International Chamber of Commerce as well. Union organizations in Georgia include the Confederation of Independent Trade Unions, an umbrella organization. Important political organizations include the all-Georgian Mecrab Kostava Society and the Paramilitary group Mkhredrioni.

The Georgian Academy of Sciences, promoting research and education in all branches of science, was established in 1941. The Georgian Medical Association serves as a physician networking organization while also promoting research and education on health issues and working to establish common policies and standards in healthcare. There are also associations dedicated to research and education for specific fields of medicine and particular diseases and conditions, such as Georgian Association of Cardiology.

Youth organizations include the National Youth Council of Georgia (through the Department of Youth and Sport), the United Nations of Youth: Georgia, YMCA/YWCA, and scouting programs. There are also several sports associations promoting amateur competition in such pastimes as baseball, track and field, badminton, and figure skating.

Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. There are national chapters of the Red Cross Society and Caritas.

#### 47 TOURISM, TRAVEL, AND RECREATION

Bounded by the Black Sea and the Caucasus Mountains, Georgia has been known for its lucrative tourist industry, but tourism declined after independence due to political and economic turmoil. Mtskheta, the ancient capital, is home to the Svetitskhoveli Cathedral, an 11th-century edifice that is the spiritual center of the Georgian Orthodox Church, and a major tourist attraction. The present-day capital, T'bilisi, is over 1,000 years old and offers historic citadels, cathedrals, and castles, as well as warm springs and dramatic mountain views. In 2002, approximately 298,469 tourists



visited Georgia. There were 3,712 hotel rooms with 8,250 beds and an occupancy rate of 71%.

In 2005, the US Department of State estimated the average daily expenses for T'bilisi at \$245. Other areas ranged from \$96 to \$128 per day.

#### 48 FAMOUS GEORGIANS

Eduard A. Shevardnadze (b.1928), a key figure in the Soviet government, was president of Georgia from 1992 until 2003, when he resigned in the midst of mounting criticism following disputed elections, known as the "Rose Revolution." Mikhail Saakashvili (b.1967) was elected president in January 2004. Joseph Stalin (1879–1953), a key figure in the Soviet period, was born in Gori, Georgia. The medieval poet Shota Rustaveli, who was from Georgia, wrote the masterpiece *Knight in the Tiger's Skin*. Nineteenth-century poets include Ilia Chavchavadze (1837–1907), Akaki Tsereteli (1840–1915), and Vazha Pshwda. Writers of that century include Titsian Tabidze (1895–1937), Giorgi Leonidze, and Irakli Abashidze. Painters include Niko Pirosmanashvili (1862–1918),

and Irakli Toidze. Composers include Zakhari Paliashvili (1871–1933) and Meliton Balanchivadze (1862–1937).

#### 49 DEPENDENCIES

Georgia has no territories or colonies.

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# GERMANY

Federal Republic of Germany  
*Bundesrepublik Deutschland*

**CAPITAL:** Berlin

**FLAG:** The flag is a tricolor of black, red, and gold horizontal stripes—the flag of the German (Weimar) Republic from 1919 until 1933.

**ANTHEM:** *Einigkeit und Recht und Freiheit (Unity and Justice and Liberty)*.

**MONETARY UNIT:** The euro replaced the deutsche mark as the official currency in 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; German Unity Day, 3 October; Repentance Day, Wednesday before the 3rd Sunday in November (except Bavaria); Christmas, 25–26 December. Movable religious holidays include Good Friday, Easter Monday, Ascension, and Whitmonday. In addition, the movable Carnival/Rose Monday holiday and various provincial holidays also are celebrated.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Germany is located in western Europe, bordering the North Sea between France and Poland. Germany is slightly smaller than the state of Montana, with a total area of 357,021 km sq (137,847 mi sq). Germany shares boundaries with Denmark and the Baltic Sea on the N, Poland and the Czech Republic to the E, Austria to the SE, Switzerland to the S, France to the SW, Luxembourg, Belgium, and the Netherlands to the W, and the North Sea to the NW. Germany's boundary length totals 6,010 km (3,734 mi), of which 2,389 km (1,484 mi) is coastline. Germany's capital city, Berlin, is located in the northeastern part of the country.

## <sup>2</sup>TOPOGRAPHY

The topography of Germany is varied. The area along the Baltic coast is sandy, with dunes and small hills. Adjacent to the coast are forested ridges and numerous lakes of the Mecklenburg lake plateau. Around Berlin, the relief is less hilly. The southern limit of the lowland area is formed by a wide zone of fertile loess, reaching from Magdeburg to the highlands in the South. These highlands include the Harz Mountains; the densely wooded Thuringian Forest and the Erzgebirge (Ore Mountains), where the Fichtelberg rises to 1,214 m (3,983 ft). In the northeast, the wide German lowland—characterized by sandy North Sea shores, heath and moor (in the south), and highest altitudes of about 300 m (1,000 ft)—rises slowly to the central Germany uplands. These low, eroded mountains (1,070–1,520 m/3,500–5,000 ft) extend from the Rhine to the former border of East Germany.

In the west are a wide rift valley and a narrow gorge carved by the Rhine River. A group of plateaus and low mountains, averaging 460 m (1,500 ft) in altitude and including the Black Forest and Odenwald Mountains (highest peak, the Feldberg, 1,493 m/4,898 ft), form the greater part of southern Germany. They merge grad-

ually with the highest walls of the Bavarian Alps (2,440–2,740 m/8,000–9,000 ft), which form the boundary between Germany, Switzerland, and Austria; the Zugspitze (2,962 m/9,718 ft), on the Austrian border, is the highest point in Germany.

The only major lake is Lake Constance (Bodensee; within Germany, 305 sq km/118 sq mi), which is shared with Switzerland and Austria. Except in the extreme south, all of Germany is drained by rivers that empty into the North Sea. The Rhine, with its two main tributaries, the Mosel and the Main, dominates the western areas; farther east are the Ems, the Weser, the Elbe, and the Oder. These rivers have estuaries that are important for the ports located there. In the south, the Danube flows from west to east. The East Frisian Islands are off the northwest coast; the North Frisian Islands lie along the coast of Schleswig. The small island of Helgoland is opposite the mouth of the Elbe River.

## <sup>3</sup>CLIMATE

The climate is temperate; rapid changes in temperature are rare. Average temperatures in January, the coldest month of the year, range from 1.5°C (35°F) in the lowlands to -6°C (21°F) in the mountains. July is the warmest month of the year, with average temperatures between 18°C (64°F) in low-lying areas to 20°C (68°F) in the sheltered valleys of the south. The upper valley of the Rhine has an extremely mild climate. Upper Bavaria experiences a warm alpine wind (Föhn) from the south. The Harz Mountains form their own climatic zone, with cool summers, cold wind, and heavy snowfalls in winter.

Precipitation occurs throughout the year: in the northern lowlands, from 51 to 71 cm (20–28 in); in the central uplands, from 69 to 152 cm (27–60 in); in the Bavarian Alps, to more than 200 cm (80 in). The higher mountains are snow covered from at least January to March.

#### **4 FLORA AND FAUNA**

Plants and animals are those generally common to middle Europe. Beeches, oaks, and other deciduous trees constitute one-third of the forests; conifers are increasing as a result of reforestation. Spruce and fir trees predominate in the upper mountains, while pine and larch are found in sandy soil. There are many species of ferns, flowers, fungi, and mosses. Fish abound in the rivers and the North Sea. Wild animals include deer, wild boar, mouflon, fox, badger, hare, and small numbers of beaver. Various migratory birds cross Germany in the spring and autumn. As of 2002, there were at least 76 species of mammals, 247 species of birds, and over 2,600 species of plants throughout the country.

#### **5 ENVIRONMENT**

Industrialization has taken its toll on Germany's environment, including that of the former GDR, which, according to a 1985 UNESCO report, had the worst air, water, and ground pollution in Europe. Since 1976, the Petrol Lead Concentration Act has limited the lead content of gasoline; for control of other automotive pollutants, the government looked toward stricter enforcement of existing laws and to technological improvements in engine design. The Federal Emission Protection Act of 1974, based on the "polluter pays" principle, established emissions standards for industry, agriculture and forestry operations, and public utilities. Nevertheless, by 1994, 50% of Germany's forests had been damaged by acid rain.

Germany has 107 cu km of renewable water resources, of which 86% are used for industrial purposes. Water pollution is evident in virtually every major river of the FRG, and the Baltic Sea is heavily polluted by industrial wastes and raw sewage from the rivers of eastern Germany. In the 1980s, the Rhine, from which some 10 million Germans and Dutch draw their drinking water, was 20 times as polluted as in 1949. Between November 1986 and January 1987 alone, 30 tons of mercury, 900 lb of pesticides, 540 tons of nitrogen fertilizers, and 10 tons of benzene compound were discharged into the river. The Effluency Levies Act, effective January 1978, requires anyone who discharges effluents into waterways to pay a fee reckoned in accordance with the quantity and severity of the pollutant; the proceeds of this act are allocated for the building of water treatment plants and for research on water treatment technology and reduced-effluent production techniques.

Significant sources of air pollution include emissions from coal-burning utility plants and exhaust emissions from vehicles using leaded fuels. In 1996 industrial carbon dioxide emissions totaled 861 million metric tons. However, the total carbon dioxide emissions in 2000 was down to 785.5 metric tons. The nation has set maximum levels for biocides in the soil, to protect food supplies. Under the nation's basic waste disposal law of 1972, some 50,000 unauthorized dump sites have been closed down and 5,000 regulated sites established; provisions governing toxic wastes were added in 1976. Germany's principal environmental agency is the Ministry of Environment, Nature Conservation and Reactor Safety, created in June 1986.

In 1970, the first German national park, with an area of 13,100 hectares (32,370 acres), was opened in the Bavarian forest, and in 1978 a second national park (21,000 hectares/52,000 acres) was opened near Berchtesgaden. The third national park, in

Schleswig-Holstein (285,000 hectares/704,250 acres), opened in 1985, and a fourth, in Niedersachsen (240,000 hectares/593,000 acres), opened in 1986. The Messel Pit Fossil Site became a natural UNESCO World Heritage Site in 1995. There are also 32 Ramsar wetland sites. As of 2003, 32.6% of Germany's total land area is protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 9 types of mammals, 14 species of birds, 12 species of fish, 9 types of mollusks, 22 species of other invertebrates, and 12 species of plants. Endangered species include Freya's damselfly, Atlantic sturgeon, slender-billed curlew, and the bald ibis. Species believed to be extinct include the Bavarian pine vole, Tobias' caddisfly, the wild horse, and the false ringlet butterfly.

#### **6 POPULATION**

The population of Germany in 2005 was estimated by the United Nations (UN) at 82,490,000, which placed it at number 14 in population among the 193 nations of the world. In 2005, approximately 18% of the population was over 65 years of age, with another 15% of the population under 15 years of age. There were 95 males for every 100 females in the country.

Because of a low birthrate, an aging population, and emigration, Germany's population generally declined from the mid-1970s until around 1990. A heavy influx of immigrants in the 1990s more than compensated for the slight population loss due to more deaths than births. Although the annual growth rate in the 1980s was only 0.1%, immigration in the 1990s led to an annual growth rate in that decade of 0.8%. With immigration slowing, according to the UN, the annual population rate of change for 2005–10 was expected to be -0.1%, a rate the government viewed as too low.

The projected population for the year 2025 was 82,017,000. The population density was 231 per sq km (598 per sq mi).

The UN estimated that 88% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.19%. The capital city, Berlin, had a population of 3,327,000 in that year. Other large urban areas are: the Rhein-Main urban agglomerate, which includes Darmstadt, Frankfurt, Offenbach and Wiesbaden, 3,721,000; the Rhein-Neckar urban agglomerate which includes, Ludwigshafen am Rhein, Heidelberg, Mannheim, Frankenthal, Neustadt an der Weinstrasse and Speyer 1,625,000; the Rhein-Ruhr Middle urban agglomerate, which includes, Düsseldorf, Mönchengladbach, Remscheid, Solingen and Wuppertal 3,325,000; the Rhein-North urban agglomerate which includes, Duisburg, Essen, Krefeld, Mühlheim an der Ruhr, Oberhausen, Bottrop, Gelsenkirchen, Bochum, Dortmund, Hagen, Hamm and Herne 6,566,000; the Rhein-South urban agglomerate which includes Bonn, Cologne (Köln) and Leverkusen 3,084,000; the Saarland urban agglomerate which includes Neunkirchen, Saarbrücken and Saarlouis 896,000; Hamburg, 2,686,000; Stuttgart, 2,705,000; Munich (München), 2,318,000; Hanover (Hannover), 1,296,000; Bielefeld, 1,312,000; Nuremberg (Nürnberg), 1,206,000; Aachen, 1,073,000; Karlsruhe, 990,000; Saarland, 896,000; and Bremen, 889,000.

#### **7 MIGRATION**

From 1946 to 1968, 475,505 Germans emigrated to the United States, 262,807 to Canada, and 99,530 to Australia and Oceania.



LOCATION: 47°16' to 55°4' N; 5°52' to 15°2' E. BOUNDARY LENGTHS: Denmark, 68 kilometers (42 miles); Poland, 456 kilometers (285 miles); Czech Republic, 646 kilometers (403 miles); Austria, 784 kilometers (487 miles); Switzerland, 334 kilometers (208 miles); France, 451 kilometers (281 miles); Luxembourg, 138 kilometers (86 miles); Belgium, 167 kilometers (104 miles); Netherlands, 577 kilometers (358 miles); total coastline, 2,389 kilometers (1,480 miles). TERRITORIAL SEA LIMIT: 12 miles.

During the same period, however, millions of people of German origin and/or speech migrated to West Germany from eastern Europe, notably from the former Czechoslovakia and East Germany. Migration from East Germany to West Germany reached a climax just before the erection of the frontier wall in Berlin on 13 August 1961. It is estimated that about 4 million people—many of them

skilled workers and professionals—crossed from East Germany to West Germany during the 40-year existence of East Germany. Immigration of ethnic Germans from Poland continued to be heavy after 1968, totaling about 800,000 between 1970 and 1989.

According to German law, persons who are not ethnic Germans are foreigners (except for the few granted citizenship) even

if they were born and have spent their entire lives in Germany. Conversely, ethnic Germans are not foreigners even if emigrating from birthplaces and homes in eastern Europe.

From 1992 until 1996, 560,000 ethnic Germans (out of a total of 1.1 million in 1989) had left Central Asia for Germany. These returning ethnic Germans were formerly deported by Soviet leader Joseph Stalin during World War II as they were living in the Volga region and other parts of the former Soviet Union.

Some 350,000 Bosnians were granted temporary protection in Germany in the early 1990s. Repatriation plans began for the Bosnians in October 1996, when 30,000 Bosnians repatriated voluntarily. During 1998, approximately 83,000 people returned to Bosnia under the Government-Assisted Return Programme (GARP). Another 2,021 were returned forcibly. By 1999, more than 250,000 Bosnians had returned to their homeland.

Under the UNHCR/IOM Humanitarian Evacuation Programme, 14,689 people had been evacuated from Macedonia to Germany as of 1999. The evacuees, as well as Kosovars who had already sought asylum in Germany but whose cases were still pending or already rejected, were granted temporary protection, renewable every three months. As of 20 August 1999, 4,147 evacuees had returned to their homeland. In 2005 Germany returned 51,000 Kosovars, including 34,000 Roma to the UN-administered province.

Germany remains the third-largest asylum country in Europe, receiving 876,622 refugees in 2004. The main countries of origin were Serbia and Montenegro, Turkey, Iraq, Ukraine, Afghanistan, Russia, and Iran. Of these refugees 86,151—mainly from Serbia and Montenegro, Turkey, Iraq, Russia, Iran, India, and Pakistan—sought asylum. In 2005 slow job growth in Germany caused many young Germans to migrate abroad for jobs, inspiring the term “reverse foreign worker.”

The 2004 estimate of worker remittances received by Germany was \$6 billion. However, it was also estimated that in that same year Germany was the source of \$10 billion in remittances. The 2005 estimate of Germany’s net migration rate was 2.18 migrants per 1,000 population.

## **8** ETHNIC GROUPS

Until the late 1950s, the population was 99% German; the Danes in Schleswig-Holstein were the sole national minority. The influx of foreigners as “guest workers” beginning in the late 1950s led to an upsurge in the number of permanent foreign residents. Germans account for about 91.5% of the total population. About 2.4% of the population are Turkish. Other minority groups include Italians, Greeks, Poles, Russians, Serbo-Croatians, and Spanish. Even persons born and reared in Germany are considered foreigners unless they are ethnically German or naturalized. The Roma (Sinti) were recognized as “national minorities” in 1995.

## **9** LANGUAGES

German is the official language, and although dialectical variations are considerable, High German is standard. Low German, spoken along the North and Baltic Sea coasts and in the offshore islands, is in some respects as close to Dutch as it is to standard German. Sorbian (also known as Wendish or Lusatian) is a Slavic language spoken by the Sorbian minority. Under the GDR it was taught in schools in their settlement area. There was a daily newspaper in

Sorbian and a publishing house for Sorbian literature. Many of Germany’s sizable foreign-born population still speak their native languages, and there are numerous Turkish-speaking school children. Romani is spoken by the nation’s small Roma population; the language has no written form and the Roma generally restrict the use of the language to within their own community.

In 1996, new rules were established reforming German orthography. Designed to eliminate the last vestiges of Gothic spelling, the rules, among other things, eliminated hyphens, restored some umlauts, and replaced the ß character. Confusion ensued when newly published dictionaries differed in their spellings of many words.

## **10** RELIGIONS

According to a 2004 report, the Evangelical Church, a federation of several church bodies including Lutheran, Uniate, and Reformed Protestant Churches, has about 27 million members, accounting for 33% of the population. Church officials report that only about 4% of members attend services on a regular basis. The Catholic Church also has 27.2 million members, or 33.4% of the population, with only about 17.5% of members active. Muslims make up approximately 3.4–3.9% of the populace with 3.1 to 3.5 million practitioners. Orthodox churches claim 1.1 million members, or 1.3% of the people. The Greek Orthodox Church is the largest division, followed by Romanian, Serbian, Russian (Moscow Patriarchate and Orthodox), Syrian, and Armenian Apostolic. Other Christian churches have about one million members, or 1.2% of the population. The largest of these are the New Apostolic Church (430,000 members), Jehovah’s Witnesses (165,000 members), Baptists (87,000 members), and Methodists (66,000 members). Smaller groups include the Church of Jesus Christ of Latter-day Saints (Mormons), Seventh-Day Adventists, the Apostolate of Jesus Christ, Mennonites, Quakers, and the Salvation Army.

About 87,500 members of Jewish congregations live in Germany, making up 0.1% of the populace. There were also small numbers of Unification Church members, Scientologists, Hare Krishnas, members of the Johannish Church, Buddhists, the International Grail Movement, Ananda Marga, and Sri Chinmoy. Approximately 21.8 million people, or 26.6% of the population, belonged to smaller religious organizations or had no religious affiliation at all.

Freedom of religion is guaranteed, and although there is no official state religion, churches can receive financial support from the government.

## **11** TRANSPORTATION

Although the German transportation network was heavily damaged during World War II, the system is now one of the best developed in Europe (although much of the infrastructure in the former East Germany needs significant improvement). Because of the country’s central location, almost all continental surface traffic has to cross its terrain. In 2004, the railroad system consisted of 46,142 km (28,700 mi) of operational standard and narrow gauge track. Of that total, standard gauge lines accounted for 45,928 km (28,567 mi), of which 20,084 km (12,492 mi) was electrified. Narrow gauge lines accounted for 238 km (148 mi), of which only 16 km (10 mi) was electrified. The greater part of Germany’s rail

system is operated by the government-owned Federal Railways System.

Highways and roads in 2003 totaled 231,581 km (144,043 mi), all of which were paved. As of 2003, there were 45,022,926 passenger cars and 3,541,193 commercial vehicles in use.

The total length of regularly used navigable inland waterways and canals was 7,300 km (4,540 mi) in 2004. Canals link the Elbe with the Ems, the Ems with the Dortmund, and the Baltic with the North Sea. The most important inland waterway consists of the Rhine and its tributaries, which carry more freight than any other European waterway. The Kiel Canal is an important connection between the Baltic Sea and North Sea. Major ports and harbors include Berlin, Bonn, Brake, Bremen, Bremerhaven, Cologne, Dresden, Duisburg, Emden, Hamburg, Karlsruhe, Kiel, Lübeck, Magdeburg, Mannheim, Rostock, and Stuttgart. In 2005, the FRG had a merchant fleet comprised of 332 ships of 1,000 GRT or more with a combined capacity of 5,721,495 GRT.

Germany had an estimated 550 airports in 2004. As of 2005, a total of 332 had paved runways, and there were also 33 heliports. Major airports include Schönefeld, Tegel, and Tempelhof at Berlin, Halle at Leipzig, Osnabrück at Münster, as well as those at Bremen, Dresden, Frankfurt, Düsseldorf, Hamburg, Hanover, Cologne-Bonn, Stuttgart, Nuremberg, and Munich. Lufthansa, organized in 1955, is the major air carrier; its route network includes both North and South America, the Near and Far East (including Australia), Africa, and Europe. In 2003, about 72.693 million passengers were carried on scheduled domestic and international airline flights, and 7,298 million freight ton-km of service was performed

## 12 HISTORY

Hunting and gathering peoples roamed the land now known as Germany for thousands of years before the first farmers appeared in the sixth millennium BC. By the time these Indo-Europeans made contact with the Romans late in the 2nd century BC, the Teutons of the north had driven most of the Celts westward across the Rhine. During the succeeding centuries, Germanic tribes such as the Alemanni, Burgundians, Franks, Lombards, Vandals, Ostrogoths, and Visigoths gradually developed in the territory between the Rhine estuary in the west, the Elbe River in the east, and northern Italy in the south. Some of these peoples, whom the Romans called barbarians (from the Latin *barbari*, meaning “foreigners”), overran Italy and helped destroy the Roman Empire; others settled in Britain, France, and Spain. The area on either side of the Rhine was contested until Charlemagne, king of the Franks (r.768–814), extended his domain to include most of Germany as far as the Elbe; he was crowned emperor at Rome in 800. Charlemagne’s empire was eventually divided among his three grandsons, and the German sector itself was divided in the latter part of the 9th century.

Otto I, greatest of a new Saxon dynasty, united Germany and Italy and was crowned first Holy Roman emperor in 962. The strength of the rising Holy Roman Empire was undercut, however, by the two-pronged involvement in Italy and in Eastern Europe. Successive generations of Germanic emperors and of various ducal families engaged in constant struggles within Germany as well as with the papacy, and dispersed their energies in many ventures beyond the confines of the empire. Frederick I (Barbarossa,

r.1152–90), of the Hohenstaufen family, overcame the last of the powerful duchies in 1180. His grandson Frederick II (r.1212–50), the most brilliant of medieval emperors, reigned from Sicily and took little interest in German affairs. Four years after his death, the empire broke up temporarily, and there followed a 19-year interregnum. In 1273, Rudolf of Habsburg was elected emperor, but neither he nor any of his immediate successors could weld the empire into a manageable unit.

The Holy Roman Empire’s loose and cumbersome framework suffered from lack of strong national authority at the very time when powerful kingdoms were developing in England, France, and Spain. In the ensuing period, the Holy Roman emperors tended to ally themselves against the nobility and with the prosperous German cities and with such potent confederations of towns as the Hanseatic and Swabian leagues. During the 15th century and part of the 16th, Germany was prosperous: commerce and banking flourished, and great works of art were produced. However, the already weak structure of the empire was further undermined by a great religious schism, the Reformation, which began with Martin Luther in 1517 and ended in the ruinous Thirty Years’ War (1618–48), which directly and indirectly (through disease and famine) may have taken the lives of up to two million people. Thereafter, Germany remained fragmented in more than 300 principalities, bishoprics, and free cities. In the 18th century, Prussia rose to first rank among the German states, especially through the military brilliance of Frederick II (“the Great,” r.1740–86).

During the French Revolution and the Napoleonic wars, German nationalism asserted itself for the first time since the Reformation. Although frustrated in the post-Napoleonic era, the nationalist and liberal movements were not eradicated, and they triumphed briefly in the Frankfurt parliament of 1848. Thereafter, a number of its leaders supported the conservative but dynamic Prussian chancellor, Otto von Bismarck. After a series of successful wars with Denmark (1864), Austria (the Seven Weeks’ War, 1866), and France (the Franco-Prussian War, 1870–71), Bismarck brought about the union of German states (excluding Austria) into the Second Empire, proclaimed in 1871.

Germany quickly became the strongest military, industrial, and economic power on the Continent and joined other great powers in overseas expansion. While Bismarck governed as chancellor, further wars were avoided and an elaborate system of alliances with other European powers was created. With the advent of Wilhelm II as German emperor (r.1888–1918), the delicate international equilibrium was repeatedly disturbed in a series of crises that culminated in 1914 in the outbreak of World War I. Despite initial successes, the German armies—leagued with Austria-Hungary and Turkey against the United Kingdom, France, Russia, and eventually the United States—were defeated in 1918. As a consequence of the war, in which some 1,600,000 Germans died, the victorious Allies through the Treaty of Versailles (1919) stripped Germany of its colonies and of the territories won in the Franco-Prussian War, demanded the nation’s almost complete disarmament, and imposed stringent reparations requirements. Germany became a republic, governed under the liberal Weimar constitution. The serious economic and social dislocations caused by the military defeat and by the subsequent economic depression, however, brought Adolf Hitler and the National Socialist (Nazi) Party to power in 1933. Hitler converted the republic into a dictatorship,

consolidated Germany's position at home and abroad, and began a military expansion that by 1939 had brought a great part of Europe under German control, either by military occupation or by alliance, leading to World War II.

Germany signed a military alliance with Italy on 22 May 1939 and a nonaggression pact with the former USSR on 23 August. Hitler's army then invaded Poland on 1 September, and France and Britain declared war on Germany two days later. France surrendered on 22 June 1940; the British continued to fight. On 10 December 1941, Germany declared war on the United States, three days after the attack on Pearl Harbor by its ally Japan. Hitler's troops were engaged on three major fronts—the eastern front (USSR), the North African front, and the western front (France). Hitler relied heavily on air power and bombed Britain continuously during 1941–42. But by 1943, German forces were on the defensive everywhere, thus marking the beginning of the end of the Nazi offensive thrusts. Finally, on 7 May 1945, after Hitler had committed suicide, the Allies received Germany's unconditional surrender. It is estimated that more than 35 million persons were killed during World War II. Of this number, at least 11 million were civilians. Among them were nearly 6 million Jews, mostly eastern Europeans, killed in a deliberate extermination by the Nazi regime known as the Holocaust; there were also about 5 million non-Jewish victims, including Gypsies, homosexuals, political dissidents, and the physically and mentally handicapped.

#### From Division to Reunification

After the surrender in 1945, Germany was divided into four occupation zones, controlled respectively by the former USSR, the United States, the United Kingdom, and France. Berlin was likewise divided, and from April 1948 through May 1949 the USSR sought unsuccessfully to blockade the city's western sectors; not until the quadripartite agreement of 1971 was unimpeded access of the FRG to West Berlin firmly established. In 1949, pending a final peace settlement, Germany was divided into the Federal Republic of Germany, or West Germany, consisting of the former United Kingdom, French, and US zones of occupation, and the German Democratic Republic, or East Germany, consisting of the former Soviet zone of occupation. Territories in the east (including East Prussia), which were in German hands prior to 1939, were taken over by Poland and the former USSR.

The FRG's first chancellor (1949–63), Konrad Adenauer, the leader of the Christian Democratic Union (CDU), followed a policy of "peace through strength." During his administration, the FRG joined NATO in 1955 and became a founding member of the EC in 1957. That same year, the Saar territory, politically autonomous under the Versailles Treaty but economically tied to France after 1947, became a German state after a free election and an agreement between France and the FRG. A treaty of cooperation between those two nations, signed on 22 January 1963, provided for coordination of their policies in foreign affairs, defense, information, and cultural affairs. The cost of this program of cooperation with the West was further alienation from the GDR and abandonment, for the foreseeable future, of the goal of German reunification. Many citizens, including a significant number of skilled and highly educated persons, had been covertly emigrating through Berlin in the West, and on 13 August 1961, East Berlin was sealed off from West Berlin by a wall of concrete and barbed

wire. The Western Allies declared that they accepted neither the legality nor the potential practical consequences of the partition and reaffirmed their determination to ensure free access and the continuation of a free and viable Berlin.

On 16 October 1963, Adenauer resigned and was succeeded by former Finance Minister Ludwig Erhard, who is generally credited with stimulating the FRG's extraordinary postwar economic development—the so-called economic miracle. Kurt George Kiesinger of the CDU formed a new coalition government on 17 November 1966 with Willy Brandt, leader of the Social Democratic Party, as a vice-chancellor. Three years later, Brandt became chancellor, and the CDU became an opposition party for the first time. One of Brandt's boldest steps was the development of an "Eastern policy" (*Ostpolitik*), which sought improved relations with the Socialist bloc and resulted, initially, in the establishment of diplomatic ties with Romania and the former Yugoslavia. On 7 December 1970, the FRG signed a treaty with Poland reaffirming the existing western Polish boundary of the Oder and western Neisse rivers and establishing a pact of friendship and cooperation between the two nations. That August, the FRG had concluded a nonaggression treaty with the former USSR; a 10-year economic agreement was signed on 19 May 1973. Throughout the late 1960s and early 1970s, tensions over the Berlin division in particular and between the two Germanys generally eased markedly, as did, in consequence, the intensity of pressures from both Allied and Soviet sides over the issue of reunification. In an effort to normalize inter-German relations, FRG Chancellor Willy Brandt and GDR Chairman Willi Stoph exchanged visits in March and May 1970, the first such meetings since the states were established. A basic treaty between the two Germanys was reached on 21 December 1972 and ratified by the Bundestag on 17 May 1973; under the treaty, the FRG recognized the sovereignty and territorial integrity of the GDR, and the two nations agreed to cooperate culturally and economically. Two years later, the GDR and FRG agreed on the establishment of permanent representative missions in each others' capitals. Relations with Czechoslovakia were normalized by a treaty initialed 20 June 1973. The early 1970s brought an upsurge of terrorism on German soil, including the killing by Palestinians of Israeli athletes at the 1972 Summer Olympics in Munich. The terrorist wave, which also enlisted a number of German radicals, continued into the mid-1970s but declined thereafter.

Brandt remained chancellor until 6 May 1974, when he resigned after his personal aide, Günter Guillaume, was arrested as a spy for the GDR. Helmut Schmidt, Brandt's finance minister, was elected chancellor by the Bundestag on 16 May. Under Schmidt's pragmatic leadership, the FRG continued its efforts to normalize relations with Eastern Europe, while also emphasizing economic and political cooperation with its West European allies and with the United States. Schmidt remained chancellor until the fall of 1982, when his governing coalition collapsed in a political party dispute. General elections in March 1983 resulted in a victory for the CDU, whose leader, Helmut Kohl, retained the chancellorship he had assumed on an interim basis the previous October. In January 1987 elections, Kohl was again returned to power, as the CDU and its coalition allies won 54% of the seats in the Bundestag.

The exodus of East Germans through Hungary in the summer of 1989 as well as mass demonstrations in several East German cities, especially Leipzig, led to the collapse of the German Demo-

cratic Republic in the fall of 1989. Chancellor Kohl outlined a 10-point plan for peaceful reunification, including continued membership in NATO and free elections in March 1990. Following these elections, the two Germanys peacefully evolved into a single state. Four-power control ended in 1991 and, by the end of 1994, all former Soviet forces left the country, although British, French, and American forces remained for an interim period. Berlin became the new capital of Germany, although the shift from Bonn to Berlin took place over several years.

Unification has been accompanied by disillusionment and dissatisfaction with politics and the economy. A falling GDP and rising unemployment have raised concerns that the costs of unification were underestimated. By 1997, the German government had given more than \$600 billion to eastern Germany through business subsidies, special tax breaks, and support payment for individuals, while private companies invested \$500 million more. Even so, the eastern German economy was fundamentally bankrupt with unemployment at about 20%. Some analysts predict that convergence of the two economies will not be complete for another 10 to 20 years. In the meantime, the financial drain imposed on Bonn by the east threatened to imperil Germany's other convergence project, European economic unification. However, Germany and 11 other EU countries introduced a common European currency, the euro, in January 2002.

By October 1996, Chancellor Helmut Kohl had been in office for 14 years, becoming the longest-serving postwar German chancellor. In 1998, German voters decided it was time for a change. In the September parliamentary elections, Kohl's CDU (Christian Democratic) coalition was defeated by the SPD, and Gerhard Schröder became the first Social Democrat in 18 years to serve as Germany's chancellor. The following month, Schröder formed a center-left coalition with the Green Party. The new coalition inaugurated "Future Program 2000" to tackle the country's economic woes and in June 1999 pushed through the most extensive reform package in German history, which included major cuts in state spending as well as tax cuts. In April 1999, the German government was transferred from Bonn back to its prewar seat in Berlin, where the Bundestag moved into the renovated (and renamed) building formerly known as the Reichstag.

In July 1999 Johannes Rau became the first Social Democrat to be elected president of Germany in 30 years. However, continuing dissatisfaction with the nation's budget deficit and other problems resulted in a disappointing showing for the Social Democrats in local elections in September 1999.

In July 2000 government negotiators reached an agreement on the payment of compensation to persons subjected to forced and slave labor under the Nazi regime. A total of DM10 billion was to be paid out under the auspices of a specially created foundation. Official figures showed that racist attacks increased by 40% in 2000, a worrying trend.

In June 2001, the government and representatives from the nuclear industry signed an agreement to phase out nuclear energy over the next 20 years.

Following the 11 September 2001 terrorist attacks on New York and Washington, D.C., Germany agreed to deploy 4,000 troops to the US-led campaign in Afghanistan directed to oust the Taliban regime and al-Qaeda forces. It was Germany's largest deployment outside Europe since World War II, and in November, Schröder

survived a parliamentary confidence vote following his decision to deploy the troops.

Parliamentary elections were held on 22 September 2002. Schröder, unable to campaign on a strong economy, staked out a foreign policy position that ran counter to that of the United States. Throughout 2002, the United States and the United Kingdom were committing troops to the Persian Gulf region, and, in the event that Iraq would not disarm itself of any weapons of mass destruction it might possess, it was evident that the United States and the United Kingdom might use those troops to force a regime change in Iraq. Schröder announced Germany unconditionally would not support a war in Iraq, and that Germany was in favor of a peaceful settlement to the conflict. Edmund Stoiber of the CDU was Schröder's opponent in the September elections, and the race between them was exceedingly close. Stoiber took a more nuanced position on the question of Iraq, and accused Schröder of damaging German-American relations. Stoiber was more popular with voters on matters of fighting unemployment (9.8% nationwide), and improving a sluggish economy. The SPD and CDU/CSU each won 38.5% of the vote, but the SPD emerged with 251 to 248 seats in the Bundestag (due to a peculiarity in the German voting system which awards extra seats to a party if it wins more constituency seats than it is entitled to under the party vote), and in coalition with the 55 seats won by the Green Party, formed a government with Schröder remaining chancellor.

The UN Security Council unanimously passed Resolution 1441 on 8 November 2002, calling upon Iraq to disarm itself of chemical, biological, and nuclear weapons or weapons capabilities, to allow the immediate return of UN and International Atomic Energy Agency (IAEA) weapons inspectors, and to comply with all UN resolutions regarding the country since the end of the Gulf War in 1991. The United States and the United Kingdom indicated that if Iraq would not comply with the resolution, "serious consequences" might result, meaning military action. The other three permanent members of the Security Council, France, Russia, and China, expressed their reservations with that position. Germany became a two-year (nonveto bearing) member of the Security Council in January 2003, and aligned itself with France, the most vocal opponent of war. The United States and the United Kingdom abandoned diplomatic efforts at conflict resolution in March, and on 19 March, the coalition went to war in Iraq. Once coalition forces defeated Iraq and plans for reconstruction of the country were being discussed in April, Germany stressed the need for a strong role to be played by the UN in a postwar Iraq.

Although Schröder was popular for his position toward Iraq, he became increasingly criticized for the economic underperformance of Germany. Major challenges included the growing level of unemployment, high level of state deficit, and the slow economic growth. During Schröder's second term, Germany became the world's largest exporter of goods, surpassing the United States.

The high unemployment level became quite astonishing, because Germany's low unemployment rate was at one point the envy of the industrial world. In the year 2000, Germany's unemployment rate exceeded 8%. By the end of 2002 over four million people were unemployed in Germany. The unemployment level in 2004 climbed to an even higher mark. The situation got worse in early 2005, when Germany's Federal Labor Agency announced that on January 2005 more than five million Germans were unem-



ployed, which was the highest number since 1932, when the economic devastation of the Great Depression brought the Weimar Republic to an end. The important unemployment level during the first three months of 2005 triggered a negative reaction, even from those who supported the government. Critics complained that the Social Democrat-Green administration of Chancellor Gerhard Schröder was not doing enough.

In addition to the high rate of unemployment Germany also experienced growing state deficit, which meant that it spent more than it earned. In the early 1990s Germany pressured the EU to change its rules, such that no EU member state's deficit could be more than 3% of its GDP, but Germany in 2002 was in fact breaking this rule with a GDP of 3.75%. Furthermore, *Wirtschafts- und Währungspolitik Bulletin* and Federal Statistics Office reported that in 2004 Germany's budget deficit remained at 3.7% of its gross domestic product, which means that it exceeded the European Union's rules for the third year in a row.

Germany has struggled to produce GDP growth of even 1% a year. In comparison to the other Western European countries, from 1995 to 2003 the Western European economies, averaged together, grew by 18.1%, but in Germany it experienced growth of only 10.2%. Although, the Federal Statistics Office in Wiesbaden reported that in May 2005 the German economy experienced some improvement by expanding at the greatest pace since 2001, slightly rebounding from a contraction. Unfortunately, consumer spending, the biggest part of the economy, has not increased for some time.

To deal with the economic challenges in 2003 Gerhard Schröder launched a major reform package called "Agenda 2010." Agenda 2010 was Schröder's plan to reform Germany's declining economy and restore Germany's competitiveness in the world market. This policy aimed to reform health, education, labor training, social security, family welfare, unemployment benefits, and pensions. Agenda 2010's priority was labor-market reform. Neither these reforms nor reduced taxation did much to improve the slow economic growth or lower the unemployment that had reached especially great proportions since the Great Depression.

Following the protests on 1 January 2005 the government's controversial reform of unemployment benefits, also called "Hartz IV" reform, came into effect. Under this reform, those who have been unemployed for over a year would qualify for a flat-rate benefit, only if they could prove that they were actively looking for work. Schröder's inability to deal with the weak economy was thought to have contributed to his loss of the chancellorship in the 2005 elections to Angela Merkel (CDU/CSU). A very tense election race followed by an alliance between the two opposing parties; the CDU/CSU and the SPD became known as the Grand Coalition. On 10 October 2005 Merkel officially became the chancellor of Germany.

Merkel defined the main goal of her government as reducing unemployment, and improving GDP growth. It was her goal to improve the German economy by pursuing a mix of reforms including cutting public spending, lowering corporate tax rates, accelerating labor-market, and pushing through other reforms begun by Merkel's predecessor. She also intended to increase value-added tax, social insurance contributions, and the top rate of income tax.

During her first few months in office, Angela Merkel attained an 85% approval rating. During the third quarter of 2005, the econ-

omy posted a 0.6% increase over the previous year's period and it was forecasted that Germany's GDP would grow by 1.6–1.8% in 2006. Although Germany's unemployment rate was still at 11.3%, it had been gradually decreasing since mid-2005.

Angela Merkel presided over a fragile coalition government consisting of her conservative Christian Democratic Union (CDU) party, the conservative Christian Social Union (CSU), and the left-leaning Social Democratic Party (SDP). Consequently, to push any reforms or programs through, she would have to be able to work together with the Social-Democrats.

In the field of foreign policy, Angela Merkel acknowledged the importance of Franco-German relations. She intended to maintain Germany's strong ties with France; however, not as exclusively as they used to be. Merkel was interested in working with the new EU member states and repairing relations with the United States. During Merkel's term it was thought that Germany might become less involved with Russia due to her criticism of the Russian president, Putin's, policies in Chechnya and human rights abuses. Germany would continue to support Turkey in its desire to become a European Union member state and to support Iraq from outside. The next chancellor election was scheduled for November 2009.

### 13 GOVERNMENT

Germany is a federal republic founded in 1949. Germany's Basic Law (*Grundgesetz*) or its constitution, was promulgated on 23 May 1949. On 3 October 1990, the Federal Republic of Germany and the German Democratic Republic were unified in accordance with Article 23 of the Basic Law, under which the FRG is governed. German governmental structure consists of three branches: the executive branch represented by a president (titular chief of state) and a chancellor (executive head of government), a legislative branch composed of a bicameral parliament, and a judicial branch represented by the independent Federal Constitutional Court. The federal government exercises complete sovereignty and may be amended by a two-thirds vote of the legislature.

The federal chancellor and his or her cabinet ministers and the federal president compose a federal executive branch. This branch is situated at the center of the German political system, where the chancellor is the head of federal government and an elected president performs the largely ceremonial functions of proposing the chancellor to the Bundestag, promulgating laws, formally appointing and dismissing judges and federal civil servants, and receiving foreign ambassadors. The president is elected for a five-year term by a federal convention composed of members of the Bundestag and an equal number of delegates elected by the provincial legislatures.

Every four years, after national elections and seating of the newly elected Bundestag (parliament) members, the federal president nominates a chancellor candidate to that parliamentary body and the chancellor is elected by majority vote in the Bundestag. Since a chancellor can only be elected by a coalition possessing a majority of the seats in parliament, each individual chancellor belongs to a particular party and represents the ideologies of that party. The Bundestag cannot remove the chancellor simply with a vote of no-confidence. The Basic Law allows only for a "constructive" vote of no-confidence; that is, the Bundestag can remove a chancellor only when it simultaneously agrees on a successor.

The chancellor's authority is drawn from the provisions of the Basic Law and from his or her status as leader of the party (or coalition of parties) holding a majority of seats in the Bundestag. The chancellor has powers of patronage and agenda-setting circumscribed by coalition government. Thus, the chancellor outlines federal policy and declares guidelines for cabinet ministers. Any formal policy guidelines issued by the chancellor are legally binding directives and must be implemented by the cabinet ministers. Guideline power allows the chancellor to interfere in any policy issue and to determine the government's approach to the problem.

Ministers are appointed and dismissed by the federal president with chancellor's approval; no Bundestag approval is needed. By and large, the chancellor and ministers are accountable to the Bundestag.

The bicameral legislature (the federal parliament) consists of a federal council (Bundesrat) and a federal diet (Bundestag).

The Bundestag is the principal legislative chamber in the parliament. Members of the Bundestag are the only federal officials directly elected by the public. The Bundestag had 497 voting deputies in 1987; 22 nonvoting deputies represented West Berlin. Following unification, Bundestag membership was raised to 662 deputies; as of September 2005 it stood at 614. Elections are held every four years (or earlier if a government falls from power). Candidates must be at least 18 years of age. Bundestag members are elected for four-year terms by universal, free, and secret ballot, and may be reelected. The most important organizational structures within the Bundestag are parliamentary groups (Fraktionen), which are formed by each political party represented in the chamber. Among other things, the Bundestag may introduce federal bills. However, it usually responds to federal bills introduced by the federal government or by the federal council.

The Bundesrat is the body that represents the interests of the states (Länder) within this federal structure. It consists of 69 representatives appointed by the provincial governments according to the population of each province. Each state has three to six votes depending on population and is required to vote as a block. The federal council participates in the Federation's policy-making and thus acts as a counterweight to the federal diet (Bundestag). It also serves as a link between the federation and the federal states' delegations representing the governments of the states. It can reject any federal bill and it has an absolute veto power over any federal legislation that has an impact on the states.

Disagreements between the two chambers are handled by a conciliating committee.

## 14 POLITICAL PARTIES

The "five percent clause," under which parties represented in the Bundestag must obtain at least 5% of the total votes cast by the electorate, has prevented the development of parliamentary splinter groups. In order to become a leading force in the parliament, parties have to win the local elections and become a majority by building coalitions. The coalition that receives the most votes respectively has the most votes in the parliament. Since party elections happen on the regional level, consistency of the parliament depends on the outcome of the Länder's elections.

The chancellor of Germany always belongs to the coalition of the parties that received the largest number of seats in the Bundestag. The chancellor seemingly could push his reforms by count-

ing on the support of his coalition. However, coalitions do not agree on everything and often are fragmented. In addition, there is some fragmentation within each party. Additionally, after the German unification, there has been noticeable discrepancy between east and west because Western and Eastern Germany had different patterns of party developments.

Looking back, only three parties gained representation in the Bundestag following the elections of September 1965. The Christian Democratic Union (Christlich-Demokratische Union—CDU) and its Bavarian affiliate, the Christian Social Union (Christlich-Soziale Union—CSU), with 245 seats, remained the strongest group, as it had been since the first Bundestag was elected in 1949. The Social Democratic Party (Sozialdemokratische Partei Deutschlands—SPD) increased its seats to 202 and remained the major opposition party. The Free Democratic Party (Freie Demokratische Partei—FDP), winning 49 seats, joined with the CDU and the CSU to form the "small coalition" government of Chancellor Ludwig Erhard.

The coalition government was dissolved in October 1966, following a budgetary disagreement between the CDU/CSU and the FDP. In November 1966, the CDU/CSU joined with the SPD to form a new coalition government, but following the general elections of September 1969, the SPD and FDP formed a coalition government with a combined strength of 254 seats. The elections of November 1972 resulted in a coalition composed of the SPD's 230 seats and the FDP's 42, over the CDU/CSU's 224 seats. Following the resignation of SPD leader Willy Brandt, Helmut Schmidt (SPD) was elected chancellor by the Bundestag in May 1974 by a 267–255 vote. The SPD/FDP coalition retained its majorities in the elections of 1976 (SPD 214, FDP 39) and 1980 (SPD 218, FDP 53).

In the general election of 25 January 1987, the results were as follows: CDU/CSU, 44.3% (223 seats); FDP, 9.1% (46 seats); SPD, 37% (186 seats); and the Greens, 8.3% (42 seats). The first all-Germany elections were held 2 December 1990. The results were as follows: CDU/CSU, 43.8% (319 seats); SPD, 33.5% (239 seats); FDP, 11.0% (79 seats); and Greens, 1.2% (8). The Party of Democratic Socialism (PDS), successor to the SED (Communist party), won 2.4% of the vote and 17 seats. East German parties were allowed to win seats if they received at least 5% of the vote in East Germany. After the breakup of the coalition in 1982, however, the CDU/CSU swept to victory in the voting of March 1983, winning 244 seats and 48.8% of the vote, compared with 226 seats (44.5%) in 1980 and 243 seats (48.6%) in 1976. The swing party, the FDP, took 34 seats (6.9%) and joined the CDU/CSU in a coalition behind Chancellor Helmut Kohl. The SPD polled 38.2% (down from 42.9% in 1980) and captured 193 seats, for a drop of 25.

The CDU and CSU emphasize Christian precepts but are not denominational parties. They favor free enterprise and are supported by small business, professional groups, farmers, and Christian-oriented labor unions. In foreign policy, the CDU/CSU alliance supports European integration and the strengthening of NATO.

The SPD is the oldest and best organized of all German parties. In recent decades it has modified its traditional Marxist program and made an appeal not only to industrial workers but also to farmers, youth, professional people, and the petty bourgeoisie. Its revised Godesberg Program (1959) envisages a mixed econo-

my, support for European integration and NATO, public ownership of key industries, a strong defense force, and recognition of religious values.

The FDP is a more heterogeneous organization, consisting of both classical liberals and strongly nationalistic groups. The party is supported mainly by business interests and Protestant groups. It rejects socialism or state capitalism in principle. The Greens (Die Grünen) constitute a coalition of environmentalists and antinuclear activists; in 1983, they became the first left-wing opposition party to gain a parliamentary foothold since the Communists won 15 seats in 1949. In 1990, in cooperation with Alliance 90, a loose left-wing coalition, the Greens were able to clear the 5% hurdle and win Bundestag seats.

The October 1994 elections saw a weakening of the Free Democratic and Christian Democratic coalition and a strengthening of the Social Democrats and the Greens. The Christian Democrats won 41.5% of the vote and the Free Democrats 6.9%. This gave the governing coalition 341 seats in parliament and a majority of only 10 seats as compared to its previous 134-seat edge. The combined opposition alliance took 48.1% of the vote (331 seats): the Social Democrats took 36.4%; the Greens, 7.3%; and the former Communists in eastern Germany (now called the Party of Democratic Socialism), 4.4%.

Kohl's CDU-CSU coalition was weakened further in the September 1998 parliamentary elections, winning only 245 seats (35.1%), compared with 298 for the SDP (40.9%). Seats won by other parties were as follows: Greens, 47; Free Democrats, 44; and Party of Democratic Socialism, 35. Following the election, Germany's new chancellor Gerhard Schröder formed a center-left coalition government with the Green Party.

Elections held in September 2002 saw both the SPD and the CDU-CSU coalition each win 38.5% of the vote; however, the SPD came away with 251 seats to 248 for the CDU-CSU. The SPD renewed its coalition with the Greens, who took 8.5% of the vote and 55 seats, and Schröder remained chancellor. The Free Democrats took 7.4% of the vote and 47 seats, and the PDS won 4.3% of the vote and held 2 seats in the Bundestag. On 23 May 2004, Horst Koehler was elected president with the next election scheduled for May 2009.

In the November 2005 elections, Gerhard Schröder (SPD/Greens coalition) lost the chancellery office to Angela Merkel (CDU/CSU-FDP coalition). It was the first time in German history that one of the two larger parties has nominated a woman for this position. The election campaign turned into a tense race of Merkel running against Schröder. Election polls fluctuated as well as did the predictions of the election results. Polls showed that right before the election day, at least a quarter of German voters were still undecided.

Germany held the elections on 18 September 2005, except in a constituency in Dresden that held the elections on 2 October. Unsurprisingly, both candidates came close with the Christian Democrats receiving only 1% more votes and four more seats than the SPD. Exit polls showed that neither coalition group had won a majority of seats in the federal diet (Bundestag), and both parties lost seats compared to 2002. The SPD/Green coalition fell from 306 seats (in a house of 603) to 273 seats (in a house of 614). At the same time the CDU/CSU-FDP coalition fell from 295 seats to 286 seats. In the final distribution of seats in the federal diet, CDU

got 180 seats, CSU received 46 seats, FDP gained 61 seats, SPD got 222 seats, the Greens remained with 51 seats, and the recently formed left-wing Left Party (or PDS/WASG alliance) climbed up to 54 seats. The next parliamentary elections were to be held September 2009.

Neither of the coalitions (SPD-Greens and CDU/CSU-FDP) could achieve a majority of vote in the federal diet (Kanzlermehrheit) that is required to elect a chancellor. Both chancellors claimed a victory, but to make it functional, they had to negotiate with all of the parties to form an appropriate winning coalition. On 10 October, a round of negotiations ended with the Grand Coalition between the CDU/CSU and the SPD. Angela Merkel officially became chancellor on the condition that 16 seats in the new cabinet would be equally split up between the CDU/CSU and the SPD and with the SPD controlling 8 out of the 14 ministries, including the ministries of foreign affairs and finance.

## **15 LOCAL GOVERNMENT**

The Basic Law guarantees local self-government, and the states (Länder) are granted all powers not specifically reserved to the federal government. The Federal Republic consists of 13 Länder, and 3 free states (Freistaaten); Baden-Wuerttemberg, Bayern (Freistaat), Berlin, Brandenburg, Bremen, Hamburg, Hessen, Mecklenburg-Vorpommern, Niedersachsen, Nordrhein-Westfalen, Rheinland-Pfalz, Saarland, Sachsen(Freistaat), Sachsen-Anhalt, Schleswig-Holstein, and Thuringen (Freistaat).

Länder each have ministerial governments and legislatures. They have primary responsibility for the maintenance of law and order; jurisdiction over their own finances, taxes, and administration; and supreme authority in education and other cultural activities. Through the Bundesrat, the Länder have considerable influence in federal legislation and can prevent the central government from imposing radical reforms.

Communes (Gemeinden) are the basic units of local government, apart from the municipalities, and have the right to regulate such local matters as those involving schools, building, cultural affairs, and welfare. Halfway between the Länder and the communes are the counties (Landkreise), which have autonomy in such matters as road building, transportation, and hospitals. They are administered by a Landrat, the chief official, and a Kreistag (country legislature).

## **16 JUDICIAL SYSTEM**

Cases of the first instance are tried by local or Landkreis courts and the superior courts in each of the Länder. The Federal Court of Justice in Karlsruhe, the court of last resort in regular civil and criminal cases, consists of members appointed by a committee that includes federal and Land ministers and several Bundestag members. A court of appeal and the several Land and Landkreis courts are subordinate to the Karlsruhe tribunal. Special courts handle administrative, labor, financial, and social welfare matters. The Federal Constitutional Court, the highest court in the land, has competence to decide problems concerning the Basic Law and to test the constitutionality of laws. The court has 16 members: one 8-member panel elected by a committee of the Bundestag, the other by the Bundesrat.

The judiciary is independent of the legislative and judicial branches and remains free from interference or intimidation. The

Basic Law provides for the rights to a fair trial and prohibits arbitrary interference with privacy, family, home and correspondence. The government authorities generally respect these prohibitions.

## 17 ARMED FORCES

The unification of Germany in 1991 brought the amalgamation of the People's Army of the German Democratic Republic and the Bundeswehr of the Federal Republic—on the Bundeswehr's terms, modified by political guidance. Essentially, West Germany abolished the East German Ministry of Defense and officer corps, but kept much of the GDR's Russian equipment and a few of its career officers and noncommissioned specialists. The Bundeswehr occupied East German military installations and found many of them beyond repair for training and suitable housing. The Bundeswehr moved eastward with all deliberate speed, especially since six Russian divisions and a tactical air force still remained in German installations. (With dependents these dispossessed Russians numbered almost 500,000). Meanwhile, Germany's NATO allies still maintained an integrated ground and air forces of almost 250,000 troops in western Germany, although this force shrank with the departure of the Canadian and Belgian forces, and the reduction of the American and British contingents in the 1990s.

The German active armed forces in 2005 numbered 284,500, supported by 358,650 reserves. Active Army personnel numbered 191,350. The German Army has large amounts of equipment including 2,398 main battle tanks, 409 reconnaissance vehicles, 2,067 armored infantry fighting vehicles, 3,123 armored personnel carriers, and 1,682 artillery pieces. In addition, the Germans have abundant air defense weapons, helicopters, engineering equipment, and sophisticated antitank weapons.

The German Navy has 20,700 active members, including 3,700 naval aviation personnel. The Navy operates 13 tactical submarines and 14 major surface combat vessels (all frigates), 14 patrol and coast combatants, and 23 mine warfare ships.

The German Air Force numbered 51,400 active personnel in 2005. It is structured into the Air Force Command and Transport Command. Equipment for the air force includes 417 combat capable aircraft and 96 transport aircraft of all types.

In 2005 Germany's defense budget totaled \$30.2 billion. German armed forces are actively involved in peacekeeping and UN missions abroad. Germany has troops in France and Poland, and trains with the United States military.

## 18 INTERNATIONAL COOPERATION

The Federal Republic of Germany became a full member of the United Nations on 18 September 1973; it belongs to several non-regional specialized UN agencies. It is also an active participant in the Council of Europe, the European Union, NATO, OECD, OSCE, the Asian Development Bank, the African Development Bank, the Council of the Baltic Sea States, the Euro-Atlantic Partnership Council, the Caribbean Development Bank, G-5, G-7, G-8, and the Paris Club (G-10). Germany is a permanent observer of the OAS and a nonregional member of the West African Development Bank. The country is a member of the WTO.

Germany has supported UN operations and missions in Kosovo (1999), Ethiopia and Eritrea (2000), Sierra Leone (1999), and Georgia (1993). Germany is part of the Australia Group, the Zangger Committee, the Nuclear Suppliers Group (London Group),

the Nuclear Energy Agency, the Organization for the Prohibition of Chemical Weapons, and the European Organization for Nuclear Research (CERN).

In environmental cooperation, Germany is part of the Antarctic Treaty; the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; CITES; the London Convention; International Tropical Timber Agreements; the Kyoto Protocol; the Montréal Protocol; MARPOL; the Nuclear Test Ban Treaty; and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Germany, with a GDP of \$2.83 trillion (at market exchange rate) and \$2.43 trillion (purchasing power parity—PPP) in 2005, has the world's third-largest economy in exchange-rate terms and the fifth-largest economy measured by PPP. It is the largest economy in Europe. More than in most other advanced economies, manufacturing remains at the heart of the German economy, although the share of overall industrial output (excluding construction) in GDP declined from 26.9% in 1992 to 22.6% in 2002. As of 2005, the steelmaking sector in the Ruhr region had declined significantly, and agriculture had become a sector of only marginal importance for the economy as a whole.

Before unification in 1990, GNP in West Germany increased at an annual average rate of 7% between 1950 and 1960 and 5.4% between 1960 and 1970. This rate slowed to 3.1% between 1970 and 1980 and 2.3% between 1980 and 1990. However, the unification of Germany in October 1990 proved a heavy economic burden on the west. In 1992, the former East Germany accounted for only 8% of GDP. Transfer payments and subsidies for the east resulted in a large public deficit. Alarmed at the potential for inflation, the Bundesbank pursued a tight monetary policy. This boosted the value of the mark and had a recessionary effect on the European economy. The unemployment rate in 1993 was 7.3% in the west, but 15.8% in the east because so many antiquated, inefficient enterprises were unable to compete in a market economy. These factors led to the recession of 1992–93 with growth in the GDP dropping to 1.1%. The economy recovered in 1994, posting a growth rate of 2.9%, but declined to 1.9% in 1995 and 1% in 1996.

Strong exports in 1997 were expected to bring the growth rate back to 3.5% with sustained growth projected at 4–4.5% for 1998–2000. Such hopes failed to materialize, as the real growth rate for 1998 was 2.7%. The costs of reunification saddled the country with \$300 billion in debt, forcing western Germans to pay a 7.5% "solidarity" surtax for reconstructing the eastern section. Even with the infusion of cash, the eastern sector was essentially bankrupt in the late 1990s with 25% unemployment and worker output at 50% of its western counterpart. However, high unemployment did not result in a drop in the hourly wage rate. High labor costs also plague the west where workers average a 38-hour work week and enjoy six weeks of vacation per year. To remain competitive, German companies cut staff and relocated manufacturing jobs to lower-wage countries.

The coalition government of Social Democrats and Greens elected in 1998 pledged to combat Germany's economic sluggishness through a reform program dubbed "Future Program 2000." This program included budget cuts, tax reforms, and a major reform of the pension system. The government also tried to coor-

dinate better labor-management cooperation in its effort to implement its reforms. This coalition government was returned to power in 2002, and Chancellor Gerhard Schröder called on citizens to “renew Germany” by pulling together during difficult economic times. Germany, on the brink of recession, saw a drop in the government’s popularity. Schröder threatened to resign in 2003 if his reform package, called “Agenda 2010,” was not passed by 2004. This program included a relaxation of job protections, reductions in unemployment and health care benefits, and an easing of the rules on collective bargaining. Indeed, the Social Democrats’ traditional support from unions was compromised by the proposed reforms, including, as in France, pension reform: strikes broke out in Germany, France, Austria, and Italy in 2003 due to opposition to cuts in old-age benefits. Neither the reforms of “Agenda 2010” nor reduced taxation did much to improve consumer confidence for Germany’s industrial workers, who were unemployed in large numbers. The unemployment rate in Germany stood at 10.6% in 2004, and at 12.4% for the first quarter of 2005.

As a result of elections held in September 2005, a “grand coalition” of the Christian Democratic Union (CDU) and the Social Democratic Party (SDP), headed by Chancellor Angela Merkel, was faced with the task of implementing further economic reforms. Reforming business taxes was one item on the policy agenda. The federal corporation tax rate is 25%, with local taxes pushing the total tax burden on companies up to 38%.

GDP growth was predicted to be a weak 0.9% in 2005, and 1.1% in 2006, with consumer prices rising by 1.9% in 2005 and 1.8% in 2006. Germany was expected to be forced to meet the EU’s 3% budget-deficit ceiling by 2007. In 2005, a deficit of 3.7% of GDP was forecast, 3.4% in 2006, and 3.1% in 2007.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Germany’s gross domestic product (GDP) was estimated at \$2.4 trillion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$29,700. The annual growth rate of GDP was estimated at 0.8%. The average inflation rate in 2005 was 2%. It was estimated that agriculture accounted for 1.1% of GDP, industry 28.6%, and services 70.3%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$5.693 billion or about \$69 per capita and accounted for approximately 0.2% of GDP.

The World Bank reports that in 2003 household consumption in Germany totaled \$1.408 trillion or about \$17,069 per capita based on a GDP of \$2.4 trillion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 1.5%. In 2001 it was estimated that approximately 14% of household consumption was spent on food, 7% on fuel, 2% on health care, and 10% on education.

## 2<sup>1</sup> LABOR

Germany’s labor force in 2005 was estimated at 43.32 million workers. Employment by sector in 2003 was as follows: industry 31.9%; agriculture 2.5%; services 65.5%; other occupations 0.1%. Unemployment was estimated at 11.6% in 2005.

The right to organize and to join trade unions is guaranteed by law. As of 2005, about 28% of the eligible labor force was unionized. In 1991, the western trade unions successfully expanded eastward, where they created western structures in the new states, totally dominating overall development so that no GDR trade union survived reunification. Disputes concerning the interpretation of labor agreements are settled before special labor courts. Wages and working conditions in virtually all commercial and industrial establishments are governed by collective bargaining agreements between employers’ associations and trade unions. Germany in 2005 did not have an administratively or legislated minimum wage rate.

As of 2005, children under the age of 15 were generally prohibited from employment, and these child labor laws were strictly enforced. Minors 13 and 14 years of age were permitted to work on a farm up to three per day, or deliver newspapers up to two hours per day. Although the average workweek ranges from 36 to 39 hours, the law allows a maximum workweek of 48 hours. Also mandated are a 25% premium for overtime; paid holidays and vacations (15 workdays annually, minimum, and 18 days for employees over 35 years of age); and a 10% premium for night work. However, under various collective bargaining agreements, most workers are entitled to an even greater wage premium for overtime work and even more vacation time than legally required (six weeks per year is typical). About 74% of Germany’s labor force in 2005 was covered by a collective bargaining agreement, which partly explains the relatively high wages in the absence of a minimum wage law, and why working time and vacation provisions exceed legal requirements. Health and safety standards are stringently regulated.

## 2<sup>2</sup> AGRICULTURE

Although 34% of the total area of Germany is devoted to crop production, production falls far short of satisfying industrial and consumer demand. Agriculture accounted for only 1% of GDP in 2003. The total amount of arable land in 2003 came to 12,040,000 hectares (29,750,000 acres). In 2003, the average size of Germany’s 420,697 farms was about 40 hectares (100 acres).

Article 15 of the 1990 Treaty (for monetary, economic and social union) arranged for transitional price supports for GDR farmers until an integration within the EU agricultural market could occur. Before reunification, agriculture had engaged about 6.1% and 3% of the economically active populations of the former GDR and old FRG, respectively. Agriculture engaged 2.5% of Germany’s population in 2002. The former GDR Länder contribute significantly to German agricultural production. The chief crops in order of yield in 2004 were sugar beets, 27,159,000 tons; wheat, 25,427,000 tons; barley, 12,933,000 tons; and potatoes, 13,044,000 tons. Apples and pears as well as cherries and peaches are significant fruit crops. In 2003, apple production was the smallest since 1995 from bad pollination and forest damage. Viticulture is important in the southwest, and Germany is a renowned producer of

wines for world consumption; 105 million liters of wine were produced in 2004. Germany is the world's second-largest importer of agricultural products (after the United States), with nearly \$50.8 billion in 2004.

### 23 ANIMAL HUSBANDRY

The government regulates the marketing of livestock, meat, and some dairy products; it also controls the distribution of livestock for slaughter and meat. Livestock in 2005 included 13,257,000 head of cattle (including five million milk cows), and 26,235,000 hogs, 2,138,000 sheep, 520,000 horses, 112,000,000 chickens, and 8,000,000 turkeys. Milk production amounted to 27.6 million tons in 2005; cheese, 2,074,000 tons; and butter, 444,000 tons. Meat production in 2005 included 4.5 million tons of pork, 1.1 million tons of beef, 1 million tons of poultry, and 54,000 tons of lamb, mutton, and goat. In 2002, of the 2.8 million cattle tested for BSE ("mad cow" disease), 0.003% were confirmed positive. Some 798,000 tons of eggs were produced in 2005. Germany is the leading meat, milk, and honey producer of Europe.

### 24 FISHING

The importance of the fishing industry has declined in recent years. At the beginning of 2004, the German fishing fleet consisted of 2,281 vessels with 66,008 GRT. In 2004, there were 88 fishery companies employing 9,004 people. The total catch in 2004 amounted to 288,000 tons, of which 125,000 tons came from domestic ports. The main fishing areas are the North Sea, the Baltic Sea, and the waters off Greenland. Overfishing is a serious environmental problem. The government subsidizes capacity reduction and modernization measures. The fish varieties accounting for the greatest volume are herring, mackerel, cod, and sardines. Aquaculture consists mostly of pond-raised trout and carp. Imports of fish products totaled 774,095 tons in 2004 (valued at \$2.63 billion), while exports amounted to 370,508 tons (valued at \$1.14 billion). Norway and Denmark together supply 40% of Germany's fish and seafood imports. Germany is the fourth-largest fish processing country in the EU (after the United Kingdom, France, and Spain). Processed fish production amounted to 474,428 tons in 2004, valued at \$1.91 billion.

### 25 FORESTRY

Total forest area amounted in 2000 to over 10.7 million hectares (26.5 million acres), about 31% of the total land area. Reforestation has resulted in a 6% increase in the forest area since the end of World War II (1939–45). Deciduous species (such as beech, oak, ash, maple, and alder) originally covered about two-thirds of the area, and conifers were only predominant in higher elevations. Today, hardwood trees comprise only one-third of the forests. Principal softwood species include silver fir, pine, spruce, and Douglas fir, which was introduced from the northwest United States late in the 19th century. The most thickly wooded of the federal Länder are Hessen and Rhineland-Pfalz. A total of 54 million cu m (1.9 billion cu ft) of timber was cut in 2005. The wood products industry consists of about 185,000 companies employing more than 1.3 million people, larger than the German automotive industry. Almost half of the raw timber is used by sawmills for lumber production. The German sawmilling industry consists of about 2,500 sawmills producing around 17 million cu m (600 mil-

lion cu ft) of softwood lumber and 1.2 million cu m (42.4 million cu ft) of hardwood lumber. Total trade in forest products during 2004 included \$14.8 billion in imports and \$6.3 billion in exports. Output of paper and paperboard totaled 20.4 million tons in 2004, highest in Europe. High domestic labor costs compel Germany to import substantial quantities of value-added products such as veneers and panels.

### 26 MINING

Germany's export-oriented economy was the largest in Europe. Approximately one-third of Germany's gross domestic product (GDP) depended upon exports. Germany was also a major processing nation, relying on imports of raw materials for the metals processing industry and the manufacture of industrial mineral products. The country was a leader in the mining equipment manufacturing sector, and was among the largest and most technologically advanced producers of iron, coal, and cement. Although the underground mining sector has steadily declined, certain minerals remained important domestically and worldwide. In 2003, Germany was the world's largest lignite producer, the world's third-largest producer of potash, a leading producer of kaolin in Western Europe, a major European producer of crude gypsum, and self-sufficient in feldspar and salt. The only metal mineral still mined in Germany was uranium.

Except for the very large lignite and potash operations, most of the producing and processing facilities in operation were small. The restructuring and privatization of facilities in the former German Democratic Republic (GDR) continued in 2003, including of the mineral-resource industries. Production figures for 2003 were, in million tons: potash, 3.563; kaolin, 3.5; marketable gypsum and anhydrite, 1.748, down from 1.761 in 2001; feldspar, 0.5; industrial dolomite and limestone, 106, up from 76 in 2001; and marketable salt (evaporated, rock, and other), 16.3, up from 15.6 in 2001. In 2003, Germany also produced barite; bromine; chalk; clays (bentonite, ceramic, fire, fuller's earth, brick); diatomite; fluorspar; graphite; lime; quicklime; dead-burned dolomite; nitrogen; phosphate materials, including Thomas slag; mineral and natural pigments; pumice; dimension stone; quartz; quartzite; slate; building sand; gravel; terrazzo splits; foundry sand; industrial glass sand; talc; and steatite. In terms of overseas developments, Süd-Chemie AG was the largest bentonite producer in Europe. Between 140 and 160 small- to medium-sized clay mines were in operation; about one-half of the high-quality refractory and ceramic clays produced were from the Rhineland-Palatinate area. No iron ore was mined in 1999 and 2000; demand was met by imports of 47 million tons.

### 27 ENERGY AND POWER

Germany is the greatest consumer of electric power in Europe. In 2003, total installed capacity was estimated at 119.8 GW. Total production of electric power in that year amounted to an estimated 558.1 billion kWh, of which 63% was produced in conventional thermal plants (mainly fueled by hard coal), 28% in nuclear installations, and 6% from other renewable sources. As of November 2005, there were 17 nuclear plants, and as of 2003, Germany ranked fourth internationally in nuclear power generation. In 2001, the German government and its utility companies signed an

agreement to gradually phase out nuclear power over the coming decades due to environmental concerns.

Proven natural gas reserves were estimated at 9.9 trillion cu ft, as of 1 January 2005. Domestic production in 2003 accounted for slightly more than 24% of the natural gas consumed in 2003. In that year, domestic demand for natural gas was put at an estimated 3.3 trillion cu ft, while domestic production that year was estimated at 0.8 trillion cu ft. Major natural gas suppliers to Germany are Russia, the Netherlands, and Norway. In 2000 production began at Germany's first offshore gas field in the North Sea. It is expected to produce 3.3 billion cu m (116 billion cu ft) of gas per day for 16 years. Production of oil was estimated at 169,300 barrels per day in 2005, of which 38% was crude oil. Local production is not sufficient to cover consumption, which totaled an estimated 2.6 million barrels per day in 2005.

Germany has extensive coal reserves. In 2003, recoverable reserves of coal totaled an estimated 7,428.5 million short tons, with consumption and production estimated at 273 million short tons and 229.1 million short tons, respectively, for that same year. Germany's hard coal (anthracite and bituminous) deposits lie deep underground and are difficult to mine economically. As a result, hard coal extraction is subsidized by the government, which for 2005, plans to spend \$3.5 billion for subsidies. However, by 2012, coal subsidies are slated to fall to \$2.3 billion, the result of a pact with the coal industry reached in 1997. Brown coal, or lignite, however, is easier to obtain and does not require subsidies from the government. It also accounts for the vast bulk of German coal output. In 2003, of the 273.0 million short tons of coal produced, brown coal accounted for 86% of production, with 13% for bituminous and 1% for anthracite. The lignite industry, which is centered in the eastern part of the country, was drastically changed as a result of unification and the introduction of the strict environmental and safety laws of the pre-1991 FRG.

Germany is also looking at renewable energy sources. Under the Renewable Energy Sources Act, Germany is looking to have 12.5% of its energy supplied by renewable sources by 2010, and 20% by 2020. During the 1990s, more than 5,000 electricity-generating windmills were installed in Germany, mostly along the North Sea coast, and wind power is expected to supply 3.5% of electricity by 2010. As of November 2005, Germany had 14,600 MW of installed wind power capacity and 390 MW of installed solar voltaic capacity.

## 28 INDUSTRY

Germany is the world's third-largest industrial power, behind the United States and Japan. The major industrial concentrations of western Germany are the Ruhr-Westphalia complex; the Upper Rhine Valley, Bremen and Hamburg, notable for shipbuilding; the southern region, with such cities as Munich and Augsburg; and the central region, with such industrial cities as Salzgitter, Kassel, Hanover, and Braunschweig. In the east, most of the leading industries are located in the Berlin region or in such cities as Dresden, Leipzig, Dessau, Halle, Cottbus, and Chemnitz.

The main industrial sectors in the former GDR were electrical engineering and electronics, chemicals, glass, and ceramics. The optical and precision industries were important producers of export items. Following unification, wages in the east were allowed to reach levels far exceeding productivity. As a result, many facto-

ries closed and industrial production plunged by two-thirds before stabilizing.

German industry has been struggling with high labor costs, stiff international competition, and high business taxes. Large industrial concerns like Daimler-Benz have spun off unprofitable companies, cut staff, and are looking for ways to boost productivity. Policies such as these have led to a loss of some two million industrial jobs since 1991. Other companies, like the electronics giant Siemens, have moved plants abroad in search for lower labor costs and to secure positions in developing economies like China and Thailand.

Despite the costs of restructuring the former GDR, Germany had some of the largest and most successful companies in the world as of late 2005, from automobiles to advanced electronics, steel, chemicals, machinery, shipbuilding, and textiles. German industrial products are known for their high quality and reliability. Nevertheless, the global recession that began in 2001 negatively affected German industry, with 45,000 insolvencies in 2002, including Holzmann, the large construction company. The construction industry, which experienced a post-reunification boom in the early 1990s, experienced an 8% drop in orders at the beginning of 2002. Although German industry (excluding construction) as a percentage of GDP declined from 26.9% in 1992 to 22.6% in 2002, manufacturing in 2005 remained at the heart of the German economy.

## 29 SCIENCE AND TECHNOLOGY

The reunification of East and West Germany has created great opportunities for the entire population but has also placed great strains on the nation. Perhaps nowhere is this more evident than in science, engineering and technical education, and vocational training. Germany maintains an excellent science and technology educational system and vocational training in many fields. About 140,000 science and engineering students graduated per year in the last years of the 20th century. Still, the challenge of incorporating the former German Democratic Republic (GDR) into a complete and modern German nation is daunting. Public and university research facilities in the former East Germany are old and poorly maintained, and science and engineering students have been found to be poorly trained and equipped to work in more modern West German institutions and companies. It is believed that the German government will need to completely rebuild the science and technology infrastructure in the former GDR before it can compare with more modern German facilities.

The German national science and technology budget is applied to many areas of science and technology, and leading fields include traditional areas of German strength, like chemical, automotive and telecommunications research and development. Current policy emphasizes the application of science and technology to enhance Germany's economic and competitive standing, while protecting the nation's health and the environment. Support for science and technology also occurs at other levels. There are independent laboratories, comprised of both the national laboratories and private research institutes like the Max Planck and Fraunhofer Societies. In addition, German industry supports many important types of research and development, and the German states, or *Länder*, provide still more resources for scientific research. The Ministry for Science and Technology (BMFT), an organization

without parallel in the United States, both coordinates and sets priorities for the entire national science and technology program. Finally, Germany's participation in the European Union also has a significant science and technology component—Germany provides funding, scientists, and laboratories for broad European research and development. In 2003 total research and development (R&D) expenditures in Germany amounted to \$56,592.7 billion, or 2.64% of GDP. Of that total, 65.5% came from the business sector, followed by the government at 31.6%, the foreign sector at 2.3%, and by higher education at 0.4%.

In 2002, there were 3,222 scientists and engineers and 1,435 technicians per million people that were actively engaged in R&D. High-tech exports that same year were valued at \$86.861 billion, accounting for 17% of manufactured exports.

Germany has numerous universities and colleges offering courses in basic and applied sciences. In 1987–97, science and engineering students accounted for 47% of university enrollment. In 2002, of all bachelor's degrees awarded, 30.2% were in the sciences (natural, mathematics and computers, and engineering).

The Natural History Museum in Berlin (founded in 1889) has geological, paleontological, mineralogical, zoological, and botanical components. The country has numerous specialized learned societies concerned with agriculture and veterinary science, medicine, the natural sciences, and technology.

### 30 DOMESTIC TRADE

Wholesalers, retailers, mail-order houses, door-to-door salespersons, department stores, consumer cooperatives, and factory stores all engage in distribution. There are about 630,000 commercial enterprises in Germany, with over than 760,000 local units. Nearly 5 million people are employed in domestic trade, which has a yearly turnover of over €1 trillion.

Chain stores are common, with the top 10 German retail organizations accounting for almost 80% of total German retail turnover. Convenience shops are a fast growing market outlet in Germany.

The economy is generally described as a “social market economy.” The state continues to own some major sections of the economy and provides subsidies for the growth and development of some sectors. However, free enterprise and competition are encouraged. Privatization of public utilities has resulted in greater competition and lower prices. The economy as a whole is primarily export oriented, with nearly one-third of national product exported.

Usual business hours for retail stores are from 9 AM to 6 or 6:30 PM on weekdays and from 9 AM to 4 PM on Saturday. Retail stores are not open on Sundays or holidays unless they have a special limited permit allowing them to be open. Twenty-four-hour shopping is available only at certain gas stations and at other sites related to travel. Wholesale houses and industrial plants usually have a half day (noon closing) on Saturday. Banks are open Monday–Friday from 8:30 AM to 1 PM and from 2:30 PM to 4 PM (5:30 PM on Thursday).

### 31 FOREIGN TRADE

Germany is one of the world's great trading nations. In 2003 and 2004 it was the largest exporter in the world. In 2004, Germany's exports amounted to \$909.7 billion, compared with the United

#### Principal Trading Partners – Germany (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	748,531.3	601,761.0	146,770.3
France-Monaco	78,002.5	54,904.7	23,097.8
United States	68,614.2	42,098.1	26,516.1
United Kingdom	61,340.5	35,356.2	25,984.3
Italy-San Marino-Holy See	53,914.0	37,926.5	15,987.5
Netherlands	44,117.2	46,495.2	-2,378.0
Austria	38,872.0	23,437.7	15,434.3
Belgium	37,109.9	28,711.2	8,398.7
Spain	36,266.2	18,393.2	17,873.0
Switzerland-Liechtenstein	28,571.8	21,011.6	7,560.2
China	20,401.4	28,259.7	-7,858.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

States' \$811.1 billion. German imports stood at \$717.9 billion, resulting in a trade surplus of \$191.8 billion in 2004.

Manufactured products are the leading exports. Germany supplies a large portion of the world with automobiles and car parts. Germany's motor vehicle exports made up 18.4% of its total exports in 2004. Diverse machinery exports, including nonelectrical and electrical parts, also account for a large percentage of the world's exports in those commodities (and 14% of Germany's total exports in 2004). Chemical products, telecommunications technology, in addition to devices for electricity production and distribution, are the next leading exports. The leading markets for Germany's goods in 2004, in order of importance, were France, the United States, the United Kingdom, Italy, and the Netherlands.

In 2004, Germany's major imports were chemical products (11% of total imports), motor vehicles (10.3%), petroleum and natural gas (6.8%), machinery (6.7%), and computers and related products (4.8%). Germany's leading suppliers in 2004, in order of importance, were France, the Netherlands, the United States, Italy, and the United Kingdom.

### 32 BALANCE OF PAYMENTS

After experiencing deficits during 1979–81, Germany's current accounts balance rebounded to a surplus of about DM9.9 billion in 1982 and then kept rising to DM76.5 billion in 1986, primarily because of falling prices for crude oil and other imports, combined with appreciation of the deutsche mark relative to other European currencies. By 1989, Germany's current account surplus was nearly 5% of GNP. With reunification, however, this changed immediately. Imports rushed in as former-GDR residents sought newly available consumer goods, and exports fell as goods and services were diverted to the east. As a result, Germany recorded current account deficits since 1991, created in part because of the substantial foreign borrowing undertaken to finance the cost of unification. Even so, large current account surpluses from the 1970s and 1980s helped Germany to maintain its position as the world's second-largest creditor with net foreign assets estimated at \$185 billion in 1995. From 1990 to 1996, however, Germany's share of world exports dropped from 12% to 9.8% due in large part to high



**Public Finance – Germany (2003)**

(In billions of euros, central government figures)

	<b>653.46</b>	<b>100.0%</b>
<b>Revenue and Grants</b>		
Tax revenue	245.87	37.6%
Social contributions	378.34	57.9%
Grants	10.54	1.6%
Other revenue	18.71	2.9%
<b>Expenditures</b>	<b>698.61</b>	<b>100.0%</b>
General public services	95.55	13.7%
Defense	25.47	3.6%
Public order and safety	3.0	0.4%
Economic affairs	46.59	6.7%
Environmental protection	0.37	0.1%
Housing and community amenities	6.19	0.9%
Health	134.55	19.3%
Recreational, culture, and religion	0.83	0.1%
Education	3.09	0.4%
Social protection	382.97	54.8%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

labor costs which were making it hard for Germany to compete in the global economy. Germany in 2001 ranked second behind the United States in numbers of both exports and imports, and ran a current account surplus. By 2004, it was the world's leading exporter, and had a current account surplus estimated at \$73.59 billion.

**33 BANKING AND SECURITIES**

The central banking system of Germany consists of the German Federal Bank (Deutsche Bundesbank), currently located in Frankfurt am Main (but which is expected to move to Berlin, the capital), one bank for each of the Länder (Landeszentralbanken), and one in Berlin, which are the main offices for the Federal Bank. Although the Federal Bank is an independent institution, the federal government holds the bank's capital and appoints the presidents as well as the board of directors; the Central Bank Council acts as overseer. All German banks are subject to supervision by the German Federal Banking Supervisory Authority (Bundesaufsichtsamt für das Kreditwesen) in Berlin.

The Federal Bank is the sole bank of issue. Until the advent of the euro in 1999 it set interest and discount rates. These functions are now the domain of the European Central Bank (ECB). However, the Federal Bank maintains a leading role in domestic banking. The largest commercial banks are the Deutsche Bank, Dresdner Bank, and Commerzbank. In 1997 Germany had 232 commercial banks, including the "big three," 56 subsidiaries or branches of foreign banks, and 80 private banks. There are also 13 central giro institutions. In addition, there are 657 savings banks and 18 credit institutions with special functions, including the Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation), which is the channel for official aid to developing countries. In all, there were over 45,000 bank offices in 2002. The German financial system includes just under 2,700 small industrial and agricultural credit cooperatives and allied institutions, in addition to four central institutions; 33 private and public mortgage banks that obtain funds

from the sale of bonds; the postal check and postal savings system; and 34 building societies. In April 2000, a proposed merger between two of the "big three," Deutsche Bank and Dresdner Bank, collapsed. The deal would have reduced operating costs by relieving both banks of their branch networks.

After the Bundesbank just missed its target range for M3 growth for 1996 of 4% to 7%, it decided on a two-year target for monetary supply growth to cover the 1997-98 period leading up to the planned hand-over of responsibility to the ECB on 1 January 1999.

In 1996 Moody's Investments Service capped an extremely poor year for Deutsche Bank by reducing its triple A rating to Aa1. This reflects the fact that elite banks are finding it harder to retain the triple A rating as banking becomes internationally more competitive. Deutsche Bank announced that it hoped to shed 1,300 employees through attrition by 2000.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$544.8 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$1,849.3 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.37%.

Under the constitution, the governments of the Länder regulate the operations of stock exchanges and produce exchanges. Eight stock exchanges operate in Berlin, Bremen, Düsseldorf, Frankfurt, Hamburg, Hannover, Munich, and Stuttgart. Germany has several other independent exchanges for agricultural items. There are no restrictions on foreign investments in any securities quoted on the German stock exchanges. However, a foreign (or domestic) business investor that acquires more than 25% of the issued capital of a German quoted company must inform the company of this fact. The most notable recent banking legislation is the January 2002 elimination of the capital gains tax on holdings sold by one corporation to another. In 2004, a total of 660 companies were listed on the Deutsche Borse AG. Market capitalization in 2004 totaled 41,194.517 billion. The DAX in 2004 rose 7.3% from the previous year to 4,256.1.

**34 INSURANCE**

In 2003, the value of direct premiums written totaled \$170.811 billion, of which nonlife premiums accounted for \$94.073 billion. Germany's top nonlife insurer in that same year was Allianz Versicherungswirtschaft with gross nonlife premiums written of \$9,071.1 million. The country's leading life insurer that year was Allianz Leben, with \$11,554.2 billion in life insurance premiums written. Worker's compensation, third party automobile liability, legal liability for drug companies, airlines, hunters, auditors, tax advisors, security firms, architects, lawyers, nuclear power station operators, and accident and health insurance are compulsory. The insurance sector is highly regulated and, despite the opening of the European Union (EU) market, it will be difficult for foreign companies to win the confidence of potential German customers.

**35 PUBLIC FINANCE**

The 1967 Law for the Promotion of Economic Stability and Growth requires the federal and state governments to orient their budgets to the main economic policy objectives of price stability,

high employment, balanced foreign trade, and steady commensurate growth. The Financial Planning Council, formed in 1968, coordinates the federal government, states, municipalities, and the Bundesbank in setting public budgets. Income, corporate turnover, mineral oil, and trade taxes account for more than 80% of all tax revenue, with the federal government controlling just under half of it. Since the 1960s, social insurance provisions have accounted for the largest share of federal expenditures. Germany's reunification in 1990 raised special problems with regard to economic and financial assimilation. The Unification Treaty provided that the new states should be incorporated in the financial system established by the Basic Law as much as possible from the onset. Therefore, since 1991, the new states have basically been subject to the same regulations with regard to budgetary management and tax distribution as the western states. A "German Unity Fund" was initiated to provide financial support for the new states (and their municipalities); it is jointly financed by the western states, with most of the money being raised in the capital market.

The US Central Intelligence Agency (CIA) estimated that in 2005 Germany's central government took in revenues of approximately \$1.2 trillion and had expenditures of \$1.3 trillion. Revenues minus expenditures totaled approximately -\$113 billion. Public debt in 2005 amounted to 68.1% of GDP. Total external debt was \$3.626 trillion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were €653.46 billion and expenditures were €698.61 billion. The value of revenues was us\$738 million and expenditures us\$788 million, based on a market exchange rate for 2003 of us\$1 = €.8860 as reported by the IMF. Government outlays by function were as follows: general public services, 13.7%; defense, 3.6%; public order and safety, 0.4%; economic affairs, 6.7%; environmental protection, 0.1%; housing and community amenities,

0.9%; health, 19.3%; recreation, culture, and religion, 0.1%; education, 0.4%; and social protection, 54.8%.

### 36 TAXATION

In 2000, the German tax system underwent a major reform featuring a dramatic reduction in taxes on business (from a corporate income tax rate of 40% to 25%, and the elimination altogether of a 53% tax on investment profits), as well as a scheduled reduction in the top income tax rate to 42% by 2005 from 56% in the 1980s, and 53% in 2000. As of 2005, Germany's corporate income tax rate was 25%, plus a 5.5% surcharge. There is also a 5% basic trade tax, although rates in the main cities range from 20–25%. A nonresident corporation, whose headquarters and management are outside of Germany, does not have to pay the surcharge. Business related capital gains are taxed as income, with a 95% exemption on gains from the sale of most shareholdings by companies for tax years ending after 31 December 2003. Business activities are also subject to municipal trade taxes of 12–20.5%, depending upon the municipality.

As of 2005, Germany's progressive individual income tax had a top rate of 42%, plus a 5.5% surcharge. Although self-employed persons are subject to the country's trade tax, the tax can be credited against a person's individual income tax. In 2005 the progressive schedule of income tax rates saw an increase in the 0%, tax-free base to €7,665, with decreases in other brackets. However, the threshold for the highest tax rate decreased from €55,008 in 2002 to €52,293 in 2003 to €52,152 in 2005. Rates and exemptions depend on the number of children, age, and marital status of taxpayer. Individuals also pay an 8–9% church tax, although non-churchgoers, and members of the Orthodox or Anglican Churches are exempt from paying any church tax. Other direct taxes include an inheritance and gift tax, a net worth tax, and a 2% real estate transfer tax.

The main indirect tax in Germany is a value-added tax (VAT) introduced in 1968 with a standard rate of 10%. By 2003, the standard rate had risen to 16%. A reduced rate of 7% applies to some basic foodstuffs, water supplies, medical care and dentistry, medical equipment for disabled persons, books, newspapers and periodicals, some shows, social housing, agricultural inputs, social services, and public transportation. Items exempt from the VAT include admissions to cultural events, building land, supplies for new buildings, TV licenses, telephones and faxes, basic medical and dental care, the use of sports facilities, and some waste disposal services. Exports are also zero-rated.

### 37 CUSTOMS AND DUTIES

Germany is a member of the European Union and thus has a common import customs tariff and complies with trade agreements put in place by the EU. Germany is also a contracting party to the Harmonized System Convention. In regard to trade with non-EU countries, most raw materials enter duty-free, while most manufactured goods are subject to varying rates between 5% and 8%. Germany levies a 15% value-added tax on industrial goods.

### 38 FOREIGN INVESTMENT

All foreign investment must be reported to the German Federal Bank (Bundesbank), but there are no restrictions on the repatriation of capital or profits. Until the 1998 deregulation of Deutsche

#### Balance of Payments – Germany (2003)

(In billions of US dollars)

<b>Current Account</b>			<b>54.9</b>
Balance on goods		151.7	
Imports	-601.4		
Exports	753.1		
Balance on services		-50.4	
Balance on income		-13.9	
Current transfers		-32.5	
<b>Capital Account</b>			<b>0.4</b>
<b>Financial Account</b>			<b>-79.7</b>
Direct investment abroad		-1.5	
Direct investment in Germany		11.3	
Portfolio investment assets		-37.6	
Portfolio investment liabilities		103.5	
Financial derivatives		-0.7	
Other investment assets		-170.3	
Other investment liabilities		15.7	
<b>Net Errors and Omissions</b>			<b>23.8</b>
<b>Reserves and Related Items</b>			<b>0.7</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

Telekom, telecommunications remained closed to foreign investment. There is no special treatment for foreign investors. As of 2005, incentives for investment in the former GDR deemed to be desirable included accelerated depreciation, loans at below-market interest rates, and cash investment grants and subsidies. Still applicable in all of Germany as of 2005 were cash grants; tax incentives such as capital reserve allowances and special depreciation allowances; investment grants; and credit programs, including low-interest loans. Foreign firms may also participate in government and/or subsidized research and development programs.

Although few formal barriers exist, high labor costs have discouraged foreign companies from setting up manufacturing plants in Germany. Nevertheless, the German government and industry enthusiastically encourage foreign investment in Germany. German law provides foreign investors national treatment.

There are eight free ports in Germany operated under EU Community law. These duty-free zones within the ports are open to both domestic and foreign entities.

Across the 10-year period 1991 to 2001, total foreign direct investment (FDI) totaled \$393 billion, the third highest total in the world. Half of this came in 2000, when FDI inflow reached over \$195 billion. Annual FDI inflow had been \$12 billion in 1997, rising to \$24.5 billion in 1998, to \$54.7 billion in 1999. With the bursting of the dot.com bubble in 2001, FDI inflow to Germany fell to about \$21.1 billion in 2001 and was estimated at \$36.2 billion in 2002.

According to the Bundesbank, FDI in Germany in 2003 (the latest figures available) had fallen to \$12.9 billion, about two-thirds less than the 2002 high. In GDP terms, 2003 flows of FDI represented 0.6% of Germany's GDP, while the total stock of FDI in 2003 equaled 26.1% of GDP.

FDI outflows from Germany peaked at almost \$106.5 billion in 1999. FDI outflows were about \$36.9 billion in 2001 and \$8.7 billion in 2002. German flows of direct investment abroad plunged to \$2.6 billion in 2003.

### **39 ECONOMIC DEVELOPMENT**

Germany describes its economy as a "social market economy." Outside of transportation, communications, and certain utilities, the government has remained on the sidelines of entrepreneurship. Beginning in 1998, and in line with EU regulations, the German government began deregulating these fields as well. It has, nevertheless, upheld its role as social arbiter and economic adviser. Overall economic priorities are set by the federal and Land governments pursuant to the 1967 Stability and Growth Act, which demands stability of prices, a high level of employment, steady growth, and equilibrium in foreign trade. In addition to the state, the independent German Federal Bank (Bundesbank), trade unions, and employers' associations bear responsibility for the nation's economic health. With the advent of the euro in 1999, much of the Federal Bank's authority in monetary matters was transferred to the European Central Bank (ECB). In the international arena, Germany has acted as a leader of European economic integration.

Government price and currency policies have been stable and effective. Less successful have been wage-price policies, which have been unable to control a continued upward movement. Inflationary pressures have increased and combined with a gener-

al leveling off in productivity and growth. Attempts to neutralize competition by agreements between competitors and mergers are controlled by the Law Against Restraints of Competition (Cartel Act), passed in 1957 and strengthened since then. The law is administered by the Federal Cartel Office, located in Bonn.

Unemployment remained at an average 9% in the early 2000s; it was twice as high in eastern Germany as in western Germany. As of the first quarter of 2005, the unemployment rate stood at 12.4%. Although much effort has been expended to integrate the former East German economy with the West's (infrastructure has improved drastically and a market economy has been introduced), progress in causing the two economies to converge slowed in the late 1990s and early 2000s. Annual transfers from West to East amounted to approximately \$70 billion in 2005. Germany had the weakest GDP growth in the EU from 1994–2003, when Germany's economy was moribund.

The aging population, combined with high unemployment, has pushed social security outlays to a level exceeding contributions from workers. Corporate restructuring and growing capital markets are setting the foundations allowing Germany to thrive globally and to lead the process of European economic integration, particularly if labor-market rigidities are addressed. However, in the short run, rising expenditures and lowered revenues have raised the budget deficit above the EU's 3% debt limit.

### **40 SOCIAL DEVELOPMENT**

The social security system of the FRG remained in place following unification with the German Democratic Republic. However, the GDR system continued to apply on an interim basis within the former GDR territory. The two systems were merged effective 2 January 1992. The social insurance system provides for sickness and maternity, workers' compensation, disability, unemployment, and old age; the program is financed by compulsory employee and employer contributions. Old age pensions begin at age 65 after five years of contribution. Worker's medical coverage is comprehensive, including dental care. Unemployment coverage includes all workers, trainees, apprentices, and at-home workers in varying degrees. The government funds a family allowance to parents with one or more children.

Equal pay for equal work is mandated by law, but women continue to earn less than men. Women continue to be underrepresented in managerial positions. Sexual harassment of women in the workplace is recognized and addressed. Although violence against women exists, the law and government provides protection. Victims of violence can receive police protection, legal help, shelter and counseling. Children's rights are strongly protected.

Freedom of religion is guaranteed by the Basic Law in Germany, although there have been reports of some discrimination against minority religions. Extremist right-wing groups continue to commit violent acts against immigrants and Jews although the government is committed to preventing such acts. The Basic Law also provides for the freedom of association, assembly, and expression.

### **41 HEALTH**

Health insurance in Germany is available to everyone. Benefits are broad and nationally uniform, with only minor variations among plans. They include free choice of doctors; unlimited physician

visits; preventive checkups; total freedom from out-of-pocket payments for physician services; unlimited acute hospital care (with a nominal co-payment); prescription drug coverage (with a minimal co-payment); comprehensive dental benefits (with a 25–30% co-payment); vision and hearing exams, glasses, aids, prostheses, etc.; inpatient and psychiatric care (and outpatient psychiatric visits); monthly home care allowances; maternity benefits; disability payments; and rehabilitation and/or occupational therapy. Health care expenditure was estimated at 10.5% of GDP. Expenditures on health are among the highest in the world.

In 2004, there were approximately 362 physicians, 951 nurses, 78 dentists, and 58 pharmacists per 100,000 people. There were about 2,260 hospitals in Germany, with about 572,000 beds. A gradual deinstitutionalization of people with chronic mental illness has taken place, with the number of hospital beds declining from 150,000 in the former West Germany in 1976 to a total of 69,000 in Germany as a whole as of 1995. Germany immunized 85% of children up to one year old against diphtheria, pertussis, and tetanus.

Average life expectancy was 78.65 years in 2005. Infant mortality was 4.16 per 1,000 live births in the same year, one of the lowest in the world. As of 2002, the birth rate was estimated at 8.9 per 1,000 live births and the overall death rate at 10.4 per 1,000 people. Contraceptive use is high. Nearly 75% of married women 15–49 used some form of birth control. The total fertility rate in 2000 was 1.4 children per woman throughout her childbearing years. The maternal mortality rate was low at 8 deaths per 100,000 live births.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 43,000 people living with HIV/AIDS in the country. There were an estimated 1,000 deaths from AIDS in 2003.

Tobacco consumption has decreased significantly from 2.4 kg (5.3 lbs) in 1984 to 2.1 kg (4.6 lbs) a year per adult in 1995. The heart disease average in Germany was higher than the European average.

## 4<sup>2</sup> HOUSING

Nearly 2.8 million of the country's 12 million dwellings were destroyed or made uninhabitable as a result of World War II. In the early 1950s, there were 10 million dwellings available for 17 million households. From 1949 to 1978, over 18 million housing units were built, a construction rate of over 500,000 a year; since then, new construction has slowed, averaging 357,000 new units annually during the period 1980–85. Over 4.2 million housing units were built in 1991 or later (excluding residential homes).

Over half of the population live in residential buildings of three or more dwelling units. Nearly 98% of all dwelling units are in such multi-unit residential buildings; of these, about 42.6% are owner occupied. About 69% of the dwelling units in residential buildings have central heating systems. Gas and oil are the most common energy sources. In 2002, there was a total of about 38,957,100 dwelling units nationwide; only 254,900 were residential homes. The average number of persons per household is 2.2.

## 4<sup>3</sup> EDUCATION

Most schools and kindergartens are the responsibility of the states, not of the federal government. Therefore, though the overall struc-

ture is basically the same, it is difficult for a pupil to transfer from one school to another. German teachers are civil servants. They are required to have a teaching degree and are paid according to a uniform salary scale. Attendance at all public schools and universities is free.

Children start school after their sixth birthday and are required to attend on a full-time basis for nine or ten years, depending on the state of residence. After four years of primary or elementary school (*Grundschule*), students choose from three types of secondary school. The best pupils go to a gymnasium, which prepares them for the university matriculation examination, or *abitur*. A second option is the *realschule*, leading to technical job training and middle-management employment. The third type is the *hauptschule*, or general school.

However, a network of correspondence courses has developed, geared for those who wish to continue their studies while working. In Germany, vocational training is the rule. On-the-job training in an authorized company is combined with instruction in a vocational school. Vocational training is concluded by taking a theoretical and practical examination before a Board of the Chamber, and those who pass are given a certificate. This system of vocational training has clearly reduced youth unemployment.

In 2001, nearly all children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment has been estimated at about 84% of age-eligible students. In 2003, secondary school enrollment was about 88% of age-eligible students. Nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 14:1 in 2003; the ratio for secondary school was also about 14:1.

Higher education is represented by three types of institutions: universities (*technische universitäten*), colleges of art and music, and universities of applied sciences (*fachhochschulen*). There are also several *fachschulen*, which offer continuing vocational training for adults. In 2003, about 51% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate has been estimated at about 99%.

As of 2003, public expenditure on education was estimated at 4.8% of GDP, or 9.5% of total government expenditures.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

Germany had no national library until 1913, when the German Library (7.2 million volumes in 2002) in Leipzig brought together an extensive collection literature of the German language under one roof. The library also contains 3.9 million volumes of works written in exile by German authors during the Nazi era. In 1990 a further consolidation of German libraries was completed with the establishment of the German Library in Frankfurt, which had 18 million volumes in 2002. Other prominent libraries are the Bavarian State Library in Munich (7.6 million books) and the Prussian Cultural Property State Library (10 million books) in Berlin. The Herzog-August Library in Wolfenbüttel (848,000 volumes) has archives of 12,000 handwritten medieval books. One of the most important collections of German literature is at the Central Library of German Classics in Weimar. The Berlin Central and Regional Library, the public library network for the area, contains over 3.1 million print and electronic sources. The German Library for the Blind in Leipzig was founded in 1894. It serves as a pub-

lishing house and production center for Braille texts and audio books, as well as a public lending library containing 40,000 book titles and 5,000 titles of sheet music in Braille.

Germany has more than 4,500 state, municipal, association, private, residential, castle, palace, and church and cathedral treasures museums, which annually attract over 100 million visitors. Berlin has the Egyptian and Pergaman Museums, the Painting Gallery of Old Masters, and the National Gallery of Modern Art. The Jewish Museum opened in Berlin in 2001 offering exhibits on the history and culture of the Jewish people in the region. The Germanic National Museum in Nuremberg has the largest collection on the history of German art and culture from antiquity to the 20th century. The German Museum in Munich is one of the most well known natural sciences and technology museums in Europe. The Pinakothek Moderne, opened in 2003, houses a huge modern art collection in Munich. In addition, there are hundreds of smaller museums, ethnological and archaeological institutions, scientific collections, and art galleries.

The Bach Archive in Leipzig contains a museum, research institute, and library dedicated to the life and work of the composer J.S. Bach, who once served as the city's music director. Beethoven Haus in Bonn and the Richard Wagner Museum Haus in Bayreuth honor two more famous German composers. Museums on the life and work of Goethe are located in Frankfurt (birthplace) and Weimer. Lutherhaus in Wittenberg serves as a historical museum for both the life and work of Martin Luther and the Protestant Reformation that he ignited.

#### 45 MEDIA

Since reunification, postal services have been under the jurisdiction of the Deutsche Bundespost Postdienst and telecommunications under Deutsche Bundespost Telekom. Intensive capital investments since reunification have rapidly modernized and integrated most of the obsolete telephone network of the former GDR. In 2003, there were an estimated 657 mainline telephones for every 1,000 people. The same year, there were approximately 785 mobile phones in use for every 1,000 people.

There are 11 regional broadcasting corporations, including Zweites Deutsches Fernsehen, which operates Channel Two nationally. In 1999 there were 77 AM, 1,621 FM, and 373 television stations. In 2003, there were an estimated 570 radios and 675 television sets for every 1,000 people. About 250.8 of every 1,000 people were cable subscribers. Also in 2003, there were 484.7 personal computers for every 1,000 people and 473 of every 1,000 people had access to the Internet. There were 13,847 secure Internet servers in the country in 2004.

There are about 305 national, regional, and local newspapers in Germany, as well as a large number of other periodicals. Of the newspapers sold on the street, the *Bild* has the largest circulation at about 3.8 million in 2005. The *Berliner Zeitung*, founded in 1945 but completely redesigned in 1997, is a nationally prominent daily with a circulation on 2005 of about 180,000. Other influential daily national newspapers (with 2005 circulation rates unless noted) are: the *Express* (Cologne, 468,800 in 2004), *Rheinische Post* (Duesseldorf, 443,100 in 2004), the *Sächsische Zeitung* (Dresden, 416,800 in 2004), the *Frankfurter Allgemeine Zeitung* (Frankfurt, 377,000), *Die Welt* (244,000 in 2004), *Frankfurter Rundschau*

(167,000), *Süddeutsche Zeitung* (Munich, 437,000), *Der Tagesspiegel* (135,000), and *Die Tageszeitung* (59,000).

Over 20,000 periodicals are published in Germany. The best-known internationally is the news magazine *Der Spiegel* which is modeled after the American *Time* magazine. The German Press Agency, owned by German newspaper publishers and publishers' organizations, furnishes domestic and international news. There are hundreds of small press agencies and services.

The Basic Law provides for free press rights, and the government mostly supports these rights in practice, though propaganda of Nazi and certain other proscribed groups is illegal, as are statements endorsing Nazism.

#### 46 ORGANIZATIONS

The Federation of German Industries, the Confederation of German Employers' Associations, the Federation of German Wholesale and Foreign Traders, and the Association of German Chambers of Commerce represent business in the FRG. There are about 14 regional associations of chambers of business and industry located in the largest cities; many maintain branch offices in smaller cities. The chambers are organized into provincial associations and are headed by the Permanent Conference of German Industry and Trade. The cooperative movement is well developed. Consumer cooperatives are represented in the International Cooperative Alliance by the Central Association of German Cooperatives, founded in 1949; it also represents credit cooperatives. The central association of agricultural cooperatives, the German Raiffeisen Society, is located in Wiesbaden. The Association of German Peasants is the largest society of farmers. There is also a Central Association of German Artisan Industries. The private Association of Consumers operates more than 150 local advisory centers. Professional societies and associations are numerous and represent a wide variety of occupations and fields of study.

Civil action groups (Bürgerinitiativen) have proliferated in recent years. August 13 Working Committee serves in part as a human rights awareness organization. Deutscher Frauenring serves as an umbrella organization for national women's groups. The Red Cross is active. There are national chapters of Habitat for Humanity, CARE and Caritas.

The German Academy of Arts in Berlin and the Academy of Fine Arts in Dresden are well-known arts organizations. There is a network of seven academies of science in Germany. The UNESCO Institute for Education has an office in Hamburg. A few cultural and learned associations particular to Germany include the International Gottfried Wilhelm Leibniz Society, the International Heinrich Schutz Society, and the International Hegel Gesellschaft Society. There are numerous organizations dedicated to research and education in scientific fields, particularly those relating to medicine.

There are about 80 youth associations, most of which belong to the Federal Youth Ring. The scouting movement is highly active and political parties sponsor groups associated in the Ring of Political Youth. In total there are about 90 national youth organizations and youth associations. Many of them are part of the umbrella organization known as the German Federal Youth Association.

There are thousands of groups and associations sponsoring various arts and cultural activities and special organizations for various hobbies and sports. The German Sports Confederation serves

as an umbrella organization for over 88,000 sports clubs nationwide. There are also many patriotic and religious organizations in the country.

#### 47 TOURISM, TRAVEL, AND RECREATION

Germany is famous for its beautiful scenery, particularly the Alps in the south and the river valleys of the Rhine, Main, and Danube; the landscape is dotted with castles and medieval villages. Theater, opera, and orchestral music abound in the major cities. The area that was formerly the German Democratic Republic offers a number of Baltic beach resorts and scenic Rügen Island. Residents of the United States and Canada need only a valid passport to enter Germany for a period of no more than three months; citizens of other countries need a visa. All border formalities for residents of other European Community countries were abandoned with the lifting of trade barriers in 1993.

Facilities for camping, cycling, skiing, and mountaineering are abundant. Football (soccer) is the favorite sport; Germany hosted and won the World Cup competition in 1974, and was scheduled to host in 2006. Tennis has become more popular since Boris Becker won the Wimbledon Championship in 1985; German Steffi Graf was inducted into the International Tennis Hall of Fame in 2004. The Olympic Games were held in Berlin in 1936, during the Hitler years, and in Munich in 1972.

Approximately 16,357,037 tourists visited Germany in 2003, almost 34% of whom came from Western Europe. There were 892,302 hotel rooms with about 1.6 million beds and an occupancy rate of 33%. The average length of stay was two nights. Tourism receipts totaled \$31.6 billion that year.

In 2005, the US Department of State estimated the daily expenses in Munich at \$350; in Cologne, \$323; and in Berlin, \$353.

#### 48 FAMOUS GERMANS

The roster of famous Germans is long in most fields of endeavor. The name of Johann Gutenberg (1400?–1468?), who is generally regarded in the Western world as the inventor of movable precision-cast metal type, and therefore as the father of modern book printing, might well head the list of notable Germans. Martin Luther (1483–1546), founder of the Reformation, still exerts profound influence on German religion, society, music, and language.

The earliest major names in German literature were the poets Wolfram von Eschenbach (1170?–1220?), Gottfried von Strassburg (d.1210?), and Sebastian Brant (1457?–1521). Hans Sachs (1494–1576) wrote thousands of plays, poems, stories, and songs. Hans Jakob Christoffel von Grimmelshausen (1620?–76) created a famous picaresque novel, *Simplicissimus*. The flowering of German literature began with such renowned 18th-century poets and dramatists as Friedrich Gottlieb Klopstock (1724–1803), Gotthold Ephraim Lessing (1729–81), Christoph Martin Wieland (1733–1813), and Johann Gottfried von Herder (1744–1803), and culminated with the greatest German poet, Johann Wolfgang von Goethe (1749–1832), and the greatest German dramatist, Johann Christoph Friedrich von Schiller (1759–1805). Leaders of the Romantic movement included Jean Paul (Jean Paul Friedrich Richter, 1763–1825), August Wilhelm von Schlegel (1767–1845), Novalis (Friedrich von Hardenberg, 1772–1801), Ludwig Tieck (1773–1853), E. T. A. (Ernst Theodor Wilhelm—the A stood for

Amadeus, the middle name of Mozart) Hoffmann (1776–1822), and Heinrich Wilhelm von Kleist (1777–1811). The brothers Jakob Grimm (1785–1863) and Wilhelm Grimm (1786–1859) are world-famous for their collections of folk tales and myths. Heinrich Heine (1797–1856), many of whose poems have become folksongs, is generally regarded as the greatest German poet after Goethe. Other significant poets are Friedrich Hölderlin (1770–1843), Friedrich Rückert (1788–1866), Eduard Mörike (1804–75), Stefan Georg (1868–1933), and Rainer Maria Rilke (1875–1926). Playwrights of distinction include Friedrich Hebbel (1813–63), Georg Büchner (1813–37), Georg Kaiser (1878–1945), Ernst Toller (1893–1939), and Bertolt Brecht (1898–1957). Two leading novelists of the 19th century were Gustav Freytag (1816–95) and Theodor Storm (1817–88). Germany's 20th-century novelists include Ernst Wiechert (1887–1950), Anna Seghers (Netty Reiling, 1900–1983), and Nobel Prize winners Gerhart Johann Robert Hauptmann (1862–1946), Thomas Mann (1875–1955), Nelly Sachs (1891–1970), and Heinrich Böll (1917–86). Other major writers of the 20th and 21st centuries include German-born Erich Maria Remarque (1898–1970), Günter Grass (b.1927), Christa Wolf (b.1929), and Peter Handke (b.1942).

Leading filmmakers include G. W. (Georg Wilhelm) Pabst (b.Czechoslovakia, 1885–1967), F. W. (Friedrich Wilhelm Plumpe) Murnau (1888–1931), Fritz Lang (b.Austria, 1890–1976), German-born Ernst Lubitsch (1892–1947), Max Ophüls (Oppenheimer, 1902–57), Leni (Helene Bertha Amalie) Riefenstahl (1902–2003), Volker Schlöndorff (b.1939), Werner Herzog (b.1942), Rainer Werner Fassbinder (1946–82), Wim Wenders (b.1945), and Doris Dörrie (b.1955). Outstanding performers include Emil Jannings (Theodor Friedrich Emil Janenz, b.Switzerland, 1886–1950), Marlene Dietrich (1901–1992), and Klaus Kinski (Claus Günther Nakszynski, 1926–91).

The two giants of German church music were Heinrich Schütz (1585–1672) and, preeminently, Johann Sebastian Bach (1685–1750). Significant composers of the 18th century were German-born Georg Friedrich Handel (1685–1759), Carl Philipp Emanuel Bach (1714–88), and Christoph Willibald von Gluck (1714–87). The classical period and music in general were dominated by the titanic figure of Ludwig von Beethoven (1770–1827). Romanticism in music was ushered in by Carl Maria von Weber (1786–1826), among others. Outstanding composers of the 19th century were Felix Mendelssohn-Bartholdy (1809–47), Robert Schumann (1810–56), Richard Wagner (1813–83), and Johannes Brahms (1833–97). Major figures of the 20th and 21st centuries are Richard Strauss (1864–1949), Paul Hindemith (1895–1963), Carl Orff (1895–1982), German-born Kurt Weill (1900–50), Hans Werner Henze (b.1926), and Karlheinz Stockhausen (b.1928). Important symphonic conductors included Otto Klemperer (1885–1973), Wilhelm Furtwängler (1886–1954), Karl Böhm (1894–1981), and Eugen Jochum (1902–87). Among Germany's outstanding musical performers are singers Elisabeth Schwarzkopf (b.1915) and Dietrich Fischer-Dieskau (b.1925), and pianists Walter Gieseking (1895–1956) and Wilhelm Kempff (1895–91).

Veit Stoss (1440?–1533) was one of the greatest German sculptors and woodcarvers of the 15th century; another was Tilman Riemenschneider (1460?–1531). Outstanding painters, engravers, and makers of woodcuts were Martin Schongauer (1445?–91), Matthias Grünewald (1460?–1528?), Hans Holbein the Elder (1465?–

1524), Lucas Cranach (1472–1553), Hans Holbein the Younger (1497?–1543), and above all, Albrecht Dürer (1471–1528). More recent artists of renown are the painters Emil Nolde (1867–1956), Franz Marc (1880–1916), Max Beckmann (1884–1950), the US-born Lyonel Feininger (1871–1956), Otto Dix (1891–1969), Max Ernst (1891–1976), and Horst Antes (b.1936); the painter and cartoonist George Grosz (1893–1959); the sculptors Ernst Barlach (1870–1938) and Wilhelm Lehmbruck (1881–1919); the painter-etcher-sculptor Käthe Kollwitz (1867–1945); the Dadaist Hannah Höch (1889–1978); the painter-sculptor-installation artist Joseph Beuys (1921–1986); the painter and sculptor Anselm Kiefer (b.1945); and the architects Walter Gropius (1883–1969), leader of the Bauhaus School of Design, Ludwig Mies van der Rohe (1886–1969), Erich Mendelsohn (1887–1953), Gottfried Böhm (b.1920), and Helmut Jahn (b.1940).

### Scholars and Leaders

German influence on Western thought can be traced back at least as far as the 13th century, to the great scholastic philosopher, naturalist, and theologian Albertus Magnus (Albert von Bollstädt, d.1280) and the mystic philosopher Meister Eckhart (1260?–1327?). Philipp Melancthon (Schwartzerd, 1497–1560) was a scholar and religious reformer. Gottfried Wilhelm von Leibniz (1646–1716) was an outstanding philosopher, theologian, mathematician, and natural scientist. The next two centuries were dominated by the ideas of Immanuel Kant (1724–1804), Moses Mendelssohn (1729–86), Johann Gottlieb Fichte (1762–1814), Friedrich Ernst Daniel Schleiermacher (1768–1834), Georg Wilhelm Friedrich Hegel (1770–1831), Friedrich Wilhelm Joseph von Schelling (1775–1854), Arthur Schopenhauer (1788–1860), Ludwig Andreas Feuerbach (1804–72), Karl Marx (1818–83), Friedrich Engels (1820–95), and Friedrich Wilhelm Nietzsche (1844–1900). In the 20th century, Edmund Husserl (1859–1938), Oswald Spengler (1880–1936), Karl Jaspers (1883–1969), Martin Heidegger (1889–1976), and Hans-Georg Gadamer (1900–2002) are highly regarded. Figures of the Frankfurt School of social and political philosophy include Theodor Adorno (1903–1969), Max Horkheimer (1895–1973), Walter Benjamin (1892–1940), Herbert Marcuse (1898–1979), and Jürgen Habermas (b.1929). Political theorist Hannah Arendt (1906–1975) is also highly regarded, as is Carl Schmitt (1888–1985). One of the founders of modern Biblical scholarship was Julius Wellhausen (1844–1918). Franz Rosenzweig (1886–1929) was one of the most influential modern Jewish religious thinkers, as was Gershom Scholem (1897–1982).

Among the most famous German scientists are Johann Rudolf Glauber (1694–1768), Justus von Liebig (1803–73), Robert Wilhelm Bunsen (1811–99), and Nobel Prize winners Hermann Emil Fischer (1852–1919), Adolf von Baeyer (1835–1917), Eduard Buchner (1860–1917), Wilhelm Ostwald (1853–1932), Otto Wallach (1847–1931), Richard Martin Willstätter (1872–1942), Fritz Haber (1868–1934), Walther Nernst (b.Poland, 1864–1941), Heinrich Otto Wieland (1877–1957), Adolf Otto Reinhold Windaus (1876–1959), Carl Bosch (1874–1940), Friedrich Bergius (1884–1949), Otto Hahn (1879–1968), Hans Fischer (1881–1945), Friedrich Bergius (1884–1949), Georg Wittig (1897–1987), Adolf Butenandt (1903–1995), Otto Diels (1876–1954), Kurt Alder (1902–58), Hermann Staudinger (1881–1965), Karl Ziegler (1898–1973), Manfred Eigen (b.1927), Ernst Otto Fischer (b.1918), Johann Deisenhofer

(b.1943), Robert Huber (b.1937), and Hartmut Michel (b.1948) in chemistry; Karl Friedrich Gauss (1777–1855), Georg Simon Ohm (1787–1854), Hermann Ludwig Ferdinand von Helmholtz (1821–94), Heinrich Rudolf Hertz (1857–1894), and Nobel Prize winners Wilhelm Konrad Röntgen (1845–1923), Max Karl Ernst Ludwig Planck (1858–1947), Albert Einstein (1879–1955), Gustav Ludwig Hertz (1887–1975), Werner Heisenberg (1901–76), Walter Bothe (1891–1957), Carl-Friedrich von Weizsäcker (b.1912), Rudolf Mössbauer (b.1929), Hans Bethe (1906–2005), Klaus von Klitzing (b.1943), Ernst Ruska (1906–1988), Gerd Binnig (b.1947), Johannes Georg Bednorz (b.1950), Hans Georg Dehmelt (b.Germany, 1922), Wolfgang Paul (1913–1993), Wolfgang Ketterle (b.1957), and Theodor Wolfgang Hänsch (b.1941) in physics; Rudolf Virchow (1821–1902), August von Wassermann (1866–1925), and Nobel Prize winners Robert Koch (1843–1910), Paul Ehrlich (1854–1915), Emil von Behring (1854–1917), Otto H. Warburg (1883–1970), Konrad Lorenz (Austria, 1903–89), Konrad Emil Bloch (1912–2000), Feodor Felix Konrad Lynen (1911–1979), Max Delbrück (b.Germany 1906–1981), Sir Bernard Katz (b.Germany 1911–2003), Georges Jean Franz Köhler (1946–1995), Erwin Neher (b.1944), Bert Sakmann (b.1942), Christiane Nüsslein-Volhard (b.1942), and Günter Blobel (b.1936), in physiology or medicine; earth scientists Alexander von Humboldt (1769–1859) and Karl Ernst Richter (1795–1863); and mathematician Georg Friedrich Bernhard Riemann (1826–66). Notable among German inventors and engineers are Gabriel Daniel Fahrenheit (1686–1736), developer of the thermometer; Gottlieb Daimler (1834–1900), Rudolf Diesel (b.Paris, 1858–1913), and Felix Wankel (1902–88), developers of the internal combustion engine; airship builder Count Ferdinand von Zeppelin (1838–1917); and rocketry pioneer Wernher von Braun (1912–77). Leading social scientists, in addition to Marx and Engels, were the historians Leopold von Ranke (1795–1886) and Theodor Mommsen (1817–1903), Nobel Prize winner in literature; the political economist Georg Friedrich List (1789–1846); the sociologists Georg Simmel (1858–1918) and Max Weber (1864–1920); and the German-born anthropologist Franz Boas (1858–1942). Johann Joachim Winckelmann (1717–68) founded the scientific study of classical art and archaeology. Heinrich Schliemann (1822–90) uncovered the remains of ancient Troy, Mycenae, and Tiryns; Wilhelm Dörpfeld (1853–1940) continued his work.

Outstanding figures in German political history are the Holy Roman emperors Otto I (the Great, 912–973), Frederick I (Barbarossa, 1123–90), Frederick II (1194–1250), and Spanish-born Charles V (1500–58); Frederick William (1620–88), the “great elector” of Brandenburg; his great-grandson Frederick II (the Great, 1712–86), regarded as the most brilliant soldier and statesman of his age; Otto Eduard Leopold von Bismarck (1815–98), the Prussian statesman who made German unity possible; Austrian-born Adolf Hitler (1889–1945), founder of Nazism and dictator of Germany (1933–45); and Konrad Adenauer (1876–1967), FRG chancellor (1948–63). Walter Ernst Karl Ulbricht (1893–1973), chairman of the Council of State (1960–73), and leader of the SED from 1950 to 1971, was the dominant political figure in the GDR until his death in 1973. Erich Honecker (1912–94) became first secretary of the SED in 1971 and was chairman of the Council of State and SED general secretary from 1976 until the FRG and GDR merged in 1990. Willi Stoph (1914–1999), a member of the Polit-

buro since 1953, served as chairman of the Council of Ministers in 1964–73 and again from 1976 on. Willy Brandt (1913–1992), FRG chancellor (1969–74) won the Nobel Peace Prize for his policy of Ostpolitik. Other Nobel Peace Prize winners were Ludwig Quidde (1858–1941), Gustav Stresemann (1878–1929), Carl von Ossietzky (1889–1938), and Albert Schweitzer (1875–1965).

Baron Friedrich Wilhelm Ludolf Gerhard Augustin von Steuben (1730–94) was a general in the American Revolution. Karl von Clausewitz (1780–1831) is one of the great names connected with the science of war. Important military leaders were Hellmuth von Moltke (1800–1891); Gen. Paul von Hindenburg (1847–1934), who also served as president of the German Reich (1925–34); and Gen. Erwin Rommel (1891–1944).

Pope Benedict XVI (b. Joseph Alois Ratzinger, 1927) became the 265th pope in 2005. He is the ninth German pope, the last being the Dutch-German Adrian VI (1522–1523).

#### 49 DEPENDENCIES

Germany has no territories or colonies.

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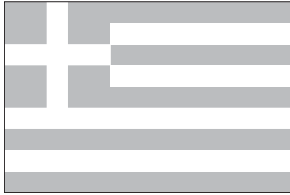
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# GREECE

Hellenic Republic  
*Elliniki Dhimokratia*



**CAPITAL:** Athens (Athínai)

**FLAG:** The national flag consists of nine equal horizontal stripes of royal blue alternating with white and a white cross on a royal-blue square canton.

**ANTHEM:** *Ethnikos Hymnos* (*National Hymn*), beginning “Se gnorizo apo tin kopsi” (“I recognize you by the keenness of your sword”).

**MONETARY UNIT:** The euro replaced the drachma as official currency in 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year’s Day, 1 January; Epiphany, 6 January; Independence Day, 25 March; Labor Day, 1 May; Assumption, 15 August; National Day (anniversary of successful resistance to Italian attack in 1940), 28 October; Christmas, 25 December; Boxing Day, 26 December. Movable religious holidays include Shrove Monday, Good Friday, and Easter Monday.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Greece is the southernmost country in the Balkan Peninsula, with a total area of 131,940 sq km (50,942 sq mi); about a fifth of the area is composed of more than 1,400 islands in the Ionian and Aegean seas. Comparatively, the area occupied by Greece is slightly smaller than the state of Alabama. Continental Greece has a length of 940 km (584 mi) N–S and a width of 772 km (480 mi) E–W. It is bounded on the N by Macedonia and Bulgaria, on the NE by Turkey, on the E by the Aegean Sea, on the S by the Mediterranean Sea, on the SW and W by the Ionian Sea, and on the NW by Albania, with a total land boundary length of 1,228 km (763 mi) and a coastline of 13,676 km (8,498 mi). The capital city of Greece, Athens, is located along the country’s southern coast.

## <sup>2</sup> TOPOGRAPHY

About four-fifths of Greece is mountainous, including most of the islands. The most important range is the Pindus, which runs down the center of the peninsula from north to south at about 2,650 m (8,700 ft) in average elevation. Mt. Olympus (Ólimbos; 2,917 m/9,570 ft) is the highest peak and was the legendary home of the ancient gods.

Greece has four recognizable geographic regions. The Pindus range divides northern Greece into damp, mountainous, and isolated Epirus (Ipiros) in the west and the sunny, dry plains and lesser mountain ranges of the east. This eastern region comprises the plains of Thessaly (Thessalía) and the “new provinces” of Macedonia (Makedonia) and Thrace (Thraki)—“new” because they became part of Greece after the Balkan wars in 1912–13. Central Greece is the southeastern finger of the mainland that cradled the city-states of ancient Greece and comprises such classical provinces as Attica (Atiki), Boeotia (Voiotia), Doris, Phocis,

and Locris. Southern Greece consists of the mountainous, four-fingered Peloponnesus (Pelopónnisos), separated from the mainland by the Gulf of Corinth (Korinthiakós Kólpos). Islands of the Aegean comprise the numerous Cyclades (Kikládés); the Dodecanese (Dhodhekánisos), including Rhodes (Ródhos); and the two large islands of Crete (Kriti) and Euboea (Évvoia).

Greek rivers are not navigable. Many dry up in the summer and become rushing mountain torrents in the spring. The longest river is the Maritsa, which runs along the northeast border a distance of 480 km (300 mi).

Greece is located above the convergence of the Eurasian and the African Tectonic Plates, a situation which causes frequent earthquakes and tremors. While many quakes are low magnitude tremors with minimal damage and injury, stronger quakes are not entirely uncommon. On 14 August 2003, a 6.3 magnitude earthquake occurred in western Greece causing injuries to about 50 people and damaging roads and buildings.

## <sup>3</sup> CLIMATE

The climate in southern Greece and on the islands is Mediterranean, with hot, dry summers and cool, wet winters. Winters are severe in the northern mountain regions. The summer heat is moderated by mountain and sea breezes. Precipitation is heaviest in the north and in the mountains. Average annual rainfall varies from 50 to 121 cm (20–48 in) in the north and from 38 to 81 cm (15–32 in) in the south. The mean temperature of Athens is 17°C (63°F), ranging from a low of 2°C (36°F) in the winter to a high of 37°C (99°F) in the summer.

## <sup>4</sup> FLORA AND FAUNA

Of the 4,992 species of higher plants recorded in Greece, about 742 are endemic to the country. Many pharmaceutical plants and

other rare plants and flowers considered botanical treasures flourish in Greece. Vegetation varies according to altitude. From sea level to 460 m (1,500 ft), oranges, olives, dates, almonds, pomegranates, figs, grapes, tobacco, cotton, and rice abound. From 460 to 1,070 m (1,500–3,500 ft) are forests of oak, chestnut, and pine. Above 1,070 m (3,500 ft), beech and fir are most common.

Fauna are not plentiful, but bear, wildcat, jackal, fox, and chamois still exist in many sparsely populated areas. The wild goat (agrimi), which has disappeared from the rest of Europe, still lives in parts of Greece and on the island of Crete. There are about 95 species of mammal throughout the country. Migratory and native birds abound and there are more than 250 species of marine life. Natural sponges are a main export item.

## 5 ENVIRONMENT

Among Greece's principal environmental problems are industrial smog and automobile exhaust fumes in metropolitan Athens. Over half of all industry is located in the greater Athens area. From June to August 1982, the air pollution became so oppressive that the government closed down 87 industries, ordered 19 others to cut production, and banned traffic from the city center. In July 1984, the smog again reached the danger point, and 73 factories were ordered to cut production and cars were banned from the city. In January 1988, the number of taxis in the center of Athens was halved, and private cars were banned from the city's three main thoroughfares. The smog regularly sends hundreds of Greeks to the hospital with respiratory and heart complaints. Greece is among the 50 nations with the world's highest levels of industrial carbon dioxide. In 1992, it ranked 37th, with emissions totaling 73.8 million metric tons, a per capita level of 7.25. In 1996, the total rose to 80.6 million metric tons.

Water pollution is a significant problem due to industrial pollutants, agricultural chemicals such as fertilizers and pesticides, and sewage. The Gulf of Saronikos is one of the most polluted areas because 50% of Greece's industrial facilities are located there. Greece has 58 cu km of renewable water resources with 81% used for farming and 3% used for industrial purposes.

Greece's pollution problems are the result of almost complete disregard for environmental protection measures during the rapid industrial growth of the 1970s, compounded by unbalanced development and rapid, unregulated urban growth. Government policies have emphasized rational use of natural resources, balanced regional development, protection of the environment, and increased public participation in environmental matters. Four environmental and planning services were consolidated under the Ministry for Physical Planning, Housing, and the Environment.

In 2003, about 3.6% of the total land area was protected by the state. Meteora and Mount Athos are UNESCO World Heritage Sites. There are 10 Ramsar wetland sites in the country. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 11 types of mammals, 14 species of birds, 6 types of reptiles, 4 species of amphibians, 27 species of fish, 1 type of mollusk, 10 species of other invertebrates, and 2 species of plants. Endangered species include the Mediterranean monk seal, the hawksbill turtle, Atlantic sturgeon, and the large copper butterfly.

## 6 POPULATION

The population of Greece in 2005 was estimated by the United Nations (UN) at 11,100,000, which placed it at number 74 in population among the 193 nations of the world. In 2005, approximately 18% of the population was over 65 years of age, with another 15% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be stagnant at 0.0%, a rate the government viewed as too low. The projected population for the year 2025 was 11,394,000. The population density was 84 per sq km (218 per sq mi).

The UN estimated that 60% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.58%. The capital city, Athens (Athínai), had a population of 3,215,000 in that year. Another major urban area is Thessaloniki with a metropolitan population of 824,000.

## 7 MIGRATION

Under League of Nations supervision in 1923, more than one million Greek residents of Asia Minor were repatriated, and some 800,000 Turks left Greece. During the German occupation (1941–44) and the civil war (1944–49), there was a general movement of people from the islands, the Peloponnesus, and the northern border regions into the urban areas, especially the Athens metropolitan area, including Piraiévs. Between 1955 and 1971 about 1,500,000 peasants left their farms—about 600,000 going to the cities, the rest abroad. According to the 1981 census, 813,490 Greeks had migrated since 1975 to urban areas, and 165,770 had moved to rural areas. The growth rate of the Athens, Thessaloniki, Pátrai, Iráklion, and Vólos metropolitan areas during 1971–81 far exceeded the population growth rate for the nation as a whole.

Many Greeks leave the country for economic reasons. In the years after World War II, the number of annual emigrants has varied from a high of 117,167 (in 1965) to a low of 20,330 (in 1975). The net outflow of Greek workers during the 1960s was 450,000; during the 1970s, however, there was a net inflow of 300,000. This mainly reflected declining need for foreign labor in western Europe.

In 1974, when the Greek military government collapsed, about 60,000 political refugees were living overseas; by the beginning of 1983, about half had been repatriated, the remainder being, for the most part, Communists who had fled to Soviet-bloc countries after the civil war of 1944–49. After the fall of Communism in 1989 slightly more than half of the migrants to Greece were Albanians, followed by other influxes from nearby countries. In 2002 Greece received \$1.18 billion in remittances.

In 2004, Greece received 7,375 applications for asylum, as compared to 4,367 in 1997. Most of them were from Iraq, Afghanistan, Georgia, Algeria, and Iran. In that same year Greece had a population of 2,489 refugees and another 3,459 persons of concern (primarily Iraqi Christians) according to the United Nations High Commissioner for Refugees (UNHCR). According to *Migration News*, in 2005 Greece had 900,000 to 1.2 million immigrants, including 400,000 in irregular status. In August 2005 Greece passed a new immigration law allowing for foreigners legally living in the country in 2004 to become permanent residents in 2006. How-

ever, the ethnic Greek Albanians and about 500,000 unauthorized foreigners were excluded from this policy change.

In 2005, the net migration rate was estimated as 2.18 migrants per 1,000 population.

## 8 ETHNIC GROUPS

About 98% of the population is Greek. Minority groups include Turks, Macedonian Slavs, Albanians, Armenians, Bulgarians, Jews, and Vlachs. Though a number of citizens identify themselves as Pomaks, Romas, Macedonians, Slavomacedonians, Roma, and Arvanites, the government does not officially acknowledge these groups as minorities. Though some citizens describe themselves as Turks or Turkish, use of the term is prohibited in titles of organizations or associations. The Greeks also object to use of the term Macedonian by the Slavic speaking inhabitants of that region.

## 9 LANGUAGES

Modern Greek, the official language, is the first language of about 99% of the population. English, learned mostly outside the school system, and French are widely spoken. Turkish and other minority languages, such as Albanian, Pomakic, Kutzovalachian, and Armenian, also are spoken. The vernacular and the language of popular literature are called *dimotiki* (demotic). The official language dialect—*katharevousa*—generally used by the state, the press, and universities, employs classical terms and forms. In 1976, the government began to upgrade the status of *dimotiki* in education and government. The liturgical language is akin to classical Greek.

## 10 RELIGIONS

The government does not keep statistics on membership in religious groups; however, it is estimated that about 97% of the population are nominally members of the Greek Orthodox Church. Official estimates place the number of Muslims at about 98,000 people, with most living in Thrace. Jehovah's Witnesses and the Roman Catholic Church each have about 50,000 members. There are about 30,000 Protestants and 5,000 Jews. There are small congregations of the Church of Jesus Christ of Latter-day Saints (Mormons), the Church of Scientology, and the Anglican church. There is a very small Baha'i community.

Under the constitution, the Eastern Orthodox Church of Christ (Greek Orthodox) is the "prevailing" religion of Greece; the church is self-governing under the ecumenical patriarch resident in Istanbul, Turkey, and is protected by the government, which pays the salaries of the Orthodox clergy. The Orthodox Church is also allowed a significant influence in economic and political policies. The constitution prohibits proselytizing. The Orthodox Church, Judaism, and Islam are considered to be "legal persons of public law," a designation of preferred legal status that makes it easier for these groups to own property and gain legal representation in court. Religious groups must obtain a house of prayer permit through the Ministry of Education and Religion in order to open a public place of worship. Approval for a permit is based in part on the opinion of the local Orthodox bishop.

## 11 TRANSPORTATION

Greek transportation was completely reconstructed and greatly expanded after World War II. The length of roads in 2002 was 117,000 km (72,704 mi), of which 107,406 km (66,742 mi) were

paved. Toll highways connect Athens with Lamía and Pátrai. In 2003 there were 5,024,600 motor vehicles, including 3,885,908 passenger cars and 1,138,692 commercial vehicles in use.

The Hellenic State Railways, a government organ, operates the railroads, which in 2004 had a total length of 2,571 km (1,597 mi), that which consisted of standard, narrow and dual gauge lines. Standard gauge lines made up the bulk of the nation's railway system, at 1,565 km (973 mi), of which 764 km (475 mi) was electrified. Narrow gauge lines accounted for 983 km (611 mi), with dual gauge trackage amounting to 23 km (14 mi). The agency also operates a network of subsidiary bus lines connecting major cities. The privately owned Hellenic Electric Railways operates a high-speed shuttle service between Piraiévs and Athens.

Principal ports are Elefsís, Thessaloniki, Vólos, Piraiévs, Iráklion, and Thira. In 2005 the Greek merchant fleet had 861 ships (down from 2,893 in 1982) of 1,000 GRT or over, for a total of 30,186,624 GRT. In addition, Greek shipowners had many other ships sailing under Cypriot, Lebanese, Liberian, Panamanian or other foreign registries. The Greek fleet was hard hit by the international shipping slump of the 1980s. The inland waterway system consists of three coastal canals and three inland rivers, for a total of 80 navigable km (50 mi).

Greece had an estimated 80 airports in 2004. As of 2005, a total of 67 had paved runways, and there were also eight heliports. Athens' main airport connects the capital by regular flights to major cities in Europe, the Middle East, and North America. The new Athens airport at Spata opened March 2001. Olympic Airways, nationalized in 1975, operates a large internal domestic network as well as international flights. In 2003, about 7.519 million passengers were carried on domestic and international flights. Also during 2003, Greek aircraft performed 63 million freight ton-km of service.

## 12 HISTORY

Civilization in Greece first arose on Crete in the 3rd millennium BC, probably as a result of immigration from Asia Minor (now Turkey). The Minoan civilization (c.3000–c.1100 BC), named after the legendary King Minos (which may have been a title rather than a name), was centered in the capital of Knossos, where it became known as Helladic (c.2700–c.1100 BC). During the 2nd millennium BC, Greece was conquered by Indo-European invaders: first the Achaeans, then the Aeolians and Ionians, and finally the Dorians. The Greeks, who called themselves Hellenes after a tribe in Thessaly (they were called Greeks by the Romans after another tribe in northwestern Greece), adapted the native culture to their own peasant village traditions and developed the characteristic form of ancient Greek political organization, the city-state (*polis*). The resulting Mycenaean civilization (c.1600–c.1100 BC), named after the dominant city-state of Mycenae, constituted the latter period of the Helladic civilization.

The Mycenaean, who were rivals of the Minoans, destroyed Knossos about 1400 BC and, according to legend, the city of Troy in Asia Minor about 1200 BC. The Minoan and Mycenaean civilizations both came to a relatively abrupt end about 1100 BC, possibly as a result of the Dorian invasion, but the foundations had already been laid for what was to become the basis of Western civilization. It was the Greeks who first tried democratic government; produced the world's first outstanding dramatists, poets,

historians, philosophers, and orators; and made the first scientific study of medicine, zoology, botany, physics, geometry, and the social sciences.

In the 1st millennium BC, overpopulation forced the Greeks to emigrate and to colonize areas from Spain to Asia Minor. The Greeks derived their alphabet from the Phoenicians during the 8th century BC. By the 6th century BC, the two dominant *polises* (city-states) were Athens and Sparta. The 5th century BC, recognized as the golden age of Athenian culture, brought the defeat of the Persians by the Athenians in the Persian Wars (490–479 BC) and the defeat of Athens and its allies by Sparta and its allies in the Peloponnesian War (431–404 BC). The territory that is present-day Greece was under Spartan rule.

The inability of Greeks to unite politically led to the annexation of their territories by Philip II of Macedon in 338 BC and by his son Alexander the Great. Through Alexander's ambition for world empire and his admiration of Greek learning, Greek civilization was spread to all his conquered lands. The death of Alexander in 323 BC, the breakup of his empire, and the lack of national feeling among the Greeks prepared the way for their conquest by Rome at the close of the Macedonian Wars in 146 BC.

Greece was made a Roman province, but Athens remained a center of learning. To speak the Greek language was to speak the language of culture, commerce, art, and politics. Greeks were widely influential in Rome, in the Egyptian city of Alexandria, and elsewhere. For this reason, the period between the death of Alexander and the beginning of the Roman Empire is known as the Hellenistic period.

When the Roman Empire was officially divided in AD 395, Greece, by this time Christianized, became part of the Eastern Roman Empire, eventually known as the Byzantine Empire (so named from Byzantium, the former name of Constantinople, its capital). The Byzantine Empire lasted for more than a thousand years. During this period, Greek civilization continued to contribute to Byzantine art and culture.

The formal schism between Eastern Orthodox Christianity and Roman Catholicism came in 1054, when Pope Leo IX and Patriarch Michael Cerularius excommunicated each other. The continuity of Byzantine rule was broken by the fall of Constantinople in the Fourth Crusade in 1204. Under the Latin Empire of the East, which lasted until 1261, Greece was divided into feudal fiefs, with the Duchy of Athens passing successively under French, Spanish, and Florentine rulers.

The Ottoman Turks, who conquered Constantinople in 1453 and the Greek peninsula by the end of the decade, gave the Greeks a large degree of local autonomy. Communal affairs were controlled by the Orthodox Church, and Greek merchants ranged throughout the world on their business ventures, but Greece itself was poverty-stricken. Following an unsuccessful attempt to overthrow the Turks in 1770—an uprising aided by Russia, as part of Catherine the Great's plan to replace Muslim with Orthodox Christian rule throughout the Near East—the Greeks, led by the archbishop of Patras, proclaimed a war of independence against the Turks on 25 March 1821. The revolution, which aroused much sympathy in Europe, succeeded only after Britain, France, and Russia decided to aid the Greeks in 1827. These three nations recognized Greek independence through the London Protocol of 1830, and the Ottomans accepted the terms later in the year.

The same three powers also found a king for Greece in the person of Otto I of Bavaria. During his reign (1832–1844), Otto I faced a series of foreign and domestic problems. In March 1844, Otto's administration was pressured to draft a constitution to establish a new government. Under this document, the leader would reign as a constitutional monarch and the legislature would be elected by all property-holding males over the age of 25. Otto managed to hold onto power for another decade, until the outbreak of the Crimean War (1854–1856). Otto sent troops to occupy Ottoman territory with the pretense of protecting Christians in the Balkans, but the European powers sided against him. Otto, humiliated, was forced to give up his "Christian Cause" in the Balkans. He abdicated in 1862.

Next Prince William George of Denmark, who ruled as King George I, took control of Greece until his assassination in 1913. During and after his rule, Greece gradually added islands and neighboring territories with Greek-speaking populations, including the Ionian Islands, ceded by the British in 1864; Thessaly, seized from Turkey in 1881; Macedonia, Crete, and some Aegean islands in 1913; and the Dodecanese Islands and Rhodes, ceded by Italy in 1947.

The first half of the 20th century for Greece was a period of wars and rivalries with Turkey; of republican rule under the Cretan patriot Eleutherios Venizelos; of occupation by Italy and Germany during World War II (in World War I, Greece had been neutral for three years and had then sided with the Allies); and of a five-year civil war (1944–49) between the government and the Communist-supported National Liberation Front, in which US aid under the Truman Doctrine played a significant role in defeating the insurgency. In September 1946, the Greeks voted back to the throne the twice-exiled George II (grandson of George I), who was succeeded upon his death in April 1947 by his brother Paul I. A new constitution took effect in 1952, the same year Greece joined NATO. For much of the decade, Greece backed demands by Greek Cypriots for *enosis*, or the union of Cyprus with Greece, but in 1959, the Greek, Turkish, and Cypriot governments agreed on a formula for an independent Cyprus, which became a reality in 1960.

King Paul died on 6 March 1964 and was succeeded by his son Constantine. Meanwhile, a parliamentary crisis was brewing, as rightist and leftist elements struggled for control of the army, and the government sought to purge the military of political influence. On 21 April 1967, a right wing military junta staged a successful coup d'état. Leftists were rounded up, press censorship was imposed, and political liberties were suspended. After an unsuccessful countercoup on 13 December 1967, King Constantine and the royal family fled to exile in Italy. Lt. Gen. George Zoetakis was named regent to act for the king, and Col. George Papadopoulos was made premier. A constitutional reform was approved by 92% of the voters in a plebiscite held under martial law on 29 September 1968. Under the new constitution, individual rights were held to be subordinate to the interests of the state, many powers of the king and legislature were transferred to the ruling junta, and the army was granted extended powers as overseer of civil order. The constitution outlawed membership in the Communist Party. US military aid to Greece, suspended after the 1967 coup, was restored by President Richard M. Nixon in September 1970.

Following an abortive naval mutiny in 1973, Greece was declared a republic by the surviving junta. Papadopoulos became



LOCATION: 34°48'2" to 41°45'1" N; 19°22'41" to 29°38'39" E. BOUNDARY LENGTHS: Macedonia, 228 kilometers (142 miles); Bulgaria, 494 kilometers (308 miles); Turkey, 206 kilometers (128 miles); Albania, 282 kilometers (176 miles); total coastline, 13,676 kilometers (8,496 miles). TERRITORIAL SEA LIMIT: 6 miles.

president, only to be overthrown by a group of officers following the bloody repression of a student uprising. The complicity of the junta in a conspiracy by Greek army officers on Cyprus against the government of Archbishop Makarios precipitated the final fall from power of Greece's military rulers in July 1974, when the Turkish army intervened in Cyprus and overwhelmed the island's Greek contingent. Constantine Karamanlis, a former prime min-

ister and moderate, returned from exile to form a civilian government that effectively ended eight years of dictatorial rule.

General elections were held on 17 November 1974, the first since 1964, marking the recovery of democratic rule. In a referendum held on 8 December 1974, 69% of the electorate voted to end the monarchy and declare Greece a parliamentary republic. On 7 June 1975, a democratic constitution was adopted by the

new legislature, although 86 of the 300 members boycotted the session. Karamanlis became Greece's first prime minister under the new system, and on 19 June 1975, parliament elected Konstantinos Tsatsos as president.

Prime Minister Karamanlis, who had withdrawn Greece from NATO's military structure in 1974 to protest Turkey's invasion of Cyprus, resumed military cooperation with NATO in the fall of 1980 (a few months after he was elected president of Greece) and brought his nation into the European Community (EC) effective 1 January 1981. With the victory of the Pan-Hellenic Socialist Movement (Panellinio Socialistikou Kinema—PASOK) in the elections of October 1981, Greece installed its first Socialist government. The new prime minister, Andreas Papandreou—the son of former prime minister George Papandreou and a man accused by rightists in 1967 of complicity in an abortive leftist military plot—had campaigned on a promise to take Greece out of the EC (although his government did not do so). In November 1982, he refused to allow Greek participation in NATO military exercises in the Aegean, which were then canceled. In January 1983, the government declared a general amnesty for the Communist exiles of the 1944–49 civil war.

In mid-1982, in an attempt to deal with the deepening economic crisis, the government created a ministry of national economy, which embraced industrial and commercial affairs. The proposed “radical socialization” of the economy, however, provoked widespread opposition, which limited it to the introduction of worker participation in supervisory councils; state control was imposed only on the pharmaceutical industry (in 1982). Of Greece's largest enterprises, only the Heracles Cement Co. was nationalized (in 1983). Relations with labor were strained as the government sought to balance worker demands that wages be indexed to inflation with the growing need for austerity; in late 1986, the government imposed a two-year wage freeze, which provoked widespread strikes and demonstrations.

In 1985, Prime Minister Papandreou unexpectedly withdrew his support for President Karamanlis's bid for a second five-year term and announced amendments to the constitution that would transfer powers from the president to the legislature and prime minister. Karamanlis resigned and Papandreou proceeded with his proposed changes, calling an election in June and winning a mandate to follow through with them (parliament's approval was given in March 1986). Subsequently, however, the government began to lose power; the opposition made substantial gains in the 1986 local elections, and a 1987 scandal associated with Papandreou further weakened the government. In January 1988, Papandreou met with Turkish premier Turgut Ozal in Switzerland; they agreed to work toward solving the problems between the two countries.

Two rounds of parliamentary elections were held in 1989; neither was conclusive. After the June vote, the center-conservative New Democracy (ND) party, with 146 of 300 seats, formed a government with left wing parties and concentrated on investigating scandals of the Papandreou government, including those of the former prime minister himself. That government resigned in the fall, and new elections were held in November. The ND and PASOK both improved their totals and an all-party coalition was formed to address economic reform. That government, however,

also failed. In April 1990 elections, the ND emerged victorious to lead the government.

In the balloting of 10 October 1993, PASOK won 171 seats to 110 for the ND and Papandreou was again elected prime minister, despite repeated scandals of both personal and political nature. In 1995, parliament appointed Konstantinos Stephanopoulos president. Voters appeared dissatisfied with ND's economic reforms while PASOK won support for its hard-line foreign policy demanding that the former Yugoslav Republic of Macedonia change its name. Many Greeks believe the name of the newly independent state implies territorial designs on the northern Greek region, which once formed part of historic Macedonia. In 1995, Papandreou became ill and was not able to adequately perform his duties. In January 1996, PASOK named Costas Simitis prime minister. In June of that year, Papandreou died at 77, ending the tumultuous political career of postwar Greece's most important—and controversial—politician.

In 1996, Simitis, facing strong resistance to austerity measures from labor and farmers, called on the president to dissolve parliament and hold early elections. Simitis had vowed not to call for a dissolution, but faced with mounting opposition to his austerity measures—taken to prepare the Greek economy for European monetary union in 1999—felt he needed a reinforced mandate. The election, held on 22 September 1996, returned PASOK and Simitis to power, giving them, in fact, a commanding majority in parliament.

The next four years were highlighted by continued Greek-Turkish tension, and Simitis's push for Greek entry into the monetary union. Relations with Turkey reached a new low in early 1999 when Turkey's most-wanted man, Kurdish terrorist leader Abdullah Ocalan, was captured by the Turkish secret services in Nairobi, Kenya. Ocalan had sought refuge in the Greek embassy and was seized while en route to the airport, apparently on the way to an asylum-granting country in Africa. Ocalan's capture led to subsequent Turkish charges that the Greek state sponsored international terrorism.

The outbreak of a war in Kosovo little over a month later also placed Greece in an awkward diplomatic position. Although the overwhelming majority of the Greek public opposed the war, the Simitis government maintained its ties to NATO and offered logistical—although not combat—support to its allies. Nevertheless, the widespread anti-Western backlash remained for some months. Rioting greeted US president Bill Clinton when he visited Greece in November 1999.

Unexpectedly, relations with Turkey began to significantly improve in August 1999 following a devastating earthquake in Turkey that killed over 20,000 Turkish citizens. Greece was among the first countries to offer aid to its traditional foe. When a smaller earthquake struck Greece the following month, Turkey reciprocated the Greek gesture. In the aftermath of the tragedies, Greece and Turkey continued a dialogue that resulted in the signing of cooperation accords in the areas of commerce and the fight against terrorism. In addition, Greece supported the decision of the December 1999 European Union (EU) summit in Helsinki to place Turkey as a candidate for EU membership, which also contributed to improving relations between Greece and Turkey. When the EU in late 2002 announced Turkey would not be one of 10 new candidate countries invited to join the body as of 2004, Greece pressed

the EU to set a date for the start of accession talks. Greece itself entered the euro zone on 1 January 2002.

Relations between the two countries also warmed due to cooperation on a project to build a natural gas pipeline connecting them; the pipeline was scheduled to be in operation by November 2006.

Negotiations between the Greek and Turkish leaders in Cyprus were held in early 2003 to see if they could agree on a plan to unify the island prior to Cyprus signing an EU accession treaty on 16 April. The talks failed, and the internationally recognized Greek government of Cyprus signed the accession treaty. However, later that month, Turkish-Cypriot leader Rauf Denktaş opened the borders of northern Cyprus to Greeks, and by 15 May 2003, about 250,000 Greek Cypriots and 70,000 Turkish Cypriots—40% of the island's combined population—had visited each other's side.

Approximately 90% of Greece's population was opposed to the US-led war in Iraq that began on 19 March 2003. Prime Minister Costas Simitis indicated that by waging war, the United States and United Kingdom were undermining the EU. Yet he gave the coalition permission to use of Greece's airspace in launching strikes against Iraq.

Greece's international standing received a boost when the country hosted the 2004 Summer Olympics.

In February 2005, parliament elected Karolos Papoulias president by a vote of 279 out of 300 votes; he took office on 12 March 2005.

### 13 GOVERNMENT

Before the 1967 coup, executive power was vested in the crown but was exercised by a Council of Ministers appointed by the king and headed by a premier. The 1975 constitution abolished the 146-year-old Greek monarchy and created the office of president as head of state. If a majority in parliament fails to agree on the selection of a president, the office is filled in a general election. The president, who is limited to two five-year terms, appoints the prime minister, who is head of government and requires the confidence of parliament to remain in power. (The constitution was amended in 1986 to reduce the power of the president, limiting his right to dissolve parliament on his own initiative and depriving him of the right to dismiss the prime minister, veto legislation, or proclaim a state of emergency; basically, these powers were transferred to parliament.) The prime minister selects a cabinet from among the members of parliament.

Legislative power is vested in a parliament (Vouli), a unicameral body of 300 deputies elected by direct, universal, secret ballot for maximum four-year terms. A proportional electoral system makes it possible for a party with a minority of the popular vote to have a parliamentary majority. In the 1974 elections, voting was made compulsory for all persons aged 21–70 residing within 200 km (124 mi) of their constituencies. Suffrage is now universal and compulsory at age 18.

### 14 POLITICAL PARTIES

After World War II, political parties in Greece centered more on leaders than platforms. The Greek Rally, founded and led by Field Marshal Alexander Papagos, won control of the government in the 1951 elections. About 10% of the vote was received by the Union of the Democratic Left, a left wing party founded in 1951 as

a substitute for the Communist Party, outlawed since 1947. When Papagos died in October 1955, Constantine Karamanlis formed a new party called the National Radical Union, which won the elections of 1956, 1958, and 1961 and held power until 1963, when Karamanlis resigned and the newly formed Center Union, comprising a coalition of liberals and progressives and led by George Papandreou, subsequently won a narrow plurality, with Papandreou becoming prime minister. In elections held in February 1964, the Center Union won 174 out of 300 seats; however, King Constantine dismissed Papandreou in July 1965, and Stephanos Stephanopoulos formed a new government. This government, too, was short-lived. Political conflict came to a head when Panayotis Kanellopoulos, leader of the National Radical Union, who had been appointed premier of a caretaker government, set new elections for 28 May 1967. On 21 April, however, a military coup resulted in the cancellation of elections and suppression of political parties, which lasted until 1974.

On 28 September 1974, following his return from exile, Karamanlis formed the New Democracy Party (Nea Dimokratia—ND), advocating a middle course between left and right and promoting closer ties with Western Europe. The Center Union—New Forces (EKND), renamed the Union of the Democratic Center (EDHK) in 1976, rallied liberal factions of the former Center Union and announced a line that generally paralleled ND policies. The EDHK disintegrated following the 1981 elections. Other groups to emerge, most of them led by former opponents of the junta, included the Pan-Hellenic Socialist Movement (Panellinio Socialistiko Kinema—PASOK), led by Andreas Papandreou; the United Left (UL), which brought together elements of the Union of the Democratic Left and the Communist Party to oppose the upcoming elections; and the National Democratic Union (NDU), which represented an amalgam of various elements, including some royalists and right wing activists. Also in 1974, the Communist Party (Kommounistiko Komma Ellados—KKE) was made legal for the first time since 1947; the party later split into two factions, the pro-Soviet KKE-Exterior and the Eurocommunist wing, called the KKE-Interior. In May 1986, the KKE-Interior changed its name to the New Hellenic Left Party.

In the general elections held on 17 November 1974, the ND won an overwhelming majority in parliament, with the EKND forming the major opposition. The ND was again the winner in 1977, although its parliamentary majority dropped from 220 to 172. After parliament elected Karamanlis president in 1980, George Rallis succeeded him as prime minister. In the elections of 18 October 1981, Papandreou's PASOK won 48% of the popular vote and commanded a clear parliamentary majority. Although PASOK won again in the election of 2 June 1985, its share of the total votes cast fell to 45.8%.

In the elections of 10 October 1993, PASOK had about the same percentage (46.9%) and a majority of 171 seats. The ND followed with 110 seats and an offshoot party, Political Spring, had 10 seats. The Communists gained 9 places.

In the parliamentary elections of 22 September 1996, PASOK retained its majority, but lost 9 seats. ND emerged with 108 seats; the KKE, 11; Coalition of the Left and Progress, 10; and the Democratic and Social Movement Parties, 9. The Political Spring lost all its seats in the election, gaining only 2.95% of the popular vote.

PASOK continued its dominance of the post-1974 era with yet another victory at the polls on 9 April 2000. In a close election PASOK won 158 seats (43.8% of the vote), ND earned 125 seats (42.7%), the KKE held steady at 11 (5.5%), while the Coalition of the Left and Progress saw its share of the seats drop to 6 (3.2%). The Democratic Social Movement failed to clear the 3% hurdle needed for representation and Political Spring once again failed to win any seats.

Following the 7 March 2004 elections, ND increased its seats in parliament to 165 (45.5%), while PASOK's number declined to 117 (40.6%). The KKK gained one seat, winning 12 (5.9%), with the Coalition of the Left and Progress (Synaspismos) holding steady at 6 seats (3.3%).

## 15 LOCAL GOVERNMENT

The 1975 constitution restored the large measure of local self-government initially provided for in the constitution of 1952 and re-emphasized the principle of decentralization, although local units must depend on the central government for funding. Under the military regime of 1967–74, local units had been closely controlled by the central authorities.

Greece is divided into 13 regional governments (*periferiarchis*), which are subdivided into 51 prefectures or nomarchies (*nomoi*), in addition to the autonomous administration of Mt. Áthos (Aghion Oros) in Macedonia. Each prefecture is governed by a prefect (*nomoi*) who is elected. There are also 272 municipalities or *demoi* (cities of more than 10,000 inhabitants), administered by mayors; communes (with 300 to 10,000 inhabitants), each run by a president and a community council; and localities.

The rocky promontory of Mt. Áthos, southeast of Salonika, is occupied by 20 monasteries, of which 17 are Greek, one Russian, one Serbian, and one Bulgarian. Mt. Áthos is governed by a 4-member council and a 20-member assembly (1 representative from each monastery). The special status of Mt. Áthos was first formalized in the 1952 constitution.

## 16 JUDICIAL SYSTEM

The 1975 constitution (Syntagma) has been revised twice, in 1985 and in 2001. The constitution provides for an independent judiciary.

The constitution designates the Supreme Court (Areios Pagos) as the highest court of appeal. It consists of both penal and civil sections. A Council of State does not hear cases but decides on administrative disputes, administrative violations of laws, and revision of disciplinary procedures affecting civil servants. The Comptrollers Council decides cases of a fiscal nature. The 1975 constitution also established a Special Supreme Tribunal as a final arbiter in disputes arising over general elections and referenda, in addition to exercising review of the constitutionality of laws. Other elements of the judicial system include justices of the peace, magistrates' courts, courts of first instance, courts of appeal, and various administrative courts. Judges of the Supreme Court, the courts of appeal, and the courts of first instance are appointed for life on the recommendation of the Ministry of Justice. The president has the constitutional right, with certain exceptions, to commute and reduce sentences.

## 17 ARMED FORCES

In 2005 Greece's active armed forces totaled 163,850 members and were supported by some 325,000 reservists. As of that year, there were 110,000 active personnel in the Army, 19,250 in the Navy, and 23,000 in the Air Force. The Greek field army has a large and varied combined arms structure, with units manned at three different levels of readiness: 85% are fully ready; 65% are ready within 24 hours; and 20% are ready within 48 hours. The 1,150 troops serving on Cyprus include 1 mechanized brigade. The Army operates 1,723 main battle tanks, 175 reconnaissance vehicles, 501 armored infantry fighting vehicles, 1,640 armored personnel carriers, and 4,660 artillery pieces. The Navy had 13 tactical submarines, 18 frigates, 4 corvettes, 36 patrol and coastal combatants, and 13 mine warfare vessels, as well as various amphibious and support vessels. The Navy's aviation arm is focused on antisubmarine warfare and search and rescue. The Air Force operated 283 combat capable aircraft in addition to 120 fixed and rotary wing transport aircraft. The paramilitary consisted of 4,000 coast guard and customs officers. Greek military personnel provided support to UN peacekeeping missions in seven countries or regions around the world. In 2005, the defense budget totaled \$4.46 billion. The United States has one major naval base on Greek soil and several smaller installations.

## 18 INTERNATIONAL COOPERATION

Greece is a charter member of the United Nations (UN), having joined on 25 October 1945, and participates in ECE and several nonregional specialized agencies. Greece was admitted to NATO in 1951 but suspended its military participation (1974–80) because of the Cyprus conflict. It belongs to the Council of Europe, the OECD, OSCE, WTO, G-6, the European Bank for Reconstruction and Development, the Black Sea Economic Cooperation Zone, and the Western European Union. Greece is also a permanent observer at the OAS. The country became a full member of the European Union as of 1 January 1981.

In August 1987, Greece and Albania signed a pact ending the state of war that had existed between them since World War II (1939–45). The Greek government continues to be in dispute with the neighboring Republic of Macedonia over the name of the latter. In 1995, Greece agreed to recognize the country as the Former Yugoslav Republic of Macedonia. Greece and Turkey have unresolved boundary disputes in the Aegean Sea and tension between the two countries has grown in connection with the Greek-Turkish disputes in the nation of Cyprus. Greece has supported UN operations and missions in Kosovo (est. 1999), Western Sahara (est. 1991), Ethiopia and Eritrea (est. 2000), and Georgia (est. 1993). Greece has guest status in the Nonaligned Movement.

Greece belongs to the Australia group, the Zangger Committee, the Nuclear energy Agency, the Nuclear Suppliers Group (London Group), and the European Organization for Nuclear Research (CERN). In environmental cooperation, Greece is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.



## 19 ECONOMY

The Greek economy suffers from a paucity of exploitable natural resources and a low level of industrial development relative to the rest of Western Europe. By 1992, it had fallen behind Portugal to become the poorest European Community (now European Union—EU) member; with the entrance into the EU of 10 primarily Eastern European nations in 2004, that was no longer the case. In 2004, agriculture (with forestry and fishing) generated about 7% of GDP but employed about 12% of the labor force. Agricultural exports include tobacco, cotton, wheat, raisins, currants, fresh fruits, tomato products, olive oil, and olives. In 2004, industry and construction accounted for about 22% of GDP and 20% of the labor force. Wholesale and retail trade and other services provided some 71% of GDP, employing 68% of the labor force.

Next to food processing, textile manufacturing used to be the most important industry, but chemicals and metals and machinery have outstripped it in recent years. Paper products has been a fast-growing industry since 1980. Greece has stimulated foreign investments in the development of its mineral resources by constitutionally providing guarantees for capital and profits. The government has encouraged tourism, which has developed into a major source of revenue (15% of GDP in 2004). Greece continues to play a dominant role in the international shipping industry.

During the late 1950s and 1960s, the government took steps to reclaim land, develop new farms, increase credits and investments for agriculture, protect agricultural prices, and improve the agricultural product and utilize it to the best advantage; however, the country still depends on many imports to meet its food needs. Industrial output contributed substantially to the rapid increase in national income after 1960, and manufacturing and service industries were the fastest-growing sectors in the 1970s. In the 1980s, however, the economy retracted sharply because of the worldwide recession and growth in real terms was sluggish. In the best year of the decade, 1988, GDP grew by 4.9%. In 1993, GDP dropped by 0.5%, but rebounded in 1995 by 2.0%. Inflation, which neared 20% in 1991, had been lowered to 8.1% in 1995, lower than the many European Union (EU) countries that struggled mightily with inflation in the mid-1990s. As Greece pursued an economic austerity program aimed at meeting the criteria for European economic and monetary union (EMU), inflation continued to fall, reaching less than 4% at the end of 1998. Greece entered into the EMU in 2001.

As of 2006, Greece had failed to meet the EU's Growth and Stability Pact budget deficit criteria of 3% of GDP since 2000. Greece is a recipient of EU aid, amounting to 3.3% of annual GDP. The country's public debt burden is a major drag on economic growth and prosperity, at 112% of GDP in 2004. Unemployment remained high at 10% in 2004 and the country was in need of introducing social insurance reform. Greece has a large public sector (some 40% of GDP), but is implementing privatization policies. Per capita GDP is about 70% of the leading euro-zone economies. Public and private investment was strong in 2003, in preparation for the 2004 Olympic Games that were held in Athens; the Greek economy grew at a rate of approximately 4% in 2003 and 2004. Spending on the Olympic Games contributed to an estimated general government deficit of 6.6% of GDP in 2004; however, the deficit was forecast to fall substantially in 2005–07, although it was projected to remain above the 3% of GDP limit established by the

EU's Growth and Stability Pact. GDP growth was expected to slow from 4.2% in 2004 to 3.4% in 2005, 3.1% in 2006, and 2.9% in 2007. Inflation was likely to rise from 3% in 2004 to 3.8% in 2005, driven by indirect tax rises and high international oil prices, before easing again to 3.3% in 2006 and 2.8% in 2007.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Greece's gross domestic product (GDP) was estimated at \$242.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$22,800. The annual growth rate of GDP was estimated at 3.3%. The average inflation rate in 2005 was 3.8%. It was estimated that agriculture accounted for 6.2% of GDP, industry 22.1%, and services 71.7%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.564 billion or about \$142 per capita and accounted for approximately 0.9% of GDP.

The World Bank reports that in 2003 household consumption in Greece totaled \$114.60 billion or about \$10,418 per capita based on a GDP of \$172.2 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.4%.

## 21 LABOR

In 2005, Greece's labor force was estimated at 4.72 million people. In 2004, it was estimated that agriculture accounted for 12% of the labor force, followed by industry at 20% and the services sector at 68%. Unemployment was estimated at 10.8% in 2005.

In 2005, about 26% of salaried, nonagricultural employees belonged to unions. Altogether, there were over 4,000 trade unions. Unions were organized on a territorial rather than a plant basis: all workers of a certain trade in a town usually belong to one union. On a nationwide scale, union members of the same trade or profession form a federation; the General Confederation of Greek Workers (GSEE) is the central core of the private sector union movement. Government plays an important role in labor-management relations. Collective bargaining and the right to strike are protected by law, although workers must give notice of an intent to strike (4 days for public utilities, 24 hours in the private sector). Because of a history of compulsory arbitration as a means to resolve labor disputes, unions successfully lobbied for new legislation, passed in 1992, which restricted the use of compulsory arbitration in favor of mediation procedures.

As of 2005, the maximum legal workweek is 40 hours in the private sector and 37.5 hours in the public sector. The minimum monthly salary negotiated by the GSEE for that same year was around \$35 per day or \$779 per month. This amount provided a decent standard of living for a family. Annual vacations (of up to a month) with pay are provided by law. In general, employment of children under the age of 15 in the industrial sector was prohibited. The minimum age for children employed in cinemas, theaters

and family businesses was 12. Industrial health and safety standards are set by law and regularly enforced.

## 22 AGRICULTURE

Agriculture in Greece suffers not only from natural limitations, such as poor soils and droughts, but also from soil erosion, lack of fertilizers, and insufficient capital investment. The total farm labor force in 2003 was 129,900 full-time and nearly 1.4 million part-time workers.

About 30% of the land area is cultivable, and it supports over half of the population. Of the land under cultivation in 2003, about 72% was planted in seasonal crops, and 28% in orchards and vineyards. About 38% of the agricultural land was irrigated in 2003. Although agriculture accounts for 17% of the work force, its role in the economy is declining; in 2003 agriculture accounted for 7% of GDP, down from 25% in the 1950s.

In recent decades, Greek agriculture has been characterized by an increasing diversification of fruit crops for export. Agricultural production of principal crops in 2004 was estimated as follows (in thousands of tons): sugar beets, 2,300; corn, 2,300; olives, 2,130; tomatoes, 1,800; wheat, 1,800; peaches and nectarines, 955; oranges, 903; cotton, 359; apples, 288; barley, 220; and tobacco, 127.

Progress has been made toward modernization in machinery and cultivation techniques. Agricultural products, including processed foods, beverages, and tobacco, make up one-third of total exports. To expand agricultural production and encourage farm prosperity, the government exempts agricultural income from most taxes, extends liberal farm credits, and subsidizes agriculture. It also operates a service by which individual growers or cooperatives may hire heavy farm equipment at low prices, encourages the development of industries that use farm products, provides educational programs, and has sought to halt the trend toward ever-smaller farm holdings. There were 255,000 tractors, 5,150 harvester-threshers, and 13,450 milking machines in use in 2003.

## 23 ANIMAL HUSBANDRY

In 2005 there were 9,000,000 sheep, 5,400,000 goats, 1,000,000 hogs, 600,000 head of cattle, 68,000 donkeys, 29,000 horses, 28,000 mules, and 28,000,000 chickens. Although production of milk, meat, and cheese has risen greatly since the end of World War II (1939–45), Greece still must import substantial quantities of evaporated and condensed milk, cheese, cattle, sheep, hides, and meat. Estimated meat production in 2005 included 134,000 tons of poultry, 134,000 tons of pork, 124,000 tons of mutton and goat meat, and 75,000 tons of beef and veal. Livestock products in 2005 included (in thousands of tons) cow's milk, 780; sheep milk, 700; goat milk, 495; cheese, 246; eggs, 105; honey, 15; and butter, 4. Recent modernization in machinery has especially helped poultry and hog operations. Exports of dairy and egg products were valued at \$216.4 million in 2004 (mostly going to European Union nations).

## 24 FISHING

The fishing industry has expanded and been modernized in recent years. In 2002, the Greek fishing fleet consisted of 19,504 vessels with 97,579 GRT, and there were 33,992 people employed in small scale fisheries. The total fish catch was 197,596 tons in 2003.

A total of \$317.2 million of fish and fish products were exported that year. In the north of Greece, freshwater fisheries have been restocked and developed, but the inland catch only accounted for 3% of total volume in 2003.

Sponge fishing, formerly an important undertaking in the Dodecanese and other regions, decreased in volume from 135.5 tons of sponges in 1955 to 2.5 tons in 2003.

## 25 FORESTRY

Forests cover about 28% of the total area. Much of the forest area was destroyed during the 1940s, but the government's reforestation program planted more than 100 million trees during the 1970s and 1980s. Pine, fir, and oak are the most common trees, and resin and turpentine are the principal products. In 2004, 1,672,000 cu m (59,022,000 cu ft) of roundwood were harvested, including 1.073 million cu m (37.88 million cu ft) of firewood. Sawn wood production in 2004 totaled 196,000 cu m (6,911,000 cu ft), and wood-based panels, 770,000 cu m (27.2 million cu ft). Production of timber is insufficient to meet the domestic demand, and many forestry products are imported. Total trade in forestry products in 2003 amounted to \$929 million imports and \$112.4 million in exports.

## 26 MINING

The minerals industry, consisting of the mining, industrial minerals, and metal processing sectors, was a small but important part of the national economy. Greece, the only Balkan country in the European Union (EU), was the union's largest producer of bauxite, magnesium, nickel, and perlite, and was second to the United States in bentonite production (from Milos Island). Chromite (from Tsingeli Mines, near Volos) and zinc (from Kassandra Mines, in Olympias and Stratoni) were other important commodities. Greek marble, produced in all parts of the country, continued to play a leading role in the international dimension stone market because of its versatility and many colors (ash, black, brown, green, pink, red, and multicolored). With the exception of bauxite, Greece's mines operated far below their productive capacity. A relatively small industrial base, lack of adequate investment, and distance from EU markets, have restricted the export potential of the country. The emerging Balkan markets could offer opportunities for growth. About 50% of the country's mineral production was exported. Northern Greece was thought to contain a significant amount of exploitable mineral resources, and most new activities were directed toward gold.

Production in 2003 of bauxite was 2.418 million metric tons, compared to 2,468,865 metric tons in 2002. Nickel (content of ferromagnesian) output in 2003 was estimated at 18,000 metric tons, while crude perlite production in that year was estimated at 850,000 metric tons, up from 838,997 metric tons in 2002. Other types of magnesite produced were dead-burned, caustic-calcined, and crude huntite/hydromagnesite, which had unique flame-retardant properties. Grecian Magnesite S.A., with its open-pit mine at Yerkini, was a leading magnesite producer in the western world. Also produced in 2003 were alumina, lead, manganese, silver, barite, cement, kaolin, feldspar, gypsum (from Crete), anhydrite, nitrogen, pozzolan (Santorin earth, from Milos), pumice (from Yali), salt, silica, sodium compounds, dolomite, marble, flysch, quartz, sulfur, zeolite, and crude construction materials. No asbestos was

produced in 2003. Other mineral deposits of commercial importance were antimony, gold (placer dredger), asbestos, emery, ceramic clay, talc, and limestone. Industrial processing of mineral ores was very limited until the 1960s and 1970s, when facilities for refining nickeliferous iron ore and bauxite were developed.

## 27 ENERGY AND POWER

Coal and oil are imported to supply power for the many small generating plants spread over the country. Before World War II, the Athens-Piraiévs Electricity Co. operated the only modern plant in Greece, which ran on imported coal. In 1950, the government-organized Public Power Corp. was established to construct and operate electricity generating plants and power transmission and distribution lines; by 1955, it had erected four major power plants. In 1965, the first two units of the Kremasta hydroelectric station were opened; by 2001, installed capacity totaled 10.2 million kW. Production of electricity increased from 8,991 million kWh in 1970 to 50,400 million kWh in 2000, of which 91.5% was provided by thermal power, 6.6% by hydroelectric stations, and the rest by other sources. It has been estimated that 15% of Greece's energy needs can be supplied by wind power by 2010, and there are wind farms on Crete, Andors, and a number of other Greek islands. As of 2002, solar water heaters were used in 20% of Greek homes.

As of 2003, 63% of Greece's total energy consumption came from oil. Greece has actively explored offshore oil resources. A field off Thásos in the northern Aegean began operations in July 1981. Total production, however, fell from 25,000 to 6,000 barrels per day between 1986 and 1998. In 2004, oil production totaled an estimated 6,411 barrels per day, of which crude oil accounted for 2,836 barrels per day, from reserves estimated at 7 million barrels, as of 1 January 2005. Consumption in 2004 totaled an estimated 429,000 barrels per day, making Greece strongly reliant on imported oil, mostly from Russia, Libya, OPEC, the Persian Gulf, and Egypt. Natural gas production in 2003 totaled an estimated 1.0 billion cu ft, compared with an estimated consumption of 86 billion cu ft for that same year. Two-thirds of Greece's imports of natural gas come from Russia, with the remainder from Algeria. Greece's only substantial fossil fuel resource is brown coal, or lignite. Its lignite reserves totaled an estimated 4,299 million short tons in 2003, with production and consumption estimated at 75.3 million short tons and 76 million short tons, respectively for that same year.

## 28 INDUSTRY

Manufacturing, which now ranks ahead of agriculture as an income earner, has increased rapidly owing to a vigorous policy of industrialization. However, Greek industry must rely on imports for its raw materials, machinery, parts, and fuel. Greece has only a rudimentary iron and steel industry and does not manufacture basic transport equipment, such as cars and trucks. Industry is concentrated in the Athens area.

Chief industries in 2006 were food, beverages and tobacco; metals and metals manufactures; machinery and electrical goods; chemicals; textiles; and nonmetallic minerals. Although the government controls certain basic industries, such as electric power and petroleum refining, most industry is privately owned. The portion of government-controlled industries is declining as the state has divested itself of substantial control over key hold-

ings such as Olympic Airways and the telecommunications company, OTE. There is substantial room for investment in tourism infrastructure.

The industrial sector accounted for 22% of GDP in 2004, and it grew by 4.1% that year. High technology equipment is a growth sector, as are the production of electrical machinery, office machinery and computers, defense products, building products and equipment, medical equipment, environmental engineering products and services, and certain agricultural products.

## 29 SCIENCE AND TECHNOLOGY

The Academy of Athens, founded in 1926, oversees the activities of research institutes in astronomy and applied mathematics and in atmospheric physics and climatology. Greece has five other scientific research institutes. Specialized scientific learned societies include the Association of Greek Chemists, founded in 1924, and the Greek Mathematical Society, founded in 1918, both headquartered in Athens. Advanced scientific and technical training is provided at nine colleges and universities. The University of Athens has maintained a zoological museum since 1858. In the early 1980s, the government established a Ministry of Research and Technology to foster scientific and technological development.

In the period 1987-97, science and engineering students accounted for 26% of university enrollment. In 2001, Greece had 1,357 scientists and engineers per million people who were engaged in research and development (R&D). In that same year, total spending on R&D amounted to 1,226.070 million, or 0.65% of GDP. The government sector accounted for the largest portion of R&D spending in 2001 at 46.6%, followed by the business sector at 33.1%. Foreign sources accounted for 18.4%, with higher education accounting for 2%. In 2002, high technology exports by Greece totaled \$524 million, or 10% of the country's manufactured exports.

## 30 DOMESTIC TRADE

Industry and trade are centered on about 20 seaports throughout the country. Athens, Piraeus, and Thessaloniki are the principal commercial cities; importers and exporters have offices in these cities and branches in other centers. There are about 300,000 wholesale and retail trading establishments in the country.

In general, small shops specialize in particular lines of merchandise, but there are a growing number of department stores. Most people buy in the small shops and in the markets. Usual private sector business hours are from 8 or 9 AM to 5 PM Monday through Friday. Banking hours are from 8:30 AM to 2 PM Monday through Friday. Stores are open from 9 AM to 6 PM, Monday through Saturday, but some have longer evening hours. Businesses are often closed for extended vacations throughout July and August, reopening in September after the annual trade fair.

Advertising is used widely in the towns and cities, and several advertising agencies are active in Athens and Thessaloniki. The most common media are television, newspapers, radio, films, billboards, neon signs, and window displays. The principal annual trade fair is the International Fair of Thessaloniki, held in September.

**Principal Trading Partners – Greece (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	13,671.4	44,856.5	-31,185.1
Germany	1,757.3	5,654.0	-3,896.7
Italy-San Marino-Holy See	1,470.3	5,625.0	-4,154.7
United Kingdom	999.6	1,856.3	-856.7
United States	878.3	2,264.6	-1,386.3
Bulgaria	834.1	419.5	414.6
Cyprus	642.8	...	642.8
France-Monaco	581.7	3,004.2	-2,422.5
Turkey	532.5	881.6	-349.1
Spain	501.9	1,633.9	-1,132.0
Macedonia	364.4	...	364.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.**3<sup>1</sup> FOREIGN TRADE**

Garments and cotton have traditionally provided Greece with the most exports, followed by petroleum products; fruit, nuts, and vegetable oils; and tobacco. Tobacco exports from Greece are substantial on the world commodities export market. In 2004, the major exports were machinery (19.3% of all exports), food (17.1%), and transportation (13.7%, not including services). The major imports in 2004 were machinery (20.7% of all imports), chemicals and plastics (14.2%), and food (13.7%). Trade is the second-largest services sub-sector, after property management. The transportation and communications sector has grown in importance following the liberalization of the telecommunications market, while the financial services sector also increased in the mid-2000s. Greece's leading markets in 2004 were Germany (12.6% of all exports), Italy (10.5%), the United Kingdom (7%), and France (4.2%). Leading suppliers included Germany (12.3% of all imports), Italy (12%), France (6.5%), and the Netherlands (5.1%).

**3<sup>2</sup> BALANCE OF PAYMENTS**

Because it imports more than twice the value of its exports, Greece has registered chronic annual deficits in its balance of payments. The major contributors to Greece's foreign exchange earnings are tourism, shipping services, and remittances from Greek workers abroad. Greece's relatively small industrial base and lack of substantial investment since the mid-1990s limited the country's export potential. Greece's productive base expanded in 1999 and 2000, however, in part due to a thriving stock exchange, and low interest rates. A devaluation of the drachma in 1998 and Greece's inclusion in the euro zone in 1999 restored Greek competitiveness. Merchandise exports amounted to \$15.7 billion in 2004 and imports to \$47.4 billion, while the current-account deficit was \$13 billion. The current-account balance averaged -6.7% from 2001–05.

**3<sup>3</sup> BANKING AND SECURITIES**

The government-controlled Bank of Greece (founded in 1927) is the central bank and the bank of issue; it also engages in other banking activities, although the European Central Bank is in

charge of monetary policy. There are 33 Greek commercial banks, which are dominated by two massive, state-controlled banking groups, the National Bank and the Commercial Bank. Nineteen of the commercial banks are foreign, including three American banks. The two leading private banks are Alpha Credit and Ergo, which ranked third and fifth, respectively, in 1997 in the Greek banking industry in terms of assets. Banks still must redeposit 70% of all their foreign exchange deposits with the Bank of Greece at the going interest rate plus a small commission. In 1999, as part of a general privatization program, the government began selling shares in the National Bank of Greece and Ionian Bank was sold outright and taken over by Alpha Credit.

The Currency Committee, composed of five cabinet ministers, controls the eight specialized credit institutions: the Agricultural Bank, National Investment Bank, National Investment Bank for Industrial Development, Hellenic Industrial Development Bank, National Mortgage Bank, Mortgage Bank, Postal Savings Bank, and Consignments and Loans Fund. The money supply in 2001, as measured by M1, was 24.7 billion euros. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$22.2 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$129.6 billion.

The Athens Stock Exchange (Chrimatisterion) was founded by royal decree in 1876. In 1967, significant reforms were instituted, including more stringent listing requirements, bringing about a rapid increase in the number of listed securities. New legislation was introduced in 1988 to expand and liberalize its activities. The rule changes provided for the establishment of brokerage companies, thus breaking the traditional closed shop of individual brokers. In 1997 there were 53 brokerage houses and just 6 private brokers. Computerized trading was implemented in 1992 and there has since been a rapid evolution of the market. The aim is

**Balance of Payments – Greece (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-11,225.0</b>
Balance on goods		-25,606.0
Imports	-38,184.0	
Exports	12,578.0	
Balance on services		13,033.0
Balance on income		-2,924.0
Current transfers		4,272.0
<b>Capital Account</b>		<b>1,411.0</b>
<b>Financial Account</b>		<b>6,168.0</b>
Direct investment abroad		-9.0
Direct investment in Greece		717.0
Portfolio investment assets		-9,807.0
Portfolio investment liabilities		23,456.0
Financial derivatives		111.0
Other investment assets		-4,413.0
Other investment liabilities		-3,887.0
<b>Net Errors and Omissions</b>		<b>-1,076.0</b>
<b>Reserves and Related Items</b>		<b>4,722.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

to secure total dematerialization of shares and to allow brokers to screen-trade from their offices. A satellite trading floor was established in Thessaloniki in 1995. In 1996, Greek law was harmonized with the European Union financial services directive, and banks may now be directly represented on the floor of the exchange instead of having to establish subsidiary brokerage houses. The late 1990s witnessed a boom on the exchange. In 1998, the index rose 85%, while the first five months of 1999 saw a further jump of 43.7%. However, this expansion did not continue into the new millennium. Between 2002 and 2003, the index lost 33.1% of its value. As of 2004, a total of 340 companies were listed on the Athens Stock Exchange (ASE), which had a market capitalization of \$125.242 billion that year. In 2004, the ASE rose 23.1% from the previous year to 2,786.2.

### 3<sup>4</sup> INSURANCE

Most of Greece's large insurance companies are partly or wholly owned by banks. In addition, insurers are required to join several unions, trade groups, and insurance pools. Brokers in Greece also must be accepted by the Ministry of Trade. In Greece, the social security scheme and third-party automobile liability insurance are compulsory. In 2003, the direct premiums written were valued at \$3.668 billion, of which nonlife premiums accounted for \$2.040 billion. Ethniki was the country's largest nonlife and life insurer in 2003, with total gross earned non life premiums (including personal accident and inwards reinsurance) and gross written life insurance premiums valued at \$361.2 million and \$258.3 million respectively.

Insurance companies have begun to develop private pension schemes and corporate pension schemes. However, most occupational pension funds remain under state control because they are part financed by state-enacted levies. Insurance companies have also been responsible for the recent explosion in unit trusts (mutual funds), from two in 1989 to 152 in December 1995, when there were more than D2 trillion (7.8% of GDP) under management.

### 3<sup>5</sup> PUBLIC FINANCE

The state budget includes ordinary revenues and expenditures and a special investment budget administered by the Ministry of Coordination. The public sector, which employs 15% of the workforce, has many more civil servants than required for a country the size of Greece. Public payrolls, liberal social security benefits, and loss-generating state owned companies have all contributed to a government deficit. Recent austerity measures implemented to meet the criteria for European Monetary Union membership significantly lowered the budget shortfall.

The US Central Intelligence Agency (CIA) estimated that in 2005 Greece's central government took in revenues of approximately \$94.1 billion and had expenditures of \$103.4 billion. Revenues minus expenditures totaled approximately -\$9.2 billion. Public debt in 2005 amounted to 108.9% of GDP. Total external debt was \$75.1 billion.

### 3<sup>6</sup> TAXATION

The corporate income tax rate in Greece in 2005 was 32%. The profits of general partnerships (OE) and limited partnerships (EE) were taxed at 25%. A discount of 2.5% was given to companies that settled their corporate tax liability in full when they filed their

#### Public Finance – Greece (2000)

(In millions of euros, central government figures)

	57,882	100.0%
<b>Revenue and Grants</b>		
Tax revenue	31,682	54.7%
Social contributions	16,648	28.8%
Grants	1,351	2.3%
Other revenue	8,201	14.2%
<b>Expenditures</b>	<b>59,244</b>	<b>100.0%</b>
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

tax returns. A surcharge is applied to gross rental income, but the surcharge is not to exceed the primary corporate tax. Capital gains were taxed at rates between 20% and 35%. Dividends paid to the corporate or individual shareholder are not taxed. Interest paid to Greek legal entities is 20% and 35% to foreign legal entities that do not have a permanent establishment in Greece.

The progressive personal income tax schedule for 2005 has a top rate of 40%. Various deductions or tax credits can be applied to taxable income for medical and hospitalization expenses; social security taxes; interest payments on home loans; and donations to charitable organizations, with special deductions for families whose income is derived primarily from their own work on agricultural enterprises. The withholding tax is 15% on interest income from banks and 10% on interest income derived from treasury bills and corporate bonds. There is a 20% tax on royalty payments, but these are often reduced or eliminated in bilateral double tax prevention treaties, of which Greece has concluded more than 35. Gift and inheritance taxes, property taxes on large estates having a certain value, real estate transfer taxes, and taxes on urban property and rural property are also levied.

The main indirect tax in Greece is its value-added tax (VAT) introduced in January 1987. The standard VAT rate in 2005 was 19%. There were also three reduced rates—0% on domestic transportation, lawyers and land registrar fees; 4.5% on books and newspapers; and 9% on foodstuffs, agricultural products and medical materials. Excise duties are charged on tobacco, alcohol, gasoline, and automobiles.

### 3<sup>7</sup> CUSTOMS AND DUTIES

The import tariff protects domestic products and provides a source of government revenue. Many Greek industries are not yet large enough or sufficiently modern to compete in price with foreign products, either in markets abroad or in Greece itself. As a full member of the European Union (EU) since 1981, Greece eliminated its remaining tariffs and quotas on imports from EU nations

by 1986 and aligned its own tariffs on imports from other countries with those of EU members. Greek exports to EU countries are tariff-free. Imports from non-EU countries are subject to the EU's common customs tariff. Most raw materials enter duty-free, while manufactured goods have rates between 5% and 7%. Textiles, electronics, and some food products have higher rates. Motor vehicles, yachts, and motorcycles are subject to special duties. In addition, Greece imposes an 8–19% value-added tax and special consumption taxes on alcohol and tobacco.

### 38 FOREIGN INVESTMENT

The government encourages foreign capital investment and protects foreign investors against compulsory appropriation of their assets in Greece. Incentives include reduced tax rates and increased depreciation rates.

Total direct foreign investment (FDI) was estimated at \$3.78 billion in 1995. From 1995 to 1997, FDI inflow averaged about \$1 billion a year. In the wake of the Russian financial crisis of 1998, FDI inflow fell to \$700 million in 1998 and to \$567 million in 1999. FDI inflow in 2000 reached over \$1 billion and grew to a record \$1.56 billion in 2001. In 2002, FDI inflow fell nearly 90% to \$50.3 million. For the period 1999 to 2002, FDI inflow averaged about \$833 million.

Outward FDI flow was \$542 million in 1999, over \$2 billion in 2000, and \$611 million in 2001. Outward FDI increased to \$655.3 million in 2002. For the period 1999 to 2002, average outward FDI from Greece was \$993.3 billion.

From 2001–05, FDI inflows averaged 0.6% of GDP. The corporate tax rate was being cut from 35% to 32% on income earned in 2005, to 29% on income earned in 2006, and to 25% on income earned in 2007. Value-added tax (VAT) is levied at 19%, 8%, and 4.5%. Although there is no official estimate of total foreign investment in Greece, as of 2002 the total stock of FDI was estimated at \$6 billion, or approximately 4.3% of GDP. Greece's investment abroad is directed primarily to the Balkans. Greek direct investment in the Balkans was estimated at \$3.6 billion in 2002.

### 39 ECONOMIC DEVELOPMENT

Until the mid-1970s, Greek governments devoted themselves principally to expanding agricultural and industrial production, controlling prices and inflation, improving state finances, developing natural resources, and creating basic industries. In 1975, the Karamanlis government undertook a series of austerity measures designed to curb inflation and redress the balance-of-payments deficit. A new energy program included plans for stepped-up exploitation of oil and lignite reserves, along with uranium exploration in northern Greece. Increased efforts at import substitution were to be undertaken in all sectors. On 7 March 1975, in an effort to strengthen confidence in the national currency, the government announced that the value of the drachma would no longer be quoted in terms of a fixed link with the US dollar, but would be based on daily averages taken from the currencies of Greece's main trade partners.

The Socialist government that took office in 1981 promised more equal distribution of income and wealth through "democratic planning" and measures to control inflation and increase productivity. It imposed controls on prices and credit and began to restructure public corporations. But the government was

cautious in introducing what it called "social control in certain key sectors" of the economy, and it ordered detailed studies to be made first. Its development policies emphasized balanced regional growth and technological modernization, especially in agriculture. The conservative government that came to power in 1990 adopted a 1991–93 "adjustment program" that called for reduction of price and wage increases and a reduction in the public-sector deficit from 13% to 3% of GDP. Twenty-eight industrial companies were to be privatized.

The chief goal of the Simitis government was admission to the European Monetary Union (EMU). As a consequence, his government instituted an austerity program aimed to tackle chronically high inflation, unemployment, and a bloated public sector. By 1998–99, these policies showed significant progress. Greece gained admission to the EMU in 2001, and adopted the euro as its new currency in 2002. The Greek economy was growing at rates above European Union (EU) averages from 2002–05; however, unemployment and inflation rates were still higher than in most euro-area countries. In 2004, Greece's general government debt stood at approximately 112% of GDP. Greece benefits from EU aid, equal to about 3.3% of GDP.

Privatization of state-owned enterprises has moved at a relatively slow pace, especially in the telecommunications, banking, aerospace, and energy sectors. In 2003, preparations for the 2004 Olympics drove investment, but spending on the Olympic Games contributed to a general government deficit of 6.6% of GDP in 2004. With the aid of EU grants, Greece will need to update its infrastructure, especially in the northern regions and on the islands. Improvements in road, rail, harbor, and airport links financed through the EU's Community Support Framework (CSF) programs have contributed to economic decentralization.

### 40 SOCIAL DEVELOPMENT

The Social Insurance Foundation, the national social security system, is supported by contributions from employees, employers and the government. It provides for old age, disability and survivorship. Work injury and unemployment benefits are also provided. Sick leave and maternity benefits have been in place since 1922. Current benefits include medical care, hospitalization, medicine, maternity care, dental coverage, appliances, and transportation. Payments also include birth and funeral grants.

Although the law mandates equal pay for equal work, according to statistics in 2004 women's pay amounted to 75.5% of men's pay. Domestic violence and rape remains underreported, and the number of prosecutions and convictions is low. Women are beginning to enter traditionally male-oriented careers such as law and medicine, but only make up 42.5% of the work force. Sexual harassment is specifically prohibited by law.

Occasional human rights abuses, involving residents, illegal aliens and persons in custody, have been reported. Government measures to improve prison conditions continue. The constitution prohibits discrimination on the basis of nationality, race, language, religion, or political beliefs. In practice the government does not always protect these rights.

### 41 HEALTH

Since World War II, the government has broadened health services by building new hospitals and providing more clinics and

medical personnel. Total health care expenditure was estimated at 8.4% of GDP. As of 2004, there were an estimated 410 physicians per 100,000 people. There are severe air quality problems in Athens. Pulmonary tuberculosis, dysentery, and malaria, which were once endemic, have been controlled. The incidence of typhoid, which was formerly of epidemic proportions, dropped to only 149 cases in 1985 following the application of US aid to improve sanitary conditions in more than 700 villages. At present, 100% of the population has access to safe water. In 2005, the infant mortality rate was 5.53 per 1,000 live births. The total fertility rate in 1980 (2.2) has dropped to 1.3 as of 2000. The birthrate was an estimated 9.8 per 1,000 people. The sharp birth rate decline since World War II has been attributed to the legalization of abortion. In 2005, life expectancy averaged 79.09 years. As of 2002, the overall mortality rate was estimated at 9.8 per 1,000 people.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 600 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

## 42 HOUSING

Construction of new dwellings (including repairs and extensions) reached 88,477 units in 1985 and rose to 120,240 in 1990. Most new construction is in Athens or Thessaloniki, indicating the emphasis on urban development. Considerable amounts of private investment have been spent on the construction of apartment houses in urban areas. In 2001, the total number of dwelling units was 5,476,162. About 47.9% of all dwelling units are owner occupied. About 40% of all dwellings are single household homes.

## 43 EDUCATION

Education is free and compulsory for nine years beginning at age six, and primary education lasts for six years. Secondary education is comprised of two steps: first three years, followed by an additional three years of college preparation. At the upper secondary levels, students may choose to attend a three-year vocational school. The central and local governments pay the cost of state schools, and private schools are state-regulated. The academic year runs from September to June. Greek is the primary language of instruction.

In 2001, about 68% of children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 99% of age-eligible students. The same year, secondary school enrollment was about 86% of age-eligible students. Nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 12:1 in 2003; the ratio for secondary school was about 9:1.

In July 1982, the Socialist government initiated a program to democratize the higher-education system; a law was approved that diminished the power of individual professors by establishing American-style departments with integrated faculties. Junior faculty members and representatives of the student body were granted a role in academic decision-making. The legislation also curbed university autonomy by establishing the National University Council to advise the government on higher-education planning, and the Academy of Letters and Sciences to set and implement university standards.

Greece has six major universities: Athens, Salonika, Thrace, Ioánnina, Crete, and Pátrai—together with the National Technical University of Athens, the new University of the Aegean, and the Technical University of Crete, plus seven special institutions of higher education. There are several technological educational institutions, which offer nondegree programs of higher education. Private universities are constitutionally banned. In 2003, about 74% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 91%, with 94% for men and 88.3% for women.

As of 2003, public expenditure on education was estimated at 4% of GDP, or 7% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

The National Library traces its origins to 1828, when it was established on the island of Aíyina; the library was moved to its present site in Athens in 1903 and today has more than 2.5 million volumes. Both the National Library and the Library of Parliament (1.5 million volumes) act as legal depositories for Greek publications and are open to the public. Public libraries are located mainly in provincial capitals, and there are regional libraries with book-mobile services for rural areas.

Besides the libraries attached to the universities and other educational institutions, there are several specialized research libraries located in Athens. Outstanding special collections can be found at the Democritus Nuclear Research Center (91,000 volumes), the Center of Planning and Economic Research (30,000 volumes), the Athens Center of Ekistics (30,000 volumes), and the Gennadius Library (80,000 volumes), which houses a large collection on modern Greek history. Being at the crossroads of different civilizations and an important European country, there are several libraries attached to various cultural and ethnic studies centers. Notable among these are the libraries of the Institute for Balkan Studies in Thessaloniki, the British Council, the Society for Byzantine Studies in Athens, and the Center for Asia Minor Studies in Athens.

Most museums are devoted to antiquities and archaeology. One of the richest collections of Greek sculpture and antiquities is found at the National Archaeological Museum in Athens, which is also home to the Byzantine and Christian Museum, Benaki Museum, and Kanellopoulos Museum. The most impressive archaeological remains, of course, are the great temples and palaces at Athens (particularly the Parthenon and the Stoa of Attalos), Corinth, Salonika, Delphi, Olympia, Mycenae, the island of Delos, and Knossos, on Crete. There are also notable museums dedicated to the work of other cultures, including the Byzantine Museum and the Jewish Museum, both in Athens. Among the newer facilities are the Hellenic Children's Museum (1987), the Museum of Greek Popular Musical Instruments (1991), the Museum of Delphic Celebrations of Angelos and Eva Sikelianou (1991), the Nikolaos Parantinos Museum of Sculpture (1991), and the Maria Callas Museum (2003) all located in Athens.

## 45 MEDIA

The Greek Telecommunications Authority operates domestic telegraph and telephone communications. In 2003, there were an estimated 454 mainline telephones for every 1,000 people; about 1,700 people were on a waiting list for telephone service installa-

tion. The same year, there were approximately 902 mobile phones in use for every 1,000 people.

Radio Athens broadcasts are carried by provincial relay stations located in various parts of the country; other stations are operated by the Greek armed forces and by the Hellenic National Radio and Television Institute. There are numerous independent radio and television stations. In 2003, there were an estimated 466 radios and 519 television sets for every 1,000 people. The same year, there were 81.7 personal computers for every 1,000 people and 150 of every 1,000 people had access to the Internet. There were 290 secure Internet servers in the country in 2004.

In 2002, there were over 150 daily papers throughout the country. The largest Athens dailies (with estimated 2002 circulation rates) are *To Vima* (250,000), *Eleftheros Typos* (167,186), *Ta Nea* (135,000), *Ethnos* (84,700), *Apogevmatini* (72,900), and *Avriani* (51,300).

The constitution provides for freedom of speech and press, and with a few exceptions the government is said to respect these rights. On matters involving the politically sensitive subject of the recognition of certain ethnic minorities, it is reported that the government is restrictive. The constitution also allows for seizure of publications that insult the president, offend religious beliefs, contain obscene articles, advocate violent overthrow of the political system, or disclose military and defense information. However, such action is very rare.

#### 46 ORGANIZATIONS

Most of the larger cities and towns have associations of commerce, industry, handicrafts, and finance. There are some consumers' and producers' cooperatives; chambers of commerce and industry function in Athens, Piraiévs, and Salonika. There are professional and trade organizations for a variety of occupations and industries, such as the Association of Greek Honey Processors and Exporters, the Greek Association of Industries and Processors of Olive Oil, and the Pan-Hellenic Association of Meat-Processing Industries. The Federation of Greek Industries draws together many of these business and manufacturing organizations.

The Academy of Athens serves to promote public interest in science and works to improve availability and effectiveness in science education programs. Artists, writers, musicians, educators, and journalists are organized into professional associations. Scholarly societies include those devoted to archaeology, anthropology, geography, history, political science, and sociology. Several professional associations also promote research and education in their field.

National youth organizations in Greece include the Greek Democratic Socialist Youth, Girl Guides and Girl Scouts of Greece, the Association of Boy Scouts, YMCA/YWCA, the Greek Youth Federation, the Radical Left Youth, and the Student and Scientist Christian Association of Greece. There are several sports organization in Greece, including the historical societies of the Hellenic Federation of Ancient Olympic Games and the International Society of Olympic Historians. The World Chess Federation is based in Athens.

There are national chapters of the Red Cross Society, Caritas, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

Principal tourist sites, in addition to the world-famous Parthenon and Acropolis in Athens, include Mt. Olympus (the home of the gods in ancient mythology), the site of the ancient oracle at Delphi, the Agora at Corinth, the natural spring at the rock of the Acropolis, and the Minoan ruins on Crete. Operas, concerts, ballet performances, and ancient Greek dramas are presented at the Athens Festival each year from July to September; during July and August, Greek classics also are performed in the open-air theater at Epidaurus, 40 km (25 mi) east of Árgos. Popular sports include swimming at the many beaches, sailing, water-skiing, fishing, golf, and mountain climbing.

The Greek government encourages tourists and facilitates their entry and accommodation. A passport is needed for admission; residents of the United States, Australia, Canada, and 37 other countries do not require a visa for a stay of up to 90 days.

About 14,180,000 tourists visited Greece in 2002. There were 330,970 hotel rooms in 2003 with 628,170 beds. The average length of stay that same year was seven nights.

In 2005, the US Department of State estimated the cost of staying in Athens at \$294 per day. Elsewhere in the country, daily expenses ranged from \$53 to \$296.

#### 48 FAMOUS GREEKS

The origins of Western literature and of the main branches of Western learning may be traced to the era of Greek greatness that began before 700 BC with the epics of Homer (possibly born in Asia Minor), the *Iliad* and the *Odyssey*. Hesiod (fl.700 BC), the first didactic poet, put into epic verse his descriptions of pastoral life, including practical advice on farming, and allegorical myths. The poets Alcaeus (620?–580? BC), Sappho (612?–580? BC), Anacreon (582?–485? BC), and Bacchylides (fl.5th cent. BC) wrote of love, war, and death in lyrics of great feeling and beauty. Pindar (522?–438? BC) celebrated the Panhellenic athletic festivals in vivid odes. The fables of the slave Aesop (b.Asia Minor, 620?–560? BC) have been famous for more than 2,500 years. Three of the world's greatest dramatists were Aeschylus (525–456 BC), author of the *Oresteia* trilogy; Sophocles (496?–406? BC), author of the Theban plays; and Euripides (485?–406? BC), author of *Medea*, *The Trojan Women*, and *The Bacchae*. Aristophanes (450?–385? BC), the greatest author of comedies, satirized the mores of his day in a series of brilliant plays. Three great historians were Herodotus (b.Asia Minor, 484?–420? BC), regarded as the father of history, known for *The Persian Wars*; Thucydides (460?–400? BC), who generally avoided myth and legend and applied greater standards of historical accuracy in his *History of the Peloponnesian War*; and Xenophon (428?–354? BC), best known for his account of the Greek retreat from Persia, the *Anabasis*. Outstanding literary figures of the Hellenistic period were Menander (342–290? BC), the chief representative of a newer type of comedy; the poets Callimachus (b.Libya, 305?–240? BC), Theocritus (b.Italy, 310?–250? BC), and Apollonius Rhodius (fl.3d cent. BC), author of the *Argonautica*; and Polybius (200?–118? BC), who wrote a detailed history of the Mediterranean world. Noteworthy in the Roman period were Strabo (b.Asia Minor, 64? BC–AD 24?), a writer on geography; Plu-



tarch (AD 46?–120?), the father of biography, whose *Parallel Lives* of famous Greeks and Romans is a chief source of information about great figures of antiquity; Pausanias (b.Asia Minor, fl. AD 150), a travel writer; and Lucian (AD 120?–180?), a satirist.

The leading philosophers of the period preceding Greece's golden age were Thales (b.Asia Minor, 625?–547? BC), Pythagoras (570?–500? BC), Heraclitus (b.Asia Minor, 540?–480? BC), Protagoras (485?–410? BC), and Democritus (460?–370? BC). Socrates (469?–399 BC) investigated ethics and politics. His greatest pupil, Plato (429?–347 BC), used Socrates' question-and-answer method of investigating philosophical problems in his famous dialogues. Plato's pupil Aristotle (384–322 BC) established the rules of deductive reasoning but also used observation and inductive reasoning, applying himself to the systematic study of almost every form of human endeavor. Outstanding in the Hellenistic period were Epicurus (341?–270 BC), the philosopher of moderation; Zeno (b.Cyprus, 335?–263? BC), the founder of Stoicism; and Diogenes (b.Asia Minor, 412?–323 BC), the famous Cynic. The oath of Hippocrates (460?–377 BC), the father of medicine, is still recited by newly graduating physicians. Euclid (fl.300 BC) evolved the system of geometry that bears his name. Archimedes (287?–212 BC) discovered the principles of mechanics and hydrostatics. Eratosthenes (275?–194? BC) calculated the earth's circumference with remarkable accuracy, and Hipparchus (190?–125? BC) founded scientific astronomy. Galen (AD 129?–199?) was an outstanding physician of ancient times.

The sculptor Phidias (490?–430? BC) created the statue of Athena and the figure of Zeus in the temple at Olympia and supervised the construction and decoration of the Parthenon. Another renowned sculptor was Praxiteles (390?–330? BC).

The legal reforms of Solon (638?–559? BC) served as the basis of Athenian democracy. The Athenian general Miltiades (554?–489? BC) led the victory over the Persians at Marathon in 490 BC, and Themistocles (528?–460? BC) was chiefly responsible for the victory at Salamis 10 years later. Pericles (495?–429? BC), the virtual ruler of Athens for more than 25 years, added to the political power of that city, inaugurated the construction of the Parthenon and other noteworthy buildings, and encouraged the arts of sculpture and painting. With the decline of Athens, first Sparta and then Thebes, under the great military tactician Epaminondas (418?–362 BC), gained the ascendancy; but soon thereafter, two military geniuses, Philip II of Macedon (382–336 BC) and his son Alexander the Great (356–323 BC), gained control over all of Greece and formed a vast empire stretching as far east as India. It was against Philip that Demosthenes (384–322 BC), the greatest Greek orator, directed his diatribes, the *Philippics*.

The most renowned Greek painter during the Renaissance was El Greco (Domenikos Theotokopoulos, 1541–1614), born in Crete, whose major works, painted in Spain, have influenced many 20th-century artists. An outstanding modern literary figure is Nikos Kazantzakis (1883–1957), a novelist and poet who composed a vast sequel to Homer's *Odyssey*. Leading modern poets are Kostas Palamas (1859–1943), Georgios Drosines (1859–1951), and Constantine Cavafy (1868–1933), as well as George Seferis (Seferiades, 1900–72), and Odysseus Elytis (Alepoudhelis, 1911–96), winners of the Nobel Prize for literature in 1963 and 1979, respectively. The

work of social theorist Cornelius Castoriadis (1922–97) is known for its multidisciplinary breadth. Musicians of stature are the composers Nikos Skalkottas (1904–49), Iannis Xenakis (b.Romania, 1922–2001), and Mikis Theodorakis (b.1925); the conductor Dmitri Mitropoulos (1896–1960); and the soprano Maria Callas (Calogeropoulos, b.United States, 1923–77). Filmmakers who have won international acclaim are Greek-Americans John Cassavetes (1929–89) and Elia Kazan (1909–2003), and Greeks Michael Cacoyannis (b.1922) and Constantin Costa-Gavras (b.1933). Actresses of note are Katina Paxinou (1900–73); Melina Mercouri (1925–94), who was appointed minister of culture and science in the Socialist cabinet in 1981; and Irene Pappas (Lelekou, b.1926).

Outstanding Greek public figures in the 20th century include Cretan-born Eleutherios Venizelos (1864–1936), prominent statesman of the interwar period; Ioannis Metaxas (1871–1941), dictator from 1936 until his death; Constantine Karamanlis (1907–98), prime minister (1955–63, 1974–80) and president (1980–85) of Greece; George Papandreou (1888–1968), head of the Center Union Party and prime minister (1963–65); and his son Andreas Papandreou (1919–96), the PASOK leader who became prime minister in 1981. Costas Simitis (b.1936) was leader of PASOK and prime minister from 1996–2004. He was succeeded by Kóstas Karamanlís (b.1956).

## 49 DEPENDENCIES

Greece has no territories or colonies.

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# HUNGARY

Republic of Hungary  
*Magyar Népköztársaság*



**CAPITAL:** Budapest

**FLAG:** The national flag, adopted in 1957, is a tricolor of red, white, and green horizontal stripes.

**ANTHEM:** *Isten áldd meg a magyart* (*God Bless the Hungarians*).

**MONETARY UNIT:** The forint (Ft) of 100 fillérs is a paper currency with flexible rates of exchange. There are coins of 10, 20, and 50 fillérs and 1, 2, 5, 10, 20, 100, and 200 forints, and notes of 50, 100, 500, 1,000, and 5,000 forints. Ft1 = \$0.00508 (or \$1 = Ft196.83) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Anniversary of 1848 uprising against Austrian rule, 15 March; Labor Day, 1 May; Constitution Day, 20 August; Day of the Proclamation of the Republic, 23 October; Christmas, 25–26 December. Easter Monday is a movable holiday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Hungary is a landlocked country in the Carpathian Basin of Central Europe, with an area of 93,030 sq km (35,919 sq mi), extending 268 km (167 mi) N–S and 528 km (328 mi) E–W. Comparatively, the area occupied by Hungary is slightly smaller than the state of Indiana. It is bounded on the N by Slovakia, on the NE by the Ukraine, on the E by Romania, on the S by Serbia and Croatia, on the SW by Slovenia, and on the W by Austria, with a total boundary length of 2,171 km (1,349 mi). Hungary's capital city, Budapest, is located in the north central part of the country.

## <sup>2</sup>TOPOGRAPHY

About 84% of Hungary is below 200 m (656 ft) in altitude, its lowest point, at the Tisza River, being 78 m (256 ft) above sea level and the highest being Mt. Kékes (1,014 m/3,327 ft) in the Mátra Mountains, northeast of Budapest. The country has four chief geographic regions: Transdanubia (Dunántúl), the Great Plain (Alföld), the Little Plain (Kisalföld), and the Northern Mountains. Hungary's river valleys and its highest mountains are in the northeast. Generally, the soil is fertile. The chief rivers are the Danube (Duna) and Tisza. The largest lake is Balaton, which has an area of 601 sq km (232 sq mi).

## <sup>3</sup>CLIMATE

Hungary lies at the meeting point of three climatic zones: the continental, Mediterranean, and oceanic. Yearly temperatures vary from a minimum of  $-14^{\circ}\text{C}$  ( $7^{\circ}\text{F}$ ) to a maximum of  $36^{\circ}\text{C}$  ( $97^{\circ}\text{F}$ ). The mean temperature in January is  $-4^{\circ}\text{C}$  to  $0^{\circ}\text{C}$  ( $25^{\circ}$  to  $32^{\circ}\text{F}$ ) and in July,  $18^{\circ}$  to  $23^{\circ}\text{C}$  ( $64^{\circ}$  to  $73^{\circ}\text{F}$ ). Rainfall varies, but the annual average is approximately 63 cm (25 in)—more in the west and less in the east—with maximum rainfall during the summer months. Severe droughts often occur in the summers.

## <sup>4</sup>FLORA AND FAUNA

Plants and animals are those common to Central Europe. Oak is the predominant deciduous tree; various conifers are located in the mountains. Among the abundant wildlife are deer, boar, hare, and mouflon. The Great Plain is a breeding ground and a migration center for a variety of birds. Fish are plentiful in rivers and lakes. As of 2002, there were at least 83 species of mammals, 208 species of birds, and over 2,200 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Chemical pollution of the air and water is extensive, but resources to combat pollution are scarce: a 1996 government study estimated that us\$350 million were needed to combat pollution, but only us\$7 million were allocated for this purpose. According to the study, air pollution affects 179 areas of the country, soil pollution affects 54 areas, and water pollution affects 32. Hungary is also one of 50 nations that lead the world in industrial carbon dioxide emissions, with a 1992 total of 59.9 million metric tons, a per capita level of 5.72 metric tons. However, the total carbon dioxide emissions dropped to 54.2 million metric tons in 2000. Hungary has 6 cu km of renewable water resources, with 55% used for industrial purposes and 36% used for farming activity. Hungary's principal environmental agency is the National Council for Environment and Nature Conservation, under the auspices of the Council of Ministers.

Geothermal aquifers lie below most of Hungary. The water brought from these to the earth's surface ranges in temperature from  $40^{\circ}\text{C}$  ( $104^{\circ}\text{F}$ ) to  $70^{\circ}\text{C}$  ( $158^{\circ}\text{F}$ ). In the southwest, geothermal aquifers have produced water at  $140^{\circ}\text{C}$  ( $284^{\circ}\text{F}$ ). Some of these waters are cooled and used for drinking water, but many aquifers are used to heat greenhouses.

In 2003, about 7% of the total land area was protected. According to a 2006 report issued by the International Union for Con-

servation of Nature and Natural Resources (IUCN), threatened species included 7 types of mammals, 9 species of birds, 1 type of reptile, 8 species of fish, 1 type of mollusk, 24 species of other invertebrates, and 1 species of plant. Endangered species included the longicorn, the alcon large blue butterfly, the dusky large blue butterfly, and the Mediterranean mouflon.

## 6 POPULATION

The population of Hungary in 2005 was estimated by the United Nations (UN) at 10,086,000, which placed it at number 79 in population among the 193 nations of the world. In 2005, approximately 16% of the population was over 65 years of age, with another 16% of the population under 15 years of age. There were 91 males for every 100 females in the country. According to the UN, the population for 2005–10 was expected to decline annually by -0.4%, a rate the government viewed as too low. The fertility rate, which had been declining since the 1990s, reached just 1.5 births per woman in 2005. The projected population for the year 2025 was 9,588,000. The population density was 108 per sq km (281 per sq mi).

Since the early 1950s, there has been a fundamental shift of the population from rural to urban areas. The UN estimated that 65% of the population lived in urban areas in 2005. The urban growth rate has substantially slowed in recent years, with the UN estimating annual growth in urban areas at just 0.14% as of 2005. The capital city, Budapest, had a population of 1,708,000 in that year. Other urban areas include: Debrecen, 217,706; Miskolc, 211,000; Szeged, 178,878; Pécs, 172,177; Nyíregyháza, 115,643; Székesfehérvár, 111,478; and Kecskemét, 107,267.

## 7 MIGRATION

Sizable migration during the two world wars resulted from military operations, territorial changes, and population transfers. Peacetime emigration in the decades before World War I was heavy (about 1,400,000 between 1899 and 1913). Emigration of non-Magyars was prompted by the repressive policy of Magyarization; groups also left because of economic pressures, the majority going to the United States and Canada. In the interwar period, migration was negligible, but after 1947 many thousands left, despite restrictions on emigration. As a result of the October 1956 uprising, approximately 250,000 persons fled Hungary. The largest numbers ultimately emigrated to the United States, Canada, the United Kingdom, Germany, France, Switzerland, and Australia. Emigration totaled 42,700 between 1981 and 1989. By the 1990s, emigration was virtually nonexistent; only 778 persons left in 1991, according to official statistics.

Between 1990 and 2003, some 115,000 immigrants acquired Hungarian citizenship, granted almost exclusively to ethnic Hungarians from neighboring countries. At the end of 2000, 3% of Hungary's population (294,000) were foreign-born, resulting from international migration, and as a consequence of historic events such as border changes or citizenship agreements. According to *Migration Information Source*, from 1990 to 2003, the border guards recorded 152,000 cases of foreigners attempting to enter illegally, and 80,000 efforts to leave Hungary illegally. These activities indicate Hungary's transit role in illegal migration.

Since 1960, net migration from the villages to the cities has decreased, from about 52,000 that year to 20,814 in 1986. Since

1989, Hungary has received nearly 155,000 refugees, with major influxes from Romania in 1988–89 and the former Yugoslavia in 1991–92. About 5,400 asylum seekers have been recognized as refugees since 1989. In the 1990s Hungary provided temporary protection for over 32,000 Bosnians. Most of these refugees resettled to another country or repatriated. The Temporary Protection status of some 480 Bosnian refugees, who remained in Hungary in the latter part of the 1990s, was withdrawn by the government in mid-1999. As a result of the Kosovo crisis, 2,800 Yugoslav asylum seekers arrived in Hungary, including 1,000 Kosovo Albanians. The organized voluntary repatriation of refugees began in August 1999, when the first 185 Kosovars returned to their homeland. At the end of 2004 there were 7,708 refugees and 354 asylum seekers in Hungary. Asylum seekers were from Georgia and Turkey. In 2004, 832 Hungarians applied for asylum in Canada.

As a member of the European Union (EU) since 1 May 2004, Hungary's migration and illegal migration border controls have tightened. According to *Migration Information Source*, as of 2002 some 115,000 foreign citizens with a valid long-term permit (i.e., good for at least one year) or permanent residence permit resided in Hungary; 43% were Romanian citizens, 11% Yugoslavians, 8% Ukrainians, and most of these were ethnic Hungarians, and 6% were Chinese. This population amounted to 1.13% of Hungary's total population. These changing waves of labor migration are also characterized by a new form of labor migration within the EU, termed "walk-over-the-border for employment," where workers seeking higher wages travel from one country to a neighboring one, such as from Slovakia to Hungary.

In 2005, the net migration rate was estimated as 0.86 migrants per 1,000 population.

## 8 ETHNIC GROUPS

Ethnically, Hungary is essentially a homogeneous state of Magyar extraction. The 2001 census indicates that Hungarians constitute about 92.3% of the total population. Roma account for about 1.9%. Ethnic Germans make up about 0.7% of the population. There are also small groups of Croats, Poles, Ukrainians, Greeks, Serbs, Slovenes, Armenians, Ruthenians, Bulgarians, Slovaks, and Romanians.

## 9 LANGUAGES

Hungarian, also known as Magyar, is the universal language. In addition to the letters of the English alphabet, it has the following letters and combinations: *á, é, í, ó, ö, ő, ú, ú, cs, dz, dzs, gy, ly, ny, sz, ty, zs*. Written in Latin characters, Hungarian (Magyar) belongs to the Finno-Ugric family, a branch of the Ural-Altai language group. Hungarian (Magyar) is also characterized by an admixture of Turkish, Slavic, German, Latin, and French words. In addition to their native language, many Hungarians speak English, German, French, or (since World War II) Russian. In 2002, 98.2% of the population spoke Hungarian; 1.8% spoke various other languages.

## 10 RELIGIONS

According to a 2001 census, approximately 55% of the people are nominally Roman Catholic, 15% are members of the Reformed Church, 3% of the population are Lutheran, and less than 1% are Jewish. About 3% of the population describe themselves as



LOCATION: 45°48' to 48°35' N; 16°5' to 22°58' E. BOUNDARY LENGTHS: Slovakia, 515 kilometers (320 miles); Ukraine, 103 kilometers (64 miles); Romania, 443 kilometers (275 miles); Serbia, 151 kilometers (94 miles); Croatia, 329 kilometers (204 miles); Slovenia, 102 kilometers (63 miles); Austria, 366 kilometers (227 miles).

Greek Catholics. About 15% of the population claim no religious affiliation.

About one million Jews lived in Hungary before World War II and an estimated 600,000 were deported in 1944 to concentration camps. According to estimates from the World Jewish Restitution Organization, there are between 70,000 and 110,000 Jews currently residing in Hungary. There are also seven Buddhist and five Orthodox denominations. There are three Islamic communities.

A 1990 Law on the Freedom of Conscience provides for separation of church and state and safeguards the liberty of conscience of all citizens and the freedom of religious worship. However, the state does grant financial support to religious denominations for religious practice, educational work, and maintenance of public collections. To promote further support of religious institutions, between 1997–99 the government signed separate agreements with the country's four largest churches (the Roman Catholic, Jewish, Lutheran, and Calvinist churches) and two smaller groups (Hungarian Baptist and Budai Serb Orthodox). The government also provides funds each year for the revitalization of churches based on annual negotiations between the Ministry of Cultural Heritage and the Ministry of Finance.

## 11 TRANSPORTATION

Transportation facilities have improved steadily since the 1960s. Budapest is the transportation center. In 2002, roads totaled 159,568 km (99,251 mi), of which some 70,050 km (43,571 mi) were paved, including 527 km (328 mi) of expressways. In 2003, Hungary had 2,777,219 passenger cars and 394,988 commercial vehicles registered for use.

As of 2004, Hungary had 7,937 km (4,937 mi) of broad, standard and narrow gauge railroad lines. Of that total, standard gauge lines accounted for the largest portion at 7,682 km (4,778 mi), followed by narrow gauge lines at 219 km (136 mi) and broad gauge lines at 36 km (22 mi). Most freight is carried by trucks; railway transport is of lesser importance. The railroad and bus networks are state owned.

Permanently navigable waterways totaled 1,622 km (1,009 mi) in 2004, of which most were on the Danube and Tisza rivers. In addition to the government shipping enterprises—which operate the best and largest ships and handle the bulk of water traffic—the Shipping Cooperative, an association of small operators, continues to function. In 1999, the latest year for which data was avail-

able), the merchant marine fleet consisted of 2 cargo ships with a total capacity of 12,949 GRT.

Hungary had an estimated 44 airports in 2004. As of 2005 a total of 19 had paved runways, and there were also five heliports. Ferihegy Airport in Budapest is the most important center for domestic and international flights. All domestic traffic is handled by the Hungarian Air Transportation Enterprise (Magyar Légiközlekedési Vállalat—MALEV). In 2003, about 2.369 million passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

Ancient human footprints, tools, and a skull found at Vértesszőlős date the earliest occupants of present Hungary at a period from 250,000 to 500,000 years ago. Close to that site, at Tata, objects used for aesthetic or ceremonial purposes have been discovered, among the earliest such finds made anywhere in the world.

Celtic tribes settled in Hungary before the Romans came to occupy the western part of the country, which they called Pannonia and which the Roman Emperor Augustus conquered in 9 BC. Invasions by the Huns, the Goths, and later the Langobards had little lasting effect, but the two subsequent migrations of the Avars (who ruled for 250 years and, like the Huns, established a khanate in the Hungarian plain) left a more lasting impression.

The Magyars (Hungarians) migrated from the plains south and west of the Ural Mountains and invaded the Carpathian Basin under the leadership of Árpád in AD 896. For half a century they ranged far and wide, until their defeat by Otto the Great, king of Germany and Holy Roman emperor, near Augsburg in 955. They were converted to Christianity under King Stephen I (r.1001–1038), who was canonized in 1083. The Holy Crown of St. Stephen became the national symbol, and a constitution was gradually developed. The Magna Carta of Hungary, known as the Golden Bull of 1222, gave the nation a basic framework of national liberties to which every subsequent Hungarian monarch had to swear fidelity. Hungary was invaded at various times during the medieval period; the Mongols succeeded in devastating the country in 1241–42.

Medieval Hungary achieved its greatest heights under the Angevin rulers Charles Robert and Louis the Great (r.1342–82), when Hungarian mines yielded five times as much gold as those of any other European state. Sigismund of Luxembourg, king of Hungary, became Holy Roman emperor in 1410, largely on the strength of this national treasure. During the 15th century, however, Turkish armies began to threaten Hungary. The Balkan principalities to the south and southeast of Hungary developed as buffer states, but they did not long delay the advance of the Turks; nor could the victories of János Hunyadi, brilliant as they were, ultimately stem the Turkish tide. With the Turks temporarily at bay, the Hungarian renaissance flourished during the reign of Hunyadi's son, Matthias Corvinus (1458–90), but his successors in the 16th century overexploited the gold mines, brutally suppressed a peasant revolt, and allowed the Magyar army to deteriorate. Hungary's golden age ended with the rout by the Turks at Mohács in 1526.

Thereafter, warring factions split Hungary, but power was gradually consolidated by the Habsburg kings of Austria. With the defeat of the Turks at Vienna in 1683, Turkish power waned and that of the Habsburgs became stronger. The Hungarians mounted many

unsuccessful uprisings against the Habsburgs, the most important insurrectionist leaders being the Báthorys, Bocskai, Bethlen, and the Rákóczys. In 1713, however, the Hungarian Diet accepted the Pragmatic Sanction, which in guaranteeing the continuing integrity of Habsburg territories, bound Hungary to Austria.

During the first half of the 19th century, in the aftermath of the French Revolution and the Napoleonic wars, Hungary experienced an upsurge of Magyar nationalism, accompanied by a burst of literary creativity. The inability of a liberal reform movement to establish a constitutional monarchy led to the revolt of 1848, directed by Lajos Kossuth and Ferenc Deák, which established a short-lived Hungarian republic. Although Hungarian autonomy was abolished as a result of intervention by Austrian and Russian armies, Austria, weakened by its war with Prussia, was obliged to give in to Magyar national aspirations. The Compromise (Ausgleich) of 1867 established a dual monarchy of Austria and Hungary and permitted a degree of self-government for the Magyars.

After World War I, in which Austria-Hungary was defeated, the dual monarchy collapsed, and a democratic republic was established under Count Mihály Károlyi. This was supplanted in March 1919 by a Communist regime led by Béla Kun, but Romanian troops invaded Hungary and helped suppress it. In 1920, Hungary became a kingdom without a king; for the next 25 years, Adm. Miklós von Nagybánya Horthy served as regent. The Treaty of Trianon in 1920 formally freed the non-Magyar nationalities from Hungarian rule but also left significant numbers of Magyars in Romania and elsewhere beyond Hungary's borders. The fundamental policy of interwar Hungary was to recover the "lost" territories, and in the hope of achieving that end, Hungary formed alliances with the Axis powers and sided with them during World War II. Hungary temporarily regained territories from Czechoslovakia, Romania, and Yugoslavia. In March 1944, the German army occupied Hungary, but Soviet troops invaded the country later that year and liberated it by April 1945.

In 1946, a republican constitution was promulgated, and a coalition government (with Communist participation) was established. Under the terms of the peace treaty of 1947, Hungary was forced to give up all territories acquired after 1937. The Hungarian Workers (Communist) Party seized power in 1948 and adopted a constitution (on the Soviet model) in 1949. Hungarian foreign trade was oriented toward the Soviet bloc, industry was nationalized and greatly expanded, and collectivization of land was pressed. Resentment of continued Soviet influence over Hungarian affairs was one element in the popular uprising of October 1956, which after a few days' success—during which Hungary briefly withdrew from the Warsaw Treaty Organization—was summarily put down by Soviet military force. Many people fled the country, and many others were executed. From that time on, Hungary was a firm ally of the USSR. In 1968, the New Economic Mechanism was introduced in order to make the economy more competitive and open to market forces; reform measures beginning in 1979 further encouraged private enterprise. The movement toward relaxation of tensions in Europe in the 1970s was reflected in the improvement of Hungary's relations with Western countries, including the reestablishment of diplomatic relations with the FRG in 1973. A US-Hungarian war-claims agreement was signed that year, and on 6 January 1978 the United States returned the Hungarian coronation regalia.

The New Economic Mechanism that had been instituted in 1968 was largely abandoned, at Soviet and Comecon insistence, a decade later. This compounded the blows suffered by Hungary's economy during the energy crisis of the late 1970s, leading to a ballooning of the country's foreign indebtedness. By the late 1980s the country owed \$18 billion, the highest per capita indebtedness in Europe.

This indebtedness was the primary engine of political change. The necessity of introducing fiscal austerity was "sweetened" by the appointment of reform-minded Karóly Grosz as prime minister in 1987. Faced with continued high inflation, the government took the step the following year of forcing János Kádár out entirely, giving control of the party to Grosz. In 1989 Grosz and his supporters went even further, changing the party's name to Hungarian Socialist Party, and dismantling their nation's section of the Iron Curtain. The action that had the most far-reaching consequences, however, came in October 1989 when the state constitution was amended so as to create a multiparty political system.

Although Hungarians had been able to choose among multiple candidates for some legislative seats since as early as 1983, the foundations of a true multiparty system had been laid in 1987–88, when large numbers of discussion groups and special interest associations began to flourish. Many of these, such as the Network of Free Initiatives, the Bajscy-Zsilinszky Society, the Hungarian Democratic Forum, and the Alliance of Free Democrats, soon became true political parties. In addition, parties that had existed before the 1949 imposition of Communist rule, such as the People's Party, the Hungarian Independence Party, and the Social Democrats, began to reactivate themselves.

All of these groups, or the parties they had spawned, competed in the 1990 general election, the first major free election to be held in more than four decades. No party gained an absolute majority of seats, so a coalition government was formed, composed of the Democratic Forum, Smallholders' Party, and Christian Democrats, with Forum leader József Antall as prime minister. Árpád Göncz, of the Free Democrats, was selected as president. An important indicator of Hungary's intentions came in June 1989, when the remains of Imre Nagy, hanged for his part in the events of 1956, were reentered with public honors; politicians and other public figures used the occasion to press further distance from Communism and the removal of Soviet troops. Another sign of public sentiment was the first commemoration in 40 years of the anniversary of the Revolution of 1848.

Under Antall Hungary pursued a vigorous program of economic transformation, with the goal of transferring 30–35% of state assets to private control by the end of 1993. Hungary's liberal investment laws and comparatively well-developed industrial infrastructure permitted the nation to become an early leader in attracting Western investors. However, there were large blocs in society, and within the Democratic Forum itself, that found the pace of transition too slow, particularly since the government did not keep to its own time schedule.

In addition to its economic demands, this radical-right contingent also has a strongly nationalist, or even xenophobic, agenda, which has tended to polarize Hungarian national politics. Approximately 10% of the Hungarian population is non-Hungarian, including large populations of Jews and Roma (Gypsies). There are also large Hungarian populations in neighboring states, par-

ticularly in Romania, all of whom had been declared dual citizens of Hungary in 1988. The appeal to "Hungarian-ness" has been touted fairly frequently, widening preexisting tensions within the dominant Democratic Forum party, and weakening their coalition in parliament. The Smallholders Party withdrew from the coalition in 1992, and in 1993 other elements were threatening to do the same.

The Democratic Forum's loss of popularity was vividly exposed in the parliamentary elections of May 1994, when the party, led by acting head Sándor Leszák, lost almost one-third of the seats it had controlled. In that election voters turned overwhelmingly to the Hungarian Socialist Party, giving the former Communist party an absolute majority of 54%. Voter turnout in the two-tier election was as high as 70%, leaving little doubt that Hungarian voters had repudiated the Democratic Forum and its programs of forced transition to a market economy.

Hungary's international indebtedness remained very high—the country ran a \$936 million trade deficit for the first two months of 1994 alone—obligating new prime minister Gyula Horn to continue most of the same economic reform programs which the Socialists' predecessors had begun. There was concern, however, that the Socialists' absolute majority could lead to a reversal of some of the important democratic gains of the recent past. Those concerns sharpened in July 1994, when Prime Minister Horn unilaterally appointed new heads for the state-owned radio and television, who immediately dismissed or suspended a number of conservative journalists.

On 8 January 1994 Hungary formally accepted the offer of a compromise on NATO membership. The offer involved a new defense partnership between Eastern Europe and NATO. By July 1997, NATO agreed to grant Hungary full membership (along with Poland and the Czech Republic) in the organization in 1999. In order to help them qualify to join NATO and the EU, Hungary and Romania signed a treaty on 16 September 1996 ending a centuries-old dispute between the two neighbors. The agreement ended five years of negotiations over the status of Romania's 1.6 million ethnic Hungarians. On 12 March 1999, Hungary, Poland, and the Czech Republic were formally admitted to NATO, becoming the first former Warsaw Pact nations to join the alliance.

Despite improvements in the economy, the position of the Socialists was undermined by dissatisfaction among those negatively affected by privatization and austerity measures, as well as by financial scandals in 1997. The Socialist government was toppled in national elections held in May 1998, and a new center-right coalition government was formed in July by Viktor Orbán, leader of the victorious Federation of Young Democrats-Hungarian Civic Party (Fidesz).

In 1997 Hungary was invited to begin negotiations leading to membership in the European Union. It was formally invited to join the body in 2002 at the EU summit in Copenhagen. It was accepted as a full member on 1 January 2004. In 2000, parliament elected Ferenc Madl as president.

Under Viktor Orbán, Hungary experienced increasing prosperity, but also increasing social division. Fidesz is a strong supporter of ethnic Hungarians in neighboring countries. Indeed, parliament in June 2001 passed a controversial law entitling Hungarians living in Romania, Slovakia, Ukraine, Serbia, Croatia, and Slovenia to a special identity document allowing them to temporarily

work, study, and claim health care in Hungary. In June 2003 the law was amended by the parliament, with a majority of the Hungarian population agreeing with it. However, the referendum held in December 2004, in conjunction with this law, was invalidated due to low turnout.

Orbán's party was challenged in the April 2002 general elections by the Socialist Party, which chose Péter Medgyessy as its candidate for prime minister. Although Medgyessy characterized his party as patriotic, he stressed it was less extreme than Fidesz, and supported diversity as well as traditional values of fairness and social justice.

The 2002 campaign was divisive, and saw nationalists come out in force in favor of Fidesz. Although it won the largest bloc of seats in the National Assembly in the second round of voting (aligned with the Hungarian Democratic Forum), it was the Socialists in concert with the Alliance of Free Democrats that formed a coalition government with Medgyessy as prime minister.

In June 2002, allegations surfaced that Medgyessy had worked as a counterintelligence officer in the secret service under the Communist regime in the late 1970s and early 1980s. Medgyessy claimed he never collaborated with Moscow's KGB, but instead sought out Soviet spies attempting to disrupt Hungary's efforts to join the IMF. Upon his admission, his popularity soared.

In the summer of 2004, internal problems within his own party, as well as growing opposition from the coalition partners—the Alliance of Free Democrats, led Medgyessy to resign. He was replaced with Ferenc Gyurcsany, the former sports minister and one of the government's most popular figures. Gyurcsany received 453 votes, while his main contender—Peter Kiss—got 166.

The new prime minister promised to strengthen the coalition, boost economic growth, and improve living conditions for Hungarians. However, strict budget controls (many imposed by the EU), and unfulfilled election promises dramatically decreased the popular support for his government, and party. In the 2004 European Parliament elections, the Young Democrats (the main opposition party) led the pack, and predictions for the 2006 national parliamentary elections showed Socialists as garnering only 20% of the votes.

In June 2005, opposition-backed Laszlo Solyom was elected as the new president of Hungary. He garnered 185 votes, in the third round of elections, followed closely by the Socialist's nominee—Katalin Szili—with 182 votes.

### **13 GOVERNMENT**

Hungary's present constitution remains based upon the 1949 Soviet-style constitution, with major revisions made in 1972 and 1988. The 1988 revisions mandated the end of the Communist Party's monopoly on power, removed the word People's from the name of the state, and created the post of president to replace the earlier Presidential Council.

The present system is a unitary multiparty republic, with a parliamentary government. There is one legislative house (the National Assembly), with 386 members who are elected to four-year terms. The head of state is the president, who is elected by the parliament, for a five-year term. In 2005, Laszlo Solyom—a university professor and former president of the Constitutional Court—was elected president by a simple majority of the legislative vote. The next presidential elections were scheduled for June 2010.

The head of the government is the prime minister, leader of the largest party seated in the parliament. The prime minister is elected by the National Assembly on the recommendation of the president. In the Antall government important ministerial and other posts were split among representatives of various parties. As of 2005, the prime minister was Ferenc Gyurcsany, a wealthy businessman and popular political figure. Gyurcsany replaced Péter Medgyessy in 2004, following dissensions within the ruling coalition.

### **14 POLITICAL PARTIES**

Following the general elections of April 2002, four political parties were represented in the 386-member National Assembly, split into two coalitions. This situation raised fears that Hungary was drifting into a two-party state, divided by ideology and personalities, instead of reflecting other interests not represented in government.

The predominant party is the Hungarian Socialist Party (MSZP), whose government was toppled in 1998, but returned to power in 2002, receiving 42.05% of the popular vote and garnering 178 seats in the National Assembly. The MSZP is the Hungarian Communist Party renamed and, to a certain extent, reoriented. The party's platform indicates strong support for the market economy system, albeit with a wide net of social services. It supports diversity in Hungarian society, as opposed to the center-right's more populist, nationalistic party Fidesz.

The leading opposition party was the Federation of Young Democrats-Hungarian Civic Party (also known as Fidesz), which held 164 seats. The party's leader, Viktor Orbán, was named prime minister in 1998; he was out of office in 2002 when the Socialists came to power. Originally known as the Federation of Young Democrats, the party was formed on an anti-Communist platform by student activists and young professionals in 1988. During the 1990s, it evolved into a mainstream center-right party and was renamed in 1995.

The Alliance of Free Democrats (SzDSz), which holds 20 seats, is the coalition partner of the MSZP. This party was a liberal opposition party during the Antall government, with positions strongly in favor of closer integration with Europe, cooperation with Hungary's neighbors, and support for alien Hungarians. In economic terms their platform is very similar to that of the MSZP, which was the basis of their agreement to enter into a coalition. However, their alliance had frequent disputes that in result undermined their political strength.

The Hungarian Democratic Forum (MDF), which has been reduced to 24 seats, is a party of strong support for the ethnic minorities within Hungary. It is currently aligned with Fidesz. The Hungarian Justice and Life Party (MIEP) first gained parliamentary representation in 1998, winning 14 seats, and was founded by Istvan Csurka, who was expelled from the MDF for his nationalist and anti-Semitic sentiments. The party is populist in orientation, seeking to elevate "Hungarian values." It won 4.4% of the vote in 2002 but held no seats. The next legislative elections were scheduled for April 2006.

The Independent Smallholders' Party (FKgP), which held 48 seats in the 1998 government but no seats in the government formed in 2002, is a center-right party that seeks to ensure Hun-



garian interests in the context of European integration. It draws particular support from rural districts and among farmers.

Other parties include the centrist Center Party and the communist Worker's Party. Hungary also has a noticeable "skinhead" movement, which has provoked fights and other disturbances, especially with Gypsies.

## 15 LOCAL GOVERNMENT

Hungary is divided administratively into 19 counties, 20 urban counties, and the capital city of Budapest also has county status. At the local and regional level, legislative authority is vested in county, town, borough, and town precinct councils whose members are directly elected for four-year terms. Members of the county councils are elected by members of the lower-level councils. Hungary also has provisions for minority self-government, which is not based territorially, because minorities live dispersed throughout the country. Municipality councils must seek the approval of minority self-governments for matters affecting minority education and culture, among others.

## 16 JUDICIAL SYSTEM

Cases in the first instance usually come before provincial city courts or Budapest district courts. Appeals can be submitted to county courts or the Budapest Metropolitan Court. The Supreme Court is basically a court of appeal, although it may also hear important cases in the first instance. As of 2003, a new intermediate court of appeal was to be established between county courts and the Supreme Court, designed to alleviate the backlog of court cases.

The president of the Supreme Court is elected by the National Assembly. A National Judicial Council nominates judicial appointees other than those of the Constitutional Court. The state's punitive power is represented by the public prosecutor. Peter Polt was appointed as prosecutor general in 2000.

The Constitutional Court reviews the constitutionality of laws and statutes as well as compliance of these laws with international treaties the government has ratified. The 11 members of the Constitutional Court are elected by parliament for nine-year terms with a two-thirds majority; their mandates may be renewed in theory, but as of 2002, this had not happened in practice.

## 17 ARMED FORCES

In 2005, Hungary had a total of 32,300 active personnel in its armed forces, including an army of 23,950 and an air force of 7,500 personnel. The Hungarian Army operates 238 main battle tanks, 178 armored infantry fighting vehicles, 458 armored personnel carriers, and over 573 artillery pieces. The Air Force operates 14 combat capable aircraft, as well as 12 attack helicopters and 17 support aircraft. All major equipment is of Soviet design. There is a small Army maritime wing with 60 personnel operating three river craft to patrol the Danube River. Paramilitary forces, consisting of frontier and border guards, under the direction of the Ministry of the Interior, number about 12,000. There are about 44,000 military reservists. The defense budget was estimated at \$1.43 bil-

lion in 2005. Hungary provides UN observers and peacekeepers to eight regions or countries.

## 18 INTERNATIONAL COOPERATION

Hungary has been a member of the United Nations since 14 December 1955 and participates in ECE and most of the nonregional specialized agencies except the IFAD. Hungary became a member of the OECD in 1996, a NATO member in 1999, and a member of the European Union in 2004. Hungary is also a member of the WTO, the Council of Europe, G-9, and the OSCE. The nation has observer status in the OAS and is a member affiliate of the Western European Union.

Hungary is part of the Australia Group, the Zangger Committee, the Nuclear Suppliers Group, the Organization for the Prohibition of Chemical Weapons, the European Organization for Nuclear Research (CERN), and the Nuclear Energy Agency. In environmental cooperation, Hungary is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Before World War II, industrial growth was slow because adequate capital was lacking. Since 1949, however, industry has expanded rapidly, and it now contributes a larger share than agriculture to the national income. The government has no capital investments abroad, but it participates in limited economic activities in developing countries. Substantial industrial growth continued through the 1960s and mid-1970s, but output in the socialized sector declined during 1979–80, and growth was sluggish in the 1980s.

After the fall of Communism in 1989, Hungary began a painful transition to a market economy. Between 1990 and 1992, GDP dropped by about 20%. Freed to reach their own level, consumer prices rose 162% between 1989 and 1993. The rate of unemployment was 12.2% at the end of 1992. By late 1998, private-sector output was over 85% of the GDP.

By 1994, Hungary was in an economic slump unknown since the reforms toward capitalism began. Export earnings were down, inflation was on the rise, and Hungary's gross debt rose to about \$31.6 billion in mid-1995 (the highest per capita foreign debt in Europe). The IMF directed the government to curb social spending, but restricting social welfare during a period of high unemployment was unpopular with voters. The government began a stabilization plan in March 1995 designed to decrease the budget deficit by Ft170 billion (3–4% of the GDP) and to decrease the current account deficit to \$2.5 billion from the record high of \$4 billion in 1994. The government cut expenditures, increased its revenues, devalued the forint by 9%, introduced a crawling peg exchange rate policy, added an 8% surcharge on imports, and called for wage controls at state-owned companies. As a result of the program, inflation and GDP growth rose. In addition, the black market economy was estimated to be as much as 30% of GDP.

In the years since its implementation, the stabilization program has borne fruit. By 1999, the IMF assistance had been repaid. The Hungarian economy exhibited strong growth rates with

GDP increases of 4.6% and 5.1% in 1997 and 1998, respectively. Although a hard winter and the Kosovo conflict appeared to hamper Hungarian efforts to match the prior years' growth rate levels, the economy performed well in 2000, led by an increase in foreign direct investment. Since then, manufacturing output and productivity increased, and export industries did well, although increases in wages and a rapid appreciation of the forint in 2002 moderated export growth. The global economic downturn that began in 2001 had an impact on the Hungarian economy, as GDP rose by 3.3% in the first half of 2002, down from 6.6% in the first half of 2000. Although this growth rate was higher than most European nations in 2002, it was below the rate needed for Hungary to reach the wealth levels of EU countries.

Due to government efforts at privatization, over 80% of the economy was privately owned by 2001, and Hungary stands as a model for countries undergoing market reforms. In December 2002, Hungary was formally invited to join the EU; it was accepted as a full member in May 2004 as one of the most advanced of the 10 candidate countries slated for accession.

As an EU member, Hungary maintained its position as one of the most dynamic and strong economies in Central and Eastern Europe. Its position within the European Union, and the fact that it is still comparatively cheaper to do business there than in other Western European countries, makes Hungary a prime target for investments. However, Hungary is being challenged by some of its neighbors that have managed to maintain lower labor costs, and a more attractive tax system. Already some of the investments in the country have moved further east, to countries like Romania and Ukraine, and some of the bids for new investments have been lost for the same reasons.

Although the GDP growth was slower in 2002 and 2003 (3.3% and 2.9% respectively), it recuperated lost ground in 2004, with a 4% increase, and is expected to exceed 4% in 2005. Inflation decreased to 7% in 2004, and unemployment was only 5.9% in the same time period. However, in order to catch up with the developed economies in the EU, Hungary should register (according to the IMF specialists) annual growth rates of 5–5.25%. This means that further investments have to be attracted to generate funds for the state. Consequently, the governments planned to sell Budapest Airport and Antenna Hungaria in 2005. Attracting additional foreign investments is increasingly difficult though, as the country has to fight with rather high budget deficits (5.9% in 2004), and with increased competition from its neighbors.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Hungary's gross domestic product (GDP) was estimated at \$159.0 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$15,900. The annual growth rate of GDP was estimated at 3.7%. The average inflation rate in 2005 was 3.7%. It was estimated that agriculture accounted for 3.9% of GDP, industry 30.9%, and services 65.3%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$295 million or about \$29 per capita and accounted for approximately 0.4% of GDP. Foreign aid receipts

amounted to \$248 million or about \$25 per capita and accounted for approximately 0.3% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Hungary totaled \$56.30 billion or about \$5,574 per capita based on a GDP of \$82.8 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 1.6%. In 2001 it was estimated that approximately 25% of household consumption was spent on food, 17% on fuel, 6% on health care, and 20% on education. It was estimated that in 1997 about 17.3% of the population had incomes below the poverty line.

## 21 LABOR

Hungary's workforce in 2005 was estimated at 4.18 million. In 2003, agriculture accounted for 5.5% of the labor force, with 33.7% in manufacturing, and 60.7% in the services sector. In 2005, the estimated unemployment rate stood at 7.1%.

Before World War II, trade unions had not developed substantially; their combined membership was only about 100,000, principally craftsmen. After the war, the government reduced the number of the traditional craft unions, organized them along industrial lines, and placed them under Communist Party control. The Central Council of Hungarian Trade Unions (SZOT) held a monopoly over labor interests for over 40 years. Since wages, benefits, and other aspects of employment were state-controlled, the SZOT acted as a social service agency, but was dissolved in 1990 with the shift away from centralization to democracy. The National Federation of Trade Unions is its successor, with 735,000 members in 1999. There are now several other large labor organizations in Hungary, including the Democratic League of Independent Trade Unions, with some 100,000 members, and the Federation of Workers' Councils, with 56,000 members. Labor disputes are usually resolved by conciliation boards; appeal may be made to courts. Since 1991, most unions have been hesitant to strike, preferring instead to act as a buffer between workers and the negative side effects of economic reform. Collective bargaining is permitted but is not widespread.

The eight-hour day, adopted in several industries before World War II, is now widespread. The five-day week is typical, but many Hungarians have second or third jobs. The law prohibits employment for children under the age of 15 and closely regulates child labor. The minimum wage in 2002 was \$140 per month which was not sufficient to provide a decent lifestyle for a family. Most workers earn more than this amount. Health and safety conditions in the workplace do not meet international standards, and regulations are not enforced due to limited resources.

## 22 AGRICULTURE

In 2003, 52% of the land (4,820,000 hectares/11,910,000 acres) was arable. More than half of Hungary's area lies in the Great Plain; although the soil is fertile, most of the region lacks adequate rainfall and is prone to droughts, requiring extensive irrigation. In 2003,

some 230,000 hectares (568,000 acres) of land were irrigated. In 2003, agriculture contributed 4% to GDP.

Before World War II (1939–45), Hungary was a country of large landed estates and landless and land-poor peasants. In the land reform of 1945, about 35% of the land area was distributed, 1.9 million hectares (4.7 million acres) among 640,000 families and 1.3 million hectares (3.2 million acres) in state farms. In 1949, the government adopted a policy of collectivization based on the Soviet kolkhoz, and by the end of 1952, 5,110 collectives, many forcibly organized, controlled 22.6% of total arable land. Peasant resentment led to a policy change in 1953, and many collectives were dissolved, but the regime returned to its previous policy in 1955. As a result of the 1956 uprising, collectives were again dissolved; but a new collectivization drive begun in 1959 was essentially completed by 1961. Meanwhile, the proportion of the economically active population employed in agriculture decreased steadily. In 1949, agricultural employees accounted for 55.1% of the total labor force; in 2003, agriculture accounted for 10.7% of the engaged labor force and gross agricultural output was valued at over €1.95 billion. In 2004, Hungary had an agricultural trade surplus of \$1.3 billion.

Hungary has achieved self-sufficiency in temperate zone crops, and exports about one-third of all produce, especially fruit and preserved vegetables. The traditional agricultural crops have been cereals, with wheat, corn (maize), and rye grown on more than half the total sown area. In recent years, considerable progress has been made in industrial crops, especially oilseeds and sugar beets. Fruit production (especially for preserves) and viticulture are also significant; the wine output in 2004 was estimated at 48 million liters. That year, over 650,000 tons of grapes were produced on 93,000 hectares (230,000 acres).

The principal field crops harvested in 2004 included (in tons): corn, 8,317,000; wheat, 6,020,000; sugar beets, 3,130,000; potatoes, 767,000; rye, 125,000.

### 23 ANIMAL HUSBANDRY

Although animal husbandry is second only to cereal cultivation in agricultural production, the number and quality of animals are much lower than in neighboring countries. An inadequate supply of fodder is one of the chief deficiencies. In 2005 there were 4,059,000 hogs, 1,397,000 sheep, 723,000 head of cattle, and 68,000 horses; poultry numbered 32,800,000. The 2005 output of livestock products was 1,034,000 tons (live weight) of meat, 2,043,000 tons of milk, and 5,000 tons of wool; egg production was 180,200 tons.

### 24 FISHING

Fishing was unimportant before World War II (1939–45), but production has increased in recent years. The best fishing areas are the Danube and Tisza rivers, Lake Balaton, and various artificial ponds. The catch is composed mainly of carp, catfish, eel, and perch. The 2003 catch was 18,406 tons, 64% from aquaculture. Hungary imports around \$15–20 million in seafood annually to meet demand.

### 25 FORESTRY

Forests totaled 1,840,000 hectares (4,547,000 acres), or 19.9% of Hungary's total land area, in 2000. The forest consists of the fol-

lowing main species: oak, 23%; black locust, 20%; pine and fir, 15%; Austrian and turkey oak, 11%; poplars, 9%; beech, 6%; hornbeam (blue beech), 6%; and others, 10%. Because of the relatively small forest area and the high rate of exploitation, Hungary traditionally has had to import timber. During the 1960s, a systematic reforestation program began. Reforestation affected about 440,000 hectares (1,087,000 acres) during 1960–68 but only about 65,000 hectares (161,000 acres) in 1970–74 and 64,322 hectares (158,942 acres) during 1975–81. From 1990–2000, some 136,000 hectares (336,000 acres) were annually reforested.

Roundwood production has remained stagnant in recent years, at 5,660,000 cu m (200 million cu ft) in 2004. Less than 12% of the production is softwood; Hungary's wood imports consist mostly of softwood, while exports are based on hardwood products. Production of wood products in 2004 (in thousands of cu m) included: sawn wood, 204; wood-based panels, 638; paper and paperboard, 579; and pulpwood, 653.

Privatization of agricultural land, including forests, finished in 1996. According to estimates from the Ministry of Agriculture's Forestry Office, 55% of forests were under state control, 44.5% were owned by private individuals, and 0.5% belonged to municipalities.

### 26 MINING

In 2002, Hungary produced modest amounts of fossil fuels and industrial minerals, cement and coal being the dominant components of industrial minerals and metals. Although the country had significant output of alumina and bauxite, the output of primary aluminum was modest, due to limited domestic energy sources. Construction aggregates and cement continued to play an important role in Hungary's economy, especially in view of the modernization process necessary for the country's infrastructure, for which planned highway construction through 2008 would be an important element. Mineral reserves were small and generally inadequate.

Bauxite mining and refining to alumina, as well as manganese mining, remained the only metal mining and processing operations in Hungary in 2002. Production of bauxite, found in various parts of western Hungary, was 720,000 tons in 2002, compared with 1 million tons in 2001. Total resources of bauxite were estimated to be 23 million metric tons, with commercial reserves at 16 million metric tons. Bakony Bauxitbány Kft. constituted Hungary's bauxite mining industry in 2002. Hungary also produced 40,000 metric tons of manganese ore concentrate (gross weight) in 2002, up from 338,000 metric tons in 2001, and 250,000 tons of gypsum and anhydrite in 2002. A total of 500,000 tons of calcined lime were also produced that same year. In addition, Hungary produced alumina (calcined basis), bentonite, common clays, diatomite, kaolin, nitrogen, perlite, sand (common, foundry, and glass) and gravel, dimension stone, dolomite, limestone, sulfuric acid, and talc. Although Hungary no longer mined copper, past surveys of the deep-lying Recsk copper ore body, in the Matra mountains, discovered 172–175 million tons of copper ore at a grade of 1.12% copper and about 20 million tons of polymetallic ore at a grade of 4.22% lead and 0.92% zinc as well as smaller quantities of gold, molybdenum, and silver. After failing to attract foreign investment, the exploration shaft and adit at Recsk was closed, the equipment removed, and the facilities flooded in 1999.

Exploration for gold in the Recsk region continued in 2000, as 35 million tons of gold-bearing enargite copper ore was delineated with a grade of 1.47 grams per ton of gold.

## 27 ENERGY AND POWER

Hungary has modest reserves of oil, natural gas, and coal. In addition, the country's electric power sector relies upon nuclear power to provide a sizable portion of its electric power needs.

In 2002, Hungary's electric power generating capacity stood at 8.393 million kW, of which conventional thermal plants accounted for: 6.478 million kW; nuclear 1.866 million kW; hydropower 0.048 million kW; and geothermal/other 0.001 million kW. Electric output in 2002 came to 34.061 billion kWh, of which: conventional thermal sources accounted for 20.548 billion kWh; nuclear 13.255 billion kWh; hydropower 0.192 billion kWh; and geothermal/other 0.066 billion kWh. Electric power consumption in 2002 totaled 35.977 billion kWh. Imports and exports of electric power that year came to 12.6 billion kWh and 8.3 billion kWh, respectively. By the end of 1963, all villages were connected with electric power. Hungary's sole nuclear power plant, at Pécs, consists of four second-generation, Soviet-designed, VVER-440/213 reactors, which began production in 1982. As of 2002, modernization was planned to extend the operating life of the reactors by 20 years. The normal lifespan of the four units would end between 2012 and 2017. However, if the continuous operation of the power plant is to be maintained, the needed modernization would have to start in 2007.

Hungary's reserves of crude oil and natural gas are estimated, as of 1 January 2004, at 102.5 million barrels and 1.2 trillion cu ft, respectively. Refining capacity for that same date is estimated at 161,000 barrels per day. Coal reserves in 2001, were estimated at 1,209 million short tons. In 2003, Hungary's total oil production was estimated at 45,700 barrels per day, with natural gas and coal output estimated in 2002 at 110 billion cu ft and 14.2 million short tons, respectively. Consumption of oil, natural gas and coal outstrips domestic production. Demand for oil in 2003 was estimated at 137,000 barrels per day, while natural gas and coal consumption in 2002 were estimated at 473 billion cu ft and 15 million short tons, respectively. However, the consumption of coal has declined. Between 1993 and 2003, Hungary's demand for coal fell 21%. Brown coal, or lignite, accounted for all domestic coal output in 2002. Uranium, discovered in 1953 near Pécs, is expected to supply its nuclear station until 2020.

## 28 INDUSTRY

Hungary is poor in the natural resources essential for heavy industry and relies strongly on imported raw materials. Industry, only partially developed before World War II, has expanded rapidly since 1948 and provides the bulk of exports. Industrial plants were nationalized by 1949, and the socialized sector accounted for about 98.5% of gross production in 1985.

Hungary has concentrated on developing steel, machine tools, buses, diesel engines and locomotives, television sets, radios, electric light bulbs and fluorescent lamps, telecommunications equipment, refrigerators, washing machines, medical apparatus and other precision engineering equipment, pharmaceuticals, and petrochemical products. Textile and leather production has decreased in relative importance since World War II, while chemi-

icals grew to become the leading industry in the early 1990s. Food processing, formerly the leading industry, provides a significant portion of exports; meat, poultry, grain, and wine are common export items.

In 1993, industrial production was only two-thirds of the 1985 level. In 1997, industrial output increased in the manufacture of road vehicles, consumer electronics, insulated cables, office equipment and computers, steel products, aluminum metallurgy, household chemical products and cosmetics, rubber and plastic products, and paper and pulp production. In 1992, Suzuki and Opel began producing automobiles in Hungary, the first produced there since before World War II. Suzuki increased annual output at the Magyar Suzuki Corporation from 29,000 to 50,000 units starting in the 1995 fiscal year. Since 1990, Hungary has developed industrial strength in the automotive field as well as an expanding automotive sourcing industry in plastics and electronics. In 2001, Hungary produced 144,313 automobiles, a 5% increase over 2000. In 2000, it produced 1,621 heavy trucks, a 24% increase over 1999. In 2000, close to 14% of total Hungarian industrial output was accounted for by the vehicle manufacturing industry.

The growth in manufacturing output and productivity in the early 2000s has been supported by a considerable amount of foreign investment. Successive Hungarian governments have pursued privatization policies and policies to restructure industry, so that by 2002, 80% of the economy was privately owned. High-tech equipment (computers, telecommunication equipment, and household appliances) showed the strongest industrial growth in 2001. Industries targeted for growth in 2003 were the automotive industry, the general industrial and machine tool industry, and the information technology industry. Housing construction was another growth sector in 2002.

In 2004, the share of the industrial output in the GDP was 31.4%, while its representation in the labor force was 27.1%. Agriculture contributed 3.3% to the GDP, while occupying 6.2% of the labor force; services came in first with a 65.3% share in the economy, and a 66.7% representation in the labor force. The industrial production growth rate was 9.6% in 2004, and most of this growth occurred in industries like motor vehicles, chemicals (especially pharmaceuticals), textiles, processed foods, construction materials, metallurgy and mining.

## 29 SCIENCE AND TECHNOLOGY

In 2002, there were 486 technicians and 1,473 researchers per million people that were actively engaged in research and development (R&D). Total expenditures on R&D during that year amounted to \$1.374 million, or 1.01% of GDP. Of that total, the government sector accounted for the majority of spending at 58.6%, followed by business at 29.7%, foreign investors at 10.4%, and higher education at 0.3%. Undistributed funds accounted for the remainder. High-tech exports in 2002 were valued at \$7.364 billion and accounted for 25% of manufactured exports.

Among major scientific organizations are the Hungarian Academy of Sciences (founded in 1825), the Association for Dissemination of Sciences (founded in 1841), and the Federation of Technical and Scientific Societies (founded in 1948), with 32 agricultural, medical, scientific, and technical member societies. In 1996, Hungary had 45 research institutes concerned with agriculture and

veterinary science, medicine, natural sciences, and technology. There are 25 universities and colleges offering courses in basic and applied science. In 1987–97, science and engineering students accounted for 32% of university enrollment. In 2002, science degrees (natural sciences, mathematics and computers, and engineering) accounted for 11.9% of all bachelor's degrees awarded.

In addition to the National Museum of Science and Technology, Budapest has museums devoted to transport, electrical engineering, agriculture, natural history, and foundries.

### 30 DOMESTIC TRADE

Budapest is the business and trade center of the country, though most production facilities lie elsewhere. Over the past few years, the retail and wholesale sector has grown along Western standards. Throughout most of the country, small, family-owned and operated retail establishments predominate. However, in Budapest supermarkets, department stores, and indoor shopping malls have grown rapidly.

The Polus Center, the first American-style shopping mall in Central Europe, opened on the outskirts of Budapest in November 1996. West End City Center, the largest mall complex in Central Europe, was opened in Budapest in 1999. As of 2002, there were about 400 franchise operations nationwide. Several foreign chains are present. Retail purchases are still primarily cash based, though some banks are beginning to issue credit cards. A 12% value-added tax (VAT) applies to food, books, hotel accommodations and utilities. A 25% VAT applies to most other goods and services. Additional excise taxes (ranging from 10–35%) apply to some products, such as gold, coffee, wine, and automobiles.

New regulations passed in January 1997 concerning trade in food products and the operation of retail outlets focus on the reduction of black market activity, consumer protection, and harmonization with EU law. Nevertheless, the underground economy remained at around 30% in 1999.

Business hours extend from 9 or 10 AM to 4 or 5 PM for offices and general stores and to 3 or 4 PM for banks. Early closing (between noon and 1 PM) on Saturdays is widespread; Sunday closing is general. Food stores open between 6 and 8 AM and close between 7 and 9 PM weekdays; a few remain open on Sundays.

#### Principal Trading Partners – Hungary (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	43,007.8	46,675.0	-3,667.2
Germany	14,572.2	11,672.2	2,900.0
Austria	3,475.3	2,981.3	494.0
Italy-San Marino-Holy See	2,484.7	3,362.9	-878.2
France-Monaco	2,467.9	2,285.4	182.5
United Kingdom	1,966.8	1,291.7	675.1
Netherlands	1,764.6	1,024.0	740.6
Sweden	1,396.7	558.7	838.0
United States	1,339.4	1,528.2	-188.8
Spain	1,173.6	918.6	255.0
Romania	1,100.0	598.2	501.8

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

Newspapers and general, trade, and technical magazines are used for advertising; there is also broadcast and outdoor advertising. A major industrial fair, held since 1906, takes place every spring and autumn in Budapest.

### 31 FOREIGN TRADE

Hungary imports raw materials and semifinished products and exports finished products. Within that general framework, however, the structure, volume, and direction of Hungarian foreign trade have changed perceptibly in recent years. The total trade volume expanded from HUF18,344 million (foreign exchange) in 1959 to HUF2,657 billion in 1994. In 2000, exports were estimated at \$28.1 billion (up from \$12.9 billion in 1995), while imports were estimated to be \$32.1 billion (up from \$15.4 billion in 1995).

The majority of Hungary's export market is concentrated in the manufacturing industry, including electrical machinery, motor vehicle parts, polymers, petroleum refining, telecommunications equipment, and aluminum. Manufactured goods make up 82% of all exports. Other important exports include apparel (4.4%), polymers (2.2%), and meat (2.1%).

In 2004, Hungary's exports reached \$54.6 billion (FOB—Free on Board), while its imports (FOB) grew to \$58.7 billion; the trade deficit was \$4.1 billion. The most important export partners were Germany (where 31.4% of Hungary's exports went), Austria (6.8%), France (5.7%), Italy (5.6%), and the United Kingdom (5.1%). The bulk of exports were made up of machinery and equipment (61.1%), and other manufactures (28.7%); other export commodities included food products (6.5%), raw materials (2%), fuels and electricity (1.6%). Imports came mainly from Germany (29.2%), Austria (8.3%), Russia (5.7%), Italy (5.5%), the Netherlands (4.9%), China (4.8%), and France (4.7%). The main import commodities included machinery and equipment (51.6%), other manufactures (35.7%), fuels and electricity (7.7%), food products (3.1%), and raw materials (2.0%).

### 32 BALANCE OF PAYMENTS

Having scrapped central planning, the Hungarian government is engaged in stabilizing the economy and taming inflation. In 1992, exports had grown by 7.4%, but recession in export markets, western European protectionism, an appreciating forint, bankruptcies of firms producing one-third of exports, and drought caused Hungarian trade to slow down. In 1994, Hungary had a current account deficit of \$4 billion, but it shrank to \$2.5 billion in 1995, and to a further \$1 billion in 2001. Export markets were weak in 2003, and were not expected to rebound until mid-2004. Strong private consumption growth was sustaining the growth of the economy in 2003, but the current account deficit was forecast at 5.4% of GDP in 2003/04.

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Hungary's exports was \$31.4 billion while imports totaled \$33.9 billion resulting in a trade deficit of \$2.5 billion.

The International Monetary Fund (IMF) reported that in 2001 Hungary had exports of goods totaling \$28.1 billion and imports totaling \$30.1 billion. The services credit totaled \$7.71 billion and debit \$5.55 billion.

By 2004, the exports of goods and services expanded to \$65.3 billion, while imports reached \$68.3 billion; this resulted in a

**Balance of Payments – Hungary (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-7,364.0</b>
Balance on goods	-3,365.0	
Imports	-46,594.0	
Exports	43,229.0	
Balance on services	-197.0	
Balance on income	-4,455.0	
Current transfers	653.0	
<b>Capital Account</b>		<b>-77.0</b>
<b>Financial Account</b>		<b>7,311.0</b>
Direct investment abroad	-1,598.0	
Direct investment in Hungary	2,506.0	
Portfolio investment assets	35.0	
Portfolio investment liabilities	2,900.0	
Financial derivatives	36.0	
Other investment assets	-2,606.0	
Other investment liabilities	6,309.0	
<b>Net Errors and Omissions</b>		<b>466.0</b>
<b>Reserves and Related Items</b>		<b>-336.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

negative resource balance of \$3 billion. Also, the current account deficit worsened, growing from -\$7.2 billion in 2003, to -\$8.8 billion in 2004. The reserves of foreign exchange and gold grew from \$11.5 in 2003 to \$14.8 in 2004, covering less than four months of imports. Hungary is a major recipient of aid from the EU—for 2004–06 it had \$4.2 billion available in structural adjustment and cohesion funds. The external aid is dwarfed however by the external debt, which grew from \$47.4 billion in 2003 to \$61.3 billion in 2004.

**33 BANKING AND SECURITIES**

Banking was nationalized in 1948, when the National Bank of Hungary was installed as the bank of issue, with a monopoly on credit and foreign exchange operations.

Following the 1987 reform of the banking system, the National Bank retained its central position as a bank of issue and its foreign exchange monopoly, but its credit functions were transferred to commercial banks. Three new commercial banks were established: the Hungarian Credit Bank, the Commercial and Credit Bank, and the Budapest Bank. Two other commercial banks, both founded in the 1950s, are the Hungarian Foreign Trade Bank and the General Banking and Trust Co. These six banks serve the financial needs of enterprises and government operations. The main bank for the general public is the National Savings Bank; in 1987 there were also 262 savings cooperatives. The Central Corporation of Banking Companies handles state property, performs international property transactions for individuals, and deals with the liquidation of bankrupt companies. The State Development Institution manages and controls development projects. In 1987 there were also three banks with foreign participation: the Central European International Bank (66% of shares held by six foreign companies), Citibank Budapest (80% owned by Citibank New York), and Unibank (45% owned by three foreign companies). In 1991 there were 10 government owned commercial banks, 16 joint-

stock owned commercial banks, 5 government owned specialized financial institutions, one offshore bank, and 260 savings cooperatives. By 1997, Hungary had over 30 commercial banks, about 10 specialized financial institutions, and 260 savings cooperatives. By 1998, around 75% of all banks had been privatized and 70% of these shares had foreign owners. Upon joining the OECD in 1996, Hungary ceased its ban on the establishment of foreign branches, effective January 1998.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$9.7 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$24.3 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 9.8%.

In Budapest, an authentic commodity and stock exchange functioned from 1867 until 1948, when it was closed down as the country transformed into a centralized socialist economy. The reorganization of the Hungarian securities market, after a pause of some 40 years, started at the beginning of the 1980s. The Exchange was founded eventually on 21 June 1990. The bull market on the Budapest Stock Exchange (BUX) continued during the final quarter of 1996. The BUX index closed 1996 at 4,125, up 170% compared with end-1995. The increase was the second strongest in the world, following the Venezuela market. By 7 February 1997, the BUX index had reached 5,657. By mid-2000, the index stood at over 8,800, but as of mid-2003, it had dropped to just over 8,000 amid the global recession. However, by the end of 2004, the BUX had recovered, rising 57.2% that year to close at 14,742.6. In 2004, a total of 47 companies were listed on the BUX, which had a market capitalization of \$28.711 billion.

**34 INSURANCE**

Before World War II, 49 private insurance companies—25 domestic and 24 foreign—conducted business activities in Hungary. All insurance was nationalized in 1949 and placed under the State Insurance Institute, a government monopoly. A new institution, Hungária Insurance Co., was founded in 1986. As of 1997, the regulatory authority was the Insurance Supervisor (allami Biztosításfelügyelet). Compulsory insurance in Hungary includes third-party auto liability, workers' compensation, and liability for aircraft, watercraft, and several professions. In 2003, the value of direct premiums written totaled \$2.454 billion, of which nonlife premiums made up the largest portion at \$1.473 billion. Allianz Hungaria was the country's leading nonlife insurer, with gross written nonlife premiums of \$621.8 million for 2003. ING was Hungary's top life insurer in 2003, with gross written life premiums totaling \$280.1 million.

**35 PUBLIC FINANCE**

In recent years, the government has presented its budget bill to the National Assembly sometime during the first several months of the year, but the budget itself becomes effective on 1 January, when the fiscal year begins. It is prepared by the Ministry of Finance. Although Hungary had one of the most liberal economic regimes of the former Eastern bloc countries, its economy still suffered the growing pains of any country trying to come out of com-

**Public Finance – Hungary (2002)**

(In billions of forint, central government figures)

<b>Revenue and Grants</b>	<b>6,338.1</b>	<b>100.0%</b>
Tax revenue	3,656.6	57.7%
Social contributions	2,159.1	34.1%
Grants	23.4	0.4%
Other revenue	499	7.9%
<b>Expenditures</b>	<b>7,781.6</b>	<b>100.0%</b>
General public services	2,188	28.1%
Defense	231.5	3.0%
Public order and safety	333	4.3%
Economic affairs	1,599.3	20.6%
Environmental protection	40.4	0.5%
Housing and community amenities	33.8	0.4%
Health	453.3	5.8%
Recreational, culture, and religion	141	1.8%
Education	407.4	5.2%
Social protection	2,353.8	30.2%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

munism and privatize its industries. The last few years, however, Hungary has enjoyed a remarkable expansion, averaging annual GDP growth of 4.5% between 1996 and 2002. Inflation in that period dropped from 28% to 7%, and unemployment fell to 6%, less than most EU countries. Eighty percent of GDP is now produced by privately owned companies. Still, Hungary's foreign debts remain large, putting a damper on the economy's otherwise spectacular performance.

The US Central Intelligence Agency (CIA) estimated that in 2005 Hungary's central government took in revenues of approximately \$51.4 billion and had expenditures of \$58.3 billion. Revenues minus expenditures totaled approximately -\$6.9 billion. Public debt in 2005 amounted to 60.9% of GDP. Total external debt was \$76.23 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were Ft6,338.1 billion and expenditures were Ft7,781.6 billion. The value of revenues was us\$25 million and expenditures us\$30 million, based on an exchange rate for 2002 of us\$1 = Ft257.887 as reported by the IMF. Government outlays by function were as follows: general public services, 28.1%; defense, 3.0%; public order and safety, 4.3%; economic affairs, 20.6%; environmental protection, 0.5%; housing and community amenities, 0.4%; health, 5.8%; recreation, culture, and religion, 1.8%; education, 5.2%; and social protection, 30.2%.

**36 TAXATION**

As of 2006, Hungary's corporate tax rate is 16%. Capital gains are also taxed at the 16% rate. However, only 50% of capital gains generated from stock transactions are subject to the tax. Capital gains from the sale of business assets are treated as business income. The withholding tax on dividends paid to foreign companies is 20% unless recipients reinvest them in Hungarian companies. Dividends paid to individuals are subject to a 25% withholding tax, and dividends that are in excess of 30% of the return on equity are

subject to a 35% rate. However, most tax treaties with Hungary reduce the withholding tax to between 5% and 15%.

The progressive personal income tax schedule in Hungary has a top rate of 38%. Individuals receiving capital gains on immovable property or the sale of securities are subject to a 25% tax. Individuals also can take allowances against the taxes they owe in the form of tax deductions or tax credits. The main deduction from taxable income is 20% of annual income up to a certain maximum. The disabled are given an extra deduction. There are also partial deductions allowed for school fees, interest paid for the purchase of a house, and for donations to charity. Inheritance and gift taxes range from 11–15%. There is a 2–6% tax on the transfer of housing, and a 10% tax on the transfer of large estates. Local authorities may levy individual income and corporate taxes.

The major indirect tax in Hungary is the value-added tax (VAT). The normal VAT rate is 25%, with a reduced rate of 15% for items of social value, food and other staple items. A 5% VAT applies to certain medical materials and supplies, and to textbooks. Housing leases, health and education services, and financial services are exempt from the VAT. Other taxes include a stamp tax and a consumption tax imposed on cars, jewelry, gasoline, alcohol, cigarettes, and cosmetics at rates between 10% and 200%.

**37 CUSTOMS AND DUTIES**

Under Hungary's liberalized import policies, 93% of all imports do not require licenses. Under World Trade Organization (WTO) rules, import licenses on certain products from WTO states are no longer required. Under the same regulations, duties for countries with most-favored-nation status stood at around 8% in 2002, but could be over 100% for selected commodities.

**38 FOREIGN INVESTMENT**

Even before the repudiation of communism, Hungary sought to enter joint ventures with Western countries. By the end of 1996, Hungary had attracted \$15 billion in foreign direct investment. Since 1989, Hungary has attracted nearly one-third of all foreign direct investment in Central Europe and Eastern Europe. In 1995–96, the government adopted a stringent economic reform program of liberalization and privatization, and by 2002, the private sector, which had been 20% of the economy in 1989, was about 80%. Hungary has five free trade zones in which corporations are treated as foreign and are exempt from custom duties and taxes.

In the period 1988 to 1990, Hungary's share of world FDI inward flows was five and a half times its share in world GDP, the sixth-largest ratio in the world. Annual foreign direct investment (FDI) inflows into Hungary reached a peak in 1995 at about \$4.5 billion, from which point they declined steadily until 2001, when there was an upswing to \$2.4 billion from \$1.6 billion in 2000. In 2002, FDI inflow fell to less than \$1.5 billion. The average FDI inflow from 1998 to 2001 was about \$2 billion a year. For the period 1998 to 2000, Hungary's share of FDI inflows was about equal to its share of world GDP. Total FDI stock, from 1989 to 2002, is estimated at about \$34 billion.

The largest single source of foreign investment has been the United States, followed by Germany, the Netherlands, Austria, the United Kingdom, and France.

Of foreign capital invested in Hungary through 2000, 50% has been in manufacturing, 15% in telecommunications, 13% in en-

ergy, 6% in banking and finance, and 10% in other areas. FDI outflows from Hungary have averaged about \$400,000 per year and as of 2001, foreign stock held by Hungarians totaled \$2.2 billion.

The flow of foreign investment reached peak levels in 2003 and 2004, with €2.3 billion and €2.5 billion respectively. The Hungarian Ministry of Economics and Transportation estimated that by 2004 the total stock of FDI exceeded €42 billion, with the United States and Germany taking the lion's share of this total. The same agency expects the flow of FDI to grow to €3–3.5 billion in 2005. Most of the investments went to manufacturing (46%); real estate (12%); trade and repair (11%); finance (10%); transport, telecommunications, storage and post (10%); and the energy sector (5%). By 2003, the biggest investors in Hungary were: Deutsche Telekom A.G., Germany (with cumulative investments exceeding \$1.7 billion); Audi A.G., Germany (\$1.4 billion); General Electric, US (\$1.1 billion); Telenor ASA, Norway (\$1 billion); and, Vodafone, Netherlands (\$850 million).

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

During the first 20 years after World War II, Hungary had the following economic plans: the three-year plan (1947–49) for economic reconstruction; the first five-year plan (1950–54) which aimed at rapid and forced industrialization and which was slightly modified in 1951 and by the “new course” policy of 1953; the one-year plan of 1955; the second five-year plan (1956–60), designed to further industrialization but discarded as a result of the October 1956 uprising; the three-year plan (1958–60), which also emphasized industrialization, although it allocated greater investment for housing and certain consumer goods; and the new second five-year plan (1961–65), which provided for a 50% increase in industrial production. These were followed by the third five-year plan (1966–70); the fourth five-year plan (1971–75), with greater emphasis on modernization of industrial plants producing for export and housing construction; the fifth five-year plan (1976–80), which called for amelioration of the gap in living standards between the peasantry and the working class; the sixth five-year plan (1981–85), emphasizing investment in export industries and energy conservation and seeking to curb domestic demand; and the seventh five-year plan (1986–90), which projected growth of 15–17% in NMP, 13–16% in industrial production, and 12–14% in agriculture.

Far-reaching economic reforms, called the New Economic Mechanism (NEM), were introduced on 1 January 1968. In order to create a competitive consumers' market, some prices were no longer fixed administratively, but were to be determined by market forces. Central planning was restricted to essential materials, and managers of state enterprises were expected to plan and carry out all the tasks necessary to ensure profitable production. In the early years of the NEM, the growth rate of industrial output surpassed target figures; national income rose substantially, surpassing any previous planning periods; and productivity increased significantly in all sectors of the national economy. However, following the huge oil price increases of 1973–74, the government returned to more interventionist policies in an attempt to protect Hungary's economy from external forces. Beginning in 1979, the government introduced a program of price reform, aimed at aligning domestic with world prices; changes in wage setting, intended to encourage productivity; and decentralization of industry, in-

cluding the breakup of certain large enterprises and the creation of small-scale private ones, especially in services. New measures introduced in 1985 and 1986 included the lifting of government subsidies for retail prices (which led to sharp price increases) and the imposition of management reform, including the election of managers in 80% of all enterprises. The 1991–95 economic program aimed to fully integrate Hungary into the world economy on a competitive basis. The program's main features were to accelerate privatization, control inflation, and institute measures to prepare the way for the convertibility of the forint.

Reforms slowed in 1993 and 1994, and the privatization of state firms stopped. However, privatization accelerated in 1995 as the result of new laws passed in May of that year, which made the process simpler and allowed for the rapid privatization of small firms. Some large utilities were privatized in 1995; the first wave of the electricity and gas company privatization totaled \$3.2 billion, primarily from German, Italian, and French interests. Budapest Bank, one of the country's largest banks, was sold to GE Capital Services. Hungary is now one of the few countries in Eastern Europe to have privatized major portions of its telecommunications and energy sectors. In 1995, the government received \$4.5 billion in privatization proceeds. From the mid-1990s, a massive amount of foreign investment flowed into the country. (It stood at just under \$23.5 billion by the end of 2001, which was equivalent to about 46% of GDP.)

In 1994, the Development Assistance Committee of the OECD distributed \$68.3 million in aid to Hungary. Net concession flows from multilateral institutions that year amounted to \$132 million. With the adoption of an International Monetary Fund (IMF)-backed stabilization program in 1995, Hungary exhibited consistent GDP annual growth of 4% in the late 1990s. Moreover, Hungary has repaid its entire debt to the IMF, and was formally invited to join the EU in 2002, and finally accepted in 2004, together with nine other countries.

The private sector now produces 80% of GDP. The economy was suffering from the effects of currency appreciation in 2003, and from rises in wages in 2001–02. Hungary's markets in 2003 were weak, given the dismal state of the global economy. (Exports in 2001 reached the equivalent of some 60% of GDP, up from 30.6% in 1991.) The current account deficit reached 5.9% of GDP for in 2004.

The Hungarian economy improved as it joined the EU, but the rate of improvement was deemed unsatisfactory. The GDP growth rate was 4% in 2004, but IMF specialists consider that the economy needs to grow by 5–5.25% annually if Hungary is to catch up with Western Europe in the timeline that it set for itself. The Hungarian policy makers are trying to attract additional investments in the country as a way of fostering additional growth. This task is made difficult however by increasing competition from neighboring countries, and the need to implement a leaner and more flexible tax system.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

A national social insurance system was relatively well advanced before World War II for the nonagricultural population. A 1972 decree of the Council of Ministers extended this system to cover virtually the entire population, including craftsmen; by 1974, 99% of the population enjoyed the benefits of social insurance. Cover-



age includes relief for sickness, accidents, unemployment, and old age and incapacity, and provides maternity allowances for working women, allowances for children, and payment of funeral expenses. Men can collect old age pensions at the age of 62 after 20 years of employment. As of 2005, women collect at age 60, and will meet the same standards as men by 2009. The social insurance system also provides for disability and survivorship benefits. Medical care is provided directly to the insured through the public health service.

Women have the same legal rights as men, including inheritance and property rights. They hold a large number of the positions in teaching, medicine, and the judiciary, but generally earn less than men. Women are underrepresented in senior positions in both the private and public sectors. Sexual harassment in the workplace is commonplace, and it is not prohibited by law. Spousal abuse is a huge problem; approximately 20% of women were victimized in 2004. Sexual abuse, rape, and domestic violence are underreported due to cultural prejudice.

Minority rights are protected by law, allowing for the creation of minority local government bodies for limited self-rule. The law also preserves ethnic language rights and encourages minorities to preserve their cultural traditions. Despite these efforts, the Roma minority continues to face discrimination and prejudice. There were also reports of excessive police force in certain cases, as well as pretrial detention.

#### 41 HEALTH

The Ministry of Health administers the state health service, with the counties and districts forming hospital regions. By the end of 1974, 99% of the population was covered by social insurance and enjoyed free medical services; those few not insured pay for medical and hospital care. Limited private medical practice is permitted. In 1992, the Ministry of Welfare proposed a compulsory health care scheme based on the German system, to be administered by the National Health Security Directorate. After the termination of socialism in 1989, the Hungarian health system was largely unchanged. About 5% of clinics were privatized and health care was available to nearly all of Hungary's people. Health expenditures comprised an estimated 6.8% of the gross domestic product.

As of 2004, there were an estimated 316 physicians, 852 nurses, and 46 dentists per 100,000 people. Hungary's birthrate was estimated at 9 per 1,000 people. Contraceptives were used by an estimated 73% of married women. Average life expectancy was 72.40 years in 2005. Free professional assistance given to insured pregnant women and to the mothers of newborn children, maternity leave and grants, and improved hygienic conditions helped lower the infant mortality rate to 8.57 per 1,000 live births in 2005. As of 2000, the total fertility rate was 1.3 per woman during her child-bearing years.

The country faces severe problems in maintaining an acceptable level of health care for its population. The UN considers its death rate unacceptable (13 per 1,000 in 1999). The heart disease occurrence is below the average for wealthier countries. The likelihood of death after age 65 from heart disease was 283 (male) and 283 (female) per 1,000 people during 1990–1993. The number of cardiovascular deaths in 1994 was 74,182 people. Arteriosclerosis is a major cause of death (100 per 100,000 people). Contribut-

ing factors include the incidence of cardiovascular disease, which is directly related to stress through pressures of work, together with smoking and dietary factors. Hungary has one of the highest smoking rates in Europe. In 1990, there were 40 reported cases of tuberculosis per 100,000 people. Virtually all children up to one year old were vaccinated against tuberculosis, diphtheria, pertussis, and tetanus, polio and measles.

Compulsory testing for HIV has been widespread since 1988 in Hungary's attempt to stop the spread of AIDS. Hungary has resisted pressure from international agencies to switch from compulsory to voluntary testing. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 2,800 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

#### 42 HOUSING

The construction rate for new dwellings has been greater in smaller cities and towns than in Budapest, where as of 1980, 17.3% of all housing units were built before 1900 and 56.3% before 1945. About 20,320 new dwellings were completed in 2000; about 31,511 dwellings were completed or under construction in 2001. According to national statistics, in 2005 there were about 4,127,743 dwelling units nationwide. About 84% were owner occupied. Only about 130,208 units were owned by municipal governments. Most homes have an average of four rooms. It has been estimated that about 1.2 million people are affected by overcrowding.

Low-income residents and other private builders generally rely on the labor of family and friends, buying the essential materials little by little; they may apply for loans if necessary to complete the dwelling.

#### 43 EDUCATION

Before education was nationalized in 1948, most schools were operated by religious bodies, especially the Roman Catholic Church. The educational system is under the control of the Ministry of Education and is supervised by the local councils, which receive financial assistance from the central government. As of 2003, public expenditure on education was estimated at 5.5% of GDP, or 14.1% of total government expenditures.

Education is free for 12 years of study and compulsory for 10 years. The state also pays the bulk of costs for higher education. Primary school covers eight years of study. Secondary schools are divided into academic schools (*gimnázium*) and vocational schools (*szakközépiskola*). Programs at academic schools run from four to six years. Vocational school programs generally cover four years of study. In addition to its regular primary education, Hungary has over 100 primary schools with special music programs based on the pedagogy of the 20th-century composer Zoltan Kodály; at these "music primary schools," music receives as much emphasis as all other subjects. The academic year runs from September to June.

In 2001, about 80% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 91% of age-eligible students. The same year, secondary school enrollment was about 94% of age-eligible students. Most students complete their primary education. The student-to-teacher ratio for primary school was

at about 9.6:1 in 2003; the ratio for secondary school was about 11:1.

Hungary has about 77 institutions of higher education, including 25 universities and 47 colleges. Adult education expanded after World War II, especially through workers' schools and correspondence courses. Although there are university fees, many students are exempt from payment or pay reduced fees. In 2003, about 51% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 99%.

#### 44 LIBRARIES AND MUSEUMS

Hungary's National Archives were established in 1756; among its treasures are some 100,000 items from the period prior to the Turkish occupation (1526). Hungary's National Széchenyi Library is the largest and most significant in the country. Founded in Budapest in 1802, it has more than 2.5 million books and periodicals and more than 4.5 million manuscripts, maps, prints, and microfilms. Other important libraries are the Lóránd Eötvös University Library (1.5 million volumes) and the Library of the Hungarian Academy of Sciences (2.1 million volumes), both in Budapest; and the Central Library of the Lajos Kossuth University in Debrecen (1.27 million volumes). There are numerous local and regional public libraries.

There were over 500 museums (about 70 in Budapest) and many zoological and botanical gardens. One of the largest institutions is the Hungarian National Museum, which displays relics of prehistoric times as well as artifacts reflecting the history of Hungary from the Magyar conquest through 1849, including the Hungarian coronation regalia. A branch of the National Museum is the Hungarian Natural History Museum. Other museums, all in Budapest, include the Ethnographical Museum, the Museum of History, the Hungarian National Gallery, and the Museum of Fine Arts. Many castles and monasteries throughout the country have been converted to museums. There is also a Bela Bartok Museum, a Chinese Museum, a House of Terror museum (2002), and a Franz Liszt Memorial Museum and Research Center, all in Budapest.

#### 45 MEDIA

Budapest is the principal communications center. Although telecommunication services in Hungary were long underdeveloped, services improved significantly during the 1990s, and investment in value-added services, such as the Internet and VSAT, grew. In 2003, there were an estimated 349 mainline telephones for every 1,000 people; about 28,000 people were on a waiting list for telephone service installation. The same year, there were approximately 769 mobile phones in use for every 1,000 people.

In 2004, there were two state-owned public service television stations and two national commercial television stations. The same year, there were one public service radio and two national commercial radio stations. There are some smaller regional stations. In 2003, there were an estimated 690 radios and 475 television sets for every 1,000 people. About 190.7 of every 1,000 people were cable subscribers. Also in 2003, there were 108.4 personal computers for every 1,000 people and 232 of every 1,000 people had access to the Internet. There were 210 secure Internet servers in the country in 2004.

Budapest has always been Hungary's publishing center. The largest dailies (with affiliations and 2002 circulation rates as available) are *Népszabadság* (Hungarian Socialist Workers' Party, 316,000), *Népszava* (Hungarian Trade Unions, 120,000), *Mai Nap* (100,000), *Kurir* (80,000), *Magyar Hírlap* (Budapest Party Committee and Metropolitan Council, 75,000), *Expressz* (75,000), and *Magyar Nemzet* (Patriotic People's Front, 70,000).

The constitution of Hungary provides for free speech and a free press, and the government is said generally to respect these rights. Although previously all means of communication had been government property, 1995 saw the beginning of the privatization process, with aims to put most print and broadcast media in private hands.

#### 46 ORGANIZATIONS

There is a Chamber of Commerce in Budapest. The International Labour Organization has a subregional office in Budapest. Hungary is a member of the International Chamber of Commerce. Trade and professional associations exist representing a variety of occupations, including the steel and automotive workers, journalists, teachers, librarians, engineers, architects, and various medical professionals. There is a Confederation of Professional Unions based in Budapest.

Organizations promoting research and study of various medical and scientific fields also exist. Some of these are member organizations of the Federation of Hungarian Medical Societies and/or the Hungarian Academy of Sciences. A cultural organization particular to Hungary is the International Kodaly Society; named for the music composer, scholar, and teacher, this organization promotes appreciate and study of music, particularly for youth. The multinational scientific organization of the International Measurement Confederation is based in Budapest.

Notable national youth organizations include the Federation of Young Democrats of Hungary, the Goncol Environmental Youth Alliance, the National Union of Hungarian Students, and Young Musicians of Hungary. The Hungarian Scout Association is also active, as are various chapters of the YMCA/YWCA. There are several sports associations promoting amateur competition in such pastimes as tennis, badminton, skating, and baseball. There is a national chapter of the Paralympic Committee. National women's organizations include the Association of Hungarian Women and the National Council of Hungarian Women.

Volunteer service organizations, such as the Lions Clubs and International, are also present. The Red Cross, Caritas, and Amnesty International have active chapters in the country.

#### 47 TOURISM, TRAVEL, AND RECREATION

Among Hungary's diverse tourist attractions are Turkish and Roman ruins, medieval towns and castles, more than 500 thermal springs (some with resort facilities), and Lake Balaton, the largest freshwater lake in Europe. Budapest is a major tourist attraction and cultural capital, with 2 opera houses, over 200 monuments and museums, and several annual arts festivals.

Popular sports include handball, football (soccer), tennis, and volleyball. The Budapest Grand Prix, the only Formula-1 motor race in Eastern Europe, was inaugurated in August 1986. A valid passport is required of all foreign visitors. Citizens of the United

States and Canada are not required to have a visa for stays of up to 90 days.

Hungary had 31,412,483 visitors in 2003, about 48% of whom came from Central and Eastern Europe. There were 64,091 hotel rooms with 158,634 beds and an occupancy rate of 38%. The average length of stay was three nights. Tourist expenditure receipts totaled \$3.4 billion.

In 2004, the US Department of State estimated the daily expenses for staying in Budapest at \$218. Other areas were much lower at \$93 per day.

#### 48 FAMOUS HUNGARIANS

The foundations for modern Hungarian literature begin with the movement known as the Period of Linguistic Reform, whose leaders were the versatile writer Ferenc Kazinczy (1759–1831) and Ferencz Kölcsey (1790–1838), lyric poet and literary critic. Among the outstanding literary figures was Dániel Berzsenyi (1772–1836) of the Latin School. Károly Kisfaludy (1788–1830) founded the Hungarian national drama. Mihaly Vörösmarty (1800–55), a fine poet, related the Magyar victories under Árpád in his *Flight of Zalán*. He was followed by Hungary's greatest lyric poet, Sándor Petöfi (1823–49), a national hero who stirred the Magyars in their struggle against the Habsburgs in 1848 with his *Arise Hungarians*. Another revolutionary hero was Lajos Kossuth (1802–94), orator and political author. János Arany (1817–82), epic poet and translator, influenced future generations, as did Mór Jókai (1825–1904), Hungary's greatest novelist. The outstanding dramatist Imre Madách (1823–64) is known for his *Tragedy of Man*. Endre Ady (1877–1919) was a harbinger of modern poetry and Western ideas; Attila József (1905–1937) is another well-known poet. Lyric poets of the contemporary era include László Nagy (1925–78), János Pilinszky (1921–81), and Ferenc Juhász (b.1928). Gyula Illyés (1902–83), a poet, novelist, and dramatist, was one of the outstanding figures of 20th-century Hungarian literature. Ferenc Molnár (1878–1952) is known for his plays *Liliom*, *The Swan*, and *The Guardsman*. György Lukács (1885–1971) was an outstanding Marxist writer and literary critic. Hungarian-born Arthur Koestler (1905–83), a former radical, was a well-known anti-Communist novelist and writer. Imre Kertész (b.1929) is a Jewish-Hungarian author, Holocaust concentration camp survivor, and winner of the Nobel Prize in literature in 2002.

János Fadrusz (1858–1903) and József Somogyi (1916–93) are among Hungary's best-known sculptors. The outstanding Hungarian painter Mihály Munkácsy (1844–1900) is best known for his *Christ before Pilate*. Victor Vasarely (1908–97), a world-famous painter of "op art," was born in Budapest and settled in France in 1930. Miklós Ybl (1814–91) was a leading architect; and Gyula Halasz (1899–1984), better known as Brassai, was a well-known photographer. The Hungarian-born Joseph Pulitzer (1847–1911) was a noted journalist and publisher in the United States. Hungarian musicians include the composers Franz (Ferenc) Liszt (1811–86), Ernst (Ernö) von Dohnányi (1877–1960), Béla Bartók (1881–1945), Zoltán Kodály (1882–1967), and György Ligeti (b.1923); violinists Jenő Hubay (1858–1937) and Joseph Szigeti (1892–1973); cellist János Starker (b.1924); and pianists Lili Kraus (1903–86) and Erwin Nyiregyhazi (1903–87). Renowned Hungarian-born conductors who became famous abroad include Fritz Reiner (1888–1963), George Széll (1897–1970), Eugene Ormándy

(1899–1985), Antal Doráti (1906–88), and Ferenc Fricsay (1914–63). Miklós Jancsó (b.1921) is a distinguished film director, and Vilmos Zsigmond (b.1930) a noted cinematographer; Béla Lugosi (Blasko, 1882–1956) and Peter Lorre (Laszlo Loewenstein, 1904–64) were famous actors.

Notable scientists include Lóránd Eötvös (1848–1919), inventor of torsion balance; Ányos Jedlik (1800–95), known for his research on dynamos; and the psychoanalyst Sándor Ferenczi (1873–1933). Ignaz Philipp Semmelweis (1818–65) pioneered in the use of antiseptic methods in obstetrics. Béla Schick (1877–1967) invented the skin test to determine susceptibility to diphtheria.

Hungarian-born Nobel Prize winners are Róbert Bárány (1876–1936) in 1914, Albert Szent-Györgyi (1893–1986) in 1937, and Georg von Békésy (1899–1972) in 1961 in physiology or medicine, Georg de Hevesy (1885–1966) in 1944 in chemistry, and Dénes Gábor (1900–79) in 1971 for physics. Budapest-born scientists who contributed to atomic research in the United States were Leó Szilárd (1898–1964), Eugene Paul Wigner (1902–95), John von Neumann (1903–57), and Edward Teller (1908–2003). Theodore van Kármán (Todor Kármán, 1881–1963) is the father of aerodynamics. Paul Erdős (1913–1996) was an important mathematician, as was John von Neumann (Neumann János, 1903–1957). Eugene Paul Wigner (1902–1995), physicist and mathematician, received the 1963 Nobel Prize in physics. George Andrew Olah (b.1927 as György Oláh), a Hungarian-American chemist, won the Nobel Prize in chemistry in 1994.

Imre Nagy (1895?–1958) served as prime minister from 1953 to 1955, but was removed from office because of his criticism of Soviet policy; the uprising of October 1956 briefly brought Nagy back to the premiership. Arrested after the Soviet military intervention, Nagy was tried and executed in 1958. János Kádár (1912–89), first secretary of the HSWP since 1956, initially aligned himself with Nagy but subsequently headed the government established after Soviet troops rolled in. Kádár, who held the premiership from late 1956 to 1958 and again from 1961 to 1965, was the preeminent political leader in Hungary until his removal in May 1988. Gyula Horn (b.1932), a former communist, was named prime minister in 1994. He served in that post until 1998, when he was succeeded by Viktor Orbán (b.1963), who was prime minister between 1998 and 2002. Péter Medgyessy (b.1942) served as prime minister from 2002 until 2004, not completing his term. Ferenc Gyurcsány (b.1961) succeeded him.

George Soros (b.1930), philanthropist, was born in Budapest.

#### 49 DEPENDENCIES

Hungary has no territories or colonies.

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# ICELAND

Republic of Iceland

*Lveldi Ísland*



**CAPITAL:** Reykjavík

**FLAG:** The national flag, introduced in 1916, consists of a red cross (with an extended right horizontal), bordered in white, on a blue field.

**ANTHEM:** *O Guð; vors lands (O God of Our Land)*.

**MONETARY UNIT:** The new króna (κ), introduced 1 January 1981 and equivalent to 100 old krónur, is a paper currency of 100 aurar. There are coins of 5, 10, and 50 aurar and 1, 10 and 50 krónur, and notes of 10, 50, 100, 500, 1,000 and 5,000 krónur. κ1 = \$0.01571 (or \$1 = κ63.65) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; National Holiday, 17 June; Bank Holiday, August; Christmas, 25–26 December. Movable religious holidays include Holy Thursday, Good Friday, Easter Monday, Ascension, and Whitmonday. Half-holidays are observed on Christmas Eve, 24 December, and New Year's Eve, 31 December.

**TIME:** GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Iceland, the westernmost country of Europe, is an island in the North Atlantic Ocean, just below the Arctic Circle and a little more than 322 km (200 mi) E of Greenland, 1,038 km (645 mi) W of Norway, and 837 km (520 mi) NW of Scotland. It has an area of 103,000 sq km (39,769 sq mi), extending 490 km (304 mi) E–W and 312 km (194 mi) N–S. Comparatively, the area occupied by Iceland is slightly smaller than the state of Kentucky. The total length of coastline is about 4,988 km (3,099 mi). The republic includes many smaller islands, of which the chief are the Westman Islands (Vestmannaeyjar) off the southern coast.

Iceland's capital city, Reykjavík, is located on the country's southwest coast.

## <sup>2</sup>TOPOGRAPHY

Iceland consists mainly of a central volcanic plateau, with elevations from about 700 to 800 m (2,297–2,625 ft), ringed by mountains, the highest of which is Hvannadalshnúkur (2,119 m/6,952 ft), in the Örfajökull glacier. Lava fields cover almost 11% of the country, and glaciers almost 12%. Among the many active volcanoes there is an average of about one eruption every five years. The largest glacier in Europe, Vatnajökull (about 8,400 sq km/3,200 sq mi), is in southeast Iceland. There are also many lakes, snowfields, hot springs, and geysers (the word “geyser” itself is of Icelandic origin).

The longest river is the Thjórsá (about 230 km/143 mi) in southern Iceland. Most rivers are short and none are navigable, but because of swift currents and waterfalls, Iceland's rivers have important waterpower potential. There are strips of low arable land along the southwest coast and in the valleys. Good natural harbors are provided by fjords on the north, east, and west coasts.

## <sup>3</sup>CLIMATE

Despite Iceland's northern latitude, its climate is fairly mild because of the Gulf Stream, part of which almost encircles the island. There are no extreme temperature variations between seasons, but frequent weather changes are usual, particularly in the south, which experiences many storms and heavy precipitation. Temperatures at Reykjavík range from an average of 11°C (52°F) in July to -1°C (30°F) in January, with an annual mean of about 5°C (41°F). Humidity is high, and there is much fog in the east. Annual rainfall in the north ranges from 30 to 70 cm (12–28 in); in the south, 127–203 cm (50–80 in); and in the mountains, up to 457 cm (180 in). Winters are long and fairly mild, summers short and cool. Summer days are long and nights short; in winter, days are short and nights long.

## <sup>4</sup>FLORA AND FAUNA

Although there are a few small trees (ash, aspen, birch, and willow), the chief forms of vegetation are grass, mosses, and small shrubs (heather, willow, dwarf birch). Some 340 different species of flowers have been listed, but most of these are sparse.

The fox, the chief indigenous animal, is common. Wild reindeer, introduced in the 18th century and once abundant, were almost exterminated and therefore have been protected in recent years; they are found chiefly in the northeastern highlands. The waters around Iceland abound in whales, many types of seals, and many kinds of fish. Dolphin, grampus, porpoise, and rorqual are numerous. Cod, haddock, and herring are particularly abundant, but there are also sole, shark, halibut, redfish, saithe, and other fish. Salmon abound in many rivers and trout in rivers and lakes. There are about 88 species of breeding birds; most are aquatic. The chief resident birds are eiderduck (raised commercially for their down) and ptarmigan. Other characteristic indigenous birds are

swan, eagle, falcon, and gannet, all rare now and protected. Iceland has no reptiles or frogs and very little insect life.

## 5 ENVIRONMENT

Because of Iceland's sparing use of hydrocarbon fuels, its air is cleaner than that of most industrialized nations. However, its water supply is polluted by excessive use of fertilizers (current estimates put Iceland's yearly usage of fertilizers at 2,500 lbs per acre). Population increases in the cities also contribute to water pollution. Iceland has 170 cu km of renewable water resources with 6% used for industrial purposes. Industrial carbon dioxide emissions totaled 2.1 million metric tons per year in 1996. Protected lands, which account for 9.5% of Iceland's total land area, include four national parks, with a total area of 619,300 hectares (1,530,315 acres) and 27 nature reserves, covering 256,861 hectares (634,714 acres). Principal environmental responsibility is vested in the Ministry of Social Affairs.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 7 types of mammals and 8 species of fish. Endangered species include the leatherback turtle and four species of whales. The great auk has become extinct.

## 6 POPULATION

The population of Iceland in 2005 was estimated by the United Nations (UN) at 295,000, which placed it at number 168 in population among the 193 nations of the world. In 2005, approximately 12% of the population was over 65 years of age, with another 23% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.8%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 335,000. Iceland is one of the least densely populated countries in the world, with an overall population density of 3 per sq km (7 per sq mi). The interior of the country is largely uninhabited.

The UN estimated that 94% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.71%. The capital city, Reykjavík, had a population of 184,000 (more than half the nation's population) in that year. The next largest towns and their estimated populations are Kópavogur (25,291), south of Reykjavík; Hafnarfjörður (21,300), about 10 km (6 mi) from Reykjavík; and Akureyri (16,475), on the north coast.

## 7 MIGRATION

Little immigration has occurred since the original settlement in the 9th and 10th centuries. In the last quarter of the 19th century, because of unfavorable economic conditions, about 12,000 residents of Iceland emigrated to Canada and the United States. After 1900, net emigration decreased substantially.

As of 1997, just 375 refugees had arrived in Iceland since 1956. During the Kosovo crisis, Iceland offered to take up to 100 refugees under the UNHCR/IOM Humanitarian Evacuation Programme. A total of 70 people were actually evacuated to Iceland, 16 of whom returned to Kosovo by 1999. There were 16,000 migrants living in Iceland in 2000. In 2004 Iceland had 239 refugees, and 19 asylum seekers. In 2005 the net migration rate was estimat-

ed as 2.06 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The population is almost entirely Icelandic, many of whom descended from the Norse and Celtic settlers who came in the late 9th and early 10th centuries.

## 9 LANGUAGES

Icelandic, the national language, derives from the Old Norse language that was spoken throughout Scandinavia at the time of settlement. It has changed little through the centuries, partly because of the country's isolation and partly because of the people's familiarity with the classical language, as preserved in early historical and literary writings. There is comparatively little difference between the old language and the modern, or between the written language and the spoken. To this day, Icelanders are able to read the great 13th-century sagas without special study.

## 10 RELIGIONS

The Church, the national church, is endowed by the state, but there is complete freedom for all faiths, without discrimination. All of Iceland constitutes a single diocese of the national church, headed by a bishop with his seat at Reykjavík; there are 281 parishes. As of 2004, about 86% of the population were nominally members of this established church, though it is believed that most do not practice actively. A 2003 Gallup poll indicated that 43% of Lutherans did not attend church at all and only 10% said that they attend church one or more times a month. About 4.3% of the population belong to one of three Lutheran Free Churches: the Reykjavík Free Church, the Hafnarfjörður Free Church, or the Reykjavík Independent Church. Another 4.4% (about 13,025 people) belong to one of 21 different denominations that are registered and recognized by the state. The largest of these groups is the Roman Catholic Church (5,582 members); the smallest is the First Baptist Church (10 members). Seventh-Day Adventists, Jehovah's Witnesses, Buddhists, Baha'is, Muslims, and Jews are also represented by small congregations.

## 11 TRANSPORTATION

There are no railways or navigable inland waters. All important towns and districts can be reached by bus and truck via interurban roads. In 2004, Iceland's roadway system totaled 13,004 km (8,088 mi), of which only 4,331 km (2,694 mi) were paved or were surfaced with oiled gravel. Registered passenger cars in 2003 numbered 161,721 and there were 27,977 commercial vehicles.

In 2005, Iceland's merchant marine fleet consisted of three ships of 1,000 GRT or more, with a total capacity of 4,341 GRT. In addition, there are about 1,000 civilian vessels, mostly small fishing craft. Most of the import and export trade is handled in Reykjavík. Akureyri, on the north coast, is the largest port serving the outlying areas.

Iceland had an estimated 98 airports in 2004, of which 5 had paved runways as of 2005. The principal airport is Keflavik at Reykjavík. In the 1950s, Icelandic Airlines was the first transatlantic airline to offer fares drastically lower than those of the major carriers. Icelandair, formed by a merger of Icelandic Airlines and Iceland Air in the early 1970s, operates domestic routes as well



LOCATION: 63°19' to 67°7'5" N; 13°16'7" to 24°32'3" W. BOUNDARY LENGTHS: Total coastline, 4,970 kilometers (3,090 miles). TERRITORIAL SEA LIMIT: 12 miles.

as international flights to the United Kingdom, Scandinavia, and Germany, and transatlantic flights with stopovers at Reykjavík. In 2001 (the latest year for which data was available), 1,357,900 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

Iceland's first known settler, Ingólfur Arnarson, sailed from his native Norway to Iceland and settled at what is now Reykjavík in 874. During the late 9th and early 10th centuries, the island was settled by other Norwegians fleeing the oppressive rule of their king and by smaller groups of Scottish and Irish emigrants. In 930, a central legislative and judicial assembly, the Althing, was established, and a uniform code of laws for the entire country was compiled. Christianity was introduced in 1000, but the memory of the old pagan religion was preserved in 12th and 13th-century Icelandic literature. Many of the early settlers were great seafarers and continued their westward voyages of discovery and exploration from Iceland. Most famous of these were Eric the Red (Eiríkur

Thorvaldsson), who discovered and settled in Greenland in 982, and his son Leif Ericsson (Leifur Eiríksson), who around the year 1000 discovered the North American continent, which he called Vinland ("wineland") because of the grapes he found there. Icelanders acknowledged the sovereignty of Haakon IV of Norway in a treaty of 1262, which established a purely personal union, ending the independent republic or commonwealth in Iceland. When all the Scandinavian countries came under the rule of Denmark at the end of the 14th century, Iceland became a Danish dominion. Lutheranism was introduced in the 1540s. Exclusive trading rights with Iceland were given in 1602 to a private Danish trading company. Danes had a complete monopoly of trade with Iceland until 1786, when trade was opened to all subjects of the kings of Denmark, including Icelanders.

The last decades of the 18th century were a period of economic ruin for Iceland, compounded by poor harvests, epidemics, and volcanic eruptions (notably that of 1783, the worst in Iceland's history); the population dwindled to 38,000 by 1800, less than half the number in the period of independence. In that year, the king

abolished the Althing, long since reduced in power. Within a few decades, however, a nationalist movement had attained considerable strength, winning the reestablishment of the Althing (but only as an advisory body) in 1843, followed by the opening of trade with all countries in 1854. After a long constitutional struggle—led by a national hero, Jón Sigurðsson, who was both statesman and scholar—limited home rule was granted in 1874, and almost complete home rule in 1903. By agreement with Denmark in 1918, Iceland was declared a free and independent state, but personal union with the Danish crown was retained. The Danish king continued to function as king of Iceland, and Denmark conducted Iceland's foreign affairs; but Iceland had the right to terminate this union after 25 years.

Cut off from Denmark during World War II by the German occupation of that country, Iceland established diplomatic relations with the United Kingdom and the United States. British forces took over the protection of the island in 1940 and were replaced the following year by US troops that remained in Iceland until early 1947. In a referendum held in May 1944, more than 97% of those participating voted to end the union with the king of Denmark and, on 17 June 1944, Iceland became an independent republic. In 1946, it was admitted to UN membership. Three years later, Iceland became a party to the Atlantic Pact (NATO), and a bilateral defense agreement was signed in 1951 providing for a US military presence. In March 1970, Iceland joined EFTA, and a tariff agreement was ratified with the EC in February 1973. To protect its fishing industry, Iceland unilaterally extended its fishing zone in 1958, and again in 1972 and 1975, provoking conflict with the United Kingdom and other countries. Casualties resulted from the most serious outbreak of the "cod war" with the United Kingdom in late 1975 and in February 1976. An agreement ended the conflict in June 1976 and relations with the United Kingdom improved. Disputes over fisheries resources have also arisen with the Norwegians periodically, though both Norway and Iceland are united in their opposition to the international ban on whaling.

In 1985, the parliament unanimously voted to declare Iceland a nuclear-free zone, banning any deployment of nuclear weapons. Reykjavík was the scene of the October 1986 summit meeting between US president Ronald Reagan and Soviet leader Mikhail Gorbachev on arms control and nuclear disarmament.

Depressed world fish prices weakened the economy in the early 1990s, resulting in a no-growth GDP and higher unemployment. A number of factors have combined to reinvigorate the Icelandic economy. The government launched an austerity program to trim the Icelandic welfare state which included measures such as increasing the retirement age from 65 to 67 years of age (with future increases to age 70 envisioned). Icelanders are also being asked to pay for a greater portion of social services out of their own pockets. Demand in Europe and the United States for Icelandic fish has rebounded and fish exports account for 70% of exports and 50% of foreign earnings. Liberalization of many sectors of the economy such as telecoms and banking, required under the EEA (European Economic Area) agreement with the European Union in exchange for greater access to the EU market, has reduced public expenditures and positively affected governmental finances. By 1999, Iceland had experienced four years of more than 5% GDP growth, and purchasing power was increasing at four times the OECD average. Unemployment had dropped to 2%, and Iceland has dealt

with its labor shortage by initiating labor immigration from the Philippines. The economic boom years from 1996–2001 slowed in 2002, and Iceland experienced a mild recession with a GDP growth rate of -0.5%. Growth of GDP increased from 2003–05, however, nearing 6% by 2005.

Iceland was in the international headlines at the end of 1998 for altogether different reasons. In December 1998, the Icelandic parliament agreed after two full revisions of the legislation to create a health database of medical records of all Icelanders for use by a private company seeking to decode the human genome. Iceland's isolated, homogeneous population is a boon to medical researchers seeking to decode the genetic sequences of many hereditary diseases, but the lack of informed consent by individuals in the legislation became a heated political issue.

A public opinion poll taken in June 2002 indicated a 50–50 split between supporters and opponents of EU membership. However, conservative Independence Party leader and Prime Minister Davíð Oddsson remained resolutely opposed to EU membership, stating in 2002 that Iceland's affairs should not be dictated by conditions in "Paris or Berlin." Oddsson in 2005, however, indicated in a speech that a policy change was not ruled out depending upon how the EU evolved.

Iceland rejoined the International Whaling Commission in 2002 with reservations. It declared it would engage in whaling for scientific purposes, and resume commercial whaling of Minke and Fin whales after 2006.

President Ólafur Ragnar Grímsson was reelected president in June 2004. In September of that year, Prime Minister Davíð Oddsson switched positions with Foreign Minister Halldór Ásgrímsson. Oddsson had held the position of prime minister for a record 13 years.

### 13 GOVERNMENT

Iceland is an independent republic. Executive power is vested in the president and the government, legislative power in the president and the legislative assembly (Althing). The president is elected by universal suffrage for a four-year term. Effective executive power is exercised by a prime minister enjoying the confidence of the Althing; the prime minister is appointed by the president, and the prime minister in turn selects a cabinet composed of ministers responsible to the Althing for their acts. The president must sign all legislation before it becomes law.

All citizens who have reached the age of 18 may vote, provided they have resided in Iceland for the five years immediately preceding an election. In 2003, 87.5% of Icelanders eligible to vote in the parliamentary elections did so. By a system of proportional representation, voters elect the 63 members of the unicameral (since 1991) Althing from eight constituencies at a general election held every four years, but sooner if the governing coalition loses its ability to command a legislative majority. Because of the widely varying populations of the constituencies (Reykjavík constitutes one-third of the nation's population), each constituency has a minimum of five seats, and more populous regions have more. Three-quarters of the seats in any constituency are divided by the parties according to proportional representation of that region, while the final quarter of the seats in each constituency are apportioned according to the national vote tally to ensure national proportional representation. Any citizen qualified to vote is eligi-



ble to run for a seat in the Althing. When any amendment to the constitution is voted, the Althing is dissolved and new elections are held; if the new Althing accepts the proposed amendment, it becomes law when ratified by the president.

The institution of the Althing has parliamentary immunity and its members swear allegiance to the constitution. Government ministers are normally members of the Althing and enjoy full parliamentary privileges. The constitution and the rules of procedure of the Althing specify the rights and duties of parliamentarians, and the legislative year of the Althing begins on 1 October. The legislative agenda of the Althing is divided among 12 standing committees. At the first meeting following the inauguration ceremony, the president of the Althing is elected. In addition to acting as the chief executive of Althing, the president sits on the five-person presidium along with the four vice presidents. The presidium is responsible for the organization of parliamentary activities. Sessions of the Althing are normally held four days a week.

## 14 POLITICAL PARTIES

No one major party in recent years has been able to command a majority of the electorate, and coalition governments have been the rule. Principal parties include the Independence Party (Sjálfstoeðisflokkurinn) (IP), a conservative grouping; the Progressive Party (Framsóknarflokkurinn) (PP), an agrarian, left-center party; the Progressive Alliance (Althýðubandalag) (PA), a formerly Communist-oriented party, now a far-left party; and the Social Democratic People's Party (Althýðuflokkurinn) (SDP), a center-left group. An Independence Party splinter group, the Citizens' Party (CP), lost its parliamentary representation by securing no seats. Iceland is unique among the Nordic states (which lead the OECD countries on all indicators of gender equality) in that it is the only one to have a women's party, which has gained a foothold in parliament. In 1995, the Icelandic Women's Alliance, a political party devoted to feminist issues, gained three seats in the Althing.

Of these parties, the Independence Party dates back to 1929, and the Progressive and Social Democratic People's (formerly Labor) parties to 1916; all three have been the source of various splinter groups. The People's Alliance became a distinct political party in 1970; it grew out of an alliance among Communist-oriented elements in the Social Democratic People's Party and other groups, and in effect replaced the earlier People's Union–Socialist Party (Sameiningarflokkur althýðu-Sósíalístaflókkurinn).

It was the issue of NATO and the US military presence that in March 1956 broke up an early alliance between Progressives and Independents, and the elections that year led to a new coalition of the Progressive, Labor, and People's Union–Socialist parties, all of which opposed the US military base on Iceland. (After the Hungarian uprising of October 1956, however, the Progressive and Labor parties reversed their stand.) That government fell because of Communist opposition to a proposed wage freeze, and after elections in October 1959, a government formed by the Independence and Labor parties came into office. This coalition endured for some time. But after the loss of four seats in the June 1971 general elections, a new government, composed of the Progressive Party, the People's Alliance, and the Liberal and Left Alliance (a party established in 1969 on a platform opposing Iceland's participation in NATO and its defense agreement with the United States) came

into power under Prime Minister Olafur Jóhannesson. Then, on 29 August 1974, after gains by the Independence Party in June elections, a coalition of Independents and Progressives was sworn in under Geir Hallgrímsson of the Independence Party.

Two short-lived coalition governments followed. The first, a leftist coalition including the Social Democrats, People's Alliance, and Progressive Party, led by Olafur Jóhannesson, was dissolved when the Social Democrats left the coalition in October 1979. Following an election that December, a second coalition was eventually formed from members of the Independence Party, the People's Alliance, and the Progressives, with Gunnar Thoroddsen, deputy chairman of the Independence Party, as prime minister. After three unsuccessful attempts by party leaders to form a governing coalition following the April 1983 elections, Vigdís Finnbogadóttir—who in August 1981 had been elected president, becoming the first woman to become democratically elected head of state—threatened to request the formation of a government of civil servants. Eventually, Progressive leader Steingrímur Hermannsson formed and headed a coalition of the Independence and Progressive parties. Following the 1987 elections, Thorsteinn Pálsson of the Independence Party replaced Hermannsson as prime minister.

The general election of April 1991 resulted in a new center-right coalition led by Davíð Oddsson of the Independence Party and members of the Social Democratic People's Party. Vigdís Finnbogadóttir was reelected unopposed for a fourth four-year term in June 1992. The left-right coalition of the IP and SDP was dissolved after the elections of April 1995 when Oddsson formed a new coalition government composed of the Independence Party and the Progressive Party, chaired by Halldór Ásgrímsson, minister for foreign affairs and external trade. This coalition remained in power after the 1999 elections in which the Independence Party increased its share of the popular vote while the Progressives polled more poorly. Two new parties gained representation in the Althing in 1999, the environmental Left-Green Party (Vinstrihreyfing-Grnt framboð) and the Liberal Party (Frjálslyndi Flokkurinn). Of all 63 parliamentarians, 41 were men and 22 were women. In the presidential elections of 29 June 1996, Vigdís Finnbogadóttir chose not to run and Dr. Ólafur Ragnar Grímsson won with 41.4% of the vote. In 2000, Grímsson was reappointed president, unopposed, to a second four-year term. Grímsson faced two opponents in the 2004 presidential election, but beat them soundly (with 85.6% of the vote).

In the 10 May 2003 elections for the Althing, the Independence Party secured 33.7% of the vote and 22 seats in parliament. The opposition Social Democratic Alliance (which now includes the People's Alliance, Social Democratic Party, and Women's List) won 31% of the vote and took 20 seats. The Progressive Party won 17.7% of the vote and 12 seats, and entered into a coalition with the Independence Party. Therefore, the Independence/Progressive coalition held a slim majority of 34 seats in parliament, compared with the 43 it held after the 1999 elections. The Left-Green Alliance secured 8.8% of the vote and 5 seats, and the Liberal Party won 7.4% and held 4 seats. Following the election, Prime Minister Oddsson stated that in 2004, Minister of Foreign Affairs Halldór Ásgrímsson would become prime minister in a new government. He held true to his pledge, and Ásgrímsson became prime minister on 15 September 2004.

## 15 LOCAL GOVERNMENT

Iceland is divided into eight regions (*landshluta*), 23 counties (*sýslur*), and 23 independent towns (*kaupstaðir*). A magistrate or sheriff (*sýslumaður*) administers each county. Within the counties are 101 municipalities (as of 2004), each governed by a council: town councils are elected by proportional representation, rural councils by simple majority. The local government units supervise tax collections, police administration, local finances, employment, and other local affairs.

## 16 JUDICIAL SYSTEM

District courts are courts of first instance. There are eight district courts in Iceland, which have jurisdiction in both civil and criminal cases. Appeals are heard by the Supreme Court, consisting of nine justices (all appointed for life by the president), who elect one of their number as chief justice for a two-year term. There are special courts for maritime cases, labor disputes, and other types of cases.

The courts are free from political control. Although the Ministry of Justice administers the lower courts, the Supreme Court oversees independent and fair application of the law.

A recent reform project transferred all judicial authority for criminal and civil cases from local officials (chiefs of police) to newly established district courts. This complete separation of judicial and executive power in regional jurisdictions was completed in 1992. Iceland did not accept compulsory ICJ jurisdiction.

## 17 ARMED FORCES

Iceland is the only NATO member with no military force of its own, although the government does maintain a 130-member coast guard with three patrol and one logistical/support vessels. US forces (1,658 personnel), along with Dutch forces, are stationed in Iceland.

## 18 INTERNATIONAL COOPERATION

Iceland became a member of the United Nations on 19 November 1946 and belongs to ECE and most of the nonregional specialized agencies, such as FAO, UNESCO, ILO, IFC, IFAD, the World Bank, and WHO. It belongs to the Council of Europe, the WTO, European Bank for Reconstruction and Development, the Euro-Atlantic Partnership Council, EFTA, NATO, the OECD, and the OSCE. The country is an associate member of the Western European Union. Iceland hold membership in the Council of the Baltic Sea States, the Nordic Council, the Nordic Investment Bank, the Arctic Council, and Barents Euro-Arctic Council. In 2001, the government established the Icelandic Crisis Response Unit (ICRU), which is designed to expand national support for cooperation in peacekeeping initiatives through the United Nations.

Iceland belongs to the Australia Group, the Nuclear Energy Agency, and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, Iceland is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Iceland's economy, once primarily agricultural, is now based overwhelmingly on fishing. Crop raising plays a small role, since most of the land is unsuitable for cultivation and the growing season is short. Sheep raising and dairying are the chief agricultural activities, with horse breeding also substantial. Iceland is generally self-sufficient in meat, eggs, and dairy products, but sugar and cereal products must be imported. Since Iceland has almost no known mineral resources and has had no concentrations of population until recent decades, industry is small-scale and local, depends heavily on imported raw and semi-manufactured materials, and cannot compete favorably with foreign industry, especially with imports from low-income countries.

Although the economy is based on private ownership and operates mainly on a free-enterprise basis, public enterprises account for a sizable share of GDP (about 30% in the mid-1990s). The cooperative movement is important in rural trade, and the national and local governments own some productive facilities in certain fields requiring large amounts of capital not available from private sources. The economy developed rapidly after World War II, with a rate of capital investment so high at times as to strain available resources. GNP growth fell from 9% in 1977 to -3% in 1983 but recovered to 9% in 1987. After that, it averaged -0.4% through 1993. From 1992–2001 the economy grew impressively. GDP per capita reached one of the highest levels among OECD countries. This performance was largely due to market liberalization, privatization, and other factors that spurred entrepreneurship and investment.

For a time, inflation ran rampant, rising from 30 to 45% in the late 1970s to nearly 50% annually during 1981–85. It then moderated, dropping to only 3.7% in 1991 and 1.7% in 1998; it rose again to 9.4% at the beginning of 2002. Unemployment, traditionally low, was 2% in 1999 and 3.2% in 2002.

After 2001, the overheated economy slowed. The government tightened monetary policy and exercised fiscal restraint to reduce domestic demand. The króna went through a period of devaluation and inflation rose. However, the weak currency resulted in a surge in exports, which was also helped by increased production. Aluminum exports were up 22% in 2002. Iceland is in the process of reducing its dependence upon fishing, and the aluminum industry is one sector that is contributing to the diversification of the economy; in addition, the government is taking advantage of Iceland's inexpensive and abundant supply of geothermal energy. Iceland was in a mild recession in 2002, but the economy was expected to recover by 2003 or 2004.

The GDP growth in 2004 was 5.2%, up from 4.2% in 2003; in 2005, the economy was expected to expand by 5.9%. The inflation rate has been fluctuating, but at 3.2% in 2004, it was well under control and did not pose any problems to the economy. A similar trend was registered by the unemployment rate, which reached 3.2% in 2004, and was expected to decrease to 2.1% in 2005. The government of Iceland continues to oppose EU membership for fear of losing control of the fishing industry, which is one of the country's main economic engines.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Iceland's gross domestic product (GDP) was estimated at \$10.3 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$34,600. The annual growth rate of GDP was estimated at 5.9%. The average inflation rate in 2005 was 4.1%. It was estimated that agriculture accounted for 11.8% of GDP, industry 22.3%, and services 65.9%.

Approximately 16% of household consumption was spent on food, 8% on fuel, 3% on health care, and 10% on education.

## 21 LABOR

The labor force was estimated at 160,000 in 2005. In 2003, agriculture, fishing or fish processing accounted for 10.3% of the workforce, with 18.3% in manufacturing, and 71.4% in the services sector. In 2005 the estimated unemployment rate was 2.1%.

As of 2002, about 85% of workers are union members. Principal unions are the Icelandic Federation of Labor (associated with the ICFTU) and the Municipal and Government Employees' Association. Labor disputes are settled by direct negotiations or by special courts, however strikes are permitted. Collective bargaining is used to negotiate pay, hours, and other conditions.

The customary workweek is 40 hours. Workers are entitled to overtime pay in excess of eight hours per day. There is no legal minimum wage, but wages are negotiated through collective bargaining. Even the lowest paid workers earn sufficient wages to provide a decent standard of living. Child labor standards are stringent and strictly enforced.

## 22 AGRICULTURE

About 78% of Iceland is agriculturally unproductive, and only about 1% of the land area is actually used for cultivation. Of this amount, 99% is used to cultivate hay and other fodder crops, with the remaining 1% used for potato and fodder root production. There were about 4,000 full-time farmers in the 1990s, with about 75% living on their own land; some holdings have been in the same family for centuries. In the 19th century and earlier, agriculture was the chief occupation, but by 1930, fewer than 36% of the people devoted their energies to farming, and the proportion has continued to fall. Hay is the principal crop; other crops are potatoes, turnips, oats, and garden vegetables. In hot-spring areas, vegetables, flowers and even tropical fruits are cultivated for domestic consumption in greenhouses heated with hot water from the springs. Besides hay and other fodder crops, about 7,500 tons of potatoes were produced in 2004. There are agricultural institutions in Borgarfjörður, Hjaltadalur, Hvanneyri, and Reykir; between 15–20% of all farmers have finished an agricultural degree program.

## 23 ANIMAL HUSBANDRY

Sheep raising is extensive, and mutton and lamb are primary meat products. Sheep are permitted to find their own grazing pasture during the warmer months and are rounded up toward the mid-

dle of September and put in shed for the winter. Cattle are raised mainly for dairying, and their number has been rising steadily; beef production is negligible. Sheep in 2005 numbered an estimated 454,000; cattle, 64,000 head; horses, 72,000; and poultry, 190,000. Estimated livestock production in 2005 included milk, 112,000 tons; mutton and lamb, 8,500 tons; and eggs, 2,600 tons. Iceland is self-sufficient in meat, dairy products, and eggs.

Icelandic farm animals are directly descended from the sheep, cattle, goats, pigs, poultry, dogs, cats, and especially horses (which were an invaluable means of travel) brought by 10th century Scandinavian settlers. In sparsely populated areas, such as the western fjords and on the east coast, farming is chiefly limited to raising sheep, although sheep farming exists in all areas of the country. Milk is produced mostly in the south and north. Except for poultry, egg, and pig production, farms are small in acreage and usually family-run. About 2,000 farmers are engaged in full-time sheep farming, and 1,000 more in mixed farming. There also are about 1,800 dairy farms in operation; Icelanders consume on average 175 liters (46.2 gal) of milk per capita per year, one of the highest amounts in the world. Cheese consumption is fourth highest, after France, Germany, and Italy. Horse-breeding is also a growing branch of animal husbandry in Iceland, as the popularity of the Iceland horse (which has five gaits) grows at home and abroad.

Animal farming is a highly mechanized industry carried out by well-educated farmers; nearly one fifth of all farmers matriculate at one of three agricultural colleges in Iceland.

## 24 FISHING

Accounting for about 9% of Iceland's employment, fishing and fish processing provide the primary source of foreign exchange. Exports of fish products were valued at \$1.5 billion in 2003. Icelanders consume more fish per capita annually (over 91.5 kg/201 lb live weight equivalent) than any other people in Europe. Cod is caught during the first five months of the year off the southwest coast. Herring are taken off the north and northeast coasts from June to September and off the southwest from September to December. In 2005, the fish catch was 1,984,349 tons (12th in the world), up from 1,502,445 tons in 1990. The 2003 catch included 680,291 tons of capelin, 501,494 tons of blue whiting, 250,039 tons of Atlantic herring, 206,670 tons of Atlantic cod, 60,402 tons of haddock, and 57,940 tons of pollock.

The fishing fleet as of 2004 consisted of 70 stern trawlers totaling 86,048 GRT and 869 other decked fishing vessels of 101,031 GRT. Most fishing vessels are now equipped with telecommunications devices, computers, and automated equipment. Through the early 1980s, about 250 whales a year were caught off the coast, providing lucrative export products. Although Iceland had agreed to phase out whaling in order to comply with the 1982 ban by the International Whaling Commission, in 1987 it announced its intention to take 100 whales a year for scientific purposes. The FAO reported that Iceland took 39 whales in 2003.

Abundant quantities of pure water and geothermal heat give Iceland an advantage over other nations in fish farming. Aquaculture is being developed to offset lean years in the natural fish catch, and to produce more expensive and profitable species of fish.

## 25 FORESTRY

There are no forests of commercial value, and the existing trees (ash, birch, aspen, and willow) are small; only about 1% of the total land area is considered forested. The originally extensive birch forests were cut down for firewood and to clear land for grazing sheep. In recent years, the remaining woods have been protected and reforestation has begun. Imports of forestry products amounted to about \$76.4 million in 2004.

## 26 MINING

Diatomite was a leading export commodity in 2004, and ferrosilicon production and geothermal power were Iceland's major mineral industries. Diatomite production, from Lake Myvatn, was estimated at 28,000 metric tons in 2004. Iceland also produced hydraulic cement, nitrogen, pumice, salt, scoria, sand (basaltic, calcareous, and shell), sand and gravel, and crushed stone (basaltic and rhyolite); these minerals were used by local industries. Among Iceland's other mineral resources, spar and sulfur deposits, once mined, were no longer worked extensively. Peat was common, but little used and sulfur and lignite were being processed experimentally, the former with the use of subterranean steam. The country's aluminum plant and ferrosilicon plant relied on imported raw materials and inexpensive hydroelectric and geothermal energy. Ferrosilicon production in 2004 totaled an estimated 118,000 metric tons in 2004.

## 27 ENERGY AND POWER

Iceland has no known reserves of oil, natural gas or coal. Thus, the country is entirely reliant upon imports to meet its demand for fossil fuels. However, the country does rely upon hydroelectric power and geothermal/other sources to generate electric power and to provide heat.

In 2002, refined oil imports were reported at 15,760 barrels per day, while demand was reported at 18,050 barrels per day. Coal imports and consumption for 2002, were each placed at 161,000 short tons. There were no imports of natural gas in 2002.

Hydroelectric power is the main source of electric power for Iceland, followed by geothermal and conventional thermal sources, respectively. In 2002, electric power generating capacity totaled 1.460 million kW, with hydropower accounting for 1.109 million kW, geothermal at 0.202 million kW, and conventional thermal at 0.149 million kW. Electric energy output in 2002 was 8.277 billion kWh, with hydroelectric output accounting for 83%, alternative sources for 16%, and conventional thermal fuels at less than 1%. Electric power demand in 2002 totaled 7.698 billion kWh. Peat, formerly an important source of heat on the farms, has been virtually abandoned.

Hot springs are used for heating greenhouses in which vegetables, fruit, and flowers are raised, and for heating public buildings. Since 1943, most of Reykjavík has been heated by water from hot springs at Reykir, some 160 km (100 mi) from the city. About 85% of the population lives in homes heated with geothermal power. In recent years, however, a significant decline in flow from geothermal drill holes has raised concern that this energy resource may not be so boundless as was once thought.

## 28 INDUSTRY

Fish processing is the most important industry. Facilities for freezing, salting, sun-curing, and reducing to oil or fish meal are flexible enough to allow shifting from one process to another in accordance with demand. By-products include fish meal and cod-liver oil.

Although Iceland's industry is focused on fish processing, the country in the 21st century needs to diversify its economy, as fish stocks are declining. (Nevertheless, fishing accounted for 12% of GDP in 2001 and 40% of total exports.) The manufacturing of energy-intensive industries, particularly aluminum, are rising. The ISAL aluminum smelter has expanded its capacity, and in 2002, construction of another aluminum smelter was underway. Production exports rose 22% in 2001. Other projects included the construction of a magnesium plant and the enlargement of the ferro alloy plant. Other industry is small-scale and designed to meet local needs. Chief manufactures include fishing equipment, electric stoves and cookers, paints, clothing, soaps, candles, cosmetics, dairy products, confectionery, and beer. Clothing factories are situated in Reykjavík and Akureyri. Icelandic ammonium nitrate needs are more than met by a fertilizer plant at Gufunes with an annual production capacity of 60,000 tons. A cement factory in Akranes with a capacity of 115,000 tons per year supplies most domestic cement requirements; total production in the mid-1990s amounted to 83,100 tons per year. Production of aluminum rose from 40,000 tons in 1970 to 99,300 tons per year in the same period. A ferro-silicon smelter, which began production in 1979, produced some 66,000 tons per year and a diatomite processing plant produced 25,000 tons.

In 2004, the industry had a 9.6% share in the GDP and employed 18.3% of the labor force; agriculture made up 11.2% of the economy, and together with fishing and fish processing employed 10.3% of the work force; services was by far the largest economic sector, with a 79.2% share in the GDP, and a 71.4% representation in the work force. The industrial production growth rate was 8.8% in 2004, higher than the GDP growth rate, which indicates that industry is currently a growth engine in Iceland.

## 29 SCIENCE AND TECHNOLOGY

The Icelandic Research Council coordinates science policy and advises the government on scientific matters. It has five research institutes devoted to marine science, technology, agriculture, the fish industry, and the construction and building industries. Other research institutes and learned societies include the Surtsey Research Society, the Icelandic Meteorological Office, the Association of Chartered Engineers in Iceland, the Agricultural Society of Iceland, the Iceland Glaciological Society, the Icelandic Natural History Society, and the Icelandic Society of Sciences, all located at Reykjavík.

The Icelandic Council of Science, an independent agency under the Ministry of Culture and Education, aims to stimulate and encourage scientific research. The University of Iceland has faculties of medicine, engineering, dentistry, and science. Two agricultural colleges are located in Hólum i Hjaltadal and Hvanneyri. The Icelandic College of Engineering and Technology is located at Reykjavík. In 1987–97, science and engineering students accounted for 41% of university enrollment. In 2002, of all bachelor's degrees

awarded, 17.2% were in the sciences (natural, mathematics and computers, and engineering).

In 2001, there were 6,592 researchers and 2,082 technicians per million people that were actively engaged in research and development (R&D). For that same year, R&D expenditures totaled \$262.371 million, or 3.08% of GDP. Of that amount, business accounted for the largest slice at 46.2%, followed by the government sector at 34%, with foreign sources and higher education accounting for 18.3% and 1.6%, respectively.

### 30 DOMESTIC TRADE

Foreign firms do not have branches in Iceland. Their business is conducted by Icelandic agents. Imports are handled by these agents, by wholesale or retail importers, or by the Federation of Iceland Cooperative Societies, and distribution is through private channels. Most advertising is translated and disseminated directly by agents. Foreign trade fairs are held from time to time.

Of the wholesale enterprises, 80–90% are concentrated in Reykjavík; more than half the retail establishments are likewise in the capital. Much trade is handled by cooperative societies, most of which are joined in the Federation of Iceland Cooperative Societies. A sales tax of 14% applies to most food items and books. A 24.5% tax applies to most other goods and services.

Business hours are from 9 AM to 6 PM on weekdays, and from 9 or 10 AM to noon on Saturdays. Banking hours are from 9:15 AM to 4 PM, Monday–Friday, with an additional hour from 5 to 6 PM on Thursday.

### 31 FOREIGN TRADE

The fishing industry of Iceland supports most of its commodity export market (60%). It supplies the world export market with 10.5% of its salted, dried, or smoked fish, second only to Norway in volume. Other important exports include aluminum (19%), animal feed (6.3%), iron (2.6%), diatomite, and ferrosilicon.

In 2004, exports reached \$2.9 billion (FOB—Free on Board), while imports grew to \$3.3 billion (FOB). The bulk of exports went to the United Kingdom (19.1%), Germany (17.2%), the Netherlands (11.5%), the United States (9.8%), Spain (6.8%), and Den-

### Balance of Payments – Iceland (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-572.0</b>
Balance on goods		-210.0
Imports	-2,596.0	
Exports	2,386.0	
Balance on services		-105.0
Balance on income		-242.0
Current transfers		-16.0
<b>Capital Account</b>		<b>-5.0</b>
<b>Financial Account</b>		<b>758.0</b>
Direct investment abroad		-169.0
Direct investment in Iceland		147.0
Portfolio investment assets		-593.0
Portfolio investment liabilities		3,696.0
Financial derivatives		...
Other investment assets		-1,978.0
Other investment liabilities		-345.0
<b>Net Errors and Omissions</b>		<b>126.0</b>
<b>Reserves and Related Items</b>		<b>-307.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

mark (4.6%). Imports included machinery and equipment, petroleum products, foodstuffs, and textiles, and mainly came from Germany (12.3%), the United States (9.9%), Norway (9.7%), Denmark (7.9%), the United Kingdom (7.2%), Sweden (6.7%), and the Netherlands (6%).

### 32 BALANCE OF PAYMENTS

The difference between imports and exports since World War II has been met by drawing from large wartime reserves, by Marshall Plan aid, and, since 1953, by income from US defense spending at Keflavík, the NATO airbase. Widely fluctuating current account deficits, attributable mainly to the trade imbalance, averaged more than 6.5% of GNP during 1971–75. During the next four years, although still largely negative, the current account balance improved; from 1980 through 1985, however, Iceland's current accounts position again deteriorated, this time because of large deficits in services.

Iceland suffered a prolonged recession during 1987–93 due to cuts in fish catch quotas necessitated in part by overfishing. Again, there was a significant deterioration in the balance of payments, especially on the current account and merchandise trade balances. In 1994 the economy recovered with the help of a 6.3% growth in exports, due to a better than expected performance in the fishing sector. The external current account balance was positive for the first time since 1986. Iceland experienced successful economic performance in the 1990s but fell into recession in 2001, which negatively impacted the current account deficit.

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Iceland's exports was \$2 billion while imports also totaled \$2 billion.

The International Monetary Fund (IMF) reported that in 2000 Iceland had exports of goods totaling \$1.9 billion and imports totaling \$2.38 billion. The services credit totaled \$1.05 billion and debit \$1.16 billion.

### Principal Trading Partners – Iceland (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	2,380.6	2,826.5	-445.9
United Kingdom	417.1	210.1	207.0
Germany	415.0	333.9	81.1
Netherlands	266.8	174.3	92.5
United States	225.0	210.9	14.1
Spain	150.5	51.4	99.1
Denmark	121.5	227.0	-105.5
Norway	106.4	195.9	-89.5
France-Monaco	96.3	90.4	5.9
Portugal	90.2	13.3	76.9
Japan	77.1	107.9	-30.8

(...) data not available or not significant.

SOURCE: *2003 International Trade Statistics Yearbook*, New York: United Nations, 2004.

Exports of goods reached \$2.9 billion in 2004, and were expected to grow to \$3.2 billion in 2005. Imports were expected to reach \$4.6 billion in 2005, up from \$3.4 billion in 2004. The resource balance was consequently negative, reaching -\$0.4 billion in 2004, and -\$0.6 billion in 2005. The current account balance was also negative, at -\$1.0 billion in 2004, and an expected -\$2.1 billion in 2005. Foreign exchange reserves (including gold) grew to \$935 million in 2004, covering less than four months of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

In March 1961, the Central Bank of Iceland was founded to issue notes and assume other central bank functions previously exercised by the National Bank of Iceland, a wholly state-owned bank established in 1885. Other banks are the Agricultural Bank, a state bank founded in 1929; the Fisheries Bank, a private joint-stock bank founded in 1930, with most of its shares held by the government; the Industrial Bank, a joint-stock bank established in 1953, with part of the shares owned by the government; the Iceland Bank of Commerce, founded in 1961; the Cooperative Bank of Iceland, founded in 1963; and the People's Bank, founded in 1971. All banks have main offices in Reykjavík, and some have branches in other towns. Savings banks are distributed throughout the country.

In 1955, Iceland took the first step toward indexation of financial assets. The Economic Management Act of 1979 established a system of full indexation of savings and credit, most provisions of which were gradually implemented over the next two years. Most deposits are now indexed, and legislation that took effect in November 1986 gave banks increased power to determine their interest rate.

In 1990 the number of commercial banks in Iceland were reduced from seven to four. A number of banks were forced to merge into the Islandbanki because of financial trouble. In 1997 there were four commercial banks, two of which, the Landsbanki and Bunadar banki, are still state-owned. The country's two other banks, Islandsbanki and Sparisjodabanki, are privately-owned.

The whole basis on which the financial system is supervised and regulated, however, has been transformed by Iceland's accession to the European Economic Area (EEA) in 1994. Under the agreement, Iceland has been required to implement into national law the common minimum standards for the supervision of financial institutions—banks, insurance companies, and securities firms—developed at EU level.

Since 15 June 1973, the market rate of the Icelandic króna has been floating vis-à-vis other currencies. A currency reform that took effect on 1 January 1981 introduced a new króna equivalent to 100 old krónur. The money supply, as measured by M2, totaled κ135,353 million in 1995. The International Monetary Fund reports that in 1998, currency and demand deposits—an aggregate commonly known as M1—were equal to \$820.5 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$3.2 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 8.12%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 8.5%.

The Securities Exchange of Iceland (SEI) was established in 1985 on the basis of rules set by the Central Bank. A new Act on

the Icelandic Stock Exchange was passed in February 1993, granting a monopoly to the exchange. As of 2004, a total of 34 companies were listed on the stock exchange, which had a market capitalization that year of \$17.629 billion. In 2004, the ICEX-15 rose 58.9% from the previous year to 3,359.6.

### 3<sup>4</sup> INSURANCE

There are many mutual insurance societies in addition to the national health and social insurance scheme. Almost all direct insurance is written by domestic companies that conduct business in the various kinds of property and life insurance. Automobile liability insurance and homeowners' coverage against fire, floods, earthquakes, and volcanic eruptions are compulsory. The Ministry of Insurance Affairs is the principal supervisory body. In 2003, direct premiums written totaled \$345 million, of which nonlife premiums accounted for \$314 million. In 2002, Sjova Almennar was Iceland's top nonlife and life insurer, with gross written non-life premiums (for nonlife and life insurers) and life premiums of \$112.7 million and \$14.4 million, respectively.

### 3<sup>5</sup> PUBLIC FINANCE

Since 1984, Iceland's budget has shown a deficit averaging nearly 2% of GDP, raising its net indebtedness relative to GDP to almost 30% in 1994. Government attempts to balance the budget were frustrated by the economic downturn during 1987–93 and by fiscal concessions to expedite wage settlements. Consequently, the deficit has been larger than expected, reaching 34% of GDP in 1999.

The US Central Intelligence Agency (CIA) estimated that in 2005 Iceland's central government took in revenues of approximately \$6.9 billion and had expenditures of \$6.7 billion. Revenues minus expenditures totaled approximately \$234 million. Public debt in 2005 amounted to 34% of GDP. Total external debt was \$3.073 billion.

#### Public Finance – Iceland (2002)

(In millions of kronur, central government figures)

<b>Revenue and Grants</b>	<b>259,012</b>	<b>100.0%</b>
Tax revenue	197,026	76.1%
Social contributions	23,904	9.2%
Grants	...	...
Other revenue	38,081	14.7%
<b>Expenditures</b>	<b>262,231</b>	<b>100.0%</b>
General public services	48,434	18.5%
Defense	...	...
Public order and safety	12,881	4.9%
Economic affairs	41,198	15.7%
Environmental protection	...	...
Housing and community amenities	2,383	0.9%
Health	68,812	26.2%
Recreational, culture, and religion	8,227	3.1%
Education	26,106	10.0%
Social protection	54,190	20.7%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were κ259,012 million and expenditures were κ262,231 million. The value of revenues was us\$2,826 million and expenditures us\$2,861 million, based on an exchange rate for 2002 of us\$1 = κ91.662 as reported by the IMF. Government outlays by function were as follows: general public services, 18.5%; public order and safety, 4.9%; economic affairs, 15.7%; housing and community amenities, 0.9%; health, 26.2%; recreation, culture, and religion, 3.1%; education, 10.0%; and social protection, 20.7%.

### 3<sup>6</sup>TAXATION

Recent tax reforms in Iceland have produced a steady drop in corporate income tax rates throughout the 1990s and, since 1995, decreased marginal rates and increased thresholds for personal income tax. The corporate income tax rate, at 50% in 1989, was decreased from 30% in 2001 to 18% in 2002. The income tax on partnerships, was decreased from 38% in 2001 to 26% in 2002. Since March 1999, Iceland has also offered an offshore corporate tax rate of 5% to international trading companies (ITCs) that exclusively trade in goods and services outside of Iceland. Capital gains are taxed as ordinary income at 18%, although gains may be offset by extraordinary depreciation. Dividends paid to nonresident companies are subject to a 15% tax rate, while dividends paid to nonresident persons are subject to a 10% tax rate.

The personal income tax schedule in Iceland consists of a tax free allowance (about \$10,457 in 2002 increased to \$10,785 in 2003); a total tax rate that is the sum of the central government's general rate (25.75% in 2002 and 2003) and the municipal tax rate (12.8% in 2002 and 2003) giving a total tax rate of 38.55%; and a central government surtax (7% in 2002 reduced to 5% in 2003) which is applied to income above a certain threshold (\$51,404 in 2002 and \$52,818 in 2003) creating a three-bracket structure with maximum tax rate of 45.54% in 2002 decreased to 43.54% in 2003. Seamen are allowed special a special tax reduction amounting to about \$9.40 a day in 2003. The social security tax, paid by the employer, is 5.73%. Since 1999, reductions in social security taxes (0.2% in 1999 and 0.4% as of May 2000) have been offered to employers in exchange for their contribution to supplementary employee pension premiums. In 2003 the wealth tax rate, applied to assets above about \$61,000, was halved from 1.2% to 0.6% and a 0.25% surtax on net wealth above approximately \$81,800 was abolished largely because of increases in real property values following an assessment review by the Valuation Office in 2002. Inheritance and gift taxes range from 11–15%. There is a 2–6% tax on the transfer of housing, and a 10% tax on the transfer of large estates. Local authorities may levy individual income and corporate taxes.

The major indirect tax is Iceland's value-added tax (VAT) with a normal rate of 24.5% on domestic goods and services. There is a reduced rate of 14% applied to most foodstuffs, books, newspapers and periodicals, subscriptions to radio and the TV, hotels, electricity, geothermal heating. Exempted from VAT are exports of goods and services, as well as services connected with imports and exports. Other categories for exemption include health services, social services, education, libraries, the arts, sports, passenger transport, postal services, rental of property, insurance, and banking.

### 3<sup>7</sup>CUSTOMS AND DUTIES

Over 90% of imports are not subject to import restrictions or duties other than the same value-added tax applied to domestically produced goods. Special excise taxes are levied on sugar and some sugar products, potatoes, and motor vehicles. Agricultural products remain the most heavily taxed. In March 1970, Iceland acquired full membership in EFTA. On 28 February 1973, Iceland ratified a trade agreement with the European Community (later named the European Union) leading to the elimination of tariffs on industrial goods. A law authorizing the establishment of free trade zones went into effect in 1992. Iceland's trade regime underwent considerable liberalization in the 1990s with accession to the European Economic Area (EEA) in 1993, and the Uruguay Round in 1994.

Current duty rates generally range from 0–30% ad valorem and the average weighted tariff is 3.6%. Some goods enter duty-free, such as meat, fish, and dairy products.

### 3<sup>8</sup>FOREIGN INVESTMENT

Icelanders have been reluctant to permit substantial foreign investment; nearly all such investment is limited to participation in joint ventures in which Icelandic interests hold a majority share. There is only one wholly foreign-owned industrial facility in the country, a Swiss aluminum-processing facility. Two others, a ferro-silicon and a diatomite plant, have foreign equity participation. From the beginning of 1993, Icelanders have been free to invest abroad.

For the period 1988 to 1990, Iceland's share in world foreign direct investment (FDI) inflow was only 30% of its share in world GDP. For the period 1998 to 2000, its share of world FDI inflows was 40% of its share of world GDP, a marginal improvement. Except for a fall to \$66 million in 1998, yearly FDI inflows to Iceland have in the range of \$146 million (2001) to \$158 million (2000).

Energy-intensive industrial activities is one of the main areas for foreign investments, due to the inexpensive energy resources available in Iceland. The national telephone company was expected to be privatized by the end of 2005, and the government has started discussing about opening part of the fishing industry to limited foreign investment. Biomedical and genetic research are two areas with future potential for investments.

### 3<sup>9</sup>ECONOMIC DEVELOPMENT

The national government and some local governments are involved in trawler fishing, herring processing, merchant shipping, electric power facilities, and certain other industries. To a considerable degree, the central government supervises the export-import trade and the fishing and fish-processing industries. It may set uniform prices of export commodities and may shift export and import trade to specific countries as balance-of-payments considerations require. It channels investment funds into fields it considers desirable.

The government supports farmers in the rebuilding or enlarging of their homes, livestock sheds, and barns, and assists them in the purchase of machinery. Equipped with crawler tractors and excavators, a government agency helps farmers enlarge cultivated areas and break, drain, and level new lands for the establishment

of homesteads. Thousands of new acres have thus been brought under cultivation.

The government fixes prices of essential foods and other basic consumption items and subsidizes them, both to limit prices for the consumer and to maintain farm incomes. It also fixes mark-ups that manufacturers, wholesalers, retailers, and importers may place on a wide variety of products.

In the early 1990s, the government concentrated on maintaining the value of the króna by bringing down inflation, even at the cost of economic growth. Wage gains were restricted. In late 1992, plans were made public for a Fisheries Development Fund that would buy and scrap unneeded vessels and thereby promote efficiency. The Fund would also be used to help firms establish joint ventures abroad and buy fishing rights. Plans were also under way to sell several state-owned companies, with the money used for research and development and reducing the deficit. Entry into the European Economic Area (EEA) in 1994 and the Uruguay Round brought increased trade liberalization and foreign investment. The country experienced rapid economic growth during the late 1990s, but high domestic spending led to a widening current account deficit that peaked at 10% of GDP in 2000.

The economy went into recession in 2001, and inflation rose. The government tightened monetary and fiscal policy that brought inflation down, but GDP growth remained negative in 2002. The government adopted a floating exchange rate for the króna in March 2001. Gross external debt amounted to 130% of GDP at the end of 2002. The government is looking to diversify exports, which is expected to stabilize the economy.

More than 70% of export revenues are contributed by the fishing industry, which makes the Icelandic economy susceptible to declining fish stocks and fluctuations in world prices for fish and fish products. To better equip for the future, Iceland has started diversifying its economic base, and branched out into software production, biotechnology, and financial services. At the same time, it has started expanding its manufacturing and tourism sectors. The current economic growth is expected to be sustained until 2007, and will have private consumption as its prime engine.

#### **40 SOCIAL DEVELOPMENT**

There is a universal pension covering all residents and a mandatory occupational pension covering all employees and self-employed persons. Universal pensions covering all residents are paid by employer and government contributions, while the cost of employment pensions is shared by employees and employers. Benefits include old age, disability, and survivorship pensions. Sickness and maternity benefits are available to all residents. The first laws covering sickness and maternity were instituted in 1936. Medical benefits cover all residents.

The number of women in the work force is high, partially due to a comprehensive subsidized day care program. In 2004 more than 75% of women were actively engaged in the work force. Equal pay for equal work is required by law although men continue to earn more than women. The government takes serious measures to protect women against violence and sexual abuse, though many cases remain unreported.

The constitution provides for the freedom of speech and press, assembly and association, and religion. These rights are generally respected by the government. There is very little discrimina-

tion based on race, gender, religion, disability, language, or social status.

#### **41 HEALTH**

The Director of Public Health is responsible for all health matters. Iceland had an estimated 347 physicians, 893 nurses, 77 midwives, 120 dentists, and 85 pharmacists per 100,000 people in 2004. In the 1990s there were an estimated 53 hospitals, with 3,985 beds. Two-thirds of the beds were in nursing and senior living homes, with the remaining one-third in hospitals. Public expenditures on health were among the highest in industrialized countries at 19.3% of the gross domestic product.

As of 2002, Iceland had estimated birth and death rates of, respectively, 14.4 and 6.9 per 1,000 people. Life expectancy was estimated at 80.19 years, among the highest in the world. Infant mortality in 2005 was estimated at 3.31 per 1,000 live births, one of the lowest in the world. The total fertility rate was two children per woman during her childbearing years. The incidence of tuberculosis, once widespread, has been greatly reduced. Leprosy, also common in earlier times, has been virtually eliminated, with no new cases reported in recent decades. Approximately 99% of Iceland's children were immunized against measles. The HIV/AIDS prevalence was 0.20 per 100 adults in 2003. As of 2004, there were approximately 220 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

The major causes of death were circulatory system diseases, cerebrovascular disease, malignant neoplasms (cancers), and diseases of the respiratory system.

#### **42 HOUSING**

In 2003, there were about 111,157 dwellings in the nation; about 383 dwellings for every 1,000 inhabitants. About 53% of all dwellings were one- or two-family houses; 45% were apartments. About 37% of all dwellings had five or more rooms and a kitchen. Most rural buildings were at one time made of turf, then of wood, and most recently of stone and concrete. In the towns, turf houses long ago gave way to wooden ones, but for some decades most new housing has been concrete. Virtually all dwellings have electricity, piped water, and central heating.

#### **43 EDUCATION**

Education is compulsory for 10 years of basic education (ages 6 to 16). Students may then choose to attend a general or technical secondary school, each offering four-year programs. Specialized vocational schools are also available to secondary students, including a commercial high school, a school of navigation, two schools of agriculture, and a health professions school. In some remote rural areas, a system of "alternate teaching" is in effect. This allows children to study intensively for a week or two at a boarding school, then return home for the same period of time. The academic year runs from September to May.

Most children between the ages of three and five are enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 86% of age-eligible students. Nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 11:1 in 2003; the ratio for secondary school was about 13:1.



There are at least eight *háskóli*; a term that refers to both traditional universities and other institutions of higher education that do not have research programs. The University of Iceland in Reykjavík, founded in 1911, has faculties of law and economics, theology, medicine and dentistry, philosophy (art and humanities), and engineering. Tuition is free; only nominal registration and examination fees must be paid. In 2003, about 63% of the tertiary age population were enrolled in some type of higher education program; with 45% for men and 81% for women. The adult literacy rate has been estimated at about 99.9%.

As of 2003, public expenditure on education was estimated at 7.6% of GDP.

#### 44 LIBRARIES AND MUSEUMS

The National and University Library in Reykjavík (founded in 1818; 900,000 items) serves as a national library as well as a public lending library. Other leading libraries, in the Reykjavík include the City Library of Reykjavík, which sponsors seven branch location and bookmobile, and the National Archives, which contains a collection of documents covering 800 years of Icelandic history. In 2000, there were about 106 public libraries in the country.

The important museums, also all in Reykjavík, are the Icelandic National Museum (founded in 1863), the Natural History Museum (1889), and a museum devoted to the sculptures and paintings of Einar Jónsson. The Arni Magnusson Institute contains Iceland literature and documents that were somewhat recently returned to the Icelandic government after being held by Denmark for centuries. Also in the capital are the National Gallery of Iceland, the Living Art Museum, and the Sigurjón Ólaffson Museum, among others. The Kopavogur Art Museum contains exhibits primarily on modern and contemporary art. A Salt Fish Museum opened in Grindavík in 2002 to commemorate the country's fishing industry.

#### 45 MEDIA

Radio and radiotelephone communications are maintained with Europe and America and an underwater telegraph cable connects Iceland with Europe. The telephone, telegraph, and radio systems are publicly owned and administered. In 2003, there were 190,700 mainline phones and 279,100 mobile phones in use throughout the country.

The government-owned Icelandic National Broadcasting Service (RUV) provides the primary national radio and television broadcasts. There are, however, several smaller private stations. As of 1999 there were 5 AM and 147 FM radio stations and 14 television stations. In 1997 there were 260,000 radios and 98,000 television sets throughout the country. In 2003, there were about 195,000 Internet subscribers nationwide served by about 122,175 Internet hosts.

There are five daily newspapers, four of which are published in Reykjavík. With their political orientation and average daily circulation in 2002, they were: *Morgunblað*, Independence Party, 53,000; *DV Dagblað*, 44,000; *Tíminn*, Progressive Party, 14,000; *Althyðublað*, 4,000; and *Dagur-Tíminn* (Akureyri), Progressive Party. Icelandreview.com is an English-language news site. Nondaily newspapers are published in Reykjavík and other towns. Various popular and scholarly periodicals are published in Reykjavík.

The law prohibits the production, showing, distribution, and/or sale of violent movies, which are defined as containing scenes depicting the mistreatment or the brutal killing of men or animals. The Motion Picture Review Committee, which includes six members, is appointed by the Minister of Education and Culture to review all movies before they are shown. The committee also rates the films based on their suitability for children. By their evaluation, the committee may ban a film or require edits before its release.

The constitution provides for freedom of speech and press, and the government is said to respect these rights in practice.

#### 46 ORGANIZATIONS

The Iceland Chamber of Commerce and the Confederation of Icelandic Employers are based in Reykjavík. Organizations representing laborers, businesses, and industries include the Farmers Association of Iceland, the Federation of Icelandic Industries, and the Federation of Icelandic Trade.

There are professional associations representing a wide variety of fields, such as the Icelandic Teachers Union and the Icelandic Nurses' Association. Many of these promote research and education in particular fields, such as the Icelandic Medical Association. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions, such as the Icelandic Heart Association.

Notable national youth organizations include the Federation of Young Progressives, Independence Party Youth Organization, National Council of Icelandic Youth, National Union of Icelandic Students, Social Democratic Youth Federation, Youth Movement of the People's Alliance, YMCA/YWCA, and The Icelandic Boy and Girl Scouts Association. There are several sports associations in the country representing such pastimes as football (soccer), badminton, squash, mountain biking, skiing, skating, and track and field.

Learned societies include the Icelandic Archaeological Society, the Icelandic Historical Society, the Icelandic Literary Society, the Music Society, the Icelandic Natural History Society, and the Agricultural Association. There are also the Icelandic Artists' Association, the Iceland Association of Pictorial Artists, the Icelandic Actors' Association, the Icelandic Musicians' Association, the Icelandic Composers' Society, the Icelandic Architects' Association, and the Icelandic Writers' Association. Among other cultural organizations are the Icelandic-American Society, the Danish Society, the Danish-Icelandic Society, the Anglo-Icelandic Society, the Alliance Française, the Nordic Society, and the Union of Women's Societies.

The Salvation Army, Caritas, Amnesty International, and the Red Cross all have active chapters within the country. Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present.

#### 47 TOURISM, TRAVEL, AND RECREATION

Iceland offers such diverse and unusual natural attractions as active volcanoes, glaciers, and hot springs. Among popular participatory sports are swimming (possible year-round in geothermal pools), salmon fishing, pony trekking, bird-watching, skiing, river

rafting, and golf. Tourists may arrange to stay in modern hotels, guest houses, on farms, or in youth hostels.

Citizens of the Scandinavian countries do not require a passport when visiting Iceland. All other visitors need valid passports and visas, except residents of some 60 countries (including the United States, Australia, and Canada). Visas are good for up to three months. A certificate of vaccination against yellow fever is required if traveling from an infected country.

In 2003, there were 569,194 tourist arrivals, almost an 11% increase from 2002. There were 7,330 hotel rooms with 14,948 beds and an occupancy rate of 42%.

In 2005, the US Department of State estimated the daily cost of traveling in Reykjavik from May through September at \$442, and \$352 the rest of the year. The cost of a stay in Keflavik-Grindavik was estimated at \$367 per day.

#### 48 FAMOUS ICELANDERS

Famous early Icelanders were Eric the Red (Eiríkur Thorvaldsson), who discovered and colonized Greenland in 982, and his son Leif Ericsson (Leifur Eiríksson, b.970), who introduced Christianity to Greenland and discovered the North American continent (c.1000). Two famous patriots and statesmen were Bishop Jón Arason (1484–1550), who led the fight for liberty against the power of the Danish king, and Jón Sigurðsson (1811–79), Iceland's national hero, champion of the fight for independence. Vigdís Finnbogadóttir (b.1930) served four consecutive terms as president from 1980 to 1996, becoming the first female elected to the presidency of any republic.

Prominent writers were Ari Thorgilsson (1067–1148), father of Icelandic historical writing; Snorri Sturluson (1178–1241), author of the famous *Prose Edda*, a collection of Norse myths; and Hallgrímur Pétursson (1614–74), author of Iceland's beloved Passion Hymns. Leading poets include Bjarni Thorarensen (1786–1841) and Jónas Hallgrímsson (1807–45), pioneers of the Romantic movement in Iceland; Matthías Jochumsson (1835–1920), author of Iceland's national anthem; Thorsteinn Erlingsson (1858–1914), lyricist; Einar Hjörleifsson Kvaran (1859–1939), a pioneer of realism in Icelandic literature and an outstanding short-story writer; Einar Benediktsson (1864–1940), ranked as one of the greatest modern Icelandic poets; Jóhann Sigurjónsson (1880–1919), who lived much of his life in Denmark and wrote many plays based on Icelandic history and legend, as well as poetry; and the novelist

Halldór Kiljan Laxness (1902–98), who received the Nobel Prize for literature in 1955.

Niels Ryberg Finsen (1860–1904), a physician who pioneered in the field of light (ray) therapy, received the Nobel Prize for medicine in 1903. Stefán Stefánsson (1863–1921) was the pioneer Icelandic botanist. Helgi Pjeturss (1872–1949), geologist and philosopher, was an authority on the Ice Age and the geology of Iceland. Einar Jónsson (1874–1954), Iceland's greatest sculptor, is represented in European and American museums.

Singer, songwriter, and composer Björk (b.1965), formerly the lead singer of the Icelandic band The Sugarcubes, works in a variety of musical genres. The former world chess champion Bobby Fischer (b.1943) became an Icelandic citizen in 2005. Russian pianist and composer Vladimir Ashkenazy (b.1937) has been a citizen since 1972.

#### 49 DEPENDENCIES

Iceland has no territories or colonies.

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# IRELAND

Éire



**CAPITAL:** Dublin (Baile Átha Cliath)

**FLAG:** The national flag is a tricolor of green, white, and orange vertical stripes.

**ANTHEM:** *Amhrán na bhFiann (The Soldier's Song)*.

**MONETARY UNIT:** The euro replaced the Irish punt as the official currency in 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** Since 1988, Ireland has largely converted from the British system of weights and measures to the metric system.

**HOLIDAYS:** New Year's Day, 1 January; St. Patrick's Day, 17 March; Bank Holidays, 1st Monday in June, 1st Monday in August, and last Monday in October; Christmas Day, 25 December; St. Stephen's Day, 26 December. Movable religious holidays include Good Friday and Easter Monday.

**TIME:** GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

An island in the eastern part of the North Atlantic directly west of the United Kingdom, on the continental shelf of Europe, Ireland covers an area of 70,280 sq km (27,135 sq mi). Comparatively, the area occupied by Ireland is slightly larger than the state of West Virginia. The island's length is 486 km (302 mi) N–S, and its width is 275 km (171 mi) E–W. The Irish Republic is bounded on the N by the North Channel, which separates it from Scotland; on the NE by Northern Ireland; and on the E and SE by the Irish Sea and St. George's Channel, which separate it from England and Wales. To the W, from north to south, the coast is washed by the Atlantic Ocean.

Ireland's capital city, Dublin, is located on the Irish Sea coast.

## <sup>2</sup> TOPOGRAPHY

Ireland is a limestone plateau rimmed by coastal highlands of varying geological structure. The central plain area, characterized by many lakes, bogs, and scattered low ridges, averages about 90 m (300 ft) above sea level. Principal mountain ranges include the Wicklow Mountains in the east and Macgillicuddy's Reeks in the southwest. The highest peaks are Carrantuohill (1,041 m/3,414 ft) and Mt. Brandon (953 m/3,127 ft), near Killarney, and, 64 km (40 mi) south of Dublin, Lugnaquilla (926 m/3,039 ft).

The coastline, 1,448 km (900 mi) long, is heavily indented along the south and west coasts where the ranges of Donegal, Mayo, and Munster end in bold headlands and rocky islands, forming long, narrow fjordlike inlets or wide-mouthed bays. On the southern coast, drowned river channels have created deep natural harbors. The east coast has few good harbors.

Most important of the many rivers is the Shannon, which rises in the mountains along the Ulster border and drains the central plain as it flows 370 km (230 mi) to the Atlantic, into which it

empties through a wide estuary nearly 110 km (70 mi) long. Other important rivers are the Boyne, Suir, Liffey, Slaney, Barrow, Blackwater, Lee, and Nore.

## <sup>3</sup> CLIMATE

Ireland has an equable climate, because the prevailing west and southwest winds have crossed long stretches of the North Atlantic Ocean, which is warmer in winter and cooler in summer than the continental land masses. The mean annual temperature is 10°C (50°F), and average monthly temperatures range from a mild 4°C (39°F) in January to 16°C (61°F) in July. Average yearly rainfall ranges from less than 76 cm (30 in) in places near Dublin to more than 254 cm (100 in) in some mountainous regions. The sunniest area is the extreme southeast, with an annual average of 1,700 hours of bright sunshine. Winds are strongest near the west coast, where the average speed is about 26 km/hr (16 mph).

## <sup>4</sup> FLORA AND FAUNA

Since Ireland was completely covered by ice sheets during the most recent Ice Age, all existing native plant and animal life originated from the natural migration of species, chiefly from other parts of Europe and especially from Britain. Early sea inundation of the land bridge connecting Ireland and Britain prevented further migration after 6000 BC. Although many species have subsequently been introduced, Ireland has a much narrower range of flora and fauna than Britain. Forest is the natural dominant vegetation, but the total forest area is now only 9.6% of the total area, and most of that remains because of the state afforestation program. The natural forest cover was chiefly mixed sessile oak woodland with ash, wych elm, birch, and yew. Pine was dominant on poorer soils,

with rowan and birch. Beech and lime are notable natural absentees that thrive when introduced.

The fauna of Ireland is basically similar to that of Britain, but there are some notable gaps. Among those absent are weasel, polecat, wildcat, most shrews, moles, water voles, roe deer, snakes, and common toads. There are also fewer bird and insect species. Some introduced animals, such as the rabbit and brown rat, have been very successful. Ireland has some species not native to Britain, such as the spotted slug and certain species of wood lice. Ireland's isolation has made it notably free from plant and animal diseases. Among the common domestic animals, Ireland is particularly noted for its fine horses, dogs, and cattle. The Connemara pony, Irish wolfhound, Kerry blue terrier, and several types of cattle and sheep are recognized as distinct breeds.

As of 2002, there were at least 25 species of mammals, 143 species of birds, and over 900 species of plants throughout the country.

## 5 ENVIRONMENT

Ireland enjoys the benefits of a climate in which calms are rare and the winds are sufficiently strong to disperse atmospheric pollution. Nevertheless, industry is a significant source of pollution. In 1996, carbon dioxide emissions from industrial sources totaled 34.9 million metric tons. In 2002, the total of carbon dioxide emissions was at 42.2 million metric tons. Water pollution is also a problem, especially pollution of lakes from agricultural runoff. The nation has 49 cu km of renewable water resources.

Principal responsibility for environmental protection is vested in the Department of the Environment. The Department of Fisheries and Forestry, the Department of Agriculture, and the Office of Public Works also deal with environmental affairs. Local authorities, acting under the supervision of the Department of the Environment, are responsible for water supply, sewage disposal, and other environmental matters.

In 2003, about 1.7% of the total land area was protected, including 45 Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included four types of mammals, eight species of birds, six species of fish, one type of mollusk, two species of other invertebrates, and one species of plant. Threatened species include the Baltic sturgeon, Kerry slug, and Marsh snail. The great auk has become extinct.

## 6 POPULATION

The population of Ireland in 2005 was estimated by the United Nations (UN) at 4,125,000, which placed it at number 122 in population among the 193 nations of the world. In 2005, approximately 11% of the population was over 65 years of age, with another 21% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.8%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 4,530,000. The population density was 59 per sq km (152 per sq mi).

The UN estimated that 60% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.37%. The capital city, Dublin (Baile Átha Cliath), had a popu-

lation of 1,015,000 in that year. The other largest urban centers (and their estimated populations) were Cork (193,400), Limerick (84,900), Galway (65,832), and Waterford (44,594).

## 7 MIGRATION

The great famine in the late 1840s inaugurated the wave of Irish emigrants to the United States, Canada, Argentina, and other countries: 100,000 in 1846, 200,000 per year from 1847 to 1850, and 250,000 in 1851. Since then, emigration has been a traditional feature of Irish life, although it has been considerably reduced since World War II. The net emigration figure decreased from 212,000 for 1956–61 to 80,605 for 1961–66 and 53,906 for 1966–71. During 1971–81, Ireland recorded a net gain from immigration of 103,889. As of November 1995, more than 150,000 people had left Ireland in the previous 10 years, unemployment being the main reason. The top two destinations were the United Kingdom and the United States.

During the 1990s there was a considerable rise in the number of asylum seekers, from 39 applications in 1992 to 4,630 in 1998. The main countries of origin were Nigeria, Romania, the Democratic Republic of the Congo, Libya, and Algeria. Also, during the Kosovo crisis in 1999, Ireland took in 1,033 Kosovar Albanians who were evacuated from Macedonia under the UNHCR/IOM Humanitarian Evacuation Programme. In 2004 Ireland had 7,201 refugees and 3,696 asylum seekers. Asylum seekers are primarily from Nigeria and the Democratic Republic of the Congo and six other countries.

In 2005, the net migration rate was estimated as 4.93 migrants per 1,000 population, up from -1.31 in 1999.

## 8 ETHNIC GROUPS

Within historic times, Ireland has been inhabited by Celts, Norsemen, French Normans, and English. Through the centuries, the racial strains represented by these groups have been so intermingled that no purely ethnic divisions remain. The Travellers are group of about 25,000 indigenous nomadic people who consider themselves to be a distinct ethnic minority.

## 9 LANGUAGES

Two languages are spoken, English and Irish (Gaelic). During the long centuries of British control, Irish fell into disuse except in parts of western Ireland. Since the establishment of the Irish Free State in 1922, the government has sought to reestablish Irish as a spoken language throughout the country. It is taught as a compulsory subject in schools and all government publications, street signs, and post office notices are printed in both Irish and English. English, however, remains the language in common use. Only in a few areas (the Gaeltacht), mostly along the western seaboard, is Irish in everyday use. In 1995, a national survey found that only 5% of Irish people frequently used the Irish language and only 2% considered it their native tongue. About 30% of the population, however, claims some proficiency in Gaelic.

## 10 RELIGIONS

According to the 2002 census, about 88.4% of the population were nominally Roman Catholic. The next largest organization was the Church of Ireland (Anglican), with a membership of about 2.9%

of the population. About 0.52% of the population were Presbyterian, 0.25% were Methodist, 0.49 were Muslim, and less than 0.1% were Jewish. There are small communities Jehovah's Witnesses. For ecclesiastical purposes, the Republic of Ireland and Northern Ireland (UK) constitute a single entity. Both Roman Catholics and Episcopalian churches have administrative seats at Armagh in Northern Ireland. The Presbyterian Church has its headquarters in Belfast. The constitutional right to freedom of religion is generally respected in practice.

## 11 TRANSPORTATION

The Irish Transport System (C oras Iompair  ireann-CIE), a state-sponsored entity, provides a nationwide coordinated road and rail system of public transport for goods and passengers. It is also responsible for maintaining the canals, although they are no longer used for commercial transport. Ireland's railroads, like those of many other European countries, have become increasingly unprofitable because of competition from road transport facilities. There were 3,312 km (2,056 mi) of track in 2004, all of it broad gauge. CIE receives an annual government subsidy.

A network of good main roads extends throughout the country, and improved country roads lead to smaller towns and villages. Ninety-six percent of all inland passenger transport and 90% of inland freight are conveyed by road. Bus routes connect all the major population centers and numerous moderate-sized towns. In 2002, there were 95,736 km (59,548 mi) of roads, of which all were surfaced. In 2003 there were 1,520,000 passenger cars and 272,000 commercial vehicles in use.

In 2005, Ireland's merchant fleet consisted of 39 vessels of 1,000 GRT or more. The state-supported shipping firm, the British and Irish Steam Packet Co. (the B and I Line), is largely engaged in cross-channel travel between Ireland and the United Kingdom, providing passenger and car ferry services as well as containerized freight services, both port to port and door to door. The Irish Continental Line operates services to France, linking Rosslare with Le Havre and Cherbourg; it also runs a summer service between Cork and Le Havre. Brittany Ferries operates a weekly service between Cork and Roscoff. Other shipping concerns operate regular passenger and freight services to the United Kingdom and freight services to the Continent. There are deepwater ports at Cork and Dublin and 10 secondary ports. Dublin is the main port. As of 2004, Ireland had 753 km (468 mi) of navigable inland waterways, but which were accessible only by pleasure craft.

In 2004 there were an estimated 36 airports, of which 15 had paved runways as of 2005. Aer Lingus (Irish International Airlines), the Irish national airline, operates services between Ireland, the United Kingdom, and continental Europe as well as transatlantic flights. Many foreign airlines operate scheduled transatlantic passenger and air freight services through the duty-free port at Shannon, and most transatlantic airlines make nonscheduled stops there; foreign airlines also operate services between Ireland, the United Kingdom, and continental Europe. The three state airports at Dublin, Shannon, and Cork are managed by Aer Rianta on behalf of the Ministry for Transport and Power. A domestic airline, Aer Arann Teo, connects Galway with the Aran Islands



LOCATION: 63°19' to 67°7'5" N; 13°16'7" to 24°32'3" W. BOUNDARY LENGTHS: total coastline, 4,970 kilometers (3,090 miles). TERRITORIAL SEA LIMIT: 12 miles.

and Dublin. In 2003, about 28.864 million passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

The pre-Christian era in Ireland is known chiefly through legend, although there is archaeological evidence of habitation during the Stone and Bronze ages. In about the 4th century BC, the tall, red-haired Celts from Gaul or Galicia arrived, bringing with them the Iron Age. They subdued the Picts in the north and the  rainn tribe in the south, then settled down to establish a Gaelic civilization, absorbing many of the traditions of the previous inhabitants. By the 3rd century AD, the Gaels had established five permanent

kingdoms—Ulster, Connacht, Leinster, Meath (North Leinster), and Munster—with a high king, whose title was often little more than honorary, at Tara. After St. Patrick's arrival in AD 432, Christian Ireland rapidly became a center of Latin and Gaelic learning. Irish monasteries drew not only the pious but also the intellectuals of the day, and sent out missionaries to many parts of Europe.

Toward the end of the 8th century, the Vikings began their invasions, destroying monasteries and wreaking havoc on the land, but also intermarrying, adopting Irish customs, and establishing coastal settlements from which have grown Ireland's chief cities. Viking power was finally broken at the Battle of Clontarf in 1014. About 150 years later, the Anglo-Norman invasions began. Gradually, the invaders gained control of the whole country. Many of them intermarried, adopted the Irish language, customs, and traditions, and became more Irish than the Gaels. But the political attachment to the English crown instituted by the Norman invasion caused almost 800 years of strife, as successive English monarchs sought to subdue Gaels and Norman-Irish alike. Wholesale confiscations of land and large plantations of English colonists began under Mary I (Mary Tudor) and continued under Elizabeth I, Cromwell, and William III. Treatment of the Irish reached a brutal climax in the 18th century with the Penal Laws, which deprived Catholics and Dissenters (the majority of the population) of all legal rights.

By the end of the 18th century, many of the English colonists had come to regard themselves as Irish and, like the English colonists in America, resented the domination of London and their own lack of power to rule themselves. In 1783, they forced the establishment of an independent Irish parliament, but it was abolished by the Act of Union (1800), which gave Ireland direct representation in Westminster. Catholic emancipation was finally achieved in 1829 through the efforts of Daniel O'Connell, but the great famine of the 1840s, when millions died or emigrated for lack of potatoes while landlords continued to export other crops to England, emphasized the tragic condition of the Irish peasant and the great need for land reform.

A series of uprisings and the growth of various movements aimed at home rule or outright independence led gradually to many reforms, but the desire for complete independence continued to grow. After the bloodshed and political maneuvers that followed the Easter Uprising of 1916 and the proclamation of an Irish Republic by Irish members of Parliament in 1919, the Anglo-Irish Treaty was signed in 1921, establishing an Irish Free State with dominion status in the British Commonwealth. Violent opposition to dominion status and to a separate government in Protestant-dominated Northern Ireland precipitated a civil war lasting almost a year. The Free State was officially proclaimed and a new constitution adopted in 1922, but sentiment in favor of a reunified Irish Republic remained strong, represented at its extreme by the terrorist activities of the Irish Republican Army (IRA). Powerful at first, the IRA lost much of its popularity after Éamon de Valera, a disillusioned supporter, took over the government in 1932. During the civil violence that disrupted Northern Ireland from the late 1960s on, the Irish government attempted to curb the "provisional wing" of the IRA, a terrorist organization that used Ireland as a base for attacks in the north. Beginning in 1976, the government assumed emergency powers to cope with IRA activities, but the

terrorist acts continued, most notably the assassination on 27 August 1979 of the British Earl Mountbatten.

The Irish government continued to favor union with Northern Ireland, but only by peaceful means. In November 1985, with the aim of promoting peace in Northern Ireland, Ireland and the United Kingdom ratified a treaty enabling Ireland to play a role in various aspects of Northern Ireland's affairs. On 10 April 1998 the Irish Republic jointly signed a peace agreement with the United Kingdom to resolve the Northern Ireland crisis. Ireland pledged to amend articles 2 and 3 of the Irish Constitution, which lay claim to the territory of the North, in return for the United Kingdom promising to amend the Government of Ireland Act. On 22 May 1998, 94.4% of the electorate voted in a referendum to drop Ireland's claim to Northern Ireland. A year after the agreement, several key provisions of the Good Friday Agreement had been implemented. The peace process has since then witnessed long moments of gloom in spite of the ongoing involvements of the British and Irish prime ministers to resolve the situation in Northern Ireland. One of the largest obstacles was the disarmament of the IRA and the reservations on the part of the Ulster Unionists to share power with Sinn Féin, the political arm of the IRA. Finally, in May 2000, the IRA proposed that outside observers be shown the contents of arms dumps and reinspect them at regular intervals to ensure that weaponry had not been removed and was back in circulation. The Ulster Unionists agreed to power-sharing arrangements and to endorse devolution of Northern Ireland. Decommissioning of the IRA did not progress in early 2001, however, and David Trimble, the first minister of the power-sharing government, resigned in July 2001. Sinn Féin's offices at Stormont, the Northern Ireland Assembly, were raided by the police in October 2002, due to spying allegations. On 14 October 2002, devolution was suspended and direct rule from London returned to Northern Ireland. Elections planned for the assembly in May 2003 were indefinitely postponed by British Prime Minister Tony Blair, due to a lack of evidence of peaceful intentions on the part of the IRA. Talks aimed at restoring devolved government in 2004 failed due to the continued IRA possession of illegal arms and its refusal to disband and pull out of illegal activities. Progress did not look eminent as of January 2005, when some IRA members were brutally murdered and the provisional government seemed to make attempts to protect those responsible for the murders from prosecution.

The years since the proclamation of the Irish Free State have witnessed important changes in governmental structure and international relations. In 1937, under a new constitution, the governor-general was replaced by an elected president, and the name of the country was officially changed to Ireland (Éire in Irish). In 1948, Ireland voted itself out of the Commonwealth of Nations, and on 18 April 1949, it declared itself a republic. Ireland was admitted to the UN in 1955 and became a member of the EC in 1973. Ireland, unlike the United Kingdom, joined the European economic and monetary union in 1999 without problem, and adopted the euro as its currency. However, Irish voters in June 2001 rejected the Treaty of Nice, which allowed for the enlargement of the EU. The other 14 members of the EU all approved the treaty by parliamentary vote, but Ireland's adoption required amending the constitution, which stipulated a popular vote. Voter turnout was low (34.8%), and when the treaty was put to Irish voters once again in October 2002, the government conducted a massive edu-

cation campaign to bring voters to the polls. This time, voter turnout was 48.5%, and 63% of voters in the October referendum approved the Nice Treaty. Ten new EU candidate countries joined the body on 1 May 2004.

Ireland has also benefited from progressive leadership. Mary Robinson, an international lawyer, activist, and Catholic, was elected president in November 1990. She became the first woman to hold that office. In 1974, while serving in the Irish legislature, she shocked her fellow country people by calling for legal sale of contraceptives. Her victory came at a period in Irish history dominated by controversy over the major issues of the first half of the 1990s: unemployment, women's rights, abortion, divorce, and homosexuality. Robinson promoted legislation that enabled women to serve on juries and gave 18-year-olds the right to vote. In 1997, Mary McAleese, who lived in Northern Ireland, became the first British subject to be elected president of the Irish Republic until 2004. In March 2002, Irish voters rejected a referendum proposal that would further restrict abortion laws. The vote was 50.4% against the proposal and 49.6% in favor. The vote was a setback to Prime Minister Bertie Ahern. However, Ahern's Fianna Fáil party overwhelmingly defeated the opposition Fine Gael party in the May 2002 elections.

In June 2004, local and European elections were held. In October 2004, McAleese won a second seven-year term as President; however, this was in light of the fact that opposing parties didn't nominate alternative candidates. She will not be eligible for another reelection in the October 2011 elections. Senate elections were scheduled to occur in July 2007, and the House of Representatives were scheduled to be held one month prior, in May 2007.

### 13 GOVERNMENT

Constitutionally, Ireland is a parliamentary democracy. Under the constitution of 1937, as amended, legislative power is vested in the Oireachtas (national parliament), which consists of the president and two houses—Dáil Éireann (house of representatives) and Seanad Éireann (senate)—and sits in Dublin, the capital city. The president is elected by popular vote for seven years. Members of the Dáil, who are also elected by popular suffrage, using the single transferable vote, represent constituencies determined by law and serve five-year terms. These constituencies, none of which may return fewer than three members, must be revised at least once every 12 years, and the ratio between the number of members to be elected for each constituency and its population as ascertained at the last census must be the same, as far as practicable, throughout the country. Since 1981, there have been 166 seats in the Dáil.

The Seanad consists of 60 members: 49 elected from five panels of candidates representing (a) industry and commerce, (b) agricultural and allied interests and fisheries, (c) labor, (d) cultural and educational interests, and (e) public administration and social services; 6 elected by the universities; and 11 nominated by the taoiseach (prime minister). Elections for the Seanad must be held within 90 days of the dissolution of the Dáil; the electorate consists of members of the outgoing Seanad, members of the incoming Dáil, members of county councils, and county borough authorities. The taoiseach is assisted by a *tánaiste* (deputy prime minister) and at least six but not more than 14 other ministers. The constitution provides for popular referendums on certain bills

of national importance passed by the Oireachtas. Suffrage is universal at age 18.

The chief of state is the president, who is elected by universal suffrage to serve a seven-year term and may be reelected only once. The presidency is traditionally a figurehead role with limited powers. The president appoints a cabinet based upon a nomination from the prime minister and approval from the house of representatives. As of 2005, Mary McAleese held the presidential office. The head of government is the prime minister, who is nominated by the house of representatives and appointed by the president. As of 2005 Bertie Ahern was prime minister and had occupied the position since 26 June 1997.

A number of amendments having to do with European integration, Northern Ireland, abortion, and divorce have been added to the 1937 constitution, which may only be altered by referendum. A recent referendum in 2004 ended in a 4-to-1 vote that native-born children could not be granted automatic citizenship.

### 14 POLITICAL PARTIES

The major political parties are the Fianna Fáil, the Fine Gael, Labour, and the Progressive Democrats. Because the members of the Dáil are elected by a proportional representation system, smaller parties have also at times won representation in the Oireachtas. In 1986, Sinn Féin, the political arm of the Provisional IRA, ended its 65-year boycott of the Dáil and registered as a political party winning one seat in the Dáil in the 6 June 1997 elections.

Fianna Fáil, the Republican Party, was founded by Éamon de Valera. It is the largest party since 1932 and has participated in government during 55 of the past 73 years, as of 2004. When the Anglo-Irish Treaty of 1921 was signed, de Valera violently opposed the dominion status accepted by a close vote of the Dáil. Until 1927, when the government threatened to annul their election if they did not fulfill their mandates, de Valera and his followers boycotted the Dáil and refused to take an oath of allegiance to the English crown. In 1932, however, de Valera became prime minister, a position he held continuously until 1947 and intermittently until 1959, when he became president for the first of two terms. From 1932 to 1973, when it lost its majority to a Fine Gael-Labour coalition, Fianna Fáil was in power for all but six years.

Fine Gael is the present name for the traditionally center-right party (of the Christian democratic type) and is second-largest party in Ireland. It grew out of the policies of Arthur Griffith, first president of the Irish Free State, and Michael Collins, first minister for finance and commander-in-chief of the army. W. T. Cosgrave, their successor, accepted the conditions of the 1921 treaty as the best then obtainable and worked out the details of the partition boundary and dominion status. This party held power from the first general election of 1922 until 1932. Since 1948, as the principal opponent of Fianna Fáil, it has provided leadership for several coalition governments. The policies of Fine Gael traditionally have been far more moderate than those of Fianna Fáil, although it was an interparty coalition government dominated by Fine Gael and Labour that voted Ireland out of the Commonwealth in 1948.

The Labour party incorporated the Democratic Left into its party in 1998, but still failed to increase its seats in the 2002 election (it is much smaller than Fine Gael). The party moved toward the center under the leadership of Pat Rabbitte.

In 1985, a group of parliamentarians broke away from Fianna Fáil because of the autocratic leadership of Charles Haughey. They formed the Progressive Democrats (PDs) party, which supported liberal economic orthodoxy in the 1980s. It joined in a coalition with Fianna Fáil in 1997 and has been influential in economic policy making.

In the 2002 elections, two smaller parties increased their seat holdings. Sinn Féin, the political wing of the IRA, added four seats to the one it had won in the Dáil in 1997. The Green Party increased its holdings from two to six seats. It opposed European integration and participation in European security structures.

In the general elections of 24 November 1982 (the third general election to be held within a year and a half), Fianna Fáil won 75 seats, Fine Gael 70, and the Labour Party 16. Two members of the Workers' Party and three independents were also elected. Garret FitzGerald was elected *taoiseach* (1983-1987), heading a Fine Gael-Labour coalition. It was the second time in a year that he had replaced Charles J. Haughey of the Fianna Fáil in that office. In December 1979, Haughey had replaced Jack Lynch as head of his party and become prime minister. The 1987 elections saw Fianna Fáil raise its representation, despite a drop in its proportion of the vote compared to the 1982 elections. Fine Gael and Labour lost seats, while the Progressive Democrats and Workers' Party (which increased its representation from two to four seats) increased their seat holding. In a bitter contest, Charles Haughey was elected *taoiseach* (1987-1991) and formed a minority Fianna Fáil government. Albert Reynolds was *taoiseach* (prime minister) from 1991 to 1994.

An early general election in 1992 saw the two largest parties—Fianna Fáil and Fine Gael—lose seats to the Labour Party. Albert Reynolds of Fianna Fáil was reelected *taoiseach* of the Fianna Fáil-Labour Coalition. From 1994 to 1997, John Bruton, of the Fianna Gael-Labour-Democratic Left was prime minister. However, a center-right alliance led by Bertie Ahern of Fianna Fáil defeated Prime Minister Bruton's three-party left-of-center coalition in the 6 June 1997 general election. Although Bruton's own party, Fine Gael, increased its share of the vote, its coalition partners, the Labour Party and the Democratic Left, both lost seats. Fianna Fáil won 77 seats outright, 6 shy of the 83 required for a majority. Other parties winning seats were Labor (17), Democratic Left (4), Progressive Democrats (4), Greens (2), Sinn Féin (1), Socialists (1), and Independents (6).

Fianna Fáil joined with the Progressive Democrats and Independents to form a new government with Bertie Ahern as *taoiseach* (prime minister). In 1999, the Labour Party and the Democratic Left merged and the new party is called the Labour Party. The electoral significance of this realignment of the left is not yet clear, but the merger provides the Irish electorate with a more viable social democratic alternative to the governing coalition.

Bertie Ahern remained prime minister after Fianna Fáil won 41.5% of the vote on 16 May 2002, capturing 81 seats in the Dáil. Fine Gael won 22.5% of the vote and 31 seats, its worst defeat in 70 years. The Labour Party took 10.8% of the vote and 21 seats. Other parties winning seats were the Progressive Democrats (8), the Greens (6), Sinn Féin (5), the Socialist Party (1), and Independents (13). The next presidential election was scheduled for October 2011 and the next legislative elections were scheduled for 2007.

## 15 LOCAL GOVERNMENT

The provinces of Ulster, Munster, Leinster, and Connacht no longer serve as political divisions, but each is divided into a number of counties that do. Prior to the passage of the new Local Government Act of 2001 and its implementation in 2002, Ireland was divided into 29 county councils, 5 boroughs, 5 boroughs governed by municipal corporations, 49 urban district councils, and 26 boards of town commissioners. Under the new system, the county councils remain the same, but the corporations no longer exist. The cities of Dublin, Cork, Limerick, Waterford, and Galway are city councils, while Drogheda, Wexford, Kilkenny, Sligo, and Clonmel are the five borough councils. The urban district councils and town commissions are now one and the same and known as town councils, of which there are 75.

Local authorities' principal functions include planning and development, housing, roads, and sanitary and environmental services. Health services, which were administered by local authorities up to 1971, are now administered by regional health boards, although the local authorities still continue to pay part of the cost. Expenditures are financed by a local tax on the occupation of property (rates), by grants and subsidies from the central government, and by charges made for certain services. Capital expenditure is financed mainly by borrowing from the Local Loans Fund, operated by the central government, and from banking and insurance institutions.

## 16 JUDICIAL SYSTEM

Responsibility for law enforcement is in the hands of a commissioner, responsible to the Department of Justice, who controls an unarmed police force known as the civil guard (Garda Síochána). Justice is administered by a Supreme Court, a High Court with full original jurisdiction, eight circuit courts, and 23 district courts with local and limited jurisdiction. Judges are appointed by the president, on the advice of the prime minister and cabinet.

Individual liberties are protected by the 1937 constitution and by Supreme Court decisions. The constitution provides for the creation of "special courts" to handle cases which cannot be adequately managed by the ordinary court system. The Offenses Against the State Act formally established a special court to hear cases involving political violence by terrorist groups. In such cases, in order to prevent intimidation, the panel of judges sits in place of a jury.

The judiciary is independent and provides a fair, efficient judicial process based upon the English common law system. Judicial precedent makes it a vital check on the power of the executive in Ireland. It can declare laws unconstitutional before and after they have been enacted, as well. Typically, however, the relationship between the judiciary and the other two branches of government has been untroubled by conflict.

The Supreme Court has affirmed that the inviolability of personal privacy and home must be respected in law and practice. This is fully respected by the government. Revelations about corruption by leading politicians forced the government to set up an independent tribunal. It investigated payments to politicians, especially to the former prime minister Charles Haughey, who was a recipient of large sums of money from businessmen for his personal use.



A former judge, Hugh O'Flaherty, was forced to resign from the Supreme Court over his handling of a dangerous driving case in 1999. His case provoked much public outrage after it was discovered that the government quickly boosted his annual pension prior to his resignation.

## 17 ARMED FORCES

The Irish army and its reserves, along with the country's air corps, and navy, constitute a small but well-trained nucleus that can be enlarged in a time of emergency. In 2005, the active defense force numbered 10,460, with reserves numbering 14,875. The army had 8,500 active personnel equipped with 14 Scorpion light tanks, 33 reconnaissance vehicles, 42 armored personnel carriers, and 537 artillery pieces. Navy personnel totaled 1,100 in 2005. Major naval units included eight patrol/coastal vessels. The air corps consisted of 860 personnel, outfitted with two maritime patrol and three transport aircraft. The navy also operated two assault and 11 utility helicopters. Ireland provided support to UN, NATO and European Union peacekeeping or military operations in 10 countries or regions. The defense budget in 2005 was \$959 million.

## 18 INTERNATIONAL COOPERATION

Ireland, which became a member of the United Nations on 14 December 1955, belongs to ECE and several nonregional specialized agencies, such as the FAO, UNESCO, UNHCR, IFC, the World Bank, and WHO. On 1 January 1973, Ireland became a member of the European Union. The country is also a member of the WTO, the European Bank for Reconstruction and Development, the Paris Club, the Euro-Atlantic Partnership Council, and the OSCE. Ireland is a founding member of OECD and the Council of Europe. The country also participates as an observer in the OAS and the Western European Union.

Irish troops have served in UN operations and missions in the Congo (est. 1999), Cyprus (est. 1964), Kosovo (est. 1999), Lebanon (est. 1978), Liberia (est. 2003), and Côte d'Ivoire (est. 2004), among others. Ireland is a guest of the Nonaligned Movement. It is also a part of the Australia Group, the Zangger Committee, the Nuclear Suppliers Group (London Group), the Organization for the Prohibition of Chemical Weapons, and the Nuclear Energy Agency. In environmental cooperation, Ireland is part of the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; the London Convention; International Tropical Timber Agreements; the Kyoto Protocol; the Montréal Protocol; MARPOL; the Nuclear Test Ban Treaty; and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Until the 1950s, Ireland had a predominantly agricultural economy, with agriculture making the largest contribution to the GNP. However, liberal trade policies and the drive for industrialization stimulated economic expansion. In 1958, agriculture accounted for 21% of the GNP, industry 23.5%, and other sectors 55.5%. By 2002, however, agriculture accounted for only 5% of the total, industry 46%, and services 49%.

Ireland's economy was initially slower in developing than the economies of other West European countries. The government carried on a comprehensive public investment program, partic-

ularly in housing, public welfare, communications, transportation, new industries, and electric power. Growth rose quickly in the 1960s and, since then, the government has tried to stimulate output, particularly of goods for the export market. Thus, manufactured exports grew from £78.4 million in 1967 to £11,510 million in 1992.

In the 1970s Ireland began to approach the income of the rest of Western Europe until it lost fiscal control in the latter part of the 1970s due to the oil crisis. During the early 1980s, Ireland suffered considerably from the worldwide recession, experiencing double-digit inflation and high unemployment. The economy continued to lag through 1986, but the GNP grew 30% between 1987 and 1992, and continued at a yearly pace of about 7.5% until 1996 when it was expected to slow to about 5.25%. However, the Irish economy grew faster than any other in the European Union during the so-called "Celtic Tiger" years of the second half of the 1990s, when growth rates were in double digits. The good economic performance was mainly due to strong consumer and investor confidence and strong export opportunities.

Ireland suffered from the global economic slowdown that began in 2001, however, and the average annual growth 2000–04 was 6.1%. Though Ireland started out the decade with a growth rate of 6.2%, it dropped to 4.4% in 2003 and had not regained even a percentage point as of 2005.

Although substantially lower than in 1986 when it topped 18%, unemployment remained high until 1998, when it dropped to 7.7%. The estimated unemployment rate in 2005 was 4.2%. The inflation rate stood at 2.4% in 1998 and was 2% in 2003 and 3% in 2004. Inflation was steadily falling, from a rate of 4.9% in 2000 to 2.2% in 2004.

Ireland has depended on substantial financial assistance from the European Union designed to raise the per capita gross national product to the EU average. Almost \$11 billion was allocated for the period 1993–99 from the EU's Structural and Cohesion Funds. During the 1990s, living standards rose from 56% to 87% of the EU average.

In the latter half of the 1990s, the economic situation greatly improved and Ireland recorded growth rates of 7% 1996–2000. Unemployment fell from 16% in 1993 to 5% in 2000. Due to the global economic downturn that began in 2001, however, even Ireland's booming economy slowed. Services, pharmaceuticals, and information technology are important sectors of the economy in the 21st century.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Ireland's gross domestic product (GDP) was estimated at \$136.9 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$34,100. The annual growth rate of GDP was estimated at 4.9%. The average inflation rate in 2005 was 2.7%. It was estimated that agriculture accounted for 5% of GDP, industry 46%, and services 49%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$337 million or about \$84 per capita and accounted for approximately 0.2% of GDP.

The World Bank reports that in 2003 household consumption in Ireland totaled \$54.84 billion or about \$13,730 per capita based on a GDP of \$153.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 5.6%. In 2001 it was estimated that approximately 21% of household consumption was spent on food, 10% on fuel, 4% on health care, and 7% on education. It was estimated that in 1997 about 10% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

In 2005, Ireland's workforce was estimated at 2.03 million. Of those employed in 2003, an estimated 6.4% were in agriculture, 27.8% in industry, and 65.4% in services. The estimated unemployment rate in 2005 was 4.2%.

The right to join a union is protected by law, and as of 2002, about 31% of the labor force were union members. The Irish Congress of Trade Unions (ICTU) represents 64 unions and is independent of political parties and the government. The right to strike, except for police and military personnel, is exercised in both the public and private sectors. Employers are legally prohibited from discriminating against those who participate in union activity. Collective bargaining is used to determine wages and other conditions of employment.

Children under age 16 are legally prohibited from engaging in regular, full-time work. Under certain restrictions, some part-time or educational work may be given to 14- and 15-year-olds. Violations of child labor laws are not common. The standard workweek is 39 hours, and the legal limit on industrial work is nine hours per day and 48 hours per week. A national minimum wage of \$5.45 went into effect in 2001.

## 2<sup>2</sup> AGRICULTURE

About 1,184,000 hectares (2,926,000 acres), or 17.2% of the total area, were devoted to growing crops in 2003. About 6% of the agricultural acreage is used for growing cereals, 1.5% for growing root and green crops, and the balance for pasture and hay. Thus most of the farmland is used to support livestock, the leading source of Ireland's exports. Most farms are small, although there has been a trend toward consolidation. Agriculture accounts for about 10% of Irish employment. In 2003, there were 135,250 agricultural holdings, with a farm labor force of 104,540 full-time and 140,980 part-time workers. Principal crops (with their estimated 2004 production) include barley, 1,159,000 tons; sugar beets, 1,500,000 tons; wheat, 849,000 tons; potatoes, 500,000 tons; and oats, 134,000 tons.

Over half of agricultural production, by value, is exported. The benefits of the EU's Common Agricultural Policy, which provides secure markets and improved prices for most major agricultural products, account in part for the increase of Ireland's agricultural income from £314 million in 1972 (before Ireland's accession) to £1,919.9 million in 1995. The estimated value of crop output was €1.3 billion in 2005.

The government operates a comprehensive network of services within the framework of the Common Agricultural Policy, includ-

ing educational and advisory services to farmers. Under a farm modernization scheme, capital assistance is provided to farmers for land development, improvement of farm buildings, and other projects, with part of the cost borne by the EU. In 1974, pursuant to an European Community directive, incentives were made available to farmers wishing to retire and make their lands available, by lease or sale, for the land reform program.

## 2<sup>3</sup> ANIMAL HUSBANDRY

With some 90% of Ireland's agricultural land devoted to pasture and hay, the main activity of the farming community is the production of grazing animals and other livestock, which account for about 53% of agricultural exports. In 2005, total livestock output was valued at €2.17 billion, with cattle and milk each accounting for around 40%. During 2002–04, livestock output was down 4.5% from 1999–2001.

The estimated livestock population in 2005 was 7,000,000 head of cattle (including 1.1 million dairy cows), 1,757,000 pigs, and 12,700,000 poultry. In 2005, butter production was estimated at 142,000 tons, cheese 118,750 tons, and wool (greasy) 12,000 tons. Milk production in 2005 was 5,500,000 tons.

Since livestock is a major element in the country's economy, the government is particularly concerned with improving methods of operation and increasing output. A campaign for eradication of bovine tuberculosis was completed in 1965, and programs are under way for eradication of bovine brucellosis, warble fly, and sheep scab.

## 2<sup>4</sup> FISHING

Salmon, eels, trout, pike, perch, and other freshwater fish are found in the rivers and lakes; sea angling is good along the entire coast; and deep-sea fishing is done from the south and west coasts. The fishing industry has made considerable progress as a result of government measures to improve credit facilities for the purchase of fishing boats and the development of harbors; establishment of training programs for fishermen; increased emphasis on market development and research; establishment of hatcheries; and promotion of sport fishing as an attraction for tourists. The Irish fishing fleet consisted of 1,376 vessels with a capacity of 77,888 gross tons in 2002.

Leading varieties of saltwater fish are mackerel, herring, cod, whiting, plaice, ray, skate, and haddock. Lobsters, crawfish, and Dublin Bay prawns are also important. In 2003, the value of fish exports was \$453.5 million, up 32% from 2000. Aquaculture accounted for 19% of the volume. The total fish production in 2003 was 364,861 tons. Mackerel, herring, and blue whiting accounted for 24% of the volume that year.

## 2<sup>5</sup> FORESTRY

Once well forested, Ireland was stripped of timber in the 17th and 18th centuries by absentee landlords, who made no attempt to reforest the denuded land, and later by the steady conversion of natural forest into farms and grazing lands. In an effort to restore part of the woodland areas, a state forestry program was inaugurated in 1903; since then, over 350,000 hectares (865,000 acres) have been planted. More than half the planting is carried out in the western counties. In 2000, about 9.6% of Ireland was forested; about 95% of the trees planted are coniferous. The aim of the for-

estry program is to eliminate a large part of timber imports—a major drain on the balance of payments—and to produce a surplus of natural and processed timber for export. Roundwood removals totaled 2.5 million cu m (88 million cu ft) in 2004.

## 26 MINING

Ireland was a leading European Union (EU) producer of lead and zinc in 2003, and an important producer of lead, alumina, and peat. Mineral production in 2003 included zinc, 419,014 kg, compared to 252,700 kg in 2002; mined lead, 50,339,000 tons, compared to 32,486,000 tons in 2002; and an estimated 1.2 million metric tons of alumina. Other commercially exploited minerals were silver, hydraulic cement, clays for cement production, fire clay, granite, slate, marble, rock sand, silica rock, gypsum, lime, limestone, sand and gravel, shales, dolomite, diatomite, building stone, and aggregate building materials.

Zinc production centered on three zinc-lead mines, the Lisheen (a joint venture of Anglo American PLC and Ivernia West PLC), the Galmoy (Arcon International Resources PLC), and the Tara (Outokumpu Oyj), three of Europe's most modern mines. Outokumpu announced that because of low zinc prices, it was closing the Tara Mine (at Navan, County Meath), the largest lead-zinc field in Europe, and putting it on care and maintenance; the Tara came into production in the late 1970s. The Galmoy Mine was producing 650,000 tons per year of ore at target grades of 11.3% zinc and 1% lead, and the Lisheen Mine, which mined its first ore in 1999 and began commercial production in 2001, initially planned to produce 160,000 tons per year of zinc concentrate, to be increased to 330,000 tons per year of zinc concentrate and 40,000 tons per year of lead in concentrate at full production; both were on the Rathdowney Trend mineralized belt, southwest of Dublin. Cambridge Mineral Resources PLC continued diamond and sapphire exploration work, identifying numerous diamond indicator minerals and recovering significant quantities of ruby and sapphire. Gold was discovered in County Mayo in 1989, with an estimated 498,000 tons of ore at 1.5 grams per ton of gold. There was a marked increase in mining exploration beginning in the early 1960s, resulting in Ireland becoming a significant source of base metals.

## 27 ENERGY AND POWER

Ireland's energy and power sector is marked by a lack of any oil reserves, thus making it totally dependent upon imports. However, the country has modest natural gas reserves, and a small refining capacity.

In 2002, Ireland's imports of crude and refined petroleum products averaged 211,230 barrels per day. Domestic refinery production for that year averaged 65,230 barrels per day. Demand for refined oil products averaged 180,440 barrels per day.

Ireland's proven reserves of natural gas were estimated as of 1 January 2002 at 9.911 billion cu m. Output in 2001 was estimated at 815 million cu m, with demand and imports estimated at 4.199 billion cu m and 3.384 billion cu m, respectively, for that year.

Ireland's electric power generating sector is primarily based upon the use of conventional fossil fuels to provide electric power. Total generating capacity in 2002 stood at 4.435 million kW, of which conventional thermal capacity accounted for 4.049 million kW, followed by hydropower at 0.236 million kW and geothermal/

other at 0.150 million kW. Total power production in 2002 was 22.876 billion kWh, of which 94% was from fossil fuels, mostly thermal coal and oil stations, 3.9% from hydropower, and the rest from geothermal/other sources.

Ireland's Coal production consists of high-ash semibituminous from the Connaught Field, and is used for electricity production. In 2002, Ireland imported 3,148,000 short tons of coal, of which 3,090,000 short tons consisted of hard coal, and 58,000 short tons of lignite.

## 28 INDUSTRY

Since the establishment of the Irish Free State, successive governments encouraged industrialization by granting tariff protection and promoting diversification. Following the launching of the First Program for Economic Expansion by the government in 1958, considerable progress was made in developing this sector of the economy, in which foreign industrialists played a significant role. The Industrial Development Authority (IDA) administers a scheme of incentives to attract foreign investment. In addition, several government agencies offer facilities for consulting on research and development, marketing, exporting, and other management matters.

Official policy favors private enterprises. Where private capital and interest were lacking, the state created firms to operate essential services and to stimulate further industrial development, notably in the fields of sugar, peat, electricity, steel, fertilizers, industrial alcohol, and transportation. Although efforts have been made to encourage decentralization, about half of all industrial establishments and personnel are concentrated in Dublin and Cork.

Industry grew by an average annual rate of more than 5% from 1968 to 1981, and peaked at 12% in 1984 before subsiding to an annual rate of about 4%. The greatest growth was in high technology industries, like electronics and pharmaceuticals, where labor productivity also was growing substantially, thus limiting increases in the number of jobs. The most important products of manufacturing, by gross output, are food, metal, and engineering goods, chemicals and chemical products, beverages and tobacco, nonmetallic minerals, and paper and printing. The making of glass and crystal are also important industries. Industrial production continued to grow into the late 1990s, the "Celtic Tiger" years, posting a 15.8% growth in 1998.

Industry employed 28% of the labor force in 2000, and accounted for 36% of GDP in 2001. The value of industry output in 2000 was 12.3% higher than in 1999. Computer and pharmaceutical enterprises, largely owned by foreign companies, were responsible for high manufacturing output in 2000. Although there is no formal governmental privatization plan, the government planned to privatize the state-owned natural gas distributor (Bord Gas), the state-owned airline (Aer Lingus), and the state-owned electricity distributor (ESB) as of 2002.

Ireland was shifting attention away from industry and towards services. Activity was quickened by preferential corporation tax rates for manufacturers and manufactures were decreasing relative to services and agriculture. Yet, in 2004 the industrial production growth rate was 7%.

## 29 SCIENCE AND TECHNOLOGY

The major organizations doing scientific research in Ireland are the Agricultural Institute (established in 1958) and the Institute for Industrial Research and Standards (1946). The Dublin Institute of Advanced Studies, established by the state in 1940, includes a School of Theoretical Physics and a School of Cosmic Physics. The Royal Irish Academy, founded in 1785 and headquartered in Dublin, promotes study in science and the humanities and is the principal vehicle for Ireland's participation in international scientific unions. It has sections for mathematical and physical sciences and for biology and the environment.

The Royal Dublin Society (founded in 1731) promotes the advancement of agriculture, industry, science, and art. Ireland has 13 other specialized learned societies concerned with agriculture, medicine, science, and technology. Major scientific facilities include the Dinsink Observatory (founded in 1785) and the National Botanic Gardens (founded in 1795), both in Dublin.

Most scientific research is funded by the government; the government advisory and coordinating body on scientific matters is the National Board for Science and Technology. Medical research is supported by the Medical Research Council and Medico-Social Research Board. Veterinary and cereals research is promoted by the Department of Agriculture. The Department of Fisheries and Forestry and the Department of Industry and Energy have developed their own research programs. The UNESCO prize in science was awarded in 1981 for the development of clofazimines, a leprosy drug produced by the Medical Research Council of Ireland with aid from the Development Cooperation Division of the Department of Foreign Affairs.

Research and development (R&D) expenditures in 2001 (the latest year for which data was available) totaled \$1.427 billion, or 1.14% of GDP. Of that amount, 67.2% came from the business sector, with 25.2% coming from the government. Foreign sources accounted for 6%, while higher education provided 1.7%. As of 2002, there were some 2,471 researchers per one million people that were actively engaged in R&D. In that same year, high-tech exports were valued at \$31.642 billion and accounted for 41% of manufactured exports. Ireland has 21 universities and colleges that offer courses in basic and applied science. In 1987–97, science and engineering students accounted for 31% of university enrollment. In 2002, a total of 29.3% of all bachelor's degrees awarded were in the sciences (natural, mathematics and computers, and engineering).

## 30 DOMESTIC TRADE

Dublin is the financial and commercial center, the distribution point for most imported goods, and the port through which most of the country's agricultural products are shipped to Britain and the Continent. Cork, the second-largest manufacturing city and close to the transatlantic port of Cobh, is also important, as is Limerick, with its proximity to Shannon International Airport. Other important local marketing centers are Galway, Drogheda, Dundalk, Sligo, and Waterford.

The trend in retail establishments was changing from small shops owned and operated by individuals, to larger department stores, outlets, and chain stores operated by management companies. As of 2002, there were about 52,000 retail and 2,500 wholesale outlets across the country. There were about 9,000 retail food outlets. A 21% value-added tax applies to most goods and services.

## Principal Trading Partners – Ireland (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	93,037.3	53,781.6	39,255.7
United States	19,161.5	8,368.6	10,792.9
United Kingdom	16,835.7	16,611.1	224.6
Belgium	11,668.8	840.6	10,828.2
Germany	7,708.2	3,892.7	3,815.5
France-Monaco	5,689.6	2,116.5	3,573.1
Netherlands	4,773.8	1,898.3	2,875.5
Italy-San Marino-Holy See	4,233.5	1,203.9	3,029.6
Switzerland-Liechtenstein	3,014.8	552.2	2,462.6
Spain	2,654.8	743.2	1,911.6
Japan	2,415.6	2,591.6	-176.0

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

Office business hours are usually 9 or 9:30 AM to 5:30 PM. Shops are generally open from 9 AM to 6 PM, although most supermarkets are open until 9 PM on Thursday and Friday. In general, banking hours are 10 AM to 12:30 PM and 1:30 to 4 PM, Monday through Friday, and 3 to 5 PM on Thursday. Most offices are closed on Saturday, and shops close on either Wednesday or Saturday afternoon. Businesses may close for extended periods during the months of July and August.

## 31 FOREIGN TRADE

Ireland began opening to free trade in the 1960s. It is now one of the most open and largest exporting markets (on a per capital level). Growth was heavily encouraged by the export sectors in the 1990s and the average annual export volume growth was near an annual rate of 20% between 1996 and 2000.

Computers and office products have become some of Ireland's most profitable export products (28%). The country also manufactures musical instruments (5.2%), making 12.7% of the world's exports. Other export items include chemicals like nitrogen compounds (10.9%), electronic circuitry (5.2%), and medicines (4.9%).

As of 2003, the United States absorbed 20.5% of Ireland's exports, the United Kingdom 18.1%, Belgium 12.6%, Germany 8.3%, France 6.1%, Netherlands 5.1%, and Italy 4.6%. Import partners include the United Kingdom (34.8% of imports), the United States (15.6%), Germany (8.1%), and the Netherlands (4.1%). Imported commodities include data processing equipment, machinery and equipment, chemicals, petroleum and petroleum products, textiles, and clothing.

## 32 BALANCE OF PAYMENTS

The volume of Irish exports increased dramatically 1995–2000, registering an average annual growth of 16.9%; the rate of import growth over the same period was only slightly lower at 16.6%. The year 2000 was the first since 1991 that the current account was not in surplus. The reduction of the balance of payments surplus in the early 2000s suggested that the level of Irish imports was increasing due to increased demand for luxury items and services, rather than from a decline in exports. The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Ireland's exports was \$85.3 billion while imports totaled

**Balance of Payments – Ireland (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-2,105.0</b>
Balance on goods	37,807.0	
Imports	-51,763.0	
Exports	89,570.0	
Balance on services	-14,306.0	
Balance on income	-26,142.0	
Current transfers	536.0	
<b>Capital Account</b>		<b>442.0</b>
<b>Financial Account</b>		<b>951.0</b>
Direct investment abroad	-3,528.0	
Direct investment in Ireland	26,599.0	
Portfolio investment assets	-161,319.0	
Portfolio investment liabilities	106,389.0	
Financial derivatives	-2,355.0	
Other investment assets	-48,864.0	
Other investment liabilities	84,028.0	
<b>Net Errors and Omissions</b>		<b>-1,178.0</b>
<b>Reserves and Related Items</b>		<b>1,890.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

\$48.3 billion resulting in a trade surplus of \$37 billion. Irish export growth during those years, in fact, consistently surpassed EU growth. However, the slowdown in the global economy and the slower than predicted growth in the euro area was expected to negatively impact Irish exports.

**33 BANKING AND SECURITIES**

In 1979, Ireland joined the European Monetary System, thus severing the 150-year-old tie with the British pound. The Central Bank of Ireland, established in 1942, is both the monetary authority and the bank of issue. Its role quickly expanded considerably, particularly in monetary policy. Commercial deposits with the Central Bank have strongly increased since 1964, when legislation first permitted it to pay interest on deposits held for purposes other than settlement of clearing balances. Since July 1969, the Central Bank has accepted short-term deposits from various institutions, including commercial and merchant banks. With the advent of the European Monetary Union (EMU) in 1999, authority over monetary policy shifted to the European Central Bank.

The commercial banking sector is dominated by two main Irish-owned groups, the Bank of Ireland Group and the Allied Irish Banks Group. Successive governments have indicated that they would like to see a third banking force (possibly involving a strategic alliance with a foreign bank). Other major banks include the National Irish Bank, a member of the National Australia Bank, and Ulster Bank, a member of the National Westminster Bank Group. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$21.1 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$94.1 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 3.31%.

A number of other commercial, merchant, and industrial banks also operate. Additionally, Ireland's post office operates the Post

Office Savings Banks and Trustee Savings Banks. The Irish stock exchange has its trading floor in Dublin. All stockbrokers in Ireland are members of this exchange. The Irish Stock Exchange is small by international standards, with a total of 76 domestic companies listed at the end of 2001. Total market capitalization at the end of 2001 was (21.8 billion for the government securities market, making it one of the EU's smallest stock markets, however fast-growing.

The Stock Exchange Act came into effect on 4 December 1995, and separated the Dublin Stock Exchange from the London Stock Exchange. Since that date, the Dublin Stock Exchange has been regulated by the Central Bank of Ireland. As of 2004, there were a total of 53 companies listed on the Irish Stock Exchange, which had a market capitalization of \$114.085 billion. In 2004, the ISEQ index rose 26% from the previous year to 6,197.8.

**34 INSURANCE**

Insurance firms must be licensed by the Insurance Division of the Ministry of Industry, Trade, Commerce, and Tourism. The regulatory body is the Irish Brokers' Association. The Insurance Acts of 1936 and 1989 outline the monitoring of insurers, brokers, and agents.

In Ireland, workers' compensation, third-party automobile, bodily injury, and property damage liability are compulsory. In 1997, shareholders of Irish Life, Ireland's largest life assurance company, unanimously approved the company's £100 million (\$163 million) takeover of an Illinois life assurance company, Guarantee Reserve. In 2003, the value of direct premiums written totaled \$17.328 billion, of which life premiums accounted for \$9.037 billion. Hibernian General in 2003 was Ireland's top non-life insurer, with net written nonlife premiums (less reinsurance) of \$992.2 million, while Irish Life was the nation's leading life insurer with gross written life premiums of \$2.362 million.

**Public Finance – Ireland (1997)**

(In millions of pounds, central government figures)

<b>Revenue and Grants</b>	<b>17,762</b>	<b>100.0%</b>
Tax revenue	13,990	78.8%
Social contributions	2,172	12.2%
Grants	925	5.2%
Other revenue	675	3.8%
<b>Expenditures</b>	<b>17,432</b>	<b>100.0%</b>
General public services	3,810	21.9%
Defense	506	2.9%
Public order and safety	...	...
Economic affairs	2,907	16.7%
Environmental protection	...	...
Housing and community amenities	366	2.1%
Health	2,835	16.3%
Recreational, culture, and religion	119	0.7%
Education	2,368	13.6%
Social protection	4,521	25.9%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 3<sup>5</sup> PUBLIC FINANCE

Ireland's fiscal year follows the calendar year. Expenditures of local authorities are principally for health, roads, housing, and social welfare.

The US Central Intelligence Agency (CIA) estimated that in 2005 Ireland's central government took in revenues of approximately \$70.4 billion and had expenditures of \$69.4 billion. Revenues minus expenditures totaled approximately \$1 billion. Public debt in 2005 amounted to 27.5% of GDP. Total external debt was \$1.049 trillion.

Government outlays by function were as follows: general public services, 21.9%; defense, 2.9%; economic affairs, 16.7%; housing and community amenities, 2.1%; health, 16.3%; recreation, culture, and religion, 0.7%; education, 13.6%; and social protection, 25.9%.

### 3<sup>6</sup> TAXATION

To stimulate economic expansion and encourage investment in Irish industry, particularly in the area of industrial exports, tax adjustments have been made to give relief to export profits, expenditures for mineral development, shipping, plant and machinery, new industrial buildings, and investments in Irish securities. As of 1 January 2003, with Ireland's accession to the EU, the government had mostly completed the transition of the tax regime from an incentive regime to a low, single-tax regime with 12.5% as the country's rate for most corporate profits. Passive income, including that from interest, royalties, and dividends, is taxed at 20%. Capital gains are also taxed at 20%. As of 2005, Ireland was party to double-taxation agreements with 42 countries the terms of which provide for the reduction or elimination of many capital income tax rates and related withholding taxes. The incentive 10% corporation tax rate, applied to industrial manufacturing, to projects licensed to operate in the Shannon Airport area, and to various service operations, was still in effect in 2003, but, in an agreement with the European Commission, was scheduled to be phased out by 2010.

Ireland has a progressive personal income tax with a top rate of 42% on incomes above €29,400 for single taxpayers. Married taxpayers are subject to a higher income threshold level. For those over 65 years old, tax exemptions amounted to €15,000 per person. Deductions were available for mortgage payments and pension contributions. Since 1969, the government has encouraged artists and writers to live in Ireland by exempting from income tax their earnings from their works of art. Royalties and other income from patent rights are also tax-exempt. The gift and inheritance taxes are based upon the relationship of the beneficiary to the donor. Between a parent and child, the tax-free threshold in 2003 was €441,200; for any other lineal descendent, the tax-free threshold was one-tenth this amount, or €44,120; and for any other person, one-twentieth, or €22,060. Land taxes are assessed at variable rates by local governments, and there is a buildings transfer tax based on the price of the transfer.

The major indirect tax is Ireland's value-added tax (VAT) instituted 1 January 1972 with a standard rate of 16.37% plus a number of reduced, intermediate, and increased rates. As of 1 March 2002, the standard rate was increased to 21% from 20%, and the reduced rate of 12.5% increased to 13.5% as of 1 January 2003. The re-

duced rate applies to domestic fuel and power, newspapers, hotels and new housing. Ireland also has an extensive list of goods and services to which a 0% VAT rate is applied including, books and pamphlets, gold for the Central Bank, basic foodstuffs and beverages, agricultural supplies, medicines and medical equipment, and, more unusually, children's clothing and footwear, and wax candles. A 4.8% rate applies to livestock by unregistered farmers. Excise duties are charged on tobacco products, alcohol, fuel, and motor vehicles. Per unit and/or annual stamp taxes are assessed on checks, credit cards, ATM cards, and Laser cards.

### 3<sup>7</sup> CUSTOMS AND DUTIES

From the time of the establishment of the Irish Free State, government policy was to encourage development of domestic industry by maintaining protective tariffs and quotas on commodities that would compete with Irish-made products. Following Ireland's admission to the European Community (now the European Union), the country's tariff schedule was greatly revised. The schedule vis-à-vis third-world countries and the United States was gradually aligned with EC tariffs and customs duties between Ireland and the EC were phased down to zero by July 1977. Duty rates on manufactured goods from non-EU countries range from 5–8%, while most raw materials enter duty-free. Certain goods still require import licenses and tariffs are based on the Harmonized System. The Shannon Free Trade Zone, the oldest official free trade area in the world, is located at the Shannon International Airport.

### 3<sup>8</sup> FOREIGN INVESTMENT

The Irish government has successfully attracted FDI (foreign direct investment) over the years with various policies and preferential tax rates. To stimulate economic expansion, the Industrial Development Authority encourages and facilitates investment by foreign interests, particularly in the development of industries with export potential. Special concessions include nonrepayable grants to help establish industries in underdeveloped areas and tax relief on export profits. Freedom to take out profits is unimpaired. Engineering goods, computers, electronic products, electrical equipment, pharmaceuticals and chemicals, textiles, foodstuffs, leisure products, and metal and plastic products are among the items produced. Much of the new investment occurred after Ireland became a member of the European Union.

Annual foreign direct investment (FDI) inflows into Ireland increased steadily through the 1990s. In the period 1988 to 1990, Ireland's share of world FDI inflows was only 70% of its share of world GDP, but for the period 1998 to 2000, Ireland's share of FDI inflows was over five times its share of world GDP. In 1998, annual FDI inflow reached \$11 billion, up from \$2.7 billion in 1997, and then jumped to almost \$15 billion in 1999. FDI inflows to Ireland peaked in 2000, at over \$24 billion, mainly from high-tech computer and pharmaceutical companies. FDI inflow dropped sharply to \$9.8 billion in 2001 with the global economic slowdown.

Leading sources of foreign investors, in terms of percent of foreign companies invested in Ireland, have been the United States (43%), the United Kingdom (13%), Germany (13%), other European countries (22%), Japan (4%), and others (5%). As of 2000, the primary destinations of foreign investment were, in order, manufacturing, finance, and other services.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Government policies are premised on private enterprise as a predominant factor in the economy. Specific economic programs adopted in recent decades have attempted to increase efficiency in agriculture and industry, stimulate new export industries, create employment opportunities for labor leaving the agricultural sector, and reduce unemployment and net emigration. In pursuit of these objectives, the government provides aids to industry through the Industrial Development Authority (IDA), the Industrial Credit Co., and other agencies. Tax concessions, information, and advisory services are also provided.

The IDA seeks to attract foreign investment by offering a 10% maximum corporation tax rate for manufacturing and certain service industries, generous tax-free grants for staff training, ready-built factories on modern industrial estates, accelerated depreciation, export-risk guarantee programs, and other financial inducements. IDA also administers industrial estates at Waterford and Galway. The Shannon Free Airport Development Co., another government-sponsored entity, administers an industrial estate on the fringes of Shannon Airport, a location that benefits from proximity to the airport's duty-free facilities. A third entity, Udaras Na Gaeltachia, promotes investment and development in western areas where Irish is the predominant language. As of 1986 there were some 900 foreign-owned plants in Ireland.

Price control legislation was introduced under the Prices Act of 1958, amended in 1965 and 1972. In general, manufacturers, service industries, and professions are required to obtain permission from the Ministry of Commerce and Trade for any increase. Price changes are monitored by a National Prices Commission, established in 1971. The economic plan for 1983–1987, called *The Way Forward*, aimed at improving the cost-competitiveness of the economy by cutting government expenditures and restraining the growth of public service pay, among other measures. The 1987–1990 Program for National Recovery is generally credited with creating the conditions to bring government spending and the national debt under control. The 1991–1993 Program for Economic and Social Progress was to further reduce the national debt and budget deficit and to establish a schedule of wage increases.

A 1994–1999 national development plan called for investment of £20 billion and aimed to achieve an average annual GDP growth rate of 3.5%. The government hoped to create 200,000 jobs through this plan, with funding by the state, the EU, and the private sector. Half of the money was earmarked for industry, transport, training, and energy.

At the end of the 1990s, Ireland boasted the fastest growing economy in the EU with a 9.5% GDP real growth rate in 1998. Total expenditures on imports and exports in 2000 were equivalent to 175% of GDP, far ahead of the EU average, which made Ireland's economy one of the most open in the world. Ireland became known as the "Celtic Tiger," to compare with the formerly fast-growing economies of East Asia prior to the Asian financial crisis of 1997. In 2000, the economy grew by 11.5%, the highest growth rate ever recorded in an OECD member country. Wage inequality grew, however, and spending on infrastructure failed to keep pace with social or industrial demands. Corporate taxes were as low as 12.5% in some circumstances in the early 2000s. Economic growth decelerated rapidly in 2001, to 6%. Inflation fell as did housing prices, but they rose again in 2002. Tax increas-

es were expected in 2003 and 2004, and the government was facing pressures to cut spending. GDP growth was 4.4% in 2003 and 4.5% in 2004.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

A social insurance program exists for all employees and self-employed persons, and for all residents with limited means. The system is financed through employee contributions, employer contributions, and government subsidies. Benefits are available for old age, sickness, disability, survivorship, maternity, work injury, unemployment, and adoptive services. There are also funds available for those leaving the workforce to care for one in need of full time assistance. The system also provides bereavement and a widowed parent's grant. The universal medical care system provides medical services to all residents. The workmen's compensation act was first initiated in 1897. Parents with one or more children are entitled to a family allowance.

The predominance of the Roman Catholic Church has had a significant impact on social legislation. Divorce was made legal only in 1995. Contraceptives, the sale of which had been entirely prohibited, became available to married couples by prescription in the early 1980s. In 1985, the need for a prescription was abolished, and the minimum age for marriage was raised from 14 to 18 for girls and from 16 to 18 for boys. Abortion remains illegal.

Domestic abuse and spousal violence remain serious problems, although improvements were seen in 2004. The government funds victim support centers, and there are active women's rights groups to address these issues. The law prohibits gender discrimination in the workplace, but inequalities persist regarding promotion and pay. The government addresses the issue of child abuse, and funds systems to promote child welfare.

The government attempts to curb discrimination against foreign workers and the ethnic community known as "Travellers." There have been reports of racially motivated incidents including violence and intimidation. In general, the government respects the human rights of its citizens.

### 4<sup>1</sup> HEALTH

Health services are provided by regional boards under the administration and control of the Department of Health. A comprehensive health service, with free hospitalization, treatment, and medication, is provided for low-income groups. The middle-income population is entitled to free maternity, hospital, and specialist services, and a free diagnostic and preventive service is available to all persons suffering from specified infectious diseases. Insurance against hospital and certain other medical expenses is available under a voluntary plan introduced in 1957.

Since World War II, many new regional and county hospitals and tuberculosis sanatoriums have been built. As of 2004, there were an estimated 237 physicians, 51 dentists, and 83 pharmacists per 100,000 population. In addition, there were more than 1662 nurses per 100,000 people, the third most per capita in the world.

While deaths from cancer, particularly lung cancer, and heart disease are rising, those from many other causes have been decreasing rapidly. Infant mortality has been reduced from 50.3 per 1,000 live births in 1948 to 5.39 in 2005. Tuberculosis, long a major cause of adult deaths, declined from 3,700 cases in 1947 to only 15 per 100,000 in 2000. Average life expectancy at birth in 2005

was 77.56 years. The general mortality rate was an estimated 8 per 1,000 people as of 2002. The major causes of death were heart and circulatory disease, cancer, and ischemic heart disease. Heart disease rates were higher than average for highly industrialized countries.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 2,800 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

## 42 HOUSING

The aim of public housing policy is to ensure, so far as possible, that every family can obtain decent housing at a price or rent it can afford. Government subsidies are given to encourage home ownership, and local authorities provide housing for those unable to house themselves adequately. Housing legislation has encouraged private construction through grants and loans. Projected and existing housing needs are assessed regularly by local authorities, and their reports are the basis for local building programs, which are integrated with national programs and reconciled with available public resources.

According to the 2002 census, there were about 1,279,617 dwellings available in permanent housing units. Of these, about 74% were owner occupied. The number of households was listed as 1,287,958, with 43.7% of all households living in single-family detached homes. The average number of persons per household was 2.95.

## 43 EDUCATION

Ten years of education are compulsory. Primary school covers eight years of education, with most students entering at age four. This is followed by a three-year junior secondary school and a two-year senior secondary program. Some schools offer a transition year program between the junior and senior levels. This transition year is meant to be a time of independent study for the student, when he or she focuses on special interests, while still under the guidance of instructors, in order make a decision concerning the direction of their future studies. At the senior level, students may choose to attend a vocational school instead of a general studies school. While private, religious-based secondary schools were once the norm, there are now many multi-denominational, public schools available at all levels. Coeducational programs have also grown substantially in recent years. The academic year runs from September to June. The primary languages of instruction are Irish and English.

Primary school enrollment in 2003 was estimated at about 96% of age-eligible students. The same year, secondary school enrollment was about 83% of age-eligible students; 80% for boys and 87% for girls. It is estimated that nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 19:1 in 2003.

Ireland has two main universities: the University of Dublin (Trinity College) and the National University of Ireland, which consists of three constituent colleges in Dublin, Galway, and Cork. St. Patrick's College, Maynooth, is a recognized college of the National University. Universities are self-governing, but each receives an annual state grant, as well as supplementary grants for capital outlays. There are also various colleges of education, home eco-

nomics, technology, and the arts. In 2003, about 52% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate has been estimated at about 98%.

As of 2003, public expenditure on education was estimated at 4.3% of GDP, or 13.5% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

Trinity College Library, which dates from 1591 and counts among its many treasures the Book of Kells and the Book of Durrow, two of the most beautiful illuminated manuscripts from the pre-Viking period, is the oldest and largest library in Ireland, with a stock of 4.1 million volumes. The Chester Beatty Library, noted for one of the world's finest collections of Oriental manuscripts and miniatures, is also in Dublin. The National Library of Ireland, which also serves as a lending library, was founded in 1877 and houses over one million books, with special collections including works on or by Jonathan Swift and W. B. Yeats. The National Photographic Archive of over 600,000 photographs is also housed in the National Library. The University College Dublin library has more than one million volumes. The Dublin City Public Library system has about 31 branches and service points and holdings of over 1.5 million items.

Dublin, the center of cultural life in Ireland, has several museums and a number of libraries. The National Museum contains collections on Irish antiquities, folk life, fine arts, natural history, zoology, and geology. The National Gallery houses valuable paintings representing the various European schools from the 13th century to the present. The National Portrait Gallery provides a visual survey of Irish historical personalities over the past three centuries. The Municipal Gallery of Modern Art has a fine collection of works by recent and contemporary artists. There is a Heraldic Museum in Dublin Castle; the National Botanic Gardens are at Glasnevin; and the Zoological Gardens are in Phoenix Park. There is a James Joyce Museum in Dublin housing personal memorabilia of the great writer, including signed manuscripts. Yeats Tower in Gort displays memorabilia of W. B. Yeats. The Dublin Writers' Museum opened in 1991.

Public libraries and small museums, devoted mostly to local historical exhibits, are found in Cork, Limerick, Waterford, Galway, and other cities.

## 45 MEDIA

In 2003, there were an estimated 491 mainline telephones for every 1,000 people. The same year, there were approximately 880 mobile phones in use for every 1,000 people.

An autonomous public corporation, Radio Telefis Éireann (RTE), is the Irish national broadcasting organization. Ireland's second radio service, Raidio na Gaeltachta, an Irish language broadcast, was launched by RTE in 1972; it broadcasts VHF from County Galway. In 2004, there were an additional 49 independent radio stations. RTE operates three television networks and there is one independent television station. In 2003, there were an estimated 695 radios and 694 television sets for every 1,000 people. About 134 of every 1,000 people were cable subscribers. Also in 2003, there were 420.8 personal computers for every 1,000 people and 317 of every 1,000 people had access to the Internet. There were 1,245 secure Internet servers in the country in 2004.



In 2001, there were eight independent national newspapers, as well as many local newspapers. There were three major independent current affairs magazines along with hundreds of special interest magazines. Ireland's major newspapers, with political orientation and estimated 2002 circulation, are: *Sunday Independent*, Fine Gael, 310,500; *Sunday World*, independent, 229,000; *Irish Independent*, Fine Gael, 168,200; *Irish Times*, independent, 119,200; *Irish Examiner* (in Cork), 63,600; and *Cork Evening Echo*, Fine Gael, 28,800. Waterford, Limerick, Galway, and many other smaller cities and towns have their own newspapers, most of them weeklies. The Censorship of Publication Board has the right to censor or ban publication of books and periodicals. In 2003, the Board censored nine magazines for containing pornographic materials.

The constitution provides for free speech and a free press; however, government bodies may decree without public hearing or justification any material unfit for distribution on moral grounds. The Office of Film Censor, which rates films and videos before they can be distributed, can ban or require edits of movies which contain content considered to be "indecent, obscene, or blasphemous," or which expresses principles "contrary to public morality." In 2001, 26 videos were banned, primarily for violent or pornographic content. In 2004, one video was banned.

#### 4<sup>6</sup> ORGANIZATIONS

The Chambers of Commerce of Ireland in Dublin is the umbrella organization for regional chambers. The Irish Congress of Trade Unions is also based in Dublin. There are trade unions and professional associations representing a wide variety of occupations. The Consumers Association of Ireland is active in advocating consumer information services.

The oldest and best known of the learned societies are the Royal Dublin Society, founded in 1731, and the Royal Irish Academy, founded in 1785. The Royal Irish Academy of Music was added in 1856, the Irish Society of Arts and Commerce in 1911, the Irish Academy of Letters in 1932, and the Arts Council of Ireland in 1951. Many organizations exist for research and study in medicine and science, including the Royal Academy of Medicine in Ireland.

National youth organizations include the Church of Ireland Youth Council, Comhchairdeas (the Irish Workcamp Movement), Confederation of Peace Corps, Federation of Irish Scout Associations, Irish Girl Guides, Girls' Brigade Ireland, Junior Chamber, Student Christian Movement of Ireland, Voluntary Service International, Workers Party Youth, Young Fine Gael, and chapters of YMCA/YWCA. The Irish Sports Council serves as an umbrella organization for numerous athletic organizations both on amateur and professional levels.

Civil rights organizations include the Irish Council for Civil Liberties and the National Women's Council of Ireland. Several organizations are available to represent those with disabilities. International organizations with chapters in Ireland include the Red Cross, Habitat for Humanity, and Amnesty International.

#### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Among Ireland's numerous ancient and prehistoric sights are a restored Bronze Age lake dwelling (*crannog*) near Quin in County Clare, burial mounds at Newgrange and Knowth along the Boyne,

and the palace at the Hill of Tara, the seat of government up to the Middle Ages. Numerous castles may be visited, including Blarney Castle in County Cork, where visitors kiss the famous Blarney Stone. Some, such as Bunratty Castle and Knappogue Castle, County Clare, and Dungaire Castle, County Galway, offer medieval-style banquets, and some rent rooms to tourists.

Among Dublin's tourist attractions are the Trinity College Library, with its 8th-century illuminated Book of Kells; Phoenix Park, the largest enclosed park in Western Europe and home of the Dublin Zoo; and literary landmarks associated with such writers as William Butler Yeats, James Joyce, Jonathan Swift, and Oscar Wilde. Dublin has long been noted for its theaters, foremost among them the Abbey Theatre, Ireland's national theater, which was founded in 1904 by Yeats and Lady Gregory. Dublin was the European Community's Cultural Capital of Europe for 1991, during which time the National Gallery, Civic Museum, and Municipal Gallery were all refurbished and several new museums opened, including the Irish Museum of Modern Art.

Traditional musical events are held frequently, one of the best known being the All-Ireland Fleadh at Ennis in County Clare. Numerous parades, concerts, and other festivities occur on and around the St. Patrick's Day holiday of 17 March. Ireland has numerous golf courses, some of worldwide reputation. Fishing, sailing, horseback riding, hunting, horse racing, and greyhound racing are other popular sports. The traditional sports of Gaelic football, hurling, and camogie (the women's version of hurling) were revived in the 19th century and have become increasingly popular. The All-Ireland Hurling Final and the All-Ireland Football Final are held in September.

A passport is required of all visitors. Visas are not required for stays of up to 90 days, although an onward/return ticket may be needed.

Income from tourism and travel contributes significantly to the economy. Approximately 6,774,000 tourists visited Ireland in 2003, about 61% of whom came from the United Kingdom. That same year tourism receipts totaled \$5.2 billion. There were 62,807 hotel rooms in 2002, with a 59% occupancy rate.

According to the US Department of State in 2005, the daily cost of staying in Dublin was \$403; in Cork, \$292.

#### 4<sup>8</sup> FAMOUS IRISH

A list of famous Irish must begin with St. Patrick (c.385–461), who, though not born in Ireland, represents Ireland to the rest of the world. Among the "saints and scholars" of the 6th to the 8th centuries were St. Columba (521–97), missionary to Scotland; St. Columban (540?–616), who founded monasteries in France and Italy; and Johannes Scotus Erigena (810?–80), a major Neoplatonic philosopher.

For the thousand years after the Viking invasions, the famous names belong to warriors and politicians: Brian Boru (962?–1014), who temporarily united the kings of Ireland and defeated the Vikings; Hugh O'Neill (1547?–1616), Owen Roe O'Neill (1590?–1649), and Patrick Sarsfield (d. 1693), national heroes of the 17th century; and Henry Grattan (1746–1820), Wolf Tone (1763–98), Edward Fitzgerald (1763–98), Robert Emmet (1778–1803), Daniel O'Connell (1775–1847), Michael Davitt (1846–1906), Charles Stewart Parnell (1846–91), Arthur Griffith (1872–1922), Patrick Henry Pearse (1879–1916), and Éamon de Valera (b.US, 1882–

1975), who, with many others, fought Ireland's political battles. The politician and statesman Seán MacBride (1904–88) won the Nobel Peace Prize in 1974.

Irishmen who have made outstanding contributions to science and scholarship include Robert Boyle (1627–91), the physicist who defined Boyle's law relating to pressure and volume of gas; Sir William Rowan Hamilton (1805–65), astronomer and mathematician, who developed the theory of quaternions; George Berkeley (1685–1753), philosopher and clergyman; Edward Hincks (1792–1866), discoverer of the Sumerian language; and John Bagnell Bury (1861–1927), classical scholar. The nuclear physicist Ernest T. S. Walton (1903–95) won the Nobel Prize for physics in 1951.

Painters of note include Sir William Orpen (1878–1931), John Butler Yeats (1839–1922), his son Jack Butler Yeats (1871–1957), and Mainie Jellet (1897–1944). Irish musicians include the pianist and composer John Field (1782–1837), the opera composer Michael William Balfe (1808–70), the tenor John McCormack (1884–1945), and the flutist James Galway (b.Belfast, 1939).

After the Restoration, many brilliant satirists in English literature were born in Ireland, among them Jonathan Swift (1667–1745), dean of St. Patrick's Cathedral in Dublin and creator of *Gulliver's Travels*; Oliver Goldsmith (1730?–74); Richard Brinsley Sheridan (1751–1816); Oscar Fingal O'Flahertie Wills Wilde (1854–1900); and George Bernard Shaw (1856–1950).

Thomas Moore (1779–1852) and James Clarence Mangan (1803–49) wrote patriotic airs, hymns, and love lyrics, while Maria Edgeworth (1767–1849) wrote novels on Irish themes. Half a century later the great literary revival led by Nobel Prize-winning poet-dramatist William Butler Yeats (1865–1939), another son of John Butler Yeats, produced a succession of famous playwrights, poets, novelists, and short-story writers: the dramatists Lady Augusta (Persse) Gregory (1859?–1932), John Millington Synge (1871–1909), Sean O'Casey (1884–1964), and Lennox Robinson (1886–1958); the poets AE (George William Russell, 1867–1935), Oliver St. John Gogarty (1878–1957), Pádraic Colum (1881–1972), James Stephens (1882–1950); Austin Clarke (1890–1974), Thomas Kinsella (b.1928), and Seamus Heaney (b.1939), who won the 1995 Nobel Prize in literature; the novelists and short-story writers George Moore (1852–1932), Edward John Moreton Drax Plunkett, 18th baron of Dunsany (1878–1957), Liam O'Flaherty (1896–1984), Seán O'Faoláin (1900–91), Frank O'Connor (Michael O'Donovan, 1903–66), and Flann O'Brien (Brian O'Nolan, 1911–66). Two outstanding authors of novels and plays whose experimental styles have had worldwide influence are James Augustine Joyce (1882–1941), the author of *Ulysses*, and Samuel Beckett (1906–89), recipient of the 1969 Nobel Prize for literature.

The Abbey Theatre, which was the backbone of the literary revival, also produced many outstanding dramatic performers, such as Dudley Digges (1879–1947), Sara Allgood (1883–1950), Arthur Sinclair (1883–1951), Maire O'Neill (Mrs. Arthur Sinclair,

1887–1952), Barry Fitzgerald (William Shields, 1888–1961), and Siobhan McKenna (1923–1986). For many years Douglas Hyde (1860–1949), first president of Ireland (1938–45), spurred on the Irish-speaking theater as playwright, producer, and actor.

In addition to the genres of Irish folk and dance music, contemporary Irish popular and rock music has gained international attention. Van Morrison (b.1945), is a singer and songwriter from Belfast whose career began in the 1960s and was going strong in the 2000s. Enya (b.1961), is Ireland's best-selling solo musician. The Irish rock band U-2 is led by Bono (b.1960): Bono has also spearheaded efforts to raise money for famine relief in Ethiopia, to fight world poverty, to campaign for third-world debt relief, and to raise world consciousness to the plight of Africa, including the spread of HIV/AIDS on the continent.

## 49 DEPENDENCIES

Ireland has no territories or colonies.

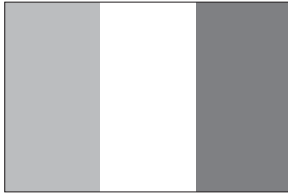
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# ITALY

Italian Republic  
*Repubblica Italiana*



**CAPITAL:** Rome (Roma)

**FLAG:** The national flag is a tricolor of green, white, and red vertical stripes.

**ANTHEM:** *Fratelli d'Italia (Brothers of Italy)*.

**MONETARY UNIT:** The euro replaced the lira as the official currency in 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Epiphany, 6 January; Liberation Day, 25 April; Labor Day, 1 May; Assumption, 15 August; All Saints' Day, 1 November; National Unity Day, 5 November; Immaculate Conception, 8 December; Christmas, 25 December; St. Stephen's Day, 26 December. Easter Monday is a movable holiday. In addition, each town has a holiday on its Saint's Day.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated in southern Europe, the Italian Republic, including the major islands of Sicily (Sicilia) and Sardinia (Sardegna), covers a land area of 301,230 sq km (116,306 sq mi). Comparatively, the area occupied by Italy is slightly larger than the state of Arizona. The boot-shaped Italian mainland extends into the Mediterranean Sea with a length of 1,185 km (736 mi) SE–NW and a width of 381 km (237 mi) NE–SW. It is bordered on the N by Switzerland and Austria, on the NE by Slovenia, on the E by the Adriatic and Ionian seas, on the W by the Tyrrhenian and Ligurian seas, and on the NW by France, with a total land boundary length of 1,932 km (1,200 mi) and a coastline of 7,600 km (4,712 mi).

Situated off the toe of the Italian boot, Sicily has a surface area of 25,708 sq km (9,926 sq mi). Sardinia, which is about 320 km (200 mi) NW of Sicily, covers an area of some 24,090 sq km (9,300 sq mi). Within the frontiers of Italy are the sovereign Republic of San Marino, with an area of 61.2 sq km (23.6 sq mi), and the sovereign state of Vatican City, which covers 44 hectares (108.7 acres).

The long-disputed problem of Trieste, a 518 sq km (200 sq mi) area situated at the head of the Adriatic Sea, between Italy and Yugoslavia, was resolved in 1954, when Italy assumed the administration of Zone A, the city and harbor of Trieste, and Yugoslavia of Zone B, the rural hinterlands of the Istrian Peninsula. A treaty of October 1975 made the partition permanent.

Italy's capital city, Rome, is located in the west-central part of the country.

## <sup>2</sup>TOPOGRAPHY

Except for the fertile Po River Valley in the north and the narrow coastal belts farther south, Italy's mainland is generally mountainous, with considerable seismic activity. During Roman times, the city of Pompeii, near present-day Naples (Napoli), was devastated first by an earthquake in AD 63 and then by the famed eruption of

Mt. Vesuvius (1,277 m/4,190 ft) in AD 79. In the last century, a 7.2 magnitude earthquake in the Calabrian-Sicilian region occurred in December 1908 that leveled the cities of Reggio di Calabria and Messina and left about 100,000 dead. A quake in the south on 23 November 1980 (and subsequent aftershocks) claimed at least 4,500 lives.

The Alpine mountain area in the north along the French and Swiss borders includes three famous lakes—Como, Maggiore, and Garda—and gives rise to six small rivers that flow southward into the Po. Italy's highest peaks are found in the northwest in the Savoy Alps, the Pennines, and the Graian chain. They include Mont Blanc (4,807 m/15,771 ft), on the French border; Monte Rosa (Dufourspitze, 4,634 m/15,203 ft) and the Matterhorn (Monte Cervino, 4,478 m/14,692 ft), on the Swiss border; and Gran Paradiso (4,061 m/13,323 ft). Marmolada (3,342 m/10,965 ft), in northeast Italy, is the highest peak in the Dolomites.

At the foot of the Alps, the Po River, the only large river in Italy, flows from west to east, draining plains covering about 17% of Italy's total area and forming the agricultural and industrial heartland. The Apennines, the rugged backbone of peninsular Italy, rise to form the southern border of the Po Plain. Numerous streams and a few small rivers, including the Arno and the Tiber (Tevere), flow from the Apennines to the west coast. The highest peak on the peninsula is Corvo Grande (2,912 m/9,554 ft). Vesuvius is the only active volcano on the European mainland.

While altitudes are lower in southern Italy, the Calabrian coast is still rugged. Among the narrow, fertile coastal plains, the Plain of Foggia in northern Apulia, which starts along the Adriatic, and the more extensive lowland areas near Naples, Rome, and Livorno (Leghorn) are the most important. The mountainous western coastline forms natural harbors at Naples, Livorno, La Spezia, Genoa (Genova), and Savona, and the low Adriatic coast permits natural ports at Venice (Venezia), Bari, Brindisi, and Taranto.

Sicily, separated from the mainland by the narrow Strait of Messina, has the Madonie Mountains, a continuation of the Apennines, and the Plain of Catania, the largest plain on the island. Mount Etna (3,369 m/11,053 ft) is an isolated and active volcano in the northeast.

Sardinia, in the Tyrrhenian Sea, is generally mountainous and culminates in the peak of Gennargentu (1,834 m/6,017 ft). The largest and most fertile plains are the Campidano in the south and the Ozieri in the north. The principal bay is Porto Torres in the Gulf of Asinara.

### **3 CLIMATE**

Climate varies with elevation and region. Generally, however, Italy is included between the annual isotherms of 11°C and 19°C (52°F and 66°F). The coldest period occurs in December and January, the hottest in July and August. In the Po Plain, the average annual temperature is about 13°C (55°F); in Sicily, about 18°C (64°F); and in the coastal lowlands, about 14°C (57°F). The climate of the Po Valley and the Alps is characterized by cold winters, warm summers, and considerable rain, falling mostly in spring and autumn, with snow accumulating heavily in the mountains. The climate of the peninsula and of the islands is Mediterranean, with cool, rainy winters and hot, dry summers. Mean annual rainfall varies from about 50 cm (20 in) per year, on the southeast coast and in Sicily and Sardinia, to over 200 cm (80 in), in the Alps and on some westerly slopes of the Apennines. Frosts are rare in the sheltered western coastal areas, but severe winters are common in the Apennine and Alpine uplands.

### **4 FLORA AND FAUNA**

Plants and animals vary with area and altitude. Mountain flora is found above 1,980 m (6,500 ft) in the Alps and above 2,290 m (7,500 ft) in the Apennines. The highest forest belt consists of conifers; beech, oak, and chestnut trees grow on lower mountain slopes. Poplar and willow thrive in the Po Plain. On the peninsula and on the larger islands, Mediterranean vegetation predominates: evergreens, holm oak, cork, juniper, bramble, laurel, myrtle, and dwarf palm.

Although larger mammals are scarce, chamois, ibex, and roe deer are found in the Alps, and bears, chamois, and otters inhabit the Apennines. Ravens and swallows are characteristic birds of Italy. Abundant marine life inhabits the surrounding seas.

As of 2002, there were at least 90 species of mammals, 250 species of birds, and over 5,900 species of plants throughout the country.

### **5 ENVIRONMENT**

Italy has been slow to confront its environmental problems. Central government agencies concerned with the environment are the Ministry for Ecology (established in 1983), the Ministry of Culture and Environmental Quality, the National Council for Research, and the Ministry for Coordination of Scientific and Technological Research. Localities also have responsibility for environmental protection, but most of the burden of planning and enforcement falls on regional authorities. The principal antipollution statute is Law No. 319 of 1976 (the Merli Law), which controls the dis-

posal of organic and chemical wastes; enforcement, however, has proved difficult.

Air pollution is a significant problem in Italy. United Nations sources estimate that carbon monoxide emissions increased by 12% in the period between 1985 and 1989. In the 1990s Italy had the world's 10th highest level of industrial carbon dioxide emissions, which totaled 407.7 million metric tons per year, a per capita level of 7.03 metric tons. In 2000, the total of carbon dioxide emissions was at 428.2 million metric tons.

Water pollution is another important environmental issue in Italy. The nation's rivers and coasts have been polluted by industrial and agricultural contaminants and its lakes contaminated by acid rain. In 2001 the nation had 160 cu km of renewable water resources with 53% used in farming activity and 33% used for industrial purposes. Facilities for the treatment and disposal of industrial wastes are inadequate.

In July 1976, the city of Seveso, north of Milan (Milano), gained international attention after an explosion at a small Swiss-owned chemical plant released a cloud of debris contaminated by a toxic by-product, dioxin. More than 1,000 residents were evacuated, and pregnant women were advised to have abortions.

The long-term threat posed by flooding, pollution, erosion, and sinkage to the island city of Venice was highlighted by a disastrous flood in November 1966, which damaged priceless art treasures and manuscripts in Florence (Firenze). The digging of artesian wells in the nearby mainland cities of Mestre and Marghera so lowered the water table that the Venetian islands sank at many times the normal annual rate of 4 mm (0.16 in) a year between 1900 and 1975; with the wells capped as a protective measure, Venice's normal sinkage rate was restored. As of the mid-1980s, however, little effort had been made to control the number and speed of powerboats on the Grand Canal (the churning of whose waters causes buildings to erode), nor had the national government begun to implement a master plan for Venice approved in principle three years earlier. Rome has implemented a project designed, in part, to protect the Roman Forum and other ancient monuments from the vibration and pollution of motor vehicles.

In 2003, only about 7.9% of the total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 12 types of mammals, 15 species of birds, 4 types of reptiles, 5 species of amphibians, 17 species of fish, 16 types of mollusks, 42 species of other invertebrates, and 3 species of plants. Threatened species include the Sicilian fir, the black vulture, the spotted eagle, the wild goat, the great white shark, and the red-breasted goose. The Sardinian pika is extinct.

### **6 POPULATION**

The population of Italy in 2005 was estimated by the United Nations (UN) at 58,742,000, which placed it at number 23 in population among the 193 nations of the world. In 2005, approximately 19% of the population was over 65 years of age, with another 14% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be stagnant at 0.0%, a rate the government viewed as too low. The projected population for the year 2025 was 57,630,000. The population den-



LOCATION: 47°05' to 36°38'N; 6°37' to 18°31' E. BOUNDARY LENGTHS: Switzerland, 744 kilometers (462 miles); Austria, 430 kilometers (267 miles); Slovenia, 209 kilometers (130 miles); total coastline including islands of Sicily and Sardinia, 7,458 kilometers (4,634 miles); France, 514 kilometers (320 miles). TERRITORIAL SEA LIMIT: 12 miles.

sity was 195 per sq km (505 per sq mi), with the Po Valley being one of the most densely populated areas of the country.

The UN estimated that 90% of the population lived in urban areas in 2005, and that population in urban areas was declining at an annual rate of -0.04%. The capital city, Rome (Roma), had a population of 2,665,000 in that year. Other major cities and their estimated populations include Milan, 4,007,000; Naples, 2,905,000; Turin (Torino), 1,182,000; Genoa, 803,000; Florence, 778,000; Palermo, 721,164; and Bologna, 369,955.

## 7 MIGRATION

Emigration, which traditionally provided relief from overpopulation and unemployment, now represents only a fraction of the millions of Italians who emigrated during the two decades prior to 1914. From 1900 to 1914, 16 of every 1,000 Italians left their homeland each year; by the late 1970s, that proportion had declined to about 1.5 per 1,000. Of the 65,647 Italians who emigrated in 1989, some 26,098 went to Germany; 16,347 to Switzerland; 5,277 to France; 4,076 to the United States; and 23,849 to oth-

er countries. Immigration in 1989 totaled approximately 81,201 people, of whom West Germans accounted for 13,198. In 1990, 781,100 immigrants lived in Italy. This figure did not include some 600,000 who were believed to be illegal immigrants.

The overall impetus to emigrate has been greatly reduced by economic expansion within Italy itself and by the shrinking job market in other countries, especially Germany. Nevertheless, Germany had 560,100 Italian residents at the end of 1991, and France had 253,679 in 1990. Particularly significant in the first two decades after World War II was the considerable migration from the rural south to the industrial north, but by the mid-1980s, this flow had become insignificant.

In 1998, Italy received a total of 7,112 asylum applications, an increase of over 380% over the 1,858 applications lodged in 1997. The main countries of origin were Serbia and Montenegro, Iraq, and Turkey. Refugee status was granted in 29.6% of decisions on the applications made in 1998. Italy also hosted 5,816 people who arrived in 1999 from Macedonia under the UNHCR/IOM Humanitarian Evacuation Programme. However, in 2004 there were no asylum seekers in Italy, but 15,604 refugees and 886 stateless persons of concern to United Nations High Commissioner for Refugees (UNHCR). In 2005, the net migration rate was estimated as 2.07 migrants per 1,000 population.

## **8 ETHNIC GROUPS**

Italy has been the home of various peoples: Lombards and Goths in the north; Greeks, Saracens, and Spaniards in Sicily and the south; Latins in and around Rome; and Etruscans and others in central Italy. For centuries, however, Italy has enjoyed a high degree of ethnic homogeneity. The chief minority groups are the German-speaking people in the Alto Adige (South Tyrol) region and the Slavs of the Trieste area.

## **9 LANGUAGES**

Italian, the official language, is spoken by the vast majority of people. While each region has its own dialect, Tuscan, the dialect of Tuscany, is the standard dialect for Italian. French is spoken in parts of Piedmonte and in Valle d'Aosta, where it is the second official language; Slovene is spoken in the Trieste-Gorizia area. German is widely used in Bolzano Province, or South Tyrol (part of the Trentino-Alto Adige region), which was ceded by Austria in 1919; under agreements reached between Italy and Austria in 1946 and 1969, the latter oversees the treatment of these German-speakers, who continue to call for greater linguistic and cultural autonomy.

## **10 RELIGIONS**

Roman Catholicism, affirmed as the state religion under the Lateran Treaty of 1929, lost that distinction under a concordat with the Vatican ratified in 1985. However, the Catholic Church continues to hold a privileged status with the state. An estimated 87% of native-born Italian citizens claim to be members of the Roman Catholic faith; however, only about 20% are active participants. Jehovah's Witnesses form the second-largest denomination among native-born Italian citizens, with about 400,000 adherents. However, if immigrants are counted, the second-largest religion is Islam, with an estimated one million followers. About 100,000 people are Scientologists, 60,000 are Buddhists, 30,000

are Waldensians (a Calvinist sect), 30,000 are Jewish, and 20,000 are Mormons. The Orthodox and Protestant churches have small communities. Hinduism and Bahá'ism are also represented. About 14% of the population claim to be atheists or agnostics.

## **11 TRANSPORTATION**

Italy's highway system, one of the world's best, in 2002 totaled 479,688 km (298,366 mi), all of which were paved, and included 6,620 km (4,117 mi) of expressways. These expressways carry heavy traffic along such routes as Milan-Como-Varese, Venice-Padua, Naples-Salerno, and Milan-Bologna-Florence-Rome-Naples. A major highway runs through the Mont Blanc Tunnel, connecting France and Italy. In 2003, there were an estimated 34,310,446 passenger cars and 4,166,033 commercial vehicles.

In 2004, Italy maintained a total of 19,319 km (12,016 mi) of standard and narrow gauge rail lines. Of that total, standard gauge accounts for 18,001 km (11,196 mi) of which 11,333 km (7,049 mi) are electrified, while 280 km (174 mi) of narrow gauge lines are electrified. The government owns and operates 80% of the rail system, the Italian State Railway (Ferrovie dello Stato-FS), including the principal lines. Connections with French railways are made at Ventimiglia, Tenda, and Mont Cenis; with the Swiss, through the Simplon and St. Gotthard passes; with the Austrian, at the Brenner Pass and Tarvisio; and with the Slovenian, through Gorizia.

The navigable inland waterway system, totaling about 2,400 km (1,490 mi), is mainly in the north and consists of the Po River, the Italian lakes, and the network of Venetian and Po River Valley canals. There is regular train-ferry and automobile-ferry service between Messina and other Sicilian ports. Freight and passengers are carried by ship from Palermo to Naples. Sardinia and the smaller islands are served by regular shipping. Regular passenger service is provided by hydrofoil between Calabria and Sicily, and between Naples, Ischia, and Capri.

As of 2005, Italy had 565 merchant vessels of 1,000 GRT or more, totaling 8,970,017 GRT. Genoa and Savona on the northwest coast and Venice on the Adriatic handle the major share of traffic to and from the northern industrial centers. Naples, second only to Genoa, is the principal port for central and southern Italy, while Livorno is the natural outlet for Florence, Bologna, and Perugia. Messina, Palermo, and Catania are the chief Sicilian ports, and Cagliari handles most Sardinian exports.

In 2004 there were an estimated 134 airports. As of 2005, a total of 98 had paved runways, and there were also three heliports. Italy's one national airline, Alitalia, which is almost entirely government-owned, maintains an extensive domestic and international network of air routes. Rome's Fiumicino and Milan's Malpensa and Linate are among the most important airports, being served by nearly every major international air carrier. In 2003, Italian civil aviation performed a total of 1,359 million freight ton-km and carried about 34.953 million passengers on scheduled domestic and international airline flights.

## **12 HISTORY**

The Italian patrimony, based on Roman antecedents—with a tradition that extends over 2,500 years—is the oldest in Europe, next to Greece's. The Ligurians, Sabines, and Umbrians were among the earliest-known inhabitants of Italy, but in the 9th century BC they

were largely displaced in central Italy by the Etruscans, a seafaring people, probably from Asia Minor. Shortly thereafter there followed conquests in Sicily and southern Italy by the Phoenicians and the Greeks. By 650 BC, Italy was divided into ethnic areas: the Umbrians in the north, the Ligurians in the northwest, the Latins and Etruscans in the central regions, and the Greeks and Phoenicians in the south and Sicily. The Etruscan civilization, a great maritime, commercial, and artistic culture, reached its peak about the 7th century, but by 509 BC, when the Romans overthrew their Etruscan monarchs, its control in Italy was on the wane. By 350 BC, after a series of wars with both Greeks and Etruscans, the Latins, with Rome as their capital, gained the ascendancy, and by 272 BC, they managed to unite the entire Italian peninsula.

This period of unification was followed by one of conquest in the Mediterranean, beginning with the First Punic War against Carthage (264–241 BC). In the course of the century-long struggle against Carthage, the Romans conquered Sicily, Sardinia, and Corsica. Finally, in 146 BC, at the conclusion of the Third Punic War, with Carthage completely destroyed and its inhabitants enslaved, Rome became the dominant power in the Mediterranean. From its inception, Rome was a republican city-state, but four famous civil conflicts destroyed the republic: Sulla against Marius and his son (88–82 BC), Julius Caesar against Pompey (49–45 BC), Brutus and Cassius against Mark Antony and Octavian (43 BC), and Mark Antony against Octavian. Octavian, the final victor (31 BC), was accorded the title of Augustus (“exalted”) by the Senate and thereby became the first Roman emperor. Under imperial rule, Rome undertook a series of conquests that brought Roman law, Roman administration, and Pax Romana (“Roman peace”) to an area extending from the Atlantic to the Rhine, to the British Isles, to the Iberian Peninsula and large parts of North Africa, and to the Middle East as far as the Euphrates.

After two centuries of successful rule, in the 3rd century AD, Rome was threatened by internal discord and menaced by Germanic and Asian invaders, commonly called barbarians (from the Latin word *barbari*, “foreigners”). Emperor Diocletian’s administrative division of the empire into two parts in 285 provided only temporary relief; it became permanent in 395. In 313, Emperor Constantine accepted Christianity, and churches thereafter rose throughout the empire. However, he also moved his capital from Rome to Constantinople, greatly reducing the importance of the former. From the 4th to the 5th century, the Western Roman Empire disintegrated under the blows of barbarian invasions, finally falling in 476, and the unity of Italy came to an end. For a time, Italy was protected by the Byzantine (Eastern Roman) Empire, but a continuing conflict between the bishop of Rome, or pope, and the Byzantine emperor culminated in a schism during the first half of the 8th century.

After the fall of the Roman Empire and the reorganization of the peninsula, from the 6th to the 13th century, Italy suffered a variety of invaders and rulers: the Lombards in the 6th century, the Franks in the 8th century, the Saracens in the 9th, and the Germans in the 10th. The German emperors (of the Holy Roman Empire), the popes, and the rising Italian city-states vied for power from the 10th to the 14th century, and Italy was divided into several, often hostile, territories: in the south, the Kingdom of Naples, under Norman and Angevin rule; in the central area, the Pa-

pal States; and in the north, a welter of large and small city-states, such as Venice, Milan, Florence, and Bologna.

By the 13th century, the city-states had emerged as centers of commerce and of the arts and sciences. Venice, in particular, had become a major maritime power, and the city-states as a group acted as a conduit for goods and learning from the Byzantine and Islamic empires. In this capacity, they provided great impetus to the developing Renaissance, which between the 13th and 16th centuries led to an unparalleled flourishing of the arts, literature, music, and science. However, the emergence of Portugal and Spain as great seagoing nations at the end of the 15th century undercut Italian prosperity. After the Italian Wars (1494–1559), in which France tried unsuccessfully to extend its influence in Italy, Spain emerged as the dominant force in the region. Venice, Milan, and other city-states retained at least some of their former greatness during this period, as did Savoy-Piedmont, protected by the Alps and well defended by its vigorous rulers.

Economic hardship, waves of the plague, and religious unrest tormented the region throughout the 17th century and into the 18th. The French Revolution was brought to the Italian peninsula by Napoleon, and the concepts of nationalism and liberalism infiltrated everywhere. Short-lived republics and even a Kingdom of Italy (under Napoleon’s stepson Eugene) were formed. But reaction set in with the Congress of Vienna (1815), and many of the old rulers and systems were restored under Austrian domination. The concept of nationalism continued strong, however, and sporadic outbreaks led by such inveterate reformers as Giuseppe Mazzini occurred in several parts of the peninsula down to 1848–49. This Risorgimento (“resurgence”) movement was brought to a successful conclusion under the able guidance of Count Camillo Cavour, prime minister of Piedmont. Cavour managed to unite most of Italy under the headship of Victor Emmanuel II of the house of Savoy, and on 17 March 1861, the Kingdom of Italy was proclaimed with Victor Emmanuel II as king. Giuseppe Garibaldi, the popular republican hero of Italy, contributed much to this achievement and to the subsequent incorporation of the Papal States under the Italian monarch. Italian troops occupied Rome in 1870, and in July 1871, it formally became the capital of the kingdom. Pope Pius IX, a longtime rival of Italian kings, considered himself a “prisoner” of the Vatican and refused to cooperate with the royal administration.

### The 20th Century

The new monarchy aspired to great-power status but was severely handicapped by domestic social and economic conditions, particularly in the south. Political and social reforms introduced by Premier Giovanni Giolitti in the first decade of the 20th century improved Italy’s status among Western powers but failed to overcome such basic problems as poverty and illiteracy. Giolitti resigned in March 1914 and was succeeded by Antonia Salandra. During World War I, Italy, previously an ally of the Central Powers, declared itself neutral in 1914 and a year later, in April 1915, joined the British and French in exchange for advantages offered by the secret Treaty of London. At the Versailles Peace Conference, Italy, which had suffered heavy losses on the Alpine front

and felt slighted by its Western allies, failed to obtain all of the territories that it claimed.

This disappointment, coupled with the severe economic depression of the postwar period, created great social unrest and led eventually to the rise of Benito Mussolini, who, after leading his Fascist followers in a mass march on Rome, became premier in 1922. He established a Fascist dictatorship, a corporate state, which scored early successes in social welfare, employment, and transportation; in 1929, he negotiated the Lateran Treaties, under which the Holy See became sovereign within the newly constituted Vatican City State and Roman Catholicism was reaffirmed as Italy's official religion (the latter provision was abolished in 1984). The military conquest of Ethiopia (1935–36) added to Italy's colonial strength and exposed the inability of the League of Nations to punish aggression or keep the peace.

Italy joined Germany in World War II, but defeats in Greece and North Africa and the Allied invasion of Sicily toppled Mussolini's regime on 25 July 1943. Soon Italy was divided into two warring zones, one controlled by the Allies in the south and the other (including Rome) held by the Germans, who had quickly moved in, rescued Mussolini, and established him as head of the puppet "Italian Social Republic." When German power collapsed, Mussolini was captured and executed by Italian partisans.

The conclusion of the war left Italy poverty-stricken and politically disunited. In 1946, Italy became a republic by plebiscite; in the following year, a new constitution was drafted, which went into effect in 1948. Under the peace treaty of 10 February 1947, Italy was required to pay \$360 million in reparations to the USSR, Yugoslavia, Greece, Ethiopia, and Albania. By this time, the Italian economy, initially disorganized by Mussolini's dream of national self-sufficiency and later physically devastated by the war, was in a state of near collapse. By the early 1950s, however, with foreign assistance (including \$1,516.7 million from the United States under the Marshall Plan), Italy managed to restore its economy to the prewar level. From this point, the Italian economy experienced unprecedented development through the 1960s and 1970s.

Politically, postwar Italy has been marked by a pattern of accelerating instability, with 48 different coalition governments through 15 March 1988. In May 1981, the coalition of Prime Minister Arnaldo Forlani was brought down after it was learned that many government officials, including three cabinet ministers, were members of a secret Masonic lodge, Propaganda Due (P-2), that had reportedly been involved in illegal right-wing activities. Left-wing terrorism, notably by the Red Brigades (Brigate Rosse), also plagued Italy in the 1970s and early 1980s. In January 1983, 23 Red Brigade members were sentenced to life imprisonment in connection with the kidnapping and murder of Prime Minister Aldo Moro in 1978; another 36 members received sentences of varying lengths for other crimes, including 11 murders and 11 attempted murders, committed between 1976 and 1980. By the mid-1980s, the Mafia actively engaged in extortion, government corruption, and violent crime, as well as a central role in global heroin trafficking.

By 1986, however, internal security had improved. A major effort against organized crime was under way in the mid-1980s; over 1,000 suspects were tried and the majority convicted in trials that took place in Naples beginning in February 1985 and in Sicily beginning in February 1986.

Revelations of corruption and scandals involving senior politicians, members of the government administration, and business leaders rocked Italy in the early 1990s. Hundreds of politicians, party leaders, and industrialists were either under arrest or under investigation. The scandals discredited the major parties that had governed Italy since 1948, and the instability gave impetus to new reformist groups.

In August 1993, Italy made significant changes in its electoral system. Three-fourths of the seats in both the Chamber and the Senate would be filled by simple majority voting. The remainder would be allocated by proportional representation to those parties securing at least 4% of the vote. The first elections under the new system in March 1994 resulted in a simplification of electoral alliances and brought a center-right government to power. Silvio Berlusconi, founder of the "Go Italy" (Forza Italia) movement, emerged as prime minister. Berlusconi, a successful Italian businessman, was a newcomer to Italian politics. He was supported by the Alliance for Freedom coalition, which had received over 42% of the vote and 366 seats.

Berlusconi's government, however, became victim to charges of government corruption and on 22 December 1994 he was forced to resign in the face of a revolt by the Northern League, one of the parties in his ruling coalition. Three weeks after Berlusconi's resignation, his treasury minister, Lamberto Dini was named prime minister. He formed a government of technocrats and set about to enact fiscal and electoral reforms. Pragmatism and a lack of viable alternatives kept him in power until supporters of his main political rival, Silvio Berlusconi, presented a motion that he step down. When Dini learned that two splinter groups in his center-left coalition (the Greens and the Communist Refounding party) would not vote in his favor, he resigned on 11 January 1996 rather than face a no-confidence vote.

The elections, held on 21 April 1996, saw a center-left coalition, dominated by the former communists (DS), take control of the country for the first time in 50 years. Romano Prodi, an economics professor with little political experience, was chosen to serve as prime minister on 16 May. His coalition government collapsed after it failed to win a vote of no-confidence over the budget. President Oscar Luigi Scalfaro asked Massimo D'Alema, the leader of the DS and of the largest party in the Olive Tree, to form a new administration. His cabinet retained the same members from the left and center as before. This government also continued to pursue fiscal consolidation to join European economic and monetary union in 1999. Prodi left for Brussels to take up the presidency of the European Commission in May 1999. D'Alema reshuffled his cabinet in 1999 but it finally fell in April 2000. The immediate cause was the dismal performance in regional elections. The center-left won 7 out of 15 regions while the right, under the leadership of Silvio Berlusconi, took 8 regions.

The coalition of 12 discordant political blocs backed the Treasury Minister, Giuliano Amato, to become the new prime minister (appointed by President Carlo Azeglio Ciampi, in office since May 1999). Prior to the fall of the D'Alema administration, the government had scheduled an important referendum to scrap the last remaining vestiges of direct proportional representation in the electoral system. Only one-third of the electorate bothered to vote on 21 May 2000, not enough to validate the referendum outcome.



Berlusconi's House of Liberties coalition, led by Go Italy, secured 368 seats in the Chamber of Deputies in the May 2001 parliamentary elections, to the Olive Tree coalition's 242 seats. (The House of Liberties coalition also won a majority in the Senate.) After becoming Italy's 59th postwar prime minister, Berlusconi faced long-standing charges of criminal wrongdoing, including bribery; he became the first sitting Italian prime minister to appear at his own trial. It was not until December 2004 that Berlusconi was cleared of all charges.

Italy offered the use of its airspace and military bases to the US-led coalition in its war with Iraq, which began on 19 March 2003, although Italy did not send troops to the region and did not allow coalition forces to launch a direct attack on Iraq from Italy. Some 75% of Italians opposed the use of military force against the Saddam Hussein regime, but Berlusconi adopted a position of solidarity with the US-led coalition.

### 13 GOVERNMENT

In a plebiscite on 2 June 1946, the Italian people voted (12,700,000 to 10,700,000) to end the constitutional monarchy, which had existed since 1861, and establish a republic. At the same time, a constituent assembly was elected, which proceeded to draft and approve a new constitution; it came into force on 2 January 1948. Under this constitution, as amended, the head of the Italian Republic is the president, who is elected for a seven-year term by an electoral college consisting of both houses of parliament and 58 regional representatives. Elections for a new president must be held 30 days before the end of the presidential term. Presidential powers and duties include nomination of the prime minister (referred to as president of the Council of Ministers) who, in turn, chooses a Council of Ministers (cabinet) with the approval of the president; the power to dissolve parliament, except during the last six months of the presidential term of office; representation of the state on important occasions; ratification of treaties after parliamentary authorization; and the power to grant pardons and commute penalties. Although the constitution limits presidential powers, a strong president can play an important political as well as ceremonial role.

Legislative power is vested in the bicameral parliament, consisting of the Chamber of Deputies and the Senate. Members of the 630-seat lower house, the Chamber of Deputies, must be at least 25 years old and are elected for five-year terms. The 315 elective members of the Senate must be at least 40 years old and are elected for five-year terms. Former presidents of the republic are automatically life senators, and the president may also appoint as life senators persons who have performed meritorious service. Citizens must be at least 25 years of age to vote for senators; otherwise, those over the age of 18 may vote in all other elections.

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The constitution gives the people the right to hold referenda to abrogate laws passed by the parliament; a referendum requires at least 500,000 signatures. Four referenda had been held by 1987 (against the legalization of divorce in 1974, against increased police powers and state financing of the political parties in 1978, and against government cuts in wage indexation in 1985), and in all of them, the voters approved the parliamentary decisions.

In May 1999, Carlo Azeglio Ciampi was elected by the parliament as president of the Republic of Italy.

On 21 May 2000, Italian voters were asked to decide on electoral reform by increasing the number of lower house seats filled on the basis of a nonproportional system to 100%, effectively scrapping the last remaining element of pure proportional representation. The referendum needed to secure a quorum of 50% of the electorate to gain validity. The final turnout of 32% was much lower than expected and was an alarming sign of voter fatigue and popular disaffection.

On 13 May 2001, Silvio Berlusconi was again elected as head of state, this time as the leader of the five-party "Freedom House" political coalition of Forza Italia, the National Alliance, the Northern League, the Christian Democratic Center, and the United Christian Democrats. Although this coalition government was the longest running in Italy's postwar history, after a low showing in regional elections, Berlusconi was forced to resign and form a new government in April 2005. Italy's 60th government since liberation was formed on 23 April 2005.

### 14 POLITICAL PARTIES

Italy has a complex system of political alignments in which the parties, their congresses, and their leaders often appear to wield more power than parliament or the other constitutional branches of government.

Basic party policy is decided at the party congresses—generally held every second year—which are attended by locally elected party leaders. At the same time, the national party leadership is selected.

The most important political party traditionally had been the Christian Democratic Party (Partito Democrazia Cristiana—DC), which stood about midway in the political spectrum. In the 1983 national elections, the DC commanded 32.9% of the vote and won 225 seats in the Chamber of Deputies, down from 38.3% and 262 seats in 1979; in 1987, however, its electoral strength increased again, to 34.3% and 234 seats. From 1948 until 1981, the prime minister of Italy was consistently drawn from the ranks of the DC, whose religious and anti-class base constitutes both its strength and its weakness. Its relationship with the Church gave it added strength but also opened it to criticism, as did its popular association with the Mafia. In 1992, massive investigations uncovered widespread corruption, leading to many arrests and resignations of senior government officials. As a result of these scandals and corruption charges, the DC disbanded in 1994.

To the right and the left of the DC stood a wide range of parties, the most prominent of which was the Italian Communist Party (Partito Comunista Italiano—PCI), the largest Communist party in Western Europe at the time. The PCI had been second in power and influence only to the DC, but in the 1980s, its electoral base declined, despite the fact that it effectively severed its ties with both the former USSR and Marxism-Leninism.

Of all the parties of the mid to late 20th century, the most powerful were, in addition to the DC and PCI, were Italian Socialist Party (Partito Socialista Italiano—PSI), the Italian Socialist Democratic Party (Partito Socialista Democratico Italiano—PSDI), the Italian Republican Party (Partito Repubblicano Italiano—PRI), the Italian Liberal Party (Partito Liberale Italiano—PLI), the Radical Party (Partito Radicale), the Italian Social Movement (Movimento Sociale Italiano—MSI), the Proletarian Democracy (Democrazia Proletaria—DP), and the environmentalist Greens party. However, the 1990s saw the demise, creation, and restructuring of many Italian political parties. As of 2005, only the PRI and the Greens parties exist. Partly due to the end of the Cold War, in part due to the Mafia crackdown in the 1990s, and primarily due to the related corruption scandals that involved most of the major parties, the overhaul of the political party system was so significant that, although there has been little actual constitutional change, the post-1992 period is often referred to as the “Second Republic.”

With the rise in political parties, government functioning was dominated by coalition party formations. The April 1996 election saw a resurgence of the left as the Olive Tree coalition, anchored by former communists calling themselves the Party of the Democratic Left (PDS), gained 284 seats in the 630-seat Chamber of Deputies and 157 seats in the 315-seat Senate. The Refounded Communists won 35 seats in the Chamber of Deputies, the separatist Northern League 59, the center-right Freedom Alliance 246, and others 6. The elections of April 1992 failed to resolve Italy's political and economic problems. The election of March 1994 under new voting rules resulted in the following distribution of seats in the Chamber (lower house): Alliance for Freedom, 42.9% (Forza Italia, Northern League, National Alliance—366 seats); Progressive Alliance, 32.2% (Democratic Party of the Left, Communist Refounding, Democratic Alliance, Greens, Reformers—213 seats); and Pact for Italy, 15.7% (Popular Party, others—46 seats).

The domination of the center-left came to an end in the May 2001 election when Berlusconi's right-leaning coalition, Freedom House (formerly the House of Liberties), was comprised of his Forza Italia (Go Italy) party; the National Alliance, Northern League, Christian-Democratic Center Party; United Christian Democrats; and the New Italian Socialist Party. This coalition won 368 seats in the Chamber of Deputies, and 177 in the Senate. The Olive Tree coalition—composed of the Democrats of the Left, the Daisy Alliance (including the Italian Popular Party, Italian Renewal, Union of Democrats for Europe, and the Democrats), the Sunflower Alliance (including the Greens and the Italian Democratic Socialists), and the Italian Communist Party—came in second with 242 seats in the lower house (128 in the Senate). The Communist Refounding took 11 seats in the Chamber of Deputies, and the Olive-Southern Tyrols People's Party of German speakers secured 5 seats in the lower house.

## <sup>15</sup> LOCAL GOVERNMENT

Under the terms of the 1948 constitution, Italy is divided into 20 regions. Five of these regions (Sicily, Sardinia, Trentino–Alto Adige, Friuli–Venezia Giulia, and the Valle d'Aosta) have been granted semiautonomous status, although the powers of self-government delegated from Rome have not been sufficient to satisfy the militant separatists, especially in Alto Adige. Legislation

passed in 1968 granted the remaining 15 regions an even more limited degree of autonomy. All the regions elect a regional council. The councils and president are elected by universal franchise under a proportional system analogous to that of the parliament at Rome.

The regions are subdivided into a total of 94 provinces, which elect their own council and president, and each region is in turn subdivided into communes—townships, cities, and towns—that constitute the basic units of local administration. Communes are governed by councils elected by universal suffrage for a four-year term. The council elects a mayor and a board of aldermen to administer the commune. A commissioner in each region represents the federal government.

## <sup>16</sup> JUDICIAL SYSTEM

Minor legal matters may be brought before conciliators, while civil cases and lesser criminal cases are tried before judges called *pretori*. There are 159 tribunals, each with jurisdiction over its own district; 90 assize courts, where cases are heard by juries; and 26 assize courts of appeal. The Court of Cassation in Rome acts as the last instance of appeal in all cases except those involving constitutional matters, which are brought before the special Constitutional Court (consisting of 15 judges). For many years, the number of civil and criminal cases has been increasing more rapidly than the judicial resources to deal with them.

The Italian legal system is based on Roman law, although much is also derived from the French Napoleonic model. The law assuring criminal defendants a fair and public trial is largely observed in practice. The 1989 amendments to the criminal procedure law both streamlined the process and provide for a more adversarial (as opposed to inquisitorial) system along the American model.

By law the judiciary is autonomous and independent of the executive branch. In practice, there has been a perception that magistrates were subject to political pressures and that political bias of individual magistrates could affect outcomes. Since the start of “clean hands” investigations of the government, including the judiciary, in 1992 for kickbacks and corruption, magistrates have taken steps to distance themselves from political parties and other pressure groups.

## <sup>17</sup> ARMED FORCES

Since 1949 Italy, as a member of NATO, has maintained large and balanced modern forces. The total strength in 2005 was 191,875 active personnel, with reserves numbering 56,500. Army personnel numbered 112,000, and whose equipment included 320 main battle tanks, 300 reconnaissance vehicles, 122 armored infantry fighting vehicles, 2,036 armored personnel carriers, 14 amphibious assault vehicles, and 1,562 artillery pieces. Navy personnel in 2005 totaled 33,100, including 2,000 Marines. Major Italian naval vessels included 1 aircraft carrier, 2 destroyers, 12 frigates, 8 corvettes, 14 patrol/coastal vessels, 13 mine warfare ships, 3 amphibious ships, and 94 logistics/support vessels. The navy also operated six tactical submarines. The air force had a total strength of 44,743 personnel with 199 combat capable aircraft, in addition to various electronic warfare, anti-air defense, transport and training aircraft. In 2005, Italy also had a paramilitary force of 254,300 active personnel, of which 111,367 were Carabinieri. Italian armed forces were deployed among 19 countries or regions in various peace-

keeping, training or active military missions. Italy's military budget for 2005 was \$17.2 billion.

## 18 INTERNATIONAL COOPERATION

Italy has been a member of the United Nations since 14 December 1955 and participates in the ECE and several UN nonregional specialized agencies, such as FAO, UNESCO, UNIDO, UNHCR, IFC, WHO, and the World Bank. It is a member of the Council of Europe, the European Union, NATO, and the OECD. Italy held the EU presidency from July to December 2003. Italy also participates in the Asian, African, Caribbean, European, and the Inter-American development banks, and is a part of G-7, G-8, and G-10. The country holds observer status in the Black Sea Economic Cooperation Zone, the OAS, and the Latin American Integration Association (LAIA).

Italy is a guest in the Nonaligned Movement. The country has supplied troops for UN operations and missions in Kosovo (est. 1999), Lebanon (est. 1978), India and Pakistan (est. 1949), and Ethiopia and Eritrea (est. 2000), among others. Italy belongs to the Australia Group, the Zangger Committee, the Nuclear Suppliers Group (London Group), the Nuclear Energy Agency, the Organization for the Prohibition of Chemical Weapons, and the European Organization for Nuclear Research (CERN).

In environmental cooperation, Italy is part of the Antarctic Treaty; the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; CITES; the London Convention; International Tropical Timber Agreements; the Kyoto Protocol; the Montréal Protocol; MARPOL; the Nuclear Test Ban Treaty; and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

As the Italian economy, the world's sixth-largest, has expanded since the 1950s, its structure has changed markedly. Agriculture, which in 1953 contributed 25% of the GNP and employed 35% of the labor force, contributed in 1968 only 11% of the GNP and employed only 22% of the active labor force—despite continued increases in the value of agricultural production. Agriculture's contribution to the GDP further declined to 8.4% in 1974, 5% in 2001, and 2.3% in 2004. Conversely, the importance of industry has increased dramatically. Industrial output almost tripled between 1953 and 1968 and generally showed steady growth during the 1970s; in 2004, industry (including fuel, power, and construction) contributed 28.8% to the GDP. Precision machinery and motor vehicles have led the growth in manufacturing, and Italy has generally been a leader in European industrial design and fashion. Services in 2004 accounted for 68.9% of the economy. However, apart from tourism and design, Italy is not internationally competitive in most service sectors.

Despite this economic achievement, a number of basic problems remain. Natural resources are limited, landholdings often are poor and invariably too small, industrial enterprises are of minimal size and productivity, and industrial growth has not been translated into general prosperity. The rise in petroleum prices during the mid-1970s found Italy especially vulnerable, since the country is almost totally dependent on energy imports. In addition, because economic activity is centered predominately in the north, Italians

living in the northern part of the country enjoy a substantially higher standard of living than those living in the south.

Partly because of increased energy costs, inflation increased from an annual rate of about 5% in the early 1970s to an annual average of 16.6% during 1975–81, well above the OECD average. Inflation was brought down to 14.6% in 1983 and to between 4 and 6% during most of the 1990s. In 1997 it was reduced to under 2%, its lowest level in 30 years. The inflation rate was estimated at 2.3% in 2004.

From 1981 through 1983, Italy endured a period of recession, with rising budget deficits, interest rates above 20%, virtually no real GDP growth, and an unemployment rate approaching 10%. Unemployment hovered around the 10 to 12% range for most of the 1990s and at 9% into the 2000s. Between 1985 and 1995, GDP growth averaged 1.9% a year. It was quite low in 2003, at 0.7%. The GDP growth rate stood at an estimated 1.3% in 2004, and was flat in 2005. Economic growth was expected to pick up to a still disappointing 1–1.2% in 2006–07.

Italy's large public debt, public sector deficit, low productivity growth, and burdensome and complex tax system, are generally blamed for the poor state of the economy. A rigid labor market and generous pension system are also seen as responsible for a sluggish economy. The Silvio Berlusconi administration by 2002 had abolished an inheritance tax, a move which was popular among affluent Italians. The 2005 budget included substantial tax cuts and a reduction in the number of tax rates from five to four. The corporate tax rate was reduced from 36% to 33% in 2004. Berlusconi also attempted to loosen labor laws to increase temporary work contracts and to ease hiring and firing practices. The government in the early 2000s was geared toward implementing spending cuts to spur consumer spending and corporate research and development. Pension reform, called a "financial time bomb" by economists, was proposed by the government and resulted in strikes in parts of Italy in mid-2003. Italy spends a massive 14% of GDP on pensions. In 2004, Italy raised the minimum age for state pensions from 57 to 60, but only beginning in 2008.

One of Italy's strengths is the thriving state of its small firms, which are often family owned. In 2003, the average number of workers per enterprise was just over four, the second-lowest figure in the EU. These small businesses are able to succeed in niche markets. However, the high proportion of small businesses has meant that Italy spends less on research and development than other European countries: in 2003, Italian spending on R&D as a share of GDP was barely half of the EU average. This causes Italy to experience a loss of competitiveness, and sluggish growth. In 2004, the economy grew by less than the euro-area average for the eighth time in nine years. Many Italian firms are still in traditional manufacturing areas that should have been abandoned when competition from Southeast Asia and China grew in the 1990s.

Italians spend more than other Europeans on clothes and shoes, and are second only to Spaniards in spending in bars, restaurants, and hotels. Because many Italians rent their living spaces, expenditure on housing is low.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Italy's gross domestic product (GDP) was estimated at \$1.6 trillion. The CIA defines GDP as the value of all final goods and ser-

vices produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$28,300. The annual growth rate of GDP was estimated at 0%. The average inflation rate in 2005 was 1.9%. It was estimated that agriculture accounted for 2.1% of GDP, industry 28.8%, and services 69.1%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$2.137 billion or about \$37 per capita and accounted for approximately 0.1% of GDP.

The World Bank reports that in 2003 household consumption in Italy totaled \$887.34 billion or about \$15,405 per capita based on a GDP of \$1.5 trillion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 1.6%. In 2001 it was estimated that approximately 23% of household consumption was spent on food, 12% on fuel, 3% on health care, and 17% on education.

## 2<sup>1</sup> LABOR

Italy's labor force in 2005 was estimated at 24.49 million. In 2003 the occupational breakdown had 4.9% in agriculture, 32.2% in industry, 62.8% in the services sector, and 0.1% in undefined occupations. The estimated unemployment rate in 2005 was 7.9%.

The law provides the right to form and join unions, and many workers exercise this right. According to union claims, between 35% and 40% of the nation's workforce was unionized as of 2005. About 35% of the labor force was covered by collective bargaining agreements, which also included nonunion employees. The right to strike is constitutionally protected, and workers engage in collective bargaining. Employers may not discriminate against those engaged in union activity.

As of 2005, the legal workweek was set at 40 hours, with overtime not to exceed two hours per day or an average of 12 hours per week. However, in the industrial sector, maximum overtime was set at no more than 80 hours per quarter and 250 hours annually, unless limited by a collective bargaining agreement. Minimum wages in Italy are not set by law, but through collective labor contracts, which establish wages and salaries in every major field. In most industries these minimum rates offered a worker and family a decent standard of living. Labor contracts may also call for additional compulsory bonuses, and basic wages and salaries are adjusted quarterly to compensate for increases in the cost of living. With some limited exceptions, children under age 15 are prohibited by law from employment.

## 2<sup>2</sup> AGRICULTURE

Of Italy's total land area of 29.4 million hectares (72.6 million acres), 10.7 million hectares (26.4 million acres), or 36.4% of the land, were under annual or permanent crops in 2003. Small, individually owned farms predominate, with the majority three hectares (7.4 acres) or less. In 2001, about 5% (1.4 million persons) of the economically active population was in the agricultural sector.

Despite government efforts, the agricultural sector has shown little growth in recent decades. The imports of agricultural products increased from \$19.6 billion in 1987 to \$31.6 billion in 2004.

Italy has to import about half of its meat. The land is well suited for raising fruits and vegetables, both early and late crops, and these are the principal agricultural exports. Although yields per hectare in sugar beets, tomatoes, and other vegetable crops have increased significantly, both plantings and production of wheat declined between 1974 and 1981. Thus, although Italy remains a major cereal-producing country, wheat must be imported. The government controls the supply of domestic wheat and the import of foreign wheat.

Production of major agricultural products in 2004 (in thousands of tons) included sugar beets, 10,100; wheat, 8,628; corn, 10,983; tomatoes, 7,497; oranges, 2,064; potatoes, 1,809; apples, 2,069; barley, 1,167; and rice, 1,496. In 2004, Italy produced 8,692,000 tons of grapes, and 4,531,000 tons of olives, and 879,000 tons of olive oil. In 2003, Italy had 1,680,000 tractors (third in the world) and 37,500 harvester-threshers.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Some 4,377,000 hectares (10,816,000 acres) are meadows and pastures. Both a growing need for fodder and insufficient domestic production compel Italy to import large amounts of corn. In 2005, the country had 6,314,000 head of cattle, 9,272,000 hogs, 8,020,000 sheep, 1,985,000 goats, 300,000 horses, and an estimated 100 million chickens. That year, total meat production from hogs, cattle, sheep, and goats was 4,099,000 tons. Of the meat produced, 38% was pork, 29% was beef, 24% was poultry, 2% was mutton, and 7% was from other sources. Meat production falls short of domestic requirements, and about half of all meat consumed must be imported. Although Italy produced 10.5 million tons of cow milk in 2005, dairy farming remains comparatively undeveloped. Both dairy and beef cattle are raised mainly in the north. The value of animal output in 2003 exceeded €14.3 billion, third highest in the EU after France and Germany.

## 2<sup>4</sup> FISHING

Italy's geography provides abundant access to marine fishing. Peninsular Italy and the islands of Sicily and Sardinia together have over 8,000 km (4,900 mi) of coastline and over 800 landing ports equipped for fishing boats. There are also 1,500 sq km (580 sq mi) of lagoons and 1,700 sq km (650 sq mi) of marine ponds. Although coastal and deep-sea fishing in the Mediterranean engage over 50,000 fishermen, the fishing industry is unable to meet domestic needs. As of 2003 there were 15,915 Italian fishing vessels with a fishing capacity (gross tonnage) of 178,334 tons. Since the extension of the 200-mile limit zones and the consequent drop in the total catch, Italy's fishing industry has declined because their deep-sea vessels were not suited to Mediterranean fishing. Also, about 1,700 vessels (10% of the fleet) went out of service during 2000–02 as a result of EU-funded policies for the reduction of fishing in the Mediterranean. The total catch in 2003 was 314,807 tons, 98% from marine fishing, with a value of about €1.4 billion. Anchovies, sardines, hake, mullets, and swordfish together accounted for 44% of the volume in 2003. In 2003, Italy produced 89,000 tons of canned tuna and 20,000 tons of canned anchovies. The majority of the Italian fish harvest (up to 50%) is not officially recorded but sold directly to restaurants, wholesalers, and fishmongers. Anchovy, rainbow trout, sardine, and European hake are the main finfish species caught. Sponges and coral are also

commercially important. The main commercial fishing ports are Mazara del Vallo, Palermo, San Benedetto del Tronto, Chioggia-Venezia, and Genoa.

There are over a thousand intensive production fish farms that belong to the Italian Fish Farming Association, with 60% located in northern Italy. Total Italian aquaculture production in 2003 was 244,000 tons, valued at €250 million.

## 25 FORESTRY

The major portion of the 10 million hectares (24.7 million acres) of forest is in the Alpine areas of northern Italy; few extensive forests grow in central or southern Italy or on the islands. Italy has more softwood than hardwood growth and extensive coppice (thicket and small shrub) stands. The overall forest structure consists of 42% coppice stands, 26% softwoods, and 25% hardwood high stands. The only species that are commercially important are chestnut, beech, oak, and poplar. Chestnut and beech stands account for 31% of the hardwood forest and for over 40% of Italian wood production; oak comprises 8% of wood production. Poplar is the only species grown using managed forestry practices. Poplar plantations account for only 1% of the total forest area but for 50% of domestic wood output. Forest resources are stable and meet about 19% of annual demand. Italian wood output in 2003 consisted of 9 million cu m (318 million cu ft). Approximately 90% of Italian forest product exports consist of wooden furniture, semifinished wood products, and other finished wood products. The Italian furniture industry accounted for 37,987 firms with 229,054 employees in 2002, with an industry turnover of almost €22.8 billion. The diversity in species composition, ownership patterns, topographic constraints, and conflicting resource management strategies have all contributed to limiting the productivity of Italian forest resources. Italy is a major importer of hardwood and softwood lumber, since its rugged terrain and disjointed forestland restrict domestic production. In 2002, the Italian wood and wood product sectors employed 412,815 workers in 87,906 companies with a total turnover of about \$36 billion. Some 80% of the raw materials used for manufacturing furnished wooden products are imported. Imports of forest products in 2004 were valued at \$9.5 billion, while exports totaled \$4.3 billion.

## 26 MINING

Although Italy was relatively poor in mineral resources, it was, nevertheless, a major producer of feldspar, pumice and related materials, as well as of crude steel, cement (second-largest in the EU), and a leading producer of dimension stone and marble. The country also continued to supply a significant portion of its own need for some minerals. Industrial mineral production in 2003, including construction materials, was the most important sector of the economy. Italy has been a significant processor of imported raw materials, and a significant consumer and exporter of mineral and metal semi-manufactured and finished products.

Production totals for the leading minerals in 2003 were: feldspar, estimated at 2,500 metric tons; barite, estimated at 30,000 metric tons, unchanged from 1999; fluor spar (acid-grade and metallurgical-grade), estimated at 45,000 tons; hydraulic cement, estimated at 40 million tons; pumice and pumiceous lapilli, estimated at 600,000 tons (from Lipari Island, off the northern coast of Sicily); and pozzolan, estimated at 4 million tons (from Lipa-

ri). Alumina production (calcined basis) in 2003 was estimated at 925,000 metric tons. In addition, Italy produced antimony oxides, gold (from Sardinia), mine lead, mine manganese, bromine, crude clays (including bentonite, refractory, fuller's earth, kaolin, and kaolinitic earth), diatomite, gypsum, lime, nitrogen, perlite, mineral pigments, salt (marine, rock, and brine), sand and gravel (including volcanic and silica sands), soda ash, sodium sulfate, stone (alabaster, dolomite, granite, limestone, marble, marl, quartz, quartzite, sandstone, serpentine, and slate), sulfur, and talc and related materials.

Marble and travertine quarrying from the famous mines in the Massa and Carrara areas was still significant. Marble was quarried at hundreds of locations from the Alps to Sicily. The most important white-marble-producing area was in the Apuan Alps, near Carrara, and accounted for one-third of the country's 100,000 tons of white marble. Important colored-marble-producing areas included the Lazio region, Lombardy, the Po Valley, Puglia, Sicily, Venice, and Verona-Vincenza. Reserves of several types were considered to be unlimited; half of the country's output was in block form and half was exported.

## 27 ENERGY AND POWER

Italy's proven oil and natural gas reserves are each the fourth-largest in the European Union (EU). The country has completely stopped the production of coal. Still, Italy must rely heavily on foreign sources to meet its energy needs.

According to the Oil and Gas Journal, Italy has proven oil reserves estimated at 622 million barrels, as of 1 January 2005. Estimated production in 2004 averaged 147,000 barrels daily, of which crude oil accounted for 104,000 barrels per day, of which about 89% was accounted for by the National Hydrocarbon Agency (Ente Nazionale Idrocarburi), or ENI, Italy's largest oil and natural gas company of which the Italian government holds a controlling 35% stake. However, domestic demand far outstrips production, with consumption in 2004 estimated at 1.90 million barrels per day. Net imports for that year are estimated at 1.75 million barrels per day. In 2004, the former Soviet Union was Italy's largest supplier at 28%, followed by Libya (24%), Saudi Arabia (13%), and Iran (10%).

More than 70% of ENI's production comes from the Val d'Agri project in the south of Italy, the Villafortuna project in the north, and from the Aquila project off the Adriatic coast in the southeast. Development of the Tempa Rossa field, with an estimated 200 million barrels of oil, is being led by France's Total, and is expected to enter production by 2007 with a peak output of 50,000 barrels per day.

Oil has been partly replaced by natural gas, whose consumption is expected to continue rising in the future, driven largely by the construction of combined-cycle, gas-fired turbines. Italy has proven natural gas reserves of 8.0 trillion cu ft, as of 1 January 2005, according to the Oil and Gas Journal. Natural gas production in 2004, according to Eurostat totaled 440 billion cu ft. Combined with declining field output, Italy's reliance on natural gas imports has increased. In 2004, imported natural gas accounted 84% of the country's demand vs. 59% in 1985, according to Eurostat. Algeria (38%), Russia (32%), and the Netherlands (14%) were Italy's largest natural gas suppliers in 2004.

In 2001, Italy completely closed down its domestic coal production industry, when it shuttered its last production facility. In 2002, coal met only 6.8% of Italy's energy needs. In that year, demand for coal amounted to 21.8 million short tons, of which most was used to provide electricity. In the first half of 2004, South Africa supplied 26% of the coal consumed by Italy, followed by Colombia (12%) and the United States (11%).

Italy's total electric generating capacity was estimated at 69.1 GW in 2002, with thermal accounting for 78% of capacity, hydro-power at 19% and other renewable sources at 3%. In 2002, it was estimated that output totaled 262 billion kWh, with consumption totaling an estimated 294 billion kWh, and net imports totaling an estimated 32 billion kWh.

## 28 INDUSTRY

Characterized both by a few large industrial concerns controlling the greater part of industrial output and by thousands of small shops engaged in artisan-type production, Italian industry expanded rapidly in the postwar period. Industrial production almost tripled between 1955 and 1968 and has generally showed continued growth, although the global recession that began in 2001 slowed industrial production and the economy as a whole. The lack of domestic raw materials and fuels represents a serious drag on industrial expansion. Industry accounted for 28.8% of GDP in 2004, and employed 32% of the labor force. Manufacturing accounts for approximately 90% of total merchandise exports.

Three state-holding companies have played a large role in industry: ENI (National Hydrocarbon Agency), IRI (Industrial Reconstruction Institute), and EFIM (Agency for Participation and Financing of Manufacturing Industry). IRI was the 16th-largest industrial company in the world in 1993, with sales of \$50.5 billion; it had shareholdings in over 100 companies (including banks, electronics, engineering, and shipbuilding) and 333,600 employees in 1992. EFIM controlled armaments and metallurgy industries. Debt-ridden EFIM was liquidated, IRI became dismantled through sell-offs, and as of 2005, the state had reduced its stake in ENI and Enel (Ente Nazionale per l'Energia Elettrica), the national electricity company. Major private companies are the Fiat automobile company; the Olivetti company (office computers and telecommunications); the Montedison chemical firm; and the Pirelli rubber company. The bulk of heavy industry is concentrated in the northwest, in the Milan-Turin-Genoa industrial triangle. The government has made concerted efforts to attract industry to the underdeveloped southeast.

With the drive toward greater European integration in full gear, Italy, along with its fellow EU member-states, is liberalizing its economic and commercial legislation. These promise a marked change in the Italian business scene as mergers and foreign investment increase. In early 1999, Olivetti mounted a successful hostile takeover for Telecom Italia.

Italy has become known for niche products, including fashion eye-wear, specialized machine tools, packaging, stylish furniture, kitchen equipment, and other products featuring high design. The "made in Italy" stamp is associated with quality and style. Traditional industries are iron and steel, machinery, chemicals, food processing (including olive oil, wine, and cheese), textiles, clothing, footwear, motor vehicles, and ceramics. The construction in-

dustry stands to gain in importance in the early 2000s, as Italy's less-developed regions are slated for infrastructure development.

Foreign competition has cut into the Italian textile industry. Following the expiration of the World Trade Organization's long-standing system of textile quotas at the beginning of 2005, the EU signed an agreement with China in June 2005, imposing new quotas on 10 categories of textile goods, limiting growth in those categories to between 8% and 12.5% a year. The agreement runs until 2007, and was designed to give European textile manufacturers time to adjust to a world of unfettered competition. Nevertheless, barely a month after the EU-China agreement was signed, China reached its quotas for sweaters, followed soon after by blouses, bras, T-shirts, and flax yarn. Tens of millions of garments piled up in warehouses and customs checkpoints, which affected both retailers and consumers.

## 29 SCIENCE AND TECHNOLOGY

The still-standing aqueducts, bathhouses, and other public works of both ancient republic and empire testify to the engineering and architectural skills of the Romans. The rebirth of science during the Renaissance brought the daring speculations of Leonardo da Vinci (including discoveries in anatomy, meteorology, geology, and hydrology, as well as a series of fascinating though ultimately impractical designs for a "flying machine"), advances in physics and astronomy by Galileo Galilei, and the development of the barometer by Evangelista Torricelli. To later Italian scientists and inventors the world owes the electric battery (1800), the electroplating process (1805), and the radiotelegraph (1895).

In 2001, Italy had 1,156 scientists and engineers per million people engaged in research and development (R&D). In that same year, expenditures on R&D totaled \$16.7 trillion or 1.11% of GDP. High technology exports in 2002 totaled \$19.730 billion, or 9% of the country's manufactured exports.

The National Research Council (Consiglio Nazionale delle Ricerche—CNR), founded in 1923, is the country's principal research organization. CNR institutes and associated private and university research centers conduct scientific work in mathematics, physics, chemistry, geology, technology, engineering, medicine, biology, and agriculture. Especially noteworthy are the National Institute of Nuclear Physics, in Rome, and the Enrico Fermi Center for Nuclear Studies, in Milan.

Italy has 47 universities offering courses in basic and applied sciences. The Istituto e Museo di Storia della Scienza di Firenze, founded in 1930, is located in Florence. In 1987–97, science and engineering students accounted for 30% of university enrollment. In 2002, of all bachelor's degrees awarded, 25.8% were in the sciences (natural, mathematics and computers, and engineering)

## 30 DOMESTIC TRADE

Milan is the principal commercial center, followed by Turin, Genoa, Naples, and Rome. Genoa, the chief port of entry for Milan and Turin, handles about one-third of Italy's trade; Naples is the principal entrepôt for central and southern Italy. Adriatic as well as Middle Eastern trade is carried through Ancona, Bari, and Brindisi. Although small retail units predominate, department stores and supermarkets are playing an increasingly important role. In

2000, Italy ranked second in Europe in franchise business operations with about 562 companies and over 31,400 franchises.

Advertising in all forms is well developed, and the usual mass media (billboards, neon signs, newspapers and magazines, radio, cinema, and television) are used extensively. Market research is handled by over 100 firms.

Usual business hours in northern Italy are from 8:30 AM until 12:30 PM and from 3:30 to 6:30 PM. In central and southern Italy, customary hours are 8:30 AM to 12:45 PM and 4:30 or 5 to 7:30 or 8 PM. Most firms are closed in August. In general, banking hours are 8:30 AM to 1:30 PM and 3 PM to 4 PM, Monday through Friday. Retail establishments are generally closed on Sundays.

### 3<sup>1</sup> FOREIGN TRADE

Industrial products, textiles and apparel, shoes, and foodstuffs are Italy's most important exports. However, the textile industry has been hit hard by foreign competition in recent years, especially from China. Fuels, meat, grain products, and various raw materials are among the major imports. Trade deficits were substantial between the end of World War II and 1955, but between 1956 and 1968 the deficit gradually declined, and Italy's trade balance continued in relative equilibrium through 1972. Then, as prices of crude oil and other raw-material imports rose, Italy again began registering growing trade deficits. In 1993, however, a large surplus was recorded because of an export boom that followed the devaluation of the lira in September 1992, and Italy has had a trade surplus ever since. In 2004, the value of exports of goods was \$352.2 billion, and imports were \$341.3 billion, resulting in a trade surplus of \$10.9 billion.

The bulk of manufactured imports come from EU countries and the United States, which are also the leading customers for Italian exports. The big commodity exports from Italy in 2004 included industrial and automobile machinery and parts (40.3%), textiles, clothing, and leather (13.5%), chemicals (9.6%), and metal products (9.5%). The major imports included machinery and transportation equipment (34.5%), chemicals (13.4%), energy minerals (10.3%), and metals and metal products (10.3%). Italy's leading markets in 2004 were Germany (14.1% of all exports), France (12.5%), the United States (8.3%), and the United Kingdom (7.1%). Italy's leading suppliers in 2004 were Germany (18.1% of all imports), France (11.4%), the Netherlands (5.8%), and the United Kingdom (4.8%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Italy did not have serious balance of payments problems after the mid-1970s. Exports soared after 1992, turning Italy's balance of payments positive. The growth in exports was extremely strong in the northeast, where small and medium-sized companies produce high-quality and low-cost products—ranging from industrial machinery to ski boots—for French, German, Japanese, and Indian customers.

Italy had current account surpluses from 1993 to 1999, but in 2000 the country registered a \$5.6 billion deficit, after an \$8.2 billion surplus in 1999. Italy experienced weak economic growth in the period 2001–05. In 2004, the current account balance showed a deficit estimated at \$15.1 billion (0.9% of GDP).

#### Balance of Payments – Italy (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-21.9</b>
Balance on goods		9.7
Imports	-283.6	
Exports	293.3	
Balance on services		-1.4
Balance on income		-22.1
Current transfers		-8.2
<b>Capital Account</b>		<b>3.1</b>
<b>Financial Account</b>		<b>19.4</b>
Direct investment abroad		-9.9
Direct investment in Italy		17.3
Portfolio investment assets		-58.5
Portfolio investment liabilities		61.4
Financial derivatives		-5.4
Other investment assets		-29.8
Other investment liabilities		44.3
<b>Net Errors and Omissions</b>		<b>0.6</b>
<b>Reserves and Related Items</b>		<b>-1.1</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 3<sup>3</sup> BANKING AND SECURITIES

The Banca d'Italia, the central bank, was the sole bank of issue and exercised credit control functions until Italy's accession to the European Central Bank, which now controls monetary policy and the euro, the EU's common currency (excepting the United Kingdom, Denmark, and Sweden). La Banca d'Italia is still responsible for controlling domestic inflation and balance of payments pressures.

In March 1979, Italy became a founder member of the European Monetary System (EMS) and its Exchange Rate Mechanism (ERM). During the first 10 years of its membership, the lira was allowed to diverge by up to 6% against other member currencies before action had to be taken, compared with 2.25% for other ERM currencies. Uncertainty about Italy's ability to meet the convergence targets of the 1992 Treaty for European Union (Maastricht) for inflation, interest rates, and participation to stabilize the rate, the lira was withdrawn from the ERM in September 1992, after which the lira declined to just under DM1:L1,000. At the beginning of 1996 it began to appreciate again, and immediately after the April election it rose to L1,021:DM1. The introduction of the euro in 2002, however, made all that irrelevant.

In 2000, five banks are of nationwide standing: Intesa-Bci, San Paolo-IMI, the Banca di Roma, Unicredito Italiano, and the Banca Nazionale del Lavoro. There are many major international banks with branches in Italy. Among the more important are Chase, Citibank, Bank of America, HSBC, and others. The Istituto Mobiliare Italiano is the leading industrial credit institution; it also administers important government industrial investments. In 1987, the government privatized Mediobanca, another major industrial credit institution.

Two major banks, formally part of the Istituto per la Ricostruzione Industriale (IRI) group, were privatized in 1993–94: Unicredito Italiano (CREDIT) and Banca Commerciale Italiana (COMIT). The privatization of another IRI bank specializing in

medium- and long-term lending, the Istituto Mobiliare Italiano (IMI), was completed in 1996.

A new banking law was passed in 1993, to bring Italy into conformity with the EU's Second Banking directive, and to introduce two major innovations which aim to move Italy toward a model of universal banking. It allows banks to hold shares in industrial concerns; and it eliminates the distinction between banks (*aziende di credito*) and special credit institutions (*aziende di credito speciale*), thus allowing all banks to perform operations previously limited to specific types of intermediary.

On 30 January 1997, the government drafted legislation to promote restructuring and consolidation in Italy's largely inefficient and highly fragmented banking sector. The bill is the latest in a series of attempts since 1990 to rationalize the sector. However, it comes just as Italy's two biggest banks, CARIPLO and what is now San Paolo-IMI, announced plans to begin privatization by the end of 1997, and other banks in the private sector begin to negotiate strategic alliances, notably between: the private sector bank Ambroveneto and CARIPLO; Cassa di Risparmia di Torino and the Cassa di Risparmio di Verona. Mergers are also changing the face of the Italian banking industry. In early 1999, four of the five largest Italian banks were involved in such deals. Unicredito Italiano and Banca Commerciale Italiana merged to form Eurobanca, while San Paolo-IMI and Banca di Roma also planned to combine their operations. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$458.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$628.9 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.26%.

There are 10 stock exchanges in operation. The most important is that in Milan (established in 1808). The others, in order of importance, are Rome (1812), Turin (1850), Genoa (1855), Bologna (1861), Florence (1859), Naples (1813), Venice (1600), Trieste (1755), and Palermo (1876). Since 1974, the markets have been regulated by the National Commission for Companies and the Stock Exchange.

Radical reforms have been introduced in recent years in order to vitalize the stock market, which is greatly undercapitalized considering the size of the Italian economy. At the end of 1995, the capitalization of the Milan bourse was the equivalent of just 18% of GDP, compared with 32% in France and 122% in the United Kingdom. However, by 2002 market capitalization had increased to 41% of GDP.

In September 1991, stock market intermediation companies (SIM), a new form of stock broking and fund management firm, were introduced to accompany the shift from the open-outcry call auction system to a screen-based continuous auction market, which was completed in July 1994. In order to stimulate the demand for shares, in 1994 shareholders were given the option of paying a 12.5% flat tax rate instead of declaring dividends as part of taxable income. At the beginning of 1996, proposed Services Directive included the privatization of the stock market and the administrative bodies that run it as one of its main objectives.

Despite a certain amount of volatility, the Milan stock exchange index (MIB) has risen by 10.6% on 26 March 1997 since the end of 1996 and daily volume of transactions were up substantially. In

early-mid-2000, the MIB index hovered between 31,700–31,800. However, since the onset of the global recession, the index has dropped significantly. From January 2002 to January 2003, the MIB dropped 4.4%, down to 16,208, slightly more than half of its peak value. In 2004, the MIB-30 Index rose 16.9% from the previous year to 31,220. On the Borsa Italiana, a total of 269 companies were listed as of 2004, which had a market capitalization of \$789.563 billion.

### 34 INSURANCE

The insurance industry is government-supervised, and insurers must be authorized to do business. Automobile insurance was made compulsory in 1971, and coverage is also required for aircraft, powerboats, hunters, auditors, yachts, nuclear facilities, and insurance brokers. Among the most important nonlife insurance companies in Italy as of 2003 were Ras, Generali, Sai, and Assitalia. Leading life insurance companies as of 2003 included Alleanza, Creitras, Generali, and Sanpaolo. In 2003, the value of direct premiums written totaled \$111.761 billion, with life premiums accounting for \$71.694 billion. Italy's top nonlife insurer in 2003 was Fondiaria-SAI, with total written nonlife premiums (including personal accident and healthcare) of \$4,272.6 million. In that same year, the country's leading life insurer was Creditras, with gross written life premiums of \$5,977.6 million.

The insurance regulatory body is the Istituto per Vigilanza sulle Assicurazioni Private di Interesse Collettivo (ISVAP—the Institute for Control of Private Insurance Companies). European Union reporting and other insurance directives are being implemented. A unique and helpful feature of Italian insurance company reports is the inclusion of financial statements of major subsidiary or affiliated companies.

The Italian insurance market was traditionally characterized by a relatively large number of insurers with no one organization dominating the industry, although there were some very large, old insurance organizations which date back to the early 19th century. There are a number of foreign insurance companies operating through subsidiaries in Italy: these are primarily French and German companies. Italy's market indicates moderately low penetration when compared to North America and Northern Europe, especially for life products. In recent years, the volume of life products has increased quite rapidly as the consumer has become aware that the Italian Social Security System benefits will have to be supplemented by individual savings and as insurance awareness has increased through advertising campaigns and the distribution of insurance products through the extensive branch banking system of the country. Foreign influence and industry consolidation in the Italian insurance industry is expected to rise due to the adoption of the euro and the emerging willingness of Italian companies to mount hostile takeover bids. Much of the new merger-mania expected to sweep Italian insurance is projected to come from the banking sector as banks continue to expand their interests in insurance sales.

### 35 PUBLIC FINANCE

Reflecting both increasing economic activity and the pressures of inflation, the Italian budget has expanded continually since 1950. The Italian economy has traditionally run a high govern-



**Public Finance – Italy (2000)**

(In billions of euros, central government figures)

<b>Revenue and Grants</b>		
	<b>444.5</b>	<b>100.0%</b>
Tax revenue	278.47	62.6%
Social contributions	147.51	33.2%
Grants	0.47	0.1%
Other revenue	18.06	4.1%
<b>Expenditures</b>		
	<b>450.9</b>	<b>100.0%</b>
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ment debt, but in recent years it has been quelled somewhat, despite lackluster growth. In 1995, the debt stood at 124% of GDP, but declined to 110.6% in 2000 and 109.4% in 2001. At that point the Italian government still had a long way to go to get down to the EU-imposed debt-to-GDP ratio of 60%. Since 1996, Italy has maintained a primary budget surplus, net of interest payments, and has reduced its deficit in public administration from 1.7% of GDP in 2000 to 1.4% in 2001. However, given the high national debt, the EU remains concerned about Italy's budgetary policies.

The US Central Intelligence Agency (CIA) estimated that in 2005 Italy's central government took in revenues of approximately \$785.7 billion and had expenditures of \$861.5 billion. Revenues minus expenditures totaled approximately -\$75.8 billion. Public debt in 2005 amounted to 107.3% of GDP. Total external debt was \$1.682 trillion.

**36 TAXATION**

The Italian tax system is considered among the most complicated in the world. Since the late 1990s, the government has been using tax cuts to stimulate economic growth. On 1 January 1998 the government introduced the Dual Income Tax (DIT) system designed to encourage investment by taxing income deemed to be derived from the increase in equity capital in a company at a lower rate than the standard corporate income tax rate. In 2003, the corporate income tax rate (IRPEG), at 36% in 2002, was reduced to 34%. As of 2005, the standard corporate rate was 33%, excluding a 4.25% regional tax (IRAP) on productive activities. Capital gains realized by companies are taxable as business income under the IRPEG and IRAP, and capital losses are deductible. Dividends are taxed at 27% with complete withholding ("payment at the source" or PAYE). This rate may be reduced to 12.5% if residents can show that they had a "nonsubstantial participation" in the firm. A 0% rate applies to dividends paid to resident companies. The PAYE rate for dividends paid to branches of companies from other EU countries is 12.5%

The schedule of personal income tax rates was reformed in 2003 to reduce tax rates and to increase the amount covered by the lowest income band. As of 2005, the individual tax rate progressively increases to a top rate of 39%. However, a solidarity contribution of 4% pushes the top rate to 43%. On 25 October 2001 Italy's gift and inheritance taxes were abolished by the Parliament.

Italy's main indirect tax is its value-added tax (VAT) introduced on 1 January 1973 with a standard rate of 12%, replacing a turnover tax on goods and services. Since 10 January 1997 the standard rate has been at 20% and is applicable to most goods and services. A reduced rate of 10% is applied to some foodstuffs, certain fuel supplies, some transport and some housing, consumers, catering services and live animals. A 4% rate is applied to some foodstuffs, books, newspapers and periodicals, agricultural inputs, and medical equipment. Basic medical and dental services, as well as financial and insurance services are exempt from VAT. A 0% rate is applied to supplies of unwrought gold and ferrous and nonferrous metal scrap, and land not suitable for buildings. Other taxes on transactions include stamp taxes, and contract registration tax.

**37 CUSTOMS AND DUTIES**

Italy's membership in the European Union has greatly influenced its tariff structure. Duties on imports from then-European Community members and their dependencies were gradually reduced following the Rome Pact in 1957 and disappeared by 1969, more than a year ahead of schedule. Duties on goods from Greece, which entered the European Community in 1981, were reduced gradually and eliminated by 1986. Italy's adjustment of its tariff structure to that of the now-European Union also has resulted in a substantial reduction of duties on products imported from areas other than the European Union, including the United States.

Import duties on manufactured goods from non-EU countries range from 5–8%, while raw materials enter mostly duty-free. Other import taxes include a value-added tax (VAT) that ranges from 0–20% depending on the product and excise taxes on alcoholic beverages, tobacco, sugar and petroleum products.

**38 FOREIGN INVESTMENT**

Because of a lack of domestic venture capital, the government encourages foreign industrial investment through tax concessions on a case-by-case basis. Foreign ownership, however, is limited by law and includes the following regulations: foreign investment can be limited for "reasons essential to the national economy." As a consequence, foreign investment in banks is limited to less than 5% of an institution's capital without government consent. Although privatization is encouraging foreign investment, defense industries remain off limits to non-Italians. However, the extent of the state's direct involvement in the economy has been greatly reduced by the privatization program carried out by successive governments since 1993, encouraged by EU restrictions on state aid to industry and the need to reduce public-sector debt. In an effort to increase confidence of foreign investors in Italy's economic development, the government has enacted legislation providing special incentives, particularly for investments in the south—Sicily, Sardinia, and the peninsula south of Rome. In recent years, and in accordance with EU liberalization, foreign restrictions on foreign

investment in Italy have eased. The corporate tax rate was cut from 36% to 33% in 2004.

Annual foreign direct investment (FDI) into Italy was \$2.6 billion in 1998, down from \$3.7 billion in 1997. Total FDI stock in Italy in 1998 was about \$103 billion. Annual FDI inflow jumped to almost \$7 billion in 1999 and continued to increase for the next three years: to \$13.4 billion in 2000, \$14.9 billion in 2001, and \$15.2 billion in 2002, an average of \$13.7 billion a year. Total FDI stock in Italy reached about \$140 billion by 2002. Italy has remained an underachiever, however, in the attraction of FDI. For the period 1988 to 1990, Italy's share of world FDI inflows was 60% of its share of world GDP. For the period 1998 to 2000, Italy's share of world inward FDI had dropped to only 20% of its share of world GDP. About 63% of inward stock in the 1990s had come from EU countries, up from 55% in the 1980s.

In the 1980s, outward FDI had about equaled inward FDI in Italy, but in the 1990s Italy became a net outward investor. From 1999 to 2002, average annual outward FDI from Italy was \$18.4 billion. As of 2001, FDI stock held by Italians in foreign countries totaled about \$236 billion. Roughly 60% of Italian holdings of outward stock in the 1990s were in EU countries, the same as in the 1980s.

From 2000–04, FDI inflows averaged 1.2% of GDP. In 2004, Italy jumped from 12th to 9th most attractive FDI destination in the world, driven primarily by increased confidence among US and Asian investors, according to the FDI Confidence Index. In 2004, intra-EU-25 FDI inflows to Italy amounted to €10.2 billion; extra-EU-25 inflows amounted to €1.9 billion. That year, outward Italian FDI flows to the EU-25 amounted to €14.2 billion; outward FDI flows from Italy to non-EU-25 countries amounted to €0.5 billion. In all, inward FDI in 2004 totaled \$16.8 billion; outward FDI totaled \$19.3 billion.

### 39 ECONOMIC DEVELOPMENT

Under Mussolini, business and labor were grouped into corporations that, in theory at least, jointly determined economic policy. Also, under the Fascist regime, direct government control over the economy was increased through the creation of powerful economic bodies, such as the Institute for Industrial Reconstruction. Although the corporative system disappeared after the fall of Mussolini, the concept of economic planning remained firmly implanted among the large Marxist parties, as well as among Christian Democratic leaders, who—by different means and for different reasons—sought to create a society free from the class warfare associated with a strictly liberal economic system.

Principal government objectives following World War II were reconstruction of the economy; stabilization of the currency; and long-term, large-scale investment aimed at correcting the imbalance of the Italian economy and, in particular, the imbalance between northern and southern Italy. The first and second phases of this policy were accomplished by 1949. Then the government, supported by domestic financial and industrial groups and by foreign aid, principally from the United States, embarked on the third and most important phase, best known as the Vanoni Plan (after former finance minister Ezio Vanoni). Notable in this development effort was the Cassa per il Mezzogiorno, a government agency set up to develop southern Italy and attract private investment to the region. Between 1951 and 1978, government spending on infra-

structure in the south was \$11.5 billion; additional low-cost loans totaled \$13 billion, and outright grants amounted to \$3.2 billion.

Simultaneously, direct government control of the economy increased through such government agencies as ENI (National Hydrocarbon Agency), whose activities expanded rapidly in the postwar era. The nationalization of the electric industry, in order to lay the industrial base for a more highly planned economy, and the creation of the National Economic Planning Board composed of leaders from government, industry, and labor were further indications of the importance attached to the concept of a planned Italian economy.

The combined effects of inflation, increased energy prices, and political instability posed serious economic problems during the 1970s. With Italy mired in recession in the early 1980s, economic policy was directed at reducing the public sector deficit, tightening controls on credit, and maintaining a stable exchange rate, chiefly through a variety of short-term constraints. A period of recovery began in 1983, leading to expanded output and lower inflation but also to expanded unemployment. The economic policy aims in 1987 included the reduction of the public-sector deficit and unemployment. Furthermore, improvement in the external sector (due mainly to the fall of oil prices and depreciation of the dollar) led to liberalization of the foreign exchange market in 1987.

Priorities of the early 1990s were cutting government spending, fighting tax evasion to reduce public debt, and selling off state-owned enterprises. At the end of the decade the results of these policies were mixed. Liberalization provided the impetus for greater foreign investment, while the funds generated from privatization eased the public debt. Italy qualified for the first round of Economic and Monetary Union (EMU) and entered the euro zone in 1999. Tax evasion remains a problem; the underground economy is still estimated at nearly 25% of official GDP. Moreover, the economic disparities between the prosperous north and the impoverished south remain.

The strength of the economy rests on the back of small- and medium-sized family-owned companies, mostly in the north and center of the country. In 2005, the average Italian company employed 4 people, and industrial companies had an average of around 9 employees, compared with an average 15 employees in the EU. In mid-2000, Italy's largest state holding company, Istituto per la Ricostruzione Industriale (IRI), was liquidated.

Italy's public debt in 2004 was estimated at 105.6% of GDP. The EU's mandated debt to GDP ratio is 60%. The budget deficit was forecast to rise from about 3% of GDP in 2004 to 4–4.5% in 2005–06, before falling to just under 4% in 2007. GDP growth remained flat in 2005, but was expected to pick up to a still disappointing 1–1.2% in 2006–07. Reform of the pension system continues to be a controversial policy issue. The focus of economic policy has been on cutting taxes, fighting unemployment, enhancing competitiveness, and reducing both the budget deficit and debt. However, the only areas in which the government had made limited progress by 2005 were in the labor market and the pension system. Balancing fiscal austerity and policies to promote growth pose a major economic policy challenge.

### 40 SOCIAL DEVELOPMENT

Social welfare legislation in Italy, begun in 1898, was redesigned by law in 1952 and has subsequently been expanded. All workers

and their families are covered and receive old-age, disability, and survivor pensions, unemployment and injury benefits, health and maternity coverage. The system is primarily funded by employer contributions, along with employee payments and some government subsidies. Family allowances are paid for primarily by employer contributions, and are determined by the size and income of the family. Conditions for old age pensions have varying conditions. The first maternity coverage was initiated in 1912, and was most recently updated in 2001.

Despite full legal rights under law, women face some social discrimination in Italy. On average, women earn less than men and are underrepresented in management, the professions, and other areas. Sexual abuse and violence remain a problem, although when reported, the authorities prosecute perpetrators and assist victims. Increased public awareness of sexual harassment and violence increased the number of reported abuses in 2004. The government is committed to protecting and promoting children's rights.

Human rights are generally respected in Italy. Lengthy pretrial detentions still occur due to the slow pace of the judicial system, and occasional cases of the mistreatment of prisoners were reported. Discrimination based on race, sex, religion, ethnicity, disability, and language is prohibited by law.

#### 41 HEALTH

A national health plan, begun in 1980, seeks to provide free health care for all citizens, but certain minimum charges remain. It is financed by contributions from salaries, by employers, and by the central government. Patients are still able to choose their own health care providers. Reform implementation in the 1980s and 1990s has been difficult. In 1994, the government announced plans to dismantle public universal insurance. Reforms in 1999 sought to integrate primary care with other health care programs, including home care, social services, and health education. Consistent health reforms are hampered by frequent political changes in administration. Most private hospitals have contracts with the national plan, but health care services are more highly concentrated in the northern regions of Italy. The shortage of medical personnel and hospital facilities in Italy's rural areas remains serious. Closure of a number of underutilized hospitals was planned and the government has been making efforts to curb the state deficit in health expenditures; budgets and estimates are repeatedly more than demand. Health care expenditures were 8.2% of GDP.

As of 2004, Italy had the highest number of physicians per capita at an estimated 606 per 100,000 people. In addition, there were approximately 446 nurses, 59 dentists and 110 pharmacists per 100,000 population. In the same year, Italy had 842 public hospitals and 539 private ones, for a total of approximately 276,000 beds.

The infant mortality rate, 72.1 per 1,000 live births in 1948, decreased to 5.94 per 1,000 by 2005, when average life expectancy was estimated to be 79.68 years. As of 2002, birth and death rates were estimated respectively at 8.9 and 10.1 per 1,000 people. Approximately 78% of married women (ages 15 to 49) were using contraception.

In 1999, immunization rates for children up to one year of age were: diphtheria, pertussis, and tetanus, 95%, and measles, 70%. The major causes of death were circulatory system diseases, cancers, respiratory diseases, and accidents and violence. As of 2004,

there were approximately 140,000 people living with HIV/AIDS in the country. The HIV/AIDS prevalence was 0.50 per 100 adults in 2003. There were an estimated 1,000 deaths from AIDS in 2003.

#### 42 HOUSING

Italy's housing and public building program was a major item in the general program of postwar reconstruction. Between 1940 and 1945, almost 20% of the habitable rooms in the country were destroyed. From June 1945 to June 1953, however, of the 6,407,000 rooms destroyed or severely damaged, 354,100 were rebuilt and 4,441,000 were repaired. Under a special housing program, originally instituted with funds from UNRRA and subsequently financed by employer and employee contributions, a total of 15 million rooms were constructed between 1953 and 1961, alleviating the nation's immediate housing problems.

In the 1980s 59% of all dwellings were owner occupied and 36% were rented. Almost 88% had indoor flush toilets, 99.5% had electricity, 59% had central heating, and 34% were heated by a stove or similar source. In 1999, 156,000 new dwellings were completed.

#### 43 EDUCATION

Education is free and compulsory for eight years (for students age 6 through 15), this includes five years of elementary school and three years of lower secondary school. Next, students may choose to attend a technical school, a vocational school, or one of several academic secondary schools, which offer a choice of specialized programs in classical, scientific, linguistic, and artistic studies. All secondary programs generally cover a five-year course of study.

In 2001, about 98% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 99% of age-eligible students. The same year, secondary school enrollment was about 91% of age-eligible students. The student-to-teacher ratio for primary school was at about 11:1 in 2003.

There are 55 state universities and 23 other universities, colleges, and higher learning institutes, including the University of Bologna (founded in the 11th century), the oldest in Italy, and the University of Rome, which is the country's largest. In 2003, about 57% of the tertiary age population were enrolled in some type of higher education program; with 49% for men and 65% for women. The adult literacy rate for 2003 was estimated at about 98.6%.

As of 2003, public expenditure on education was estimated at 4.7% of GDP, or 10.3% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

Italy, with its rich cultural heritage, is one of the world's great storehouses of books and art. Among its many of libraries, the most important are in the national library system, which contains two central libraries, in Florence (5.3 million volumes) and Rome (5 million), and four regional libraries, in Naples (1.8 million volumes), Milan (1 million), Turin (973,000) and Venice (917,000). The existence of two national central libraries, while most nations have one, came about through the history of the country, as Rome was once part of the Papal States and Florence was the first capital of the unified Kingdom of Italy. While both libraries are designated as copyright libraries, Florence now serves as the site designated for conservation and cataloging of Italian publications and the site in Rome catalogs foreign publications acquired by the

state libraries. All of the national libraries are public. The Estense Library in Modena holds 425,600 volumes, including illuminated manuscripts from the 14th to 18th centuries. The university libraries in Bologna (1.1 million volumes) and Naples (750,000 volumes) each hold important collections. The Medici-Laurentian and Marucelliana (544,000) libraries in Florence and the Ambrosiana Library in Milan are also important research centers. Italy's public library system has about 84 branches and holds a total of 41 million volumes.

Italy, a world center of culture, history and art, has more than 3,000 museums. Among the more important are the Villa Giulia Museum and the National Gallery in Rome; the National Archaeological Museum and the National Museum of San Martino in Naples; the National Museum in Palermo; the Galleria dell'Accademia, and Uffizi, Medici, Pitti, Bargello, and St. Mark's Museums in Florence; the National Museum in Cagliari, Sardinia; the Brera Museum in Milan; the Museum of Siena; the Archaeological Museum of Syracuse (Siracusa); the National Museum of Urbino; and the Guggenheim Museum and the Academy and Libreria Sansoviniana in Venice. Venice also has the Jewish Museum, the Diocesan Museum of Sacred Art, a Natural History Museum, an Archaeological Museum, and the Museum of Byzantine Icons. The Campidoglio Museum, the Museum of Villa Borghese, and the Palazzo Barberini Museum, all in Rome, each contain important works of art by Italian masters. Naples hosts the Museum of Ethnoprohistory of Castel Dell'ovo and museums of paleontology, mineralogy, anthropology, and astronomy. The National Museum of Science and technology in Milan has an extensive exhibit on Leonardo da Vinci, including models of some of the machines designed by the Renaissance man. A Goethe museum, with manuscripts and illustrations describing Goethe's travels in Italy, opened in 1997 in Rome. Villa Torlonia, Mussolini's home, was renovated in 2001 and opened as a museum.

#### 45 MEDIA

Communication systems in Italy, including telephone, telex, and data services, are generally considered to be modern, well developed, and fully automated. In 2003, there were an estimated 484 mainline telephones for every 1,000 people. The same year, there were approximately 1,018 mobile phones in use for every 1,000 people.

Radiotelevisione Italiana (RAI), a government corporation, broadcasts on three channels. In 2004, there were an additional four national broadcast channels, three of which were operated by Mediaset, a company owned by Prime Minister Berlusconi. A 2004 media law initiated an intent to partially privatize RAI. Advertising appears on RAI television, two of the three RAI radio networks, and on many private stations. In 2003, there were an estimated 878 radios for every 1,000 people. The number of television sets was unavailable in the same survey. Also in 2003, there were 230.7 personal computers for every 1,000 people and 337 of every 1,000 people had access to the Internet. There were 1,994 secure Internet servers in the country in 2004.

As of 2002, there were about 90 daily newspapers in the country, but not all of them had national circulation. The major daily newspapers (with their political orientations and estimated circulations) are: *La Repubblica* (Rome), left-wing, 754,300 in 2004; *Corriere della Sera* (Milan), independent, 582,500 in 2002; *La Stampa*

(Turin), liberal, 536,233 in 2004; *Il Sole-24 Ore* (a financial news paper from Milan), 397,000 in 2002; *Il Messaggero* (Rome), left of center, 337,157 in 2004; *Il Resto del Carlino* (Bologna), 251,173 in 2004; *Il Giornale* (Milan), independent, 215,000 in 2002; and *L'Unità* (Rome-Milan), Communist, 200,760 in 2002. *Panorama* is the most popular news weekly with a circulation of 545,500 in 2002. The periodical press is becoming increasingly important. Among the most important periodicals are the pictorial weeklies—*Oggi*, *L'Europeo*, *Epoca*, *L'Espresso*, and *Gente*. *Famiglia Cristiana* is a Catholic weekly periodical with a wide readership.

Italy enjoys a free press, with vigorous expression of all shades of opinion. The majority of papers are published in northern and central Italy, and circulation is highest in these areas. Rome and Milan are the most important publication centers. A considerable number of dailies are owned by the political parties, the Roman Catholic Church, and various economic groups. In general, the journalistic level of the Italian papers is high, and two dailies, Milan's *Corriere della Sera* and Turin's *La Stampa*, enjoy international respect.

The law provides for freedom of speech and the press, and the government is said to respect these rights in practice.

#### 46 ORGANIZATIONS

Italian society abounds with organizations of every description. Many of these are associated with or controlled by political parties, which have their ideological counterparts in labor organizations, agricultural associations, cultural groups, sports clubs, and cooperatives. Among the most important organizations are the National Confederation of Smallholders and the General Confederation of Italian Industry, which strongly influences economic policy. The General Confederation of Agriculture, the General Confederation of Trade, and the General Confederation of Master Craftsmen also are influential. There are chambers of commerce in most major cities. There are labor and trade unions and professional associations representing a wide variety of occupations. A large number of professional organizations are dedicated to research and education in specialized fields of medicine or for particular diseases and conditions.

Catholic Action and the Catholic Association of Italian Workers are the most prominent of the religious organizations. The international religious Order of St. Augustine and the Society of Jesus (Jesuits) are based in Rome.

A number of political and religious organizations sponsor youth chapters. Scouting programs and chapters of the YMCA/YWCA are also active for youth. Sports associations are plentiful and include such a variety of pastimes as tennis, badminton, taekwon do, cricket, and football (soccer). National women's organizations include the National Italian Women's Council, the Italian Association for Women in Development, and the Italian Women's Center, based in Rome.

International organizations within the country include Amnesty International, Caritas, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

Among Italy's tourist attractions are the artistic and architectural treasures of Rome and Florence; the thousands of historic churches and galleries in smaller cities; the canals and palaces of Venice; the ruins of ancient Pompeii; the Shroud of Turin, reputed

to be the burial cloth of Jesus; and the delicacies of northern Italian cooking, as well as the heartier fare of the south. Tourists are also lured by Italy's many beaches and by excellent Alpine skiing. Italians enjoy a wide variety of sports, including football (soccer), bowling, tennis, track and field, and swimming. Italy won the World Cup in soccer three times, in 1934 (as host), 1938, and 1982. Cortina d'Ampezzo, in the Dolomites, was the site of the 1956 Winter Olympics. Rome hosted the Summer Olympics in 1960. Turin was the host the 2006 Winter Olympics.

A valid passport is necessary to travel to Italy. For stays of up to 90 days a visa is not required. Within eight days all travelers must register with local police and obtain a visitor's permit. Proof of sufficient funds for the visit may also be required.

Tourism, a major industry in Italy, brought in 39,604,118 visitors in 2003. There were 999,722 hotel rooms with 1,969,495 beds and an occupancy rate of 39%. Tourism expenditure receipts totaled \$32.5 billion.

In 2005, the US Department of State estimated the daily expenses for staying in Rome at \$490; in Florence, \$437; in Milan, \$442; and in Venice, \$341.

## 48 FAMOUS ITALIANS

The Italian peninsula has been at the heart of Western cultural development at least since Roman times. Important poets of the Roman republic and empire were Lucretius (Titus Lucretius Carus, 96?–55 BC), Gaius Valerius Catullus (84?–54 BC), Vergil (Publius Vergilius Maro, 70–19 BC), Horace (Quintius Horatius Flaccus, 65–8 BC), and Ovid (Publius Ovidius Naso, 43 BC–AD 18). Also prominent in Latin literature were the orator-rhetorician Marcus Tullius Cicero (106–43 BC); the satirists Gaius Petronius Arbiter (d. AD 66) and Juvenal (Decimus Junius Juvenalis, AD 60?–140?); the prose writers Pliny the Elder (Gaius Plinius Secundus, AD 23–79), his nephew Pliny the Younger (Gaius Plinius Caecilius Secundus, AD 61?–113?), and Lucius Apuleius (AD 124?–170?); and the historians Sallust (Gaius Sallustius Crispus, 86–34 BC), Livy (Titus Livius, 59 BC–AD 17), Cornelius Tacitus (AD 55?–117), and Suetonius (Gaius Suetonius Tranquillus, AD 69?–140). Gaius Julius Caesar (100?–44 BC), renowned as a historian and prose stylist, is even more famous as a military and political leader. The first of the Roman emperors was Octavian (Gaius Octavianus, 63 BC–AD 14), better known by the honorific Augustus. Noteworthy among later emperors are the tyrants Caligula (Gaius Caesar Germanicus, AD 12–41) and Nero (Lucius Domitius Ahenobarbus, AD 37–68), the philosopher-statesman Marcus Aurelius (Marcus Annius Verus, AD 121–180), and Constantine I (the Great; Flavius Valerius Aurelius Constantinus, b. Moesia, 280?–337), who was the first to accept Christianity. No history of the Christian Church during the medieval period would be complete without mention of such men of Italian birth as St. Benedict of Nursia (480?–543?), Pope Gregory I (St. Gregory the Great, 540?–604), St. Francis of Assisi (1182?–1226), and the philosopher-theologians St. Anselm (1033?–1109) and St. Thomas Aquinas (1225–74).

No land has made a greater contribution to the visual arts. In the 13th and 14th centuries there were the sculptors Niccolò Pisano (1220–84) and his son Giovanni (1245–1314); the painters Cimabue (Cenni di Pepo, 1240–1302?), Duccio di Buoninsegna (1255?–1319), and Giotto di Bondone (1276?–1337); and, later in the period, the sculptor Andrea Pisano (1270?–1348). Among the

many great artists of the 15th century—the golden age of Florence and Venice—were the architects Filippo Brunelleschi (1377–1446), Lorenzo Ghiberti (1378–1455), and Leone Battista Alberti (1404–72); the sculptors Donatello (Donato di Niccolò di Betto Bardi, 1386?–1466), Luca della Robbia (1400–1482), Desiderio da Settignano (1428–64), and Andrea del Verrocchio (1435–88); and the painters Fra Angelico (Giovanni de Fiesole, 1387–1455), Sassetta (Stefano di Giovanni, 1392–1450?), Uccello (Paolo di Dono, 1397–1475), Masaccio (Tommaso di Giovanni di Simone Guidi, 1401–28?), Fra Filippo Lippi (1406?–69), Piero della Francesca (Pietro de' Franceschi, 1416?–92), Giovanni Bellini (1430?–1516), Andrea Mantegna (1431–1506), Antonio dei Pollaiuolo (1433–98), Luca Signorelli (1441?–1523), Perugino (Pietro Vannucci, 1446–1524), Sandro Botticelli (Alessandro Filipepi, 1447?–1510), Ghirlandaio (Domenico Currado Bigordi, 1449–94), and Vittore Carpaccio (1450–1522).

During the 16th century, the High Renaissance, Rome shared with Florence the leading position in the world of the arts. Major masters included the architects Bramante (Donato d'Agnolo, 1444?–1514) and Andrea Palladio (1508–80); the sculptor Benvenuto Cellini (1500–1571); the painter-designer-inventor Leonardo da Vinci (1452–1519); the painter-sculptor-architect-poet Michelangelo Buonarroti (1475–1564); and the painters Titian (Tiziano Vecelli, 1477–1576), Giorgione da Castelfranco (Giorgio Barbarelli, 1478?–1510), Raphael (Raffaello Sanzio, 1483–1520), Andrea del Sarto (1486–1531), and Correggio (Antonio Allegri, 1494–1534). Among the great painters of the late Renaissance were Tintoretto (Jacopo Robusti, 1518–94) and Veronese (Paolo Cagliari, 1528–88). Giorgio Vasari (1511–74) was a painter, architect, art historian, and critic.

Among the leading artists of the Baroque period were the sculptor and architect Giovanni Lorenzo Bernini (1598–1680) and the painters Michelangelo Merisi da Caravaggio (1560?–1609), Giovanni Battista Tiepolo (1690–1770), Canaletto (Antonio Canal, 1697–1768), Pietro Longhi (1702–85), and Francesco Guardi (1712–93). Leading figures in modern painting were Umberto Boccioni (1882–1916), Amedeo Modigliani (1884–1920), Giorgio di Chirico (b. Greece, 1888–1978), and Giorgio Morandi (1890–1964). A noted contemporary architect was Pier Luigi Nervi (1891–1979).

Music, an integral part of Italian life, owes many of its forms as well as its language to Italy. The musical staff was either invented or established by Guido d'Arezzo (995?–1050). A leading 14th-century composer was the blind Florentine organist Francesco Landini (1325–97). Leading composers of the High Renaissance and early Baroque periods were Giovanni Pierluigi da Palestrina (1525–94); the madrigalists Luca Marenzio (1533–99) and Carlo Gesualdo, prince of Venosa (1560?–1613); the Venetian organists Andrea Gabrieli (1510?–86) and Giovanni Gabrieli (1557–1612); Claudio Monteverdi (1567–1643), the founder of modern opera; organist-composer Girolamo Frescobaldi (1583–1643); and Giacomo Carissimi (1605–74). Important figures of the later Baroque era were Arcangelo Corelli (1653–1713), Antonio Vivaldi (1678–1743), Alessandro Scarlatti (1660–1725), and his son Domenico Scarlatti (1683–1757). Italian-born Luigi Cherubini (1760–1842) was the central figure of French music in the Napoleonic era, while Antonio Salieri (1750–1825) and Gasparo Spontini (1774–1851) played important roles in the musical life of

Vienna and Berlin, respectively. Composers of the 19th century who made their period the great age of Italian opera were Gioacchino Antonio Rossini (1792–1868), Gaetano Donizetti (1797–1848), Vincenzo Bellini (1801–35), and, above all, Giuseppe Verdi (1831–1901). Niccolò Paganini (1782–1840) was the greatest violinist of his time. More recent operatic composers include Ruggero Leoncavallo (1853–1919), Giacomo Puccini (1858–1924), and Pietro Mascagni (1863–1945). Renowned operatic singers include Enrico Caruso (1873–1921), Luisa Tetrazzini (1874–1940), Titta Ruffo (1878–1953), Amelita Galli-Curci (1882–1963), Beniamino Gigli (1890–1957), Ezio Pinza (1892–1957), and Luciano Pavarotti (b.1935). Ferruccio Busoni (1866–1924), Ottorino Respighi (1879–1936), Luigi Dallapiccola (1904–75), Luigi Nono (1924–1990), and Luciano Berio (1925–2003) are major 20th-century composers. Arturo Toscanini (1867–1957) is generally regarded as one of the greatest operatic and orchestral conductors of his time; two noted contemporary conductors are Claudio Abbado (b.1933) and Riccardo Muti (b.1941). The foremost makers of stringed instruments were Gasparo da Salò (Bertolotti, 1540–1609) of Brescia, Niccolò Amati (1596–1684), Antonius Stradivarius (Antonio Stradivari, 1644–1737), and Giuseppe Bartolomeo Guarneri (del Gesù, 1687?–1745) of Cremona. Bartolomeo Cristofori (1655–1731) invented the pianoforte.

Italian literature and literary language began with Dante Alighieri (1265–1321), author of *The Divine Comedy*, and subsequently included Petrarch (Francesco Petrarca, 1304–74), Giovanni Boccaccio (1313–75), Lodovico Ariosto (1474–1533), Pietro Aretino (1492–1556), and Torquato Tasso (1544–95). An outstanding writer of the Baroque period was Metastasio (Pietro Trapassi, 1698–1782), and Carlo Goldoni (1707–93) was the most prominent playwright of the 18th century. The time of Italy's rebirth was heralded by the poets Vittorio Alfieri (1749–1803), Ugo Foscolo (1778–1827), and Giacomo Leopardi (1798–1837). Alessandro Manzoni (1785–1873) was the principal Italian novelist of the 19th century, and Francesco de Sanctis (1817–83) the greatest literary critic. Among the Italian literary figures of the late 19th and early 20th centuries, Giosuè Carducci (1835–1907; Nobel Prize winner, 1906), Giovanni Verga (1840–1922), Gabriele d'Annunzio (1863–1938), Luigi Pirandello (1867–1936; Nobel Prize winner, 1934), and Grazia Deledda (1875–1936; Nobel Prize winner, 1926) achieved international renown. Leading writers of the post-war era are Ignazio Silone (Secondo Tranquilli, 1900–78), Alberto Moravia (Pincherle, 1907–1990), Italo Calvino (1923–87), Umberto Eco (b.1932), and the poets Salvatore Quasimodo (1908–68; Nobel Prize winner, 1959) and Eugenio Montale (1896–1981; Nobel Prize winner, 1975). Outstanding film directors are Italian-born Frank Capra (1897–1991), Vittorio de Sica (1902–74), Luchino Visconti (1906–76), Roberto Rossellini (1906–77), Michelangelo Antonioni (b.1912), Federico Fellini (1920–93), Sergio Leone (1929–1989), Pier Paolo Pasolini (1922–75), Franco Zeffirelli (b.1923), Lina Wertmüller (Arcangela Felice Assunta Wertmüller von Elgg, b.1928), and Bernardo Bertolucci (b.1940). Famous film stars include Italian-born Rudolph Valentino (Rodolfo Alfonso Raffaele Pierre Philibert Guglielmi, 1895–1926), Marcello Mastroianni (1924–1996), and Sophia Loren (Scicoloni, b.1934).

In philosophy, exploration, and statesmanship, Italy has produced many world-renowned figures: the traveler Marco Polo (1254?–1324); the statesman and patron of the arts Cosimo de'

Medici (1389–1464); the statesman, clergyman, and artistic patron Roderigo Borgia (Lanzol y Borja, b. Spain, 1431?–1503), who became Pope Alexander VI (r.1492–1503); the soldier, statesman, and artistic patron Lorenzo de' Medici, the son of Cosimo (1449–92); the explorer John Cabot (Giovanni Caboto, 1450?–98?); the explorer Christopher Columbus (Cristoforo Colombo or Cristóbal Colón, 1451–1506); the explorer Amerigo Vespucci (1454–1512), after whom the Americas are named; the admiral and statesman Andrea Doria (1468?–1540); Niccolò Machiavelli (1469–1527), author of *The Prince* and the outstanding political theorist of the Renaissance; the statesman and clergyman Cesare Borgia (1475?–1507), the son of Rodrigo; the explorer Sebastian Cabot (1476?–1557), the son of John; Baldassare Castiglione (1478–1529), author of *The Courtier*; the historian Francesco Guicciardini (1483–1540); the explorer Giovanni da Verrazano (1485?–1528?); the philosopher Giordano Bruno (1548?–1600); the political philosopher Giovanni Battista Vico (1668–1744); the noted jurist Cesare Bonesana Beccaria (1735–94); Giuseppe Mazzini (1805–72), the leading spirit of the Risorgimento; Camillo Benso di Cavour (1810–61), its prime statesman; and Giuseppe Garibaldi (1807–82), its foremost soldier and man of action. Notable intellectual and political leaders of more recent times include the Nobel Peace Prize winner in 1907, Ernesto Teodoro Moneta (1833–1918); the sociologist and economist Vilfredo Pareto (1848–1923); the political theorist Gaetano Mosca (1858–1941); the philosopher, critic, and historian Benedetto Croce (1866–1952); the educator Maria Montessori (1870–1952); Benito Mussolini (1883–1945), the founder of Fascism and dictator of Italy from 1922 to 1943; Carlo Sforza (1873–1952) and Alcide De Gasperi (1881–1954), famous latter-day statesmen; and the Communist leaders Antonio Gramsci (1891–1937), Palmiro Togliatti (1893–1964), and Enrico Berlinguer (1922–84).

Italian scientists and mathematicians of note include Leonardo Fibonacci (1180?–1250?), Galileo Galilei (1564–1642), Evangelista Torricelli (1608–47), Francesco Redi (1626?–97), Marcello Malpighi (1628–94), Luigi Galvani (1737–98), Lazzaro Spallanzani (1729–99), Alessandro Volta (1745–1827), Amedeo Avogadro (1776–1856), Stanislao Cannizzaro (1826–1910), Camillo Golgi (1843–1926; Nobel Prize winner, 1906), Guglielmo Marconi (1874–1937; Nobel Prize winner, 1909), Enrico Fermi (1901–54; Nobel Prize winner, 1938), Giulio Natta (1903–79; Nobel Prize winner, 1963), Italian-American Emilio Gino Segrè (1905–1989; Nobel Prize winner, 1959), Daniel Bovet (1907–1992; Nobel Prize winner, 1957), Renato Dulbecco (b.1914; Nobel Prize winner, 1975), Carlo Rubbia (b.1934; Nobel Prize winner, 1984), and Rita Levi-Montalcini (1909–1989; Nobel Prize winner, 1986), and Italian-American Riccardo Giacconi (b.1931; Nobel Prize winner, 2002).

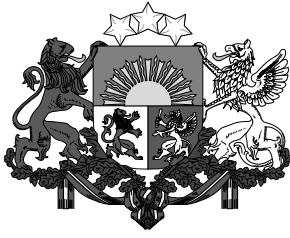
## 49 DEPENDENCIES

Italy has no territories or colonies.

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# LATVIA

Republic of Latvia  
*Latvijas Republika*

**CAPITAL:** Riga

**FLAG:** The flag consists of a single white horizontal stripe on a maroon field.

**ANTHEM:** *Dievs, svēti Latviju!* (God bless Latvia!).

**MONETARY UNIT:** The lat was introduced as the official currency in May 1993; \$1 = Ls1.78571 (or \$1 = Ls0.56) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** New Year's Day, 1 January; Good Friday (movable); Midsummer Festival, 23–24 June; National Day, Proclamation of the Republic, 18 November; Christmas, 25–26 December; New Year's Eve, 31 December.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Latvia is located in northeastern Europe, bordering the Baltic Sea, between Sweden and Russia. Comparatively, Latvia is slightly larger than the state of West Virginia, with a total area of 64,589 sq km (24,938 sq mi). Latvia shares boundaries with Estonia on the N, Russia on the E, Belarus on the S, Lithuania on the SW, and the Baltic Sea on the W. Latvia's land boundary length totals 1,150 km (713 mi). Its coastline is 531 km (330 mi). Latvia's capital city, Riga, is located near the southern edge of the Gulf of Riga.

## <sup>2</sup> TOPOGRAPHY

The topography of Latvia consists mainly of a central and eastern lowland plains enclosed in areas of uplands consisting of moderate-sized hills. The highest point in the country is Gaizinkalns (312 m/1,024 ft), located near the edge of the Vidzme uplands. The nation's longest river is the Daugava (Dvina); which begins in Russia and passes through both Belarus and Latvia in its course to the Gulf of Riga. The total length of the Daugava is 1,020 km (632 mi).

## <sup>3</sup> CLIMATE

The country's climate is influenced by geographical location and by its closeness to the North Atlantic Ocean. The average temperature in July is between 16.8°C and 17.6°C (62–64°F). In January the average temperature ranges between –2.8°C and 6.6°C (31–44°F). The rainfall in the country is between 56–79 cm (22–31 in).

## <sup>4</sup> FLORA AND FAUNA

Half of Latvia's soil is podzolic humus, which covers about one-third of the country's arable land. Woodlands make up about 47% of the country's territory, with one-half of the forests consisting of pines, birch, and firs. About 10% of the total land area is covered in marshes, swamps, or peat bogs. Species native to Latvia are the wild boar, Eurasian beaver, and brown bear. The Baltic Sea coast is home to a significant population of seals. The routes of migratory

birds pass along the Black Sea and over the country. As of 2002, there were at least 83 species of mammals, 216 species of birds, and over 1,150 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

Air and water pollution are among Latvia's most significant environmental concerns and are largely related to a lack of waste treatment facilities. In 2000, the total of carbon dioxide emissions was at 6 million metric tons. Cars and other vehicles account for a majority of the country's air pollution. Acid rain has contributed to the destruction of Latvia's forests. Latvia's water supply is perilously polluted with agricultural chemicals and industrial waste. The Gulf of Riga and the Daugava River are both heavily polluted.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included four types of mammals, eight species of birds, three species of fish, and eight species of invertebrates. Threatened species include the black vulture, the asp, the Eurasian beaver, the medicinal leech, the marsh snail, and the Russian desman. In 2003, about 13.4% of the total land area was protected, including six Ramsar wetland sites.

## <sup>6</sup> POPULATION

The population of Latvia in 2005 was estimated by the United Nations (UN) at 2,300,000, which placed it at number 138 in population among the 193 nations of the world. In 2005, approximately 16% of the population was over 65 years of age, with another 15% of the population under 15 years of age. There were 84 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be –0.5%, a rate the government viewed as too low. The country has had low fertility rates since the mid-1990s. The projected population for the year 2025 was 2,156,000. The population density was 36 per sq km (92 per sq mi).

The UN estimated that 68% of the population lived in urban areas in 2005, and that population in urban areas was declining



at an annual rate of -0.99%. The capital city, Riga, had a population of 733,000 in that year, and Daugavpils had an estimated of 124,887. There were 75 urban localities, many located on rivers or coastal areas.

## **7** MIGRATION

Some 250,000 Latvians fled Soviet occupation during World War II, and others were sent to Soviet labor camps. After the war many Russians moved to Latvia.

With independence in 1991, citizenship issues surrounding the large non-Latvian ethnic population became a problem. Only 55% were ethnic Latvians; 32% were Russians; 3.9% Belarussians; and 9.1% other. Immigration from other former Soviet republics came to 4,590 in 1992. A breakthrough came in 1998 when the Citizenship Law was changed, abolishing the annual quota of naturalizations and entitling children born after independence to automatically acquire Latvian citizenship upon request from their parents. A total of 51,778 persons emigrated when Latvia gained independence in 1991; almost all of them went to Russia, Ukraine, or Belarus.

In 2000 there were 613,000 migrants living in Latvia. This amounts to about 25% of the total population. In 2004 noncitizens in Latvia numbered 452,003, and 173 were stateless, all of concern to the United Nations High Commissioner for Refugees (UNHCR). In 2005, the net migration rate was an estimated -2.25 migrants per 1,000 population, a change from -8.8 per 1,000 in 1990. The government views the immigration level as too high, but the emigration level as satisfactory.

## **8** ETHNIC GROUPS

According to 2002 estimates, the percentage of ethnic Latvians is about 57.7% of the total population. Russians constitute about 29.6% of the population; Belarussians make up 4.1%; Ukrainians account for 2.7%; Poles for 2.5%; Lithuanians for 1.4%; and others 2%. The Romani population is estimated at about 13,000 to 15,000 people. Nearly half the Russians and Ukrainians lived in Riga, where Russians formed a majority of the population. All residents of pre-1940 Latvia and their descendants are citizens. Naturalization requires 16 years' residence and fluency in Latvian.

## **9** LANGUAGES

Latvian (also called Lettish), a Baltic language written in the Roman alphabet, is the official language; it is spoken by about 58.2% of the population. It is highly inflected, with seven noun cases and six verb declensions. The stress is always on the first syllable. There are three dialects. The macron is used for long vowels, and there is a hacek for "h." A cedilla adds the y sound. Education is now available in both Latvian and Russian, the latter of which is spoken by about 37.5% of the population. Lithuania and other languages are spoken by about 4.3% of the population.

## **10** RELIGIONS

After declaring independence from the Soviet Union in 1991, freedom of religion and worship was restored for the first time since 1941. Christianity had arrived in Latvia in the 12th century, and the Reformation made Lutheranism the primary religious persua-

sion after 1530. Currently the three largest faiths are Catholicism, Lutheranism, and Orthodoxy.

In 2004, the Latvian Justice Ministry had registered more than 1,000 religious congregations, including 308 Lutheran, 264 Roman Catholic, 125 Orthodox, 96 Baptist, 67 Old Believer (a break-away Orthodox sect dating from the 17th century), 50 Seventh-Day Adventist, 15 Muslim, 13 Jehovah's Witnesses, 13 Methodists, 13 Jewish, 11 Hare Krishna, 5 Buddhist, 4 Mormon, and over 100 others. According to church membership rolls submitted to the Justice Ministry, the Lutheran Church has about 556,000 members, the Roman Catholic Church has about 430,405 members, and the Orthodox Churches have about 350,000 members. There are only about 6,000 Jews in the country.

The constitution provides for freedom of religion and this right is generally respected in practice. Though there is no state religion, six religions are recognized by the government as traditional religions: Lutheranism, Roman Catholicism, Orthodoxy, Old Believers, the Baptist Church, and Judaism. All other religions are categorized as "new" religions; these groups have not offered any reports of significant discrimination. Certain Christian holidays are celebrated as national holidays. The New Religions Consultative offers opinions to the government on specific issues. The Ecclesiastical Council offers regular input on issues of common concern.

## **11** TRANSPORTATION

Latvia's railroad system, as of 2004, consisted of 2,303 km (1,432 mi) of broad and narrow gauge railway that linked the country's port cities with Russia. More than 80% of railway use is for daily commuting. Of the total rail lines in operation, 2,270 km (1,412 mi) was broad gauge, of which 257 km (160 mi) had been electrified. In 2003, there were 69,919 km (43,490 mi) of highways in Latvia, all of which were paved. In that same year, there were 619,081 passenger cars and 125,030 commercial vehicles in use. Maritime ports include Riga, Ventspils, and Liepāja. In 2005, the merchant fleet consisted of 19 ships of 1,000 GRT or more, with a total of 53,153 GRT. Ventspils is the terminus of the 750 km (466 mi) oil pipeline from Polotsk, Belarus. As of 2004, the country also had 300 km (186 mi) of navigable waterways.

In 2004, Latvia had an estimated 50 airports, 23 of which had paved runways as of 2005. The principal airport at Riga has international air links to Helsinki, Stockholm, Copenhagen, and New York, as well as direct flights to Austria, Germany, Israel, Russia, and Belarus. In 2003 about 340,000 passengers were carried on scheduled domestic and international airline flights.

## **12** HISTORY

Germans, Poles, Swedes, and Russians competed for influence in what is now Latvia from the Middle Ages until the 18th century, when it was incorporated into the Russian Empire. During the 19th century, a Latvian nationalist movement arose which by the early 20th century sought independence. The political chaos in Europe following World War I provided the opportunity for Latvia to break away from Russia's control.

On 18 November 1918, the independent Republic of Latvia was proclaimed. Moscow recognized Latvian independence in the August 1920 Soviet-Latvian treaty, and the new republic joined the League of Nations in 1922. Latvia prospered economically during



LOCATION: 57°0' N; 25°0' E. BOUNDARY LENGTHS: Total boundary lengths, 1,150 kilometers (715 miles); Belarus, 141 kilometers (88 miles); Estonia, 339 kilometers (211 miles); Lithuania, 453 kilometers (281 miles); Russia, 217 kilometers (135 miles).

the 1920s, and began to export dairy and grain products to Europe. During the 1930s, as tensions in Europe escalated, the Soviet government allied itself with the United Kingdom and France, which in July 1939 granted the concession that Soviet troops could move into the Baltic States in case an indirect aggression was made by Germany. Sensing that an alliance between the United Kingdom, France, and the USSR would leave Germany politically and militarily surrounded, the Nazi government decided to reach its own agreement with the Soviet government in August 1939. A secret protocol to the 1939 Nazi-Soviet pact assigned Latvia to the Soviet sphere of influence.

Soviet forces invaded Latvia on 17 June 1940, and Latvia was incorporated into the USSR. Thousands of Latvia's military and law enforcement officials were executed; political and social leaders were imprisoned. Latvian civilians were deported en masse to Soviet camps in Siberia; 15,000 alone were expelled on the night of 14 June 1941. The Soviets, however, lost control of Latvia to the Germans in July 1941, shortly after Hitler launched his attack on the USSR. Soviet forces recaptured Latvia in 1944. During the Teheran Conference of November/December 1943 between US

president Franklin D. Roosevelt and the Soviet leader Joseph Stalin, it was agreed that the USSR would maintain control of the Baltic States, and this agreement was confirmed at the Conference of Yalta in February 1945.

Following World War II, forced collectivization of agriculture began another round of deportations in 1949, bringing the total number of postwar deportees to more than 200,000. The Soviet policy of russification sought to replace Latvian language and culture with those of Russia. Freedom of speech, press, and religion was denied. For most of the 50 years of Soviet rule, political dissent was strictly forbidden.

Soviet president Mikhail Gorbachev's policy of *glasnost* and *perestroika* allowed Latvians to voice their long-suppressed desire for national self-determination. In June 1987, an openly anti-Soviet demonstration took place in Riga. In 1988, political activists founded the Latvian National Independence Movement and the Latvian Popular Front (LPF). On 23 August 1989, Latvians, Lithuanians, and Estonians organized a massive demonstration of Baltic solidarity. The LPF united independence forces and gained a majority in the elections for the Latvian Supreme Council in the

spring of 1990. On 4 May 1990 provisional independence and a period of transitional rule were proclaimed.

On 21 August 1991—shortly after the failure of a coup against Gorbachev—Latvia proclaimed its full independence. The first postindependence elections for the new Saeima (parliament) were held on 5–6 June 1993. On 30 April 1994, the Latvian and Russian governments signed a series of accords calling for the withdrawal of nearly all Russian armed forces from Latvia by the end of that year. On 12 June 1995, Latvia, Estonia, and Lithuania signed accords with the EU that were to eventually lead to full membership. A second parliamentary election the same year resulted in a legislature that was strongly divided between pro-Western and pro-Russian contingents. At the end of 1995, Andris Shkele, a former government official and businessman, became prime minister, heading a broad-based coalition cabinet. Shkele, who retained his post until 1997, balanced the budget and sped up economic reform, although his leadership style alienated many other politicians.

The Russian economic decline of 1998 decreased the market for Latvian goods and services, seriously hurting its economy and increasing unemployment. In October of the same year, Shkele's People's Party won a plurality of the vote in new parliamentary elections, but the former prime minister's personal unpopularity resulted in the formation of a minority government by a coalition that opted to exclude him. Latvia elected its first female president in June 1999, when Vaira Vike-Freiberga, a Canadian psychology professor of Latvian birth known for promoting Latvian cultural interests internationally, was chosen as her homeland's new head of state. She was inaugurated on 8 July 1999. One of her first acts as president was to veto new legislation that would have required the use of the Latvian language in government and business communications, thus further disenfranchising Latvia's large Russian-speaking minority, whose rights and status remained a problematical issue for the country as the new century began. In May 2002, Latvia changed its election law to omit a clause requiring parliamentary candidates to be speakers of the Latvian language, a provision seen as discriminatory to Russian speakers. The change was seen to improve Latvia's chances for membership in the North Atlantic Treaty Organization.

In November 2002, NATO formally invited Latvia, along with six other countries, to become a member. That December, Latvia also received an invitation to join the European Union (EU). Latvia joined NATO and the EU in the spring of 2004.

General elections were held on 5 October 2002, and a new party, the centrist New Era, topped the polls with 23.9% of the votes, taking 26 of the 100 seats in the Saeima. New Era is led by Einars Repse, the former head of the central bank, who managed the country's economy through difficult post-Soviet years; he oversaw the replacement of the currency, from the Russian rouble to the lat, an event that was seen as heralding Latvia's economic revival. Repse was named prime minister, heading a center-right coalition government formed by New Era, Latvia's First Party, the Alliance of Greens and Farmers, and the For Fatherland and Freedom Party. The For Human Rights in a United Latvia party came in second with 18.9% of the vote and 24 seats. Twenty parties competed for seats in parliament in the election. Repse, who campaigned for lower taxes, a pared-down government, and the elimination of corruption, launched a new office in 2003, an "Anti-Absurdity"

bureau. Dedicated to help ordinary people fight "the arbitrariness of those in power, the laziness of civil servants, and the lack of order in national and local government," it is a sounding board for a variety of public complaints.

Both Repse and President Vike-Freiberga supported the 2003 US-led military campaign against Saddam Hussein's regime in Iraq. Vike-Freiberga emphasized the need to maintain the trans-Atlantic relationship guaranteeing Latvia's security, and the country's opposition to the rule of dictators who challenge the international community.

### 13 GOVERNMENT

The 1990 declaration of provisional independence reinstated the 1922 constitution. From 1990 to 1993, Latvia was in a state of transition and authority was held by the Supreme Council. The new Saeima (parliament) consists of a single chamber with 100 deputies. A party must receive at least 5% of the national vote to hold a seat in parliament. Deputies are elected to a term of four years by citizens over the age of 18.

The executive branch of government is made up of the president, prime minister, and the cabinet. The Saeima elects the president for a four-year term. Executive power lies with the prime minister, who heads the Council of Ministers (cabinet). In June 1999, the Saeima elected Vaira Vike-Freiberga to the presidency. He was reelected in 2003 and will remain in office until the next election, scheduled to take place in June 2007.

Only citizens of Latvia at the time of the 1940 Soviet invasion and their descendants were allowed to vote in the 1993 elections. This meant that an estimated 34% of the country's residents (primarily Russians) were ineligible to vote. A citizenship law passed in June 1944 restricted naturalization to fewer than 2,000 resident aliens a year. On 22 July 1994, bowing to domestic and international pressure, the Saeima amended the citizenship law, eliminating the quota system. Applicants need a minimum of five years of continuous residence, basic knowledge of the Latvian language, history, and constitution, and a legal source of income; they must also take an oath of loyalty to Latvia and renounce any other citizenship. Thus the new citizenship law accelerates the naturalization process for the several hundred thousand Russian-speakers living in Latvia.

### 14 POLITICAL PARTIES

The Latvian Popular Front, established in 1988 to unite pro-independence forces, split apart after independence was achieved, giving way to a number of new parties, many defined by their stance on the status of the country's Russian-speaking population. Following the October 1998 elections the 100 seats in the Saeima were distributed as follows: People's Party, 24; Latvian Way Union, 21; Fatherland and Freedom/Latvian National Conservative Party, 17; Popular Harmony Party, 16; Latvian Social Democratic Alliance, 14; and New Party, 8. There were also other political parties not represented in the Saeima.

Following the October 2002 parliamentary elections, New Era, a new party led by former central bank head Einars Repse, won the most seats in the Saeima (26), followed by the For Human Rights in a United Latvia Party with 24, the People's Party with 21, the Alliance of Greens and Farmers with 12, Latvia's First Party with 10, and the For Fatherland and Freedom Party with 7. Repse

was named prime minister, leading a coalition of New Era, Latvia's First Party, the Alliance of Greens and Farmers, and the For Fatherland and Freedom Party. The next parliamentary elections were scheduled to take place in October 2006.

## 15 LOCAL GOVERNMENT

Latvia's local governmental structure is divided into two levels. On the first tier are cities, parishes (*pagasti*), and newly formed joint municipalities. In addition, there is district government. Citizens who live in the respective territories elect the decision-making bodies of city, parish or joint-municipal governments. These governments delegate representatives to the district governments (counties). As of 2005, there were 7 large municipalities, and 26 administrative counties. The seven large municipalities have dual status as city and regional governments.

## 16 JUDICIAL SYSTEM

A 1991 constitution, which supplements the reinstated 1922 constitution, provides for a number of basic rights and freedoms. The courts have been reorganized along democratic lines. Regional courts were added in 1995 to hear appeals of lower court decisions. There are now district courts, regional courts, a Supreme Court, and the Constitutional Court.

More serious criminal cases are heard before a panel consisting of a judge and two lay assessors. There is a provision for a 12-member jury in capital cases. The judiciary is independent; however, it suffers from a lack of personnel and training. In 1996, a seven-member Constitutional Court was established with power to hear cases at the request of the president, the cabinet, prosecutors, the Supreme Court, local government, or one-third of parliament members. The Constitutional Court may also rule on the constitutionality of legislation or its conformity with Latvia's international obligations.

## 17 ARMED FORCES

The Latvian armed forces in 2005 totaled 5,238 active personnel with reserves numbering 11,204. The Army totaled 1,817 active members, followed by the Navy with 685 active personnel and the Air Force with 255 active members. The remaining active manpower was deployed in Administration and Command (1,055), Central Support (782) and 644 among other forces. Army equipment included three main battle tanks, two reconnaissance vehicles, and 124 artillery pieces. The Air Force operated 14 transport and 5 training fixed wing aircraft, and 6 support helicopters. The Navy operated one patrol/coastal vessel, three mine warfare and two logistics/support vessels. Latvia assisted in UN and NATO operations in Bosnia, Serbia-Montenegro, Iraq and Afghanistan. The defense budget for 2005 totaled \$278 million.

## 18 INTERNATIONAL COOPERATION

Latvia was admitted to the United Nations on 17 September 1991 and serves in several specialized agencies, such as UNESCO, FAO, IFC, the World Bank, WHO, and the ILO. The country is a member of the WTO, the Council of Europe, Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, the OSCE, and the Council of the Baltic Sea States. Latvia joined the European Union and NATO in 2004. Latvia is an observer in the OAS and a member affiliate of the Western European

Union. In environmental cooperation, Latvia is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea and Climate Change.

## 19 ECONOMY

Latvia has a relatively well-developed infrastructure and a diversified industrial base, which accounts for about 26% of GDP. Agriculture constitutes approximately 5% of GDP and centers around the cultivation of potatoes, cereals, fodder, and other crops, as well as dairy farming. The largest sector of the economy is the service sector, with wholesale and retail trade, transportation, financial services, communications, and real estate management the most important industries.

Latvia's GDP fell about 30% in 1992 due to a steep decline in industrial exports to Russia. However, by 1994, GDP rose by 2%. A banking crisis caused by the collapse of Latvia's largest bank (as well as some smaller commercial banks) inhibited economic growth in 1995. Difficulties in revenue collection and inadequate control over governmental spending led to a high budget deficit. As a result, GDP fell by 1.6% in 1995. GDP growth improved markedly during the mid- to late-1990s, but it slowed somewhat in 1999, due to the Russian financial crisis of the previous year. By 2001 it stood at 7.7%. Compared to a 960% inflation rate in 1992, inflation was down to 26.3% in 1994, 16% in 1996, and 4.7% in 1998. Unemployment during the early 2000s remained stable between 7–8%.

Since independence was achieved in 1991, Latvia continued with its privatization program and market reforms in the hope of qualifying for EU accession. By mid-2003, 98% of former state-owned industries had been sold, and the private sector accounted for two-thirds of GDP. Latvia joined the WTO in 1999, and was formally invited to join the EU in December 2002, and was accepted as a full member in May 2004. Latvian governments in the early 2000s implemented strict monetary policies and liberal trade policies, attempted to keep budget deficits low, and tried to provide for a more competitive economic environment. Latvia attracted a large amount of foreign direct investment since 1991; Denmark was its largest investor. However, investors who shy away from Latvia often do so because of corruption, organized crime, excessive bureaucracy, and a need for regulatory reform.

GDP growth was very strong in 2004, at 8.5%, jumping from 7.5% in 2003, and 6.4% in 2002; in 2005, the economy is expected to grow by 6.0%. This rapid growth was mainly fueled by high domestic demand, which, in turn, was fueled by higher rates of bank lending. Other factors that contributed to the GDP growth were foreign investments, and a dynamic export market. Inflation has remained fairly stable until 2003, but in 2004 it made a slight jump, reaching 6.2%. Unemployment continued to be a problem, hovering around 8.5%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Latvia's gross domestic product (GDP) was estimated at \$29.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as

measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$12,800. The annual growth rate of GDP was estimated at 7.8%. The average inflation rate in 2005 was 5.9%. It was estimated that agriculture accounted for 4.1% of GDP, industry 26%, and services 69.9%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$171 million or about \$74 per capita and accounted for approximately 1.5% of GDP. Foreign aid receipts amounted to \$114 million or about \$49 per capita and accounted for approximately 1.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Latvia totaled \$6.98 billion or about \$3,007 per capita based on a GDP of \$11.1 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 0.3%. In 2001 it was estimated that approximately 30% of household consumption was spent on food, 16% on fuel, 6% on health care, and 23% on education.

## 21 LABOR

The 2005 labor force was estimated at 1.11 million workers. Unemployment in that year was estimated at 8.8%. As of 2003, the service sector accounted for 59.2% of those employed, with 27% in industry and the remaining 13.8% in agriculture.

Latvian workers have the legal right to form and join labor unions. As of 2002, about 30% of the labor force was unionized. Unions are generally nonpolitical, have the right to strike (with some limits), are free to affiliate internationally, can bargain collectively, and are mostly free of government interference in their negotiations with employers.

The minimum employment age is 15, and the mandatory maximum workweek is set at 40 hours. Latvian labor regulations also provide workers with four weeks of annual vacation and special assistance to working mothers with small children. Certain minimum standards of labor conditions are defined by law, although they are not effectively enforced. The legal minimum wage was \$98 per month in 2002.

## 22 AGRICULTURE

As of 2003, out of a total land area of 6,205,000 hectares (15,333,000 acres), about 30% was crop land. Agriculture accounted for about 5% of GDP and engaged around 12% of the labor force in 2003. Agricultural output declined by an annual average of 7% during 1990–2000.

Privatization of agriculture progressed rapidly after 1991. By the beginning of 1993, over 50,000 private farms had been established, and many agricultural facilities were being privatized. Production of primary crops in 2004 (in thousands of tons) included wheat, 530; barley, 275; rye, 100; potatoes, 628.4; rapeseed, 103.6; and dry beans, 0.5.

## 23 ANIMAL HUSBANDRY

About 621,000 hectares (1,534,000 acres) of land are meadows and pastures, representing 10% of the total land area. In 2005, there were 371,100 head of cattle, 435,700 pigs, 38,600 sheep, 3,450,000 chickens, and 15,500 horses. In 2005, some 74,650 tons of meat

were produced, 80% of which was beef and pork. Milk and egg production in 2005 totaled 790,500 and 32,045 tons, respectively.

Before World War II (1939–45), Latvia was a prominent dairy producer; in the postwar period, the number of cattle, poultry, and pigs rose steeply. Milk production stabilized in 1995, after four years of decreases in dairy cattle and milk production.

## 24 FISHING

The total catch in 2003 was 115,180 tons, down from 416,197 tons in 1991. Nearly all the landings are from marine fishing. Principal species include sprat, herring, sardines, cod, and mackerel. In February 2005, the Latvian government banned the retail sale of salmon caught in the Baltic Sea and Gulf of Riga, due to levels of dioxin detected in tested fish. Fish packing is an important industry in Latvia; in 2003, fisheries exports amounted to nearly \$131.9 million.

## 25 FORESTRY

Latvia's forests and woodlands covered 2.9 million hectares (7 million acres), or approximately 47% of the total land area in 2000 (up from 24.7% in 1923). Before World War II (1939–45), the timber and paper industries accounted for 29% of employment; by 1990, the number had fallen to 9%. In 1939, the timber industry contributed 53.5% to total exports; in 1990, wood and paper exports accounted for 2.2% of total exports. The timber cut in 2004 was 12,419,000 cu m (438 million cu ft), with 8% used as fuel wood. Production amounts in 2004 included: sawn wood, 3,920,000 cu m (138 million cu ft); particleboard and plywood, 394,000 cu m (13.9 million cu ft); and paper and paperboard, 38,000 tons. Exports of forest products amounted to over \$1 billion in 2003.

Jaako Poyry Consulting AB (Sweden), a subsidiary of Finland's Jaako Poyry Group, has been doing a study for a new pulp plant in Jēkabpils, financed by the Latvian government and the Swedish International Development Authority. The new plant will have a capacity to produce 350,000 tons of bleached softwood per year, and will require an investment of up to \$1 billion.

## 26 MINING

Latvia was dependent on imports for raw materials. Limestone (for cement) and sand and gravel mines were spread throughout the country. Ceramic clays, dolomite, and gypsum also were produced. Peat (taken from 85 deposits, for fuel) covered approximately 10% of Latvia's territory, with the heaviest concentration in the eastern plains. Tonnage production figures for 2003 were: peat, 1,076,142 metric tons, compared with 1,484,970 metric tons in 2002; and sand and gravel, 1,044,959 metric tons, compared with 761,614 metric tons in 2003. 2004 production figures for cement totaled 295,205 metric tons; gypsum, 159,133 metric tons; and limestone 431,590 metric tons.

## 27 ENERGY AND POWER

Hydroelectric generated power is the source for the bulk of the electric power Latvia produces. In 2002, hydroelectric sources accounted for 63% of the power produced. However, Latvia's heavy reliance upon hydropower, means that in a dry year, the country is estimated to be capable of producing only around 60% of the power it needs. Latvia's power imports come largely from Russia, and other Baltic Sea nations. During 2004, Latvia produced 4.4

billion kWh of electricity, but demand for that year came to 5.5 billion kWh. Latvia's electric power generating capacity in 2004 stood at 2.2 GW.

As of 2004, Latvia has no known reserves of oil or natural gas, and no oil refining capacity. Thus the country must import all required gas and petroleum products, most of which comes from Russia. However, Latvia's territorial waters in the Baltic Sea are thought to contain as many as 300 million barrels of oil. In 2002 Latvia awarded five-year offshore exploration rights to a US-Norwegian joint venture.

In 2004, refined petroleum was consumed at a rate of 47,000 barrels per day, with imports averaging the same amount. Demand for natural gas in 2004 came to 62 billion cu ft, all of which was imported. Although Latvia did have recoverable coal reserves of two million short tons in 2004, there was no production or imports of coal.

## 28 INDUSTRY

Latvia's industrial base has centered mainly on heavy industries such as chemicals and petrochemicals, metal working, and machine building. Major manufactured items include railway carriages, buses, mopeds, washing machines, radios, electronics, and telephone systems. Since 1995, output of buses has fallen, but there has been an increase in the production of transport vehicles and passenger rail cars. Base chemical production has also declined slightly, as demand for household detergents and fibers has fallen. Other important industries include paper, petrochemicals, mechanical engineering, and communications.

Prior to 1998, the food processing sector provided the largest portion of the country's manufacturing output. Following the 1998 economic crisis in Russia, that sector declined, as Latvia depended upon Russia for exports. As of 2002, however, food processing showed potential for growth. In 2001, industry accounted for 26% of GDP, and employed around 25% of the work force. Although some 50 enterprises are excluded from privatization (including ports, the railway company, and the postal service), only a few large state enterprises had not been privatized as of 2002, including the Latvian Shipping Company (Lasco), and the electricity utility company (Latvenergo). Ninety-eight percent of former state-owned enterprises had been sold as of 2002.

By 2004, the participation of the industry in the overall economic output has decreased to 24.8%, while its share in the labor fell to 25%; agriculture made up 4.4% of the GDP, and employed 15% of the labor force; services came in first with 70.8%, and 60% respectively. The industrial production growth rate equaled the GDP growth rate, at 8.5%, hinting that the services sector grew faster, while the agriculture sector lagged behind.

## 29 SCIENCE AND TECHNOLOGY

The Latvian Academy of Sciences has divisions of physical and technical sciences and of chemical and biological sciences.

Fifteen research institutes, most attached to the academy, conduct medical, technical, and scientific research. The University of Latvia (founded in 1919) has faculties of physics and mathematics, chemistry, and biology. The Riga Technical University (founded in 1990) has various engineering faculties. Both are in Riga, as are the Latvian Academy of Medicine (founded in 1951), the Riga Aviation University (founded in 1919), and the Stradin Museum

of the History of Medicine. The Latvian University of Agriculture (founded in 1939) is located in Jelgava, and the National Botanical Garden is situated in Salaspils.

In 1987–97, science and engineering students accounted for 23% of university enrollment. In 2002, Latvia had 1,478 scientists and engineers and 282 technicians per million people actively engaged in research and development (R&D). For that same year, Latvia's expenditures on R&D totaled \$100.082 million, or 0.46% of GDP, with government providing the largest portion at 42.7%, followed by foreign sources at 35.6%. Business provided the remaining 21.7%. High technology exports in 2002 totaled \$51 million, or 4% of all manufactured exports.

## 30 DOMESTIC TRADE

The traditional, small, privately owned farmer's markets, bakeries, and dairies are still prevalent throughout the country; however, large supermarkets are making their mark in larger cities. Latvia's center of domestic commerce is in Riga. One of the country's first malls opened with major investment from a Finnish department store chain. The most widely demanded domestic services include dressmaking and repair; house construction and repair; and automotive servicing. As of 2002, privatization of previously state-owned companies and industries was nearly complete.

Shops are generally open from 9 or 10 AM to 7 or 8 PM.

## 31 FOREIGN TRADE

Like most of the former Soviet republics, Latvia's trade was formerly dominated by the other Soviet states, but it has been relatively successful in achieving a wider range of trade partners. Latvia's major commodity exports include wood (29%), iron and steel (6.3%), textile yarn (5.6%), furniture (4.5%), and fish (1%).

In 2004, Latvia's exports reached \$3.6 billion (FOB—Free on Board), while imports grew to \$6.0 billion (FOB). Most of the exports went to the United Kingdom (which received 12.8% of total exports), Germany (12%), Sweden (10%), Lithuania (9.1%), Estonia (8%), Russia (6.4%), and Denmark (5.4%). Since domestic demand is predicted to grow slowly in the EU area, Latvian exporters will likely re-orient to faster growing markets, such as Estonia and Russia. Imports included machinery and equipment, chemi-

### Principal Trading Partners – Latvia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	2,893.7	5,244.0	-2,350.3
United Kingdom	449.9	118.0	331.9
Germany	428.9	842.3	-413.4
Sweden	305.4	328.4	-23.0
Lithuania	237.2	508.1	-270.9
Estonia	190.5	336.5	-146.0
Denmark	173.7	178.9	-5.2
Russia	155.8	455.4	-299.6
Netherlands	93.9	162.5	-68.6
United States	83.8	91.3	-7.5
Finland	77.7	387.5	-309.8

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Latvia (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-956.0</b>
Balance on goods	-1,998.0	
Imports	-5,169.0	
Exports	3,171.0	
Balance on services	583.0	
Balance on income	-59.0	
Current transfers	518.0	
<b>Capital Account</b>		<b>34.0</b>
<b>Financial Account</b>		<b>917.0</b>
Direct investment abroad	-32.0	
Direct investment in Latvia	359.0	
Portfolio investment assets	-286.0	
Portfolio investment liabilities	62.0	
Financial derivatives	6.0	
Other investment assets	-666.0	
Other investment liabilities	1,474.0	
<b>Net Errors and Omissions</b>		<b>85.0</b>
<b>Reserves and Related Items</b>		<b>-80.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

cals, fuels, and vehicles, and mainly came from Germany (13.9%), Lithuania (12.2%), Russia (8.7%), Estonia (7%), Finland (6.3%), Sweden (6.1%), Poland (5.4%), and Belarus (4.8%).

**3<sup>2</sup> BALANCE OF PAYMENTS**

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Latvia's exports was \$2.3 billion while imports totaled \$3.9 billion resulting in a trade deficit of \$1.6 billion.

The International Monetary Fund (IMF) reported that in 2001 Latvia had exports of goods totaling \$2.22 billion and imports of goods totaling \$3.57 billion. The services credit totaled \$1.19 billion and debit \$692 million.

Exports of goods and services continued to grow in the following years, reaching \$4.7 billion in 2003, and \$5.1 billion in 2004. Imports followed a similar path, totaling \$6.1 billion in 2003, and \$6.5 billion in 2004. The resource balance was consequently negative in both years, at around -\$1.4 billion. The current account balance was also negative, dropping to -\$1 billion in 2003, and -\$1.2 billion in 2004. External debt was relatively high, at \$10.3 billion in 2004, and an expected \$10.8 billion in 2005.

**3<sup>3</sup> BANKING AND SECURITIES**

In 1991 banking matters were transferred to the Bank of Latvia from Soviet bank officials. Previously, Latvia had its branch of the Soviet State Bank (Gosbank). The central bank had the authority to issue Latvian rubles and regulate the commercial banking sector. There are many banks in Latvia, including the Baltic Transit Bank, Banka Atmoda, Latgale Stocj Commercial Bank, Latvian Credit Bank, Investment Bank of Latvia, and the Latvian Land Bank.

Latvia effectively exited the ruble zone on 20 July 1992. By early 1993 the Bank of Latvia introduced a national currency, the lat.

The lat is now fully convertible for capital and current account purposes.

Latvia's banking sector has proved one of the country's most successful industries and also its most controversial. Riga has developed into an offshore financial center, offering numbered accounts and related services, and drawing in a substantial chunk of flight capital from other former Soviet republics. Owing to fairly liberal banking laws in the early 1990s, a large number of banks (54 as of May 1995) had been established. Subsequently, capital and other requirements have been progressively tightened. For existing banks, the minimum reserve requirements have been raised from Ls100,000 as of 1995 to Ls1.0 million by 31 March 1998. As of April 1995 all banks had to be audited by one of the recognized international accounting firms. The stricter capital regime has led to an inevitable attrition, with 11 banks losing their licenses between 1992 and 1995. Only some 15 banks made profits in 1994 and had adequate reserves. The audits also revealed huge losses at Baltija Bank (Latvia's largest institution, with some 200,000 private depositors), which had been incurred as a result of systematic fraud. Latvian banks suffered heavy losses in 1999 as a result of the Russian financial crisis.

In February 1997, the Bank of Latvia gave its approval to the proposed merger between the Latvian Savings Bank and the United Baltic Bank of Riga. As a result of the merger, the state now owns 75% of shares in the Latvian Savings Bank. The government's plans are to privatize the newly merged entity. Total assets of Latvia's 23 commercial banks were us\$5 billion as of June 2001. In recent years, Scandinavian banks have begun acquiring shares in Baltic banks. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$2.5 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 5.23%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 3.5%.

In 1995, the Riga Stock Exchange (RIGSE) listed 17 companies and had a market capitalization of \$10 million. As of 2004, a total of 39 companies were listed, with a market capitalization valued at 1.655 billion. In 2004, the RIGSE rose 43.5% from the previous year to 413.6.

**3<sup>4</sup> INSURANCE**

All of Latvia's insurers, foreign and domestic, must be licensed by the Superintendent of Insurance. Foreign companies entering the Latvian market will find that licenses are relatively easy to obtain, although each class of insurance offered must be approved by the Superintendent of Insurance. In Latvia, third-party automobile liability insurance is compulsory. In 2003, the value of all direct premiums written totaled \$209 million, of which nearly all were accounted for by the nonlife lines, which accounted for \$200 million. Latvia's top nonlife insurer in 2003 was Balta, with gross written nonlife premiums of \$45.9 million, while Ergo Latvija Dzīvība

was the country's leading life insurer that year, with gross written life premiums of \$5.4 million.

### 35 PUBLIC FINANCE

Latvia's structural transition out of the planned economy under communism has occurred more or less spontaneously since independence. As of 2002, the thriving private sector accounted for two-thirds of employment and GDP. Privatization is generally considered to be near-finished; although the government still owns a few key companies, most are in private hands, even the utilities, and the government is working to sell off its ownership of what remains in order to satisfy its commitments to the IMF.

The US Central Intelligence Agency (CIA) estimated that in 2005 Latvia's central government took in revenues of approximately \$5.6 billion and had expenditures of \$5.8 billion. Revenues minus expenditures totaled approximately -\$243 million. Public debt in 2005 amounted to 12% of GDP. Total external debt was \$13.2 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were Ls1,715.5 million and expenditures were Ls1,796.2 million. The value of revenues was us\$3,004 million and expenditures us\$3,146 million, based on an official exchange rate for 2003 of us\$1 = Ls.571 as reported by the IMF. Government outlays by function were as follows: general public services, 19.3%; defense, 4.5%; public order and safety, 8.1%; economic affairs, 11.8%; housing and community amenities, 1.1%; health, 11.2%; recreation, culture, and religion, 2.4%; education, 6.5%; and social protection, 35.0%.

### 36 TAXATION

In 1995 Latvia replaced its profits tax with 25% business income tax (BIT). Under amendments in 2001, the BIT rate was reduced to 22% for 2002, and to 19% for 2003, and as of 2005, stood at 15% which applies to all businesses. Reduced rates for small-enter-

prises was eliminated in 2004. Branches of foreign companies are taxed at the same rate as Latvian companies, but are eligible for the same deductions and allowances. For companies operating in Latvia, capital gains are included in corporate income and are taxed at the corporate rate. There is a 2% withholding tax for nonresident companies on proceeds from the sale of Latvian real estate. The withholding rate on dividends is either 0% or 10% depending upon whether the payer and receiver meet certain guidelines regarding residency. Withholding taxes on various forms of capital income may be reduced or eliminated according to the terms of bilateral double tax prevention agreements. Shipping companies, cargo or passenger, engaged primarily in international commerce, may choose to be taxed according to a tonnage tax introduced in 2002. There are no local taxes.

As of 1995, Latvians pay personal income tax at a flat rate of 25% of taxable income. Taxable income is determined by lump sum deductions, and specific allowances for social security payments, donations to charity, hospitalization and medical expenses, and some school fees. There is also a property tax and a land tax.

The main indirect tax is Latvia's value-added tax (VAT) with a standard rate of 18% for most goods and services. A reduced rate of 5% is applied to medical (including veterinary) and hotel services, and water and waste collection services. A 0% VAT applies to exports. Exempted from the VAT agricultural services, insurance, rent on dwellings, as well as certain financial services and royalties from copyrights. There are also excise taxes levied on luxury products at rates ranging from 10-100%, customs taxes, and stamp taxes.

### 37 CUSTOMS AND DUTIES

Latvia imposes a standard 18% VAT on imports. However, certain items qualify for lower rates of 0-9%. Tariff rates depend on both the type of good imported and its origin. Goods from countries with most-favored nation (MFN) status receive lower rates, usually 15% (but up to 45% for agricultural products), while goods from non-MFN countries receive slightly higher rates, usually 20% (but up to 55% for agricultural products).

Latvia has free trade agreements with Sweden, Finland, Norway, Switzerland, and Kyrgyzstan. US products receive MFN status. Latvia has also formed a free trade area with Estonia and Lithuania. In January 1995, a free trade agreement went into effect with the European Union, which reduced tariffs on most industrial products to zero and set a schedule on tariff reductions over a course of five years for certain agricultural products. Latvia joined the World Trade Organization in February 1999.

### 38 FOREIGN INVESTMENT

In November 1991, a foreign investment act was passed permitting joint ventures in the form of either public or private limited companies. Businesses that are at least 30% foreign-owned receive a two-year tax holiday and a 50% tax abatement for the following two years.

At the end of 1995, foreign direct investment (FDI) in Latvia totaled \$521 million, based on registered statutory capital. The largest investors were Denmark (26.1%), Russia (19.4%), the United States (13.5%), Germany (6.4%), the United Kingdom (5.2%), and the Netherlands (4.2%). Finland and Sweden were also significant investors. Industry accounted for only 17% of all foreign invest-

#### Public Finance – Latvia (2003)

(In millions of lats, central government figures)

<b>Revenue and Grants</b>	<b>1,715.5</b>	<b>100.0%</b>
Tax revenue	901.4	52.5%
Social contributions	561.9	32.8%
Grants	51.1	3.0%
Other revenue	201.1	11.7%
<b>Expenditures</b>	<b>1,796.2</b>	<b>100.0%</b>
General public services	347.1	19.3%
Defense	80.3	4.5%
Public order and safety	145.9	8.1%
Economic affairs	211.2	11.8%
Environmental protection	...	...
Housing and community amenities	20.6	1.1%
Health	200.8	11.2%
Recreational, culture, and religion	43.8	2.4%
Education	117.4	6.5%
Social protection	629.1	35.0%

(...) data not available or not significant.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.



ment and there were approximately 5,200 firms with a foreign capital share.

FDI inflow into Latvia reached \$521 million in 1997, averaging \$400 million a year 1996 to 2000, but fell sharply in the global economic downturn of 2001 to less than \$201 million. From 1995 to 2001 Latvia stock of FDI nearly quadrupled, reaching \$2.3 billion in 2001. In the period 1988 to 1990, Latvia's share of world FDI inflows was almost five times its share of world GDP, but for the period 1998 to 2000, Latvia's share of FDI inflows was only 60% greater than its share of world GDP.

The leading sources of FDI from 1996 to 2001 were the United States (13%), Germany (11%), and Denmark (11%). The primary destinations of foreign investment inflow were trade (22%), finance (16%), and business services, especially real estate (16%). The largest foreign affiliate is the telecommunications company Lattelekom SA of Finland. The largest foreign bank invested is Hansabanka SA of Estonia.

As a new member of the EU, Latvia registered an increased inflow of capital from Western Europe in 2004. This trend is expected to temper down in future years however. Also, the relative share of FDI in capital flows will likely go down, which will put an increased burden on domestic banks. Despite this, Latvia remains an attractive market for investments, and the prospects of joining the euro zone works towards the country's favor.

### 39 ECONOMIC DEVELOPMENT

The government began introducing economic reforms in 1990 to effect the transition to a market-driven economy. Individual and family-owned businesses, cooperatives, and privately and publicly held companies are now permitted. The privatization process was simplified with a 1994 law that created the Privatization Agency (PA) and the State Property Fund. Distribution of privatization vouchers was completed by March 1995, with certificates valued at Ls2.8 billion distributed to 2.2 million Latvians.

The privatization program focuses on international tenders and public offerings of shares. By mid-1994, 450 state enterprises had been transferred for privatization. The first international tender of 45 enterprises came in November 1994, followed by 80 more in 1995. Large-scale privatization began in 1996 and continued into the beginning of the 21st century, when privatization was almost complete (with the exception of large state utilities).

In 2001, Latvia negotiated a 20-month, \$44-million Stand-By Arrangement with the International Monetary Fund (IMF). Real GDP growth was strong in 2001–02, led by investment and consumption. Inflation was low during those years. In 2003, per capita GDP stood around 50% above its level in 1995. Latvia's economy in 2003 was regarded as one of the best of the 10 countries slated for EU admission in 2004. The government was taking steps toward achieving a balanced budget by reducing government spending in 2003.

In anticipation of the 2006 election, the government is seeking to exploit the strong revenue growth and increase public spending. In addition, it plans to sell off its share in the Ventspils oil terminal and thus give an extra boost to the overall economic growth. One of the biggest threats to economic expansion is the, recently, growing inflation rate—which could also affect Latvia's prospect of joining the euro zone in 2008. In an attempt to curb inflation the government will likely cut taxes on diesel fuel, and

ask the EU to temporarily lift the ban over imports of fuel that do not meet EU standards.

### 40 SOCIAL DEVELOPMENT

Social insurance provides benefits for old age, disability, and survivorship pensions for employees and self-employed persons. The first laws were enacted in 1922, and most recently were updated in 2001. Pensions are funded by contributions from employees and employers in most sectors. Age requirements for pensions are set at 62 for men and 59.5 for women, but is increasing to meet the same standards for men by 2009. The government funds programs to provide for active military personnel, individuals caring for infants, and spouses of diplomatic staff. Sickness and maternity benefits are provided to employed persons, while medical benefits are provided to all permanent residents. A universal program of family allowances exists, as well as workers' compensation and unemployment programs.

Employment discrimination based on gender is legally banned, although women are barred from certain occupations considered dangerous. In practice, women face unequal treatment in terms of both pay and hiring, including discrimination stemming from the cost of legally mandated childbirth benefits if a woman is hired. Sexual harassment is common in the workplace although prohibited by law. Domestic violence is pervasive. As of 2004 there were no shelters for abused or battered women, and few resources exist for victims of sexual assault.

Latvia's main human rights problem in recent years stems from the large number of minorities who were not granted citizenship after independence. These noncitizens, mainly ethnic Russians, do not have clear travel, property, and residency rights. Instances of excessive use of force by security forces were still reported, and prison conditions remained poor.

### 41 HEALTH

Primary care is provided at large urban health centers, hospital and walk-in emergency facilities, individual and group private practices, rural clinics staffed by midwives and physicians' assistants, and workplace clinics run by large private employers and the military. Total health care expenditure was estimated at 6.7% of GDP. As of 2004, there were an estimated 291 physicians, 509 nurses, 53 dentists, and 21 nurses per 100,000 people. In the same year, Latvia had 151 hospitals, of which 31 were located in Riga (including all specialized hospitals).

As of 2002, the crude birth rate and overall mortality rate were estimated at 8.3 and 14.7 per 1,000 people respectively. Life expectancy in 2005 was 71.05 years and the infant mortality rate was 9.55 per 1,000 live births. The total fertility rate in 2000 was 1.2 per woman during childbearing years. Immunization rates for one-year-olds were as follows: diphtheria, pertussis, and tetanus, 95%; and measles, 97%. Measles, neonatal tetanus and polio had been almost completely eradicated.

Cardiovascular disease is a major cause of mortality in Latvia, with a rate of nearly 400 per 1,000 people over age 65. The HIV/AIDS prevalence was 0.60 per 100 adults in 2003. As of 2004, there were approximately 7,600 people living with HIV/AIDS in the country. There were an estimated 500 deaths from AIDS in 2003.

## 4<sup>2</sup> HOUSING

In the 1990s 165,000 families (one out of five) were registered for new housing. Approximately 200,000 people lived in the 8% of existing housing stock that was in substandard condition. But the government has made some progress in reforms for the housing sector. In 1993, 54% of housing was owned by state and municipalities. In 1999 the majority of property (70%) was privately owned. The government anticipates that by the end of the privatization process about 80% of housing will be private property, while municipalities will maintain only 20% of the housing as low-cost rental or social houses.

At the 2000 census, about 26% of all respondents lived in single-family houses; 68.5% lived in apartments. About 60% of all dwellings were owner occupied. About 52% of the population were living in housing units built in 1970 or earlier. About 43.7% of the population were in dwellings built during the period 1971–95.

Since 1996, the government has signed several agreements with international organizations for funds to improve housing projects. In 2000, the Housing Crediting Program was initiated to promote a new mortgage system.

## 4<sup>3</sup> EDUCATION

The modern Latvian educational system is based on the reforms introduced in 1991. Compulsory education lasts for nine years beginning at the age of seven. At this stage, students have a choice between basic vocational school (two or three years), general secondary school (three years), or vocational secondary school (four years, offering a diploma that may fulfill the prerequisite for university studies).

In 2001, about 60% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 86% of age-eligible students. The same year, secondary school enrollment was about 88% of age-eligible students. Nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 14:1 in 2003.

Entrance examinations are a prerequisite for admission into universities. Higher education is offered by both private and public institutions. The state offers free higher education in some areas of specialized study. Latvia has a total of about 34 state-recognized institutions of higher learning, including two major universities: the University of Latvia and the Riga Technical University. In 2003, about 73% of the tertiary age population were enrolled in some type of higher education program; with 55% for men and 91% for women. The adult literacy rate for 2004 was estimated at about 99.7%.

As of 2003, public expenditure on education was estimated at 5.8% of GDP.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library in Riga holds about 2.1 million volumes; the main library site was designed by Gunnar Birkerts, who was born in Latvia but has an architectural firm in the United States. The Latvian Academic Library in Riga holds 1.2 million books and the University of Latvia holds about two million; both libraries also include large collections of periodicals. The Riga City Library (Bibliotheca Rigensis), established in 1524, was the first public li-

brary in the nation. In 2005, there were about 892 public libraries in the nation, including 7 branches of the Latvian Library for the Blind.

The larger museums are located in Riga, including the State Museum of Fine Arts, the History Museum of Latvia, The Latvian Photography Museum, and the Museum of Foreign Art. Riga also hosts the Museum of Natural History; the Riga Film Museum; the State Museum of Art; the Literature, Theater, and Music Museum; the Latvian Sports Museum, and the Latvian War Museum. In 1990, Bauska Castle was converted into a historic museum. The Bauska Art Museum holds over 8,000 works of art by Russian and Western European artists. With the end of the Soviet era, a number of new museums devoted to Latvian culture and history opened in the 1990s, including museums of architecture, photography, telecommunications, Jewish life in Latvia, and a museum chronicling 50 years of Soviet occupation. There are a local history museums in almost every region.

## 4<sup>5</sup> MEDIA

International communications links are via leased connection to the Moscow international gateway switch and the Finnish cellular network. In 2003, there were an estimated 285 mainline telephones for every 1,000 people; about 16,200 people were on a waiting list for telephone service installation. The same year, there were approximately 526 mobile phones in use for every 1,000 people.

The Committee for Television and Radio controls broadcasting. Domestic and international programming in Latvian, Russian, Swedish, English, and German is broadcast by Latvian Radio. In 1998, there were 8 AM and 56 FM stations. Latvian State Television broadcasts on two channels, and there are several independent television stations with daily broadcasts. Cable and satellite services are available, and foreign broadcasts can also be seen. In 2003, there were an estimated 700 radios and 859 television sets for every 1,000 people. About 176.8 of every 1,000 people were cable subscribers. Also in 2003, there were 188 personal computers for every 1,000 people and 404 of every 1,000 people had access to the Internet. There were 80 secure Internet servers in the country in 2004.

Latvia publishes many newspapers, periodicals, and books, in both Latvian and Russian. The most widely read newspapers (with 2002 circulations) are *Diena* (*The Day*, 110,000), *Sovietskaya Latvija* (*Soviet Latvia*, 71,300), *SM Segodna* (a Russian language daily, 65,000), and *Riga Balss* (*The Voice*, 56,800). Foreign language newspapers include the weekly *Baltic Times* in English.

The constitution provides for free speech and a free press, and the government is said to respect these rights in practice. A 1991 Press Law prohibits censorship of the press or other mass media; however, a Law on the Media imposes regulations on the content and language of broadcasts.

## 4<sup>6</sup> ORGANIZATIONS

Important economic organizations in Latvia include the Latvian Chamber of Commerce, an organization that promotes trade and commerce with its Baltic neighbors, Europe, and The Russian Federation. There are five business and trade organizations including: the Latvia International Commerce Center, Latvian Small Business Association, and the World Latvian Businessmen's Associa-

tion. The largest trade union in Latvia is the umbrella organization of the Association of Free Trade Unions, founded in 1990.

The Latvian Academy of Sciences promotes public interest and education for all branches of science. Several medical fields have professional associations. There are also several environmental protection and preservation organizations.

National youth organizations include the Student Council of the University of Latvia, United Nations Student Association of Latvia, YMCA/YWCA of Latvia, Junior Chamber, and the Scout and Guide Central Organization of Latvia. There are a wide variety of sports associations represented in the country. National women's organizations include the Women's National League of Latvia and the Latvian Association of University Women.

There are national chapters of the Red Cross Society and Caritas.

#### **47 TOURISM, TRAVEL, AND RECREATION**

With a population of almost one million, Riga is the major tourism center of the Baltic states. Its historic architecture has undergone extensive restoration. The white sand beaches offer sailing and river rafting along with many spas. Latvia boasts 12,310 rivers and 3,000 lakes, which are popular for boating, as well as country castles and medieval towns. Tennis, horseback riding, fishing, hunting, sailing, water sports, and winter sports are available to visitors, as well as a ski marathon in February, the Sport Festival of Riga in May, and the International Riga Marathon in July.

All visitors need passports valid for at least three months after the planned stay. Visas are not required for stays of up to 90 days.

There were 2,469,888 foreign visitors who arrived in Latvia in 2003, an 8% increase from 2002. The 7,618 hotel rooms with 14,983 beds had a 32% occupancy rate. The average length of stay was two nights. Tourist expenditure receipts totaled \$271 million.

In 2005, the US Department of State estimated the daily cost of travel in Latvia at \$219.

#### **48 FAMOUS LATVIANS**

Guntis Ulmanis (b.1939) was president of Latvia from 1993 to 1999. Vaira Vike-Freiberga (b.1937), Latvia's first female president, succeeded him in 1999, and was reelected in 2003. Turis Alumans was Latvia's first poet. He started a school of poetry that produced the poets Krisjanis Barons (1823–1923) and Atis Kronvalds in the 19th century. Romantic literature in the 20th century was symbolized by Janis Rainis's (1865–1929) *Fire and Night*.

#### **49 DEPENDENCIES**

Latvia has no territories or colonies.

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# LIECHTENSTEIN

Principality of Liechtenstein  
*Fürstentum Liechtenstein*



**CAPITAL:** Vaduz

**FLAG:** The national flag is divided into two horizontal rectangles, blue above red. On the blue rectangle, near the hoist, is the princely crown in gold.

**ANTHEM:** *Oben am jungen Rhein (On the Banks of the Young Rhine)*.

**MONETARY UNIT:** The Swiss franc (SwFr) of 100 centimes, or rappen, has been in use since February 1921. There are coins of 1, 5, 10, 20, and 50 centimes and 1, 2, and 5 francs, and notes of 10, 20, 50, 100, 500, and 1,000 francs. SwFr1 = \$0.80418 (or \$1 = SwFr1.2435; as of 2004).

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Epiphany, 6 January; Candlemas, 2 February; St. Joseph's Day, 19 March; Labor Day, 1 May; Assumption, 15 August; Nativity of Our Lady, 8 September; All Saints' Day, 1 November; Immaculate Conception, 8 December; Christmas, 25 December; St. Stephen's Day, 26 December. Movable religious holidays include Good Friday, Easter Monday, Ascension, Whitmonday, and Corpus Christi.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Liechtenstein, roughly triangular in shape, is a landlocked country situated in the Rhine River Valley. The fourth-smallest country in Europe, it is bordered by the Austrian province of Vorarlberg to the N and E, the Swiss canton of Graubünden to the S, and the Rhine River and the Swiss canton of St. Gallen to the W, with a total boundary length of 76 km (47 mi).

The principality has an area of 160 sq km (62 sq mi) and extends 24.5 km (15.2 mi) N-S and 9.4 km (5.8 mi) E-W. Comparatively, the area occupied by Liechtenstein is about 0.9 times the size of Washington, DC.

Liechtenstein's capital city, Vaduz, is located in the western part of the country.

## <sup>2</sup> TOPOGRAPHY

Liechtenstein is divided into a comparatively narrow area of level land bordering the right bank of the Rhine River and an upland and mountainous region occupying the remainder of the country; the level land occupies about two-fifths of the total surface area. The greatest elevation, Grauspitz (2,599 m/8,527 ft), is in the south, in a spur of the Rhaetian Alps.

## <sup>3</sup> CLIMATE

Climatic conditions in Liechtenstein are less severe than might be expected from its elevated terrain and inland situation; the mitigating factor is a warm south wind called the Föhn. The annual lowland temperature varies between -4.5°C (24°F) in January and 19.9°C (68°F) in July. Late frost and prolonged dry periods are rare. Average annual precipitation is 105 cm (41 in).

## <sup>4</sup> FLORA AND FAUNA

The natural plant and animal life of Liechtenstein displays a considerable variety because of the marked differences in altitude. A number of orchid species are able to grow because of the warmth carried by the Föhn. In the higher mountain reaches are such alpine plants as gentian, alpine rose, and edelweiss. Common trees include the red beech, sycamore, maple, alder, larch, and various conifers. Indigenous mammals include the deer, fox, badger, and chamois. Birds, including ravens and eagles, number about 120 species.

## <sup>5</sup> ENVIRONMENT

The Nature Conservation Act, adopted in 1933, was the nation's first major piece of environmental legislation; the Water Conservation Act dates from 1957, and air pollution laws were passed in 1973 and 1974. All wastewater is purified before being discharged into the Rhine. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included two types of mammals, one species of bird, and five species of invertebrates. Threatened species include the great horned owl, the Eurasian beaver, the hermit beetle, and the Apollo butterfly.

## <sup>6</sup> POPULATION

The population of Liechtenstein in 2005 was estimated by the United Nations (UN) at 35,000, which placed it at number 187 in population among the 193 nations of the world. In 2005, approximately 11% of the population was over 65 years of age, with another 18% of the population under 15 years of age. According

to the UN, the annual population rate of change for 2005–10 was expected to be 0.4%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 40,000. The population density was 219 per sq km (567 per sq mi), with the population heavily concentrated in the Rhine Valley, in which the two largest communities, Vaduz and Schaan, are located.

The UN estimated that 21% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.51%. The capital city, Vaduz, had a population of 5,000 in that year.

## 7 MIGRATION

There were 12,000 foreign residents in Liechtenstein in 2000, comprising approximately one-third of the total population. Moreover, about 6,885 Austrians and Swiss commute to Liechtenstein daily. Several hundred Italian, Greek, and Spanish workers have migrated to the principality on a semipermanent basis. In 1998 and 1999, Liechtenstein accepted a high number of Kosovo Albanian asylum seekers, granting them temporary protection. The number of asylum seekers and people under temporary protection comprised nearly 2% of the overall population of Liechtenstein in 1999. In 2004 there were 149 refugees and 68 asylum seekers. The estimated net migration rate in 2005 was 4.8 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

The indigenous population, accounting for 86% of the total population, is described as being chiefly of Alemannic stock, descendants of the German-speaking tribes that settled between the Main and Danube rivers. Italian, Turkish, and various other groups account for the remaining 14%.

## 9 LANGUAGES

German is the official language. The population speaks an Alemannic dialect.

## 10 RELIGIONS

The state religion is Roman Catholicism, to which about 78% of the population adhere; however, absolute freedom of worship prevails. About 0.07% of the population are Protestants and 0.04% are Muslims. The Eastern Orthodox Church has about 254 members. Buddhists, Jehovah's Witnesses, Anglicans, Jews, Baha'is and New Apostolics each have less than 80 members.

## 11 TRANSPORTATION

The line of the Arlberg express (Paris to Vienna) passes through Liechtenstein at Schaan-Vaduz, extending for 18.5 km (11.5 mi), but few international trains stop. The main center for reaching Liechtenstein is Buchs, Switzerland, about 8 km (5 mi) from Vaduz.

Postal buses are the chief means of public transportation both within the country and to Austria and Switzerland. A tunnel, 740 m (2,428 ft) in length, connects the Samina River Valley with the Rhine River Valley.

In 2002, there were some 250 km (155 mi) of paved roadways. A major highway runs through the principality, linking Austria and Switzerland.

The nearest airport is in Zürich, Switzerland. As of 2004, the country had 28 km (17 mi) of navigable waterways.

## 12 HISTORY

The territory now occupied by the Principality of Liechtenstein first acquired a political identity with the formation of the sub-country of Lower Rhaetia after the death of Charlemagne in 814. The County of Vaduz was formally established in 1342 and became a direct dependency of the Holy Roman Empire in 1396. The area (to which, in 1434, was added the Lordship of Schellenberg, in the north) was ruled in turn by various families, such as the counts of Montfort, von Brandis, van Sulz, and von Hohenems.

During the Thirty Years' War (1618–48), the area was invaded first by Austrian troops and then, in 1647, by the Swedes. After the von Hohenems line encountered financial difficulty, Prince Johann Adam of Liechtenstein purchased from them first Schellenberg (1699) and then Vaduz (1712). The Liechtenstein family thus added to its vast holdings in Austria and adjoining territories.

The Principality of Liechtenstein as such was created on 23 January 1719 by act of Holy Roman Emperor Charles VI, who made it a direct fief of the crown and confirmed the rule of Prince Anton-Florian, Johann Adam's successor, under the title of Prince von und zu Liechtenstein.

During the Napoleonic wars, Liechtenstein was invaded by both the French and the Russians. Following the Treaty of Pressburg (1805), Liechtenstein joined the Confederation of the Rhine, which made the principality a sovereign state. In 1815, following the downfall of Napoleon, Liechtenstein joined the newly formed Germanic Confederation.

With Prussia's victory over Austria in the Seven Weeks' War (1866), the Confederation was dissolved and the constitutional ties of Liechtenstein to other German states came to an end. In the war, Liechtenstein had furnished Austria-Hungary with 80 soldiers; two years later, the principality disbanded its military force for all time.

From 1852, when the first treaty establishing a customs union was signed, until the end of World War I, Liechtenstein was closely tied economically to Austria. After the war, the collapse of the Austrian currency and economy inclined the principality to seek economic partnership with its other neighbor, Switzerland. A treaty concluded with Switzerland in 1923 provided for a customs union and the use of Swiss currency.

Liechtenstein (like Switzerland) remained neutral in World War II, as it had in World War I. After Germany was defeated in 1945, Nazi sympathizers in Liechtenstein who had supported incorporation of the principality into Hitler's Third Reich were prosecuted and sentenced. The postwar decades have been marked by political stability and outstanding economic growth.

Prince Franz Josef II, who succeeded his granduncle, Franz I, in 1938, was the first reigning monarch actually to reside in Liechtenstein. On 26 August 1984, Franz Josef II handed over executive authority to his eldest son and heir, Crown Prince Hans-Adam. Hans-Adam II has been ruling prince since 13 November 1989, after Franz Josef II died.

Liechtenstein has sought further integration into the world community. The country was admitted to the UN in September 1991. In Europe, Liechtenstein joined EFTA in 1991 and became a member of the European Economic Area (EEA) in 1995.

Disagreements between Prince Hans-Adam II and parliament arose in the latter half of 1999. In September, the prince's assertion that he had the right to dissolve the government at his discretion raised tensions to the point where Hans-Adam threatened to go into exile in Austria. In October, the European Court of Human Rights ruled on a complaint filed by Dr. Herbert Wille, a senior judge whom the prince had refused to re-appoint because of Wille's assertion that the country's Supreme Court rather than its monarch should be the ultimate authority on constitutional issues. The court ruled that in depriving Wille of his judicial position because of his political views, the prince had violated the judge's freedom of speech. Wille was awarded 10,000 Swiss francs in compensation as well as payment of his legal costs.

Sixty-four percent of Liechtenstein's voters approved a new constitution for Liechtenstein in a referendum held in March 2003; Hans-Adam II will be granted near-absolute powers. Turnout was large, with 14,800 of Liechtenstein's 17,000 electorate casting votes. The prince now has the right to dissolve government, control a committee appointing judges, and has veto power over legislation. The constitution also gives the people the power to call a referendum and abolish the monarchy. As a result of the changes, which many observers deemed undemocratic, Prince Hans-Adam II rescinded his pledge to leave the country. On 15 August 2004 Prince Hans-Adam II transferred the official duties of the ruling prince to his son and heir apparent, Alois, who was seen as less confrontational than his father. Prince Hans-Adam II retained the status of Chief of State.

Liechtenstein ranks as one of the world's most prosperous countries with one of the world's highest living standards while its people pay very low taxes. In 1999, the royal family itself was ranked as the wealthiest in all of Europe while Prince Hans-Adam II personally was ranked as Europe's third-wealthiest monarch. However, in 2000 Liechtenstein ranked among the top 15 countries named by an international task force investigating countries whose banking laws make money laundering possible. Liechtenstein took steps in 2001 to make its banking system more transparent, however a 2003 International Monetary Fund report concluded that although the banking sector had updated its banking regulation, there were not enough staff to fully enforce the regulations.

### 13 GOVERNMENT

Liechtenstein is a constitutional monarchy ruled by the hereditary princes of the house of Liechtenstein. The monarchy is hereditary in the male line. The constitution of 5 October 1921, as amended in 1987, provides for a unicameral parliament (Landtag) of 25 members elected for four years. Election is by universal suffrage at age 18 and is on the basis of proportional representation. Women gained the right to vote in 1984. A new voting system that went into effect as of the 1974 national elections provides nine representatives for the Upper Land district and six representatives for the Lower Land district.

A new constitution was approved in March 2003 that grants the ruling prince extensive powers, including the right to veto legislation and to control the appointment of judges, in addition to the rights guaranteed to him under the former constitution.

The prince can call and dismiss the Landtag. On parliamentary recommendation, he appoints the prime minister, who must be of Liechtenstein birth, and the deputy prime minister for four-year



LOCATION: 47°3' to 47°14' N; 9°29' to 9°38' E. BOUNDARY LENGTHS: Austria, 34.9 kilometers (21.7 miles); Switzerland, 41.1 kilometers (25.5 miles).

terms. It is the regular practice for the prime minister to be of the majority party and the deputy prime minister to be selected from the opposition. The Landtag appoints four councilors for four-year terms to assist in administration. Any group of 1,000 persons or any three communes may propose legislation. Bills passed by the Landtag may be submitted to popular referendum. A law is valid when it receives majority approval by the Landtag and the prince's signed concurrence.

### 14 POLITICAL PARTIES

The two principal parties are the Fatherland Union (Vaterländische Union—VU) and the Progressive Citizens' Party (Fortschrittliche Bürgerpartei—FBP). In the general elections of 1997, the VU, which has held a majority since 1978, won 13 seats in the Landtag

and the FBP 10. Other parties included the Free List (Freie Liste—FL), two seats; and the Liechtenstein Non-party List (Überparteiliche Liste Liechtensteins—ULL), which was not represented.

The general elections in 1993 resulted in a coalition government headed by Mario Frick of the Fatherland Union (VU). Frick was reelected as prime minister by the Landtag in 1997. Although the VU remains the largest single party, Liechtenstein had a coalition government from 1938 until 1997.

In the 2001 elections, the FBP won 49.9% of the vote and 13 seats in the Landtag, to the VU's 41.1% and 11 seats. The Free List (Greens) won 8.8% of the vote and 1 seat. Otmar Hasler was named prime minister. It was the first time since 1978 that the FBP held a majority in parliament. The 2005 elections saw the FBP retaining power with 48.7% of the vote and 12 seats, to the VU's 38.2% and 10 seats. The minority party Free List increased their following with 13% of the vote and 3 seats. The next elections were scheduled for 2009.

### **15 LOCAL GOVERNMENT**

The 11 communes (gemeinden) are fully independent administrative bodies within the laws of the principality. They levy their own taxes. Liechtenstein is divided into two districts—the Upper Land (Vaduz) and the Lower Land (Schellenberg)—for purposes of national elections.

### **16 JUDICIAL SYSTEM**

The principality has its own civil and penal codes, although in certain instances courts composed of Liechtenstein, Swiss, and Austrian judges have jurisdiction over Liechtenstein cases. Courts that function under sole Liechtenstein jurisdiction are the county court (Landgericht), presided over by one judge, which decides minor civil cases and summary criminal offenses; the juvenile court; and the Schöffengericht, a court for misdemeanors. The remaining courts, with five judges each, have a mixed composition for purposes of impartiality: three Liechtenstein lay judges, one Swiss judge, and one Austrian judge. The criminal court (Kriminalgericht) is for major crimes. Other courts of mixed jurisdiction are the assize court (Schöffengericht-Vergehen), the superior court (Obergericht), and a supreme court (Oberster Gerichtshof). An administrative court of appeal hears appeals from government actions, and the Constitutional Court determines the constitutionality of laws. In June 1986, Liechtenstein adopted a new penal code abolishing the death penalty.

The constitution provides for public trials and judicial appeal. The judiciary is separate from the executive and legislative branches. The 2003 referendum gave the prince the ultimate right to control the appointment of the country's judges.

The constitution provides for freedom of assembly, association and religion. Crime is rare and Switzerland is responsible for Liechtenstein's defense. Liechtenstein retains a restrictive law on the availability of abortion, and is allowable only when the life or health of a woman is threatened.

### **17 ARMED FORCES**

Since 1868, no military forces have been maintained in Liechtenstein, but there is obligatory military service for able-bodied men up to 60 years of age in case of emergency.

### **18 INTERNATIONAL COOPERATION**

Liechtenstein became a member of the United Nations on 18 September 1990; it belongs to the IAEA, ITU, UNCTAD, UPU, and WIPO. Liechtenstein is also a member of the Council of Europe, the European Bank for Reconstruction and Development, EFTA, the OSCE, and the WTO. The principality joined the European Economic Area in 1995. Liechtenstein now has diplomatic relations with nearly 50 countries. In environmental cooperation, the country is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on Climate Change and Desertification.

### **19 ECONOMY**

Despite its small size and limited national resources, Liechtenstein is one of the richest countries in the world on a per capita GDP basis. It has developed since the 1940s from a mainly agricultural to an industrialized country and a prosperous center of trade and tourism. Factories produce a wide range of high-technology manufactures, especially precision instruments. Liechtenstein is also a world leader in specialized dental products. Industrial products are manufactured almost exclusively for export.

Special economic advantages enjoyed by very small nations of Europe (e.g., the issuance of new postage stamps, free exchange of currencies, and liberal laws that provide incentives for the establishment of bank deposits and of nominal foreign business headquarters) also play a part in this prosperity.

In 1999 Liechtenstein became the subject of an international investigation into money laundering. Although Liechtenstein subsequently drafted legislation to combat money laundering, the Finance Action Task Force placed the principality on the international "black list" for failing to cooperate with international authorities on the matter.

About 35% of the people employed in Liechtenstein commute from Switzerland and Austria. Liechtenstein remains a well-known tax haven, and a location for holding companies to establish nominal offices; these provide for 30% of state revenues. The country has no central bank and does not print its own currency, but uses the Swiss franc instead. Liechtenstein is engaged in harmonizing its economic policies with those of the EU.

In 1999, its GDP (at purchasing power parity) was \$825 million, an 11% improvement over the previous year. In 2002, the unemployment rate for the country's 10,000 domestic workers was 1.3%. More than 19,000 workers commute to Liechtenstein from neighboring countries—Austria, Switzerland, and Germany.

### **20 INCOME**

The US Central Intelligence Agency (CIA) reports that in 2005 Liechtenstein's gross domestic product (GDP) was estimated at \$825.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than

value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$25,000. The annual growth rate of GDP was estimated at 11%. The average inflation rate in 2001 was 1%.

## 21 LABOR

As of end 2001 (the latest year for which data was available), there were 29,000 persons in the labor force, including 19,000 foreigners, of whom 13,000 commuted to work from Switzerland, Germany and Austria. As of that date, 1.3% of the workforce were in the agricultural sector, with industry accounting for 47.4% and the services sector 51.3%. Liechtenstein's workforce is highly skilled, but there are not enough native-born workers to meet industry's needs. Unemployment as of September 2002 was 1.3%.

All workers, including foreigners, are entitled to form and join unions. There is one trade union that represents about 13% of the workforce. Strikes are permitted but are not generally used. Most collective bargaining agreements are adapted from ones signed between Swiss workers and employers.

There is no minimum wage, although wages are among the highest in the world. The legal workweek is 45 hours in the industrial sector and 48 hours in nonindustrial firms. The actual workweek is usually 40 to 43 hours. Occupational safety and health standards are set by the government and are rigorously enforced. The minimum working age is 16, but exceptions to this may be made for children wishing to leave school at the age of 14.

## 22 AGRICULTURE

Liechtenstein has only 912 hectares (2,254 acres) of arable land. Until the end of World War II (1939–45), the economy was primarily focused on agriculture. In the Rhine Valley, the most productive area, the chief vegetables are corn, potatoes, and garden produce. On gradual mountain slopes, a variety of grapes and orchard fruits are grown.

## 23 ANIMAL HUSBANDRY

Alpine pasture, particularly well suited for cattle grazing, covers over 35% of the total land area.

In 2005, cattle numbered about 6,000; hogs, 3,000; and sheep, 2,900.

## 24 FISHING

There is no commercial fishing in Liechtenstein. Rivers and brooks are stocked for sport fishing.

## 25 FORESTRY

The forests of Liechtenstein not only supply wood but also have an important function in preventing erosion, landslides, and floods. Forests cover about 7,000 hectares (17,200 acres).

More than 90% of all forestland is publicly owned; of the 474 hectares (1,171 acres) of private forest, 158 hectares (390 acres) are the property of the prince. The most common trees are spruce, fir, beech, and pine. Roundwood production in 2004 amounted to 22,167 cu m (782,820 cu ft).

## 26 MINING

There was no mining of commercial importance.

## 27 ENERGY AND POWER

The first Liechtenstein power station went into operation in 1927; its capacity is now 900 kW. Another station was constructed in 1947–49; it has an installed capacity of 9,600 kW. Total installed capacity in 1989 was 23,000 kW; production amounted to 150 million kWh in 1995. Since domestic production no longer meets local requirements, supplementary energy is imported from Switzerland, especially in winter. In 1995, 92.5% of Liechtenstein's energy requirement was imported from abroad. Consumption of electricity in 2001 was 313.5 million kWh. Imports of electricity in the same year totaled 232.8 million kWh.

## 28 INDUSTRY

The industry of Liechtenstein, limited by shortages of raw materials, is primarily devoted to small-scale production of precision manufactures. The output includes optical lenses, dental products, high-vacuum pumps, heating equipment, electron microscopes, electronic measuring and control devices, steel bolts, knitting machines, and textiles. Pharmaceuticals, electronics, ceramics, and metal manufacturing are also important. The largest industrial companies in Liechtenstein are Hilti (construction services), Balzers (electro-optical coatings), Hilcona (frozen foods), and Ivoclar-Vivadent (dental medical technology). Liechtenstein's industry is completely geared to exports; industrial exports rose from SwFr196.7 million in 1967 to SwFr3.0 billion in 1996. Around 48% of the labor force is engaged in industry, trade, and construction.

In 1999, industry made up approximately 40% of the overall GDP. By 2004, this share fell to 26.4%. Trade and services are the main contributors to the economy, with a 71.6% share.

## 29 SCIENCE AND TECHNOLOGY

Like Swiss industry, manufacturing in Liechtenstein entails a high degree of precision and technological sophistication. Balzers, the country's second-largest employer, is known for its leading role in providing equipment and thin film technology for the CD-ROM industry. Liechtenstein itself has no educational institutions offering advanced scientific training. The Liechtensteinische Gesellschaft für Umweltschutz, founded in 1973, is concerned with environmental protection.

## 30 DOMESTIC TRADE

Liechtenstein and Switzerland are essentially linked in one common economic zone. The domestic economy is largely based on industry and financial services. The primary product industries are electronics, metal manufacturing, and medical precision instruments. About 48% of the work force are foreigners, with 29% commuting from Switzerland and Austria. Vaduz and Schaan, the chief commercial centers, have some specialty shops, but the smaller communities have only general stores. Regular business hours are generally from 8 AM to 6:30 PM. Normal banking hours



are from 8:15 AM to noon and from 1:30 PM to 4 or 5 PM, Monday through Friday.

### **3<sup>1</sup> FOREIGN TRADE**

Goods to and from Liechtenstein pass freely across the frontier with Switzerland, with which Liechtenstein maintains a customs union. Exports in the mid-1990s averaged SwFr2,021,800 per year, as compared with SwFr893,385,000 in 1980. Exports in 1994 were valued at \$2.6 billion. Some 40% of exports in 1996 went to EEA countries.

Important exports include precision instruments, ceramics, textiles, and pharmaceuticals. Liechtenstein imports mainly raw materials, light machinery, and processed foods. In the mid-1990s, imports averaged SwFr1,074,600,000 per year.

In 2003, Liechtenstein's exports reached \$3.6 billion. Most of these exports went to the EU and Switzerland. The principal export commodities were construction techniques, electronic products, car parts, dental products, and processed agricultural products.

### **3<sup>2</sup> BALANCE OF PAYMENTS**

The US Central Intelligence Agency (CIA) reported that in 1996 the purchasing power parity of Liechtenstein's exports was \$2.47 billion while imports totaled \$917.3 million resulting in a trade surplus of \$1.5527 billion.

### **3<sup>3</sup> BANKING AND SECURITIES**

Although there is a national bank, the duties of the central bank are performed by the Swiss National Bank, a consequence of the currency union with Switzerland. Liechtenstein's banks form an important part of the economy, and they have experienced significant growth in the 1990s. An estimated 4% of the work force was employed by the banking sector in the 1990s.

The National Bank of Liechtenstein (Liechtensteinische Landesbank), founded in 1861, is the state bank of issue; in addition, it deals in real estate mortgages and ordinary banking operations. Liechtenstein Global Trust (LGT), the country's biggest financial institution (owned by the royal family), and the Private Trust Bank Corp., founded in 1956, play an important role in the finance and credit spheres of Liechtenstein's economy. Banking is linked with the Swiss banking system, as is securities trading. In 1945, Liechtenstein's banks had a combined balance sheet of SwFr38 million; in 2003, it was SwFr120 billion, an astonishing SwFr3.6 million for every person in the country. Net income from Liechtenstein's banks totaled SwFr232.5 million in 1996, and contributed over 12% to the country's national income in terms of taxes and dividends paid.

Because of Liechtenstein's strict bank secrecy, several thousand foreign businesses are nominally headquartered there. The secrecy laws are, however, waived in the case of criminal intent. There are at present no restrictions on foreign investors' access to financing in Liechtenstein. New laws to combat insider trading and money laundering have recently tightened fiduciary regulations.

### **3<sup>4</sup> INSURANCE**

Insurance activities in Liechtenstein are variously conducted by the government (old age and survivors' insurance), by private companies under government regulation (e.g., life, accident, health, and fire), and by farmers' associations. In 1996, a new insurance law

came into force, focusing on attracting insurance business from abroad, as Liechtenstein is now a member of the European Economic Area.

### **3<sup>5</sup> PUBLIC FINANCE**

Liechtenstein's economy has experienced more extensive development and industrialization in the past 40 years than any other Western country. In that period, it went from a predominantly agricultural economy to a highly advanced industry-driven economy.

The US Central Intelligence Agency (CIA) estimated that in 1998 Liechtenstein's central government took in revenues of approximately \$424.2 million and had expenditures of \$414.1 million. Revenues minus expenditures totaled approximately \$10.1 million.

### **3<sup>6</sup> TAXATION**

The main taxes are levied on personal income, business income, and principal. Personal income tax rates are determined by taxable income and taxable wealth. The basic tax rate is 1.2% on income and 0.06% on wealth. However, the communes levy a communal tax of 200%, which brings the combined tax rates to 17.82% on income and 0.89% on wealth. In addition, a surcharge is levied on the basic tax on income and wealth at rates ranging from 5–395%. Thus, the totals of basic tax, communal tax, and surcharges results in the national tax due. Corporations pay income tax at a rate of 7.5–15%. However, if the company's distributed dividends exceed 8% of taxable capital, an increase of 1–5% is added, based upon the dividend distribution percentage, which can push the maximum rate to 20%. Dividends and interest are subject to a 4% withholding tax. Royalty income is not taxed.

Other levies include a capital gains tax on the sale of real estate; death, estate, and gift duties; a motor vehicle registration tax; and a value-added tax (VAT) on goods and services within Liechtenstein and Switzerland at a standard rate of 7.5%.

Firms domiciled in Liechtenstein but conducting no gainful pursuits there benefit from extremely favorable tax arrangements, a prime factor in the establishment of nominal business headquarters. Foreign clients pay 1% per year in capital taxes; and only 0.5% for foundations with taxable assets exceeding SwFr10 million. The communes may impose property and income taxes.

Since joining the European Economic Area in 1995, Liechtenstein has not entered into any agreements covering double taxation, except for Austria.

### **3<sup>7</sup> CUSTOMS AND DUTIES**

There have been no customs between Switzerland and Liechtenstein since a customs treaty was ratified in 1924. On the Austrian border, Switzerland collects the customs at its own rates. Liechtenstein's part of the duties is calculated on the basis of population

and the principality pays an annual indemnification to Switzerland for customs and administration.

### 38 FOREIGN INVESTMENT

The Prince of Liechtenstein Foundation has established a number of ventures abroad, mainly in the field of investment management and counseling.

Several thousand foreign companies have established offices in Liechtenstein because taxes are very low, banking operates in strict secrecy, and the principality is politically stable. Some industrial establishments are owned and managed by Swiss interests.

### 39 ECONOMIC DEVELOPMENT

The government generally encourages the increasing diversification of industry and the development of tourism. The principality's low taxes and highly secret banking system are attractive to foreign corporations wanting to safeguard patents and trademarks and to individuals who want to protect their wealth for the future. Thousands of corporations have established nominal headquarters in Liechtenstein. In recent years, the principality is accused of serving as a center for money laundering. In 2002, the International Monetary Fund (IMF) conducted an Offshore Financial Center (OFC) Assessment of Liechtenstein, to evaluate the regulation and monitoring of the country's financial center. The IMF approved of Liechtenstein's efforts to fight money laundering and the financing of international terrorism, and of its planned establishment of an independent supervisory authority.

Research and development is a driving force of Liechtenstein's economic success; in 2000, total research and development spending rose over 20% to around \$149 million. Also, the industrial sector is diversified and dynamic, serving mostly niche markets outside the country. The relative attractive tax base keeps some of the more prominent companies (Hilti and Unaxis Balzers) in the country, and the low public spending costs (Liechtenstein has no army, no university, and no major medical clinics) keep the federal budget on a surplus. Export income per capita outweighs that of Germany by more than 10 times.

### 40 SOCIAL DEVELOPMENT

There is a universal pension system covering all residents, employed persons, and self-employed individuals. It is funded primarily by the government along with contributions from employees and employers. It provides benefits for old age, disability, and survivorship. A social insurance system and universal medical coverage provides sickness and maternity benefits. All residents and persons employed in Liechtenstein are entitled to medical coverage. Work injury and unemployment insurance are provided to all employed persons. There is a family allowance based on number of children and a birth grant provided to all residents and nonresident workers.

Equality for women is protected by law, and several groups monitor and promote women's rights. An equal opportunity law addresses workplace discrimination and sexual harassment. In 2004 the government-sponsored mentoring classes to inspire women to run for seats in parliament. Domestic violence laws have been enacted and are actively implemented. Human rights are fully respected in Liechtenstein.

### 41 HEALTH

The government regulates the practice of medicine and subsidiary occupations, such as nursing and pharmacy. Life expectancy in 2005 was about 79.55 years. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 11.2 and 6.8 per 1,000 people. The infant mortality rate was an estimated 4.7 per 1,000 births in 2005.

In 2000, Liechtenstein had an estimated 2.5 physicians per 1,000 people. There were approximately 8.3 hospital beds per 1,000 people. A program of preventive medicine, introduced in 1976, provides regular examinations for children up to the age of 10.

### 42 HOUSING

Houses in the countryside are similar to those found in the mountainous areas of Austria and Switzerland. Liechtenstein does not have a significant housing problem. About 82% of all dwellings have central heating, 89% have a kitchen, 91% have a private bath, 95% have hot water, and 88% have a common sewage system.

### 43 EDUCATION

Education is based on Roman Catholic principles and is under government supervision. In 1974, the compulsory primary school attendance period was lowered from eight years to five, beginning at age seven. Kindergarten, offered to children ages five to seven, is optional, followed by five compulsory years of primary school. Secondary education is divided into three tracks: *oberschule* (general); *realschule* (which offers vocational and, in some cases, university preparatory education), and *gymnasium* (which provides an eight-year program to prepare students for a university education, with concentrations in either the classics and humanities or economics and mathematics). Liechtenstein also has an evening technical school, a music school, and a children's pedagogic-welfare day school.

While there are no universities in Liechtenstein, gymnasium graduates are may attend universities in Switzerland and Austria and the University of Tübingen in Germany without passing an examination.

### 44 LIBRARIES AND MUSEUMS

The National Library (founded in 1961) serves as the public, academic, and national library. It is located in Vaduz and has over 200,000 volumes. There are three specialized libraries maintained by private institutes, and a small library attached to a state music school.

The National Museum, located in Vaduz, includes collections from the Prince and the State, containing an important Rubens collection. The Prince Liechtenstein Art Gallery, founded in 1620 and located in Vaduz, is an important cultural institution in Liechtenstein. The museum is housed upstairs in the tourist information office. Also in the capital are a postage museum and a state historical museum. A ski museum opened in Vaduz in 1994, and there are also museums in Schaan, Schellenberg, and Triesenberg.

### 45 MEDIA

The post office (including telegraph and telephone services) is administered by Switzerland. Liechtenstein, however, issues its own postage stamps. The Swiss dial system extends to the principality.

Direct-dialing is used throughout the country and includes international service. In 2002, there were 19,900 mainline phones and 11,400 mobile phones in use throughout the country. Telegraph service is efficient.

As of 2001, there were one state and one private television station broadcast, along with a private radio station. Residents also receive radio and television broadcasts from neighboring countries. In 1997 there were 21,000 radios and 12,000 television sets in the country. In 2002, there were 20,000 Internet subscribers in the country.

Two daily newspapers are published. The *Liechtensteiner Volksblatt* reflects the political outlook of the Progressive Citizen's Party. It had a circulation of about 8,200 in 2002. *The Liechtensteiner Vaterland* reflects the views of the Fatherland Union. It had a circulation of about 9,580 in the same year. *Liechtensteiner Wochenzeitung*, a weekly, had a circulation of 14,000.

The media is said to enjoy a large degree of autonomy and freedom from interference, owing to an independent press, an effective judiciary, and a democratic political system.

#### 46 ORGANIZATIONS

Organizations include the Chamber of Industry and Commerce, the Historical Society of the Principality of Liechtenstein, three concert societies, and various other cultural organizations. There are professional organizations representing several fields and occupations. Kiwanis and Lion's clubs are active in the country. Charitable institutions include the Liechtenstein Caritas Society (founded in 1924) and the Liechtenstein Red Cross Society (1945). Youth organizations include the Scouts and Guides of Liechtenstein. There are also several organizations devoted to sports and leisure activities.

#### 47 TOURISM, TRAVEL, AND RECREATION

Attractions include mountaineering and nature walks, the castles of Vaduz and Gutenberg (overlooking Balzers), the ruins of several fortresses, the numerous local brass bands and choirs, as well as the operetta societies of Vaduz and Balzers. The most popular

sports are swimming, golf, tennis, hiking, and skiing. The ski resort of Malbun has 12 hotels and 7 ski lifts.

Modern, comfortable buses offer regular service throughout Liechtenstein, connecting with Austria and Switzerland. In Vaduz, the lower country, and the Alpine regions there are hotels and guest houses.

The government actively encourages and supports the tourism industry. In 2003, there were 49,002 visitors, mainly from Luxembourg and Switzerland. Hotel rooms numbered 591 with 1,160 beds and an occupancy rate of 25%. The average length of stay that year was two nights.

#### 48 FAMOUS LIECHTENSTEINERS

Joseph Rheinberger (1839–1901), an organist and composer who lived in Munich, was the teacher of many famous composers. Prince John II (r. 1858–1929) was admired for donating some SwFr 75 million to the struggling country after World War I. Prince Franz Josef II (1906–89), whose rule began in 1938, was Europe's longest-reigning sovereign. Liechtenstein's current monarch is Prince Hans Adam II (b.1945), who first was given executive power in 1984 and assumed control in 1989. Prince Alois (b.1968) is regent.

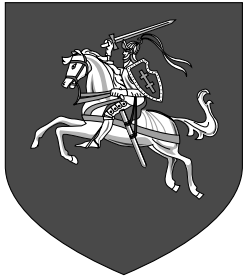
In 1980, Hanni Wenzel (b.1956) and her brother Andreas (b.1958) won the World Cup international skiing championships.

#### 49 DEPENDENCIES

Liechtenstein has no territories or colonies.

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# LITHUANIA

Republic of Lithuania  
*Lietuvos Respublika*



**CAPITAL:** Vilnius

**FLAG:** Three equal horizontal bands of yellow (top), green, and red.

**ANTHEM:** *Tautiška Giesmė (The National Song)*.

**MONETARY UNIT:** The Lithuanian lita (LTL) of 100 cents has replaced the transitional system of coupons (talonas) which had been in force since October 1992, when the Soviet ruble was demonetized. There are coins of 1, 2, 5, 10, 20, and 50 cents and 1, 2, and 5 litas, and notes of 10, 20, 50, and 100 litas; LTL1 = \$0.36364 (or \$1 = LTL2.75) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** New Year's Day, 1 January; Day of the Restoration of the Lithuanian State, 16 February; Good Friday (movable); Anniversary of the Coronation of Grand Duke Mindaugas of Lithuania, 6 July; National Day of Hope and Mourning, 1 November; Christmas, 25–26 December.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Lithuania is located in eastern Europe, bordering the Baltic Sea, between Latvia and Poland. Comparatively, it is slightly larger than the state of West Virginia with a total area of 65,200 sq km (25,174 sq mi). Lithuania shares boundaries with Latvia on the N and NE, Belarus on the S and SE, Poland on the SW, Russia-Kaliningrad Oblast on the W, and the Baltic Sea on the NW. Lithuania's land boundary length totals 1,273 km (791 mi). Its coastline is 99 km (62 mi).

Lithuania's capital city, Vilnius, is located in the southeastern part of the country.

## <sup>2</sup> TOPOGRAPHY

The topography of Lithuania features a central lowland terrain with many scattered small lakes and fertile soil. Moderate highlands lie to the east and south, with a few hilly regions in the west. The main hill regions are the Zemaical Uplands of the northwest and the Baltic Highlands of the southeast. The highest point in the country is Juozapine, located in the Baltic Highlands. It has an elevation of 292 meters (958 feet). The lowest point is at sea level (Baltic Sea).

There are about 758 rivers in the country that are longer than 10 kilometers; but very few are navigable. The Neman, which cuts through the center of the country from Belarus to the Baltic Sea, is the longest river, with a length of 936 kilometers (582 miles). There are over 2,500 lakes in the country, most of which are in the eastern central regions. The largest is Lake Druksiai, which is located on the northeast border with Belarus and covers an area of 44.5 square kilometers (17.2 square miles).

## <sup>3</sup> CLIMATE

Lithuania's climate is transitional between maritime and continental. Yearly, the mean temperature is 6.1°C (43°F). The mean

temperature in July is 17.1°C (63°F). Rainfall averages from 49 cm (24 in) to 85 cm (33 in) depending on location.

## <sup>4</sup> FLORA AND FAUNA

The country is located in the mixed forest zone. The country's vegetation is a mixture of coniferous, broadleaf woodlands, arctic, and steppe species. There are about 68 species of mammals, 203 breeding bird species, 7 reptile species, 13 amphibian species, and about 60 fish species. The country has rabbit, fox, red deer, roe, elk, wild boar, badger, raccoon dog, wolf, lynx, and gallinaceous birds. Roach, ruff, bream, and perch can be found in Lithuania's lakes and streams.

## <sup>5</sup> ENVIRONMENT

Lithuania's environmental problems include air pollution, water pollution, and the threat of nuclear contamination. In 2000, the total of carbon dioxide emissions was at 11.9 million metric tons. A UN report on Lithuania stated that air pollution has damaged about 68.4% of the nation's forests. Water pollution results from uncontrolled dumping by industries and the lack of adequate sewage treatment facilities.

After the nuclear accident at Chernobyl that contaminated much of Lithuania with excessive radiation, Lithuanians are concerned about nuclear energy development, especially the use of nuclear power generated by plants of the same kind as the one at Chernobyl.

Lithuania's pollution problems have also affected the nation's wildlife. Although 10% of Lithuania's total land area was protected as of 2003, many of the country's original animal and plant species are now extinct. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included five types of mammals, four species of birds, three species of fish, and five species of inverte-

brates. Threatened species include the European bison, the asp, the red wood ant, the marsh snail, and the Russian desman. The wild horse has become extinct.

## 6 POPULATION

The population of Lithuania in 2005 was estimated by the United Nations (UN) at 3,415,000, which placed it at number 128 in population among the 193 nations of the world. In 2005, approximately 15% of the population was over 65 years of age, with another 18% of the population under 15 years of age. There were 87 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be -0.3%, a rate the government viewed as too low; the population growth rate fell below zero in the mid-1990s. The projected population for the year 2025 was 3,134,000. The population density was 53 per sq km (136 per sq mi).

The UN estimated that 67% of the population lived in urban areas in 2005, but that population in urban areas was declining at an annual rate of -0.49%. The capital city, Vilnius, had a population of 549,000 in that year. Other large cities include Kaunas and Klaipėda.

## 7 MIGRATION

Many Lithuanians unable to accept Soviet occupation in 1940 were deported to Siberia. However, Russian immigration to Lithuania was never as heavy as to the other Baltic republics. Lithuania has been used as a transit country to western Europe for many years. Government policy was to return asylum seekers to their homelands or detain them indefinitely. However, a Lithuanian refugee law passed 27 July 1997 established an asylum procedure. The total number of migrants living in Lithuania in 2000 was 339,000. In 2004, there were 9,459 persons of concern to the United Nations High Commissioner for Refugees (UNHCR), 9,028 stateless, 408 refugees, and 28 asylum seekers. Remittances in 2003 were \$30.5 million. In 2005, the net migration rate was an estimated -1.71 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

According to the 2001 census, Lithuanians form about 83.4% of the population. Russians constituted about 6.3%; Poles made up 6.7%; the remaining minority ethnic groups include Belarussians, Ukrainians, Tatars, and Karaites. There are about 3,000 in the Romani community.

## 9 LANGUAGES

Lithuanian, the official language, is noted for its purity in retaining ancient Indo-European language forms and has some remarkable similarities with Sanskrit. It is highly inflected, with seven noun cases. Like Latvian, it has rising, falling, and short intonations. Its Roman alphabet has many special symbols, including the hacek, dot, and cedilla. The majority (82%) speak Lithuanian for their first tongue. Polish (5.6%) and Russian (8%) are also widely used.

Minorities have the right to official use of their languages where they form a substantial part of the population.

## 10 RELIGIONS

The country witnessed extensive suppression of religious activities during the Soviet period. The 2001 census indicated that about 79% of the population were nominally Roman Catholic. The next largest denomination, the Russian Orthodox Church, accounted for about 4.1% of the population. The Old Believers (an Orthodox sect) have about 27,000 members. About 20,000 people are Lutherans, 7,000 are Evangelical Reformed, 4,000 are Jewish, 2,700 are Sunni Muslim, and about 300 are Greek Catholic. About 9.4% of the population claimed no specific religious affiliation.

Lithuania is one of a few countries to have an active community of Karaites. The faith is a branch of Judaism, with tenets based exclusively on a literal interpretation of the Hebrew scriptures. The Karaites have two centers of worship in the country, in Vilnius and Trakia, with a total of about 250 members. The Karaites are considered to be an ethnic community as well. They speak a Turkic-based language and use the Hebrew alphabet.

The constitution allows for freedom of religion, but the government reserves the right to place restrictions on religious organizations with practices that might contradict the constitution or public law. The government recognizes nine groups as “traditional” faiths that are eligible for state assistance: Latin Rite Catholics, Greek Rite Catholics, Evangelical Lutherans, the Evangelical Reformed Church, Orthodox Christians, Old Believers, Jews, Sunni Muslims, and Karaites. Denominations considered “nontraditional” by the government include Jehovah’s Witnesses, Baptists, Seventh-Day Adventists, and Pentecostals, as well as about 160 other religious organizations. Certain Christian holidays are celebrated as national holidays.

## 11 TRANSPORTATION

Lithuania’s railroad system in 2004 consisted of 1,998 km (1,241 mi) of broad, standard and narrow gauge lines that were used to provide rail access to the Baltic Sea for Vilnius, Kaunas, and other major urban areas. Of that total, broad gauge lines accounted for the bulk at 1,807 km (1,124 mi) of which, 122 km (76 mi) was electrified. Narrow gauge accounted for another 169 km (105 mi), with standard gauge accounting for the remainder.

As of 2003, Lithuania had 78,893 km (49,071 mi) of roadway, of which 21,617 km (13,446 mi) were paved, including 417 km (259 mi) of expressways. In 2004 there were 600 km (373 mi) of perennial navigable waterways. Sea routes link Klaipėda on the Baltic Sea with 200 foreign ports. Kaunas is the principal inland port. In 2005, the merchant fleet consisted of 54 ships (of 1,000 GRT or over) totaling 296,856 GRT. A railway sea ferry from Klaipėda to Mukran (Germany) began in 1986. As of 2004, there were an estimated 102 airports, of which 33 had paved runways as of 2005. Principal airports include Palanga, Vilnius, and Kaunas International at Kaunas, and one commercial airport in Siauliai. Two international airlines serve Lithuania: Lithuanian Airlines and Lietuva. In 2003, about 329,000 passengers were carried on scheduled domestic and international airline flights.



LOCATION: 56°0' N; 24°0' E. BOUNDARY LENGTHS: Total boundary lengths, 1,372 kilometers (854 miles); Latvia, 453 kilometers (282 miles); Belarus, 502 kilometers (312 miles); Poland, 91 kilometers (57 miles); Russia, 227 kilometers (141 miles); Baltic Sea coastline, 99 kilometers (62 miles).

## 12 HISTORY

Lithuanians are a branch of the Balts, whose permanent and lasting settlement of modern day Lithuania dates back to 200 BC, much earlier than most of Europe whose people and cultures were still in flux well into the 5th century AD. Lithuanian, along with Latvian, is thus one of the oldest languages in Europe.

The first Lithuanian state was established by Grand Duke and later King Mindaugas in 1236. Grand Duke Gediminas, who ruled from 1316–41, is credited with founding the capital of Vilnius and the Jagiellonian dynasty, whose members would become figures of power in Lithuania, Poland, and Hungary for the next 200 years.

In the late 14th century Lithuania ruled a vast area covering much of modern day Belarus and Ukraine and stretching to the Black Sea. However, the country was constantly threatened by the German Teutonic Order, which occupied the southern Baltic coast. The power struggle had a religious element, since outside of a brief eight-year period, Lithuania remained devoutly pagan until 1386. That year Grand Duke Jogaila (Polish: *Jagiello*) wed the Polish queen Jadwiga and thereby converted to Christianity the last remaining European pagans. The combined Polish-Lithuanian armies led by Jogaila and his cousin Vytautas (Polish: *Witold*) decisively beat the Teutonic Knights at the battle of Grunwald in 1410.

The marriage of Jogaila to Jadwiga and his ascension to the Polish throne marked the beginning of a political union with Poland, intertwining the histories of the two nations for 400 years. The union was made formal in the 1569 Lublin Agreement, which created a Polish-Lithuanian Commonwealth with an elected monarch chosen by the gentry of both states. Although in principle it was a union of two equals, the Polish influence on the culture and politics of the Commonwealth was stronger, due among other things simply to the larger size and population of the Polish state. Lithuania prospered and developed during the Commonwealth's Golden Age in the 16th century with the founding of the region's first university in Vilnius in 1579 and the development of a distinct Lithuanian baroque artistic style.

The 18th century saw the decline of the Commonwealth and occupation by foreign powers. What is now Lithuania was annexed to the Russian Empire in the final partition in 1795. During the 19th century, a Lithuanian nationalist movement arose leading to uprisings against Russian rule and, in turn, to Russian persecutions including the outlawing of the Lithuanian language.

On 16 February 1918, Lithuania proclaimed its independence after the defeat of both Germany and Russia in World War I. The new Bolshevik government in Moscow attempted to establish Soviet power in Lithuania, but failed. After a series of armed border conflicts between Lithuania, Russia and Poland, in 1920 Moscow recognized Lithuanian independence, but Poland annexed Vilnius, and the Lithuanian capital had to be moved to Kaunas. A secret protocol to the 1939 Nazi-Soviet pact assigned Lithuania to the Soviet sphere of influence. Wishing to avoid conflict, the Lithuanian government allowed Soviet forces to be stationed on its territory. The local government was forced to resign in June 1940. Rigged elections created a parliament which proclaimed Lithuania to be a Soviet Socialist Republic in July 1940. Moscow lost control of Lithuania soon after Germany attacked the USSR in June 1941.

Lithuania suffered heavily at the hands of both powers. While the Nazis succeeded in exterminating most of Lithuania's 240,000 Jews, the Soviets deported tens of thousands of Lithuanians to Siberia. Soviet forces recaptured Lithuania in 1944, although armed resistance against Soviet rule continued for several years after World War II.

Forty-five years of Soviet occupation did not erase the Lithuanian national identity. The first open protests against Soviet rule occurred in 1987 and in 1988. Vytautas Landsbergis established the Sajudis anti-Communist political movement which strove to create an autonomous republic and later an independent state. With the crumbling of the Eastern Bloc and fall of the Berlin Wall in 1989, Soviet pressure eased, and opposition parties were allowed to participate in elections to the Lithuanian Supreme Soviet held on 24 February 1990. Sajudis won a clear majority and Lithuania became the first Soviet republic to proclaim independence on 11 March 1990.

Although Soviet president Mikhail Gorbachev's policy of *glasnost* and *perestroika* had intended to allow a greater voice to Lithuanian self-determination, full Lithuanian independence from the Soviet Union was not what many in the Kremlin had in mind. The August 1991 coup by hardliners in Moscow was accompanied by a crackdown in Vilnius, with Soviet troops storming the TV tower killing 14 civilians and injuring 700. It was not until the failure of

the coup and collapse of the Soviet Union that the government in Moscow fully recognized Lithuanian independence.

Since independence, Lithuania has been preoccupied with reforming its economic and political institutions. Privatization has transformed its economy to a market-oriented one. Politically, a thriving press and open democracy have been established. Former Communists won the first postindependence elections in 1992, but conservatives took back the parliament in 1996 elections, in response to growing allegations of government corruption. Presidential elections the following year were surrounded by controversy over the eligibility for office of candidate Valdas Adamkus, who had lived in the United States for over 30 years following World War II. Adamkus was elected in runoff elections in January 1998.

Parliamentary elections were held on 8 October 2000, resulting in a win for former president Algirdas Brazauskas' Social Democratic Coalition, which won 31.1% of the vote, taking 51 of 141 seats in the Seimas. However, a grouping of four smaller parties formed a new centrist government with Rolandas Paksas as prime minister. Presidential elections were held on 22 December 2002, and Adamkus took the lead in the first round of voting, with 35.3% of the vote, to 19.7% for Paksas. In what surprised many experts, Paksas campaigned vigorously for the run-off vote held on 5 January 2003, and won the second round with 54.9% to 45.1% for Adamkus.

Paksas did not serve out his entire term. When he was impeached in April 2004 for having ties with Russian organized crime and participating in influence peddling, the country was temporarily thrown into disarray. In the early election that followed, the Constitutional Court did not allow Paksas to run again despite his continued popularity, especially in rural regions. Adamkus seized the opportunity to return to office and beat Kazimira Prunskiene, the country's first post-Soviet prime minister, who was supported by those loyal to Paksas.

Given the history of Russian domination of Lithuania, it is understandable that Lithuania's primary foreign policy objective has been to improve relations with the West and especially to gain entrance into NATO and the EU. In November 2002, Lithuania was formally invited to join NATO, and became a member in 2004. In May 2004 Lithuania joined the European Union along with nine other ex-Communist states and Malta. Lithuania supported the 2003 US-led military campaign to disarm and remove Saddam Hussein's regime in Iraq.

## 13 GOVERNMENT

On 25 October 1992, Lithuanian voters approved a new constitution, which called for a 141-member unicameral legislature (Seimas) and a popularly elected president. The constitution requires whoever is elected as president to sever his or her formal party ties. All who were permanent residents of Lithuania in November 1989 have been granted the opportunity to become citizens, irrespective of their ethnic origins. Members of the Seimas are elected for four-year terms, and the president is directly elected for a five-year term. The prime minister is appointed by the president; all other ministers are nominated by the prime minister and ap-

pointed by the president. All ministerial appointments must be approved by the Seimas. Suffrage is universal at age 18.

#### **14 POLITICAL PARTIES**

The majority party in the Seimas since the 1996 parliamentary elections was the conservative Homeland Union Party, or TS, led by Vytautas Landsbergis, which won 70 out of 141 seats. Overall, 28 parties competed for the 141 parliamentary seats in elections held on 20 October 1996 (first round) and 10 November 1996 (second round). The other party of the right wing, the Christian Democrats, also did well, winning 16 seats, and entered into a coalition government with the TS and the Lithuanian Center Union, which won 13 seats. The Democratic Labor Party (composed mostly of ex-Communists), which had been the majority party in the previous parliament, won only 12 seats. Other parties with parliamentary representation included the Lithuanian Social Democratic Party and the Lithuanian Democratic Party.

The Homeland Union-Conservative coalition suffered in the October 2000 parliamentary elections, capturing only nine seats. Former president Algirdas Brazauskas led four leftist parties in a Social Democratic Coalition, winning 51 of the 141 seats in parliament. However, a coalition ("New Policy") composed of the ideologically diverse Liberal Union (33 seats), New Alliance (28), Center Union (2), Modern Christian Democratic Union (3), and two smaller parties formed a new government, bypassing the Social Democratic Coalition. Rolandas Paksas was named prime minister.

In the elections of October 2004, the Labor Party—a recent political formation led by Russian millionaire Voktor Uspaskich—won 39 seats, Homeland Union 25, the Social Democrats 20, Liberal and Center Union 18, Social Liberals 11, Union of Farmers and New Democracy 10, Liberal Democrats 10, Electoral Action 2, and independents claimed 6 seats.

In the presidential elections held in June 2004, Valdas Adamkus beat Kazimiera Prunskiene with 52.2% of the vote. Adamkus will be in office until the next election that was scheduled for June 2009.

#### **15 LOCAL GOVERNMENT**

For administrative purposes, Lithuania's 10 provinces are divided into 44 regions, there are also urban districts, towns, and rural administrative units called *apylinkes*. Each level of local government has its own elected officials.

#### **16 JUDICIAL SYSTEM**

After Lithuania broke away from the Soviet Union, its legal system was transformed from that of the old Soviet regime to a democratic model. The system now consists of a Constitutional Court and a Supreme Court, whose members are elected by the Seimas, as well as district and local courts, whose judges are appointed by the president. A Court of Appeals hears appellate cases from the district courts.

A new civil and criminal procedure code and a court reform law were enacted in 1995. The government has reviewed its laws to bring them into accord with the European Convention on Human Rights.

The judiciary is independent.

#### **17 ARMED FORCES**

In 2005 the active armed forces of Lithuania totaled 13,510, supported by 8,200 reservists. The Army numbered 11,600 active personnel, followed by the Air Force with 1,200 members and the Navy with 710 active personnel. The country also had a paramilitary force of 14,600, that consisted of 5,000 border guards and a 9,600-member Riflemen Union. There was also a 540-person Coast Guard. Army equipment included three reconnaissance vehicles, 137 armored personnel carriers, and 133 artillery pieces. Naval forces operated 2 frigates, 3 patrol/coastal vessels, 2 mine warfare ships and, 1 logistics/support vessel. The Air Force operated 11 transport and 6 training fixed wing aircraft, in addition to 12 support helicopters. Lithuanian forces served in Afghanistan, Iraq, Bosnia, and Serbia-Montenegro. The defense budget for 2005 was \$333 million.

#### **18 INTERNATIONAL COOPERATION**

Lithuania was admitted to the United Nations on 17 September 1991; it is a member of several specialized agencies, such as the FAO, IAEA, World Bank, ILO, IMF, UNCTAD, UNESCO, UNIDO, and the WHO. Lithuania is also a member of the WTO, the OSCE, the Council of Europe, the European Bank for Reconstruction and Development, the Euro-Atlantic Partnership Council, and the Council of the Baltic Sea States. It is a member affiliate of the Western European Union. Lithuania joined the European Union and NATO in 2004.

Lithuania has foreign diplomatic missions in 94 countries. The country has offered support to UN missions and operations in Kosovo (est. 1999). It is part of the Australia Group, the Nuclear Suppliers Group (London Group), and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, Lithuania is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea and Climate Change.

#### **19 ECONOMY**

Until 1940, Lithuania's economy was primarily agricultural, mainly in the form of dairy farms and livestock raising. The main industries are machine building and metalworking, although light industry and food processing are also well developed. Like the other Baltic states, Lithuania has few natural resources, primarily peat and amber.

Due to modernization that occurred during Soviet dominance, Lithuania built up a large, if somewhat inefficient, industrial sector that in 2001 accounted for 32% of the country's economy. The service sector is 61% while agriculture accounts for about 13% of the economy.

In 1992, Lithuania's GDP fell 21.6%. In that year, the government adopted an IMF-directed program aimed at privatizing the economy, controlling inflation, eliminating price controls, and lowering the budget deficit. In June 1993 Lithuania's convertible currency, the litas, was introduced, setting off another round of inflation, while GDP continued to decline, by 16.2% in 1993 and 9.8% in 1994. In 1994, the government entered into a three-year arrangement with the IMF under its Extended Fund Facility (EFF) aimed primarily at bringing inflation under control. 1995 was the



first year of positive growth (3.3%) since independence, although unemployment remained high, at 16.4% in 1995. Inflation, which was still in double digits in 1996 (23%), fell to single digits (5.1%) by 1998 and unemployment fell to 6.4%. The economy registered real growth until 1999—4.7% in 1996, 7.3% in 1997 and 5.1% in 1998—but then was overtaken by the effects of the August 1998 financial crisis in Russia, still one of Lithuania's largest trading partners. Real GDP declined 3.9% in 1999 as unemployment jumped to 8.4%. Inflation remained under control, however, at 0.3%.

Growth returned in 2000, with real GDP up 3.3%, but unemployment continued to soar, peaking at 13.2% in March 2001. Growth in 2001 was 5.9%, above expectations, and in the first half of 2002, growth averaged about 5.6%. In February 2002, the government repegged the litas from the US dollar to the euro, at a rate of 3.4528 litas per euro. Inflation was about 1% for the year and by December 2002, unemployment had moderated to 10.9%. About 80% of Lithuanian's enterprises have been privatized since independence, and by 2002 over 25% of its trade was with countries outside the old Soviet bloc. Lithuania acceded to the WTO 31 May 2001 and was admitted to the EU in 2004.

In 2003, the Lithuanian economy was one of the most dynamic in Europe with a GDP growth rate of 9.7%. Prime factors for this economic expansion have been domestic and foreign investments. Rising fuel costs, as well as a shortage of qualified labor, have slowed down this boom by 2004—the GDP growth rate returned to a more modest, but still respectable, 6.7%, and was expected to continue to decline to 5.7% in 2005. Unemployment went down, from 10.3% in 2003 to 6.8% in 2004, and was expected to continue the decrease in 2005, to 5.8%. Inflation has remained negligible over all this time period, hovering at around 1%.

Overall, the economy in Lithuania is on a healthy path, with the private sector contributing to more than 80% of the country's GDP, with significant inflows of foreign capital, and with a dynamic and increasingly efficient local market.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Lithuania's gross domestic product (GDP) was estimated at \$49.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$13,700. The annual growth rate of GDP was estimated at 6.4%. The average inflation rate in 2005 was 2.6%. It was estimated that agriculture accounted for 5.7% of GDP, industry 32.4%, and services 62%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$115 million or about \$33 per capita and accounted for approximately 0.6% of GDP. Foreign aid receipts amounted to \$372 million or about \$108 per capita and accounted for approximately 2.1% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Lithuania totaled \$11.79 billion or about \$3,414 per capita based on a GDP of \$18.4 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at

an average annual rate of 5.4%. In 2001 it was estimated that approximately 33% of household consumption was spent on food, 13% on fuel, 4% on health care, and 27% on education.

## 21 LABOR

In 2005, Lithuania's labor force was estimated at 1.61 million. As of 2003, the services sector accounted for 54% of the workforce, with industry employing 28.1% and agriculture the remaining 17.9%. The unemployment rate was approximately 5.3% in 2005.

The constitution recognizes the right for workers to form and join trade unions. Approximately 13% of employees are union members. There are four major trade union organizations. The law also provides the right of workers to strike, except those in essential services in the public sector. Collective bargaining is permitted but only utilized on a limited basis.

The legal minimum wage is periodically adjusted by the government for inflation, but these adjustments lag behind the inflation rate. The minimum wage was \$107.50 per month as of 2002, but it is not universally enforced. The legal minimum age for employment is 16 years without parental consent, and 14 years with written parental consent. The 40-hour workweek is standard for most workers. The law stipulates occupational health and safety standards, but these are not effectively enforced and many industrial plants are unsafe.

## 22 AGRICULTURE

Out of Lithuania's 6,268,000 hectares (15,488,000 acres) of land area, 47.6% consisted of cropland and permanent pastures. Privatization in agriculture rapidly advanced after 1991; over 70,000 private farms had been established by 1996. In 2003, there were over 272,000 agricultural holdings. However, due to a lack of financial resources and inefficiency in the crediting system, many of these new farmers are only operating at subsistence levels. Agricultural output decreased by a yearly average of 1.1% during 1990–2000. However, during 2002–04, crop production was up 9.5% from 1999–2001. In 2003, the value of crop output was €669.7 million and agriculture accounted for 7% of GDP.

Crops of importance in 2004 included potatoes, 1,021,000 tons; barley, 970,000 tons; wheat, 1,315,000 tons; rye, 180,000 tons; dry beans, 5,200 tons, vegetables and melons, 379,000 tons; and rapeseed, 204,500 tons.

## 23 ANIMAL HUSBANDRY

About 8% of the total land area consists of permanent pastureland. Livestock in 2005 included 792,000 head of cattle, 1,074,000 pigs, 8,210,000 chickens, 22,100 sheep, and 63,600 horses. Meat production in 2005 totaled 216,700 tons, of which 28% was beef, 51% was pork, and 21% was chicken. Milk production exceeded 1.7 million tons in 2005, while 50,000 tons of eggs were produced. In 2003, the value of animal and animal product output was €514.9 million.

## 24 FISHING

Klaipeda's fishing port is the center of the fishing industry. In 2003, the total catch was 159,561 tons, down from 470,251 tons in 1991. Principal species in 2003 included mackerel, sardines, and hairtail. Fisheries exports were valued at \$115.1 million in 2003.

There are two aquacultural facilities operating in Lithuania, consisting primarily of carp.

## 25 FORESTRY

Forests cover about 32% of Lithuania. The forestry, wood products, and paper industries are some of Lithuania's oldest—furniture, matches, and timber products were manufactured in Kaunas and Vilnius in the mid-1800s, and furniture-making prevailed from 1919–40. Currently, chemical timber processing, and the production of furniture, pulp, paper, wood fiber, wood chips, joinery articles, and cardboard, are the main activities of the forestry sector. Intensive timber processing, as well as the recycling of industrial waste are being expanded. The timber cut yielded over 6.1 million cu m (216 million cu ft) of roundwood in 2004. Sawn wood production that year was 1,450,000 cu m (51 million cu ft); paper and paperboard, 99,000 tons. Exports of forest products amounted to \$335.7 million in 2004.

## 26 MINING

Lithuania's production of nonhydrocarbon minerals in 2003 included cement, limestone, nitrogen (from ammonia) and peat. Other industrial minerals produced included clays, and sand and gravel. Lithuania remained dependent on imports for its metals and fuel needs. Peat was extracted in the Siauliai, Ezherelis, Paraisitis, and Baltoyi-Boke regions. Mineral production figures in 2003 included: limestone, 944,600 metric tons, down from 984,300 metric tons in 2002; cement, 596,900 metric tons, compared to 605,800 metric tons in 2002; and peat, 366,900 metric tons, down from 513,000 metric tons in 2002. Following complaints from Lithuania's sole producers of cement and quicklime, the government launched antidumping investigations directed against Belarusian products. If the government were to take steps to protect the domestic construction material market, Lithuania could lose its export market in Belarus.

## 27 ENERGY AND POWER

Lithuania is alone among the three nations that comprise the Baltic States (the other two are Latvia and Estonia) to have any known petroleum reserves. Although it does not have any known reserves of natural gas, it does have a small amount of recoverable coal reserves.

Lithuania had 12 million barrels of proven oil reserves in 2004, but potential onshore and offshore reserves could be much greater. Oil production in 2004 averaged 14,000 barrels per day, with consumption averaging 107,000 barrels per day that same year. As a result, Lithuania imports the bulk of its oil, mostly from Russia. Lithuania is also a net natural gas importer, with consumption of 110 billion cu ft in 2004. Russia's Gazprom is a major source of the country's gas imports.

Lithuania also operates the only petroleum refinery among the Baltic States, the Mazheikiai oil refinery, which has a production capacity of 263,000 barrels per day.

Lithuania has recoverable coal reserves of 4 million short tons, as of 2004. However there is no recorded domestic production or consumption of coal for that year.

In 2004, net electricity generation was 19.8 billion kWh. Consumption in that same year came to 11.6 billion kWh. In 2002, most of Lithuania's electric power came from the Ignalina nu-

clear plant. Of the 17.121 billion kWh of power generated that year, the Ignalina facility generated 82.6% of the country's power, while only 15% came from conventional thermal plants and the rest from hydroelectric sources. However, as of March 2005, the Lithuanian government was reported to have plans to close down the Ignalina facility in two stages, starting in 2005 and ending in 2009. Total installed generating capacity in 2004 was placed at 5.8 GW.001 was 5.8 million kW.

## 28 INDUSTRY

Lithuania underwent rapid industrialization during the Soviet era and has significant capacity in machine building and metalworking, as well as the textile and leather industries, and agro-processing (including processed meat, dairy products, and fish). The country's diverse manufacturing base also includes an oil refinery and high-tech minicomputer production. Other industrial products include refrigerators and freezers, electric motors, television sets, metal-cutting machine tools, small ships, furniture, fertilizers, optical equipment, and electronic components. Due to a rapid program of privatization, more than 80% of Lithuania's enterprises are privately owned. Most capital investment has gone into the industrial sector. Major infrastructure projects were planned in 2002, including upgrading the oil refinery, the nuclear power plant, construction of a main highway, and the modernization of sea-port facilities. The industrial sector accounted for about 31% of GDP in 2001.

By 2004, the representation of the industrial sector in the GDP increased to 33.4%, while its representation in the labor force was 30%; agriculture composed 6.1% of the economy, and 20% of the labor force; services came in first with 60.5% and 50% respectively. Industry remained an important growth factor in 2004, registering a 12% increase and outweighing the overall growth rate of the economy.

## 29 SCIENCE AND TECHNOLOGY

The Lithuanian Academy of Science, founded in 1941, has departments of mathematical, physical, and chemical sciences; biological, medical, and agricultural sciences; and technical sciences. In 1987–97, science and engineering students accounted for 31% of university enrollment. Ten research institutes concerned with medicine, natural sciences, and technology, mostly in Vilnius, and a botanical garden in Kaunas are attached to the academy. Four other institutes conduct research in medicine and forestry. Seven universities and colleges offer degrees in basic and applied sciences.

In 2002, Lithuania had 1,824 scientists and engineers and 430 technicians per one million people engaged in research and development (R&D). In that same year, Lithuania spent \$243.617 million, or 0.68% of GDP on R&D. The largest contributor was the government, accounting for 65.1% of expenditures, followed by business at 27.9% and by foreign investors at 7.1%. High technology exports in 2002 totaled \$130 million, or 5% of the country's manufactured exports.

## 30 DOMESTIC TRADE

Vilnius, Klaipėda, and Kaunas each have shopping areas and several markets; many smaller towns have a central market. Several supermarkets have opened within the past few years. There are

also a number of newer privately-owned import businesses taking root. As of 2002, manufacturing accounted for about 23% of the GDP and wholesale/retail sales were up to about 15% and 8.4% respectively. For a time, inflation (estimated at 23% in 1996) severely hindered domestic purchasing power. By 1998, however, inflation was down to 5.1% and the 2002 estimate was at 0.8%. A cash economy still prevails, though some major hotels and restaurants have accepted credit cards.

### 3<sup>1</sup> FOREIGN TRADE

Lithuania depends heavily on trade, particularly with other republics of the former Soviet Union. In 2000, total imports were valued at \$5.5 billion, and exports at \$3.8 billion. In the mid-to-late 1990s, Lithuania was trading more with Western nations, and reducing its reliance on trade with former Soviet republics. Trade with the West increased from 15% to 60% between 1990 and 1995, while trade with former Soviet republics fell from 78% in 1990 to 40% in 1995. Since Lithuania's independence in 1990, growing disruptions in trade with Russia and the other former Soviet republics have resulted in a steep decline in import volumes and numerous domestic shortages.

In 2004, exports grew to \$8.9 billion (FOB—Free on Board), while imports reached \$11 billion. Mineral products make up Lithuania's most beneficial export commodity (23%), followed by textiles and clothing (16%), and machinery and equipment (11%). Other export commodities include chemicals (6%), wood and wood products (5%), and foodstuffs (5%). The most important export partners, in 2004, were Germany (receiving 10.2% of total exports), Latvia (10.2%), Russia (9.3%), France (6.3%), the United Kingdom (5.3%), Sweden (5.1%), Estonia (5%), Poland (4.8%), the Netherlands (4.8%), Denmark (4.8%), the United States (4.7%), and Switzerland (4.6%). The main import commodities were mineral products (21%), machinery and equipment (17%), transport equipment (11%), chemicals (9%), textiles and clothing (9%), and metals (5%); and most of these came from Russia (23.1%), Germany (16.7%), Poland (7.7%), the Netherlands (4.0%), and Latvia (3.8%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Lithuania's exports was \$5.4 billion while imports totaled \$6.8 billion resulting in a trade deficit of \$1.4 billion.

The International Monetary Fund (IMF) reported that in 1998 Lithuania had exports of goods totaling \$4.89 billion and imports totaling \$6 billion. The services credit totaled \$1.16 billion and debit \$700 million.

The exports of goods and services continued to grow in the following years, reaching \$9.5 billion in 2003, and \$11 billion in 2004. Imports followed a similar path, totaling \$10.5 billion in 2003, and \$12.4 billion in 2004. The resource balance was consequently negative in both years, at -\$1 billion and -\$1.4 billion respectively. The current account balance was also negative, dropping to -\$1.2 billion in 2003, and -\$1.3 billion in 2004. Total reserves (including gold) decreased from \$3.5 billion in 2003 to \$3 billion in 2004, covering around three months of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

Since 1991, Lithuania has reorganized its banking sector numerous times. A myriad of banks emerged after independence, most of them weak. Consequently, consolidations, mergers, and collapses became a regular feature of the country's banking system.

On 3 July 1992 the government adopted a new currency unit, the lita, to replace the ruble. Between 1992 and 1995, six banks lost their licenses and two were merged; as of mid-1996, 16 were either suspended or facing bankruptcy procedures. The first serious crisis centered on Aurasbankas, the eighth-largest bank in the country, and the deposit bank for many ministries. The Bank of Lithuania suspended Aurasbankas's operations in mid-1995 because of liquidity problems caused by bad lending and deposit-

#### Principal Trading Partners – Lithuania (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	7,162.2	9,803.0	-2,640.8
Switzerland-Liechtenstein	833.3	76.8	756.5
Russia	725.8	2,160.4	-1,434.6
Germany	709.5	1,583.3	-873.8
Latvia	692.1	155.5	536.6
United Kingdom	455.3	325.5	129.8
France-Monaco	363.2	407.3	-44.1
Denmark	338.7	278.6	60.1
Estonia	308.1	135.3	172.8
Sweden	286.9	342.6	-55.7
Netherlands	245.1	248.7	-3.6

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Lithuania (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-1,278.4</b>
Balance on goods		1,704.2	
Imports	-9,362.0		
Exports	7,657.8		
Balance on services		614.4	
Balance on income		-482.2	
Current transfers		293.7	
<b>Capital Account</b>			<b>67.5</b>
<b>Financial Account</b>			<b>1,642.3</b>
Direct investment abroad		-37.2	
Direct investment in Lithuania		179.2	
Portfolio investment assets		29.8	
Portfolio investment liabilities		222.3	
Financial derivatives		-28.0	
Other investment assets		-100.9	
Other investment liabilities		1,377.2	
<b>Net Errors and Omissions</b>			<b>181.2</b>
<b>Reserves and Related Items</b>			<b>-612.7</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

taking practices. In July 1995, the minimum capital requirement for existing banks was raised from LTL5 million to LTL10 million, the level already established for new banks. By May 1999, only five commercial banks remained. Moreover, foreign investment by Sweden's Swedbank and SE-Banken, helped keep Hansapank-Hoiupank and Uhispank-Tallinna, respectively.

Operations at Lithuania's largest bank, the Joint-Stock Innovation Bank, were suspended on 20 December 1995, and those of the Litimpeks bank, the country's second-largest, two days later. The two were in the process of merging to create the Lithuania United Bank and the fraud was uncovered during pre-merger audits. Due to rumors of a devaluation of the currency, a shortage of foreign exchange throughout the whole banking sector was created.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.7 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$3.2 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 3.37%.

The National Stock Exchange, which opened in September 1993, is the most active in the region, with 245 listed companies. Monthly turnover by the end of 1994 had reached LTL20.8 million. The market gains continued into 1999 as the index rose 15%. As of 2004, there were a total of 43 companies listed on the Vilnius Stock Exchange (VILSE), with a market capitalization of \$6.463 billion. In 2004, the VILSE Index rose 68.2% from the previous year to 293.4.

In 1997, a key feature of the new economic framework in Lithuania was the pegging of the lita to a currency basket composed of the dollar and the deutschemark. In 1999, the Bank of Lithuania announced its intention to peg the lita to the euro in 2001.

### 34 INSURANCE

Lithuania's health insurance system is reminiscent of the Soviet era through a state-run system of coverage for all residents. In 2003, the value of all direct insurance premiums written totaled \$266 million, of which nonlife premiums accounted for \$196 million. Lithuania's top nonlife insurer in 2003 was Lietuvos Draudimas, with gross written nonlife premiums of \$64.7 million. As of 2004, Lithuania's leading life insurer was Hansa Gywybes Draudimus, which had gross written life insurance premiums of \$32.5 million.

### 35 PUBLIC FINANCE

Lithuania had, of course, a planned economy under the Soviet regime, and the implementation of collective farming ravaged the agricultural sector for over a decade. It was not until the early 1960s and the introduction of chemicals that crop production recovered to pre-WWII levels. The crop boom that followed as a result of the chemical innovations left many ecological problems. Privatization following independence occurred slowly but steadily, and in 1998 it looked like the economy had survived the growing pains of dismantling the socialist system. However, the August 1998 collapse of the Russian ruble reverted Lithuania's economy back to negative growth and refocused the country's trade toward the West. In 1997, exports to former Soviet nations accounted for

#### Public Finance – Lithuania (2003)

(In millions of litai, central government figures)

	16,091	100.0%
<b>Revenue and Grants</b>		
Tax revenue	9,716	60.4%
Social contributions	4,851	30.1%
Grants	435	2.7%
Other revenue	1,089	6.8%
<b>Expenditures</b>	<b>17,192</b>	<b>100.0%</b>
General public services	4,345	25.3%
Defense	891	5.2%
Public order and safety	1,088	6.3%
Economic affairs	2,183	12.7%
Environmental protection	96	0.6%
Housing and community amenities	1	<1.0%
Health	2,084	12.1%
Recreational, culture, and religion	289	1.7%
Education	1,238	7.2%
Social protection	4,976	28.9%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

45% of total exports. By 2002, that number was only 19%, as 71% of exports went to EU member countries and candidates. Privatization was nearly complete as of 2002, except for the energy sector, where energy company privatization was completely on hold and gas company privatization delayed.

The US Central Intelligence Agency (CIA) estimated that in 2005 Lithuania's central government took in revenues of approximately \$8.4 billion and had expenditures of \$9.1 billion. Revenues minus expenditures totaled approximately -\$674 million. Public debt in 2005 amounted to 21.4% of GDP. Total external debt was \$10.47 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were LTL16,091 million and expenditures were LTL17,192 million. The value of revenues was us\$5,257 million and expenditures us\$5,585 million, based on an exchange rate for 2003 of us\$1 = LTL3.061 as reported by the IMF. Government outlays by function were as follows: general public services, 25.3%; defense, 5.2%; public order and safety, 6.3%; economic affairs, 12.7%; environmental protection, 0.6%; health, 12.1%; recreation, culture, and religion, 1.7%; education, 7.2%; and social protection, 28.9%.

### 36 TAXATION

Lithuania has one of the most liberal tax regimes in Europe. The corporate income rate as of 2005 was 15%. Small enterprises with gross income of less than €144,810 (LTL500,000) and which have no more than 10 employees are taxed at 13% of profits. Capital gains are considered part of corporate income and are taxed at the corporate rate. Dividends are generally taxed at 15% but if paid to a nonresident company that owns more than 10% of its voting shares (i.e., its parent company), there is no tax. This provision is not applicable to companies operating in Free Economic Zones (FEZs), which offer 80% reduction in the corporate income tax rate for the first five years, and a 50% reduction for an additional

five years. The statutory withholding rates are 15% for dividend income and 10% for interest and royalties. Withholding rates on capital income are often reduced to 10% and 5% in bilateral double tax prevention treaties between Lithuania and other countries.

Personal income as of 2005 was taxed at a flat rate of 33%. However, plans by the government call for this rate to be reduced to 30% in 2006, 27% in 2007 and to 24% in 2008. In addition, certain other types of income are subject to a 15% rate. These include income from distributed profits, the sale or rental of property, creative activities and other types of individual activities. Individuals receiving capital gains from either the sale of property or shares are taxed at 15% on the gains. However, capital gains from shares held for more than a year may be exempt if certain conditions are met. If the gains are derived from the sale of immovable property in Lithuania, they are exempt if the property was held for more than three years. Deductions from income for the primary flat tax include a nontaxable minimum which is higher for disabled persons, single parents and other specified groups, plus all social security and social assistance payments, death benefits, court awards, gifts, allowances for insurance payments, charity donations, and most payments to pension accounts. In 2003 a 1.5% real estate tax was introduced. Gifts and inheritances are taxed at 0%, 5% and 10% depending on the amount involved.

The main indirect tax is Lithuania's value-added tax (VAT) enacted 22 December 1993 and most lately revised in 1 July 2002 for application in 2003. The VAT has a standard rate of 18%, applicable to most goods and services, and three reduced rates of 9%, 5% and 0%. The 9% rate is applied to the renovation and construction of buildings financed from certain sources. The 5% rate is applied to certain foodstuffs, newspapers, books, passenger and luggage transport, drugs and medicines, and hotel accommodations. Exports and some export related services, international transport, ships and aircraft, and European Union related trade or supplies are zero-rated. Exempted from the VAT are educational, health-care, insurance and financial services, the leasing, sale or transfer of immovable property (including dwellings), and social, sports, cultural, radio and television services, if provided by nonprofit organizations. There are also excise duties on ethyl alcohol and alcoholic beverages, tobacco and fuels. However, by the new Law on Excise Duties of 1 July 2002, excise taxes on jewelry, electrical energy, coffee, chocolate, and other food products were abolished, while turnover taxes replaced excises on sugar, luxury cars, liquid cosmetics containing ethyl alcohol, and publications of an erotic and/or violent nature. In 1999, the government introduced a pollution tax on packets to encourage the recycling of packaging material.

### **37 CUSTOMS AND DUTIES**

Most foreign imports, including all raw materials, are duty-free. Exceptions include food products (5–10%), fabrics (10%), electronics (10%), cement (25%), and window glass (50%). The average tariff on consumer products is 15%. Alcoholic beverages are subject to duties ranging from 10% for beer to 100% for some liquor. An 18% VAT is also placed on imports. In 1993, Lithuania, Estonia, and Latvia formed a free trade area, which eliminated customs duties and quotas between the three Baltic States. In ac-

cordance with Lithuania's participation in the European Union, some duties on EU goods have been lowered.

### **38 FOREIGN INVESTMENT**

In May 1991, a foreign investment law was passed permitting majority holdings by nonresidents and guaranteeing the full transfer of profits.

Various tax benefits may be granted to foreign investors depending on the type and size of the investment. When purchasing privatized Lithuanian companies or forming joint ventures, foreign investors are usually expected to provide employment guarantees.

Foreigners from European Union and NATO-member nations may own land, while foreigners from all other nations may not. The provision is aimed primarily at foreigners from former Soviet republics who are the main non-Western investors in Lithuania. Foreigners not eligible to own land may rent it for a period of up to 99 years.

In 1998, foreign direct investment (FDI) inflow into Lithuania reached \$925.5 million, up from \$354.5 million the year before, due largely to the privatization of Lithuania's telecommunications company. From 1999 to 2001, FDI inflow averaged \$437 million a year. In 2002, contrary to worldwide trends of decreasing inward FDI flows, FDI in Lithuania rose 21.9% to \$543 million.

On 1 July 2004 total foreign direct investment in Lithuania reached \$5.7 billion, with most of it coming from the EU. The largest chunk of this capital inflow went to the following sectors: processing (31.1%), trade (17.9%), transportation and communication (17.1%), and financial mediation (15.7%).

Lithuania continues, despite its small size, to be an attractive location for FDI and a competitive center for product sourcing. It boasts a highly skilled labor force, competitive costs, a stable political and economic environment, a strong currency, and the region's most developed infrastructure.

### **39 ECONOMIC DEVELOPMENT**

In 1990, the Lithuanian government began a comprehensive economic reform program aimed at effecting the transformation to a market-driven economy. Reform measures include price reform, trade reform, and privatization. By mid-1993, 92% of housing and roughly 60% of businesses slated for privatization had been privatized. By 1996, about 36% of state enterprises and about 83% of all state property had been privatized. International aid agencies committed about \$765 million of assistance in 1992–95. Most international aid went either to infrastructure construction or loan credits to business. Citing continued progress toward democratic development, in 1999 the United States announced that it was terminating economic assistance to Lithuania. Having established itself as a democratic society with a market economy, Lithuania was invited to join the EU in 2002, and it became a member in 2004.

In 2001, Lithuania negotiated a 19-month, \$119-million stand-by arrangement with the International Monetary Fund (IMF). In 2002, the country's GDP grew at a rapid pace (6–6.7%), unemployment was declining, the inflation rate fell to near zero, and there was a lower-than-expected general government deficit. In 2002, the tax system was aligned with EU requirements, the financial situation of municipalities and the Health Insurance Fund was

improved, privatization moved forward and the financial sector was strengthened. The privatization program for 2003 included the sale of a second 34% stake in Lithuania Gas, one or two electricity distribution companies, and four alcohol producers.

In 2003, Lithuania was one of the most dynamic economies in Europe, with a 9.7% growth of the GDP, and it continued strongly through 2004 and 2005. Unemployment was on a downward spiral, and inflation was very stable, fluctuating around the 1% mark. However, income levels still lag behind the rest of the EU, and greenfield investments need to be attracted to counteract the effects of a more expensive future market. An inflow of structural funds from the EU is expected to trigger a short-term economic boom.

#### 40 SOCIAL DEVELOPMENT

A national system of social insurance covers all of Lithuania's residents and was most recently updated in 2003. Old age, sickness, disability, and unemployment benefits are paid on an earnings-related basis, from contributions by both employers and employees. Retirement is set at age 62.5 for men, and age 59 for women, gradually increasing to age 60 by 2006. Family allowance benefits are provided by states and municipalities to families with low incomes. There is a universal system of medical care, and a dual social insurance and social assistance program for maternity and health payments. Unemployment benefits are provided to applicants with at least 24 months of previous contributions and is paid for a period not exceeding six months in a 12-month period.

Legally, men and women have equal status, including equal pay for equal work, although in practice women are underrepresented in managerial and professional positions. Discrimination against women in the workplace persists. Violence against women, especially domestic abuse, is common. It is estimated that 80% of women experience psychological abuse, 35% experience physical abuse, and 17% are victims of sexual abuse. Child abuse is also a serious social problem. Authorities link the upsurge in abuse to alcoholism.

Human rights are generally respected in Lithuania, and human rights organizations are permitted to operate freely and openly. Prolonged detention still occurs in some cases, and poor prison conditions persist. Anti-Semitic incidents increased in 2004.

#### 41 HEALTH

In 2004, Lithuania had approximately 403 physicians, 797 nurses, 71 dentists, and 65 pharmacists per 100,000 people. Most primary care providers are women. In 1994, the Public Health Surveillance Service was established to oversee control of communicable diseases, environmental and occupational health, and some other areas. Total health care expenditure was estimated at 6.3% of GDP.

One-year-old children were immunized as follows: tuberculosis, 97%; diphtheria, pertussis, and tetanus, 96%; polio, 89%; and measles, 94%. The rates were 93% for DPT and 97% for measles. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 1,300 people living with HIV/AIDS in the country. There were an estimated 200 deaths from AIDS in 2003.

Life expectancy was 73.97 years in 2005. The infant mortality rate for that year was 6.89 per 1,000 live births. The maternal mortality rate was 18 per 100,000 live births. As of 2002, the crude

birth rate and overall mortality rate were estimated at, respectively, 8.3 and 14.7 per 1,000 people.

#### 42 HOUSING

In 2001, national statistics indicated that there were about 1,293,029 dwelling units in the country, an average of 356 housing units per 1,000 people. About 32% of all housing units were individual houses; 61% were apartments. About 97% of these units are privately owned. The average living space is about 21.5 square meters per person. About 79% of all conventional dwellings are equipped with piped water, 72% had bath and shower facilities, and 52% had central heating. City governments are being encouraged to take more responsibility for social housing projects. Homeowners associations are being encouraged and new laws are being drafted for residential building associations. The Housing Loan Insurance Company was established in 2000 to provide insurance of loans and to promote housing loans with a low (5%) down payment.

#### 43 EDUCATION

Education is free and compulsory for all children between the ages of 7 and 15 years (for 9 years). While Lithuanian is the most common medium of instruction, children also study Polish, Russian, and Yiddish. Primary school covers four years of study, followed by six years of basic or lower secondary school. Students then move on to either two years of senior secondary school or vocational schools, which offer two- to three-year programs. The academic year runs from September to June.

In 2001, about 55% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 91% of age-eligible students. The same year, secondary school enrollment was about 94% of age-eligible students. Nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 16:1 in 2003; the ratio for secondary school was about 11:1.

The four main universities are: Kaunas University of Technology (founded in 1950); Vilnius Technical University (founded in 1961); Vilnius University (founded in 1579); and Vytautas Magnus University (founded in 1922). In 2003, about 72% of the tertiary age population were enrolled in some type of higher education program; 56% for men and 88% for women. The adult literacy rate for 2004 was estimated at about 99.6%.

As of 2003, public expenditure on education was estimated at 5.9% of GDP.

#### 44 LIBRARIES AND MUSEUMS

The National Library at Vilnius has about 9.2 million volumes. Founded in 1570, the Vilnius University Library has over 5.3 million volumes. Vilnius also has the Central Library of the Academy of Sciences, with about 3.66 million volumes. There are dozens of other special collections in the country, including libraries maintained by the Union of Lithuanian Writers, the State Institute of Art, and the Institute of Urban Planning. The Institute of Lithuanian Literature and Folklore in Vilnius contains over 240,000 printed items. The Lithuanian Librarians' Association was estab-

lished in 1931, disbanded under German occupation in 1941, and reorganized in 1989.

The majority of Lithuania's museums are in Vilnius, and these include the Lithuanian Art Museum (1941), the National Museum (1856), the Museum of Lithuanian Religious History, and, founded in 1991 just after gaining independence from the Soviet Union, the Lithuanian State Museum, dedicated to the country's suffering under and resistance to Soviet occupation. The Mikalojus Konstantinas Ciurlionis National Art Museum, named for a famous native composer and painter, is located in Kaunas; special branches of this museum include the Devil's Museum, a collection of artwork depicting devils, and a Ceramics Museum. The Museum of the Center of Europe, an open-air museum displaying large-scale works by European artists, was opened in Vilnius in 1994. There is also a Park of Soviet Sculptures in Druskininkai. The Lithuanian Theater, Music and Film Museum in Vilnius was founded by the Ministry of Culture. There are several other specialized museums, including the Museum of Genocide Victims (Vilnius), Museum of the History of Lithuania Medicine and Pharmacy (Kaunas), Museum of Ancient Beekeeping (Ignalina), and the Museum of Vilnius Sport History. There are several regional museums associated with secondary schools; these contain materials on local arts and history, as well as the history of the school to which the museum is linked.

#### 45 MEDIA

In 2003, there were an estimated 239 mainline telephones for every 1,000 people; about 1,300 people were on a waiting list for telephone service installation. The same year, there were approximately 630 mobile phones in use for every 1,000 people.

Broadcasting is controlled by Lithuanian Television and Radio Broadcasting. Radio Vilnius broadcasts in Lithuanian, Russian, Polish, and English. As of 2001 there were 29 AM and 142 FM radio stations. In 2003, there were an estimated 524 radios and 487 television sets for every 1,000 people. About 76.9 of every 1,000 people were cable subscribers. Also in 2003, there were 109.7 personal computers for every 1,000 people and 202 of every 1,000 people had access to the Internet. There were 47 secure Internet servers in the country in 2004.

The most popular daily newspapers are *Lietuvos Rytas* (Lithuania's Morning, in Russian), with a 2002 circulation of 85,000; *Respubliká* (55,000); *Lietuvos Aidas* (*The Echo of Lithuania*, 20,000); and *Kauno Diena* (*Kaunas Daily*, 57,000). There are also several periodicals available.

The constitution provides for free speech and a free press, and the government is said to uphold these provisions. Since independence, the independent print media have flourished, producing some 2,000 newspapers and periodicals, and plans for a number of private radio and television stations are underway.

#### 46 ORGANIZATIONS

Important economic organizations include the Association of Chamber of Commerce and Industry, an organization that coordinates the activities of all the chambers of commerce in Lithuania. There are three umbrella trade union organizations in the country: the Lithuania Confederation of Free Trade Unions, the

Lithuania Union of Trade Unions, and the Lithuanian Workers' Union. Professional associations exist for a number of fields and occupations.

The Lithuanian Academy of Sciences promotes education and research in a wide variety of scientific fields. The Lithuanian Medical Association promotes research and education on health issues and works to establish common policies and standards in health-care. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions, such as the Lithuanian Heart Association.

There are a number of sports associations in the country, representing such pastimes as speed skating, squash, tae kwon do, tennis, badminton, weightlifting, and baseball. There are also branches of the Paralympic Committee. The Council of Lithuanian Youth Organizations helps organize and support a variety of youth groups. Scouting programs and chapters of the YMCA/YWCA are also active for youth. Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. The Red Cross is also active.

#### 47 TOURISM, TRAVEL, AND RECREATION

The capital city of Vilnius has one of the largest historic districts in Eastern Europe, distinguished primarily by its Baroque churches, many of which have been reclaimed since independence by money and missionaries from abroad. Kaunas, Lithuania's second-largest city, offers the tourist old merchants' buildings and museums. The seaside resort towns are active in the summer. The traveler can participate in tennis, fishing, sailing, rowing, and winter sports. Lithuanians have long distinguished themselves at basketball, and have contributed top players to the Soviet teams. Seven Lithuanians have Olympic gold medals, and the national basketball team won a bronze medal in Barcelona in 1992 and again in Sydney in 2000.

All visitors need a valid passport. Visas are not required for nationals of the European Union states, the United States, Canada, Japan, Australia, and some South American countries. Travelers of non-European Union countries must carry proof of medical insurance to cover travel in Lithuania.

About 3.6 million tourists visited Lithuania in 2003. There were 7,694 hotel rooms with 15,142 beds and an occupancy rate of 32%. The average length of stay in Lithuania was two nights. Tourist expenditure receipts totaled \$700 million that year.

In 2004, the US Department of State estimated the daily cost of traveling in Lithuania at \$205.

#### 48 FAMOUS LITHUANIANS

President Valdas Adamkus (b.1926) was chief of state from 1998–2003, and then beginning again in 2004.

#### 49 DEPENDENCIES

Lithuania has no territories or colonies.

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# LUXEMBOURG

Grand Duchy of Luxembourg  
[French] *Grand-Duché de Luxembourg*;  
[German] *Grossherzogtum Luxemburg*

**CAPITAL:** Luxembourg

**FLAG:** The flag is a tricolor of red, white, and blue horizontal stripes.

**ANTHEM:** *Ons Hémécht (Our Homeland)*.

**MONETARY UNIT:** The Luxembourg franc was replaced by the euro as official currency as of 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 euro = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; public celebration of the Grand Duke's Birthday, 23 June; Assumption, 15 August; All Saints' Day, 1 November; Christmas, 25–26 December. Movable religious holidays include Shrove Monday, Easter Monday, Ascension, and Pentecost Monday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

A landlocked country in Western Europe, Luxembourg has an area of 2,586 sq km (998 sq mi), with a length of 82 km (51 mi) N–S and a width of 57 km (35 mi) E–W. Comparatively, the area occupied by Luxembourg is slightly smaller than the state of Rhode Island. The eastern boundary with Germany is formed by the Our, Sûre (Sauer), and Moselle rivers. Luxembourg is bordered on the S by France and on the W and N by Belgium, with total border length of 359 km (223 mi).

Luxembourg's capital city, Luxembourg, is located in the south central part of the country.

## <sup>2</sup>TOPOGRAPHY

The country is divided into two distinct geographic regions: the rugged uplands (Oesling) of the Ardennes in the north, where the average elevation is 450 m (1,476 ft) with the highest point, Buurgplaatz, at 559 m (1,834 ft); and the fertile southern lowlands, called Bon Pays (Good Land), with an average altitude of 250 m (820 ft).

The entire area is crisscrossed by deep valleys, with most rivers draining eastward into the Sûre, which in turn flows into the Moselle on the eastern border. The northern region, comprising one-third of the country, is forested and has poor soil.

## <sup>3</sup>CLIMATE

Luxembourg's climate is temperate and mild. Summers are generally cool, with a mean temperature of about 17°C (63°F); winters are seldom severe, average temperature being about 0°C (32°F). The high peaks of the Ardennes in the north shelter the country from rigorous north winds, and the prevailing northwesterly winds have a cooling effect. Rainfall is plentiful in the extreme

southwest; precipitation throughout the country averages about 75 cm (30 in) annually.

## <sup>4</sup>FLORA AND FAUNA

The principal trees are pine, chestnut, spruce, oak, linden, elm, and beech, along with fruit trees. There are many shrubs, such as blueberry and genista, and ferns; a multitude of lovely flowers; and many vineyards. Only a few wild animal species (deer, roe deer, and wild boar) remain, but birds are plentiful, and many varieties of fish are found in the rivers, including perch, carp, bream, trout, pike, and eel.

## <sup>5</sup>ENVIRONMENT

The Ministry of the Environment is the main environmental agency. Government statistics indicate considerable improvement in pollution control over the past few decades. Emissions of particles of sulfur dioxide declined substantially from 1972 to 1983. As of 1994, emissions of smoke, sulfur dioxide, nitrogen dioxide, and lead were well within EU acceptable limits. Luxembourg has about 0.2 cu mi of water. Luxembourg has produced an average of about 3.3 tons of particulate emissions and 22 tons of hydrocarbon emissions per year.

Forest reserves have been severely depleted since 1800, when three-fourths of the country was forest; today forest and woodland cover only one-fifth of Luxembourg. During World War II, German requisitions and heavy demands for fuel contributed to this depletion.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included three types of mammals, three species of birds, two types of mollusks, and two species of other inverte-

brates. Threatened species include the spotted eagle, the southern damselfly, and the great snipe.

## 6 POPULATION

The population of Luxembourg in 2005 was estimated by the United Nations (UN) at 457,000, which placed it at number 163 in population among the 193 nations of the world. In 2005, approximately 14% of the population was over 65 years of age, with another 19% of the population under 15 years of age. There were 97 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.4%, a rate the government viewed as too low. The projected population for the year 2025 was 544,000. The population density was 176 per sq km (457 per sq mi).

The UN estimated that 91% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.42%. The capital city, Luxembourg, had a population of 77,000 in that year. The chief industrial city is Esch-sur-Alzette, with a population of 28,000. Other urban areas and their estimated populations include Differdange, 19,005; Dudelange, 17,000; and Schifflange, 8,084.

## 7 MIGRATION

During the 19th century, thousands of Luxembourgers emigrated, chiefly to the United States. In 1870, however, rich deposits of iron ore were uncovered in southern Luxembourg, and during the period of industrialization and prosperity that followed, many persons from neighboring countries migrated to Luxembourg.

Since the adoption of national asylum legislation in April 1996, there has been a significant increase in the number of asylum seekers. In 1997, 431 people applied for asylum. By 1998, 1,709 people applied. Between January and July 1999, as many as 2,404 people submitted asylum applications.

As of 12 August 1999, some 101 people had been evacuated from Macedonia to Luxembourg. Evacuees were given a six-month renewable residence permit, as well as work permits, social assistance, and the right to family reunification. As of 1999, none of the evacuees had returned. Also as of 1999, Luxembourg officials were in the process of adopting a law on temporary protection. In 2004 there were 1,590 refugees and no asylum seekers. The estimated net migration rate in 2005 was 8.86 migrants per 1,000 population.

## 8 ETHNIC GROUPS

The indigenous inhabitants of Luxembourg consider themselves a distinct nationality, with a specific ethnic character. A strong indication of that character is the national motto, “Mir woelle bleiwe wat mir sin” (“We want to remain what we are”), for despite a history of long foreign domination, Luxembourgers have retained their individuality as a nation. There are also native-born residents of Celtic, French, Belgian, or German ancestry, as well as a substantial immigrant population of Portuguese, Italian, and other Europeans (guest and worker residents).

## 9 LANGUAGES

Luxembourgers speak Luxembourgian, or Letzeburgesch, the original dialect of the country, as well as French and German. All three are official languages. Letzeburgesch is a Germanic dialect

related to the Moselle Frankish language that was once spoken in western Germany. It rarely appears in written form.

Letzeburgesch, French, and German are all languages of instruction in primary schools, while French is the most common language of instruction in secondary schools. Government publications are generally in French. English is also spoken.

## 10 RELIGIONS

The country is historically Roman Catholic and it is estimated that over 90% of the population are nominally members of this church. The largest Protestant denominations are the Lutheran and Calvinist churches. About 6,000 people are Muslim, about 5,000 are Orthodox Christians (Greek, Serbian, Russian, and Romanian), and about 1,000 are Jewish. There are also small communities of the Baha'is, Mormons, Jehovah's Witnesses and members of the Universal Church. It is believed that the number of atheists is small, but growing.

The constitution provides for freedom of religion and this right is respected in practice. A special Concordat of 1801 allows certain religious groups to receive financial support. For instance, the state pays salaries for Roman Catholic and Greek and Russian Orthodox priests, Jewish rabbis, and pastors of some Protestant denominations. The state also supports some private religious schools. Certain Christian holidays are celebrated as national holidays.

## 11 TRANSPORTATION

Transportation facilities are excellent. The railways are consolidated into one organization, the *Société Nationale des Chemins de Fers Luxembourgeois* (CFL), with the government of Luxembourg controlling 51% of the stock and the remaining 49% divided between the French and Belgian governments. Railway lines, totaling 274 km (170 mi) in 2004, provide direct links with Belgium via Arlon, with France via Metz and Longwy, and with Germany via Trier. There is through-train service to Paris and various other points in France. In that same year, 242 km (150 mi) of railway were electrified.

In 2002 there were 5,210 km (3,241 mi) of state and local roads, all of which were paved, including 147 km (91 mi) of expressways. Direct roads connect all important towns, and the main arteries are suitable for heavy motor traffic. As of 2003 there were 287,245 cars and 35,904 commercial vehicles in use. In the 1990s, a program was underway to link Luxembourg's highways to those of Belgium, France, and Germany.

The only river available for industrial transport is the Moselle, which for 37 km (23 mi) allows navigation of barges of up to 1,500 tons. In 2005, the merchant fleet comprised 40 ships of 1,000 GRT or more, with a total of 652,454 GRT. There were two airports in 2004, only one of which had a paved runway. There was also a single heliport. The principal airport is Findel, located near the city of Luxembourg. Regular flights to other European cities are operated by Luxair, the national carrier, and by foreign airlines. Luxembourg's largest airline, Cargolux, ranks among Europe's top 10 cargo carriers. Luxembourg and the United States have shared open sky aviation rights since a 1995 agreement. In 2001 (the latest year for which data was available), 885,900 passengers were carried on scheduled airline flights.

## 12 HISTORY

The land now known as Luxembourg fell under the successive domination of the Celts, the Romans, and the Riparian Franks before its founding as the County of Luxembourg in 963 by Sigefroid, count of the Ardennes, who reconstructed a small ruined fortress called Lucilinburhuc (Little Burg) on the site of the present capital. The area tripled in size during the reign of Countess Ermesinde (1196–1247). John, count of Luxembourg (r. 1309–46) and king of Bohemia, became the national hero; although blind for many years, the inveterate knight-errant laid the foundations for a powerful dynasty before he fell in the Battle of Crécy, in northern France, during the Hundred Years' War. His son Charles (1316–78) was the second of four Luxembourg princes to become Holy Roman emperor. He made Luxembourg a duchy, but under his successors the country was ruined financially.

Luxembourg came under Burgundian rule in 1443 and remained in foreign hands for more than 400 years. Successively it passed to Spain (1506–1714, excepting 1684–97, when it was ruled by France), Austria (1714–95), and France (1795–1815). The Congress of Vienna in 1815 made Luxembourg a grand duchy and allotted it as an independent state to the king of the Netherlands, after ceding to Prussia its territory east of the Moselle, Sûre, and Our. Luxembourg lost more than half its territory to Belgium in 1839, but gained a larger measure of autonomy, although Dutch kings continued to rule as grand dukes. By the Treaty of London in 1867, Luxembourg was declared an independent and neutral state under the protection of the Great Powers, but was required to dismantle its mighty fortress. In 1890, the house of Nassau-Weilbourg, through the Grand Duke Adolphe (r. 1890–1905), became the ruling house of Luxembourg. The country was occupied by German troops in World War I. In 1919, Grand Duchess Charlotte succeeded to the throne, and on 28 September 1919, in a referendum held to decide the country's future, a plurality supported her. In 1921, Luxembourg formed an economic union with Brussels.

The Germans again invaded the country in May 1940, but the grand ducal family and most members of the government escaped to safety. Under the Nazi occupation, the people suffered severely, particularly when their revolt in 1942 protesting compulsory service in the German army was savagely repressed. Luxembourg was liberated by Allied forces in September 1944.

That year, while still in exile, the government agreed to form an economic union with Belgium and the Netherlands; the first phase, the Benelux Customs Union, was effected in 1948. In February 1958, a treaty of economic union, which became effective in 1960, was signed by representatives of the three countries. During the postwar decades, Luxembourg also became an active member of NATO and the EC.

In April 1963, Luxembourg celebrated its 1,000th anniversary as an independent state. On 12 November 1964, Grand Duchess Charlotte abdicated in favor of her son, Jean. The Grand Duke announced on Christmas Day 1999 that he planned to abdicate in favor of his eldest son Prince Henri in September 2000. (Prince Henri took the throne on 7 October 2000.) Jean's reign was marked by continued prosperity, as Luxembourg's economy shifted from dependence on steel to an emphasis on services, notably finance and telecommunications. Luxembourg is now among the world's top 10 financial centers and the financial sector employs approximately 10% of the workforce (20,000 people) and accounts



LOCATION: 49°26'52" to 50°10'58" N; 5°44'10" to 6°31'53" E. BOUNDARY LENGTHS: Germany, 135 kilometers (84 miles); France, 73 kilometers (45 miles); Belgium, 148 kilometers (92 miles).

for around 22% of national income. There is an industrial sector which initially was dominated by steel but has become increasingly diversified to include chemicals, rubber, and other products. Luxembourg had an incredibly high 2005 GDP per capita of us\$58,900.

Different governments have played a key role in the diversification process and the development of a skilled workforce has been an important instrument. Equally important is the country's tax

regime. Luxembourg's 0% withholding tax on crossborder savings acts as a magnet for investors. Its favorable tax law is at odds with the rest of the European Union and pressures for European-wide harmonization would diminish the sector's competitive advantage.

The country's growth rate has been among the highest in the European Union and averaged over 4% annually between 1994 and 2000. Luxembourg suffered due to the global economic downturn and the turmoil in international stock markets that began in 2001, as its small, open economy specializes in financial services. Luxembourg joined the Economic and Monetary Union in 1999, and adopted the euro as its currency. Prime Minister Jean-Claude Juncker was considered for the presidency of the European Commission in 2005, however he promised to remain as prime minister if he won the election of 2003, and so stayed on in Luxembourg.

### 13 GOVERNMENT

Luxembourg is a constitutional monarchy, governed by the constitution of 1868 as revised in 1919 (when universal suffrage and proportional representation were introduced) and subsequently. The grand ducal crown is hereditary in the house of Nassau-Weilbourg. Legislative power is vested in the Chamber of Deputies, the 60 (prior to 1984, 64 members) members of which are elected for five-year terms. In addition, the Council of State, composed of 21 members appointed for life by the sovereign, acts as a consulting body in legislative, administrative, and judicial matters and has the right of suspensive veto.

Executive power rests jointly in the sovereign, who may initiate legislation, and a prime minister (president of the government), appointed by the monarch, who in turn selects a cabinet. The prime minister, together with the cabinet, must command a majority in the Chamber of Deputies. Voting is compulsory, and eligibility begins at age 18.

### 14 POLITICAL PARTIES

Since 1947, shifting coalitions among the three largest parties have governed the country. The Christian Social Party (Parti Chrétien Social—PCS) is a Catholic, promonarchist movement favoring progressive labor legislation and government protection for farmers and small business. Except for the period 1974–79, the PCS has been the dominant partner in all ruling coalitions since World War I. The Socialist Party (Parti Ouvrier Socialiste Luxembourggeois—POSL) supports improvement and extension of the present system of social welfare programs. The third major group, the Democratic Party (Parti Démocratique—PD), favors social reforms and minimal government activity in the economy. Other parties have included the Luxembourg Communist Party (Parti Communiste—PC), which has its main strength with steelworkers in the industrialized south, and the Social Democratic Party (Parti Social-Démocrate Luxembourggeois—PSDL), which split from the POSL in 1971. In addition, the ecologist Green Party has representation in parliament, as does the Action Committee for Democracy and Justice (ADR), a pensioners' party. The Marxist and Reformed Communist Party, known as "The Left," secured one seat in the Chamber of Deputies in 1999.

Following the June 1999 elections, the distribution of seats in the 60-member unicameral Chamber of Deputies was: PCS, 19; POSL, 13; PD, 15; and other groups, 13. The coalition of the PCS

and POSL, which had governed for 15 years, was replaced by a coalition of the PCS and PD. Jean-Claude Juncker, leader of PCS, remained as prime minister. Following the June 2004 elections, distribution of seats was: PCS 24, POSL 14, PD 10, Green Party 7, ADR 5. The next elections were scheduled to be held in June 2009.

### 15 LOCAL GOVERNMENT

Luxembourg is divided into three districts (Luxembourg, Diekirch, and Grevenmacher) comprising 12 cantons, which in turn make up 118 communes. The districts are headed by commissioners—civil servants who are responsible to the central government. Each commune elects an autonomous communal council headed by a burgomaster; the councils elect government officials at the local level. Local elections are held every six years.

### 16 JUDICIAL SYSTEM

The legal system is similar to the French Napoleonic Code, except for the commercial and penal divisions, which are similar to their Belgian counterparts. Minor cases generally come before one of three justices of the peace. On a higher level are the two district courts, one in the city of Luxembourg and the other in Diekirch. The Superior Court of Justice is composed of the Court of Cassation, a Court of Appeal, and a department of public prosecution. The Court of Cassation comprises a bench of five judges, responsible for hearing cases that seek to overturn or set aside decisions given by the various benches of the Court of Appeal. The Court of Appeal consists of nine benches of three judges each, hearing civil, commercial, and criminal cases. Judges are appointed for life terms. New administrative courts began operations in 1997, after a 1995 decision by the European Court of Human Rights that Luxembourg's Council of State could no longer serve as both a legislative advisory body and an administrative court. The death penalty was abolished in 1979. The prosecutor as well as the defendant may appeal verdicts in criminal cases. An appeal results in a completely new judicial procedure with the possibility that a sentence may be increased or decreased.

Trade unions and striking are constitutionally guaranteed and news media is free to report without fear of retribution. There is a minority population of Bosnians who live in Luxembourg who face mild social racism.

Luxembourg is a member of the UN and is the site of the European Court of Justice.

### 17 ARMED FORCES

In 1967, Luxembourg abolished conscription and created a volunteer military force that is part of NATO. Responsibility for defense matters is vested in the Ministry of Public Force, which also controls the police and gendarmerie.

In 2005 the armed forces of Luxembourg consisted of the army with 900 active personnel and a gendarmerie of 612. NATO maintains 17 early warning aircraft with Luxembourg registration. Luxembourg maintains 23 personnel in the UN peacekeeping mission in Bosnia. Another nine are in Afghanistan and 26 in Serbia-Montenegro. More than 5,000 American soldiers, including Gen. George S. Patton, are buried at the American Military Cemetery near the capital. Budgeted defense expenditures in 2005 were \$264 million.

## 18 INTERNATIONAL COOPERATION

Luxembourg is a founding member of the United Nations, having joined the organization on 24 October 1945, and participates in ECE and several nonregional specialized agencies, such as the FAO, IAEA, the World Bank, UNESCO, UNIDO, the ILO, IMF, and the WHO. Since 1921, it has been joined with Belgium in the Belgium-Luxembourg Economic Union (BLEU). It is also a partner with Belgium and the Netherlands in the Benelux Economic Union. Luxembourg is a member of the Council of Europe, the Asian Development Bank, NATO, OECD, OSCE, WTO, the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, the Western European Union, and the European Union. Luxembourg held the EU presidency for the first half of 2005. The country is the home site of the European Court of Justice, the European Court of Auditors, European Investment Bank, and other EU organizations. The Secretariat of the European Parliament is also located in Luxembourg.

Luxembourg belongs to the Australia Group, the Zangger Committee, the Nuclear Energy Agency, and the Nuclear Suppliers Group (London Group). In environmental cooperation, the country is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

In relation to its size and population, Luxembourg is one of the most highly industrialized countries in the world. Its standard of living rivals that of any country in Europe. Steelmaking, traditionally the most important industry, has seen its contribution to GDP decline from 21% in 1974 to 1.8% in 1996. Iron ore, formerly mined in limited quantities, is no longer produced because supplies have been exhausted. The country's lack of industrial fuels makes it completely dependent on imports of coke for steel production. In 2001, Luxembourg's steel producer, ARBED, merged with France's USINOR and Spain's ACERALA to create the world largest steel company, NewCo, in order to increase competitiveness. Other industries—plastics, rubber and chemicals and other light industries—have been successfully developed, and the service industries, most notably banking, have expanded rapidly. Services now contribute 69% to GDP (2000 estimate).

Agriculture is generally small-scale, with livestock and vineyards comprising the most important segment.

The worldwide recession of the early 1980s adversely affected Luxembourg's economy; between 1985 and 1992, however, GDP grew by 32%, or 4% per year. Growth for 1998 was 2.9%. Inflation, as high as 9.4% in 1982, was only 0.3% in 1986 and averaged 3.3% during 1988–92. Average inflation 1999 to 2001 was 2.3%. Total GDP, at \$13.9 billion in 1998 (purchasing power parity) had risen over 38% to \$19.2 billion by 2001. Per capita income in 2001 was \$45,500, one of the highest in the world, with GDP growth reported at 8.3%.

Luxembourg is known for having one the lowest unemployment rates in Europe. The unemployment rate averaged just 1.4% between 1984 and 1991 and was 3% in 1998. In 2001, unemploy-

ment was at 2.7%, the range where it remained until registering a slight increase in 2004, to 4.3%.

Economic expansion continued at stately rates (similar to most other Western European countries), reaching 2.5% in 2002, 2.9% in 2003, and 4.5% in 2004; the GDP growth rate for 2005 was expected to be 3.6%. This expansion was mainly fueled by the country's up and coming financial and service oriented (especially media and communications) sectors. The steel sector, while being the subject of major restructurings in the past two decades, remained one of the backbones of the economy. Inflation remained stable at around 2%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Luxembourg's gross domestic product (GDP) was estimated at \$29.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$62,700. The annual growth rate of GDP was estimated at 3.5%. The average inflation rate in 2005 was 2.6%. It was estimated that agriculture accounted for 0.5% of GDP, industry 16.3%, and services 83.1%.

Approximately 17% of household consumption was spent on food, 9% on fuel, 3% on health care, and 7% on education.

## 21 LABOR

In 2005, the labor force was estimated at 200,000, of whom 105,000 were foreign workers crossing the border from France, Belgium and Germany. Of those employed as of 2004, the services sector accounted for an estimated 86%, while 13% were in industry and 1% in agriculture. The estimated unemployment rate was 3.7% in 2005.

Labor relations have been generally peaceful since the 1930s. Foreign investors are attracted by the positive relationship which exists in Luxembourg between employers and the labor force. There is a strong trade union movement. About 50% of the labor force was organized into unions as of 2005. Although independent, the two largest labor organizations are associated with major political parties. Workers may strike only after their dispute is submitted to the National Conciliation Office and all mediation efforts have failed. Collective bargaining is widely practiced.

As of 2005, unskilled workers who are over 18 years of age with no dependents are entitled to a minimum wage of \$1,390 per month, while the minimum for skilled workers was \$1,475 per month. However, these totals were insufficient to provide a worker and family with a decent living standard. Most workers earned more than the minimum rate. Wage agreements are generally arrived at by industry-wide bargaining between labor and management. The maximum workweek is legally set at 40 hours. Overtime is paid at premium rates. Work on Sunday is restricted. Children under the age of 16 are prohibited from employment except in some special circumstances. The law mandates a safe working environment and this is effectively enforced by the Ministry of Labor.

## 2<sup>2</sup> AGRICULTURE

Over 27% of the work force and 50% of the land (126,629 hectares/312,900 acres) are devoted to agriculture and grazing; the majority of agricultural land consists of meadows and pastures. Farms are generally small and highly mechanized, although average farm size has been increasing. While the number of farms of 2 hectares (5 acres) or more fell from 10,570 in 1950 to 2,263 in 2002, the average holding increased from 13.16 to 57.18 hectares (from 32.52 to 141.3 acres) over the same period. Crop production in 2002 included (in tons): corn, 137,721; forage crops, 146,182; bread grains, 79,126; potatoes, 20,105; and pulses, 2,327.

Vineyards including Ehnen, Stadtbredmis, and Bech-Kleinmacher are located in the Moselle River Valley. In 2002/03, wine production totaled 15.39 million liters, consisting of rivaner, elbling, auxerrois, riesling, pinot blanc, and pinot gris. Wine and clover seeds are the important agricultural exports. In addition, millions of rosebushes, a major specialty crop, are exported annually. Chief fruits produced include apples, plums, and cherries.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Livestock breeding is relatively important, particularly because of Luxembourg's dairy product exports. In 2005, livestock included 184,172 head of cattle, 75,000 pigs, 7,500 sheep, and 3,100 equines. A total of 48,615 tons of meat, and 272,000 tons of milk were produced in 2005.

## 2<sup>4</sup> FISHING

There is some commercial fishing for domestic consumption and much private fishing for sport. The rivers teem with perch, carp, trout, pike, eel, and bream.

## 2<sup>5</sup> FORESTRY

About 88,620 hectares (218,980 acres) were covered by forests in 2000, of which 53% was private forest. Forestry production in 2004 included 277,180 cu m (9.8 million cu ft) of roundwood, over 50% from broad-leaved trees. Chief commercial woods are spruce and oak. In 2004, forest product imports exceeded exports by \$13.7 million.

## 2<sup>6</sup> MINING

In 2003, Luxembourg's mineral sector consisted primarily of raw materials processing, information systems, and mineral trading. Metals produced included crude and semi-manufactured steel, while industrial minerals consisted of hydraulic cement, crude gypsum and anhydrite, and Thomas slag phosphates. The iron and steel industry was the most important mineral industry sector, with steel products as the country's main export commodity. Mining in Luxembourg was represented by small industrial mineral operations that produced material for domestic construction, including cement manufacture. In 2003, Luxembourg produced 2.7 million metric tons of crude steel and 2.8 million metric tons of semi-manufactured steel. Hydraulic cement production in 2003 was estimated at 700,000 metric tons, with crude gypsum and anhydrite output estimated at 400 metric tons in that same year. Production of Thomas slag phosphates (by gross weight) totaled and estimated 475,000 metric tons in 2003. Luxembourg's traditional source of mineral wealth was iron ore, concentrated between Re-

dange and Dudelange. Because of mine depletion, production declined from 2.08 million tons in 1976, to 429,000 in 1981, when the last iron mines were closed.

## 2<sup>7</sup> ENERGY AND POWER

Luxembourg imports all the petroleum products, natural gas and coal it requires, since it has no oil, natural gas or coal reserves.

In 2002, imports of petroleum products (all refined) averaged 52,290 barrels per day, while consumption for that year averaged 51,680 barrels per day. Natural gas imports and consumption in 2002 each totaled 42.06 billion cu ft. Coal imports that year consisted of hard coal and totaled 140,000 short tons.

Total electric generating capacity in 2002 was 128 MW, of which nearly 52% used fossil fuels, 31% was hydroelectric, and the remainder geothermal/other. Production of electrical energy in 2002 amounted to 2.526 billion kWh of which 92.2% was from fossil fuels, almost 8% from hydropower, and the rest from other renewable sources. Consumption of electricity in 2002 was 5.787 billion kWh. The steel industry consumes 80% of total industrial energy demand.

## 2<sup>8</sup> INDUSTRY

Massive restructuring of the steel industry and continuing diversification of the industrial base characterized the 1980s. Under the ongoing industrial diversification program, more than 80 new firms were launched between 1960 and 1985, providing jobs for 10,332 people. Chemicals, rubber, metal processing, glass, and aluminum became increasingly important, while some other industries, including construction, remained depressed; traditional light industries such as tanneries, glove-making plants, and textile mills were forced either to close down or to greatly reduce their scale of operations.

In 1997, steel was responsible for 29% of all exports. Production of steel was 2,613,000 tons in 1995 (5,462,000 tons in 1970); rolled steel products, 3,709,000 tons (4,252,000 tons in 1970). Luxembourg's blast furnaces and steel mills are located in the Bassin Minier of the southwest. Mergers have given ARBED, a private multinational firm with significant government shareholding, virtually complete control of the steel industry. A merger with France's USINOR and Spain's ACERALIA in 2001 made ARBED the world's largest steel producer; it was renamed "NEWCO" temporarily, and was searching for niche markets for highly specialized steel products.

In recent years, Luxembourg has diversified its industrial production away from steel, producing chemicals, medical products, rubber, tires, glass, and aluminum. The financial sector has compensated for the decline in steel production, and other service-sector growth areas in 2002 were cargo shipping, satellite transmission, and television and radio broadcasting.

In 2004, industry contributed to 16.3% of the GDP, and employed 13% of the labor force. The largest share of the economy went to the services sector, which made up 83.1% of the GDP, and employed 86% of the working force, with some 35% of the people working in Luxembourg representing cross-border labor from France, Belgium, and Germany. The industrial production growth rate, at 2.9%, was slightly smaller than the GDP growth rate, hinting to a more dynamic services sector in 2004.

## 29 SCIENCE AND TECHNOLOGY

The Grand Ducal Institute, the central learned society, includes medical and scientific sections. The Society of Luxembourg Naturalists, founded in 1890, had 575 members in 1996. Two public research centers conduct research on health and applied science. The University Center of Luxembourg, founded in 1969, has a sciences department. The Higher Institute of Technology, founded in 1979, offers courses in engineering and computing. Société Européenne des Satellites at Betzdorf is the control center for a group of satellites important to Europe's broadcasting industry.

In 2000, Luxembourg had 3,757 researchers and 3,820 technicians engaged in research and development (R&D) per one million people. In that same year, the country spent \$420.967 million or 1.71% of GDP on R&D, with the overwhelming majority of the expenditures, 90.7%, coming from business, with government accounting for 7.7% and foreign investors at 1.7%.

## 30 DOMESTIC TRADE

The commercial code is similar to that of Belgium and trade practices are nearly identical. The city of Luxembourg is the headquarters for the distribution of imported goods within the country and Antwerp in Belgium is the principal port of entry. Consequently, manufacturers' agents and importers maintain offices in one or both of those cities. The commercial laws and solid economic base are highly attractive to foreign investors. About 35% of the workforce is made up of foreign workers, many of whom are commuters from neighboring countries. French, German, and English are the languages of business correspondence. Advertising is extensive, particularly in newspapers and on Radio-Télé-Luxembourg.

Most shops and stores are open 9 AM to 6 PM Monday through Friday. Banking hours are on weekdays, 9 AM to 4:30 PM. Private business hours are usually from 8 AM to 5 PM.

## 31 FOREIGN TRADE

Luxembourg remains dependent on foreign trade, even though domestic demand has become an increasingly important factor in fueling the economy. The nation's trade position has weakened with the decline of the steel industry: between 1974 and 1981, imports grew by 55% while exports rose only 7%, as the trade balance swung into deficit. Between 1985 and 1992, imports grew by 42% and exports rose only 24%.

Trade with European nations accounted for 88.6% of imports and 88.7% of exports in 2000. With 23% of the total export volume in 2000, Germany was Luxembourg's biggest customer. Luxembourg imported more goods from Belgium (35%) than any other country.

Unlike some of its Western European counterparts, Luxembourg continued to register a trade deficit in recent years. In 2003, exports totaled \$13.4 billion (FOB—Free on Board), while imports rose to \$16.3 billion (CIF—Cost and Freight). Principal export commodities included machinery and equipment, steel products, chemicals, rubber products, and glass, and mainly went to Germany (which in 2004 received 22.1% of Luxembourg's total exports), France (20.1%), Belgium (10.2%), United Kingdom (8.4%), Italy (7.3%), Spain (5.9%), and the Netherlands (4.3%). Imports included minerals, metals, foodstuffs, and quality consumer goods,

### Principal Trading Partners – Luxembourg (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	9,986.1	13,639.1	-3,653.0
Germany	2,565.5	3,682.1	-1,116.6
France-Monaco	1,990.2	1,922.0	68.2
Belgium	1,233.4	4,626.8	-3,393.4
United Kingdom	591.4	322.8	268.6
Italy-San Marino-Holy See	584.5	327.6	256.9
Netherlands	457.4	732.0	-274.6
Spain	284.7	113.1	171.6
United States	241.3	288.6	-47.3
Special Categories	182.2	363.1	-180.9
Austria	151.2	135.7	15.5

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

and chiefly came from Belgium (29.8%), Germany (22.6%), China (12.6%), France (12%), and the Netherlands (4.2%).

## 32 BALANCE OF PAYMENTS

Luxembourg enjoyed a favorable trade balance from 1951 until 1975, when rising energy costs and structural weakness in the steel industry led to deterioration in terms of trade. The overall balance of payments has, however, tended to show a surplus, mainly because of income from banking services. The levels of imports and exports remain relatively stable, with the level of imports fluctuating significantly only when large capital purchases are made in the aviation sector.

The US Central Intelligence Agency (CIA) reported that in 2000 the purchasing power parity of Luxembourg's exports was \$7.85

### Balance of Payments – Luxembourg (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>2,492.0</b>
Balance on goods		-2,463.0
Imports	-13,696.0	
Exports	11,233.0	
Balance on services		8,535.0
Balance on income		-3,025.0
Current transfers		-556.0
<b>Capital Account</b>		<b>-176.0</b>
<b>Financial Account</b>		<b>-1,790.0</b>
Direct investment abroad		-96,428.0
Direct investment in Luxembourg		87,871.0
Portfolio investment assets		-78,423.0
Portfolio investment liabilities		99,152.0
Financial derivatives		6,836.0
Other investment assets		-30,035.0
Other investment liabilities		9,236.0
<b>Net Errors and Omissions</b>		<b>-417.0</b>
<b>Reserves and Related Items</b>		<b>-108.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

**Public Finance – Luxembourg (2003)**

(In millions of euros, central government figures)

	<b>10,092</b>	<b>100.0%</b>
<b>Revenue and Grants</b>		
Tax revenue	6,386	63.3%
Social contributions	3,000	29.7%
Grants	74	0.7%
Other revenue	633	6.3%
<b>Expenditures</b>	<b>10,099</b>	<b>100.0%</b>
General public services	1,503	14.9%
Defense	79	0.8%
Public order and safety	242	2.4%
Economic affairs	924	9.1%
Environmental protection	140	1.4%
Housing and community amenities	85	0.8%
Health	1,273	12.6%
Recreational, culture, and religion	278	2.8%
Education	1,012	10.0%
Social protection	4,564	45.2%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

billion while imports totaled \$10.25 billion resulting in a trade deficit of \$2.4 billion.

The International Monetary Fund (IMF) reported that in 2001 Luxembourg had exports of goods totaling \$9 billion and imports totaling \$11.4 billion. The services credit totaled \$19.9 billion and debit \$13.7 billion.

Exports of goods and services totaled \$47 billion in 2004, up from \$36 billion in 2003. Imports followed a similar trend, growing from \$30 billion in 2003, to \$39 billion in 2004. The resource balance was consequently positive, reaching \$6 billion in 2003 and \$8 billion in 2004. The current account balance improved from \$2.2 billion in 2003, to \$2.8 billion in 2004. National reserves (including gold) were insignificant at \$331 million.

**3<sup>3</sup> BANKING AND SECURITIES**

Banking has been gaining in importance since the 1970s and has become the most significant part of the economy; by 1998, banking and insurance employed about 15% of the total workforce. The principal bank and the sole bank of issue is the International Bank of Luxembourg (*Banque Internationale à Luxembourg*), founded in 1856. The Belgium-Luxembourg monetary agreement, as renewed for 10 years in 1991, provided for the establishment of the Luxembourg Monetary Institute to represent the nation at international monetary conferences and institutions. The banking sector has benefited from favorable laws governing holding companies. The European Investment Bank, the European Court of Auditors (both EU institutions), and the European Monetary Fund are headquartered in Luxembourg, as are all of the big six accounting firms. As a financial center, Luxembourg has the advantages of strict banking secrecy, a trained multilingual workforce, and a government that is sympathetic to the sector's needs. These last two factors are proving attractive to the developing cross-border insurance business. In addition, a strict 1992 law aimed at combating money laundering reinforces Luxembourg's reputation as a corrupt-free environment. The financial sector is currently active

in three main areas: the Eurobond market, investment funds, and the developing cross-border life insurance market.

Faced with the impossibility of raising the capital for its steel industry alone, Luxembourg has always been open to the financial world. But its current success in the field owes more to legislation in neighboring countries and external economic factors than to any deliberate policy on the part of the government.

The Euro-markets have made Luxembourg the home of Cedel Bank, one of the two international clearing and settlement depositories. In 2001 this group recorded a consolidated gross operating income of 979.5 million euros and a pretax operating profit of 113.4 million euros. In 1999, Cedel and Deutsche Börse Clearing announced a merger. The new company is called Cedel International and will serve as a single European clearing organization.

Luxembourg controls about 90% of Europe's offshore investment funds, making it the fourth-largest world market. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$46.0 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small scale time deposits, and money market mutual funds—was \$139.4 billion.

The Luxembourg Bourse, founded in 1929 in the city of Luxembourg, primarily handles stocks and bonds issued by domestic companies, although it also lists Belgian securities. The exchange was closed down on 10 May 1940. Dealing resumed but was limited to domestic and German securities. The exchange was again closed down when the country was liberated and did not reopen until October 1945.

**3<sup>4</sup> INSURANCE**

Third-party liability insurance is compulsory for all automobile owners, as is insurance for nuclear operators, hunters, hotel operators, boats and aircraft, windsurfers and parachutists. Domestic insurance companies issue both life and nonlife policies. The Third European Life Directive has permitted life companies to operate in any European Union (EU) country while still being controlled by domestic regulations. As of 1996, there were 23 subsidiaries of leading European companies that had been set up in Luxembourg, attracted by the availability of skilled staff and the proximity to major European markets. Direct premiums written in 2003 totaled us\$8.232 billion, with us\$1.102 billion of the total comprised of nonlife premiums and us\$7.130 comprised of life insurance premiums. In that same year, Luxembourg's top non-life insurer had gross written nonlife premiums (including health-care) of us\$223.2 million, while the country's leading life insurer that same year was le Foyer with gross written life insurance premiums of us\$223.2 million.

The *Commissariat aux Assurances* regulates insurance companies in Luxembourg.

**3<sup>5</sup> PUBLIC FINANCE**

The budget of the Luxembourg government is presented to the Chamber of Deputies late in each calendar year and becomes effective the following year. Government finances are generally strong, and budgets are usually in surplus.

The US Central Intelligence Agency (CIA) estimated that in 2005 Luxembourg's central government took in revenues of approximately \$15.1 billion and had expenditures of \$15.8 bil-



lion. Revenues minus expenditures totaled approximately -\$690 million.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were €10,092 million and expenditures were €10,099 million. The value of revenues was us\$11,391 million and expenditures us\$11,242 million, based on a market exchange rate for 2003 of us\$1 = €.8860 as reported by the IMF. Government outlays by function were as follows: general public services, 14.9%; defense, 0.8%; public order and safety, 2.4%; economic affairs, 9.1%; environmental protection, 1.4%; housing and community amenities, 0.8%; health, 12.6%; recreation, culture, and religion, 2.8%; education, 10.0%; and social protection, 45.2%.

### **36 TAXATION**

Luxembourg has come under pressure to share information on the interest paid on the hither-to-secret savings accounts maintained by nonresidents. In June 2003, the EU Commissioners issued a directive that would allow Luxembourg (as well as Belgium and Austria) to apply increased withholding taxes in lieu of directly sharing information on the interest tax paid on these accounts. Withholding rates of 15–20% would be applied 2004 to 2007, rising to 25% 2007 to 2009, and to 35% after 2009. The US Bush administration stood opposed to these EU initiatives to deal with tax evasion on the grounds that they would eliminate useful “tax competition.”

Luxembourg’s corporate income tax (IRC) rates in 2004 ranged from 20–22%. In addition, there is a 4% employment fund surtax. Companies are also subject to municipal taxes that average 7.5%. Taken as a whole, the taxes produce an effective tax rate of 30.38% on profits. Since 2002 the municipal tax was no longer deductible for corporate tax purposes. Capital gains are taxed as ordinary income, although some capital gains are tax-exempt. Dividends paid to nonresidents are subject to 20% withholding unless the payments are to a parent company resident in the EU that owns at least 10% of the subsidiary paying dividends. Subsidiaries of foreign companies are considered resident companies (“capital societies”) and are taxed at the same rate.

Personal income in Luxembourg is taxed according to a progressive schedule with a top rate of 38%. There is a 2.5% surtax for the employment fund. Social security taxes are separate for blue- and white-collar employees. Employer social security tax rates (in 2004) for blue- and white-collar employees are 13.01% and 10.76%, respectively. Employee tax rates are 12.90% and 10.65%, respectively. Other taxes include a wealth tax, gift taxes, local real estate taxes, registration taxes, subscription and net worth taxes.

The main indirect tax is Luxembourg’s value-added tax (VAT), introduced 1 January 1970 with a standard rate of 8% and a reduced rate of 4%. Revisions as of 10 January 1992 instituted a standard rate of 15% with reduced rates of 3% and 6%, and a “parking” (intermediate) rate of 12% (applied to heating oil, intellectual services, advertising, wine and certain other services). The 3% rate is applied to foodstuffs, newspapers, books, and periodicals, medicines and medical equipment, medical and dental care, and other basic goods and services. The 6% rate is applied to gas and electricity.

### **37 CUSTOMS AND DUTIES**

Tariff policies have been traditionally liberal. Luxembourg adheres to the trade regulations of the European Union. Luxembourg levies its own 15% value-added tax on imports if their final destination is Luxembourg. Nontariff barriers exist also in the form of health, safety, and packaging regulations.

### **38 FOREIGN INVESTMENT**

Foreign capital investment in Luxembourg has traditionally been small. In recent years, however, US investments have risen substantially, with the value of direct investments in manufacturing alone in excess of \$1 billion in 1993. Moderate-sized investments by Luxembourg firms have been made in Germany, France, Belgium, and South American countries. To encourage private investment from abroad, the government grants tax relief for up to 10 years in certain cases. Profits from investment may be transferred out of the country and invested capital may be repatriated with a minimum of regulation. Statistics on Luxembourg’s inward and outward foreign investment are calculated and published in conjunction with Belgium’s.

Presently, Luxembourg is one of the main actors (in conjunction with the United Kingdom and France) in terms of FDI outflows external to the EU. In 2003, Luxembourg was the EU’s second-largest investor outside the boundaries of the union, with capital outflows of \$37 billion. At the same time, due to its new role in the financial intermediation sector, Luxembourg has become the biggest recipient of FDI in the EU, with capital inflows reaching around \$46 billion (49% of the EU25 total). It was followed at a distance by Ireland, with FDI inflows of \$6 billion. Financial intermediation, whose receiving and sending actors almost always reside outside Luxembourg, accounted for 94% of outflows and 98% of inflows.

### **39 ECONOMIC DEVELOPMENT**

The keystone of the economic system is free enterprise, and the government has attempted to promote the well-being of private industry by every means short of direct interference. The full-employment policy pursued by every postwar government has produced a high ratio of economically active population to total population. Not only is the population economically active, it is also highly skilled, a fact not overlooked by foreign companies seeking to invest. The government encourages the diversification of industry by tax concessions and other means. Luxembourg’s successful economy continues to attract immigrants; the immigrant population comprises over one-third of the Grand Duchy’s total.

Banking has become an important sector of the economy, compensating for a decline in the steel industry. Successive governments have taken steps to encourage foreign investment, and investment incentives cover taxes, construction, and plant equipment. Government priorities in 2002 included balancing the budget, keeping spending growth in line with GDP growth, and running a general government surplus. The government was enacting tax cuts in 2002, and increased spending in infrastructure, research and development, education, and pension benefits. Obstacles were removed to part-time employment, more flexible work-

ing time arrangements were made, and child care facilities were expanded.

Today, Luxembourg is one of the most developed countries in the world (it actually has the highest income per capita in the world—approximately \$55,000), and offers a welcoming and dynamic business environment. Its investment fund sector is second only to the one in Paris, and in 2004 it managed assets of over \$1.027 trillion. The country is also home to one of Europe's biggest and most successful media conglomerates—RTL Group. Its location within the heart of Europe, its highly educated labor force, a stable tax system, and low business costs, make it a very attractive market for investors, and a reputable competitor for other developed economies.

#### 40 SOCIAL DEVELOPMENT

An extensive system of social insurance covers virtually all employees and their families. Sickness, maternity, old age, disability, and survivors' benefits are paid, with both employee and employer contributing and the government absorbing part of the cost. Retirement is set at age 65 for both men and women. Birth, maternity, child and education allowances are also provided to all residents. There is a choice for medical service providers. Parental leave and child-rearing allowances are available as well. The government covers the total cost for family allowances. Work injury laws were first instituted in 1902.

Women are well represented in politics and the professions. Although legally entitled to equal pay for equal work, in practice women's salaries are somewhat lower than men's for comparable work. However, the number of women in the workplace increased in 2004. The Ministry for the Promotion of Women is charged with ensuring equal opportunities for women. Violence against women is taken seriously by the authorities, and most abusers are prosecuted. Children's rights are fully protected and the government amply funds systems providing education and health care.

Human rights are fully respected in Luxembourg.

#### 41 HEALTH

Luxembourg has an advanced national health service, supervised by the Ministry of Public Health. Public health facilities are available to physicians and treatment of patients is on a private basis. Hospitals are operated either by the state or by the Roman Catholic Church.

In 2004, there were an estimated 255 physicians, 74 pharmacists, 64 dentists, and 39 midwives per 100,000 people. There were 32 hospitals with 4,438 beds. Public health officials have waged efficient national campaigns against contagious diseases and infant mortality has been reduced from 56.8 per 1,000 live births in 1948 to an estimated 4.81 as of 2005.

It was estimated that 80% of the country's children were immunized against measles. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 12 and 8.8 per 1,000 people. The fertility rate was one of the lowest in the world. The average woman living through her childbearing years had 1.5 children. Average life expectancy was estimated at 78.74 years in 2005. Leading causes of death are circulatory/heart diseases, cancer, road accidents, and suicide. The HIV/AIDS prevalence was 0.20 per 100 adults in 2003. As of 2004, there were approximately

500 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

#### 42 HOUSING

The immediate post-World War II housing shortage created by the considerable war damage has been alleviated by substantial construction of private homes and apartment buildings. The government has helped by making home loans at low interest rates available to buyers. In 1981 there were 128,281 private households in Luxembourg. In 2001, there were about 171,953 private households. About 169,198 households were living in single-family units. Of these, 67% were living in owner-occupied dwellings. Housing satisfaction is one of the highest in the European Union.

#### 43 EDUCATION

School attendance is compulsory between the ages of 6 and 15. Pupils attend primary schools for six years and then enter a general secondary or technical school for a period of up to seven years. The school year runs from October to July. The primary languages of instruction are French and German. In 2001, about 84% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 90% of age-eligible students. The same year, secondary school enrollment was about 80% of age-eligible students; 77% for boys and 83% for girls. It is estimated that about 86.5% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 12:1 in 2003; the ratio for secondary school was about 11:1.

Postsecondary institutions in Luxembourg include the Central University of Luxembourg (founded in 1969), Superior Institute of Technology, and teacher training schools. However, most advanced students attend institutions of higher learning in Belgium and France. In 2003, about 12% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2002 was estimated at about 100%.

As of 2003, public expenditure on education was estimated at 3.6% of GDP, or 8.5% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library in Luxembourg is the largest in the country, with over 650,000 volumes. Other major libraries belong to the Centre Universitaire (120,000 volumes), the European Community Court of Justice (120,000), the Abbey of St. Maurice at Clervaux (100,000), the Seminary of Luxembourg (110,000), and the European Parliament (150,000). The Grand Ducal Institute maintains a few specialized collections in the city of Luxembourg, as does the government. In Esch-sur-Alzette the public library has close to 66,000 volumes and features a special collection of Luxembourgensia.

The National Museum of History and Art (founded in 1845) exhibits fine arts as well as the history of Luxembourg. The city of Luxembourg also hosts the Museum of Natural History, founded in 1988 and moved to a new building in 1996, the year that the Museum of the History of Luxembourg opened in the same city. The home where the 19th-century French writer Victor Hugo lived as an exile is in Vianden, and there is a museum of wine in Ehren.

## 45 MEDIA

Direct-dial telephone service is in use throughout the country, and includes efficient international service. In 2002, there were 355,400 mainline phones and 473,000 mobile phones in use nationwide. Telegraph service is also widely available.

Radio-Télé-Luxembourg broadcasts on five radio channels (in Letzeburgesch, French, German, English, and Dutch) and two television channels (Letzeburgesch and French). The powerful commercial network reaches not only the domestic audience but millions of French, Germans, and other Europeans. The country is home to the Societe Europeenne des Satellites, the largest satellite operator in Europe. In 1999 there were 2 AM and 9 FM radio stations and 5 television stations. In 1997, there were 285,000 radios and about 285,000 television sets. In 2002, there were 165,000 Internet subscribers in the country.

As of 2001, there are six daily and two weekly newspapers. The daily press is small in circulation but has high standards. Luxembourg does not have an independent news agency of its own but relies on foreign news agencies for information. The most popular dailies in 2002 were the *Luxemburger Wort* (German and French, circulation 87,777); *Tageblatt* (German and French) (29,469); and *La République Lorraine* (French) (15,000). The weekly *Telecran* had a 2002 circulation of 45,000.

The law provides for freedom of speech and the press, and the government is said to uphold these provisions in practice.

## 46 ORGANIZATIONS

The principal agricultural organization is Centrale Paysanne Luxembourgeoise, under which are grouped all producer cooperatives and other farmers' societies. Organizations promoting the interests of industry include federations of artisans, manufacturers, merchants, and winegrowers. The Luxembourg Chamber of Commerce is active in representing local business interests. The Luxembourg Confederation of Christian Trade Unions promotes worker's rights for all.

Several professional associations are active in supporting a wide variety of occupations and fields. The Association of Doctors and Dentists serves as a professional networking organization while also promoting research and education on health issues and working to establish common policies and standards in healthcare. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions.

The Christian Social Women organization promotes women's rights and encourages political participation. Scouting programs are active for youth. There are also several sports associations active within the country, including the multinational European Table Tennis Union.

Kiwanis and Lions clubs also have programs in the country. International organizations with active chapters include the Red Cross, Amnesty International, UNICEF, and Greenpeace.

## 47 TOURISM, TRAVEL, AND RECREATION

Picturesque Luxembourg, with approximately 130 castles, has long been a tourist attraction. Among the points of greatest attraction are Vianden; Clervaux, with its castle of the De Lanno family, forebears of Franklin Delano Roosevelt; the famous abbey

of Clervaux; Echternach, an ancient religious center; the Moselle region; and the fortifications of the capital. Popular sports for both residents and visitors include fishing, rowing, swimming, hiking, rock climbing, cycling, and golf. More than 5,000 American soldiers are buried at the American Military Cemetery near the capital, including Gen. George S. Patton.

Visitors from Canada, Australia, the United States, and most of the Western European and South American countries require a passport. No visas are necessary for stays of less than three months. There were 581,450 visitors who arrived in Luxembourg in 2003, many of whom came from Belgium and the Netherlands. Hotel rooms numbered 7,626 with 14,620 beds and an occupancy rate of 25%. The average length of stay that year was two nights. Tourist expenditure receipts totaled \$2.9 billion.

In 2005, the US Department of State estimated the daily cost of traveling in Luxembourg at \$301.

## 48 FAMOUS LUXEMBOURGERS

Count Sigefroid founded the nation in 963, and Countess Ermesinde (r.1196–1247) tripled the extent of the country. Other outstanding historical personages are Henry VII of Luxembourg (c.1275–1313), who became Holy Roman emperor in 1308; his son John the Blind (1296–1346), count of Luxembourg (1309–46) and king of Bohemia (1310–46), a national hero; and the latter's son Charles (1316–78), who became Holy Roman emperor as Charles IV (1346–78). Grand duke from 1890 to 1905 was Adolphe (1817–1905), one-time duke of Nassau (1839–66) and the founder of the present dynasty, the house of Nassau-Weilbourg, whose origins go back to 1059.

Joseph Bech (1887–1975), prime minister from 1926 to 1937 and from 1953 to 1958, served as foreign minister for 33 years. Luxembourg-born Robert Schuman (1886–1963), French premier (1947–48) and foreign minister (1948–53), was a key figure in the postwar movement for West European integration. Grand Duchess Charlotte (1896–1985) abdicated in 1964 in favor of her son Grand Duke Jean (b.1921), ruled from 1964–2000. The current ruler is his son Grand Duke Henri (b.1955).

An artist of note was painter Joseph Kutter (1894–1941). Gabriel Lippmann (1845–1921) was awarded the Nobel Prize in physics (1908) for his pioneering work in color photography.

## 49 DEPENDENCIES

Luxembourg has no territories or colonies.

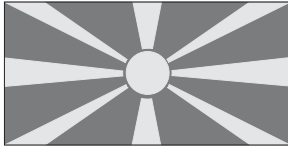
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# MACEDONIA

Former Yugoslav Republic of Macedonia  
*Republika Makedonija*



**CAPITAL:** Skopje

**FLAG:** The flag consists of a gold sun with eight rays on a red field.

**ANTHEM:** *Denec Nad Makedonija (Today over Macedonia)*

**MONETARY UNIT:** The currency in use is the denar (DEN). Denominations from smallest to largest are fifty deni, one denar, two denari, and five denari. US\$1 = DEN0.02044 (or DEN1 = US\$48.92; as of 2005), but exchange rates are likely to fluctuate.

**WEIGHTS AND MEASURES:** The metric system is in effect in Macedonia.

**HOLIDAYS:** Orthodox Christmas, 7 January; national holiday, 2 August; Day of Referendum, 8 September.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Macedonia is a landlocked nation located in southeastern Europe. Macedonia is slightly larger than the state of Vermont with a total area of 25,333 sq km (9,781 sq mi). Macedonia shares boundaries with Serbia to the N, Bulgaria to the E, Greece to the S, and Albania to the W, and has a total boundary length of 766 km (476 mi). Macedonia's capital city, Skopje, is located in the northwestern part of the country.

## <sup>2</sup> TOPOGRAPHY

The topography of Macedonia features a mountainous landscape covered with deep basins and valleys. There are two large lakes, each divided by a frontier line. Approximately 24% of Macedonia's land is arable. Natural resources include chromium, lead, zinc, manganese, tungsten, nickel, low-grade iron ore, asbestos, sulfur, and timber. Located above a thrust fault line of the Eurasian Tectonic Plate, the nation experiences frequent tremors and occasional severe earthquakes. In 1963, 6.0 magnitude quake at Skopje caused the death of about 1,100 people and destroyed much of the city.

## <sup>3</sup> CLIMATE

Macedonia's climate features hot summers and cold winters. Fall tends to be dry in the country. In July the average temperature is between 20 and 23°C (68 and 73°F). The average temperature in January is between -20 and 0°C (-4 and 32°F). Rainfall averages 51 cm (20 in) a year. Snowfalls can be heavy in winter.

## <sup>4</sup> FLORA AND FAUNA

The terrain of Macedonia is rather hilly. Between the hills are deep basins and valleys, populated by European bison, fox, rabbits, brown bears, and deer. Pine trees are common in the higher mountain regions while beech and oak cover some of the lower mountain regions. The Macedonian pine is an ancient native species found most prominently on Mount Pelister near the south-

west border. Ducks, turtles, frogs, raccoons, and muskrats inhabit the country's waterways. As of 2002, there were at least 78 species of mammals, 109 species of birds, and over 3,500 species of plants throughout the country.

## <sup>5</sup> ENVIRONMENT

Air pollution from metallurgical plants is a problem in Macedonia, as in the other former Yugoslav republics. In 2000, the total of carbon dioxide emissions was at 11.2 million metric tons. All urban dwellers have access to safe drinking water. Earthquakes are a natural hazard. Forest and woodland cover 35% of the nation's land area. As of 2003, approximately 7.1% of Macedonia's total land area was protected, including one World Heritage Site and one Ramsar Wetland of International Importance. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included nine types of mammals, nine species of birds, two types of reptiles, four species of fish, and five species of invertebrates. Threatened species include the field adder, Apollo butterfly, and noble crayfish. One species of mollusk has become extinct.

## <sup>6</sup> POPULATION

The population of Macedonia in 2005 was estimated by the United Nations (UN) at 2,039,000, which placed it at number 139 in population among the 193 nations of the world. In 2005, approximately 11% of the population was over 65 years of age, with another 20% of the population under 15 years of age. There were 100 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.4%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 2,120,000. The population density was 79 per sq km (205 per sq mi), with lowland regions being the most populated.

The UN estimated that 59% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of

0.73%. The capital city, Skopje, had a population of 447,000 in that year. Most towns have fewer than 15,000 residents.

## 7 MIGRATION

In February 1999, violence in Kosovo forced more than 10,000 refugees to flee to Macedonia. The situation reached an emergency level when hundreds of thousands of refugees were arriving in late March and early April. By early June, the refugee population had grown to some 260,000. Macedonia did not have sufficient resources to cope with an emergency of this magnitude. At the government's request, some third-country asylum nations enacted bilateral evacuation programs, independently of the United Nations High Commissioner for Refugees (UNHCR). Also, a joint UNHCR/IOM Humanitarian Evacuation Programme was established, under which more than 90,000 refugees were evacuated from Macedonia to 29 countries. A Humanitarian Transfer Programme was also organized to set up camps in Albania for 1,300 refugees. The total number of migrants that year was 626,000, including 484,400 refugees.

In 2003 remittances to Macedonia were \$148 million. The net migration rate for Macedonia in 2005 was -0.7 migrants per 1,000 population. The government views the migration levels as too high.

## 8 ETHNIC GROUPS

According to the 2002 census, Macedonians comprise about 64.2% of the population. Another 25.2% are ethnic Albanians, mostly living in the west, particularly the northwest. Other groups include Turks (3.9%), Roma (2.7%), Serbs (1.8%), and others (including Bosniaks and Vlachs, 2.2%).

## 9 LANGUAGES

Macedonian is a southern Slavic tongue that was not officially recognized until 1944, and is the primary language of 66.5% of the population. Bulgarians claim it is merely a dialect of their own language. As in Bulgarian, there are virtually no declensions and the definite article is suffixed. Also as in Bulgarian—and unlike any other Slavic language—an indefinite article exists as a separate word. It is written in the Cyrillic alphabet, but with two special characters—*r* and *k*. Minority languages are officially recognized at the local level. Albanian is spoken by about 25.1% of the population, Turkish by about 3.5%, Roma by 1.9%, Serbian by 1.2%, and various other languages by 1.8%.

## 10 RELIGIONS

About 66% of the population are nominally Macedonian Orthodox; another 30% are Muslim, 1% are Roman Catholic, and about 3% belong to various other faiths. The other faiths are mostly various Protestant denominations. Islam is commonly practiced among ethnic Albanians living primarily in the western part of the country and in the capital of Skopje. The Roman Catholic community is centered in Skopje, as is a small Jewish community.

Though the constitution allows for religious freedom, the government places some restrictions on religious groups that concern the establishment of houses of worship and the collection of monetary donations. Religious groups are registered under the Law on Religious Communities and Religious Groups.

## 11 TRANSPORTATION

A railway connects Skopje with Serbia to the north and the Greek port of Salonika to the south. In 2004, rail trackage totaled 699 km (434 mi) of standard gauge track, of which 233 km (144 mi) were electrified. As of 2002, a 56 km (35 mi) extension of the Kumanovo-Beljakovce line to the Bulgarian border at Gyueshevo was under construction. In 2001, there were 8,684 km (5,396 mi) of highways, of which 5,540 km (3,442 mi) were paved, including 133 km (83 mi) of expressways.

As of 2004, there were an estimated 17 airports, including 10 with paved runways (as of 2005). In 2003, about 201,000 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

### Origin and Middle Ages

Macedonia is an ancient name, historically related to Philip II of Macedon, whose son became Alexander the Great, founder of one of the great empires of the ancient world. As a regional name, Macedonia, the land of the Macedons, has been used since ancient Greek times for the territory extending north of Thessaly and into the Vardar River Valley and between Epirus on the west and Thrace on the east. In Alexander the Great's time, Macedonia extended west to the Adriatic Sea over the area then called Illyris, part of today's Albania. Under the Roman Empire, Macedonia was extended south over Thessaly and Achaia.

Beginning in the 5th century AD Slavic tribes began settling in the Balkan area, and by 700 they controlled most of the Central and Peloponnesian Greek lands. The Slavic conquerors were mostly assimilated into Greek culture except in the northern Greek area of Macedonia proper and the areas of northern Thrace populated by "Bulgarian" Slavs. That is how St. Cyril and Methodius, two Greek brothers and scholars who grew up in the Macedonian city of Salonika, were able to become the "Apostles of the Slavs," having first translated Holy Scriptures in 863 into the common Slavic language they had learned in the Macedonian area.

Through most of the later Middle Ages, Macedonia was an area contested by the Byzantine Empire, with its Greek culture and Orthodox Christianity, the Bulgarian Kingdom, and particularly the 14th century Serbian empire of Dušan the Great. The Bulgarian and Serbian empires contributed to the spread of Christianity through the establishment of the Old Church Slavic liturgy.

After Dušan's death in 1355 his empire collapsed, partly due to the struggle for power among his heirs and partly to the advances of the Ottoman Turks. Following the defeat of the Serbs at the Kosovo Field in 1389, the Turks conquered the Macedonian area over the next half century and kept it under their control until the 1912 Balkan war.

### Under Ottoman Rule

The decline of the Ottoman Empire brought about renewed competition over Slavic Macedonia between Bulgaria and Serbia. After the Russo-Turkish war of 1877 ended in a Turkish defeat, Bulgaria, an ally of Russia, was denied the prize of the Treaty of San Stefano (1878) in which Turkey had agreed to an enlarged and autonomous Bulgaria that would have included most of Macedonia. Such an enlarged Bulgaria—with control of the Vardar River

Valley and access to the Aegean Sea—was, however, a violation of a prior Russo-Austrian agreement. The Western powers opposed Russia's penetration into the Mediterranean through the port of Salonika and, at the 1878 Congress of Berlin, forced the "return" of Macedonia and East Rumelia from Bulgaria to Turkey. This action enraged Serbia, which had fought in the war against Turkey, gained its own independence, and hoped to win control of Bosnia and Herzegovina, which had been given over to Austrian control, for itself.

In this situation both Serbia and Bulgaria concentrated their efforts on Macedonia, where Greek influence had been very strong through the Greek Orthodox Church. The Bulgarians obtained their own Orthodox Church in 1870, that extended its influence to the Macedonian area and worked in favor of unification with Bulgaria through intensive educational activities designed to "Bulgarize" the Slavic population. Systematic intimidation was also used, when the Bulgarians sent their terrorist units (*komite*) into the area. The Serbian side considered Macedonia to be Southern Serbia, with its own dialect but using Serbian as its literary language. Serbian schools predated Bulgarian ones in Macedonia and continued with their work.

While individual instances of Macedonian consciousness and language had appeared by the end of the 18th century, it was in the 1850s that "Macedonists" had declared Macedonia a separate Slavic nation. Macedonian Slavs had developed a preference for their central Macedonian dialect and had begun publishing some writings in it rather than using the Bulgaro-Macedonian version promoted by the Bulgarian Church and government emissaries. Thus, Macedonia, in the second half of the 19th century, while still under the weakening rule of the Turks, had become the object of territorial and cultural claims by its Greek, Serb, and Bulgarian neighbors. The most systematic pressure had come from Bulgaria and had caused large numbers of "Bulgaro-Macedonians" to emigrate to Bulgaria—some 100,000 in the 1890s—mainly to Sophia, where they constituted almost half the city's population and an extremely strong pressure group.

### Struggle for Autonomy

More and more Macedonians became convinced that Macedonia should achieve at least an autonomous status under Turkey, if not complete independence. In 1893, a secret organization was formed in Salonika aiming at a revolt against the Turks and the establishment of an autonomous Macedonia. The organization was to be independent of Serbia, Bulgaria, and Greece and was named the Internal Macedonian Revolutionary Organization (IMRO), a group that became Socialist, revolutionary, and terrorist in nature. Much like Ireland's IRA, IMRO spread through Macedonia and became an underground paragovernmental network active up to World War II. A pro-Bulgarian and an independent Macedonian faction soon developed, the first based in Sophia, the second in Salonika. Its strong base in Sophia gave the pro-Bulgarian faction a great advantage and it took control and pushed for an early uprising in order to impress the Western powers into intervening in support of Macedonia.

The large scale uprising took place on 2 August 1903 (Ilinden—"St. Elijah's Day") when the rebels took over the town of Kruševo and proclaimed a Socialist Republic. After initial defeats of the local Turkish forces, the rebels were subdued by massive Ottoman



LOCATION: 41°50' N; 22°0' E. BOUNDARY LENGTHS: Total boundary lengths, 748 kilometers (465 miles); Albania, 151 kilometers (94 miles); Bulgaria, 148 kilometers (92 miles); Greece, 228 kilometers (142 miles); Serbia, 221 kilometers (137.3 miles).

attacks using scorched earth tactics and wholesale massacres of the population over a three-month period. Europe and the United States paid attention and forced Turkey into granting reforms to be supervised by international observers. However, the disillusioned IMRO leadership engaged in factional bloody feuds that weakened the IMRO organization and image. This encouraged both Serbs and Greeks in the use of their own armed bands—Serbian Cetniks and Greek Andarte—creating an atmosphere of gang warfare in which Bulgaria, Serbia, and Greece fought each other (instead of the Turks) over a future division of Macedonia. In the meantime, the Young Turks movement had spread among Turkish officers and military uprisings began in Macedonia in 1906. These uprisings spread and Turkish officers demanded a constitutional system. They believed that Turkey could be saved only by Westernizing. In 1908 the Young Turks prevailed, and offered to the IMRO leadership agrarian reforms, regional autonomy, and introduction of the Macedonian language in the schools. However, the Young Turks turned out to be extreme Turkish nationalists bent on the assimilation of other national groups. Their denation-

alizing efforts caused further rebellions and massacres in the Balkans. Serbia, Greece, Bulgaria, and Montenegro turned for help to the great powers, but to no avail. In 1912 they formed the Balkan League, provisionally agreed on the division of Turkish Balkan territory among themselves, and declared war on Turkey in October 1912 after Turkey refused their request to establish the four autonomous regions of Macedonia—Old Serbia, Epirus, and Albania—already provided for in the 1878 Treaty of Berlin.

### Balkan Wars

The quick defeat of the Turks by the Balkan League stunned the European powers, particularly when Bulgarian forces reached the suburbs of Istanbul. Turkey signed a treaty in London on 30 May 1913 giving up all European possessions with the exception of Istanbul. However, when Italy and Austria vetoed a provision granting Serbia access to the Adriatic at Durazzo and Alessio and agreed to form an independent Albania, Serbia demanded a larger part of Macedonia from Bulgaria. Bulgaria refused and attacked both Serbian and Greek forces. This caused the second Balkan War that ended in a month with Bulgaria's defeat by Serbia and Greece with help from Romania, Montenegro, and Turkey. The outcome was the partitioning of Macedonia between Serbia and Greece. Turkey regained the Adrianople area it had lost to Bulgaria. Romania gained a part of Bulgarian Dobrudja while Bulgaria kept a part of Thrace and the Macedonian town of Strumica. Thus Southern Macedonia came under the Hellenizing influence of Greece while most of Macedonia was annexed to Serbia. Both Serbia and Greece denied any Macedonian "nationhood." In Greece, Macedonians were treated as "Slavophone" Greeks while Serbs viewed Macedonia as Southern Serbia and Serbian was made the official language of government and instruction in schools and churches.

### First and Second Yugoslavia

After World War I, the IMRO organization became a terrorist group operating out of Bulgaria with a nuisance role against Yugoslavia. In later years, some IMRO members joined the Communist Party and tried to work toward a Balkan Federation where Macedonia would be an autonomous member. Its interest in the dissolution of the first Yugoslavia led IMRO members to join with the Croatian Ustaša in the assassination of King Alexander of Yugoslavia and French Foreign Minister Louis Barthou in Marseille on 9 October 1934. During World War II, Bulgaria, Hitler's ally, occupied the central and eastern parts of Macedonia while Albanians, supported by Italy, annexed western Macedonia along with the Kosovo region. Because of Bulgarian control, resistance was slow to develop in Macedonia; a conflict between the Bulgarian and Yugoslav Communist parties also played a part. By the summer of 1943, however, Tito, the leader of the Yugoslav Partisans, took over control of the Communist Party of Macedonia after winning its agreement to form a separate Macedonian republic as part of a Yugoslav federation. Some 120,000 Macedonian Serbs were forced to emigrate to Serbia because they had opted for Serbian citizenship. Partisan activities against the occupiers increased and, by August 1944, the Macedonian People's Republic was proclaimed with Macedonian as the official language and the goal of unifying all Macedonians was confirmed. But this goal was not achieved. However, the "Pirin" Macedonians in Bulgaria were granted their own cultural development rights in 1947, and then lost them after

the Stalin-Tito split in 1948. The Bulgarian claims to Macedonia were revived from time to time after 1948.

On the Greek side, there was no support from the Greek Communist Party for the unification of Macedonian Slavs within Greece with the Yugoslav Macedonians, even though Macedonian Slavs had organized resistance units under Greek command and participated heavily in the postwar Greek Communists' insurrection. With Tito's closing the Yugoslav-Greek frontier in July 1949 and ending his assistance to the pro-Cominform Greek Communists, any chance of territorial gains from Greece had dissipated. On the Yugoslav side, Macedonia became one of the co-equal constituent republics of the Federal Socialist Republic of Yugoslavia under the Communist regime of Marshal Tito. The Macedonian language became one of the official languages of Yugoslavia, along with Slovenian and Serbo-Croatian, and the official language of the Republic of Macedonia where the Albanian and Serbo-Croatian languages were also used. Macedonian was fully developed into the literary language of Macedonians, used as the language of instruction in schools as well as the newly established Macedonian Orthodox Church. A Macedonian University was established in Skopje, the capital city, and all the usual cultural, political, social, and economic institutions were developed within the framework of the Yugoslav Socialist system of self-management. The main goals of autonomy and socialism of the old IMRO organization were fulfilled, with the exception of the unification of the "Pirin" (Bulgarian) and "Greek" Macedonian lands.

All of the republics of the former Federal Socialist Republic of Yugoslavia share a common history between 1945 and 1991, the year of Yugoslavia's dissolution. The World War II Partisan resistance movement, controlled by the Communist Party of Yugoslavia and led by Marshal Tito, won a civil war waged against nationalist groups under foreign occupation, having secured the assistance, and recognition, from both the Western powers and the Soviet Union. Aside from the reconstruction of the country and its economy, the first task facing the new regime was the establishment of its legitimacy and, at the same time, the liquidation of its internal enemies, both actual and potential. The first task was accomplished by the 11 November 1945 elections of a constitutional assembly on the basis of a single candidate list assembled by the People's Front. The list won 90% of the votes cast. The three members of the "coalition" government representing the Royal Yugoslav Government in exile had resigned earlier in frustration and did not run in the elections. The Constitutional Assembly voted against the continuation of the Monarchy and, on 31 January 1946, the new constitution of the Federal People's Republic of Yugoslavia was promulgated. Along with state-building activities, the Yugoslav Communist regime carried out ruthless executions, massacres, and imprisonments to liquidate any potential opposition.

The Tito-Stalin conflict that erupted in 1948 was not a real surprise considering the differences the two had had about Tito's refusal to cooperate with other resistance movements against the occupiers in World War II. The expulsion of Tito from the Cominform group separated Yugoslavia from the Soviet Bloc, caused internal purges of pro-Cominform Yugoslav Communist Party members, and also nudged Yugoslavia into a failed attempt to collectivize its agriculture. Yugoslavia then developed its own brand of Marxist economy based on workers' councils and self-manage-

ment of enterprises and institutions, and became the leader of the nonaligned group of nations in the international arena. Being more open to Western influences, the Yugoslav Communist regime relaxed somewhat its central controls. This allowed for the development of more liberal wings of Communist parties, particularly in Croatia and Slovenia, which agitated for the devolution of power from the federal to the individual republic level in order to better cope with the increasing differentiation between the more productive republics (Slovenia and Croatia) and the less developed areas. Also, nationalism resurfaced with tensions particularly strong between Serbs and Croats in the Croatian Republic, leading to the repression by Tito of the Croatian and Slovenian "Springs" in 1970–71.

The 1974 constitution shifted much of the decision-making power from the federal to the republics' level, turning the Yugoslav Communist Party into a kind of federation (league) of the republican parties, thus further decentralizing the political process. The autonomous provinces of Vojvodina and Kosovo were also given a quasi-sovereign status as republics, and a collective presidency was designed to take over power upon Tito's death. When Tito died in 1980, the delegates of the six republics and the two autonomous provinces represented the interests of each republic or province in the process of shifting coalitions centered on specific issues. The investment of development funds to assist the less developed areas became the burning issue around which nationalist emotions and tensions grew ever stronger, along with the forceful repression of the Albanian majority in Kosovo.

The economic crisis of the 1980s, with runaway inflation, inability to pay the debt service on over \$20 billion in international loans that had accumulated during Tito's rule, and low productivity in the less-developed areas became too much of a burden for Slovenia and Croatia, leading them to stand up to the centralizing power of the Serbian (and other) Republics. The demand for a reorganization of the Yugoslav Federation into a confederation of sovereign states was strongly opposed by the coalition of Serbia, Montenegro, and the Yugoslav army. The pressure towards political pluralism and a market economy also grew stronger, leading to the formation of non-Communist political parties that, by 1990, were able to win majorities in multiparty elections in Slovenia and then in Croatia, thus putting an end to the era of the Communist Party monopoly of power. The inability of the opposing groups of centralist and confederalist republics to find any common ground led to the dissolution of Yugoslavia through the disassociation of Slovenia, Croatia, Bosnia and Herzegovina, and Macedonia, leaving only Serbia and Montenegro together in a new Federal Republic of Yugoslavia.

The years between 1945 and 1990 offered the Macedonians an opportunity for development in some areas, in addition to their cultural and nation-building efforts, within the framework of a one-party Communist system. For the first time in their history the Macedonians had their own republic and government with a very broad range of responsibilities. Forty-five years was a long enough period to have trained generations for public service responsibilities and the governing of an independent state. In addition, Macedonia derived considerable benefits from the Yugoslav framework in terms of federal support for underdeveloped areas (Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro). Macedonia's share of the special development funds ranged from

26% in 1966 to about 20% in 1985, much of it supplied by Croatia and Slovenia.

In the wake of developments in Slovenia and Croatia, Macedonia held its first multiparty elections in November–December 1990, with the participation of over 20 political parties. Four parties formed a coalition government that left the strongest nationalist party (IMRO) in the opposition. In January 1991 the Macedonian Assembly passed a declaration of sovereignty.

### Independence

While early in 1989 Macedonia supported Serbia's Slobodan Milošević in his recentralizing efforts, by 1991, Milošević was viewed as a threat to Macedonia and its leadership took positions closer to the confederal ones of Slovenia and Croatia. A last effort to avoid Yugoslavia's disintegration was made 3 June 1991 through a joint proposal by Macedonia and Bosnia and Herzegovina, offering to form a "community of Yugoslav Republics" with a centrally administered common market, foreign policy, and national defense. However, Serbia opposed the proposal.

On 26 June 1991—one day after Slovenia and Croatia had declared their independence—the Macedonian Assembly debated the issue of secession from Yugoslavia with the IMRO group urging an immediate proclamation of independence. Other parties were more restrained, a position echoed by Macedonian president Kiro Gligorov in his cautious statement that Macedonia would remain faithful to Yugoslavia. Yet by 6 July 1991, the Macedonian Assembly decided in favor of Macedonia's independence if a confederal solution could not be attained.

Thus, when the process of dissolution of Yugoslavia took place in 1990–91, Macedonia refused to join Serbia and Montenegro and opted for independence on 20 November 1991. The unification issue was then raised again, albeit negatively, by the refusal of Greece to recognize the newly independent Macedonia for fear that its very name would incite irredentist designs toward the Slav Macedonians in northern Greece. The issue of recognition became a problem between Greece and its NATO allies in spite of the fact that Macedonia had adopted in 1992 a constitutional amendment forbidding any engagement in territorial expansion or interference in the internal affairs of another country. In April 1993, Macedonia gained membership in the UN, but only under the name of "Former Yugoslav Republic of Macedonia." Greece also voted against Macedonian membership in the Conference on Security and Cooperation in Europe on 1 December 1993. However, on 16 December 1993, the United Kingdom, Germany, Denmark, and the Netherlands had announced the initiation of the recognition process for Macedonia and other countries joined the process, which resulted in recognition of Macedonia by the United States on 8 February 1994. In April 1994 the EU began to take legal action in the European Court of Justice against Greece for refusing to lift a trade blockade against Macedonia that it initiated two months earlier. However, by October 1995, Greece agreed to lift the embargo, in return for concessions from Macedonia that included changing its national flag, which contained an ancient Greek emblem depicting the 16-pointed golden sun of Vergina. The dispute over the name of Macedonia remained, but the agreement defused the threat of violence in the region.

On 3 October 1995, Macedonian president Kiro Gligorov narrowly survived a car-bomb attack that killed his driver. The next



day, parliament named its speaker, Stojan Andov, as the interim president after determining that Gligorov was incapable of performing his functions. Gligorov resumed his duties in early 1996. As tensions between majority Albanians and minority Serbs in the neighboring Yugoslav province of Kosovo heated up from 1997 to 1999, fears mounted that full-scale fighting would spread to Macedonia. Ethnic violence erupted in the town of Gostivar in July 1997 after the Macedonian government sent in special military forces to remove the illegal Albanian, Turkish, and Macedonian flags flying outside the town hall. Several thousand protesters, some armed, had gathered and were in a stalemate with police. During the skirmish, police killed three ethnic Albanians and several policemen were shot. The Albanian nationalist Kosovo Liberation Army also claimed attacks against two police stations in Macedonia in December 1997 and January 1998. As the violence mounted the United Nations Security Council voted unanimously on 21 July 1998 to renew the UNPREDEP (United Nations Preventive Deployment Force) mandate another six months and to bolster the contingent with 350 more soldiers.

When full-scale fighting in Kosovo erupted in early 1999 and NATO responded with air strikes against Serbia, Macedonia became the destination for tens of thousands of Kosovar Albanian refugees fleeing from Serbian ethnic cleansing. For a while the situation in Macedonia remained tense as the government, fearful of a spillover of the fighting into its territory, closed its frontiers to refugees. Nonetheless, the presence of NATO forces and pledges of international aid prevented (aside from errant bombs and a couple of cross-border incursions) a spread of the fighting and maintained domestic stability in Macedonia.

However, in 2000, violence on the border with Kosovo increased, putting Macedonian troops in a state of high alert. In February 2001, fighting broke out between government forces and ethnic Albanian rebels, many of who were from the Kosovo Liberation Army, but some were also ethnic Albanians from within Macedonia. The insurrection broke out in the northwest, where rebels took up arms around the town of Tetovo, where ethnic Albanians make up a majority of the population. NATO deployed additional forces along the border with Kosovo to stop the supply of arms to the rebels; however, the buffer zone proved ineffective. As fighting intensified in March, the government closed the border with Kosovo. The UN High Commissioner for Refugees estimated that 22,000 ethnic Albanians had fled the fighting by that time. Fears in Macedonia of the creation of a "Greater Albania," including Kosovo and parts of Macedonia, were fueled by the separatist movement, and mass demonstrations were held in Skopje urging tougher action against the rebels. The violence continued throughout the summer, until August, when the Ohrid Framework Agreement was signed by the government and ethnic Albanian representatives, granting greater recognition of ethnic Albanian rights in exchange for the rebels' pledge to turn over weapons to the NATO peacekeeping force.

In November 2001, parliament amended the constitution to include reforms laid out in the Ohrid Framework Agreement. The constitution recognizes Albanian as an official language, and increases access for ethnic Albanians to public-sector jobs, including the police. It also gives ethnic Albanians a voice in parliament, and guarantees their political, religious and cultural rights. In March 2002, parliament granted an amnesty to the former rebels who

turned over their weapons to the NATO peacekeepers in August and September 2001. By September 2002, most of the 170,000 people who had fled their homes in advance of the fighting in 2001 had returned.

Parliamentary elections were held on 15 September 2002, which saw a change in leadership from the nationalist VMRO-DPMNE party of Prime Minister Ljubco Georgievski to the moderate Social Democratic League of Macedonia (SDSM)-led "Together for Macedonia" coalition. Branko Crvenkovski became prime minister. At that time Boris Trajkovski was president; he had been elected from the VMRO-DPMNE party in 1999. In the September 2002 elections, former ethnic Albanian rebel-turned-politician Ali Ahmeti saw his Democratic Union for Integration party (DUI) claim victory for the Albanian community, which makes up more than 25% of the Macedonian population. Ahmeti, former political leader of the National Liberation Army (NLA), delayed taking his seat in parliament until December, for fear it would ignite protests among Macedonians who still regarded him as a terrorist. Indeed, in January 2003, the DUI headquarters in Skopje came under assault from machine-gunfire and a grenade, the fourth such attack on DUI offices.

In November 2002, NATO announced that of 10 countries aspiring to join the organization, 7 would accede in 2004, leaving Albania, Macedonia, and Croatia to wait until a later round of expansion. In January 2003, Albania and Macedonia agreed to intensify bilateral cooperation, especially in the economic sphere, so as to prepare their way for NATO and EU membership.

The year 2004 was a rather tumultuous one for Macedonia, and Macedonians. In February, President Trajkovski, who was on his way to a conference in Mostar, Bosnia, died in a plane crash. Two months later, elections were staged to replace him. Branko Crvenkovski, the acting prime minister and the leader of the ruling Social Democratic Union of Macedonia, won the second round of the election, with 62.7% of the vote; his main opponent—Sasko Kedev of the VMRO-DPMNE—got 37.3%. In June 2004, Hari Kostov, the former minister of interior, became prime minister following approval by the parliament. His reign was to be chaotic and short lived though—ethnic protests littered the country as parliament implemented legislation that gave Albanians more autonomy in the areas where they predominated. In November 2004, Kostov resigned and his place was taken by the defense minister, Vlado Buckovski (who also took over the leadership of the Social Democratic Union). In the summer 2005, the parliament passed a law that allowed ethnic Albanians to fly the Albanian flag in the areas where they compose the majority.

### 13 GOVERNMENT

Macedonia achieved its independence from the former Yugoslavia on 20 November 1991, having adopted its constitution on 17 November 1991. Macedonia's unicameral assembly of 120 seats is called the Sobranje. Eighty-five members are elected in single-seat constituencies, and 35 are elected by proportional representation. The executive branch consists of the president (elected by popular vote for a five-year term) and the Council of Ministers (elected by the majority vote of all the deputies in the Sobranje). The prime minister is elected by the assembly. In November 2001, parliament amended the constitution to include greater recognition of ethnic Albanian political, religious, and cultural rights. In October 2005,

the president of Macedonia was Branko Crvenkovski, while Vlado Buckovski—the leader of the Social Democratic Union—occupied the prime minister post.

#### 14 POLITICAL PARTIES

Following the 2002 elections, party representation in the Sobrañje (Assembly) was as follows: the Together for Macedonia coalition (composed of 10 parties led by the Social Democratic League of Macedonia and the Liberal Democratic Party—SDSM-LDP), 40.5% (59 seats); Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian Unity (VMRO-DPMNE), 24.4% (34 seats); Democratic Union for Integration (DUI), 11.9% (16 seats); Democratic Party of Albanians (PDS), 5.2% (7 seats); Democratic Prosperity Party (PDP), 2.3% (2 seats); National-Democratic Party (NDP), 2.1% (1 seat); and the Socialist Party of Macedonia (SPM), 2.1% (1 seat). The DUI, PDS, PDP, and NDP are ethnic Albanian parties. The next legislative elections were scheduled to take place in 2006. The last presidential election was held in 2004 and Social-Democrat Branko Crvenkovski won a majority in the second round over his main opponent, VMRO-DPMNE candidate Sasko Kedev. The next presidential elections were scheduled to take place in April 2009.

#### 15 LOCAL GOVERNMENT

Macedonia's 85 municipalities form the structure of local government. (Out of these municipalities, 10 represent the greater Skopje area.) The municipality is the basic self-managed sociopolitical community. Council members are directly elected for four-year terms, as are the mayors of the municipalities. Citizens may form neighborhood (village and suburb) governing bodies. Where the number of members of a particular nationality exceeds 20% of the total number of inhabitants in a municipality, the language and alphabet of that nationality shall be in official use, in addition to Macedonian and the Cyrillic alphabet.

The local elections held in April 2005 went without ethnic tensions, although international observers drew attention to irregularities during all of the three voting rounds. Despite criticism, Prime Minister Buckovski considered the local election process to be a "model" for the future. The ruling Together for Macedonia coalition won 36 mayoral races; the Albanian Democratic Union of Integration (a coalition partner of the former) won 15; the VMRO-DPMNE, 21; the VMRO-People's Party, 3; the Democratic Party of Albanians/Party of Democratic Prosperity, 2; the Macedonian Roma Alliance, 1; the rest of the seven mayoral seats were won by mayors supported by a voter's bloc. Trifun Kostovski won the city of Skopje race over the candidate of the SDSM-led coalition—Risto Penov.

#### 16 JUDICIAL SYSTEM

The judicial system is comprised of three tiers: municipal courts, district courts, and the Supreme Court. A Constitutional Court handles issues of constitutional interpretation, including protection of individual rights. The constitution directs the establishment of a people's ombudsman to defend citizens' fundamental constitutional rights; the office became functional in 1997. An independent Republican Judicial Council appoints judges, who are confirmed by parliament. The Constitutional Court has not yet rendered any decisions in the area of protection of individual

rights or liberties. The constitution guarantees the autonomy and independence of the judiciary.

#### 17 ARMED FORCES

In January 1992, the Macedonian Assembly approved the formation of a standing army of 25,000–30,000 troops. However, the actual size of the military was 10,890 active personnel in 2005, of which the army was the largest service with 9,760 active members. The army was equipped with 61 main battle tanks, 51 reconnaissance vehicles, 11 armored infantry fighting vehicles, 207 armored personnel carriers, and 944 artillery pieces. Although there is no data as to the number of reservists, the nation's reserve forces were broken down in 2005 into eight infantry brigades and one (each) artillery, antitank and air defense regiments. The army also operated a maritime patrol arm equipped with five patrol/coastal vessels. The air force had 1,130 active personnel which had four combat capable aircraft made up of four fighter ground attack aircraft. The nation's paramilitary force consisted of a police force numbering 7,600, of which some 5,000 were armed. As of 2005, foreign forces stationed in Macedonia consist of 260 US personnel attached to KFOR 1. The national defense budget in 2005 totaled \$129 million.

In March 1997, rioters in neighboring Albania looted government armories, making off with hundreds of thousands of AK-47 assault rifles. Substantial numbers of those weapons were smuggled into Macedonia and sold to ethnic Albanians.

#### 18 INTERNATIONAL COOPERATION

The Former Yugoslav Republic of Macedonia was admitted to the United Nations on 8 April 1993; it is a part of ECE and a member of several nonregional specialized agencies, such as FAO, IAEA, IMF, UNESCO, UNIDO, WHO, and the World Bank. Macedonia is also a member of the Council of Europe, the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, the NATO Partnership for Peace, and the OSCE.

In February 1994 Macedonia's sovereignty was recognized by the United States and EU countries. Greece objected to the use of the name Macedonia by the nation and imposed a trade embargo for this and other issues. Greece and Macedonia signed an interim agreement in 1995 ending the embargo and opening negotiations for diplomatic recognition. Also in 1995, Macedonia ratified the European Convention on Human Rights and accepted the jurisdiction of the European Court of Human Rights. The convention includes several Eastern and Central European nations that see membership as a precursor to possible admission to the European Union in the future.

In environmental cooperation, Macedonia is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on the Law of the Sea and Climate Change.

#### 19 ECONOMY

Although the poorest of the six former Yugoslav republics, Macedonia nevertheless can sustain itself in food and energy needs using its own agricultural and coal resources. Due to the scarcity of arable land in the Vardar River Valley and other valleys in the

west, expatriate employment in Serbia and Germany has become more common.

In August 1992, because it resented the use of "Macedonia" as the republic's name and feared a hidden ambition to lay claim to the Greek province with the same name, Greece imposed a partial blockade on Macedonia. Greece later imposed a full trade embargo against Macedonia in February 1994. This blockade, combined with the UN sanctions on Serbia and Montenegro, cost the economy an estimated \$2 billion by the end of 1994. Macedonia's per capita GNP fell from \$1,800 to less than \$760 because of the sanctions and the Greek blockade. After threats of legal action by the EU, in October 1995 Greece ceased the embargo and promised not to interfere with Macedonia's commerce.

From 1998 to 2000 real GDP growth averaged a little over 4%, but in 2001, in the wake of rising global tensions and a global economic slowdown, real GDP growth fell 4.5%. Although 2002 saw an end to the contraction, growth was estimated at only 0.3%. Inflation had jumped to 6.1% in 2000, but moderated to 3.7% in 2001, and was projected at only 1% in 2002. Unemployment remains a serious problem. The official estimate for 2002 was almost 32%, with some 70% of 15- to 24-year-olds without work. In 2001, agriculture accounted for about 10% of GDP; industry, 32%; and services, 58%.

In 2004, the GDP growth rate was 5.3%, up from 4.7% in 2003; by 2005 however, it was expected to fall to 5.0%. Inflation decreased to negative values in 2004 (-0.4%), but overall it tended to hover around 1%. At around 37%, unemployment remains a big problem for the Macedonian economy, although many of the seemingly jobless are thought to hold jobs in the informal sector. The economic growth is expected to remain steady over the next years, and will be fueled by rapid growth in a series of key sectors: transport and telecommunications, trade and financial services. This growth will in turn spur an increase in domestic demand, and a recovery of the industrial sector (especially steel production).

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Macedonia's gross domestic product (GDP) was estimated at \$15.6 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$7,400. The annual growth rate of GDP was estimated at 4%. The average inflation rate in 2005 was 1%. It was estimated that agriculture accounted for 11.7% of GDP, industry 32.1%, and services 56.2%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$171 million or about \$8 per capita and accounted for approximately 3.7% of GDP. Foreign aid receipts amounted to \$234 million or about \$114 per capita and accounted for approximately 5.0% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Macedonia totaled \$3.46 billion or about \$165 per capita based on a GDP of \$4.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at

an average annual rate of 2.1%. In 2001 it was estimated that approximately 33% of household consumption was spent on food, 15% on fuel, 6% on health care, and 9% on education. It was estimated that in 2003 about 30.2% of the population had incomes below the poverty line.

## 21 LABOR

There were an estimated 855,000 persons in the Macedonian labor force in 2004. As of 2003, 22% were in agriculture, 33.9% in industry, 43.8% in the services sector, with 0.3% in undefined occupations.

The constitution guarantees citizens the right to form labor unions with restrictions on the military, police, and government workers. Approximately 50% of the workforce is organized. The Confederation of Trade Unions of Macedonia (SSSM) is the labor confederation which is the successor to the old Communist Party labor confederation, and is still the government's primary negotiating partner on social issues. Employees have little bargaining power in the weak economic environment. Strikes may be utilized to protect employee interests.

Macedonian law establishes a 40-hour workweek, with a 24-hour rest period (minimum) plus vacation and sick leave. The minimum employment age by law is 15 years, with minors under the age of 18 limited by the number of hours they can work and by the types of work they can perform. The law provides that workplaces must meet minimum occupational health and safety standards but reports indicate that these are not effectively enforced. As of 2005, Macedonia did not have a legal national minimum wage. The average monthly wage that year was about \$250, and did not provide a family with a living wage. It was estimated by the government that around 29.6% of the population lived below the poverty line.

## 22 AGRICULTURE

As of 2003, there were some 612,000 hectares (1,512,000 acres) of arable land, representing 24% of the total land area. Most private farms are very small; 65% of private farmers own at most one hectare (2.7 acres) sometimes scattered in five or six locations.

Wheat production is concentrated in south central Macedonia and in public farms. Corn and barley are produced throughout the country, mostly by the private sector. About 80% of agricultural land is held by the private sector. The remaining 20% is held by state-owned enterprises known as Kombinats. Estimated grain production in 2004 included: wheat, 358,000 tons; barley, 150,000 tons; and corn, 146,000 tons. Rye, rice, and oats are also grown in smaller quantities. Other important crops produced in 2004 included (in 1,000 tons): tomatoes, 117; potatoes, 199; sunflower seeds, 7.4; sugar beets, 52; and walnuts, 3.7. In 2004, 247,600 tons of grapes and 26,000 tons of plums were produced. Tobacco is grown throughout Macedonia and is planted on 4% of the arable land. Production was 21,140 tons in 2004.

## 23 ANIMAL HUSBANDRY

Meadows and pastures accounted for about 25% of the total land area. Livestock in 2005 consisted of 1,200,000 sheep, 265,000 head of cattle, 200,000 pigs, and 3,000,000 chickens. Cattle numbers have increased slightly since 1992 due mainly to the increase in cows. About 50% of cattle are for the dairy sector. There are about

30 state farms with 250–1,200 cows in the Skopje and Bitola areas. Over 90% of cattle, however, are in private hands, with most farmers rarely having more than three cows because of limited land. Cow milk accounts for 74% of milk production; sheep milk, 26%. The rapidly growing goat sector is also contributing to increasing milk production. The raising of goats was prohibited during the socialist era in order to protect forestry resources. Production in 2005 included (in tons): mutton, 7,500; beef, 10,000; poultry, 4,000; and milk, 263,000.

## 24 FISHING

Inland fishing occurs on Lake Ohrid, Lake Prespa, and the Vardar River. The total catch in 2003 was 1,648 tons (primarily trout and carp), all from inland fishing. Macedonia has no direct access to the sea for marine fishing.

## 25 FORESTRY

About 36% of the total area consisted of forests and woodlands in 2000, mostly in the eastern and southern regions. Bitola is the center for the wood products industry. Total roundwood production in 2004 was 812,000 cu m (28.7 million cu ft), with 85% used as firewood.

## 26 MINING

Macedonia's mining and quarrying sector output, by value, dropped approximately 39% in 2003 from the previous year, although the country's gross domestic product (GDP) that year rose by 3.1% from 2002. Lead-zinc ore was mined at Kamenica and Probistip; copper, at Bucim; and iron ore, at Tajmite, Demir Hisar, and Damjan. Gold, bentonite, diatomite, feldspar, lime, talc, pumice, stone (carbonite and silicate), gypsum, and sand and gravel were also produced in 2003. Most of the industrial minerals produced went mainly to Balkan countries, the EU, and Russia. Production totals in 2003 were: mined lead (by gross weight), 40,000 metric tons, down from 200,000 metric tons in 2002; zinc (refined primary and secondary metal), 15,100 metric tons, down from 38,000 metric tons in 2002; copper (concentrate by gross weight), 15,000 metric tons; silver, 10,000 kg, down from 12,000 kg in 2002; and gold 400 kg, down from 500 kg in 2002. No chromite was produced in 1998, 1999, 2000 or 2003. Nickel output in 2003 totaled 5,600 metric tons, up from 5.100 metric tons in the previous year.

## 27 ENERGY AND POWER

In 2002, 5.762 billion kWh of electricity were generated, of which 86.7% came from conventional thermal plants and the rest from hydropower. Installed capacity totaled 1,568,000 kW in 2001. Consumption of electricity in 2002 was 6.150 billion kWh.

Macedonia's only domestic mineral fuel is coal. In 2002, the country produced 8,356,000 short tons, all of which was brown coal or lignite. Imports of coal totaled 183,000 short tons. Demand for coal in 2002 came to 8,092,000 short tons.

Macedonia imported an average of 11,540 barrels per day of refined petroleum products, with demand that year averaging 20,160 barrels per day. There were no record imports or production of natural gas in 2002.

## 28 INDUSTRY

Macedonia's industries are centered around Skopje. Steel and chemical production, along with buses, textiles, food processing, tobacco, furniture, and ceramics are important industries. In 1995, the government began privatizing its 25 largest public industries. Industry accounted for 31% of GDP in 2001. The Kosovo crisis of 1999 severely disrupted the Macedonian economy, as did the ethnic Albanian armed insurgency in Macedonia in 2001.

In 2004, industry made up 26% of the GDP, down from 32.8% in 2003. Services benefited from this loss, growing from a 55.5% participation in the GDP in 2003, to 62.8% in 2004. Agriculture remained relatively stable, at about 11%. The industrial production growth rate in 2004 was consequently 0%, indicating a loss of momentum for the industrial sector. Main industries were resource based and included coal, metallic chromium, lead, zinc, ferronickel, textiles, wood products, tobacco, food processing, buses, and steel. By 2005, industry showed signs of recovery, with the industrial output growth jumping to 8.2% in the first nine months of the year.

## 29 SCIENCE AND TECHNOLOGY

The Former Yugoslav Republic of Macedonia uses only low levels of technology for its agriculture and mining industries. Oil refining is performed by distillation only.

The Macedonian Academy of Sciences and Arts, founded in 1967 at Skopje, has sections of biological and medical sciences and of mathematical and technical sciences. The country also has an Association of Sciences and Arts, founded in 1960 at Bitola, as well as specialized learned societies concerned with physics, pharmacy, geology, medicine, mathematics and computers, veterinary surgery, engineering, forestry, and agriculture. Macedonia has research institutes dealing with geology, natural history, cotton, animal breeding, tobacco, animal husbandry, and water development.

The University of Skopje (founded in 1949) has faculties of civil engineering, agriculture, veterinary medicine, forestry, medicine, pharmacy, mechanical engineering, electrotechnical engineering, technology and metallurgy, natural and mathematical sciences, stomatology, and geology and mining. In 1987–97, science and engineering students accounted for 47% of university enrollment. The Natural History Museum of Macedonia (founded in 1926) is located in Skopje.

Macedonia in the period 1990–2001, had 387 scientists and engineers and 29 technicians per million people engaged in research and development (R&D). In 2002, Macedonia spent \$34.212 million on R&D, or 0.68% of its GDP. Of that amount, government sources accounted for 76.3% of R&D spending, with foreign sources accounting for 8.6%; business accounted for 7.8%; and higher education 7.3%. High technology exports in 2002 totaled \$9 million, or 1% of its manufactured exports.

## 30 DOMESTIC TRADE

The commercial and industrial center of the country is Skopje, with industries that include glass, beer, bricks, and tobacco. Prilep serves as the nation's agricultural center for tobacco and fruit. Kumanovu is an industrial center for canning and tobacco processing and a trading center for cattle, fruit, and liquor. Domestic

commerce typically centers around an urban marketplace, where marketing of farm products is carried out. Formal trade of products and commodities through state enterprises has declined since independence. However, private traders do not always offer a consistent and reliable market outlet for producers.

### 3<sup>1</sup> FOREIGN TRADE

In 1999, exports amounted to \$1.2 billion, of which manufactured goods accounted for an estimated 89%; agriculture, 9%; and mining, 2%. Imports in 1999 totaled \$1.8 billion, of which machinery and transport equipment accounted for an estimated 20%; manufactured goods, 16%; food and live animals, 12%; chemicals, 10%; fuels and lubricants, 9%; other manufactured products, 5%; raw materials (excluding fuels), 3%; and beverages and tobacco, 2%.

In 2004, exports totaled \$1.6 billion (FOB—Free on Board), while imports grew to \$2.7 billion. Macedonia's main export partners were Serbia and Montenegro (which received 31.4% of total exports), Germany (19.9%), Greece (8.9%), Croatia (6.9%), and the United States (4.9%). Imports mainly came from Greece (15.4%), Germany (13.1%), Serbia and Montenegro (10.4%), Slovenia (8.6%), Bulgaria (8.1%), Turkey (6%), and Romania (4.7%).

The structure of the trade has changed dramatically since 1999. Over the course of only five years, Macedonia's export structure changed to: textiles and clothing (which accounted for 32.3% of all exports), iron and steel (24.2%), chemicals (4.8%), petroleum and petroleum products (4.5%), and tobacco (4.4%). Principal imports included: petroleum and petroleum products (10.2%), road vehicles (6.3%), industrial machinery (4.9%), meat and meat preparations (3.0%), and medical and pharmaceutical products.

### 3<sup>2</sup> BALANCE OF PAYMENTS

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Macedonia's exports was \$1 billion while imports totaled \$1.6 billion resulting in a trade deficit of \$600 million.

The International Monetary Fund (IMF) reported that in 2001 Macedonia had exports of goods totaling \$1.15 billion and imports totaling \$1.58 billion. The services credit totaled \$234 million and debit \$337 million.

Exports of goods and services totaled \$1.7 billion in 2004, up from \$1.4 billion in 2003. Imports grew from \$2.1 billion in 2003, to \$2.8 billion in 2004. The resource balance was on a negative upsurge, growing from -\$0.7 billion in 2003, to -\$1.1 billion in 2004. A similar trend was registered for the current account balance, which deteriorated from -\$149 million in 2003, to -\$414.8 million in 2004 (or -3.3% of the GDP). The national reserves (excluding gold) were \$897 million in 2003, covering approximately five months of imports; in 2004, they grew to \$905 million. Macedonia's balance of payment trade deficit was expected to decrease in 2005 as a result of export growth, especially of metals.

### 3<sup>3</sup> BANKING AND SECURITIES

In 1992, the National Bank of Macedonia was created to issue currency, conduct monetary policies, and regulate the banking sector of the country.

Commercial banks in Macedonia include the Komercijalna Banka and Scopanska Banka, both in Skopje. The currency unit is the Macedonia denar (DEN) introduced on 10 May 1993, at a rate

of 1:1,000 against the coupon. The central bank also introduced a floating rate for the denar against major currencies. There are no security exchanges in the country.

Under a five-year stabilization program agreed with the IMF, the government is focusing on reducing inflation, overhauling the financial system, and launching structural reforms. Despite the Greek blockade, the program met its fiscal targets in 1994 with the state deficit declining to 2.5% of GDP in 1994. Reform of the state banking system made progress in 1996, although banks are still lending to inefficient state enterprises. Privatization has made some progress with the privatization agency raising \$8 million in revenue in 1994 through the sale of four large companies and 14 medium-sized and small companies.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—

#### Principal Trading Partners – Macedonia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,363.3	2,299.9	-936.6
Germany	278.4	303.9	-25.5
Serbia and Montenegro	273.8	212.6	61.2
Greece	179.8	300.2	-120.4
Italy-San Marino-Holy See	95.4	122.6	-27.2
United States	72.8	56.5	16.3
Croatia	66.1	63.5	2.6
France-Monaco	54.7	51.5	3.2
Netherlands	46.8	49.1	-2.3
United Kingdom	35.1	38.6	-3.5
Turkey	32.8	78.8	-46.0

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Macedonia (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-278.5</b>
Balance on goods		-851.5
Imports	-2,210.5	
Exports	1,359.0	
Balance on services		654.6
Balance on income		-32.4
Current transfers		607.9
<b>Capital Account</b>		<b>-6.7</b>
<b>Financial Account</b>		<b>248.4</b>
Direct investment abroad		-0.3
Direct investment in Macedonia		94.6
Portfolio investment assets		0.3
Portfolio investment liabilities		3.3
Financial derivatives		...
Other investment assets		12.2
Other investment liabilities		138.3
<b>Net Errors and Omissions</b>		<b>90.4</b>
<b>Reserves and Related Items</b>		<b>-53.5</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

were equal to \$164.1 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$887.3 million. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 10.7%.

### 34 INSURANCE

In 1995, the Makedonija Insurance and Reinsurance Company was offering the following types of insurance: property, liability, life, accident, motor, fire, and marine.

### 35 PUBLIC FINANCE

The US Central Intelligence Agency (CIA) estimated that in 2005 Macedonia's central government took in revenues of approximately \$2.1 billion and had expenditures of \$2.2 billion. Revenues minus expenditures totaled approximately -\$84 million. Public debt in 2005 amounted to 32.6% of GDP. Total external debt was \$2.207 billion.

### 36 TAXATION

As of 2005, Macedonia had a 15% corporate tax rate, which was also applied to branch operations. Capital gains, interest and royalties are considered income and are taxed at the corporate rate. Dividends paid to resident companies are not considered income, if the dividends were paid out of taxable income. Dividends paid to individuals are taxed at the corporate rate, but are applied to only 50% of the gross dividend amount. Personal income taxes range from 1.28–2.17%. Payroll taxes include a 21.2% rate for the pension fund, a 9.2% rate for the health fund, a 1.6% employment tax, and a 0.5% additional health fund contribution. On 1 April 2000 a value-added tax (VAT) was introduced. As of 2005, the standard VAT rate was 18%. There is also a reduced rate of 5% applied to basic goods and services. Other taxes include excise taxes on petrol, fuel oil, alcoholic beverages, tobacco, and property taxes.

### 37 CUSTOMS AND DUTIES

Macedonia has adopted a duty-free import agreement with Slovenia, Croatia, and Serbia (as of October 1996). Importers pay only a border crossing tax for document handling. Macedonia is also seeking to establish a trade zone with Bulgaria and Albania. Tariffs, as of 2005, ranged from 0–30%, with the average at 10.5%, and were based on the item's cost, insurance and freight (CIF) value. However, products such as beverages, cereals, vegetables and fruit were subject to a 60% rate. The VAT is also applied to imports based on the CIF plus duty value. Corruption in the customs system discourages trade.

### 38 FOREIGN INVESTMENT

Macedonia's isolation, technological disadvantages, and penchant for political instability created a poor climate for potential foreign investors. In 1995, the government began restructuring and privatizing its largest state-owned companies. After 1997, inflows of foreign investment increased substantially.

The country has taken important steps towards attracting new foreign direct investment (FDI), and has created a legislative framework that does not discriminate between domestic investors and their foreign counterparts. In 2004, the Macedonian privatization process was almost complete, with residual shares still be-

ing owned by the government in a couple of key industries. By the end of 2005, the government planned to privatize the national electric company—ESM—and sell off its 48% participation in the telephone company.

After hitting a peak in 2001 (with capital in-flows totaling \$445 million), when Hungary was the largest source of FDI, the rate of foreign investments slowed down in subsequent years, totaling \$82 million in 2002, \$98 million in 2003, and \$104 million in the first three quarters of 2004. The biggest investing countries in 2004 were Switzerland (with \$7.1 million invested), Greece (\$6.6 million), and Slovenia (\$1 million).

### 39 ECONOMIC DEVELOPMENT

In May 1994, the EBRD established a \$10 million facility to guarantee Komercijalna Banka's designated correspondent banks against nonpayment under confirmed letters of credit. By securing credit facilities, the bank's clients are able to stimulate production and increase exports. In 1995, net resource flows from international financial institutions consisted of \$43 million from the World Bank, \$37 million from the International Monetary Fund (IMF), and \$16 million from other institutions.

In 1995, the government began privatizing its largest state-owned industries. A total of 1,200 enterprises were to be privatized, 65% of them classified as small (fewer than 50 employees). The portion of a company's share capital, which is community-owned, is known as social capital; this forms the basis of the privatization process. In theory, social capital is owned by the company's employees. However, there are severe restrictions that make it nontransferable and hence valueless to the individual.

The Kosovo crisis of 1999 placed severe burdens on Macedonia's already-strained economy as an influx of Kosovar refugees flooded across the border and trade routes were disrupted. Fighting between government forces and ethnic Albanian rebels that began in February 2001 further disrupted the economy. Real GDP declined by 4.5% in 2001, and government spending mushroomed. Spending on security raised the general government deficit to 7.2% of GDP, compared with a surplus of 1.8% in 2000.

In 2003, the IMF approved a \$28 million standby arrangement for Macedonia, which expired in June 2004. The loan was geared to support the government's economic program for fiscal stability following the 2001 crisis, to promote growth, improve the business climate, and improve living standards for Macedonians.

Although Macedonia's economy has been improving steadily, there still are a number of problems that need to be dealt with. Two of the most important issues are the rampant unemployment and an inflation rate that discourages exports. A 2005 World Bank report that looked at the business climate in 155 countries ranked Macedonia 81st in terms of the ease of conducting commercial operations. The government responded promptly to the results of this report and implemented a package of laws that would make it easier for entrepreneurs or investors to start a business. However, the 2006 business climate still had numerous weak spots that needed to be addressed through a concerted effort by the legislative.

### 40 SOCIAL DEVELOPMENT

Macedonia, historically the poorest of the former Yugoslav republics, has suffered further from the imposition of international sanctions against Serbia, the rising tide of refugees, and increasing

unemployment. Social care is funded by the government to assist the disabled, elderly, unemployed, and poor. Maternity benefits are available for nine months, and women are guaranteed the right to return to work within two years after childbirth.

Although women have the same legal rights as men, the traditional cultures of both Christian and Muslim communities have limited their advancement in society. There are some professional women but generally women are not represented in the higher levels of professional or public life. Sexual harassment in the workplace is prevalent, especially in the private sector. Widespread violence against women in the home remains unpunished by authorities, and it is extremely rare for criminal charges to be filed against abusive husbands. In 2004 Macedonia submitted its first report to the UN Committee on the Elimination of Discrimination Against Women. Children, like adults, have been victims of internal conflict and ethnic violence. Resources are scarce to fund programs to benefit children.

Ethnic minorities, including Albanians and Turks, complain of widespread discrimination. Restrictive naturalization policies have left many Albanians without Macedonian citizenship, and therefore without voting rights. Abuse by police of prisoners and suspects is widespread, with most cases involving Roma, ethnic Albanians, or Kosovar refugees.

#### 41 HEALTH

Following the breakup of the former Yugoslavia, the availability of health care statistics for Macedonia was hampered by internal hostilities. Separate health care data was slowly emerging from the new independent regions. Physicians in Macedonia are adequately trained, but there is a shortage of pharmaceuticals and medical equipment. Patients who are seriously ill will often go abroad for medical help.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 13.4 and 7.7 per 1,000 people. There were two births per married woman of childbearing age during 1999. The infant mortality rate has been reduced from 54 per 1,000 live births in 1980 to 10.09 in 2005. The life expectancy at birth for the average Macedonian was 73.73 in 2005.

The immunization rates for children under the age of one were as follows: diphtheria, whooping cough and tetanus, 87%; measles, 85%; and tuberculosis, 90%. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 200 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

#### 42 HOUSING

During the years of the former Yugoslav SFR, there was a chronic shortage of housing in Macedonia and the other republics. Since independence, the ability to find an available apartment or condominium has improved. Federal banks have begun loan programs making it now possible to finance the construction of seasonal homes in the country or by resort areas. In the 1994, there were about 580,342 dwellings supporting about 501,963 households. There was an average of 3.85 people per household. In 2002, there were about 698,143 dwelling units supporting 564,296 households. The average number of people per household was 3.58.

#### 43 EDUCATION

Public education at the primary level is compulsory for eight years, generally for students between the ages of 7 and 15. Elementary school covers these first eight years of study. This is followed by a four-year secondary program of general, technical, vocational, or special (arts) studies.

In 2001, about 28% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 91% of age-eligible students. In 2001, secondary school enrollment was about 81% of age-eligible students. Nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 20:1 in 2003; the ratio for secondary school was about 16:1.

At the postsecondary level, there are two universities: the Bitola University, which was founded in 1979, and the University of Skopje, founded in 1949. The language of instruction is Macedonian, and there are faculties of law, engineering, medicine, arts, science, physical education, architecture, and agriculture. In 2003, about 27% of the tertiary age population were enrolled in some type of higher education program; 24% of men and 32% of women. The adult literacy rate for 2004 was estimated at about 96.1%, with 98.2% for men and 94.1% for women.

As of 2003, public expenditure on education was estimated at 3.5% of GDP.

#### 44 LIBRARIES AND MUSEUMS

The Kliment Ohridski National and University Library in Skopje (1944) holds over 1.5 million items and is the largest collection in the country. The District of Skopje Public Library has 953,000 volumes.

In Skopje are the Fine Arts Museum, the Museum of Contemporary Art, and the Museum of the City of Skopje. There are also several archaeological and historical museums. The National Museums, specializing in archeology and ethnology, are in Ohrid and Stip, and there is an Islamic Art museum in Bitola. In Strumica is the Institute for Protection of Cultural Monuments, Natural Rarities, and Museum.

#### 45 MEDIA

In 2003, there were an estimated 271 mainline telephones for every 1,000 people. The same year, there were approximately 177 mobile phones in use for every 1,000 people.

Though most media are government owned, an independent television station, A-1, broadcasts from Skopje. Macedonian Radio and Television (MRTV) is the only public broadcaster in the country and has the widest range, reaching about 90% of the population. This government-owned station operates three national TV networks and one satellite network, as well as one radio station. In 2004, there were about 150 local radio and television stations registered in the country. In 2003, there were an estimated 205 radios for every 1,000 people. The number of television sets was unavailable in the same survey. In 2003, there were 100,000 Internet subscribers in the country.

Several daily newspapers are published in Skopje, as well as a number of periodicals. Newspapers in Albanian and a Turkish language paper are available nationally and subsidized by the government, including the Albanian-language *Flaka e Vlazermit*

(*Flame of Brotherhood*) and the Turkish language *Birlik*. In 1994 *Delo*, a new weekly with reportedly nationalistic leanings, began publication. As of 2002, the leading newspapers were *Nova Macedonia* (circulation 25,000) and *Vecer* (29,200).

The constitution forbids censorship and the government is said to respect this in practice. However, the government has restricted certain parts of the media during civil conflicts.

#### 46 ORGANIZATIONS

The Chamber of Economy of Macedonia coordinates trade and commerce with the world.

The Macedonian Academy of Science, founded in 1967, coordinates and finances scientific research conducted in Macedonia. Macedonian Medical Association promotes research and education on health issues and works to establish common policies and standards in healthcare. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions. There are professional associations representing other fields as well.

There are youth organizations affiliated with major political parties. There is also an active scouting association. The National Student Union of Macedonia is an umbrella organization representing youth groups involved in cultural, educational, and social activities. National women's organizations include Journalism About Women's and Children's Rights and Environment in Macedonia and the Union of Women's Organizations of the Republic of Macedonia.

There are national chapters of the Red Cross Society, Caritas, and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

Macedonia has very modest levels of tourist activity. Medieval monasteries and Orthodox churches are primary attractions. Turkish baths and bazaars can also be found. In the winter tourists are attracted to Popova Shapka, one of the most popular ski resorts in Macedonia. The city of Mavrovo, home to the Mavrovo National Park, has over 140 different bird species and over 45 different species of other animals making it attractive to hunters worldwide. The ski resorts, monasteries, and beautiful topography make Mavrovo one of the most visited cities in Macedonia. In 2000, there were about 224,000 tourist arrivals and tourism receipts totaled \$37 million. The 6,636 hotel rooms had an occupancy rate of only 15% that year. A valid passport is required for entry into Macedonia. A visa is not required for tourist/business stays of up to 90 days.

In 2005, the US Department of State estimated the daily cost of staying in Macedonia at \$230.

#### 48 FAMOUS MACEDONIANS

Kiro Gligorov (b.1917) was president of Macedonia from 1991 to 1999. Boris Trajkovski (1956–2004) was president from 1999 to 2004. Trajkovski died in a plane crash and was succeeded by

Branko Crvenkovski (b.1962). Mother Teresa (Agnes Gonxha Bjaxhiu, 1910–1997) was from Skopje but left at age 17 to join a convent in Calcutta, India. In 1948, Mother Teresa left the convent to found the Missionaries of Charity. She won the Nobel Peace Prize in 1979.

Phillip II (382 BC–336 BC) was the father of Alexander the Great. During Philip II's reign of 359–336 BC, he established a federal system of Greek States. Macedonian Alexander the Great (356 BC–323 BC) founded an enormous empire that extended from Greece to northern India. Cassandar (353 BC–297 BC) succeeded Alexander the Great, and was king of Macedonia between 316 BC and 297 BC. To consolidate his power, Cassandar murdered Alexander's mother, widow, and son. Philip V (237 BC–179 BC) warred against the Romans and tried to rebuild the kingdom.

#### 49 DEPENDENCIES

Macedonia has no territories or colonies.

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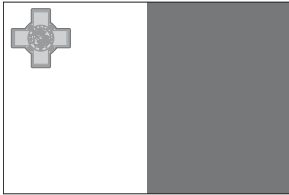
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# MALTA

The Republic of Malta  
*Repubblika Ta' Malta*



**CAPITAL:** Valletta

**FLAG:** The national flag consists of two equal vertical stripes, white at the hoist and red at the fly, with a representation of the Maltese Cross, edged with red, in the canton of the white stripe.

**ANTHEM:** *L'Innu Malti* (*The Maltese Hymn*).

**MONETARY UNIT:** The Maltese lira (LM) consists of 100 cents, with each cent divided into 10 mils. There are coins of 2, 3, and 5 mils and of 1, 2, 5, 10, 25, and 50 cents, and notes of 2, 5, 10, and 20 lira. Gold and silver coins of 1, 2, 4, 5, 10, 20, 25, 50, and 100 lira also are in circulation. ML1 = \$2.70270 (or \$1 = ML0.37) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some local measures are still in use.

**HOLIDAYS:** New Year's Day, 1 January; National Day, 31 March; May Day, 1 May; Assumption, 15 August; Republic Day, 13 December; Christmas, 25 December. Movable holidays include Good Friday.

**TIME:** 1PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Malta lies in the central Mediterranean Sea, 93 km (58 mi) south of Sicily and 290 km (180 mi) from the nearest point of the North African mainland. There are three main islands—Malta, Gozo to the NW, and Comino between them—as well as two small uninhabited islands, Cominotto and Filfla. Extending for 45 km (28 mi) SE–NW and 13 km (8 mi) NE–SW, Malta's total area is 316 sq km (122 sq mi)—Malta, 245.7 sq km (94.9 sq mi); Gozo, 67.1 sq km (25.9 sq mi); Comino, 2.8 sq km (1.1 sq mi). Comparatively, the area occupied by Malta is slightly less than twice the size of Washington, DC. The total coastline is 252.81 km (157 mi).

Malta's capital city, Valletta, is located on the east coast of the island of Malta.

## <sup>2</sup>TOPOGRAPHY

The islands of Malta are a rocky formation (chiefly limestone) running from east to northeast, with clefts that form deep harbors, bays, creeks, and rocky coves. The highest point of the nation is Ta'Dmejrek (253 m/803 ft), located on the southwest shore of Malta. Beaches range from rocky to sandy terrain. The northern beach of Ramla Bay is known for its red sands.

## <sup>3</sup>CLIMATE

The climate is typically Mediterranean, with fairly hot, dry summers and rainy, mild winters. The average winter temperature is 9°C (48°F); the average summer temperature, 31°C (88°F). Rainfall occurs mostly between November and January and averages about 56 cm (22 in) per year.

## <sup>4</sup>FLORA AND FAUNA

The islands are almost treeless. Vegetation is sparse and stunted. Carob and fig are endemic and the grape, bay, and olive have been cultivated for centuries. There are some rock plants.

The weasel, hedgehog, and bat are native to Malta. White rabbits and mice have been introduced. Many types of turtles, tortoises, and butterflies and several varieties of lizard also are found. Common varieties of Mediterranean fish, as well as the seal and porpoise, inhabit the surrounding waters.

## <sup>5</sup>ENVIRONMENT

Malta's most significant environmental problems include inadequate water supply, deforestation, and the preservation of its wildlife. The country's extremely limited fresh water resources have led to increasing dependence on desalination. The nation's agriculture suffers from lack of adequate water for crops due to limited rainfall.

Malta was one of the first countries to ratify the 1976 Barcelona Convention for the protection of the Mediterranean from pollution. Malta's government has made recent efforts to control environmental damage including passage of the Environmental Protection Act of 1991 and the creation of a Ministry for the Environment. The Ministry of Health and Environment belongs to the International Union for the Conservation of Nature and Natural Resources. In cooperation with the World Wildlife Fund, the Ghardira wetland area was made a permanent nature reserve in 1980.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 1 type of mammal, 10 species of birds,

11 species of fish, and 3 types of mollusks. Endangered species include the slender-billed curlew, Mediterranean monk seal, hawks-bill turtle, and Atlantic ridley.

## 6 POPULATION

The population of Malta in 2005 was estimated by the United Nations (UN) at 405,000, which placed it at number 165 in population among the 193 nations of the world. In 2005, approximately 13% of the population was over 65 years of age, with another 18% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.2%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 396,000. The population density was 1,266 per sq km (3,278 per sq mi), which makes it one of the most densely populated countries in the world.

The UN estimated that 91% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.56%. The capital city, Valletta, had a population of 83,000 in that year. Other major cities (and their estimated populations) include Birkirkara (25,000), Qormi (19,900), and Sliema (14,000).

## 7 MIGRATION

High population density and unemployment have led to emigration. Most foreigners living in Malta are British nationals and their dependents. Malta has no national refugee law, and all recognized refugees in Malta are resettled in third countries. Since 1983, Malta has received some 2,400 asylum applications. Of these, 1,860 have been resettled. The total number of migrants in 2000 was 9,000. In 2004 refugees in Malta numbered 1,558. There were 141 asylum seekers in that same year. *Migration News* reported that Malta had allowed asylum seekers to stay up to three years, but recent influxes of boatloads of migrants from Africa resulted in migrants held in detention centers, and Malta's threat in August 2005 to suspend its obligations under the 1951 Geneva refugee convention. In 2005 the net migration rate was 2.06 migrants per 1,000 population. The government views the migration levels as satisfactory. In 2003 remittances to Malta were \$633,760.

## 8 ETHNIC GROUPS

Most Maltese are believed to be descended from the ancient Carthaginians and Phoenicians, but there are strong elements of Italian and other Mediterranean stock. A few thousand people are of Arab, African, or Eastern European origin.

## 9 LANGUAGES

Maltese, a Semitic language with Romance-language assimilations, is the national language and the language of the courts. Maltese and English are both official languages.

## 10 RELIGIONS

Roman Catholicism is the official state religion, but there is freedom of worship for all faiths. An estimated 95% of the population is Roman Catholic, with about 63% actively practicing. Most of the Protestants in the country are not Maltese; British retirees and vacationers from other countries tend to form the Protestant population. Jehovah's Witnesses, the Church of Jesus Christ of Latter-day Saints, the Fellowship of Evangelical Churches, and the

Bible Baptist Church have active groups on the island. There is one Muslim mosque and one Jewish congregation. Zen Buddhism and the Baha'i Faith are also represented.

## 11 TRANSPORTATION

Malta has no railways. In 2003, there were 2,254 km (1,402 mi) of roadways, of which 1,973 km (1,227 mi) were paved. Passenger cars in 2003 totaled 200,509, while there were 44,586 commercial vehicles in use that same year. Ferry and hydrofoil services connect Malta and Gozo.

The harbors of Valletta, among the finest in the Mediterranean, are a port of call for many lines connecting northwestern Europe and the Middle and Far East. Roughly 3,000 ships dock at Valletta each year. As of 2005, a total of 1,140 vessels of 1,000 GRT or more totaling 27,208,819 GRT were registered in Malta (a flag of convenience registry with ships from 49 countries). There was one airport in 2004, the principal airport at Luqa. A new terminal is designed to handle 2.2 million passengers per year (or 2,000 at any given moment). The national air carrier is Malta Airlines. In 2001 (the latest year for which data was available), 1,405,200 passengers were carried on scheduled domestic and international air-line flights.

## 12 HISTORY

The strategic importance of the island of Malta was recognized in the time of the Phoenicians, whose occupation of Malta was followed by that of the Greeks, the Carthaginians, and the Romans. The apostle Paul was shipwrecked at Malta in AD 58, and the islanders were converted to Christianity within two years. With the official split of the Roman Empire in 395, Malta was assigned to Byzantium, and in 870 it fell under the domination of the Saracens. In 1090, it was taken by Count Roger of Normandy, and thereafter it was controlled by the rulers of Sicily—Norman and, later, Aragonese. The Emperor Charles V granted it in 1530 to the Knights of St. John, who had been driven from Rhodes by the Turks. The Knights surrendered Malta to Napoleon in 1798. Two years later, the British ousted the French garrison, with the aid of a revolt by the Maltese people. British possession of Malta was confirmed in 1814 by the Treaty of Paris.

During almost the entire 19th century, a British military governor ruled the colony. After World War I, during which the Maltese remained loyal to Britain, discontent and difficulties increased. The 1921 constitution granted a considerable measure of self-government, but political tensions reemerged, and the constitution, after having twice been suspended, was revoked in 1936. A new constitution in 1939 reinstated Malta as a British crown colony. In World War II the Maltese again remained loyal to the United Kingdom, and for gallantry under heavy fire during the German-Italian siege (1940–43), the entire population was awarded the George Cross.

Substantial self-government was restored in 1947. The Maltese, however, carried on negotiations with the United Kingdom for complete self-government, except in matters of defense and foreign affairs. In August 1962, Prime Minister Borg Olivier requested the United Kingdom to grant Malta independence, and Malta became a sovereign and independent nation within the Commonwealth of Nations on 21 September 1964. At the same time, mutual defense and financial agreements were signed with the Unit-

ed Kingdom. Under subsequent accords negotiated between 1970 and 1979, British troops withdrew from Malta, and the NATO naval base on the main island was closed.

On 13 December 1974, Malta formally adopted a republican form of government, and the former governor-general, Sir Anthony Mamo, became the first president. Dom Mintoff, leader of the Malta Labor Party and prime minister from 1971 through 1984, instituted socialist measures and initiated a nonaligned policy in foreign affairs. Although the Labor Party narrowly lost the popular vote in the 1981 elections, it retained its parliamentary majority; to protest the gerrymandering that allegedly made this possible, the opposition Nationalist Party boycotted parliament, and strikes and civil violence ensued. In January 1987, a new law guaranteed that, following future elections, the new government would be formed by the party that won a majority of the popular vote.

On 23 November 1985 Malta became the scene of one of the deadliest hijackings in history, when an Egypt Air flight commandeered by three Palestinian terrorists was forced to land there. In a gun battle, an Egyptian sky marshal on the plane shot and killed the hijackers' leader, and the pilot landed the plane in Malta. After an Israeli and an American passenger were executed, Egyptian commandos set off an explosive charge and rushed the plane, but 57 passengers and another hijacker died in the raid from smoke inhalation, explosive wounds, or gunshots. The surviving hijacker, Omar Mohammed Ali Rezaq, was released from prison by Maltese authorities in 1993 under a general amnesty program. He was later apprehended in Nigeria and extradited to the United States for air piracy, and convicted and sentenced in 1996.

In May 1987, the Nationalist Party won a popular majority but only 31 of 65 seats in parliament. In accordance with the new law, the Nationalists were given four additional seats, for a total of 35 in an expanded 69-seat parliament, and the Nationalist Eddie Fenech Adami became prime minister, replacing the Laborite Carmelo Mifsud Bonnici. The Nationalists were returned to power in February 1992 with a slightly higher majority. Eddie Fenech Adami remained prime minister. Vincent Tabone, president, had been elected in 1989.

Maltese politics have revolved around foreign policy issues, in particular, Malta's relationship with Europe. The Nationalist Party government has been a strong proponent of EU membership. In July 1990, Malta applied for full membership in the European Union. However, after the Labor Party won the 1996 elections, the government's stance shifted towards maintaining neutrality. The Labor government also adopted economic policies, such as raising utility rates, that alienated both the electorate and elements within its own party, which withdrew their support for Prime Minister Alfred Sant. He called new elections three years ahead of schedule, in September 1998, and the Nationalist Party won a majority in a vote seen at least partly as a referendum on the European Union membership question. In March 1999, Guido de Marco of the Nationalist Party was elected president by the House of Representatives. Having regained the post of prime minister, NP leader Fenech Adami moved to reactivate Malta's EU membership application and adopted policies—such as the reimposition of a controversial value-added tax—intended to pave the way for membership approval. Malta was one of 10 new candidate countries formally invited to join the European Union in December 2002. Malta held its referendum on EU membership on 8 March



LOCATION: 35°48' to 36°N; 14°10'30" to 14°35' E. TERRITORIAL SEA LIMIT: 12 miles.

2003, with 53.6% voting in favor of joining the body versus 46.4% against. Malta became an official member on 1 May 2004.

Elections were held on 12 April 2003, resulting in a win for the Nationalist Party (35 seats); the Labor Party received 30 seats. The next scheduled elections for the legislature were to take place in April 2008. On 29 March 2004, the House of Representatives elected a new president, Eddie Fenech Adami; Lawrence Gonzi, former deputy prime minister, took over the post of prime minister. The next presidential elections were scheduled to take place in 2009.

### 13 GOVERNMENT

The Malta independence constitution came to force on 21 September 1964. Ten years later, Malta became a republic, while remaining within the Commonwealth of Nations. The unicameral parliament, the House of Representatives, consists of 65 members elected for a five-year term by universal adult suffrage (18 years of age and over), under a system of proportional representation. Additional seats may be allocated until a majority of one seat is obtained.

The House elects the head of state, the president of the republic, who holds office for five years. The president appoints the prime minister and, on the latter's advice, the other members of the cabinet. The prime minister, who is the leader of the majority party, is responsible for general direction and control of the government.

## 14 POLITICAL PARTIES

There are two major political parties, the Nationalist Party (NP) and the Malta Labor Party (MLP), which have alternated in political power. The Nationalist Party was returned to government in 1987 after 16 years of Labor Party rule, and won reelection in February 1992 with a three-seat majority (34 to 31) in parliament. The MLP regained control in October 1996 but lost it again following early elections held in September 1998, which the NP won by a five-seat margin. Elections held in April 2003 returned the NP to power; it took 35 seats in the House of Representatives to the MLP's 30. The next elections were scheduled for 2008.

Parties not represented in parliament include Democratic Alternative (AD), Malta Democratic Party (PDM), and the Malta Communist Party (PKM).

After the elections of 1996, MLP leader Alfred Sant became prime minister after a narrow upset victory (official results gave the MLP 50.72% of the vote). The MLP campaigned for Maltese neutrality by pledging to stop efforts to join the European Union, to end Malta's associate membership with NATO, and to seek closer ties with Libya. Following the NP victory in the 1998 election, party leader Eddie Fenech Adami was returned to the post of prime minister and took steps to reactivate Malta's application for EU membership. When voters approved EU membership in a March 2003 referendum, Fenech Adami looked upon the NP win in the April 2003 elections as a confirmation of Malta's desire to join the European Union.

## 15 LOCAL GOVERNMENT

Local government was established in 1993 with the approval of the Local Councils Act, setting up 68 local councils in Malta; there are 54 on the main island of Malta, and 14 in Gozo.

## 16 JUDICIAL SYSTEM

The superior courts consist of a Constitutional Court (with the power to review laws and executive acts), two courts of appeal, the civil court, court of magistrates, criminal court, and special tribunals. The president, on the advice of the prime minister, appoints the chief justice and 16 judges. Retirement is at age 65 for judges and age 60 for magistrates. The judiciary operates in an independent manner. Defendants in criminal cases have the right to counsel of choice. Indigent defendants are afforded court-appointed counsel at public expense.

The constitution guarantees the right to free speech, assembly and association. Trade unions are legal and limits on the right to strike were eased in 2002. However, the law permits compulsory arbitration to be held even if it is requested by only one of the parties involved, this is against the International Labor Organization's principles.

Divorce is illegal on the island and violence against women continues to be a problem. Malta is a member of most international organizations including the UN and the WTO.

## 17 ARMED FORCES

The armed forces of Malta numbered 2,237 in 2005 and were divided into three regiments. Malta's defense budget in 2005 totaled \$48.5 million. Equipment included eight patrol/coastal vessels,

two transport aircraft, and seven utility helicopters. Italy has 49 military personnel stationed in Malta.

## 18 INTERNATIONAL COOPERATION

Malta joined the United Nations on 1 December 1964 and participates in ECE and several nonregional specialized agencies, such as the FAO, IAEA, World Bank, ILO, UNESCO, UNIDO, and the WHO. Malta is also a member of the Commonwealth of Nations, the Council of Europe, the European Bank for Reconstruction and Development, the Alliance of Small Island States (AOSIS), and the OSCE. Malta joined the European Union in 2004. The country is an observer affiliate in the Western European Union. Malta is a part of the Nonaligned Movement. The nation also participates in the Nuclear Suppliers Group (London Group) and the Organization for the Prohibition of Chemical Weapons.

In environmental cooperation, Malta is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Malta has few natural resources besides limestone. Agriculture is limited by the rocky nature of the islands, and most food must be imported. Industrial raw materials are lacking and also must be imported. Until 1964, the dominant factor in the economy was the presence of British military forces; with the withdrawal of UK military personnel by 1979, the dockyards were converted to commercial use. Malta's economy now relies on light industry, tourism, and other service industries, in addition to shipbuilding, maintenance, and repairs. The government holds shares in a variety of enterprises, including joint ventures. A stock exchange opened in 1992.

In 2001 GNP per capita (purchasing power parity) was \$15,000. That same year, GDP real growth was estimated at 4%. Agriculture contributed 3% to GDP, industry amounted to 23%, while services were 74%. Malta became a full member of the European Union in May 2004.

The country's economic performance in recent years has been anything but spectacular. While in 2002, the GDP registered a modest growth rate of 2.2%, in 2003 it fell to -1.8%, and recuperated to 1.4% in 2004; in 2005, the economy was expected to grow by 1.5%. Inflation has been kept stable at around 2.5%. The unemployment rate was on the rise, growing from 4.7% in 2002, to 5.7% in 2003, and 7.2% in 2004.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Malta's gross domestic product (GDP) was estimated at \$7.5 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$18,800. The annual

growth rate of GDP was estimated at 1.4%. The average inflation rate in 2005 was 2.8%. It was estimated that agriculture accounted for 3% of GDP, industry 23%, and services 74%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1 million or about \$3 per capita.

## 21 LABOR

Malta's workforce in 2005 was estimated at 160,000. In 2005 it was estimated that services accounted for 75% of employment, while 22% were engaged in industry and the remaining 3% in agriculture. The unemployment rate in 2005 was estimated at 7.8%.

Labor is highly organized in Malta, and about 63% of Malta's workers were unionized in 2002. As of that year there were 38 registered trade unions. The largest union, the General Worker's Union, although independent, is informally associated with the Labor Party. The General Workers' Union was integrated with the Socialist Labor Party until 1992, when this affiliation was formally ended. Although certain compulsory arbitration and mediation provisions limit the right to strike, workers still enjoy a broad right to strike including antidiscrimination provisions to protect striking workers' employment. Comprehensive collective bargaining is practiced.

The legal minimum working age is 16, and this is effectively enforced by the government. The standard workweek is 40 hours but workers in some trades can work up to 45 hours per week. Occupational safety and health standards are set by law but enforcement is uneven and accidents remain frequent. In 2002, the weekly minimum wage was \$112 for adults.

## 22 AGRICULTURE

Agriculture is carried out in small fields, consisting usually of strips of soil between rocks, and is characterized to a large extent by terracing. The total area under cultivation was about 11,000 hectares (27,200 acres) in 2003. Most farms are small. Wheat, barley, and grapes are the principal crops for domestic consumption, while potatoes, onions, wine, cut flowers, seeds, and fruit are the chief export crops. The total value of agricultural crops exported in 2004 was estimated at \$76 million, while agricultural imports amounted to nearly \$400.3 million that year.

## 23 ANIMAL HUSBANDRY

Malta's livestock population in 2005 included 17,900 head of cattle, 73,000 pigs, 14,900 sheep, 5,400 goats, and 1,000,000 poultry. Total meat production in 2005 was 18,838 tons, half of it pork.

## 24 FISHING

Fishing is primarily for local consumption. In 2003, the total catch was 2,019 tons. Principal species included gilthead seabream, European sea bass, dolphinfish, and bluefin tuna. Exports of fish products were valued at \$18.8 million in 2003.

## 25 FORESTRY

There are no forests on the islands. In 2004, \$85 million in forest products were imported.

## 26 MINING

In 2004, Malta produced 6,000 cu m of salt, obtained in the desalination of sea water; 20 hard limestone quarries yielded 1.2 million cu m of limestone. The country also produced small amounts of cement, fertilizer, lime and plaster. The mining sector accounted for less than 0.5% of GDP, and the broader mineral industry economy depended mainly on trade and the storage of crude oil, refinery products, and other nonfuel mineral commodities for transshipment.

## 27 ENERGY AND POWER

Malta, with no proven reserves of oil, natural gas, nor any refining capacity, is totally dependent on imported fuel for its energy requirements.

In 2002, imports of petroleum products averaged 17,980 barrels per day, while demand came to 18,050 barrels per day. There were no imports of natural gas or coal in 2002.

Electricity is the main source of power. In 2002, thermal power stations on the main island made up Malta's total installed capacity of 0.570 million kW. Production of electrical energy that year was 1.929 billion kWh, of which 100% was generated from fossil fuels. Consumption of electricity was 1.794 billion kWh. Since 1995, the Maltese government has been exploring offshore areas for crude oil with the help of foreign companies such as Amoco, Royal Dutch Shell, and Nimir of Saudi Arabia.

## 28 INDUSTRY

Malta's principal industries are shipbuilding, maintenance and repairs, food processing, electronics, footwear, and textiles and clothing. Other products include beverages, tobacco products, lace, metals, rubber products, and plastic goods. Total industrial production amounted to 26% of GDP in 1999, the most recent year for which figures are available. The manufacturing sector grew by 17% from 1995-99. As of 2002, Malta's manufacturing sector was seen to be benefiting from the global economic downturn. Some foreign-owned companies closed operations elsewhere in the world and concentrated a degree of production in Malta, which was considered a competitive location for manufacturing activity. Manufacturing output rose 3% in 2001.

In 2003, industry made up 23% of the overall GDP, and was estimated to employ about the same percentage of the labor force; agriculture represented 3% of the GDP, while services came in first with 74%.

## 29 SCIENCE AND TECHNOLOGY

Malta's technological development has been confined largely to the shipbuilding and repair industry and the manufacture of electronic computer parts. The University of Malta has faculties of dental surgery, mechanical and electrical engineering, medicine and surgery, and science. In 1988, research and development expenditures amounted to 10,000 lira; 5 technicians and 34 scientists and engineers were engaged in research and development. The

Agrarian Society founded in 1844 is headquartered in Valletta. The Chamber of Architects and Civil Engineers is headquartered in St. Andrews. In 2000 (the latest year for which data was available), Malta spent \$5.382 million on research and development.

### 3<sup>0</sup> DOMESTIC TRADE

Valletta is the commercial center of Malta. Most large importers prefer to distribute goods through their own shops. Small retail establishments predominate with a few larger supermarkets and outlet stores springing up in the past few years. Billboards, newspapers, radio, and television are the main advertising media.

Shopping hours are from 9 AM to 1 PM and from 3 to 7 PM. Banks are open from 8:30 AM to 2 PM, Monday through Thursday, and from 8:30 AM to 3:30 PM on Friday. Some bank branches are open on Saturdays from 8:30 AM to 12 NOON. Businesses and industries are open on weekdays from 8:30 AM to 5:30 PM and on Saturdays from 8 AM to 1 PM. Most establishments are closed on Sundays and many places have shorter hours during the summer months.

### 3<sup>1</sup> FOREIGN TRADE

Because it depends on external sources for much of its food, fuel, raw materials, and manufactured articles, Malta imports considerably more than it exports.

Most of Malta's commodity exports are electronic microcircuits (62%). Other export commodities include clothes (5.9%), refined petroleum products (4.4%), and toys (4.3%).

In 2004, Malta's exports totaled \$2.6 billion (FOB—Free on Board), while imports grew to \$3.4 billion (FOB). Its main export partners were the United States (which received 15.7% of total exports), France (15.5%), Singapore (14.5%), United Kingdom (11.2%), and Germany (10.8%). Imports included machinery and transport equipment, manufactured and semi-manufactured goods, food, drink, and tobacco, and they mainly came from Italy (25.4%), France (13.1%), United Kingdom (12%), Germany (8.9%), the United States (5.2%), and Singapore (4.1%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

Traditionally, Malta has had a large trade deficit because it must import most of its food and raw materials. The expansion of industry and the improvement of living standards in recent years have further increased the deficit, which is made up by other foreign receipts in the form of tourist revenues, transfers, and financial assistance, formerly from the United Kingdom and more recently from Italy and Libya. Malta's outstanding debt stood at close to \$2 billion by the end of 1999.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Malta's exports was \$2 billion while imports totaled \$2.8 billion resulting in a trade deficit of \$800 million.

The International Monetary Fund (IMF) reported that in 2001 Malta had exports of goods totaling \$2 billion and imports totaling \$2.5 billion. The services credit totaled \$1.11 billion and debit \$791 million.

Exports of goods and services continued to grow in the following years, reaching \$2.5 billion in 2003, and \$2.7 billion in 2004. Imports followed a similar path, totaling \$3.2 billion in 2003, and \$3.6 billion in 2004. The resource balance was consequently neg-

ative in both years, at around -\$700 million in 2003 and -\$900 million in 2004. The current account balance was on a downward path, dropping to -\$274 million in 2003, and -\$543 million in 2004. Reserves of foreign exchange and gold reached \$2.9 billion in 2004, covering more than nine months of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

In June 1968, activities of the Currency Board were transferred to the new Central Bank of Malta. The Central Bank is responsible for the regulation of the banking system, the money supply, the issue of currency, and the administration of exchange control. The Central Bank manages the official external reserves and advises the Minister of Finance regarding the exchange rate of the Maltese lira. The Maltese lira is calculated on the basis of a currency basket, which currently consists of the ECU, pound sterling, and

#### Principal Trading Partners – Malta (2001)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	1,958.8	2,726.8	-768.0
United States	388.0	315.3	72.7
Germany	255.8	238.9	16.9
Singapore	230.9	182.3	48.6
France-Monaco	182.8	409.3	-226.5
United Kingdom	169.5	273.5	-104.0
Switzerland-Liechtenstein	132.4	37.0	95.4
Bunkers, ship stores	127.5	...	127.5
Italy-San Marino-Holy See	67.4	543.8	-476.4
Belgium	60.9	34.0	26.9
Japan	58.5	58.3	0.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Malta (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-270.7</b>
Balance on goods		-689.2
Imports	-3,194.1	
Exports	2,504.9	
Balance on services		435.6
Balance on income		37.3
Current transfers		-54.3
<b>Capital Account</b>		<b>6.3</b>
<b>Financial Account</b>		<b>166.4</b>
Direct investment abroad		-23.7
Direct investment in Malta		309.5
Portfolio investment assets		-1,545.7
Portfolio investment liabilities		-10.5
Financial derivatives		25.1
Other investment assets		-38.9
Other investment liabilities		1,450.6
<b>Net Errors and Omissions</b>		<b>241.8</b>
<b>Reserves and Related Items</b>		<b>-144.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

**Public Finance – Malta (2000)**

(In millions of liri, central government figures)

<b>Revenue and Grants</b>	<b>532.77</b>	<b>100.0%</b>
Tax revenue	371.85	69.8%
Social contributions	94.97	17.8%
Grants	9.55	1.8%
Other revenue	56.4	10.6%
<b>Expenditures</b>	<b>623.77</b>	<b>100.0%</b>
General public services	112.28	18.0%
Defense	10.23	1.6%
Public order and safety	24.15	3.9%
Economic affairs	86.8	13.9%
Environmental protection	1.78	0.3%
Housing and community amenities	15.77	2.5%
Health	71.12	11.4%
Recreational, culture, and religion	9.52	1.5%
Education	72.3	11.6%
Social protection	219.82	35.2%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

US dollar. Foreign reserves, excluding gold, totaled \$1,605 million at the end of 1995. There are four commercial banks—the Bank of Valletta, HSBC Bank Malta, Lombard Bank Malta, and APS Bank—as well as the National Savings Bank.

In November 1995, Midland Bank (United Kingdom) became the first foreign bank to be granted a license to operate in the domestic market. In 1999, Hong Kong and Shanghai Banking Corporation (HSBC) acquired 67.1% of the shares of Mid-Med. The bank was subsequently renamed HSBC Bank Malta and became the largest bank operating on the island. Six international banking institutions are established in Malta: Turkiye Garanti Bankas, First Austrian Bank Malta, First International Merchant Bank, Izola Bank, Bank of Valletta International, and HSBC Bank Malta. Total assets/liabilities of the deposit-money banks stood at LM1.88 billion in 1995, while the assets/liabilities of domestic and international banking institutions amounted to LM155 million and LM407.7 million, respectively.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$6.1 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 4.25%.

Turnover at the Malta Stock Exchange dropped sharply to LM75.8 million (\$70 million) in 2002, a fall of LM93.7 million compared with levels in 2001. Total market capitalization in 2002 was LM1.6 billion. In 1994 the Malta International Business Authority became the Malta Financial Services Center (MFSC), responsible for the regulation and registration of financial services provided in and from Malta.

**34 INSURANCE**

All customary types of insurance are available. Many foreign insurance companies have representatives in Malta. In 2003, the val-

ue of all direct insurance premiums written totaled \$235 million, of which life insurance premiums accounted for \$118 million. For that same year, Middlesea Valletta was Malta's top life insurer, with gross written life insurance premiums of \$58.4 million.

**35 PUBLIC FINANCE**

The principal sources of recurrent revenues are income taxes, and customs and excise taxes. Tourism is steadily increasing as an important segment of the economy, although the 11 September terrorist attacks put a damper on it. Malta has developed a fairly high budget deficit in recent years, and fiscal policy has been dedicated to reversing the situation. Public debt grew from 24% of GDP in 1990 to 56% in 1999, but by 2000 it had been brought down to just 6.6% of GDP.

The US Central Intelligence Agency (CIA) estimated that in 2005 Malta's central government took in revenues of approximately \$2.5 billion and had expenditures of \$2.7 billion. Revenues minus expenditures totaled approximately -\$200 million. Total external debt was \$130 million.

The International Monetary Fund (IMF) reported that in 2000, the most recent year for which it had data, central government revenues were LM532.77 million and expenditures were LM623.77 million. The value of revenues was us\$2,331 million and expenditures us\$2,722 million, based on an exchange rate for 2000 of us\$1 = LMo.22851 as reported by the IMF. Government outlays by function were as follows: general public services, 18.0%; defense, 1.6%; public order and safety, 3.9%; economic affairs, 13.9%; environmental protection, 0.3%; housing and community amenities, 2.5%; health, 11.4%; recreation, culture, and religion, 1.5%; education, 11.6%; and social protection, 35.2%.

**36 TAXATION**

In 1999, the ruling Nationalist government announced that it would raise taxes in an effort to bring the budget in line. An integral part of the new package would be measures to combat tax evasion, a phenomena that Finance Minister John Dalli characterized as a "national sport." In 1998, one of the Nationalist's first steps was the reintroduction of the value-added tax (VAT) that the previous Labor government dismantled. As of 2005, the corporate tax rate was a flat 35% and was the only tax imposed on company profits. Generally, capital gains are taxed as income for both companies and individuals. However gains received from securities listed on the Malta Stock Exchange are exempt. Dividends paid out of resident company profits that have already been taxed at the 35% rate are not taxed further at the individual level. However, dividends paid out of untaxed income to a resident are subject to a 15% withholding tax. Dividends paid out of company income that was taxed below the 35% rate are subject to a withholding tax that is the difference between the current and lower rates.

Individual incomes were taxed according to a progressive schedule with 35% as the top rate. Social security taxes totaled 19%, 10% paid by the employer and 9% by the employee. Reduced rates were available under certain circumstances on both corporate and individual income taxes. The main indirect tax was the VAT, set at a standard rate of 18%. There were also stamp taxes.

### 37 CUSTOMS AND DUTIES

Although traditionally a protectionist state, Malta's nationalist government is moving to dismantle its trade barriers in an effort to prepare for EU accession. Customs are collected mainly in the form of ad valorem duties; there are specific duties on petroleum, spirits, and tobacco. Preferential treatment is accorded to imports from the European Union. There is also a value-added tax (VAT) of 18% on all imports.

### 38 FOREIGN INVESTMENT

Malta encourages foreign investment through tax holidays, export incentives, investment and accelerated depreciation allowances, reduced taxes on reinvested profits, grants to cover training costs and management services, a generous attitude toward repatriation of profits and capital, and few restrictions on foreign ownership of Maltese firms. No data for the total value of foreign direct investment in Malta is available; the only investment figures that are kept are those collected by the government at the time of the original application for assistance by the companies. SGS Thomson Ltd. (Italy and France), first established in Malta in 1981, had an investment of \$266 million in machinery as of 1995.

In 1998, foreign direct investment (FDI) inflows were \$267 million, up from \$80.8 million in 1997, and then soared to \$822 million in 1999. FDI inflows fell to \$652 million in 2000 and then to \$314 million in 2001. For the period 1998 to 2000, Malta was fifth in the world in terms of success in attracting foreign investment. Malta's share of world FDI flows was 4.6 times its share of world GDP during this period.

Capital inflows totaled \$555 million in 2002, and an estimated \$333 million in 2003. Most investments came from Germany, the United States, France, the United Kingdom, Italy, and Austria. Foreign companies employ a significant part of the Maltese population.

### 39 ECONOMIC DEVELOPMENT

The Nationalist government's primary aim was to radically transform Malta's economy in an effort to meet EU standards in time for the next round of enlargement. The elimination of trade barriers, deficit reduction, and more efficient tax collection comprise the most significant elements of the government's EU-harmonization plan. Malta was formally invited to join the European Union in December 2002, and was finally accepted as a full member in May 2004.

Malta's economic growth has fluctuated over the past years, going into the negative in 2001 and 2003. Nonetheless, the economy is projected to grow stronger in the future as a result of higher investments in construction, and due to government efforts to meet fiscal criteria for euro qualification. Also, a slight increase in exports and private consumption are expected to help this trend.

### 40 SOCIAL DEVELOPMENT

The National Insurance Act of 1956, as amended in 1987, provides benefits for sickness, unemployment, old age, widowhood, disability, and industrial injuries. Coverage includes all residents aged 16 and over, and excludes full time students and unemployed married women. Pensions are funded by contributions from employers, employees, and the government. These benefits are sup-

plemented by social assistance under the National Assistance Act of 1956. Legislation establishing family allowances was enacted in 1974, and maternity benefits were mandated in 1981. As of 2004, employers were required to provide 14 weeks of maternity leave with pay set at a flat weekly rate. Work injury laws have been on the books since 1929.

Women make up a growing portion of the labor force due to changing social patterns and economic necessity. However, they are often channeled into traditionally female occupations or work in family-owned businesses, and remain underrepresented at the management level. Working women generally earn less than men. Domestic violence against women remains a problem but is addressed by the government through specialized police units, legal assistance, shelters, and legislation. These efforts paid off with a decrease in domestic violence in 2004. Women have equality in matters of family law, although divorce is not legal.

The law mandates protection of all groups against economic, social, and political discrimination. The government is committed to protecting human rights, and human rights organizations are free to operate in Malta.

### 41 HEALTH

Free health services are administered by the government run polyclinics. British, Belgian, and other foreign medical personnel work in Malta's hospitals. Infant mortality decreased from 23.3 per 1,000 live births in 1973 to an estimated 3.89 in 2005. Average life expectancy at birth was 78.86 years. As of 2004, there was an estimated 293 physicians, 377 nurses, 40 dentists, and 192 pharmacists per 100,000 people. The HIV/AIDS prevalence was 0.20 per 100 adults in 2003. As of 2004, there were approximately 500 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

### 42 HOUSING

Malta has the somewhat unusual situation of having a large surplus of housing stock. In 1995, about 23% of the housing stock was vacant, translating into about 35,723 dwellings. About 36% of vacant homes are considered to be second homes in private ownership. In 2003, an estimated 52,000 homes were vacant. Despite the surplus, the government continues to issue an overabundance of housing construction permits. For the period of 1994–2001, the Planning Authority issued about 3,000 permissions for housing development per year. The average increase in households was only about 1,700 per year for the same period.

Many new homes are being built in rural or suburb areas, a move which has been somewhat detrimental to urban areas since residents leaving the cities are often simply abandoning their urban properties. Some of these properties have fallen into disrepair, but many are still considered to be in adequate and good condition. Residential property is seen as a good investment for those who can afford to own their own homes and about 70% of all homes are owner occupied. Unfortunately, those who own a second home are often not willing to offer the property for affordable rental. Which also means that those who cannot afford to own their own home often find it difficult to find an affordable place to rent. The government provides some rental properties for low-income families and have made plans to encourage property owners to open their properties for rental.



### 4<sup>3</sup> EDUCATION

Maltese law requires that the teachings of the Roman Catholic Church be included in the public school curriculum, and legislation passed in 1983 requires all schools to provide free education. Education is compulsory for 11 years for children between the ages of 5 and 16 and is free in public schools. Primary school covers six years of study, followed by five years of junior lyceum (lower secondary). Students then have an option of attending a two-year high school or a four-year vocational school. Private independent and church secondary schools may have more specialized curriculums. The academic year runs from October to June.

Most children between the ages of three and four are enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 96% of eligible students. The same year, secondary school enrollment was about 87% of eligible students. It is estimated that nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 19:1 in 2003; the ratio for secondary school was about 10:1. In 2003, private schools accounted for about 36.5% of primary school enrollment and 27.3% of secondary enrollment.

Institutes of higher education include the University of Malta, the International Maritime Law Institute, and the School of Art. In 2003, about 30% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 87.9%, with 86.4% for men and 89.2% for women.

As of 2003, public expenditure on education was estimated at 4.6% of GDP.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library of Malta (founded in 1555) is located in Valletta and held 380,000 volumes in 2002. The National Archives is housed in Rabat. The University of Malta Library (1769) is in Msida and contains over 700,000 volumes. The Malta Public Libraries consist of the main Central Public Library at Floriana, 7 regional libraries and 38 branch libraries. There is also a Gozo Public Library. There are over 50 school libraries throughout Malta.

Valletta is the site of the National Museum of Archaeology, the National Museum of Fine Arts, the Palace Armory, the National War Museum, and the St. John's Museum. The Folk Museum and the Museum of Political History are at Vittoriosa, where the Malta Maritime Museum also opened in 1992. There is an archeological museum located in a Copper Age temple in Mgarr and a museum of Zomon antiquities in Rabat.

### 4<sup>5</sup> MEDIA

In 2003, there were 208,300 mainline phones and 290,000 mobile phone in use nationwide.

Malta's government radio service transmits on two channels (one Maltese, one English). The Labor Party and the Nationalist Party both own one radio and one television station. The Catholic Church also sponsors a radio station. There are other private stations as well. Television programs are received primarily from a local service and from Italy. As of 2001 there were 1 AM and 18 FM radio stations and 6 television stations, plus 1 commercial cable network. In 1997, there were 255,000 radios and 280,000 tele-

vision sets throughout the country. In 2002, there were 120,000 Internet users.

The press includes daily and Sunday newspapers, published in both Maltese and English. Leading papers (with estimated 2002 circulations) are *It-Torca* (Maltese, 30,000 daily), *L'Orizzont* (Maltese, 25,000 weekly), the *Times* (English, 23,000 daily), *Il-Mument* (Maltese, 25,000 weekly), and *In-Nazzion Taghna* (Maltese, 20,000 daily).

The constitution provides for freedom of speech and press, and the government is said to respect these rights in practice.

### 4<sup>6</sup> ORGANIZATIONS

The Chamber of Commerce is located in Valletta. There are several professional and trade organizations representing a variety of occupations. The largest independent private business organization is the General Retailers and Traders' Union—Malta. The Malta Federation of Industry also has some influence. The Medical Association of Malta represents the interests of doctors and patients. Other professional unions and associations are active on a national level.

The Malta Cultural Institute promotes primarily the arts of music and dance. Sports associations include organizations for such sports as cricket, football (soccer), weightlifting, and badminton. National youth organizations include the Malta Youth Labor Brigade, Nationalist Party Youth Movement, Scout Association of Malta, Student Democrats of Malta, University Student Council of Malta, University Students' Catholic Movement, and the Young Christians. The National Council of Woman of Malta encourages equal opportunity for women in business and education.

Multinational organizations based in Malta include the International Ocean Institute and Greenpeace Mediterranean. There is a national chapter of the Red Cross Society.

### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Tourism, a major industry, has played a large role in developing the Maltese economy since the 1990s. Malta has many scenic and historical attractions, especially in Valletta, plus excellent beaches. Football (soccer) is the national sport; hockey, badminton, darts and rugby are also popular as well as billiards and snooker.

US citizens and most Western Europeans do not require a visa for stays of up to 90 days. In 2003, about 1,127,000 visitors arrived in Malta, of whom 40% came from the United Kingdom. That year there were 41,365 beds available in hotels and other accommodations with a 53% occupancy rate.

In 2005, the US Department of State estimated the daily cost of staying in Malta at \$209.

### 4<sup>8</sup> FAMOUS MALTESE

The city of Valletta derives its nomenclature from Jehan Parisot de la Vallette (1494–1568), Grand Master of the Knights of St. John, who successfully withstood a great Turkish siege in 1565. Dominic (Dom) Mintoff (b.1916), a founder of Malta's Labour Party, was prime minister during 1955–58 and 1971–84. Agatha Barbara (1923–2002), a former cabinet minister, was elected the first woman president of Malta on 16 February 1982. Edward Fenech-

Adami (b.1934), who served as prime minister from 1987–96 and from 1998–2004, became president in 2004.

#### 49 DEPENDENCIES

Malta has no territories or colonies.

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# MOLDOVA

Republic of Moldova  
*Republica Moldoveneasca*

**CAPITAL:** Chişinău

**FLAG:** Equal vertical bands of blue, yellow, and red; emblem in center of yellow stripe is Roman eagle with shield on its breast.

**ANTHEM:** n/a

**MONETARY UNIT:** The leu is a paper currency, replacing the Russian ruble. 1MLD = \$0.07962 (or \$1 = MLD12.56) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** Independence Day, 27 August.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Moldova is a landlocked nation located in eastern Europe, between Ukraine and Romania. Comparatively, it is slightly larger than the state of Maryland with a total area of 33,843 sq km (13,067 sq mi). Moldova shares boundaries with Ukraine on the N, E, and S; and Romania on the W. Moldova's border length totals 1,389 km (864 mi).

Its capital city, Chişinău, is located in the south central part of the country.

## <sup>2</sup>TOPOGRAPHY

Moldova consists mostly of a hilly plain that is cut by deep valleys with many rivers and streams. The terrain slopes gradually southward. The Codri Hills run through the center of the country and contain the nation's highest point of Mount Balanesti, at 430 meters (1,410 feet). The lowest point is along the Dniester River, with an elevation of 2 meters (6.6 feet).

The Dniester, along the eastern border, is the longest river with a total length of 1,400 kilometers (870 miles). The second longest river, the Prut, is a major tributary of the Danube. There are no major lakes, but saline marshes are found along the lower reaches of the Prut and in river valleys of southern Moldova.

## <sup>3</sup>CLIMATE

The climate is of the humid continental type. The country is exposed to northerly cold winds in the winter and moderate westerly winds in the summer. The average temperature in July is 20°C (68°F). The average temperature in January is -4°C (24°F). Rainfall averages 58 cm (22.8 in) a year.

## <sup>4</sup>FLORA AND FAUNA

Three-fourths of the country's terrain features chernozem (black soil), which supports the natural vegetation of steppe-like grasslands. The central hill country is densely forested. Common trees include oak, maple, linden, hornbeam, and beech. Badgers, polecats, ermines, wild boar, foxes, and hares are common animals.

Larks, blackbirds, and jays are common birds. Carp, bream, trout, and pike populate the lakes and streams. As of 2002, there were at least 68 species of mammals, 175 species of birds, and over 1,700 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

The natural environment in Moldova suffers from the heavy use of agricultural chemicals (including banned pesticides such as DDT), which have contaminated soil and groundwater. Poor farming methods have caused widespread soil erosion. In 2000, total carbon dioxide emissions was at 6.6 million metric tons. As of 2003, 1.4% of Moldova's total land area is protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included four types of mammals, eight species of birds, one type of reptile, nine species of fish, and five species of invertebrates. Threatened species include the European bison, European souslik, and the great bustard.

## <sup>6</sup>POPULATION

The population of Moldova in 2005 was estimated by the United Nations (UN) at 4,206,000, which placed it at number 121 in population among the 193 nations of the world. In 2005, approximately 10% of the population was over 65 years of age, with another 20% of the population under 15 years of age. There were 92 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005-10 was expected to be -0.2%; the rate fell below zero in the mid-1990s. The government is concerned about the low fertility rate and high emigration rate, both of which contribute to the population decline. The projected population for the year 2025 was 3,967,000. The population density was 125 per sq km (323 per sq mi).

The UN estimated that 45% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.47%. The capital city, Chişinău, had a population of 662,000 in

that year. Tiraspol had an estimated 209,800 people; Bălți (Beltsy), 207,738; and Tighina, 144,900.

## **7** MIGRATION

There was a net emigration of 6,000 in 1979–88 to other Soviet republics. This grew to 16,300 in 1989 and 29,800 in 1990. Since independence in 1991, Moldova has experienced difficulties. A short but violent civil war in 1992—the Trans-Dniestrian conflict—resulted in the internal displacement of some 51,000 people and the external displacement of some 56,000 refugees, who fled to the Ukraine. There is no central authority in Moldova that registers and determines claims for refugee status. In 2004, there were 57 refugees and 184 asylum seekers. In 2004, some 5,641 Moldovans were refugees in Germany and 4,799 in the United States. Between 2000 and 2004, 900 Moldovans sought asylum in European and non-European countries. However, in 2004 over 6,700 Moldovans sought asylum in European countries, Ireland, and the United Kingdom. In 2005, the net migration rate was an estimated -0.25 migrants per 1,000 population, a significant change from -5.8 per 1,000 in 1990. The government views the immigration level as satisfactory, but the emigration level as too high.

## **8** ETHNIC GROUPS

The most recent estimates indicate that the population is 64.5% Moldovan/Romanian; 13.8% Ukrainian; 13% Russian; 2% Bulgarian; 1.5% Jewish; and 5.2% Gagauz or other. The Gagauz are a Christian Turkic minority that live primarily in the south. The government estimates the number of Roma to be about 11,600; however, nongovernmental organizations have placed the estimated Romani population at anywhere between 20,000 and 200,000.

## **9** LANGUAGES

Moldovan, the official language, is considered a dialect of Romanian rather than a separate language. It is derived from Latin but, unlike the other Romance languages, preserved the neuter gender and a system of three cases. There are a large number of Slavonic-derived words. Under Soviet rule the language was written in the Cyrillic alphabet, but Latin script was restored in 1989. This switch has caused problems, particularly in the separatist Transnistrian region where local authorities have closed schools that were teaching the Latin script.

Russian and Gagauz, a Turkish dialect, are also spoken within the country. Government officials are expected to know both Moldovan and Russian.

## **10** RELIGIONS

Over 90% of the population belong to one of two Orthodox denominations: the Moldovan Orthodox or the Bessarabian Church. About 3.6% of the population belong to the Old Rite Russian Orthodox Church (Old Believers). Other Christian denominations include Roman Catholics, Baptists, Pentecostals, Seventh-Day Adventists, Jehovah's Witnesses, Lutherans, Presbyterians, and Mormons. The Jewish community has about 31,300 members. There are also communities of Muslims and Baha'is. Though there is no state religion, the Moldovan Orthodox Church has a privileged status with the state and the government imposes some restric-

tions on religious groups that are not officially registered. For instance, unregistered groups are not permitted to build churches.

## **11** TRANSPORTATION

In 2004, Moldova's railroad system consisted of 1,138 km (707 mi) of standard and broad gauge railways, not including industrial lines. Of that total, broad gauge accounted for nearly all of it at 1,124 km (698 mi). As of 2003, Moldova's highway system consisted of 12,730 km (7,910 mi) of roadway, of which 10,973 km (6,818 mi) were paved. As of 2004, Moldova had 424 km (263 mi) of inland waterways. As of 2005, Moldova's merchant fleet consisted of two cargo vessels of 1,000 GRT or more. Access to the sea is through Ukraine or Romania. There were an estimated 23 airports in 2004, six with paved runways, as of 2005. Air transport is provided by Air Moldova International and Moldavian Airlines, both private carriers, and a state company, Air Moldova. In 2003, about 179,000 passengers were carried on domestic and international airline flights.

## **12** HISTORY

The region that is now Moldova (also called Bessarabia) has historically been inhabited by a largely Romanian-speaking population. The region was part of the larger Romanian principality of Moldova in the 18th century, which in turn was under Ottoman suzerainty. In 1812, the region was ceded to the Russian Empire, which ruled until March 1918 when it became part of Romania. Moscow laid the basis for reclaiming Moldova by establishing a small Moldovan Autonomous Soviet Socialist Republic on Ukrainian territory in 1924.

The 1939 Nazi-Soviet pact assigned Moldova to the Soviet sphere of influence. Soviet forces seized Moldova in June 1940. After the Nazi invasion of the USSR, Germany helped Romania to regain Moldova. Romania held it from 1941 until Soviet forces reconquered it in 1944.

Moldova declared its independence from the USSR on 27 August 1991. In December, Mircea Snegur was elected the first president of the new nation. Moldova's new constitution was adopted on 28 July 1994, replacing the old Soviet constitution of 1979. The Agrarian Democratic Party, composed largely of former Communist officials, won a majority of seats in the new parliament elected the same year.

Although independent, Moldova has remained one of the poorest countries in Europe and has confronted internal problems with two breakaway regions, the predominantly Turkish Gagauz region in the southern part of the country, and the largely Russian Transdnistria region east of the Dniester River. Russian forces have remained in the latter region and have supported its Russian population in proclaiming an independent "Transdnistria Republic," with which the Moldovan government was still trying to reach a political settlement as of 2003.

Petru Lucinschi (Independent), former speaker of the parliament, defeated Snegur in a December 1996 presidential runoff election (54% to 46%) and became Moldova's new president early in 1997. The following year, Moldova's Communist Party won a parliamentary majority in legislative elections. By 1999 Lucinschi was seeking to strengthen the nation's presidency in order to overcome an extended stalemate between the executive branch and

parliament that was preventing the government from effectively addressing the nation's pressing economic problems. In a referendum, voters approved constitutional changes proposed by Lucinchi, but they were rejected by the parliament.

In July 2000, parliament cancelled the direct election of the president, and he or she is now elected by parliament for a four-year term. Parliament failed to choose a new president by December 2000, and early parliamentary elections were held in February 2001. Communists took 71 of 101 seats, and in April, Vladimir Voronin, head of the Communist Party, became president. Voronin campaigned on a platform of protecting human rights, continuing the process of democratization, and ensuring that citizens had adequate food, employment, and medical care.

In February 2003, Voronin, a native of Transdnister, proposed a new initiative to settle the dispute with Transdnister. He called for a new constitution that would turn Moldova into a loose confederation of two states, and grant the Russian language official status. Both Moldova and Transdnister would have their own governing and legislative bodies, and budgets. Defense, customs, and monetary systems would be common for the federation. However, when in January 2002 plans had been announced to make Russian an official language and compulsory in school, mass protests were held, and ended only when the plans were revoked. As of February 2003, Russia maintained 2,500 troops in Transdnister, although in 1999 it agreed to withdraw all of its troops by 2001. The situation in Transdnister is complicated by fears among the Slavic population of Moldova's unification with Romania. On the other hand, at the beginning of 2003, consultations were taking place on the possible entry of Moldova into a union with Russia and Belarus.

The Communist Party stayed on track with market reforms and the European integration process. Although it is considered to be one of the poorest countries in Europe, and despite an economic base that is fairly fragile, between 2001 and 2004 Moldova registered GDP growth rates of over 6%. Also, the national currency—the Moldovan leu—was very stable over this time period.

In the March 2005 elections the Communist Party managed to hold on to power by garnering 46.1% of the votes; the Democratic Moldova Bloc got 28.4%, the Christian Democratic Popular party (PPCD) got 9.1%, and other parties got 16.4%. The popularity of the Communist Party was not as big as it was in 2001—they only won 56 parliamentary seats out of the 101 available—but they still managed to vote President Voronin in for a second term.

Moldova's middle-term goal of joining the European Union, and its short term goal of having its citizens travel freely within the Schengen space, were hampered by the raging conflict in the Transdnister region. The European Union stated that Moldova had no immediate prospects for integration.

### 13 GOVERNMENT

Elections to Moldova's first postindependence parliament were held on 27 February 1994. The parliament consists of a single chamber of 101 seats, and members are elected for four-year terms on the basis of proportional representation. In order to enter the parliament, parties must garner at least 6% of the votes; blocks of two parties need 9%, blocks of three or more parties need 12%, while independent candidates have to poll at least 3%. The votes



LOCATION: 47°0' N; 29°0' E. BOUNDARY LENGTHS: Total boundary lengths, 1,389 kilometers (864 miles); Romania, 450 kilometers (280 miles); Ukraine, 939 kilometers (584 miles).

obtained by the parties that did not pass these thresholds are redistributed in favor of the parties that did, according to their over-all representation in the Parliament.

Prior to 2000, the president was directly elected. As of July 2000, however, the president is elected by parliament for a four-year term and may serve no more than two consecutive terms. The president nominates the prime minister upon consultation with parliament. The cabinet is selected by the prime minister, subject to approval by parliament.

The July 1994 constitution and the law provide for freedom of speech, press, assembly, and religion; however, the law requires that religious groups register with the government. Peaceful assembly is allowed; however, permits for demonstrations must be approved and political parties and private organizations are required to register with the government.

Reforms approved in 1995 authorized the creation of a court to deal with constitutional issues and a system of appeals courts.

#### **14 POLITICAL PARTIES**

Although 26 parties or coalitions of parties participated in the February 1994 elections, only four received more than the 4% of the national vote (then) required to gain seats.

The Agrarian Party had been the largest political group in the parliament with a plurality of 46 seats, following the departure of 10 deputies in 1995. They left to join a new party, the Party of Renewal and Conciliation, headed by then-president Mircea Snegur. The Socialist-Edenstro bloc had 26 seats, while the pro-Romanian parties, the Popular Front and the Peasants and Intellectuals bloc, had 11 and 9 seats, respectively.

Although the Party of Moldovan Communists won the single largest number of parliamentary seats (40) in the elections held on 22 March 1998, they had insufficient support to form a governing coalition and thus remained an opposition party, while the governing coalition consisted of the Democratic Convention of Moldova (26 seats), the Bloc for a Democratic and Prosperous Moldova (24), and the Party of Democratic Forces (11).

Twelve political parties or blocs participated in the parliamentary elections held on 25 February 2001. Three of them gained seats in parliament: the Communist Party, 71; the centrist Braghis Alliance (led by Dumitru Braghis) of the Social-Democratic Alliance of Moldova, 19; and the conservative Christian Democratic Popular Party, 11.

In 2005, 9 parties, 2 alliances, and 12 independent candidates entered the electoral race. The Communist Party (PCRM) won 56 of 101 parliamentary seats, the centrist and pro-Russian Democratic Moldova Block (BMD)—led by Dumitru Braghis and Chişinău mayor Serafim Urechean—won 34, while the rightist and pro-Romanian Christian Democratic Popular Party (PPCD) won 11. Despite their fragile majority, the communists managed to vote former president Vladimir Voronin in for a second term—he received 75 of the 101 parliamentary votes. Vasile Tarlev was the designated prime minister.

#### **15 LOCAL GOVERNMENT**

Following administrative reforms, Moldova's 40 districts, or *raions*, have been reorganized into nine counties, one municipality (Chişinău), and two territorial units (Transnistria and Gagauzia).

The Russian minority on the east bank of the Dniester River have proclaimed their independence as the "Transnistria Republic," but it has not been recognized by the Moldovan government, which is, however, willing to allow this region a degree of autonomy. The predominantly Turkish Gagauz region has also been granted autonomy.

#### **16 JUDICIAL SYSTEM**

There are courts of first instance, an appellate court, a Supreme Court, and a Constitutional Court. The Supreme Court is divided into civil and criminal sections.

The Constitutional Court was created in 1995. A 1995 judicial reform law provided for a system of appeals courts.

There are district courts of the first instance and five regional tribunals. The Higher Appeals Court and the Supreme Court are both in Chişinău. However, as of 2003, there was a backlog of cases at the tribunal and the Higher Appeals Court levels, due to lack of funding.

The Superior Court of Magistrates nominates and the president appoints judges for an initial period of five years. The judges may be reappointed for a subsequent 10 years, and finally, on their third term, they serve until retirement age. The judiciary is more independent now than when it was subject to the Soviet regime. The Constitutional Court made several rulings in 1996 that demonstrated its independence. For example, in April 1996 the Constitutional Court found that the attempted dismissal of Defense Minister Creanga by President Snegur was unconstitutional. The Constitutional Court also overturned a Central Electoral Commission decision to exclude a presidential candidate from competing in the November 1996 election. And in 2000, the Court ruled that legislation requiring political parties to be registered for two years prior to participating in elections was unconstitutional.

Criminal defendants enjoy a presumption of innocence and are afforded a number of due process rights, including a public trial and a right of appeal. In practice, a number of convictions have been overturned on appeal.

In 2004 Moldova was deemed one of the most corrupt nations in the world. While the constitution states that the judiciary is independent, there have been several reports of political interference in the judicial process, and corruption among underpaid judges was believed to be pervasive.

#### **17 ARMED FORCES**

In 2005 the active armed forces numbered 6,750 personnel, backed by 66,000 reservists. The Army had 5,710 personnel, with 44 armored infantry fighting vehicles, 266 armored personnel carriers, and 227 artillery pieces. The Air Force had 1,040 active members, with five transport aircraft and eight support helicopters. There is also a paramilitary force that consisted of 2,379 internal troops and 900 riot police, all of which are under the Ministry of Interior. The defense budget for 2005 totaled \$9.2 million. Moldova has peacekeeping forces in Sudan, Côte d'Ivoire, and Liberia. Russia has an estimated 1,400 troops stationed in Moldova.

#### **18 INTERNATIONAL COOPERATION**

Moldova was admitted to the United Nations on 2 March 1992, and is a member of the ECE and several nonregional specialized agencies, such as the IAEA, ICAO, ILO, IMF, UNCTAD, UNESCO, UNIDO, WHO, and the World Bank. Moldova joined NATO's Partnership for Peace on 16 March 1994. It is also a member of the Council of Europe, the WTO, the Black Sea Economic Cooperation Zone, the Commonwealth of Independent States (CIS), the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, the OSCE, and the NATO Part-

nership for Peace. In 2001, Georgia, Uzbekistan, Ukraine, Azerbaijan, and Moldova formed a social and economic development union known as GUAAM. Uzbekistan withdrew from the partnership in 2005.

In environmental cooperation, Moldova is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, CITES, the Kyoto Protocol, the Montréal Protocol, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

At 51% of GDP in 2000, services comprise the most important sector of Moldova's economy, while agriculture accounted for 28%. The country's wide range of crops provides significant export revenue and employment.

Moldova has no major mineral deposits and must import all of its supplies of coal, oil, and natural gas. Since the breakup of the Soviet Union in 1991, energy shortages have contributed to sharp production declines. Moldova is seeking alternative energy sources and working to develop its own energy supplies including solar power, wind, and geothermal. The country is implementing a national energy conservation program.

In 1998, the Moldovan economy experienced an 8.6% decline due primarily to fallout from the financial crisis in Russia, by far its biggest export market. Continuing financial turmoil in Ukraine and Romania hurt Moldova's exports, which were needed to pay for imports of fuel from these countries. About one-fourth of Moldova's external debt burden, which peaked at 75% of GDP in 2000, is traceable to energy imports from Russia, which has on occasion suspended gas supplies, and from the Ukraine and Romania, both of which have on occasion suspended electricity power to Moldova. Further isolation occurred in 1999 when the IMF halted loans following the refusal of the Moldovan parliament to carry out privatization plans. By year's end, the Moldovan economy had contracted to roughly one-third of its 1989 level, with end of period inflation soaring to 45.8%. In 2000, the contraction was halted with real GDP growth of 2.2%, and in December, the government entered into a three-year arrangement with the IMF under its Poverty Reduction and Growth Facility (PRGF). Although average inflation for 2000 was 31.3%, by the end of the year the rate had moderated to 18.5%. In 2001 and 2002, inflation has been reduced to single digits: 6.4% and 8%, respectively. Real growth was 6.1% in 2001 and peaked at 4.8% in 2002. The external debt burden had eased somewhat to 58% of GDP.

The economy continued to expand in the following years, registering GDP growth rates of 6.3% in 2003, and 7.3% in 2004; the estimates for 2005 place the growth at 6.0%. This increase was encouraged mainly by remittances sent by Moldovans working abroad, and by a strong economic performance in Moldova's neighboring countries. However, the prolonged and deep economic recession that preceded this economic expansion put Moldova in a lagging position in comparison with all its neighbors.

Today, Moldova still is one of Europe's poorest economies. The GDP per capita was only \$717 in 2004, and the country's production capacity was reduced due to the exodus of working-age Moldovans. The inflation rate was on the rise in 2004, reaching 12.4%, after falling to 5.2% in 2002. The fact that most of its industry is located in secessionist Transnistria and its dependence on trade with neighboring countries makes Moldova extremely vulnerable.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Moldova's gross domestic product (GDP) was estimated at \$9.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$2,100. The annual growth rate of GDP was estimated at 6%. The average inflation rate in 2005 was 12%. It was estimated that agriculture accounted for 20.5% of GDP, industry 23.9%, and services 55.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$465 million or about \$110 per capita and accounted for approximately 23.5% of GDP. Foreign aid receipts amounted to \$117 million or about \$28 per capita and accounted for approximately 5.1% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Moldova totaled \$1.86 billion or about \$438 per capita based on a GDP of \$2.0 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 8.7%. In 2001 it was estimated that approximately 31% of household consumption was spent on food, 11% on fuel, 3% on health care, and 15% on education. It was estimated that in 2001 about 80% of the population had incomes below the poverty line.

## 21 LABOR

Moldova's civilian workforce in 2005 totaled 1.34 million. As of 2003, industry accounted for 16% of the labor force, while 43% were in agriculture, and nearly 41% were in the service sector. The unemployment rate in 2002 was estimated at 8%. Approximately 25% of working age Moldovans are employed outside the country.

The law provides workers with the right of association, including the right to form and join labor unions. The General Federation of Trade Unions of Moldova (GFTU) is the successor to the previously existing Soviet trade union system. Various industrial unions still maintain voluntary membership in the GFTU, and there have been no attempts to form alternate trade union structures. Government workers do not have the right to strike, nor do those in essential services such as health care and energy. Unions in the private sector may strike if two-thirds of their membership assents. Collective bargaining is used to negotiate workers' pay and benefits.

The unrestricted minimum working age is 18, with restrictions as to the number of hours that may be worked for those between 16 and 18 years of age. Children generally do not work except in agriculture on family farms. The labor code stipulates a standard workweek of 40 hours, with at least one day off weekly. In 2002, the monthly minimum wage was \$9.00 in the public sector and \$12.75 in private firms. The median salary was estimated to be \$39 per month.

## 2<sup>2</sup> AGRICULTURE

Cropland covers about 65% of the Moldovan land area. Agricultural activities engaged 23% of the labor force in 2000. Agriculture is the most important sector of the Moldovan economy, accounting for 28% of GDP and 60% of exports in 2004. Agricultural output had an average annual decline of 13.7% during 1990–2000. Crop production during 2002–04 was up 7.2% from 1999–2001. In 2000, state-controlled farms accounted for only 1.2% of gross agricultural production, down from 10.2% in 1995. About 14% of all cropland is under irrigation.

Moldovan crops and their 2004 production amounts (in tons) include: sugar beets, 907,000; wheat, 690,000; grapes, 600,000; corn, 1,840,000; sunflowers, 331,000; barley, 260,000; potatoes, 318,000; and soybeans, 35,000.

Wine and tobacco products are important agricultural exports. Wine exports in 2003 were estimated at 20 million liters, accounting for about 3% of world market share. Tobacco production was 10,200 tons in 2004. All tobacco is grown on state farms; the monopoly and lack of buyers has limited privately grown tobacco. Wine and tobacco exports in 2004 were valued at \$215.8 million and \$8.9 million, respectively, and together accounted for about 23% of exports.

## 2<sup>3</sup> ANIMAL HUSBANDRY

About 13% of the total land area consists of pastureland. In 2005, the livestock population included 400,000 head of cattle, 500,000 pigs, 830,000 sheep, 115,000 goats, and 14,000,000 chickens. Pork production amounted to 38,500 tons in 2005, when 23,500 tons of beef were produced. In 2005, 630,000 tons of cow's milk and 43,000 tons of eggs were also produced.

## 2<sup>4</sup> FISHING

With no direct connection to the Black Sea, fishing is limited to the Dnister River. The total catch in 2003 was 2,981 tons, with carp accounting for 93% of the landings. Commercial fishing is not a significant part of the national economy.

## 2<sup>5</sup> FORESTRY

Forested areas accounted for about 9.9% of the total land area in 2000. Production is largely domestically consumed; wood and paper product imports in 2004 amounted to \$29.2 million.

## 2<sup>6</sup> MINING

Moldova did not possess significant mineral resources. More than 100 deposits of gypsum, limestone, sand, and stone were exploited. Production totals for 2002 were: gypsum, 32,000 metric tons (estimated); sand and gravel, 300,000 metric tons; lime, 3,500 metric tons; and cement, 300,000 metric tons. Moldova also produced crude steel, peat, oil, and natural gas.

## 2<sup>7</sup> ENERGY AND POWER

Moldova, as of 1 January 2005, had no proven reserves of oil or natural gas, and as of 2002, no estimated recoverable reserves of coal. As a result, Moldova must rely upon imports of refined oil

products and natural gas from Russia, Ukraine, and Belarus to meet its fossil fuel needs.

In 2004 consumption and imports of refined oil each came to an estimated 33,000 barrels per day. In 2002, natural gas consumption and imports each came to an estimated 78 billion cu ft. In 2002, Moldova imported and consumed 200,000 short tons of coal.

Electric power generating capacity has declined since Moldova gained its independence in 1992 due to lack of funds, civil disturbances, and a general economic downturn in the 1990s. Total installed generating capacity in 2002 was estimated at one million kW. Total electricity generation and consumption in 2002 was estimated at 3.9 billion kWh and 4.6 billion kWh, respectively. Conventional thermal fuel sources provided around 78% to 90% of the electric generated, with hydropower providing the remainder.

## 2<sup>8</sup> INDUSTRY

Moldova's industry, including processed food, is composed of approximately 600 major and mid-sized enterprises and associations. It accounts for 23% of Moldova's GDP.

In 1998 the most prominent industries were: food processing (57%), electric energy (18%), engineering and metal processing (5%); production of construction materials (4%), light industry (5.4%), and forestry, wood processing, pulp and paper (3%). Other industrial products include agricultural machinery, foundry equipment, shoes, hosiery, textiles, washing machines, and refrigerators and freezers.

In the wake of the economic downturn in 1998, Moldova's industrial production declined 11% from the previous year. Growth in industrial output was a component of improved economic performance in 2001, as industrial output registered a 3.1% growth rate that year. This growth expanded to 17% in 2004, but industrial representation in GDP and labor force remained low in 2004, at 24.8% and 14% respectively; agriculture made up 22.4% of the economy, and occupied 40% of the labor force; services came in first with a 52.8% contribution to the GDP, and 46% representation in the labor force. Most of the country's industry is situated in conflict riddled and politically unstable Transnistria, which makes any current industrial strategy superfluous.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

The Moldovan Academy of Sciences, founded in 1961, has sections of physico-mathematical sciences, biological and chemical sciences, technical sciences, agricultural sciences, and medical sciences, and 14 research institutes concerned with the natural sciences. Four scientific institutes conduct medical and agricultural research. Moldovan State University, founded in 1945, has faculties of physics, mathematics and cybernetics, chemistry, biology, and soil science. The Technical University of Moldova, founded in 1964, and the Chişinău Medical Institute and State Agricultural University of Moldova, founded in 1932, are located in Chişinău. M.V. Frunze Agricultural Institute is another educational institution in the sciences. In 1987–97, science and engineering students accounted for 52% of university enrollment. In 2002, there were 171 researchers and 201 technicians per million people that were engaged in research and development (R&D). In that same year, high technology exports totaled \$8 million, or 4% of manufactured exports. In 1997 (the latest year for which data was available), Moldova spent \$47.191 million, or 0.81% of GDP on R&D.



Of that amount, 51.4% came from the business sector, followed by 47.8% from government sources. Higher education and foreign sources accounted for 0.2% and 0.6%, respectively.

### 30 DOMESTIC TRADE

Chişinău is the main commercial center, with a well-developed system for product distribution. Both national and foreign firms have a strong presence within the retail sector. Since two-thirds of Moldova is rural, local farm markets play an important role in the domestic economy. A great deal of progress had been made in liberalizing and privatizing the economy. With US assistance, nearly all of the nation's farmlands were under private ownership as of 2000. As of January 2003, nearly 2,000 small, medium, and large-sized enterprises had also been transferred to private ownership.

In purchasing power parity terms, per capita gross domestic product (GDP) was \$1,900 in 2004, with more than 80% of the population under the poverty line. Most of the household consumption is fueled by remittances sent home by Moldovans working abroad.

### 31 FOREIGN TRADE

Traditionally, Moldova has maintained a trade surplus with the other Soviet republics and a trade deficit with the rest of the world. However, as of 2005, Moldova's only significant trade surplus is with Russia. Total imports almost double total exports.

A trade agreement between the United States and Moldova providing reciprocal most-favored-nation tariff treatment became effective in 1992. The same year, an overseas Private Investment Corporation agreement, encouraging US private investment by providing direct loans and loan guarantees, was signed. In 1993 a bilateral investment treaty was signed between the United States and Moldova; a general system of preferences status was granted in 1995 as well as the availability of EX-IM bank coverage. Wine tops the list of Moldova's export commodities (24%), followed by apparel (16%). Other exports include tobacco (6.5%), glassware (5.7%), and meat (5.4%). The European Union was Moldova's main trade partner in 2003. Russia and the Ukraine came in second, with a representation of 22.4% and 16.7% in its overall trade respectively.

#### Principal Trading Partners – Moldova (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	790.3	1,398.6	-608.3
Russia	308.5	182.3	126.2
Romania	90.2	96.9	-6.7
Italy-San Marino-Holy See	82.4	116.6	-34.2
Ukraine	56.2	308.8	-252.6
Germany	56.2	135.3	-79.1
Belarus	41.1	50.6	-9.5
United States	33.6	34.5	-0.9
Austria	11.3	14.6	-3.3
France-Monaco	9.3	35.1	-25.8
Kazakhstan	9.2	48.1	-38.9

(...) data not available or not significant.

SOURCE: 2003 International Trade Statistics Yearbook, New York: United Nations, 2004.

#### Balance of Payments – Moldova (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-142.3</b>
Balance on goods		-622.3
Imports	-1,428.6	
Exports	806.3	
Balance on services		-39.5
Balance on income		215.0
Current transfers		304.5
<b>Capital Account</b>		<b>-12.8</b>
<b>Financial Account</b>		<b>22.6</b>
Direct investment abroad		-0.1
Direct investment in Moldova		58.5
Portfolio investment assets		2.0
Portfolio investment liabilities		-23.9
Financial derivatives		...
Other investment assets		-49.7
Other investment liabilities		35.8
<b>Net Errors and Omissions</b>		<b>89.5</b>
<b>Reserves and Related Items</b>		<b>43.0</b>

(...) data not available or not significant.

SOURCE: Balance of Payment Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

In 2004, exports totaled \$1.03 billion (FOB—Free on Board), while imports were almost double that at \$1.83 billion (FOB). Russia remains Moldova's main export market, receiving 35.8% of total exports; it is followed by Italy (13.9%), Romania (10%), Germany (7.3%), Ukraine (6.6%), Belarus (6%), and the United States (4.6%). Imports came mainly from the Ukraine (24.6%), Russia (12.2%), Romania (9.3%), Germany (8.5%), and Italy (7.4%). Main import categories were fuel and energy, capital goods, and foods.

### 32 BALANCE OF PAYMENTS

External debt stood at \$1.3 billion in 2002. That year, \$168.7 million in debt service payments were due, accounting for over 60% of all budget revenues. The government took the dramatic step of handing 50% of ownership of its gas lines to Russia's Gazprom, one of its largest creditors. In 2000, the IMF had approved a three-year \$142 million loan to reduce poverty and promote growth.

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Moldova's exports was \$590 million while imports totaled \$980 million, resulting in a trade deficit of \$390 million.

Exports of goods and services reached \$1.2 billion in 2004; imports climbed at \$2.0 billion, resulting in a resource balance of -\$766 million. The current account balance was -\$173 million in 2004, an improvement from the previous year's -\$181 deficit. External debt reached \$1.4 billion in the same year, and its total reserves (including gold) were \$321 million, covering only two months of imports.

### 33 BANKING AND SECURITIES

Moldova's banking sector will play a key role in the country's transition from a managed economy to a market economy. The banking system was reformed in 1991. The National Bank of Moldova (NBM, the central bank) is charged with implementing monetary

policy and issuing currency. State banks include the State Savings Bank, with 1,000 branches, and the Bank for Foreign Economic Exchange. Holdovers from the old Soviet system include three regional banks, which have been changed to joint-stock companies whose shares are owned by state enterprises. There are 20 commercial banks in the country with licenses to perform international transactions. The currency unit is the leu, introduced in late November 1993.

November 1993 was a turning point for Moldova's financial stability. The NBM became a fully independent central bank with its own administrative council, and was no longer required to finance industrial and agricultural funding shortfalls. As the leu was introduced, the NBM started phasing out credit emissions. As of January 1994, the NBM became fully responsible for monetary policy.

The bank has two policy instruments: reserve requirements which were raised progressively throughout 1994, and interest rates. The discount rate reached a peak of 377% in February 1994, and was kept high despite the subsequent dramatic fall in inflation. As of 2001, the money market rate was 11%.

The banking system comprises four former Soviet banks, Agroindbank, Molindconbank, Moldotsbank, and the Savings Bank, as well as 20 commercial banks at the end of 2002. As in many other republics of the former Soviet Union, licensing procedures in the early 1990s were quite lax, with the result that the country is now overbanked, with too many small institutions, and a relatively high level of nonperforming loans (11% of total commercial bank balance sheets as of mid-1996).

Moldova's 15 voucher funds have played an important role in the privatization program. Most citizens have opted to invest their vouchers in the funds rather than directly acquire shares in newly privatized companies.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$194.3 million. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$377.1 million. The money market rate, the rate at which financial institutions lend to one another in the short term, was 11%.

The Chişinău-based Moldovan Stock Exchange opened for business in June 1995. Trading is electronic and is based on an order-driven system. As of mid-1996, it listed 11 shares. The most actively traded shares are Cupicini Canning Factory and Banea de Economii. As of 1998, there were 15 investment funds and eight trust companies. A commodities exchange is planned. The government began auctioning 91-day treasury bills in 1995 and introduced 730-day treasury bills in 1997.

Foreign currency reserves at the NBM rose by one-third in 1996, from \$226.7 million at end-1995 to \$304.1 million. This is to be explained by the substantial inflows of funds from multilateral institutions, notably, the World Bank and the European Bank for Reconstruction and Development. In December 1996, Moldova made its debut in the international bond market with a \$30 million floating rate note issued as a private placement through Merrill Lynch.

### 3<sup>4</sup> INSURANCE

The demand for insurance services continues to rise. Forty companies employing 2,800 persons competed for the insurance market in 1998.

### 3<sup>5</sup> PUBLIC FINANCE

In 1993, following independence, Moldova undertook a massive privatization program. By January 2003, 80% of all housing units were in private hands, as were nearly all small, medium, and large businesses. Agriculture was privatized ending in 2000 through a US-sponsored program called "Pamint" (land).

The US Central Intelligence Agency (CIA) estimated that in 2005 Moldova's central government took in revenues of approximately \$1 billion and had expenditures of \$1 billion. Revenues minus expenditures totaled approximately \$4 million. Public debt in 2005 amounted to 72.9% of GDP. Total external debt was \$1.926 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were MLD7,376.8 million and expenditures were MLD6,828.5 million. The value of revenues was us\$529 million and expenditures us\$487 million, based on an exchange rate for 2003 of us\$1 = MLD13.9449 as reported by the IMF. Government outlays by function were as follows: general public services, 33.4%; defense, 1.7%; public order and safety, 7.7%; economic affairs, 3.3%; environmental protection, 0.5%; health, 6.2%; recreation, culture, and religion, 1.5%; education, 9.2%; and social protection, 36.5%.

### 3<sup>6</sup> TAXATION

The personal income tax rate ranges from 10–50%. The corporate rate is a standard 18%. Capital gains derived from the sale, exchange or transfer of capital assets are taxed at an effective rate of 9%. Dividends are subject to a 10% withholding tax if paid to nonresidents, and 18% if paid to resident legal entities. Dividends

#### Public Finance – Moldova (2003)

(In millions of lei, central government figures)

<b>Revenue and Grants</b>	<b>7,376.8</b>	<b>100.0%</b>
Tax revenue	4,052.5	54.9%
Social contributions	1,978.2	26.8%
Grants	...	...
Other revenue	1,346.1	18.2%
<b>Expenditures</b>	<b>6,828.5</b>	<b>100.0%</b>
General public services	2,279.4	33.4%
Defense	114.7	1.7%
Public order and safety	525.5	7.7%
Economic affairs	227.8	3.3%
Environmental protection	35.3	0.5%
Housing and community amenities	0.8	<1.0%
Health	421.8	6.2%
Recreational, culture, and religion	101.6	1.5%
Education	627	9.2%
Social protection	2,494.6	36.5%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

received by resident individuals from resident and nonresident companies are considered part of taxable income. Dividends paid to Moldovan citizens by resident firms are exempt from taxation. Payroll taxes are charged at rates of 4.7–30%. Also levied is a 20% value-added tax (VAT). A reduced rate applies to bread, milk and other dairy products. For five years, 2002 to 2007, a number of housing projects will be exempt from VAT.

### 37 CUSTOMS AND DUTIES

Moldova's foreign trade environment is characterized by extensive export and import tariffs, exhaustive license requirements, and export quotas. Under the provisions of a 2001 budget law, all imports are assessed a 5% tax of their customs cost regardless of their country of origin. Moldova also levies customs tariffs on all imports except those from the former Soviet Union, Romania, the European Union, and a select group of countries with which Moldova has free trade agreements. Excise taxes apply to automobiles (30%), alcoholic beverages (50%), electronics (50%), and cigarettes (70%). Since 1998 most imports are subject to a value-added tax (VAT) that amounts to 20% of the customs value of the goods. Grain and medical supplies may be imported duty-free.

### 38 FOREIGN INVESTMENT

With the exception of certain state-controlled enterprises, current legislation does not restrict foreign capital participation in Moldovan enterprises. Some foreign equity participation in privatization of government-owned enterprises is also possible. Land under privatized enterprises can now be owned by the enterprise owners. Barriers in Moldova to foreign investment involve the underdeveloped banking, insurance, legal, and trade services.

In 1997 and 1998, average annual foreign direct investment (FDI) inflows into Moldova had reached \$77 million, up from about \$24 million in 1996. In 1998, the financial crisis in Russia, which accounts for a 30% share of Moldova's inward FDI, helped reduce inflows to \$40.6 million for the year, but in 2000 and 2001, record levels of FDI inflows of \$143 million and \$160 million, respectively, were attained. Total FDI stock has increased 22 times over since independence. The total stock of FDI in Moldova reached \$620 million in 2001, equivalent to 36% of GDP and about 82% of gross fixed capital formation (compared to the world average of 22%). Moldova's share of world inflows of FDI from 1998 to 2000, while small in absolute terms, was 1.7 times its share of world GDP. Foreign investment was \$110.8 million in 2003, and by 2004 total investments made up 17.1% of the GDP.

Moldova remains a relatively unattractive market for investors due to the ongoing conflict in Transnistria. It has however a significant future potential due to its highly educated population, low wages, and competitive costs.

### 39 ECONOMIC DEVELOPMENT

In March 1993, the Moldovan government inaugurated the Program of Activity of the Government 1992–95 to make the transition to a market-oriented economy. The first stage focused on stabilization, including price liberalization, and the second stage concentrated on economic recovery and growth, including privatization, agrarian reform, infrastructure development, social protection, and trade reform. However, the government was slow to institute privatization in the agricultural sector. Although the gov-

ernment backed privatization, freed prices and interest rates, and removed export controls, economic growth was difficult. By 1998, Moldova's economy stood at one-third its 1989 level. In large part, this decline is due to unfavorable circumstances: the Transnistrian conflict, the collapse of the Soviet Union, the near-total loss of the grape crop in 1997, and the Russian 1998 financial crisis.

As of 2002, close to 2,000 small, medium, and large enterprises had been privatized, as were 80% of all housing units. Nearly all of Moldova's agricultural land is privatized as well. In 2000, Moldova negotiated a three-year \$147 million Poverty Reduction and Growth Facility (PRGF) Arrangement with the International Monetary Fund (IMF), to expire in December 2003. Moldova joined the WTO in 2001. That year, the government adopted laws to combat money laundering and the financing of terrorism. The economy had turned around: spurred by industrial growth and a good harvest in 2001, real gross domestic product (GDP) growth increased by 6%. Nevertheless, Moldova carries a heavy external debt burden, and depends upon international financial support, including from the private sector.

Moldova remains one of Europe's poorest economies, and is highly dependent on agriculture. It has virtually no mineral resources, its industrial base is situated in conflict stricken Transnistria, and it relies on Russia and Romania for most of its energy supply. The World Bank considers Moldova to be a low-income country, and most of the household consumption (and subsequently most of its economic growth) is fueled by remittances from abroad.

### 40 SOCIAL DEVELOPMENT

A social insurance system provides benefits for old age, disability, and survivorship in addition to worker's compensation for injury and unemployment, and family allowances. Benefits are available to salaried citizens, agricultural workers, the self-employed, and public officials. The government contributes the whole cost of social pensions for those who are excluded from coverage from the national social security system. Medical care is available to all residents. Moldova has comprehensive legislation for the protection of children, including programs for paid maternity leave, a birth grant, and family allowances. Sickness and maternity benefits were first implemented in 1993, and were updated in 2003.

Although women are accorded equal rights under the law, they are underrepresented in government and other leadership positions. Nevertheless, the president of the country's largest bank is a woman, and women constitute a growing percentage of public-sector managers. Several women's organizations participate in political or charitable activities. Domestic violence remains a problem and is rarely prosecuted. In 2004 the government took efforts to increase public awareness of the problem.

The constitution provides for equality under the law regardless of race, sex, disability, religion, or social origin, but discrimination persists. The minority Roma population continues to suffer violence and harassment. Human rights are generally observed and respected, although there were reports of mistreatment of prisoners and detainees. Prison conditions remain harsh.

## 41 HEALTH

Moldova has been working on developing its own standards for health care. As of 2004, there were an estimated 35 physicians per 100,000 people. Total health care expenditures were 6.4% of GDP.

The birth rate was 14 per 1,000 people and the maternal mortality rate was 34 per 100,000 live births in 2003. Average life expectancy was 65.18 years in 2005. The infant mortality rate for that year was 40.42 per 1,000 live births. The overall death rate was estimated at 12.6 per 1,000 people as of 2002. In 1992, there were approximately 1,000 deaths from ethnic conflict within the country. Nearly the entire urban population (96%), but only 9% of the rural population, had access to sanitation.

Moldova's immunization rates for children up to one year old were: tuberculosis, 99%; diphtheria, pertussis, and tetanus, 97%; polio, 98%; and measles, 99%. Despite immunization rates, epidemic diphtheria has spread throughout the new independent states of the former Soviet Union. The HIV/AIDS prevalence was 0.20 per 100 adults in 2003. As of 2004, there were approximately 5,500 people living with HIV/AIDS in the country. There were an estimated 300 deaths from AIDS in 2003.

## 42 HOUSING

In 2000, there were about 1.3 million housing units in about 910,000 buildings nationwide. Though the government has encouraged privatization of housing and individual home ownership, most residents, particularly in urban areas, find home ownership to be far too expensive in a poor economy. The existing housing stock is in serious disrepair and overcrowding is an issue. Most structures were built before 1980 and maintenance has been poor. Only about 28.9% of all dwellings have an indoor bathroom; only 31% have access to a sewage system. About 62% of all households use wells as a primary source of water. In 1999, only 2,900 structures were completed. Most new housing is built with brick or stone and concrete frames. The average number of rooms per dwelling is about 2.8.

## 43 EDUCATION

While Moldova was a part of the Soviet Union, its education system was based on the Soviet pattern, and Russian was the language of instruction. However, after its separation, extensive changes were introduced in the education system. Education is compulsory for 11 years, between the ages of 6 and 17. Primary school covers four years of study. This is followed by five years of general secondary studies. Upper secondary studies may cover two or three years of study, depending on a student's interests. The academic year runs from September to July.

In 2001, about 39% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 79% of age-eligible students. The same year, secondary school enrollment was about 69% of age-eligible students. It is estimated that about 82.5% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 19:1 in 2003; the ratio for secondary school was about 13:1.

The Moldovan State University was founded in 1945 and uses both Moldovan and Russian as languages of instruction. In 2003, about 30% of the tertiary age population were enrolled in some

type of higher education program; 26% for men and 34% for women. The adult literacy rate for 2004 was estimated at about 96.2%.

The primary administrative body is the Ministry of Education, Youth and Sports. As of 2003, public expenditure on education was estimated at 4.9% of GDP, or 21.4% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

The National Library at Chişinău holds 418,000 volumes. The Scientific and Technical Library of Moldova holds about 600,000 volumes. The country's largest library, at the State University of Moldova, has over 1.82 million volumes, including a valuable rare books collection. The Technical University of Moldova has over 1.04 million volumes. The country had a public library system of over 1,300 branches.

Chişinău is home to several museums, including the National Museum of Fine Arts, the National History Museum, the Museum of Ethnography and Archaeology, and the Alexander Pushkin House and Museum. The Museum of Popular Art is in Ivancea.

## 45 MEDIA

Telecommunications links are via land line to the Ukraine and through Moscow's switching center to countries beyond the former USSR. In 2003, there were an estimated 219 mainline telephones for every 1,000 people; about 88,000 people were on a waiting list for telephone service installation. Also in 2003, there were approximately 132 mobile phones in use for every 1,000 people.

The state-operated Teleradio-Moldova operates one television and one radio station. Many stations are independent. In 2003, there were about 20 radio stations and 30 television stations in operation. In 2003, there were an estimated 758 radios and 296 television sets for every 1,000 people. About 24.6 of every 1,000 people were cable subscribers. Also in 2003, there were 17.5 personal computers for every 1,000 people and 80 of every 1,000 people had access to the Internet. There were nine secure Internet servers in the country in 2004.

A wide variety of political views and commentaries are expressed through a number of newspapers and periodicals. National and city governments sponsor newspapers, as do political parties, professional organizations, and trade unions. The largest newspapers in 2002 were *Moldova Suverana* (*Sovereign Moldova*, circulation 105,000), *Nezavisimaya Moldova* (*Independent Moldova*, 60,692), and *Viata Satului* (*Life of the Village*, 50,000).

The constitution provides for free speech and a free press, and the government is said to generally respect these rights.

## 46 ORGANIZATIONS

The Chamber of Commerce and Industry of the Republic of Moldova handles the internal and external economic affairs of the country. The Central Union of Consumers Co-operatives of the Republic of Moldova serves farmers as well as a variety of food producers and retailers. There are trade and professional associations throughout the country as well.

Political associations and organizations in the country include the Union of Council of Labor Collectives (ULC), Ecology Movement of Moldova (EMM), the Christian Democratic League

of Women of Moldova, and the Alliance of Working People of Moldova.

The Academy of Sciences of Moldova works to promote public interest and education in scientific fields.

There are several sports associations within the country, including branches of the Special Olympics and the Paralympic Committee. The National Scout Organization of Moldova offers programs for youth.

The NGO Club was formed to assist in the development and consolidation of various organizations, as well as to serve as an informational network between groups. National women's organizations include the Women's Organization of Moldova (est. 1996) and the Gender in Development (GID) Project (est. 1994). International organizations with national chapters include Save the Children, Caritas, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

Picturesque scenery, several casinos, and wineries are the primary attractions of Moldova, including Cricova, the underground wine city. Unfortunately, civil unrest since Moldova's independence has caused a decline in tourism. In 2003, there were 23,598 tourist arrivals and tourism receipts totaled \$83 million. There were 2,559 hotel rooms with 4,632 beds and an occupancy rate of 22%. Tourists need a valid passport to enter Moldova. Members and candidates to join the European Union, Canada, Japan, the United States, and many other European countries do not need a visa to enter Moldova for stays of up to 90 days.

In 2004, the US Department of State estimated the daily cost of staying in Moldova at \$202.

#### 48 FAMOUS MOLDOVANS

Petru Lucinschi (b.1940) was elected president in 1996, and served until 2001. He succeeded Mircea Snegur (b.1940), the first

president of the Republic of Moldova. Vladimir Nicolae Voronin (b.1941) became president in 2001.

#### 49 DEPENDENCIES

Moldova has no territories or colonies.

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# MONACO

Principality of Monaco

*Principauté de Monaco*



**CAPITAL:** The seat of government is at Monaco-Ville

**FLAG:** The national flag consists of a red horizontal stripe above a white horizontal stripe.

**ANTHEM:** *Hymne Monégasque*, beginning “Principauté Monaco, ma patrie” (“Principality of Monaco, my fatherland”).

**MONETARY UNIT:** The euro replaced the French franc as the official currency in 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005. Monégasque coins also circulate; denominations are 10, 20, and 50 centimes, and 1, 2, 5, 10, and 50 francs. Fr1 = \$0.184 (or \$1 = Fr5.4) as of March 2006.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year’s Day, 1 January; St. Dévôte, 27 January; Labor Day, 1 May; Assumption, 15 August; All Saints’ Day, 1 November; National Day, 19 November; Immaculate Conception, 8 December; Christmas, 25 December. Movable religious holidays include Easter Monday, Ascension, Pentecost Monday, and Fête-Dieu.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The second-smallest country in Europe and the world after the Vatican, Monaco is situated in the southeastern part of the French department of Alpes-Maritimes. The area, including recent reclamation, is 195 hectares (482 acres), or 1.95 sq km (0.75 sq mi). Comparatively, the area occupied by Monaco is about three times the size of the Mall in Washington, DC. The principality’s length is 3.18 km (1.98 mi) E–W, and its width is 1.1 km (0.68 mi) N–S. Bounded on the N, NE, SW, and W by France and on the E and SE by the Mediterranean Sea, Monaco has a total border length of 8.5 km (5.3 mi), of which 4.1 km (2.5 mi) is coastline.

## <sup>2</sup> TOPOGRAPHY

There are four main areas (determined more by economic activity than geographic difference): La Condamine, the business district around the port; Monte Carlo, the site of the famous casino, which is at a higher elevation; Monaco-Ville, on a rocky promontory about 60 m (200 ft) above sea level; and Fontvieille, a 22-hectare (54-acre) industrial area of La Condamine that was reclaimed by landfill in the 1960s and 1970s.

## <sup>3</sup> CLIMATE

Winters are mild, with temperatures rarely falling below freezing and with a January average of about 8°C (46°F). Summer heat is tempered by sea breezes; the average maximum in July and August is 26°C (79°F). Rainfall averages about 77 cm (30 in) a year, and some 300 days a year have no precipitation whatsoever.

## <sup>4</sup> FLORA AND FAUNA

Palms, aloes, carobs, tamarisks, mimosas, and other Mediterranean trees, shrubs, and flowers are abundant. Monaco does not have a distinctive fauna.

## <sup>5</sup> ENVIRONMENT

Monaco is noted for its beautiful natural scenery and mild, sunny climate. The principality has sponsored numerous marine conservation efforts. Its own environment is entirely urban. According to UN reports, Monaco’s environmental circumstances are very good. The nation has consistently monitored pollution levels in its air and water to ensure the safety of its citizens. One-fifth of the nation’s land area (1.95 sq km) and two marine areas are protected by environmental statutes.

The government has also instituted a system of air pollution control facilities controlled by the Environmental Service. Citizens are encouraged to use public transportation to limit the amount of gas emissions. Similar techniques have been applied to the protection of Monaco’s water supply. Noise levels from industry and transportation are also monitored to ensure safe levels.

Monaco also has a sea-farming area which annually produces 800 tons of fish grown in clean water. Monaco is known for its activity in the field of marine sciences. The Oceanographic Museum, formerly directed by Jacques Cousteau, is renowned for its work and exhibits on marine life.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 26 species of marine life. Threatened species included the great white shark, the blue shark, striped dolphin, albacore tuna, and swordfish.

## 6 POPULATION

The population of Monaco in 2005 was estimated by the United Nations (UN) at 33,000, which placed it at number 188 in population among the 193 nations of the world. In 2005, approximately 22% of the population was over 65 years of age, with another 13% of the population under 15 years of age. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.6%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 44,000. The population density was 16,988 per sq km (44,000 per sq mi), making Monaco the most densely populated nation in the world.

The UN reported that 100% of the population lived in urban areas in 2005. Most of the people in Monaco are resident foreigners.

## 7 MIGRATION

There is a long waiting list for Monégasque citizenship. A 1992 law allows Monégasque women to confer citizenship on their children. In 2005, the net migration rate was an estimated 7.71 migrants per 1,000 population. In 2000, more than two-thirds of the residents were noncitizens. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

On the evidence of certain place names, the native Monégasques are said to be of Rhaetian stock; they make up only 16% of the population. The foreign residents are a highly cosmopolitan group: 47% are French; 16% are Italian; and various other groups comprise the remaining 21%.

## 9 LANGUAGES

French is the official language. English and Italian are also widely spoken. Many inhabitants speak the Monégasque language, which has its origins in the Genoese dialect of Italian and the Provençal language of southern France.

## 10 RELIGIONS

About 90% of the population adheres to Roman Catholicism, which is the official state religion. Freedom of worship is guaranteed by the constitution. Monaco is also part of the diocese of Gibraltar of the Church of England. There are five Catholic churches and one cathedral in the principality, two Protestant churches, and one Jewish synagogue. Though there are a small number of Muslims, there are no mosques.

## 11 TRANSPORTATION

French national roads join Monaco to Nice toward the west, and to Menton and the Italian Riviera toward the east. In 2002 there were 50 km (31 mi) of roadways, all of them paved. There is frequent bus service. The principality itself is served by motorbuses and taxicabs. In 1995 there were 17,000 passenger cars and 4,000 commercial vehicles. The southeastern network of the French national railroad system serves Monaco with about 1.7 km (1 mi) of track. Express trains on the Paris-Marseille-Nice-Ventimiglia line pass through the principality. Monaco is only 10 km (6 mi) from the international airport at Nice and is connected with it by bus and by a helicopter shuttle service. In 2001 (the latest year for

which data was available), 77,800 passengers were carried on domestic and international airline flights. The harbor provides access by sea.

## 12 HISTORY

The ruling family of Monaco, the house of Grimaldi, traces its ancestry to Otto Canella (c.1070–1143), who was consul of Genoa in 1133. The family name, Grimaldi, was adapted from the Christian name of Canella's youngest son, Grimaldo. The Genoese built a fort on the site of present-day Monaco in 1215, and the Grimaldi family secured control late in the 13th century. The principality was founded in 1338 by Charles I, during whose reign Menton and Roquebrune were acquired. Claudine became sovereign upon the death of her father, Catalan, in 1457. She ceded her rights to her husband and cousin, Lambert, during whose reign, in 1489, the duke of Savoy recognized the independence of Monaco. The first Monégasque coins were minted in the 16th century. Full recognition of the princely title was obtained by Honoré II in 1641.

The last male in the Grimaldi line, Antoine I, died in 1731. His daughter Louise-Hippolyte in 1715 had married Jacques-François-Léonor de Goyon-Matignon, Count of Thorigny, who adopted the name Grimaldi and assumed the Monégasque throne. France annexed the principality in 1793, but independence was reestablished in 1814. The following year, the Treaty of Stupinigi placed Monaco under the protection of the neighboring kingdom of Sardinia. In 1848, the towns of Roquebrune and Menton, which constituted the eastern extremity of Monaco, successfully rebelled and established themselves as a republic. In 1861, a year after the Sardinian cession of Savoy and Nice to France, Roquebrune and Menton also became part of that nation.

The economic development of Monaco proceeded rapidly with the opening of the railroad in 1868 and of the gambling casino. Since that time, the principality has become world famous as a tourist and recreation center. Gambling, operated by Société des Bains de Mer, a state controlled group, recorded a 30% increase in gambling receipts in 1998. Real estate and retail sales have also registered strong growth in recent years. As of 2005 Monaco has no unemployment and provides jobs for 25,000 Italian and French commuters. More than half of government revenues, however, come from value-added tax. The rate levied by France is also in effect in Monaco. France has the highest VAT in the European Union and has come under pressure to adjust its rate downward in conformity with the rest of the EU. However, Monaco is not an EU member. Light industry and banking have also become important. Monaco joined the United Nations on 28 May 1993. Monaco is the second-smallest independent state in the world, after the Holy See, and is almost entirely urban.

Prince Rainier III, once married to the American actress Grace Kelly, led the country 1949–2005 and is often credited for the country's impressive economic growth. Tourism, banking and other types of financial services augment the economy's former dependence on gambling. Rainier died in early 2005 and in July 2005, Prince Albert II, son of Rainier and Kelly, assumed the throne. The event was somewhat overshadowed by his admission of having a 22-month-old illegitimate child. His illegitimate son will not be able to inherit the throne, although Prince Albert has acknowledged paternity and assumed his financial responsibilities.

### 13 GOVERNMENT

Monaco is a constitutional monarchy ruled, until 2002, by the hereditary princes of the Grimaldi line. Prior to constitutional changes made in 2002, if the reigning prince were to die without leaving a male heir, Monaco, according to treaty, would be incorporated into France. Because Prince Rainier III's son Albert was a 43-year-old bachelor in 2002, without male heirs, and his own health was failing, Rainier changed Monaco's constitution to allow one of his two daughters, Caroline or Stephanie, to inherit the throne and preserve the Grimaldi dynasty.

On 7 January 1911, Monaco's first constitution was granted by Prince Albert I. On 29 January 1959, Prince Rainier III temporarily suspended part of the constitution because of a disagreement over the budget with the National Council (Conseil National), and decreed that the functions of that body were to be assumed temporarily by the Council of State (Conseil d'État). In February 1961, the National Council was restored and an economic advisory council established to assist it.

A new constitution was promulgated on 17 December 1962. It provides for a unicameral National Council of 18 (now 24) members elected every five years (now 16 by majority vote and 8 by proportional representation); it shares legislative functions with the prince. Executive operations are conducted in the name of the prince by a minister of state (a French citizen) with the assistance of the Council of Government, consisting of three civil servants who are in charge of finances, public works, and internal affairs, respectively. All are appointed by the prince.

Women were enfranchised for municipal elections in 1945, and participated in elections for the National Council for the first time in February 1963. Until 2003, suffrage was exercised only by true-born Monégasques of 21 and over. Naturalized Monégasques were granted voting rights in 2003 and the voting age was reduced to 18.

### 14 POLITICAL PARTIES

Monaco does not have political parties as such, but candidates compete on the basis of various lists. Major political groups have been the National and Democratic Union (Union Nationale et Démocratique—UND), founded in 1962; Communist Action (Action Communale—AC); Évolution Communale (EC); and the Movement of Democratic Union (MUD). In the general election of February 1998, the UND took all 18 seats in the National Council. Elections held on 9 February 2003 were the first under a new electoral law establishing 24 seats in the National Council. A unified opposition list, the Union for Monaco, composed of the National Union for the Future of Monaco and the Rally for the Monégasque Family, took 58.5% of the vote and 21 seats, to the UND's 41.5% and 3 seats. The introduction of proportionality voting enabled the UND to obtain its seats. The next election was scheduled for 2008.

### 15 LOCAL GOVERNMENT

Municipal government is conducted by an elected council (Conseil Communal) of 15 members, headed by a mayor. The council members are elected by universal suffrage for four-year terms, and the mayor is chosen by the Communal Council. The three communes that made up Monaco before 1917—Monaco-Ville,



LOCATION: 43°43'49" N; 7°25'36" E. BOUNDARY LENGTHS: France, 5.4 kilometers (3.4 miles); Mediterranean coastline, 7.3 kilometers (4.5 miles). TERRITORIAL SEA LIMIT: 12 miles.

La Condamine, and Monte Carlo—each had its own mayor from 1911 to 1917. Since that date, they have formed a single commune, together with Fontvieille.

Anne Marie Campora became mayor of Monte Carlo in 1991 succeeding Jean-Louis Médecin who had served as mayor since 1971. Georges Marsan was elected mayor of Monte Carlo in 2003.

### 16 JUDICIAL SYSTEM

A justice of the peace tries petty cases. Other courts are the court of first instance, the court of appeal, the court of revision, and the criminal court. The highest judicial authority is vested in the Supreme Court, established as part of the 1962 constitution, which interprets the constitution and sits as the highest court of appeals. It has five full members and two assistant members, named by the prince on the basis of nominations by the National Council and other government bodies.

The Code Louis, promulgated by Prince Louis I (d.1701) and based on French legal codes, was formally adopted in 1919. Under the 1962 constitution the prince delegates his authority to the judiciary to render justice in his name.



The legal guarantee of a fair and public trial for criminal defendants is respected in practice. Defendants have the right to counsel at public expense if necessary.

The constitution provides for freedom of speech, although the penal code prohibits denunciations of the royal family. The constitution differentiates between the rights of nationals and those of noncitizens; of the estimated 32,000 residents in the principality, only about 7,000 are actual Monégasques.

Monaco is a member of the United Nations and International Criminal Court.

## 17 ARMED FORCES

France assumed responsibility for the defense of Monaco as part of the Versailles Treaty in 1919. There is no army in the principality. A private guard protects the royal family, and a police force of 390 ensures public safety.

## 18 INTERNATIONAL COOPERATION

Monaco joined the United Nations on 28 May 1993 and is a member of the ECE and several nonregional specialized agencies, such as the FAO, IAEA, ICAO, IMO, ITU, UNCTAD, UNESCO, WHO, and WIPO. Monaco is also a member of the Council of Europe and the OSCE. The headquarters of the International Hydrographic Bureau (IHB) is located in Monaco.

A treaty providing in detail for mutual administrative assistance between France and Monaco became operative on 14 December 1954. Fiscal relations between the two countries are governed by a convention signed on 18 May 1963. France may station troops in Monaco and make use of Monaco's territorial waters. As a result of a customs union with France and French control of Monaco's foreign policy, the principality operates within the European Union.

In environmental cooperation, Monaco is part of the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; CITES; the London Convention; the Montréal Protocol; MARPOL; and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Monaco depends for its livelihood chiefly on income from tourism, real estate, financial services, and small, high value-added, nonpolluting industry. A substantial part of the principality's revenue from tourist sources comes from the operations of Sea-Bathing Co. (Société des Bains de Mer—SBM), in which the government holds a 69% interest. The SBM operates the gambling casino at Monte Carlo as well as four hotels, 19 restaurants, a cabaret, and the Thermos Margins spa. Its reported profits in 2002 were about \$21 million, down from close to \$30 million in 2001. The government also retains monopolies in telephone services, postal services and tobacco. A 22-hectare landfill project at Fontvieille increased Monaco's total land area. Land reclamation since Prince Rainier's accession to the throne in 1949 has increased Monaco's territory by 23%.

The principality does not publish statistics on its economy and all estimates are rough. The government's annual income was estimated at \$586 million for 1997, about 25% derived from tourism. Monaco also serves as a tax haven for foreign non-French residents. In 2000 the OECD published a list of "uncooperative tax havens" that included Monaco. Two years later, Monaco was

still on the list, though 31 other jurisdictions had been removed by promising to take corrective actions.

Estimate data put together by the United Nations Statistic Division shows that the economy of the principality has been expanding modestly. Similar to other countries in Europe, the GDP growth rate was 2.7% in 2001, falling to 1.9% and 1.4% in 2002 and 2003 respectively, and recuperating again in 2004, at 3%. Unemployment in 1998 was estimated to be around 3.1%.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Monaco's gross domestic product (GDP) was estimated at \$870.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$27,000. The annual growth rate of GDP was estimated at 0.9%. The average inflation rate in 2000 was 1.9%. It was estimated that agriculture accounted for 17% of GDP.

## 21 LABOR

There is virtually no unemployment in Monaco, as the Prince guarantees all his subjects lifetime employment. The major employer of the working population is the SBM; others work in industry or in service establishments. As of January 1994 (the latest year for which data was available), the labor force totaled 30,540, of which 4,000 worked in the industrial sector, 2,200 in construction, and 1,500 in the financial sector.

Owners and workers are each grouped in syndicates. Less than 10% of the workforce in 2005 was unionized. However, most of these union workers commute from outside the principality. About two-thirds of all employees commute from France and Italy. Unions operate independently of the government and political parties. The rights to strike, organize, and bargain collectively are protected by law, although public government workers may not strike. Labor disruptions are infrequent.

The minimum working age is 16, although special restrictions apply until the age of 18. Employers who violate the minimum age laws can be criminally prosecuted. The standard workweek is 39 hours. The minimum wage is the French minimum plus an additional 5% to adjust for travel costs for commuters. In 2005, this wage was equivalent to \$9.60 per hour. This provides a family with a decent standard of living, and most workers earn more than the minimum. Health and safety standards are rigorously enforced.

## 22 AGRICULTURE

There is no agriculture.

## 23 ANIMAL HUSBANDRY

There is a dairy industry serving local needs.

## 24 FISHING

Some fishing is carried on to meet domestic requirements. The annual catch was 3,000 tons in 2003. Monaco actively engages in marine science research, and in marine life preservation. The Ocean-

ographic Institute has been studying the effects of radiation in the ocean since 1961.

## 25 FORESTRY

There are no forests.

## 26 MINING

There is no mining.

## 27 ENERGY AND POWER

Services are provided by the Monégasque Electric Co. and Monégasque Gas Co. In 1991, standby electrical capacity totaled 10,000 kW; power is supplied by France.

## 28 INDUSTRY

The tourist industry dominates Monaco's economic life, but small-scale industries produce a variety of items for domestic use and for export, contributing 11.6% of business turnover in the mid-1990s. Most industrial plants are located on Fontvieille. About 700 small businesses make pottery and glass objects, paper and cards, jewelry, perfumes, dolls, precision instruments, plastics, chemicals and pharmaceuticals, machine tools, watches, leather items, and radio parts. There are flour mills, dairies, and chocolate and candy plants, as well as textile mills and a small shipyard. The chemicals, pharmaceuticals, and cosmetics industries consisted of 23 companies with 1,000 employees that generated approximately 45% of the total industrial turnover in the 1990s. Due to territorial constraints, Monaco's industries are forced to expand their facilities upward; some industrial buildings rise as high as 13 stories. A new construction project begun in 2001 was extending the pier used by cruise ships in the main harbor.

## 29 SCIENCE AND TECHNOLOGY

Marine sciences have been the focus of scientific inquiry in the principality for several decades. Prince Albert (1848–1922), who reigned in Monaco during the early 1900s, was well-known internationally for his work as an oceanographer, and he inaugurated the Oceanographic Museum of Monaco at Monaco-Ville in 1910. His interest led to the establishment of a focus on oceanography for scientific pursuits in Monaco. Jacques-Yves Cousteau, a famous oceanographer and activist, was involved with Monaco's activities in marine life research.

In March 1961, in its first research agreement concluded with a member government, the International Atomic Energy Agency, with the government of Monaco and the Oceanographic Institute in Monaco, undertook to research the effects of radioactivity in the sea. The Oceanographic Institute put at the disposal of the project a number of valuable facilities, including marine-biology laboratories, oceanographic vessels, specialized fishing equipment, and a wide variety of electronic and monitoring equipment.

The Scientific Center of Monaco, founded in 1960 at Monte Carlo, conducts pure and applied research in oceanology and the environment. The Museum of Prehistoric Anthropology, founded in 1902 at Monte Carlo, is concerned with prehistory and quaternary geology.

## 30 DOMESTIC TRADE

Domestic trade practices are similar to those in other towns along the French Riviera. Specialty shops deal primarily in tourist souvenirs. The SBM controls most of the amusement facilities and owns most major hotels, sporting clubs, workshops, a printing press, and various retail shops. In the mid-1990s, commerce represented 21% of the economic turnover in Monaco. There is no personal income tax. Business taxes are low, but still account for about 50% of government income. Tourism and related services account for about 25% of revenues.

Advertising media include magazines, billboards, and motion pictures. General business hours are from 8:30 AM to 12:30 PM and from 2 to 6 PM, Monday–Friday. Banking hours are 9 AM to 12 noon and 2 to 4 PM, Monday–Friday.

## 31 FOREIGN TRADE

Statistical information is not available. Foreign trade is included in the statistics for France, with which Monaco has a customs union. France also collects the Monegasque trade duties, and serves as the principality's link to the EU market.

In 2003, the US Department of State estimated that Monaco's exports totaled \$644 million, while its imports reached \$513 million.

## 32 BALANCE OF PAYMENTS

The economy is driven by such foreign currency-earning activities as banking and tourism. Since separate records are not kept of Monaco's foreign trade transactions, payment statistics are not available.

The United Nations Statistics Division has looked at the data available in France, and came up with some estimates of the exports and imports of goods and services in Monaco. Thus, exports totaled \$299 million in 2004, up from \$257 million in 2003 and \$219 million in 2002. Imports grew from \$205 million in 2002, to \$246 million in 2003, and \$296 million in 2004. Consequently, Monaco has, year to year, managed to keep a positive, although fragile, resource balance. In 2000, it was estimated that the country's external debt was \$18 billion—an impressive figure when compared to the size of the principality.

## 33 BANKING AND SECURITIES

Foreign currency circulates within Monaco under the supervision of the French government. The most important local bank is Crédit Foncier de Monaco, founded in 1922. As of 1994, there were 45 banks operating in Monaco. In 1999, Monaco's banking industry had approximately 310,000 accounts and employed 1,700 people. The vast majority of customers were nonresidents. Total assets in 1998 were estimated at a little over \$44 billion.

There is no securities exchange.

## 34 INSURANCE

Branches of French insurance companies provide life, fire, accident, and other forms of insurance. They include: CGRM-Compagnie Générale de Réassurance de Monte Carlo; Concorde; Mutuelle de Marseille Assurances Compagnie Générale de Réas-

urance; and the Shipowners' Mutual Strike Insurance Association (Bermuda)—all located in Monte Carlo.

### 3<sup>5</sup> PUBLIC FINANCE

The US Central Intelligence Agency (CIA) estimated that in 1995 Monaco's central government took in revenues of approximately \$518 million and had expenditures of \$531 million. Revenues minus expenditures totaled approximately -\$13 million. Total external debt was \$18 billion.

### 3<sup>6</sup> TAXATION

There are no personal income taxes. Indirect taxes include the following: a value-added tax of 19.6% (as of 2005); a service tax on compensation received by Monégasque firms for services rendered in Monaco and France; excise taxes on alcoholic beverages; registration fees; and warranty duties on gold, platinum, and silver jewelry. Monaco is treated as part of France for VAT purposes.

There is a tax of up to 33.3% on the profits of businesses that obtain more than 25% of their gross profits from operations outside Monaco. Corporations whose income is derived from royalties, licenses, trademarks, or other industrial or artistic property rights are subject to this tax, whether or not the income arises outside Monaco. Qualifying new companies may be assessed at reduced rates. There are no inheritance or gift taxes between spouses or between parents and children. Between brothers and sisters, the rate is 8%; between uncles or aunts and nephews or nieces, 10%; between other relatives, 13%; and between unrelated persons, 16%.

### 3<sup>7</sup> CUSTOMS AND DUTIES

By treaty, France and Monaco form a customs union that treats the Monaco coast as part of France. The French customs service collects the duties on cargoes discharged in Monaco and pays a share to the principality.

Monaco imposes a duty on all exports to places other than France; the levy applies whether the transfer of goods is actual or fictitious.

### 3<sup>8</sup> FOREIGN INVESTMENT

Monaco permits foreign businesses to establish their headquarters in its territory; ownership and management must be made a matter of public record. Although both corporations and limited partnerships with shares are allowed, in fact only corporations are in existence. Two persons may form a corporation; the minimum capital must be fully subscribed and at least one-fourth paid up front. Foreign companies may establish subsidiaries in Monaco. Low taxes on company profits are a considerable incentive for locating in Monaco.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

The government strenuously promotes Monaco as a tourist and convention attraction. A government-financed International Convention Center offers large conference rooms, projection equipment, television and radio recording studios, telex communications, and simultaneous translation into five languages.

Two major development and reclamation projects were undertaken under Prince Rainier. These are the major landfill and reclamation project at Fontvieille, and the Monte Carlo Bord de Mer. At Fontvieille, the government financed the reclamation of

220,000 sq m (2,368,000 sq ft) of inundated shore, creating a "platform" for residential construction and new port facilities.

The Monte Carlo seashore scheme, also government-financed, involved the relocation of railroad tracks underground in order to create a man-made beach, with a boardwalk and other tourist attractions. The beach lies between two other land reclamation projects: the Larvotto, a sports complex financed by SBM, and the Portier, an entertainment complex developed by the government.

Near the Larvotto the government has reserved a zone for the construction of residential and tourist accommodations. In the 1980s, Monaco concentrated on the development of business tourism, with the construction of the Monte Carlo Convention Center and the International Conference Center.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

The social insurance system provides old age, survivorship and disability pensions. It is funded through employee and employer contributions. Sickness and maternity benefits are available to all employed persons with a special program for the self-employed. Workers and their dependents are reimbursed for medical expenses including primary and specialized care, pharmaceuticals, hospitalization, transportation, dental care and appliances. Employers are required to provide workers' compensation through private insurance plans. Unemployment benefits are provided through the French system. There is also a family allowance, a prenatal allowance and an education grant.

Women have become increasingly visible in public life, and are well represented in the professions. Equal pay for equal work is prevalent, although women are underrepresented in business. Reports of violence against women are rare, and domestic abuse is a criminal offense. Human rights are respected in Monaco.

### 4<sup>1</sup> HEALTH

In 2004, Monaco had the third most physicians per capita in the world. There were an estimated 586 physicians per 100,000 people in the country, as well as 1,430 nurses, 107 dentists, and 192 pharmacists per 100,000 people. The entire population has access to safe water and sanitation.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 9.6 and 12.9 per 1,000 people. In 2005, the infant mortality rate was estimated at 5.43 per 1,000 live births. Life expectancy for that year was 79.57. The immunization rates for children under one year of age were as follows: diphtheria, tetanus, and whooping cough, 99%; polio, 99%; measles, 98%; and tuberculosis, 90%.

AIDS cases, although present, are not considered a major problem.

### 4<sup>2</sup> HOUSING

In 2000, there were about 18,396 housing units in the nation. About 31% of the housing stock was built 1915–61; another 26% was built 1968–81. About 21% of the housing stock was built 1982–2000. About 25% of all dwellings are owner occupied. In recent years, the government has stressed the construction of luxury

housing. All new construction or alteration of existing buildings requires government approval.

### 43 EDUCATION

Education is offered in Monaco from the preschool to the secondary and technical levels and is compulsory from age 6 to 16. There are five years of primary school and seven years of secondary school. Attendance is 90%, and virtually all adults are literate. In 2003, approximately 5.1% of total government expenditure was allocated to education.

In 2001, there were about 2,000 students enrolled in primary schools and 3,000 enrolled in secondary schools. The pupil-teacher ratio at the primary level was estimated at 15 to 1 in 2000; the ratio for secondary school was 8 to 1. In 2003, private schools accounted for about 30% of primary school enrollment and 24.7% of secondary enrollment.

The University of Southern Europe was renamed the International University of Monaco in 2002. The university offers degrees in business and business administration. Students may travel abroad for higher education. The adult literacy rate has been estimated at about 99%. In 2003, public expenditure on education was estimated 5.1% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

The palace archives include the private collections of the princes of Monaco, as well as a collection of money minted since 1640. The Louis Notari Library in Monaco (1909) has a collection of over 285,000 volumes. There is a Princess Grace Irish Library in Monaco featuring 1,500 pieces of Irish folk music and personal papers of Princess Grace and Prince Rainier.

The Oceanographic Museum in Monaco-Ville, founded in 1910 by Prince Albert I and previously directed by the noted Jacques-Yves Cousteau, contains a library of 50,000 volumes, an aquarium, and displays of rare marine specimens. In addition to the museum, the Oceanographic Institute conducts research in various marine areas, including the effects of radiation on the sea and its life forms.

The Exotic Gardens include thousands of varieties of cacti and tropical plants. The National Museum in Monte Carlo was established 1972. There is a Museum of Prehistoric Anthropology in Monte Carlo and a Wax Museum of the Princes of Monaco. There is a Napoleonic Museum in Monaco-Ville. The Museum of Stamps and Coins opened in 1996 to display the private collection of Prince Rainier.

### 45 MEDIA

Postal and telegraphic services are operated by France, but Monaco issues its own postage stamps. Local telephone service is controlled by Monaco, while France is responsible for international service. In 2002, there were 33,700 mainline phones and 19,300 mobile phones in use nationwide.

Radio Monte Carlo and Télé Monte Carlo provide radio and television services and have had broadcast programs since 1954. Radio Monte Carlo's home service is broadcast in French. The system also provides overseas service in 12 foreign languages and is majority owner of the Cyprus-based Radio Monte Carlo relay station, a privately funded religious broadcasting service in 35 languages under the name Trans World Radio. As of 1999, Monaco

had 3 AM and 4 FM radio stations and 5 television stations. In 1997, there were 34,000 radios and 25,000 television sets throughout the country. In 2002, there were 16,000 Internet users in the country.

Two dailies in Nice, *Nice-Matin* and *L'Espoir*, publish special editions for Monaco. International publications are readily available. The *Journal de Monaco*, an official publication, appears once a week, and the *Tribune de Monaco* is published biweekly.

Freedom of expression is legally guaranteed. However, there is a Penal Code prohibition on public denunciations of the ruling family. Otherwise, the government is said to uphold free speech and a free press.

### 46 ORGANIZATIONS

Monaco is the seat of the International Academy of Tourism, which was founded in 1951 by Prince Rainier III. The academy publishes a quarterly, *Revue Technique du Tourisme*, and, in several languages, an international dictionary of tourism.

The International Hydrographic Bureau, which sponsors international conferences in its field, has its headquarters in Monaco. The following international organizations also have their headquarters in Monaco: International Commission for Scientific Exploration of the Mediterranean Sea, International Center for Studies of Human Problems, and the International Commission for Legal-Medical Problems.

National youth organizations include the Association of Scouts and Guides of Monaco, the Princess Stephanie Youth Center, and Catholic Youth of Monaco. There are several sports associations in Monaco; the country is home to the International Association of Athletics Federations.

Other organizations include the Monégasque Red Cross, Caritas, the St. Vincent de Paul Society, the Society of Monégasque Traditions, the Commission for the Monégasque language (established 1985), and the Union of French Interests.

### 47 TOURISM, TRAVEL, AND RECREATION

Monaco has been famous for attracting wealth and titled tourists since its gambling casino was established at Monte Carlo in 1856. In 2005, gambling accounted for almost 25% of the annual revenue. Among the many attractions are the Louis II Stadium, the many museums and gardens, and the beach. The Monte Carlo opera house was the site of many world premiere performances, including Massenet's *Le Jongleur de Notre Dame* (1902) and *Don Quichotte* (1910), Fauré's *Pénélope* (1913), and Ravel's *L'Enfant et les sortilèges* (1925). It was also the home of Serge Diaghilev's Russian Ballet (founded in 1911), later known as the Ballet Russe de Monte Carlo.

The principality has excellent sports facilities. The Monte Carlo Rally, a world-famous driving championship, ends with a finish line in Monaco.

No restriction is placed on the entrance of French nationals into Monaco. A valid passport is required for citizens of other countries who visit. Visas are not required for tourist/business stays of up to 90 days.

About 235,000 visitors arrived in Monaco in 2003, about 25% of whom came from Italy. Hotel rooms numbered 2,191 in 2002 with an occupancy rate of 63%. The average length of stay that year was three nights.

In 2005, the US Department of State estimated the cost of staying in Monaco at \$247 per day.

#### **48 FAMOUS MONEGASQUES**

Prince Albert (1848–1922), who reigned from 1889 to 1922, was famous as an oceanographer. In 1956, his great-grandson Rainier III (1923–2005), reigning monarch from 1949–2005, married Grace Patricia Kelly (1929–82), a US motion picture actress, whose death on 14 September 1982 following an automobile accident was mourned throughout Monaco. Their son, Prince Albert (b.1958) became Prince Albert II upon his father's death; Princess Caroline (b.1957) and Princess Stéphanie (b.1965) are the daughters of Rainier III and Grace.

#### **49 DEPENDENCIES**

Monaco has no territories or colonies.

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# MONTENEGRO

Republic of Montenegro

**CAPITAL:** Podgorica

**FLAG:** The flag, adopted in 2004, is a red banner with a gold border bearing the gold coat of arms of Montenegro.

**ANTHEM:** *Oj svijetla majska zoro* (*Oh, Bright Dawn of May*)

**MONETARY UNIT:** The euro is the official currency. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. As of 26 May 2006, €1=\$1.27213 (or \$1=€0.785927).

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** For the union of Serbia and Montenegro: New Year's Day, 1 and 2 January; Orthodox Christmas, 7 January; Orthodox New Year, 13 January; Unification of Serbia, 28 March; Yugoslavia Day, 27 April; Labor Day, 1 May; Victory Day, 9 May; St. Vitus Day, 28 June; Serbian Uprising, 7 July.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Montenegro is situated in southeastern Europe along the Adriatic Sea. The total area is 13,812 sq km (5,333 sq mi). Montenegro is bordered on the NW by Bosnia and Herzegovina, on the E by Serbia (the SE border is with the UN-administered province of Kosovo, which is claimed by Serbia), on the S by Albania, and on the SW by the Adriatic Sea and a narrow strip of Croatia; total land boundary length is 614 km (302 mi) and the coastline is 294 km (183 mi). Montenegro's capital is Podgorica, located in the lowland plain region of the south.

## <sup>2</sup>TOPOGRAPHY

The shoreline of southwestern Montenegro is highly elevated, with no offshore islands. The limestone mountains of Rumija, Sutorman, Orjen, and Lovcen separate the narrow strip of land that is the coastline from the inland regions. Of the 294 km (183 mi) of coastline, 52 km (32 mi) are beaches. The largest bay is the Bay of Kotor, which is the world's southernmost fjord. In the limestone area bordering the coastline, plants and animals are scarce, and patches of fertile land can be found in karst depressions and crater-like hollows. Lake Scutari (Skadarsko Jezero) is the largest lake in the country, covering an area of about 400 sq km (150 sq mi). The Zeta plain and Zeta River valley region on which Lake Scutari (Skadarsko) is found is a lowland region. Northern Montenegro is composed of limestone mountains. The highest peak in Montenegro is Mt. Durmitor (Bobotov kuk), at 2,522 m (8,274 ft). Other high peaks are Bjelasica, Komovi, and Visitor. These mountain ranges are rich in pasturelands, forests, and mountain lakes. The Piva, Tara, Moraca, and Cehotina rivers and their tributaries

have carved deep canyons: the Tara Canyon, at a depth of 1,300 m (4,265 ft), is the deepest canyon in Europe.

Located on the Eurasian Tectonic Plate, there are several fault lines running through the country which are seismically active. Earth tremors are fairly common and destructive earthquakes have occurred.

## <sup>3</sup>CLIMATE

The Adriatic climate along the south brings hot and dry summers and relatively cold winters with heavy snowfall inland. Podgorica is the warmest city, with an average July temperature of 26°C (80°F) and an average January temperature of 5°C (41°F). In the mountainous regions, the climate is sub-alpine. Snow on Mt. Durmitor can reach up to 5 m (16 ft). Annual precipitation ranges from 56 to 190 cm (22 to 75 in).

## <sup>4</sup>FLORA AND FAUNA

About 80% of the territory is comprised of forests, natural pasturelands, and meadows. There are 2,833 plant species and subspecies, which comprise nearly one quarter of European flora. The animals found in Montenegro include types of hare, pheasant, deer, stag, wild boar, fox, chamois, mouflon, crane, duck, and goose.

## <sup>5</sup>ENVIRONMENT

Coastal waters are polluted from sewage outlets, especially in resort areas such as Kotor. Destructive earthquakes are a natural hazard.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species in the combined union of Serbia and Montenegro included 10 types of mammals, 10 species of birds, 1

type of reptile, 1 species of amphibian, 20 species of fish, 19 species of invertebrates, and 1 species of plants. Threatened species include Atlantic sturgeon, slender-billed curlew, black vultures, asps, bald ibis, several species of shark, the red wood ant, and be-luga. At least one type of mollusk has become extinct.

National parks in Montenegro include Durmitor, Lovcen, Biogradska gora, and Lake Skadar. Mt. Durmitor and the old city of Kotor are UNESCO World Heritage sites.

## 6 POPULATION

The population of Montenegro in 2006 was estimated at 678,000. According to the UN, the annual population rate of change for the combined union of Serbia and Montenegro for 2005–2010 was expected to be 0.2%, due to a low fertility rate and high emigration rate. The population density for Serbia and Montenegro was 105 per sq km (272 per sq mi). The UN estimated that 52% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.47%. The estimated population of Podgorica in 2003 was 136,500 for the city proper and around 170,000 for the municipality.

## 7 MIGRATION

The following information on migration pertains to the union of Serbia and Montenegro, prior to the 2006 independence of Montenegro. During the 1960s and 1970s, many Serbs fled from the Yugoslav Socialist Federal Republic, seeking political and economic freedom. The breakup of the Yugoslav SFR in the early 1990s and the ethnic hostilities that came in its aftermath resulted in enormous migrations to and from its various former republics. During the first half of 1999, the situation of refugees and internally displaced people deteriorated even further. As of 30 June 1999, the United Nations High Commissioner for Refugees (UNHCR) reported 508,000 refugees from Bosnia and Herzegovina and Croatia; 770,000 returnees to Kosovo, as well as 500,000 affected remained; 220,000 Serb, Montenegrin, and Roma internally displaced persons from Kosovo in the rest of former Yugoslavia. The total number of migrants in 2000 was 626,000. By the end of 2004, these numbers were still rising; UNHCR reported a total of 627,476 persons of concern. There were 276,683 refugees, 180,117 Croats, and over 95,000 from Bosnia and Herzegovina. In addition, in that same year there were 248,154 internally displaced persons, 85,000 local residents at risk, and 8,143 returned refugees (primarily to Croatia), and another 9,456 refugees returning to their place of origin during the year. In 2004, over 204,000 Serbs and Montenegrins were refugees in Germany, the United Kingdom, Sweden, Switzerland, Canada, France, and Australia. Also, in that same year over 29,000 Serbs and Montenegrins sought asylum in 18 countries primarily in Europe, and in the United Kingdom and the United States.

In 2005 the net migration rate was an estimated -1.3 migrants per 1,000 population, down from 3.9 migrants per 1,000 in 1990. The government views the migration levels as too high. Worker remittances in 2003 amounted to \$2.7 billion.

## 8 ETHNIC GROUPS

According to a 2003 census, 43.16% of the population of Montenegro are Montenegrins, 32% Serbs, 7.77% Bosniaks, 5.03% ethnic

Albanians, 4% other Muslim Slavs, 1.1% Croats, 0.42% Roma, and 6.56% other population.

## 9 LANGUAGES

Serbian is the principal language of the population; Albanian accounts for a small minority. There is some disagreement regarding the Montenegrin dialect of Serbian: some Montenegrins claim it as a separate language.

## 10 RELIGIONS

The ancestors of the Serbs converted to Christianity in the 9th century and sided with Eastern Orthodoxy after the Great Schism of 1054 that split Christendom between the Eastern and Roman Churches. Islam came to the area from the Ottoman Turks in the 15th century.

About 74% of the total population are Serbian Orthodox; the Montenegrin Orthodox Church also exists but is canonically unrecognized. Muslims account for 17.74% of the population, with smaller numbers of Roman Catholics and Protestants. Protestant denominations include Baptists, Adventists, Reformed Christians, Evangelical Christians, Evangelical Methodists, Jehovah's Witnesses, the Church of Christ, Mormons, and Pentecostals. There is a small Jewish community in the country.

## 11 TRANSPORTATION

The Belgrade-Bar rail line links Serbia to Montenegro and terminates at the Adriatic Sea. Other major rail lines in Montenegro are Podgorica-Niksic and Podgorica-Skandar (Albania). Rail service is provided by locomotives manufactured in the 1950s and 1960s. The total length of standard-gauge tracks is 250 km (155.35 mi), most of which are electrified.

Two main roads in Montenegro are the Adriatic highway from Igalo to Ulcinj, and the system Petrovac to Podgorica-Kolasin-Bijelo Polje near the Serbian border connecting northern and southern Montenegro. There are 5,227 km (3,248 mi) of roads in Montenegro, of which 1,729 km (1,074.4 mi) are highways and regional roads, while the rest are local.

Important ports are Bar, Kotor, and Zelenika. Montenegro has a fleet of more than 40 ships, with a total carrying capacity of 1,000,000 metric tons. The port of Bar is equipped to handle around 5 million metric tons of cargo per year.

There were five airports in Montenegro in 2004, the major two being Podgorica and Tivat. Montenegro Airlines provides domestic and international service.

## 12 HISTORY

Montenegro's early history is as part of the medieval development of Serbia, known as Duklja or Zeta, north of Lake Scutari (Skadarsko). The Serbs, one of the large family of Slavic nations, first began settling in the Balkans around the 7th century in the areas now known as Bosnia, Kosovo, and Montenegro, straddling the line that since AD 395 had divided the Eastern and Western halves of the Roman Empire.

Tracing the origins of the Serbs (and Croats) has fueled many debates among historians, but there seems to be a consensus on their Sarmatian (Iranian) origin. Having assimilated into the Slavic tribes, the Serbs migrated with them west into central Europe (White Serbia) in the Saxony area and from there moved to the



LOCATION: Approximately 41°50' to 43°35' N; 18°30' to 20°30' E. BOUNDARY LENGTHS: Albania, 172 kilometers (108 miles); Serbia, 203 kilometers (126 miles); Croatia, 25 kilometers (16 miles); Bosnia and Herzegovina, 225 kilometers (140 miles); Adriatic Sea coastline, 199 kilometers, (124 miles).

Balkans around AD 626 upon an invitation by the Byzantine emperor Heraclius to assist him in repelling the Avar and Persian attack on Constantinople. Having settled in the Balkan area the Serbs organized several principalities of their own, made up of a number of clans headed by leaders known as *zupans*. Both the Byzantine Empire and the Bulgars tried to conquer them, but the Serbs were too decentralized to be conquered.

Between the 9th and 12th centuries, several Serbian principalities evolved, among them Raška in the mountainous north of Montenegro and southern Serbia, and Zeta (south Montenegro along the Adriatic coast), whose ruler Mihajlo (Michael) was anointed king by Pope Gregory VII in 1077.

In the late 10th century the Bulgarian khan (leader) Samuilo extended his control over Bosnia, Raška, and Zeta, north to the Sava River, and south over Macedonia. Raška became the area from where the medieval Serbian empire developed. Stephen Nemanja, grand *zupan* of Raška, fought against the Byzantines in AD 1169, and added Zeta to his domain in 1186. He built several Serbian

monasteries, including Hilandar on Mount Athos. His son, Rastko, became a monk (Sava) and the first Serbian archbishop of the new Serbian Autocephalous Church in 1219. The second son, Stephen, received his crown from Pope Innocent IV in 1202. Stephen developed political alliances that, following his death in 1227, allowed Serbia to resist the pressure from Bulgaria and, internally, keep control over subordinate *zupans*. Archbishop Sava (later Saint Sava) preferred the Byzantine Church and utilized the Orthodox religion in his nation-building effort. He began by establishing numerous Serbian-Orthodox monasteries around Serbia. He also succeeded in turning Zeta from Catholicism to Serbian Orthodoxy.

The medieval Serbian empire, under Stephen Dušan the Mighty (1331–55) extended from the Aegean Sea to the Danube (Belgrade), along the Adriatic and Ionian coasts from the Neretva River to the Gulf of Corinth and controlled, aside from the central Serbian lands, Macedonia, Thessaly, the Epirus, and Albania. The Serbian Church obtained its own patriarchate, with its center in



Peć. Serbia became an exporting land with abundant crops and minerals. Dušan, who was crowned tsar of “the Serbs and Greeks” in 1346, gave Serbia its first code of laws based on a combination of Serbian customs and Byzantine law. His attempt to conquer the throne of Byzantium failed, however, when the Byzantines called on the advancing Ottoman Turks for help in 1345. Even though Dušan withstood the attacks from the Turks twice (in 1345 and 1349), the gates to Europe had been opened, and the Ottoman Turks had initiated their campaign to subjugate the Balkans.

Dušan’s heirs could not hold his empire together against the Turks and the Nemanja dynasty ended with the death of his son Stephen Uroš in 1371, the same year his brothers Vukašin and Ivan Ugleš were killed at the battle of Marica. The defeat of the Serbs at Kosovo Polje in 1389 in an epochal battle that took the lives of both Sultan Murad I and Serbian prince Lazar left Serbia open to further Turkish conquest. Following a series of wars, the Turks succeeded in overtaking Constantinople in 1453 and all of Serbia by 1459. For the next three-and-a-half centuries, Serbs and others had to learn how to survive under Ottoman rule.

The Turks did not make any distinctions based on ethnicity, but only on religion. Turkish Muslims were the dominant class while Christians and Jews were subordinated. While maintaining their religious and cultural autonomy, the non-Turks developed most of the nonmilitary administrative professions and carried on most of the economic activities, including internal trade and trade with other countries of the Christian world. There was no regular conscription of non-Turks into the sultan’s armies, but non-Turks were taxed to pay for defense. Christian boys between the age of eight and twenty were forcibly taken from their families to be converted to Islam and trained as “Janissaries” or government administrators. Some these former Christians became administrators and even became grand viziers (advisers) to sultans.

Urban dwellers under Ottoman rule, involved in crafts, trade, and the professions, fared much better than the Christian peasantry, who were forced into serfdom. Heavy regular taxes were levied on the peasants, with corruption making the load so unbearable that the peasants rebelled.

Two distinct cultures lived side by side—Turkish Muslim in cities and towns as administrative centers and Christian Orthodox in the countryside. The numerous Serbian monasteries built around the country since the Nemanja dynasty became the supportive network for Serbian survival. The Serbian Church was subjected after 1459 to the Greek patriarchate for about a century until a Serbian patriarchate emerged again. The Serbian patriarchate covered a large area from north of Ohrid to the Hungarian lands north of the Danube and west through Bosnia.

Montenegro was subjected to continuous fighting for 400 years, from the mid-1400s to the mid-1800s. Living in a very harsh mountain territory, the Montenegrins were natural and fierce fighters, and not even the large Turkish armies could conquer them. Until 1851, Montenegro was ruled by bishops. The bishops’ role strengthened the Montenegrins’ loyalty to the Orthodox Church and prevented their conversion to Islam, except in the lowlands and coastal areas occupied by the Turks. In 1696, Danilo Petrović Njegoš (1696–1737) was elected Vladika (bishop), and his dynastic family ruled Montenegro until its unification with Serbia into the first Yugoslavia.

The Montenegro area was an almost impregnable mountain fortress with some limited access from the Adriatic coast where the Turks had taken hold. In 1714 the Turks were able to occupy the capital of Cetinje, but they could not sustain their hold because of difficulties in getting supplies and constant guerrilla attacks by the Montenegrins.

Meanwhile, Peter the Great of Russia had recognized Montenegro’s independence in 1715, viewing it as an allied Orthodox country valuable in his struggle against the Ottoman Empire. Having gained a greatly supportive ally in Russia, Danilo was successful in opposing the Turks with occasional support from Venice until his death in 1737. His successors had to struggle with the blood feuds among key Montenegrin families. Peter I (1782–1830) was able to bring together the feuding factions, reorganize his administration, issue the first Montenegrin Code of Laws in 1798, and defeat the Turks in 1799. Peter also obtained from the Turks a formal recognition of Montenegro’s independence. During the Napoleonic wars, Montenegro, Russia’s ally, fought the French over Dubrovnik and, in 1806, occupied the Gulf of Kotor, thus gaining access to the Adriatic sea. But Montenegro had to relinquish Kotor to Austria following the Congress of Vienna decisions in 1814–15.

Peter I died in 1830, having repelled again Turkish attacks in 1819–21 and 1828–29. Peter II, considered by many to be the greatest Serbian poet, established a senate of 12 members and centralized his authority by abolishing the office of civil governor, which had existed since 1516. However, his successor, Danilo II (1851–60), effected a radical change by proclaiming himself hereditary prince in 1852. Danilo II introduced a new legal code in 1855 that guaranteed civil and religious freedoms based on the constitution of 1852. Danilo died in 1860 of a wound inflicted by an exiled Montenegrin rebel.

Danilo’s nephew Nicholas took over as the last independent ruler of Montenegro from 1860 until the 1918 unification with Serbia and the first Yugoslavia. During his 58-year reign Nicholas gained the nickname of “Father-in-Law of Europe” by marrying six daughters into Italian, Russian, Serbian, and German royal families. Through a series of wars with Turkey (1862, 1876, 1912, and 1913), Nicholas succeeded in more than doubling Montenegro’s territory. Following the 1913 Balkan War, Montenegro and Serbia divided the Sandžak area and became neighbor states, both primarily populated by Serbs. Montenegro also gained access to the Adriatic Sea south of Lake Scutari (Skadar), which was divided in 1913 between Montenegro and the newly formed Albanian state.

Between 1880 and 1912, Montenegro took advantage of an era of relative peace to develop roads, education, agriculture, postal services, and banks, mostly with foreign investment especially from Italy, whose queen was Nicholas’s daughter Elena.

The first Montenegrin parliament met in 1905, with 62 elected and 14 *ex officio* members. Following the successful Balkan wars, Serbian-Montenegrin relations grew closer, and by 1914, the two Serbian kingdoms proposed a union in which they would share their armed forces, foreign policy, and customs while maintaining their separate royal dynasties. World War I (1913–18) interrupted this process. Montenegro’s poor defense led to Austrian occupation for the better part of the war; thus Montenegro ceased to officially participate in the war.

A Montenegrin Committee for National Union was formed by exiles in Paris who supported the 20 July 1917 Corfu Declaration on the establishment of a Kingdom of Serbs, Croats, and Slovenes. The Montenegrin Committee felt the time had come to unite with the Kingdom of Serbs, Croats, and Slovenes. King Nicholas opposed such a move and was deposed. On 24 November 1918, a resolution was passed in favor of Montenegro's union with the Kingdom of Serbia. Thus, Montenegro became part of the first Yugoslavia on 1 December 1918. Montenegrins participated very actively in political life, mostly supporting the centralist Serbian positions.

During World War II (1939–45), Italy controlled Montenegro and attempted unsuccessfully to revive the old kingdom. In the post-World War II Socialist Federative Yugoslavia, Tito reestablished Montenegro as a separate republic due to strong Montenegrin representation in the circle of his closest collaborators. Most Montenegrins took the side of the Serbian centralists against the liberal elements in the League of Communists and, in the late 1980s and early 1990s, supported Slobodan Milošević. With the demise of Yugoslavia, Montenegro joined Serbia in forming the Federal Republic of Yugoslavia.

On 14 March 2002, under mediation by the European Union (EU), Serbia and Montenegro agreed to form a new federal union, called Serbia and Montenegro. Montenegro's prime minister, Milo Djukanovic, was reluctant to sign the agreement, being the leader of the drive for independence of Montenegro's population of 660,000. However, the union of Serbia and Montenegro came into existence in 2003. The constitution provided for either of the two constituent republics to vote for independence in three years (2006). In February 2005, officials from Montenegro asked their Serbian counterparts for an early secession of the two republics claiming the union was inefficient and squandered money. Serbian Prime Minister Vojislav Kostunica refused the proposal and indicated that European integration and economic development should be the main focus of Serbia and Montenegro.

A referendum on full independence for Montenegro was held on 21 May 2006. To be accepted internationally, a 55% majority was required for a "yes" vote to the question: "Do you want the Republic of Montenegro to be an independent state with full international and legal subjectivity?" The Montenegrin diaspora had the right to vote, with the exception of Montenegrins living in Serbia, who were barred from voting in the referendum. The vote on independence was 55.5% in favor. Voter turnout was 86.3%. A demand by pro-Serbian unionist parties for a recount was rejected. Serb politicians, Orthodox church leaders, and Montenegrins from the mountainous inland regions bordering Serbia opposed secession. However, ethnic Montenegrins and Albanians from the coastal area favored independence. Serbian President Boris Tadic recognized the independence of Montenegro. Serbia became the successor state to the union of Serbia and Montenegro, inheriting its seat in the United Nations (UN) and seats in other international institutions: Montenegro will have to apply for UN and EU membership on its own once it has been granted recognition by other states. Serbia's ambition to join the EU has been hampered by its failure to arrest key war crimes suspects, including Ratko Mladic. Serbia inherits legal claim to the UN-administered province of Kosovo.

Montenegro's independence cuts Serbia off from the sea; therefore, the two nations will need to cooperate on sharing the former union's assets. Montenegrins may be given favorable treatment to use Serbia's hospitals, universities, and other public services. The substantial pro-union minority in Montenegro will also strengthen Serbia's hand in creating a smooth transition to independence. The pro-union bloc in the referendum was led by the Socialist People's Party (SNP), headed by Predrag Bulatovic. National elections were due to be held in autumn 2006.

### 13 GOVERNMENT

Prior to Montenegro's independence in 2006, a constitutional charter for the state of Serbia and Montenegro was ratified by both parliaments in January 2003, and the constitution for the unified state was approved on 4 February 2003. The constitution allowed the member republics to hold independence referendums in 2006, which Montenegro did. Following the yes vote on independence in mid-2006, Montenegro was engaged in forming a new government.

As a constituent state of the union of Serbia and Montenegro, Montenegro had a republican form of government. Representatives in Montenegro's Assembly (parliament) hold office for four years. The Assembly enacted laws, passed the budget, appointed the president and members of the cabinet, the president and justices of the Constitutional Court, and the judges of all courts of law. The Assembly may pass a vote of no-confidence on the government by a vote of its members.

The president of Montenegro proposes candidates to the Assembly for prime minister, as well as for the president and justices of the Constitutional Court; grants pardons; proposes the holding of referenda; and represents the country at home and abroad.

### 14 POLITICAL PARTIES

Elections for Montenegro's parliament were held on 21 October 2002. Eleven parties were represented: the Democratic Party of Socialists of Montenegro (DPS), 30 seats; Social Democratic Party of Montenegro (SDP), 5; Civic Party of Montenegro, 1; non-partisans, 2; Socialist People's Party of Montenegro, 19; Serbian People's Party of Montenegro, 6; People's Party of Montenegro, 5; Liberal Alliance of Montenegro, 4; Democratic Union of Albanians, 1; and the Democratic League of Montenegro, 1. The government coalition was comprised of the DPS, SDP, Civic Party, and non-partisans.

On 11 May 2003, Filip Vujanović of the DPS was elected president with 63.3% of the vote. Voter turnout was 48.5%. As of 2006, Milo Dukanović was serving as prime minister.

### 15 LOCAL GOVERNMENT

Montenegro has 21 municipalities (opština).

### 16 JUDICIAL SYSTEM

The republic of Montenegro followed the system of separation of powers: the judicial, legislative, and executive branches are independent of one another. The judiciary is autonomous and inde-

pendent. The Constitutional Court has the power of judicial review. Appointments to the judiciary are for life.

## 17 ARMED FORCES

The following information on armed forces pertains to the union of Serbia and Montenegro and was reported prior to June 2006, when Montenegrins approved an independence referendum. Active armed forces numbered approximately 65,300 in 2005, supported by 250,000 reservists. The Army had 55,000 active personnel and was equipped with 962 main battle tanks, 525 armored infantry fighting vehicles, 288 armored personnel carriers and 2,729 artillery pieces. The Navy had 3,800 active personnel, including 900 Marines. Major naval units included eight tactical submarines, three frigates, 31 patrol/coastal vessels, 10 mine warfare ships, 23 amphibious landing craft, and seven logistical/support vessels. The Air Force had 6,500 active members, along with 101 combat capable aircraft, including 39 fighters, 51 fighter ground attack aircraft and 17 armed helicopters. There was also a paramilitary force that consisted of 45,100 personnel, of which an estimated 4,100 made up special police units, 35,000 were Ministry of Interior personnel and an estimated 6,000 were Montenegrin Ministry of Interior Personnel. Sixteen military personnel were stationed in four African countries under UN command. In addition, military contingents from 45 countries were stationed in Serbia and Montenegro as part of the Kosovo Peace Implementation Force. The defense budget in 2005 totaled \$706 million.

## 18 INTERNATIONAL COOPERATION

The Socialist Federal Republic of Yugoslavia was an original member of the United Nations (1945) until its dissolution and the establishment of Bosnia and Herzegovina, Croatia, Slovenia, the Former Yugoslav Republic of Macedonia, and the Federal Republic of Yugoslavia as new states. The Federal Republic of Yugoslavia was admitted to the United Nations on 1 November 2000. Following the adoption and promulgation of the Constitutional Charter of Serbia and Montenegro on 4 February 2003, the name of the Federal Republic of Yugoslavia was changed to Serbia and Montenegro. Serbia and Montenegro participated in several nonregional specialized UN agencies, such as the FAO, UNESCO, UNHCR, UNIDO, the World Bank, IAEA, and the WHO.

Serbia and Montenegro was a member of the Council of Europe, the Black Sea Economic Cooperation Zone, the European Bank for Reconstruction and Development, and the OSCE. It had observer status in the OAS and the WTO. In environmental cooperation, the country was part of Basel Convention, Ramsar, the London Convention, the Montréal Protocol, and the UN Conventions on the Law of the Sea and Climate Change.

Serbia is recognized as the successor state to the former union of Serbia and Montenegro. Montenegro will have to apply for membership in the UN and other international bodies.

## 19 ECONOMY

During the UN economic sanctions that lasted from 1992 to 1995, economic activity in the former Yugoslavia was extremely limited. By 1994, hyperinflation had brought formal economic activity to a virtual halt. By 1996, GDP had fallen to only 50.8% of 1990s total. Industry declined to just 46.6% of 1990s output; agriculture, 94.4%; construction, 37.5%; transportation, 29.3%; trade, 60.6%;

and services, 81.1%. Formal lifting of these sanctions occurred in October 1996. However, the United States sponsored an "Outer Wall" of sanctions, which prevented Yugoslavia from joining international organizations and financial institutions. Taken together, the "Outer Wall," the Kosovo war, and continuing corruption continue to stifle Yugoslav economic development. In October 2000, the coalition government began implementation of stabilization and market-reform measures. Real growth in 2000 was reported as 5%. A donors' conference in June 2001 raised \$1.3 billion in pledges for help in infrastructural rebuilding. Real GDP in 2001 was 5.5% and an estimated 4% in 2002.

Economic output was positive, but volatile after 2002, dropping to 2.1% in 2003 and jumping to 8% in 2004; in 2005 the GDP growth rate in Serbia and Montenegro was estimated at 4%.

In Montenegro, inflation fell from 7.5% in 2003 to 5% in 2004. The financial sector showed marked improvement. Economic reforms launched in 2003, driven by the goal of EU integration, had not yet led to markedly higher levels of growth or reduced unemployment by 2006. In 2003, the absolute poverty rate was recorded at 12.2%, with more than a third of the population classified as economically vulnerable.

## 20 INCOME

The following information on income pertains to the union of Serbia and Montenegro, prior to Montenegro's independence in 2006. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. In 2005, the per capita GDP for Serbia and Montenegro was estimated at \$2,700. The annual growth rate of GDP was estimated at 5%. It was estimated that agriculture accounted for 16.6% of GDP, industry 25.5%, and services 57.9%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.397 billion or about \$172 per capita and accounted for approximately 6.8% of GDP. Foreign aid receipts amounted to \$1,317 million or about \$163 per capita and accounted for approximately 6.4% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Serbia and Montenegro totaled \$18.27 billion or about \$2,246 per capita based on a GDP of \$20.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings.

## 21 LABOR

The following information on labor pertains to the union of Serbia and Montenegro, prior to Montenegro's independence in 2006. The labor force in Serbia and Montenegro was estimated at 3.22 million in 2005. The unemployment rate in 2005 was estimated at 31.6%, with Kosovo's unemployment at around 50%. There was no data available as to the occupational breakdown of the country's workforce.

With the exception of the military, all workers are entitled to form unions. However, the majority of unions are government-sponsored or affiliated: independent unions are rare. Therefore, unions have not been effective in improving work conditions or

wage structure increases. Virtually all of the workers in the formal economy are union members. Strikes are permitted and are utilized especially to collect unpaid wages. Collective bargaining is still at rudimentary level.

The minimum employment age is 16 although younger children frequently work on family farms. As of 2005, there was no national minimum wage rate. On average, the full-time monthly wage in the public sector that year was \$181, while the average wage in the private sector was \$250. Neither wage rate offered a decent living wage for a family. The official workweek was set at 40 hours, with required rest periods and overtime limited to 20 hours per week or 40 hours per month. Health and safety standards are not a priority due to harsh economic circumstances.

## 22 AGRICULTURE

In addition to honey and high-quality wines (Vranac, Krstac, among others), Montenegro produces many vegetables (tomatoes, peppers, cucumbers) and fruits (plums, apples, grapes, citrus fruits, and olives). Other crops include blueberries, edible mushrooms, and wild sage.

Serbia and Montenegro had 3,717,000 hectares (9,160,000 acres) of arable land in 2003. Serbia historically accounted for 60% of agricultural production. Vojvodina is the major agricultural region.

In 2000, 20% of the labor force was engaged in agriculture. Between 1991 and 1996, total agricultural production in the former Yugoslavia declined by 10%. During that time, production of farm crops fell by 9%; cereals by 12%. Viticultural production, however, increased by 51%. However, by 1999, total agricultural output was at 92% of the average during 1989–91. During 2002–04, crop production was 10% higher than during 1999–2001.

Agriculture contributed an estimated 17% to GDP in 2002. Major crops produced in 2004 in Serbia and Montenegro included (in thousands of tons): corn, 6,287; wheat, 2,746; sugar beets, 2,643; potatoes, 1,098; and grapes, 490.

## 23 ANIMAL HUSBANDRY

The following information on animal husbandry pertains to the union of Serbia and Montenegro, prior to Montenegro's independence in 2006. In 2005, the livestock population included 3,550,000 pigs and hogs, 1,796,600 sheep, 1,230,000 head of cattle, 182,000 goats, 40,000 horses, and 17,464,000 poultry. Total meat production that year was 848,240 tons; milk, 1,852,000 tons. Between 1990 and 1999, total livestock production increased by 1.8%, but during 2002–04 it fell by 5.4% from 1999–2001.

## 24 FISHING

In Serbia and Montenegro, the total catch in 2003 was 3,665 tons, 86% from inland waters. Common carp accounts for much of the inland catch.

## 25 FORESTRY

Forests and woodlands cover 720,000 ha (1,779,192 acres) in Montenegro, accounting for 54% of the total surface area of the republic. Of this figure, the major part (572,000 ha (1,413,469 acres) is in the northern region of the country. Total roundwood production in Serbia and Montenegro in 2004 was 3,520,000 cu m (124.3 billion cu ft), of which about 75% came from public forests. Sawnwood production amounted to 575,000 cu m (20.3 million

cu ft); plywood and particle board, 59,000 cu m (2.1 million cu ft). In 2004, exports of forest products in Serbia and Montenegro amounted to nearly \$139.1 million; imports, \$352.9 million.

## 26 MINING

The following information on mining pertains to the union of Serbia and Montenegro prior to Montenegro's independence in 2006. In 2003 industrial production in Serbia and Montenegro fell by 3% compared to 2002, although mining and quarrying operations reported a 1% increase from 2002. Aggregated production from the metals mining sector in 2003 fell by 33% from the previous year, although the output of basic metals increased by 2%. The country also confronted continuing economic sanctions and the loss of control of Kosovo, with its ores and production facilities for nickel, lead, zinc, coal, lignite, ferronickel, and tin-plate. In light of this, Serbia and Montenegro's gross domestic product (GDP) was officially reported to have increased by 3% in 2003. The country had significant capacities to produce refined aluminum, lead, silver, and zinc. In 2003, the output of bauxite fell by about 12% from 2002, although aluminum output remained at around 2002 levels. Although exports of primary aluminum and aluminum alloys in 2002 grew by 18% over 2001, data for 2003 indicated a steep drop in those exports. Mining in Serbia dates back to the Middle Ages, when silver, gold, and lead were extracted. Yugoslavia's bauxite mining, alumina-refining, and aluminum-smelting industries were located primarily in Montenegro, which was accorded favorable treatment by the European Commission.

Mine output of metals in 2003 were: lead ore (gross weight), 183,000 metric tons, down from 733,000 metric tons in 2000 and 284,000 metric tons in 2002; bauxite (gross weight), 540,000 metric tons, down from 612,000 metric tons in 2002 and from 630,000 metric tons in 2000; agglomerate iron ore and concentrate saw no recorded production from 2001 through 2003; and copper ore (gross weight), 5,710,000 tons, down from 12.896,000 tons in 2000 and from 7,968,000 tons in 2002. Production of silver in 2003 totaled 2,028 kg, down from 6,838 kg in 2002. Output of refined gold in 2003 was estimated at 600 kg, down from 900 kg in 2002. In 2003, the country also produced alumina, magnesium, palladium, platinum, and selenium. Among the industrial minerals produced were asbestos, bentonite, ceramic clay, fire clay, feldspar, pumice, lime, magnesite, mica, kaolin, gypsum, quartz sand, salt, nitrogen, caustic soda, sodium sulfate, sand and gravel, and stone.

## 27 ENERGY AND POWER

According to Montenegrin government sources, three power plants—the Perucica and Piva hydroelectric plants and the Pljevlja thermoelectric plant—produce approximately 3 billion kWh per year. Montenegro has the capacity to produce 2,700,000 metric tons of coal.

## 28 INDUSTRY

Industry was the primary engine of economic development in Montenegro in the second half of the 20th century. During that period, the growth of the power and energy sector, metallurgy (steel and aluminum), and transportation infrastructure formed the basis for overall economic growth and development. Approxi-

mately 90% of Montenegro's industrial products were marketed outside the republic.

By the early 2000s, Montenegro had facilities for producing 400,000 metric tons of crude steel; 1,000,000 metric tons of bauxite; 280,000 metric tons of alumina; 100,000 metric tons of aluminum; and 75,000 metric tons of sea salt.

Industries in Montenegro include metal processing, engineering, wood-processing, textile manufacture, chemicals, leather and footwear, apparel, household appliances, construction, and machinery.

Montenegro processes and finishes agricultural products. The country has fish-processing plants, flour mills, dairies, slaughterhouses, bakeries, breweries, juice factories, fruit processing factories, grape processing plants and wine cellars, medicinal herb processing plants, tobacco and cigarette factories, and confectioners, among other industries.

By 2006, the industrial sector was in poor shape due to the lingering effects of war and isolation in the former Yugoslavia. Montenegro was expected to seek foreign investment to modernize its industries to enable it to become competitive in world markets.

### **29 SCIENCE AND TECHNOLOGY**

Scientific and technological policies are developed and implemented by the Ministry of Education and Science of the Republic of Montenegro. There are 13 registered research institutions in Montenegro and one university (the University of Montenegro, located in Podgorica).

### **30 DOMESTIC TRADE**

Podgorica serves as the economic and commercial center of the country. The domestic economy has been held back for the past few years due to the lack of major privatization reforms and trouble in the general European economy. Hours of business are usually 8 AM to 4 PM, Monday to Friday.

### **31 FOREIGN TRADE**

The following information on foreign trade pertains to the union of Serbia and Montenegro prior to Montenegro's independence in 2006. The UN imposed sanctions on international trade with Yugoslavia in May 1992 and lifted them in December 1995. During the war, when sanctions were in force, dozens of Cypriot companies, set up by senior Serbian officials and businessmen, trafficked millions of dollars in illegal trade.

Trade started to catch up in subsequent years, and in 2004 exports reached \$3.2 billion (FOB—Free on Board). In the same year, imports were almost triple, at \$9.5 billion (FOB), indicating that the economy in the two republics was in disarray, but that it was trying to redress itself through a renewal of its industrial base. Most of the import commodities included machinery and transport equipment, fuels and lubricants, manufactured goods, chemicals, food and live animals, and raw materials. The imports mainly came from Germany (18.5%), Italy (16.5%), Austria (8.3%), Slovenia (6.7%), Bulgaria (4.7%), and France (4.5%). Exports included manufactured goods, food and live animals, and raw materials, and largely went to Italy (which receive 29% of total

exports), Germany (16.6%), Austria (7%), Greece (6.7%), France (4.9%), and Slovenia (4.1%).

### **32 BALANCE OF PAYMENTS**

Montenegro, both as its own republic and as a constituent republic of Serbia and Montenegro until mid-2006, maintained a relatively high current account deficit. For Serbia and Montenegro, exports of goods and services totaled \$5.9 billion in 2004, up from \$4.2 billion in 2003. Imports grew from \$8.7 billion in 2003, to \$12.8 billion in 2004. Consequently, the resource balance was on a negative upsurge, growing from -\$4.5 billion in 2003, to -\$7.1 billion in 2004. A similar trend was registered for the current account balance, which deteriorated from -\$2.0 billion in 2003, to -\$3.1 billion in 2004. The national reserves of Serbia and Montenegro (including gold) were \$3.6 billion in 2003, covering less than 6 months of imports; by 2004, they increased to \$4.3 billion.

### **33 BANKING AND SECURITIES**

Montenegro has its own independent central bank. There were 10 licensed banks in Montenegro in 2005. Montenegro's last bank with direct government majority ownership was being privatized in 2006.

### **34 INSURANCE**

Insurance of public transport passengers, motor vehicle insurance, aircraft insurance, and insurance on bank deposits are compulsory. In 2003, the value of all direct insurance premiums written in Serbia and Montenegro totaled \$436 million, of which nonlife premiums accounted for \$420 million. In that same year, the top nonlife insurer was Dunav, which had gross written nonlife premiums of \$138.6 million, while the country's leading life insurer was Zepter, which had gross written life insurance premiums of \$7.1 million.

### **35 PUBLIC FINANCE**

As of mid-2006, Montenegro had voted to become an independent nation; statistics on the new country's revenue and expenditures were not available.

The US Central Intelligence Agency (CIA) estimated that in 2005 Serbia and Montenegro's central government took in revenues of approximately \$11.4 billion and had expenditures of \$11.1 billion. Revenues minus expenditures totaled approximately \$330 million. Public debt in 2005 amounted to 53.1% of GDP. Total external debt was \$15.43 billion.

### **36 TAXATION**

Montenegro's top income tax rate is 22%. It has a flat corporate tax rate of 9%.

### **37 CUSTOMS AND DUTIES**

Montenegro has an average customs rate of 3–5%, with a 20% rate applied to seasonal fruits and vegetables. Montenegro applies a 17% value-added tax (VAT) on all products, with water, bread,

milk, fat, oil, sugar and medicines exempt. Montenegro imposes excise taxes on certain luxury goods.

Montenegro has only one authorized free trade zone (FTZ) that has yet to become operational.

### 38 FOREIGN INVESTMENT

Foreign investment was severely restricted during the years of the economic embargo. Since the sanctions were lifted, foreign investors from neighboring countries, Russia, and Asia have expressed an interest in capital investment. The main sectors attracting the interest of foreign investors are metal manufacturing and machinery, infrastructure improvement, agriculture and food processing, and chemicals and pharmaceuticals. Foreign investors may hold majority shares in companies.

In 1997, foreign direct investment (FDI) inflows into the former Yugoslavia reached \$740 million, but dried up with the onset of the conflict in Kosovo. FDI inflows averaged \$122.5 million in 1998 and 1999, then fell to \$25 million in 2000. In 2001, FDI inflow reached \$125 million.

In the following years, Serbia and Montenegro undertook an aggressive program of reforms aimed at both reestablishing the area as a major transportation hub, and at attracting foreign investment. These policies seem to have paid off as in 2004, capital inflows jumped to \$3.4 billion. While Serbia and Montenegro was considered to be a risky place for doing business, the political and economic climate was steadily improving as of 2005. Montenegro both before and after independence placed a great deal of importance upon attracting new foreign investment; such economic development will help make the case for Montenegro's possible entry into the European Union (EU).

### 39 ECONOMIC DEVELOPMENT

Officials in general see revitalization of the infrastructure (roads, rail and air transport, telecommunications, and power production) as one step toward economic recovery. Another important aspect of economic reconstruction will be the revival of former export industry, such as agriculture, textiles, furniture, pharmaceuticals, and nonferrous metallic ores.

In 2002, the International Monetary Fund (IMF) approved a three-year \$829 million Extended Arrangement to support economic programs in Serbia and Montenegro (which was known as Yugoslavia at the time) 2002–05.

While politically and economically Montenegro is much more stable than in previous years, the economy is still in a quasi-state of disarray, with high unemployment, a large gray market, and a relapsing industrial base. Foreign investors, as well as several international financial institutions (EBRD, IMF, and the World Bank), appreciated recent economic developments in Montenegro as being positive, and in 2004 increased their capital transfers to the region.

The economy is expected to grow moderately in 2006, as a result of a boom in several sectors: trade, financial services and transport and communications. The growth is to be sustained by continued investment in newly privatized companies, by strong local demand, and by an expansion of the services sector. Montenegro has privatized most major industries other than electricity. By 2005, approximately 65% of state-owned companies had been

sold off and only 25% of banking assets remained in state or social ownership.

The US Agency for International Development (USAID) remains the primary foreign aid donor in Montenegro. The European Agency for Reconstruction (EAR), Germany, and the United Kingdom have smaller budgets and, like USAID, work in the areas of economic policy reform and enterprise development, among other programs such as civil society, independent media development, and the rule of law. The International Finance Corporation (IFC) focuses on small and medium enterprise development. The World Bank and EBRD focus on economic growth and infrastructure investments. The UN Development Program (UNDP), with funding from EAR, Germany, Canada, and the Netherlands, works in the environment, enterprise development, and civil society development areas. Montenegro has implemented an Economic Reform Agenda.

### 40 SOCIAL DEVELOPMENT

A social insurance system for Serbia and Montenegro, updated in 2003, provides old age, disability, and survivorship benefits. The pension plan is funded by contributions from both employers and employees. The retirement varies depending on years of insurance; retirement from insured employment is necessary. Montenegro provides its own system for sickness and maternity benefits. Medical services are provided directly to patients through government facilities. Workers' compensation, unemployment benefits, and family allowances are also available. Family allowances vary according to the number of children in the family are adjusted periodically for cost of living changes.

Traditional gender roles keep women from enjoying equal status with men and few occupy positions of leadership in the private sector. However, women are active in human rights and political organizations. High levels of domestic abuse persist and social pressures prevent women from obtaining protection against abusers.

### 41 HEALTH

The government provides obligatory health care to citizens for preventive, diagnostic, therapeutic, and rehabilitative services. In the union of Serbia and Montenegro, there were approximately 228 health institutions and about 3,000 other clinics, mostly private, in 2005. As of 2004, there were an estimated 20 physicians per 100,000 people.

In 2005 infant mortality in Serbia and Montenegro was reported at 15.53 per 1,000 live births. Overall mortality was 7.4 per 1,000 people in Montenegro. Average life expectancy in 2005 for Serbia and Montenegro was 74.73 years.

The HIV/AIDS prevalence was 0.20 per 100 adults in 2003. As of 2004, there were approximately 10,000 people living with HIV/AIDS in Serbia and Montenegro. There were an estimated 100 deaths from AIDS in 2003.

### 42 HOUSING

At the beginning of 1996, there were 3,124,000 dwellings in Serbia and Montenegro, with an average of 3.4 persons per dwelling. Housing area at that time averaged 20 sq m (215 sq ft) per

person. New housing completions during 1995 totaled 14,337 units, of which 11,847 were in the public sector, and 2,490 were in the private sector. In 2002, Serbia and Montenegro counted about 2,790,411 households with an average of 2.89 people per household.

### 43 EDUCATION

As of 2005/06, education is compulsory for nine years of primary school. This may be followed by three years of secondary school, with students having the option to attend general, vocational, or art schools. The academic year runs from October to July. In 2001, about 43% of children between the ages of three and six were enrolled in some type of preschool program in the union of Serbia and Montenegro. Primary school enrollment in 2001 was estimated at about 96% of age-eligible students. The same year, secondary school enrollment was about 82% of age-eligible students. It is estimated that about 96% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 20:1 in 2000; the ratio for secondary school was about 14:1. In Montenegro, elementary and secondary schools are managed by school boards, while principals are responsible for day-to-day administration. School boards and principals are appointed by the Ministry of Education and Science for four-year terms. Teachers must have a university degree and pass a professional (state) examination.

Montenegro has one university with 15 faculties. In 2001, it was estimated that about 36% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 96.4%.

As of 2003, public expenditure on education for the union of Serbia and Montenegro was estimated at 3.3% of GDP.

### 44 LIBRARIES AND MUSEUMS

The Central National Library of Montenegro has 1.5 million volumes.

Serbia and Montenegro prior to Montenegro's independence had over 2,500 cultural monuments, including about 100 museums and 37 historical archives libraries.

Culturally, Montenegro has been shaped by Mediterranean, middle European, Eastern European, and Asian civilizations. Archaeological treasures include Crvena Stijena (Red Rock), Bioce okapine (shelters) in the Moraca Canyon, and Malisina pecina (cave) and Medena stijena (rock) in the Cehotina Canyon.

Pre-Roman, Roman, Gothic, and Baroque architectural styles may be found. The city of Kotor is a UNESCO World Heritage site. The region of Lake Scutari (Skadarsko) has many monasteries built on goricas (small islands), including Beska, Moracnik, Starcevo, Kom, and Vranjina, along with the fortresses of Zabljak and Lesendro.

Islamic culture is evidenced in the Mosque of Husein-pasha Boljanic in Pljevlja, as well as in residential architecture (such as the Redzepagics' Manor in Plav).

Montenegro has a long literary and printing history, beginning in the 12th century. The town of Cetinje, which features a monastery of Cetinje and museum complex and Biljarda, built by

Njegos as a residence in 1838, is recognized as a cultural capital. Other buildings in Cetinje include King Nikola's Palace, numerous embassies, Prince Heir's Palace, the Zetski dom theater, and the house of parliament.

Montenegro has a rich heritage of theater, film, poetry, prose, and painting.

### 45 MEDIA

In 2003, there were an estimated 243 mainline telephones for every 1,000 people in Serbia and Montenegro; about 313,500 people were on a waiting list for telephone service installation. The same year, there were approximately 338 mobile phones in use for every 1,000 people.

Television stations included TV Montenegro, a state-funded company that operated two networks and a satellite channel; TV IN; Montenegrin Broadcasting Company (MBC), private; ntv Montena, private; TV Elmag, private; and TV Pink M—Montenegrin offshoot of Belgrade-based network. The following radio stations were operating: Radio Montenegro, a state-funded company that operated two networks; Radio Elmag, private; Antena M, private; and Radio D, private. The news agency MNNNews-Mina is private.

The ownership and editorial positions of television and radio stations usually reflects regional politics. In 2004, Serbia and Montenegro had about 297 radios and 282 television sets for every 1,000 people. The same year, there were 27.1 personal computers for every 1,000 people and 79 of every 1,000 people had access to the Internet. There were nine secure Internet servers in the country in 2004.

In 1791, the first Serbian-language newspaper was published in Vienna, Austria. Privately owned newspapers are sometimes critical of the government. The dailies with the largest circulation in Serbia and Montenegro (as of 2002) were *Politika* (Politics, 300,000) and *Vecernje Novosti* (Evening News, 169,000). Other newspapers that are essentially controlled by the government, included (with 2002 circulation) *Borba* (85,000), *Jedinstvo* (6,090), *Dnevnik* (61,000), and *Pobjeda* (19,400). There are several minority language newspapers.

While the government provides for freedom of speech and of the press, libel suits have been fairly prevalent and some media sources have practiced self-censorship in order to avoid problems with government officials. In Montenegro press freedom is guaranteed and media laws passed in 2002 provide for the transformation of state-funded broadcasting company into a public broadcaster. But some media watchdogs have pointed to ongoing political influence over editorial policies. In 2004, the killing of Dusko Jovanovic, the editor of the opposition daily newspaper Dan, sparked an outcry. Demonstrators accused the authorities of complicity.

Overseas donors and organizations have encouraged the growth of independent media outlets. But commercial operators compete for a small pool of advertising revenue. The market—with dozens of private radio and TV stations—was said to be saturated. The Montenegrin media enjoyed greater freedom than their Serbian

counterparts in the last years of Slobodan Milošević's rule. Many private outlets managed to break the former state monopoly. In Montenegro, the following media were publishing in 2005: *Vijesti*, private daily; *Pobjeda*, daily; *Dan*, daily; *Republika*, daily; and *Monitor*, private weekly.

#### 46 ORGANIZATIONS

The Montenegrin P.E.N. Center was founded in 1990. There are several organizations for professional journalists in Serbia and Montenegro, including the Journalists' Federation of Yugoslavia, the Journalists' Association of Serbia, Independent Journalists' Association, and the Association of Private Owners of the Media. National youth organizations include the Union of Socialist Youth of Yugoslavia, Junior Chamber, and the Youth Council of Montenegro. Scouting organizations are also active. The Child Rights Center and Child to Child are national groups working to promote the rights of children and youth. There are a variety of sports associations available promoting amateur competition among athletes of all ages. There are active chapters of the Paralympic Committee, as well as a national Olympic Committee.

There is a national chapter of the Red Cross Society.

#### 47 TOURISM, TRAVEL, AND RECREATION

Rich architecture, museums, galleries, cathedrals, parks, rivers, and the many beaches are just some of the attractions that bring visitors to Montenegro. Montenegro has four national parks; the largest are the Lake of Skadar (Skadarsko) Basin (40,000 hectares/98,800 acres) and Durmitor (39,000 hectares/96,300 acres). Montenegro has two UNESCO natural area and heritage sites: Mt. Durmitor and the old city of Kotor. Popular sports in Montenegro are tennis, football, volleyball, water sports, bocanje (a kind of bowling), skiing, and rafting. The Ministry of Sports of the Montenegrin government was founded in 1993. There are numerous sand and pebble beaches on the Montenegrin coastline. It is one of the warmest and sunniest tourist regions in Europe. Although classified as a Mediterranean country, Montenegro is a mountainous region in which areas of 1,000 m (3,280.8 ft) or higher comprise 60.5% of the nation's territory.

Prior to Montenegro's independence, all visitors needed a valid passport to enter Serbia and Montenegro. Serbia requires an onward/return ticket, sufficient funds for the stay, and a certificate showing funds for health care. Visas are required for all nationals except those of 41 countries including the United States, Australia, and Canada. According to 2005 US Department of State estimates, the cost of staying in the country averaged \$157.

In 2003, there were 599,430 visitors to Montenegro (10.7% more than in 2002), of whom 141,787 were foreign tourists. There were 3,976,266 hotel rooms booked (7.8% more than in 2002), of which foreign visitors accounted for 915,738.

#### 48 FAMOUS MONTENEGRINS

Prince Danilo II of Montenegro (r.1851–60) introduced a new legal code in 1855 that guaranteed civil and religious freedoms. King Nikola I Petrović Njegoš (1841–1921) was the only king of Montenegro, reigning as a king from 1910 to 1918 and as a prince from 1860 to 1910. He was also a poet who wrote "Onamo, 'namo,"

the popular anthem of Montenegro. King Alexander of Yugoslavia (1888–1934) was assassinated in Marseille, France. Prince Paul of Yugoslavia (1893–1976) ruled as a regent for Peter II (1923–70) from 1934 to 1941 and was forced into exile after signing a secret pact with the Nazi government.

Important Montenegrin poets of the 20th century include Risto Ratkovic and Radovan Ziogovic. Important prose writers include Mihailo Lalic, whose realistic novels portray Montenegro's place in World War II. Painters include Petar Lubarda, Milo Milunovic, Dado Djuric, Branko Filipovic-Filo, Vojo Stanic, and Uros Toskovic.

#### 49 DEPENDENCIES

Montenegro has no dependencies or territories.

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# NETHERLANDS

Kingdom of the Netherlands  
*Koninkrijk der Nederlanden*



**CAPITAL:** Constitutional capital: Amsterdam. Seat of government: The Hague ('S Gravenhage; Den Haag)

**FLAG:** The national flag, standardized in 1937, is a tricolor of red, white, and blue horizontal stripes.

**ANTHEM:** *Wilhelmus van Nassouwen* (*William of Nassau*).

**MONETARY UNIT:** The guilder was replaced by the euro as official currency as of 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Queen's Day, 30 April; National Liberation Day, 5 May; Christmas, 25–26 December. Movable religious holidays include Good Friday, Holy Saturday, Easter Monday, Ascension, and Whitmonday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Situated in northwestern Europe, the Netherlands has a total area of 41,526 sq km (16,033 sq mi), of which inland water accounts for more than 7,643 sq km (2,951 sq mi). The land area is 33,883 sq km (13,082 sq mi). Comparatively, the area occupied by the Netherlands is slightly less than twice the size of the state of New Jersey. The Netherlands extends 312 km (194 mi) N–S and 264 km (164 mi) E–W. The land area increases slightly each year as a result of continuous land reclamation and drainage. The Netherlands is bounded on the E by Germany on the S by Belgium, and on the W and N by the North Sea, with a total boundary length of 1,478 km (918 mi), of which 451 km (280 mi) is coastline.

The capital city of the Netherlands, Amsterdam, is in the western part of the country.

## <sup>2</sup>TOPOGRAPHY

The country falls into three natural topographical divisions: the dunes, the lowlands or “polders” (low-lying land reclaimed from the sea and from lakes and protected by dikes), and the higher eastern section of the country. About 27% of the land lies below sea level. A long range of sand dunes on the western coast protects the low alluvial land to the east from the high tides of the North Sea, and farther east and southeast are found diluvial sand and gravel soil. The highest point of land, the Vaalserberg, is situated in the extreme south and is 321 m (1,053 ft) above sea level; the lowest point, 7 m (23 ft) below sea level, is Prins Alexanderpolder, an area of reclaimed land situated northeast of Rotterdam. The most extensive polder is that of East Flevoland in the province of Flevoland; it has an area of nearly 55,000 hectares (136,000 acres). Many dikes have been constructed along the lower Rhine and Meuse (Maas) rivers, as well as on a portion of the North Sea coast and along nearly the whole of the coast of the former Zuider Zee (formally called the IJsselmeer since its enclosure by a dike in

1932). There are many canals in the country, most of which have numerous locks.

## <sup>3</sup>CLIMATE

The Netherlands has a maritime climate, with cool summers and mild winters. The average temperature is 2°C (36°F) in January and 19°C (66°F) in July, with an annual average of about 10°C (50°F). Clouds generally appear every day, and in the winter months fog often abounds, while rainfall occurs frequently. Average annual rainfall is about 76.5 cm (30 in). The mild, damp climate is ideal for dairying and livestock raising, but the limited sunshine restricts the growing of food crops.

## <sup>4</sup>FLORA AND FAUNA

Plants and animals that thrive in temperate climates are found in the Netherlands. The most common trees are oak, elm, pine, linden, and beech. The country is famous for its flowers, both cultivated varieties (best known among them the Dutch tulip) and wild flowers such as daisies, buttercups, and the purple heather that blooms on the heaths in September. Birds are those characteristic of Western and Central Europe, with large numbers of seagulls swarming over the coastal areas from time to time. Many kinds of fish abound along the North Sea coast and in the lakes and rivers. Wild or large animals are practically nonexistent. As of 2002, there were at least 55 species of mammals, 192 species of birds, and over 1,200 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

In recent years, as a result of rapid population and economic growth, the government has placed increased emphasis on preservation of the natural environment. One key concern is the pressure put on the countryside, traditionally the domain of the smallholder, by the demands of modern mechanized agriculture and the needs of a large urban population for recreational areas and waste disposal. To help solve this environmental problem, the

government has instituted comprehensive land-use planning by means of a system of zoning that indicates the priorities for land use in each zone. Air and water pollution are significant environmental problems in the Netherlands.

The nation has one of the world's highest levels of industrial carbon dioxide emissions, which totaled 155 million metric tons in 1996. Efforts at controlling air pollution reduced sulphur dioxide emissions between 1980 and 1990 from 490,000 tons to 240,000 tons. In 2000, the total of carbon dioxide emissions was at 138.9 million metric tons. Severe pollution of the country's rivers results from industrial and agricultural pollution, including heavy metals, organic compounds, nitrates, and phosphates.

The Netherlands has about 11 cu km of renewable water resources, of which 61% of the annual withdrawal is used for industrial purposes. Solid waste in the nation's cities has been reported at an average of 7.6 million tons yearly. Aggravating the situation are the prevailing southwesterly winds, which carry the pollutants from coastal industries inland, and the great rivers that carry pollution into the Netherlands from originating countries farther inland.

In 1971, the Ministry of Health and Environment was established; a countrywide system of air pollution monitoring by the National Institute of Public Health has been in place since 1975. Since the mid-1970s, discharges of heavy metals into industrial wastewater and emissions of most major air pollutants from industrial use of fossil fuels have been substantially reduced. Progress has also been recorded in reducing automotive emissions. An excise tax surcharge on gasoline and diesel fuel was imposed for pollution abatement in 1981.

As of 2003, 14.2% of the country's total land area was protected, including 49 Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 9 types of mammals, 11 species of birds, 7 species of fish, 1 type of mollusk, and 6 species of other invertebrates. Endangered species include Atlantic sturgeon, slender-billed curlew, Atlantic ridley, and Spengler's freshwater mussel.

## 6 POPULATION

The population of Netherlands in 2005 was estimated by the United Nations (UN) at 16,296,000, which placed it at number 59 in population among the 193 nations of the world. In 2005, approximately 14% of the population was over 65 years of age, with another 19% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.4%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 16,934,000. The population density was 399 per sq km (1,033 per sq mi), with over 45% of the population concentrated in the three most densely populated provinces: Utrecht, North Holland, and South Holland.

The UN estimated that 62% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.04%. The constitutional capital, Amsterdam, had a population of 705,000 in that year. The Rotterdam metropolitan area had 1,112,000 inhabitants. Other major cities and their estimated populations include The Hague ('s Gravenhage; Den Haag), which is the seat of government, 472,087; Utrecht, 275,362; Eindhoven,

209,286; Tilburg, 200,251; Groningen, 181,020; and Haarlem, 150,213.

## 7 MIGRATION

In the past although the government encouraged emigration to curb overpopulation, more people migrated to the Netherlands than have left the country. Rapid economic growth in the 1960s drew many unskilled laborers from Mediterranean countries, and during the 1970s many people left Suriname for the Netherlands when the former Dutch colony became independent. At first both groups settled mainly in the western region, but after 1970 the pattern of internal migration changed, as increasing numbers left the western provinces to settle in the east and south. The traditional pattern of migration from the countryside to the cities has likewise been altered, and since the 1970s the trend has been largely from the larger cities to small towns and villages. By 2003 it was becoming harder for asylum migrants to find work. In addition, in 2004, employer groups asked for the streamline of admissions for skilled foreigner workers.

In 1990, some 57,344 persons left the Netherlands, of which 36,749 were Dutch nationals. In the same year, 81,264 immigrants arrived in the Netherlands, representing an increase of 24% over 1989. In 2002 the top 10 migrant-sending countries were Turkey, the Netherlands Antilles and Aruba, Morocco, Germany, the United Kingdom, China (excluding Taiwan), Angola, Suriname, and the United States. However, in 2003 for the first time since 1982, there were more emigrants (104,800) than immigrants (104,500). In that same year, the percent of foreign-born broke down as follows: 17.6% from Africa (mainly Morocco); 21.2% from the Americas (mainly from the Netherlands Antilles and South America); 34.3% from Asia (mainly from Indonesia); and 26.1% from Europe (with Germans the largest group). However, the large numbers of migrants from the Antilles has been decreasing, while emigration to these countries has increased. The number of Turks and Moroccans returning to their country of origin has been increasing between 2000 and 2004.

Since the election of a conservative government in 2002, the Dutch integration policy of multiculturalism (where all cultures were considered of equal value and there was no need for foreigners to integrate into Dutch society) was being eroded with new policies requiring immigrants to pass a test of Dutch language and culture. After the death of filmmaker Theo Van Gogh in 2004 at the hands of a Dutch-born man of Moroccan descent, a law was passed that made being a member of a "terrorist" organization a crime. By 2005, new policies included integration exams for foreign residents under age 65 with less than eight years of schooling in the Netherlands. In 2004, about 5.7% of Dutch residents were Muslim. According to *Migration News*, in 2005 Moroccan and Turkish groups created a working group, "Genoeg is genoeg" (Enough is enough), to coordinate a campaign against these hard-hitting immigration and integration policies.

At the beginning of 1996, there were 72,000 recognized refugees and 23,000 applications for asylum. By 1998, as many as 45,217 asylum applications were submitted. In 1999, 4,060 people were evacuated from Macedonia to the Netherlands. Following the trend in the 25 countries of the European Union, the Netherlands in 2004 had the lowest number of asylum seekers since 1988. In 2004, the United Nations High Commissioner for Refugees (UNHCR) had



LOCATION: 50°45' to 53°52' N; 3°21' to 7°13' E. BOUNDARY LENGTHS: Germany, 577 kilometers (358 miles); Belgium, 450 kilometers (280 miles); North Sea coastline, 451 kilometers (280 miles). TERRITORIAL SEA LIMIT: 12 miles.

a total of 155,257 persons of concern in the Netherlands: 126,805 refugees and 28,452 asylum seekers. The main countries of origin for refugees were Iraq (28,640), Afghanistan (26,437), Bosnia and Herzegovina (19,943), and Somalia (13,046).

In 2005, the net migration rate was an estimated 2.8 migrants per 1,000 population.

### 8 ETHNIC GROUPS

The Dutch are an ethnically homogeneous people descended from Frankish, Saxon, and Frisian tribes. Ethnic homogeneity slightly changed as a result of the arrival of some 300,000 repatriates and immigrants from Indonesia, mostly Eurasian, and more than 140,000 from Suriname. The influx of Turks and other workers

from the Mediterranean area has further added to the ethnic mix. The most recent estimates indicate that about 80% of the total population are Dutch; the principal minority groups are Turkish, Moroccan, Surinamese, and Antillean.

## <sup>9</sup> LANGUAGES

Dutch and Frisian are the official languages. Frisian, the native language of about 300,000 persons, is closely related to the Anglo-Saxon tongue but has many points in common with Dutch, which belongs to the Germanic language group. There are six Dutch dialects. Many Netherlanders speak and understand English, French, and German, which are taught in secondary schools.

## <sup>10</sup> RELIGIONS

Dutch society is becoming increasingly secular. According to the Social Cultural Planning Bureau, church membership has steadily declined from 76% in 1958 to 41% in 1995. Only about 26% of those claiming a religious affiliation are active in their religious community. According to a 2004 report, an estimated 31% of the population were nominally Roman Catholics, 14% were Dutch Reformed, 6% were Muslim, 6% were Calvinist Reformist, 3% were non-Christian (Hindu, Jewish, or Buddhist); and about 40% were atheist or agnostic.

The Dutch Reformed Church, whose membership has declined by more than 60% since 1950, is the largest Protestant denomination. The Calvinist Reformed Church is the second-largest Protestant group. Other Protestant denominations include Baptist, Lutheran, and Remonstrant. The Jewish community has less than 25,000 members. The Muslim community is primarily of the Sunni branch. Many of them are migrant workers from Morocco and Turkey or immigrants from other countries such as Iraq, Somalia, and Bosnia. There are about 95,000 Hindus, primarily from Suriname. The Hindu based movements of Ramakrishna, Hare Krishna, Sai Baba, and Osho are also represented. About 17,000 people are Buddhist.

## <sup>11</sup> TRANSPORTATION

Merchant shipping has always been of great economic importance to the seagoing Dutch. The Netherlands Maritime Institute is internationally famous, and the Dutch ship-testing station at Wageningen is known for its research in marine engineering. The Dutch merchant marine had 558 ships (of 1,000 GRT or over) totaling 4,796,460 GRT in 2005. Emphasis has been placed on the development of new vessels suitable for container transport and on improving the Dutch tanker fleet. Rotterdam is the Netherlands' chief port and the world's largest. There are also ports and harbors at Amsterdam, Delfzijl, Dordrecht, Eemshaven, Groningen, Haarlem, IJmuiden, Maastricht, Terneuzen, and Utrecht.

In 2004, there were 5,046 km (3,136 mi) of navigable waterways of which 3,745 km (2,327 mi) are canals and are capable of handling vessels of up to 50 tons.

The railway system in 2004 consisted of 2,808 km (1,744 mi) of standard gauge rail lines, of which 2,061 km (1,280 mi) was electrified. Passenger transport on railways is subsidized as part of the national policy for promoting public transport. Public transport is provided for urban areas by municipal and regional transport companies, and minibus service in rural areas has ensured public transport for all towns with 1,000 residents or more. Also in

2001, there were 116,500 km (72,393 mi) of roadways, of which 104,850 km (65,153 mi) were paved, including 2,235 km (1,389 mi) of expressways. In 2003 there were 7,151,000 passenger cars and 1,080,000 commercial vehicles in use. The state subsidizes the construction of urban and rural cycle paths.

In 2004, there were an estimated 28 airports. In 2005 a total of 20 had paved runways, and there was also one heliport. Principal airports include Schiphol at Amsterdam, Reina Beatrix at Aruba, and Hato at Curacao. The world's first airline from the standpoint of continuous corporate existence and operation is Royal Dutch Airlines (Koninklijke Luchtvaart Maatschappij-KLM), which began regularly scheduled operations in 1920. The Netherlands government owns a large part of the outstanding capital stock. KLM serves some 115 cities in 70 countries. Also in 2003, about 23.455 million passengers were carried on domestic and international flights.

## <sup>12</sup> HISTORY

When, in about 55 BC, Julius Caesar conquered a large part of the lowlands near the mouths of the Rhine and Meuse (Maas) rivers, this region was populated by Celtic and Germanic tribes. To the north of the Rhine delta, several Germanic tribes had settled, among which the Batavi and the Frisians were the most important. The Batavi served with the Roman legions until they rebelled in AD 70, but even after the revolt was quelled, Batavian soldiers fought for Rome. About 300 years later, successive waves of powerful Germanic tribes, such as the Salic or West Franks, invaded this region, called the Low Countries, and gradually pushed the Frisians back to the east coast of the North Sea, except in the extreme northern section of the mainland where Saxons had settled. By the time of Charlemagne (742–814), the Saxons and Frisians had been completely conquered by the West Franks, and the Frankish language had replaced the languages of the Germanic tribes.

Soon after the death of Charlemagne and the disintegration of his realm, several duchies and counties were founded in the Low Countries by local leaders. With the coming of the Middle Ages, Holland (now the North and South Holland provinces) became the most important region and extended its power and territory under Count Floris V (r.1256–96). The ancient bishopric of Utrecht was another important principality. As the Middle Ages drew to a close, individual cities such as Amsterdam, Haarlem, and Groningen rose to eminence, together with the Duchy of Gelderland. In the 15th century, the dukes of Burgundy acquired, by various means, most of the Low Countries. Upon the extinction of the male line of the Burgundian dynasty and the marriage of Mary of Burgundy and Archduke (later Emperor) Maximilian I in 1477, however, the Austrian house of Habsburg fell heir to the lands.

### The Habsburgs

Mary's son, Philip of Habsburg, married Joanna of Castile, heirless to the Spanish throne, and their son, Charles, became King Charles I of Spain in 1516 and Holy Roman Emperor Charles V in 1519. In 1547, he decreed the formal union of the Netherlands and Austria, and in 1549, the union of the Netherlands and Spain. By the end of his reign in 1555, he was master of the Low Countries. His son, Philip II, concentrated his efforts on the aggrandizement of Spain. To bring the Low Countries under his direct control, he tried to stamp out the rising force of Protestantism and suppressed

the political, economic, and religious liberties long cherished by the population. As a result, both Roman Catholics and Protestants rebelled against him under the leadership of William the Silent, prince of Orange, who by marriage had acquired large properties in the Netherlands.

For 10 years, the 17 provinces comprising the Low Countries united in a common revolt. Much of the area was freed in 1577, with William as the acknowledged ruler, but not even his moderation and statesmanship sufficed to keep the northern and southern provinces united. In 1578, the southern region (now Belgium) began to turn against William. In 1579, the northern provinces concluded the Union of Utrecht, in which the province of Holland was the most prominent. The Union, or United Provinces, carried on the fight against Spain, and William was the soul of the resistance until his death by assassination in 1584. William's son Maurits, governor (*stadtholder*) of the republic from 1584 to 1624, carried on a successful campaign against Spain, but final recognition of Dutch independence by the Spanish government was not obtained until the end of the Eighty Years' War with the Treaty of Westphalia (1648). Meanwhile, the southern provinces remained loyal to Spain and to the Roman Catholic Church, and were thereafter known as the Spanish Netherlands.

Independence brought mixed success in the 17th century for the United Provinces. Dutch prosperity was nourished by settlements and colonies in the East Indies, India, South Africa, the West Indies, South America, and elsewhere. The government was oligarchic but based on republican and federative principles. The Dutch were noted for their religious freedom, welcoming religious refugees—Spanish and Portuguese Jews, French Huguenots, and English Pilgrims.

While they became a leading commercial and maritime power, controversy over the leadership, and external economic and military threats complicated political and economic stability. Trade and territory disagreements with England resulted in the First Anglo-Dutch War that began in 1652 but ended with the Treaty of Westminster in 1654. The English were quick to attack again, beginning the Second Anglo-Dutch War, which ended with successful Dutch attacks, but also in the loss of colonial possession in North America—of the area that now surrounds New York City—via a trade-off under the 1667 Treaty of Breda.

Arts, sciences, literature, and philosophy flourished alongside trade and banking during the Dutch “golden era.” In 1672, however, England declared war on the Republic, igniting the Third Anglo-Dutch War; France, Münster, and Cologne soon followed in their own attack. The new *stadtholder* William III rose out of what is known as the “Disastrous Year” to triumphantly end the war with England in 1674 and lead a coalition against the aggressive France of Louis XIV. William III (r.1672–1702), great-grandson of William the Silent and grandson of the English King Charles I and his English wife, Mary, were invited by the English Parliament to occupy the British throne in 1688, but they continued to take keen interest in Dutch affairs. The Dutch republic of which William had been governor survived for nearly a century after his death. Its position was continually threatened, however, by intense rivalries among and within the provinces. Four naval wars with Britain from the middle of the 17th century to the end of the 18th also sapped Dutch strength. In 1795, a much-weakened republic was overrun by revolutionary French armies.

After the brief Napoleonic occupation, the great powers of Europe at the Congress of Vienna (1814–15) set up a new kingdom of the Netherlands, composed of the former United Provinces and the former Spanish or Austrian Netherlands, and installed a prince of the house of Orange as King William I. The constitution that was founded in 1814 was last revised in 1983. In 1830, a revolt by the southern provinces resulted in the establishment of the kingdom of Belgium. Thereafter, the much-reduced kingdom was mainly concerned with domestic problems, such as the school conflict over secular versus religious instruction, social problems stemming from the industrialization of the country, and electoral reforms.

In foreign affairs, relations with Belgium were gradually improved after a decade of war and tension following Belgian independence, and Dutch claims to the principality of Luxembourg ended with the death of William III in 1890.

### The World Wars to the Present

Foreign policies based on neutrality successfully met their test in World War I. Although the Netherlands mobilized their army, they remained neutral, even as the Germans invaded Belgium and all the surrounding states were at war.

The Netherlands again declared their neutrality when World War II erupted in 1939. Neutrality was preserved until the German World War II war machine overran the country in May 1940. Queen Wilhelmina (r.1890–1948) refused to surrender to the Germans, and instead fled to Britain with other officials of her government. Although Dutch resistance lasted only five days, destruction was widespread; nearly the whole of downtown Rotterdam was wiped out, and the cities of Arnhem and Nijmegen suffered great damage. In addition, Dutch factory equipment was carried away to Germany, bridges and railroads were blown up or removed, cattle were stolen, and part of the land was flooded. The Dutch withstood severe repression until their liberation by Allied forces in May 1945. Wilhelmina abdicated in 1948 and was succeeded by her daughter, Juliana (r.1948–80).

The East Indies, most of which had been under Dutch rule for over 300 years, were invaded by Japanese forces in January 1942. After Japanese troops continued through the territory, the Dutch surrendered in March when Japanese arrived on Java. In 1945, a group of Indonesians proclaimed an independent republic and resisted Dutch reoccupation. After four years of hostilities and following UN intervention, the Netherlands recognized the independence of Indonesia in December 1949. Suriname (formerly Dutch Guiana), controlled by the Netherlands since 1815, became an independent nation on 25 November 1975. This Dutch colonial legacy was the root cause of several violent outbreaks during the late 1970s, as a group of South Moluccans, a few of the 40,000 Moluccans living in the Netherlands, used terrorism on Dutch soil to dramatize their demand for the independence of the South Molucca Islands from Indonesia. The Netherlands Antilles and Aruba continue to be dependent areas.

As for many western countries, the 1960s and 1970s brought extensive cultural and social change. Traditional class and religious lines that had supported separate education and social status were erased, leading to significant change for women's rights, sexuality, economic, and environmental issues.

Reform of the social security system was the major political issue in the 1990s, along with efforts to reduce public spending. Years of administrative tinkering with the social security system has reduced the number of claimants, increased labor force participation, and generated a central government budget surplus of 1% of GDP in 2000. The budget surplus prompted heated cabinet discussions as the Labor Party wished to use the extra money for redistribution while the neo-liberal conservatives hoped to lower tax rates. Buyant growth rates of more than 3% in the period 1996–2001 brought down the official unemployment level to 2.7%. However, the global economic downturn that began in 2001 was one cause of the Netherlands' shrinking economy in late 2002 and early 2003. The government also passed a number of radical social measures that received parliamentary approval in recent years including conditions for administering euthanasia, legalization of prostitution, legalization of gay marriages, and laws banning discrimination.

A founder of the European Coal and Steel Community, the Netherlands became part of the Economic and Monetary Union and strongly supports an independent European central bank, low inflation, and stable currency. It hosted two different intergovernmental conferences of the European Union and chaired the finalization of the Treaty of European Union (Maastricht Treaty) in 1991 and the Amsterdam Treaty in 1997.

In May 2002, Pim Fortuyn, an anti-immigration leader of his own political party, was assassinated by a single gunman. His party, List Pim Fortuyn, came in second in the 15 May 2002 parliamentary elections. The conservative Christian Democrats, led by Jan Peter Balkenende, came in first, and Balkenende became prime minister of a center-right coalition government. In October, Balkenende's government collapsed following disagreements within the List Pim Fortuyn Party. Elections were held on 22 January 2003, and the Christian Democrats narrowly defeated the Labor Party in the Second Chamber. After 125 days, a coalition government was formed comprising the Christian Democrats, the free-market liberal People's Party for Freedom and Democracy, and the socially liberal Democrats.

The Netherlands gave political support to the military action taken by the United States and United Kingdom against Saddam Hussein's regime in Iraq in 2003. Although the Netherlands has a history of open immigration and integration, the increased controversies in Europe surrounding Islamic fundamentalism and immigration have plagued it as well. On 2 November 2004, filmmaker and publicist Theo van Gogh was assassinated reportedly by a Dutch-Moroccan Islamic youth group.

Queen Juliana abdicated in 1980 in favor of her daughter, Beatrix. Juliana died 20 March 2004. In 1966, Beatrix had married Claus von Amsberg, a German diplomat, and his title remained that of Prince of the Netherlands when Beatrix became Queen. Their firstborn son, and Crown Prince, Willem-Alexander was born in 1967. Beatrix and Claus von Amsberg had two other sons, Johan Friso and Constantijn, before Prince Claus's death in 2002. Prince Willem-Alexander has two daughters with his wife, Princess Máxima: Princess Catharina-Amalia was born 7 June 2003, and Princess Alexia was born 26 June 2005.

### <sup>13</sup> GOVERNMENT

The Netherlands is a constitutional monarchy, under the house of Orange-Nassau. The monarch and the Council of Ministers together are called the Crown, and is the center of executive power. The prime minister is the active head of government, is a member of the Council of Ministers, the head of the cabinet, and usually the leader of the largest party within the ruling party coalition. Executive power is also shared with the cabinet, which must have the support of a majority in the parliament. Cabinet ministers may not be members of the parliament. The Council of State, instituted as an advisory body for the government in 1532, is appointed by and presided over by the monarch. It is composed of a vice president, councilors (28 maximum), and honorary members (25 maximum). The council considers all legislation proposed by the sovereign or the cabinet before it is submitted to the parliament. While functioning in an advisory capacity, the council has executive powers when it implements orders of the sovereign and it has judiciary powers when it acts in disputes and citizen appeals concerning the government.

Legislative power is exercised jointly by the crown and the States-General (Staten-Generaal), a bicameral parliament. The upper house (Eerste Kamer) consists of 75 members elected for four years by the provincial representative councils on the basis of proportional representation. The lower house (Tweede Kamer) has 150 members elected for four years directly by the people, also on the basis of proportional representation. Only the lower house has the right to introduce bills and to move amendments, but the upper house can accept or reject bills passed by the other chamber.

All Dutch citizens who have reached the age of 18 years and reside within the Netherlands have the right to vote. All citizens who have reached the age of 18 years are eligible for election to the States-General.

Every year on the third Tuesday in September, the session of the States-General is opened at the Hague by the monarch. In the speech from the throne, the government's program for the year is announced. The monarch acts as an adviser to the cabinet, may propose bills, and signs all bills approved by the legislature. Theoretically she could refuse to sign a bill, but this never occurs in practice because the cabinet is responsible for the actions of the ruler. Thus, if the queen should refuse to sign a bill, the cabinet must resign and she must then find a new cabinet acceptable to the parliament.

Immediately following elections, the monarch appoints a formateur to advise on the program and composition of the new cabinet, and form the Council of Ministers. If he fails to bring together a new ministry, a new formateur is appointed, and so on until a new cabinet has been formed.

### <sup>14</sup> POLITICAL PARTIES

Throughout the political history of the Netherlands, religion has played an important role. During World War II, strenuous efforts were made to reduce this role, but denominational parties continued to exercise considerable influence. However, since the mid-1960s the general trend has been toward the polarization of poli-

tics into conservative and progressive parties, and denominational parties have lost voter support.

The religious political party with the largest membership throughout the postwar period was the Catholic People's Party (Katholieke Volkspartij—KVP), which favored democratic government and a middle-of-the-road social policy. It began to lose votes in the 1960s and the KVP joined the Anti-Revolutionary Party (Anti-Revolutionaire Partij—ARP) and the right-wing Christian Historical Union (Christelijk-Historische Unie—CHU) to form the Christian Democratic Appeal (Christen-Democratisch Appèl—CDA) to contest the 1977 elections, and has since been a major political force. The Labor party (Partij van de Arbeid—PvdA) vied for political leadership with the KVP in the first decades of the postwar period, polling about the same number of votes in national elections until 1972, when the PvdA won a plurality of nearly 25% of the total vote and emerged as the dominant member of a centrist coalition government. The Labor Party, a social democratic party that resulted from the merger of three socialist and liberal parties, has appealed mainly to national interests rather than to socialist ones, although it does favor redistribution and solidarity. Since 1986, it has pursued de-radicalization and has moved to the political center. The conservative People's Party for Freedom and Democracy (Volkspartij voor Vrijheid en Democratie—VVD) advocates free enterprise, separation of church and state, and individual liberties.

Since 1965, discontent with the major political parties and erosion of party discipline have led to the establishment of change-oriented parties like Democrats 66 (Democraten 66—D66), which pushes for greater democratic accountability, political transparency, and involvement of the citizen in the policy process. Smaller parties include the left-wing Green Left (GroenLinks—GL), which is the product of a merger of socialist and ecology parties in 1991. Three small social conservative Calvinist parties have been at the heart of much political debate and change in the end of the 20th and beginning of the 21st century: the Political Reformed Party (Staatkundig Gereformeerde Partij—SGP) which was denied state funding in 2005 for prohibiting women from becoming full members, the Reformed Political Union (Gereformeerd Politiek Verbond—GPV) and the Reformatorian Political Federation (Reformatiorische Politieke Federation—RPF) merged in 2001 to form the far-right Christian Union (ChristenUnie), the fifth-largest party in 2005, that combines fundamental religious values on abortion, gay marriage, and euthanasia, with socially democratic views on economic, immigration, and environmental issues.

As no single party commands a majority in the States-General, the governing cabinet is a coalition of various party representatives, according to their numerical strength. In 1994, for the first time in 80 years, a coalition emerged which did not include a confessional party. The Labor party won a plurality of votes in spite of an absolute loss of votes. Its closest ally, D66, absolutely refused to join a coalition government with the Christian Democrats. In 1994, the first "purple" cabinet emerged, led by Wim Kok of the Labor party, and composed of D66 and the VVD. In 1998 the government fell after D66 failed to push through parliament a bill to make more use of referendums. A month later, in June 1998, voters brought back the purple coalition and Kok led another government of VVD, D66, and PvdA.

Willem Kok initially let it be known in various interviews that he would stand again in the 2002 election, greatly increasing the likelihood of another four years of Labor Party leadership. However, in April 2002, Kok's government resigned following an official report criticizing its role in the 1995 Srebrenica massacre in the former Yugoslavia, when some 100 lightly armed Dutch peacekeepers failed to stop Bosnian Serb forces from murdering around 7,000 Muslims.

Elections were held on 15 May 2002, and resulted in a victory for the Christian Democrats. A surprise showing was made by the List Pim Fortuyn (LPF); a political party formed just a month earlier by the anti-immigrant politician Pim Fortuyn. Fortuyn was assassinated just prior to the election, but his party came in second. Labor, the VVD, and D66 all suffered losses. Christian Democratic leader Jan Peter Balkenende became prime minister; however, his government collapsed in October 2002, and new elections were held on 22 January 2003.

Following the January 2003 elections, the 150 seats in the Second Chamber of the Legislature were distributed as follows: CDA, 28.6% (44 seats); PvdA, 27.3% (42 seats); VVD, 17.9% (28 seats); SP, 6.3% (9 seats); LPF, 5.7% (8 seats); GL, 5.1% (8 seats); D66, 4.1% (6 seats); the Christian Union (CU), 2.1% (3 seats); and the conservative Calvinist party Political Reformed Party (SGP), 1.6% (2 seats). The PvdA scored an increase of 19 seats over the May 2002 elections, and the LPF suffered a loss of 18 seats. After prohibitive disagreement in the formation of a CDA-PvdA cabinet, the center-right CDA, the conservative VVD, and the center-left D66 formed a coalition with Balkenende again as prime minister.

The next general elections were scheduled for May 2007.

## 15 LOCAL GOVERNMENT

Through 2005, the country was divided into 12 provinces, each governed by a locally direct-elected representative provincial council (*provinciale staten*). The size of the council depends on the number of inhabitants in the province. Members are elected for four-year terms. From among their members, the councils elect provincial executives (*gedeputeerde staten*) with six to eight members. Each province has a commissioner appointed by and representing the Crown.

The smaller municipalities (496 in 2003) are administered by municipal councils, which are elected directly for four-year terms by the local inhabitants and make local bylaws. The executive powers of the municipality are entrusted to a corporate board consisting of a burgomaster and two to six aldermen; the latter are elected from and by the council, while the burgomaster (mayor) is appointed by the Crown. The important function of flood control and water management is exercised by autonomous public authorities, some of which date as far back as the 13th century.

## 16 JUDICIAL SYSTEM

The judiciary is independent and the judges irremovable except for malfeasance or incapacity. Roman law still is basic, but the judicial system is largely patterned on that of France. There is no jury system, and the state rather than the individual acts as initiator of legal proceedings. Administrative justice is separate from civil and criminal justice and not uniform in dispensation.

The supreme judiciary body is the Supreme Court of the Netherlands (Court of Cassation). As of 2005 it was staffed by 24 jus-



tices. Its principal task is to supervise administration of justice and to review the judgments of lower courts. There are five courts of appeal (*gerechtshoven*), which act as courts of first instance only in fiscal matters. They are divided into chambers of three justices each. The 19 district courts (*arrondissementsrechtbanken*) deal as courts of first instance with criminal cases and civil cases not handled by the 62 subdistrict courts. Most of these courts are manned by single magistrates. In 2002, the subdistrict courts were incorporated administratively into the district courts; a subdistrict court section is now formed at these courts. There also are juvenile courts and special arbitration courts (for such institutions as the Stock Exchange Association and professional organizations).

Normally appointed for life, judges are usually retired at age 70.

## 17 ARMED FORCES

In 2005 there were 53,130 active personnel in the Netherlands' armed forces, with reserves numbering 54,400. The army numbered 23,150. Equipment included 283 main battle tanks, 569 armored infantry fighting vehicles, 94 armored personnel carriers, and 407 artillery pieces. The navy had 17,130 personnel including 3,100 marines. Its fleet included four tactical submarines and 14 surface combatants (six destroyers and eight frigates). The naval aviation unit of 950 was equipped with 10 maritime patrol aircraft and 21 antisubmarine/search and rescue helicopters. The air force has 11,050 active personnel plus 5,000 reservists subject to immediate recall. The air force had 108 combat capable aircraft and 30 attack helicopters. A paramilitary force known as the Royal Military Constabulary numbered 6,800 persons. The United States stationed about 303 personnel in the Netherlands. The Netherlands maintained forces abroad in Germany, Iceland, Italy and the Netherlands Antilles. The nation also participated in UN and peacekeeping missions in five other countries including Iraq and Afghanistan. The military budget in 2005 totaled \$9.7 billion.

## 18 INTERNATIONAL COOPERATION

The Netherlands is a founding member of the United Nations, having joined on 10 December 1945. It participates in ECE, ECLAC, ESCAP, and several nonregional specialized agencies, such as the FAO, the World Bank, IAEA, ILO, UNESCO, UNHCR, UNIDO, and the WHO. In addition, the Netherlands is a member of the WTO, the Asian Development Bank, the African Development Bank, the Council of Europe, the Euro-Atlantic Partnership Council, G-10 (Paris Club), the Western European Union, the European Union, NATO, OSCE, and OECD. The Netherlands is a permanent observer at OAS. The Netherlands is the home site of the International Court of Justice, Eurojust, Europol, the Organization for the Prohibition of Chemical Weapons, and the International Criminal Court.

On 1 January 1948, Belgium, the Netherlands, and Luxembourg established a joint customs union, Benelux; since that time, the three countries have freed nearly all of their mutual imports from quantitative restrictions. On 3 February 1958, the Benelux Economic Union was established to make it possible for each participating country to apply itself more intensively to the production for which it is best suited as well as to extend the total market for the member countries.

The Netherlands is a part of the Australia Group, the Zanger Committee, the European Organization for Nuclear Research (CERN), the Nuclear Suppliers Group (London Group), the Organization for the Prohibition of Chemical Weapons, and the Nuclear Energy Agency. In environmental cooperation, the Netherlands is part of the Antarctic Treaty; the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; CITES; the London Convention; International Tropical Timber Agreements; the Kyoto Protocol; the Montréal Protocol; MARPOL; the Nuclear Test Ban Treaty; and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

The Netherlands has an advanced economy, which combines high per capita income with a fairly even income distribution. An industrial nation with limited natural resources, the Netherlands bases its economy on the importation of raw materials for processing into finished products for export. Food processing, metallurgy, chemicals, manufacturing, and oil refining are the principal industries. Agriculture is particularly important to the economy, as about 60% of total agricultural production is exported.

Because of its geographic position on the sea, outstanding harbor facilities, and numerous internal waterways, the Netherlands became a trading, transporting, and brokerage nation. A major role in the economy has always been played by the service industries, such as banks, trading companies, shipping enterprises, and brokerage and supply firms. The economy, being involved in international trade, is sharply affected by economic developments abroad—including fluctuations in prices of primary goods—over which the Netherlands has little or no control.

Growth in GDP averaged just under 3% per year during 1988–95 with exceptionally strong growth occurring in 1989 (4.8%) and particularly slow growth in 1993 (1.8%). Inflation was low, averaging about 2% a year between 1986 and 1998. The unemployment rate fell from 10.5% in 1985 to 8.4% in 1995, and has continued to fall steadily, reaching an estimated 6% in 2004. For the four years 1997 to 2000, real GDP growth averaged 4%, well ahead of most of Europe. Growth slowed due to the global economic slowdown of 2001 to 2.8% and was brought close to a standstill in 2002, with estimated growth of 0.3%. Real GDP growth averaged 1.2% over the 2000–04 period. GDP growth was estimated at 0.5% in 2005, but was forecast to pick up to 2% in 2006 and to 2.7% in 2007. Inflation jumped from 2.2% in 1999 and 2.6% in 2000 to a yearly average of 4.5% in 2001 due mainly to a hike in the VAT rate, and increases in gasoline and food prices. The inflation rate averaged 2.7% over the 2000–04 period. The inflation rate in 2005 was estimated at 1.6%; it was forecast to remain at that rate in 2006.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 the Netherlands's gross domestic product (GDP) was estimated at \$500.0 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$30,500. The annual growth rate of GDP was estimated at 0.6%. The average in-

flation rate in 2005 was 1.6%. It was estimated that agriculture accounted for 2.1% of GDP, industry 24.4%, and services 73.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$767 million or about \$47 per capita and accounted for approximately 0.1% of GDP.

The World Bank reports that in 2003 household consumption in Netherlands totaled \$208.63 billion or about \$12,878 per capita based on a GDP of \$511.5 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.8%. In 2001 it was estimated that approximately 17% of household consumption was spent on food, 7% on fuel, 2% on health care, and 13% on education.

## 21 LABOR

As of 2005, the Netherlands' labor force numbered an estimated 7.53 million. In 2002 (the latest year for which data was available), 74.1% were employed in services, 20.3% in manufacturing, 4% in agriculture, and the remainder in undefined occupations. The unemployed represented about 6.7% of the workforce in 2005, compared with 1.2% in 1970, and 13% in 1985.

As of 2005, workers in the Netherlands were allowed to organize and join unions, engage in collective bargaining and to exercise the right to strike. However, strikes are rare. Labor unions in 2005 accounted for about 25% of the country's workforce. However, collective bargaining agreements cover about 86% of the labor force. Antiunion discrimination is prohibited.

The law stipulates a 40-hour workweek, but in 2005 the average workweek was 30.6 hours (20 hours for part-time employees and 38.7 hours for full-time employees). The five-day workweek has been generally adopted. Workers receive workers' compensation, unemployment insurance, sick pay, payment for legal holidays, and paid vacations. The employment of women and adolescents for night work is forbidden. The minimum wage for adults in 2005 was \$1,517 per month, and was capable of providing a worker and family with a decent living standard. However, most workers earn more. There is a reduced minimum wage for workers under 23, which uses a sliding scale ranging from 35% of the adult minimum wage for a 16-year-old to 85% for those 22 years of age. The minimum age for employment is 16 years. These laws are effectively enforced.

## 22 AGRICULTURE

More than 27% of the total land area of the Netherlands is under seasonal or permanent crop production. Grasslands account for about 54% of all agricultural lands. Most farms are effectively managed and worked intensively with mechanical equipment. The many cooperatives have added to the efficiency of production and distribution.

Although agricultural production has decreased in recent years, labor productivity in Dutch agricultural and horticultural industries has risen sharply. The number of holdings declined by over 17% from the mid-1970s to the mid-1980s; in 2002 there were 89,580 agricultural holdings, of which 45% were smaller than 10 hectares (25 acres). In 2003 there were 108,230 full-time and 153,250 part-time workers in the agricultural labor force. The

crop output in 2003 was valued at almost €10.6 billion, fifth highest in the EU after France, Italy, Spain, and Germany.

Much of the soil in the east and southeast is poor. Moreover, large regions are so moist because of their low altitude that only grass can be grown profitably, a condition that has led to the enormous development of the dairy industry. The best land is found in reclaimed polders. Principal crops and output in 2004 (in thousands of tons) were sugar beets, 6,292; potatoes, 7,488; wheat, 1,224; barley, 288; rye, 17; and triticale, 19.

The Netherlands is famous for its bulbs grown for export, principally tulip, hyacinth, daffodil, narcissus, and crocus. Flower growing is centered at Aalsmeer (near Amsterdam), and nurseries are situated mainly at Boskoop. Bulb growing, done principally at Lisse and Hillegom, between Haarlem and Leiden, has been extended in recent years to areas of North Holland. In 2002, there were 11,793 horticultural holdings and land area for growing bulbs totaled 17,139 hectares (42,350 acres).

Since the beginning of the 20th century, the government has been helping the agrarian sector through extension services, the promotion of scientific research, and the creation of specific types of agricultural education. In the 1930s, an extensive system of governmental controls of agricultural production was introduced, and after World War II (1939–45), an even more active policy was initiated, which evolved into integrated planning covering practically every aspect of rural life. In recent years, the government has actively encouraged the consolidation of small landholdings into larger, more efficient units.

## 23 ANIMAL HUSBANDRY

World-renowned Dutch dairy products outrank all other agricultural produce, and livestock provides two-thirds of total agricultural value. In 2005 there were 3.86 million head of cattle, 11.1 million pigs, 1.2 million sheep, and 86 million chickens. Milk production in 2005 totaled 10.5 million tons. Meat production in 2005 was 2.35 million tons (including pork, 1,299,000; beef and veal, 388,000; and poultry, 646,000). Butter production was 102,000 tons; cheese, 671,000 tons.

Friesland is the most important region for the production of milk and butter. Excellent grazing lands and a long growing season have greatly helped the Frisian dairy industry, whose main support is the famed Frisian strain of cows. The making of cheese is connected with such famous brands as those named for Edam and Gouda, towns in the province of South Holland, and Alkmaar in North Holland.

In 2003, the value of animal products was €7.61 billion. The output of animal products has gradually been falling since 1996, when production was valued at €9.37 billion. The Netherlands regularly imports calves from the United Kingdom. In 1995, the Dutch Ministry of Agriculture, in response to the possible connection of bovine spongiform encephalopathy (BSE) in cattle to Creutzfeldt-Jakob disease in humans, responded with a program to destroy all imported UK veal calves. The total slaughter amounted to 64,000 calves and led to losses of approximately \$32 million to the livestock industry.

## 24 FISHING

Although no longer as important as it was in the 16th and 17th centuries, fishing still contributes substantially to the food sup-

ply. Annual fish consumption in the Netherlands is 21.9 kg (32.2 lb) per person. In 2003 the Dutch fishing fleet had 393 cutters, 17 trawlers, and 69 mussel dredgers; the total capacity of the fishing fleet that year was 195,307 gross tons. About half of the fish catch is landed at the ports of Scheveningen and IJmuiden. The Dutch fishing industry faces declining fish stocks and quota cuts from the EU that make profitability difficult because of excess capacity. In 2003, Dutch imports of fish products totaled \$1.7 billion and exports exceeded \$2.18 billion.

The total catch in 2003 was 593,305 tons, consisting primarily of mackerel, mussels, sardines, herring, plaice, and whiting. Shrimp, oysters, sole, and other saltwater fish were also caught.

## 25 FORESTRY

One of the least forested countries in Europe, the Netherlands produces only about 8% of its wood requirements. Woodland, chiefly pine, covers about 375,000 hectares (927,000 acres), or only 11.1% of the total land area, of which state forest areas comprise some 37%; private owners, 31%; provincial and local governments, 14%; and nature conservation organizations, 18%. Productive woodlands total about 230,000 hectares (580,000 acres); output of timber was approximately 1,026,000 cu m (36.2 million cu ft) in 2004. The Netherlands imports about 95% of its softwood lumber needs, mostly from Sweden, Finland, and Russia. Domestic sources of temperate hardwood lumber usually meet 20–30% of annual demand; production totaled 80,000 cu m (2.8 million cu ft) in 2004.

The Dutch wood industry is focused on the furniture, construction, packing, and pulp and paper sectors. The total turnover of the Dutch furniture sector in 2004 was almost €2 billion; the turnover in the Dutch pulp and paper industry was also around €2 billion. The Netherlands is the ninth biggest European producer of pulp and paper, annually producing 3.3 million tons of paper and paperboard at 27 sites, with over 70% exported to neighboring countries.

Afforestation has not kept pace with increasing consumption. The Dutch government would like to become at least 25% self-sufficient in wood fiber by 2025. In order to meet this goal, some 3.9 million cu m (137.7 million cu ft) of fiber would need to be produced annually (assuming current consumption trends). Currently, Dutch wood fiber production is only 1.2 million cu m (42 million cu ft). During 1990–2000, only 1,000 hectares (2,500 acres) of forest were planted. The government established a goal in 1994 of increasing forested land by 3,000 hectares (7,400 acres) annually until 2020.

## 26 MINING

The Netherlands was an important regional producer of natural gas and petroleum and played a major role as a transshipment center for mineral materials entering and leaving Europe—Rotterdam was the world's largest container port. The only other mineral of commercial importance was salt, and the only other mining operations left in the country were involved in the extraction of limestone, peat, and sand and gravel. The production of salt from the mines at Hengelo and Delfzijl was one of the oldest industries in the country; an estimated 5.0 million tons was produced in 2003 (various types), unchanged since 1999. Akzo Nobel Salt BV was the leading producer of salt. Magnesium chloride and oxide were produced in a plant at Veendam from extracted

salt brines. Also produced in 2003 were hydraulic cement, nitrogen, industrial sand, sodium compounds, and sulfur. No metals were mined, but an estimated 3 million tons of iron ore was sintered from imported ore in 2003, unchanged from 2000. Coal was mined in Limburg until 1974. Among the country's leading industries in 2003 were metal products, chemicals, petroleum, and construction, and chemicals and fuels were top export commodities.

## 27 ENERGY AND POWER

The Netherlands, which has little waterpower, depends mostly on natural gas and petroleum as energy sources.

Natural gas is The Netherlands' most abundant fossil fuel, with major fields located in the North Sea. As of August 2005, the North Sea region contained 169.8 trillion cu ft of natural gas, of which Norway and the Netherlands account for more than 75%. As of 1 January 2002, the Netherlands had proven natural gas reserves of 1.693 trillion cu m. In 2003, production of natural gas totaled 2.6 trillion cu ft. However, natural gas output has fallen as a result of government policy. The country's Natural Gas Law caps production at 2.68 trillion cu ft annually, between 2003 and 2007. From 2008 through 2013, production will be further limited to 2.47 trillion cu ft per year. This policy was instituted so that the country's natural gas reserves will be maintained for future use. In 2002, domestic consumption of natural gas totaled 1.764 trillion cu ft.

The Netherlands' second principal energy source is oil. As of 1 January 2002, the country's proven reserves of oil totaled 88.06 million barrels. In 2002, total oil production included 46,330 barrels per day of crude oil. Although oil output was up from 2000 at 89,000 barrels per day, the nation was still dependent on imported petroleum. In 2002, imports of crude and refined oil products averaged 2,266,990 barrels per day. Consumption of refined petroleum products in that year averaged 899,170 barrels per day. Exports of all petroleum products that year averaged 1,421,620 barrels per day. The Netherlands also re-exports two-thirds of all its imported petroleum in the form of refined oil products. Refinery output in 2002 averaged 1,723,250 barrels per day.

The Netherlands's demand for coal came to 14,803,000 short tons in 2002, all of it imported. Imports that year totaled 24,586,000 short tons; 10,210,000 short tons were re-exported.

Production of electric power in 2002 totaled 91.117 billion kWh, of which thermal power plants using oil and coal as fuel supplied 90% of the power generated. Nuclear power plants accounted for 4%, and other alternative sources 5.4%. Hydropower accounted for less than 1%. Nuclear generating capacity is provided chiefly by a 450 MW station in Borssele, Zeeland. As of 2002, the Netherlands was one of five European Union (EU) countries that had declared a moratorium on building new nuclear facilities. Consumption of electricity in 2002 was 101.138 billion kWh. Installed capacity in 2002 was 20.378 million kW.

## 28 INDUSTRY

Because of World War II and its consequences (the high rate of population increase and the severing of economic ties with Indonesia), drastic structural changes took place in the Dutch economy, and the further development of industry became important. Industry increased to such an extent that it produced 32% of GDP

in 1990. Since then, however, industrial production has declined, accounting for 24.5% of GDP in 2004.

Since World War II, the metallurgical industry in particular has made tremendous progress. Philips, the Dutch electronics giant, has become the greatest electrical products firm in Europe as well as one of the world's major exporters of electric bulbs and appliances. Unilever, the British-Dutch consumer products company, has grown to become one of the world's largest corporations. The Heineken brewing company is one of the world's largest brewing companies in terms of sales volume and profitability. More phenomenal has been the success of Royal Dutch/Shell, which began as a small concern in 1890 and grew to become one of the world's largest income producers. Rotterdam's suburb of Pernis has the largest oil refinery in Europe. Akzo Nobel produces healthcare products, coatings, and chemicals. DSM produces nutritional and pharma ingredients, performance materials, and industrial chemicals.

Pig iron is exported, produced from imported ore at the Velsen-Ijmuiden plant, situated where the canal from Amsterdam reaches the North Sea. The chemical industry has grown increasingly important, but the once prosperous textile industry in Enschede has declined because of foreign competition.

Industrial products include petroleum, metal and engineering products, and pharmaceutical products. The Netherlands produces electrical machinery and equipment (including computers and computer parts), and microelectronics. Agroindustries are important: the Netherlands is one of the world's three largest exporters of agricultural produce. Dairy farming and market gardening are the major agricultural industries. The Netherlands also produces cigarettes, beer, canned fish, cocoa and cocoa products, coffee, tea, sugar, candies, biscuits, and potato flour.

## 29 SCIENCE AND TECHNOLOGY

Advanced scientific research and development (R&D) has provided the technological impetus for the Netherlands' economic recovery since World War II. Dutch universities have traditionally carried out fundamental scientific research, and the government has promoted research activities through the Netherlands Organization for Scientific Research, established in 1988, and the Netherlands Organization for Applied Scientific Research, established in 1930. It also has supported scientific organizations such as the Energy Development Corp. and Energy Research Foundation, Aerospace Development Agency, National Aerospace Laboratory, and Netherlands Maritime Institute.

The highly developed electrotechnical industry produces computers, telecommunications systems, electronic measurement and control equipment, electric switching gear and transformers, and medical and scientific instruments. Dutch firms designed and constructed the Netherlands' astronomical satellites and play a major role in the European Space Agency. The important aerospace industry is led by the world-famous firm of Fokker, which produced Europe's bestselling passenger jet aircraft, the F-27 Friendship, and has been active in the consortium that developed the European Airbus. In 2002, high-tech exports were valued at \$33.667 billion and accounted for 28% of manufactured exports.

Expenditures on scientific R&D in 2001 totaled \$8.6 trillion, or 1.89% of GDP. Of that amount, 51.8% came from the business sector, followed by government sources at 36.2%. Foreign sources ac-

counted for 11%, with higher education at 1.1%. In that same year, there were 2,826 scientists and engineers and 1,424 technicians per million people that were engaged in R&D.

Among the Netherlands' 39 scientific and technical learned societies, the most prominent is the Royal Netherlands Academy of Sciences, founded in 1808. The country also has 37 scientific and technical research institutes. In Leiden are located the National Museum of Natural History and the National Museum of History of Science and Medicine. The Netherlands has 16 universities offering courses in basic and applied sciences. In 1987-97, science and engineering students accounted for 39% of university enrollment. In 2002, of all bachelor's degrees awarded, 16.4% were in the sciences (natural, mathematics and computers, engineering).

## 30 DOMESTIC TRADE

A considerable but declining part of Dutch retail business is still conducted by small enterprises, which are usually owner operated. Some of the larger department stores in the cities have branches in small towns, and there are several nationwide supermarket chains. Cooperatives and associations are important in both purchasing and producing.

Amsterdam is the chief center for commerce and trade, with Rotterdam and The Hague next. Many companies use the Netherlands as a distribution center for European markets. Terms of sale usually call for payment within 90 days. A value-added tax of 19% applies to most goods.

Business offices are generally open from 9 AM to 5 PM on weekdays and are closed Saturdays. Retail stores usually open between 8 and 9 AM and close between 6 and 7 PM Tuesday through Friday. On Mondays, many shops are closed in the mornings. Most cities have late-night shopping (until 9 PM) on Thursdays or Fridays. In the main cities, many shops are open on Sunday from 12 to 5 PM.

The country's most important trade fair is held at Utrecht, twice each year, in the spring and fall.

## 31 FOREIGN TRADE

The Dutch have traditionally been a powerful force in international trade. The Netherlands is the world's eighth-largest exporting nation. As exports and imports of goods and services both ac-

### Principal Trading Partners – Netherlands (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	227,344.0	208,995.3	18,348.7
Germany	51,891.7	38,186.2	13,705.5
Belgium	24,153.4	21,667.0	2,486.4
United Kingdom	23,243.6	14,453.5	8,790.1
France-Monaco	22,220.0	10,993.0	11,227.0
Italy-San Marino-Holy See	13,256.7	4,977.9	8,278.8
United States	12,082.0	17,743.6	-5,661.6
Spain	8,591.8	4,180.4	4,411.4
Sweden	4,356.7	4,105.3	251.4
Switzerland-Liechtenstein	3,912.3	2,823.7	1,088.6
Austria	3,410.5	...	3,410.5

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

count for well over 60% of GDP, the backbone of Dutch prosperity is foreign trade. Rotterdam is Europe's largest port (and third in the world in 2005, after Shanghai and Singapore), handling twice as much cargo as its nearest European rival, Antwerp. The Netherlands' geographical position as a key hub of Europe's transportation system and the small size of its domestic market have made the Dutch economy one of the most open and outward-looking in the world.

Principal Dutch exports in the early 2000s were manufactured goods, machines, electronics, chemicals, petroleum products, natural gas, and foods. Chief imports are manufactured products, machines, crude petroleum, chemicals, and clothing. From 1981 through 2005, the Netherlands experienced trade surpluses each year.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Dutch merchandise and services exports have grown to represent more than 60% of GDP, making the Dutch economy one of the most internationally oriented in the world. Economic expansion of the Netherlands in the period immediately after World War II paralleled a generally favorable balance of payments. After occasional and minor deficits on current accounts during the mid-1960s, a major deficit occurred in 1970. Since then, the current-accounts balance has generally registered a surplus, despite increased costs of oil imports during the 1970s and beginning in 2005. The Netherlands' reliance upon exports that are resistant to recessions (such as some food and agricultural products, and semifinished products such as chemicals) has protected the Dutch economy from weaker demand from Germany and other EU countries during recessions. In 2004, exports totaled \$311.2 billion and imports \$280.5 billion, resulting in a trade surplus of \$30.7 billion. The current account surplus was \$13.5 billion.

### 3<sup>3</sup> BANKING AND SECURITIES

The Netherlands Bank, nationalized in 1948, is the central bank. It issues the currency and supervises the privately owned banks. Since the 1950s, the Netherlands Bank had used reserve regulations and the central bank discount rate as instruments of monetary policy, but with the introduction of the European Central Bank, those responsibilities are now more centralized for all of the EU. The Dutch financial services industry has a long and distinguished history and has introduced many banking innovations to the world. Since the late 1980s, the sector has undergone a revolution. A common strategic desire to expand and to gain more financial strength, combined with deregulation of the financial market, prompted several bank mergers and the formation of financial conglomerates of banks and insurance groups. As a result, the number of dominant participants in the market has diminished to a handful, each providing the full range of financial services. The Netherlands Middenstands-bank (NMB) and the state-owned Postbank merged to form the NMB Postbank in 1989, which in turn merged again with the Nationale Nederlanden insurance group to form the International Nederlanden Groep (ING) in 1991. The large ABN and Amro commercial banking groups joined up to form ABN-Amro in 1990. VSB-bank, a conglomerate of savings banks, teamed up with the Ameu insurance group and Belgium's AG insurance group in 1990 to form the Dutch-Belgian Fortis group. Rabobank, a large cooperative group which

#### Balance of Payments – Netherlands (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>16,405.0</b>
Balance on goods		26,648.0
Imports	-225,733.0	
Exports	252,380.0	
Balance on services		-1,186.0
Balance on income		-1,244.0
Current transfers		-7,813.0
<b>Capital Account</b>		<b>-2,028.0</b>
<b>Financial Account</b>		<b>-23,088.0</b>
Direct investment abroad	-35,204.0	
Direct investment in Netherlands	15,695.0	
Portfolio investment assets	-57,001.0	
Portfolio investment liabilities	82,000.0	
Financial derivatives	-468.0	
Other investment assets	-63,605.0	
Other investment liabilities	35,494.0	
<b>Net Errors and Omissions</b>		<b>7,791.0</b>
<b>Reserves and Related Items</b>		<b>920.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

specializes in the provision of agricultural credits and mortgage facilities but has been rapidly expanding its product portfolio in recent years, took a 50% share in the Robeco investment group in 1996. The robust nature of the Dutch banking industry came to the fore once again in December 1999. Although it ultimately failed, ING made headlines through its attempted takeover of the French *Crédit Commercial de France* (CCF). Had ING's bid succeeded, it would have been the first successful merger of a French bank with another European financial institution.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$145.3 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$409.3 billion.

The Netherlands has the oldest stock exchange in the world, the Amsterdam Stock Exchange (ASE); founded in the early 17th century, it is now one of the largest stock exchanges in operation. The issuance of new securities on the exchange is supervised by the Netherlands Bank, acting in cooperation with the commercial banks and stockbrokers.

The comparatively large share of foreign security listings and capital supply gives the ASE an international importance disproportionate to its size. Its strong international orientation is also reflected in the fact that its share of Europe's total market capitalization far outweighs the relative importance of the Dutch economy. The multinational nature of the major Dutch companies, which has led to their shares being quoted on a number of international stock markets, means that stock price levels on the ASE are heavily influenced by developments elsewhere. The three largest companies, Royal Dutch Shell, Unilever, and ING, account for around 50% of total stock market capitalization.

In order to enhance the international competitiveness of the ASE, many reform measures have been taken in the past few years, with varying degrees of success. These include the introduction of

a new electronic trading system open to foreign-based brokers, a division of the market into a wholesale and a retail segment, and a revamp of the exchange's organizational structure. Moreover, in early 1996, under pressure from the government, the stock exchange introduced an arrangement that aims to reduce the influence of the wide range of anti-takeover devices quoted corporations are permitted, which has long been considered as one of the exchange's most important shortcomings. Under the new arrangement, a prospective buyer who has gained 70% of a company's shares can turn to the Amsterdam Court of Justice after a period of 12 months.

On 1 January 1997, the Amsterdam Exchanges (AEX) was formed by the merger of the Amsterdam Stock Exchange (ASE) and the city's European Options Exchange (EDE). From approximately 680 at the end of January, the AEX index of 25 leading shares rose to 700 on 11 February 1997 and sped on to almost 775 by mid-March before suffering a correction prompted by the release of disappointing financial results by a brewing company, Grolsch, and fears of interest rate increases in the United States. In 1998 the world capitalization rankings placed the equity market eighth in the world, while the volume of options contracts at the options market ranked fourth. By early 2003, however, the AEX index had dropped to 303.21, down 39% from the previous year. As of 2004, a total of 177 companies were listed on the EURONEXT Amsterdam exchange, which had a market capitalization of \$622.284 billion. In 2004, the AEX rose 3.1% from the previous year to 348.1.

### 34 INSURANCE

There are two sectors of the insurance industry in the Netherlands: the companies operating under control laws set down by the EC and supervised by the government, and the companies (mutuals, reinsurance, marine and aviation) not under official supervision. Compulsory third-party motor insurance has been in effect since 1935. In addition, insurance for workers, hunters, nuclear facilities, and pensions are compulsory. In 2003, the value of all direct insurance premiums written totaled \$50.266 billion, of which life insurance premiums accounted for \$25.371 billion. In 2002, the top nonlife insurer was Achmea Zorg, which had gross written nonlife premiums of \$1,196.1 million, while the leading life insurer that same year was Nationale Nederlanden Leven, with gross written life insurance premiums of \$4,236.9 million.

### 35 PUBLIC FINANCE

The government has gradually cut the deficit from 10% of GDP in 1983 to 2.75% in 1996, slightly below the 3% Maastricht criteria for European Economic and Monetary Union (EMU) in 1999. The deficit is largely financed by government bonds. Financing is also covered by issuing Dutch Treasury Certificates, which replaced a standing credit facility for short-term deficit financing with the Netherlands Central Bank. Under the Maastricht Treaty, the Netherlands Central Bank was abolished in 1994. Although the private sector is the cornerstone of the economy, the government plays a vital role in the Netherlands' economy. It decides microeconomic policy and tax laws, as well as working toward structural and regu-

### Public Finance – Netherlands (2003)

(In millions of euros, central government figures)

Revenue and Grants	184,341	100.0%
Tax revenue	103,128	55.9%
Social contributions	67,918	36.8%
Grants	412	0.2%
Other revenue	12,883	7.0%
Expenditures	197,864	100.0%
General public services	43,780	22.1%
Defense	7,182	3.6%
Public order and safety	7,334	3.7%
Economic affairs	11,810	6.0%
Environmental protection	739	0.4%
Housing and community amenities	1,082	0.5%
Health	20,562	10.4%
Recreational, culture, and religion	1,745	0.9%
Education	21,443	10.8%
Social protection	82,187	41.5%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

latory reforms. Public spending, however, had dropped to 46% of GDP as of 2000 as privatization and deregulation continued.

The US Central Intelligence Agency (CIA) estimated that in 2005 the Netherlands's central government took in revenues of approximately \$291.8 billion and had expenditures of \$303.7 billion. Revenues minus expenditures totaled approximately -\$11.9 billion. Public debt in 2005 amounted to 56.2% of GDP. Total external debt was \$1.645 trillion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were €184,341 million and expenditures were €197,864 million. The value of revenues was us\$208,060 million and expenditures us\$222,489 million, based on a market exchange rate for 2003 of us\$1 = €.8860 as reported by the IMF. Government outlays by function were as follows: general public services, 22.1%; defense, 3.6%; public order and safety, 3.7%; economic affairs, 6.0%; environmental protection, 0.4%; housing and community amenities, 0.5%; health, 10.4%; recreation, culture, and religion, 0.9%; education, 10.8%; and social protection, 41.5%.

### 36 TAXATION

Principal taxes raised by the central government are income and profits taxes levied on individuals and companies, a value-added tax (VAT) on goods and services, and a tax on enterprises of public bodies (except agricultural enterprises). There is a wealth tax of 0.7% also levied on nonexempt taxable capital of individuals. Provinces and municipalities are not authorized to impose income taxes, and may impose other taxes only to a limited extent. The most important tax levied by municipalities is a real estate tax paid partly by owners and partly by occupants. Residents are taxed on both their local and foreign incomes, but nonresidents pay taxes only on income earned in the Netherlands.

The tax on the net profits of corporations in 2005 was 27% for annual profits up to €22,689 and 31.5% on the increment of profits above that. Depreciation and other business deductions are

permitted. Capital gains were taxed at the same rates, although some capital gains were tax-exempt. Withholding taxes up to a maximum of 25% were applied to dividends, although there is no withholding if the dividends are being paid by a subsidiary to a nonresident parent company, owning more than 25% of the payer. Companies can qualify for tax exemptions and tax reductions under investment incentive regimes. Branches of foreign companies are treated the same as Dutch companies in accordance with the fiscal regime under which they qualify.

Incomes are taxed on a graduated scale, with a top rate of 52%. There are also liberal deductions for dependents. Taxes are withheld by the state on the incomes of wage earners. In the tax reforms of 2001 marginal income tax rates were set in a course of increases in the lower rates, and decreases in the higher ones. The progressive schedule consists of four brackets, not counting a tax-exempt base for each individual taxpayer. Gift and inheritance taxes range from 5–68% depending on the family relationship of the donor or deceased.

The Netherlands' main indirect tax is its VAT introduced 1 January 1969 with a standard rate of 12% and a reduced rate of 4% on basics. Effective 1 January 2001, the standard rate was increased from 17.5% to 19% with a reduced rate of 6%, the latter applied to basic foodstuffs, books, newspapers and periodicals, public ground and sea transport, water supplies, sports centers, and pharmaceuticals. Exempted from VAT are exported goods, medical, cultural, and educational services, and credit and insurance transactions. Other taxes include excise taxes, energy taxes and taxes on legal transactions and on motor vehicles.

### 37 CUSTOMS AND DUTIES

The Dutch government has a traditionally liberal policy on tariffs and its membership in the Benelux Economic Union, the European Union, and other international trade organizations has resulted in comparatively low import duties. Tariffs on imports from the dollar area have also been liberalized and about 90% of imports from the United States are unrestricted quantitatively. Manufactured goods from the United States are generally subject to a duty ranging from 5–8% based on the cost, insurance and freight (CIF) value of the goods. Raw materials are usually not subject to import duties.

Imports are subject to EU customs regulations and tariff rates, plus VAT and other charges levied at entry through customs.

### 38 FOREIGN INVESTMENT

The Netherlands has favorable tax structures for investors, which has made the country one of the top recipients of foreign direct investment in the European Union. The Netherlands has consistently been ranked as one of the most attractive destinations for FDI in the world, ranking sixth among the ten largest foreign investors in the world, as well as the sixth-largest global recipient of FDI (2004). The government has encouraged foreign corporations to set up branch plants in the Netherlands and to establish joint ventures with Dutch companies in order to benefit from the introduction of new production techniques and improved methods of management that outside firms often bring. The government does not discriminate between foreign and domestic companies; foreign entrepreneurs have the same business privileges and obligations as Dutch businessmen and women. As a result, foreign

companies operate in virtually all industries, including high-technology electronics, chemicals, metals, electrical equipment, textiles, and food processing. The labor force is largely well-educated and multilingual.

The corporation tax is 34.5%, but the corporate taxation regime is expected to be reformed in 2006–07. The Corporation Tax Act provides for a participation exemption, applicable to both foreign and domestic shareholdings, thus preventing double taxation when the profits of a subsidiary are distributed to its parent company. Although income taxes were lowered in 2001, the basic rate of the value-added tax was raised from 17.5% to 19%.

Annual foreign direct investment (FDI) inflows were \$11 billion in 1997, down from \$16.6 billion in 1996, but then soared to \$37.6 billion in 1998. The peak was reached in 2000 and 2001, when total inflows reached \$52 billion and \$50 billion, respectively. However, in 2002, FDI inflow fell to an estimated \$30 billion, and to \$19.3 billion in 2003. By 2004, the total stock of FDI had reached \$387 billion, about 75% of GDP.

Overall, the United States, the United Kingdom, Germany, Belgium, and France are the primary sources of and destinations for FDI with the Netherlands.

Foreign companies established in the Netherlands account for roughly one-third of industrial production and employment in industry. At the end of 2004, an estimated 31.5% of foreign establishments in the Netherlands came from the United States, 19.5% from Germany, 14% from the United Kingdom, 7% from Scandinavia, 17% from the rest of Europe, 9% from Asia, and the remaining 2% from other non-OECD and non-EU countries.

### 39 ECONOMIC DEVELOPMENT

For nearly four decades after World War II Dutch governments aimed at increased industrialization. During the 1990s, however, industrial growth slowed, while the service sector continued to expand. In this regard, the Netherlands has made the transition to a more liberalized high technology economy quite successfully.

In an effort to encourage industrialization after the Second World War, the maintenance of internal monetary equilibrium was vitally important, and the government has largely succeeded in this task. Successive governments pursued a policy of easy credits and a “soft” currency, but after the Netherlands had fully recovered from the war by the mid-1950s, a harder currency and credit policy came into effect. In the social sphere, stable relationships were maintained by a deliberate governmental social policy seeking to bridge major differences between management and labor. The organized collaboration of workers and employers in the Labor Foundation has contributed in no small measure to the success of this policy, and as a result, strikes are rare.

Successive wage increases helped bring the overall wage level in the Netherlands up to that of other EC countries by 1968. The Dutch government's policy, meanwhile, was directed toward controlling inflation while seeking to maintain high employment. In 1966, the government raised indirect taxes to help finance rising expenditures, particularly in the fields of education, public transportation, and public health. Further attempts to cope with inflation and other economic problems involved increased government control over the economy. Wage and price controls were imposed in 1970–71, and the States-General approved a measure granting

the government power to control wages, rents, dividends, health and insurance costs, and job layoffs during 1974.

During the mid-1980s, the nation experienced modest recovery from recession; the government's goal was to expand recovery and reduce high unemployment, while cutting down the size of the annual budget deficit. The government generally sought to foster a climate favorable to private industrial investment through such measures as preparing industrial sites, subsidizing or permitting allowances for industrial construction and equipment, assisting in the creation of new markets, granting subsidies for establishing industries in distressed areas, and establishing schools for adult training. In 1978, the government began, by means of a selective investment levy, to discourage investment in the western region (Randstad), while encouraging industrial development in the southern province of Limburg and the northern provinces of Drenthe, Friesland, and Groningen.

The Netherlands' largest economic development projects have involved the reclamation of land from the sea by construction of dikes and dams and by the drainage of lakes to create polders for additional agricultural land. The Zuider Zee project closed off the sea and created the freshwater IJsselmeer by means of a 30 km (19 mi) barrier dam in 1932, and subsequently drained four polders enclosing about 165,000 hectares (408,000 acres). After a storm washed away dikes on islands in Zeeland and South Holland in 1953, killing some 1,800 people, the Delta project was begun. This project, designed to close estuaries between the islands with massive dams, was officially inaugurated in 1986; the cost was \$2.4 billion. The Delta works include a storm-surge barrier with 62 steel gates, each weighing 500 tons that are usually left open to allow normal tidal flow in order to protect the natural environment. Another major engineering project was construction of a bridge and tunnel across the Western Schelde estuary in the south to connect Zeeland Flanders more directly with the rest of the country.

Beginning in the 1980s, Dutch governments began stressing fiscal discipline by reversing the growth of the welfare state and ending a policy of inflation-based wage indexing. The latter policy represented a spirit of consensus among labor and management. At a time when other labor unions fought losing battles with management, Dutch unions agreed to a compromise on this cherished issue in return for a business promise to emphasize job creation. By the late 1990s, these reforms had paid off as Dutch unemployment plummeted to below 5%. As of the early 2000s, the Netherlands had among the lowest unemployment rates in the industrialized world. As of 2005, the Dutch economy was being heralded around the world for its combination of strong employment growth, low inflation, falling public budget deficits, low inequality, and strong social welfare policies.

In January 2004, the government launched its Innovation Partnerships Grant Program, to promote cooperation in research and development. The program encourages businesses and public-sector knowledge institutes to study and launch national and international partnerships. Some 5,000 Dutch companies are conducting research to develop new products and to boost quality and efficiency. The country's five largest multinationals—Philips, Shell, Akzo Nobel, DSM, and Unilever—are at the forefront of industrial research and development.

The Netherlands' commitment to the project of further European integration, however, was stalled in 2005, when on 1 June

Dutch voters rejected the EU constitution by a wide margin (62% to 38%). This vote followed directly upon the heels of the French rejection of the constitution. Many Dutch "no" voters, however, said they were pro-European, but feared that small countries were losing influence in an EU dominated by larger ones. The Dutch treasure their sound money and liberal social policies, and do not want to see these eroded.

#### 40 SOCIAL DEVELOPMENT

A widespread system of social insurance and assistance is in effect. The first laws were implemented in 1901. All residents are provided with old-age and survivorship benefits. Disability pensions are available to all employees, self-employed workers, students, and those disabled since childhood. Unemployment, accidents, illness, and disability are covered by insurance, which is compulsory for most employees and voluntary for self-employed persons. Maternity grants and full insurance for the worker's family are also provided, as are family allowances for children. The government covers the total cost for family allowances. Women receive one month of maternity leave with full pay. Exceptional medical expenses are covered for all residents.

Legislation mandates equal pay for equal work and prohibits dismissal due to marriage, pregnancy, or motherhood. However, cultural factors and lack of day care discourages women from employment. Many women work in part-time positions and are underemployed, and on average women earn less than men. Sexual harassment in the workplace is an issue, and in 2004, the government funded an awareness campaign to combat the problem. Domestic violence is an issue, especially among ethnic minorities. The government provides programs to reduce and prevent violence against women.

Human rights are fully respected in the Netherlands. There were incidents of discrimination against religious minorities and some immigrant groups.

#### 41 HEALTH

The Netherlands has a social insurance system similar to Germany's. About two-thirds of workers are covered by the social insurance program; the remainder are covered by private insurance. Under the Health Insurance Act, everyone with earned income of less than 50,900 guilders per year pays a monthly contribution in return for which they receive medical, pharmaceutical, and dental treatment and hospitalization. People who earn more than this have to take out private medical insurance. The state also pays for preventive medicine including vaccinations for children, school dental services, medical research, and the training of health workers. Preventive care emphasizes education, a clean environment, and regular exams and screenings. As of 2004, there were an estimated 329 physicians, 1,334 nurses, 47 dentists and 20 pharmacists per 100,000 people.

The general health situation has been excellent over a long period, as is shown by an estimated general mortality rate of 8.7 per 1,000 as of 2002 and an infant mortality of only 5.04 per 1,000 live births in 2005, down markedly from the 12.7 rate in 1970. The maternal mortality rate was 7 per 100,000 live births. These low rates are attributed to a rise in the standard of living; improvements in nutrition, hygiene, housing, and working conditions; and the



expansion of public health measures. In 2005, average life expectancy was 78.81 years.

Most doctors and hospitals operate privately. A system of hospital budgeting, which was introduced in 1983, has helped contain costs. In 1990, a proposal to increase competition among insurers, eliminating the distinction between public and private insurers, was developed. A reference price system—to control pharmaceuticals especially—was introduced in 1991. Total health care expenditure was estimated at 8.7% of GDP.

The Ministry of Public Health and Environment is entrusted with matters relating to health care, but health services are not centrally organized. There are numerous local and regional health centers and hospitals, many of which are maintained by religious groups.

In 2002, the estimated birth rate was 11.6 per 1,000 people; 75% of married women (ages 15 to 49) used contraception. The total fertility rate was 1.7 children for each woman living throughout childbearing years. Immunization rates for children up to one year old were as follows: diphtheria, pertussis, and tetanus, 95%; polio, 97%; and measles, 96%.

Major causes of death were attributed to cardiovascular problems and cancer. The HIV/AIDS prevalence was 0.20 per 100 adults in 2003. As of 2004, there were approximately 19,000 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

## 42 HOUSING

During World War II, more than 25% of the nation's two million dwellings were damaged: 95,000 dwellings were completely destroyed, 55,000 were seriously damaged, and 520,000 were slightly damaged. The housing shortage remained acute until 1950, when an accelerated program of housing construction began, and in 1953 the government decided to increase the house-building program to a level of 65,000 dwellings a year. Since then, the production rate has far exceeded both the prewar rate and yearly forecasts. From 1945 to 1985, nearly four million dwellings were built. In 1985 alone, 98,131 dwellings were built, bringing the total housing stock to 5,384,100 units by the end of the year. Most of the new units were subsidized by the national government. Subsidies are granted to municipalities, building societies, and housing associations, which generally build low-income multiple dwellings. Government regulations, which are considerable, are laid down in the Housing Act of 1965 and the Rental Act of 1979.

The government determines on an annual basis the scope of the construction program. On the basis of national estimates, each municipality is allocated a permissible volume of construction. Within this allocation, the municipalities must follow certain guidelines; central government approval is required for all construction projects exceeding a specific cost. All construction must conform to technical and aesthetic requirements, as established by the government.

In 2005, the number of dwellings was at about 6,861, with an average of 2.3 residents per dwelling. The number of residents per dwelling has nearly halved since WWII. Approximately 71,609 new dwellings were constructed in 2004. About 76% of the dwellings built in 2004 were owner occupied.

## 43 EDUCATION

The present Dutch education system has its origins in the Batavian Republic which was constituted after the French Revolution. The role of education gained importance in the Civil and Constitutional Regulations of 1789, and the first legislation on education was passed in 1801. After 1848, the municipalities, supported by state funds, were responsible for managing the schools. Private schools were not originally supported by the government. However, after 1917, private and state schools received equal state funding.

School attendance between the ages of 5 and 18 is compulsory. Apart from play groups and crèches (which do not come under the Ministry of Education), there are no schools for children below the age of four. Children may, however, attend primary school from the age of four. Primary school covers eight years of study. Secondary school is comprised of three types: (1) general secondary school, with two options, the four-year junior general secondary school (MAVO) and the five-year senior general secondary school (HAVO); (2) preuniversity—the athenaeum or the gymnasium—both lasting for six years in preparation for university education; and (3) vocational secondary schools with four-year programs. Special education is provided to children with physical, mental, or social disabilities at special primary and secondary schools. Whenever possible, these children are later transferred into mainstream schools for continued education. The academic year runs from September to June.

Primary school enrollment in 2003 was estimated at about 99% of age-eligible students. The same year, secondary school enrollment was about 89% of age-eligible students. It is estimated that about 98.4% of all students complete their primary education. In 2003, private schools accounted for about 68.7% of primary school enrollment and 83.3% of secondary enrollment.

Facilities have been opened in various municipalities for adult education. Open schools and open universities have also been introduced. Vocational and university education is provided at the eight universities and five institutes (Hogescholen), which are equivalent to universities. These are funded entirely by the government. There are also seven theological colleges. In 2003, about 58% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2000 was estimated at about 99%.

As of 2003, public expenditure on education was estimated at 5.1% of GDP, or 10.7% of total government expenditures.

## 44 LIBRARIES AND MUSEUMS

The largest public library is the Royal Library at The Hague, which has about 2.2 million volumes; this also serves as the national library. Outstanding libraries are found in the universities: Amsterdam, with over 2.6 million volumes; Leiden, 2.7 million volumes; Utrecht, two million volumes; Groningen, 2.7 million volumes; and Erasmus of Rotterdam, 800,000 volumes. The technical universities at Delft, Wageningen, and Tilburg also have excellent collections. Libraries of importance are found in some provincial capitals, such as Hertogenbosch, Leeuwarden, Middelburg, and Maastricht. Also noteworthy are the International Institute of Social History at Amsterdam, which houses important collections of historical letters and documents, such as the Marx-Engels Archives; and the Institute of the Netherlands Economic-Historical

Archive, which has its library in Amsterdam and its collection of old trade archives at the Hague. There are about 500 public libraries across the country. The Netherlands Public Library Association was founded in 1972.

Among Amsterdam's many museums, particularly outstanding are the Rijksmuseum (1800), the Stedelijk Museum (1895) with special collections of modern art, the Van Gogh Museum (1979), the Museum of the Royal Tropical Institute (1910), and the Jewish Historical Museum (1932). Among Amsterdam's newest museums are the Huis Marseille (1999), which has historic and modern photography exhibits, the hands-on New Metropolis Interactive Science and Technology Museum (1997), and the Tattso Museum (1996). The Boymans–Van Beuningen Museum in Rotterdam has older paintings as well as modern works and a fine collection of minor arts. The Hague's Mauritshuis and the Frans Hals Museum at Haarlem have world-renowned collections of old masters. Other collections of national interest are in the Central Museum in Utrecht, the National Museum of Natural History in Leiden, Teyler's Museum in Haarlem, and the Folklore Museum in Arnhem. In the past, the most important art museums were found mainly in the large population centers of western Holland, but there are now museums of interest in such provincial capitals as Groningen, Leeuwarden, Arnhem, and Maastricht. The government stimulates the spread of artistic culture by providing art objects on loan and by granting subsidies to a number of privately owned museums. There are dozens of museums dedicated to the work of individual Dutch artists.

#### 45 MEDIA

The post office, telegraph, and telephone systems are operated by the government. The state's monopoly on postal services is confined to delivery of letters and postcards; about half of other deliveries are handled by private firms. Significant improvements in the phone systems began in 2001 through the introduction of the third generation of the Global System for Mobile Communications. In 2003, there were an estimated 614 mainline telephones for every 1,000 people. The same year, there were approximately 768 mobile phones in use for every 1,000 people.

There are several radio networks. The Netherlands Broadcasting Foundation, a joint foundation, maintains and makes available all studios, technical equipment, record and music libraries, orchestras, and other facilities. Broadcasting to other countries is carried on by the Netherlands World Broadcasting Service, which is managed by a board of governors appointed by the minister of cultural affairs. As of 2004 there were 4 AM and 246 FM stations. There were also about 21 television stations. Shortwave programs are transmitted in Dutch, Afrikaans, Arabic, English, French, Indonesian, Portuguese, and Spanish. Annual license fees are charged to radio and television set owners. Commercial advertising was introduced in 1967–68 and limited to fixed times before and after news broadcasts. In 2003, there were an estimated 980 radios and 648 television sets for every 1,000 people. About 401.4 of every 1,000 people were cable subscribers. Also in 2003, there were 466.6 personal computers for every 1,000 people and 522 of every 1,000 people had access to the Internet. There were 3,779 secure Internet servers in the country in 2004.

The Dutch were among the first to issue regular daily newspapers. The oldest newspaper, the *Oprechte Haarlemsche Courant*,

was founded in 1656 and is published today as the *Haarlemsche Courant*. The Dutch press is largely a subscription press, depending for two-thirds of its income on advertising. Editorial boards, however, are usually completely independent of the commercial management.

In 2004, the largest national and regional newspapers, with daily circulations, were: *De Telegraaf* (Amsterdam), 776,000; *De Volkscrant* (Amsterdam), 323,000; *Algemeen Dagblad* (Amsterdam), 303,000; *NRC Handelsblad* (Rotterdam), 262,000; *De Gelderlander* (Gelderland), 193,000; *Dagblad van het Noorden* (Groningen), 173,000; *Apeldoornse Courant* (Apeldoorn), 159,000; *Noordhollands Dagblad* (Alkmaar), 155,000; *Brabants Dagblad* (North Brabant), 153,300; *De Stem* (Breda), 140,000; *Dagblad Tubantia* (Enschede), 136,000; *Haagsche Courant* (The Hague), 117,000; and *Trouw* (Amsterdam), 117,000.

Complete freedom of speech and press is guaranteed by the constitution, and the government is said to fully support free expression in practice.

#### 46 ORGANIZATIONS

Associations established on the basis of economic interests include the Federation of Netherlands Industries, the Netherlands Society for the Promotion of Industry and Commerce, the Federation of Christian Employers in the Netherlands, the National Bankers Association, and chambers of commerce in Amsterdam, Rotterdam, The Hague, and other cities.

Learned societies include the Royal Netherlands Academy of Arts and Sciences, the Royal Antiquarian Society, the Netherlands Anthropological Society, the Historical Association, the Royal Netherlands Geographical Society, and similar bodies in the fields of botany, zoology, philology, mathematics, chemistry, and other sciences. The Royal Netherlands Association for the Advancement of Medicine, the General Netherlands Society for Social Medicine and Public Health, the Royal Dutch Medical Association, and the Netherlands Association for Psychiatry and Neurology are some of the organizations active in the field of medicine. The International Statistical Institute is based in the Netherlands. The International Esperanto Institute and the International Montessori Association are also located in the country.

In the arts, there are such groupings as the Society for the Preservation of Cultural and Natural Beauty in the Netherlands, the Society of Netherlands Literature, the St. Luke Association, the Society for the Advancement of Music, the Royal Netherlands Association of Musicians, Holland Society of Arts and Sciences, and national societies of painters, sculptors, and architects. The Netherlands Center of the International Association of Playwrights, Editors, Essayists and Novelists (PEN), the Netherlands Branch of the International Law Association, and the Netherlands Foundation for International Cooperation are among the organizations active internationally in their fields.

National youth organizations include the Evangelical Students of the Netherlands, Dutch United Nations Student Association, Junior Chamber, Youth Organization for Freedom and Democracy, The Netherlands Scouting Association, and YMCA/YWCA. There are numerous sports associations for all ages. The Netherlands is home to the International Korfball Federation. Women's organizations include Netherlands Association for Women's Inter-

ests, Women's Work and Equal Citizenship and the Netherlands Council of Women.

International organizations with national chapters include Amnesty International, Defence for Children International, Greenpeace International, Habitat for Humanity, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

Travel in the Netherlands by public railway, bus, and inland-waterway boat service is frequent and efficient. Principal tourist attractions include the great cities of Amsterdam, Rotterdam, and the Hague, with their famous monuments and museums, particularly the Rijksmuseum in Amsterdam; the flower gardens and bulb fields of the countryside; and North Sea beach resorts. Modern hotels and large conference halls in the large cities are the sites of numerous international congresses, trade shows, and other exhibitions.

Recreational opportunities include theaters, music halls, opera houses, cinemas, zoos, and amusement parks. Popular sports include football (soccer), swimming, cycling, sailing, and hockey. Foreign visitors need only a valid passport for stays of up to 90 days. Proof of sufficient funds, health insurance coverage, return/onward ticket, and lodging reservations may be required upon arrival. Within eight days of arrival, visitors staying long term must register with the local police.

In 2003, approximately 6,930,500 tourists visited the Netherlands, of whom 22% were from the United Kingdom. There were 88,146 hotel rooms with 180,158 beds and an occupancy rate of 43%. Travelers stayed an average of two nights. Tourism expenditure receipts totaled \$11.7 billion in 2002.

In 2005, the US Department of State estimated the daily cost of staying in Amsterdam at \$328; the Hague, \$258; and in Rotterdam, \$339.

#### 48 FAMOUS NETHERLANDERS

*The Imitation of Christ*, usually attributed to the German Thomas à Kempis, is sometimes credited to the Dutch Gerhard Groote (1340–84); written in Latin, it has gone through more than 6,000 editions in about 100 languages. Outstanding Dutch humanists were Wessel Gansfort (1420?–89), precursor of the Reformation; Rodolphus Agricola (Roelof Huysman, 1443–85); and the greatest of Renaissance humanists, Desiderius Erasmus (Gerhard Gherhards, 1466?–1536). Baruch (Benedict de) Spinoza (1632–77), the influential pantheistic philosopher, was born in Amsterdam.

The composers Jacob Obrecht (1453–1505) and Jan Pieterszoon Sweelinck (1562–1621) were renowned throughout Europe; later composers of more local importance were Julius Röntgen (1855–1932), Alfons Diepenbrock (1862–1921), and Cornelis Dopfer (1870–1939). Bernard van Dieren (1887–1936), a composer of highly complex music of distinct individuality, settled in London. Henk Badings (b. Bandung, Java, 1907–87) was a prolific composer of international repute. Outstanding conductors of the Amsterdam Concertgebouw Orchestra include Willem Mengelberg (1871–1951), Eduard van Beinum (1901–59), and Bernard Haitink (b. 1929), who also was principal conductor of the London Philharmonic from 1967 to 1979, music director of the Royal Opera House, Covent Garden, from 1987–2002, and principal conductor of the Dresden Staatskapelle from 2002.

Hieronymus Bosch van Aken (1450?–1516) was a famous painter. Dutch painting reached its greatest heights in the 17th century, when Rembrandt van Rijn (1606–69) and Jan Vermeer (1632–75) painted their masterpieces. Other great painters of the period were Frans Hals (1580–1666), Jan Steen (1626–69), Jacob van Ruisdael (1628–82), and Meindert Hobbema (1638–1709). Two more recent painters, Vincent van Gogh (1853–90) and Piet Mondrian (1872–1944), represent two widely divergent artistic styles and attitudes. Maurits C. Escher (1898–1972) was a skilled and imaginative graphic artist.

Hugo Grotius (Huig de Groot, 1583–1645), who is often regarded as the founder of international law, is famous for his great book, *On the Law of War and Peace*. The outstanding figure in Dutch literature was Joost van den Vondel (1587–1679), poet and playwright. Another noted poet and playwright was Constantijn Huygens (1596–1687), father of the scientist Christian. Popular for several centuries were the poems of Jacob Cats (1577–1660). Distinguished historians include Johan Huizinga (1872–1945) and Pieter Geyl (1887–1966). Anne Frank (b. Germany, 1929–45) became the most famous victim of the Holocaust with the publication of the diary and other material that she had written while hiding from the Nazis in Amsterdam.

Jan Pieterszoon Coen (1587–1630), greatest of Dutch empire builders, founded the city of Batavia in the Malay Archipelago (now Jakarta, the capital of Indonesia). Two Dutch naval heroes, Maarten Harpertzoon Tromp (1597–1653) and Michel Adriaanszoon de Ruyter (1607–76), led the Dutch nation in triumphs in sea wars with France, England, and Sweden. Peter Minuit (Minnewit, 1580–1638) founded the colonies of New Amsterdam (now New York City) and New Sweden (now Delaware). Peter Stuyvesant (1592–1672) took over New Sweden from the Swedish and lost New Netherland (now New York State) to the British.

Leading scientists include the mathematician Simon Stevinus (1548–1620); Christian Huygens (1629–95), mathematician, physicist, and astronomer; Anton van Leeuwenhoek (1632–1723), developer of the microscope; Jan Swammerdam (1637–80), authority on insects; and Hermann Boerhaave (1668–1738), physician, botanist, and chemist. Among more recent scientists are a group of Nobel Prize winners: Johannes Diderik van der Waals (1837–1923), authority on gases and fluids, who received the award for physics in 1910; Jacobus Hendricus van 't Hoff (1852–1911), chemistry, 1901; Hendrik Antoon Lorentz (1853–1928) and Pieter Zeeman (1865–1943), who shared the 1902 award for physics; Heike Kamerlingh Onnes (1853–1926), physics, 1913; Willem Einthoven (1860–1927), physiology, 1924; Christiaan Eijkman (1858–1930), physiology, 1929; Petrus Josephus Wilhelmus Debye (1884–1966), chemistry, 1936; Frits Zernike (1888–1966), physics, 1953; Jan Tinbergen (1903–94), economic science, 1969; Dutch-born Tjalling Koopmans (1910–85), who shared the 1975 prize for economic science; Simon van der Meer (b. 1925), co-winner of the physics prize in 1984; Paul J. Crutzen (b. 1933), who shared the 1995 chemistry prize; and Gerardus 't Hooft (b. 1946) and Martinus J.G. Veltman (b. 1931), who shared the 1999 physics prize. The 1911 Nobel Prize for peace was awarded to Tobias Michael Carel Asser (1838–1913).

The head of state since 1980 has been Queen Beatrix (b. 1938).

## 49 DEPENDENCIES

Aruba and the Netherlands Antilles are part of the Kingdom of the Netherlands; descriptions of them are given in the volume on the *Americas* under Netherlands American Dependencies.

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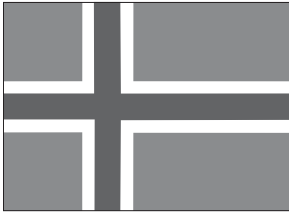
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# NORWAY

Kingdom of Norway  
*Kongeriket Norge*



**CAPITAL:** Oslo

**FLAG:** The national flag has a red field on which appears a blue cross (with an extended right horizontal) outlined in white.

**ANTHEM:** *Ja, vi elsker dette landet* (Yes, We Love This Country).

**MONETARY UNIT:** The krone (Kr) of 100 øre is the national currency. There are coins of 50 øre and 1, 5, and 10 kroner, and notes of 20, 50, 100, 200, 500, and 1,000 kroner. Kr1 = \$0.15798 (or \$1 = Kr6.33) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; National Independence Day, 17 May; Christmas, 25 December; Boxing Day, 26 December. Movable religious holidays include Holy Thursday, Good Friday, Easter Monday, Ascension, and Whitmonday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Norway occupies the western part of the Scandinavian peninsula in northern Europe, with almost one-third of the country situated N of the Arctic Circle. It has an area of 324,220 sq km (125,182 sq mi). Comparatively, the area occupied by Norway is slightly larger than the state of New Mexico. Extending 1,752 km (1,089 mi) NNE–SSW, Norway has the greatest length of any European country; its width is 430 km (267 mi) ESE–WNW. Bounded on the N by the Arctic Ocean, on the NE by Finland and Russia, on the E by Sweden, on the S by the Skagerrak, on the SW by the North Sea, and on the W by the Norwegian Sea of the Atlantic Ocean, Norway has a land boundary length of 2,544 km (1,581 mi) and a total coastline estimated at 21,925 km (13,624 mi).

Norway's capital city, Oslo, is in the southern part of the country.

## <sup>2</sup> TOPOGRAPHY

Norway is formed of some of the oldest rocks in the world. It is dominated by mountain masses, with only one-fifth of its total area less than 150 m (500 ft) above sea level. The average altitude is 500 m (1,640 ft). The Glittertinden (2,472 m/8,110 ft, including a glacier at the summit) and Galdhøpiggen (2,469 m/8,100 ft), both in the Jotunheimen, are the highest points in Europe north of the Alpine-Carpathian mountain range. The principal river, the Glåma, 611 km (380 mi) long, flows through the timbered southeast. Much of Norway has been scraped by ice, and there are 1,700 glaciers totaling some 3,400 sq km (1,310 sq mi). In the Lista and Jaeren regions in the far south, extensive glacial deposits form agricultural lowlands. Excellent harbors are provided by the almost numberless fjords, deeply indented bays of scenic beauty that are never closed by ice and penetrate the mainland as far as 182 km (113 mi). Along many coastal stretches is a chain of islands known as the skjærgård.

## <sup>3</sup> CLIMATE

Because of the North Atlantic Drift, Norway has a mild climate for a country so far north. With the great latitudinal range, the north is considerably cooler than the south, while the interior is cooler than the west coast, influenced by prevailing westerly winds and the Gulf Stream. Oslo's average yearly temperature ranges from about 5°C (41°F) in January to 28°C (82°F) in July. The annual range of coastal temperatures is much less than that of the continental interior. The eastern valleys have less than 30 cm (12 in) of rain yearly, whereas at Haukeland in Masfjord the average rainfall is 330 cm (130 in).

Norway is the land of the midnight sun in the North Cape area, with 24-hour daylight from the middle of May to the end of July, during which the sun does not set. Conversely, there are long winter nights from the end of November to the end of January, during which the sun does not rise above the horizon and the northern lights, or aurora borealis, can be seen.

## <sup>4</sup> FLORA AND FAUNA

The richest vegetation is found in the southeast around Oslofjord, which is dominated by conifers (spruce, fir, and pine); at lower levels, deciduous trees such as oak, ash, elm, and maple are common. Conifers are seldom found at altitudes above 1,000 m (3,300 ft). Above the conifer zone extends a zone of birch trees; above that, a zone of dwarf willow and dwarf birch, and a zone of lichens and arctic plants. In areas exposed to salt sea winds, there is little tree growth. Of the larger wild animals, elk, roe deer, red deer, and badger survive, as do fox, lynx, and otter. Bird life is abundant and includes game birds such as capercaillie (cock of the woods) and black grouse. In the rivers are found trout, salmon, and char.

As of 2002, there were at least 54 species of mammals, 241 species of birds, and over 1,700 species of plants throughout the country.

## 5 ENVIRONMENT

Norway's plentiful forests, lakes, flora, and wildlife have suffered encroachment in recent years from the growing population and consequent development of urban areas, roads, and hydroelectric power. The forest floor and waterways have been polluted by Norway's own industry and by airborne industrial pollution from central Europe and the British Isles in the form of acid rain. The acid rain problem has affected the nation's water supply over an area of nearly 7,000 sq mi.

Annual particulate emissions have averaged 22 tons and hydrocarbon emissions have been about 270 tons. In 1992, Norway was among the 50 nations with the world's heaviest emissions of carbon dioxide from industrial sources, which totaled 60.2 million metric tons, a per capita level of 14.03 metric tons. In 2000, however, the total of carbon dioxide emissions was at 49.9 million metric tons. Transportation vehicle emissions are also a significant source of air pollution.

By the early 1980s, the government had enacted stringent regulations to prevent oil spills from wells and tankers operating on the Norwegian continental shelf. Coastal protection devices have since been installed, and new technologies to prevent oil damage have been developed. Industry, mining, and agriculture have polluted 16% of Norway's lake water. The nation has a total of 382 cu km of renewable water resource; 72% of the annual withdrawal is used for industrial activity and 8% is used for farming.

Pollution control laws operate on the premise that the polluter must accept legal and economic responsibility for any damage caused and for preventing any recurrence; the state makes loans and grants for the purchase of pollution control equipment. Municipal authorities supervise waste disposal.

Since its creation in 1972, the Ministry of the Environment has been Norway's principal environmental agency. Between 1962 and 1985, 15 national parks, with a total area of more than 5,000 sq km (2,000 sq mi), and more than 150 nature reserves were established. In 2003, about 6.8% of the total land area was protected. The West Norwegian Fjords—Geirangerfjord and Naerofjord—were named as a natural UNESCO World Heritage site in 2005. The country has 37 Ramsar wetland sites.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 9 types of mammals, 6 species of birds, 7 species of fish, 1 type of mollusk, 8 species of other invertebrates, and 2 species of plants. Threatened species include the Baltic sturgeon, marsh snail, and freshwater pearl mussel.

## 6 POPULATION

The population of Norway in 2005 was estimated by the United Nations (UN) at 4,620,000, which placed it at number 114 in population among the 193 nations of the world. In 2005, approximately 15% of the population was over 65 years of age, with another 20% of the population under 15 years of age. There were 99 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.3%, a rate the government viewed as too low. The projected population for the year 2025 was 5,114,000. The overall population

density was 14 per sq km (37 per sq mi), with most inhabitants concentrated in the southern areas of the country.

The UN estimated that 78% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 1.18%. The capital city, Oslo, had a population of 795,000 in that year. The only other towns with populations exceeding 100,000 were Bergen (242,158) and Trondheim (156,161). Most provincial cities are small, with only Stavanger (115,157), Kristiansand (76,066), and Drammen (56,688) having more than 50,000.

## 7 MIGRATION

From 1866 on, North America received great waves of immigration from Norway, including an estimated 880,000 Norwegian immigrants to the United States by 1910. The United States and Canada still provide residence for many of the estimated 400,000 Norwegians living abroad. Emigration in recent years has not been significant. Norwegians moving abroad numbered 23,271 in 2004; immigrants to Norway totaled 36,482. Of the over 20,000 European immigrants, 4,308 were from Sweden; of the 3,875 Africans, 1,068 were from Somalia; of the 8,848 Asian immigrants, 1,220 were from Thailand. Migrants from the United States numbered 1,405. In 2005, Norway's immigrant population numbered 364,981. Of these 301,045 were first-generation immigrants, 361,143 were foreign-born, and 213,303 were foreign citizens. In 2004, internal migration between municipalities was 190,446 and between counties it was 89,940.

Norway is an important resettlement country; as of 2001, it had an allocation of 1,300 places in cooperation with the United Nations High Commissioner for Refugees (UNHCR). In 2004, 7,950 asylum applications were submitted. Main countries of origin included Russia, Serbia and Montenegro, Nigeria, and Afghanistan. The estimated net migration rate for 2005 was 1.73 migrants per 1,000 population.

## 8 ETHNIC GROUPS

The Norwegians have for centuries been a highly homogeneous people of Germanic (Nordic, Alpine, and Baltic) stock, generally tall and fair-skinned, with blue eyes. Small minority communities include some 20,000 Sami (Lapps) and 7,000 descendants of Finnish immigrants.

## 9 LANGUAGES

Norwegian, closely related to Danish and Swedish, is part of the Germanic language group. In addition to the letters of the English alphabet, it has the letters æ, å, and ø. Historically, Old Norse was displaced by a modified form of Danish for writing, but in the 19th century there arose a reaction against Danish usages. Many dialects are spoken. There are two language forms, Bokmål and Nynorsk; the former (spoken by a large majority of Norwegians) is based on the written, town language, the latter on country dialects. Both forms of Norwegian have absorbed many modern international words, particularly from British and American English, despite attempts to provide indigenous substitutes.

While Norwegian is the official language, English is spoken widely in Norway, especially in the urban areas. The Sami (Lapps) in northern Norway have retained their own language, which is of Finno-Ugric origin. There is also a small Finnish-speaking minority.

## 10 RELIGIONS

Citizens are generally considered to be members of the Evangelical Lutheran Church of Norway, which is the state church, unless they specifically indicate other affiliations. As such, reports indicate that about 86% of the population are nominally affiliated with the Evangelical Lutheran Church. About 3.4% of the population belong to other Protestant denominations; 1.6% are Muslim and 1% are Roman Catholic. Buddhists, Jews, Orthodox Christians, Sikhs, and Hindus make up less than 1% of the population. The Norwegian Humanist Association, an organization for atheists and the nonreligious, claims about 69,652 adults as registered members.

The constitution provides for religious freedom for all faiths, even though the religion of state is designated as the Evangelical Lutheran Church of Norway. The king nominates the Lutheran bishops and the Lutheran church receives an endowment from the state. The constitution states that the king and half of the cabinet must be members of this church. There are a number of interfaith groups within the country, including the Cooperation Council for Faith and Secular Society, the Oslo Coalition for Freedom of Religious Beliefs, and the Ecumenical Council of Christian Communities.

## 11 TRANSPORTATION

In spite of Norway's difficult terrain, the road system has been well engineered, with tunnels and zigzags, particularly in the fjordlands of the west; but there are problems of maintenance because of heavy rain in the west and freezing in the east. Road transport accounts for nearly 90% of inland passenger transport. As of 2002, the total length of highway was 91,852 km (57,074 mi), of which 71,185 km (44,232 mi) were paved, including 178 km (111 mi) of expressways. As of 2003, there were 1,932,663 passenger cars and 468,500 commercial vehicles in use. The state railway operates bus routes and has been steadily increasing its activities in this field, which is heavily subsidized by the government. In 2004, there was 4,077 km (2,533 mi) of rail line in operation, all of it standard gauge, of which 2,518 km (1,564 mi) were electrified.

With a merchant fleet of 740 vessels of 1,000 GRT or more, totaling 18,820,495 GRT, as of 2005, Norway possessed one of the world's largest fleets. The sale of Norwegian ships and their registration abroad, which increased considerably during the mid-1980s, severely reduced the size of the fleet. In 1988, the Norwegian International Ship Register program began, whereby ships could be registered offshore, thus allowing foreign vessels to operate under the Norwegian flag while reducing costs to shipowners. Oslo and Bergen have excellent harbor facilities, but several other ports are almost as fully equipped.

Norway had an estimated 101 airports in 2004. As of 2005, a total of 67 had paved runways, and there was also one heliport. Flesland at Bergen, Sola at Stavanger, and Fornebu and Gardermoen at Oslo are the main centers of air traffic. External services are operated by the Scandinavian Airlines System (SAS), which is 21% Norwegian-owned. Braathens Air Transport operates most of the domestic scheduled flights. Important internal air services include that linking Kirkenes, Tromsø, and Bodø; 2,000 km (1,240 mi) long, this air route is reputed to be the most difficult to operate

in western Europe. In 2003, about 12.779 million passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

Humans have lived in Norway for about 10,000 years, but only since the early centuries of the Christian era have the names of tribes and individuals been recorded. This was the period when small kingdoms were forming; the name Norge ("Northern Way") was in use for the coastal district from Vestfold to Hålogaland before AD 900. The Viking period (800–1050) was one of vigorous expansion, aided by consolidation of a kingdom under Olav Haraldsson.

From the death of Olav in 1030, the nation was officially Christian. During the next two centuries—a period marked by dynastic conflicts and civil wars—a landed aristocracy emerged, displacing peasant freeholders. A common legal code was adopted in 1274–76, and the right of succession to the crown was fixed. Shortly before, Iceland (1261) and Greenland (1261–64) came under Norwegian rule, but the Hebrides (Western Isles), also Norwegian possessions, were lost in 1266. Before 1300, Hanseatic merchants of the Baltic towns secured control of the essential grain imports, weakening the Norwegian economy.

Norway lost its independence at the death of Haakon V in 1319, when Magnus VII became ruler of both Norway and Sweden. The Black Death ravaged the country in the middle of the 14th century. In 1397, the three Scandinavian countries were united under Queen Margrethe of Denmark. Sweden left the union in 1523, but for nearly 300 more years Norway was ruled by Danish governors. Although the loss to Sweden of the provinces of Bohuslän (1645), Härjedalen (1658), and Jämtland (1645) was a handicap, gradual exploitation of the forest wealth improved Norwegian status. Denmark's alliance with France during the Napoleonic Wars resulted in the dissolution of the union. With the Peace of Kiel (1814), Norway was ceded to Sweden, but the Faroe Islands, Iceland, and Greenland were retained by Denmark. However, Norwegians resisted Swedish domination, adopted a new constitution on 17 May 1814, and elected the Danish Prince Christian Frederick as king of Norway. Sweden then invaded Norway, but agreed to let Norway keep its constitution in return for accepting union with Sweden under the rule of the Swedish king. During the second half of the 19th century, the *Storting* (parliament) became more powerful; an upsurge of nationalist agitation, both within the *Storting* and among Norway's cultural leaders, paved the way for the referendum that in 1905 gave independence to Norway. Feelings ran high on both sides, but once the results were announced, Norway and Sweden settled down to friendly relations. The Danish Prince Carl was elected king of Norway, assuming the name Haakon VII.

Although Norway remained neutral during World War I, its merchant marine suffered losses. Norway proclaimed its neutrality during the early days of World War II, but Norwegian waters were strategically too important for Norway to remain outside the war. Germany invaded on 9 April 1940; the national resistance was led by King Haakon, who in June escaped together with the government, representing the legally elected *Storting*, to England, where he established Norway's government-in-exile. Governmental affairs in Oslo fell to Vidkun Quisling, a Fascist leader and former Norwegian defense minister who had aided the German invasion and whose name subsequently became a synonym

for collaborator; after the German surrender, he was arrested, convicted of treason, and shot. During the late 1940s, Norway abandoned its former neutrality, accepted Marshall Plan aid from the United States, and joined NATO. King Haakon died in 1957 and was succeeded by Olav V. King Harald V succeeded his father who died 17 January 1991.

The direction of economic policy has been the major issue in Norwegian postwar history, especially as related to taxation and the degree of government intervention in private industry. Economic planning was introduced, and several state-owned enterprises have been established. Prior to the mid-1970s, Labor Party-dominated governments enjoyed a broad public consensus for their foreign and military policies. A crucial development occurred in November 1972, when the Norwegian electorate voted in a referendum to reject Norway's entry into the EC despite a strong pro-EC posture adopted by the minority Labor government. After the 1973 general elections, the Labor Party's hold on government policies began to erode, and in the 1981 elections, the party lost control of the government to the Conservatives. Although the non-Socialists retained a small majority in the 1985 elections, disagreements among them permitted Labor to return to office in 1986.

Norway reconfirmed its rejection of the European Union on 28 November 1994, when the vote was cast 52% against, 47.8% for joining Europe. However, in December 2002, Prime Minister Kjell Magne Bondevik stated a new referendum would probably be held on EU membership. Public opinion polls in June 2003 registered 51.9% of the electorate in favor of joining the EU; 38.2% were opposed and 9.9% were undecided.

Norway was forthright in its support for the US-led war on terror following the 11 September 2001 terrorist attacks. It supported the NATO decision to invoke Article 5 of the alliance's constitution, pledging all members to collective security in the event of an attack on one. However, Norway did not support the US-led war in Iraq that began on 19 March 2003. Prime Minister Bondevik held that international weapons inspectors authorized by UN Security Council Resolution 1441 to inspect Iraq's weapons programs should have been given more time to do their work, and that military action should not be taken without an express Security Council resolution authorizing it. Eight out of ten Norwegian voters agreed in March 2003 that Norway should not support the US and British decision to go to war against Iraq.

On 19 January 2004, the Norwegian cargo ship *Rocknes* capsized after striking rocks in a fjord off the coast of Bergen. Eighteen crew members were killed, most of them Filipinos. Nearly 1,000 animals were oiled, a concern for environmentalists. Another concern for environmentalists was Norway's rejection of the 1986 International Whaling Commission's ban on whaling. Norway began whaling on a commercial basis in 1993.

In the general election held on 12 September 2005, the center-left led by Jens Stoltenberg's Labor Party in a "red-green alliance" with the Socialist and Center parties won more than half the seats in parliament, defeating Bondevik's center-right minority coalition. The populist far-right Progress Party increased its number of seats held in parliament by 12, to 38, and it became the nation's largest opposition party.

### 13 GOVERNMENT

Norway is a constitutional monarchy. The constitution of 17 May 1814, as subsequently amended, vests executive power in the king and legislative power in the Storting. Prior to 1990, sovereignty descended to the eldest son of the monarch. A constitutional amendment in May 1990 allows females to succeed to the throne. The amendment only affects those born after 1990. The sovereign must be a member of the Evangelical Lutheran Church of Norway, which he heads. Royal power is exercised through a cabinet (the Council of State), consisting of a prime minister and at least seven other ministers of state (these numbered 18 in 2005). Since the introduction of parliamentary rule in 1884, the Storting has become the supreme authority, with sole control over finances and with power to override the king's veto under a specified procedure. While the king is theoretically free to choose his own cabinet, in practice the Storting selects the ministers, who must resign if the Storting votes no confidence.

The Storting was made up of 169 representatives in 2005 (an increase of four over the 2001 election) from 19 counties. Election for a four-year term is by direct suffrage at age 18, on the basis of proportional representation. After election, the Storting divides into two sections by choosing one-fourth of its members to form the upper chamber *Lagting*, with the rest constituting the lower chamber *Odelsting*. The Odelsting deals with certain types of bills (chiefly proposed new laws) after the committee stage and forwards them to the Lagting, which, after approval, sends them to the king for the royal assent; financial, organizational, political, and other matters are dealt with in plenary session. Where the two sections disagree, a two-thirds majority of the full Storting is required for passage. Constitutional amendments also require a two-thirds vote. The constitution provides that the Storting may not be dissolved.

A special parliamentary ombudsman supervises the observance of laws and statutes as applied by the courts and by public officials. His main responsibility is to protect citizens against unjust or arbitrary treatment by civil servants.

### 14 POLITICAL PARTIES

The present-day Conservative Party (Høyre) was established in 1885. The Liberal Party (Venstre), founded in 1885 as a counterbalance to the civil servant class, became the rallying organization of the Agrarian Friends' Association. The party's political program stresses social reform. Industrial workers founded the Labor Party (Arbeiderparti) in 1887 and, with the assistance of the Liberals, obtained universal male suffrage in 1898 and votes for women in 1913. The Social Democrats broke away from the Labor Party in 1921–22, and the Communist Party (Kommunistparti), made up of former Laborites, was established in 1923. The moderate Socialists reunited and revived the Labor Party organization in 1927. The Agrarian (Farmers) Party was formed in 1920; it changed its name to the Center Party (Senterparti) in 1958. The Christian People's Party (Kristelig Folkeparti), founded in 1933, and also known as the Christian Democratic Party, supports the principles of Christianity in public life.

For several decades, the Liberals were either in office or held the balance of power, but in 1935, as a result of the economic depression, an alliance between the Agrarian and Labor parties led to the





LOCATION: 57°57'31" to 71°11'8" N; 4°30'13" to 31°10'4" E. BOUNDARY LENGTHS: Finland, 729 kilometers (455 miles); Russia, 167 kilometers (104 miles); Sweden, 1,619 kilometers (1,011 miles); total coastline, 21,925 kilometers (13,703 miles). TERRITORIAL SEA LIMIT: 4 miles.

formation of a Labor government. During World War II, the main parties formed a national cabinet-in-exile. Political differences between right and left sharpened in the postwar period. Attempts to form a national coalition among the four non-Socialist parties proved unsuccessful until the 1965 elections, when they gained a combined majority of 80 seats in the Storting. Per Borten, who

was appointed in October 1965 to form a non-Socialist coalition government, retained office in the 1969 elections, although with a majority of only two seats.

In the 1973 general elections, the Labor Party received only 35.3% of the national vote; its representation in the Storting shrank to 62 seats, but with its Socialist allies, it was able to form a minor-

ity government. The Christian People's Party, meanwhile, registered gains, as did the Socialist Electoral League, a new coalition, which was able to take a number of votes away from the Labor Party. In 1975, the Socialist Electoral League was transformed into a single grouping known as the Socialist Left Party, comprising the former Socialist People's Party, the Norwegian Communist Party, and the Democratic Socialist Party (formed in 1972); the transformation, which resulted in a platform that voiced criticism neither of the former USSR nor of Leninist ideology, marked the first occasion when a Western Communist Party voted to dissolve its organization and merge into a new grouping with other parties.

In the 1977 elections, Labor expanded its representation to 76 seats, but its Socialist Left ally won only two seats, and their coalition commanded a single-seat majority in the Storting. Odvar Nordli, who became prime minister in January 1976, succeeding the retiring Trygve Bratteli, formed a new cabinet and remained in office until February 1981, when he quit because of ill health. His successor was Gro Harlem Brundtland, Norway's first woman prime minister. Her term in office lasted only until September, when the non-Socialist parties obtained a combined total of more than 56% of the vote and a Conservative, Kåre Willoch, became prime minister of a minority government. In April 1983, the government was transformed into a majority coalition.

Following the loss of a vote of confidence, the coalition was replaced in May 1986 by a Labor minority government led by Brundtland, who formed a cabinet of eight female ministers out of 18. With an average age of 47, her cabinet was the youngest ever in Norway.

Labor increased its support in the 1993 election, winning 67 seats. The Center Party became the second-largest party while the Conservatives and other right-wing parties suffered a decline.

The September 1997 election brought to power a coalition of Christian People's party, Liberals, and Center party and was headed by the Lutheran minister, Kjell Magne Bondevik. The coalition claimed only 42 seats in parliament and Bondevik was forced to seek compromises with opposition parties to pass legislation. In March 1999 his government lost a vote of confidence after Bondevik refused to weaken antipollution laws to allow the construction of gas-fired power plants. Norway generates most of its power from nonpolluting hydro power and Bondevik was not ready to compromise Norway's environment for the sake of natural gas energy.

Because the next legislative elections could only be held in September 2001, Jens Stoltenberg, the elected leader of the Labor party, became prime minister at the age of 41, becoming Norway's youngest leader. Stoltenberg pledged to seek strong ties to Europe and favored European Union membership. He also announced the privatization of Statoil, the state's oil company, and Telenor, the state-owned telecommunication group. Especially, the partial sell-off of Statoil was of huge symbolic significance because of its role as the guardian of the nation's oil and gas wealth.

In the September 2001 parliamentary elections, the Labor Party came in first, although it suffered its worst defeat since 1924, taking only 24.3% of the vote, compared with 35% in 1997. Voters were disgruntled with high tax rates—in some cases 50%—and inadequate public services, including hospitals, schools, and public transportation. The far-right Progress Party gained seats. Bondevik was returned to power as prime minister, putting together

a coalition of the Christian People's Party, the Liberals, and the Conservatives, with support from the Progress Party. The distribution of the parties' electoral strength in the Storting following the 2001 elections was as follows: Labor Party, 24.3% (43 seats); Conservative Party, 21.2% (38 seats); Progress Party, 14.7% (26 seats); Christian People's Party, 12.5% (22 seats); Socialist Left Party, 12.4% (23 seats); Center Party, 5.6% (10 seats); the fisherman's Coastal Party, 3.9% (2 seats); and the extreme-left Red Electoral Alliance, 1.7% (1 seat).

In the September 2005 parliamentary elections, the Labor Party came in first, taking 32.7% of the vote (61 seats), an increase of 8.4% (18 seats) over the 2001 elections. The Progress Party came in second with 22.1% of the vote (38 seats), an increase of 7.4% of the vote (and 12 seats) over the 2001 elections. The distribution of the remaining parties' electoral strengths in the Storting following the elections was as follows: Conservative Party, 14.1% (23 seats); Socialist Left Party, 8.8% (15 seats); Christian People's Party, 6.8% (11 seats); Center Party, 6.5% (11 seats); and the Liberal Party, 5.9% (10 seats). Jens Stoltenberg, leader of the Labor Party, claimed he would devote more of the country's oil wealth to jobs, schools, and care for the elderly. Stoltenberg was to form a coalition government with the Socialist Left and Center parties.

## 15 LOCAL GOVERNMENT

Norway has 435 municipalities (*kommuner*) of varying size, each administered by an elected municipal council. They are grouped into 19 counties (*fylker*), each governed by an elected county council. Each county is headed by a governor appointed by the king in council. Oslo is the only urban center that alone constitutes a county; the remaining 18 counties consist of both urban and rural areas. County and municipal councils are popularly elected every four years. The municipalities have wide powers over the local economy, with the state exercising strict supervision. They have the right to tax and to use their resources to support education, libraries, social security, and public works such as streetcar lines, gas and electricity works, roads, and town planning, but they are usually aided in these activities by state funds.

## 16 JUDICIAL SYSTEM

Each municipality has a conciliation council (*forliksråd*), elected by the municipal council, to mediate in lesser civil cases so as to settle them, if possible, before they go to court; under some conditions the conciliation councils also render judgments. The courts of first instance are town courts (*byrett*) and rural courts (*herredsstrett*), which try both civil and criminal cases. Their decisions may be brought before a court of appeals (*lagmannsstrett*), which also serves as a court of first instance in more serious criminal cases. There are six such courts: Borgarting, Eidsivating, Agder, Gulating, Frostating and Hålogaland. Appeals may be taken to the Supreme Court (*Høyesterett*) at Oslo, which consists of a chief justice and 18 judges. Special courts include a Social Insurance Court and a Labor Disputes Court who mediates industrial relations disputes.

The judiciary is independent of both the legislative and the executive branches. In criminal cases, defendants are afforded free legal counsel. Indigent persons are granted free legal counsel in certain civil cases as well.

## 17 ARMED FORCES

Norway's armed forces in 2005 had a total strength of 25,800 active personnel with reserves numbering 219,000. The Army of 14,700 was equipped with 165 main battle tanks, 157 armored infantry fighting vehicles, 189 armored personnel carriers, and 634 artillery pieces. The Navy numbered 6,100 active personnel, including 270 in the coast guard and 160 coastal defense personnel. The Navy operated 6 tactical submarines, 3 frigates, 15 coastal and patrol vessels, and 10 mine warfare ships. The Air Force consisted of 5,000 personnel operating 61 combat capable aircraft, in addition to 15 (each) transport and training aircraft, and 12 search and rescue helicopters. The Air Force also mans air defense guns and missiles.

Norway is the host nation for the NATO Allied Forces North headquarters and provides troops or observers for eight peacekeeping operations. The nation's defense budget in 2005 totaled \$4.69 billion.

## 18 INTERNATIONAL COOPERATION

Norway has been a member of the United Nations since 27 November 1945; the country participates in the ECE and several nonregional specialized agencies, such as the FAO, IAEA, the World Bank, UNSECO, UNHCR, UNIDO, and the WHO. Norwegian experts serve in many countries under the UN Technical Assistance program. Norway has participated in at least 30 UN peacekeeping operations. The Norwegian Peace Corps, launched as an experiment in 1963, was made a permanent part of Norway's program of international aid in 1965.

Norway is a member of the WTO, the African Development Bank, the Asian Development Bank, the Council of the Baltic Sea States, the Euro-Atlantic Partnership Council, the Inter-American Development Bank, the Council of Europe, EFTA, the OSCE, the Paris Club, NATO, the Nordic Council, the Nordic Investment Bank, and OECD. The country holds observer status in the OAS and is an associate member of the Western European Union. A referendum on EU membership was held in November 1994; 52% of the electorate voted against membership.

Norway is part of the Australia Group, the Zangger Committee, the Nuclear Suppliers Group (London Group), the Nuclear Energy Agency, the European Organization for Nuclear Research (CERN), and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, Norway is part of the Antarctic Treaty, the Basel Convention, the Convention on Biological Diversity, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Norway, with its long coastline and vast forests, is traditionally a fishing and lumbering country, but since the end of World War II it has greatly increased its transport and manufacturing activities. The exploitation since the late 1970s of major oil reserves

in the North Sea has had considerable impact on the Norwegian economy.

Foreign trade is a critical economic factor. Exports bring in over 40% of the GDP. As a trading nation without a large domestic market, Norway was especially vulnerable to the effects of the worldwide recession of the early 1980s and is sensitive to fluctuations in world prices, particularly those of oil, gas, and shipping. Since the early 1980s, Norway's exports have been dominated by petroleum and natural gas, which produced 56% of commodity exports in 2003.

Norway has a mixed economy with the government owning about 32% of the listed shares on the Oslo stock exchange, and holding shares in around 10–15% of Norwegian industry (as of 2005). State ownership is most dominant in the oil, hydroelectric, and mining sectors. At considerable expense, the government provides subsidies for industry, agriculture, and outlying regions. About half of the total goes to agriculture.

Norwegian competitiveness in the global economy is hampered by a small population (4.6 million), a restrictive immigration policy, and an expensive social welfare system that places high tax burdens on the population.

In the early 1980s, the nation's economy became increasingly dependent on oil revenues, which stimulated domestic consumption and, at the same time, increased costs and prices, thus hampering the competitiveness of Norway's other export industries. The drastic decline of oil prices in 1986 caused the value of Norway's exports to fall by about 20%. Recently, the service sector has grown, accounting for 61.6% of GDP (2004 est.)

From 1949 to 1989 the real GDP rose on the average by 3.9% per year. The GDP fell in 1988 for the first time in 30 years. Since 1989, however, growth resumed, averaging only 1.3% during 1989–91, but climbing by an annual average of 3.7% during 1992–94. In 1998, GDP growth was 2.4%, inflation was 2.3%, and unemployment was 2.6%. In 1999, low world oil prices helped reduce growth to 1.1%, while their recovery, in 2000 helped raise GDP growth to 2.3%. GDP growth fell to 1% by 2002 and to 0.5% in 2003, largely due to the global economic slowdown of 2001–02. The economy recovered strongly in 2004, with real GDP growing by 2.9%. Economic growth was forecast to peak in 2005 at 3%, before falling slightly to 2.5% in 2006.

Unemployment averaged about 3.3% 1999 to 2002, while annual price inflation was about 2.9%. The unemployment rate stood at 4.3% in 2004, and the annual CPI inflation rate was forecast at 1.8% in 2005. Government statistics show that government spending as a percent of GDP declined from 39% in 1999 to about 34.5% in 2001, down from the estimated 50% reported by the OECD in the mid-1990s. Government spending as a percent of GDP stood at approximately 40% in 2005.

Norwegian voters rejected European Union membership in 1994. However, Norway is a member of the European Economic Area (EEA) which consists of the EU member countries together with Norway, Iceland, and Liechtenstein. Membership gives Norway most of the rights and obligation of the EU single market but very little ability to influence EU decisions.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Norway's gross domestic product (GDP) was estimated at \$194.7

billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$42,400. The annual growth rate of GDP was estimated at 3.8%. The average inflation rate in 2005 was 2.1%. It was estimated that agriculture accounted for 2.2% of GDP, industry 37.2%, and services 60.6%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$322 million or about \$71 per capita and accounted for approximately 0.1% of GDP.

The World Bank reports that in 2003 household consumption in Norway totaled \$101.96 billion or about \$22,350 per capita based on a GDP of \$220.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures on individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.4%. In 2001 it was estimated that approximately 16% of household consumption was spent on food, 11% on fuel, 5% on health care, and 4% on education.

## 2<sup>1</sup> LABOR

In 2005, Norway's labor force totaled an estimated 2.4 million workers. As of 2003, services accounted for 74% of the workforce, with 22.1% in industry, and around 4% in the agricultural sector. From 1960–88, Norway's average unemployment rate was only 1.6%. Unemployment gradually increased during the 1970s, and decreased from 5.5% in 1991 to 3.9% in 2002. As of 2005, the unemployment rate was estimated at 4.2%.

As of 2005, about 55% of the labor force was unionized. Under Norwegian law, workers can organize and join unions, engage in collective bargaining, and strike. Government employees, including military personnel, can also organize unions and bargain collectively. Antiunion discrimination is prohibited by law.

In 1919, the eight-hour day was established, together with paid holiday periods. In 1986, the workweek was reduced to 37.5 hours, where as of 2005, it remained. There is also 25 days of paid leave, with 31 days for those 60 and older. There is no legal minimum wage. Wages scales are set through negotiations involving local government, employers and workers. Children between the ages of 13 and 18 years may engage in light work that will not negatively affect their health or education, but only on a part-time basis.

## 2<sup>2</sup> AGRICULTURE

Agricultural land in 2003 comprised 873,000 hectares (2,157,000 acres), or about 2.9% of the country's total land (excluding Svalbard and Jan Mayen). While the area under wheat and mixed grains has dropped sharply since 1949, that for rye, oats, and barley has more than doubled. The greater part of these crops is used to supplement potatoes and hay in the feeding of livestock. In 2004, the area planted with barley, oats, rye, and triticale covered 12,380 hectares (30,590 acres), while wheat covered 65,000 hectares (161,000 acres).

In 2005, Norway had 53,277 agricultural holdings, 96% held by individuals. Because of the small size of the holdings, many farm families pursue additional occupations, mainly in forestry, fishing,

and handicrafts. Yields in 2004 included 1,076,000 tons of coarse grain and 340,000 tons of potatoes. Østfold county accounts for 20% of Norway's grain production; Hedmark county for one-third of potato production. Norway imports most of its grain and large quantities of its fruits and vegetables.

With steep slopes and heavy precipitation, Norway requires substantial quantities of fertilizers to counteract soil leaching. Smallholders and those in marginal farming areas in the north and in the mountains receive considerable government assistance for the purchase of fertilizers. Mechanization of agriculture is developing rapidly. In 2003, Norwegian farmers used 130,000 tractors and 13,400 combines.

Since 1928, the state has subsidized Norwegian grain production; a state monopoly over the import of grains maintains the price of Norwegian-grown grains. The Ministry of Agriculture has divisions dealing with agricultural education, economics, and other aspects. Each county has an agricultural society headed by a government official. These societies, financed half by the district and half by the state, implement government schemes for improving agricultural practices.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Norway is self-sufficient in farm animals and livestock products. In 2005, there were 2,417,000 sheep, 920,000 head of cattle, 515,000 hogs, 28,000 horses, and 3,300,000 fowl. Norway is well known for its working horses. By careful breeding, Norway has developed dairy cows with very good milk qualities; artificial insemination is now widely used. In 2005, production included 83,600 tons of beef and veal, 116,500 tons of pork, 25,400 tons of mutton and lamb, 1,721,000 tons of milk, 81,200 tons of cheese, 51,000 tons of eggs, and 13,000 tons of butter. Norwegian production of milk, cheese, and meat satisfies local demand.

The breeding of furbearing animals has been widely undertaken, and good results have been obtained with mink. In 2003, there were 320,000 farm-raised foxes, 440,000 mink, and 203,000 deer. Reindeer graze in the north and on the lichen-clad mountains. In 2004, wild game hunting yielded 36,770 moose, 3,895 wild reindeer, and 25,896 red deer.

## 2<sup>4</sup> FISHING

Seafood is Norway's third-largest export item, after petroleum products and metals. In 2004, the value of Norway's seafood exports amounted to \$4.2 billion, with salmon and trout accounting for 44%. Norway's wild fish catch in 2004 amounted to 2.5 million tons, valued at \$1.5 billion. The main commercial species are herring, cod, mackerel, and sardines.

Cod spawn in March and April off the Lofoten Islands. The Lofoten fisheries are coastal, permitting the use of small craft, but there has been increased use of large trawlers that fish in the waters of Greenland, the Norwegian Sea, and the Barents Sea. Cod roe and liver (yielding cod-liver oil) are valuable by-products. In recent years there has been concern about declining wild fish stocks in the sea, but for Norway the wild fish catches seem to increase almost every year. According to the Norwegian Institute of Marine Research, the most important fish stocks in northern Norwegian waters have stabilized, and will remain at a high level in the years to come. The traditional wage system is on a share-of-the-catch

basis. In view of the seasonal nature of the fisheries, many men work also in agriculture or forestry, and the supplementary income from part-time fishing is important to small farmers.

Aquaculture is also important in Norway, with over 3,500 workers and 700 facilities located along the entire coast from the Swedish border in the south to Finnmark far north of the Arctic Circle. The production of farmed salmon reached 537,000 tons in 2004, accounting for 45% of the world's farmed salmon production.

In 2003, sealing expeditions hunting in the Arctic Ocean caught 12,870 seals. Norway was one of the four countries that did not agree to phase out whaling by 1986, having opposed a 1982 resolution of the International Whaling Commission to that effect. In 2003, 647 minke whales were reportedly caught.

## 25 FORESTRY

Norway's forestland totals 8,868,000 hectares (21,913,000 acres), of which over 80% is owned by individuals, 9% by the state, and 7% by local governments; the remainder is held by institutions, companies, and cooperatives.

The state subsidizes silviculture and the building of forest roads. In 2004, removals amounted to 8,780,000 cu m (309.9 million cu ft), of which 86% was coniferous industrial wood and 14% was fuel wood. Sawn wood production in 2004 totaled 2,230,000 cu m (78.7 million cu ft); wood pulp, 2,528,000 tons; and paper and paperboard, 2,294,000 tons. The value of forest products exported was \$1.8 billion in 2004, when Norway's trade surplus in forest products amounted to \$641 million. The Norwegian Forest Research Institute has centers near Oslo and Bergen.

## 26 MINING

Mining was Norway's oldest major export industry. Some working mines were established more than 300 years ago and, for a time, silver, iron, and copper were important exports. Iron pyrites and iron ore were still mined in considerable quantities. Petroleum and gas comprised Norway's leading industry in 2004, and metals, chemicals, and mining were among other leading industries. Among export commodities, petroleum and petroleum products ranked first, while metals and chemicals followed close behind. Known deposits of other minerals were small; they included limestone, quartz, dolomite, feldspar, and mica (flake). In 2004, production of iron ore and concentrate (metal content) was 408,000 metric tons, up from 340,000 metric tons in 2003. Titanium (metal content) production in 2004 was 387,000 metric tons. Norway also produced nickel, hydraulic cement, dolomite, feldspar, graphite, lime (hydrated, quicklime), limestone, flake mica, nepheline syenite, nitrogen, olivine sand, quartz, quartzite, soapstone, steatite, sulfur (as a by-product), and talc. No lead or zinc was mined from 1998 through 2004, and no copper or pyrite from 1999 through 2004. The largest titanium deposit in Europe was at Soknedal. A large plant at Thamshavn used half the Orkla mines' output of pyrites for sulfur production. Reserves of minerals generally have been depleted, except for olivine, which was abundant. There has been recent gold exploration, and a zinc exploration program in the Roros district confirmed the existence of extensive

stratiform sulfide mineralization with dimensions of a type that could host commercial deposits.

## 27 ENERGY AND POWER

Norway has Western Europe's largest proven reserves of oil, which are located on the country's continental shelf. Norway is also the second-largest supplier of natural gas to continental Europe and one of the largest producers in the world. In spite of its oil and gas reserves, hydropower is the primary source of electric power for Norway.

As of 1 January 2005, Norway's proven reserves of oil amounted to 8.5 billion barrels. In 2004, Norway produced an estimated 3,183,900 barrels of oil per day, of which crude oil accounted for 88%. Domestic consumption for oil averaged 244,300,000 barrels of oil per day. In 2005, Norway's crude oil refining capacity averaged 310,000 barrels per day, according to the Oil and Gas Journal. There are two major refining facilities: the 200,000 barrel-per-day Mongstad plant, which is operated by 71% government owned Statoil; and the 110,000 barrel-per-day Slagen plant, which is operated by ExxonMobil.

Norway's natural gas reserves are mainly in the North Sea, although the Barents and Norwegian Seas are known to have significant reserves. As of 1 January 2005, Norway's proven reserves of natural gas were estimated at 73.6 trillion cu ft. In 2003, natural gas production was estimated at 2.6 trillion cu ft, with domestic consumption that year estimated at 146.2 billion cu ft.

Norway's reserves of coal, unlike its reserves of oil and natural gas, are very modest. In 2003, Norway's recoverable coal reserves were estimated at 5.5 million short tons. Output and consumption that year were estimated at 3.2 million short tons and 1.4 million short tons, respectively.

Norway's installed electric power generating capacity in 2003 was estimated at 26.6 GW. In that same year, electric power output was estimated at 1205.6 billion kWh, of which hydroelectric generated power amounted to 99% of the electricity produced. Geothermal/other and conventional thermal generated power account for the remainder. Domestic consumption in 2003 was estimated at 106.1 billion kWh.

## 28 INDUSTRY

Manufacturing, mining, and crude petroleum and gas production accounted for nearly 36.3% of the GDP in 2004. The most important export industries are oil and gas extraction, metalworking, pulp and paper, chemical products, and processed fish. Products traditionally classified as home market industries (electrical and nonelectrical machinery, casting and foundry products, textiles, paints, varnishes, rubber goods, and furniture) also make an important contribution. Electrochemical and electrometallurgical products—aluminum, ferroalloys, steel, nickel, copper, magnesium, and fertilizers—are based mainly on Norway's low-cost electric power. Without any bauxite reserves of its own, Norway has thus been able to become a leading producer of aluminum. Industrial output is being increasingly diversified.

About half of Norway's industries are situated in the Oslofjord area. Other industrial centers are located around major cities along the coast as far north as Trondheim. Norway has two oil refineries. Daily Norwegian offshore production in 2003 averaged

3.26 million barrels of oil. In the early 2000s, despite an improvement in world oil prices, investment in offshore oil and natural gas remained in decline, in part due to the completion of major projects, such as the Aasgard field. Norway's oil and gas reserves are declining; discovered oil reserves were projected to last 18 years in 2000, and natural gas reserves to last 95 years. The state oil company is Statoil. Norway's price support level for the oil industry is low, at around \$20 per barrel of oil. Norway's oil economy employs more than 100,000 Norwegians.

Norway is also Europe's largest natural gas producer, and one of the largest natural gas exporters in the world. Natural gas reserves were measured at 1.71 trillion cu m in 2005. By 2020, natural gas production in Norway will overtake its oil output.

As Norway's economy will not be able to depend indefinitely upon oil, it must diversify. In addition to developing its knowledge-based economy (biotechnology, nanotechnology, the Internet, and knowledge-services), Norway may look to further develop its mineral resources.

## 29 SCIENCE AND TECHNOLOGY

A highly advanced industrialized nation, Norway invested \$2,625.414 million or 1.6% of its GDP into research and development (R&D) in 2001. Of that amount, 51.7% came from the business sector, followed by government sources at 39.8%. Foreign sources accounted for 7.1% and higher education at 1.4%. In 2002, high-tech exports were valued at \$2.863 billion and accounted for 22% of manufactured exports. Public funds come either as direct grants from the central government or as proceeds from the State Football Pool, whose net receipts are divided between research and sports. In 2001 (the latest year for which data was available), there were 1,524 technicians and 4,442 scientists and engineers engaged in R&D per million people.

The four principal research councils are the Agricultural Research Council of Norway, the Norwegian Research Council for Science and the Humanities, the Royal Norwegian Council for Scientific and Industrial Research, and the Norwegian Fisheries Research Council, each attached to separate government ministries. The councils recruit researchers by means of fellowship programs and allocate research grants to universities. They are part of the Science Policy Council of Norway, an advisory board to the government on all research matters. Principal areas of current study are arctic research, specifically studies of the northern lights; oceanography, especially ocean currents; marine biology, with special attention to fish migration; and meteorology.

The Royal Norwegian Society of Sciences and Letters, founded in 1760, has a Natural Sciences section. The country has 12 other scientific and technical learned societies and 24 scientific and technical research institutes. Located in Oslo are the Botanical Garden and Museum (founded in 1814), the Norwegian Museum of Science and Industry (founded in 1914), and other museums devoted to mineralogy-geology, paleontology, and zoology. The country has six universities and colleges offering courses in basic and applied sciences. In 1987-97, science and engineering students accounted for 26% of university enrollment. In 2002, of all bachelor's degrees awarded, 14.5% were in the sciences (natural, mathematics and computers, engineering).

## 30 DOMESTIC TRADE

Oslo, the principal merchandising center, handles the distribution of many import products; Bergen and Stavanger are other west coast distribution centers. Trondheim is the chief northern center; Tromsø and Narvik are also important. The largest number of importers, exporters, and manufacturers' agents are in Oslo and Bergen. An 11% value-added tax (VAT) applies to many food products. A 25% VAT applies to most other goods and services, effective 2005.

Cooperative societies are an important distribution factor, with local groups operating retail stores for many kinds of consumer goods, especially in the food sector. Food market chains have developed rapidly in recent years. The Norwegian Cooperative Union and Wholesale Society represents a large number of societies, with over half a million members. Agricultural cooperatives are active in produce marketing and cooperative purchasing societies (*Felleskjöp*) do much of the buying of farm equipment, fertilizer, and seed.

The Norwegian Consumer Council (established by the Storting in 1953) advances and safeguards the fundamental interests of consumers. It publishes comprehensive reports on accepted standards for key consumer goods, conducts conferences and buying courses in various parts of Norway, arranges consumer fairs, and cooperates closely with other organizations and institutions interested in consumer protection. Newspapers provide an important medium for advertisements; trade and other journals carry advertising, but the state-owned radio and television do not. However, in 1992, a national commercial television channel, TV2, was established in competition with the noncommercial Norwegian Broadcasting Corporation (NRK). TV2 currently has the sole right to broadcast advertising via Norwegian Telecom's terrestrial broadcasting network. Advertising is not permitted on NRK, but the growth of foreign-based commercial television channels broadcasting by satellite, and commercial television channels broadcasting via cable, opened the way for nationwide advertising on television. The advent of commercial television and radio advertising in Norway has led to new official control systems.

Shopping hours are usually from 9 AM to 5 PM on weekdays (often until 7 PM on Thursdays) and from 9 AM to 1 or 3 PM on Saturdays. Banks stay open from 9 AM to 3:30 PM Mondays, Tuesdays, Wednesdays, and Fridays, and until 5 PM on Thursdays. Some manufacturers and major businesses will close for three to four weeks in July and/or August for a summer vacation.

## 31 FOREIGN TRADE

Foreign trade plays an exceptionally important role in the Norwegian economy, accounting, with exports of goods and services, for some 43% of the GDP in the mid-1990s and about 41% in 2004. Exports are largely based on oil, natural gas, shipbuilding, metals, forestry (including pulp and paper), fishing, and electrochemical and electrometallurgical products. Norway is the world's third-largest exporter of oil, after Saudi Arabia and Russia. The manufacture of oil rigs, drilling platforms, and associated equipment has developed into a sizable export industry. Norway im-

**Principal Trading Partners – Norway (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	67,934.5	39,848.2	28,086.3
United Kingdom	14,438.1	2,853.5	11,584.6
Germany	8,845.6	5,281.6	3,564.0
Netherlands	6,525.4	1,783.9	4,741.5
United States	5,873.7	2,053.9	3,819.8
France-Monaco	5,575.6	1,728.5	3,847.1
Sweden	5,020.3	6,396.7	-1,376.4
Denmark	2,603.3	3,129.9	-526.6
Canada	2,483.0	806.5	1,676.5
Italy-San Marino-Holy See	2,397.0	1,577.3	819.7
Belgium	1,831.6	814.3	1,017.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

ports considerable quantities of motor vehicles and other transport equipment, raw materials, and industrial equipment.

Exports tripled between 1974 and 1981, largely on the strength of the petroleum sector, which accounted for a negligible percentage of exports in 1974 but half the total export value in 1981. During the same period, imports advanced by 93%. Following years of trade deficits, Norway had surpluses from 1980 through 1985. However, the drastic fall in oil prices caused a decline in export value resulting in deficits between 1986 and 1988. Since 1989, Norway has once again consistently recorded trade surpluses. In 2004, the value of Norwegian exports was \$76.64 billion, and the value of imports totaled \$45.96 billion, for a trade surplus of \$30.68 billion. The leading markets for Norway's exports in 2004 were the United Kingdom (22.3% of all exports), Germany (12.9%), the Netherlands (9.9%), France (9.6%), and the United States (8.4%). Norway's leading suppliers in 2004 were: Sweden (15.7% of all imports), Germany (13.6%), Denmark (7.3%), the United Kingdom (6.5%), and the United States (4.9%). In total, 78.2% of all Norwegian exports are traded with the EU, and Norway receives 70.8% of its imports from the EU.

**3<sup>2</sup> BALANCE OF PAYMENTS**

Norway's foreign exchange reserves have been built up to meet adverse developments in the balance of payments without the necessity of a retreat from the liberalization of imports. Until the oil boom of the late 1970s, imports regularly exceeded exports, but large deficits on current account were more than offset by the capital account surplus, giving a net increase in foreign exchange reserves. As of 2005 Norway was the world's third-largest exporter of oil, behind only Saudi Arabia and Russia.

Norway's economy is less open to trade than the Western European average, with total exports and imports of goods and services equal to 41.5% and 27.3% of GDP, respectively, in 2002.

The price of oil rose sharply in 2005 (averaging \$53.27 per barrel), and was forecast to remain at \$50.50 per barrel in 2006. The higher oil prices were expected to boost Norway's trade surplus in both years, which means that the current account surplus will also

**Balance of Payments – Norway (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>28,444.0</b>
Balance on goods		27,910.0
Imports	-41,162.0	
Exports	69,071.0	
Balance on services		2,244.0
Balance on income		1,367.0
Current transfers		-3,076.0
<b>Capital Account</b>		<b>680.0</b>
<b>Financial Account</b>		<b>-20,121.0</b>
Direct investment abroad		-2,226.0
Direct investment in Norway		1,958.0
Portfolio investment assets		-19,290.0
Portfolio investment liabilities		12,629.0
Financial derivatives		-126.0
Other investment assets		-23,171.0
Other investment liabilities		10,106.0
<b>Net Errors and Omissions</b>		<b>-8,706.0</b>
<b>Reserves and Related Items</b>		<b>-297.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

widen, reaching 17.3% of GDP in 2005, before narrowing slightly in 2006. The current account balance was estimated at \$30.52 billion in 2004.

**3<sup>3</sup> BANKING AND SECURITIES**

The Bank of Norway was founded as a commercial bank in 1816; in 1949, all its share capital was acquired by the state. It is the central bank and the sole note-issuing authority. The bank discounts treasury bills and some commercial paper; trades in bonds, foreign exchange, and gold and silver; and administers foreign exchange regulations. The bank also receives money for deposit on current account but generally pays no interest on deposits. The head office is in Oslo, and there are 20 branches.

In 1938 there were 105 commercial banks, but mergers brought the total down to only 31 in 1974 and 21 in 1984. As of 1993, the total was down to 20. The three largest—the Norske Creditbank, Bergen Bank, and Christiania Bank og Kreditkasse—account for more than half of the total resources of the commercial banks. In 1988, a number of small savings banks and one medium-sized commercial bank, Sunnmørsbanken, became illiquid or insolvent. Most were rescued by merging with larger banks. After a slight improvement in 1989, however, banks' positions deteriorated again in 1990 following heavy losses sustained in the securities markets. As commercial property prices continued to fall, the position of the country's second and third-largest commercial banks, Christiania and Fokus, became increasingly precarious. To prevent a loss of confidence in the banking system, the government established a Government Bank Insurance Fund in March 1991. Within months this was called upon to provide capital to support the country's three largest banks, two of which—Christiania and Fokus—were by then insolvent.

By the late 1990s, increasing pressure fell upon Norway to shed its nationalistic protection of its banking industry and allow for for-

eign investment, particularly from its Nordic neighbors. Throughout the fall of 1998 and into 1999, attention centered on the fate of Christiania as two attempted merger attempts fell through. In mid-October 1999, Christiania was seeking to merge with MeritaNordbanken in order to avert a hostile takeover by either Swedish Svenska Handelbanken or Danish Den Norske Bank.

Ten state banks and other financial institutions serve particular industries or undertakings, including agriculture, fisheries, manufacturing, student loans, mortgages, and others. Although savings banks also have been merging in recent years, there were still 133 private savings banks and many credit associations in 1993.

A law of 1961 contains measures to implement the principle that banking policies are to be based on social as well as economic and financial considerations. The government appoints 25% of the representatives on the board of every commercial bank with funds of over Kr100 million. Guidelines for these banks are worked out cooperatively with public authorities.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$73.4 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$87.6 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 8.5%.

The stock exchanges of Norway are at Oslo (the oldest, founded 1818), Trondheim, Bergen, Kristiansund, Drammen, Stavanger, Ålesund, Haugesund, and Fredrikstad. Amid the increasing consolidation among European stock exchanges in the late 1990s, calls increased for the Norwegian markets to merge. As of 2004, there were 148 companies listed on the Oslo exchange, which had a market capitalization of \$141.430 billion. In 2004, the Oslo exchange rose 31.3% from the previous year to 821.6.

### 3<sup>4</sup>INSURANCE

Norwegian insurance can be undertaken only by joint-stock companies of mutual assistance associations. Foreign life insurance companies have practically ceased to operate in Norway. Life insurance policies and those for pension schemes are exempt from income tax and cannot be written by firms doing other insurance work.

The crown in 1767 initiated compulsory fire insurance in towns and this fund still exists. Workers' compensation, third-party auto liability, pharmaceutical product liability, and aircraft liability are all compulsory insurances as well.

For marine insurance, stock companies now are more important than mutual associations. While a number of foreign insurance underwriters transact business in Norway, there is considerable direct insurance of Norwegian vessels abroad, especially in London. Most other insurance, such as automobile and burglary, is underwritten by Norwegian concerns. The insurance regulatory authority is the Banking, Insurance, and Securities Commission (BISC). The insurance sector is highly regulated, deeply influenced by the failure of a nonlife insurance company, Dovre, which spurred the Insurance Activities Act of 1988, which became effective in April 1989. The Insurance Activities Act of 1988 allows the BISC to control premium rates, monitor the financial position of insurance companies, and the risks that the insurance company writes. The BISC has wide powers of intervention. Com-

panies may engage in insurance business after special permission has been granted and a license is obtained from the government. Recent liberalization throughout Europe promises to change radically the structure of the Norwegian insurance industry as foreign firms tap into the market. Direct insurance premiums written in 2003 totaled us\$11.532 billion, of which us\$5.501 billion of the total was nonlife insurance premiums, and us\$6.031 billion was life insurance. In 2003, Norway's top nonlife insurer was If Skadeforsikring, which had gross written nonlife premiums of us\$1,436.6 million. In 2004, the country's leading life insurer was Vital, with gross written life insurance premiums of \$2,344.6 million.

### 3<sup>5</sup>PUBLIC FINANCE

Norway's fiscal year coincides with the calendar year. As one of the per capita richest countries in the world, Norway has a great deal of money to spend on investment, focusing especially on the offshore oil sector. The government maintains a Petroleum Fund that reached \$67 billion at the end of 2001. The Fund will be used to finance government programs once oil and gas resources are depleted.

The US Central Intelligence Agency (CIA) estimated that in 2005 Norway's central government took in revenues of approximately \$176.1 billion and had expenditures of \$131.3 billion. Revenues minus expenditures totaled approximately \$44.8 billion. Public debt in 2005 amounted to 36% of GDP. Total external debt was \$281 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were Kr746.8 billion and expenditures were Kr605.3 billion. The value of revenues was us\$105 million and expenditures us\$85 million, based on an exchange rate for 2003 of us\$1 = Kr7.0802 as reported by the IMF. Government outlays by function were as follows: general public services, 17.5%; defense, 5.0%; public order and safety, 2.6%; economic affairs, 10.1%; environmental protection, 0.3%; housing and community amenities, 0.2%; health,

#### Public Finance – Norway (2003)

(In billions of kroner, central government figures)

<b>Revenue and Grants</b>	<b>746.8</b>	<b>100.0%</b>
Tax revenue	429.56	57.5%
Social contributions	155.27	20.8%
Grants	2.07	0.3%
Other revenue	159.9	21.4%
<b>Expenditures</b>	<b>605.3</b>	<b>100.0%</b>
General public services	105.64	17.5%
Defense	30.55	5.0%
Public order and safety	15.8	2.6%
Economic affairs	61.43	10.1%
Environmental protection	2.06	0.3%
Housing and community amenities	0.94	0.2%
Health	96.27	15.9%
Recreational, culture, and religion	7.11	1.2%
Education	39.13	6.5%
Social protection	246.39	40.7%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.



15.9%; recreation, culture, and religion, 1.2%; education, 6.5%; and social protection, 40.7%.

### 36 TAXATION

Both the central government and the municipal governments levy income and capital taxes. There is also a premium payable to the National Insurance Scheme. For individual taxpayers, income taxes and premiums adhere to the pay-as-you-earn system.

Taxes on corporations are paid in the year following the income year. As of 2004, corporate income taxes are levied at a flat rate of 28% of aggregate income. Companies involved in oil or gas pay a special oil tax of 50% in addition to the standard 28%. All income from capital is taxable at 28%. Although dividends received by resident shareholders from Norwegian countries are taxed at the corporate rate, a credit for the tax already paid by the distributing company on income effectively negates the tax. Dividends paid to nonresident shareholders are taxed at 25%. Interest and royalty income are not subject to a withholding tax.

Personal income taxes are levied at progressive tax rates that have a top rate of 55.3%. However, that rate is made up of: a combined 28% rate for national and municipal taxes; a national gross income tax of rate of 19.5%; and the employee's social security contribution of 7.8% (3% for pensioners, and 10.7% for the self-employed). A number of additional deductions from taxable income are available including allowance for some travel expenses, insurance payments, mortgage interest payments, living allowances, and deductions for contributions to capital investments. A withholding tax on wages can be credited against income taxes. There is also a municipal wealth tax, ranging from 0–1.1% and a land tax with rates from 0.2–0.7%. Gifts and inheritances are taxed according to progressive schedules with a maximum rate of 30%.

The main indirect tax is Norway's value-added tax (VAT), with a standard rate that has increased from 20% in 1999 to 24% in 2004. A reduced rate of 12% is applied to basic foodstuffs, and there is an extensive list of VAT-exempt goods and services, including health and social services, education, passenger transport, hotel accommodations, travel agents, government supplies, etc. Stamp duties are charged at a rate of 2.5%.

### 37 CUSTOMS AND DUTIES

Heavily dependent on foreign trade, Norway has traditionally supported abolition of trade barriers. During the 1950s, direct control of imports was gradually abolished. Tariff rates on industrial raw materials and most manufactured goods are low. Duties on finished textile products are levied at 15–25%.

A signatory of GATT and a member of EFTA, Norway has bilateral trade agreements with many countries in every part of the world. In 1973, Norway signed a Special Relations Agreement with the European Community (now the European Union), whereby both sides abolished all tariffs on industrial goods over the 1973–77 period. Other trade goods receiving gradual tariff reductions were fish, agricultural products, and wine.

Although Norwegian voters rejected EU membership in a 1994 referendum, Norway, as a member of the European Economic Area (EEA) maintains a free trade agreement with the European Union.

### 38 FOREIGN INVESTMENT

Norway welcomes foreign investment as a matter of policy and in general grants national treatment to foreign investors. Investment is encouraged particularly in the key offshore petroleum sector, mainland industry (including high-technology and other advanced areas), and in less developed regions such as northern Norway. Corporate taxation is levied at a flat rate of 28%, low by European standards.

Foreign capital has traditionally been largely centered in Norway's electrochemical and electrometallurgical industries, the primary iron and metal industry, and mining. The discovery of oil and natural gas in the North Sea area spurred foreign investments. The Ekofisk oil field was discovered in 1969 by an American Phillips Petroleum Co. consortium, including Petrofina of Belgium, ENI of Italy, and Norway's Petronord. A joint Norwegian-Phillips group company, Norpiepe, was formed in 1973 to construct the pipelines and to operate them for 30 years. Another US company, McDermott International, was awarded a \$150-million contract in 1982 to lay pipe from the Statfjord gas field in the North Sea to the Norwegian mainland. In 1995, 11 international oil and gas companies announced plans for a \$1.2–\$1.35 billion gas pipeline from Norway's North Sea production area to the European continent. That same year, Fokus, Norway's third-largest commercial bank, fell under foreign control as foreign investors captured more than half the shares for sale in the bank's privatization.

Foreign direct investment (FDI) stock in Norway totaled about \$21.4 billion in 1997. FDI inflow was nearly \$3 billion in 1997 and more than \$3.3 billion in 1998. Annual FDI inflow peaked in 1999 and 2000, at \$6.7 billion and \$6.3 billion, respectively, but in the global economic slowdown of 2001 fell to \$2.8 billion. In 2002, FDI inflows increased to \$3.4 billion. In terms of its attractiveness for foreign investment, Norway was ranked fourth in the world on UNCTAD's list of 140 countries for the period 1998 to 2000, up from fifth place for 1988 to 1990. Total FDI stock in Norway as of 2001 was \$40.2 billion, equivalent to 18.7% of GDP. Norway's share in world FDI flows has been approximately equal to its share of world GDP.

Outward FDI flows from Norway averaged \$5.3 billion for the four years 1999 to 2002. More than 2,000 enterprises have foreign investors holding at least 20% of the capital. Total outward FDI stock held by Norwegians totaled \$40.7 billion as of 2001.

In 2003, FDI comprised 20.4% of GDP; total FDI stock in Norway was Kr327.1 billion (\$46.2 billion). Leading investors were (in order) Sweden, the Netherlands, Denmark, the United States, and the United Kingdom. Most of Norway's investment abroad goes to (in order) the United States, the United Kingdom, Sweden, Denmark, the Netherlands, and Germany.

### 39 ECONOMIC DEVELOPMENT

The government holds shares in a number of large enterprises: a minority of shares in most industrial establishments and all or controlling shares in some armaments factories, as well as in chemical and electrometallurgical companies, power stations, and mines. The government also participates in joint industrial undertakings with private capital, in enterprises too large or risky for private capital, and in establishments with shares formerly held

by German interests. Government policy also aims at attracting foreign investment.

Rapid industrial development and exploitation of resources are major governmental goals, with special emphasis on northern Norway, where development has lagged behind that of the southern areas. The Development Fund for North Norway, established in 1952, together with a policy of tax concessions, resulted in progress there at a rate more rapid than that of the rest of the country. The exploitation of offshore oil and natural gas reserves has had a profound effect on Norway's economy. Increased oil revenues have expanded both domestic consumption and investment. The government has used oil revenues to ease taxes and increase public investment in regional development, environmental protection, social welfare, education, and communications. Although the expansion of innovative oil development projects continues (one of which was the \$4.2 billion Heidrun oil project), Norway is looking to produce more natural gas than oil. The \$5 billion Troll gas field was one such project.

A tax law permits industry and commerce to build up tax-free reserves for future investment, foreign sales promotion, and research. Designed to provide a flexible tool for influencing cyclical developments, the law's intent is to help ensure that total demand at any given time is sufficient to create full employment and strong economic growth. In the late 1970s, the government introduced combined price and wage agreements in an effort to restrain inflation and ensure real increases in buying power for consumers.

To stimulate industry, incentives are available for undertakings in the north as well as in other economically weak regions; companies may set aside up to 25% of taxable income for tax-free investment. Tariff incentives are available for essential imports. A Regional Development Fund grants low-interest, long-term loans to firms to strengthen the economy of low-income, high-unemployment areas anywhere in the country.

In 1991, the government introduced a three-year program to improve infrastructure and reduce unemployment. This plan was to spend nearly Kr10 billion, primarily for road and rail communications, with the money coming from budget cuts in other areas.

Although Norwegians rejected EU membership in a 1994 referendum, Norway's economy is largely integrated with that of the EU. Norway has a free trade agreement with the EU; its currency is generally kept on par with the euro. Yet despite these elements of association, Norway retains extensive control over its own economic development policies.

Norway has been active in aiding developing nations under the Norwegian Agency for International Development (Norad). The leading recipients have been Tanzania, Mozambique, Zambia, Bangladesh, Nicaragua, and Ethiopia. Norway is one of five countries meeting the UN international aid target for donor countries (0.7% of national income); Norway gave 0.87% of gross domestic product (GDP) in 2004, more than any other country, ahead of Luxemburg, Denmark, Sweden, and the Netherlands.

The country's Petroleum Fund reached \$190 billion in 2005; the fund will be used to finance government programs once Norway's oil and gas resources run out. As of 2005, unemployment was low, wages were high, and the UN ranked Norway as the most desirable country in which to live. Non-oil business was also booming in 2005; a survey of some 114,000 non-oil companies showed an

average 43.9% increase in profits. However, high taxes and a welfare system burdened by an aging population remain challenges for continued economic prosperity.

#### 40 SOCIAL DEVELOPMENT

Norway has been a pioneer in the field of social welfare and is often called a welfare state. Accident insurance for factory workers was introduced in 1894, unemployment insurance in 1906, compulsory health insurance in 1909, and accident insurance for fishermen in 1908 and for seamen in 1911. In the 1930s, further social welfare schemes were introduced: an old-age pension scheme; aid for the blind and crippled; and unemployment insurance for all workers except fishermen, whalers, sealers, civil servants, domestic servants, self-employed persons, salesmen, and agents. In the postwar period, health insurance became compulsory for all employees and available to self-employed persons; coverage includes dependents, with medical treatment including hospital and other benefits. Sickness benefits, family allowances during hospitalization, and grants for funeral expenses are paid. Costs of this scheme are met by deductions from wages and contributions by employers and by state and local authorities. Public assistance, available in Norway since 1845, supplements the foregoing programs. Social welfare has long included maternity benefits with free prenatal clinics.

The National Insurance Act, which came into effect in 1967, provides old-age pensions, rehabilitation allowances, disability pensions, widow and widower pensions, and survivor benefits to children. Membership is obligatory for all residents of Norway, including noncitizens, and for Norwegian foreign-service employees. Pensions begin at the age of 67. As of 2004, the system of varying rates for employers was reformed to eliminate intermediate levels. The source of funds is divided between employees, employers, and the government funds any deficit.

Workers' compensation covers both accidents and occupational diseases. Compensation is paid to a widow until she remarries, and to children up to the age of 18 (or for life if they are unemployable). Dependent parents and grandparents also are eligible for life annuities. Family allowance coverage, in force since 1946, is provided for children under the age of 16.

The law mandates equal wages for equal work by men and women, although economic discrimination persists. An Equal Rights Ombudsman addresses complaints of sexual discrimination. A provision protecting against sexual harassment is outlined in the Working Environment Act. A resolution mandating that 40% of publicly held companies be directed by women by 2005, and noncompliance will result in removal from the stock exchange in 2007. Violence against women persisted but is seriously investigated and prosecuted by authorities. Victim's assistance programs and battered women's shelters are available.

Human rights are fully respected and protected in Norway. Provisions exist to protect the rights and cultural heritage of minority peoples. The Sami (Lapps) located in the northeast are entitled to schooling in their local language, and also receive radio and television broadcast subtitled in Sami. The Sami also have a constituent assembly that acts as a consultative body on issues that affect them.

## 41 HEALTH

Since 1971, there has been a tax-based National Insurance Scheme. The public health service and the hospitals are the responsibility of the government at the central, county, and municipal levels. There are very few private hospitals in Norway. Hospital care is free of charge, but a minor sum is charged for medicine and primary health care. As of 1984, there has been a ceiling on the total amount one must pay for medical services. There is a three-part system made up of regional hospitals serving parts of the country, central hospitals serving the various counties, and local hospitals, also run by the counties. The country is in need of more nursing homes for the elderly. Most general hospitals are public; others are owned by the Norwegian Red Cross or other health or religious organizations. As of 2004, there were an estimated 356 physicians per 100,000 people. In addition, Norway had the second most nurses per capita at an estimated 2,065 per 100,000 population, and the most dentists at 125 per 100,000 people. Total health care expenditure was estimated at 9.2% of GDP.

On the local level, health councils are responsible for public health services, including tuberculosis control and school health services, and for environmental sanitation. Only in densely populated areas are public health officers appointed on a full-time basis; otherwise they engage in private practice as well. In some areas, they are the only physicians available.

Infant mortality has been appreciably reduced and in 2005 stood at 3.70 per 1,000 live births, one of the lowest rates in the world. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 12.4 and 9.8 per 1,000 people. About 71% of married women (ages 15 to 49) use contraception. Low birth weight was seen in 5% of all births. The maternal mortality rate was only 6 per 100,000 live births. Average life expectancy, among the highest in the world, was 79.40 years in 2005. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 2,100 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

Children up to one year of age were vaccinated against diphtheria, pertussis, and tetanus, 92%; polio, 92%; and measles, 93%. Tuberculosis tests are given on a regular basis from infancy onward. Children go through a comprehensive vaccination program and also receive psychotherapy and dental care throughout their nine years of basic school.

The heart disease mortality rates were higher than the average for high human development countries. In the mid-1990s the likelihood of dying after age 65 of heart disease was 340 per 1,000 people for men and 374 per 1,000 for women.

## 42 HOUSING

Before World War II, responsibility for housing rested mainly with the municipalities, but the state has since assumed the major burden. Loans and subsidies keep rents under a certain percentage of a family's income. Cooperative housing has made great progress in such densely populated areas as Oslo, where the Oslo Housing and Savings Society pioneered the practice for Norway. With housing problems compounded by wartime destruction and post-war increases in marriages and in the birthrate, Norway built more dwellings per 1,000 inhabitants than any other European country,

completing between 31,000 and 42,000 units annually from 1967 through 1981.

Home construction financing has come principally from two state loan organizations, the Norwegian Smallholdings and Housing Bank and the Norwegian State Housing Bank, but one-fourth of the nation's housing is still privately financed.

As of 2001, Norway had 1,961,548 dwelling units; 57% of them were detached houses. About 29% of the housing stock was built 1981–2001. About 19.5% of the housing stock was built in 1945 or earlier. About 77% of all dwellings were owner occupied. In 2002, at least 22,980 new dwellings were under construction and in 2003 about 22,677 units were started. According to estimates for 2004, about 52% of all households lived in single-family detached homes and 82% of all households were owner occupied. The rate of overcrowding (defined as having fewer rooms in the dwelling than the number of people in the household) was only at about 6%.

## 43 EDUCATION

Elementary school education has been compulsory since the middle of the 18th century. As of 1997, education is compulsory for 10 years of study, with students entering school in the year that they reach the age of six. Primary school covers seven years of study, followed by three years of lower secondary school. At this stage, students may choose to continue in a three-year general secondary school (gymnasium), which prepares students for the university. Since 1976, the upper secondary school system has also included vocational schools of various types, operated by the state, by local authorities, and by the industrial sector. A three-year trade apprenticeship program is also available for some secondary students.

Local authorities generally provide school buildings and equipment and the central government contributes funds towards teachers' salaries and covers a considerable proportion of the cost of running the schools. Although there are private schools, government authorities bear a major share of the financial responsibility for these through a system of grants.

In 2001, about 80% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 96% of age-eligible students. It is estimated that about nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 10:1 in 2003; the ratio for secondary school was about 9:1.

Norway's institutions of higher education include 130 colleges and four universities. The four major universities include the University of Oslo (founded in 1811), the University of Bergen (1948), the University of Trondheim (1969), and the University of Tromsø (1969). Representing fields not covered by the universities, there are also specialized institutions, such as the Agricultural University of Norway (near Oslo); the Norwegian School of Economics and Business Administration (Bergen); and the Norwegian College of Veterinary Medicine (Oslo). Universities and colleges in Norway serve a dual function—both learning and research. At the four universities, degrees are granted at three levels: Lower degree (a four-year study program); higher degree (five to seven-year course of study); and doctorate degree. There are also

courses lasting from five to seven years in law, medicine, agriculture, or engineering.

With a goal of placing adults on an equal standing with the educated youth and giving them access to knowledge and job skills, a program of adult education was introduced in August 1977. An official administrative body for adult education exists in all municipalities and counties. However, the Ministry of Education and Research has the highest administrative responsibility for adult education. Folk high schools are associated with a long Scandinavian tradition of public enlightenment. There are more than 80 folk schools in Norway geared toward providing personal growth and development rather than academic achievement. In 2003, about 81% of the tertiary age population were enrolled in some type of higher education program; 64% for men and 99% for women. The adult literacy rate has been estimated at about 99%.

As of 2003, public expenditure on education was estimated at 7.6% of GDP, or 16.2% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library of Norway in Oslo has over two million volumes in its central library. Since 1882, copies of all Norwegian publications have had to be deposited in the national library; since 1939, copies have been deposited at Bergen and Trondheim as well. Bergen University Library has over one million volumes, largely devoted to the natural sciences. Oslo University Library (founded in 1811), has the largest academic library system in the country, with four libraries and a central administrative unit. A special collection at the Oslo University Library includes the world's largest collection of materials on the life and works of Henrik Ibsen as part of the Centre for Ibsen Studies. The library of the Scientific Society in Trondheim, founded in 1760, is the country's oldest research library and has over one million volumes, including 330,000 pictures and UNESCO and GATT (General Agreement on Tariffs and Trade) documents. The Tromsø Museum Library has been organized to make it the research library for the north. There are technical and specialized libraries at many research institutes and higher educational centers. State archives are kept in Oslo, and there are record offices for provincial archives at Oslo, Kristiansund, Stavanger, Bergen, Hamar, Trondheim, and Tromsø.

The first municipal libraries were founded in the late 18th century. By law every municipality and every school must maintain a library; each such library receives financial support from state and municipality. Regional libraries also have been created. A special library service is provided for ships in the merchant navy, and a floating library service provides books to fishermen-farmers living in the sparsely populated regions.

There are natural history museums in Oslo, Stavanger, Bergen, Trondheim, and Tromsø. Oslo, Lillehammer, and Bergen have notable art collections. A traveling "national gallery" was established in 1952. The most important museums in Norway are those dealing with antiquities and folklore, such as the Norwegian Folk Museum in Oslo. Oslo has a unique collection of ships from the Viking period. Open-air museums in Oslo and elsewhere show old farm and other buildings, as well as objects of Norwegian historical and cultural interest. Also in Oslo are the International Museum of Children's Art; the Munch Museum, displaying the works of Edvard Munch, Norway's most famous artist; Norway's Resistance Museum, detailing the country's occupation during World War II;

and the Viking Ship Museum. Among Norway's newer museums are the Astrup Fearnley Fine Arts Museum (1993), which features modern art; the National Museum of Contemporary Art (1990); and the Stenersen Museum (1994), which exhibits paintings from the 19th and 20th centuries. All three museums are in Oslo. There are at least three museums in the country that are dedicated to Henrik Ibsen.

#### 45 MEDIA

Most of the telecommunications network is operated by the government-owned Televerket. The state owns all telephone facilities. In 2003, there were an estimated 713 mainline telephones for every 1,000 people. The same year, there were approximately 909 mobile phones in use for every 1,000 people.

The first private broadcasting stations launched in 1981. The public Norwegian Broadcasting Corp. continues to operate two television channels and three national radio stations, as well as a number of local radio stations. As of 1998 Norway had 5 AM and at least 650 FM radio broadcasting stations. Educational broadcasts supplement school facilities in remote districts. Radio license fees have not been required since 1977. Television programming on an experimental basis was initiated in 1958 and full-scale television transmission began in July 1960. In 2003, there were an estimated 3,324 radios and 884 television sets for every 1,000 people. About 184.5 of every 1,000 people were cable subscribers. Also in 2003, there were 528.3 personal computers for every 1,000 people and 346 of every 1,000 people had access to the Internet. There were 1,130 secure Internet servers in the country in 2004.

The Norwegian press is characterized by a large number of small newspapers. Five regional dailies account for about 20% of the total press circulation in the country. *Verdens Gang* and *Dagbladet*, both national tabloids, account for another 20% of circulation totals. The largest dailies (with their affiliations and circulations in 2004 unless noted) are: *Verdens Gang* (independent, 365,000), *Aftenposten*, (independent, 398,000), *Dagbladet* (liberal, 183,000), *Daens Naeringsliv* (60,027 in 2002), and *Arbeiderbladet* (Labor Party, 51,790 in 2002). Major regional papers include: *De Fire Neste* (Drammen, 442,000 circulation in 2002), *Hedmark* (Hamar, 91,100 in 2002), *Bergens Tidende* (in Bergen, independent, 89,000 in 2004), *Adresseavisen* (Trondheim, conservative, 85,000 in 2004), *Stavanger Aftenblad* (Stavanger, independent, 69,000 in 2004), *Faerdelandsvennen* (Kristiansund, independent, 46,960 in 2002), *Akershus* (Lillestrom, 42,100 in 2002), *Haugesunds Avis* (Haugesund, 38,490 in 2002), and *Sunnmorsposten* (Ålesund, independent, 37,900 in 2002).

The constitution provides for freedom of speech and of the press and the government generally respects these rights.

#### 46 ORGANIZATIONS

Cooperative societies are numerous and important in Norway. About 2,500 agricultural cooperatives are active; these include purchasing, processing, and marketing organizations. Some 528 retail cooperatives are affiliated with the Norwegian Cooperative Union and Wholesale Society.

Doctors are organized in the Norwegian Medical Association and in local associations. Farming organizations and agricultural cooperatives are represented in the Federation of Agriculture. There are associations of small and large forest owners, fur breed-

ers, and employers' organizations in most sectors of industry, as well as a central Norwegian Employers' Confederation.

The Norwegian Academy of Science and Letters, the Royal Norwegian Society of Science and Letters, the Norwegian Academy of Technological Sciences, and the Society for the Advancement of Science are leading learned society. Other learned and professional organizations include the Nobel Committee of the Storting, which awards the Nobel Peace Prize; the Norwegian Research Council for Science and the Humanities; and various legal, scientific, economic, literary, historical, musical, artistic, and research societies.

National youth organizations include the Norwegian Student Union, Christian Democratic Party Youth, En Verden Youth, European Democratic Students, European Good Templar Youth Federation, Federation of Young Conservatives, Norwegian Union of Social Democratic Youth, Norwegian YWCA/YMCA, and the Norwegian Guides and Scouts Association. There are numerous sports associations and clubs.

Health and relief organizations include the Norwegian Red Cross, the Norwegian Women's Health Organization, and societies to combat a variety of conditions and diseases. Volunteer service organizations, such as the Lions Clubs International, are also present. International organizations with national chapters include Amnesty International and CARE Norge.

#### 47 TOURISM, TRAVEL, AND RECREATION

Norway's main tourist attractions are the cities of Oslo, Bergen, and Trondheim, which are connected by road, rail, and daily flights; the marvelous scenery of the fjord country in the west; and the arctic coast with the North Cape and "midnight sun." In 2005, UNESCO named two Norwegian fjords, the Geirangerfjord and the Naeroyfjord to its World Heritage List.

A favorite method of tourist travel is by coastal steamer, sailing from Bergen northward to Kirkenes, near the Soviet frontier. Many cruise ships ply the Norwegian fjords and coastal towns as far north as Spitsbergen. Notable outdoor recreational facilities include the Oslomarka, a 100,000 hectare (247,000 acre) area located near Oslo, with ski trails and walking paths. To compensate for the shortness of winter days, several trails are illuminated for evening skiing. Other popular sports include ice skating, freshwater fishing, mountaineering, hunting (grouse, reindeer, and elk), and football (soccer). In 1994, Norway hosted the XVII Olympic Winter Games in Lillehammer, and the women's soccer team won the World Cup in 1995.

There are major theaters in Oslo and Bergen, as well as six regional theaters; Den Norske Opera in Oslo; and four symphony orchestras. International musical events include the Bergen Festival, held annually in late May or early June; and several jazz festivals in July.

No passport is required of visitors from the Nordic area, but travelers arriving in Norway directly from non-Nordic countries are subject to passport control. A visa is not required for visits of up to 90 days.

Tourist expenditure receipts totaled \$3 billion when 3,146,000 tourists visited Norway in 2003. There were 67,114 hotel rooms with 143,798 beds and an occupancy rate of 35%.

In 2005, the US Department of State estimated the daily cost of staying in Oslo at \$308, and Stavanger, \$304.

#### 48 FAMOUS NORWEGIANS

Ludvig Holberg (1684–1745), the father of Danish and Norwegian literature, was a leading dramatist whose comedies are still performed. Henrik Wergeland (1808–45), Norway's greatest poet, was also a patriot and social reformer; his sister Camilla Collett (1813–95), author of the first Norwegian realistic novel, was a pioneer in the movement for women's rights. Henrik Ibsen (1827–1906), founder of modern dramas, placed Norway in the forefront of world literature. Bjørnstjerne Bjørnson (1832–1910), poet, playwright, and novelist, received the Nobel Prize for literature in 1903. Other noted novelists are Jonas Lie (1833–1908); Alexander Kielland (1849–1906); Knut Hamsun (1859–1952), Nobel Prize winner in 1920; Sigrid Undset (1882–1949), awarded the Nobel Prize in 1928; and Johan Bojer (1872–1959).

Ole Bull (1810–80) was a world-famous violinist. Edvard Grieg (1843–1907) was the first Norwegian composer to win broad popularity. His leading contemporaries and successors were Johan Svendsen (1840–1911), Christian Sinding (1856–1941), Johan Halvorsen (1864–1935), and Fartein Valen (1887–1953). Kirsten Flagstad (1895–1962), world-renowned soprano, served for a time as director of the Norwegian State Opera. In painting, Harriet Backer (1845–1932), Christian Krohg (1852–1925), and Erik Werenskiold (1855–1938) were outstanding in the traditional manner; leading the way to newer styles was Edvard Munch (1863–1944), an outstanding expressionist, as well as Axel Revold (1887–1962) and Per Krohg (1889–1965). Norway's foremost sculptor is Gustav Vigeland (1869–1943); the Frogner Park in Oslo is the site of a vast collection of his work in bronze and granite.

Outstanding scientists are Christopher Hansteen (1784–1873), famous for his work in terrestrial magnetism; Niels Henrik Abel (1802–29), noted for his work on the theory of equations; Armauer (Gerhard Henrik) Hansen (1841–1912), discoverer of the leprosy bacillus; Vilhelm Bjerknes (1862–1951), who advanced the science of meteorology; Fridtjof Nansen (1861–1930), an oceanographer and Arctic explorer who won the Nobel Peace Prize in 1922 for organizing famine relief in Russia; Otto Sverdrup (1854–1930), Roald Amundsen (1872–1928), and Bernt Balchen (1899–1973), polar explorers; Johan Hjort (1869–1948), a specialist in deep-sea fishery research; Regnar Frisch (1895–1978), who shared the first Nobel Prize in Economic Science in 1969 for developing econometrics; Odd Hassel (1897–1981), co-winner of the 1969 Nobel Prize in chemistry for his studies of molecular structure; and Thor Heyerdahl (1914–2002), explorer and anthropologist.

The first secretary-general of the UN was a Norwegian, Trygve (Halvdan) Lie (1896–1968), who served from 1946 to 1953. The historian Christian Louis Lange (1869–1938) was co-winner of the Nobel Peace Prize in 1921.

Sonja Henie (1913–69) was the leading woman figure skater of her time, and Liv Ullmann (b.1939) is an internationally known actress. Linn Ullmann (b.1966), daughter of Liv Ullman and Ingmar Bergman, is a respected novelist and journalist. Grete Waitz (b.1953) is a champion long-distance runner.

#### 49 DEPENDENCIES

##### Svalbard

The Svalbard group includes all the islands between 10° and 35° E and 74° and 81° N: the archipelago of Spitsbergen, White Island

(Kvitøya), King Charles' Land (Kong Karls Land), Hope Island, and Bear Island (Bjørnøya), which have a combined area of about 62,700 sq km (24,200 sq mi). The largest islands are Spitsbergen, about 39,400 sq km (15,200 sq mi); North-East Land (Nordaustlandet), 14,530 sq km (5,610 sq mi); Edge Island (Edgeøya), 5,030 sq km (1,940 sq mi); and Barents Island (Barentsøya), 1,330 sq km (510 sq mi). Svalbard's population totaled 2,868 in 2002, down from 3,181 at the end of 1991. The population is 55.4% Norwegian and 44.3% Russian and Ukrainian.

Discovered by Norwegians in the 12th century and rediscovered in 1596 by the Dutch navigator Willem Barents, Svalbard served in the 17th and 18th centuries as a base for British, Dutch, Danish, Norwegian, German, and other whalers, but no permanent sovereignty was established. Russian and Norwegian trappers wintered there, and coal mining started early in the 20th century. Norway's sovereignty was recognized by the League of Nations in 1920, and the territory was taken over officially by Norway in 1925. Much of the high land is ice-covered; glaciers descend to the sea, where they calve to produce icebergs. The west and south coasts have many fjords, while the western coastal lowland is up to 10 km (6 mi) broad.

The most important mineral, coal, occurs in vast deposits in Spitsbergen. The west coast is kept clear of ice for six months of the year by the relatively warm water of the North Atlantic Drift, but an air temperature as low as  $-62^{\circ}\text{C}$  ( $-80^{\circ}\text{F}$ ) has been recorded. In this region there are 112 days without the sun's appearance above the horizon.

The chief official, a governor, lives at Longyearbyen; his administration is controlled by the Ministry of Industry. Coal mining is the main industry, with Norwegian-worked mines at Longyearbyen, Sveagruva, and Ny Ålesund and Russian worked mines at Barentsburg, Grumantbyen, and elsewhere. Russia has extraterritorial rights in the areas where they mine. Cod fishing takes place around Bear Island, but whaling has virtually ceased. Norwegian sealers hunt seals, polar bears, and walrus in the summer. For centuries, trappers wintered in Spitsbergen to catch fox and bear while the pelts were in the best condition, but few trappers have wintered there in recent years.

Communications are maintained during the summer months by ships from Tromsø carrying goods and passengers, while colliers put in frequently at the mine piers. There are no roads and no local ship services.

### Jan Mayen

Located in the Norwegian Sea at  $70^{\circ}30'$  N and  $8^{\circ}30'$  W, 893 km (555 mi) from Tromsø, the island of Jan Mayen has an area of about 380 sq km (150 sq mi). The island is dominated by the volcano Beerenberg, 2,277 m (7,470 ft) high, which is responsible for its existence; a major eruption occurred in September 1970. Jan Mayen was discovered by Henry Hudson in 1607 and was visited in 1614 by the Dutch navigator Jay Mayen, who used it subsequently as a whaling base. In 1929, the island was placed under Norwegian sovereignty. It is the site of a meteorological station and an airfield.

### Bouvet Island

Bouvet Island (Bouvetøya), situated at  $54^{\circ}26'$  S and  $3^{\circ}24'$  E in the South Atlantic Ocean, was discovered in 1739, and in 1928 was placed under Norwegian sovereignty. An uninhabited volcanic island of 59 sq km (23 sq mi), Bouvet is almost entirely covered by ice and is difficult to approach.

### Peter I Island

Peter I Island (Peter I Øy), an uninhabited Antarctic island of volcanic origin, is located at  $68^{\circ}48'$  S and  $90^{\circ}35'$  W. It has an area of 249 sq km (96 sq mi), rises to over 1,233 m (4,045 ft), and is almost entirely ice-covered. The island was discovered in 1821 by a Russian admiral. In 1931, it was placed under Norwegian sovereignty, and by a parliamentary act of 1933 became a dependency.

### Queen Maud Land

Queen Maud Land (Dronning Mauds land) consists of the sector of Antarctica between  $20^{\circ}\text{W}$  and  $45^{\circ}\text{E}$ , adjoining the Falkland Islands on the W and the Australian Antarctic Dependency on the E. It was placed under Norwegian sovereignty in 1939, and has been a Norwegian dependency since 1957. The land is basically uninhabited, except for several stations operated by Japan, South Africa, and Russia.

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# POLAND

Republic of Poland  
*Rzeczpospolita Polska*



**CAPITAL:** Warsaw (Warszawa)

**FLAG:** The national flag consists of two horizontal stripes, the upper white and the lower red.

**ANTHEM:** *Jeszcze Polska nie zginęła* (*Poland Is Not Yet Lost*).

**MONETARY UNIT:** The zloty (z) is a paper currency of 100 groszy. There are coins of 1, 2, 5, 10, 20, and 50 groszy and 1, 2, 5, 10, 20, 50, and 100 zlotys, and notes of 10, 20, 50, 100, 200, 500, 1,000, 2,000, and 5,000 zlotys. A currency reform on 1 January 1995 replaced 10,000 old zlotys with 1 new zloty. z1 = \$0.31348 (or \$1 = z3.19) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Labor Day, 1 May; National Day, 3 May; Victory Day, 9 May; All Saints' Day, 1 November; Christmas, 25–26 December. Movable holidays are Easter Monday and Corpus Christi.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in Eastern Europe, Poland has an area of 312,680 sq km (120,726 sq mi), extending 689 km (428 mi) E–W and 649 km (403 mi) N–S. It is bounded on the N by the Baltic Sea, on the N and E by Russia, Lithuania, Belarus, and Ukraine, on the S by Slovakia and the Czech Republic, and on the W by Germany, with a total land boundary of 2,788 km (1,794 mi) and a coastline of 491 km (305 mi). Comparatively, the area occupied by Poland is slightly smaller than the state of New Mexico.

Before World War II, Poland encompassed a territory of nearly 390,000 sq km (150,600 sq mi). On 11 July 1920, an armistice mediated by Britain in a Polish-Soviet conflict established the “Curzon line” (named for George Nathaniel Curzon, the British statesman who proposed it), conferring the former Austrian territory of Galicia to the Soviet side. However, under the Treaty of Riga (1921), all of Galicia was assigned to Poland, and a boundary well to the east of the Curzon line prevailed until World War II. At the Yalta Conference in February 1945, the Allies accepted Soviet claims to eastern Poland, with a border running approximately along the Curzon line.

On 21 April 1945, a Polish-Soviet treaty of friendship and cooperation was signed, followed by a new agreement on the Polish-Soviet border. To compensate for the loss of 46% of Poland's territory to the USSR, the Potsdam Conference of July–August 1945 placed former German territories east of the Oder (Odra) and western Neisse rivers under Polish administration, pending a final determination by a German peace treaty. On 6 August 1950, an agreement was signed between Poland and the GDR according to which both parties recognized the frontier on the Oder-Neisse line. The Federal Republic of Germany (FRG) recognized this boundary under the terms of a treaty signed with Poland on 7 December 1970 and ratified by the FRG on 23 May 1972.

Poland's capital city, Warsaw, is located in the east central part of the country.

## <sup>2</sup> TOPOGRAPHY

Poland's average altitude is 173 m (568 ft); 75.4% of the land is less than 200 m (656 ft) above sea level. The highest point, Mount Rysy (2,499 m/8,199 ft), is located in the Tatra Mountains on the Slovakian border. The principal topographic regions are an undulating central lowland with a crystalline platform and warped bedrock; the Baltic highland in the north, a glaciated region with many lakes and sandy soils; and the coastland, a narrow lowland with promontories, bays, and lakes. The southern uplands are marked by rich loam and mineral deposits.

Several important navigable rivers drain into the Baltic Sea, among them the Vistula (Wisła), the Oder, the Bug, and the Warta. There are over 6,000 lakes in the northern lake region. Good harbors have been developed on the Baltic Sea.

## <sup>3</sup> CLIMATE

Poland has a continental climate, conditioned especially by westerly winds. Only the southern areas are humid. Summers are cool, and winters range from moderately cold to cold. The average mean temperature is about 7°C (45°F); temperatures in Warsaw range, on average, from -6° to -1°C (21–30°F) in January and from 13° to 24°C (55–75°F) in July. Precipitation is greatest during the summer months, lasting 85 to 100 days. Annual rainfall ranges from about 50 cm (20 in) in the lowlands and 135 cm (53 in) in the mountains; the overall average is about 64 cm (25 in).

## <sup>4</sup> FLORA AND FAUNA

Coniferous trees, especially pine, account for 70% of the forests; deciduous species include birch, beech, and elm. Lynx, wildcat, European bison, moose, wild horse (tarpan), and wild goat are among the few remaining large mammals. Birds, fish, and in-

sects are plentiful. As of 2002, there were at least 84 species of mammals, 233 species of birds, and over 2,450 species of plants throughout the country.

## 5 ENVIRONMENT

Poland's environmental situation has improved since the ousting of its communist regime, which has been accompanied by decreased emphasis on heavy industry and increased government awareness of environmental issues. However, Poland has yet to recover from the overexploitation of forests during World War II and the loss of about 1.6 million hectares (4 million acres) of forestland after the war. As of the mid-1990s, 75% of Poland's forests have been damaged by airborne contaminants and acid rain. In 2000, about 29.7% of the total land area was forested.

Pollution of the air, water, and land was the most significant environmental problem facing Poland in the 1990s. Air pollution results from hazardous concentrations of airborne dust and chemicals, including carbon dioxide, nitrogen compounds, fluorine, formaldehyde, ammonia, lead, and cadmium. In 1992 Poland had the world's 12th highest level of industrial carbon dioxide emissions, which totaled 341.8 million metric tons, a per capita level of 8.9 metric tons. In 1996, the total rose to 356 million metric tons. However, some measures for reduction must be working, since in 2000, the total of carbon dioxide emissions was at 301.3 million metric tons. Industry-related pollution affects particularly the Katowice region, where dust and sulfur dioxide emissions exceed acceptable levels.

Water pollution in the Baltic Sea is 10 times higher than ocean water. Poland has 54 cu km of renewable water. Eleven percent of the annual withdrawal is used to support farming and 76% is for industrial purposes.

The nation's wildlife has also suffered from degeneration of its habitats. As of 2003, 12.4% of Poland's total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 12 types of mammals, 12 species of birds, 3 species of fish, 1 type of mollusk, 14 species of other invertebrates, and 4 species of plants. The *cerambyx longicorn* and *rosalia longicorn* are among the endangered species. The wild horse has become extinct.

## 6 POPULATION

The population of Poland in 2005 was estimated by the United Nations (UN) at 38,163,000, which placed it at number 32 in population among the 193 nations of the world. In 2005, approximately 13% of the population was over 65 years of age, with another 17% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be stagnant at 0.0%, a rate the government viewed as too low. The fertility rate, at 1.6 births per woman in 2005, has been below replacement level since the mid-1990s. The projected population for the year 2025 was 36,661,000. The population density was 118 per sq km (306 per sq mi).

The UN estimated that 62% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.18%. The capital city, Warsaw (Warszawa), had a population of 2,200,000 in that year. Other large metropolitan areas and their

estimated populations were Katowice, 2,914,000; Łódź, 943,000; Gdańsk, 851,000; and Kraków (Crakow), 822,000.

## 7 MIGRATION

Large-scale emigration from Poland took place before World War II, with the heaviest exodus in the decades before World War I. Between 1871–1915, a total of 3,510,000 Poles, Polish Jews, and Ukrainians emigrated, about half of them to the United States. Emigration diminished greatly during the interwar period, when France became the chief country of destination. From 1921–38, some 1,400,000 Poles emigrated, while 700,000 returned. Poland suffered a net population loss of nearly 11,000,000 between 1939–49 through war losses, deportations, voluntary emigrations, and population transfers arising out of territorial changes. An estimated 6,000,000 Germans left the present western territories of Poland when these territories came under Polish jurisdiction, and since the end of World War II more than 7,500,000 Poles have settled in the area. From the 1950s through the 1980s, Germans leaving for Germany constituted the bulk of emigrants; Jews also left in substantial numbers for Israel, both in the immediate postwar years and during the 1950s and 1960s. Another emigration wave occurred after the imposition of martial law in December 1981. In 2000, the total number of migrants was 2,088,000. In 2003, total remittances to Poland were \$2.8 billion. In 2005, the Polish Ministry of Labor reported that 500,000 Poles were legally employed in 15 EU countries. Amongst these, Germany was the chief destination for Polish migrant labor, 350,000 legally admitted workers, including 90% employed seasonally in agriculture.

Since 1989, Poland has been open to refugees. However, while tens of thousands of people transit Poland every year, the number of recognized refugees has been rather limited. As of 2004, there were 2,507 recognized refugees. Since 1997, there has been a significant increase in the number of asylum applicants, from some 800 in 1995 to 3,743 in 2004. The main country of origin was the Russian Federation, with smaller numbers from India and Pakistan. In that same year, 340 Poles sought asylum in Canada. In 2005, the net migration rate was -0.49 migrants per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

Before World War II, over 30% of the people living within the boundaries of Poland were non-Poles. As a result of World War II, and of the boundary changes and population transfers that followed, Poland today is a predominantly homogeneous state with only about 3% of the population being non-Polish. According to the most recent census (2002), Poles constitute about 98% of the total population. Germans make up 0.4%, Ukrainians account for 0.1%; and Belarussians, 0.1%. There are about 50,000 Lithuanians in the country. There is also a significant number of Roma.

## 9 LANGUAGES

Polish is one of the western Slavic languages using the Latin alphabet and the only major Slavic language to preserve the old Slavic nasal vowels. It is easily distinguishable from other Slavic languages by the frequent accumulation of consonants. In addition to the letters of the English alphabet, it has the following letters and diphthongs: *a*, *ch*, *ci*, *cz*, *dź*, *dzi*, *e*, *l*, *ń*, *ni*, *ó*, *rz*, *ś*, *si*, *sz*, *z*, *ź*, *ż*, and *zi*. It has no *q*, *v*, or *x*. Among the several dialects are Great Polish (spo-





LOCATION: 14°7' to 24°8' E; 49° to 54°50' N. BOUNDARY LENGTHS: Baltic coastline, 491 kilometers (304 miles); Russia, 432 kilometers (268 miles); Lithuania 91 kilometers (56 miles); Belarus, 605 kilometers (378 miles); and Ukraine, 428 kilometers (265 miles); Czech Republic, 658 kilometers (408 miles); Slovakia, 444 kilometers (275 miles); Germany, 456 kilometers (286 miles). TERRITORIAL SEA LIMIT: 12 miles.

ken around Poznań), Kuyavian (around Inowrocław), Little Polish (around Cracow), Silesian (around Katowice and Wrocław), and Mazovian (around Warsaw and extending north and east). Some philologists consider that Kashubian, spoken along the Baltic, is not a Polish dialect but a separate language.

Many Poles speak English, French, German, or Russian, and understand other Slavic languages in varying degrees. By law, ethnic minorities have the right to be taught in their own language.

## 10 RELIGIONS

Poland has historically been one of the world's most strongly Roman Catholic countries. During the period of Communist domination that began in 1945, that church suffered extensive repression by the state. A change in party leadership in October 1956, however, brought about a new relationship between church and state, which included voluntary religious instruction in schools and other guarantees to the Roman Catholic Church. In 1974, the Polish government established permanent working contacts with

the Holy See. The position of the Church was further enhanced when the archbishop of Cracow, Karol Cardinal Wojtyła, became Pope John Paul II in 1978. In 1989, the Roman Catholic Church was finally granted legal status and control of its schools, hospitals, and its university in Lublin. A concordat was signed with the Vatican in 1993 and ratified by parliament in 1998.

It is estimated that over 96% of Poles are nominally Roman Catholics. About 509,700 people, about 1.3% of the population, are registered members of the Eastern Orthodox Church, 82,000 are Greek Catholics, 124,294 are Jehovah's Witnesses, and 79,050 are Lutherans (Augsburg). Other established Christian denominations include Old Catholic Mariavits, Polish-Catholics, Pentecostals, Seventh-Day Adventists, Baptists, Methodists, the Church of Christ, Reformed Lutherans, Mormons, and the New Apostolic Church. About 109 people are registered members of Muslim associations; there are, however, many more Muslims in the country who are not officially registered with a group. About 895 people are registered Hare Krishnas. A 2001 poll indicated that only 58%

of the entire population were active practitioners of their chosen faith.

On the eve of World War II, an estimated 3,351,000 Jews lived in Poland, more than in any other country; they constituted about 10% of the Polish population and nearly 20% of world Jewry. During the course of the Nazi occupation (1939–45), nearly 3,000,000 Polish Jews were killed, many of them in extermination camps such as Auschwitz (Oświęcim), near Cracow. Most of the survivors had fled to the USSR; at the end of the war, only about 55,000 Jews remained in Poland. Repatriation raised the total Jewish population to 250,000 in 1946. However, the establishment of the State of Israel in 1948, combined with a series of anti-Semitic outbreaks in Poland (including a government-led campaign in 1968–69), induced most Jews to emigrate. As of 2003, Poland had only about 20,000–30,000 Jews living in the country.

## <sup>11</sup>TRANSPORTATION

In 2004, Poland's operational rail network totaled 23,852 km (14,835 mi) of broad and standard gauge rail lines, of which 11,962 km (7,440 mi) were electrified. Of all lines in use, standard gauge accounts for nearly all at 23,223 km (14,445 mi). In terms of line length the Polish State Railways (PKP) is the third-largest railway system in Europe. However, equipment and service is far behind EU countries. In 2000 PKP began privatization of passenger, cargo and infrastructure.

There is a dense road and highway network. Improvement and repair have not kept up with the increased usage—an 80% increase in freight and a 1,800% increase in passenger transport between 1950 and 1970, and a 60% increase in freight traffic and a 70% increase in passenger transport during 1971–82. In 2001 out of a total of 364,697 km (226,842 mi) of roadways, 249,088 km (154,932 mi) were paved roads, including 399 km (248 mi) of expressways. In 2003, there were 11,243,800 passenger cars and 2,274,600 commercial vehicles.

As of 2005, Poland had seven merchant ships of 1,000 GRT or more, totaling 154,710 GRT. Before World War II, Polish merchant marine operations were mainly with the Western countries, especially the United States, but much of the current traffic is with Asian and African countries. The major ports are Szczecin, Gdynia, Gdąnsk, and Swinoujście. The ports were badly damaged during World War II but have since been rehabilitated and enlarged. As of 2003, there were 3,812 km (2,369 mi) of navigable rivers and canals. The principal inland waterways are the Oder, with Szczecin near its mouth, the Wista, and the Warta.

In 2004, Poland had an estimated 123 airports. As of 2005, a total of 84 had paved runways, and there were also two heliports. Polish Air Transport (Polskie Linie Lotnicze-LOT), organized in 1922 and reorganized after World War II, is a state enterprise, with Warsaw's Okecie International Airport as the center. In 2003, about 3.252 million passengers were carried on scheduled domestic and international airline flights.

## <sup>12</sup>HISTORY

The land now known as Poland was sparsely populated in prehistoric times. The oldest preserved settlements, most notably at Biskupin in northwest Poland, date back to 1000 BC. A lack of Roman conquest and settlement delayed early urbanization in relation to the territories of Western Europe such as Germany and

France. Slavic tribes, from whom modern Poles are descendants in terms of language and culture, began settling Poland in the fourth and fifth centuries AD after the Hunnic invasions and mass migrations of peoples from Asia to Europe. By AD 800, the population was probably around one million and stabilized into permanent settlements. Rulers of the Piast dynasty united the Polish tribes of the Vistula and Oder basins about the middle of the 10th century. In 966, Mieszko I, a member of this dynasty, was baptized, and consequently Poland became a Christian nation. Thirty-three years later, his eldest son and successor, Boleslaw I “the Brave” (992–1025), whose military campaigns took him as far east as Kiev, secured recognition of Polish sovereignty and received a royal crown from Holy Roman Emperor Otto III, becoming the first king of Poland.

During the next three centuries, Poland was continually embroiled in conflicts with the Germans to the west and with the Eastern Slavs and Mongol invaders to the east, while developing cultural relations with Western civilizations. Foreign penetration and internal difficulties led to the division of Poland among members of the Piast dynasty. Under Casimir III “the Great” (1333–1370), the last of the Piast rulers, Poland was restored to unity and greatness. Casimir made peace with the Teutonic Knights, added Galicia to the realm, and welcomed Jewish refugees from the west; internally, law was codified, administration centralized, and a university was established in Kraków in 1364. In 1386, a Polish-Lithuanian federal union was created through a dynastic marriage, which also gave birth to the Jagiellonian dynasty, named for Jagiello, grand duke of Lithuania, who ruled Poland as Ladislas II (1386–1434). The union extended from the Baltic to the Black Sea and held control over other territories in Central Europe, notably West Prussia and Pomerania. The combined forces of the union annihilated the Teutonic Knights in 1410, in the Battle of Grunwald. The 16th century, known as Poland's Golden Age, saw the flourishing of the arts, scholarship, and architecture, most notable examples of which are the poetry of Jan Kochanowski, the revolutionary astronomical work of Nicolaus Copernicus, and the Renaissance architecture of old Kraków. During this time Poland was the largest state in Europe and a regional military power. In order to preserve the union during the reign of Sigismund II (1548–72), the last of the Jagiellonians, provisions were made for an elective monarch and a single parliament (Sejm) for Poland and Lithuania. The fact that kings were elected by the Polish/Lithuanian gentry (*szlachta*) and the ratification of the first constitution in Europe in 1792 are often mentioned to support the claim that Poland is a pioneer of European democracy.

Unfortunately, many of the political reforms contributed to the nation's subsequent decline. The *szlachta* had progressively gained influence and power at the expense of the king. Meeting in the Sejm, the gentry adopted the legislative practice whereby a single dissenting voice was sufficient to block passage. Such policies prevented any decisive action by the government with the gentry cementing their position of power in an economy based on agricultural serfdom. The nobility imposed such far-reaching limitations upon the monarchy that national unity and integrity could not be maintained. Internal disorders, including the Cossack and peasant uprising (1648–49) led by Bogdan Chmielnicki against Polish domination of the Ukraine—a revolt that struck with particular ferocity against Polish Jews, many of whom had served as agents

of the nobility in administering Ukrainian lands—further weakened the nation, as did the very destructive Swedish invasion in 1655–60. In 1683, Polish troops led by John III Sobieski (1674–96) rescued Vienna from a Turkish siege, but this was perhaps the last great military victory of an increasingly weakened and war-weary state.

The decline of Poland's power was taken advantage of by its neighboring states. A Russian, Prussian, and Austrian agreement led to the first partitioning of Poland in 1772; the second (1793) and third (1795) partitions led to the demise of Poland as a sovereign state. Galicia was ruled by Austria-Hungary, northwestern Poland by Prussia, and the Ukraine and eastern and central Poland by Russia, which extended its domains to include the Duchy of Warsaw, reconstituted as the Kingdom of Poland (under Russian imperial rule) at the Congress of Vienna in 1815. The Poles rebelled in 1830 and 1863 against the tsarist rulers, but each insurrection was suppressed. However, the peasants were emancipated by Prussia in 1823, by Austria in 1849, and by Russia in 1864. Galicia, which won partial autonomy from Austria following the Habsburg monarchy's constitutional reforms, became the cultural center of the Poles.

With the Russian Revolution of 1917 and the defeat of the Central Powers in World War I, Poland regained its independence. On 18 November 1918, Jozef Pilsudski, leader of the prewar anti-Russian independence movement, formed a civilian government. Dispute over the eastern borders of the re-born state led to a military clash with the Soviet Union. The conflict, in which the Bolshevik hope of spreading socialist revolution beyond Poland to Germany and France was dashed by a fortuitous Polish counter-attack near Warsaw, ended with the Treaty of Riga in 1921, under which Galicia was restored to Poland.

In the next two decades Poland was plagued by economic difficulties and political instability, and by increasingly menacing pressures from its Soviet and German neighbors. Following the Nazi-Soviet Pact in 1939, Germany invaded Poland on 1 September, occupying Warsaw four weeks later. Meanwhile, the USSR began occupation of the eastern half of the country on 17 September, despite nonaggression treaties Poland signed with both the USSR and Germany. Almost immediately Nazi forces began to brutally oppress large segments of the Polish population and loot Poland's industrial sector and major resources such as timber, coal, and wheat. Ghettos for Jews were set up in Warsaw and other cities, and numerous concentration camps were established on Polish territory, including the extermination camp at Auschwitz, where at least one million people perished between 1940 and 1944. Poland suffered tremendous losses in life and property during World War II. An estimated six million Poles were killed, half of them Jews; 2.5 million were deported for compulsory labor in Germany; more than 500,000 were permanently crippled; and the remaining population suffered virtual starvation throughout the Nazi occupation. Losses in property were evaluated at z258 billion (more than us\$50 billion).

The seeds of Poland's postwar political history were sown long before the war ended. A Polish government-in-exile was set up in France and later in the United Kingdom. Units of the Polish army fought together with the Allies while in Poland underground groups, organized along political lines, maintained resistance activities. The Home Army (*Armia Krajowa*) was the major non-

Communist resistance group and took its orders from the government-in-exile in London. Although formally allied to the Soviet Union, relations between Moscow and the London-based Polish government continued to deteriorate, especially after the discovery of mass graves of thousands of Polish officers murdered by the Soviets in 1940. In July 1944, the Polish National Council, a Soviet-backed resistance group, set up the Polish Committee of National Liberation as a provisional government in liberated Lublin, declaring the émigré Polish government illegal. In August 1944 the Home Army in Warsaw rose against the Nazis in hopes of liberating the capital in step with the Soviet military advance. In the events that followed and still breed controversy to this day, the Red Army halted its advance and allowed the Nazis to use their remaining forces to brutally suppress the rising and completely destroy the city. It was only on 17 January 1945 that the Red Army entered Warsaw and installed the provisional pro-Soviet government. At Yalta, the Allies agreed to accept the Curzon line, thereby awarding the USSR nearly half of former Polish territory (including Galicia) in return for a Soviet agreement to broaden the political base of the provisional government with the addition of non-Communist Polish leaders. After subsequent negotiations, the Provisional Government of National Unity was formally recognized by the United States and Britain in July 1945.

Despite Stalin's promises of free elections, a bloc of four parties dominated by the Communists emerged victorious in the elections of January 1947. The Communists and the Socialists merged in December 1948 to form the Polish United Workers' Party (PZPR). The PZPR consistently followed a pro-Soviet policy. Domestically, the party pursued a reconstruction program stressing agriculture and industrial development. It shunned the Marshall Plan and, in its first two decades, renounced all dealings with the Western powers.

The first decade of Communist rule was dominated by Stalinist repressions, tensions with the Roman Catholic Church, and a strong-handed Soviet influence, as practiced by Konstantin Rokossovsky, a Soviet general of Polish birth, who became Poland's defense minister in 1949 and served as deputy prime minister from 1952 until his resignation four years later. Rising nationalist sentiment, heightened by stagnating economic conditions, led to worker riots in Poznan on 28–29 July 1956. In response to the unrest, a new Polish Politburo, headed by Wladyslaw Gomulka (who had been purged from the PZPR in 1949 and subsequently imprisoned because of his nationalist leanings), introduced liberalizations, including the abolition of farm collectivization, and improved relations with the Church. Conditions improved from those immediately after the war, but by the late 1950s, the reform movement had been halted, and the government took a harder line against dissent. In 1968 there were student demonstrations against the government in the university centers; the Gomulka regime countered with a political offensive in which many government officials and party members accused of anti-Socialist or pro-Zionist sentiments were removed from office, and an estimated 12,000 Polish Jews left Poland.

Two years later, following a drought in 1969 and an exceptionally severe winter, demonstrations by shipyard workers in Gdańsk broke out on 16 December 1970 to protest economic conditions, the privileges of the Communist party elite, and an announced rise in food prices. The government responded with military force and

after widespread violence, with soldiers firing on striking workers, at least 44 people were killed. The unrest led to the removal from power of Gomulka and the installation of Edward Gierek as the first secretary of the politburo on December 20. Under continued pressure from strikes, Gierek's government postponed the controversial incentive system and froze prices at their new levels. After receiving a substantial long-term Soviet grant (estimated at \$100 million), the Polish government rolled back prices to their pre-December 1970 levels, and labor peace was restored. In a move to bolster his support, Gierek reinstated Church control over thousands of religious properties in northwestern Poland to which the government had held title since 1945.

During the 1970s, Gierek's government vigorously pursued a policy of *détente* with the West. Three US presidents visited Poland and Gierek himself traveled to the United States and to several West European countries. Peace agreements governing the Oder-Neisse line and formally recognizing Polish sovereignty in former German territories were concluded with West Germany, and trade pacts were signed with the United States, Britain, France, Italy, Austria, and other nations. With a bold plan of creating a "second Japan," Gierek secured huge loans (several billion dollars) from the West in hopes of building an industrial export economy and improving living conditions, which were at this point glaringly inferior to those in the capitalist world. Although many ambitious projects were undertaken, including the building of an oil refinery in Gdańsk and a new steel works plant in Katowice, mismanagement and the inefficiency of the socialist economy crippled real economic output and the prospects of repaying the foreign debts became increasingly dim. In 1976, the government announced food price increases but had to rescind them after the workers responded by striking. During the next several years, the economic situation kept deteriorating, and Polish nationalism, buoyed in 1978 by the election of the archbishop of Kraków to the papacy as John Paul II, continued to rise. In July 1980, new meat price increases were announced, and within a few weeks, well-organized workers all over Poland demanded a series of economic and political concessions, including the right to organize independent trade unions outside of the Communist party. The center of labor activity was the Lenin Shipyard in Gdańsk, where in a public ceremony on 31 August, government officials agreed to allow workers the right to organize and to strike. The independent labor movement Solidarity, headed by Lech Walesa, the leader of the Gdańsk workers, and strongly supported by the Roman Catholic clergy, soon claimed a membership of about 10 million (about a fourth of the population), with its ranks filled not only with workers but also intellectuals. That month, Stanisław Kania replaced Gierek as first secretary.

For more than a year, the government and Solidarity leaders negotiated, with Catholic Church officials often acting as mediators. As Solidarity became more and more overtly political—demanding, for example, free parliamentary elections—Poland's Communist leaders came under increasing pressure from the USSR to stop the "anti-Socialist" and "anti-Soviet" forces. On 18 October 1981, Gen. Wojciech Jaruzelski, prime minister since February, replaced Kania as first secretary. On 13 December, after union leaders in Gdańsk called for a national referendum on forming a non-Communist government in Poland, Jaruzelski set up the Military Council for National Salvation and declared martial law. To what

extent Jaruzelski's abrupt crackdown was carried out to prevent direct Soviet military intervention is still unclear, although evidence suggests that the Kremlin had not drawn up any plans for a military intrusion into Poland. Almost the whole leadership of Solidarity, including Walesa, was arrested, and the union was suspended. Despite further strikes and rioting, which resulted in several deaths, the military had soon gained complete control. More than 10,000 people were arrested and detained for up to 12 months, and all rights and freedoms gained in the preceding year and a half were abolished. In January 1982, the United States imposed sanctions against Poland, including withdrawal of most-favored-nation status, veto of Poland's entry into the IMF, and suspension of fishing rights in US waters and of LOT flights to the United States. Protests and rioting continued sporadically into 1983, and some Solidarity leaders remained active underground, but these disturbances did not seriously threaten the military regime. On 22 July 1983, the government formally ended martial law and proclaimed an amnesty, but a series of legislative measures had meanwhile institutionalized many of the powers the government had exercised, including the power to dissolve organizations, forbid public meetings, and run the universities.

The internal political situation stabilized to such a degree that in July 1984 the government proclaimed a general amnesty, and the United States began to lift its sanctions the following month (the last sanctions were lifted in early 1987). When an outspoken priest, Father Jerzy Popiełuszko, was kidnapped and subsequently murdered by two secret police officers, the government, in an unprecedented step, permitted a trial to take place in February 1985 in the result of which four security officers were convicted and sentenced. Another amnesty was proclaimed in September 1986, leading to the release of all remaining political prisoners. Economically, however, the country was spiraling out of control. Continued declines in standards of living and shortages of even basic necessities led to waves of strikes throughout Poland in spring and fall 1988, essentially paralyzing the nation. By November 1987 public antipathy had been so widespread that the government called for the first public referendum to be held in Poland in more than 40 years; this was also the first open election to be held within the Warsaw Pact. Although the ballot itself asked only for public support of an accelerated economic reform package, the people of Poland understood the referendum to be a vote of confidence in the government itself. The final tally was approximately two-thirds in support of the government, but because of a Solidarity-inspired voter boycott, only 67% of the eligible voters cast their ballots, which meant that the referendum failed to pass, a first-ever defeat for the government.

In autumn 1988, the entire government resigned and it became clear that talks with labor activists were inevitable. The negotiations leading up to the so-called "round-table talks," which finally opened in February 1989, were as delicate and prolonged as the talks themselves. However, in April 1989 agreement was reached on a number of unprecedented concessions: Solidarity was recognized as a legal entity; the post of president was created, to be filled by legislative appointment; some independent media were permitted to operate; and the Catholic Church was given full legal status. In June 1989 came perhaps the most far-reaching change, the establishment of a senate, complementing the existing Sejm,

with the seats to be filled by open election. In addition, 35% of the seats in the Sejm were also made subject to direct election.

The government did all it could to make it difficult for opposition candidates to run: only two months were allowed in which candidates could gather the petitions necessary to get on the ballot, and the ballots themselves listed candidates alphabetically, with no indication of party affiliation. Despite those efforts, Solidarity won a decisive victory; 99 of the 100 seats in the Senate went to Solidarity members. Moreover, many government candidates in the *Sejm* lost seats because voters crossed out the names of unopposed government candidates, thus denying them the necessary 50% of the total votes cast.

In June 1989, the newly elected parliament named General Wojciech Jaruzelski Poland's president by the slenderest of margins. Two months later, Solidarity pressed to balance Jaruzelski's post of president with a non-Communist prime minister and at this point the discredited PZPR could do little but comply. Although it was widely expected that Lech Walesa might lead the first Solidarity government, he demurred, instead putting forward Tadeusz Mazowiecki, who took office on 24 August 1989, as the first non-Communist prime minister in the Eastern Bloc. That autumn, motivated at least in part by the events unfolding in Poland, a wave of "velvet revolutions" spread across Eastern Europe culminating in the fall of the Berlin Wall. These events further accelerated the de-Sovietization of Polish government. In September 1990, Jaruzelski resigned, opening the way for new elections.

The election of Walesa as president was the formal end to Poland's Communist rule, with Poland rejoining the community of democratic nations. In what would become known as "shock therapy," the previously Socialist economy was abruptly opened to free market forces. Although initially inflation sky-rocketed and economic output continued to fall, by 1997 Poland was attracting large amounts of foreign investment and enjoying the highest growth rates in Europe. At the same time, not everyone enjoyed economic prosperity and political discord continued to grow. The number of political parties ballooned, making it difficult to undertake such complex and contentious issues as large-scale privatization, economic rationalization of Soviet-era giant industry, and fundamental constitutional revision. The October 1991 election saw 69 parties competing, with 29 actually winning seats, none of them with more than 14% of the vote. Inevitably, this resulted in coalition governments without clear mandates, giving Poland five prime ministers and four governments in 1991–93. This proliferation of parties reflected disparities among the electorate that emerged once the Communists had been removed as a unifying focus for opposition.

In the September 1993 election, the two most popular parties, the Polish Peasant Party (PSL) and the Democratic Left Alliance (SLD) were made up largely of ex-Communists or other figures from the governments of the past. The apparent rejection of the gains of Solidarity and the return of the vanquished ex-Communists was variously interpreted as a rejection of "shock-therapy" economic transformation, the electorate's nostalgia for the more ordered life of the past, and a vote against the Catholic Church, or at least its social agenda of asserting close control on social issues such as abortion, school curriculum, and women's role in society.

Fears associated with the return of the many ex-Communists to power proved unfounded. Although differing from their pre-

decessors on the pace of Poland's economic transformation, the government of Polish Peasant Party (PSL) leader Waldemar Pawlak, and his Democratic Left Alliance (SLD) partner, Aleksander Kwasniewski, remained generally committed to Poland's course of democratization and economic transition. The Constitution Commission proposed a new constitution that passed the National Assembly in April 1997, and was approved in a national referendum on 23 May 1997.

The parliamentary elections of 1997 saw the return to power of centrist and right of center Solidarity legacy parties, with Solidarity Electoral Action (AWS) and the Freedom Union (UW) forming a coalition with Jerzy Buzek as prime minister. The Buzek government presided over many successful reforms, including reorganization of local and regional administration, but an economic downturn and rising unemployment caused the voters to resoundingly return the reigns of power to the post-Communist SLD in 2001.

In 2005 the power pendulum swung again to the right with the scandal ridden SLD achieving less than 12% of the vote and the right of center Law and Justice (PiS) and centrist Civic Platform (PO) gaining the majority. The constant and almost predictable shift of power can be interpreted as a political maturation of the young democracy or as the failure of either side to address the main economic issue of unemployment, which reached its maximum level of 20% in December 2004. The exception to the changing political tides has been the reformed Communist Aleksander Kwasniewski of the SLD, who beat Walesa to be elected president in 1995 and won a second term in 2000.

It has been on the international scene that Poland has made its most visible strides since the end of Communist rule. In 1997, NATO invited Poland, along with the Czech Republic and Hungary, to join the alliance, and the three countries became members in March 1999. In May 2004 Poland became a member of the European Union (EU) and is now the organization's sixth most populous member. Poland asserted itself as a close American ally by being one of the few countries to participate in the 2003 invasion of Iraq and subsequently administering an Iraqi occupied zone with the initial involvement of 2,400 of its own troops. Poland has also attempted to play a leading role in the politics of eastern and central Europe and has invested its political capital in encouraging democratization in Belarus and supporting the Orange Revolution in the Ukraine in December 2004.

Since joining the EU, investment and economic growth picked up, with new manufacturing jobs coming from Western Europe. However, corruption, inefficient bureaucracy and weak infrastructure continued to be problems and slowed economic growth. Unemployment began to drop, but at 17.9% it still remained the highest in the European Union.

### 13 GOVERNMENT

Until 1997, the form of government in Poland was in the midst of a protracted transformation, which left a number of its important features unclear. Without a formal constitution, Poland had been functioning on a much-amended form of its Communist-era constitution. The most important modifications were the Jaruzelski government's concessions of April 1989, which created both the Senate and the office of president, and a package of amendments passed in October 1992 which are collectively called the

“Little Constitution.” Another important modification was the agreement of 1990, which made the presidency a popularly elected post, rather than parliamentary appointment.

The president is directly elected, for a term of five years. The post has traditional executive obligations and powers, such as the duty to sign into law or veto legislations, but also retains substantial legislative powers, including the right to introduce bills and draft legal amendments.

During his tenure, Lech Walesa fought to widen the powers of the presidency, arguing that at least during the transition period Poland required a strong president able to resolve impasses and disputes on the basis of “practical experience,” rather than on points of legal niceties.

Walesa’s successor, Aleksander Kwasniewski, succeeded in putting forth a new constitution in 1997.

The parliament consists of two houses, the Sejm, or lower house, with 460 seats, and the Senate, with 100 seats. The members of both houses serve four-year terms. Seats are filled on the basis of party lists; there is a minimum national vote threshold of 5% for parties, or 8% for coalitions, with the votes for parties which fail to reach those minimums assigned to victorious parties. The prime minister proposes, the president appoints, and the Sejm approves the Council of Ministers or cabinet. The president, who is elected by popular vote for a five-year term, appoints the prime minister, who is then confirmed by the Sejm.

## 14 POLITICAL PARTIES

After the political poverty of its Communist past, Poland initially saw a proliferation of political parties ranging across the full political spectrum, from the rabidly xenophobic nationalism of the Polish National Front (whose leader, Janusz Bryczkowski, invited Russian extremist Vladimir Zhirinovskiy to Poland in 1994) to the socialist party, Union of Labor (UP). In between were special interest and even quirky parties, of which the best example may be the Polish Beerdrinkers’ Party. Overall, 69 parties participated in the 1991 parliamentary elections, of which 29 gained seats, none with more than 14% of the total vote. By 1993, however, the political scene was stabilizing. Only 35 parties participated in that election; perhaps more significantly, only five received seats.

The local elections of 1994 showed the emergence of three basic political orientations shaped by shifting coalitions of parties, with the parties themselves often dissolving and reorganizing under new names. The Polish political spectrum slightly deviates from the traditional notions of right and left in part because in contrast to most countries where labor movements are associated with the political left, the Polish right has its roots in the Solidarity labor movement.

The Polish far right was initially represented by several coalitions: the Alliance for Poland, which included the Christian National Union, the Center Alliance, the Movement for the Republic, Peasant Alliance, and the Conservative Coalition, and the 11 November Agreement, which included the Conservative Party, the Party of Christian Democrats, the Christian-Peasant Alliance, and the Real Politics Union (a radical *laissez-faire* party). These parties generally favored a major role for the Catholic Church, and tended to draw their support from Poland’s rural sectors; in 1994, they did best in the eastern districts. The religious right is represented by the League of Polish Families (LPR), which has a social

platform based on traditional Catholic values and was not in favor of Polish membership in the EU. LPR won 7.97% of the vote in the October 2005 elections.

The mainstream right was represented in the years 1997–2001 by Elective Action Solidarity (AWS). AWS led the government in coalition with UW. However, after a resounding defeat in 2001 AWS dissolved and its members eventually migrated to either the centrist Civic Platform (PO) or the right of center Law and Justice (PiS). PiS supports continuous but careful economic reforms, is in favor of raising retirement benefits, and remains socially conservative, as evidenced by the prohibition of a gay pride parade in Warsaw by its leader Lech Kaczynski in 2005. Another important aspect of the PiS is a strong stand against corruption. In the recent parliamentary elections in October 2005 PiS was the most popular party with 26.99% of the vote.

The center was dominated by Freedom Union (UW), which was formed in April 1994, when the Liberal Democratic Congress merged with the Democratic Union. The centrist position derives largely from the intellectual wing of the original Solidarity, favoring radical economic transformation, while being less concerned with immediate impact upon workers. UW formed a coalition with AWS as the junior partner in 1997–2000. UW’s most prominent member was Leszek Balcerowicz, the architect of the “shock therapy” economic reform and president of Poland’s National Bank. After the elections of 1997 UW largely dissolved, with its members joining the newly formed Civic Platform (PO), which also absorbed politicians from AWS. Both the UW and PO draw much of their support from smaller cities and university centers, such as Kraków, and the prosperous regions of western Poland. In the last parliamentary election in October 2005, PO’s platform included a proposal for a 15% flat tax. PO was the second most popular party with 24.14% and was set to rule in a coalition with PiS.

The left, which was almost entirely discredited in 1991, has shown remarkable resilience. Through the 1990s, the two major parties were the Democratic Left Alliance (SLD) and the Polish Peasant Party (PSL), both descendants of elements of the old Communist party and its affiliates. The far left (some would argue far-right) is dominated by Self-Defense (SO) headed by Andrzej Lepper. Lepper’s party is in favor of protectionist agriculture and sometimes anti-western isolationist foreign policy. In 2001 the Democratic Left Alliance (SLD) in coalition with the Labor Union (UP), a minor left-wing party, won a decisive victory and formed a government under Leszek Miller. Although Miller’s government presided over Poland’s entry into the European Union, it became increasingly unpopular due to a series of scandals involving corruption and bribery, and failure to accelerate economic growth. With Miller himself forced to resign amid scandal in May 2005, SLD continued to rule as a minority government under Marek Belka until the elections in October 2005. Unhappy with Miller’s leadership of the party, many members withdrew from SLD in 2004 and formed a new leftist party called Polish Social Democracy (SDPL). In the October 2005 elections SLD won 11.31%, SO 11.41% and PSL 6.96%. SDPL failed to make the 3% threshold to enter the parliament.

In addition to the major parties, a German Minority Party is active with most of its support from the Opole region in southwest Poland.

In the 1995 presidential elections, Aleksander Kwasniewski of SLD beat Lech Walesa by a small margin (51.7% to 48.3%) to become president for a five-year term. He was reelected in 2000 with 53.9% of the vote to nonparty candidate Andrzej Olechowski's 17.3% and AWS chairman Marian Krzaklewski's 15.6%. In a striking reversal, Walesa finished seventh with 0.8% of the vote.

Constitutionally limited to only two terms, Kwasniewski did not run again in 2005. The October presidential elections saw 14 candidates compete. In the first round the top five contenders were Donald Tusk (PO) with 36.33% of the vote, Lech Kaczyński (PiS) with 33.10%, Andrzej Lepper (SO) with 15.11%, and Marek Borowski (SDPL) with 10.33%. The SDL candidate withdrew from the election due to a scandal. In the second round, which included only the top two candidates, Tusk and Kaczyński, Kaczyński won with 54.04% of the vote to Tusk's 45.96%. Kaczyński's term as president extended to 2010.

## 15 LOCAL GOVERNMENT

Poland had been divided into 49 administrative districts, or *voivodships*, which were the basic administrative units under the Communists. In 1989 Solidarity government replaced that system with one in which the basic unit was the *gmina*, or local authority, which owned property and had responsibility for its own budget. The *gmina* elected a council, which appointed the executive officials actually responsible for day-to-day administration of the locality.

In 1994, there were 2,383 such local councils, with a mixed system of election. In districts containing more than 40,000 people, of which there were 110 in 1994, council representation was proportionally determined, based upon party affiliation. In the smaller districts, council representatives were elected by direct majority vote.

Originally these *gmina* councils were similar in makeup to the Solidarity Citizens Committees, from which they originated. Increasingly, however, the councils differentiated themselves, some becoming controlled by national parties, others remaining dominated by personalities who responded primarily to local issues.

Changes in local government structure were introduced in 1999, transforming Poland's 49 provinces into 16 new ones. A three-tier division of government was established: municipalities/communes, 308 counties (*powiaty*), and 16 provinces (*województwa*). Each of these divisions is governed by a council. Council members are directly elected, and appoint and dismiss the heads of the municipalities/communes (*wojt*), the town mayors, the *starosta* or head of the county, and the speaker of the provincial councils.

## 16 JUDICIAL SYSTEM

There is a four-tiered court system in Poland: regional, provincial, appellate divisions, and a Supreme Court. The Supreme Court, the highest judicial organ, functions primarily as a court of appeal. The Supreme Court and lower courts are divided into criminal, civil, military, labor, and family chambers. Judges are nominated by the National Judicial Council and are appointed by the president for life.

There is also a Constitutional Tribunal which offers opinions on legislation and exercises authority of judicial review. Constitutional Tribunal judges are appointed to nine-year terms by the Sejm.

Defendants enjoy a presumption of innocence and have the right to appeal. Although the judiciary is independent, it suffers from inefficiency, lack of resources and lack of public confidence.

## 17 ARMED FORCES

Polish armed forces numbered 141,500 active personnel in 2005, with reservists numbering 234,000. Army personnel numbered an estimated 89,000 members, equipped with 947 main battle tanks, 435 reconnaissance vehicles, 1,281 armored infantry fighting vehicles, 33 armored personnel carriers, and 1,482 artillery pieces. The army's aviation arm included 65 attack and 80 support helicopters. Naval manpower in 2005 totaled 12,300, including 2,000 naval aviation personnel. Equipment included three tactical submarines, one destroyer, three frigates, four corvettes, 19 patrol/coastal vessels, and 22 mine warfare vessels. The naval aviation wing was supplied with 18 combat capable aircraft and a total of 30 helicopters for use in search and rescue, antisubmarine warfare and for support missions. The air force had 30,000 active personnel and 142 combat capable aircraft, including 28 fighter and 53 fighter ground attack aircraft, as well as 53 transport and 220 training aircraft. Poland also had a paramilitary force of 21,400 personnel, of which 14,100 were border guards and 7,300 police. Poland provided troops and observers to 13 different nations or regions as part of UN, NATO or European Union missions. The defense budget in 2005 amounted to \$5.16 billion.

## 18 INTERNATIONAL COOPERATION

Poland is a charter member of the United Nations, having signed on 24 October 1945; it participates in ECE and several nonregional specialized agencies, such as the FAO, IAEA, the World Bank, UNESCO, UNIDO, and the WHO. Poland was admitted to NATO on 12 March 1999. The nation is also a member of the Council of Europe, the Council of the Baltic Sea States, the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, the OECD, and the OSCE. Poland became a member of the European Union in 2004. The country has observer status in the OAS.

Polish troops have supported UN missions and operations in Kosovo (est. 1999), Lebanon (est. 1978), Western Sahara (est. 1991), Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Georgia (est., 1993), and the DROC (est. 1999), among others. In 2003, Poland assumed command of division of multinational forces working on peacekeeping and stabilization efforts in Iraq.

Poland is part of the Australia Group, the Zangger Committee, the European Organization for Nuclear Research (CERN), the Nuclear Suppliers Group (London Group), and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, Poland is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Until 1990, Poland had a centrally planned economy that was primarily state controlled. Agriculture, however, was only partly socialized, with state farms and cooperatives accounting for 23% of

the country's total farmland in 1984. Since World War II, agriculture's predominance in the economy has been waning; in 1990, it accounted for 16.2% of the NMP, compared to 22.7% in 1970. In 2004, its contribution to GDP was an estimated 2.9%, although it continued to employ about 24% of the labor force. Poland, with its sizable coastline, has become a maritime nation of some note, having developed three major ports on the Baltic and a greatly expanded shipbuilding industry, which in 1991 produced 53 ships. In 2003, yearly production was reported as 50 ships, about one-tenth of the number of ships produced by South Korea and Japan, the industry leaders. However, in June 2002 the Szczecin Shipyards, considered an example of successful privatization, declared bankruptcy. Poland has rich coal deposits, but it lacks some important natural resources, such as petroleum and iron ore.

During 1971–75, Poland's NMP increased by about 12.8% annually; the growth was, to a substantial degree, the result of loans from the West. After 1975, however, Poland's economic performance deteriorated because of excessive investments, internal market problems, several bad harvests, the worldwide recession, and the political upheaval of 1980–81. An economic growth rate of 2.5% annually during 1976–78 was followed by declines of 2% in 1979, 4% in 1980, 12% in 1981, and 5.5% in 1982, while the debt to Western governments reached nearly \$25 billion by 1983, rising to \$33 billion in 1991, when the total hard-currency debt reached \$52.5 billion. During 1980–91, the GNP grew at an annual average rate of only 1.2%. Inflation averaged 54.3% annually in the 1980s.

With Poland subjected to the "shock therapy" of a transition to a market economy, GDP fell 31.5% from 1990–92 and consumer prices shot up almost sixfold. However, the economy did not stay down long and it soon became one of the most robust in Eastern and Central Europe thanks to the government's tight fiscal and monetary policies. The economy grew by just under 7% in 1995, and by 5.5% in 1996 and 1997, for an average of over 5% a year 1994 to 1997. Most of the growth since 1991 came from the booming private sector, by 1997 accounting for about 70% of GDP (up from 50% in 1992), due in large part to the creation of new private firms. Poland's pace of growth declined after 1998, as the economy was impacted by the Russian financial crisis and then the global economic slowdown in 2001. In 1998, growth fell to 4.8%; in 1999, 4.1%; in 2000, to 4%; and in 2001, to 1%. Signs of economic recovery began to be seen in 2003. In 2002 GDP grew at 1.4%, but in 2003 at 3.8% and reached an impressive 5.3% in 2004, when Poland joined the EU. Similarly, inflation shot up to 10.1% in 2000 with the recovery of oil prices, but in 2001 moderated to 5.5%. In 2002 inflation was only 1.9%, in 2003 0.8%, in 2004 3.6% and in 2005 3.2%. The growth of the economy was accompanied by privatization. About 72% of the economy had been privatized by 2002, and the government has continued to privatize state-owned industries in recent years by successfully utilizing the Warsaw Stock Exchange to this end. The goal is to achieve the ownership structure similar to that of other EU member states, where private ownership is close to 80%.

The major problems facing the economy are unemployment and persistently high fiscal deficits. Unemployment increased to 13% in 1999, to 15% in 2000, to 16% in 2001, to 17% reaching 20% in 2002, before it started to fall again, to 19% in 2004 and 17.3% in 2005. On 7 June 2003, 75% in a vote with a 57.34% turnout (above the 50% minimum turnout required) voted "yes" to the referen-

dum of Poland's joining the EU. Poland became a member of the EU on 1 May 2004. Economists estimate that it will take decades for per capita average income in Poland, which was about \$4,800 in 2002 (\$9,500 in purchasing power parity terms), to reach the EU average. In 2004 per capita average grew to \$12,000.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Poland's gross domestic product (GDP) was estimated at \$489.3 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$12,700. The annual growth rate of GDP was estimated at 3.3%. The average inflation rate in 2005 was 2.1%. It was estimated that agriculture accounted for 2.8% of GDP, industry 31.7%, and services 65.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$2.314 billion or about \$61 per capita and accounted for approximately 1.1% of GDP. Foreign aid receipts amounted to \$1.2 trillion or about \$31 per capita and accounted for approximately 0.6% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Poland totaled \$136.49 billion or about \$3,573 per capita based on a GDP of \$209.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.7%. In 2001 it was estimated that approximately 28% of household consumption was spent on food, 19% on fuel, 6% on health care, and 1% on education. It was estimated that in 2003 about 17% of the population had incomes below the poverty line.

## 21 LABOR

The labor force in 2005 totaled an estimated 17.1 million persons. As of 2003, agriculture accounted for 18.4% of the workforce, with industry at 28.6% and 53% in the services sector. In 2005, the estimated unemployment rate was 18.3%, with considerable underemployment as well.

Unions have the right to strike and bargain collectively, although union officials report that workers in the private sector are encouraged not to join unions by their employers and workers organizing unions often face discrimination. According to press reports, 17% of Poland's workforce was unionized.

The labor code prohibits employment for children under the age of 15. There are strict rules governing the work standards for those between 15 and 18 years old, however these are not regularly enforced. The minimum wage in state-owned enterprises was around \$300 per month as of 1 January 2006. However, a large number of construction and seasonal agricultural workers earn less than the minimum wage. The legal standard workweek is 40 hours with 35 hours of uninterrupted rest per week. Overtime is subject to premium pay rates. The labor code defines occupational safety and health standards but they are not consistently enforced.



## 22 AGRICULTURE

In 2003, agriculture engaged 18.4% of the Polish labor force (as compared with 53.5% in 1948 and 39.9% in 1967). About 62% of Poland's land is agricultural; of this area, 78% is cultivated. Overall agricultural output during 1980–90 fell by nearly 0.4% annually. Between 1990 and 2000, agricultural production dropped by 0.2% annually. Crop output was valued at nearly €5.76 billion in 2003. During 2002–04, crop output was down 8.5% compared with 1999–2001. In 2005, agriculture accounted for 5% of GDP, down from 14.5% in 1985.

The transition from an agricultural economy is due partly to territorial changes resulting from World War II (1939–45); largely agricultural areas were transferred to the USSR, whereas the areas acquired in the west were predominantly industrial. During the war, approximately one-third of the Polish farms were completely or partly laid waste, and five-sixths of the hogs and two-thirds of the cattle and sheep were destroyed, leaving farmers almost without draft animals and fertilizer. At the same time, population transfers delayed cultivation in the areas of resettlement.

Land redistribution followed both world wars but was much more extensive after World War II. A 1944 decree expropriated all holdings larger than 100 hectares (247 acres); land belonging to Germans or collaborators was also expropriated. Attempts at collectivization were generally resisted; after 1956, most collective farms were disbanded and their land redistributed. During the 1990s, about 3.7 million Poles were engaged in small plot farming (with an average farm size of 6 hectares/15 acres) on 2.1 million private farms, which produced about 75% of agricultural output. In 2003, Poland had over 2,172,000 agricultural holdings and the largest number of full-time agricultural employment in the 25-nation EU, at over 1,048,000 workers, and another 3,248,000 part-time agricultural workers that year.

In 2004, principal crops and their estimated yields (in thousands of tons) were potatoes, 13,746; sugar beets, 11,471; wheat, 9,450; rye, 4,129; barley, 3,476; triticale, 3,349 (highest in the world); and oats, 1,462. Yields have been poor because of infertile soil, insufficient use of fertilizers, and inadequate mechanization, in addition to the drought. There were 1,310,500 tractors in 1997, up from 620,724 during 1979–81. Although grain production has been Poland's traditional agricultural pursuit, since World War II, Poland has become an importer—instead of an exporter—of grains, particularly wheat.

Poland grows an assortment of fruits and vegetables. Fruit and berry yields (in thousands of tons) for 2004 included: apples, 2,500; currants, 192; strawberries, 185; raspberries, 42; plums, 119; and pears, 77. Field vegetable production in 2004 (in thousands of tons) included: cabbage, 1,370; carrots, 928; onions, 866; cucumbers, 256; cauliflower, 206; and tomatoes, 213.

## 23 ANIMAL HUSBANDRY

Pastures covered about 10.7% of the total land area in 2003. The government has encouraged the development of livestock production through increased fodder supply and improvement in breeding stock and partial tax relief for hog raising. Emphasis has been placed on the raising of hogs and sheep. In 2005, there were 18.1 million pigs, 5,483,000 head of cattle, and 316,000 sheep. In 2005

there were an estimated 90 million chickens, 5 million ducks, 3 million geese, and 600,000 turkeys.

Estimated livestock production in 2005 included (in thousands of tons): pork, 1,923; beef and veal, 304; poultry, 984; mutton, 1.6; and milk, 11,401. Butter production in 2005 was 190,000 tons; cheese, 595,000; and honey, 12,500.

## 24 FISHING

Most of the fishing industry has been brought under state ownership. Sea fishing is conducted in the Baltic and North seas and in the Atlantic (Labrador, Newfoundland, and African waters), and there are inland fisheries in lakes, ponds, and rivers. The 2003 salt-water catch was 160,260 tons, predominantly sprat, herring, and cod; freshwater fishing yielded about 54,520 tons. Aquaculture in 2003 produced 54,000 tons. Exports of fish products amounted to \$313.2 million in 2003, with processed and preserved fish and caviar accounting for \$100 million.

## 25 FORESTRY

As of 2003, 28.4% of Poland's land was forested. Pine, larch, spruce, and fir are the most important varieties of trees. Polish forests are subject to difficult growing conditions such as wide temperature fluctuations in winter, hurricane strength winds, and unusually high temperatures in summer. Most Polish forests grow on highly degraded sandy soils that hold little moisture. Moreover, much of Poland suffered from drought during the 1990s. Almost 50% of forests are young trees; only 17% of the stand can be cut. The Wielkopolski National Forest, a reservation in Rogalin, is famous for its thousand-year-old oak trees.

Despite the adversity, the forest products industry was one of the most rapidly growing sectors of the Polish economy in the 1990s. Since 1992, output of value-added products has doubled, excluding sawn timber. Wood processing occurs in the Biala Podlaska region, while large areas of forest in the Zamosc region foster development in the furniture industry. In 2004, exports of furniture were valued at \$3.4 billion (mainly to Germany), making it a leading export commodity. In 2004, over 80% of furniture production was exported, compared to 17% in 1989. The timber cut in 2004 was estimated at 28 million cu m (1 billion cu ft) of roundwood. The annual allowable cut is typically around 28.7 million cu m (1.01 billion cu ft), equivalent to 33% of annual growth. Poland was once an exporter of timber, but given the booming construction of private homes, domestic production does not meet local demand. In 2004, imports of forestry products exceeded exports by \$233.2 million.

The government has been attempting to offset losses from territorial redistribution and wartime destruction by afforestation. During 1990–2000, the forested area increased in size by an annual average of 18,000 hectares (44,500 acres) per year. Although land is being returned to forests, industrial pollution and pests are still causing deterioration. As of 2004, 31% of commercial forests were plantation or regrowth forests.

## 26 MINING

Poland ranked third globally in mined zinc, sixth in silver, seventh in coal and sulfur (a major export commodity), among the top ten in mine copper (3% of world output, and second in Europe and Central Eurasia), and was a leading producer in Central Eurasia

and Europe of lead, lime, nitrogen, and salt. Poland had 9% of world sulfur reserves, about 6% of world copper ore reserves, and had significant resources of bituminous coal, salt, silver, and lead and zinc ores. The mining and quarrying sector, which included mineral fuels and processing, accounted for around 2% of Poland's gross domestic product (GDP) in 2002, which grew by 2.3% in that year from 2001. Total sales by the mining and quarrying sector contracted by 3% in 2002, with sales by the coal, lignite and peat mining industries falling by 5.8% in that same year.

Mine output of metals in 2002 included: mined zinc, 171,200 metric tons, down from 172,300 in 2001; silver (refined, primary), 1,229 metric tons; copper (ore and concentrate by metal content), 1,071,000 metric tons; and lead (by total mine content), 120,400 metric tons, down from 121,600 metric tons in 2001. All copper ore was mined by KGHM S.A., in the Lubin area; the government's share in KGHM's stock was 52%. Total copper reserves were 2,300 million tons containing 44 million tons of metal. Lead and zinc resources totaled 184 million tons; limestone and marl, 17,450 million tons; and gravel aggregates, 14,600 million tons. No gold was mined in 2003. Important industrial minerals produced in 2003 included hydraulic cement (10.948 million metric tons), glass sand (1.6 million tons), and sulfur (native [Frasch]), by-product, and from gypsum), 1.195 million tons. Also produced in 2002 were palladium, platinum, selenium, anhydrite, diatomite, feldspar, fuller's earth, fire clay, kaolin, gypsum, magnesite ore (crude), nitrogen, foundry sand, filing sand, lime sand, quartz, quartz crystal, sodium compounds, dolomite, limestone, and crushed and dimension stone. Barite mining, at Boguszow, was stopped in 1997, because of large-scale flooding.

Poland's mining and mineral-processing industry was extensive and appeared well positioned to respond to the country's rising needs for all forms of raw materials, especially those consumed by the construction sector. A major trend in Poland's nonferrous metals sector was the denationalization program that encompassed the aluminum, copper, and zinc industries. The acquisition of former German territories in 1945 enriched Poland with hard coal and, to a lesser extent, zinc and lead. Iron ore was found around Czestochowa, in south-central Poland, but in deposits of low metal content. Uranium deposits occurred in Lower Silesia.

## 27 ENERGY AND POWER

Poland has only modest reserves of crude oil and natural gas. The country's main domestic energy sources are coal, lignite, and peat; and rivers remain a largely untapped source of power.

As of 1 January 2004, Poland had proven reserves of crude oil estimated at 96.4 million barrels and proven natural gas reserves estimated at 5.83 trillion cu ft. In 2003, oil production was estimated to average 23,500 barrels per day, while consumption in that year was tentatively placed at 424,000 barrels per day. As a result, Poland was a net importer of oil, most of which comes from Russia. Poland has the largest crude oil refining capacity in North-Central Europe, estimated at 350,000 barrels per day, as of 1 January 2004.

With natural gas reserves estimated at 5.83 trillion cu ft, as of 1 January 2004, Poland was North Central Europe's largest natural gas producer. In 2002, Poland produced an estimated 196 billion cu ft of natural gas, which accounted for 41% of domestic consumption, and came to an estimated 479 billion cu ft.

Coal, as previously noted, is Poland's most abundant energy source. Proven coal reserves at the beginning of 2003 amounted to 24.4 billion tons (of which about two-thirds are anthracite and bituminous), and are the largest in North Central Europe. In 2002, production of all types of coal was estimated at 177.8 million short tons, with demand at an estimated 149 million short tons in that year. Poland's hard coal reserves are concentrated in Upper Silesia, near the border with the Czech Republic. Other major coal basins are located in Lower Silesia and Lublin. Although the coal industry is one of the country's largest employers, a major restructuring of the industry has been initiated. From 1998 through 2002, employment in the industry went from 248,000 to 140,000 by the close of 2002. In addition, a further restructuring was planned for the period 2003 through 2006, and involves further reductions in employment and the closing of inefficient mines.

In 2002, Poland's electric power generating capacity was estimated at 29.307 million kW, of which 28.404 billion kW of capacity was dedicated to conventional thermal fuel plants. Hydroelectric capacity in 2002 was put at 0.868 billion kW, followed by geothermal/other at 0.035 billion kW. Electricity production in 2002 came to 133.980 billion kWh, of which 97.6% was from fossil fuels, 1.6% from hydropower, and less than 1% from other renewable sources. Consumption of electricity in 2002 was 117.533 billion kWh. In 2001, coal accounted for 93% of Poland's primary energy production. However, consumption had declined 23% between 1993 and 2002.

Poland has been gradually deregulating its power market since 1998. Each year an increasing number of companies are allowed to choose their own electricity provider. By 2006 the sector will be completely open.

## 28 INDUSTRY

Leading industries in Poland include food processing, fuel, metals and metal products, automotive parts, chemicals, coal mining, glass, shipbuilding, and textiles. Industrial production increased by 14.5% annually during 1971–75, but in the late 1970s, the growth rate began to fall. During the 1980s, it grew at an annual rate of 1.1%. With the destabilizing effects of the dissolution of the Soviet bloc and central planning, industrial production initially fell by 26% in 1990 before returning to positive growth between 1991–98. Poland produced 10 million tons of steel per year in the mid-1990s. Sulfur is another important industrial commodity; and its production totaled 1,901 tons per year. The cement industry turned out 12.3 million tons during the same period.

Light industries were long relegated to a secondary position but, since the 1970s, Poland has increased its production of durable household articles and other consumer goods. In the mid-1990s, Poland produced 401,000 automatic washing machines, 584,000 refrigerators and freezers, 841,000 television sets, 307,000 radios, and 21,000 tape recorders and dictaphones per year.

Currently Poland is among the top 10 world producers of coal, copper and sulphur, and among the top 20 producers of sulphuric acid, cement, television sets, passenger cars, buses and trucks, and power engineering. Poland is also a leading world producer of some food stuffs such as rye, sugar beets, meat, milk barley, wheat, sugar, and eggs.

Since the accession to the EU, there has been a rapid increase in exports as well as in relocation of production facilities such as car

and truck assembly plants and household appliances plants from Western Europe to Polish commercial zones such as Łódź and Wrocław. In addition, there have been many investments from non-European countries such as plans to build an LCD factory near Wrocław by the South Korean concern LG Electronics.

## 2<sup>9</sup> SCIENCE AND TECHNOLOGY

Destruction of the Polish scientific community, buildings, and equipment during World War II was nearly total, requiring a tremendous rebuilding program. Attached to the various university faculties and government bodies are institutes, laboratories, and clinics devoted primarily to research, but some offering advanced instruction. In 1952, the Polish Academy of Sciences, established in Warsaw, replaced the old Polish Academy of Sciences and Letters of Cracow; it has sections of biological sciences; mathematical, physical, and chemical sciences; technical sciences; agricultural and forestry sciences; medical sciences; and earth and mining sciences. As of 1996, 54 scientific and technological research institutes were affiliated with the Academy of Sciences, and there were 101 scientific and technological research institutes attached to government ministries. In Warsaw are located a botanical garden and museums devoted to zoology, technology, and the earth. The Polish Maritime Museum is located in Gdańsk. The Nicholas Kopernik Museum in Frombork includes exhibits on the history of medicine and astronomy.

Research and development (R&D) expenditures in 2002 amounted to \$2.4 trillion or 0.59% of GDP. Of that amount, 61.1% came from government sources, followed by the business sector at 31%. Higher education, private nonprofit groups and foreign sources accounted for 2.9%, 0.3% and 4.8%, respectively. Personnel engaged in R&D in that same year included 1,469 scientists and engineers and 296 technicians per million people. High technology exports in 2002 totaled \$915 million, or 3% of the country's manufactured exports.

In 1996, Poland had 50 universities offering courses in basic and applied sciences. In 1987–1997, science and engineering students accounted for 28% of university enrollment. In 2002, of all bachelor's degrees awarded, 16.3% were in the sciences (natural, mathematics and computers, engineering).

## 3<sup>0</sup> DOMESTIC TRADE

In 1990, Poland replaced its 40-year old centrally planned economy with a free market system. Most small enterprises were privatized, bringing an end to chronic shortages of consumer goods. At the end of 1996, the share of private enterprises in retail trade exceeded 90%. The resulting increase in domestic demand was a primary factor in strengthening the business cycle. In the past few years, the trend in retail establishments, particularly in major cities, has moved from small, independent shops to international supermarket chains, hypermarkets, and large specialty stores. However, small business-owners have been forming associations aimed at promoting and preserving local, independent retailing.

Offices are open from 8 or 9 AM to 4 PM Monday through Friday. Food stores are open from 6 or 7 AM to 7 PM; other stores, from 11 AM to 7 or 8 PM; and banks, from 9 AM to 4 PM Monday through Friday, and 9 AM to 1 PM on Saturday. The most important trade exhibition is the annual Poznan International Fair, which takes place in June.

According to World Bank report published in 2004, Poland is among the top 10 countries improving their operating climate for enterprises. There were over 90 franchises in operation, with national firms as well as foreign firms represented. The number of foreign enterprises has been growing constantly. According to GUS (the Central Statistical Office), in 2002, about 10–12% of the retail market was operated by foreign firms, particularly through chain stores providing a range of goods from food and apparel to furniture and hardware supplies; in the first half of 2004, the number of foreign enterprises exceeded 50,000 an increase of 1,034 companies. The attractiveness of Poland is connected with its advantageous geographical location, EU membership, low labor costs and a high number of people with higher education. The largest inflow of foreign direct investment has been recorded by the manufacturing sector, especially by the automotive and electronic equipment and pharmaceutical branches.

## 3<sup>1</sup> FOREIGN TRADE

Until recently, foreign trade was a state monopoly under the control of the Ministry of Foreign Trade. After World War II, the orientation of Polish trade shifted from Western and Central European countries to Eastern Europe. This changed with the dissolution of the Soviet-bloc CMEA in 1991. In December of that year, Poland signed an association agreement with the EC (now the EU) and by 2000, 70% of its exports and 61% of its imports were going to EC members. Poland also fosters trade through its membership in the Central European Free Trade Agreement (CEFTA), which includes Hungary, the Czech Republic, and the Slovak Republic. Since gaining full membership in the EU in 2004, Polish exports to the West have continued to increase faster than imports. Trade with the countries to the east has recently recovered to the levels from before the 1998 Russian financial crisis, although it is often stifled by minor frictions with Russia and Belarus, for example the controversial restrictions on Polish meat exports to Russia in the fall of 2005.

Poland's export commodities are a mixture of manufactured goods including furniture (7.0%), garments (6.1%), motor vehicles (4.6%), iron and steel (3.9%), and ships (3.3%). Export com-

### Principal Trading Partners – Poland (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	53,539.3	67,975.7	-14,436.4
Germany	17,241.5	16,543.8	697.7
France-Monaco	3,251.5	4,769.7	-1,518.2
Italy-San Marino-Holy See	3,057.7	5,752.0	-2,694.3
United Kingdom	2,676.1	2,495.8	180.3
Netherlands	2,381.8	2,267.1	114.7
Czech Republic	2,136.3	2,300.7	-164.4
Sweden	1,913.4	1,751.0	162.4
Belgium	1,711.0	1,751.7	-40.7
Ukraine	1,523.5	734.2	789.3
Russia	1,480.2	5,202.0	-3,721.8

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

**Balance of Payments – Poland (2003)**

(In millions of US dollars)

<b>Current Account</b>			<b>-4,603.0</b>
Balance on goods		-5,725.0	
Imports	-66,732.0		
Exports	61,007.0		
Balance on services		527.0	
Balance on income		-3,639.0	
Current transfers		4,234.0	
<b>Capital Account</b>			<b>-46.0</b>
<b>Financial Account</b>			<b>8,734.0</b>
Direct investment abroad		-196.0	
Direct investment in Poland		4,123.0	
Portfolio investment assets		-1,296.0	
Portfolio investment liabilities		3,740.0	
Financial derivatives		-870.0	
Other investment assets		-1,838.0	
Other investment liabilities		5,071.0	
<b>Net Errors and Omissions</b>			<b>-2,879.0</b>
<b>Reserves and Related Items</b>			<b>-1,206.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

modities formed from natural resources include wood (2.5%); coal, lignite, and peat (2.3%); and copper (2.3%).

**3<sup>2</sup> BALANCE OF PAYMENTS**

Measured in terms of commodity trade figures, negative balances have been the rule in Poland in the post-World War II period. In 1991, the collapse of exports to the Soviet Union dealt a sharp blow to overall export performance. The requirement to exchange by means of hard currency for Soviet raw materials and energy prevented a repeat of the 1990 trade surplus. Poland attracted approximately \$50 billion of foreign direct investment between 1990 and 2000. Net official reserves have increased in recent years, due to large capital surpluses due to foreign direct investment and portfolio inflows.

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Poland's exports was \$32.4 billion while imports totaled \$43.4 billion resulting in a trade deficit of \$11 billion.

According to the International Monetary Fund (IMF), in 2001 Poland had exports of goods totaling \$41.7 billion and imports totaling \$49.3 billion. In 2005 imports totaled €50.9 billion and exports totaled €45.0 billion.

**3<sup>3</sup> BANKING AND SECURITIES**

The Banking Law of 1 July 1982 substantially reformed the Polish banking system by giving banks an effective role in setting monetary and credit policy, thereby allowing them to influence economic planning. The Council of Banks, consisting of top bank officers and representatives of the Planning Commission and the Ministry of Finance, is the principal coordinating body.

The National Bank of Poland (Narodowy Bank Polski-NBP), created in 1945 to replace the former Bank of Poland, is a state institution and the bank of issue. It also controls foreign transactions and prepares financial plans for the economy. On 1 January 1970,

the National Bank merged with the Investment Bank and has since controlled funds for finance and investment transactions of state enterprises and organizations. The function of the Food Economy Bank and its associated cooperative banks is to supply short and long-term credits to rural areas. The national commercial bank, Bank Handlowy w Warszawie (BH), finances foreign trade operations. The General Savings Bank (Bank Polska Kasa Opieki-PKO), a central institution for personal savings, also handles financial transfers into Poland of persons living abroad.

In March 1985, two types of hard-currency accounts were introduced: "A" accounts, bearing interest, for currency earned in an approved way; and "B" accounts, for other currency, bearing no interest. "B" accounts can be converted into "A" accounts after one year. Major enterprises in Poland conduct their business by interaccount settlements through the National Bank rather than by check, and wages are paid in cash. Banking laws in 1989 opened the country's banking system to foreign banks.

A fundamental reorganization of the banking sector took place between 1990 and 1992. The NBP lost all its central planning functions, including holding the accounts of state enterprises, making transfers among them, crediting their operations, and exercising financial control of their activities. The NBP thus became only a central bank, and state enterprises competed with other businesses for the scarce credits available from commercial banks. Nine independent (so-called commercial), although state-owned, regional banks were created.

In 1993, the first of these, the Poznan-based Wielkopolski Bank Kredytowy (WBK), was privatized. A second highly controversial privatization took place in early 1994 with the sale of the Silesian Bank (Bank Slaski). Also, the Krakow-based Bank Przemyslowo-Handlowy (BPH) was disposed of at the start of 1995 and Bank Gdanski was sold in late 1995. With four major banks privatized, five remained to be sold off in a process that was supposed to have been completed by 1996. With no real hope of meeting this deadline, the Polish government returned in 1996 to proposals for "bank consolidation" prior to privatization. A major round of privatization was due to begin in 1998-99 beginning with the sale of Pekao, the country's largest commercial bank. This sale finally put over half of the industry's holdings in private hands. At the same time, foreign investment in Polish banks continued to increase. Citibank, ING, Commerzbank, Allied Irish Bank, and J.P. Morgan were leading foreign investors in 1998. In 2001, Bank Handlowy w Warszawie SA merged with Citibank (Poland) SA, but retained its historic name.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$23.0 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$82.8 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 16.2%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 14%.

In early 1991 important legislation was introduced to regulate securities transactions and establish a stock exchange in Warsaw. At the same time, a securities commission was formed for consumer protection. A year later, the shares of 11 Polish companies were being traded weekly on the new exchange. Restructuring the

**Public Finance – Poland (2001)**

(In millions of zlotys, central government figures)

	<b>223,659</b>	<b>100.0%</b>
<b>Revenue and Grants</b>		
Tax revenue	127,203	56.9%
Social contributions	69,504	31.1%
Grants	426	0.2%
Other revenue	26,526	11.9%
<b>Expenditures</b>	<b>263,580</b>	<b>100.0%</b>
General public services	81,294	30.8%
Defense	9,052	3.4%
Public order and safety	8,592	3.3%
Economic affairs	11,988	4.5%
Environmental protection	...	...
Housing and community amenities	5,325	2.0%
Health	2,151	0.8%
Recreational, culture, and religion	1,861	0.7%
Education	12,731	4.8%
Social protection	135,615	51.5%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

financial market not only was necessary for increasing the overall efficiency of the economy and accelerating privatization, but also was a precondition for the rapid influx of Western capital critical to economic development.

When the Warsaw Stock Exchange opened in April 1991, it had only five listed companies, but by September 1996 that figure had increased to 63. Into 1998, the market still suffered growing pains similar to those afflicting other emerging markets. In particular, the high liquidity of Polish stocks made Poland particularly vulnerable to panic selling. Market capitalization in 2001 was \$26 billion, down 17% from the \$31.3 billion level of 2000. The WIG All Share Performance Index was at 13,922.2 in 2001, down 22% from 17,847.6 in 2000. As of 2004, a total of 225 companies were listed on the Warsaw Stock Exchange, which had a market capitalization of \$71.102 billion. In 2004 the WIG All Share Performance Index rose 27.9% from the previous year to 26,636.2.

**34 INSURANCE**

In 1948, all insurance other than social insurance was included in a centralized State Insurance Bureau, with the former reinsurance organization, Warta, continuing its activity. In 1994, Warta was privatized and was one of three major insurers who, together, controlled over 90% of Poland's insurance market. In 1999, 54 licensed insurance companies competed in the Polish market.

Insurance is dominated by a state concern, PZU, but a number of Western companies, including the United Kingdom's Commercial Union (CU), have been tempted into joint ventures in the life insurance end of this underdeveloped market. CU began its Polish operations in cooperation with the Wielkopolski Bank Kredytowy (WBK) bank. It sold around 130,000 policies in its first four years. PZU was privatized in 1999. In Poland, third-party auto liability, farmer's liability, fire insurance, workers' compensation, and nuclear liability are all compulsory. For 2003, the value of direct premiums written totaled \$6.258 billion, of which nonlife premiums accounted for \$3.946 billion. In 2003, Poland's top nonlife insurer

was PZU, while PZU Zycie was the nation's leading life insurer, with gross written nonlife and life insurance premiums of \$1.86 billion and \$1.32 billion, respectively.

**35 PUBLIC FINANCE**

The annual budget is presented to the Sejm in December and becomes effective for the fiscal year beginning on 1 January. A new set of economic reforms, announced in early 2002, aim to improve the country's investment climate and public finances. Privatization in the former Eastern bloc nation has been fairly successful, with approximately two-thirds of GDP now coming from the private sector. By the early 1990s, Poland was the first formerly planned economy in Eastern Europe to come out of recession and experience economic growth.

The US Central Intelligence Agency (CIA) estimated that in 2005 Poland's central government took in revenues of approximately \$52.7 billion and had expenditures of \$63.2 billion. Revenues minus expenditures totaled approximately -\$10.4 billion. Public debt in 2005 amounted to 47.3% of GDP. Total external debt was \$123.4 billion.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, central government revenues were z223.6 million and expenditures were z263.58 million. The value of revenues was us\$54.6 billion and expenditures us\$65.6 billion, based on a market exchange rate for 2001 of us\$1 = z4.0939 as reported by the IMF. Government outlays by function were as follows: general public services, 30.8%; defense, 3.4%; public order and safety, 3.3%; economic affairs, 4.5%; housing and community amenities, 2.0%; health, 0.8%; recreation, culture, and religion, 0.7%; education, 4.8%; and social protection, 51.5%.

**36 TAXATION**

Personal income tax in Poland in 2005 is progressively structured with a top rate of 40%, although under certain circumstances, an individual may opt to be taxed at a flat 19% rate on business income. Individuals realizing capital gains from the sale of land, a building, or dwelling not used for business purposes is subject to a 10% rate.

Poland has a general corporate profits tax rate of 19%. Capital gains and branch operations are each taxed at the corporate rate. Dividends and interest paid to residents and nonresidents are taxed at a flat 19% rate. Income from interest, fees and royalties are subject to a 20% withholding rate, unless other rates have been agreed to in bilateral tax treaties (BITs). Poland has BITs with at least 66 countries. In the BIT with the United States, withholding rates are 0% on interest income, 10% on income from royalties, and 5% on dividend income if the receiving company owns at least 10% of voting shares.

The main indirect tax is a system of value-added taxes (VATs). There are four VAT rates: 22% on most goods and some services; 7% on processed foodstuffs and construction materials; 3% on unprocessed foodstuffs; 0% on exported goods and services, and "VAT-exempt" applied to several groups of services, including financial services, insurance and health care. Excise taxes are charged on alcohol, cars, petrol, and tobacco products. There is also a civil transactions tax.

### **37 CUSTOMS AND DUTIES**

Poland uses the Harmonized System of Classification. Products are divided into three categories to determine which rate they receive: developing nations, WTO members, and countries with which Poland has a special trade relationship such as a bilateral preferential trade agreement. Under the terms of a 1992 agreement, Poland uses the EU Nomenclature System of Tariff classification and has granted duty-free status to over 1,000 line items from EU countries. Tariffs range from 0% to nearly 400%. In addition, all goods are subject to a 5% import tax, an excise tax on luxury items, and a VAT of 0%, 3%, 7%, or 22%, depending on the commodity. As a result of its efforts to join in the next round of EU expansion, Poland is bringing its trade regulations in line with EU standards.

### **38 FOREIGN INVESTMENT**

Prior to World War II, considerable foreign capital was invested in the Polish economy, particularly in petroleum and mining, which were mostly foreign owned. A nationalization decree in 1946 confiscated foreign properties and nationalized Poland's industries, eliminating foreign investments completely. The decree provided for no compensation procedures and foreign governments involved negotiated directly with Poland. The first joint venture with Western counterparts (one Austrian and one US company) was formed in early 1987 to build a new airport terminal in Warsaw. In mid-1991, there were 4,100 foreign registrations, worth \$506 million, and in 1993 another \$2 billion in foreign investment entered Poland. Among the industrial companies sold to Western interests were Polam-Pila (lightbulbs) to Phillips, Polkolor (TV sets) to Thomson, Pollena-Bydgoszcz (detergents) to Unilever, and Wedel (confectioneries) to Pepsico Foods.

In 1996–97, Poland continued to invite foreign investors to help the government turn some of its banks and oil, arms, and telecommunications companies over to the private sector. In October 1996 President Aleksander Kwasniewski stated that the government's campaign to shed costly state-owned enterprises had been successful, with the private sector now accounting for about 70% of the goods and services produced in the economy. Total foreign direct investment (FDI) reached nearly \$27.3 billion in 1998. FDI inflow in 1998 was \$6.3 billion, up from nearly \$5 billion in 1997, and increased to \$7.2 billion in 1999, undeterred by the effects of the Russian financial crisis. Annual FDI inflow peaked at over \$9.3 billion in 2000, having grown at an average rate of 44% a year since 1991 to 2000. Total FDI stock was over \$42 billion in 2000. In 2001 and 2002, the economic slowdown, and, particularly, the worldwide decline in foreign investments, helped reduce annual FDI inflows into Poland to \$8.3 billion in 2001 and to \$6.06 billion in 2002. Cumulative FDI as of 2002 was \$61.45 billion.

### **39 ECONOMIC DEVELOPMENT**

After World War II, the economy of Poland was centrally planned and almost completely under state control, especially in nonagricultural sectors. The nationalized industries and businesses operated within the national economic plan and were governed by the directives issued by the pertinent ministries. After 1963, however, centralized planning and management were somewhat relaxed, and state-owned enterprises gained more freedom in the design

and implementation of their programs. Private undertakings were confined to personal crafts and trades and agriculture.

Under the three-year plan for 1947–49, principal emphasis was placed on the reconstruction of war-devastated areas and industries, in order to raise production and living conditions at least to their prewar levels. Economic planning followed Soviet lines, setting production goals that determined tasks for each sector on a long-term basis. Under the six-year plan for 1950–55, the emphasis continued to be on heavy industry, and the housing, transport, agriculture, and consumer sectors lagged. The five-year plan for 1956–60, originally cast along the same lines, was modified after the 1956 disturbances. It called for a lessened rate of industrial expansion and for increases in agricultural output, housing, consumer goods, and social services. Under a long-range plan for 1961–75, which governed the three five-year plans falling within that period, emphasis was placed on a direct improvement in living standards. The first and second of these plans (1961–65 and 1966–70) were oriented toward investments intended (1) to develop the raw-material base of the country, especially the newly discovered resources of sulfur, copper, and lignite; (2) to secure employment opportunities for the rapidly growing population of working age; and (3) to improve Poland's international trade balance. The five-year plan for 1961–65 reached its industrial targets but fell short in the areas of agriculture and consumer goods. The period 1966–70 witnessed two poor agricultural years in addition to export lags, and there were shortages of basic food commodities in 1969–70.

In late 1970, violent protests erupted over the government's stepped-up efforts to increase production. After the change in political leadership from Gomulka to Gierek, government emphasis shifted from heavy industry to light, consumer-oriented production. In addition, through a concentration of investment in mechanization, fertilizers, and other farm improvements, the government sought and achieved a 50% increase in food production. Overall, the 1971–75 five-year plan achieved its main targets by a wide margin, with industrial production up about 73%. The 1976–80 plan, which aimed at a 50% increase in industrial production and a 16% increase in agricultural output, ran into difficulty almost from the beginning, and by 1979 the economy had entered a period of decline and dislocation that continued into 1982. An economic reform stressing decentralization of the economy was introduced in January 1982, but it failed to produce any significant improvements. With price rises and consumer goods shortages continuing to fuel popular discontent, the government in March 1983 announced a three-year austerity plan for 1983–85. Its aims included a general consolidation of the economy, self-sufficiency in food production, and increased emphasis on housing and the production of industrial consumer goods. By 1986, the economy had rebounded. The 1986–90 plan expected the national income to grow 3–3.5% annually, industrial output to increase by 3.2% each year, and exports to grow by 5% (in fixed prices) annually. These goals were not reached. A "second stage," proclaimed in 1986, called for more autonomy for individual enterprises and for more efficient management, with top jobs filled without regard to political affiliations.

The Economic Transformation Program adopted in January 1990 aimed to convert Poland from a planned to a market economy. Measures were aimed at drastically reducing the large budget

deficit, abolishing all trade monopolies, and selling many state-owned enterprises to private interests.

The slow pace of privatization picked up somewhat in 1995, as 512 smaller state enterprises were transferred to private National Investment Funds under the Mass Privatization Program, but large-scale industry remained largely under state control. However, the government subsequently made an attempt to privatize such large-scale sectors of the economy as banks and oil, arms, and telecommunications. Poland in the early 2000s was in the process of bringing its economic policies in line with EU standards. These policies promise even further liberalization and foreign investment into the Polish economy. Poland officially joined the EU in May 2004. In 2002, the government announced a new set of economic reforms, including improving the investment climate (particularly for small- and medium-sized enterprises), and improving the country's public finances to prepare the way for the adoption of the euro. Recently, the government has focused utilizing the EU funds to improve Poland's infrastructure.

#### 40 SOCIAL DEVELOPMENT

A social insurance institute administers social security programs through a network of branch offices, under the provision of new legislation passed in 1998 and implemented in 1999. Social security, including social insurance and medical care, covers virtually the entire population. Old age, disability, and survivors' pensions are provided, as well as family allowances, sickness benefits, maternity benefits, workers' compensation, and unemployment. The system is funded by contributions from employers and employees and government subsidies. In 2004 a revised universal system of family allowances funded by the government covers all residents.

The constitution establishes that all citizens are equal, regardless of gender, but discrimination persists. Women participate actively in the labor force, but are concentrated in low-paying professions and earn less than men on average. Also, women are more likely to be fired and less likely to be promoted than men. Violence against women and domestic abuse remain a widespread problem. The law does not provide restraining orders, and even convicted abusers generally go unpunished. As of 2004, there were not enough shelters for battered women. Sexual harassment in the workplace is slowly being addressed.

The Romani minority living in Poland faces discrimination by local authorities. Anti-Semitic harassment, vandalism, and violence persist. The judicial system is hampered by inefficiency and budget constraints, and there are marginal restrictions on freedoms of speech and press.

#### 41 HEALTH

As of 2004, there were an estimated 220 physicians, 490 nurses, and 30 dentists per 100,000 people. The same year, the total health care expenditure was estimated at 6.2% of GDP.

Poland's birth rate was an estimated 10.3 per 1,000 people as of 2002. Approximately 75% of married women (ages 15 to 49) used contraception. Poland immunized children up to one year old against tuberculosis, 94%; diphtheria, pertussis, and tetanus, 98%; polio, 96%; and measles, 97%.

Life expectancy in 2005 averaged 74.74 years and infant mortality was 7.36 per 1,000 live births. The general mortality rate was 10 per 1,000 people.

There were many cases of tuberculosis as part of the spread of the disease throughout much of Eastern Europe. The heart disease mortality rate for Polish men and women was below average for high development countries. The likelihood of dying after 65 of heart disease was 240 in 1,000 for men and 201 in 1,000 for women. The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 14,000 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

#### 42 HOUSING

Almost 40% of all urban dwelling space was destroyed during World War II. Although investment in public housing has increased, and credits have been assigned for cooperative and private construction, the housing shortage remained critical five decades later. The average wait for an apartment ranged from 10–15 years. In 1984 there were 10,253,000 dwelling units; an additional 193,000 dwelling units were constructed in 1985. In 2002, there were about 12.5 million dwelling units registered in the census serving about 13.3 million households; about 93.9% of these were occupied dwellings. About 67.6% of all dwellings were in urban areas. About 55.2% of all dwellings were owned by private individuals. The average number of persons per dwelling was 3.25. At least 76.2% of all dwellings were built after 1944. The housing deficit in 2002 was estimated at about 1,567,000; an estimated 6.5 million people were living in substandard housing.

#### 43 EDUCATION

Primary, secondary, and most university and other education is free. State and local expenditure on education is, therefore, substantial. Lower schools are financed by local budgets, higher and vocational schools from the state budget. As of 2003, public expenditure on education was estimated at 5.6% of GDP, or 12.8% of total government expenditures.

Since 1999, the school system, which is centralized, consists of an six-year primary school followed by a three-year lower secondary general education school. Students then have an option to enroll in a four-year technical school, a three-year upper secondary school, or a two- to three year vocational school. Vocational schools are attended by students studying technology, agriculture, forestry, economy, education, health services, and the arts. The academic year runs from October to June.

In 2001, about 49% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 98% of age-eligible students. The same year, secondary school enrollment was about 91% of age-eligible students. It is estimated that about 98.5% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 13:1 in 2003; the ratio for secondary school was about 14:1.

Higher learning is under the jurisdiction of the Ministry of Higher Education and other ministries. A matriculation examination, which is common for all students, is required for admission to institutions of higher learning. As of 2004, there were 128 state institutions of higher learning and 304 nonstate institutions. Jagiellonian University, among the oldest in Europe, was established at Cracow in 1364. Other prominent universities are the Warsaw University; the Central School of Planning and Statistics (War-

saw); the Higher Theater School (Warsaw); the Academy of Fine Arts (Cracow); and the Adam Mickiewicz University (Poznań). During the communist era the Roman Catholic University at Lublin was the only free private university in the Socialist bloc. Evening and extramural courses are available for anyone who is interested and is not a part of the school system. Foreign students are also welcome to study in Poland, either as regular students or at their summer schools. In 2003, about 60% of the tertiary age population were enrolled in some type of higher education program; 50% for men and 71% for women. The adult literacy rate for 2003 was estimated at about 99.8%.

As of 2003, public expenditure on education was estimated at 5.6% of GDP, or 12.8% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library, established in Warsaw in 1928, is the second-largest in Poland, with about 2.8 million items, including periodicals, manuscripts, maps, illustrations, and music. Other important libraries are the Public University and the government departmental libraries in Warsaw; Poland's largest library, the Jagiellonian University Library in Cracow, which has 3.5 million volumes; and the Ossolineum Library in Wroclaw. There are over 9,000 public libraries in the country. Lax security at Poland's libraries poses a challenge to the preservation of rare documents: in 1998, a scientific library in Cracow reported the theft of a rare book by Nicholas Copernicus, and in 1999, the Jagiellonian University Library reported the theft of an indeterminate number of rare manuscripts.

Of the more than 500 museums in Poland, the foremost is the National Museum in Warsaw, which has an extensive and important art collection as well as a collection of Polish art from the 12th century to present day. Other important museums are the National Museum in Cracow, notable for its collection of Far Eastern Art, and the National Museum in Poznań, which has a celebrated collection of musical instruments. Cracow also has an important collection of European decorative arts at the Wawel Royal Castle, housed in a 16th century manor house, and the Czartoryski Museum, a world-class collection of antiquities and contemporary artifacts including 35,000 prints, drawings, and paintings. Warsaw has dozens of museums, including the Center for Contemporary Art, founded in 1986, in Ujazdowski Castle; the Museum of Independence, founded in 1990, chronicling Poland's pivotal role in the collapse of the Soviet Empire; the Museum of Polish Emigration to America; the Frederick Chopin Museum, chronicling the life of one of the country's best-known composers; the Marie Curie Museum, housed at her birthplace; and the Museum of the Jewish Historical Institute.

#### 45 MEDIA

In 2003, there were an estimated 319 mainline telephones for every 1,000 people; about 500,000 people were on a waiting list for telephone service installation. The same year, there were approximately 451 mobile phones in use for every 1,000 people.

In 2004, the government-owned Polish Television (TVP) was the most widely viewed network with four channels accounting for about 54% of the broadcasting market share. The main privately held competitors were the TVN and Polsat networks. Cable television and various satellite services are available. As of 1998,

there were 14 AM and 777 FM radio stations. In 2003, there were an estimated 523 radios and 229 television sets for every 1,000 people. About 94 of every 1,000 people were cable subscribers. Also in 2003, there were 142 personal computers for every 1,000 people and 232 of every 1,000 people had access to the Internet. There were 565 secure Internet servers in the country in 2004.

The largest Polish daily newspapers, with circulation as noted, are: *Trybuna Slaska*, 800,000 in 2002; *Gazeta Wyborcza*, 558,000 in 2004; 460,000 (weekend edition in 2005); *Express Wieczorny*, 400,000 in 2002; *Zycie Warszawy*, *Express Ilustrowany*, 370,000; *Gazeta Poznanska*, 320,000 (weekend edition); *Gazeta Robotnicza*, 315,000; *Fakt*, 300,000 in 2003; *Czas Krakowski*, 260,000 in 2002 (weekend edition); *Nasz Dziennik*, 250,000 in 2005; *Sztandar Mlodych*, 250,000 in 2002; and *Rzeczpospolita*, 244,000 in 2004.

Though the constitution provides for free speech and a free press, there are some restrictions on these rights. The Penal Code prohibits speech which publicly insults or ridicules the Polish state or its principal organs; it also prohibits advocating discord or offending religious groups. Though the media are not censored, they may be subject to prosecution under these and other penal codes.

#### 46 ORGANIZATIONS

The Polish Chamber of Commerce and the Chamber of Foreign Trade promote foreign trade by furnishing information, establishing or extending commercial relations, and arranging for Polish participation in trade fairs, and exhibitions abroad. The most important worker's organization in Poland is Solidarity, founded in 1980 by Lech Welesa. There are a number of professional associations and trade unions representing a wide variety of occupations.

The P.E.N. Club-Poland is based in Warsaw. The Frederick Chopin Society is a multinational organization promoting the life and works of this Polish composer and pianist. Several professional associations, such as the Polish Medical Association, also serve to promote research and education in specific fields.

There are also many cultural, sports and social organizations in Poland. National youth organizations include the European Federalist Youth, Junior Chamber, Polish Students' Union, Polish Environmental Youth Movement, Union of Young Christian Democrats, The Polish Scouting and Guiding Association, and YMCA/YWCA. There are numerous sports associations promoting amateur competitions in a wide variety of sports for athletes of all ages. There are organizations affiliated with the Special Olympics and the Paralympic Committee, as well as the Olympic Committee.

National women's organizations include the Democratic Women's Union and the Polish Association of University Women. Other social action groups include the Helsinki Human Rights Foundation and Fundacja Stefana Batorego, a group which promotes a democratic and open society. There are national chapters of the Red Cross Society, Habitat for Humanity, UNICEF, and Amnesty International.

#### 47 TOURISM, TRAVEL, AND RECREATION

The main tourist attractions include the historic city of Cracow, which suffered little war damage; the resort towns of Zakopane, in the Tatras, and Sopot, on the Baltic; and the restored Old Town in Warsaw, as well as the capital's museums and Palace of Science



and Culture. Camping, hiking, and football (soccer) are among the most popular recreational activities.

Foreign visitors to Poland must have a valid passport. All visitors are required to carry a visa except citizens of over 30 nations including the United States and members of the European Union.

There were approximately 52 million visitors who arrived in Poland in 2003, about 99% of whom came from Europe. Hotel rooms numbered 68,588 with 134,323 beds and an occupancy rate of about 36%. The average length of stay was three nights. That year tourism receipts totaled \$4.7 billion.

In 2005, the US Department of State estimated the cost of staying in Warsaw at \$286 per day. Elsewhere in Poland, daily travel expenses were estimated to be between \$139 and \$221.

#### 48 FAMOUS POLES

Figures prominent in Polish history include Mieszko I (fl.10th century), who led Poland to Christianity; his son and successor, Boleslaw I ("the Brave," d.1025), the first king of sovereign Poland; Casimir III ("the Great," 1309–70), who sponsored domestic reforms; and John III Sobieski (1624–96), who led the Polish-German army that lifted the siege of Vienna in 1683 and repelled the Turkish invaders. Tadeusz Andrzej Bonawentura Kościuszko (1746–1817), trained as a military engineer, served with colonial forces during the American Revolution and then led a Polish rebellion against Russia in 1794; he was wounded, captured, and finally exiled. Kazimierz Pulaski (1747–79) fought and died in the American Revolution, and Haym Salomon (1740–85) helped to finance it. The reconstituted Polish state after World War I was led by Józef Pilsudski (1867–1935), who ruled as a dictator from 1926 until his death. Polish public life since World War II has been dominated by Wladyslaw Gomulka (1905–82), Edward Gierek (1913–2001), and Gen. Wojciech Jaruzelski (b.1923), Communist leaders, respectively, during 1956–70, during 1970–80, and after 1981. Important roles have also been played by Stefan Cardinal Wyszyński (1901–81), Roman Catholic primate of Poland, archbishop of Gniezno and Warsaw, and frequent adversary of the postwar Communist regime; Karol Wojtyła (1920–2005), archbishop of Cracow from 1963 until his elevation to the papacy as John Paul II in 1978; and Lech Walesa (b.1943), leader of the Solidarity movement during 1980–81, Nobel Peace Prize laureate in 1983, and President of Poland from 1990 to 1995.

The father of Polish literature is Nicholas Rey (1505–69), one of the earliest Polish writers to turn from Latin to the vernacular. Poland's golden age is marked by the beginning of literature in Polish; its greatest poet was Jan Kochanowski (1530–84). Notable among 19th-century poets and dramatists was Adam Mickiewicz (1798–1855), whose *The Books of the Polish Nation and of the Polish Pilgrimage*, *Pan Tadeusz*, and other works exerted a paramount influence on all future generations. Other leading literary figures were the poets and dramatists Juliusz Slowacki (1809–49) and Zygmunt Krasiński (1812–59), whose *Dawn* breathed an inspired patriotism. Józef Kraszewski (1812–87), prolific and patriotic prose writer, is considered the father of the Polish novel. The leading late-19th-century novelists were the realists Aleksander Glowacki (1847–1912), who wrote under the pseudonym of Boleslaw Prus, and Henryk Sienkiewicz (1846–1916), Poland's first Nobel Prize winner (1905), whose *The Trilogy* described the 17th-century wars of Poland; he is internationally famous for *Quo*

*Vadis*. Another Nobel Prize winner (1924) was the novelist Wladyslaw Reymont (1867–1925), acclaimed for *The Peasants*. A Pole who achieved stature as an English novelist was Joseph Conrad (Józef Teodor Konrad Korzeniowski, 1857–1924). Other important literary figures around the turn of the century were the playwright and painter Stanislaw Wyspiański (1869–1907), the novelist Stefan Zeromski (1864–1926), and the novelist Stanislaw Ignacy Witkiewicz (1885–1939). The best-known modern authors are novelist and short-story writer Isaac Bashevis Singer (1904–91), a Nobel Prize winner in 1978 and a US resident after 1935; the satirist Witold Gombrowicz (1904–69); science-fiction writer Stanislaw Lem (b.1921); the dissident novelist Jerzy Andrzejewski (1909–83); the poet Czeslaw Milosz (1911–2004), a Nobel Prize winner in 1980 and resident of the United States after 1960; and novelist Jerzy Kosinski (1933–91), who lived in the United States after 1957 and wrote in English.

The greatest Polish composer was Frédéric Chopin (1810–49), born in Warsaw, who lived in Paris after 1831. A popular composer was Stanislaw Moniuszko (1819–72), founder of the Polish national opera and composer of many songs; he influenced such later composers as Wladyslaw Zeleński (1837–1921), Zygmunt Noskowski (1846–1909), and Stanislaw Niewiadomski (1859–1936). Other prominent musicians include the pianist Ignacy Jan Paderewski (1860–1941), also his country's first prime minister following World War I; the great harpsichordist Wanda Landowska (1877–1959); the renowned pianist Arthur Rubinstein (1887–1982); the violinist Wanda Wilkomirska (b.1929); the conductor Stanislaw Skrowaczewski (b.1923); and the composers Mieczyslaw Karłowicz (1876–1909) and Karol Szymanowski (1883–1937). Witold Lutoslawski (1913–94) and Krzysztof Penderecki (b.1933) are internationally known contemporary composers.

The first Polish painters of European importance were Piotr Michalowski (1800–55) and Henryk Rodakowski (1823–94). In the second half of the 19th century, Polish realism reached its height in the historical paintings of Jan Matejko (1838–93), Artur Grottger (1837–67), Juliusz Kossak (1824–99), and Józef Brandt (1841–1915), as well as in genre painting and the landscapes of Wojciech Gerson (1831–1901), Józef Szermentowski (1833–76), Aleksander Kotsis (1836–77), Maksymilian Gierymski (1846–74), Aleksander Gierymski (1849–1901), and Józef Chelmoński (1849–1914). Feliks Topolski (1907–89), who lived in London after 1935, is well known for his oil paintings, watercolors, and drawings. Andrzej Wajda (b.1926), Roman Polański (b.1933), an expatriate since the mid-1960s, Krzysztof Zanussi (b.1939), and Krzysztof Kieślowski (1941–1996) are famous film directors, and Jerzy Grotowski (1933–1999) was a well-known stage director.

The outstanding scientist and scholar Nicolaus Copernicus (Mikolaj Kopernik, 1473–1543) is world renowned. Among Poland's brilliant scientists are Maria Sklodowska-Curie (1867–1934), a codiscoverer of radium and the recipient of two Nobel Prizes, and Casimir Funk (1884–1967), the discoverer of vitamins. Oskar Lange (1904–66) achieved renown as an economist.

**49 DEPENDENCIES**

Poland has no territories or colonies.

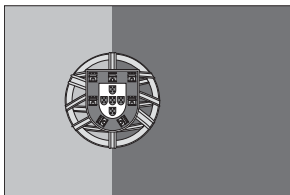
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# PORTUGAL

Portuguese Republic  
*República Portuguesa*



**CAPITAL:** Lisbon (Lisboa)

**FLAG:** The national flag, adopted in 1911, consists of a green field at the hoist and a larger red field. At the junction of the two, in yellow, red, blue, and white, is the national coat of arms.

**ANTHEM:** *A Portuguesa (The Portuguese)*.

**MONETARY UNIT:** The escudo (₣) was replaced by the euro as official currency as of 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Carnival Day, 15 February; Anniversary of the Revolution, 25 April; Labor Day, 1 May; National Day, 10 June; Assumption, 15 August; Republic Day, 5 October; All Saints' Day, 1 November; Independence Day, 1 December; Immaculate Conception, 8 December; Christmas, 25 December. Movable religious holidays include Carnival Day, Good Friday, and Corpus Christi.

**TIME:** GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

The westernmost country of Europe, Portugal occupies the greater portion of the western littoral of the Iberian Peninsula. Portugal has an area of 92,391 sq km (35,672 sq mi), including the Azores (Açores) Archipelago, and Madeira and Porto Santo. Comparatively, the area occupied by Portugal is slightly smaller than the state of Indiana. The mainland of Portugal extends 561 km (349 mi) N–S and 218 km (135 mi) E–W. Bordered on the N and E by Spain and on the S and W by the Atlantic Ocean, Portugal has a total boundary length of 3,007 km (1,868 mi), of which 1,793 km (1,114 mi) is coastline.

Portugal's capital city, Lisbon, is located on Portugal's west coast.

## <sup>2</sup> TOPOGRAPHY

Portugal exhibits sharp topographic contrasts. Although the north is largely lowland or land of medium altitude, the distribution of highlands is unequal north and south of the Tagus (Tejo) River. From north to south, the principal mountain ranges are the Peneda (reaching a maximum height of 1,416 m/4,646 ft), Gerês (1,507 m/4,944 ft), Marão (1,415 m/4,642 ft), Montemuro (1,382 m/4,534 ft), the Açor (1,340 m/4,396 ft), and Lousã (1,204 m/3,950 ft), all north of the Tagus. The uplands of Beira, traversed by the Tagus on its way to the sea, contain Portugal's highest peak, Estrêla (1,991 m/6,532 ft). Westward lies the low coast of the Beira Littoral. The Tagus and Sado basins lie adjacent to the hilly area of Estremadura and rise to the hills of Alentejo on the east.

The interior lowland of lower Alentejo, farther south, is limited by the hills of Algarve. The south coast, from the mouth of the Guadiana to Cape St. Vincent, is mainly steep, but northward from Cape St. Vincent to the Tagus, including the great Bay of Setúbal and the estuary of the Tagus, the coast is low. North of the

Tagus, it rises steeply toward the hills of Sintra, beyond which is a low coast of dunes interrupted by the marshes of Aveiro. Beyond the mouth of the Douro River, the coast is steep all the way to the Spanish frontier and the mouth of the Minho River. The larger rivers—the Minho, the Douro, the Tagus, and the Guadiana—all rise in Spain. The Douro has the longest course in Portugal (322 km/200 mi).

Portugal is located on the Eurasian Tectonic Plate near its southern boundary with the African plate. The region is seismically active, but fortunately, most earthquakes within the last century have been fairly moderate and were primarily centered in the northern part of the country. One of the most destructive earthquakes in history occurred in Lisbon on 1 November 1755 when an 8.7 magnitude earthquake was felt throughout the country and triggered a tsunami. The destruction from these events caused the deaths of about 70,000 people.

## <sup>3</sup> CLIMATE

Marked seasonal and regional variations within temperate limits characterize the climate. In the north, an oceanic climate prevails: cool summers and rainy winters (average rainfall 125–150 cm/50–60 in annually), with occasional snowfall. Central Portugal has hot summers and cool, rainy winters, with 50–75 cm (20–30 in) average annual rainfall. The southern climate is very dry, with rainfall not exceeding 50 cm (20 in) along the coast. In Lisbon, the average temperature is about 24°C (75°F) in July and 4°C (39°F) in January. The annual mean temperature in Portugal is 16°C (61°F).

## <sup>4</sup> FLORA AND FAUNA

Three types of vegetation can be distinguished in Portugal: the green forests of eucalyptus, pine, and chestnut in the north; the open dry grasslands, interrupted by stands of cork and other types

of evergreen oak, in the central areas; and the dry, almost steppe-like grasslands and evergreen brush in the south. Few wild animals remain in Portugal. The coastal waters abound with fish, sardines and tuna being among the most common species. As of 2002, there were at least 63 species of mammals, 235 species of birds, and over 5,000 species of plants throughout the country.

## 5 ENVIRONMENT

Air and water pollution are significant environmental problems especially in Portugal's urban centers. Industrial pollutants include nitrous oxide, sulfur dioxides, and carbon emissions. In 1996, industrial carbon dioxide emissions totaled 47.9 million metric tons. In 2000, the total of carbon dioxide emissions was at 59.8 million metric tons.

The nation's water supply, especially in coastal areas, is threatened by pollutants from the oil and cellulose industries. Portugal has 38 cu km of renewable water, of which 48% of the annual withdrawal is used to support farming and 37% is for industrial activity. The nation's wildlife and agricultural activities are threatened by erosion and desertification of the land. The principal environmental agencies in Portugal include the Ministry of Quality of Life and the Office of the Secretary of State for the Environment. The nation's basic environmental legislation dates from 1976.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 15 types of mammals, 15 species of birds, 1 type of reptile, 20 species of fish, 67 types of mollusks, 15 species of other invertebrates, and 15 species of plants. Threatened species in Portugal include the Spanish Lynx, rosalia, Mediterranean monk seal, and Spanish imperial eagle. The São Miguel bullfinch and three species of turtle (green sea, hawksbill, and leatherback) were endangered in the Azores. The Mediterranean monk seal and four species of turtle (green sea, hawksbill, Kemp's ridley, and leatherback) were endangered in Madeira. The Madeiran land snail and the Canarian black oyster catcher have become extinct.

## 6 POPULATION

The population of Portugal in 2005 was estimated by the United Nations (UN) at 10,576,000, which placed it at number 76 in population among the 193 nations of the world. In 2005, approximately 17% of the population was over 65 years of age, with another 16% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be stagnant at 0.0%, a rate the government viewed as too low. The projected population for the year 2025 was 10,356,000. The overall population density was 115 per sq km (298 per sq mi), with approximately two-thirds of the population living in coastal areas.

The UN estimated that 53% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.93%. The capital city, Lisbon (Lisboa), had a population of 1,962,000 in that year. Porto, the next largest city, had a metropolitan population of 1,551,950. These two metropolitan areas account for most of the urban dwellers in the country.

## 7 MIGRATION

Portuguese emigration, which decreased from an annual average of 48,000 persons during the decade 1904–13 to 37,562 in 1961,

increased sharply after 1963 as a result of acute labor shortages in other European countries, especially in France and the Federal Republic of Germany (FRG). By 1970, it was estimated that more than 100,000 Portuguese were emigrating yearly. Legal emigration to the FRG continued to increase until November 1973, when the FRG suspended non-EC immigration. Overall, more than 130,000 Portuguese emigrated in 1973. Because of the loss of Portugal's African colonies in 1975, an estimated 800,000 Portuguese settlers returned to Portugal. Since then at least 25,000 generally return from abroad each year, mostly from other European countries or America. As of 1989, some 4,000,000 Portuguese were living abroad, mainly in France, Germany, Brazil, South Africa, Canada, Venezuela, and the United States. In 2003, remittances home came to \$2.8 billion.

In 2001, Portugal introduced major innovations to its immigration law, together with multiple and flexible visa arrangements, duties were clarified and the legalization process streamlined. Children born to immigrants living in the country legally for at least six years would automatically be granted citizenship. In 2003, Ukrainians displaced Brazilians as the dominant nationality. There were 466,000 legal migrants at the end of 2004, including 52,037 Africans. In 2004, there were a total of 377 refugees and no asylum applications were filed. In 1999 the net migration rate was -1.51 migrants per 1,000 population; by 2005 it was an estimated 3.49 per 1,000 population.

## 8 ETHNIC GROUPS

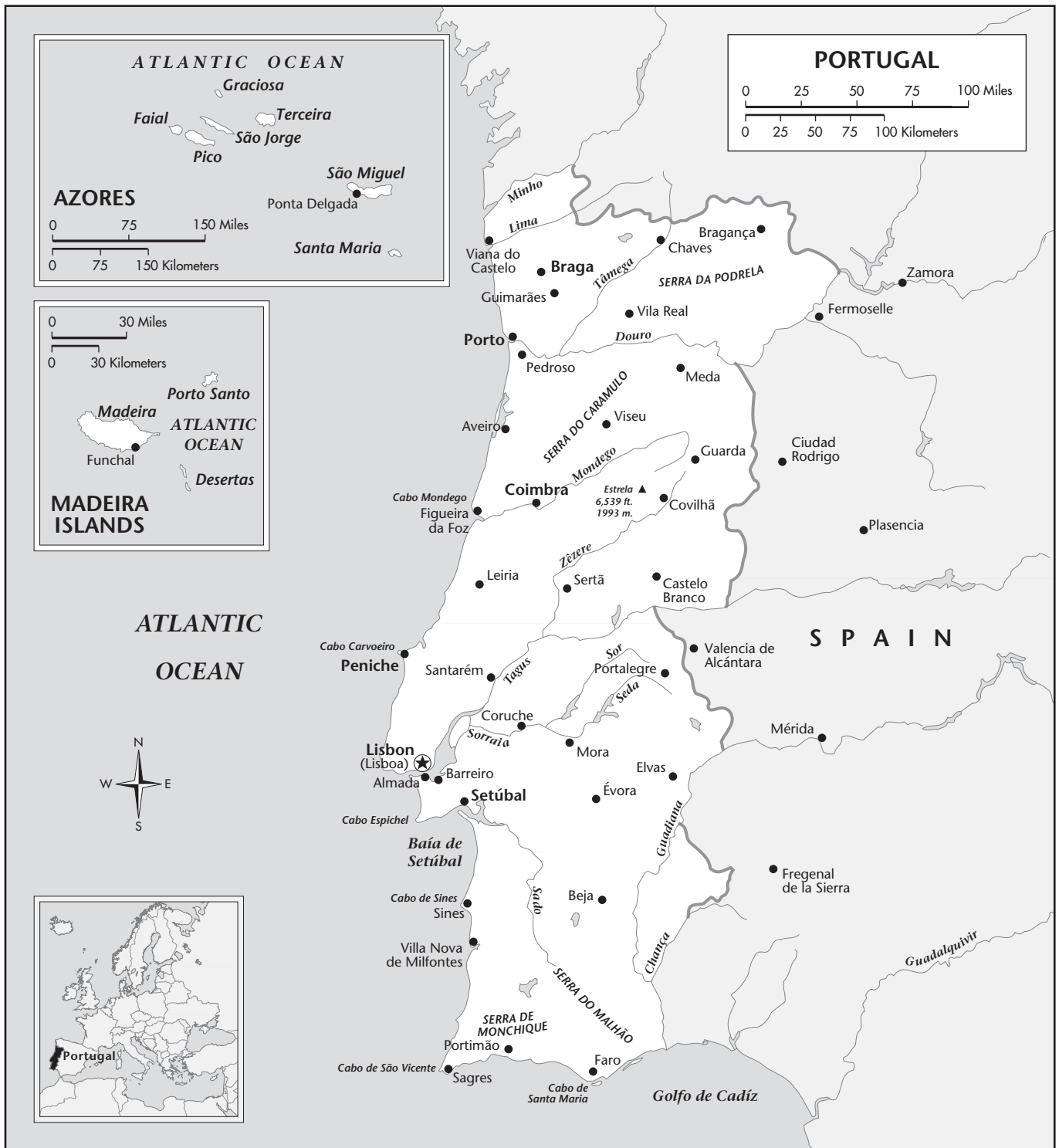
The Portuguese people represent a mixture of various ethnic strains. In the north are traces of Celtic influence; in the south, Arab and Berber influence is considerable. Other groups—Lusitanians, Phoenicians, Carthaginians, Romans, Visigoths, and Jews—also left their mark on the Portuguese people. The present-day Portuguese population is one of the most homogeneous in Europe. Minority groups are primarily made up of immigrants, both legal and illegal, from Brazil, African colonies, and Eastern Europe. Legal immigrants account for about 5% of the total population. There are about 50,000 Roma in the country.

## 9 LANGUAGES

Portuguese, the national language, evolved from ancient dialects of Latin; its rules of orthography were reformulated in 1911. Portuguese is also the official language of Brazil and the former African provinces. Mirandese is a second official language, but is not as widely used. Spanish, French, and English are the most common second languages.

## 10 RELIGIONS

According to 2004 reports, about 80% of the population aged 12 or older identified themselves as Roman Catholic; though many claimed that they are not active participants in the church. Protestants constituted about 4% of the populace; and various other groups made up about 1%. Nearly 3% claimed no religious affiliation. Christian groups include Seventh-Day Adventists, the Church of Jesus Christ of Latter-day Saints, Orthodox Christians, and Brazilian syncretic Catholic churches. There are about 35,000 Muslims, 700 Jews, and small groups of Buddhists, Taoists, and Zoroastrians. About 7,000 people are Hindus. There are also congregations of the Igreja Universal do Reino de Deus (the Universal



LOCATION: 36°57'39" to 42°9'8" N; 6°11'10" to 9°29'45" W. BOUNDARY LENGTHS: Spain, 1,214 kilometers (755 miles); Atlantic coastline, 1,793 kilometers (1,113 miles). TERRITORIAL SEA LIMIT: 12 miles.

Church of the Kingdom of God), which originated in Brazil. The Church of Scientology claims to have about 200 active members.

In 2001, a new law on religious freedom was passed to extend to minority religions more of the privileges previously granted only to the Roman Catholic Church. The Catholic Church has, however, maintained a special status with the government through

a 1940 concordat which was amended in 2004. Certain Catholic holidays are recognized as national holidays.

### 11 TRANSPORTATION

The Portuguese railways are almost entirely owned and operated by the state-owned Portuguese Railway Company. As of 2004,

the railway system, which is adequate for Portugal's needs, totals 2,850 km (1,771 mi) of broad and narrow gauge track. Of that total, broad gauge accounts for 2,576 km (1,602 mi), of which 623 km (387 mi) have been electrified.

The length of usable highways in 2002 was 17,135 km (10,657 mi), of which 14,736 km (9,165 mi) were paved, including 1,659 km (1,031 mi) of expressways. The principal highways connect Lisbon and Porto with La Coruña in Spain, and Lisbon with Madrid via Badajoz. Bus service links all Portuguese cities, towns, and principal villages. In 2003 there were 5,241,100 motor vehicles registered in continental Portugal, including 3,966,000 passenger cars, and 1,275,100 commercial vehicles.

As of 2005, the Portuguese merchant fleet had 114 oceangoing vessels of 1,000 GRT or more, totaling 872,557 GRT. The main shipping firm is the Portuguese Maritime Transport Co., created after the private shipping companies were nationalized in 1975. It maintains scheduled services to the Azores, Madeira, Macao, and the former overseas territories in Africa. There is also regular service to Brazil and North America. The chief ports—Lisbon (the largest), Porto, Ponta Delgada, and Sines—are all fully equipped and have adequate warehousing facilities. Portugal has created a captive register of convenience on Madeira for Portuguese-owned ships, allowing for taxation and crewing benefits. As of 2003, Portugal's internal waterway system consisted of a 210 km (130 mi) stretch on the Douro River from Porto.

In 2004, Portugal had an estimated 65 airports, 42 of which had paved runways as of 2005. Because of their geographical position, Lisbon's Portela Airport and Santa Maria in the Azores are of great importance in international aviation. Portela is one of the principal airports for overseas flights to North and South America and to western and central Africa; Santa Maria is a stopping point for transoceanic flights from Europe to North America. The most important aviation company in Portugal is Transportes Aereos Portugueses (TAP), which was nationalized in 1975. In 2003, about 7.590 million passengers were carried on domestic and international scheduled flights.

## 12 HISTORY

Portugal derives its name from ancient *Portus Cale* (now Porto), at the mouth of the Douro River, where the Portuguese monarchy began. The country's early history is indistinguishable from that of the other Iberian peoples. Lusitanians were successively overrun by Celts, Romans, Visigoths, and Moors (711). In 1094, Henry of Burgundy was given the county of Portugal by the king of Castile and León for his success against the Moors; his son, Alfonso I (Alfonso Henriques), became king and achieved independence for Portugal in 1143, beginning the Burgundy dynasty. By the mid-13th century, the present boundaries of Portugal were established, and Lisbon became the capital.

During the reign of King John (João) I, the founder of the powerful Aviz dynasty and husband of the English princess Philippa of Lancaster, the Portuguese defeated the Spanish in a war over the throne (1385), established a political alliance with England (by the Treaty of Windsor in 1386) that has endured to the present day, and inaugurated their most brilliant era. Prince Henry the Navigator (Henrique o Navegador), a son of John I, founded a nautical school at Sagres, where he gathered the world's best navigators, cosmographers, geographers, and astronomers and commenced a

series of voyages and explorations that culminated in the formation of the Portuguese Empire. In the 15th and 16th centuries, the golden age of Portugal, Portuguese explorers sailed most of the world's seas; made the European discovery of the Cape of Good Hope, Brazil, and Labrador; founded Portugal's overseas provinces in western and eastern Africa, India, Southeast Asia, and Brazil; and poured the vast riches of the empire into the homeland. In 1580–81, Philip II of Spain, claiming the throne, conquered Portugal and acquired its empire, but national sovereignty was restored by the revolution of 1640 and the accession of John IV, founder of the Bragança dynasty, to the Portuguese throne. John IV ushered in Portugal's silver age, the 17th and 18th centuries, when the wealth of Brazil once more made Lisbon one of the most brilliant of European capitals. The city was largely destroyed by a great earthquake in 1755 but was subsequently rebuilt. During the Napoleonic wars, Portugal, faithful to its British alliance, was the base of British operations against the French in the Iberian Peninsula. The royal family, however, withdrew to Brazil, and from 1807 to 1821, Rio de Janeiro was the seat of the Portuguese monarchy. In 1822, Brazil, ruled by Pedro, the son of King John VI of Portugal, formally declared its independence; Pedro became Emperor Pedro I of Brazil but was deposed in 1831.

The Bragança dynasty, which had ruled Portugal since 1640, came to an end with the revolution of 1910, when the monarchy was replaced by a republican regime. Lack of stability under the new republic led to a military dictatorship in 1926. Marshal António Carmona served as president from 1926 to 1951. António de Oliveira Salazar, brought to the government in 1928 as minister of finance, emerged as Portugal's prime minister in 1932. In 1933, Salazar proclaimed a new constitution, which consolidated his regime and established Portugal as a corporative state. During World War II, Portugal supported the Allies but did not take part in combat; it subsequently became a member of NATO.

Despite its reduced status as a European power, Portugal attempted to maintain its overseas empire, especially its resource-rich African provinces. In 1961, Portugal surrendered Goa, Daman, and Diu to India. In the same year, uprisings in Angola began, organized by the Union of Angolan Peoples in protest against Portugal's oppressive policies in the territory. These uprisings led to serious disagreements between the UN and Portugal; following Portugal's refusal to heed its recommendations for liberalization of policies with a view toward eventual self-government, the UN General Assembly passed a resolution in 1965 calling for a worldwide economic and arms boycott of Portugal in order to force it to grant independence to its African dependencies. Subsequently, the Assembly passed a number of resolutions condemning Portugal for its policies in its African territories. Meanwhile, guerrilla movements in Angola, Mozambique, and Guinea-Bissau were met by a steadily increasing commitment of Portuguese troops and supplies.

Salazar, who served as prime minister of Portugal from 1932 to 1968, died in July 1970 at the age of 81. When he was incapacitated in September 1968, he was succeeded by Marcello Caetano. The unwillingness of the Caetano regime to institute democratic and economic reforms, coupled with growing discontent over the continuance of the ever more costly colonial war in Africa, led to a military coup by the left-wing Armed Forces Movement in April 1974. Broad democratic liberties were immediately granted and

opposition political parties legalized, while the corporate state apparatus was gradually dismantled. A decolonization program was also begun, resulting by November 1975 in the independence of all of Portugal's African provinces.

The first provisional coalition government came to power in May 1974, with Gen. António Sebastião Ribeiro de Spínola, whose book *Portugal and the Future* had played a key role in focusing antiwar sentiment among the military, as president. In September 1974, after a power struggle with the leftist forces, Gen. Spínola resigned and was replaced by Gen. Francisco da Costa Gomes. Following an unsuccessful right-wing coup attempt in March 1975, Gen. Spínola was forced to flee the country, along with a number of officers. The continued dissension between right and left—and between Communist and Socialist factions on the left—was evidenced by the numerous provisional governments that followed the coup. In April 1975, general elections were held for a Constituent Assembly, whose task was to draw up a new constitution. Legislative elections were held in April 1976 and presidential elections in June. Gen. António dos Santos Ramalho Eanes was elected president, and the leader of the Portuguese Socialist Party, Mário Alberto Nobre Lopes Soares, became prime minister. Mainly as a result of policy differences within the governing coalition, this administration fell in July 1978 and was replaced by a caretaker cabinet.

After a succession of different coalitions, the Socialist Party won a 35% plurality in the parliamentary elections of April 1983, and Soares was again named prime minister, forming a coalition government with the center-right Social Democratic Party (Partido Social Democratico—PSD). Political turbulence increased after the election, and in 1984, urban terrorism appeared. In the following year, Portugal entered the EC, boosting the economy. Political instability continued, however, and a general election was called in October 1985. The vote brought the PSD to power with a slim plurality; Prof. Aníbal Cavaço Silva was able to form a minority government. In 1986, four candidates ran for president; none was able to win a majority, and in the ensuing runoff election, former Prime Minister Soares won a narrow victory to become the nation's first civilian president in 60 years. In 1987, the government lost a vote of confidence, and Soares called a general election; the PSD under Silva won a majority in the Assembly, achieving the first such government since democracy was restored in 1974.

The PSD was returned to power in 1991 and Mário Soares was reelected president for a second five-year term on 13 January 1991. Economic recession, government deficits, and regional development initiatives were major concerns in the 1990s.

Following the success of the Socialist Party (Partido Socialista—PS) in the legislative elections held in October 1995, Socialist Jorge Sampaio defeated Silva to succeed Soares as president on 14 January 1996. (Sampaio won reelection for a second five-year term in January 2001.) Antonio Guterres was reappointed prime minister. The goal of the Guterres government was to prepare Portugal for entry into the European economic and monetary union. Successive austerity measures were legislated, with the support of the center-right PSD, to guarantee Portugal's participation in the euro zone (this took place in 1999). The socialist government at the same time presided over a remarkable economic recovery after 1996. Thanks to strong economic growth and a real drop in unemployment, the PS retained power after the 10 October 1999 As-

sembly elections. Its program for the succeeding four years was to speed up Portugal's economic and bureaucratic modernization in order to attract investment and promote export-led growth.

The Socialist government's ability to manage a slowing economy deteriorated in Guterres' second term, and the PS suffered a major defeat in local elections held in December 2001. Guterres resigned, and early elections were held in March 2002. They resulted in a change in government, with the center-right PSD forming a coalition with the conservative Popular Party. PSD leader José Manuel Durão Barroso was named prime minister. Durão Barroso experienced his own troubles with the economy, as Portugal headed into a recession at the end of 2002 and into 2003. Portugal's economy was forecast to grow by 0.4% in 2003, the worst performance in the euro currency zone. As well, Portugal's budget deficit in 2002 was far above the 3% of GDP limit established by the EU's Growth and Stability Pact, putting it in jeopardy of punitive sanctions from the EU. In 2005, GDP growth was forecast at just 0.5%, and the budget deficit was 6.8% of GDP.

Portugal's overseas possession, Macau, was turned over to Chinese administration on 20 December 1999. Portugal supported independence for its former colony of East Timor; this was achieved in May 2002. Portugal took steps to normalize relations with Indonesia following the independence of East Timor.

Barroso supported the United States in its war in Iraq which began in 2003. The prime minister faced criticism from within parliament and among the Portuguese electorate for his stance. In July 2004, Barroso resigned as prime minister to become president of the European Commission. Pedro Santana Lopes, his successor as leader of the PSD, formed a new government. Four months into Lopes's government, President Sampaio called for early elections amidst growing public dissent over the center-right government's inability to tackle the country's economic problems. The general elections were held in February 2005; the Socialists swept to victory and José Sócrates became prime minister. The Socialists secured their first absolute majority in parliament since democracy returned to Portugal in 1974. Sócrates said his primary objective would be to boost the economy by investing in training and technology. His government had to face the task of bringing the budget deficit under control and putting a stop to rising unemployment.

The government declared a national calamity in August 2003 as forest fires swept across vast areas of woodlands; an area the size of Luxembourg was lost to the fires. At least 18 people were killed, and the damages were estimated at €1 billion. Portugal was plagued by deadly wildfires once again in August 2005. They were said to be the worst in recent times. Portugal appealed to the EU for emergency financial aid to cover the costs to farmers of lost harvests in the wake of the fires.

Presidential elections were held on 22 January 2006. Social Democratic Party candidate and former Prime Minister Aníbal Cavaco Silva won with 50.54% of the vote. Independent candidate Manuel Alegre Duarte came in second with 20.74% of the vote.

### 13 GOVERNMENT

A constitution made public on 9 April 1975 and effective 25 April 1976 stipulated that the Armed Forces Movement would maintain governmental responsibilities as the guarantor of democracy and defined Portugal as a republic "engaged in the formation of a classless society." The document provided for a strong, popularly elect-

ed president, empowered to appoint the prime minister and cabinet. This constitution was substantially revised in 1982 and later in 1989; the most important new provisions were the elimination of the military Council of the Revolution and the limitation of presidential power. The new government system is parliamentary.

According to the constitution as amended (further amendments were added in 1992, to accommodate the Maastricht Treaty on European Union; in 1997, to allow referendums; and in 2001, to facilitate extradition), the president is elected by popular vote for a five-year term. The president appoints the prime minister and, at the prime minister's proposal, a Council of Ministers. A Council of State advises the president. The main lawmaking body is the unicameral Assembly of the Republic, the 230 members of which are directly elected to four-year terms, subject to dissolution. Suffrage is universal from age 18.

## 14 POLITICAL PARTIES

Under the Salazar regime, although the constitution did not prohibit political activity, the National Union (União Nacional) was the only political party represented in the legislature. Candidates of the old Center parties, which had been active prior to 1926–28, were allowed to participate in national elections starting in 1932, although none were ever elected.

After the 1974 revolution, several right-wing parties were banned, and various left-wing parties that had functioned underground or in exile were recognized. Among these was the Portuguese Communist Party (Partido Comunista Português—PCP), which was founded in 1921 and is Portugal's oldest political party. It is especially strong among industrial workers and southern farm workers. The government also recognized the Portuguese Socialist Party (Partido Socialista Português—PSP), founded in exile in 1973, and the Popular Democratic Party (Partido Popular Democrático—PPD), formed during the Caetano regime; both the PSP and the PPD favored the establishment of a Western European-style social democracy. Tied to the policies of the Caetano regime was the Social Democratic Center (Centro Democrático Social—CDS), founded in 1974, which held its first conference in January 1975 and became a target for left-wing disruptions. In June 1976, Gen. António Ramalho Eanes, the army chief of staff, who was supported by the major non-communist parties, won election as Portugal's first president.

In 1979, the right-of-center Democratic Alliance (Aliança Democrática—AD) was formed by the Social Democratic Party (Partido Social Democrático—PSD), founded in 1974; the CDS; and the People's Monarchist Party (Partido Popular Monárquico—PPM). The leftist United People's Alliance (Aliança Povo Unido), also formed in 1979, included the People's Democratic Movement (Movimento Democrático Popular—MDP), dating from 1969, and the PCP.

The Republican and Socialist Front (Frente Republicana e Socialista—FRS), formed in 1980, consists of the PSP, the Union of the Socialist and Democratic Left (União da Esquerda Socialista Democrática—UESD), founded in 1978, and Social Democratic Independent Action (Acção Social Democrata Independente—ASDI), founded in 1980. The People's Democratic Union (União Democrática Popular—UDP), dating from 1974, comprises political groups of the revolutionary left.

In October 1985, former President Eanes's centrist Democratic Renewal Party (Partido Renovador Democrático—PRD) entered the ballot for the first time, taking 18% of the vote. In 1991, the seats were distributed as follows: PSO, 135; PSP, 72; CDU, 17; Center Democrats, 5; National Solidarity, 1. The latter was formed in 1990 to address the needs of pensioners.

In the legislative elections of 10 October 1999, the seats were distributed as follows: PS, 114; PSD, 83; CDU, 17; CDS/PP, 15, and Left Bloc, 2. Antonio Manuel de Oliveira Guterres was reappointed prime minister. The first PS victory in October 1995 carried through to the presidential elections of 14 January 1996, when Jorge Sampaio was elected president, with 53.8% of the vote to Aníbal Silva's 46.2%.

Guterres ruled during a downturn in the global economy in his second term, and in December 2001 he resigned following a defeat for the PS in municipal elections. The PSD, led by José Manuel Durão Barroso, won 40.1% of the vote and took 105 seats in parliament in the 17 March 2002 elections, to the PS's 37.9% and 96 seats. The Popular Party (PP) won 8.8% of the vote and secured 14 seats; the PSD formed a coalition government with the PP. Also winning seats were the CDU (Unitarian Democratic Coalition, comprised of the Portuguese Communist Party and the Greens), 7% of the vote and 12 seats; and the Left Bloc (BE—comprised of the communist Democratic People's Union, the Revolutionary Socialist Party, and the extreme left party Politics XXI), 2.8% of the vote and 3 seats.

Sampaio called for early legislative elections in December 2004 because he lacked confidence in the governing center-right government of Pedro Santana Lopes (who became prime minister in July 2004 after Barroso stepped down to become president of the European Commission). The elections were held in February 2005. The results were as follows: PS, 45.1% of the vote (121 seats); PSD, 28.7% (75 seats); CDU, 7.6% (14 seats); PP, 7.3% (12 seats); BE, 6.4% (8 seats). The next elections were scheduled for February 2009.

## 15 LOCAL GOVERNMENT

Portugal is grouped into districts, including 18 on the mainland and the autonomous regions of the Azores and Madeira islands. Each district has a governor, appointed by the minister of the interior, and an assembly. There are more than 300 municipalities, subdivided into parishes.

## 16 JUDICIAL SYSTEM

Justice is administered by ordinary and special courts, including a Constitutional Tribunal; the Supreme Court of Justice in Lisbon, consisting of a president and some 60 judges; five courts of appeal, at Lisbon, Porto, Coimbra, Évora and Guimarães; courts of first instance in every district; and special courts. The jury system was reintroduced in 1976, but it is used only when requested by either the prosecutor or the defendant.

The judiciary is independent and impartial. Citizens enjoy a wide range of protections of fundamental civil and political rights which are outlined in the constitution with specific reference to the Universal Declaration of Human Rights. An Ombudsman, elected by the Assembly of the Republic (legislature) to a four-year term, serves as the nation's chief civil and human rights officer.



The legal system is based on the civil law system. Portugal accepts compulsory jurisdiction of the International Court of Justice with reservations.

## 17 ARMED FORCES

As of 2005, the total armed forces of Portugal numbered 44,900 active personnel. Reservists numbered 210,930 for all services. The army had 26,700 personnel, with equipment that included 187 main battle tanks, 40 reconnaissance vehicles, 353 armored personnel carriers, and over 350 artillery pieces. The navy had 10,950 active members, including 1,980 marines. The navy operated two tactical submarines, six frigates, and 29 patrol/coastal vessels. The air force had 7,250 active personnel and was equipped with 50 combat capable aircraft, including 19 fighters, two reconnaissance and six maritime patrol aircraft. Paramilitary police and republican guards numbered 47,700. The United States maintains a military presence with 1,008 personnel. Armed forces personnel are deployed to eight different countries either in a support role or as part of UN, European Union or NATO missions. The 2005 defense budget totaled \$2.43 billion.

## 18 INTERNATIONAL COOPERATION

Portugal joined the United Nations on 14 December 1955 and participates in ECE and several nonregional specialized agencies, such as the FAO, IAEA, the World Bank, ILO, UNESCO, UNIDO, and the WHO. The nation is one of the 12 original signatories to NATO. Portugal is a member of the WTO, the OECD, the African Development Bank, the Asian Development Bank, the Council of Europe, the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, the OSCE, and the Western European Union. Portugal joined the European Union in 1986. It also has observer status in the OAS and the Latin American Integration Association (LAIA).

Portugal has offered support to UN missions and operations in Kosovo (est. 1999), East Timor (est. 2002), and Burundi (est. 2004).

Portugal belongs to the Australia Group, the Zangger Committee, the European Organization for Nuclear Research (CERN), the Nuclear Suppliers Group (London Group), the Nuclear Energy Agency, and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, Portugal is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the London Convention, International Tropical Timber Agreements, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Manufacturing and construction together accounted for 30.2% of Portugal's GDP in 2004. The largest industries are clothing, textiles, and footwear; food processing; wood pulp, paper, and cork; metal working; oil refining; chemicals; fish canning; wine; and tourism. Agriculture, forestry, hunting and fishing employs about 12.5% of the work force (down from 26.2% in 1971) but contributed about 5.9% of the GDP in 2004. The percent of the labor force in services rose from 39% in 1971 to 52.4% in 2000, accounting for about 63.9% of GDP in 2004. Traditionally, productivity has been hampered by low investment and a lack of machinery and fertil-

izers. The economy experienced robust growth after 1993, however, primarily due to increased investment and domestic consumption, both in turn traceable to advantages Portugal gained through its entry into the European Community in 1986. In 1986, Portuguese income was about 52% of the EU average; by 2002, GDP per capita on a purchasing power parity basis had risen to over 70% of the EU average. In 2005, it was expected to be 65.1%. Economic growth, which had been above the EU average for most of the 1990s, fell back during 2001–04.

From the end of 1973 through 1983, the energy crisis and insufficient liquidity jeopardized economic growth, which dropped still further following the overthrow of the Caetano regime in April 1974. GNP growth in 1974 fell to 2.3% from 8.1% in the previous year. The decline was caused by a sharp drop in new offers of investment and credit from abroad (investors feared rising Communist influence and government takeovers of private firms), coupled with a decline in tourism and a massive increase in unemployment primarily resulting from the return of Portuguese settlers and soldiers from newly independent Angola. During the late 1970s, Portugal adopted an austerity program and succeeded in lowering inflation to 16.6% and increasing GDP growth to 5.5% in 1980. However, adverse interest and exchange rates and a severe drought during 1980–81 resulted in a resurgence of inflation (an estimated 22.5% in 1982) and sluggish economic growth (1.7% in 1981 and 2% in 1982).

In mid-1983, the Soares government implemented an IMF stabilization plan of drastic internal tightening, which brought steady economic improvement. The persistent current account deficits ended in 1985, partially as a result of the decline in world oil prices and entry into the EC. The Silva government's economic liberalization emphasized competitiveness and accountability. From 1987 to 1999 Portugal was the net recipient of financial inflow from the EU of about \$27 billion, most disbursed through the European Regional Development Fund. The money was spent on infrastructural improvements, most notably the highway system. With the accession into the EU of 10 new central and east European countries in 2004, Portugal lost its historic competitive advantage in Europe due to low labor costs in the new EU members.

Through the 1990s, until the beginning of 2001, Portugal enjoyed strong economic growth generally above the EU average. The economy grew 4.2% in 1998, at 3.1% in 1999, and at 3.3% in 2000. Unemployment was at 5% in 1998, but dropped to 4.5% in 1999 and then to 4% in 2000. Even as growth slowed to 2.2% in 2001, unemployment in Portugal remained below most of its neighbors, at 4.2%. In 2002, growth slowed to 0.4% and unemployment increased to 5.05%. Inflation in Portugal has been moderate but growing, increasing from 2.4% in 1998 to 4.6% in 2000. Consumer prices rose 4.4% in 2001 and about 3.7% in 2002. The Socialist government pledged its dedication both to meeting the Maastricht monetary convergence criteria and to increasing social spending, including provision of a guaranteed minimum income. This policy bore fruit when Portugal qualified for the first round of entry into the Economic and Monetary Union (EMU) in 1999. As of January 2002, the euro became Portugal's only official currency. The government's privatization program reduced the public sector to 7.5% of GDP and 2.6% of employment by the end of 1999 from 19.7% of GDP and 5.5% of employment in 1988.

In 2003, the economy was officially in a recession, with the GDP declining by 1.1%. Unemployment shot up to 6.5%. In 2004, real GDP growth was in the positive figures once again, albeit estimated at a paltry 1.1%. Unemployment that year remained at 6.5%. After weak growth in 2005, GDP growth was expected to rise modestly in 2006, to 1%, and to 1.6% in 2007, as domestic demand picked up. Inflation was forecast to remain comparatively low in 2006–07 (the inflation rate stood at 2.4% in 2004), although increases in the rate of value-added tax (VAT) and in excise duties in mid-2005—in addition to high oil prices—was forecast to lead to a sharp increase in inflation in early 2006.

The unofficial, or underground, economy is estimated at 20% of official GDP, about the same level as that of Spain and Italy.

## 2<sup>0</sup> INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Portugal's gross domestic product (GDP) was estimated at \$194.8 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$18,400. The annual growth rate of GDP was estimated at 0.7%. The average inflation rate in 2005 was 2.4%. It was estimated that agriculture accounted for 5.2% of GDP, industry 28.9%, and services 65.9%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$3.024 billion or about \$291 per capita and accounted for approximately 2.0% of GDP.

The World Bank reports that in 2003 household consumption in Portugal totaled \$74.27 billion or about \$7,141 per capita based on a GDP of \$147.9 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.8%. In 2001 it was estimated that approximately 29% of household consumption was spent on food, 7% on fuel, 2% on health care, and 19% on education.

## 2<sup>1</sup> LABOR

The labor force in Portugal in 2005 totaled an estimated 5.52 million. As of 2003, the services sector employed 55.8% of the country's workforce, with industry at 32.6% and agriculture at 12.7%. In 2005, the estimated unemployment rate was 7.3%.

As of 2005, workers in Portugal can form and join unions, can engage in collective bargaining and strikes. About 35% of the nation's workforce was unionized as of 2005. Armed forces and police personnel are banned from striking, but they have unions and have legal mechanisms to settle grievances. The government approves all collective bargaining contracts and regulates such matters as social insurance, pensions, hours of labor, and vacation provisions. Strikes are generally resolved quickly through negotiations.

A minimum wage was established in 1975. In 2005, the minimum monthly salary was about \$449, which is not sufficient to provide a decent standard of living to a worker and family. However, rent controls and subsidized food and utilities help increase the standard of living. In addition, most workers earn more than

this amount. The maximum legal workday is 10 hours, with the workweek set at 40 hours with a minimum of 12 hours between workdays. Overtime is limited to two hours per day up to 200 hours annually. Minimum standards of occupational safety and health are set by law, but they are not adequately enforced and workplace accidents do occur, particularly in the construction industry. The minimum working age is 16 years.

## 2<sup>2</sup> AGRICULTURE

In 2003, 25.3% of the land was considered arable. Of the 2.3 million hectares (5.7 million acres), 74% was cultivated with seasonal crops and 26% was under permanent crops. In 2003, the gross agricultural product accounted for 4% of GDP. Estimates of agriculture production in 2004 included potatoes, 1,250,000 tons; tomatoes, 1,100,000 tons; corn, 798,000 tons; wheat, 251,000 tons; olives, 270,000 tons; rice, 148,000 tons; and rye, 27,000 tons. Production of olive oil reached 30,000 tons in 2004/05. Wine, particularly port and Madeira from the Douro region and the Madeira islands, is an important agricultural export; production totaled 724 million liters in 2004. Portugal is the world's ninth-largest producer of wine, although Portugal's wines are mostly unknown internationally apart from port and rosé. Under the influence of EU policies, vineyard areas have been reduced in recent years. In 2004, the value of agricultural products imported by Portugal exceeded that of agricultural exports by \$3.36 billion.

According to government estimates, about 900,000 hectares (2,200,000 acres) of agricultural land were occupied between April 1974 and December 1975 in the name of land reform; about 32% of the occupations were ruled illegal. In January 1976, the government pledged to restore the illegally occupied land to its owners, and in 1977, it promulgated the Land Reform Review Law. Restoration of illegally occupied land began in 1978.

Agriculture is the main problem area of the economy; yields per hectare are less than one-third of the European average, with a severe drought in 1991/92 only exacerbating the problem. The situation has actually been deteriorating since the mid-1970s, with many yields falling and arable and permanent crop areas declining. By 1999, crop output was only 87% of what it had been on average during 1989–91. However, during 2002–04, crop output was down 1.8% from 1999–2001. With the reform of the EU's Common Agriculture Policy (CAP), a significant reduction in the number of producers through consolidation (especially in the north) will result in the end of traditional, subsistence-like based agriculture. Between 1995 and 2003, the number of agricultural holdings decreased from 450,600 to 359,200, while the value of crop output increased from €3.7 billion to €4.33 billion during that time.

## 2<sup>3</sup> ANIMAL HUSBANDRY

The Alentejo region is Portugal's grazing heartland. In 2005, Portuguese livestock population estimates included 5,000,000 sheep, 2,248,000 hogs, and 1,443,000 head of cattle. There were 547,000 goats, 125,000 donkeys, 40,000 mules, 17,000 horses, 35,000,000 chickens, and 7,000,000 turkeys in 2005. Mules and donkeys, as well as horses and oxen, often provide draft power for the farms. The main districts for cattle are northern and north-central Portugal; most of the sheep, goats, and pigs are raised in the central and southern sections. In 2005, Portugal's meat production included an estimated 321,000 tons of pork, 242,000 tons of poultry

meat, 119,500 tons of beef and veal, and 22,100 tons of mutton. Other production estimates for 2005 included 2,076,000 tons of milk, 132,450 tons of eggs, 75,600 tons of cheese, and 26,000 tons of butter.

## 24 FISHING

Three main fields of activity make up the Portuguese fishing enterprise: coastal fishing, with sardines as the most important catch; trawl fishing on the high seas; and cod fishing on the Grand Banks, off Newfoundland. In 2004, the Portuguese fishing fleet consisted of 10,089 vessels with 112,978 GRT. National fish landings totaled 210,526 tons in 2004, of which aquaculture accounted for 3.6%. Dominant species are sardines, mackerel, red fish, scabbardfish, and octopus. These species accounted for nearly half the landings. Virtually all the total catch is sold fresh, but small amounts of sardines and octopus are frozen. The total catch fell from 375,413 tons in 1973 to 247,596 tons in 1983 but increased to 325,349 tons in 1991. The average annual catch during 1990–94 was 295,007 tons, 318,600 tons during 1995–99, and 205,611 tons during 2000–04. The annual catch declined since the 1990s because Portugal was affected by internationally-set limits (Total Allowable Catches) that restrict fishing access for certain species in the international waters of the North Atlantic and by EU fishing quotas. The fishing potential has also been affected by a reduction in the national fleet in association with EU fleet reduction incentives. The Portuguese fishing fleet was reduced by 40% during 1990–2000. There was an additional 5% reduction in fleet tonnage during 2000–04.

## 25 FORESTRY

With about 40% of the total land area forested, Portugal is an important producer of forestry products. The country is the world's leading producer of cork, harvested exclusively from cork oak (*Quercus suber*) found predominantly in the Mediterranean region. Portugal ordinarily supplies around 175,000 tons of cork per year (about half of world output) from some 725,000 hectares (1,791,000 acres) of cork forests. Portugal is also an important producer of resin and turpentine. Roundwood production in 2004 was 9,672,000 cu m (341.4 million cu ft), with a sawn wood output of 1,383,000 cu m (48.8 million cu ft). Other commodities produced that year included wood pulp, 1,935,000 tons; paper and paperboard, 1,536,000 tons; and particleboard and other wood-based panels, 1,215,000 cu m (42.9 million cu ft). In 2004, timber and other forest product exports amounted to \$1,684 million. Wine stoppers account for 55% of cork export value. Cork demand has fallen in recent years, and production is limited by the botanical fact that a single tree can only be stripped once every nine years. Eucalyptus logs (the crux of the pulp industry) are exported as well; reforestation of eucalyptus is a major national controversy, with opponents charging that it displaces traditional farmers and damages the soil and water table. Pine accounts for most lumber exports.

## 26 MINING

Portugal's mineral wealth is significant but the deposits are scattered and are not easily exploitable on a large scale. The country's most important metallic mineral resources are copper, tin and tungsten. Portugal is a leading producer of mined copper in the European Union (EU), as well as being an important producer of

dimension stone and tungsten concentrates. Minerals were one of the country's dynamic industrial sectors, mainly because of the discovery and development of the Neves-Corvo copper and tin deposits. The Panasqueira mine was one of the world's largest producers of tungsten concentrates.

In 2003, the output of mined copper (metal content) was 77,581 metric tons, up slightly from 77,227 metric tons in 2002. Output of mined tungsten (metal content) was 715 metric tons, compared to 693 metric tons in 2002. Tin mine output (metal content) in 2003 totaled 354 metric tons, down from 574 metric tons in 2002. Production of iron ore and concentrates (gross weight) in 2003 totaled was estimated at 14,000 metric tons, unchanged from 2002. Portugal also produced white arsenic, manganese, silver, uranium, anhydrite, hydraulic cement, refractory clays, diatomite, feldspar, gypsum, kaolin, hydrated lime, quicklime, lepidolite (a lithium mineral), nitrogen, pyrite and pyrrhotite (including cuprous), rock salt, sand, soda ash, sodium sulfate, stone (basalt, dolomite, diorite, gabbro, granite, both crushed and ornamental, graywacke, calcite marl limestone, marble, ophite, quartz, quartzite, schist, slate, and syenite), sulfur, and talc. Marble, mainly from the Evora District, was the most valuable of the stone products. A new deposit, at the Aljustrel mine/mill complex, encompassing five massive sulfide deposits, could be brought into production relatively quickly as a low-cost zinc producer; the most significant deposit, at Feitais, had 12 million tons of proven and probable minable zinc reserves with an average grade of 5.67% zinc, 1.7% lead, and 64 grams per ton of silver, and 1.6 million tons of proven and probable copper ore reserves with an average grade of 2.2% copper, 0.97% zinc, and 14 grams per ton of silver.

The southern Iberian Peninsula, known as the Iberian Pyrite Belt (IPB), was one of the most mineralized areas of Western Europe and was geologically very complex. The IPB's internationally well-known volcanogenic massive sulfide (VMS) deposits, in the southwestern part of the peninsula, dated to the Upper Devonian and the Lower Carboniferous ages. Clusters of deposits occurred around individual volcanic centers, and the largest individual deposit located to date may have held an original reserve of 500 million tons, out of IPB's total resource of 1,725 million tons. Sulfide deposit resources in 1999 were 1,100 million tons.

The government continued its privatization program and was proceeding with legislation to privatize many public companies, part of a broader program to make the economy more market driven. The structure of the mineral industry could change in the near future because of significant mining exploration by several foreign companies, particularly for copper, gold, kaolin, lead, lithium, pyrites, and tin. The IPB was the prime area for exploration activity, and had an above-average potential for success based on an unusually high number of large VMS deposits.

## 27 ENERGY AND POWER

Portugal operates two refineries, which allows the country to meet a portion of its refined petroleum product needs. However, the country must import all of the crude oil it refines, as well as additional amounts of refined petroleum products, in addition to all of the natural gas and coal the country consumes.

In 2002, Portugal's two refineries, one at Sines and the other at Porto, had a combined output of 271,740 barrels per day. However, domestic demand for refined oil in that year averaged 343,160

barrels per day. Imports of refined and crude petroleum averaged a combined 355,580 barrels per day, although the country did re-export an average of 28,790 barrels per day.

Natural gas imports and consumption for 2002 totaled 109.83 billion cu ft and 109.26 billion cu ft, respectively. Demand for coal in 2003 was met entirely by imports. Consumption of coal that year totaled 5.9 million short tons, most of which was used to generate electricity.

Portugal's electric generating capacity in 2002 totaled 10.394 million kW, of which hydroelectric capacity accounted for 3.963 million kW, and conventional thermal capacity accounting for 6.217 million kW. Geothermal/other capacity accounted for 0.214 million kW. Total output of electric power in 2002 came to 43.439 billion kWh, of which conventional thermal sources provided 33.633 billion kWh, and hydroelectric 7.722 billion kWh. Geothermal/other provided 2.084 billion kWh. Demand for electric power totaled 42.297 billion kWh.

## 28 INDUSTRY

Industry (including construction, energy, and water) employs about one-third of the labor force, and its contribution to the national economy has grown significantly in recent decades. It accounted for 30.2% of GDP in 2004. Industrial production in 2004 had maintained a 1.1% growth rate over 2003. Portuguese industry is mainly light; the development of heavy industry has been hampered by a shortage of electric power. Textiles—especially cottons and woollens—are the oldest and most important of Portugal's manufactures. Other principal industries are automotive assembly, electronics, glass, porcelain, and pottery, footwear, cement, cellulose and paper, rubber and chemicals, cork and cork products, and food industries (mainly canned fish). Small artisan industries, such as jewelry and homespun and hand-embroidered clothing, are of local importance.

Manufactured goods in the early 2000s included cement, wood pulp, crude steel for ingots, paper and paperboard, and radios and televisions. In 2005, footwear, textiles, wood and cork, chemicals, paper, and food and beverages (wine) were the central industries. In addition, the country has increased its role in Europe's automotive sector, and has a fine mold-making industry.

Foreign competition has cut into Portugal's textile industry. Following the expiration of the World Trade Organization's long-standing system of textile quotas at the beginning of 2005, the EU signed an agreement with China in June 2005, imposing new quotas on 10 categories of textile goods, limiting growth in those categories to between 8% and 12.5% a year. The agreement runs until 2007, and was designed to give European textile manufacturers time to adjust to a world of unfettered competition. Nevertheless, barely a month after the EU-China agreement was signed, China reached its quotas for sweaters, followed soon after by blouses, bras, T-shirts, and flax yarn. Tens of millions of garments piled up in warehouses and customs checkpoints, which affected both retailers and consumers.

## 29 SCIENCE AND TECHNOLOGY

In 1996, Portugal had 18 scientific and technological learning societies, and 20 scientific and technological research institutes. The leading scientific academy is the Lisbon Academy of Sciences, founded in 1779. In 1996, Portugal had 27 universities and col-

leges offering courses in basic and applied sciences. Attached to the University of Lisbon is the Museum and Laboratory of Mineralogy and Geology, founded in 1837. In 1987–97, science and engineering students accounted for 36% of university enrollment. In 2000 (the latest year for which data was available) of all bachelor's degrees awarded, 17.5% were for the sciences (natural, mathematics and computers, engineering). Total government expenditures on research and development (R&D) in 2001 totaled \$1.548.302 million, or 0.84% of GDP. Of that amount, 61% came from government sources, while the business sector accounted for 31.5%. In 2002, R&D spending amounted to \$1,732.108 million, or 0.93% of GDP. In that same year, there were 1,842 scientists and engineers engaged in R&D per million people. High technology exports in 2002 totaled \$1.628 billion, or 7% of the country's manufactured exports.

## 30 DOMESTIC TRADE

Lisbon and Porto are the two leading commercial and distribution centers. Larger retail stores, shopping malls, and supermarkets have become well-established in many areas. Franchising has also gained ground, particularly in the clothing and fast-food markets. Direct marketing through television and mail order sales has grown considerably. The most common advertising media are newspapers, outdoor billboards, radio, and television; movie theaters also carry advertisements.

The usual business hours are from 9 AM to 6 PM, Monday through Friday. Banking hours are generally 8:30 AM to 2:45 PM, Monday through Friday. An increasing number of shopping centers in urban areas have more flexible hours, including hours on Sundays.

## 31 FOREIGN TRADE

Portugal's foreign trade balance has regularly shown a heavy deficit, which it finances through net receipts from tourism, remittances from Portuguese workers abroad, and net transfers from the EU. In 2004, merchandise exports were an estimated \$37.9 billion, and imports totaled \$56.2 billion, which widened the trade deficit to \$18.2 billion, up from \$13.4 billion in 2003, as a result of stronger domestic demand.

### Principal Trading Partners – Portugal (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	26,485.0	39,982.6	-13,497.6
Spain	5,439.1	11,552.0	-6,112.9
Germany	4,789.2	5,962.5	-1,173.3
France-Monaco	3,535.5	4,097.8	-562.3
United Kingdom	2,778.4	2,080.4	698.0
United States	1,480.5	832.8	647.7
Italy-San Marino-Holy See	1,266.2	2,695.1	-1,428.9
Belgium	1,191.9	1,223.5	-31.6
Netherlands	1,030.2	1,826.5	-796.3
Angola	536.9	...	536.9
Sweden	390.4	465.3	-74.9

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

In 2004, Portugal's exports consisted of capital goods (34.8% of total exports), consumer goods (32.4%), raw materials and intermediate products (30.2%), and energy products (2.6%). The major imports in 2004 consisted of capital goods (33.9% of all imports), raw materials and intermediate products (30.5%), consumer goods (24.6%), and energy products (11%). Portugal's leading markets in 2004 were Spain (24.9% of all exports), France (14%), Germany (13.5%), the United Kingdom (9.6%), the United States (6.1%), and Italy (4.3%). In all, 79.4% of all exports were traded with the 25 EU member nations. Portugal's leading suppliers in 2004 were Spain (29.3% of all imports), Germany (14.3%), France (9.3%), Italy (6.1%), the United Kingdom (4.6%), and the United States (2.4%). In total, 76.6% of all imports came from the 25 EU member nations. Portugal received 5% of its imports from OPEC nations.

### 32 BALANCE OF PAYMENTS

Despite chronic trade deficits, Portugal until 1973 managed to achieve a balance-of-payments surplus through tourist revenues and remittances from emigrant workers. With the economic dislocations of 1974, net tourist receipts fell 30%; the trade deficit almost doubled; and emigrant remittances stagnated—thus, the 1973 payments surplus of \$255.7 million became a \$647.7 million deficit in 1974. Emigrant remittances grew steadily between 1976 and 1980, when they peaked at \$2,946 million. Because of this, Portugal's balance of payments improved and in 1979 even showed a surplus of \$761 million. Subsequently, increasing trade deficits resulted in balance-of-payments deficits that reached \$3.2 billion in 1982. By 1985, however, the deficit had become a surplus of \$0.4 billion, which rose to \$1.1 billion in 1986; the chief reason was the weakening dollar, which boosted the value of tourism earnings and remittances. The 1990 Portuguese external payments surplus stabilized at the previous year's record level of nearly \$4 billion. After a few years of surplus boom, mainly due to the enor-

mous influx of foreign capital and transfers to Portugal following EC membership in 1986, measures were taken in July 1990 to restrict foreign credit and investment thereby helping the authorities get better control over monetary aggregates. These measures, along with the hiatus in international investment caused by the 1990–91 Persian Gulf crisis and some deterioration in the merchandise trade account contributed to halting the growth of the total nonmonetary balance.

The country's large current account deficit was 7.5% of GDP in 2002. Although foreign direct investment (FDI) in new manufacturing projects, such as the automotive and electronics sectors, increased in the 1990s, in the early 2000s FDI flowed to lower-cost manufacturing locations in central and eastern Europe, away from Portugal. In 2004, the current account deficit grew to \$13.7 billion (8.1% of GDP), up from \$8.4 billion in 2003. The current account deficit was expected to widen in 2005, reflecting deteriorating export competitiveness and slower external demand, but lower oil prices from the second half of 2006 were predicted to help narrow the deficit slightly in 2006–07.

### 33 BANKING AND SECURITIES

All 22 banks in Portugal, except for three foreign-owned ones (Banco do Brasil, Credit Franco-Portugais, and the Bank of London and South America), were nationalized in 1975. A 1983 law, however, permitted private enterprise to return to the banking industry. The Bank of Portugal, the central bank (founded in 1846), functions as a bank of issue, while the European Central Bank controls monetary policy.

During the late 1990s, Portugal's banking industry underwent significant restructuring due to foreign investment and consolidation. A major series of consolidations in 1996 left Banco Comercial Português (BCP), Banco Pinto and Sotto Mayor, and Banco Português de Investimento as the three largest private banks. Further consolidation came in 1999 when Spain's Banco Santander Central Hispano (BSCH) merged with Champalimaud. Fearing increased Spanish influence in the Portuguese banking industry, the Portuguese government sought to block the deal and the dispute appeared headed for the European Court. Ultimately, Portugal's finance minister, Joaquim Pina Moura, forged a compromise in which BSCH acquired two banks in the Champalimaud group.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$47.0 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$111.7 billion.

Portugal's two stock exchanges, located in Lisbon and Porto, were closed after the coup of April 1974. The Lisbon exchange reopened in 1976, and the Porto exchange in 1981. In January 1992 the market was split into three tiers, of which the first is the major liquid market: this included the 11 firms whose shares are traded regularly and which have a minimum market capitalization of €500 million. Trading outside the stock exchanges is still widespread. Into the late 1990s trade on the exchange continued to grow as continued privatization led to greater amounts of Initial Public Offerings (IPOs). As of 2004, there were 56 companies listed on the Euronext Portugal exchange, which had a market capitalization of \$73.404 billion. In 2004, the PSI 20 Index rose 12.6% from the previous year to 7,600.2.

#### Balance of Payments – Portugal (2003)

(In millions of US dollars)

<b>Current Account</b>			<b>-8,437.0</b>
Balance on goods		-13,357.0	
Imports	-46,114.0		
Exports	32,757.0		
Balance on services		3,931.0	
Balance on income		-2,418.0	
Current transfers		3,408.0	
<b>Capital Account</b>			<b>3,081.0</b>
<b>Financial Account</b>			<b>-1,141.0</b>
Direct investment abroad		-125.0	
Direct investment in Portugal		969.0	
Portfolio investment assets		-21,045.0	
Portfolio investment liabilities		15,430.0	
Financial derivatives		74.0	
Other investment assets		-10,113.0	
Other investment liabilities		13,670.0	
<b>Net Errors and Omissions</b>			<b>43.0</b>
<b>Reserves and Related Items</b>			<b>6,455.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 3<sup>4</sup> INSURANCE

Portugal's domestic insurance companies were nationalized in 1975. Foreign companies were required to accept government representatives among their directors. A new law, approved in 1983, allowed the private sector to reenter the domestic insurance industry. Almost all Portuguese companies sell life and nonlife insurance, although some specialize in reinsurance only. In the wake of the reprivatization of the insurance industry, many insurance companies have sought alliances with banks. This position, in turn, serves as an impediment to new entrants into the insurance field, particularly from foreign countries. However, the market is opening up and brokers from any European Union (EU) country can operate in Portugal. Third-party auto insurance and workers' compensation are compulsory in Portugal. Contractors, travel agents, insurance brokers and other professionals are also required to carry liability insurance. In 2003, the value of direct insurance premiums written totaled \$10.810 billion, of which life insurance premiums accounted for \$6.122 billion. In that same year, Portugal's top nonlife insurer was Fidelidade-Mundial, which had gross written nonlife premiums of \$998.9 million. The country's leading life insurer, Occidental Vida, that year, had gross written life insurance premiums of \$1,039.9 million.

### 3<sup>5</sup> PUBLIC FINANCE

Portugal's budgets (accounting for the effects of loans and transfers) have been in deficit since 1974. Major factors contributing to the deficits included spending on health and education programs, funding for major public investment projects, and large state-owned enterprise payrolls. To finance the deficit, the government issued bonds in the domestic market, which also serves the monetary policy purpose of absorbing excess liquidity. The government's objective to join the Economic and Monetary Union (EMU) was achieved in 1999. Since then, monetary policy responsibilities have been absorbed by the European Central Bank. Public debt exceeded 3% of GDP in 2001, exceeding EU limits and

opening the country up to sanctions from the rest of the EU. By 2004 it continued to hover around 3%, but was expected to top 6% in 2005. In 2005 the EU ordered the country to reduce deficits, which the government planned to do by raising the value-added tax and cutting spending.

The US Central Intelligence Agency (CIA) estimated that in 2005 Portugal's central government took in revenues of approximately \$78.8 billion and had expenditures of \$90.2 billion. Revenues minus expenditures totaled approximately -\$11.4 billion. Public debt in 2005 amounted to 69.4% of GDP. Total external debt was \$298.7 billion.

### 3<sup>6</sup> TAXATION

The national corporate tax rate in Portugal as of 2005 was 25%, although rates in Madeira were 22.5% and 17.5% in the Azores. In addition, municipalities can levy a 10% surtax on the tax liability, pushing the effective rate to 27.5%. Allowable deductions in calculating taxable corporate income include depreciation, interest payments, executives' salaries, and royalties. Capital gains are taxed at 25%. Dividends paid to parent companies by subsidiaries (owned at least 25% by the payee) are excluded from taxable income to avoid double taxation. Otherwise dividends are taxed at general income tax rates.

The progressive personal income tax schedule has six bands, not including a tax-exempt base. The schedule bands as of 2003 were 15% (up to €4,100); 14% (on the next increment of income to €6,201); 24% (on the next increment to €15,375); 34% (on the next increment to €35,363); 38% (on the next increment to €51,251); and 40% (on the increment of income above €15,375). Social security taxes amount to 23.75% of nominal income. There are also taxes municipal taxes on the value of real estate.

The main indirect tax is Portugal's value-added tax (VAT) introduced 1 January 1986 with a standard rate of 16%, which was raised to 17% as of 1 January 1995 and to 19% as of 6 May 2002. There is also a reduced rate of 5% (applied to basic foodstuffs, water supplies, books, newspapers and periodicals, social housing, some medical equipment and drugs, hotel accommodations, repair and domestic services); an intermediate "parking" rate of 12% (applied to some foodstuffs, catering, and some fuels and lubricants); and exemptions from VAT (for social services, some medical and dental services, waste collection and disposal, transportation services, gold transfers to the central bank, and cremation.). For the Azores and Madeira, the standard VAT rate is 13%, the reduced rate 4% and the parking rate 8%. Other transactions taxes include stamp duties and transfer fees.

### 3<sup>7</sup> CUSTOMS AND DUTIES

Portugal uses the Harmonized Nomenclature and Classification System (HS) to organize imports into tariff categories. Almost all tariffs are levied on an ad valorem basis according to the EU Customs Code, excepting luxury goods and petroleum, which have special higher rates. Portugal adheres to all EU trade policies, including multilateral trade agreements, and conforms to WTO regulations. It also levies a value-added tax (VAT) of up to 21% on most imports, although there is a lower rate of 5%. In Madeira and

#### Public Finance – Portugal (2001)

(In millions of euros, central government figures)

<b>Revenue and Grants</b>	<b>46,890</b>	<b>100.0%</b>
Tax revenue	27,067	57.7%
Social contributions	14,592	31.1%
Grants	616	1.3%
Other revenue	4,615	9.8%
<b>Expenditures</b>	<b>51,823</b>	<b>100.0%</b>
General public services	...	...
Defense	...	...
Public order and safety	...	...
Economic affairs	...	...
Environmental protection	...	...
Housing and community amenities	...	...
Health	...	...
Recreational, culture, and religion	...	...
Education	...	...
Social protection	...	...

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

the Azores, the lower rates of 4% and 13% apply. The VAT on imports from EU countries is not collected until the product is sold.

### 38 FOREIGN INVESTMENT

The government actively promotes foreign investment as an integral part of its economic development policy, and specifically through a government agency, API (Agency for Investment in Portugal). As a member of the European Union, Portugal abides by the investment rules that govern the rest of the union. New foreign investment legislation was enacted in 1986. The Institute of Foreign Investment (ICEP) is the supervising agency. Foreign investment is permitted in all sectors except ports, water management, rail services, public service telecommunications operators, and the arms industry. Portugal restricts non-EU investment in regular air transport to 49%, and restricts non-EU investment in television operations to 15%. Even in these areas, however, deregulation is under way. The foreign investment code contains liberal profit remittance regulations and tax incentives. The rate of corporation tax was reduced from 30% to 25% in 2004 as part of that year's budget, but rates in most municipalities are higher by some three percentage points due to the effects of local surcharges.

Foreign direct investment (FDI) inflows in Portugal averaged about \$2 billion per year in 1992–95, or 1.6% of GDP. Main investing countries are the United Kingdom, Spain, and France. The financial sector accounted for about 60% of all new foreign investment. In 1998, FDI inflows reached \$3.1 billion, up from \$2.5 billion in 1997, but fell to \$1.2 billion in 1999. FDI inflows soared to \$6.4 billion in 2000, and were still above \$6 billion in 2001, despite the global economic slowdown.

Total FDI inflows into Portugal in 2003 were €852.2 million. Portuguese FDI abroad was in the negative numbers, at -€84.6 million. Portugal invests most heavily in Brazil and Spain, followed by Germany and other EU countries. Low labor costs, combined with unrestricted access to the EU market, have attracted foreign investment in new manufacturing projects, especially in the automotive and electronics sectors. However, FDI has slowed as low-cost manufacturing locations in central and Eastern Europe have become increasingly appealing to investors, especially since the admission of 10 new EU members in 2004. Therefore, Portugal can no longer afford to rely solely upon low wage costs to attract further investment.

### 39 ECONOMIC DEVELOPMENT

In 1975, radical economic transformations were accomplished through a series of decrees that nationalized the domestically owned parts of major sectors of the national economy. These decrees affected the leading banks, insurance companies (representing 99% of insurance companies' capital), petroleum refineries, the transportation sector, the steel industry, and eventually Portugal's leading privately owned industrial monopoly, Companhia União Fabril. At the same time, large-scale agrarian reform measures led to expropriation of many of the country's privately owned large landholdings; other holdings were seized illegally by peasants. In an attempt to stimulate agricultural production, the government decreed a 30% reduction in the price of fertilizer to farm workers and small and medium farmers. When the nationalization and agrarian reform measures met with only limited success, partly because of liquidity problems, an emergency austerity

plan was approved by the Council of Ministers in October 1975. The program included wage and import controls and the reduction of subsidies on consumer goods.

As a result of Portugal's entry into the EC (now EU), the highly protected, unresponsive, and inefficient economy is being transformed. State intervention is being reduced, and the physical infrastructure is being modernized. Privatization began in 1989, with the share of gross domestic product (GDP) for non-financial public enterprises reduced from 17.9% in 1985 to 10.7% in 1991. In 1992, \$3.6 billion was raised as banks, insurance companies, and a 25% interest in Petrogal—the state oil company—were sold. The government estimated that privatized companies would represent half of stock market capitalization by the end of 1994.

In 1996 and 1997, a series of important investments and acquisitions were made by companies such as Sonae and Jernimo Martins, Portugal's leading retail distributors; Cimpor, a cement producer; and Portugal Telecom and Electricidade de Portugal, the last of which was privatized. The big banks were developing new overseas operations as well. The best indicator of Portugal's economic progress was Portugal's acceptance into the European Economic and Monetary Union in 1999.

During the 1990s and into the 2000s, the economy grew at rates well above EU averages; however, growth slowed in 2002–03, and fell below the euro-area average for the first time in close to a decade. In 2002, the external current account deficit remained one of the largest (in relation to GDP) among industrialized countries. The unemployment rate also increased sharply. Nonetheless, an inflow of capital funds has financed infrastructure projects.

In 2001, Portugal became the first country to breach the eurozone's Stability and Growth pact budget deficit target of 3%, with a gap equal to 4.2% of GDP. Portugal's government met the 3% target in 2002 and 2003, but despite a hiring freeze and other measures, the country had a structural budget deficit in 2004 projected at 4.9%. Public spending was expected to equal 47.9% of GDP in 2004. The 2005 budget projected a structural deficit in excess of 3%, and violated the 60% limit on public debt. Due to labor reform legislation, which took effect in early 2004, and corporate and personal tax cuts in 2004 and 2005, the government expected the economy to recover strongly in 2006.

The government is attempting to change Portugal's economic development model from one based on public consumption and public investment to one focused on exports and private investment.

### 40 SOCIAL DEVELOPMENT

A social insurance and social assistance program has been frequently updated since 1935. The program provides old-age, disability, sickness, and unemployment benefits, family allowances, and health and medical care. The system is funded by payroll contributions from employers and employees. The government subsidizes social pensions for those persons not employed. Retirement is set at age 50 for miners, age 55 for fishermen and seamen, and age 65 for other professions. Medical benefits are provided to all residents, and cash sickness and maternity benefits are provided to employees. Maternity benefits of 100% of earnings and benefits are paid for 120 days for all employed persons. Paternity and

adoption benefits are also available. There is a need based family allowance, a special education allowance, and a funeral grant.

Women have full rights and protections under both the constitution and civil code. According to law, women must receive equal pay for equal work. In practice, however, a salary gap still exists between men and women. Spousal abuse and other violence against women are widespread problems and remain underreported. The judicial system is supportive when cases are brought forward. Sexual harassment in the workplace is considered a crime, but only if committed by a superior.

Immigrants from Portugal's former African colonies face social prejudice and discrimination. There were reports of right-wing groups carrying out racially motivated attacks against immigrants and other nonethnic Portuguese. Human rights are generally respected in Portugal. Prison conditions are poor, but the government is engaging in dialogue with human rights organizations on this and other issues.

#### 41 HEALTH

The public health care sector is by far the largest. The country planned to construct 12 new hospital districts, 84 health centers, and 5 technical schools for nurses, and to enlarge or remodel several hospital centers, hospital districts, and maternity wards. The Santa Maria Hospital in Lisbon is the largest hospital in Portugal. The number of physicians in Portugal grew steadily throughout the 1990s. As of 2004, there were an estimated 324 physicians, 374 nurses, 44 dentists, and 84 pharmacists per 100,000 people. Total health care expenditure was estimated at 7.7% of GDP.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 11.5 and 10.2 per 1,000 people. Approximately 66% of married women (ages 15 to 49) were using contraception. The infant mortality rate decreased from 61 to 5.05 per 1,000 live births between 1968 and 2005. Average life expectancy in 2005 was 77.53 years.

The leading natural causes of death are circulatory disorders, cancer, and respiratory disorders. Children up to one year of age were vaccinated against diphtheria, pertussis, and tetanus, 95%, and measles, 99%. The cancer and heart disease rates in Portugal are well below the industrialized countries average.

The HIV/AIDS prevalence was 0.40 per 100 adults in 2003. As of 2004, there were approximately 22,000 people living with HIV/AIDS in the country. There were an estimated 1,000 deaths from AIDS in 2003.

#### 42 HOUSING

According to the 2001 census, Portugal had about 5,054,922 dwelling units. However, about 65% of all families live in dilapidated structures and nearly 8.5% live in shacks. While the Government Social Housing Program has made some progress in rehousing families into more adequate structures, there are not enough programs to help the households rise above the poverty level. Traditional Portuguese houses are made of brick walls and tile roofs.

#### 43 EDUCATION

Basic education is compulsory for nine years. This includes three cycles of four, two, and three years each. Secondary level education covers a three-year program; students choose between gener-

al secondary, professional, and specialized technical or vocational schools. The academic year runs from September to July.

In 2001, about 70% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 85% of age-eligible students. It is estimated that about 98% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 13:1 in 2003; the ratio for secondary school was about 8:1. In 2003, private schools accounted for about 10.5% of primary school enrollment and 14.7% of secondary enrollment.

Coimbra University, founded in 1290, is Portugal's oldest institution of higher learning, and the universities of Lisbon and Porto are two of the largest. There are also art schools, music schools, and a school of tropical medicine. The Portuguese Catholic University was instituted by decree of the Holy See. In 2003, about 56% of the tertiary age population were enrolled in some type of higher education program; 48% for men and 64% for women. The adult literacy rate for 2003 was estimated at about 93.3%.

As of 2003, public expenditure on education was estimated at 5.8% of GDP, or 12.7% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The leading libraries of Portugal are the National Library, founded in 1796 (about 2.3 million volumes) and the Library of the Academy of Sciences (400,000) in Lisbon, the University Library in Coimbra (one million), and the Municipal Library in Porto (1.27 million). The Public Libraries Programme in Portugal was launched in 1987 with a goal of providing public library services in each of the country's 275 municipalities. By 1999, about 166 libraries had been established.

There are some 300 museums in Portugal. Most feature exhibits relating to Portuguese history. Lisbon has the National Museum of Ancient Art, the Museum of Decorative Arts, the Calouste Gulbenkian Museum, and the Center for Modern Art, as well as the National Museum of Natural History. The Abbey of the Friars of St. Jerome in Belém and the Battle Abbey in Batalha contain some of the finest examples of Portuguese art. There are dozens of municipal ethnographic and historic museums, as well as many finely restored castles and manors.

#### 45 MEDIA

Direct radiotelephone service connects Portugal with its former and current overseas provinces in Africa and Asia. In 2003, there were an estimated 411 mainline telephones for every 1,000 people. The same year, there were approximately 898 mobile phones in use for every 1,000 people.

The government broadcasting network, Radiodifusão Portuguesa, and Radio Renascença, a religious network, operate AM and FM stations. The state-owned television network, Radiotelevisão Portuguesa, offers color broadcasts on two channels. In 2005, there were an additional 300 local and regional commercial radio stations and at least two other commercial television stations. In 2003, there were an estimated 299 radios and 413 television sets for every 1,000 people. About 128.2 of every 1,000 people were cable subscribers. Also in 2003, there were 134.4 personal



computers for every 1,000 people and 194 of every 1,000 people had access to the Internet. There were 458 secure Internet servers in the country in 2004.

The constitution of 1976 guaranteed freedom of the press. The principal daily newspapers (with their affiliation estimated 2002 circulations) include: *Correio da Manhã* (independent, 85,000), *Diário de Notícias* (Communist, 75,560), *Público* (75,000), *Diário Popular* (leftist, 62,000), *A Capital* (leftist, 40,000), *Jornal de Notícias* (leftist, 90,000), *Comércio do Porto* (moderate, 30,300), and *O Primeiro de Janeiro* (conservative, 20,200). The weekly paper *Expresso* has a circulation of 160,000.

## 46 ORGANIZATIONS

The principal current organizations are syndicates, the majority of which are linked to the national trade union confederation; residents' commissions; workers' commissions; and popular assemblies. Many of these associations, particularly in rural areas, are involved in local community improvement projects as well as political and cultural activities. There are four chambers of commerce and three main industrial organizations, the oldest of which, the Industrial Association of Porto, dates from 1849.

The Academy of Sciences Lisbon is primarily a scholarly and research organization. Several professional associations also promote research and public education in a variety of fields, particularly in medicine and healthcare. There are organizations for hobbyists, including the multinational Federation of European Philatelic Associations.

National youth organizations include Association of Young Farmers of Portugal, Communist Youth of Portugal, International Friendship League of Portugal, Monarchist Youth of Portugal, the Scout Federation of Portugal, and YMCA/YWCA. There are several sports associations in the country, representing a variety of pastimes such as tae kwon do, badminton, tennis, and track and field. There is a national chapter of the Special Olympics.

The Kiwanis and Lion's Clubs also have active programs. Amnesty International, Habitat for Humanity, and the Red Cross have national chapters.

## 47 TOURISM, TRAVEL, AND RECREATION

Portugal's historic cities—Lisbon, Porto, Coimbra, and others—offer numerous museums, old churches, and castles. Most villages still celebrate market days with dances and other festivities. There are more than 800 km (500 mi) of beaches. The Portuguese bullfight (differing from the Spanish variety in that the bulls are not killed) is a popular spectator sport; the season lasts from Easter Sunday to October. Football (soccer) is popular as both a participant and a spectator sport. A valid passport is required; visas are needed for stays of more than 90 days.

Tourism has become a major contributor of foreign exchange earnings and a stimulus to employment and investment in the hotel industry and related services. The number of tourists was 11,644,231 in 2002. Hotel rooms numbered 105,986 in 2003 with 238,759 beds and an occupancy rate of 38%.

The daily cost of staying in Lisbon, according to 2005 US Department of State estimates, was \$232. Other areas were between \$159 and \$255, with some rates varying by season.

## 48 FAMOUS PORTUGUESE

During Portugal's golden age, the 15th and 16th centuries, the small Portuguese nation built an overseas empire that stretched halfway around the globe. Prince Henry the Navigator (Henrique Navegador, 1394–1460) laid the foundations of the empire. Among the leaders in overseas exploration were Bartholomeu Dias (1450?–1500), the first European to round the Cape of Good Hope; Vasco da Gama (1469–1524), who reached India and founded Portuguese India in 1498; and Pedro Alvares Cabral (1460?–1526), who took possession of Brazil for Portugal in 1500. Ferdinand Magellan (Fernão de Magalhães, 1480?–1521) led a Spanish expedition, the survivors of which were the first to sail around the world, although Magellan himself was killed after reaching the Philippines. Afonso de Albuquerque (1453–1515) was foremost among the builders of Portugal's Far Eastern empire.

Famous literary figures of the golden age include the historians Diogo do Couto (1542–1616) and João de Barros (1496–1570); Portugal's greatest writer, Luis Vas de Camões (1524?–80), the author of *Os Lusíadas*, the Portuguese national epic, and of lyric and dramatic poetry; the dramatists Gil Vicente (1465?–1537?) and Francisco de Sá de Miranda (1482–1558); the poets Bernardim Ribeiro (1482?–1552) and Diogo Bernardes (1532?–96?); and the travel writer Fernão Mendes Pinto (1509–83). Portugal's leading painter was Nuno Gonçalves (fl.1450–80).

Among the noted Portuguese of more recent times are Sebastião José de Carvalho e Mello, marquis de Pombal (1699–1782), the celebrated prime minister of King Joseph Emanuel (José Manuel, 1715–77); the novelists Camilo Castelo Branco, viscount of Correia-Botelho (1825–90), and José Maria Eça de Queirós (1843–1900); the poets João Baptista da Silva Leitão, viscount of Almeida-Garrett (1799–1854), Antero Tarquinio de Quental (1842–91), João de Deus Nogueira Ramos (1830–96), Teófilo Braga (1843–1924), and Abílio Manuel Guerra Junqueiro (1850–1923); the satirist José Duarte Ramalho Ortigão (1836–1915); and the painter Domingos António de Sequeira (1768–1837). António Caetano de Abreu Freire Egas Moniz (1874–1955) won the Nobel Prize in physiology in 1949.

António de Oliveira Salazar (1889–1970), prime minister for more than 30 years, was Portugal's best-known modern leader. Gen. (later Marshal) António Sebastião Ribeiro de Spínola (1910–96) played a key role in the revolution of April 1974. Gen. António dos Santos Ramalho Eanes (b.1935) became president in 1976 and was reelected in 1980. Other political leaders include: Mário Alberto Nobre Lopes Soares (b.1924), Francisco Sá Carneiro (1934–80), Jorge Fernando Branco de Sampaio (b.1939), Aníbal António Cavaco Silva (b.1939), António Manuel de Oliveira Guterres (b.1949)—a former prime minister who became the United Nations High Commissioner for Refugees, and José Manuel Durão Barroso (b.1956)—a former prime minister who became president of the European Commission.

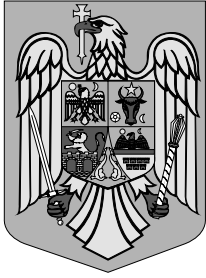
## 49 DEPENDENCIES

Between 1974 and 1976, all of Portugal's overseas possessions in Africa—including Angola, the Cape Verde Islands, Portuguese Guinea (now Guinea-Bissau), Mozambique, and São Tomé and Príncipe—became independent countries in accordance with the Armed Forces Movement's decolonization policy. After the Portu-

guese withdrew from East Timor, in the Indonesian archipelago, the former colony was invaded by Indonesian forces in 1975 and became a province of Indonesia in 1976; East Timor became an independent nation in 2002. Macau, on the south coast of China, was a “Chinese territory under Portuguese administration” from 1975–99.

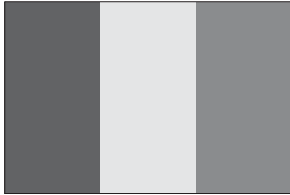
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# ROMANIA

*Romania*



**CAPITAL:** Bucharest (Bucuresti)

**FLAG:** The national flag, adopted in 1965, is a tricolor of blue, yellow, and red vertical stripes.

**ANTHEM:** *Trei culori* (*Three Colors*).

**MONETARY UNIT:** The leu (L) is a paper currency of 100 bani. There are coins of 25 bani and 1, 3, 5, 10, 20, 50, and 100 lei, and notes of 10, 25, 50, 100, 200, 500, 1,000, and 5,000 lei. 1L = \$0.00003 (or \$1 = L28800) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; International Labor Day, 1–2 May; Liberation Day, 23 August; National Day, 1 December; Christmas Day, 25 December.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Situated in Eastern Europe, north of the Balkan Peninsula, Romania has a total area of 237,500 sq km (91,699 sq mi). Comparatively, the area occupied by Romania is slightly smaller than the state of Oregon. The dimensions of the country are 789 km (490 mi) E–W and 475 km (295 mi) N–S. It is bounded on the N and NE by Ukraine and Moldova, on the E by the Black Sea, on the S by Bulgaria, on the SW by Serbia, and on the W by Hungary, with a total boundary length of 2,733 km (1,698 mi), of which 225 km (140 mi) is coastline. Romania's capital city, Bucharest, is located in the south central part of the country.

## <sup>2</sup> TOPOGRAPHY

The backbone of Romania is formed by the Carpathian Mountains, which swing southeastward and then westward through the country. The southern limb of this arc-shaped system is known as the Transylvanian Alps, whose compact, rugged peaks rise to 2,543 m (8,343 ft) in Mt. Moldoveanu, Romania's highest. The eastern Carpathians have an average elevation of 1,000 m (3,300 ft) and exceed 1,900 m (6,200 ft) only in the highest ranges.

On the eastern and southern fringes of the Carpathian arc are the low plateaus and plains of Walachia, extending to the Prut River (Moldovan border) in the east and to the Danube (Bulgarian border) in the south. On the inside of the Carpathian arc is the Transylvanian Basin, a hilly region dissected by the wide, deep valleys of the Mures and Somes rivers.

The Dobruja, located between the lower Danube and the Black Sea, is an eroded plateau with average elevations of 400 to 600 m (1,310–1,970 ft). Except for the low-lying, swampy Danube Delta in the north, the Black Sea coast of the Dobruja is steep, facing the sea with almost vertical cliffs.

Romania is susceptible to severe earthquakes. An earthquake that struck Romania on 4 March 1977 destroyed or severely damaged some 33,000 buildings and left more than 34,000 families

homeless. The shock, measuring 7.2 on the open-ended Richter scale, was the most severe in Europe since a series of shocks in October–November 1940, also in Romania.

## <sup>3</sup> CLIMATE

Romania's climate is of the moderate humid continental type, exposed to predominant northerly cold winds in the winter and moderate westerly winds from the Atlantic in the summer. Average January temperatures range from  $-4^{\circ}\text{C}$  to  $0^{\circ}\text{C}$  ( $25$ – $32^{\circ}\text{F}$ ). During the summer, the highest temperatures are recorded in the Danube Valley ( $24^{\circ}\text{C}/75^{\circ}\text{F}$ ). Temperatures decrease toward the high elevations in the northwest and toward the southeast, where the Black Sea exerts a moderating influence. Precipitation decreases from west to east and from the mountains to the plains, with an annual average of between 100 and 125 cm (about 40 and 50 in) in the mountains and about 38 cm (15 in) in the delta.

## <sup>4</sup> FLORA AND FAUNA

Natural vegetation consists mainly of steppe like grasslands in the Moldavian and Walachian lowlands, with tall, deep-rooted grasses in the more humid sections and short, shallow-rooted grass in the drier parts. The Carpathian system is covered with forests, with deciduous trees at lower elevations and conifers at altitudes above 1,070–1,220 m (3,500–4,000 ft). Alpine meadows occupy the highest parts of the mountains.

Wild animals, including the black chamois, Carpathian deer, wolves, hares, marten, brown bear, lynx, boar, and fox, have sought refuge in the sparsely inhabited and forested Carpathians. Water birds flourish in the Danube Delta, and sturgeon abound in the waters of the lower Danube. Carp, bream, and pike populate the lakes; dace, barbel, and trout are found in rivers and streams.

As of 2002, there were at least 84 species of mammals, 257 species of birds, and over 3,400 species of plants throughout the country.

## 5 ENVIRONMENT

Rapid industrialization since World War II has caused widespread water and air pollution, particularly in Prahova County, an oil-refining region. The nation has 42 cu km of renewable water sources, with about 59% of the annual withdrawal used to support farming and 33% used for industrial purposes.

Air pollution is heaviest in the nation's cities, where industry produces hazardous levels of sulphur dioxide. In 1992, Romania had the world's 28th highest level of industrial carbon dioxide emissions, which totaled 122.1 million metric tons, a per capita level of 5.24 metric tons. However, by 2000 total of carbon dioxide emissions had dropped to 86.3 million metric tons.

Damage to the nation's soils from erosion and pollution has decreased agricultural production by 50% in some areas. Acid rain originating in Hungary is another environmental problem. Some water conservation programs were initiated in the mid-1980s, but the Environmental Protection Law of 1972 has not been strictly enforced.

Romania's forests and natural steppes have been encroached on by farmers. Radioactivity from the Chernobyl nuclear site, two floods, and two earthquakes have also contributed to the nation's environmental problems. Moreover, intensive exploitation of forests before, during, and immediately after World War II necessitated a reforestation program that, between 1950 and 1964, resulted in the replanting of 1,159,600 hectares (2,865,400 acres).

As of 2003, 4.7% of Romania's total land area was protected. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 15 types of mammals, 13 species of birds, 2 types of reptiles, 10 species of fish, 22 species of invertebrates, and 1 species of plant. The Romanian bullhead perch, Atlantic sturgeon, slender-billed curlew, and Mediterranean monk seals are among those listed as endangered.

## 6 POPULATION

The population of Romania in 2005 was estimated by the United Nations (UN) at 21,612,000, which placed it at number 50 in population among the 193 nations of the world. In 2005, approximately 14% of the population was over 65 years of age, with another 16% of the population under 15 years of age. There were 95 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be -0.2%, a rate the government viewed as too low. To address the decline in population, the government established the Population Commission in 2004. The projected population for the year 2025 was 18,129,000. The population density was 91 per sq km (235 per sq mi).

The UN estimated that 53% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.09%. The capital city, Bucharest (Bucuresti), had a population of 1,853,000 in that year. Other major cities and their population estimates were Constanța, 350,581; Iași, 348,000; Timișoara, 334,115; Cluj-Napoca, 332,000; Galati, 326,141; Brașov, 323,736; Craiova, 313,000; Ploiești, 253,623; and Brăila, 235,763.

## 7 MIGRATION

Population shifts numbering in the millions occurred as a result of the two world wars—because of territorial changes, deportation and liquidation of Jews by the Nazis, flight before the Soviet military forces, deportations to the USSR, expulsion of the Volksdeutsche (ethnic Germans), and departures following the Communist takeover and before stringent security measures halted the flow. About 117,950 Jews emigrated to Israel between 1948 and 1951; another 90,000 were permitted to emigrate during 1958–64. Some 120,000 ethnic Germans left Romania between 1978–88, and some 40,000 ethnic Hungarians fled in 1987 alone. In 1990, 80,346 people left, 78% to Germany, 9% to Hungary. Some 44,160 Romanians emigrated in 1991 and 31,152 in 1992. In 1992, 103,787 Romanians were given asylum in Germany, but in September of that year Germany returned 43,000 refugees, over half of whom were Gypsies. According to *Migration News*, in 2005 the Romanian government discouraged illegal migration by preventing some 1–4 million Romanians from leaving to travel to EU countries on the grounds that they had insufficient funds, or could not prove that they were merely visiting abroad. In addition, returning Romanians who overstay 90 days abroad have their passports confiscated. Between 1990–2000, remittances to Romania increased tenfold. In 2003 remittances were \$7.3 million.

During the Kosovo crisis in 1999, Romania offered to accept 6,000 Kosovar refugees from Macedonia under the UNHCR/IOM Humanitarian Evacuation Programme. It only actually hosted about 100, until the end of July 1999 when all but one returned to Kosovo. By the end of 2004, there were a total of 2,237 persons of concern to the United Nations High Commissioner for Refugees (UNHCR) in Romania, 1,627 refugees, 210 asylum seekers primarily from Iraq, and 400 stateless Roma.

From 1991–2003, some 10,000 Romanians per year were permanent emigrants. In 2004, 3,730 Romanians applied for asylum in 10 countries, predominantly to Italy. In 2005, the net migration rate was an estimated -0.13 migrants per 1,000 population.

## 8 ETHNIC GROUPS

According to the 2002 census, Romanians constitute about 89.5% of the total population. Hungarians make up the largest minority group with about 6.6% of the total population. Roma account for about 2.5% of the population according to census figures; however, international groups estimate that the actual number of Roma may include up to 10% of the population. Despite government efforts for improvement, the Romani community continues to face discrimination and harassment. Lesser minority groups include Ukrainians (0.3%), Germans (0.3%), and Russians (0.2%). Others include Turks, Serbs, Croats, Jews, Poles, Bulgarians, Czechs, Greeks, Armenians, Tatars, and Slovaks.

## 9 LANGUAGES

Romanian is the official language. As a Romance language derived from the Latin spoken in the Eastern Roman Empire, Latin word elements make up 85–90% of the modern Romanian vocabulary. In the 2,000 years of its development, the language was also influenced by contacts with Slavonic, Albanian, Hungarian, Greek, and Turkish. Of the loanwords, Slavonic elements are the most numerous. Earliest Romanian written texts still extant date from the 16th



LOCATION: 48°15'06" to 43°37'07" N; 20°15'44" to 29°41'24" E. BOUNDARY LENGTHS: Ukraine, 531 kilometers (329 miles); Moldova, 450 kilometers (279 miles); Black Sea coastline, 234 kilometers (145 miles); Bulgaria, 608 kilometers (377 miles); Serbia, 476 kilometers (295 miles); Hungary, 445 kilometers (277 miles). TERRITORIAL SEA LIMIT: 12 miles.

century. In addition to letters of the English alphabet, Romanian has the letters *ă*, *î*, *â*, *ș*, and *ț*. Hungarian and German are spoken by a large percentage of the inhabitants of Transylvania.

## 10 RELIGIONS

According to the 2002 census, about 86.8% of the population were members of the Romanian Orthodox Church, one of the autocephalous Eastern Orthodox churches. Under Bulgarian influence, the Slavonic rite was maintained in the Romanian Church until the 17th century, when Romanian became the liturgical language. The Romanian Church enjoyed a large measure of autonomy in the Middle Ages and, after Romania achieved full independence from the Turks in 1878, was formally declared independent of the Patriarchate of Constantinople; it is now headed by its own

patriarch. The Greek Catholic (Uniate) Church was formed in 1698 by the Transylvanian Orthodox, who acknowledged the jurisdiction of the Holy See. In October 1948, the new Communist regime compelled the Uniate Church to sever its ties with Rome and to merge with the Romanian Orthodox Church.

Roman Catholics account for about 4.7% of the population. The Greek Catholic Church is also represented as a recognized religion in the country. Protestant denominations make up about 7.5% of the population. Officially recognized Protestant denominations include the Reformed Church (which is the largest in the country), the Romanian Evangelical Church, the Unitarian Church (mostly Hungarian), Baptists, Seventh-Day Adventists, Pentecostals, Jehovah's Witnesses, and the Evangelical Augustinian Church. Islam and Judaism are also officially recognized religions; there

are about 67,257 Muslims and 10,200 Jews. There are also small communities of Methodists, Presbyterians, Baha'is, God's Children (The Family), Hare Krishnas, Zen Buddhists, and Mormons (Church of Jesus Christ of Latter-day Saints), all of which are not officially recognized by the state.

The constitution provides for religious freedom, but the government retains a great deal of legal control over religious groups and activities. The Romanian Orthodox Church holds substantial influence in political and social venues. All religious groups must register with the government. Those that are granted official recognition are eligible for state support; the government officially recognizes 17 religions. Proselytizing is not illegal, but minority religions engaging in such activities have reported restrictions and harassment by local government officials. Some tension does exist between religious groups; particularly between the Romanian Orthodox and minority groups.

## 1<sup>1</sup>TRANSPORTATION

Romania is strategically located at the crossroads of Europe and Asia. As of 2004, Romania's railroad network totaled 11,385 km (7,074 mi), of standard, broad and narrow gauge lines, of which 3,888 km (2,416 mi) were electrified. Standard gauge railways predominate at 10,898 km (6,779 mi), followed by narrow gauge at 427 km (266 mi), and broad gauge railways making up the remainder.

There were 198,755 km (123,625 mi) of roads at the end of 2002, of which 100,173 km (62,307 mi) were paved, including 113 km (70 mi) of expressways. In 2003, there were 3,087,628 passenger cars and 635,342 commercial vehicles in use.

Only the Danube and, to a lesser extent, the Prut rivers are suitable for inland navigation, which accounts for only about 1% of the total freight traffic. The main Danube ports include Galati, Brăila, and Giurgiu. At Giurgiu, on the main transportation line between Romania and Bulgaria, a road-and-rail bridge was completed in 1954, replacing the former Danube ferry to Ruse, Bulgaria. A major project, the Danube-Black Sea Canal, designed to bypass the shallow, silted arms of the Danube Delta, was started in 1949 but abandoned in 1953. It was revived in the early 1980s and opened in 1984. The canal is 64 km (40 mi) long and connects Cernavoda with Constanța. Overall, Romania as of 2004, had 1,731 km (1,076 mi) of navigable inland waterways. The Romanian merchant fleet consisted of 34 vessels of 1,000 GRT or more, totaling 395,350 GRT in 2005, and was based in Constanța, the nation's chief Black Sea port.

Romanian airports totaled an estimated 61 in 2004. As of 2005, a total of 25 had paved runways, and there was also one heliport. Otopeni International Airport, near Bucharest, was opened in 1970 and remains the nation's principal international air terminal. Baneasa Airport, also near Bucharest, handles local traffic. Other important airports include M. Kogalniceanu at Constanța and Giarmata at Timișoara. Romanian Air Transport (Transporturile Aeriene Române-TAROM) and Romanian Air Lines (Linile Aeriene Române-LAR) are the primary air carriers. In 2003, about 1.251 million passengers were carried on scheduled domestic and international airline flights.

## 1<sup>2</sup>HISTORY

Archaeological excavations show that the land now known as Romania has been inhabited for thousands of years. Agriculture was introduced in the 6th century BC, and by the 3rd century BC the Cucuteni civilization had produced polychrome pottery. The Dacians, of Thracian stock, had become a distinct people by the end of the 1st century BC. The kingdom of Dacia reached the highest stage of its development toward the end of the 1st century AD, in the reign of Decebalus (87–106), but after four years of war, Dacia fell to the Roman Emperor Trajan in AD 106. The withdrawal of the Romans in AD 271 left the Romanians a partly Christianized Dacian-Roman people, speaking Latin and living in towns and villages built on the Roman pattern. In the following centuries, as Dacia was overrun by successive waves of invaders, the early Romanians are believed to have sought refuge in the mountains or to have migrated south of the Danube River. There the Dacian-Romanians, assimilating Slavic influences, became known by the 7th century as Vlachs (Walachians). The Vlachs apparently remained independent of their neighbors, but came under Mongol domination in the 13th century.

The establishment of the two principalities of Walachia and Moldavia in the late 13th and early 14th centuries opened one of the most important chapters in the history of Romania. Walachia came under Turkish suzerainty in 1476 and Moldavia in 1513; 13 years later, Transylvania, which had been under Hungarian control since 1003, also passed into Turkish hands. The tide of Ottoman domination began to ebb under Russian pressure in the second half of the 17th century; in 1699, under the Treaty of Karlowitz, Transylvania was taken by Austria (later Austria-Hungary), and in 1812, Russia obtained Bessarabia, a section of Moldavia, from the Turks. The Congress of Paris in 1856, which ended the Crimean War, guaranteed the autonomy of the principalities of Walachia and Moldavia and forced Russia to return the southernmost part of Bessarabia to Moldavia. The two principalities formed a union in 1859, with Alexandru Ioan Cuza as its first prince, but he was replaced in 1866 by Carol I of the house of Hohenzollern-Sigmaringen, under a new governing document that proclaimed Romania a constitutional monarchy. At the Congress of Berlin in 1878, Romania obtained full independence from Turkey but returned southern Bessarabia to Russia. Under the rule of Carol I, Romania developed into a modern political and economic unit.

As a result of the Balkan Wars in 1912–13, Romania gained southern Dobruja from Bulgaria. Carol I died in 1914 and was succeeded by Ferdinand I. In World War I, Romania joined the Allies and as a result acquired Bessarabia from Russia, Bukovina from Austria, and Transylvania from Hungary. The establishment of a greatly expanded Romania was confirmed in 1919–20 by the treaties of St. Germain, Trianon, and Neuilly. In the early postwar period, Ion Bratianu (son of a 19th-century premier) instituted agrarian and electoral reforms. Both Ferdinand and Bratianu died in 1927. A brief regency period under Iuliu Maniu, Peasant Party leader, was followed in 1930 by the return to Romania of Carol II, who, having earlier renounced his right of succession, now deposed his nine-year-old son, Michael (Mihai), and established a royal dictatorship.

As economic conditions deteriorated, Fascism and anti-Semitism became increasingly powerful, and Carol II sought to appease both Germany and the USSR, which by August 1939 had

concluded their nonaggression agreement. In 1940, Romania ceded Bessarabia and northern Bukovina to the USSR, northern Transylvania to Hungary, and southern Dobruja to Bulgaria. In the same year, Carol II abdicated in favor of his son Michael, and German troops entered the country. Romania joined the Axis in war against the Allies in 1941. As Soviet forces drove into Romania in 1944, a coup overthrew the wartime regime of Gen. Ion Antonescu on 23 August, and Romania joined the Allies against Germany. A Communist-led coalition government under Premier Petru Groza was set up in March 1945. King Michael was forced to abdicate on 30 December 1947, and the Romanian People's Republic was proclaimed. The Paris Peace Treaty of 1947 fixed Romania's frontiers as of 1 January 1941, with the exception of the border with Hungary, which was restored as of 1 January 1938, so northern Transylvania was once again part of the Romanian state.

The Communist constitution of 1948 was superseded in 1952 by a constitution patterned more directly on that of the USSR. In international affairs, Romania followed a distinctly pro-Soviet line, becoming a member of CMEA and the Warsaw Pact. Internally, the regime nationalized the economy and pursued a policy of industrialization and the collectivization of agriculture. During the 1960s, however, and especially after the emergence of Nicolae Ceausescu as Communist Party and national leader, Romania followed a more independent course, increasing its trade with Western nations and avoiding a definite stand in the Sino-Soviet dispute. In 1967, Romania was the only Communist country that did not break diplomatic relations with Israel following the Six-Day War. In 1968, Romania denounced the Soviet intervention in Czechoslovakia and the USSR-Romania treaty of friendship and cooperation expired; a new accord was not signed until 1970. Further examples of Romania's independent foreign policy in the 1970s were the gradual improvement of relations with China, numerous bilateral agreements with the nations of Western Europe, and President Ceausescu's state visit in December 1973 to Washington, where he signed a joint declaration on economic, industrial, and technical cooperation with the United States. In the 1970s and early 1980s, Romania also became increasingly involved in the nonaligned movement. In 1982, Ceausescu called on the USSR to withdraw from Afghanistan.

In contrast to some other East European countries, there was relatively little political and cultural dissent in Romania during the first 30 years of Communist rule. In 1977, however, about 35,000 miners in the Jiu Valley, west of Bucharest, went on strike because of economic grievances. Afterwards, the Romanian Communist Party hierarchy was frequently reshuffled, ostensibly to improve economic management, with Ceausescu and several members of his family (particularly his wife, Elena) increasing their power.

In the early and mid-1980s, there were a number of work stoppages and strikes caused by food and energy shortages. In early 1987, Ceausescu indicated that Romania would not follow the reform trend initiated by Mikhail Gorbachev in the USSR.

The progress of *perestroika* (restructuring) in the Soviet Union, intensified by the wave of "velvet revolutions" which rolled across Eastern Europe in autumn 1989, only served to highlight the repressiveness of the Ceausescu regime, which had all but starved and frozen the country to death in its attempt to repay international indebtedness, which President Ceausescu said in April 1989 had

been us\$10 billion. The regime was also single-mindedly pushing ahead with the "systemization plan" begun in March 1988, which intended to force about half the country's peasants into urbanized "agro-industrial" complexes by bulldozing their villages.

The policy was especially offensive to the 2.5 million Hungarians in Romania's western regions, who understood the policy to be an attempt to further undercut their cultural autonomy. In mid-December 1989, abysmal economic conditions and ethnic tension led to spontaneous demonstrations in the western city of Timișoara. When the Securitate, Romania's secret police, attempted to deport Laszlo Toekes, a popular clergyman who had been a leading spokesperson for the local Hungarians, thousands of people took to the streets. Troops were summoned, and two days of rioting ensued, during which several thousand citizens were killed.

News of the riot, and of the government's handling of it, fanned further demonstrations around the country. Probably unwisely, President Ceausescu went ahead with a planned three-day visit to Iran. Upon his return, he convened a mass rally at which he attempted to portray his opponents as fascists. However, the rally turned into an antigovernment demonstration, in which the army sided with the demonstrators.

Ceausescu and his wife attempted to flee the country, but were apprehended, tried, and summarily executed, on 25 December 1989. Several days of fighting raged, as the Securitate and the army battled for power. A hastily assembled Council of National Salvation took power, repealing a number of Ceausescu's most hated policies and laws. The Council's president was Ion Iliescu, a former secretary of the Communist Party, who had been one of several signatories to a letter, which had accused Ceausescu of gross mismanagement of Romania's economy, made public in March 1989. The prime minister, Peter Roman, was also a prominent Communist.

Although the Council contained some non-Communists, the majority had been prominent officials in Ceausescu's regime, which prompted almost continuous public protests. Despite a continued government monopoly on media, political opposition groups managed to rally public support to demand the banning of the Communist Party, and the widening of the government. In February 1990, Iliescu agreed, replacing the 145-member Council of National Salvation with a 241-member Council of National Unity, which included members of opposition parties, national minorities, and former political prisoners; it also contained the full membership of the former Council, and Iliescu remained president.

Parliamentary elections were held in May 1990 against a background of continued civil unrest, especially in the Hungarian west. Although international observers considered the elections to have been generally fair, the National Salvation Front—now a political party—made ruthless use of its media monopoly to take about two-thirds of the parliamentary seats from a divided, disorganized, and inexperienced opposition. Iliescu was elected president, with about 85% of the votes, in a contest in which there had been more than 94% voter turnout.

The conviction that ex-Communists had "stolen" the election brought continued demonstrations in Bucharest and elsewhere. In April 1990, in a move that was criticized internationally, the Iliescu government trucked in miners from the northern part of the

country, urging them to beat up and disperse the demonstrators, ending what threatened to become a coup d'état against Iliescu.

After the failure of those demonstrations, the opposition began to link up into parties, hoping to challenge Iliescu and his party in the next parliamentary elections, to be held in 1992. Popular discontent, however, continued to find more direct expression. Angry that the promises which had brought them to Bucharest in June had not been kept, the miners returned in September 1991, this time to link up with many of the opposition figures that they earlier had attacked, now to mount a mass attack on the government. Iliescu had no choice but to dismiss Prime Minister Roman, replacing him with Theodor Stolojan, an economist who managed to contain popular discontent until the general elections of September 1992, largely by delaying implementation of economic reforms. The parliamentary elections demonstrated a wide diffusion of political support. Iliescu's National Salvation Front won 28% of the seats, making it the largest party, but the Democratic Convention, an anti-Communist opposition coalition with a strong monarchist wing, took 20%, while former Prime Minister Roman's National Salvation Front, now opposed to Iliescu, took 10%. The remaining 42% of the seats were divided among five other parties.

The popular vote for president showed that Iliescu still had support, although it had dropped to just above 60% of the electorate. The success of his opponent, Emil Constantinescu, a former rector of Bucharest University, demonstrated the continuing hostility to Iliescu and the other ex-Communists who had managed to retain power.

Iliescu's dismissal of Stolojan, in November 1992, was widely seen as a recognition of that significant minority's opposition. Iliescu chose Nicolae Vacaroiu as prime minister, who had no earlier ties to the Ceausescu or Iliescu governments. However, the move was addressed as much to the International Monetary Fund (IMF) as the rest of the international financial community, which had emerged as Romania's chief source of support. Continued political instability and the fitful pace of privatization, combined with a strong nationalist bloc in the parliament which warned against "selling out" Romania to foreigners, all kept foreign investment quite low, a total of only about \$785 million for all of 1990–94. As a consequence Romania has had to rely upon loans from Western sources, especially the IMF, piling up foreign debt at the rate of about \$1 billion a year. In return for this infusion of cash the foreign donors have set stringent requirements of economic reform, which Romania is not finding easy to meet.

Romania's fitful progress toward democratization exacerbates the social pressures of its continued economic decline. Romanians began the post-Ceausescu period as among the poorest people in Europe, and their economy worsened for several years. Inflation for 1992 was 210%, and more than 300% for 1993, while unemployment was almost 10%. Most significantly, production fell for the first couple of years after the anti-Communist revolution. Beginning in 1994, however, Romania began slowly turning its economy around. In 1996, it even applied for membership in the European Union (EU)—although it knew that admission before 2000 was doubtful.

In November 1996, presidential and parliamentary elections were held as the economy, while still fairly grim, continued to improve in several sectors. Popular opposition to the ex-Communist

Iliescu had grown strong leading up to the elections, mainly due to broken promises of economic security and widespread corruption that saw the enrichment of a small clique of ex-Communist insiders amid general economic hardships across the country. Iliescu also failed to deliver on many privatization schemes, angering the middle-class merchants. In the election's first round on 3 November, the Democratic Convention Alliance of Opposition Groups, led by Emil Constantinescu, Iliescu's 1990 opponent, earned the highest percentage of votes (30%) followed by Iliescu's Party of Social Democracy (PDSR) and the Social Democratic Union (22%), and former prime minister Peter Roman's center-left party (13%). In the presidential election, neither Iliescu nor Constantinescu received a majority, so a runoff was held on 17 November, in which Constantinescu took 54% of the vote, becoming Romania's first true post-Communist leader. The West was thrilled with the victory, as Constantinescu was seen as significantly more pro-free market and pro-international investment than Iliescu. The new government immediately began imposing austerity measures, vowing to reduce the deficit significantly by the end of 1997. However, it was hobbled by disagreements among coalition members, and in March 1998, the prime minister, Victor Ciorbea, was replaced by Radu Vasile. The government's position was weakened even further in January 1999 when it backed down in the face of demands by striking coal miners in order to avert potential violence. In December 1999, in order to save face, and boost the popularity of the coalition for the upcoming elections, President Constantinescu forced Radu Vasile to resign and replaced him with Mugur Isarescu, the governor of the Romanian National Bank.

By the first half of 2000, the failure of the reformist government to bring about the promised economic recovery had led to widespread disenchantment. Inflation, unemployment, and debt remained serious problems, and Romania had also failed to achieve its major foreign policy objectives—admission to NATO and the EU. Public discontent had led to a resurgence in the popularity by Iliescu's ex-Communists, who won a decisive victory in the June local elections. At midyear it was widely expected that the November general elections would bring a change in both the government and the presidency, and it was considered possible that Iliescu himself might stage a political comeback.

Presidential and parliamentary elections were held on 26 November 2000, which were won by Iliescu's PDSR. Iliescu became president after a second round of voting was held on 10 December, defeating extreme right-wing candidate Corneliu Vadim Tudor of the xenophobic Greater Romania Party (PRM). Tudor has been compared to France's Jean-Marie Le Pen, Russia's Vladimir Zhirinovskiy, Austria's Jörg Haider, and the late Pym Fortuyn of the Netherlands. Voter turnout was around 60%, 20% lower than in 1996. Iliescu won 36.4% of the vote in the first round, to Tudor's 28.3%; in the second round, Iliescu took 66.8%, and Tudor won 33.2% of the vote.

In December 2001, under pressure from the EU, Romania repealed a provision of its penal code that discriminated against homosexuals. In November 2002, NATO formally invited Romania to join the organization, one of seven Eastern European nations to join in 2004.

Although between 2000 and 2004 Romania registered some of the highest economic growth rates in Europe, endemic corruption and internal problems within the ruling PDSR led to a surprise



victory by the Truth and Justice Alliance in the November 2004 elections. Traian Basescu, a former sea captain who served as the minister of transportation from 1996 to 2000, and as the mayor of Bucharest from 2000 to 2004, won the presidential elections. Basescu, who ran for the Truth and Justice Alliance, garnered 51.23% of the votes in the second round, while his opponent, Adrian Nastase, the former prime minister of Romania and a member of PDSR got 48.77%. The Alliance formed by the National Liberal Party (PNL) and the Democratic Party (PD), sustains a fragile parliamentary majority with the backing of the UDMR, the Humanist Party (PUR), and several ethnic minority groups.

Internal problems within the Alliance, the kidnapping of three Romanian journalists in Iraq, and massive floods that covered most of Romania in the spring and summer of 2005 threatened to break the coalition apart. President Basescu and the new prime minister, Calin Popescu Tariceanu, agreed to put their differences aside in order to achieve one of the most important goals for Romania—the accession to the EU.

In April 2005, the European parliament gave the green light to Romania and Bulgaria, with 497 votes in favor of the accession, 93 against, and 71 abstentions; both countries are expected to join in 2007. The EU specified however that Romania's accession could be delayed until 2008 if the reform of the judicial system failed and if the fight against corruption was not intensified.

### 13 GOVERNMENT

The Council for National Unity enacted a new constitution for Romania in November 1991, and the document carried many of the hallmarks of Soviet-era constitutions, granting rights in some articles and revoking them in others. In October 2003, the constitution was revised, following a national referendum. The legal system is generally based on Romania's old 1923 constitution, and on the constitution of France's Fifth Republic.

The present arrangement has a directly elected president who serves for a maximum of two five-year terms; he is head of state. The president, in consultation with the parliament, names the prime minister. The prime minister, in turn, chooses his governing body, which has to be approved by the parliament. The government, together with the president, represents the executive power in the country.

The legislature is made up of two houses, the Senate, with 137 seats (one senator for 160,000 inhabitants), and the Chamber of Deputies, with 332 seats (one deputy for 70,000 inhabitants); members of both bodies are directly elected on a proportional representation basis to serve four-year terms.

### 14 POLITICAL PARTIES

After the coup against Ceausescu, some 80 political parties appeared—some new; others, like the Liberals and the Peasant Party, revivals of prewar parties that the Communists had outlawed. The dominant party in the 1990 elections, however, proved to be the National Salvation Front (NSF), which took two-thirds of the seats in the National Assembly.

By 1992, the NSF had split over the issue of whether or not to support Iliescu. The main party renamed itself the Party of Social Democracy in Romania (PDSR), while a pro-Iliescu wing became the Democratic National Salvation Front, and an anti-Iliescu wing, headed by ex-Prime Minister Roman, became the Front

for National Salvation (FSN). The PDSR took 28% of the vote and the FSN, 10%.

The second-largest party in the 1992 elections was a coalition, called the Democratic Convention of Romania (DCR), which incorporated such parties as the National Peasant Party Christian Democratic (PNTCD), the Movement of Civic Alliance, the Party of Civic Alliance, Liberal Party '93, and the Social Democratic Party. There are also small ultranationalist parties, the Party of Romanian National Unity and the Greater Romania Party (PRM), and the Communists have been reborn as the Socialist Labor Party. Despite superficial political differences, all three parties are anti-Hungarian, anti-Gypsy, and anti-Semitic, as well as anti-democratic.

In the parliamentary elections held on 3 November 1996, the PDSR lost its majority standing, and the DCR won a strong majority. The DCR became the ruling party with 53 seats in the Senate and 122 in the Chamber of Deputies; the PSDR held 41 and 91, respectively; the Social Democratic Union, 23 and 53; Hungarian Democratic Union, 8 and 19; Greater Romania Party, 8 and 19; and National Union Party, 7 and 18. Victor Ciorbea, a trade union leader and former mayor of Bucharest, became prime minister, and Emil Constantinescu became president.

Parliamentary and presidential elections were held on 26 November 2000, which were won by the PDSR. The PDSR merged with the Romanian Social Democratic Party to form the Social Democratic Party (PSD), and with the Humanist Party of Romania, formed the Democratic Social Pole of Romania. This coalition won 155 of 346 seats in the Chamber of Deputies and 65 of 143 seats in the Senate. The PRM took 84 seats in the Chamber of Deputies and 37 in the Senate; the Democratic Party took 31 and 13 seats, respectively; the National Liberal Party won 30 and 13; the Hungarian Democratic Alliance (UDMR) won 27 and 12; and 19 ethnic parties were represented with 1 seat each in the Chamber of Deputies.

On 28 November 2004, the Truth and Justice Alliance, comprised of the National Liberal Party (PNL) and the Democratic Party (PD), scored a surprise victory over the ruling PSD. The Alliance formed a fragile coalition with UDMR, the Humanist Party (which recently changed its name to the Conservative Party), and several ethnic minorities. The coalition holds only 169 of 332 seats in the Chamber of Deputies, and 71 of 137 seats in the Senate, while PSD won 110 and 45 respectively, and PRM 32 and 19. At that time there were also 19 deputies with no political affiliation.

### 15 LOCAL GOVERNMENT

Romania is divided into 41 counties (*judete*), as well as the municipality of Bucharest, which has separate status. Below the counties, there are three other categories of local authority: approximately 2,800 communes (with populations up to 5,000), 280 *orase* (towns with populations of approximately 5,000–20,000) and 86 municipalities. In the Ceausescu era the counties were administered by appointees of the central government, whose responsibility was solely to Bucharest. The Iliescu government attempted to reshape local government, but most sources agree that the result was to further remove authority from the countryside. Much of Romania

is deeply rural, with almost no contact between localities or with the central government.

While more than 40% of the Romanian population lives in the rural countryside, attending to a highly fragmented agricultural system, almost 40% of the national wealth is concentrated in Bucharest. As a result, prominent figures from all of Romania's main provinces have pleaded for a more decentralized government system. To date, all 41 counties are led by a prefect who is appointed by the government. The prefects respond directly to the Ministry of Public Administration.

## 16 JUDICIAL SYSTEM

The 1992 law on reorganization of the judiciary established a four-tier legal system, including the reestablishment of appellate courts, which existed prior to Communist rule in 1952. The four tiers consist of courts of first instance, intermediate appellate level courts, a Supreme Court, and a Constitutional Court. The Constitutional Court, six of whose nine members are chosen by the parliament and three by the president, has judicial responsibility for judicial review of constitutional issues. The Constitutional Court judges are appointed for nine-year terms. The Supreme Court was reorganized under a separate 1993 law; its members are appointed by the president of Romania and exercise ultimate authority over all other courts in the country. The judges of the Supreme Court are appointed for a term of six years and may serve consecutive terms.

Under the law, the courts are independent of the executive branch. The constitution vests authority for selection and promotion of judges in the Ministry of Justice. Judges are appointed for life by the president upon recommendation from a panel of judges and prosecutors selected by parliament.

Alongside this ordinary court system is a three-tiered military court system, which handles cases involving military personnel.

## 17 ARMED FORCES

The Romanian armed forces have been reorganized in the wake of the revolution of 1989–90, which destroyed the Communist armed forces and security establishment. In 2005, the armed forces numbered 97,200 active personnel, supported by 104,000 reservists. There were 66,000 active personnel in the Army, 7,200 in the Navy, and 14,000 in the Air Force. The Army was equipped with 1,258 main battle tanks, four reconnaissance vehicles, 177 armored infantry fighting vehicles, 1,583 armored personnel carriers, and 1,238 artillery pieces. The Navy operated one frigate, six corvettes, 38 patrol/coastal vessels, 12 mine warfare, and 11 logistics/support vessels. The Air Force was equipped with 106 combat capable aircraft, including 25 fighters and 68 fighter ground attack aircraft, as well as 8 assault helicopters. Romania also had a paramilitary force of 79,900 members that consisted of 22,900 border guards and an estimated gendarmerie of 57,000. Romania participated in Operation Enduring Freedom in Afghanistan and in peacekeeping or military missions in 10 other countries or regions. The defense budget in 2005 was \$2.10 billion.

## 18 INTERNATIONAL COOPERATION

Romania, which became a member of the United Nations on 14 December 1955, participates in ECE and several nonregional specialized agencies, such as the World Bank, the ILO, the FAO,

UNESCO, UNIDO, and the WHO. Romania served on the UN Security Council from 2004–05. The Romanian government has supported UN missions and operations in Kosovo (est. 1999), Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Burundi (est. 2004), and Côte d'Ivoire (est. 2004), among others.

Romania is also a member of the WTO, G-9, G-77, the Council of Europe, the Black Sea Economic Cooperation Zone, the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, and the OSCE. Romania became a member of NATO in 2004. The country has observer status in the OAS and the Latin American Integration Association (LAIA). Romania is an applicant for membership in the European Union.

Romania is part of the Australia Group, the Zangger Committee, the Organization for the Prohibition of Chemical Weapons, and the Nuclear Suppliers Group (London Group). In environmental cooperation, Romania is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

Before World War II, the economy was predominantly agricultural, with agriculture and forestry contributing 38.1% of the national income in 1938, and industry (including construction) 35.2%. As a result of the industrialization program of the Communist government, this ratio has changed greatly. In 1996, agriculture and forestry contributed 19% to national income; industry, 36%; construction, 7%; and services, 38%. Within industry, structural changes reflected the government's emphasis on the development of heavy industry, particularly machine-building, as opposed to consumer goods. The relative neglect of the agricultural sector, in addition to peasants' resistance to collectivization, resulted in agricultural difficulties, including shortages.

The basic organization of economic management in Romania was highly centralized, like its original Soviet model, with few of the modifications introduced elsewhere in Eastern Europe. During the late 1970s and in the 1980s, the continued emphasis on industrial expansion and consequent neglect of agriculture led to food shortages and rationing. Romania's economic problems in the 1980s were exacerbated by the government's program to reduce foreign debt: the debt was indeed reduced, from \$10.5 billion in 1981 to \$6.6 billion at the end of 1987, but at the cost of reduced industrial development. In addition, two extremely harsh winters (1985 and 1987) resulted in widespread power shortages and loss of production. In the 1990s, foreign debt has once again been on the rise; after reaching a low of \$3.5 billion in 1992, it had risen to \$10 billion in 1998.

The transition to a market economy also proved extremely painful. By 1992, grain production was only two-thirds of the 1989 level, GDP had fallen by 30%, industrial production had fallen 47% and inflation had reached 300%. Growth returned weakly in 1993, with GDP increasing 1%, but then gained some momentum, rising 3.9% in 1994, 6.9% in 1995 and 4% in 1996. In 1997, the government entered into an arrangement with the IMF for a standby agreement (SBA) supported by a credit line of \$430 million, but the agreement was suspended because of the government's slowness in implementing agricultural reform. At the end of 1997,

GDP had fallen -6.6% and inflation had soared to 151.4%. The effects of the Russian financial crisis in 1998, which came to a head in August, spread quickly to Romania, helping produce a further contraction of 7.3% of GDP for the year. Inflation, however, under new government restraints, moderated to 40.6%. Despite an austerity budget for 1999, inflation increased to 54.8% and the GDP contracted 3.2% for the year. In August 1999 the government entered into another SBA with the IMF, and in 2000 and 2001, GDP registered positive growth (1.6% and 4.1%, respectively), and decreasing inflation rates (40.7% and 37.5%, respectively). In October 2001 the government entered into its third SBA arrangement with the IMF, which was successfully completed in October 2003. In July 2004, a stand-by agreement was signed with the IMF. The agreement is to be completed in two years and is aimed at decreasing the account deficit and the inflation rate through a mix of monetary policies and structural reforms.

Romania's macroeconomic performance improved dramatically in the 21st century. Between 2001 and 2003, the GDP registered a 5% average growth; in 2004 the growth rate jumped to 8.3%—second only to Latvia in Europe. Inflation has decreased steadily over this time period, to reach single digit values (at 9.6%) in 2004, and predicted to fall to 7.5% in 2005, and 5.0% in 2006. The unemployment rate has remained fairly stable, averaging around 6% between 1997 and 2004.

This growth of the economy can be attributed to several factors. First and foremost, household consumption has expanded radically, fueled by higher real wages and remittances sent from people working abroad. Investments are another factor that contributed to this growth, peaking in 2004 with the acquiring of Petrom (the national oil company) by the Austrian OMV. Exports improved annually at double digits, although strong internal demand translated into higher imports.

Today, Romania boasts a technologically advanced market economy, a diverse and dynamic economic base, agricultural self-sufficiency, and a strong will to sustain the present economic boom.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Romania's gross domestic product (GDP) was estimated at \$186.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$8,300. The annual growth rate of GDP was estimated at 5.2%. The average inflation rate in 2005 was 8.9%. It was estimated that agriculture accounted for 13.1% of GDP, industry 33.7%, and services 53.2%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$124 million or about \$6 per capita and accounted for approximately 0.2% of GDP. Foreign aid receipts amounted to \$601 million or about \$28 per capita and accounted for approximately 1.1% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Romania totaled \$40.32 billion or about \$1,858 per capita based on a GDP of \$57.0 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated

that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.2%. In 2001 it was estimated that approximately 36% of household consumption was spent on food, 9% on fuel, 3% on health care, and 20% on education. It was estimated that in 2002 about 28.9% of the population had incomes below the poverty line.

## 21 LABOR

Romania's labor force in 2005 was estimated at 9.31 million people. As of 2004, agriculture accounted for 31.6%, with 30.7% in industry, and 37.7% in the services sector. Unemployment was estimated at 6.5% in 2005. The Romanian economy is in the process of privatization. Private firms accounted for 64.5% of the workforce in 2001. However, the government was still prominent in the large industrial sector.

Labor legislation adopted in 1991 guarantees the right of private sector employees to associate freely, organize and join unions, bargain collectively, and carry out strikes. In 2005, there were about 18 nationwide trade confederations plus smaller independent unions. Unions are permitted to strike, but only after all attempts at arbitration have failed and a 48-hour advance notice is given to employers. However there have been complaints that the courts are biased towards ruling strikes illegal. Also, while the law protects the right to bargain collectively, contracts arising from collective bargaining have not been consistently enforced. However, at the branch and unit level, collective bargaining contracts covered around 80% of Romania's workforce in 2005.

Most employees work a five-day, 40-hour week with overtime pay rates for weekends, holidays and work over 40 hours. The minimum wage in 2005 was \$105 per month, and while the government also subsidizes necessities such as housing and health care, this does not provide a decent standard of living for a worker and family. Children under the age of 16 years are not permitted to work, although 15-year-olds may be employed with parental consent. Minors are also banned from working under hazardous conditions. However, child labor remains a problem in Romania. Neither the government nor industry has the resources to enforce safety and health standards in the workplace.

## 22 AGRICULTURE

Although under Communism the emphasis had been on industrialization, Romania is still largely an agricultural country. Of the total land area, 43% was arable land in 2003. Agriculture engaged about 15% of the active population and accounted for 12% of GDP in 2003.

The government began forming collective farms in 1949 and had largely completed the collectivization process by 1962. By 1985, of a total of 15,020,178 hectares (37,115,460 acres) of agricultural land, 29.7% was in state farms, with another 60.8% in large cooperative farms. The socialized sector consisted of 3,745 collectives, 419 state farms, and 573 farming mechanization units by 1985. The Land Reform of 1991 returned 80% of agricultural land to private ownership. Of the 14.8 million acres of agricultural land in 1996, some 2.6 million private producers farmed 44.6%; 20,400 associations of private producers farmed 25%; 1,171 state farms operated 12.8%; and public land accounted for the remaining 17.6%. Average farm size for private producers that year was 2.5 hectares (6.2 acres); for associations, 180 hectares (445 acres);

and for state farms, 1,620 hectares (4,003 acres). In 2003, Romania had 4,484,890 agricultural holdings, the highest in the European Union. That year, 64% of holdings were used for crops, 35% for animal farming, and 1% for agricultural services.

Grain growing has been the traditional agricultural pursuit, but the acreage has been reduced since World War II, and more area has been assigned to industrial and fodder crops. The 2004 production totals (in thousand tons) for major crops was wheat, 7,735; barley, 1,406; corn, 4,452; oats, 447; soybeans, 298; sunflower seeds, 1,558; sugar beets, 673; vegetables and melons, 4,573; potatoes, 4,230; and grapes, 1,230. In 2004, Romania produced an estimated 57 million liters of wine. That year, exports of agricultural products totaled \$765.3 million and agricultural imports amounted to \$2,145 million.

### **2<sup>3</sup> ANIMAL HUSBANDRY**

Romania has some 4.8 million hectares (11.9 million acres) of pastures. Animal production in Romania has developed somewhat more rapidly than crop production. The 1970 value of total livestock production, including the increase in herds and flocks as well as livestock products, was slightly more than double the level of 1938, and the 1974 value was 34% above that of 1970. In view of the initially low level of Romanian livestock production, development has been slow, however. The major reasons for the inadequate increases had been lack of economic incentives, insufficient fodder, and inadequate shelter. Since the overthrow of the Ceausescu regime in 1989, privatization of much of the grazing land has begun. In order to improve livestock raising, the government continues to stress agricultural modernization. Livestock productivity during 2002–04 was 10.8% higher than during 1999–2001.

The livestock numbers (in thousands) for 2005 were cattle, 2,950; hogs, 6,500; sheep, 7,430; and chickens, 87,500. After several years of livestock reduction, the hog and poultry inventories rose at the end of 1995, due to increases in the private sector. Sheep numbers have dropped because of exports. State farms were also forced to cut their flocks due to reduced grazing land and financial difficulties.

Production of livestock food products for 2005 consisted of 781,380 tons of meat, 5,720,000 tons of cow's milk, 344,000 tons of sheep's milk, 37,900 tons of cheese, 405,600 tons of eggs, and 7,154 tons of butter. In 2004, exports of meat amounted to \$37.2 million.

### **2<sup>4</sup> FISHING**

Romania lost an important fishing region and nearly all its caviar-producing lakes with the cession of Bessarabia to the USSR in 1940. But the Black Sea, the Danube and its floodlands, as well as other rivers, lakes, and ponds, are favorable to the development of the fishing industry, which expanded rapidly during the early 1970s. About 90% of the fish comes from the Danube floodlands and delta and 10% from the Black Sea. In 2003, the total catch was 19,092 tons, as compared with 95,473 tons in 1991 and 16,000 in 1960.

### **2<sup>5</sup> FORESTRY**

In 2004, forests covered 6.5 million hectares (16 million acres), representing about 27% of the total area of Romania, with 68% of forests state-owned. The forests are found mainly in the Carpathi-

an Mountains and in Transylvania, and are 70% hardwood (mostly beech and oak) and 30% softwood (mainly spruce and pine). Commercial forests account for 98% of the total forest area. About 40% of Romania's forests are damaged, and up to 25% are defoliated. Insects, air pollution, and fires are the main causes of tree damage. The amount of timber permitted to be cut is approved annually by the Romanian parliament, and was set at 18 million cu m (643 million cu ft) for 2005 (63% from state-owned forests). Roundwood production in 2004 was estimated at 17,500,000 cu m (618 million cu ft). Domestic lumber production is estimated at 5 million cu m (175 million cu ft) with more than half coming from small factories. Romania's furniture industry consists of about 2,400 furniture producers employing about 100,000 people, with exports of around €850 million in 2004. Forestry accounts for 3.5% of GDP and 9% of exports.

Between 1976 and 1985, 580,000 hectares (1,433,200 acres) were reforested. After the collapse of the Communist regime, domestic demand, exports, and reforestation plummeted. During 1990–2000, some 15,000 hectares (37,000 acres) were annually reforested. Since trade liberalization in 1997, Romania's wood industry has expanded; there are nearly 7,000 small and medium sized firms.

### **2<sup>6</sup> MINING**

Romania's production of metals, industrial minerals, and mineral fuels was mainly of regional importance. The country is a producer of aluminum, copper, lead, zinc, manganese, steel and ferroalloys.

Production of mined iron ore (gross weight) totaled 304,000 tons in 2003. Mined copper production (gross weight) totaled 21,317 metric tons in 2003. Bismuth (metal) output in 2003 was estimated at 40 metric tons in 2003, while gold mine output (metal content) in that year came to 400 kg. Silver mine production (metal content) totaled 18 metric tons in 2003. Among industrial minerals in 2003, Romania produced barite, bentonite, diatomite, feldspar, fluorspar, graphite, gypsum (394,000 tons), kaolin, lime (2.025 million tons), lime, nitrogen (content of ammonia), pyrites, salt, sand and gravel, caustic soda, soda ash, sulfur, and talc.

Metals and metalworking in the region were well documented by Roman times, when Romania and Bulgaria, respectively known as Dacia and Thrace, were important sources of base and precious metals. Gold and nonferrous metals mined in the region remained attractive investment opportunities.

### **2<sup>7</sup> ENERGY AND POWER**

Although Romania is the largest producer of oil in Central and Eastern Europe, it is a net importer of oil. The country also dominates the downstream petroleum industry in Southeastern Europe.

As of 1 January 2005, Romania had proven oil reserves estimated at 956 million barrels. Although Romania's oil production averaged an estimated 114,000 barrels per day in 2004, domestic demand for that year averaged an estimated 277,000 barrels per day, making the country a net importer, that year averaging 163,000 barrels per day. Romania is also the region's largest producer of refined petroleum products. Of the 11 refineries located in Southeastern Europe, 10 are located in Romania.

Romania, as of 1 January 2005, had proven reserves of natural gas estimated at 3.6 trillion cu ft. In 2002, natural gas production totaled an estimated 470 billion cu ft, while demand that year came to an estimated 646 billion cu ft, thus requiring imports totaling an estimated 176 billion cu ft.

In 2002, Romania had recoverable coal reserves estimated at 1,606 million short tons. As with oil and natural gas, Romania's demand for coal outstripped production. In 2002, demand was estimated at 36.3 million short tons, while output in that same year came to an estimated 33.6 million short tons. Imports that year were estimated at 2.7 million short tons. Romania's coal production consists of low-quality brown coal (lignite), while imports consist of anthracite for use in thermal power plants.

Romania's electric power is mostly generated by conventional thermal fuel plants, followed by hydroelectric and a single nuclear power plant. In 2002, Romania's electric generating capacity came to 21,568 million kW, with conventional thermal fuel plants accounting for 14,741 million kW, hydroelectric plants 6,122 million kW, and nuclear power for 0.705 million kW. Production in 2002 totaled 52,367 billion kWh, of which 59.9% was from fossil fuels, 30.3% from hydropower, and the rest from the country's sole nuclear plant. Consumption of electricity in 2002 was 45.847 billion kWh.

Romania's Cernavoda nuclear plant has one operating reactor. However, a second reactor is to start generating commercial power in 2006.

## 28 INDUSTRY

Industrial development received about half of all investment during the 1951–80 period. As officially measured, the average annual growth rate in gross industrial production between 1950 and 1980 was 12.3%, one of the highest in Eastern Europe. In 1993, however, industrial production was at only 47% of the 1989 level. The next year, industrial production increased by 3.3%. In 1995, it increased by 9.4% in absolute volume and was 13% higher than the 1992 output. In 1996, industrial production increased by 9.9% with the largest increases coming in the processing industry (12.5%) and machine and electronics (27.3%). After the Russian collapse of 1997, however, the industrial growth rate for 1998 was -17%. Industrial production picked up after Romania began to recover from its recession in 2000, and in 2001, the industrial growth rate was 6.5%.

Although industry continues to be a large sector of the economy (38% of GDP in 2003), it is partially in need of modernization and restructuring. (Agriculture contributed 13% to the GDP in 2003, while services came in first with 49.1%.) Key industries in 2004 included textiles and footwear, light machinery and automobile assembly, construction materials, metallurgy, chemicals, food processing, and petroleum refining. While in 2001 all of Romania's car manufacturers produced 68,761 automobiles, by 2004, Dacia alone produced 94,720.

Romania has been fairly successful in privatizing its industrial base—in 2005, less than 5% of the industrial assets were still in the hands of the state. While some privatizations have been plagued by corruption accusations, and while some of the newly privatized companies are not yet economically viable, the rest have benefited from switching leadership. Some of success stories include the privatization of Dacia (Romania's main car manufacturer), and of

Petrom (the national oil company), which were acquired by Renault and OMV respectively; the privatization of the bank sector has also been hailed as an important step towards a functional market economy—BCR and CEC, two of Romania's largest banks, are to be fully privatized by 2006.

## 29 SCIENCE AND TECHNOLOGY

The Romanian Academy, founded in 1866, has sections of mathematical sciences, physical sciences, chemical sciences, biological sciences, economical sciences, technical sciences, agricultural sciences and forestry, medical sciences, and science and technology of information. The Academy of Medical Sciences and the Academy of Agricultural and Forestry Sciences were both founded in 1969. All three organizations are located in Bucharest, and in 1996, had 67 research institutes attached to them.

In 2002, total research and development (R&D) expenditures amounted to \$555.266 million or 0.38% of GDP. Of that amount, 48.4% came from the government, while the business sector accounted for 41.6%. Foreign sources provided 7.1%, while higher education accounted for 3%. In that same year, there were 286 technicians and 910 scientists and engineers engaged in R&D per one million people. High technology exports in 2002 were valued at \$390 million, or 3% of the country's manufactured exports. In 1996, Romania had 22 universities offering courses in basic and applied sciences. In 1987–97, science and engineering students accounted for 21% of university enrollment.

## 30 DOMESTIC TRADE

Wholesale and retail trade were entirely in the socialized sector before 1990. By 1993, however, 50% of retail trade had been privatized. Since 1996, the government has worked more diligently, yet slowly, to create a market economy by eliminating consumer subsidies, liberalizing the exchange rates, and initiating tighter monetary policies. Further privatization programs are also underway and the government is considering ways to promote and encourage foreign commercial investment.

Domestic trade of consumer goods has been limited to local markets. There are only a few professional distributors and independent retailers tend to be rather small. The chief seaport is at Constanța. Cluj-Napoca, Timișoara, Iași, Craiova, and Brașov serve as regional industrial centers and railroad hubs. Oradea serves as a regional marketing and shipping center for livestock and agriculture. Arad is a regional commercial and industrial center in the west while Pitesti serves as a hub for the south-central region. Turgu-Mures serves as a regional industrial and agricultural center for central Romania.

Stores are open daily, except Sunday, from 10 AM to 6 PM. Food shop and retail department store hours are 7 AM to 9 PM Monday to Saturday and 7 AM to 12 noon on Sundays. There are however shops, especially small privately owned neighborhood stores, that are open nonstop. Also, the number of retailers and products has increased dramatically in the past years. Big companies like Metro, Billa, Selgros, and Carrefour opened stores in most of Romania's big cities, offering an increasing array of products.

Offices generally open at 7 or 8 AM and close at 3 or 4 PM. Exchange counters in banks transact public business from 8 AM to 12 noon, but exchange offices at border crossings remain open 24 hours a day.

**Principal Trading Partners – Romania (2003)**

(In millions of US dollars)

Country	Exports	Imports	Balance
World	17,618.1	24,003.2	-6,385.1
Italy-San Marino-Holy See	4,288.3	4,697.2	-408.9
Germany	2,771.0	3,560.0	-789.0
France-Monaco	1,295.2	1,748.0	-452.8
United Kingdom	1,181.6	794.1	387.5
Turkey	902.0	923.7	-21.7
Netherlands	627.7	467.3	160.4
United States	619.1	554.1	65.0
Hungary	617.2	868.0	-250.8
Austria	567.2	847.1	-279.9
Greece	425.9	324.4	101.5

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.**3<sup>1</sup> FOREIGN TRADE**

Before 1990, foreign trade was a state monopoly carried out through export-import agencies under the administration of the Ministry of Foreign Trade. Since World War II, the orientation and structure of Romanian foreign trade have shifted. Before the war, cereals, oil, timber, livestock, and animal derivatives accounted for over 90% of total exports, while consumer goods (60%) and raw materials (20%) accounted for the bulk of the imports. Under the Communist industrialization program, structural changes were particularly striking in exports, with machinery and nonedible consumer goods emerging as important export items. Foreign trade was in surplus throughout the 1980s, but fell into deficit in the 1990s. Romania's increasing trade deficit after 1994 was due in large part to the depreciation of its currency, large energy imports (despite large domestic reserves), and the loss of two important export markets due to international sanctions: Iraq and the former Yugoslavia (Serbia and Montenegro). The low quality of Romania's export products has also contributed to its large trade deficits. Additionally, with 80% of all imports taking the form of raw materials—principally oil, natural gas, and minerals—the country has little foreign exchange for the importation of equipment and technology of the type needed to modernize its sluggish industrial sector.

Exports in 2000 totaled \$10.4 billion and imports \$13.1 billion; the major export categories were apparel (22%); machinery and electric equipment (19%); metals and their manufactures (17%); mineral fuels (7.2%); chemicals and related exports (5.8%); and food products, beverages, and tobacco (2.6%). By 2004, the exports doubled to \$21 billion (FOB—Free on Board), while the imports grew to \$28 billion (CIF—Cost, Freight, and Insurance). For 2005, the exports were expected to grow to \$25 billion, and the imports to \$31 billion. Major export groups in 2004 were manufactures (especially textiles and footwear), basic metals and articles, and mineral products; the major import groups included capital goods, food, fuel and energy.

Trade with the EU countries, especially Germany, has increased substantially in recent years, largely because of Romania's expanding need for advanced Western technology and equipment. In the first quarter of 2004, Romania's main export markets were Italy

(with 22.8% of total exports), Germany (15.5%), France (8.5%), Turkey (6.8%), the United Kingdom (6.8%), Hungary (3.6%), Austria (3.3%), the Netherlands (3.2%), Greece (2.6%), and the United States (2.3%). Imports came mainly from Italy (16.9% of the total imports), Germany (13.8%), the Russian Federation (8.0%), France (7.0%), Turkey (4.3%), the United Kingdom (3.6%), Austria (3.4%), Ukraine (3.4%), China (3.2%), and Hungary (3.2%)

**3<sup>2</sup> BALANCE OF PAYMENTS**

Trade with Western countries has involved growing amounts of credits in recent years. As a result of a series of devaluations of the Romanian leu dating from February 1990, Western imports became increasingly costly while the quality of Romania's exports significantly declined. Romania's poor performance was additionally due to its reliance on the importation of raw materials—such as oil, natural gas and minerals—which accounted for as much as 80% of imports in 1995, leaving little exchange currency for equipment and technology.

Current account deficits have been financed in large measure by loans and grants from international financial institutions, but Romania has attempted to diversify its sources of external financing. Romania's external debt stood at \$11.6 billion in 2001. The country's international risk ratings have made it difficult for Romania to borrow from the private international credit market.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Romania's exports was \$11.5 billion while imports totaled \$14.4 billion resulting in a trade deficit of \$2.9 billion.

The International Monetary Fund (IMF) reported that in 2001 Romania had exports of goods totaling \$11.4 billion and imports totaling \$14.4 billion. The services credit totaled \$1.99 billion and debit \$2.20 billion. The exports of goods and services rose to \$24.6 billion in 2004, while the imports grew to \$29.2 billion; the trade deficit totaled \$4.6 billion.

**Balance of Payments – Romania (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-3,311.0</b>
Balance on goods		-4,537.0
Imports	-22,155.0	
Exports	17,618.0	
Balance on services		70.0
Balance on income		-705.0
Current transfers		1,861.0
<b>Capital Account</b>		<b>213.0</b>
<b>Financial Account</b>		<b>4,400.0</b>
Direct investment abroad		-39.0
Direct investment in Romania		1,844.0
Portfolio investment assets		9.0
Portfolio investment liabilities		569.0
Financial derivatives		...
Other investment assets		72.0
Other investment liabilities		1,945.0
<b>Net Errors and Omissions</b>		<b>-289.0</b>
<b>Reserves and Related Items</b>		<b>-1,013.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 33 BANKING AND SECURITIES

Romanian banks were nationalized in 1948. Established in 1880, the bank of issue is the National Bank of the Socialist Republic of Romania, which also extends short-term loans to state enterprises and supervises their financial activities. The Romanian Bank for Development (1990) finances investments of state enterprises and institutions and grants long-term credit. As investments increased in volume, this bank was required to intensify its control over the use of funds allocated for investment. The Romanian Bank for Foreign Trade conducts operations with foreign countries. Savings are deposited with the Loans and Savings Bank. In 1974, New York's Manufacturers Hanover Trust opened an office in Bucharest, the first such instance for a Western commercial bank in a communist nation.

Romania has generally been very cautious in its approach to banking reform. Since 1990, the financial sector has undergone a fundamental overhaul, although the pace of change has been slower than elsewhere in the region. The number of banks rose from five in December 1990 to 41 by the end of 2000—including four branches of foreign banks, four branches of joint ventures based abroad, and 33 domestic banks. The foreign specialized banks—for development, agriculture, and foreign trade—still handle almost all of the business in these areas. The Romanian Commercial Bank is still the banker to most Romanian firms, while the Savings Bank retains a virtual monopoly on personal savings deposits. At decade's end, Romania's financial institutions, like the rest of its economy, remained in severe and protracted crisis. Despite repeated calls from the IMF to privatize, the seven state-owned banks still controlled 70% of all assets in Romania's banks. Moreover, these banks continued to be plagued by bad debt.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$2.1 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$9.3 billion. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 35%.

Romania set up its first postwar stock exchange in 1995, after the enabling legislation has been delayed for several years. The RASDAQ (Romanian Association of Securities Dealers Automatic Quotation), an over-the-counter securities market, opened in 1996. As of 2001, the total market capitalization of the RASDAQ was \$2.1 billion, up 98% from the previous year. As of 2004, a total of 4,030 companies were listed on the combined Bucharest Stock Exchange and RASDAQ exchanges, which had a combined market capitalization of \$11.786 billion. In 2004, the BET Index rose 101% from the previous year to 4,364.7.

### 34 INSURANCE

During the Communist era, all commercial insurance was nationalized. Since 1991, casualty, automobile, and life insurance have been made available through private insurers with foreign partners. Private insurers are only legally permitted as joint-stock or limited liability companies. Policies available include life, automobile, maritime and transport, aircraft, fire, civil liability, credit and guarantee, and agricultural insurance, with third-party auto insurance compulsory. Foreign insurance companies and agencies

are now allowed to set up representative offices within Romania, though they must have a joint venture with a local company; a foreign company can own any percentage but 100%. In 2003, the value of all direct insurance premiums written totaled \$795 million, of which nonlife premiums accounted for \$608 million. Romania's top nonlife insurer that year had direct written nonlife premiums of \$139.5 million, while the nation's leading life insurer had gross written life insurance premiums of \$79.2 million.

### 35 PUBLIC FINANCE

The annual budget is presented to the Grand National Assembly around December and becomes effective for the fiscal year on 1 January. The state budget, prepared by the Ministry of Finance, is a central part of the financial plan for the whole economy. The reduction of the growth rate of expenditures during the early 1980s was in keeping with an economic stabilization program designed to hold down domestic investment and consumption. As a result of fiscal reforms begun since the fall of the Ceausescu regime in December 1989, adherence to IMF fiscal targets, and an unanticipated inflation-fed revenue windfall during the first half, the central government unofficially recorded a relatively modest deficit for 1991. Privatization of industry was accomplished in 1992 with the transfer of 30% of the shares of about 6,000 state-owned businesses to five private ownership funds, in which each adult citizen received certificates of ownership. As of the first decade of the 21st century, the government's priorities included reigning in of its fiscal policy, continuing to develop its relationship with the IMF, and continuing the process of privatization.

The US Central Intelligence Agency (CIA) estimated that in 2005 Romania's central government took in revenues of approximately \$29.9 billion and had expenditures of \$31.3 billion. Revenues minus expenditures totaled approximately -\$1.4 billion. Public debt in 2005 amounted to 21.1% of GDP. Total external debt was \$29.47 billion.

#### Public Finance – Romania (2001)

(In billions of lei, central government figures)

<b>Revenue and Grants</b>	<b>312,534</b>	<b>100.0%</b>
Tax revenue	137,200	43.9%
Social contributions	128,918	41.2%
Grants	1,345	0.4%
Other revenue	45,071	14.4%
<b>Expenditures</b>	<b>354,837</b>	<b>100.0%</b>
General public services	64,525	18.2%
Defense	18,056	5.1%
Public order and safety	25,239	7.1%
Economic affairs	49,286	13.9%
Environmental protection	...	...
Housing and community amenities	6,626	1.9%
Health	54,839	15.5%
Recreational, culture, and religion	4,007	1.1%
Education	20,862	5.9%
Social protection	111,396	31.4%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, central government revenues were L312,534 billion and expenditures were L354,837 billion. The value of revenues was us\$9 million and expenditures us\$11 million, based on a market exchange rate for 2001 of us\$1 = L33,200.1 as reported by the IMF. Government outlays by function were as follows: general public services, 18.2%; defense, 5.1%; public order and safety, 7.1%; economic affairs, 13.9%; housing and community amenities, 1.9%; health, 15.5%; recreation, culture, and religion, 1.1%; education, 5.9%; and social protection, 31.4%.

### 36 TAXATION

Romania's taxation system in the 1990s was notable for its erratic and confusing nature, but with reforms in late 1999 there has been movement towards uniformity and simplicity. As of 2005, the standard corporate income tax rate in Romania was 16%. Profits from nightclubs, casinos, and discotheques were taxed at the standard corporate rate, with the stipulation that total tax could not be lower than 5% of qualifying gross revenue earnings. Capital gains are taxable at the normal corporate income tax rate of 16%, although a lower rate of 10% applies to the sale of corporate shares held in Romanian companies and the sale of Romanian real estate if the seller owned the real estate or shares for more than two years, and if the buyer is not related to the seller. Dividends, paid to either residents or resident companies by Romanian firms are subject to 10% withholding. Dividends paid to nonresident companies or individuals by Romanian firms are subject to a 15% withholding tax. Interest and royalties earned through nonresident companies are subject to withholding tax rates of 5% and 15%, respectively.

As part of the tax reform; Romania's top marginal rate for personal income tax was dropped from 60% to 40%. Personal income tax in 2003 was levied according to a progressive schedule with rates ranging from 18% (for taxable income above \$67/month; as of 1 January 2003 the monthly personal deduction was about \$57.35 up from \$51 in 2002), to 40% plus \$98/month (on increments of monthly income above \$370), with intermediate rates of 23% plus \$12; 28% plus \$35; and 34% plus \$62. The tax-exempt limit for a monthly pension payment was raised from \$159 in 2002 to \$182 in 2003. There are also property taxes.

The main indirect tax is Romania's value-added tax (VAT), with a standard rate of 19% as of 2005. Many basic services are exempt from VAT including banking and financial services. Other taxes include excise and stamp taxes.

### 37 CUSTOMS AND DUTIES

Romania joined the European Free Trade Association (EFTA) in December 1992 and signed an association agreement with the European Union early in 1993, which provided for Romania to adapt to EU economic-commercial standards over a 10-year period. Under an interim collaborative agreement effective 1 May 1993, a revised Romanian import tariff schedule was introduced with preferential tariffs for imports from European Union and EFTA member nations. Generally, customs duties range from 0–30%, with a weighted average of 11.7%. For imports of ores and fuels, the duties are zero or 3–10%. Duties are higher for cigarettes (8 ECUs plus 20%), spirits (100–150%), wines (20%), beer (55–70%),

and coffee (80%). Tariff rates are on an ad valorem basis. There is also a value-added tax (VAT) of 19% levied on almost all goods.

### 38 FOREIGN INVESTMENT

Foreign investment was negligible before the overthrow of the Communist regime. A new 1991 foreign investment law was enacted in 1991. Incentives to foreign investors include tax holidays and reduction, full foreign ownership of an enterprise, and full conversion and repatriation of after-tax profits. However, the latter is a drawn-out process because of the central bank's shortage of hard currency.

In 1997, the inflow of foreign direct investment (FDI) reached \$1.2 billion, and then rose to a record of over \$2 billion in 1998. Affected by the Russian financial crisis of August 1998, FDI inflow fell to a little over \$1 billion in 1999. Annual FDI inflow averaged about \$1.1 billion from 2000 to 2002. The FDI inflow continued to grow, reaching \$1.6 billion in 2003, and a whopping \$5.1 billion in 2004.

France, Austria, the Netherlands, Germany, the United States, and Italy have been the largest sources of FDI. The largest foreign operations are in the automobile, steel, oil and banking industries.

### 39 ECONOMIC DEVELOPMENT

The economy of Romania before 1990 was centrally planned and, for the most part, under complete state control. The nationalized industries and other economic enterprises operated within the state economic plan and were governed by the directives issued by the pertinent ministries. Economic planning, conducted by the State Planning Commission, emulated the Soviet example.

Nationalization of industry, mining, transportation, banking, and insurance on 11 June 1948 was followed by one-year economic plans in 1949 and 1950. These were succeeded by the first five-year plan (1951–55), which laid the groundwork for rapid industrialization, with emphasis on heavy industry, primarily machine-building. The state's second five-year plan (1956–60) provided for an increase of industrialization by 60–65%. Greater attention was given to consumer goods and to agriculture. A subsequent six-year plan (1960–65) envisaged an overall industrial increase of 110%, especially in producer goods. The five-year plan for 1966–70 realized an overall industrial increase of 73%. The five-year plans for 1971–75, 1976–80, and 1981–85 called for further industrial expansion and, according to official figures, during 1966–85 industrial production grew by 9.5% annually. The eighth five-year plan, for 1986–90, projected a 13.3–14.2% annual increase in Romania's net industrial production.

In the farming sector, the government has assiduously pursued a policy of collectivization. By virtue of the 22 March 1945 land reform, most farms over 50 hectares (123 acres)—a total of about 1.5 million hectares (3.7 million acres)—were confiscated without compensation. In 1949, the remaining large private farms were seized, and their 500,000 hectares (1,236,000 acres) organized into state farms. Various pressures, including coercion, were used to force peasants into joining. In April 1962, collectivization was announced as virtually completed, although there were farms, especially in remote areas, that were left in the hands of their rightful owners. Agricultural development in following years was comparatively neglected.



As of 1 January 1979, Romania began implementing the “new economic-financial mechanism,” an attempt to introduce into the Romanian economy the principle of workers’ self-management as previously developed elsewhere in Eastern Europe, notably in the former Yugoslavia and Hungary. Accordingly, autonomous production units were expected to plan for their own revenues and expenditures and manpower needs. These separate plans were, however, to be harmonized with the national economic plan, so that Romania’s centralized system of goal and price setting was not significantly altered.

One of the major economic targets in the 1980s was the reduction of foreign debt, which was achieved but at the cost of drastic austerity measures and reduced industrial growth. After the fall of Communism, a major objective was the privatization of 6,200 state enterprises. The economy was to be completely restructured, with the emphasis on private ownership and adherence to the market for the allocation of resources. By late 1996, nearly all the country’s agricultural land had been returned to private ownership, but only 65% of all eligible recipients had been officially given title. By 2002, Romania had privatized many major state-owned enterprises, with the help of the World Bank, International Monetary Fund (IMF), and the European Union. The private sector in 2002 accounted for an estimated 65% of gross domestic product (GDP).

Economic growth declined in the late 1990s, but picked up in the early 2000s. Inflation, once a problem (it stood at 18% at the end of 2002), has been reduced to single figures in 2004, and is predicted to drop to 5% by 2006. In 2004, the foreign direct investment in Romania reached \$5.1 billion (second only to the Czech Republic in Europe), while the GDP registered a whopping 8.3% increase (second only to Latvia in Europe). The economy is expected to grow at a rate of around 7% in the coming years.

Romania is seeking admission to the European Union, with accession envisaged for 2007. The accession could however be postponed until 2008 if Romania fails to implement the necessary reforms (one of the biggest problems that still needs to be addressed is corruption). The center-right government that was elected in 2004 is confident however that 2007 is a realistic target, and is working hard towards achieving that goal. In December 2004 Romania closed the pre-accession negotiation with the European Union, in October 2004 it received the “functionally market economy” status, and it is looking to continue its sustained economic growth in the years preceding the accession.

However, one of the biggest concerns that Romanian policy makers are having is the capacity of the country to respond to EU market pressures once it will be part of that organization. While some sectors have registered significant progress, others are still lagging and will probably suffer once the accession is completed. For example, Romania’s main car manufacturer, Dacia—now owned by Renault, has been very successful in acquiring an important share of the internal and external market with its new model—Logan; the information technology (IT) industry is one of the most vibrant in Europe (a study recently done by Brain-bench found that Romania is in fourth place globally, in terms of its IT workforce numbers). The agriculture sector, on the other hand, suffers from fragmentation, lack of economic cohesion (economies of scale are hard to achieve on small parcels of land that are owned by people with different interests), and a lack of future perspective.

In 2005, the new center-right government has introduced a 16% flat tax on both wages and firm turnover—one of Europe’s most liberal taxation systems. This fiscal reform is expected to strengthen the economic boom, increase foreign investment, bring to light the gray economy, and lower corruption.

#### 40 SOCIAL DEVELOPMENT

A social insurance system has been in place since 1912. Social security covers most wage earners, and a voluntary system is in place for persons wishing additional coverage. Old-age pensions are granted at age 65 for men and at 60 for women. Those engaged in hazardous or arduous work are eligible for retirement earlier. The program is funded by contributions from employers and employees, with deficits covered by the government. Workers who do not meet the conditions of duration of employment at retirement age are provided with social assistance. Survivors’ benefits are payable to the spouse, father and mother, and brothers and sisters who are dependents of the deceased, and to children up to age 16. Workers’ compensation and unemployment insurance are also provided, as well as maternity benefits and family allowances.

All residents are entitled to medical care. Families with children under age 16 receive family allowances and a birth grant for each child. In addition to state social insurance, other schemes cover members of artisans’ cooperatives, the clergy, and the professions.

The constitution guarantees equal pay for equal work, but women are still concentrated in low-paying professions. Few women are in senior management positions in the private sector. Women also face considerable employment discrimination in Romania’s harsh economic climate and suffer from a higher rate of unemployment than do men. Violence against women, including rape, is a serious problem. It is difficult to bring rape cases to trial because the victim’s testimony is not considered sufficient evidence; medical evidence and witnesses are required. Domestic abuse is widespread.

Ethnic Hungarians are the largest minority and are subject to discrimination. The Roma population continues to be harassed, and there are reports of anti-Semitic activity. Human rights are generally respected although there were continued reports of the mistreatment of detainees. The government has improved prison conditions and instituted vocational training, but prisons are still overcrowded.

#### 41 HEALTH

As part of a broader social and economic transition, Romania’s health care system underwent major reforms in the 1990s as it was transformed from a centralized, tax-based system to a pluralistic one based on contractual relationships between health care providers and insurance funds. Until the end of the decade, primary care was provided mainly through some 6,000 public-sector dispensaries throughout the country, with each patient assigned to a facility. Patients have subsequently been allowed to choose their own dispensary and general practitioner. As of 2004, there were an estimated 189 physicians, 402 nurses, and 23 dentists per 100,000 people. Total health care expenditure was estimated at 4.6% of GDP.

Increased mother and child care lowered the infant mortality rate from 143 per 1,000 live births in 1948 to 15.39 in 2005.

The general health of the population has likewise improved, with several previously serious diseases eliminated or greatly reduced (e.g., diphtheria, tuberculosis), although proper sanitation was available to only 53% of the population and safe drinking water to 58%. Leading causes of death were cardiovascular disease, cancer, and respiratory diseases. Overall mortality was 12.3 per 1,000 people as of 2002. Average life expectancy in 2005 was 71.35 years. Romania's birth rate in 2002 was an estimated 10.8 per 1,000 people. About 48% of married women (ages 15 to 49) used contraception. The total fertility rate was 1.3 children per woman during her childbearing years. Immunization rates for children up to one year old were: tuberculosis, 100%; diphtheria, pertussis, and tetanus, 97%; polio, 97%; and measles, 97%.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 6,500 people living with HIV/AIDS in the country. There were an estimated 350 deaths from AIDS in 2003.

#### 42 HOUSING

Inadequate housing has been a serious problem since World War II. Romanian housing suffered from the 1940 earthquake, war damage, neglect, and inadequate repair and maintenance after the war. An increase in the urban population caused by industrialization and emphasis on capital construction exacerbated the problem. Since 1965, the government has encouraged private construction by state support in the form of credits and expertise. However, an uncertain economy means that maintenance for existing properties has been somewhat poor.

In 1999, the total housing stock was at about 7.88 million units. At the 2002 census, there were 8,107,114 dwellings serving 21.6 million people. About 56.8% of all dwellings were single-family detached houses of two or three rooms. About 97% of all units are under private ownership. About 47% of all residential buildings were built in the period 1945–70.

#### 43 EDUCATION

Education is compulsory for students between the ages of 6 and 16. The general course of study includes four years of primary school followed by four years of lower secondary school. Students may attend art or trade schools after their primary education is complete. At the upper secondary level, students may choose between schools offering general studies, vocational programs, or technical studies. Upper secondary programs generally last from three to four years. The academic year runs from October to June.

In 2001, about 75% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 89% of age-eligible students. The same year, secondary school enrollment was about 81% of age-eligible students. It is estimated that about 89.4% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 18:1 in 2003; the ratio for secondary school was about 14:1.

Admission to an advanced institution depends on a variety of factors, including the student's social background. Over half the students receive government assistance. Yearly quotas are established by the Ministry of Education according to manpower needs. Students in some fields must first complete six months of practical work in industry or agriculture.

In 1959, the Romanian Victor Babes University (founded 1919) and the János Bolyai University (1945) for Hungarian minority students, both in Cluj-Napoca, were merged into the Babes-Bolyai University in order to strengthen "socialist patriotism." There are six other universities—in Bucharest (founded in 1864), Braşov (1971), Craiova (1966), Galati (1948), Iaşi (1860), and Timişoara (1962).

Like the other formerly Communist countries, Romania has emphasized polytechnic education in recent years. This "link of education with life" in the early grades means studying practical subjects; however, beginning in the upper grades there are work programs, often directly in enterprises, in workshops, or on collective farms, depending on the locality.

In 2003, about 35% of the tertiary age population were enrolled in some type of higher education program. The adult literacy rate for 2004 was estimated at about 97.3%. As of 2003, public expenditure on education was estimated at 3.5% of GDP.

#### 44 LIBRARIES AND MUSEUMS

The National Library in Bucharest holds over 8.7 million items. The Romanian Academy Library in Bucharest is also a national library. It holds about 10 million items, mainly on the history and culture of the Romanian people. The next largest public libraries are the university libraries at Bucharest (1.4 million volumes), Iaşi (3 million), and Cluj-Napoca (3.6 million).

Romania has some 400 museums. Bucharest is home to many of the most important museums, including the National History Museum of Romania, the National Museum of Art, and the newer Historical Museum of Bucharest (founded in 1984) and Cotroceni National Museum (1991), featuring Romanian fine art, architecture, and decorative art. Also in the capital are the Cecilia and Frederick Storck Museum, highlighting the works of Karl Storck, a great Romanian sculptor, and his family, also prominent artists; the Curteio Veche Museum, featuring archaeological exhibits and housed in a 15th-century palace; and the Museum of Romanian Literature.

#### 45 MEDIA

In 2003, there were an estimated 199 mainline telephones for every 1,000 people; about 465,000 people were on a waiting list for telephone service installation. The same year, there were approximately 324 mobile phones in use for every 1,000 people.

In 2004, Romanian Public Television controlled four national stations. Radio Romania operates one domestic and one external service. There are several privately owned commercial stations in both television and radio. As of 1998, there were 40 AM and 202 FM radio broadcasting stations. A 1995 report indicated there were 48 television stations. In 2003, there were an estimated 358 radios and 697 television sets for every 1,000 people. About 172.5 of every 1,000 people are cable subscribers. Also in 2003, there were 96.6 personal computers for every 1,000 people and 184 of every 1,000 people had access to the Internet. There were 65 secure Internet servers in the country in 2004.

The leading daily newspapers (with 2002 circulation figures) are *Evenimentul Zilei* (*Events of the Day*, 200,000); *Adevarul de Cluj* (*Truth of Cluj*, 200,000); *Romania Libera* (*Free Romania*, 100,000); *Adevarul* (*Truth*, 85,000); and *Libertatea* (*Liberty*, 75,000).

Though the constitution provides for freedom of expression and prohibits censorship, it is illegal to “defame” the country. Journalists are prosecuted under this law and sentenced to prison terms.

#### 46 ORGANIZATIONS

Economic organizations concerned with Romania’s internal and external economic activities include the Romanian Chamber of Commerce and Industry. In 1992 the Council for National Minority Affairs was formed for the discussion of minority issues. The organization helps the government formulate policies favorable to the minorities of the country. The body is headed by the Secretary General of the government. Representatives from 16 officially recognized minority groups and 12 government ministries make up the organization.

There are also many cooperatives in key sectors of the economy. Many Romanian farmers belong to the private Farmers’ Federation. There are about 4,000 farming cooperatives and 41 district unions. A large cooperative located in the manufacturing and consumers sectors of the economy is the Central Union of Commerce and Credit Cooperative. There are over 2,500 production and 850 credit cooperatives. Another important cooperative is the Central Union of Handicraft Cooperatives. The National Union of the Consumers’ Cooperatives is based in Bucharest. There is also an active Association for the Protection of Consumers.

The Romanian Academy was founded in 1866 to promote public interest, education, and research in scientific fields. Several professional associations also promote research and public education in specific fields, such as the Romanian Medical Association.

Serving a very specific cultural niche, the Transylvania Society of Dracula, based in Bucharest, promotes the study of the Bram Stoker novel, *Dracula*, and the life of Prince Vlad Dracula, on whom the book is loosely based.

National youth organizations include the Free Youth Association of Bucharest, the League of Students, National Union of Independent Students of Romania, Junior Chamber, Romanian Council of Churches-Youth Unit, the National Scout Organization of Romania, and YMCA/YWCA. There are several sports associations representing a variety of pastimes, such as tennis, skating, track and field, baseball and softball, and badminton.

Civitas Foundation for the Civil Society, established in 1992, sponsors community development and social programs promoting an open, democratic society. Other social action groups include the League for the Defense of Human Rights in Romania and the Women’s Association of Romania. There are national chapters of the Red Cross Society, UNICEF, and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

The Carpathian Mountains, the Black Sea coast, and the Danube region were developed to attract large numbers of tourists. Major attractions include many old cities and towns (Braşov, Constanţa, Sibiu, Sighisoara, Suceava, Timişoara, and others) and more than 120 health resorts and spas. The monasteries in Bukovina are famous for their exterior frescoes. Castle Dracula, the castle of Prince Vlad of Wallachia, has been a tourist attraction since the 1970s.

Popular sports are football (soccer), skiing, hiking, swimming, canoeing, wrestling, handball, and gymnastics. Between 1965 and 1984, Romanian athletes won 176 Olympic medals (48 gold, 52

silver, and 76 bronze). Romania was the only Socialist country to send athletes to the 1984 games in Los Angeles; all the others, following the USSR’s lead, boycotted these games.

A valid passport is required to enter Romania of all foreign nationals except those of the countries of the European Union who only need an identity card. Citizens of the United States, Canada and most European countries do not need a visa for stays of up to 90 days.

In 2003, tourist arrivals numbered 5,594,828, of whom 96% came from Europe. Tourism expenditure receipts totaled \$523 million. There were 97,320 hotel rooms with 201,636 beds and an occupancy rate of 34%. The average length of stay was 3.5 nights.

In 2004, the US Department of State estimated the daily cost of staying in Bucharest at \$228. Other areas were significantly lower at \$152 per day.

#### 48 FAMOUS ROMANIANS

Perhaps the most famous historical figure in what is now Romania was Vlad (1431?–76), a prince of Wallachia who resisted the Turkish invasion and was called Tepes (“the impaler”) and Dracula (“son of the devil”) because of his practice of impaling his enemies on stakes; he was made into a vampire by Bram Stoker in his novel *Dracula*. The first leader of Communist Romania was Gheorghe Gheorghiu-Dej (1901–65), who held the office of premier from 1952 to 1955 and of president of the State Council from 1961 until his death. Nicolae Ceausescu (1918–89) was general secretary of the Communist Party between 1965 and 1989 and head of state from 1967 to 1989; his wife, Elena (1919–89), was a member of the Permanent Bureau of the Executive Committee of the Communist Party.

Ion Heliade-Radulescu (1802–72) founded the Bucharest Conservatory and the National Theater and became first president of the Romanian Academy. Mihail Kogalniceanu (1817–91), a leading statesman in the early Romanian monarchy, inaugurated modern Romanian historiography. Vasile Alecsandri (1821–90) was a leader of the traditionalist school of writers, which sought its inspiration in the Romanian past rather than in imitations of foreign writers. Mihail Eminescu (1850–89) is regarded as an outstanding poet, famous for romantic lyricism. His friend Ion Creanga (1837–87) drew from folklore and wrote with a gaiety and gusto recalling Rabelais. The nation’s greatest playwright was Ion Luca Caragiale (1852–1912), who excelled in social comedy; an internationally famous Romanian-born playwright, Eugène Ionesco (1912–94), settled in Paris in 1938. Mihail Sadoveanu (1880–1961) was an important novelist in the period between the two world wars. Romanian-born Elie Wiesel (b.1928), in the United States from 1956, is a writer on Jewish subjects, especially the Holocaust, and a winner of the Nobel Peace Prize in 1986. Romanian-born Mircea Eliade (1907–86) was a scholar in comparative religion and comparative mythology, in the United States from 1948. Romanian-born Tristan Tzara (1896–1963), a literary and artistic critic who settled in Paris, was one of the founders of Dadaism. Nicolae Grigorescu (1838–1907) and Ion Andreescu (1850–82) were leading painters, as was Theodor Aman (1831–91), a modern artist and founder of the School of Fine Arts in Bucharest. Saul Steinberg (1914–1999) was a cartoonist and illustrator, best known for his work for *The New Yorker* magazine; he emigrated to the United States in 1942. Sculpture was greatly advanced by Constantin Brâncusi (1876–

1957). Perhaps the greatest names Romania has given to the musical world are those of the violinist and composer Georges Enescu (1881–1955), known for his *Romanian Rhapsodies*, and the pianist Dinu Lipatti (1917–50). A prominent tennis player is Ilie Nastase (1946–94); gymnast Nadia Comaneci (b.1961) won three gold medals at the 1976 Olympics and two gold medals at the 1980 games.

#### **49 DEPENDENCIES**

Romania has no territories or colonies.

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# RUSSIA

Russian Federation  
*Rossiyskaya Federatsiya*



**CAPITAL:** Moscow

**FLAG:** Equal horizontal bands of white (top), blue, and red.

**ANTHEM:** *Patriotic Song*.

**MONETARY UNIT:** The ruble (₽) is a paper currency of 100 kopecks. There are coins of 1, 2, 3, 5, 10, 15, 20, and 50 kopecks and 1 ruble, and notes of 100, 200, 500, 1,000, 5,000, 10,000 and 50,000 rubles. 1₽ = \$0.03550 (or \$1 = 28.17) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1–2 January; Christmas, 7 January; Women's Day, 8 March; Spring and Labor Day, 1–2 May; Victory Day, 9 May; State Sovereignty Day, 12 June; Socialist Revolution Day, 7 November.

**TIME:** 3 PM Moscow = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Russia is located in northeastern Europe and northern Asia. It is the largest country in the world—slightly less than 1.8 times the size of the United States—with a total area of 17,075,200 sq km (6,592,771 sq mi). Russia shares boundaries with the Arctic Ocean on the n; northern Pacific Ocean on the e; China, Mongolia, Kazakhstan, the Caspian Sea, Azerbaijan, Georgia on the s; and the Black Sea, Ukraine, Belarus, Latvia, Estonia, Finland on the w with a total land boundary of 19,990 km (12,421 mi) and a coastline of 37,653 km (23,396 mi). Russia's capital city, Moscow, is located in the western part of the country.

## <sup>2</sup>TOPOGRAPHY

From west to east, the country can be roughly divided into five large geographic regions: the Great European Plain, the Ural Mountains, the West Siberian Plain, the Central Siberian Plateau, and the mountains of the northeast and southeast. The Great European and West Siberian Plains contain a variety of terrain, including grasslands and farmlands as well as forests, swamps, and large regions of tundra. The Caucasus Mountains, located between the Black Sea and the Caspian Sea at the southwest of the Great European Plain, are divided into two chains separated by lowlands. The Caucasus Mountains form the border with Russia, Azerbaijan, and Georgia and mark the boundary between Asia to the south and Europe to the north. The highest peak in the Caucasus Mountains is the extinct volcano Mt. Elbrus (5,642 m/18,510 ft); this is also the highest peak in Russia and Europe. The lowest point in Russia is at the Caspian Sea, 28 m (92 ft) below sea level. The Caspian Sea is the world's largest lake.

The plains are divided by the Ural Mountains, which define the boundary between Asia on the east and Europe on the west. They extend about 2,100 km (1,300 mi) from the Arctic Ocean to the northern border of Kazakhstan; the highest point in the Urals is Mt. Narodnaya at 1,894 m (6,212 ft). The Central Siberian Plateau ranges in height from 500–700 m (1,600–2,300 ft). A number

of rivers and deep canyons stretch across this area. The highest mountains of the eastern region are the Altay Shan, which reach a peak of 4,619 m (15,157 ft) at Mt. Pelukha. The other eastern mountain regions average less than 3,048 m (10,000 ft) in height.

The longest river in Russia is the Ob, which stretches through the West Siberian Plain to the Arctic Ocean for a length of 5,410 km (3,362 mi). The most important river commercially is the Volga, which stretches for 3,689 km (2,293 mi) through the Great European Plain to the Caspian Sea. The Volga is the longest river in Europe. The Dnieper is another important river in this region. The Amur River flows along the southeast border of the country into the Pacific. The largest lake in Russia is Lake Baikal (Ozero Baykal—30,510 sq km/11,870 sq mi), located in the southern plateau region.

Despite its size, only a small percentage of Russia's land is arable, with much of it too far north for cultivation.

Most of western Russia is located on the Eurasian Tectonic Plate, with seismic activity occurring frequently in the Caucasus Mountains. The eastern coast lies on the North American Plate near the boundary with the Pacific Plate. This eastern coast is part of the "Ring of Fire," a seismically active band surrounding the Pacific Ocean. While many of the resulting earthquakes are moderate (below 6.0 magnitude on the Richter scale), more severe quakes are not uncommon. In 2003, a 6.8 magnitude quake occurred near Primorye in July. In September of the same year, a 7.3 magnitude quake occurred along the Xinjiang border region; in October a 6.7 magnitude quake hit in southwestern Siberia; and in December another 6.7 quake hit at Komandorskiye Ostrova. On 10 June 2004, a 6.9 magnitude quake occurred at the Kamchatka Peninsula (Poluostrov Kamchatka).

## <sup>3</sup>CLIMATE

Most of the country has a continental climate, with long, cold winters and brief summers. There is a wide range of summer and winter temperatures and relatively low precipitation. January temperatures are in the range of 6°C (45°F) on the southeastern shore

of the Black Sea. A record low temperature of  $-71^{\circ}\text{C}$  ( $-96^{\circ}\text{F}$ ) was recorded in 1974 at the northeast Siberian village of Oymyakon, the lowest temperature ever recorded anywhere in the world for an inhabited region. In many areas of Siberia the soil never thaws for more than a foot.

Annual precipitation decreases from about 64–76 cm (25–30 in) in the European region to less than 5 cm (2 in) a year in parts of Central Asia. The tundra has long winters, with summers lasting one or two months, and receives 8–12 months of snow or rain. The far northern forest, like most of the country, has long severe winters, short summers, and extremely short springs and autumns. Precipitation is low but falls throughout the year, varying from 53 cm (21 in) at Moscow to 20–25 cm (8–10 in) in eastern Siberia. The steppes have very cold winters and hot, dry summers.

#### 4 FLORA AND FAUNA

Russia has several soil and vegetation zones, each with its characteristic flora and fauna. Northernmost is the so-called arctic desert zone, which includes most of the islands of the Arctic Ocean and the seacoast of the Taymyr Peninsula. These areas are characterized by the almost complete absence of plant cover; only mosses and lichens are to be found. Birds and mammals associated with the sea (sea calf, seal, and walrus) are typical of this zone.

The tundra, which extends along the extreme northern part of Asia, is divided into arctic, moss-lichen, and shrubby tundra subzones. Only dwarf birches, willows, lichens, and mosses grow in the thin layer of acidic soil. Indigenous fauna include the arctic fox, reindeer, white hare, lemming, and common and willow ptarmigan.

South of the tundra is the vast forest zone, or taiga, covering half of the country; the soil here is podzolic. The northern areas of this zone are characterized by the alternation of tundra landscape with sparse growth of birches, other deciduous trees, and spruce. Farther south are spruce, pine, fir, cedar, and some deciduous trees. There are subzones of mixed and broadleaf forests on the Great Russian Plain in the southern half of the forest zone. Wildlife in the taiga include moose, Russian bear, reindeer, lynx, sable, squirrel, and among the birds, capercaillie, hazel-grouse, owl, and woodpecker. In the broadleaf woods are European wild boar, deer, roe deer, red deer, mink, and marten.

Farther south is the forest-steppe zone, a narrow band with the boundaries of the Great Russian plain and the West Siberian low country. Steppes with various grasses alternate with small tracts of oak, birch, and aspen. Still farther south, the forest-steppe changes to a region of varied grasses and small plants. The black and chestnut soils of this zone produce the best agricultural land in Russia. Typical mammals are various rodents (hamsters and jerboas); birds include skylarks, cranes, eagles, and the great bustard.

In the semidesert zone, plant cover includes xerophytic grasses and shrubs. Typical animals are the wildcat and saiga antelope; lizards, snakes, and tortoises are common. The semidesert areas and the deserts of Central Asia and Kazakhstan make up a separate subregion.

As of 2002, there were at least 269 species of mammals, 528 species of birds, and over 11,400 species of plants throughout the country.

#### 5 ENVIRONMENT

Decades of Soviet mismanagement resulted in the catastrophic pollution of land, air, rivers, and seacoasts. Air pollution is especially a problem in the Urals and Kuznetsk (where vast populations are exposed to hazardous emissions from metal-processing plants) as well as in the Volga and Moscow regions. In 1992 Russia had the world's third-highest level of industrial carbon dioxide emissions, which totaled 2.1 billion metric tons, a per capita level of 14.11 metric tons. However, in 1996 the total dropped to 1.5 billion metric tons and in 2000 the total was about 1.4 billion metric tons.

The Volga River has been damaged through rash exploitation of hydroelectric power. Lake Baikal (Ozero Baykul) is the largest freshwater reservoir in the world, but has been heavily polluted through agricultural and industrial development.

About 7.8% of Russia's total land area was protected as of 2003, including 8 natural UNESCO World Heritage Sites and 35 Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 43 types of mammals, 47 species of birds, 6 types of reptiles, 18 species of fish, 1 type of mollusk, 29 species of other invertebrates, and 7 species of plants. Threatened species included Atlantic sturgeon, beluga, crested shelduck, Amur leopard, Siberian tiger, Mediterranean monk seal, Wrangel lemming, and the Oriental stork. The great auk, Palla's cormorant, and Steller's sea cow have become extinct.

#### 6 POPULATION

The population of Russia in 2005 was estimated by the United Nations (UN) at 143,025,000, which placed it at number 8 in population among the 193 nations of the world. In 2005, approximately 13% of the population was over 65 years of age, with another 16% of the population under 15 years of age. There were 87 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be  $-0.6\%$ , a rate the government viewed as too low. Russia's fertility rate is among the lowest in the world. The projected population for the year 2025 was 130,175,000. The overall population density was 8 per sq km (22 per sq mi), but the population is distributed unequally, with rural areas being very sparsely populated.

The UN estimated that 73% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of  $-0.49\%$ . The capital city, Moscow, had a population of 10,469,000 in that year. Other large urban areas and their population estimates include St. Petersburg (formerly Leningrad), 5,315,000; Novosibirsk, 1,425,000; Nizhniy Novgorod (formerly Gorkiy), 1,288,000; Yekaterinburg (formerly Sverdlovsk), 1,420,000; Samara (formerly Kuybyshev), 1,140,000; Omsk, 1,132,000; Kazan, 1,108,000; Rostov-on-Don, 1,081,000; Chelyabinsk, 1,067,000; Ufa, 1,035,000; Volgograd, 1,016,000; Perm, 984,000; Krasnoyarsk, 912,000; Saratov, 868,000; and Voronezh, 842,000.

#### 7 MIGRATION

During 1979–88, Russia gained 1,747,040 people through net migration from other Soviet republics. Germany took in 156,299 former Soviet Germans in 1991. As of May, 1996, there were



LOCATION: 60°0' N; 30°0' E. BOUNDARY LENGTHS: Total land boundary lengths, 20,139 kilometers (12,514 miles); Azerbaijan, 284 kilometers (177 miles); Belarus, 959 kilometers (596 miles); China (southeast), 3,605 kilometers (2,240 miles); China (south), 40 kilometers (25 miles); Estonia, 290 kilometers (180.2 miles); Finland, 1,313 kilometers (816 miles); Georgia, 723 kilometers (450 miles); Kazakhstan, 6,846 kilometers (4,254 miles); North Korea, 19 kilometers (12 miles); Latvia, 217 kilometers (135 miles); Lithuania, 227 kilometers (141 miles); Mongolia, 3,441 kilometers (2,138 miles); Norway, 167 kilometers (104 miles); Poland 432 kilometers (268 miles); Ukraine, 1,576 kilometers (980 miles); total coastline 37,653 kilometers (23,398 miles).

still 75,000 internally displaced persons from the Chernobyl accident in 1986. Following the military conflicts in Chechnya of 1994, 220,000 people fled to the neighboring republics of Dagestan, Ingushetia, and North Ossetia. Between 1989–95, 169,000 Russians returned from Azerbaijan, and 296,000 returned from Kyrgyzstan. Between 1991–95, 50,000 Russians returned from Belarus; 614,000 returned from Kazakhstan; and 300,000 from Tajikistan. In 1991, 400,000 returned from Uzbekistan, and 100,000 returned from Turkmenistan from 1993–95. As reported in 2005 by the US Department of State, Russia is a major source of women trafficked globally for the purpose of sexual exploitation. It is also a significant destination and transit country for persons trafficked for sexual and labor exploitation from regional and neighboring countries into Russia, and on to the Gulf states, Europe, Asia, and North America. In addition, the International Labour Organization estimated that of the five million illegal immigrants in Russia, 20% are victims of forced labor. Trafficking of children and of

child sex tourism is also reported. Internal trafficking from rural to urban areas remained a problem.

As of 1999, there were 400 refugees, 10,000 asylum seekers, 173,000 internally displaced people (mainly from Chechnya and Ingushetia), and an estimated 3.5–4 million forced migrants. By the end of 2004, there were 1,852 refugees, 315 asylum seekers, 54 returned refugees, mainly from the surrounding former Soviet states. In addition, there were 334,796 internally displaced persons, which included 100,000 Afghans in a refugee-like situation, 73,004 forced migrants, 10,755 Meskhetians, and 5,177 non-CIS asylum seekers.

In 2005, the net migration rate was an estimated 1.03 migrants per 1,000 population. Remittances reported for 2003 were \$300 million.

## <sup>8</sup>ETHNIC GROUPS

According to the 2002 census, about 79.8% of the population is Russian. Tatars constitute 3.8%, Ukrainians make up 2%, Bashkir

account for 1.2%, and Chuvash form 1.1%. Belarussians and Moldovans each make up less than 1% of the population. The Romani population, according to the 2002 census, was reported at about 182,000 people; however, unofficial estimates place the number at about 1.2 million. Small communities of indigenous groups include the Buryats in Siberia and the Enver, Tatarli, and Chukchi in the North.

## <sup>9</sup>LANGUAGES

About 90% of the population speaks Russian, a member of the eastern group of Slavic languages. It is highly inflected, with nouns, pronouns, and adjectives declined in six cases. There are three grammatical genders. The language, which has been written since about AD 1000, uses the Cyrillic alphabet of 33 letters. In addition, a wide variety of other Slavic, Finno-Ugric, Turkic, Mongol, Tungus, and Paleo-Asiatic languages also are spoken. In the republic of Dagestan alone, two million people share 28 languages, 14 of which are unwritten.

The breakup of the Soviet Union has produced a surge in regional autonomy and a backlash against the Russian language and the Cyrillic alphabet in many of Russia's 21 republics. Tatarstan, for example, is considering a reintroduction of the Latin script for Tatar, while Buriatia may restore Old Mongol lettering for Buriat. Stalin imposed the Cyrillic alphabet on Russia's minority groups in an effort to make Russian the national language. Russian is the official language of the country and one of the six official languages of the United Nations.

## <sup>10</sup>RELIGIONS

The Russian Orthodox Church (ROC) dates back to the "Kievan Rus" period (the first organized Russian state). In 988, Prince Vladimir, in order to gain an alliance with the powerful Byzantine Empire, declared Christianity as the religion of his realm and mandated the baptism of Kiev's population and the construction of cathedrals. During the Mongol occupation (1240–1480), the head of the ROC (Metropolitan) was moved to Moscow. Throughout the reign of the tsars, Orthodoxy was synonymous with autocracy and national identity. After the Communist revolution of 1917, the Soviet government, based on Marxism, imposed a dogma of militant atheism and subordinated the ROC through fear and persecution. Other Christians, Muslims, and Jews were also oppressed (anti-Semitism was widespread before and after the 1917 revolution). Since 1985 and the subsequent dissolution of the Soviet Union, thousands of churches have been reopened; freedom of religion was incorporated into the draft constitution of 1993.

According to a 2004 report from the Ministry of Justice, there were about 21,664 registered religious groups in the country. The Russian Orthodox Church had the largest number, at about 11,525 registered groups. It is estimated that about 50% of the population describe consider themselves to be Russian Orthodox, but a much smaller percentage are actually active church members. Other Orthodox denominations include the Russian Orthodox Autonomous Church, the Russian Orthodox Church Abroad, the True Orthodox Church, the Russian Orthodox Free Church, and the Ukrainian Orthodox Church.

Islam is the largest minority religion, with about 3,537 registered groups and, perhaps over 1,000 unregistered groups. Muslims are believed to make up about 14% of the population. Protes-

tants make up the third-largest group of the country with a variety of denominations, including Pentecostals (1,467 groups), Baptists (979 groups), Lutherans, Methodists, Presbyterians, and the Church of Christ. There are also registered groups of Seventh-Day Adventists, Jehovah's Witnesses (386 groups), the Church of Jesus Christ of Latter-day Saints, Mennonites, and the Salvation Army. The Molokane (28 groups) and Dukhobor are Christian-based movements that originated in Russia. There are about 267 Jewish registered groups, with an estimated 600,000–1,000,000 Jews in the country. There are 80 groups of Hare Krishnas. Hindus, Scientologists, Taoists, Baha'is, Zoroastrians, Buddhists, Karaites, and shamanists are also represented. There are about 11 registered pagan groups.

The 1997 Law on Freedom of Conscience does not claim a state religion but recognizes Russian Orthodoxy, Judaism, Islam, and Buddhism as traditional religions. Theoretically, no special privileges are granted to these traditional religions; however, the ROC has made special agreements with the government that seem to place the church in a preferred status. Many citizens and government officials consider the acceptance or practice of Russian Orthodoxy to be a form of nationalism. Though registration is not required, many groups do so in order to enjoy certain tax and legal benefits. Some minority groups have reported incidents of discrimination and harassment on social and local political levels.

## <sup>11</sup>TRANSPORTATION

Russia's transportation system is extensive, but is in a state of general decay. Maintenance, modernization, and expansion are required for Russia's infrastructure, much of which operates beyond capacity.

Railroads have long been an important means of transportation in Russia. In the 1890s, a vast state-sponsored program of railway construction commenced, with the goal of nurturing private enterprise, exploiting natural resources, and expanding heavy industry (especially metallurgy and mineral fuels). The Trans-Siberian Railroad was the cornerstone of this development. From 1898–1901, more than 3,000 km (1,900 mi) of track were constructed per year. Railroad development also figured prominently during the Soviet era. Railways in 2004 extended some 87,157 km (54,160 mi), of which 86,200 km (53,616 mi) were primarily 1.52-m broad gauge track.

There were 537,289 km (334,194 mi) of highways in 2001 (the latest year for which data was available), of which 362,133 km (225,247 mi) were paved. As of 2003, there were 23,383,000 passenger cars and 5,400,000 commercial vehicles registered for use. Many imports from Europe are increasingly arriving in Russia. Russia's ratio of population per car is 6.2.

Marine access has been important to Russia ever since the construction of St. Petersburg was ordered by Peter the Great on the marshland adjoining the Gulf of Finland, in order to provide imperial Russia with a "window on the West." Other important maritime ports include Kaliningrad, on the Baltic Sea; Murmansk and Arkhangel'sk, both on the Barents Sea; Novorossiysk, on the Black Sea; Vladivostok and Nakhodka, both on the Sea of Japan; Tiksi on the Laptev Sea; and Magadan and Korsakov on the Sea of Okhotsk (the latter is on Sakhalin). As of 2004, Russia had 96,000 km (59,712 mi) of navigable inland waterways. Of that total, 72,000 km (44,784 mi) were in European Russia and linked the Black



Sea, the White Sea, the Baltic Sea, the Caspian Sea and the Sea of Azov. Major inland ports include Nizhniy Novgorod, Kazan, Khabarovsk, Krasnoyarsk, Samara, Moscow, Rostov, and Volgograd. The merchant fleet consisted in 2005 of 1,194 ships of 1,000 GRT or over, totaling 4,521,472 GRT. Early in the 21st century, a new port is scheduled to be built in the Batareynaya Harbor of the Baltic Sea about 70 km (43 mi) southwest of St. Petersburg. The new facility will handle oil shipments.

In 2004, Russia had an estimated 2,586 airports and airfields. As of 2005, a total of 640 had paved runways, and there were also 42 heliports. Principal airports include Novy at Khabarovsk, Sheremetyevo and Vnukovo at Moskva, Tolmachevo at Novosibirsk, Rostov-Na-Donu, Pulkovo at St. Petersburg, Adler at Sochi, and Yekaterinburg at Coltsovo. In 2003, about 22.723 million passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

The history of Russia is usually dated from the 9th century AD when a loose federation of the eastern Slavic tribes was achieved under the legendary Rurik. At this time, Kiev was the political and cultural center. Vulnerable due to the flat land that surrounded them, the Kievan rulers sought security through expansion—a policy that subsequent Russian leaders frequently pursued.

By the 11th century, Kievan Rus had united all the eastern Slavs. However, over the next two centuries, Kievan dominance was eroded by other Slavic and non-Slavic centers of power. The Mongol conquest of Russia marked the eclipse of Kiev as a center of power. When Mongol power declined and collapsed in the 14th and 15th centuries, it was Moscow that emerged as the new Russian power center. The military victories of Grand Duke Ivan III (r. 1462–1505) in particular established Moscow's predominance over almost all other Russian principalities. In 1547, Grand Duke Ivan IV was crowned as the first "Tsar of All the Russians."

When the Rurik dynasty died out in 1598, Russia experienced internal political turmoil and territorial encroachment from the West. In 1618, the first of the Romanovs was crowned tsar, and Russia set about regaining the territory it had lost. In the 17th century, Russian power expanded across Siberia to the Pacific Ocean. During the reign of Peter I (r. 1682–1725), Russian power was extended to the Baltic Sea in the early 18th century. It was under Peter that the Russian capital was moved from Moscow to St. Petersburg, on the Baltic Sea.

Russian power expanded further into Europe and Asia during the 18th century. The French Emperor, Napoleon, attacked Russia in 1812. Despite the considerable advances that he made, he was forced to withdraw from Russia and back across Europe in 1814. By the end of the Napoleonic wars in 1815, Russia had acquired Bessarabia (Moldova), Finland, and eastern Poland.

Russia's European borders remained relatively stable in the 19th century. It was during this period, though, that Russia completed its conquest of the Caucasus, Central Asia, and what became its Maritime Province (Vladivostok).

From the rise of Moscow after the Mongols until the early 20th century, Russia was ruled as an autocracy. Peter I founded a senate, but this was an advisory and honorific body, not a legislative one.

Some reform was made. Alexander II (r. 1855–81) emancipated the serfs of Russia in 1861. Alexander II appeared to be embarking on a course of political reform involving elections when he was assassinated by revolutionaries in 1881. Alexander III (r. 1881–94), his son, ended political reform efforts and reverted to autocratic rule. Under him, however, economic development made considerable progress in Russia.

The autocratic nature of Tsarist rule generated growing opposition in Russia, beginning with the abortive "Decembrist" uprising of 1825. By the reign of the last tsar, Nicholas II (r. 1894–1917), many opposition groups had arisen. With the Tsarist regime's weakness evident as a result of its defeats in the 1905 Russo-Japanese War, a revolutionary movement grew up in Russia that same year. Under the leadership of the socialists, revolutionary "soviets" or councils seized power in parts of St. Petersburg and Moscow. The government was able to defuse the revolutionary impetus through promising an elected Duma (legislature). The First Duma (1906) met only briefly; its demands for land reform were unacceptable to the tsar, who dissolved it. The Second Duma (1907) was also dissolved shortly after it was convened. A Third Duma (1907–11) and Fourth Duma (1912–17) were elected on more restrictive franchises. While the Third Duma in particular made some progress in economic and social reform, the Tsar and his ministers retained firm control over the government.

It was Russia's disastrous involvement in World War I that led to the end of the monarchy. By early 1917, Russia had suffered a number of defeats in its struggle with superior German forces. The war and continued autocratic rule had grown increasingly unpopular. Riots broke out in the major cities in March 1917. The Tsar attempted to dissolve the Fourth Duma, but it refused to be dissolved. "Soviets" again rose up in Petrograd (St. Petersburg had been renamed in 1914) and Moscow. Nicholas II was forced to abdicate on 15 March 1917.

A provisional government, based on the old Fourth Duma, was declared. But its authority was challenged by the Soviets. In addition, the provisional government refused to end Russia's involvement in the war. This was seen as a major decision, which only a duly elected government could make. Over the course of 1917, the Mensheviks (socialists) increasingly gained control over the provisional government but lost control over the Soviets to the Bolsheviks, led by Vladimir Lenin. On the night of 6 November 1917, the Bolsheviks seized control of St. Petersburg.

Elections for a Constituent Assembly organized by the provisional government took place on 25 November 1917—Russia's freest elections until the 1990s. Only 168 of the 703 deputies elected were Bolsheviks. The Constituent Assembly convened on 18 January 1918, but was prevented from meeting again by Bolshevik forces.

Lenin moved quickly to end Russia's involvement in World War I. In March 1918, he agreed to a peace treaty with Germany, which deprived Russia of considerable territory (it was at this time that the Bolsheviks moved the capital back to Moscow). From 1918 to 1921, the Bolsheviks fought a civil war against a large number of opponents, whom they defeated. After the German surrender to the Western powers in November 1918, Lenin's forces moved to take back the territory it had given up. Except for Finland, Poland, the Baltic states (temporarily), and Bessarabia (Moldova), Lenin's forces succeeded in regaining what they had given up.

The Bolshevik regime was based on Marxist-Leninist ideology. It sought to overthrow the rule of economic “oppressors” (the aristocracy and the bourgeoisie) and replace it with rule by the proletariat. There were two main concepts in Lenin’s political theory: the dictatorship of the proletariat and democratic centralism. In Lenin’s view, the working class had to impose dictatorial rule over its class enemies to prevent them from regaining power. But within the instrument of this class dictatorship—the Communist Party—there was to be freedom of debate. Once a policy question had been resolved, however, debate was to cease.

Theoretically, power in the Communist Party was vested in an elected party congress, which then elected a smaller Central Committee, which in turn elected an even smaller Politburo to run day-to-day affairs. In fact, it was the top party leadership—Lenin and his Politburo colleagues—who established and maintained dictatorial control.

After the civil war, Lenin relented on his ambitious plans for the state to control the entire economy. He ushered in the New Economic Policy (NEP), which allowed peasants to own land and sell their produce at market, and permitted private business to operate (though the state retained control of large enterprises). Lenin died on 21 January 1924. A power struggle among the top Communist leaders broke out. By 1928, Joseph Stalin had eliminated all his rivals and achieved full power. He then ended NEP and ushered in a brutal period of forced industrialization and collectivization of agriculture. Stalin’s rule was especially harsh in the non-Russian republics of the USSR. Scholars estimate that as many as 20 million Soviet citizens died during the 1928–38 period either because of state terror or famine.

In August 1939, the infamous Nazi-Soviet pact was signed dividing Eastern Europe into spheres of influence. Under this agreement, the USSR regained most of the territories that had belonged to the Russian Empire but had been lost during the Russian Revolution (Poland, the Baltic states, and Bessarabia [Moldova]). But on 22 June 1941, Hitler’s forces invaded the USSR and Moscow quickly lost all the territory that it had recently gained. German forces reached the outskirts of Moscow. With the help of massive materiel shipments from the United States and other Western countries, Soviet forces were able to rally and drive the Germans back. By the end of the war in May 1945, the USSR had reconquered everything it lost. With the Red Army in Eastern Europe, Stalin was able to establish satellite Communist regimes in Poland, Czechoslovakia, Hungary, Romania, Bulgaria, and East Germany. (Communist regimes also came to power in Yugoslavia and Albania, but did not remain allied to Moscow.)

Stalin’s rule was especially harsh during the last years of his life. He died in 1953 and the ensuing power struggle was eventually won by Nikita Khrushchev. Khrushchev ended the terror of the Stalin years, but the basic features of the Stalinist system (Communist Party monopoly on power, centralized economy allowing for little private initiative, limited opportunities for free expression) remained until Mikhail Gorbachev came to power in March 1985.

Realizing that the old Stalinist system had led to a stagnant economy, which would undermine the USSR’s ability to remain a superpower, Gorbachev sought to reform the Communist system. But although greater freedom of expression led to an enhanced understanding of the serious economic and ethnic problems the

USSR faced, Gorbachev was unwilling to implement the economic and other reforms necessary to create a free-market democracy. The intense division on how to solve the problems faced by the USSR led to the ultimate dissolution in 1991 of the country into its separate republics.

For the first time, relatively free multicandidate elections were held in Russia in March 1990. In May 1990, the new Russian Supreme Soviet selected Boris Yeltsin as its chairman. Yeltsin had been an ally of Gorbachev until they disagreed over the pace of reform and Yeltsin was pushed out of the Politburo and his other positions. On 12 June 1991, the first elections to the Russian presidency were held, and Yeltsin won. Yeltsin played the central role in foiling the August 1991 coup attempt by Soviet conservatives against Gorbachev.

On 8 December 1991, Yeltsin, together with the leaders of Ukraine and Belarus, formed the nucleus of the Commonwealth of Independent States (CIS), which spelled the end of the USSR later that month. Like the other former Soviet republics, Russia had become an independent sovereign state.

In early 1992, Yeltsin and his acting prime minister, Egor Gaidar, sought to introduce rapid economic reform. Price controls were lifted on all but a few items. Prices rose rapidly, and as time passed, public opposition to economic reform grew. The Yeltsin government’s relations with the legislature grew increasingly acrimonious. Many of the deputies had close ties with the state-run economy and bureaucracy, which were threatened by economic reform.

Much of Russian politics in 1993 consisted of bitter squabbling between Yeltsin and the legislature. No progress was made on drafting a new constitution to replace the much-amended Soviet-era constitution that still governed Russia.

On 21 September 1993, Yeltsin unilaterally dissolved the Supreme Soviet and introduced rule by presidential decree until new legislative elections and a referendum on his draft constitution could be held on 12 December. Many of the anti-Yeltsin legislators refused to accept Yeltsin’s suspension, and barricaded themselves inside the legislature building. On 3 October, forces loyal to the legislature briefly occupied the office of the mayor of Moscow and attempted to seize the Ostankino television center. Forces loyal to Yeltsin, backed by the military, attacked and seized the legislature building. A state of emergency and press censorship were briefly introduced. Yeltsin banned several opposition parties, purged opponents from the government, and reaffirmed his intention to serve out his full term.

The constitutional referendum and legislative elections were held as planned in December 1993. The electorate approved Russia’s first post-Communist constitution, which called for a strong presidency. In the legislative elections, though, the Communist and ultra nationalist forces did well. Analysts attribute the Communist’s strong showing to popular dissatisfaction with the radical economic reforms that had depressed the economy and left the Russian people at subsistence levels. Only 50% of the electorate turned out to vote. After a hard-fought campaign, Yeltsin won reelection on 3 July 1996 with 54% of the vote. Some 67% of the voters turned out for the elections.

As Yeltsin struggled to stabilize the government and reform the economy, nationalistic fervor in the “ethnic” republics tore at the fabric of the Russian Federation. War broke out in Chech-

nya in December 1994 after the rebellious North Caucasus region claimed its independence. The inability of the Russian military to subdue the region led to a withdrawal of Russian forces in late 1996. The bloody and unpopular conflict ultimately led Yeltsin to sign a peace treaty with Chechen leader Aslan Maskhadov on 12 May 1997. The agreement deferred a decision on the region for five years. In the meantime, Russia claimed that the region remained a part of Russia, while Chechnya (called Ichkeria by the rebels) claimed it was already independent.

Russia's position in the world was further weakened in 1997 when three of its former satellites (Hungary, Poland, and the Czech Republic) were admitted to NATO effective in 1999. Romania and Slovenia were in line to join next. Russia, initially opposed to the new admissions, ultimately signed a pact for mutual cooperation with NATO on 27 May 1997. The pact established a new NATO-Russia council for consultation on security issues and NATO assured Russia that it had no plans to deploy nuclear weapons on the territories of any new members. For its part, Russia pledged its commitment to transforming itself into a democracy. Seeking also to improve relations with Ukraine, on 31 May 1997, Yeltsin signed a treaty of "friendship, cooperation, and partnership" with Ukraine's president Leonid Kuchma. The agreement affirmed that the Russian-populated Crimean peninsula was indeed part of Ukraine. At issue was ownership of the old Soviet Black Sea Fleet and use of the naval port at Sebastopol. Under the agreement, Russia took 80% of the fleet and a 20-year lease on Sevastopol's main bays. In addition to affirmation of its territorial borders, Ukraine was to receive us\$100 million a year in rent for the bays.

Yeltsin dismissed his entire cabinet in March 1998, causing the currency to take a one-day dip. In August 1998, the Russian currency collapsed, and the country experienced the worst harvest in 45 years. The government defaulted on us\$40 billion in ruble bonds, and the banking system experienced a swift decline. Losses during 1999 were estimated at two billion dollars per month. In February 1999 Prime Minister Primakov met with IMF officials to reschedule debt payment aid. Accounts of large-scale money laundering were reported in both 1998 and 1999 by Russian mobsters and offshore money-laundering operations. The Russian Central Bank had used the ruble to prop up defunct parastatals, and the banks were lending money from state coffers that were empty to begin with. The lack of active currency prompted the downward spiral of the entire economy.

The conflict with Chechnya never really ended. On 23 September 1999, following a series of Chechen terrorist attacks (which might have been a provocation by Russian intelligence), Yeltsin signed the order to begin military action in Chechnya. When Vladimir Putin became prime minister and a head of FSB (former KGB), he ordered a withdrawal of most of the military troops from Chechnya. He employed instead the use of intelligence forces and local police to fight the separatists. Presidential elections were held and Kadirov was elected president. The conflict however was not resolved. The war with Chechnya raged on through the summer of 2000, climaxing with a bomb attack in a Moscow subway that killed 11 and wounded many others. It was estimated that about one dozen Russian fighters lost their lives daily on the Russian-Chechen border during 1999. This was not the only front on which Russia showed a military presence: Yeltsin called for the

removal of NATO from Yugoslavia in early 1999, but his bark was stronger than his bite.

President Yeltsin resigned in December 1999, under allegations of financial crimes and from ailing health. Supported by the former president, Vladimir Putin was elected to the executive. Putin graduated from the Law School of the Leningrad State University and joined the KGB. In the 1980s, he was sent to East Germany where he handled issues of economic intelligence. He returned to Leningrad in 1989, and left the KGB to enter the St. Petersburg University administration. After about a year, he left the university to join the administration of the newly elected major of Leningrad: Sobchak. Putin transferred to Moscow in 1996 to work in presidential apparatus. In 1998, Putin was made a head of FSB. The Yeltsin Administration decided that Putin was the right person to deal with opposition and protect their best interests. In contrast with the gregarious and outgoing Yeltsin, Putin seemed cold and ascetic. Additionally, Putin's initial success in Chechnya brought him widespread public sympathy and support.

President Putin took office in 2000. After some time as president, Putin assembled a new team known as "The People of the St. Petersburg;" his closest confidante was Sergey Ivanov, a potential successor to Putin as president in 2008.

President Putin had certain concerns that he felt called for his immediate attention. Putin's first concern was to make Russia even more centralized, which he accomplished by limiting the power of regional leaders. Secondly, Putin was determined to bring monopolies under state control and cut the oligarch's access to the decision-making process. Finally, he was concerned about the state of the military.

Putin's policy to centralize the state was aimed at regional governors. Almost immediately upon taking the office he established seven super-regions and passed a law that enabled the president to appoint the heads of these regions himself, while governors were to be chosen by electorate. Moreover, Putin passed two other meaningful laws that transformed the legislative branch of the Russian Federation and the balance of power in the government. The first law altered the composition of the Federation Council (upper house of the parliament), to deprive governors of their seats. The second law granted the president the power to dismiss regional leaders and legislatures.

Following the 11 September 2001 terrorist attacks on the United States, Putin turned Russian foreign policy towards the West. He came out in favor of Russia joining the counterterrorism campaign announced by US president George W. Bush, despite opposition from his own advisors and from the Russian political elite. This shift in policy coincided with a move for closer relations with Europe; Russia became a member of the Council of Europe, and began to strengthen its civil society and rule of law, designed to bring it into the good graces of the EU. Russia accepted the arrival of US and coalition troops in some Central Asian republics in the US-led war in Afghanistan to oust the Taliban regime and the al-Qaeda network. Russia tacitly accepted the arrival of US Special Forces into Georgia in 2002: the United States wished to combat what it believed to be international terrorists linked to the al-Qaeda network in the Pankisi Gorge region of Georgia. However, on 11 September 2002, when Putin announced Russia would take unilateral action against Chechen fighters and international ter-

rorists in the Pankisi Gorge; the United States stated its unequivocal opposition to any such unilateral military action.

In May 2002, Russia and the United States announced a new agreement on strategic nuclear weapons reduction: operationally deployed strategic nuclear warheads would be reduced by each side to a level of 1,700–2,200 over the next 10 years. This “Moscow Treaty” was followed by an agreement between Russia and NATO foreign ministers to establish a “NATO-Russia Council” in which Russia and the 19 NATO countries would have an equal role in decision-making on counterterrorism policy and policy on other security threats. The “Moscow Treaty” was counterbalanced by events in June, however, when the United States announced it formally withdrew from the 1972 Anti-Ballistic Missile Treaty and Russia subsequently pulled out of the START II Treaty.

Concerns about Russia’s guarantee of freedom of speech were raised in January 2002, when the last major independent television network in Russia, TV-6, was forced by the government to stop broadcasting. The government claimed the sole reason for the shutdown was bankruptcy, but many were not convinced that Putin’s decision was purely business-related. The Russian media are either state-owned or controlled by “oligarchs” such as Boris Berezovsky and Vladimir Gusinsky, and in bringing court cases against these men, the government effectively took control of their media outlets, curbing independent reporting and causing a setback to freedom of speech and press.

The conflict with Chechnya intensified in 2002. On 23 October, Chechen separatist rebels seized a theater in Moscow and held some 800 hostages for three days. The hostage-takers demanded that Putin withdraw Russian troops from Chechnya. On 26 October, the president ordered an early-morning raid on the theater, using the gas Fentanyl, a fast-acting opiate that was meant to incapacitate the rebels. As a result of the operation, 117 hostages died, all but one (who died of gunshot wounds) due to the effects of the gas. All 50 of the hostage-takers died. Putin claimed the operation was an unprecedented success, but many wondered about the effectiveness of the raid due to the number of hostages who died. That December, suicide bombers attacked the Grozny headquarters of the pro-Moscow Chechen administration led by Akhmed Kadyrov, and more than 50 people were killed. It was the first use of suicide bombers undertaken by Chechen separatist rebels against Russia, and Putin described the attack as “inhuman.” In March 2003, a referendum on a new constitution for Chechnya was approved, stipulating that Chechnya would remain a part of the Russia; many were critical of Russia for holding the referendum before peace was established.

On 8 November 2002, the UN Security Council unanimously passed Resolution 1441, calling upon Iraq to disarm itself of chemical, biological, and nuclear weapons, to allow the immediate return of UN and International Atomic Energy Agency (IAEA) arms inspectors (they had been expelled in 1998), and to comply with all previous UN resolutions regarding the country since the end of the Gulf War in 1991. Arms inspectors began work in Iraq, but the United States and the United Kingdom were dissatisfied with the slow pace of inspections and began to prepare for war. On 19 March 2003, the United States launched air strikes against Iraq, and war began. US-Russian relations were severely tested at the end of 2002 and into 2003, as Russia sided with France and Germany in their opposition to war. In mid-April, Putin, who had

previously called the war “a big political mistake,” was softening his tone toward the United States and the United Kingdom, and stressed the importance of Russia’s role in a postwar Iraq. Analysts estimate that in 2003 Iraq had US\$52 billion in contracts with Russia, primarily in energy and communications.

In September 2004, ongoing conflict with Chechnya took the form of a major terrorist attack on a public schools in Beslan, Northern Ossetia. The shocking actions of terrorism in Beslan gave President Putin the momentum to push through his radical administrative reforms. Investigations revealed that Beslan tragedy was a result of incompetence and corruption of regional leaders and the lack of coordination between the regional executives and police. The reorganization of the Federation Council (substituting appointed senators for elected governors) was followed by a number of actions. The system of direct vote for governors was abandoned in favor of a system whereby the president appointed the governors; State Duma elections were to be based solely on party ballots, therefore eliminating elections in one-mandate districts; and a Public Chamber—a public body on a federal level that was supposed to become an intermediary between society and the state—was created.

New constitutional amendments were not well received and caused controversy in the Duma. There was a negative reaction by the Communist Party, Liberal Democratic Party, Yabloko, and Union of Right Forces. Even Putin’s own Unity Party survived a split in opinions, with some members opposing Putin’s reforms. European powers and the United States do not always agree with Russia’s policies toward Chechnya, considering them to violate human rights. In December 2004 President Putin met with German Chancellor Gerhard Schroeder to discuss the possibility of European involvement in the conflict. In essence, no one knew how to formulate a solution for this conflict, since territorial disputes have existed in Chechnya for centuries.

Putin’s presidency had a positive effect on Russia’s long-struggling economy. In the period 1999–2004, the Russian economy experience annual growth of 7%. After inheriting a weak economy caused by financial crises of 1998, Putin passed legislature aimed at reforming the economy. As of 2006, it appeared that these reforms established solid, long-term institutional changes that were enabling high growth rates.

### 13 GOVERNMENT

Russia is a democratic federative state based on rule of law with a division of power among the legislative, executive, and judicial branches. It is a constitutional government, based on a post-Soviet constitution, which was approved in a referendum held 12 December 1993. The constitution establishes a bicameral legislature known as the Federal Assembly. The lower house (State Duma) consists of 450 elected deputies while the 178-member upper house (Council of the Federation) is composed of representatives of the provinces and autonomous republics that make up Russia.

The executive branch of the presidential administration consisted of three bodies: Administration of the President, generally responsible for domestic political issues, Government, usually in charge of economic development, and the Security Council of the Russian Federation, chiefly responsible for the foreign policy, security and defense of the country. The responsibilities of the three centers in the executive branch often overlap.

The president is elected by popular vote for a four-year term; elections were held 14 March 2004 (next were scheduled to be held March 2008). As of 2005 the president of the Russian Federation was Vladimir Vladimirovich Putin (acting president since 31 December 1999 and reelected president since 7 May 2000).

The president heads the Executive Branch—currently the president is the Head of State and the Supreme Commander in Chief of the Armed Forces. According to the constitution of 1993, the president drafts and issues legal regulations, settles disputes, and ensures that the constitution is observed. The president is also responsible for ensuring the state's mechanisms for protecting and respecting citizen's rights and liberties.

The president appoints the cabinet and other top government posts, but the appointments must be confirmed by the legislature. Presidential appointments of prime minister, deputy prime ministers, and chairman of the central bank are subject to confirmation by the State Duma while appointments of high court judges and the prosecutor general are subject to confirmation by the Council of the Federation. The president can refuse to accept the State Duma's rejection of an appointment to the prime ministership. If the State Duma refuses three times to confirm a new prime minister, the president may dissolve the lower house and order new elections. If the State Duma votes a no-confidence motion against the prime minister and cabinet twice within three months, the president may respond either by dismissing the cabinet or dissolving the State Duma. The president, however, cannot dissolve the State Duma due to its passing a no-confidence motion during the first year of the State Duma's term of office.

The president protects the nation's independence, sovereignty, and integrity, and prevents aggression against Russia or its allies. The president may declare war or a state of emergency on his own authority. Finally, the president must ensure the peaceful and democratic development of the country.

Impeachment of the president is provided for in the constitution, but is very difficult. Two-thirds of the State Duma must vote to initiate the impeachment process. Both the Constitutional Court, established to arbitrate any disputes between the executive and legislative branches, and the Supreme Court must review the charges. The findings of all three organizations are then submitted to the Council of the Federation, which can impeach the president by a two-thirds majority vote. This process must be completed within three months from beginning to end.

The President's Administration or Presidential Executive Office is an important governmental body that prepares the president's bills for submission to the State Duma. It prepares drafts of decrees, orders, instructions, presidential speeches, and other documents. The Presidential Executive Office coordinates all of the president's interactions with various political parties and leaders, nongovernmental organizations (NGOs), nonprofit organizations, unions, and foreign governments. Although the president oversees the work of the Executive Office, it is the Chief of Staff of the Presidential Executive Office who manages it. As of 2006, this position was held by Dmitry Medvedev (since October 2003).

The government is responsible for financial, credit, and monetary policies. It also develops uniform state policies regarding culture, science, education, health, social welfare, ecology, and all other areas of social life. The government is headed by the prime minister (Mikhail Fradkov since 5 March 2004). The president

presides over government meetings and gives instructions to the government and other federal bodies.

The Security Council is responsible for national security, including but not limited to state security, public security, safety, socioeconomic security, and security in the spheres of defense, information, the military, and international affairs. The Security Council also advises the president on security issues. It interacts with the Scholarly Council made up of representatives of the Russian Academy of Science and the specialized academies of science and educational institutions and individual experts. The president is also chairman of the Security Council.

The State Council is an advisory body that deals with the issues, especially those related to economic and social reforms. The president also acts as chairman of the State Council, and the acting secretary is the Secretary of State (Alexander S. Abramov as of 2005). The State Council is composed of the leaders of the local governments.

During his presidency, Putin shifted the balance of power within the Executive Branch; during the Yeltsin era, power was distributed equally, but Putin shifted the center of power to the President's Administration.

The legislative branch, the Federal Assembly, consists of two chambers. The State Duma (Gosuderstvennaya Duma), the lower house, is made up of 450 seats; 225 seats elected by proportional representation from party lists winning at least 5% of the vote and 225 seats from single-member constituencies. Members are elected by direct popular vote to serve four-year terms. The upper house or Federation Council (Sovet Federalistov) is made up of 178 seats. Members Federation Council were appointed by the president and legislative officials in each of the 89 federal administrative units (Chechnya included).

The two chambers of the Federal Assembly have different powers and responsibilities. The State Duma is more powerful. The Federation Council has jurisdiction over issues affecting the provinces and autonomous republics, including border changes and the use of force within Russia. Its other responsibility is to confirm justices of the Constitutional court, Supreme Court, and Superior Court of Arbitration. It also handles the bills dealing with finance and treaty ratifications. The State Duma handles all other bills. Even those bills that are proposed by the Federation Council must first be considered by the Duma.

## 14 POLITICAL PARTIES

In the elections to the State Duma held 12 December 1993, 225 of the 450 seats were elected on the basis of proportional representation from party lists, which had to receive a minimum of 5% of the national vote to gain representation. The other 225 seats were elected from single-member districts.

The party to receive the largest number of seats (76) was the radical reformist Russia's Choice led by Boris Yeltsin's former acting prime minister, Egor Gaidar. The centrist New Regional Policy group (which was actually formed by nonaligned deputies from single member districts after the election) won 65. Vladimir Zhirinovskiy's ultranationalist, antidemocratic Liberal Democratic Party won 63. The pro-Communist Agrarian Party won 55 seats, while the Communist Party of the Russian Federation won 45. Six other parties or blocs (some of which were also formed after the election) won between 12 and 30 seats each.

Deputies to the 178-seat Council of the Federation were elected in two-member districts, where they mostly ran as individuals. Of the 171 seats that were filled, only 27 identified themselves with a particular party. The ultranationalists, Communists, and their sympathizers predominated in the State Duma.

In the December 1995 elections, the Communists again dominated the Duma, taking 149 of the 450 seats. They were supported by two left-wing factions, Power to the People (37 seats) and the Agrarians (35); together they were only 5 votes shy of an outright majority. The center-right party, Our Home Is Russia, won 50 seats, as did Vladimir Zhirinovskiy's far-right Liberal Democratic Party, and Yabloko, the moderate-reformist bloc led by Grigoriy Yavlinsky.

In the December 1999 Duma elections, six parties surmounted the 5% threshold on the party list vote, accounting for over 80% of the votes cast. Three of the six parties that received seats in the party list vote were created just prior to the election. (This did not include the newly formed ultranationalist Zhirinovskiy bloc, which was essentially a relabeling of his Liberal Democratic Party.) Unity ("The Bear") was created in late September 1999 by the Yeltsin government, and the Union of Right-Wing Forces and Fatherland-All Russia (OVR) in August 1999. In contrast to previous Duma races, many liberal groups (with the major exception of Yabloko) cooperated in forming the Union of Right-Wing Forces electoral bloc to enhance their chances for surmounting the 5% hurdle. The newly formed Unity and Union blocs received crucial publicity when Putin endorsed them. Results from the single-member constituency races added some seats to those gained by the six successful parties and provided a few seats for minor parties. In all, the Communist Party won 120 seats, Unity 73, OVR 70, Union 29, Yabloko 20, and the Zhirinovskiy bloc 19. Unaffiliated candidates won 95 seats, and a few seats faced runoffs. A little over one-third of the deputies elected were incumbents from the previous Duma.

In general, the election represented a major loss for Our Home (headed by presidential aspirant and former prime minister Viktor Chernomyrdin), which no longer was a faction in the legislature. Zhirinovskiy's bloc lost more than half its seats, compared to 1995, as did Yabloko. The new Duma convened in January 2000, and in a bold move, Unity and the Communist Party temporarily joined forces to grab the largest number of leadership posts and committee chairmanships.

In the first round of the June 1996 presidential election, Aleksandr I. Lebed received 15% of the vote to Yeltsin's 35% and Communist party candidate Gennadiy A. Zyuganov's 32%. Lebed, a retired general viewed by voters as a tough law-and-order strong man, dropped out of the race when Yeltsin named him national security advisor. Lebed gave his support to Yeltsin, which helped Yeltsin win 54% of the vote in the 3 July 1996 election. Two months later, however, Yeltsin forced Lebed out of the government. Yeltsin was barred from running for a third term.

Toward the end of his second term Yeltsin confronted growing unpopularity and instability in his administration. Opposition forces (including Communist party, Moscow-oriented Yuri Luzhkov and groups of local governors) did not take any drastic measures to bring Yeltsin down.

The Communist Party tried unsuccessfully to reconcile a range of leftist groups to back a common candidate, Genadiy Zuganov,

against Vladimir Putin. Another candidate, Yurii Luzhkov, won the support of Muscovites and attempted to appeal for support to the governors. Meanwhile the governors were forming coalitions that later resulted in the formation of the Fatherland-All Russia (OVR) party affiliated with Yevgeni Primakov. Primakov was a popular politician who was credited with bringing Russia out of the 1998 financial crises. As a result, OVR became a threat to Yeltsin. In response, Yeltsin organized a media campaign to discredit the OVR party and Primakov in particular, and to promote Vladimir Putin.

In 1999, six months before the end of his term, President Yeltsin resigned from power, appointing Putin as an acting president. Putin then issued a decree granting Yeltsin and his family complete immunity from persecution. Yeltsin's resignation moved the term of election to March, leaving the opponents with less time to prepare. In little time, Putin managed to organize strong support for Unity and forged cooperation between Unity and OVR. In the first round of presidential elections held on 26 March 2000, among the 11 candidates, Putin won 53% of 75.2 million votes, trouncing his nearest rival by 23.7%. The runner-up, Gennadiy Zyuganov, received 29%, down from the 32% he received in the first round of the 1996 race. Putin was formally inaugurated as president on 7 May 2000.

National elections were held again 7 December 2003, with Putin's Unity party winning 37.1% of the vote. The Communist Party came in second with 12.7% of the vote, and Vladimir Zhirinovskiy's ultranationalist party (the Liberal Democratic Party) took 11.6%. The pro-Western liberal parties—Union of Right Forces (SPS) and Yabloko—faired poorly. Another leftist-nationalist party, Rodina, was formed. The Organization for Security and Cooperation in Europe (OSCE) said the government used resources and control of the media to dominate the election.

In March 2004, Putin ran for a second term. He was reelected with more than 70% of the vote. His closest opponent, Communist Party candidate Nikolai Kharitonov, got 13.7%. The next presidential election was scheduled for March 2008.

## 15 LOCAL GOVERNMENT

Russia has a complicated patchwork of regional and local governments, including 89 federal subjects of constituencies. Those 89 units are not of equal status. Russia is divided into 6 kraia, 49 oblasts, 1 autonomous oblast, 10 autonomous okrugs, and two independent cities (Moscow and St. Petersburg). There are also 21 autonomous republics where non-Russian minorities predominate (or once predominated). The Chechen republic of Ichkeria, is, de facto, a separate state, although not recognized as such by the federal authorities.

For all but the 21 autonomous republics, President Yeltsin issued decrees reorganizing the system of local government in October 1993. Each unit has an elected legislature. Most of these are unicameral, though two (Magadan Oblast and Altai Krai) opted for bicameral ones. In late 1996 and early 1997, regional popular elections of governors took place, replacing the system of appointments by the president. By contrast, the Russian president never appointed the heads of the 21 autonomous republics. These (usually called presidents) were selected in whatever manner is prescribed by their individual constitutions. The regional and republic executive and legislative heads were ex officio members of the

Russian Federal Assembly's upper chamber, the Federation Council, where they endeavor to guard local power against encroachment from Moscow.

When Putin came to power, he felt it necessary to bring the regional leaders under a more central control, reversing bottom-to-top relations from the Yeltsin-era. In 2000, Putin set out to correct regional relations by grouping the administrative units of Russia into seven regional administrative districts: Northwest, Central, Volga, North Caucasus, Ural, Siberia, and Far East. A presidential representative is appointed to each. Putin appointed seven presidential representatives to coordinate the activities of federal organs. In February 2001, the law went into effect that allowed the president to dismiss governors. Furthermore, after the September 2004 Beslan School tragedy, Putin passed a bill to abolish popular elections for Russia's regional governors and to elect all State Duma deputies according to a proportional party system, abolishing single-mandate districts.

## 16 JUDICIAL SYSTEM

The judicial system is divided into three branches. There are courts of general jurisdiction (including military courts), which are subordinated to the Supreme Court; the arbitration (commercial) court system, which is under the High Court of Arbitration; and the Constitutional Court, which arbitrates any disputes between the executive and legislative branches and determines questions pertaining to constitutional issues. Civil and criminal cases are tried in courts of primary jurisdiction (municipal and regional), courts of appeals, and higher courts.

Procurators are also organized at the district, regional, and federal levels. The head of the procurators, the Procurator General, is nominated by the president and confirmed by the Federation Council. The trials are inquisitorial, not adversarial, and procurators are quite influential in nonjury trial.

## 17 ARMED FORCES

With the collapse of the original Soviet Union in 1992, Russia established a separate Ministry of Defense and military establishment upon the wreckage of the Soviet armed forces. Still formidable in terms of weapons and equipment, the Russian armed forces reached a low state of morale and effectiveness in 1993, "hollowed" by low-manning, the failure of draft calls, diversion to survival tasks rather than training, and lack of discipline. In the following years, military reforms were undertaken. The first phase, completed by the end of 1998, involved reorganization of the military command structure, redistricting, and troop reductions. The second phase focused on equipment modernization and operational readiness. Readiness was also improved in response to the NATO bombing of Serbia following hostilities in Kosovo.

In 2005, active Russian armed forces personnel numbered 1,037,000, with the number of reservists totaling 20,000,000. The Russian Army in 2005 had an estimated 395,000 active members, which were backed by a formidable weapons inventory of over 22,800 main battle tanks, 150 light tanks, more than 2,000 reconnaissance vehicles, over 15,090 armored infantry fighting vehicles, more than 9,900 armored personnel carriers, over 30,045 artillery pieces (towed and self-propelled), and over 628 attack helicopters. Russia has assumed the responsibility of the Soviet Union to reduce by treaty its strategic arsenal and conventional forces in

Europe, but remains the world's second most formidable nuclear nation. Russia's nuclear arsenal is estimated at 12,000–19,000 strategic and nonstrategic nuclear weapons.

The Russian Navy has surrendered little of its strength to the break-away republics. The Navy numbers 142,000 personnel. It controls 46 tactical submarines, including 8 nuclear-powered nonballistic missile submarines (SSGNs), and 18 nuclear-powered attack submarines (SSNs). Major surface combat units include 1 aircraft carrier, 6 cruisers, 15 destroyers, 19 frigates, 25 corvettes, 72 patrol and coastal vessels, 41 mine warfare ships, and 436 logistics/support vessels. The naval air arm has an estimated 35,000 personnel backed by 226 combat capable aircraft including 58 bombers, 49 fighters, 68 fighter ground attack aircraft, 11 attack helicopters, and 120 antisubmarine warfare helicopters. Naval infantry and coastal defense forces (designed for naval base defense) deploy 9,500 troops with ground combat artillery and missile weapons.

Russia's Air Force consists of a long-range aviation command, a tactical aviation command, military transport aviation command, training schools, and operational combat units. As of 2005, active personnel numbered an estimated 170,000. The principal tactical weapons systems remain MiG and Su fighters and fighter-attack aircraft and armed helicopters. In 2005, the Air Force had 1,852 combat capable aircraft that included 1,094 fighters and 757 fighter ground attack aircraft.

Russia's joint service Strategic Deterrent Forces had an estimated 129,000 active personnel in 2005. Of that total, the Navy accounted for 11,000 personnel and was responsible for the nation's fleet of 15 SSBNs and its submarine launched ballistic missile force. The Air Force accounted for another 38,000 personnel through its Long-Range Aviation Command, which was responsible for the country's strategic bomber force of 80 aircraft. Another estimated 40,000 personnel were assigned to three Rocket Armies and were known as Strategic Missile Force Troops. This element of the Strategic Defense Forces was responsible for the operation of the nation's land-based ICBMs, of which there were around 570 launchers carrying 2,035 nuclear warheads. In addition to the Strategic Defense Forces, another 40,000 personnel were assigned to the Space Forces, whose mission was to detect a possible missile attack on the Russian Federation and its allies, as well as to implement the nation's Ballistic Missile Defense (BMD) and the launch and control of military/dual-use spacecraft.

There are also 415,100 paramilitary forces assigned to specialized security functions for border protection, river patrols, customs duties, installation and plant protection, transportation security, riot duty, and internal security. The number of border guards are estimated at 160,000, while interior troops number 170,000.

Although Russia has scaled back the Soviet Union's defense forces, the Russian armed forces still maintain a global presence. In addition to troops remaining in Armenia, Georgia, Moldova, and Tajikistan, Russia maintains military missions or units in the Ukraine, Syria, and Africa. Russian units have also participated in peacekeeping operations in the region and supported the UN in other separate missions. The defense budget in 2005 totaled \$18.8 billion.

## 18 INTERNATIONAL COOPERATION

Russia has essentially assumed and expanded upon the foreign relations ties established by the former Soviet Union. In one form or another, it has held a seat in the United Nations since 24 October 1945; it is a part of several nonregional specialized agencies, such as IAEA, ICAO, ILO, UNHCR, UNIDO, and the WHO. Russia is a permanent member of the UN Security Council. The nation is also member of APEC, the Commonwealth of Independent Nations, the Black Sea Economic Cooperation Zone, the Council of the Baltic Sea States, the Council of Europe, the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, G-8, the Paris Club (G-10), and the OSCE. In June 2001, leaders of Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan met in China to launch the Shanghai Cooperation Organization (SCO) and sign an agreement to fight terrorism and ethnic and religious militancy while promoting trade. The country holds observer status in the OAS, the WTO, and the Latin American Integration Association (LAIA). Russia is a dialogue partner in ASEAN and part of the ASEAN Regional Forum.

The Russian government has supported UN operations and missions in Kosovo (est. 1999), Western Sahara (est. 1991), Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Sierra Leone (est. 1999), East Timor (est. 2002), Georgia (est. 1993), and Burundi (est. 2004), among others. Russia is a partner in the Middle East Peace Process "Quartet." The country is a guest in the Nonaligned Movement.

Russia is part of the Zangger Committee, the Organization for the Prohibition of Chemical Weapons, and the Nuclear Suppliers Group (London Group). It is an observer in the European Organization for Nuclear Research (CERN). In environmental cooperation, Russia is part of the Antarctic Treaty; the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; CITES; the London Convention; International Tropical Timber Agreements; the Kyoto Protocol; the Montréal Protocol; MARPOL; the Nuclear Test Ban Treaty; and the UN Conventions on the Law of the Sea and Climate Change.

## 19 ECONOMY

Russia's economy, \$1.5 trillion in purchasing power parity (PPP) terms (as of 2005), is the largest within the former Soviet bloc. It was undergoing a painful transformation from a centrally planned economy to a market-oriented one with limited public ownership. Per capita income in 2005 was only \$5,165 in nominal terms, although \$10,758 in PPP terms. By 2004, services comprised the largest sector of the economy (61.2%), while industrial production accounted for 33.9% of GDP. The manufacturing centers around Moscow and St. Petersburg are the most important, as they were for the entire former USSR. Russia has rich energy and mineral resources, including large deposits of iron ore, coal, phosphates, and nonferrous metals, as well as one-fifth of the world's gold deposits and substantial oil and gas reserves. There are also vast forest resources. Agricultural production accounted for 4.9% of GDP in 2004. Although the share of agriculture in total output fell from 14% in 1991 to 4.9% in 2004, the collapse has led to underemployment rather than unemployment among rural workers, and therefore agriculture still accounted for more than 12% of official

employment in 2002. There is an acute excess demand for goods, especially consumer goods.

Russia's economic situation deteriorated rapidly after the break-up of the Soviet Union, which destroyed major economic links. President Yeltsin's 1992 economic reform program slashed defense spending, eliminated the old centralized distribution system, established private financial institutions, decentralized foreign trade, and began a program of privatizing state owned enterprises. Success was not immediate, however, as the GDP declined by over 12% in 1994 and 4% in 1995. By then, 25% of the population was living in poverty, corruption was rampant, and segments of the economy had gone "underground" to escape backbreaking taxes and bureaucratic regulation. However, government policies kept unemployment at the relatively low rate of 8%, even though there was no money to pay salaries and pensions. A stabilization program enacted in 1995 tightened the budget, liberalized trade, and lowered inflation through noninflationary financing of the budget deficit. Although the economy declined by 3.6% in 1996, segments of the economy were showing signs of recovery. In 1997, overall GDP registered its first positive growth, albeit only 0.9%. Inflation moderated to 11.3% from 21.8% in 1996, and unemployment fell from 9.3% to 9%. In a major privatization program, the government turned over to the growing private sector thousands of enterprises.

However, in 1998, the effects of the 1997 Asian financial crisis swept the economy, propelling a massive outflow of foreign investment. In August 1998 it became the Russian financial crisis as the government defaulted on payments due on \$40 billion in ruble bonds and allowed the ruble to depreciate. Real GDP fell 4.9% in 1998 as inflation shot up to 84.5%. However, Russia weathered the crisis well: in 1999, one year after the crisis, real GDP increased by the highest percentage since the fall of the Soviet Union, the ruble stabilized, inflation was modest, and investment began to increase again. In 1999, real GDP increased 5.4%, and in 2000, a strong 8.3% while inflation fell to 36.5% in 1999 and then to 20.2% in 2000. The global economic slowdown after 2001 served to decelerate but not reverse economic recovery as GDP growth fell to 4.9% in 2001 and then to 3.5% in 2002. Inflation fell to 18.6% in 2001, and 16.5% in 2002, above predictions of 11–13% mainly because of increased fuel costs. Official unemployment, which peaked at 11.8% and 11.7% in 1998 and 1999, moderated to an estimated 8% in 2002, down from 8.9% in 2001.

From 2001–05, real GDP growth averaged 6.1%, and inflation averaged 14.9%. From 2000 to 2005, Russia ran trade and budget surpluses. GDP growth was forecast at 5.8% in 2005; inflation hit 11.7% in 2004, and was predicted to near 13% in 2005, well above a revised target of 10%. Although real GDP growth had slowed by 2005, high oil prices were expected to limit the extent of the deceleration, especially in 2006. Even though proceeds from the sale of oil strengthen the ruble, damaging competitiveness, high oil prices have not compensated for a lack of effective governmental economic policy. Oil production began to stagnate in late 2004; oil companies must look beyond the easy-to-tap oil reserves of western Siberia for new fields. Also, a string of investigations launched against Yukos, a major oil company, culminating in the arrest of its CEO, Mikhail Khodorkovsky, in the fall of 2003, raised concerns that President Vladimir Putin was granting more influence to forces within his government that desire to reassert state



control over the economy. Companies looking to invest in Russia discover a plethora of rules that are often changed and capriciously applied; the large, unwieldy, corrupt bureaucracy is impossible to avoid. The gas, electricity, and railway industries are dominated by inefficient monopolies, particularly Gazprom, the state gas monopoly. Ownership structures are opaque, not transparent, but according to some estimates, 20 large conglomerates account for up to 70% of Russian GDP. Capital flight was a net \$33 billion in 2004. These problems must be addressed if full economic reform is to be achieved.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 the Russian Federation's gross domestic product (GDP) was estimated at \$1.5 trillion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$10,700. The annual growth rate of GDP was estimated at 5.9%. The average inflation rate in 2005 was 12.9%. It was estimated that agriculture accounted for 5% of GDP, industry 35%, and services 60%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.453 billion or about \$10 per capita and accounted for approximately 0.3% of GDP. Foreign aid receipts amounted to \$1,255 million or about \$9 per capita and accounted for approximately 0.3% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Russia totaled \$219.03 billion or about \$1,532 per capita based on a GDP of \$430.1 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 0.9%. In 2001 it was estimated that approximately 28% of household consumption was spent on food, 16% on fuel, 7% on health care, and 15% on education. It was estimated that in 2004 about 17.8% of the population had incomes below the poverty line.

## 21 LABOR

In 2005, Russia's labor force was estimated at 74.22 million. As of 2004, it was estimated that agriculture accounted for 10.3% of the country's workforce, with 68.3% in the services sector, and 21.4% in industry. Although Russia's unemployment rate in 2005 was estimated at 7.6%, a considerable number of workers were underemployed.

A legacy from the Soviet era, the Federation of Independent Trade Unions of Russia (FNPR) still dominates organized labor and claims to represent 80% of all workers. The mining and air transport industries (along with the state sector) are highly unionized. Overall, about 46% of the workforce is at least nominally organized, with around 90% of them members of the FNPR. The legal right to strike is hindered by complex requirements. Court rulings have determined that nonpayment of wages, the most prevalent labor complaint, is an individual issue and cannot be addressed by the union. The right to bargain collectively is not regularly protected.

The monthly minimum wage was \$28 as of September 2005, which was not sufficient to provide a family with a decent standard of living. Most workers earn more than this amount, however it was estimated that 18% of the workforce earned less. Although the labor code provides a maximum regular workweek of 40 hours with a 24-hour rest period, many laborers put in 10- to 12-hour days. Children under the age of 16 are banned from most employment, but 14 year old minors can work under certain conditions with the approval of a parent or guardian. In such cases, the health and the welfare of the child must not be threatened. While these provisions are generally enforced through government action, prevailing social norms and a large pool of low-wage adult workers, child labor remains a problem, especially in the informal economy. The law establishes minimum standards of workplace safety and worker health, but these are not effectively enforced.

## 22 AGRICULTURE

In 2003, Russia had 124.4 million hectares (307.4 million acres) of arable land (8.5% of the world's total), covering 7.6% of the country's land area. In 2003, the share of agriculture in the GDP was 5%. Agricultural production dropped by an average of 6% annually during 1990–2000. However, during 2002–04, crop production was 13.1% higher than during 1999–2001. A surge in imports of food products during that period is the direct result of difficulties faced by domestic farmers and processors, and has brought with it a desire for protection from foreign competition in the name of national security. In 2004, Russia's agricultural trade deficit was over \$10.1 billion, fifth highest in the world.

The 2004 harvest included (in millions of tons): wheat, 45.4; potatoes, 35.9; sugar beets, 21.8; barley, 17.2; vegetables, 15.5; oats, 5; sunflower seeds, 4.8; corn, 3.5; rye, 2.9; buckwheat, 0.6; soybeans, 0.6; and rice, 0.5. The government is promoting the expansion of small-plot farming; about 150,000 new farms have begun operating since 1991, primarily in the south.

Agricultural policy has changed several times since market reforms began. Low interest loans were initially offered to the old state farms, but the government's budget soon could not afford all the demands made by farmers. The low interest loans were replaced by in-kind loans to suppliers, which were then modified to in-kind loans from the federal government to local governments. The general agricultural policy trend is now an ongoing devolution of power from the federal government to local governments.

## 23 ANIMAL HUSBANDRY

Some 91.9 million hectares (227 million acres) are pastureland, representing 5.6% of the total area. In 2005, the livestock population included: cattle, 22,987,700; sheep, 15,499,700; and pigs, 13,412,800. Russia also had 1.5 million horses, 328.9 million chickens, 2.7 million geese, and 2.5 million turkeys in 2005.

The 2005 meat production amounts included (in thousands of tons): beef, 1,915; pork, 1,610; mutton, 123; and poultry, 1,130. In 1999, Russia's livestock production was only 50% of what it had been in 1990. During 2002–04, livestock production was 7.8% higher than during 1999–2001. Milk production in 2005 was estimated at 30.9 million tons (down from 55.7 million tons in 1991), and egg production amounted to 2 billion tons in 2005. Infrastructural and distributional problems have exacerbated declining production. Many Russian dairy farms have been unprofitable

due to low-quality dairy cows, limited supplies of quality feed, and lack of support services. Continued decline in livestock production, especially poultry, as well as the rapid growth of imports have been a source of trade friction. In 2004, Russia imported over \$2 billion in meat and meat products.

## 24 FISHING

Russia's fish production ranks eighth in the world, following China, Peru, USA, Indonesia, Japan, India, and Chile. In 2003, 91% of the catch was marine, while 9% came from inland waters. The total catch in 2003 was 3,429,121 tons. The main species of the commercial catch in 2003 included (in thousands of tons): whiting, 360; herring, 335; cod, 277; and salmon, 188. Russia is a leading producer of crabmeat, fish roe, whole groundfish, and salmon products. More than half of Russian fish product exports consist of frozen products. Exports of frozen fish fillets in 2003 were valued at \$141.9 million; and roe, \$145.6 million.

Russia is known for its sturgeon and caviar. About 70% of the world's sturgeon stocks are in the Caspian Sea. Illegal trade of sturgeon and caviar have resulted in all 11 of Russia's commercial sturgeon species to be in decline. The Russian share of the world caviar market is estimated at 23–30%.

Overfishing and pollution of territorial waters have forced fishermen farther away from traditional fishing waters. For example, pollutants like mercury have partly caused the decline of the sturgeon and pike perch catches, which fell by 50% and 90%, respectively, from 1974 to 1987 in the Caspian Sea. Similar ecological problems also have affected fishing in the Azov Sea. Russia's enormous fishing fleet has many old vessels, and fuel shortages are common. Since 1991, more than 70 vessels have been leased from Spanish, Norwegian, and German shipbuilding yards. In 2003 alone, 36 Russian fishing vessels of 100 gross tons or more were added to the fishing fleet. Russian fishing vessels account for about 24% of the world's fishing fleet capacity.

Despite problems with pollution, the Russian catch expanded during the 1980s (the marine catch by 24%, the freshwater catch by 26%) due to intensified fishing in dam reservoirs, consumption substitution toward nontraditional fish stocks, and acceptance of higher levels of contaminants. Since 1990, the production of fish and fish products has declined without interruption. Direct subsidies from the federal government ceased in 1994. As a result, the proportion of unprocessed fish products has steadily risen since 1990. Badly worn ships and equipment continue to limit production. Russia is eligible to catch up to five million tons of fish outside its territorial waters, but typically only reaches one million tons.

## 25 FORESTRY

Russia's forested areas are vast. In 2000 an estimated 851.4 million hectares (2,104 million acres) were classified as forested—an area larger than the total land area of Australia. Only half of this area is commercially accessible and only 7–10% is currently exploited. Russia contains 25% of the world's forested area; 20% of the world's forests are in Siberia. The forest stock in Russia is 80% coniferous, consisting mainly of spruce, fir, larch, and pine in subarctic areas; these stands account for 52% of the world's coniferous areas. De-

ciduous trees (birch, oak, beech, ash, maple, elm) grow further south and account for 13% of the world's deciduous forests.

In 2004, the timber cut yielded 182 million cu m (6.4 billion cu ft) of roundwood. Production that year included (in cubic meters): sawn timber, 21,500,000; plywood and particleboard, 7,159,000. Paper and paperboard production totaled 6,789,000 tons. In 2004, Russian exports of forest products were valued at over \$5.4 billion. China, Finland, and Japan are the major export markets.

In 1992, a year after the dissolution of the USSR, the forest products industry underwent massive changes. Hundreds of inexperienced new businessmen were attracted to the business of buying logs from newly unregulated leskhozoes (forest villages legally entitled to harvest and manage forests). Widespread privatization in the forest products industry began in 1993. Rocleskhoz, the federal forest service, is responsible for overseeing management of forests. The forestry industry is a multi-layered bureaucracy where wood processing companies must pay about 40 different taxes, which has prompted some to act outside the official system. During the 1990s, about 50% of all forestry firms went out of business, and about 60% of the firms remaining are believed to be on the verge of bankruptcy. The failing firms are often pressured to cut trees and sell logs for quick cash to pay off debts so they will be allowed to stay in business. Poaching, unsustainable logging, and fire damage are growing problems. Much of the forestry equipment is too old or expensive to operate, with the result that output per worker is at 1960s levels. Although the allowable forest cut is 559 million cu m (1.97 billion cu ft), an estimated 52% of logging enterprises were operating at a loss in 2005. Though the government is trying to encourage exports of higher value products, lack of investment has hindered plans to decrease the 40% export share of softwood and hardwood logs. Russia's forestry sector only contributes 3% to GDP.

## 26 MINING

With bountiful and diverse minerals, Russia, the world's largest country in land area, occupying 75% of the former Soviet Union, had a significant percentage of the world's mineral resources and mineral production. Russia is one of the largest producers of palladium and nickel, as well as of aluminum and platinum-group metals (PGMs), potash, gold, and mined copper. Russia also produced a large percentage of the Commonwealth of Independent States' (CIS) bauxite, coal, cobalt, diamond, lead, mica, natural gas, oil, tin, zinc, and many other metals, industrial minerals, and mineral fuels. Exports under the "Mineral Products" category accounted for around 75% or \$80 billion of Russia's exports by value in 2002. Of that total, natural gas exports by value totaled over \$15 billion, while crude oil and petroleum products accounted for nearly another \$40 billion in 2002.

More than half of Russia's mineral resources were east of the Urals. The most significant regions for mining were Siberia, particularly East Siberia, for cobalt, columbium (niobium), copper (70% of Russia's reserves), gold, iron ore, lead (76% of the country's reserves), molybdenum, nickel (becoming depleted), PGMs, tin, tungsten, zinc, asbestos, diamond, fluorspar, mica, and talc; the Kola Peninsula, for cobalt, columbium, copper, nickel, rare-earth metals, phosphate (the majority, in the form of apatite), and tantalum; North Caucasus (copper, lead, molybdenum, tungsten, and zinc); the Russian Far East (gold, lead, silver, tin, tungsten,

and zinc); the Urals, with bauxite, beryllium, cobalt, copper, iron ore, lead, magnesite, nickel, titanium, vanadium, zinc, asbestos, bismuth, potash (96% of the country's reserves), soda ash, talc, and vermiculite; and the region near the Arctic Circle (cobalt, gold, mercury, nickel, tin, phosphate, and uranium). The Kaliningrad region contained 95% of the world's amber deposits, and Russia possessed 10% of the world's copper reserves. Metallurgical enterprises in Kola, North Caucasus, and the Urals were operating on rapidly depleting resource bases, and were experiencing raw material shortages.

A large percentage of Russian reserves were in remote northern and eastern regions that lack transport, were distant from major population and industrial centers, and experience severe climates, and enterprises built there in the Soviet era had curtailed operations sharply. Efforts to develop new large deposits of nonferrous metals near the eastern Baikal-Amur railroad were not progressing. One researcher proposed the creation of small mining enterprises to develop the rich small deposits of eastern Russia. Reserves of iron ore were sufficient to last 15–20 years; those of nonferrous metals, 10–30 years. Reserves of major minerals included potash, 1.8 billion tons; magnesite, 585 million tons; bauxite, 250 million tons; phosphate rock, 240 million tons; asbestos, 100 million tons; fluorspar, 60 million tons; manganese, 15 million tons; nickel, 6.3 million tons; vanadium, 5 million tons; zinc, 4 million tons; antimony, 3 million tons; and lead, 3 million tons.

Output of iron ore (gross weight) was 84.236 million tons in 2002, up from an estimated 82.5 million metric tons in 2001. The largest producer was Kursk Magnetic Anomaly, at Zheleznogorsk and Gubkin, with a 50 million ton per year capacity.

Output of copper was 695,000 metric tons in 2002. The Noril'sk complex, in East Siberia, produced 70% of the country's copper, and planned to increase output of cuprous ore from its Oktyabr'skiy underground mine, from 100,000 tons per year to 1.6 million tons, because the cuprous ores were 40% higher in copper content than the nickel-rich ores. The Oktyabr'skiy mine supplied 70% of Noril'sk's copper output, and was planning to decrease production of the nickel-rich ores.

PGM production included 69,000 kg of palladium, and 34,000 kg of platinum. Sixty percent of PGM output came from the Oktyabr'skiy mine, Noril'sk, and a plan to expand output at the mine of cuprous ores by a factor of 16 was projected to yield more PGMs, as would two new nickel-rich mines, the Glubokiy and the Skalisty, that had a high PGM content.

The output of other metals in 2002 was: bauxite, 3.8 million metric tons (estimated); mined nickel, 310,000 metric tons (estimated); mined zinc, 130,000 metric tons; mined lead, 13,500 metric tons (estimated); magnesite, one million metric tons (estimated); mined tin, 2,900 metric tons (estimated); titanium sponge, from the Perm' region in the Urals, 23,000 metric tons (estimated); molybdenum, 2,900 metric tons (estimated); and mined cobalt, 4,600 metric tons (estimated). Gold mine output was 158,000 kg (estimated). Russia also produced the metal minerals alumina, nepheline concentrate, antimony, white arsenic, bismuth, chromium, manganese, mercury, silver, tungsten, and baddeleyite zirconium. Russia, which had the capacity to mine vanadium, stopped mining beryllium in the mid-1990s, and continued producing cobbled beryl.

Industrial mineral production in 2002 included: phosphate rock (apatite concentrate and sedimentary rock), 4.4 million metric tons (estimated); marketable potash, 4.4 million metric tons (estimated); mica, 100,000 metric tons (estimated); fluorspar concentrate, 200,000 metric tons (estimated); and gem and industrial diamonds, 11.5 million carats each. Russia also produced the industrial minerals amber, asbestos, barite, boron, hydraulic cement, kaolin clay, feldspar, graphite, gypsum, iodine, lime, lithium minerals, nitrogen, salt, sodium compounds, sulfur (including native and pyrites), sulfuric acid, talc, and vermiculite. Russia's only producer of amber, Kaliningrad Amber Works, was the world's largest producer, yielding 441.8 tons in 2000, 364.5 in 1999, and 512.2 in 1998.

Despite decreased metal output compared with the Soviet period (e.g., 20% as much tin), Russia was producing more aluminum, lead, and zinc in 2000 than during the Soviet era. Ten percent of the technology employed in the nonferrous mining and metallurgy sector was rated as world class, labor productivity was one-third below that of advanced industrialized countries, and energy expenditures were 20–30% higher. Another problem was that the resource base for metallurgical enterprises was not competitive in terms of quality, with the exception of antimony, copper, nickel, and molybdenum. More than one-half of industrial mineral output was exported, depriving the domestic sector of needed supplies, especially barite, bentonite, crystalline graphite, and kaolin. Russia has not been successful in attracting foreign investment for developing its mineral deposits, because of high and unpredictable taxes, an unreliable legal system, insecure licensing, unequal treatment between domestic and foreign partners, a weak banking system, and the inability to directly export commodities.

## 27 ENERGY AND POWER

Russia possesses enormous reserves of oil, natural gas, and coal. It is the largest exporter of natural gas in the world, the world's second-largest exporter of petroleum, and the third-largest consumer of energy in the world.

As of 1 January 2005, Russia's proven reserves of oil were estimated at 60 billion barrels, according to the Oil and Gas Journal. Most of that oil is located between the Central Siberian Plateau and the Ural Mountains, in Western Siberia. Of that amount, about 14 billion barrels are located just north of Japan on Sakhalin Island. Although Russian production fell from 7,819,000 barrels per day in 1992 to 6,070,000 barrels per day in 1998, output since 1999 has risen steadily to an estimated 9,300,000 barrels per day in 2004. Russia has 41 oil refineries with a combined crude oil processing capacity estimated at 5.44 million barrels per day, as of December 2004. However, many are inefficient, old and in need of being modernized. Exports are handled by pipeline, rail and barge transport. For the period January through September 2004, pipelines carried 60% or 4 million barrels of oil per day. Exports by rail accounted for 33% of oil exports, or 2.2 million barrels per day. Barges and other traffic accounted for 7% or two million barrels per day. In 2004, net oil exports were estimated at 6.7 million barrels per day.

As of 1 January 2005, Russia had the world's largest reserves of natural gas, estimated at 1,680 trillion cubic ft, more than two times those of Iran, the next largest country. Russia in 2004 was also the world's largest producer and exporter of natural gas. In

that year, natural gas output totaled an estimated 22.4 trillion cu ft, with exports at an estimated 6.5 trillion cu ft. However, in spite of its vast reserves of natural gas, Russia's natural gas production and consumption have remained relatively flat since 1992. In that year natural gas production totaled 22.62 trillion cu ft, with domestic demand at 16.46 trillion cu ft. In 2004, production and consumption were estimated at 21.80 trillion cubic ft and 15.29 cu ft, respectively. The main causes for this are: aging fields; insufficient export pipeline capacity; government regulation; and Russia's state-run natural gas monopoly, Gazprom, which operates the country's network of natural gas pipelines, and produces almost 90% of the country's natural gas. In addition, three major gas fields in Western Siberia, the Urengoi, Yamburg, and Medvezh'ye Fields, which provide Gazprom with more than 70% of its production, are in decline.

Russia's proven coal reserves, estimated at 173 billion short tons as of 1 January 2004, were also the second-largest in the world. Coal production in 2003, according to the Energy Information Administration (EIA), was estimated at 294.1 million short tons, while output in 2004, was estimated by the Russian Energy Ministry at 308.6 million short tons, less than one-third of US production. Domestic demand for coal in 2003 was estimated at 254.8 million short tons.

Although electric power generation fell following the breakup of the Soviet Union, output has begun to recover since 1999. In 2003 and 2004, Russian electric power output was estimated at 850.6 billion kWh, and at 915.0 billion kWh, respectively. Consumption of electricity in 2003 and 2004 was estimated at 780.0 billion kWh and 860.0 billion kWh, respectively. Total installed capacity in 2004 was estimated at 208 million kW, of which thermal generation accounted for 68% of electrical capacity, hydro accounted for 22% of capacity, and nuclear 10% of capacity. As of February 2005, Russia had more than 440 thermal and hydroelectric generating stations and 31 nuclear reactors. In 2001, a 1,000 MW reactor began operating at the Rostov facility.

## 28 INDUSTRY

Major manufacturing industries include crude steel, cars and trucks, aircraft, machine equipment, chemicals (including fertilizers), plastics, cement and other building materials, medical and scientific instruments, textiles, handicrafts, paper, television sets, appliances, and foodstuffs.

Steel production remains a key industry. Once the world leader in the production of steel, that Russian industry fell on hard times in the 1980s as Soviet-made products could not keep up with the quality or output of competitors. Nonetheless, plants continue to operate although less than half use updated equipment.

Aluminum and nickel production continue, particularly in mineral-rich Siberia. The largest companies are the Noril'sk Nickel Joint-Stock Company, Bratsk Aluminum, Krasnoyarsk Aluminum, and Sayan Aluminum. European Russia and the Ural region continue to serve as the center for the production of textiles and machine industry. Chemical production is scattered throughout the country, while the center of the oil and gas industry remains the region of the Caucasus Mountains and Caspian Sea. Russia holds the world's largest natural gas reserves, the second-largest coal reserves, and the eighth-largest oil reserves. It is also the world's largest exporter of natural gas, the second-largest oil ex-

porter, and the third-largest energy consumer. The oil industry is dominated by 11 large companies which account for around 90% of production and close to 80% of refining. Russia had 41 oil refineries in 2005, with a total capacity of 5.44 million barrels per day. Russia's energy riches bring it political power. As of 2006, a proposed 1,200 km, \$5 billion gas pipeline along the Baltic seabed was due to be completed in 2010; it would offer Russia's gas export monopoly, Gazprom, a direct link with its main Western European markets, bypassing Poland and the Baltic states, which had hoped for an alternate route bringing them extra transit fees.

Industrial expansion is mainly in consumer goods and food processing, often embraced by enterprises converting from military production, which dominated industry output in the former Soviet Union.

Russia's industrial base is outmoded and must be restructured or replaced in order for the country to maintain strong economic growth. Nonetheless, Russia emerged from its 1998 economic crisis with an industrial growth rate of 5.2% in 2001. That year, industry accounted for 39% of GDP and employed 28% of the work force. In 2004, the industrial production growth rate was 6.4%; industry accounted for 33.9% of GDP and some 22% of the labor force. Oil, natural gas, metals, and timber made up 80% of Russia's exports in 2004, followed by iron and steel, aluminum, and machinery and equipment. Russia's wealth of, and export of, natural resources leave it vulnerable to swings in world prices. Other industrial areas of growth in the mid-2000s included construction, automotive equipment, aircraft, and food processing.

## 29 SCIENCE AND TECHNOLOGY

The Russian Academy of Sciences, founded in 1725, is the chief coordinating body for scientific research in Russia through its science councils and commissions. It has sections of physical, technical, and mathematical sciences; chemical, technological, and biological sciences, and earth sciences, and controls a network of nearly 300 research institutes. The Russian Academy of Agricultural Sciences, founded in 1929, has departments of plant breeding and genetics; arable farming and the use of agricultural chemicals; feed and fodder crops production; plant protection; livestock production; veterinary science; mechanization, electrification, and automation in farming; forestry; the economics and management of agricultural production; land reform and the organization of land use; land reclamation and water resources; and the storage and processing of agricultural products. It controls a network of nearly 100 research institutes. It supervises a number of research institutes, experimental and breeding stations, dendraria and arboreta. The Russian Academy of Medical Sciences, founded in 1944, has departments of preventive medicine, clinical medicine, and medical and biological sciences, and controls a network of nearly 100 research institutes.

The Russian Federation in 2002 had 3,415 scientists and engineers, and 579 technicians engaged in research and development (R&D) per million people. In the same period, R&D expenditures totaled \$14,733.916 million, or 1.24% of GDP. Of that amount, the largest portion, 58.4%, came from government sources, while business accounted for 30.8%. Higher education, private nonprofit organizations and foreign sources accounted for 0.3%, 0.1% and 8%, respectively. High technology exports in 2002 totaled \$2.897 billion, or 13% of the country's manufactured exports.

Russia has nearly 250 universities and institutes offering courses in basic and applied sciences. In 1987–97, science and engineering students accounted for 50% of university enrollment.

### 30 DOMESTIC TRADE

A central marketplace is a common feature of urban areas in Russia. Outside of Moscow and St. Petersburg, small open markets and kiosks are the primary retail establishments. Nationwide distribution channels are still largely undefined.

Many consumer goods, which were often traded via the black market during the Soviet era, are now openly available. However, inflation and slow economic recovery severely constrain domestic purchasing power. Since the underground economy was so well-developed during the Soviet period, distribution and trade through informal channels is still common. The appearance and rapid development of organized crime in post-Soviet Russia may also be seen as a result of Russia's affinity for informal domestic economic activity; local businesses are often forced to pay protection money to organized crime. Commercial advertisement, virtually unknown during the Soviet era, is now commonly used.

As of 2006, a value-added tax of 18% (VAT) applies to most goods and services. The VAT is reduced to 10% for certain foods and children's clothing. Pharmaceuticals and certain financial services are exempt. In 2004, a regional 5% sales tax was abolished. Credit cards are being accepted at major hotels and restaurants in Moscow and St. Petersburg, but many other retail establishments still operate on a cash-only basis.

Business hours are generally 9 AM to 5 PM, Monday to Friday, but the most common times to find workers working is from 10 AM to 6 PM. In the provinces, work finishes earlier.

### 31 FOREIGN TRADE

Principal exports have traditionally been oil, natural gas, minerals, military equipment and weapons, gold, shipping, and transport services. Principal imports include machinery and equipment, consumer goods, medicines, meat, grain, sugar, and semifinished metal products. Mainly because of high international oil prices, export revenue soared after 2000. Import growth picked up over the same period as a result of rising real incomes and real ruble appreciation. The trade surplus increased to \$87 billion in 2004.

The primary exports in 2004 were: oil, fuel, and gas (54.6% of all exports); precious metals (15.8%); machinery and transportation equipment (6.8%); and chemicals (6%). The main imports were: machinery and transportation equipment (27.6% of total imports); food, beverages, and agricultural products (12.3%); chemicals (11%); and metals (4.9%). Russia's major markets in 2004 were Germany (7.9% of all exports), the Netherlands (6.1%), China (6.1%), and the United States (5.7%). Russia's main suppliers in 2004 were Germany (13% of all imports), Ukraine (5.8%), China (5.8%), and Italy (5.1%).

### 32 BALANCE OF PAYMENTS

Foreign trade was largely deregulated in early 1992, and the trade balance contracted throughout the year; exports declined by 35% to \$15.4 billion, while imports fell by 24% to \$14.9 billion during the first half of 1992 compared with the same period of 1991. The current account deficit was estimated at \$4 billion in 1992, due to the significant decrease in imports. As of the beginning of

1993, there was a dire shortage of hard currency reserves, which severely limited importation possibilities of consumer and capital goods. Since 1993, however, Russia has run a surplus on the current account.

In 2004, Russia's total exports were \$182 billion and imports were \$94.8 billion for a trade surplus of roughly \$87 billion. The current-account surplus had been sizeable as of 2004, reaching \$60.6 billion that year. The current-account balance averaged 10% of GDP over the 2001–05 period.

### 33 BANKING AND SECURITIES

The Central Bank of the Russian Federation was created in January 1992 from the old Soviet banking system headed by Gosbank (The Soviet State Bank). The bank heads a two-tier banking system, and implements a monetary policy and regulates the com-

#### Principal Trading Partners – Russia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	133,716.8	57,415.2	76,301.6
Special Categories	28,046.0	447.5	27,598.5
Netherlands	8,253.0	1,255.9	6,997.1
China	7,815.1	3,300.9	4,514.2
Belarus	7,559.3	4,898.7	2,660.6
Germany	6,344.9	8,104.9	-1,760.0
Ukraine	6,265.9	4,397.8	1,868.1
Italy-San Marino-Holy See	5,787.6	2,397.7	3,389.9
Cyprus	4,242.5	...	4,242.5
United Kingdom	3,905.0	1,428.8	2,476.2
Finland	3,726.8	1,846.4	1,880.4

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Russia (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>35,845.0</b>
Balance on goods		60,493.0
Imports	-75,436.0	
Exports	135,929.0	
Balance on services		-11,092.0
Balance on income		-13,171.0
Current transfers		-385.0
<b>Capital Account</b>		<b>-995.0</b>
<b>Financial Account</b>		<b>342.0</b>
Direct investment abroad		-9,727.0
Direct investment in Russia		6,725.0
Portfolio investment assets		-2,543.0
Portfolio investment liabilities		-2,338.0
Financial derivatives		640.0
Other investment assets		-16,472.0
Other investment liabilities		24,056.0
<b>Net Errors and Omissions</b>		<b>-7,430.0</b>
<b>Reserves and Related Items</b>		<b>-27,762.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

mercial banking sector by setting the reserve requirements and the discount rate. The currency unit of Russia is the ruble, a currency that is in the process of becoming fully convertible with world currency. Russia, along with a few other countries of the former Soviet Union, decided to keep the ruble as its currency. The other important state bank is the Rosevneshtorgbank (Bank for Foreign Trade of the Russian Federation).

Around 2,000 commercial banks operate in Russia, a third of which are former specialized state banks. The rest are new institutions. Commercial banks include the Commercial Bank Industriaserbis, the Commercial Credit Bank, the Commercial Conservation Bank, the Commercial Innovation Bank, the International Moscow Bank, St. Petersburg's Investment Bank, and the Construction Bank. The International Bank is a bank whose shares are owned by western banks, such as Citibank (US) and the Barclays Groups (UK), interested in doing business in the country.

Sberbank held around 86% of the population's savings in 1994. Having around 2,000 branches, it is by far the largest banking institution in the country. Sberbank became a joint-stock company in 1991, with the Central Bank taking a 20% shareholding. In addition to Sberbank (the Savings Bank), there were four other specialized banks: the Foreign Trade Bank (Vneshtorgbank), which is now more concerned with retail and corporate banking; the Bank for Construction and Industry (Promstroibank); the Agriculture Bank (Agroprombank); and the Social Sector Bank (Zhilotsbank). Formerly these were joint-stock banks but they relied on cheap credit from Gosbank.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$40.9 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$72.8 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 10.1%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 25%.

Russia had a small stock market in 1992. The market is considered an emerging market by Western investors with the potential for significant growth in coming years. Although the first stock market opened in Moscow in 1991, over 100 were in operation by 1996. The range, as well as the volume, of securities traded has been rapidly expanding. Inadequate regulation and custody registration systems have been the main bottlenecks in development. A Commission for Securities and Stock Market was established in late 1994. The second half of 1996 witnessed a huge rally in the value of Russian equity as it became clear that economic reforms would continue following the reelection of Boris Yeltsin as president.

Nevertheless, Russia's financial woes continued. In August 1998 the government defaulted on its debt. This action, in turn, led to the collapse of Russia's financial markets as the government abandoned support for the ruble and ceased bond payments. As a result, many banks became insolvent; only Central Bank intervention allowed many depositors to rescue a portion of their funds. Since Sberbank was originally a savings bank for the Soviet people, after the financial crisis of 1998 it received individual accounts from banks liquidated by the government. As a result, it has an unmatched network of 50 branches and over 2,000 outlets han-

dling millions of accounts, both private and commercial. Also following the 1998 crisis, a group of new banks actually grew larger because of their avoidance of speculation in the short term loans on which the government had to default, and their dedication to professional services. These banks, which have prospered despite the weak economy (or perhaps because of it), include the Bank of Moscow, Alfa-Bank, Rosbank, Mezhprombank, Mosbusinessbank, MDM Bank, Sobinbank, National Reserve Bank, and Gazprom Bank.

The subsequent adoption of a tight monetary policy prevented the onset of hyperinflation and has contributed to the ongoing recovery. In fact, 2001 saw a considerable amount of economic firming. Market capitalization in combined Russian stock markets was, at \$76 billion, nearly double the 2000 level, and the RSF Russia 100 Index, at 8602.7, was up 91% from the previous year. As of January 2002, the RSF Russia 100 Index was replaced by the S&P/RUX Composite Index. As of end 2004, that index stood at 760.9, up 15% from the previous year. In 2004, there were 215 companies listed on Russia's stock exchanges, which as of that year had a combined market capitalization of \$267.957 billion.

### 3<sup>4</sup> INSURANCE

In 1993, a total of 1,524 Russian companies were licensed to sell insurance and another 750 companies had applied for licenses. However, fewer than 2% of the operating firms had assets over R100 million (\$80,000), and premium volume for the first nine months of 1993 amounted to only 1.3% of the GDP (as compared with volume of 2.9% for the former Soviet Union in 1990).

Property insurance is the largest segment of the market with 880 companies. There are 775 cargo insurance firms, and 600 that sell life insurance. The various companies are gradually consolidating into groups.

Regulation of the industry is low. For example, in 1994, to open a business, the minimum capital requirement was two million rubles for an insurance company and 15 million rubles for reinsurance. Rosgosstrakh held a virtual monopoly on the domestic insurance market with 90% of policies, while Ingosstrakh held about 50% of the market in export and import insurance. One of the largest newcomers is Ask, a commercial company. Foreign ownership in insurance companies in 2002 was limited to 49% in order to protect private insurers. The industry is regulated by the Russian Insurance Inspectorate. Compulsory insurance includes third-party automobile liability, medical insurance, pension, social insurance, and fire and accident insurance. Starting in January of 1996, companies were able to deduct their insurance premiums as a business expense for tax purposes.

In 2003, the value of all direct insurance premiums written totaled \$14.088 billion, of which nonlife premiums accounted for \$9.220 billion. For that same year, Russia's top nonlife insurer was Ingosstrakh, with gross written nonlife premiums (excluding compulsory insurance) of \$416 million, while the country's leading life insurers that year, was Stolichnoe, with gross domestic life insurance premiums of \$1,319.8 million.

### 3<sup>5</sup> PUBLIC FINANCE

Since the breakup of the COMECON and the Soviet Union, trade disruptions and friction between Russia and the governments of the former Soviet republics had led to an enormous expansion of

**Public Finance – Russia (2003)**

(In billions of rubles, central government figures)

<b>Revenue and Grants</b>	<b>3,644.5</b>	<b>100.0%</b>
Tax revenue	1,758.5	48.3%
Social contributions	1,107.8	30.4%
Grants	1.1	<1.0%
Other revenue	777	21.3%
<b>Expenditures</b>	<b>3,348.6</b>	<b>100.0%</b>
General public services	1,177.3	35.2%
Defense	381.8	11.4%
Public order and safety	273.4	8.2%
Economic affairs	163.8	4.9%
Environmental protection	11.3	0.3%
Housing and community amenities	...	...
Health	38.2	1.1%
Recreational, culture, and religion	28.7	0.9%
Education	100.4	3.0%
Social protection	1,173.8	35.1%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

the fiscal deficit. The deficit was financed largely through sales of domestic government securities and borrowing from international financial institutions.

The US Central Intelligence Agency (CIA) estimated that in 2005 the Russian Federation's central government took in revenues of approximately \$176.7 billion and had expenditures of \$125.6 billion. Revenues minus expenditures totaled approximately \$51.1 billion. Public debt in 2005 amounted to 15.6% of GDP. Total external debt was \$230.3 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were R3,644.5 billion and expenditures were R3,348.6 billion. The value of revenues was us\$119 million and expenditures us\$109 million, based on an exchange rate for 2003 of us\$1 = R30.6920 as reported by the IMF. Government outlays by function were as follows: general public services, 35.2%; defense, 11.4%; public order and safety, 8.2%; economic affairs, 4.9%; environmental protection, 0.3%; health, 1.1%; recreation, culture, and religion, 0.9%; education, 3.0%; and social protection, 35.1%.

**36 TAXATION**

Russia's tax system has historically been confusing, inefficient, unwieldy, and overbearing. Businesses and individuals routinely fail to pay their taxes on time, if at all. The government's need for money to pay pensions and salaries fueled a proliferation of taxes, including a tax on people crossing Russia's borders, additional levies on freight, new transit fees, and a tax on yields from government securities. In 1996, 26 tax collectors were killed, six were kidnapped, and 41 had their homes burned down. In the first half of 1997, the government only collected 57% of its targeted tax revenues.

Since 1999, the tax system has been the focus of a major reform effort aimed at reducing tax loads, improving collection rates, and bringing the system in line with those of advanced, market economies. The new Tax Code cut the number of official taxes from over

200 to about 40, and sought to end many loopholes. Part One of the new Tax Code, effective 1 January 1999, set out the administrative framework for the new system. There are three levels of taxation, federal, regional, and local. The principal taxes collected at the federal level are the profit tax on organizations (with payments divided among all three levels of government), a capital gains tax, a personal income tax (13% flat tax), the Unified Social Tax (replacing payroll contributions to four separate social benefit funds), a value-added tax (VAT—with the standard rate of 18% as of 2005), excise taxes, a securities tax (0.8% on nominal value with exemptions for initial issues), customs duties and customs fees, and federal license fees. At the regional level the principal taxes are an assets tax (2.2%), a real estate tax, a transport tax, sales taxes (maximum 5% in 2003), a tax on gambling, and regional license fees. Two turnover taxes at the state level, a social infrastructure maintenance tax (Housing Fund Tax) and a road users' tax, considered to be among the most onerous under the previous tax system, have been abolished; the Housing Fund Tax in 2001, and the roads tax in 2003. At the local level there are land taxes, individual property taxes, taxes on advertising expenses (beyond allowable limits as a proportion of sales), inheritance and gift taxes, and local license fees.

As of 2005, the corporate income tax was 24%, with payments split 5% to the federal budget, 13–17% payable to the regional governments, and 2% to the local level. Because regional governments are allowed to reduce their corporate rate to as low as 13%, the total minimum rate is 20%. Foreign companies pay withholding of 20%, and dividends paid to nonresidents are charged a 15% withholding rate (down from 18%).

The most striking provision in Russia's 1999 tax reforms is the replacement of its progressive income tax schedule (set out in the tax law of December 1991 with rates from 12–30%) with a flat tax of 13% applied to almost all income categories. The rationale is that the lower, simpler tax will generate more revenue by reducing Russia's pervasive tax-evasion. Exceptions to the 13% rate include a 15% rate on dividend income and on the income of nonresidents from Russian sources. There are also taxes on gambling income, lottery prizes, deemed income from low-interest or interest-free loans, some insurance payments, and excessive bank interest. The Unified Social Tax is a regressive schedule of payroll taxes ranging from 35.6–2% and is based on the gross income received by the employee. All voluntary insurance payments are tax deductible.

Russia's VAT, its main indirect tax, had a standard rate of 18% as of January 2005 that was scheduled to 16% as of January 2006. Exemptions from VAT for pharmaceuticals and license fees have been narrowed or removed. There are also excise taxes on items such as gasoline and other oil products, natural gas, alcohol, tobacco, and cars, motorcycles, and jewelry.

**37 CUSTOMS AND DUTIES**

In 1992, Russia eliminated many of the import restrictions imposed by the former Soviet Union. At the beginning of 2001, Russia put into effect a new and simpler tariff structure, consisting of four basic rates: 5%, 10%, 15%, and 20%. This effectively lowered the tariff ceiling from 30% to 20%. There is also an 18% value-added tax (VAT) on most imported goods, except for food products, which carry a VAT of only 10%. There are excise taxes on luxury goods, alcohol, tobacco, and autos. In total, these duties make im-

ported goods essentially noncompetitive in the troubled Russian economy.

### **3<sup>8</sup> FOREIGN INVESTMENT**

In September 1991, a foreign investment law promoting the transfer of capital, technology, and know-how went into effect. Nonresidents may acquire partial shareholdings or form wholly owned subsidiaries in Russia. Foreign firms may obtain licenses to exploit natural resources. Foreign investors can be exempted from import duties and export taxes, and there is limited relief from profits tax, varying by sector and region. However, foreign investors remain concerned with the overall business climate in Russia. Vague business laws, an incoherent tax system, crime and corruption in commercial transactions, and a weak commitment to reform continue to erode investor confidence.

In 1997, the annual inflow of foreign direct investment (FDI) to Russia peaked at \$4.87 billion, but then fell to \$2.76 billion in 1998 in the context of the Russian financial crisis. FDI recovered to \$3.3 billion in 1999, and for the three years 2000, 2001, and 2002 averaged about \$2.6 billion a year. Cumulative FDI in Russia from 1991 to April 2003 was \$19.6 billion. Russia's share of world FDI flows has persistently been only about 30% of its share of world GDP, an indication of its lack of success in attracting foreign investment.

As of 2005, roughly three-quarters of the economy had been privatized, although many privatized enterprises continue to have significant state-held blocks of shares. Tax reforms since 2000 have aimed to rationalize the tax system, reducing the number of taxes and the corporate tax burden. The corporate tax rate was lowered from 35% to 24% at the start of 2002. FDI inflows averaged 1.6% of GDP over the 2001–05 period. Investment inflows for the first nine months of 2004 amounted to just over \$29 billion (this figure includes direct investment, portfolio investment, and “other” investment—largely trade credits). The top foreign investors in Russia are Germany, the United Kingdom, Luxembourg, the Netherlands, the United States, France, and Switzerland.

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

In 1991, Russia's parliament enacted legislation aimed at fully privatizing the commercial and service sector by 1994 and placing about half the medium and large companies in private hands by 1995. By the end of 1992, about 6,000 firms had applied to become joint-stock companies, and 1,560 had completed the process; almost one-third of Russia's approximately 250,000 small businesses had been privatized. Housing privatization began late in 1992, and over 2.6 million apartments—about 8% of the total—had been privatized by the end of 1993. In 1996, the government claimed that the nonstate sector produced approximately 70% of gross domestic product (GDP), up from 62% in 1995. Russia's Communist-dominated parliament, however, was quick to criticize the government's privatization efforts which they thought were responsible for the economic decline. In March 1997, over two million people took part in a national strike protesting the economic hardships of privatization and over 100,000 attended rallies in Moscow and St. Petersburg. The government, however, was committed to privatization and largely ignored the parliament and the protests.

During the financial crisis of 1998, Russia became the first modern country to default on its debt. The subsequent collapse of the

ruble and investor flight left analysts concerned that Russia would face famine and even governmental collapse. Instead, a period of fiscal restraint restored growth to the Russian economy although it remains vulnerable to sudden fluctuations in the world market. Russia in the early 2000s remained current on its foreign debt; service of the foreign debt amounted to around \$14 billion in 2002.

Russia's GDP increased by 4.3% in 2002 over 2001. Lowered inflation and high oil prices fueled that growth. Unemployment and underemployment remain problems, however. In 1998 the government passed an improved bankruptcy code, and in 2001, the Duma passed a deregulation package to improve the business and investment sector. A new corporate tax code went into effect in 2002, lowering the corporate tax rate to 24% from 35%. Cumulative foreign investment increased by 20% in 2002, but was mostly due to increases in loans and trade credits. The banking system is poorly developed, which inhibits economic development. In 2002, the US Department of Commerce designated Russia a “market economy,” and the country was invited by the G-7 nations to take part in negotiations, causing the group to be named the G-8.

As of 2006, Russia's reforms had made considerable progress since Vladimir Putin became president in 2000. Progress in such sensitive areas as utilities restructuring and housing reform is slower than in those areas that were targeted by the 2000–02 reform agenda, namely tax reform and deregulation. As of 2006, roughly three-quarters of the Russian economy had been privatized, although the state still held significant blocks of shares in privatized businesses. The large, unwieldy and corrupt bureaucracy remains a problem for reform. Russia ended 2005 with its seventh straight year of economic growth, which averaged about 6.5% annually since the 1998 financial crisis. Russia also improved its international financial position over this period, with foreign debt declining from 90% of GDP in 1998 to approximately 28% of GDP in 2004. Strong oil export earnings allowed Russia to increase its foreign reserves from \$12 billion to some \$120 billion by yearend 2004. These achievements raised business and investor confidence in Russia's economy, but, in addition to problems already mentioned, the manufacturing base is in serious need of modernization, the banking system is weak, there is a widespread lack of trust in institutions, and underemployment is a severe problem. President Putin by 2006 had taken a number of steps to shore up presidential power, and concerns have been raised that certain forces within the government are looking to reassert further state control over the economy.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

A social insurance system provides pensions for old-age, survivorship, and disability. The program is funded by employer payrolls, and self-employed persons and independent farmers contribute a fixed amount monthly. The government provides subsidies when needed. The first laws governing sickness benefits were implemented in 1912. All citizens and refugees are entitled to medical care; employed persons receive cash benefits for sickness. There is also a benefit provided to those caring for a sick child. Work injury is funded by the employer. Maternity benefits cover 100% of earnings from between 10 and 12 weeks before the expected date of childbirth and 10 to 16 weeks after childbirth. A universal system



of family allowances provides a birth grant, a funeral grant, and a monthly benefit for each child under the age of 16.

The constitution prohibits discrimination based on race, sex, religion, language, social status or other circumstances. Despite these constitutional provisions, employment discrimination against women and minorities occurs. On average women earn significantly less than men and cluster in the lower-paid jobs and professions. The high cost of maternity care benefits leads some employers to hire men rather than women. Women suffer disproportionately in situations of worker layoffs. There is no law against sexual harassment and abuses in the workplace are common. Spousal abuse is a widespread problem and is treated as a domestic matter rather than a criminal offense. It was estimated in 2004 that 70% of wives were victims of some kind of domestic abuse. Sexual violence and other crimes against women are underreported and the government provides no support services to victims.

In general human rights are respected, but serious violations occur concerning the struggle against rebels in Chechnya. Also, ethnic minorities are subjected to harassment, searches, and arrest by police, and are sometimes denied local authority permission to reside in Moscow. Anti-Semitic rhetoric is increasing and several instances of intimidation and violence have been reported. Muslims continue to face discrimination. Prisoners are subject to mistreatment, unhealthy living conditions, and lack of medical care.

#### 4<sup>1</sup> HEALTH

As of the mid-1990s, the overall organization of the health care system has largely been carried over from the Soviet era. Primary care has been delivered through basic units called *uchastoks*. In rural areas, these districts are served by health posts staffed by midwives or physicians' assistants, while health centers and urban polyclinics are available in larger population centers. The secondary-care network has also been retained from the Soviet era and consisted of *uchastok* hospitals and health centers, district hospitals and polyclinics, and regional hospitals and polyclinics. Medical facilities throughout the country are generally inadequate, with equipment that is both outdated and in poor condition. A survey conducted in the mid-1990s found a high level of dissatisfaction with the health care system on the part of both the general public and health care personnel, as well as widespread support for privatization. As of 2004, there were an estimated 417 physicians, 787 nurses, and 32 dentists per 100,000 people. Total health care expenditure was estimated at 4.6% of GDP.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 9.7 and 13.9 per 1,000 people. Infant mortality was 15.39 per 1,000 live births in 2005 and average life expectancy was 67.10 years. The total fertility rate was 1.3 children per woman during her childbearing years. Children up to one year of age were immunized against tuberculosis, 97%; diphtheria, pertussis, and tetanus, 87%; polio, 97%; and measles, 95%.

The heart disease mortality rates for Russian men and women were higher than the average for countries of high human development. The HIV/AIDS prevalence was 1.10 per 100 adults in 2003. As of 2004, there were approximately 860,000 people living with HIV/AIDS in the country. There were an estimated 9,000 deaths from AIDS in 2003.

After the breakup of the Soviet Union diphtheria spread from Russia to its former republics in epidemic numbers. The incidence

of tuberculosis was 123 per 100,000 people. The Russian Federation and countries of Central and Eastern Europe lag behind the West in injury prevention. The accidental death rate for children 5–14 in was 39.6 per 100,000 for boys and 16.4 per 100,000 for girls. Deaths by suicide are also very high in the Russian Federation at 41.7 per 100,000 people for men and 7.9 per 100,000 for women (aged 15–24).

#### 4<sup>2</sup> HOUSING

The right to housing is guaranteed to all citizens by the constitution, but providing for adequate housing for all has become a problem in a time of major economic reforms. In the Soviet-era, most housing (state-owned) was provided free or at very low costs for many citizens. Since 2002, economic reform has called for many residents to begin paying more of the costs for rent, maintenance, and utilities. The government still allows somewhat generous subsidies for low-income families. But the main housing problem seems to be in maintenance and renovation of buildings that are in urgent need of both structural repairs and upgrades in utility systems. In 2004 it was estimated that at least two million people lived in housing that was officially classified as dilapidated. About 11% of all homes were in urgent need of repair and about 9% of all homes needed to be demolished and rebuilt. The annual need for renovation of the existing housing stock was estimated at about 4.5%. In 2004, about 70% of all housing was privately owned.

#### 4<sup>3</sup> EDUCATION

Education, mostly free and state funded, is also compulsory for 10 years. Primary school covers four years, followed by another five years of basic school. Senior secondary schools offer two-year programs. Vocational secondary schools offer a four-year course of studies. Although Russian is the most common medium of instruction, other languages are also taught, especially at the secondary level. In the early 1990s, many privately owned institutions were opened, and the education system was modified with the introduction of a revised curriculum. The academic year runs from September to June.

In 2001, about 92% of children between the ages of four and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 90% of age-eligible students. In 2001, secondary school enrollment was estimated at about 90% of all age-eligible students. It is estimated that about 93.5% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 17:1 in 2003; the ratio for secondary school was about 11:1.

The St. Petersburg State University, which was founded in 1724, is well known for its education. In 2004, there were 685 state and 367 accredited nonstate higher education institutions in Russia. In 2003, about 69% of the tertiary age population were enrolled in some type of higher education program, 59% for men and 79% for women. The adult literacy rate for 2004 was estimated at about 99.4%.

As of 2003, public expenditure on education was estimated at 3.8% of GDP, or 10.7% of total government expenditures.

#### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The Russian State Library in Moscow serves as the national library as well as a public, with the largest collection in the country (about

45 million items). It should not be confused with Russian National Library in St. Petersburg, which is one of the oldest public libraries in eastern Europe; it holds over 34 million volumes. There are over 50,000 public libraries throughout the country. Some of the larger collections include the Gorky Moscow Institute of Literature library in Moscow (13.2 million volumes), the State University of Technology library in St. Petersburg (2.9 million volumes), the Bauman Moscow State Engineering University library (three million volumes), the Moscow M. V. Lomonosov State University (7.27 million volumes), the State University at Petersburg (6.4 million volumes), and dozens of other massive collections throughout the country. The Russian Library Association was established in 1994.

Russia has over 1,000 museums. Russian museums house some of the finest collections of European art in the world, the best known of which is the Hermitage in St. Petersburg. Also in St. Petersburg are Dostoevsky Memorial House-Museum, the Literary Museum of the Institute of Russian Literature, the State Russian Museum, and the State Museum of Sculpture, housing the country's largest collection of sculpture. Among the dozens of important museums in Moscow are the State Historical Museum, the State Literature Museum, the Tolstoy House Museum, the Pushkin Museum, the Chekhov House Museum, the Paleontological Museum of the Academy of Sciences, and the Cathedral of the Assumption, a religious arts museum housed in a 15th-century cathedral. The St. Petersburg Erotica Museum opened in 2004.

#### 45 MEDIA

As of 1999, over 1,000 companies were licensed to offer telecommunications services. In 2003, there were an estimated 242 main-line telephones for every 1,000 people; over 5 million people were on a waiting list for telephone service installation. The same year, there were approximately 249 mobile phones in use for every 1,000 people.

In 2004, there were about 2,500 television stations in the country, with about 66% completely or partially owned by the government. The government also maintained ownership of the largest radio stations, Radio Mayak and Radio Rossiya, and the news agencies ITAR TASS and RIA Novosti. In 2000, there were 418 radios and 421 television sets for every 1,000 people. In 2003, there were about 88.7 personal computers in use for every 1,000 people. There were 6 million Internet subscribers in 2002.

In 2005, there were more than 400 daily newspapers in circulation. In 2005, Russia's major daily newspapers, all published in Moscow, were: *Moskovski Komsomolets* (Moscow Communist Youth, 800,000 est. circulation in 2005); *Komsomolskaya Pravda* (686,000 in 2005); *Trud* (Labor, 613,000 in 2005); *Rossiiskaya Gazeta* (374,000 in 2005); *Izvestia* (209,000 in 2004); *Kommersant* (94,000 in 2005); and *Nezavisimaya Gazeta* (27,000 in 2004). *Argumenty I Fakty* is a popular weekly with an estimated 2005 circulation of 2.9 million. *Novaya Gazeta*, published twice a week, has a 2004 estimated circulation of 106,000. *Vedomosti* is a business daily owned as a joint venture of the Wall Street Journal, Financial Times, and the Independent Media group (a Dutch organization); it has an estimated circulation of 42,000. In 2004, there were an estimated 45,000 registered local periodicals and newspapers.

The constitution provides for freedom of the press and mass information, and the government is said at present to respect these

provisions. However, the law contains provisions which give broad interpretive authority to government at all levels for the enforcement of secrecy of sensitive information. Russians are enjoying a freer media than at any time in recent history.

#### 46 ORGANIZATIONS

A chamber of commerce that promotes the economic and business activities of the country to the rest of the world operates in Moscow. The Russian Academy of Entrepreneurship assists business owners. There are several professional associations representing a wide variety of fields, such as the Health Workers Union of the Russian Federation and the Association of Russian Automobile Dealers. Some professional associations also promote public education and research in specific technical or scientific fields, such as the Russian Medical Society.

National youth organizations include the Girl Guides and Girl Scouts of Russia, The All-Russia Scout Organizations, the Youth Agrarian Union of Russia, the Siberian Youth Initiative, and YMCA/YWCA. Sports associations are popular and represent a wide variety of pastimes. There are active chapters of the Paralympic Committee and the Special Olympics. The Gaia International Women's Center promotes the advancement of women in business and politics. Several women's groups are organized under the umbrella of the Women's Union of Russia.

Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. The All-Russian Society for Disabled represents the concerns of over 2.5 million people. The International Red Cross and the Red Crescent operate branches throughout the federation. There are also branches of Amnesty International, Greenpeace, United Way, UNICEF, and Habitat for Humanity.

#### 47 TOURISM, TRAVEL, AND RECREATION

In September 1992, Russia lifted its travel restrictions on foreigners, opening the entire country to visitors and tourists. Moscow is a major tourist destination with many attractions including Red Square, the Kremlin, St. Basil's Cathedral, and many other monasteries, churches, museums and other cultural attractions. The most famous of Moscow's parks and gardens is Gorky Park. St. Petersburg is a beautifully preserved neoclassical city with palacelined waterways. Attractions include the State Hermitage Museum, Peter and Paul Fortress, and the Nevsky Prospekt. Football (soccer), ice hockey, and tennis are popular sports in Russia. Maria Sharapova won the Wimbledon women's title in 2004.

There were 22,521,059 visitors who arrived in Russia in 2003, about 90% of the tourists came from Europe. Tourism receipts totaled \$5.8 billion that year. Hotel rooms numbered 177,200 with 364,000 beds and an occupancy rate of 34%.

In 2005, the US Department of State estimated the daily expenses of staying in Moscow at \$378. Other areas were less expensive averaging \$279 per day.

#### 48 FAMOUS RUSSIANS

Notable among the rulers of prerevolutionary Russia were Ivan III (the Great, 1440–1505), who established Moscow as a sovereign state; Peter I (the Great, 1672–1725), a key figure in the modernization of Russia; Alexander I (1777–1825), prominent both in the war against Napoleon and the political reaction that followed the

war; and Alexander II (1818–81), a social reformer who freed the serfs. Mikhail Gorbachev (b.1931) came to power in 1985, initiated reforms of the old Communist system and won the Nobel Peace Prize in 1990.

Mikhail Lomonosov (1711–65), poet and grammarian, also was a founder of natural science in Russia. The poet Gavrila Derzhavin (1743–1816) combined elements of topical satire with intimate, lyrical themes. Aleksandar Radishchev (1749–1802) criticized both religion and government absolutism. Nikolay Karamzin (1766–1826), an early translator of Shakespeare, was the founder of Russian Sentimentalism. The fables of Ivan Krylov (1768/69?–1844) exposed human foibles and the shortcomings of court society. Russia's greatest poet, Aleksandr Pushkin (1799–1837), was also a brilliant writer of prose. Other outstanding poets were Fyodor Tyutchev (1803–73), Mikhail Lermontov (1814–41), and Afanasy Fet (Shen-shing 1820–92). Nikolay Gogol (1809–52), best known for his novel *Dead Souls* and his short stories, founded the realistic trend in Russian literature. Vissarion Belinsky (1811–48) was an influential critic. Noted radical philosophers were Aleksandr Herzen (1812–70). Nikolay Chernyshevsky (1828–89), and Nikolay Dobrolyubov (1812–91), satirized the weakness of Russian society. Ivan Turgenev (1818–83) is noted for his sketches, short stories, and the novel *Fathers and Sons*. Fyodor Dostoyevsky (1821–81) wrote outstanding psychological novels (*Crime and Punishment*, *The Brothers Karamazov*). Leo (Lev) Tolstoy (1828–1910), perhaps the greatest Russian novelist (*War and Peace*, *Anna Karenina*), also wrote plays, essays and short stories. Aleksandr Ostrovsky (1823–86) was a prolific dramatist. The consummate playwright and short-story writer Anton Chekhov (1860–1904) was the greatest Russian writer of the late 19th century. Leonid Nikolayevich Aandreyev (1871–1919) wrote plays and short stories. The novels, stories, and plays of Maksim Gorky (Aleksy Peshkov, 1868–1936) bridged the tsarist and Soviet periods. Ivan Bunin (1870–1953) received the Nobel Prize in 1933 for his novels and short stories. Georgy Plekhanov (1856–1918), a Marxist philosopher and propagandist, also was a literary critic and art theorist, as was Anatoly Lunacharsky (1875–1933).

Russian composers of note include Mikhail Glinka (1804–57), Aleksandar Borodin (1833–87), also a distinguished chemist, Mily Balakirev (1837–1910), Modest Mussorgsky (1839–81), Pyotr Ilyich Tchaikovsky (1840–93), Nikolay Rimsky-Korsakov (1844–1908), Aleksandr Skryabin (1871–1915), Sergey Rakhmaninov (1873–1943), Igor Stravinsky (1882–1971), Sergey Prokofyev (1891–1953), Aram Ilyich Khachaturian (1903–78), Dmitry Kabalevsky (1904–87), and Dmitry Shostakovich (1906–75). Two of the greatest basses of modern times are the Russian-born Fyodor Chaliapin (1873–1938) and Alexander Kipnis (1891–1978). Serge Koussevitzky (1874–1951), noted conductor of the Boston Symphony Orchestra, was important in Russian musical life before the Revolution.

Outstanding figures in the ballet are the impresario Sergey Diaghilev (1872–1929); the choreographers Marius Petipa (1819–1910), Lev Ivanov (1834–1901), and Mikhail Fokine (1880–1942); the ballet dancers Vaslav Nijinsky (1890–1950), Anna Pavlova (1881–1931), Tamaara Karsavina (1885–1978), Galina Ulanova (1909–1998), and Maya Plisetskaya (b.1925); and the ballet teacher Agrippina Vaganova (1879–1951).

Outstanding figures in the theater include Kostantin Stanislavsky (Aleksyev, 1863–1938), director, actor and theoretician; Vladimir Nemirovich-Danchenko (1858–1943), director, playwright, and founder, with Stanislavsky, of the Moscow Art Theater; and Vsevolod Meyerhold (1873–1942), noted for innovations in stagecraft. Important film directors were Vsevolod Pudovkin (1893–1953), Aleksandr Dovzhenko (1864–1956), Sergey Eisenstein (1898–1948), Vasily Shiksin (1929–74), and Andrei Tarkovsky (1932–87).

Varfolomey (Bartolomeo Francesco) Rastrelli (1700–1771) designed many of the most beautiful buildings in St. Petersburg. Other important Russian architects include Vasily Bazhenov (1737–99), Matvey Kazakov (1733–1812), Andreyan Zakharov (1761–1811), Ivan Starov (1806–58), Vasily Perov (1833/34–82), Vasily Vereshchagin (1842–1904), Ilya Repin (1844–1930), Mikhail Vrubel (1856–1910), Leon (Lev) Bakst (Rosenberg, 1866–1924), and Aleksandr Benois (1870–1960). Modern Russian artists whose work is internationally important include the Suprematist painters Kasimir Malevich (1878–1935) and El (Lazar) Lissitzky (1890–1941), the "Rayonist" painters Natalya Goncharova (1881–1962) and Mikhail Larionov (1881–1964), the Constructivist artist Vladimir Tatlin (1885–1953), and the Spatial sculptor Aleksandar Rodchenko (1891–1956). Famous Russian-born artists who left their native country to work abroad include the painters Alexei von Jawlensky (1864–1941), Vasily Kandinsky (1866–1944), Marc Chagall (1897–1985), and Chaim Soutine (1894–1943) and the sculptors Antoine Pevsner (1886–1962), his brother Naum Gabo (1890–1977), Alexander Archipenko (1887–1964), and Ossip Zadkine (1890–1967).

Prominent Russian scientists of the 19th and 20th centuries include the chemist Dmitry Ivanovich Mendeleev (1834–1907), inventor of the periodic table; Aleksandr Mikhailovich Butlerov (1828–86), a creator of the theory of chemical structure; Nikolay Yegorovich Zhukovsky (1847–1921), a founder of modern hydrodynamics and aerodynamics; Pyotr Nikolayevich Lebedev (1866–1912), who discovered the existence of the pressure of light; Nikolay Ivanovich Lobachevsky (1792–1856), pioneer in non-Euclidean geometry; Ivan Petrovich Pavlov (1849–1936), creator of the theory on the higher nervous systems of animals and man, who received the Nobel Prize in 1904 for his work on digestive glands; Ilya Ilyich Mechnikov (Elie Metchnikoff, 1845–1916), who received the Nobel Prize in 1908 for his Phagocyte theory; Kliment Arkadyevich Timiryazev (1843–1920), biologist and founder of the Russian school of plant physiology; and Aleksandr Stepanovich Popov (1859–1906), pioneer in radio transmission. Among later scientists and inventors are Ivan Vladimirovich Michurin (1855–1935), biologist and plant breeder; Konstantin Eduardovich Tsiolkovsky (1857–1935), scientist and the inventor in the field of the theory and technology of rocket engines, interplanetary travel and aerodynamics; Vladimir Petrovich Filatov (1875–1956), ophthalmologist; Ivan Pavlovich Bardin (1883–1960), metallurgist; Yevgeny Nikanorovich Pavlovsky (1884–1965), parasitologist; Nikolay Ivanovich Vavilov (1887–1943), geneticist; and Leon Theremin (Lev Termen, 1896–1993), pioneer of electronic music. Cosmonaut Yuri Alekseyevich Gagarin (1934–68) was the first person to ever venture into space.

**49 DEPENDENCIES**

The Russian Federation has no territories or dependencies.

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# SAN MARINO

The Most Serene Republic of San Marino  
*La Serenissima Repubblica di San Marino*



**CAPITAL:** San Marino

**FLAG:** The flag is divided horizontally into two equal bands, sky blue below and white above.

**ANTHEM:** *Onore a te, onore, o antica repubblica (Honor to You, O Ancient Republic).*

**MONETARY UNIT:** The Italian lira was replaced by the euro as official currency as of 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005. The country issues its own coins in limited numbers as well. Coins of San Marino may circulate in both the republic and in Italy.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; Epiphany, 6 January; Anniversary of St. Agatha, second patron saint of the republic, and of the liberation of San Marino (1740), 5 February; Anniversary of the Arengo, 25 March; Investiture of the Captains-Regent, 1 April and 1 October; Labor Day, 1 May; Fall of Fascism, 28 July; Assumption and August Bank Holiday, 14–16 August; Anniversary of the Foundation of San Marino, 3 September; All Saint's Day, 1 November; Commemoration of the Dead, 2 November; Immaculate Conception, 8 December; Christmas, 24–26 December; New Year's Eve, 31 December. Movable religious holidays include Easter Monday and Ascension.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

San Marino is the third-smallest country in Europe. With an area of 60 sq km (23 sq mi), it extends 13.1 km (8.1 mi) NE–SW and 9.1 km (5.7 mi) SE–NW. Comparatively, the area occupied by San Marino is about 0.3 times the size of Washington, DC. It is a landlocked state completely surrounded by Italy, with a total boundary length of 39 km (24 mi).

## <sup>2</sup> TOPOGRAPHY

The town of San Marino is on the slopes and at the summit of Mt. Titano (755 m/2,477 ft), and much of the republic is coextensive with the mountain, which has major limestone pinnacles. Each of the peaks is crowned by old fortifications; on the north by a castle and the other two by towers. Level areas around the base of Mt. Titano provide land for agricultural use. The San Marino River begins in Italy and flows northward through the western portion of the country, forming part of the nation's western border. The Ausa River in the northwest and the Marano River of the east central region both drain into the Adriatic Sea.

## <sup>3</sup> CLIMATE

The climate is that of northeastern Italy: rather mild in winter, but with temperatures frequently below freezing, and warm and pleasant in the summer, reaching a maximum of 26°C (79°F). Winter temperatures rarely fall below 7°C (19°F). Annual rainfall averages between 56 and 80 cm (22 to 32 in).

## <sup>4</sup> FLORA AND FAUNA

The republic has generally the same flora and fauna as northeastern Italy. The hare, squirrel, badger, fox, and porcupine are among the more common animals seen. Most of the landscape has been cultivated with orchards, vineyards, and olive groves.

## <sup>5</sup> ENVIRONMENT

Urbanization is the primary concern for the environment; however, the country has shown great care for environmental protection and preservation both within its own borders and in the global arena. Environmental protection is controlled by the Ministry of State for Territory, Environment, and Agriculture. San Marino has no endangered species; however, the lesser horseshoe bat and the common otter are listed as near threatened.

## <sup>6</sup> POPULATION

The population of San Marino in 2005 was estimated by the United Nations (UN) at 30,000, which placed it at number 189 in population among the 193 nations of the world. In 2005, approximately 16% of the population was over 65 years of age, with another 15% of the population under 15 years of age. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.3%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 30,000. The population density was 500 per sq km (1,295 per sq mi). San Marino is one of the most densely populated countries in the world.

The UN estimated that 84% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate

of 0.89%. The capital city, San Marino, had a population of 5,000 in that year.

## **7** MIGRATION

Immigrants come chiefly from Italy; emigration is mainly to Italy, the United States, France, and Belgium. Foreigners who have been resident in San Marino for 30 years can become naturalized citizens.

In 1999, the net migration rate was 4.23 migrants per 1,000 population. In 2005, there was an increase to an estimated 10.84 migrants per 1,000 population. In 2000 the number of migrants living in San Marino was 9,000, approximately one-third of the total population. The government views the migration levels as satisfactory.

## **8** ETHNIC GROUPS

The native population is predominantly of Italian origin.

## **9** LANGUAGES

Italian is the official language.

## **10** RELIGIONS

It has been estimated that over 95% of the population is Roman Catholic; however, while Roman Catholicism is dominant, it is not the state religion. The Catholic Church does receive direct benefits from the State, but so do other charities, including two religions—the Waldensian Church and Jehovah's Witnesses. There are small groups of Baha'is and Muslims. Certain Catholic holidays are recognized as national holidays.

## **11** TRANSPORTATION

Streets and roads within the republic totaled about 220 km (140 mi) in 2002, and there is regular bus service between San Marino and Rimini. Motor vehicle registrations in 1995 included 22,945 passenger cars and 3,546 commercial vehicles. An electric railroad, 32 km (20 mi) long, between Rimini and San Marino was inaugurated in 1932. Damaged as a result of a British air raid on 26 June 1944, it has been out of service since that time. A 1.5-km (0.9-mi) cable-car service from the city of San Marino to Borgo Maggiore is operated by the government. There is helicopter service between San Marino and Rimini in summer.

## **12** HISTORY

San Marino, the oldest republic in the world, is the sole survivor of the independent states that existed in Italy at various times from the downfall of the Western Roman Empire to the proclamation of the Kingdom of Italy in 1861. (The Vatican City State, which is also an independent enclave in Italy, was not constituted in its present form until the 20th century.)

According to tradition, the republic was founded in AD 301 by Marinus, a Christian stonecutter who fled from Dalmatia to avoid religious persecution; later canonized, St. Marinus is known in Italian as San Marino. If founded at the time asserted by tradition, San Marino is the oldest existing national state in Europe. There was a monastery in San Marino in existence at least as early as 885.

Because of the poverty of the region and the difficult terrain, San Marino was rarely disturbed by outside powers, and it generally avoided the factional fights of the Middle Ages. For a time, it joined the Ghibellines and was therefore interdicted by Pope Innocent IV in 1247–49. It was protected by the Montefeltro family, later dukes of Urbino, and in 1441, with Urbino, it defeated Sigismondo Malatesta and extended the size of its territory. It was briefly held by Cesare Borgia in 1503, but in 1549 its sovereignty was confirmed by Pope Paul III. In 1739, however, a military force under a papal legate, Cardinal Giulio Alberoni, occupied San Marino and unsuccessfully attempted to get the Sanmarinese to acknowledge his sovereignty over them. In the following year, Pope Clement II terminated the occupation and signed a treaty of friendship with the tiny republic. Napoleon allowed San Marino to retain its liberty; the Sanmarinese are said to have declined his offer to increase their territory on the grounds that smallness and poverty alone had kept them from falling prey to larger states.

In 1849, Giuseppe Garibaldi, the liberator of Italy, took refuge from the Austrians in San Marino; he departed voluntarily shortly before the Austrians were to invade the republic to capture him. San Marino and Italy entered into a treaty of friendship and customs union in 1862. This treaty was renewed in March 1939 and amended in September 1971.

During the period of Mussolini's rule in Italy, San Marino adopted a Fascist type of government. Despite its claim to neutrality in World War II, Allied planes bombed it on 26 June 1944. The raid caused heavy damage, especially to the railway line, and killed a number of persons. San Marino's resources were sorely taxed to provide food and shelter for the over 100,000 refugees who obtained sanctuary during the war.

The elections of 1945 put a coalition of Communists and left-wing Socialists in control of the country. In 1957, some defections from the ruling coalition were followed by a bloodless revolution, aided by Italy, against the government. The leftists surrendered, and some were imprisoned. The rightists, chiefly Christian Democrats, won the election of 1959 and remained in power until 1973, chiefly in coalition with the Social Democrats. In March 1973, after splitting with the Social Democrats, the Christian Democrats formed an unstable coalition with the Socialists. After new elections in May 1978, the Communists, the Socialists, and the Socialist Unity Party, who together commanded a one-seat majority in the legislature, formed a governing coalition; San Marino thus became the only West European country with a Communist-led government. This coalition governed until 1986, when a Communist-Christian Democratic coalition replaced it; this was the first coalition government formed by these two parties in San Marino's history.

As of 2005, the ruling coalition was composed of the Sanmarinese Christian-Democratic Party and the Sanmarinese Socialist Party. In December 2003, Fabio Berardi was named secretary of state for foreign and political affairs, the equivalent of the office of a prime minister.

San Marino's high standard of living makes Sanmarinese citizenship a valuable commodity. With the only ways for foreigners to obtain citizenship being to reside in San Marino for 30 years or marry a male citizen, the government passed a law in August 1999 prohibiting female household servants under 50 because of the

potential for elderly men to fall for their young female help who may have suspicious motives.

Also in 1999, San Marino joined the European Monetary Union and adopted the euro as its currency. The Europe-wide single currency was forecast to boost tourism but simultaneously hurt Sanmarinese bank revenues as the banks would no longer be able to charge fees for currency exchange. In June 2000, the OECD accused Sanmarinese banks of making the country a “harmful” tax haven; San Marino promised to reform its banking practices.

Because San Marino has a customs union with Italy, it enjoys all of the benefits that flow from European Union membership. However, San Marino’s goal ultimately is to become a full-fledged member of the EU.

### 13 GOVERNMENT

Legislative power is exercised by the Grand and General Council (Consiglio Grande e Generale) of 60 members, regularly elected every five years by universal suffrage at age 18. The Council elects from among its members a State Congress (Congresso di Stato) of 10 members (3 secretaries of state and 7 ministers of state), which makes most administrative decisions and carries them out. In 1960, universal male suffrage was established in place of the previous system, whereby only heads of families voted. Women also received the franchise effective in 1960 and were first permitted to run for office in 1974 (they voted in national elections for the first time in 1964). Nearly 100% of eligible voters participate in elections.

Two members of the Council are named every six months to head the executive branch of the government; one represents the town of San Marino and the other the countryside. The terms of these officials, called captains-regent (*capitani reggenti*), begin on 1 April and 1 October. The captains-regent, who must be native-born citizens, are eligible for reelection after three years. As of September 2005, the captains-regent were Cesare Gasperoni (PDCS) and Fausta Simona Morganti (Party of Democrats—PD). The secretary of state for foreign and political affairs serves the function of a prime minister. Fabio Berardi was chosen to fill this office in December 2003. The next election for captains-regent was scheduled for March 2006 and for secretary of state for foreign and political affairs in June 2006.

### 14 POLITICAL PARTIES

The political parties in San Marino have close ties with the corresponding parties in Italy. Parties represented in the Grand and General Council following the 2001 elections were as follows: Christian Democratic Party (PDCS), 25; San Marino Socialist Party (PSS), 15; the Party of Democrats (PD), 12; Popular Alliance of Sanmarinese Democrats for the Republic (APDS), 5; Communist Refounding (RCS), 2; and the Sanmarinese National Alliance (ANS), 1. The next election was scheduled to be held by June 2006.

### 15 LOCAL GOVERNMENT

San Marino consists of nine administrative divisions or castles (*castelli*): Acquaviva, Borgo Maggiore, Chiesanuova, Domagnano, Faetano, Fiorentino, Monte Giardino, San Marino, and Serravalle. Each castle has an auxiliary council, elected for a four-year term.



LOCATION: 12°27' E and 43°56' N.

It is headed by an official called the captain of the castle, who is elected every two years.

### 16 JUDICIAL SYSTEM

There is a civil court, a criminal court, and a superior court, but most criminal cases are tried before Italian magistrates because, with the exception of minor civil suits, the judges in Sanmarinese cases are not allowed to be citizens of San Marino. Appeals go, in the first instance, to an Italian judge residing in Italy. The highest appellate court is the Council of Twelve, chosen for six-year terms from members of the Grand and General Council. The rights of the accused, including the rights to a public trial, legal counsel and other procedural safeguards, are guaranteed by law and observed in practice.

### 17 ARMED FORCES

The San Marino militia nominally consists of all able-bodied citizens between the ages of 16 and 55, but the armed forces actually maintained are principally for purposes of ceremonial display; these include the noble guard used in various functions.

## 18 INTERNATIONAL COOPERATION

San Marino became a member of the United Nations on 2 March 1992; it belongs to several nonregional specialized agencies, such as the FAO, the World Bank, ILO, UNCTAD, UNESCO, and the WHO.

San Marino is also a member of the OSCE and the Council of Europe. In environmental cooperation, the nation is part of the Convention on Biological Diversity, the Nuclear Test Ban Treaty, and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Farming was formerly the principal occupation, but it has been replaced in importance by light manufacturing. However, the main sources of income are tourism, which accounted for more than 50% in 2001, and remittances from Sanmarinese living abroad. Some government revenue comes from the sale of postage stamps and coins and from Italy's subsidy to San Marino in exchange for which San Marino does not impose customs duties. The GDP growth has been impressive and consistent, averaging 7.68% from 1997 to 2001. Inflation, at 2% in 1997, increased to 3.3% in 2001, averaging 2.8% across the five-year period. Unemployment dropped steadily from 4.9% in 1997 to 2.6% in 2001. In purchasing power parity (PPP) terms, per capita income was at \$34,600 in 2001.

The fact that San Marino is an enclave of Italy means that, apart from political links, it shares strong economic ties to the latter. The two countries form a customs union and share the same currency, although San Marino mints its own coins. Migrant workers from surrounding Italian regions boost the country's small labor force. The economic data available for San Marino is scattered and highly estimative.

Thus, in 2002 the GDP was \$1.1 billion, and per capita income, in real terms, reached \$29,000. The economy seems to be fairly dynamic as in 2004 the GDP growth rate was 2%. Natural resources include building stone and agricultural products (wheat, grapes, maize, olives, cattle, pigs, horses, meat, cheese, and hides).

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 San Marino's gross domestic product (GDP) was estimated at \$940.0 million. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$34,600. The annual growth rate of GDP was estimated at 7.5%. The average inflation rate in 2001 was 3.3%.

## 21 LABOR

In the latest years for which data was available, the labor force in 1999 totaled about 18,500. In 2000, it was estimated that the services sector provided employment for 57% of the workforce, with industry accounting for 42% and agriculture 1%. The unemployment rate in 2001 stood at 2.6%.

Labor federations include the Democratic Federation of Sanmarinese Workers, affiliated with the International Confederation of Free Trade Unions, and the General Federation of Labor.

About 50% of the workforce is unionized. The minimum working age is 16 without any exceptions. In 2001, the minimum wage was \$1,200 per month although most wages are higher than the minimum.

## 22 AGRICULTURE

About 17% of the land is arable. Annual crop production includes wheat and grapes, as well as other grains, vegetables, fruits, and fodder.

## 23 ANIMAL HUSBANDRY

Livestock raising uses some 1,400 hectares (3,500 acres), or about 23% of the total area. Cattle, hogs, sheep, and horses are raised.

## 24 FISHING

There is no fishing.

## 25 FORESTRY

Small quantities of wood are cut for local use.

## 26 MINING

San Marino had no commercial mineral resources.

## 27 ENERGY AND POWER

Electric power is imported from Italy.

## 28 INDUSTRY

Manufacturing is limited to light industries such as textiles, bricks and tiles, leather goods, clothing, and metalwork. Cotton textiles are woven at Serravalle; bricks and tiles are made in La Dogana, which also has a dyeing plant; and cement factories and a tannery are located in Acquaviva, as well as a paper-making plant. Synthetic rubber is also produced. The pottery of Borgo Maggiore is well known. Gold and silver souvenirs are made for the tourist trade. Other products are Moscato wine, olive oil, and baked goods. A significant source of revenue is the selling of stamps to foreign collectors.

## 29 SCIENCE AND TECHNOLOGY

Sanmarinese students generally pursue their scientific and technical training abroad, since science and technology resources are domestically limited. The Università Degli Studi, founded in 1987, has a department of technology. The Institute of Cybernetics, founded in 1965, offers courses in computer science.

## 30 DOMESTIC TRADE

There are small general stores in the capital and the smaller towns. Billboards and newspapers are the main advertising medium. A weekly market is held at Borgo Maggiore, which also sponsors an annual fair for the sale of cattle and sheep. Most retail trade within the country is focused on goods and services that support the tourism industry.

## 31 FOREIGN TRADE

Records of foreign trade are not published, but it is known that imports exceed exports. Principal exports are wine, textiles, furniture, quarried stone, ceramics, and handicrafts. The chief imports



are raw materials and a wide variety of consumer goods. San Marino has a customs union with Italy. In 1999, San Marino joined the European Monetary Union (EMU), further strengthening its ties to the EU.

Estimates of the US State Department show that in 2001, exports totaled around \$2.0 billion, while imports amounted to \$2.1 billion. More than 85% of the exports went to Italy, and included mainly manufactured goods, lime, wood, and food. Most of the imports came also from Italy and included consumer manufactures, food, and raw materials (including energy). San Marino also does trade with countries in Western and Eastern Europe, with South America, China, and Taiwan.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Since imports and exports are not subject to customs duties, no record is kept of foreign payments transactions. Receipts from tourism, remittances from Sanmarinese working abroad, and sales of postage stamps to foreign collectors are principal sources of foreign exchange.

### 3<sup>3</sup> BANKING AND SECURITIES

The principal bank, the Cassa di Risparmio, was founded in 1882. Other banks include the Banca Agricola and the Cassa Rurale. There are no securities transactions in San Marino. In 1999 San Marino joined the European Monetary Union (EMU) and adopted the euro.

### 3<sup>4</sup> INSURANCE

Several major Italian insurance companies have agencies in San Marino.

### 3<sup>5</sup> PUBLIC FINANCE

The government derives its revenues mainly from the worldwide sale of postage stamps, direct and indirect taxes, and yearly sub-

sidies by the Italian government. State budgets have increased sharply in recent years.

The US Central Intelligence Agency (CIA) estimated that in 2000 San Marino's central government took in revenues of approximately \$400 million and had expenditures of \$400 million.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were €438,922 and expenditures were €426,864. The value of revenues was us\$413,064 and expenditures us\$388,722, based on a market exchange rate for 2002 of us\$1 = €1.0626 as reported by the IMF. Government outlays by function were as follows: general public services, 14.5%; public order and safety, 2.9%; economic affairs, 14.3%; environmental protection, 3.2%; housing and community amenities, 2.3%; health, 18.1%; recreation, culture, and religion, 2.3%; education, 9.4%; and social protection, 32.8%.

### 3<sup>6</sup> TAXATION

Legislation introducing San Marino's first income tax was passed by the Grand and General Council in October 1984. A general income tax is applied progressively to individuals (12–50% in 1992) and a flat rate of 24% to corporations. Also levied are a stamp duty, registration tax, mortgage tax, and succession duty.

### 3<sup>7</sup> CUSTOMS AND DUTIES

San Marino's trade policy is governed by its customs union with Italy. There is a one-phase duty system on imported goods, which closely follows the rates of the Italian value-added tax (VAT) system. In 1992, there was a 14% tax on imports. In 1999 San Marino joined the European Monetary Union.

### 3<sup>8</sup> FOREIGN INVESTMENT

Information on foreign investment is not available.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

In addition to promoting tourism in San Marino, the government has encouraged the establishment of small-scale industries and service-oriented enterprises (40–60 employees) by offering tax exemptions for 5–10 years.

The tourist industry is the main source of revenue for the country (about 50% of total revenues), so economic development strategies are coiled around this sector. More than 3 million tourists visit the small republic every year, and they constitute the primary market for all of San Marino's other industries. Stamps are one of the country's main export goods.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

A social insurance system provides pensions for old age and disability. Employers, employees, and the government all contribute to the system. Self-employed contributions vary. There is universal medical coverage and maternity benefits of 100% of earnings for five months. All employees and self-employed persons have work injury insurance. Unemployment is only available to salaried employees and excludes civil servants.

The law mandates that women have equal access to employment opportunities, and in practice women face little or no discrimination in employment and in pay. Women actively participate in all

#### Public Finance – San Marino (2002)

(In thousands of euros, central government figures)

<b>Revenue and Grants</b>	<b>438,922</b>	<b>100.0%</b>
Tax revenue	219,894	50.1%
Social contributions	94,358	21.5%
Grants	4,648	1.1%
Other revenue	120,021	27.3%
<b>Expenditures</b>	<b>426,864</b>	<b>100.0%</b>
General public services	61,975	14.5%
Defense	...	...
Public order and safety	12,569	2.9%
Economic affairs	61,118	14.3%
Environmental protection	13,809	3.2%
Housing and community amenities	10,008	2.3%
Health	77,424	18.1%
Recreational, culture, and religion	9,816	2.3%
Education	40,143	9.4%
Social protection	140,003	32.8%

(...) data not available or not significant.

SOURCE: Government Finance Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

careers including high public office. Laws protect women from violence, and instances of spousal abuse are infrequent.

The government is committed to protecting human rights. Prisons meet international standards and are open for inspection by human rights monitors.

#### 41 HEALTH

Public health institutions include the State Hospital (opened in 1975), a dispensary for the poor, and a laboratory of hygiene and prophylaxis. All citizens receive free, comprehensive medical care. As of 2004, there were an estimated 251 physicians, 506 nurses, 26 midwives, 41 dentists, and 52 pharmacists per 100,000 people.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 10.6 and 7.8 per 1,000 people. In 2005, the estimated average life expectancy was 81.62 years and infant mortality was estimated at 5.73 per 1,000 live births. The estimated maternal mortality was 5 per 100,000 live births.

The immunization rates for children under one year old in San Marino were as follows: diphtheria, pertussis, and tetanus, 93%; polio, 100%; measles, 96%; and hepatitis B, 98%.

#### 42 HOUSING

San Marino has over 7,000 dwellings, virtually all with electricity and piped-in water. Most new construction is financed privately. The housing stock for the nation is generally adequate to supply the population. Government concerns are primarily focused on preventing over-construction of rural areas.

#### 43 EDUCATION

Primary education is compulsory for all children between the ages of 6 and 16; the adult literacy rate is about 98%. The program of instruction is patterned after the Italian curriculum, and San Marinese school certificates are recognized by Italy. Children go through five years of primary education followed by three years of secondary education at the first stage and a further three years of senior secondary school. At the secondary level, students may choose to attend technical or vocational programs instead of general (classical) studies. The academic year runs from October to July.

In 2000, there were about 1,000 students enrolled in primary school and 1,000 enrolled in secondary school. Nearly all students complete their primary education.

The University of San Marino is the primary institution of higher education. The adult literacy rate has been estimated at about 96%.

#### 44 LIBRARIES AND MUSEUMS

In the capital city is the Biblioteca di Stato, containing a library of some 110,000 books, documents, and pamphlets. The Palazzo del Valloni also houses the state archives, as well as a collection of rare coins and medals. The State University has a small collection of 23,000 volumes.

The Palazzo del Governo (built in 1894) and most other large buildings in the capital are of comparatively recent date, but many monuments have been rebuilt in an earlier style. In 2001, there were 10 museums in the country. One of them is devoted to the postage stamps of San Marino and other countries. The National Gallery of Modern Art is also in San Marino. The 14th-century

church of San Francesco has paintings by several minor masters. The three old fortresses of Guaita, Fratta, and Montale are situated on the three pinnacles of Mt. Titano. There is also a museum in Borgia Maggiore devoted to objects connected with Garibaldi's stay in the republic.

#### 45 MEDIA

An automatic telephone system, integrated into Italy's system, served 20,600 mainline telephones in 2002. The same year, there were an additional 16,800 mobile cellular phones in use throughout the country. In 1998, there were 3 FM radio stations and one television station receiving mostly foreign broadcasts. San Marino RTV was the state-owned national TV and radio broadcaster. There were 595 radios and 357 television sets per 1,000 population in 1997. In 2002, there were 14,300 Internet users in the country. In 2004, there were 1,763 Internet hosts.

In 2002, there were five major daily newspapers: *Il Nuovo Titano* (circulation 1,300), *Riscossa Socialista*, *Notiziario*, *San Marino*, and *La Scintilla*. There are also a number of government bulletins. The law provides for freedom of speech and of the press and the government generally respects these rights in practice.

#### 46 ORGANIZATIONS

Business and labor organizations include the National Association for Industry of San Marino, National Small Enterprise Association of San Marino, Autonomous Workers Association of San Marino, Labour Confederation of San Marino, and the Democratic Workers Confederation of San Marino.

National youth organizations include the Young Christian Democrats and The Catholic Guide and Scout Association of San Marino. There are sports associations representing athletes in a variety of pastimes, such as weightlifting, tennis, football (soccer), and track and field. Many sports clubs are affiliated with the national Olympic Committee and other international organizations.

Volunteer service organizations, such as the Lions Clubs and Kiwanis International, are also present. The Red Cross and UNICEF have national chapters.

#### 47 TOURISM, TRAVEL, AND RECREATION

The government has promoted tourism so successfully that in the summer during the 1980s the number of San Marino residents was often exceeded by the number of visitors (20,000–30,000 daily). Growth in the tourist industry has increased the demand for San Marino's stamps and coins, gold and silver souvenirs, handicrafts, and pottery.

Principal attractions are the three medieval fortresses at the summit of Mt. Titano and the magnificent view from there of Rimini and the Adriatic Sea. The State Tourism, Sports, and Entertainment Board maintains various recreational facilities.

There were 683 hotel rooms in 2003, with 1,549 beds. The average length of stay was 1.5 nights that year.

In 2005, the US Department of State estimated the daily cost of travel in San Marino at \$227.

#### 48 FAMOUS SANMARINESE

Giambattista Belluzzi, a 16th-century military engineer in the service of Florence, was born in San Marino. Well-known Italians

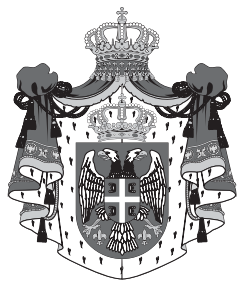
who were associated with San Marino include Cardinal Giulio Alberoni (1664–1752), who attempted to subject the republic to papal domination in 1739–40; Count Alessandro Cagliostro (Giuseppe Balsamo, 1743–95), a Sicilian adventurer, imposter, and alchemist; Bartolommeo Borghesi (1781–1860), an antiquarian, epigrapher, and numismatist, who resided in San Marino from 1821 to 1860; and Giuseppe Garibaldi (1807–82), the great Italian patriot, who obtained refuge from the Austrians in San Marino in 1849.

#### 49 DEPENDENCIES

San Marino has no territories or colonies.

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# SERBIA

Republic of Serbia



**CAPITAL:** Belgrade

**FLAG:** The flag has three equal horizontal stripes of red (top), blue, and white, with the coat of arms set slightly to the hoist side.

**ANTHEM:** *Boze Pravde (God of Justice)*

**MONETARY UNIT:** The new dinar (JD) replaced the dinar on 24 January 1994. JD1 = \$0.01499 (or \$1 = JD66.68973; as of 2 June 2006).

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** New Year's Day, 1 and 2 January; Orthodox Christmas, 7 January; Orthodox New Year, 13 January; Unification of Serbia, 28 March; FR Yugoslavia Day, 27 April; Labor Day, 1 May; Victory Day, 9 May; St. Vitus Day, 28 June; Serbian Uprising, 7 July.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Serbia is situated on the central part of the Balkan Peninsula. The total area was approximately 88,412 sq km (34,135 sq mi). The entire country is about the size of Maine. Serbia is bordered on the N by Hungary, on the NE by Romania, on the E by Bulgaria, on the S by Macedonia and Albania, on the SW by Montenegro, on the W by Bosnia and Herzegovina, and on the NW by Croatia; total land boundary length is 2,114.2 km (1,313.76 mi). There are territorial disputes with Bosnia and Herzegovina over Serbian-populated areas.

Serbia's capital is Belgrade, situated in north central Serbia.

## <sup>2</sup>TOPOGRAPHY

Rich fertile plains are found in the Serbian north, while in the east there are limestone ranges and basins. Nearly half of Serbia is mountainous, with the Dinaric Alps on the western border, the North Albanian Alps (Prokletija) and the Sar Mountains in the south, and the Balkan Mountains along the southeast border. The highest point is Daravica, in the North Albanian Alps, at 2,656 m (8,714 ft). Of its mountains, 15 reach heights of over 2,000 m (6,600 ft).

The Danube is the longest river. With a total length of 2,783 km (1,729 mi), about 588 km (365 mi) flows from west to east through the northern region of Serbia. The Tisa, Sava and Morava rivers are major tributaries of the Danube.

Located on the Eurasian Tectonic Plate, there are several fault lines running through the country which seismically active. Earth tremors are fairly common and destructive earthquakes have occurred.

## <sup>3</sup>CLIMATE

In the north, winters are cold and summers are hot and humid. In the central and southern regions, the climate is more continental. Annual precipitation in most of the country is 56 to 190 cm (22 to 75 in).

## <sup>4</sup>FLORA AND FAUNA

The forests of Serbia contain about 170 broadleaf species of trees and shrubs, along with about 35 coniferous species. The animals found in Serbia include types of hare, pheasant, deer, stag, wild boar, fox, chamois, mouflon, crane, duck, and goose. As of 2002, in the union of Serbia and Montenegro, there were at least 96 species of mammals, 238 species of birds, and over 4,000 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Industrial wastes are dumped into the Sava, which flows into the Danube. Air pollution is a problem around Belgrade and other industrial cities. Thermal energy plants utilize technology from the 1950s and mostly burn lignite; since combustion is inefficient, air pollution is a major problem in Kosovo. Destructive earthquakes are a natural hazard.

In 2001, the union of Serbia and Montenegro had 104 protected areas, covering about 3.3% of the nation's total land area. There are four Wetlands of International Importance in Serbia and three World Heritage Sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), the number of threatened species in the union of Serbia and Montenegro included 10 types of mammals, 10 species of birds, 1 type of reptile, 1 species of amphibian, 20 species of fish, 19 species of invertebrates, and 1 species of plants. Threatened species include Atlantic sturgeon, slender-billed curlew, black vultures, asps, bald ibis, Danube salmon, several species of shark, the red wood ant, and beluga. At least one type of mollusk has become extinct.

## <sup>6</sup>POPULATION

The population of Serbia in 2002 was 7,498,001 (excluding Kosovo). In 2005, in the union of Serbia and Montenegro, approximately 14% of the population was over 65 years of age, with another 19% of the population under 15 years of age. There were 99 males

for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.2%, due to a low fertility rate and high emigration rate. The government of Serbia and Montenegro viewed the population decline as a major concern. The population density of the union of Serbia and Montenegro was 105 per sq km (272 per sq mi).

The UN estimated that 52% of the population of the union of Serbia and Montenegro lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.47%. The capital city, Belgrade, had a population of 1,576,124 in 2002.

## 7 MIGRATION

The following information on migration pertains to the union of Serbia and Montenegro based on statistics gathered prior to Montenegro's independence in 2006. During the 1960s and 1970s, many Serbs fled from the Yugoslav Socialist Federal Republic, seeking political and economic freedom. The breakup of the Yugoslav SFR in the early 1990s and the ethnic hostilities that came in its aftermath resulted in enormous migrations to and from its various former republics. During the first half of 1999, the situation of refugees and internally displaced people deteriorated even further. As of 30 June 1999, the United Nations High Commissioner for Refugees (UNHCR) reported 508,000 refugees from Bosnia and Herzegovina and Croatia; 770,000 returnees to Kosovo, and 500,000 other refugees remained; 220,000 Serb, Montenegrin, and Roma internally displaced persons from Kosovo were living in other parts of the former Yugoslavia. The total number of migrants in 2000 was 626,000. By the end of 2004, these numbers were still rising; UNHCR reported a total of 627,476 persons of concern. There were 276,683 refugees, 180,117 Croatians and over 95,000 from Bosnia and Herzegovina. In addition, in that same year there were 248,154 internally displaced persons, 85,000 local residents at risk, 8,143 refugees who returned primarily to Croatia), and another 9,456 refugees returning to other places of origin during the year. In 2004, over 204,000 Serbs and Montenegrins were refugees in Germany, the United Kingdom, Sweden, Switzerland, Canada, France, and Australia. Also, in that same year over 29,000 Serbs and Montenegrins sought asylum in 18 countries primarily in Europe, in the United Kingdom and the United States.

In 2005 the net migration rate was an estimated -1.3 migrants per 1,000 population, down from 3.9 migrants per 1,000 in 1990. The government views the migration levels as too high. Worker remittances in 2003 amounted to \$2.7 billion.

## 8 ETHNIC GROUPS

Ethnic Serbs constitute a majority in Serbia, at about 82.86% (excluding Kosovo). There are 37 different ethnicities in Serbia. Ethnic Albanians are concentrated in the Kosovo region of southwest Serbia. Ethnic Hungarians make up about 3.91% of the population and live in northern Serbia near the Hungarian border. The remaining population consists primarily of Slavic Muslims, Bulgarians, Slovaks, Macedonians, Croats, Roma, Montenegrins, Ruthenians, Romanians, Vlachs, Bunjevci, and Turks.

## 9 LANGUAGES

Serbian is the official language; more than 95% of the population speak it; Albanian accounts for the remaining 5%. The script in of-

ficial use is Cyrillic, while the Latin script is also used. In the areas inhabited by ethnic minorities, the languages and scripts of the minorities are in official use, as provided by law.

## 10 RELIGIONS

The ancestors of the Serbs converted to Christianity in the 9th century and sided with Eastern Orthodoxy after the Great Schism of 1054 that split Christendom between the Eastern and Roman Churches. The Serbian Orthodox Church has been autonomous since 1219. Islam came to the area from the Ottoman Turks in the 15th century. Though there is no state religion, the Serbian Orthodox Church does receive some preferential treatment from the state.

About 78% of the total population of the union of Serbia and Montenegro prior to Montenegro's independence in 2006 were Serbian Orthodox. Muslims accounted for 5% of the total population, Roman Catholics for 4%, and Protestants 1%. Protestant denominations include Baptists, Adventists, Reformed Christians, Evangelical Christians, Evangelical Methodists, Jehovah's Witnesses, the Church of Christ, Mormons, and Pentecostals. There is a small Jewish community in the country. In Kosovo, Islam is the dominant religion, but Serbs in Kosovo are generally Serbian Orthodox.

## 11 TRANSPORTATION

In 2002, Serbia had 3,619 km (2,248.8 mi) of railroads, all of it standard gauge. Railways connect Belgrade with Budapest and Zagreb. The Belgrade-Bar line links Serbia to Montenegro and terminates at the Adriatic Sea. Rail service is provided by locomotives manufactured in the 1950s and 1960s.

Asphalt road length totaled 42,692 km (26,528.8 mi) in 2002 in Serbia, and there were 24,860 km (15,448 mi) of concrete roads. While the freeway between Belgrade and Zagreb is officially open, the lack of normal relations between Serbia and Croatia has kept commercial traffic on the highway to a minimum. In 2003, there were 1,650,000 passenger cars and 155,000 commercial vehicles in the union of Serbia and Montenegro.

The Danube, Sava, and Tisa are important commercial rivers, with ports at Belgrade, Novi Sad, Sabac, Pancevo, Smederevo, and Prahovo. Serbia's river fleet has a large transport capacity in Europe. As of 2004, the union of Serbia and Montenegro's navigable inland waterway system totaled 587 km (365 mi).

There were an estimated 43 airports in Serbia in 2004. As of 2005, half of them had paved runways, and there were also four heliports. Yugoslav Aero Transport (YAT) operates from Belgrade. YAT is considering upgrading its aging fleet for European destinations. Passengers carried on scheduled domestic and international flights in 2003 in the union of Serbia and Montenegro were about 1.298 million.

## 12 HISTORY

The Serbs, one of the large family of Slavic nations, first began settling in the Balkans around the 7th century in the areas now known as Bosnia, Kosovo, and Montenegro, straddling the line that since AD 395 had divided the Eastern and Western halves of the Roman Empire.

Tracing the origins of the Serbs (and Croats) has fueled many debates among historians, but there seems to be a consensus on



LOCATION: Approximately 41°50' N; 19°5' to 23° E. BOUNDARY LENGTHS: Romania, 476 kilometers (296 miles); Bulgaria, 318 kilometers (198 miles); Macedonia, 221 kilometers, (137 miles); Albania, 115 kilometers (70 miles); Montenegro, 203 kilometers (126 miles); Bosnia and Herzegovina, 302 kilometers (187 miles); Croatia (north), 241 kilometers (150 miles); Hungary, 151 kilometers (94 miles).

their Sarmatian (Iranian) origin. Having assimilated into the Slavic tribes, the Serbs migrated with them west into central Europe (White Serbia) in the Saxony area and from there moved to the Balkans around AD 626 upon an invitation by the Byzantine emperor Heraclius to assist him in repelling the Avar and Persian attack on Constantinople. Having settled in the Balkan area the

Serbs organized several principalities of their own, made up of a number of clans headed by leaders known as *zupans*. Both the Byzantine Empire and the Bulgars tried to conquer them, but the Serbs were too decentralized to be conquered.

Between the 9th and 12th centuries, several Serbian principalities evolved, among them Raška in the mountainous north

of Montenegro and southern Serbia, and Zeta (south Montenegro along the Adriatic coast), whose ruler Mihajlo (Michael) was anointed king by Pope Gregory VII in 1077.

In the late 10th century the Bulgarian khan (leader) Samuil extended his control over Bosnia, Raška, and Zeta, north to the Sava River, and south over Macedonia. Raška became the area from where the medieval Serbian empire developed. Stephen Nemanja, grand zupan of Raška, fought against the Byzantines in AD 1169, and added Zeta to his domain in 1186. He built several Serbian monasteries, including Hilandar on Mount Athos. His son, Rastko, became a monk (Sava) and the first Serbian archbishop of the new Serbian Autocephalous Church in 1219. The second son, Stephen, received his crown from Pope Innocent IV in 1202. Stephen developed political alliances that, following his death in 1227, allowed Serbia to resist the pressure from Bulgaria and, internally, keep control over subordinate zupans. Archbishop Sava (later Saint Sava) preferred the Byzantine Church and utilized the Orthodox religion in his nation-building effort. He began by establishing numerous Serbian-Orthodox monasteries around Serbia. He also succeeded in turning Zeta from Catholicism to Serbian Orthodoxy.

The medieval Serbian empire, under Stephen Dušan the Mighty (1331–55) extended from the Aegean Sea to the Danube (Belgrade), along the Adriatic and Ionian coasts from the Neretva River to the Gulf of Corinth and controlled, aside from the central Serbian lands, Macedonia, Thessaly, the Epirus, and Albania. The Serbian Church obtained its own patriarchate, with its center in Peć. Serbia became an exporting land with abundant crops and minerals. Dušan, who was crowned tsar of “the Serbs and Greeks” in 1346, gave Serbia its first code of laws based on a combination of Serbian customs and Byzantine law. His attempt to conquer the throne of Byzantium failed, however, when the Byzantines called on the advancing Ottoman Turks for help in 1345. Even though Dušan withstood the attacks from the Turks twice (in 1345 and 1349), the gates to Europe had been opened, and the Ottoman Turks had initiated their campaign to subjugate the Balkans.

#### Under Ottoman Rule

Dušan's heirs could not hold his empire together against the Turks and the Nemanja dynasty ended with the death of his son Stephen Uroš in 1371, the same year his brothers Vukašin and Ivan Ugleš were killed at the battle of Marica. The defeat of the Serbs at Kosovo Polje in 1389 in an epochal battle that took the lives of both Sultan Murad I and Serbian prince Lazar left Serbia open to further Turkish conquest. Following a series of wars, the Turks succeeded in overtaking Constantinople in 1453 and all of Serbia by 1459. For the next three-and-a-half centuries, Serbs and others had to learn how to survive under Ottoman rule.

The Turks did not make any distinctions based on ethnicity, but only on religion. Turkish Muslims were the dominant class while Christians and Jews were subordinated. While maintaining their religious and cultural autonomy, the non-Turks developed most of the nonmilitary administrative professions and carried on most of the economic activities, including internal trade and trade with other countries of the Christian world. There was no regular conscription of non-Turks into the sultan's armies, but non-Turks were taxed to pay for defense. Christian boys between the age of eight and twenty were forcibly taken from their families to be con-

verted to Islam and trained as “Janissaries” or government administrators. Some these former Christians became administrators and even became grand viziers (advisers) to sultans.

Urban dwellers under Ottoman rule, involved in crafts, trade, and the professions, fared much better than the Christian peasantry, who were forced into serfdom. Heavy regular taxes were levied on the peasants, with corruption making the load so unbearable that the peasants rebelled.

Two distinct cultures lived side by side—Turkish Muslim in cities and towns as administrative centers and Christian Orthodox in the countryside of Serbia. The numerous Serbian monasteries built around the country since the Nemanja dynasty became the supportive network for Serbian survival. The Serbian Church was subjected after 1459 to the Greek patriarchate for about a century until a Serbian patriarchate emerged again. The Serbian patriarchate covered a large area from north of Ohrid to the Hungarian lands north of the Danube and west through Bosnia.

#### The Serbian Diaspora

Over the two centuries 1459–1659 many Serbs left their lands and settled north of the Sava and Danube Rivers where Hungary had promised their leader (“Vojvoda”) an autonomous arrangement in exchange for military service against the Turks. The region is called “Vojvodina” by Serbs, even though the Hungarians had reneged on their promise of autonomy. Fleeing the Turkish conquest many Serbs and Croats settled in Venetian-occupied Dalmatia and continued fighting against the Turks from fortified areas. The wars between Austria and the Turks in the late 17th through the mid-18th centuries caused both mass migrations from Serbia and the hardening of Ottoman treatment of their Christian subjects. Following the defeat of the Turks in 1683 at the gates of Vienna by a coalition led by Poland's king Jan Sobieski, the Christian armies pursued the Turks all the way to Macedonia and had a good chance to drive the Turks off the European continent. Turk reprisals were violent and many Serbs fled, leaving Serbian lands, particularly Kosovo, unpopulated. Albanians, whom the Turks favored because they were mostly Muslims, moved in. Conversion to Islam increased considerably.

A second large-scale migration took place 50 years later, after the 1736–39 Austrian defeat by the Turks. All these movements of population resulted in the loss of the Kosovo area—the cradle of Serbian nationhood—to Albanians. As a result, the Serbs were unable to give up control over an area to which they feel a tremendously deep emotional attachment, even though they represent only about 10% of its population. This situation persisted and remained unresolved as of the early 21st century.

#### Serbian Revolts and Independence

Meanwhile, two areas of active Serbian national activity developed, one under the Turks in the northern Šumadija region and the other in Hungary. Šumadija, a forested region, became the refuge for many *hajduks* (Serbian “Robin Hoods”) that raided Turkish establishments. These hajduks were legendary heroes among the Serbian people.

In 1805, the Serbs defeated the Turks and gained control of the Belgrade region. The sultan agreed to Serbian terms for political autonomy in September 1806. A partially elected government structure was established, and by 1811 the Serbian assembly confirmed Karadjordje as supreme leader with hereditary rights. The

drive of Serbia for complete independence was thwarted, however, because Serbia was still under Ottoman rule. The Turks reoccupied Serbia by 1813, retaliating against the Serbs by pillaging, looting, enslaving women and children, while killing all males over age 15, and torturing any captured leader.

A second uprising by the Serbs occurred in 1815 and spread all over Šumadija. It was led by Miloš Obrenović, who had participated in the first revolt. Successful in repelling Turkish forces, Obrenović gained the support of the Russian tsar, and after some six months he negotiated an agreement giving Serbia a *de facto* autonomy in its internal administration. By 1830, Serbia had gained its full autonomy and Miloš was recognized as an hereditary prince of Serbia. Serbia was internationally accepted as a virtually independent state.

Miloš Obrenović was an authoritarian ruler who had to be forced to promulgate a constitution for Serbia, establishing a council of chiefs sharing power with him. In 1838 a council was appointed to pass laws and taxes, a council of ministers was created, and provisions were formulated for an eventual assembly. A succession of rulers were installed and deposed over the next decade until, in 1848, the Serbian assembly demanded the incorporation of Vojvodina into Serbia.

The 1858 assembly restored Miloš Obrenović to power, but he died in 1860 and was succeeded, again, by his son Mihajlo. Mihajlo built up the Serbian army to fight a war of liberation against the Turks as a first step towards the goal of a Greater Serbia. Mihajlo developed a highly centralized state organization, a functioning parliament, two political parties, a judicial system, and urban educational institutions prior to his murder in 1868. Mihajlo's cousin, Milan, succeeded him, and accomplished total independence from the Ottomans in 1882. Despite this success, during the same period Austria conquered Bosnia and Herzegovina, badly wanted by Serbia. Milan became dependent on Austria when that country saved Serbia from an invasion by Bulgaria.

Milan Obrenović abdicated in 1889 in favor of his son Alexander, who abolished the constitution, led a corrupt and scandalous life, and was murdered along with his wife, the premier, and other court members by a group of young officers in June 1903. The assembly then called on Peter, Alexander Karadjordjević's son, to take the crown. Under Peter Karadjordjević, a period of stable political and economic development ensued, interrupted by the 1908 Austrian annexation of Bosnia and Herzegovina, the 1912 and 1913 Balkan wars, and World War I (1913–18).

### The Balkan Wars

Austria's annexation of Bosnia and Herzegovina was carried out in 1908 with the full backing of Germany. The Serbs saw Austria's move as a serious blow to their goal of a Greater Serbia with an outlet to the Adriatic Sea through Bosnia and Herzegovina. They turned to the only other possible access routes to the sea—Macedonia, with its port city of Salonika, and the northern coast of Albania. The Balkan countries (Serbia, Bulgaria, Montenegro, and Greece) formed the Balkan League and attacked Turkey in 1912, quickly defeated them and driving them to the gates of Constantinople. Austria and Italy opposed a Serbian outlet to the Adriatic in Albania, supporting instead an independent Albanian state and assisted its establishment in 1913. Serbia, deprived of access to the sea, requested it from Bulgaria. Bulgaria responded by at-

tacking Serbia and Greece, hoping to obtain all of Macedonia. The resulting second Balkan War ended with the defeat of Bulgaria by Serbia, Montenegro, Greece, Romania, and Turkey, which gained back Adrianople and Thrace. Romania gained northern Dobruja, Serbia kept central and northern Macedonia, and Greece was given control over the southern part with Salonika and Kavalla in addition to southern Epirus.

Austria viewed Serbian expansion with great alarm, and the "Greater Serbia" plans became a serious threat to the Austro-Hungarian empire. The Austro-Hungarians felt Serbia had to be restrained by whatever means, including war. They needed only a spark to ignite a conflagration against the Serbs.

### World War I and Royal Yugoslavia

The spark was provided by the 28 June 1914 assassination in Sarajevo of Austria's Archduke Ferdinand and his wife. The archduke's visit to Sarajevo during large-scale maneuvers was viewed as a provocation by Bosnian Serbs, and they conspired to assassinate him with the assistance of the Serbian secret organization, Black Hand, which had also been behind the murder of Serbian king Miloš and his wife in 1903.

Austria presented an ultimatum to Serbia on 23 July with 10 requests, all of which were accepted by Serbia in a desperate effort to avoid a war. Austria, however, declared war on Serbia on 28 July 1914. They began bombing Belgrade the same day and sent armies across the Danube and Sava rivers to invade Serbia on 11 August 1914, taking the Serbs by surprise. The Serbian army twice repelled the Austrian forces in 1914, with tremendous losses in men and materials and civilian refugees. In addition, a typhus epidemic exacted some 150,000 victims among Serbian soldiers and civilians throughout Serbia, where there were almost no doctors or medical supplies. Still, an army of some 120,000 men joined the Allied forces holding the Salonika front in the fall of 1916. From there, after two years, they were successful in driving the Austrian forces out of Serbia in October 1918.

The Serbian elite's political goal for the main outcome of World War I was the same—a greater Serbia, with the liberation of their South Slavic brethren, particularly Serbs, from the Austro-Hungarian yoke. The dissolution of the Austro-Hungarian empire was not yet an operational concept. On 20 July 1916 the Corfu Declaration delineated the future joint state of Serbs, Croats, and Slovenes while treating both Macedonians and Montenegrins as Serbs.

But Austro-Hungary was losing the war and disintegrating from the inside. In May 1917, the "Yugoslav Club" in the Vienna parliament, consisting of deputies from Slovenia, Istria, and Dalmatia issued a declaration demanding the independence of all Slovenes, Croats, and Serbs united in one national state. (The phrase "under the scepter of the Hapsburgs" was added to their declaration for safety reasons, to avoid prosecution for treason.) Poles, Czechs, and Slovaks were also agitating for their independence, and they all had received support from their communities in the United States. On 20 October 1918, US President Woodrow Wilson declared his support for the independence of all the nation subjects of the Austro-Hungarian monarchy.

Under the leadership of Monsignor Anton Korošec, a council of Slovenes, Croats, and Serbs was formed in Zagreb, Croatia, to negotiate a union with the Kingdom of Serbia. The Serbian army entered Belgrade on 1 November 1918 and proceeded to take



over the Vojvodina region. The armistice ending World War I was signed on 3 November 1918, and on 6–9 November a conference was held in Geneva by Serbia's prime minister Nikola Pašić, Monsignor Korošec, and the Yugoslav Committee.

The conference was empowered by the Zagreb Council to negotiate for it with the Allies. Prime Minister Pašić could not ignore the provisional government set up by elected representatives of the Slovenes, Croats, and Serbs. Thus, Pašić signed a declaration setting up a joint provisional government with the right of the National Council in Zagreb to administer its territories until a constitutional assembly could be elected to agree on the form of government for the new state. However, the Serbian government reneged on Pašić's commitment. The National Council delegation with Monsignor Korošec was detained abroad and, given the pressures from the ongoing Italian occupation of Slovene and Croat territories and the urgent need for international recognition, the National Council sent a delegation to Belgrade on 27 November 1918 to negotiate terms for unification with Serbia. But time was running out and the unification was proclaimed on 1 December 1918 without any details on the nature of the new state, since Bosnia and Herzegovina, Vojvodina, and Montenegro had already voted for their union with Serbia.

The Corfu declaration of 1917 had left open the issue of the unitarist or federalist structure of the new state by providing for a constitutional assembly to decide the issue on the basis of a "numerically qualified majority." Serbs interpreted this to mean a simple majority whereas others advocated a two-thirds majority. Following the 28 November 1920 elections, the simple majority prevailed, and a constitution (mirroring the 1903 constitution of Serbia) for a unitary state was approved on 28 June 1921 by a vote of 223 to 35, with 111 abstentions out of a total of 419 members. The 50 members of the Croatian Peasant Party refused to participate in the work of the assembly, advocating instead an independent Croatian Republic.

After 10 years of a contentious parliamentary system that ended in the murder of Croatian deputies and their leader Stjepan Radić, King Alexander abrogated the 1921 constitution, dissolved the parliament and political parties, took over power directly, renamed the country "Yugoslavia," and abolished the 33 administrative departments.

A new policy was initiated with the goal of creating a single "Yugoslav" nation out of the three "tribes" of Serbs, Croats, and Slovenes. In practice, this meant the Serbian king's hegemony over the rest of the nation. The reaction was intense, and King Alexander himself was assassinated in Marseille in 1934. Alexander's cousin, Prince Paul, assumed power and managed to reach an agreement in 1939 with the Croats. An autonomous Croatian *banovina* (territory headed by a leader called a *ban*) headed by Ivan Subašić was established, including most Croatian lands outside of the Bosnia and Herzegovina area. Strong opposition developed among Serbs and there was no time for further negotiations, since Prince Paul's government was deposed on 27 March 1941 and Germany's Adolph Hitler and his allies (Italy, Hungary, Bulgaria) attacked Yugoslavia on 6 April 1941.

### World War II

Yugoslavia was divided up and occupied by Germany and its allies. Serbia was put under the administration of General Milan Nedić who was allowed to organize his own military force for in-

ternal peacekeeping purposes. In Serbia the resistance was led by the "Cetniks," the "Yugoslav army in the homeland." The Cetniks recognized the authority of the Yugoslav government-in-exile, which, in fact, promoted Draža Mihajlović to general and appointed him its Minister of War. In the fall of 1941 Mihajlović and Josip Broz Tito, who led the Communist partisan movement, met to seek agreement on a common front against the Nazis. However, Mihajlović saw that Tito's goal was to conquer Yugoslavia for Communism. Mihajlović could not go along with this, nor could he accept Tito's request that he subordinate his command to Tito. A civil war between the two movements (under foreign occupation) followed. Meanwhile, large numbers of Serbs fled Croatia, either to join the partisans or to seek refuge in the Dalmatian areas under Italian control. British leader Winston Churchill, convinced by reports that Mihajlović was collaborating with the Germans while Marshal Tito's partisans were against the Germans, decided to recognize Tito as the legitimate Yugoslav resistance. Though aware of Tito's Communist allegiance to Stalin, Churchill threw his support to Tito.

When Soviet armies, accompanied by Tito, entered Yugoslavia from Romania and Bulgaria in the fall of 1944, military units and civilians that had opposed the partisans had no choice but to retreat to Austria or Italy. After the end of the war, the Communist-led forces took control of Serbia and Yugoslavia and instituted a violent dictatorship that committed systematic crimes and human rights violations. Thousands upon thousands of their former opponents who were returned from Austria by British military authorities were tortured and massacred by partisan executioners. General Mihajlović was captured in Bosnia in March 1946 and publicly tried and executed on 17 July 1946.

### Communist Yugoslavia

Such was the background for the formation of the second Yugoslavia as a Federative People's Republic of five nations (Slovenes, Croats, Serbs, Macedonians, Montenegrins) with their individual republics and Bosnia and Herzegovina as a buffer area with its mix of Serb, Muslim, and Croat populations. The problem of large Hungarian and Muslim Albanian populations in Serbia was solved by creating for them the autonomous region of Vojvodina (Hungarian minority) and Kosovo (Muslim Albanian majority) that assured their political and cultural development.

Tito attempted a balancing act to satisfy most of the nationality issues that were carried over, unresolved, from the first Yugoslavia. However, he failed to satisfy anyone. The numerically stronger Serbs had lost the Macedonian area they considered Southern Serbia; lost the opportunity to incorporate Montenegro into Serbia; lost direct control over the Hungarian minority in Vojvodina and Muslim Albanians of Kosovo (viewed as the cradle of the Serbian nation since the Middle Ages); were not able to incorporate into Serbia the large Serbian-populated areas of Bosnia; and had not obtained an autonomous region for the large minority Serbian population within the Croatian Republic. The official position of the Marxist Yugoslav regime was that national rivalries and conflicting interests would gradually diminish through their sublimation into a new Socialist order. Without capitalism, nationalism was supposed to wither away. Therefore, in the name of their unity and brotherhood motto, any nationalistic expression of concern was prohibited.

After a short post-war coalition government, the elections of 11 November 1945—boycotted by the non-Communist coalition parties—gave the Communist-led People's Front 90% of the vote. A Constituent Assembly met on 29 November, abolished the monarchy and established the Federative People's Republic of Yugoslavia. In January 1946, a new constitution was adopted based on the 1936 Soviet constitution.

Yugoslavia was expelled from the Soviet-dominated Cominform Group in 1948, and was forced to find its own road to Socialism, balancing its position between the North Atlantic Treaty Organization (NATO) alliance and the Soviet bloc. Tito quickly nationalized the economy through a policy of forced industrialization, supported by the collectivization of the agriculture.

The agricultural reform of 1945–46 included limited private ownership of a maximum of 35 hectares (85 acres) and a limited free market (after the initial forced delivery of quotas to the state at very low prices) but had to be abandoned because of resistance by the peasants. Collectivization was initiated in 1949 but had to be abandoned by 1958 because its inefficiency and low productivity could not support the concentrated effort of industrial development.

By the 1950s, Yugoslavia had initiated the development of its internal trademark: self-management of enterprises through workers councils and local decision-making. Following the failure of the first five-year plan (1947–51), the second five-year plan (1957–61) was completed in four years by relying on the well-established self-management system. Economic targets were set from the local to the republic level and then coordinated by a federal planning institute to meet an overall national economic strategy. This system supported a period of very rapid industrial growth in the 1950s. But public subsidies, cheap credit, and other artificial measures led to a serious crisis by 1961, leading to the introduction of market socialism in 1965. Laws abolished most price controls and halved import duties while withdrawing export subsidies. Councils were given more decision-making power on investing their earnings, and they also tended to vote for higher salaries to meet steep increases in the cost of living. Unemployment grew rapidly even though political factories were still subsidized. The government responded by relaxing restrictions on labor migration particularly to West Germany, encouraging up to 49% foreign investment in joint enterprises, and removing barriers to the exchange of ideas.

Yugoslavia began to develop a foreign policy independent of the Soviet Union. In October 1949, Yugoslavia was elected to one of the nonpermanent seats on the United Nations (UN) Security Council and openly condemned North Korea's aggression in South Korea. Tito intensified his commitment to the movement of nonaligned "third world" nations in cooperation with Jawaharlal Nehru of India, Gamal Abdel-Nasser of Egypt, and others.

With the September 1961 Belgrade summit conference of non-aligned nations, Tito became the recognized leader of the movement. The nonaligned position served Tito's Yugoslavia well by allowing Tito to draw on economic and political support from the Western powers while neutralizing any aggression from the Soviet bloc. Tito condemned all Soviet aggression. Just before his death on 4 May 1980, Tito condemned the Soviet invasion of Afghanistan. In the 1970s and 1980s, Yugoslavia maintained fairly good relations with its neighboring states by playing down or solving

pending disputes and developing cooperative projects and increased trade.

As an integral part of the Yugoslav federation, Serbia naturally was impacted by Yugoslavia's internal and external political developments. The main problem facing communist Yugoslavia was the force of nationalism.

As nationalism was on the rise in Yugoslavia, particularly in Croatia and Slovenia, Serbs were facing a real dilemma with the rising of Albanian nationalism in Kosovo. After World War II, Tito had set up Kosovo as an autonomous province and the Albanians were able to develop their own political and cultural autonomy, including a university with instructors and textbooks from Albania. Immigration from Albania also increased and after Tito's death in 1980, Albanians became more assertive and began agitating for a republic of their own, since by then they comprised about 80% of Kosovo's population.

The reverberations of the Kosovo events were very serious throughout Yugoslavia since most non-Serbs viewed the repression of the Albanians as a possible precedent for the use of force elsewhere. Serbs were accused of using a double standard—one for themselves in the defense of Serbs in Kosovo by denying the Albanians' political autonomy and violating their human rights, and a different standard for themselves by demanding political autonomy and human rights for Serbs in Croatia.

In 1986, the Serbian Academy of Arts and Sciences issued a draft manifesto that called for the creation of a unified Serbia whereby all lands inhabited by Serbs would be united with Serbia while bringing Kosovo under control to be eventually repopulated by Serbs. To accomplish this goal, the 1974 constitution would need to be amended into an instrument for a recentralizing effort of both the government and the economy.

#### **Recentralization vs. Confederation**

In 1986, work was begun on amendments to the 1974 constitution that, when submitted in 1987, created a furor, particularly in Slovenia and Croatia. The main points of contention were the creation of a unified legal system, the establishment of central control over the means of transportation and communication, the centralization of the economy into a unified market, and the granting of more control to Serbia over its autonomous provinces of Kosovo and Vojvodina. These moves were all viewed as coming at the expense of the individual republics. Serbia also proposed replacing the bicameral federal Skupština (assembly) with a tricameral one where deputies would no longer be elected by their republican assemblies but through a "one person, one vote" nationwide system. Slovenia, Croatia, and Bosnia and Herzegovina strongly opposed the change, just as they opposed the additional Chamber of Associated Labor that would have increased the federal role in the economy.

Meanwhile, Slobodan Milošević had become the head of the Communist Party in Serbia in early 1987. An ardent advocate of the Serbs in Kosovo (and elsewhere) and a vocal proponent of the recentralizing constitutional amendments, he was able to take control of the leadership in Montenegro and Vojvodina and impose Serbian control over Kosovo.

The Slovenian Communist Party had taken the leadership in opposing the recentralizing initiatives and in advocating a confederate reorganization of Yugoslavia. Thus a political dueling took place between Slovenia and Serbia. Slobodan Milošević directed

the organization of mass demonstrations by Serbs in Ljubljana, the capital city of Slovenia. Serbs began a boycott of Slovenian products, withdrew savings from Slovenian banks, and terminated economic cooperation and trade with Slovenia. The tensions with Serbia convinced the Slovenian leadership of the need to undertake protective measures and, in September 1989, draft amendments to the constitution of Slovenia were published that included the right to secession, the sole right of the Slovenian legislature to introduce martial law, and the right to control deployment of armed forces in Slovenia. The latter seemed particularly necessary since the Yugoslav Army was largely controlled by a Serbian and Montenegrin officer corps.

A last attempt at salvaging Yugoslavia was made when the League of Communists of Yugoslavia convened in January 1990 to review proposed reforms. The Slovenian delegation walked out on 23 January 1990 when their attempts to broaden the reforms was rebuffed.

### Yugoslavia's Dissolution

In October 1990, Slovenia and Croatia published a joint proposal for a confederation of Yugoslavia as a last attempt at a negotiated solution, but to no avail. The Slovenian legislature also adopted a draft constitution proclaiming that "Slovenia will become an independent state. . . ." On 23 December, a plebiscite was held on Slovenia's secession from Yugoslavia if a confederate solution could not be negotiated within a six-month period. An overwhelming majority of 88.5% of voters approved the secession provision, and on 26 December 1990 a Declaration of Sovereignty was also adopted. All federal laws were declared void in Slovenia as of 20 February 1991 and, since no negotiated agreement was possible, Slovenia declared its independence on 25 June 1991.

On 27 June, the Yugoslav army tried to seize control of Slovenia under the pretext that it was its constitutional duty to assure the integrity of Socialist Yugoslavia. The Slovenian "territorial guards" surrounded Yugoslav army tank units, isolated them, and engaged in close combat along border checkpoints, and the Yugoslav units often surrendered. Over 3,200 Yugoslav army soldiers surrendered, and the Slovenes scored an international public relations coup by having the prisoners call their parents all over Yugoslavia to come to Slovenia and take their sons back home. The European Community negotiated a cease-fire after ten days, with a three-month moratorium of Slovenia's implementation of independence.

The collapse of Communist regimes in Eastern Europe in 1989 had a deep impact in Yugoslavia. Communist leaders there realized that, in order to stay in power, they needed to embrace the goals of nationalistic movements. In Serbia and Montenegro, the Communists won on 9 December 1990 on the basis of their strong Serbian nationalism. In its last years, Yugoslavia became a house divided, prompting the parliament of Slovenia to pass a resolution on 20 February 1991 proposing the division of Yugoslavia into two separate states.

### Suppression of Kosovo and Revolt in Croatia

On 2 July 1990, Albanian members of the Yugoslav legislature declared Kosovo a separate territory within the Yugoslav federation. Three days later, on 5 July 1990, the Serbian parliament countered the Albanian move by suspending the autonomous government of Kosovo. The next month (August 1990), an open Serb insurrection

against the Croatian government was initiated apparently with the support of Slobodan Milošević. On 17 March 1991, Milošević declared that Krajina, a region in Croatia, was a Serbian autonomous region. Clashes between the Serbian militia and Croatian police required the use of Yugoslav army units to keep the peace.

The Serbian determination to maintain a united Yugoslavia hardened, while the determination of the Slovenes and Croats to gain their independence grew stronger. This caused the closing of ranks by the Yugoslav army command in support of the Serbian leadership and Slobodan Milošević. Since there was no substantial Serbian population in Slovenia, its secession did not present a real problem to Milošević, but secession by Croatia and Bosnia and Herzegovina would necessitate border revisions to allow land with Serbian populations to be joined to Serbia.

The new constitution promulgated by Serbia in September 1990 provided for a unicameral legislature of 250 seats and the elimination of autonomy for Vojvodina and Kosovo. The first elections were held on 9 December 1990. More than 50 parties and 32 presidential candidates participated. Slobodan Milošević's Socialist Party of Serbia received two-thirds of the votes and 194 out of the 250 seats. The Movement for Renewal, headed by Vuk Drašković, received 19 seats while the Democratic Party won 7 seats. With the mandate from two-thirds of the electorate, Slobodan Milošević had complete control of Serbia. Having gained control of Serbia, Montenegro, Kosovo, and Vojvodina, Milošević controlled four of the eight votes in the collective presidency of Yugoslavia. With the collective presidency stalemated, the top army leadership became more independent of the normal civilian controls and was able to make its own political decisions on rendering support to the Serbs in Croatia and their armed rebellion.

On 3 June 1991 Bosnia and Herzegovina and Macedonia proposed the formation of a Community of Yugoslav Republics as a compromise. In this community, national defense, foreign policy, and a common market would be centrally administered while all other areas would fall to the jurisdiction of the member states (except for the armed forces and diplomatic representation). But it was already too late. Serbia disliked the confederate nature of the proposal and objected to leaving an opening for the establishment of separate armed forces. In addition, Milošević and the army had already committed to the support of the revolt of the Serbs in Croatia. At their meeting in Split on 12 June 1991, Milošević and Croatia's president Tudjman were past the stage of salvaging Yugoslavia when discussing how to divide Bosnia and Herzegovina into ethnic cantons.

The international community stood firmly in support of the preservation of Yugoslavia, of the economic reforms initiated by the Marković government, and of the peaceful solution to the centralist vs. confederate conflict. The United States and the European Community had indicated that they would not recognize the independence of Slovenia and Croatia if they unilaterally seceded from the Yugoslav Federation. With the then-Soviet Union also supporting Socialist Federal Yugoslavia, Milošević was assured of strong international backing. Slovenia and Croatia proceeded with their declarations of independence on 25 June 1991.

As a shrewd politician, Slobodan Milošević knew that a military attack on a member republic would deal a mortal blow to both the idea and the reality of a Yugoslavia in any form. Thus, following the Yugoslav army's attack on Slovenia on 27 June 1991, Milošević

and the Serbian leadership concentrated on the goal of uniting all Serbian lands to Serbia.

This position led to the direct use of the Yugoslav army and its superior capabilities in establishing the Serbian autonomous region of Krajina in Croatia. Increased fighting from July 1991 caused tremendous destruction of entire cities (Vukovar), and large scale damage to the medieval city of Dubrovnik. Croatia, which was poorly armed and caught by surprise, fought over a seven-month period. It suffered some 10,000 dead, 30,000 wounded, over 14,000 missing, and lost to the Krajina Serbs (and to the Yugoslav Army) about one-third of its territory, from Slavonia to the west and around the border with Bosnia and south to northern Dalmatia.

The intervention of the European Community (as earlier in the case of Slovenia) and the United Nations (UN) brought about a cease-fire on 3 January 1992. UN peacekeepers were stationed by March 1991 to separate the Serb-controlled areas from Croatian army and paramilitary forces. Milošević had very good reasons to press the Krajina Serbs and the Yugoslav army to accept the cease-fire because the Serb forces had already achieved control of about one-third of Croatian territory. He was confident that the UN forces would actually protect the Serb-occupied territories from the Croats.

#### **Aggression in Bosnia and Herzegovina**

In the meantime, a far worse situation was developing in Bosnia and Herzegovina. Following the deployment in Croatia of UN peacekeepers, the Yugoslav army moved into Bosnia and Herzegovina. Bosnia and Herzegovina held a referendum on independence in February 1992 in accordance with the European Community's conditions for eventual international recognition. In 1991, Bosnia and Herzegovina was about 44% Muslim, 31% Serbian, 17% Croatian, and 6% Yugoslav. Milošević's goal of unifying all Serbian lands would become impossible with an independent Bosnia and Herzegovina. Therefore, Bosnian Serbs abstained from voting, while 64% of eligible voters approved of an independent Bosnia and Herzegovina by an almost unanimous 99.7%.

At the same time, a provisional agreement had been reached at a conference in Lisbon in late February 1992 on dividing Bosnia and Herzegovina into three ethnic units, with related central power sharing. This agreement was rejected by the Muslim side, and the Bosnian Serbs, who had earlier organized their territory into the Serbian Republic of Bosnia and Herzegovina, prepared for hostilities with the support of the Yugoslav army and volunteers from Serbia and Montenegro.

International recognition of Bosnia and Herzegovina came on 6 April 1992, the anniversary of the 1941 Nazi invasion of Yugoslavia. The fear of another genocidal orgy against Serbs steered the Serbs' determination to fight for their own survival. On 1 March 1992 a Serbian wedding party was attacked in the Muslim section of Sarajevo. This was the spark that ignited the fighting in Bosnia and Herzegovina. Serbs pounded Sarajevo for two years, reducing it to rubble. They took control of two-thirds of the territory, and carried out ferocious "ethnic cleansing" of Muslims in areas they intended to add to their own. Under international pressure, the Yugoslav army moved to Serbia, leaving to the Bosnian Serbs an abundance of weaponry and supplies.

Serbia and Montenegro formed their own Federal Republic of Yugoslavia on 27 April 1992. Despite the lack of international support, Milošević was elected president in December with 56% versus 34% for his opponent, Milan Panić. Inflation, unemployment, and savage corruption convinced Milošević to support the various plans for bringing about peace to Bosnia and Herzegovina. Even with the eventual settlement of hostilities in Bosnia and Herzegovina, Yugoslavia faced serious internal political problems in addition to its ruined economy: the tradition of independence in Montenegro, the Albanian majority in Kosovo, the Muslims of the Sandžak area, the Hungarians in Vojvodina, and independent Macedonia.

#### **Kosovo**

Kosovo was the center of the Serbian kingdom in the Middle Ages. Firmly attached to their Christian faith and opposed to conversion into Islam, large numbers of Serbs were forced to leave the Kosovo region because of Turkish persecutions. In their place Muslim Albanians were settled in increasing numbers so that liberation of Serbian Kosovo in 1912 actually liberated an almost entirely Albanian area. By the end of World War II, the Kosovo area was already about 70% Albanian. Tito granted Kosovo a special autonomous status, keeping Serbian hopes alive that eventually Serbs could repopulate Kosovo.

The Albanians clamored for their right to self-determination and a republic of their own (still within Yugoslavia). Albanians increased their pressure on the remaining Serbian population, which had dwindled to some 10% of the total by 1991. Cries of genocide were raised by Serbian media, and a series of bloody clashes justified Slobodan Milošević's administration to develop a new Serbian constitution of September 1990, drastically limiting Kosovo's autonomy. Albanians then organized their own political parties, the strongest of which became the Kosovo Democratic Alliance led by Ibrahim Rugova.

In a street meeting on 2 July 1990, the adjourned Kosovo Assembly adopted a declaration proclaiming Kosovo a separate republican entity. Serbs reacted by suspending the Kosovo Assembly on 5 July 1990. Most of the Albanian delegates had to flee the country to avoid imprisonment.

Serbia found itself in a very peculiar and dangerous situation. Through several past centuries the Serbian people expanded their reach by forced mass migrations and wars that have contributed to the depopulation of its own cradle area—Kosovo. The Serbian claims to these lands were being contested by neighboring states or other older populations. Serbia and Montenegro became isolated and were facing adversary states.

#### **The Ongoing Conflict**

The quest to create a "Greater Serbia"—that is, to unite the Serbs under a single Serbian government—resulted in continued fighting, particularly in Bosnia and Herzegovina. Over 8,000 Bosnian Muslim men and boys were summarily executed at Srebrenica in July 1995. On 8 September 1995, the leaders of Serbia, Croatia, and Bosnia and Herzegovina agreed on a new governmental structure for Bosnia and Herzegovina; the three parties soon afterwards refined their agreement to include a group presidency, a parliament,

and a constitutional court in which Bosnia and Herzegovina and Croatia would share power with the Serbian republic.

In October 1995, Bosnia and Herzegovina accused the Bosnian Serbs of war crimes, leading to international suspicion that Serbian soldiers had massacred thousands of Muslims. Pressured by air strikes and diplomacy, Serb authorities joined leaders from Bosnia and Herzegovina and Croatia on 31 October 1995 in Dayton, Ohio, for a round of peace talks sponsored by the United States. On 21 November 1995, the three presidents of Bosnia and Herzegovina, Croatia, and Serbia finally agreed to terms that would end the fighting in Bosnia and Herzegovina after four years and an estimated 250,000 casualties. The agreement, formally signed in Paris in mid-December, called for 60,000 UN peacekeepers. The United States then ended its economic sanctions against Serbia.

Enforcement of the peace was difficult and problems arose over the exchange of prisoners. The United States ordered the leaders of the former warring parties to meet in Rome in February 1996 to recommit themselves to the Dayton agreement. Meanwhile, the International Criminal Tribunal for the former Yugoslavia at The Hague set out to find and prosecute Serbian soldiers accused of atrocities. In March 1996, the UN Tribunal filed its first charges. Among those cited were Serb generals Djordje Djukic and Ratko Mladic, and Bosnian Serb leader Radovan Karadzic. The latter two remained at large, spurring accusations by the United States and Europe that the Serbian government was protecting the international outlaws. In May 1996, Serbian President Milošević pledged that Karadzic would be removed from power. The presidents of Serbia, Croatia, and Bosnia and Herzegovina agreed to hold Bosnian elections in mid-September 1996.

While international suspicion swirled about him for his role in the Bosnian conflict, Serbian President Milošević was not very successful in delivering promised reforms for Serbia. In March 1996, a demonstration in Belgrade brought out 20,000 protestors against the Milošević regime, which opponents charged with starting the Bosnian conflict and devastating the Serbian economy.

Mass demonstrations against Milošević flared later in 1996 when he voided local elections won by the opposition. In December, the Milošević administration shut down Belgrade's independent radio station, which further alienated Serb citizens. Thousands of protesters met in the streets of Belgrade, hoping to topple the Milošević administration. In February 1997, Milošević relented and agreed to recognize the results of the previous local elections, in which opposition parties won majorities in 14 of Serbia's 19 largest cities. In July 1997, Milošević was appointed to the presidency of Yugoslavia by the federal parliament, allowing him to maintain control for another four years.

During early March of 1999, Albanian moderates led by Ibrahim Rugova (president of the self-proclaimed Republic of Kosovo) and representatives of the Yugoslav government held talks in Ramboulet, France; they came up with a plan to give Kosovo back its autonomy under a three-year NATO occupational guarantee. The Serbs refused to sign the accord, and Yugoslav forces grew to 40,000 in Kosovo, continuing hostilities. Beginning 24 March 1999 NATO forces bombed Serbia and Kosovo, in an attempt to check human rights violations and end fighting. NATO bombs and cruise missiles fell on military targets in Belgrade and Pristina. Fears ran high that other European nations would get involved in the conflict and take sides, resulting in a third world war. Rus-

sia disagreed with the NATO bombing runs, attempting its own peace process. After 11 weeks of bombing, casualties reported by the Yugoslav government amounted to 462 soldiers and 114 police officers, but NATO estimates claimed 5,000 had died including 2,000 civilians. On 3 June, the Yugoslav government accepted a peace plan that involved removing Yugoslav troops from Kosovo, and giving some autonomy to the province. NATO troops entered Kosovo on 12 June to enforce the peace plan. Some 170,000 Kosovar Serbs were thrown out of Kosovo by the ethnic Albanian majority during the conflict, adding to an already large refugee population.

On 29 June 1999, 10,000 Serbian protestors gathered in Čačak, in northern Serbia, to demand the resignation of Milošević. In August, more than 100,000 Serbians called for an end to his rule in a march on Belgrade. The UN began the unwieldy task of reconciliation in the region during the fall of 1999. Kosovo was to remain under the sovereignty of Yugoslavia as a Serbian province, but with some future determination of further self-government (scheduled to follow the fall of the Milošević regime). The next regular presidential elections were set for 2001. Sweeping constitutional changes in July 2000 changed the presidential term so that Milošević could run for two additional four-year terms. They also made the weight of the Montenegrin vote in the Yugoslav parliament equal to its population, or only 7%. Milošević called presidential elections early, for 24 September 2000; most believed that they would be rigged in his favor, and were planning to boycott the elections.

Milošević banned international observers from the process of monitoring the 24 September elections. The opposition to Milošević was strong, and a crowd of 150,000 turned out for the final pre-election rally against him. The opposition claimed victory in the election, with Vojislav Kostunica proclaiming himself the "people's president." The Federal Election Commission called for a second vote, stating that neither candidate had won an outright majority; this plan was met with worldwide opposition.

On 27 September, 250,000 people took to the streets to demand that Milošević step down. On 28 September, the Electoral Commission announced that while the Democratic Opposition group had won the largest single block of seats, the Socialists and their coalition partners had won an absolute majority. By 2 October, protesters had called a general strike, were blocking Belgrade's main streets and had caused a halt to economic activity in other Yugoslav cities. On 4 October 2000, the Constitutional Court annulled the election results and ruled that Milošević should serve out his last term in office. Tens of thousands of opposition supporters stormed and burned the parliament building on 5 October and captured the state television service; police joined the crowds. Kostunica told approximately 500,000 supporters at a rally in Belgrade that Serbia had been liberated. On 6 October, Milošević conceded defeat, and Kostunica was sworn in as president on 7 October. He stated his first objective as president would be to right the economy and lead reconstruction efforts. Milošević was indicted for atrocities in Kosovo by the UN war crimes tribunal in The Hague. A bounty of us\$5 million was offered by the US government to find the war criminal, but he remained in power even after losing the war.

The European Union (EU) and United States lifted their economic sanctions against Yugoslavia, and in November the country

rejoined the UN; Kostunica indicated the country wanted to join the EU as soon as possible. In January 2001, Yugoslavia and Albania reestablished diplomatic relations after they had been broken off during the crisis in Kosovo in 1999.

On 1 April 2001, Milošević was arrested at his home in Belgrade after a tense standoff in which shots were fired; he had been charged with corruption and abuse of power within Yugoslavia. Kostunica had originally ruled out extraditing Milošević to the war crimes tribunal at The Hague. Milošević was formerly indicted by the tribunal in May 1999 for alleged war crimes in Kosovo; other indictments later included war crimes carried out in Bosnia and Herzegovina and Croatia, including charges of genocide carried out in Bosnia and Herzegovina from 1992–95. This was the first time a sitting head of state had been charged with war crimes. In June, then-Serbian prime minister Zoran Djindjic authorized the extradition of Milošević to the tribunal, exacerbating a rift between him and Kostunica, who favored a trial for Milošević in Belgrade. Milošević's trial at The Hague began in February 2002; Milošević died of a heart attack in prison in The Hague on 11 March 2006 with just 50 hours of testimony left before the conclusion of the trial.

#### Serbia and Montenegro

On 14 March 2002, in an agreement mediated by the EU, Serbia and Montenegro agreed to consign the Yugoslav Republic to history and create a loose federation called "Serbia and Montenegro." Both republics would share defense and foreign policies, but would maintain separate economies, currencies (the dinar for Serbia and the euro for Montenegro), and customs services for the immediate future. Each republic would have its own parliament with a central 126-member parliament located in Belgrade. Montenegrin president Milo Djukanovic reluctantly agreed to the union, committing Montenegro to a three-year moratorium on an independence referendum, but in April, the Montenegrin government collapsed over differences on the new union. Kosovo, which remained under UN administration, remained part of Serbia. This angered many Kosovo activists, although the agreement looked to some as possibly accelerating the process of independence for the province. The parliament of the Federal Republic of Yugoslavia voted to disband itself on 4 February 2003, dissolving the country and introducing the new state of Serbia and Montenegro. Both republics agreed they would be able to hold referendums on full independence in 2006.

Serbian presidential elections were held on 29 September 2002, with 55.5% of registered voters casting ballots. Kostunica won 30.9% of the vote, and his opponent Miroslav Labus finished second with 27.4%. The second round of voting was held two weeks later, with Kostunica winning 66.8% of the votes, to 30.9% for Labus. However, voter turnout failed to reach a mandated 50% (it was 45.5%), and the elections were declared to be invalid. Nataša Micić, formerly the speaker of parliament, became acting president. She stated Serbian presidential elections would be held after the adoption of the new Serbian constitution, after it was harmonized with the constitution of Serbia and Montenegro. Montenegrin general elections were held in October 2002, and in November, Djukanovic resigned as president to take on the job of prime minister. Presidential elections held in Montenegro in December 2002 and February 2003 were invalidated due to low voter turn-

out. Filip Vujanovich was finally elected president of Montenegro in the third round of voting.

On 7 March 2003, Svetozar Marovic, deputy leader of the Montenegrin Democratic Party of Socialists, was elected the first president of Serbia and Montenegro after Kostunica stepped down as president of the former Yugoslavia. Marovic was the only candidate to run; the next presidential elections were to be held in 2007.

On 12 March 2003, Serbian prime minister Zoran Djindjic was assassinated outside the main government building in Belgrade. Members of criminal organizations were suspected of carrying out the assassination; Djindjic had declared war on organized crime in Serbia, which was said to flourish under Milošević. After the assassination, Serbia was placed under a state of emergency and police arrested some 1,000 people, including members of Serbia's secret service and policemen. Zoran Živkovic, a leading official of the ruling Democratic Party, was elected prime minister to replace Djindjic.

While the Montenegrins managed to elect a president for their small republic, the Serbs failed to do so, even after the third voting round (in November 2003), due to low voter turnout. In addition, the indecisive parliamentary elections results from December 2003 led to a crisis within the Serbian parliament. The crisis was ended on March 2004 when former Yugoslav president, Vojislav Kostunica, was appointed the new prime minister of Serbia. In June 2004, the Serbs also got a new president, Boris Tadić. Tadić, the leader of the Democratic Party, managed to defeat his main contender—the nationalist Tomislav Nikolić, taking 52.34% of the tally in the second voting round.

In February 2005, officials from Montenegro asked their Serbian counterparts for an early vote on independence, claiming the union was inefficient and that it squandered money. Vojislav Kostunica refused the proposal and indicated that European integration and economic development should be the main focus of Serbia and Montenegro. A referendum on full independence for Montenegro was held on 21 May 2006; to be accepted internationally, a 55% majority was required for a "yes" vote. The vote on independence was 55.5% in favor. Voter turnout was 86.3%. A demand by pro-Serbian unionist parties for a recount was rejected. Serb politicians, Orthodox church leaders, and Montenegrins from the mountainous inland regions bordering Serbia opposed secession. However, ethnic Montenegrins and Albanians from the coastal area favored independence. Serbian President Boris Tadić recognized the independence of Montenegro. Serbia became the successor state to the union of Serbia and Montenegro, inheriting its UN seat and seats in other international institutions: the newly independent Montenegro would have to apply for UN and EU membership on its own, once it had been granted recognition by other states. Serbia's ambition to join the EU was hampered by its failure to arrest key war crimes suspects, including Ratko Mladić. Serbia inherited legal claim to the UN-administered province of Kosovo.

### 13 GOVERNMENT

Prior to Montenegro's independence in 2006, the union of Serbia and Montenegro was a confederal parliamentary democratic republic, with two constituent states—the Republic of Serbia and the Republic of Montenegro. As of June 2006, the Serbian prov-

ince of Kosovo remained governed by the UN Interim Administration Mission in Kosovo (UNMIK), and had self-government. The Serbian province of Vojvodina is nominally autonomous. A constitutional charter for the state of Serbia and Montenegro was ratified by both the Serbian and Montenegrin parliaments in January 2003, and the constitution for the unified state was approved on 4 February 2003. The constitution allowed the member republics to hold independence referendums in 2006, which Montenegro did on 21 May of that year.

Following the dissolution of the union of Serbia and Montenegro on 5 June 2006, the Republic of Serbia was faced with drafting a new constitution. As of June 2006, Serbia had a legislature (National Assembly) of 250 deputies chosen in direct general elections for a period of four years. The deputies in the National Assembly elect the government of the Republic of Serbia, which, together with the president, represents the country's executive authority. The Serbian government was formed on 3 March 2004 with the appointment of Vojislav Kostunica as the prime minister. Boris Tadić was serving as president in June 2006. The judiciary is independent.

#### **14 POLITICAL PARTIES**

The Republic of Serbia held parliamentary elections on 28 December 2003. The following political parties won seats in the National Assembly: Serbian Radical Party, 82 seats; Democratic Party of Serbia, 53 (includes candidates of the People's Democratic Party, the Serbian Liberal Party, and the Serbian Democratic Party); the Democratic Party, 37 (includes candidates from the Civic Alliance of Serbia, Democratic Center, Social Democratic Union, Bosniak Democratic Party of Sandzak, and the Social Liberal Party of Sandzak); the G17 Plus, 34 (including candidates from the Social Democratic Party); the Serbian Renewal Movement, 22; and the Socialist Party of Serbia, 22.

Other minor parties and coalitions which were not represented in the National Assembly include: Together for Tolerance; Democratic Alternative; For National Unity; Otpor; and Independent Serbia.

#### **15 LOCAL GOVERNMENT**

The Republic of Serbia is made up of 29 districts and the city of Belgrade. Each district is, in turn, divided into several municipalities.

Serbia's ethnic diversity often makes local governance a burdensome task. Besides Serbs and Albanians, there are considerable populations of Romanians, Hungarians, Roma, Bulgarians, Bosnians, Croats, Slovaks, and Montenegrins.

#### **16 JUDICIAL SYSTEM**

The Serbian Constitutional Court determines whether Serbian laws, regulations and other enactments are in conformity with the Serbian constitution. Any citizen may begin an initiative in the Court. The Supreme Court is the highest appellate court. It also has an administrative law department with jurisdiction over all appeals of final decisions by administrative organs. As of 2002, a new intermediate appellate body became effective, the Court of Appeals. It has jurisdiction over appeals from the municipal and district courts. Its decisions may be appealed to the Supreme Court. The Administrative Court provides first instance review of

all final administrative organ decisions. The decisions of the Administrative Court may be appealed to the Supreme Court.

The district courts' jurisdiction is limited to first instance matters. The courts have jurisdiction to try criminal offenses punishable by ten years' imprisonment or more, and other specified offenses, juvenile offenses, civil disputes of substantial value and in other specified areas, labor disputes, and certain other matters. There are 30 district courts in Serbia. The 143 municipal courts are the principal first instance courts. The courts have first instance jurisdiction over all criminal and civil cases that do not fall within the first instance jurisdiction of the district courts.

Commercial courts have jurisdiction over a wide range of commercial disputes, including copyright, privatization, foreign investment, unfair competition, maritime and other matters. These courts also are responsible for the registration of commercial enterprises. There are 16 commercial courts, and their decisions may be appealed to the High Commercial Court, located in Belgrade. Decisions of the latter court may be appealed to the Supreme Court.

#### **17 ARMED FORCES**

The following information on armed forces pertains to the union of Serbia and Montenegro prior to Montenegro's independence in 2006. Active armed forces numbered approximately 65,300 in 2005, supported by 250,000 reservists. The Army had 55,000 active personnel and was equipped with 962 main battle tanks, 525 armored infantry fighting vehicles, 288 armored personnel carriers and 2,729 artillery pieces. The Navy had 3,800 active personnel, including 900 Marines. Major naval units included eight tactical submarines, three frigates, 31 patrol/coastal vessels, 10 mine warfare ships, 23 amphibious landing craft, and seven logistical/support vessels. The Air Force had 6,500 active members, along with 101 combat capable aircraft, including 39 fighters, 51 fighter ground attack aircraft and 17 armed helicopters. There was also a paramilitary force that consisted of 45,100 personnel, of which an estimated 4,100 made up special police units, 35,000 were Ministry of Interior personnel and an estimated 6,000 were Montenegrin Ministry of Interior Personnel. Sixteen military personnel were stationed in four African countries under UN command. In addition, military contingents from 45 countries were stationed in Serbia and Montenegro as part of the Kosovo Peace Implementation Force. The defense budget in 2005 totaled \$706 million.

#### **18 INTERNATIONAL COOPERATION**

The Socialist Federal Republic of Yugoslavia was an original member of the United Nations (1945) until its dissolution and the establishment of Bosnia and Herzegovina, Croatia, Slovenia, the Former Yugoslav Republic of Macedonia, and the Federal Republic of Yugoslavia as new states. The Federal Republic of Yugoslavia was admitted to the United Nations on 1 November 2000. Following the adoption and promulgation of the Constitutional Charter of Serbia and Montenegro on 4 February 2003, the name of the Federal Republic of Yugoslavia was changed to Serbia and Montenegro. Following Montenegro's referendum on independence, Serbia became the successor state to the union of Serbia and Montenegro on 5 June 2006, and thus retained its membership in international bodies, including the UN and the specialized UN agen-

cies, such as the FAO, UNESCO, UNHCR, UNIDO, the World Bank, IAEA, and the WHO.

Serbia is a member of the Council of Europe, the Black Sea Economic Cooperation Zone, the European Bank for Reconstruction and Development, and the OSCE. It has observer status in the OAS and the WTO. In environmental cooperation, the country is part of Basel Convention, Ramsar, the London Convention, the Montréal Protocol, and the UN Conventions on the Law of the Sea and Climate Change.

## 19 ECONOMY

During the UN economic sanctions that lasted from 1992 to 1995, economic activity was extremely limited. By 1994, hyperinflation had brought formal economic activity to a virtual halt. By 1996, GDP had fallen to only 50.8% of 1990s total. Industry declined to just 46.6% of 1990s output; agriculture, 94.4%; construction, 37.5%; transportation, 29.3%; trade, 60.6%; and services, 81.1%. Formal lifting of these sanctions occurred in October 1996. However, the United States sponsored an "Outer Wall" of sanctions, which prevented Yugoslavia from joining international organizations and financial institutions. Taken together, the "Outer Wall," the Kosovo war, and continuing corruption continued to stifle economic development. In October 2000, the coalition government began implementation of stabilization and market-reform measures. Real growth in 2000 was reported as 5%. A donors' conference in June 2001 raised \$1.3 billion in pledges for help in infrastructural rebuilding. Real GDP in 2001 was 5.5% and an estimated 4% in 2002. The average lending rate, at 79.6% in 2000 dropped to 33.2% in 2001, reflecting some improvement in economic security.

Economic output was positive but volatile after 2002, dropping 2.1% in 2003 and jumping to 8% in 2004; in 2005 it was estimated at 5.5%. Inflation was on a downward spiral, reaching 9.8%, but grew again in 2005 (to 15.5%) as a result of the increase of service and oil derivatives prices. Unemployment remained unusually high, hovering around 30%, but a large chunk of the unemployed are considered to work in the informal economy. One of Serbia's main tasks was to bring about fiscal and monetary stability, and create a legal framework that will allow the market economy to flourish.

## 20 INCOME

The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$5,000 in 2005. The annual growth rate of GDP was estimated at 5.5%. The average inflation rate in 2005 was 15.5%. It was estimated that agriculture accounted for 16.6% of GDP, industry 25.5%, and services 57.9%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.397 billion or about \$172 per capita and accounted for approximately 6.8% of GDP. Foreign aid receipts amounted to \$1,317 million or about \$163 per capita and accounted for approximately 6.4% of the gross national income (GNI).

The World Bank reported that in 2003 household consumption in Serbia and Montenegro totaled \$18.27 billion or about \$2,246

per capita based on a GDP of \$20.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that in 1999 about 30% of the population had incomes below the poverty line.

## 21 LABOR

The labor force in the union of Serbia and Montenegro was estimated at 3.22 million in 2005. The unemployment rate in 2005 was estimated at 31.6%, with Kosovo's unemployment at around 50%. There was no data available as to the occupational breakdown of the country's workforce.

With the exception of the military, all workers are entitled to form unions. However, the majority of unions are government-sponsored or affiliated: independent unions are rare. Therefore, unions have not been effective in improving work conditions or wage structure increases. Virtually all of the workers in the formal economy are union members. Strikes are permitted and are utilized especially to collect unpaid wages. Collective bargaining is still at rudimentary level.

The minimum employment age is 16 although younger children frequently work on family farms. As of 2005, there was no national minimum wage rate. On average, the full-time monthly wage in the public sector that year was \$181, while the average wage in the private sector was \$250. Neither wage rate offered a decent living wage for a family. The official workweek is set at 40 hours, with required rest periods and overtime limited to 20 hours per week or 40 hours per month. Health and safety standards are not a priority due to harsh economic circumstances.

## 22 AGRICULTURE

The union of Serbia and Montenegro had 3,717,000 hectares (9,160,000 acres) of arable land in 2003. Serbia historically accounted for 60% of agricultural production. Vojvodina is the major agricultural region. In 2000, 20% of the labor force was engaged in agriculture.

Between 1991 and 1996, total agricultural production declined by 10%. During that time, production of farm crops fell by 9%; cereals by 12%. Viticultural production, however, increased by 51%. However, by 1999, total agricultural output was at 92% of the average during 1989–91. During 2002–04, crop production was 10% higher than during 1999–2001.

Agriculture contributed an estimated 17% to GDP in 2002. Major crops produced in 2004 included (in thousands of tons): corn, 6,287; wheat, 2,746; sugar beets, 2,643; potatoes, 1,098; and grapes, 490.

Serbia has a network of agrarian organizations in the form of chambers, farmers' cooperatives, and unions.

## 23 ANIMAL HUSBANDRY

In 2005, the livestock population in the union of Serbia and Montenegro included 3,550,000 pigs and hogs, 1,796,600 sheep, 1,230,000 head of cattle, 182,000 goats, 40,000 horses, and 17,464,000 poultry. Total meat production that year was 848,240 tons; milk, 1,852,000 tons. Between 1990 and 1999, total livestock



production increased by 1.8%, but during 2002–04 it fell by 5.4% from 1999–2001.

## 24 FISHING

The total catch in 2003 was 3,665 tons in the union of Serbia and Montenegro, 86% from inland waters. Common carp accounts for much of the inland catch.

## 25 FORESTRY

In 2000, estimated forest coverage was 2,887,000 hectares (7,134,000 acres) in the former Yugoslavia. Total roundwood production in the union of Serbia and Montenegro in 2004 was 3,520,000 cu m (124.3 billion cu ft), of which about 75% came from public forests. Sawnwood production amounted to 575,000 cu m (20.3 million cu ft); plywood and particle board, 59,000 cu m (2.1 million cu ft). In 2004, exports of forest products amounted to nearly \$139.1 million; imports, \$352.9 million.

## 26 MINING

In 2003 industrial production in the union of Serbia and Montenegro fell by 3% compared to 2002, although mining and quarrying operations reported a 1% increase from 2002. Aggregated production from the metals mining sector in 2003 fell by 33% from the previous year, although the output of basic metals increased by 2%. The country also confronted continuing economic sanctions and the loss of control of Kosovo, with its ores and production facilities for nickel, lead, zinc, coal, lignite, ferronickel, and tin-plate. In light of this, Serbia and Montenegro's gross domestic product (GDP) was officially reported to have increased by 3% in 2003. The country had significant capacities to produce refined aluminum, lead, silver, and zinc. In 2003, the output of bauxite fell by about 12% from 2002, although aluminum output remained at around 2002 levels. Although exports of primary aluminum and aluminum alloys grew by 18% in 2002, from 2001, eight-month data (January through August) for 2003 appeared to indicate a steep drop in those exports. Mining in Serbia dates back to the Middle Ages, when silver, gold, and lead were extracted.

Mine output of metals in 2003 were: lead ore (gross weight), 183,000 metric tons, down from 733,000 metric tons in 2000 and 284,000 metric tons in 2002; bauxite (gross weight), 540,000 metric tons, down from 612,000 metric tons in 2002 and from 630,000 metric tons in 2000; agglomerate iron ore and concentrate saw no recorded production from 2001 through 2003; and copper ore (gross weight), 5,710,000 tons, down from 12,896,000 tons in 2000 and from 7,968,000 tons in 2002. Production of silver in 2003 totaled 2,028 kg, down from 6,838 kg in 2002. Output of refined gold in 2003 was estimated at 600 kg, down from 900 kg in 2002. In 2003, the country also produced alumina, magnesium, palladium, platinum, and selenium. Among the industrial minerals produced were asbestos, bentonite, ceramic clay, fire clay, feldspar, pumice, lime, magnesite, mica, kaolin, gypsum, quartz sand, salt, nitrogen, caustic soda, sodium sulfate, sand and gravel, and stone.

## 27 ENERGY AND POWER

The Electric Utility Company of Serbia (EPS) has control over coal mines, electric power sources (hydroelectric power plants, thermal power plants, heating plants) and grid distribution systems. Serbia has abundant hydroelectric potential, but there are fre-

quent electrical blackouts and brownouts during the peak winter months. Since 1992 energy supplies have been interrupted by UN and US sanctions. Hydroelectric projects are located on the Danube, Drina, Vlasina, and Lim rivers. Thermal plants are located at Kostolac and in Kosovo. Total electrical generating capacity in 2002 was 9.6 million kW. Electric power production in that year amounted to 31.696 billion kWh, of which 67% was thermal and 33% hydroelectric. Consumption of electricity in 2002 was 33.090 billion kWh.

Serbia is the only Balkan country with substantial coal deposits. Proven reserves as of 1999 totaled 18.2 billion tons, 95% of which was lignite. The country's largest lignite mine has an annual capacity of 14,000 tons. Total coal output in 2002 was 39,568,000 short tons, of which lignite accounted for 39,445,000 short tons. Coal imports totaled 310,000 short tons in 2002, of which 171,000 short tons was hard coal.

Serbia has limited proven reserves of oil and natural gas. As of 1 January 2002, these reserves totaled 38.75 million barrels and 24.07 billion cu m, respectively. Production of crude oil in the union of Serbia and Montenegro in 2002 averaged 14,000 barrels per day. Refined petroleum product output in that year averaged 53,000 barrels per day. Imports of petroleum products in 2002 averaged 68,98 barrels per day, which included an average of 37,460 barrels per day of crude oil. Demand for refined oil products in 2002 averaged 83,82 barrels per day.

Natural gas production totaled 22.95 billion cu ft in 2002. Dry consumption totaled 80.87 billion cu ft. Dry gas imports totaled 59.68 billion cu ft in 2002.

## 28 INDUSTRY

Serbia contributed 35% to the total industrial production of the former Yugoslav SFR. Between 1989 and 1996, total industrial output fell by 60%. Production declines by sector during that time were as follows: metals and electrical products, 85%; textiles, leather, and rubber products, 75%; wood products, 63%; nonmetals, 56%; and chemicals and paper, 54%. In the mid-1990s, industry accounted for approximately 50% of the country's GDP.

The industrial production growth rate in 2000 was 11%, and industry accounted for 36% of GDP in 2001. Principal industries in Serbia include machine building (aircraft, trucks, automobiles, tanks and weapons, electrical equipment, agricultural machinery), metallurgy, textiles, footwear, foodstuffs, appliances, electronics, petroleum products, chemicals, and pharmaceuticals. The country produced 8,978 automobiles in 2001, a 30% decline from 2000; it also produced 555 heavy trucks in 2000, a 33% increase over 1999.

The industrial production growth rate in 2002 was only 1.2%, way under the real GDP growth rate—an indication that industry plays an increasing marginal role in the economy. In 2005, the industry of Serbia and Montenegro made up only 25.5% of the GDP. Agriculture contributed with 16.6%, and services came in first with 57.9%.

In 2000, there were 696,540 workers employed in industrial and mining companies in the Republic of Serbia, comprising 52% of the total active labor force. Small enterprises employed 82,273 workers, with 146,972 in medium-size and 457,286 in large enterprises. The Law on Privatization established conditions for reform of the industrial sector. Large industrial enterprises with financial

difficulties are obliged to undertake a program of restructuring, which, it is hoped, will further attract foreign investment.

### **29 SCIENCE AND TECHNOLOGY**

A large communications satellite station was made operational in Ivanica during the 1970s. Scientific and technological policies are developed and implemented by the Ministry of Science and Technology of the Republic of Serbia. As of 2002, there were a combined 1,330 scientists and 568 technicians engaged in research and development (R&D) per million people in the union of Serbia and Montenegro. There were 98 registered research institutions in Serbia and six public universities.

A nationwide scientific and technological development policy formulated in 1994 created 250 five-year basic research projects in all scientific disciplines.

### **30 DOMESTIC TRADE**

Belgrade serves as the economic and commercial center of the country. Pristina and Subotica serve as regional market centers. The domestic economy has been held back for the past few years due the lack of major privatization reforms and trouble in the general European economy. Hours of business are usually between 8 AM and 4 PM.

### **31 FOREIGN TRADE**

The United Nations imposed sanctions on international trade with Yugoslavia in May 1992 and lifted them in December 1995. During the war, when sanctions were in force, dozens of Cypriot companies, set up by senior Serbian officials and businessmen, trafficked millions of dollars in illegal trade.

Trade started to catch up in subsequent years, and in 2004 exports in the union of Serbia and Montenegro reached \$3.2 billion (FOB—Free on Board). In the same year, imports were almost triple that amount, at \$9.5 billion (FOB), indicating that the economy in the two republics was in disarray, but that the union was trying to renew its industrial base. Most of the import commodities included machinery and transport equipment, fuels and lubricants, manufactured goods, chemicals, food and live animals, and raw materials. The imports mainly came from Germany (18.5%), Italy (16.5%), Austria (8.3%), Slovenia (6.7%), Bulgaria (4.7%), and France (4.5%). Exports included manufactured goods, food and live animals, and raw materials, and largely went to Italy (which receive 29% of total exports), Germany (16.6%), Austria (7%), Greece (6.7%), France (4.9%), and Slovenia (4.1%).

Imports were expected to be constrained by tight fiscal and monetary policies, while exports will be encouraged through targeted policy measures, and as a result of a restructured and more competitive economic base.

### **32 BALANCE OF PAYMENTS**

The US Central Intelligence Agency (CIA) reported that in 2005 the purchasing power parity of Serbia and Montenegro's exports was \$5.485 billion while imports totaled \$11.94 billion.

Exports of goods and services totaled \$5.9 billion in 2004, up from \$4.2 billion in 2003. Imports grew from \$8.7 billion in 2003, to \$12.8 billion in 2004. Consequently, the resource balance was on a negative upsurge, growing from -\$4.5 billion in 2003, to -\$7.1 billion in 2004. A similar trend was registered for the current ac-

count balance, which deteriorated from -\$2.0 billion in 2003, to -\$3.1 billion in 2004. The national reserves (including gold) were \$3.6 billion in 2003, covering less than 6 months of imports; by 2004, they increased to \$4.3 billion.

### **33 BANKING AND SECURITIES**

Serbia's banking system was still hampered by the history of international sanctions. Banks are severely hampered by a lack of liquidity, a result of the tight monetary policy prevalent in the country.

### **34 INSURANCE**

Insurance of public transport passengers, motor vehicle insurance, aircraft insurance, and insurance on bank deposits are compulsory. Only domestic insurance companies may provide insurance. In 2003, the value of all direct insurance premiums written in the union of Serbia and Montenegro totaled \$436 million, of which nonlife premiums accounted for \$420 million. In that same year, the top nonlife insurer was Dunav, which had gross written nonlife premiums of \$138.6 million, while the country's leading life insurer was Zepter, which had gross written life insurance premiums of \$7.1 million.

### **35 PUBLIC FINANCE**

The US Central Intelligence Agency (CIA) estimated that in 2005 the union of Serbia and Montenegro's central government took in revenues of approximately \$11.4 billion and had expenditures of \$11.1 billion. Revenues minus expenditures totaled approximately \$330 million. Public debt in 2005 amounted to 53.1% of GDP. Total external debt was \$15.43 billion.

### **36 TAXATION**

The republic of Serbia has a standard corporate tax rate of 10%. Capital gains derived from the sale of industrial property rights, real estate, shares and other securities, and capital participations are considered taxable income, and are taxed at the corporate rate. However, gains arising from certain government bonds or from bonds issued by the national bank are excluded from the tax. Dividends, interest and royalties are subject to a 20% withholding tax. Other taxes includes a value-added tax (VAT), with a standard rate of 18% and a lower rate of 8%, property taxes, transfer taxes, a tax on financial transactions, payroll taxes, and social security contributions. In Serbia, the republic government, rather than the city governments, collects local taxes and then disperses part of the funds to city officials. Local factories pay no city taxes in Serbia.

### **37 CUSTOMS AND DUTIES**

Serbia's has six tariff rates that range from 1–30%, with a weighted duty average of 9.37%. Serbia applies a VAT of 18%, with an 8% reduced rate for basic foodstuffs, medicines, published materials, public utilities and certain services. Serbia imposes excise taxes on certain luxury goods.

Serbia has established free trade zones (FTZ) in Smedererro, Kovin, Nis, Belgrade, Novi Sad, Šabac, Pahovo, Sombor, Sremska Mitrovica, Subotica, and Zrenjanin.

### 38 FOREIGN INVESTMENT

Foreign investment was severely restricted during the years of the economic embargo. Since the sanctions have been lifted, foreign investors from neighboring countries, Russia, and Asia have expressed an interest in capital investment. The main sectors attracting the interest of foreign investors are metal manufacturing and machinery, infrastructure improvement, agriculture and food processing, and chemicals and pharmaceuticals. Foreign investors may hold majority shares in companies.

In 1997, foreign direct investment (FDI) inflows into the former Yugoslavia reached \$740 million, but dried up with the onset of the conflict in Kosovo. FDI inflows averaged \$122.5 million in 1998 and 1999, then fell to \$25 million in 2000. In 2001, FDI inflow reached \$125 million.

In the following years, Serbia and Montenegro undertook an aggressive program of reforms aimed at both re-establishing the area as a major transportation hub, and at attracting foreign investment. These policies seem to have paid off as in 2004, capital inflows jumped to \$3.4 billion. While Serbia is still considered to be a risky place for doing business, the political and economic climate is steadily improving.

### 39 ECONOMIC DEVELOPMENT

Officials in general see revitalization of the infrastructure (roads, rail and air transport, telecommunications, and power production) as one step toward economic recovery. Another important aspect of economic reconstruction will be the revival of former export industry, such as agriculture, textiles, furniture, pharmaceuticals, and nonferrous metallic ores.

The Kosovo war in 1999 left much of Serbia's infrastructure in ruins, but reconstruction efforts were proceeding slowly in the early 2000s. The new government that came to power in 2000 faced numerous economic challenges. Nevertheless, inflation decreased sharply from 113% at the end of 2000 to 23% in April 2002. In 2002, the International Monetary Fund (IMF) approved a three-year \$829 million Extended Arrangement to support Serbia and Montenegro's (then Yugoslavia's) 2002–05 economic program. In 2002, the dinar became convertible. Privatization has been slow, and foreign direct investment lagged in the early 2000s.

While politically, and economically, Serbia is much more stable than in previous years, the economy is still in a quasi-state of disarray, with rampant unemployment, with a large grey market, and a relapsing industrial base. Foreign investors, as well as several international financial institutions (EBRD, IMF, and the World Bank), have recognized economic reforms as being positive, and in 2004 increased their capital transfers to the region.

In 2005 there was a boom in several sectors: trade, financial services and transport and communications. The growth is to be sustained by continued investment in newly privatized companies, by strong local demand, and by an expansion of the services sector.

### 40 SOCIAL DEVELOPMENT

A social insurance system, updated in 2003, provides old age, disability, and survivorship benefits. The pension plan is funded by contributions from both employers and employees. The retirement varies depending on years of insurance; retirement from insured employment is necessary. Each Republic provides its own

system for sickness and maternity benefits. Medical services are provided directly to patients through government facilities. Workers' compensation, unemployment benefits, and family allowances are also available. Family allowances vary according to the number of children in the family are adjusted periodically for cost of living changes.

Traditional gender roles keep women from enjoying equal status with men and few occupy positions of leadership in the private sector. However, women are active in human rights and political organizations. High levels of domestic abuse persist and social pressures prevent women from obtaining protection against abusers.

The government's human rights record remains poor and is additionally marred by the crisis in Kosovo, where police are responsible for beatings, rape, torture, and killings, committed with impunity. In May 1999, the International Criminal Tribunal for the former Yugoslavia in The Hague indicted Yugoslavian president Slobodan Milosevic for war crimes against the citizens of Kosovo. Milosevic was brought to trial at The Hague in 2002 for war crimes and crimes against humanity in Kosovo and Croatia, and for war crimes, crimes against humanity, and genocide in Bosnia and Herzegovina; in March 2006 Milosevic died in prison before a verdict could be decided.

### 41 HEALTH

The government provides obligatory health care to citizens for preventive, diagnostic, therapeutic, and rehabilitative services. There were 228 health institutions and about 3,000 other clinics, mostly private in Serbia and Montenegro in the mid-2000s. As of 2004, there were an estimated 20 physicians per 100,000 people. The University Clinical Center in Belgrade conducts about nine million examinations and 46,000 emergency operations per year and functions as one of the World Health Organization's largest diagnostic and referral centers.

In 2005 infant mortality in the union of Serbia and Montenegro was reported at 15.53 per 1,000 live births. Overall mortality was 9.7 per 1,000 people in the Republic of Serbia. Average life expectancy in 2005 in the union was 74.73 years.

The HIV/AIDS prevalence was 0.20 per 100 adults in 2003 in the union of Serbia and Montenegro. As of 2004, there were approximately 10,000 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

### 42 HOUSING

At the beginning of 1996, the former Yugoslavia had 3,124,000 dwellings, with an average of 3.4 persons per dwelling. Housing area at that time averaged 20 sq m (215 sq ft) per person. New housing completions during 1995 totaled 14,337 units, of which 11,847 were in the public sector, and 2,490 were in the private sector. According to a 1999 assessment, it was estimated that about 120,000 dwellings were damaged or destroyed in Kosovo due to internal conflicts. About 50,000 homes had been damaged in Serbia. Overcrowding, particularly in urban areas, has become more of a problem as Serbian refugees have returned from Croatia and Bosnia and Herzegovina. In 2002, the nation counted about 2,790,411 households with an average of 2.89 people per household.

### 4<sup>3</sup> EDUCATION

As of 2005/2006, education was compulsory for nine years of primary school. This may be followed by three years of secondary school, with students having the option to attend general, vocational, or art schools. The academic year runs from October to July. In 2001, about 43% of children between the ages of three and six in the union of Serbia and Montenegro were enrolled in some type of preschool program. Primary school enrollment in 2001 was estimated at about 96% of age-eligible students. The same year, secondary school enrollment was about 82% of age-eligible students. It is estimated that about 96% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 20:1 in 2000; the ratio for secondary school was about 14:1.

Serbia has six universities (at Belgrade, Novi Sad, Pristina, Nis, and Kragujevac) with 76 academic departments. In 2001, it was estimated that about 36% of the tertiary age population in the union of Serbia and Montenegro were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 96.4%.

As of 2003, public expenditure on education was estimated at 3.3% of GDP.

### 4<sup>4</sup> LIBRARIES AND MUSEUMS

The National Library of Serbia (1.6 million volumes) is in Belgrade. The Matica Srpska Library has over 3 million volumes in holdings. The Serbian Academy of Arts and Sciences in Belgrade has about one million volumes and the library system at the University of Belgrade has 1.45 million volumes. The Belgrade City Library is the largest public lending library system in the country; the network contains 14 branches and over 1.7 million items in collection.

Serbia has over 2,500 cultural monuments, including about 100 museums and 37 historical archives libraries. The Belgrade National Museum, founded in 1844, includes exhibits featuring national history, archaeology, medieval frescoes, and works by Yugoslavian and other European artists. Belgrade also has the Museum of Modern Art, the Museum of the Serbian Orthodox Church, the Museum of Natural History, and the Museum of Science and Technology, which opened in 1989.

### 4<sup>5</sup> MEDIA

In 2003, there were an estimated 243 mainline telephones for every 1,000 people in the union of Serbia and Montenegro; about 313,500 people were on a waiting list for telephone service installation. The same year, there were approximately 338 mobile phones in use for every 1,000 people. PTT Serbia is the monopoly owner/operator of Serbia's telecom network. There are 2.2 million installed fixed lines (700,000 are duplex shared lines) in the republic.

In Serbia and Montenegro, only the RTS television network was owned by the state; the other six (BK, TV Studio Spectrum Čačak, Kanal 9 Kragujevac, Pink, Palma, and Art Kanal) are privately owned. The ownership and editorial positions of television and radio stations usually reflects regional politics. Government control over independent broadcasts and the print media has discouraged political opposition parties that have called for greater democracy

and a more open economy. In 2004, Serbia and Montenegro had about 297 radios and 282 television sets for every 1,000 people. The same year, there were 27.1 personal computers for every 1,000 people and 79 of every 1,000 people had access to the Internet. There were nine secure Internet servers in the country in 2004.

In 1791, the first Serbian-language newspaper was published in Vienna, Austria. Privately owned newspapers are sometimes critical of the government. The dailies with the largest circulation (as of 2002) are *Politika* (Politics, 300,000) and *Vecernje Novosti* (Evening News, 169,000). Other newspapers that are essentially controlled by the government, include (with 2002 circulation) *Borba* (85,000), *Jedinstvo* (6,090), *Dnevnik* (61,000), and *Pobjeda* (19,400). There are several minority language newspapers.

While the government provides for freedom of speech and of the press, libel suits have been fairly prevalent and some media sources have practiced self-censorship in order to avoid problems with government officials.

### 4<sup>6</sup> ORGANIZATIONS

The Chamber of Commerce and Economy of Serbia is located in Belgrade.

The Matica Srpska was founded in Novi Sad in 1824 as a literary and cultural society. The Serbian Academy of Science and Art was founded in Belgrade in 1886. There are several organizations for professional journalists, including the Journalists' Federation of Yugoslavia, the Journalists' Association of Serbia, Independent Journalists' Association, and the Association of Private Owners of the Media.

National youth organizations include the Bureau of International Cooperation of Youth of Serbia, Union of Socialist Youth of Yugoslavia, and the Junior Chamber. Scouting organizations are also active. The Child Rights Centre and Child to Child are national groups working to promote the rights of children and youth. Creative Youth of Novi Sad offers a variety of educational, volunteer, and development programs for youth as well. There are a variety of sports associations available promoting amateur competition among athletes of all ages. There are active chapters of the Paralympic Committee, as well as a national Olympic Committee. There is a national chapter of the Red Cross Society.

### 4<sup>7</sup> TOURISM, TRAVEL, AND RECREATION

Rich architecture, museums, galleries, cathedrals, parks, and rivers, are just some of the attractions that bring visitors to Serbia. The largest two of Serbia's five national parks are Djerdap (64,000 ha/158,000 acres) and Sar planina (39,000 ha/96,000 acres). Serbia has dozens of spa resorts such as Vrnjacka Banja, Mataruska Banja, and Niska Banja. Serbia has three UNESCO heritage sites. Popular sports in Serbia are rafting, hunting, fishing, skiing, and cycling.

All visitors need a valid passport to enter Serbia. Serbia requires an onward/return ticket, sufficient funds for the stay, and a certificate showing funds for health care. Visas are required for all nationals except those of 41 countries including the United States, Australia, and Canada.

In 2003, about 1.4 million tourists arrived in Serbia and Montenegro, of whom 93% came from Europe. Hotel rooms numbered 2,435 with 4,926 beds and an occupancy rate of 46%

According to 2005 US Department of State estimates, the cost of staying in Belgrade was \$340 per day. The daily costs elsewhere in the country averaged \$157.

#### 48 FAMOUS SERBS

Sava Rastko Nemanjić (c.1174–1235) was the first Serbian archbishop and a writer who became one of Serbia's most prominent figures of the Middle Ages. Vuk Stefanović Karadžić (1787–1864) reformed the Serbian language by clarifying grammar, standardizing the spelling, and compiling a dictionary. Dositej Obradović (1742–1811) was a famous writer, philosopher, and teacher.

Djordje Petrović Karadjordje (1768–1817) led a rebellion against the Turks in 1804. Zivojin Misić (1855–1921) was a distinguished military leader during World War I. Prince Miloš Obrenović (r.1815–1839) founded the Obrenović dynasty and ruled Serbia as an absolute monarch. King Alexander of Yugoslavia (1888–1934) was assassinated in Marseille, France. Prince Paul of Yugoslavia (1893–1976) ruled as a regent for Peter II (1923–70) from 1934 to 1941 and was forced into exile after signing a secret pact with the Nazi government.

Slobodan Milošević (1941–2006) was elected president of Serbia in 1990 and 1992 before being elected president of Yugoslavia in July 1997. He came before the UN's International Criminal Tribunal for the Former Yugoslavia in 2002 for genocide, crimes against humanity, and war crimes, and died of a heart attack in his cell just months before the trial was due to end.

Ibrahim Rugova (1944–2006) was president of Kosovo and its leading political party, the Democratic League of Kosovo (LDK). During the many conflicts in Kosovo, Rugova was regarded as a moderate ethnic Albanian leader, and later by some as "Father of the Nation."

Ivo Andrić (1892–1975) received the Nobel Prize for Literature in 1961. Danilo Kiš (1935–89) established his reputation with his work *A Tomb for Boris Davidovich* (1976). Other notable Serbian authors include Meša Selimović, Miloš Crnjanski, Milorad Pavić, Dobrica Ćosić and David Albahari. Anastas Jovanović (1817–99) was a pioneering photographer. Kirilo Kutlik set up the first school of art in Serbia in 1895. Nadežda Petrović (1873–1915) was influenced by Fauvism while Suva Šumanović worked in Cubism. Other Serbian artists include Milan Konjović, Marko Čelebonović, Petar Lubarda, Milo Milunović, and Vladimir Veličković.

#### 49 DEPENDENCIES

Serbia has no dependencies or territories.

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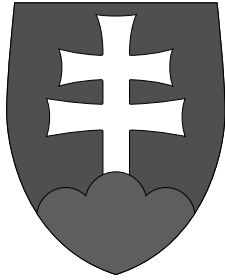
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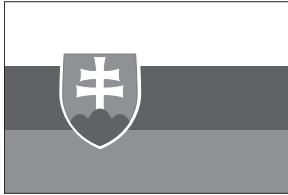
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# SLOVAKIA

Slovak Republic  
*Slovenska Republika*



**CAPITAL:** Bratislava

**FLAG:** Horizontal bands of white (top), blue, and red superimposed with a crest of a white double cross on three blue mountains.

**ANTHEM:** *Nad Tatru sa blyska (Over Tatra it lightens).*

**MONETARY UNIT:** The currency of the Slovak Republic is the Slovak koruna (SK) consisting of 100 hellers, which replaced the Czechoslovak Koruna (KCS) on 8 February 1993. There are coins of 10, 20, and 50 hellers and 1, 2, 5, and 10 korun, and notes of 20, 50, 100, 500, 1,000, and 5,000 korun. SK1 = \$0.03333 (or \$1 = SK30) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; May Day, 1 May; Anniversary of Liberation, 8 May; Day of the Slav Apostles, 5 July; Anniversary of the Slovak National Uprising, 29 August; Reconciliation Day, 1 November; Christmas, 24–26 December. Movable holiday is Easter Monday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Slovakia is a landlocked country located in Eastern Europe. Comparatively, it is about twice the size of the state of New Hampshire with a total area of 48,845 sq km (18,859 sq mi). Slovakia shares boundaries with Poland on the N, Ukraine on the E, Hungary on the S, and Austria and the Czech Republic on the W, and has a total boundary length of 1,355 km (842 mi). Slovakia's capital city, Bratislava, is located on the southwestern border of the country.

## <sup>2</sup>TOPOGRAPHY

The topography of Slovakia features rugged mountains in the central and northern part of the country, and lowlands in the south. The High Tatras (Tatry) mountains along the Polish border are interspersed between many lakes and deep valleys. The highest peak in the country, Gerlachovský štít, is found in the High Tatras with an elevation of 2,655 m (8,711 ft). Bratislava is situated in Slovakia's only substantial region of plains, where the Danube River forms part of the border with Hungary.

## <sup>3</sup>CLIMATE

Slovakia's climate is continental, with hot summers and cold winters. In July the mean temperature is 21°C (70°F). January's mean temperature is -1°C (30°F). Rainfall averages roughly 49 cm (19.3 in) a year and can exceed 200 cm (80 in) annually in the High Tatras.

## <sup>4</sup>FLORA AND FAUNA

Some original steppe grassland areas can be found in the southwestern lowland region, where marsh grasses and reeds are also abundant. While oak is a primary tree found in the lowlands, beech, spruce, pine, and mountain maple are found on mountain

slopes. Alpine meadows include carnations, glacial gentians, and edelweiss. The High Tatras support the growth of many types of moss, lichens, and fungi. Mammals found in the country include fox, rabbits, and wild pig. A wide variety of birds inhabit the valleys of Slovakia. Carp, pike, and trout are found in the country's rivers, lakes, and streams. As of 2002, there were at least 85 species of mammals, 199 species of birds, and over 3,100 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Like the Czech Republic, Slovakia has had its air contaminated by sulfur dioxide emissions resulting from the use of lignite as an energy source by the former Czechoslovakia, which once had the highest levels of sulfur dioxide emissions in Europe. Slovakia instituted a program to reduce pollution in the late 1980s. Air pollution by metallurgical plants endangers human health as well as the environment, and lung cancer is prevalent in areas with the highest pollution levels. Airborne emissions in the form of acid rain, combined with air pollution from Poland and the former German Democratic Republic, have damaged Slovakia's forests. Land erosion caused by agricultural and mining practices is also a significant problem.

There are 13 Ramsar wetland sites in the country and 2 natural UNESCO World Heritage sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 7 types of mammals, 11 species of birds, 1 type of reptiles, 8 species of fish, 6 types of mollusks, 13 species of other invertebrates, and 2 species of plants. Threatened species include the Danube salmon, marsh snail, and false ringlet butterfly.

## 6 POPULATION

The population of Slovakia in 2005 was estimated by the United Nations (UN) at 5,382,000, which placed it at number 109 in population among the 193 nations of the world. In 2005, approximately 12% of the population was over 65 years of age, with another 18% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be stagnant at 0.0%, a rate the government viewed as too low. The projected population for the year 2025 was 5,237,000. The overall population density was 110 per sq km (284 per sq mi), with the highest density concentrated in the river valleys.

The UN estimated that 56% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.57%. The capital city, Bratislava, had a population of 425,000 in that year. Košice had a population of 242,066.

## 7 MIGRATION

Slovakia receives about 400 refugees every year. In April 1999 Slovakia granted temporary protection to 90 refugees from Kosovo. Of these, 70 left Slovakia in July 1999 and returned home. In 2004, Slovakia had 409 refugees, and maintained higher numbers of asylum seekers, including 2,916 from India, China, Russia, and Armenia. In 2005, the net migration rate was an estimated 0.3 migrants per 1,000 population.

## 8 ETHNIC GROUPS

The population is about 85.8% Slovak according to the latest census (2001). Hungarians, heavily concentrated in southern border areas, total 10.6%. While the census reported that Roma make up about 1.6% of the populace, unofficial estimates place the number at about 7%. Czechs, Ruthenians, Ukrainians, Germans, Poles, and various other groups account for the remainder.

## 9 LANGUAGES

Slovak is the official language, spoken by about 83.8% of the population. It belongs to the western Slavic group and is written in the Roman alphabet. There are only slight differences between Slovak and Czech, and the two are mutually intelligible. Slovak lacks the *ě*, *ů*, and *ř* in Czech but adds *ä*, *ľ*, *ô*, and *í*. As in Czech, *q*, *w*, and *x* are found only in foreign words. A minority language like Hungarian may be used for official business if its speakers make up at least 20% of the population on the local level.

## 10 RELIGIONS

The Slovak Republic has been a strongly Catholic region, even during the period of communist repression of religion from 1944–89. According to the 2001 census, about 69% of the population were Roman Catholics. About 7% of the population were Augsburg Lutheran, 4% were Byzantine Catholics, 2% were members of the Reformed Christian Church, and 1% were Orthodox. Other registered groups include Jehovah's Witnesses, Baptists, Brethren Church members, Seventh-Day Adventists, Apostolic Church members, Evangelical Methodists, and members of the Christian Corps in Slovakia and the Czechoslovak Hussite Church. There

are small communities of Muslims and Jews. About 12% of the population claimed no religious affiliation.

There are about 30 unregistered groups in the country, including: Hare Krishnas, Shambaola Slovakia, Shri Chinmoy, Zazen International Slovakia, Zen Centermyo Sahn Sah, the Church of Scientology, the Baha'i Faith, the Society of Friends of Jesus Christ (Quaker), Nazarenes, and the Church of Jesus Christ of Latter-day Saints (Mormon).

The constitution provides for freedom of religion and this right is generally respected in practice. While there is no specific state religion, the government signed an international treaty with the Vatican in 2001 which creates a special relationship between the state and the Roman Catholic Church. Though the government has signed special agreements with at least 11 other religious groups within the country, these agreements are subject to national law, while the Vatican agreement is governed by international law, making the latter more difficult to amend. The government offers subsidies to registered religious groups based on the number of clergy within the organization. Since the Catholic Church is the predominant religion, this church receives the largest amount of money.

## 11 TRANSPORTATION

There were some 3,662 km (2,277 mi) of broad, standard and narrow gauge railroads in 2004, primarily consisting of the Bratislava-Koice route. Of that total, standard gauge railways predominated at 3,512 km (2,184 mi), followed by 100 km (62 mi) of broad gauge.

The road system totaled 42,970 km (26,727 mi) in 2002, of which 37,698 km (23,448 mi) were paved, including 302 km (188 mi) of expressways. In 2003, there were 1,356,185 passenger cars and 161,559 commercial vehicles registered for use.

As an inland country, Slovakia relies on the Danube, 172 km (45 mi), for transportation of goods. Bratislava and Komárno are the major ports on the Danube, which connects with the European waterway system to Rotterdam and the Black Sea. In 2005, Slovakia's merchant fleet was comprised of 24 ships of 1,000 GRT or more, totaling 41,891 GRT.

Slovakia had an estimated 34 airports in 2004. As of 2005 a total of 17 had paved runways, and there was also a single heliport. Air service in Slovakia is conducted primarily through M.R. Stefanik Airport at Bratislava. In 2003, about 208,000 passengers were carried on scheduled domestic and international airline flights.

## 12 HISTORY

The first known peoples of the territory of present-day Slovakia were Celts, who lived in the region about 50 BC. The Celts were pushed out by Slavs, who moved in from the east at the beginning of the modern era. A Frankish merchant named Samo formed the first unified state in the region in the mid-7th century. The Moravia Empire appeared in the 9th century, incorporating parts of present-day Slovakia. Although the first Christian missionaries active in the area were Orthodox (including the monks Cyril and Methodius, who introduced an alphabet of their own invention—still called Cyrillic—in which to write the Slavic languages), it was the Roman church that eventually established dominance. At the end of the 9th century the Magyars (Hungarians) began to move into Slovakia, incorporating the territory into their own.



LOCATION: 47°44' to 49°37' N; 16°51' to 22°34' E. BOUNDARY LENGTHS: Total boundary lengths, 1,355 kilometers (842 miles); Austria, 91 kilometers (57 miles); Czech Republic, 215 kilometers (134 miles); Hungary, 515 kilometers (320 miles); Poland, 444 kilometers (275 miles); Ukraine, 90 kilometers (56 miles).

For many centuries the Hungarians treated the Slovaks as subject people, so it was not until the 13th century, when Hungary had been ravished by Tatar invasions, that the territory began to develop. Some contact with the Czechs, who speak a closely related language, began in the early 15th century, as refugees from the Hussite religious wars in Bohemia moved east.

After the Turkish victory at Mohacs in 1526 the Kingdom of Hungary was divided into three parts; so-called "Royal Hungary," which included Slovakia, was passed to the rule of the Hapsburg dynasty. Bratislava became the Hapsburg capital until the end of the 17th century, when the Turks were driven from Hungarian territory, and the Hungarian capital moved to Budapest. Although there was some religious spillover of Protestantism from the west, Slovakia was solidly in control of the Catholic Counter-Reformation, establishing the long tradition of strong church influence in the region.

In the late 18th century the attempt of the Hapsburg rulers, especially Josef II (1765–1790), to germanify the empire led to a rise in Hungarian nationalism, which in turn stimulated a rise in Slovak national self-consciousness. During the 1848 Revolution a program, "Demands of the Slovak Nation," was formulated, which called for the use of Slovak in schools, courts, and other settings, and demanded creation of a Slovak assembly. These demands were rejected, and the Hungarians continued their efforts to suppress Slovak nationalism. When the Austro-Hungarian Empire was

formed in 1867, the Hungarians began a program of intense Magyarification. In the absence of a Slovak intellectual elite, nationalistic ideals were largely maintained by the local clergy.

When World War I began the Slovaks joined with the Czechs and other suppressed nationalities of the Austro-Hungarian Empire in pushing for their own state. Czech and Slovak immigrants in America were united in their efforts to prod the United States to recognize a postwar combined Czech and Slovak state. The Czechs declared independence on 28 October 1918, and the Slovaks seceded from Hungary two days later, to create the Czecho-Slovak Republic.

The relationship between the two parts of the new state was never firmly fixed. The Czech lands were more developed economically, and Czech politicians dominated the political debate. Although they were supported by a portion of Slovak society, there remained a large constituency of Slovak nationalists, most of them in Jozef Tiso's People's Party, who wanted complete independence.

Attempts to deal with Slovak separatist sentiments occupied a good deal of legislative time during the first Czechoslovak Republic, particularly since economic development continued to favor the Czech lands over the Slovak.

In 1938 Adolph Hitler demanded that the Sudeten German area, in the Czech part of the country, be ceded to Germany. Representatives of Germany, Italy, France, and the United Kingdom met



in Munich, without participation by Czechoslovakia, and decided that in order to achieve “peace in our time” Germany could occupy the Sudetenland, which it did in October 1938. Slovak nationalists argued that once the dismemberment of Czechoslovakia had begun, they too should secede, particularly because both Poland and Hungary also took advantage of the situation to seize parts of Slovakia. When Hitler’s forces seized Prague in March 1939, a separate Slovak state was declared, which immediately fell under Nazi domination. Although nominally independent, the Slovakia of President Tiso was never more than a Nazi puppet.

During the war Slovak leaders like Stefan Osusky and Juraj Slavik cooperated with E. Benes’ Czechoslovak government-in-exile, headquartered in London. There was also a small group of Slovak communists who took refuge in Moscow. In December 1943 a Slovak National Council was formed in opposition to the Tiso government, with both democratic and communist members. They began an uprising in Banska Bystrica in August 1944, which failed because of lack of support by both the West and the Soviet Union. When the war ended, the Slovak National Council took control of the country. Soviet attempts to use Slovak nationalism as a tool of control failed in the 1946 elections, when noncommunist parties received 63% of the vote. The communists switched their tactics to encouraging civil disorder and arresting people accused of participation in the wartime Slovak government. Tiso himself was executed in 1947.

Elsewhere in Czechoslovakia, the communists had been the largest vote getters in the 1946 elections, but in 1948 it seemed that they might lose. Rather than risk the election, they organized a Soviet-backed coup, forcing President Benes to accept a government headed by Klement Gottwald, a communist. Benes resigned in June 1948, leaving the presidency open for Gottwald, while A. Zapotocky became prime minister.

Once Czechoslovakia became a People’s Republic, and a faithful ally of the Soviet Union, a wave of purges and arrests rolled over the country, from 1949 to 1954. In 1952 a number of high officials, including Foreign Minister V. Clementis and R. Slansky, head of the Czech Communist Party, were hanged for “Tito-ism” and “national deviation.”

Gottwald died in March 1953, a few days after Stalin, setting off the slow erosion of communist control. Zapotocky succeeded to the presidency, while A. Novotny became head of the party; neither had Gottwald’s authority, and so clung even more tightly to the Stalinist methods, which, after Nikita Khrushchev’s secret denunciation of Stalin in 1956, had begun to be discredited even in the USSR. Novotny became president upon Zapotocky’s death in 1957, holding Czechoslovakia in a tight grip until well into the 1960s.

Khrushchev’s liberalization in the USSR encouraged liberals within the Czechoslovak party to try to emulate Moscow. Past abuses of the party, including the hanging of Slansky and Clementis, were repudiated, and Novotny was eventually forced to fire many of his most conservative allies, including Karol Bacilek, head of the Slovak Communist Party, and Viliam Siroky, premier for more than a decade. Slovaks detested both men because of their submission to Prague’s continued policies of centralization, which in practice subordinated Slovak interests to those of the Czechs.

Alexander Dubček, the new head of the Slovak Communist Party, attacked Novotny at a meeting in late 1967, accusing him

of undermining economic reform and ignoring Slovak demands for greater self-government. Two months later, in January 1968, the presidency was separated from the party chairmanship, and Dubček was named head of the Czechoslovak Communist Party, the first Slovak ever to hold the post.

Novotny resigned in March 1968, and Czechoslovakia embarked on a radical liberalization, which Dubček termed “socialism with a human face.” The leaders of the other eastern bloc nations and the Soviet leaders viewed these developments with alarm. Delegations went back and forth from Moscow during the “Prague Spring” of 1968, warning of “counter-revolution.” By July the neighbors’ alarm had grown; at a meeting in Warsaw they issued a warning to Czechoslovakia against leaving the socialist camp. Although Dubček himself traveled to Moscow twice, in July and early August, to reassure Soviet party leader Brezhnev, the Soviets remained unconvinced.

Finally, on the night of 20–21 August 1968, military units from all the Warsaw Pact nations except Romania invaded Czechoslovakia, to “save it from counter-revolution.” Dubček and other officials were arrested, and the country was placed under Soviet control. Difficulties in finding local officials willing to act as Soviet puppets caused the Soviets to play on Czech and Slovak antagonisms. On 31 December 1968 the country was made into a federative state, comprised of the Czech Socialist Republic and the Slovak Socialist Republic, each with its own legislature and government. In April Gustav Husak, once a reformer, but now viewing harmony with the USSR as the highest priority, was named head of the Czech Communist Party. A purge of liberals followed, and in May 1970 a new Soviet-Czechoslovak friendship treaty was signed; in June Dubček was expelled from the party.

Between 1970 and 1975 nearly one-third of the party was dismissed, as Husak consolidated power, re-establishing the priority of the federal government over its constituent parts and, in May 1975, reuniting the titles of party head and republic president.

Once again it was liberalization in the USSR which set off political change in Czechoslovakia. Husak ignored Soviet leader Mikhail Gorbachev’s calls for perestroika and glasnost until 1987, when he reluctantly endorsed the general concept of Party reform, but delayed implementation until 1991. Aging and in ill health, Husak announced his retirement in December 1987, declaring that Milos Jakes would take his post; Jakes had been a life-long compromiser and accommodator who was unable to control dissenting factions within his party, which were now using the radical changes in the Soviet Union as weapons against one another.

Enthusiasm for political change was not as great in Slovakia as it was in the Czech west, where in November 1989 people had begun to gather on Prague’s Wenceslas Square, demanding free elections. The so-called “velvet revolution” ended on 24 November, when Jakes and all his government resigned. Novotny resigned his presidency soon after.

Alexander Dubček was brought out of exile and put forward as a potential replacement, but the hostility of Czech intellectuals and activists, who felt that they had to drag unwilling Slovaks into the new era, made it impossible to choose a Slovak as president. The choice fell instead on Vaclav Havel, a Czech playwright and dissident, who was named president by acclamation on 29 December 1989, while Dubček was named leader of the National Assembly.

Dismantling the apparatus of a Soviet-style state began immediately, but economic change came more slowly, in part because elections were not scheduled until June 1990. The old struggle between Czechs and Slovaks intensified, as Slovaks grew increasingly to resist the programs of economic and political change being proposed in Prague. Slovak demands led to an almost immediate renaming of the country, as the Czech and Slovak Federal Republic.

In the June elections the Slovaks voted overwhelmingly for Public Against Violence, the Slovak partner of the Czech Civic Forum, which meant that economic transformation was begun. Again there was much greater enthusiasm for returning to private ownership in the west than there was in the east, intensifying Slovak separatism. In December 1990 the country's Federal Assembly attempted to defuse the problem by increasing the roles of the Czech and Slovak regional governments, but it also gave President Havel extraordinary powers, to head off attempts at Slovak secession. The nationalists found an articulate and persuasive voice for growing separatist sentiments in Vladimir Meciar, the Slovak premier.

During a visit to Bratislava in March 1991, President Havel was jeered by thousands of Slovaks, making obvious the degree of Slovak discontent. Meciar was replaced in April 1991, by Jan Carnogursky, but the easing of tensions was only temporary, since Carnogursky, too, favored an independent Slovakia.

By June 1992 matters had reached a legislative impasse, so new federal elections were called. Slovakia chose to hold elections for its National Council at the same time. In July the new Slovak legislature issued a declaration of sovereignty and adopted a new constitution as an independent state, to take effect 1 January 1993. Throughout 1991 and 1992 a struggle followed, with the Federal Assembly and president on one side, trying to devise ways of increasing the strength of the federal state, and the Czech and Slovak National Councils, or legislatures, on the other, seeking to shore up their own autonomy at the expense of the central authorities. Although polls indicated that most Slovaks continued to favor some form of union with the Czechs, the absence of any national figure able or willing to articulate what form that union might take, left the field to the separatists and the charismatic Meciar.

In the federal election the vote split along national and regional lines, with the Czechs voting for right-of-center, reformist candidates, especially Vaclav Klaus's Civic Democratic Party, while the Slovaks voted for leftist and nationalist parties, especially Vladimir Meciar's Movement for a Democratic Slovakia (MDS). Although the federal government and President Havel continued to try to hold the state together, Czech Prime Minister Klaus made it clear that the Czechs would offer no financial incentives or assistance to induce the Slovaks to remain in the union. Increasingly the republics began to behave as though they were already separate so that, for example, by the end of 1992, 25.2% of Czech industry had been privatized, while only 5.3% of Slovak industry had. By the end of 1992 it was obvious that separation was inevitable. The two prime ministers, Klaus and Meciar, agreed to the so-called "velvet divorce," which took effect 1 January 1993. Czechs and Slovaks alike have objected that this move was never put to a popular referendum.

The new constitution created a 150-seat National Assembly, which elects the head of state, the president. Despite the strong

showing of his party, Prime Minister Meciar was unable to get his first candidate through, and so put up Michal Kovac, a Dubček supporter and former finance minister in Slovakia, who had served as the last chairman of Czechoslovakia's federal parliament.

The Meciar government rejected the moves toward political and economic liberalization which the Czechs were pursuing, attempting instead to retain a socialist-style government, with strong central control. Swift economic decline, especially relative to the Czech's obviously growing prosperity, combined with Meciar's own erratic and autocratic manner, caused him to lose a vote of no-confidence in March 1994.

Kovac was elected for a five-year term by the National Parliament on 8 February 1993; on 12 December 1994 he appointed Meciar prime minister. Meciar's party (MDS), which won 35% of the vote in the 1994 elections, formed a ruling government with the Slovak National Party and the Association of Slovak Workers. However, Meciar again was slow to implement economic reforms, and his attempts to consolidate his power via undemocratic legislation were rebuffed in 1996 by President Kovac. The MDS-led coalition government managed to remain in power until the September 1998 elections. During the MDS era, opportunities to privatize state-owned property were used to reward political loyalty, and election laws were changed in a way that favored the MDS. Much of the legislation introduced by the Meciar government was found to be unconstitutional.

Under the new election laws, the Slovak Democratic Coalition (SDC) was formed by five small political groups in 1997. Mikulas Dzurinda was its leader. Elections held in September 1998 saw the SDC gain 26.33% of the vote. On 30 October 1998, SDC formed a coalition government with Dzurinda as prime minister.

In January 1999, parliament passed a new law allowing for the direct election of the president. Presidential elections were held on 15 and 29 May, and in the second round, Rudolf Schuster of the small centrist Party of Civic Understanding (SOP) was elected with 57.2% of the vote over Meciar (42.8%). The Organization for Security and Cooperation in Europe (OSCE) found the elections to be free and fair. In July 1999, a law was passed improving the status of minority languages. In February 2001, parliament amended the constitution as a step toward gaining membership in the EU and NATO. Among the 85 amendments bringing the 1992 constitution in line with EU judiciary and financial standards were the creation of an ombudsman as a public protector of human rights, and an initiative to have the government support the aspirations of ethnic Slovaks living abroad to preserve their national identity and culture.

Parliamentary elections were held on 20 and 21 September 2002, and although Meciar's HZDS party won the most seats in the 150-member National Council (36), three core center-right parties formed a coalition without left-wing parties that had previously hampered it. Dzurinda continued in office as prime minister.

At a NATO summit in Prague held in November 2002, Slovakia was formally invited to join the organization, and in December, it was one of 10 new countries invited to join the EU. In the spring of 2004, it became member of both these organizations. Also, in April 2004, a new president was elected, Ivan Gasparovic. Although in the first voting round Gasparovic received less votes than his main contestant—Meciar—he managed to rally the support of the other

presidential candidates in the second round, taking 59.9% of the vote. In May 2005, Slovakia ratified the EU constitution.

### **13 GOVERNMENT**

The constitution that the Slovak National Assembly adopted in July 1992 calls for a unicameral legislature of 150 members (the National Council of the Slovak Republic). Voting is by party slate, with proportional seat allotment affecting the gains of the winner. Thus, in the 1994 election, Meciar's party gained 61 of the 150 seats, with only 35% of the popular vote. In the 2002 election, Meciar's party gained 36 seats in the National Council, with 19.5% of the vote. The government is formed by the leading party, or coalition of parties, and the prime minister is head of the government. A coalition of center-right parties formed the government in 2002. Head of state is the president, who, after 1999, was directly elected by popular vote for a five-year term. A cabinet is appointed by the president on the recommendation of the prime minister. Rudolf Schuster was Slovakia's first directly elected president; Ivan Gasparovic was elected president in 2004, defeating Meciar in the second round of voting. The next presidential election was to be held April 2009.

### **14 POLITICAL PARTIES**

There were 18 parties contesting the 150 seats of the National Council in the 1994 election, but only 7 or 8 were considered to be serious contenders, because of the necessity of receiving 5% of the total vote in order to take a seat. In 2002, there were 7 parties that won seats in the National Council. The single most popular party in 1994 was the Movement for a Democratic Slovakia (HZDS), which won 35% of the vote. By 2002, HZDS won just 19.5% of the vote and 36 seats; although it won the most votes it was unable to form a government. Prime Minister Mikulas Dzurinda headed a coalition consisting of the Slovak Democratic and Christian Union (SDKU) with 15.1% of the vote and 28 seats; the Party of the Hungarian Coalition (SMK) with 11.2% of the vote and 20 seats; the Christian Democratic Movement (KDH) with 8.3% of the vote and 15 seats; and the Alliance of a New Citizen (ANO) with 8% of the vote and 15 seats. Also winning seats in parliament were the populist Smer Party (Party Direction—Third Way) with 13.5% of the vote and 25 seats, and the Slovak Communist Party with 6.3% of the vote and 11 seats. The next legislative elections were to be held September 2006.

### **15 LOCAL GOVERNMENT**

Slovakia is currently divided into 79 districts and 8 regions (*kraje*), and each region has a parliament and governor. In February 2001, in an effort to speed up Slovakia's EU accession process, the parliament implemented a series of constitutional changes aimed at decentralizing the country's power structure. Thus, the state audit office, the judiciary, and the minorities gain in independence and authority. In January 2002, Slovakia was divided into eight Upper-Tier Territorial Units—self-governing entities, named after their principal city. These changes responded to one of EU's key

requirements for increased decentralization and flexibility of the administrative apparatus.

### **16 JUDICIAL SYSTEM**

The judicial system consists of a republic-level Supreme Court as the highest court of appeal; 8 regional courts seated in regional capitals; and 55 local courts seated in some district capitals. The courts have begun to form specialized sections, including commercial, civil, and criminal branches.

The 13-member Constitutional Court reviews the constitutionality of laws as well as the constitutional questions of lower level courts and national and local government bodies. Until 2002, parliament nominated and the president appointed the Constitutional Court and Supreme Court judges, and parliament chose all other judges based on the recommendations from the Ministry of Justice. In 2002, however, parliament passed legislation creating a Judicial Council, composed of judges, law professors, and other legal experts, to nominate judges. All judges except those of the Constitutional Court are now appointed by the president from a list proposed by the 18-member Council. The president still appoints the Constitutional Court judges from a slate of candidates nominated by parliament.

The constitution declares the independence of the judiciary from the other branches of government. Judges are appointed for life, but Constitutional Court judges serve seven-year terms. There is also a military court system, and appeals may be taken to the Supreme Court and the Constitutional Court. Defendants in criminal cases have the right to free legal counsel and are guaranteed a fair and open public trial.

### **17 ARMED FORCES**

In 2005 the total active armed forces of Slovakia numbered 20,195, with estimated reserves numbering 20,000. The Army had 12,860 active personnel, armed with 271 main battle tanks, 291 reconnaissance vehicles, 404 armored infantry fighting vehicles, 120 armored personnel carriers, and 374 artillery pieces. Air Force personnel totaled 5,160, equipped with 71 combat capable aircraft and 19 attack helicopters. As of 2005, there were 4,700 members in paramilitary units, including border police, guard troops, civil defense troops, and railway defense troops. Slovak armed forces in 2005 were deployed to eight countries or regions as part of NATO, European Union or UN missions. The defense budget for 2005 was \$828 million.

### **18 INTERNATIONAL COOPERATION**

Slovakia is a member of the United Nations, which it joined in 1993 when Czechoslovakia agreed to split into two parts. Slovakia serves on several nonregional specialized agencies, such as the FAO, UNESCO, UNIDO, the World Bank, ILO, and the WHO. The country is also a member of the Council of Europe, the European Bank for Reconstruction and Development, the OECD, OSCE, the Euro-Atlantic Partnership Council, and the WTO. Slovakia became an official member of NATO and the European Union in 2004. The country has observer status in the OAS and is an affiliate member of the Western European Union.

The government has actively participated in US- and NATO-led military actions in Iraq and Afghanistan. The country also participates in a joint Czech-Slovak peacekeeping force in Kosovo and

supports UN missions and operations in Sierra Leone (est. 1999) and Cyprus (est. 1964).

Slovakia serves on the Australia Group, the Zangger Committee, the European Organization for Nuclear Research (CERN), the Nuclear Energy Agency, the Nuclear Suppliers Group (London Group), and the Organization for the Prohibition of Chemical Weapons. In environmental cooperation, is part of the Antarctic Treaty, the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification

## 19 ECONOMY

Slovakia is continuing the difficult transformation from a centrally controlled economy to a market-oriented economy with some measure of success. Sustained GDP growth, although slowed after 1998, has been achieved, and inflation has moderated to single digits. While privatization has been carried out at an uneven pace, macroeconomic performance has improved steadily with 4.8% growth in 1994 and an average annual GDP growth rate of 6.66% 1995 to 1997. In 1998, however, the effects of the Russian financial crisis slowed investment and demand, reducing annual GDP growth to 4.4% in 1998, and to 1.9% in 1999. The pace of growth accelerated slowly from 2000 to 2002, from 2.2% to 3.3% to 4.4%, respectively. Average annual inflation after independence fell from 13.4% to 5.8% in 1996, but then hit double digits again in 2000, at 12%. In 2000 the government implemented austerity measures that helped to bring inflation down to 7.3% in 2001 and 3.1% in 2002. Unemployment remains a serious concern, at 19.8% in 2001 and 17.2% in 2002. The per capita GDP in purchasing power parity (PPP) terms, at \$8,300 in 1998, had reached \$11,500 (CIA est.) in 2001.

The progress made by the Dzurinda government between 2001 and 2004 has been remarkable. In 2004, Slovakia joined NATO and the EU, most of the major privatizations have been completed, massive foreign investment has been attracted to the country, and the economic expansion has been significant (despite the general European slowdown). In 2004, the GDP growth rate was 5.5%, up from 4.5% in 2003; for 2005, it was expected to stabilize at 5.3%. Inflation was on the upsurge in 2003, reaching 8.6%, but by 2004 it decreased to 7.5%, and was expected to decrease even further in 2005, to 2.9%. Unemployment was reduced steadily since 2001, but at 14.3% in 2004 it was still very high, and negatively influenced the economic performance of Slovakia. Other factors that affect the healthiness of the economy are corruption and poor living conditions for the population.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Slovakia's gross domestic product (GDP) was estimated at \$85.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$15,700. The annual growth rate of GDP was estimated at 5.1%. The average inflation

rate in 2005 was 2.8%. It was estimated that agriculture accounted for 3.6% of GDP, industry 29.7%, and services 66.7%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$425 million or about \$79 per capita and accounted for approximately 1.3% of GDP. Foreign aid receipts amounted to \$160 million or about \$30 per capita and accounted for approximately 0.5% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Slovakia totaled \$18.15 billion or about \$3,368 per capita based on a GDP of \$32.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 4.1%. In 2001 it was estimated that approximately 26% of household consumption was spent on food, 16% on fuel, 5% on health care, and 12% on education.

## 21 LABOR

As of 2005, there was an estimated 2.62 million people in Slovakia's workforce. As of 2003, agriculture accounted for 5.8%, with 29.3% in industry, 9% in construction, and 55.9% in the services sector. Unemployment was estimated at 11.5% in 2005.

Unions are freely allowed to organize in Slovakia as well as engage in collective bargaining. Strikes are legal only if they meet certain stringent requirements. About 45% of the workforce was unionized in 2002.

Children may not work until the age of 15. After age 16, minors may work without restrictions as to hours or condition of work. These provisions are effectively enforced by the government. The minimum wage was \$105 per month in 2002. The standard workweek was 42.5 hours, although under collective bargaining agreements, many workweeks are 40 hours. The government sets minimum occupational health and safety standards and it effectively monitors them.

## 22 AGRICULTURE

Agriculture engaged 9% of the economically active population in 2000. The total cultivated area in 2003 was 1,564,000 hectares (3,865,000 acres), or 33% of the land area. Agriculture accounted for about 4% of GDP in 2003.

Barley and hops are important agricultural exports; fruit, wine, and seed oil are also produced for export. Important crops in Slovakia in 2004 (in thousands of tons) included: wheat, 1,764; barley, 916; corn, 862; potatoes, 382; rye, 124; and sugar beets, 1,599. In 2003, 22,615 tractors and 3,748 combines were in use.

During 1980–90, agricultural production grew by an average of 1.6% annually. During 1990–2000, agriculture increased by an annual average of 1.2%. Cereal production in 1999 was only 71% of the average during 1989–91. In 2004, cereal production was 6.9% higher than during 1999–2001.

## 23 ANIMAL HUSBANDRY

Some 874,000 hectares (2,160,000 acres) of land are meadows and pastures, representing 18.2% of the total land area. In 2005, there were some 1,300,000 pigs, 580,000 head of cattle, 316,000 sheep, 9,000 horses, and 5,600,000 chickens. Meat production was estimated at 314,000 tons in 2005, with pork accounting for 44%; beef,

14%; turkey, 23%; chicken, 14%; and others, 5%. Milk production was 1,153,000 tons in 2005. Due to the concern over bovine spongiform encephalopathy (mad cow disease), in July 1996 Slovakia banned selected imports and transit of cattle and sheep, and beef and mutton imports and transits coming from the United Kingdom, Ireland, Portugal, France, and Switzerland.

## 24 FISHING

Fishing is only a minor source of the domestic food supply. Production comes mostly from mountain streams and stocked ponds. Some of the rivers and ponds near Bratislava are polluted with chemicals and petrochemical seepings, impairing the growth of fish stocks regionally. The total catch in 2003 was 2,527 tons, with common carp and rainbow trout the dominant species.

## 25 FORESTRY

About 45% of Slovakia is under forest cover. Forests have been severely damaged by acid rain from coal-fired power stations. Roundwood production in 2004 was 7,240,000 cu m (255.6 million cu ft). Slovakian forest product exports include paper, wood, and furniture. In 2004, wood pulp production amounted to 520,000 tons; paper and paperboard, 798,000 tons; and wood-based panels, 508,000 cu m (17.9 million cu ft). Slovakia's trade surplus in forestry products was nearly \$331.8 million in 2004.

## 26 MINING

Metal and metal products, particularly aluminum and steel, comprised Slovakia's leading industries in 2002, each of which was heavily dependent upon imports of raw materials. Gas, coke, oil, nuclear fuel, and chemicals were other top industries. Industrial mineral production in 2002 included: dolomite, 1.357 million tons, down from 1.471 million tons in 2001; lime (hydrated and quicklime), 911,000 tons; magnesite concentrate, 930,000 metric tons, down from 961,000 metric tons in 2001; crude gypsum and anhydrite, 121,700 metric tons; salt, 97,400 metric tons; barite concentrate, 25,820 metric tons, up from 14,450 metric tons in 2001; bentonite, 66,128 metric tons; kaolin, 24,600 metric tons; perlite, 18,630 metric tons, up from 14,910 metric tons in 2001; and zeolites, 15,000 metric tons. The Košice magnesite mines were put on care-and-maintenance. Also produced in 2002 were arsenic, diatomite, feldspar, illite, iron ore, refractory clays, nitrogen, sand and gravel, sodium compounds, limestone and other calcareous stones, crushed stone, sulfur, sulfuric acid, and talc. No zinc, lead, gold, silver, or copper was mined in 2002. Other mineral resources included antimony ore, mercury, brick soils, ceramic materials, and stonessalt. All mining companies were government owned.

## 27 ENERGY AND POWER

Total electric power production in 2002 amounted to 30.486 billion kWh, of which 26.9% was from fossil fuels, 17.1% from hydropower, and 55.9% from nuclear power. By 2001 nuclear power accounted for 54% of production, thanks to two new reactors that had come on line between 1998 and 2000, reducing Slovakia's dependence on fossil fuels and allowing it to become a net exporter of electricity. Consumption of electricity in 2002 was 24.196 billion kWh. As of 2002, total installed capacity was 7,417,000 kW.

Slovenske elektrarne (SE) is Slovakia's main power producer, accounting for 91% of the country's generating capacity.

Coal mining produced some 3,752,000 short tons of lignite in 2002, from reserves estimated at 190 million tons in 2001. In 2002, Slovakia imported 6,076,000 short tons of coal, of which 5,103,000 short tons consisted of hard coal.

As of 1 January 2004, Slovakia had crude oil reserves of 9 million barrels, natural gas reserves of 0.53 trillion cu ft., and a crude oil refining capacity of 115,000 barrels per day. Production of oil in 2003 was estimated at 3,500 barrels per day. Natural gas output in 2002 was estimated at 7.5 billion cu ft. Domestic demand for oil averaged 81,000 barrels per day in 2003. Natural gas consumption in 2002, was estimated at 270 billion cu ft. In 2002, natural gas was used by 80% of all Slovak households.

## 28 INDUSTRY

Major industries include heavy engineering, armaments, iron and steel production, nonferrous metals, and chemicals. In 2000, industry accounted for 34% of Slovakia's GDP, and the industrial growth rate was estimated at 4% in 2001. Foreign firms such as Volkswagen, US Steel, and Whirlpool are major investors in Slovak industry. Although privatization was ongoing in 2002 (including the Slovak Gas Company and oil-pipeline operator Transpetrol), and the country was attracting more foreign investment, many firms untouched by foreign investment were in trouble. Nonetheless, many Slovakian enterprises were restructuring and modernizing their equipment and methods. Slovakia produced 182,003 automobiles in 2001, and 264 heavy trucks in 2000. The country had one oil refinery in 2002, with a capacity of 115,000 barrels per day.

By 2004, the industrial sector had suffered a series of setbacks. Its representation in the total economic output had decreased to 30.1%, it employed only 29.3% of the labor force, and the industrial production growth rate was only 5.1%—as opposed to the 5.5% GDP growth rate. Agriculture made up 3.5% of the GDP and employed 5.8% of the working population; services came in first with 66.4% and 55.9% respectively; 9% of the workforce was employed by the construction sector. Major industries in 2004 were: metal and metal products; food and beverages; electricity, gas, coke, oil, nuclear fuel; chemicals and manmade fibers; machinery; paper and printing; earthenware and ceramics; transport vehicles; textiles; electrical and optical apparatus; and, rubber products.

## 29 SCIENCE AND TECHNOLOGY

The Slovak Academy of Sciences, founded in 1953, has departments of exact and technical sciences and of natural sciences and chemistry, and 36 affiliated research institutes. The Council of Scientific Societies, headquartered in Bratislava, coordinates the activities of 16 societies concerned with specific scientific and technical fields. Natural history exhibits are displayed in the Slovak National Museum in Bratislava, the Central Slovak Museum in Banská Bstrica, and the Museum of Eastern Slovakia in Košice. The Slovak Mining Museum, founded in 1900, is located in Banská Stiavnica. Eight universities offer scientific and technical degrees. In 1987–97, science and engineering students accounted for 40% of university enrollment.

In 2002, research and development (R&D) expenditures totaled \$407.279 million, or 0.59% of GDP. Of that amount, 53.6%

came from the business sector, followed by government sources at 44.1%. Foreign sources accounted for 2.1% and higher education 0.1%. In that same year, there were 1,707 scientists and engineers, and 564 technicians per one million people that were engaged in R&D. High technology exports in 2002 totaled \$386 million, or 3% of the country's manufactured exports.

### 3<sup>0</sup> DOMESTIC TRADE

Bratislav is the primary commercial center of the country. Other major centers include Košice, Trenčín, Zilina, and Poprad. Nitra is a primary distribution center for agricultural products.

Retail trade is currently undergoing rapid privatization along with other sectors of the economy. As of 2002, about 98% of all retail establishments were privatized. Most establishments are small, family-owned shops specializing in one type of product, such as groceries, flowers, books, clothing, music, etc. However, the trend is slowly moving towards larger Western-style stores and hypermarkets that offer a wider variety of products under one roof. Wholesalers tend to be directly involved in the retailing of their products as well. A few franchise firms have recently made their way into the country.

Retail shops are generally open from 9 AM to 6 PM, Monday through Friday. New chain stores are open seven days a week from about 7 AM to 8 PM. Grocery stores often operate from 6 AM to 7 PM. Many stores will open for half a day on Saturdays, but most businesses and shops are closed on Sundays.

### 3<sup>1</sup> FOREIGN TRADE

The Czech Republic, which used to account for as much as one-third of Slovakia's foreign trade, has dropped behind Germany as Slovakia's leading trade partner. Trade with the former Soviet Union has declined in importance and has increasingly been replaced by trade with the OECD, whose members buy over 90% of all Slovak exports.

In the Far East, China has emerged as the top trading partner, with imports and exports between the two nations increasing by almost 300% in 1995.

In 2004, exports totaled \$29.2 billion (FOB—Free on Board), and were only slightly surpassed by imports at \$29.7 billion (FOB).

#### Principal Trading Partners – Slovakia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	21,958.4	22,603.1	-644.7
Germany	6,769.9	5,758.3	1,011.6
Czech Republic	2,834.0	3,234.3	-400.3
Italy-San Marino-Holy See	1,650.0	1,395.8	254.2
Austria	1,632.3	990.1	642.2
United States	1,154.3	440.5	713.8
Hungary	1,070.1	776.0	294.1
Poland	1,049.5	797.1	252.4
France-Monaco	771.0	958.9	-187.9
Netherlands	593.0	372.6	220.4
United Kingdom	463.8	482.1	-18.3

(...) data not available or not significant.

SOURCE: 2003 International Trade Statistics Yearbook, New York: United Nations, 2004.

Vehicles (25.9%), machinery and electrical equipment (21.3%), base metals (14.6%), chemicals and minerals (10.1%), and plastics (5.4%) topped the list for Slovakia's export commodities. Slovakia's main export partners were Germany (which received 34.4% of total exports), the Czech Republic (14.7%), Austria (8.2%), Italy (5.8%), Poland (5.3%), the United States (4.5%), and Hungary (4.3%). The imports were distributed among the following categories: machinery and transport equipment (41.1%), intermediate manufactured goods (19.3%), fuels (12.3%), chemicals (9.8%), and miscellaneous manufactured goods (10.2%). Most of the imports came from Germany (26.1%), the Czech Republic (21.3%), Russia (9.1%), Austria (6.6%), Poland (4.9%), and Italy (4.9%).

### 3<sup>2</sup> BALANCE OF PAYMENTS

A decline in foreign trade in 2001 caused the central bank to revise its forecast of the current account deficit up from 4% to 5.7% of GDP.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Slovakia's exports was \$12.9 billion while imports totaled \$15.4 billion resulting in a trade deficit of \$2.5 billion.

The International Monetary Fund (IMF) reported that in 2000 Slovakia had exports of goods totaling \$11.9 billion and imports totaling \$12.8 billion. The services credit totaled \$2.2 billion and debit \$1.81 billion.

Exports of goods and services totaled \$31.5 billion in 2004, up from \$25.1 billion in 2003. Imports grew from \$25.5 billion in 2003, to \$32.6 billion in 2004. Although Slovakia has managed to keep a fine balance between imports and exports, the resource balance was on a negative upsurge, growing from -\$407 million in 2003, to -\$1.2 billion in 2004. A similar trend was registered for the current account balance, which deteriorated from -\$278 million in 2003, to -\$1.4 billion in 2004. The national reserves (including gold) were \$12.1 billion in 2003, covering approximately

#### Balance of Payments – Slovakia (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-282.0</b>
Balance on goods		-649.0
Imports	-22,593.0	
Exports	21,944.0	
Balance on services		241.0
Balance on income		-119.0
Current transfers		245.0
<b>Capital Account</b>		<b>102.0</b>
<b>Financial Account</b>		<b>1,661.0</b>
Direct investment abroad		-24.0
Direct investment in Slovakia		559.0
Portfolio investment assets		-742.0
Portfolio investment liabilities		168.0
Financial derivatives		17.0
Other investment assets		-20.0
Other investment liabilities		1,703.0
<b>Net Errors and Omissions</b>		<b>27.0</b>
<b>Reserves and Related Items</b>		<b>-1,508.0</b>

(...) data not available or not significant.

SOURCE: Balance of Payment Statistics Yearbook 2004, Washington, DC: International Monetary Fund, 2004.

six months of imports; by 2004, they decreased to \$11.7 billion, covering only four months of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

Four years after the Soviet system relinquished control over the eastern bloc, Slovakia formed a National Bank. In January 1992 the banking system of Czechoslovakia was split. From that point on the National Bank of Slovakia was charged with the responsibility of circulating currency and regulating the banking sector. At the end of 2002, there were 23 commercial banks operating in the Slovak Republic, including the Investment and Development Bank (1992); People's Bank (1992); Postal Bank Inc. (1991); Industrial Bank, Inc. (1992); First Commercial Bank Inc. (1993); Slovak Credit Bank (1993); Slovak Agricultural Bank (1991); and the General Credit Bank (1990). Twelve of the 23 commercial banks were partly or wholly foreign-owned. In addition, two branches and 10 representative offices of foreign banks had been established. In 2000, plans called for the privatization of the three largest banks, Vseobecna Uverova Banka (VUB), Slovenska Sporitelna, and Investicna a Rozvojova Banka (IRB) by the end of the year. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$4.7 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$13.9 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 7.76%.

The Bratislava Stock Exchange (BSE) opened on 8 July 1990 and acts as a share holding company formed by all Slovakian financial institutions, banks and savings banks, and companies authorized to trade securities. Brokers and other mediators are not permitted in the trading system. The volume of stocks traded on the BSE, however, remained low until 1996. In 2001, there were 844 companies listed on the BSE, with a trading value of \$966 million (up 141% from 2000) and total market capitalization of \$665 million (down 10.3% from 2000). As of 2004, a total of 258 companies were listed on the BSE, which had a market capitalization of \$4.410 Billion. The Bratislava Option and Futures Exchange opened in 1994.

### 3<sup>4</sup> INSURANCE

The pre-World War II insurance companies and institutions of the former Czechoslovakia after 1945 were reorganized, merged, nationalized and centralized. Since 1952, the insurance industry has been administered by the State Insurance Office, under the jurisdiction of the Ministry of Finance, and two enterprises conducted insurance activities, the Czech and the Slovak Insurance Enterprises of the State. In 1997, at least 20 insurance companies were doing business in Slovakia. Nonetheless, the Slovak Insurance Company remains the only company authorized to write the compulsory third-party automobile liability insurance. Lawyers, architects and dentists are also required to carry liability insurance. There are no restrictions on foreign ownership of companies. In 2003, the value of all direct insurance premiums written totaled \$1.140 billion, of which nonlife premiums accounted for \$676 million. In that same year, the top nonlife and life insurer was Allianz Poistovna, which had gross written nonlife premiums

### Public Finance – Slovakia (2003)

(In billions of koruny, central government figures)

	422.55	100.0%
<b>Revenue and Grants</b>		
Tax revenue	200.79	47.5%
Social contributions	168.64	39.9%
Grants	0.19	<1.0%
Other revenue	52.93	12.5%
<b>Expenditures</b>	<b>461.99</b>	<b>100.0%</b>
General public services	95.37	20.6%
Defense	21.71	4.7%
Public order and safety	23.11	5.0%
Economic affairs	47	10.2%
Environmental protection	3.46	0.7%
Housing and community amenities	3.9	0.8%
Health	93.72	20.3%
Recreational, culture, and religion	5.49	1.2%
Education	15.7	3.4%
Social protection	153.23	33.2%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

totaling \$369.8 million, and gross written life insurance premiums of \$141.9 million.

### 3<sup>5</sup> PUBLIC FINANCE

Since the dissolution of Czechoslovakia, the Slovak government has implemented several measures to compensate for the large loss of fiscal transfers it received from the Federation, which were equivalent to between Sk20–25 billion in 1992. The Slovak government's initial budget was balanced at the beginning of 1992, with revenues and expenditures equivalent to Sk159 billion. Since that time, however, Slovakia's budget has fallen into deficit. Privatization efforts have been successful, attracting a large amount of foreign direct investment (FDI).

The US Central Intelligence Agency (CIA) estimated that in 2005 Slovakia's central government took in revenues of approximately \$21.4 billion and had expenditures of \$23.1 billion. Revenues minus expenditures totaled approximately -\$1.6 billion. Public debt in 2005 amounted to 16.9% of GDP. Total external debt was \$25.81 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were Sk422.55 billion and expenditures were Sk461.99 billion. The value of revenues was us\$11 million and expenditures us\$12 million, based on an exchange rate for 2003 of us\$1 = Sk36.773 as reported by the IMF. Government outlays by function were as follows: general public services, 20.6%; defense, 4.7%; public order and safety, 5.0%; economic affairs, 10.2%; environmental protection, 0.7%; housing and community amenities, 0.8%; health, 20.3%; recreation, culture, and religion, 1.2%; education, 3.4%; and social protection, 33.2%.

### 3<sup>6</sup> TAXATION

The principal taxes are corporate income tax, personal income tax, and value-added tax. Individuals are liable for tax on all sources of worldwide income. Corporate income tax is levied on joint stock

companies, limited liability companies, and limited partnerships. In 2005, the corporate tax rate for resident companies was 19%. Capital gains were also taxed at 19%. Dividends paid out of after-tax profits are not taxed. Interest income from loans or bonds are taxed at the corporate rate, as is income from royalties. Other taxes include a road tax, excise duties, import duties, and taxes on property.

As of 2005, individual income was taxed according to a flat 19% rate. Dividends paid to individuals is not taxed. Income from interest and capital are included in total income.

The principle indirect tax is Slovakia's value-added tax (VAT). As of 2005, the standard rate was 19% and was applied to most transactions. However, exports are zero-rated, and financial, broadcasting, insurance and educational services are exempt.

### 37 CUSTOMS AND DUTIES

As a WTO member, Slovakia uses the Brussels Tariff Nomenclature. Goods imported into Slovakia are liable to three kinds of charges: customs duties, value-added tax (VAT) of 10% or 19%, and an excise tax. A 3% import surcharge was eliminated on 1 January 2001. However, Slovakia imposes surcharges on approximately 80% of its imports. Slovakia is also a member of the Central European Free Trade Area (CEFTA) along with Bulgaria, the Czech Republic, Hungary, Poland, Romania, and Slovenia.

### 38 FOREIGN INVESTMENT

Prior to the defeat of Prime Minister Vladimir Meciar, Slovakia experienced difficulty attracting foreign investment due to perceived political uncertainty and vacillations in its privatization policy. The government has introduced tax incentives to attract more capital from abroad.

Annual foreign direct investment (FDI) inflow was \$220 million in 1997 and rose to \$648 million in 1998. Affected by the Russian financial crisis, FDI inflow fell to \$390 million in 1999, but then recovered sharply in 2000 to reach a peak of over \$2 billion. FDI inflow to Slovakia in 2001 was \$1.5 billion. The Netherlands has been the single largest investor.

At the end of the first three quarters in 2004, cumulative foreign investment had risen to \$11.4 billion. Most of the capital inflow was generated through privatization sales, but since 2003 significant greenfield investments have been made. In 2004, Hyundai invested \$1.5 billion in its first European assembly plant; Ford constructed a \$400 million gearbox production plant in the same year. Most of the investments went to industrial manufacturing (38.2%), the banking sector (22.7%), retail and wholesale (11.7%), and to the production and distribution of gas and electricity (11.0%). The biggest investing countries were Germany (with 22.7% of total investments), the Netherlands (16%), and Austria (14.3%).

### 39 ECONOMIC DEVELOPMENT

The government in the early 1990s slowed economic reforms due to the social burden imposed by the transformation to a market economy. Measures included stimulation of demand through price subsidies and public spending. Slovakia's most successful structural reform has been privatization. The first stage of large-scale privatization included 751 companies, and a second stage,

which involved 650 medium- and large-scale enterprises, was implemented in late 1993.

However, the Meciar government was slow to implement the \$1.5 billion privatization program after he regained power in 1994 and the country continued to rely heavily on foreign aid. Western investors cheered his defeat and replacement by reformer Mikulas Dzurinda in 1998. The Dzurinda government quickly earned praise for its implementation of reforms. The renewed liberalization measures, combined with a new attitude toward Slovakia's Roma (Gypsy) population, caused the EU to place Slovakia back on its list of candidate members. In December 2002, Slovakia was officially invited to join the EU, and accession took place in May 2004.

Slovakia's foreign debt at the beginning of 2002 was about \$11 billion, approximately 55% of gross domestic product (GDP). The current account deficit was high, largely due to a shortfall in foreign trade. Foreign direct investment (FDI) has been relatively small in recent years, although FDI in 2000 alone was greater than cumulative investment received by Slovakia in the preceding 10 years. Although growth was strong and inflation relatively low in the early 2000s, the unemployment rate remained high. By 2002, the main banks and utilities had been privatized; but further corporate restructuring and labor market reform, improved banking supervision, and strengthening state administration and the judicial system remained structural reforms to be implemented.

A strong economic expansion followed in 2003 and 2004, with GDP growth rates of 4.5% and 5.5% respectively. In 2004, Slovakia joined NATO and the EU, which greatly improved the stability of the political and economic climate. In addition, an investment friendly environment was created, which led to a dramatic increase in the inflow of foreign capital. In 2005, Slovakia was considered by the World Bank the world's top performer in improving its business climate over the last year; in the same year it was deemed one of the top 20 countries in the world for ease of doing business. As of 2006, Slovakia was able to boast a highly skilled and relatively low-cost labor force, an attractive tax system (19% flat tax), a liberal labor code, and a favorable geographic location.

### 40 SOCIAL DEVELOPMENT

Slovakia's social security system was first introduced in 1906. The current program was implemented in 2004. Old age, disability and survivor's pensions are funded by employee and employer contributions as well as government subsidies. Retirement is set at age 62 for both men and women. The first laws covering sickness benefits were instituted in 1888. A family allowance system provides benefits for all residents funded totally by the government. There are also sickness and maternity benefits, a workers' compensation program, and unemployment benefits.

Women and men are equal under the law, enjoying the same property, inheritance, and other rights, however discrimination persists. Women on the average earn 30% less than men. Despite legal safeguards, the small number of women in private and public leadership roles is evidence of continuing cultural barriers to full equality. The Coordinating Committee for Women's Affairs has not been successful at protecting women against violence, health risks, or economic disadvantages. Domestic abuse and sexual violence against women remains an extensive and underreported problem.



Roma minorities suffer from high levels of unemployment and housing discrimination. Attacks against Roma and other minorities by skinhead extremists were reported. Human rights were generally well respected, but some democratic freedoms were not respected. These include the intimidation of political opponents and interference with the media. There were also reports of police abuse of Roma.

#### 41 HEALTH

Since 1995 general public health services have been organized into a system of state health institutes. However, primary health care services, formerly operated by the state, are now separate from the public health sector and reimbursed through a compulsory insurance program. As of 2004 there were 77 polyclinics in the country; Slovakia had 84 hospitals, 23 specialized institutes, and 1 maternity facility. As of 2004, there were an estimated 325 physicians, 731 nurses, 44 dentists, 48 pharmacists, and 7 midwives per 100,000 people. Total health care expenditure was estimated at 6.5% of GDP.

Life expectancy in 2005 was 74.50 years and infant mortality was 7.41 per 1,000 live births. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 10.1 and 9.2 per 1,000 people. A Slovakian woman living through her child-bearing years had an average of 1.3 children. A large proportion of Slovakian women (74%) used some form of contraception. Immunization rates for children up to one year old were impressively high: tuberculosis, 90%; diphtheria, pertussis, and tetanus, 98%; polio, 98%; and measles, 98%.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 200 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

#### 42 HOUSING

In 1992, the Slovak Association of Towns and Villages, comprised of some 2,000 towns, was engaged in recovering all housing units from former state administration authorities. As of 2001, there were about 1,884,846 dwelling units nationwide. Most of these were detached houses. About 88% of all dwellings were permanently occupied. About 11% of all dwellings were unoccupied. Of the permanently occupied units, the average number of rooms per unit was 3.2; nearly 73% of all dwellings had 3 rooms or more. The average number of people per dwelling was also 3.21. About 76.3% of all dwellings had central heating and 92.8% had a separate bathroom or shower facility. About 28,507 units were considered unsuitable for habitation.

#### 43 EDUCATION

Slovakia has an estimated adult literacy rate of 99%. Education is compulsory for nine years, approximately up to the age of 15. This basic schooling is accomplished in two stages of four years and five years. At the secondary level, there are a variety of general, vocational, professional, and art school programs to choose from. Most secondary programs last about four years.

In 2001, about 82% of children between the ages of three and five were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 86% of age-eligible students. The same year, secondary school enrollment was

about 88% of age-eligible students. It is estimated that about 99% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 18:1 in 2003; the ratio for secondary school was about 13:1.

Slovakia has 13 universities, with the oldest being Comenius (Komensky) University in Bratislava—founded in 1919. The Pavel Josef Afarik University, founded in 1959, is in Košice. In 2003, it was estimated that about 34% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 99%.

As of 2003, public expenditure on education was estimated at 4.4% of GDP, or 13.8% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The most important library in Slovakia is the Slovak National Library (4.4 million volumes), founded in 1863 and located at Martin. The State Scientific Library in Banská Bstrica (1926) holds almost two million volumes, and the Comenius University in Bratislava has the country's largest university collection of 2.2 million volumes. In total there are over 450 libraries in universities and other higher-educational institutions and about 2,600 public library branches nationwide.

The Slovak National Gallery (1948), the Slovak National Museum (1924), the Natural History Museum (1948), and the History Museum (1924), are all in Bratislava. The administrators of the Slovak National Museum also sponsor the branch museums of the Museum of Archaeology, the Museum of Ethnography, the Museum of Music, the Museum of Puppetry and Toys, and the Museum of Jewish Culture. The State Gallery of Art is in Banská Bstrica. There are dozens of regional museums throughout the country.

#### 45 MEDIA

In 2003, there were an estimated 241 mainline telephones for every 1,000 people; about 7,000 people were on a waiting list for telephone service installation. The same year, there were approximately 684 mobile phones in use for every 1,000 people.

There are three government boards appointed by a majority vote of parliament to supervise radio and television broadcasting: The Slovak Television Council and the Slovak Radio Council establish broadcasting policy for state-owned television and radio. The Slovak Council for Radio and Television Broadcasting issues broadcast licenses for nongovernment groups and administers advertising laws and other regulations. The privately owned TV Markiza has the widest broadcast audience. In 2005, there were at two other commercial television stations and at least four commercial radios stations. The public broadcaster, Slovak TV and Radio, sponsored two national television networks and five national radio networks. In 2003, there were an estimated 965 radios and 409 television sets for every 1,000 people. About 127.3 of every 1,000 people were cable subscribers. Also in 2003, there were 180.4 personal computers for every 1,000 people and 256 of every 1,000 people had access to the Internet. There were 63 secure Internet servers in the country in 2004.

In 2002, there were 14 major daily newspapers, including (with average circulation figures): *Novy Cas* (*New Time*, 230,000), *Pravda* (*Truth*, 165,000), *Praca* (*Labor*, 80,000), and *SMENA* (a youth journal, 80,000). The daily sports newspaper *Sport* had a circulation of 85,000 in 2002. The two major Hungarian newspapers

are the daily *Uj Szo* (*New Word*, 42,000) and the weekly *Szabad Ujsag* (*Free Journal*, 40,000). There are also a number of government bulletins and small circulation publications printed by and for minority language groups.

#### 46 ORGANIZATIONS

The Slovak Chamber of Commerce and Industry is located in Bratislava. There are professional associations for a number of occupations, including teaching and a number of medical professions.

The Slovak Academy of Sciences promotes public interest, education, and research in various scientific fields. Cultural and educational associations include the Organization of Slovak Writers. The Slovak Medical Association promotes research and education on health issues and works to establish common policies and standards in healthcare. There are several other associations dedicated to research and education for specific fields of medicine and particular diseases and conditions.

National youth organizations include the Association of Slovak Students, Civic Democratic Youth, YMCA/YWCA, and Slovak Scouting. There are several sports associations promoting amateur competition in a variety of pastimes, such as Frisbee, aikido, badminton, baseball, figure skating, floorball, and track and field; many sports associations are affiliated with international groups as well. There are national chapters of the Paralympic Committee and the Special Olympics, as well as a national Olympic Committee.

Kiwanis and Lion's Clubs have programs in the country. Women's organizations include the Alliance of Women in Slovakia. Greenpeace, Habitat for Humanity, and the Red Cross have national chapters.

#### 47 TOURISM, TRAVEL, AND RECREATION

Slovakia's outdoor tourist attractions include mountains (the most famous being the High and Low Tatras), forests, cave formations, and over 1,000 mineral and hot springs. In addition, tourists can visit ancient castles, monuments, chateaux, museums, and galleries. Slovakia is also home to many health spas. Horse racing is a national pastime. Golf, skiing, mountaineering, and rafting are popular sports among tourists. All visitors are required to have valid passports, onward/return tickets and sufficient funds for their stay. Visas are required for nationals of 154 countries including China, Australia, and India.

In 2003, about 1.4 million tourists arrived in Slovakia. There were 35,853 hotel rooms that year with 90,773 beds and an occupancy rate of 38%. The average length of stay was three nights.

According to 2005 US Department of State estimates, the cost of staying in Bratislava was \$272 per day. Estimated daily travel costs elsewhere in the country averaged \$157.

#### 48 FAMOUS SLOVAKS

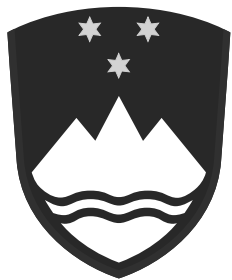
Ján Kollár (1793–1852), writer, poet, Slavist, and archaeologist, was a Slovak patriot who championed the Slav struggle against foreign oppression. Ludovít Stúr (1815–56) is the founder of the Slovak literary language and modern Slovak literature. Founder of scientific Slavic studies was Pavel Josef Safačrík (1795–1861), whose *Slavonic Antiquities* had great scholarly influence. Andrej Hlinka (1864–1938) led the Slovak Catholic autonomist movement. The greatest Slovak poet, Pavel Hviezdoslav (1849–1921), translated foreign poetry, refined the language, and contributed to Slovak awakening. The Robin Hood of the Slovaks, Juraj Jánošík (1688–1713), fought the Hungarians. Milan Rastislav Štefánik (1880–1919), military leader, astronomer, and ally of Tomáš Masaryk, represented the Slovaks in their struggle for liberty. Alexander Dubček (1921–92) was first secretary of the Czechoslovak Communist Party (1968–69). His attempt to increase civil liberties led to the invasion of Czechoslovakia by the Warsaw Pact in 1968. In 1989 he was elected the Federal Assembly's first speaker.

#### 49 DEPENDENCIES

Slovakia has no territories or colonies.

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# SLOVENIA

Republic of Slovenia

*Republika Slovenije*



**CAPITAL:** Ljubljana

**FLAG:** Equal horizontal bands of white (top), blue, and red with seal superimposed on upper hoist side.

**ANTHEM:** *Zive naj vsi narodi.* (The national anthem begins, "Let all nations live . . .")

**MONETARY UNIT:** The currency of Slovenia is the tolar (SLT), which consists of 100 stotinov. There are coins of 50 stotinov and 1, 2, and 5 toolars, and notes of 10, 20, 50, and 200 toolars. SLT1 = \$0.00534 (or \$1 = SLT187.42) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in force.

**HOLIDAYS:** New Year, 1–2 January; Prešeren Day, Day of Culture, 8 February; Resistance Day, 27 April; Labor Days, 1–2 May; National Statehood Day, 25 June; Assumption, 15 August; Reformation Day, 31 October; All Saints' Day, 1 November; Christmas Day, 25 December; Independence Day, 26 December. Movable holidays are Easter Sunday and Monday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Slovenia is located in central Europe. Slovenia is slightly larger than the state of New Jersey with a total area of 20,273 sq km (7,827 sq mi). Slovenia shares boundaries with Austria on the N, Hungary on the E, Croatia on the S, and the Adriatic Sea and Italy on the W, and has a total land boundary of 1,334 km (829 mi) and a coastline of 46.6 km (29 mi). Slovenia's capital city, Ljubljana, is located near the center of the country.

## <sup>2</sup>TOPOGRAPHY

The topography of Slovenia features a small coastal strip on the Adriatic, the Julian Alps adjacent to Italy, the Karawanken Mountains of the northern border with Austria, and mixed mountains and valleys with numerous rivers in the central and eastern regions. The highest point of Mt. Triglav is found in the Julian Alps with an elevation of 2,864 m (9,396 ft). The longest river is the Sava, which flows through the center of the country for 221 km (137 mi). A unique feature of Slovenia is the presence of over 6,500 karst formed caves, the most well-known being the Skocjan caves in the southwest, which are designated as a natural UNESCO World Heritage Site.

## <sup>3</sup>CLIMATE

Slovenia's coastal climate is influenced by the Mediterranean Sea. Its interior climate ranges from mild to hot summers, with cold winters in the plateaus and valleys to the east. In Ljubljana, July's mean temperature is 20°C (68°F). The mean temperature in January is -1°C (30°F). Rainfall in the capital averages 139 cm (59 in) a year.

## <sup>4</sup>FLORA AND FAUNA

The region's climate has given Slovenia a wealth of diverse flora and fauna. Ferns, flowers, mosses, and common trees populate

the landscape. There are subtropical plants along the Adriatic Sea. Wild animals include deer, brown bear, rabbit, fox, and wild boar. Farmers plant vineyards on the hillsides and raise livestock in the fertile lowlands of the country. As of 2002, there were at least 75 species of mammals, 201 species of birds, and over 3,200 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Slovenia's natural environment suffers from damage to forests by industrial pollutants, especially chemical and metallurgical plant emissions and the resulting acid rain. Water pollution is also a problem. The Sava River is polluted with domestic and industrial waste; heavy metals and toxic chemicals can be found in the coastal waters. The country is subject to flooding and earthquakes.

As of 2003, 6% of Slovenia's total land area was protected. One of the largest protected areas is Triglav National Park. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 7 types of mammals, 7 species of birds, 2 species of amphibians, 16 species of fish, and 42 species of invertebrates. Threatened species include the Italian agile frog, slender-billed curlew, beluga, Danube salmon, the garden dormouse, and the great snipe.

## <sup>6</sup>POPULATION

The population of Slovenia in 2005 was estimated by the United Nations (UN) at 1,998,000, which placed it at number 141 in population among the 193 nations of the world. In 2005, approximately 15% of the population was over 65 years of age, with another 14% of the population under 15 years of age. There were 95 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be -0.1%, a rate the government viewed as satisfactory. The fertility rate, at 1.4 births per woman, has been below replacement levels since the mid-1990s. The projected population for the year 2025

was 2,014,000. The population density was 99 per sq km (256 per sq mi).

The UN estimated that 51% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.03%. The capital city, Ljubljana, had a population of 256,000 in that year. Maribor had a population of 110,668.

## 7 MIGRATION

In 1995, Slovenia was harboring 29,000 refugees from the former Yugoslav SFR. Of the 5,000–10,000 that remained in 1999, most had opted not to take Slovene citizenship during a six-month window of opportunity in 1991–92 and had been living in the country as stateless persons ever since. In 1999, parliament passed legislation that offered these persons permanent resident status; a six-week window for applications closed at the end of the year. The number of migrants living in Slovenia in 2000 was 51,000. By the end of 2004, there were 304 refugees in Slovenia and 323 asylum seekers. In addition, there were 584 citizens of the former Yugoslavia who remained of concern to the United Nations High Commissioner for Refugees (UNHCR). The net migration rate in 2005 was an estimated 1 migrant per 1,000 population. The government views the migration levels as satisfactory.

## 8 ETHNIC GROUPS

According to the 2002 census, the total population is about 83.1% Slovene. Minority groups include Serbs (2%), Croats (1.8%), and Bosniaks (1.1%). There are about 10,467 Muslims, 6,243 Hungarians, 6,186 Albanians, 3,246 Roma and 2,254 Italians.

## 9 LANGUAGES

Like Serbo-Croatian, Macedonian, and Bulgarian, Slovene is a language of the southern Slavic group. It is closest to Serbo-Croatian, but the two are not mutually intelligible. Slovene is written in the Roman alphabet and has the special letters *č*, *š*, and *ž*. The letters *q*, *w*, *x*, and *y* are missing. As of 2002, 91% of the populace spoke Slovene; 6% spoke Serbo-Croatian; and 3% used various other languages.

## 10 RELIGIONS

According to the 2002 census, the largest denominational group in the country was the Roman Catholic Church, representing about 57.8% of the population. There is also a Slovenian Old Catholic Church and some Eastern Orthodox that made up about 2% of the population. Although Calvinism played an important role during the Reformation, the only well-established Protestant group is the Evangelical Lutheran Church of Slovenia, which has about 14,736 members. Muslims make up about 2.4% of the population. The census reported only 99 Jews. About 199,264 people responded as atheists. Freedom of religion is guaranteed in the constitution. Religious organizations register with the Office of Religious Communities in order to secure legal status and conduct business.

## 11 TRANSPORTATION

Rail lines, emanating from Ljubljana, connect the capital to Kranj and Jesenice, Postojna and Novo Gorica, Celje and Maribor, and Nova Mesto before continuing to Austria, Italy, and Croatia. As of 2004, there were some 1,201 km (747 mi) of railway, all of it standard gauge. Of that total, 499 km (310 mi) are electrified. With

over 150 passenger stations and 140 freight stations, almost every town in Slovenia can be reached by train. Slovenian Railways uses high-speed trains and container transports.

In 2002, Slovenia had 20,250 km (12,596 mi) of roads, all of which were paved, and included 456 km (284 mi) of expressways. Slovenia has two expressways: one connecting Ljubljana, Postojna, and Razdrto with the coastal region; the other linking Ljubljana with Kranj and the Gorenjska region in the northwest and with the Karawanken tunnel to Austria. In 2003, there were 889,600 passenger cars and 69,300 commercial vehicles registered for use.

The principal marine port is Koper. Technically there is no merchant fleet, but Slovenian owners have registered their respective vessels in 23 countries as of 2005.

Slovenia had an estimated 14 airports in 2004, 6 of which had paved runways as of 2005. In 2003, about 758,000 passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

### Origins and Middle Ages

Slovenia is located in the central European area where Latin, Germanic, Slavic, and Magyar people have come into contact with one another. The historical dynamics of these four groups have impacted the development of this small nation.

Until the 8th–9th centuries AD, Slavs used the same common Slavic language that was codified by St. Cyril and Methodius in their AD 863 translations of Holy Scriptures into the Slavic tongue. Essentially an agricultural people, the Slovenes settled from around AD 550 in the eastern Alps and in the western Pannonian Plains. The ancestors of today's Slovenes developed their own form of political organization in which power was delegated to their rulers through an "electors" group of peasant leaders/soldiers (the "Kosezi"). Allies of the Bavarians against the Avars, whom they defeated in AD 743, the Carantania Slovenes came under control of the numerically stronger Bavarians and both were overtaken by the Franks in AD 745.

In 863, the Greek scholars Constantine (Cyril) and Methodius were sent to Moravia, having first developed an original alphabet (called "Glagolitic") and translated the necessary Holy Scriptures into the Slavic tongue of the time. The work of the two "Apostles of the Slavs" was opposed by the Frankish Bishops who accused them of teaching heresy and using a nonsacred language and script. Invited by Pope Nicholas I to Rome to explain their work, the brothers visited with the Slovene Prince Kocelj in 867 and took along some 50 young men to be instructed in the Slavic scriptures and liturgy that were competing with the traditionally "sacred" liturgical languages of Latin and Greek. Political events prevented the utilization of the Slavic language in Central European Churches with the exception of Croatia and Bosnia. However, the liturgy in Slavic spread among Balkan and Eastern Slavs.

Slovenes view the installation of the Dukes of Carinthia with great pride as the expression of a nonfeudal, bottom-up delegation of authority—by the people's "electors" through a ceremony inspired by old Slavic egalitarian customs. All the people assembled would intone a Slovene hymn of praise—"Glory and praise to God Almighty, who created heaven and earth, for giving us and our land the Duke and master according to our will."



LOCATION: 46°15' N; 15°10' E. BOUNDARY LENGTHS: Total boundary lengths, 999 kilometers (621 miles); Austria 262 kilometers (163 miles); Croatia, 455 kilometers (283 miles); Italy, 199 kilometers (124 miles); Hungary, 83 kilometers (52 miles).

This ceremony lasted for 700 years with some feudal accretions and was conducted in the Slovenian language until the last one in 1414. The uniqueness of the Carinthian installation ceremony is confirmed by several sources, including medieval reports, the writing of Pope Pius II in 1509, and its recounting in Jean Bodin's *Treatise on Republican Government* (1576) as "unrivaled in the entire world." In fact, Thomas Jefferson's copy of Bodin's *Republic* contains Jefferson's own initials calling attention to the description of the Carinthian installation and, therefore, to its conceptual impact on the writer of the American Declaration of Independence.

The eastward expansion of the Franks in the 9th century brought all Slovene lands under Frankish control. Carantania then lost its autonomy and, following the 955 victory of the Franks over the Hungarians, the Slovene lands were organized into separate frontier regions. This facilitated their colonization by German elements while inhibiting any effort at unifying the shrinking Slovene territories. Under the feudal system, various families of mostly Germanic nobility were granted fiefdoms over Slovene lands and competed among themselves bent on increasing their holdings.

The Bohemian King Premysl Otokar II was an exception and attempted to unite the Czech, Slovak, and Slovene lands in the second half of the 13th century. Otokar II acquired the Duchy of

Austria in 1251, Styria in 1260, and Carinthia, Carniola, and Istria in 1269, thus laying the foundation for the future Austrian empire. However, Otokar II was defeated in 1278 by a Hapsburg-led coalition that conquered Styria and Austria by 1282. The Hapsburgs, of Swiss origin, grew steadily in power and by the 15th century became the leading Austrian feudal family in control of most Slovene lands.

Christianization and the feudal system supported the Germanization process and created a society divided into "haves" (German) and "have nots" (Slovene), which were further separated into the nobility/urban dwellers versus the Slovene peasants/serfs. The Slovenes were deprived of their original, egalitarian "Freemen" rights and subjected to harsh oppression of economic, social, and political nature. The increasing demands imposed on the serfs due to the feudal lords' commitment in support of the fighting against the Turks and the suffering caused by Turkish invasions led to a series of insurrections by Slovene and Croat peasants in the 15th to 18th centuries, cruelly repressed by the feudal system.

#### Reformation

The Reformation gave an impetus to the national identity process through the efforts of Protestant Slovenes to provide printed materials in the Slovenian language in support of the Reformation movement itself. Martin Luther's translation of the New Testament

into German in 1521 encouraged translations into other vernaculars, including the Slovenian. Thus Primož Trubar, a Slovenian Protestant preacher and scholar, published the first *Catechism* in Slovenian in 1551 and, among other works, a smaller elementary grammar (*Abecedarium*) of the Slovenian language in 1552. These works were followed by the complete Slovenian translation of the Bible by Jurij Dalmatin in 1578, printed in 1584. The same year Adam Bohorič published, in Latin, the first comprehensive grammar of the Slovenian language which was also the first published grammar of any Slavic language. The first Slovenian publishing house (1575) and a Jesuit College (1595) were established in Ljubljana, the central Slovenian city, and between 1550 and 1600 over 50 books in Slovenian were published. In addition, Primož Trubar and his co-workers encouraged the opening of Slovenian elementary and high schools. This sudden explosion of literary activity built the foundation for the further development of literature in Slovenian and its use by the educated classes of Slovenes. The Catholic Counter-Reformation reacted to the spread of Protestantism very strongly within Catholic Austria, and slowed down the entire process until the Napoleonic period. Despite these efforts, important cultural institutions were established, such as an Academy of Arts and Sciences (1673) and the Philharmonic Society in 1701 (perhaps the oldest in Europe).

The Jesuits, heavily involved in the Counter-Reformation, had to use religious literature and songs in the Slovene language, but generally Latin was used as the main language in Jesuit schools. However, the first Catholic books in Slovenian were issued in 1615 to assist priests in the reading of Gospel passages and delivery of sermons. The Protestant books in Slovenian were used for such purposes, and they thus assisted in the further development of a standard literary Slovenian. Since Primož Trubar used his dialect from the Carniola region, it heavily influenced the literary standard. From the late 17th and through the 18th century the Slovenes continued their divided existence under Austrian control.

Standing over trade routes connecting the German/Austrian hinterland to the Adriatic Sea and the Italian plains eastward into the Balkan region, the Slovenes partook of the benefits from such trade in terms of both economic and cultural enrichment. Thus by the end of the 18th century, a significant change occurred in the urban centers where an educated Slovene middle class came into existence. Deeply rooted in the Slovene peasantry, this element ceased to assimilate into the Germanized mainstream and began to assert its own cultural/national identity. Many of their sons were educated in German, French, and Italian universities and thus exposed to the influence of the Enlightenment. Such a person was, for instance, Baron Ziga Zois (1749–1819), an industrialist, landowner, and linguist who became the patron of the Slovene literary movement. When the ideas of the French Revolution spread through Europe and the Napoleonic conquest reached the Slovenes, they were ready to embrace them.

During the reign of Maria Teresa (1740–80) and Joseph II (1780–90), the influence of Jansenism—the emancipation of serfs, the introduction of public schools (in German), equality of religions, closing of monasteries not involved in education or tending to the sick—weakened the hold of the nobility. On the other hand, the stronger Germanization emphasis generated resistance to it from an awakening Slovene national consciousness and the publication of Slovene nonreligious works, such as Marko Pohlin's

*Abecedika* (1765), a *Carniolan Grammar* (1783) with explanations in German, and other educational works in Slovenian, which include a Slovenian-German-Latin dictionary (1781). Pohlin's theory of metrics and poetics became the foundation of secular poetry in Slovenian, which reached its zenith only 50 years later with France Prešeren (1800–49), still considered the greatest Slovene poet. Just prior to the short Napoleonic occupation of Slovenia, the first Slovenian newspaper was published in 1797 by Valentin Vodnik (1758–1819), a very popular poet and grammarian. The first drama in Slovenian appeared in 1789 by Anton Tomaž Linhart (1756–95), playwright and historian of Slovenes and South Slavs. Both authors were members of Baron Zois' circle.

### Napoleon and the Spring of Nations

When Napoleon defeated Austria and established his Illyrian Provinces (1809–13), comprising the southern half of the Slovenian lands, parts of Croatia, and Dalmatia all the way to Dubrovnik with Ljubljana as the capital, the Slovene language was encouraged in the schools and also used, along with French, as an official language in order to communicate with the Slovene population. The four-year French occupation served to reinforce the national awakening of the Slovenes and other nations that had been submerged through the long feudal era of the Austrian Empire. Austria, however, regained the Illyrian Provinces in 1813 and reestablished its direct control over the Slovene lands.

The 1848 “spring of nations” brought about various demands for national freedom of Slovenes and other Slavic nations of Austria. An important role was played by Jernej Kopitar with his influence as librarian/censor in the Imperial Library in Vienna, as the developer of Slavic studies in Austria, as the mentor to Vuk Karadžić (one of the founders of the contemporary Serbo-Croatian language standard), as the advocate of Austro-Slavism (a state for all Slavs of Austria), and as author of the first modern Slovenian grammar in 1808. In mid-May 1848, the “United Slovenia” manifesto demanded that the Austrian Emperor establish a Kingdom of Slovenia with its own parliament, consisting of the then-separate historical regions of Carniola, Carinthia, Styria, and the Littoral, with Slovenian as its official language. This kingdom would remain a part of Austria, but not of the German Empire. While other nations based their demands on the “historical statehood” principle, the Slovenian demands were based on the principle of national self-determination some 70 years before American President Woodrow Wilson would embrace the principle in his “Fourteen Points.”

Matija Kavčič, one of 14 Slovenian deputies elected to the 1848–49 Austrian parliament, proposed a plan of turning the Austrian Empire into a federation of 14 national states that would completely do away with the system of historic regions based on the old feudal system. At the 1848 Slavic Congress in Prague, the Slovenian delegates also demanded the establishment of the Slovenian University in Ljubljana. A map of a United Slovenia was designed by Peter Kozler based on then available ethnic data. It was confiscated by Austrian authorities, and Kozler was accused of treason in 1852 but was later released for insufficient evidence. The revolts of 1848 were repressed after a few years, and absolutistic regimes kept control on any movements in support of national rights. However, recognition was given to equal rights of the Slovenian language in principle, while denied in practice by the Ger-

man/Hungarian element that considered Slovenian the language of servants and peasants. Even the “minimalist” Maribor program of 1865 (a common assembly of deputies from the historical provinces to discuss mutual problems) was fiercely opposed by most Austrians that supported the Pan-German plan of a unified German nation from the Baltic to the Adriatic seas. The Slovenian nation was blocking the Pan-German plan simply by being located between the Adriatic Sea (Trieste) and the German/Austrian Alpine areas; therefore, any concessions had to be refused in order to speed up its total assimilation. Hitler’s World War II plan to “cleanse” the Slovenians was an accelerated approach to the same end by use of extreme violence.

#### Toward “Yugoslavism”

In 1867, the German and Hungarian majorities agreed to the reorganization of the state into a “Dualistic” Austro-Hungarian Monarchy in order to be better able to control the minority elements in each half of the empire. The same year, in view of such intransigence, the Slovenes reverted back to their “maximalist” demand of a “United Slovenia” (1867 Ljubljana Manifesto) and initiated a series of mass political meetings, called “Tabori,” after the Czech model. Their motto became “Umreti nočemo!” (“We refuse to die!”), and a movement was initiated to bring about a cultural/political coalition of Slovenes, Croats, and Serbs of Austro-Hungary in order to more successfully defend themselves from the increasing efforts of Germanization/Magyarization. At the same time, Slovenes, Croats, and Serbs followed with great interest several movements of national liberation and unification, such as those in Italy, Germany, Greece, and Serbia, and drew from them much inspiration. While Austria lost its northern Italian provinces to the Italian “Risorgimento,” it gained, on the other hand, Bosnia and Herzegovina through occupation (1878) and annexation (1908). These actions increased the interest of Slovenes, Croats, and Serbs of Austro-Hungary in a “Trialistic” arrangement that would allow the South Slavic groups (“Yugoslavs”) to form their own joint (and “Third”) unit within Austro-Hungary. A federalist solution, they believed, would make possible the survival of a country to which they had been loyal subjects for many centuries. Crown Prince Ferdinand supported this approach, called “The United States of greater Austria” by his advisers, also because it would remove the attraction of a Greater Serbia. But the German leadership’s sense of its own superiority and consequent expansionist goals prevented any compromise and led to two world wars.

#### World War I and Royal Yugoslavia

Unable to achieve their maximalist goals, the Slovenes concentrated their effort at the micro-level and made tremendous strides prior to World War I in introducing education in Slovenian, organizing literary and reading rooms in every town, participating in economic development, upgrading their agriculture, organizing cultural societies and political parties, such as the Catholic People’s Party in 1892 and the Liberal Party in 1894, and participating in the Socialist movement of the 1890s. World War I brought about the dissolution of centuries-old ties between the Slovenes and the Austrian Monarchy and the Croats/Serbs with the Hungarian Crown. Toward the end of the war, on 12 August 1918, the National Council for Slovenian Lands was formed in Ljubljana. On 12 October 1918, the National Council for all Slavs of former Austro-Hungary was founded in Zagreb, Croatia, and was chaired

by Msgr. Anton Korošec, head of the Slovenian People’s Party. This Council proclaimed on 29 October 1918 the separation of the South Slavs from Austro-Hungary and the formation of a new state of Slovenes, Croats, and Serbs.

A National Government for Slovenia was established in Ljubljana. The Zagreb Council intended to negotiate a Federal Union with the Kingdom of Serbia that would preserve the respective national autonomies of the Slovenes, Croats, and Serbs. Msgr. Korošec had negotiated a similar agreement in Geneva with Nikola Pašić, his Serbian counterpart, but a new Serbian government reneged on it. There was no time for further negotiations due to the Italian occupation of much Slovenian and Croatian territory and only Serbia, a victor state, could resist Italy. Thus, a delegation of the Zagreb Council submitted to Serbia a declaration expressing the will to unite with The Kingdom of Serbia. At that time, there were no conditions presented or demand made regarding the type of union, and Serbia immediately accepted the proposed unification under its strongly centralized government; a unitary “Kingdom of Serbs, Croats, and Slovenes” was declared on 1 December 1918. Because of the absence of an initial compromise between the Unitarists and Federalists, what became Yugoslavia never gained a solid consensual foundation. Serbs were winners and viewed their expansion as liberation of their Slavic brethren from Austria-Hungary, as compensation for their tremendous war sacrifices, and as the realization of their “Greater Serbia” goal. Slovenes and Croats, while freed from the Austro-Hungarian domination, were nevertheless the losers in terms of their desired political/cultural autonomy. In addition, they suffered painful territorial losses to Italy (some 700,000 Slovenes and Croats were denied any national rights by Fascist Italy and subjected to all kinds of persecutions) and to Austria (a similar fate for some 100,000 Slovenes left within Austria in the Carinthia region).

After 10 years of a contentious parliamentary system that ended in the murder of Croatian deputies and their leader Stjepan Radić, King Alexander abrogated the 1921 constitution, dissolved the parliament and political parties, took over power directly, and renamed the country “Yugoslavia.” He abolished the 33 administrative departments that had replaced the historic political/national regions in favor of administrative areas named mostly after rivers. A new policy was initiated with the goal of creating a single “Yugoslav” nation out of the three “Tribes” of Serbs, Croats, and Slovenes. But in practice this policy meant the King’s Serbian hegemony over the rest of the nations. The reaction was intense, and King Alexander himself fell victim of Croat-Ustaša and Macedonian terrorists and died in Marseille in 1934. A regency ruled Yugoslavia, headed by Alexander’s cousin, Prince Paul, who managed to reach an agreement in 1939 with the Croats. An autonomous Croatian “Banovina” headed by “Ban” Ivan Subašić was established, including most Croatian lands outside of the Bosnia and Herzegovina area. Strong opposition developed among Serbs because they viewed the Croatian Banovina as a privilege for Croats while Serbs were split among six old administrative units with a large Serbian population left inside the Croatian Banovina itself. Still, there might have been a chance for further similar agreements that would have satisfied the Serbs and Slovenes. But there was no time left—Hitler and his allies (Italy, Hungary, Bulgaria) attacked Yugoslavia on 6 April 1941, after a coup on 27 March 1941 had deposed Prince Paul’s government, which had yielded to

Hitler's pressures on 25 March. Thus the first Yugoslavia, born out of the distress of World War I, had not had time to consolidate and work out its problems in a mere 23 years and was then dismembered by its aggressors. Still, the first Yugoslavia allowed the Slovenes a chance for fuller development of their cultural, economic, and political life, in greater freedom and relative independence for the first time in modern times.

### World War II

Slovenia was divided in 1941 among Germany, Italy, and Hungary. Germany annexed northern Slovenia, mobilized its men into the German army, interned, expelled, or killed most of the Slovenian leaders, and removed to labor camps the populations of entire areas, repopulating them with Germans. Italy annexed southern Slovenia but did not mobilize its men. In both areas, particularly the Italian, resistance movements were initiated by both nationalist groups and by Communist-dominated Partisans, the latter particularly after Hitler's attack on the Soviet Union on 22 June 1941. The Partisans claimed monopoly of the resistance leadership and dealt cruelly with anyone that dared to oppose their intended power grab. Spontaneous resistance to the Partisans by the non-Communist Slovenian peasantry led to a bloody civil war in Slovenia under foreign occupiers, who encouraged the bloodshed. The resistance movement led by General Draža Mihajlović, appointed minister of war of the Yugoslav government-in-exile, was handicapped by the exile government's lack of unity and clear purpose (mostly due to the fact that the Serbian side had reneged on the 1939 agreement on Croatia). On the other hand, Winston Churchill, convinced by rather one-sided reports that Mihajlović was "collaborating" with the Germans while the Partisans under Marshal Tito were the ones "who killed more Germans," decided to recognize Tito as the only legitimate Yugoslav resistance. Though aware of Tito's communist allegiance to Stalin, Churchill threw his support to Tito, and forced the Yugoslav government-in-exile into a coalition government with Tito, who had no intention of keeping the agreement and, in fact, would have fought against an Allied landing in Yugoslavia along with the Germans.

When Soviet armies, accompanied by Tito, entered Yugoslavia from Romania and Bulgaria in the fall of 1944, military units and civilians that had opposed the Partisans retreated to Austria or Italy. Among them were the Cetnik units of Draža Mihajlović and "homeguards" from Serbia, Croatia, and Slovenia that had been under German control but were pro-Allies in their convictions and hopes. Also in retreat were the units of the Croatian Ustaša that had collaborated with Italy and Germany in order to achieve (and control) an "independent" greater Croatia and, in the process, had committed terrible and large-scale massacres of Serbs, Jews, Gypsies, and others who opposed them. Serbs and Partisans counteracted, and a fratricidal civil war raged over Yugoslavia. After the end of the war, the Communist-led forces took control of Slovenia and Yugoslavia and instituted a violent dictatorship that committed systematic crimes and human rights violations on an unexpectedly large scale. Thousands upon thousands of their former opponents that were returned, unaware, from Austria by British military authorities were tortured and massacred by Partisan executioners.

### Communist Yugoslavia

Such was the background for the formation of the second Yugoslavia as a Federative People's Republic of five nations (Slovenes,

Croats, Serbs, Macedonians, Montenegrins) with their individual republics and Bosnia and Herzegovina as a buffer area with its mix of Serb, Muslim, and Croat populations. The problem of large Hungarian and Muslim Albanian populations in Serbia was solved by creating for them the autonomous region of Vojvodina (Hungarian minority) and Kosovo (Muslim Albanian majority) that assured their political and cultural development. Tito attempted a balancing act to satisfy most of the nationality issues that were carried over unresolved from the first Yugoslavia, but failed to satisfy anyone.

Compared to pre-1941 Yugoslavia where Serbs enjoyed a controlling role, the numerically stronger Serbs had lost both the Macedonian area they considered "Southern Serbia" and the opportunity to incorporate Montenegro into Serbia, as well as losing direct control over the Hungarian minority in Vojvodina and the Muslim Albanians of Kosovo, viewed as the cradle of the Serbian nation since the Middle Ages. They further were not able to incorporate into Serbia the large Serbian populated areas of Bosnia and had not obtained an autonomous region for the large minority of Serbian population within the Croatian Republic. The Croats, while gaining back the Medjumurje area from Hungary, and from Italy, the cities of Rijeka (Fiume), Zadar (Zara), some Dalmatian islands, and the Istrian Peninsula had, on the other hand, lost other areas. These included the Srem area to Serbia, and also Bosnia and Herzegovina, which had been part of the World War II "independent" Croatian state under the Ustaša leadership.

In addition, the Croats were confronted with a deeply resentful Serbian minority that became ever more pervasive in public administrative and security positions. The Slovenes had regained the Prekmurje enclave from Hungary and most of the Slovenian lands that had been taken over by Italy following World War I (Julian region and Northern Istria), except for the "Venetian Slovenia" area, the Gorizia area, and the port city of Trieste. The latter was initially part of the UN protected "Free Territory of Trieste," split in 1954 between Italy and Yugoslavia with Trieste itself given to Italy. Nor were the Slovenian claims to the southern Carinthia area of Austria satisfied. The loss of Trieste was a bitter pill for the Slovenes and many blamed it on the fact that Tito's Yugoslavia was, initially, Stalin's advance threat to Western Europe, thus making the Allies more supportive of Italy.

The official position of the Marxist Yugoslav regime was that national rivalries and conflicting interests would gradually diminish through their sublimation into a new Socialist order. Without capitalism, nationalism was supposed to wither away. Therefore, in the name of their "unity and brotherhood" motto, any nationalistic expression of concern was prohibited and repressed by the dictatorial and centralized regime of the "League of Yugoslav Communists" acting through the "Socialist Alliance" as its mass front organization.

After a short postwar "coalition" government period, the elections of 11 November 1945, boycotted by the non-communist "coalition" parties, gave the Communist-led People's Front 90% of the vote. A Constituent Assembly met on 29 November, abolishing the monarchy and establishing the Federative People's Republic of Yugoslavia. In January 1946 a new constitution was adopted, based on the 1936 Soviet constitution. The Stalin-engineered expulsion of Yugoslavia from the Soviet-dominated Cominform Group in 1948 was actually a blessing for Yugoslavia after its leadership was able to survive Stalin's pressures. Survival had to be jus-



tified, both practically and in theory, by developing a “Road to Socialism” based on Yugoslavia’s own circumstances. This new “road map” evolved rather quickly in response to some of Stalin’s accusations and Yugoslavia’s need to perform a balancing act between the North Atlantic Treaty Organization (NATO) alliance and the Soviet bloc. Tito quickly nationalized the economy through a policy of forced industrialization, to be supported by the collectivization of the agriculture.

The agricultural reform of 1945–46 (limited private ownership of a maximum of 35 hectares/85 acres, and a limited free market after the initial forced delivery of quotas to the state at very low prices) had to be abandoned because of the strong resistance by the peasants. The actual collectivization efforts were initiated in 1949 using welfare benefits and lower taxes as incentives along with direct coercion. But collectivization had to be abandoned by 1958 simply because its inefficiency and low productivity could not support the concentrated effort of industrial development.

By the 1950s Yugoslavia had initiated the development of its internal trademark: self-management of enterprises through workers councils and local decision-making as the road to Marx’s “withering away of the state.” The second five-year plan (1957–61), as opposed to the failed first one (1947–51), was completed in four years by relying on the well-established self-management system. Economic targets were set from the local to the republic level and then coordinated by a Federal Planning Institute to meet an overall national economic strategy. This system supported a period of very rapid industrial growth in the 1950s from a very low base. But a high consumption rate encouraged a volume of imports far in excess of exports, largely financed by foreign loans. In addition, inefficient and low productivity industries were kept in place through public subsidies, cheap credit, and other artificial measures that led to a serious crisis by 1961.

Reforms were necessary and, by 1965, “market socialism” was introduced with laws that abolished most price controls and halved import duties while withdrawing export subsidies. After necessary amounts were left with the earning enterprise, the rest of the earned foreign currencies were deposited with the national bank and used by the state, other enterprises, or were used to assist less-developed areas. Councils were given more decision-making power in investing their earnings, and they also tended to vote for higher salaries in order to meet steep increases in the cost of living. Unemployment grew rapidly even though “political factories” were still subsidized. The government thus relaxed its restrictions to allow labor migration, particularly to West Germany where workers were needed for its thriving economy. Foreign investment was encouraged up to 49% in joint enterprises, and barriers to the movement of people and exchange of ideas were largely removed.

The role of trade unions continued to be one of transmission of instructions from government to workers, allocation of perks along with the education/training of workers, monitoring legislation, and overall protection of the self-management system. Strikes were legally neither allowed nor forbidden, but until the 1958 miners strike in Trbovlje, Slovenia, were not publicly acknowledged and were suppressed. After 1958 strikes were tolerated as an indication of problems to be resolved. Unions, however, did not initiate strikes but were expected to convince workers to go back to work.

Having survived its expulsion from the Cominform in 1948 and Stalin’s attempts to take control, Yugoslavia began to develop

a foreign policy independent of the Soviet Union. By mid-1949 Yugoslavia withdrew its support from the Greek Communists in their civil war against the then-Royalist government. In October 1949, Yugoslavia was elected to one of the nonpermanent seats on the UN Security Council and openly condemned North Korea’s aggression towards South Korea. Following the “rapprochement” opening with the Soviet Union, initiated by Nikita Khrushchev and his 1956 denunciation of Stalin, Tito intensified his work on developing the movement of nonaligned “third world” nations as Yugoslavia’s external trademark in cooperation with Nehru of India, Nasser of Egypt, and others. With the September 1961 Belgrade summit conference of nonaligned nations, Tito became the recognized leader of the movement. The nonaligned position served Tito’s Yugoslavia well by allowing Tito to draw on economic and political support from the Western powers while neutralizing any aggression from the Soviet bloc. While Tito had acquiesced, reluctantly, to the 1956 Soviet invasion of Hungary for fear of chaos and any liberalizing impact on Yugoslavia, he condemned the Soviet invasion of Dubček’s Czechoslovakia in 1968, as did Romania’s Ceausescu, both fearing their countries might be the next in line for “corrective” action by the Red Army and the Warsaw Pact. Just before his death on 4 May 1980, Tito also condemned the Soviet invasion of Afghanistan. Yugoslavia actively participated in the 1975 Helsinki Conference and agreements and the first 1977–78 review conference that took place in Belgrade, even though Yugoslavia’s one-party Communist regime perpetrated and condoned numerous human rights violations. Overall, in the 1970s–80s Yugoslavia maintained fairly good relations with its neighboring states by playing down or solving pending disputes such as the Trieste issue with Italy in 1975, and developing cooperative projects and increased trade.

Compared to the other republics of the Federative People’s Republic of Yugoslavia, the Republic of Slovenia had several advantages. It was 95% homogeneous. The Slovenes had the highest level of literacy. Their prewar economy was the most advanced and so was their agriculture, which was based on an extensive network of peasant cooperatives and savings and loans institutions developed as a primary initiative of the Slovenian People’s Party (“clerical”). Though ravaged by the war, occupation, resistance and civil war losses, and preoccupied with carrying out the elimination of all actual and potential opposition, the Communist government faced the double task of building its Socialist economy while rebuilding the country. As an integral part of the Yugoslav federation, Slovenia was, naturally, affected by Yugoslavia’s internal and external political developments. The main problems facing communist Yugoslavia/Slovenia were essentially the same as the unresolved ones under Royalist Yugoslavia. As the “Royal Yugoslavism” had failed in its assimilative efforts, so did the “Socialist Yugoslavism” fail to overcome the forces of nationalism. In the case of Slovenia there were several key factors in the continued attraction to its national identity: more than a thousand years of historical development; a location within Central Europe (not part of the Balkan area) and related identification with Western European civilization; the Catholic religion with the traditional role of Catholic priests (even under the persecutions by the Communist regime); the most developed and productive economy with a standard of living far superior to most other areas of the Yugoslav Federation; and finally, the increased political and economic autonomy enjoyed by the Republic after the 1974 constitution, particularly fol-

lowing Tito's death in 1980. Tito's motto of "unity and brotherhood" was replaced by "freedom and democracy" to be achieved through either a confederative rearrangement of Yugoslavia or by complete independence.

In December 1964, the eighth Congress of the League of Communists of Yugoslavia (LCY) acknowledged that ethnic prejudice and antagonisms existed in socialist Yugoslavia and went on record against the position that Yugoslavia's nations had become obsolete and were disintegrating into a socialist "Yugoslavism." Thus the republics, based on individual nations, became bastions of a strong Federalism that advocated the devolution and decentralization of authority from the federal to the republic level. "Yugoslav Socialist Patriotism" was at times defined as a deep feeling for both one's own national identity and for the socialist self-management of Yugoslavia. Economic reforms were the other focus of the Eighth LCY Congress, led by Croatia and Slovenia with emphasis on efficiencies and local economic development decisions with profit criteria as their basis. The "liberal" bloc (Slovenia, Croatia, Macedonia, Vojvodina) prevailed over the "conservative" group and the reforms of 1965 did away with central investment planning and "political factories." The positions of the two blocs hardened into a national-liberal coalition that viewed the conservative, centralist group led by Serbia as the "Greater Serbian" attempt at majority domination. The devolution of power in economic decision-making spearheaded by the Slovenes assisted in the "federalization" of the League of Communists of Yugoslavia as a league of "quasi-sovereign" republican parties. Under strong prodding from the Croats, the party agreed in 1970 to the principle of unanimity for decision-making that, in practice, meant a veto power for each republic. However, the concentration of economic resources in Serbian hands continued with Belgrade banks controlling half of total credits and some 80% of foreign credits. This was also combined with the fear of Serbian political and cultural domination, particularly with respect to Croatian language sensitivities, which had been aroused by the use of the Serbian version of Serbo-Croatian as the norm, with the Croatian version as a deviation. The debates over the reforms of the 1960s led to a closer scrutiny, not only of the economic system, but also of the decision-making process at the republic and federal levels, particularly the investment of funds to less developed areas that Slovenia and Croatia felt were very poorly managed, if not squandered. Other issues fueled acrimony between individual nations, such as the 1967 Declaration in Zagreb claiming a Croatian linguistic and literary tradition separate from the Serbian one, thus undermining the validity of the Serbo-Croatian language. Also, Kosovo Albanians and Montenegrins, along with Slovenes and Croats, began to assert their national rights as superior to the Federation ones.

The language controversy exacerbated the economic and political tensions between Serbs and Croats, which spilled into the easily inflamed area of ethnic confrontations. To the conservative centralists the devolution of power to the republic level meant the subordination of the broad "Yugoslav" and "Socialist" interests to the narrow "nationalist" interest of republic national majorities. With the Croat League of Communists taking the liberal position in 1970, nationalism was rehabilitated. Thus the "Croatian Spring" bloomed and impacted all the other republics of Yugoslavia. Meanwhile, through a series of 1967–68 constitutional amendments that had limited federal power in favor of the republics and

autonomous provinces, the federal government came to be seen by liberals more as an inter-republican problem-solving mechanism bordering on a confederative arrangement. A network of inter-republican committees established by mid-1971 proved to be very efficient at resolving a large number of difficult issues in a short time. The coalition of liberals and nationalists in Croatia also generated sharp condemnation in Serbia whose own brand of nationalism grew stronger, but as part of a conservative/centralist alliance. Thus the liberal/federalist versus conservative/centralist opposition became entangled in the rising nationalism within each opposing bloc. The situation in Croatia and Serbia was particularly difficult because of their minorities issues—Serbian in Croatia and Hungarian/Albanian in Serbia.

Serbs in Croatia sided with the Croat conservatives and sought a constitutional amendment guaranteeing their own national identity and rights and, in the process, challenged the sovereignty of the Croatian nation and state as well as the right to self-determination, including the right to secession. The conservatives won and the amendment declared that "the Socialist Republic of Croatia (was) the national state of the Croatian nation, the state of the Serbian nation in Croatia, and the state of the nationalities inhabiting it.

#### Slovenian "Spring"

Meanwhile, Slovenia, not burdened by large minorities, developed a similar liberal and nationalist direction along with Croatia. This fostered an incipient separatist sentiment opposed by both the liberal and conservative party wings. Led by Stane Kavčič, head of the Slovenian government, the liberal wing gained as much local political latitude as possible from the federal level during the early 1970s "Slovenian Spring." By the summer of 1971, the Serbian party leadership was pressuring President Tito to put an end to the "dangerous" development of Croatian nationalism. While Tito wavered because of his support for the balancing system of autonomous republic units, the situation quickly reached critical proportions.

Croat nationalists, complaining about discrimination against Croats in Bosnia and Herzegovina, demanded the incorporation of Western Herzegovina into Croatia. Serbia countered by claiming Southeastern Herzegovina for itself. Croats also advanced claims to a larger share of their foreign currency earnings, to the issuance of their own currency, the creation of their own national bank that would directly negotiate foreign loans, the printing of Croatian postage stamps, the creation of a Croatian army, and recognition of the Croatian *Sabor* (assembly) as the highest Croatian political body, and, finally, to Croatian secession and complete independence. Confronted with such intensive agitation, the liberal Croatian party leadership could not back down and did not try to restrain the maximalist public demands nor the widespread university students' strike of November 1971. This situation caused a loss of support from the liberal party wings of Slovenia and even Macedonia. At this point Tito intervened, condemned the Croatian liberal leadership on 1 December 1971, and supported the conservative wing. The liberal leadership group resigned on 12 December 1971. When Croatian students demonstrated and demanded an independent Croatia, the Yugoslav army was ready to move in if necessary. A wholesale purge of the party liberals followed with tens of thousands expelled, key functionaries lost their

positions, several thousand were imprisoned (including Franjo Tuđman who later became president in independent Croatia), and leading Croatian nationalist organizations and their publications were closed.

On 8 May 1972, the Croatian party also expelled its liberal wing leaders and the purge of nationalists continued through 1973 in Croatia, as well as in Slovenia and Macedonia. However, the issues and sentiments raised during the “Slovene and Croat Springs” of 1969–71 did not disappear. Tito and the conservatives were forced to satisfy nominally some demands. The 1974 constitution was an attempt to resolve the strained inter-republican relations as each republic pursued its own interests over and above an overall “Yugoslav” interest. The repression of liberal-nationalist Croats was accompanied by the growing influence of the Serbian element in the Croatian Party (24% in 1980) and police force (majority) that contributed to the continued persecution and imprisonments of Croatian nationalists into the 1980s.

### Yugoslavia—House Divided

In Slovenia, developments took a direction of their own. The purge of the nationalists took place as in Croatia but on a lesser scale, and after a decade or so, nationalism was revived through the development of grassroots movements in the arts, music, peace, and environmental concerns. Activism was particularly strong among young people, who shrewdly used the regime-supported youth organizations, youth periodicals—such as *Mladina* (in Ljubljana) and *Katedra* (in Maribor)—and an independent student radio station. The journal *Nova Revija* published a series of articles focusing on problems confronting the Slovenian nation in February 1987; these included such varied topics as the status of the Slovenian language, the role of the Communist Party, the multiparty system, and independence. The *Nova Revija* was in reality a Slovenian national manifesto that, along with yearly public opinion polls showing ever higher support for Slovenian independence, indicated a definite mood toward secession. In this charged atmosphere, the Yugoslav army committed two actions that led the Slovenes to the path of actual separation from Yugoslavia. In March 1988, the army’s Military Council submitted a confidential report to the federal presidency claiming that Slovenia was planning a counter revolution and calling for repressive measures against liberals and a *coup d’état*. An army document delineating such actions was delivered by an army sergeant to the journal *Mladina*. But, before it could be published, *Mladina*’s editor and two journalists were arrested by the army on 31 March 1988. Meanwhile, the strong intervention of the Slovenian political leadership succeeded in stopping any army action. But the four men involved in the affair were put on trial by the Yugoslav army.

The second army *faux pas* was to hold the trial in Ljubljana, capital of Slovenia, and to conduct it in the Serbo-Croatian language, an action declared constitutional by the Yugoslav presidency, claiming that Slovenian law could not be applied to the Yugoslav army. This trial brought about complete unity among Slovenians in opposition to the Yugoslav army and what it represented, and the four individuals on trial became overnight heroes. One of them was Janez Janša who had written articles in *Mladina* critical of the Yugoslav army and was the head of the Slovenian pacifist movement and president of the Slovenian Youth Organization. (Ironically, three years later Janša led the successful defense of Slo-

venia against the Yugoslav army and became the first minister of defense of independent Slovenia.) The four men were found guilty and sentenced to jail terms from four years (Janša) to five months. The total mobilization of Slovenia against the military trials led to the formation of the first non-Communist political organizations and political parties. In a time of perceived national crisis, both the Communist and non-Communist leadership found it possible to work closely together. But from that time on the liberal/nationalist vs. conservative/centralist positions hardened in Yugoslavia and no amount of negotiation at the federal presidency level regarding a possible confederal solution could hold Yugoslavia together any longer.

Since 1986, work had been done on amendments to the 1974 constitution that, when submitted in 1987, created a furor, particularly in Slovenia, due to the proposed creation of a unified legal system, the establishment of central control over the means of transportation and communication, centralization of the economy into a unified market, and the granting of more control to Serbia over its autonomous provinces of Kosovo and Vojvodina. This all came at the expense of the individual republics. A recentralization of the League of Communists was also recommended but opposed by liberal/nationalist groups. Serbia’s President Slobodan Milošević also proposed changes to the bicameral Federal Skupština (Assembly) by replacing it with a tricameral one where deputies would no longer be elected by their republican assemblies but through a “one person, one vote” national system. Slovenia, Croatia, and Bosnia and Herzegovina strongly opposed the change as they opposed the additional Chamber of Associated Labor that would have increased the federal role in the economy. The debates over the recentralizing amendments caused an even greater focus in Slovenia and Croatia on the concept of a confederative structure based on self-determination by “sovereign” states and a multiparty democratic system as the only one that could maintain some semblance of a “Yugoslav” state.

By 1989 and the period following the Serbian assertion of control in the Kosovo and Vojvodina provinces, as well as in the republic of Montenegro, relations between Slovenia and Serbia reached a crisis point: Serbian President Milošević attempted to orchestrate mass demonstrations by Serbs in Ljubljana, the capital city of Slovenia, and the Slovenian leadership vetoed it. Then Serbs started to boycott Slovenian products, to withdraw their savings from Slovenian banks, and to terminate economic cooperation and trade with Slovenia. Serbian President Milošević’s tactics were extremely distasteful to the Slovenians and the use of force against the Albanian population of the Kosovo province worried the Slovenes (and Croats) about the possible use of force by Serbia against Slovenia itself. The tensions with Serbia convinced the Slovenian leadership of the need to take necessary protective measures. In September 1989, draft amendments to the constitution of Slovenia were published that included the right to secession, and the sole right of the Slovenian legislature to introduce martial law. The Yugoslav army particularly needed the amendment granting control over deployment of armed forces in Slovenia, since the Yugoslav army, controlled by a mostly Serbian/Montenegrin officer corps dedicated to the preservation of a Communist system, had a self-interest in preserving the source of their own budgetary allocations of some 51% of the Yugoslav federal budget.

A last attempt at salvaging Yugoslavia was to be made at the extraordinary Congress of the League of Communists of Yugoslavia convened in January 1990 to review proposed reforms such as free multiparty elections, and freedom of speech. The Slovenian delegation attempted to broaden the spectrum of reforms but was rebuffed and walked out on 23 January 1990, pulling out of the Yugoslav League. The Slovenian Communists then renamed their party the Party for Democratic Renewal. The political debate in Slovenia intensified and some 19 parties were formed by early 1990. On 10 April 1990 the first free elections since before World War II were held in Slovenia, where there still was a three-chamber Assembly: political affairs, associated labor, and territorial communities. A coalition of six newly formed democratic parties, called *Demos*, won 55% of the votes, with the remainder going to the Party for Democratic Renewal, the former Communists (17%), the Socialist Party (5%), and the Liberal Democratic Party—heir to the Slovenia Youth Organization (15%). The *Demos* coalition organized the first freely elected Slovenian government of the post-Communist era with Dr. Lojze Peterle as the prime minister.

Milan Kucan, former head of the League of Communists of Slovenia, was elected president with 54% of the vote in recognition of his efforts to effect a bloodless transfer of power from a monopoly by the Communist party to a free multiparty system and his standing up to the recentralizing attempts by Serbia.

#### Toward Independence

In October 1990, Slovenia and Croatia published a joint proposal for a Yugoslavian confederation as a last attempt at a negotiated solution, but to no avail. The Slovenian legislature also adopted in October a draft constitution proclaiming that “Slovenia will become an independent state.” On 23 December 1990, a plebiscite was held on Slovenia’s disassociation from Yugoslavia if a confederate solution could not be negotiated within a six-month period. An overwhelming majority of 89% of voters approved the secession provision and a declaration of sovereignty was adopted on 26 December 1990. All federal laws were declared void in Slovenia as of 20 February 1991, and since no negotiated agreement was possible, Slovenia declared its independence on 25 June 1991. On 27 June 1991, the Yugoslav army tried to seize control of Slovenia and its common borders with Italy, Austria, and Hungary under the pretext that it was the army’s constitutional duty to assure the integrity of Socialist Yugoslavia. The Yugoslav army units were surprised and shocked by the resistance they encountered from the Slovenian “territorial guards,” who surrounded Yugoslav army tank units, isolated them, and engaged in close combat, mostly along border checkpoints that ended in most cases with Yugoslav units surrendering to the Slovenian forces. Fortunately, casualties were limited on both sides. Over 3,200 Yugoslav army soldiers surrendered and were well treated by the Slovenes, who scored a public relations coup by having the prisoners call their parents all over Yugoslavia to come to Slovenia and take their sons back home.

The war in Slovenia ended in 10 days due to the intervention of the European Community, who negotiated a cease-fire and a three-month moratorium on Slovenia’s implementation of independence, giving the Yugoslav army time to retreat from Slovenia by the end of October 1991. Thus Slovenia was able to “disassociate” itself from Yugoslavia with a minimum of casualties, although

the military operations caused considerable physical damages estimated at almost US\$3 billion. On 23 December 1991, one year following the independence plebiscite, a new constitution was adopted by Slovenia establishing a parliamentary democracy with a bicameral legislature. Even though US Secretary of State James Baker, in his visit to Belgrade on 21 June 1991, had declared that the United States opposed unilateral secessions by Slovenia and Croatia and that the United States would therefore not recognize them as independent countries, such recognition came first from Germany on 18 December 1991, from the European Community on 15 January 1992, and finally from the United States on 7 April 1992. Slovenia was accepted as a member of the UN on 23 April 1992 and has since become a member of many other international organizations, including the Council of Europe in 1993 and the NATO related Partnership for Peace in 1994.

On 6 December 1992, general elections were held in accordance with the new constitution, with 22 parties participating and eight receiving sufficient votes to assure representation. A coalition government was formed by the Liberal Democrats, Christian Democrats, and the United List Group of Leftist Parties. Dr. Milan Kucan was elected president, and Dr. Janez Drnovšek became prime minister. In 1997 a compromise was struck which allowed Poland, the Czech Republic, and Hungary to join the NATO alliance in 1999 while Romania and Slovenia were identified as prime candidates for future nomination into the alliance. Also in 1997, Slovenia signed an association agreement with the European Union (EU) and was invited to talks on EU membership.

In the 1970s, Slovenia had reached a standard of living close to the one in neighboring Austria and Italy. However, the burdens imposed by the excessive cost of maintaining a large Yugoslav army, heavy contributions to the Fund for Less Developed Areas, and the repayments on a US\$20 billion international debt, caused a lowering of its living standard over the 1980s. The situation worsened with the trauma of secession from Yugoslavia, the war damages suffered, and the loss of the former Yugoslav markets. In spite of all these problems Slovenia has made progress since independence by improving its productivity, controlling inflation, and reorienting its exports to Western Europe. The Slovenian economy has been quite strong since 1994, growing at an annual rate of about 4% during the late 1990s. Based on past experience, its industriousness, and good relationship with its trading partners, Slovenia has a very good chance of becoming a successful example of the transition from authoritarian socialism to a free democratic system and a market economy capable of sustaining a comfortable standard and quality of life.

Although governed from independence by centrist coalitions headed by Prime Minister Janez Drnovšek, the coalition collapsed in April 2000. Economist and center-right Social Democrat Party leader Andrej Bajuk became prime minister, until elections on 15 October 2000 saw Drnovšek return to power at the head of a four-party coalition. Drnovšek ran for president in elections held on 1 December 2002, and emerged with 56.5% of the vote in the second round, defeating Barbara Brezigar, who took 43.5%. Both supported EU and NATO membership for Slovenia. Liberal Democrat Anton Rop took over as prime minister when Drnovšek was elected president. The next presidential election was to be held fall 2007.

In the spring of 2004, Slovenia became a member of NATO and the EU. Later that year it held parliamentary elections, which were won by the center-right Slovenian Democratic Party—the first time in 13 years that a party other than the Liberal Democrats took power. In December 2004, Janez Jansa, who served as defense minister in previous governments, became, with the support of the parliament, prime minister. Jansa promised to reduce state administrative costs and to speed up the euro adoption process. The next National Assembly elections were scheduled for October 2008. In February 2005, Slovenia ratified the EU constitution.

### **13 GOVERNMENT**

Slovenia is a republic based on a constitution adopted on 23 December 1991, one year following the plebiscite that supported its independence. As of early 2006, the president was Janez Drnovšek, elected in November 2002. The prime minister was Janez Jansa, elected in October 2004.

The constitution provides for a National Assembly as the highest legislative authority with 90 seats. Deputies are elected to four-year terms of office. The National Council, with 40 seats, has an advisory role, and councilors represent social, economic, professional, and local interests. They are elected to five-year terms of office and may propose laws to the National Assembly, request the latter to review its decisions, and may demand the calling of a constitutional referendum.

The executive branch consists of a president of the republic who is also Supreme Commander of the Armed Forces, and is elected to a five-year term of office, limited to two consecutive terms. The president calls for elections to the National Assembly, proclaims the adopted laws, and proposes candidates for prime minister to the National Assembly. A Council of Ministers to advise the president is nominated by the prime minister and elected by the National Assembly.

### **14 POLITICAL PARTIES**

Parliamentary elections were held on 3 October 2004, with the Slovene Democratic Party (SDS) garnering the highest number of seats—29; the Liberal Democratic Party (which dominated the political scene since Slovenia's independence, in 1991) got 23; the United List of Social Democrats (ZLSD), 10 seats; New Slovenia (Nsi), 9 seats; Slovene People's Party (SLS), 7 seats; Slovenian National Party (SNS), 6 seats; Democratic Party of Retired People of Slovenia (DeSUS), 4 seats; Italian Minority, 1 seat; and the Hungarian Minority, 1 seat. The SDS forged a coalition with two center-right parties—Nsi and SLS—and a center-left party—DeSUS. In November 2004, the National Assembly elected Janez Jansa prime minister, with 57 votes in favor. The next parliamentary elections were scheduled for October 2008.

Party candidates are elected by each district. A candidate is only elected when votes for each party reach a given threshold. A new electoral code was passed in 2000, raising the threshold for securing seats from 3.2% to 4% and ending the use of preferential party lists for allocating seats to candidates who did not win direct mandates.

### **15 LOCAL GOVERNMENT**

The commune or municipality (*občina*) is the basic self-managed sociopolitical community. There are 193 municipalities and 11 ur-

ban municipalities in Slovenia, which have directly elected councils as their representative bodies. A municipality must have at least 5,000 inhabitants. An urban municipality must have at least 20,000 inhabitants, be the place of employment for at least 15,000 people, and be the geographic, economic, and cultural center of the area. There are 58 state administrative units in Slovenia, which have jurisdiction over one or several municipalities. Advisory committees are formed to ensure cooperation between municipal bodies and administrative units. Members of these committees are appointed by the municipal councils. There are also local, village, and ward communities in Slovenia.

In May 2005, the country was divided into 12 statistical regions, and the government plans another partition into 10 to 12 administrative regions. This new divide might follow the borders of the statistical regions, but parliamentary debates, and constitutional changes, had to precede this process.

### **16 JUDICIAL SYSTEM**

The judicial system consists of local and district courts and a Supreme Court, which hears appeals from these courts. A nine-member Constitutional Court resolves jurisdictional disputes and rules on the constitutionality of legislation and regulations. The Constitutional Court also acts as a final court of appeal in cases requiring constitutional interpretation.

Judges are elected by parliament after nomination by a Judicial Council composed of 11 members—six judges selected by their peers and five persons elected by the National Assembly on nomination of the president. The constitution guarantees the independence of judges. Judges are appointed to permanent positions subject to an age limit.

The constitution affords criminal defendants a presumption of innocence, open court proceedings, the right to an appeal, a prohibition against double jeopardy, and a number of other procedural due process protections.

### **17 ARMED FORCES**

The Slovenian armed forces numbered 6,550 active personnel in 2005, with 20,000 reservists. The Slovene Army was equipped with 70 main battle tanks, eight reconnaissance vehicles, 26 armored infantry fighting vehicles, 64 armored personnel carriers, and 140 artillery pieces. The Army's air wing of 530 personnel operated three transport and 12 training fixed wing aircraft, as well as 13 helicopters. There was also a small maritime element with 47 active personnel, operating a single patrol boat. Paramilitary personnel consisted of a 4,500-member police force, with 5,000 reservists. Slovenia participated in UN, NATO, and European Union peacekeeping or military missions in four regions or countries. The defense budget in 2005 totaled \$580 million.

### **18 INTERNATIONAL COOPERATION**

Slovenia was admitted to the United Nations in 1992; it is part of several nonregional specialized agencies, such as the FAO, IAEA, UNCTAD, UNESCO, UNIDO, ILO, the World Bank and the WHO. Slovenia is also a member of the Council of Europe, OSCE, the WTO, the European Bank for Reconstruction and Development, the Inter-American Development Bank, NATO, the Euro-Atlantic Partnership Council, and the European Union. The coun-

try holds observer status in the OAS and is a member affiliate of the Western European Union.

Slovenia is part of the Australia Group, the Zangger Committee, and the Nuclear Suppliers Group (London Group). In environmental cooperation, the nation is part of the Basel Convention, Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, the Nuclear Test Ban Treaty, and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Before its independence, Slovenia was the most highly developed and wealthiest republic of the former Yugoslav SFR, with a per capita income more than double that of the Yugoslav average, and nearly comparable to levels in neighboring Austria and Italy. The painful transition to a market-based economy was exacerbated by the disruption of intra-Yugoslav trade. However, Slovenia's economy has not suffered as much as was predicted during the breakup of the Yugoslav SFR, due to strong ties with Western Europe. Whereas GDP fell by 9% in 1991 and 6% in 1992, the 1993 GDP grew by 1.3%. Since then real GDP growth has averaged 4% a year. In 2001 and 2002, a weak external environment slowed growth to 3% and 2.9% (est.). Until 1991 to 1999, Slovenia's budget deficit rarely exceeded 1% of GDP. In 2000 and 2001, the general government debt increased to 1.4% of GDP, and was projected to reach 2.9% in 2002. The unemployment rate (ILO definition) has fallen from 7.6% in 1999 to 6.4% in 2001 and an estimated 6.3% in 2002. Inflation as measured by consumer prices (end of period) rose from 8% in 1998 and 1999 to 8.9% in 2000, but then fell to 7% in 2001 and 7.2% (est.) in 2002.

Under the Communists, large parts of the economy were nationalized, with most restructuring involving the infrastructure, electricity, telecommunications, utilities, major banks, insurers, and the steel industry. Subsequent reforms enabled managers and workers to purchase up to 60% of their companies. As a result, nearly 70% of manufacturing firms in Slovenia are owned by their employees.

Slovenia freed prices and implemented a privatization law in November 1992, which has enabled private businesses to expand. The Slovene privatization program began in 1993 and involved 1,500 companies, 1,000 of which had completed privatization by mid-1997, including most small and medium-sized enterprises. In 2001, an estimated 55% of the economy had been privatized.

The outlook for Slovenia's economy is good, as both inflation and unemployment are expected to continue edging down. By 2002 the country's real GDP per capita had risen to about 70% the EU average, and in May 2004 Slovenia was accepted as a full member of the latter.

Moderate growth rates were registered in 2003 and 2004 (2.5% and 3.9% respectively), and the trend was expected to continue in 2005, with a predicted GDP growth rate of 3.6%. Inflation continued on its downward spiral, reaching 5.6% in 2003, and 3.3% in 2004; predictions show it to continue to decrease in 2005, at 2.6%. Unemployment has remained fairly stable (although on a slight decrease path), hovering around 10.5%. Slovenia remains one of the most developed Central and Eastern European countries and

was the first to make the transition from a borrower status to a partner at the World Bank. Privatizations, structural reforms, and policy implementations have happened at an accelerated pace, and Slovenia is expected to adopt the euro by 2007.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Slovenia's gross domestic product (GDP) was estimated at \$42.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$20,900. The annual growth rate of GDP was estimated at 3.8%. The average inflation rate in 2005 was 2.4%. It was estimated that agriculture accounted for 2.8% of GDP, industry 36.9%, and services 60.3%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$255 million or about \$128 per capita and accounted for approximately 0.9% of GDP. Foreign aid receipts amounted to \$66 million or about \$33 per capita and accounted for approximately 0.2% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Slovenia totaled \$15.10 billion or about \$7,570 per capita based on a GDP of \$27.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.4%. In 2001 it was estimated that approximately 27% of household consumption was spent on food, 14% on fuel, 4% on health care, and 16% on education.

## 21 LABOR

As of 2005, Slovenia's labor force totaled an estimated 920,000 persons. As of 2002, agriculture accounted for 6% of the workforce, with industry at 40% and 55% in the services sector. Unemployment was estimated at 9.8% in 2005.

The constitution provides that the establishment, activities, and recruitment of members of labor unions shall be unrestricted. There are two main labor federations, with constituent branches throughout the society, as well as a smaller regional union. Virtually all workers except for police and military personnel are eligible to form and join unions. The right to strike is also guaranteed by the constitution. Collective bargaining is still undergoing development, and the government still has the principal role in setting labor conditions.

The minimum wage was \$373 monthly in 2002, although increasingly, private businesses are setting pay scales directly with their employees' unions or representatives. The workweek is 42 hours, and the minimum working age is 16. Occupational health and safety standards are set by the government and regularly enforced.

## 22 AGRICULTURE

Some 202,000 hectares (499,000 acres), or 10% of the total land area, were in use as cropland in 2003. Agriculture contributed about 3% to GDP in 2003; Slovenia was the least agriculturally ac-

tive of all the republics of the former Yugoslav SFR. Major crops produced in 2004 included: wheat, 147,000 tons; corn, 357,000 tons; potatoes, 171,000 tons; sugar beets, 213,000 tons; olives, 2,100 tons; and fruit, 411,000 tons (of which grapes accounted for 33%).

### 23 ANIMAL HUSBANDRY

Permanent pasture land covers about 15% of the total land area. Sheep and cattle breeding, as well as dairy farming, dominate the agricultural sector of the economy. In 2005, the livestock population included: pigs, 534,000; cattle, 451,000; sheep, 94,000; goats, 22,000; horses, 20,000; and chickens, 4.8 million. Meat production in 2005 included 45,500 tons of beef, 70,000 tons of pork, and 64,000 tons of poultry. Productivity rates for livestock and dairy farming are comparable to much of Western Europe. In 2005, 654,000 tons of milk and 20,000 tons of eggs were produced. Poultry and eggs are some of the few agricultural products where Slovenia's domestic production still exceeds domestic demand.

### 24 FISHING

The total catch in 2003 was 2,635 tons, 49% from marine fishing. The freshwater catch is dominated by rainbow trout and common carp. Exports of fish products amounted to \$7.3 million in 2003, up from \$5.1 million in 1997. The fishing sector accounts for less than 1% of foreign investment.

### 25 FORESTRY

Forests cover 55% of the total area; they are Slovenia's most significant natural resource. Roundwood production was 2,551,000 cu m (90 million cu ft) in 2004. Production included wood pulp, 153,000 tons; paper and paperboard, 557,600 tons; and wood-based panels, 474,000 cu m (16.7 million cu ft). Exports of forest product in 2004 totaled \$624 million. The furniture-making industry is also a prominent consumer of forest products.

### 26 MINING

Slovenia's output of metals in 2003 included refined and secondary lead, aluminum ingot, and crude steel. The country's mining and quarrying sector accounted for around 0.9% of Slovenia's gross domestic product (GDP) in 2003. Slovenia's industrial output grew by about 1.4% in 2003 from 2002. Apart from being a substantial producer of quartz, quartzite and glass sand (200,000 metric tons in 2003), Slovenia was also a modest producer of common clay, coke and petroleum products. In 2003 output of: aluminum ingot (primary and secondary) totaled 109,800 metric tons; crude steel, 543,000 metric tons; and lead (refined and secondary), 15,000 metric tons. Industrial mineral production in 2003 included: cement, 1.3 million tons; bentonite, 4,000 metric tons; lime, 150,000 tons; salt (all sources) 125,000 metric tons; and di-

mension stone, 12,603 metric tons. Also produced was pumice, and sand and gravel.

### 27 ENERGY AND POWER

Slovenia, with miniscule reserves of oil and no natural gas reserves, is heavily reliant upon imports to meet its petroleum and natural gas needs.

In 2002, Slovenia's imports of all petroleum products averaged 53,640 barrels per day, of which crude oil imports averaged 100 barrels per day. Distillates and gasoline were the top two refined oil products imported that year, averaging 28,140 barrels per day and 18,180 barrels per day, respectively. Crude oil production in 2002 averaged 100 barrels per day. Domestic demand for refined oil products averaged 51,040 barrels per day. Domestic output of refined oil products averaged 100 barrels per day.

Slovenia imported all of the natural gas it consumed in 2002. Imports and demand for dry natural gas totaled 34.26 billion cu ft.

Coal was Slovenia's most abundant fossil fuel. Domestic output of all coal products totaled 5,166,000 short tons in 2002, of which lignite or brown coal accounted for 4,462,000 short tons. Coal product imports in 2002 totaled 694,000 short tons, of which 631,000 short tons was hard coal, and 63,000 short tons were coke. Demand for coal products in 2002 totaled 6,212,000 short tons.

Slovenia's electric power generation sector relies upon fossil fuels, hydropower and nuclear power. In 2002, total installed electrical capacity was 2.735 million kW, of which conventional thermal capacity was the largest at 1.220 million kW. Hydroelectric capacity that year stood at 0.839 million kW, followed by nuclear at 0.676 million kW. Electric power production in 2002 amounted to 13.882 billion kWh, with nuclear energy providing the largest portion of electric power generated at 5.310 billion kWh, followed by conventional thermal sources at 5.120 billion kWh and hydropower at 3.355 billion kWh. Domestic consumption of electricity totaled 11.780 billion kWh in 2002.

Slovenia imports oil from the former republics of the USSR and the developing world to supply a refinery at Lendava. Coal is mined at Velenje. Natural gas is used extensively for industry and is supplied by the former USSR and Algeria via 305 km (190 mi) of natural gas pipelines.

### 28 INDUSTRY

Manufacturing is widely diversified. Important manufacturing sectors include: electrical and nonelectrical machinery, metal processing, chemicals, textiles and clothing, wood processing and furniture, transport equipment, and food processing. In the composition of total value-added by economic activity, the share from industry declined from 50% in 1989 to 43% in 1991. Industry declined still further to 36% of GDP by 2001. Industrial production, which fell by about 25% in the early 1990s due in part to the international sanctions against Serbia, grew by an estimated 1% in 1996 and increased by 3.3% in 2001. The recovery of industrial production has been slower than expected, as the shift from parastatal to private ownership continues. Only in the late 1990s were steps taken to privatize key industrial sectors such as telecommu-

nications, utilities, and steel. Slovenia produced 116,082 automobiles in 2001, a 6% decline from 2000.

The industry seemed to have stabilized by 2004, contributing 36% to the total GDP, and with an industrial production growth rate that equaled the GDP growth rate, at 3.9%; industry employed 40% of the labor force. Agriculture made up 3% of the total economy, and employed 6% of the working people; services came in first, with 60% and 55% respectively. Main industries included ferrous metallurgy and aluminum products, lead and zinc smelting, electronics (including military electronics), trucks, electric power equipment, wood products, textiles, chemicals, machine tools.

## 29 SCIENCE AND TECHNOLOGY

The Slovenian Academy of Sciences and Arts, founded in 1938, has institutes conducting research in biology, paleontology, and medicine. Headquartered in Ljubljana are the Association of Engineers and Technicians of Slovenia; the Association of Mathematicians, Physicists, and Astronomers of Slovenia, and the Society for Natural Sciences of Slovenia. The Ljubljana Geological Institute was founded in 1946, and the Institute for Karst Research a year later in Postojna. The University of Ljubljana has faculties of arts and sciences; natural sciences and technology; architecture, civil engineering, and geodesy; electrical and computer engineering; mechanical engineering; medicine; and veterinary medicine. The University of Maribor has a college of agriculture, a faculty of technical sciences, and a center for applied mathematics and theoretical physics. In 1987–97, science and engineering students accounted for 26% of university enrollment.

In 2002 research and development (R&D) expenditures totaled \$562.019 million, or 1.54% of GDP. Of that amount, the largest portion came from the business sector at 60%, followed by government sources at 35.6%. Foreign sources accounted for 3.7% and higher education 0.6%. In that same year, there were 2,364 scientists and engineers engaged in R&D per one million people. High technology exports in 2002 were valued at \$488 million, or 5% of the country's manufactured exports.

## 30 DOMESTIC TRADE

Slovenia's domestic economy has historically been small, thus necessitating an emphasis on exports. New legislation in 1994 regarding tax exemptions on imported inputs was expected to help domestic companies compete with foreign firms. More recent reforms are aimed at encouraging and increasing both local and foreign investment.

There are a number of wholesalers and retailers throughout the country. American and European franchises have been established within the country. Installment financing, even for small ticket items, is common. Consumer prices are generally high due to the high cost of labor and transportation. The government maintains price controls on certain goods and services, such as gasoline, railway travel, telecommunications, and milk.

Retail hours are generally between 8 AM and 8 PM on weekdays. Stores may be open for a half-day on Saturdays.

## 31 FOREIGN TRADE

Slovenia has reoriented much of its trade away from its former Yugoslav neighbors toward Western Europe. Sanctions imposed by the UN on trade with Serbia severed Slovenia from its largest

### Principal Trading Partners – Slovenia (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	12,766.7	13,849.7	-1,083.0
Germany	2,947.7	2,668.9	278.8
Italy-San Marino-Holy See	1,674.0	2,533.6	-859.6
Croatia	1,141.4	503.5	637.9
Austria	935.0	1,164.0	-229.0
France-Monaco	721.5	1,390.0	-668.5
Bosnia-Herzegovina	532.9	88.7	444.2
United States	464.8	334.9	129.9
Russia	394.4	352.8	41.6
Serbia and Montenegro	392.6	76.3	316.3
Poland	351.8	214.5	137.3

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

foreign market. In 1992, 55% of Slovenia's exports were sent to the European Union (EU), and only 30% to Croatia and the other former Yugoslav republics. By 2000, the EU was buying 64% of Slovenia's exports.

Slovenia manufactures and exports mostly motor vehicles (8.5%), furniture (6.8%), and household electrical equipment (5.7%). Other exports include medicinal and pharmaceutical products (4.5%), clothes (4.4%), paper (3.4%), and iron and steel (3.3%).

In 2004, exports totaled \$15 billion (FOB—Free on Board), with imports slightly higher at \$16 billion (FOB). Slovenia's main export partners were Germany (which received 18.3% of total exports), Italy (11.6%), Austria (11.5%), France (7.4%), Croatia (7.4%), and Bosnia and Herzegovina (4.8%). Imports included machinery and transport equipment, manufactured goods, chemicals, fuels and lubricants, food, and mainly came from Germany (19.9%), Italy (17%), Austria (14.9%), France (10.2%), and Hungary (3.8%).

## 32 BALANCE OF PAYMENTS

Slovenia's public finances are among the strongest and most stable of the emerging nations in Eastern and Central Europe.

The US Central Intelligence Agency (CIA) reported that in 2002 the purchasing power parity of Slovenia's exports was \$10.3 billion while imports totaled \$11.1 billion resulting in a trade deficit of \$800 million.

The International Monetary Fund (IMF) reported that in 2001 Slovenia had exports of goods totaling \$9.34 billion and imports totaling \$9.96 billion. The services credit totaled \$1.96 billion and debit \$1.46 million.

Exports of goods and services totaled \$19.3 billion in 2004, up from \$15.7 billion in 2003. Imports grew from \$15.7 billion in 2003, to \$19.5 billion in 2004. Although Slovenia has managed to keep a fine balance between imports and exports, the resource balance was on a negative upsurge, growing from -\$19 million in 2003, to -\$212 million in 2004. A similar trend was registered for the current account balance, which deteriorated from -\$99 million in 2003, to -\$275 million in 2004. The national reserves (including gold) were \$8.6 billion in 2003, covering more than six months of imports; by 2004, they grew to \$8.9 billion.



**Balance of Payments – Slovenia (2003)**

(In millions of US dollars)

<b>Current Account</b>		<b>-98.9</b>
Balance on goods	-625.4	
Imports	-13,538.4	
Exports	12,913.0	
Balance on services	606.6	
Balance on income	-187.8	
Current transfers	107.8	
<b>Capital Account</b>		<b>-190.9</b>
<b>Financial Account</b>		<b>545.2</b>
Direct investment abroad	-466.0	
Direct investment in Slovenia	337.0	
Portfolio investment assets	-220.0	
Portfolio investment liabilities	-30.3	
Financial derivatives	...	
Other investment assets	-922.6	
Other investment liabilities	1,847.0	
<b>Net Errors and Omissions</b>		<b>54.8</b>
<b>Reserves and Related Items</b>		<b>-310.2</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.**Public Finance – Slovenia (2003)**

(In billions of tolar, central government figures)

<b>Revenue and Grants</b>	<b>2,529.8</b>	<b>100.0%</b>
Tax revenue	1,242	49.1%
Social contributions	918.8	36.3%
Grants	36.2	1.4%
Other revenue	332.9	13.2%
<b>Expenditures</b>	<b>2,609.3</b>	<b>100.0%</b>
General public services	279.6	10.7%
Defense	72.5	2.8%
Public order and safety	105.4	4.0%
Economic affairs	219.8	8.4%
Environmental protection	23.2	0.9%
Housing and community amenities	22.7	0.9%
Health	389.1	14.9%
Recreational, culture, and religion	67.9	2.6%
Education	361.8	13.9%
Social protection	1,067.3	40.9%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.**33 BANKING AND SECURITIES**

The Bank of Slovenia is the country's central bank, and it is independent of the government. It has pursued a tight monetary and credit policy, aimed at the gradual reduction of inflation, since the introduction of the tolar in October 1991. The bank ended some of the worst abuses of the banking system under the Yugoslavian federation, such as enterprises setting up their own banks from which they borrowed freely.

At the end of 1996, the Bank of Slovenia changed its method of calculating the revalorization rate for other banks. From January 1997, the rate is derived from price increases over the preceding six months, instead of four months as before.

Yet not until 1999 did Slovenia move to reform its banking sector by privatizing some of its largest banks and permitting foreign investment. Two of the largest state-owned banks, Nova Ljubljanska Banka and Nova Kreditna banka Maribor, were prime candidates for privatization. Analysts also expected large-scale consolidation to follow in the wake of the banking divestment.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$1.9 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$10.8 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 6.9%.

Commercial banks in the country include the Albania Joint-Stock Company. The currency unit is the tolar (Slt).

The Ljubljana Stock Exchange, abolished in 1953, was reopened in December 1989. As of 2001, it listed 38 securities and had 60 members. Total market capitalization was \$2.8 billion that year, and trading value was \$794 million, an increase of 30.5% from the previous year. As of 2004, a total of 140 companies were listed on the Ljubljana Stock Exchange, which had a market capitalization of \$9.677 billion. Trading value that year was \$1.170 billion, up

14.7% from the previous year. The Ljubljana International Futures and Options Exchange, Ltd. opened in 1998.

**34 INSURANCE**

In 1996, the company Zavarovalnica Triglav wrote all classes of insurance. There were at least 13 companies operating in Slovenia in 1997. In 2003, the value of all direct insurance premiums written totaled \$1.440 billion, of which nonlife premiums accounted for \$1.095 billion. In that same year, Triglav was Slovenia's top nonlife and life insurer, with gross written premiums of \$346.3 million and \$145.1 million, respectively.

**35 PUBLIC FINANCE**

Economic management is fairly good in Slovenia. Public finances showed modest deficits of about 1.4% of GDP through 2001. The debt to GDP ratio was 37% in 2001. Privatization has been relatively successful, although some of the business practices of the Yugoslav brand of communism have carried over to the newly private enterprises.

The US Central Intelligence Agency (CIA) estimated that in 2005 Slovenia's central government took in revenues of approximately \$16 billion and had expenditures of \$16.7 billion. Revenues minus expenditures totaled approximately -\$710 million. Public debt in 2005 amounted to 29.9% of GDP. Total external debt was \$20.57 billion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, central government revenues were Slt2,529.8 billion and expenditures were Slt2,609.3 billion. The value of revenues was us\$12 million and expenditures us\$12 million, based on an exchange rate for 2003 of us\$1 = Slt207.11 as reported by the IMF. Government outlays by function were as follows: general public services, 10.7%; defense, 2.8%; public order and safety, 4.0%; economic affairs, 8.4%; environmental protection, 0.9%; housing and community amenities,

0.9%; health, 14.9%; recreation, culture, and religion, 2.6%; education, 13.9%; and social protection, 40.9%.

### **3<sup>6</sup>TAXATION**

As of 2005, Slovenia had a flat 25% tax rate on corporate income. Capital gains are included as business income and taxed at the same corporate rate. Generally, the withholding tax on dividends distributed to residents and nonresidents is 25%, as it is with interest and royalties. The resident branches of foreign companies are taxed at the same 25% rate as Slovenian companies.

Personal income is taxed according to a progressive schedule up to 50%. All taxpayers can subtract 11% of their annual income from their taxable base. In addition, families with children can deduct 10% of their income for the first child and 5% for each additional child. There is a standard 3% deduction for investment in real estate, plus allowances for other living expenses, medical expenses, etc. Payroll taxes are assessed for health insurance and employment. There are gift and inheritance, and land taxes.

A sales tax of 20% on consumer products and 10% on services was replaced as of 1 July 1999 with Slovenia's value-added tax (VAT) introduced at a standard rate of 19% and a reduced rate of 7.5%. As of 1 January 2002 the standard rate was increased to 20% and the reduced rate upped to 8.5%, where it stood as of 2005. The reduced rate applies to food, medicines and agricultural products. Exports, insurance, banking and financial services are exempt. There are also excise taxes on alcohol, tobacco, and fuel.

### **3<sup>7</sup>CUSTOMS AND DUTIES**

Imports to Slovenia are generally unrestricted, except for certain agricultural, textile, and wood products. Customs duties on raw materials are 0–5%, semifinished products are assessed 5–10%, and equipment is charged 8–15%, while finished products or consumer goods are levied 15–27%. Many import taxes have been abolished, and further liberalization is planned. However, a sales tax and a customs clearance fee still exist.

The European Union (EU) signed a cooperation agreement with Slovenia in April 1993, which provided for greater access to the EU market. Slovenia also entered into trade agreements with Hungary, the Czech Republic, and Slovakia in 1993 that will gradually eliminate most trade barriers. By 1997, countries enjoying most-favored nation (MFN) status with Slovenia were assessed a 10.7% weighted average tariff. In 1999, following a reduction in its bilateral tariff with the European Union, Slovenia also lowered its MFN tariff.

### **3<sup>8</sup>FOREIGN INVESTMENT**

Since independence, the foreign investment climate has steadily improved in Slovenia, despite constraints that have inhibited investment. The small domestic economy has been viewed by many prospective investors as the least risky of the former Yugoslav republics, but to date Slovenia's share of world foreign direct investment (FDI) flows have been well below its share of world GDP. From 1988 to 1990, its share of world FDI was 60% of its share of world GDP, and from 1998 to 2000, it was only 30% of its share of world GDP.

Until the late 1990s Slovenia retained several barriers to foreign investment. Any company incorporated in Slovenia was required to have a majority of Slovenes on its board of directors,

or a managing director or proxy of Slovene nationality. Foreign companies and individuals of foreign nationality were prohibited from owning land in Slovenia. However, any company incorporated in Slovenia was permitted to purchase real estate, regardless of the origin of its founding capital. Liberalization laws enacted in 1999 lowered the threshold of foreign direct investment from 50% to 10%. This allowed more foreign investors to avert the custody account regime.

FDI inflow amounted to \$375.2 million in 1997, but fell to about \$250 million in 1998. In 1999 and 2000, FDI inflows averaged close to \$180 million. In 2001, contrary to the trend toward the decline of foreign investment worldwide, FDI inflow into Slovenia rose to a record \$442 million.

Despite its overall attractiveness, Slovenia has not managed to attract significant levels of FDI, as compared to some other Central and Eastern European Countries (like Hungary or the Czech Republic). At the end of 2003 the total stock of FDI in the country was roughly \$5.1 billion, with the majority of capital inflows coming from the European Union. A major reason for the recent poor performance in this sector can be attributed to the shelving of proposed privatizations in the energy, telecommunication, and financial sectors by the government of Slovenia.

### **3<sup>9</sup>ECONOMIC DEVELOPMENT**

The most productive of the former Yugoslav republics, Slovenia enjoys a high degree of prosperity and stability, and has made a successful transition to a market economy. It has become a member of the International Monetary Fund (IMF) as well as the World Bank; it obtained an \$80 million loan for financial rehabilitation from the latter. The EBRD loaned Slovenia \$50 million for the improvement of the railway sector. The country is a founding member of the WTO. Unlike the rest of the former communist states of Eastern Europe, Slovenia never received assistance from the International Monetary Fund. Its per capita gross domestic product (GDP) is comparable to EU members Portugal and Greece.

Slovenia's economy is heavily dependent upon foreign trade, with trade equaling around 120% of GDP. The budgets for 2003 and 2004 restricted the public deficit to 1% of GDP. Inflation fell from 200% in 1992 to 7.5% in 2002. Further privatizations—especially in the telecommunications, financial, and energy sectors—were planned as of 2003 but were put on hold indefinitely. Foreign direct investment has been high since 2000, almost tripling from 2001 to 2002 (accounting for 6.5% of GDP), but returned to lower levels in 2003 and 2004.

On 1 May 2004 Slovenia joined the European Union, which further strengthened the aura of political and economic stability it already had. It is one of the first 10 newly accepted countries, expected to introduce the euro by 2007. Slovenia registered steady growth rates since 1993 and is now behaving like a fully developed economy, boasting a modern and extensive infrastructure, a highly educated work force, and a prime geographic location. However, the levels of foreign investment remained under the capacity of the Slovenian economy, due in part to protectionist measures by the government. Corruption, although lower than in other Central and Eastern European countries, remains an issue that has to be addressed.

## 40 SOCIAL DEVELOPMENT

Slovenia's first social insurance programs were established in 1922, and were updated in 2003. The system provides old age, disability, survivor's pensions, sickness, work injury, and unemployment benefits. The pension system covers most employed persons. Funds are provided by employee and employer contributions, with any unforeseen deficit covered by the government. The government funds the total cost for some groups of insured including veterans. The age of retirement is variable, depending upon the numbers of years worked. A universal system of family allowances provides benefits to families with children with incomes below a specified monthly amount. There is a maternity grant available to all permanent residents in Slovakia to purchase clothing and other necessities for a newborn child.

Women and men have equal status under the law. Discrimination against women or minorities in housing, jobs, or other areas is illegal. Officially, both spouses are equal in marriage, and the constitution asserts the state's responsibility to protect the family. Women are well represented in business, academia, and government, although they still hold a disproportionate share of lower-paying jobs. On average, women earn less than men. Violence against women is underreported, but awareness has been increasing. There have been improved efforts to assist victims. The constitution provides for special protection for children.

The constitution ensures minority participation in government by mandating that Italian and Hungarian minorities each receive at least one representative in the National Assembly. The Roma population continues to experience discrimination. Human rights are generally respected by the government and upheld by the legal and judicial systems.

## 41 HEALTH

In 1992, health care reforms were adopted to modify the health care system in place when Slovenia was part of the former Communist country of Yugoslavia. Direct health care funding by the government was replaced by a mostly employer-funded system run in conjunction with a new system of compulsory public health insurance. However, Slovenia still provides universal, comprehensive health care to all its citizens and its health care system remains fairly centralized. As of 2004, there were an estimated 219 physicians, 717 nurses, 59 dentists and 39 pharmacists per 100,000 people. In the same year, total health care expenditure was estimated at 7.6% of GDP. In 2002 Slovenia had 26 hospitals, which included nine regional facilities, three local general hospitals, and the country's main teaching hospital and tertiary care center, the Clinical Center in Ljubljana.

In 2000, each Slovenian woman had an average of 1.2 children during her childbearing years. An estimated 11 mothers died during childbirth or pregnancy for each 100,000 live births. The infant mortality rate, which was 15 deaths per 1,000 in 1980, dropped significantly by 2005 to only 4.45 infant deaths per 1,000 live births. The immunization rates for a child under one were as follows: diphtheria, pertussis, and tetanus, 91%, and measles, 82%. The life expectancy at birth was 76.14 years by 2005.

The leading cause of death was cardiovascular disease, to which nearly half of all deaths were attributed. The other major causes of mortality, in order of prevalence, were cancer, injuries, poisoning, respiratory diseases, and diseases of the digestive system. The

HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 9,000 people living with HIV/AIDS in the country. There were an estimated 500 deaths from AIDS in 2003.

## 42 HOUSING

According to the 2002 census, there were 777,772 dwelling units. About 92% of all dwellings were privately owned by a citizen and 82% of all dwellings were owner occupied. About 44% of all households were living in single-family detached homes and 52% of all dwellings were in urban areas. About 94,635 dwellings, or 12% of the housing stock, had been built since 1991. The average household had 2.8 people.

Since the 1991 Housing Act, the State is no longer directly responsible for housing provisions. Municipalities have responsibility for social housing projects. The State does, however, offer subsidized loans for the construction of individual private homes and nonprofit rental housing.

## 43 EDUCATION

Between 1999 and 2009, Slovenia will be gradually replacing an eight-year basic schooling program with a nine-year program, which will contain three-cycles of three years each and cover primary and lower secondary studies. Upper secondary studies generally cover an additional three to four years with students given the options of attending general, technical, or vocational schools. The academic year runs from October to June.

In 2001, about 73% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 93% of age-eligible students. The same year, secondary school enrollment was about 93% of age-eligible students. It is estimated that about 95% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 13:1 in 2003; the ratio for secondary school was about 14:1.

Higher education at public institutions is free for native, full-time students and students from other European Union countries. Slovenia has 3 universities, 3 art academies or professional colleges, and 10 private higher education institutions. The University of Ljubljana, founded in 1919, has 25 faculties. The University of Maribor has a faculty for teaching, a faculty for economics and business, and a faculty for technology. There are also two colleges attached to it. In 2003, it was estimated that about 68% of the tertiary age population were enrolled in tertiary education programs; 58% for men and 79% for women. The adult literacy rate for 2004 was estimated at about 99.7%.

As of 2003, public expenditure on education was estimated at 6.1% of GDP.

## 44 LIBRARIES AND MUSEUMS

The National and University Library of Slovenia is located in Ljubljana and holds 2.3 million items. The University of Ljubljana maintains 39 faculty libraries. The University of Maribor Library maintains eight faculty libraries and serves as a legal depository for all Slovenian materials printed in the Slovene language. The Slovenian Academy of Sciences and Arts, also in the capital, holds 450,000 volumes. There are about 60 public library systems, with over 280 branch locations and nine mobile library services. One of the largest, the Oton Župančič Public Library in Ljubljana, main-

tains six locations and a mobile service. There are about 138 special libraries in the country, including the Slovene National Museum Library that holds about 200,000 printed materials.

Ljubljana hosts the National Gallery, Museum of Modern Art, Museum of Architecture, National Museum of Slovenia, Slovene Sports Museum, and the Slovene Ethnographic Museum, among others. The Technology Museum of Slovenia is in Vrhnika. The National Liberation Museum is in Maribor, a city which also hosts several smaller art and history museums. The Slovene Religious Museum is in Gorica. There are dozens of other regional museums throughout the country, including several in restored historical houses and castles.

#### 45 MEDIA

In 2003, there were an estimated 407 mainline telephones for every 1,000 people. The same year, there were approximately 871 mobile phones in use for every 1,000 people.

In 2004, three of the six national television channels were operated by the government-subsidized RTV Slovenia network. Pop TV and Kanal A are the two main private network operators. Every major town has a radio station. RTV Slovenia operates three national radio stations and several regional ones. Radio Hit and Radio City are the two main private network operators. Minority language television and radio broadcasts were available. As of 2005, about two-thirds of all households were connected to satellite or cable television services. In 2003, there were an estimated 405 radios and 366 television sets for every 1,000 people. About 160.3 of every 1,000 people were cable subscribers. Also in 2003, there were 300.6 personal computers for every 1,000 people and 376 of every 1,000 people had access to the Internet. There were 130 secure Internet servers in the country in 2004.

As of 2002, there were four major independent daily and several weekly newspapers published. The dailies are *Delo* (2002 circulation of 90,000), *Slovenske Novice* (80,000), *Dnevnik* (62,000), and *Vecer* (70,000).

The constitution provides for free expression, including freedom of speech and the press; however, it is said that lingering self-censorship and some indirect political pressures do continue to influence the media.

#### 46 ORGANIZATIONS

The Slovenia Chamber of Commerce (Chamber of Economy of Slovenia) coordinates all economic activities within and outside the country. In the 1990s, two large associations of trade unions were formed: the Confederation of New Trade Unions of Slovenia and the Association of Independent Trade Unions. There are professional associations for the advancement of research and education in a variety of medical fields.

The Slovenian Academy of Sciences and the Arts was founded in 1938.

National youth organizations include the UN Student Club of Slovenia, the Catholic Student Movement of Slovenia, the Students Union of Slovenia, Girl Guides, and the Scout Association of Slovenia. There are sports associations promoting amateur competition among athletes of all ages; many of these groups are affiliated with international counterparts as well. Women's organizations include The Center for Gender and Politics at the Peace Institute and Soroptimist International.

International organizations with national chapters include Amnesty International, the Society of St. Vincent de Paul, UNICEF, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

The rich architecture, museums, caves, and springs are some of Slovenia's main tourist attractions. Health resorts are popular, many in the north where there are mineral and thermal springs. The 10 casinos also attract visitors each year, making entertainment a major part of the tourism industry. Slovenia has convention centers in Ljubljana and three other cities and international airports in Ljubljana, Maribor, and Portoroz. Popular recreational activities include skiing, snowboarding, tennis, golf, mountain climbing, canoeing, and fishing. Visitors from Europe and most other countries can enter Slovenia without visas.

In 2003, there were 1,052,847 tourist arrivals in Slovenia. Hotel rooms numbered 15,534 with 31,997 beds and a 47% occupancy rate. Tourism expenditure receipts totaled \$1.4 billion.

According to 2005 US Department of State estimates, the daily cost of staying in Ljubljana was estimated at \$217.

#### 48 FAMOUS SLOVENIANS

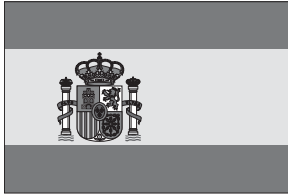
Milan Kučan (b.1941) was president from 1991–2002, when he was succeeded by Janez Drnovšek (b.1950), who had previously served as prime minister. In 1551, Primož Trubar translated the New Bible into Slovene. The poet, Valentin Vodnik (1754–1819), wrote poems in praise of Napoleon; literature in praise of the French flourished during the French occupation of Slovenia in 1813. Slovenian tennis star Mima Jausovec (b.1956) won the Italian Open in 1976 and the French Open in 1977.

#### 49 DEPENDENCIES

Slovenia has no territories or colonies.

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# SPAIN

Kingdom of Spain  
*España*

**CAPITAL:** Madrid

**FLAG:** The national flag, adopted in 1785, consists of three horizontal stripes: a yellow one—equal in size to the other two combined—between two red ones, with the coat of arms on the yellow stripe.

**ANTHEM:** *Marcha Real Granadera (March of the Royal Grenadier)*.

**MONETARY UNIT:** The peseta was replaced by the euro as official currency as of 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year's Day, 1 January; St. Joseph's Day, 19 March; Epiphany, 31 March; Day of St. Joseph the Artisan, 1 May; St. James's Day, 25 July; Assumption, 15 August; National Day and Hispanic Day, 12 October; All Saints' Day, 1 November; Immaculate Conception, 8 December; Christmas, 25 December. Movable religious holidays include Holy Thursday, Good Friday, Easter Monday, and Corpus Christi.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Occupying the greater part of the Iberian Peninsula, Spain is the third-largest country in Europe, with an area of 504,782 sq km (194,897 sq mi). Comparatively, the area occupied by Spain is slightly more than twice the size of the state of Oregon. This total includes the Balearic Islands (Islas Baleares) in the western Mediterranean Sea and the Canary Islands (Islas Canarias) in the Atlantic Ocean west of Morocco; both island groups are regarded as integral parts of metropolitan Spain. The Spanish mainland extends 1,085 km (674 mi) E–W and 950 km (590 mi) N–S. Bordered by the Bay of Biscay, France, and Andorra on the N, by the Mediterranean on the E and S, by Gibraltar and the Strait of Gibraltar on the S, by the Gulf of Cádiz on the SW, and by Portugal and the Atlantic on the W, Spain has a total land boundary of 1,918 km (1,192 mi) and a coastline of 4,964 km (3,084 mi). Spain also holds Ceuta, Melilla, and other “places of sovereignty” in the north of Morocco.

Spain has long claimed Gibraltar, a narrow peninsula on the south coast, which was taken by a British-Dutch fleet in 1704 and became a British colony under the Treaty of Utrecht (1713). In 2003, Gibraltar residents voted to remain a British colony and demanded greater participation in talks between the United Kingdom and Spain concerning the future of Gibraltar. The United Kingdom plans to grant Gibraltar greater autonomy, but Spain does not agree with this plan.

Spain's capital city, Madrid, is located in the center of the country.

## <sup>2</sup> TOPOGRAPHY

Continental Spain is divided into five general topographic regions: (1) The northern coastal belt is a mountainous region with fertile valleys and large areas under pasture and covered with forests. (2)

The central plateau, or Meseta, with an average altitude of about 670 m (2,200 ft), comprises most of Castilla y León, Castilla–La Mancha, and the city of Madrid. (3) Andalucía, with Sevilla its largest city, covers the whole of southern and southwestern Spain and, except for the flat fertile plain of the Guadalquivir River, is a mountainous region with deep fertile valleys. (4) The Levante is on the Mediterranean coastal belt, with Valencia its chief city. (5) Catalonia (Cataluña) and the Ebro Valley comprise the northeastern region.

Spain has six principal mountain ranges—the Pyrenees, the Cordillera Cantábrica, the Montes de Toledo, the Sierra Morena, the Serranías Penibéticas, and the Sistema Ibérico. The principal peaks are Pico de Aneto (3,404 m/11,168 ft) in the Pyrenees and Mulhacén (3,478 m/11,411 ft) in the Penibéticas. The main rivers are the Tagus (Tajo), Duero, Guadiana, and Guadalquivir, which flow to the Atlantic, and the Ebro, which flows to the Mediterranean. The Duero and the Guadalquivir form broad valleys and alluvial plains and at their mouths deposit saline soils, creating deltas and salt marshes. The coastline has few natural harbors except the estuaries (rías) in the northwest, formed by glaciers, and those in the Levante and the south, created by sandbars during the Quaternary period.

The Canary Islands are a group of 13 volcanic islands, of which 6 are barren. They have a ruggedly mountainous terrain interspersed with some fertile valleys. Spain's highest mountain, Pico de Teide (3,718 m/12,198 ft), is on Tenerife. The Balearic Islands are a picturesque group with sharply indented coastlines; they combine steep mountains with rolling, fertile ranges.

## <sup>3</sup> CLIMATE

The climate of Spain is extremely varied. The northern coastal regions are cool and humid, with an average annual temperature of

14°C (57°F); temperatures at Bilbao range from an average of 10°C (50°F) in January–March to 19°C (66°F) during July–September. The central plateau is cold in the winter and hot in the summer; Madrid has a winter average of about 8°C (46°F) and a summer average of 23°C (73°F). In Andalucía and the Levante, the climate is temperate except in summer, when temperatures sometimes reach above 40°C (104°F) in the shade. The northern coastal regions have an average annual rainfall of 99 cm (39 in); the southern coastal belt has 41–79 cm (16–31 in); and the interior central plain averages no more than 50 cm (20 in) annually.

#### 4 FLORA AND FAUNA

Because of its wide variety of climate, Spain has a greater variety of natural vegetation than any other European country; some 8,000 species are cataloged. Nevertheless, vegetation is generally sparse. In the humid areas of the north there are deciduous trees (including oak, chestnut, elm, beech, and poplar), as well as varieties of pine. Pine, juniper, and other evergreens, particularly the ilex and cork oak, and drought-resistant shrubs predominate in the dry southern region. Much of the Meseta and of Andalucía has steppe vegetation. The Canaries, named for the wild dogs (*Canariae insulae*) once found there, support both Mediterranean and African flora. A small, yellow-tinged finch on the islands has given the name “canary” to a variety of yellow songbirds widely bred as house pets. Animal life in Spain is limited by the pressure of population and few wild species remain. As of 2002, there were at least 82 species of mammals, 281 species of birds, and over 5,000 species of plants throughout the country.

#### 5 ENVIRONMENT

Extensive forests are now limited to the Pyrenees and the Asturias-Galicia area in the north because centuries of unplanned cutting have depleted stands. Fire eliminates 700,000 to 1,000,000 hectares of forestland each year. Government reforestation schemes meet with difficulties where sheep and goats graze freely over large areas. During the 1980s, an average of 92,000 hectares (227,000 acres) were reforested annually. Erosion affects about 18% of the total land mass of Spain.

Air pollution is also a problem in Spain. In 1995 industrial carbon dioxide emissions totaled 223.2 million metric tons (a per capita level of 5.72 metric tons), ranking Spain 20th compared to the other nations of the world. In 2000, the total of carbon dioxide emissions was at 282.9 million metric tons. Industrial and agricultural sources contribute to the nation's water pollution problem. Spain is also vulnerable to oil pollution from tankers which travel the shipping routes near the nation's shores. Spain's cities produce about 13.8 million tons of solid waste per year.

Principal environmental responsibility is vested in the Directorate General of the Environment, within the Ministry of Public Works and Urban Affairs. As of 2003, 8.5% of the country's total land area is protected, including 4 natural UNESCO World Heritage sites and 49 Ramsar wetland sites. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 20 types of mammals, 20 species of birds, 8 types of reptiles, 4 species of amphibians, 24 species of fish, 27 types of mollusks, 36 species of other invertebrates, and 14 species of plants. Threatened species included the Spanish lynx, Pyrenean ibex, Mediterranean monk

seal, northern bald ibis, Spanish imperial eagle, Cantabrian capercaillie, dusky large blue and Nevada blue butterflies, and on the Canary Islands, the green sea turtle and Hierro giant lizard. The Canarian black oystercatcher and the Canary mouse have become extinct.

#### 6 POPULATION

The population of Spain in 2005 was estimated by the United Nations (UN) at 43,484,000, which placed it at number 29 in population among the 193 nations of the world. In 2005, approximately 17% of the population was over 65 years of age, with another 15% of the population under 15 years of age. There were 96 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.1%, a rate the government viewed as too low. The projected population for the year 2025 was 46,164,000. The population density was 86 per sq km (223 per sq mi).

The UN estimated that 76% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.21%. The capital city, Madrid, had a population of 5,103,000 in that year. Other large urban areas and their estimated populations include Barcelona (4,424,000), Valencia (796,549), Sevilla (704,154), Zaragoza (647,373), and Málaga (558,287).

#### 7 MIGRATION

Emigration of Spanish workers to the more industrialized countries of Western Europe, notably to the Federal Republic of Germany (FRG), France, Switzerland, and Belgium, increased markedly during the 1960s, but since 1973 the number of Spaniards returning to Spain has been greater than the number of those leaving. Nevertheless, more than 1.7 million Spanish citizens were residing outside the country in 1987. In 2001 there were 1,109,060 foreign residents in Spain, 2.5% of total population. There were 234,937 Moroccans, 84,699 Ecuadorians, 80,183 British, 62,506 Germans, 48,710 Colombians, 44,798 French, and 42,634 Portuguese.

Internal migration was 685,966 in 1990. In the past it has been directed toward the more industrialized zones and the great urban centers, and away from the rural areas. Rural-to-urban and urban-to-rural migration is now roughly in balance.

Placed into practice in 2001, Plan Greco was a scheme to regularize the immigration process; it was paralleled by a labor quota system aimed at responding to short and long-term labor shortages. However, both employers and labor unions agreed that the 2002 labor quota was a failure, falling short of the necessary workers. Between 1995–2004 Spain's legal foreign-born population quadrupled from 500,000 to 2,000,000. All the same, Spain still had an estimated 1.2 million unauthorized migrants at the end of 2004. In 2005, Spain had its fifth and largest legalization program with 690,679 unauthorized foreign workers applying.

A gateway into Europe, Spain receives large numbers of non-European migrants through Ceuta and Melilla. Between 1984–98, an estimated 8,000 people were granted refugee status. In 2004, 15,675 illegal migrants traveled on 740 boats that were intercepted, and in 2005 a boat with 300 Moroccans attempting to enter southern Spain was seized. In 1998, 6,654 people applied for asylum in Spain, up from 4,730 in 1996, however by 2004 none applied. Also in 2004, 5,635 people were recognized as refugees and there were 14 others of concern to the United Nations High Com-



LOCATION: 36° to 43°47' N; 3°19' E to 9°30' W. BOUNDARY LENGTHS: France, 623 kilometers (387 miles); Andorra, 65 kilometers (40 miles); Mediterranean coastline, 1,670 kilometers (1,038 miles); Gibraltar, 1 kilometer (0.6 miles); Portugal, 1,214 kilometers (754 miles); Atlantic and Bay of Biscay coastlines, 2,234 kilometers (1,388 miles). The Balearic Islands extend from 1°12' to 4°19' E and 38°38' to 40°5' N; coastline, 910 kilometers (565 miles). The Canary Islands, 1,400 kilometers (900 miles) to the southwest, extend from 13°20' to 18°19' W and 27°38' to 29°25' N; coastline, 1,126 kilometers (700 miles). territorial sea limit: 12 miles.

missioner for Refugees (UNHCR). In 2005, the net migration rate was an estimated 0.99 migrants per 1,000 population. In 2003 worker remittances were \$4.7 billion.

## 8 ETHNIC GROUPS

Ethnological studies reveal a homogeneous Latin stock in three-fourths of the country. The greatest contrasts are found between those of Celtic, Iberic, and Gothic antecedents in the north and those of southern lineage. The great mobility of the population toward the urban centers, the coast, and the islands has contributed to the diffusion of ethnic characteristics.

Cultural groups, but not properly distinct ethnic groups, include the Castilians of central Spain, the Asturians and the Basques of Vizcaya, Álava, Guipúzcoa, and (in part) Navarra provinces in the north, the Catalans of Catalonia, the Galicians of the far northwest, and the Andalusians of the south. The Basques, Galicians, and Catalans consider themselves separate nations within Spain;

they enjoy considerable cultural, economic, and political autonomy. Estimates of the Roma population are usually given as several hundred thousand.

## 9 LANGUAGES

According to the 1978 constitution, Spanish is the national language. Castilian, the dialect of the central and southern regions, is spoken by most Spaniards (74%) and is used in the schools and courts. Regional languages—Catalan (spoken by 17% of the population), Galician (7%), Basque (2%), Bable, and Valencian—are also official in the respective autonomous communities, where education is bilingual.

Regional languages are spoken by over 16 million persons in Spain. A majority of those who live in the northeastern provinces and the Balearic Islands spoke Catalan, a neo-Latin tongue. Galician, close to Portuguese, was used in Galicia, in the northwest corner of Spain. The Basques in northern Spain spoke Basque, a

pre-Roman language unrelated to any other known tongue and using an ancient script. Bable, a form of Old Castilian was spoken in Asturias (northwest), and Valencian, a dialect of Catalan, was used by inhabitants of the eastern province of Valencia.

## **1<sup>0</sup>RELIGIONS**

In 2003, the Center for Sociological Investigations reported that about 81% of respondents were nominally Catholic, but 42% admitted that they never attend Mass. In the same survey, 11.6% claimed to be agnostics and 4.1% claimed to be atheists. Protestants, numbering about 350,000, are represented by the Federation of Evangelical Religious Entities. The Federation of Spanish Islamic Entities (FEERI), located in Córdoba, reports that there are about one million Muslims, including both legal and illegal immigrants. There are about 40,000–50,000 Jews in the country. There are also about 9,000 practicing Buddhists.

Roman Catholicism was once the official religion of Spain, but the constitution of 1978 established the principles of religious freedom and separation of church and state. The Roman Catholic Church does, however, continue to maintain certain privileges, as well as monetary support, from the state.

## **1<sup>1</sup>TRANSPORTATION**

In 2002, Spain had an estimated 346,858 km (215,538 mi) of roadways, of which 343,389 km (213,382 mi) were paved highways, including 9,063 km (5,632 mi) of expressways. The Mediterranean and Cantábrico routes are the most important. In 2003, there were 19,293,263 passenger cars and 4,255,275 commercial vehicles.

In 2004, the National Spanish Railway Network encompassed 14,781 km (9,194 mi) of broad, standard and narrow gauge railways, of which broad gauge was the largest portion at 11,829 km (7,358 mi), followed by narrow gauge at 1,954 km (1,215 mi), and standard gauge at 998 km (621 mi). A total of 7,718 km (4,801 mi) of railway (broad, standard and narrow gauge) were electrified.

Of Spain's 200 ports, 26 are of commercial significance. The largest are Barcelona, Tarragona, and Cartagena on the Mediterranean, Algeciras on the Strait of Gibraltar, La Coruña on the Atlantic, and Las Palmas and Santa Cruz de Tenerife in the Canaries. The port of Bilbao, on the Bay of Biscay, can accommodate tankers of up to 500,000 tons. Substantial improvements were made during the 1970s at Gijón, Huelva, and Valencia. Scheduled ferry services connect Spain with neighboring countries and North Africa. In 2005, the merchant fleet was comprised of 182 vessels of 1,000 GRT or more, totaling 1,740,974 GRT. As of 2003, Spain had 1,045 km (650 mi) of navigable inland waterways.

Spain had an estimated 156 airports and airfields in 2004. As of 2005, a total of 95 had paved runways, and there were also eight heliports. Principal airports include Alicante, Prat at Barcelona, Ibiza, Lanzarote, Gran Canaria at Las Palmas, Barajas at Madrid, Málaga, Menorca, Son San Juan at Palma Mallorca, and Valencia. The state-owned Iberia Air Lines has regular connections with 50 countries and 89 cities in Europe, Africa, Asia (including the Middle East), and the Western Hemisphere. Other Spanish airlines are Aviaco, Air Europa, Viva Air, Binter Canarias, and Spanair. In 2003, about 42.507 million passengers were carried on domestic and international flights, and 879 million ton-km (546 million ton-mi) of freight.

## **1<sup>2</sup>HISTORY**

Archaeological findings indicate that the region now known as Spain has been inhabited for thousands of years. A shrine near Santander, discovered in 1981, is believed to be over 14,000 years old, and the paintings discovered in the nearby caves of Altamira in 1879 are of comparable antiquity. The recorded history of Spain begins about 1000 BC, when the prehistoric Iberian culture was transformed by the invasion of Celtic tribes from the north and the coming of Phoenician and Greek colonists to the Spanish coast. From the 6th to the 2nd century BC, Carthage controlled the Iberian Peninsula up to the Ebro River; from 133 BC, with the fall of Numantia, until the barbarian invasions of the 5th century AD, Rome held Hispania, from which the name Spain is derived. During the Roman period, cities and roads were built, and Christianity and Latin, the language from which Spanish originated, were introduced. In the 5th century, the Visigoths, or western Goths, settled in Spain, dominating the country until 711, when the invading Moors defeated King Roderick. All of Spain, except for a few northern districts, knew Muslim rule for periods ranging from 300 to 800 years. Under Islam, a rich civilization arose, characterized by prosperous cities, industries, and agriculture and by brilliant writers, philosophers, and physicians, including Jews as well as Muslims. Throughout this period (711–1492), however, Christian Spain waged intermittent and local war against the Moors. The most prominent figure in this battle was El Cid, who fought for both Christians and Moors in the 11th century. By the 13th century, Muslim rule was restricted to the south of Spain. In 1492, Granada, the last Moorish stronghold on Spanish soil, fell, and Spain was unified under Ferdinand II of Aragón and Isabella I of Castile, the "Catholic Sovereigns." Until then, Aragón (consisting of Aragón, Catalonia, Valencia, and the Balearic Islands) had been an independent kingdom, which had expanded toward the eastern Mediterranean, incorporating Sicily and Naples, and had competed with Genoa and Venice. In order to strengthen the unity of the new state, Moors and Jews were expelled from Spain; Catholic converts who chose to stay were subject to the terrors of the Inquisition if suspected of practicing their former religions. The year 1492 also witnessed the official European discovery of the Americas by Christopher Columbus, sailing under the Castilian flag. In 1519, Ferdinand Magellan, a Portuguese in the service of Spain, began the first circumnavigation of the world, completed in 1522 by Juan Sebastián Elcano.

The 16th century, particularly under Charles I, who was also Holy Roman Emperor Charles V, was the golden age of Spain: its empire in the Americas produced vast wealth; its arts flourished; its fleet ruled the high seas; and its armies were the strongest in Europe. By the latter part of the 16th century, however, under Philip II, the toll of religious wars in Europe and the flow of people and resources to the New World had drained the strength of the Spanish nation; in 1588, the "invincible" Spanish Armada was defeated by England. Spain's continental power was ended by wars with England, the Netherlands, and France in the 17th century and by the War of the Spanish Succession (1701–14), which also established the Bourbon (Borbón) dynasty in Spain. In 1808, the enfeebled Spanish monarchy was temporarily ended, and Napoleon Bonaparte's brother Joseph was proclaimed king of Spain. On 2 May 1808, however, the Spanish people revolted and, later assisted by the British, drove the French from Spain. In the post-Napo-



leonic period, the Bourbons were restored to the Spanish throne, but a spirit of liberalism, symbolized by the 1812 Constitution of Cádiz, remained strong.

Much of the 19th and early 20th centuries were consumed in passionate struggles between radical republicanism and absolute monarchy. Abroad, imperial Spain lost most of its dominions in the Western Hemisphere as a result of colonial rebellions in the first half of the 19th century; Cuba, Puerto Rico, and the Philippines were lost as a result of the Spanish-American War in 1898. Spain remained neutral in World War I but in the postwar period engaged in extensive military action to maintain its colonial possessions in Morocco. Early defeats in the Moroccan campaign paved the way in 1923 for the benevolent dictatorship of Primo de Rivera, who successfully ended the war in 1927 and remained in power under the monarchy until 1930. In 1931, after municipal elections indicated a large urban vote in favor of a republic, Alfonso XIII left Spain and a republic was established.

The constitution of December 1931 defined Spain as a “democratic republic of workers,” with “no official religion,” respecting the “rules of international law . . . renouncing war as an instrument of national policy and recognizing the principle of regional autonomy.” Neither right nor left had a parliamentary majority, and on the whole the coalition governments were ineffective. On 17 July 1936, an army revolt against the republic took place in Spanish Morocco. On the following day, Gen. Francisco Franco landed in Spain, and for the next two and a half years, until 31 March 1939, Spain was ravaged by civil war. The two contending parties were the Republicans, made up partly of democrats and partly of antidemocratic left-wing groups, and the rebels (Nationalists), who favored the establishment of a right-wing dictatorship. Almost from the beginning, a number of foreign countries intervened. Germany and Italy furnished manpower and armaments to the Nationalists, while the USSR, Czechoslovakia, and Mexico supported the Republicans. Finally the Republicans were defeated, and General Franco formed a corporative state. Under the Franco regime, Spain gave aid to the Axis powers in World War II but was itself a nonbelligerent.

### The Postwar Years

Diplomatically isolated following the end of World War II, Spain in succeeding decades improved its international standing, in part by signing economic and military agreements with the United States in 1953 and 1963. Spain was admitted to the UN in 1955. While relations with its European neighbors approached normality, the repressive nature of the Franco regime kept Spain apart from the main social, political, and economic currents of postwar Western Europe.

On 22 July 1969, Juan Carlos de Borbón y Borbón was officially designated by Franco as his successor, to rule with the title of king; formally, Franco had been ruling as regent for the prince since 1947. On 20 November 1975, Gen. Franco died at the age of 82, thus ending a career that had dominated nearly four decades of Spanish history. Two days later, Juan Carlos I was sworn in as king. He reconfirmed Carlos Arias Navarro as prime minister on 5 December. Despite Juan Carlos I's announcement, in early 1976, of a program of moderate political and social reform, the new government was received with widespread demonstrations by labor groups and Catalan and Basque separatists. Continued political

unrest, coupled with a sharp rise in living costs, led ultimately to the king's dismissal of Arias Navarro, who was replaced, on 7 July, by Adolfo Suárez González.

On 15 June 1977, the first democratic elections in Spain in 40 years took place, with the Union of the Democratic Center (Unión de Centro Democrático—UCD), headed by Suárez, winning a majority in the new Cortes. The Cortes prepared a new constitution (in many respects similar to that of 1931), which was approved by popular referendum and sanctioned by the king in December 1978. In the elections of March 1979, the UCD was again the victor, and in the April local elections it captured more than 75% of the municipalities.

When Suárez announced his resignation in January 1981, the king named Leopoldo Calvo Sotelo y Bustelo to the premiership. As the Cortes wavered over the appointment, a group of armed civil guards stormed parliament on 23 February and held more than 300 deputies hostage for 17 hours. The attempted coup was swiftly neutralized by the king, who secured the loyalty of other military commanders. The plotters were arrested, and Sotelo was swiftly confirmed. A year of political wrangling followed; by mid-1982 the UCD was in disarray, and Sotelo called new elections. In October 1982, the Spanish Socialist Worker's Party (Partido Socialista Obrero Español—PSOE), headed by Felipe González Márquez, won absolute majorities in both houses of parliament. The new government was characterized by its relative youthfulness—the average age of cabinet ministers was 41—and by the fact that its members had no links with the Franco dictatorship. In the 1986 and 1989 elections, the PSOE again won majorities in both houses of parliament. The PSOE failed to win a majority in 1993 but governed with the support of the Basque and Catalan nationalist parties.

A continuing problem since the late 1960s has been political violence, especially in the Basque region. Political murders and kidnappings, mainly perpetrated by the separatist Basque Nation and Liberty (Euzkadi ta Askatasuna), commonly known as ETA, by the Antifascist Resistance Groups (GRAPO), and by several right-wing groups, abated only slightly in recent years. Another uncertainty in Spain's political future was the role of the military. Several army officers were arrested in October 1982 on charges of plotting a preelection coup, which reportedly had the backing of those involved in the February 1981 attempt. Spain joined NATO in 1982, but the membership question became so controversial that a referendum on it was held in March 1986; about two-thirds of the electorate voted, and 53% chose continued NATO membership. On 1 January of that year, Spain became a full member of the EC (now EU). In January 1988, the United States, acceding to Spain's demands, agreed to withdraw 72 jet fighters based near Madrid.

Spain received considerable recognition with the holding of the 1992 Summer Olympics in Barcelona, and Expo 92, a world's fair, in Sevilla. Other notable events included the designation of Madrid as the culture capital of Europe in 1992.

Throughout 1995–2000 Basque terrorists continued their attacks on civilian, police, and military targets and began to target more visible political targets. In August of 1995, the terrorists came close to assassinating King Juan Carlos while he was vacationing on the island of Majorca, off the southeastern coast of Spain. In 1997 Basque terrorists killed an important Socialist official of one of the Basque regions. In 2000, Jose Luis Lopez de la Calle, a Ma-

drid newspaper columnist who was outspoken in his criticism of the Basque group, ETA, was shot to death outside his home. Thousands marched in the streets to protest his killing.

In 1995 information came to light that revealed that from 1983 to 1987 government officials in cooperation with the Civil Guard (Spain's national police force) formed death squads to hunt down and kill Basque terrorists living in France. The squads were disbanded after France agreed to greater cooperation with Spanish authorities, but not before 27 suspected Basque terrorists had been killed. The existence of the death squads may have remained a secret, but two death squad members were caught in the course of an attack and prosecuted for murder. At first government officials secured the silence of these two men by agreeing to make yearly payments to their wives, but by 1994 they felt that the story should no longer be hidden and revealed it to the world from their jail cells. Initially, Prime Minister Gonzalez had been charged with having knowledge of the attacks but an official inquiry into the charges concluded that they were groundless and he was completely exonerated.

Although French and Spanish security officials worked together to combat terrorism, violence attributed to the Basque terrorists continued into the 2000s. However, public support for Basque terrorists had waned nearly completely. A 1996 Basque execution of a kidnapped university professor brought out almost a half-million protesters in Madrid alone denouncing the Basque terrorists. A year later and again in 2000, assassinations allegedly carried out by Basque terrorists triggered large protests as well. The ETA was suspected of being behind bombings in several tourist resorts in June 2002 as an EU summit was held in Seville. In February 2003, Basque Socialist Party activist Joseba Pagazaurtundua was assassinated; the shooting was attributed to the ETA. Batasuna, the separatist Basque political party believed to be the political arm of the ETA, was banned by the Supreme Court in 2003. This ban prevented Batasuna candidates from running in municipal elections that year. In February 2005, a car bomb exploded in Madrid, injuring about 40 people: ETA was suspected of being responsible for the attack. In May 2005, the government offered to hold peace talks with the ETA if the group disarmed.

As Spain attempts to hold itself together against regional separatism, it joined with seven other nations in 1995 to create a passport-free zone that allowed much greater mobility between them. Spain also rejoined the NATO Military Command in the mid-1990s, making it once again a full member of the alliance. The adjustments to Spain's economy carried out in the mid- and late-1990s were successful. As a result, Spain was one of the 11 countries that joined together in launching the euro, the European Union's single currency, on 1 January 1999. (Greece joined shortly thereafter, bringing the number of countries in the euro zone to 12.)

On 11 July 2002, 12 Moroccan frontier guards landed on the island of Perejil, which is claimed by Spain, and claimed it as Moroccan territory. Spain's Prime Minister José María Aznar opposed the occupation, and sent troops to evacuate the Moroccan guards. Diplomatic relations between Spain and Morocco improved in December 2002, when plans were made for the return of each state's ambassadors.

During 2002 and into 2003, Aznar affirmed Spain's support for the United States and British position on the use of military force

to force Iraq to disarm itself of weapons of mass destruction. Over 90% of Spain's citizens were against a war in Iraq, which began on 19 March 2003. Spain's pro-US stance alienated France and Germany, among other nations opposing the use of military force. Spain did not commit combat troops to fight alongside US and British forces, but it sent 900 troops trained in medical support and anti-mine specialties to assist the coalition forces.

On 11 March 2004, Madrid suffered a major terrorist attack as four rush-hour trains were bombed simultaneously in 10 explosions, killing 191 people and wounding more than 1,400. An Islamic group with links to the al-Qaeda organization was later blamed for the attacks. The attacks took place three days prior to general elections. On 12 March, massive demonstrations in many Spanish cities were held (some 11.4 million people took part, more than a fourth of the Spanish population), which denounced terrorism, and in part the Aznar administration for its support of the war in Iraq and the presence of Spanish troops there. In the general elections held on 14 March, the Socialists, led by José Luis Rodríguez Zapatero, defied earlier public opinion polls and won nearly 43% of the vote for a gain of 39 seats in the Congress of Deputies. When Zapatero was sworn in as president of the government and prime minister in April, he ordered the withdrawal of all Spanish troops from Iraq. The next presidential elections were scheduled for March 2008.

In February 2005, Spanish voters approved the EU constitution in a referendum by 77%. However, the French and Dutch rejections of the constitution in May and June 2005 indefinitely shelved plans for the EU to adopt such a document for itself.

In June 2005, the Spanish parliament defied the Roman Catholic Church by legalizing gay marriage and granting homosexual couples the same adoption and inheritance rights as heterosexual couples. As of late 2005, four countries in the world—Spain, the Netherlands, Belgium, and Canada—had legalized same-sex marriages.

### 13 GOVERNMENT

Between 1966 and 1978, Spain was governed under the Organic Law of the Spanish State. A new constitution, approved by the Cortes on 31 October 1978 and by the electorate in a national referendum on 6 December, and ratified by King Juan Carlos I on 27 December 1978, repealed all the laws of the Franco regime and confirmed Spain as a parliamentary monarchy. It also guaranteed the democratic functioning of all political parties, disestablished the Roman Catholic Church, and recognized the right to autonomy of distinct nationalities and regions.

According to the constitution, the king is the head of state, symbolizing its unity. Legislative power is vested in the Cortes Generales (General Courts), consisting of two chambers: the Congreso de los Diputados (Congress of Deputies) with 350 members (deputies); and the Senado (Senate) with 259 members (senators). All deputies and 208 of the senators are popularly elected to four-year terms under universal adult suffrage. The remaining senators (51) are chosen by the assemblies in the 17 autonomous regions. The government, which is answerable to the congress, consists of the president (prime minister), vice president, and ministers, all appointed by the king. The supreme consultative organ of government is the Council of State. Also established by the constitution is the function of "defender of the people," inspired by medieval

tradition and by the Scandinavian ombudsman. Suffrage is universal at age 18.

## 14 POLITICAL PARTIES

The Falange, known officially as the Nationalist Movement, was the only legally functioning party in Spain during the Franco regime. Founded in 1933 by José Antonio Primo de Rivera, it dated in its later form from 1937, when various right-wing groups were united under Gen. Franco. Nationalists, monarchists, and national syndicalists (Fascists) were the leading groups within the Falange. It lost some of its former power and much of its prestige during the last decades of Franco's regime. On 21 December 1974, the Franco government passed a law conferring a limited right of political association. On 9 June 1976, after Franco's death, the Cortes voted to legalize political parties; by the 1977 parliamentary elections, no fewer than 156 political parties were organized into 10 national coalitions and 12 regional alliances.

The Spanish political scene is characterized by changing parties and shifting alliances. The Union of the Democratic Center (Unión de Centro Democrático—UCD) was formed as an electoral coalition of smaller moderate parties. From 1977 to 1982, the UCD was the governing political body, headed first by Adolfo Suárez González and then by Leopoldo Calvo Sotelo y Bustelo. In late 1981, the UCD began to disintegrate; it won only 8% of the vote in the 1982 elections and was dissolved in February 1983. A new centrist party, the Democratic and Social Center (Centro Democrático y Social—CDS), was created in 1982. The Spanish Socialist Worker's Party (Partido Socialista Obrero Español—PSOE), which traces its lineage to the late 19th century, won absolute majorities in both chambers of the Cortes in October 1982 and June 1986.

The right is represented by the Popular Party or PP, embracing the Alianza Popular, the Christian Democratic Partido Demócrata Popular, and the Partido Liberal; the coalition took 26% of the 1986 vote. An extreme rightist party, New Force (Fuerza Nueva), lost its only seat in parliament in 1982 and thereupon dissolved. The Communist Party (Partido Comunista—PC), legalized in 1977, was one of the most outspoken "Eurocommunist" parties in the late 1970s, harshly criticizing the former USSR for human rights abuses. In the 1986 election, the PC formed part of the United Left coalition (Izquierda Unida—IU), which included a rival Communist faction and several socialist parties; the IU's share of the vote was 4.6%. Nationalist parties function in Catalonia, Andalucía, the Basque Provinces, and other areas. The most powerful are the Catalan Convergence and Union (CIU), the Basque Nationalists (PNV), and the Canaries Coalition (CC).

Despite charges of corruption and economic mismanagement, the PSOE secured electoral victories in 1989 and 1993; however, the party finished 17 seats short of a parliamentary majority in 1993. A noticeable shift toward the conservative PP was evident with a 34-seat gain between 1989 and 1993. PSOE secretary-general Felipe Gonzalez Marquez received endorsement for a fourth term as prime minister, receiving support from the small Basque and Catalan nationalist parties.

In 1996, however, Gonzalez was turned out of power by José María Aznar, a young conservative leader with little international visibility. Aznar, as leader of PP, won reelection as prime minister in the March 2000 election, the first in which a center-right party

won majority control of the government outright. In the March 2004 election, which was held three days after the 11 March Madrid train bombings, Aznar's PP lost 39 seats in the Congress of Deputies and the PSOE gained 35 seats to hold 164 seats in the chamber. The PSOE victory was seen to have been a reaction to the train bombings, which were blamed in part on the Aznar administration for its support of the US-led war in Iraq. José Luis Rodríguez Zapatero of the PSOE became prime minister.

The distribution of seats in the Congress of Deputies following the March 2004 election was as follows: PSOE, 164; PP, 148; CIU, 10; ERC (a Catalan party), 8; PNV, 7; CC, 3; IU, 2; and others, 8. Election results for the Senate were as follows: PP, 102; PSOE, 81; Entesa Catalana de Progress, 12; PNV, 6; CIU, 4; and CC, 3. The next elections for the Congress of Deputies and the Senate were scheduled for March 2008.

## 15 LOCAL GOVERNMENT

Spain is divided into 17 autonomous regions, each of which has an elected assembly and a governor appointed by the central government. Municipalities are gradually becoming consolidated; their number had declined to about 8,000 by the early 2000s. Each municipality has a mayor (*alcalde*) and councilmen (*concejales*); the councilmen, directly elected by the people, elect the mayors. Fifty-one of the 259 members of the Senate are chosen by the regional assemblies.

The statutes governing the Basque and Catalan autonomous communities, providing for regional high courts and legislative assemblies, were approved by referendum in October 1979; the statutes for Galicia in December 1980; and those for Andalucía in October 1981. Autonomy statutes for the other 11 historic regions of continental Spain and the Balearic and Canary Islands were subsequently approved and a regular electoral process begun.

## 16 JUDICIAL SYSTEM

According to the 1978 constitution, the judiciary is independent and subject only to the rule of law. The highest judicial body is the Supreme Court (*Tribunal Supremo*), the president of which is nominated by the 20 judges of the General Council of the Judiciary and appointed by the king.

Territorial high courts (*audiencias*) are the courts of last appeal in the 17 regions of the country; provincial audiencias serve as appellate courts in civil matters and as courts of first instance in criminal cases. On the lowest level are the judges of the first instance and instruction, district judges, and justices of the peace.

The National High Court (*Audiencia Nacional*), created in 1977, has jurisdiction over criminal cases that transgress regional boundaries and over civil cases involving the central state administration. The constitution of 1978 also established the 12-member Constitutional Court (*Tribunal Constitucional*), with competence to judge the constitutionality of laws and decide disputes between the central government and the autonomous regions. The European Court of Human Rights is the final arbiter in cases concerning human rights.

Defendants in criminal cases have the right to counsel at state expense if indigent. The constitution prohibits arbitrary arrest and detention. Suspects may be held for no more than three days without a judicial hearing.

A jury system was established in 1995, and a new penal code was enacted in 1996.

The constitution provides for the right to a fair public trial and the government respects this provision in practice.

## 17 ARMED FORCES

In 2005, Spain's active armed forces totaled 147,255 active personnel. Reservists numbered 319,000 for all three services. The 95,600-member Army was armed with 323 main battle tanks, 270 reconnaissance vehicles, 144 armored infantry fighting vehicles, 2,022 armored personnel carriers, and 2,013 artillery pieces. The Navy had 19,455 active personnel, including 814 naval aviation personnel and 5,300 Marines. Major naval units included one aircraft carrier, 12 frigates, 5 tactical submarines, 36 coastal and patrol vessels, in addition to various mine warfare, amphibious and transport vessels. The Spanish Air Force had 22,750 personnel and 177 combat capable aircraft, including 75 fighters and 91 fighter ground attack aircraft. Spain in 2005 had a paramilitary force of 73,360 personnel, of which 72,600 were members of the Guardia Civil. Another 760 comprised the Guardia Civil del Mar. Spain provided troops to UN peacekeeping and other European Union and NATO military missions in eight regions or countries. In 2005 Spain's defense budget totaled spent \$8.8 billion.

## 18 INTERNATIONAL COOPERATION

Spain joined the United Nations on 14 December 1955; it participates in ECE, ECLAC, and several nonregional specialized agencies, such as the FAO, UNESCO, UNHCR, UNIDO, ILO, the World Bank, and the WHO. Spain is also a member of the Council of Europe, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, NATO, OECD, the WTO, OSCE, the Paris Club, the Western European Union, and the European Union. The nation holds observer status in the OAS and the Latin American Integration Association (LAIA).

Spain has supported UN missions and operations in Kosovo (est. 1999), Ethiopia and Eritrea (est. 2000), Burundi (est. 2004), Haiti (est. 2004), and the DROC (est. 1999). The nation is part of the Australia Group, the Zangger Committee, the Nuclear Suppliers Group (London Group), and the Nuclear Energy Agency. In environmental cooperation, Spain is part of the Antarctic Treaty; the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; CITES; the London Convention; International Tropical Timber Agreements; the Kyoto Protocol; the Montréal Protocol; MARPOL; the Nuclear Test Ban Treaty; and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Agriculture, livestock, and mining—the traditional economic mainstays—no longer occupy the greater part of the labor force or provide most of the exports. In order to offset the damage suffered by the industrial sector during the Civil War and to cope with the problems created by Spain's post-World War II isolation, the Franco regime concentrated its efforts on industrial expansion. Especially after 1953, the industrial sector expanded rapidly. In terms of per capita income, Spain's economy stands at 80% of the four

largest West European economies, with an estimated GDP (purchasing power parity) of \$23,300 per person in 2004.

From 1974 through the early 1980s, the Spanish economy was adversely affected by international factors, especially oil price increases. Tourism is a major source of foreign exchange, and in 2000 was generating 10% of GDP (up from 3.3% in 1995) and employing, directly or indirectly, one eighth of the labor force. Spain is the world's second most popular tourist destination, after France. Spain had 53.6 million tourists in 2004, a 3.4% increase over 2003, despite the terrorist attacks on Spain's commuter trains on 11 March 2004, which killed 191 people and injured 1,500. The annual GDP growth rate during 1974–77 was 3%, higher than that in other OECD countries, but the inflation rate reached 24% in 1977. Real GDP growth slowed to about 1.6% during 1980–85, averaged 3.5% between 1985 and 1992, but slowed to a yearly average of 1.3% between 1993–95. By 1998, however, it had increased to 3.5%, and in 1999 and 2000, averaged over 4%. The global economic slowdown after 2001 helped reduce GDP growth to 2.5% in 2001 and to 2.3% in 2002. Real GDP growth averaged 3.3% over the period 2000–04. Spanish economic growth was expected to be 3.1% in 2005, due to strong momentum in the domestic economy, and then was forecast to gradually slow to 2.4% by 2007. This slowdown was forecast to stabilize the large current account deficit, which was estimated at 5.9% of GDP in 2005.

Consumer prices rose 37% between 1989 and 1995, and unemployment rose from 17.3% to 21.3%, the highest in the EU. Macroeconomic improvements from 1995 to 1998, however, were sufficient for Spain to be included in the first group of EU members to enter the Economic and Monetary Union (EMU) in 1999. By 1998 inflation had been reduced to 1.8%. From 1999 to 2002, inflation was held to between 2% and 4%. Unemployment fell to 18.7% in 1998 and then to 15.7% in 1999. Although still quite high, unemployment continued to fall—to 13.9% in 2000 and 10.5% in 2001—before registering an increase to 11.2% in 2002. The inflation rate averaged 3.3% from 2000–04. Inflation was predicted to fall from the rate of 3.4% in 2005, as was unemployment; the unemployment rate in 2004 stood at 10.4%. The Rodriguez Zapatero government pursued job creation upon coming into power in April 2004; joblessness is among the highest in the EU, and profound changes to labor market regulations have been called for to reduce unemployment further.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Spain's gross domestic product (GDP) was estimated at \$1.0 trillion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$25,100. The annual growth rate of GDP was estimated at 3.3%. The average inflation rate in 2005 was 3.4%. It was estimated that agriculture accounted for 3.4% of GDP, industry 28.7%, and services 67.9%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$6.068 billion or about \$148 per capita and accounted for approximately 0.7% of GDP. Foreign aid receipts amounted to \$672 million and accounted for approximately 3.7% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Spain totaled \$485.78 billion or about \$11,819 per capita based on a GDP of \$838.7 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 2.6%. In 2001 it was estimated that approximately 33% of household consumption was spent on food, 11% on fuel, 3% on health care, and 5% on education.

## 2<sup>1</sup> LABOR

In 2005, Spain's labor force totaled an estimated 20.67 million. As of 2004, the workforce was distributed as follows: services 64.6%; manufacturing, mining and construction 30.1%; and agriculture 5.3%. Employment in agriculture has been in steady decline; many farm workers have been absorbed by construction and industry. Unemployment averaged about 22% during 1997, but had fallen to 11% by 2002. As of 2005, Spain's unemployment rate was estimated at 10.1%.

The constitution of 1978 guarantees the freedom to form unions and the right to strike. The law provides for the right to bargain collectively, and unions exercise this right in practice. In the private sector, as of 2005, 85–90% of workers were covered by a collective bargaining agreement. Discrimination against union activity is illegal. In 2005, approximately 15% of the workforce was unionized.

The monthly minimum wage was \$620 in 2005. This wage provides a decent standard of living for a family. The regular workweek was 40 hours, with a mandated 36-hour rest period. In addition, workers receive 12 paid holidays per year and one month's paid vacation. The legal minimum age for employment was 16 years, and this is enforced by the Ministry of Labor and Social Affairs.

## 2<sup>2</sup> AGRICULTURE

During 1970–2003, the proportion of the GDP from agriculture fell from 11.3% to 3%, and the proportion of workers employed in agriculture decreased from 26% to about 7%. Arable cropland in 2003 covered 18,715,000 hectares (46,245,000 acres), of which 67% was used for field crops, and 33% planted with olive trees, vineyards, and orchards.

In 2003, Spain's crop output was valued third highest among the EU nations, at over €27.1 billion. Agricultural commodities harvested in 2004 (in thousands of tons) included wheat, 7,108; barley, 10,609; corn, 4,748; rice, 900; beans, 19; sugar beets, 6,997; sunflower seeds, 785; grapes, 7,148; peaches, 1,107; potatoes, 2,570; and tomatoes, 4,367. Grapes are cultivated in every region; the most important olive groves are in Andalucía. After France and Italy, Spain is the world's leading wine producer, with an estimated 421 million liters produced in 2004. Within the domestic market, the use of sunflower oil and soybean oil has grown considerably.

Agricultural mechanization has been increasing steadily. In 2003 there were 943,653 tractors and 50,454 harvester-threshers. The use of fertilizers has also increased. The Institute for Agrarian Development and Reform directly or indirectly regulates some 10

million hectares (25 million acres) of land, promoting intensive cultivation and irrigation to improve productivity.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Spain's pastures cover about 23% of the total area. Because much of Spain is arid or semiarid, sheep are by far the most important domestic animals. In 2005, Spain's livestock population (in millions) included sheep, 22.5; hogs, 25.2; and cattle, 6.7. There also were 2.8 million goats, 240,000 horses, 142,000 asses, and 110,000 mules in 2005. Meat production that year included (in thousands of tons): pork, 3,310; poultry, 1,341; beef and veal, 715; and lamb and mutton, 235. In 2005, milk production was 7.4 million tons (12% from sheep and goats); 725,000 tons of eggs were also produced.

## 2<sup>4</sup> FISHING

Fishing is important, especially along the northern coastline. The Spanish fishing fleet is the largest within the European Union (EU). As of 2004, the fleet had a capacity of 491,246 gross tons, 26% of EU total and about 6% of the world's fishing fleet capacity.

In 2004, the total quantity of fish caught by Spanish vessels and landed in Spanish ports amounted to 875,000 tons (including nonedible fish). The main species landed in 2003 were (in thousands of tons): sardines, 55.8; yellowfin tuna, 108.7; skipjack tuna, 155.4; and Atlantic mackerel, 23.6.

The most common species processed by the Spanish canning industry are: tuna, mussels, sardines, white tuna, cephalopod, mackerel, and anchovy. In 2003, Spain exported 95.9 million tons of canned fish, valued at \$385 million. Exports of seafood that year amounted to 529.6 million tons, worth \$1,105 million.

The main aquacultural commodities are mussels, trout, oysters, clams, and gilthead bream. Mussel production began in 1940 in northwestern Spain, and today there are thousands of floating mollusk beds found in many Spanish bays. Trout farming began in 1960, and is located in the north and northwest. In 2003, aquacultural production included 248,827 tons of mussels and 33,113 tons of trout. Spain is the world's second leading producer of mussels after China.

## 2<sup>5</sup> FORESTRY

Spain's forested area in 2004 was estimated at 15 million hectares (37 million acres), of which 7.5 million hectares (18.5 million acres) was commercial forest (73% softwood, 27% temperate hardwood). The northern Cantabrian range accounts for about one-third of the timberland. In addition, Spain has 2.5 million hectares (6.2 million acres) of woodlots typically comprised of oaks and cork trees, located mostly in the west (especially in Estremadura and Salamanca). During 1999–2003, the annual average area reforested was 75,000 hectares (185,000 acres).

Roundwood production in 2004 was 16.3 million cu m (575 million cu ft), with about 13% used as fuel wood. Spain is one of the largest producers of cork, its most important commercial forest product. Spain's annual production of cork amounts to about 110,000 tons, or 32% of world production. Scotch and maritime pine, as well as radiata pine, are the main softwood lumber species produced in Spain; eucalyptus and poplar are the principal hardwood species. In 2004, Spain imported \$4.9 billion in forest products, primarily lumber (\$989.4 million) and wood-based panels (\$699 million).

## 26 MINING

Spain had some of the most mineralized territory in Western Europe, including the volcanic-hosted massive sulfide (VMS) deposits of the Iberian Pyrite Belt (IPB) of southern Spain. The IPB alone was estimated to have yielded 1.7 billion tons of sulfides, and more than 80 VMS deposits have been recorded in which individual tonnages were in excess of one million tons. Spain had the largest known reserves of celestite (Europe's sole producer, ranking second in world production, behind Mexico); was home to the richest mercury deposit in the world and one of the biggest open-pit zinc mines in Europe; and remained the leading producer of sepiolite, with 70% of world reserves (around Madrid). Spain was the largest EU producer of mine lead and zinc, and a major producer of pyrites, among other nonferrous and precious metals. Production far exceeded domestic consumption for most nonmetallic minerals, and Spain was a net exporter to other EU countries of lead, mercury, nonmetallic-mineral manufactured products, slate, other crude industrial minerals, and zinc. In terms of value, Spain was one of the leading EU countries, with one of its highest levels of self-sufficiency in mineral raw materials. Almost all known minerals were found in Spain, and mining was still a notable, though much diminished, factor in the economy. Of the 100 minerals mined, 18 were produced in large quantities—bentonite, copper, fluor spar, glauberite, gold, iron, lead, magnetite, mercury, potash, pyrites, quartz, refractory argillite, sea and rock salt, sepiolitic salts, tin, tungsten, and zinc. Metals and chemicals were leading industries in 2002. The output of lead, zinc, and copper ores, all once important to the Spanish economy, has been declining. The number of active operations has halved in recent years, with copper production a notable casualty. Quarried mineral products, particularly quarried stone, accounted for a significant share of the value of all minerals produced.

Lead mine output was 1,765 metric tons in 2003, down from 6,171 metric tons in 2002 and 36,000 metric tons in 2001. Zinc mine output totaled 44,600 metric tons in 2003, down from 69,926 metric tons in 2002 and from 164,900 metric tons in 2001. Copper mine production in 2003 was estimated at 643 metric tons, down from 1,248 metric tons in 2002 and from 9,748 metric tons in 2001. Gold mine output in 2003 totaled 5,362 kg, up from 5,158 kg in 2002 and from 3,720 kg in 2001. Silver mine output in 2003 totaled 2,246 kg in 2003, down from 3,409 kg in 2002, and from 54,836 kg in 2001. Germanium oxide, tin, titanium dioxide, and uranium also were mined. Because of market conditions, iron mining was halted in 1997, after 588,000 tons (metal content) was produced in 1996. Iron ore was one of Spain's principal mineral assets, with 6 million tons of total reserves in the north (Basque provinces, Asturias, León) and in Andalucía; the Alquife mine, in Granada, which was closed for maintenance, had a capacity of 4 million tons per year.

Among industrial minerals, Spain in 2003 produced an estimated: 10 million tons of marl; 12 million tons of dolomite; 5 million tons of ornamental marble; 2.48 million tons of limestone; 690,395 metric tons (reported) of meerschaum sepiolite; 594,355 metric tons of potash (reported); and 150,000 metric tons of calcined magnesite (from deposits in Navarra and Lugo), unchanged from 2002. Spain also produced barite, bromine, calcium carbonate, hydraulic cement, clays (including attapulgite, bentonite, and washed kaolin), diatomite, tripoli, feldspar, fluor spar (acid-grade

and metallurgical grade), gypsum, anhydrite, andalusite kyanite, hydrated lime and quicklime, mica, nitrogen, mineral pigments (ocher and red iron oxide), pumice, salt (including rock, marine, and by-product from potash), silica sand (including as by-product of feldspar and kaolin production), soda ash, natural sulfate (including glauberite and thenardite), large quantities of all stone (including basalt, chalk, ornamental granite, ophite, phonolite, porphyry, quartz, quartzite, sandstone, serpentine, slate), strontium minerals, sulfur, talc, and steatite.

Historically, minerals belonged to the state, with the industry comprising a mix of state-owned, state-and-privately owned, and privately owned companies. However, the Spanish government has been moving rapidly toward privatization and continued to do so in 2003. In mid-2002, legislation was passed that would abolish state and private monopolies. The economic development of certain areas, such as the Asturias and the Basque regions, was based on their mineral wealth, and mining continued to be an important current and potential source of income in these and other mineral-rich areas. The independent government of Andalucía completed its first mining development plan (1996–2000). Several old and new prospects were being evaluated, and exploration activity was high, particularly for feldspar (in Badajoz, Toledo, and Salamanca), garnet (Galicia), pyrites (Badajoz), and rutile and zircon (Ciudad Real). The main polymetallic deposits included Tharsis, Scotiel, Rio Tinto, and Aznalcollar.

## 27 ENERGY AND POWER

Spain has only small reserves of oil and natural gas, with coal being the country's most abundant energy source.

As of 1 January 2002, Spain's proven reserves of oil and natural gas came to 10.5 million barrels and 254.9 million cu m, respectively. In 2004, Spain's production of oil averaged 5,980 barrels per day in 2004 (7,099 barrels per day in 2001), while consumption in that year averaged 1.5687 million barrels per day. As a result, Spain had to rely heavily on imports to meet its petroleum needs. Spain has seven active oil fields all of them operated by Repsol-YPF. Spain's refining sector has a combined capacity of 1.27 million barrels and is spread among seven refineries, of which the largest is the Cadiz plant operated by Cepsa, with a capacity of 240,000 barrels per day. However, Repsol-YPF has the largest total capacity at 520,000 barrels per day.

As with oil, Spain relies heavily on imports to meet its natural gas needs. In 2003, Spain produced 7.3 billion cu ft of natural gas, but demand that year totaled 822 billion cu ft. Spanish demand for natural gas rose sharply between 1993 and 2003, increasing by 266%, and was driven in large part by the introduction of gas-fired power plants. In 2002, of the 1,073.7 billion cu ft of natural gas imported by Spain, Algeria was the main source, providing 627.7 billion cu ft, followed by Norway at 116.0 cu ft and Qatar at 107.2 billion cu ft. Nigeria, Oman and other countries accounted for the remainder.

Spain's most abundant energy source is coal. In 2003, Spain had reserves of 584 million short tons, with production in that year at 22.7 million short tons. However, as with oil and natural gas, demand for coal in 2003 outstripped supply, with consumption at 45.6 million short tons, thus necessitating imports to fill the gap.

Spain is the European Union's fifth-largest electricity market. Production of electricity in 2002 reached 230.082 billion kWh, of

which fossil fuels accounted for 134.834 billion kWh, hydropower at nuclear at 59.865 billion kWh, hydropower at 22.807 billion kWh and geothermal/other sources at 12.576 billion kWh. Demand for electric power in 2002 totaled 219.305 billion kWh. Electric power capacity in 2002 totaled 50.591 million kW, of which conventional thermal capacity accounted for 26.359 million kW, hydroelectric at 12.744 million kW, nuclear at 7.519 million kW, and geothermal/other at 3.969 million kW. Spain, as of July 2005, had nine nuclear reactors in operation. However, the Jose Cabrera nuclear plant is slated for closure in April 2006.

## 28 INDUSTRY

Industrial production grew by 3% in 2004, and industry accounted for 28.5% of GDP. The chief industrial sectors are food and beverages, textiles and footwear, energy, and transport materials. Chemical production, particularly of superphosphates, sulfuric acid, dyestuffs, and pharmaceutical products, is also significant. Of the heavy industries, iron and steel, centered mainly in Bilbao and Avilés, is the most important. Petroleum refinery production capacity at Spain's nine refineries was 1.27 million barrels per day in 2004. Approximately three million automobiles were produced in Spain in 2004; automobiles are Spain's leading manufacturing industry, accounting for about 5% of GDP and exporting more than 80% of output.

Prior to the 1990s wave of privatization, government participation in industry was through the National Industrial Institute (INI), which owned mining enterprises, oil refineries, steel and chemical plants, shipbuilding yards, and artificial fiber factories, or through Patrimonio. As of 2005, Telefónica, Gas Natural, and the petrochemical company Repsol had been privatized. A wave of consolidations was taking place in the energy industry, as Gas Natural launched a \$28.1 billion unsolicited bid for Endesa, a Spanish electricity company, mirroring a series of energy deals taking place across Europe in 2005. In the Spanish mobile-phone market, which was growing strongly in 2005, France Télécom bought an 80% stake in Amena, Spain's third-largest mobile phone operator, behind Telefónica and Britain's Vodafone.

Industries demonstrating significant growth in the early 2000s were metalworking industries, due to increased production in shipbuilding, data-processing equipment, and other transportation equipment. Other growth sectors included food processing, medical products and services, chemicals, computer equipment, electronics, footwear, construction and security equipment, cosmetics and jewelry, and industrial machinery. In the early 2000s, the construction industry was aided by such public works projects as a high-speed train link between Madrid and Barcelona, and an increase in property development on the Mediterranean coast.

Foreign competition has cut into the Spanish textile industry. Following the expiration of the World Trade Organization's long-standing system of textile quotas at the beginning of 2005, the EU signed an agreement with China in June 2005, imposing new quotas on 10 categories of textile goods, limiting growth in those categories to between 8% and 12.5% a year. The agreement runs until 2007, and was designed to give European textile manufacturers time to adjust to a world of unfettered competition. Nevertheless, barely a month after the EU-China agreement was signed, China reached its quotas for sweaters, followed soon after by blouses, bras, T-shirts, and flax yarn. Tens of millions of garments piled up

in warehouses and customs checkpoints, which affected both retailers and consumers.

## 29 SCIENCE AND TECHNOLOGY

The Council for Scientific Research, founded in 1940, coordinates research in science and technology and operates numerous constituent research institutes in a wide variety of disciplines. The Royal Academy of Exact, Physical, and Natural Sciences, founded in 1916, is the nation's chief scientific academy. The National Science Museum and the National Railway Museum are located in Madrid, and two geology museums are located in Barcelona. Spain has 32 universities, colleges, and polytechnics offering courses in basic and applied sciences.

In 1987-97, science and engineering students accounted for 31% of university enrollment. In 2002, of all bachelor's degrees awarded, 23.8% were for the sciences (natural, mathematics and computers, engineering). In 2002, total expenditures on research and development (R&D) amounted to \$9,101.393 million, or 1.04% of GDP. Of that amount, the business sector accounted for the largest portion at 48.9%, followed by the government at 39.1%. Higher education and foreign sources accounted for 5.2% and 6.8%, respectively. In that same year, there were 742 technicians and 2,036 scientists and engineers engaged in R&D per one million people. High technology exports in 2002 were valued at \$6.777 billion, or 7% of the country's manufactured exports.

## 30 DOMESTIC TRADE

Madrid and Barcelona are the primary commercial hubs for distribution of goods throughout the country. Spain has no free ports, but free-zone privileges are granted at Barcelona, Bilbao, Cádiz, Vigo, and the Canary Islands. There are bonded warehouses at the larger ports. The government has established a market distribution program to regulate the flow of goods to and from the producing and consuming areas. Since 1972, wholesale market networks have been established in cities with more than 150,000 inhabitants. The National Consumption Institute promotes consumer cooperatives and credit unions.

A wide variety of shops are available in Spain, from small specialty boutiques to large department stores, shopping centers, and outlet stores. Franchises are becoming more popular throughout the country. As of 2003, there were about 960 franchise firms with over 48,000 franchised units represented in the country, with national companies holding ownership of 82% of them. Direct marketing and sales, particularly through mail order and television sales, are also gaining in popularity. A 16% value-added tax applies to most goods and services. This rate is reduced for some products, such as food, books, and medical supplies. Advertising is largely through newspapers, magazines, radio, and motion picture theaters.

Usual business hours are from 9 AM to 6 PM, Monday through Friday. Banks are open from 8:30 AM to 2:30 PM, Monday through Friday, and to 1 PM on Saturday. Department stores are often open from 10 AM to 8 PM, Monday through Saturday. Many small shops and businesses are often closed in the afternoons, from 2 PM to 4 or 5 PM.

### 3<sup>1</sup> FOREIGN TRADE

Traditionally, exports consisted mainly of agricultural products (chiefly wine, citrus fruits, olives and olive oil, and cork) and minerals. While agricultural products and minerals remain important, they have, since the 1960s, been overtaken by industrial exports. Imports habitually exceed exports by a large margin.

Of Spain's export commodities, transport-related items make up more than 20% of the total. Fruits, nuts, and vegetables are also exported in sizable amounts. Spain is the world's largest producer of olive oil; the country supplies about one-third of the olive oil in the world. Footwear and chemicals (chiefly pharmaceuticals) are other important exports.

The liberalization of product markets and more effective anti-trust mechanisms have been called for as ways to boost Spain's economic growth potential. Merchandise exports rose to \$184.1 billion in 2004. Strong domestic demand resulted in a larger increase in imports, causing the trade deficit to widen from \$45.1 billion in 2003 to \$65.8 billion in 2004. Spain's leading markets in 2004 were France (19.4% of all exports), Germany (11.7%), and Portugal and Italy (each with 9% of Spain's total exports). In all, the EU accounted for 73.9% of Spain's total exports. Leading suppliers in 2004 were Germany (16.1% of Spanish imports), France (15.2%), Italy (9.1%), and the United Kingdom (6.1%). The EU made up 65.6% of all imports that year.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Tourism, remittances from Spaniards living abroad, investment income, and loans to the private sector have been the principal factors that help to offset recurrent trade deficits, especially deficits in merchandise trade and net investment income. Between 1992 and 1995 exports grew by 70% and imports grew by approximately the same amount. In 2000, Spain experienced a large increase in its trade deficit due in large measure to increased petroleum prices, the weakness of the euro, and decreased competitiveness. The current account deficit widened considerably in 2004 to 5.3% of GDP, up from 3.6% in 2003, largely due to the large trade deficit of \$65.8 billion, which was caused by strong domestic demand and an increase in imports. In 2004, the current account balance stood at -\$30.89 billion.

### 3<sup>3</sup> BANKING AND SECURITIES

The banking and credit structure centers on the Bank of Spain, the government's national bank of issue since 1874. The bank acts as the government depository as well as a banker's bank for discount and other operations. The European Central Bank determines monetary policy for the EU. Other "official" but privately owned banks are the Mortgage Bank of Spain, the Local Credit Bank of Spain, the Industrial Credit Bank, the Agricultural Credit Bank, and the External Credit Bank.

In 2002, the private banking system consisted of 146 banks, comprising national banks, industrial banks, regional banks, local banks, and foreign banks. The liberalization of the banking system and Spain's entry into the EC raised the number and presence of foreign banks. During the process of financial liberalization required by the EU, the government tried to promote a series of mergers within the banking industry, which it hoped could enable the banks to compete more effectively. As a result, there were two

major mergers: Banco de Vizcaya and Banco de Bilbao formed Banco Bilbao Vizcaya (BBV), and Banco Central and Banco Hispanoamericano merged to form Banco Central Hispanoamericano (BCH). The government also brought together all the state-owned banking institutions to form Corporación Bancaria de España, better known by its trade name Argentaria, whose most important component is Banco Exterior (BEX). The government subsequently privatized a 50% stake in Argentaria in 1993 and a further 25% in early 1996. Ultimately, the state sold its remaining 25% share in Argentaria, thereby leaving the banking sector entirely in private hands. In October 1999, BBV took over Argentaria to create Spain's largest banking group. The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$193.7 billion. In that same year, M2—an aggregate equal to M1 plus savings depos-

#### Principal Trading Partners – Spain (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	158,213.2	210,860.5	-52,647.3
France-Monaco	30,394.1	34,079.9	-3,685.8
Germany	19,008.0	34,551.5	-15,543.5
Italy-San Marino-Holy See	15,486.4	19,348.6	-3,862.2
Portugal	15,262.4	6,778.4	8,484.0
United States	6,478.9	7,639.6	-1,160.7
Netherlands	5,318.6	8,525.6	-3,207.0
Belgium	4,756.3	6,423.4	-1,667.1
Mexico	2,508.1	1,646.0	862.1
Morocco	2,133.4	1,812.7	320.7
Turkey	1,989.8	2,029.4	-39.6

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Spain (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>-23,676.0</b>
Balance on goods		-42,923.0
Imports	-202,468.0	
Exports	159,545.0	
Balance on services		30,922.0
Balance on income		-11,919.0
Current transfers		-56.0
<b>Capital Account</b>		<b>9,982.0</b>
<b>Financial Account</b>		<b>4,444.0</b>
Direct investment abroad		-23,350.0
Direct investment in Spain		25,513.0
Portfolio investment assets		-91,061.0
Portfolio investment liabilities		40,908.0
Financial derivatives		-369,947.0
Other investment assets		-14,437.0
Other investment liabilities		70,570.0
<b>Net Errors and Omissions</b>		<b>-6,237.0</b>
<b>Reserves and Related Items</b>		<b>15,487.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.



its, small time deposits, and money market mutual funds—was \$548.2 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.36%.

Spain has major stock exchanges in Madrid, Barcelona, Bilbao, and Valencia. These exchanges are open for a few hours a day, Tuesday through Friday. Since 1961, foreign investment in these exchanges has increased rapidly. The major commercial banks invest in the equity and debt securities of private firms and carry on brokerage businesses as well. Latibex, a Madrid-based stock exchange providing a market for the trading (in euros) of Latin American stocks, opened in late 1999. The exchange lists companies based in Latin American nations such as Argentina, Brazil, Chile, Columbia, and Venezuela. As of 2004, there were 3,272 companies listed on the BME Spanish Exchanges, which had a market capitalization of \$940.673 billion.

### 34 INSURANCE

Insurance companies are supervised by the government through the Direccion General de Seguros. The Spanish insurance market is characterized by a relatively large number of insurers with one organization dominating the industry. Latest information available indicates an insurance market in Spain with moderate penetration when compared to North America and Europe, especially for life products. Recently, however, Spanish insurance firms such as Euroseguros are taking advantage of linguistic, cultural, and historical ties and are expanding operations to Latin America. Compulsory insurance includes third-party automobile liability, workers' compensation, hunters', nuclear and professional liability, and personal injury insurance. Workers' compensation and property insurance can only be obtained through the government. Spain's insurance market is made up of both local and foreign insurers, with the local insurers often owned by Spanish banks. In 2003, the value of all direct insurance premiums written totaled \$47.014 billion, of which nonlife premiums accounted for \$26.972 billion. In that same year, the top nonlife insurer was MAPFRE Mutualidad, which had gross written nonlife premiums of \$2,088.2 million, while the country's leading life insurer was Mapfre Vida, which had gross written life insurance premiums of \$1,808.6 million.

### 35 PUBLIC FINANCE

The public sector deficit in 1996 was equivalent to 4.3% of GDP (compared to 3.8% in 1993 and 4.4% in 1992). Because of Spain's desire to enter the European Monetary Union, it had to meet stringent limits on its public debt and finances, including a 3% debt-to-GDP ratio. The government trimmed the budget by reducing the civil service payroll and limiting transfers to government-owned companies.

The US Central Intelligence Agency (CIA) estimated that in 2005 Spain's central government took in revenues of approximately \$440.9 billion and had expenditures of \$448.4 billion. Revenues minus expenditures totaled approximately -\$7.5 billion. Public debt in 2005 amounted to 48.5% of GDP. Total external debt was \$1.249 trillion.

Government outlays by function were as follows: general public services, 28.6%; defense, 3.7%; public order and safety, 3.8%; economic affairs, 6.2%; environmental protection, 0.2%; housing and community amenities, 0.1%; health, 15.3%; recreation, culture, and religion, 1.2%; education, 1.6%; and social protection, 39.3%.

### Public Finance – Spain (2001)

(In millions of euros, central government figures)

	212,571	100.0%
<b>Revenue and Grants</b>		
Tax revenue	105,530	49.6%
Social contributions	87,146	41.0%
Grants	8,088	3.8%
Other revenue	11,807	5.6%
<b>Expenditures</b>	<b>211,539</b>	<b>100.0%</b>
General public services	60,492	28.6%
Defense	7,821	3.7%
Public order and safety	8,104	3.8%
Economic affairs	13,011	6.2%
Environmental protection	516	0.2%
Housing and community amenities	263	0.1%
Health	32,308	15.3%
Recreational, culture, and religion	2,530	1.2%
Education	3,442	1.6%
Social protection	83,052	39.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 36 TAXATION

As of 2005, Spain had a basic corporation tax rate of 35%. A reduced rate of 30% is applied to companies with annual turnover of less than €6 million in the preceding tax year on initial profits of €90,151. Generally, capital gains are taxed at the corporate rate, while dividends, interest and royalties are subject to withholding taxes of 15%, 15% and 25%, respectively.

Spain, as of 2005, had a progressive individual income tax with a top rate of 45%. The tax is imposed on aggregate income and includes dividends, interest and royalties received. However, dividends received from a resident company may be subject to an imputation credit. There is also a wealth tax with a maximum rate of 2.5%.

The main indirect tax is Spain's value-added tax (VAT), introduced 1 January 1986 as a condition for membership in the European Union (EU). As of 2005, the VAT had a standard rate of 16%, with two reduced rates: 4% on basic necessities; and 7% on food, dwellings, tourism and certain transport services. Indirect taxes include levies on inheritances, documents, sales, special products (alcohol, petroleum, and others), luxury items, and fiscal monopolies.

### 37 CUSTOMS AND DUTIES

Spain, a member of the European Union and the World Trade Organization, adheres to EU and GATT trading rules. Spain determines customs duties based on cost, insurance, and freight (CIF), and applies the EU Common External Tariff to non-EU imports. Most customs costs amount to 20–30% of CIF (cost, insurance, freight), including the duty, the VAT, and customs agent and handling fees.

### 38 FOREIGN INVESTMENT

In keeping with the rest of the European Union, in recent years the Spanish government has instituted a wholesale revision of its

previously restrictive foreign investment laws. With the exception of strategic sectors, up to 100% foreign investment is permitted in all sectors of the Spanish economy. The corporation tax is levied at a standard rate of 35% and at 30% on the first €90,151 for companies with a turnover of less than €5 million.

In 1998, foreign direct investment (FDI) inflow was nearly \$12 billion, up from \$7.7 billion in 1997, and peaking at \$37.5 billion in 2000. In 2001, FDI inflow fell to \$21.8 billion. From 1998 to 2001 FDI inflow averaged about \$19 billion a year, and in 2001 cumulative FDI stock totaled approximately \$157 billion. Outward FDI from Spain from 1998 to 2001 averaged about \$31.1 billion, and in 2001 cumulative foreign stock held by Spaniards totaled about \$184 billion.

In 2004, new investment in Spain totaled \$18.4 billion. Spanish FDI outflows totaled \$54.5 billion. In 2004, cumulative FDI stock in Spain totaled \$346.7 billion. Cumulative outward FDI stock totaled \$332.6 billion. In 2003, most new FDI in Spain came from (in order): the United States, the Netherlands, the United Kingdom, Canada, Luxembourg, Italy, Germany, France, and Sweden. From 2000–04, FDI inflows as a percentage of GDP averaged 4%. In 2004, Spain was the 11th most attractive country in the world for US investors, up from 17th place, according to the FDI Confidence Index. In 2004, Spain was the largest net EU-25 investor, while the United Kingdom was the largest net recipient of FDI.

### **3<sup>9</sup> ECONOMIC DEVELOPMENT**

After 1939, Spanish economic policy was characterized by the attempt to achieve economic self-sufficiency. This policy, largely imposed by Spain's position during World War II and the isolation to which Spain was subjected in the decade following 1945, was also favored by many Spanish political and business leaders. In 1959, following two decades of little or no overall growth, the Spanish government acceded to reforms suggested by the International Monetary Fund (IMF), OECD, and IBRD, and encouraged by the promise of foreign financial assistance, announced its acceptance of the so-called Stabilization Plan, intended to curb domestic inflation and adverse foreign payment balances.

Long-range planning began with Spain's first four-year development plan (1964–67), providing a total investment of ₧355 billion. The second four-year plan (1968–71) called for an investment of ₧553 billion, with an average annual growth of 5.5% in GNP. The third plan (1972–75) called for investments of ₧871 billion; drastic readjustments had to be made in 1975 to compensate for an economic slump brought on by increased petroleum costs, a tourist slowdown, and a surge in imports. A fifth plan (1976–79) focused on development of energy resources, with investments to increase annually by 9% increments. A stabilization program introduced in 1977 included devaluation of the peseta and tightening of monetary policy. The economic plan of 1979–82 committed Spain to a market economy and rejected protectionism.

Accession to the EU generated increased foreign investment but also turned Spain's former trade surplus with the EU into a growing deficit: the lowering of tariffs boosted imports, but exports did not keep pace. The government responded by pursuing market liberalization and deregulation, in hopes of boosting productivity and efficiency to respond to EU competition. A number of projects, such as the construction of airports, highways, and a high-speed rail line between Madrid and Seville, received EU funding.

To prepare Spain for European economic and monetary union, the government in 1992 planned to cut public spending. The currency was devalued three times in 1992–93. Additionally, Spain was a principal beneficiary of the EU's "harmonization fund." This fund provides financial support to poorer EU nations to attempt to reduce the disparities in economic development.

After an economic downturn in the early and mid-1990s, the Spanish economy turned around to register a new dynamism characterized by strong growth rates and a rise in foreign investment sparked by increased liberalization. Moreover, unemployment dropped and inflation remained in check. Spain capped its success by entering the Economic and Monetary Union (EMU) in 1999. Reducing the public sector deficit, decreasing unemployment, reforming labor laws, lowering inflation, and raising per capita gross domestic product (GDP) were all goals in the early 2000s. Economic growth was forecast at 3.1% in 2005. The construction sector was thriving, driven by higher levels of investment and public infrastructure projects.

Spain cushioned the effects of the 2001–03 global economic slowdown on its economy through effective management of fiscal policy, but the constraints of the European Stability and Growth Pact—which requires EU members to keep their budget deficits within 3% of GDP—continues to limit freedom to maneuver. After coming to power in April 2004, the Socialist government made little change in economic policy. Despite a decline in unemployment in the early 2000s, the jobless rate remains one of the highest in the EU. Expansion of the services sector, including retailing, tourism, banking, and telecommunications, has led to recent economic growth. Spain has developed a greenhouse industry in the southeast region of the country, which has become one of the most competitive suppliers of fresh produce to the main European markets. Fishing remains a growth industry as well.

### **4<sup>0</sup> SOCIAL DEVELOPMENT**

The social insurance system provides pensions for employees in industry and services, with a special system for the self-employed, farmers, domestic workers, seamen and coal miners. The system is funded through employee and employer contributions, and an annual government subsidy. The fund provides for health and maternity benefits, old age and incapacity insurance, a widow and widower pension, orphan pension, a family subsidy, workers' compensation, job-related disability payments, unemployment insurance and a funeral grant. Retirement is set at age 65, but is allowed at age 64 under certain conditions. Maternity benefits are payable for 16 weeks, and is applicable to adoption as well. Fathers may also take parental leave. Work injury legislation was first instituted in 1900 and covers all employed persons. It is funded solely by the employer.

Discrimination against women in the workplace persists although it is prohibited by law. The female rate of unemployment is about twice that for men, and the median salary for women was lower than that of men. There are a growing number of women entering the medical and legal professions. Women take an active role in politics. The law prohibits sexual harassment in the workplace but it is not effectively enforced. The government takes steps to address the problems of domestic abuse and violence against women. The Integral Law Against Gender Violence enacted in 2005 provides harsher penalties to those convicted of domestic

violence. The government is strongly committed to children's welfare and rights.

Roma minorities suffer from housing, education, and employment discrimination. The government provides mechanisms for legal redress for discrimination and harassment for Roma and other minorities. In addition, a growing number of right-wing extremist attacks against minorities have been reported in recent years. Human rights abuses have been committed by both the government and Basque (ETA) separatist groups. The ETA has carried out killings and kidnapping, while the government has failed to prevent the mistreatment of prisoners.

#### 41 HEALTH

Following the adoption of the country's constitution, Spain's health care system underwent major reforms in the 1980s and 1990s. Instead of being organized directly as part of the social security system, it was transformed to the more decentralized National Health System. Coverage was extended further than before and the primary care network was reorganized. Spanish officials say that public contributions to the cost of health care must be limited in the face of potentially unlimited demand. Total health care expenditure was estimated at 7% of GDP.

The public sector in health care is the largest and continues to grow. There are 354 public hospitals, 149 private hospitals, and 312 private business hospitals. The public health sector contracts a significant number of beds from both types of private hospitals. As of 2004, there were an estimated 320 physicians, 362 nurses, 43 dentists, 77 pharmacists per 100,000 people. Recent programs have created special residences for elderly and retired people, eye clinics, a network of government health centers in the principal cities, and more than a dozen human tissue and organ banks for transplantation and research.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 9.3 and 9.2 per 1,000 people. About 59% of married women (ages 15 to 49) were using contraception. Average life expectancy in 2005 was 78 years. That year the infant mortality rate was 4.42 per 1,000 live births, down from 38 in 1965. Immunization rates for children up to one year old were: diphtheria, pertussis, and tetanus, 88%; polio, 88%; and measles, 90%.

Leading causes of death were communicable diseases and maternal/perinatal causes, noncommunicable diseases, and injuries. The HIV/AIDS prevalence was 0.70 per 100 adults in 2003. As of 2004, there were approximately 140,000 people living with HIV/AIDS in the country. There were an estimated 1,000 deaths from AIDS in 2003.

The smoking rates for both men and women in Spain are above the average of "high human development" countries as defined by the World Bank. Approximately 58% of men and 27% of women were smokers. However, the likelihood of dying after the age of 65 of heart disease was below the highly industrialized country average at 235 (male) and 277 (female) per 1,000 people.

#### 42 HOUSING

A housing boom beginning around 1998-2001 saw the creation of over two million new houses with about 600,000 new houses built in 2000. In 2000, about 20-25% of the housing market was attributed to those building second homes/vacation homes. At the 2001 census, there were about 20,946,554 dwellings nationwide.

About 31.9% were single-family dwellings; 35% were dwellings in multi-family buildings. About 16% of the existing stock was built in the period 1991-2001; with an average of about 307,000 units per year. Some 52% of all dwellings were owned by private individuals; 46% were owned by communities. Nearly 90% of all dwellings were listed in good condition; 195,910 dwellings were listed as in ruin.

#### 43 EDUCATION

Since 1990, schooling has been compulsory for ten years, including six years of primary school and four years of secondary school. Many students continue on for an additional two years of higher secondary school. Vocational programs are available at the secondary level. The academic year runs from October to July.

Most children between the ages of three and five are enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 96% of age-eligible students. It is estimated that nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 14:1 in 2003; the ratio for secondary school was about 11:1. In 2003, private schools accounted for about 33% of primary school enrollment and 29% of secondary enrollment.

The Pontifical University of Salamanca, founded in 1254, is the oldest university, while the University of Madrid has the largest student body. In 2003, it was estimated that about 62% of the tertiary age population were enrolled in tertiary education programs; 57% for men and 67% for women. The adult literacy rate for 2003 was estimated at about 97.9%.

As of 2003, public expenditure on education was estimated at 4.5% of GDP, or 11.3% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The National Library in Madrid (four million volumes), the Library of Catalonia in Barcelona (one million volumes), the university libraries of Santiago de Compostela (one million volumes), Salamanca (906,000 volumes), Barcelona (two million volumes), and Sevilla (777,000 volumes), Valladolid (500,000 volumes), and the public library in Toledo (with many imprints from the 15th to the 18th centuries) are among the most important collections. Spain also has 61 historical archives, among them the Archivo General de Indias in Sevilla, with 60,000 volumes and files, and the archives of Simancas, with 86,000 volumes and files. In total, Spain's public library collection holds more than 32.8 million volumes. There are over 2,500 public libraries nationwide. In the province of Barcelona there are about 143 public libraries and 8 mobile services.

The Prado, in Madrid, with its extensive collection of Spanish art, is the most famous museum of Spain and one of the best in the world, featuring Picasso's world-famous *Guernica*. The National Archaeological Museum, also in Madrid, contains the prehistoric cave paintings of Altamira. The Museum of Modern Art, in Barcelona, houses excellent cubist and surrealist collections. There are also important art collections in the Escorial and Aranjuez palaces, near Madrid. Also in Madrid are the Museum of America, with artifacts from Spain's colonial holdings; the African Museum, with exhibits of many African cultures, especially Makonde art from Mozambique; and the Antiquities Collection of the Academy of

History, founded in 1738, which houses Iberian and Visigoth artifacts, Islamic art, 4th century relics, including the Silver Dish of Theodosius, general European art, and 11th century documents. Barcelona also has the Museum of Ceramics, the Museum of Decorative Arts, a Picasso museum, the National Museum of Catalan Art, and the Museum of Perfume. The Guggenheim Museum Bilbao, designed by American architect Frank Gehry, opened in 1997 as a joint project of the Guggenheim Foundation and the Basque regional government. The innovative design of the 24,000-sq-m (257,000 sq-ft) metal-and-stone structure has won worldwide attention and acclaim.

#### 45 MEDIA

The government owns, operates, or supervises all internal telephone, telegraph, and radio and television service. Postal and telegraph facilities are provided by the Mail and Telecommunications Service. The National Telephone Co. is an autonomous enterprise. In 2003, there were an estimated 434 mainline telephones for every 1,000 people. The same year, there were approximately 909 mobile phones in use for every 1,000 people.

RadioTelevision Espanola operates public radio and television broadcasts. There are hundreds of privately owned stations as well. In 2003, there were an estimated 330 radios and 564 television sets for every 1,000 people. About 24.3 of every 1,000 people were cable subscribers. Also in 2003, there were 196 personal computers for every 1,000 people and 239 of every 1,000 people had access to the Internet. There were 2,837 secure Internet servers in the country in 2004.

There are about 100 daily papers published in Spain, but very few have a circulation exceeding 100,000. Sunday newspaper editions have become increasingly common, with circulations often double the weekday runs. English-language papers are now printed in Madrid and Palma de Mallorca. There are also over 3,000 magazines, bulletins, and journals. Formerly, the Falange published the newspapers in all provincial capitals and controlled some 35% of the total national circulation; censorship was obligatory. In 1966, a new press law abolished censorship but established stiff penalties for editors who published news "contrary to the principles of the national interest"; offending newspapers could be seized.

The leading Spanish dailies, with 2005 weekday circulations, include: *El País* (Madrid), 458,000; *El Mundo* (Madrid), 310,000; *ABC* (Madrid and Sevilla), 277,000; *La Vanguardia* (Barcelona), 202,000; *El Periódico de Cataluña* (Barcelona, published in both Spanish and Catalan), 172,000; *El Correo* (Bilbao), 126,000; and *El Diario Vasco* (San Sebastian), 90,000. *Marca*, a sports daily, was believed to be the most widely read paper in the country.

The 1978 constitution guarantees freedom of the press and the government is said to uphold this freedom in practice.

#### 46 ORGANIZATIONS

Under the Falangist system of corporate organization, all branches of society were required to participate in business and in agricultural or professional syndicates. Despite this system, cooperatives emerged in various sectors of Spanish society, among them agricultural, consumer, credit, industrial, maritime, fishing, rural, housing, and educational organizations. Chambers of commerce function in all provincial capitals, and there are numerous industrial and trade associations. The Association of Mediterra-

nean Chambers of Commerce and Industry is based in Barcelona. Trade and professional associations exist representing a broad range of occupations.

Cultural and educational organizations include the Royal Academy of Belles Lettres, the Scientific and Literary and Art Society, the Association of Spanish Artists and Sculptors, The Royal Society of Physics, Institute of Catalan Studies, and the Society of Natural Sciences.

National youth organizations include Christian Democratic Youth of Spain, Socialist Youth, Junior Chamber, a national students' union, the Counting Federation of Spain, Girl Guides, and chapters of YMCA/YWCA. There are sports associations representing a wide variety of pastimes.

National women's organizations include University Women of Spain and the National Council of Women in Spain. International organizations with national chapters include Save the Children, Amnesty International, Greenpeace, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

Many are attracted to the country by its accessibility, warm climate, beaches, and relatively low costs. Among the principal tourist attractions are Madrid, with its museums, the Escorial Palace, and the nearby Valley of the Fallen (dead in the civil war); Toledo, with its churches and its paintings by El Greco; the Emerald Coast around San Sebastián; the Costa Brava on the coast of Catalonia, north of Barcelona; Granada, with the Alhambra and the Generalife; Sevilla, with its cathedral and religious processions; and the Canary and Balearic islands.

Football (soccer) is the most popular sport in Spain, and many cities have large soccer stadiums; Spain was host to the World Cup competition in 1982. Barcelona was the site of the 1992 Summer Olympics, and in the same year, an International Exposition was held in Sevilla. Among traditional attractions are the bullfights, held in Madrid from April through October, and pelota, an indoor ball game in which spectators bet on the outcome.

Passports are required to enter Spain. Citizens of many countries, including the United States, may stay up to 90 days without a visa.

In 2003, tourist arrivals numbered 51,829,596 with tourist expenditure receipts of \$46 billion. There were 740,747 hotel rooms, with 1,451,883 beds and an occupancy rate of 54%. Visitors stayed an average of four nights on their trips to Spain.

In 2005, the US Department of State estimated the daily cost of staying in Madrid at \$330; in Barcelona, \$367; and other areas, \$262.

#### 48 FAMOUS SPANIARDS

The Hispanic-Roman epoch produced the philosopher and dramatist Marcus (or Lucius) Annaeus Seneca (54 BC–AD 39), while the Gothic period was marked by the encyclopedist Isidore of Seville (560?–636), author of the *Etymologies*. Important Spanish thinkers of the Middle Ages included Averroës (Ibn Rushd, or Abu al-Walid Muhammad ibn Ahmad ibn Rushd, 1126–98), philosopher; Maimonides (Moses ben Maimon, also known as the Rambam, 1135–1204), the great Jewish physician and philosopher; Benjamin de Tudela (d.1173), geographer and historian; King Alfonso X (the Wise, 1226?–84), jurist, historian, musician, and astronomer; Juan Ruiz (1283?–1351?), archpriest of Hita, the

greatest Spanish medieval poet; and Fernando de Rojas (1475?–1538?), a dramatic poet. *El Cid* (Rodrigo Díaz de Vivar, 1043?–99) has become the national hero of Spain for his fight against the Moors, although he also fought for them at times.

The golden age of Spanish exploration and conquest began with the Catholic Sovereigns, Ferdinand (1452–1516) and Isabella (1451–1504), in the late 15th century. The first great explorer for Spain was Christopher Columbus (Cristoforo Colombo or Cristóbal Colón, 1451–1506), a seaman of Genoese birth but possibly of Judeo-Catalán origin, who made four voyages of discovery to the Americas, the first landing occurring on 12 October 1492 on the island of Guanahani (probably on the island now called San Salvador) in the Bahamas. Among the later explorers, Alvar Núñez Cabeza de Vaca (1490?–1557?), Hernando de Soto (d.1542), and Francisco Vázquez de Coronado (1510–54) became famous for their explorations in the southern and southwestern parts of the present US; Juan Ponce de León (1460?–1521), for his travels in Florida; Vasco Núñez de Balboa (1475–1517), for his European discovery of the Pacific Ocean and claim of it for Spain; Francisco Pizarro (1470?–1541), for his conquest of Peru; and Hernán Cortés (1485–1547) for his conquest of Mexico. Juan de la Costa (1460?–1510) was a great cartographer of the period. Spanish power was at its greatest under Charles I (1500–1558), who was also Holy Roman Emperor Charles V. It began to decline under Philip II (1527–98).

In Spanish art, architecture, and literature, the great age was the 16th century and the early part of the 17th. Among the painters, El Greco (Domenikos Theotokopoulos, b.Crete, 1541–1614), Lo Spagnoletto (Jusepe de Ribera, 1589?–1652?), Francisco de Zurbarán (1598?–1660), Diego Rodríguez de Silva y Velázquez (1599–1660), and Bartolomé Esteban Murillo (1617–82) were the leading figures. In architecture, Juan de Herrera (1530–97), the designer of the royal palace, monastery, and tomb of the Escorial, and the baroque architect José Churriguera (1650–1723) are among the most important names. In literature, the dramatists Lope Félix de Vega Carpio (1562–1635) and Pedro Calderón de la Barca (1600–1681) and the novelist Miguel de Cervantes y Saavedra (1547–1616), author of *Don Quixote*, are immortal names. Other leading literary figures include the great poet Luis de Góngora y Argote (1561–1627), the satirist Francisco Gómez de Quevedo y Villegas (1580–1645), and the playwrights Tirso de Molina (Gabriel Téllez, 1571?–1648) and Mexican-born Juan Ruiz de Alarcón y Mendoza (1580?–1639). Outstanding personalities in the annals of the Roman Catholic Church are St. Ignatius de Loyola (Íñigo de Oñez y Loyola, 1491–1556), founder of the Jesuit order; St. Francis Xavier (Francisco Javier, 1506–52), Jesuit “apostle to the Indies”; and the great mystics St. Teresa of Ávila (Teresa de Cepeda y Ahumada, 1515–82) and St. John of the Cross (Juan de Yepes y Álvarez, 1542–91). The phenomenon of pulmonary blood circulation was discovered by Michael Servetus (Miguel Servet, 1511–53), a heretical theologian, while he was still a medical student.

The 16th century was also the golden age of Spanish music. Cristóbal de Morales (1500?–53) and Tomás Luis de Vittoria (1549?–1611) were the greatest Spanish masters of sacred vocal polyphony. Important composers include Luis Milán (1500?–1565?), Antonio de Cabezón (1510–66), Alonso Mudarra (1510–80), and Miguel de Fuenllana. Juan Bermudo (1510?–55?), Francisco de Salinas (1513–90), and Diego Ortiz (c.1525–c.1570) were theo-

rists of note. Two leading 18th-century composers in Spain were the Italians Domenico Scarlatti (1685–1757) and Luigi Boccherini (1743–1805). Padre Antonio Soler (1729–83) was strongly influenced by Scarlatti. Leading modern composers are Isaac Albéniz (1860–1909), Enrique Granados y Campina (1867–1916), Manuel du Falla (1876–1946), and Joaquín Turina (1882–1949). World-famous performers include the cellist and conductor Pablo Casals (1876–1973), the guitarist Andrés Segovia (1894–1987), operatic singers Victoria de los Angeles (Victoria Gómez Cima, 1923–2005), José Carreras (b.1946), and Plácido Domingo (b.1941), and the pianist Alicia de Larrocha (b.1923).

Francisco Goya y Lucientes (1746–1828) was the outstanding Spanish painter and etcher of his time. Pablo Ruiz y Picasso (1881–1973) was perhaps the most powerful single influence on contemporary art; other major figures include Juan Gris (1887–1927), Joan Miró (1893–1983), and Salvador Dali (1904–89), who, like Picasso, spent most of his creative life outside Spain. The sculptor Julio González (1876–1942) was noted for his work in iron. A leading architect was Antonio Gaudí (1852–1926); an influential modern architect was José Luis Sert (1902–83), dean of the Graduate School of Design at Harvard University for 16 years.

Miguel de Unamuno y Jugo (1864–1936) and José Ortega y Gasset (1883–1955) are highly regarded Spanish philosophers. Benito Pérez Galdos (1843–1920) was one of the greatest 19th-century novelists. Other Spanish novelists include Pedro Antonio de Alarcón (1833–91), Emilia Pardo Bazán (1852–1921), Vicente Blasco Ibáñez (1867–1928), Pío Baroja y Nessi (1872–1956), Ramón Pérez de Ayala (1880–1962), and Ramón José Sender (1902–82). Prominent dramatists include José Zorrilla y Moral (1817–93), José de Echegaray y Eizaguirre (1832–1916), and Jacinto Benavente y Martínez (1886–1954). The poets Juan Ramón Jiménez (1881–1958) and Vicente Aleixandre (1900–84) were winners of the Nobel Prize for literature in 1956 and 1977, respectively. Other outstanding poets are Gustavo Adolfo Bécquer (1836–70), Antonio Machado Ruiz (1875–1939), Pedro Salinas (1891–1951), Jorge Guillén (1893–1984), Dámaso Alonso (1898–1990), Federico García Lorca (1899–1936), Luis Cernuda (1902–63), and José Angel Valente (1929–2000). Ramón María del Valle-Inclán (1866–1936) was a novelist, dramatist, poet, and essayist. A noted novelist, essayist, and critic was Azorín (José Martínez Ruiz, 1876–1967). Salvador de Madariaga y Rojo (1886–1978) was an important cultural historian and former diplomat. Luis Buñuel (1900–83), who also lived in Mexico, was one of the world's leading film directors. Pedro Almodóvar (b.1951) is a contemporary film director, and Antonio Banderas (b.1960) is a Spanish film actor who has had success in Hollywood.

Santiago Ramón y Cajal (1852–1934), histologist, was awarded the first Nobel Prize for medicine in 1906. The physicians Gregorio Marañón (1887–1960) and Pedro Laín Entralgo (1908–2001) were scholars and humanists of distinction. Juan de la Cierva y Codorniu (1896–1937) invented the autogyro. Severo Ochoa (1905–93), who lived in the United States, won the Nobel Prize for medicine in 1959.

Francisco Franco (1892–1975), the leader of the right-wing insurgency that led to the Spanish Civil War (1936–39), was chief of state during 1939–47 and lifetime regent of the Spanish monarchy after 1947. After Franco's death, King Juan Carlos I (b.1938)

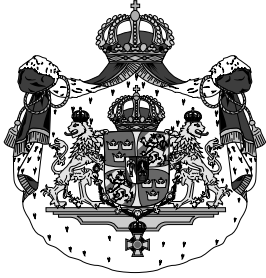
guided Spain through the transitional period between dictatorship and democracy.

#### 49 DEPENDENCIES

Spanish "places of sovereignty" on the North African shore, which are part of metropolitan Spain subject to special statutes owing to their location, include Alborán Island (at 35°56' N and 3°2' W), Islas de Alhucemas (at 35°13' N and 3°52' W), Islas Chafarinas (at 35°10' N and 2°26' W), and Perejil (at 35°54' N and 5°25' W). The two major places of sovereignty are Ceuta and Melilla. Ceuta (19 sq km/7.3 sq mi; population 71,403 in 1993) is a fortified port on the Moroccan coast opposite Gibraltar. Melilla (12.3 sq km/4.7 sq mi; resident population 55,613 in 1993), on a rocky promontory on the Rif coast, is connected with the African mainland by a narrow isthmus. Melilla has been Spanish since 1496; Ceuta since 1580. Since 1956, Morocco has repeatedly advanced claims to these areas. Under the 1978 constitution, Ceuta and Melilla are represented in the Cortes by one deputy and two senators each.

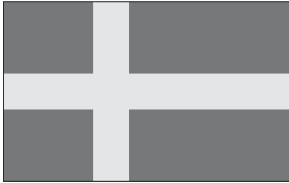
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# SWEDEN

Kingdom of Sweden  
*Konungariket Sverige*



**CAPITAL:** Stockholm

**FLAG:** The national flag, dating from 1569 and employing a blue and gold motif used as early as the mid-14th century, consists of a yellow cross with extended right horizontal on a blue field.

**ANTHEM:** *Du gamla, du fria, du fjällhöga nord* (*O Glorious Old Mountain-Crowned Land of the North*).

**MONETARY UNIT:** The krona (KR) is a paper currency of 100 öre. There are coins of 50 öre and 1, 2, 5, and 10 kronor, and notes of 5, 10, 20, 50, 100, 500, and 1,000 kronor. KR1 = \$0.13661 (or \$1 = KR7.32) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard, but some old local measures are still in use, notably the Swedish mile (10 kilometers).

**HOLIDAYS:** New Year's Day, 1 January; Epiphany, 6 January; Labor Day, 1 May; Midsummer Day, Saturday nearest 24 June; All Saints' Day, 5 November; Christmas, 25–26 December. Movable religious holidays include Good Friday, Easter Monday, Ascension, and Whitmonday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

Fourth in size among the countries of Europe, Sweden is the largest of the Scandinavian countries, with about 15% of its total area situated north of the Arctic Circle. Extreme length N–S is 1,574 km (978 mi) and greatest breadth E–W is 499 km (310 mi). Sweden has a total area of 449,964 sq km (173,732 sq mi): land area, 410,934 sq km (158,663 sq mi); water area, 39,030 sq km (15,070 sq mi), including some 96,000 lakes. Comparatively, the area occupied by Sweden is slightly larger than the state of California. Sweden is bounded on the N and NE by Finland, on the E by the Gulf of Bothnia, on the SE by the Baltic Sea, on the SW by the Öresund, the Kattegat, and the Skagarrak, and on the W by Norway, with a total boundary length of 5,423 km (3,370 mi), of which 3,218 km (2000 mi) is coastline. The two largest Swedish islands in the Baltic Sea are Gotland and Öland. Sweden's capital city, Stockholm, is located on the southeast Baltic Sea coast.

## <sup>2</sup> TOPOGRAPHY

Northern Sweden (Norrland) slopes from the Kjölen Mountains along the Norwegian frontier (with the high point at Kebnekaise, 2,111 m/6,926 ft) to the coast of the Gulf of Bothnia. The many rivers—notably the Göta, the Dal, the Ångerman, the Ume, and the Lule—flow generally toward the southeast and have incised the plateau surface; waterfalls abound. Central Sweden, consisting of a down-faulted lowland, has several large lakes, of which Vänern (5,584 sq km/2,156 sq mi) is the largest in Europe outside the former USSR. To the south of the lake belt rises the upland of Smaland and its small but fertile appendage, Skane. The lowlands were once submerged and so acquired a cover of fertile, silty soils. Much of Sweden is composed of ancient rock; most ice erosion has resulted in generally poor sandy or stony soils. The best, most lime-rich soils are found in Skane, and this southernmost

district is the leading agricultural region; it resembles Denmark in its physical endowments and development.

## <sup>3</sup> CLIMATE

Because of maritime influences, particularly the warm North Atlantic Drift and the prevailing westerly airstreams, Sweden has higher temperatures than its northerly latitude would suggest. Stockholm averages  $-3^{\circ}\text{C}$  ( $26^{\circ}\text{F}$ ) in February and  $18^{\circ}\text{C}$  ( $64^{\circ}\text{F}$ ) in July. As would be expected from its latitudinal extent, there is a wide divergence of climate between northern and southern Sweden: the north has a winter of more than seven months and a summer of less than three, while Skane in the south has a winter of about two months and a summer of more than four. The increasing shortness of summer northward is partly compensated for by comparatively high summer temperatures, the greater length of day, and the infrequency of summer cloud; the considerable cloud cover in winter reduces heat loss by radiation.

Annual rainfall averages 61 cm (24 in) and is heaviest in the southwest and along the frontier between Norrland and Norway; the average rainfall for Lapland is about 30 cm (12 in) a year. The maximum rainfall occurs in late summer, and the minimum in early spring. There is considerable snowfall, and in the north snow remains on the ground for about half the year. Ice conditions in the surrounding seas, especially the Gulf of Bothnia, often are severe in winter and seriously interfere with navigation.

## <sup>4</sup> FLORA AND FAUNA

Vegetation ranges from Alpine-Arctic types in the north and upland areas to coniferous forests in the central regions and deciduous trees in the south. Common trees include birch, aspen, beech, elm, oak, and Norway spruce. Black cock, woodcock, duck, partridge, swan, and many other varieties of birds are abundant. Fish

and insects are plentiful. As of 2002, there were at least 60 species of mammals, 259 species of birds, and over 1,750 species of plants throughout the country.

## 5 ENVIRONMENT

Sweden's relatively slow population growth and an effective conservation movement have helped preserve the nation's extensive forest resources. By the end of 1985 there were 19 national parks covering 618,070 hectares (1,527,276 acres), 1,215 nature reserves of 870,748 hectares (2,151,653 acres), and 2,016 other protected landscape areas of 540,064 hectares (1,334,520 acres). As of 2003, protected areas accounted for 9.1% of Sweden's total land area, including 51 Ramsar wetland sites. Principal responsibility for the environment is vested in the National Environmental Protection Agency.

In 2000, the total of carbon dioxide emissions was at 46.9 million metric tons. Other pollutants include sulphur air, nitrogen compounds, oil, VOCs (volatile organic compounds), radon, and methane. The pollution of the nation's water supply is also a significant problem. Factory effluents represent a threat to water quality, and airborne sulfur pollutants have so acidified more than 16,000 lakes that fish can no longer breed in them. Sweden has 171 cu km of renewable water resources with 9% of annual withdrawals used for farming and 55% used for industrial purposes.

One of the most controversial environmental questions was put to rest by a March 1980 referendum in which a small plurality of the electorate (39.3%) supported expansion of nuclear power to no more than 12 reactors by the mid-1980s, but with provisions for the nationalization of nuclear energy, for energy conservation, and for the phaseout of nuclear power within an estimated 20–25 years. As of 2005, there were still 10 nuclear power reactors providing nearly half of the nation's electricity.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 5 types of mammals, 9 species of birds, 6 species of fish, 1 type of mollusk, 12 species of other invertebrates, and 3 species of plants. Threatened species include the blue ground beetle and cerambyx longhorn. Protected fauna include the wild reindeer, golden eagle, and crane.

## 6 POPULATION

The population of Sweden in 2005 was estimated by the United Nations (UN) at 9,029,000, which placed it at number 84 in population among the 193 nations of the world. In 2005, approximately 17% of the population was over 65 years of age, with another 18% of the population under 15 years of age. There were 98 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.1%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 9,936,000. The overall population density was 20 per sq km (52 per sq mi), but the southern two-fifths of the country are more densely populated, with approximately 80% of the population living there.

The UN estimated that 84% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.18%. The capital city, Stockholm, had a population of 1,697,000 in that year. Göteborg had a metropolitan population of 829,000. Other large cities (and their estimated populations)

include Malmö (267,171), Uppsala (130,000), Västerås (129,987), Örebro (95,354), and Norrköping (83,000).

## 7 MIGRATION

In the period 1865–1930, nearly 1,400,000 Swedes, or about one-fifth of the country's population, emigrated; over 80% went to the United States, and about 15% to other Nordic countries. The exodus ended by the 1930s, when resource development in Sweden started to keep pace with the population growth. In the 1960s there was a flood of immigration—especially by Finns—that increased the number of aliens in Sweden from 190,621 to 411,280. The number remained steady in the 1970s but increased, though at a slower rate, in the 1980s.

As of 1999, 3,729 people had been evacuated from Macedonia to Sweden under the UNHCR/IOM Humanitarian Evacuation Programme. Evacuees, as well as Kosovars who had already sought asylum but whose cases were still pending, were granted temporary protection for an 11-month period, renewable for a maximum of four years. During 2004, 73,408 refugees were hosted in Sweden. Main countries of origin for refugees included Iraq (23,918), Bosnia and Herzegovina (25,836), Serbia and Montenegro (20,890), and Iran (5,181). Asylum applications came from 25 countries of origin, the largest numbers from Serbia and Montenegro, and Iraq. The net migration rate in 2005 was an estimated 1.67 migrants per 1,000 population. Worker remittances in 2002 were \$190 million.

## 8 ETHNIC GROUPS

The Swedes are primarily Scandinavians of Germanic origin. There are about 17,000 to 20,000 Sami (Lapps) within the country. The remaining 12% of the population is comprised of foreign-born or first-generation immigrants, including Finns in the north, Danes, Iraqis, Iranians, Norwegians, Greeks, and Turks.

## 9 LANGUAGES

Swedish is a national language. In addition to the letters of the English language, it has *å*, *ä*, and *ö*. Swedish is closely related to Norwegian and Danish. Many Swedes speak English and German, and many more understand these languages. The Sami speak their own language. There is also a spread of Finnish-speaking people from across the frontier.

## 10 RELIGIONS

For hundreds of years, the Church of Sweden, an Evangelical Lutheran church, represented the religion of state. However, in 2000, the Church and government placed into effect a formal separation of church and state, with a stipulation that the Church of Sweden will continue to receive a certain degree of state support. This new agreement triggered a decline in membership for this church. According to recent estimates, about 79.6% of the population belong to the Church of Sweden, down from over 85% in 2000. Protestant groups other than the Church of Sweden have about 400,000 people. Roman Catholics constitute less than 1% of the populace, with about 140,000 members. About 100,000 people are members of Christian Orthodox churches, including Greek, Serbian, Syrian, Romanian, and Macedonian. The number of Muslims is at about 350,000, with about 100,000 active practitioners primarily of the Sunni and Shia branches. There are also about 20,000 Jews



(Orthodox, Conservative, and Reform), with about half being active. Buddhists and Hindus number around 3,000 to 4,000 each. It is estimated that about 15–20% of the adult population are atheists. Small numbers of people are represented by groups such as the Church of Scientology, Hare Krishnas, Opus Dei, and the Unification Church.

The constitution provides for freedom of religion. Since the separation of church and state, all religions are eligible for financial support from the government through the “church tax.” Individuals may now designate which organization they wish to receive their contribution, or they may receive a tax reduction. The Commission for State Grants to Religious Communities is the government body that oversees religious funding, in cooperation with the Swedish Free Church Council.

The Muslim and Jewish communities have protested government laws which they believe interfere with religious practice. For instance, a 1930 law requires the use of anesthesia before slaughter of animals in order to minimize suffering. This practice interferes with kosher. A 2001 law requires that mohels (who perform circumcisions according to Jewish customs) must be certified by the National Board of Health and the procedure must be completed in the presence of a medical doctor or an anesthesia nurse. Some Jews (and Muslims) claim that this interferes with their religious ceremony; as of 2005, the law was scheduled for review.

## 11 TRANSPORTATION

As of 2002, the total length of highways was 213,237 km (132,633 mi), of which about 167,604 km (104,250 mi) were paved, including 1,514 km (942 mi) of expressways. As of 2003, there were 4,078,000 passenger cars and 435,561 commercial vehicles. In 1967, Sweden changed from left- to right-hand traffic. As of 2004, Sweden’s 11,481 km (7,141 mi) railroad system was operated by the state-owned Statens Järnvagar. Of that total, 9,400 km (5,847 mi) of the track was electrified. All tracks are standard gauge.

Since the 1960s, the number of ships in the merchant navy has decreased because of competition from low-cost shipping nations and, more recently, the slump in world trade. Sweden has an increasing number of special-purpose vessels, such as fruit tramps, ore carriers, and oil tankers. Most of the larger vessels, representing the majority of Sweden’s commercial tonnage, are engaged in traffic that never touches home ports, and less than half of Swedish foreign trade is carried in Swedish ships. Göteborg, Stockholm, and Malmö, the three largest ports, and a number of smaller ports are well-equipped to handle large oceangoing vessels. In 2005, the Swedish merchant fleet consisted of 205 ships of 1,000 GRT or more, with a combined capacity of 2,702,763 GRT. Canals in central Sweden have opened the lakes to seagoing craft; inland waterways add up to 2,052 km (1,275 mi), navigable by small steamers and barges.

In 2004 there were an estimated 254 airports. As of 2005, a total of 155 had paved runways, and there were also two heliports. Arlanda international airport at Stockholm received its first jet aircraft in 1960; other principal airports are Sturup at Malmö and Landvetter at Göteborg. The Scandinavian Airlines System (SAS) is operated jointly by Sweden, Denmark, and Norway, each of which owns a 50% share of the company operating in its own territory; the other half in Sweden is owned by private investors. Linjeflyg, a subsidiary of SAS, operates a domestic service to most of

the larger cities and resorts. In 2003, about 11.586 million passengers were carried on scheduled domestic and international flights.

## 12 HISTORY

Sweden and the Swedes are first referred to in written records by the Roman historian Tacitus, who, in his *Germania* (AD 98), mentions the Suiones, a people “mighty in ships and arms.” These people, also referred to as Svear, conquered their southern neighbors, the Gotar, merged with them, and extended their dominion over most of what is now central and southern Sweden. In the 9th and 10th centuries when Vikings from the Norwegian homeland traveled west to Iceland, Greenland and farther afield to Newfoundland, Vikings from eastern Sweden raided areas southeastward across Russia to Constantinople. Archeologists and historians hold that the descendants of one of their chieftains, Rurik, founded the Kievan Russian state. Some other settled regions and place-names in various parts of Europe also show Swedish influence through rune-stones found across Eastern Europe.

In the Viking era, the Swedish kingdom took shape but was not very centralized. Political power became more centralized with the advent of Christianity, which came gradually between the 9th and 11th centuries. During the 12th century, the Swedish kingdom consolidated internally and under the guise of the crusades began to expand into the Baltic, incorporating Finland, between 1150 and 1300. Among the institutions established in Sweden during the 12th and 13th centuries were Latin education, new modes and styles of architecture and literature, town life, and a more centralized monarchy with new standards in royal administration—all with significant economic, legal, and social implications.

Norway and Sweden were united in 1319 under the infant king Magnus VII, but Waldemar IV, King of Denmark, regained Skåne, the southern part of Sweden, and all the Scandinavian countries were united in the Kalmar Union under his daughter Margaret (Margrethe) in 1397. For over a century, Sweden resisted Danish rule, and the union was marked by internal tensions.

In 1523, following a war with Denmark whose notable feature was the Stortorget (Great Square) massacre in Stockholm where hundreds of Swedish nobles were executed, the Swedes elected Gustavus Vasa (Gustaf I) to the Swedish throne. A great king and the founder of modern Sweden, Gustavus made Lutheranism the state religion, established a hereditary monarchy, and organized a national army and navy. His successors incorporated Estonia and other areas in Eastern Europe. The growth of nationalism, the decline of the Hanseatic League’s control of Baltic trade, and Protestantism contributed to the rise of Sweden in the following century.

Another great king and one of the world’s outstanding military geniuses, Gustavus Adolphus (Gustaf II Adolf, r.1611–32), is generally regarded as the creator of the first modern army. He defeated Poland and conquered the rest of Livonia, and by winning a war with Russia acquired Ingermanland and Karelia. In the period of the Thirty Years’ War (1618–48), Sweden was the foremost Protestant power on the Continent, and for the following half century the Baltic Sea became a Swedish lake. Although the king was killed at Lützen in 1632, his policies were carried on during the reign of his daughter Christina by the prime minister, Axel Oxenstierna. By terms of the Peace of Westphalia (1648) Sweden gained

Pomerania and the archbishopric of Bremen, part of the Holy Roman Empire. Swedish expansionism resulted, in 1658, in the recapture of the southern Swedish provinces that Denmark had retained since the early 16th century. Renewed wars extended the Swedish frontier to the west coast while reducing Danish control over trade by taking away the eastern shore of the Öresund.

Under young Charles XII (r.1697–1718), Sweden fought the Great Northern War (1700–1721) against a coalition of Denmark, Poland, Saxony, and Russia. Sweden at first was militarily successful, but after a crushing defeat by Russian forces under Peter the Great (Peter I) in 1709 at the Battle of Poltava, the nation lost territories to Russia, Prussia, and Hannover. Thereafter Sweden was a second-rate power. Throughout the 18th century there was internal dissension between those that favored increased political liberties and constitutionally shared political power and those who favored monarchical absolutism. In 1770, a power struggle between the nobility and the commoner estates, including the clergy, burghers and farmers, ended when Gustav III carried out a bloodless coup and restored absolutism. Gustavus III (r.1771–92), a poet, playwright, and patron of the arts and sciences, and founder of the Swedish Academy, was eventually assassinated by a group of disgruntled nobles.

Sweden entered the Napoleonic Wars in 1805, allying itself with Great Britain, Austria, and Russia against France. Russia switched sides in 1807, however, and the ensuing Russo-Swedish conflict (1808–9) resulted in the loss of Finland. King Gustavus IV was then overthrown by the army, and a more democratic constitution was adopted. In 1810, one of Napoleon's marshals, a Frenchman from Pau named Jean Baptiste Jules Bernadotte, was invited to become the heir to the Swedish throne. Three years later, he brought his adopted country once again over to the side of the allies against Napoleon in the last full-scale war fought by Sweden. His reward for being on the winning side of the Napoleonic wars was to wrest a reluctant Norway from Danish control. After a show of Swedish force, Norway was forced into political union with Sweden that lasted until 1905 when the union was largely peacefully dissolved.

Bernadotte assumed the name Charles John (Carl Johan) and succeeded to the Swedish throne in 1818 as Charles XIV John. The Bernadotte dynasty, which has reigned successively since 1818, gradually relinquished virtually all of its powers, which were assumed by the Riksdag, Sweden's parliament. Sweden has become one of the most progressive countries in the world. Industry was developed, the cooperative movement began to play an important part in the economy, and the Social Democratic Labor Party gained a dominant position in political life.

Carl XVI Gustaf has been king since the death of his grandfather, Gustav VI Adolf, in 1973. In September 1976, a coalition of three non-Socialist parties won a majority in parliamentary elections, ending 44 years of almost uninterrupted Social Democratic rule that had established a modern welfare state. The country's economic situation worsened, however, and the Social Democrats were returned to power in the elections of September 1982. Prime Minister Olof Palme, leader of the Social Democratic Party since 1969, was assassinated in February 1986. In the ensuing years, investigators have been unable to establish a motive for the killing or to find the assassin.

### Sweden and Neutrality

Sweden remained neutral in both world wars; during World War II, however, Sweden had difficulty maintaining neutrality as its Nordic neighbors were drawn into the conflict. Sweden served as a haven for refugees from the Nazis, allowed the Danish resistance movement to operate on its soil, and sent volunteers to assist Finland's fight against the Russians. On the other hand, Sweden was compelled to comply with German demands to transport its troops through Sweden to and from Nazi-occupied Norway. After the war, Sweden did not join NATO, as did its Scandinavian neighbors Norway and Denmark, but it did become a member of the UN in 1946 and participated in some of the European Recovery Program benefits. In 1953, Sweden joined with Denmark, Norway, Iceland, and, later, Finland to form the Nordic Council, and was instrumental in creating EFTA in 1960. Subsequently Sweden declined an invitation to join the EEC with Denmark, Ireland, and the United Kingdom; a free-trade agreement with the EEC was signed 22 July 1972. Sweden's post-WWII foreign policy has been termed "active neutrality." Neutral Sweden tried to mediate in the Cold War confrontation between the Western and Soviet blocs and sought a major role in development assistance toward newly independent countries in the Third World.

Sweden's traditional policy of neutrality was strained in late October 1981 when a Soviet submarine ran aground inside a restricted military zone near the Swedish naval base at Karlskrona. The Swedish government protested this "flagrant violation of territorial rights" and produced reasons for believing that the submarine had been carrying nuclear weapons. Swedish naval vessels raised the damaged submarine and permitted it to return to the Soviet fleet in early November. In 1984, a Swedish military report stated that at least 10 "alien" submarines had been detected in Swedish waters.

The environment and nuclear energy were major political issues in the 1980s. In the 1990s and into the new century, the major concerns have been conflicts over immigration policies, the economy, and Sweden's relationship to the European Communities. Sweden's economic crisis led to large-scale public spending cuts by a center-right government. In 1991, Sweden applied for membership in the EC against a background of considerable opposition. In May 1993, the Riksdag altered Sweden's long-standing foreign policy of neutrality. In the future, neutrality would only be followed in time of war. The Riksdag also opened up the possibility of Sweden's participation in defense alliances, which remains a hotly debated issue in Sweden.

In 1994, Swedes voted to join the EU and the country officially became a member on 1 January 1995. Sweden did not join the 11 EU countries participating in the launch of the new European currency, the euro, on 1 January 1999. Public opinion over the succeeding years softened on the issue of euro membership, however, and a referendum on joining the monetary union was held on 14 September 2003. The ruling Social Democratic Party supported euro membership, but its coalition partners in 2003, the ex-communist Left Party and the Greens, were strongly opposed, as those parties feared Sweden would lose not only its currency, but its status as an advanced welfare state. On 10 September, Swedish Foreign Minister Anna Lindh was stabbed in a Stockholm department store by an assailant unknown to her; she died the next day. Lindh was one of the primary spokespersons for the "yes" cam-

paign for the euro, and was one of the country's best-loved politicians; many thought she could have become prime minister. The referendum was defeated by a margin of 56.1% to 41.8% with a turnout of 81.2%.

Following the 11 September 2001 terrorist attacks on the United States, Sweden pledged support for US-led retaliation against terrorists. At the same time, Sweden relaxed further its policy of neutrality, and some have speculated that it will eventually join NATO. Sweden since 1992 has been a member of NATO's "Partnership for Peace" program, and in 1999, the first Swedish troops were sent to Kosovo in the Balkans. In February 2002, Prime Minister Göran Persson's government made the decision for Sweden to enter into military alliances and defensive pacts with other nations. As of 2005, Swedish troops were also serving in Liberia, the Democratic Republic of the Congo, and Afghanistan. Sweden at the turn of the 21st century was concerned with issues of international terrorism and organized transnational crime, such as drug smuggling and trafficking in human beings.

Sweden pledged itself to give 1% of its GNP to development assistance for poor countries, effective 2006. Sweden will give priority to four areas: conflict prevention measures, the fight against drugs, efforts to combat HIV/AIDS, and sexual and reproductive health and rights.

### 13 GOVERNMENT

Sweden developed as a constitutional monarchy under the constitution of 1809, which remained in effect until 1 January 1975, when a new instrument of government replaced it. Legislative authority is vested in the parliament (Riksdag). The monarch ceded involvement in power-brokering among the parties as early as 1917 when the Liberals and Social Democrats entered into a coalition. Today, the monarch performs only ceremonial duties as the official head of state; the monarch's last political duty, regular participation in cabinet meetings, was taken away under the most recent constitution. The king must belong to the Lutheran Church; the throne was hereditary only for male descendants until 1980, when female descendants were granted the right to the throne.

The Riksdag was bicameral until 1971, when a unicameral body of 350 members serving three-year terms was established; the 1975 constitution provided for 349 members, and the parliamentary term was lengthened to four years in 1994. All members of the Riksdag are directly elected by universal suffrage at age 18. Voter turnout has traditionally been very high in Sweden, though in the 2002 election turnout dipped to 80.1% compared with turnout over 86% for the previous two elections. Foreign nationals may vote in regional and municipal elections. Elections at all levels are simultaneous and are held on the third Sunday of September every fourth year. The parties' share of the national vote is directly translated into seats in Riksdag. Interim national elections may be called by the government between regular elections, but the mandate of the interim election is valid only for the remaining portion of the regular four-year parliamentary term of office.

In Sweden's parliamentary system, executive power lies with the government, or cabinet, that is formed by the majority party in parliament or by a coalition of parties. Sweden has also functioned with a minority government in which the largest party does not enjoy a majority in parliament and must form ad-hoc coalitions with other parties in the Riksdag. The cabinet as a whole is



LOCATION: 55°20' to 69°4' N; 10°58' to 24°10' E. BOUNDARY LENGTHS: Finland, 586 kilometers (364 miles); coastline, 2,746 kilometers (1,706 miles); Norway, 1,619 kilometers (1,006 miles); Gotland Island coastline, 400 kilometers (249 miles); Öland Island coastline, 72 kilometers (45 miles). TERRITORIAL SEA LIMIT: 12 miles.

responsible for all government decisions and must defend their legislative agenda in the plenary sessions of the Riksdag. A vote of no confidence by an absolute majority of the Riksdag allows for the forced resignation of individual ministers or of the entire

cabinet. A vote of no confidence becomes moot if within one week of the vote the government calls for new elections for the entire Riksdag.

Chief executive power is wielded by the prime minister, who is formally proposed by the speaker of the Riksdag and confirmed by vote of the parliamentary parties. The prime minister appoints a cabinet usually consisting of 18–20 members reflecting the party or coalition of parties in power. Once a week the government takes decisions in a formal meeting presided over by the prime minister. The cabinet as a whole discusses all-important decisions prior to taking a decision. After a decision has been taken by the cabinet, the ministers practice collective responsibility in which all support the decision taken by the government. Ministers may issue directives but administrative decisions are taken by central boards, which have their respective spheres of activity delimited by the Riksdag.

National referenda on policy questions of national importance are permitted by the constitution. Sweden's parliament has the highest level of political representation of women in the world; 11 of the 20 ministers in the 2005 government were women, and 45% of the Riksdag members are women.

## 14 POLITICAL PARTIES

The unicameral system and the electoral system of proportional representation have allowed almost exact equality in proportional representation among the constituencies on the national level and has produced a multiparty system. The constitution requires, however, that a party must gain at least 4% of the national popular vote or 12% in a constituency to be represented in the Riksdag. Sweden has for many years utilized the party list system in which the candidates for office from any given party are listed in order of party preference. If a party won 10 seats in the Riksdag, the top 10 candidates from that party would be represented in parliament. In 1998, voters for the first time had the option of indicating which candidates on the party list whom they preferred to see elected to parliament and to local councils. A given candidate must receive at least 8% of his or her party's ballots in any electoral district to be moved to the top of the party's nomination list. If no candidate attains the 8% threshold, the party's nomination list remains in force.

Sweden had a stable party system until the end of the 1980s. The parties of the political right include the Moderate (formerly Conservative) Party (Moderata Samlingspartiet, M), which favors tax reform and trimming the welfare state; the Liberal Party (Folkpartiet Liberalerna, FP), which is a traditional European liberal party; and the Center (formerly Agrarian) Party (Centerpartiet, C), which has in the past represented rural interests and has tried to refashion itself as an "alternative" centrist party favoring environmental issues. The left side of the Swedish political spectrum includes the dominant Social Democratic Party (Socialdemokratiska Arbetarepartiet, S), which is responsible for creating the welfare state and which gets considerable support from organized labor in Sweden; and the Left (formerly Communist Left) Party (Vänsterpartiet, V), which has distanced itself from its communist past and now advocates positions that champion gender equality and attracts voters that are wary of the Social Democrats' move toward the center. In 1988, the environmentalist Green Party (Miljöpartiet de Gröna, MP) joined the long-standing par-

ties on the left represented in the Riksdag. In the 1991 election, two new parties emerged on the right, the Christian Democrats (Kristdemokraterna, KD) and the New Democracy Party (Ny Demokratiska, NyD).

Except for a brief period in 1936, the Social Democratic Labor Party was in power almost uninterruptedly from 1932 to 1976, either alone or in coalition. In 1945, the Social Democrats dissolved the wartime Grand Coalition Cabinet representing every party except the Left Party Communists and launched a program of social reform. Although inflation and other difficulties slowed the Social Democratic program, steadily mounting production encouraged the government to push through its huge social welfare program, which was sanctioned in principle by all major parties.

The Social Democrats held or controlled all parliamentary majorities until the elections of September 1976 when a non-Socialist coalition including the Center Party, the Moderates, and the Liberals won 180 of the 349 seats at stake. The center-right coalition retained control in the 1979 election with a reduced majority of 175 seats and a stronger showing for the Moderates. In the election on 19 September 1982, however, the Social Democrats returned to power. Olof Palme, who had been the Social Democratic prime minister from 1969 to 1976, was able to put together a new coalition cabinet on 8 October 1982. His party remained in power, though with a reduction of seats, following the 1985 election. Palme was assassinated in February 1986; he was succeeded by Ingvar Carlsson.

The 1988 election was a watershed that registered political discontentment. The Social Democrats lost seats as the Moderates' and Liberals' share of the vote continued to increase. More remarkably, for the first time in 70 years, a new party gained representation in the Riksdag—the Green Party (MP), which obtained 20 seats. The Social Democrats were narrowly defeated in September 1991, and the government of Ingvar Carlsson gave way to that of Carl Bildt (Moderate Party), who headed a minority four-party, center-right coalition composed of the Moderates, the Liberals, the Center Party, and the Christian Democratic party, which together controlled 170 seats.

The 1991 election represented a gain for two previously unrepresented parties—Christian Democrats (26 seats) and New Democracy (25 seats)—who managed to exceed the 4% threshold while the Greens fell below the threshold and lost representation in the Riksdag. New Democracy emerged prior to the 1991 general election as a party of discontent urging tax cuts and reduced immigration. The Left Party-Communists were renamed the Left Party (VP) in 1990.

The Moderate Coalition, which promised to end Sweden's deepening recession, found itself unable to address the country's problems, largely because of Social Democrat and popular opposition to its cost-cutting measures. In 1994, the Social Democrats were returned to office by a population reluctantly willing to bear austerity if initiated and directed by the party that created the welfare state. The Social Democratic Coalition government under Prime Minister Ingvar Carlsson navigated Sweden through the referendum on Swedish membership into the EU in late 1994. Carlsson was replaced as prime minister by the former finance minister, Göran Persson.

The September 1998 election represented a protest vote against the mainstream parties and perhaps greater voter polarization in

Sweden. The mainstream party of the left, the Social Democrats, had their worst election showing in over 70 years but maintained power in a minority government dependent upon support from a formal alliance from the Left and Green parties. The Social Democrats slipped from 45.3% of the vote in 1994 to 36.4% in 1998, while the Left Party advanced from 6.2% in 1994 to 12% in 1998 and the Greens returned to the Riksdag with 4.5% of the national vote. Similarly on the right, the Christian Democrats advanced from 4.1% of vote in 1994 to 11.8% in 1998 at the expense of the more centrist Center and Liberal parties, which narrowly passed the 4% threshold. The Moderates' share of the vote held basically steady.

Much of this discontent in the 1998 election was attributed to the budget tightening process that resulted in major cutbacks in social welfare benefits. A growing level of public distrust of politicians was fueled by prominent scandals of misuse of public funds. The reform to allow voters to select individual candidates did not seem to have diminished the distance between voters and elected representatives as only 29.9% took advantage of the opportunity to do so at the national level.

The 2002 general election campaign focused largely on the issues of immigration and membership in the euro zone. The Liberals and Moderates supported a plan to import large numbers of guest workers, who would be classed as noncitizens. The Social Democrats and the Left Party denounced this plan. The Social Democrats registered a strong showing in the elections, winning 39.8% of the vote (up from 36.4% in 1998) and taking 144 of 349 seats in the Riksdag. The Social Democrats under Göran Persson formed a government with the Left Party (8.3% of the vote and 30 seats) and the Greens (4.6% and 17 seats). However, the Liberal Party, with its immigration plan, increased its strength in parliament, with 13.3% of the vote (up from 4.7% in 1998) and 48 seats. The Christian Democrats fell from 11.8% in 1998 to 9.1% of the vote in 2002 (33 seats). The Moderates took 15.2% of the vote and 55 seats. The next general elections were to be held September 2006.

## 15 LOCAL GOVERNMENT

Local self-government has a long tradition in Sweden as the civil role of the Lutheran Church has been gradually reduced. The first legislation establishing municipal governance is the Local Government Ordinances of 1862 that separated religious tasks from civil tasks which were given to cities and rural municipal districts. On 1 January 2000, the Church of Sweden separated from the central government, and local parishes lost their local government status.

Decentralization is markedly characteristic of Sweden's governmental structure. With the most recent reforms there are two types of local governance in Sweden: the municipality, or *kommun*, as the local unit and the county council as the regional unit. The country is divided into 21 counties, 2 regions, 289 municipalities, and one "county council-free municipality" on the island of Gotland, each with an elected council. Local government is administered by county councils and municipalities consisting of at least 20 members popularly elected, on a proportional basis, for four years. Under each council is an executive board with various committees. In addition, there is a governor (prefect), the government-appointed head of the administrative board in each of Swe-

den's counties, who holds supreme police and other supervisory authority. Local authorities are responsible for most social welfare services, including hospitals, elementary education, certain utilities, and the police force. It is up to the Swedish cabinet and parliament to decide on the overall framework of public sector activities, but within these wide parameters, local governments have a large measure of freedom to implement public programs.

## 16 JUDICIAL SYSTEM

Ordinary criminal and civil cases are tried in a local court (*tingsrätt*), consisting of a judge and a panel of lay assessors appointed by the municipal council. Above these local courts are six courts of appeal (*hovrätter*). The highest tribunal is the Supreme Court (*Högsta Domstolen*), made up of at least 16 justices. Special cases are heard by the Supreme Administrative Court and other courts. The Swedish judicial procedure uses a jury of the Anglo-US type only in press libel suits. Capital punishment, last employed in 1910, is expressly forbidden by the constitution.

The judiciary is independent of executive control or political influence. The right to counsel of criminal defendants is restricted to cases in which the maximum penalty possible is six-month imprisonment or greater.

Sweden originated the judicial practice of the ombudsman when its first ombudsman was designated in 1766. The office has been in continuous existence since 1809. The institution has also been enshrined by the constitution and provides parliamentary control over the executive. The Riksdag elects four ombudsmen representing various interests such as consumers, gender equality, the press, children, the disabled, those experiencing ethnic and/or sexual orientation discrimination. The ombudsman is charged with supervising the observance of laws and statutes as applied by the courts and by public officials, excluding cabinet ministers, members of the Riksdag, or directly elected local government officials. The ombudsmen are concerned especially with protecting the civil rights of individual citizens and of religious and other groups. There are some 5,000 complaints lodged with the office of the ombudsman annually, though about 40% are dismissed immediately for a variety of reasons. Only about 20–25% of these complaints are investigated fully and usually reflect an individual caught on a bureaucratic "merry-go-round." Ombudsmen may admonish or prosecute offenders, although prosecutions are relatively rare.

## 17 ARMED FORCES

Sweden's policy of neutrality and nonalignment requires a strong, modern, and independent defense establishment. The budget allocated \$5.6 billion for defense in 2005. Active armed forces that year totaled 27,600 with reservists numbering 262,000. The Army in 2005 had 13,800 active personnel, with 280 main battle tanks, 705 armored infantry fighting vehicles, 1,521 armored personnel carriers, and 820 artillery pieces. The Swedish Navy had 7,900 active personnel including a 1,300-member coastal defense force, and a 320-member naval aviation wing. There are naval stations at Stockholm, Karlskrona, and Göteborg. Major naval units include seven tactical submarines, 36 patrol and coastal vessels, and 21 mine warfare vessels. The Air Force in 2005 totaled 5,900 active personnel, operating 170 combat capable aircraft, including 13 fighter ground attack aircraft and 151 JAS-39 Gripen multi-

role aircraft. A 600-person paramilitary force acts as the nation's coast guard and there are more than 35,000 people that belong to voluntary auxiliary organizations. Sweden participates in UN and peacekeeping missions in 11 countries or regions.

## 18 INTERNATIONAL COOPERATION

Sweden joined the United Nations on 19 November 1946; it takes part in ECE and several nonregional specialized agencies, such as UNESCO, UNCTAD, UNHCR, the FAO, the World Bank, IAEA, ILO, and the WHO. The country served on the UN Security Council from 1997–98. The first UN Conference on the Human Environment was held in Stockholm in June 1972. Together with Denmark, Finland, Iceland, and Norway, Sweden has been a member of the advisory Nordic Council since 1953 and cooperates with these other Scandinavian countries in social welfare and health insurance and in freeing frontiers of passport control. The nation is also a member of the Asian Development Bank, the African Development Bank, the Council of the Baltic Sea States, G-6, G-9, the Paris Club (G-10), the Inter-American Development Bank, the Nordic Investment Bank, OECD, OSCE, the NATO Partnership for Peace, and the Council of Europe. In 1995, Sweden became a member of the European Union. It has observer status in the OAS and the Western European Union.

Sweden has offered support to UN missions and operations in Kosovo (est. 1999), India and Pakistan (est. 1949), Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Sierra Leone (est. 1999), East Timor (est. 2002), Georgia (est. 1993), and the DROC (est. 1999), among others. Sweden is part of the Australia Group, the Zangger Committee, the European Organization for Nuclear Research (CERN), the Nuclear Suppliers Group (London Group), Organization for the Prohibition of Chemical Weapons, and the Nuclear Energy Agency.

In environmental cooperation, Sweden is part of the Antarctic Treaty; the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; CITES; the London Convention; International Tropical Timber Agreements; the Kyoto Protocol; the Montréal Protocol; MARPOL; the Nuclear Test Ban Treaty; and the UN Conventions on the Law of the Sea, Climate Change, and Desertification.

## 19 ECONOMY

Sweden is a highly industrialized country. The shift from agriculture to industry began in the 1930s and developed rapidly during the postwar period. Average annual growth of the GDP declined from 4.3% in the 1960s to 2% in the 1970s and to 1.6% in the 1980s. It grew by 1.4% in 1990 but fell 1.4% in 1991, 1.9% in 1992, and 2.1% in 1993, the longest period of decline in the 20th century. In 1994, the economy grew by 2.2%, ending the deeply troubling reversals of past years. From 1998 to 2000 GDP growth averaged 3.77%, but the global economic slowdown from 2001 helped reduce GDP growth to 1.6% in 2001 and 1.9% in 2002. Growth remained sluggish in 2003, but picked up in 2004. Real GDP growth was expected to accelerate from 2.4% in 2005 to 3% in 2006, before a modest slowdown in 2007. Over the 2001–05 period, real GDP growth averaged 2%.

Swedish living standards and purchasing power are among the highest in the world. However, inflation was a problem for several years after the international oil shocks of the 1970s, the annual rise

in consumer prices peaking at 13.7% in 1980 after the second oil shock. The rate of price increases declined thereafter, but was still 10.4% in 1990 and 9.4% in 1991 before falling to 2.2% in 1992. By 1998 and 1999, inflation had all but disappeared, with annual rates of 0.4% and 0.3% respectively. In 2000, inflation rose to 1.3%, and during 2001 and 2002, the annual inflation rate averaged 2.5%. By 2005, the annual inflation rate averaged 0.7%, but inflationary pressures were expected to rise gradually over the period 2006–07. Over the 2001–05 period, inflation averaged 1.5%.

After hitting 14% in 1994, unemployment began to gradually recede. By 1998, unemployment was down to 6.5%, and by 2001, 3.9%. The unemployment rate stood at 4% in 2002, and was estimated at 5.6% in 2004. However, by 2005, the unemployment rate remained well above the government's 4% target: an unadjusted figure of 7.1% was registered in June 2005. While not high by European standards, many economists believed the true number of the unemployed is even larger.

Swedish industry is outstanding in supplying quality goods and specialized products—ball bearings, high-grade steel, machine tools, and glassware—that are in world demand. Intimate contact between trade, industry, and finance is a feature of the economy, as is the spread of factories to rural districts. Some natural resources are ample, the foremost being lumber, iron ore, and waterpower. Sweden's lack of oil and coal resources makes it dependent on imports for energy production, despite abundant waterpower.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Sweden's gross domestic product (GDP) was estimated at \$266.5 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$29,600. The annual growth rate of GDP was estimated at 2.4%. The average inflation rate in 2005 was 0.5%. It was estimated that agriculture accounted for 1.8% of GDP, industry 28.6%, and services 69.7%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$578 million or about \$65 per capita and accounted for approximately 0.2% of GDP.

The World Bank reports that in 2003 household consumption in Sweden totaled \$147.76 billion or about \$16,499 per capita based on a GDP of \$301.6 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 1.7%. In 2001 it was estimated that approximately 17% of household consumption was spent on food, 12% on fuel, 4% on health care, and 14% on education.

## 21 LABOR

In 2005, Sweden's labor force was estimated at 4.49 million persons. As of 2003, the services sector accounted for 75.1% of the workforce, with 22.6% engaged in industry, 2.1% in agriculture,

and the remainder in undefined occupations. The unemployment rate in 2005 was estimated at 6%.

In 2005, about 80% of Swedish wage earners are members of trade unions, and within certain industrial branches the percentage is even higher. The trade union movement is based on voluntary membership, and there is neither a closed shop nor a union shop. Although workers have the right to strike, employers also have the right to use the lockout.

Agreements between employers and trade unions are generally worked out by negotiation. Public mediators or mediation commissions intervene if necessary. A labor court, made up of three impartial members and five representing employers, workers, and salaried employees, has jurisdiction over the application and interpretation of collective agreements already signed and may impose damages on employers, trade unions, or trade union members violating a contract. For many years, an overwhelming majority of the court's decisions have been unanimous, and since the end of the 1930s industrial peace has generally prevailed. In 1997, management and labor agreed to a new negotiating framework that has decreased strikes and increased wages. Swedish law requires employee representation on company boards of directors. A law passed in 1983 introduced employee funds, partly funded by contributions from profits of all Swedish companies, which give unions and employees equity in companies, while providing the companies with investment capital.

The legal minimum age for full-time employment is 16 years old, but only under the supervision of local authorities. In addition, minors under 18 can only work in the daytime and must be supervised. The regular workweek cannot exceed 40 hours, and overtime is limited to 48 hours over a four-week period and a total of 200 hours a year. However, these regulations may be modified by collective bargaining agreement. A minimum of five weeks of holiday with pay is stipulated by law. There is no national minimum wage: wages are negotiated in collective bargaining agreements. Workers, even at the lowest end of the pay scale, are able to provide a decent standard of living for their families. Health and safety standards are very high and are stringently enforced.

## 22 AGRICULTURE

Only about 3% of Sweden's labor force earned their living in agriculture in 2000, compared with more than 50% at the beginning of the 20th century and about 20% in 1950. Production exceeds domestic consumption; however, a considerable amount of food is imported. About 6.5% of the land area of Sweden, or 2,672,000 hectares (6,603,000 acres), is classed as land cultivated with permanent or temporary crops. In 2003 there were 66,780 holdings with more than two hectares (five acres) of arable land. Farm holdings are intensively tilled; fertilizers are used heavily and mechanization is increasing. During 1980–90, the agricultural sector grew by an annual average of 1.5%. However, during 1990–2000, it remained essentially unchanged. During 2002–04, crop production was 3% higher than during 1999–2001.

Most farmers are elderly, and few small farms have a successor waiting to replace the present farmer. Government policy in recent years has been to merge small unprofitable farms into larger units of 10–20 hectares (25–50 acres) of arable land with some woodland, the size estimated able to support a family in the same living standard as an industrial worker. Most Swedish farmers are

small landowners who also support themselves through forestry and fishing, and in 2003, 51% of farms were less than 20 hectares (50 acres) in extent. Farmer participation in the government's set-aside program resulted in about 300,000 hectares (741,300 acres) of cropland being retired from production in 1990, and again in 1991. The full-time farm labor force has fallen from 45,000 in 1995 to 32,000 in 2003.

Grains (particularly oats, wheat, barley, and rye), potatoes and other root crops, vegetables, and fruits are the chief agricultural products. Sugar beet cultivation in Skåne is important and produces almost enough sugar to make Sweden self-sufficient. In 2004, Sweden produced 1,691,900 tons of barley; 925,300 tons of oats; 2,412,300 tons of wheat; 979,100 tons of potatoes; and 133,400 tons of rye.

In the last 50 years, Swedish agricultural policy for major commodities has developed under an official system of import levies, export support, and market intervention. This policy was in response to the economic depression of the 1930s, and for the country's need for food security in times of risk or war. The Warfare Preparedness Program, developed after World War II (1939–45), protected Swedish agriculture, resulting in high costs and overproduction. In 1991, a five-year agricultural reform program came into effect, whereby most subsidies and price regulations were eliminated, allowing consumer demand to determine production volumes. By 1995, Sweden's agricultural policy was fully in line with EU rules. Sweden also enacted a plan to convert 10% of the country's arable land to ecological, or organic, agriculture by increasing taxes on energy, fertilizers, and biocides. The government has also introduced incentives to promote the production of biomass for energy production. Due to a relatively short growing season, Sweden relies heavily on imported food and agricultural products. In 2003, agricultural and food products accounted for 8% of Sweden's imports.

## 23 ANIMAL HUSBANDRY

Although the long winters necessitate indoor feeding from October to May, pastoral farming is important, and about 80% of farm income derives from animal products, especially dairy products. In 2005, there were 1.6 million head of cattle. Beef production totaled 142,100 tons in 2005. Liquid milk production totaled 3.32 million tons in 2005. Other dairy products made that year were cheese, 121,800 tons, and butter, 50,000 tons. Because the oversufficiency of butter before 1970 weakened Sweden's position in world markets, the government encouraged farmers to shift to meat production. An agricultural reform program in the early 1990s dismantled many of the price regulations and subsidies for products like milk and meat in favor of market-oriented pricing. As these adjustments were made, the number of dairy producers fell from 24,786 in 1990 to 12,168 by 2000. Sweden's beef industry is now supported by direct EU subsidies and in programs connected with less favored area and environment supports.

The sheep population was 479,400 in 2005, and pigs numbered 1,823,000. There were 6,600,000 chickens during the same year. Fur farms breed large numbers of mink and a declining number of fox. Reindeer are raised by 51 Sami (Lapp) communities in the north, and between 1970 and 2003 the reindeer population in Lapp villages increased from 166,200 to 238,800.

## 2<sup>4</sup> FISHING

Fish is an important item in the Swedish diet, and Sweden is both a major importer of fish products and a principal supplier to other countries. Göteborg, Bohus, and Halland are the principal fishing districts, but large quantities of fish are caught all along the coasts. At the beginning of 2004, there were 1,597 vessels in the Swedish fishing fleet, with 1,731 professional fishermen. Herring, cod, plaice, flounder, salmon, eel, mackerel, and shellfish are the most important saltwater varieties. Freshwater fish include trout, salmon, and crayfish, a national delicacy. In 2003, there were 360 aquacultural enterprises, yielding 4,585 tons of fish. The saltwater fish catch increased from 228,000 tons in 1971 to 259,000 tons in 1984, overcoming a significant drop in the 1974–79 period because of government conservation measures and the declining number of fishermen. The total catch amounted to 293,209 tons in 2003. By tradition, a large part of the annual catch is landed in Denmark. Fish for feed is the largest single commodity, accounting for 65% of the 2003 catch. Total landings were valued at \$107.5 million in 2003. Herring and cod accounted for 19% and 6%, respectively, of total landings.

## 2<sup>5</sup> FORESTRY

Sweden is one of the world's most heavily forested countries, with forests covering some 70% of the land area. Around 55% of the land area consists of productive forestry land, for a total of 22.7 million hectares (56.1 million acres). The percentage has only varied between 55.5% and 58.1 since the first National Forestry Inventory of 1923–29. Virtually all of Sweden's forests are regrowth; virgin forests cover 788,000 hectares (1,947,000 acres) and are almost exclusively found in national parks and nature reserves. The growing stock is estimated at 3 billion cu m (106 billion cu ft). The annual growth amounts to about 101 million cu m (3.5 billion cu ft). Annual removals decreased from an average of 70.8 million cu m (2.5 billion cu ft) during 1970/71–1974/75 to an average of 55.5 million cu m (1.96 billion cu ft) during 1976/77–1980/81 but increased to roughly 83 million cu m (2.93 billion cu ft) during recent years. Important varieties include spruce (46% of commercial stands), pine (38%), birch (11%), and oak, beech, alder, and aspen (5% combined). About half of the total forest area is owned by private persons and 30% by private corporations and rural communes. The government owns most of the remaining 20% of forests, but they are located, for the most part, in the north, where climatic conditions slow the trees' growth.

Forestry and farming are interdependent everywhere except in the most fertile plains; in northern Sweden, almost one of every two men works in the woods for at least part of the winter. Both the number of workers and the productivity of those who stayed on declined in the late 1970s. Since the early 1970s, the number of employees in the forestry sector has fallen by over 40%.

The exploitation of forest wealth ranks second in importance in the economy (after metal-based industry). Sweden competes with Canada for world leadership in the export of wood pulp and is the world's leading exporter of cellulose. In 2004, net exports of wood and wood products came to \$14.9 billion and made up 12% of exports. The total timber felled in 2004 amounted to an estimated 63.3 million cu m (2.38 billion cu ft), of which coniferous sawlogs accounted for 53% of production; pulpwood, 38%; and fuel wood,

9%. Mostly roads and trains are used to transport timber; only a few of the biggest rivers are used. About 70% of timber harvested comes from clear-cutting, and 30% from thinning. About 60% of Sweden's annual forestry production is exported every year. Sweden is the third-largest exporter of paper and board, supplying 10% of the export market, with production amounting to 3% of the world's total. In 2004, Sweden's production of sawn timber reached its highest level ever. That year, Sweden's 180 major saw mills processed 16.9 million cu m (597 million cu ft) of lumber, 44 mills produced 12.8 million tons of pulp, and 46 paper facilities manufactured 11.9 million tons of paper.

A forest policy introduced in 1980 coordinates forestry measures more closely with industrial needs and places increased emphasis on clear-cutting and more complete use of the forest biomass, including stumps and small trees. The government, through the Forest Commission, enforces pest control, the prevention of premature cutting, and the use of proper methods of preserving permanent forest cover. The government decided in the early 1990s to eliminate subsidies to commercial forestry because such subsidies had been counterproductive in a strongly competitive international market. Nature conservation agreements between forest owners and the government have been established to protect and develop natural areas. Between 1994 and 2003, 1,750 agreements were negotiated, with landowners' compensation totaling \$11.2 million.

In January 2005 a severe storm raged through southern Sweden and caused major damage to forests. About 75 million cu m (2.6 billion cu ft) of timber, nearly the total annual cut for all of Sweden, was damaged by the storm, 80% Norway spruce.

## 2<sup>6</sup> MINING

Since ancient days, mining and the iron industry have been of great importance in the economic life of Sweden, which was among the most active mining countries in Europe. In addition to iron ore, Sweden also is a producer of primary metals such as zinc, copper and lead, as well as industrial minerals such as dolomite, feldspar, granite, kaolin, quartz and limestone. Sweden accounted for a large percentage of Western Europe's iron output, and was home to the region's largest gold mine.

Iron-ore production in 2004 (concentrate and pellets) was estimated at 22,300,000 metric tons, up from an estimated 21,500,000 metric tons in 2003. The Bergslagen region, in central Sweden, yielded high-grade ores for quality steel. Gold mine output in 2004 totaled 5,300 kg, up from 4,300 kg in 2003, while silver mine output in 2004 totaled 292,600 kg, down from 306,800 kg in 2003. Lead mine output in 2004 totaled 33,900 metric tons, while copper mine output, in that year, totaled 85,500 metric tons. Zinc mine output in 2004 totaled 160,600 metric tons. Lead, copper, zinc, gold, and silver were produced in the rich Skellefte (Boliden) region, where bismuth, cobalt, and huge quantities of arsenic were also found. The open-pit Björgal gold mine upgraded its facility, to increase production capacity to 3,000 kg per year, from 2,600 kg per year in 1996. Further south, phosphate, tungsten, kyanite, and pyrite were found. Sweden also produced hydraulic cement, kaolin clay, feldspar, fertilizer, graphite, lime, quartz, quartzite, dimension and crushed stone (including dolomite, granite (for domestic use and for export), limestone, sandstone, and slate), sul-



fur, and soapstone talc. Marble (in Askersund) and ilmenite were also found in Sweden.

## 27 ENERGY AND POWER

Sweden has no proven reserves of oil or natural gas, and only small reserves of coal. However, the country does possess the ability to refine crude oil, and with many rivers, waterfalls, and lakes, the country has favorable conditions for waterpower.

As of 1 January 2005, Sweden had no proven reserves of natural gas or crude oil, but did have a crude oil refining capacity of 434,000 barrels per day. Sweden's limited coal reserves, as of 2001, were placed at one million short tons. Since the 1970s, Sweden has been reducing its petroleum imports. The share of oil in the primary energy supply declined from nearly 70% in 1979 to 31.6% in 2002. In the same year, nuclear energy accounted for another 29.6% of primary energy, hydroelectricity 30%, coal 4.1%, natural gas 1.5%, and renewable sources for the rest. In 2002, Sweden's imports of all petroleum products, including crude oil, averaged 510,990 barrels per day. Of that amount, crude oil accounted for 370,430 barrels per day. Refined oil output in 2002 averaged 381,640 barrels per day, while demand that year for refined products averaged 337,340 barrels per day.

In 2002, Sweden's demand for dry natural gas totaled 34.47 billion cu ft, all of which was met by imports, which came to 34.75 billion cu ft. There was no domestic production of coal in 2002. All of Sweden's coal needs were met by imports. In that year, imports of coal totaled 3,666,000 short tons, of which 3,042,000 short tons consisted of hard coal, and 624,000 tons of coke.

Sweden's electric generating sector is marked by a high dependence upon hydroelectric power, and to a lesser extent on nuclear power. Total electric power generating capacity in 2002 was 33.793 million kW, of which hydroelectric generating capacity came to 16.523 million kW and nuclear power at 9.436 million kW. Conventional thermal fuel generating capacity in 2002 stood at 7.536 million kW, with geothermal/other sources at 0.298 million kW. For that same year, electric power output totaled 140.662 billion kWh, of which 4.4% was from fossil fuels, 46.8% from hydropower, 45.6% from nuclear power, and 3.2% from other sources. Consumption of electricity in 2002 was 136.172 billion kWh.

Sweden's heavy use of nuclear energy stems from an ambitious nuclear energy program, under which seven nuclear reactors came into operation between 1972 and 1980. By 1986, 12 units offered a capacity of 9.4 million kWh. However, by 2010, all 12 will be shut down. Plants fired by natural gas will replace nuclear energy's role. Energy conservation, development of alternative energy sources, and increased use of imported coal are also planned.

More than half of Sweden's hydroelectric output is produced underground. Because of environmental considerations, high production costs, and low world market prices, Sweden's substantial uranium reserves—some 250,000–300,000 tons (or about 20% of the known world reserves)—have not been exploited.

## 28 INDUSTRY

The basic resources for industrial development are forests, iron ore, and waterpower. Forest products, machinery, and motor vehicles are primary exports. Industrial production accounted for 29% of GDP in 2001. From 1990 to 1992, Swedish industry suffered as a result of the deep national recession as well as an overpriced

labor pool. In those years, manufacturing output fell by 10%. Between 1989 and 1992, 260,000 Swedes lost their jobs in the manufacturing sector. As the economy rebounded in subsequent years, however, especially the growth turnaround in 1994–96, industrial output has grown. In 1996, it was up 17% from 1990. Between 1993 and 1996, industrial investments more than doubled. Industrial growth remained a solid 4.5% in 2001 and 5.5% in 2004.

Since the end of World War II, emphasis has shifted from production of consumer goods to the manufacture of export items. Swedish-made ships, airplanes, and automobiles are considered outstanding in quality. Sweden's motor vehicle producers are Volvo and SAAB-Scania. As evidence of the growing consolidation of the world automotive industry, however, in 1990 the US's General Motors Corp. made a successful offer for half of Saab's automotive operations, and in 2000 it bought the remaining 50%. In 1999, the US's Ford Motor Co. purchased Sweden's Volvo car operations (excluding its heavy truck operations). In 2005, General Motors indicated it would begin to make the first truly non-Swedish Saab, by building the automobiles in Germany to save costs.

Before World War II, virtually the entire tonnage of iron and steel products consisted of high-grade steels, but in recent years exports have included considerable quantities of commercial grades. Transport equipment and iron and steel are of declining importance, however, while exports of machinery, precision equipment, chemicals, and paper have been growing in value.

Sweden is a world leader in telecommunications, computers, electronics, robotics, pharmaceutical and medical products, and biotechnology. Sweden's Ericsson is the world's largest telecommunications service provider, with 18,000 service professionals in over 140 countries in 2005. Ericsson supports networks that handle more than 550 million subscribers. Sweden has the largest number of biotechnology companies per capita in the world.

## 29 SCIENCE AND TECHNOLOGY

Sweden's high-quality scientific and technological development is renowned throughout the world. Technological products invented or developed by Swedish firms include the self-aligning ball bearing, the cream separator, the three-phase electric motor, and a refrigerator without moving parts. Sweden's more recent applications of sophisticated technology range from powder metallurgy to the Hasselblad camera and the Viggen jet fighter. Six of Sweden's largest industrial corporations are engineering companies: Volvo, SAAB-Scania, ASEA, Electrolux, SKF, and L. M. Ericsson. In 2002, high-tech exports were valued at \$10.76 billion and accounted for 16% of manufactured exports.

State-financed research, centering on the universities, is directed by the Council for Planning and Coordination of Research. Long-term industrial research and development is the responsibility of the government through the National Board for Technological Development. In 1987–97, Swedish students graduating with science and engineering degrees account for 38% of all university students. In 2002, of all bachelor's degrees awarded, 30.3% were for the sciences (natural, mathematics and computers, engineering). In 2001, expenditures for research and development (R&D) totaled \$9.6 billion, or 4.27% of GDP. Of that amount, the business sector accounted for 71.9%, followed by the government at 21%, higher education at 3.8% and foreign sources at 3.4%. As

of 2001, there were 5,171 scientists and engineers engaged in R&D per million people.

Institutions that have played an important role in the advancement of science, both in Sweden and throughout the world, are the Nobel Foundation, which sponsors annual awards in chemistry, physics, and physiology or medicine, as well as for peace, literature, and economic science; the Royal Academy of Sciences, founded in 1739 in Stockholm; the Royal Swedish Academy of Engineering Sciences, founded in 1919 at Stockholm; and the Karolinska Institute, founded in 1810 in Stockholm, specializing in medical research. Sweden has 18 universities that offer courses in basic and applied sciences.

### 30 DOMESTIC TRADE

Stockholm, Gothenburg, and Malmö are the nation's primary distribution centers. Of the country's retail business, most is in private hands, but the consumer cooperative movement has long been one of the strongest in Europe. The local organizations belong to the Cooperative Union and Wholesale Society, a central buying and manufacturing organization, which operates factories, department stores, supermarkets, and specialized shops. The Swedish Federation of Trade is another important organization for importers and traders in the private sector. Competition between the cooperatives and private enterprise has improved selling methods, so that Sweden's self-service shops are among the most modern in Europe.

Department stores are located in the major cities. Franchising has become popular in the fast-food, apparel, home improvement, and business services sectors. Wholesale and retail outlets, as well as supermarkets, are plentiful. Value-added taxes apply to all goods and services. The general VAT tax is 25%, with reduced rates of 12% on food and 6% on items including books, magazines, and personal transportation.

The nation's three major trade fair/exhibition sites are the Stockholm International Fair, the Swedish Exhibition and Congress Center, and the Sollentuna Fair.

Offices and stores are open on weekdays from 9 AM to 5 or 6 PM (in summer, sometimes to 3 or 4 PM) and close early on Saturdays. However, many stores stay open one night a week, and some department stores are open on Sundays. Many businesses are closed, or management is unavailable, for extended vacations in the summer and around the Christmas holidays.

### 31 FOREIGN TRADE

Sweden is one of the world's leading free-trading nations, with about half the economy dependent upon trade, and business operating largely free of political influence. The volume of Sweden's foreign trade has increased very rapidly since World War II, mainly as a result of the gradual liberalization of trade restrictions within the framework of the OECD, EFTA, and the EU. Telecommunications equipment, automobile manufacturing, and logging dominate export commodities from Sweden. Sweden has one of the most open and competitive markets in the world, as of 2005 ranking behind only Finland and the United States in the International Competitiveness Ranking. Sweden is home to more multinational corporations per capita than any other nation in the world. It is at the economic center of the Nordic and Baltic world, a market of over 27 million consumers. The United States is the number one

export market for Swedish products (followed by Germany, Norway, the United Kingdom, and Denmark), while imports from the United States rank 8th, behind Germany, Denmark, the United Kingdom, Norway, the Netherlands, France, and Finland. In 2004, with exports of \$123.1 billion and imports of \$99.6 billion, Sweden had a trade surplus of \$23.5 billion. The major exports in 2004 were machinery and transportation equipment (51.4% of total exports), wood and paper products (12.2%), chemicals and rubber products (12.1%), and miscellaneous manufactures (11%). The major imports in 2004 were machinery and transportation equipment (45.8% of all imports), miscellaneous manufactures (19.7%), chemicals and rubber products (12.1%), and mineral fuels and lubricants (9.7%).

#### Principal Trading Partners – Sweden (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	101,572.6	83,380.7	18,191.9
United States	11,659.2	3,259.4	8,399.8
Germany	10,256.0	15,600.0	-5,344.0
Norway	8,574.4	6,646.1	1,928.3
United Kingdom	7,942.4	6,698.9	1,243.5
Denmark	6,550.5	7,519.8	-969.3
Finland	5,853.3	4,660.7	1,192.6
Netherlands	5,046.8	5,671.7	-624.9
France-Monaco	4,962.6	4,605.5	357.1
Belgium	4,598.9	3,496.3	1,102.6
Italy-San Marino-Holy See	3,646.1	2,882.1	764.0

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Sweden (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>22,844.0</b>
Balance on goods		18,933.0
Imports	-83,147.0	
Exports	102,080.0	
Balance on services		1,883.0
Balance on income		297.0
Current transfers		1,732.0
<b>Capital Account</b>		<b>-46.0</b>
<b>Financial Account</b>		<b>-20,163.0</b>
Direct investment abroad	-17,341.0	
Direct investment in Sweden	3,268.0	
Portfolio investment assets	-13,701.0	
Portfolio investment liabilities	4,134.0	
Financial derivatives	1,081.0	
Other investment assets	-8,349.0	
Other investment liabilities	10,744.0	
<b>Net Errors and Omissions</b>		<b>-558.0</b>
<b>Reserves and Related Items</b>		<b>-2,076.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 3<sup>2</sup> BALANCE OF PAYMENTS

From 1974 through 1985, Sweden ran annual current-account deficits (except in 1984) because of increases in world oil prices and a decline in the competitiveness of Swedish export products on the world market. Until 1977, deficits were financed mainly through long-term foreign private borrowing by the private sector. Thereafter, however, central government borrowing expanded rapidly. Current account deficits increased through much of the 1990s, but a turnaround began in 1996 when the deficit comprised 2% of GDP after a high of 12% in 1993. A rebounding trade balance surplus and a turnaround in direct investment aided in the improvement. The lifting of controls on foreign direct investment, combined with improved competitiveness accruing from greater wage restraint and rising productivity, are expected to bring continued interest in investing in Sweden. Also attractive is Sweden's liberal international investment policy, allowing 100% foreign ownership of virtually any sector, other than certain types of transportation and arms manufacture. The current account surplus was \$28.7 billion in 2004 (equivalent to 8.3% of GDP).

### 3<sup>3</sup> BANKING AND SECURITIES

The Central Bank of Sweden (Sveriges Riksbank), founded in 1656, is the oldest bank in the world. It is the bank of issue and regulates domestic banking operations. The European Central Bank is responsible for determining monetary policy and setting interest rates. The largest commercial bank is the Skandinaviska Enskilda Banken. In the early 1990s, Swedish banks suffered severe losses; the government was forced to intervene and support two of the five largest commercial banks, Nordbanken and Gota Bank, by taking them over and eventually merging them, and the savings bank Forsta Sparbanken. By the end of 1996, Swedish banks showed improved results, with reduced credit losses and a stricter control of costs since the banking crises set in at the beginning of the 1990s. The smaller banks serve provincial interests. Deposit accounts at various lengths of call are used for short-term credit by industry and trade. The deregulation of financial markets has paved the way for foreign banks to open offices in Sweden. In 1997, Sweden's banking sector saw a series of mergers and acquisitions as Svenska Handelsbanken, the nation's largest bank, acquired the country's largest mortgage lender, Stadshypotek. Swedbank and Föreningsbanken merged, creating the second-largest bank. ForeningsSparbanken is now trying to merge with Skandinaviska Enskilda Banken (SEB) to compete with Nordea for dominance of the Nordic banking market. However, this deal must still garner the approval of the EU. Den Danske Bank, based in Denmark, made the first incursion by a foreign bank into the Swedish retail sector when it purchased Ostgöta Enskilda Bank. By December 2000, 41 commercial banks remained in Sweden.

Mortgage banks of various types meet the needs of property owners, home builders, farmers, and shipbuilders. Credit also is extended by some 500 local rural credit societies and by about an equal number of agricultural cooperatives. There are four semi-governmental credit concerns, organized as business companies and created in cooperation with private commercial banks to facilitate long-term lending to agriculture, industry, small industry, and exports. Although the Riksbank's note issue is not tied to its gold reserves, there is an adjustable legal limit.

The International Monetary Fund reports that in 2001, M2—an aggregate equal to currency and demand deposits plus savings deposits, small time deposits, and money market mutual funds—was \$88.1 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 4.08%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 2%.

The Riksbank lends money to the commercial banks and other credit associations against securities. Traditionally, the Swedish people have preferred to save by placing money in these banks rather than by direct investment, although this seemed likely to change if the Swedish pension reforms of 1997 were fully enacted, allowing workers to decide how to invest a portion of their retirement reserves. In 1992, 118 Swedish companies and 10 foreign companies were listed on the Stockholm Stock Exchange (Stockholms Fondbörs), which was computerized that year. In 1997, the Stockholm Stock Exchange entered into a joint equity trading union with the Danish bourse, creating the first trans-national link of its kind in Europe. The joint equities market became Europe's sixth-largest.

Profits from the sale of securities are taxable provided they have been owned for less than five years. The capital gain is wholly taxable for securities held less than two years, but only 40% of the gain is taxable if the shares have been held more than two years. For machinery and equipment a minimum write-off period of three years is prescribed. The 1985 deregulation of the credit market included the removal of ceilings on lending banks, finance houses, and housing credit institutions and had the effect of diminishing part of Sweden's "gray market": direct contact between companies and private individuals with money for loans. Stockbroking is authorized by the Bank Inspection Board. As of 2004, a total of 256 companies were listed on the Stockholmsborsen, which had a market capitalization of \$376.781 billion.

### 3<sup>4</sup> INSURANCE

The Swedish people are very life-insurance conscious. In 1985, there were at least 560 Swedish insurance companies. Most companies are very small, however, and only 65 firms operated on a nationwide scale in 1995. The five largest companies held almost 80% of total insurance assets. Automobile liability insurance is compulsory in Sweden, as are nuclear liability and workers' compensation.

Since the deregulation of financial markets in the late 1980s, new credit institutions have appeared which target niche sectors in banking and other financial services. Insurance companies, such as Skandia, have created their own banks. The National Insurance Pension Fund and private insurance funds are among the largest single domestic investors on the Stockholm Stock Exchange. The insurance regulatory authority is the Financial Supervisory Authority which is an independent state agency. In 2003, the value of all direct insurance premiums written totaled \$21.040 billion, of which life insurance premiums accounted for \$14.297 billion. In that same year, Sweden's top nonlife insurer was IF Skade, which had gross written nonlife premiums of \$1.1 billion, while the country's leading life insurer was Alecta, with gross written life insurance premiums of \$2.3 billion.

### 35 PUBLIC FINANCE

The financial year extends from 1 July to 30 June. Estimates are prepared in the autumn by the Ministry of the Budget and examined by the Riksdag early the following year. The budget contains two sections: an operating budget and a capital budget, the latter generally representing investments in state enterprises. The policy of running a surplus on the budget in boom years and a deficit in depression was used in the period between the two world wars and has been continued as a way of combating inflation. From 1982 to 1989, the budget balance improved from a deficit equivalent to about 13% of GDP to a surplus of nearly 2% of GDP. In 1990, however, a deficit reappeared that was equivalent to 1.2% of GDP. In 1991 and 1992, the budget deficits widened to 4.3% and 9.6% of GDP, respectively. The deficit increased to 12.3% of GDP in 1993, before beginning a sharp decline due to austerity measures, put in place by the Social Democrats; although smaller, deficits remained the norm through the late 1990s. Surpluses were projected for the early 2000s.

The US Central Intelligence Agency (CIA) estimated that in 2005 Sweden's central government took in revenues of approximately \$210.5 billion and had expenditures of \$205.9 billion. Revenues minus expenditures totaled approximately \$4.6 billion. Public debt in 2005 amounted to 50.3% of GDP. Total external debt was \$516.1 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were KR890.5 billion and expenditures were KR883.2 billion. The value of revenues was us\$91 million and expenditures us\$90 million, based on an exchange rate for 2002 of us\$1 = KR9.7371 as reported by the IMF. Government outlays by function were as follows: general public services, 23.5%; defense, 5.7%; public order and safety, 3.2%; economic affairs, 9.4%; environmental protection, 0.5%; housing and community amenities, 0.6%; health, 2.9%; recreation, culture, and religion, 0.8%; education, 6.4%; and social protection, 47.2%.

### 36 TAXATION

With so many social services in effect, and a virtual absence of poverty, Sweden's personal income taxes are the highest in the world. As of 2005, Sweden's top personal income tax rates effectively stood at 53% to 58%. Depending upon the locality, this included municipal income taxes on employment income averaging 31%, in addition to national income tax rates of 20–25%. In addition, capital income is taxed at a flat rate of 30%. Income of non-residents is subject to a flat rate of 25%. Personal deductions vary between 8,600 and 18,100 krona (\$6,364 and \$13,400). A health tax is levied at 1.5%. There is also a real estate tax.

In contrast, corporations are taxed relatively lightly in comparison with those in many other countries. The national income tax rate on corporations was 28% in 2005 (separate municipal income tax on corporations was abolished as of 1985), with no distinction between distributed and undistributed profits. Capital gains are taxed like other corporate income at 28%, although capital gains on shares held for business purposes are tax exempt. The withholding tax on dividends is 30%, which is applied to nonresidents. Royalties paid to residents are not taxed, but those paid to non-residents are subject to the corporate rate. These rates are often

reduced or eliminated in bilateral tax treaties. Interest income is not subject to withholding.

Tax liability is determined according to a firm's books so long as these are properly kept. Companies are allowed considerable discretion in determining their net income for any particular year; they can take advantage of the flexible rules governing the valuation of stocks and the depreciation of equipment and machinery. Swedish companies may set aside an investment reserve in boom years and use this reserve in years of slack production.

For decades, the Swedish ratio of indirect taxes to total tax revenue was one of the lowest in the world. During World War II and the early postwar years, however, a national sales tax was in effect. The national sales tax was replaced by a value-added tax (VAT) with a standard rate of 10% on 1 January 1969. The standard rate was increased to 17.65% in 1971, to 20.63% in 1977, to 46% in 1980, to 21.51% in 1981, to 23.46% in 1983, to 25% in 1992, where it has since remained, as of 2005. Almost all goods and most services are subject to this tax. There are two reduced rates: 12%, applied to food, and 6%, applied to domestic passenger transport, newspapers, and, as of 1 January 2002, books and magazines. A zero VAT rate applies to printing services, ship and airplane building and repair, sea rescue services, prescription medicine, aircraft fuel, and gold supplied to the Central Bank.

### 37 CUSTOMS AND DUTIES

Tariffs were established in the 19th century to allow for the development of Swedish industry, but the rates have traditionally been among the lowest in the world. Sweden subscribes to the OECD trade liberalization program and imports, with few exceptions, are not subject to controls. As a member of EFTA, Sweden abolished customs duties against other EFTA countries by the end of 1966. In 1991, Sweden formally began the process of joining the European Union and officially became a member on 1 January 1995. Some 90% of imports from developing countries are duty-free.

In general, the importation of raw materials is duty-free. Import duties are based on freight, insurance and handling costs, broker fees, package costs, royalties or license fees, and the seller's yield if sale will be to a third party. Import restrictions apply mainly to protected agricultural products, automobiles, and trade with Eastern Europe and the Far East. Sweden applies common external European Union tariffs to imports from the United States at rates ranging from 2–14% for industrial products. Other import taxes include a 25% value-added tax (VAT). A lower 12% VAT applies for food and selected services, and a 6% rate for periodicals and books.

### 38 FOREIGN INVESTMENT

Sweden has some of the most liberal foreign investment laws in the world. Sweden's corporate income tax rate of 28%, one of the lowest in Europe, makes Sweden an attractive target of foreign investors. It is open to nearly all foreign investment and allows 100% foreign ownership, except in certain transportation sectors (air and maritime) and in arms manufacture. For the period 1988–1990, Sweden was ranked third of 140 countries on UNCTAD's Inward FDI Potential Index, after the United States and Canada. For the period 1988–2000, Sweden was number two, behind only the United States. Investing in Sweden is also attractive due to its competent employees, excellent infrastructure, and good access to

capital. On the negative side are high labor costs, rigid labor legislation, and overall high costs in Sweden.

Sweden's outward FDI rose steadily during the 1990s, from \$1.4 billion in 1993 to a peak of \$41.7 billion in 2000, ahead of inward FDI for the year by \$18.3 billion. Outward FDI dropped to \$6.2 billion in 2001 but rose to \$11.3 billion in 2002. Inward FDI flow was only \$3.7 billion in 1993, but had reached \$19.5 billion by 1998. FDI inflows peaked in 1999 at \$60.8 billion, then moderated to \$23.4 billion in 2000. The world economic slowdown reduced FDI inflows to \$12.7 billion in 2001, and an estimated \$11.5 billion in 2002. These figures must be considered in light of FDI flows worldwide during that period, which dropped 50%. Another dramatic decline of FDI inflows took place in 2003, with a net outflow from Sweden amounting to \$15.7 billion. The rate of net outflow slowed somewhat in 2004. Over the 2001–05 period, FDI inflows amounted to 2.5% of GDP.

By 2001, cumulative FDI in Sweden totaled \$155 billion, the 10th-highest total in the world. The countries with the largest Swedish investments in 2005 were, in order: the United States, Finland, the United Kingdom, the Netherlands, Belgium/Luxembourg, Norway, Germany, Switzerland, Denmark, and France.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Between 1946 and 1953, the Swedish economy was dominated by expansion. Thereafter, although production continued to increase (at a lessened rate), inflation was a matter of concern. Expansion of output slowed down during the international oil crisis and recession of 1974–75, largely as a result of a weakening of foreign demand for Swedish products, but employment remained high. Thus far, the economy has managed to contain inflationary trends within reasonable limits. Although some industries (the railways, iron-ore mines, etc.) have been nationalized for a long time, private concerns carry on most of Sweden's industry, in terms of both number of workers and value of output.

During periods of unemployment such as the world recession of 1980–81, the central government and the municipalities have expended funds to provide additional employment and to keep the unemployment rate relatively low. The jobless have been put to work building dwellings and highways, extending reforestation work, and constructing water and sewer installations, harbors, lighthouses, railroads, defense projects, and telecommunications facilities. Although the government resorted to stockpiling industrial goods to combat the economic slowdown in the mid-1970s, the cost was considered too high, and the policy was not repeated during the recession of the early 1980s. More recently, the emphasis has been on cutting costs and restraining inflation to make Swedish goods more competitive in the international marketplace.

Regional development has been fostered by the use of investment funds (a tax device permitting enterprises to set aside tax-free reserves during boom years to be used for investment during recessions), relief works, and government lending to small-scale industry. A national program for regional development was introduced in 1972 to develop services and job opportunities in provinces that have lagged behind in industrial development. Projects in northern Sweden benefited most from this program.

In 1991, the government announced a plan to privatize 35 wholly or partially state-owned firms with annual turnovers total-

ing Kr150 billion. This program was delayed by the economic recession, however. A 10-year, Kr110 billion program of infrastructure investment was announced in 1994. More than 90% of the money would be spent on the road and rail networks, and a bridge that would link Malmö with Copenhagen. The Øresund Bridge opened in 2000, covering 10.5 miles (17 km). It physically links Sweden with the rest of Western Europe.

Sweden's entry into the EU in 1995 dominated the second half of the 1990s. As a result of EU membership, Sweden harmonized its trade laws with those of its fellow members and continued privatization and liberalization of its economy. Sweden also qualified for membership in the Economic and Monetary Union (EMU) but decided to opt out. Future membership was contingent upon passage of a referendum, which was held in September 2003. Swedes decided not to join the euro zone by a vote of 56% to 42%. Along with the United Kingdom and Denmark, Sweden continues to stand aside from the EU's 12 other countries that, by 2005, had abandoned their old currencies.

As of 2002, around 34% of the labor force was employed in the public sector, and general government expenditure accounted for around 55% of GDP. Economic growth in the late 1990s and in the early 2000s was relatively strong, employment rates were high, there were large surpluses in both the general government and the external current accounts, and the public debt was declining. Despite the global economic slowdown of 2001–02, with the Swedish labor market situation weakening, by 2004 signs of a cyclical recovery had become clear. The strongest signs of recovery could be seen in the export industry. Sweden has made large investments in education and entrepreneurship, and is at the forefront of the global telecommunications and IT industry. These factors have contributed to a well-performing economy.

The key challenge for the Swedish economy will be to maintain the core of the social-welfare system as the population ages. Because Sweden has a budget surplus, it is better placed than most other OECD nations to do this. By 2015, the number of people 65 years of age and older is expected to be 25% larger than in 2005, while the total population in other age categories will remain largely unchanged. Although this trend is not unique to Sweden, it will need to respond to the higher demand for medical care and related social services. In this light, high labor force participation and high employment are desirable.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

Sweden has been called the model welfare state; every citizen is guaranteed a minimum subsistence income and medical care. Social welfare legislation was introduced relatively early and was greatly expanded after World War II. The system is financed partly by insurance premium payments and partly by state and local taxation. Basic benefits are often increased by cost-of-living supplements. Employers and employees contribute to the program, with government funding certain aspects of the system. All residents are covered by sickness and maternity benefits. There is also a universal system for family allowances completely funded by the government.

Old-age pensions are paid to all residents 65 years of age or older, but an earlier retirement is possible, with a reduction in pension benefits. Under the new system, there is a flexible retirement age, starting from 61, and is funded by 6.95% of employee earn-

ings and 6.4% of employer payroll. Unemployment insurance is administered by the trade unions and provides benefits according to salary to those who voluntarily enroll. Unemployment relief, through monetary assistance or public works, is provided by the central government or by state-subsidized municipalities.

Compulsory health service was introduced in 1955. Hospital care is free for up to two years. Medical services and medicines are provided at substantially reduced rates or, in some cases, without charge. In the event of illness, employed persons and women staying at home to raise children receive cash payments and get further benefits according to income. Costs of confinement and maternity allowances for women are covered by health insurance. There is also a national program of dental insurance.

Workers' compensation is coordinated with the national health service scheme. This type of insurance, financed entirely by employers, covers work time as well as travel to and from work for all employees. Benefits include free medical treatment, medicines, and appliances. Annuities are paid to persons permanently disabled, and funeral benefits and pensions to dependents are provided in case of death. Public assistance is provided for blind or infirm persons confined to their homes and to people who are in sanitariums, special hospitals, or charitable institutions.

The law requires women to have equal opportunities and equal pay. Despite these legal protections, women are underrepresented in higher-paying jobs, and often receive less pay for equal work. The Equal Opportunity Ombudsman, a government official, reviews equality plans required by employers and investigates allegations of gender discrimination. Violence against women, primarily spousal abuse, persists, although the government has many programs to deal with these issues. The laws protect women, and shelters and other assistance to victims is available. Strict laws protecting children from abuse are also in effect.

There is general tolerance for religious and ethnic minorities, although right-wing and neo-nazi activities are reported. The government protects and supports minority languages. Human rights are deeply respected in Sweden.

#### 41 HEALTH

The national health insurance system, financed by the state and employer contributions, was established in January 1955 and covers all Swedish citizens and alien residents. Total expenditure for health care insurance was 7.9% of the gross domestic product. Principal health care reform issues in the 1990s include universal and equal access to services and equitable funding of health care. For rural medical attention, doctors are supplemented by district nurses. Only about 5% of all physicians are in full-time private practice. The corresponding figure for private dentists, however, is more than 50%. Swedish hospitals are well known for their high standards.

Cardiovascular disease accounted for about half of all deaths; cancer was the next leading cause of death. Many health problems are related to environment and lifestyle (including tobacco smoking, alcohol consumption, and overeating). The smoking rates were similar between men (22%) and women (24%) over the age of 15. Periodic campaigns are conducted to reduce tuberculosis (with a nationwide X-ray survey), cancer, rheumatism, and venereal diseases.

Immunization rates for children under age one were as follows: diphtheria, pertussis, and tetanus, 99% and measles, 96%. There is a well-developed prenatal service. Children receive free dental care until the age of 20.

Sweden's population is the world's oldest; nearly one in five people is 64 years of age or older. In 2005, average life expectancy in Sweden was 80.40 years. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 9.8 and 10.6 per 1,000 people. Infant mortality has been sharply reduced, from 60 per 1,000 live births in 1920 to 2.77 per 1,000 in 2000, one of the lowest rates in the world.

The HIV/AIDS prevalence was 0.10 per 100 adults in 2003. As of 2004, there were approximately 3,600 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

#### 42 HOUSING

In 1998, there were 4.3 million dwellings nationwide. Of these, about 2.3 million were multi-family dwellings and the remainder were one- or two-family homes. In 1998, about 20% of all dwellings were tenant owned, 40% were rental units, and 20% were owner occupied. There were about 4.2 million households that year, with an average of 2.1 people per household. In 1999, 15,000 new dwellings were started. The projected number of dwellings in 2004 was 4,379,541.

Nearly all of Sweden's housing stock was modernized during a mass housing improvement program in the 1980s. Most houses are built by private contractors, but more than half of new housing is designed, planned, and financed by nonprofit organizations and cooperatives. NPOs and cooperatives provide dwellings for members who are designated as tenant-owners of their dwellings.

The government subsidizes new construction and reconditioning, helps various groups to obtain better housing, and extends credit at interest rates lower than those obtainable in the open market. A system of rent controls, introduced in 1942 and designed to freeze rents at the existing rate, was abolished in 1975. It has been replaced by a policy known as a utility-value provision, through which the rent of a flat may not be higher than that of a similar flat in the same area which is of the same general value to the occupant. Many tenant organizations negotiate rental agreements with landlords and rent increases can be reviewed by a tribunal. The National Board of Housing, Building, and Planning estimates that 250,000 new dwellings will be built from 2000–10. About 30,000 dwellings per year will be renovated or rebuilt during the same period.

#### 43 EDUCATION

Education is free and compulsory between ages 7 and 15. A nine-year comprehensive course was introduced in 1962. All pupils receive the same course of instruction for six years; beginning in the seventh year the curriculum is differentiated, and students may choose between a classical and a vocational course. About 80% of all students then enter gymnasium (senior high school) or continuation schools. The gymnasium specializes in classical or modern languages or science; after the three-year course, students may take a final graduating examination. The continuation schools offer a two-year curriculum that is more practical and specialized than that of the gymnasium and leads more quickly to the practice

of a trade. Both comprehensive schools and secondary schools are administered by local authorities, while the central government provides grants-in-aid to cover the greater part of the costs.

In 2001, about 75% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 99% of age-eligible students. It is estimated that nearly all students complete their primary education. The student-to-teacher ratio for primary school was at about 11:1 in 2003; the ratio for secondary school was about 13:1. In 2003, private schools accounted for about 5% of primary school enrollment and 3.9% of secondary enrollment.

Sweden's six universities, all largely financed by the state, are at Uppsala (founded in 1477), Lund (1666), Stockholm (1877), Göteborg (1891), and Umea and Linköping (both completed in 1963). Uppsala and Lund have four faculties each—law, theology, medicine, and philosophy (arts and sciences). Stockholm has faculties of humanities, law, mathematics, and science; Göteborg, medicine and humanities. There are also more than two dozen specialized schools and institutions of university rank for such subjects as medicine, dentistry, pharmacology, veterinary science, music, economics, commerce, technology, agriculture, and forestry. Tuition is free, except for some special courses; most university students receive government loans to help them meet their living expenses.

Sweden has an active adult general education movement in which some three million persons participate each year. People's schools and other educational institutions give courses for all those who want to study. All the universities have extension divisions for general studies. There are 130 state-subsidized folk high schools for working adults that provide courses ranging in length from a few days to 80 weeks. In 2003, it was estimated that about 83% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate has been estimated at about 99%.

As of 2003, public expenditure on education was estimated at 7.7% of GDP, or 12.8% of total government expenditures.

#### 44 LIBRARIES AND MUSEUMS

The four major libraries, the Royal Library at Stockholm (three million volumes) and the university libraries of Uppsala (5.4 million), Lunds (3.2 million), and Göteborg (2.7 million), receive free copies of all Swedish publications. There are technical and other special libraries, all of which have an interlibrary loan scheme with the university libraries, the state-aided municipal libraries, and the 24 county libraries. The largest public library is the Stockholm Public Library which holds over 2.1 million books and over 150,000 materials of other media. The Stockholm Public Library supports 44 city branches, 60 hospital branches, 90 lending points in workplaces and correctional facilities, and bookmobile services. The Göteborg Public Library holds 1.6 million volumes. Altogether, the public library systems had a combined total of about 46.3 million volumes. The Swedish Library of Talking Books and Braille is a government program that works through local public libraries; founded in 1955, the library has over 86,500 talking book titles (in 50 languages) and over 12,000 books in Braille. The Swedish Authors' Fund administers a library loan compen-

sation system that pays an author royalties each time a book is borrowed.

Most of the outstanding museums are in Stockholm. Especially renowned are the rich art collections of the Swedish National Art Museum and the sculptures of Carl Milles in the artist's former home at Millesgården in Lidingö. In Stockholm are located the Swedish Museum of Natural History (founded 1739) and the National Museum of Science and Technology (founded 1924). The Aquaria Vatten Museum, opened in 1991, is a natural history museum that includes a shark aquarium, salmon ladder, and living rain forest. The Nobel Museum celebrates the life and work of Alfred Nobel and many of the Nobel Prize laureates; the Nobel Museum also houses the 15,000-volume private library of Alfred Nobel. Göteborg has a number of museums including the Göteborg Art Gallery and a maritime museum reflecting the interests of that city. The finest Swedish folk museum is in Skansen, near Stockholm. Göteborg also has a public affairs museum including an exhibit of the history of the East India Tea Company of Sweden. Lund has the Museum of Cultural History and the Museum of Zoology. The Victoria Museum for Egyptian Antiquities is in Uppsala.

#### 45 MEDIA

In 2003, there were an estimated 736 mainline telephones for every 1,000 people. The same year, there were approximately 980 mobile phones in use for every 1,000 people.

Sveriges Radio and Television operates several public broadcasting channels. There are several private commercial stations, including satellite and cable networks. As of 1999, there were a total of 5 AM and 360 FM radio stations and 163 television stations. In 2003, there were an estimated 2,811 radios and 965 television sets for every 1,000 people. About 246 of every 1,000 people were cable subscribers. Also in 2003, there were 621.3 personal computers for every 1,000 people and 573 of every 1,000 people had access to the Internet. There were 2,354 secure Internet servers in the country in 2004.

The Swedish press is said to be the oldest in which censorship is legally forbidden. The first regular newspaper, *Post-och Inrikes Tidningar*, appeared in 1645 and is still published. The first daily was *Norrköpings Tidningen* (1758). In 2001, there were 169 daily newspapers and 455 weeklies.

News is drawn largely from the Swedish News Agency (Tidningarnas Telegrambyrå—TT), an agency owned by the Swedish press. The leading newspapers in Stockholm (with affiliation and circulation rates in 2005) were: *Aftonbladet* (Labor, 441,000), *Expressen* (liberal, 342,000), *Dagens Nyheter* (independent, 363,000), and *Svenska Dagbladet* (conservative, 179,000). In other regions, the leading papers in 2002 were: *Göteborgs-Posten* in Göteborg, (liberal, circulation 246,000), *Idag Väst* in Göteborg (172,800 in 2002), *Sydsvenskan* in Malmö (155,600 in 2002), *Sydsvenska Dagbladet* in Malmö (independent liberal, 136,000), *GT* in Göteborg (68,500 in 2002), *Nerikes Allehanda* in Örebro (68,000 in 2002), *Uppsala Nya Tidning* in Uppsala (64,400 in 2002), *Kvallsposten* in Malmö (62,900 in 2002) and *Nya Wermlands-Tidningen* in Karlstad (conservative, 59,500 in 2002).

## 46 ORGANIZATIONS

Almost all farmers are members of agricultural cooperatives, which buy supplies and sell products for the farmers and represent farmers' interests to state agencies. Over 300,000 farmers belong to a member body of the Federation of Swedish Farmers, a powerful organization that provides farmers with legal and tax advice as well as educational services on agricultural matters. There are two farm credit institutions, a dairies association, a meat marketing association, and an egg marketing association. The National Union of Swedish Farmers (formed in 1905) supplies its members with fertilizer, seeds, feeds, and other supplies and buys their crops.

The Federation of Swedish Industries (founded 1910) is active in promoting trade. Chambers of commerce operate in all the principal cities and towns. There are specialist industrial and trade associations such as those of the glass exporters and wood exporters. There are professional organizations in agriculture, archaeology, art, education, engineering, ethnology, geography, geology, law, literature, mathematics, medicine, music, science, and other fields. The Swedish Medical Association is a major physicians union.

The three most distinguished scholarly organizations are the Swedish Academy (founded 1786), the Royal Academy of Letters, History, and Antiquities (founded 1753), and the Royal Academy of Arts and Sciences (founded 1776). The Nobel Foundation administers the trust fund established by Swedish scientist and inventor Alfred Nobel (1833-96) and presents the annual Nobel Prizes. The Royal Swedish Academy of Sciences assists in awarding the annual Nobel Prizes for physics, chemistry, and economic sciences. The Swedish National Council for Cultural Affairs helps promote study in arts and culture, in part by serving as an advisory council for the national cultural budget. The Swedish P.E.N. Centre is based in Stockholm. There are several clubs and associations available for hobbyists and amateur participants in a variety of fields, such as the Gothenburg Ornithological Society.

Numerous national youth organizations include the Association of Young Catholics in Sweden, Center Party University Students Federation, Christian Democratic Youth Union, Good Templar Youth of Sweden, Liberal Student Federation, Swedish 4-H Youth, Junior Chamber, Swedish National Union of Students, Young Left of Sweden, YMCA/YWCA, and the Swedish Guide and Scout Council. Some youth councils are organized under the National Council of Swedish Youth Organizations. There are numerous sports associations promoting amateur competitions for athletes of all ages.

The Women's Front serves as an umbrella organization for groups campaigning for equal rights. There are strong women's groups within political parties. International organizations with national chapters include Greenpeace, Save the Children, Amnesty International, and the Red Cross.

## 47 TOURISM, TRAVEL, AND RECREATION

Tourism, a major industry in Sweden, was stagnant in the 1990s due to a value-added tax on hotels, restaurants, and travel services. Since 2000, however, the industry has steadily grown.

Principal tourist sites include the Royal Palace in Stockholm, the "garden city" of Göteborg, the resort island of Öland off the Baltic coast, and the lake and mountain country in the north. Cul-

tural centers in Stockholm are the Royal Opera, Royal Dramatic Theater, and Berwald Concert Hall. Popular recreational activities include football (soccer), polo, skiing, ice skating, swimming, mountain climbing, and gymnastics.

The number of foreign tourists to Sweden cannot be reliably ascertained because of uncontrolled tourist movements across borders within Scandinavia; statistics of Scandinavian visitors to Sweden have not been kept since 1951. However, tourist arrivals totaled 7,627,000 in 2003, when tourism receipts reached \$6.5 billion. That year Sweden had 96,372 hotel rooms and 184,771 beds with a 34% occupancy rate. All visitors must have a valid passport as well as sufficient funds for their stay and an onward/return ticket. Citizens of 133 countries including the United Kingdom, Russia, and China are required to carry an entry visa. Citizens of Canada, the United States, Western European countries, and some other nations may enter Sweden with a valid passport and do not require a visa.

In 2005, the US Department of State estimated the cost of staying in Stockholm at \$419 per day.

## 48 FAMOUS SWEDES

Esaias Tegnér (1782-1846), considered the national poet of Sweden, and Erik Gustaf Geijer (1783-1847), historian and poet, are the best-known Swedish writers of the early 19th century. A new impulse was given to literature by August Strindberg (1849-1912), a major literary figure whose powerful, socially oriented plays and stories reflected the advanced thought of the age. Selma Lagerlöf (1858-1940), who won the Nobel Prize for literature in 1909, showed in her novels a depth of narrative genius reminiscent of the Norse sagas. Other Swedish winners of the Nobel Prize for literature were the novelist and poet Karl Gustav Verner von Heidenstam (1859-1940), in 1916; the novelist and short-story writer Pär Lagerkvist (1891-1974), in 1951; and the novelists Eyvind Johnson (1900-1976) and Harry Edmund Martinson (1904-78), who shared the 1974 award. A noted contemporary novelist is Vilhelm Moberg (1889-1974).

The painter, etcher, and sculptor Anders Leonhard Zorn (1860-1920) and the sculptor Carl Milles (1875-1955) are the greatest figures in Swedish art. The outstanding Swedish musician of the 19th century was Franz Adolf Berwald (1796-1868), composer of symphonies, operas, and chamber music. August Johan Söderman (1832-76) is considered the leading Swedish operatic composer. Two famous sopranos were Jenny Lind (1820-87), the "Swedish nightingale," and Christine (Kristina) Nilsson (1843-1921). Outstanding 20th-century musicians are the composers Wilhelm Stenhammar (1871-1927), Hugo Alfvén (1872-1960), Ture Rangström (1884-1947), Kurt Atterberg (1887-1974), Hilding Constantin Rosenberg (1892-1985), and the singers Jussi Björling (1910-60) and Birgit Nilsson (1918-2006).

Famous 18th-century scientists were the astronomer and physicist Anders Celsius (1705-44), who devised the temperature scale named after him; the chemist Karl Wilhelm Scheele (1742-86); and the botanist Carolus Linnaeus (Carl von Linné, 1707-78), who established the classification schemes of plants and animals named after him. Emanuel Swedenborg (1688-1772) was a scientist, philosopher, and religious writer whose followers founded a religious sect in his name.



Swante August Arrhenius (1859–1927), a great pioneer in physical chemistry, is renowned for his theory of electrolytic dissociation and his speculations in the field of cosmic physics; in 1903, he was awarded the Nobel Prize for chemistry. Other Swedish Nobel Prize winners in science or medicine are Gustaf Dalén (1869–1957), for his work in automatic beacons for coast lighting (1912); Allvar Gullstrand (1862–1930), for work on dioptrics of the eye (1911); Karl Manne Georg Siegbahn (1886–1978), for work on X-ray spectroscopy (1924); Theodor Svedberg (1884–1971), for work in colloidal chemistry (1926); Hans Karl August Simon von Euler-Chelpin (b.Augsburg, 1873–1964), for work in enzyme chemistry (1929); George Karl de Hevesy (b.Budapest, 1885–1966), for work on isotopes (1943); Arne Wilhelm Kaurin Tiselius (1902–71), for investigations in electrophoresis (1948); Axel Hugo Theodor Theorell (1903–82), for work on enzymes (1955); Ragnar Arthur Granit (Finland, 1900–91), for “discoveries in primary physiological and chemical visual processes in the eye” (1967); Hannes Olof Gösta Alfvén (1908–95), for work in magnetohydrodynamics (1970); and Ulf von Euler-Chelpin (1905–83), for work on the treatment of nervous and mental disorders (1970). In addition, Kai M. Siegbahn (b.1918) shared the 1981 Nobel Prize in physics for developing spectroscopy; and Sune Karl Bergström (1916–2004) and Bengt Ingemar Samuelsson (b.1934) shared the 1982 prize in medicine for their research on prostaglandins. Bergström also served as chairman of the Nobel Foundation.

Three distinguished political economists are Karl Gunnar Myrdal (1898–1987), who was awarded the 1974 Nobel Prize in economic science for work in the theory of money and economic fluctuations and whose 1944 book *An American Dilemma* contributed to the overthrowing of legally sanctioned racial segregation in the United States; Bertil Gotthard Ohlin (1899–1979), who shared the 1977 prize for his contribution to international trade theory; and Dag Hammarskjöld (1905–61), who was secretary-general of the UN from 1953 until his death and was posthumously awarded the 1961 Nobel Prize for peace. Other Swedish winners of the Nobel Peace Prize were Klas Pontus Arnoldson (1844–1916), in 1908; Karl Hjalmar Branting (1860–1925), in 1921; Nathan Söderblom (Lars Olof Jonathan, 1866–1931), in 1930; and Alva Reimer Myrdal (1902–86), the wife of Gunnar Myrdal, in 1982. Swedish inventors who have done much to promote manufacturing and technical advances include the Swedish-American John Ericsson (1803–89), who pioneered the screw propeller and designed the first Western armored-turret warship, the *Monitor*; Alfred Nobel (1833–96), inventor of dynamite and progenitor of the Nobel Prizes; Lars Magnus Ericsson (1846–1926), who contributed much to the development of telephones; and Gustaf de

Laval (1845–1913), who developed steam turbines and invented a centrifugal cream separator.

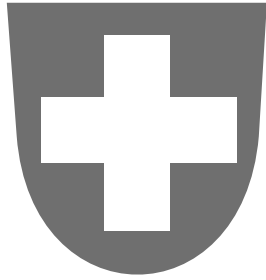
One of the most noted film directors of our times is Ingmar Bergman (b.1918); other noted directors were Victor Seastrom (Sjöström, 1879–1960) and Mauritz (Moshe) Stiller (b.Finland, 1883–1928). Famous screen personalities have included Greta Garbo (Greta Louisa Gustafsson, 1905–90) and Ingrid Bergman (1917–82). More recent stars of Swedish theater and films include Erland Josephson (b.1923), Max Von Sydow (b.1929), Ingrid Thulin (1929–2004), Harriet Andersson (b.1932), and Bibi Andersson (b.1935). Sweden's sports stars include five-time Wimbledon tennis champion Björn Borg (b.1956); Alpine skiing champion Ingemar Stenmark (b.1956); and eight-time Rolex Player of the Year (as of 2005) golfer Annika Sörenstam (b.1970).

## 49 DEPENDENCIES

Sweden has no territories or colonies.

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# SWITZERLAND

Swiss Confederation

[French] *Suisse*; (*Confédération Suisse*); [German] *Schweiz*; (*Schweizerische Eidgenossenschaft*); [Italian] *Svizzera*; (*Confederazione Svizzera*); [Romansh] *Svizra* (*Confederaziun Helvetica*)

**CAPITAL:** Bern

**FLAG:** The national flag consists of an equilateral white cross on a red background, each arm of the cross being one-sixth longer than its width.

**ANTHEM:** The Swiss Hymn begins “Trittst in Morgenrot daher, Seh’ ich dich in Strahlenmeer” (“Radiant in the morning sky, Lord, I see that Thou art nigh”).

**MONETARY UNIT:** The Swiss franc (SwFr) of 100 centimes, or rappen, is the national currency. There are coins of 1, 5, 10, 20, and 50 centimes and 1, 2, and 5 francs, and notes of 10, 20, 50, 100, 500, and 1,000 francs. SwFr 1 = \$0.81301 (or \$1 = SwFr 1.23) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is the legal standard.

**HOLIDAYS:** New Year, 1–2 January; Labor Day, 1 May; Christmas, 25–26 December. Movable religious holidays include Good Friday, Easter Monday, Ascension, and Whitmonday.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup> LOCATION, SIZE, AND EXTENT

A landlocked country in central Europe, Switzerland has an area of 41,290 sq km (15,942 sq mi), extending 348 km (216 mi) E–W and 220 km (137 mi) N–S. Comparatively, the area occupied by Switzerland is slightly less than twice the size of New Jersey. Bounded on the N by Germany, on the E by Liechtenstein and Austria, on the SE and S by Italy, and on the W and NW by France, Switzerland has a total boundary length of 1,852 km (1,151 mi).

Switzerland’s capital city, Bern, is located in the western part of the country.

## <sup>2</sup> TOPOGRAPHY

Switzerland is divided into three natural topographical regions: (1) the Jura Mountains in the northwest, rising between Switzerland and eastern France; (2) the Alps in the south, covering three-fifths of the country’s total area; and (3) the central Swiss plateau, or Mittelland, consisting of fertile plains and rolling hills that run between the Jura and the Alps. The Mittelland, with a mean altitude of 580 m (1,900 ft), covers about 30% of Switzerland and is the heartland of Swiss farming and industry; Zürich, Bern, Lausanne, and Geneva (Genève) are on the plateau. The central portion of the Alps, around the St. Gotthard Pass, is a major watershed and the source of the Rhine, which drains into the North Sea; of the Aare, a tributary of the Rhine; of the Rhône, which flows into the Mediterranean; and of the Ticino, a tributary of the Po, and of the Inn, a tributary of the Danube, which flow into the Adriatic and the Black seas, respectively.

The highest point in Switzerland is the Dufourspitze of Monte Rosa at 4,634 m (15,203 ft); the lowest is the shore of Lake Maggiore at less than 195 m (640 ft). The second-highest and most celebrated of the Swiss Alps is the Matterhorn (4,478 m/14,692 ft), long a challenge to mountaineers and first scaled in 1865.

Switzerland has 1,484 lakes, more than 12,900 smaller bodies of water, and many waterfalls. Lake Geneva (Léman), with an area of 581 sq km (224 sq mi), is considered the largest Swiss lake, though its southern shore is in France. Lake Neuchâtel, the largest lake totally within Switzerland, has an area of 218 sq km (84 sq mi). Switzerland also contains more than 1,000 glaciers, many the relics of Pleistocene glaciation. The largest area of permanent ice is in the Valais.

## <sup>3</sup> CLIMATE

The climate of Switzerland north of the Alps is temperate but varies with altitude, wind exposure, and other factors; the average annual temperature is 9°C (48°F). The average rainfall varies from 53 cm (21 in) in the Rhône Valley to 170 cm (67 in) in Lugano. Generally, the areas to the west and north of the Alps have a cool, rainy climate, with winter averages near or below freezing and summer temperatures seldom above 21°C (70°F). South of the Alps, the canton of Ticino has a warm, moist, Mediterranean climate, and frost is almost unknown. The climate of the Alps and of the Jura uplands is mostly raw, rainy, or snowy, with frost occurring above 1,830 m (6,000 ft).

## <sup>4</sup> FLORA AND FAUNA

Variation in climate and altitude produces a varied flora and fauna. In the lowest zone (below 550 m/1,800 ft), chestnut, walnut, cypress, and palm trees grow, as well as figs, oranges, and almonds; up to 1,200 m (3,940 ft), forests of beech, maple, and oak; around 1,680 m (5,500 ft), fir and pine; around 2,130 m (7,000 ft), rhododendron, larches, dwarf and cembra pine, and whortleberries; and above the snow line, more than 100 species of flowering plants, including the edelweiss. Wild animals include the chamois, boar, deer, otter, and fox. There are large birds of prey, as well as snipe, heath cock, and cuckoo. Lakes and rivers teem with fish. As

of 2002, there were at least 75 species of mammals, 199 species of birds, and over 3,000 species of plants throughout the country.

## 5 ENVIRONMENT

The Swiss have long been aware of the need to protect their natural resources. Switzerland's federal forestry law of 1876 is among the world's earliest pieces of environmental legislation. Since 1953, provisions for environmental protection have been incorporated in the federal constitution. A measure creating a federal role in town and rural planning by allowing the central government to set the ground rules for the cantonal master plans took effect in January 1980.

Air pollution is a major environmental concern in Switzerland; automobiles and other transportation vehicles are the main contributors. In 2000, the total of carbon dioxide emissions was at 39.1 million metric tons. Strict standards for exhaust emissions were imposed on new passenger cars manufactured after October 1987. Water pollution is also a problem due to the presence of phosphates, fertilizers, and pesticides in the water supply. The nation has 40 cu km of renewable water resources, of which 73% of the annual withdrawal is used for industrial purposes. The country's cities have produced about 3.1 million tons of solid waste annually. On 1 November 1986, as a result of a fire in a chemical warehouse near Basel, in northern Switzerland, some 30 tons of toxic waste flowed into the Rhine River, killing an estimated 500,000 fish and eels. Despite a Swiss report in January 1987 that damage to the river had not been so great as was first thought, most environmentalists considered the chemical spill a major disaster.

Chemical contaminants and erosion damage the nation's soil and limit productivity. In 1986, the Swiss Federal Office of Forestry issued a report stating that 36% of the country's forests had been killed or damaged by acid rain and other types of air pollution.

Important environmental groups include the Swiss League for the Protection of Nature, founded in 1909; the Swiss Foundation for the Protection and Care of the Landscape, 1970; and the Swiss Society for the Protection of the Environment. The principal federal agency is the Department of Environment.

According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 4 types of mammals, 8 species of birds, 1 species of amphibian, 4 species of fish, 30 species of invertebrate, and 2 species of plants. The northern bald ibis and the Italian spadefoot toad are extinct; the false ringlet butterfly, Italian agile frog, and marsh snail are threatened. The bear and wolf were exterminated by the end of the 19th century, but the lynx, once extinct in Switzerland, has been reestablished.

## 6 POPULATION

The population of Switzerland in 2005 was estimated by the United Nations (UN) at 7,446,000, which placed it at number 95 in population among the 193 nations of the world. In 2005, approximately 16% of the population was over 65 years of age, with another 16% of the population under 15 years of age. There were 94 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.2%, a rate the government viewed as too low. The projected

population for the year 2025 was 7,401,000. The population density was 180 per sq km (467 per sq mi).

The UN estimated that 68% of the population lived in urban areas in 2005, and that population in urban areas was declining at an annual rate of -0.06%. The capital city, Bern, had a population of 320,000 in that year. The largest metropolitan area is Zürich, with 984,000 residents in 2000. Other large cities and their estimated populations include Basel, 186,871; Geneva, 185,526; and Lausanne, 126,766.

## 7 MIGRATION

Foreign residents in Switzerland comprised about 20% of the total population in 1998. Nearly a third of all resident foreigners were of Italian nationality; the former Yugoslavia, Spain, Portugal, Germany and Turkey were the next-leading countries of origin. In April 1987, Swiss voters approved a government plan to tighten rules on immigration and political asylum.

From the beginning of the civil war in Bosnia, Switzerland took in some 27,000 Bosnian refugees by 1997, granting most only temporary protection. In 1997, 8,000 singles and couples without children returned to Bosnia; another 2,800 returned voluntarily. Nonetheless, as a result of the drastic increase in the number of asylum seekers, Switzerland suspended its resettlement policy in mid-1998.

As a result of the Kosovo conflict, Switzerland again faced a major increase in asylum seekers in 1999. The Swiss government offered temporary protection to about 65,000 Kosovars living in the country. In 2004, Switzerland hosted 47,678 refugees, 18,633 asylum seekers, and 25 stateless persons. Main countries of origin for refugees included Bosnia and Herzegovina, Serbia and Montenegro, and Turkey. Asylum applications came from 19 countries of origin, the largest numbers from Bulgaria and Belarus. The net migration rate in 2005 was an estimated 3.58 migrants per 1,000 population. Worker remittances in 2002 were \$146 million.

## 8 ETHNIC GROUPS

The four ethnolinguistic groups (Germanic, French, Italian, and Rhaeto-Romansch) that make up the native Swiss population have retained their specific characteristics. Originally, the country was inhabited by Celtic tribes in the west and south and by Rhaetians in the east. With the collapse of Roman rule, Germanic tribes poured in, among them the Alemanni and Burgundians. The Alemanni ultimately became the dominant group, and the present Alemannic vernacular (Schwyzertütsch, or Schweizerdeutsch) is spoken by nearly two-thirds of the total population as their principal language. About 65% of the population is German, 18% is French, 10% is Italian, 1% is Romansch, and 6% are of various other groups.

## 9 LANGUAGES

Switzerland is a multilingual state with four national languages—German, French, Italian, and Rhaeto-Romansch. About 63.7% of the resident population speaks German as their principal language, predominantly in northern, central, and western Switzerland; 19.2% speak French, mainly in the west and southwest; 7.6% Italian, primarily in the southern region closest to Italy; and 0.6% Rhaeto-Romansch, used widely only in the southeastern canton of



LOCATION: 5°57'24" to 10°29'36" E; 45°49'8" to 47°48'35" N. BOUNDARY LENGTHS: Germany, 334 kilometers (208 miles); Liechtenstein, 41 kilometers (25 miles); Austria, 164 kilometers (103 miles); Italy, 740 kilometers (460 miles); France, 573 kilometers (355 miles).

Graubünden (Grisons). The remaining 8.9% speak various other languages. There are numerous local dialects.

## 10 RELIGIONS

Religious denominations as of a 2002 report stood at about 44% Roman Catholic, 47% Protestant, 4.5% Muslim, and about 1% Orthodox Christian. There are about 17,577 members of the Jewish community and about 11,748 Old Catholics. About 12% of the population claimed no religious affiliation.

There is no official state church and religious freedom is guaranteed. However, all of the cantons financially support at least one of three traditional denominations—Roman Catholic, Old Catholic, or Protestant—with money collected through taxes. In all cantons, individuals may also choose not to contribute to church taxes if they do not formally belong to a church. As a result, since

the 1970s there has been a trend of individuals formally resigning their church membership in order to avoid church taxation. According to the latest statistics, about 41.8% of the population are Roman Catholic, 33% are Protestant, 4.3% are Muslim, and 1.8% are Orthodox Christians. Jews, Buddhists, Hindus, and other Christian churches each report membership of less than 1% of the population. About 11% have no church affiliation.

## 11 TRANSPORTATION

As of 2004, Switzerland's railway system consisted of 4,527 km (2,816 mi) of standard and narrow gauge track. Of that total, 3,232 km were standard gauge. Nearly all of the railway system (4,494 km/2,795 mi) was electrified. Because of its geographical position, Switzerland is an international railway center, with traffic moving from France, Germany, Austria, and northern Europe through the

Simplon, Lötschberg, and St. Gotthard tunnels to Italy and southern Europe.

The Swiss road network covered 71,212 km (44,293 mi) in 2002, all of which was paved, and included 1,706 km (1,061 mi) of expressways. In 2003, there were 3,753,890 passenger cars, and 335,958 commercial vehicles. The longest road tunnel in the world, the 17-km (10.6-mi) St. Gotthard, in the Ticino, opened in September 1980.

Inland waterway (65 km/40 mi) traffic is an important component of Swiss transportation. Basel, the only river port, has direct connections to Strasbourg, the German Rhineland, the Ruhr, Rotterdam, and Antwerp. The Rhine-Rhône canal provides an alternative link between Basel and Strasbourg. There are 12 navigable lakes. During World War II, the Swiss organized a merchant marine to carry Swiss imports and exports on the high seas. In 2005, it consisted of 23 ships of 1,000 GRT or more, totaling 604,843 GRT. Switzerland's merchant fleet is larger than that of any other landlocked nation.

There were an estimated 65 airports in 2004. As of 2005, a total of 42 had paved runways and there were also two heliports. Swissair, partially owned by the federal and local governments, is the flag line of Switzerland. It has flights from the principal international airports at Zürich, Geneva (Cointrin), and Basel to major European cities, North and South America, the Middle East, Asia, and West Africa. In 2003, about 10.589 million passengers were carried on scheduled domestic and international flights, and 1,248 million freight ton-km of service.

## 12 HISTORY

The Helvetii, a Celtic tribe conquered by Julius Caesar in 58 BC, were the first inhabitants of Switzerland (Helvetia) known by name. A Roman province for 200 years, Switzerland was a prosperous land with large cities (Avenches was the capital) and a flourishing trade. In AD 250, however, Switzerland was occupied by the Alemanni, a Germanic tribe, and in 433 by the Burgundians. The Franks, who defeated the Alemanni in 496 and the Burgundians about 534, incorporated the country into the Frankish Empire. Under Frankish rule, new cities were founded; others, such as Zürich and Lausanne, were rebuilt; and Christianity was introduced.

In 1032, some 200 years after the death of Charlemagne, king of the Franks, and the defeat of his weak successors, Switzerland became part of the Holy Roman Empire. In the 13th century, it was placed under the House of Habsburg. Harsh domination resulted in the rebellion of several cities and the formation on 1 August 1291 of the "eternal alliance" between the three forest cantons of Schwyz, Uri, and Unterwalden, the first step toward the Swiss Confederation. The Habsburgs invaded the three provinces, but with their defeat at Morgarten Pass on 15 November 1315, the Swiss secured their independence. By 1353, five other cantons, Luzern (1332), Zürich (1351), Glarus and Zug (1352), and Bern (1353), had joined the confederacy. All these allies were called Swiss (Schwyzer), after the largest canton. Four victories over Austria (1386, 1388, 1476, and 1499) confirmed the confederation. The Swiss also defeated Charles of Burgundy, whose ambitions threatened their independence until his death in 1477. Complete independence was secured by the Treaty of Basel (1499) with the Holy Roman Empire. Switzerland thereafter remained unmo-

lest by foreign troops until the French Revolution of 1789. Such legendary or real heroes as William Tell, Arnold von Winkelried, and Nikolaus von der Flüe symbolized Swiss bravery and love of freedom. The Helvetic Confederation (Eidgenossenschaft) continued to grow with the inclusion of Aargau (1415), Thurgau (1460), Fribourg and Solothurn (1481), Basel and Schaffhausen (1501), and Appenzell (1513). As of 1513, there were 13 cantons and several affiliated cities and regions. Swiss sovereignty reached south of the crest of the Alps into the Ticino. The Swiss also controlled many of the vital mountain passes linking southern and northern Europe.

The power of the Confederation was, however, undermined by conflicts stemming from the Reformation, led by Ulrich Zwingli in Zürich and John Calvin in Geneva. Seven cantons resisted the Reformation, and a prolonged conflict resulted. In its first round, Zwingli was killed in action (1531). The Catholic cantons later allied with Savoy and Spain. The struggle with the Protestant cantons centered during the Thirty Years' War (1618–48) on control of the Valtelline pass. The Treaty of Westphalia ending that war granted the Swiss Confederation formal recognition of independence by all European powers.

In the following centuries, the Catholic-Protestant conflict continued with varying success for each side. Apart from this struggle, a number of abortive uprisings against oligarchic control occurred in such places as Geneva and the canton of Vaud. The oligarchs were still in power in most cantons when the French Revolution broke out. With the progress of the revolution, radical groups gained the upper hand in several cities. In 1798, the Helvetic Republic was proclaimed, under French tutelage, and during the Napoleonic imperial era Switzerland was governed as an appendage of France. Boundaries were partly redrawn, and six new cantons were added to the original 13.

In 1815, the Congress of Vienna reconstituted the independent Swiss Confederation with three additional cantons (for a total of 22) and recognized its perpetual neutrality. Switzerland, however, did not remain untouched by the great conflict between liberalism and conservatism that affected all of Europe in the first half of the 19th century. Many revolutionaries found temporary refuge in Switzerland and influenced some of its citizens. Under their goading, several cantons introduced more progressive governments and liberalized their old constitutions.

In 1848, a new federal constitution, quite similar to that of the United States, was promulgated. Meanwhile, the struggle between Protestants and Catholics had culminated in the Secession (Sonderbund) War of 1847, in which the Protestant cantons quickly overcame the secessionist movement of the seven Catholic cantons. As a result of the war, federal authority was greatly strengthened.

In 1874, the constitution was again revised to enlarge federal authority, especially in fiscal and military affairs. Since the last quarter of the 19th century, Switzerland has been concerned primarily with domestic matters, such as social legislation, communications, and industrialization. In foreign affairs, it remained rigidly neutral through both world wars, resolutely determined to protect its independence with its highly reputed militia. In 1978, Switzerland's 23rd sovereign canton, Jura, was established by nationwide vote. In 1991, Switzerland celebrated the 700th anniversary of Confederation.

Despite its neutrality, Switzerland has cooperated wholeheartedly in various international organizations, offering home and hospitality to such diverse bodies as the League of Nations, the Red Cross, and the UPU. Switzerland has long resisted joining the UN, however, partly on the grounds that imposition of sanctions, as entailed in various UN resolutions, is contrary to a policy of strict neutrality. In a March 1986 referendum, a proposal for UN membership, approved by the Federal Assembly, was rejected by Swiss voters. Switzerland is a member of most specialized UN agencies and is a party to the Statute of the International Court of Justice. Swiss attitudes toward UN membership changed at the beginning of the 21st century, as citizens decreasingly saw participation in the UN as jeopardizing the country's neutrality. In a referendum held on 3 March 2002, nearly 55% of Swiss voters approved of joining the UN, but approval by the country's 23 cantons received a narrower 12 to 11 vote. On 10 September 2002 Switzerland became a full member of the UN.

Foreign governments have targeted Switzerland's tight bank secrecy laws as providing a haven for tax evasion and money laundering. The EU maintains that if Switzerland were to join the body, such laws would have to be reformed. Switzerland suffered from the global economic downturn that began in 2001; it employs 220,000 people (out of a total population of some seven million) in financial services, of which more than half work in banking. The Swiss have also expressed ambivalence toward Europe. In December 1992, the Swiss rejected participation in the two major European organizations—the European Economic Area (EEA) of the European Union (EU). Fearing adverse effects from non-participation, the Swiss government has taken steps to bring the country's laws and economy into harmony with the EEA. Because of the fact that all legislation can be subjected to referenda, however, the government is finding it difficult to alter certain protectionist policies and to lower certain barriers. Officially, the government is committed to eventually joining the EU, although in order to do so it will have to convince a majority of voters it is the correct path.

In a blow to Euro skeptics, in June 2005 voters, in a referendum endorsed by a 55–45% majority, planned to join the other European Union members then in the Schengen passport-free travel zone. Voters also approved joining the EU's Dublin agreement on handling asylum seekers, and of participating in further coordination of policing and crime-fighting. In September 2005, a bilateral accord on the free movement of labor to the 10 newest EU member states was approved in a referendum.

In October 2003, the right-wing Swiss People's Party (SVP) became the largest force in the National Council after winning 26.6% of the vote in general elections. That December, parliament decided to grant the SVP the second post in the seven-seat government at the expense of the Christian Democrats, altering the "magic formula" which had brought stability to Swiss politics since 1959.

### 13 GOVERNMENT

The Swiss Confederation is a federal union governed, until 2000, under the constitution of 1874, which vested supreme authority in the Federal Assembly, the legislative body, and executive power in the Federal Council. On 1 January 2000, a new federal constitution entered into force, replacing the 1874 constitution. The new constitution formally separates and codifies four pillars of Swiss

constitutional law: democracy; the rule of law; social welfare; and federalism. Fundamental rights, such as freedom of speech and assembly, which had not been explicitly mentioned in the 1874 constitution, now received their formal expression.

The Federal Assembly consists of two chambers: the National Council (*Nationalrat*) of 200 members, elected by direct ballot for four-year terms by citizens 18 years of age or older, and the Council of States (*Ständerat*) of 46 members, two appointed by each of the 20 cantons, and one from each of the six half-cantons, and paid by the cantons; deputies are elected according to the laws of the cantons. Legislation must be approved by both houses.

The Federal Council of seven members is elected for four-year terms by joint session of the Federal Assembly. The president and vice president of the Federal Council and of the Confederation are elected by the assembly for one-year terms and cannot be reelected to the same office until after the expiration of another year. The seven members of the Federal Council, which has no veto power, are the respective heads of the main departments of the federal government. After general elections held in October 2003, the four-party power-sharing agreement known as the "magic formula"—whereby the Free Democrats, Social Democrats, and Christian Democrats each held two seats, and the Swiss People's Party held one seat—was disturbed, as the SVP, which had campaigned on an antiforeigner and anti-EU platform, became the largest party in parliament. The Christian Democrats forfeited one seat to the SVP. After the 2004 election for president, the Federal Council elected Samuel Schmid. The Federal Council meets in secret and tries to appear congenial at all times. Moritz Luenberger won the 2005 election and took office 8 January 2006.

The cantons are sovereign in all matters not delegated to the federal government by the constitution and may force federal law to a plebiscite by the right of referendum. In addition, by popular initiative, 50,000 citizens may demand a direct popular vote on any legislation or regulation proposed by the federal government, and 100,000 citizens may demand a referendum on a constitutional revision. Any proposed amendments to the constitution must be submitted for public approval.

In 1971, Swiss women were granted the right to vote in federal elections. In November 1990, the Federal Court ruled in favor of female suffrage in the half-canton of Appenzell-Inner Rhoden, the last area with male-only suffrage.

### 14 POLITICAL PARTIES

Swiss politics are generally stable, and until 2003, the strengths of the chief political parties varied little over the past several decades. The conduct of national-level politics is generally calm and is marked by mutual esteem and cooperation. On the cantonal and municipal levels, however, the give-and-take of political life is more lively and unrestrained, as well as more partisan. The ruling Federal Council is made up of what the Swiss refer to as the "magic formula" coalition, an informal, but strictly adhered to, arrangement whereby the four largest political parties fill the seven positions on the Federal Council. The four strongest parties are now the Swiss People's Party, a right-wing, xenophobic and anti-EU party; the Social Democratic Party, similar to the Scandinavian Social Democrats, which advocates wider state participation in industry and strong social legislation; the Radical Free Democratic Party, a progressive middle-class party, which favors increased so-

cial welfare, strengthening of national defense, and a democratic federally structured government; and the Christian Democrats (formerly the Christian Social-Conservatives), a clerical federalist party, which opposes centralization of power. The Swiss People's Party was formed in 1971 by a union of the Farmers, Traders, and Citizens Party, which favored agrarian reform, protective tariffs, and a stronger national defense, and the Democratic Party, a leftist middle-class group. Other parties include the League of Independents, a progressive, middle-class consumers' group; the Communist-inclined Workers Party, with some strength in Zürich, Basel, and Geneva; the Liberal Party; and the Independent and Evangelical Party, which is Protestant, federalist, and conservative. In 1985, two small right-wing parties were formed: the National Socialist Party and the Conservative and Liberal Movement.

After the October 1991 elections the Radical Democratic Party held 44 seats, Social Democrats 42 seats, Christian Democrats 37 seats, Swiss People's Party 25 seats, Greens 14 seats, Liberals 10 seats, and minor parties, 28 seats.

In the Council of States, the 46 seats were distributed as follows in 1991: Radical Democratic Party 18 seats, Christian Democrats 16 seats, Social Democrats 4 seats, Liberals 3 seats, Independents 1 seat, and Ticino League 1 seat.

The 1995 elections for the National Council saw the Radical Democratic Party take 45 seats; the Social Democratic Party, 54; the Christian Democratic People's Party, 34; the Swiss People's Party, 30; the Greens, 8; the Liberal Party, 7; the Alliance of Independents Party, 6; the Swiss Democratic Party, 3; the Evangelical People's Party, 3; the Workers' Party, 2; and the Ticino League, 2.

In the Council of States, the 46 seats were distributed as follows: Radical Democrats, 17; Christian Democrats, 17; Swiss People's Party, 4; Social Democrats, 3; Liberals, 3; Independents, 1; Ticino League, 1.

Following the October 1999 elections, the Social Democratic Party took 51 seats; the Swiss People's Party took 44; the Radical Democratic Party, 43; Christian Democrats, 35; Greens, 9; Liberals, 6; Evangelical People's Party, 3; the xenophobic Swiss Democratic Party, 1; the conservative Federal Democratic Union, 1; the Workers' Party, 2; the Ticino League, 2; Independents, 1; the socialist party Solidarities, 1; and the progressive Christian Social Party, 1.

In the Council of States after the 1999 elections, the Radical Democratic Party held 18 seats; the Christian Democrats held 15; the Swiss People's Party had 7; and the Social Democrats held 6.

Following the 2003 elections, in the National Council the Swiss People's Party took 55 seats; the Social Democratic Party took 54; the Radical Free Democratic Party took 36; the Christian Democrats took 28; the Greens took 13; and other small parties held 14 seats. In the Council of States the Christian Democrats took 15 seats; the Radical Free Democrats took 14; the Swiss People's Party took 8; the Social Democrats took 6; and others held three seats. The next elections were scheduled to take place October 2007.

## <sup>15</sup> LOCAL GOVERNMENT

The Swiss Confederation consists of 23 sovereign cantons, three of which are divided into half-cantons (i.e., 20 cantons and six half-cantons). The most recent of these, Jura, was formed from six French-speaking districts in the German-speaking area of Bern Canton in 1978. In 1993, the German-speaking Laufental district

of Beru joined the canton of Basel-Land. This was the first time a political unit in Switzerland left one canton to join another. Swiss cantons are highly autonomous and exercise wide administrative control, with the weak federal government controlling only foreign affairs, national security, customs, communications, and monetary policy. The cantons have their own constitutions and laws, and are responsible for their own public works, education, care of the poor, justice, and police forces. Local forms of government vary, but each canton has a legislative council (called Grand Conseil, Grosser Rat, Kantonsrat, or Gran Consiglio), which appoints a chief executive. In a few of the small cantons, the general assembly of all voting citizens, or Landsgemeinde, decides on major matters by voice vote; in the majority of the cantons, this ancient institution has been replaced by referendum. Communes, numbering over 3,000, are the basic units of local government. For the most part, Swiss districts (Bezirke), constituting a middle level of organization between the cantons and communes, are little more than judicial circuits.

## <sup>16</sup> JUDICIAL SYSTEM

The Federal Court of Justice in Lausanne is composed of 30 permanent members appointed for six-year terms by the Federal Assembly. Until 2000, the court had both original and final jurisdiction in the majority of cases where a canton or the federal government was involved, and was the highest appeals court for many types of cases. Judicial reforms carried out in 2000 reduced the caseload of the Federal Court, by creating a federal criminal court and federal administrative bodies with judicial competence. Now, the Federal Court exists as a pure appellate court.

Each canton has its own cantonal courts. District courts have three to five members and try lesser criminal and civil cases. Each canton has an appeals court and a court of cassation, the jurisdiction of which is limited to reviewing judicial procedures. Capital punishment was abolished in 1942. Minor cases are tried by a single judge, difficult cases by a panel of judges, and murder and other serious crimes by a public jury.

The judiciary is independent and free from interference by other branches of government. The trials are fair and the judicial process is efficient. The judicial system is based on civil law influenced by customary law. Switzerland accepts compulsory jurisdiction of the International Court of Justice.

## <sup>17</sup> ARMED FORCES

Switzerland's armed forces in 2005 were built around a core of 4,300 active military personnel and a well-trained force of 210,000 citizen-soldier reservists that can be mobilized within 48 hours. The country has universal compulsory military service for males at age 19–20, followed by varied annual training requirements until age 42 (55 for officers), with exemption only for physical disability. Initial basic training of 15 weeks is followed by regular short training periods. In addition, there is also a paramilitary civil defense force of 105,000 members. When fully mobilized, Switzerland's land forces (Army) would have an estimated manpower of 153,200, with 355 main battle tanks, 446 reconnaissance vehicles, 127 armored infantry fighting vehicles, 1049 armored personnel carriers, and 1,008 artillery pieces. The land forces also have a marine arm that is outfitted with 10 patrol/coastal boats. The air force, when fully mobilized, had an estimated 32,900 per-

sonnel and has 90 combat capable aircraft, including 57 fighters and 33 fighter ground attack aircraft.

Swiss fighting men are world famous, and from the 16th to the 19th century some two million Swiss served as mercenaries in foreign armies. The modern Swiss citizen-soldier is trained only for territorial defense in prepared mountain positions, which is his only mission. A continuing legacy of Swiss mercenary service is the ceremonial Vatican Swiss Guard. Switzerland has military personnel deployed to eight countries or regions under UN, NATO, European Union or other auspices. The military budget in 2005 totaled \$3.82 billion.

## 18 INTERNATIONAL COOPERATION

Although it was a member of and served as the site for the League of Nations, Switzerland was not a member of the United Nations until 10 September 2002, partly from a fear of compromising traditional Swiss neutrality. The country participates in ECE and in several nonregional specialized agencies, such as the FAO, UNESCO, UNHCR, UNIDO, the World Bank, ILO, IAEA, and the WHO. Switzerland has actively participated in the OSCE. The nation is also a member of the Asian Development Bank, the African Development Bank, the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, the Council of Europe, the Paris Club, the Inter-American Development Bank, OSCE, EFTA, the WTO, and the OECD. Switzerland holds observer status in the OAS and the Latin American Integration Association (LAIA). The headquarters of the International Committee of the Red Cross is located in Geneva. Switzerland is also the repository of the Geneva Convention, governing treatment of civilians, prisoners, and the wounded in wartime.

Switzerland is part of the NATO Partnership for Peace and a guest of the Nonaligned Movement. The nation has supported UN missions and operations in Kosovo (est. 1999), Ethiopia and Eritrea (est. 2000), and the DROC (est. 1999). Switzerland is part of the Australia Group, the Zangger Committee, the European Organization for Nuclear Research (CERN), the Nuclear Suppliers Group (London Group), the Organization for the Prohibition of Chemical Weapons, and the Nuclear Energy Agency.

In environmental cooperation, Switzerland is part of the Antarctic Treaty; the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; CITES; the London Convention; International Tropical Timber Agreements; the Kyoto Protocol; the Montréal Protocol; MARPOL; the Nuclear Test Ban Treaty; and the UN Conventions on Climate Change and Desertification.

## 19 ECONOMY

Because of the paucity of its minerals and other raw materials and its limited agricultural production, Switzerland depends upon imports of food and fodder and industrial raw materials, which it finances with exports of manufactured goods. Agriculture is important (in agriculture, Switzerland is about 60% self-sufficient) though limited by a scarcity of level and fertile land, but manufacturing engages more than five times as many workers as farming. Swiss manufacturers excel in quality of workmanship rather than quantity of output. Other important branches of the economy include international banking, insurance, tourism, and transportation. Switzerland ranks among leading countries in research and

development (R&D), and is among the world's top five countries for R&D for biotech and nanotechnology.

Switzerland was less affected than most other nations by the worldwide recession of the early 1980s and experienced a strong recovery beginning in 1983. However, between 1986 and 1992, GNP grew by an annual average of only 0.7% and it fell in 1991, 1992, and 1993. From 1993–95, growth averaged barely 1% a year and decreased once again in 1996. In 1998, however, the economy grew by 2% and by 1.9% in 1999, before soaring, relatively speaking, to 3.4% in 2000. Switzerland's economy was in recession in 2002: the global international slowdown in 2001 and the appreciation of the Swiss franc brought small contractions in 2001 (-0.9%) and 2002 (-0.2%). The financial sector was particularly affected by the slowdown in the economy. However, by 2004, the economy was growing by 1.7%, thanks to eastern and Asian export markets. The GDP growth rate was forecast for 1.5% in 2006 and 2% in 2007.

From 1990 to 1992, the annual inflation rate averaged 5.1%. By 1994 inflation had plummeted to 0.9%; it was 1.8% in 1995, 0.8% in 1996, and 0% in 1998. From 1999 to 2002, average annual inflation was about 1%. In 2004, the inflation rate stood at 0.9% and at 1.1% in 2005. Despite high oil prices forecast for 2006, inflation was expected to remain low. Swiss unemployment has remained consistently low in comparison with other countries, although it reached an unusually high 4.5% in 1993. In 1994 unemployment was 3.8%, and 3.6% in 1998—rates a fraction of France and Germany. Unemployment fell further, to an average annual rate of 2.3%, 1999 to 2002. The unemployment rate in 2004 had risen to 3.4%, and young workers (ages 15–25) were particularly hard hit, as were restaurant and hotel industry workers. Meanwhile, the Swiss GDP per capita—in 2004, \$48,596 in market exchange rate terms and \$34,160 in purchasing power parity (PPP) terms—continued to be among the highest in the world.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Switzerland's gross domestic product (GDP) was estimated at \$262.1 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$35,000. The annual growth rate of GDP was estimated at 1.2%. The average inflation rate in 2005 was 1.2%. It was estimated that agriculture accounted for 1.5% of GDP, industry 34%, and services 64.5%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$1.709 billion or about \$233 per capita and accounted for approximately 0.5% of GDP.

The World Bank reports that in 2003 household consumption in Switzerland totaled \$167.22 billion or about \$22,751 per capita based on a GDP of \$320.1 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 1.3%. In 2001 it was estimated that approximately 19% of household consumption was spent on food, 9% on fuel, 3% on health care, and 18% on education.



## **2<sup>1</sup> LABOR**

In 2005, the Swiss workforce numbered an estimated 3.8 million. As of 2003, the service sector employed 72% of the labor force, with 23.9% engaged in industry, and 4.1% in agriculture. Foreign workers account for about 30% of the country's workforce. In 2005, Switzerland's unemployment rate was estimated at 3.8%.

About 25% of the labor force was unionized in 2005. Swiss law provides for and regulates union organization and collective bargaining. Most labor disputes are settled on the basis of a so-called peace agreement existing since 1937 between the head organizations of employers and employees. Other collective disputes are dealt with by the various cantonal courts of conciliation. Strikes are rare and Switzerland generally records the lowest number of days lost to strikes in the OECD. Approximately 50% of the country's labor force in 2005 was covered by collective bargaining agreements.

The legally mandated maximum workweek is set at 45 hours for blue- and white-collar workers in the services, industrial and retail sectors. A 50-hour workweek covers the rest. Minors as young as 13 may perform light work for up to nine hours per week during the school year and 15 hours otherwise. There are severe restrictions on the hours and conditions of employment of workers until the age of 20. There is no government mandated minimum wage. The Federal Labor Act and the Code of Obligations mandate various other workplace requirements.

## **2<sup>2</sup> AGRICULTURE**

Some 443,000 hectares (1,095,000 acres), or about 10.8% of the country's total land area, is under seasonal or permanent crops. Most of the cultivable land is in the Mittelland, or central plateau, and the cantons regularly producing the largest quantities of wheat are Bern, Vaud, Fribourg, Zürich, and Aargau. Soil quality is often poor, but yields have been increasing as a result of modern technology. In 2003, agriculture contributed 2% to GDP.

Agricultural production provides only about 60% of the nation's food needs. Although productivity per worker has been increasing steadily, the proportion of the total labor force engaged in agriculture has fallen from 30% in 1900 to about 4.2% in 2000. Between 1955 and 2003, the number of farm holdings fell from 205,997 to 65,866. Some principal crops, with their production figures for 2004, were as follows: potatoes, 484,000 tons; sugar beets, 1,340,000 tons; wheat, 456,000 tons; barley, 230,000 tons; maize, 220,000 tons; oats, 35,000 tons; and rye, 20,000 tons. In the same year, an estimated 11.6 million liters of wine were produced, and there were 15,000 hectares (37,000 acres) of vineyards.

Swiss agricultural policy is highly regulated, with fixed prices and quota restrictions maintained on several products. Domestic production is encouraged by the imposition of protective customs and duties on imported goods, and by restrictions on imports. The Federal Council has the authority to fix prices of bread grains, flour, milk, and other foodstuffs. Production costs in Switzerland, as well as international exchange rates favorable to the Swiss franc, make competition with foreign products difficult. This highly protectionist system has led to excess production and mounting costs associated with the management of surpluses. The Uruguay Round and subsequent Swiss implementation of its provisions in July 1995 (along with rising costs in the agricultural sec-

tor) has forced the government to begin reforming its agricultural support system.

## **2<sup>3</sup> ANIMAL HUSBANDRY**

More than half of Switzerland's productive area is grassland exploited for hay production and/or grazing. Livestock production contributes about 2% to GDP. Dairying and cattle breeding are practiced, more or less intensively, in all but the barren parts of the country and, during the summer months, even at altitudes of more than 1,200 m (4,000 ft). In 2005 there were 1,540,000 head of cattle and 1,594,000 pigs, 443,000 sheep and 74,000 goats. Meat production in 2005 included (in tons): pork, 233,000; beef, 134,000; poultry, 58,000; mutton/lamb, 6,000; and horse meat, 1,000. Swiss cheeses are world famous; production was 178,000 tons in 2005. That year, 34,000 tons of eggs were produced.

While home production almost covers or exceeds the domestic requirements for milk and dairy products, substantial quantities of eggs and meat must be imported. New agricultural reforms for 2004-07 entail the progressive abolition of the milk quota system, and changes in import tariffs for meat. Selective cattle breeding, research, and improvement of production standards are promoted by the federal government and by farmers' cooperatives. Exports of milk, dairy products, and eggs amounted to \$467.6 million in 2004.

## **2<sup>4</sup> FISHING**

Fishing is relatively unimportant but is carried on in many Swiss rivers and on lakes Constance, Neuchâtel, and Geneva. The total catch was 2,950 tons in 2003. Rainbow trout, whitefish, and perch are the main species. Local fish supply about 12% of domestic needs.

## **2<sup>5</sup> FORESTRY**

Forests occupied 1,199,000 hectares (2,962,000 acres) in 2000. About two-thirds of the forested land is owned by communes; most of the remainder is owned privately. Federal and cantonal governments account for about 8%. About 80% of the wood in Swiss forests is coniferous, primarily spruce; the remaining 20% is deciduous, predominantly red beech.

The timber cut yielded 4,713,000 cu m (166 million cu ft) of roundwood in 2004, with 21% used as fuel wood. The government estimates that the annual cut represents only two-thirds of potential. Forestry production in 2004 amounted to about 1,505,000 cu m (53 million cu ft) of sawnwood, 1,777,000 tons of paper and paperboard, and 271,000 tons of wood pulp. The trade deficit in forestry products amounted to \$169 million in 2004.

## **2<sup>6</sup> MINING**

Mining, exclusively of industrial minerals for construction, played a minor role in Switzerland's economy. Metal mining has ceased, reserves of the small deposits of iron, nickel-cobalt, gold, and silver were mostly depleted, and new mining activities were discouraged for environmental reasons. Industrial minerals produced in 2004 included hydraulic cement, common clay, gravel, gypsum, lime, nitrogen, salt, sand, stone, and sulfur (from petroleum refining). Metal processing, restricted to primary and secondary aluminum, secondary lead, and steel, depended on imported raw materials or scrap. Environmental concerns have led to a policy to curtail

or gradually cease smelting activities. The production and export of chemicals were among the nation's leading industries. Steel was another leading export commodity. A large diamond center, Switzerland was actively involved in cutting and polishing diamonds, and played a big role in international trade activities.

## 27 ENERGY AND POWER

Switzerland is heavily dependent on imported oil, natural gas and coal to meet its hydrocarbon needs, although it does have the refining capacity to permit a modest amount of refined petroleum products to be exported.

In 2002, Switzerland's imports of all petroleum products averaged 277,350 barrels per day, of which 99,860 barrels per day were crude oil. Total refinery output in 2002 averaged 104,280 barrels per day. Demand for refined oil products in 2002 averaged 267,230 barrels per day, allowing Switzerland to export an average of 11,550 barrels per day of refined oil products.

In 2002, Switzerland's imports and consumption of natural gas each totaled 107.18 billion cu ft. Coal imports that year totaled 169,000 short tons, with demand at 221,000 short tons.

Switzerland's electric power plants had an installed capacity of 17.268 million kW in 2002, of which hydroelectric plants accounted for 13.240 million kW of capacity, followed by nuclear plants at 3.200 million kW, conventional thermal plants at 0.453 million kW and geothermal/other plants at 0.375 million kW. Electricity production in 2002 totaled 63.240 billion kWh, of which 1.6% was from fossil fuels, 55.1% from hydropower, 40.9% from nuclear power, and 2.3% from renewable sources.

## 28 INDUSTRY

Manufacturing industries contributed 34% of GDP in 2003. The industrial growth rate in 2004 was 4.7%. Swiss industries are chiefly engaged in the manufacture, from imported raw materials, of highly finished goods for domestic consumption and for export. Most of the industrial enterprises are located in the plains and the Swiss plateau, especially in the cantons of Zürich, Bern, Aargau, St. Gallen, Solothurn, Vaud, Basel (Baselstadt and Baselland), and Thurgau. Some industries are concentrated in certain regions: the watch and jewelry industry in the Jura Mountains; machinery in Zürich, Geneva, and Basel; chemical industries (dyes and pharmaceuticals) in Basel; and the textile industry in northeastern Switzerland. In 1993, the industrial sector was targeted for assistance by a government-initiated revitalization program; in 1995, the sector again benefited from government policy when the turnover tax was replaced by a value-added tax system, expected to relieve industry of SwFr1–2 billion per year in taxes. Switzerland, along with Germany and Japan, is at the forefront of the emerging industry of environmental technology.

The textile industry, using wool, cotton, silk, and synthetics, is the oldest Swiss industry and, despite foreign competition resulting from the elimination of textile quotas by the World Trade Organization in 2005, remains important. The machine industry, first among Swiss industries today, produces goods ranging from heavy arms and ammunition to fine precision and optical instruments. Switzerland is the world's largest exporter of watches and watch products (followed by Hong Kong and China), with exports worth \$9 billion in 2004. For the first half of 2005, Swiss watch exports were up 11% over the same period in 2004 and exceeding

forecasts. Chemicals, especially dyes and pharmaceuticals, also are important. As of 2003, Switzerland had a 4.3% share of the world export of chemical and pharmaceutical products, and ranked 9th among the largest export nations. Pharmaceutical exports as a percentage of total chemical industry exports increased from 40% in 1980 to 70.3% in 2003. Switzerland has also developed a major food industry, relying in part on the country's capacity for milk production. Condensed milk was first developed in Switzerland, as were two other important processed food products: chocolate and baby food. The Swiss company Nestlé S. A., headquartered in Vevey, is one of the world's largest food companies. In addition to Switzerland's major industries, such as textiles, nonmetallic minerals, and watchmaking and clockmaking, others, such as chemicals, plastics, and paper, have grown rapidly.

## 29 SCIENCE AND TECHNOLOGY

The major scientific learned societies, headquartered in Bern, are the Swiss Academy of Sciences, founded in 1815, and the Swiss Academy of Engineering Sciences, founded in 1981. About two-thirds of the funds for Swiss research and development (R&D), a high proportion by world standards, are supplied by industry and the rest by federal and cantonal governments. In 2000 (the latest year for which data was available), expenditures for R&D totaled \$5,316.302 million, or 2.63% of GDP. Of that amount, the business sector accounted for 69.1%, followed by the government at 23.2%, foreign sources at 4.3%, higher education at 2.1% and private non-profit organizations at 1.4%. For that same year, there were 3,594 scientists and 2,315 technicians per million people, that were engaged in R&D. The Swiss National Science Foundation was established in 1952 to finance noncommercial research for which funds would not otherwise be available. Most such spending is in the important chemicals sector. The Ministry of Public Economy, the center for federal agricultural research, has six research stations. In 2002, high-tech exports were valued at \$17.077 billion and accounted for 21% of manufactured exports. In that same year, of all bachelor's degrees awarded, 25.7% were for the sciences (natural, mathematics and computers, engineering).

## 30 DOMESTIC TRADE

Zürich, the largest city, is the commercial, financial, and industrial center of Switzerland. Basel is the second most important commercial city, followed by Geneva and Lausanne. Most Swiss wholesale firms are importers as well, specializing in one commodity or a group of related commodities.

The trend in retail trade is moving from independent establishments to larger supermarkets, department stores, and discount chains. As such, many small retailers have joined together to form purchasing cooperatives. However, Switzerland is a challenging market for franchising, due to Switzerland's limited market size, high salaries, and high costs of services; also, consumer preference for high quality and authentic products or a new innovative idea over already existing products is another challenge facing potential franchisees. Companies sponsoring home shopping parties (Tupperware, Mary Kay, Body Shop, etc.) have become very popular. Some agricultural products, such as butter, grains, and edible fats and oils, are subject to import controls and price controls apply to many goods and services. The use of electronic debit cards for purchases is growing rapidly.

Advertising, mostly entrusted to firms of specialists, uses as media billboards, movie theaters, television, local transportation facilities, railroads, newspapers, and magazines.

Usual business hours are from 8 or 9 AM to 5 or 6 PM. Shops are normally open from 9 AM to 6:30 PM on weekdays but only to 5 PM on Saturdays; some shops close from 12 PM to 2 PM at lunchtime. In larger cities, shops generally extend their hours until 8 PM on one evening of the week, usually Thursday. Banks are open to the public from 8:30 AM to 4:30 PM Monday–Friday.

### 3<sup>1</sup> FOREIGN TRADE

Switzerland's export commodities are split into two categories: machinery sold to other manufacturers, and commodities used by consumers. The country exports a large number of the world's watches and clocks.

While Switzerland is not a member of the EU, it has been seeking ways to adopt some of the advantages of membership without relinquishing sovereignty. As of 2005, 62% of Swiss exports were destined for the EU market. As of 2004, Switzerland's main export partners, in order of importance, were Germany, the United States, France, Italy, the United Kingdom, and Spain. By that date, Switzerland's primary import partners were Germany, Italy, France, the United States, the Netherlands, and Austria.

### 3<sup>2</sup> BALANCE OF PAYMENTS

In the past, Switzerland typically had a foreign trade deficit. More recently, however, this imbalance was more than compensated for by income from services, investments, insurance, and tourism. Restructuring of enterprises in the 1990s, due to the strength of the Swiss franc, caused the export-oriented manufacturing sector to become highly successful. Exports of goods and services amounted to some 46% of GDP in 2000.

In 2004, merchandise exports totaled \$138.2 billion, and merchandise imports \$122.6 billion, for a trade surplus of \$15.6 billion. The current account surplus amounted to \$50.6 billion, equivalent to 14.2% of GDP, making Switzerland a net creditor nation.

### 3<sup>3</sup> BANKING AND SECURITIES

In 2000, Switzerland had two major banks, 24 cantonal banks, and numerous foreign-owned banks, savings banks, and other banks and finance companies. There were a total of 375 banks in the country in that year. The bank balance-sheet total per capita in Switzerland is higher than that of any other nation in the world. Total assets of the Swiss banking system amounted to \$1.3 trillion at the end of 2000, while total securities deposits were \$3.4 trillion. Moreover, registered banks and bank-like finance companies numbered 494 in 1995, offering the Swiss, on average, the greatest access to banking services of all the world's nations.

The government-supervised Swiss National Bank, incorporated in 1905 and the sole bank of issue, is a semiprivate institution owned by the cantons, by former banks of issue, and by the public. The National Bank acts as a central clearinghouse and participates in many foreign and domestic banking operations. The two big banks, (United Bank of Switzerland (UBS) and Credit Suisse Group) dominate the Swiss banking scene and are expanding aggressively overseas. They are universal banks, providing a full range of services to all types of customers.

Regional banks specialize in mortgage lending and credits for small businesses. Since 1994, most of the country's regional banks have been linked in a common holding company providing back-office operations and other services to members in a bid to cut costs.

Foreign banks make up about a third of banks active in Switzerland. In contrast to domestic banks, their numbers have risen over the last decade but their business is increasingly focused on asset management, mostly of funds from abroad. On 1 January 1995 a new banking law came into effect allowing for foreign banks to open subsidiaries, branches, or representative offices in the country without first getting approval of the Federal Banking Commission.

The transactions of private and foreign banks doing business in Switzerland traditionally play a significant role in both Swiss and

#### Principal Trading Partners – Switzerland (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	100,693.3	96,447.6	4,245.7
Germany	20,983.7	31,144.1	-10,160.4
United States	11,375.2	5,325.0	6,050.2
France-Monaco	8,806.4	10,395.6	-1,589.2
Italy-San Marino-Holy See	8,323.9	10,299.0	-1,975.1
United Kingdom	4,894.8	3,910.3	984.5
Japan	4,019.9	2,028.3	1,991.6
Spain	3,536.1	2,262.4	1,273.7
Austria	3,323.7	4,079.2	-755.5
Netherlands	3,273.6	4,813.4	-1,539.8
China, Hong Kong SAR	2,976.2	482.2	2,494.0

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

#### Balance of Payments – Switzerland (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>43,292.0</b>
Balance on goods		6,961.0
Imports	-108,482.0	
Exports	115,443.0	
Balance on services		15,066.0
Balance on income		26,429.0
Current transfers		-5,166.0
<b>Capital Account</b>		<b>-763.0</b>
<b>Financial Account</b>		<b>-30,136.0</b>
Direct investment abroad		-15,926.0
Direct investment in Switzerland		12,603.0
Portfolio investment assets		-32,902.0
Portfolio investment liabilities		-1,662.0
Financial derivatives		...
Other investment assets		-4,631.0
Other investment liabilities		12,383.0
<b>Net Errors and Omissions</b>		<b>-8,988.0</b>
<b>Reserves and Related Items</b>		<b>-3,405.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

foreign capital markets; however, precise accounting of assets and liabilities in this sector are not usually made available as public information. Switzerland's strong financial position and its tradition (protected by the penal code since 1934) of preserving the secrecy of individual bank depositors have made it a favorite depository with persons throughout the world. (However, Swiss secrecy provisions are not absolute and have been lifted to provide information in criminal investigations.) The Swiss Office for Compensation executes clearing traffic with foreign countries.

In 1997, Swiss banks came under heavy criticism for losing track of money, gold, and other valuables belonging to Jewish Holocaust victims and held by the banks during World War II. Records also showed the banks had closed thousands of victims' accounts without notice after the war. The banks claimed they had lost the old records, but a group of journalists found the records archived in Lausanne in April of that year.

Also in 1997, an embarrassed Swiss government selected four members to a panel empowered to run a fund for Holocaust victims. Nobel laureate, Elie Weisel, a concentration camp survivor, turned down an invitation to serve as one of the three foreign members on the board. The fund, intended to help impoverished Holocaust victims and their families, is supported by funds appropriated by Nazis from Jews sent to concentration camps. Much of the gold, jewels, bonds, and currency taken by the Nazis had been placed in Swiss banks. In March 1998, Switzerland's banks agreed to create a \$1.25 billion fund designed to compensate Holocaust survivors and their families.

Swiss banks were also under fire in 1997 for possibly facilitating money laundering of drug money accrued by a former Mexican president's brother and for failing to adequately recover the billions of dollars supposedly plundered by former Zairian dictator Mobutu Sese Seko, who was overthrown that year. All the negative publicity has caused some to question the usefulness of Swiss banks' much-lauded secrecy.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$102.9 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$326.3 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 1.65%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 1.59%.

Stock exchanges operate in Geneva (founded 1850), Basel (1875), and Zürich (1876). The Zürich exchange is the most important in the country. In terms of market capitalization, the Swiss stock exchanges rank seventh in the world, behind New York, Tokyo, Osaka, London, Frankfurt, and Paris, as of 1997. Overall, turnover, including shares, bonds, and options, amounted to SwFr1.2 trillion in 2002, a drop of 2.3% from the prior year. The open outcry stock exchanges in Zürich, Geneva, and Basel closed in 1994 when a national electronic stock exchange for all securities trading began operations in August. In 2004, a total of 282 companies were listed on the SWX Swiss Exchange, which had a market capitalization of \$825.849 billion.

### 3<sup>4</sup> INSURANCE

The Swiss people are the most heavily insured in the world, although this reflects social insurance such as health insurance, as well as more commercial types of business. Nevertheless, Swiss insurers now rely on foreign business for two-thirds of their premium income. The insurance sector has been steadily deregulated during the 1990s. One of the last set of controls was scrapped in 1996 when the fixed tariff regime for third-party vehicle insurance was abolished. As of 1999, Swiss insurance companies numbered over 100.

Switzerland controls an estimated one-third of the world's reinsurance, and insurance income represents a major item in the Swiss balance of payments. Insurance investments are represented heavily in the Swiss capital market, and Swiss insurance firms have invested widely in foreign real estate. About half the domestic insurance business is in the hands of the state. The Swiss Reinsurance Co. in Zürich is the largest of its kind in the world. As of 1999, about 10% of all Swiss insurance companies dealt solely with reinsurance. There are several types of compulsory insurance in Switzerland, including workers' compensation, third-party automobile liability, fire, pension, hunters', aircraft, nuclear power station, old age, unemployment, and disability insurance. In 1999, the total income of the Swiss domestic insurance market was 48 million, making it the 12th largest insurance market globally. In 2003, the value of all direct insurance premiums written totaled \$40.760 billion, of which life insurance premiums accounted for \$24.713 billion. In that same year, Switzerland's top nonlife insurer was Winterthur, which had gross written nonlife premiums of \$2.21 billion, while Winterthur Leben was the country's leading life insurer, with gross written life insurance premiums of \$6.09 billion.

### 3<sup>5</sup> PUBLIC FINANCE

The Swiss government has been known historically for maintaining a relatively high degree of austerity in comparison to its European neighbors. In 1991, the federal government incurred a budget deficit of over SwFr1.5 billion, the first budget discrepancy in seven years. Cantonal budgets also were in deficit. These deficits continued throughout the 1990s and into the 2000s, prompting governments at all levels to take further cost-cutting steps. As an international creditor, debt management policies are not relevant to Switzerland, which participates in the Paris Club debt reschedulings and is an active member of the OECD.

The US Central Intelligence Agency (CIA) estimated that in 2005 Switzerland's central government took in revenues of approximately \$138.1 billion and had expenditures of \$143.6 billion. Revenues minus expenditures totaled approximately -\$5.5 billion. Public debt in 2005 amounted to 53.3% of GDP. Total external debt was \$856 billion.

The International Monetary Fund (IMF) reported that in 2001, the most recent year for which it had data, central government revenues were SwFr81,727 million and expenditures were SwFr80,498 million. The value of revenues was us\$48,428 million and expenditures us\$47,700 million, based on a market exchange rate for 2001 of us\$1 = SwFr1.6876 as reported by the IMF. Government outlays by function were as follows: general public services, 18.1%; defense, 6.2%; public order and safety, 0.8%; economic

**Public Finance – Switzerland (2001)**

(In millions of Swiss francs, central government figures)

	<b>81,727</b>	<b>100.0%</b>
<b>Revenue and Grants</b>		
Tax revenue	43,200	52.9%
Social contributions	32,391	39.6%
Grants	2,307	2.8%
Other revenue	3,829	4.7%
<b>Expenditures</b>	<b>80,498</b>	<b>100.0%</b>
General public services	14,566	18.1%
Defense	4,956	6.2%
Public order and safety	620	0.8%
Economic affairs	11,749	14.6%
Environmental protection	...	...
Housing and community amenities	781	1.0%
Health	215	0.3%
Recreational, culture, and religion	482	0.6%
Education	2,650	3.3%
Social protection	44,479	55.3%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

affairs, 14.6%; housing and community amenities, 1.0%; health, 0.3%; recreation, culture, and religion, 0.6%; education, 3.3%; and social protection, 55.3%.

**36 TAXATION**

The Swiss Confederation, the cantons, and the communes all levy taxes on income or profits. Periodic federal, cantonal, and communal taxes also are charged against capital values belonging to corporations and other corporate entities. The cantons all levy wealth taxes based on individual net assets, stamp duties, taxes on entertainment or admissions, and special charges for educational, social, and sanitary services. Most cantons also levy a tax surcharge on members of certain major churches for the support of those religions. Localities may impose taxes on land, rents, and entertainment, as well as a head tax and a dog tax.

Although corporate income taxes are taxed at a flat rate of 8.5%, the effective rate is actually between 8% and 25% when federal and cantonal taxes are taken into account. Generally, capital gains received by a company are taxed as ordinary business income at regular business rates. However, different rules may apply to gains received from real estate or to real estate companies at the cantonal/communal level. Generally, dividends distributed by Swiss companies are taxed as ordinary income, to which a withholding rate of 35% is applied. However, applicable participation exemption rules may lower the federal tax liability for the recipient. Interest income from banks, and publicly offered debentures, bonds and other debt instruments issued by a Swiss borrower are subject to a withholding rate of 35%. However, loans from a foreign parent company to Swiss subsidiaries and commercial loans, generally are exempt.

Federal tax is levied on personal income at rates up to 11.5%. However, cantonal rates can range from 10% to around 30%. Various deductions and personal allowances are granted according to circumstances. Those between the ages of 20 and 50 who do not fulfill their military obligation are liable for an additional tax.

Cantonal and communal taxes are generally imposed at progressive rates.

In 1995 Switzerland replaced its old system of taxing turnover with a value-added tax (VAT) similar to those of its European neighbors. As of 2005, the VAT was 7.6% and was levied on all deliveries of goods and services, including investments, consumer goods, animals and plants, consulting and entertainment services, license fees, and the sale of rights. The VAT is also levied on imported goods and services. However, hotel and lodging services are subject to a lower rate of 3.6%, while items such as foodstuffs, medicines, newspapers, farming supplies and agricultural products were subject to a 2.4% rate. Exports were zero-rated. There are also miscellaneous federal taxes, such as stamp duties, payroll and excise taxes.

**37 CUSTOMS AND DUTIES**

Switzerland joined EFTA in 1960 and became a full member of the GATT group in 1966. In 1973, Switzerland entered into an industrial free trade agreement with the European Community (now the European Union). Duties on industrial imports from the European Community were eliminated by 1977. Although it generally favors free trade, Switzerland protects domestic agriculture for national defense reasons and its customs tariff, established in 1921, is primarily a revenue-raising instrument. Specific duties, low for raw materials, moderate for semifinished goods, and high for manufactured goods, are levied by weight of import. Import duties average 3.2% on industrial goods. Switzerland gives preferential treatment to imports from developing nations. Other import taxes include a 3% statistical tax, a standard 7.6% VAT, and an environmental tax. Specific luxuries like cigarettes and spirits are subject to an excise tax. Quotas regulate the importation of certain agricultural items such as white wine.

**38 FOREIGN INVESTMENT**

Switzerland is generally open to foreign investment and grants foreign investors national treatment. However, the government restricts investment in vacation real estate, utilities, and other sectors considered essential to national security (such as hydroelectric and nuclear power plants, operation of oil pipelines, operation of airlines and marine navigation, and the transportation of explosive materials). There are no restrictions on repatriation of profits. Federal grants are offered for investments in depressed areas. The cantonal governments offer tax and nontax incentives for new investments or extensions of existing investments on a case-by-case basis.

In 1997, total foreign direct investment (FDI) stock in Switzerland exceeded \$56.58 billion (22% of GDP). US companies accounted for 23% of that total. By 1999, FDI stock had risen to over \$83 billion (32% of GDP), and the United States share to 26.6%. FDI inflows were \$6.6 billion in 1997, climbing to a peak of \$16.3 billion in 2000, before falling back to about \$10 billion in 2001. In 2003, FDI inflows amounted to \$12.2 billion.

Stocks of Swiss FDI abroad totaled \$170 billion (62.3% of GDP) in 1997 rising to \$205.2 billion (79% of GDP) in 1999. In 1999, the largest holders of Swiss outward FDI were the United States (with \$45 billion, 23%); the United Kingdom (\$23.7 billion, 11.5%); Germany (\$17.4 billion, 8.5%); the Netherlands (\$12.5 billion, 6.1%);

and France (\$10.4 billion, 5%). FDI outflows in 2003 amounted to \$10.9 billion.

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

Private enterprise is the basis of Swiss economic policy. Although government intervention has traditionally been kept to a minimum, the international monetary crises from late 1974 to mid-1975 led to imposition of various interim control measures; in 1982, with inflation rising, a constitutional amendment mandating permanent government price controls was approved by popular referendum. The Swiss National Bank has followed a general policy of limiting monetary growth. To further raise the standard of living, the government also grants subsidies for educational and research purposes, promotes professional training, and encourages exports. Although certain foreign transactions are regulated, there is free currency exchange and a guarantee to repatriate earnings of foreign corporations.

The cause of the remarkable stability of Switzerland's economy lies in the adaptability of its industries; in the soundness of its convertible currency, which is backed by gold to an extent unmatched in any other country; and in the fact that the particular pattern of Swiss democracy, where every law may be submitted to the popular vote, entails taking into account the wishes of all parties whose interests would be affected by a change in legislation.

Switzerland's development assistance program takes the form of technical cooperation, preferential customs treatment for certain third-world products, and a limited number of bilateral aid arrangements.

The question of future European Union (EU) membership remains a point of contention among the Swiss. The French-speaking minority overwhelmingly favors EU membership, while the German-speaking majority strongly opposes it. In a 2000 referendum, Swiss voters approved closer ties to the EU. Some of the key provisions of the deal included agreement to allow EU trucks transit rights through Switzerland, as well as granting Swiss freedom of movement in the EU. Full access to the Swiss market by the original 15 EU member countries was achieved in a June 2004 agreement, ending as a result the "national preference." Switzerland approved another pact, the Schengen-Dublin agreement with the EU, in June 2005, which allows for the free movement of peoples, although fears of cheap labor coming from new EU member nations remained. However, voters approved by a referendum held on 25 September 2005 a measure to extend the provision of free movement of peoples to the 10 predominantly eastern European nations which joined the EU in 2004.

A new ordinance covering the banking sector was enacted in 2002, to combat money laundering and the financing of terrorism. Switzerland joined the UN in 2002.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

There is a social insurance system and mandatory occupational pension system financed by employer and employee contributions as well as governmental subsidies. Old-age pensions are paid at age 65 for men and 63 for women. Disability and survivorship pensions are also available to qualified recipients. Sickness and Maternity benefits were first implemented in 1911. Medical care is available to all persons living in Switzerland, and there is a voluntary insurance plan for all employees to provide cash benefits. Ma-

ternity benefits are payable up to 16 weeks. Work injury insurance is compulsory, with contribution rates varying according to risk. Unemployment and disability is also covered. Family allowances are provided by the cantons, but there is a federal program covering agricultural workers. Some cantons provide birth grants.

The law provides for equal pay and prohibits gender discrimination, but there is significant bias against women in the workplace. Women earn less than men, and are less likely to receive training. There are few women in managerial positions, and they are also promoted less than men. Sexual harassment in the workplace continues, although laws and advocacy groups work to eradicate the problem. The Federal Office for Equality Between Women and Men and the Federal Commission on Women are charged with eliminating all types of gender discrimination. Physical and sexual violence against women and domestic abuse persist.

Extremist organizations continue physical and verbal attacks on religious, racial, and ethnic minorities. The government is taking some action to curtail the activities of these groups. Human rights are generally respected in Switzerland.

### 4<sup>1</sup> HEALTH

Health standards and medical care are excellent. The pharmaceuticals industry ranks as one of the major producers of specialized pharmaceutical products. Managed-care systems are widely used, especially with a "gatekeeper" component to control costs. As of 2004, there were an estimated 352 physicians, 834 nurses, 48 dentists, and 62 pharmacists per 1,000 people. The ratio of doctors per population varies by region, with the highest proportions in Basle and Geneva and the lowest in Appenzell. Total health care expenditure was estimated at 10.4% of GDP.

As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 9.8 and 8.8 per 1,000 people. About 71% of married women (ages 15 to 49) were using contraception. The fertility rate was 1.5 children per woman surviving her childbearing years in 2000. The infant mortality rate, which had been 70.3 per 1,000 live births in 1924, was 4.39 in 2005. The vaccination rates for DPT and measles were, respectively, 94% and 81%. In 2005, life expectancy was averaged at 80.39 years.

There were about nine cases of tuberculosis per 100,000 people reported in 1999. Cardiovascular disease-related deaths numbered nearly 30,000 in the mid-1990s. Tobacco consumption has dramatically decreased from 3.1 kg (6.8 lbs) per year per adult in 1984-86 to 2.4 kg (5.3 lbs) in 1995. In 1996, voters in Zurich approved a government plan to supply heroin addicts with free access to their drug.

The HIV/AIDS prevalence was 0.40 per 100 adults in 2003. As of 2004, there were approximately 13,000 people living with HIV/AIDS in the country. There were an estimated 100 deaths from AIDS in 2003.

### 4<sup>2</sup> HOUSING

Although housing standards are comparatively high, there are shortages in certain areas. In the mid-1990s, less than 40,000 new dwellings per year were constructed in communities of 2,000 or more inhabitants, down from 44,228 in 1985. In 2000, there were about 3,115,399 private households and about 1,377,552 residential buildings. About 30% of all residential buildings were designed

for two or more households. The total housing stock in 2001 was about 3,604,340 dwellings.

### 43 EDUCATION

Education at all levels is first and foremost the responsibility of the cantons. Thus, Switzerland has 26 different systems based on differing education laws and varied cultural and linguistic needs. The cantons decide on the types of schools, length of study, teaching materials, and teachers' salaries. Education is compulsory in most cantons for nine years, and in a few for eight. An optional 10th year has been introduced in several cantons. Church schools in some cantons are tax supported. After primary school, students complete the compulsory portion of their education in various types of secondary Grade I schools, which emphasize vocational or academic subjects to varying degrees. Secondary Grade II schools, which are not compulsory, include trade and vocational preparatory schools and gymnasiums, which prepare students for the university and lead to the *matura*, or higher school-leaving certificate.

Switzerland has a large number of private schools attracting primarily foreign students. These schools, most of them located in the French-speaking cantons, are known for their high-quality education, of either the academic or "finishing school" variety.

In 2001, about 97% of children between the ages of five and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 99% of age-eligible students. The same year, secondary school enrollment was about 87% of age-eligible students. It is estimated that about 98.6% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 13:1 in 2000; the ratio for secondary school was about 10:1. In 2003, private schools accounted for about 3.7% of primary school enrollment and 7% of secondary enrollment.

Switzerland has 10 cantonal universities, including four in French-speaking areas and four in German-speaking ones. The universities' expenditures are largely financed by the cantons, with a 53% contribution from the Confederation. Approximately one-third of all higher-level educational funding goes to research and development. The largest universities are those of Zürich, Geneva, and Basel; others include those of Lausanne, Bern, Fribourg, and Neuchâtel. The Federal Institute of Technology in Zürich, the Economics College at St. Gallen, and the Federal Institute of Technology in Lausanne are also important. In 2003, it was estimated that about 49% of the tertiary age population were enrolled in tertiary education programs; 53% for men and 44% for women. The adult literacy rate has been estimated at about 99%.

As of 2003, public expenditure on education was estimated at 5.8% of GDP, or 15.1% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

The library of Basel University (3 million volumes) and the Swiss National Library in Bern (3.6 million volumes) are the largest in Switzerland. The University of Geneva has 1.8 million volumes; the University of Lausanne has about 1.7 million; and the University of Fribourg has two million. Switzerland has an extensive public library system with about 2,344 service points holding over 28 million volumes in total. The Library and Archives of the United

Nations is located in Geneva, as is the library of the International Labor Organization (over 580,000 items).

The National Museum, a federal institution in Zürich, houses historic objects; other historical museums are located in Basel, Bern, and Geneva. Basel houses both the Museum of Ancient Art and the Basel Museum of Fine Arts, which has a fine collection of 15th- and 16th-century German masterworks, paintings by Dutch artists of the 17th and 18th centuries, and a survey from Corot to Picasso. The Museum of Fine Arts in Bern contains paintings by old masters and impressionists (Klee Foundation). The Zürich Art Museum houses modern Swiss paintings, as well as works by Dutch and Flemish masters of the 17th century. Geneva houses the Museum of the Voltaire Institute, the Museum of the Institute of Henri Dunant, founder of the International Red Cross, the Jean-Jacques Rousseau Museum, and the Museum of Modern and Contemporary Art, which opened in 1994. The League of Nations (United Nations) Museum is in Geneva. There are arts and crafts museums in most of the larger cities, and Neuchâtel has an ethnographic museum. Many fine examples of Romanesque, Gothic, and Baroque architecture are found in Switzerland.

### 45 MEDIA

The postal system and the telephone, telegraph, radio, and television systems are government owned and operated. The telephone system is completely automatic. International communications, air navigation services, and the new electronic media, including data transmission and electronic mail, are the province of Radio Suisse, a public corporation. In 2003, there were an estimated 744 mainline telephones for every 1,000 people. The same year, there were approximately 843 mobile phones in use for every 1,000 people.

Broadcasting is controlled by the Swiss Broadcasting Corp. (SBC), an autonomous corporation under federal supervision. A number of independent local radio stations have been operating since 1983. Radio programs are broadcast in German, French, Italian, and Romansch. As of 1999, Switzerland had seven AM and 50 FM radio stations and 108 television stations. In 2003, there were an estimated 1,002 radios and 552 television sets for every 1,000 people. About 376.2 of every 1,000 people were cable subscribers. Also in 2003, there were 708.7 personal computers for every 1,000 people and 351 of every 1,000 people had access to the Internet. There were 2,821 secure Internet servers in the country in 2004.

A few papers, such as the *Neue Zürcher Zeitung* and the *Tribune de Genève*, are widely read even beyond the borders of Switzerland and have excellent international coverage. The Agence Télégraphique Suisse (Schweizerische Depeschagentur), co-owned by some 40 newspaper publishers, is Switzerland's most important national news agency.

Among the largest dailies in 2005 were *Blick* (in Zürich, circulation 362,000), *Tages-Anzeiger* (Zürich, 231,000), and *Neue Zürcher Zeitung* (Zürich, 151,000). *Tribune de Genève* was the best-selling French daily in 2005 with a circulation of about 71,000. *Corriere del Ticino* is a best-selling Italian paper with a 2005 circulation of about 39,000. The *Schweizer Illustrierte* (circulation 195,894) is the most popular illustrated weekly, and the *Nebenspalter* (38,630) is the best-known satirical periodical.

The constitution provides for freedom of speech and a free press, and the government is said to uphold these freedoms in practice.

## 46 ORGANIZATIONS

Both agricultural and consumer cooperatives are numerous. The Swiss Office for Commercial Expansion is an important foreign trade promotion organization. The Swiss Federation of Commerce and Industry also promotes commerce, trade and industry. The Swiss Confederation of Trade Unions serves the interests of workers/employees. The International Labour Organization has a base office in Geneva. There are chambers of commerce in all the major cities. Trade unions and professional associations exist for most occupations.

Geneva serves as home to a variety of international organizations including the International Red Cross and Red Crescent Society, the World Council of Churches, the Lutheran World Federation, the World Alliance of Reformed Churches, The World Health Organization, and the World Scout Foundation. Several United Nations committee offices are based here as well, the UN Economic Commission for Europe, UN Environment Programme, UN High Commission for Refugees, the UN Institute for Training and Research, and the UN Research Institute for Social Development. Other international organizations with national chapters include Amnesty International, Defence for Children International, Caritas, and Greenpeace.

There are numerous cultural and educational organizations. A few with national interest include the Swiss Academy of Humanities and Social Sciences, the Swiss Academy of Medical Sciences, and the Swiss Academy of Sciences. The European Center for Culture is a multinational organization promoting understanding and cooperation between cultures.

Active youth groups within the country include Junior Chamber, YMCA/YWCA, and the Swiss Guide and Scout Movement. There are a large number of sports associations nationwide, including several international organizations such as the International Baseball Federation, the International Basketball Federation, and the International Gymnastic Federation. The International Olympic Committee is based in Lausanne.

Several human rights, social justice, and social action organizations exist, including the Association of International Consultants on Human Rights, the Berne Declaration, Green Cross, The National Council of Women of Switzerland, and the Women's International League for Peace and Freedom. The International Alliance Women and the Women's World Summit Foundation both focus on health and equal rights for women. Soroptimist International of Europe is a multinational organization of business-women working toward the causes of peace, justice, health, and equal rights.

## 47 TOURISM, TRAVEL, AND RECREATION

Switzerland has long been one of the most famous tourist areas in the world, and Swiss hospitality and the Swiss hotel industry are justly renowned. Scenic attractions are manifold, and in the Swiss Alps and on the shores of the Swiss lakes there are features of interest for the skier, the swimmer, the hiker, the mountain climber, and the high alpinist. There are approximately 50,000 km (31,000 mi) of marked footpaths and 500 ski lifts. The hotels are among the best in the world; Switzerland pioneered in modern hotel management and in specialized training for hotel personnel. Central Switzerland and the Geneva region attract the largest number

of foreign tourists. Passports and visas are required of all visitors except citizens of the Americas, Europe, Japan, Australia, and New Zealand who do not need visas for stays of up to 90 days.

In 2003, there were 6,530,108 visitors who arrived in Switzerland, almost 28% of whom were German. Tourism receipts totaled \$11.3 billion, and hotel rooms numbered 139,969 with 258,726 beds and an occupancy rate of 38%. Visitors stayed an average of three nights.

In 2005, the US Department of State estimated the daily cost of staying in Geneva at \$380; in Zürich, \$295; in Basel, \$379; and in Montreux at \$394.

## 48 FAMOUS SWISS

World-famous Swiss scientists include the physician and alchemist Philippus Aureolus Paracelsus (Theophrastus Bombastus von Hohenheim, 1493?-1541); the outstanding mathematicians Johann Bernoulli (1667-1748) and Leonhard Euler (1707-83); the geologist Louis Agassiz (Jean Louis Rodolphe Agassiz, 1807-73), who was active in the United States; the physiologist, pathologist, and surgeon Emil Theodor Kocher (1841-1917), who received the Nobel Prize for medicine in 1909; Charles Édouard Guillaume (1861-1938) and the German-born Albert Einstein (1879-1955, a naturalized Swiss citizen), Nobel Prize winners in physics in 1920 and 1921, respectively; and Paul Karrer (b.Russia, 1889-1971), authority on vitamins, who shared the 1937 Nobel Prize in chemistry. Other Nobel Prize winners in the sciences include Alfred Werner (1866-1919; chemistry, 1913); Yugoslav-born Leopold Ruzicka (1887-1976; chemistry, 1939); Yugoslav-born Vladimir Prelog (1906-1998; chemistry, 1975); Austrian-born Wolfgang Pauli (1900-1958; physics, 1945); Paul Hermann Müller (1899-1965), Walter Rudolf Hess (1881-1973), and Polish-born Tadeus Reichstein (1897-1996), Nobel laureates for medicine in 1948, 1949, and 1950, respectively; Werner Arber (b.1929; medicine, 1978); Heinrich Rohrer (b.1933; physics, 1986); and K. Alex Müller (b.1927) and German-born J. Georg Bednorz (b.1950), for physics in 1987.

Jean-Jacques Rousseau (1712-78), a Geneva-born philosopher, musician, novelist, and diarist in France, was a great figure of the 18th century whose writings exerted a profound influence on education and political thought. Swiss-born Mme. Germaine de Staël (Anne Louise Germaine Necker, 1766-1817) was acclaimed the world over as defender of liberty against Napoleon. Other noted Swiss writers include Albrecht von Haller (1708-77), also an anatomist and physiologist; the novelists and short-story writers Johann Heinrich David Zschokke (1771-1848) and Jeremias Gotthelf (Albert Bitzius, 1797-1854), also a clergyman and poet; and the poets and novelists Gottfried Keller (1819-90), Conrad Ferdinand Meyer (1825-98), and Carl Spitteler (1845-1924), the last of whom won the Nobel Prize for literature in 1919. The diaries of the philosopher, poet, and essayist Henri-Frédéric Amiel (1821-81) are famous as the stirring confessions of a sensitive man's aspirations and failures. Charles Ferdinand Ramuz (1878-1947) is often regarded as the most powerful Swiss writer since Rousseau. The German-born novelist and poet Hermann Hesse (1877-1962) was awarded the Nobel Prize for literature in 1946. Other recent and contemporary Swiss writers include Robert Walser (1878-1956), a highly individualistic author, and the novelists and playwrights Max Rudolf Frisch (1911-91) and Friedrich Dürrenmatt (1921-



90), whose psychological dramas have been performed throughout Europe and the United States.

Ludwig Senfl (1490–1543) was an outstanding Renaissance composer. The *Dodecachordon* (1547) of Henricus Glareanus (Heinrich Loris, 1488–1563) was one of the most important music treatises of the Renaissance period. Swiss-born composers of more recent times include Ernest Bloch (1880–1959), Othmar Schoeck (1886–1957), Arthur Honegger (1892–1955), Frank Martin (1890–1974), Ernst Lévy (1895–1981), Conrad Beck (1901–89), and Paul Burkhard (1911–77). Ernest Ansermet (1883–1969) was a noted conductor. Renowned Swiss painters include Konrad Witz (1400–1447), Henry Fuseli (Johann Heinrich Füssli, 1741–1825), Arnold Böcklin (1827–1901), Ferdinand Hodler (1853–1918), and Paul Klee (1879–1940). In sculpture and painting, artist Alberto Giacometti (1901–66) won world acclaim for his hauntingly elongated figures. Le Corbusier (Charles Édouard Jeanneret, 1887–1965) was a leading 20th-century architect.

Swiss religious leaders include Ulrich Zwingli (1484–1531), French-born John Calvin (Jean Chauvin, 1509–64), and Karl Barth (1886–1968). Other famous Swiss are Johann Heinrich Pestalozzi (1746–1827), an educational reformer who introduced new teaching methods; Ferdinand de Saussure (1857–1913), the founder of modern linguistics; Auguste Henri Forel (1848–1931), psychologist and entomologist; the noted art historians Jakob Burckhardt (1818–97) and Heinrich Wölfflin (1864–1945); the psychiatrists Eugen Bleuler (1857–1939), Carl Gustav Jung (1875–1961), and Hermann Rorschach (1884–1922); Jean Piaget (1896–1980), authority on child psychology; and the philosopher Karl Jaspers (1883–1969). Swiss winners of the Nobel Prize for peace are Henri Dunant (1828–1910) in 1901, founder of the Red Cross, and Elie

Ducommun (1833–1906) and Charles Albert Gobat (1843–1914), both in 1902.

## 49 DEPENDENCIES

Switzerland has no territories or colonies.

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# UKRAINE

*Ukraina*



**CAPITAL:** Kiev (Kyiv)

**FLAG:** Equal horizontal bands of azure blue (top) and yellow.

**ANTHEM:** *The National Anthem of Ukraine.*

**MONETARY UNIT:** The official currency, introduced in early 1993, is the hryvnia (HRN), which consists of 100 shahy. \$1 = HRN0.19493 (or \$1 = HRN5.13) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is used.

**HOLIDAYS:** New Year's Day, 1–2 January; Christmas, 7 January; Women's Day, 8 March; Spring and Labor Day, 1–2 May; Victory Day, 9 May; Ukrainian Independence Day, 24 August.

**TIME:** 2 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Ukraine, the second-largest country in Europe, is located in Eastern Europe, bordering the Black Sea, between Poland and Russia. Comparatively, Ukraine is slightly smaller than the state of Texas with a total area of 603,700 sq km (233,090 sq mi). Ukraine shares boundaries with Belarus on the N, Russia on the E, the Black Sea on the S, Romania, Moldova, Hungary, and Slovakia on the W, and Poland on the NW. Ukraine's location is one of strategic importance at the crossroads between Europe and Asia. Its land boundary totals 4,663 km (2,897 mi) and its coastline is 2,782 km (1,729 mi). Ukraine's capital city, Kiev, is located in the north central part of the country.

## <sup>2</sup>TOPOGRAPHY

The topography of Ukraine consists mainly of fertile plains (steppes) and plateaus. True mountains (the Carpathians) are found only in the west and in the Crimean Peninsula in the extreme south. The Dnieper Uplands run through a central region of the country. The Donets Hills and Azov Uplands are located along the eastern border.

The coastal region of the Black Sea is a lowland area. The indent of Karkint Bay nearly separates the Crimean Peninsula from the mainland. The Kerch Strait connects the Black Sea to the Sea of Azov, which lies between Ukraine and Russia covering an area of 37,599 sq km (14,517 sq mi). An area of wetlands, the Polesye Marshes, is located near the northwest border.

The most important river in Ukraine is the Dnipro (Dnieper), the third longest river in Europe. It serves as a major source of hydro-electric power. Other major rivers include the Danube, Western Buh, the Tisza, the Pripyat, and the Desna. There are over 20,000 small lakes throughout the country, but the largest lakes are artificial, created by dams along the Dnipro.

## <sup>3</sup>CLIMATE

The climate is subtropical on the Crimean Peninsula. Precipitation is disproportionately distributed, highest in the west and north,

least in the east and southeast. Winters vary from cool along the Black Sea to cold farther inland. Summers are warm across the greater part of the country, except for the south where it becomes hot.

The rest of the country's climate is temperate. The mean temperature in July is about 10°C (66°F). In January, however, the mean temperature drops to -6°C (21°F). Average rainfall is 50 cm (20 in) a year, with variations in different regions.

## <sup>4</sup>FLORA AND FAUNA

The land's soil, chernozem (black soil), is very fertile. When the Ukraine was part of the former Soviet Union it was called the country's "bread basket." A steppe zone covers about a third of the southern region of the country. Mixed shrubs, grasses, and evergreens can be found along the Mediterranean-like zone of the Crimean coast. Forest regions include such tree species as beech, linden, oak, and spruce. European bison, fox, and rabbits can be found living on the vast steppes of the country. As of 2002, there were at least 108 species of mammals, 245 species of birds, and over 5,100 species of plants throughout the country.

## <sup>5</sup>ENVIRONMENT

Ukraine's environmental problems include the nuclear contamination which resulted from the 1986 Chernobyl accident. One-tenth of Ukraine's land area was affected by the radiation. According to UN reports, approximately one million people were exposed to unsafe levels of radiation through the consumption of food. Approximately 3.5 million hectare (8.6 million acre) of agricultural land and 1.5 million hectare (3.7 million acre) of forest were also contaminated.

Pollution from other sources also poses a threat to the environment. Ukraine releases polluted water, heavy metal, organic compounds, and oil-related pollutants into the Black Sea. The water supply in some areas of the country contains toxic industrial chemicals up to 10 times the concentration considered to be within safety limits.

Air pollution is also a significant environmental problem in the Ukraine. In 1992, Ukraine had the world's seventh-highest level of industrial carbon dioxide emissions, which totaled 611.3 million metric tons, a per capita level of 11.72. However, in 2000, the total of carbon dioxide emissions was at 342.8 million metric tons. The pollution of the nation's water has resulted in large-scale elimination of the fish population, particularly in the Sea of Azov.

As of 2003, only 3.9% of Ukraine's total land area was protected, including 33 Wetlands of International Importance. According to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN), threatened species included 14 types of mammals, 13 species of birds, 2 types of reptiles, 11 species of fish, 14 species of invertebrates, and 1 species of plant. Threatened species include the European bison, the Russian desman, and the Dalmatian pelican. The wild horse has become extinct.

## 6 POPULATION

The population of Ukraine in 2005 was estimated by the United Nations (UN) at 47,110,000, which placed it at number 26 in population among the 193 nations of the world. In 2005, approximately 16% of the population was over 65 years of age, with another 15% of the population under 15 years of age. There were 85 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be -0.7%, a rate the government viewed as too low. The projected population for the year 2025 was 41,650,000. The population density was 78 per sq km (202 per sq mi), with the Dnieper Lowlands and the Donets Basin being the most densely populated regions.

The UN estimated that 68% of the population lived in urban areas in 2005, and that population in urban areas was declining at an annual rate of -0.57%. The capital city, Kiev (Kyiv), had a population of 2,618,000 in that year. Other cities and their estimated populations were Kharkiv, 1,436,000; Dnipropetrovsk, 1,036,000; Odesa, 1,010,000; Donetsk, 992,000; Lvov, 876,000; and Zaporizhzhya, 798,000.

## 7 MIGRATION

Since the breakup of the former Soviet Union, tens of thousands of Ukrainians have returned to the Ukraine. Between 1989–95, 15,000 returned from Azerbaijan, and 39,000 returned from Kyrgyzstan. Between 1991–95, 15,000 returned from Belarus; 82,000 returned from Kazakhstan; and 30,000 returned from Tajikistan. There were still 150,000 ecological migrants internally displaced from the 1986 Chernobyl accident. As of February 1996, 250,000 Tatars had returned from Central Asia, mostly from Uzbekistan. These Tatars belong to the 500,000 Tatars that were forcibly deported from the Crimean peninsula under the Stalin regime. The signature of an agreement between Ukraine and Uzbekistan in 1998 on the simultaneous release from Uzbek citizenship and acquisition of Ukrainian citizenship enabled more than 38,000 Crimean Tatars to obtain Ukrainian citizenship. Many of the rest of the Crimean Tatars in Central Asia wish to return to the Crimea.

Due to a series of amendments to the Law of Citizenship and a naturalization campaign, all formerly deported stateless persons residing in Ukraine had acquired Ukrainian citizenship as of 1999. The total number of migrants living in the Ukraine in 2000 was 6,947,000. In 2004, there were 2,459 refugees and 1,838 asy-

lum seekers in the Ukraine. In addition, in that same year there were 80,569 others of concern to the United Nations High Commissioner for Refugees (UNHCR), made up of 2,809 Abkhazians, 6,500 Crimean Tartars (formerly deported persons), and 71,260 stateless persons. Also in 2004, 50,693 Ukrainians were refugees in Germany, and 28,484 in the United States, and over 5,000 Ukrainians sought asylum in 10 countries, in Europe, the United Kingdom, and the United States.

The net migration rate was estimated as -0.63 migrants per 1,000 population in 2005. The government views the immigration level as too low, and the emigration level as too high. Worker remittances in 2003 were \$185 million.

## 8 ETHNIC GROUPS

According to the latest census (2001), 77.8% of the total population is Ukrainian. Russians form 17.3%, mainly in eastern Ukraine. Belarussians, Moldovans, Crimean Tatars, Bulgarians, Hungarians, Romanians, Poles, and Jews each account for less than 1% of the population. About 700,000 Rusyns (Ruthenians) live within the country, but they are not an officially recognized ethnic group.

## 9 LANGUAGES

Like Russian, Ukrainian is an eastern Slavic language. It has several distinctive vowel and consonant sounds, however. It is written in the Cyrillic alphabet but has three extra letters. Ukrainian began to emerge as a separate language from Russian in the late 12th century. Ukrainian is the official language and is spoken by about 67% of the population. Russian is spoken by about 24% of the population. Other languages include Romanian, Polish, and Hungarian.

## 10 RELIGIONS

Ukraine was Christianized by St. Volodymyr in 988. Under Soviet rule, churches and religion were subject to suppression and political manipulation, a situation that ended with the declaration of independence in 1991. Based on a 2003 survey, over 90% of the population claim to be Christians, primarily from one of three denominations: the Ukrainian Orthodox Church—Moscow Patriarchate (10.7%), the Ukrainian Orthodox Church—Kiev Patriarchate (14.8%), and the Ukrainian Autocephalous Orthodox Church (1%).

About 6.4% of the religiously active population are members of the Ukrainian Greek Catholic Church, also known as the Uniate, Byzantine, or Eastern Rite church. Roman Catholics claim about 2% of the population and are largely concentrated in the formerly Austro-Hungarian and Polish western territories. Other Christian groups represented include Baptists, Pentecostals, Jehovah's Witnesses, Mormons, Anglicans, Lutherans, Methodists, Calvinists, Pentecostals and Evangelicals. The head of the Spiritual Directorate of the Muslims of Ukraine estimates that there are as many as two million members of the nation's Muslim community. Islam is practiced mainly by the Tatar population of the autonomous republic of the Crimea. There are an estimated 300,000 Jews in the country. Small communities of Buddhists, Baha'is, and Hare Krishnas are also present.

The constitution provides for freedom of religion and this right is generally respected. However, some smaller and nontraditional religious groups have reported problems in meeting government



LOCATION: 49°0' N; 32°0' E. BOUNDARY LENGTHS: Total boundary lengths, 4,558 kilometers (2,834 miles); Belarus, 891 kilometers (554 miles); Hungary, 103 kilometers (64 miles); Moldova, 939 kilometers (584 miles); Poland, 428 kilometers (266 miles); Romania (southeast), 169 kilometers (105 miles); Romania (west), 362 kilometers (225 miles); Russia 1,576 kilometers (980 miles); Slovakia, 90 kilometers (56 miles).

registration requirements. An All-Ukrainian Council, composed of members from various religions, meets regularly with the State Committee of Religious Affairs to discuss potential problems between religions.

## <sup>11</sup>TRANSPORTATION

As of 2004, there were 22,473 km (13,988 mi) of railway in the Ukraine, all of it 1.5 m (broad) gauge. Highways in 2002 totaled 169,679 km (105,540 mi), of which 164,249 km (102,162 mi) are hard-surfaced, including 1,770 km (1,100 mi) of expressways. In 2003, there were 5,603,800 passengers cars and 985,700 commercial vehicles registered for use.

The main marine ports are Berdyans'k, Illichiv's'k, Kerch, Kher-son, Mariupol', Mykolayiv, Odesa, and Sevastopol'. The merchant marine fleet had 201 ships of 1,000 GRT or over, for a total capacity of 675,904 GRT in 2005. There are 1,672 km (1,040 mi) of navigable inland waterways as of 2004. The Dnipro River is the primary inland waterway, but the Danube, western Pivd Buh, Pryp'yat', and Desna are also used for import-export traffic.

Ukraine had an estimated 656 airports in 2004. As of 2005 a total of 199 had paved runways, and there were also 10 heliports. The largest airports are in Kiev, Kharkiv, Donetsk, Odesa, and Simferopol'. In 2003, 1.477 million passengers were carried on scheduled domestic and international airline flights.

## <sup>12</sup>HISTORY

Ukrainians, Russians, and Belarussians belong to the eastern branch of the Slavic peoples, all of which trace their origins to medieval Kievan Rus. Kievan Rus was established in the 9th century AD. St. Volodymyr the Great, one of the most celebrated rulers of Kievan Rus, adopted Christianity as the national faith in 988. Internal strife in the 12th century and the Mongol invasion in the 13th led to the ultimate destruction of Kievan Rus as a major power. Halych-Volhynia in Western Ukraine, however, became the new political center until it fell to Polish-Lithuanian rule in the 14th century. During the following centuries Ukraine found itself the object of power struggles among its more powerful neighbors.

In a protracted struggle against Poland, Ukrainian Cossacks were able to establish an independent state in the 16th and 17th

centuries. To safeguard Ukrainian independence from the Poles, Ukraine concluded the Treaty of Pereyaslav in 1654 with Moscow. The nature of this agreement has generated much historical controversy: Russian historians claim that, as part of the agreement, Ukraine accepted Moscow's rule, while Ukrainians claim that Ukraine was to retain its autonomy. The ensuing war between Russia and Poland resulted in the partition of Ukraine. Most of the rest of Ukraine's territory was incorporated into the Russian Empire with the partition of Poland in 1795. Small parts of Ukrainian territory to the west were absorbed by the Hapsburg Empire.

A Ukrainian national movement arose in the 19th century. Later, the collapse of the Tsarist regime and the chaos of the Russian revolution in 1917 allowed Ukraine to assert its independence. In April 1917, the National Ukrainian Assembly met in Kiev and in November proclaimed the creation of the Ukrainian People's Republic. When the Bolsheviks formed a rival Ukrainian Communist government, the National Assembly proclaimed the independence for Ukraine on 22 January 1918.

On 1 November 1918, an independent Republic of Western Ukraine was declared after the disintegration of the Austro-Hungarian Empire. On 22 January 1919, the Ukrainian People's Republic and the Republic of Western Ukraine united and established an independent Ukrainian state, recognized by over 40 other nations.

The new government, however, could not maintain its authority in the face of civil strife and the threat of the approaching Bolshevik, pro-Tsarist, and Polish forces. By 1920, eastern Ukraine fell to the Bolsheviks and became the Ukrainian Soviet Socialist Republic while Poland occupied most of western Ukraine. Small areas of the west went to Romania, Hungary, and Czechoslovakia.

Early Soviet policy allowed for cultural autonomy and local administration by Ukrainian Communists. But Stalin changed this liberal policy in the 1930s when he initiated strict Russification and persecution of Ukrainian nationalists. This policy culminated in the Soviet-engineered famine of 1932–33 that resulted in the death of 7 to 10 million Ukrainians.

The 1939 Nazi-Soviet pact assigned Poland's Ukrainian territory to the Soviet sphere of influence. When Germany invaded the Soviet Union in 1941, Ukrainian nationalists in Lviv proclaimed the restoration of the Ukrainian state. The Germans arrested these nationalists and turned Ukraine into a German colony. When it became clear that the Nazis wanted to enslave them and not liberate them, a resistance movement led by nationalists fought both the Soviet and German armies. During World War II, Ukraine lost six million people through death or deportation and a total of 18,000 villages were destroyed.

The Ukrainian resistance movement continued to fight in Soviet Ukraine (the western Ukraine which had been part of Poland had been incorporated into the Ukrainian S.S.R.). It was not until the 1950s that they were completely defeated by the better-equipped Soviet Red Army.

In March 1990, semi-free elections for parliament were held. The Communist-dominated parliament declared Ukraine a sovereign state on 16 July 1990. On 24 August 1991, following the failed coup in Moscow, the parliament proclaimed the independence of Ukraine and declared that only the constitution and laws of Ukraine were valid on its territory. On 1 December 1991 the citizens of Ukraine confirmed this proclamation with a 90.3% vote

in favor of independence. At the time of this referendum, Leonid Kravchuk was elected as the first president.

Ukraine joined Russia and Belarus in creating the Commonwealth of Independent States (CIS) in December 1991. This agreement was meant to facilitate coordination of policy in various fields. But despite their efforts, Ukrainian-Russian differences arose in several areas, including the command and control of nuclear weapons, the formation of a unified military command, and the character and pace of economic reform.

In light of the 1986 Chernobyl nuclear power plant accident, Ukraine declared its intention to become a nuclear-free state. However, this process progressed much more slowly than expected. The lack of fuel resources and disagreements with Russia over pricing had induced the government to keep the Chernobyl plant running. The START I agreement received the Ukrainian parliament's conditional ratification in November 1993 and unconditional ratification in February 1994, but the transfer of nuclear weapons to Russia did not occur as smoothly as planned. On 6 May 1992 it was announced that all Ukrainian tactical nuclear weapons had been shipped to Russia for dismantling. However, Ukraine cited Russia's failure to dismantle these weapons, inadequate compensation, and security concerns as the reasons for not turning over its entire strategic arsenal.

The CIS countries agreed to a unified nuclear command, but Ukraine declared its intent to create its own national conventional military and opposed any efforts to create a unified CIS conventional force. President Kravchuk declared all conventional forces on Ukrainian territory to be the property of Ukraine. This has given rise to disputes and disagreements about the Black Sea fleet, to which Russia has also laid claim.

Since its independence, Ukraine has experienced unrest in some of the predominantly Russian areas in the east and south-east. Crimea is the most notable example, declaring independence on 6 May 1992. At the same time the Russian parliament approved a resolution that declared the 1954 Soviet grant of the Crimea to Ukraine unconstitutional and void. This resolution, however, was rejected by Russian president Boris Yeltsin. Demands for secession in Crimea have continued to complicate Ukrainian-Russian relations.

Ukraine adopted a new constitution in June 1996 establishing a presidency (elected for a five-year term) and a one-chamber parliament called the Supreme Council (elected for a four-year term). Under transitional provisions, President Leonid Kuchma, elected over incumbent Leonid Kravchuk in 1994, was to serve until elections in 1999. The Supreme Council adopted a new civil code in June 1997. In the same year, Ukraine signed a 10-year friendship treaty with Russia and an agreement with Western nations on shutting down the Chernobyl nuclear plant by 2005. It was shut down in 2000. Public discontent with the slow pace of economic reforms was evident in the strong showing by the Communist Party in the 1998 legislative elections, in which it won 25% of the vote (116 of 450 seats). However, support for the party did not translate into support for union with Russia, proposed by Petro Symonenko, the party's candidate in the 1999 presidential elections. Leonid Kuchma was reelected in a November 1999 runoff election with 56% of the vote and nominated central bank chairman Victor Yushchenko to be prime minister. Soon after taking office, Yushchenko reached a restructuring agreement with for-

foreign bond holders to avoid default on the nation's \$2.6 billion foreign debt. As the new century began, Ukraine's much-needed economic reforms remained stalled by the long-standing problems of corruption and political stalemate between reformists and their parliamentary opponents.

In November 2000, the body of Ukrainian journalist Georgiy Gongadze was found decapitated: opposition demonstrators alleged Kuchma was involved in the murder of the journalist who was critical of the administration, and there were calls for Kuchma's impeachment. Kuchma denied the allegations, but in February 2001, the EU called for an inquiry into the journalist's murder. In September 2002, an ad hoc commission set up by parliament to investigate Gongadze's murder recommended that criminal charges be brought against the president and other top officials, based on tape recordings of a meeting at which Kuchma allegedly asked security officials to "take care" of the journalist. Anti-Kuchma protests were held throughout the country to call for the president's resignation. All six national television stations were off the air on the morning of the 16 September demonstrations, purportedly for "maintenance." Many protesters were beaten and arrested. In October, the Kiev Court of Appeals opened a criminal case against Kuchma, based upon the allegations of his involvement in the murder.

In parliamentary elections held on 30 March 2002, Ukrainians voted for many opposition parties, although parties opposed to Kuchma alleged widespread fraud. In April, Yushchenko's government was dismissed following a no-confidence vote in parliament; he was replaced with Viktor Yanukovich—the governor of the eastern province of Donetsk Oblast.

Although Yushchenko is respected in the West for fighting corruption and furthering economic reforms, he is unpopular with many Ukrainian businessmen, who are seen to be corrupt. Presidential elections were scheduled for 2004, and Kuchma was constitutionally barred from running for a third term. In 2002, he announced plans to amend the constitution and weaken his executive powers. This was seen as a move to transfer power to parliament, in the event that a reformer such as Yushchenko would be elected president. Kuchma's plans also included splitting parliament into two chambers. In March 2003, Yushchenko stated he feared the new amendments would postpone presidential elections for two years, and extend Kuchma's rule until 2006. Tens of thousands of protesters nationwide took to the streets in March, calling once again on Kuchma to resign for abuse of office, arms dealing, vote-rigging, corruption, the involvement in Gongadze's murder, and for impoverishing the country.

For the 2004 presidential elections Yushchenko announced that he would be running as an independent. His main contender was the current prime minister Viktor Yanukovich. Since the latter was backed by Kuchma, and by most of the Ukrainian TV channels, Yushchenko relied heavily on direct interaction with the people for bringing his message across.

The initial vote was held on the 31 October 2004 and neither of the two candidates obtained a comfortable lead—Yushchenko won 39.87% of the votes, while Yanukovich won 39.32%. A second voting round was therefore staged on 21 November, with the final vote tally showing Yanukovich as the winner. However, observers noted several cases where the voting process was rigged to Yanukovich's favor. The suspicion that loomed over the Oc-

tober elections was strengthened by the major discrepancies between the exit poll results conducted by the observers, and the official vote count. As a result, Yushchenko called for the people from Kiev, and from all over the country, to take to the streets and protest. After 13 days, the so-called Orange Revolution (named so after the orange ribbons worn by Yushchenko's supporters) determined the Supreme Court to nullify the election results and order a re-run, to be held on 26 December 2004. This time, Yushchenko emerged victorious, by an 8% margin. Yanukovich contested the results but eventually stepped down from his post.

In January 2005, Yushchenko was sworn in as president, and in February 2005 he nominated Yulia Tymoshenko—one of his former deputies, and an ardent supporter of the Orange Revolution—as prime minister. Although there had been some controversy regarding her "oligarch status" (she is one of the wealthiest people in Ukraine), her nomination was accepted by the parliament with 373 out of 450 possible votes. On 8 September 2005, after only a couple of months as prime minister, and following several resignations and accusations of corruption, Tymoshenko and her government were ousted by Yushchenko. Yuriy Yekhanurov, head of the Dnipropetrovsk Oblast state administration, was appointed as the new prime minister.

Drawing on the political capital he garnered in the West after winning the troubled 2004 elections (he was allegedly poisoned with dioxins that lead to severe facial disfigurements), Yushchenko pressed for EU and NATO integration. Both organizations cautioned, however, that the pace of political, economic and military reforms would have to be increased before Ukraine's candidacy could be seriously considered. Constitutional reforms went into effect on 1 January 2006.

### 13 GOVERNMENT

Ukraine is governed by a constitution adopted in June 1996, which allows for an elected parliament and president. The constitution was amended on December 2004 as a response to the presidential election crisis.

The Ukrainian parliament consists of a single chamber with 450 seats called the Rada (Supreme Council). Seats are allocated proportionally to the parties that acquire more than 3% of the electoral votes. Members of parliament currently serve four-year terms, while the president serves a five-year term. (Following the 2006 elections members of parliament will serve five-year terms.) The prime minister and cabinet are nominated by the president and confirmed by the Supreme Council. Although many parties participate in the elections, many candidates run as independents as well.

Ukraine's first postindependence presidential elections were held in two rounds on 26 June and 10 July 1994. In this election, the incumbent Leonid Kravchuk was defeated by his former prime minister, Leonid Kuchma, who was reelected in November 1999. In December 2004, following massive popular protests and after the Supreme Court ordered a re-run of the allegedly rigged November 2004 elections, Kuchma's former prime minister—Viktor Yushchenko—was elected president.

## <sup>14</sup>POLITICAL PARTIES

There are some 120 political parties active in Ukraine. They fall roughly into four different categories: radical nationalist, democratic nationalist, liberal-centrist, and Communist-socialist.

The radical nationalist parties are fearful of Russia and advocate a strong presidency. Their commitment to democracy—particularly if regions of Ukraine seek to secede—is not firm. The democratic nationalist parties are also fearful of Russia, but also appear strongly committed to democracy, individual rights, and the protection of private property. The influential Rukh Party (Ukrainian Popular Movement), which won 43 seats in the 1998 elections, belongs to this group. The liberal-centrist parties are particularly concerned with promoting free market economic reform. They are also committed to democracy and individual rights. The communist-socialist parties oppose privatization and seek continued state control of the economy. They generally favor close relations with Russia. The most important party in this group, the Communist Party of Ukraine, won 116 seats in 1998.

In the March 2002 parliamentary elections, many parties grouped together into voting blocs. Winning the most seats in the Rada was the “Our Ukraine” coalition, led by Viktor Yushchenko, which took 23.6% of the vote and 112 of 450 seats. The coalition was registered in January 2002, and then included the Ukrainian People’s Rukh Party (registered in 2003 as the Ukrainian People’s Party), the People’s Rukh of Ukraine, the Congress of Ukrainian Nationalists, the Reforms and Order Party, Solidarity, the Liberal Party, the Youth Party of Ukraine, the Christian People’s Union, the Go Forward, Ukraine! Party, and the Republican Christian Party. In March 2003, Yushchenko announced a “new political force” would be created that would form the basis for a European-style political party. Yushchenko was elected president in December 2004.

Also gaining seats in parliament in the 2002 elections were: the “For a United Ukraine” bloc, 101; the Communist Party, 67; the United Social-Democratic Party of Ukraine, 24; the Socialist Party of Ukraine, 23; the Yuliya Tymoshenko bloc, 21; the Democratic Party of Ukraine/Democratic Union liberal bloc, 4; the “Unity” bloc, 3; and independents and others held 95 seats.

On 8 September 2005, the government led by Yuliya Tymoshenko was ousted by Yushchenko after allegations of corruption made their way into the media.

Parliamentary elections were held on 26 March 2006. Yanukovich’s Party of Regions won the most seats, taking 186 of 450 (32.1%). Tymoshenko’s Bloc won 129 seats (22.3%); Our Ukraine, 81 seats (13.9%); the Socialist Party of Ukraine 33 seats (5.7%); and the Communist Party of Ukraine 21 seats (3.7%). The next parliamentary elections were scheduled for March 2011.

## <sup>15</sup>LOCAL GOVERNMENT

Ukraine is divided into 24 administrative regions (oblasts) plus the autonomous Republic of Crimea. In addition, the cities of Kiev, the capital of Ukraine, and Sevastopol, capital of Crimea, enjoy oblast status. The oblast is divided into districts, each of which has a representative in the Rada (Supreme Council).

A strong secessionist movement has risen up in Crimea. In a nonbinding referendum held in 1994, over 78% of the 1.3 million people who voted supported greater autonomy from Ukraine. In

1995 Ukraine’s parliament and President Leonid Kuchma moved to contain secessionist elements in the region. Kuchma temporarily took direct control over the area and afterward decreed that he must approve all candidates for premier of the region. The Crimea adopted a new constitution in 1999 providing for additional budgetary autonomy from the rest of Ukraine.

In spite of the election of the reform-oriented Yushchenko in 2004, Ukrainian local government officials complained that budget expenditures were still done in a centralized and inefficient fashion. On 13 September 2005 the Constitutional Court of Ukraine enforced a series of constitutional amendments that shift most of the presidential clout to the parliament. The new laws came in effect on 1 January 2006 and were expected to give more power to local governments.

## <sup>16</sup>JUDICIAL SYSTEM

The court system, until 2001, remained similar to that which existed under the former Soviet regime. In July 2001, a series of laws were passed designed to bring existing legislation regarding the judiciary and the administration of justice more in line with the requirements for an independent judiciary. The three levels of courts are rayon (also known as regional or people’s courts), oblast (provincial) courts, and the Supreme Court. All three levels serve as courts of first instance, the choice of level varying with the severity of the crime. A case heard in first instance at the rayon level can be appealed through the next two higher stages. A case heard in first instance in the Supreme Court is not subject to appeal or review. A 1992 law added a Constitutional Court to the existing system. The Constitutional Court consists of 19 members appointed for nine-year terms. It is the final interpreter of legislation and the constitution, and it determines the constitutionality of legislation, presidential edicts, cabinet acts, and acts of the Crimean autonomous republic.

The Rada (Supreme Council) selects judges on recommendation from the Ministry of Justice based partly upon government test results. Oblast and Supreme Court judges must have five years of experience in order to be appointed and may not be members of political parties.

A new constitution, adopted in 1996, and amended in 2004, provides that the judiciary is funded separately from the Ministry of Justice to ensure an independent judiciary. Because the courts are funded by the Ministry of Justice, however, they have been subject to executive influence, and have suffered from corruption and inefficiency.

## <sup>17</sup>ARMED FORCES

Ukraine was able to quickly organize an impressive national army, in part because it had always been an important contributor to the Soviet armed forces. In 2005 Ukrainian armed forces numbered 187,600 active personnel with 1,000,000 reservists. Ground forces (Army) numbered 125,000 and was organized into three commands and a number of specialized brigades and regiments of artillery, special forces, air defense, rocket and missile, and attack helicopter units. It was equipped with 3,784 main battle tanks, 600 reconnaissance vehicles, 3,043 armored infantry fighting vehicles, 8,492 armored personnel carriers, and 3,705 artillery pieces. The Air Force and Air Defense Force had a combined total of 49,100 active personnel, that operated 444 combat capable aircraft, in-

cluding 26 bombers, 280 fighters, and 187 fighter ground attack aircraft. The Air Defense force was outfitted with 825 surface-to-air missile batteries. The Navy numbered 13,500 personnel. Major naval units included one tactical submarine, one frigate, three corvettes, and five patrol/coastal vessels. A cruiser and another frigate are listed as nonoperational. The Navy's aviation arm had up to 2,500 active personnel. Equipment included 11 fixed wing and 72 rotary wing antisubmarine warfare aircraft. The Navy also had a single brigade of 3,000 naval infantry personnel.

Of greatest international concern has been the fate of the ICBMs and strategic bombers on Ukrainian soil, which are supposed to return to Russia for dismantling. As of 2000, the number of ICBMs had been reduced from 174 to 44. As of 2005 the number of strategic bombers had been cut to 26.

Paramilitary forces included an estimated 39,900 internal security troops, 45,000 border guards, 14,000 coast guard personnel, and more than 9,500 civil defense troops. The Ukraine participated in missions in eight foreign countries or regions. The defense budget for 2005 was \$1.09 billion.

## 18 INTERNATIONAL COOPERATION

Ukraine became a member of the United Nations on 24 October 1945; the country is part of the ECE and several nonregional specialized agencies, such as the IAEA, the FAO, the World Bank, UNCTAD, UNESCO, UNIDO, and the WHO. It is a member of the Commonwealth of Independent States (CIS), the Council of Europe, the Black Sea Economic Cooperation Zone, the Euro-Atlantic Partnership Council, the European Bank for Reconstruction and Development, and the OSCE. The nation has observer status in the WTO, the OAS, and the Nonaligned Movement. In 2001, Georgia, Uzbekistan, Ukraine, Azerbaijan, and Moldova formed a social and economic development union known as GUAAM. Uzbekistan withdrew from the partnership in 2005.

Ukraine is an active member of the NATO Partnership for Peace. The government has supported UN missions and operations in Kosovo (est. 1999), Lebanon (est. 1978), Ethiopia and Eritrea (est. 2000), Liberia (est. 2003), Sierra Leone (est. 1999), Georgia (est. 1993), and the DROC (est. 1999). Ukraine is a member of the Zangger Committee and the Nuclear Suppliers Group (London Group).

In environmental cooperation, Ukraine is part of the Basel Convention, the Conventions on Biological Diversity and Air Pollution, Ramsar, CITES, the London Convention, the Kyoto Protocol, the Montréal Protocol, MARPOL, and the UN Conventions on the Law of the Sea and Climate Change.

## 19 ECONOMY

Ukraine was central to the Soviet agricultural and industrial system. The rich agricultural land of this region (commonly called the "breadbasket" of the former Soviet Union) provided 46% of Soviet agricultural output in the 1980s, and also accounted for 25% of the USSR's coal production. Ukraine's economic base is dominated by industry, which accounts for over 45% of GDP (2005 est.). However, agriculture continues to play a major role in the economy, representing about 18% of GDP.

Real GDP declined 3% in 1990, 11% in 1991, and an estimated 15% in 1992. Recovery in 1997 was cut short by the effects of the Russian financial crisis of 1998. Real GDP fell -1.7% in 1998

and -0.2% in 1999. However, the economy has registered strong positive growth since 2000—5.9% in 2000; 9.1% in 2001, and a projected 5% in 2002—despite the global slowdown beginning in 2001. Official unemployment since 1999 has averaged about 4.2%. Inflation, averaging 21.67% 1998 to 2000, was reduced to a single-digit rate (6%) in 2001, and reached 0.8% in 2002. Although still high, this is a marked improvement over the 400% hyperinflation that plagued the country in 1994. In response to the hyperinflation, the government introduced a new currency and instituted mass privatization in 1995. Yet the country remained plagued by a slow economic decline. A new civil code adopted by parliament in 1997 was expected to stabilize the country's business climate. Economic recovery beginning in 2000 is attributable to a number of factors: double-digit growth in industrial output in 2001; a good grain harvest resulting from good weather and reduced governmental controls; improved export competitiveness from the depreciation of the currency in 1998–99; the clearance of many wage and pension arrears; increased domestic demand as a result of wage and pension increases granted in 2000 and 2001; considerable idle capacity; and the expansion of export markets.

This economic expansion continued in the following years, with GDP growth rates of 5.2% in 2002, 9.6% in 2003, and an astonishing 12.1% in 2004; the economy was expected to grow by 6.0% in 2005. Inflation started growing again after 2002, reaching 12% in 2004, and being expected to reach 14.0% in 2005. The unemployment rate remained fairly stable, hovering around 3.5%.

Ukraine's economic dynamism was driven mainly by exports. The most effective growth engines in 2003–04 were manufactured goods, construction, oil and gas transport, services, private consumption, and government spending. The end of 2004 saw a hampering of this trend as three rounds of presidential elections and weeks of protesting throughout the country (the Orange Revolution), took their toll on the Ukrainian economy. The newly elected president has openly stated that Ukraine will take a clear course towards an open market economy, and that the mid-term goal is EU integration. His reign, although plagued by corruption and government inefficiency, promises great potential for the future.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 Ukraine's gross domestic product (GDP) was estimated at \$340.4 billion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$7,200. The annual growth rate of GDP was estimated at 4.4%. The average inflation rate in 2005 was 13.9%. It was estimated that agriculture accounted for 18.5% of GDP, industry 45.2%, and services 36.1%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$330 million or about \$7 per capita and accounted for approximately 0.7% of GDP. Foreign aid receipts amounted to \$323 million or about \$7 per capita and accounted for approximately 0.7% of the gross national income (GNI).

The World Bank reports that in 2003 household consumption in Ukraine totaled \$28.07 billion or about \$580 per capita based on a GDP of \$50.1 billion, measured in current dollars rather than PPP. Household consumption includes expenditures of individ-



uals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption fell at an average annual rate of -3.6%. In 2001 it was estimated that approximately 34% of household consumption was spent on food, 16% on fuel, 6% on health care, and 4% on education. It was estimated that in 2003 about 29% of the population had incomes below the poverty line.

## 2<sup>1</sup> LABOR

As of 2005, the Ukraine's labor force totaled an estimated 20.46 million persons. In 2003, the services sector accounted for 51.2% of the workforce, with 29.9% in industry and 18.9% in agriculture. For the year 2005, Ukraine's official unemployment rate was 3.8%. However, the International Labor Organization had calculated that the country's actual unemployment rate was around 9–10%, due to the large number of workers that were either underemployed or not registered as unemployed.

In November 1992, the official Soviet-era unions were renamed the Federation of Trade Unions (FPU), which began then to operate independently from the government. Since 1992, many independent unions have been formed, providing an alternative to the official unions in most sectors of the economy. As of 2002, estimates of independent union membership was estimated to be three million. Membership in the FPU was thought to be 14 million. The right to strike is protected, except for the military, police, and continuing process plants.

The minimum employment age is 17, although children aged 15 to 17 can be employed by businesses with governmental permission. However, child labor remains a problem. In 2002, the minimum wage was \$22 per month, which was significantly below the cost of living. The maximum workweek is set at 40 hours; the law also provides for a minimum of 24 days of vacation per year. Ukraine's laws set forth occupational health and safety standards but these are frequently ignored in practice and are not sufficiently enforced by the government.

## 2<sup>2</sup> AGRICULTURE

About 57% of the total land area is arable, with another 14% utilized as permanent pasture land. Agriculture accounted for 14% of GDP in 2003. As in other former Soviet republics, total agricultural production dramatically declined after 1990. The average annual decline during 1990–2000 was 5.8%. By 1999, the agricultural sector was only producing 47% as much as it had during 1989–91. However, during 2002–04, crop production was 12.8% higher than during 1999–2001. Production amounts in 2004 included (in 1,000 tons): sugar beets, 16,502; potatoes, 20,755; wheat, 17,517; fruit, 2,131; sunflower seeds, 3,050; cabbage, 1,559; grapes, 500; raspberries, 20; rapeseed, 148; soybeans, 363; and tobacco, 4.

Ukraine's steppe region in the south is possibly the most fertile region in the world. Ukraine's famous humus-rich black soil accounts for one-third of the world's black soil and holds great potential for agricultural production. However, the soil is rapidly losing its fertility due to improper land and crop management. Ukraine typically produced over half of the sugar beets and one-fifth of all grains grown for the former USSR. In addition, two of the largest vegetable-oil research centers in the world are at Odesa and Zaporizhzhya. Agroindustry accounts for one-third of ag-

ricultural employment. To some extent, however, agroindustrial development has been hampered by the deteriorating environment as well as a shortage of investment funds due to the aftermath of the nuclear power plant disaster at Chernobyl. According to estimates, nearly 60,000 hectares (148,250 acres) of arable land in the Chernobyl vicinity are now unavailable for cultivation. Out of 33 million hectares (81.5 million acres) of total arable land, more than 17 million hectares (42 million acres) are depleted, 10 million hectares (24.7 million acres) are eroded, and another 10 million have excessive acidity. Furthermore, 17% of arable land is located in areas where there is risk of drought.

## 2<sup>3</sup> ANIMAL HUSBANDRY

Just under 14% of Ukraine's total land area is composed of permanent pasture land. As of 2005, there were 6.9 million head of cattle, 6.5 million pigs, 875,000 sheep, 894,000 goats, 120 million chickens, and 20 million ducks. Horses, turkeys, goats, and rabbits are also bred and raised. Between 1990 and 2000, livestock production declined by 50%. Lack of finances for buying fuel pushed farmers in the public sector to sell their cattle abroad, mostly to Asian buyers. During 2002–04, livestock production was up 7.2% from 1999–2001. In 2005, meat production included: beef, 556,000 tons (down from 1,986,000 tons in 1990); pork, 510,000 tons (1,576,000 tons in 1990); and poultry, 470,000 tons (708,000 tons in 1990). There are several factors involved with Ukraine's declining meat production: decentralization of meat processing, with greater use of processing facilities at the farms; lack of cheap credits to buy animals; and antiquated meat processing equipment. Milk and egg production in 2005 amounted to 14.3 million tons and 726,000 tons, respectively. In 2004, exports of meat and meat products were valued at \$191.8 million; milk, dairy, and eggs, \$438.5 million. In 2005, Ukraine produced 60,500 tons of honey, fifth highest in the world.

## 2<sup>4</sup> FISHING

Fishing occurs mainly on the Black Sea. In 2003, the total catch came to 248,198 tons, reflecting diminished landings since the 1990 catch of 1,048,360 tons. Mackerel and sardines together accounted for 22% of the 2003 catch. Exports of fish and fish products amounted to \$17.6 million in 2003. Ukrainian fish consumption per capita amounts to 12.8 kg (28.2 lb) per year—less than half that of western Europe (24.2 kg/53.2 lb).

## 2<sup>5</sup> FORESTRY

About 16.5% of the total area was forest in 2000. While the radioactive contamination of forestland from the 1986 Chernobyl disaster is well-known, there is also widespread land, water, and air pollution from toxic wastes, which has also adversely affected timberlands. Forestry production in 2004 included: roundwood, 4.8 million cu m (169 million cu ft); wood-based panels, 1,308,000 cu m (46.2 million cu ft); wood pulp, 27,000 tons; and paper and paperboard, 701,000 tons.

## 2<sup>6</sup> MINING

Ukraine is one of the world's leading producers of iron ore, as well as a major world producer of ferroalloys, ilmenite, steel, and manganese ore (with 75% of the former Soviet Union's reserves). The mining and metallurgical industry employed 500,000 persons;

270,000 worked in ironmaking, steelmaking, and ferroalloys enterprises. In 2002, over 60% by value of Ukraine's \$18 billion in exports came from the "mineral products" category. Ferrous and nonferrous metals were Ukraine's top export commodities in 2002. Fuel and petroleum products were the country's second-leading export commodities.

Production outputs for 2002 included: marketable iron ore (gross weight), 58.9 million metric tons; manganese, mined in the Nikopol' and Bol'shoy Tokmak basins (metal content), 940,000 metric tons; rock salt, 2.3 million metric tons (estimated); and potash (at the Stebnik and Kalush mines), 60,000 metric tons. In addition, Ukraine produced alumina, mercury, titanium (ilmenite and rutile concentrates), zirconium (the FSU's only ore producer), cement, clays (bentonite and kaolin), graphite, nitrogen, and sulfur (from the Rozdol and Yavoriv deposits). Iron ore production, concentrated at seven mining and beneficiation complexes in the Krivyy Rih (Krivoy Rog) Basin, and at the Poltavskiy complex, fell by 50% from 1990 through 1995. Explored iron ore reserves totaled 33 billion tons, including 28 billion tons of industrial reserves; total capacity was 108.5 million tons per year. Manganese reserves totaled 2.2 billion tons, and annual capacity was 6 million tons. No antimony, cadmium lead, nickel, tin, zinc, zircon, dolomite, limestone fluxes, quartz, soda ash, talc, or uranium was mined in the past several years, the Ukraine having sharply reduced or ceased producing a number of these commodities as a result of the large reduction in demand following the breakup of the Soviet Union.

At the end of the 1980s, Ukraine mined 5% of the world's output of mineral products. After the breakup of the Soviet Union, production fell precipitously, and recovery of the mining sector was considered critical for the country's economic recovery. A 1999 law provided tax benefits for mining and metal industry firms for two and a half years. By 2000, the privatization of small-scale enterprises was virtually completed. The mining industry was a major source of waste, having accumulated 30 billion tons of mineral wastes.

## 27 ENERGY AND POWER

Ukraine has only modest reserves of oil and natural gas, but more robust reserves of coal.

As of 1 January 2004, Ukraine had proven oil reserves estimated at 395 million barrels, according to the Oil and Gas Journal. In 2003 and 2004, oil production was estimated at 86,800 barrels per day and 86,000 barrels per day, respectively. However, consumption outstripped output for both years. In 2003, demand for oil averaged an estimated 415,000 barrels per day, and at an estimated 422,000 barrels per day in 2004. Net imports of oil in 2003 were estimated at 328,200 barrels per day, and at an estimated 336,000 barrels per day in 2004. Imports in 2003 accounted for around 80% of demand, most of which came from Russia. Most of Ukraine's oil reserves are located in the eastern Dnieper-Donetsk basin.

Ukraine's six oil refineries have a combined crude oil refining capacity estimated as of 1 January 2004 at 1.05 million barrels per day. However, domestic consumption of refined oil products is just over 30% of capacity, and have even had problems securing enough crude oil to supply the country's needs.

Ukraine, as of 1 January 2004, had proven natural gas reserves estimated at 39.6 trillion cu ft, according to the Oil and Gas Jour-

nal. In 2003, natural gas production was estimated at 0.69 trillion cu ft, with consumption that year estimated at 3.03 trillion cu ft. As a result, Ukraine has had to resort to imports to make up the difference. In 2003, net imports of natural gas were estimated at 2.34 trillion cu ft. Turkmenistan has become its primary source for natural gas imports, following an agreement signed in 2001 that calls for 8.8 trillion cu ft per year to be provided from 2002 to 2006.

In 2004, Ukraine had coal reserves estimated at 37.6 billion short tons, of which 17.9 billion short tons consisted of anthracite and bituminous coal, and 19.7 billion short tons consisted of sub-bituminous coal and lignite. In 2003, coal production was estimated at 63.5 million short tons. However, demand for coal that year totaled 67 billion short tons, making Ukraine a net importer of coal. Most of the country's coal comes from the eastern region in the Donetsk/Donbas basin.

Ukraine's electric power generating capacity in 2002 totaled 52.811 million kW, of which conventional thermal plants accounted for 36.241 million kW of capacity, and nuclear power 11.835 million kW. Hydroelectric capacity in that year accounted for 4.731 million kW of capacity and geothermal/other 0.004 million kW. Electric power output in 2002 totaled 163.870 billion kWh, of which conventional thermal fueled plants provided 80.777 billion kWh, followed by nuclear plants with 73.380 billion kWh, hydroelectric with 9.691 billion kWh, and geothermal/other with 0.022 billion kWh. In 2003, electric power output rose to an estimated 177 billion kWh. Demand for electricity in 2002 totaled 149.284 billion kWh. In 2003, consumption rose to an estimated 156 billion kWh. As of January 2005, Ukraine had four nuclear power plants in operation, providing 40% of the country's electric power.

## 28 INDUSTRY

Ukraine, with strong scientific and technological sectors, is a major producer of heavy machinery and industrial equipment for sectors including mining, steelmaking, and chemicals. Significant products also include nonnumerically controlled machine tools, large electrical transformers, and agricultural machinery. Ukraine's industries are important suppliers of products—including automobiles, clothing, foodstuffs, timber, and paper—to other former Soviet republics. Ukraine also retains much of the industry associated with the space program of the former USSR. Industry accounted for 40% of GDP in 2000, and the industrial production growth rate for 2001 was 14.2%. Industrial sectors slated for growth in the early 2000s were food processing and packing, textiles, woodworking, furniture and building materials, automotive parts, pharmaceuticals, medical equipment, and aerospace. The construction sector experienced growth during that period; construction spending grew by 9% in the first quarter of 2001. Ukraine produced 31,824 automobiles in 2001, and 1,417 heavy trucks in 2000, a 74% increase over 1999.

In 2004, the representation of industry in the GDP grew to 45.1%, while its representation in the labor force was 32%; agriculture made up 18% of the economy and 24% of the labor force, while services came in second with a 36.9% representation in the GDP and 44% in the labor force. The industrial production growth rate was 16.5% in 2004, with the fastest growing industries being: machine building (which registered a 30.7% growth as op-

posed to the previous year), construction (23.8%), wood processing, paper and printing (26%), processing industry (15.5%), and light industry (14%).

## 29 SCIENCE AND TECHNOLOGY

The Ukrainian Academy of Sciences, founded in 1919, has sections of physical engineering and mathematical sciences, and chemical engineering and biological sciences; it has 66 scientific and technical research institutes attached to it. The Ukrainian Academy of Agrarian Sciences has 13 research institutes, and the Ukrainian Academy of Medical Sciences has six research institutes. All three academies are headquartered in Kiev. A botanical museum is located in Kiev. Ukraine has 92 universities, polytechnics, and institutes that offer courses in basic and applied sciences. In 1987–97, science and engineering students accounted for 42% of university enrollment. In 2002, research and development (R&D) expenditures totaled \$2,805.687 million, or 1.18% of GDP. Of that amount, government provided the largest portion at 37.4%, followed by the business sector at 33.4%, foreign sources at 26.2%, higher education and private nonprofit organizations at 0.4% each, with 2.3% listed as undistributed. In that same year, there were 1,749 scientists and engineers, and 456 technicians engaged in R&D per million people. High technology exports in 2002 were valued at \$572 million, accounting for 5% of the country's manufactured exports.

## 30 DOMESTIC TRADE

As of 2002, nearly all of the previously state-owned retail establishments have been privatized. Chain stores, supermarkets, and brand-name specialty stores, many of which are owned by Ukrainians, have become more common in major cities. Department stores, smaller grocery and specialty stores, and bazaars are more common since prices at these establishments are more in line with lower and middle-class spending capabilities. About 40–60% of consumer goods are domestically produced. There are some successful foreign franchises, but the practice of franchising has not become widespread. A value-added tax of 20% applies to most goods and services.

## 31 FOREIGN TRADE

Ukraine exports products to 140 countries of the world. Its main export products are ferrous metals and metal products, engines, transport and mechanical equipment, chemicals, and vehicles. Top import items include mineral products, automobiles, transportation equipment, chemicals, and textiles. Ukraine relies heavily on trade, particularly with the other former Soviet republics, although not nearly as much as it had before the breakup. Inter-republic trade accounted for 73% of its total imports in 1988 and 85% of its total exports. In 1991, imports from the other republics equaled 26% of GDP and exports to them amounted to 25% of GDP. However, trade with former USSR states has since rebounded, with Ukraine taking in 59% of its imports from them and selling 33% of its exports to them in 2000.

In 1991/92, inter-republic trade contracted severely, partly due to a breakdown in payment mechanisms, and trade with other countries dropped as well. Much of Ukraine's foreign trade has been carried out in the context of intergovernmental agreements. However, the government has since stabilized its foreign trade. In

### Principal Trading Partners – Ukraine (2002)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	17,927.4	16,975.9	951.5
Russia	3,148.7	6,299.1	-3,150.4
Turkey	1,235.1	195.3	1,039.8
Italy-San Marino-Holy See	839.3	460.4	378.9
Germany	735.7	1,627.0	-891.3
China	667.1	258.8	408.3
United Kingdom	531.8	259.0	272.8
Hungary	525.1	188.8	336.3
United States	505.0	464.0	41.0
Poland	505.0	536.7	-31.7
Spain	373.0	101.8	271.2

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

2000, total imports were valued at \$14 billion, and total exports at \$14.6 billion. Ukraine trades heavily with the other former Soviet republics, and since 1993 has had extensive trade ties with China.

In 2004, exports totaled \$32.9 billion and imports \$31.4 billion, making Ukraine one of the few countries in the region with a positive trade balance. Export commodities include ferrous and non-ferrous metals, fuel and petroleum products, chemicals, machinery and transport equipment, and food products. The main export partners were Russia (where 18% of all exports went), Germany (5.8%), Turkey (5.7%), Italy (5%), and the United States (4.6%). Imports included energy, chemicals, machinery and equipment, and they mainly came from Russia (41.8%), Germany (9.6%), and Turkmenistan (6.7%). The current account balance in 2004 was \$4.6 billion.

### Balance of Payments – Ukraine (2003)

(In millions of US dollars)

<b>Current Account</b>		<b>2,891.0</b>
Balance on goods		-269.0
Imports	-24,008.0	
Exports	23,739.0	
Balance on services		1,557.0
Balance on income		-581.0
Current transfers		2,184.0
<b>Capital Account</b>		<b>-17.0</b>
<b>Financial Account</b>		<b>264.0</b>
Direct investment abroad		-13.0
Direct investment in Ukraine		1,424.0
Portfolio investment assets		1.0
Portfolio investment liabilities		-923.0
Financial derivatives		...
Other investment assets		-940.0
Other investment liabilities		715.0
<b>Net Errors and Omissions</b>		<b>-965.0</b>
<b>Reserves and Related Items</b>		<b>-2,173.0</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

### 3<sup>2</sup> BALANCE OF PAYMENTS

The financial crisis of 1998 caused a large outflow of capital, and reserves fell to less than a third of their level in 1997. Due to a major exchange rate adjustment that made Ukrainian products more competitive in both external and internal markets, reserves recovered somewhat in 1999. From June 2000 to July 2001, reserves increased dramatically, back to pre-1998 levels. This growth is surprising in light of the fact that the country has received almost no external funding since 1998, when foreign investors began avoiding Ukraine. Following the 1998 devaluation of the hryvnia, trade surpluses drove the growth in reserves, and the balance of payments situation improved. Reserve growth also improved due to Ukraine's default on its sovereign debt. As of the early 2000s, Ukraine's balance of payments position was expected to be heavily influenced by its trade with Russia.

The US Central Intelligence Agency (CIA) reported that in 2001 the purchasing power parity of Ukraine's exports was \$17.3 billion while imports totaled \$17.1 billion resulting in a trade surplus of \$200 million. The International Monetary Fund (IMF) reported that in 2001 Ukraine had exports of goods totaling \$17.1 billion and imports totaling \$16.9 billion. The services credit totaled \$4 billion and debit \$3.58 billion.

The exports of good and services increased steadily, growing from \$28.9 billion in 2003, to 39.7 billion in 2004. At the same time, exports managed to stay above the level of imports, establishing Ukraine as one of the few export driven economies in the region. Imports of goods and services totaled 27.6 billion in 2003, and 34.8 billion in 2004, giving Ukraine a positive resource balance in both years: 1.3 billion and 4.9 billion respectively. Its reserves (including gold) grew from 6.9 billion in 2003 to 9.5 billion in 2004, covering almost four months of imports.

### 3<sup>3</sup> BANKING AND SECURITIES

The National Bank of Ukraine (NBU) is the country's national bank and was established in June 1991. It has since assumed the function of a central bank. The commercial banking sector is dominated by the big five banks of Prominvest Bank, Ukrania, Ukreximbank, Eximbank and Oshadbank. Of these, Ukreximbank and Oshadbank remain state controlled. As of 2001, Ukraine had 195 banks, but of these, only 153 remained in operation. Of these banks, approximately a quarter have foreign exchange licenses, and one-third are members of the Ukrainian Interbank Currency Exchange. It is generally acknowledged that Ukraine has too many banks and that there will be numerous mergers and failures in the coming years. In 1995 alone more than 20 banks went out of business, almost 80 changed ownership, and only eight new banks entered the market. Foreign banks, however, have been slow to enter the market.

The NBU implements monetary control through reserve requirements and the interest rates it charges banks on funds transferred from the state savings bank. Before November 1992, the NBU was able to obtain additional rubles by running a surplus on transactions with other republics in the ruble zone. However, with inflation accelerating since early 1991, the supply of rubles proved insufficient to meet the economy's needs, and Ukraine consequently resorted to the use of coupons. The resulting rise in

inflation was the main factor behind Ukraine's enforced departure from the ruble zone in November 1992.

The International Monetary Fund reports that in 2001, currency and demand deposits—an aggregate commonly known as M1—were equal to \$5.5 billion. In that same year, M2—an aggregate equal to M1 plus savings deposits, small time deposits, and money market mutual funds—was \$8.4 billion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 16.57%. The discount rate, the interest rate at which the central bank lends to financial institutions in the short term, was 12.5%.

The Law on Securities and the Stock Exchange came into effect in January 1992. There are seven stock exchanges and seven commodities exchanges, although these are more like the auction houses that sprang up after the collapse of the Soviet Union in 1991 as conduits for goods rather than the securities exchanges found in the West. Capital markets are undeveloped even by the standards of countries such as Russia. The Ukrainian Stock Exchange (USE), established in 1992, acts to coordinate primary and secondary market trading of Ukrainian securities. In 2001, the exchange had 131 companies listed and total market capitalization of \$1.4 billion. Trading value was \$226 million, with a turnover ratio of 13.9%. As of 2004, there were 155 companies listed with the country's First Securities Trading System (PFTS), which had a market capitalization of \$11.778 billion. Trading value in that year totaled \$201 million, with a turnover ratio of 2.5%.

### 3<sup>4</sup> INSURANCE

Among the insurance companies operating in Ukraine in 1997 were: Asko-Kiev Central Insurance Co.; Factotum Joint-Stock Insurance Co., First International Insurance Group; Ometa-Instert Joint-Stock Insurance Co.; Skide Insurance Co.; and Slavia. Beginning in August 1998, the Ukrainian government required that foreign visitors purchase mandatory "emergency medical insurance" from the Ukrainian State Insurance Company. In addition, personal accident insurance is required for all passengers on public transportation. Foreign shareholders in insurance companies may not exceed 49%. In 2003, the value of all direct insurance premiums written totaled \$1.712 billion, of which nonlife premiums accounted for \$1.699 billion. In that same year, Lemma was the top nonlife insurer, with gross written nonlife premiums for direct business only of \$124.8 million, while Grawe Ukraina was the country's leading life insurer, with gross written life insurance premiums of \$4.8 million.

### 3<sup>5</sup> PUBLIC FINANCE

Ukraine has displayed positive growth in recent years, but long term growth will require certain market reforms. The economy is burdened by excessive government regulation, and major sectors such as energy and telecommunications remain to be privatized. Corporate governance is weak, and corruption is rampant. In the early 2000s, the government sought ways to reform the tax code to eliminate corruption and legitimize economic activity. Ukraine receives aid from the IMF, although the relationship between those two entities has not always been successful; Ukraine has had problems adhering to IMF monetary conditions.

The US Central Intelligence Agency (CIA) estimated that in 2005 Ukraine's central government took in revenues of approxi-

**Public Finance – Ukraine (2002)**

(In millions of hryvnias, central government figures)

<b>Revenue and Grants</b>		
Revenue and Grants	<b>69,252</b>	<b>100.0%</b>
Tax revenue	31,646	45.7%
Social contributions	24,083	34.8%
Grants	3,269	4.7%
Other revenue	10,254	14.8%
<b>Expenditures</b>		
Expenditures	<b>69,028</b>	<b>100.0%</b>
General public services	15,704	22.8%
Defense	3,536	5.1%
Public order and safety	4,677	6.8%
Economic affairs	6,671	9.7%
Environmental protection	...	...
Housing and community amenities	36	0.1%
Health	2,158	3.1%
Recreational, culture, and religion	433	0.6%
Education	4,981	7.2%
Social protection	30,832	44.7%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

mately \$22.9 billion and had expenditures of \$24.4 billion. Revenues minus expenditures totaled approximately -\$1.5 billion. Public debt in 2005 amounted to 20.5% of GDP. Total external debt was \$33.93 billion.

The International Monetary Fund (IMF) reported that in 2002, the most recent year for which it had data, central government revenues were HRN69,252 million and expenditures were HRN69,028 million. The value of revenues was us\$13,001 million and expenditures us\$12,959 million, based on an exchange rate for 2002 of us\$1 = HRN5.3266 as reported by the IMF. Government outlays by function were as follows: general public services, 22.8%; defense, 5.1%; public order and safety, 6.8%; economic affairs, 9.7%; housing and community amenities, 0.1%; health, 3.1%; recreation, culture, and religion, 0.6%; education, 7.2%; and social protection, 44.7%.

**36 TAXATION**

In 1997/98 Ukraine reformed its tax system. As of 2005, the standard corporate tax rate was 25%, although preferential regimes are available for special economic zones. Capital gains for companies are taxed at the corporate rate. Withholding taxes on income from royalties and interest is 15%. Companies distributing dividends to residents and nonresidents are required to pay a 25% advance tax on the dividends. The tax can then be credited against the company's profits.

Personal income is taxed at a flat 13% rate. Capital gains received by individuals are subject to a 13% withholding tax. Dividends received by resident and nonresident individuals are subject to a 15% withholding tax.

The Ukraine's main indirect tax is its value-added tax (VAT), with a standard rate of 20%. A 0% VAT rate applies to exports and international transportation services. Some medicines, baby food, educational, medical and insurance services, and the sale of land are also exempt.

**37 CUSTOMS AND DUTIES**

Import licenses are required for all foreign trade activities in Ukraine. Ukraine has signed trade agreements with the United States, Russia, Iran, Turkmenistan, the United Arab Emirates, and several other former Soviet republics. As of 2002, tariffs on imports range from 0–20%, with the tariff on automobiles being the highest. Preferential tariffs are given to developing countries and privileged tariffs are given to countries that have trade agreements with Ukraine. Other duties include a 20% VAT and excise taxes (up to 300%). In 2000, the number of categories of goods eligible for excise tax was reduced from 20 to five: alcohol, automobiles, jewelry, oil products, and tobacco.

**38 FOREIGN INVESTMENT**

Among the transitional economies of Eastern Europe, nowhere has the gap between economic potential and economic performance been wider than in the Ukraine, and nowhere has the gap been more glaring than in the foreign investment statistics. By 2000, total foreign direct investment (FDI) in the Ukraine was still less than \$4 billion, compared with \$40 billion that had flowed into Poland and \$20 billion into Hungary during the same period.

Independence was first greeted by a rush of inward investment. In 1991, the number of joint ventures operating in Ukraine rose from 76 in October 1990 to 189 in October 1991. Following the enactment in March 1992 of a more favorable foreign investment law, joint ventures jumped to 1,400 early in 1993. Most of these ventures were in industry, with a few engaged in foreign trade. The government's 1993 economic plan included tax incentives and other benefits for investors in specific areas including agro-industrial enterprises, energy, and production of consumer goods. However, by 1996 and 1997, rampant official graft and corruption were crippling foreign investment. Several significant multinational corporations withdrew from Ukraine after government decrees were issued that steered business to state-owned firms in which government officials were stakeholders. This action occurred despite the Foreign Investment Law of 1996, which purported to put foreign investors on an equal footing with Ukrainian nationals, and President Kuchma's pledge to battle corruption. The government had declared a need for \$40 billion in foreign investment, but only \$2.8 billion was invested between 1992 and 1998.

In 1997 the law "On Special (Free) Economic Zones" was adopted, establishing three types of special investment zones: free economic zones (FEZs), territories with a special investment regime (SEZs), and territories of priority development (TPDs). As of 2002, there were nine TPDs and eleven FEZs and SEZs. In 2002, the special zones attracted investment totaling \$909 million, both domestic and foreign, but pressure has been brought by the IMF to either eliminate the special zones or curb their tax and regulatory exemptions.

Annual foreign direct investment (FDI) inflow peaked at \$747 billion in 1998, up from \$623 billion in 1997, before falling to \$471 billion in 1999 in the wake of the Russian financial crisis. FDI inflow recovered to \$593 billion in 2000, but then fell back to \$531 million in the global economic slowdown of 2001. Contrary to the worldwide trend of reduced FDI flow after the 11 September 2001 terrorist attacks, the Ukraine had its best year since independence, with inflow increasing over 15% to an estimated \$738.7 million in

2002. As of October 2002, total FDI since 1992 amounted to almost \$5 billion.

As of 1 October 2002, according the Ukraine State Statistics Committee, FDI had come from 112 countries. The United States remained the largest source of FDI, with \$843 million or 17% of the total. US-based sources were also probably involved in some of the FDI flows from Cyprus (11% of the total) and the British Virgin Islands (6.4%). The United Kingdom accounted for 9.5% of total FDI in the Ukraine since 1992; the Netherlands, 7.8%; the Russian Federation, 6.5%; Germany, 5%; Switzerland, 4.2%; Austria, 3.9%; and Korea, 3.5%. The remaining 24.2% came from 102 other countries. Per capita FDI stock increased from \$78 at the end of 2000 to \$102 at the beginning of October 2002.

In 2004, Ukraine was a much more attractive market for foreign investments, receiving \$1.4 billion of direct FDI—an increase of 22% from the previous year. Most of this investment went to production machinery and equipment, with food processing, agricultural processing, machine building, coal, oil and gas, and light industry being other important recipients of foreign funds. This growth however was well under the potential of the Ukrainian market, especially if one considers that in the same year, its neighbor, Romania, received over 5 billion in direct FDI. At the end of 2004, the level of foreign investment since 1992 rose to 7.7 billion—ten times as low as the same figure in Poland. Major investors in 2004 included: Cyprus (14.1%), the United States (13.6%), the United Kingdom (10.4%), Germany (7.1%), the Netherlands (6.8%), Virgin Islands (6.1%), Russia (5.5%), Switzerland (4.9%), and Austria (4%).

### 3<sup>9</sup> ECONOMIC DEVELOPMENT

In 1993, Ukraine's parliament tentatively approved a new economic reform plan to stabilize the republic's economy, attract more capital from abroad, and lay the groundwork for a market economy. Measures proposed included stricter monetary and banking regulation, and the elimination of monopolies in industries. A privatization program was underway in sectors including retail trade, services, the food industry, agriculture, and housing.

Since the election of President Kuchma in 1994, the government has implemented a far-reaching economic reform program. Almost all price and trade controls have been abolished in an effort to stabilize the new market economy. Privatization began in earnest in 1995, and a new convertible currency was adopted in 1996. In the 1990s, Ukraine continued to register negative growth. By the end of the 1990s, real gross domestic product (GDP) declined to 40% of its pre-independence level. In late 1998, the International Monetary Fund (IMF) loaned Ukraine another \$2.2 billion after Ukraine promised to introduce more fiscal discipline.

The economy started to grow in 2000; GDP growth in 2002 was over 4.5%. Small- and medium-sized enterprises were privatized by 2002, but the energy and telecommunications sectors had yet to be privatized. The government passed a foreign investment law, but bureaucratic hurdles, poor corporate governance, corruption, and the weak enforcement of contract law by courts all hamper investment. At the end of October 2002, total foreign direct investment into the country amounted to around \$4.9 billion, which was one of the lowest figures in the region. In 2002, land reforms were ongoing, supporting growth in the agricultural sector.

The economy took off in 2003 and 2004, and was deemed one of the most dynamic in Europe (the GDP growth rate in 2004 was 12.1%). The election of Viktor Yushchenko at the end of 2004, and the political turmoil that preceded it, hampered this expansive pulse. The new president stated however that the country is on the right path and that the economy will start booming again. Ukraine boasts a highly qualified work force, cheap labor and competitive costs, a relatively well-developed transportation and communications infrastructure, and a strategic geographic location. In addition, the large market—47 million people—makes it a prime location for foreign investment.

### 4<sup>0</sup> SOCIAL DEVELOPMENT

The social security system provides all employees with old age, disability, and survivor's pensions. The program is funded primarily from employer contributions, with a small contribution from employees and government subsidies as needed. Retirement is normally at age 60 for men and 55 for women, although this is reduced by five years for those engaged in arduous work and mothers with five or more children. There is a dual system of medical benefits. Cash benefits for sickness are provided for employed persons, while a universal medical care system exists for all residents. Maternity benefits of 100% of wages for 70 days before and 56 days after the expected date of childbirth are payable to all employed women. Workers' compensation and unemployment benefits are also provided. Special provisions exist for Chernobyl victims. Family allowances are provided to families with large numbers of children.

The law provides women with the same employment rights as men, although they rarely attain high-level managerial or political positions. Women who are employed mostly work in low-paying jobs or in industries that have trouble paying their employees on time. Help wanted ads often specify gender. Violence against women, domestic abuse, and sexual harassment in the workplace are pervasive.

Human rights violations continue. Harassment of racial minorities and religious intolerance are increasing problems. Anti-Semitic incidents and societal discrimination of ethnic minorities are commonplace. The Roma population is subject to abuse by police and general intolerance by the public. Prisoners are mistreated by authorities and live in substandard conditions. The government interferes with freedom of the press and with the electoral process.

### 4<sup>1</sup> HEALTH

Deterioration of the economy and declining living standards have had a negative impact on birth and mortality rates and women's and children's health standards need much improvement. Although safe water was available to 96.5%, proper sanitation was available to only 70% of the urban population and 8% of the rural population in the mid-1990s. Poor nutrition is another major problem in the Ukraine, and a shortage of basic supplies exacerbates the health care situation.

The country has established 156 independent children's hospitals. Altogether there were a total of 700,000 hospital beds. In addition, there were 6,500 outpatient polyclinical institutions. As of 2004, there were an estimated 297 physicians, 766 nurses, and 39 dentists per 100,000 people.

Infant mortality was reported at 10.11 per 1,000 live births in 2005. Life expectancy was 69.68 years in 2005. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 10 and 16 per 1,000 people. Immunization rates for children up to one year old were: tuberculosis, 95%; diphtheria, pertussis, and tetanus, 96%; polio, 97%; and measles, 97%.

The leading causes of death were cardiovascular and respiratory diseases, cancer, traumas, and accidents. The HIV/AIDS prevalence was 1.40 per 100 adults in 2003. As of 2004, there were approximately 360,000 people living with HIV/AIDS in the country. There were an estimated 20,000 deaths from AIDS in 2003.

The likelihood of dying after age 65 of heart disease in Ukraine was below the average for medium human development as defined by the World Bank. In the mid-1990s, that rate exceeded 300 per 1,000 for men and 295 per 1,000 for women. On the other hand, cancer rates for men were higher. Death after age 65 from cancer was 133 per 1,000 people in the mid-1990s.

## 4<sup>2</sup> HOUSING

Before 1994, most housing and utility costs were covered by the government through a policy which was causing major federal debt. Through an IMF approved program of economic reforms put in place in October 1994, residents were asked to contribute a much greater amount toward their own rent and utilities. Unfortunately, many households were unable to do so. An average three-person household, living in a three-room flat of about 500 sq m (5,381.96 sq ft) was charged expenses of about \$30 per month. The average monthly income of such a family was \$50. In 1995, the government put in place a subsidy program to assist low-income families in meeting rising housing costs, but funding for housing continues to be a problem.

At the 2001 census, there were 18,200,567 households counted representing 47,726,518 people. About 44% of all households lived in individual houses; another 44.6% lived in a separate apartment unit. The average amount of living space was 14 sq m (150.69 sq ft) per person.

## 4<sup>3</sup> EDUCATION

Most schools are state run. Education is compulsory for nine years, with students starting at age six or seven. These first nine years are completed through four years of elementary school and five years of lower secondary school. Students may continue in general secondary schools offering two- or three-year courses of study, or a specialized education secondary program of about three years. Vocational programs of four or five years are also available at the secondary level. While Ukrainian is the most commonly taught language and medium of instruction, other languages, such as Russian, Hungarian, Polish, Moldovan, or Crimean-Tatar, are offered based on the ethnic composition of the particular school district. The academic year runs from September to June.

In 2001, about 52% of children between the ages of three and six were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 84% of age-eligible students. The same year, secondary school enrollment was about 85% of age-eligible students. It is estimated that about 97.6% of all students complete their primary education. The student-to-teacher ratio for primary school was at about 19:1 in 2003; the ratio for secondary school was about 13:1.

There are over 900 colleges, technical schools, vocational schools, universities, and other institutes of higher education. The Kyiv-Mohyla Academy was founded in 1632. Other universities are: Lviv University (1795), Kharkiv University (1804), Taras Shevchenko National University (1834), Odessa University (1868). In 2003, it was estimated that about 62% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate for 2004 was estimated at about 99.4%.

As of 2003, public expenditure on education was estimated at 5.4% of GDP, or 20.3% of total government expenditures.

## 4<sup>4</sup> LIBRARIES AND MUSEUMS

The largest library in the country is the Vernadsky National Library of Ukraine in Kiev, which holds over 15 million items, including the collection of the Presidents of Ukraine, archive copies of Ukrainian printed documents from 1917, and the archives of the National Academy of Sciences of Ukraine. The National Parliamentary Library of Ukraine in Kiev holds 65,000 volumes. Also in Kiev, the National Library of Ukraine for Children has a collection of over 440,000 volumes. Other large collections include the V.G. Korolenko State Scientific Library with 6.7 million volumes and the libraries at Lviv Polytechnic University (3 million), Franko State University in Lviv (2.5 million), Shevchenko Kiev University (2.7 million), and Kiev Polytechnic Institute (2.5 million). There are reported to be about 21,857 public libraries operating in Ukraine with an overall stock of about 336.7 million books.

Kiev has the Kiev State Museum of Russian Art, the Kiev State Museum of Ukrainian Art, the State Historical Museum, the Museum of Cultural Heritage, the National Museum of Medicine, the State Museum of Ukrainian Decorative Folk Art, and the Soros Center for Contemporary Art. There are also several small house museums in Kiev. There is a Museum of Fine Arts in Lugansk. Lviv houses the State Museum of Ethnography and Arts and Crafts and the Literary Museum of Ivan Franko. Odessa is home to the Odessa Museum of Fine Arts, the Museum of Literature, the Naval Museum, the Odessa Museum of Western and Oriental Art, the Odessa Archaeological Museum, and the Pushkin Museum.

## 4<sup>5</sup> MEDIA

In 2003, there were an estimated 216 mainline telephones for every 1,000 people; over 2 million people were on a waiting list for telephone service installation. The same year, there were approximately 136 mobile phones in use for every 1,000 people.

Most broadcast media is state-owned or controlled by political parties or other powerful business interests. In 2004, there were six national television stations. While there are many privately-owned radio and television stations, they are generally heavily influenced by the government and political parties. In 2000, there were 456 television sets for every 1,000 people. In 2003, there were an estimated 889 radios for every 1,000 people. The same year, there were 19 personal computers for every 1,000 people and 19 of every 1,000 people had access to the Internet. There were 53 secure Internet servers in the country in 2004.

Among the leading newspapers (with 2005 daily circulation) are: *Segodnya* (published in Russian, 849,000 circulation), *Fakty I Commentarii* (published in Russian, 761,000 circulation), *Silski Visti* (Ukrainian, 537,000), *Vecherniye Vesti* (Russian, 500,000),

*Ukrayina Moloda* (Ukrainian, 163,000), and *Den* (Russian and Ukrainian, 62,500).

The constitution and a 1991 law provide for free speech and a free press. Criticism of the government is said to be tolerated, though some journalists practice self-censorship because of occasional pressures from the government.

#### 46 ORGANIZATIONS

The Ukraine Chamber of Commerce and the Congress of Business Circles of Ukraine promotes the commercial and business activities of the country to the rest of the world. Many of Ukraine's trade unions belong to the umbrella organization called the Federation of Independent Trade Unions. Professional associations are active in several different fields. There is an active Ukrainian Consumers' Association.

National cultural organizations include the Ukrainian Cultural Educational Organization and Flamenko, which promotes cultural exchange programs. National youth organizations include the Council of Ukrainian Students, the Ukrainian Fund of International Youth Cooperation, Junior Chamber, Ukrainian Girl Guides and Girls Scouts Association, the Compass Club, and YMCA/YWCA. There are several sports associations promoting amateur competition for athletes of all ages.

National social action organizations include the Ukrainian Center for Human Rights, the Ukrainian Environmental Association, the Ukrainian Legal Foundation, Freedom House (advocating the development of democratic institutions), The Children's Fund, and Zhinocha Hromada, an organization focused on encouraging women to be active in economic and community development. International organizations with national chapters include Caritas, UNICEF, Amnesty International, and the Red Cross.

#### 47 TOURISM, TRAVEL, AND RECREATION

Kiev, Ukraine's major cultural center, is known for its beautiful churches and golden-domed cathedrals, although much of its classic architecture was destroyed or obscured by Communist planners in the 1930s. The cathedral of St. Sophia, built in the 11th century, is one of the finest examples of Russo-Byzantine architecture. Another major tourist attraction is the Golden Gate, an 11th-century fortification restored in 1982. Lviv (formerly Lvov) offers architectural sights ranging from late-13th-century Russian to 16th-century Gothic structures.

In 2003, about 12.5 million visitors arrived in Ukraine, over 5 million of whom came from Russia. There were 32,572 hotel rooms with 86,243 beds and an occupancy rate of 30%. Travelers stayed in Ukraine an average of three nights per trip. Tourism expenditure receipts totaled \$1.2 billion. A valid passport is required for all travelers to enter Ukraine. Visas are not required for citizens of Japan, Canada, Switzerland, Liechtenstein, the United States, and the European Union countries, for stays of up to 90 days. To visit the nation, all other travelers need a visa. Medical insurance which covers Ukraine is required for all US citizens.

According to 2005 estimates from the US Department of State, the cost of staying in Kiev was \$271 per day, other areas were less at \$177 per day.

#### 48 FAMOUS UKRAINIANS

Leonid M. Kravchuk and Vitold P. Fokin were respectively the first president and prime minister of Ukraine. Leonid Brezhnev (Dneprodzershinsk, Ukraine, 1906–82) led the Soviet Union from 1966–82. Outstanding representatives of the culture and literature of Ukraine include poet Taras Shevchenko (1814–61) and the Jewish writer Sholom Aleichem (Solomon Rabinowitz, 1859–1916).

#### 49 DEPENDENCIES

Ukraine has no territories or colonies.

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# UNITED KINGDOM

United Kingdom of Great Britain and Northern Ireland



**CAPITAL:** London

**FLAG:** The Union Jack, adopted in 1800, is a combination of the banners of England (St. George's flag: a red cross with extended horizontals on a white field), Scotland (St. Andrew's flag: a white saltire cross on a blue field), and Ireland (St. Patrick's flag: a red saltire cross on a white field). The arms of the saltire crosses do not meet at the center.

**ANTHEM:** *God Save the Queen.*

**MONETARY UNIT:** The pound sterling (£) is a paper currency of 100 pence. Before decimal coinage was introduced on 15 February 1971, the pound had been divided into 20 shillings, each shilling representing 12 pennies (p) or pence; some old-style coins are still in circulation. Under the new system, there are coins of 1, 2, 5, 10, 20, and 50 pence and 1 and 2 pounds, and notes of 5, 10, 20, and 50 pounds. £1 = \$1.85185 (or \$1 = £0.54) as of 2005.

**WEIGHTS AND MEASURES:** Although the traditional imperial system of weights and measures is still in use (sample units: of weight, the stone of 14 pounds equivalent to 6.35 kilograms; of length, the yard equivalent to 0.914 meter; of capacity, a bushel equivalent to 36.37 liters), a changeover to the metric system is in progress.

**HOLIDAYS:** New Year's Day, 1 January; Good Friday; Easter Monday (except Scotland); Late Summer Holiday, last Monday in August or 1st in September (except Scotland); Christmas, 25 December; and Boxing Day, 1st weekday after Christmas. Also observed in Scotland are bank holidays on 2 January and on the 1st Monday in August. Northern Ireland observes St. Patrick's Day, 17 March; and Orangeman's Day, 12 July, commemorating the Battle of the Boyne in 1690.

**TIME:** GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

The United Kingdom is situated off the northwest coast of Europe between the Atlantic Ocean on the N and NW and the North Sea on the E, separated from the Continent by the Strait of Dover and the English Channel, 34 km (21 mi) wide at its narrowest point, and from the Irish Republic by the Irish Sea and St. George's Channel. Its total area of 244,820 sq km (94,526 sq mi) consists of the island of Great Britain—formed by England, 130,439 sq km (50,363 sq mi); Wales, 20,768 sq km (8,018 sq mi); and Scotland, 78,783 sq km (30,418 sq mi)—and Northern Ireland, 14,120 sq km (5,452 sq mi), on the island of Ireland, separated from Great Britain by the North Channel. Comparatively, the area occupied by the United Kingdom is slightly smaller than the state of Oregon.

There are also several island groups and hundreds of small single islands, most of them administratively part of the mainland units. The United Kingdom extends about 965 km (600 mi) N-S and about 485 km (300 mi) E-W. Its total boundary length is 12,789 km (7,947 mi), of which 12,429 km (7,723 mi) is coastline. The Isle of Man, 588 sq km (227 sq mi), and the Channel Islands, comprising Jersey, Guernsey, Alderney, and Sark, with a combined area of 194 sq km (75 sq mi), are not part of the United Kingdom but are dependencies of the crown. The 0° meridian of longitude passes through the old Royal Observatory, located at Greenwich in Greater London. The United Kingdom's capital city, London, is located in the southeast part of Great Britain.

## <sup>2</sup>TOPOGRAPHY

England is divided into the hill regions of the north, west, and southwest and the rolling downs and low plains of the east and southeast. Running from east to west on the extreme north Scottish border are the Cheviot Hills. The Pennine Range runs north and south from the Scottish border to Derbyshire in central England. The rest of the countryside consists mainly of rich agricultural lands, occasional moors, and plains. South of the Pennines lie the Midlands (East and West), a plains region with low, rolling hills and fertile valleys. The eastern coast is low-lying, much of it less than 5 m (15 ft) above sea level; for centuries parts of it have been protected by embankments against inundation from gales and unusually high tides. Little of the south and east rises to higher than 300 m (1,000 ft).

The highest point in England is Scafell Pike (978 m/3,210 ft) in the famed Lake District of the northwest. The longest of the rivers flowing from the central highlands to the sea are the Severn (about 340 km/210 mi) in the west and the Thames (about 320 km/200 mi) in the southeast. Other rivers include the Humber, the Tees, the Tyne, and the Tweed in the east, the Avon and Exe in the south, and the Mersey in the west.

Scotland has three distinct topographical regions: the Northern Highlands, occupying almost the entire northern half of the country and containing the highest point in the British Isles, Ben Nevis (1,343 m/4,406 ft), as well as Loch Ness, site of a fabled "monster"; the Central Lowlands, with an average elevation of about 150 m

(500 ft) and containing the valleys of the Tay, Forth, and Clyde rivers, as well as Loch Lomond, Scotland's largest lake; and the Southern Uplands, rising to their peak at Merrick (843 m/2,766 ft), with moorland cut by many valleys and rivers.

Wales is largely mountainous and bleak, with much of the land suitable only for pasture. The Cambrian Mountains occupy almost the entire area and include Wales's highest point, Mt. Snowdon (1,086 m/3,563 ft). There are narrow coastal plains in the south and west and small lowland areas in the north, including the valley of the Dee.

Northern Ireland consists mainly of low-lying plateaus and hills, generally about 150 to 180 m (500–600 ft) high. The Mourne Mountains in the southeast include Slieve Donard (852 m/2,796 ft), the highest point in Northern Ireland. In a central depression lies Lough Neagh, the largest lake in the United Kingdom.

The United Kingdom's long and rugged coastline, heavily indented, has towering cliffs and headlands and numerous bays and inlets, among them the deep and narrow lochs and the wide firths of Scotland. Many river estuaries serve as fine harbors.

### 3 CLIMATE

Despite its northern latitude, the United Kingdom generally enjoys a temperate climate, warmed by the North Atlantic Drift, a continuation of the Gulf Stream, and by southwest winds. Mean monthly temperatures range (north to south) from 3°C to 5°C (37–41°F) in winter and from 12°C to 16°C (54–61°F) in summer. The mean annual temperature in the west near sea level ranges from 8°C (46°F) in the Hebrides to 11°C (52°F) in the far southwest of England. Rarely do temperatures rise in summer to over 32°C (90°F) or drop in winter below -10°C (14°F).

Rainfall, averaging more than 100 cm (40 in) throughout the United Kingdom, is heaviest on the western and northern heights (over 380 cm/150 in), lowest along the eastern and southeastern coasts. Fairly even distribution of rain throughout the year, together with the prevalence of mists and fogs, results in scanty sunshine—averaging from half an hour to two hours a day in winter and from five to eight hours in summer.

In the spring of 1997 there was an intense drought in southern and western England; the previous two years were the driest in England and Wales since reliable record-keeping began in 1767.

### 4 FLORA AND FAUNA

With its mild climate and varied soils, the United Kingdom has a diverse pattern of natural vegetation. Originally, oak forests probably covered the lowland, except for the fens and marsh areas, while pine forests and patches of moorland covered the higher or sandy ground. Over the centuries, much of the forest area, especially on the lowlands, was cleared for cultivation. Fairly extensive forests remain in east and north Scotland and in southeast England. Oak, elm, ash, and beech are the most common trees in England. Pine and birch are most common in Scotland. Almost all the lowland outside the industrial centers is farmland, with a varied seminatural vegetation of grasses and flowering plants. Wild vegetation consists of the natural flora of woods, fens and marshes, cliffs, chalk downs, and mountain slopes, the most widespread

being the heather, grasses, gorse, and bracken of the moorlands. There are over 1,600 plant species in the country.

The fauna is similar to that of northwestern continental Europe, although there are fewer species. Some of the larger mammals—wolf, bear, boar, and reindeer—are extinct, but red and roe deer are protected for sport. Common smaller mammals are foxes, hares, hedgehogs, rabbits, weasels, stoats, shrews, rats, and mice; otters are found in many rivers, and seals frequently appear along the coast. There are at least 50 species of mammal native to the region. There are few reptiles and amphibians. Roughly 230 species of birds reside in the United Kingdom, and another 200 are migratory. Most numerous are the chaffinch, blackbird, sparrow, and starling. The number of large birds is declining, however, except for game birds—pheasant, partridge, and red grouse—which are protected. With the reclamation of the marshlands, waterfowl are moving to the many bird sanctuaries. The rivers and lakes abound in salmon, trout, perch, pike, roach, dace, and grayling. There are more than 21,000 species of insects.

### 5 ENVIRONMENT

Government officials and agencies with principal responsibility for environmental protection are the Department of the Environment, the Department of the Environment for Northern Ireland, and the secretaries of state for Scotland and Wales. The National Trust (for Places of Historic Interest or Natural Beauty), an organization of more than 1.3 million members, has acquired some 750 km (466 mi) of coastline in England, Northern Ireland, and Wales. In addition, 127 km (79 mi) of coastline in Scotland are protected under agreement with the National Trust of Scotland. Two countryside commissions, one for England and Wales and one for Scotland, are charged with conserving the beauty and amenities of rural areas. By 1982, the former had designated 10 national parks, covering 13,600 sq km (5,250 sq mi), or 9% of the area of England and Wales. An additional 36 areas of outstanding beauty have been designated, covering 17,000 sq km (6,600 sq mi). Scotland has 40 national scenic areas, with more than 98% of all Scottish lands under the commission's jurisdiction. Northern Ireland has eight designated areas of outstanding natural beauty, seven country parks, and one regional park. There are also seven forest parks in Great Britain and nine in Northern Ireland. England and Wales have 600,000 hectares (1,500,000 acres) of common land, much of which is open to the public. The Nature Conservancy Council manages 214 national nature reserves in Great Britain and 41 in Northern Ireland.

Air pollution is a significant environmental concern for the United Kingdom. In 1992 the nation had the world's eighth-highest level of industrial carbon dioxide emissions, which totaled 566.2 million metric tons, a per capita level of 9.78 metric tons. In 2000, the total of carbon dioxide emissions was at 567.8 million metric tons. In addition, its sulphur contributes to the formation of acid rain in the surrounding countries of Western Europe. Air quality abatement has improved greatly in the United Kingdom as a result of the Control of Pollution Act of 1974 and other legislation. London is no longer densely smog-ridden, and winter sunlight has been increasing in various industrial cities.

Water pollution from agricultural sources is also a problem. The nation has 145 cubic km of water of which 3% of annual withdrawals is used for farming activity and 77% for industrial pur-



LOCATION: 49°56' to 60°50'N; 1°45'E to 8°10'W. BOUNDARY LENGTHS: Total coastline, 12,429 kilometers (7,722 miles), of which Northern Ireland's comprises 375 kilometers (233 miles); Irish Republic, 360 kilometers (225 miles). TERRITORIAL SEA LIMIT: 3 miles.

poses. The United Kingdom's cities produce an average of 22 million tons of solid waste per year. Pollution of the Thames has been reduced to one-quarter of its level in the 1950s, and more than 80% of the population is served by sewage treatment plants.

The Food and Environment Protection Act of 1985 introduced special controls over dumping and marine incineration in-

response to the problems of regulation of oil and gas development and of large-scale dumping at sea.

As of 2003, 20.9% of the United Kingdom's total land area is protected, including 163 Ramsar wetland sites and 5 natural UNESCO World Heritage Sites. According to a 2006 report issued by the International Union for Conservation of Nature and

Natural Resources (IUCN), threatened species included 10 types of mammals, 10 species of birds, 12 species of fish, 2 types of mollusks, 8 species of other invertebrates, and 13 species of plants. The European otter, Atlantic sturgeon, Atlantic ridley, Eskimo curlew, and Spengler's freshwater mussel are classified as endangered. The great auk has become extinct.

## 6 POPULATION

The population of United Kingdom in 2005 was estimated by the United Nations (UN) at 60,068,000, which placed it at number 22 in population among the 193 nations of the world. In 2005, approximately 16% of the population was over 65 years of age, with another 18% of the population under 15 years of age. There were 96 males for every 100 females in the country. According to the UN, the annual population rate of change for 2005–10 was expected to be 0.2%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 64,687,000. The overall population density was 245 per sq km (635 per sq mi); in England there were 371 persons per sq km (961 per sq mi), with 4,233 persons per sq km (10,968 per sq mi) in Greater London.

The UN estimated that 89% of the population lived in urban areas in 2005, and that urban areas were growing at an annual rate of 0.36%. The capital city, London, had a population of 7,619,000 in that year. Other major metropolitan areas in England, with estimated populations, were Birmingham, 2,215,000; Manchester, 2,193,000; Leeds, 1,402,000; and Liverpool, 975,000. Other large English towns include Sheffield, 516,000; Bradford, 478,800; Bristol, 406,500; and Coventry, 300,844. The major cities in Scotland are Glasgow (1,099,400) and Edinburgh (460,000). Belfast, the major city in Northern Ireland, had a population of 287,500; and Cardiff, in Wales, 305,000.

## 7 MIGRATION

From 1815–1930, the balance of migration was markedly outward, and well over 20 million persons left Britain, settling mainly within the British Empire and in the United States. Since 1931, however, the flow has largely been inward. From 1931–40, when emigration was very low, there was extensive immigration from Europe, including a quarter of a million refugees seeking sanctuary; during the 1950s, immigration from the Commonwealth, especially from the Caribbean countries, India, and Pakistan, steadily increased. The net influx of some 388,000 people (chiefly from the Commonwealth) during 1960–62 led to the introduction of the Commonwealth Immigrants Act of 1962, giving the government power to restrict the entry of Commonwealth citizens lacking adequate prospects of employment or means of self-support. Effective 1 January 1983, a new law further restricted entry by creating three categories of citizenship, two of which—citizens of British Dependent Territories and “British overseas citizens”—entail no right to live in the United Kingdom. Those in the last category, consisting of an estimated 1.5 million members of Asian minorities who chose to retain British passports when Malaysia and Britain's East African lands became independent, may not pass their British citizenship to their children without UK government approval.

Immigration is now on a quota basis. From 1986–91, 1,334,000 persons left the United Kingdom to live abroad, and 1,461,000 came from overseas to live in the United Kingdom, resulting in a

net in-migration of 127,000. The total number of foreign residents in the United Kingdom was about 1,875,000 in 1990. Of these, more than one-third were Irish (638,000). Indians were second (155,000) and Americans third (102,000). Between the 1990s and 2002, net migration in the United Kingdom rose from 50,000 per year to 172,000. In spite of guest worker programs, the number of unauthorized foreigners grew to around 500,000 in 2003. In addition to these increases, “failed” asylum seekers who were subject to “removal” were a burden, with estimates at 155,000 to 283,000 in the United Kingdom in 2004. In that same year, Prime Minister Tony Blair declared that immigration had reached a “crunch point.” Migration became a political issue of the 5 May 2005 elections. Conservative Party leader Michael Howard declared that if he were elected the United Kingdom would stop recognizing the 1951 UN Conventions on Refugees and an annual limit of 20,000 would be placed on immigration. The Labour Party stayed in power and Prime Minister Tony Blair proposed a tiered point system to control immigration. In July 2005 the Home Office estimated that there were 570,000 unauthorized foreigners. A five-tiered guest worker system was introduced: tier one, for highly skilled migrants and investors; tier two, for skilled workers in shortage occupations; tier three, for unskilled workers via accredited recruiters, and tier four, for foreign students, and tier five, for cultural exchange workers. After the death of 52 people in the 2 July 2005 bombings in London tubes and buses by British-born South Asians, tension increased and the far-right British National Party called for revamped laws to restrict immigration.

In response to the Kosovo crisis in 1999, the United Kingdom received 4,346 Kosovar refugees from Macedonia under the UN-HCR/IOM Humanitarian Evacuation Programme. As of 1999, the United Kingdom had the second-largest number of asylum applications in Europe, but by 2004 it ranked seventh. In 2004, there were 9,800 asylum seekers. Main countries of origin among 47 countries included Somalia, India, Sri Lanka, Eritrea, Afghanistan, and the DROC. However, in 2004 the United Kingdom hosted refugees in larger numbers, 289,059 refugees from, Iraq, Afghanistan, Somalia, Serbia and Montenegro, Iran, Sri Lanka, Turkey, and DROC. The net migration rate in 2005 was estimated as 2.18 migrants per 1,000 population.

## 8 ETHNIC GROUPS

The present-day English, Welsh, Scots, and Irish are descended from a long succession of early peoples, including Iberians, Celts, Romans, Anglo-Saxons, Danes, and Normans, the last of whom invaded and conquered England in 1066–70. According to the 2001 census, about 83.6% of UK residents are English. The Scottish form about 8.6% of the population, Welsh account for 4.9%, and the Northern Irish make up 2.9%. About 1.8% of the population are Indian, and 1.3% are Pakistani. There are about 300,000 persons who belong to a group known as Travellers, a blend of Roma, Irish, and other ethnic groups who maintain an itinerant lifestyle.

## 9 LANGUAGES

Spoken throughout the United Kingdom and by over 456 million people throughout the world, English is second only to Mandarin Chinese in the number of speakers in the world. It is taught extensively as a second language and is used worldwide as a language of

commerce, diplomacy, and scientific discourse. In northwestern Wales, Welsh, a form of Brythonic Celtic, is the first language of most of the inhabitants.

Approximately 26% of those living in Wales speak Welsh (up from 19% in 1991). Some 60,000 or so persons in western Scotland speak the Scottish form of Gaelic (down from 80,000 in 1991), and a few families in Northern Ireland speak Irish Gaelic. On the Isle of Man, the Manx variety of Celtic is used in official pronouncements; in the Channel Islands some persons still speak a Norman-French dialect. French remains the language of Jersey for official ceremonies.

## 10 RELIGIONS

There is complete religious freedom in the United Kingdom. All churches and religious societies may own property and conduct schools. Established churches are the Church of England (Anglican) and the Church of Scotland (Presbyterian). The former is uniquely related to the crown in that the sovereign must be a member and, on accession, promise to uphold the faith; it is also linked with the state through the House of Lords, where the archbishops of Canterbury and York have seats. The archbishop of Canterbury is primate of all England. The monarch appoints all officials of the Church of England. The established Church of Scotland has a Presbyterian form of government: all ministers are of equal status and each of the congregations is locally governed by its minister and elected elders.

About 71.6% of the population belong to one of the four largest Christian denominations in the country: the Church of England, the Roman Catholic Church, the Church of Scotland, and the Methodist Church in Britain (originally established as a type of revival movement by the Church of England minister John Wesley, 1703–91). Many immigrants have established community religious centers in the United Kingdom. Such Christian groups include Greek, Russian, Polish, Serb-Orthodox, Estonian and Latvian Orthodox, and the Armenian Church; Lutheran churches from various parts of Europe are also represented. A total of about 2% of the population are Jehovah's Witnesses, Mormons, Christian Scientists, or Unitarians. The Anglo-Jewish community, with an estimated 300,000 members, is the second-largest group of Jews in Western Europe. There are also sizable communities of Muslims, Sikhs, Hindus, and Buddhists.

In Northern Ireland, about 53% of the population are nominally Protestants and 44% are nominally Catholics; only about 30–35% of all Northern Irish are active participants in religious services. The Protestants and Catholics in Northern Ireland tend to live in self-segregated communities.

## 11 TRANSPORTATION

In Great Britain, railways, railway-owned steamships, docks, hotels, road transport, canals, and the entire London passenger transport system—the largest urban transport system in the world—were nationalized on 1 January 1948 under the control of the British Transport Commission (BTC). In 1962, the BTC was replaced by the British Railways Board, the London Transport Board, the British Transport Docks Board, and the British Waterways Board. Under the 1968 Transport Act, national transport operations were reorganized, with the creation of the National Freight Corp., the Freight Integration Council, and the National

Bus Co. Organization of public transport in Northern Ireland is autonomous.

In 2003, Great Britain had 392,931 km (244,403 mi) roadway, all of it paved, including 3,431 km (2,134 mi) of express motorways. Licensed motor vehicles in Great Britain numbered 32,576,891 as of 2003, including 29,007,820 passenger cars and 3,569,071 commercial vehicles. The Humber Bridge, the world's longest single-span suspension bridge, with a center span of 1,410 m (4,626 ft), links the city of Hull with a less developed region to the south. Eurotunnel, a British-French consortium, recently built two high-speed 50-km (31-mi) rail tunnels beneath the seabed of the English Channel. The project, referred to as the "Chunnel," links points near Folkestone, England (near Dover), and Calais, France. The Channel Tunnel is the largest privately financed construction project to date, with an estimated cost (in 1991) of \$15 billion; it also has the longest tunnel system (38 km/24 mi) ever built under water. In November 1996, a truck aboard a freighter entering the tunnel caught fire, causing serious damage to the tunnel but no loss of life. Partial operations were resumed within a few weeks, and all repairs were completed by May 1997.

There were 17,274 km (10,727 mi) of standard and narrow gauge railway in Great Britain in 2004, including 5,296 km (3,289 mi) of electrified track. Standard gauge accounts for nearly all of the nation's railway system at 16,814 km (10,441 mi). Underground railway systems operate in London, Glasgow, and Liverpool. In London, the Underground consists of some 3,875 cars that operate over about 408 km (254 mi) of track, 167 km (104 mi) of which is underground. The Underground, the oldest part of which dates to 1863, operates 20 hours per day and is comprised of 248 stations on 11 lines that provide 2.7 million rides per day. In early 1997 the government proposed privatizing London's subway system because of lack of funds needed to restore the aging network. Capital investment has been diminished since the 1960s, resulting in increasing failures of signals and rolling stock and the deterioration of stations and track.

Great Britain has about 3,200 km (1,988 mi) of navigable inland waterways, mainly canals dating back to the pre-railroad age, of which as of 2004, some 620 km (386 mi) are still in commercial use. Great Britain has some 300 ports, including the Port of London, one of the largest in the world. Other major ports are Liverpool, Southampton, Hull, Clydeport (near Glasgow), the inland port of Manchester, and Bristol. The British merchant fleet, privately owned and operated, consists of 429 ships of 1,000 GRT or more, totaled 9,181,284 GRT in 2005. In an effort to curb the flagging of British merchant ships to less regulatory foreign nations, a British offshore registry program was initiated in the late 1980s. Under this program, merchant ships registered to the Isle of Man, Gibraltar, the Cayman Islands, and the Turks and Caicos Islands are entitled to fly the Red Ensign as if under the administration of the United Kingdom.

The Civil Aviation Authority was created in 1971 as an independent body responsible for national airline operations, traffic control, and air safety. In 2004, there were an estimated 471 airports. As of 2005 a total of 334 had paved runways, and there were also 11 heliports. International flights operate from London's Heathrow; Gatwick, London's second airport; Glasgow, in Scotland; Ringway (for Manchester); Aldergrove (for Belfast); and Elmdon (for Birmingham). The two government-owned airlines, Brit-

ish European Airways and British Overseas Airways Corp., were amalgamated in 1974 to form British Airways (BA). In 1984, BA was reestablished as British Airways PLC, a public limited company under government ownership, soon thereafter to be sold wholly to the public. There are a number of privately operated airlines, some of which operate air taxi services. British Caledonian, which maintained scheduled flights on both domestic and international routes, merged with British Airways in 1988. The Concorde, a supersonic jetliner developed jointly in the 1960s by the United Kingdom and France at a cost exceeding £1 billion, entered service between Heathrow and the United States in 1976. In 2003, the United Kingdom's airlines performed 5,251 million freight ton-km of freight service, and carried 76.377 million passengers on domestic and international flights.

## 12 HISTORY

The earliest people to occupy Britain are of unknown origin. Remains of these early inhabitants include the stone circles of Avebury and Stonehenge in Wiltshire. Celtic tribes from the Continent, the first known settlers in historical times, invaded before the 6th century BC. The islands were visited in ancient times by Mediterranean traders seeking jet, gold, pearls, and tin, which were being mined in Cornwall. Julius Caesar invaded in 55 BC but soon withdrew. In the 1st century AD, the Romans occupied most of the present-day area of England, remaining until the 5th century.

With the decline of the Roman Empire and the withdrawal of Roman troops (although many Romans had become Britonized and remained on the islands), Celtic tribes fought among themselves, and Scots and Picts raided from the north and from Ireland. Early raids by Angles, Saxons, and Jutes from the Continent soon swelled into invasions, and the leaders established kingdoms in the conquered territory while the native Celts retreated into the mountains of Wales and Cornwall. Although the Welsh were split into a northern and a southern group, they were not permanently subdued. In the 10th century, a Welsh king, Howel the Good (Hywel Dda), united Wales, codified the laws, and encouraged the Welsh bards.

Among the new English kingdoms, that of the West Saxons (Wessex) became predominant, chiefly through the leadership of Alfred the Great, who also had to fight a new wave of invasions by the Danes and other Norsemen. Alfred's successors were able to unify the country, but eventually the Danes completed their conquest, and King Canute (II) of Denmark became ruler of England by 1017. In 1042, with the expiration of the Scandinavian line, Edward the Confessor of Wessex became king. At his death in 1066, both Harold the Saxon and William, duke of Normandy, claimed the throne. William invaded England and defeated Harold in the Battle of Hastings, beginning the Norman Conquest (1066–70).

William I instituted a strong government, which lasted through the reigns of his sons William II and Henry I. The latter's death in 1135 brought a period of civil war and anarchy, which ended with the accession of Henry II (1154), who instituted notable constitutional and legal reforms. He and succeeding English kings expanded their holdings in France, touching off a long series of struggles between the two countries.

## The Magna Carta

Long-standing conflict between the nobles and the kings reached a climax in the reign of King John with the victory of the barons, who at Runnymede in 1215 compelled the king to grant the Magna Carta. This marked a major advance toward the parliamentary system. Just half a century later, in 1265, Simon de Montfort, earl of Leicester, leader of the barons in their opposition to Henry III, summoned the first Parliament, with representatives not only of the rural nobility but also of the boroughs and towns. In the late 13th century, Edward I expanded the royal courts and reformed the legal system; he also began the first systematic attempts to conquer Wales and Scotland. In 1282, the last Welsh king, Llewellyn ap Gruffydd, was killed in battle, and Edward I completed the conquest of Wales. Two years later, the Statute of Rhuddlan established English rule. The spirit of resistance survived, however, and a last great uprising against England came in the early 15th century, when Owen Glendower (Owain ap Gruffydd) led a briefly successful revolt.

Scotland was inhabited in early historic times by the Picts and by roaming bands of Gaels, or Celts, from Ireland. Before the Romans left Britain in the 5th century, Scotland had been converted to Christianity by St. Ninian and his disciples. By the end of the following century, four separate kingdoms had been established in Scotland. Norsemen raided Scotland from the 8th to the 12th century, and some settled there. Most of the country was unified under Duncan I (r.1034–40). His son, Malcolm III (r.1059–93), who gained the throne after defeating Macbeth, the murderer of his father, married an English princess, Margaret (later sainted), and began to anglicize and modernize the lowlands.

## Scotland United

Under David I (r.1124–53), Scotland was united, responsible government was established, walled towns (known as burghs) were developed, and foreign trade was encouraged. William the Lion (r.1165–1214) was captured by Henry II of England in 1174 and forced to accept the Treaty of Falaise, by which Scotland became an English fief. Although Scotland purchased its freedom from Richard I, the ambiguous wording of the agreement allowed later English kings to revive their claim.

When Alexander III died in 1286, Edward I of England, who claimed overlordship of Scotland, supported the claims of John Baliol, who was crowned in 1293. Edward began a war with Philip of France and demanded Scottish troops, but the Scots allied themselves with Philip, beginning the long relationship with France that distinguishes Scottish history. Edward subdued the Scots, put down an uprising led by William Wallace, executed Wallace in 1305, and established English rule. Baliol's heir was killed by Robert the Bruce, another claimant, who had himself crowned (1309), captured Edinburgh, and defeated Edward II of England decisively at Bannockburn in 1314. In 1328, Edward III signed a treaty acknowledging Scotland's freedom.

Under Edward III, the Hundred Years' War (1337–1453) with France was begun. Notable victories by Edward the Black Prince (son of Edward III), Henry IV, and Henry V led to no permanent gains for England, and ultimately the English were driven out of France. The plague, known as the Black Death, broke out in England in 1348, wiping out a third of the population; it hastened the

breakdown of the feudal system and the rise of towns. The 14th century was for England a time of confusion and change. John Wycliffe led a movement of reform in religion, spreading radical ideas about the need for churchly poverty and criticizing many established doctrines and practices. A peasant rebellion led by Wat Tyler in 1381 demanded the abolition of serfdom, monopolies, and the many restrictions on buying and selling.

In 1399, after 22 years of rule, Richard II was deposed and was succeeded by Henry IV, the first king of the house of Lancaster. The war with France continued, commerce flourished, and the wool trade became important. The Wars of the Roses (1455–85), in which the houses of Lancaster and York fought for the throne, ended with the accession of Henry VII, a member of the Tudor family, marking the beginning of the modern history of England.

### The Tudors

Under the Tudors, commerce was expanded, English seamen ranged far and wide, and clashes with Spain (accelerated by religious differences) intensified. Earlier English dominance had not had much effect on Wales, but the Tudors followed a policy of assimilation, anglicizing Welsh laws and practices. Finally, under Henry VIII, the Act of Union (1536) made English the legal language and abolished all Welsh laws “at variance with those of England.” In 1531, Henry separated the Anglican Church from Rome and proclaimed himself its head. After his death (1547), the succession to the throne became a major issue during the reigns of Edward VI (1547–53), Mary I (1553–58), and Elizabeth I (1558–1603).

In Scotland, James I (r.1406–37) had done much to regulate Scottish law and improve foreign relations. His murder in 1437 began a century of civil conflict. James IV (r.1488–1513) married Margaret Tudor, sister of Henry VII of England, a marriage that was ultimately to unite the crowns of England and Scotland.

French influence in Scotland grew under James V (r.1513–42), who married Mary of Guise, but the Scottish people and nobility became favorably inclined toward the Reformation, championed by John Knox. After James’s death, Mary ruled as regent for her daughter, Mary, Queen of Scots, who had married the dauphin of France, where she lived as dauphiness and later as queen. By the time Mary returned to Scotland (1561), after the death of her husband, most of the Scots were Protestants. A pro-English faction had the support of Queen Elizabeth I against the pro-French faction, and Mary, who claimed the throne of England, was imprisoned and executed (1587) by Elizabeth. Under Elizabeth, England in 1583 acquired its first colony, Newfoundland, and in 1588 defeated the Spanish Armada; it also experienced the beginning of a golden age of drama, literature, and music, among whose towering achievements are the plays of William Shakespeare.

### Oliver Cromwell and the Commonwealth

Elizabeth was succeeded by Mary’s son, James VI of Scotland, who became James I of England (r.1603–25), establishing the Stuart line. Under James and his son, Charles I (r.1625–49), the rising middle classes (mainly Puritan in religion) sought to make Parliament superior to the king. In the English Civil War, which broke out in 1642, Charles was supported by the Welsh, who had remained overwhelmingly Catholic in feeling, but most Scots opposed him. Charles was tried and executed in 1649, and Oliver

Cromwell as Protector ruled the new Commonwealth until his death in 1658. Cromwell ruthlessly crushed uprisings in Ireland and suppressed the Welsh. In 1660, Charles II, eldest son of the executed king, regained the throne. The Restoration was marked by a reaction against Puritanism, by persecution of the Scottish Covenanters (Presbyterians), by increased prosperity, and by intensified political activity; during this period, Parliament managed to maintain many of its gains. Charles II’s younger brother, James II (r.1685–88), who vainly attempted to restore Roman Catholicism, was overthrown in 1688 and was succeeded by his daughter, Mary II, and her Dutch husband, William III, who were invited to rule by Parliament. By this transfer of power, known to English history as the Glorious Revolution, the final supremacy of Parliament was established. Supporters of James II (Jacobites) in Scotland and Ireland, aided by France, sought to restore the deposed Stuart line, but their insurrection was suppressed in 1690 at the Battle of the Boyne, fought on the banks of the Irish river of that name.

In Wales, after Cromwell and the Commonwealth, the people began to turn to Calvinism; dissent grew, and such ministers as Griffith Jones, a pioneer in popular education, became national leaders. Most Welsh were won to the Calvinistic Methodist Church, which played a large part in fostering a nonpolitical Welsh nationalism. A long struggle to disestablish the Church of England in Wales culminated successfully in a 1914 act of Parliament.

### Colonial Expansion

English colonial expansion developed further in the 17th and 18th centuries, in competition with France and the Netherlands, while at the same time the English merchant marine gained commercial supremacy over the Dutch. The wars of the Grand Alliance (1688–97) and of the Spanish Succession (1701–14) consolidated Britain’s overseas possessions. At home, to ensure Scottish allegiance to England and prevent possible alliances with inimical countries, the Act of Union of Scotland and England was voted by the two parliaments in 1707, thereby formally creating the kingdom of Great Britain under one crown and with a single Parliament composed of representatives of both countries. This union held, despite Jacobite uprisings in 1715 and 1745–46, the latter under Prince Charles (Bonnie Prince Charlie, or the Young Pretender, grandson of James II); his defeat at Culloden Moor was the last land battle fought in Great Britain. Scottish affairs eventually became the province of the secretary of state for Scotland, a member of the British cabinet. Nevertheless, a nationalist movement demanding independence for Scotland persists to this day.

The accession of George I of the House of Hanover in 1714 (a great-grandson of James I) saw the beginning of the modern cabinet system, with the king leaving much of the governing to his ministers. The 18th century was a time of rapid colonial and mercantile expansion abroad and internal stability and literary and artistic achievement at home. Britain won control of North America and India in the Seven Years’ War (ended in 1763 by the Treaty of Paris), which also established British supremacy over the seas; however, the American Revolution (1775–83) cost Britain its most important group of colonies. A few years later, British settlement of Australia and then of New Zealand became key elements in the spreading British Empire. Britain increased its power further by

its leading role in the French Revolutionary Wars and in the defeat of Napoleon and French expansionist aims.

### Birth of the United Kingdom

In 1800, with the Act of Union of Great Britain and Ireland, the United Kingdom formally came into being. The conquest of Ireland had never been consolidated; the Act of Union followed an Irish rebellion in 1798 after the failure of a demand for parliamentary reform. But although the act established Irish representation in Parliament, the Irish question continued to cause trouble throughout the 19th century. Absentee landlordism, particularly in the 26 southern counties, fostered poverty and hatred of the English. Moreover, there was a growing division of interest between these counties and the six counties of the north, popularly called Ulster, where, early in the 17th century, Protestant Scots and English had settled on land confiscated by the British crown after a rebellion. While the north gradually became Protestant and industrial, the rest of Ireland remained Catholic and rural. With the introduction of the first Home Rule Bill in 1886, the northern Irish, fearing domination by the southern Catholic majority, began a campaign that ended in the 1920 Government of Ireland Act, which established separate domestic legislatures for the north and south, as well as continued representation in the UK Parliament. The six northern counties accepted the act and became Northern Ireland. The 26 southern counties, however, did not accept it; in 1921, the Anglo-Irish Treaty was signed, by which these counties left the United Kingdom to become the Irish Free State (now the Irish Republic, or Éire), which was officially established in 1922.

### Queen Victoria's Reign

The Industrial Revolution, beginning in the second half of the 18th century, provided the economic underpinning for British colonial and military expansion throughout the 1800s. However, the growth of the factory system and of urbanization also brought grave new social problems. The enclosure of grazing land in the Scottish highlands and the industrialization of southern Wales were accompanied by extensive population shifts and led to large-scale emigration to the United States, Canada, and Australia. Reform legislation came slowly, although the spirit of reform and social justice was in the air. Slavery was abolished throughout the British Empire in 1834. The great Reform Acts of 1832, 1867, and 1884 enfranchised the new middle class and the working class. Factory acts, poor laws, and other humanitarian legislation did away with some of the worst abuses, and pressure mounted for eliminating others. The long reign of Queen Victoria (1837–1901) saw an unprecedented commercial and industrial prosperity. This was a period of great imperial expansion, especially in Africa, where at the end of the century Britain fought settlers of predominantly Dutch origin in the South African (or Boer) War. Toward the end of the century, also, the labor movement grew strong, education was developed along national lines, and a regular civil service was finally established.

### The 20th Century

The vast economic and human losses of World War I, in which nearly 800,000 Britons were killed, brought on serious disturbances in the United Kingdom as elsewhere, and the economic depression of the 1930s resulted in the unemployment of millions of workers. In 1931, the Statute of Westminster granted the status

of equality to the self-governing British dominions and created the concept of a British Commonwealth of Nations. During the late 1930s, the government of Prime Minister Neville Chamberlain sought to avoid war by appeasing Nazi Germany, but after Hitler invaded Poland, the United Kingdom declared war on Germany on 3 September 1939. Prime Minister Winston Churchill led the United Kingdom during World War II in a full mobilization of the population in the armed services, in home defense, and in war production. Although victorious, the United Kingdom suffered much destruction from massive German air attacks, and the military and civilian death toll exceeded 900,000. At war's end, a Labour government was elected; it pledged to carry out a full program of social welfare "from the cradle to the grave," coupled with the nationalization of industry. Medicine was socialized, other social services were expanded, and several industries were put under public ownership. Complete nationalization of industry, however, was halted with the return to power of the Conservatives in 1951. During Labour's subsequent terms in office, from 1964 to 1970 and from 1974 to 1979, little further nationalization was attempted.

### Post-World War II Era

To a large extent, the United Kingdom's postwar history can be characterized as a prolonged effort to put the faltering economy on its feet and to cope with the economic, social, and political consequences of the disbandment of its empire. By early 1988, all that remained of what had been the largest empire in the world were 14 dependencies, many of them small islands with tiny populations and few economic resources. The United Kingdom has remained firmly within the Atlantic alliance since World War II. A founding member of the North Atlantic Treaty Organization (NATO) and European Free Trade Association (EFTA), the United Kingdom overcame years of domestic qualms and French opposition when it entered the European Community (EC) on 1 January 1973. After a Labour government replaced the Conservatives in March 1974, the membership terms were renegotiated, and United Kingdom voters approved continued British participation by a 67.2% majority in an unprecedented national referendum.

The principal domestic problems in the 1970s were rapid inflation, labor disputes, and the protracted conflict in Northern Ireland. Long-smoldering tensions between Protestants and Catholics erupted into open warfare after civil rights protests in 1969 by Catholics claiming discrimination and insufficient representation in the government. The Protestant reaction was violent, and the Irish Republican Army (IRA), seeking the union of Ulster with the Irish Republic, escalated the conflict by committing terrorist acts in both Northern Ireland and England. British troops, first dispatched to Belfast and Londonderry in August 1969, have remained there since.

On 30 March 1972, Northern Ireland's parliament (Stormont) was prorogued, and direct rule was imposed from London. Numerous attempts to devise a new constitution failed, as did other proposals for power sharing. In 1982, legislation establishing a new 78-member Northern Ireland Assembly was enacted. Elections were held that October, but the 19 Catholic members chosen refused to claim their seats. Meanwhile, the violence continued, one of the victims being the British war hero Earl Mountbatten of Burma, who was murdered while vacationing in Ireland on 27 Au-



gust 1979. In October 1980, IRA members imprisoned in Ulster began a series of hunger strikes; by the time the strikes ended the following October 10 men had died. In November 1985, the United Kingdom and the Irish Republic signed an agreement committing both governments to recognition of Northern Ireland as part of the United Kingdom and to cooperation between the two governments by establishing an intergovernmental conference concerned with Northern Ireland and with relations between the two parts of Ireland.

The “Downing Street Declaration” of December 1993 between British Prime Minister John Major and Irish Prime Minister Albert Reynolds over the future of Northern Ireland suggested that undisclosed contacts had been maintained for some time between the Irish Republican Army (IRA), Sinn Fein (the political wing of the IRA), and the British government. Tony Blair, who became prime minister in May 1997, also invested in normalization of relations between Ireland and the United Kingdom and in a long-term solution to the sectarian strife in Northern Ireland. In 1998, Ireland and the United Kingdom signed a peace agreement (Good Friday agreement) in which Ireland pledged to amend Articles 2 and 3 of the Irish constitution, which lay claim to the territory in the North. In return, the United Kingdom promised to amend the Government of Ireland Act.

In 1979, a Conservative government, headed by Margaret Thatcher, came to power with a program of income tax cuts and reduced government spending. Thatcher, who won reelection in 1983 and 1987, embarked on a policy of “privatizing”—selling to the private sector—many of the UK’s nationalized businesses. In foreign policy, the government’s most dramatic action was sending a naval task force to the Falkland Islands following Argentina’s occupation of the islands on 2 April 1982. After intense fighting, British administration was restored to the Falklands on 14 June.

Thatcher’s leadership was challenged by Conservative MPs in November 1990, and she failed to win the necessary absolute majority. Thatcher withdrew and was replaced by John Major. The Conservatives were returned to power in April 1992 with a reduced majority. Major’s government sought to redefine Conservative values with a renewed emphasis on law and order.

Labour Party leader Tony Blair was elected prime minister on 2 May 1997, ending 18 years of Conservative Party rule and signaling a major shift in British domestic policy (he was reelected in 2001 and 2005). Blair, who moved his party to the center of the political spectrum during the campaign, pledged initiatives to modernize Britain’s political structures. To that effect, he organized the creation of regional assemblies for Scotland and Wales and a municipal government for London. The regional parliaments were ratified by a referendum in late 1997 and began their first session in 1998. The city council for greater London came into being in mid-2000 and London’s first mayor in 15 years was Ken Livingstone (reelected 2004), a left-wing Labourite not much liked by the middle-of-the-road Blairites.

As promised, Blair’s government also restructured the House of Lords to do away with the large number of hereditary peers. Only 75 of the 650 hereditary peers now sit in the House of Lords alongside 500 life peers, several senior judges, 26 bishops of the Church of England, and 15 deputy speakers.

The Blair government has also spent much time in tackling the Northern Ireland problem. The Good Friday Accord of 1998 en-

visioned a Catholic-Protestant administration and the gradual decommissioning of the IRA. The power-sharing government came into being in December 1999, but was suspended 11 weeks later because the IRA refused to make any disarmament commitments. A breakthrough occurred in May 2000 when the IRA agreed to allow leading international figures to inspect arms dumps and to begin the process of complete and verifiable disarmament. The Protestant party voted to revive the power-sharing arrangements on 27 May 2000 and the UK government promised to restore substantial authority to the new Northern Irish cabinet (this was accomplished on 29 May). However, decommissioning of the IRA did not progress in early 2001. In October 2002, Sinn Fein’s offices at Stormont (the Northern Ireland Assembly) were raided due to a large police investigation into intelligence-gathering operations on behalf of Irish republicans. On 14 October, devolution was suspended due to the spying allegations and direct rule from London was reimposed on Northern Ireland. Blair announced in May 2003 elections for the National Assembly would be postponed, due to the lack of evidence of peaceful intentions on behalf of the IRA. Elections were held on 26 November 2003, however, with the pro-British Democratic Unionist Party (DUP) and Sinn Fein forming the two largest parties. On 28 July 2005, the IRA announced it would halt its armed campaign to oust British rule. The statement was received with skepticism by the DUP.

Prime Minister Blair offered strong support for the US-led war on terrorism begun after the 11 September 2001 attacks on the United States; British forces took part in the campaign in Afghanistan to oust the Taliban regime. The United Kingdom in 2002–03 also stood with the United States in its diplomatic and military efforts to force Saddam Hussein’s regime in Iraq to disarm itself of any weapons of mass destruction it might possess. The war in Iraq began on 19 March 2003. British forces fought side-by-side with US forces, especially in southern Iraq. In the aftermath of the war, Blair indicated a central role must be played by the UN in the reconstruction of Iraq; in this he stood with other European leaders. In October 2004, the Iraq Survey Group (ISG) concluded there had been no weapons of mass destruction in Iraq for some time before the war. British intelligence withdrew a controversial claim that Saddam Hussein could have used WMD with 45 minutes’ notice. Blair acknowledged that the intelligence had been flawed, but denied having misrepresented it in making the case for war. Another controversy related to the Iraq War was the publication by *The London Times* on 1 May 2005 of a memo (subsequently labeled the “Downing Street memo”) containing an overview of a secret 23 July 2002 meeting among British intelligence, government, and defense leaders discussing the build-up to the Iraq War. The memo included direct reference to classified US policy of the time and indicated that “intelligence and facts were being fixed” around the policy of removing Saddam Hussein from power. This was taken to show that US intelligence prior to the war had been deliberately falsified, and not just mistaken. The memo suggested that the UN weapons inspections that began after 8 November 2002 were manipulated to provide a legal pretext for the war, and that the removal by force of the Iraq regime had been planned prior to the date of the secret British meeting. In the United States, demands for an explanation of the revelations contained in the memo and calls for a formal Congressional inquiry were ignored by the Bush administration.

In mid-2005 the United Kingdom was wracked by terrorist violence. On 7 July 2005 four suicide bombers struck London's transit system, killing 52 people and injuring more than 700. Three underground trains were bombed, as was one double-decker bus. Two weeks later, on 21 July, bombings of three underground trains and one bus were attempted, but the suicide bombers' bombs failed to fully detonate. On 22 July, a Brazilian man, Jean Charles de Menezes, was shot to death at the Stockwell underground station by British police who believed him to be implicated in the bombing attempts. He was found not to have played any role in the 21 July attacks.

The United Kingdom remains one of three European Union (EU) members not adopting European economic and monetary union and embracing the euro as its currency. The other two nations are Denmark and Sweden.

### 13 GOVERNMENT

The United Kingdom is a monarchy in form but a parliamentary democracy in substance. The sovereign—Elizabeth II since 1952—is head of state and as such is head of the legislature, the executive, and the judiciary, commander-in-chief of the armed forces, and temporal head of the established Church of England. In practice, however, gradually evolving restrictions have transmuted the sovereign's legal powers into instruments for affecting the popular will as expressed through Parliament. In the British formulation, the sovereign reigns but does not rule, for the sovereign is under the law and not above it, ruling only by approval of Parliament and acting only on the advice of her ministers.

The United Kingdom is governed, in the name of the sovereign, by Her Majesty's Government—a body of ministers who are the leading members of whichever political party the electorate has voted into office and who are responsible to Parliament. Parliament itself, the supreme legislative authority in the realm, consists of the sovereign, the House of Lords, and the House of Commons. Northern Ireland had its own parliament (Stormont) subordinate to Westminster; however, because of civil strife in Ulster, the Stormont was prorogued on 30 March 1972, and direct rule was imposed from Westminster. After several abortive attempts over the next decade to devise a system of home-rule government acceptable to both Protestant and Catholic leaders, the 78-member Northern Ireland Assembly was established in 1982, but it was dissolved in 1986. As a result of the 1998 "Good Friday Agreement," a Catholic-Protestant power-sharing government came into being in 1999. It was suspended in October 2002, and direct rule from London returned.

In 1979, proposals for the establishment of elected legislatures in Wales and Scotland failed in the former and, though winning a bare plurality, fell short of the required margin for approval (40% of all eligible voters) in the latter. Regional parliaments for Scotland and Wales were ratified by referendum in 1997, however, and they began their first sessions in 1998.

The sovereign formally summons and dissolves Parliament. The House of Lords, whose size has been greatly reduced, used to count about 1,200 peers, including hereditary peers, spiritual peers (archbishops and bishops of the Church of England), and life peers (eminent persons unwilling to accept a hereditary peerage). Over the centuries, its powers have gradually been reduced; today, its main function is to bring the wide experience of its

members into the process of lawmaking. As of 2005, the House of Commons had 646 members. A general election must be held every five years but is often held sooner. All British subjects 18 years old and over may vote in national elections; women won equal franchise with men in 1922. Citizens of Ireland resident in Britain may also vote, as may British subjects abroad for a period of five years after leaving the United Kingdom.

Each Parliament may during its lifetime make or unmake any law. Parliamentary bills may be introduced by either house, unless they deal with finance or representation; these are always introduced in the Commons, which has ultimate authority for lawmaking. The House of Lords may not alter a financial measure or delay for longer than a year any bill passed by the Commons in two successive sessions. Bills passed by both houses receive the traditional royal assent and become law as acts of Parliament; no bill has received a royal veto for more than 200 years. The Speaker of the Parliament is the chief officer of the House of Commons. The Speaker is nonpartisan and functions impartially. The first female Speaker was elected in 1992.

Executive power is vested in the prime minister, who, though nominally appointed by the sovereign, is traditionally the leader of the majority party in Parliament. The prime minister is assisted by ministers, also nominally appointed by the sovereign, who are chosen from the majority party and mostly from the Commons, which must approve the government's general policy and the more important of its specific measures. The most senior ministers, about 20, compose the cabinet, which meets regularly to decide policy on major issues. Ministers are responsible collectively to Parliament for all cabinet decisions; individual ministers are responsible to Parliament for the work of their departments. There are around 30 major central government departments, each staffed by members of the permanent civil service.

The British constitution is made up of parliamentary statutes, common law, and traditional precepts and practices known as conventions, all evolved through the centuries. Largely unwritten, it has never been codified and is constantly evolving.

### 14 POLITICAL PARTIES

UK parliamentary government based on the party system has evolved only during the past 100 years. Although the 18th-century terms "Whig" and "Tory" indicated certain political leanings, there was no clear-cut division in Parliament and no comprehensive party organization. Not until the 19th-century Reform Acts enfranchised millions of new voters did the modern party system develop. The British party system is based on the assumption that there are at least two parties in the Commons, each with a sufficiently united following to be able to form an alternative government at any time. This assumption is recognized in the fact that the largest minority party is officially designated as Her Majesty's Opposition; its leader, who designates a "shadow government," is paid a salary from public funds.

The main political parties represented in Parliament today are the Labour Party, the Conservative Party, and the Liberal Democrats (a coalition of the Liberal and Social Democratic parties, which voted in favor of a formal merger in 1988). From time to time during the past 50 years, other parties have arisen or have splintered off from the main groups, only to disappear or to become reabsorbed. Thus, the Fascists, who were of some signifi-

cance before World War II, no longer put up candidates for elections. The British Communist Party has not elected a candidate to Parliament since 1950.

Since World War I, the Labour Party has replaced the Liberal Party, a major force during the late 19th century, as the official opposition to a Conservative government. Founded in 1900 as the political arm of the already powerful trade union movement, the Labour Party was until 1918 a federation of trade unions and socialist groups and had no individual members. Today, its constituent associations consist of affiliated organizations (such as trade unions, cooperative societies, branches of socialist societies, and trade councils), as well as individual members organized into wards. Its program calls for public ownership of the means of production, improvement of the social and economic conditions of the people, defense of human rights, cooperation with labor and socialist organizations of other countries, and peaceful adjustment of international disputes. Between the world wars, it established two short-lived Labour governments while still a minority party, and then joined Churchill's coalition government in World War II. Returned to power with a huge majority in 1945, Labour instituted a program of full employment through planned production; established social services to provide adequate medical care, old age care, nutrition, and educational opportunities for all; began the nationalization of basic industries; and started to disband the empire by granting independence to India, Pakistan, Ceylon (now Sri Lanka), and Burma (Myanmar).

If the rapid rise of the Labour Party has been an outstanding feature of 20th-century British politics, the continuing vitality and adaptability of the Conservative Party, successor of the 18th-century Tories, has been no less remarkable. In foreign affairs, there has been little difference between the parties since World War II. Both have generally been firm allies of the United States, and both are pledged to the maintenance of NATO. The two parties have also been in general agreement about the country's social and economic needs. They differ mainly on the degree of state control to be applied to industry and commerce and on practical methods of application. Conservative emphasis is on free enterprise, individual initiative, and restraining the power of the unions. Even on these matters, however, pragmatism is the norm. In office, the Conservatives have let stand much of Labour's social program, and Labour, during Britain's economic difficulties in the late 1970s, imposed its own policy of wage restraints.

After World War II, Labour was in power during 1945–51, 1964–70, 1974–79, and since 1997; the Conservatives have held office during 1951–64, 1970–74, and 1979–97. Scottish National Party members were decisive in the fall of the Labour government in March 1979, after Labour was unable to enact its program for limited home rule (including elected legislatures) in Scotland and Wales. In elections of 3 May 1979, after a campaign fought mainly on economic grounds, Conservatives won 339 seats, with 43.9% of the vote, to Labour's 268 seats, with 36.9%, and Margaret Thatcher replaced James Callaghan as prime minister. Amid growing dissension, the Labour Party moved leftward in the early 1980s and broke with the Conservatives over defense policy, committing itself to the removal of all nuclear weapons from the United Kingdom and, in 1986, to the removal of US nuclear bases. The Social Democratic Party, founded in 1981 by moderate former Labour ministers, had by 30 September 1982 obtained 30 seats in Parlia-

ment, 27 of whose occupants were breakaway Labour members. In the elections of 9 June 1983, the Conservatives increased their parliamentary majority, winning 397 seats and about 42% of the vote. The Labour Party captured 209 seats and 28% of the vote, its poorest showing in more than five decades. The Alliance of Liberals and Social Democrats won 25% of the vote but only 23 seats (Liberals 17, Social Democrats 6). Minor parties took 5% of the vote and 21 seats.

In the elections of 11 June 1987, the Conservatives won 376 seats and about 42% of the vote. The Labour Party won 229 seats and 31% of the vote. The Liberal-Social Democratic Alliance won nearly 23% of the vote but only 22 seats (Liberals 17, Social Democrats 5). Minor parties took about 4% of the vote and 23 seats: Ulster Unionist (Northern Ireland), 9; Democratic Unionist (Northern Ireland), 3; Scottish National Party, 3; Plaid Cymru (Welsh Nationalist), 3; Social Democratic and Labour Party (Northern Ireland), 3; Sinn Fein (Northern Ireland), 1; and Popular Unionist (Northern Ireland), 1.

The general election of 9 April 1992 resulted in a continuation of Conservative government under John Major with 42% of the vote and 336 seats. Labour followed with 34% of the vote and 271 seats. The Liberal Democrats took almost 18% of the vote, which netted 20 seats. Minor parties received 3% of the vote and 17 seats.

The Labour Party, under the leadership of Tony Blair, won a landslide victory in the general election of 1 May 1997, restoring it to power for the first time in 18 years. Of 659 possible seats, the Labour Party won 418 (43.1%), gaining 146 seats; the Conservative Party won only 165 seats (30.6%), losing 178 seats. The Liberal Democrats won 46 seats (16.7%), a gain of 26 seats since 1992 and the most seats held by the party since the 1920s. Other parties received 9.6% of vote, with the following representation after the 1997 elections: Ulster Unionist, 10; Scottish National, 6; Plaid Cymru, 4; Social Democrat and Labour, 3; Democratic Unionist, 2; Sinn Fein, 2; Independent, 2; and United Kingdom Unionist, 1.

The June 2001 election was called "the quiet landslide" following the major victory of the Labour Party in the 1997 election. Labour won 40.7% of the vote and secured 413 seats; the Conservative Party gained only one seat (166) and registered 31.7% of the vote. The Liberal Democrats gained six seats (52; 18.3% of the vote) from their historic high in 1997. Other parties received 9.3% of the vote, with the following representation after the 2001 election: Ulster Unionist, 6; Scottish National, 5; Democratic Unionist, 5; Plaid Cymru, 4; Sinn Fein, 4; Social Democrat and Labour, 3; and Independent, 1.

In the general election held on 5 May 2005, Labour lost 47 seats but retained its majority with 356 seats in Parliament (35.3% of the vote); the Conservatives gained 33 seats to end up with 198 (32.3% of the vote). The Liberal Democrats held 62 seats after gaining 11 (22.1% of the vote). Other parties garnered 10.3% of the vote, with the following representation in Parliament after the election: Democratic Unionist Party, 9; Scottish National Party, 6; Sinn Fein, 5; Plaid Cymru, 3; Social Democrat and Labour Party, 3; Ulster Unionist Party, 1; Independent Kidderminster Hospital and Health Concern, 1; and others, 2. The next parliamentary election was to be held in May 2010.

## 15 LOCAL GOVERNMENT

The scope of local governing bodies is defined and limited by acts of Parliament, which also makes certain ministers responsible for the efficient functioning of local services. In England, local government is supervised by the Department of the Environment; the regional parliaments supervise local governments in Wales and Scotland; and Northern Ireland, which was supposed to also have devolved powers, was placed back under the supervision of the Department of the Environment for Northern Ireland.

From 1965 to 1985, Greater London, the nation's largest metropolitan area, was subdivided into 32 London boroughs; the Greater London Council was the chief administrative authority. Under the Local Government Act of 1985, however, the Greater London Council was abolished and its functions were transferred to London borough and metropolitan district councils, excepting certain services (such as police and fire services and public transport) now administered by joint borough and council authorities. The Labour Party government returned local government to London. However, the mayor's office has a limited budget and few policy powers. The mayor's office coordinates relationship among the different boroughs and controls local transport (Underground).

Under the Local Government Act of 1972, the county system that had prevailed throughout the rest of England and Wales was replaced by a two-tier structure of counties and districts. In the 1990s, local governmental structures were reorganized, and single-tier administrations with responsibility for all areas of local government were reestablished. There are currently 46 unitary authorities in England, and 34 shire counties split into 238 non-metropolitan districts. These in turn are subdivided into electoral wards and districts. In 2000, a two-tier structure was reestablished for London; it has 32 boroughs and the City of London. Scotland is subject to the administration of both the UK government in Westminster and the Scottish executive in Edinburgh, and Wales is subject to the administration of Westminster and the National Assembly for Wales in Cardiff. Scotland is divided into 32 council areas, which in turn are divided into electoral wards and communities. Wales is subdivided into 22 unitary authorities, which in turn are divided into electoral divisions and communities. Northern Ireland is subject to the administration of both the UK government and the Northern Ireland Executive in Belfast. It is divided into 26 districts, which in turn are divided into electoral wards. The United Kingdom has more than 10,000 electoral wards/divisions. The minimum voting age in local elections is 18.

## 16 JUDICIAL SYSTEM

The United Kingdom does not have a single body of law applicable throughout the realm. Scotland has its own distinctive system and courts; in Northern Ireland, certain spheres of law differ in substance from those operating in England and Wales. A feature common to all UK legal systems, however—and one that distinguishes them from many continental systems—is the absence of a complete code, since legislation and unwritten or common law are all part of the “constitution.”

The main civil courts in England and Wales are 218 county courts for small cases and the High Court, which is divided into the chancery division, the family division, and the Queen's Bench division (including the maritime and commercial courts), for the

more important cases. Appeals from the county courts may also be heard in the High Court, though the more important ones come before the Court of Appeal; a few appeals are heard before the House of Lords, which is the ultimate court of appeal for civil cases throughout the United Kingdom. In Scotland, civil cases are heard at the sheriff courts (corresponding roughly to the English county courts) and in the Outer House of the Court of Session, which is the supreme civil court in Scotland; appeals are heard by the Inner House of the Court of Session. Trial by jury in civil cases is common in Scotland but rare in the rest of the United Kingdom.

Criminal courts in England and Wales include magistrates' courts, which try less serious offenses (some 96% of all criminal cases) and consist most often of three unpaid magistrates known as justices of the peace, and 78 centers of the Crown Court, presided over by a bench of justices or, in the most serious cases, by a High Court judge sitting alone. All contested cases receive a jury trial. Cases involving persons under 17 years of age are heard by justices of the peace in specially constituted juvenile courts. Appeals may be heard successively by the Crown Court, the High Court, the Court of Criminal Appeal, and in certain cases by the House of Lords. In Scotland, minor criminal cases are tried without jury in the sheriff courts and district courts, and more serious cases with a jury in the sheriff courts. The supreme criminal court is the High Court of the Justiciary, where cases are heard by a judge sitting with a jury; this is also the ultimate appeals court.

All criminal trials are held in open court. In England, Wales, and Northern Ireland, 12-citizen juries must unanimously decide the verdict unless, with no more than two jurors dissenting, the judge directs them to return a majority verdict. Scottish juries of 15 persons are permitted to reach a majority decision and, if warranted, a verdict of “not proven.” Among temporary emergency measures passed with the aim of controlling terrorism in Northern Ireland are those empowering ministers to order the search, arrest, and detention of suspected terrorists and permitting juryless trials for terrorist acts in Northern Ireland.

Central responsibility for the administration of the judicial system lies with the lord chancellor (who heads the judiciary and also serves as a cabinet minister and as speaker of the House of Lords) and the home secretary (and the secretaries of state for Scotland and for Northern Ireland). Judges are appointed by the crown, on the advice of the prime minister, lord chancellor, or the appropriate cabinet ministries.

In 2005 Parliament passed the Constitutional Reform Act of 2005, which provides for a Supreme Court of the United Kingdom to abolish the appellate jurisdiction of the House of Lords and to reduce the role of the lord chancellor, among other changes.

The United Kingdom accepts the compulsory jurisdiction of the International Court of Justice with reservations.

## 17 ARMED FORCES

After the general demobilization that followed World War II, compulsory national service for all eligible males over 19 years of age was introduced. Call-ups of national servicemen ceased in 1960, but those who had been trained formed part of the general reserve until June 1974, when the national service legislation expired. Reserves now form part of the long-term reserve established in 1964, composed of all men under 45 years of age who have served in

the regular army since 28 February 1964, plus the highly trained units of the territorial army volunteer reserve. Home service forces are stationed in Northern Ireland, Gibraltar, and the Falkland Islands.

Total active army strength in 2005 was 116,760. Equipment included 543 main battle tanks, 475 reconnaissance vehicles, 575 armored infantry fighting vehicles, 2,503 armored personnel carriers, and 877 artillery pieces. The navy had 26,430 personnel including 7,000 Royal Marines and 6,200 naval aviation personnel. Major units of the British fleet included 15 nuclear submarines (four SSBNs; 11 SSNs), three aircraft carriers, 11 destroyers, 20 frigates, 24 coastal/patrol, 22 mine warfare, and three amphibious and 26 logistical/support ships. The Royal Air Force had a strength of 48,140 active personnel, with 339 combat capable aircraft, including 128 fighters, 117 strike/fighter ground attack, and 74 pure fighter ground attack aircraft. As of 2005, the United Kingdom's strategic missile force was based on 58 submarine launched ballistic missiles (SLBMs) with fewer than 200 operational warheads.

Basing its defense policy on NATO, the British government in the 1970s reduced its overseas commitments. The defense budget for 2005 was \$51.1 billion. British troops participate in a number of peacekeeping missions. The United States has 9,800 military personnel stationed in the United Kingdom.

## 18 INTERNATIONAL COOPERATION

The United Kingdom became a charter member of the United Nations on 24 October 1945; it participates in the ECE, ECLAC, and ESCAP, as well as in all the nonregional specialized agencies. The United Kingdom is a permanent member of the UN Security Council. The United Kingdom is also a member of the Council of Europe, the European Union, NATO, OECD, OSCE, the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, G-5, G-7, G-8, the Paris Club (G-10), and the WTO. The headquarters of the IMO is in London. The country holds observer status in the OAS.

The Commonwealth of Nations, an organization of 49 states, provides a means for consultation and cooperation, especially on economic matters, between the United Kingdom and its former colonies. Its main coordinating organ is the Commonwealth Secretariat, which was established in London in 1965 and is headed by a secretary-general appointed by the heads of the member governments. The heads of governments hold biennial meetings; meetings also are held by diplomatic representatives known as high commissioners and among other ministers, officials, and experts.

Despite controversy within the nation itself, the United Kingdom has been a strong supporter of the US-led international war on terrorism. The country has support UN missions and operations in Kosovo (est. 1999), Liberia (est. 2003), Sierra Leone (est. 1999), Georgia (est. 1993), the DROC (est. 1999), and Cyprus (est. 1964), among others. The United Kingdom is part of the Australia Group, the Zangger Committee, the European Organization for Nuclear Research (CERN), the Nuclear Suppliers Group (London Group), the Nuclear Energy Agency, and the Organization for the Prohibition of Chemical Weapons. The nation holds guest status in the Nonaligned Movement.

In environmental cooperation, the United Kingdom is part of the Antarctic Treaty; the Basel Convention; Conventions on Biological Diversity, Whaling, and Air Pollution; Ramsar; CITES; the

London Convention; International Tropical Timber Agreements; the Kyoto Protocol; the Montréal Protocol; MARPOL; the Nuclear Test Ban Treaty; and the UN Conventions on the Law of the Sea, Climate Change and Desertification.

## 19 ECONOMY

The United Kingdom—one of the most highly industrialized countries in the world, with the world's fourth-largest economy, and one of four countries in Western Europe with a trillion dollar economy (the others are Germany, France, and Italy)—lives by manufacture, trade, and financial and commercial services. Apart from coal and low-grade iron ore, some timber, building materials, and natural gas and North Sea oil, it has few natural resources. Agriculture provides 60% of the food needed with only about 2% of the labor force. The remainder of the United Kingdom's food supply and most raw materials for its industries have to be imported and paid for largely through exports of manufactures and services. The United Kingdom is in fact one of the world's largest markets for food and agricultural products and the fifth-largest trading nation. Vast quantities of imported wheat, meat, butter, livestock feeds, tea, tobacco, wool, and timber have been balanced by exports of machinery, ships, locomotives, aircraft, and motor vehicles. The pattern of exports is gradually changing, however. Post World War II reduction in output of textiles—once a leading British export—due to competition from Asia, and in coal output, because of competition from oil and mines in Europe, has been offset by industries such as electronics and chemicals. A major source of earnings is the variety of commercial services that stem from the United Kingdom's role as central banker of the sterling area. Shipping, income from overseas investment, insurance, and tourism also make up an important part of the economy.

The British economy is one of the strongest in Europe: as of the early 2000s, inflation, interest rates, and unemployment remained low. Since the 1979–81 recession, the British economy has posted steady gains. Between 1983 and 1990, real GDP increased by nearly 25%. Individual productivity increased by 14% during the 1980–85 period and another 25% during 1985–90. In less than a decade, the United Kingdom went from heavy dependence on imported oil to energy self-sufficiency, but this ended in 1989, although the United Kingdom's dependence on energy imports in the 1990s was far lower than in the past. Inflation fell from 18% in 1980 to an annual rate of 1.9% by July 1987. However, it averaged 6.3% a year during 1988–92 before falling to 1.6% in 1993. From 1994 to 1997, annual growth was over 3% (3.125%), but fell an average 2.5% from 1998 to 1999. An increase to 3.1% in 2000 was slowed to 2% and 1.6% in the global economic slowdown of 2001–03, exacerbated by the high value of the pound and the bursting of the “new economy” bubble, which hurt manufacturing and exports. Inflation, which stood at 2.7% in 1998, had fallen to 2.2% in 2002. After falling to 5.8% in 1990, the unemployment rate crept up to 10.4% in 1993 but declined to 8% in 1995, and 7.5% in 1998. In 2002, recorded unemployment was 5.1%. The estimated unemployment rate in 2004 was 4.8%. Real GDP growth stood at an average 2.3% from 2001–05. Inflation during that period averaged 1.5%. Real GDP grew by 1.8% in 2005, and was forecast to expand by just 1.6% in 2006, before rebounding to 2.1% in 2007.

In the 1980s and 1990s, the government privatized many major companies, as well as a number of subsidiaries of nationalized

industries and other businesses. Among the major companies privatized were British Telecom, British Gas, British Steel, British Airways, British Aerospace, Rolls-Royce, Austin Rover, Cable and Wireless, ICL, British water utilities, British Coal, and British Rail.

## 20 INCOME

The US Central Intelligence Agency (CIA) reports that in 2005 the United Kingdom's gross domestic product (GDP) was estimated at \$1.9 trillion. The CIA defines GDP as the value of all final goods and services produced within a nation in a given year and computed on the basis of purchasing power parity (PPP) rather than value as measured on the basis of the rate of exchange based on current dollars. The per capita GDP was estimated at \$30,900. The annual growth rate of GDP was estimated at 1.8%. The average inflation rate in 2005 was 3.2%. It was estimated that agriculture accounted for 1.1% of GDP, industry 26%, and services 72.9%.

According to the World Bank, in 2003 remittances from citizens working abroad totaled \$5.029 billion or about \$85 per capita and accounted for approximately 0.3% of GDP.

The World Bank reports that in 2003 household consumption in United Kingdom totaled \$1.174 trillion or about \$19,814 per capita based on a GDP of \$1.8 trillion, measured in current dollars rather than PPP. Household consumption includes expenditures of individuals, households, and nongovernmental organizations on goods and services, excluding purchases of dwellings. It was estimated that for the period 1990 to 2003 household consumption grew at an average annual rate of 3.1%. In 2001 it was estimated that approximately 14% of household consumption was spent on food, 9% on fuel, 3% on health care, and 3% on education. It was estimated that in 2002 about 17% of the population had incomes below the poverty line.

## 21 LABOR

The total workforce of the United Kingdom in 2005 was estimated at 30.07 million. As of 2004, the services sector accounted for 79.5% of the labor force, with industry at 19.1% and agriculture only 1.5%. Between 1983 and 1992 there was a substantial shift in employment from previously dominant manufacturing to service industries. Employment in industry, which had been 7,788,000 in 1983, was down to 4,986,000 in 1998. The unemployment rate in 2005 was estimated at 4.7%.

The Employment Relations Act protects union organization, the statutory right to strike, and minimum employment standards. Nearly all trade unions of any size are affiliated with the Trades Union Congress (TUC), the national center of the trade union movement. There is also a separate Scottish Trades Union Congress. The legal status of the trade unions is defined by the Trade Union and Labor Relations Act of 1974. Restrictions on the power of the trade unions are embodied in the Employment Acts of 1980 and 1982 and in the Trade Union Act of 1984. As of 2005, about 29% of Britain's workforce was unionized. In the public sector, 57% of the labor force belongs to a union, while in the private sector only 17% are union members.

The standard workweek is limited to 48 hours, which is averaged over a period of 17 to 26 weeks. Besides the statutory public holidays, most employees have at least four weeks' annual vacation with pay. Children under the age of 16 are not permitted

to work unless it is part of an educational experience. Children under age 13 are prohibited from working in any capacity. As of 2005, the national minimum wage rate varied from \$7.45 per hour to \$8.82 per hour depending upon the employee's age. Although these rates are insufficient to provide a decent living standard, the gap is filled by a range of government benefits, which includes free medical care under the National Health Service.

## 22 AGRICULTURE

Agriculture is intensive and highly mechanized, producing about 60% of the United Kingdom's food needs. Agriculture's importance has declined in recent years; including forestry and fishing, it contributed about 1% to the GDP in 2003, down from 2.3% in 1971. In 2003, agricultural products accounted for 4.9% of exports and there was an agricultural trade deficit of almost \$20.2 billion (second after Japan). Agriculture engages 1% of the labor force.

Nearly 24% of Great Britain's land area was devoted to crops in 2003. There were about 280,600 holdings, down from 422,000 in the late 1960s. In Great Britain roughly 70% of the farms are primarily or entirely owner-occupied, but in Northern Ireland nearly all are.

Most British farms produce a variety of products. The type of farming varies with the soil and climate. The better farming land is generally in the lowlands. The eastern areas are predominantly arable, and the western predominantly for grazing. Chief crops (with estimated 2004 production in tons) were barley, 5,860,000; wheat, 15,706,000; potatoes, 6,000,000; sugar beets, 7,600,000; oats, 652,000; and oilseed rape, 1,600,000. Mechanization and research have greatly increased agricultural productivity; between 1989 and 1999, for example, production of wheat per hectare rose 12%; of barley, 7%; and of sugar beets, 32%. The yield of cereal crops increased by almost 10% between 1992–94 and 2002–04. Consequently, the United Kingdom now produces about 60% of its total food needs, whereas prior to World War II (1939–45), it produced only about 33%, and in 1960, less than half. The estimated number of tractors in the United Kingdom in 2003 was 500,000, as against 55,000 in 1939; some 47,000 combines were also in use.

## 23 ANIMAL HUSBANDRY

Livestock continues to be the largest sector of the farming industry. The United Kingdom raises some of the world's finest pedigreed livestock and is the leading exporter of pedigreed breeding animals. Most of the internationally famous breeds of cattle, sheep, hogs, and farm horses originated in the United Kingdom. In England and Wales, fattening of animals for food is the predominant activity in the southeast, the east, and the Midlands, while stock rearing is widespread in northern England and in Wales. In Scotland, dairying predominates in the southwest, cropping and fattening in the east, and sheep raising in the hilly regions. Northern Ireland's livestock industry provides 90% of its agricultural income.

In 2005, there were about 10,378,000 head of cattle (including two million dairy cows), 35,253,000 sheep and goats, and 4,851,000 hogs. There are also an estimated 157 million chickens. Output of livestock products for 2005 included 747,000 tons of beef and veal, 310,000 tons of mutton and lamb, 704,000 tons of

pork, 1,573,000 tons of poultry, 14,577,000 tons of milk, 133,000 tons of butter, and 399,000 tons of cheese.

The most highly reputed beef breeds are Hereford and Aberdeen Angus; distinguished dairy breeds are Guernsey, Jersey, and Ayrshire. To ensure sound breeding, there is compulsory licensing of bulls. On 20 March 1996 the British government reported concern over a possible link between bovine spongiform encephalopathy (BSE, or the so-called "Mad Cow" disease) in cattle and a new variant of Creutzfeldt-Jakob disease in humans. BSE was first identified in the United Kingdom in 1986. Transmission of BSE to cattle occurs from contaminated meat and bone meal in concentrate feed, with sheep or cattle as the original source. The United Kingdom is the only country with a high incidence of the disease, and the epidemic was mainly due to recycling affected bovine material back to cattle before a ban on ruminant feed began in July 1988. As a result, consumption of beef dropped and many countries banned imports of British cattle and beef.

## 24 FISHING

Lying on the continental shelf, the British Isles are surrounded by waters mainly less than 90 m (300 ft) deep, which serve as excellent fishing grounds and breeding grounds for fish. Small fishing villages are found all along the coast, but the modern large-scale industry is concentrated at Hull, Grimsby, Fleetwood, Yarmouth, and Lowestoft in England. The major herring landings are made at numerous east coast ports of Scotland, notably Aberdeen. The fishing industry has been declining, but it remains important to Scotland, which accounts for 67% by weight of all fish landings in the United Kingdom; England and Wales account for 30% and Northern Ireland for 3%.

The deep-sea fleet has declined in recent years, primarily because the adoption by most nations, including the United Kingdom, of a 200-mi fishery limit decreased the opportunity to fish in distant waters. Some of the larger vessels have, instead, turned to fishing for mackerel and herring off the west coast. The British fishing fleet had a capacity of 223,039 gross tons in 2004, about 12% of EU capacity. Landings of all types of fish by UK fishing vessels totaled 457,712 tons in 2004 (27% shellfish). Leading species caught that year were mackerel (115,299 tons), herring (56,214 tons), and haddock (45,384 tons). The United Kingdom exported \$1,669 million in fishery products in 2003, while imports were valued at \$2,507 million.

Salmon farming takes place primarily in Scotland; total UK production of farmed salmon in 2003 was around 145,600 tons. Domestic demand for seafood grew during the late 1990s due to public concerns over beef tainted by bovine spongiform encephalopathy (BSE, or Mad Cow disease).

## 25 FORESTRY

The estimated total area of woodland in 2002 was 2.8 million hectares (6.89 million acres), or over 10% of Great Britain's land area. Roughly 40% of the area is in England, 49% in Scotland, and 11% in Wales. State-owned forests cover 33% of the forest area, and 67% are in the private sector. The principal species in the forest area are spruces (34%), pines (22%), oak (9%) and larch (8%), with smaller amounts of beech, ash, birch, and fir. The lumber industry employs about 55,000, and supplies the United Kingdom with 13% of its timber demand. Because of the high proportion of unproduc-

tive woodland, largely a legacy of overfelling during the two world wars, major efforts have been directed toward rehabilitation.

The timber cut in 2004 yielded an estimated 8.1 million cu m (286 million cu ft) of roundwood. In 2004, UK sawmills cut 4.93 million cu m (174 million cu ft) of logs to produce 2.76 million cu m (97.4 million cu ft) of sawn lumber. Except for the two wartime periods, home woodlands have made only a limited contribution in this century to the national requirements in wood and wood products, almost 90% of which are met by imports. The United Kingdom imports softwood lumber from Canada, hardwood lumber and softwood plywood from the United States, hardwood veneer from Germany, hardwood plywood from Russia, and particleboard from Belgium.

The Forestry Commission promotes development of afforestation and increased timber production. Clearance of forests for agriculture began in the Neolithic and Bronze Ages, so that by the time of the Domesday survey in 1086, only 15% of England was forested. There was a considerable degree of reforestation in the second half of the 20th century. During 1990–2000, the total forest area increased by 0.6%.

## 26 MINING

Although the United Kingdom had comparatively few mineral resources (except for North Sea oil), it was a significant player in the world mining and mineral-processing industries, because of the extensive range of UK companies that had interests in the international mineral industry. An organized coal-mining industry has been in existence for over 300 years, 200 years longer than in any other country, and has traditionally been by far the most important mineral industry. Mine production of ferrous and nonferrous metals has been declining for more than 30 years, as reserves became depleted, necessitating imports for the large and important metal processing industry. Metals, chemicals, coal, and petroleum were among the country's leading industries in 2003, and fuels and chemicals ranked second and third, respectively, among export commodities. The industrial minerals sector has provided a significant base for expanding the extractive industries, and companies had a substantial interest in the production of domestic and foreign aggregates, ball clay, kaolin (china clay), and gypsum. The United Kingdom was a leading world producer and exporter of ball clay and kaolin; operations were mainly in Dorsetshire and Devonshire.

Other minerals extracted in 2003 included: common sand and gravel, 91 million tons (estimated); crushed limestone, 82 million tons (estimated); crushed dolomite, 12.950 million tons (reported); crushed igneous rock, 50.4 million tons (estimated); china clay kaolin (dry weight sales), 2.097 million tons (reported); ball and pottery clay (dry weight sales), 885,000 tons (reported); potash, 621,000 tons (reported); dimension sandstone, 250,000 tons (estimated); gypsum and anhydrite, 1.7 million tons (estimated); fluorspar (all grades), 56,000 tons (estimated); and crushed chalk, 8.5 million tons (estimated). Lead and hematite iron ore were worked on a small scale. The output of iron ore (gross weight) dropped from an estimated 1,000 metric tons in 1999, to 500 metric tons in 2003. Alumina was produced from imported bauxite. Zinc and tungsten are no longer mined. In 2003, the United Kingdom also produced barite and witherite, bromine, hydraulic cement, clays (including fire clay, fuller's earth, and shale), feldspar

(china stone), quicklime and hydrated lime, nitrogen, rock and brine salt, sodium compounds, slate, sulfur, pyrophyllite and soapstone talc, and titania. Most slate mining was in northern Wales, and the Penrhyn quarry, at Bethesda, was considered the world's largest, and has been in operation for more than 400 years. Small amounts of calcite stone were produced from 1999 through 2003.

Most nonfuel mineral rights in the United Kingdom were privately owned, except gold and silver, the rights to which were vested in the royal family and were known as Crown Rights. Onshore exploration activities were to be directed mainly toward precious metals, mainly gold. In Northern Ireland, the rights to license and to work minerals were vested in the state.

## 27 ENERGY AND POWER

The United Kingdom (UK) is the European Union's (EU) largest petroleum and natural gas producer, thanks to its offshore oil reserves in the North Sea. It is also one of Europe's largest consumers of energy.

The United Kingdom, as of 1 January 2005 had proven oil reserves estimated at 4.49 billion barrels, according to the Oil and Gas Journal. The bulk of these reserves are located in the North Sea, on the UK Continental Shelf. Sizable reserves also are located north of the Shetland Islands, with smaller amounts located in the North Atlantic. The United Kingdom also has Europe's largest onshore oil field, the Wytch Farm field. In 2004, oil production averaged an estimated 2.08 million barrels per day, with domestic consumption that year estimated at 1.86 million barrels per day. Net exports that same year averaged an estimated 0.22 million barrels per day. The United Kingdom's crude oil refining capacity, as of 1 January 2003 totaled an estimated 1.8 million barrels per day. British Petroleum (BP) has the most refining capacity in the United Kingdom, operating a 196,000 barrel-per-day facility in Grangemouth, Scotland, and a 163,000-barrel-per-day facility in Coryton, England. The largest refinery in the United Kingdom is the 321,000 barrel per day Fawley facility, operated by ExxonMobil. The United Kingdom is simultaneously a major importer and exporter of oil. Since North Sea oil is a light, high-quality oil, the United Kingdom exports this oil and imports crude oils of various qualities. In 2002, imports of petroleum, including crude oil, averaged 1,439,900 barrels per day, of which crude oil accounted for 1,060,110 barrels per day. In 2002, imports of dry natural gas totaled 180.11 billion cu ft.

As of 1 January 2005, the United Kingdom's proven natural gas reserves were estimated at 20.8 trillion cu ft. In 2002, natural gas production totaled an estimated 3.6 trillion cu ft, of which an estimated 3.3 trillion cu ft was consumed domestically. Net exports of natural gas that year were estimated at 0.3 trillion cu ft.

The United Kingdom is the fifth-largest producer of coal in the EU. In 2001, the country had recoverable coal reserves estimated at 1.65 billion short tons. According to the UK Department of Trade and Industry (DTI), a total of 31.1 million short tons were produced in 2003. However, this figure is down by 82% from the early 1970s. In addition, demand for coal has also dwindled. In 1970, according to the DTI, consumption fell from 175.9 million short tons to 68.7 million short tons in 2003. Falling domestic demand and a surge in cheap imported coal put coal imports at 35.7 million short tons in 2003. Of that total, 38% came from South Africa, 18% from Australia, and 16% from Russia. Also in

that year, electric power generation accounted for 86% of all coal consumption.

In 2003, according to the DTI, installed electric power generating capacity totaled 78.5 GW, of which conventional thermal plants accounted for 77% of capacity, followed by nuclear at 15%, hydropower at 5%, and 2% from other renewable sources. Electric power output in 2003 totaled 376.8 billion kWh, with consumption that same year at 399.8 billion kWh. Imports that year totaled 5.1 billion kWh, most of which came from France, according to the DTI. The UK electric power sector is privatized and competitive. Distributors and generators of electricity trade power on a wholesale market.

## 28 INDUSTRY

The United Kingdom is one of the most highly industrialized countries in the world. The industrial sector of the economy declined in relative importance after 1973, because of the worldwide economic slowdown; however, output rose in 1983 and 1984 and in 1985 was growing at an annual rate of 3%. Manufacturing accounted for 25.1% of GDP in 1985, 22.3% in 1992, and 26.3% in 2004. Since World War II, some traditional industries have markedly declined—e.g., cotton textiles, steel, shipbuilding, locomotives—and their place has been taken by newer industries, such as electronics, offshore oil and gas products, and synthetic fibers. The United Kingdom had a total oil refining capacity of 1.8 million barrels per day in 2005. In the chemicals industry, plastics and pharmaceuticals have registered the most significant growth.

The pattern of ownership, organization, and control of industry is varied: public, private, and cooperative enterprises are all important. The public sector plays a significant role; however, since 1979 the government has sold off a number of companies and most manufacturing is conducted by private enterprise. Although the average firm is still fairly small, there has been a trend in recent years toward the creation of larger enterprises.

Metals, engineering, and allied industries—including steel, nonferrous metals, vehicles, and machinery—employ nearly half of all workers in manufacturing. The United Kingdom's automotive industry produced 1.75 million automobiles in 2002. It also produced 14,682 heavy trucks in 2000. Britain's aerospace industry is among the world's foremost. Rolls-Royce, which was privatized in 1987, is one of the principal aero-engine manufacturers in the world. British Aerospace, nationalized during 1978–80 but now privately owned again, manufactures civil aircraft, such military aircraft as the Harrier and the Hawk advanced trainer, and guided weapons, including the Rapier ground-to-air missile.

While the relative importance of the textile and clothing industries has declined considerably since World War II, the United Kingdom continues to produce high-quality woolen textiles. Nevertheless, foreign competition has significantly cut into the textile industry. Following the expiration of the World Trade Organization's longstanding system of textile quotas at the beginning of 2005, the EU signed an agreement with China in June 2005, imposing new quotas on 10 categories of textile goods, limiting growth in those categories to between 8% and 12.5% a year. The agreement runs until 2007, and was designed to give European textile manufacturers time to adjust to a world of unfettered competition. However, barely a month after the EU-China agreement was signed, China reached its quotas for sweaters, followed soon



after by blouses, bras, T-shirts, and flax yarn. Tens of millions of garments piled up in warehouses and customs checkpoints, which affected both retailers and consumers.

Certain smaller industries in the United Kingdom are noted for the quality of their craftsmanship—e.g., pottery, jewelry, goldware, and silverware. Other sectors are the cement industry (which focuses on the manufacture of Portland cement, a British invention); the rubber industry, the world's oldest; paper industries; and leather and footwear. The industrial sector's 26.3% share of GDP in 2004 continues to demonstrate the importance of industry to the development of the British economy. The industrial production growth rate declined in 2004, however, to 0.9%. Industrial production was forecast to contract by 1.3% in 2005.

## 29 SCIENCE AND TECHNOLOGY

Great Britain, preeminent in the Industrial Revolution from the mid-18th to the mid-19th century, has a long tradition of technological ingenuity and scientific achievement. It was in the United Kingdom that the steam engine, spinning jenny, and power loom were developed and the first steam-powered passenger railway entered service. To British inventors also belongs credit for the miner's safety lamp, the friction match, the cathode ray tube, stainless steel, and the first calculating machine. One of the most famous scientific discoveries of the 20th century, the determination of the double-helix structure of the deoxyribonucleic acid (DNA) molecule, took place at the Laboratory of Molecular Biology at Cambridge University. In February 1997 the first successful cloning of an animal from an adult (resulting in "Dolly" the lamb) was performed at the Roslin Institute near Edinburgh, Scotland's leading animal research laboratory. The United Kingdom is also in the forefront of research in radio astronomy, laser holography, and superconductivity.

The total national expenditure for research and development (R&D) in 2002 was \$29.06 billion, or 1.88% of GDP. Of that amount, the business sector provided the largest portion at 46.7%, followed by the government at 26.9%. Foreign sources accounted for 20.5%, with higher education and private nonprofit organizations providing 1% and 4.9%, respectively. In 1998 (the latest year for which data was available) there were 2,691 scientists and engineers that were engaged in research and development per one million people. In 2002, of all bachelor's degrees awarded, 31.4% were in the sciences (natural, mathematics and computers, engineering).

The leading government agency for supporting science and technology is the Ministry of Defense, which plays an important role in both the United Kingdom's national security and its role in NATO. In addition, government-industry cooperation in aerospace, biotechnology and electronics have opened new frontiers in science. In 2002, high-tech exports were valued at \$71.481 billion and accounted for 31% of manufactured exports.

The largest issue facing British scientists, engineers and technicians is the challenge of providing new technological innovations in the global economy. In 1993, a government white paper, *Realizing our Potential*, called for the most sweeping changes in British science and technology since World War II. Among the changes called for in this white paper is the creation of a "technology forecasting program" which will allow scientists and engineers from all over Great Britain to have a more direct say in setting national

science and technology priorities. It is likely that many of the recommendations from the white paper will be incorporated into national science and technology priorities, including the technology forecasting program, over time.

The most prestigious scientific institution in the United Kingdom is the Royal Society, founded in 1660 in London. The British Association for the Advancement of Science, headquartered in London, promotes public understanding of science and technology.

## 30 DOMESTIC TRADE

London is the leading wholesale and importing center, accounting for more than half the total wholesale turnover. Other important distribution centers are Liverpool, Manchester, Bristol, Glasgow, and Hull.

Supermarkets have hurried to diversify into other businesses recently because of competition, falling prices, and a mature domestic market. As of 2005, the franchise industry was worth over £9 billion per year in the United Kingdom alone: the industry employs some 330,000 people, with more than 31,000 franchisees operating their own franchised business. Direct marketing is common. A value-added tax of 17.5% applies to most goods and services.

Normal banking hours are 9 AM to 5 PM, Monday through Friday, but this may vary in country areas. Business hours in London are 9 AM to 5:30 PM, Monday through Friday; shops in certain areas may be open to 7:30 one night a week, usually Wednesday or Thursday. Outside of London, the shops of each town or village may close for a half or full day at midweek. Saturday shopping hours are 9 AM to 5:30 PM. Sunday shopping is becoming increasingly available, from 10 AM to 4 PM.

## 31 FOREIGN TRADE

The United Kingdom—the world's fifth-largest trading nation, the fifth-largest exporter of goods, and the second-largest exporter of services—is highly dependent on foreign trade. It must import almost all its copper, ferrous metals, lead, zinc, rubber, and raw cot-

### Principal Trading Partners – United Kingdom (2003)

(In millions of US dollars)

Country	Exports	Imports	Balance
World	320,057.2	399,478.3	-79,421.1
United States	48,080.4	39,360.3	8,720.1
Germany	33,292.7	54,046.1	-20,753.4
France-Monaco	30,209.0	33,060.0	-2,851.0
Netherlands	21,692.1	25,615.2	-3,923.1
Ireland	20,815.4	16,433.1	4,382.3
Belgium	17,610.3	19,945.6	-2,335.3
Spain	14,330.7	13,844.3	486.4
Italy-San Marino-Holy See	13,836.1	19,357.9	-5,521.8
Special Categories	12,414.2	13,329.6	-915.4
Sweden	6,210.9	7,511.5	-1,300.6

(...) data not available or not significant.

SOURCE: 2003 *International Trade Statistics Yearbook*, New York: United Nations, 2004.

ton; most of its tin, raw wool, hides and skins, and many other raw materials; and about one-third of its food.

The United Kingdom's major export commodities are manufactured items, crude petroleum, chemicals, food, beverages, and tobacco. As of 2005, the top 14 best prospect sectors for trade and investment in the United Kingdom were aircraft and parts, apparel, automotive parts and service equipment, computers and peripherals, cosmetics and toiletries, drugs and pharmaceuticals, education and training, furniture, medical equipment, pollution control, renewable energy equipment, safety and security equipment, telecommunications equipment, and travel and tourism.

In 2004, the United Kingdom's major exports were finished manufactures (53% of total exports), semi-manufactures (29.6%), and oils and other fuels (9.4%). Major imports were finished manufactures (56.9% of all imports), semi-manufactures (24.2%), and food, beverages, and tobacco (8.9%). The United Kingdom's leading markets in 2004 were the United States (15% of all exports), Germany (11.5%), France (9.8%), and Ireland (7%). Leading suppliers were Germany (13.9% of all imports), the United States (8.8%), France (8%), and the Netherlands (7.2%). Exports of goods totaled \$349.6 billion in 2004, and imports totaled \$456.9 billion, resulting in a trade deficit of \$107.3 billion.

### 3<sup>2</sup> BALANCE OF PAYMENTS

Throughout the 1960s, revaluations of other currencies adversely affected the pound sterling. Large deficits in the balance of payments appeared in 1964 and 1967, leading to devaluation in November 1967. Another run on sterling prompted a decision to let the pound float on 23 June 1972. The pound then declined steadily, dropping below a value of \$2.00 for the first time on 9 March 1976. The oil crisis and the rise in commodity prices in 1974 were even harsher blows to the UK economy. Increasing unemployment, the worldwide recession, and a large budgetary deficit placed the government in an extremely difficult position, since replenishment

of currency reserves cost more in terms of sterling, and the need to curb inflation prevented expansion in the economy. Borrowing from the oil-producing states and the EU helped finance the deficits, but a further approach to the IMF became necessary. During the late 1970s, the United Kingdom's visible trade balance was generally negative, although surpluses on invisibles sometimes were sufficient to produce a surplus in the current account.

Increased North Sea oil exports helped produce substantial trade surpluses in 1980–82. The United Kingdom has run a deficit in visible trade since 1983, reaching a peak of \$47 billion in 1989, as consumer demand for imported goods ballooned. As recession took hold, imports fell, reducing the visible trade deficit dramatically in 1991. The devaluation of the pound, following the United Kingdom's late 1992 withdrawal from the EU's Exchange Rate Mechanism, increased the cost of imports at the end of 1992. However, the sterling's trade-weighted exchange rate index stabilized by 1995. In recent years, the export-oriented manufacturing sector has been challenged by an overvalued exchange rate. The United Kingdom is a major overseas investor (especially in the United States) and has an extremely important service sector, dominated by banking and insurance, which consistently generates invisible trade credits.

In 2002, the United Kingdom's current account balance was -\$13 billion, or -0.8% of GDP. The current account balance in 2003 was -1.6% of GDP. Exports of goods totaled \$349.6 billion in 2004, and imports totaled \$456.9 billion, resulting in a trade deficit of \$107.3 billion. The current account balance in 2004 was -\$33.46 billion.

### 3<sup>3</sup> BANKING AND SECURITIES

The United Kingdom is known throughout the world for its expertise in the field of banking, ranking third in the world after New York and Tokyo. Most activity takes place in the City of London, which has the greatest concentration of banks and the largest insurance market in the world. Until the Labour government of Tony Blair disengaged it from the Treasury, the Bank of England, established in 1694 as a corporate body and nationalized in 1946, held the main government accounts, acted as government agent for the issue and registration of government loans and other financial operations, and was the central note-issuing authority, with the sole right to issue bank notes in England and Wales (some banks in Scotland and Northern Ireland have limited note-issuing rights). It administered exchange control for the Treasury and is responsible for the application of the government's monetary policy to other banks and financial institutions. After its separation from the Treasury, the Bank of England retained the power to establish interest rates, while the Treasury continued to reign in public spending.

The banks handling most domestic business are mainly limited liability companies. The four major clearing commercial banking groups are Barclays, Lloyds, Midland, and National Westminster. These banks carry out most of the commercial banking in England and Wales. In Scotland, which has its own clearing system, there are three clearing banks: the Bank of Scotland, the Clydesdale Bank, and the Royal Bank of Scotland. Other institutions, notably the building societies, have begun to compete with the clearing banks by providing current and deposit account facilities.

#### Balance of Payments – United Kingdom (2003)

(In billions of US dollars)

<b>Current Account</b>		<b>-33.5</b>
Balance on goods	-77.3	
Imports	-384.3	
Exports	307.0	
Balance on services	-269.1	
Balance on income	36.0	
Current transfers	-16.0	
<b>Capital Account</b>		<b>2.1</b>
<b>Financial Account</b>		<b>27.1</b>
Direct investment abroad	-51.2	
Direct investment in United Kingdom	15.5	
Portfolio investment assets	-56.3	
Portfolio investment liabilities	149.3	
Financial derivatives	-8.5	
Other investment assets	-432.3	
Other investment liabilities	410.5	
<b>Net Errors and Omissions</b>		<b>1.8</b>
<b>Reserves and Related Items</b>		<b>2.6</b>

(...) data not available or not significant.

SOURCE: *Balance of Payment Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

There are concerns that Frankfurt, Germany, will develop as the major financial center in the EU. The City of London's role in this context is under threat mainly because Frankfurt is the site of the European Central Bank, which controls monetary policy for the euro-area EU states.

The National Savings Movement, started in 1916, encourages widespread savings investment by small depositors in trustee savings banks and the National Savings Bank (formerly known as the Post Office Savings Bank), the largest organization of its kind in the world, with about 20,000 in post offices. Merchant banks are of great importance in the financing of trade, both domestic and overseas. In addition, about 275 overseas banks are directly represented in London.

After the "Big Bang"—the deregulation of the United Kingdom's financial markets—the Financial Services Act, which became law in November 1986, set out a system of self-regulating organizations (SROs) to oversee operations in different markets under the overall control of an umbrella body, the Securities and Investment Board (SIB). In 1996 there were five SROs covering the main financial activities, and since April 1988 any firm conducting investment business must have authorization to do so from the appropriate SRO. The International Monetary Fund reports that in 2001, M2—an aggregate equal to currency and demand deposits plus savings deposits, small time deposits, and money market mutual funds—was \$1.63 trillion. The money market rate, the rate at which financial institutions lend to one another in the short term, was 5.08%.

In 1762, a club of securities dealers was formed in London to fix rules for market transactions, and in 1773 the first stock exchange was opened in London. In 1801, the London Stock Exchange was constructed on part of its present site. Since that time, it has provided a market for the purchase and sale of securities and has played an important part in providing new capital for industry. The Stock Exchange opened to international competition in October 1986, permitting wider ownership of member firms. Minimum rates of commission on stock sales were abolished. In April 1982, the London Gold Futures Market began operations; it is the only market in Europe making possible worldwide, round-the-clock futures dealings in the metal. As of 2004, a total of 2,486 companies were listed on the London Stock Exchange, which had a market capitalization of £1.47 trillion.

### 34 INSURANCE

London is the leading international insurance center. Lloyd's, the world-famous society of private insurers, was originally established in the 17th century as a center for marine insurance but has since built up a worldwide market for other types of insurance.

The Central Statistical Office (CSO) recently compiled information on institutions whose primary business is the long-term investment of funds in the securities markets. It covers pension funds, insurance companies, investment trusts, unit trusts, and property trusts. Total net investment by institutions in 1994 was £45.4 billion (\$69.6 billion), down from the record £51.6 billion in 1993. The biggest net investment by an institutional group was that of the long-term insurance companies, with £24.2 billion of this total.

In the mid-1990s, total life insurance in force came to £1.04 trillion. In the United Kingdom, third-party automobile liability, em-

### Public Finance – United Kingdom (2003)

(In millions of British pounds, general government figures)

<b>Revenue and Grants</b>	<b>441,048</b>	<b>100.0%</b>
Tax revenue	316,610	71.8%
Social contributions	85,689	19.4%
Grants	3,881	0.9%
Other revenue	34,868	7.9%
<b>Expenditures</b>	<b>478,748</b>	<b>100.0%</b>
General public services	29,970	6.3%
Defense	32,980	6.9%
Public order and safety	24,963	5.2%
Economic affairs	37,626	7.9%
Environmental protection	6,303	1.3%
Housing and community amenities	8,920	1.9%
Health	81,356	17.0%
Recreational, culture, and religion	6,251	1.3%
Education	60,060	12.5%
Social protection	190,319	39.8%

(...) data not available or not significant.

SOURCE: *Government Finance Statistics Yearbook 2004*, Washington, DC: International Monetary Fund, 2004.

ployers' liability, nuclear facility liability, oil pollution liability, aircraft operators' liability and professional liability is compulsory, with the government having a monopoly on workers' compensation. In 2003, the value of all direct insurance premiums written totaled \$246.733 billion, of which life insurance premiums accounted for \$154.842 billion. For that same year, the top nonlife insurer was Norwich Union, with net written nonlife premiums of £5 billion, while the nations leading life insurer had gross written life insurance premiums of £8.148 billion.

### 35 PUBLIC FINANCE

The onset of recession in 1990 led to an increased level of public borrowing—about £14 billion in 1991–92, or 2.25% of GDP. By 1993–94, the public sector borrowing requirement had risen to £50 billion, or 8.1% of GDP. In 1994 the government initiated a series of stringent fiscal measures designed to curb the spiraling public sector borrowing requirement (PSBR). Since 1998, the United Kingdom has taken aggressive steps to reform its public spending activities. Reforms included limits on expenditures, higher governmental accountability regarding spending, better resource budgeting, and improved spending flexibility.

The US Central Intelligence Agency (CIA) estimated that in 2005 the United Kingdom's central government took in revenues of approximately \$881.4 billion and had expenditures of \$951 billion. Revenues minus expenditures totaled approximately -\$69.6 billion. Public debt in 2005 amounted to 42.2% of GDP. Total external debt was \$7.107 trillion.

The International Monetary Fund (IMF) reported that in 2003, the most recent year for which it had data, general government revenues were £441,048 million and expenditures were £478,748 million. The value of revenues was us\$720,078 million and expenditures us\$771,339 million, based on a market exchange rate for 2003 of us\$1 = £.6125 as reported by the IMF. Government outlays by function were as follows: general public services, 6.3%; defense,

6.9%; public order and safety, 5.2%; economic affairs, 7.9%; environmental protection, 1.3%; housing and community amenities, 1.9%; health, 17.0%; recreation, culture, and religion, 1.3%; education, 12.5%; and social protection, 39.8%.

### 36 TAXATION

Taxes on income include a graduated individual income tax and a corporation tax. Although personal income taxes are still high, they have been reduced several times since 1980.

As of 1 April 2004 the United Kingdom (UK) imposed a standard 30% corporate profits income tax rate. However, for companies with profits under £300,000, the rate was 19%. For companies with profits under £10,000, the rate was 0%. In addition, companies having profits up to £1.5 million, marginal relief was available. There is a 50% petroleum tax assessed on profits from all exploration and production which is deductible from other corporate tax. Capital gains are taxed at the standard corporate rate, but nonresidents companies are generally not taxed on capital gains derived from the sale of shares in a resident subsidiary company. However, companies that derive capital gains from the sale of assets that are located in and are used to carry on business activity in the United Kingdom are subject to the capital gains tax. Dividends are not taxed. Income from interest and royalties are subject to withholding taxes of 20% and 22%, respectively.

Income tax is charged on all income that has its origin in Britain and on all income arising abroad of persons resident in Britain. However, the United Kingdom has entered into agreements with many countries to provide relief from double taxation. Generally, the United Kingdom has a progressive personal income tax structure with a top rate of 40%. For the 2005/2006 fiscal year, a 10% rate was applied to taxable income up to £2,090. A 22% rate was applied on income up to £32,400, with a 40% rate on income above that amount. Inheritance taxes are 40%. Each taxpayer's marginal rate applies to capital gains in excess of £8,500. The main local taxes are land assessments, or "rates."

In January 1973, a value-added tax (VAT) was introduced with a standard rate of 10%, replacing the purchase tax, and bringing the UK's tax policy into harmony with the EU. In 1991, the standard rate was increased to 17.5% and in 1997, the reduced rate, applied to some medicines, medical equipment, heating oil, gas, electricity, small service businesses and some transportation services, was lowered from 8% to 5%. A zero rate applies to most foods, books, newspapers and periodicals, and certain other goods. Services such as insurance, health, education, and land and rents are also exempt. Other taxes are levied on petroleum products, tobacco, and alcoholic drinks. There are also various stamp duties.

### 37 CUSTOMS AND DUTIES

Import licensing and quotas were the general rule in the United Kingdom between 1939 and 1959. For specified items from specified countries or groups of countries, an individual license was required for each import. In June 1959, however, the United Kingdom began to remove important controls on virtually all raw materials and basic foodstuffs and on some machinery imported from the United States. With UK entry into the free trade area of the EU, a tariff-free area has been created. In addition, the United Kingdom uses the EU's common external tariff for non-EU imports. Rates range from 2–14% on most goods. The four princi-

pal types of import charges are customs duties, agricultural levies, value-added taxes, and excise duties on goods such as alcohol, tobacco, and tobacco products. The United Kingdom also levies a VAT on imports with a standard rate of 17.5%, with reduced rates ranging from 0–5%.

### 38 FOREIGN INVESTMENT

London is considered to be Europe's top financial and business center. London is the headquarters for some 130 of the top 500 global companies. With few exceptions, the United Kingdom does not discriminate between nationals and foreign individuals, and imposes few impediments to foreign ownership. Public-sector procurement policies seek best value and best practice regardless of national origin. The privatization of state-owned utilities is ongoing, and offers additional opportunities for foreign investment. The tax rate on the profits of large companies is 30%, but the effective tax burden is higher; it rose markedly after the Labour government assumed office in 1997.

Over the 10-year period 1992 to 2002, foreign direct investment (FDI) inflow totaled \$484.5 billion, the second highest in the world (after the United States by some distance: the United States' 10-year total was \$1.3 trillion). In 1997, FDI inflow rose 60% over 1996 to \$33.3 billion, placing the United Kingdom third in the world, behind the United States and China. FDI inflow peaked in 2000 at \$116.6 billion (a fourth-place finish, behind the United States, Belgium-Luxembourg, and Germany), and then fell to \$62 billion in the economic slowdown of 2001. The stock of inward FDI by yearend 2003 was \$672 billion. Direct investment inflows in 2003 were \$14.5 billion, down from \$27.8 billion in 2002. From 2001–05, FDI inflows averaged 2.9% of GDP.

The United Kingdom's outward FDI has normally exceeded its inward flow. Before World War I, British overseas investments were valued at more than \$30 billion (adjusted into 1960 dollars). Even in the period between the two world wars, British foreign investments remained remarkably high. After World War II, the United Kingdom, having given up many of its overseas dependencies and having incurred enormous foreign debts to wage the war, had to liquidate a large part of its overseas holdings. As its economy recovered, the United Kingdom again began to invest overseas. From 1955 to 1964, gross total private capital outflow was at an annual average of £300 million. The abolition of exchange controls in 1979 also encouraged overseas investment. By 1985, private British investment overseas (direct and portfolio) had risen to £76.7 billion (\$101 billion). In 1994, outward FDI amounted to £100 billion (\$154 billion). In 1997, the outflow was \$43.7 billion. By yearend 2003, the stock of outward UK FDI investment totaled \$1.129 billion. FDI outflows in 2003 totaled \$55.1 billion, up from \$35.2 billion in 2002.

The United States and the United Kingdom are the largest foreign investors in each other's country. By the end of 2003, the United States had invested \$273 billion (historical cost) in the United Kingdom. After the United States, the most popular destinations for outward UK FDI in 2003 were France and Canada. For inward FDI, the Netherlands was the largest overall investor in the United Kingdom in 2003, followed by the United States and Germany.

The United Kingdom is the most favored inward investment location in Europe, attracting over 40% of all direct investment in the EU.

### 39 ECONOMIC DEVELOPMENT

Like many other industrialized nations of the West, the United Kingdom has sought to combine steady economic growth with a high level of employment, increased productivity, and continuing improvement in living standards. Attainment of these basic objectives, however, had been hindered after World War II by recurrent deficits in the balance of payments and by severe inflationary pressures. As a result, economic policy has chiefly had to be directed toward correcting these two underlying weaknesses in the economy. When crises have arisen, emergency measures have often conflicted with long-term objectives. In 1967, for example, the government devalued the pound by 14% in order to improve the balance-of-payments position, but simultaneously increased taxes and reduced the growth rate of public expenditures in order to restrain home demand in both public and private sectors. Since the almost uninterrupted upward trend in prices resulted principally from the tendency for money income to rise faster than the volume of production, the government sought to institute a policy designed to align the rise in money income with increases in productivity.

Various bodies have been set up to foster economic development and improve industrial efficiency, notably the National Economic Development Council, established in 1962 but abolished in 1992, was responsible for the coordination of industry. Another important body, created in 1974, the National Enterprise Board, was set up to help plan industrial investment, particularly in manufacturing and export industries; the NEB was combined with the National Research and Development Corp. in 1981 to form the British Technology Group, which was privatized in 1991. The Labour government in the 1970s began to de-emphasize increased social services and government participation in the economy and to stress increased incentives for private investment. (A notable exception was in the exploitation of North Sea oil resources.) General investment incentives included tax allowances on new buildings, plants, and machinery. The Conservative government elected in 1979 sought to reduce the role of government in the economy by improving incentives, removing controls, reducing taxes, moderating the money supply, and privatizing several large state-owned companies. This policy was continued by succeeding Conservative governments into the 1990s. The election of a Labour government in 1997 did not reverse this trend. Indeed, privatization is now widely accepted by most of the Labour Party (with the exception of the dwindling numbers of the wing of the party with strong ties to trade unions).

The United Kingdom has long been a major source of both bilateral aid (direct loans and grants) and multilateral aid (contributions to international agencies) to developing countries. To coordinate the overall aid program and its proportions of bilateral and multilateral aid, capital aid, and technical assistance, the Ministry of Overseas Development was set up in 1962. Its functions were subsequently taken over by the Overseas Development Administration (ODA) and are now administered by the Department for International Development (DFID). Since 1958, the terms for development loans have progressively softened, and a policy of interest-free loans for the poorest developing countries was introduced in 1965. Unlike other donors, the United Kingdom provides funds to the recipient governments, rather than funding individual projects. The United Kingdom made a commitment to increase its of-

ficial development assistance (ODA) from 0.26% of GNP in 1997 to 0.33% in 2003–04 (the UN's target for donor countries' development aid is 0.7% of GNP). In 2004, the United Kingdom actually donated 0.34% of its GNP for development aid, or \$7.836 billion. The United Kingdom's aid budget was set to increase to over \$8.2 billion for 2005–06, and to \$10.6 billion by 2008.

The most important issue facing Britain in the early 2000s was membership in the Economic and Monetary Union (EMU). Labour Prime Minister Tony Blair decided to opt out of EMU at its inception in 1998 and promised a referendum on British membership. By 2005, however, there was little or no prospect of the United Kingdom holding a referendum on joining the EMU over the succeeding five years. The opposition Conservatives oppose abandoning the pound and have the support of a majority of the British population on the issue. The government in 2005 devoted its attention on the domestic front to improving such public services as health, education, and transportation. Large increases in public spending have been set aside for this purpose, but public finances have deteriorated to an extent due to lowered tax receipts. An additional long-term priority for the Labour government in 2005 was to implement reforms to raise the country's productivity performance, which remains below the OECD average.

Another long-term economic problem facing the United Kingdom is the aging of its population and the pressures this phenomenon will place on its pension system. By 2035 the number of pensioners in the United Kingdom will rise by 45% as the postwar baby boomer generation retires; by 2050 the increase will reach 55%. If these people are to maintain their standards of living in relation to the rest of society, the share of GDP transferred to them will have to rise sharply, from 9.4% in 2005 to 14.5% in 2050. One option is to raise the state pension age, which was 65 for men and 60 for women in 2005; the government's Pensions Commission proposes a yearly rise in the retirement age per decade, so that it would reach 68 by 2050. Higher public spending on pensions is another option, but that will mean workers will have to pay more taxes to support the aging population.

### 40 SOCIAL DEVELOPMENT

A gradually evolved system of social security, placed in full operation in 1948, provides national insurance, industrial injuries insurance, family allowances, and national assistance throughout the United Kingdom. The National Insurance scheme provides benefits for sickness, unemployment, maternity, and widowhood, as well as guardian's allowances, retirement pensions, and death grants. The program is financed by contributions from employees, employers, and the government. A percentage of these contributions are allocated to the National Health Service which provides extensive benefits to workers and their families. Retirement pensions cover men at 65 and women at 60, and benefits increase annually to adjust for cost of living. The first work injury law was instituted in 1897, and currently covers all employees with the exception of the self-employed. There is a universal child benefit and tax credit to residents with one or more children, funded by the government.

Financial assistance for the poor is provided through a system of benefits in the form of a supplementary pension for those over statutory retirement age and a supplementary allowance for others. It also provides temporary accommodation for the homeless

in specially designated reception centers. For poverty-stricken families in which the head of the household is in full-time employment, a family income supplement is paid. Maternity benefits cover women who have been employed for 26 weeks.

Equal opportunity between the sexes is provided for by law, although some discrimination against women continues. Sexual harassment is a problem in the workplace and women on average earn 18% less than men. Violence against women persists, however there are many laws providing protection and the substantial penalties are strictly enforced. In 2004 domestic violence accounted for one-fourth of all violent crime. The government is committed to children's rights and welfare.

Although racial discrimination is prohibited by law, people of Asian and African origin are subject to discrimination and harassment. Ethnic minorities are also more likely to be stopped and searched by police. The government at all levels fully respects the legal right to freedom of religion. Human rights organizations have criticized legislation in Northern Ireland which denies suspects the right to immediate legal counsel and the right to silence. There are also some security-related restrictions on the freedoms of assembly and association in Northern Ireland.

#### 41 HEALTH

Life expectancy has increased from 50 years at birth in 1900 to 78.38 years in 2005. Rising living standards, medical advances, the growth of medical facilities and their general availability, and the smaller size of the family are some factors in the improved health of the British people. Deaths from infectious diseases have been greatly reduced, although the proportion of deaths from circulatory diseases—including heart attacks and strokes—and cancer has risen. Infant mortality has decreased from 142 per 1,000 live births in 1900–02 to 5.16 in 2005. As of 2002, the crude birth rate and overall mortality rate were estimated at, respectively, 11.3 and 10 per 1,000 people. A high portion of women aged 15–44 used birth control in the mid-1990s (82%).

A comprehensive National Health Service (NHS), established in 1948, provides full medical care to all residents of the United Kingdom. NHS delivers health care through 129 health authorities, each of which receives money from the government and then purchases a preset amount of treatment each year from hospitals. Included are general medical, dental, pharmaceutical, and optical services; hospital and specialist services (in patients' homes when necessary) for physical and mental illnesses; and local health authority services (maternity and child welfare, vaccination, prevention of illness, health visiting, home nursing, and other services). The patient is free to choose a family doctor from any in the service, subject to the physician's acceptance. General tax revenues meet most of the cost of the NHS; the remainder is paid through National Health Insurance contributions and charges for certain items, including eyeglasses and prescription drugs. Compared with other OECD countries, the United Kingdom's per capita expenditure on health care is low. In the United Kingdom, 6.9% of the GDP went to health expenditures.

All specialist and auxiliary health services in England are the direct responsibility of the secretary of state for social services. In Wales, Scotland, and Northern Ireland the corresponding services and administrative bodies are under the respective secretaries of state. All hospitals, except a few run mostly by religious orders, are

also in the NHS. In 1991, the United Kingdom implemented major reforms in its health care services, including improvements in virtually all facets of the program. Areas of concern included incidence of coronary/stroke, cancer, accidents, mental illness, and HIV/AIDS. Smoking prevalence was similar between men (28%) and women (26%) over 15 years old. Half the British population is currently overweight. These high rates have been attributed to a sedentary lifestyle during leisure time.

The NHS has been undergoing restructuring; increased numbers of NHS hospitals are being decentralized by conversion to NHS Trust, established in 1991. NHS costs Britain's taxpayers more than \$73 billion per year. An aging population, costlier treatments, and a budget crisis have forced the cancellation of nonemergency treatment at some centers. The number of beds available is below the level of demand, causing long waits for treatment.

As of 2004, there were an estimated 166 physicians, 497 nurses, 40 dentists, 59 pharmacists and 43 midwives per 100,000 people. The immunization rates for children under one year of age were as follows: diphtheria, pertussis, and tetanus, 92%; polio, 94%; measles, 92%; and tuberculosis, 75%. The rates for DPT and measles were, respectively, 93% and 91%. Since 1982, to help control the spread of AIDS, the government has funded and implemented measures for blood testing, research, public education, and other social services relating to the disease. The HIV/AIDS prevalence was 0.20 per 100 adults in 2003. As of 2004, there were approximately 51,000 people living with HIV/AIDS in the country. There were an estimated 500 deaths from AIDS in 2003.

#### 42 HOUSING

At the 2001 census, there were about 25,456,000 dwellings in the United Kingdom. Of these, 21,207,000 were in England, 2,345,000 in Scotland, 1,274,000 in Wales, and 649,000 in Northern Ireland.

In England, 79.9% of all households lived in detached houses or bungalows and 19.7% lived in flats, maisonettes, or apartments. About 68% of all homes were owner occupied; 19% of households were renting from a social landlord (defined as a Council, Housing Association, or registered Social Landlord), and 12% were renting from a private owner. The average number of rooms per household was 5.33. In 2003, the estimated dwelling stock was at 21,464,000.

In Wales at the 2001 census, 88.2% of all households lived in houses or bungalows and 11.4% lived in flats, maisonettes, or apartments. About 71% of all homes were owner occupied; 18% were rented from social landlords and 11% were rented from private owners. The average number of rooms per household was 5.59. It was estimated that about 1.5 million households in England and Wales were overcrowded. The highest percentage was found in London, with about 17% of households overcrowded. In Wales, only about 4% of all households were overcrowded. Even so, the degree of overcrowding in the United Kingdom is lower than in most European countries.

In Scotland in 2001, 20% of all housing was in the form of detached homes, 20% were semidetached, 22% were terraced homes, and 8% were flats or maisonettes, and 4% other. The same year in Northern Ireland, 34% of dwellings were detached homes, 23% were semidetached homes, 35% were terraced homes, and 7% were flats or maisonettes, and 2% other. The 2003 estimate of dwelling stock for Northern Ireland was 669,000 dwellings.

Over 50% of families now live in a post-1945 dwelling, usually a two-story house with a garden. Most homeowners finance their purchase through a home mortgage loan from a building society, bank, insurance company, or other financial institution. New houses are built by both the public and private sectors, but most are built by the private sector for sale to owner-occupiers. The main providers of new subsidized housing are housing associations, which own, manage, and maintain over 600,000 homes in England alone and completed over nearly 30,000 new homes for rent or shared ownership per year in the mid-1990s. Local housing authorities were in the past primarily concerned with slum clearance; however, large-scale clearance virtually ended in the mid-1980s, with emphasis shifting to modernization of substandard homes and community improvement.

### 43 EDUCATION

Although responsibility for education in the United Kingdom rests with the central government, schools are mainly administered by local education authorities. The majority of primary students attend state schools that are owned and maintained by local education authorities. A small minority attend voluntary schools mostly run by the churches and also financed by the local authorities.

Education is compulsory for all children between the ages of 5 and 16. Since 1989, the government has introduced a "National School Curriculum" in England and Wales comprised of four key stages: five to seven (infants); 7 to 11 (juniors); 11 to 14 (pre-GCSE); and 14 to 16 (GCSE). Similar reforms are being introduced in Scotland and Northern Ireland. The main school examination, the General Certificate of Secondary Education (GCSE) is taken in England, Wales, and Northern Ireland at around the age of 16. A separate exam system exists in Scotland. Of the 2,500 registered independent schools, the largest and most important (Winchester, Eton, Harrow, and others) are known in England as "public schools." Many have centuries of tradition behind them and are world famous. The academic year runs from September to July.

In 2001, about 83% of children between the ages of three and four were enrolled in some type of preschool program. Primary school enrollment in 2003 was estimated at about 100% of age-eligible students. The same year, secondary school enrollment was about 95% of age-eligible students. Most students complete their primary education. The student-to-teacher ratio for primary school was at about 17:1 in 2003; the ratio for secondary school was about 19:1. In 2003, private schools accounted for about 4.9% of primary school enrollment and 55.8% of secondary enrollment.

Including the Open University, a nonresidential institution whose courses are conducted by television and radio broadcasts and correspondence texts, Britain had 47 universities in the 1990s (compared with 17 in 1945). As a result of legislation, nearly all polytechnics have become universities and started awarding their own degrees in 1993. The Universities of Oxford and Cambridge date from the 12th and 13th centuries, respectively; the Scottish universities of St. Andrews, Glasgow, Aberdeen, and Edinburgh from the 15th and 16th centuries. Besides the universities, there are more than 800 other institutions of higher education, including technical, art, and commercial colleges run by local authorities.

National policy stipulates that no person should be excluded from higher education by lack of means. More than 90% of stu-

dents in higher education hold awards from public or private funds. In 1997, the government began to reconsider its policy of cost-free tuition by announcing that students would become responsible for some of the expense. In 2003, it was estimated that about 64% of the tertiary age population were enrolled in tertiary education programs. The adult literacy rate has been estimated at about 99%.

As of 2003, public expenditure on education was estimated at 5.3% of GDP, or 11.5% of total government expenditures.

### 44 LIBRARIES AND MUSEUMS

London has more than 500 libraries, among them the British Library, which is the national library and the largest library in the United Kingdom, with about 150 million items in 2005 and an average acquisition rate of about 3 million items per year. Special collections and treasures include the Magna Carta, a notebook of Leonardo da Vinci, original manuscripts of Jane Austen and James Joyce (among others), and musical manuscripts of G.F. Handel and the Beatles (among others). There is a branch location of the British Library at Boston Spa, West Yorkshire. The National Library of Scotland, with about seven million volumes, is in Edinburgh, and the National Library of Wales, with some four million volumes, in Aberystwyth. Each of these is a copyright library, entitled to receive a copy of every new book published in the United Kingdom. The Bodleian Library at Oxford University is also a copyright library with about 6.7 million volumes; there are nine branch locations of the Bodleian in Oxford. Oxford University sponsors over 100 departmental libraries. The Cambridge University Library, also a copyright library, has 5.9 million volumes throughout five locations.

Other major libraries in London include the University of London Central Library (two million), the London Library (the largest public subscription library), the Science Museum Library (600,000), the Victoria and Albert Museum Art Library, the Public Record Office (containing such national historical treasures as the Domesday Book), and the libraries of such institutions as the Royal Institute of International Affairs (140,000), the Royal Commonwealth Society (150,000), the Royal Geographical Society (150,000), the Royal Academy of Arts (22,000), and the National Library for the Blind. In 2002 a Women's Library opened in London giving a home to publications documenting women's lives in Britain.

There are major libraries at the Universities of Edinburgh (2.4 million), Glasgow (1.4 million), Queen's University in Belfast (1.1 million), and St. Andrew's (920,000). Manchester Metropolitan University has one million volumes.

London has about 395 public libraries. The South Western Regional Library System links the public libraries of Bristol, Devon, Foursite (Somerset, South Gloucestershire, North Somerset, Bath and North East Somerset), Gloucestershire, Swindon, and Wiltshire. The Edinburgh City Libraries maintain a central library and 25 branch libraries, as well as a mobile unit and two lending locations, plus several hospitals. Over 50 public libraries in Scotland were established through the assistance of the industrialist Andrew Carnegie. Nearly all of the public libraries in Scotland are linked via the Internet. Public libraries in Northern Ireland are managed by five regional Education and Library Boards. The Belfast Education and Library Board maintains the Belfast Central

Library and 20 community public libraries, as well as two mobile libraries.

The United Kingdom is a museum-lover's dream. Almost every city and large town has museums of art, archaeology, and natural history. There are more than 1,000 museums and art galleries, ranging from nearly two dozen great national institutions to small collections housed in a few rooms. London has the British Museum (founded 1759), with its vast collections of archaeological and ethnographic material from all over the world, and the Victoria and Albert Museum, including extensive collections of works of fine and applied arts. In the late 1990s, the British Museum was struggling financially; trustees rejected admission fees, and a multimillion-dollar deficit was projected when the government, which had funded most of the \$84.5 million budget through the National Lottery, began reducing contributions. The National Gallery, the Tate Gallery, and the National Portrait Gallery are among other prestigious London art museums. Other museums located in London include the London Transport Museum (founded 1978), the National Maritime Museum (1934), the Natural History Museum (1963), and the Science Museum (1857). There is also a collection of royal ceremonial dress at Kensington Palace, and the Sherlock Holmes Museum, featuring Victorian memorabilia, opened in 1990. The Tate Gallery of Modern Art, featuring rotating exhibits arranged by theme, opened in May 2000. There are important museums and art galleries in Liverpool, Manchester, Leicester, Birmingham, Bristol, Norwich, Southampton, York, Glasgow, Leeds, and other cities. Oxford and Cambridge each have many museums, and several other universities also have important collections. Private art collections in historic family mansions are open to the public at specified times.

The National Museum and Gallery of Wales and the Museum of Welsh Life are in Cardiff. There is also a Welsh State Museum in Llanberis. The national museums of Scotland include the Royal Museum, the Museum of Scotland, and the National War Museum of Scotland, all in Edinburgh. The Museum of Scottish Country Life is in East Kilbride. There are at least three museums in Scotland that celebrate the life and work of native poet Robert Burns. The Ulster Museums and the Northern Irish Folk Museum are in Belfast.

## 45 MEDIA

The Post Office, founded in 1635, was the first in the world to institute adhesive stamps as proof of payment for mail. It now operates nearly all postal services. As authorized by 1981 legislation, the Thatcher government relaxed postal and telecommunications monopolies in some areas. The Telecommunications Act of 1984 further promoted competition and denationalized British Telecommunications (Telecom). In 2003, there were an estimated 591 mainline telephones for every 1,000 people. The same year, there were approximately 841 mobile phones in use for every 1,000 people.

Radio and television broadcasting services are provided by the British Broadcasting Corp. (BBC), which was established as a public corporation in 1927, and by the Independent Television Commission (ITC) and the Radio Authority, commercial concerns whose powers are defined in the Independent Broadcasting Authority Act of 1973. The BBC broadcasts on two television channels and the Independent Television Commission broadcasts

on ITV and Channel Four, which began operating in 1982. BBC Radio offers five national radio networks in the medium- and long-wave bands, as well as FM programming and an overseas service in 37 languages. Both the BBC and IBA operate local radio services; the BBC has 39 local stations (including 2 for the Channel Islands). In September of 1992, the first national commercial radio station, Classic FM, was inaugurated. Since then, several commercial stations have entered the market. As of 1999, there were 225 AM and 525 (mostly repeater) FM radio stations and 78 television stations. In 2003, there were an estimated 1,445 radios and 950 television sets for every 1,000 people. About 57.2 of every 1,000 people were cable subscribers. Also in 2003, there were 405.7 personal computers for every 1,000 people and 423 of every 1,000 people had access to the Internet. There were 21,034 secure Internet servers in the country in 2004.

There are over 100 daily and Sunday newspapers, some 2,000 weekly papers, numerous specialized papers, and about 7,000 periodicals in circulation throughout the United Kingdom. Nine Sunday papers and 12 daily morning papers are "national" in the sense of circulating throughout Britain. National dailies, with their political tendencies and their average daily circulations in 2004 (as available), are: *The Sun*, left of center, 3,301,223; *Daily Mail*, independent conservative, 2,403,528; *Daily Mirror*, independent left-wing, 1,777,408; *Daily Telegraph*, independent conservative, 907,048; *Daily Express*, independent conservative, 929,323; *Daily Star*, independent, 882,709; *The Times*, independent, 658,182; *The Observer*, 433,934; *Financial Times*, independent, 426,369; *The Guardian*, independent, 371,494; and *Evening Standard*, independent, 361,340. Of these, *The Times* was the only paper that showed an increase (of 4.3%) in sales from 2003, all others saw a decline in circulation.

In 2004, the newspaper with the highest circulation was the tabloid *News of the World*, which distributes over 3.7 million papers per week. Six other Sunday papers have circulations in the millions. The provincial press included more than 100 daily and Sunday newspapers and some 1,600 weeklies in 2004.

In 2004, major papers outside of London included: *The Express and Star*, Wolverhampton (162,509); *Manchester Evening News*, Manchester (148,094); *Liverpool Echo*, Liverpool (135,273); *Evening Mail*, Birmingham (104,219); *Evening Chronicle*, Newcastle-Upon-Tyne (91,523); the *Yorkshire Evening Post*, Leeds (81,804); and *Sunday Mercury*, Birmingham (79,527). The weekly *Berrow's Worcester Journal*, founded in 1690, claims to be the world's oldest continuously circulating newspaper.

Wales has five daily newspapers: *South Wales Echo* (in Cardiff, 59,200 circulation in 2004), *South Wales Evening Post* (West Glamorgan, 58,269), *Western Mail* (Cardiff, 44,470), *South Wales Argus* (Gwent, 31,803), and *Evening Leader* (Clwyd, 26,968).

Scotland has six morning, five evening, and four Sunday papers, plus the Scottish editions of the *Daily Mail* and the *Sunday Express*. The *Glasgow Herald* (2004 circulation 78,746) and *The Scotsman* (68,408), an Edinburgh paper, are the most influential. Others include: *Sunday Mail* (in Glasgow, 584,671 circulation in 2004), *Daily Record* (Glasgow, 478,980), *Evening Times* (Glasgow, 95,126), *The Press and Journal* (Aberdeen, 88,599), *Courier and Advertiser* (Dundee, 83,186), and *Evening News* (Edinburgh, 68,479). About 120 weekly papers are published in Scottish towns.



Northern Ireland has two morning papers, one evening paper, and one Sunday paper, all published in Belfast, plus a number of weeklies. The largest is the evening paper, *Belfast Telegraph* (circulation 94,602).

Britain's ethnic minorities publish over 60 newspapers and magazines, most of them weekly, fortnightly or monthly. These include the Chinese *Sing Tao* and *Wen Wei Po*, the Urdu *Daily Jang*, and the Arabic *Al-Arab* (the foregoing are all dailies), as well as newspapers in Gujarati, Bengali, Hindi and Punjabi. The *Weekly Journal*, aimed at Britain's black community, was begun in 1992.

The over 7,000 periodicals published weekly, monthly, or quarterly cover a huge range of special interests. Leading opinion journals are *New Statesman*, *The Economist*, and *Spectator*. The *Times Literary Supplement* is highly influential in cultural affairs. The chief news agency is Reuters, a worldwide organization servicing British papers with foreign and Commonwealth news and the world press with British and foreign news.

Although there is no government censorship of news or opinion, the Official Secrets Act, stringent libel and slander laws, and restrictions governing the disclosure of court proceedings do impose limitations on press freedom. In addition, the press regulates itself through the Press Council, which adjudicates complaints about newspaper practices from local officials and the public. Views critical of the government are well established.

#### 46 ORGANIZATIONS

The national body representing British industry is the Confederation of British Industry, incorporated in 1965 and directly or indirectly representing about 250,000 companies. The Association of British Chambers of Commerce (founded in 1860) has 240 affiliated UK chambers. Agricultural organizations include the National Farmers' Union, agricultural cooperative societies, and other specialized associations. There are numerous professional associations for nearly every occupation. While some of these include members from all of the United Kingdom, there are also several associations particularly for Scottish businesses and professionals.

A vast number of organizations in the United Kingdom carry on programs in every phase of human activity. Voluntary social service organizations number in the thousands. Social work on a national scale is carried out largely under religious sponsorship. Cooperation between Protestant churches is fostered by the British Council of Churches. The Council of Christians and Jews works for cooperation between these faiths. The principal coordinating body in general social service is the National Council of Social Service. There are national chapters of the Red Cross Society, Amnesty International, Greenpeace, Habitat for Humanity, and other major international organizations.

The British Council promotes a wider knowledge of the United Kingdom and its people abroad and develops cultural relations with other countries. There are more than 300 learned societies. The Arts Council of Great Britain (founded in 1946) promotes the fine arts and higher artistic standards, and advises government bodies on artistic matters. The Royal Academy and the Royal Scottish Academy are other leading bodies in the arts. The National Book League, the Royal Society of Literature, the British Academy, the English Association, the Bibliographical Society, and other groups foster interest in literature, language, and schol-

arship. There are also numerous clubs for hobbyists, enthusiasts, and fans with a wide variety of interests.

The Arts Council of Wales was established in 1967. Arts and Cultural organizations in Scotland include the Royal Scottish Academy of Music and Drama; the Royal Celtic Society; the Royal Scottish Academy of Painting, Sculpture and Architecture; the Royal Scottish Country Dance Society; the Scottish Arts Council; and the Scottish Games Association. Clan associations are also popular in Scotland, with many providing genealogical research and social events and contact. The Ulster Historical Foundation in Belfast is a prominent genealogical research group.

The National Council for Voluntary Youth Services includes most of the largest youth groups. The leading political parties, major religious denominations, and some adult voluntary organizations, such as the Red Cross, maintain youth organizations. There are also a Scouts Association and a Girl Guides Association. There are numerous sports associations for participants of all ages. The Scottish Games Association specifically promotes traditional Highland games.

#### 47 TOURISM, TRAVEL, AND RECREATION

The United Kingdom is a popular tourist destination, rich in natural as well as cultural attractions. Landscapes range from farmlands and gardens to sandy beaches, moors, and rocky coasts. Architectural sights include stone and thatched cottages, stately country houses, mansions, and castles. Among the many historic dwellings open to the public are the Welsh castles Cilgerran (11th century), Dolbadarn (12th century), and Conway and Caernarvon (both 13th century); the 10-century-old Traquair House near Peebles, the oldest continuously inhabited house in Scotland, and the Palace of Holyroodhouse in Edinburgh; and Warwick Castle, near Stratford-upon-Avon, the birthplace of William Shakespeare. Distinguished cathedrals include St. Paul's in London and those in Canterbury, Exeter, Norwich, Winchester, and York. At Bushmills, in Northern Ireland, the oldest distillery in the world may be visited, and some of Scotland's 100 malt whiskey distilleries also offer tours.

Among London's extraordinary attractions are Buckingham Palace, the Tower of London, and Westminster Abbey. Of the wide range of entertainment available, London is particularly noted for its theater, including the Royal Shakespeare Company. Folk music may be heard throughout the United Kingdom; traditional community gatherings for music and dancing, called ceilidhs, are held in Scotland, often in pubs, and Edinburgh is the site of one of the world's largest folk festivals, as well as an annual festival of classical music and other performing arts.

Scotland, where golf developed in the 15th century, has many superb golf courses, as does the rest of the United Kingdom; some 70 Highland Games and Gatherings take place in Scotland from May to September. Other popular sports include fishing, riding, sailing, rugby, cricket, and football (soccer). Wimbledon is the site of perhaps the world's most prestigious tennis competition. London hosted the summer Olympics in 1908 and 1948, and is scheduled to host again in 2012. England hosted and won the World Cup soccer championship in 1966.

In principle, foreigners entering the United Kingdom must have a valid passport and a visa issued by British consular authorities

abroad. However, citizens of Ireland do not need a passport, and citizens of OECD, Commonwealth, and Latin American countries, among others, need no visa. There were 24,715,000 visitors who arrived in the United Kingdom in 2003. Tourism receipts totaled \$30.6 billion that year.

In 2005, the US Department of State estimated the daily cost of staying in London at \$410. Other areas averaged \$342 per day.

## 48 FAMOUS BRITONS

### Rulers and Statesmen

English rulers of renown include Alfred the Great (849–99), king of the West Saxons, who defeated and held off the Danish invaders; William I (the Conqueror, 1027–87), duke of Normandy, who conquered England (1066–70) and instituted many changes in the structure of English government and society; Henry II (1133–89), who centralized the power of the royal government, and his sons Richard I (the Lion-Hearted, 1157–99), leader of the Third Crusade, and John (1167?–1216), from whom the barons wrested the Magna Carta; Edward I (1239–1307), who subdued Wales and established the parliamentary system; Edward III (1312–77), who for a time conquered part of France, and did much to promote English commerce; Henry VIII (1491–1547), who separated the Anglican Church from the Roman Catholic Church and centralized administrative power; Elizabeth I (1533–1603), during whose reign, begun in 1558, England achieved great commercial, industrial, and political power, and the arts flourished; and Victoria (1819–1901), under whom Britain attained unprecedented prosperity and empire.

Among the statesmen distinguished in English history are Thomas à Becket (1118?–70), archbishop of Canterbury, who defended the rights of the church against the crown; Simon de Montfort, earl of Leicester (1208?–65), who in 1265 summoned the first Parliament; and Thomas Wolsey (1475?–1530), cardinal, archbishop of York, and Henry VIII's brilliant lord chancellor. Oliver Cromwell (1599–1658) established a republican and Puritan Commonwealth. Sir Robert Walpole, first earl of Oxford (1676–1745), unified cabinet government in the person of the prime minister and laid the foundations for free trade and a modern colonial policy. As England moved increasingly toward democratic government, important progress was achieved under the liberal statesmen William Pitt, first earl of Chatham (1708–78); his son William Pitt (1759–1806); and Charles James Fox (1749–1806). Outstanding statesmen of the 19th century were William Wilberforce (1759–1833); Henry John Temple, third Viscount Palmerston (1784–1865); Sir Robert Peel (1788–1850); Benjamin Disraeli, earl of Beaconsfield (1804–81); and William Ewart Gladstone (1809–98). Twentieth-century leaders include David Lloyd George, first earl of Dwyfor (1863–1945), prime minister during World War I; and Sir Winston Leonard Spencer Churchill (1874–1965), prime minister during World War II, historian, and winner of the Nobel Prize for literature in 1953. In 1979, Margaret (Hilda Roberts) Thatcher (b.1925) became the nation's first woman prime minister. The reigning monarch since 1952 has been Queen Elizabeth II (b.1926). The heir to the throne is Charles, prince of Wales (b.1948), whose marriage on 29 July 1981 to Lady Diana Frances Spencer (1961–1997; at marriage, Diana, princess of Wales) was seen by a worldwide television audience of 750 million people.

### Explorers and Navigators

British explorers and navigators played an important part in charting the course of empire. Sir Martin Frobisher (1535?–94), who set sail from England in search of the Northwest Passage, reached Canada in 1576. Sir Francis Drake (1545?–96) was the first Englishman to sail around the world. John Davis (1550?–1605) explored the Arctic and Antarctic, sailed to the South Seas, and discovered the Falkland Islands. Henry Hudson (d.1611) explored the Arctic regions and North America. Sir Walter Raleigh (1552?–1618) was a historian and poet, as well as a navigator and colonizer of the New World. James Cook (1728–79) charted the coasts of Australia and New Zealand. Scottish-born David Livingstone (1813–73) explored central Africa while doing missionary work. Welsh-born Henry Morton Stanley (John Rowlands, 1841–1904) was sent by a US newspaper to find Livingstone in 1871 and, having done so, returned for further exploration of Africa. Sir Richard Francis Burton (1821–90), an Orientalist known for his translation of the *Arabian Nights*, and John Hanning Speke (1827–64) explored central Africa while searching for the source of the Nile.

Great British military figures include John Churchill, first duke of Marlborough (1650–1722), who attained many victories in the War of the Spanish Succession and in later campaigns against the French; Horatio, Viscount Nelson (1758–1805), the foremost British naval hero, whose career was climaxed by victory and death at Trafalgar; the Irish-born soldier-statesman Arthur Wellesley, first Duke of Wellington (1769–1852), whose brilliant campaigns culminated in the defeat of Napoleon at Waterloo; General Charles George Gordon (1833–85), who gained victories in China, acquiring the nickname “Chinese,” and died while fighting against the Mahdi in Khartoum; Field Marshal Viscount Montgomery (Bernard Law Montgomery, 1887–1976), British military leader during World War II; Welsh-born Thomas Edward Lawrence (1888–1935), known as “Lawrence of Arabia,” who led the Arabs in uprisings against the Turks during World War I; and Lord Mountbatten of Burma (Louis Battenberg, 1900–1979), supreme Allied commander in Southeast Asia (1943–46) and last viceroy and first governor-general of India (1946–48).

### Philosophers and Legal Scholars

Sir Thomas Littleton (1407?–81) wrote *Tenures*, a comprehensive work on English land law that was used as a textbook for over three centuries. Sir Edward Coke (1552–1634), a champion of the common law, wrote the *Institutes of the Laws of England*, popularly known as *Coke on Littleton*. Sir William Blackstone (1723–80) wrote *Commentaries on the Laws of England*, which became a basic text in modern legal education and strongly influenced the evolution of jurisprudence in the United States as well as in Britain. The jurist-philosopher Jeremy Bentham (1748–1832) championed liberal law reform.

Roger Bacon (1214?–92), philosopher and scientist, wrote treatises ranging over the whole field of human knowledge. John Duns Scotus (1265?–1308) was a Scottish-born dialectician and theologian. William of Ockham (1300?–1349) laid the foundation of the modern theory of the separation of church and state. John Wesley (1703–91) was the founder of Methodism. Chief among modern philosophers are Thomas Hobbes (1588–1679), John Locke (1632–1704), the Irish-born bishop and idealist thinker George Berkeley (1685–1753), John Stuart Mill (1806–73), Alfred North Whitehead (1861–1947), George Edward Moore (1873–1958),

Ludwig Joseph Johann Wittgenstein (b.Austria, 1889–1951), and Sir Alfred Jules Ayer (b.1910–1989). A philosopher and mathematician who widely influenced contemporary social thought was Bertrand Arthur William Russell, third Earl Russell (1872–1970).

#### Historians and Economists

Noted historians include Raphael Holinshed (d.1580?), Edward Gibbon (1737–94), John Emerich Edward Dalberg-Acton, first Baron Acton (1834–92), William Edward Hartpole Lecky (1836–1903), John Richard Green (1837–83), Frederic William Maitland (1850–1906), George Macaulay Trevelyan (1876–1962), Giles Lytton Strachey (1880–1932), Sir Lewis Bernstein Namier (1880–1960), Arnold Joseph Toynbee (1889–1975), and Edward Hallett Carr (1892–1982).

Thomas Robert Malthus (1766–1834) and David Ricardo (1772–1823) were among the first modern economists. Robert Owen (1771–1858) was an influential Welsh-born socialist, industrial reformer, and philanthropist. Walter Bagehot (1826–77) was a distinguished critic and social scientist. The theories of John Maynard Keynes (Baron Keynes, 1883–1946) have strongly influenced the economic practices of many governments in recent years. Sir James George Frazer (1854–1941), a Scottish-born anthropologist and author of *The Golden Bough*, was a pioneer in the fields of comparative religion and comparative mythology. Herbert Spencer (1820–1903) was an influential economic and social philosopher. Sir Arthur John Evans (1851–1941) was an archaeologist who explored the ruins of ancient Crete. Anna Freud (b.Austria, 1895–1982), daughter of Sigmund Freud, and Melanie Klein (b.Austria, 1882–1960) were psychoanalysts influential in the study of child development. Noted anthropologists include Sir Edward Burnett Tylor (1832–1917); Polish-born Bronislaw Kasper Malinowski (1884–1942); Louis Seymour Bazett Leakey (1903–72) and his wife, Mary Leakey (1913–96), who discovered important fossil remains of early hominids in Tanzania; and Ashley Montagu (1905–1999).

#### Scientists

Present-day concepts of the universe largely derive from the theories of the astronomer and physicist Sir James Hopwood Jeans (1877–1946), the astronomers Sir Arthur Stanley Eddington (1882–1946) and Sir Fred Hoyle (1915–2001), and the radio astronomers Sir Martin Ryle (1918–84) and Anthony Hewish (b.1924), who shared the Nobel Prize for physics in 1974. Other British scientists and inventors who won fame for major contributions to knowledge include William Harvey (1578–1657), physician and anatomist, who discovered the circulation of the blood; Irish-born Robert Boyle (1627–91), physicist and chemist, who investigated the properties of gases; Sir Isaac Newton (1642–1727), natural philosopher and mathematician, who discovered gravity and made important advances in calculus and optics; German-born physicist Gabriel Daniel Fahrenheit (1686–1736), who introduced the temperature scale named after him; James Watt (1736–1819), the Scottish-born engineer who invented the modern condensing steam engine; Edward Jenner (1749–1823), who discovered the principle of vaccination; the great chemists John Dalton (1766–1844), who advanced the atomic theory, and Sir Humphry Davy (1778–1829); George Stephenson (1781–1848), inventor of the locomotive steam engine; Michael Faraday (1791–1867), a chemist and physicist noted for his experiments in electricity; Scottish-born geologist Sir Charles Lyell (1797–1875), the

father of modern geology; Charles Darwin (1809–82), the great naturalist who advanced the theory of evolution; James Prescott Joule (1818–89), a physicist who studied heat and electrical energy; Thomas Henry Huxley (1825–95), a biologist who championed Darwin's theory; James Clerk Maxwell (1831–79), the Scottish-born physicist who developed the hypothesis that light and electromagnetism are fundamentally of the same nature; Sir Alexander Fleming (1881–1955), bacteriologist, who received the 1945 Nobel Prize for medicine for the discovery of penicillin in 1928; and Francis Harry Compton Crick (1916–2004) and Maurice Hugh Frederick Wilkins (New Zealand, 1916–2004), two of the three winners of the 1962 Nobel Prize in physiology or medicine for their research into the structure of the DNA molecule.

#### Literature and the Arts

Geoffrey Chaucer (1340?–1400) wrote the *Canterbury Tales* and other works that marked the height of medieval English poetry. Other major medieval poets were John Gower (1325?–1408) and William Langland (1332?–1400?). William Caxton (1422–91) was the first English printer. Sir Thomas Malory (fl.1470) derived from French and earlier English sources the English prose epic traditionally known as *Morte d'Arthur*. Two religious reformers who translated the Bible into English, making it accessible to the common people, were John Wycliffe (1320?–84), who made the first complete translation, and William Tyndale (1492?–1536), who made the first translation from the original languages instead of Latin.

During the reign of Elizabeth I, England's golden age, emerged the dramatist and poet William Shakespeare (1564–1616), a giant of English and world literature, and a galaxy of other fine poets and playwrights. Among them were Edmund Spenser (1552?–99), Irish-born author of the *Faerie Queene*; the poet and soldier Sir Philip Sidney (1554–86); and the dramatists Christopher Marlowe (1564–93) and Ben Jonson (1572–1637). Outstanding writers of the Stuart period include the philosopher, scientist, and essayist Francis Bacon (1561–1626), first Baron Verulam Viscount St. Albans; John Donne (1572–1631), the greatest of the metaphysical poets; the lyric poet Robert Herrick (1591–1674); John Milton (1608–74), author of *Paradise Lost* and other poems and political essays; John Bunyan (1628–88), who created the classic allegory *Pilgrim's Progress*; and the poet, playwright, and critic John Dryden (1631–1700). The greatest Restoration dramatists were William Wycherley (1640–1716) and William Congreve (1670–1729). Two authors of famous diaries mirroring the society of their time were John Evelyn (1620–1706) and Samuel Pepys (1633–1703).

Distinguished writers of the 18th century include the Irish-born satirist Jonathan Swift (1667–1745), author of *Gulliver's Travels*; the essayists Joseph Addison (1672–1719) and Sir Richard Steele (1672–1729), whose journals were the prototypes of modern magazines; the poets Alexander Pope (1688–1744) and Thomas Gray (1716–71); the critic, biographer, and lexicographer Samuel Johnson (1709–84); and the Irish-born playwrights Oliver Goldsmith (1730?–74), also a poet and novelist, and Richard Brinsley Sheridan (1751–1816). The poet and artist William Blake (1757–1827) worked in a unique mystical vein.

The English Romantic movement produced a group of major poets, including William Wordsworth (1770–1850); Samuel Taylor Coleridge (1772–1834); George Noel Gordon Byron, sixth Lord Byron (1788–1824); Percy Bysshe Shelley (1792–1822); and

John Keats (1795–1821). Victorian poets of note included Alfred, Lord Tennyson (1809–92); Elizabeth Barrett Browning (1806–61); her husband, Robert Browning (1812–89); Dante Gabriel Rossetti (1822–82); his sister, Christina Georgina Rossetti (1830–94); Algernon Charles Swinburne (1837–1909); and Gerard Manley Hopkins (1844–89). Edward FitzGerald (1809–83) is famous for his free translations of Omar Khayyam's *Rubáiyát*. Matthew Arnold (1822–88) was a noted poet and critic. Other prominent critics and essayists include Charles Lamb (1775–1834), William Hazlitt (1778–1830), Thomas De Quincey (1785–1859), John Ruskin (1819–1900), Leslie Stephen (1832–1904), and William Morris (1834–96). Thomas Babington Macaulay (1800–1859) was a distinguished statesman, essayist, and historian. John Henry Cardinal Newman (1801–90) was an outstanding Roman Catholic theologian. Irish-born Oscar Fingal O'Flahertie Wills Wilde (1854–1900) was famous as a playwright, novelist, poet, and wit.

Major poets of the 20th century include Alfred Edward Woodman (1859–1936); Walter John de la Mare (1873–1956); Dame Edith Sitwell (1887–1964); US-born Thomas Stearns Eliot (1888–1965), winner of the Nobel Prize in 1949; Wystan Hugh Auden (1907–73); Welsh-born Dylan Thomas (1914–53); Philip Larkin (1922–85); and Ted Hughes (1930–98). Prominent critics include Frank Raymond Leavis (1895–1978) and Sir William Empson (1906–84).

The English novel's distinguished history began with Daniel Defoe (1660–1731), Samuel Richardson (1689–1761), Henry Fielding (1707–54), and Laurence Sterne (1713–68). It was carried forward in the 19th century by Jane Austen (1775–1817), William Makepeace Thackeray (1811–63), Charles Dickens (1812–70), Charles Reade (1814–84), Anthony Trollope (1815–82), the Brontë Sisters—Charlotte (1816–55) and Emily (1818–48)—George Eliot (Mary Ann Evans, 1819–80), George Meredith (1828–1909), Samuel Butler (1835–1902), and Thomas Hardy (1840–1928), who was also a poet. The mathematician Lewis Carroll (Charles Lutwidge Dodgson, 1832–98) became world-famous for two children's books, *Alice in Wonderland* and *Through the Looking Glass*. Rudyard Kipling (1865–1936), author of novels, stories, and poems, received the Nobel Prize for literature in 1907. Sir Arthur Conan Doyle (1859–1930) is known throughout the world as the creator of Sherlock Holmes.

Twentieth-century fiction writers of note include the Polish-born Joseph Conrad (Teodor Józef Konrad Korzeniowski, 1857–1924); Herbert George Wells (1866–1946), who was also a popular historian and a social reformer; Arnold Bennett (1867–1931); John Galsworthy (1867–1933), also a playwright, who received the Nobel Prize in 1932; William Somerset Maugham (1874–1965), also a playwright; Edward Morgan Forster (1879–1970); Virginia Woolf (1882–1941); David Herbert Lawrence (1885–1930); Joyce Cary (1888–1957); Katherine Mansfield (b.New Zealand, 1888–1923); Dame Agatha Christie (1881–1976), also a playwright; Dame Ivy Compton-Burnett (1892–1969); Dame Rebecca West (b.Ireland, 1892–1983), also known for her political writings and as an active feminist; Aldous Huxley (1894–1963); John Boynton Priestley (1894–1984), also a playwright; Irish-born Robert Ranke Graves (1895–1985), also a poet, novelist, scholar, and critic; George Orwell (Eric Blair, 1903–50), also a journalist and essayist; Evelyn Waugh (1903–66); Graham Greene (1904–91); Anthony Dymoke Powell (1905–2000); Henry Green (Henry Vincent Yorke, 1905–74); Charles Percy Snow (Baron Snow, 1905–80), also an essayist

and a physicist; William Golding (1911–93), Nobel Prize winner in 1983; Lawrence George Durrell (b.India, 1912–90); Anthony Burgess (1917–93); Doris Lessing (b.Iran, 1919); John Le Carré (David John Moore Cornwell, b.1931), and Ian McEwan (b.1948). The dominant literary figure of the 20th century was George Bernard Shaw (1856–1950), Dublin-born playwright, essayist, critic, and wit. Sir Kingsley William Amis (1922–1995) was a novelist, poet, critic, and teacher; his son Martin Amis (b.1949) became a novelist as well. Dame Antonia Susan "A.S." Byatt (b.1936) has been hailed by some as one of the great postmodern novelists in England. Byatt's younger sister Margaret Drabble (b.1939) is a novelist as well. Fay Weldon (b.1931) is a novelist, short story writer, playwright and essayist whose work has been associated with feminism. Hanif Kureishi (b.1954) is a Pakistani-British playwright, author, and director. Kazuo Ishiguro (b.1954) is a British author of Japanese origin. Joanne "J.K." Rowling (b.1965) is most famous as author of the Harry Potter fantasy series. Zadie Smith (b.1975) has been celebrated as one of Britain's most talented young authors. The playwright-composer-lyricist Sir Noel Coward (1899–1973) directed and starred in many of his sophisticated comedies. Harold Pinter (b.1930) has been a highly influential playwright; he was awarded the Nobel Prize for literature in 2005.

#### Actors and Actresses

The British stage tradition dates back to Richard Burbage (d.1619), the greatest actor of Shakespeare's time, and Edmund Kean (1787–1833), the greatest tragedian of the Romantic era. Luminaries of the modern theater are Dame Ellen Alicia Terry (1848–1928), Dame Sybil Thorndike (1882–1976), Dame Edith Evans (1888–1976), Sir Ralph Richardson (1902–83), Sir John Gielgud (1904–2000), Laurence Olivier (Baron Olivier of Brighton, 1907–1989), Sir Michael Redgrave (1908–85), and Derek George Jacobi (b.1938). Prominent stage directors are Peter Stephen Paul Brook (b.1925) and Sir Peter Reginald Frederick Hall (b.1930). Major contributors to the cinema have included the comic actor and director Charlie (Sir Charles Spencer) Chaplin (1889–1977); the directors Sir Alexander Korda (Sandor Corda, b.Hungary, 1893–1956), Sir Alfred Hitchcock (1899–1980), Sir Carol Reed (1906–76), Sir David Lean (1908–91), Sir Richard Attenborough (b.1923), and Stephen Frears (b.1941); and actors Cary Grant (Archibald Alexander Leach, 1904–86), Sir Alec Guinness (1914–2000), Deborah Kerr (b.1921), Welsh-born Richard Burton (1925–84), Belgian-born Audrey Hepburn (1929–1993), Irish-born Peter O'Toole (b.1932), Dame Elizabeth Taylor (b.1932), Dame Maggie Natalie Smith (b.1934), Dame Judi Dench (b.1934), Vanessa Redgrave (b.1937), Glenda Jackson (b.1936), Jacqueline Bisset (b.1944), Sir Michael Caine (b.1933), Albert Finney (b.1936), Ralph Fiennes (b.1962), Miranda Richardson (b.1958), Rachel Weisz (b.1971), Tilda Swinton (b.1960), and Kate Winslet (b.1975).

#### Architects

Great English architects were Inigo Jones (1573–1652) and Sir Christopher Wren (1632–1723). Famous artists include William Hogarth (1697–1764), Sir Joshua Reynolds (1723–92), Thomas Gainsborough (1727–88), Joseph Mallord William Turner (1775–1851), John Constable (1776–1837), the illustrator Aubrey Beardsley (1872–98), Graham Sutherland (1903–80), Francis Bacon (b.Ireland, 1910–92), and David Hockney (b.1937). Roger Eliot Fry (1866–1934) and Kenneth Mackenzie Clark (Lord Clark, 1903–83) were influential art critics. Sir Jacob Epstein (b.US,

1880–1959), Henry Moore (1898–1986), and Dame Barbara Hepworth (1903–75) are world-famous British sculptors. The most famous British potter was Josiah Wedgwood (1730–95).

### Composers

English composers of note include John Dunstable (1370?–1453), whose works exerted a profound influence on continental musicians; William Byrd (1543–1623) and Orlando Gibbons (1583–1625), who were proficient in both sacred and secular music; the great lutenist and songwriter John Dowland (1563–1626); the madrigalists John Wilbye (1574–1638) and Thomas Weelkes (1575?–1623); Henry Purcell (1659?–95), a brilliant creator of vocal and chamber works; German-born George Frederick Handel (Georg Friedrich Händel, 1685–1759), a master of baroque operas, oratorios, and concerti; and Sir Arthur Seymour Sullivan (1842–1900), whose musical settings of the librettos of Sir William Schwenk Gilbert (1836–1911) are among the most popular comic operas of all time. Significant 20th-century figures include Sir Edward Elgar (1857–1934), Frederick Delius (1862–1934), Ralph Vaughan Williams (1872–1958), Sir William Walton (1902–83), Sir Michael Kemp Tippett (1905–98), Edward Benjamin Britten (Baron Britten, 1913–76), Peter Maxwell Davies (b.1934), and, in popular music, John Winston Lennon (1940–80) and James Paul McCartney (b.1942) of the Beatles. Notable performers include pianists Dame Myra Hess (1890–1965) and Sir Clifford Curzon (1907–82), violinist Sir Yehudi Menuhin (1916–1999), guitarist-lutenist Julian Bream (b.1933), singers Sir Peter Pears (1910–86) and Dame Janet Baker (b.1933), and conductors Sir Thomas Beecham (1879–1961), Sir Adrian Boult (1889–1983), Sir John Barbirolli (1899–1970), Sir Georg Solti (b.Hungary, 1912–1997), and Sir Colin Davis (b.1927).

### Athletes

Notable British athletes include Sir Roger Bannister (b.1929), who on 6 May 1954 became the first person to run a mile in under four minutes; golfer Tony Jacklin (b.1944), winner of the British Open in 1969 and the US Open in 1970; three-time world champion John Young “Jackie” Stewart (b.1939), a Scottish race-car driver; and the yachtsman Sir Francis Chichester (1901–72), winner of the first single-handed transatlantic race (1970) and the first sailor to make a solo circumnavigation of the globe (1966–67). Tennis player Sarah Virginia Wade (b.1945) won three Grand Slam singles titles and five Grand Slam doubles titles; she is particularly remembered for winning the women’s singles title at Wimbledon in the championship’s centenary year in 1977.

### Natives of Scotland and Wales

Duncan I (r.1034–40) was the first ruler of the historical kingdom of Scotland. Macbeth (r.1040–57), who killed Duncan and seized the throne, furnished the subject of one of Shakespeare’s greatest plays. Margaret (d.1093), Duncan’s daughter-in-law, reformed the Church, won fame for piety and charity, and was made a saint. William Wallace (1272?–1306) led a rebellion against the English occupation. Robert the Bruce (1274–1329), ruler of Scotland (1306–29), won its independence from England. Mary, Queen of Scots (Mary Stuart, 1542–87), a romantic historical figure, is the subject of many plays and novels. Her son James VI (1566–1625) became England’s King James I.

Before the union with England, outstanding poets writing in Scottish include Robert Henryson (1425?–1500?), William Dun-

bar (1460?–1520?), Gavin Douglas (1474–1522), and Sir David Lindsay (1490?–1555). One of the finest Scottish poets was William Drummond (1585–1649). Sir Thomas Urquhart (1611–60) produced a noted translation of Rabelais. John Knox (1514?–72) was the founder of Presbyterianism. David Hume (1711–76) was an outstanding philosopher and historian. Economist and philosopher Adam Smith (1723–90) influenced the development of world economy and politics. James Boswell (1740–95) wrote the brilliant *Life of Samuel Johnson*. The 18th century produced several important poets, notably Allan Ramsay (1686–1758), James Thomson (1700–48), James Macpherson (1736–96), and the national poet of Scotland, Robert Burns (1759–96). A major 19th-century essayist and social critic was Thomas Carlyle (1795–1881). Scottish novelists of prominence include Tobias George Smollett (1721–71); Sir Walter Scott (1771–1832); Robert Louis Stevenson (1850–94), also a poet; John Buchan, first Lord Tweedsmuir (1875–1940); and Sir James Matthew Barrie (1860–1937), who also wrote popular plays.

Distinguished figures who were active primarily in Wales include the 6th-century monk Dewi (d.588?), who became St. David, the patron saint of Wales; Rhodri the Great (844–77), who attained rule over most of Wales and founded two great ruling houses; Howel the Good (Hywel Dda, 910–50), whose reformed legal code became the standard of Welsh law for centuries; the Lord Rhys ap Gruffydd (1155–97), ruler of southern Wales, who founded the national Eisteddfod; Dafydd ap Gwilym (fl.1340–70), a remarkable poet; and Owen Glendower (Owain ap Gruffydd, 1359?–1416), the national hero of Wales, who led a rebellion against English rule. Bishop William Morgan (1541?–1604) made a Welsh translation of the Bible which, with revisions, is still in use. Among literary figures are Ellis Wynne (1671–1734), Daniel Owen (1836–95), and Sir Owen Morgan Edwards (1858–1920).

Two natives of Northern Ireland—Betty Williams (b.1943), a Protestant, and Mairead Corrigan (b.1944), a Roman Catholic—received the Nobel Peace Prize (awarded in 1977) for their leadership of a peace movement in Ulster.

## 49 DEPENDENCIES

British overseas dependencies include the British Indian Ocean Territory and St. Helena (described in the *Africa* volume under UK African Dependencies); and Bermuda, the British Antarctic Territory, the British Virgin Islands, the Cayman Islands, the Falkland Islands, The Turks and Caicos Islands, Anguilla and Montserrat (described in the *Americas* volume under UK American Dependencies).

### Gibraltar

The colony of Gibraltar (5.83 sq km/2.25 sq mi in area), the smallest UK dependency, is a narrow peninsula connected to the southwest coast of Spain. From a low, sandy plain in the north, it rises sharply in the 430-m (1,400-ft) Rock of Gibraltar, a shrub-covered mass of limestone, with huge caves. Gibraltar has a pleasantly temperate climate, except for occasional hot summers. Average annual rainfall is 89 cm (35 in). There is a rainy season from December to May. The resident civilian population, almost entirely of European origin, was estimated at 27,714 in mid-2002. Gibraltar is an important port of call for cargo and passenger ships. There is a naval base at the northeast gate of the Strait of Gibraltar and a military airfield that is used by private companies. Telegraph, ra-

dio, and television are privately operated. The telephone system is government owned.

Known as Calpe in ancient times, Gibraltar was successively occupied by Phoenicians, Carthaginians, Romans, and Visigoths. Its strategic value was recognized early. In AD 711, it was captured by Moors under Tariq, and since then it has been known as Jabal Tariq or Gibraltar. It remained in Moor hands, except for short periods, until Spain took it in 1462. In 1704, a combined English-Dutch fleet captured Gibraltar, and it was officially transferred to Britain by the Treaty of Utrecht in 1713. Since 1964, Spain has tried to negotiate the return of Gibraltar to Spanish control. However, in a referendum held in 1967, Gibraltarians voted overwhelmingly (12,138 to 44) to retain their link with Britain. Since then, Spain has continued to raise the issue at the UN and put direct pressure on the Gibraltarians by closing the land frontier between the peninsula and the Spanish mainland and suspending the ferry service between Gibraltar and Algeciras; the border was reopened to limited pedestrian traffic in December 1982 and fully reopened in February 1985.

Under the 1969 constitution, Gibraltar is governed by a House of Assembly with 18 members, 15 of whom are elected by popular vote. The governor (who is also commander of the fortress) retains direct responsibility for defense and external affairs and can intervene in domestic affairs.

Gibraltar was once largely dependent on British subsidies, but in the late 1990s had made the transition to private sector industry. Tourism (with about six million visitors annually), reexports (largely fuel for shipping), shipping services, and duties on consumer goods contribute to the economy. Local industries are tobacco and coffee processing. The Gibraltar pound is at par with the British pound. The financial sector accounts for about 15% of GDP. Exports in 1998 (mainly reexports of petroleum and petroleum products) totaled an estimated us\$81.1 million, and imports us\$492 million. There is an income tax and an estate duty.

Illiteracy is negligible. Education is compulsory between the ages of 5 and 15. There are 12 primary schools, two single-sex comprehensive secondary schools, and the College of Further Education. The armed forces have their own schools; attendance by civilian children is available. Language spoken at home include Spanish, Italian, and Portuguese, but the language of business and schools is English. The colony has a serious housing shortage.

#### Pitcairn Island

Pitcairn is a mountainous island of volcanic origin about 4.5 sq km (1.75 sq mi) in area, in the South Pacific at 25°4' s and 130°6' w. Three smaller islands (Henderson, Ducie, and Oeno) associated with Pitcairn are uninhabited. Pitcairn Island was discovered in 1767 by the British and settled in 1790 by H.M.S. *Bounty* mutineers and the Polynesian women who accompanied them from Tahiti. The population, mainly descendants of the *Bounty* mutineers, after reaching a peak of 233 in 1937, decreased to 120 in 1962 and to about 52 in 1992 to 47 in 2002. Most of the younger members of the community have migrated to New Zealand. The climate is warm, with very little change throughout the year.

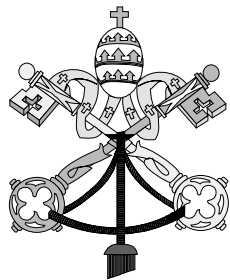
There is one village, Adamstown. Pitcairn is administered, together with the three other small islands, as a UK colony by the UK high commissioner in New Zealand. The local government consists of an island magistrate and a 10-member Island Council.

Six of the Council's members are elected. New Zealand dollars (NZ\$) are used locally; NZ\$1 = us\$0.5132 (or us\$1 = NZ\$1.9486). There is no port or harbor; goods from ships are conveyed ashore in longboats. Cargo ships plying the route between Panama and New Zealand call periodically.

The main occupation is subsistence agriculture. A small surplus of fresh fruit and vegetables is sold to passing ships. Fish are abundant. Imports, mainly food, come from New Zealand. Fruit, woven baskets, carved curios, and stamps are sold to ships' passengers.

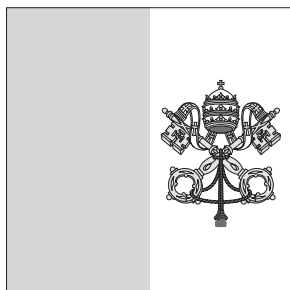
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# VATICAN

The Holy See (State of the Vatican City)  
*Santa Sede (Stato della Città del Vaticano)*



**CAPITAL:** Vatican City

**FLAG:** The flag consists of two vertical stripes, yellow at the hoist and white at the fly. On the white field, in yellow, are the crossed keys of St. Peter, the first pope, surmounted by the papal tiara (triple crown).

**ANTHEM:** *Pontifical March* (no words).

**MONETARY UNIT:** In 1930, after a lapse of 60 years, the Vatican resumed issuance of its own coinage—the lira (L)—but it agreed to issue no more than 300 million lire in any year. There are coins of 10, 20, 50, 100, and 500 lire. Both Italy and the Vatican adopted the euro as official currency in 2002. The euro is divided into 100 cents. There are coins in denominations of 1, 2, 5, 10, 20, and 50 cents and 1 euro and 2 euros. There are notes of 5, 10, 20, 50, 100, 200, and 500 euros. The Vatican lira is fixed at 1,936.17 lire per euro. €1 = \$1.25475 (or \$1 = €0.79697) as of 2005.

**WEIGHTS AND MEASURES:** The metric system is in use.

**HOLIDAYS:** Roman Catholic religious holidays; the coronation day of the reigning pope; days when public consistory is held.

**TIME:** 1 PM = noon GMT.

## <sup>1</sup>LOCATION, SIZE, AND EXTENT

Located within Rome, Vatican City is the smallest state in Europe and in the world. It is a roughly triangular area of 0.44 sq km (0.17 sq mi) lying near the west bank of the Tiber River and to the west of the Castel Sant'Angelo. On the west and south it is bounded by the Leonine Wall. The Vatican area comprises the following: St. Peter's Square, enclosed by Giovanni Lorenzo Bernini's quadruple colonnade; St. Peter's Basilica, the largest Christian church in the world, to which the square serves as an entrance; a quadrangular area north of the square in which there are administrative buildings and Belvedere Park; the pontifical palaces, or the Vatican proper, lying west of Belvedere Park; and the Vatican Gardens, which occupy about half the acreage.

Outside Vatican City itself, extraterritoriality is exercised over a number of churches and palaces in Rome, notably the Lateran Basilica and Palace in the Piazza San Giovanni, the Palace of San Callisto at the foot of the Janiculum hill, and the basilicas of Santa Maria Maggiore and San Paolo fuori le Mura. Extraterritoriality outside the city of Rome extends to the papal villa and its environs (almost 40 hectares/100 acres) at Castel Gandolfo, 24 km (15 mi) SE of Rome, and to the area (about 420 hectares/1,040 acres) at Santa Maria di Galeria, some 19 km (12 mi) N of Rome, where a Vatican radio station was established in 1957.

## <sup>2</sup>TOPOGRAPHY

Vatican City lies on a slight hill not far from the Tiber River.

## <sup>3</sup>CLIMATE

Winters are mild, and although summer temperatures are high during the day, the evenings are cold. Temperatures in January av-

erage 7°C (45°F); in July, 24°C (75°F). There is little rain from May to September; October and November are the wettest months.

## <sup>4</sup>FLORA AND FAUNA

The gardens are famous for their fine collection of orchids and other exotic flora. Vatican City, being entirely urban, does not have a distinctive fauna.

## <sup>5</sup>ENVIRONMENT

The environment of Vatican City is similar to that of Rome (see Italy). Though there are no specific endangered species, according to a 2006 report issued by the International Union for Conservation of Nature and Natural Resources (IUCN) there are five species with minimal or least concern. These are the long-tailed field mouse, the European water vole, the Crucian carp, the bank vole, and the red fox.

## <sup>6</sup>POPULATION

The population of Holy See in 2005 was estimated by the United Nations (UN) at 798, which placed it at number 193 in population among the 193 nations of the world. According to the UN, the annual population rate of change for 2005–10 was expected to be -0.9%, a rate the government viewed as satisfactory. The projected population for the year 2025 was 1,000. The population density was 2273 per sq km (5887 per sq mi).

## <sup>7</sup>MIGRATION

Does not apply.

## <sup>8</sup>ETHNIC GROUPS

Although the citizenry of the Vatican includes cardinals and other clergymen from all parts of the world, most of the inhabitants are

Italian. The members of the Swiss Guard are a notable exception. Pope Benedict XVI is German.

## **9** LANGUAGES

Italian is the official language of Vatican City, but Latin is the official language of the Holy See (the seat of jurisdiction of the pope as spiritual leader) and is employed for most papal encyclicals and other formal pronouncements. As the ordinary working language, Italian is in greater use. French, German, and other languages are used.

## **10** RELIGIONS

Vatican City is the center of the worldwide organization of the Roman Catholic Church and the seat of the pope. Roman Catholicism is the official religion and the primary business of the state itself.

## **11** TRANSPORTATION

Vatican City is easily reached by the public transportation system of Rome. It has its own railroad station, with 862 m (2,828 ft) of track, which connect to Italy's network at Rome's Saint Peter's station. Vatican City also has a helicopter landing pad.

## **12** HISTORY

Since the time of St. Peter, regarded by the Church as the first pope, Rome has been the seat of the popes, except in periods of great turbulence, when the pontiffs were forced to take refuge elsewhere, most notably in Avignon, France, from 1309 to 1377. The Roman papal residence before modern times was usually in the Lateran or Quirinal rather than in the Vatican Palace.

The Vatican City State and the places over which the Vatican now exercises jurisdiction are the sole remnants of the States of the Church, or Papal States, which at various times, beginning in 755, included large areas in Italy and, until the French Revolution, even parts of southern France. Most of the papal domain fell into the hands of King Victor Emmanuel II in 1860 in the course of the unification of Italy. By 1870, Pope Pius IX, supported by a garrison of French troops, retained rule over only the besieged city of Rome and a small territory surrounding it. Upon the withdrawal of the French garrison to take part in the Franco-Prussian War, the walls of Rome were breached by the besieging forces on 20 September, and the city fell. On 2 October, following a plebiscite, the city was annexed to the kingdom of Italy and made the national capital.

In May 1871, the Italian government promulgated a Law of Guarantees, which purported to establish the relations between the Italian kingdom and the papacy. The enactment declared the person of the pope to be inviolate, guaranteed him full liberty in his religious functions and in the conduct of diplomatic relations, awarded an annual indemnity in lieu of the income lost when the Papal States were annexed, and provided the right of extraterritoriality over the Vatican and the papal palaces. Pius IX refused to accept the law or the money allowance; he and his successors chose to become "prisoners of the Vatican." Until 1919, Roman Catholics were prohibited by the papacy from participating in the Italian government.

The so-called Roman Question was brought to an end by the conclusion on 11 February 1929 of three Lateran treaties between

the Vatican and Italy. One treaty recognized the full sovereignty of the Vatican and established its territorial extent. Another treaty was a concordat establishing the Roman Catholic Church as the state church of Italy. The remaining treaty awarded the Vatican 750 million old lire in cash and one billion old lire in interest-bearing state bonds in lieu of all financial claims against Italy for annexing the Papal States. The constitution of the Italian Republic, adopted in 1947, substantially embodies the terms of the Lateran treaties. In 1962–65, the Vatican was the site of the Second Vatican Council, the first worldwide council in almost a century. Convened by Pope John XXIII and continued under Paul VI, the Council resulted in modernization of the Church's role in spiritual and social matters.

Ecumenism was the hallmark of the reign (1963–78) of Pope Paul VI. In a move to further Christian unity, he met with Athanasios, the ecumenical patriarch of the Eastern Orthodox Church, in Jerusalem in 1964. In 1973, Paul VI conferred with the Coptic Orthodox patriarch of Alexandria; later in that same year, he met the exiled Dalai Lama, the first such meeting between a pope and a Buddhist leader. Steps were also taken to improve Roman Catholic-Jewish relations, including a 1965 declaration that Jews are not to be held collectively guilty of the death of Jesus. On doctrinal questions Pope Paul VI was generally conservative, reaffirming papal infallibility, disciplining dissident priests, and reiterating traditional Church opposition to all "artificial" methods of contraception, including abortion and sterilization. In September 1972, the concept of an all-male celibate priesthood was upheld.

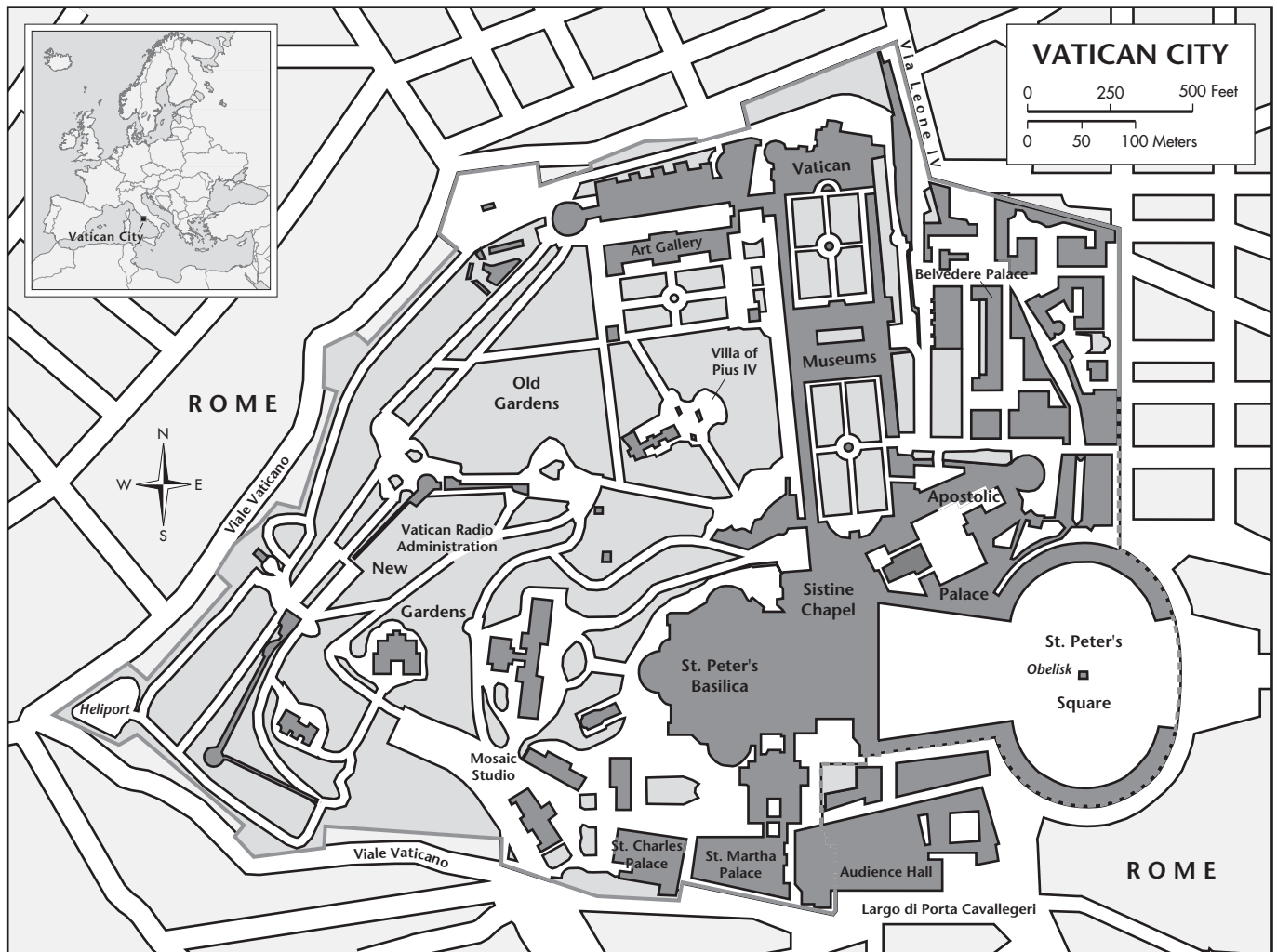
Pope Paul VI was succeeded by Pope John Paul I, who reigned for only 34 days. John Paul I's sudden death, on 28 September 1978, brought about the election of Polish Cardinal Karol Wojtyła as John Paul II, the first non-Italian pontiff elected in over 450 years. On 13 May 1981, John Paul II was wounded in Vatican Square by a Turkish gunman, who is serving a life sentence. The alleged accomplices, three Bulgarians and three Turks, were acquitted of conspiracy in the assassination attempt on 29 March 1986 because of lack of evidence.

During his reign (1978–2005), John Paul II traveled widely, a practice begun by Paul VI. He also established himself as a conservative in doctrinal matters, as indicated in 1982 by his elevation to the status of personal prelate of Opus Dei, an international organization of 72,000 laity and priests known for its doctrinal fidelity. He spent much of his papacy railing against materialism and moral laxity. During John Paul II's papacy, the Lateran treaties of 1929 were superseded in 1984 by a new concordat under which the pope retained temporal authority over Vatican City but Roman Catholicism was no longer Italy's state religion.

Throughout the 1990s, John Paul tried to build bridges to the Islamic world. Iran's president visited the Vatican in 1999 and a controversial trip to Iraq to talk to Saddam Hussein was cancelled that same year. He also traveled to Israel in March 2000 where he visited different Holocaust memorials during this trip and went to Bethlehem to reaffirm the Holy See's support for an independent Palestinian homeland.

John Paul II came out against embryonic or stem-cell research in 2001, stating it would lead to other evils such as "euthanasia and infanticide." Following the 11 September 2001 terrorist attacks on the United States, John Paul II urged harmony between Christians and Muslims. He initially stated that conflicts must





BOUNDARY LENGTHS: Italy, 3.2 kilometers (2 miles).

not be resolved by force, but by peaceful negotiation; however, he subsequently indicated the United States might need to use force against terrorists in the name of self-defense. When the Al Aqsa intifada—began in September 2000 in Israel and the West Bank and Gaza Strip—intensified in the spring of 2002, John Paul II appealed for peace in the region, saying “nothing is resolved by war.” He also reassured his firm belief in peace over the use of force during the 2002–03 diplomatic and military crisis in Iraq. Nevertheless, his criticism of the conflict did not prevent war. Following the defeat of the Saddam Hussein regime in April 2003, John Paul II stated the Iraqi people should be responsible for the rebuilding of Iraq, while working closely with the international community, meaning the UN.

The Vatican announced in December 2002 it would open its archives relating to interactions with Nazi Germany from 1922–39 to scholars. The Catholic Church has been criticized for not doing enough to stop the persecution of Jews during the Holocaust.

Following the eruption of sex scandals in the United States regarding pedophile priests, John Paul II called for an emergency meeting with US cardinals in April 2002. US bishops had approved a “zero tolerance” policy on priests accused of sexual abuse, which would have priests suspended immediately following an accusa-

tion of abuse, but the Vatican demanded certain protections for the rights of priests.

In May 2003, the Vatican officially confirmed the pope suffered from Parkinson’s disease. Despite his illness and his suffering from severe arthritis, John Paul II continued to travel exhaustively until his death on 2 April 2005.

Cardinal Joseph Ratzinger, a close confidante of John Paul II, was chosen on 19 April 2005 as the next pope, and was given the name Pope Benedict XVI. Ratzinger, originally from Cologne, Germany, was 78 years old at the time of his election; this made him the oldest pope ever elected. He predicted that his tenure would be short and that his primary purpose would be to complete John Paul II’s work. He was formally installed as pope on 24 April 2005. As a cardinal, Ratzinger was known as a hard-line advocate of Vatican orthodoxy. He strongly opposed abortion, homosexuality, and religious pluralism. A long-time friend and ally of John Paul II, Ratzinger’s selection as pope was greeted with dismay by more liberal factions within the Catholic Church. Many feared that he would divide, rather than unite, Catholics worldwide. In the early months of his papacy, Pope Benedict XVI supported the conservative stance of his predecessor. In May 2005, Benedict XVI called on voters in Italy to boycott a referendum

that would repeal restrictions on artificial insemination and embryonic research. However, in October 2005, the Vatican completed a document that appeared to relax its stance against homosexuality somewhat. A change in policy on those entering the priesthood suggested that gay men who had lived a chaste life for at least three years prior to their admission to a seminary would be eligible. Previously, the Vatican banned homosexuals from priesthood, regardless of their status.

### **13 GOVERNMENT**

The pope is simultaneously the absolute sovereign of the Vatican City State and the head of the Roman Catholic Church throughout the world. Since 1984, the pope has been represented by the cardinal secretary of state in the civil governance of Vatican City. In administering the government of the Vatican, the pope is assisted by the Pontifical Commission for the Vatican City State. Religious affairs are governed under the pope's direction by a number of ecclesiastical bodies known collectively as the Roman Curia.

The Pontifical Commission consists of seven cardinals and a lay special delegate, assisted since 1968 by a board of 21 lay advisers. Under the commission are the following: a central council (heading various administrative offices); the directorships of museums, technical services, economic services (including the postal and telegraph systems), and medical services; the guard; the Vatican radio system and television center; the Vatican observatory; and the directorship of the villa at Castel Gandolfo, the traditional summer residence of popes.

Much of the work of the Roman Curia is conducted by offices called sacred congregations, each headed by a cardinal appointed for a five-year period. These are the Sacred Congregation for the Doctrine of the Faith (responsible for faith and morals, including the examination and, if necessary, prohibition of books and other writings), the Sacred Congregation for Bishops (diocesan affairs), the Sacred Congregation for the Eastern Churches (relations between Eastern and Latin Rites), the Sacred Congregation for the Sacraments, the Sacred Congregation for Divine Worship, the Sacred Congregation for the Clergy, the Sacred Congregation for Religious Orders and Secular Institutes (monastic and lay communities), the Sacred Congregation for the Evangelization of Peoples (missions), the Sacred Congregation for the Causes of Saints (beatification and canonization), and the Sacred Congregation for Catholic Education (seminaries and religious schools). There are also secretariats for Christian unity, non-Christians, and non-believers, and there are permanent and temporary councils and commissions for various other functions.

A pope serves from his election until death. On his decease, the College of Cardinals is called into conclave to choose a successor from their number. The usual method is to vote on the succession; in this case, the cardinal who receives two-thirds plus one of the votes of those present is declared elected. Pending the election, most Vatican business is held in abeyance.

Before the reign of Pope John XXIII, the size of the College of Cardinals was limited to 70. Pope John raised the membership to 88, and his successor, Pope Paul VI, increased the number to 136. Paul VI also decreed that as of 1 January 1971, cardinals would cease to be members of departments of the Curia upon reaching the age of 80 and would lose the right to participate in the election

of a pope. In 2001, Pope John Paul II created 44 new cardinals, and the number of cardinals in the college at that time was 184, representing 68 countries. The 2005 conclave to select John Paul II's successor included 117 cardinals.

### **14 POLITICAL PARTIES**

Does not apply.

### **15 LOCAL GOVERNMENT**

Does not apply.

### **16 JUDICIAL SYSTEM**

For ordinary legal matters occurring within Vatican territory, there is a tribunal of first instance. Criminal cases are tried in Italian courts. There are three tribunals at the Vatican for religious cases. The Apostolic Penitentiary determines questions of penance and absolution from sin. The Roman Rota deals principally with marital issues but is also competent to handle appeals from any decisions of lower ecclesiastical courts. In exceptional cases, the Supreme Tribunal of the Apostolic Signature hears appeals from the Rota, which ordinarily is the court of last resort.

New codes of canon law for the government of the Latin Rite churches and the administration of the Curia were promulgated in 1918 and 1983. Eastern Rite churches have their own canon law.

### **17 ARMED FORCES**

The papal patrol force now consists only of the Swiss Guard, who, sometimes armed with such ceremonial weapons as halberds, walk their posts in picturesque striped uniforms supposedly designed by Michelangelo. The force was founded in 1506 and is recruited from several Roman Catholic cantons of Switzerland. It now numbers approximately 100 members. There is also a civilian security force, responsible to the Central Office of Security, which protects Vatican personnel and property, and the art treasures owned by the Church. The Vatican maintains its own jail.

### **18 INTERNATIONAL COOPERATION**

Vatican City's diplomatic relations are conducted by its secretariat of state and the Council for Public Affairs of the Church. The Vatican holds permanent observer status in the United Nations and several specialized agencies, such as UNESCO, IAEA, UNEP, WHO, the World Food Program (WFP), United Nations Center for Human Settlements (UNCHS), and the FAO. The Vatican is also an observer with the African Union and the WTO. It is a member of the OSCE, holds a guest seat in the Nonaligned Movement, and participates in the Organization for the Prohibition of Chemical Weapons (OPCW).

### **19 ECONOMY**

The Vatican, being essentially an administrative center, is dependent for its support on the receipt of charitable contributions, the fees charged those able to pay for the services of the congregations and other ecclesiastical bodies, and interest on investments. Funds are also raised from the sale of stamps, religious literature, and

mementos and from museum admissions. Vatican City's economy is not commercial in the usual sense.

The labor force is small and is primarily employed in services and small industry. Most of the people working in the Vatican (dignitaries, priests, nuns, guards, and 3,000 lay workers) live outside the city.

In 2002, the city budget totaled \$245.2 million, while expenditures reached \$260.4 million.

## **20** INCOME

Does not apply.

## **21** LABOR

The labor force consists mainly of priests and other ecclesiastics, who serve as consultants or councilors; about 3,000 laborers, who live outside the Vatican; the guards; the nuns, who do the cooking, cleaning, laundering, and tapestry repair; and the cardinals, archbishops, bishops, and other higher dignitaries. Some ecclesiastical officials live outside Vatican City and commute from the secular city. The Association of Vatican Lay Workers, a trade union, has 1,800 members.

Lay employees of the Vatican have always had to be Roman Catholics and swear loyalty to the Pope. Under a new set of rules of conduct implemented in October 1995, new employees have to sign a statement binding them to observe the moral doctrines of the Roman Catholic Church.

## **22** AGRICULTURE

Does not apply.

## **23** ANIMAL HUSBANDRY

Does not apply.

## **24** FISHING

Does not apply.

## **25** FORESTRY

Does not apply.

## **26** MINING

Does not apply.

## **27** ENERGY AND POWER

As of 1 November 2005, all electric power was supplied by Italy, but the Vatican's generating plant had a capacity of 5,000 kW in 1990.

## **28** INDUSTRY

A studio in the Vatican produces mosaic work, and a sewing establishment produces uniforms. There is a large printing plant, the Vatican Polyglot Press, which produces coins, medals, and postage stamps.

## **29** SCIENCE AND TECHNOLOGY

The Vatican promotes the study of science and mathematics through the Pontifical Academy of Sciences, which dates from

1603. The Vatican Observatory was begun by Pope Gregory XIII. It has modern instruments, an astrophysics laboratory, and a 33,000-volume library.

## **30** DOMESTIC TRADE

The Vatican is basically a noncommercial economy, with no major imports or exports. Primary domestic industries include printing, mosaics, and staff uniforms. Products for retail sale are primarily postage stamps, tourist souvenirs, and publications.

## **31** FOREIGN TRADE

Does not apply, as the Vatican does not really have foreign trade. Its entire economy is based on tourism and donations (known as Peter's Pence) from Catholics around the world. However, the Vatican remains extremely wealthy despite its complete lack of natural resources because of the priceless artwork it possesses.

## **32** BALANCE OF PAYMENTS

Does not apply.

## **33** BANKING AND SECURITIES

The Vatican bank, known as the Institute for Religious Works (Istituto per le Opere di Religione—IOR), was founded in 1942. It carries out fiscal operations and invests and transfers the funds of the Vatican and of Roman Catholic religious communities throughout the world. The Administration of the Patrimony of the Holy See manages the Vatican's capital assets.

## **34** INSURANCE

Does not apply.

## **35** PUBLIC FINANCE

State income is derived from fees paid by the public for visiting the art galleries and from the sale of Vatican City postage stamps, tourist mementos, and publications. The Vatican also receives income in the form of voluntary contributions (Peter's pence) from all over the world and from interest on investments. The Prefecture for Economic Affairs coordinates Vatican finances.

The US Central Intelligence Agency (CIA) estimated that in 2002 the Holy See's central government took in revenues of approximately \$245.2 million and had expenditures of \$260.4 million. Revenues minus expenditures totaled approximately -\$15.2 million.

## **36** TAXATION

Residents of Vatican City pay no taxes.

## **37** CUSTOMS AND DUTIES

Vatican City imposes no customs tariffs.

## **38** FOREIGN INVESTMENT

No recent figures are available.

## **39** ECONOMIC DEVELOPMENT

The Vatican administers industrial, real estate, and artistic holdings valued in the hundreds of millions of dollars. Investments

have been in a wide range of enterprises, with makers of contraceptives and munitions specifically excepted.

#### 40 SOCIAL DEVELOPMENT

Celibacy is required of all Roman Catholic clergy, except permanent deacons. The Church upholds the concept of family planning through such traditional methods as rhythm and abstinence but resolutely opposes such “artificial methods” as contraceptive pills and devices, as well as abortion and sterilization. Five important papal encyclicals—*Rerum Novarum* (1870), *Quadragesimo Anno* (1931), *Mater et Magistra* (1961), *Pacem in Terris* (1963), and *Laborem Exercens* (1981)—have enunciated the Church position on matters of workers’ rights and social and international justice.

#### 41 HEALTH

The health services directorate, under the Pontifical Commission for the Vatican City State, is responsible for health matters.

#### 42 HOUSING

A small portion of the Vatican Palace (about 200 out of 1,000 rooms) serve as the residence for the pope, the secretary of state, high court officials, high officials in close attendance to the pope, and some administrative and scientific officials. Quarters for the Swiss Guard and the gendarmes are also located in the palace. Some officials and visitors find housing in Italy just outside of the Vatican borders. There is no information available on other housing within the state itself.

#### 43 EDUCATION

The Vatican is a major center for higher education for Roman Catholic clergy, particularly those being trained for upper level church positions. Adult literacy is 100%. About 65 papal educational institutions are scattered throughout Rome; some of the more important (all prefixed by the word “Pontifical”) are the Gregorian University, the Biblical Institute, the Institute of Oriental Studies, the Lateran Athenaeum, the Institute of Christian Archaeology, and the Institute of Sacred Music. There were a total of 14,403 students in 1996 with 1,872 teaching staff in all higher-level institutions.

#### 44 LIBRARIES AND MUSEUMS

The Apostolic Library of the Vatican is one of the most famous in the world. Founded in 1450 by Pope Nicholas V, the collection includes more than 1.1 million books, 72,000 manuscripts, 8,300 incunabula, 80,000 archival files, and 100,000 engravings. The Vatican Secret Archives, so called because originally they were strictly private records of the Vatican affairs, were opened to students in 1880. Literary scholars come from all over the world to study the collection of manuscripts. In 1994, librarians began entering the entire card catalogue of printed books into a computerized file accessible via the Internet.

Besides over a dozen museums, some of which figure among the greatest in the world, Vatican City includes as part of its decoration frescoes painted by Raphael (in the Stanze), Michelangelo (in the Sistine and Pauline Chapels), and other great Renaissance artists. In April 1994, after more than 14 years of careful cleaning, Michelangelo’s frescoes became fully visible again. Among the museums in the Vatican are the Pius Clementine, the Chiaramon-

ti, and New Wing (exhibiting antique sculpture); the Gregorian Etruscan and the Gregorian Egyptian museums; the Pinacoteca (paintings); the Collection of Modern Religious Art; the frescoed chapels, rooms, and galleries; and the Sacred and the Profane museums, which are administered by the Vatican Library.

#### 45 MEDIA

The state maintains its own telegraph and postal facilities and has a 2,000-line automatic telephone exchange tied into the Italian system. Radio Vatican, founded in 1931, comprises two facilities, one in Vatican City proper and the other outside Rome at Santa Maria di Galeria. There are 3 AM and 4 FM stations; in addition, shortwave broadcasts can reach the entire world. Programs in 34 languages are broadcast regularly. There is also one television station. The Vatican Television Center, founded in 1983, produces and distributes religious programs. Agenzia Fides and Missionary Service News Agency are the primary news agencies.

Vatican City is an important center for publishing. A semiofficial newspaper of wide fame, *L’Osservatore Romano*, founded in 1861, is published daily, with an estimated 2002 circulation of 70,000 copies. Since 1934, the Vatican has also published *L’Osservatore della Domenica*, an illustrated weekly. The *Acta Apostolicae Sedis* (Record of the Apostolic See) appears regularly on a monthly basis and occasionally at other times; it publishes papal encyclicals and other official papers. An annual, the *Annuario Pontificio*, is issued as a record of the Vatican and the Roman Catholic hierarchy. The International Religious Press Service (Agenzia Internazionale Fides—AIF), founded in 1927, distributes news of missionary activity and publishes *Information* (weekly, in various languages, including English), *Documentation* (irregular), and *Photographic Service* (weekly).

In the mid-1990s, nearly 50 periodicals were published, with a total circulation of almost 60,000. The book publishers for the Vatican are the Vatican Editions (Libreria Editrice Vaticana), the Vatican Apostolic Library (Biblioteca Apostolica Vaticana), and the Vatican Polyglot Press (Tipografia Poliglotta Vaticana).

#### 46 ORGANIZATIONS

The organizations at the Vatican are chiefly learned societies devoted to theology, science, archaeology, liturgy, and martyrdom. The Pontifical Academy of Sciences promotes study in mathematics and the physical and natural sciences. The Pontifical Council for Culture, founded in 1982, focuses on the study of unbelief and religious indifference, particularly concerning the cause and effect of nonreligious or antireligious attitudes in various cultures. The Apostleship of the Sea, based in the Vatican, is an organization of ship, port, and nautical school chaplains (and other sailors) who offer a wide variety of support to maritime workers and their families. Caritas International, representing social service organizations in 200 countries, is based in the Vatican. The World Federation of Catholic Medical Associations is also based in the Vatican.

#### 47 TOURISM, TRAVEL, AND RECREATION

The Vatican is regularly visited by tourists in Rome, by pilgrims attracted by the jubilees proclaimed by the pope every 25 years, and by other special occasions. While there are no public accommodations in the Vatican, special inexpensive facilities are often

arranged in Rome for pilgrims. No passport or identification is usually needed for admission to the public parts of the Vatican.

In 2005, the US Department of State estimated the average daily spending in the Vatican at \$490.

#### 48 FAMOUS POPES

By virtue of their position of world importance, many popes are persons of fame. Among those who greatly increased the secular power of the papacy were St. Gregory I (the Great, 540?–604), pope from 590 to 604, who also was influential in matters of doctrine, liturgy, and missionary work; St. Gregory VII (Hildebrand, 1020?–1085), pope from 1073 to 1085, who engaged in conflict with Holy Roman Emperor Henry IV, forcing him to do public penance at the village of Canossa, and later was driven from Rome by him; and Alexander VI (Rodrigo Lanzol y Borja, b. Spain, 1431?–1503), pope from 1492 to 1503, who also divided colonial territories in the New World between Spain and Portugal.

The most significant 19th-century pope was Pius IX (Giovanni Maria Mastai-Ferretti, 1792–1878), pope from 1846 to 1878, who lost the Papal States to the kingdom of Italy and convened the First Vatican Council (1869–70), which established the doctrine of papal infallibility in matters of faith and morals. The first popes who reigned since the establishment of the Vatican City State in 1929 were Pius XI (Achille Damiano Ratti, 1857–1939), from 1922 to 1939, and Pius XII (Eugenio Pacelli, 1876–1958), from 1939 to 1958.

John XXIII (Angelo Giuseppe Roncalli, 1881–1963), pope from 1958 to 1963, made history by convening the Second Vatican Council (1962–65), by altering the text of the canon of the mass for the first time since the 7th century, and by strongly defining the position of the Church on problems of labor and social progress (in his encyclical *Mater et Magistra* of June 1961). His greatest achievement was generally considered to be his eighth encyclical, *Pacem in Terris* (issued on 10 April 1963), a profound plea for peace, in which he hailed the UN as a defender of human rights.

Paul VI (Giovanni Battista Montini, 1897–1978), pope from 1963 to 1978, continued Pope John's effort to attain unity of the Christian world. On 4 October 1965, he addressed the UN General Assembly, appealing for world peace and international cooperation. He presided over the concluding sessions of the Second

Vatican Council and traveled to many places, including the Holy Land.

Albino Luciani (1912–78), patriarch of Venice, was elected pope on 26 August 1978 and took the name John Paul I. He died on 28 September after a reign of only 34 days. His successor, John Paul II (Karol Wojtyła, 1920–2005), was elevated to the papacy on 16 October 1978. This former archbishop of Cracow was not only the first Polish pope but also the first non-Italian pope since the Renaissance. Despite suffering severe wounds in a 1981 assassination attempt, John Paul II continued to travel widely. To the dismay of Jewish and other leaders, John Paul II granted Austrian President Kurt Waldheim (b.1918) an audience in June 1987, despite accusations that Waldheim had taken part in war crimes during World War II when he was an officer in the German army. John Paul opposed abortion, contraception, homosexuality, divorce, the ordination of women, capital punishment, embryonic stem cell research, euthanasia, and war. He died on 2 April 2005.

A German pope, Pope Benedict XVI (Joseph Alois Ratzinger, b.1927) succeeded John Paul II in 2005, and continued the traditional Catholic doctrines mapped out by his predecessor.

#### 49 DEPENDENCIES

The Vatican has no territories or colonies.

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# INDEX TO COUNTRIES AND TERRITORIES

This alphabetical list includes countries and dependencies (colonies, protectorates, and other territories) described in the encyclopedia. Countries and territories described in their own articles are followed by the continental volume (printed in *italics*) in which each appears. Country articles are arranged alphabetically in each volume. For example, Argentina, which appears in *Americas*, is listed this way: Argentina—*Americas*. Dependencies are listed here with the title of the volume in which they are treated, followed by the name of the article in which they are dealt with. In a few cases, an alternative name for the same place is given in parentheses at the end of the entry. The name of the volume *Asia and Oceania* is abbreviated in this list to *Asia*.

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